

Contributors

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On Deck for Wednesday, May 13th

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	05-13	07:00	MBA Mortgage Applications (w/w)	May 08	--	--	-4.4
US	05-13	08:30	PPI (m/m)	Apr	0.4	0.5	0.5
US	05-13	08:30	PPI ex. Food & Energy (m/m)	Apr	0.3	0.3	0.1
US	05-13	11:30	Fed's Collins Speaks on US Economy				
US	05-13	13:15	Fed's Kashkari in Moderated Discussion				
CA	05-13	13:35	Bank of Canada Summary of Deliberations				
US	05-13	19:00	Fed's Logan in Moderated Conversation				
CA	05-13		BoC External Deputy Governor Michelle Alexopoulos Speaks				

KEY POINTS:

- **Bland markets await potentially key developments**
- **Trump-Xi Jinping meeting starts tonight amid low expectations**
- **US PPI to further inform estimates for the Fed's preferred inflation gauge**
- **BoC's deliberations are unlikely to reveal anything new**
- **Canada should avoid the 'Golden Dome'**
- **Canada's gas refinery margins are soaring**
- **Canadian insolvency hysteria**
- **Aussie wage growth remains modest**

An otherwise light calendar will have markets fixated on any further developments concerning Iran and the start of US-China bilateral meetings this evening.

Markets are starting off the day in rather bland fashion. Oil is meh. Sovereign bond yields are little changed. Ditto for equities. The dollar is a touch firmer but flat against most crosses. Markets are clearly waiting to seize on new information.

TRUMP ET AL GO TO CHINA

Trump just landed in Beijing with his large entourage of officials and corporate leaders as this note is being published. The first bilateral meeting is thought to occur late this evening (10:30pm—onward, or 10:30am Thursday in Beijing). There will be plenty of pomp and circumstance and probably praise for Trump given he seeks it. Based upon past practices there may be a joint statement sometime in the wee hours of Thursday morning (ET), or 1pm—onward Thursday afternoon local time. The joint statement and any reported sense of progress—or lack thereof—could be impactful through tonight's Asian market session and into Thursday's N.A. open.

On the docket in the meetings are a) Iran, b) tariffs, c) Taiwan, d) AI, and e) possible other trade issues. Expectations are mixed but I think there is a high bar set against major breakthroughs versus token announcements perhaps like repackaging Boeing orders that may have been placed in any event. I've read a lot of accounts of what may be expected and they all share one thing in common: low expectations and nervousness. Of the two leaders, I would think Trump would be more likely to blink as China has dug in against his threats and measures and given his pattern of behaviour ahead of midterms amid sagging polling and affordability challenges. China knows that Trump is a wildcard who says one thing, does another, threatens a lot, and goes back on his commitments. Xi Jinping is no fool.

US PRODUCER PRICES TO INFORM PCE EXPECTATIONS

The US releases producer price figures for the month of April this morning (8:30amET). Headline prices are expected to rise by 0.5% m/m (Scotia 0.4%) with core producer prices (ex-food and energy) up 0.3% (Scotia 0.3%).

Key will be translating several components like airfare, some health sector prices and portfolio administration fees into weighted contributors to PCE inflation that is due out on May 28th and combining that with CPI contributions to the PCE estimate.

As for yesterday's US CPI figures (recap [here](#)) of note is that the Cleveland Fed's trimmed mean CPI [reading](#) matched traditional core CPI last month (chart 1). So did their weighted median CPI measure. At least on a CPI basis, incoming Fed Chair Warsh's preference for trimmed inflation measures over traditional core inflation suffered a blow. We'll see what happens with core PCE and trimmed core PCE at month end given that's where more of the divergence has been occurring (chart 2).

BOC'S SUMMARY OF DELIBERATIONS

Zzzzzzz.....the BoC releases its Summary of Deliberations (1:30pmET) that attempts to reflect the dialogue that was conducted in the lead up to the April 29th decision. It was forced upon the BoC by the IMF that demanded improved transparency, but it falls short of more useful minutes. I expect absolutely nothing from today's release given abundant communications on game day in the statement and the MPR and press conference, then media interviews, and in two rounds of parliamentary testimony. It will just be a re-hashed exercise in what you should already know.

OVERNIGHT STUFF

The won ignored a one-tick increase in South Korea's unemployment rate to 2.8% in April but tumbled along with the Kospi stock index after headlines hit about strike risk at Samsung and general negativity around chip stocks.

Australian wages continue to post moderate growth of 3.3% y/y and 0.8% q/q (chart 3).

CANADIAN REFINERY MARGINS HAVE GOBBLED UP THE FUEL TAX CUT

Have a look at chart 4. It shows Canadian refinery margins, defined [here](#) as the spread between wholesale gasoline prices and crude prices. They've exploded and the timing of the move raises questions.

