

DAILY POINTS

January 16, 2023 @ 6:40 EST

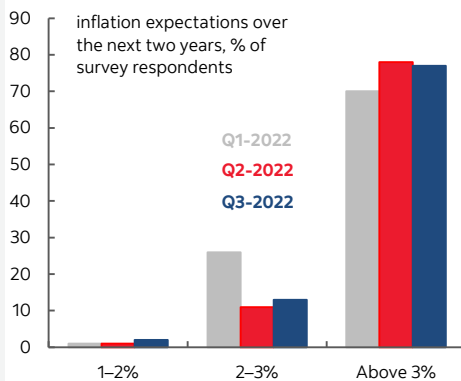
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Chart 1

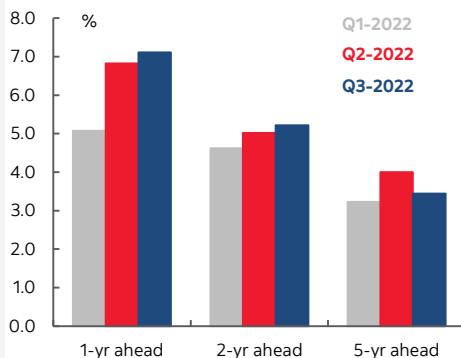
Canadian Businesses Expect Inflation to Surpass BoC's Target



Sources: Scotiabank Economics, Bank of Canada.

Chart 2

Canadian Consumers Expect a Sustained Inflation Overshoot



Sources: Scotiabank Economics, Bank of Canada.

On Deck for Monday, January 16

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	01-16	08:30	Manufacturing Shipments (m/m)	Nov	0.6	0.3	2.8
CA	01-16	09:00	Existing Home Sales (m/m)	Dec	--	--	-3.3
CA	01-16	10:30	Business Outlook Future Sales	4Q	--	--	-18.0

KEY POINTS:

- **Markets are off to a light start to a potentially very active week**
- **BoC surveys to inform wage and inflation expectations**
- **PBoC resists rate cut, Chinese bond yields rise**
- **CDN manufacturing, home sales on tap**
- **US markets shut for MLK Jr day**
- **Global Week Ahead reminder**

As reminders, please see the Global Week Ahead in publication format [here](#) and for clients the slide deck format is [here](#).

Global markets are little changed across asset classes so far this morning due to a combination of light global developments and the US MLK Jr holiday.

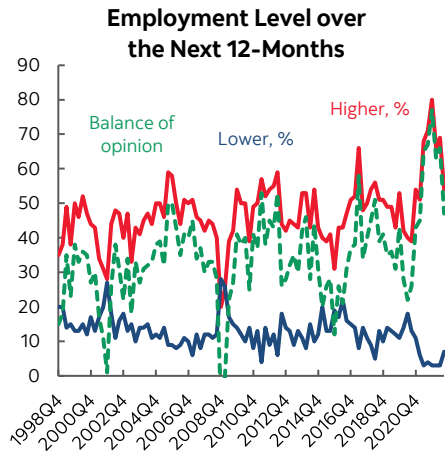
The USD is little changed on balance. Sovereign yields are pushing higher by a few basis points across European markets but moved slightly lower in Japan ahead of the BoJ's decision later this week. N.A. equity futures are slightly negative and European cash markets are little changed. Mainland China's equities rallied by about 1%+ but HK was flat. The Nikkei was broadly lower across sectors despite speculation that the BoJ might ease policy measures.

The PBoC left its 1-year Medium Term Lending Facility Rate unchanged at 2.75%. Most within consensus had expected this. Markets had thought there may have been a possibility of a rate cut and so when it was not delivered the 2-year Chinese government bond yield moved up a few points. The PBoC also offered less of a liquidity injection into the Lunar New Year than had been expected. Other China headlines were muted as its revised Covid death tally is only slightly less fake following the WHO's prior stern rebuke.

Canada updates several readings this morning including the BoC's quarterly surveys of business and consumer expectations (10:30amET). Key will be inflation expectations as neither businesses nor consumers have demonstrated belief that the BoC will achieve 2% inflation over the medium-term (charts 1, 2). The limited and lagging sample of opinion behind these surveys is always reason for caution in terms of attaching too much significance to them, but the BoC references them when it deems appropriate to do so and so it's worth it for markets to do so as well. Also see charts 3-7 for key inflation and labour readings up to now in the business survey and charts 8-10 for the consumer survey's gauges. Tomorrow's inflation report will be more consequential to pricing next week's BoC move.

