

DAILY POINTS

May 13, 2025 @ 7:25 EST

Contributors

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Chart 1

Comparing US Core CPI SA Factors for All Months of April

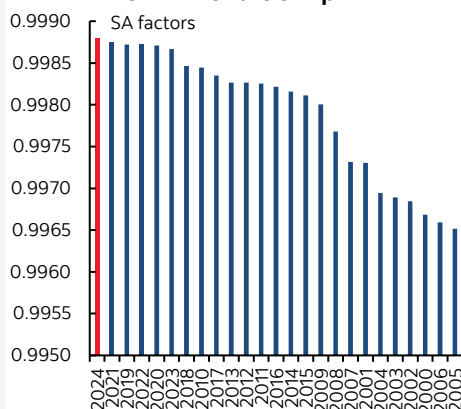
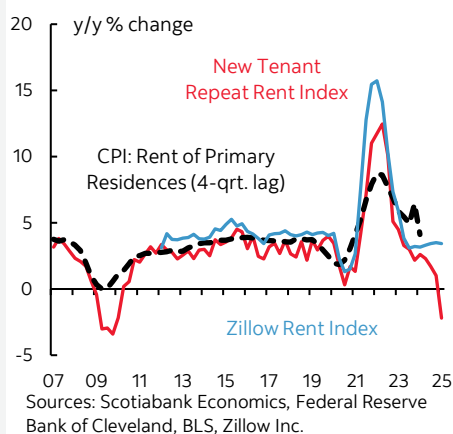


Chart 2

Cooler Housing Market Showing Up in Official Inflation Data



On Deck for Tuesday, May 13

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	05-13	06:00	NFIB Small Business Optimism	Apr	--	95.0	95.8
US	05-13	08:30	CPI (m/m)	Apr	0.3	0.3	-0.1
US	05-13	08:30	CPI (y/y)	Apr	2.4	2.4	2.4
US	05-13	08:30	CPI (index)	Apr	--	320.9	319.8
US	05-13	08:30	CPI ex. Food & Energy (m/m)	Apr	0.3	0.3	0.1
US	05-13	08:30	CPI ex. Food & Energy (y/y)	Apr	2.8	2.8	2.8

KEY POINTS:

- Mild risk-off sentiment into US CPI
- Markets may care more about this US CPI print than the FOMC will
- US CPI preview
- The US administration's European education
- The UK job market continues to weaken
- Carney to announce his leaner—not lean—cabinet this morning
- Other light stuff: German ZEW, Indian CPI

We'll see if it sticks after US CPI, but for now, a mild risk-off tone is unfolding on this side of the pond. US and Canadian equity futures are gently lower versus mostly small gains in European cash markets. US Ts are outperforming EGBs by a few basis points across the curve with only the UK front-end giving the US a run for the money. The dollar is mildly softer. Developments to consider including weak UK job market readings, little news on the trade front, expectations into US CPI, and PM Carney's new cabinet.

THE US ADMINISTRATION IS BEING EDUCATED ON EUROPEAN DYSFUNCTION

There are no major developments on trade to flag. US Treasury Secretary Bessent's comments on Europe's "collective action problem," as he put it, coupled with Trump's "nastier than China" reference to the EU finally reflects recognition of what we've all known for years about the EU but that this US administration fundamentally misjudged. The EU is a disparate array of voices from a highly heterogeneous collection of member states, with many differences across their economies, cultures, and politics. When Bessent flags differences between the Italian versus French stances on trade negotiations that are in the way of a quick agreement, it's a sign that it is finally dawning upon the US administration that it will take a long while to negotiate with Europe. The US administration naively judged the EU.

US CPI PREVIEW

US CPI for April might be the last of the relatively stale CPI prints (8:30amET). It's likely to mean little for the patient FOMC that wants reams of dual mandate data before determining whether the policy shocks—namely tariffs—pose more risk to price stability or full employment and hence what the suitable policy response should be.

Nevertheless, we might get some early signs of tariff effects mixed in with other influences. Scotia's estimate this time is in line with consensus estimates for 0.3% m/m SA increases in both headline and core CPI.

Adjusting for weighting differences in CPI and PCE and then factoring in relevant PPI components on Thursday will give us a good idea of what to expect for core PCE due out on May 30th.

