

DAILY POINTS

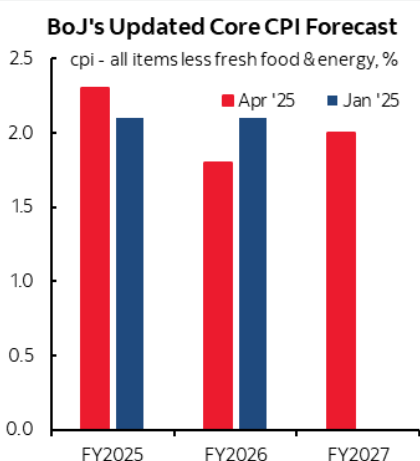
May 1, 2025 @ 6:50 EST

Contributors

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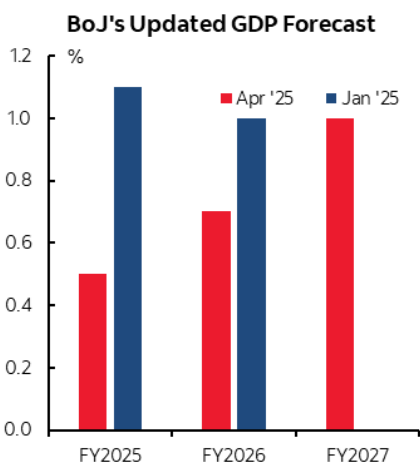
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Chart 1



Sources: Scotiabank Economics, BoJ.

Chart 2



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On Deck for Thursday, May 1

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	05-01	07:30	Challenger Job Cuts (in 000s)	Apr	--	--	275.2
US	05-01	08:30	Initial Jobless Claims (000s)	Apr 26	220	223.0	215.0
US	05-01	08:30	Continuing Claims (000s)	Apr 19	1850	1864.5	1885.0
US	05-01	10:00	Construction Spending (m/m)	Mar	0.2	0.2	0.7
US	05-01	10:00	ISM Manufacturing Index	Apr	47.5	47.9	49.0
US	05-01		Total Vehicle Sales (mn a.r.)	Apr	18.5	17.2	17.8

KEY POINTS:

- **Markets shut for May Day across Asia ex-Japan, Europe ex-UK, LatAm**
- **Yen sinks, JGBs bull steepen on less hawkish BoJ**
- **Ueda's cagey forward guidance is sounding less and less credible...**
- **...but he may be sticking to it for stability reasons**
- **US mass layoffs: watch ex-government as well!**
- **US ISM-manufacturing might show more pain**

The main market moves are coming out of Japan as European ex-UK and most Asian ex-Japan and LatAm markets are closed for May Day aka International Workers' Day.

BOJ TURNS LESS HAWKISH

The yen sank, the JGBs curve bull steepened and markets slightly reduced pricing for further rate hikes this year with OIS markets pricing only about a 10bps cumulative hike through year-end. How come?

Cagey forward guidance kept alive the rhetorical risk of future tightening, but the numbers did the talking while the Board unanimously voted to hold. The BoJ no longer sees core inflation durably achieving 2% inflation within the medium-term (chart 1). Its forecast for core CPI using the definition that only excludes food was lowered by a couple of tenths to 2.2% for this year, next year's was lowered by three-tenths to 1.7% and the addition of the following year sees inflation at 1.9%. CPI ex-food and energy was raised two-tenths to 2.3% this year, lower 0.3 to 1.8% next year and bang on 2% the year after. It's all guesswork and more about the signal that indicates a more patient BoJ.

The BoJ also revised down growth projections which leans toward the expectation of more disinflationary slack (chart 2).

Markets mostly ignored Governor Ueda's remark that delaying 2% "doesn't necessarily mean the timing of the rate hike will also be delayed." He may feel that he has to say that because to send a more dovish signal could be more destabilizing to Japanese markets and perhaps world markets through the carry trade.

Partly for that reason, markets were probably listening more to his earlier comments, like "We want to closely monitor data related to the impacts of tariff measures and their mechanism in particular. We will carefully watch how the likelihood of realizing our outlook changes without preconception and make appropriate policy decisions." Translation? Trump threw a monkey wrench in the works and now it's all about assessing the damage which will take time. To Japan, this is likely more of a disinflationary shock relative to the US.

So, should any further hikes be delayed? In the camp arguing to keep hike risk alive is recent backward-looking inflation data. April's Tokyo core CPI increase of 4.9% m/m SAAR made for the hottest back-to-back readings in two years.

And yet the BoJ has overdone it before. Arguing in favour of a more cautious approach is that some of the drivers of inflation have turned and this pre-dates the US election. The

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yen has been appreciating to the dollar since last July and WTI oil prices are down. Shunto wage negotiations yielded strong wage gains, but that's not yet flowing through to overall real earnings as opposed to primarily influencing pay for the less than 20% of workers influenced by the Spring wage negotiations. And why would steep further wage increases to the benefit of select unionized workers continue to be granted in trade wars? As for those trade wars, global supply chains face high risk, but the lack of any material Japanese retaliation makes US tariffs a largely disinflationary demand shock to Japanese exports if they are sustained.

US JOB CUTS, ISM-MFRG TO REFLECT DAMAGE FROM TRUMP'S POLICIES

Other than that, we'll get another batch of probably ugly US Challenger job cuts (7:30amET), but the same challenge of how to time when the mostly government layoffs show up in jobs data over coming months will persist. Pay keener attention to layoffs out outside of the failed DOGE efforts against federal government employees (charts 3, 4).

