

DAILY POINTS

January 17, 2022 @ 8:00 EST

Contributors

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Chart 1

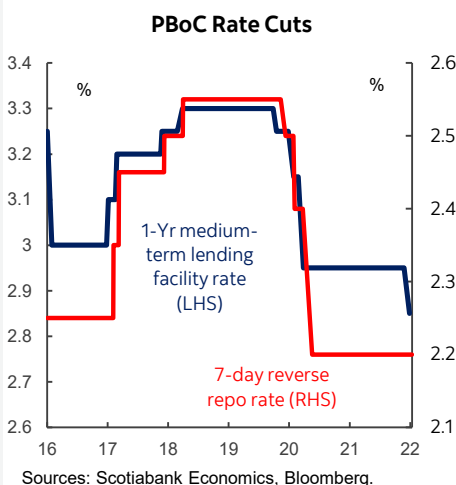
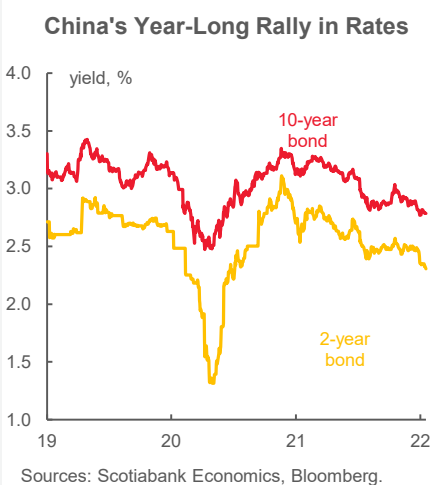


Chart 2



On Deck for Monday, January 17

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	01-17	08:30	International Securities Transactions (C\$ bn)	Nov	--	--	23.9
CA	01-17	08:30	Manufacturing Shipments (m/m)	Nov	3.0	3.0	4.3
CA	01-17	09:00	Existing Home Sales (m/m)	Dec	--	--	0.6
CA	01-17	10:30	Business Outlook Future Sales	4Q	--	--	9.0

KEY POINTS:

- **Mild risk-on bias fed by Chinese policy easing**
- **PBOC eases and there is probably more to come**
- **BoC's twin surveys on tap; watch expectations**
- **US markets shut for MLK Jr Day**
- **Updated global COVID-19 hospitalization and mortality charts**
- **Please see the Global Week Ahead [here](#).**

Mild risk-on sentiment is being driven in part by Chinese policy easing while US markets are shut for Martin Luther King Jr day.

China's rates curve slightly bull steepened to start the week after the PBOC cut a pair of rates and with more easing likely to come. Most of China's neighbouring currencies generally depreciated as the spillover effects upon other regional central banks are being considered; some of them are stuck between a rock and a hard place given the mixed capital account implications to Chinese policy easing while the Fed moves to tighten. European curves entered the week in risk-on fashion by cheapening to the tune of ~2bps across the gilts curve and with EGBs bear steepening and driven by ~2bps increases in 10s. Canada's curve is performing similarly. The USD is mixed against major currencies with some like the krone, CAD and A\$ slightly firmer against the USD while sterling, the yen, won and rand weaken. Equities are slightly firmer by up to ¾% across European exchanges, although it was mainland China's exchanges that led the way with a gain of ½% in Shanghai's more SOE-driven market and 1½% in Shenzhen.

The PBOC teased with a 10bps cut to the 1-yr Medium-term Lending Facility Rate (now 2.85%) and a 10bps reduction to the seven-day reverse repurchase rate (now 2.1%) as shown in chart 1. The moves have been long in the making as China's rates curve has been rallying throughout the past year (chart 2) and reflect lagging policy adjustments that have been guided to expect for some time now. These moves leave the door open to reductions in at least the 5-year Loan Prime Rate and perhaps also the 1-year LPR on Wednesday evening eastern time (chart 3), to further subsequent rate reductions as a monetary policy easing cycle continues and to additional cuts in required reserve ratios after the reduction in mid-December (chart 4). The 10bps cut to the MLF exceeds the 5bps cut to the 1-year LPR that banks drove in December and so we could see them add another cut this week and carry-through with a first reduction in the 5-year LPR. If the PBOC is intent upon addressing mounting downside risks to China's economy in the context of no inflationary pressures, then -10bps won't do anything material to address the fact that it still has among the world's highest real policy rates. Chinese monetary policy remains overly tight and the bigger risk to stability stems from an overly tight policy stance. After having dragged its feet through much of 2021 while criticizing easy policy elsewhere, the shoe is arguably on the other foot now.