Among the drivers are the following:

- SA factors: They are likely to extend the multi-year recency bias toward higher than usual estimates such as the all-time record high for April SA factors set last April (chart 1). This may overstate underlying inflation.
- Shelter costs—namely primary rent and OER—may add a combined 0.1% m/m SA to CPI on a weighted contributions basis and very slightly more to core CPI. Waning market rents should show up more significantly in CPI later on (chart 2).
- Vehicle prices are likely to be a minimal net effect this time, based on industry guidance. A mild rise in new vehicle prices is expected to be offset by a mild dip in used vehicle prices, but both are likely to begin heating up with tariffs and substitution effects going forward.
- Watch core services CPI (ex-housing and energy services). They were abnormally soft the prior month and possibly poised for a rebound.
- Core goods prices (ie: commodities ex-food and energy) could be the area where tariff effects show up including among the components. They were abnormally soft in March.
- tariff effects are extremely difficult to judge because it's not just the weighted tariff rates we need to consider. Pass through effects could be delayed by selling down inventories at older prices, could be temporarily absorbed by high profit margins, and it takes weeks to months for supply chains to begin resetting prices and sparking widespread product shortages. More of the effects are likely to begin to show up in the next and subsequent reports.

THE UK JOB MARKET CONTINUES TO WEAKEN

UK markets paid little heed to job market readings this morning. Gilts are outperforming EGBs but took a while to do so after the release of the figures, while sterling barely batted an eye at them.

- Payroll employment fell by another 32.5k in April (chart 3). 106.4k payroll position have been lost in the past three months. 148k positions have been lost since losses first began to appear in May 2024.
- Total employment lags with figures available to March, but 21k jobs were lost back then for the first drop since February 2024. Off-payroll small businesses are holding up the job market, but the loss of many higher paying payroll spots is disconcerting.
- The unemployment rate edged up a tick to 4.5%. It's up from the cycle low of 3.6% set back in 2022.
- wage growth slowed to 1% m/m SAAR in March for the weakest rate since October 2023 (chart 4). The three-month moving average slowed to 3.8% m/m SAAR.
- job vacancies fell to 761k from 783k for the lowest since April 2021, but they are still higher than the long-run average.

OTHER LIGHT DATA

German ZEW investor confidence is notoriously volatile, and so the 39 point turnaround in May's expectations component that reverses the prior month's drop to the lowest reading since 2023 is nothing particularly eye-catching.

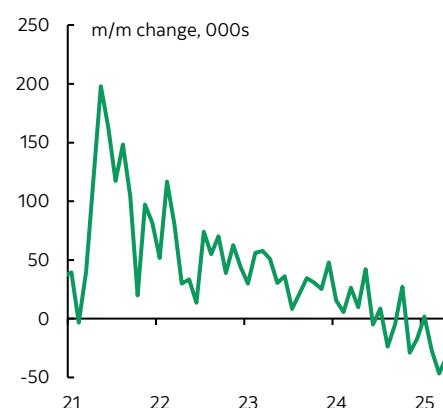
India's CPI inflation rate slipped to 3.16% y/y (3.3% prior) which is about what consensus expected.

CARNEY'S CABINET ANNOUNCEMENT

We'll also find out who Canada's next FinMin will be when PM Carney announces his slimmer—but not slim—cabinet. The swearing in ceremony is scheduled for around 10:30amET. Unconfirmed reports in the press indicate the cabinet will include around 30 ministers. That's smaller than many of Trudeau's cabinets, but not small, and a bigger one than Carney's interim cabinet. Same, but different, as many carryovers from the prior administration will mix in with some new faces. Who will be Finance Minister is closely guarded despite leaks about

Chart 3

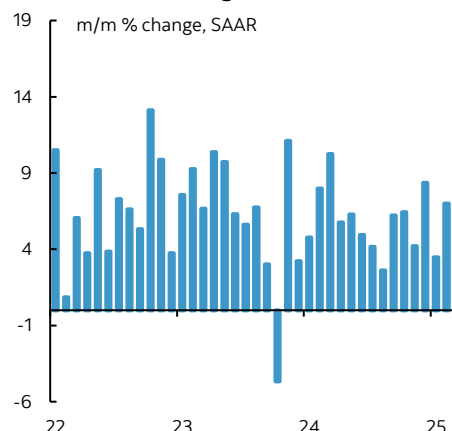
UK Payroll Employment



Sources: Scotiabank Economics, UK ONS.

Chart 4

UK Wage Growth

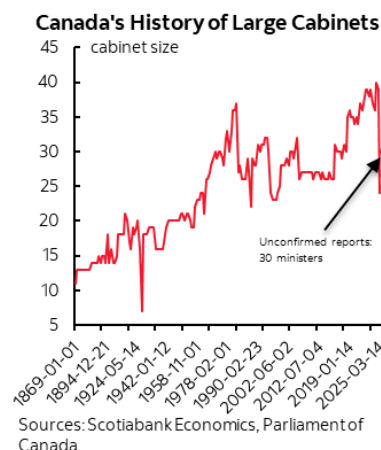


Sources: Scotiabank Economics, UK ONS.

