

DAILY POINTS

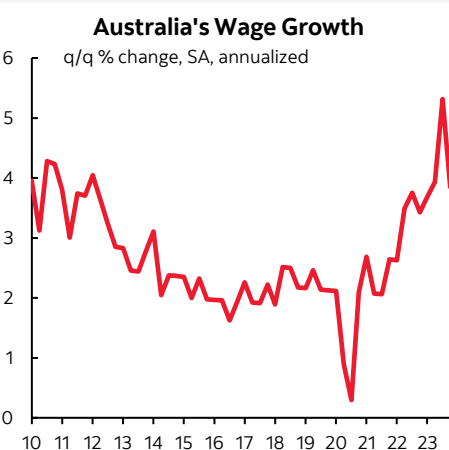
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Chart 1



Sources: Scotiabank Economics, Australian Bureau of Statistics.

On Deck for Wednesday, February 21

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	02-21	07:00	MBA Mortgage Applications (w/w)	Feb 16	--	--	-2.3
US	02-21	08:00	Fed's Bostic Gives Welcoming Remarks				
US	02-21	09:10	Fed's Barkin Speaks on SiriusXM				
US	02-21	14:00	FOMC Meeting Minutes				
US	02-21	17:30	Fed's Collins Participates in Fireside Chat				

KEY POINTS:

- **Markets await FOMC minutes**
- **What to expect from the minutes...**
- **...that are somewhat stale on arrival**
- **Canadian markets stabilize after a ridiculous overreaction to CPI..**
- **...as inflation risk remains very much alive**
- **Australian wage growth remains above the RBA's inflation target**
- **Bank Indonesia did what it said it would do—nothing!**
- **Light Fed-speak**

The day's main highlight will be minutes to the FOMC's meeting on January 30th – 31st when they arrive at 2pmET. Markets are a little nervous ahead of them, but inconsistently so. US Ts are mildly outperforming European sovereigns while the USD is little changed and N.A. equity futures are mildly in the red as European equities marginally outperform except in London.

I doubt the minutes will be impactful as the January meeting's broad takeaway was that the Fed is in no huge rush to do much of anything just yet, but here's what to watch and with more available in the [Global Week Ahead](#):

- rate guidance: Powell ruled out March in his presser so the minutes might reinforce that near-term easing is unlikely. He said they had confidence but are looking for more confidence that the dual mandate's goals are on track which indicated no rush. He also warned that there are bidirectional risks to rate moves. Overall, I'd expect the minutes to largely reinforce his remarks and overall message behind the December dot plot that aims for 75bps of cuts this year and hence implies starting later in the year in order to avoid an erratic pattern.
- the minutes will be somewhat stale on arrival and the Fed's confidence has likely marginally worsened. Strong data since the meeting is the culprit, including nonfarm with positive revisions, an upward trend in wage growth m/m SAAR, the upside to US core CPI and solid ongoing tracking of GDP growth that signals no movement toward opening up disinflationary slack.
- There may be light discussion of the balance sheet and QT but more of the focus will be upon next month's dialogue. Powell said during his press conference "We did have some discussion on the balance sheet. We're planning to have more in-depth discussion in March." He didn't offer anything further in the presser and I'm not expecting much from the minutes. Powell also indicated a longer drawn-out approach to evaluating the criteria for adjusting QT when he said in the presser that "We'll be looking at a variety of things over the next year or so."

Light Fed-speak will continue with Atlanta's Bostic (8amET), Richmond's Barkin (9:10amET) and Boston's Collins (5:30pmET) ahead.

Canadian Inflation, the BoC and Fiscal Largesse

Canadian markets have stabilized after yesterday's inflation surprise (recap [here](#)) as the front-end is performing similarly to the US and CAD is unchanged to the USD. I still think yesterday's market reaction was overdone. Overcooked. Markets burned the roast and spoiled the gravy. Blech. Pay April. The prime takeaway to me was how ridiculous markets have become in reacting to volatile single data points. The BoC wants a trend and we only have one soft core reading now. They want confidence that such a trend would persist and we haven't even started that part. Only then would they begin to discuss possible easing. They've been rather clear in providing such guidance against nearer term easing. They also very likely retain a cautious stance toward inflation risk.

I mean, have wage demands cooled off? Ha. Has the country suddenly cured its productivity disease? Oh that's a good one. The combination of high wage pressures and awful productivity is the worst imbalance you'll find anywhere. Has immigration stopped providing excess demand that outweighs supply influences? Bwah. Is the C\$ fairly valued now? Pfft. Has the economy created meaningful excess supply rather than just a rounding error? Nope. Was all the data showcasing resurgent housing demand made up, didn't happen, with no reason to think housing will soar again? Nope, nope and nope. Has geopolitical risk to supply chains disappeared? That's rich, it's about to probably get worse if the US elects Trump. Have free spending governments suddenly come to their senses? Oh that one's too juicy to dismiss with just one sentence.

Which leads me to the other takeaway from yesterday which was the equally ridiculous political reaction that jumped on the data and advised the BoC to begin easing soon. I won't even touch the suggestion that the BoC is causing inflation because it's a proven fallacy to anyone who knows how the BoC's preferred core readings are calculated. But the easing pressures came from the PM and the BC provincial premier. Sure, ease prematurely, reignite inflation risk and add more to housing imbalances, and then the politicians will blame the BoC for that too! Sure, ease, when the Fed's in no rush, and watch CAD become even more attractive—as wallpaper.

