

DAILY POINTS

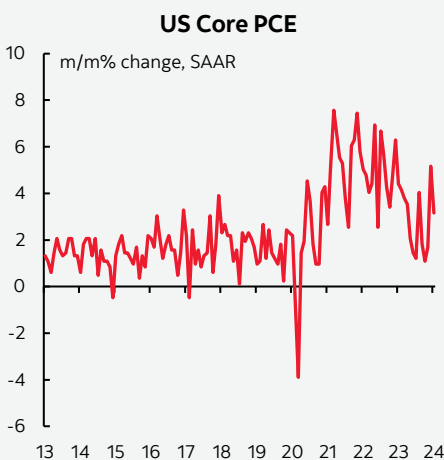
April 1, 2024 @ 6:40 EST

Contributors

Derek Holt

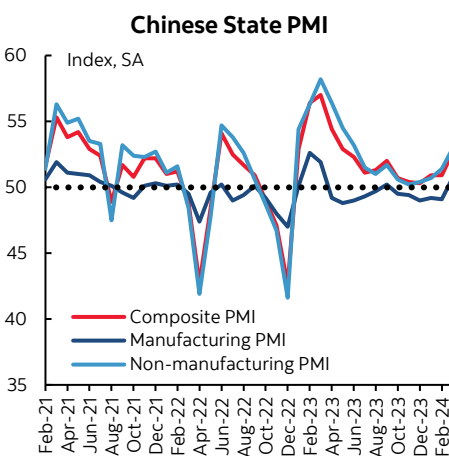
VP & Head of Capital Markets Economics
 Scotiabank Economics
 416.863.7707
derek.holt@scotiabank.com

Chart 1



Sources: Scotiabank Economics, Bureau of Economic Analysis.

Chart 2



Sources: Scotiabank Economics, China Federation of Logistics & Purchasing.

On Deck for Monday, April 1

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	04-01	10:00	Construction Spending (m/m)	Feb	0.5	0.6	-0.2
US	04-01	10:00	ISM Manufacturing Index	Mar	48.0	48.4	47.8
CA	04-01	10:30	Business Outlook Future Sales	1Q	--	--	20.0

KEY POINTS:

- **Light market action...**
- **...as a new month and quarter start with Europe etc out for Easter**
- **China's economy posted better PMIs**
- **US core PCE was stronger than expected including revisions**
- **US consumer spending remains strong**
- **BoC's twin surveys may show somewhat lower inflation expectations**
- **Japan's Tankan survey indicates improved outlook**
- **US to update ISM-mfrg, construction spending**
- **Peru to update CPI this morning**

Market action is restrained with Europe out for their four-day Easter break, but the broad tone is lifting bonds and equities so far. It's also a new month and quarter and so interpreting these moves has to take possible repositioning into account alongside developments since Friday.

Those developments included better data out of China's economy, strong US consumption, and in my opinion stronger than expected core PCE inflation upon consideration of upward revisions and the trend. On tap in to the N.A. session will be the BoC's surveys and some US data.

Friday's US core PCE inflation was a touch hotter than expected including the effects of revisions (chart 1). February's reading landed on the screws on Friday at 0.3% m/m SA (0.26% to be exact) with headline PCE inflation a tick below consensus at 0.3%. Core PCE was also revised up a tick to 0.5% m/m the prior month; absent this revision, the February reading would have been hotter than consensus. The three-month moving average of core PCE inflation is 3.5% m/m SAAR which doesn't exactly scream out to cut.

US consumer spending is performing nicely in Q1. Spending was up 0.8% m/m (consensus 0.5%) in nominal terms and in real terms it was 0.4% higher. Real consumption is tracking a gain of 2.1% q/q SAAR in Q1 after 3.3% in Q4. Incomes were ok at +0.3% m/m (0.4% consensus) but the one-tick disappointment has to be weighed against the larger 1% prior gain. Real disposable income is tracking softly at +0.8% q/q SAAR after 2% the prior quarter.

China's state purchasing managers' indices improved over the weekend (chart 2). March's composite PMI jumped 1.8 points higher to 52.7 which is the highest reading since May of last year. That was mostly fed by the non-manufacturing sector (53 from 51.4 prior), but manufacturing provided an assist (50.8, 49.1 prior). More data is required to be able to determine whether this has legs or what just fed by a rebound after the Lunar new year effect in February.

Japan's Q1 Tankan survey posted a slight improvement. The large manufacturing and non-manufacturing outlook readings both improved and so did the small producer equivalents.

