

### DAILY POINTS

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Chart 2

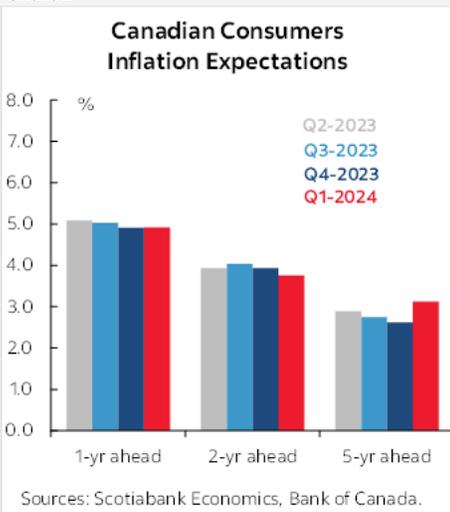
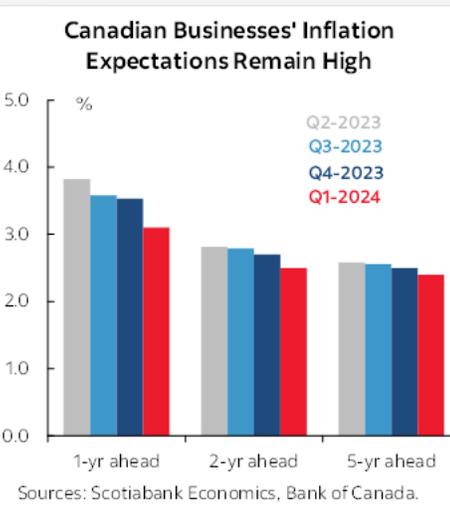


Chart 3



### On Deck for Tuesday, April 2

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	04-02	09:00	Total Vehicle Sales (mn a.r.)	Mar	16.5	16.0	15.8
US	04-02	10:00	Factory Orders (m/m)	Feb	1.00	1.0	-3.6
US	04-02	10:00	JOLTS Job Openings (000s)	Feb	--	8810.0	8863.0
US	04-02	12:00	Fed's Williams Moderates Discussion at Economic Club of NY				
US	04-02	12:05	Fed's Mester Gives Remarks on Economic Outlook				
US	04-02	13:30	Fed's Daly Participates in Fireside Chat				

#### KEY POINTS:

- Oil prices spike again, cumulative rise adds to inflation risk
- European markets are mostly just playing catch-up
- German headline inflation lands slightly softer than expected
- Canadian consumers don't believe in the BoC's 2% target
- Canada's painfully slow turnaround on wage settlements is unacceptable
- Calgary's housing market has no supply, prices spiking
- US to update lagging JOLTS, factory orders
- Banco Central de Chile expected to deliver another mega-cut
- Fed-speak on tap

Europe is catching up to everything that's happened since last Thursday but otherwise the global market moves are relatively mild on light developments this morning. A small sell off across Eurozone front ends was tamped down after German states released CPI estimates and following updated Eurozone inflation expectations. Absent fresh developments, gilts are underperforming EGBs as they catch up to yesterday's repricing in the US while ignoring an updated report that indicated softer UK supermarket prices. Today's incremental developments will be focused upon light US data and another possible mega-cut from Chile.

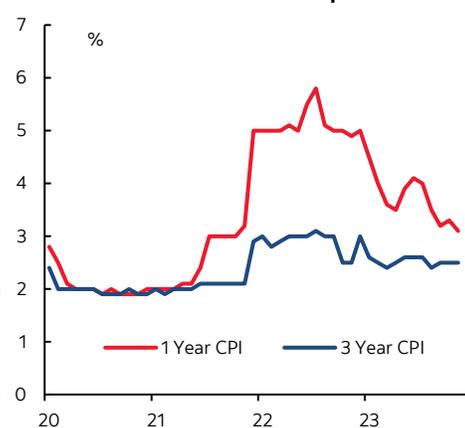
German inflation was slightly softer than expect last month. CPI was up by 0.4% m/m SA (0.5% consensus) with the EU-harmonized measure up by 0.6% m/m (0.7% consensus). The first hint at this came a few hours earlier this morning when individual German states posted weaker than expected readings with two up by 0.3% m/m SA, three at 0.4% and one at 0.5%.

