Focus

Feature Article

Economic Outlook: Crudely Interrupted

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Like a Hurricane

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It is no exaggeration to instantly deem this week historic, and that reality was certainly reflected in global financial markets. Already fully **rocked** by the rapid spread of the coronavirus, investors were further **rattled** this week by the surprise dive in oil prices, and then **roiled** by the policy responses to the health crisis. Loaded on top, markets began to show some serious cracks in the plumbing this week after days of dislocation, rapid price changes and liquidity issues. The net result was one of the worst weeks in the post-war era for equity markets, including the single toughest day for stocks since October 1987, as the MSCI world index dropped 9% on Thursday alone. This rout pulled all major averages into bear market terrain, officially ending the record long bull market, on the very week of its 11th birthday.

The deep drop in equities was but the headline act in a wild week for markets. Oil prices kicked the proceedings off with a slide of more than 20% to the low-$30s range, after already falling 10% last Friday, on the open price war between OPEC and Russia. Government bond yields promptly tanked to new record lows on Monday, with the benchmark 10-year Treasury dropping below 0.35% at the extreme. However, yields began grinding higher again, and, by Friday afternoon, 10s were actually up 20 bps on the week to around 1.0%. Even FX markets, which had been a beacon of relative calm, dealt with some serious volatility, featuring a headlong rush into U.S. dollars in the mid-week carnage. To pick but one example, the Mexican peso fell more than 8% this week, even after recovering on Friday from record lows. Even the Japanese yen and gold prices faltered this week, both previously regarded as the absolute safe havens.

Canadian markets had a remarkable week on their own, dealing with the oil shock on top of virus-related disruptions. The TSX was hit even harder than U.S. markets, suffering a 12.3% decline on Thursday, its worst daily drop since Germany invaded France in 1940. (The index fell "only" 11.1% on Black Monday in 1987, or about half the drop in the Dow on that day of infamy.) Even with a big recovery on Friday, the index still saw a weekly setback of 15.3% and is down nearly 25% from the peak hit barely three weeks ago. In the bond market, the GoC curve steepened substantially, after spending much of the past year deeply inverted. Two-year yields plunged another 17 bps to 0.54%, in hot anticipation and the realization of deeper BoC rate cuts, while 10-year yields were up 12 bps on net to 0.85% and 30s jumped 38 bps to 1.34%. Meantime, the Canadian dollar was bludgeoned amid the oil price dive and the broad U.S. dollar ascent. In fact, perhaps the only surprise is that the loonie didn't fall more than 3% on the week to 72 cents(US).

All of these major market moves took place amid a rapid-fire series of key events in the past seven days. This is not meant to relive the painful details yet again, but rather just to recap for the record what drove these market swings. Roughly in chronological order, we saw:

- A price war between Saudi Arabia and Russia, tanking crude prices
- Italy effectively shut down movement in the country
- The BoE cut rates 50 bps, and a stimulative UK budget
- The WHO officially declare COVID-19 a pandemic
- The Dow and the TSX hit bear terrain
- President Trump announce a 30-day travel ban on most Europeans

- Tom Hanks, Rudy Gobert and Sophie Trudeau test positive for COVID
- The NBA suspend its season, followed by all other sports leagues
- Widespread school closures, Broadway shut, Disney closes
- The Fed announce up to $1.5 trillion in additional repo operations
- The BoC follow with its own liquidity provisions
- Canadian Parliament pass USMCA, then suspended until April
- The U.S. House and Administration move close to a deal on a stimulus plan
- Trump declare an emergency on COVID
- BoC cut rates another 50 bps and FM Morneau pledge fiscal stimulus

And whither the economy amid this whirlwind of events? Frankly, events are unfolding much more rapidly and intensely than we had previously expected, bringing the economic weakness forward, so we are **adjusting our forecasts for 2020 yet again**. Admittedly, the view has even shifted somewhat from early this week, driven by extreme actions like the European travel ban and league-wide closures—March madness indeed. In summary:

- **Global growth** is now expected to be just 1.6% this year (from 2.0%), a deep slowdown from last year's sluggish 2.8%. We had already cut this year's estimate on downgrades in China, but we took a heavier axe to Europe and North America. We now expect an outright contraction in the EU economy this year, with an especially heavy hit in Italy.

- **U.S. GDP growth** is now pegged at 0.5% this year, versus 1.3% previously (which was already a big step down from 2.3% in 2019). Given the wave of cancellations and shutdowns, we look for no growth in Q1, a deep drop in Q2 and then a firmer recovery in the second half of the year. Inflation has been chopped further by the slide in oil.

- **Canada's GDP growth** is being cut to zero this year, down a full point from last week's call of 1.0% (and versus 1.6% for all of last year). Canada will likely take an even heavier hit due to the slump in commodity prices (especially oil, where we are cutting this year's call to $40/bbl—see this week's Feature for the details). Here, too, we expect a big Q2 contraction (down 6%) after no growth in Q1, but also a big rebound in H2. Impending and significant fiscal stimulus should help power the second-half recovery. Ottawa announced that the Budget is due on March 30, but even that timing is up in the air with Parliament now shut.

- **The Federal Reserve and the Bank of Canada** are now expected to react with deeper rate cuts; by an extra 25 bps to our prior view. The precise timing is a small debate, but we are looking for a 75 bp slice at next week's FOMC meeting, and then a 25 bp step at the following decision date. The BoC already chopped rates another 50 bps on Friday afternoon and is expected to cut another 50 bps at its April 15 meeting.

- **The Canadian dollar** finally buckled this week after months of relative calm. A reset on oil prices, a weak global economy and a flight-to-safety are a tough mix for the loonie. We see the currency sagging further in the months ahead, with a possible test of the 70-cent level. Look for the loonie to settle down along with other markets by the second half, but it will be challenged to break back above the 75-cent level even in 2021 amid lower oil prices.

Last week, we suggested that *"presumably, the shelf life for this revised call will be longer than a week."* It's probably painfully obvious by now that there can't be any guarantees on that front—after all, **Ottawa isn't able to provide a definitive date for the Budget**. But, we believe that we have absorbed all the known factors on hand into this revised forecast, and provided there are no new huge shocks, this version will hopefully stick a little longer.

Someone who has worked on Bay Street since the early 1980s (*ahem*) has seen their fair share of crises. Most have been driven by the machinations of the markets themselves (like the 1987 crash) and/or underlying domestic economic issues (like the tech bust or the 2008 crisis). Some have been driven by external economic crises (such as the 1997/98 Asian crisis or the 1995 Mexican peso crisis). But, occasionally, the driver is something that has nothing to do with economic factors, but quickly imposes itself on the markets and the economy (such as 9/11 or a natural disaster). The COVID-19 health crisis clearly lands squarely into the latter category; remarkably, Thursday's stock market rout wasn't even the top story of the day.

The good news is that in those situations, because the economy was relatively healthy before the hurricane, it stands a much better chance of recovering relatively quickly on the other side of the storm. And that appears to be the emerging debate on the outlook—we all know Q2 is going to be very challenging (and our call is much more negative than most, apparently), but where do we go in Q3? While some are calling for another quarter of economic decline, we look for the combination of stimulus and a return to some normality in life to power a Q3 bounceback. And, that Q3 rebound seems to be the nub of the debate.

