

**ON DECK FOR FRIDAY, MARCH 20**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Indicator</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>
CA	03/20	08:30	Retail Sales (m/m)	Jan	--	0.3	0.0
CA	03/20	08:30	Retail Sales ex. Autos (m/m)	Jan	--	0.2	0.5
US	03/20	10:00	Existing Home Sales (mn a.r.)	Feb	--	5.5	5.5
US	03/20	10:00	Existing Home Sales (m/m)	Feb	--	0.9	-1.3

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**KEY POINTS:**

- Strong risk rally as central bank actions begin to bite
- Fed's PD facility fires up today
- Norway cuts and pledges there could be more...
- ...but other forces carried the krone higher
- PBOC unexpectedly holds, but Chinese bonds still rally
- Russia's central bank stays on hold as expected
- CDN retail sales too stale to matter
- US home sales gains are likely getting exhausted

**INTERNATIONAL**

Well that's better now, isn't it? We'll find out if the rally in risk assets holds through to the weekend or if PMs take some profit and seek cover into weekend headlines. Memories of over a decade ago recall that it was often on weekends when the dirt got flung. For now, however, markets are rejoicing over the magnitude of the policy response across global central banks and as the US slowly moves toward getting some fiscal relief out the door. The Fed's Primary Dealer Credit Facility that extends credit to PDs backed by a broad range of collateral including investment grade debt securities from corporate paper to municipal bonds and equities fires up today. Central bank actions were mixed overnight as Russia can't do anything, the PBOC won't do anything, and Norges' actions failed to dent currency strength. This morning brings backward looking data out of the US and Canada that in both cases may be the last or among the last positive readings for home sales and retail sales for some time. Please also see last evening's Closing Points for a sweep of financial market indicators that generally continue to point to strains in financial markets.

- Equities are broadly higher. European cash markets are up by between 2.5% (Italy) and over 5% (Paris). US equity futures are up by about 3% or so across the exchanges. TSX futures are up by under 2%. Asian equities were broadly higher even as Tokyo was shut for Vernal Equinox Day. The eye-popper was a gain of about 7½% in Seoul.
- Sovereign bonds are rallying hard again. The US Treasury curve is bull flattening with the long bond down a whopping 15bps and 2s down 6bps. Canada's curve is also bull flattening but less spectacularly with 30s down 11bps and 2s -5bps. Ditto for Europe in gilts and EGBs to varying magnitudes.
- Oil prices are up by either side of a buck in terms of both Brent and WTI. Gold is up US\$31/oz to back over \$1500 as real rates decline again and carry financing lower.
- The USD is broadly softer this morning. The strongest crosses are the won, A\$/NZ\$, sterling, CAD, and krone despite Norway's unexpected rate cut. All major currencies are nevertheless higher, though the euro and its related crosses as well as the Mexican peso are underperforming many of the others.

**Norges Bank unexpectedly and unanimously slashed its deposit rate by 75bps to 0.25% this morning.** The policy statement ([here](#)) kept a dovish bias by stating “Norges Bank will continually consider measures to ensure that the policy rate passes through to money market rates. The Committee does not rule out that the policy rate may be reduced further.” That said, if the aim was to weaken the krone, it backfired. Comments from Norges yesterday morning indicated intervention risk and that drove the currency weaker to the dollar. Since then and including the after effects of this morning’s cut, however, the krone has rallied to become the strongest performing currency versus the USD with a cumulative gain since yesterday morning’s weakest point now at over 10%. Likely reasons include no follow through on feared intervention beyond the rate cut, higher oil prices and broad softness in the USD are driving the krone higher.

**Russia’s central bank left its key rate unchanged at 6% as expected this morning.** The statement ([here](#)) abandoned prior forward guidance that had stated “the Bank of Russia holds open the prospect of further key rate reduction at its upcoming meetings.” The central bank’s conundrum remains the plunging ruble. Even this morning, it is little changed to the dollar with a slight positive bias that is nevertheless underperforming almost all other currencies on a morning of broad dollar weakness.

**The People’s Bank of China unexpectedly left its one year and five year Loan Prime Rates unchanged at 4.05% and 4.75% respectively.** Curiously, the two year Chinese government bond cheapened well ahead of the announcement.... Nevertheless, the curve remained lower on the day.

#### UNITED STATES

The market effects of implementing the Fed’s numerous measures announced to date and momentum toward implementing a Federal fiscal stimulus package will dominate market attention. Data risk is very low.

US Senate Majority Leader Mitch McConnell’s introduction of the Senate’s version of a stimulus bill was announced yesterday and offers US\$1,200 rebates to individuals and double that to married folks with earnings up to about US\$100k per person or about \$200k for couples. That’s fairly modest if we’re looking at soaring unemployment and lost wages. Horse trading will now unfold as the Dems are brought onside and Treasury Secretary Mnuchin pushes both sides to reach agreement by Monday which is likely ambitious. There are enough areas of disagreement during a recess period to likely tie it up for longer.

