

**ON DECK FOR THURSDAY, JUNE 4**

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	06/04	08:30	Merchandise Trade Balance (C\$ bn)	Apr	-3.0	-3.0	-1.4
US	06/04	08:30	Initial Jobless Claims (000s)	May 30	1850	1843	2123
US	06/04	08:30	Continuing Claims (000s)	May 23	--	20000	21052
US	06/04	08:30	Productivity (q/q a.r.)	1Q F	--	-2.7	-2.5
US	06/04	08:30	Trade Balance (US\$ bn)	Apr	-48.5	-49.2	-44.4
US	06/04	08:30	Unit Labor Costs (q/q a.r.)	1Q F	--	5.0	4.8
CA	06/04	14:00	BoC's Gravelle gives Economic Progress Report				

**CONTACTS**

**Derek Holt, VP & Head of Capital Markets Economics**  
 416.863.7707  
 Scotiabank Economics  
[derek.holt@scotiabank.com](mailto:derek.holt@scotiabank.com)

**KEY POINTS:**

- **Stocks are not impressed by an ECB overshoot**
- **ECB's Lagarde surpasses expectations...**
- **...with a greater than expected PEPP expansion**
- **US jobless claims slowly improving**
- **Canada's trade figures were crushed during peak shutdown**
- **Europe is looking more coordinated than the US**

**INTERNATIONAL**

Stocks are not terribly impressed by the ECB's more aggressive than expected action so far. Most of the effects of ECB actions are showing up in terms of relative spreads in EGBs to bunds and in the euro. Maybe stocks are taking a bit of a breather after recent gains. Maybe they have an eye on COVID-19 second wave risks, which they should.

Regardless, the ECB is finally back to overshooting expectations, Germany is finally adding fiscal stimulus, the German court ruling on prior QE is basically getting shoved back into its corner, and Europe is showing a bit more coordination toward reopening than the patchwork system in the US. Against the anti-eurozone hyperbole more common in US circles, it's frankly now looking as if Europe is more politically unified than the US on the deeply divided path to November. Light overnight developments and a sprinkling of US and Canadian releases are generally being overshadowed by the ECB and mild risk aversion.

- US equity futures are down by around ¼% on balance. TSX futures are down by ½%. European equities are declining by around ½% to 1%. Asian equities were mostly higher by around ¼% in Tokyo, HK and Seoul but Shanghai slipped a touch and India's Sensex fell by under ½%.
- The US Treasury curve continues to bear steepen with 2s anchored and 10s up 5bps. Canada's curve is slightly outperforming with 10s up 3bps and unchanged 2s. Italian 10s won the chicken dinner this morning and are down 13bps on the day while 10 year bunds are cheaper by 4bps. Spanish and Portuguese 10s are also rallying by 6–6bps. The gilts curve is cheaper by 4–6bps toward the longer end.
- Oil is down by around 1% across WTI and Brent benchmarks. Gold is up \$10 to \$1710/oz.

- The USD had been gaining before the ECB but abruptly depreciated afterward. The Euro and related crosses are gaining to the USD while sterling, the Mexican peso and CAD lead the depreciating crosses.

**They're popping the bubbly in Italy as ECB President Lagarde stepped up to the plate and finally surpassed expectations.**

The ECB increased the size of its Pandemic Emergency Purchase Program by more than markets had anticipated to €1.35 trillion from €750 billion. The statement ([here](#)) noted that purchases will be conducted through to 'at least' June 2021 compared to previous guidance they would be conducted until the end of 2020 or until Governing Council 'judges that the coronavirus phase is over' with the latter guidance being retained today. The ECB also guided that maturing principal payments under the PEPP will be reinvested until 'at least' the end of 2022. Asset Purchase Program purchases will also continue at a monthly pace of €20 billion and maturing principal under the APP will be reinvested until past the date when the ECB begins to raise rates.

