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ON DECK FOR TUESDAY, JANUARY 28

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	01/28	08:30	Durable Goods Orders (m/m)	Dec P	0.0	0.4	-2.1
US	01/28	08:30	Durable Goods Orders ex. Trans. (m/m)	Dec P	0.2	0.3	-0.1
US	01/28	09:00	S&P/Case-Shiller Home Price Index (m/m)	Nov	--	0.4	0.4
US	01/28	09:00	S&P/Case-Shiller Home Price Index (y/y)	Nov	2.3	2.4	2.2
US	01/28	10:00	Consumer Confidence Index	Jan	127.5	128.0	126.5
US	01/28	10:00	Richmond Fed Manufacturing Index	Jan	--	-3.0	-5.0

KEY POINTS:

- **Global markets are a little calmer ahead of US macro, earnings**
- **Four US macro reports on tap**
- **Key after-market earnings risk**
- **Quiet global calendars**
- **Why the BoC might ease faster in 2020 than in 2003**

INTERNATIONAL

Clearly calendar-based risk is not in the driver's seat this week given the ongoing market focus upon coronavirus updates. For now, markets are bottom feeding on yesterday's equity sell-off as the coronavirus continues to spread. Empty global calendars overnight will give way to a pure US focus upon the start of a deluge of macro reports that are due over the rest of the week and the Fed on Wednesday. Concentrated earnings risk could be high in today's after-market with Apple as the stand-out in a field of roughly two-dozen firms.

- The USD is little changed but slightly firmer on balance. CAD and the Mexican peso are holding their own to the USD while the won, sterling, rand and NZ$ lead depreciating crosses. The euro and yen are also slightly depreciating.

- Sovereign bond yields are little changed with a slightly higher bias on balance after yesterday's strong rally. The US 10 year note sits at 1.62% for a 3bps rally so far since the peak in December.

- Oil prices are roughly flat with WTI at US$53.20 and Brent down just a dime to under US$59. WTI is off about US$10 since early January and back to where it was in October before trade deal optimism drove it higher. Western Canada Select is under US$30 and at its lowest since late 2018.

- Equities are catching a mild bid following yesterday's sell-off. US equity futures are up by around ½% on average across the exchanges and ¾% for the Nasdaq. TSX futures are underperforming with a slight positive bias. European cash markets are up by between ¼% (Dax) to up 1¼% (Italy, continued relief). Those Asian markets that were open were weaker; Seoul fell by 3.1%, Tokyo fell by ½% and India's Sensex was down ½%.

UNITED STATES

Four US macro reports are on tap this morning.

Durable goods orders that were placed in December (8:30amET) are expected to rebound following prior weakness and mostly through core orders ex-transportation as Boeing's order book will weigh upon the headline. Consensus is at 0.4% m/m for headline and core is at 0.3% while I'm lower mostly on headline partly given a Boeing effect.

The Fed will get more evidence to counter balance stock markets with the overall view that froth is not running rampant. Repeat-sales home prices (9amET) are only rising at about a 3% y/y pace and less than that across the top 20 cities; in real terms, that's hardly anything despite tight supply.

US consumer confidence (10amET) is expected to hold reasonably firm if not rise somewhat in the January reading from the Conference Board. The sample period generally ends around the 18th of each month and so it's unlikely we'll see a coronavirus or market turbulence hit that may come in the next report. That counsels fading it.

The Richmond Fed's regional manufacturing index (10amET) is expected to be little changed but with upside risk, following improved readings of mixed magnitudes across the Empire, Philly, Kansas and Dallas surveys. Whether they indicate an improved ISM-manufacturing report on February 3rd is not clear given that the regional surveys under sample the regions of the economy hit by the broad transportation sector including Boeing's troubles.

CANADA

Canada's calendar is empty until Thursday's speech by BoC Deputy Governor Beaudry and Friday's GDP. Both were covered in the Global Week Ahead.

As an aside, the Bank of Canada may be more likely to ease sooner under a coronavirus shock than was the case with SARS when they waited several months until July to cut. To be clear again, the early stages of this shock are not a major driver of our rate call by any means, but it could well tip the balance in terms of timing it. Key is that the comparative starting conditions into the two shocks in 2003 and now are important. That's because just before SARS hit, Canadian GDP growth was stronger, world growth was over three times faster, the domestic economy had no slack going into the shock, and inflation was much higher using the preferred core CPI gauge at that time. The BoC could afford to bide its time in 2003 more so than now where a coronavirus shock would add to an already decent case for easing that wasn't really there beforehand in 2003.

- **CDN GDP growth was stronger then:** GDP growth was stronger as the BoC was hiking through the early days of SARS. It was 3.6% in 2002Q3, 2.5% in Q4, 2% in Q1. Today, growth has already completely fizzled out before SARS landed.

