

The Bank of England held Bank Rate at 3.75% as widely expected in an 8–1 vote with Chief Economist Pill dissenting in favour of a hike at this meeting (statement [here](#)). The central bank abandoned base case projections in favour of three scenarios that indicate varying amounts of potential second-round effects of higher commodity prices into broader prices. Those scenarios imply anywhere from no hikes to 150bps of tightening. Clearly the message is that the BoE is watching for second-round effects in addition to assessing the longevity and magnitude of the commodity shock. Markets reacted by pushed the 2-year UK yield down a few basis points and trimming a little from June hike pricing that is now roughly two-thirds priced for +25bps.

The ECB is next up with an expected and priced hold at 2% (8:15amET) followed by President Lagarde’s press conference at 8:45amET. This meeting should have a air of waiting for June around it. Having just produced forecasts in March, the next opportunity to issue fresh projections will come at the June meeting by which point greater information will be available.

Colombia’s BanRep is then expected to hike by 50bps to an new overnight lending rate of 11.75% (2pmET). A minority thinks BanRep could hike by 75bps.

ON TAP IN NORTH AMERICA

A blast of macro data across all three countries then gives way to Apple’s earnings in the after-market (Q2 EPS US\$1.96).

Mexican Q1 GDP is expected to contract by -0.6% q/q SA nonannualized, making it two drops in the latest three quarters.

Canada’s economy likely posted modest growth in February (0.2% m/m SA) given advance guidance from StatCan and our tracking, and we’ll get sector details (8:30amET). Key, however, may be March GDP for which there has been very little data and which serves as an important contribution to tracking Q1 overall and to hand-off math into Q2 GDP. Q1 GDP is tracking 1.5 to as much as over 2% q/q SAAR (chart 1).

The US economy probably posted strong headline growth but weakness under the hood. Q1 GDP is expected to be up by 2.3% q/q SAAR (Scotia 3%) largely due to the rebound in government from the prior quarter’s shutdown (8:30amET). Excluding what could be around a two percentage point contribution to GDP growth from government (chart 2), the rest of the economy including the consumer was probably quite weak.

The US also updates consumer spending and incomes as well as the Fed’s preferred inflation measures during March. Nominal spending is expected to be strong with a gain near 1% m/m SA based on prices and retail figures, while income growth is expected to be more muted (0.3% m/m, Scotia 0.5%). Core PCE inflation is estimated to have risen by 0.3% m/m SA after a string of 0.3–0.4% nonannualized readings that were tracking in the 4–5% m/m SAAR range.

Employment costs could also garner some attention. The US Employment Cost Index for Q1 is estimated to rise by 0.8% q/q SA nonannualized (8:30amET).

Watch for Apple’s tech spending to be added to chart 3 that incorporates updated cap-ex plans from the other tech players that released earnings last evening.

OVERNIGHT MACRO REPORTS

China’s state PMIs were little changed with the composite reading dipping by 0.4 to 50.1. That was due to a 0.7 decline in the non-manufacturing PMI to 49.4 and hence mildly tip toeing into contraction territory. The manufacturing PMI remains above the critical 50 threshold at 50.3.

Eurozone GDP disappointed and nearly stalled out in Q1 ahead of further downside risk that lies ahead (chart 4). GDP was up by 0.1% q/q SA nonannualized (0.2% consensus), bringing the year-over-year rate down to 0.8%. France’s economy dragged the region down (0% q/q, 0.2% consensus) while Spain (0.6% q/q SA, 0.5% consensus) and Germany (0.3% q/q, 0.1% consensus) continued to outperform. Italy grew by 0.2% q/q.

