

ON DECK FOR MONDAY, FEBRUARY 22

Country	Date	Time	Event	Period	BNS	Consensus	Latest
US	02-22	09:00	Fed's Kaplan Speaks at International Energy Forum				
US	02-22	10:00	Leading Indicators (m/m)	Jan	--	0.4	0.5
US	02-22	10:30	Dallas Fed. Manufacturing Activity	Feb	--	5.0	7.0
US	02-22	12:00	Fed's Kaplan Take Part in Q&A				
US	02-22	15:30	Fed's Bowman Discusses Economic Inclusion				
US	02-22	15:30	Fed's Kaplan Speaks at Fed Conference				

KEY POINTS:

- **A risk-off start to the week**
- **Canadian core inflation revised markedly higher, for now...**
- **...after StatsCan blows roll-out of a methodological change**
- **Biden's vaccination target is well on track to being smashed**
- **Global COVID-19 cases keep declining**
- **Global Week Ahead**
- **Dallas Fed's survey is likely to reflect power grid disruptions**
- **Dallas Fed's Kaplan to speak three times today**

Please see the *Global Week Ahead — Shop Early This Spring!* ([here](#)). Key developments will include:

- US consumers & the Fed
- Fed's Powell
- BoC's Macklem
- ECB's Lagarde
- G20 finmins & CB heads
- CBs: PBOC, RBNZ, BoK
- CDN bank earnings
- Alberta budget
- Global releases

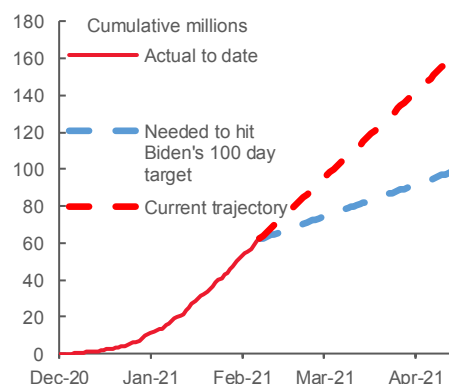
INTERNATIONAL

Stocks are broadly in the red across regions and sectors to start the week as the US Treasury and Canada curves are little changed albeit within a somewhat volatile range so far. European curves are bull flattening. The USD is largely flat so far. That Pfizer's vaccine may largely stop transmission of covid-19 is constructive to the outlook, but indirectly fans concern about a stimulus overshoot.

So is ongoing vaccination progress. The US has now administered over 62 million doses. Recall that President Biden had set a target of 100 million in his first 100 days in office. The key to setting political targets is of course to make sure they'll be easily beaten. If we take the average of 1.5 million doses per day of the past week and extrapolate that to the end of April to align with Biden's first 100 days, then the US will be at almost 170 million doses having been administered (chart 1). That is also likely lowballing figures as the curve is rising exponentially.

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Chart 1
Biden Set a Very Low Target


Sources: Scotiabank Economics, Bloomberg.

Chart 2
Presto - Canada Suddenly Has More Inflation!


Sources: Scotiabank Economics, Statistics Canada.

German IFO business confidence increased a touch this month on both the current and expectations components. That completes the main German sentiment readings that registered improvements across the ZEW investor expectations, composite PMI and now business confidence measures.

The US calendar will also be very light with the focus upon early readings of the impact of problems with the electricity grid in Texas. The Dallas Fed's manufacturing survey (10:30amET) is sent out approximately mid-month and responses are collected over about a seven-day period, meaning that they should show a negative hit as production would have been affected across multiple sectors, not least of which energy. With power getting restored (but water quality an issue in some areas) the reading should rebound in the next month. Dallas Fed President Kaplan speaks three times today (9amET, 12pmET, 3:30pmET).

Global COVID-19 cases continue to plunge across all regions (charts 3–11). Ditto for all Canadian provinces (charts 12–21). Third wave risk will be evaluated over coming weeks as restrictions begin to get relaxed either now (e.g. Ontario outside of Toronto starting today) or through March in Europe. The Public Health Agency of Canada's guidance on Friday ([here](#)) included updated short-term and longer-term (to the end of May) forecasts for Canadian cases ([here](#)). The short-term "models" are extrapolative. The longer-term models yield outcomes ranging from getting cases to zero if we throw out of work basically everyone other than government and health care workers to a renewed explosion based on loose modelling absent vaccine effects if restrictions are eased.

