

DAILY POINTS

April 19, 2024 @ 6:55 EST

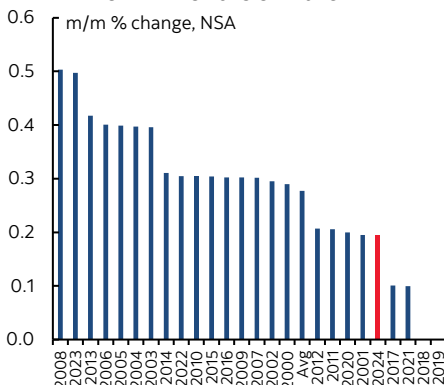
Contributors

Derek Holt

VP & Head of Capital Markets Economics
Scotiabank Economics
416.863.7707
derek.holt@scotiabank.com

Chart 1

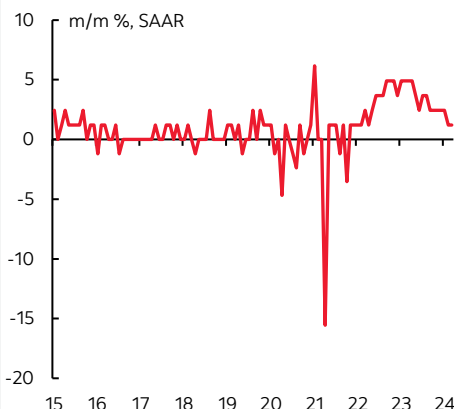
Comparing Japan Core CPI for All Months of March



Sources: Scotiabank Economics, Ministry of Internal Affairs and Communications.

Chart 2

Japanese Core Inflation



Sources: Scotiabank Economics, Ministry of Internal Affairs and Communications.

On Deck for Friday, April 19

| Country | Date | Time | Indicator | Period | BNS | Consensus | Latest |
|---------|-------|-------|---|--------|-----|-----------|--------|
| US | 04-19 | 10:30 | Fed's Goolsbee Participates in Q&A | | | | |
| US | 04-19 | 16:00 | Fed Releases Financial Stability Report | | | | |

KEY POINTS:

- **Markets calmer after initial reaction to Israel's strike on Iran**
- **A pair of Fed-speakers sounded incrementally hawkish**
- **Japanese core inflation continues to ebb**
- **UK retail sales were soft**
- **Light developments into the N.A. session**

What started as a significant market disruption into the Asian open has mostly subsided.

Israel's retaliatory strike against Iran was on a modest scale and neither side is trumpeting its consequences. Comments just before the strike that were made by an Iranian general about how the country's nuclear program could be revised and "deviate from the considerations of previous declarations" if Israel attacked are being taken in stride for now. Risks remain into the weekend, but for now, de-escalation seems feasible.

Oil had been up by as much as about US\$3½ but is now down by half a buck. US 10s had fallen as much as about 13bps but have since reversed much of that to be only about 5–6bps richer. S&P futures had been down as much as 1.7% but are now only ½% lower. Asian equities took it harder as the claw back effect only kicked in after they closed, but European cash markets are down only modestly.

What the attacks masked, however, was a pair of hawkish sounding Fed speakers just ahead of the strike. Minneapolis Fed President Kashkari (nonvoting, voting 2026) indicated that the Fed could "potentially" not cut this year. Atlanta's Bostic one-upped him by saying that he could support a hike if inflation edges higher. Both comments sounded purely speculative.

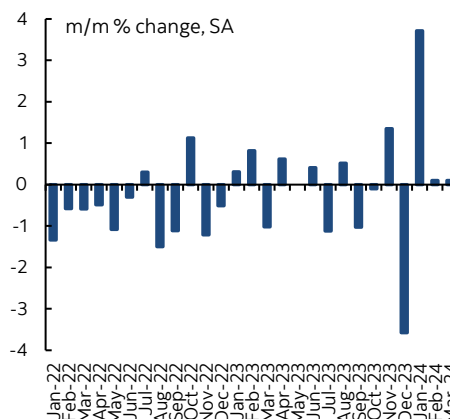
Japanese core CPI inflation has dwindled to nothing. The m/m core CPI reading (ex fresh food and energy) rose by just 0.2% m/m NSA for among the weakest months of March in history (chart 1) and 0.1% m/m SA in March (chart 2), matching February's soft reading. Key into next week may be comments about the inflation outlook given further yen weakness since the last meeting on March 18th, although oil in USD terms is basically back to where it was at that time.