Fed Policy: Bound for Zero Lower Bound

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We look for the FOMC to cut policy rates another 75 bps on March 18, resulting in a 0.25%-to-0.50% fed funds target range and bringing the month's cumulative reduction to 125 bps. Since the Fed began targeting the fed funds rate in the 1980s, such a plummet has happened only once before... in January 2008 as the Great Recession was just beginning. At last check (Friday @ 13:00 ET), the OIS market had 94 bps of cuts priced in (indicating 77% "hundo" odds).

We look for the policy statement to reiterate what was said amid the inter-meeting move earlier in the month, that *"the coronavirus poses evolving risks to economic activity"* and *"in light of these risks and in support of achieving its maximum employment and price stability goals"* a rate cut was warranted. Also, that *"the Committee is closely monitoring developments and their implications for the economic outlook and will use its tools and act as appropriate to support the economy."* And, we suspect it could soon be using all of its tools.

Assuming the COVID-19 case count and economic data are only going to get worse for at least the next month or two, this will set the stage for **another (25 bp) rate cut at the April 29 meeting**. The FOMC could still pull off a full percentage point paring on March 18 or move again before April 29; but, regardless of the road taken, by the end of next month, policy rates will be back at the "zero lower bound" (ZLB). The fed funds target range will then be at 0%-to-0.25%, where it stood for seven years from December 2008 until December 2015. And, being back at the ZLB means that other tools, such as forward guidance, committing to keep rates at the ZLB until some economic outcome is attained, and large-scale asset purchases (quantitative easing or QE), are back on the policy table.

As an aside, on March 12, as part of the Fed's effort to increase bank reserves by buying $60 billion of Treasury bills per month, **the Federal Reserve Bank of New York moved to spread those purchases along the yield curve in a market-weighted fashion. Some were calling this "QE4"... which it wasn't**. From the get go, the bill buying was designed to build up a reserves cushion that was "abundantly" above banks' aggregate minimum demand for reserves to ensure that occasional liquidity pressures caused by things such as Treasury auction settlements, corporate tax payments and calendar period ends didn't cause spikes in money market rates (which is what happened last September). True, the buying spread-out was an eyebrow raiser, but it had more to do with ameliorating the anomalies that were emerging in the Treasury market (e.g., abnormal discrepancies between one-the-run and off-the-run issues). Indeed, the same thing was occurring in the Canadas market which prompted the Bank of Canada to expand its regular (balance sheet neutral) bond buying program (purchasing off-the-runs to allow larger-auctioned on-the-runs).

Evidence that this wasn't QE is further served by the fact that the buying spread-out was associated with the announcement of another liquidity enhancing measure... a **$1.5 trillion term repo program**. Note, around the same time, the Bank of Canada also announced an expansion of its term repo program (and next day cut rates 50 bps inter-meeting), and, earlier in the day, the ECB enhanced (eased) its lending programs (in addition to boosting QE in lieu of cutting some already negative policy rates). Given that scant market liquidity was a key culprit for the Global Financial Crisis and recession, central banks are being aggressively proactive to avoid this problem again. And, by the way, if the buying spread-out was QE, it would have been skewed to longer maturities (which was the case for QE1, QE2, QE3 and Operation Twist), the scale would have been enlarged, and it would have been announced by the FOMC, not the NY Fed.

How soon will the FOMC potentially move on bona fide QE? We judge it will spend the remainder of this month assessing whether both forward guidance and QE are indeed warranted, with implementation sometime next month. At this point, unconventional measures are looking more likely than not, and could easily occur sooner rather than later.

Now, back to March's policy announcement. Given that participants' projections in the old Summary of Economic Projections (SEP) were crafted before December 11 (as a point of reference, the first case of the novel coronavirus in China was reported to the WHO on December 31), the new forecasts are going to look radically different, particularly for this year. To get a sense of how much things could change, consider the discrepancies between the FOMC's December medians and our current forecasts (see Sal's piece for more details). Here's the 2020 run: Real GDP growth Q4/Q4: FOMC=2.0% vs BMO=0.4%, unemployment rate: 3.5% vs. 3.9%, headline PCE inflation: 1.9% vs. 0.7%, and core inflation: 1.9% vs. 1.5%.

And, it's going to be even more interesting to see how the "dot plot" changes, particularly how long policy rates remain low, and how quickly they rise when the time comes. Note that the projections are year-end levels, so a 0.375% or higher median reading for 2020 doesn't preclude a move down to the ZLB in the interim. (For what it's worth, the December median was 1.625% for 2020 followed-by quarter-point hikes in both 2021 and 2022.) We judge it might only be by late this year that convincing evidence surfaces that the economy has shaken off the COVID-19 and low-oil-price shackles, so a 2021 commencement of rate hikes seems reasonable. In terms of cadence, this could be a case of fast down but slow up. Recall that after the first Fed rate hike in December 2015, it took another 36 months to lift rates 200 bps, which included an ending flurry of five consecutive quarterly moves (the tightening episode average was 67 bps per annum). We're going to stick with a two-hike average clip for the time being, unless a significant and sustained pick-up in inflation convinces us otherwise. Finally, in the press conference, we suspect Chair Powell will emphasize that amid a highly fluid situation, the FOMC will *"act as appropriate"* to support the economy, and also support liquidity in money markets and for banks.

U.S. Economy: Sicker

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Like most analysts, **we slashed our U.S. growth forecast again** as the stream of precautionary measures to flatten the COVID-19 curve gains pace. The suspension of most major league sports games, a wave of school closings and an outright ban on large gatherings in several states hammered home the severe economic dislocations looming this month and likely next in an attempt to stem the outbreak in the U.S., hopefully putting the nation on the containment path of Taiwan, Singapore and Hong Kong, instead of Italy and Iran. It's now clear that large parts of the economy will contract sharply in March and likely April before the virus outbreak (we hope) subsides in the spring. You know it's bad when March Madness and Disney are both shut down. We now expect real GDP in March to contract 1% (not annualized), with possible double-digit declines in air transportation, entertainment, recreation, accommodation and food services, and smaller declines in manufacturing and the rest of the economy. Due to "social distancing", retail trade will do well not to fall, with an offset from bulk buying of household essentials and juiced online sales. U.S. hotel occupancy rates are already down 7.3% y/y in the first week of March, and are certain to dive further given widespread cancellations of conferences and the 30-day ban on travel from most of Europe. Real GDP will likely decrease even faster in April, before (we hope) recovering in May. We **now expect Q1 GDP to be flat** (marked down from 0.9% a.r. last week) and **Q2 GDP to contract 5.0%** (down from -0.8%).

If the outbreak ebbs in the spring, GDP could rebound more than 3% in the second half of the year in response to deferred demand and policy stimulus. Persons putting off buying a car or couch now, out of fear of losing their jobs, will have more incentive to buy later given lower borrowing costs. After much wrangling the past week, the Administration and Congress are nearing a deal on an extensive fiscal rescue plan, including support for workers (enhanced unemployment insurance and two weeks of paid sick leave) and tax relief for businesses. The expected second-half recovery could keep GDP growth on the plus side for the year, though **we still sliced our 2020 call to 0.5%** from 1.3% last week (and 1.8% pre-COVID-19). Our estimate is at the low end of the consensus view. A recent Wall Street Journal survey shows economists axed their 2020 growth call (on a Q4/Q4 basis) to 1.2% from 1.9% last month, while our call on a comparable basis is 0.4% versus 1.9% a month ago.