**US existing home sales probably rebounded in February (10amET).** Pending home sales soared by over 5% m/m in seasonally adjusted terms during January and take 30-90 days to fully show up in completed resale transactions after the paperwork settles, depending upon potential cancellations. Going forward, two forces are likely to weaken US home sales. One is the backing up in the thirty-year fixed mortgage rate from a trough of 3.55% in early March to about 4% now due to the backing up in Treasury yields but also wider spreads. The result has brought the rate back to where it was last June. Second is the unfolding confidence shock.

#### CANADA

**Canada updates retail sales during January (8:30amET) and it’s usually a highly uncertain release with limited tracking ability into the report.** Autos, gasoline and CPI inflation suggest a modest gain in headline sales. Like everything else, indicators covering March onward will be far more relevant in terms of tracking the magnitude of the unfolding damage to the economy.

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.	0.39	0.45	0.49	0.59	0.69	0.72	1.02	1.14	0.96	1.62	1.79	1.54	Canada - BoC	0.75
CANADA	0.59	0.63	0.53	0.79	0.85	0.67	0.89	1.00	0.85	1.32	1.43	1.33	US - Fed	0.25
GERMANY	-0.64	-0.67	-0.87	-0.46	-0.41	-0.74	-0.28	-0.19	-0.54	0.04	0.14	-0.20	England - BoE	0.10
JAPAN	-0.16	-0.16	-0.19	-0.05	-0.05	-0.09	0.08	0.08	0.05	0.45	0.45	0.35	Euro zone - ECB	0.00
U.K.	0.12	0.13	0.29	0.36	0.48	0.34	0.59	0.72	0.41	0.97	1.18	0.87	Japan - BoJ	-0.10
Spreads vs. U.S. (bps):														
CANADA	20	18	4	19	16	-5	-12	-15	-12	-31	-36	-21	Mexico - Banxico	7.00
GERMANY	-103	-113	-136	-106	-110	-146	-130	-134	-151	-158	-165	-174	Australia - RBA	0.25
JAPAN	-55	-62	-69	-65	-74	-81	-93	-106	-91	-117	-134	-119	New Zealand - RBNZ	0.25
U.K.	-27	-32	-20	-24	-21	-38	-43	-42	-55	-66	-61	-67	Next Meeting Date	
Equities	Level			Change			% change:							
	Last						1Day	1-wk	1-mo	1-yr				
S&P/TSX	12171			449.1			3.8	-2.7	-32.2	-24.7			Canada - BoC	Apr 15, 2020
Dow 30	20087			188.3			0.9	-5.3	-31.3	-22.0			US - Fed	Apr 29, 2020
S&P 500	2409			11.3			0.5	-2.9	-28.6	-14.7			England - BoE	Mar 26, 2020
Nasdaq	7151			160.7			2.3	-0.7	-26.7	-7.5			Euro zone - ECB	Apr 30, 2020
DAX	8973			363.0			4.2	-2.8	-34.3	-22.7			Japan - BoJ	Apr 28, 2020
FTSE	5233			81.5			1.6	-2.5	-29.6	-28.2			Mexico - Banxico	Mar 26, 2020
Nikkei	16553			-173.7			-1.0	-10.8	-29.5	-23.4			Australia - RBA	May 05, 2020
Hang Seng	22805			1095.9			5.0	-5.1	-17.4	-22.2			New Zealand - RBNZ	May 12, 2020
CAC	4046			190.5			4.9	-1.8	-33.3	-24.8				
Commodities	Level			Change			% change:							
WTI Crude	25.83			0.61			2.4	-18.6	-52.0	-56.8			England - BoE	Mar 26, 2020
Natural Gas	1.69			0.03			2.1	-9.7	-12.1	-40.1			Euro zone - ECB	Apr 30, 2020
Gold	1502.27			31.03			2.1	-1.8	-7.2	14.5			Japan - BoJ	Apr 28, 2020
Silver	12.01			-0.42			-3.3	-27.4	-34.6	-22.1			Mexico - Banxico	Mar 26, 2020
CRB Index	129.89			2.25			1.8	-7.8	-25.7	-30.0			Australia - RBA	May 05, 2020
Currencies	Level			Change			% change:							
U SDCAD	1.4248			-0.0263			-1.8	3.2	7.5	7.1			New Zealand - RBNZ	May 12, 2020
EURUSD	1.0722			0.0030			0.3	-3.5	-0.6	-6.1				
USDJPY	110.08			-0.6300			-0.6	2.3	-1.8	-0.6				
AUDUSD	0.5898			0.0155			2.7	-4.9	-10.8	-17.1				
GBPUSD	1.1779			0.0294			2.6	-4.1	-8.6	-10.8				
USDCHF	0.9826			-0.0034			-0.3	3.2	-0.2	-1.0				

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