

### DAILY POINTS

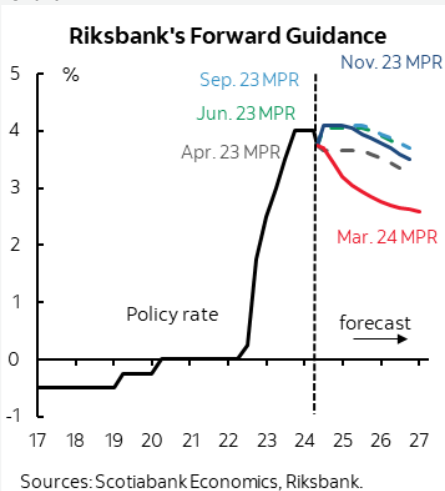
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Chart 1



### On Deck for Wednesday, May 8

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	05-08	07:00	MBA Mortgage Applications (w/w)	Mar 03	--	--	-2.3
US	05-08	10:00	Wholesale Inventories (m/m)	Mar F	--	-0.4	-0.4
US	05-08	11:00	Fed's Jefferson Speaks About Careers in Economics				
US	05-08	11:45	Fed's Collins Speaks to MIT Students				
US	05-08	13:30	Fed's Cook Speaks on Financial Stability				

#### KEY POINTS:

- **Bond markets playing defence as central banks diverge**
- **BoJ's Ueda ups his warning on the yen**
- **Fed's nonvoting Kashkari plays up no move in 2024...**
- **...which isn't likely to be the Committee's median projection in June**
- **Sweden's Riksbank delivers a partially expected cut...**
- **...and unchanged forward guidance for mild easing**
- **Brazil's central bank might downshift its pace of easing**
- **PSA: Canada to test alert system today**

Central banks are stirring with comments and actions that are raising divergent stances. A relatively hawkish sounding BoJ Governor upped his warnings overnight. Fed speakers are stirring the pot in the tails of FOMC opinions. Sweden's Riksbank delivered a partially expected cut and unchanged forward guidance. Brazil might downshift the pace of easing later today.

The net outcome of all of this has bonds playing a little defence this morning with a slight cheapening bias across most benchmarks and markets particularly in Europe that is catching up to yesterday afternoon's Fed comments that came after Europe went home. US and Canadian equity futures are flat and European cash markets are mostly higher. The USD is broadly stronger against most major crosses except for little change in the euro and related FX crosses.

#### BoJ's Ueda Ups a Warning About Yen Weakness

BoJ Governor Ueda jawboned the currency a little more aggressively, but markets paid little attention. He said last evening that "Foreign exchange rates make a significant impact on the economy and inflation. Depending on those moves, a monetary policy response might be needed." That could include a variety of tools with a hike among them. The yen appreciated by about ½% or so overnight. Market OIS pricing for the target rate wasn't materially affected across any of this year's meetings that already had about 20bps of more hikes priced in by year-end. Japan's 2-year yield only edged 1bp higher overnight. A surprise hike at the next meeting in June could rattle through global bond markets.

#### FOMC's Kashkari Stirs the Pot

Minneapolis Fed President Kashkari whacked the beehive and ran yesterday afternoon. He said that "The most likely scenario is we sit here for an extended period of time" and then spoke to two tailed risks of cutting if inflation edges down and the job market weakens, versus the risk "that we need to go higher." The US 2-year yield has increased by about 3–4bps since he delivered those remarks and cumulative pricing for cuts this year edged 2–3bps lower to just under half a percentage point. Kashkari doesn't vote until 2026 which may lessen the discipline that he might apply to his views. These are his personal views that could be reflected in his being an extension of one of the two dots that were expecting no cuts this year back in the March dot plot. I wouldn't expect wiping out cuts this year to be the median FOMC projection and think it's more likely the median gets reduced from 75bps to 50bps.

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### Sweden's Riksbank Cuts, Delivers Unchanged Forward Guidance

Sweden's Riksbank cut its policy rate by 25bps to 3.75%. The action was a partial surprise as it wasn't fully priced and there was a significant minority within consensus that didn't expect a cut at this meeting. The krona was the worst overnight performer to the USD among the majors and semi-majors. Sweden's rates curve was nevertheless not really affected, given that the debate was centered on whether they would cut in May or June as opposed to not cutting at all. Forward guidance explicitly said that two more cuts are expected over 2024H2, largely ruling out a move in June and consistent with the rate path that they had published in March. Governor Thedeen advised that a June cut was unlikely and that "The adjustment of monetary policy going forward should therefore be characterized by caution, with gradual cuts to the policy rate."

