

ON DECK FOR FRIDAY, MARCH 6

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	03/06	08:30	Employment (000s m/m)	Feb	0.0	11.0	34.5
CA	03/06	08:30	Merchandise Trade Balance (C\$ bn)	Jan	-1.0	-0.8	-0.4
CA	03/06	08:30	Unemployment Rate (%)	Feb	5.6	5.6	5.5
US	03/06	08:30	Average Hourly Earnings (m/m)	Feb	0.2	0.3	0.2
US	03/06	08:30	Average Hourly Earnings (y/y)	Feb	2.9	3.0	3.1
US	03/06	08:30	Average Weekly Hours	Feb	--	34.3	34.3
US	03/06	08:30	Nonfarm Employment Report (000s m/m)	Feb	170	175	225
US	03/06	08:30	Trade Balance (US\$ bn)	Jan	-44.7	-46.1	-48.9
US	03/06	08:30	Unemployment Rate (%)	Feb	3.6	3.6	3.6
US	03/06	09:20	Fed's Evans & Mester Speak in New York				
US	03/06	11:20	Fed's Bullard Speak in New York				
US	03/06	15:00	Consumer Credit (US\$ bn m/m)	Jan	--	16.5	22.1
US	03/06	15:30	Fed's George Speak in New York				

KEY POINTS:

- Markets continue to be driven by COVID-19 fears
- VIX, 30 year Ts and spreads reflecting rising financial risks
- US, CDN jobs: stale reference periods, but cooler US wage growth?
- US, CDN trade figures will be lost in the shuffle
- German factory orders soared
- CDN fiscal guidance

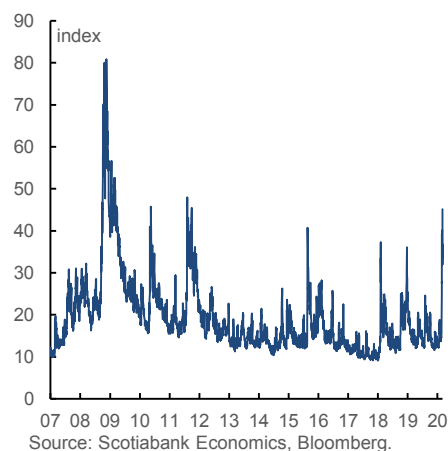
INTERNATIONAL

Fear is in charge of global markets through another strong risk-off trade. Beyond the market moves indicated below, this is showing up in gauges like VIX (chart 1, but still far below the GFC levels), proxy spreads for strains in markets and the long bond. COVID-19 fear is the main driver yet again. US and Canadian releases for jobs and trade likely won't matter much because they will offer stale assessments of a world we've since passed right on by. For this same reason, it was a bit unusual to hear Governor Poloz spend so much time in his speech yesterday on backward looking labour market performance.

- US equity futures are down by between 2¼% and 2¾%. TSX futures are down by 2%. European benchmarks are falling by more as they also catch up to yesterday's accelerated North American sell off. All European bourses are down by over 3%. Asian stocks fell by as little as ¾% in Shenzhen to as much as 2 ¾% for the Nikkei.
- Sovereign debt yields are mixed as US Treasuries lead decliners while peripheral European spreads are widening over bunds again. The whole US Treasuries curve is down 14–23bps. The 30 year yield is leading the way lower at 1.3% and is causing serious issues for pension funding and long tailed life co liabilities such that to say the financial system is perfectly sound is rather exaggerated.
- Oil prices continue to tumble as Russia continues to object to OPEC+ production cuts. WTI and Brent are both down by about US\$2.

CONTACTS

Derek Holt, VP & Head of Capital Markets Economics
416.863.7707
Scotiabank Economics
derek.holt@scotiabank.com

VIX


- Gold continues to rip and is adding another US\$14 and now sits at US\$1686. It's still a freefalling real bond yield story.
- The USD is depreciating again on widespread expectations for aggressive Fed easing. The yen and Swiss franc are behaving like classic safe havens and are about 1% firmer to the USD. The euro is not far behind on expectations the ECB will lag the Fed and the former has few bullets to try out. Sterling and the A\$ are also higher. CAD is little changed after the recent post-BoC depreciation. The Mexican peso is leading decliners, down 2% at 20.3. The peso is over 20 to the dollar for the first time since early September and will most assuredly invite Banxico to catch up to the Fed.

German factory orders climbed 5.5% m/m and smashed consensus expectations overnight (1.3%). Some of this was a rebound from the 2.1% prior drop. There is just one teeny tiny wee little problem. The data was for January. Markets are likely still wishing it was January.

Here is a rundown on some of the overnight COVID-19 headlines.

