

**ON DECK FOR MONDAY, APRIL 26**

Country	Date	Time	Event	Period	BNS	Consensus	Latest
US	04-26	08:30	Durable Goods Orders (m/m)	Mar P	1.5	2.5	-1.2
US	04-26	08:30	Durable Goods Orders ex. Trans. (m/m)	Mar P	1.0	1.6	-0.9
US	04-26	10:30	Dallas Fed. Manufacturing Activity	Apr	--	30.0	28.9

**KEY POINTS:**

- Slight, uneven risk-on bias on a light start to the week
- US core durable goods orders resume upward march
- German IFO confidence slips a touch
- BoC's Macklem elaborates on inflation overshoot forecast
- Global COVID-19 new case charts

**INTERNATIONAL**

Stocks are little changed overall with Europe a little firmer and N.S. flat to lower. Sovereign bonds have a very slight cheapening bias in N.A. and Europe. The USD is little changed overall, but some higher beta crosses are a bit firmer including CAD despite oil being off 2% this morning.

It's a relatively quiet start to the trading week and in terms of calendar-based risk. A couple of low-risk releases and a survey that brings forward Fed taper expectations are where the attention is focused.

German IFO business confidence slipped a touch but not in any significant way on either the headline measure or the components that track current and expected conditions.

**UNITED STATES**

US durable goods orders ([here](#)) advanced by only 0.5% m/m (consensus 2.3%) with only a fraction of that miss explained by a small upward revision (-0.9% m/m in February, from -1.2%). Still, the details were more robust than the headline (see charts 1-3). Orders ex-transportation were up 1.6% m/m and on-consensus plus there was a slightly more positive upward revision to that measure (-0.3% m/m from -0.9%). Core orders ex-defence/air were up 0.9%.

Bloomberg's Fed survey shows 75% of respondents expecting a first taper of bond purchases by 2022Q1 with a slim majority expecting it to occur over 2021H2 and the largest share of 45% expecting a taper to be delivered in 2021Q4. We've generally expected 2022Q1. It's important to note that the survey is light on participation by US primary dealers and very light on participation by US money centre banks. To taper as soon as Q4 while delivering on the Fed's promise to communicate well in advance would seem to face the high hurdle of starting the signals very soon, yet it seems unlikely to expect Powell to signal material progress on jobs for a while yet.

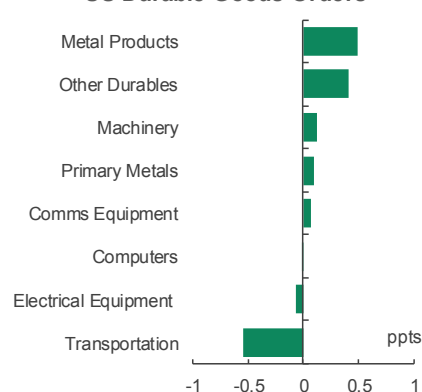
**CANADA**

There are no releases on tap today in Canada.

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**Chart 1**
**Capital Goods Slight Pickup in March**

**Chart 2**
**March Weighted Contributions to US Durable Goods Orders**

**Chart 3 US Non-Defence Capital Goods Ex. Aircraft**


BoC Governor Macklem's interview in the G&M this weekend ([here](#)) elaborated upon the intent behind forecasting a sustained overshoot of the 2% target. He said "That was a very deliberate, calculated decision. We were faced [over the past year] with the situation where inflation was very low, we had a lot of excess supply. Our major concern was deflation, or inflation that was far too low. By providing that exceptional stimulus, that's helpful in getting inflation back to the target faster. If that means we go a little over the [inflation] target for a period, that is definitely a risk worth taking."

First off, it hasn't been just the past year; the BoC has seen inflation undershoot its target by any measure—headline or core—throughout the past dozen years or so and so the BoC still isn't being anywhere nearly as transparent on the topic as the Fed. Further, pair this set of remarks with his remarks at last Wednesday's press conference where he said this forecast overshoot was a function of the nature of providing extraordinary guidance to remain on hold for an extended period (now widely viewed to mean until 2022H2) whereas in prior cycles they might have hiked earlier. In other words, in the past, they would have tightened earlier and headed off some inflation but typically too early and/or too much. A distinct third possibility is that the BoC is trying to explain away how slow it was since last Fall's arrival of vaccines and massive US and Canadian fiscal stimulus to change its narrative and now it faces a protracted path toward shutting down its balance sheet and hiking.

