

DAILY POINTS

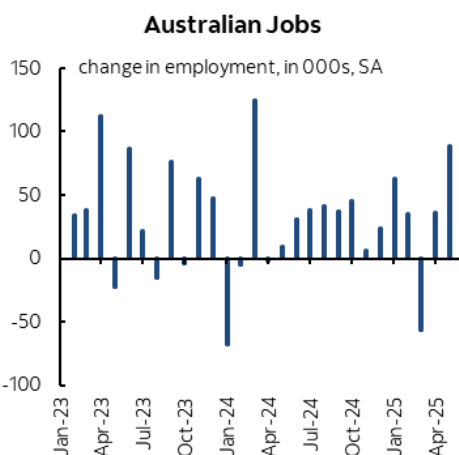
May 15, 2025 @ 7:15 EST

Contributors

Derek Holt

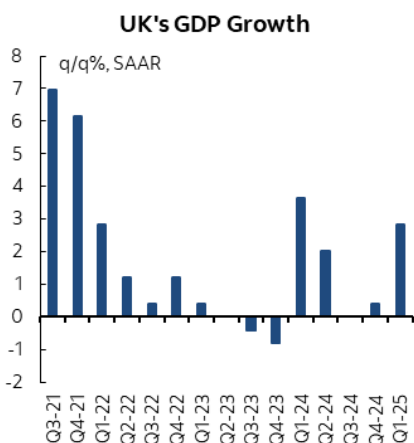
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Chart 1



Sources: Scotiabank Economics, Australian Bureau of Statistics.

Chart 2



Sources: Scotiabank Economics, UK Office for National Statistics.

On Deck for Thursday, May 15

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	05-15	08:15	Housing Starts (000s a.r.)	Apr	240	226.2	214.2
CA	05-15	08:30	Manufacturing Shipments (m/m)	Mar	-1.8	-1.9	0.2
CA	05-15	08:30	Wholesale Trade (m/m)	Mar	-0.3	-0.3	0.3
US	05-15	08:30	Empire State Manufacturing Index	May	--	-8.0	-8.1
US	05-15	08:30	Initial Jobless Claims (000s)	May 10	245	227.5	228.0
US	05-15	08:30	Continuing Claims (000s)	May 02	1925	1890.0	1879.0
US	05-15	08:30	Philadelphia Fed Index	May	--	-11.0	-26.4
US	05-15	08:30	PPI (m/m)	Apr	0.2	0.2	-0.4
US	05-15	08:30	PPI ex. Food & Energy (m/m)	Apr	0.3	0.3	-0.1
US	05-15	08:30	Retail Sales (m/m)	Apr	-0.5	0.0	1.5
US	05-15	08:30	Retail Sales ex. Autos (m/m)	Apr	0.0	0.3	0.6
US	05-15	08:40	Fed's Powell Speaks on Framework Review				
CA	05-15	09:00	Existing Home Sales (m/m)	Apr	--	1.0	-4.8
US	05-15	09:15	Capacity Utilization (%)	Apr	78.0	77.8	77.8
US	05-15	09:15	Industrial Production (m/m)	Apr	0.3	0.1	-0.3
US	05-15	10:00	Business Inventories (m/m)	Mar	--	0.2	0.2
US	05-15	10:00	NAHB Housing Market Index	May	--	40.0	40.0
US	05-15	14:05	Fed's Barr Gives Opening Remarks				

KEY POINTS:

- Risk-off sentiment partly driven by energy sector...
- ...as Trump fist-pumps a possible Iran sanctions deal
- Ontario expected to deliver an expansionist budget...
- ...but Ottawa's choice to skip a Budget is misguided
- Australia's job market is on fire again
- UK economy delivers a temporary positive surprise
- Fed's Powell to kick off strategy review conference
- US retail sales could struggle to stay afloat
- US core PPI could show tariff pressures before consumer gauges
- Banxico expected to cut
- Other light US, Canadian data

Risk appetite is retreating so far this morning. Equities are broadly but gently lower. Sovereign bond yields are mildly lower with the notable exception of Australia after a robust jobs report. Oil prices are down by over 3% as Trump talks up prospects of a sanctions relief deal with Iran and reports indicate that the US tabled an offer to Iran on Sunday; I'll leave it to you whether to trust his fist-pumping. A lot of (mostly) stale data came through overnight with more ahead into the N.A. session along with probably low risk comments from Powell and Ontario's Budget.

AUSTRALIAN BONDS CRUSHED BY JOBS

Australia's job market soared last month. 89k jobs were created which is roughly four times what consensus expected. G'day, whoops (chart 1). The prior month was revised up a bit to 36.4k. Most of April's rise was in full-time jobs (59.5k) with part-time jobs giving an assist (29.5k). The participation rate jumped three-tenths to 67.1%—a tick shy of trying the all-time high that was only three months before. That surge in the labour force offset the job gain to keep the unemployment rate flat at 4.1%. Next week's RBA decision is still mostly priced for a cut, but the overall curve pushed yields modestly higher.

