

ON DECK FOR TUESDAY, APRIL 30

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	04/30	08:30	IPPI (m/m)	Mar	--	--	0.3
CA	04/30	08:30	Raw Materials Price Index (m/m)	Mar	--	--	4.6
CA	04/30	08:30	Real GDP (m/m)	Feb	0.0	0.0	0.3
US	04/30	08:30	Employment Cost Index (q/q)	1Q	0.7	0.7	0.7
US	04/30	09:00	S&P/Case-Shiller Home Price Index (m/m)	Feb	0.2	0.2	0.1
US	04/30	09:00	S&P/Case-Shiller Home Price Index (y/y)	Feb	3.2	3.1	3.6
US	04/30	10:00	Consumer Confidence Index	Apr	127.5	126.5	124.1
US	04/30	10:00	Pending Home Sales (m/m)	Mar	--	0.7	-1.0

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KEY POINTS:

- **Markets tame as earnings, US-China & green shoots compete for attention**
- **Oil rallies on Saudi cut guidance**
- **Eurozone Q1 GDP better than feared**
- **Eurozone inflation jumps...**
- **...especially in Germany....**
- **...but be cautious until the Easter effect can be evaluated**
- **Chinese PMIs slip, but retain bulk of improvement**
- **CDN GDP could be just about scorekeeping**
- **BoC's Poloz/Wilkins to testify before Parliament**
- **US macro: ECI, confidence, housing data**
- **Mexican GDP expected to post soft growth**
- **European consumers were generally upbeat**

INTERNATIONAL

Heavy release schedules for global data continue to inform green shoots as Chinese PMIs slipped but retained most of the prior month's improvement while European macro evidence was generally positive. **Oil is rallying** on comments by Saudi Arabia. **Canada updates GDP** just for scorekeeping purposes but likely with little informative value to the BoC as **Governor Poloz and SDG Wilkins testify** before a Parliamentary committee later this morning. **Several US macro releases** will see the bulk of the emphasis placed upon employment costs and consumer confidence. **US-China trade negotiations started again at a high level in Beijing today and a heavy earnings release schedule continues.** **Mexico's GDP growth for Q1** is also on tap and expected to remain soft.

- **Oil prices are up by a buck in terms of both WTI and Brent because of comments out of Saudi Arabia.** SA's energy minister repeated a focus upon clearing excess inventories and hinted at an extension of OPEC+ cuts when he said they are "trying to correct it via our OPEC+ agreement, maybe from July to the end of the year."
- Sovereign bond yields are mixed with gilts and European government bond yields up by about 2–4bps in 10s, Canada 10s only a tick higher to 1.73% and US Treasuries flat.

- US and Canadian equity futures are little changed while European cash markets range from a roughly ¼% decline in London and Paris to a flat DAX and ¼% rise in Milan. Asian equities saw HK drop by 0.7%, mainland China rally by ½%+, and Seoul decline by ½% with Tokyo shut for Golden Week.
- The USD is broadly softer this morning as pound sterling outshines other crosses.

China's soft patch evidence suffered a modest setback overnight. Purchasing managers' indices slipped a little, but **they still retained the bulk of the improvement that was registered during the prior month.** Recall that 50 is the dividing line between expansion (above) and contraction (below). The composite purchasing managers' index fell to 53.4 from 54 previously. The manufacturing PMI declined to 50.1 (50.5 prior) and the non-manufacturing PMI fell a half point to 54.3. All were a little below consensus. The private sector version of the manufacturing PMI also declined to 50.2 (50.8 prior).

Europe's soft patch wasn't as bad as might have been feared coming into the start of the year. It's not great by any stretch and the consensus beats for a suite of data were small on average, but it's no recession. **Eurozone-wide GDP growth was 0.4% q/q** at a non-annualized but seasonally adjusted rate (consensus 0.3%, 0.2% prior). Italy posted slightly better than expected growth of 0.2% (0.1% consensus, -0.1% prior) and hence **Italy's technical recession ended. Spain's economy grew by 0.7% q/q which was the fastest since 2017Q4** (0.6% consensus). France's economy grew in line with expectations at 0.3% q/q.

Eurozone inflation accelerated and because of Germany it is likely surpassing expectations. Be somewhat careful until greater details are released later because of the potential for an 'Easter Bunny' effect given the shifting timing of the annual Easter holiday which was later than usual this morning. The EU inflation add-up arrives on Friday. The German add-up jumped by 1.0% m/m or double consensus expectations and rose to 2.1% y/y (1.4% prior, 1.7% consensus). **All of the German states registered substantial accelerations.** Inflation jumped by a half point to 1.9% y/y in each of Saxony and Brandenburg, Bavaria also saw a half point rise to 2.0%, while Hesse saw a seven-tenths rise to 1.8% and each of North Rhine Westphalia and Baden Wuerttemberg jumped six-tenths to 2.1%. On an EU-harmonized basis, **French CPI was up 1.4% y/y** (1.4% consensus, 1.3% prior). **Spanish CPI met expectations** with a rise of 1.6% y/y (1.5% consensus, 1.3% prior). **Italian CPI was up by 1.2% y/y** (1.3% consensus, 1.1% prior).

There were also glimmers of optimism in European consumer spending figures out of France and Spain. While French spending fell 0.1% m/m against expectations for a rebound from the 0.4% drop the prior month, that was mostly due to energy and food as spending on autos (+2.3% m/m) and household big-ticket items (+0.5%) were among the bright spots. In Spain, retail sales volumes were up 0.4% m/m for the third straight monthly rise at a healthy annualized pace.