In my view, we're getting conflicting signals on why the BoC is allowing an overshoot in its forecasts. In any event, pairing the two remarks to one another remains consistent with expecting lift-off over 2022H2 and still ending 2023 at or below the lowest end of the BoC's neutral rate range which is 1.75–2.75%. Even by the end of 2023 with possibly six hikes in the bag, the BoC would still have a bloated balance sheet and a policy rate at or below any of its definitions of neutral. That's how you get inflation overshooting.

## COVID-19 TRENDS

Also please see charts 4–19 that track the seven-day moving average of daily cases per 100,000 population across the world. In general, countries with the quickest vaccine progress (US, UK, soon Canada) are lowest.

- **India:** India's very rapid and very sudden rise in new cases per capita is portrayed by a curve that has gone vertical of late. By sheer virtue of its massive population, the per capita new case rates remain well below the rates that have been witnessed across many other countries throughout the pandemic. That could well change and change fast given an explosive mixture of high population density and the features of India's economy and health care system that make it difficult to contain the virus.
- **US:** The daily new case trend in the US continues to hover at pre-second wave levels dating back to last September–October. All Census regions are performing similarly, although the highest rates are in the northeast and Midwest.
- **Canada:** It's early to call a top and if it is a top then it remains off the highest trend in per capita cases witnessed to date. Maybe BC, Ontario and Quebec are starting to see new cases plateau in the charts showing the regional breakdowns, but it's premature to be sure of this.
- **Europe:** France, the Netherlands, Sweden and Turkey are among the countries experiencing high new case rates. New cases in the UK have all but disappeared due to rapid vaccine progress and earlier restrictions. Italy's new case rate is falling, while Germany and Spain are on an upswing.
- **Latin America:** Mexico's new case rate is lower than the rest of the region. Argentina remains the stand-out in terms of very high new case rates. The rest of the major economies are in the middle.
- **Asia-Pacific:** Apart from India, Japan remains on an upswing along with Malaysia and Thailand. Cases in the Philippines remain high but may be showing signs of a plateau.
- **Middle East:** All major countries are experiencing declines or—in the case of Iran—may be plateauing.

