

DAILY POINTS

March 15, 2023 @ 8:00 EST

Contributors

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Chart 1

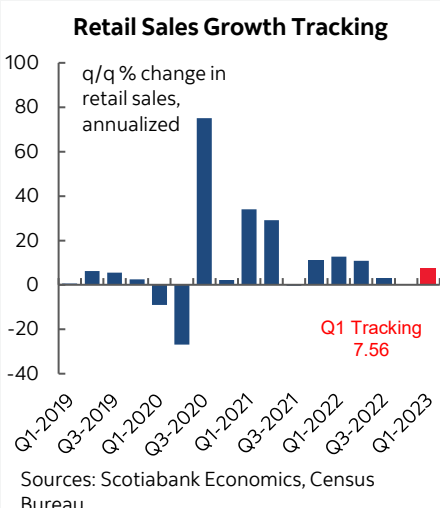
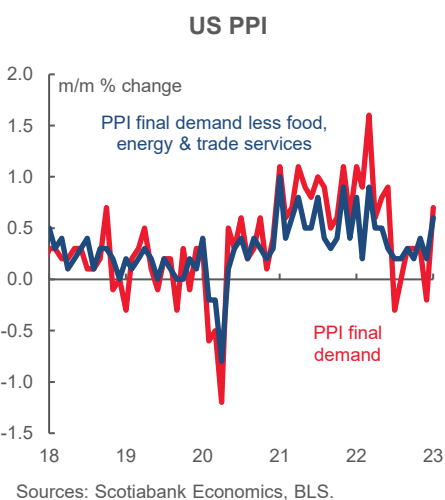


Chart 2



On Deck for Wednesday, March 15

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	03-15	07:00	MBA Mortgage Applications (w/w)	Mar 10	--	--	7.4
CA	03-15	08:15	Housing Starts (000s a.r.)	Feb	205	220.0	215.4
US	03-15	08:30	Empire State Manufacturing Index	Mar	--	-7.9	-5.8
US	03-15	08:30	PPI (m/m)	Feb	0.3	0.3	0.7
US	03-15	08:30	PPI ex. Food & Energy (m/m)	Feb	0.3	0.4	0.5
US	03-15	08:30	Retail Sales (m/m)	Feb	-0.4	-0.4	3.0
US	03-15	08:30	Retail Sales ex. Autos (m/m)	Feb	-0.3	-0.1	2.3
CA	03-15	09:00	Existing Home Sales (m/m)	Feb	--	3.0	-3.0
US	03-15	10:00	Business Inventories (m/m)	Jan	--	0.0	0.3
US	03-15	10:00	NAHB Housing Market Index	Mar	--	40.0	42.0
US	03-15	16:00	Total Net TIC Flows (US\$ bn)	Jan	--	--	28.6
US	03-15	16:00	Net Long-term TIC Flows (US\$ bn)	Jan	--	--	152.8

KEY POINTS:

- **Credit Suisse slams global markets...**
- **...as idiosyncratic risk versus driven by monetary policy...**
- **...but key will be how the ECB plays it tomorrow**
- **Swedish inflation surprises higher, pushes yields up**
- **US retail sales will probably soften**
- **Core US producer price inflation probably held firm**
- **Canada updates housing indicators**

Oh what's a day without more bank-induced volatility across global markets this time sent over with love from Europe. Risk-off sentiment is pushing equities lower as US and Canadian futures drop by about 1¼% – 2% and European cash markets declined by 2–3½%. A higher US 2-year yield earlier in the session rapidly gave way to a 21bps decline as the US curve slightly bull steepens. Canada's yields are also down by double digits. Movements in yields on bunds and French bonds are roughly following declines in US Ts. The dollar is firmer along with the yen.

Credit Suisse remains a never-ending focal point as headlines about the company abruptly impacted world financial markets this morning. Its share price is falling again as its biggest shareholder stated that it refuses to invest further in the beleaguered bank due to regulatory issues and after "material weakness" was disclosed in its reporting yesterday. Record percentage changes sound more alarming to quote in splashy media headlines than citing the ~50 cents per share decline this morning from an already low starting point.

What else is new. From US\$12 in early 2021, CS has steadily fallen to under \$2 now as investors remain skeptical toward its turnaround plans and following one scandal after another last year from Archegos to Greensill to money laundering charges to unflattering leaks about the composition of some of its clients and the types of people the bank deals with. For that matter, its share price has been falling ever since the GFC as one of the few that couldn't seem to benefit from record low rates and from central banks buying up every bond, kitchen sink and fruit stand on the planet and through one turnaround plan after another.

It will be fascinating to see how the ECB plays this tomorrow. There is a strong case to be made for how this is not being driven by monetary policy decisions versus viewing it as a never-ending idiosyncratic mess at a long deeply challenged bank. But can the ECB ignore it entirely? Not if systemic risk is present, but perhaps if the ECB has faith in management guidance on strength in core metrics and its turnaround plan and if the ECB thinks the worst case scenario is a ringfencing solution that keeps the emphasis upon conducting

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monetary policy toward combating inflation. We'll see, but for now, markets are on the fence between a 25 and 50bps move tomorrow and more uncertain toward forward rate guidance.