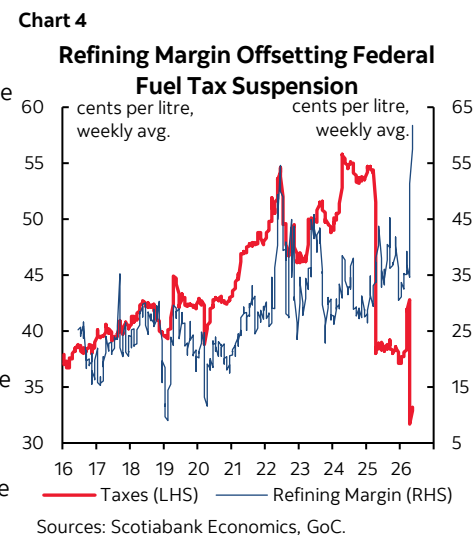
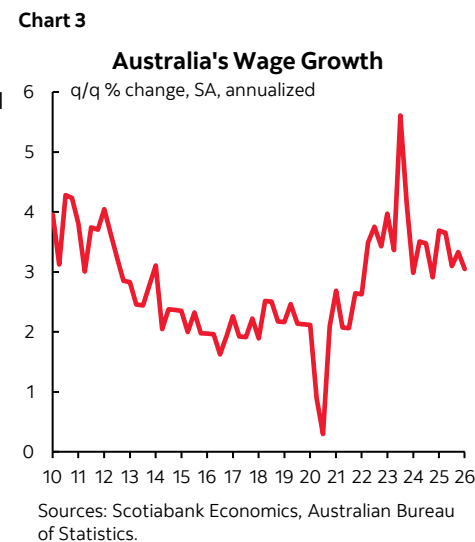
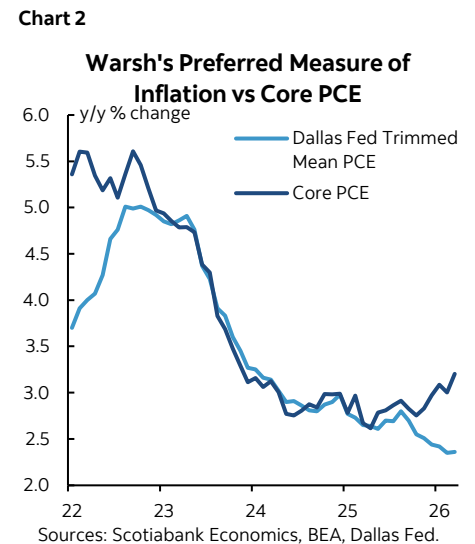
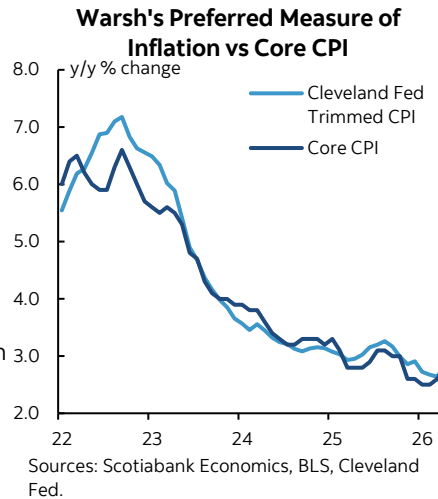
One reason why refining margins may have widened is because analysts point to a tighter gasoline market than even what's going on in crude and due to supply factors as well as a pick-up in demand into the Spring and Summer driving seasons. That could explain some of the widening which is basically a fancy way of saying that refineries have pricing power.