Chart 4

**Trend in European Daily Cases**

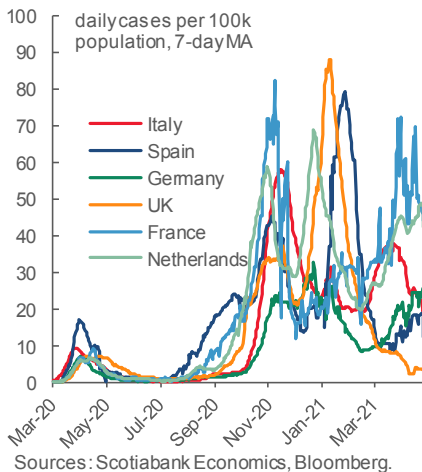


Chart 5

**Trend in European Daily Cases**

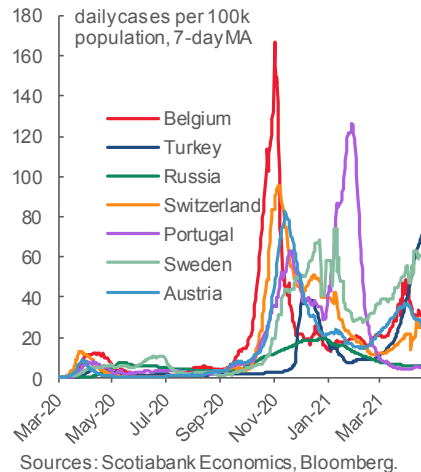


Chart 6

**Trend in Latin American Daily Cases**

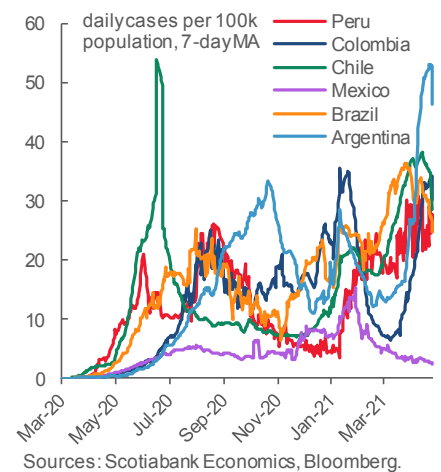


Chart 7

**Trend in Asia Pacific Daily Cases**

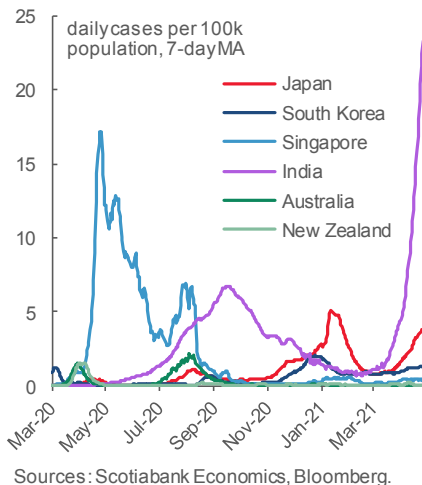


Chart 8

**Trend in Asia Pacific Daily Cases**

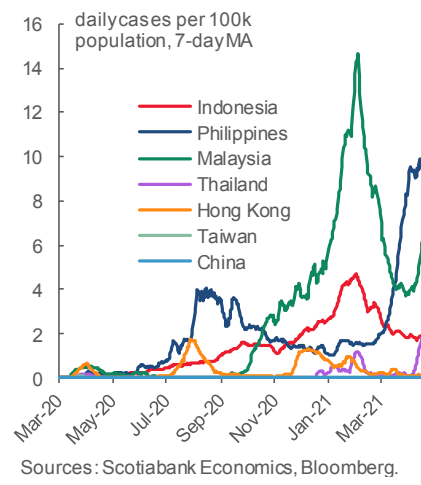


Chart 9

**Trend in Middle Eastern Daily Cases**

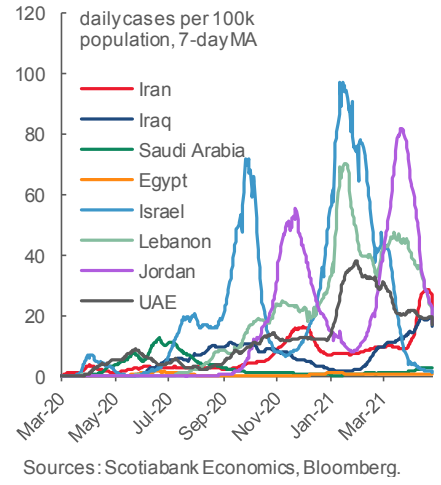


Chart 10

**Canadian Trend in New Cases**

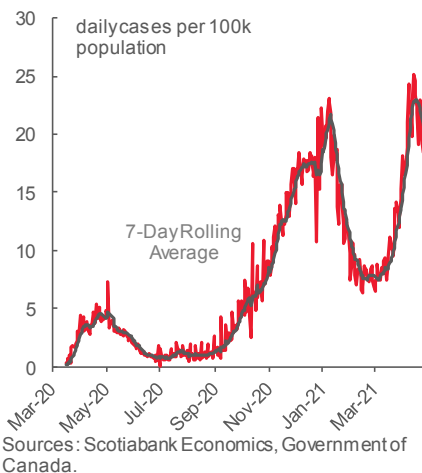


Chart 11

**Trend in US Daily New Cases**

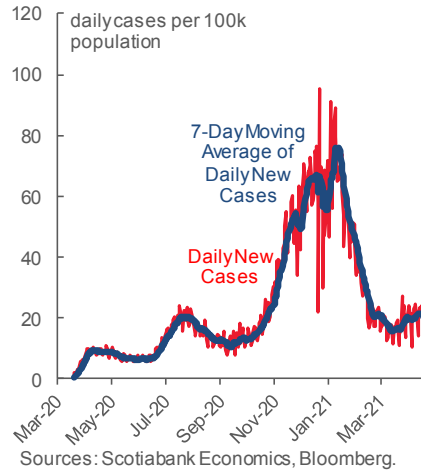


Chart 12

**Daily Cases Trend in US Regions**

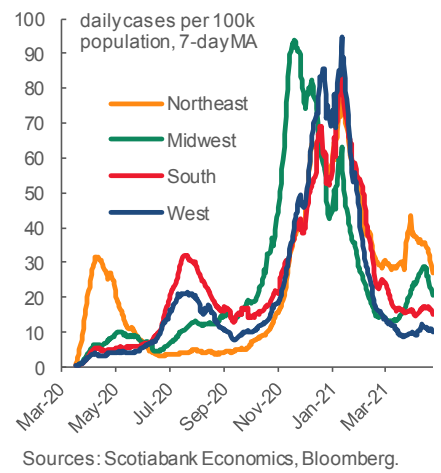
