

ON DECK FOR WEDNESDAY, MARCH 17

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	03-17	07:00	MBA Mortgage Applications (w/w)	Mar 12	--	--	-1.3
CA	03-17	08:30	Core CPI - Common (y/y)	Feb	--	1.4	1.3
CA	03-17	08:30	Core CPI - Median (y/y)	Feb	--	2.0	2.0
CA	03-17	08:30	Core CPI - Trim (y/y)	Feb	--	2.0	2.0
CA	03-17	08:30	CPI, All items (m/m)	Feb	0.7	0.7	0.6
CA	03-17	08:30	CPI, All items (y/y)	Feb	1.3	1.3	1.0
CA	03-17	08:30	CPI, All items (index)	Feb	--	139.2	138.2
CA	03-17	08:30	Teranet - National Bank HPI (y/y)	Feb	--	--	9.6
US	03-17	08:30	Building Permits (000s a.r.)	Feb	--	1,750	1,886
US	03-17	08:30	Housing Starts (000s a.r.)	Feb	1,600	1,560	1,580
US	03-17	08:30	Housing Starts (m/m)	Feb	1.3	-1.3	-6.0
US	03-17	14:00	FOMC Interest Rate Meeting (%)	Mar 17	0.25	0.25	0.25
US	03-17	14:30	Powell Holds Press Conference				

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KEY POINTS:

- Global markets have their colours mixed up today
- Fed: Forecast upgrades...
- ...could push at least some dots higher, earlier...
- ...offset by emphasis upon the long dual mandate road ahead
- The Fed's insulting inflation narrative
- Powell's presser & the Supplementary Leverage Ratio
- CDN CPI: higher headline, core uncertain

Happy St. Paddy's Day!

But my, you are all being verrrry bad Irish(wo)men. Tisk tisk. I would have expected you to be driving a sea of brilliant emerald green across my screens this morning. There had better be some green tea on those desks (or maybe green beer in the case of our friends in Asia)! Alas, ahead of the Fed, stocks are playing a bit of defense, sovereign yields are higher with curves bear steepening across most major markets, the dollar is little changed on balance, but CAD, the Mexican peso and other commodity crosses are losing a bit of ground with oil off by under 1%. We'll see about conditions after the Fed.

The Fed will clearly be the focal point today and before that we'll get an update on Canadian CPI to pass the time in the background. Overnight developments were otherwise thin. The German government revised growth guidance to be slightly lower at a still rather respectable 3.1–3.7% this year and 4% next year which despite the doom scrolling is still in the ballpark of most expectations. Japan's PM Suga indicated that Tokyo's lockdown would lift on Sunday; rather hard to prepare for the Olympics otherwise...

UNITED STATES

The Fed statement, Summary of Economic Projections and dot plot arrive at 2pmET followed by Chair Powell's press conference at 2:30pmET. The last forecasts were issued in mid-December and developed even before that. Today's will raise GDP projections at least for 2021 on the back of two huge

fiscal packages and major vaccine progress in the US. The dots could see a few more join the 2023 hike camp but probably not enough to swing the median toward a hike. The statement and presser are likely to acknowledge the upside developments while still flagging 9.5 million unemployed and being shy of inflation goals.

They'll repeat that we should all simply ignore inflation's rise as just a year-over-year base effect phenomenon with nothing to see, nothing to fret about here, inflation is going to charge right back down so #stimulusforever. Hogwash. Most of us should instead be looking at higher frequency gauges, like seasonally adjusted month-ago core measures and with greater uncertainty in mind toward inflation drivers not just into Spring but within the 1–2 year monetary policy horizon. US real GDP is forecast to fully recover the pandemic shock by next quarter. Spare capacity is shutting faster than Trump's net worth is falling. The Phillips curve is flatter, not dead. Full employment is attainable within the monetary policy horizon. Powell's low inflation arguments are rooted in views drawn from the past that may well be changing and in the context of ginormous stimulus. The FOMC's don't worry be happy line is merely about buying time in my view and I'm sure they know full well that adjustments are ahead. The stimulus put in place about a year ago now was for a depression scenario which this is not. The FOMC has already accommodated a whisper taper that makes an actual taper easier to deliver. The EM asset effects of a whisper taper are starting to be felt as guided. The path toward tapering purchases as soon as later this year, more likely early next year remains intact and it will be a lot easier to deliver with markets adjusting toward that path.

Also watch for possible discussion in the presser on the Board of Governors' stance on what to do with the supplementary leverage ratio's month-end expiration of the exclusion of Treasuries and deposits held at the Fed which could be the considerably more important nearer term Fed consideration along with guidance toward other possible tools into a likely further liquidity overshoot (IOER hike, raise overnight reverse repo counter-party limits, etc). See the Global Week Ahead for more ([here](#)).