The BoC will release their twin consumer and business surveys this morning (10:30amET). They contain a lot of metrics, but the key may be the measures for inflation expectations as one of the factors that Governor Macklem consistently says is on his list of measures he is following. They could post further improvement as indicated by a fresher small business survey measure, while nevertheless remaining toward the upper end of the BoC's inflation target range. Canada also updates the little watched S&P manufacturing PMI (9:30amET).

US data risk will focus upon ISM-manufacturing for March that is expected to remain in contraction (10amET). Watch new orders, prices paid and employment gauges. Construction spending is also due for an update for the month of February (10amET).

Across the rest of Scotia's key markets we'll also get an update on inflation in Peru when March's estimate arrives (11amET).

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.	4.60	4.62	4.63	4.20	4.21	4.23	4.20	4.20	4.25	4.37	4.34	4.42	Canada - BoC	5.00
CANADA	4.18	4.14	4.16	3.53	3.50	3.55	3.47	3.44	3.52	3.35	3.35	3.43	US - Fed	5.50
GERMANY	2.85	2.85	2.83	2.32	2.32	2.33	2.30	2.30	2.32	2.46	2.46	2.49	England - BoE	5.25
JAPAN	0.20	0.19	0.20	0.36	0.36	0.39	0.74	0.73	0.73	1.83	1.82	1.82	Euro zone - ECB	4.50
U.K.	4.17	4.17	4.12	3.82	3.82	3.82	3.93	3.93	3.93	4.42	4.42	4.45	Japan - BoJ	-0.10
	Spreads vs. U.S. (bps):													
CANADA	-42	-48	-46	-67	-72	-68	-73	-76	-73	-101	-100	-99	Mexico - Banxico	11.00
GERMANY	-175	-177	-180	-188	-189	-190	-190	-190	-192	-191	-189	-192	Australia - RBA	4.35
JAPAN	-440	-443	-443	-384	-386	-384	-346	-347	-351	-254	-252	-260	New Zealand - RBNZ	5.50
U.K.	-43	-45	-50	-38	-39	-41	-27	-27	-32	5	8	3		
Equities	Level			Change			1 Day			% change:			Next Meeting Date	
	Last						1 Day	1-wk	1-mo	1-yr				
S&P/TSX	22167			59.9			0.3	0.4	3.8	11.7			Canada - BoC	Apr 10, 2024
Dow 30	39807			47.3			0.1	0.1	2.1	21.7			US - Fed	May 01, 2024
S&P 500	5254			5.9			0.1	0.2	3.1	30.5			England - BoE	May 09, 2024
Nasdaq	16379			-20.1			-0.1	-0.1	1.8	37.3			Euro zone - ECB	Apr 11, 2024
DAX	18492			15.4			0.1	1.7	4.6	20.6			Japan - BoJ	'A Field Not Applica
FTSE	7953			20.6			0.3	0.9	4.2	5.1				
Nikkei	39803			-566.4			-1.4	-1.5	-0.3	41.9				
Hang Seng	16541			148.6			0.9	-1.9	0.2	-18.1				
CAC	8206			1.0			0.0	0.3	3.5	14.2				
Commodities	Level			Change			1 Day			% change:			Next Meeting Date	
WTI Crude	82.95			-0.22			-0.3	2.9	3.7	9.6			England - BoE	May 09, 2024
Natural Gas	1.73			-0.04			-2.2	4.0	-6.0	-22.2			Euro zone - ECB	Apr 11, 2024
Gold	2249.57			19.70			0.9	3.6	8.0	14.2			Japan - BoJ	'A Field Not Applica
Silver	24.54			0.03			0.1	-3.5	9.8	6.5				
CRB Index	290.29			3.53			1.2	1.3	5.5	10.5				
Currencies	Level			Change			1 Day			% change:			Next Meeting Date	
USDCAD	1.3539			-0.0001			-0.0	-0.3	-0.2	0.8			Mexico - Banxico	May 09, 2024
EURUSD	1.0783			-0.0007			-0.1	-0.5	-0.5	-1.1			Australia - RBA	May 07, 2024
USDJPY	151.38			0.0300			0.0	-0.0	0.8	14.3			New Zealand - RBNZ	Apr 09, 2024
AUDUSD	0.6517			-0.0004			-0.1	-0.4	-0.2	-4.0				
GBPUSD	1.2612			-0.0011			-0.1	-0.2	-0.3	1.6				
USDCHE	0.9018			0.0004			0.0	0.3	2.1	-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.