

DAILY POINTS

May 15, 2024 @ 6:40 EST

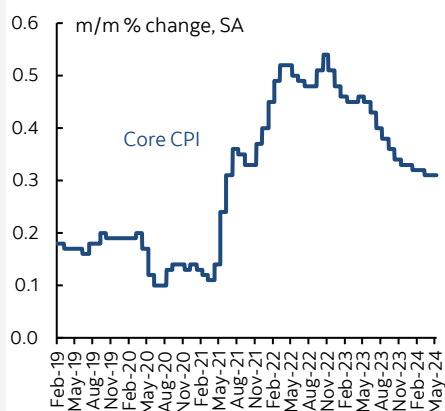
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Chart 1

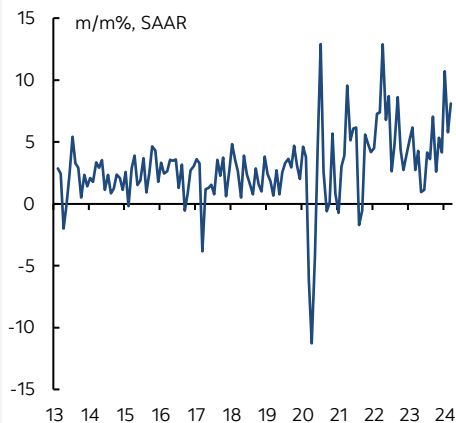
Cleveland Fed Nowcast



Sources: Scotiabank Economics, Cleveland Fed.

Chart 2

US CPI Core Services Ex-Housing



Sources: Scotiabank Economics, BLS.

On Deck for Wednesday, May 15

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	05-15	07:00	MBA Mortgage Applications (w/w)	Mar 10	--	--	2.6
CA	05-15	08:15	Housing Starts (000s a.r.)	Apr	225	240.0	242.2
CA	05-15	08:30	Manufacturing Shipments (m/m)	Mar	-2.8	-2.8	0.7
US	05-15	08:30	CPI (m/m)	Apr	0.4	0.4	0.4
US	05-15	08:30	CPI (y/y)	Apr	3.4	3.4	3.5
US	05-15	08:30	CPI (index)	Apr	--	313.7	312.3
US	05-15	08:30	CPI ex. Food & Energy (m/m)	Apr	0.3	0.3	0.4
US	05-15	08:30	CPI ex. Food & Energy (y/y)	Apr	3.6	3.6	3.8
US	05-15	08:30	Empire State Manufacturing Index	May	--	-10.0	-14.3
US	05-15	08:30	Retail Sales (m/m)	Apr	0.5	0.4	0.7
US	05-15	08:30	Retail Sales ex. Autos (m/m)	Apr	0.3	0.2	1.1
CA	05-15	09:00	Existing Home Sales (m/m)	Apr	--	--	0.5
US	05-15	10:00	Business Inventories (m/m)	Mar	--	-0.1	0.4
US	05-15	10:00	NAHB Housing Market Index	May	--	50.0	51.0
US	05-15	10:00	Fed's Barr Testifies Before House Committee				
US	05-15	12:00	Fed's Kashkari Speaks in Fireside Chat				
US	05-15	15:20	Fed's Bowman Speaks on Financial Landscape				
US	05-15	16:00	Total Net TIC Flows (US\$ bn)	Mar	--	--	51.6
US	05-15	16:00	Net Long-term TIC Flows (US\$ bn)	Mar	--	--	71.5

KEY POINTS:

- Improved market confidence in 2024 Fed cuts is sensitive to CPI update
- US core CPI is expected to be another warm one
- The simultaneous release of US retail sales could dirty the market reaction to CPI
- Australian wage growth remains strong
- The PBOC stayed on hold
- Swedish inflation had no effect on Riksbank pricing
- Colombia, Peru to update GDP
- Canada faces light releases

US CPI (8:30amET) will be the main focal point, but it's not the only thing to consider today. Nor is it the last CPI report before the FOMC prints its next dot plot on June 12th as another one arrives that morning with the flexibility for Committee members to revise their forecasts that morning. June is ruled out for a move, but the dots could be impacted by the pair of releases.

As for markets, they are less inclined to give up on cooler inflation and rate cuts now than they were when 2s breached 5% at the beginning of the month; 2s have since rallied by almost a quarter point. Cumulative pricing for Fed cuts this year has gone from about one 25bps cut at the start of May to about two now with cuts priced to start in September.

Is There too Much Agreement on US Core CPI?

This time around my estimates for US headline and core CPI are in line with consensus and nowcasts like the Cleveland Fed's (chart 1). So, 0.4% m/m SA for headline and 0.3% for core. Drivers are offered in my week ahead article with the greatest uncertainty focused upon core services CPI (chart 2). Out of 66 forecasters (yes, that many...) only two went with a higher core number at 0.4% and three went with 0.2. Key will probably be core services inflation that has been on a tear this year and we have much lighter estimation capabilities for that component than on the goods side. The Committee has ruled out June imo, but there may be more risk to July pricing if the number lands weaker than stronger given how little is priced even for that meeting.

