

**ON DECK FOR WEDNESDAY, APRIL 28**

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	04-28	08:30	Retail Sales (m/m)	Feb	4.0	4.0	-1.1
CA	04-28	08:30	Retail Sales ex. Autos (m/m)	Feb	2.5	3.5	-1.2
US	04-28	07:00	MBA Mortgage Applications (w/w)	Apr 23	--	--	8.6
US	04-28	08:30	Wholesale Inventories (m/m)	Mar P	--	0.5	0.6
US	<b>04-28</b>	<b>14:00</b>	<b>FOMC Interest Rate Meeting (%)</b>	<b>Apr 28</b>	<b>0.25</b>	<b>0.25</b>	<b>0.25</b>
US	<b>04-28</b>	<b>14:30</b>	<b>Powell Holds Press Conference Following FOMC Meeting</b>				

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**KEY POINTS:**

- Dollar gains, curves steepen
- Biden outlines US\$1.8T 'American Families Plan'...
- ...that raises his wish list to US\$4T of additional spending
- Four US packages since December total nearly US\$7T, one-third of US NGDP
- Powell won't bomb his boss's speech hours after the FOMC...
- ...so don't look for material shifts at the data-watching Fed
- Aussie rates dip on weaker than expected core CPI
- Canadian retail sales gain precedes tighter restrictions

The most anticipated day of the week has now arrived and the focus is squarely upon the US. Rather, the focus is squarely upon how US fiscal policy is arguably going totally off the deep end. Trump's populism that drove deficits higher to begin with is now giving way to Biden's embrace of the 'woke' Davos reset agenda.

- Sovereign yield curves are steepening. The gilts curve is steepening the most on ongoing assessment of taper risk. The Australian curve is outperforming on the back of CPI. US and Canadian curves are slightly steeper.
- The USD is slightly firmer on balance with the group of petro-currencies among the exceptions on the back of a 1% rise in oil.
- US equity futures are little changed to very slightly lower on average and European cash markets are up to ½% higher in London.

**The White House released the outline of the American Families Plan earlier this morning ahead of President Biden's State of the Union style speech tonight.** The 7,827 word cutely named 'fact sheet' [here](#) formed the basis for various media outlets' summaries of what it contains. The details are broadly in line with Biden's campaign platform. The numbers are staggering so have a seat.

After a US\$900B bill was passed last December and after Biden's US\$1.9T American Recovery Act that was passed in March, he is now targeting another US\$4 trillion in spending. That US\$4 trillion is split between the previously announced US\$2¼ trillion American Jobs Plan that was focused upon

infrastructure funded by higher corporate taxes plus today's US\$1.8 trillion plan that includes US\$1 trillion in program spending and US\$800B of tax expenditures all funded by soak-the-stock-market taxes. The AJP and AFP targets are opening bids and we'll have to see what Democrat Senator Manchin and his like-minded Democrats in the Senate will support. Biden has said he wants material progress by Memorial Day and passage by summer which may be a tall order against the expectation that a grueling debate with a lot of horse trading lies ahead.

Still, sit back and digest the magnitude of the 'woke' agenda that's in keeping with the Davos reset crowd's goals that are firmly in charge here. In four packages since last December, just under US\$7 trillion of spending is being targeted split between just under US\$3 trillion having already been delivered and another US\$4 trillion on the wish list. A crude benchmark is to point to that being equal to one-third of present nominal GDP with about 14 percentage points already passed and the remainder in negotiation on amounts to be spent over multiple years. There was a time when central bankers wished for some fiscal support. Behind the scenes they have got to be thinking they should have perhaps been more careful about what they wished for especially during a transitory shock (a very bad one mind you...) that is being solved by science. The US is already a heavy spender with a serious addiction while running large twin deficits funded by its reserve currency status but the question for the bond market and USD is how far they can push that status without paying a rising price.

So now imagine you are Fed Chair Powell. This time it's just a 2pmET statement followed by his hour-long press conference starting at 2:30pmET. Don't look for Powell—whose term is up for renewal next February—to bomb his boss's appearance a few hours later with anything remotely resembling tightening talk. This is the equivalent of a State of the Union Address, but it can't be called that in the first year of a new term. It would actually be pretty darn comical if he dropped even the remotest of hints on tapering and rocked markets before his boss's speech. Nah. Progress is being made, but there are still too many unemployed and we need actual not forecast inflation to spook us; that'll be his rinse repeat party line again, for now, until we get more numbers, until we rapidly get back to full capacity with recovered jobs and higher inflation within the Fed's policy horizon. He'll be asked about how proposing to spend US\$4T on direct spending and tax expenditures affects the Fed but will answer with some combination of saying it's up to Congress to guide fiscal policy and how he needs to see jobs and inflation.