UK retail sales were soft last month. Total sales volumes were roughly flat again at 0% m/m (chart 3). Sales ex-fuel fell 0.3% m/m. Other considerations dominated market attention.

Into the N.A. session we'll only get Mexican retail sales for February (8amET), light Fed-speak (Chicago's Goolsbee at 10:30amET) and the Fed's financial stability report after the close.

Chart 3

UK Retail Sales Volumes



Sources: Scotiabank Economics, UK ONS.

| 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. | 4.94 | 4.99 | 4.90 | 4.61 | 4.68 | 4.56 | 4.57 | 4.63 | 4.52 | 4.67 | 4.73 | 4.63 | Canada - BoC | 5.00 |
| CANADA | 4.25 | 4.19 | 4.25 | 3.79 | 3.73 | 3.78 | 3.76 | 3.70 | 3.73 | 3.67 | 3.62 | 3.61 | US - Fed | 5.50 |
| GERMANY | 2.97 | 2.98 | 2.86 | 2.48 | 2.51 | 2.37 | 2.45 | 2.50 | 2.36 | 2.58 | 2.63 | 2.51 | England - BoE | 5.25 |
| JAPAN | 0.27 | 0.27 | 0.27 | 0.47 | 0.48 | 0.49 | 0.85 | 0.87 | 0.86 | 1.91 | 1.92 | 1.92 | Euro zone - ECB | 4.50 |
| U.K. | 4.45 | 4.49 | 4.35 | 4.15 | 4.19 | 4.05 | 4.23 | 4.27 | 4.14 | 4.69 | 4.72 | 4.62 | Japan - BoJ | -0.10 |
| | Spreads vs. U.S. (bps): | | | | | | | | | | | | | |
| CANADA | -70 | -80 | -65 | -82 | -95 | -78 | -81 | -94 | -79 | -101 | -111 | -102 | Mexico - Banxico | 11.00 |
| GERMANY | -197 | -201 | -204 | -213 | -217 | -219 | -212 | -214 | -216 | -209 | -210 | -212 | Australia - RBA | 4.35 |
| JAPAN | -467 | -471 | -462 | -415 | -420 | -407 | -372 | -376 | -367 | -277 | -281 | -271 | New Zealand - RBNZ | 5.50 |
| U.K. | -50 | -50 | -55 | -46 | -49 | -51 | -34 | -36 | -39 | 1 | -1 | -1 | | |
| Equities | Level | | | Change | | | % change: | | | | Next Meeting Date | | | |
| | Last | | | 1 Day | 1-wk | 1-mo | 1-yr | | | | | | | |
| S&P/TSX | 21708 | | | 52.4 | 0.2 | -1.8 | -0.7 | 5.0 | | | | | Canada - BoC | Jun 05, 2024 |
| Dow 30 | 37775 | | | 22.1 | 0.1 | -1.8 | -3.4 | 11.4 | | | | | US - Fed | May 01, 2024 |
| S&P 500 | 5011 | | | -11.1 | -0.2 | -3.6 | -3.2 | 20.6 | | | | | England - BoE | May 09, 2024 |
| Nasdaq | 15602 | | | -81.9 | -0.5 | -5.1 | -3.5 | 28.3 | | | | | Euro zone - ECB | Jun 06, 2024 |
| DAX | 17719 | | | -118.3 | -0.7 | -1.2 | -1.5 | 11.5 | | | | | Japan - BoJ | 'A Field Not Applica |
| FTSE | 7831 | | | -45.6 | -0.6 | -2.1 | 1.2 | -0.9 | | | | | | |
| Nikkei | 37068 | | | -1011.4 | -2.7 | -6.2 | -7.3 | 29.6 | | | | | | |
| Hang Seng | 16224 | | | -161.7 | -1.0 | -3.0 | -1.8 | -20.3 | | | | | | |
| CAC | 7999 | | | -24.1 | -0.3 | -0.1 | -2.5 | 6.0 | | | | | | |
| Commodities | Level | | | Change | | | % change: | | | | | | | |
| | | | | | | | | | | | | | | |
| WTI Crude | 82.28 | | | -0.45 | -0.5 | -3.9 | -1.4 | 3.9 | | | | | Mexico - Banxico | May 09, 2024 |
| Natural Gas | 1.75 | | | -0.01 | -0.7 | -1.4 | 0.1 | -21.5 | | | | | Australia - RBA | May 07, 2024 |
| Gold | 2383.08 | | | 4.03 | 0.2 | 1.7 | 10.5 | 19.5 | | | | | New Zealand - RBNZ | May 21, 2024 |
| Silver | 28.47 | | | 0.00 | 0.0 | 1.6 | 13.1 | 13.5 | | | | | | |
| CRB Index | 295.60 | | | 1.16 | 0.4 | 0.0 | 3.0 | 7.5 | | | | | | |
| Currencies | Level | | | Change | | | % change: | | | | | | | |
| | | | | | | | | | | | | | | |
| USDCAD | 1.3770 | | | 0.0003 | 0.0 | -0.0 | 1.5 | 2.3 | | | | | | |
| EURUSD | 1.0651 | | | 0.0008 | 0.1 | 0.1 | -2.0 | -2.8 | | | | | | |
| USDJPY | 154.51 | | | -0.1300 | -0.1 | 0.8 | 2.4 | 14.7 | | | | | | |
| AUDUSD | 0.6410 | | | -0.0011 | -0.2 | -0.9 | -1.9 | -4.5 | | | | | | |
| GBPUSD | 1.2438 | | | 0.0002 | 0.0 | -0.1 | -2.2 | -0.0 | | | | | | |
| USDCHF | 0.9084 | | | -0.0039 | -0.4 | -0.6 | 2.3 | 1.2 | | | | | | |