### Brazil's Central Bank Might Downshift the Pace

Brazil's central bank is widely expected to continue easing later today (5:30pmET), but this time there is a more divided consensus on whether they will cut by 25bps or maintain the same 50bps pace at which they have been easing since they started in August. Currency volatility is one consideration in favour of less.

### Little Else Going On

Recall that there is basically nothing interesting by way of US macro risk this week and in Canada it's all about Friday's jobs and wages.

Chile updates CPI for April shortly (8amET). It's expected to tick higher to 3.8% y/y.

And as a PSA for colleagues and clients in Canada but outside of Ontario, just a heads up that your phones, TVs and other devices will be screaming today as they test the national alert system. Don't worry, it's not Comrade Freeland announcing a quadrupling of planned debt issuance to nationalize telecoms and grocers or anything crazier than hiking capital gains taxes. Nope, it's just if you happen to be in a client meeting or call at that time. Ontario will test next Wednesday. Times are listed [here](#).

Fixed Income	Government Yield Curves (%):												Central Banks		
U.S. CANADA GERMANY JAPAN U.K.  CANADA GERMANY JAPAN U.K.	2-YEAR			5-YEAR			10-YEAR			30-YEAR			Current Rate		
	Last	1-day	1-wk	Last	1-day	1-wk	Last	1-day	1-wk	Last	1-day	1-wk			
	4.84	4.83	4.96	4.50	4.47	4.65	4.49	4.46	4.63	4.63	4.60	4.75	Canada - BoC	5.00	
	4.18	4.16	4.29	3.67	3.64	3.80	3.62	3.58	3.76	3.50	3.47	3.63			
	2.93	2.90	3.03	2.50	2.46	2.62	2.46	2.42	2.58	2.58	2.54	2.69	US - Fed	5.50	
	0.28	0.28	0.28	0.48	0.47	0.49	0.88	0.87	0.89	1.97	1.98	1.96			
	4.33	4.31	4.51	4.05	4.02	4.27	4.16	4.13	4.37	4.63	4.60	4.80	England - BoE	5.25	
	Spreads vs. U.S. (bps):														
	-66	-68	-67	-83	-83	-85	-87	-88	-87	-113	-113	-112	Euro zone - ECB	4.50	
	-191	-193	-193	-200	-201	-203	-203	-204	-205	-205	-206	-206			
-456	-455	-468	-402	-400	-416	-361	-358	-374	-266	-262	-279	Japan - BoJ	-0.10		
-51	-52	-45	-45	-45	-38	-33	-33	-26	-1	0	5				
Equities	Level						% change:						Mexico - Banxico		11.00
	Last	Change			1 Day	1-wk	1-mo	1-yr							
S&P/TSX	22291	31.2			0.1	2.7	0.1	8.3	Australia - RBA						4.35
Dow 30	38884	32.0			0.1	2.8	-0.0	15.7	New Zealand - RBNZ						5.50
S&P 500	5188	7.0			0.1	3.0	-0.3	25.4							
Nasdaq	16333	-16.7			-0.1	4.3	0.5	33.3							
DAX	18503	72.7			0.4	3.2	1.0	16.0							
FTSE	8340	26.8			0.3	2.4	5.0	7.2							
Nikkei	38202	-632.7			-1.6	0.7	-3.9	30.6							
Hang Seng	18314	-165.5			-0.9	3.1	8.8	-7.8							
CAC	8150	74.3			0.9	2.1	0.4	9.5							
Commodities	Level						% change:								
WTI Crude	77.43	-0.95			-1.2	-2.0	-10.4	5.8	England - BoE						May 09, 2024
Natural Gas	2.26	0.05			2.4	17.0	22.6	1.0	Euro zone - ECB						Jun 06, 2024
Gold	2316.20	2.10			0.1	-0.1	3.9	14.6	Japan - BoJ						June 14, 2024
Silver	27.26	0.76			2.9	2.3	1.8	5.5							
CRB Index	289.57	1.96			0.7	-0.6	-2.7	9.7							
Currencies	Level						% change:								
USDCAD	1.3759	0.0033			0.2	0.1	1.4	2.9	Mexico - Banxico						May 09, 2024
EURUSD	1.0745	-0.0010			-0.1	0.3	-1.0	-2.4	Australia - RBA						Jun 18, 2024
USDJPY	155.46	0.7700			0.5	0.6	2.4	15.1	New Zealand - RBNZ						May 21, 2024
AUDUSD	0.6564	-0.0034			-0.5	0.6	-0.6	-3.2							
GBPUSD	1.2489	-0.0020			-0.2	-0.3	-1.3	-1.0							
USDCHF	0.9087	0.0003			0.0	-0.8	0.4	2.2							

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