Scotiabank.

GLOBAL ECONOMICS

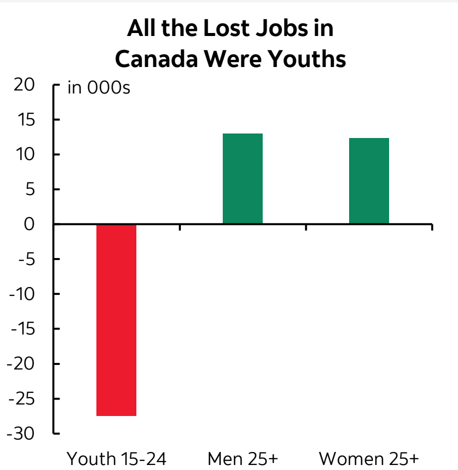
DAILY POINTS

May 10, 2024 @ *7:15 EST*

Contributors

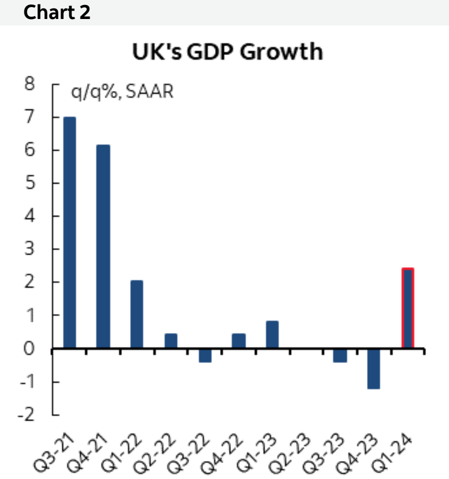
Derek Holt
VP & Head of Capital Markets Economics
Scotiabank Economics
416.863.7707
derek.holt@scotiabank.com

Chart 1



Sources: Scotiabank Economics, Statistics Canada.

Chart 2



Sources: Scotiabank Economics, UK Office for National Statistics.

On Deck for Friday, May 10

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	05-10	08:30	Employment (000s m/m)	Apr	25.0	20.0	-2.2
CA	05-10	08:30	Unemployment Rate (%)	Apr	6.2	6.2	6.1
US	05-10	09:00	Fed's Bowman Speaks on Financial Stability Risks				
US	05-10	10:00	U. of Michigan Consumer Sentiment	May P	76.0	76.2	77.2
US	05-10	10:00	Fed's Logan Participates in Moderated Q&A				
US	05-10	10:00	Fed's Kashkari Participates in Q&A				
US	05-10	12:45	Fed's Goolsbee Speaks in Moderated Q&A				
US	05-10	13:30	Fed's Barr Gives Commencement Speech				
US	05-10	14:00	Treasury Budget (US$ bn)	Apr	--	250.0	-236.5
US	05-10	14:15	Fed's Kashkari, Goolsbee on CNBC				

KEY POINTS:

- **Canadian jobs to start the data march to the June BoC**
- **Are US consumer expectations still holding at a high level?**
- **UK GDP beat, but looked less impressive under the hood…**
- **…while the way Q1 ended sets up Q2 momentum**

It's jobs Friday in Canada and that's the main focal point. US consumer sentiment and consumer inflation expectations often offers some degree of market risk. The gilts front-end is outperforming this morning partly on continued spillover effects from yesterday's BoE decision and perhaps because a GDP beat was of low quality despite the celebratory tone in the press.

Canadian Jobs Start the Data March to the June BoC

Canada could post a rebound in job growth during April (8:30amET) off the prior month's distorted flatness that was dragged down by youths due to March break timing in big parts of the country relative to the LFS reference week (chart 1). Breadth, wages, hours worked, the UR, labour force expansion and population growth are among the other readings that will matter. Please see the global week ahead for further views on the rebalancing of the Canadian labour market and wage pressures.

Is US Consumer Sentiment Still Strong?

US UofM sentiment for May (10amET) will further inform whether the rise in the expectations component to its highest level since 2021 is durable. Also watch the 1- and 5-10 year inflation expectations readings that have both been riding at or above 3%.

UK GDP Looks Less Impressive Under the Hood

The UK economy grew more than expected in Q1 on the surface, but the details were less impressive. GDP was up by 0.6% q/q SA nonannualized (0.4% consensus) which at least temporarily ends the technical recession that occurred with back-to-back declines in 23Q3 and Q4 while posting the strongest growth since 2021Q4 (chart 2). The rub lies in the facts that consumption added only 0.1% to growth in weighted terms, government spending added just under 0.1 ppts, business investment added 0.1 ppts, exports knocked 0.3 ppts off of GDP growth, and lower imports added a weighted ¾% to growth through less of a leakage effect. Inventories fell at a quicker pace which dragged an estimated -½% on growth which is likely the flip side of softer imports.

