

ON DECK FOR THURSDAY, APRIL 18

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest	
CA	04/18	08:30	Retail Sales (m/m)	Feb	0.3	0.4	-0.3	
CA	04/18	08:30	Retail Sales ex. Autos (m/m)	Feb	0.2	0.2	0.1	
US	04/18	08:30	Initial Jobless Claims (000s)	APR 13	200	205	196	
US	04/18	08:30	Continuing Claims (000s)	APR 6	1720	1722	1713	
US	04/18	08:30	Philadelphia Fed Index	Apr	--	11.0	13.7	
US	04/18	08:30	Retail Sales (m/m)	Mar	1.2	1.0	-0.2	
US	04/18	08:30	Retail Sales ex. Autos (m/m)	Mar	1.0	0.7	-0.4	
US	04/18	10:00	Business Inventories (m/m)	Feb	--	0.3	0.8	
US	04/18	10:00	Leading Indicators (m/m)	Mar	--	0.4	0.2	
US	04/18	12:10	Fed's Bostic Speaks at an Economic Roundtable Event in Florida					

KEY POINTS:

- Risk-off into a holiday weekend
- Mueller report's release is well timed into market closures!
- US retail sales could tee up a solid entry into Q2
- CDN retail sales: mild gain tentatively expected
- US Philly Fed, claims on tap
- Australia's job creating machine keeps running hot
- BoK not as dovish as perhaps expected
- Eurozone PMIs may be signalling a bottom for GDP growth
- UK consumers ignored Brexit and went shopping

INTERNATIONAL
A broad risk-off tone is sweeping through global markets this morning.

Going into a holiday weekend, markets may be prone to overstated swings. Caution toward leaving risky positions open may be sensible – especially in Europe with a four day weekend ahead. US bond markets shut at 2pmET and Canada's bond markets shut at 1pmET ahead of tomorrow's market holidays. Soft Eurozone PMIs and apprehension ahead of key US (retail, Philly, claims) and Canadian (retail, ADP) macro reports would be enough reason for a cautious market stance into a long weekend even if not for US politics that will heat up today. North Korea's testing of another guided missile hit stocks in Seoul particularly hard with some reverberation abroad ahead of his announced meeting with Putin. Nevertheless, I thought the European data signalled bottoming in Eurozone GDP growth while the UK consumer is ripping along quite nicely as wages dominate Brexit concerns. The Mueller report—redacted, colour-coded, and spun eight ways to Sunday—will be released between 11am and noon according to Bloomberg, and hence after the 9:30amET press conference hosted by Attorney General Barr and Rod Rosenstein. Controversy will extend into the weekend and well beyond, but one can't help but note the timing of the release just before markets pack up and when Americans head off for holiday. Regional markets were influenced by a less dovish than expected Bank of Korea and a strong Australian jobs report.

- The USD is appreciating on a DXY basis and against most crosses except for the other safe havens (yen, Swiss franc), but it's vulnerable into US data and political developments.

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Eurozone GDP Growth and PMIs


Sources: Scotiabank Economics, IHS Markit, Haver Analytics, Bloomberg.

US Personal Saving Rate


Sources: Scotiabank Economics, Bureau of Economic Analysis.

- Sovereign bonds are bid everywhere. US Treasuries are bull flattening with the 10 year yield down 3bps this morning. Canada's curve is performing similarly. Gilts are slightly dearer but underperforming bunds and French bonds that are more significantly bull flattening.
- Oil prices are up a little partly in the aftermath of the inventory draw the US registered yesterday.
- US equity futures are little change but slightly negative along with TSX futures. European exchanges are mixed with London down slightly but the DAX and CAC40 are leading gainers (+0.3%). Asian equities were a sea of red overnight with declines of between ¼% to as much as 1½% in Seoul.

