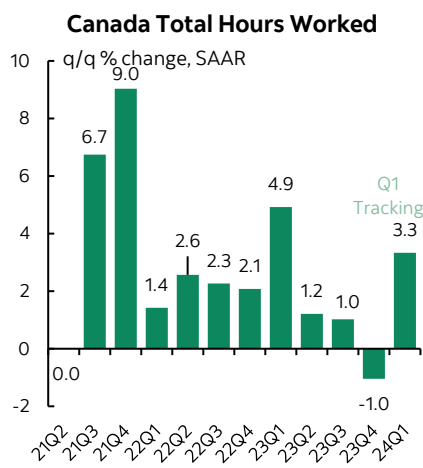


#### Contributors

##### Derek Holt

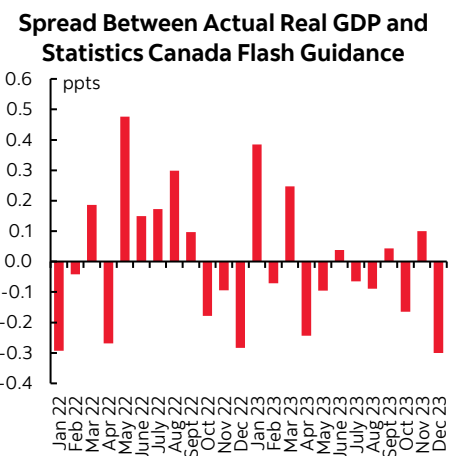
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Chart 1



Sources: Scotiabank Economics, Statistics Canada.

Chart 2



Sources: Scotiabank Economics, Statistics Canada.

#### On Deck for Thursday, March 28

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	03-28	08:30	Real GDP (m/m)	Jan	0.4	0.4	0.0
US	03-28	08:30	GDP (q/q a.r.)	4Q T	3.2	3.2	3.2
US	03-28	08:30	GDP Deflator (q/q a.r.)	4Q T	--	1.6	1.6
US	03-28	08:30	Initial Jobless Claims (000s)	Mar 23	215	212.0	210.0
US	03-28	08:30	Continuing Claims (000s)	Mar 16	1815	1815.0	1807.0
US	03-28	09:45	Chicago PMI	Mar	--	46.0	44.0
US	03-28	10:00	Pending Home Sales (m/m)	Feb	--	1.5	-4.9

#### KEY POINTS:

- **Bonds sell off on hawkish Fed, BoE comments**
- **Canadian GDP to inform rebound prospects**
- **Fed's Waller struck a somewhat hawkish note, with an asterisk**
- **BoE's Haskel hawkishly disagrees with Governor Bailey**
- **Dovish comments from ECB's Panetta were ignored by markets**
- **US GDP-r, PCE-r, claims, pending home sales on tap**
- **Early bond close in Canada and the US ahead of Good Friday**

Hawkish comments from officials at the Fed and the BoE are contributing a rates sell off this morning. Dovish remarks by an ECB official are being ignored and perhaps justifiably. Other overnight developments were light and included German retail sales that were weak (-1.9% m/m, +0.4% consensus). Canadian GDP is the main focus into the N.A. session.

#### Fed's Waller is in No Rush to Cut—Sort Of

Federal Reserve Governor Waller sounded relatively hawkish last night, but with an asterisk. His speech title “There’s Still No Rush” was a pretty big hint at what it would contain ([here](#)). He said “the risk of waiting a little longer to ease policy is small and significantly lower than acting too soon and possibly squandering our progress on inflation.” He also said “In my view, it is appropriate to reduce the overall number of rate cuts or push them further into the future in response to the recent data.”

He also said that he wants to “see at least a couple months of better inflation” before cutting. Ok, well, we’ll get three core PCE readings before the June decision including tomorrow’s and so technically Waller’s guidance is not incompatible with a June cut if all goes just peachily. Productivity appeared 26 times in his speech which apparently indicates its importance to him while stating “I am not convinced that the recent boom in productivity growth will continue” while going through a few arguments to state his case.

#### BoE's Haskel Conflicts with Bailey

There is a bun fight going on at the BoE. After Governor Bailey struck a dovish sounding tone last Thursday by saying cuts were ‘in play’, the FT quoted Jonathan Haskel—an external MPC member—as saying that “I think cuts are a long way off.” He went on to say “what we really care about is the persistent and the underlying inflation.”

#### Why Dovish ECB-Speak Was Ignored

By contrast, ECB-speak was relatively dovish. Governing Council Member Fabio Panetta said that “Risks for price stability have decreased and the conditions for monetary loosening are coming about” while also noting “the rapid reduction of inflation.” His remarks didn’t really impact markets because they’re already priced for a June cut. His remarks could nevertheless be challenged. Eurozone core CPI m/m NSA has been registering relatively hot readings including February’s that was the second hottest month of February on record as we await the March readings and then wage figures before the June meeting.