ISM-mfrg may fall further into contraction as tariff front-running effects dissipate in April's readings (10amET). Weekly jobless claims are also due to be updated (8:30amET) along with US construction spending in March (10amET).

Canada refreshes the little-watched S&P manufacturing PMI for April (9:30amET). There was nothing new whatsoever in yesterday afternoon's Summary of Deliberations from the Bank of Canada that wasn't said on game day.

Chart 3

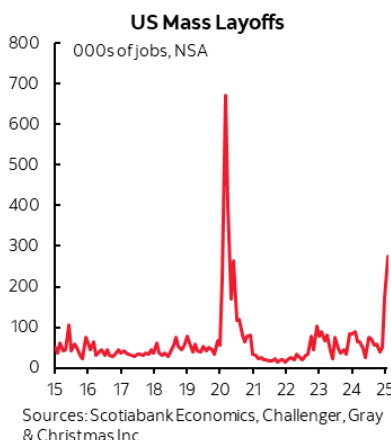
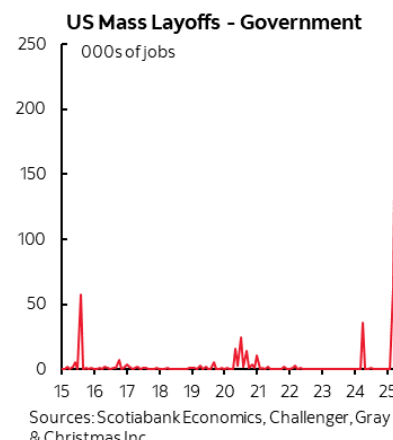


Chart 4



Fixed Income	Government Yield Curves (%):												Central Banks		
U.S. CANADA GERMANY JAPAN U.K. CANADA GERMANY JAPAN U.K. Equities	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			
	3.59	3.60	3.80	3.71	3.73	3.94	4.14	4.16	4.32	4.66	4.68	4.78	Canada - BoC	2.75	
	2.48	2.54	2.63	2.68	2.74	2.85	3.09	3.13	3.24	3.44	3.46	3.56	US - Fed	4.50	
	1.69	1.74	1.75	1.99	2.04	2.05	2.44	2.50	2.50	2.88	2.93	2.91	England - BoE	4.50	
	0.63	0.68	0.68	0.83	0.89	0.89	1.26	1.32	1.33	2.70	2.71	2.70			
	3.79	3.80	3.88	3.91	3.92	4.00	4.43	4.44	4.50	5.19	5.21	5.24			
	Spreads vs. U.S. (bps):														
	-111	-106	-117	-103	-99	-109	-105	-103	-108	-122	-121	-122	Euro zone - ECB	2.40	
	-190	-187	-205	-173	-168	-189	-170	-167	-182	-178	-175	-187	Japan - BoJ	0.50	
-296	-293	-312	-288	-283	-304	-288	-285	-299	-196	-197	-208				
20	20	8	20	19	6	29	28	18	53	53	47	Mexico - Banxico	9.00		
Equities	Level						% change:								
	Last	Change		1 Day		1-wk	1-mo	1-yr							
S&P/TSX	24842	-32.8		-0.1		1.5	-0.8	14.3						Australia - RBA	4.10
Dow 30	40669	141.7		0.3		2.7	-3.1	7.3							
S&P 500	5569	8.2		0.1		3.6	-1.1	11.0						New Zealand - RBNZ	3.50
Nasdaq	17446	-15.0		-0.1		4.4	-0.0	11.8							
DAX	22497	71.1		0.3		2.4	0.5	25.7							
FTSE	8493	-1.8		-0.0		1.0	-1.6	4.6							
Nikkei	36452	406.9		1.1		4.5	2.3	-4.8						Canada - BoC	Jun 04, 2025
Hang Seng	22119	111.3		0.5		0.2	-4.7	21.5						US - Fed	May 07, 2025
CAC	7594	38.0		0.5		1.5	-3.4	-4.1							
Commodities	Level						% change:								
WTI Crude	56.53	-1.68		-2.9		-10.0	-20.6	-28.4						England - BoE	May 08, 2025
Natural Gas	3.42	0.09		2.8		16.7	-13.5	77.0							
Gold	3222.40	-66.31		-2.0		-0.9	44.5	38.9						Euro zone - ECB	Jun 05, 2025
Silver	32.23	-1.00		-3.0		-2.2	-6.3	20.9						Japan - BoJ	Apr 30, 2025
CRB Index	288.77	-5.46		-1.9		-2.3	-7.1	1.2							
Currencies	Level						% change:								
USDCAD	1.3817	0.0018		0.1		-0.3	-3.4	0.6						Mexico - Banxico	May 15, 2025
EURUSD	1.1330	0.0002		0.0		-0.5	5.0	5.8						Australia - RBA	May 20, 2025
USDJPY	144.32	1.2500		0.9		1.2	-3.5	-6.6							
AUDUSD	0.6390	-0.0012		-0.2		-0.3	1.8	-2.0							
GBPUSD	1.3331	0.0002		0.0		-0.1	3.2	6.4						New Zealand - RBNZ	May 27, 2025
USDCHF	0.8263	0.0005		0.1		-0.1	-6.5	-9.8							

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