The **WSJ survey pegged recession odds in the next 12 months at 49%, virtually a coin flip**, up from 26% a month ago, and we wouldn't disagree. A two-quarter "technical" recession is a distinct possibility given that Q1 could easily be negative if the March rout is worse than expected. The probability of a more severe downturn in terms of depth, duration and dispersion will largely come down to 1) the course of the virus outbreak, 2) adverse feedback from the current dislocations in equity and credit markets, and 3) whether companies begin mass layoffs either because they can't survive a sharp drop-off in demand or because they fear worse to come. Efforts by all stakeholders to grant forbearance would go some ways to reducing the risk of this hopefully temporary shock leaving a deeper and more permanent scar on the economy and people's livelihoods.

Canadian Policymakers Step Up

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The global economy is facing a crisis. Due to measures to mitigate the spread of COVID-19, economic activity is going to drop dramatically in April, which could make Q2 the weakest quarter in decades. The Bank of Canada already cut policy rates 50 bps earlier this month, and a move back to 0.25% (the crisis low) seems like a foregone conclusion, leaving timing as the only question. Unfortunately, rate cuts aren't likely to provide enough stimulus to lift the economy once COVID-19 passes. Households are already highly levered and interest rates started from much lower levels than in prior rate-cutting cycles. That leaves government as the key driver of stimulus.

While the timing of the federal Budget is in flux, Friday afternoon's trio of stimulus announcements is a big step in the right direction for policymakers. FM Morneau unveiled a $10 bln lending program through EDC and BDC. In addition, more fiscal measures are going to be announced next week. At the same time, OSFI cut the bank stability buffer to 1%, down 125 bps, which will add $300 bln in lending capacity to the banking system. And, the Bank of Canada cut policy rates 50 bps to 0.75%. In addition, the BoC will be buying 1-month BAs in an effort to help stabilize short-term funding markets.

These measures are a big step toward filling the economic gap that this crisis is creating and will help provide the fuel to drive the exit velocity needed to escape with as little damage as possible.

For most of the past few years, we've highlighted the need for the federal government to be fiscally conservative and save as many umbrellas as possible for a rainy day. Well… the skies are about to open up and it's **time to start spending**. Unfortunately, the government hasn't heeded our calls for caution and has spent more freely than necessary despite a generally healthy broader economy. Even so, the federal balance sheet remains in more than good enough shape to provide a meaningful injection of stimulus. As a starting point, we'd recommend that the coming stimulus be on the order of 1% of GDP over and above wherever the deficit was tracking previously. Given the much weaker backdrop, that suggests the deficit could clock in at about 2.5% of GDP (around $60 bln). And, we would stress that this is just a starting point; if conditions worsen, those figures should be even larger.

We've been on the hawkish side of the fiscal spectrum for some time now and the above recommendation is not made lightly. These are challenging times and that's when government is needed most. Today's announcement is an excellent start to providing support for the economy, but there should still be more to come.

Europe… Closed Until Further Notice

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Europe was already struggling last year for various reasons… Germany as its automakers shut down to prepare for EU environmental regulations and France with the strikes which crippled much of the country. Then, there was the trade war between key players around the world, digital-services taxes, and the threat of additional U.S. tariffs on European cars. In hindsight, **those were the good old days**.

Now, the coronavirus is making its way around the world, and Europe was its first stop after Asia. **No country is immune, given the European Union's open borders**. At least they have **generous social programs**. In any event, there are confirmed cases in every country. It is startling how quickly this virus has spread. Italy had about 150 cases in late February; now, it's 15,113. And what is even more mind-blowing is the speed at which other countries are catching up. Spain now has the second-highest number of cases in Europe at 4,209, followed by France at 2,876 and Germany at 2,369. This is a race that no one wants to win. Indeed, to paraphrase Bon Jovi, this **gives globalization a bad name**.

As a result, schools are closed throughout Europe. Dining establishments in Italy, unless they can guarantee one metre of space between each customer, are also shut. Austria is closing all border crossings to Italy. Spain had been hesitant to move, but its cases surged 797% this week, forcing the government to ban large gatherings in Madrid. It is expected to declare a state of emergency for the entire country. This is going to drag the Euro region into a recession (how can it not?), with a 0.5% contraction expected in 2020, the first since the Euro sovereign debt crisis.

It was the ECB's turn to step up this week but **President Lagarde**, in just her third meeting as the head, **failed to save the day**. Financial markets were clearly disappointed, not just by the decision to leave rates unchanged, but with the offer of an extra "*temporary envelope*" of €120 bln for bond purchases and the availability of longer-term financing at rates as low as -0.75%. In all fairness, monetary policy can only go so far in this situation. But her response to a question about wider spreads infuriated Italy. "W*e are not here to close spreads.*" Chief Economist Philip Lane was forced to clarify her point the next day: "*We will not tolerate any risks to the smooth transmission of our monetary policy in all jurisdictions of the euro area.*" But the President also incorrectly stated the amount of extra QE during the briefing (before the questions began). Although she caught her error and corrected herself (€120 bln, not €100 bln), the criticisms flew. In any event, live and learn. Fed Chair Powell has also misspoken and, well, never mind.

Bottom Line: Calling European fiscal authorities… please dial in.

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Indications of stronger growth and a move toward price stability are ***good news*** *for the economy.*

	Good News	Bad News
Canada ▪ BoC cuts 50 bps to 0.75% in emergency move and announces new BA purchase facility ▪ COVID-19 and oil send TSX to biggest drop in eight decades ▪ USMCA ratified in Parliament	**Building Permits** +4.0% (Jan.) **Household Debt-to-Income Ratio** edged lower to 176.3% (Q4) **New Motor Vehicle Sales** +0.8% y/y (Jan.) **Province of New Brunswick** projects a $92.4 mln surplus (FY20/21) **Province of Quebec** projects a $2.7 bln surplus (FY20/21)	**Housing Starts** -1.9% to 210,069 a.r. (Feb.) **Capacity Utilization Rate** -0.3 ppts to 81.2% (Q4) **Manpower Survey—Net Outlook** -1 ppt to +9% (Q2)
United States ▪ Stocks fall into bear market ▪ Markets spiral to deepest one-day sell-off since 1987 ▪ Fed to modify reserve-building asset purchases, offer $1.5 trln in term repos	**NFIB Small Business Sentiment** +0.2 pts to 104.5 (Feb.) **Manpower Survey—Net Outlook** steady at +19% (Q2) **Initial Claims** -4k to 211k (Mar. 7 week) **Household Net Worth** +$3.1 trln (Q4)	**Consumer Prices** +2.3% y/y; **Producer Prices** +1.3% y/y (Feb.) **Budget Deficit** widened to $235.3 bln (Feb.)
Japan ▪ BoJ on deck next week; more easing?	**Bank Lending Ex-Trusts** +2.2% y/y (Feb.) **Tertiary Industry Index** +0.8% (Jan.) **Current Account Surplus** widened to ¥612.3 bln (Jan.)	**Real GDP** revised lower to -1.8% q/q (Q4) **Machine Tool Orders** -30.1% y/y (Feb. P)
Europe ▪ ECB unexpectedly on hold; euro weakens on fears ▪ Italy under lockdown amid COVID-19 spread ▪ BoE cuts 50 bps in inter-meeting move, pound drops ▪ U.K. budget biggest since ’92 ▪ Norges Bank cuts 50 bps in emergency move	**Euro Area—Industrial Production** +2.3% (Jan.) **Germany—Industrial Production** +3.0% (Jan.) **France—Industrial Production** +1.2% (Jan.) **Italy—Industrial Production** +3.7% (Jan.) **U.K. —RICS House Price Balance** 29% (Feb.)	**Germany—Trade Surplus** narrowed to €18.5 bln (Jan.) **U.K.—Monthly Real GDP** unch (3 mths to Jan.) **U.K.—Index of Services** unch (3 mths to Jan.) **U.K.—Industrial Production** -0.1% (Jan.) **U.K.—Trade Deficit** widened £3.7 bln (Jan.)
Other ▪ COVID-19 spread in China stabilizing as global contagion ramping up ▪ Australia pledges $18 bln in fiscal stimulus	**China—M2 Money Supply** +8.8% y/y (Feb.) **China—Foreign Reserves** $3.1 trln (Feb.)	**China—Exports** -17.2% y/y; **Imports** -4.0% y/y (Jan.-Feb.) **China—Consumer Prices** +5.2% y/y; **Producer Prices** -0.4% y/y (Feb.) **China—Aggregate Yuan Financing** slowed to 855.4 bln (Feb.)—and **New Yuan Loans** 905.7 bln **China—Foreign Direct Investment** -25.6% y/y (Feb.) **Australia—NAB Business Confidence** -3 pts to -4 (Feb.) **Australia—Westpac Consumer Confidence** -3.8% (Mar.)