CANADA

Before that we'll get Canadian CPI. Spare a couple of minutes to think about the BoC today before the Fed takes over. Don't look for a repeat of the CPI revision fiasco, at least for a while. Gas prices and seasonality should pop headline NSA CPI higher by about 0.7% m/m. When combined with base effects, that should be enough to raise headline from about 1.0% to 1.3% y/y. Two out of the three core measures are likely to hang in around the unchanged 2.0% y/y mark so the key will be whether common component remains as much of a downside outlier at 1.3%. The average is already running at 1.8% y/y and there is some debate at the margin about which measures of core are truly best. Like the Fed, the BoC put in place ginormous stimulus for a world before vaccines were expected and when it was common to assume that fiscal policy would fail as it has in the past. Neither assumption remains valid. So why all the long faces talking about long rate holds and buying bonds until the proverbial cows come home? HeIIllo April.

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		
	0.16	0.15	0.15	0.86	0.83	0.79	1.67	1.62	1.52	2.42	2.38	2.24	Canada - BoC	0.25
	0.32	0.31	0.24	1.06	1.03	0.92	1.61	1.57	1.41	2.06	2.03	1.84	US - Fed	0.25
	-0.69	-0.69	-0.68	-0.64	-0.65	-0.62	-0.31	-0.34	-0.31	0.23	0.20	0.18	England - BoE	0.10
	-0.13	-0.14	-0.12	-0.09	-0.10	-0.07	0.10	0.11	0.13	0.67	0.68	0.71		
	0.11	0.09	0.07	0.40	0.37	0.32	0.84	0.79	0.71	1.37	1.32	1.23		
	Spreads vs. U.S. (bps):													
	16	16	9	20	20	13	-6	-5	-11	-36	-35	-40	Euro zone - ECB	0.00
	-84	-84	-84	-149	-148	-141	-198	-196	-183	-219	-218	-206	Japan - BoJ	-0.10
-29	-29	-27	-95	-92	-86	-157	-151	-139	-175	-170	-153			
-4	-6	-9	-46	-46	-47	-83	-83	-81	-105	-106	-101			
Equities	Level						% change:						Mexico - Banxico	4.00
	Last			Change			1 Day	1-wk	1-mo	1-yr				
S&P/TSX	18874			-80.7			-0.4	1.0	2.7	48.8			Australia - RBA	0.10
Dow 30	32826			-127.5			-0.4	3.1	3.8	54.6			New Zealand - RBNZ	0.25
S&P 500	3963			-6.2			-0.2	2.3	0.8	56.7				
Nasdaq	13472			11.9			0.1	3.0	-3.5	83.7				
DAX	14557			-0.7			-0.0	0.1	4.7	62.8				
FTSE	6765			-38.5			-0.6	0.6	0.8	27.8				
Nikkei	29914			-6.8			-0.0	3.0	-1.2	75.8			Canada - BoC	Apr 21, 2021
Hang Seng	29034			6.4			0.0	0.4	-6.6	24.8			US - Fed	Mar 17, 2021
CAC	6039			-16.0			-0.3	0.8	4.7	51.3				
Commodities	Level						% change:							
	Last			Change			1 Day	1-wk	1-mo	1-yr				
WTI Crude	64.21			-0.59			-0.9	-0.4	5.0	138.3			England - BoE	Mar 18, 2021
Natural Gas	2.55			-0.01			-0.5	-5.3	-20.8	47.4			Euro zone - ECB	Apr 22, 2021
Gold	1728.30			-3.10			-0.2	0.1	-2.7	13.1			Japan - BoJ	Mar 19, 2021
Silver	26.08			-0.02			-0.1	1.3	-5.4	101.2				
CRB Index	192.48			-0.95			-0.5	0.4	2.0	47.7				
Currencies	Level						% change:							
	Last			Change			1 Day	1-wk	1-mo	1-yr				
USDCAD	1.2471			0.0023			0.2	-1.2	-1.8	-12.2			Mexico - Banxico	Mar 25, 2021
EURUSD	1.1897			-0.0006			-0.1	-0.3	-1.2	8.2			Australia - RBA	Apr 06, 2021
USDJPY	109.21			0.2100			0.2	0.8	3.2	1.4			New Zealand - RBNZ	Apr 13, 2021
AUDUSD	0.7716			-0.0030			-0.4	-0.3	-0.5	28.6				
GBPUSD	1.3902			0.0011			0.1	-0.2	0.3	15.3				
USDCHF	0.9280			0.0033			0.4	-0.2	3.2	-3.5				

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