Meanwhile fiscal policy is doing it again. Pssst, hey buddy, want to get ahead in Canada? Say you've got batteries or a housing project and governments will shovel billions and billions of taxpayer subsidies at you while applying a hate-on toward every other industry. Billions on batteries going to foreign shareholders and paying absurd sums per job created yet the Feds apparently don't want us using roads to move around the second largest country in the world. Why are you spending so much on e-car batteries if you don't want people to drive?? Enjoy the walk from Toronto to Winnipeg in February, guaranteed good times. Billions are being spent to subsidize homebuilding while overstimulating demand through excessive immigration and subsidies to housing finance; one policy wrong compound by another I say. More money for drugs too. Government encroachment on private industry is about to take off again with a national pharmacare program that involves major new spending at the behest of the NDP that's running the whole show on a threat to withdraw support that lacks any credibility but that provides cover for the Libs to deliver. You'll say there is a public policy case for this and I'll say tell me about a time when there hasn't been a case for spending more; the demands are limitless but the adverse consequences are material. Further, while I understand the historical context, how treatment of the community has been a national embarrassment for too long, and the overall policy case for it, it's nevertheless important to note that \$23B in indigenous settlement payments equalling over 1% of nominal GDP are going out and will probably be accompanied by a relatively high marginal propensity to spend. Also expect more targeted fiscal stimulus from the upcoming round of Federal and provincial budgets. Wouldn't it be awkward if inflation spiked higher again off a low base effect in January right into the upcoming Budget season. But cut, you know, because fiscal policy has stopped fighting monetary policy and inflation risk has magically disappeared...

Other Musings

Other than the FOMC minutes and the ongoing global earnings cycle there were only light overnight developments.

Mexican retail sales disappointed by posting a drop of -0.9% m/m in December, missing consensus by a full percentage point. The prior month was revised a little lower to a flat print.

Australian wages landed on consensus at 0.95% q/q SA nonannualized, and markets shook it off. That's a little cooler than the 1.3% reading in Q3, but not cool as it maintains the pace of strong gains above the RBA's $2\text{--}3\%$ inflation target range ever since 2022Q2 (chart 1).

Bank Indonesia held its policy rate at 6% as expected. They're on hold while monitoring the Fed and not wishing to do anything that would destabilize the rupiah. Governor Warjiyo was very clear about that in comments he delivered earlier this month so there were no surprises in his guidance this time around that said they'd assess easing possibilities later in the year.

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.	4.58	4.61	4.58	4.23	4.25	4.24	4.26	4.28	4.26	4.44	4.45	4.44	Canada - BoC	5.00
CANADA	4.14	4.17	4.25	3.57	3.59	3.64	3.49	3.51	3.55	3.37	3.39	3.42	US - Fed	5.50
GERMANY	2.79	2.77	2.73	2.36	2.35	2.30	2.39	2.37	2.34	2.56	2.54	2.51	England - BoE	5.25
JAPAN	0.16	0.15	0.14	0.36	0.36	0.36	0.73	0.73	0.75	1.73	1.75	1.81		
U.K.	4.57	4.56	4.58	4.10	4.06	4.06	4.06	4.04	4.04	4.61	4.59	4.58		
Spreads vs. U.S. (bps):														
CANADA	-44	-44	-33	-67	-66	-60	-77	-76	-70	-107	-106	-102	Euro zone - ECB	4.50
GERMANY	-179	-184	-185	-187	-191	-194	-187	-190	-192	-189	-191	-193	Japan - BoJ	-0.10
JAPAN	-443	-446	-444	-387	-390	-388	-354	-354	-350	-271	-270	-263		
U.K.	-1	-6	-0	-14	-19	-18	-20	-24	-21	16	14	14		
Equities	Level						% change:							
	Last	Change			1 Day	1-wk	1-mo	1-yr						
S&P/TSX	21218	-38.1			-0.2	0.7	1.5	4.8						
Dow 30	38564	-64.2			-0.2	-0.6	1.8	16.4						
S&P 500	4976	-30.1			-0.6	-0.9	2.8	24.5						
Nasdaq	15631	-144.9			-0.9	-2.0	2.1	36.0						
DAX	17133	64.6			0.4	1.1	3.5	11.3						
FTSE	7661	-58.6			-0.8	1.2	2.7	-4.0						
Nikkei	38262	-101.4			-0.3	1.5	4.7	41.2						
Hang Seng	16503	255.6			1.6	3.9	10.3	-19.2						
CAC	7812	16.5			0.2	1.8	6.0	6.9						
Commodities	Level						% change:							
WTI Crude	77.04	0.00			0.0	-1.1	4.9	1.2						
Natural Gas	1.75	0.17			11.0	3.6	-30.5	-15.6						
Gold	2031.03	6.62			0.3	1.9	0.1	10.7						
Silver	23.06	-0.03			-0.1	0.8	1.1	6.2						
CRB Index	270.76	-1.83			-0.7	-0.8	2.0	0.8						
Currencies	Level						% change:							
USDCAD	1.3521	-0.0002			-0.0	-0.2	0.3	-0.1						
EURUSD	1.0809	0.0001			0.0	0.8	-0.7	1.5						
USDJPY	149.97	-0.0400			-0.0	-0.4	1.3	11.1						
AUDUSD	0.6557	0.0008			0.1	1.0	-0.2	-4.3						
GBPUSD	1.2626	0.0003			0.0	0.5	-0.7	4.2						
USDCHF	0.8799	-0.0020			-0.2	-0.7	1.2	-5.2						
									Next Meeting Date					
									Canada - BoC		Mar 06, 2024			
									US - Fed		Mar 20, 2024			
									England - BoE		Mar 21, 2024			
									Euro zone - ECB		Mar 07, 2024			
									Japan - BoJ		Mar 19, 2024			
									Mexico - Banxico		Mar 21, 2024			
									Australia - RBA		Mar 18, 2024			
									New Zealand - RBNZ		Feb 27, 2024			

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