Chart 3

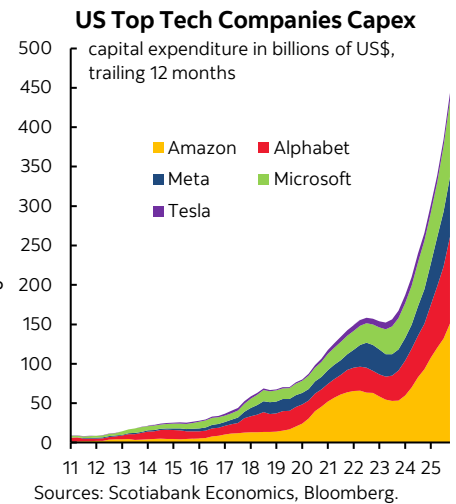


Chart 4

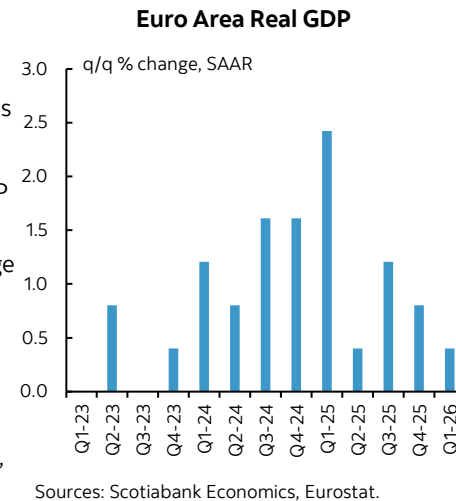
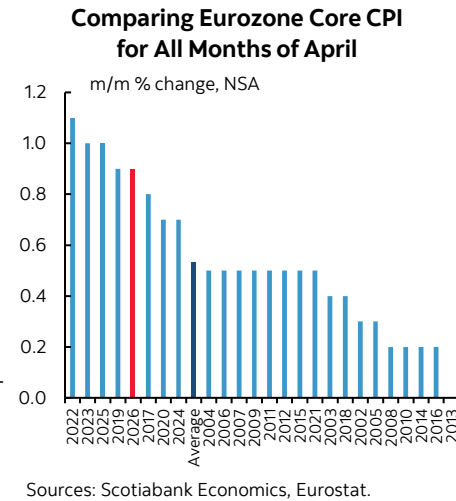


Chart 5



April 30, 2026

Germany's fortunes are poorly positioned into Q2 from a consumer standpoint. That's because retail sales volumes fell by 2% m/m SA in March, far below expectations for a nearly flat reading. That's a weak hand-off that exerts a downward bias on tracking second quarter growth.

Eurozone inflation was on the screws in March, matching consensus at 3% y/y. Core CPI also matched expectations at 2.2% y/y. The month-over-month core reading in NSA terms was among the warmest on record (chart 5).

WHY THE CUT SHIP MAY HAVE SAILED FOR THE BOC

There are many reasons why the BoC shouldn't have even been talking about rate cuts yesterday (recap [here](#)), but one that's often missing from the debate. In a market sense, to cut 25bps would actually translate into effectively cutting by 100 or more in a heartbeat which would also sink the currency. That's because cutting 25bps would also reverse over 60bps of priced hiking this year for a total swing factor of over 85bps. Given that markets would also likely price in further cuts after the first one, the cumulative market easing relative to pricing would amount to well over 100bps of cutting, giving it the label of the biggest quarter point cut in history. Even if you do nothing on the policy rate this year, then you've cut by at least 60bps and probably more because if you do nothing then markets would think you're leaning toward easing.

The currency impact to effectively delivering over 100bps of easing would torpedo CAD, pushing it perhaps to the 1.45+ USDCAD range, raising import price inflation risk.

Easing financial conditions by this much wouldn't make a whole lot of sense in a country that produces multiple commodities that are all on fire and without having incorporated more federal spending into BoC projections and with all of the other reasons for tightening. If you want to cut, you'd better have maximum, off-the-charts conviction that it's the right thing to do given the turmoil and consequences that would be sparked in financial markets that the BoC too often fails to understand. Macklem's cut scenario also violates many of his speeches on trade that speak to supply damage as well as demand hits from trade turmoil. I also still find that the pressure will be upon the Trump administration to deal on USMCA more than in Canada in a scenario marked by cautious optimism. And then there is the retaliation angle; should the US raise tariffs and torpedo USMCA, Canada would almost certainly have to respond in kind this time, thereby raising import price pressures.

Overall, I think the main reason Macklem mentioned a cut scenario as an offset to their hike scenario was to avoid markets pushing them too aggressively in the nearer term. Absent even a low credibility cut view, talking hikes would have probably pushed markets to pricing hikes starting in June.

