

## The Weekly Bottom Line

April 12, 2019

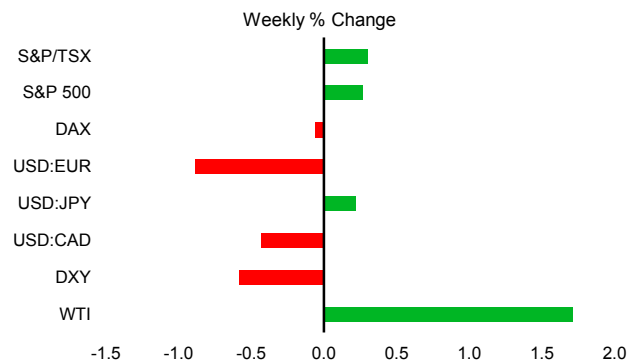
### Highlights of the Week

- Inflation pressures remain benign, as headline consumer prices rose just 1.9% year-on-year in March, and core prices came in at 2.0%. These numbers reinforce the Fed's 'patience' stance that was reiterated in its March FOMC minutes.
- US-China trade negotiations are progressing with China appearing to make further concessions on tech-related issues, and the two sides agreeing on an enforcement mechanism.
- Trade talks with the EU, however, are set to become more contentious as the U.S. threatens tariffs on EU imports following a ruling from the WTO on a longstanding disagreement.

This Week in the Markets				
	Current*	Week Ago	52-Week High	52-Week Low
<b>Stock Market Indexes</b>				
S&P 500	2901	2893	2931	2351
S&P/TSX Comp.	16443	16396	16567	13780
DAX	12000	12010	13170	10382
FTSE 100	7426	7447	7877	6585
Nikkei	21871	21808	24271	19156
<b>Fixed Income Yields</b>				
U.S. 10-yr Treasury	2.55	2.50	3.24	2.37
Canada 10-yr Bond	1.78	1.70	2.60	1.53
Germany 10-yr Bund	0.06	0.01	0.65	-0.08
UK 10-yr Gilt	1.22	1.12	1.73	0.99
Japan 10-yr Bond	-0.06	-0.03	0.16	-0.09
<b>Foreign Exchange Cross Rates</b>				
C\$ (USD per CAD)	0.75	0.75	0.80	0.73
Euro (USD per EUR)	1.13	1.12	1.24	1.12
Pound (USD per GBP)	1.31	1.30	1.43	1.25
Yen (JPY per USD)	112.0	111.7	114.5	107.0
<b>Commodity Spot Prices**</b>				
Crude Oil (\$US/bbl)	64.3	63.1	76.4	42.3
Natural Gas (\$US/MMBtu)	2.74	2.61	4.80	2.56
Copper (\$US/met. tonne)	6390.5	6385.3	7330.5	5713.8
Gold (\$US/troy oz.)	1292.5	1291.8	1349.4	1174.2

\*as of 11:04 am on Friday. \*\*Oil-WTI, Cushing, Nat. Gas-Henry Hub, LA (Thursday close price), Copper-LME Grade A, Gold-London Gold Bullion; Source: Bloomberg.

### North American Markets Edge Higher



Note: Data as of 11:10 AM ET, April 12, 2019  
Sources: Bloomberg, TD Economics

### Global Official Policy Rate Targets

	Current Target
Federal Reserve (Fed Funds Rate)	2.25 - 2.50%
Bank of Canada (Overnight Rate)	1.75%
European Central Bank (Refi Rate)	0.00%
Bank of England (Repo Rate)	0.75%
Bank of Japan (Overnight Rate)	-0.10%

Source: Central Banks.

### TD Economics Key Forecasts

	Current Rate 4/12/19	2018				2019				2020			
		Q1	Q2	Q3	Q4	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
Fed Funds Target Rate (%)	2.50	1.75	2.00	2.25	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
2-yr Govt. Bond Yield (%)	2.39	2.27	2.52	2.81	2.48	2.45	2.50	2.50	2.50	2.50	2.50	2.50	2.50
10-yr Govt. Bond Yield (%)	2.55	2.74	2.85	3.05	2.69	2.65	2.70	2.75	2.85	2.85	2.85	2.85	2.85
30-yr Govt. Bond Yield (%)	2.97	2.97	2.98	3.19	3.02	2.90	2.95	3.00	3.10	3.10	3.10	3.10	3.10
Real GDP (Q/Q % Chg)*	2.2 (Q4-18)	2.2	4.2	3.4	2.2	1.0	2.8	2.3	2.2	1.8	1.9	1.6	1.8
CPI (Y/Y % Chg.)	1.9 (Mar-19)	2.2	2.7	2.6	2.2	2.1	1.9	1.9	2.0	1.9	2.1	2.2	2.2
Unemployment Rate (%)	3.8 (Mar-19)	4.1	3.9	3.8	3.8	3.9	3.7	3.6	3.7	3.7	3.7	3.7	3.8

