

DAILY POINTS

May 28, 2024 @ 7:10 EST

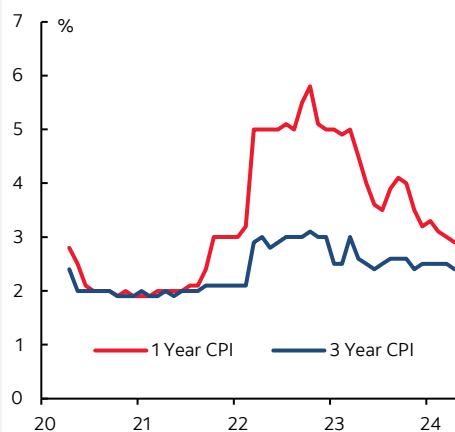
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Chart 1

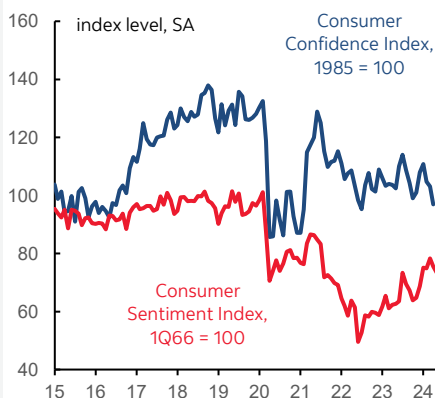
ECB Measure of Inflation Expectations



Sources: Scotiabank Economics, ECB.

Chart 2

US Confidence Readings



Sources: Scotiabank Economics, University of Michigan, Conference Board, Haver Analytics.

On Deck for Tuesday, May 28

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	05-28	08:30	IPPI (m/m)	Apr	--	0.9	0.8
CA	05-28	08:30	Raw Materials Price Index (m/m)	Apr	--	3.0	4.7
US	05-28	09:00	S&P/Case-Shiller Home Price Index (m/m)	Mar	0.3	0.3	0.6
US	05-28	09:00	S&P/Case-Shiller Home Price Index (y/y)	Mar	7.3	7.3	7.3
US	05-28	10:00	Consumer Confidence Index	May	98	96.0	97.0
US	05-28	10:30	Dallas Fed. Manufacturing Activity	May	--	-12.5	-14.5

KEY POINTS:

- US Ts and gilts play catch-up post-holidays
- Oil continues to rise on OPEC+ speculation, tensions
- The ECB will welcome two-handed inflation expectations
- Will US consumer confidence follow UofM higher?
- Fed- and ECB-speak offers nothing new, so far
- Canadian producer prices on tap
- Hooray for Canadian bank earnings!!

US Treasuries and particularly gilts are slightly outperforming as they catch up to yesterday's rally in EGBs as expected following yesterday's ECB comments that drove richer EGBs across benchmarks. Villeroy had remarked that a cut in July after cutting in June shouldn't be ruled out. Oil prices continue to rally on speculation toward the outcome of Saturday's OPEC+ meeting; WTI was up by about a buck yesterday and another buck today to about US\$79.

Eurozone Inflation Expectations Converge

Both of the ECB's measures of inflation expectations are now two-handed (chart 1). The 1-year consumer gauge fell a tick to 2.9% in April and the 3-year also fell a tick to 2.4%. There was no material market reaction. Further convergence of the measures toward a two-handed pace will be welcomed by ECB officials into their decision and guidance one week from Thursday.

Little Impact So Far from Fed- and ECB-Speak

Comments from the Fed's Bowman, Kashkari, and Mester offered nothing new. A little more Fed-speak is on tap, but they can't possibly have much to say that is new or isn't priced as we await Friday's PCE and the following Friday's nonfarm payrolls plus perhaps a mild expected downward revision to Q1 GDP on Thursday. We'll also hear from Kashkari again (9:55amET) and both Cook and Daly (1:05pmET).

The day's ECB speakers are so far offering nothing new (Schnabel) with others (Centeno and Knot) on the docket. Key is whether others join or contradict Villeroy's openness to back-to-back cuts after ECB Chief Econ Lane sounded more cautious yesterday morning. Centeno (7amET) and Knot (9:15amET) are on tap.

Will US Consumer Confidence Follow UMich?

Consensus expects a mild down tick for US consumer confidence (10amET). I'm among the minority of forecasters thinking we could see a slight further gain in keeping with UofM sentiment's 1.7 point jump last Friday. Does it matter? Well yes to markets as surprises can be impactful, but I always put more emphasis upon how people actually act in terms of spending behaviour than what they say which can be highly reactionary.

