

ON DECK FOR WEDNESDAY, FEBRUARY 17

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	02-17	07:00	MBA Mortgage Applications (w/w)	Feb 12	--	--	-5.1
CA	02-17	08:30	Core CPI - Common (y/y)	Jan	1.3	1.4	1.3
CA	02-17	08:30	Core CPI - Median (y/y)	Jan	1.8	1.8	1.4
CA	02-17	08:30	Core CPI - Trim (y/y)	Jan	1.6	1.6	1.8
CA	02-17	08:30	CPI, All items (m/m)	Jan	0.3	0.5	0.6
CA	02-17	08:30	CPI, All items (y/y)	Jan	0.8	0.9	1.0
CA	02-17	08:30	CPI, All items (index)	Jan	--	138.0	138.2
US	02-17	08:30	PPI (m/m)	Jan	0.5	0.4	1.3
US	02-17	08:30	PPI ex. Food & Energy (m/m)	Jan	0.3	0.2	1.2
US	02-17	08:30	Retail Sales (m/m)	Jan	1.0	1.1	5.3
US	02-17	08:30	Retail Sales ex. Autos (m/m)	Jan	0.9	1.0	5.9
US	02-17	09:00	Fed's Barkin Speaks on Panel				
	02-17	09:15	Capacity Utilization (%)	Jan	--	74.8	75.6
US	02-17	09:15	Industrial Production (m/m)	Jan	0.5	0.4	0.9
US	02-17	09:15	Fed's Rosengren Takes Part in Panel Discussion				
US	02-17	10:00	Business Inventories (m/m)	Dec	--	0.5	0.6
US	02-17	10:00	NAHB Housing Market Index	Feb	--	83.0	84.0
US	02-17	14:00	FOMC Meeting Minutes				

KEY POINTS:

- **Mild risk-off sentiment across global asset classes**
- **CDN core CPI still stuck around 1½%**
- **Fed minutes could sound a touch stale**
- **There was more to strong US retail sales than stimulus cheques**
- **US manufacturers propel industrial output higher**

INTERNATIONAL

A slight risk-off tone is being applied across global asset classes. Stocks range from flat S&P futures to a ¼% in Germany. After the US 10s yield spiked higher by about 10bps since Friday it is down about 2bps this morning. Europe's curves are little changed. The USD is broadly stronger with yen and CAD outperforming others. Oil is up by just over 1%.

- Sovereign debt curves are bull flattening while retaining much of yesterday's rates sell-off. The US 10 year yield is down 4bps and Canada's 10s are underperforming with a rally of about half that. Gilts are also outperforming as the 10s yield drops 5bps.
- Oil is up a few dimes but lower than earlier this morning on volatile headlines around OPEC+ production plans. Gold is off 1%.
- Equities are losing ground with the S&P down by about ½%, the TSX down by ¾% and European markets off by up to 1.1% in Germany.
- The USD is generally stronger so far, though little changed to CAD and the Mexican peso and slightly weaker to the yen.

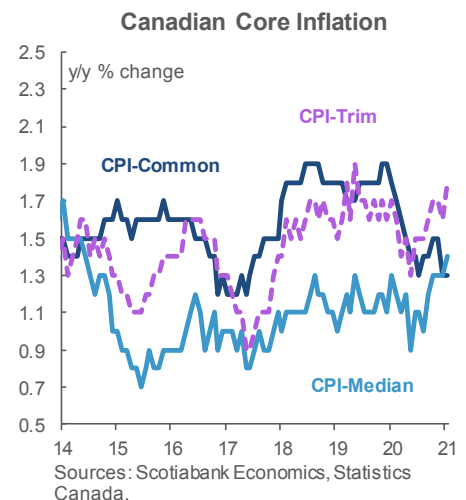
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Chart 1



Chart 2



Sterling largely ignored UK inflation this morning. Core CPI held firm in January at 1.4% y/y (consensus 1.3%) while headline ticked higher to 0.7% (0.6% prior and consensus).

UNITED STATES

US retail sales strongly beat expectations, but the potential drivers were much more complicated than simply pointing to stimulus cheques (recap [here](#)).

US industrial output was up 0.9% m/m in January which was another solid beat (consensus 0.4%) with some of that explained by the downward revision to the prior month's 1.6% m/m rise (now 1.3%). Manufacturing output was up 1.0%.

As for FOMC minutes (2pmET), the overall tone should reinforce the improved optimism over the December and January meetings, but the minutes are likely to be stale. The scale and scope of US fiscal stimulus would have been further informed since then and vaccine developments have been more constructive. I'm not sure that nonfarm payrolls would have changed much by way of Fed thinking as most of the disappointment came through revisions to December and they are focused upon the medium-term. The minutes are likely to emphasize that the Fed will be patient and that it is premature to talk tapering. One risk is discussion around 'substantial' improvement in dual mandate as discussed in the Global Week Ahead.