China's macro updates were soft with mixed outcomes relative to consensus expectations. They were also stale as zero COVID and the rising impact of omicron on China's key export destinations is more of a 2022Q1 story. So for what it's worth, Q4 GDP was a bit firmer than expected at 1.6% q/q SA (1.2% consensus) and 4% y/y (3.3%

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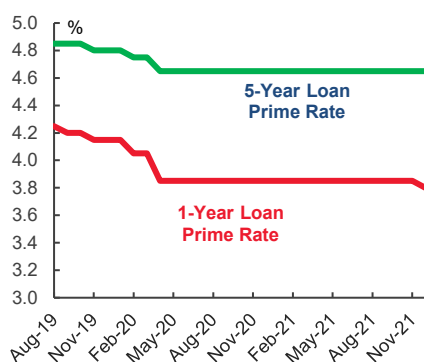
consensus). The quarter ended with mixed readings as retail sales grew at less than half the expected pace (1.7% y/y, 3.8% consensus) and industrial output was up a little more than expected (4.3% y/y, 3.7% consensus).

On tap today will be the Bank of Canada's quarterly business and consumer surveys (10amET) after a stale report on manufacturing shipments in November that I expect to post a rise of ~3% m/m based on advance guidance (8:30amET). The survey periods pre-date omicron's impact since the cut-off was in early December and the BoC always takes forever to turn these small sample surveys around 1.5 months later. Still, it will be the expectations measures for inflation, wages and house prices that may matter given a) they were already moving higher and if they rose even more before omicron, then they might do so even more in the face of the supply shock implications, and b) the BoC has emphasized it is closely watching measures of expectations.

Also see the updated charts 5–14 that show trends in COVID-19 hospitalization and death rates.

Chart 3

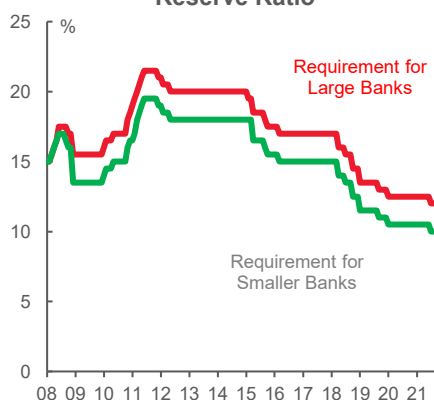
People's Bank of China Loan Prime Rates



Sources: Scotiabank Economics, People's Bank of China.

Chart 4

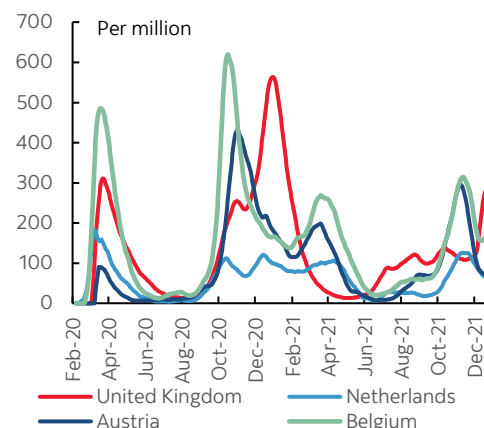
China's Required Deposit Reserve Ratio



Sources: Scotiabank Economics, PBoC.

