

DAILY POINTS

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Contributors

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Chart 1

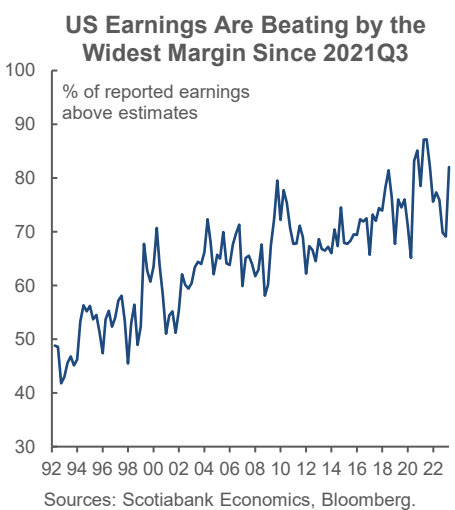


Chart 2



On Deck for Thursday, April 27

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	04/27	08:30	GDP (q/q a.r.)	1Q A	2.0	1.9	2.6
US	04/27	08:30	GDP Deflator (q/q a.r.)	1Q A	--	3.7	3.9
US	04/27	08:30	Initial Jobless Claims (000s)	Apr 22	245	248.0	245.0
US	04/27	08:30	Continuing Claims (000s)	Apr 15	1880	1870.0	1865.0
US	04/27	10:00	Pending Home Sales (m/m)	Mar	-1.0	0.8	0.9
CA	04/27	08:30	Payrolls	February	n/a	n/a	71.1

KEY POINTS:

- **Earnings buoy risk appetite**
- **US earnings are beating by the widest margin since 2021Q3, largely on revenues**
- **US Q1 GDP faces added last minute uncertainty**
- **US core PCE inflation could overshadow GDP**
- **US weekly claims, pending home sales on tap**

Earnings, US GDP and US core PCE will be the main focal points today. N.A. equity futures are up by about ½% and European cash markets range from flat to up ¼%. Asian equities also pushed higher overnight. Sovereign yields are gently higher everywhere. The USD is little changed on balance.

Earnings are buoying risk sentiment particularly in the U.S. as expectations were once again set too low as they have been ever since analysts moved the goalposts following the dot com and SOX clampdown. Chart 1 shows that US earnings are beating expectations by the widest margin in several seasons with 82% of reporting companies so far beating estimates. Chart 2 shows that much of this is due to revenues beating analysts' expectations with the added kicker being cost cutting; 67.3% of firms are beating revenue expectations so far. A wave of overnight earnings reports out of Europe favourably added to sentiment following Meta Platforms (formerly Facebook) better than expected earnings and revenues last evening when eBay also beat. In the pre-market we got another beat from Caterpillar which is of macro relevance because its guidance can be useful in terms of what they are seeing for heavy equipment spending. The after-market brings out Amazon.

There is concern that Q1 GDP growth (8:30amET) could land materially weaker than consensus expects after downward revisions to retail sales that were introduced on Monday. I'm not so sure about that, but in any event the first pass is always guesswork that then gets revised multiple times until we get firmer data such as on services.

Sure enough, the retail sales control group (RSCG) that matters to GDP went from tracking a 9.5% q/q SAAR gain in Q1 to just 5.5% post-revisions. One caveat is that we don't know how much of this revision was due to volumes versus retail prices and it is volumes that matter to GDP. Chart 3 shows the 2022Q4 and 2023Q1 revisions.

What offsets the downward revision to the RSCG, however, is that the retail inventory contributions to GDP growth moved sharply higher with revisions and yesterday's March data. The swing in the flow of retail inventory investment went from about US\$13B annualized in Q1 to US\$43B for over triple the pace of investment in retail inventories post-revision compared to pre-revision (chart 4). That swing in inventory contributions to growth can be more than offsetting to the downward revision to the RSCG. Here too, however, we don't know how much of the revision was to real inventories versus nominal. Total inventories may be less of a drag on GDP than previously thought.

Also, if my estimate for March core PCE is right, then core PCE in today's Q1 accounts will be up by about 4.7% q/q SAAR. There could be revisions to prior months and also March's

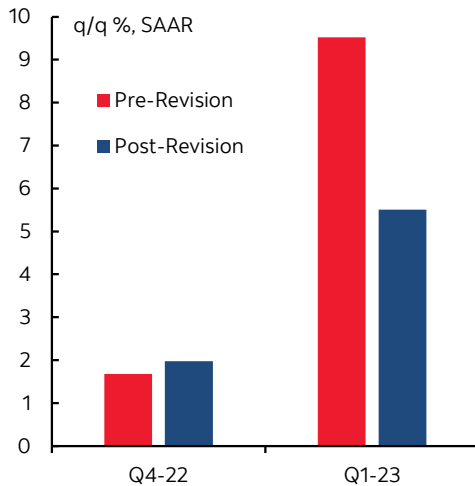
estimate faces uncertainty and will be implied in the quarterly number ahead of tomorrow's monthly estimates. Any surprise higher or lower on core PCE could dominate GDP in terms of market attention.