Overnight calendar-based risk was fairly light. The PBoC left its main policy rate unchanged at 2.75% as expected. Retail sales and industrial production grew in line with expectations for the combined months of January and February as reported due to the Lunar New Year's effects on the two months. The jobless rate climbed by a tick to 5.6%.

Riksbank watchers saw inflation surpass expectations for the month of February which drove massive relative underperformance across its curve this morning. Inflation was 1.1% m/m (0.9% consensus) with underlying inflation at 0.9% (0.7% consensus) and ex-energy at 1.5% m/m (1.0% consensus).

On tap will be three things that probably matter less to markets now than they might have had CS not abruptly impacted multiple asset classes.

1. US retail sales are expected to soften with what we know in terms of autos and gas and following the prior month's massive gain (8:30amET). Core is a bigger risk. That could dent the quarterly sales gain that is being tracked so far in chart 1.
2. US producer prices for February and hence more inflation risk arrive at 8:30amET. Core prices ex-food and energy are the key here with another firm gain of 0.4% m/m expected which would indicate ongoing pressures to pass on higher prices to end consumers (chart 2).
3. Canadian housing data. It's not usually market moving but housing starts (8:15amET) and resales (9amET) are on tap.

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.	4.06	4.25	5.07	3.66	3.86	4.35	3.53	3.69	3.99	3.69	3.81	3.89	Canada - BoC	4.50
CANADA	3.60	3.73	4.30	2.88	3.03	3.51	2.76	2.89	3.26	2.84	2.93	3.11	US - Fed	4.75
GERMANY	2.59	2.89	3.34	2.27	2.51	2.83	2.23	2.42	2.65	2.26	2.41	2.54		
JAPAN	-0.03	-0.04	-0.04	0.16	0.10	0.21	0.33	0.27	0.51	1.36	1.12	1.47	England - BoE	4.00
U.K.	3.34	3.48	3.79	3.26	3.39	3.67	3.37	3.49	3.77	3.75	3.89	4.08		
Spreads vs. U.S. (bps):														
CANADA	-46	-52	-78	-78	-83	-84	-77	-80	-73	-85	-88	-79	Euro zone - ECB	3.00
GERMANY	-147	-136	-174	-139	-134	-152	-129	-127	-135	-143	-140	-135	Japan - BoJ	-0.10
JAPAN	-409	-429	-511	-350	-375	-414	-320	-342	-349	-234	-269	-242		
U.K.	-72	-77	-128	-40	-46	-68	-16	-21	-23	6	9	19		
Equities	Level						% change:						Mexico - Banxico	11.00
	Last	Change			1 Day	1-wk	1-mo	1-yr						
S&P/TSX	19694	105.3			0.5	-3.2	-5.0	-7.0					Australia - RBA	3.60
Dow 30	32155	336.3			1.1	-2.1	-5.8	-4.1					New Zealand - RBNZ	4.75
S&P 500	3919	63.5			1.6	-1.7	-5.5	-8.1						
Nasdaq	11428	239.3			2.1	-0.9	-5.3	-11.7					Next Meeting Date	
DAX	14827	-405.7			-2.7	-5.1	-4.4	6.5						
FTSE	7451	-185.7			-2.4	-6.0	-6.8	3.8						
Nikkei	27229	7.4			0.0	-4.3	-1.7	5.7					Canada - BoC	Apr 12, 2023
Hang Seng	19540	291.9			1.5	-2.6	-6.9	-2.7					US - Fed	Mar 22, 2023
CAC	6909	-232.2			-3.3	-5.7	-5.4	8.7						
Commodities	Level						% change:							
WTI Crude	70.19	-1.14			-1.6	-8.4	-10.7	-27.2					England - BoE	Mar 23, 2023
Natural Gas	2.52	-0.06			-2.2	-1.3	1.9	-44.9					Euro zone - ECB	Mar 16, 2023
Gold	1917.94	13.93			0.7	5.7	4.5	0.0						
Silver	21.64	0.55			2.6	3.5	-0.3	-14.7					Japan - BoJ	Apr 28, 2023
CRB Index	261.08	-3.59			-1.4	-2.2	-3.4	-7.2						
Currencies	Level						% change:							
USDCAD	1.3768	0.0082			0.6	-0.3	2.8	7.9					Mexico - Banxico	Mar 30, 2023
EURUSD	1.0583	-0.0150			-1.4	0.4	-1.0	-3.4					Australia - RBA	Apr 04, 2023
USDJPY	133.51	-0.7100			-0.5	-2.8	-0.5	12.9						
AUDUSD	0.6637	-0.0045			-0.7	0.7	-3.9	-7.8					New Zealand - RBNZ	Apr 04, 2023
GBPUSD	1.2066	-0.0092			-0.8	1.9	0.3	-7.5						
USDCHF	0.9232	0.0090			1.0	-2.0	-0.1	-1.9						

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