

DAILY POINTS

January 18, 2022 @ 8:00 EST

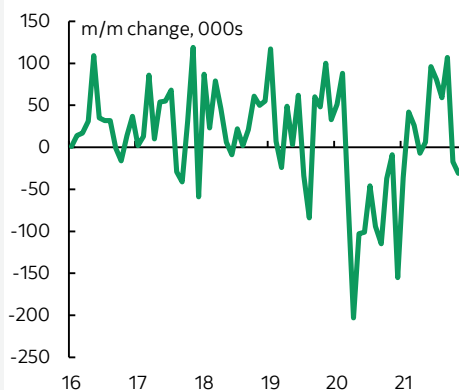
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Chart 1

UK Total Employment



Sources: Scotiabank Economics, UK ONS.

Chart 2

UK Payroll Flash Estimate for December



Sources: Scotiabank Economics, UK ONS.

On Deck for Tuesday, January 18

Country	Date	Time	Event	Period	BNS	Consensus	Latest
CA	01-18	08:15	Housing Starts (000s a.r.)	Dec	270	270.0	301.3
US	01-18	08:30	Empire State Manufacturing Index	Jan	--	25.0	31.9
US	01-18	10:00	NAHB Housing Market Index	Jan	--	84.0	84.0
US	01-18	16:00	Total Net TIC Flows (US\$ bn)	Nov	--	--	143.0
US	01-18	16:00	Net Long-term TIC Flows (US\$ bn)	Nov	--	--	7.1

KEY POINTS:

- **US-China yield curves diverge on relative central banks**
- **PBOC signals further easing ahead**
- **Markets place ~70% odds on a BoC rate hike next week**
- **BoJ's dovish Kuroda dismisses market rumours**
- **UK job markets a little less resilient after furlough program**
- **Eurozone investors looking through omicron**
- **Trivial N.A. data on tap**

Global markets are in risk-off mode this morning. Equities are lower by either side of 1% across N.A. futures and European cash markets with weaker than expected US bank earnings not helping. The US returns from a day off and is catching up to developments. US-China yield divergence is the dominant theme across fixed income markets as the US front-end cheapens with 2 year yields up another 5bps in a bear flattener while PBOC comments drove an overnight rally in Chinese rates. European yields are little changed. The USD is a touch stronger except against CAD given BoC bets that moved higher after yesterday's surveys (recap [here](#)). Canada's curve is slightly adding to front-end rate pressures but the bigger move was yesterday; OIS places the odds of a 25bps BoC hike next week at ~70%.

PBOC guidance that further easing measures are likely sent China's yields lower by 7bps in 2s and 4-6bps further out along the curve. My things have changed in China compared to strident earlier remarks that lambasted policy easing abroad while digging in at home. Deputy Governor Liu Guoqiang said the PBOC will "open monetary policy toolbox wider, maintain stable overall money supply and avoid a collapse in credit." He left the door open to further modest reductions in the required reserve ratio. Next up may be a reduction in the 5-year Loan Prime Rate tomorrow night (eastern time). The whole PBOC narrative has shifted over December into the new year as mounting downside risks to China's economy have paired with no inflationary pressure and rising risks to financial stability related to soft growth and problems in the property finance market.

UK job markets lost some of their resilience in the wake of the end of the furlough program in September as payroll employment appears to have posted steady gains but total employment has recently softened. 184,000 payroll jobs were added in December, although the prior month's gain was revised lower to 162k from 257k previously. Total employment lags by a month and it fell by 31k in November after falling by 17k the prior month and gaining 107 in September for a three-month net total gain of only ~60k. See charts 1 and 2. Wage gains ebbed a touch in touch with expectations are 3.8% y/y ex-bonuses (4.3% prior).

Bank of Japan Governor Kuroda lashed out at the "sources" behind a news article last week that intimated the central bank is working toward priming markets for eventually tighter policy in light of alleged inflationary pressures. Kuroda flatly said "Raising rates is

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unthinkable.” So there! He added “We’re expecting long- and short-term policy rates to remain at the current low levels, or fall even lower.” There were no policy changes at this meeting, as universally expected. Forecast changes were in line with expectations. Inflation forecasts were revised very slightly higher but at 1.1% y/y in 2022 and 2023 inflation is forecast to remain well below the 2% target. Risks to the inflation outlook are now judged to be more balanced, but that’s a far cry from being hawkish given the requirement of sustained 2% inflation before tightening. Growth forecasts were revised slightly lower.