Q1 ended on a brighter note for the UK economy though and that could carry sounder momentum into Q2 but with an important caveat. GDP was up by 0.4% m/m in March (0.1% consensus) with industrial output up 0.2% m/m (-0.5% consensus), services up 0.5% (0% consensus), manufacturing up 0.3% (consensus -0.5%) and construction down -0.4% m/m (+0.5% consensus). The caveat behind the strong services reading reflects uncertainty toward the role of the earlier than usual Good Friday and Easter holiday effect that started on March 30th this year and its effects on related spending and travel may not have been fully offset by SA factors.

US macro risk will be quiet, other than UofM. Election year politics is behind headlines that Biden is planning tariffs on China perhaps to be announced next week and levied on electric vehicles, batteries, solar equipment etc. Biden isn't as much of an anti-free trader as Trump's moronic views, but the rich part of Biden's action is the finger wagging at China's subsidies. The US heavily subsidizes EV buyers and producers itself. So does Canada.

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
U.S.	4.82	4.82	4.82	4.48	4.47	4.50	4.46	4.45	4.51	4.61	4.61	4.67
CANADA	4.21	4.20	4.16	3.70	3.69	3.68	3.63	3.62	3.65	3.51	3.50	3.55
GERMANY	2.94	2.94	2.92	2.52	2.52	2.51	2.48	2.50	2.50	2.61	2.63	2.62
JAPAN	0.32	0.31	0.29	0.52	0.52	0.49	0.91	0.92	0.90	2.00	1.98	1.99
U.K.	4.26	4.28	4.36	3.99	4.00	4.10	4.12	4.14	4.22	4.60	4.62	4.70
	Spreads vs. U.S. (bps):											
CANADA	-61	-61	-65	-78	-78	-82	-83	-83	-86	-110	-111	-111
GERMANY	-188	-188	-189	-196	-195	-199	-198	-196	-201	-200	-198	-205
JAPAN	-450	-451	-453	-395	-395	-401	-355	-354	-361	-261	-263	-268
U.K.	-56	-54	-46	-49	-47	-40	-35	-31	-29	-1	1	3

Equities	Level		% change:			
	Last	Change	1 Day	1-wk	1-mo	1-yr
S&P/TSX	22376	116.7	0.5	2.5	0.8	9.2
Dow 30	39388	331.4	0.8	3.0	2.4	17.5
S&P 500	5214	26.4	0.5	3.0	1.0	26.0
Nasdaq	16346	43.5	0.3	3.2	1.1	32.8
DAX	18791	104.1	0.6	4.4	3.8	18.2
FTSE	8445	63.9	0.8	3.3	6.1	9.1
Nikkei	38229	155.1	0.4	-0.1	-3.3	30.1
Hang Seng	18964	425.9	2.3	2.6	10.6	-4.0
CAC	8249	61.2	0.7	3.7	2.5	12.1

Commodities	Level		% change:			
WTI Crude	79.88	0.62	0.8	2.3	-7.3	10.1
Natural Gas	2.32	0.02	0.9	8.4	23.2	6.0
Gold	2372.82	26.49	1.1	3.1	6.4	16.9
Silver	27.63	0.39	1.4	5.3	-1.2	8.1
CRB Index	289.99	0.98	0.3	1.8	-2.6	10.6

Currencies	Level		% change:			
USDCAD	1.3682	0.0005	0.0	-0.0	0.0	2.3
EURUSD	1.0780	-0.0002	-0.0	0.2	0.3	-1.8
USDJPY	155.77	0.2900	0.2	1.8	1.7	16.0
AUDUSD	0.6609	-0.0011	-0.2	-0.0	1.5	-2.5
GBPUSD	1.2533	0.0009	0.1	-0.1	-0.1	-0.7
USDCHF	0.9068	0.0008	0.1	0.2	-0.7	1.9

Central Banks	
Current Rate	
Canada - BoC	5.00
US - Fed	5.50
England - BoE	5.25
Euro zone - ECB	4.50
Japan - BoJ	-0.10
Mexico - Banxico	11.00
Australia - RBA	4.35
New Zealand - RBNZ	5.50
Next Meeting Date	
Canada - BoC	Jun 05, 2024
US - Fed	Jun 12, 2024
England - BoE	Jun 20, 2024
Euro zone - ECB	Jun 06, 2024
Japan - BoJ	June 14, 2024
Mexico - Banxico	Jun 27, 2024
Australia - RBA	May 20, 2024
New Zealand - RBNZ	May 21, 2024