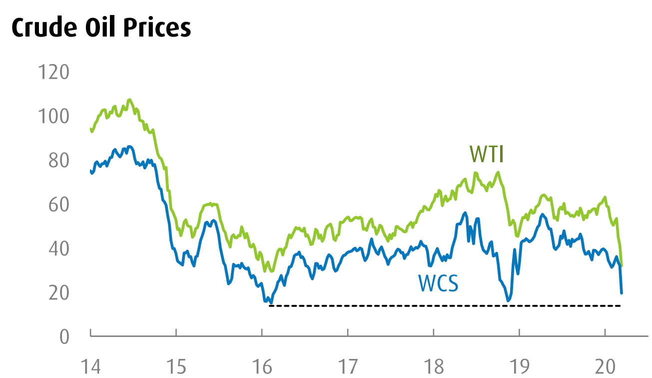
Economic Outlook: Crudely Interrupted

Douglas Porter, Benjamin Reitzes and Robert Kavcic

- Oil prices have dropped 40% in recent days to just over $30/bbl for WTI from an average of $54 in the first two months of the year, and just over $60 in the two prior years. Already sagging under the weight of sliding global demand amid the COVID-19 hit to growth, crude has been hammered by an outright price war between Saudi Arabia and Russia.
- Unlike the coronavirus, the economic implications of lower oil prices are relatively straightforward; the bigger challenge is getting the assumptions right on crude prices to begin with. While a near-term truce is entirely possible between OPEC and Russia, rhetoric is running hot and neither side seems ready to back down quickly. As a result, we are **now assuming an average WTI price this year of $40/bbl** (versus $50 previously), and $50 in 2021 (from $55).
- Just to keep things in perspective, and to give a sense at how quickly the world has changed, the Bank of Canada based its late-January forecast on the assumption of $60 WTI in 2020.
- This sudden shift in the world's most important commodity market presents a new downside risk for growth—particularly in Canada, but also somewhat so in the U.S.—for inflation, for the Canadian dollar, and for interest rates.
- **Western Canadian Select** has dropped alongside global prices (*Chart 1*). The recent spread versus WTI has actually been around its smallest in months at between $11-to-$13, as supplies of heavy crude have been limited from Venezuela. The narrow gap has reduced the incentive to ship by rail. However, in percentage terms, the gap is actually wider than usual.
- For **Canadian GDP**, the slide in oil prices simply compounds an already deteriorating growth outlook. Capital spending plans are being cut by oil companies, just days after the price war erupted. Still, there are two reasons to believe the hit will be much less severe than 2015/16: 1) prices are falling from much lower heights (WTI was at $100 in June 2014); and, 2) energy sector capex had already been cut back to a much smaller share of the total. From a peak of almost 4% of national GDP in 2014, capital spending in the energy sector had dropped below 1.5% by the end of 2019 (*Chart 2*).
- Even so, we would look for a further drop in energy capex, and an associated hit to sentiment in the oil-

Chart 1
Oil: Testing the Lows

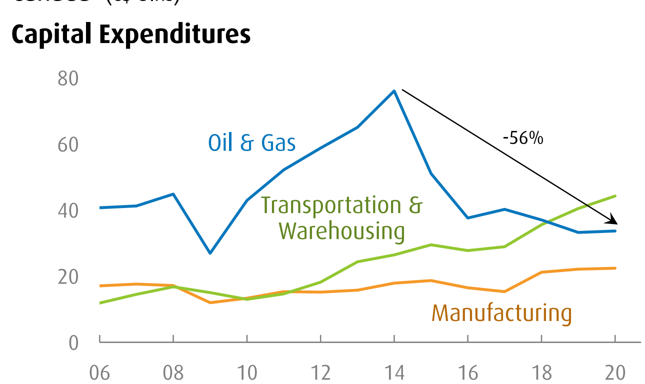
(US$/bbl : as of March 13, 2020, 3:55 pm)



Sources: BMO Economics, Haver Analytics, Bloomberg

Chart 2
Capex: Lower Still

Canada (C$ blns)

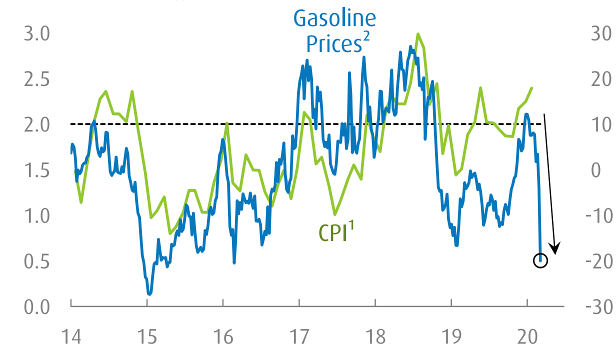


Sources: BMO Economics, Haver Analytics producing regions to further carve into 2020 GDP—we have revised our call down to zero from 1.0% previously.

- **Inflation** will also take a step back as a result of lower oil prices, with gasoline prices already tumbling in recent days (*Chart 3*). Pump prices are poised to slide more than 20% below year-ago levels in the coming days, which will carve headline inflation deeply below 2% in the near-term. For the year as a whole, we are cutting our estimate of average inflation by half a point to 1.5% (and down from a 1.9% average last year).
- Canada's GDP deflator will take an even bigger hit; we are slicing the estimated increase this year to just 1.1% (from 1.9%) on lower oil prices and slower activity generally.
- Combining the revised estimate of real GDP and the deflator points to a more subdued **nominal GDP** advance this year of just over 1%. That's down 2.5 percentage points from last year's 3.6% increase, and the prior 3.1% estimate for this year.
- Even before the latest oil shock hit, **the Bank of Canada** cut rates 50 bps at the March 4 policy meeting driven by COVID-19 fears. The virus had already pulled WTI below $50 and tightened global financial conditions. Oil falling into the low $30s, and perhaps even lower yet, introduces further downside risk to the outlook as mentioned above, and prompted more easing by the Bank of Canada in today's emergency cut (*Chart 4*).
- Recall that in 2015, the BoC cut rates by 25 bps in both January and July in an effort to counter that oil shock. The economic backdrop has meaningfully more downside this time around due to COVID-19. Accordingly, we expect the Bank of Canada to cut rates another 50 bps at the April policy meeting (the final announcement for Governor Poloz). This will bring policy rates to the lower bound seen during the financial crisis.