**I don't expect much else from the Fed after the full suite of updates last month and before we get considerably further dual mandate progress.** Data will drive the Fed shifts and heaven help the bond market if payrolls truly rip next Friday. **There is no real need to tweak language** on current conditions as they already describe indicators as having "turned up recently." **I doubt they change the IOER spread to FF but it's a modest risk;** if they weren't convinced to do it at prior meetings and they opted for the \$50B increase in overnight reverse repo counterparty limits to \$80B as an alternative for now then it's doubtful much has changed to merit hiking IOER. The risk will remain as Treasury's redeployment of its account at the Fed on distribution of stimulus proceeds continues to influence overall market liquidity and excess reserves.

**On overnight Australian CPI, I thought the main takeaway was that the quarter-over-quarter core measures were relatively tame.** Trimmed mean was up 0.3% q/q which was a tick lower than the prior quarter, a couple of ticks beneath consensus and half the top end of consensus. Weighted median CPI was up 0.4% q/q, a tick beneath the prior and consensus. Other than base effects, the softer price pressures at the margin measured in q/q terms through the core measures restrained inflation. The question is whether this will remain the case with Australia having pretty much fully recovered lost jobs to the pandemic.

## CANADA

Canada updates retail sales this morning (8:30amET). First off, we'll get the revised estimate and details for sales during February after StatsCan provided 'flash' guidance they were up 4% m/m. We'll also get the agency's flash reading for March based upon a partial sample sans details.

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.	0.18	0.18	0.15	0.89	0.88	0.80	1.64	1.62	1.56	2.31	2.30	2.25	Canada - BoC	0.25
CANADA	0.33	0.33	0.30	0.97	0.96	0.94	1.58	1.56	1.52	2.12	2.10	2.02	US - Fed	0.25
GERMANY	-0.68	-0.69	-0.70	-0.58	-0.60	-0.61	-0.22	-0.25	-0.26	0.32	0.29	0.28	England - BoE	0.10
JAPAN	-0.13	-0.13	-0.13	-0.08	-0.09	-0.10	0.10	0.09	0.08	0.66	0.65	0.63	Euro zone - ECB	0.00
U.K.	0.08	0.07	0.04	0.38	0.34	0.32	0.83	0.77	0.74	1.35	1.30	1.29	Japan - BoJ	-0.10
	Spreads vs. U.S. (bps):													
CANADA	15	15	16	8	8	14	-6	-6	-3	-19	-19	-23	Mexico - Banxico	4.00
GERMANY	-86	-87	-84	-147	-148	-140	-186	-187	-182	-198	-200	-197	Australia - RBA	0.10
JAPAN	-31	-31	-28	-97	-98	-89	-154	-154	-148	-165	-165	-162	New Zealand - RBNZ	0.25
U.K.	-10	-12	-11	-51	-54	-48	-81	-85	-82	-96	-100	-97		
Equities	Level						% change:						Next Meeting Date	
	Last		Change		1 Day		1-wk		1-mo		1-yr			
S&P/TSX	19175		4.5		0.0		0.2		2.3		29.6		Canada - BoC	Jun 09, 2021
Dow 30	33985		3.4		0.0		0.5		2.8		41.0		US - Fed	Apr 28, 2021
S&P 500	4187		-0.9		-0.0		1.3		5.3		46.2		England - BoE	May 06, 2021
Nasdaq	14090		-48.6		-0.3		2.2		7.2		63.7		Euro zone - ECB	Jun 10, 2021
DAX	15303		53.6		0.4		0.7		3.8		41.8		Japan - BoJ	Jun 18, 2021
FTSE	6977		31.9		0.5		1.2		3.5		17.1			
Nikkei	29054		62.1		0.2		1.9		-1.1		47.0			
Hang Seng	29071		129.8		0.4		1.6		2.6		18.0			
CAC	6311		36.9		0.6		1.6		5.4		38.1			
Commodities	Level						% change:							
WTI Crude	63.48		0.54		0.9		3.5		4.1		414.4		England - BoE	May 06, 2021
Natural Gas	2.90		0.02		0.9		7.7		13.3		61.5		Euro zone - ECB	Jun 10, 2021
Gold	1765.19		-11.41		-0.6		-1.6		1.9		3.4		Japan - BoJ	Jun 18, 2021
Silver	26.29		0.18		0.7		1.6		4.9		72.9			
CRB Index	199.65		-0.44		-0.2		3.1		6.4		84.5			
Currencies	Level						% change:							
USDCAD	1.2389		-0.0010		-0.1		-0.9		-1.6		-11.5		Mexico - Banxico	May 13, 2021
EURUSD	1.2067		-0.0024		-0.2		0.3		2.6		11.5		Australia - RBA	May 04, 2021
USDJPY	108.94		0.2400		0.2		0.8		-0.8		1.9		New Zealand - RBNZ	May 25, 2021
AUDUSD	0.7749		-0.0016		-0.2		-0.1		1.5		19.4			
GBPUSD	1.3876		-0.0037		-0.3		-0.4		0.8		11.7			
USDCHF	0.9154		0.0018		0.2		-0.2		-2.5		-6.1			

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