This report has been prepared by Scotiabank Economics as a resource for the clients of Scotiabank. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness. Neither Scotiabank nor any of its officers, directors, partners, employees or affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

These reports are provided to you for informational purposes only. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instrument, nor shall this report be construed as an opinion as to whether you should enter into any swap or trading strategy involving a swap or any other transaction. The information contained in this report is not intended to be, and does not constitute, a recommendation of a swap or trading strategy involving a swap within the meaning of U.S. Commodity Futures Trading Commission Regulation 23.434 and Appendix A thereto. This material is not intended to be individually tailored to your needs or characteristics and should not be viewed as a “call to action” or suggestion that you enter into a swap or trading strategy involving a swap or any other transaction. Scotiabank may engage in transactions in a manner inconsistent with the views discussed this report and may have positions, or be in the process of acquiring or disposing of positions, referred to in this report.

Scotiabank, its affiliates and any of their respective officers, directors and employees may from time to time take positions in currencies, act as managers, co-managers or underwriters of a public offering or act as principals or agents, deal in, own or act as market makers or advisors, brokers or commercial and/or investment bankers in relation to securities or related derivatives. As a result of these actions, Scotiabank may receive remuneration. All Scotiabank products and services are subject to the terms of applicable agreements and local regulations. Officers, directors and employees of Scotiabank and its affiliates may serve as directors of corporations.

Any securities discussed in this report may not be suitable for all investors. Scotiabank recommends that investors independently evaluate any issuer and security discussed in this report, and consult with any advisors they deem necessary prior to making any investment.

This report and all information, opinions and conclusions contained in it are protected by copyright. This information may not be reproduced without the prior express written consent of Scotiabank.

™ Trademark of The Bank of Nova Scotia. Used under license, where applicable.

Scotiabank, together with “Global Banking and Markets”, is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including: Scotiabank Europe plc; Scotiabank (Ireland) Designated Activity Company; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Derivados S.A. de C.V. – all members of the Scotiabank group and authorized users of the Scotiabank mark. The Bank of Nova Scotia is incorporated in Canada with limited liability and is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia is authorized by the UK Prudential Regulation Authority and is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia's regulation by the UK Prudential Regulation Authority are available from us on request. Scotiabank Europe plc is authorized by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority.

Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat, and Scotia Inverlat Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities.

Not all products and services are offered in all jurisdictions. Services described are available in jurisdictions where permitted by law.