- The official global case count now stands at almost 99k but is definitely higher. Mainland China accounts for 80.5k and cases elsewhere have risen to over 18k.
- The foot dragging World Health Organization said this morning that "Now is the time to act. This is not a time for excuses. This is a time for pulling out all the stops." Righto. Where were you weeks ago when you were praising China for fudging its numbers.
- Chinese officials hinted they might soon lift the quarantine on residents of Hubei province. Markets may be concerned that short-term economic imperatives are overriding public health considerations.
- Iran cancelled Friday prayers again this week.
- Vatican City, Serbia and Cameroon reported their first cases.
- Evidence of supply chain disruptions continues to build. Samsung moved phone manufacturing to Vietnam and out of South Korea. Next move Antarctica!
- Tensions between South Korea and Japan rose again overnight after Japan applied fourteen day quarantines on anyone coming from China or Korea.
- Taiwan shut down concert performances after a visiting Australian composer was diagnosed with the virus.

CANADA

Canadian Finance Minister Bill Morneau is speaking as this note is being sent he is expected to announce the budget date. We expect the budget to be delivered on Tuesday March 24th. Potential further clues about specific fiscal policy measures will be monitored given the usual pattern of pre-announcing most material budget initiatives before game day. Fiscal policy can help in terms of automatic stabilizers and near-term injections, but this is a market problem such that fiscal policy is a very limited tool to address developments.

February Canadian jobs numbers will also be released at 8:30amET. Here too the report may be faded as a backward assessment, given that the Labour Force Survey reference period is the week containing the 15th day of the month and developments in the global economy and markets worsened since then. We expect little to no change in net job growth. We will need to wait for March data to assess the true initial impact of the outbreak on hiring confidence.

The Canadian trade balance for January will come out at 8:30amET. We expect softer export and import figures given the temporary rebound in activity that was registered in December may prove to have been temporarily fed by the end of the CN rail strike and pipeline issues that weighed on November's trade figures. Obviously, one should treat the trade figures as stale in the face of serious upheaval across global supply chains with Canada hardly being an island immune to it all.

UNITED STATES

The first Friday of the month is always a busy day for macro releases. **February US nonfarm payrolls will come out at 8:30amET.** Because the reference period is the calendar week that includes the 12th day of the month, the report may be faded especially if it is generally around consensus given that COVID-19 worries and the equity selloff accelerated thereafter. We anticipate a deceleration in hiring to 170k from January's gain of 225k and wage growth to ease back to 2.9% y/y. This may have more to do with January's warm temperatures boosting construction hiring in a housing friendly interest rate environment and not a February hiring slowdown owing to the COVID-19 outbreak. Next month's job report will likely contain more relevant information regarding the outbreak's effect on hiring. Wage growth is also expected to slow a little further to 2.9% y/y given typical seasonal monthly wage gains and year-ago base effects.

The US January trade balance will be released at 8:30amET. The deficit is expected to narrow based upon January's advance merchandise trade estimates and a stable surplus in services. As seen in other capex data, trade flows of capital goods have been declining. We expect to see further deterioration in near term capex related trade as COVID-19 risks push back buying intentions latter into 2020.

Fed-speak could weigh in on market movements and nonfarm as six regional Fed Presidents speak (Bullard, Evans, Mester, Williams, Rosengren and George) at the Shadow Open Market Committee in New York.