CANADA

Canadian core CPI inflation climbed a tick to 1.5% y/y using the average of the three central tendency measures but remains range-bound around 1½% y/y for about the past five months (chart 1).

Still, while the combination of strong US retail sales and soft Canadian core inflation drove the Canadian dollar to slightly depreciate at first, this effect was subsequently unwound and the overall readings should have no bearing on the Bank of Canada that can't do anything about backward inflation and has continued cause to look ahead to strong growth and upside risk to inflation.

Chart 2 breaks down the core measures to show their widened dispersion of late.

Charts 3 and 4 provide weighted contributions to overall inflation on a year-over-year basis (chart 3) and month-over-month basis (chart 4) in order to depict what categories drove the report. Unweighted changes in prices within the CPI basket are shown in charts 5 and 6.

Finally, chart 7 breaks down what was included and what was excluded from the trimmed mean CPI measure that trims out the top 20% of prices and the bottom 20% of prices.

Canadian CPI, m/m / y/y %, January:

Actual: 0.6 / 1.0

Scotia: 0.3 / 0.8

Consensus: 0.5 / 0.9

Prior: -0.2 / 0.7

Canadian core CPI, y/y % change, January:

Average: 1.5 (prior 0.7%)

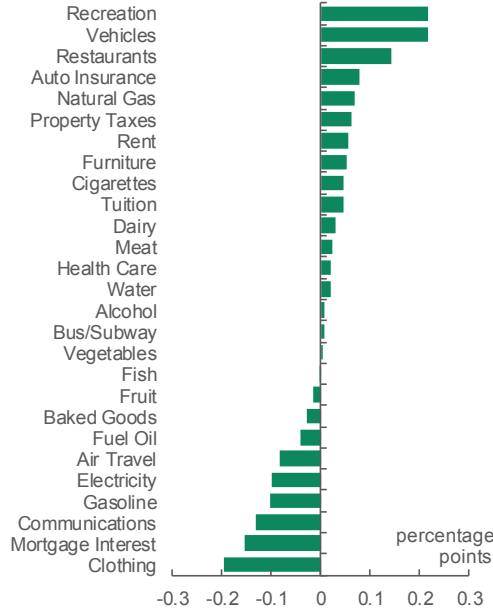
Weighted median: 1.4 (prior 1.3%)

Common component: 1.3 (prior 1.3%)

Trimmed mean: 1.8 (prior 1.6%)

Chart 3

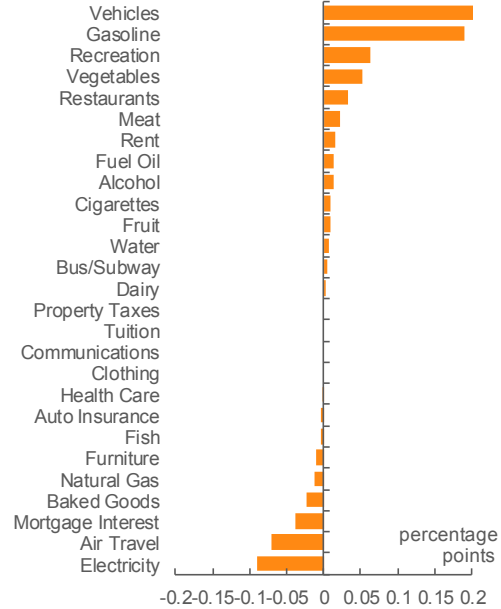
January Category Contributions to the 12-Month Change in Canadian CPI



Source: Scotiabank Economics, Statistics Canada.

Chart 4

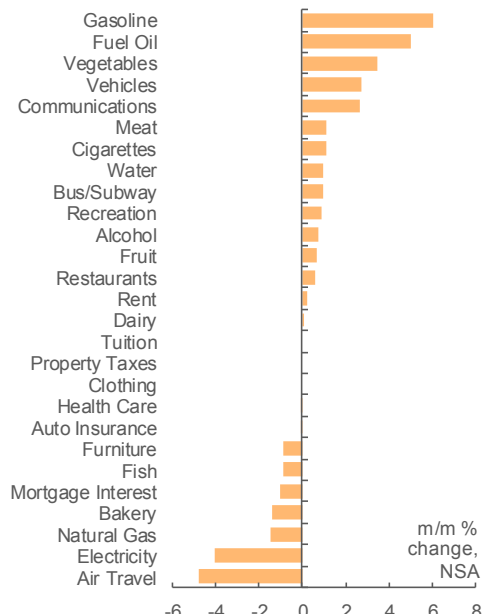
January Category Contributions to the Monthly Change in Canadian CPI



Source: Scotiabank Economics, Statistics Canada.

