

DAILY POINTS

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Chart 1

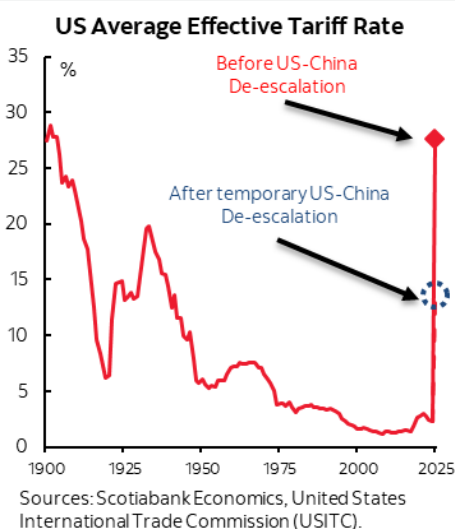
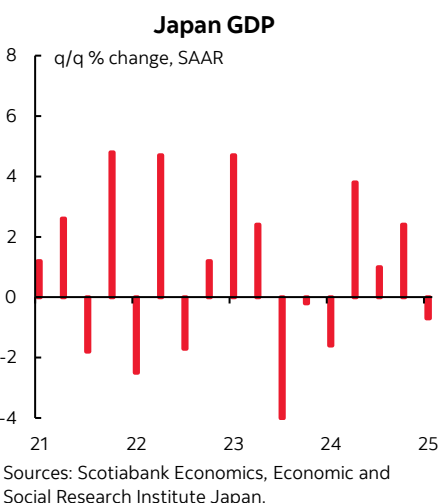


Chart 2



On Deck for Friday, May 16

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	05-16	08:30	International Securities Transactions (C\$ bn)	Mar	--	--	-6.5
US	05-16	08:30	Building Permits (000s a.r.)	Apr P	--	1450.0	1467.0
US	05-16	08:30	Export Prices (m/m)	Apr	--	-0.4	0.0
US	05-16	08:30	Housing Starts (000s a.r.)	Apr	1400	1364.0	1324.0
US	05-16	08:30	Housing Starts (m/m)	Apr	5.7	3.0	-11.4
US	05-16	08:30	Import Prices (m/m)	Apr	--	-0.3	-0.1
US	05-16	10:00	U. of Michigan Consumer Sentiment	May P	51.5	53.5	52.2
US	05-16	16:00	Total Net TIC Flows (US\$ bn)	Mar	--	--	284.7
US	05-16	16:00	Net Long-term TIC Flows (US\$ bn)	Mar	--	--	112.0
US	05-16	21:40	Fed's Daly Gives Commencement Address				
US	05-16		Fed's Barkin Gives Commencement Speech				

KEY POINTS:

- **Equities up on further signs that Trump is backpedaling**
- **Trump indicates lower across-the-board tariffs are coming**
- **Kiwi dollar up on inflation report**
- **Japan's economy contracted**
- **US UofM highlights light N.A. developments**

It's a Happy Friday for equities. They're modestly up across the board. A catalyst is an additional sign that Trump is backing down on tariffs but trying to make it sound like he's not. Sovereign bond yields are down a few basis points across maturities and countries except Canada where yields are flat. Oil is consolidating yesterday's sell off. The dollar is mixed and little changed on balance.

FURTHER SIGNS TRUMP IS BACKING DOWN

Trump said in the 3–4amET window when US equity futures began to post further gains that “it’s not possible to meet the number of people that want to see us” and there are “150 countries that want to make a deal.” It used to be 200 countries btw, 5 more than a liberal definition of the number of countries that exist. Because of negotiating capacity limits, Trump said the US administration will instead set tariff rates for trading partners “over the next two to three weeks” and that Bessent and Lutnick will be sending letters “telling people what they’ll be paying to do business in the United States.”

Nonsense. Trump went way too far and gave himself no out, so now he’s forced to unilaterally back down as the consequences to the US economy become clearer and other partners like China, Europe and Canada dig in.

We need to see the tariff rates as they unfold, and the responses. If the temporary 90-day fiancé deal with China is any indication, then tariffs are likely to be much lower, but still damaging and still bad economic policy. Chart 1 shows where the US effective average tariff rate on its own goods imports presently stands. From a peak of about 27%, John McNally in our group calculates that it is now 13.6% on all goods after the temporary China deal. As a share of total goods *and* services imports, the effective average tariff rate is now 11.2%. These rates could drop again if Trump’s comments this morning result in further cuts. They are likely to continue to be too high and damaging, but less crippling to the outlook—as long as Trump’s erratic ways don’t escalate all over again.

JAPAN'S ECONOMY CONTRACTS

Japan’s economy slipped into contraction by more than expected (-0.7% q/q SAAR, -0.3% consensus). Part of that was due to an upward revision to Q4 (2.4% from 2.2%). Inventories added 0.3 ppts, consumption was a flat contributor again, and business spending added

May 16, 2025

1.4 ppts while net exports shaved 0.8 ppts off GDP. It's a minor dip after three decent quarters (chart 2), but greater risk lies ahead for the trading nation.