CANADA

Presto! Canadian core inflation is suddenly a lot closer to the BoC's 2% target than understood as recently as last Wednesday and on the eve of Governor Macklem's address no less.

With the stroke of a virtual pen, StatsCan revised average core inflation to be materially higher. Chart 2 shows the impact of the revisions by comparing what they published this morning to what they published last Wednesday. **Instead of average core inflation at 1.5% y/y last month, it is now clocked at 1.8%.** Revisions stretch back to March 2014 and are material throughout. Remember the low of 1.2% y/y last May? Yeah, that didn't happen either, it's now 1.6%.

The issue is that when they released CPI figures last Wednesday, StatsCan applied new seasonal adjustment models to some CPI components that led to downward revisions to core measures when they first published the estimates last Wednesday. On Friday night at 8:07pmET they sent out a cryptically worded oopsy note that said "based on feedback" about proposed methodological changes they had determined that they needed more time to re-evaluate and assess the changes and that in the meantime they would revert back to the prior methodology which is what they have published this morning.

The roll-out of controversial adjustments should have been done only upon careful consideration and with high confidence before toying with data that is key to the monetary policy picture. Communication around the issue remains very light. We're now left largely in the dark on what core inflation is and reliant upon if and when StatsCan publishes a revision to its revised methodology that they just retracted. When it does so, it will have a rather large task at hand in terms of convincing the street that they got it right this time. In the meantime, the issue plays to the #fakedata crowd that views inflation figures skeptically to begin with.

Markets shrugged it off, at least so far, perhaps because of a recognition lag or due to the added uncertainty around inflation measurement and where the figure may ultimately land. The bottom line is that inflation remains below target but we don't know by how much, the BoC is well away from tightening monetary policy, but core inflation could still be closer to its target than previously understood which could meaningfully impact the BoC's policy stance. For now, I'd advise viewing core inflation as probably in a range from 1.5–1.8% y/y until they advise otherwise but frankly we can't have certainty that the final tally might be higher or lower than that range.

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			
	0.11	0.11	0.11	0.58	0.58	0.49	1.33	1.34	1.21	2.13	2.14	2.01	Canada - BoC	0.25	
	0.23	0.23	0.19	0.65	0.64	0.50	1.20	1.20	1.03	1.79	1.79	1.63	US - Fed	0.25	
	-0.69	-0.68	-0.70	-0.64	-0.61	-0.65	-0.35	-0.31	-0.38	0.16	0.21	0.12	England - BoE	0.10	
	-0.10	-0.11	-0.12	-0.07	-0.07	-0.10	0.13	0.11	0.08	0.70	0.69	0.68			
	0.03	-0.01	-0.03	0.26	0.20	0.11	0.67	0.70	0.57	1.24	1.27	1.17			
	Spreads vs. U.S. (bps):														
	12	12	8	6	6	0	-13	-13	-18	-35	-34	-38	Euro zone - ECB	0.00	
	-80	-79	-81	-122	-118	-114	-168	-164	-159	-197	-192	-189	Japan - BoJ	-0.10	
-21	-21	-23	-65	-65	-59	-121	-123	-113	-143	-145	-133				
-8	-12	-14	-33	-38	-39	-66	-64	-64	-89	-87	-84				
Equities	Level						% change:						Mexico - Banxico <td>4.00</td>		4.00
S&P/TSX Dow 30 S&P 500 Nasdaq DAX FTSE Nikkei Hang Seng CAC	Last			Change			1 Day	1-wk	1-mo	1-yr					
	18365			-18.8			-0.1	-0.5	2.9	2.9			Australia - RBA	0.10	
	31371			-123.8			-0.4	-0.3	1.2	8.2			New Zealand - RBNZ	0.25	
	3884			-23.2			-0.6	-1.3	1.1	16.4					
	13745			-129.0			-0.9	-2.5	1.5	43.5					
	13933			-60.4			-0.4	-1.3	0.4	2.6					
	6600			-23.9			-0.4	-2.3	-1.4	-10.9					
	30156			138.1			0.5	0.2	5.3	28.9			Canada - BoC	Mar 10, 2021	
	30320			-324.9			-1.1	0.5	3.0	11.0			US - Fed	Mar 17, 2021	
	5761			-12.4			-0.2	-0.4	3.6	-4.5			England - BoE	Mar 18, 2021	
Commodities	Level						% change:						Euro zone - ECB <td>Mar 11, 2021</td>		Mar 11, 2021
WTI Crude Natural Gas Gold Silver CRB Index	60.62			1.38			2.3	1.9	16.0	13.6			Japan - BoJ	Mar 19, 2021	
	2.94			-0.13			-4.3	0.9	20.1	54.2			Mexico - Banxico	Mar 25, 2021	
	1805.04			20.79			1.2	-0.8	-2.7	9.8			Australia - RBA	Mar 01, 2021	
	26.95			-0.22			-0.8	-0.4	6.5	46.9			New Zealand - RBNZ	Feb 23, 2021	
	190.16			1.53			0.8	2.6	10.0	8.9					
Currencies	Level						% change:								
USDCAD EURUSD USDJPY AUDUSD GBPUSD USDCHF	1.2631			0.0016			0.1	-0.1	-0.8	-5.0					
	1.2146			0.0027			0.2	0.1	-0.2	11.9					
	105.16			-0.2900			-0.3	-0.2	1.3	-5.0					
	0.7902			0.0033			0.4	1.6	2.4	19.6					
	1.4045			0.0029			0.2	1.0	2.6	8.7					
0.8957			-0.0006			-0.1	0.6	1.1	-8.5						