Chart 5

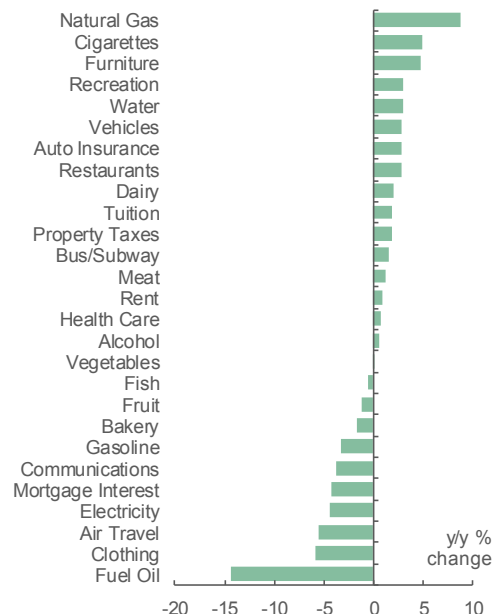
January Components in the Monthly Change in Canadian CPI



Sources: Scotiabank Economics, Statistics Canada.

Chart 6

January Components in the 12-Month Change in Canadian CPI



Sources: Scotiabank Economics, Statistics Canada.

Chart 7

January Components Included and Excluded from Bank of Canada Trim Core CPI Measure



Sources: Scotiabank Economics, Statistics Canada.

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.	0.11	0.12	0.11	0.55	0.57	0.45	1.29	1.32	1.12	2.06	2.09	1.91	Canada - BoC	0.25
CANADA	0.22	0.21	0.19	0.58	0.57	0.49	1.11	1.12	0.99	1.69	1.71	1.57	US - Fed	0.25
GERMANY	-0.70	-0.69	-0.71	-0.65	-0.63	-0.69	-0.37	-0.35	-0.44	0.14	0.16	0.04	England - BoE	0.10
JAPAN	-0.11	-0.11	-0.11	-0.08	-0.10	-0.09	0.10	0.09	0.08	0.69	0.68	0.67		
U.K.	-0.04	-0.04	-0.03	0.11	0.13	0.08	0.57	0.62	0.49	1.15	1.22	1.07		
Spreads vs. U.S. (bps):														
CANADA	11	9	8	3	-0	3	-18	-19	-14	-38	-39	-34	Euro zone - ECB	0.00
GERMANY	-81	-81	-82	-120	-121	-114	-166	-166	-156	-193	-193	-187	Japan - BoJ	-0.10
JAPAN	-22	-23	-22	-63	-67	-54	-119	-123	-104	-137	-141	-124		
U.K.	-15	-16	-14	-44	-45	-37	-72	-69	-63	-91	-87	-84	Mexico - Banxico	4.00
Equities	Level						% change:							
	Last			Change			1 Day	1-wk	1-mo	1-yr				
S&P/TSX	18382			-110.7			-0.6	-0.1	2.6	3.0				
Dow 30	31541			18.7			0.1	0.5	2.4	7.3				
S&P 500	3922			-11.0			-0.3	0.3	4.1	16.0				
Nasdaq	13913			-135.0			-1.0	-0.7	7.0	43.0				
DAX	13909			-155.3			-1.1	-0.2	0.9	0.9				
FTSE	6711			-38.0			-0.6	2.9	-0.4	-9.7				
Nikkei	30292			-175.6			-0.6	2.7	7.3	30.6				
Hang Seng	31085			338.3			1.1	6.0	7.7	12.9				
CAC	5766			-20.7			-0.4	1.7	2.7	-5.3				
Commodities	Level						% change:							
WTI Crude	60.80			0.75			1.2	4.2	16.1	16.8				
Natural Gas	3.26			0.13			4.2	15.0	19.1	77.4				
Gold	1773.99			-20.47			-1.1	-3.7	-3.0	12.2				
Silver	27.58			0.01			0.0	-0.2	9.2	55.7				
CRB Index	188.07			0.40			0.2	2.1	7.3	8.7				
Currencies	Level						% change:							
USDCAD	1.2703			0.0013			0.1	0.0	-0.4	-4.0				
EURUSD	1.2040			-0.0066			-0.5	-0.6	-0.3	11.1				
USDJPY	105.86			-0.1800			-0.2	1.2	2.1	-3.7				
AUDUSD	0.7749			-0.0009			-0.1	0.3	0.9	15.4				
GBPUSD	1.3855			-0.0048			-0.3	0.2	2.0	6.5				
USDCHF	0.8988			0.0063			0.7	0.9	0.9	-8.4				
Next Meeting Date														
													Canada - BoC	Mar 10, 2021
													US - Fed	Mar 17, 2021
													England - BoE	Mar 18, 2021
													Euro zone - ECB	Mar 11, 2021
													Japan - BoJ	Mar 19, 2021
													Mexico - Banxico	Mar 25, 2021
													Australia - RBA	Mar 01, 2021
													New Zealand - RBNZ	Feb 23, 2021

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