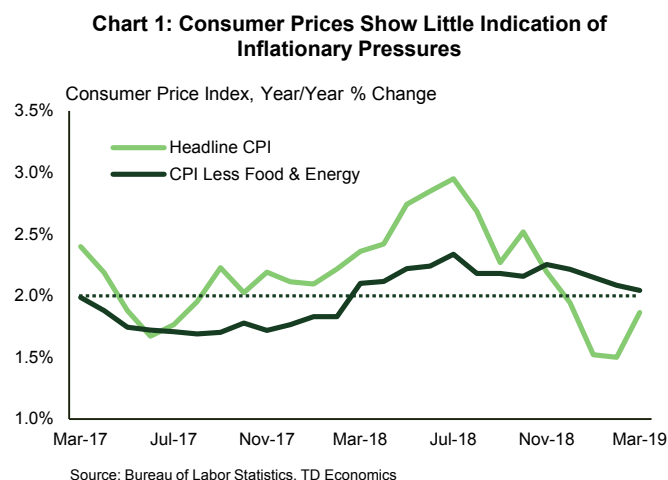
Forecast by TD Economics as of March 2019. Source: Bloomberg, TD Economics. \*Annualized

## Not too Hot, Not Too Cold, (Almost) Just Right

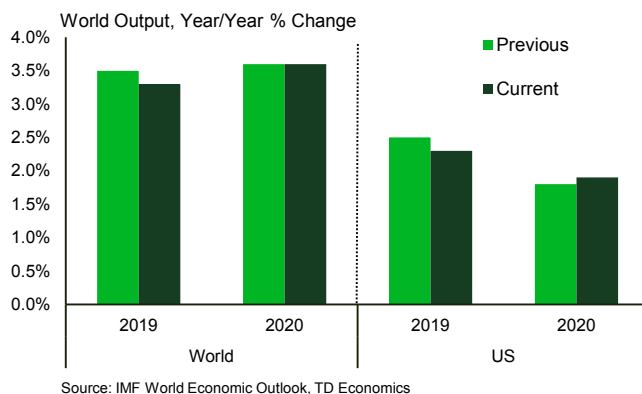
The U.S. economy continues to enjoy its Goldilocks moment – at least with respect to inflation. Consumer prices rose 1.9% year-on-year in March, up from 1.5% in February, largely driven by increases in energy prices (Chart 1). Core inflation came in at 2.0%, and while not the Fed’s preferred metric, is consistent with price pressures running neither ‘too high’ nor ‘too low’.

Several months of muted inflation readings have strengthened the Fed’s decision to keep rates where they are. Minutes of the March meeting showed that board members saw little in the data to prompt a shift in policy. This rhetoric is expected to continue through the end of 2019, with signs of an improving labor market balanced against risks to growth from a struggling global economy. The Fed’s European counterpart (the ECB) on the other hand, while leaving rates unchanged this week, signaled that there could be substantive changes to monetary policy at their next meeting in June. With anemic growth among member countries and lingering policy uncertainty, it signalled a willingness to act to ensure a return of inflation to target and bolster the region’s faltering growth.

On the trade front, relations with China seem to have taken a turn for the better, with talks between high-level officials ongoing. As cooler heads prevail in one trade negotiation however, disputes are heating up in another. The U.S. is threatening to impose tariffs on approximately \$11 billion of EU imports. The threat comes after 14 years of litigation at the WTO over subsidies for European aircraft manufac-



**Chart 2: A 'Delicate Moment' for the World Economy Prompts the IMF to Downgrade 2019 Growth Prospects**



turer Airbus, which America argues puts U.S. based Boeing at a disadvantage. The U.S. emphasizes that this move is independent of current ongoing trade talks with the bloc; but the timing could be seen as an attempt to gain leverage in those negotiations.

Boeing for its part continues to deal with fallout from the grounding of its 737 MAX airliners. There were no commercial orders for the product in March, the first time this has occurred since May 2012. Boeing will reduce production of the jet starting mid-April, while it works to fix flaws with the model which resulted in two fatal crashes. If the production cut lasts to the end of the quarter, they could shave 0.1 to 0.2 percentage points off Q2 GDP growth.

Internationally, Britain’s attempt to leave the EU continues to push past deadlines. This week the EU granted another flexible extension to October 31<sup>st</sup> for the UK parliament to agree to a deal. The gesture, however, came with strings attached, as the UK will have to hold EU parliamentary elections if they have not ratified the deal by the end of May or risk exiting without a deal on June 1<sup>st</sup>.