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multiple other posts (Hodgson in Resources, Fraser in Justice, Freeland and Guilbeault both in but unclear doing what etc). Then again, PM Carney is likely to have a very heavy say in Finance anyway and perhaps even more so than former PM Trudeau. Despite all the billing, that's not terribly leaner than Trudeau's last one at 39; see chart 5 for the history of cabinet sizes. Ottawa is a bloated government town, captured by excessive numbers of civil servants after ten explosive years in terms of their numbers. I wouldn't seriously expect a vastly leaner cabinet today and history suggests that more time in office only grows their numbers.

Chart 5



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			
	3.99	4.01	3.78	4.09	4.11	3.89	4.45	4.47	4.30	4.89	4.91	4.80	Canada - BoC	2.75	
	2.59	2.59	2.52	2.80	2.81	2.74	3.19	3.21	3.14	3.50	3.51	3.47	US - Fed	4.50	
	1.94	1.91	1.74	2.23	2.22	2.06	2.67	2.65	2.54	3.11	3.08	3.00	England - BoE	4.25	
	0.72	0.70	0.61	0.98	0.98	0.83	1.44	1.46	1.26	2.87	2.99	2.77			
	3.97	4.00	3.83	4.12	4.13	3.97	4.66	4.64	4.51	5.41	5.39	5.31			
	Spreads vs. U.S. (bps):														
	-140	-142	-126	-129	-130	-115	-126	-127	-116	-139	-140	-133	Euro zone - ECB	2.40	
	-205	-210	-204	-185	-189	-183	-178	-182	-176	-178	-183	-179	Japan - BoJ	0.50	
-326	-331	-317	-311	-314	-307	-301	-302	-303	-202	-191	-202				
-1	-1		4	1	8	21	17	22	52	48	51	Mexico - Banxico	9.00		
Equities	Level					% change:									
	Last	Change			1 Day	1-wk	1-mo	1-yr							
S&P/TSX	25532	174.4			0.7	2.3	8.2	14.7						Australia - RBA	4.10
Dow 30	42410	1160.7			2.8	2.9	5.5	7.6						New Zealand - RBNZ	3.50
S&P 500	5844	184.3			3.3	3.4	9.0	11.9							
Nasdaq	18708	779.4			4.3	4.8	11.9	14.2						Next Meeting Date	
DAX	23589	22.7			0.1	1.5	15.8	25.9						Canada - BoC Jun 04, 2025	
FTSE	8616	11.2			0.1	0.2	8.2	2.4						US - Fed Jun 18, 2025	
Nikkei	38183	539.0			1.4	3.7	13.7	0.0						England - BoE Jun 19, 2025	
Hang Seng	23108	-441.2			-1.9	2.0	10.5	20.9						Euro zone - ECB Jun 05, 2025	
CAC	7856	5.8			0.1	2.1	10.6	-4.3						Japan - BoJ Jun 17, 2025	
Commodities	Level					% change:									
WTI Crude	62.46	0.51			0.8	5.7	1.6	-21.1						Mexico - Banxico May 15, 2025	
Natural Gas	3.65	0.00			0.1	5.4	3.5	53.3						Australia - RBA May 20, 2025	
Gold	3258.10	21.71			0.7	-0.9	46.1	39.5						New Zealand - RBNZ May 27, 2025	
Silver	32.02	-0.50			-1.5	-1.1	2.4	11.8							
CRB Index	295.53	0.40			0.1	2.5	1.8	2.7							
Currencies	Level					% change:									
USDCAD	1.3990	0.0015			0.1	1.5	0.8	2.4						Canada - BoC Jun 04, 2025	
EURUSD	1.1109	0.0022			0.2	-2.3	-2.1	3.0						US - Fed Jun 18, 2025	
USDJPY	148.05	-0.4100			-0.3	3.9	3.5	-5.2						England - BoE Jun 19, 2025	
AUDUSD	0.6413	0.0041			0.6	-1.3	1.3	-3.0						Euro zone - ECB Jun 05, 2025	
GBPUSD	1.3209	0.0033			0.3	-1.2	0.1	5.2						Japan - BoJ Jun 17, 2025	
USDCHF	0.8418	-0.0038			-0.4	2.4	3.3	-7.3						Mexico - Banxico May 15, 2025	
Next Meeting Date															
Canada - BoC													Jun 04, 2025		
US - Fed													Jun 18, 2025		
England - BoE													Jun 19, 2025		
Euro zone - ECB													Jun 05, 2025		
Japan - BoJ													Jun 17, 2025		
Mexico - Banxico													May 15, 2025		
Australia - RBA													May 20, 2025		
New Zealand - RBNZ													May 27, 2025		

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