- **Spare capacity is greater now:** In early 2002Q4–2003Q1 the average of the BoC's two output gap measures was +0.1%, so capacity conditions were balanced and neither in slack mode nor marked by material excess capacity. Today there is slack by these measures going into the shock with the average of the output gaps at about -0.7% and likely to persist if not potentially widen further.

- **Inflation was much higher then:** Headline inflation was running at a peak of 4.7% y/y in February 2003. Core inflation was averaging 2.1–2.2% y/y using the average of the BoC's 3 current measures. However, at the time the BoC was using different core inflation. The core CPI ex-eight gauge had soared from just over 1% in late 2000 to a peak of 3.3% in March 2003. The Bank of Canada felt hiking was appropriate until April 2003 before reversing course.

Fixed Income	Government Yield Curves (%):											
	2-YEAR			5-YEAR			10-YEAR			30-YEAR		
	Last	1-day	1-wk	Last	1-day	1-wk	Last	1-day	1-wk	Last	1-day	1-wk
U.S.	1.44	1.44	1.53	1.45	1.44	1.58	1.62	1.61	1.78	2.07	2.06	2.24
CANADA	1.46	1.44	1.62	1.35	1.32	1.53	1.32	1.30	1.51	1.46	1.44	1.63
GERMANY	-0.63	-0.63	-0.58	-0.62	-0.62	-0.53	-0.38	-0.39	-0.25	0.13	0.13	0.26
JAPAN	-0.13	-0.14	-0.12	-0.13	-0.14	-0.10	-0.04	-0.04	0.01	0.38	0.37	0.45
U.K.	0.43	0.41	0.43	0.38	0.35	0.43	0.53	0.51	0.63	1.03	1.01	1.15
	Spreads vs. U.S. (bps):											
CANADA	2	-1	8	-11	-12	-4	-30	-31	-26	-61	-62	-61
GERMANY	-207	-207	-211	-207	-207	-210	-200	-199	-202	-194	-193	-198
JAPAN	-157	-158	-166	-159	-158	-168	-166	-165	-177	-169	-168	-179
U.K.	-101	-103	-110	-108	-109	-115	-109	-110	-114	-104	-105	-108

Equities	Level		% change:			
	Last	Change	1 Day	1-wk	1-mo	1-yr
S&P/TSX	17443	-122.8	-0.7	-0.9	1.6	13.4
Dow 30	28536	-453.9	-1.6	-2.8	-0.4	16.3
S&P 500	3244	-51.8	-1.6	-2.6	0.1	22.7
Nasdaq	9139	-175.6	-1.9	-2.7	1.5	29.0
DAX	13253	47.8	0.4	-2.2	-0.6	18.2
FTSE	7447	35.1	0.5	-2.1	-2.6	10.4
Nikkei	23216	-127.8	-0.5	-2.7	-2.6	12.4
Hang Seng	27950	40.5	0.1	-3.8	-1.0	1.4
CAC	5893	29.6	0.5	-2.5	-2.4	20.5
Commodities	Level		% change:			
WTI Crude	53.46	0.32	0.6	-8.4	-13.4	2.8
Natural Gas	1.89	-0.01	-0.7	-0.4	-12.5	-35.1
Gold	1574.06	-8.00	-0.5	1.0	4.2	20.8
Silver	18.30	0.47	2.6	1.3	2.6	19.0
CRB Index	173.56	0.38	0.2	-4.4	-7.3	-2.2
Currencies	Level		% change:			
USDCAD	1.3189	-0.0005	-0.0	0.9	0.9	-0.6
EURUSD	1.1007	-0.0012	-0.1	-0.7	-1.7	-3.7
USDJPY	109.04	0.1400	0.1	-0.8	0.1	-0.3
AUDUSD	0.6755	-0.0006	-0.1	-1.3	-3.4	-5.7
GBPUSD	1.3013	-0.0044	-0.3	-0.3	-0.8	-1.1
USDCHF	0.9719	0.0023	0.2	0.3	0.3	-2.0

Central Banks	
Current Rate	
Canada - BoC	1.75
US - Fed	1.75
England - BoE	0.75
Euro zone - ECB	0.00
Japan - BoJ	-0.10
Mexico - Banxico	7.25
Australia - RBA	0.75
New Zealand - RBNZ	1.00
Next Meeting Date	
Canada - BoC	Mar 04, 2020
US - Fed	Jan 29, 2020
England - BoE	Jan 30, 2020
Euro zone - ECB	Mar 12, 2020
Japan - BoJ	Mar 19, 2020
Mexico - Banxico	Feb 13, 2020
Australia - RBA	Feb 03, 2020
New Zealand - RBNZ	Feb 11, 2020

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.