

DAILY POINTS

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Contributors

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On Deck for Friday, April 8

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	04-08	08:30	Employment (000s m/m)	Mar	125	80	337
CA	04-08	08:30	Unemployment Rate (%)	Mar	5.2	5.4	5.5

KEY POINTS:

- Risk-on sentiment has light catalysts
- China’s Li reinforces PBOC easing speculation
- China’s totalitarian COVID-19 measures
- RBI pivots toward market pricing for hikes
- Can Canada post another increase in employment...
- ...with wage growth rebounding?
- Canada’s thankfully useless new homebuyer incentive
- Russia’s central bank cuts...
- ...after FX manipulation through capital account restrictions

A general risk-on bias did not have any significant catalysts behind it until China’s Premier Li spelled out the blindingly obvious point that the economy faces greater uncertainties and that policy measures need to be increased. That will further amplify speculation toward a PBOC rate cut next week. In fact, what may suggest incremental caution are accelerating lockdowns in China and more intense pressure to escalate measures against the murderous Russian government given more civilian bombings overnight. Other developments are affecting regional markets.

Regardless, stocks are in the black with European cash markets leading as gains of 1%+ are being recorded while N.A. futures are up by about ¼%. The USD is little changed overall. US Treasuries are underperforming other major markets with the 2s10s curve bear flattening as the two-year yield is up 6bps.

Hate COVID-19 restrictions? Count your blessings. China is rounding up hundreds of thousands of folks in Shanghai who test positive regardless of symptoms and anyone they interacted with and forcing them into isolation facilities. Oh the things you can make people do when they have no rights whatsoever...

Russia’s central bank unexpectedly cut its key rate by 300bps to 17% in an inter-meeting decision this morning. The central bank guided that further easing may be possible at its scheduled meeting on April 29<sup>th</sup>. The move is likely designed to address a strengthening ruble. The ruble has risen toward pre-invasion levels on central bank manipulation. The central bank had blocked USD withdrawals from bank accounts and banned the sale of all foreign currencies to residents while blocking foreign sales of domestic securities and hence rubles. This FX manipulation has given it the room to cut rates, but not without its costs. Restricting the capital account can foment domestic imbalances by not allowing a flexible exchange rate to adjust to shocks more effectively and can introduce welfare costs and deadweight losses to the economy.

The Reserve Bank of India held its repo rate at 4% as expected, but formally shifted toward a hiking bias. The main statement adjustment that indicated such a pivot was the removal of a line referencing how it would maintain an accommodative stance due to COVID-19 “for as long as necessary.” It also hiked its inflation forecasts given recent developments. The two-year Indian yield increased by 15bps overnight and the rest of the curve cheapened by 9–15bps as the rupee was little changed but outperformed other Asian crosses to the dollar overnight.

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Circling back to the Canadian budget's housing implications, one point of clarification is that the new Tax-Free First Home Savings Account (FHSA) is not new stimulus per se. In fact, we were all duped by yesterday's budget when the propaganda failed to note key limitations. That's because an initially buried detail is that you cannot use it and the existing Home Buyers Plan on the same purchase transaction. I think that's a good thing because I don't like more housing subsidies and it makes little sense to me to have monetary policy tightening interest sensitive sectors while fiscal policy overheats them. But what this will do may be to effectively kill the HBP and with it a significant chunk of each year's RRSP contributions as the programs will compete against one another. The FHSA will be more attractive to some than the HBP because as near as I can tell you don't have to repay what is withdrawn from the program, unlike the HBP where withdrawals must be repaid within 15 years but without making up for the lost time value of money. That said, the FHSA has no carry-forward on annual unused contribution room of \$8k/yr which a) says use it or lose it each year unlike RRSPs, b) if one has a lot of unused RRSP contribution room then you still might prefer the HBP, and c) says that the phase-in period for the program will be a slow fuse over years that won't do much for housing. And so with that, the FHSA's cumulative limit of \$40k and the HBP's limit of \$35k—both per person—are substitutes; you must pick one or the other, but not both. That makes it a wash in terms of housing effects and effects on related issuance and the rest of the initiatives they announced involve very small forms of token assistance to first-time buyers. That's all good news, unless you would prefer worsened affordability pressures that would stem from higher taxpayer funded subsidies to home buyers!!

Otherwise, the Federal budget was a disappointment in my view. Rebekah did a fantastic job at turning out [this](#) piece right out of the lock-up. In my opinion, there was nothing material in the budget that was designed to address the real issues in the economy such as moribund productivity growth beyond a couple more cumbersome government agencies to be run by government types. Fortuitous revenue gains were spent on trinkets. Keeping some powder dry in the deficits likely makes sense given uncertainties around the outlook for the economy. Lowballing nominal GDP forecasts by using stale numbers, however, has the effect of lowballing the Budget's estimates of future revenue growth. They may well wind up facing further revenue upsides that will give the government more money to spend and drive greater incursions into the private economy. Going forward, the improvement in the deficit-to-gdp ratio is welcome, but it's the by-product of sheer luck through the inflation tax and commodities. The improved path may also very well prove to be a budget head fake; the left-wing collusion between the Liberals and NDP is likely keeping some powder dry to spend on trophy platform items like pharmacare closer to the next election rather than peaking too early. For now, the industrial policy remains hatefully maligned against successful and important sectors like energy and banking.

