

DAILY POINTS

February 7, 2023 @ 7:35 EST

Contributors

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On Deck for Tuesday, February 7

| Country | Date | Time | Indicator | Period | BNS | Consensus | Latest |
|---------|-------|-------|--|--------|-------|-----------|--------|
| CA | 02-07 | 08:30 | Merchandise Trade Balance (C\$ bn) | Dec | -- | -0.5 | -0.2 |
| US | 02-07 | 08:30 | Trade Balance (US\$ bn) | Dec | -67.8 | -68.5 | -67.4 |
| US | 02-07 | 15:00 | Consumer Credit (US\$ bn m/m) | Dec | -- | 25.0 | 28.0 |
| US | 02-07 | 12:00 | Fed Chair Powell Speaks in Washington | | | | |
| CA | 02-07 | 12:30 | Tiff Macklem Speech in Quebec City | | | | |
| US | 02-07 | 14:00 | Fed's Barr Discusses Financial Inclusion | | | | |

KEY POINTS:

- **Markets await Fed's Powell**
- **A\$ leads the pack...**
- **...after the RBA hikes and guides more to come**
- **BoC Governor Macklem to speak...**
- **...during protracted pause...**
- **...and ahead of inaugural 'minutes'**

The main overnight development was the RBA's hawkish stance. That drove a sharp cheapening across shorter term Australian government bonds and A\$ appreciation. They hiked 25bps as generally expected, but left the door open to more hikes instead of providing pause guidance that would have built upon December's signal. Stronger than expected Q4 and December inflation reports and the China rebound narrative likely drove some of the stance, while the RBA emphasized it is closely watching wages.

There are two main developments on deck for today.

1. Fed Chair Powell: He will be interviewed before the Economic Club of Washington starting at 12pmET. How did nonfarm affect his thinking including revisions? What did he think of market conditions during and immediately after his press conference? Since nonfarm? I don't think he'll be all that aggressive and do a full 180 from his soft performance during the press conference and given the magnitude of the market moves since payrolls. For one thing, fed funds futures are now priced closer to 5.25% as per the December dots. If he says he'd lean toward taking the terminal rate higher in the March dots than what they had in December, then that would be incrementally hawkish. Boston did so yesterday, while Daly on Friday said she thought December's dots were still valid. I suspect Powell is likely to say that payrolls was just one report and to repeat that they will get another payrolls and a couple of inflation prints before their next decision.

2. BoC Governor Macklem speaks about 'how monetary policy works' in Quebec City. It has a primer feeling to it with emphasis upon uncertain lags. Text will be available by 12:30pmET and then there will be a press conference at 2pmET. The BoC releases its inaugural 'summary of deliberations' tomorrow and so Macklem might front-run them somewhat given it is a first for them. I wouldn't go into it thinking this will be the BoC's version of detailed minutes that will be highly revealing. It's more of a PR exercise at the behest of the IMF. The BoC has sent a clear message they are on hold for some time now as multiple rounds of data are evaluated and so I'm not expecting much from him on rates. At some point they will have to address QT from a pace standpoint but it's likely too soon.