**Canadian GDP—Tracking a Possible Rebound**

Canada’s GDP figures for January and February will be the main thing on the macro calendar today (8:30amET). The figures are likely to feed into the rebound narrative. One key is what’s happening to hours worked (chart 1). 0.4% m/m SA is expected for January based upon Statcan’s initial ‘flash’ guidance that was provided on February 29<sup>th</sup> and little reason to depart from it based upon data since then. There is always revision risk based upon more complete information that Statcan has (chart 2).

More important may be the flash guidance for February GDP. I think momentum could be sustained but there are a lot of unobservable parts of the picture. Hours worked were up by another 0.3% m/m in February after a 0.6% surge in January. Housing starts were up by 13.6% m/m. Home sales took a breather after two prior gains so that may dent ancillary services. Flash guidance for wholesale and manufacturing activity offered solid nominal gains amid uncertainty toward translating that into volumes and value-added activity.

**OTHER STUFF**

Canadian bond markets face an early close at 1pmET today before being shut for Good Friday. There is no official early close for the TSX ahead of being shut for Good Friday.

UK GDP revisions were basically a non-event. US GDP and core PCE revisions are also on tap but expected to leave growth at or close to 3.2% and core inflation at or close to 2.1% q/q (8:30amET) along with other light US data including weekly jobless claims (8:30amET) and pending home sales during February (10amET).

The US bond market also faces an early 2pmET close ahead of Good Friday.

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.	4.62	4.57	4.64	4.22	4.19	4.25	4.22	4.19	4.27	4.36	4.35	4.44	Canada - BoC	5.00	
CANADA	4.14	4.16	4.11	3.50	3.54	3.51	3.44	3.50	3.48	3.35	3.41	3.41	US - Fed	5.50	
GERMANY	2.87	2.83	2.88	2.35	2.31	2.41	2.32	2.29	2.41	2.47	2.46	2.58	England - BoE	5.25	
JAPAN	0.19	0.20	0.19	0.36	0.37	0.38	0.71	0.73	0.74	1.78	1.80	1.81			
U.K.	4.18	4.14	4.18	3.85	3.82	3.88	3.96	3.93	4.00	4.44	4.42	4.49			
	Spreads vs. U.S. (bps):														
CANADA	-48	-41	-52	-73	-65	-74	-78	-70	-78	-101	-94	-103	Euro zone - ECB	4.50	
GERMANY	-176	-174	-176	-188	-187	-185	-190	-190	-186	-189	-189	-186	Japan - BoJ	-0.10	
JAPAN	-443	-437	-445	-386	-382	-387	-351	-347	-353	-258	-256	-263			
U.K.	-44	-43	-46	-38	-37	-38	-26	-26	-27	9	7	6			
Equities	Level						% change:								
	Last	Change		1 Day	1-wk	1-mo	1-yr								
S&P/TSX	22107	194.6		0.9	0.3	4.1	12.5							Australia - RBA	4.35
Dow 30	39760	477.8		1.2	0.6	2.1	22.7							New Zealand - RBNZ	5.50
S&P 500	5248	44.9		0.9	0.5	3.5	32.2								
Nasdaq	16400	83.8		0.5	0.2	2.8	40.0								
DAX	18504	27.1		0.1	1.8	5.1	22.2								
FTSE	7957	25.4		0.3	0.9	4.4	6.3								
Nikkei	40168	-594.7		-1.5	-1.6	2.4	46.0							Canada - BoC	Apr 10, 2024
Hang Seng	16541	148.6		0.9	-1.9	0.0	-16.4							US - Fed	May 01, 2024
CAC	8251	46.4		0.6	0.9	3.7	16.4							England - BoE	May 09, 2024
Commodities	Level						% change:								
WTI Crude	82.09	0.74		0.9	1.3	4.5	12.1							Euro zone - ECB	Apr 11, 2024
Natural Gas	1.69	-0.03		-1.5	0.5	-10.2	-16.7							Japan - BoJ	A Field Not Applica
Gold	2212.36	17.57		0.8	1.4	8.7	12.1								
Silver	24.52	-0.31		-1.2	-1.4	8.1	7.1								
CRB Index	286.76	-1.05		-0.4	0.4	4.2	8.8								
Currencies	Level						% change:								
USDCAD	1.3597	0.0029		0.2	0.5	0.1	-0.0							Mexico - Banxico	May 09, 2024
EURUSD	1.0790	-0.0038		-0.4	-0.6	-0.4	-0.5								
USDJPY	151.37	0.0400		0.0	-0.2	0.5	15.6							Australia - RBA	May 07, 2024
AUDUSD	0.6493	-0.0042		-0.6	-1.2	-0.0	-3.2								
GBPUSD	1.2617	-0.0023		-0.2	-0.3	-0.4	2.2							New Zealand - RBNZ	Apr 09, 2024
USDCHF	0.9052	0.0014		0.2	0.9	3.0	-1.6								

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