Chart 3

Trend in European Daily Cases

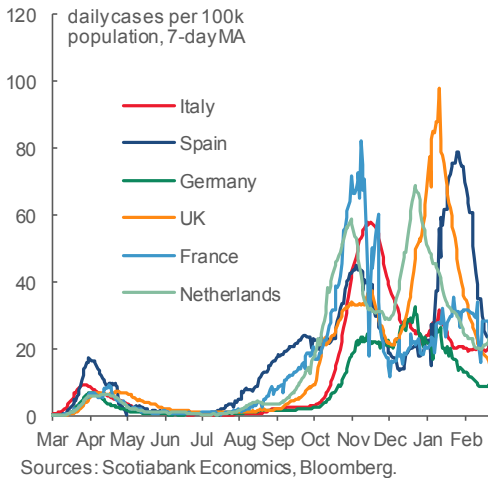


Chart 4

Trend in European Daily Cases

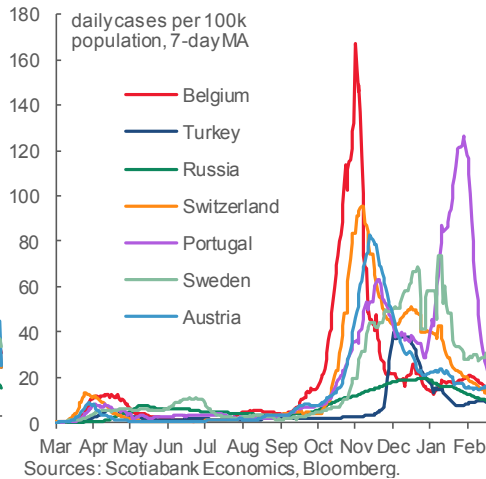


Chart 5

Trend in Latin American Daily Cases

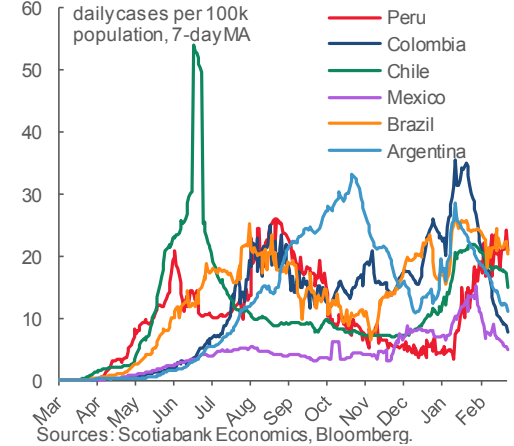


Chart 6

Trend in Asia Pacific Daily Cases

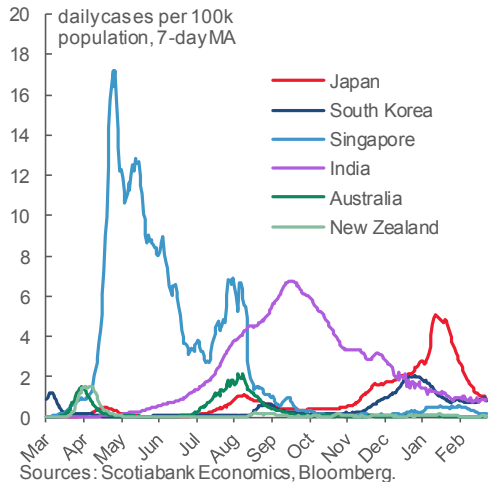


Chart 7

Trend in Asia Pacific Daily Cases

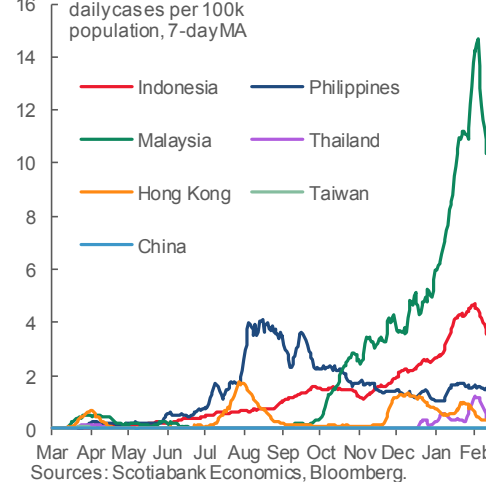


Chart 8

