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.

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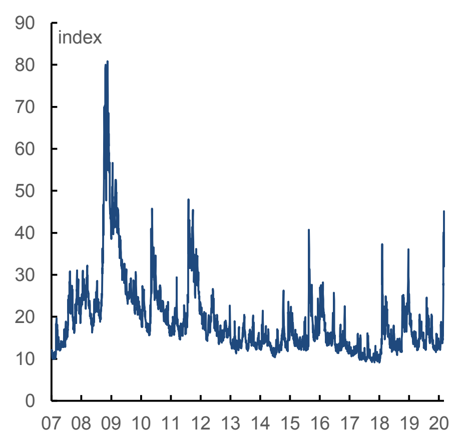
VIX



Source: Scotiabank Economics, Bloomberg.

- 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 (%):											
	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.	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	0.65	0.78	1.15	0.60	0.73	1.07	0.66	0.84	1.13	0.99	1.17	1.32
GERMANY	-0.87	-0.86	-0.77	-0.88	-0.86	-0.76	-0.74	-0.69	-0.61	-0.31	-0.21	-0.15
JAPAN	-0.28	-0.25	-0.25	-0.26	-0.23	-0.26	-0.12	-0.11	-0.15	0.32	0.35	0.29
U.K.	0.10	0.16	0.31	0.14	0.21	0.33	0.23	0.33	0.44	0.72	0.85	0.94
	Spreads vs. U.S. (bps):											
CANADA	19	18	24	6	6	14	-7	-7	-2	-33	-38	-35
GERMANY	-133	-146	-168	-143	-154	-170	-147	-160	-176	-162	-175	-183
JAPAN	-73	-84	-116	-81	-91	-119	-86	-103	-130	-100	-119	-139
U.K.	-35	-44	-61	-41	-47	-61	-51	-58	-71	-60	-69	-73

Equities	Level		% change:			
	Last	Change	1 Day	1-wk	1-mo	1-yr
S&P/TSX	16554	-225.5	-1.3	-1.0	-6.8	2.9
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
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
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
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
Currencies	Level		% change:			
USDCAD	1.3418	0.0007	0.1	0.1	1.0	-0.2
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
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
USDCHF	0.9359	-0.0097	-1.0	-3.0	-4.0	-6.9

Central Banks	
Current Rate	
Canada - BoC	1.25
US - Fed	1.25
England - BoE	0.75
Euro zone - ECB	0.00
Japan - BoJ	-0.10
Mexico - Banxico	7.00
Australia - RBA	0.50
New Zealand - RBNZ	1.00
Next Meeting Date	
Canada - BoC	Apr 15, 2020
US - Fed	Mar 18, 2020
England - BoE	Mar 26, 2020
Euro zone - ECB	Mar 12, 2020
Japan - BoJ	Mar 19, 2020
Mexico - Banxico	Mar 26, 2020
Australia - RBA	Apr 07, 2020
New Zealand - RBNZ	Mar 24, 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.