May 15, 2025

UK ECONOMY SURPRISES—AT LEAST TEMPORARILY

BoE watchers digested a deluge of releases but they are all just scorekeeping ahead of forward-looking risks.

Q1 GDP beat expectations (0.7% q/q SA non-annualized, 0.6% consensus) mainly through investment and exports. Consumption was soft, and government spending was a drag (chart 2). Inventories continued to stockpile. In all, it seemed like tariff front-running dominated.

That's not true for the way the quarter ended though. March GDP beat (0.2% m/m, consensus 0%) which indicates that the economy had better momentum for Q2 growth. That was mostly due to better than expected growth in services and construction while the industrial side of the picture was soft.

By contrast, Eurozone Q1 GDP slightly missed expectations for the add up following releases by major countries. GDP grew 0.3% q/q (0.4 consensus).

FED'S POWELL AND US DATA AHEAD

Chair Powell kicks off the two-day research conference that intensifies the framework review (8:40amET). It's a text only event. He'll deliver opening remarks but may be unlikely to comment on nearer-term policy considerations.

He has guided that the review is to be completed by late summer and that lessons since the last review in 2020 would be instructive.

They have already stated that the 2% inflation goal "is not a focus of the review." The focus will be upon the FOMC's Statement on Longer-Run Goals and Monetary Policy Strategy, and communication tools. No major changes to the review are likely.

US retail sales for April (8:30amET) are expected to be soft in the wake of the prior month's surge and given the decline in auto sales to still high levels.

US producer prices in April (8:30amET) will be used to firm up PCE expectations by drawing upon the PPI components that feed through, along with what we learned from CPI. Watch core producer prices as they may reflect tariff pressures earlier than consumer prices.

ONTARIO'S BUDGET IS ON TAP AFTER THE CLOSE...

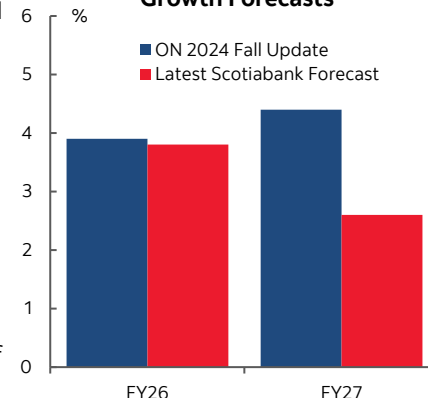
Ontario will release its 2025–26 budget after today's market close. It will thankfully be the last one in this year's provincial budget season. Expect fiscal deterioration as the deficit is not the policy priority amid trade tensions. More spending—particularly on infrastructure—and limited tax relief are anticipated.

Mitch Villeneuve shares his thoughts in the rest of this paragraph. While the government's 2024 fall economic outlook had forecast the deficit to shrink from \$6.6 bn in FY25 to \$1.5 bn in FY26 and turn into a small surplus in FY27, the provincial government is likely to downgrade its fiscal outlook in this budget. We expect lower revenues from the deteriorated economic outlook, higher contingency buffers to reflect elevated risks, and new measures to respond to the tariff impacts (including the manufacturing tax credit announced by the government this week). Our latest economic growth forecast for Ontario (chart 3) implies a revenue downgrade for FY27 of around \$3 billion, but the published fiscal outlook will depend on the assumed tariff war impacts on the Ontario economy, as well as the discretionary response from the province.

...WHILE OTTAWA DITHERS

So, no federal budget this year, huh. Maybe a Fall Economic Statement with a somewhat fuller update of government finances, but that could mean anywhere between when Parliament returns from its long summer siesta to December as it did last year. Colour me unimpressed. While individual actions and bills can still be presented along the way and before summer recess—including a minor tax cut on July 1st concentrated on lower income workers—I still don't like this one bit. Canadians have a right to know the state of the government's finances—like how bad are they now—and the planned consequences to deficits and debt. Otherwise, it feels like Canadians basically wrote a blank cheque on April 28th when they granted a minority government to the Liberal Party.

Parliament reopens on May 26th, King Charles III will deliver the government's policy priorities in his speech on May 27th as they stated. Carney had already said they will cut lower income taxes by Canada Day so that's nothing new. He also laid out some nearer term policy imperatives after the election.

Chart 3**Ontario Nominal GDP Growth Forecasts**

Sources: Scotiabank Economics, ON Ministry of Finance.

So you could interpret this in one of two ways. One is that maybe they're being a little more cautious post-election and emphasizing optionality by delaying a fuller budget with more complete options. That could work out well if Trump does an about-face on tariffs because you wouldn't want to over commit on fiscal actions now. It could work out poorly if it means you are reacting to further deterioration too late.

Another is that maybe they figure they intend to spend so much on so many things including big, shiny, flashy projects that they need lots of time to figure out how to spend it all. That too could wind up overdone or brilliant, depending on how suicidal Trump and the GOP are feeling into US mid-terms.