Chart 5

Trend in European Hospitalizations



Sources: Scotiabank Economics, Our World in Data

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Chart 6

US: Cases, Hospitalizations, Deaths

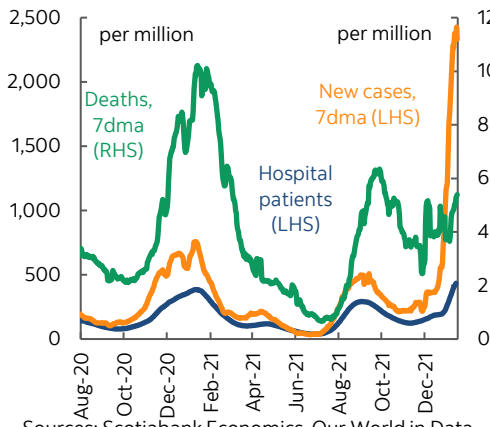


Chart 7

Canada: Cases, Hospitalizations, Deaths

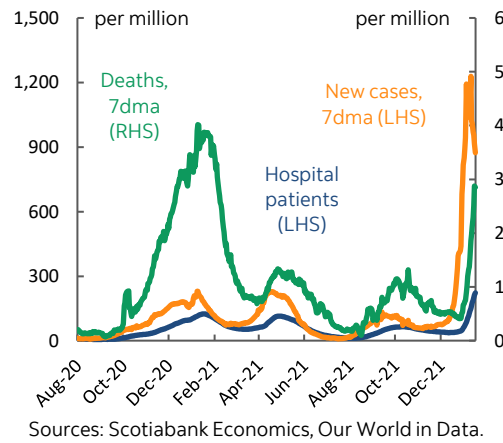


Chart 8

UK: Cases, Hospitalizations, Deaths

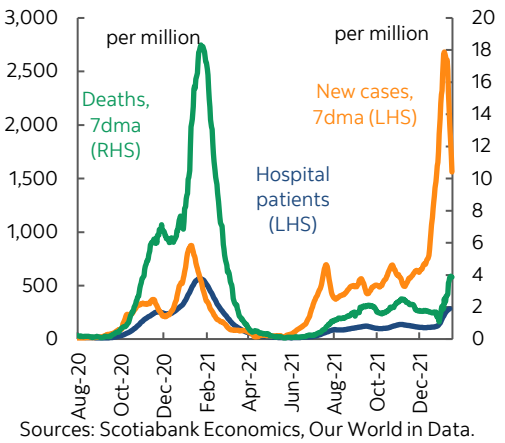


Chart 9

Australia: Cases, Hospitalizations, Deaths

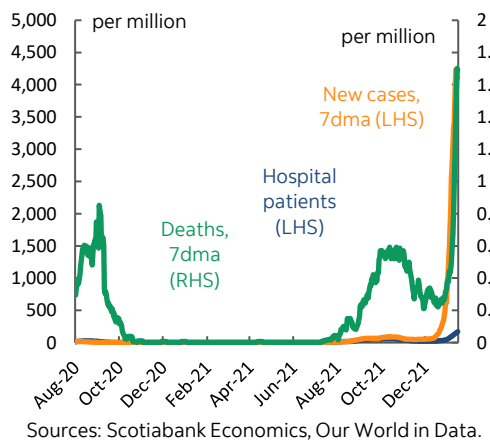


Chart 10

Germany: Cases, Hospitalizations, Deaths

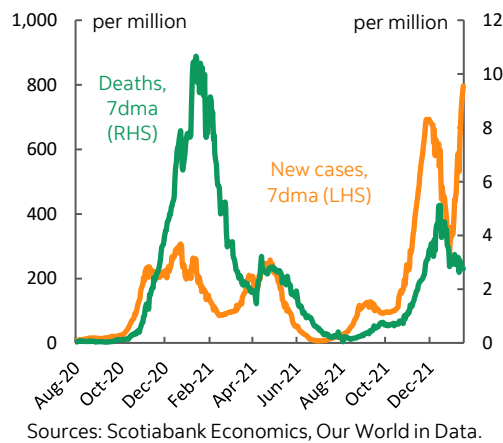


Chart 11

Netherlands: Cases, Hospitalizations, Deaths

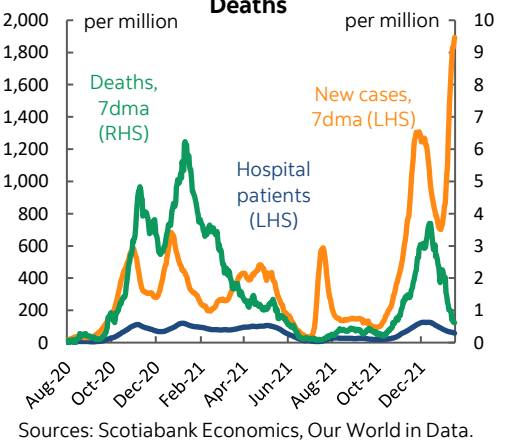


Chart 12

Austria: Cases, Hospitalizations, Deaths

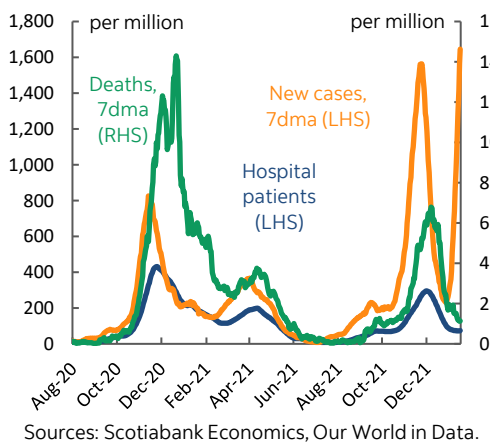


Chart 13

Belgium: Cases, Hospitalizations, Deaths

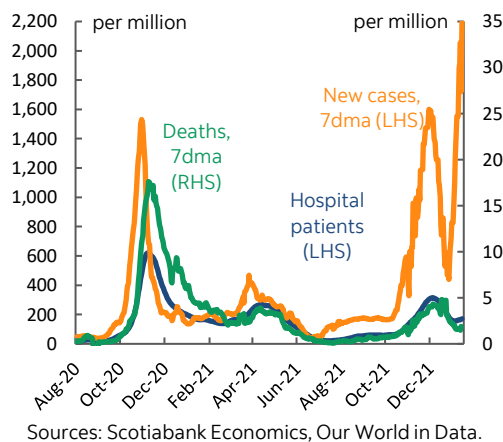
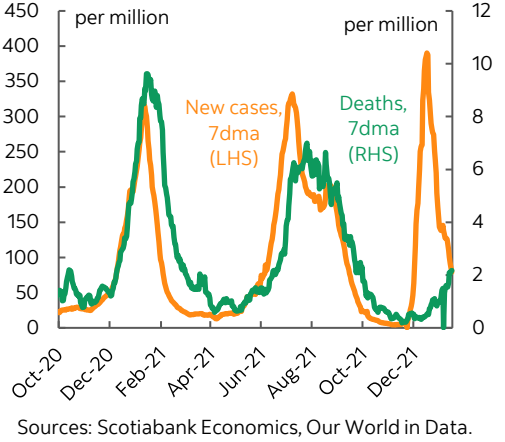


Chart 14

South Africa: Cases & Deaths



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		
	0.97	0.97	0.90	1.56	1.56	1.52	1.78	1.79	1.76	2.12	2.12	2.09	Canada - BoC	0.25
	1.18	1.16	1.07	1.59	1.57	1.50	1.79	1.77	1.71	2.04	2.02	1.95		
	-0.57	-0.58	-0.59	-0.35	-0.36	-0.37	-0.03	-0.05	-0.03	0.27	0.25	0.29	US - Fed	0.25
	-0.06	-0.07	-0.05	-0.02	-0.02	-0.04	0.15	0.14	0.14	0.71	0.72	0.72		
	0.82	0.80	0.84	0.99	0.97	1.01	1.17	1.15	1.19	1.28	1.26	1.31	England - BoE	0.25
	Spreads vs. U.S. (bps):													
	21	19	18	3	1	-1	1	-2	-5	-8	-11	-14	Euro zone - ECB	0.00