Eurozone inflation expectations remained sticky in February (chart 1). The medium-term 3-year measure was unchanged at 2.5%. The short-term 1-year measure edged a bit lower to 3.1% from 3.3%.

Energy market pass through effects into headline and core measures of inflation are part of the market's worries. Oil prices are up sharply with WTI and Brent both gaining about 1½%. Middle East tensions are the main driver. WTI is up by about US\$16 per barrel since early December. In Canada, WCS is up by over US\$20 per barrel over a similar period as it gains from broad oil market developments and a narrowing of the WCS-WTI difference that is being driven by Trans Mountain.

Chart 1

#### ECB Measure of Inflation Expectations



April 2, 2024

Across the rest of Scotia's footprint watch for another large cut by Chile's central bank.

Light US data is also due out. Lagging JOLTS in particular can carry at least a fleeting market response as markets await Friday's payrolls (10amET). Factory orders (10amET) are mostly just expected to follow durables higher. Fed-speak will unfold throughout the middle part of the day with Governor Bowman, NY Fed President Williams, Cleveland's outgoing Mester and San Fran's Daly on tap between 10:10amET and 1:30pmET.

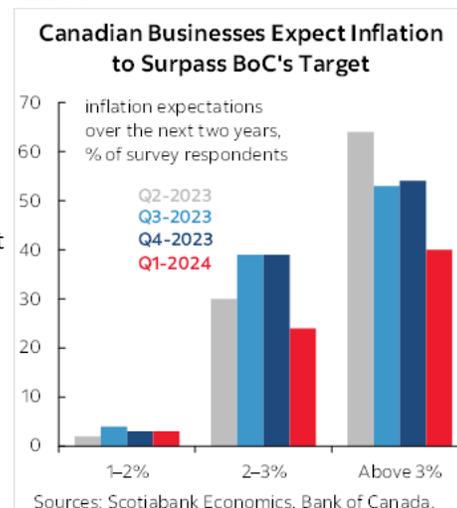
Canada is starting to see the first estimates for March existing home sales roll in. Calgary's biggest problem seems to be a dearth of new listings as months' supply fell below one month with inventories down by 21.7% y/y. The sales-to-new-listings ratio jumped to 84% for the tightest market since 2006. Prices were up by 10.9% y/y. Days on market fell to 20 which is 24% lower than the same month last year.

This follows on the heels of yesterday's Bank of Canada surveys of business and consumer expectations ([here](#), [here](#) and [here](#)). Governor Macklem has consistently said that expectations and price setting behaviour are on his watch list of key things to monitor. He probably didn't like what he saw. Here are some observations:

- **Consumers:** The biggest change was to long-term inflation expectations. Consumers signalled they expect inflation to be 3.1% five years out which is up by half a percentage point since the last quarterly survey (chart 2). We all know that nobody can forecast where inflation will be five years from now, but the signal is that consumers don't believe in the BoC's 2% inflation target. That's evident in wage setting behaviour within the collective bargaining process (more on that below). As for other horizons, consumers' expectations for inflation over the coming year held unchanged at 4.9% and 2-years out moved marginally lower to 3.8% from 3.9%. Across all horizons, consumers just don't believe that the BoC will achieve 2%. Of course, you can also have the debate about whether consumers truly understand inflation and how it is measured in any event!
- **Businesses:** It's a little better in terms of what businesses expect. Businesses think inflation will be at 3.1% over the next year which is down from 3.5% in the prior survey. They also edged 2-year expectations two-tenths lower to 2.5% and 5-year expectations down by one-tenth to 2.4%. Chart 3. These are all still in the upper half of the BoC's 1-3% inflation target range. Businesses also reduced how much upside they think will unfold as the share of businesses who think inflation over the next two years will average above 3% fell to 40% from 54% and instead moved up the share of businesses in the 2-3% camp from 39% to 54% (chart 4). The share in the 1-2% range remained inconsequential at 3%. Also note that the share of businesses planning more frequent than normal and bigger than normal price increases fell for a third straight quarter.
- **The business survey** also edged up expectations for sales growth over the next year, raised their intentions to invest in machinery and equipment, signalled more hiring than in the last survey, signalled a little more difficulty meeting an unexpected increase in demand due to capacity pressures with the highest reading on this count since Q1 of last year, fewer labour shortages but slightly more intensity of those shortages, and slower wage growth than in the past year albeit still at about double the BoC's inflation target. That last measure is garbage; businesses have been saying one thing on wages while doing the opposite in raising them.

