

**ON DECK FOR FRIDAY, APRIL 30**

| Country | Date  | Time  | Indicator                                | Period | BNS  | Consensus | Latest |
|---------|-------|-------|--|--------|------|-----------|--------|
| CA      | 04-30 | 08:30 | IPPI (m/m)                               | Mar    | --   | 1.6       | 2.6    |
| CA      | 04-30 | 08:30 | Raw Materials Price Index (m/m)          | Mar    | --   | 2.0       | 6.6    |
| CA      | 04-30 | 08:30 | Real GDP (m/m)                           | Feb    | 0.5  | 0.5       | 0.7    |
| US      | 04-30 | 08:30 | Employment Cost Index (q/q)              | 1Q     | --   | 0.7       | 0.7    |
| US      | 04-30 | 08:30 | PCE Deflator (m/m)                       | Mar    | 0.6  | 0.5       | 0.2    |
| US      | 04-30 | 08:30 | PCE Deflator (y/y)                       | Mar    | 2.4  | 2.3       | 1.6    |
| US      | 04-30 | 08:30 | PCE ex. Food & Energy (m/m)              | Mar    | 0.3  | 0.3       | 0.1    |
| US      | 04-30 | 08:30 | PCE ex. Food & Energy (y/y)              | Mar    | 1.8  | 1.8       | 1.4    |
| US      | 04-30 | 08:30 | Personal Spending (m/m)                  | Mar    | 5.4  | 4.1       | -1.0   |
| US      | 04-30 | 08:30 | Personal Income (m/m)                    | Mar    | 20.5 | 20.2      | -7.1   |
| US      | 04-30 | 09:45 | Chicago PMI                              | Apr    | --   | 65.3      | 66.3   |
| US      | 04-30 | 09:45 | Fed's Kaplan Takes Part in Moderated Q&A |        |      |           |        |
| US      | 04-30 | 10:00 | U. of Michigan Consumer Sentiment        | Apr F  | --   | 87.5      | 86.5   |

**KEY POINTS:**

- **Mild risk-off sentiment at month-end...**
- **...driven by earnings, month-end effects and Golden Week...**
- **...but also mixed fundamentals**
- **China's PMIs indicate softer growth**
- **The eurozone economy shrank less than expected**
- **Canada's economy likely powered through both February and March**
- **US consumption likely charged higher in March with explosive income growth and strong consumption...**
- **...as core inflation probably edged up**
- **Mexico's economy beat expectations**
- **BanRep expected to hold**

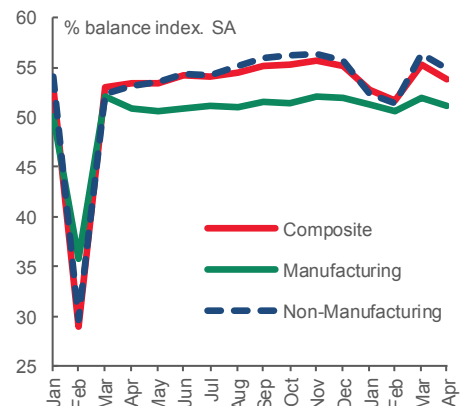
**INTERNATIONAL**

There is a bit of a risk-off feel this morning, but so far, it's not causing a whole lot of grief. Mixed US earnings after yesterday's close are not helping and it's month-end with Japan out for Golden Week so the potential for volatility through the North American session is likely to remain significant. Uninspiring fundamentals are also not helping, although we should get some better numbers out of North America shortly.

- US equity futures are down around ½%–¾% with Canada performing similarly. European cash markets are flat to slightly lower.
- Sovereign curves are little changed for the most part with a touch of EGB outperformance to US Ts on balance.
- The USD and C\$ are outperforming again. CAD has appreciated by over 3 cents since last Wednesday's hawkish BoC taper. CAD's resilience this morning is ahead of GDP figures and despite oil prices being down a buck or so.

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**Chart 1**
**China's PMIs**


Sources: Scotiabank Economics, CNBS, China Federation of Logistics & Purchasing.