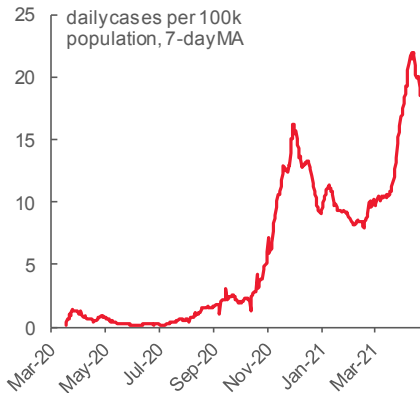


Chart 13

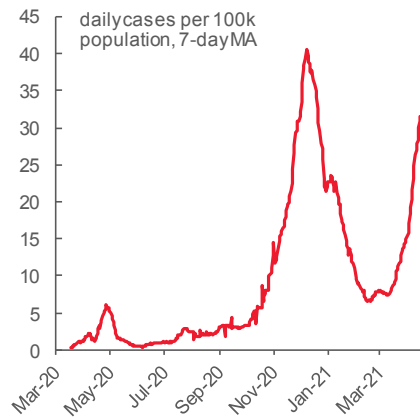
**British Columbia Trend in New Cases**



Sources: Scotiabank Economics, Government of Canada.

Chart 14

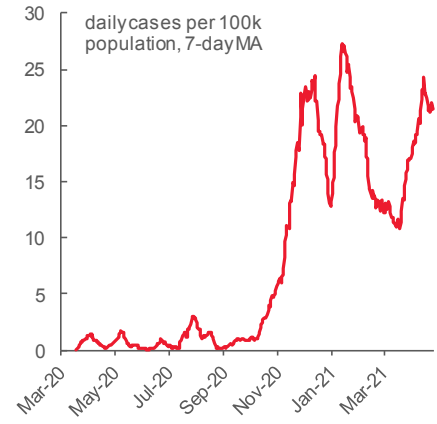
**Alberta Trend in New Cases**



Sources: Scotiabank Economics, Government of Canada.

Chart 15

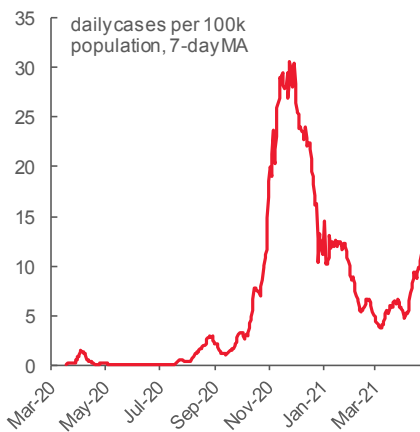
**Saskatchewan Trend in New Cases**



Sources: Scotiabank Economics, Government of Canada.

Chart 16

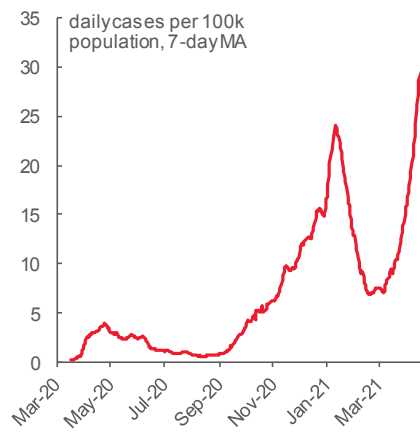
**Manitoba Trend in New Cases**



Sources: Scotiabank Economics, Government of Canada.

Chart 17

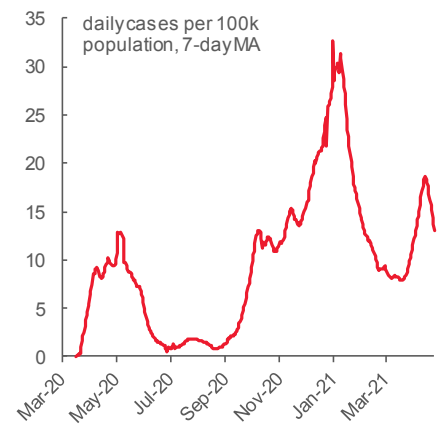
**Ontario Trend in New Cases**



Sources: Scotiabank Economics, Government of Canada.