Eurozone purchasing managers' indices were little changed in this month's suite of releases. The best one can say is that the decline in the Eurozone composite PMI that was correlated with the deceleration in GDP growth is probably hitting bottom which implies GDP growth is bottoming as well. This is shown in the accompanying chart. The Eurozone composite reading slipped a touch to 51.3 (51.6 prior, 51.8 consensus) while the manufacturing PMI edged higher to a still contractionary reading of 47.8 (48 consensus, 47.5 prior) and the services PMI fell to 52.5 (53.3 prior, 53.1 consensus). Germany fared better than the Eurozone composite with mild improvements to both the services and manufacturing PMIs although the latter still remains in contraction. France also fared better on the composite PMI and the services component but the manufacturing PMI ticked lower. By extension, it was other parts of the Eurozone that deteriorated as offsets to the improvements in Germany and France but we won't find out about the readings for countries like Italy and Spain until early May and with that revision risk to the Eurozone tallies.

British consumers looked at the Brexit theatrics on their tellies and phones, shrugged their shoulders, and went shopping. March retail sales volumes excluding fuel soared by 1.2% m/m (-0.3% consensus, 0.4% prior revised up two-tenths). Including fuel, sales volumes were up 1.1%. For Q1 overall, retail sales volumes were up by a whopping 5.5% at a seasonally adjusted and annualized rate over Q4. Q4 was flat (-0.4%) after a large 6.1% rise in Q3. Overall, the consumer shopping trend is holding up better than it might have been expected to and with jobs and wage gains helping. In volume terms, consumers bought more clothing and footwear (+1% m/m), household goods (+1.8%) and food (+1.1%).

Australia remains a job creating machine. The country added 25,700 jobs in March (15k consensus) and the prior month was revised up to 10.7k (4.6k prior). The labour force participation rate ticked up to 65.7% and unlike other countries this is trending around a cycle and long-term high. The unemployment rate ticked up to 5% as the number of employed grew slightly slower than those seeking work. Since the start of last year, Australia has added 345,000 jobs. The A\$ briefly rallied following the release but quickly succumbed to the pro-USD risk-off tone.

The Bank of Korea held its policy repo rate at 1.75% as universally expected. The broad tone was generally dovish on modest forecast downgrades. Inflation is now expected to rise by 1.1% this year, down from 1.4% in the prior forecast and well below the 2% inflation target. The won is weaker this morning, but outperforming most other currency pairs to the USD as **the central bank held back from going further in guiding toward policy easing that markets may have expected.** The policy decision ([here](#)) provided no easing guidance by noting growth will ride in line with potential growth and Governor Lee's verbal guidance pushed back on recession fears.

UNITED STATES

US markets will mainly focus upon retail sales for March at 8:30amET. It's expected to be an upbeat report with consensus at +1.0% m/m and my estimate is 1.2%. If this comes true, then it could be among the cycle's largest monthly gains and the largest since last May. Vehicle sales were up by 5.7% m/m in volume terms and gas prices were higher by 16%, while core sales ex-autos-and-gas are expected to rebound from the prior month's 0.6% decline. There remains a case to be made for unwinding a temporary run-up in the saving rate that had various contributing drivers including weather and earlier confidence hits; reversing this run-up to a steadier state saving rate would imply a burst of pent-up demand being released. See chart.

US markets will also consider jobless claims for last week (8:30amET) that push right into the nonfarm payrolls reference period that is the pay period including the 12th of each month, and the **Philly Fed's business outlook gauge** for April (8:30amET) that serves as an advance indicator for ISM-manufacturing but is largely a random number generator.

CANADA

Canada updates retail sales for a month behind the US and UK. The February reading is cautiously expected to register mild growth in headline sales and sales ex-autos following a soft January but the variety of readings to go by in estimating Canadian retail sales is pretty thin. One key issue remains how to translate what is thought to have happened to auto sales reported by auto companies and seasonally adjusted into how StatsCan measures them in the retail sales report. Canada also updates the ADP payrolls report for March at 8:30amET but it rarely gets much market attention.