**China's economy registered milder growth in the April batch of the state's PMI readings (chart 1).** The composite PMI fell by 1.5 points to 53.8 which still signals moderate growth. The deceleration was mostly due to the non-manufacturing PMI that fell 1.4 points to 54.9 but manufacturing also cooled and is barely registering expansion (51.1 from 51.9). Within manufacturing, new orders slowly expanded but new export orders practically stalled. Employment subindices contracted in both PMIs. The National Bureau of Statistics cited effects like chip shortages that are challenging global manufacturers, plus other supply bottlenecks as among the concerns. One could add Europe's renewed stumble as an offset to strong growth in the US. Smaller non-SOE manufacturers are more highly represented in the private manufacturing PMI that increased a touch to the mild growth level of 51.9.

There is lots of talk of a second Eurozone recession this morning. That's because the headlines are relying on the technical definition of recession marked by consecutive back-to-back quarterly GDP declines which is what happened again with Q1 down 0.6% following a similar drop in Q4. Still, the magnitudes of contraction clearly pale compared to '20H1 and are entirely explainable by renewed lockdowns and vaccine frustrations. The pace of contraction was a bit milder than consensus had expected (-0.8% q/q). The outlook should be better as vaccines get deployed. Hope remains the constant foundation for Eurozone forecasts...

Notwithstanding such hope, French consumers ended Q1 weaker on consumer spending that fell 1.1% m/m (consensus +0.5%) so the handoff to Q2 is unfavourable.

Eurozone headline inflation popped higher to 1.6% y/y and hence on-consensus (from 1.3%) but core inflation—also on consensus—dipped a tick to 0.8% y/y so all of the firmer headline was driven by food and energy base effects with price pressures at the margin as gasoline prices were higher on average in April over March.

Mexican GDP beat expectations for Q1. The economy expanded by 0.4% q/q (consensus 0%).

BanRep is expected to hold its policy rate at 1.75% at 2pmET.

## CANADA

**On tap will be Canada's GDP figures that should firm up Q1 estimates (8:30amET).** We not only get February GDP after the flash guidance pointed to a gain of 0.5% m/m, but also preliminary March guidance. **I'm expecting continued strong growth in the March reading** based on a strong 2% m/m gain in hours worked and the 303k jobs regained that month, plus a gain in housing starts and preliminary guidance that retail sales were up 2.3% m/m, manufacturing sales were up sharply (+3.5% m/m) and wholesale activity was up 0.9% m/m. There might be a services assist on the easier restrictions in March. Then restrictions hit that will drag next Friday's jobs report lower.

## UNITED STATES

After yesterday's US consumption and PCE figures for Q1, today's March figures at 8:30amET should pose little surprise upon interpolating the results alongside possible monthly revisions to reconcile against the quarterly estimates. A strong gain in consumption (we already know retail sales were up by ~10% m/m) and a 20% m/m jump in personal incomes driven by stimulus cheques and hiring should be accompanied by accelerations in core and headline PCE in part based upon the already known CPI figures for the month.