KIWI DOLLAR UP ON INFLATION REPORT

NZ 2-year inflation expectations edged up to 2.3% from 2.06% and drove the kiwi dollar to be the strongest in class against the USD this morning. The up-tick is relatively minor compared to the steep declines that preceded it (chart 3).

LIGHT N.A. DEVELOPMENTS ON TAP

How provies may respond to Ontario's budget is the only semi-pertinent matter in Canada.

US markets will follow UofM sentiment (10amET) and its components such as inflation expectations (chart 4). Housing starts are expected to post a solid gain for April (8:30amET) and April's import prices are also due at the same time.

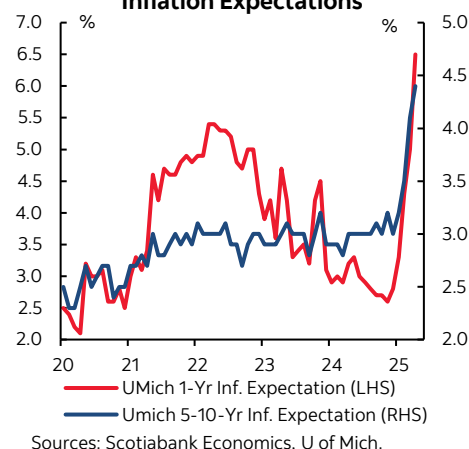
Chart 3

RBNZ Inflation Expectations



Chart 4

U. Mich. Measures of Inflation Expectations



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			
	3.94	3.96	3.89	4.03	4.06	4.00	4.40	4.43	4.38	4.86	4.89	4.84	Canada - BoC	2.75	
	2.54	2.53	2.53	2.75	2.75	2.75	3.15	3.15	3.15	3.48	3.48	3.47	US - Fed	4.50	
	1.85	1.88	1.79	2.15	2.19	2.10	2.57	2.62	2.56	3.01	3.07	3.02	England - BoE	4.25	
	0.72	0.72	0.65	0.99	1.00	0.89	1.46	1.48	1.37	2.97	2.97	2.91	Euro zone - ECB	2.40	
	3.98	3.99	3.91	4.11	4.14	4.03	4.62	4.66	4.57	5.36	5.41	5.35	Japan - BoJ	0.50	
Spreads vs. U.S. (bps):															
CANADA	-141	-143	-136	-128	-131	-125	-126	-129	-123	-139	-141	-137			
GERMANY	-209	-208	-211	-188	-187	-190	-184	-181	-182	-186	-182	-182			
JAPAN	-323	-324	-325	-304	-305	-311	-294	-295	-301	-190	-192	-192			
U.K.	3	3	2	8	9	3	21	23	19	50	52	51			
Equities	Level						% change:						Mexico - Banxico		8.50
	Last	Change			1 Day	1-wk	1-mo	1-yr							
S&P/TSX	25897	205.0			0.8	2.5	7.4	16.1	Australia - RBA						4.10
Dow 30	42323	271.7			0.6	2.3	6.7	6.2	New Zealand - RBNZ						3.50
S&P 500	5917	24.4			0.4	4.5	12.2	11.7							
Nasdaq	19112	-34.5			-0.2	6.6	17.2	14.5							
DAX	23836	140.0			0.6	1.4	11.8	27.2							
FTSE	8680	46.5			0.5	1.5	4.9	2.9							
Nikkei	37754	-1.8			-0.0	0.7	11.3	-3.0	Canada - BoC						Jun 04, 2025
Hang Seng	23345	-108.1			-0.5	2.1	10.9	20.5	US - Fed						Jun 18, 2025
CAC	7907	53.8			0.7	2.1	7.9	-3.4							
Commodities	Level						% change:								
WTI Crude	61.96			0.34			0.6	1.5	-0.8	-21.8	England - BoE				Jun 19, 2025
Natural Gas	3.34			-0.03			-0.8	-12.1	2.7	33.7	Euro zone - ECB				Jun 05, 2025
Gold	3171.60			-68.51			-2.1	-0.9	42.2	33.4	Japan - BoJ				Jun 17, 2025
Silver	32.09			-0.80			-2.4	-1.1	-0.7	11.3					
CRB Index	295.86			-2.55			-0.9	1.3	1.1	2.0					
Currencies	Level						% change:								
USDCAD	1.3957			-0.0002			-0.0	0.2	0.7	2.5	Mexico - Banxico				Jun 26, 2025
EURUSD	1.1203			0.0016			0.1	-0.4	-1.7	3.1	Australia - RBA				May 20, 2025
USDJPY	145.49			-0.1800			-0.1	0.1	2.5	-6.4	New Zealand - RBNZ				May 27, 2025
AUDUSD	0.6420			0.0014			0.2	0.1	0.8	-3.9					
GBPUSD	1.3297			-0.0008			-0.1	-0.1	0.4	4.9					
USDCHF	0.8369			0.0010			0.1	0.7	2.9	-7.6					

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