So could claims if they break out of the recent range (8:30amET). US pending home sales during March are expected to post a small rise (10amET).

Canada updates the seriously lagging payrolls report for February (8:30amET). We get the fresher and more complete Labour Force Survey for April next Friday.

Chart 3

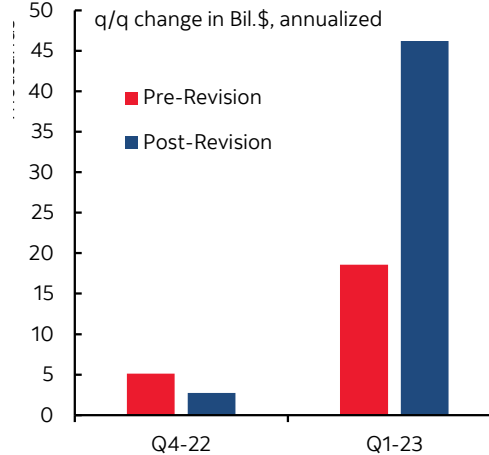
Retail Sales Revised Downward



Sources: Scotiabank Economics.

Chart 4

US Retailers' Inventories Revised Higher



Sources: Scotiabank Economics.

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.	3.96	3.95	4.14	3.49	3.50	3.63	3.46	3.45	3.53	3.72	3.70	3.74	Canada - BoC	4.50	
CANADA	3.67	3.62	3.78	3.02	2.99	3.15	2.88	2.86	2.97	3.00	2.98	3.06	US - Fed	5.00	
GERMANY	2.76	2.77	2.90	2.40	2.40	2.49	2.40	2.40	2.45	2.50	2.49	2.51	England - BoE	4.25	
JAPAN	-0.03	-0.04	-0.04	0.15	0.15	0.17	0.47	0.47	0.47	1.35	1.33	1.35	Euro zone - ECB	3.50	
U.K.	3.75	3.75	3.73	3.59	3.59	3.63	3.73	3.73	3.77	4.08	4.08	4.11	Japan - BoJ	-0.10	
Spreads vs. U.S. (bps):															
CANADA	-29	-33	-36	-47	-51	-48	-58	-59	-56	-72	-73	-68	Mexico - Banxico	11.25	
GERMANY	-120	-118	-125	-109	-110	-114	-105	-105	-109	-122	-121	-124	Australia - RBA	3.60	
JAPAN	-399	-399	-419	-334	-334	-346	-299	-299	-306	-238	-238	-239	New Zealand - RBNZ	5.25	
U.K.	-21	-20	-41	10	9	0	27	28	23	36	38	36	Next Meeting Date		
Equities	Level						% change:								
	Last	Change		1 Day	1-wk	1-mo	1-yr								
S&P/TSX	20367	-73.1		-0.4	-1.3	3.8	-1.8							Canada - BoC	Jun 07, 2023
Dow 30	33302	-229.0		-0.7	-1.8	2.7	-0.0							US - Fed	May 03, 2023
S&P 500	4056	-15.6		-0.4	-2.4	2.0	-3.1							England - BoE	May 11, 2023
Nasdaq	11854	55.2		0.5	-2.5	0.7	-5.1							Euro zone - ECB	May 04, 2023
DAX	15794	-1.4		-0.0	-0.0	4.4	14.5							Japan - BoJ	Apr 28, 2023
FTSE	7847	-5.4		-0.1	-0.7	5.0	5.7							Mexico - Banxico	May 18, 2023
Nikkei	28458	41.2		0.1	-0.7	3.6	7.8							Australia - RBA	May 02, 2023
Hang Seng	19840	83.0		0.4	-2.7	1.4	-0.5							New Zealand - RBNZ	May 23, 2023
CAC	7487	20.1		0.3	-0.7	5.8	16.2								
Commodities	Level						% change:								
WTI Crude	74.36	0.06		0.1	-3.8	2.1	-27.1								
Natural Gas	2.29	-0.02		-0.7	1.7	9.6	-68.5								
Gold	2000.98	11.94		0.6	-0.2	2.3	6.1								
Silver	24.85	-0.05		-0.2	0.4	7.3	4.5								
CRB Index	264.94	-3.84		-1.4	-3.7	1.0	-13.3								
Currencies	Level						% change:								
USDCAD	1.3617	-0.0019		-0.1	1.0	-0.3	6.2								
EURUSD	1.1048	0.0007		0.1	0.7	2.3	4.7								
USDJPY	133.55	-0.1200		-0.1	-0.5	1.5	4.0								
AUDUSD	0.6622	0.0019		0.3	-1.8	-0.4	-7.1								
GBPUSD	1.2475	0.0006		0.0	0.3	1.5	-0.6								
USDCHF	0.8925	0.0013		0.1	0.0	-2.5	-7.9								

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