Simultaneous Release of US Retail Sales Could Dirty the Market Reaction

US nominal retail sales are poised for an update at the exact same time as CPI which could complicate the market reactions to both readings. Higher gasoline prices and vehicle sales

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should be enough to drive a top line gain. Another gain in core sales could be tough to deliver given a high jumping off point with a 1% m/m rise in March and proxies for underlying sales.

Light Overnight Developments

Here's a short summary of other overnight developments:

- Australian wage growth cooled but continues to run at a rate that makes it difficult to achieve the RBA's 2–3% inflation target range on a sustainable basis. Wages were up by 0.8% q/q SA nonannualized (3.3% q/q SAAR) in Q1 and the prior quarter was revised up to 1% q/q SA nonannualized (4.1% q/q SAAR). Chart 3.
- The PBOC left its 1-year Medium-Term Lending Facility Rate unchanged at 2.5% as expected.
- Swedish inflation had no effect on expectations for coming decisions by the Riksbank including on June 27th after they initiated cutting last week. Underlying inflation ex-energy was on the screws at 0.4% m/m.
- Eurozone employment was up by 0.3% q/q in Q1. Eurozone industrial output beat expectations at 0.6% m/m (0.4% consensus) and the prior month's 0.8% rise was revised up to 1%.

Chart 3



Light Developments in Canada, LatAm

Other expected developments will include GDP figures out of Peru (11amET) and Colombia (12pmET) that might face a high bar to matter to local markets after US CPI.

Canada faces light data including housing starts for April (8:15amET) and manufacturing shipments during March that were previously guided to have dropped by –2.8% m/m (8:30amET).

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				
	4.80	4.82	4.84	4.43	4.46	4.50	4.42	4.44	4.49	4.57	4.59	4.64	Canada - BoC	5.00		
	4.27	4.29	4.16	3.76	3.76	3.64	3.69	3.68	3.58	3.54	3.53	3.47	US - Fed	5.50		
	2.95	2.99	2.93	2.51	2.58	2.50	2.48	2.55	2.46	2.61	2.68	2.58	England - BoE	5.25		
	0.34	0.34	0.28	0.56	0.56	0.48	0.96	0.95	0.88	2.06	2.04	1.97	Euro zone - ECB	4.50		
	4.28	4.32	4.31	4.01	4.05	4.02	4.12	4.17	4.14	4.59	4.65	4.61	Japan - BoJ	-0.10		
	Spreads vs. U.S. (bps):															
	-53	-53	-68	-67	-70	-86	-73	-76	-91	-103	-106	-117	Mexico - Banxico	11.00		
	-185	-183	-191	-192	-188	-200	-194	-189	-203	-195	-191	-206	Australia - RBA	4.35		
-446	-448	-455	-387	-390	-402	-346	-349	-361	-251	-254	-267	New Zealand - RBNZ	5.50			
-52	-49	-53	-43	-41	-48	-30	-27	-36	2	7	-3					
Equities	Level						% change:						Next Meeting Date			
	Last	Change		1 Day		1-wk	1-mo		1-yr							
S&P/TSX	22243	-15.8		-0.1		-0.2	2.3		8.3							
Dow 30	39558	126.6		0.3		1.7	4.8		18.6							
S&P 500	5247	25.3		0.5		1.1	3.7		26.8							
Nasdaq	16511	122.9		0.8		1.1	3.9		33.5							
DAX	18798	81.8		0.4		1.6	4.3		18.1							
FTSE	8451	22.9		0.3		1.2	6.1		8.7							
Nikkei	38386	29.7		0.1		0.5	-2.2		29.6							
Hang Seng	19074	-41.4		-0.2		3.2	14.9		-4.5							
CAC	8214	-11.8		-0.1		1.0	2.1		10.7							
Commodities	Level						% change:									
WTI Crude	78.09	0.07		0.1		-1.1	-8.6		9.8							
Natural Gas	2.36	0.02		0.6		7.9	39.5		-0.7							
Gold	2367.05	8.93		0.4		2.5	6.2		17.4							
Silver	28.43	0.31		1.1		4.3	-2.0		19.2							
CRB Index	287.38	-0.31		-0.1		-0.8	-3.6		9.8							
Currencies	Level						% change:									
USDCAD	1.3634	-0.0017		-0.1		-0.6	-1.1		1.2							
EURUSD	1.0825	0.0006		0.1		0.7	1.9		-0.5							
USDJPY	155.82	-0.6000		-0.4		0.2	1.0		14.5							
AUDUSD	0.6636	0.0009		0.1		0.9	3.0		-1.0							
GBPUSD	1.2612	0.0020		0.2		0.9	1.3		0.7							
USDCHF	0.9057	-0.0008		-0.1		-0.3	-0.6		1.1							
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