Given these and other uncertainties, the IMF downgraded projections for global growth in 2019 to 3.3%, citing ongoing trade tensions and declining confidence (Chart 2). This brings their forecast in line with our own view published in [March](#). Growth in 2020 is expected to rebound to 3.6%, slightly above our expectation for 3.5% growth.

Shernette McLeod, Economist

## Upcoming Key Economic Releases

### U.S. Retail Sales - March\*

Release Date: April 18, 2019

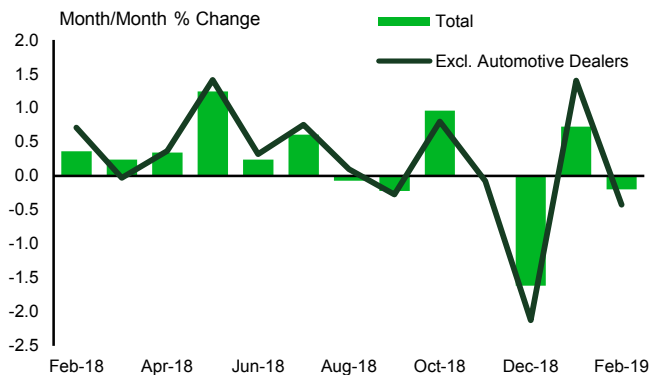
Previous: -0.2%, ex auto: -0.4%, control group: -0.2%

TD Forecast: 1.3%, ex auto: 0.9%, control group: 0.7%

Consensus: 0.9%, ex auto: 0.7%, control group: 0.4%

Strong March auto sales and a firm rebound in the (core) control group should underpin a solid 1.3% m/m jump in retail sales, following a 0.2% decline in February. Headline sales should also be supported by the ongoing acceleration in gasoline prices, which we expect to be reflected on a firm 5% m/m gain in gasoline station sales. We expect the 0.7% m/m improvement in sales in the key control group to be supported by a normalization in tax refunds, rising real disposable income, and a still humming labor market.

U.S. Retail and Food Services Sales



Source: U.S. Department of Commerce, TD Economics

\*Forecast by Rates and FX Strategy Group. For further information, contact [TDRates&FXCommoditiesResearch@tdsecurities.com](mailto:TDRates&FXCommoditiesResearch@tdsecurities.com)

**Recent Key Economic Indicators: Apr 8 - 12, 2019**

Release Date	Economic Indicator/Event	Data for Period	Units	Current	Prior
<b>United States</b>					
Apr 08	Factory Orders	Feb	M/M % Chg.	-0.5	0.1
Apr 08	Factory Orders Ex Trans	Feb	M/M % Chg.	0.3	-0.1
Apr 08	Durable Goods Orders	Feb	M/M % Chg.	-1.6	-1.6
Apr 08	Durables Ex Transportation	Feb	M/M % Chg.	-0.1	0.1
Apr 08	Cap Goods Orders Nondef Ex Air	Feb	M/M % Chg.	-0.1	-0.1
Apr 09	NFIB Small Business Optimism	Mar	Index	101.8	101.7
Apr 10	Consumer Price Index	Mar	M/M % Chg.	0.4	0.2
Apr 10	Consumer Price Index Ex Food and Energy	Mar	M/M % Chg.	0.1	0.1
Apr 10	Consumer Price Index	Mar	Y/Y % Chg.	1.9	1.5
Apr 10	Consumer Price Index Ex Food and Energy	Mar	Y/Y % Chg.	2.0	2.1
Apr 10	Real Avg Hourly Earning	Mar	Y/Y % Chg.	1.3	1.9
Apr 11	Producer Price Index Final Demand	Mar	M/M % Chg.	0.6	0.1
Apr 11	Producer Price Index Ex Food and Energy	Mar	M/M % Chg.	0.0	0.1
Apr 11	Initial Jobless Claims	Apr 06	Thsd	196.0	204.0
Apr 12	Export Price Index	Mar	Y/Y % Chg.	0.6	0.3
Apr 12	Export Price Index	Mar	M/M % Chg.	0.7	0.7
Apr 12	Import Price Index ex Petroleum	Mar	M/M % Chg.	0.2	0.2
<b>Canada</b>					
Apr 08	Housing Starts	Mar	Thsd	192.5	166.3
Apr 12	Teranet/National Bank HPI	Mar	Y/Y % Chg.	1.5	1.9
<b>International</b>					
Apr 10	UK Gross Domestic Product	Feb	M/M % Chg.	0.2	0.5
Apr 10	CH Consumer Price Index	Mar	Y/Y % Chg.	2.3	1.5

Source: Bloomberg, TD Economics.