Canada updates job figures for March this morning (8:30amET).

- CDN jobs preview:
- Scotia: +125k
- Consensus: +80k
- Range: 0k to +125k
- Std dev : 38.1k
- Very wide dispersion of estimates across the whole range with slight clustering above 80k–120k.
- UR: 5.4% consensus, 5.5% prior, 5.2% Scotia.
- 95% confidence interval: +/- 58k

Drivers:

- every time we've had a gain of 337k or more like we did in February, the next month has been up by between about 90k–400k with an average of about 230k.
- Stringency measures declined across all provinces to the lowest since the early days of the pandemic. There was significant easing between Labour Force Survey reference weeks into March.
- Several mobility and business register gauges improved.
- the Ivey PMI employment gauge climbed in March to its highest reading since last September.

Also watch wages to see if they rebound from the stalled out growth in February, just as US wage growth rebounded.

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.	2.52	2.46	2.46	2.75	2.71	2.56	2.67	2.66	2.38	2.68	2.68	2.43	Canada - BoC	0.50
CANADA	2.42	2.37	2.34	2.56	2.53	2.46	2.59	2.58	2.43	2.53	2.51	2.36	US - Fed	0.50
GERMANY	0.03	-0.01	-0.07	0.50	0.48	0.38	0.68	0.68	0.56	0.80	0.81	0.67	England - BoE	0.75
JAPAN	-0.08	-0.04	-0.03	0.02	0.04	0.03	0.23	0.23	0.23	0.98	1.03	0.96		
U.K.	1.48	1.47	1.37	1.52	1.52	1.42	1.73	1.73	1.61	1.88	1.86	1.74		
	Spreads vs. U.S. (bps):													
CANADA	-11	-9	-12	-19	-18	-9	-8	-8	5	-15	-17	-7	Euro zone - ECB	0.00
GERMANY	-250	-248	-253	-225	-223	-218	-199	-198	-183	-189	-187	-176	Japan - BoJ	-0.10
JAPAN	-260	-250	-249	-273	-267	-253	-244	-243	-216	-170	-165	-148		
U.K.	-104	-99	-109	-123	-119	-114	-94	-93	-78	-80	-82	-70	Mexico - Banxico	6.50
Equities	Level			% change:										
	Last	Change		1 Day	1-wk	1-mo	1-yr							
S&P/TSX	21835	46.3		0.2	-0.5	2.8	13.6					Australia - RBA		0.10
Dow 30	34584	87.1		0.3	-0.3	6.0	3.2					New Zealand - RBNZ		1.00
S&P 500	4500	19.1		0.4	-0.7	7.9	9.8							
Nasdaq	13897	8.5		0.1	-2.3	8.6	0.5							
DAX	14257	179.0		1.3	-1.3	11.1	-6.2							
FTSE	7622	70.4		0.9	1.1	9.5	9.8							
Nikkei	26986	97.2		0.4	-2.5	8.9	-9.2					Canada - BoC		Apr 13, 2022
Hang Seng	21872	63.0		0.3	-0.6	5.3	-24.6					US - Fed		May 04, 2022
CAC	6538	76.0		1.2	-2.2	9.6	6.0					England - BoE		May 05, 2022
Commodities	Level			% change:										
		Change		1 Day	1-wk	1-mo	1-yr							
WTI Crude	96.16	0.13		0.1	-3.1	-22.3	61.3					Euro zone - ECB		Apr 14, 2022
Natural Gas	6.44	0.08		1.3	12.6	42.2	155.3					Japan - BoJ		Apr 28, 2022
Gold	1933.14	1.28		0.1	0.4	-5.7	10.1							
Silver	24.38	0.12		0.5	-1.8	-5.3	-2.4							
CRB Index	294.58	1.44		0.5	-0.2	-4.7	57.2							
Currencies	Level			% change:										
		Change		1 Day	1-wk	1-mo	1-yr							
USDCAD	1.2593	0.0002		0.0	0.6	-2.3	0.2					Mexico - Banxico		May 12, 2022
EURUSD	1.0881	0.0002		0.0	-1.5	-0.2	-8.7					Australia - RBA		May 03, 2022
USDJPY	124.10	0.1500		0.1	1.3	7.3	13.6							
AUDUSD	0.7467	-0.0013		-0.2	-0.4	2.7	-2.4							
GBPUSD	1.3040	-0.0035		-0.3	-0.6	-0.5	-5.1					New Zealand - RBNZ		Apr 12, 2022
USDCHF	0.9348	0.0010		0.1	0.9	0.6	1.1							

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