

## CAPITAL MARKETS RESEARCH

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# Daily Points

— Tracking the Numbers

## On Deck for Monday, March 21

Country	Date	Time	Event	Period	BNS	Consensus	Latest
US	03/21	08:30	Chicago Fed Nat Activity Index	FEB	--	--	-0.2
US	03/21	10:00	Existing Home Sales (MoM)	FEB	-4.0	-4.5	2.7

### KEY POINTS:

- Risk-on environment to start the week
- Budget is the key Canadian risk this week
- US home sales likely moderated in February
- US Fed to purchase US\$1.5-2.5 billion in Treasuries
- No Canadian releases today

### CANADA

Political risk is the key factor to watch for in Canadian markets this week. Tomorrow's Federal budget, to be released after the close of markets, is unlikely to contain material surprises, but the opposition reaction could. The cottage industry of budget trackers that swoops in on Parliament Hill at this time every year may have micro surprises to address. But the macro big picture elements are unlikely to change compared to what is already well understood in markets. They include staying the course on corporate tax reductions, allowing temporary stimulus to fall off the books and impose some near term fiscal drag and thus do some of the BoC's work in tightening policy conditions, moving the deficit to gdp ratio to largely immaterial levels within two years, and getting back to balance in about four fiscal years. Frankly, much of the debate over nailing fiscal deficit projections years down the road makes for good controversy among analysts and politicians, but is of little substance to the economy and markets in that both the government's projections and the higher deficit forecast risks flagged by the Parliamentary Budget Officer yield an inconsequential medium-term deficit to GDP ratio.

Apart from the budget, Canadian retail sales are also on tap for tomorrow and are expected to post a sizeable m/m gain in the January reading. When he speaks before a panel on Saturday in Calgary, Bank of Canada Governor Mark Carney will provide the BoC's first public comments since the last rate decision and following the disasters to strike Japan, as well as since worsened instability in the Middle East and North Africa region.

### UNITED STATES

Data flow doesn't matter on a day like this, but the only significant global release will come out of the US. The National Association of Realtors (NAR) is due to release its latest report on **existing home sales** (10:00amEST). Since bottoming in July 2010, existing home sales have been on an upward trend, improving by nearly 40%. NAR data indicate that

## BoC Events

### BoC Overnight Lending Rate

**Current Rate:** 1.0%  
**Next Move:** April 20 @ 1.0%  
**Bias:** Neutral

## Fed Events

### Fed Funds Target Rate

**Current Rate:** 0-0.25%  
**Next Move:** April 27 @ 0-0.25%  
**Bias:** Dovish

## Key International Events

### BoJ

**Current Rate:** 0.10%  
**Next Move:** April 7 @ 0.10%  
**Bias:** Dovish

### BoE

**Current Rate:** 0.50%  
**Next Move:** April 7 @ 0.50%  
**Bias:** Dovish

### ECB

**Current Rate:** 1.00%  
**Next Move:** April 7 @ 1.00%  
**Bias:** Dovish

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## Scotia Economics

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investors are snapping up distressed properties via all-cash sales, giving a misleading sense that demand in the housing market may be recovering, and at a solid clip. In January alone, these sales accounted for nearly a quarter of all purchases. Following three months of gains, we expect to see some moderation in February, with our forecast looking for a decline of 4.0% m/m to 5.15 million annualized units.

The **US Fed** (11:00amEST) will purchase US\$1.5-2.5 billion in Treasuries.

## INTERNATIONAL

Risk taking is back in vogue to start the week, although the drivers are somewhat mixed. Markets are favourably weighting the positives like a large M&A transaction in the telecommunications sector, and the possibility that Japan is making progress in containing the crisis at Fukushima. They've forgotten, however, that China hiked its reserve ratio again on Friday evening as the noose on inflation risk and near-term growth gets pulled tighter. They've also chosen to look past the fact that the allied bombing runs in Libya have put its oil field production into more serious doubt, and that developments in the middle east have worsened including Bahrain and Yemen. The cumulative effects of various shocks remains weighted to lower than previously expected growth.

For a further focus on the global week ahead, see pages 2, and A1-A9 in this week's Global Views.

Fixed Income	Government Yield Curves (%)											
	2-YEAR			5-YEAR			10-YEAR			30-YEAR		
	Last	1-day	1-wk	Last	1-day	1-wk	Last	1-day	1-wk	Last	1-day	1-wk
US	063	059	060	201	194	198	333	327	336	446	442	454
CANADA	161	160	175	253	252	266	316	318	327	371	372	375
GERMANY	167	163	164	250	247	251	321	319	323	368	366	363
JAPAN	022	023	022	049	051	056	122	121	126	218	219	215
UK	123	119	123	229	225	229	354	351	357	429	426	431
	Foreign-US Spreads (bps):											
CANADA	98	101	116	52	58	68	-6	-9	-9	-75	-70	-78
GERMANY	118	104	104	48	53	53	-2	-8	-8	-78	-76	-91
JAPAN	-41	-36	-37	-152	-143	-142	-211	-206	-210	-228	-223	-239
UK	59	60	63	28	31	31	22	24	21	-17	-15	-23

Equities	% change:					
	Last	Change	1 Day	1-wk	1-mo	1-yr
S & P/TSX	13789.63	43.48	0.3	0.8	-2.4	15.4
Dow 30	11858.52	83.93	0.7	-1.5	-4.3	10.4
S & P 500	1279.20	5.48	0.4	-1.9	-4.8	10.3
Nasdaq	2643.67	7.62	0.3	-2.6	-6.7	11.3
DAX	5782.66	64.53	1.1	0.1	-3.9	2.3
FTSE	6800.18	135.78	2.0	-1.0	-7.1	13.7
Nikkei	9206.75	244.08	2.7	-10.2	-15.2	-14.9
Hang Seng	22685.22	384.99	1.7	-2.8	-3.4	6.2
CAC	3878.31	68.09	1.8	0.0	-5.3	-1.2
Commodities	% change:					
WTI Crude	103.08	2.01	2.0	1.9	19.6	27.8
Natural Gas	4.22	0.05	1.2	7.8	8.8	1.2
Gold	1420.00	16.25	1.2	0.6	2.6	26.5
Silver	35.15	0.68	2.0	3.1	10.1	101.0
CRB Index	351.15	2.48	0.7	-0.2	2.7	28.8
Currencies	% change:					
USDCAD	0.9761	-0.0089	-0.9	0.2	-0.7	-4.2
EURUSD	1.4164	-0.0018	-0.1	1.2	3.5	4.5
USDJPY	81.2400	0.6500	0.8	-0.5	-2.3	-9.9
AUDUSD	1.0067	0.0106	1.1	-0.3	-0.3	9.6
GBPUSD	1.6272	0.0037	0.2	0.6	0.3	7.8
USDCHF	0.9055	0.0047	0.5	-2.1	-4.4	-14.4

Source: Bloomberg. All quotes reflect Bloomberg data as at the time of publishing. While this source is believed to be reliable, Scotia Capital cannot guarantee its accuracy.