**Upcoming Economic Releases and Events: Apr 15 - 19, 2019**

Release Date	Time*	Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
<b>United States</b>						
Apr 15	8:30	Empire Manufacturing	Apr	Index	8.0	3.7
Apr 15	8:30	<i>Fed's Charles Evans speaks on CNBC's Squawk Box</i>				
Apr 15	12:00	<i>Fed's Charles Evans speaks at the New York Association for Business Economic event in New York, NY</i>				
Apr 16	9:15	Industrial Production	Mar	M/M % Chg.	0.3	0.1
Apr 16	9:15	Manufacturing (SIC) Production	Mar	M/M % Chg.	0.2	-0.4
Apr 16	9:15	Capacity Utilization	Mar	M/M % Chg.	0.8	0.8
Apr 16	10:00	NAHB Housing Market Index	Apr	Index	63.0	62.0
Apr 16	14:00	<i>Fed's Robert Kaplan speaks in El Paso, TX</i>				
Apr 17	8:30	Trade Balance	Feb	Blns	-53.5	-51.1
Apr 17	10:00	Wholesale Trade Sales	Feb	M/M % Chg.	-	0.5
Apr 17	12:30	<i>Fed's James Bullard speaks in New York, NY</i>				
Apr 17	12:30	<i>Fed's Patrick Harker speaks at the Greater Vineland Chamber of Commerce Luncheon in Vineland, NJ</i>				
Apr 17	14:00	U.S. Federal Reserve Releases Beige Book				
Apr 18	8:30	Initial Jobless Claims	Apr 13	Thsd	-	196.0
Apr 18	8:30	Retail Sales Ex Auto and Gas	Mar	M/M % Chg.	0.5	-0.6
Apr 18	8:30	Retail Sales Advance	Mar	M/M % Chg.	0.8	-0.2
Apr 18	9:45	Markit US Manufacturing PMI	Apr	Index	53.0	52.4
Apr 18	9:45	Markit US Services PMI	Apr	Index	55.0	55.3
Apr 18	10:00	Business Inventories	Feb	M/M % Chg.	0.3	0.8
Apr 19	8:30	Housing Starts	Mar	Thsd	1230.0	1162.0
Apr 19	8:30	Building Permits	Mar	Thsd	1300.0	1291.0
<b>Canada</b>						
Apr 15	9:00	Existing Home Sales	Mar	M/M % Chg.	-	-9.1
Apr 15	10:30	BoC Senior Loan Officer Survey	1Q	Index	-	-16
Apr 15	10:30	BoC Overall Business Outlook Survey	1Q	Index	-	2.2
Apr 15	10:30	BoC Business Outlook Future Sales	1Q	Index	-	-1.0
Apr 16	8:30	Manufacturing Sales	Feb	M/M % Chg.	-	1.0
Apr 17	8:30	Int'l Merchandise Trade	Feb	Blns	-	-4.3
Apr 17	8:30	Consumer Price Index Core- Median %	Mar	Y/Y % Chg.	-	1.8
Apr 17	8:30	Consumer Price Index Core- Common %	Mar	Y/Y % Chg.	-	1.8
Apr 17	8:30	Consumer Price Index Core- Trim %	Mar	Y/Y % Chg.	-	1.9
Apr 17	8:30	Consumer Price Index NSA	Mar	M/M % Chg.	-	0.7
Apr 17	8:30	Consumer Price Index	Mar	Y/Y % Chg.	-	1.5
Apr 18	8:30	Retail Sales Ex Auto	Feb	M/M % Chg.	-	0.1
Apr 18	8:30	Retail Sales	Feb	M/M % Chg.	-	-0.3
<b>International</b>						
Apr 16	16:30	UK ILO Unemployment Rate 3Mths	Feb	%	4.0	3.9
Apr 16	22:00	CH Gross Domestic Product	1Q	Y/Y % Chg.	6.3	6.4
Apr 16	22:00	CH Retail Sales	Mar	Y/Y % Chg.	8.4	-
Apr 17	16:30	UK Consumer Price Index	Mar	Y/Y % Chg.	2.0	1.9
Apr 17	17:00	EZ Consumer Price Index	Mar	Y/Y % Chg.	1.4	1.5
Apr 18	16:00	Markit Eurozone Services PMI	Apr	Index	-	53.3
Apr 18	16:00	Markit Eurozone Composite PMI	Apr	Index	-	51.6
Apr 18	19:30	JN Natl Consumer Price Index	Mar	Y/Y % Chg.	0.5	0.2

\* Eastern Standard Time. Source: Bloomberg, TD Economics.

Note: Some data releases may be impacted by the recent U.S. partial government shutdown.

## Disclaimer

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