Trend in Middle Eastern Daily Cases

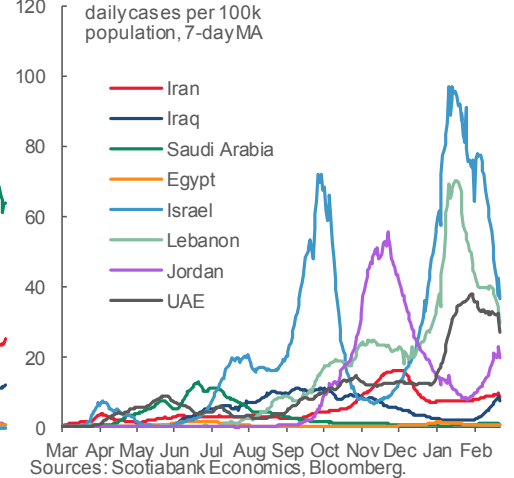


Chart 9

Canadian Trend in New Cases

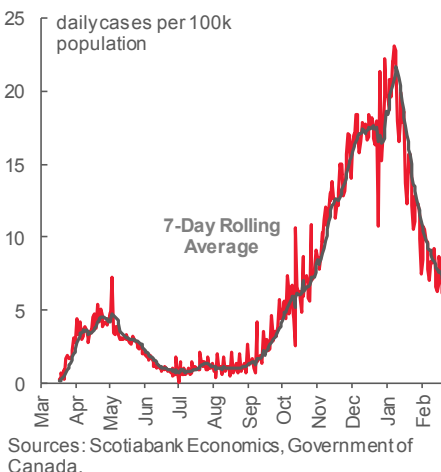


Chart 10

Trend in US Daily New Cases

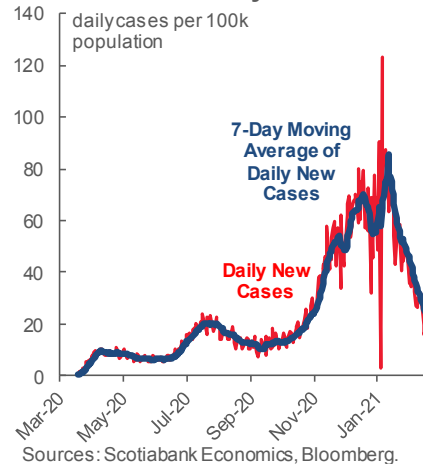


Chart 11

Daily Cases Trend in US Regions

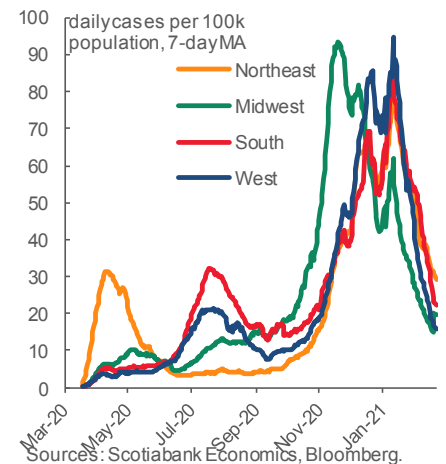
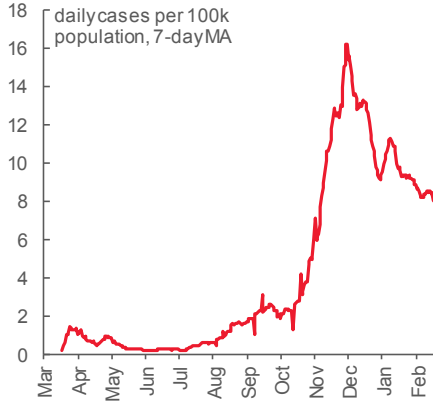


Chart 12

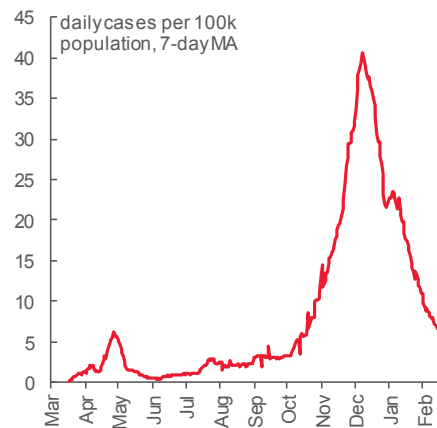
British Columbia Trend in New Cases