Now, one of these centuries we will get fresh data on Canadian wage settlements and this will help to further inform my point about how consumers don't believe in 2% inflation and are changing their behaviour through wage setting exercises. It's April, however, and we still only have data up to November. Spring is in the air, but Ottawa's data collectors still haven't entered winter. From my understanding, the delay is not at the analyst level as the data was submitted for publication a long time ago. So what's the hold-up? Bureaucracy? IT? Politicians? It would be helpful to have this information before the next BoC meeting one week tomorrow. It should not take this long and it's a disservice that should be rectified by perhaps having Statcan take it over.

Chart 4



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.	4.72	4.71	4.59	4.38	4.32	4.22	4.39	4.31	4.23	4.53	4.45	4.40	Canada - BoC	5.00
CANADA	4.29	4.27	4.16	3.69	3.63	3.54	3.66	3.58	3.50	3.54	3.48	3.41	US - Fed	5.50
GERMANY	2.86	2.85	2.87	2.41	2.32	2.37	2.42	2.30	2.35	2.60	2.46	2.51	England - BoE	5.25
JAPAN	0.20	0.20	0.20	0.38	0.36	0.38	0.75	0.74	0.74	1.85	1.83	1.82	Euro zone - ECB	4.50
U.K.	4.26	4.17	4.18	3.95	3.82	3.86	4.09	3.93	3.97	4.58	4.42	4.46	Japan - BoJ	-0.10
	Spreads vs. U.S. (bps):													
CANADA	-44	-44	-43	-69	-69	-68	-73	-73	-74	-99	-97	-99	Mexico - Banxico	11.00
GERMANY	-186	-186	-172	-197	-200	-185	-197	-201	-188	-193	-199	-189	Australia - RBA	4.35
JAPAN	-452	-451	-440	-400	-396	-384	-364	-357	-349	-268	-262	-258	New Zealand - RBNZ	5.50
U.K.	-47	-53	-41	-43	-50	-36	-30	-38	-26	5	-3	6		
Equities	Level			Change			% change:				Next Meeting Date			
	Last			1 Day	1-wk	1-mo	1-yr							
S&P/TSX	22185		18.2	0.1	1.1	2.9	10.4						Canada - BoC	Apr 10, 2024
Dow 30	39153		-414.2	-1.0	-0.4	0.2	17.7						US - Fed	May 01, 2024
S&P 500	5244		-10.6	-0.2	0.5	2.1	27.6						England - BoE	May 09, 2024
Nasdaq	16200		-197.3	-1.2	-1.1	-0.5	32.5						Euro zone - ECB	Apr 11, 2024
DAX	18347		-145.5	-0.8	0.8	3.8	19.7						Japan - BoJ	'A Field Not Applica
FTSE	7949		-3.4	-0.0	0.2	4.2	5.1							
Nikkei	39839		35.8	0.1	-1.4	-0.2	41.3							
Hang Seng	16932		390.1	2.4	2.6	2.1	-17.0							
CAC	8147		-58.5	-0.7	-0.1	2.8	13.4							
Commodities	Level			% change:										
WTI Crude	85.08		1.37	1.6	3.8	6.4	12.4						England - BoE	May 09, 2024
Natural Gas	1.81		-0.03	-1.7	11.8	-1.6	-18.5						Euro zone - ECB	Apr 11, 2024
Gold	2261.19		9.75	0.4	3.8	8.6	14.8						Japan - BoJ	'A Field Not Applica
Silver	24.54		0.03	0.1	-3.5	9.8	6.5							
CRB Index	292.33		2.04	0.7	1.2	5.5	9.2							
Currencies	Level			% change:										
USDCAD	1.3581		0.0011	0.1	-0.0	0.1	1.1						Mexico - Banxico	May 09, 2024
EURUSD	1.0761		0.0018	0.2	-0.6	-0.9	-1.3						Australia - RBA	May 07, 2024
USDJPY	151.60		-0.0500	-0.0	0.0	0.7	14.4						New Zealand - RBNZ	Apr 09, 2024
AUDUSD	0.6502		0.0013	0.2	-0.5	-0.1	-4.2							
GBPUSD	1.2558		0.0006	0.0	-0.6	-1.1	1.2							
USDCHF	0.9063		0.0020	0.2	0.3	2.4	-0.7							

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