

DAILY POINTS

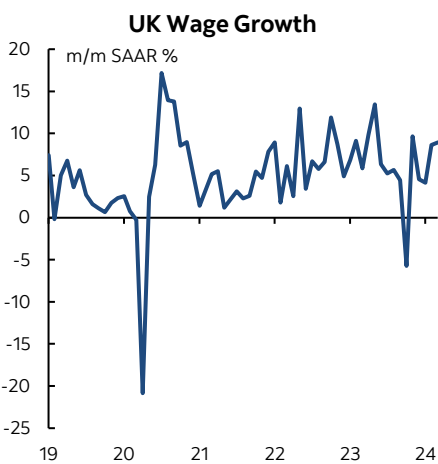
May 14, 2024 @ 7:40 EST

Contributors

Derek Holt

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

Chart 1



Sources: Scotiabank Economics, UK Office for National Statistics.

On Deck for Tuesday, May 14

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	05-14	08:30	Wholesale Trade (m/m)	Mar	-1.3	-1.3	0.0
US	05-14	08:30	PPI (m/m)	Apr	0.3	0.3	0.2
US	05-14	08:30	PPI ex. Food & Energy (m/m)	Apr	0.2	0.2	0.2
US	05-14	09:10	Fed's Cook Speaks at NY Fed Event				
US	05-14	10:00	Fed Chair Powell, ECB's Knot Speak				

KEY POINTS:

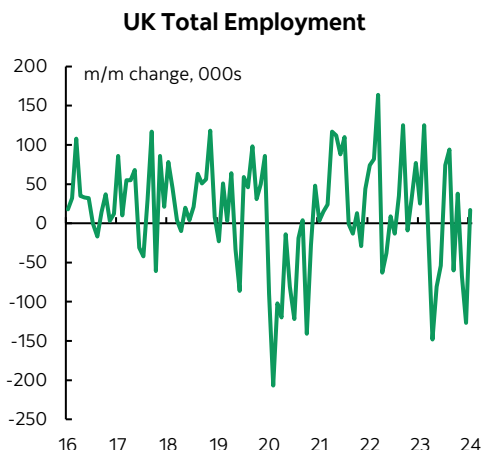
- **Markets await the start of US inflation readings**
- **US producer prices offer a warm up to tomorrow's CPI**
- **Fed's Powell will be on a low risk panel**
- **Gilts and sterling looked through jobs and BoE comments...**
- **...that combined to make a June cut a highly data dependent stretch call**

The main focus this week is a pair of US inflation readings starting with today's US producer prices. Gilts and sterling are doing about what they should in shaking off the aftermath of the updates on UK labour markets and comments by the BoE's Pill. Sterling is roughly flat so far on the day. UK 2s were holding at cheaper levels following yesterday's mild sell-off and staying there post-jobs before rallying after Pill's remarks and then shaking off almost all of that effect as well. I'll explain why UK markets were right to look through it all in my opinion.

The UK posted better than expected labour market readings. The figures don't scream out for rate cuts. Here are the takeaways:

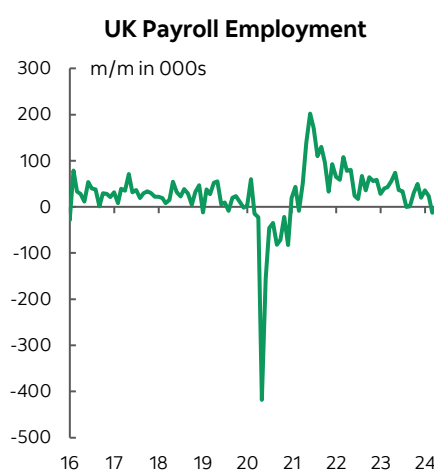
- Wage growth is soaring. Pay ex-bonuses increased by 8.9% m/m SAAR in March, after 8.6% in February (chart 1). Both figures are double the pace of the prior two months. They are far in excess of inflation and poor productivity.
- +17k jobs were created in March's figures for total employment which contributed to a strong beat to expectations for the 3m/3m change to deteriorate from a loss of 156k to -220k and instead it landed at -178k (chart 2). It's only the first gain in total employment in three months and one of two gains in the past five months.
- Payrolls—a timelier subset of total employment—were mixed as they fell by 85k in April, but mainly because the prior month's 67k drop was revised to just -5k (chart 3).
- The unemployment rate ticked up to 4.3% which is about a half percentage point above the cycle low but still signalling a tight labour market.

Chart 2



Sources: Scotiabank Economics, UK ONS.

Chart 3



Sources: Scotiabank Economics, UK ONS.

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As for BoE Chief Economist Hugh Pill's comments he didn't sound like there is a rush to cut by the June 20th meeting. Maybe they will, but there is enough reason to note the doubt in his comments. Here's what he said:

- "It's not unreasonable to believe that through the summer we will begin to see enough confidence in the decline in persistence that bank rate will come under consideration." Does he know that summer doesn't technically start until just hours after the June 20th decision? If so then we're talking August, not June.
- That said, he did emphasize the next two batches of CPI figures and the next set of employment market readings which makes it sound like he's very data dependent on the path to June and that it could go either way.
- Pill also noted that there is "some way to go" to bring inflation down and that much of the softening of inflation has been driven by food and energy prices, and that wage gains are "quite well above given developments in productivity, what would be consistent with the 2% inflation target being met on a lasting and sustainable basis."