In a sign that investors are looking through omicron, German and Eurozone investor expectations increased sharply in January’s ZEW survey. The Eurozone tally nearly double to 49.4 which is the highest reading since last July. Germany’s ZEW expectations measure also hit its highest since July.

The main focus into the N.A. session is Goldman’s rare miss on earnings. Trivial N.A. data is on tap. Canadian housing starts will likely pull back after a surge in multiples temporarily popped the prior month’s tally to its highest since March. The US Empire manufacturing gauge kicks off another month of tracking conditions on the path to the next ISM-manufacturing report. Watch for omicron-fed supply chain and price pressures.

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		
	1.01	0.97	0.89	1.60	1.56	1.50	1.81	1.79	1.74	2.13	2.12	2.06	Canada - BoC	0.25
	1.23	1.22	1.07	1.62	1.61	1.50	1.81	1.80	1.71	2.04	2.04	1.96		
	-0.57	-0.56	-0.58	-0.35	-0.34	-0.35	-0.03	-0.03	-0.03	0.27	0.27	0.29	US - Fed	0.25
	-0.07	-0.06	-0.07	-0.03	-0.02	-0.03	0.14	0.15	0.15	0.71	0.71	0.72		
	0.84	0.84	0.84	1.00	1.00	1.00	1.19	1.19	1.17	1.30	1.30	1.27	England - BoE	0.25
	Spreads vs. U.S. (bps):													
	22	25	19	2	5	0	-0	1	-3	-9	-9	-11	Euro zone - ECB	0.00
	-158	-153	-146	-195	-190	-185	-184	-181	-176	-187	-186	-177		
-108	-103	-96	-163	-158	-153	-167	-164	-158	-142	-141	-134	Japan - BoJ	-0.10	
-17	-13	-4	-61	-56	-50	-62	-60	-57	-84	-83	-80			
Equities	Level						% change:							
	Last			Change			1 Day	1-wk	1-mo	1-yr				
S&P/TSX	21537			179.9			0.8	1.2	3.8	20.0				
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	15767			-166.5			-1.0	-1.1	1.5	13.9				
FTSE	7569			-42.2			-0.6	1.0	4.1	12.6				
Nikkei	28257			-76.3			-0.3	0.1	-1.0	-1.3				
Hang Seng	24113			-105.3			-0.4	1.6	4.0	-18.7				
CAC	7136			-66.0			-0.9	-0.7	3.0	27.0				
Commodities	Level						% change:							
WTI Crude	84.90			1.08			1.3	8.5	19.8	62.1				
Natural Gas	4.32			0.06			1.3	5.8	17.0	57.7				
Gold	1814.94			-4.29			-0.2	-0.4	0.9	-1.4				
Silver	23.02			-0.09			-0.4	2.5	1.6	-8.8				
CRB Index	245.43			2.53			1.0	3.2	9.0	40.0				
Currencies	Level						% change:							
USDCAD	1.2511			-0.0005			-0.0	-0.5	-3.3	-1.9				
EURUSD	1.1382			-0.0026			-0.2	0.1	0.9	-5.8				
USDJPY	114.63			0.0000			0.0	-0.6	0.9	10.6				
AUDUSD	0.7187			-0.0030			-0.4	-0.3	1.1	-6.4				
GBPUSD	1.3591			-0.0056			-0.4	-0.3	2.9	0.0				
USDCHF	0.9152			0.0012			0.1	-0.9	-0.6	2.7				
Next Meeting Date														
												Canada - BoC	Jan 26, 2022	
												US - Fed	Jan 26, 2022	
												England - BoE	Feb 03, 2022	
												Euro zone - ECB	Feb 03, 2022	
												Japan - BoJ	Jan 17, 2022	
												Mexico - Banxico	Feb 10, 2022	
												Australia - RBA	Jan 31, 2022	
												New Zealand - RBNZ	Feb 22, 2022	

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