Fixed Income	Government Yield Curves (%):												Central Banks	
	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		
U.S.	3.89	3.95	3.84	4.03	4.08	3.96	4.39	4.43	4.33	4.98	5.00	4.91	Canada - BoC	2.25
CANADA	2.99	3.03	2.84	3.23	3.26	3.11	3.58	3.61	3.48	3.95	3.97	3.89	US - Fed	3.75
GERMANY	2.67	2.74	2.57	2.78	2.84	2.71	3.07	3.11	3.01	3.57	3.59	3.53	England - BoE	3.75
JAPAN	1.39	1.38	1.36	1.90	1.87	1.84	2.53	2.48	2.43	3.75	3.67	3.64	Euro zone - ECB	2.15
U.K.	4.48	4.56	4.37	4.54	4.62	4.46	5.00	5.07	4.94	5.66	5.73	5.62	Japan - BoJ	0.75
	Spreads vs. U.S. (bps):													
CANADA	-90	-92	-99	-80	-82	-85	-81	-83	-84	-103	-104	-102	Mexico - Banxico	6.75
GERMANY	-122	-121	-127	-125	-124	-125	-133	-132	-132	-141	-141	-138	Australia - RBA	4.10
JAPAN	-251	-257	-247	-213	-222	-212	-187	-195	-190	-123	-133	-127	New Zealand - RBNZ	2.25
U.K.	58	61	53	51	54	50	61	64	61	68	72	70		
Equities	Level						% change:						Next Meeting Date	
	Last	Change		1 Day		1-wk		1-mo		1-yr				
S&P/TSX	33318	-265.9		-0.8		-1.9		1.7		34.1		Canada - BoC	Jun 10, 2026	
Dow 30	48862	-280.1		-0.6		-1.3		5.4		20.1		US - Fed	Jun 17, 2026	
S&P 500	7136	-2.9		-0.0		-0.0		9.3		28.1		England - BoE	Apr 30, 2026	
Nasdaq	24673	9.4		0.0		0.1		14.3		41.4		Euro zone - ECB	Apr 30, 2026	
DAX	24111	156.0		0.7		-0.2		6.3		7.2		Japan - BoJ	Jun 16, 2026	
FTSE	10351	137.7		1.3		-1.0		1.7		21.8		Mexico - Banxico	May 07, 2026	
Nikkei	59285	-632.5		-1.1		-0.5		16.1		64.5		Australia - RBA	May 05, 2026	
Hang Seng	25777	-335.3		-1.3		-0.5		4.0		16.5		New Zealand - RBNZ	May 26, 2026	
CAC	8052	-19.7		-0.2		-2.1		3.0		6.0				
Commodities	Level						% change:							
		Change		1 Day		1-wk		1-mo		1-yr				
WTI Crude	105.18	-1.70		-1.6		9.7		3.7		80.7		Canada - BoC	Jun 10, 2026	
Natural Gas	2.63	-0.02		-0.8		0.5		-8.9		-21.0		US - Fed	Jun 17, 2026	
Gold	4632.19	84.24		1.9		-1.3		-0.8		40.9		England - BoE	Apr 30, 2026	
Silver	72.77	-0.42		-0.6		-6.8		7.3		119.0		Euro zone - ECB	Apr 30, 2026	
CRB Index	394.49	8.87		2.3		4.3		5.9		36.6		Japan - BoJ	Jun 16, 2026	
Currencies	Level						% change:							
		Change		1 Day		1-wk		1-mo		1-yr				
USDCAD	1.3660	-0.0025		-0.2		-0.3		-1.8		-1.0		Mexico - Banxico	May 07, 2026	
EURUSD	1.1713	0.0036		0.3		0.3		1.4		3.4		Australia - RBA	May 05, 2026	
USDJPY	156.59	-3.8200		-2.4		-2.0		-1.3		9.4		New Zealand - RBNZ	May 26, 2026	
AUDUSD	0.7162	0.0046		0.6		0.5		3.8		11.9				
GBPUSD	1.3528	0.0053		0.4		0.5		2.3		1.5				
USDCHF	0.7853	-0.0059		-0.7		-0.1		-1.8		-4.9				

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