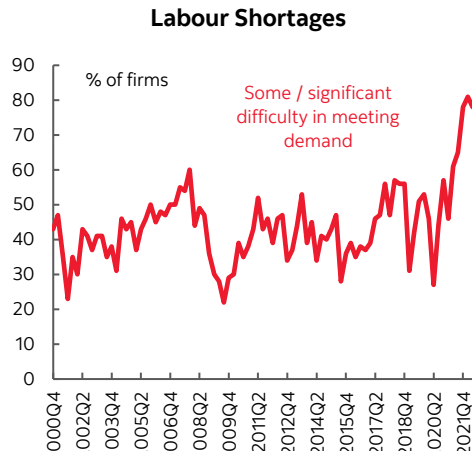
Also watch Canadian manufacturing conditions during November (8:30amET) and existing home sales during December (9amET). Statcan had previously guided that manufacturing sales were up 0.6% m/m in nominal terms and the consensus sample's median estimate of 0.3% appears to be thrown off by some wild downside outliers. What happened to volumes will inform how the sector is performing during Q4 and watch the production pipeline momentum gauges including new orders, the order backlog and inventories.

Chart 3



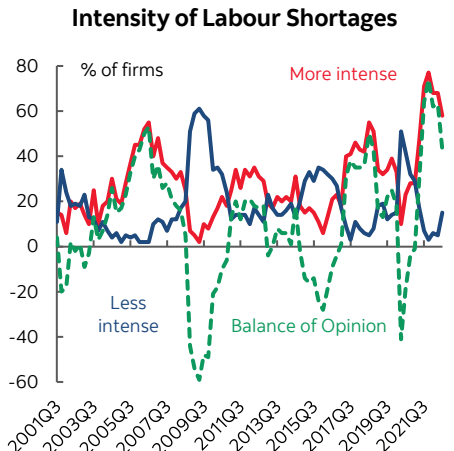
Sources: Scotiabank Economics, Bank of Canada.

Chart 4



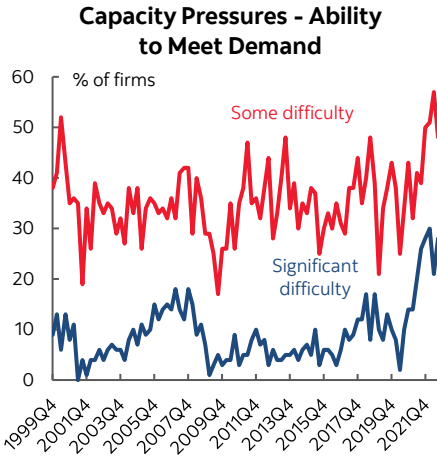
Sources: Scotiabank Economics, Bank of Canada.

Chart 5



Sources: Scotiabank Economics, Bank of Canada.

Chart 6



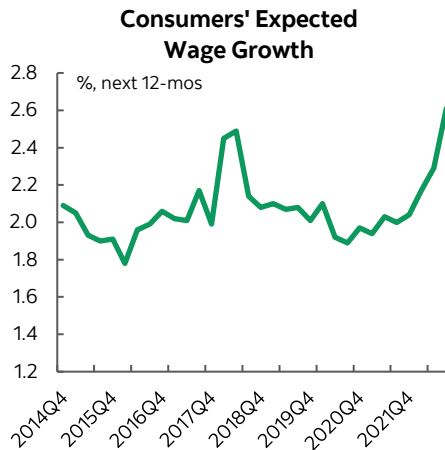
Sources: Scotiabank Economics, Bank of Canada.

Chart 7



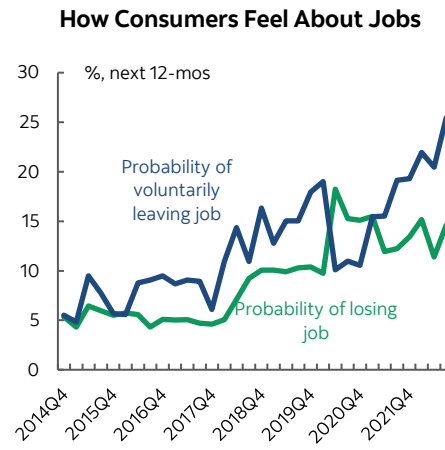
Sources: Scotiabank Economics, Bank of Canada.