Sources: Scotiabank Economics, Government of Canada.

Chart 13

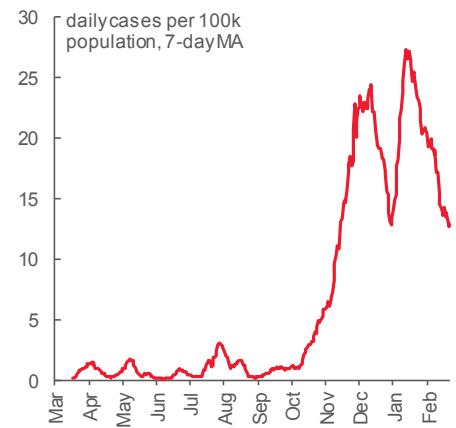
Alberta Trend in New Cases



Sources: Scotiabank Economics, Government of Canada.

Chart 14

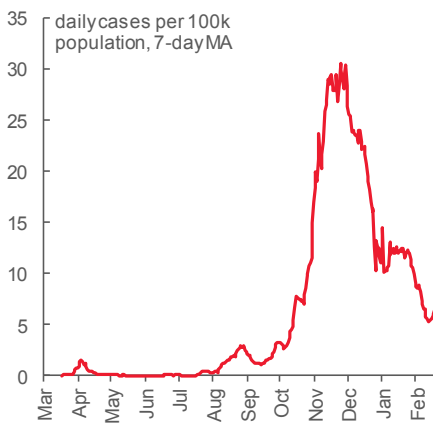
Saskatchewan Trend in New Cases



Sources: Scotiabank Economics, Government of Canada.

Chart 15

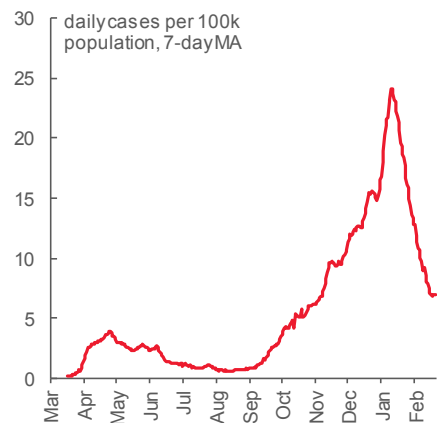
Manitoba Trend in New Cases



Sources: Scotiabank Economics, Government of Canada.

