

DAILY POINTS

March 4, 2022 @ 7:05 EST

Contributors

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Chart 1

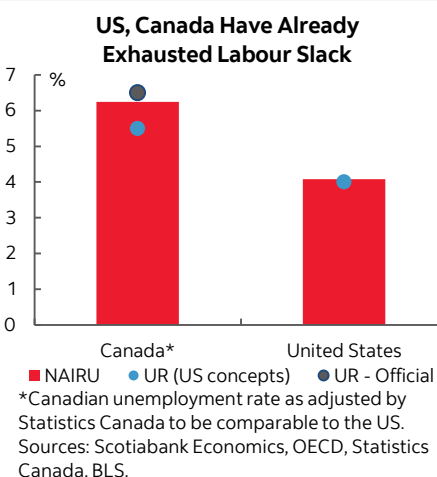
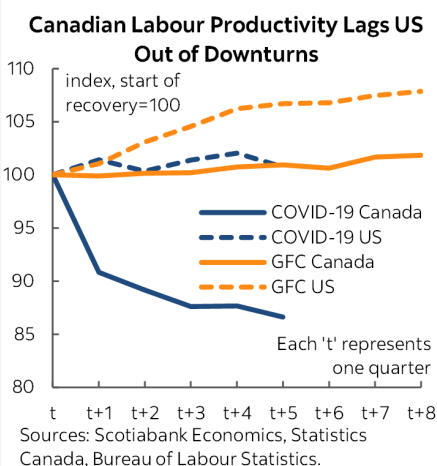


Chart 2



On Deck for Friday, March 4

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	03-04	08:30	Building Permits (m/m)	Jan	--	1.2	-1.9
CA	03-04	08:30	Productivity (q/q a.r.)	4Q	--	-0.2	-1.5
US	03-04	08:30	Average Hourly Earnings (m/m)	Feb	0.6	0.5	0.7
US	03-04	08:30	Average Hourly Earnings (y/y)	Feb	5.9	5.8	5.7
US	03-04	08:30	Average Weekly Hours	Feb	--	34.6	34.5
US	03-04	08:30	Nonfarm Employment Report (000s m/m)	Feb	450	423	467
US	03-04	08:30	Unemployment Rate (%)	Feb	3.9	3.9	4.0
US	03-04	08:30	Household Employment Report (000s m/m)	Feb	--	--	1,199

KEY POINTS:

- **Risk-off as markets debate how far the madman Putin would go**
- **The least consequential US payrolls report in ages?**
- **US wages may matter more than payrolls**
- **Canada updates productivity, Ivey PMI...**
- **...as local markets continue to ignore the BoC's balance sheet plans**

Throw the word "nuclear" into the markets and the predictable result is risk-off sentiment ahead of what is probably the least consequential nonfarm payrolls report we've received in a while.

While talk of fires and meltdown risk has settled down, the fact that Russian forces have taken over Europe's largest nuclear plant still leaves alive speculation around intent. How far would the cornered madman Putin go as his forces perform poorly to his great embarrassment and his economy is tumbling under a miscalculated onslaught of sanctions and with more likely still coming? Even just shutting it down in the middle of winter would escalate a humanitarian crisis but the point is that there has got to be some fundamental reason why the Russians prioritized capturing the area around the reactor. In any event, it feeds the narrative that Russia is focused upon gaining control of key infrastructure and escalating attacks on civilians. I'm a fan of even harsher sanctions being applied after the allies reclaimed their spines starting last weekend, but the more intensifying issue is rapidly becoming the tolerance threshold toward standing idly by and watching Ukrainians go through this.

And so stocks are broadly lower. European exchanges are all down by 3–4%. N.A. futures are off by about ¾%. Sovereign bonds are bid with US Treasury yields down 4–6bps in a 2s10s flattening move. EGB and UK 10s are down 2–5bps. The USD is continuing to climb higher along with outperformance by safe havens like the Swiss franc and yen; I'm not clear on why A\$/NZ\$ are outperforming when other crosses that are also benefiting from higher commodities are not. Oil is up another \$2/barrel or so.

There continues to be no market reaction to the BoC's abrupt plans for ending reinvestment as explained [here](#) in the note I put out yesterday afternoon.

As for nonfarm payrolls (8:30amET), I gave a preview in yesterday morning's note so will keep it short here. Consensus is at 423k and I'm at 450k so no difference this time. Wages are arguably more important and are expected to inch further toward the 6% y/y mark. The unemployment rate is expected to slip a touch to under 4% and is getting closer to the pre-pandemic 3 ½% level. The participation rate may climb higher again from 62.2% and remains about 1.2ppts below pre-pandemic levels, but willingness to supply labour this cycle may be more damaged than in the past.