Mexico will report Q1 GDP growth at 9amET. Consensus estimates 0.3% q/q non-annualized with a range from -0.1% to +0.4%. Scotia's economists in Mexico City estimate growth at 0.2% q/q and 1.4% y/y.

Green shoots also resurfaced in **South Korea, where industrial output advanced by 1.4% m/m** but this follows a large 3.4% decline that by a whisker had been the largest monthly decline since 2008.

UNITED STATES

US markets will face a few macro reports this morning as follows:

Consumer confidence (10amET): The Conference Board's reading for April could improve on the back of factors such as the rebound in job growth.

Employment Cost Index (8:30amET): The Q1 reading provides a full assessment of wage and benefits pressures with the expectation that total costs advanced at a similar pace to the Q4 increase of 0.7% q/q non-annualized. Any significant surprise here could dominate Canadian GDP as a driver of movements in USDCAD.

Pending home sales (10amET): Sales are expected to post a modest rise along a very volatile pattern. New home sales have been where the stronger evidence of an accelerating housing market has been so far this year.

Repeat sales home prices (9amET): The S&P/CS/CL measure of same homes repeatedly sold over time is expected to register a further deceleration to around 4% y/y which could be the softest since 2012.

CANADA

Canada will update GDP for February (8:30amET). Consensus expects no growth and my estimate matches that at 0% m/m. The range of consensus estimates runs from -0.2% to +0.1%. There is so much noise in monthly GDP figures and unobservable components that attempts to estimate growth are subject to pretty wide confidence bands. Please see the Canada section of the Global Week Ahead (here) for further detail behind the estimate. More fundamentally, this is just a monthly estimate and one that informs what the BoC and everyone else already knows to have been a soft patch for the Canadian economy in Q1 so I'm not sure markets should get terribly fussed over the scorekeeping.

After GDP, **Governor Poloz and SDG Wilkins will march off to testify** to the House of Commons Standing Committee on Banking, Trade and Commerce. An opening statement will be issued at 11amET. It's hard to imagine what more could be said in the wake of last week's full suite of communications so market risk is likely low.

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.	2.29	2.29	2.36	2.32	2.31	2.36	2.54	2.53	2.57	2.97	2.96	2.98	Canada - BoC	1.75
CANADA	1.58	1.56	1.57	1.57	1.55	1.56	1.74	1.72	1.75	2.02	2.00	2.05	US - Fed	2.50
GERMANY	-0.57	-0.58	-0.57	-0.39	-0.42	-0.39	0.04	0.00	0.04	0.69	0.65	0.69	England - BoE	0.75
JAPAN	-0.15	-0.15	-0.15	-0.16	-0.16	-0.15	-0.04	-0.04	-0.03	0.57	0.57	0.58		
U.K.	0.78	0.74	0.79	0.92	0.88	0.94	1.21	1.16	1.23	1.71	1.68	1.74		
	Spreads vs. U.S. (bps):													
CANADA	-72	-73	-80	-75	-76	-80	-80	-81	-82	-95	-95	-93	Euro zone - ECB	0.00
GERMANY	-286	-287	-294	-271	-273	-275	-249	-252	-252	-228	-230	-229	Japan - BoJ	-0.10
JAPAN	-244	-244	-251	-248	-247	-251	-258	-257	-259	-240	-239	-241		
U.K.	-152	-155	-157	-140	-144	-142	-133	-137	-134	-125	-128	-124	Mexico - Banxico	8.25
Equities	Level					% change:								
	Last	Change			1 Day	1-wk	1-mo	1-yr						
S&P/TSX	16600	-13.1			-0.1	0.1	3.1	6.4	Australia - RBA	1.50				
Dow 30	26554	11.1			0.0	0.2	2.4	9.9	New Zealand - RBNZ	1.75				
S&P 500	2943	3.2			0.1	1.2	3.8	11.1						
Nasdaq	8162	15.5			0.2	1.8	5.6	15.5	Next Meeting Date					
DAX	12331	3.2			0.0	0.8	7.0	-2.2						
FTSE	7427	-13.6			-0.2	-1.3	2.0	-1.1	Canada - BoC	May 29, 2019				
Nikkei	22259	-48.9			-0.2	0.3	5.0	-0.9	US - Fed	May 01, 2019				
Hang Seng	29699	-193.7			-0.6	-0.9	2.2	-3.6	England - BoE	May 02, 2019				
CAC	5568	-12.6			-0.2	-0.4	4.1	0.9	Euro zone - ECB	Jun 06, 2019				
Commodities	Level					% change:								
WTI Crude	64.41	0.91			1.4	-2.9	7.1	-6.1	Japan - BoJ	Jun 20, 2019				
Natural Gas	2.61	0.02			0.6	6.3	-2.0	-5.6	Mexico - Banxico	May 16, 2019				
Gold	1285.16	5.31			0.4	1.0	-0.6	-2.3	Australia - RBA	May 07, 2019				
Silver	14.97	-0.03			-0.2	0.1	-0.9	-9.4	New Zealand - RBNZ	May 07, 2019				
CRB Index	185.72	1.54			0.8	-1.0	1.1	-8.1						
Currencies	Level					% change:								
USDCAD	1.3431	-0.0027			-0.2	0.1	0.9	4.6						
EURUSD	1.1220	0.0034			0.3	-0.1	0.1	-7.1						
USDJPY	111.32	-0.3300			-0.3	-0.5	-0.0	1.8						
AUDUSD	0.7056	0.0000			0.0	-0.6	-0.8	-6.3						
GBPUSD	1.3013	0.0076			0.6	0.6	-0.7	-5.4						
USDCHF	1.0191	-0.0006			-0.1	-0.1	2.0	2.8						

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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