

DAILY POINTS

April 3, 2024 @ 7:50 EST

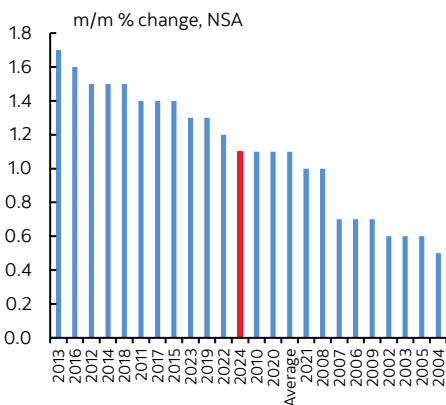
Contributors

Derek Holt

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

Chart 1

Comparing Eurozone Core CPI for All Months of March



Sources: Scotiabank Economics, Eurostat.

On Deck for Wednesday, April 3

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	04-03	07:00	MBA Mortgage Applications (w/w)	Mar 29	--	--	-0.7
US	04-03	08:15	ADP Employment Report (000s m/m)	Mar	150	150.0	140.0
US	04-03	08:30	Fed's Bostic Speaks on CNBC				
US	04-03	09:45	Fed's Bowman Speaks on Bank Liquidity				
US	04-03	10:00	ISM Non-Manufacturing Composite	Mar	52.5	52.8	52.6
US	04-03	12:00	Fed's Goolsbee Gives Opening Remarks				
US	04-03	12:10	Fed's Powell Speaks at Stanford Event				
US	04-03	13:10	Fed's Barr Speaks on Community Reinvestment Act				
US	04-03	16:30	Fed's Kugler Speaks on Economic, Monetary Policy Outlook				

KEY POINTS:

- **Nervous markets are reassessing inflation risk**
- **Oil prices keep moving higher**
- **Looking beyond base effects...**
- **...points to a firm trend in Eurozone core inflation**
- **Why markets largely ignored Eurozone inflation**
- **Chile's central bank cut 75bps and sounded more careful**
- **The Easter Bunny is messing with data...**
- **...including US and Canadian vehicle and home sales**
- **Fed's Powell on the hot seat today; watch comments on inflation risk**
- **US ISM-services, ADP on tap**

Oil continues to move higher this morning with another rise of just under 1% in WTI and Brent that has both in the US\$85–90 range. Western Canada Select—a proxy for the oilsands—is up by US\$23 per barrel since November and counting. That is a contributing factor toward caution across the rest of the asset classes as inflation risk is evaluated and with implications for central banks. Overnight developments were light with suggestions as to why Eurozone CPI was ignored. On tap are Powell, US ADP and US ISM services.

Why Markets Ignored Eurozone CPI

Eurozone core CPI was up by 1.1% m/m NSA which was about in line with past months of March as a comparator because it's not seasonally adjusted (chart 1). The year over year rate ebbed to 2.9% from 3.1%. Headline inflation eased to 2.4% y/y from 2.6%.

EGBs and ECB meeting pricing largely shook off the release with a minimal response post-data. One reason could be that they already had a good idea of what would transpire this morning based on the advance releases across key individual countries. Another reason, however, could be that they are more focused upon forward-looking risks. Among the inflation risks to the Eurozone is the impact of higher oil prices and what that may do for pass through effects and inflation expectations.

Another possible reason to ignore CPI is that the cooling trend is significantly because of year-ago base effects. Trend core inflation at the margin is, well, not so cool. Before this morning's March core CPI print that was in line with the average for past months of March, February's core CPI was up 0.7% m/m NSA which, being seasonally unadjusted, means that we have to compare it to like months of February and upon doing so this February was the second hottest on record behind only last February. By this same approach, January was also hotter than normal. So was December.

Chile's Central Bank Sounded More Cautious

Banco Central de Chile cut by 75bps last evening. It also sounded more data dependent and circumspect. They flagged the recent pick-up in inflation. If peso weakness persists—and it has depreciated by about 11% to the USD so far this year—then imported inflation poses an upside risk alongside what's going on with energy prices and supply chain disruptions.