In both the US and Canada (that updates jobs next week) the issue is estimating maximum employment. Chart 1 shows one approach by comparing official unemployment rates to estimates of the unemployment rates beneath which wage pressures may intensify. Both countries are in that zone already.

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Overnight releases were inconsequential to markets. The won and Thai baht both shook off hotter than expected inflation readings. German exports sank 2.8% m/m in January with imports down 4.2% m/m and they too were overshadowed by other developments. Ditto for stronger than expected French industrial output (1.6% m/m, consensus 0.5%) and the Eurozone retail sales tally that beat as a stale add-up of already known country figures. Otherwise, we'll get Canadian labour productivity for Q4 (8:30amET) which has been terribly uninspiring as the Achilles heel of the Canadian economy (chart 2), plus the Canada Ivey PMI for February (10amET) that mashes every public and private sector purchasing manager into one reading that mixes private sector developments with fiscal policy drivers.

Fixed Income	Government Yield Curves (%):												Central Banks	
	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		
U.S.	1.49	1.53	1.57	1.66	1.73	1.87	1.77	1.84	1.96	2.17	2.22	2.28	Canada - BoC	0.50
CANADA	1.46	1.48	1.54	1.54	1.59	1.73	1.73	1.78	1.94	1.99	2.03	2.17	US - Fed	0.25
GERMANY	-0.72	-0.61	-0.38	-0.35	-0.27	-0.00	-0.04	0.02	0.23	0.23	0.30	0.48	England - BoE	0.50
JAPAN	-0.03	-0.03	-0.02	0.02	0.01	0.04	0.16	0.18	0.21	0.85	0.88	0.93	Euro zone - ECB	0.00
U.K.	1.12	1.13	1.21	1.04	1.06	1.25	1.27	1.30	1.46	1.51	1.52	1.61	Japan - BoJ	-0.10
	Spreads vs. U.S. (bps):												Mexico - Banxico	6.00
CANADA	-3	-6	-3	-12	-15	-13	-4	-6	-3	-18	-20	-10	Australia - RBA	0.10
GERMANY	-221	-214	-195	-201	-200	-187	-181	-182	-173	-193	-193	-180	New Zealand - RBNZ	1.00
JAPAN	-152	-156	-159	-164	-172	-183	-161	-167	-175	-132	-134	-135	Next Meeting Date	
U.K.	-37	-41	-37	-62	-67	-62	-50	-54	-51	-66	-70	-66	Canada - BoC	Apr 13, 2022
Equities	Level			Change			1 Day			1-wk			US - Fed	Mar 16, 2022
	Last												England - BoE	Mar 17, 2022
S&P/TSX	21250			-5.2			-0.0			0.7		-0.1	Euro zone - ECB	Mar 10, 2022
Dow 30	33795			-96.7			-0.3			1.7		-3.7	Japan - BoJ	Mar 18, 2022
S&P 500	4363			-23.1			-0.5			1.7		-3.0	Mexico - Banxico	Mar 24, 2022
Nasdaq	13538			-214.1			-1.6			0.5		-4.0	Australia - RBA	Apr 05, 2022
DAX	13265			-433.4			-3.2			-8.9		-12.2	New Zealand - RBNZ	Apr 12, 2022
FTSE	7013			-226.3			-3.1			-6.4		-6.7		
Nikkei	25985			-591.8			-2.2			-1.9		-5.3		
Hang Seng	21905			-562.0			-2.5			-3.8		-10.9		
CAC	6174			-204.4			-3.2			-8.6		-11.2		
Commodities	Level			Change			1 Day			1-wk				
WTI Crude	109.84			2.17			2.0			19.9		19.0		
Natural Gas	4.85			0.13			2.7			8.5		6.1		
Gold	1947.75			11.80			0.6			3.1		7.7		
Silver	25.31			0.24			0.9			-0.0		13.2		
CRB Index	289.20			0.11			0.0			7.5		10.7		
Currencies	Level			Change			1 Day			1-wk				
USDCAD	1.2747			0.0066			0.5			0.3		-0.1		
EURUSD	1.0974			-0.0092			-0.8			-2.6		-4.1		
USDJPY	115.35			-0.1100			-0.1			-0.2		0.1		
AUDUSD	0.7361			0.0032			0.4			1.9		4.1		
GBPUSD	1.3288			-0.0060			-0.4			-0.9		-1.8		
USDCHF	0.9179			0.0007			0.1			-0.8		-0.8		

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