

## CAPITAL MARKETS RESEARCH

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## Daily Points

— Tracking the numbers



## On Deck for Wednesday, July 28

Country	Date	ET	Indicator	Period	BNS	Consensus	Latest
US	07/28	(07:00)	MBA Mortgage Applications (w/w)	Jul. 23	--	-4.4	7.6
US	07/28	(08:30)	Durable Goods Orders (m/m)	Jun	1.0	1.0	-0.6
US	07/28	(08:30)	Durable Goods Orders ex. Trans. (m/m)	Jun	0.5	0.4	1.6
CA	07/28	(09:00)	Teranet - National Bank HPI (y/y)	May	12.5	--	12.9
US	07/28	(14:00)	Beige Book		--		

## KEY POINTS:

- India announces regular bank stress test
- Australian CPI a downside shocker
- Spanish retail sales boosted by upcoming VAT hike
- German CPI nudges higher
- Euro-zone lending conditions remain tight
- Cnd resale home prices to move higher
- Obama promises a reform package for Fannie and Freddie
- US purchase applications move higher for the second week
- US durable goods orders to reverse May's decline

## CANADA

We expect that the **Canadian Teranet Home Price Index** (9amET) increased by 12.5% y/y, a slight moderation from April on base effects. The HST's more sizeable impact on new home prices may help insulate against what might have been a harsher downsides to resale prices

## UNITED STATES

For the problematic reform of **Fannie Mae and Freddie Mac** — not included in the recent financial regulatory reform legislation — the Obama administration promises a public consultation on August 17 and a reform package for January when the new Congress convenes.

After rising to its highest reading in nine months in the week ending July 16, **U.S. MBA Mortgage Applications Index** fell by 4.4% last week. Losses were led by refinancing activity — which fell by 5.9% w/w. However, purchase applications continued to move up for the second straight week — from a thirteen-year low — posting a gain of 2.0%. That's only the second weekly increase in the past eleven since the expiration of homebuyer incentives on April 30th.

The headline print for **June U.S. durable goods orders** is likely to reverse the previous month's decline, with our forecast looking for a 1.0% m/m gain, versus a 0.6% retreat in the previous month's reading. Industry data suggest that the demand for both aircraft and vehicles was higher in June, with Boeing locking in 49 new orders as compared to only 5 in May. However, most of those orders were placed in the latter half of the month, and might not be captured by the survey. While the top print is likely to be solid, growth in core

## BoC Events

**BoC Overnight Lending Rate**

Current Rate: 0.50%

Next Move: September 8 @ 1.0%

Bias: Neutral

## Fed Events

**Fed Funds Target Rate**

Current Rate: 0-0.25%

Next Move: August 10 @ 0-0.25%

Bias: Dovish

## Key International Events

**ECB**

Current Rate: 1.00%

Next Move: August 5 @ 1.00%

Bias: Dovish

**BoE**

Current Rate: 0.50%

Next Move: August 5 @ 0.50%

Bias: Dovish

**BoJ**

Current Rate: 0.10%

Next Move: August 10 @ 0.10%

Bias: Dovish

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## Scotia Economics

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orders — which exclude transportation — is likely to have moderated. Watch for business investment and manufacturing inventories. The former is likely to have broadened further across most categories.

The U.S. **Senate Banking Committee** meets at 2:30pmET to vote on the nominations of Janet Yellen, Peter Diamond and Sarah Bloom Raskin for the Federal Reserve Board of Governors, including Yellen as the Vice Chairman.

The U.S. Treasury will **auction** US\$37 billion of five-year notes at 1pmET.

## INTERNATIONAL

In a press conference the **Reserve Bank of India Governor** indicated that the government had conducted basic stress tests on its banks during the financial crisis to monitor credit and interest rate risks. More importantly, **he announced today that India will begin conducting regular — twice a year — stress tests on its banks.** This announcement comes just days after the results of euro-zone bank stress tests were announced.