Chart 3
Inflation: Out of Gas

Canada (y/y % chng)

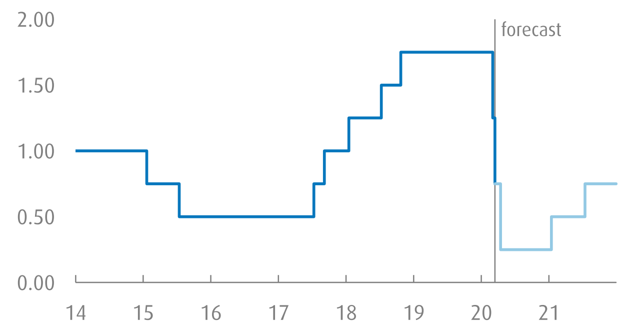


[1] (lhs); [2] (rhs)
Sources: BMO Economics, Haver Analytics

Chart 4
BoC: More Cuts Coming

Canada (percent)

Overnight Lending Rate



Sources: BMO Economics, Haver Analytics

- The fear and panic surrounding the potential impact of COVID-19 followed by the oil shock have pulled **Canadian bond yields** down to record lows. The move in Canadian rates is by no means idiosyncratic, as global sovereign yields have plunged over the past month. With policy rates headed to just above zero, and the Canadian economy left grappling with persistently low oil prices and record high household debt, expect the Canadian curve to remain relatively flat for the coming months/quarters, with yields sitting sub-1% from the 2-year sector all the way out to 10-

years. It will take a material positive shock (to growth or inflation) to push bond yields back above 1% at any maturity less than 30 years over the next few quarters.

- **The Canadian dollar** has taken it on the chin this week, losing about three cents to 71.7 cents(US), or just above C$1.39. While the correlation between oil and the loonie has fallen in recent years, oil remains a major export product for Canada. The currency has also succumbed to an increasing flight-to-safety move among all asset classes (*Chart 5*).

- Given the anticipated economic underperformance and chronically low oil prices, we're forecasting the loonie to sink further over the coming months and test 71.5 cents(US) or C$1.40, a level not seen since early-2016.

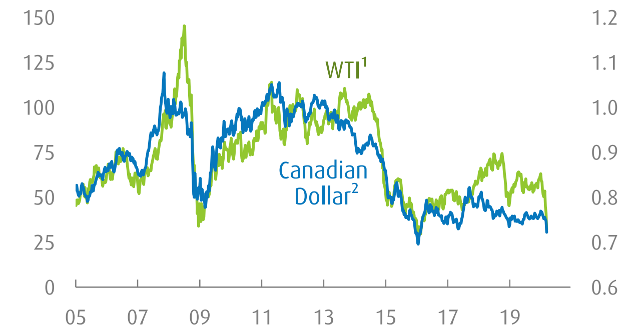
- From a **regional perspective**, growth has converged in recent years, with the gap between oil producers and nonproducers narrowing (*Chart 6*). That gap now looks to widen again, with oil producers falling on a relative basis. But, because this oil price shock comes alongside the COVID-19 disruption, which also negatively impacts the nonproducers, the divergence won't be as sharp as in 2015.

- **Alberta** remains most exposed to oil, and the current price collapse will weigh on an economy already clinging to growth. Indeed, capital spending budgets among major producers will be cut sharply this year, with some major projects underway potentially put on hold. Incomes will surely get dinged again, while consumer spending and housing are at risk of taking another step down.

- The impact on **the rest of Canada** will be muted in the short term. That is, B.C., Ontario and Quebec likely won't accelerate as they did in the wake of the 2014/15 oil price decline and BoC rate cut response. First, households and the housing market are already levered up after the prior shock, so the response this time around will be less dramatic. Also, these regions are now dealing with an accelerating spread of COVID-19 and the associated economic losses—think travel, tourism, consumer and business confidence. After the virus passes, however, these regions should benefit from lower interest rates and fuel prices, and resume their leadership role in 2021.

- Ottawa assumed $57 and $58 for WTI in 2020 and 2021, respectively, in the fall fiscal update. That, along with the near-term real and nominal GDP forecast, looks

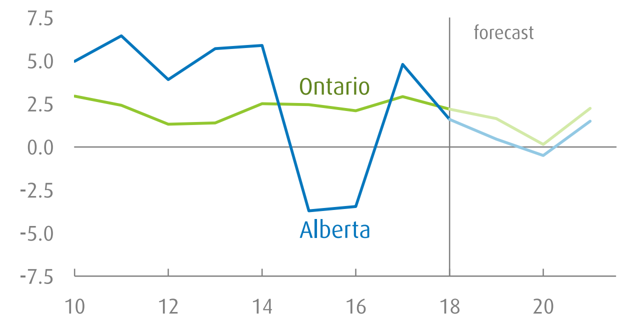
Chart 5
Loonie & Oil: Back in Sync
(as of March 13, 2020, 3:55 pm)



[1] (US$/bbl : lhs); [2] (US$/C$: rhs)
Sources: BMO Economics, Haver Analytics, Bloomberg

Chart 6
Provincial Growth: Reversal
(y/y % chng)

Real GDP

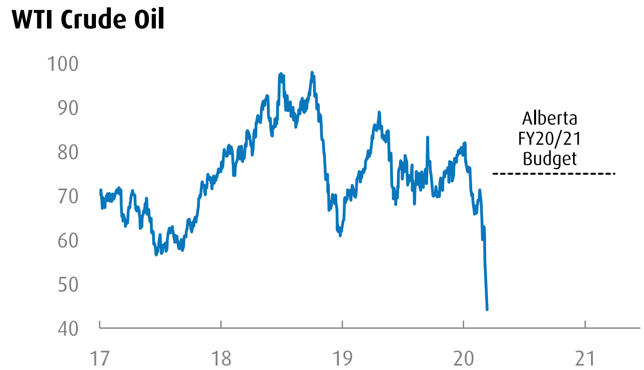


Sources: BMO Economics, Haver Analytics to be well to the high side. With our current forecast as a guide, it looks like Ottawa could face roughly $10 billion of underlying downside in the FY20/21 budget versus the plan ($28.1 billion deficit) laid out in the fall. Tacking on new measures to garner opposition-party support and combat COVID-19, the **budget deficit** should easily push above $40 billion in the fiscal year starting in April—even before any new stimulus measures.

- Provincially, Alberta's FY20/21 budget assumed $58 for WTI. Based on our updated outlook, along with a weaker loonie and assuming a cooperative light-heavy differential, the Province could be looking at a $5 billion deeper hole, all else equal (*Chart 7*). That would lift the deficit above 3% of GDP, into more serious territory. Budgets in Saskatchewan and Newfoundland & Labrador are pending.

Chart 7
Budget Expectations

(C$/bbl : as of March 13, 2020, 3:55 pm)



Sources: BMO Economics, Haver Analytics, Bloomberg

- The **TSX** has persistently lagged its U.S. counterparts, and the slide in oil is certainly not helping. Canadian stocks are now down roughly 30% from their peak. The Canadian market suffers from a lack of exposure to what has been working best this cycle (namely technology, with the exception of a few names), while remaining heavily exposed to energy—13% of the index versus less than 3% in the S&P 500.