Fixed Income	Government Yield Curves (%):												Central Banks	
U.S. CANADA GERMANY JAPAN U.K. CANADA GERMANY JAPAN U.K.	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		
	0.45	0.60	0.92	0.54	0.68	0.94	0.74	0.91	1.15	1.32	1.54	1.68	Canada - BoC	1.25
	0.65	0.78	1.15	0.60	0.73	1.07	0.66	0.84	1.13	0.99	1.17	1.32	US - Fed	1.25
	-0.87	-0.86	-0.77	-0.88	-0.86	-0.76	-0.74	-0.69	-0.61	-0.31	-0.21	-0.15	US - Fed	1.25
	-0.28	-0.25	-0.25	-0.26	-0.23	-0.26	-0.12	-0.11	-0.15	0.32	0.35	0.29		
	0.10	0.16	0.31	0.14	0.21	0.33	0.23	0.33	0.44	0.72	0.85	0.94	England - BoE	0.75
	Spreads vs. U.S. (bps):													
	19	18	24	6	6	14	-7	-7	-2	-33	-38	-35	Euro zone - ECB	0.00
	-133	-146	-168	-143	-154	-170	-147	-160	-176	-162	-175	-183		
-73	-84	-116	-81	-91	-119	-86	-103	-130	-100	-119	-139	Japan - BoJ	-0.10	
-35	-44	-61	-41	-47	-61	-51	-58	-71	-60	-69	-73			
Equities	Level						% change:						Mexico - Banxico	7.00
	Last	Change					1 Day	1-wk	1-mo	1-yr				
S&P/TSX	16554	-225.5					-1.3	-1.0	-6.8	2.9	Australia - RBA	0.50		
Dow 30	26121	-969.6					-3.6	1.4	-11.1	1.7				
S&P 500	3024	-106.2					-3.4	1.5	-9.6	9.1	New Zealand - RBNZ	1.00		
Nasdaq	8739	-279.5					-3.1	2.0	-8.7	16.4				
DAX	11534	-410.9					-3.4	-3.0	-15.0	-0.5				
FTSE	6492	-213.3					-3.2	-1.3	-13.5	-9.8				
Nikkei	20750	-579.4					-2.7	-1.9	-13.1	-3.9				
Hang Seng	26147	-621.2					-2.3	0.1	-4.9	-10.0				
CAC	5166	-195.5					-3.6	-2.7	-14.5	-2.3				
Commodities	Level						% change:							
WTI Crude	43.89	-2.01					-4.4	-1.9	-13.9	-21.9	England - BoE	Mar 26, 2020		
Natural Gas	1.75	-0.03					-1.5	3.7	-6.2	-38.5				
Gold	1687.18	14.95					0.9	6.4	7.7	31.2	Euro zone - ECB	Mar 12, 2020		
Silver	17.20	-0.05					-0.3	-4.7	-2.4	13.8				
CRB Index	160.04	-2.32					-1.4	0.4	-6.1	-11.7	Japan - BoJ	Mar 19, 2020		
Currencies	Level						% change:							
USDCAD	1.3418	0.0007					0.1	0.1	1.0	-0.2	Mexico - Banxico	Mar 26, 2020		
EURUSD	1.1314	0.0077					0.7	2.6	3.0	0.1				
USDJPY	105.26	-0.9000					-0.8	-2.4	-4.3	-5.8	Australia - RBA	Apr 07, 2020		
AUDUSD	0.6636	0.0022					0.3	1.9	-1.4	-5.6				
GBPUSD	1.2994	0.0040					0.3	1.3	0.5	-1.3	New Zealand - RBNZ	Mar 24, 2020		
USDCHF	0.9359	-0.0097					-1.0	-3.0	-4.0	-6.9				

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.

This report has been prepared by Scotiabank Economics as a resource for the clients of Scotiabank. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness. Neither Scotiabank nor any of its officers, directors, partners, employees or affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

These reports are provided to you for informational purposes only. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instrument, nor shall this report be construed as an opinion as to whether you should enter into any swap or trading strategy involving a swap or any other transaction. The information contained in this report is not intended to be, and does not constitute, a recommendation of a swap or trading strategy involving a swap within the meaning of U.S. Commodity Futures Trading Commission Regulation 23.434 and Appendix A thereto. This material is not intended to be individually tailored to your needs or characteristics and should not be viewed as a "call to action" or suggestion that you enter into a swap or trading strategy involving a swap or any other transaction. Scotiabank may engage in transactions in a manner inconsistent with the views discussed this report and may have positions, or be in the process of acquiring or disposing of positions, referred to in this report.

Scotiabank, its affiliates and any of their respective officers, directors and employees may from time to time take positions in currencies, act as managers, co-managers or underwriters of a public offering or act as principals or agents, deal in, own or act as market makers or advisors, brokers or commercial and/or investment bankers in relation to securities or related derivatives. As a result of these actions, Scotiabank may receive remuneration. All Scotiabank products and services are subject to the terms of applicable agreements and local regulations. Officers, directors and employees of Scotiabank and its affiliates may serve as directors of corporations.

Any securities discussed in this report may not be suitable for all investors. Scotiabank recommends that investors independently evaluate any issuer and security discussed in this report, and consult with any advisors they deem necessary prior to making any investment.

This report and all information, opinions and conclusions contained in it are protected by copyright. This information may not be reproduced without the prior express written consent of Scotiabank.

™ Trademark of The Bank of Nova Scotia. Used under license, where applicable.

Scotiabank, together with "Global Banking and Markets", is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including, Scotiabanc Inc.; Citadel Hill Advisors L.L.C.; The Bank of Nova Scotia Trust Company of New York; Scotiabank Europe plc; Scotiabank (Ireland) Limited; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Scotia Inverlat Casa de Bolsa S.A. de C.V., Scotia Inverlat Derivados S.A. de C.V. – all members of the Scotiabank group and authorized users of the Scotiabank mark. The Bank of Nova Scotia is incorporated in Canada with limited liability and is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia is authorised by the UK Prudential Regulation Authority and is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia's regulation by the UK Prudential Regulation Authority are available from us on request. Scotiabank Europe plc is authorised by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority.

Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V., and Scotia Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities.

Not all products and services are offered in all jurisdictions. Services described are available in jurisdictions where permitted by law.