But I'd prefer transparency along the way, adjust as needed, while maximizing optionality. After all, that's what ten provinces have done including Ontario today! I don't like to see the central bank quit the forecasting business with competing scenarios and saying "I dunno" in terms of what it expects, while the Feds basically do likewise on a budget. I asked the powers that be around here if we could get away with doing likewise. No answer. Parliament is the place to discuss, debate and pass a Budget in an open democracy.

BANXICO TO CUT

Banxico is widely expected to cut 50bps in the afternoon (3pmET). The prior decision and statement on March 27th teed up this expectation by noting the following:

"The Board estimates that looking ahead it could continue calibrating the monetary policy stance and consider adjusting it in similar magnitudes."

Banxico has cut by 50bps in each of its two prior decisions before which it delivered four 25bps rate cuts in a row. The peso has appreciated by about 4% to the dollar since the last decision and within a general environment of broadly based USD weakness.

OTHER LIGHT CANADIAN AND US DATA

We'll get a few readings out of Canada but they should be of little consequence; next week's CPI may be somewhat more relevant. Housing starts in April may pick up (8:15amET), while advance guidance from Statcan already pointed to expected drops in the value of manufacturing sales during March (8:30amET) and wholesale trade (8:30amET). Existing home sales in April will try to arrest the four months slide since December (9:00amET).

There will also be a few other lighter US releases like initial jobless claims (8:30amET), industrial output that may stabilize after a plunge in utilities output dragged down March's reading (9:15amET), and the volatile Philly Fed (8:30amET).

Fixed Income	Government Yield Curves (%):												Central Banks	
U.S. 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	2.75
	4.02	4.05	3.88	4.14	4.17	3.99	4.51	4.54	4.38	4.95	4.97	4.85		
	2.57	2.59	2.59	2.82	2.84	2.80	3.22	3.26	3.20	3.53	3.57	3.50		
	1.90	1.94	1.77	2.23	2.27	2.08	2.66	2.70	2.54	3.11	3.15	2.99		
	0.72	0.71	0.63	1.00	0.98	0.87	1.48	1.46	1.34	2.97	2.92	2.90		
	4.01	4.02	3.93	4.17	4.18	4.03	4.69	4.71	4.55	5.43	5.47	5.32		
CANADA GERMANY JAPAN U.K.	Spreads vs. U.S. (bps):												Euro zone - ECB	2.40
	-146	-146	-129	-132	-132	-118	-129	-128	-118	-142	-141	-135		
	-212	-211	-210	-191	-190	-191	-185	-184	-185	-184	-182	-186		
	-330	-334	-324	-314	-319	-311	-303	-308	-305	-198	-206	-195		
Equities	Level						% change:						Mexico - Banxico	9.00
	Last	Change		1 Day	1-wk	1-mo	1-yr							
S&P/TSX	25692	75.6		0.3	2.1	6.7	15.3	Australia - RBA	4.10					
Dow 30	42051	-89.4		-0.2	2.3	4.2	5.4							
S&P 500	5893	6.0		0.1	4.6	9.2	11.0	New Zealand - RBNZ	3.50					
Nasdaq	19147	136.7		0.7	7.9	13.8	14.4							
DAX	23502	-25.0		-0.1	0.6	10.6	24.6	Next Meeting Date						
FTSE	8596	11.0		0.1	0.8	4.2	1.8	Canada - BoC	Jun 04, 2025					
Nikkei	37756	-372.6		-1.0	2.2	10.2	-1.6							
Hang Seng	23453	-187.5		-0.8	3.0	9.3	23.0	US - Fed	Jun 18, 2025					
CAC	7823	-13.9		-0.2	1.7	6.6	-5.1							
Commodities	Level						% change:						England - BoE	Jun 19, 2025
WTI Crude	60.90	-2.25		-3.6	1.7	-0.7	-22.5							
Natural Gas	3.49	-0.01		-0.2	-3.0	4.7	44.3	Euro zone - ECB	Jun 05, 2025					
Gold	3177.81	0.57		0.0	-0.9	42.5	33.2							
Silver	32.89	-0.10		-0.3	0.0	1.9	15.7	Japan - BoJ	Jun 17, 2025					
CRB Index	298.41	-2.12		-0.7	3.0	3.1	2.9							
Currencies	Level						% change:						Mexico - Banxico	May 15, 2025
USDCAD	1.3984	0.0001		0.0	0.4	0.2	2.8							
EURUSD	1.1193	0.0018		0.2	-0.3	-0.8	2.8	Australia - RBA	May 20, 2025					
USDJPY	145.93	-0.8200		-0.6	0.0	1.9	-5.8							
AUDUSD	0.6408	-0.0020		-0.3	0.1	1.0	-4.3	New Zealand - RBNZ	May 27, 2025					
GBPUSD	1.3287	0.0024		0.2	0.3	0.4	4.7							
USDCHF	0.8383	-0.0040		-0.5	0.8	1.8	-7.1							

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