Economic Forecast Summary for March 13, 2020

	2019				2020				Annual		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2018	2019	2020
CANADA											
Real GDP (q/q % chng : a.r.)	1.0	3.4	1.1	0.3	0.0 ↓	-6.0 ↓	4.5 ↑	3.5 ↑	2.0	1.6	0.0 ↓
Consumer Price Index (y/y % chng)	1.6	2.1	1.9	2.1	2.0 ↓	1.2 ↓	1.4 ↓	1.5 ↓	2.3	1.9	1.5 ↓
Unemployment Rate (percent)	5.8	5.6	5.6	5.7	5.6	6.2 ↑	6.2 ↑	6.1 ↑	5.8	5.7	6.0 ↑
Housing Starts (000s : a.r.)	187	224	223	202	209 ↑	205	206	204	214	209	206 ↑
Current Account Balance ($blns : a.r.)	-69.4	-33.7	-43.5	-35.0	-45.8 ↓	-60.1 ↓	-56.9 ↓	-51.1 ↓	-55.5	-45.4	-53.5 ↓
Interest Rates (average for the quarter : %)											
Overnight Rate	1.75	1.75	1.75	1.75	1.42 ↓	0.25 ↓	0.25 ↓	0.25 ↓	1.44	1.75	0.54 ↓
3-month Treasury Bill	1.65	1.67	1.64	1.66	1.30 ↓	0.25 ↓	0.20 ↓	0.20 ↓	1.37	1.65	0.50 ↓
10-year Bond	1.86	1.62	1.36	1.52	1.20 ↑	0.45 ↓	0.60 ↓	0.80 ↓	2.28	1.59	0.75 ↓
Canada-U.S. Interest Rate Spreads (average for the quarter : bps)											
90-day	-79	-68	-38	5	14 ↓	6 ↓	3	3	-60	-45	6 ↓
10-year	-80	-72	-43	-28	-22 ↓	-3 ↑	0 ↑	0 ↑	-63	-56	-6 ↑
UNITED STATES											
Real GDP (q/q % chng : a.r.)	3.1	2.0	2.1	2.1	0.0 ↓	-5.0 ↓	3.2 ↑	3.7 ↑	2.9	2.3	0.5 ↓
Consumer Price Index (y/y % chng)	1.6	1.8	1.8	2.0	2.1 ↓	1.2 ↓	1.2 ↓	1.0 ↓	2.4	1.8	1.4 ↓
Unemployment Rate (percent)	3.9	3.6	3.6	3.5	3.6	4.0 ↑	4.0 ↑	3.9 ↑	3.9	3.7	3.9 ↑
Housing Starts (mlns : a.r.)	1.21	1.26	1.28	1.45	1.46 ↓	1.33 ↓	1.37 ↓	1.39	1.25	1.30	1.39 ↓
Current Account Balance ($blns : a.r.)	-545	-501	-496	-418 ↓	-411 ↑	-374 ↑	-362 ↑	-372 ↑	-491	-490	-380 ↑
Interest Rates (average for the quarter : %)											
Fed Funds Target Rate	2.38	2.38	2.13	1.63	1.21	0.13 ↓	0.13 ↓	0.13 ↓	1.83	2.13	0.40 ↓
3-month Treasury Bill	2.44	2.35	2.02	1.61	1.15 ↓	0.20 ↓	0.20 ↓	0.20 ↓	1.97	2.10	0.45 ↓
10-year Note	2.65	2.33	1.79	1.79	1.40 ↑	0.50 ↓	0.60 ↓	0.80 ↓	2.91	2.14	0.80 ↓
EXCHANGE RATES (average for the quarter)											
US¢/C$	75.2	74.8	75.7	75.8	74.9 ↓	71.9 ↓	72.3 ↓	73.6 ↓	77.2	75.4	73.2 ↓
C$/US$	1.33	1.34	1.32	1.32	1.34 ↑	1.39 ↑	1.38 ↑	1.36 ↑	1.30	1.33	1.37 ↑
¥/US$	110	110	107	109	108	102 ↓	102 ↓	106 ↓	110	109	104 ↓
US$/Euro	1.14	1.12	1.11	1.11	1.11 ↓	1.10 ↓	1.09 ↓	1.10	1.18	1.12	1.10 ↓
US$/£	1.30	1.29	1.23	1.29	1.30	1.26 ↓	1.27 ↓	1.29 ↓	1.34	1.28	1.28 ↓

Blocked areas mark BMO Capital Markets forecasts; up and down arrows (↑↓) indicate forecast changes; spreads may differ due to rounding

Canada

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Existing Home Sales

Monday, 9:00 am (expected)

		Average Prices
Feb. (e)	**+25.0% y/y**	**+15.0% y/y**
Jan.	+11.5% y/y	+11.2% y/y

	MLS Home Price Index
Feb. (e)	**+6.0% y/y**
Jan.	+4.7% y/y

Pre-COVID-19 fears, the housing market was rocking amid falling mortgage rates and extremely tight supply. Home sales likely surged 25% y/y in February, the biggest increase since 2010. However, it's a leap year, so the extra selling day provided a little extra juice (that will dampen the seasonally adjusted monthly increase). Toronto and Vancouver sales were both up over 40% y/y, while nearly every major city was up double-digits. The strong demand, coupled with a lack of supply, looks to push up average prices 15% y/y, which would mark a four-year high. And, the quality-adjusted MLS HPI likely accelerated to +6% y/y, the highest since early 2018.

Consumer Price Index

Wednesday, 8:30 am

Feb. (e)	**+0.4% (unch sa)**	**+2.2% y/y**
Jan.	+0.3%	+2.4% y/y

Core CPI Measures (Jan.)

CPI Core - Trim	+2.1% y/y
CPI Core - Median	+2.2% y/y
CPI Core - Common	+1.8% y/y

Canadian consumer prices likely rose 0.4% in February, the strongest seasonal month of the year for inflation. Food, autos, and travel services prices are expected to be big contributors to the headline increase, more than offsetting a steep drop in energy prices. Indeed, gasoline prices dipped about 1.5%, but are in store for a much more severe drop in March following the plunge in oil prices. Our call would trim the yearly rate two ticks to 2.2%.

The average of the Bank of Canada's three core CPI measures has been within a tick of 2% for two straight years. That's unlikely to change, though there's downside risk to all three measures in February, which could bring the average to 1.9%. That would only reinforce the BoC's dovishness amid the COVID-19 and oil crises.

Retail Sales

Friday, 8:30 am

		Ex. Autos
Jan. (e)	**+0.3%**	**+0.3%**
Dec.	unch	+0.5%

Retail sales look to climb 0.3% in January, rebounding from the prior month's flat reading. Consumer confidence reversed December's plunge and then some, suggesting spending perked up a bit to start 2020. Auto sales are expected to be neutral, and gasoline prices were flat on the month. Core sales (ex. autos & gas) were solid to end 2019 and we're expecting a further modest increase to start 2020 as the year began on a decent footing. With goods prices rising at a similar pace, retail volumes will likely be flat to lower. Conditions have clearly changed since then, so be prepared for some serious volatility in the numbers in the months ahead.