Fixed Income	Government Yield Curves (%):												Central Banks	
	2-YEAR			5-YEAR			10-YEAR			30-YEAR			Current Rate	
	Last	1-day	1-wk	Last	1-day	1-wk	Last	1-day	1-wk	Last	1-day	1-wk		
U.S.	2.38	2.40	2.36	2.37	2.40	2.31	2.57	2.59	2.50	2.98	3.00	2.93	Canada - BoC	1.75
CANADA	1.65	1.66	1.59	1.64	1.66	1.59	1.79	1.82	1.74	2.07	2.09	2.02	US - Fed	2.50
GERMANY	-0.57	-0.57	-0.58	-0.38	-0.36	-0.43	0.05	0.08	-0.01	0.70	0.74	0.63	England - BoE	0.75
JAPAN	-0.15	-0.14	-0.16	-0.15	-0.13	-0.17	-0.03	-0.01	-0.06	0.56	0.58	0.52	Euro zone - ECB	0.00
U.K.	0.78	0.79	0.74	0.93	0.95	0.88	1.22	1.24	1.15	1.73	1.74	1.67	Japan - BoJ	-0.10
	Spreads vs. U.S. (bps):													
CANADA	-74	-74	-76	-73	-74	-73	-77	-78	-76	-91	-91	-91	Mexico - Banxico	8.25
GERMANY	-295	-297	-293	-275	-277	-274	-252	-251	-251	-228	-226	-229	Australia - RBA	1.50
JAPAN	-253	-254	-252	-253	-253	-248	-259	-260	-255	-242	-241	-241	New Zealand - RBNZ	1.75
U.K.	-160	-162	-162	-144	-146	-143	-135	-136	-135	-125	-125	-125	Next Meeting Date	
Equities	Level			Change			1 Day			% change:				
	Last						1 Day	1-wk	1-mo	1-yr				
S&P/TSX	16544			42.0			0.3	0.9	1.8	6.5			Canada - BoC	Apr 24, 2019
Dow 30	26450			-3.1			-0.0	1.1	2.1	6.9			US - Fed	May 01, 2019
S&P 500	2900			-6.6			-0.2	0.4	2.4	7.1			England - BoE	May 02, 2019
Nasdaq	7996			-4.1			-0.1	0.4	3.7	9.6			Euro zone - ECB	Jun 06, 2019
DAX	12201			48.1			0.4	2.2	4.7	-3.1			Japan - BoJ	Apr 25, 2019
FTSE	7459			-12.4			-0.2	0.6	2.2	1.9			Mexico - Banxico	May 16, 2019
Nikkei	22090			-187.9			-0.8	1.7	2.3	-0.3			Australia - RBA	May 07, 2019
Hang Seng	29963			-161.4			-0.5	0.4	1.9	-1.1			New Zealand - RBNZ	May 07, 2019
CAC	5581			18.2			0.3	1.7	3.1	3.7				
Commodities	Level			Change			1 Day			% change:				
	Last						1 Day	1-wk	1-mo	1-yr				
WTI Crude	63.97			0.21			0.3	0.6	8.3	-6.6			England - BoE	May 02, 2019
Natural Gas	2.51			-0.01			-0.4	-5.9	-12.0	-8.5			Euro zone - ECB	Jun 06, 2019
Gold	1276.28			2.27			0.2	-1.3	-2.1	-5.4			Japan - BoJ	Apr 25, 2019
Silver	15.00			0.06			0.4	-1.6	-2.3	-9.8			Mexico - Banxico	May 16, 2019
CRB Index	186.61			0.01			0.0	-0.4	1.0	-8.1			Australia - RBA	May 07, 2019
Currencies	Level			Change			1 Day			% change:				
	Last						1 Day	1-wk	1-mo	1-yr				
USDCAD	1.3384			0.0043			0.3	0.0	0.4	6.0			New Zealand - RBNZ	May 07, 2019
EURUSD	1.1253			-0.0043			-0.4	0.0	-0.7	-9.1				
USDJPY	111.90			-0.1600			-0.1	0.2	0.4	4.4				
AUDUSD	0.7160			-0.0019			-0.3	0.5	0.8	-8.0				
GBPUSD	1.3013			-0.0030			-0.2	-0.3	-1.8	-8.4				
USDCHF	1.0116			0.0011			0.1	0.9	1.0	4.4				

Source: Bloomberg. All quotes reflect Bloomberg data as at the time of publishing. While this source is believed to be reliable, Scotiabank cannot guarantee its accuracy.

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