

DAILY POINTS

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Contributors

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Chart 1

US Initial & Continuing Jobless Claims

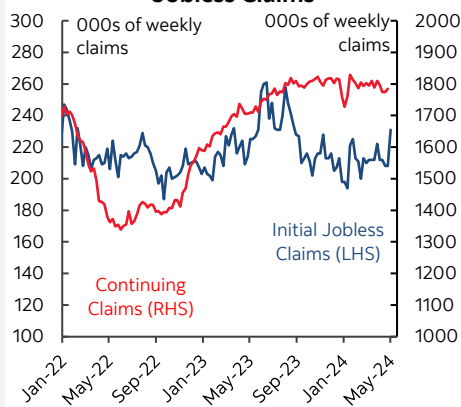


Chart 2

Australia's Unemployment Rate



On Deck for Thursday, May 16

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	05-16	08:30	Building Permits (000s a.r.)	Apr	--	1480.0	1467.0
US	05-16	08:30	Export Prices (m/m)	Apr	--	0.2	0.3
US	05-16	08:30	Housing Starts (000s a.r.)	Apr	1480	1421.0	1321.0
US	05-16	08:30	Housing Starts (m/m)	Apr	12.0	7.6	-14.7
US	05-16	08:30	Import Prices (m/m)	Apr	--	0.3	0.4
US	05-16	08:30	Initial Jobless Claims (000s)	Mar 11	210	220.0	231.0
US	05-16	08:30	Continuing Claims (000s)	Mar 04	1785	1780.0	1785.0
US	05-16	08:30	Philadelphia Fed Index	May	--	8.0	15.5
US	05-16	09:15	Capacity Utilization (%)	Apr	78.5	78.4	78.4
US	05-16	09:15	Industrial Production (m/m)	Apr	0.2	0.1	0.4
US	05-16	10:00	Fed's Barr Testifies to Senate Banking				
US	05-16	10:00	Fed's Barkin on CNBC				
US	05-16	10:30	Fed's Harker Speaks on Higher Education, Healthcare				
US	05-16	12:00	Fed's Mester Gives Remarks on Economic Outlook				
US	05-16	15:50	Fed's Bostic Speaks in Moderated Chat on Economy				

KEY POINTS:

- Market reaction to US CPI stabilizes
- Was the bump in US jobless claims temporary?
- FOMC officials are unlikely to celebrate US CPI
- Australian job growth rebounds, markets not impressed
- The BoJ should tread carefully as Japan's economy contracts
- Minor US releases on tap

Reaction to yesterday's US CPI figures (recap [here](#)) has stabilized with US Treasuries holding firm with a slight cheapening bias. Asia-Pacific bonds rallied in lagging reaction. Australia's curve outperformed on US CPI spillover effects and a rise in the unemployment rate plus soft details behind a solid job gain. Japan's economy is very weak.

There will be two key issues to monitor into the North American market session.

US Jobless Claims—A Temporary Bump?

Was the upward bump in US initial jobless claims (8:30amET) just distorted by spring break timing in parts of the country like New York where public school employees are allowed to file for benefits during the break? That's one theory. Or did the modest jump signal the beginning of a mildly deteriorating trend for the US labour market? We're approaching the nonfarm reference period (pay period including the 12th day of each month) and the household survey's reference week that includes the 12th, so the answer could matter to the next round of jobs figures for May.

FOMC Officials Probably Won't Celebrate CPI

How will FOMC officials react to CPI? We'll hear from several today including Vice Chair Barr (10amET), Richmond President Barkin (10amET), Philadelphia President Harker (10:30amET), Cleveland President Mester (12pmET) and Atlanta's Bostic (3:50pmET).

The US also updates housing starts (8:30amET) and industrial production (9:15amET).

There were a couple of notable overnight releases.

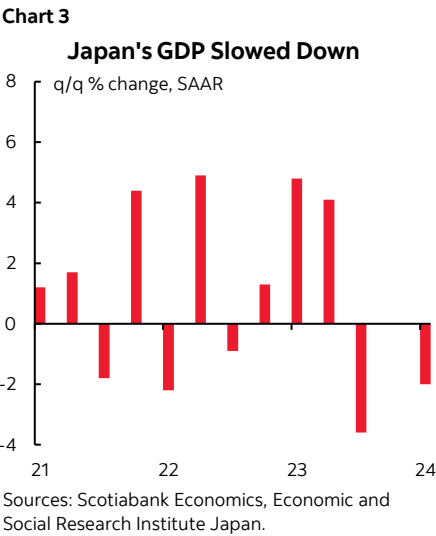
Markets Not Impressed By Australia's Job Beat

Australia created 38,500 jobs last month which was stronger than consensus expectations for 24k. Details were soft with all of that gain in part-time jobs (+44.6k) as full-time jobs fell by about 6k. The trend has been very volatile so far this year with +11k more jobs in January, +118k in February, and -6k in March. The unemployment rate crossed 4% to 4.1% from an upwardly revised 3.9% the prior month. Chart 2.