I found that Pill's comment that "we can cut bank rate, while still leaving some restriction in the system," was on the mark and implied that his bias is toward slow and methodical easing perhaps by contrast to Governor Bailey's intimation that rate cuts could be delivered quicker than markets think.

US producer prices will offer a warm up to tomorrow's CPI (8:30amET). Higher energy prices are expected to lift the headline by more than core.

Fed Chair Powell is on a panel this morning (10amET) after PPI but before tomorrow's CPI. I don't expect much by way of anything different from him. It's at an event in the Netherlands with ECB member Klaas Knot. Governor Cook will also speak at 9:10amET.

Nothing material is due out of Canada today, just wholesale trade for March which is expected to drop in nominal terms based on advance guidance (8:30amET). If anything, Canada will be impacted by the start of the US inflation figures.

Fixed Income	Government Yield Curves (%):												Central Banks	
U.S. CANADA GERMANY JAPAN U.K. 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	4.86	4.83	4.49	4.51	4.47	4.48	4.49	4.46	4.63	4.63	4.60	Canada - BoC	5.00
	4.29	4.29	4.16	3.77	3.76	3.64	3.69	3.68	3.58	3.54	3.53	3.47	US - Fed	5.50
	2.96	2.96	2.90	2.55	2.54	2.46	2.52	2.51	2.42	2.66	2.64	2.54	England - BoE	5.25
	0.34	0.33	0.28	0.56	0.54	0.47	0.95	0.94	0.87	2.04	2.02	1.98	Euro zone - ECB	4.50
	4.32	4.33	4.31	4.05	4.06	4.02	4.17	4.17	4.13	4.66	4.66	4.60	Japan - BoJ	-0.10
	Spreads vs. U.S. (bps):													
	-56	-58	-68	-73	-75	-83	-79	-81	-88	-109	-110	-113	Mexico - Banxico	11.00
	-188	-191	-193	-194	-197	-201	-196	-198	-204	-197	-199	-206	Australia - RBA	4.35
-450	-453	-455	-394	-397	-400	-353	-355	-358	-258	-261	-262	New Zealand - RBNZ	5.50	
-52	-53	-52	-45	-45	-45	-31	-31	-33	3	3	0	Next Meeting Date		
Equities	Level					% change:								
	Last	Change				1 Day	1-wk	1-mo	1-yr					
S&P/TSX	22259	-49.8				-0.2	-0.0	1.6	9.0				Canada - BoC	Jun 05, 2024
Dow 30	39432	-81.3				-0.2	1.5	3.8	18.4				US - Fed	Jun 12, 2024
S&P 500	5221	-1.3				-0.0	0.8	1.9	26.6				England - BoE	Jun 20, 2024
Nasdaq	16388	47.4				0.3	0.2	1.3	33.4				Euro zone - ECB	Jun 06, 2024
DAX	18715	-27.3				-0.1	1.5	4.4	17.6				Japan - BoJ	June 14, 2024
FTSE	8423	8.0				0.1	1.3	5.3	8.6				Mexico - Banxico	Jun 27, 2024
Nikkei	38356	176.6				0.5	-1.2	-2.2	29.5				Australia - RBA	Jun 18, 2024
Hang Seng	19074	-41.4				-0.2	3.2	14.9	-4.5				New Zealand - RBNZ	May 21, 2024
CAC	8209	-0.2				-0.0	1.7	2.5	10.7					
Commodities	Level					% change:								
		Change												
WTI Crude	78.88	-0.24				-0.3	0.6	-7.9	12.6				Canada - BoC	5.00
Natural Gas	2.34	-0.04				-1.8	5.9	32.0	3.1				US - Fed	5.50
Gold	2343.69	7.37				0.3	1.3	5.1	16.6				England - BoE	5.25
Silver	28.13	-0.52				-1.8	6.1	-3.1	17.9				Euro zone - ECB	4.50
CRB Index	287.69	-1.78				-0.6	0.0	-3.4	11.5				Japan - BoJ	-0.10
Currencies	Level					% change:								
		Change												
USDCAD	1.3667	0.0001				0.0	-0.4	-0.9	1.5				Mexico - Banxico	11.00
EURUSD	1.0798	0.0008				0.1	0.4	1.6	-0.7				Australia - RBA	4.35
USDJPY	156.44	0.2200				0.1	1.1	1.4	14.9				New Zealand - RBNZ	5.50
AUDUSD	0.6611	0.0003				0.0	0.2	2.6	-1.3					
GBPUSD	1.2558	-0.0001				-0.0	0.4	0.9	0.2					
USDCHF	0.9078	-0.0005				-0.1	-0.1	-0.4	1.4					

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