

ON DECK FOR MONDAY, APRIL 22

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	04/22	10:00	Existing Home Sales (mn a.r.)	Mar	5.2	5.3	5.5
US	04/22	10:00	Existing Home Sales (m/m)	Mar	-5.0	-3.8	11.8

KEY POINTS:

- Oil and petro-currencies in rally mode
- US expected to announce an end to Iranian sanction waivers
- The US could be naively counting upon others to increase oil production
- European markets shut for Easter
- US home resales face downside risk
- Global Week Ahead

Please see the attached Global Week Ahead [here](#). Key risks this week will include:

- CBs: BoC, BoJ, BanRep, Riksbank, BI
- US GDP
- US earnings
- CPI: Australia, Brazil, Malaysia
- US durables, housing
- German IFO
- Putin-Kim
- Korean GDP

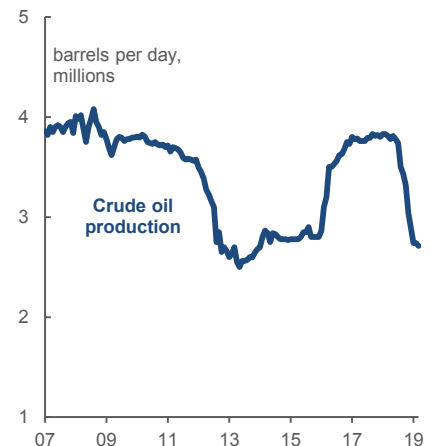
INTERNATIONAL

Oil markets and petro-currencies are bullishly dominating otherwise placid global markets with European markets still shut for Easter. A pending US announcement to end waivers on Iranian sanctions has oil in rally mode. As a result, CAD is rallying and Canadian government bonds are cheapening ahead of the BoC's statement, forecasts and press conference on Wednesday. US markets will only face home resales with very little earnings risk today.

- Oil prices are up by over 2%. WTI is up US\$1.50 to US\$65.30 with Brent up by a little more to US\$73.65. Some of this will flow through into Canada Western Select and other domestic Canadian oil price benchmarks. At just shy of US\$54, WCS is trending around the highest since July of last year.
- The USD is little changed overall on a DXY basis this morning. Petro-currencies are leading the pack with CAD out in front, the Norwegian krone following closely behind and the Mexican peso among the added beneficiaries.
- Canadian bond yields are slightly underperforming Treasuries this morning. Canadian yields are up by 1–2bps across the curve in a slight bear steepener while Treasuries are generally little changed.

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Iran Still Produces A Lot Of Oil

Saudi Arabian Oil Output


- US equity futures are down by about ¼% with TSX futures flat. Asian equities were mixed with Tokyo and Seoul flat and mainland China's exchanges down by about 1½% while Hong Kong is shut.

Oil is rallying hard this morning following weekend reports that US Secretary of State Mike Pompeo plans an announcement today that would end waivers on sanctions that were established to eliminate global demand for Iranian oil and penalize countries that violate the sanctions.

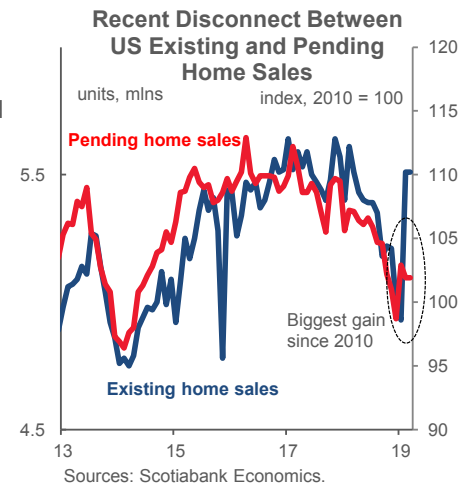
The waivers were introduced in November and are presently slated to end on May 2nd. Five nations—China, India, Japan, South Korea and Turkey—presently have such waivers. **There is some concern about the impact upon allies and any risk to US-China trade negotiations.** The other three countries with waivers—Italy, Taiwan and Greece—had already ceased oil imports from Iran.

