Scotiabank

GLOBAL ECONOMICS

DAILY POINTS

May 15, 2026 @ *7:15 EST*

Contributors

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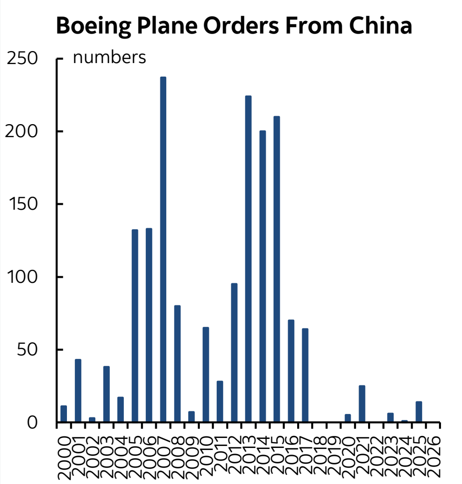
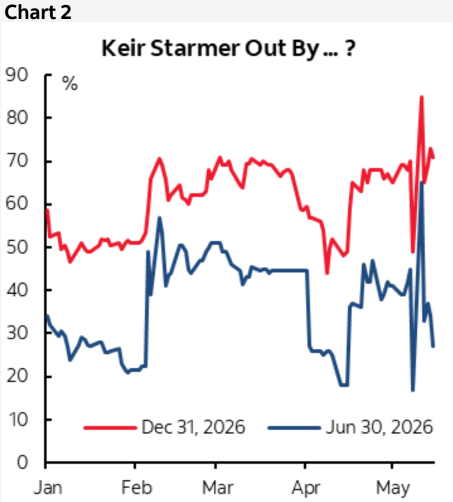
Chart 1



Sources: Scotiabank Economics, Boeing

Chart 2



Sources: Scotiabank Economics, Polymarket.

On Deck for Friday, May 15th

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	05-15	08:15	Housing Starts (000s a.r.)	Apr	245	245.0	235.9
CA	05-15	08:30	International Securities Transactions (C$ bn)	Mar	--	--	6.2
CA	05-15	08:30	Manufacturing Shipments (m/m)	Mar	3.5	3.5	3.6
US	05-15	08:30	Empire State Manufacturing Index	May	--	7.3	11.0
US	05-15	09:15	Capacity Utilization (%)	Apr	75.9	75.8	75.7
US	05-15	09:15	Industrial Production (m/m)	Apr	0.4	0.3	-0.5

KEY POINTS:

- **Risk-off sentiment sweeps through asset classes**
- **Driver 1: Failure in Beijing**
- **Driver 2: Renewed escalation fears in Iran**
- **Driver 3: Starmer on the ropes**
- **Driver 4: JGBs sell off on inflation**
- **Light data on tap**
- **Early bond close in Canada ahead of long weekend**

Well, this is a bit of a rude segue into a major event on the Canadian calendar. I'm speaking of the unofficial start of summer with the arrival of the Victoria Day long weekend which is when Canadians exit hibernation, head to their cottages and get their gardens going.

The rude part of it is that markets are ending the week in turmoil. Oil continues to creep higher with WTI and Brent up by around $3 and inching back toward the wartime peak. Bonds are selling off across maturities and markets with gilts leading the way with double digit increases in yields due to ongoing political dysfunction. Stocks are lower by 1%+ across all major yardsticks. The dollar is broadly firmer. Crypto-land is broadly lower.

Driver 1: Failure in Beijing

The moves could be driven by a few things. One is that aside from all the PSAs that were exchanged by Trump and Xi and despite the excessive attempts by both sides—especially Trump—to make the Summit sound like a success, it seems that little was actually accomplished during what appears to have been a total boondoggle. No grand trade deal was expected and none was delivered. Trump's announcement that he secured a pledge for China to buy 200 Boeing planes was perhaps something he should've kept to himself; 200 is nothing compared to replacement needs, compared to China's growing aviation market, compared to an extended pattern of not buying them (chart 1) and compared to loftier expectations going into the Summit. Overall, expectations were set low going into the Summit but perhaps not this low. Putin is next on Xi's calendar.

