

ON DECK FOR TUESDAY, MARCH 24

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	03/24	10:00	New Home Sales (000s a.r.)	Feb	750	750	764
US	03/24	10:00	Richmond Fed Manufacturing Index	Mar	--	-10.0	-2.0

KEY POINTS:

- Global markets in risk-on mode, for a change!
- Catalysts may include a lagging response to Fed actions...
- ...and US fiscal stimulus expectations...
- ...but hopefully not Trump's call to end shut-ins
- EZ, UK and Japanese PMIs contract at an alarming speed...
- ...as services go down harder than manufacturing
- US PMIs, Richmond Fed to offer fresher shutdown tracking
- US new home sales expected to retreat
- BoC did not just gain new powers; they've had them for years!

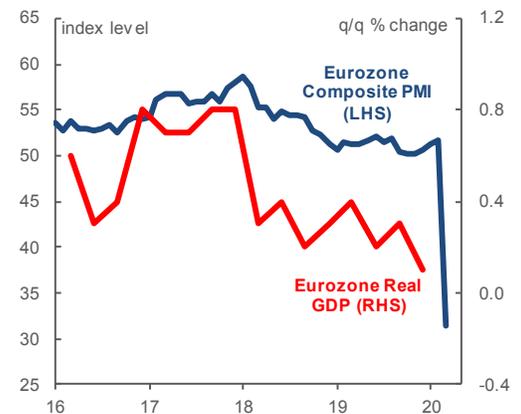
INTERNATIONAL

Well now that's better. World markets are in a much better place so far this morning. Let's hope it sticks! A strong risk-on rally offers welcome relief. A sense that the Fed's aggressive actions are starting to improve trading conditions is partly responsible, but if so, it's a bit of a lagging take on yesterday morning's aggressive policy actions that were summarized in yesterday morning's Daily Points. A sense that the US may be finally able to complete a fiscal stimulus package is another contributor after Treasury Secretary Mnuchin declared "We are hopeful that this could be closed out tomorrow." Senate Minority leader Chuck Schumer also stated "That's the expectation, that we will finish it tomorrow and hopefully vote on it tomorrow evening" in reference to today. Procedural steps are being taken to leave tomorrow open as a back up possibility. I hope what's not driving risk-on is Trump's irresponsible talk of ending shut-ins as soon as next week because a) I don't think he has such powers over state and local governments, and b) it would be an act that could see millions more Americans die and millions more Americans develop serious long-term health problems. The President's number one job is to protect his people, not second quarter GDP.

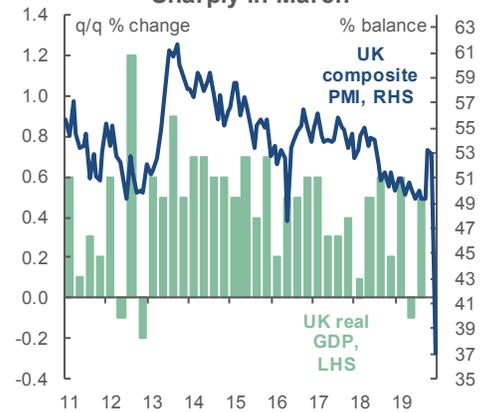
- US equity futures are up by about 5% across the exchanges. So are TSX futures. European cash markets are up by 4–6%. Asian equities rallied by 2–8% with the Kospi and the Nikkei 225 leading the way.
- Oil prices are up by just under a buck. Gold is also gaining again and is up by \$51 and just over US\$1600/oz.
- The USD is broadly weaker with the strongest major or semi-major crosses being the Mexican peso, Scandies, sterling the won and euro. Most currencies are up by 1% or more. CAD is underperforming and slightly softer as the one stand-out downside performer on stimulus expectations (see Canada section).

CONTACTS

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

Eurozone GDP Growth and PMIs


Sources: Scotiabank Economics, IHS Markit, Haver Analytics, Bloomberg.

UK Composite PMI Falls Sharply in March


Sources: Scotiabank Economics, Markit, Bloomberg.

- Sovereign curves are relatively little changed in the US, Canada, UK and core Eurozone.

The Eurozone composite PMI plunged by about twenty points to 31.4 which is well below the 50 dividing line and deep into contraction territory. The services sector got walloped (28.4 from 52.6) as the manufacturing PMI fell to 44.8 (49.1 prior). GDP is in for a rough ride (chart 1).

Within the Eurozone composite, **France fared worse than Germany.** The French composite PMI fell twenty-two points to 30.2 while Germany's composite PMI fell by about 13 points to 37.2. Both the service and manufacturing sectors eroded at a quickly pace in France than Germany.

UK PMIs also predictably took a turn for the worse overnight. The composite reading fell 16 points to 37.1 which is a) well below the 50 dividing line on these readings that signals a contracting economy, and b) the lowest in the history of this reading. The new order book ground to a halt (36.6, down from 52.3 prior). The break down showed the services sector taking the hardest hit which highlights how unusual this shock is compared to most. The services PMI fell to 35.7 (53.2 prior) while the manufacturing PMI fell by just under four points to 48.0. Like the Eurozone, UK GDP is also in for a rough ride (chart 2).

Comparing across the three countries, it is France's economy that seems to be contracting at the quickest pace judging by the composite PMIs, but all three countries have stumbled badly. **That is likely to change on April 1st and 3rd when Italy's and Spain's PMIs arrive.** One would think that Italy's economy is contracting at by far the most rapid pace of the lot. The Eurozone composite PMIs will be revised at that time.

