

DAILY POINTS

February 15, 2023 @ 7:20 EST

Contributors

Derek Holt

VP & Head of Capital Markets Economics  
 Scotiabank Economics  
 416.863.7707  
[derek.holt@scotiabank.com](mailto:derek.holt@scotiabank.com)

Chart 1



On Deck for Wednesday, February 15

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	02-15	07:00	MBA Mortgage Applications (w/w)	Feb 10	--	--	-7.7
CA	02-15	08:15	Housing Starts (000s a.r.)	Jan	225.0	245.0	248.6
CA	02-15	08:30	Manufacturing Shipments (m/m)	Dec	-1.8	-1.5	-0.1
CA	02-15	08:30	Wholesale Trade (m/m)	Dec	-1.8	-1.6	0.5
US	02-15	08:30	Empire State Manufacturing Index	Feb	--	-18.0	-32.9
US	02-15	08:30	Retail Sales (m/m)	Jan	2.2	2.0	-1.1
US	02-15	08:30	Retail Sales ex. Autos (m/m)	Jan	0.9	0.9	-1.1
CA	02-15	09:00	Existing Home Sales (m/m)	Jan	--	-2.5	1.3
US	02-15	09:15	Capacity Utilization (%)	Jan	--	79.1	78.8
US	02-15	09:15	Industrial Production (m/m)	Jan	0.6	0.5	-0.7
US	02-15	10:00	Business Inventories (m/m)	Dec	--	0.3	0.4
US	02-15	10:00	NAHB Housing Market Index	Feb	--	37.0	35.0
US	02-15	16:00	Total Net TIC Flows (US\$ bn)	Dec	--	165.0	213.1
US	02-15	16:00	Net Long-term TIC Flows (US\$ bn)	Dec	--	--	171.5

KEY POINTS:

- Dollar bulls in charge post US CPI, ahead of retail sales
- US retail sales expected to post a strong gain
- UK core CPI posts weaker than normal January...
- ...on the heels of softer wage growth...
- ...driving BoE pricing lower...
- ...but with another round of data before the March meeting
- Canadian releases unlikely to impact markets

Global markets continue to be in mild risk-off mode this morning in the wake of yesterday's US inflation figures (recap [here](#)). US and Canadian equity futures are slightly in the red, while the dollar is gaining ground against most crosses. European cash equities range from flat (London) to up 1% (Paris). The biggest mover among sovereign curves is a rally in gilts following a soft core CPI reading.

The main global highlight into today will continue to be US macro releases. This time the focus is upon retail sales for January that could demonstrate how markets overreacted to December's soft patch.

Most estimates for US retail sales range from around 1½% m/m SA to 2½%. I put in 2.2%. An 18.3% m/m SA rise in vehicle sales could alone add over 2 ppts in weighted terms. Higher gas prices will also contribute a touch. So could generally higher CPI. Key will be sales ex-autos and gas that most expect to be strong. Also key will be volumes after adjustments.

I still think that US retail was soft in December because sales got pulled forward into earlier in the season up to October due to earlier than usual discounting and fear of shortages given still fairly low inventories to sales (chart 1). A second reason was that spending rotated somewhat toward services away from goods into the holidays. In any event, the overall 4<sup>th</sup> quarter saw a solid gain in consumer spending and January could begin to extend that into Q1.

The US also updates industrial output for January this morning (9:15amET) with a modest rise expected.

UK core inflation fell by more than is typical in m/m NSA terms during January compared to past months of January. January is usually a soft seasonally unadjusted month (as per UK convention) but the -0.9% m/m decline was bigger than usual. That dragged the year-over-year core CPI rate down by half a point to 5.8%. The result drove sterling to be

weaker and among the weakest crosses relative to the USD this morning, while the gilts curve bull steepened with a 10bps drop in the 2-year yield. Market pricing for the March 23<sup>rd</sup> BoE decision moved about 6bps lower and terminal rate pricing dropped by 17bps to price about another ½% of cumulative hikes from here.

Pair the UK core CPI reading with the soft UK wage figures in m/m terms from yesterday and perhaps markets are right to ease off BoE pricing. Or maybe it's noise and they overreacted to one reading and with another CPI print and another set of job and wage readings due before the BoE's next decision.

Several Canadian indicator updates are on tap but none of them are likely to impact markets. Statcan already issued preliminary guidance for manufacturing and wholesale figures (8:30amET) with details pending while the pair of pending housing updates rarely affects markets. They will include housing starts during January (8:15amET) and existing home sales for January (9amET).

Colombia's economy is expected to mildly contract when Q4 GDP figures land (11amET).