**Australian consumer prices** unexpectedly slowed down to 0.6% q/q (3.1% y/y), down from 0.9% (2.9% y/y) in the previous quarter. The consensus was looking for a 1.0% q/q (3.4% y/y) gain. Core prices came in at 2.7% y/y, remaining within the Reserve Bank of Australia's target zone of 2%-3%. Price declines in the recreation and financial & insurance services categories were largely responsible for the surprising results. A recent increase in the government excise tax on cigarettes provided some offset. Today's results raise the possibility that the Reserve Bank of Australia may keep the overnight lending rate unchanged at 4.5% for the third straight meeting early next month.

**June Spanish retail sales** surprised on the upside, defying expectations for another decline with their first increase in past three months. Nominal retail sales rose 0.9% y/y, volumes were up 0.8% y/y, the largest rise since March. However, it may be that some of the consumption was frontloaded ahead of the hike in the value added tax. As a result, spending on household goods surged by 13.8% y/y, the most since the series began in 2003.

**German regional CPI** numbers for the month of July have been published, but the pan-German composite has yet to be released. Saxony, Hesse, Brandenburg, North Rhine-West, Baden Wuerttemberg and Bavaria all posted faster growth in consumer prices. Although the official composite print has yet to be released, it seems that it will come in below the median economist forecast of a 0.3% gain.

The **ECB's Bank Lending Survey** revealed that euro-zone banks reported an increase in the net tightening of credit standards on business loans compared with the first quarter. These are expected to tighten further in the third quarter. Banks reported that credit standards on household and mortgage loans remained unchanged.

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	0.65	0.64	0.56	1.77	1.79	1.64	3.03	3.05	2.88	4.06	4.08	3.89
CANADA	1.62	1.60	1.57	2.47	2.44	2.39	3.24	3.22	3.20	3.79	3.77	3.77
GERMANY	0.85	0.88	0.73	1.76	1.77	1.62	2.76	2.77	2.64	3.43	3.43	3.34
JAPAN	0.16	0.15	0.15	0.37	0.36	0.35	1.10	1.06	1.10	1.81	1.79	1.88
UK	0.91	0.95	0.79	2.22	2.25	2.08	3.49	3.52	3.35	4.39	4.39	4.25
	Foreign - US Spreads (bps):											
CANADA	97	96	101	70	66	75	22	17	32	-28	-31	-12
GERMANY	20	24	17	-1	-2	-3	-27	-28	-24	-64	-65	-56
JAPAN	-49	-49	-41	-140	-144	-129	-183	-189	-179	-225	-229	-201
UK	27	31	24	45	46	44	46	47	47	32	31	36

Equities	Last	Change	% change:			
			1 Day	1-wk	1-mo	1-yr
S & P / TSX	11716.69	-29.38	-0.3	0.7	0.9	10.8
Dow 30	10537.69	12.26	0.1	3.0	3.9	15.8
S & P 500	1113.84	-1.17	-0.1	2.8	3.7	13.7
Nasdaq	2288.25	-8.18	-0.4	3.0	3.0	15.8
DAX	5357.44	-8.23	-0.2	2.7	5.6	18.3
FTSE	6203.62	-3.69	-0.1	3.6	0.8	19.9
Nikkei	9753.27	256.42	2.7	5.1	0.6	-3.3
Hang Seng	21091.18	117.79	0.6	2.9	1.8	2.3
CAC	3684.83	18.43	0.5	5.5	3.0	10.6
Commodities	% change:					
WTI Crude	77.38	-0.12	-0.2	1.1	-1.1	15.1
Natural Gas	4.68	0.01	0.1	3.7	-0.7	32.4
Gold	1168.00	-15.50	-1.3	-1.3	-6.9	22.3
Silver	18.16	0.00	0.0	1.6	-5.0	29.5
CRB Index	264.46	-2.20	-0.8	1.1	0.4	5.7
Currencies	% change:					
USDCAD	1.0317	-0.0037	-0.4	-1.6	-0.4	-4.6
EURUSD	1.3003	0.0007	0.1	2.0	5.9	-8.2
USDJPY	87.7900	-0.1100	-0.1	0.9	-1.8	-7.1
AUDUSD	0.8950	-0.0075	-0.8	1.9	2.6	8.2
GBPUSD	1.5588	-0.0005	-0.0	2.8	3.2	-5.1
USDCHF	1.0585	-0.0021	-0.2	0.7	-2.6	-1.6

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.