Rolling right along with the depressing releases takes us next to Japan. **Japan's Jibun composite PMI fell to 35.8 (47 prior)** overnight and the decline was heavily driven by services as is the case elsewhere.

UNITED STATES

If data matters at all today—and that's a stretch throughout all of this—then the Markit PMIs are the most likely readings to matter. The March readings arrive at 9:45amET. **The survey data is collected during the middle two weeks of each month and so this should be among the fresher macro readings** we're getting to help us understand the magnitude of the shut down effects.

The **Richmond Fed's manufacturing index** will also be a relatively fresh reading for March (10amET), but only covers manufacturing when evidence suggests that social distancing is having its greatest shutdown effects upon services.

Other readings won't matter. **New home sales** (10amET) are expected to give back some of the prior month's large gain of 7.9% m/m but being a February print it is likely to be dismissed as stale anyway.

CANADA

Canada is on stimulus watch for the rest of this week with an otherwise empty calendar. The Ontario government's fiscal update will be delivered tomorrow. Any day might reveal more by way of Ottawa's fiscal and monetary policy stimulus efforts.

See last evening's Closing Points ([here](#)) for a discussion on the Bank of Canada's stimulus powers and its established playbook. There was an incorrect impression offered in newswires yesterday that is trickling into this morning's coverage that the BoC had been granted newfound powers to buy securities like corporate bonds. Rubbish. The note explained that the BoC has had such powers—and well beyond—for years. It not only has such powers, it has expressed the willingness to use LSAPs, negative rates, forward guidance and lending/liquidity programs in its crisis response toolkit that was developed years ago. The only remaining question is whether the BoC decides to enact such powers, which ones and when.

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.	0.32	0.32	0.50	0.43	0.41	0.74	0.81	0.79	1.08	1.39	1.35	1.69	Canada - BoC	0.75
CANADA	0.56	0.53	0.64	0.71	0.69	0.81	0.81	0.79	0.96	1.28	1.26	1.41	US - Fed	0.25
GERMANY	-0.64	-0.69	-0.84	-0.54	-0.55	-0.66	-0.37	-0.38	-0.43	-0.01	-0.04	-0.14	England - BoE	0.10
JAPAN	-0.21	-0.19	-0.17	-0.11	-0.06	-0.09	0.04	0.07	0.02	0.44	0.45	0.37	Euro zone - ECB	0.00
U.K.	0.08	0.08	0.31	0.21	0.21	0.46	0.44	0.43	0.55	0.78	0.78	1.06	Japan - BoJ	-0.10
	Spreads vs. U.S. (bps):													
CANADA	24	21	15	28	28	6	0	0	-12	-11	-9	-28	Mexico - Banxico	6.50
GERMANY	-96	-100	-134	-98	-96	-140	-117	-116	-152	-140	-139	-183	Australia - RBA	0.25
JAPAN	-53	-51	-67	-54	-48	-84	-77	-72	-106	-95	-90	-132	New Zealand - RBNZ	0.25
U.K.	-24	-24	-18	-22	-20	-29	-37	-36	-53	-61	-58	-63		
Equities	Level						% change:						Next Meeting Date	
	Last			Change	1 Day	1-wk	1-mo	1-yr						
S&P/TSX	11228			-623.3	-5.3	-9.2	-36.1	-30.2	Canada - BoC	Apr 15, 2020				
Dow 30	18592			-582.0	-3.0	-7.9	-33.5	-27.1	US - Fed	Apr 29, 2020				
S&P 500	2237			-67.5	-2.9	-6.2	-30.6	-20.1	England - BoE	Mar 26, 2020				
Nasdaq	6861			-18.8	-0.3	-0.6	-25.6	-10.2	Euro zone - ECB	Apr 30, 2020				
DAX	9329			587.7	6.7	4.4	-28.4	-17.9	Japan - BoJ	Apr 28, 2020				
FTSE	5223			228.8	4.6	-1.4	-27.0	-27.5	Mexico - Banxico	May 14, 2020				
Nikkei	18092			1204.6	7.1	6.4	-22.6	-16.3	Australia - RBA	May 05, 2020				
Hang Seng	22663			967.4	4.5	-2.6	-15.5	-22.2	New Zealand - RBNZ	May 12, 2020				
CAC	4107			192.2	4.9	2.9	-29.1	-22.1						
Commodities	Level						% change:							
WTI Crude	23.83			0.47	2.0	-11.6	-53.7	-59.6	England - BoE	Mar 26, 2020				
Natural Gas	1.64			0.04	2.4	-5.1	-10.2	-40.4	Euro zone - ECB	Apr 30, 2020				
Gold	1600.37			47.14	3.0	4.7	-3.6	21.8	Japan - BoJ	Apr 28, 2020				
Silver	12.51			-0.12	-1.0	-3.5	-32.6	-19.1	Mexico - Banxico	May 14, 2020				
CRB Index	127.39			2.67	2.1	-2.2	-25.3	-30.8	Australia - RBA	May 05, 2020				
Currencies	Level						% change:							
USDCAD	1.4513			0.0019	0.1	2.2	9.2	8.3	New Zealand - RBNZ	May 12, 2020				
EURUSD	1.0855			0.0129	1.2	-1.3	0.0	-4.0						
USDJPY	110.87			-0.3600	-0.3	2.9	0.1	0.8						
AUDUSD	0.5883			0.0045	0.8	-1.9	-10.9	-17.3						
GBPUSD	1.1734			0.0192	1.7	-2.7	-9.2	-11.1						
USDCHF	0.9756			-0.0092	-0.9	1.5	-0.4	-1.7						

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.

TM 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.