The Naughty Easter Bunny!

The Easter Bunny is stomping all over the latest readings for March data in the US and Canada. How so? The issue is that Good Friday fell in March this year versus the more common appearance in April. Good Friday occurred about as early as it ever does. This year it was on March 29th. In the past 18 years dating back to 2007, the only other years when Good Friday landed in March were in 2008, 2013, 2016, 2018 and 2024. That meant lost selling days through easter weekend in March and, by corollary, more selling days than typical in April which should buoy the next round of data. Standard seasonal adjustments applied by groups producing the early readings on home sales and auto sales, for instance, do not control for shifting calendar effects like Easter. It's unclear how successful more sophisticated data agencies may be at controlling for the shifting Easter holiday and its effects. Here are some examples:

- US vehicle sales disappointed advance industry guidance. Last evening's release landed at 15.49 million units sold at a seasonally adjusted and annualized rate. That was well shy of the 16.4 million SAAR guidance that was offered by the industry and which was based on the first 14 of 27 selling days last month. Sales must have sharply fallen in the back half of the month and the lost selling days in the final weekend of the month was likely a major culprit. The sales trend is still respectable (chart 2).
- Ditto for Canadian auto sales last month ([here](#)). I figure that the lost selling days probably explained somewhere around half of the decline in March versus February (chart 3). If so, then the adjusted SAAR reading for March was probably the third highest reading in many years and behind only January and February of this year.
- And the same applies to Canadian home sales. Toronto's home sales were down by 1.1% m/m SA in March ([here](#)). TREB flagged the earlier Good Friday holiday as a potential disruption. That probably means that the Good Friday/Easter effect will swing back to inflate April's numbers. It's the April–June period that matters the most for Canada's Spring housing market.

Keep the Easter effect in mind as you parse through other coming releases. As Statcan once put it:

"The Easter effect increases retail sales in the month in which it occurs but reduces the work week (and therefore has a dampening effect) for most other series. Easter in early April also affects retail sales late in March."

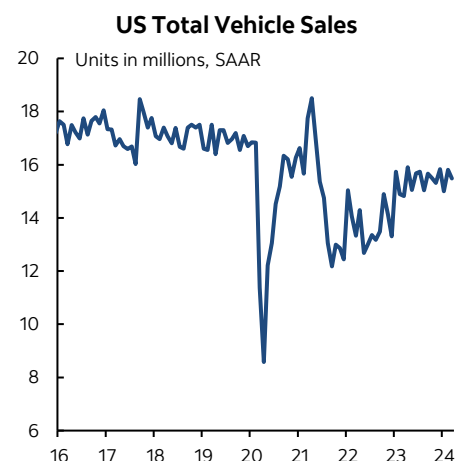
They will likely try to control for this calendar effect but there will always be doubt around how well they, or the BEA, BLS etc are able to do so.

Powell and US Data on Tap

Enough of bad bunnies and their dirty paws. Here's what's on tap today.

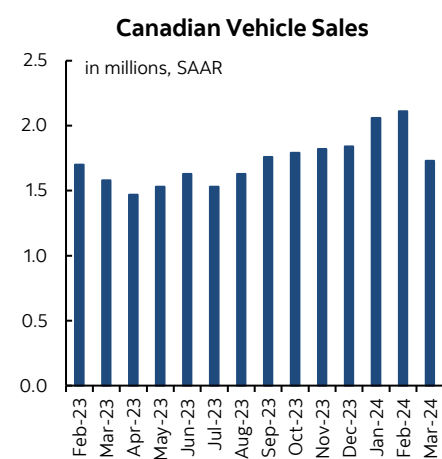
1. Fed Chair Powell speaks on the economic outlook at 12:10pmET for about 45 minutes. There will be text and Q&A but no presser.
2. US ADP payrolls for March (8:15amET): Yawn. A rise of about 150k is forecast. It's not a very useful gauge at least when judged through the lens of informing a nonfarm payrolls call. Robot traders react to it, but no thinking person should unless it's a gigantic outlier and even then it has thrown off many nonfarm head fakes in the past.
3. US ISM-services (10amET): Services have been firmly in expansion every month since January 2023. This is expected to continue and also watch the measures for prices, employment and new orders.