| 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. | 4.45 | 4.48 | 4.20 | 3.82 | 3.83 | 3.62 | 3.66 | 3.64 | 3.51 | 3.71 | 3.68 | 3.63 | Canada - BoC | 4.50 | |
| CANADA | 3.97 | 3.95 | 3.75 | 3.20 | 3.18 | 3.03 | 3.08 | 3.05 | 2.91 | 3.12 | 3.09 | 2.97 | US - Fed | 4.75 | |
| GERMANY | 2.62 | 2.62 | 2.65 | 2.32 | 2.31 | 2.31 | 2.33 | 2.30 | 2.29 | 2.31 | 2.29 | 2.22 | England - BoE | 4.00 | |
| JAPAN | -0.02 | -0.02 | -0.02 | 0.18 | 0.18 | 0.19 | 0.50 | 0.51 | 0.50 | 1.56 | 1.55 | 1.60 | | | |
| U.K. | 3.51 | 3.45 | 3.47 | 3.21 | 3.13 | 3.22 | 3.32 | 3.24 | 3.33 | 3.77 | 3.71 | 3.71 | | | |
| | Spreads vs. U.S. (bps): | | | | | | | | | | | | | | |
| CANADA | -48 | -53 | -45 | -62 | -65 | -59 | -57 | -59 | -60 | -59 | -59 | -66 | Euro zone - ECB | 3.00 | |
| GERMANY | -183 | -185 | -155 | -150 | -152 | -131 | -133 | -135 | -122 | -140 | -138 | -141 | Japan - BoJ | -0.10 | |
| JAPAN | -447 | -449 | -422 | -364 | -365 | -343 | -316 | -314 | -301 | -214 | -213 | -203 | | | |
| U.K. | -94 | -102 | -74 | -61 | -70 | -40 | -33 | -40 | -18 | 6 | 3 | 8 | Mexico - Banxico | 10.50 | |
| Equities | Level | | | | | | % change: | | | | | | | | |
| | Last | | Change | | | 1 Day | | 1-wk | | 1-mo | | 1-yr | | | |
| S&P/TSX | 20629 | | -129.4 | | | -0.6 | | -0.7 | | 4.1 | | -2.9 | | Australia - RBA | 3.35 |
| Dow 30 | 33891 | | -35.0 | | | -0.1 | | 0.5 | | 0.8 | | -3.4 | | New Zealand - RBNZ | 4.25 |
| S&P 500 | 4111 | | -25.4 | | | -0.6 | | 2.3 | | 5.5 | | -8.3 | | | |
| Nasdaq | 11887 | | -119.5 | | | -1.0 | | 4.3 | | 12.5 | | -15.2 | | | |
| DAX | 15311 | | -34.8 | | | -0.2 | | 1.2 | | 4.8 | | 0.7 | | | |
| FTSE | 7875 | | 38.3 | | | 0.5 | | 1.3 | | 2.3 | | 4.0 | | | |
| Nikkei | 27685 | | -8.2 | | | -0.0 | | 1.3 | | 6.6 | | 1.5 | | Canada - BoC | Mar 08, 2023 |
| Hang Seng | 21299 | | 76.5 | | | 0.4 | | -2.5 | | 1.5 | | -12.5 | | US - Fed | Mar 22, 2023 |
| CAC | 7139 | | 1.6 | | | 0.0 | | 0.8 | | 4.0 | | 1.8 | | | |
| Commodities | Level | | | | | | % change: | | | | | | | | |
| WTI Crude | 75.06 | | 0.95 | | | 1.3 | | -4.8 | | 1.7 | | -17.8 | | England - BoE | Mar 23, 2023 |
| Natural Gas | 2.49 | | 0.03 | | | 1.2 | | -7.4 | | -33.0 | | -41.3 | | Euro zone - ECB | Mar 16, 2023 |
| Gold | 1867.09 | | -0.39 | | | -0.0 | | -3.2 | | 0.1 | | 2.6 | | Japan - BoJ | Mar 10, 2023 |
| Silver | 22.38 | | -1.11 | | | -4.7 | | -5.3 | | -4.6 | | -0.6 | | | |
| CRB Index | 266.21 | | 0.02 | | | 0.0 | | -4.3 | | 0.5 | | 2.2 | | | |
| Currencies | Level | | | | | | % change: | | | | | | | | |
| USDCAD | 1.3445 | | -0.0001 | | | -0.0 | | 1.0 | | 0.4 | | 6.1 | | Mexico - Banxico | Feb 09, 2023 |
| EURUSD | 1.0691 | | -0.0035 | | | -0.3 | | -1.6 | | -0.4 | | -6.6 | | Australia - RBA | Mar 06, 2023 |
| USDJPY | 132.02 | | -0.6400 | | | -0.5 | | 1.5 | | 0.1 | | 14.7 | | | |
| AUDUSD | 0.6905 | | 0.0022 | | | 0.3 | | -2.1 | | -0.1 | | -3.1 | | | |
| GBPUSD | 1.1965 | | -0.0054 | | | -0.4 | | -2.9 | | -1.8 | | -11.6 | | New Zealand - RBNZ | Feb 21, 2023 |
| USDCHF | 0.9265 | | -0.0018 | | | -0.2 | | 1.1 | | 0.6 | | 0.3 | | | |

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