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Canadian Producer Prices to Post Sizeable Jumps

Not much is expected by way of market effects from Canadian producer prices (8:30amET) but they could fan inflation risk further up the supply chain. They rarely garner the same influence as either CPI or producer price measures in other countries. The raw materials index reflects mostly known info from commodity prices and is therefore the least impactful measure; it is likely to post another sharp jump driven in part by energy prices during April. The industrial price index is also likely to post another significant rise but is not well connected to CPI and reflects very different drivers.

Hooray for Canadian Bank Earnings!

BNS (obviously my employer) Q2 earnings either slightly beat (EPS, ROE, revenues) or met (provisions) analysts' expectations. Adjusted EPS landed at \$1.58, two cents above consensus. Let's see the reaction into the open after the share price gained a bit yesterday. BMO and National are due out tomorrow followed by RBC and CIBC on Thursday and then Laurentian and Canadian Western Bank on Friday.

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	Canada - BoC	5.00	
	4.93	4.95	4.83	4.52	4.53	4.43	4.47	4.47	4.41	4.58	4.57	4.55			
	4.25	4.26	4.17	3.71	3.71	3.63	3.62	3.62	3.57	3.49	3.48	3.45	US - Fed	5.50	
	3.04	3.04	2.97	2.62	2.61	2.54	2.56	2.55	2.50	2.68	2.67	2.64			
	0.35	0.35	0.35	0.60	0.60	0.58	1.03	1.03	0.98	2.18	2.18	2.09	England - BoE	5.25	
	4.46	4.50	4.31	4.14	4.18	4.01	4.23	4.26	4.13	4.68	4.71	4.61			
	Spreads vs. U.S. (bps):													Euro zone - ECB	4.50
	-68	-69	-66	-81	-82	-80	-84	-84	-84	-109	-109	-110			
	-189	-191	-186	-190	-192	-189	-191	-192	-191	-191	-190	-191	Japan - BoJ		
-458	-460	-448	-392	-393	-386	-344	-344	-343	-240	-239	-246				
-47	-45	-52	-37	-35	-42	-23	-20	-28	10	14	6	Mexico - Banxico	11.00		
Equities	Level						% change:								
	Last	Change		1 Day		1-wk		1-mo		1-yr					
S&P/TSX	22373	52.5		0.2		-0.4		1.8		12.3		Australia - RBA	4.35		
Dow 30	39070	4.3		0.0		-2.3		2.2		18.1		New Zealand - RBNZ	5.50		
S&P 500	5305	36.9		0.7		0.0		4.0		26.1					
Nasdaq	16921	184.8		1.1		1.4		6.2		30.4					
DAX	18771	-4.0		-0.0		0.2		3.4		17.4		Next Meeting Date			
FTSE	8296	-21.4		-0.3		-1.5		1.9		8.8					
Nikkei	38855	-44.6		-0.1		-0.2		2.4		25.7		Canada - BoC	Jun 05, 2024		
Hang Seng	18821	-6.2		-0.0		-2.1		6.6		0.4		US - Fed	Jun 12, 2024		
CAC	8086	-46.8		-0.6		-0.7		-0.0		10.5					
Commodities	Level						% change:								
WTI Crude	78.98	1.26		1.6		-1.0		-5.8		8.7		England - BoE	Jun 20, 2024		
Natural Gas	2.51	-0.01		-0.4		-8.8		55.5		15.0		Euro zone - ECB	Jun 06, 2024		
Gold	2344.27	-6.70		-0.3		-3.2		5.1		20.4		Japan - BoJ	June 14, 2024		
Silver	30.59	0.05		0.2		3.1		12.8		30.6					
CRB Index	294.28	0.50		0.2		0.2		-0.9		12.9					
Currencies	Level						% change:								
USDCAD	1.3621	-0.0012		-0.1		-0.2		-0.3		0.2		Mexico - Banxico	Jun 27, 2024		
EURUSD	1.0887	0.0028		0.3		0.3		1.5		1.7		Australia - RBA	Jun 18, 2024		
USDJPY	156.80	-0.0800		-0.1		0.4		0.3		11.6		New Zealand - RBNZ	Jul 09, 2024		
AUDUSD	0.6667	0.0013		0.2		0.0		1.5		2.0					
GBPUSD	1.2787	0.0018		0.1		0.6		1.8		3.5					
USDCHF	0.9102	-0.0035		-0.4		-0.1		-0.0		0.7					

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