Chart 16

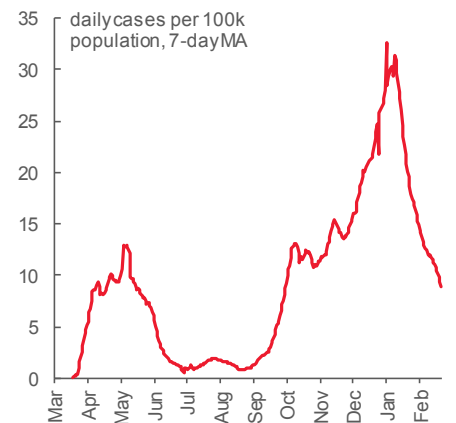
Ontario Trend in New Cases



Sources: Scotiabank Economics, Government of Canada.

Chart 17

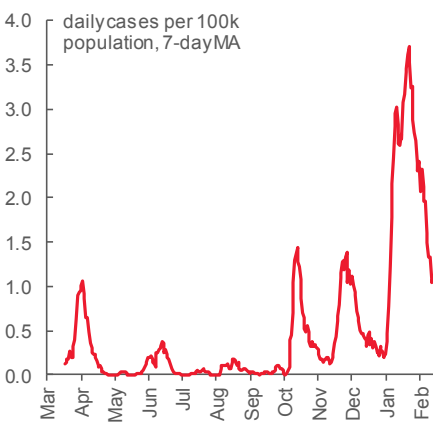
Quebec Trend in New Cases



Sources: Scotiabank Economics, Government of Canada.

Chart 18

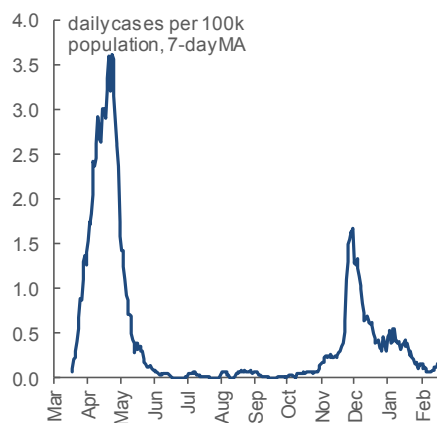
New Brunswick Trend in New Cases



Sources: Scotiabank Economics, Government of Canada.

Chart 19

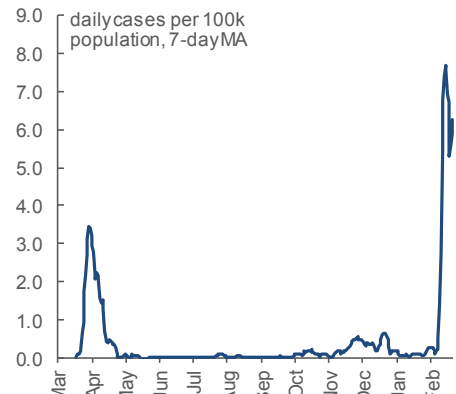
Nova Scotia Trend in New Cases



Sources: Scotiabank Economics, Government of Canada.

Chart 20

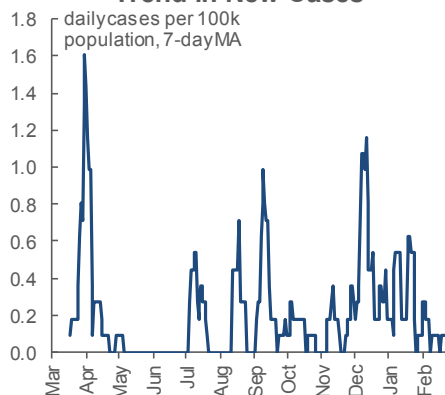
Newfoundland & Labrador Trend in New Cases



Sources: Scotiabank Economics, Government of Canada.

Chart 21

Prince Edward Island Trend in New Cases



Sources : Scotiabank Economics, Government of Canada.

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