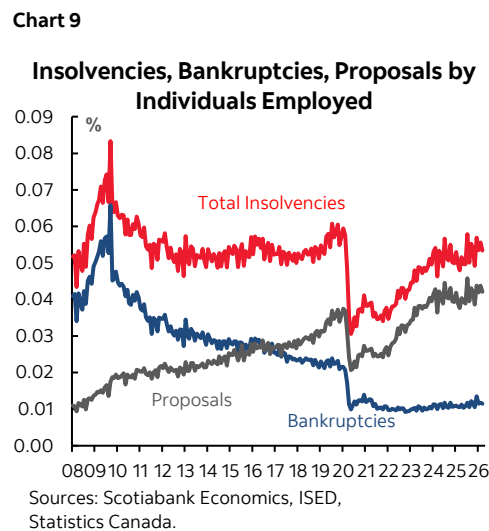
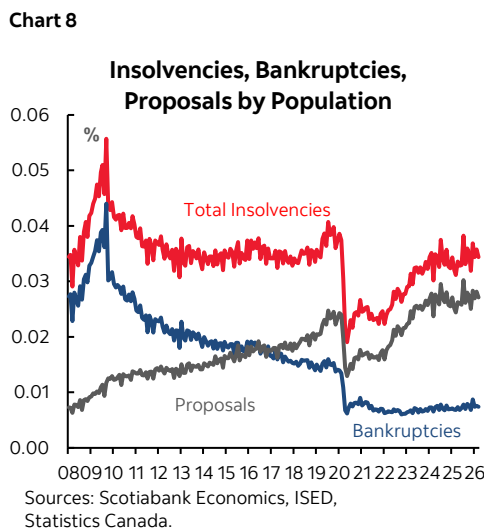
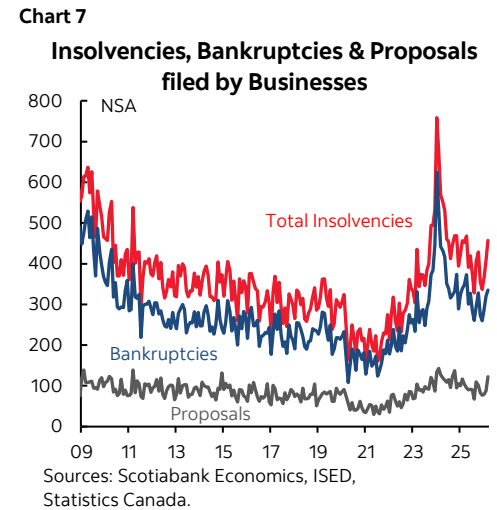
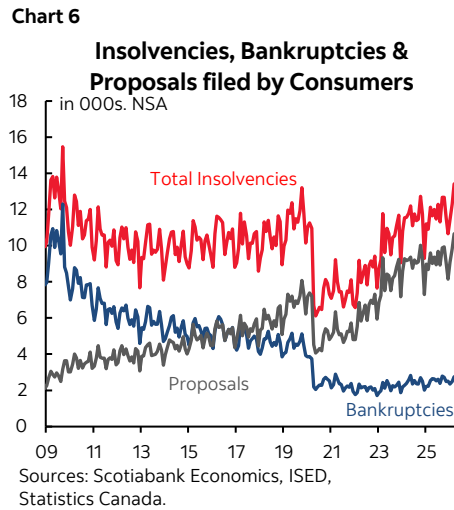
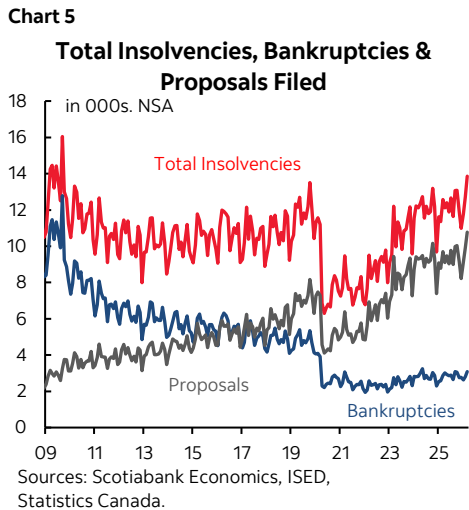
Yet the refining margins have particularly widened since the 10 cent/litre fuel tax suspension on April 20th. Back then, then margin was 47 cents/litre. Today it is 60 cents. That 13-cent widening has eaten the tax cut.

Whether that's because of the general economics of the gasoline market or because the incidence effects of the tax cut flowed to producers is unclear but I suspect it's a bit of both. As a result, you really can't say with any clarity that the tax cut has benefited consumers as the price per litre of the regular stuff has gone from about C\$1.71 to \$1.91. It's feasible that the higher grades may have seen at least as much widening.

CANADIAN INSOLVENCIES—FACTS VS HYSTERIA

What's going on with Canadian insolvencies? Are they as bad as some are depicting?





Enter the five charts 5–9. They show that the total number of business and consumers bankruptcies remains low. The number of consumer bankruptcies remains very low along a flat trend as the number of proposals to work out terms has continued to rise and which is driving higher total insolvencies (the sum of bankruptcies and proposals). On a per capita basis and per employed person basis, consumer bankruptcies, proposals and insolvencies are very low. Canada has a more collaborative borrower-lender set of arrangements than, say, the US where strategic defaults and jingle mail are more prevalent at times of stress. This is a strength of the Canadian system.

Shifting to business insolvencies, the picture is a little different. Bankruptcies are off the peak but higher than proposals and higher than the pre-pandemic experience, but still relatively low. Some businesses are indeed struggling. In other cases, creative destruction is driving change and coverage needs to be careful. You wouldn't want to quash all bankruptcies with supports in a way that would interfere with the reallocation of resources away from nonviable businesses toward others that can use the workers and resources more productively.