**UNITED STATES**

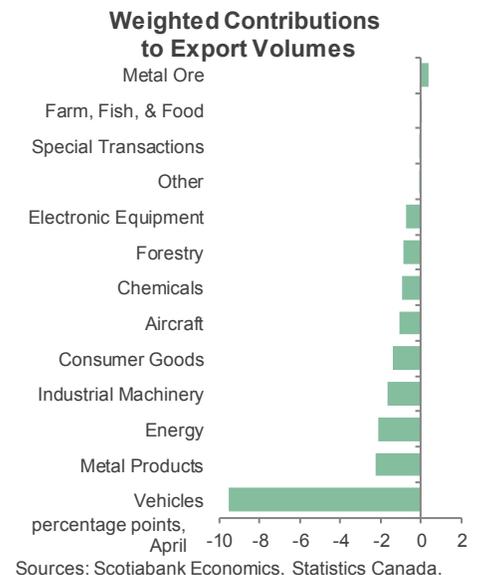
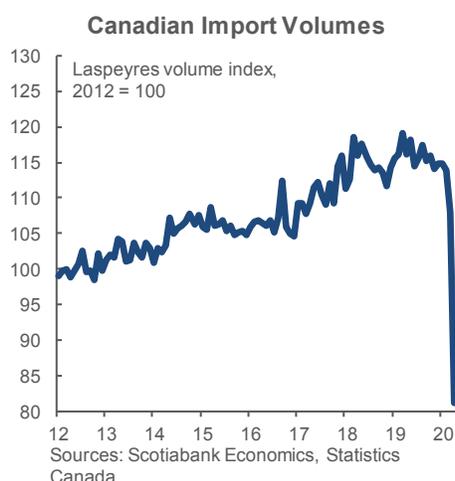
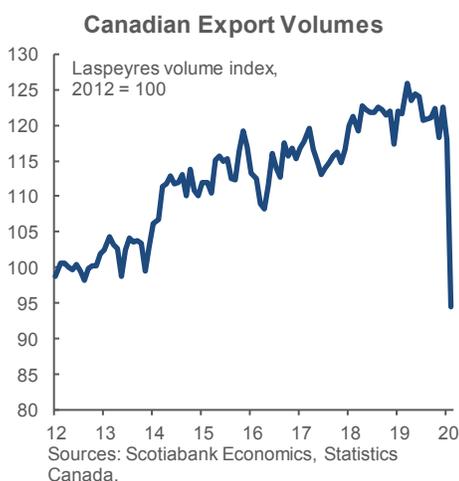
**US weekly jobless claims cooled in line with expectations** and fell to 1.877 million (2.126 million prior). The pace of decline is slowing as it should at some point as something more 'normal' sets in. That said, expanded eligibility makes the claims figures a more impure measure of job losses than in steadier times.

The US trade deficit widened in line with the previously indicated advance merchandise trade figures. The overall deficit widened to US\$49.4 billion (-\$42.3B prior). US exports fell by 20.5% m/m and imports fell by 13.7% during April. Bad numbers should surprise few given the economy was at peak shutdown in April. The dominant concern remains the lagged effects of USD strength on the trade deficit over the years ahead whomever wins in November.

Challenger job cut announcements decelerated last month to 397k from 671k at the prior month's peak. These are still very high numbers, but the improvement at the margin is consistent with all other job readings for the month albeit to varying extents across signals like ADP, claims, employment subindices to ISM readings and now Challenger. Tomorrow's nonfarm payrolls will settle the mixed readings with the caution that ADP's improvement is an outlier compared to the other readings.

**CANADA**

**Canada's trade deficit widened but masked the extent of collapse on both sides of the trade ledger during April.** The nominal deficit increased from C\$1.53B to \$3.25B. The volume of exports fell by 20% m/m and the volume of imports fell by 25% m/m. The magnitude of these drops significantly cancelled each other out in terms of the overall deficit but the declines in both exports and imports can be added to the list of records being tracked. Still, the numbers should surprise few during the peak of the shutdown effect. Charts 1–3 depict the magnitudes of decline and the breadth of weakness in exports by sector.