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.	4.62	4.62	4.42	4.00	4.00	3.79	3.75	3.75	3.61	3.79	3.78	3.67	Canada - BoC	4.50
CANADA	4.18	4.18	3.91	3.38	3.38	3.15	3.18	3.18	3.01	3.17	3.16	3.06	US - Fed	4.75
GERMANY	2.87	2.86	2.72	2.51	2.51	2.37	2.43	2.44	2.36	2.36	2.38	2.33	England - BoE	4.00
JAPAN	-0.04	-0.05	-0.03	0.20	0.19	0.19	0.51	0.51	0.50	1.48	1.49	1.55		
U.K.	3.74	3.83	3.47	3.41	3.51	3.19	3.44	3.52	3.31	3.82	3.89	3.77		
	Spreads vs. U.S. (bps):													
CANADA	-44	-44	-51	-62	-62	-64	-57	-57	-60	-62	-61	-61	Euro zone - ECB	3.00
GERMANY	-175	-176	-171	-148	-150	-142	-132	-131	-125	-143	-140	-134	Japan - BoJ	-0.10
JAPAN	-466	-467	-445	-379	-381	-360	-324	-324	-311	-231	-228	-212		
U.K.	-87	-79	-95	-59	-49	-61	-31	-23	-30	3	11	10	Mexico - Banxico	11.00
Equities	Level						% change:							
	Last		Change		1 Day		1-wk		1-mo		1-yr			
S&P/TSX	20705		2.6		0.0		0.1		1.7		-3.7		Australia - RBA	3.35
Dow 30	34089		-156.7		-0.5		-0.2		-0.6		-2.6			
S&P 500	4136		-1.2		-0.0		-0.7		3.4		-7.5		New Zealand - RBNZ	4.25
Nasdaq	11960		68.4		0.6		-1.3		8.0		-15.4			
DAX	15459		78.6		0.5		0.3		2.5		0.3		Next Meeting Date	
FTSE	7959		5.6		0.1		0.9		1.5		4.6		Canada - BoC	Mar 08, 2023
Nikkei	27502		-100.9		-0.4		-0.4		6.5		0.2		US - Fed	Mar 22, 2023
Hang Seng	20812		-301.6		-1.4		-2.2		-4.3		-15.8			
CAC	7303		88.9		1.2		2.6		4.0		4.6		England - BoE	Mar 23, 2023
Commodities	Level						% change:							
WTI Crude	78.40		-0.66		-0.8		-0.1		-1.8		-14.8		Euro zone - ECB	Mar 16, 2023
Natural Gas	2.56		-0.01		-0.5		6.6		-25.3		-40.7		Japan - BoJ	Mar 10, 2023
Gold	1836.26		-18.05		-1.0		-2.1		-4.4		-0.9			
Silver	21.71		-0.28		-1.3		-2.2		-8.3		-8.4			
CRB Index	273.56		0.77		0.3		1.0		-0.9		4.4			
Currencies	Level						% change:							
USDCAD	1.3394		0.0057		0.4		-0.4		-0.1		5.3		Mexico - Banxico	Mar 30, 2023
EURUSD	1.0715		-0.0023		-0.2		0.0		-1.0		-5.7			
USDJPY	133.47		0.3100		0.2		1.6		3.8		15.4		Australia - RBA	Mar 06, 2023
AUDUSD	0.6894		-0.0092		-1.3		-0.4		-0.9		-3.6			
GBPUSD	1.2068		-0.0105		-0.9		-0.0		-1.0		-10.9		New Zealand - RBNZ	Feb 21, 2023
USDCHF	0.9220		0.0004		0.0		0.1		-0.5		-0.4			

This report has been prepared by Scotiabank Economics as a resource for the clients of Scotiabank. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness. Neither Scotiabank nor any of its officers, directors, partners, employees or affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

These reports are provided to you for informational purposes only. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instrument, nor shall this report be construed as an opinion as to whether you should enter into any swap or trading strategy involving a swap or any other transaction. The information contained in this report is not intended to be, and does not constitute, a recommendation of a swap or trading strategy involving a swap within the meaning of U.S. Commodity Futures Trading Commission Regulation 23.434 and Appendix A thereto. This material is not intended to be individually tailored to your needs or characteristics and should not be viewed as a “call to action” or suggestion that you enter into a swap or trading strategy involving a swap or any other transaction. Scotiabank may engage in transactions in a manner inconsistent with the views discussed this report and may have positions, or be in the process of acquiring or disposing of positions, referred to in this report.

Scotiabank, its affiliates and any of their respective officers, directors and employees may from time to time take positions in currencies, act as managers, co-managers or underwriters of a public offering or act as principals or agents, deal in, own or act as market makers or advisors, brokers or commercial and/or investment bankers in relation to securities or related derivatives. As a result of these actions, Scotiabank may receive remuneration. All Scotiabank products and services are subject to the terms of applicable agreements and local regulations. Officers, directors and employees of Scotiabank and its affiliates may serve as directors of corporations.

Any securities discussed in this report may not be suitable for all investors. Scotiabank recommends that investors independently evaluate any issuer and security discussed in this report, and consult with any advisors they deem necessary prior to making any investment.

**This report and all information, opinions and conclusions contained in it are protected by copyright. This information may not be reproduced without the prior express written consent of Scotiabank.**

™ Trademark of The Bank of Nova Scotia. Used under license, where applicable.

Scotiabank, together with “Global Banking and Markets”, is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including: Scotiabank Europe plc; Scotiabank (Ireland) Designated Activity Company; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Derivados S.A. de C.V. – all members of the Scotiabank group and authorized users of the Scotiabank mark. The Bank of Nova Scotia is incorporated in Canada with limited liability and is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia is authorized by the UK Prudential Regulation Authority and is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia's regulation by the UK Prudential Regulation Authority are available from us on request. Scotiabank Europe plc is authorized by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority.

Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat, and Scotia Inverlat Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities.

Not all products and services are offered in all jurisdictions. Services described are available in jurisdictions where permitted by law.