

DAILY POINTS

March 1, 2022 @ 7:45 EST

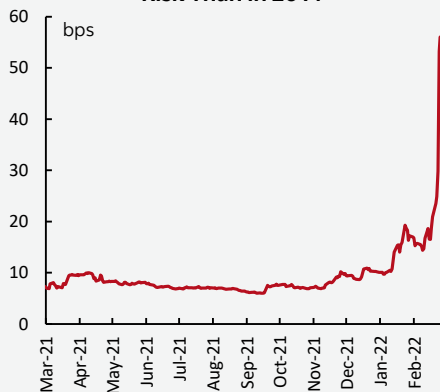
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Chart 1

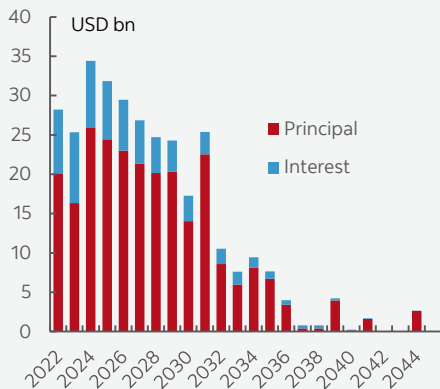
Russia Faces Greater Default Risk Than in 2014



Sources: Scotiabank Economics, Bloomberg.

Chart 2

Russia's Debt Maturity Profile



Sources: Scotiabank Economics, Bloomberg.

On Deck for Tuesday, March 1

Country	Date	Time	Event	Period	BNS	Consensus	Latest
CA	03-01	08:30	Real GDP (m/m)	Dec	-0.1	0.0	0.6
CA	03-01	08:30	Real GDP (q/q a.r.)	4Q	6.5	6.5	5.4
US	03-01	10:00	Construction Spending (m/m)	Jan	0.0	0.1	0.2
US	03-01	10:00	ISM Manufacturing Index	Feb	58.0	58.0	57.6
US	03-01		Total Vehicle Sales (mn a.r.)	Feb	14.2	14.4	15.0
US	03-01	14:00	Fed's Bostic Discusses Survey of Business Uncertainty				
US	03-01	14:00	Fed's Mester Makes Opening Remarks at Inflation Conference				

KEY POINTS:

- **Risk-off sentiment as Ukraine war enters a nastier stage**
- **Russia's probability of default is slightly higher than even odds**
- **Canadian economy: strong Q4, before it temporarily stumbled**
- **US ISM-mfrg to inform supply chain pressures**
- **More evidence of surging Eurozone inflation**
- **China's PMIs unchanged**
- **RBA remains 'patient'**
- **A strong CDN bank earnings season**
- **Biden's SOTU speech tonight: inflation, Russia, pandemic**

Risk-off sentiment continues given the situation in Ukraine with a long Russian convoy on the outskirts of Kyiv and Russia repeating guidance that it intends to press on. Russia is reportedly increasing the targeting of civilian areas with rockets and using or positioning weapons such as the TOS-1A rocket launcher and cluster bombs. A more vicious approach focused upon civilians is intensifying. At the same time, the probability of Russian default driven by sanctions continues to rise to better than one-in-two odds (chart 1). Russia's debt distribution of principle and interest payments is shown in chart 2. Measures of liquidity and systemic risk such as currency conversion costs (chart 3) are little changed this morning versus yesterday.

N.A. equity futures are down by about ½% with European cash markets mostly lower by 1 –3%. Sovereign bonds continue to rally with US 2s down 13bps and 10s down 9. Similar front-end moves are occurring in Europe but with 10 year yields down ~16bps across gilts and EGBs. The USD is a touch stronger but with the yen, A\$, NZ\$, krone and CAD holding their own and most of the weakness occurring across European crosses. Oil is up another ~5% across benchmarks.

Overnight releases included the following:

1. China PMIs: The state's composite PMI was unchanged (51.2, 51 prior) net of statistical noise. The manufacturing PMI was unchanged (50.2, 50.1 prior) but the non-manufacturing PMI edged up to 51.6 (51.1 prior).
2. RBA: The overnight statement repeated guidance that the RBA is prepared to be patient as it continues to assess the durability of inflationary pressures. Ukraine was positioned as a major source of uncertainty. The A\$ shook it off but is among the outperformers this morning.
3. Eurozone inflation: Ahead of tomorrow's EZ tally, both Italy and probably Germany added to the stronger than expected readings from France (Friday) and Spain (yesterday). Italian CPI was up 0.8% m/m (0.2% consensus) and 6.2% y/y (5.5% consensus). Individual

German states are tracking gains that on net are stronger than the 0.8% and 5.4% /y that is expected with the national add-up at 8amET.

4. CDN bank earnings: Add two more beats to make it 5 of 6 so far. BNS landed at adjusted EPS of C\$2.15 (consensus \$2.04) this morning. BMO also beat a short time before that (EPS \$3.89, consensus \$3.29).