After an embargo was lifted by the Obama administration through the nuclear deal in 2015, Iran's return drove a large increase in Iranian oil production. When the Trump administration re-imposed sanctions last year, Iran's oil production fully reversed the prior rise (see first chart). **At issue now is an attempt to drive the remaining 2.7 million barrels to zero, whether there will be cheating on sanctions one way or the other, and what to do about it if so.**

The US claims that higher output commitments have been secured from other producers including the Saudis, but oil markets may be skeptical toward the claim in light of the shaky and temporary pact that Trump and MBS struck last year after the Saudis murdered Jamal Khashoggi. Since then, the Saudis have dropped production again as part of the OPEC+ cuts (second chart). The focus will then shift toward the June OPEC+ meeting that faces uncertainty over whether to extend production cuts with some including the Russians objecting to doing so.

UNITED STATES

The US releases existing home sales this morning (10amET). A reversal of at least some of the prior month's 11.8% jump in completed resale transactions is expected and there may be revision risk. That would restore a tighter connection with pending home sales (sales before closing) after a wild disconnect in February (see chart).



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	2.38	2.39	2.38	2.37	2.37	2.57	2.56	2.56	2.98	2.96	2.97	Canada - BoC	1.75
CANADA	1.63	1.62	1.61	1.63	1.61	1.61	1.79	1.76	1.77	2.07	2.05	2.06	US - Fed	2.50
GERMANY	-0.57	-0.57	-0.56	-0.39	-0.39	-0.38	0.03	0.03	0.06	0.68	0.68	0.71	England - BoE	0.75
JAPAN	-0.15	-0.15	-0.16	-0.15	-0.15	-0.16	-0.03	-0.03	-0.03	0.59	0.60	0.56		
U.K.	0.77	0.77	0.78	0.91	0.91	0.93	1.20	1.20	1.21	1.71	1.71	1.73		
Spreads vs. U.S. (bps):														
CANADA	-76	-76	-79	-75	-76	-76	-79	-80	-78	-91	-91	-91	Euro zone - ECB	0.00
GERMANY	-296	-296	-295	-277	-277	-275	-255	-254	-250	-230	-228	-226	Japan - BoJ	-0.10
JAPAN	-253	-253	-255	-253	-252	-253	-261	-259	-258	-239	-237	-241		
U.K.	-162	-162	-161	-147	-146	-144	-138	-136	-134	-126	-125	-124	Mexico - Banxico	8.25
Equities	Level						% change:							
	Last			Change	1 Day	1-wk	1-mo	1-yr						
S&P/TSX	16613			68.6	0.4	1.3	2.6	7.5					Australia - RBA	1.50
Dow 30	26560			110.0	0.4	1.6	2.6	7.7					New Zealand - RBNZ	1.75
S&P 500	2905			4.6	0.2	0.6	2.6	7.9					Next Meeting Date	
Nasdaq	7998			2.0	0.0	0.6	3.5	10.5					Canada - BoC	Apr 24, 2019
DAX	12222			69.3	0.6	2.4	3.7	-2.7					US - Fed	May 01, 2019
FTSE	7460			-11.4	-0.2	0.6	1.9	1.8					England - BoE	May 02, 2019
Nikkei	22218			17.3	0.1	0.2	2.7	0.3					Euro zone - ECB	Jun 06, 2019
Hang Seng	29963			-161.4	-0.5	0.4	1.7	-2.4					Japan - BoJ	Apr 25, 2019
CAC	5580			17.3	0.3	1.7	2.8	3.5					Mexico - Banxico	May 16, 2019
Commodities	Level						% change:							
WTI Crude	65.35			1.35	2.1	2.3	10.7	-4.4					England - BoE	May 02, 2019
Natural Gas	2.51			0.02	0.7	-5.8	-8.9	-8.5					Euro zone - ECB	Jun 06, 2019
Gold	1278.36			2.97	0.2	-0.7	-2.7	-4.3					Japan - BoJ	Apr 25, 2019
Silver	14.96			-0.05	-0.3	-1.4	-2.8	-11.7						
CRB Index	188.31			1.18	0.6	-0.0	1.7	-6.7						
Currencies	Level						% change:							
USDCAD	1.3357			-0.0034	-0.3	-0.1	-0.5	4.0					Mexico - Banxico	May 16, 2019
EURUSD	1.1249			0.0004	0.0	-0.5	-0.5	-7.9					Australia - RBA	May 07, 2019
USDJPY	111.94			0.0200	0.0	-0.1	1.8	3.0					New Zealand - RBNZ	May 07, 2019
AUDUSD	0.7137			-0.0015	-0.2	-0.5	0.8	-6.2						
GBPUSD	1.2986			-0.0007	-0.1	-0.9	-1.7	-6.8						
USDCHF	1.0147			0.0001	0.0	1.1	2.1	3.7						

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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