Chart 8



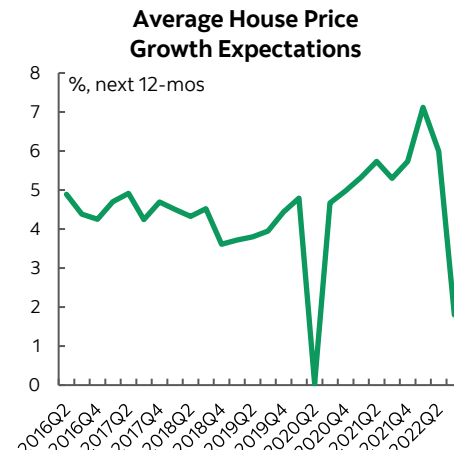
Sources: Scotiabank Economics, Bank of Canada.

Chart 9



Sources: Scotiabank Economics, Bank of Canada.

Chart 10



Sources: Scotiabank Economics, Bank of Canada.

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.	4.23	4.24	4.21	3.61	3.61	3.67	3.50	3.51	3.54	3.61	3.61	3.66	Canada - BoC	4.25
CANADA	3.67	3.68	3.90	3.02	3.03	3.24	2.90	2.89	3.09	2.93	2.93	3.10	US - Fed	4.50
GERMANY	2.60	2.59	2.61	2.21	2.20	2.27	2.19	2.17	2.23	2.15	2.13	2.18	England - BoE	3.50
JAPAN	0.04	0.05	0.03	0.31	0.33	0.20	0.53	0.51	0.51	1.58	1.63	1.61		
U.K.	3.54	3.49	3.45	3.35	3.31	3.45	3.40	3.37	3.53	3.75	3.72	3.95		
	Spreads vs. U.S. (bps):													
CANADA	-57	-55	-31	-60	-59	-44	-61	-61	-45	-68	-69	-56	Euro zone - ECB	2.50
GERMANY	-163	-164	-160	-140	-141	-141	-132	-134	-131	-146	-148	-148	Japan - BoJ	-0.10
JAPAN	-420	-419	-418	-330	-328	-347	-298	-299	-303	-203	-198	-205		
U.K.	-69	-75	-77	-26	-31	-23	-10	-14	-1	14	11	28	Mexico - Banxico	10.50
Equities	Level						% change:							
	Last		Change		1 Day		1-wk		1-mo		1-yr			
S&P/TSX	20360		148.9		0.7		2.8		4.7		-4.7		Australia - RBA	3.10
Dow 30	34303		112.6		0.3		2.0		4.2		-4.5		New Zealand - RBNZ	4.25
S&P 500	3999		15.9		0.4		2.7		3.8		-14.2			
Nasdaq	11079		78.1		0.7		4.8		3.5		-25.6			
DAX	15120		33.7		0.2		2.2		8.8		-4.8			
FTSE	7857		12.8		0.2		1.7		7.2		4.2			
Nikkei	25822		-297.2		-1.1		-0.6		-6.2		-8.2		Canada - BoC	Jan 25, 2023
Hang Seng	21747		8.1		0.0		1.7		11.8		-10.8		US - Fed	Feb 01, 2023
CAC	7035		11.3		0.2		1.8		9.0		-1.5		England - BoE	Feb 02, 2023
Commodities	Level						% change:							
WTI Crude	79.58		-0.28		-0.4		6.6		7.1		-5.1		Euro zone - ECB	Feb 02, 2023
Natural Gas	3.55		0.13		3.7		-9.3		-46.3		-16.8		Japan - BoJ	Jan 18, 2023
Gold	1918.38		-1.85		-0.1		2.5		7.0		5.5		Mexico - Banxico	Feb 09, 2023
Silver	23.68		-0.03		-0.1		0.9		1.2		1.8		Australia - RBA	Feb 06, 2023
CRB Index	275.91		2.14		0.8		4.2		1.7		12.4		New Zealand - RBNZ	Feb 21, 2023
Currencies	Level						% change:							
USDCAD	1.3381		-0.0015		-0.1		-0.1		-2.3		6.9			
EURUSD	1.0831		0.0001		0.0		0.9		2.3		-5.1			
USDJPY	128.25		0.3800		0.3		-2.8		-6.1		11.9			
AUDUSD	0.6970		0.0002		0.0		0.8		4.3		-3.4			
GBPUSD	1.2213		-0.0014		-0.1		0.2		0.5		-10.5			
USDCHF	0.9261		-0.0008		-0.1		0.5		-0.8		1.3			

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