Chart 18

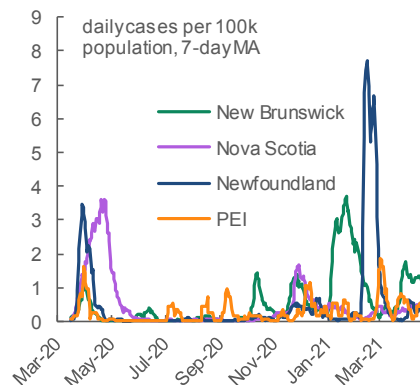
**Quebec Trend in New Cases**



Sources: Scotiabank Economics, Government of Canada.

Chart 19

**Atlantic Provinces Trend in New Cases**



Sources: Scotiabank Economics, Government of Canada.

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	0.16	0.16	0.82	0.82	0.83	1.57	1.56	1.61	2.25	2.24	2.30	Canada - BoC	0.25	
	0.33	0.32	0.30	0.95	0.94	0.96	1.52	1.51	1.55	2.06	2.05	2.06	US - Fed	0.25	
	-0.69	-0.69	-0.68	-0.61	-0.61	-0.58	-0.26	-0.26	-0.24	0.29	0.29	0.31	US - Fed	0.25	
	-0.13	-0.13	-0.12	-0.09	-0.10	-0.09	0.08	0.07	0.09	0.65	0.64	0.66			
	0.04	0.04	0.04	0.32	0.31	0.33	0.75	0.74	0.76	1.28	1.28	1.29	England - BoE	0.10	
	Spreads vs. U.S. (bps):														
	17	17	14	12	12	13	-5	-5	-5	-19	-18	-24	Euro zone - ECB	0.00	
	-85	-85	-84	-143	-142	-141	-183	-182	-184	-196	-195	-199			
-29	-29	-28	-91	-92	-92	-149	-149	-152	-160	-159	-164	Japan - BoJ	-0.10		
-12	-12	-12	-50	-51	-50	-82	-82	-85	-97	-96	-101				
Equities	Level						% change:						Mexico - Banxico	4.00	
	Last	Change				1 Day	1-wk	1-mo	1-yr						
S&P/TSX	19102	70.7				0.4	-0.5	1.9	32.5					Australia - RBA	0.10
Dow 30	34043	227.6				0.7	-0.5	2.9	43.2						
S&P 500	4180	45.2				1.1	-0.1	5.2	47.4					New Zealand - RBNZ	0.25
Nasdaq	14017	198.4				1.4	-0.3	6.7	62.3						
DAX	15286	6.3				0.0	-0.5	3.6	47.9					Next Meeting Date	
FTSE	6962	23.1				0.3	-0.5	3.3	21.0						
Nikkei	29126	105.6				0.4	-1.9	-0.2	47.2					Canada - BoC	Jun 09, 2021
Hang Seng	28953	-125.9				-0.4	-0.5	2.2	19.2						
CAC	6277	18.8				0.3	-0.3	4.8	42.9					US - Fed	Apr 28, 2021
Commodities	Level						% change:								
WTI Crude	60.99	-1.15				-1.9	-3.8	0.0	260.0					England - BoE	May 06, 2021
Natural Gas	2.71	-0.02				-0.9	-1.6	5.8	54.9						
Gold	1776.59	-0.61				-0.0	0.3	2.5	2.7					Euro zone - ECB	Jun 10, 2021
Silver	26.13	-0.18				-0.7	-0.1	2.0	70.7						
CRB Index	195.69	-0.37				-0.2	0.9	4.2	73.5					Japan - BoJ	Apr 27, 2021
Currencies	Level						% change:								
USDCAD	1.2448	-0.0028				-0.2	-0.7	-1.0	-11.3					Mexico - Banxico	May 13, 2021
EURUSD	1.2079	-0.0018				-0.1	0.3	2.4	11.5						
USDJPY	108.07	0.1900				0.2	-0.1	-1.4	0.8					Australia - RBA	May 04, 2021
AUDUSD	0.7789	0.0050				0.6	0.4	2.0	20.5						
GBPUSD	1.3871	-0.0005				-0.0	-0.8	0.6	11.6					New Zealand - RBNZ	May 25, 2021
USDCHF	0.9159	0.0019				0.2	0.1	-2.5	-6.1						

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