United States

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Retail Sales

Tuesday, 8:30 am

		Ex. Autos
Feb. (e)	**+0.1%**	**+0.1%**
Consensus	*+0.2%*	*+0.2%*
Jan.	+0.3%	+0.3%

	Ex. Autos/Gas
Feb. (e)	**+0.2%**
Consensus	*+0.4%*
Jan.	+0.4%

Flat auto sales and soft-chain store receipts, together with cheaper fuel, point to a weak retail sales print (+0.1%) in February. Although consumer confidence remained elevated, it's pretty clear that concern about the coronavirus mounted late in the month, with some households loading up on emergency supplies such as groceries and medicines. But, March will see the full impact of precautionary measures, with many people avoiding large social spaces (like malls) and shelving travel plans, and an expected plunge in consumer confidence that discourages discretionary purchases, especially for big-ticket items like cars, furniture and appliances. A drop in tourism will also hit restaurant outings. After slowing to a 1.7% pace in Q4, consumer spending likely downshifted further in Q1 and will almost certainly contract in Q2.

Industrial Production

Tuesday, 9:15 am

		Capacity Utilization
Feb. (e)	**+0.2%**	**76.9%**
Consensus	*+0.4%*	*77.1%*
Jan.	-0.3%	76.8%

After sliding the past two months, in part, due to Boeing's production problems, industrial production looks to turn modestly higher in February. Supply-chain disruptions from COVID-19 flag flat manufacturing, as indicated by a drop in the ISM production index. A dip in oil production from record highs amid reduced sales to China will also weigh. However, a return to more seasonal temperatures will spur a rebound in heating usage. Overall, look for industrial production to increase 0.2%, lifting the capacity utilization rate slightly to 76.9%.

Housing Starts

Wednesday, 8:30 am

Feb. (e)	**1.56 mln a.r. (-0.5%)**
Consensus	*1.50 mln a.r. (-4.2%)*
Jan.	1.57 mln a.r. (-3.6%)

Building Permits

Feb. (e)	**1.52 mln a.r. (-1.8%)**
Consensus	*1.50 mln a.r. (-3.2%)*
Jan.	1.55 mln a.r. (+9.2%)

Existing Home Sales

Friday, 10:00 am

Feb. (e)	**5.55 mln a.r. (+1.6%)**
Consensus	*5.55 mln a.r. (+1.7%)*
Jan.	5.46 mln a.r. (-1.3%)

Housing demand is firming in the wake of improving affordability but buying enthusiasm looks to be curbed, temporarily, by the increasing COVID-19 outbreak. However, the latter is more a spring issue than a winter one, so February existing home sales, the majority of which are closings contracted in January or before, should be unaffected. Indeed, the backlog of contracts waiting to close, or pending home sales, soared 5.3% in January. On the affordability front, 30-year mortgage rates averaged 3.47% in the period, matching a 41-month low, but rates dropped sharply to start March; the 3.29% weekly print was the lowest since Freddie Mac's survey began in 1971. Against February's background of payroll employment growth picking up and consumer confidence improving, existing home sales should increase 1.6% to 5.55 million units (annualized) and probably advance again in March.

The latter would likely be higher if not for the lack of homes available for sale. In January, total existing homes on the market sat at a record low (since 1999), with single-family properties alone at their lowest level since this record began in 1982. Of course, the lack of supply is providing a lift to new home construction. The 12-month trend in housing starts hit its highest level in more than 12 years in January. For February, however, with higher-than-typical amounts of precipitation, starts running ahead of permits for the past two periods, and some lingering payback for December's surge, we see housing starts slipping 0.5% to 1.56 million units (annualized).

FOMC Announcement

Wednesday, 2:00 pm
Press conference at 2:30 pm

See Michael Gregory's Thought on page 4.

Central Banks

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BoJ Announcement
Thursday

We finally hear from the Bank of Japan on Thursday. It has had plenty of time to see what others were doing, how markets were behaving, and how consumers were reacting to COVID-19. As usual, there is plenty of speculation that the BoJ will ease monetary policy further, but we have been sorely disappointed before. Remember: years of super-low interest rates (shorter-term at -0.1%, 10-year JGBs holding around 0%) have done little for inflation. So, cutting rates even further will achieve little. What is needed is fiscal spending and for PM Abe to make deep structural changes.

Financial Markets Update for March 13, 2020

		Mar 13 [1]	Mar 6	Week Ago	4 Weeks Ago	Dec 31, 2019
					(basis point change)	
Canadian Money Market	Call Money	0.75	1.25	-50	-100	-100
	Prime Rate	3.45	3.45	0	-50	-50
U.S. Money Market	Fed Funds (effective)	1.25	1.25	0	-50	-50
	Prime Rate	4.25	4.25	0	-50	-50
3-Month Rates	Canada	0.58	0.76	-18	-106	-108
	United States	0.25	0.45	-20	-132	-129
	Japan	-0.30	-0.31	1	-16	-19
	Eurozone	-0.43	-0.47	5	-2	-5
	United Kingdom	0.51	0.52	-1	-25	-29
	Australia	0.62	0.57	5	-30	-29
2-Year Bonds	Canada	0.49	0.71	-22	-100	-121
	United States	0.50	0.51	-1	-93	-107
10-Year Bonds	Canada	0.81	0.72	9	-55	-89
	United States	1.00	0.76	23	-59	-92
	Japan	0.02	-0.14	16	5	4
	Germany	-0.54	-0.71	17	-14	-36
	United Kingdom	0.41	0.23	18	-22	-41
	Australia	0.98	0.68	30	-7	-39
Risk Indicators	VIX	63.7	41.9	21.7 pts	50.0 pts	49.9 pts
	TED Spread	59	45	15	47	23
	Inv. Grade CDS Spread [2]	129	83	46	85	84
	High Yield CDS Spread [2]	655	447	208	371	375
					(percent change)	
Currencies	US¢/C$	72.23	74.53	-3.1	-4.3	-6.2
	C$/US$	1.385	1.342	—	—	—
	¥/US$	108.42	105.39	2.9	-1.2	-0.2
	US$/€	1.1076	1.1284	-1.8	2.3	-1.2
	US$/£	1.232	1.305	-5.6	-5.5	-7.0
	US¢/A$	61.73	66.36	-7.0	-8.1	-12.1
Commodities	CRB Futures Index	140.84	155.85	-9.6	-18.6	-24.2
	Oil (generic contract)	31.89	41.28	-22.7	-38.7	-47.8
	Natural Gas (generic contract)	1.90	1.71	11.0	3.2	-13.4
	Gold (spot price)	1,513.26	1,673.83	-9.6	-4.5	-0.3
Equities	S&P/TSX Composite	13,218	16,175	-18.3	-25.9	-22.5
	S&P 500	2,585	2,972	-13.0	-23.5	-20.0
	Nasdaq	7,680	8,576	-10.4	-21.1	-14.4
	Dow Jones Industrial	22,717	25,865	-12.2	-22.7	-20.4
	Nikkei	17,431	20,750	-16.0	-26.4	-26.3
	Frankfurt DAX	9,232	11,542	-20.0	-32.8	-30.3
	London FT100	5,366	6,463	-17.0	-27.6	-28.9
	France CAC40	4,118	5,139	-19.9	-32.1	-31.1
	S&P ASX 200	5,539	6,216	-10.9	-22.3	-17.1