| Fixed Income   | Government Yield Curves (%): |         |       |        |       |       |           |       |       |         |       |                    | Central Banks    |       |
|--|------------------------------|---------|-------|--------|-------|-------|-----------|-------|-------|---------|-------|--------------------|------------------|-------|
| U.S.<br>CANADA<br>GERMANY<br>JAPAN<br>U.K.<br><br>CANADA<br>GERMANY<br>JAPAN<br>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  | 0.87   | 0.86  | 0.82  | 1.64      | 1.64  | 1.56  | 2.30    | 2.30  | 2.24               | Canada - BoC     | 0.25  |
|  | 0.31                         | 0.31    | 0.32  | 0.95   | 0.95  | 0.94  | 1.57      | 1.56  | 1.51  | 2.09    | 2.09  | 2.05               | US - Fed         | 0.25  |
|  | -0.69                        | -0.68   | -0.69 | -0.58  | -0.56 | -0.61 | -0.21     | -0.19 | -0.26 | 0.35    | 0.36  | 0.29               | England - BoE    | 0.10  |
|  | -0.12                        | -0.03   | -0.13 | -0.08  | -0.08 | -0.10 | 0.10      | 0.10  | 0.07  | 0.66    | 0.66  | 0.64               | Euro zone - ECB  | 0.00  |
|  | 0.08                         | 0.08    | 0.04  | 0.39   | 0.39  | 0.31  | 0.83      | 0.84  | 0.74  | 1.34    | 1.35  | 1.28               | Japan - BoJ      | -0.10 |
|  | Spreads vs. U.S. (bps):      |         |       |        |       |       |           |       |       |         |       |                    |                  |       |
|  | 15                           | 14      | 17    | 9      | 8     | 12    | -7        | -7    | -5    | -21     | -21   | -18                | Mexico - Banxico | 4.00  |
|  | -85                          | -84     | -85   | -145   | -143  | -142  | -185      | -183  | -182  | -195    | -194  | -195               | Australia - RBA  | 0.10  |
| -29  | -19                          | -29     | -95   | -95    | -92   | -154  | -154      | -149  | -164  | -164    | -159  | New Zealand - RBNZ | 0.25             |       |
| -9   | -9                           | -12     | -48   | -48    | -51   | -81   | -79       | -82   | -96   | -95     | -96   | Next Meeting Date  |                  |       |
| Equities   | Level                        |         |       |        |       |       | % change: |       |       |         |       |                    |                  |       |
|  | Last                         | Change  |       |        |       |       | 1 Day     | 1-wk  | 1-mo  | 1-yr    |       |                    |                  |       |
| S&P/TSX  | 19256                        | -101.0  |       |        |       |       | -0.5      | 0.8   | 3.0   | 30.3    |       |                    |                  |       |
| Dow 30   | 34060                        | 240.0   |       |        |       |       | 0.7       | 0.7   | 3.3   | 39.9    |       |                    |                  |       |
| S&P 500  | 4211                         | 28.3    |       |        |       |       | 0.7       | 1.8   | 6.0   | 44.6    |       |                    |                  |       |
| Nasdaq   | 14083                        | 31.5    |       |        |       |       | 0.2       | 1.9   | 6.3   | 58.4    |       |                    |                  |       |
| DAX  | 15188                        | 33.8    |       |        |       |       | 0.2       | -0.6  | 1.2   | 39.8    |       |                    |                  |       |
| FTSE   | 6957                         | -4.9    |       |        |       |       | -0.1      | 0.3   | 3.6   | 17.9    |       |                    |                  |       |
| Nikkei   | 28813                        | -241.3  |       |        |       |       | -0.8      | -1.3  | -3.5  | 46.9    |       |                    |                  |       |
| Hang Seng  | 28725                        | -578.4  |       |        |       |       | -2.0      | -1.2  | -0.7  | 16.6    |       |                    |                  |       |
| CAC  | 6291                         | -11.5   |       |        |       |       | -0.2      | 0.5   | 3.7   | 37.6    |       |                    |                  |       |
| Commodities  | Level                        |         |       |        |       |       | % change: |       |       |         |       |                    |                  |       |
| WTI Crude  | 63.75                        | -1.26   |       |        |       |       | -1.9      | 2.6   | 7.8   | 238.4   |       |                    |                  |       |
| Natural Gas  | 2.91                         | -0.00   |       |        |       |       | -0.1      | 6.5   | 11.5  | 49.2    |       |                    |                  |       |
| Gold   | 1770.57                      | -1.61   |       |        |       |       | -0.1      | -0.4  | 3.7   | 5.0     |       |                    |                  |       |
| Silver   | 26.29                        | 0.42    |       |        |       |       | 1.6       | -0.1  | 5.9   | 73.3    |       |                    |                  |       |
| CRB Index  | 199.23                       | -1.44   |       |        |       |       | -0.7      | 1.6   | 7.7   | 70.0    |       |                    |                  |       |
| Currencies   | Level                        |         |       |        |       |       | % change: |       |       |         |       |                    |                  |       |
| USDCAD   | 1.2279                       | -0.0004 |       |        |       |       | -0.0      | -1.6  | -2.3  | -11.9   |       |                    |                  |       |
| EURUSD   | 1.2082                       | -0.0039 |       |        |       |       | -0.3      | -0.1  | 3.0   | 10.3    |       |                    |                  |       |
| USDJPY   | 108.91                       | -0.0200 |       |        |       |       | -0.0      | 1.0   | -1.6  | 1.6     |       |                    |                  |       |
| AUDUSD   | 0.7758                       | -0.0008 |       |        |       |       | -0.1      | 0.2   | 2.1   | 19.1    |       |                    |                  |       |
| GBPUSD   | 1.3906                       | -0.0038 |       |        |       |       | -0.3      | 0.2   | 0.9   | 10.4    |       |                    |                  |       |
| USDCHF   | 0.9102                       | 0.0016  |       |        |       |       | 0.2       | -0.4  | -3.5  | -5.7    |       |                    |                  |       |

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