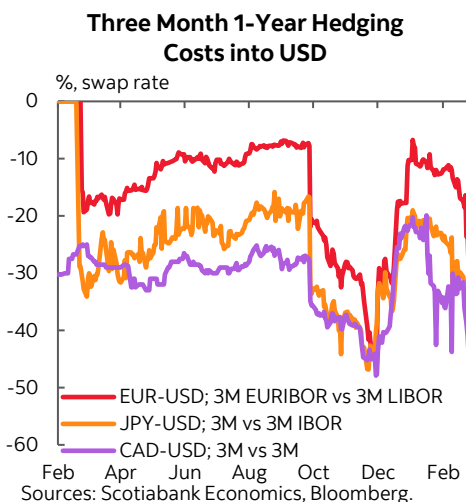
On tap today are the following:

1. Canadian GDP (8:30amET): Preliminary January guidance may be where more of the risk is focused in terms of how bad it was given restrictions and the 200k loss of jobs. December is expected to have been little changed but the overall fourth quarter likely grew by ~6 ½% q/q SAAR. The BoC would be inclined to look through January due to the restrictions and the fact omicron is fading. I think that on Wednesday they'll balance out heightened geopolitical tensions (dovish) and higher oil prices (hawkish) to an incrementally neutral-hawkish.

2. US ISM-mfrg (10amET): little change is expected in the headline reading. Watch supply chain and pricing signals etc.

3. US President Biden's SOTU speech is tonight (9pmET). It's usually just political theatre, but obviously the war changes the focus somewhat in terms of guidance he may give.

Chart 3



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.	1.33	1.43	1.55	1.61	1.72	1.86	1.74	1.83	1.94	2.09	2.16	2.24	Canada - BoC	0.25
CANADA	1.35	1.43	1.54	1.54	1.62	1.76	1.77	1.84	1.96	2.03	2.09	2.19	US - Fed	0.25
GERMANY	-0.66	-0.53	-0.40	-0.33	-0.16	0.00	-0.01	0.14	0.24	0.30	0.42	0.50	England - BoE	0.50
JAPAN	-0.03	-0.03	-0.02	0.02	0.02	0.03	0.18	0.19	0.20	0.90	0.90	0.87	Euro zone - ECB	0.00
U.K.	0.90	1.04	1.34	0.90	1.05	1.36	1.25	1.41	1.47	1.43	1.59	1.55	Japan - BoJ	-0.10
	Spreads vs. U.S. (bps):												Mexico - Banxico	6.00
CANADA	2	-0	-2	-8	-10	-11	2	2	2	-7	-7	-5	Australia - RBA	0.10
GERMANY	-199	-197	-195	-194	-188	-186	-175	-169	-170	-180	-175	-174	New Zealand - RBNZ	1.00
JAPAN	-135	-146	-157	-160	-170	-183	-157	-163	-174	-120	-127	-136	Next Meeting Date	
U.K.	-43	-40	-21	-71	-67	-50	-49	-42	-47	-66	-57	-69	Canada - BoC	Mar 02, 2022
Equities	Level						% change:						US - Fed	Mar 16, 2022
	Last	Change			1 Day	1-wk	1-mo	1-yr					England - BoE	Mar 17, 2022
S&P/TSX	21126	20.4			0.1	1.0	-0.9	15.4					Euro zone - ECB	Mar 10, 2022
Dow 30	33893	-166.2			-0.5	-0.5	-4.3	7.5					Japan - BoJ	Mar 18, 2022
S&P 500	4374	-10.7			-0.2	0.6	-3.8	12.1					Mexico - Banxico	Mar 24, 2022
Nasdaq	13751	56.8			0.4	1.5	-4.1	1.2					Australia - RBA	Feb 28, 2022
DAX	14089	-371.7			-2.6	-4.1	-9.8	0.5					New Zealand - RBNZ	Apr 12, 2022
FTSE	7382	-75.8			-1.0	-1.5	-2.0	12.0						
Nikkei	26845	317.9			1.2	-0.2	-2.5	-8.7						
Hang Seng	22762	48.7			0.2	-3.2	-4.4	-21.8						
CAC	6471	-188.3			-2.8	-4.7	-8.9	11.7						
Commodities	Level						% change:							
WTI Crude	100.66	4.94			5.2	9.0	14.1	66.0						
Natural Gas	4.50	0.10			2.3	0.1	-5.2	62.2						
Gold	1920.56	11.57			0.6	1.2	6.6	11.3						
Silver	24.35	0.14			0.6	2.6	8.2	-8.8						
CRB Index	269.07	4.63			1.8	2.1	4.8	42.1						
Currencies	Level						% change:							
USDCAD	1.2683	0.0008			0.1	-0.7	-0.0	0.3						
EURUSD	1.1163	-0.0056			-0.5	-1.4	-1.0	-7.4						
USDJPY	114.83	-0.1700			-0.1	-0.2	0.1	7.6						
AUDUSD	0.7263	0.0000			0.0	0.6	1.9	-6.5						
GBPUSD	1.3398	-0.0022			-0.2	-1.4	-0.9	-3.8						
USDCHF	0.9180	0.0012			0.1	-0.4	-0.4	0.3						

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