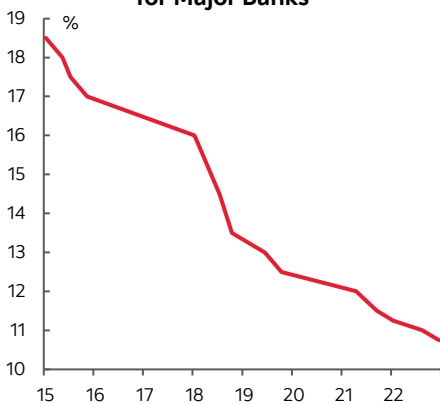


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Chart 1

China Required Deposit Reserve Ratio for Major Banks



Sources: Scotiabank Economics, Bloomberg.

On Deck for Friday, March 17

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	03-17	08:30	International Securities Transactions (C\$ bn)	Jan	--	--	21.2
CA	03-17	08:30	IPPI (m/m)	Feb	--	0.2	0.4
CA	03-17	08:30	Raw Materials Price Index (m/m)	Feb	--	-0.1	-0.1
US	03-17	09:15	Capacity Utilization (%)	Feb	--	78.4	78.3
US	03-17	09:15	Industrial Production (m/m)	Feb	0.2	0.2	0.0
US	03-17	10:00	Leading Indicators (m/m)	Feb	--	-0.3	-0.3
US	03-17	10:00	U. of Michigan Consumer Sentiment	Mar P	68	67.0	67.0

KEY POINTS:

- Risk appetite wavers to end the week as key bank equities lose some momentum
- Fed figures show preference toward discount window over new facility so far
- China cuts reserve ratio requirements
- BoE inflation expectations decline
- US UofM, industrial production on tap

A wild week appears to be ending with wavering risk appetite amid relatively light incremental developments. The USD is retreating against all major crosses. US and Canadian equity futures as well as European cash markets are slightly weaker. Asian exchanges followed yesterday's moves across western exchanges. US Treasuries are bid in a mild bull flattener move while gilts outperform rallying EGBs.

Bank stocks are under pressure again. First Republic is declining in the pre-market this morning in the wake of last evening's deposit infusions and suspension of its dividend which go hand in hand. Credit Suisse is back below CHF2 again and perhaps partly on last evening's headlines that rejected a combination of Swiss banks as an option. Still, the magnitude of the funding supports for US banks and CS allays funding pressures even as shareholder sentiment sours.

Late yesterday's release of changes in reserve balances at the Federal Reserve ([here](#)) revealed a strong initial preference for utilizing the discount window following improved margin requirements over the Bank Term Funding Program. Discount window borrowing surged to US\$153B. Take up in the Bank Term Funding Program was only \$11.9 billion. 'Other credit extensions'—a category that reflects lending by the FDIC to bridge banks—was up \$142.8B. This mixture could well change going forward depending upon developments and as the new facility's acceptance and understanding may improve after only three days of availability.

Fed funds futures are now pricing about 80% odds of a 25bps hike next week.

China cut its reserve requirement ratios again. The 25bps reduction kicks in on March 27th and it lowered the ratio to 10.75%. China had previously cut the rrr back in November and has reduced it by a cumulative 225bps since the pandemic started. Obviously, China is worried about the durability of economic growth given recent developments (chart 1).

The BoE's latest inflation survey showed one-year ahead inflation expectations pulling back to 3.9%. Gilts were already rallying this morning but the headline prompted a slight further richening in 2s.

There is very little due out by way of calendar-based risk over the rest of the day as highlighted below. Inflation expectations in UofM sentiment (10amET) may be worth a peak as Powell has pointed to it in the past, but I would think it's now well down the list of considerations into next week. Otherwise we have Russia's central bank hold (who cares), the OECD's fresh forecasts (ditto, as a long forecast process lags developments) and US industrial output (9:15amET).

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.	4.08	4.16	4.59	3.61	3.74	3.97	3.46	3.58	3.70	3.63	3.70	3.71	Canada - BoC	4.50
CANADA	3.71	3.74	3.95	3.00	3.06	3.19	2.85	2.91	2.99	2.94	2.98	2.91	US - Fed	4.75
GERMANY	2.53	2.61	3.10	2.21	2.32	2.64	2.17	2.29	2.51	2.19	2.31	2.47	England - BoE	4.00
JAPAN	-0.08	-0.06	-0.02	0.10	0.12	0.21	0.29	0.32	0.41	1.29	1.29	1.40		
U.K.	3.25	3.42	3.64	3.18	3.34	3.53	3.29	3.43	3.64	3.74	3.85	4.01		
	Spreads vs. U.S. (bps):													
CANADA	-37	-42	-64	-61	-68	-78	-62	-67	-71	-69	-72	-80	Euro zone - ECB	3.50
GERMANY	-156	-155	-149	-140	-142	-132	-129	-129	-119	-143	-139	-124	Japan - BoJ	-0.10
JAPAN	-416	-423	-461	-351	-362	-376	-318	-327	-329	-233	-241	-231		
U.K.	-83	-75	-95	-43	-40	-44	-18	-16	-6	11	15	30	Mexico - Banxico	11.00
Equities	Level						% change:							
	Last			Change			1 Day	1-wk	1-mo	1-yr				
S&P/TSX	19539			160.2			0.8	-1.2	-4.8	-10.3	Australia - RBA	3.60		
Dow 30	32247			372.0			1.2	-0.0	-4.7	-6.5	New Zealand - RBNZ	4.75		
S&P 500	3960			68.4			1.8	1.1	-2.9	-10.2				
Nasdaq	11717			283.2			2.5	3.3	-0.6	-13.9				
DAX	14926			-41.5			-0.3	-3.3	-3.6	3.7				
FTSE	7399			-11.3			-0.2	-4.5	-7.6	0.2				
Nikkei	27334			323.2			1.2	-2.9	-0.7	1.9	Canada - BoC	Apr 12, 2023		
Hang Seng	19519			314.7			1.6	1.0	-6.6	-8.8	US - Fed	Mar 22, 2023		
CAC	6997			-28.5			-0.4	-3.1	-4.8	5.8				
Commodities	Level						% change:							
WTI Crude	68.50			0.15			0.2	-10.7	-10.3	-33.5	England - BoE	Mar 23, 2023		
Natural Gas	2.40			-0.11			-4.5	-1.2	5.6	-51.9	Euro zone - ECB	May 04, 2023		
Gold	1943.70			24.18			1.3	4.0	5.5	0.0	Japan - BoJ	Apr 28, 2023		
Silver	22.01			-0.09			-0.4	9.4	2.1	-11.8				
CRB Index	256.65			2.61			1.0	-3.2	-4.1	-11.7				
Currencies	Level						% change:							
USDCAD	1.3715			-0.0006			-0.0	-0.8	1.8	8.6	Mexico - Banxico	Mar 30, 2023		
EURUSD	1.0617			0.0007			0.1	-0.2	-0.7	-4.3	Australia - RBA	Apr 04, 2023		
USDJPY	132.28			-1.4600			-1.1	-2.0	-1.4	11.5				
AUDUSD	0.6691			0.0035			0.5	1.7	-2.7	-9.3				
GBPUSD	1.2130			0.0021			0.2	0.8	0.8	-7.7	New Zealand - RBNZ	Apr 04, 2023		
USDCHF	0.9283			-0.0010			-0.1	0.8	0.3	-0.9				

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