	-154	-155	-148	-191	-192	-189	-182	-183	-180	-186	-187	-180		
-103	-104	-94	-158	-158	-156	-164	-164	-162	-141	-140	-137	Japan - BoJ	-0.10	
-15	-17	-6	-57	-59	-51	-61	-64	-57	-84	-87	-78			
Equities	Level						% change:						Mexico - Banxico	5.50
	Last			Change			1 Day		1-wk		1-mo		1-yr	
S&P/TSX	21358			64.6			0.3		1.4		3.0		19.3	
Dow 30	35912			-201.8			-0.6		-0.9		1.5		16.5	
S&P 500	4663			3.8			0.1		-0.3		0.9		23.7	
Nasdaq	14894			86.9			0.6		-0.3		-1.8		14.6	
DAX	15951			68.1			0.4		1.2		2.7		15.7	
FTSE	7602			59.0			0.8		2.1		4.6		12.9	
Nikkei	28334			209.2			0.7		-0.5		-0.7		0.3	
Hang Seng	24218			-165.3			-0.7		2.0		4.4		-16.1	
CAC	7195			52.3			0.7		1.1		3.9		28.2	
Commodities	Level						% change:							
WTI Crude	83.80			-0.02			-0.0		7.1		18.3		60.0	
Natural Gas	4.26			-0.01			-0.2		4.3		15.3		55.5	
Gold	1820.20			2.27			0.1		1.0		1.2		-0.5	
Silver	23.10			-0.15			-0.6		3.9		4.2		-8.5	
CRB Index	245.43			2.53			1.0		3.2		9.0		40.0	
Currencies	Level						% change:							
USDCAD	1.2530			-0.0022			-0.2		-1.2		-2.8		-1.8	
EURUSD	1.1404			-0.0007			-0.1		0.7		1.5		-5.6	
USDJPY	114.57			0.3800			0.3		-0.5		0.8		10.5	
AUDUSD	0.7211			0.0003			0.0		0.6		1.2		-6.1	
GBPUSD	1.3646			-0.0029			-0.2		0.5		3.0		0.4	
USDCHF	0.9148			0.0008			0.1		-1.3		-0.9		2.7	
													Mexico - Banxico	Feb 10, 2022
													Australia - RBA	Jan 31, 2022
													New Zealand - RBNZ	Feb 22, 2022

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