Driver 2: Renewed Escalation Fears in Iran

Another catalyst could be Trump's rambling **comment** yesterday that somewhat cryptically said "the military decimation of Iran (to be continued!)." Markets may be treating it as an indication of a reescalation of the conflict. Trump remarked early this morning that the US can hit Iran's bridges and electrical generation sites and said that if they can't get Iran's "nuclear dust" then "we'll go in."

Driver 3: Starmer on the Ropes

In the UK's case, the approaching 10-year anniversary of the Brexit vote is plodding ahead toward possibly the sixth prime minister since then as PM Starmer appears to be on the ropes. Japanese-style political instability is causing a renewed lack of confidence in UK markets in a lesson to Canadian separatists that would invite effects that would make Brexit look like child's play as argued in this past week's weekly.

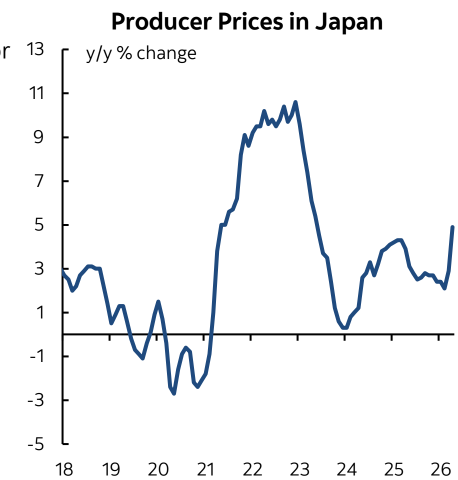
To briefly sum up developments, Labour's Health Secretary, Wes Streeting, resigned the other day to pave the way for Manchester Mayor Andy Burnham to run for parliament and contest Starmer's leadership. Starmer has faced a cabinet revolt and is deeply unpopular among voters with a YouGov polling showing 69% of voters view him unfavourably. The lottery ticket crowd on Polymarket is betting that Starmer will be toast by year-end (chart 2).

Markets are trading on the view that Burnham would drive a major surge of gilts issuance and sharply relaxed fiscal policy; hello Liz. Of course he can say whatever when unencumbered by the constraints of office and would have to be judged by his stances in office and by what is viewed to be passable in Parliament with markets applying some discipline, but he has somewhat derisively said that the UK government had to "get beyond this thing of being in hock to the bond markets." Burnham wouldn't be the first naïve politician to dismiss bond markets only to be spanked by them and himself could be a short-lived leader like Truss if he acted on his rhetoric and assuming he can topple Starmer which may not be too difficult to do. Burnham has favoured halving income taxes, lowering rents, utility bills, and transportation fares. He has advocated a plan to build dollops of new homes. He has sounded supportive of ramping up defence spending in a way that would fall outside of the budget. Cha-ching. Promises promises, how ya gonna pay for it all? These are knee-jerk reactions in markets in my opinion.

Driver 4: Japanese Inflation Drives JGBs Sell off

Japan's bond market also underperformed others overnight and in the wake of sharply higher than expected producer price inflation. Producer prices jumped by 2.3% m/m in April (0.8% consensus) and 4.9% y/y (3% consensus) with upward revisions. That reinforced market pricing for the BoJ to hike on June 16th and drove a bear steepener in JGBs with the longer-end up 9–14bps while also supporting the yen that is holding its own against the dollar this morning.

Chart 3



Sources: Scotiabank Economics, Bank of Japan.

Light Data

There isn't much else to consider on the data front.

- Canada updates housing starts in April (8:15amET) and then reports a large gain in manufacturing shipments during March (8:30amET).
- The US refreshes the Empire mfrg gauge covering the NY Fed's district (8:30amET) followed by industrial output during April (9:15amET).
- LatAm markets will face Peru's economic activity GDP proxy for March (11amET) and Colombia's Q1 GDP growth that is expected to be around 0.5% q/q (11amET).
- And to Putin sans love we celebrate the expected contraction in Russia's Q1 GDP alongside the continued elevation of inflation toward 6% y/y (12pmET).