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.	0.20	0.19	0.17	0.41	0.37	0.34	0.82	0.75	0.69	1.60	1.53	1.45	Canada - BoC	0.25
CANADA	0.32	0.31	0.30	0.48	0.45	0.42	0.66	0.62	0.56	1.25	1.20	1.14	US - Fed	0.25
GERMANY	-0.61	-0.63	-0.63	-0.56	-0.58	-0.61	-0.32	-0.35	-0.42	0.20	0.12	0.03	England - BoE	0.10
JAPAN	-0.14	-0.14	-0.15	-0.10	-0.12	-0.12	0.04	0.02	0.00	0.56	0.53	0.50		
U.K.	0.02	-0.01	-0.02	0.08	0.05	0.01	0.31	0.27	0.21	0.75	0.71	0.62		
Spreads vs. U.S. (bps):														
	12	12	13	7	8	8	-16	-13	-13	-36	-33	-31		
CANADA	12	12	13	7	8	8	-16	-13	-13	-36	-33	-31	Euro zone - ECB	0.00
GERMANY	-81	-82	-81	-97	-94	-95	-113	-110	-111	-141	-141	-142	Japan - BoJ	-0.10
JAPAN	-34	-33	-32	-51	-48	-46	-78	-73	-69	-105	-100	-96		
U.K.	-18	-20	-20	-33	-32	-33	-50	-47	-48	-85	-82	-83	Mexico - Banxico	5.50
Equities	Level						% change:							
	Last	Change			1 Day	1-wk	1-mo	1-yr						
S&P/TSX	15571	-3.9			-0.0	2.0	5.6	-3.7						
Dow 30	26239	-31.3			-0.1	3.3	10.5	3.6						
S&P 500	3112	-10.5			-0.3	2.7	9.5	11.0						
Nasdaq	9699	15.6			0.2	3.5	11.3	28.8						
DAX	12401	-86.1			-0.7	6.4	18.5	3.6						
FTSE	6338	-44.3			-0.7	1.9	10.2	-12.1						
Nikkei	22696	82.0			0.4	3.6	15.7	11.2						
Hang Seng	24366	40.7			0.2	5.3	3.2	-9.0						
CAC	5001	-20.9			-0.4	4.8	14.2	-5.1						
Commodities	Level						% change:							
	Last	Change			1 Day	1-wk	1-mo	1-yr						
WTI Crude	36.82	-0.47			-1.3	9.2	80.6	-31.2						
Natural Gas	1.82	-0.00			-0.1	-0.4	-8.7	-24.7						
Gold	1707.30	7.63			0.4	-0.6	0.3	28.8						
Silver	17.86	-0.41			-2.2	3.9	20.3	21.5						
CRB Index	134.40	-0.61			-0.5	3.6	13.4	-23.4						
Currencies	Level						% change:							
	Last	Change			1 Day	1-wk	1-mo	1-yr						
USDCAD	1.3523	0.0028			0.2	-1.7	-4.0	1.0						
EURUSD	1.1267	0.0034			0.3	1.7	3.3	0.1						
USDJPY	108.73	-0.1700			-0.2	1.0	1.9	0.5						
AUDUSD	0.6917	-0.0004			-0.1	4.2	7.6	-1.1						
GBPUSD	1.2552	-0.0023			-0.2	1.9	0.9	-1.1						
USDCHF	0.9587	-0.0025			-0.3	-0.6	-0.7	-3.4						
Next Meeting Date														
													Canada - BoC	Jul 15, 2020
													US - Fed	Jun 10, 2020
													England - BoE	Jun 18, 2020
													Euro zone - ECB	Jun 04, 2020
													Japan - BoJ	Jun 16, 2020
													Mexico - Banxico	Jun 25, 2020
													Australia - RBA	Jul 07, 2020
													New Zealand - RBNZ	Jun 23, 2020

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.**

<sup>TM</sup> 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.