

Metals Strategy: Chart of the Week

The tsunami of stimulus measures that is being unleashed from global Central Banks and governments is unprecedented; the liquidity injection is being launched at a faster pace than in other crisis in modern history

While we could attempt to explain why (closer to 0% limits so more is required, the economics of sudden stop blackswan events), an attempt to visualize the pace of both monetary & fiscal policy is in the two charts below. The news cycle, asset prices AND the subsequent policy response is moving incredibly fast, akin to 2008; by the time we've written any comment or updated a graph, things have already changed....

- Chart 1 is not all-inclusive, since it excludes repo operations, many major CBs rate cuts (outside the well known affected countries), the full US' fiscal stimulus yet to be approved, and hundreds of billions worth of USD swap lines. It does include last night's EUR750bn bond buying program from the ECB, the RBA (taking rates to record low) and BOE rate cut

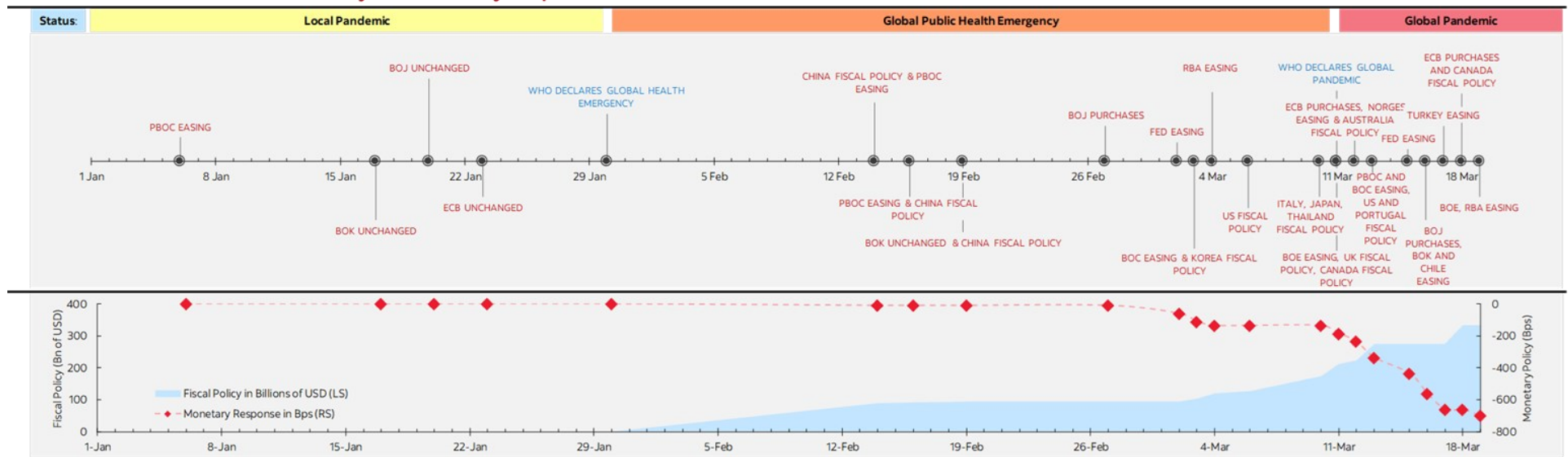
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Chart 1:

Covid-19 Affected Countries Monetary & Fiscal Policy Response Timeline

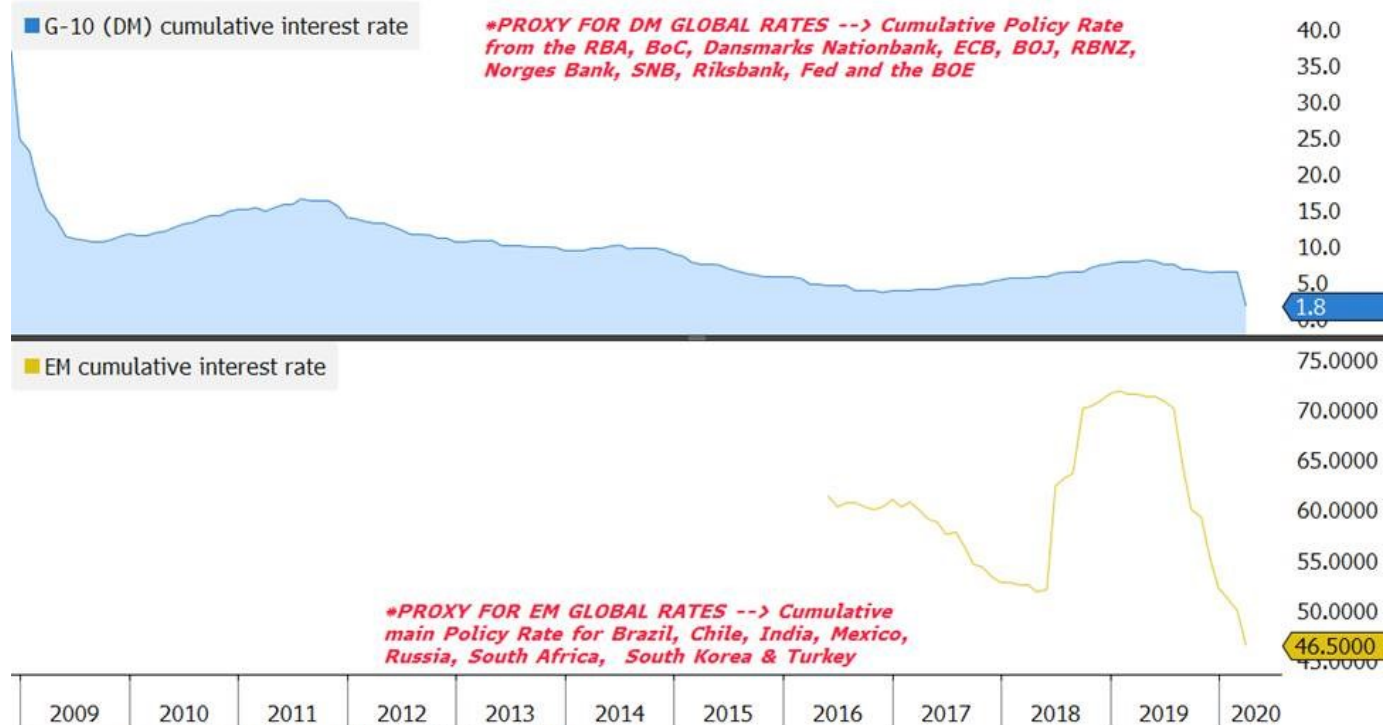


Note: Fiscal policy numbers are converted using exchange rates on the day of announced policy. Easing equates to traditional rate cuts and not repo operations.

Source: Scotiabank Commodity (Metals) Strategy

- Chart 2 simply shows the aggregate EM and DM main policy interest rates; both plummeting to historically low levels but also at record pace (DM).
- Overall, the market is focused on deflationary economic effects & facts (since we are navigating a risk bear market), but is underestimating the massive (and preemptive!) stimulative / inflationary measures being employed to fight the impending downturn
- Precious Metals/Gold (the classic liquidity hedges), while being sold in the short-term as credit/liquidity markets gets stuck, are waiting to fully capture this liquidity onslaught. Their story will be told, once risk/US equities stabilize, which will be the greenlight that liquidity channels are unclogged.

Chart 2:
EM vs DM Central Bank cumulative interest rate
 ...collectively cutting, once again, but at faster pace



Source: Scotiabank Commodities Strategy, Bloomberg

.G10 S 91511857 Index (BBG CIX OF G-10) G10 vs EM CB easing Monthly 27JAN2006-1 Copyright© 2020 Bloomberg Finance L.P. 19-Mar-2020 18:11:22

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