Canadian bond markets will shut early at 1pmET for the long weekend. Equities do not have an official early close. Neither does anyone else.

Fixed Income	Government Yield Curves (%):											
	2-YEAR			5-YEAR			10-YEAR			30-YEAR		
	Last	1-day	1-wk	Last	1-day	1-wk	Last	1-day	1-wk	Last	1-day	1-wk
U.S.	4.05	4.02	3.89	4.19	4.15	4.00	4.53	4.48	4.36	5.09	5.03	4.94
CANADA	3.00	2.97	2.86	3.28	3.23	3.12	3.62	3.57	3.47	3.97	3.92	3.85
GERMANY	2.70	2.65	2.60	2.82	2.76	2.71	3.12	3.04	3.01	3.65	3.58	3.54
JAPAN	1.42	1.40	1.38	2.00	1.95	1.86	2.72	2.63	2.48	4.04	3.90	3.74
U.K.	4.54	4.43	4.38	4.67	4.54	4.46	5.14	4.99	4.91	5.81	5.66	5.58
	Spreads vs. U.S. (bps):											
CANADA	-105	-105	-102	-92	-92	-89	-92	-91	-88	-112	-111	-109
GERMANY	-134	-137	-129	-137	-140	-130	-142	-144	-135	-144	-145	-139
JAPAN	-263	-262	-251	-219	-220	-214	-182	-185	-187	-105	-113	-120
U.K.	49	41	50	48	39	46	60	51	56	72	63	64

Equities	Level		% change:			
	Last	Change	1 Day	1-wk	1-mo	1-yr
S&P/TSX	34268	226.8	0.7	1.2	0.3	32.3
Dow 30	50063	370.3	0.7	0.9	3.3	18.3
S&P 500	7501	57.0	0.8	2.2	6.8	26.8
Nasdaq	26635	232.9	0.9	3.2	10.9	39.4
DAX	24158	-298.1	-1.2	-0.7	0.4	2.0
FTSE	10243	-129.5	-1.2	0.1	-3.0	18.6
Nikkei	61409	-1244.8	-2.0	-2.1	5.6	62.6
Hang Seng	25963	-426.3	-1.6	-1.6	0.1	10.7
CAC	7985	-97.3	-1.2	-1.6	-3.5	1.7
Commodities	Level		% change:			
WTI Crude	103.63	2.46	2.4	8.6	13.5	68.2
Natural Gas	2.92	0.03	1.0	6.0	12.0	-13.1
Gold	4565.97	-86.01	-1.8	-3.2	-4.7	40.9
Silver	86.79	0.09	0.1	8.0	12.1	163.9
CRB Index	400.28	-4.11	-1.0	3.2	7.6	35.3
Currencies	Level		% change:			
USDCAD	1.3744	0.0024	0.2	0.5	0.0	-1.5
EURUSD	1.1644	-0.0025	-0.2	-1.2	-1.3	4.1
USDJPY	158.46	0.0900	0.1	1.1	-0.3	8.8
AUDUSD	0.7165	-0.0056	-0.8	-1.1	-0.1	11.8
GBPUSD	1.3380	-0.0023	-0.2	-1.8	-1.3	0.6
USDCHF	0.7848	0.0011	0.1	1.1	0.4	-6.1

Central Banks	
Current Rate	
Canada - BoC	2.25
US - Fed	3.75
England - BoE	3.75
Euro zone - ECB	2.15
Japan - BoJ	0.75
Mexico - Banxico	6.50
Australia - RBA	4.35
New Zealand - RBNZ	2.25
Next Meeting Date	
Canada - BoC	Jun 10, 2026
US - Fed	Jun 17, 2026
England - BoE	Jun 18, 2026
Euro zone - ECB	Jun 11, 2026
Japan - BoJ	Jun 16, 2026
Mexico - Banxico	Jun 25, 2026
Australia - RBA	Jun 16, 2026
New Zealand - RBNZ	May 26, 2026

May 15, 2026