CANADA SHOULD AVOID THE GOLDEN DOME WHITE ELEPHANT

The US Congressional Budget Office [issued](#) an updated assessment of the full 20-year project costs of the Trump administration's 'Golden Dome' idea. It's now up to US\$1.2 trillion to develop, deploy and operate over 20 years. Every time they estimate it the bills goes up by hundreds and hundreds of billions. Last year, the CBO said it would cost US\$542 billion just for the space-based components. Trump said last year that the whole thing would only cost \$175 billion. The CBO's fiscal projections are typically way off from reality for various reasons and a project like this one is extremely difficult to cost out, but the escalating price tag probably has yet to peak given the history of defence and infrastructure projects.

The best advice to Canada in my opinion is to avoid participation. Supporters will say that a nuclear strike would be more costly. Detractors would say it's unproven technology, that Israel's dome lets through plenty of missiles, and that all you need to do is slip a terrifying weapon under the dome. Getting strung along by cutting a cheque to participate risks Canada spending hundreds of billions on unproven technology with no exit once you've embarked along this path.

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.	3.99	3.99	3.87	4.12	4.13	4.00	4.46	4.46	4.35	5.03	5.03	4.94	Canada - BoC	2.25
CANADA	2.96	2.97	2.91	3.24	3.24	3.15	3.59	3.59	3.51	3.94	3.94	3.88	US - Fed	3.75
GERMANY	2.71	2.71	2.57	2.82	2.82	2.69	3.11	3.10	3.00	3.63	3.62	3.54	England - BoE	3.75
JAPAN	1.40	1.40	1.39	1.93	1.92	1.89	2.59	2.56	2.52	3.84	3.83	3.75	Euro zone - ECB	2.15
U.K.	4.51	4.54	4.38	4.63	4.64	4.48	5.09	5.10	4.94	5.77	5.77	5.63	Japan - BoJ	0.75
	Spreads vs. U.S. (bps):													
CANADA	-102	-102	-96	-88	-88	-85	-88	-87	-84	-109	-109	-105	Mexico - Banxico	6.50
GERMANY	-128	-128	-130	-130	-131	-130	-136	-136	-135	-139	-140	-139	Australia - RBA	4.35
JAPAN	-259	-259	-248	-219	-220	-211	-187	-190	-183	-119	-119	-119	New Zealand - RBNZ	2.25
U.K.	52	55	52	51	52	48	63	64	59	74	74	69		
Equities	Level						% change:						Next Meeting Date	
	Last			Change			1 Day	1-wk	1-mo			1-yr		
S&P/TSX	34291			151.9			0.4	2.2	1.2			33.9	Canada - BoC	Jun 10, 2026
Dow 30	49761			56.1			0.1	0.9	3.2			18.1	US - Fed	Jun 17, 2026
S&P 500	7401			-11.9			-0.2	2.0	7.5			25.7	England - BoE	Jun 18, 2026
Nasdaq	26088			-185.9			-0.7	3.0	12.5			37.2	Euro zone - ECB	Jun 11, 2026
DAX	24154			199.5			0.8	-3.1	1.7			2.2	Japan - BoJ	Jun 16, 2026
FTSE	10273			7.3			0.1	-1.6	-2.9			19.4		
Nikkei	63272			529.5			0.8	6.3	9.3			65.9		
Hang Seng	26388			40.5			0.2	0.7	2.8			14.2		
CAC	7951			-29.1			-0.4	-4.2	-3.5			1.0		
Commodities	Level						% change:							
WTI Crude	101.79			-0.39			-0.4	7.1	2.7			59.9		
Natural Gas	2.83			-0.01			-0.4	3.8	7.8			-22.3		
Gold	4701.38			-13.75			-0.3	0.2	-0.8			44.6		
Silver	83.64			3.24			4.0	13.9	10.7			161.2		
CRB Index	404.85			15.41			4.0	1.6	8.1			34.7		
Currencies	Level						% change:							
USDCAD	1.3693			-0.0003			-0.0	0.4	-0.7			-1.7	Mexico - Banxico	Jun 25, 2026
EURUSD	1.1715			-0.0024			-0.2	-0.3	-0.4			4.7	Australia - RBA	Jun 16, 2026
USDJPY	157.76			0.1300			0.1	0.9	-1.1			7.0	New Zealand - RBNZ	May 26, 2026
AUDUSD	0.7252			0.0012			0.2	0.2	2.2			12.1		
GBPUSD	1.3504			-0.0036			-0.3	-0.7	-0.0			1.5		
USDCHF	0.7813			0.0007			0.1	0.3	-0.3			-6.9		

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