The BoJ Should Tread Carefully

Japan’s economy is very weak. Q1 GDP contracted by more than expected (-2% q/q SAAR, -1.2% consensus) and the prior quarter was revised down to no growth from 0.4% following a contraction of -3.6% in Q3 that was revised down from -3.2% (chart 3). The Q1 details were soft as consumption (-0.7% q/q SA non annualized, -0.2% consensus) and business spending (-0.8% q/q SA nonannualized, -0.5% consensus) were weaker than expected and both were revised a bit lower.

Further tightening of monetary policy may expose the BoJ to another episode of policy error imo. The economy is very soft. Core inflation continues to be on a declining trend. The effects of prior gains in oil prices and yen weakness on core inflation are waning. Furthermore, there is no evidence that last year’s Shunto wage gains for <20% of workers are driving broader wage gains while it’s too early to tell for this year’s Shunto gains.



May 16, 2024

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			
	4.74	4.72	4.82	4.35	4.35	4.47	4.34	4.34	4.45	4.49	4.50	4.61	Canada - BoC	5.00	
	4.18	4.27	4.19	3.63	3.76	3.68	3.56	3.68	3.63	3.44	3.54	3.51	US - Fed	5.50	
	2.90	2.90	2.94	2.47	2.46	2.52	2.43	2.42	2.50	2.58	2.57	2.63			
	0.33	0.34	0.31	0.54	0.56	0.52	0.93	0.96	0.92	2.03	2.06	1.98			
	4.26	4.24	4.28	3.95	3.95	4.00	4.07	4.07	4.14	4.55	4.54	4.62	England - BoE	5.25	
	Spreads vs. U.S. (bps):														
	-56	-46	-63	-71	-59	-79	-77	-66	-83	-105	-96	-110	Euro zone - ECB	4.50	
	-183	-183	-188	-188	-189	-195	-191	-192	-196	-191	-193	-198			
-441	-438	-451	-381	-379	-395	-341	-338	-354	-245	-244	-263	Japan - BoJ	-0.10		
-48	-48	-54	-40	-40	-47	-26	-27	-31	6	4	1				
Equities	Level						% change:						Mexico - Banxico	11.00	
	Last	Change				1 Day	1-wk	1-mo	1-yr						
S&P/TSX	22285	41.4				0.2	0.1	3.0	10.1					Australia - RBA	4.35
Dow 30	39908	349.9				0.9	2.2	5.6	20.9						
S&P 500	5308	61.5				1.2	2.3	5.1	29.2					New Zealand - RBNZ	5.50
Nasdaq	16742	231.2				1.4	2.7	5.5	35.6					Next Meeting Date	
DAX	18821	-48.5				-0.3	0.7	5.9	18.4					Canada - BoC	Jun 05, 2024
FTSE	8422	-23.7				-0.3	0.5	7.7	8.7					US - Fed	Jun 12, 2024
Nikkei	38920	534.5				1.4	2.2	1.2	30.4						
Hang Seng	19377	302.8				1.6	5.8	16.7	-3.0						
CAC	8193	-47.0				-0.6	0.1	3.3	10.6					England - BoE	Jun 20, 2024
Commodities	Level						% change:						Euro zone - ECB	Jun 06, 2024	
		Change				1 Day	1-wk	1-mo	1-yr					Japan - BoJ	June 14, 2024
WTI Crude	78.30	-0.33				-0.4	-1.2	-8.3	10.5						
Natural Gas	2.40	-0.02				-0.7	4.3	38.6	1.0						
Gold	2381.16	-4.84				-0.2	1.5	6.8	19.7						
Silver	28.82	0.39				1.4	5.8	1.3	20.6						
CRB Index	289.97	2.59				0.9	0.3	-2.3	11.6						
Currencies	Level						% change:								
		Change				1 Day	1-wk	1-mo	1-yr						
USDCAD	1.3629	0.0027				0.2	-0.4	-1.4	1.1					Mexico - Banxico	Jun 27, 2024
EURUSD	1.0867	-0.0017				-0.2	0.8	2.3	0.0						
USDJPY	154.72	-0.1600				-0.1	-0.5	0.0	13.4					Australia - RBA	Jun 18, 2024
AUDUSD	0.6675	-0.0019				-0.3	0.8	4.3	0.3						
GBPUSD	1.2666	-0.0019				-0.1	1.1	1.9	1.4					New Zealand - RBNZ	May 21, 2024
USDCHF	0.9029	0.0007				0.1	-0.3	-1.1	0.7						

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