Chart 2



Sources: Scotiabank Economics, Wards.

Chart 3



Sources: Scotiabank Economics, DesRosiers Automotive Consultants Inc.

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.	4.71	4.69	4.57	4.36	4.34	4.19	4.37	4.35	4.19	4.52	4.50	4.35	Canada - BoC	5.00
CANADA	4.24	4.23	4.14	3.64	3.64	3.50	3.62	3.61	3.44	3.51	3.50	3.35	US - Fed	5.50
GERMANY	2.84	2.84	2.83	2.37	2.38	2.31	2.38	2.40	2.29	2.56	2.58	2.46	England - BoE	5.25
JAPAN	0.20	0.20	0.20	0.37	0.38	0.37	0.80	0.75	0.73	1.85	1.85	1.80		
U.K.	4.22	4.24	4.14	3.91	3.94	3.82	4.05	4.09	3.93	4.56	4.58	4.42		
	Spreads vs. U.S. (bps):													
CANADA	-46	-45	-43	-71	-71	-69	-76	-74	-75	-101	-99	-100	Euro zone - ECB	4.50
GERMANY	-186	-185	-174	-199	-196	-187	-199	-195	-190	-196	-192	-189	Japan - BoJ	-0.10
JAPAN	-451	-449	-437	-399	-397	-382	-358	-360	-347	-267	-264	-256		
U.K.	-49	-45	-43	-45	-40	-37	-32	-27	-26	4	8	7	Mexico - Banxico	11.00
Equities	Level						% change:							
	Last			Change	1 Day	1-wk	1-mo	1-yr						
S&P/TSX	22075			-110.2	-0.5	0.6	2.4	8.9					Australia - RBA	4.35
Dow 30	39170			-396.6	-1.0	-0.4	0.2	16.6					New Zealand - RBNZ	5.50
S&P 500	5206			-38.0	-0.7	-0.2	1.3	26.2						
Nasdaq	16240			-156.4	-1.0	-0.9	-0.2	33.2						
DAX	18328			44.7	0.2	0.4	3.3	17.6						
FTSE	7912			-22.7	-0.3	-0.1	3.0	3.1						
Nikkei	39452			-387.1	-1.0	-3.2	-1.6	39.5					Canada - BoC	Apr 10, 2024
Hang Seng	16725			-206.4	-1.2	1.5	0.8	-17.5					US - Fed	May 01, 2024
CAC	8148			17.6	0.2	-0.0	2.7	10.9					England - BoE	May 09, 2024
Commodities	Level						% change:							
WTI Crude	85.88			0.73	0.9	5.2	7.4	6.8					Euro zone - ECB	Apr 11, 2024
Natural Gas	1.87			0.01	0.6	18.9	2.1	-10.7					Japan - BoJ	A Field Not Applica
Gold	2270.86			-9.81	-0.4	3.5	9.0	14.4						
Silver	25.65			1.11	4.5	3.3	12.9	7.4						
CRB Index	294.23			1.90	0.6	1.8	6.2	8.4						
Currencies	Level						% change:							
USDCAD	1.3569			0.0002	0.0	0.0	-0.0	1.0					Mexico - Banxico	May 09, 2024
EURUSD	1.0780			0.0010	0.1	-0.4	-0.7	-1.1					Australia - RBA	May 07, 2024
USDJPY	151.77			0.2100	0.1	0.3	0.8	14.6						
AUDUSD	0.6515			-0.0003	-0.0	-0.3	0.1	-4.0						
GBPUSD	1.2576			-0.0002	-0.0	-0.5	-0.9	1.3					New Zealand - RBNZ	Apr 09, 2024
USDCHF	0.9083			0.0003	0.0	0.5	2.6	-0.5						

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