[1] = as of 3:55pm *[2] = One day delay*

Global Calendar — March 16–March 20

	Monday March 16	Tuesday March 17	Wednesday March 18	Thursday March 19	Friday March 20
Japan	**Core Machine Orders** **Jan. (e) -1.0% -1.1% y/y** Dec. -12.5% -3.5% y/y	**Industrial Production** **Jan. F (e) +0.8% -2.5% y/y** Dec. +1.2% -3.1% y/y	**Trade Surplus** **Feb. '20 (e) ¥0.9 trln** Feb. '19 ¥1.3 trln **BoJ Monetary Policy Meeting (Mar. 18-19)**	**CPI / Core CPI** **Feb. (e) +0.5% y/y +0.6% y/y** Jan. +0.7% y/y +0.8% y/y **CPI ex. Food & Energy** **Feb. (e) +0.7% y/y** Jan. +0.8% y/y **All-Industry Activity Index** **Jan. (e) +0.5%** Dec. unch	
Euro Area		**EURO AREA** **Labour Costs** **Q4** Q3 +2.6% y/y **GERMANY** **ZEW Survey—Expectations** **Mar. (e) -26.4** Feb. 8.7	**EURO AREA** **Trade Surplus** **Jan. (e) €19.2 bln** Dec. €22.2 bln **Consumer Price Index** **Feb. F (e) +0.2% +1.2% y/y** Jan. -1.0% +1.4% y/y **Core CPI** **Feb. F (e) +1.2% y/y** Jan. +1.1% y/y **ITALY** **Industrial Orders** **Jan.** Dec. +1.4% +6.0% y/y		
U.K.	**Rightmove House Prices** **Mar.** Feb. +0.8% +2.9% y/y **Bailey becomes BoE Governor**	**Employment (3m/3m)** **Jan. (e) +143,000** Dec. +180,000 **Avg. Wkly Earnings Ex. Bonus (3 mma)** **Jan. (e) +3.2% y/y** Dec. +3.2% y/y **Jobless Rate (3 mma)** **Jan. (e) 3.8%** Dec. 3.8%	**U.K./EU trade talks (Mar. 18-20)**		
Other	**CHINA** **Industrial Production (YTD)** **Feb. '20 (e) -3.0% y/y** Feb '19 +5.3% y/y **Retail Sales (YTD)** **Feb. '20 (e) -4.0% y/y** Feb '19 +8.2% y/y **Fixed Asset Investment (YTD)** **Feb. '20 (e) -2.0% y/y** Feb '19 +6.1% y/y	**AUSTRALIA** **RBA Minutes from Mar. 3 meeting**	**BRAZIL** **Central Bank of Brazil Monetary Policy Meeting**	**AUSTRALIA** **Employment** **Feb. (e) +8,500** Jan. +13,500 **Jobless Rate** **Feb. (e) 5.3%** Jan. 5.3%	

D = date approximate

Upcoming Policy Meetings | Bank of England: Mar. 26, May 7, June 18 | European Central Bank: Apr. 30, June 4, July 16

North American Calendar — March 16–March 20

	Monday March 16	Tuesday March 17	Wednesday March 18	Thursday March 19	Friday March 20
Canada	**9:00 am** **Existing Home Sales[D] / Average Prices** **Feb. (e)** **+25.0% y/y** **+15.0% y/y** Jan. +11.5% y/y +11.2% y/y **9:00 am** **MLS Home Price Index[D]** **Feb. (e)** **+6.0% y/y** Jan. +4.7% y/y	**8:30 am** **Mfg. Sales / Mfg. New Orders** **Jan. (e)** **-0.5%** **unch** Dec. -0.7% -0.6% **8:30 am** **Int'l Securities Transactions Inflows / Outflows** **Jan.** Dec. -$9.6 bln $13.8 bln 10:30 am 3-, 6- & 12-month bill auction $15.0 bln (new cash $6.0 bln)	**8:30 am** **Consumer Price Index** **Feb. (e)** **+0.4%** **+2.2% y/y** **(unch sa)** Jan. +0.3% +2.4% y/y **8:30 am** **CPI Core (% y/y) Trim / Median / Common** **Feb.** Jan. +2.1% +2.2% +1.8% **Saskatchewan Budget**	**8:30 am** **New Housing Price Index** **Feb. (e)** **+0.1%** **+0.3% y/y** Jan. unch +0.2% y/y **8:30 am** **ADP National Employment Report** **Feb.** Jan. +25,877	**8:30 am** **Retail Sales / Ex. Autos** **Jan. (e)** **+0.3%** **+0.3%** Dec. unch +0.5%
United States	**8:30 am** **Empire State Manufacturing Survey** **Mar. (e)** **-1.0** *Consensus* *5.0* Feb. 12.9 **4:00 pm** **Net TIC Flows Total / Long Term** **Jan.** Dec. $78.2 bln $85.6 bln 11:30 am 13- & 26-week bill auctions $78 bln	**8:30 am** **Retail Sales / Ex. Autos** **Feb. (e)** **+0.1%** **+0.1%** *Consensus* *+0.2%* *+0.2%* Jan. +0.3% +0.3% **8:30 am** **Retail Sales ex. Autos/Gas** **Feb. (e)** **+0.2%** *Consensus* *+0.4%* Jan. +0.4% **9:15 am** **Industrial Production / Capacity Utilization** **Feb. (e)** **+0.2%** **76.9%** *Consensus* *+0.4%* *77.1%* Jan. -0.3% 76.8% **10:00 am** **NAHB Housing Market Index** **Mar. (e)** **71** *Consensus* *74* Feb. 74 **10:00 am** **Business Inventories** **Jan. F (e)** **-0.1%** *Consensus* *-0.1%* Dec. unch **10:00 am** **Job Openings & Labor Turnover Survey (Jan.)** **FOMC Meeting begins** **Democratic Primaries (4 states; 577 delegates)** 11:00 am 4- & 8-week bill auction announcements	**7:00 am** **MBA Mortgage Apps** **Mar. 13** Mar. 6 +55.4% **8:30 am** **Housing Starts** **Feb. (e)** **1.56 mln a.r. (-0.5%)** *Consensus* *1.50 mln a.r. (-4.2%)* Jan. 1.57 mln a.r. (-3.6%) **8:30 am** **Building Permits** **Feb. (e)** **1.52 mln a.r. (-1.8%)** *Consensus* *1.50 mln a.r. (-3.2%)* Jan. 1.55 mln a.r. (+9.2%) **2:00 pm** **FOMC Announcement and Summary of Economic Projections** **2:30 pm** **Fed Chair Powell's Press Briefing**	**8:30 am** **Initial Claims** **Mar. 14 (e)** **220k (+9k)[C]** Mar. 7 211k (-4k) **8:30 am** **Continuing Claims** **Mar. 7** Feb. 29 1,722k (-11k) **8:30 am** **Current Account Deficit** **Q4 (e)** **$104.6 bln** *Consensus* *$108.8 bln* Q3 $124.1 bln **8:30 am** **Philadelphia Fed Index** **Mar. (e)** **7.0** *Consensus* *10.0* Feb. 36.7 **10:00 am** **Leading Indicator** **Feb. (e)** **unch** *Consensus* *+0.1%* Jan. +0.8% 11:00 am 13-, 26-, 52-week bill, 2-, 5-, 7-year note, 2-year FRN auction announcements 11:30 am 4- & 8-week bill auctions 1:00 pm 10[R]-year TIPS auction $12 bln	**10:00 am** **Existing Home Sales** **Feb. (e)** **5.55 mln a.r. (+1.6%)** *Consensus* *5.55 mln a.r. (+1.7%)* Jan. 5.46 mln a.r. (-1.3%)

[C] = consensus   [D] = date approximate   [R] = reopening

Upcoming Policy Meetings | Bank of Canada: Apr. 15, June 3, July 15 | FOMC: Apr. 28-29, June 9-10, July 28-29

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