

Contributors

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Chart 1

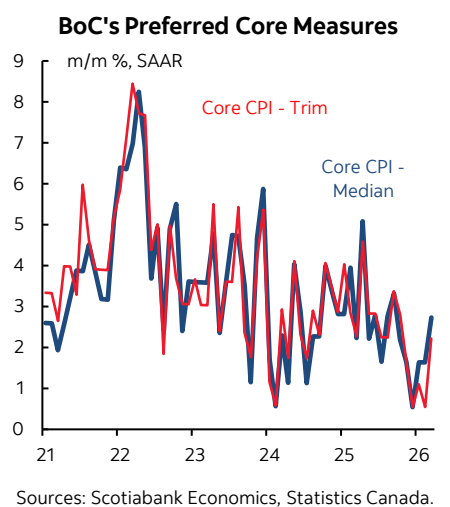
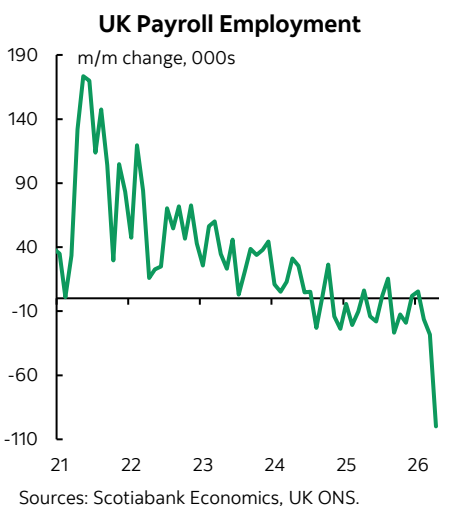


Chart 2



On Deck for Tuesday, May 19th

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	05-19	08:00	Fed's Waller in Moderated Discussion				
CA	05-19	08:30	Building Permits (m/m)	Mar	--	3.7	-8.4
CA	05-19	08:30	Core CPI - Median (y/y)	Apr	--	--	2.3
CA	05-19	08:30	Core CPI - Trim (y/y)	Apr	--	--	2.2
CA	05-19	08:30	CPI, All items (m/m)	Apr	1.0	0.8	0.9
CA	05-19	08:30	CPI, All items (y/y)	Apr	3.5	3.0	2.4
CA	05-19	08:30	CPI, All items (index)	Apr	--	--	167.4
CA	05-19	08:30	Core CPI - Common (y/y)	Apr	--	--	2.6
CA	05-19	08:30	CPI SA, All items (m/m)	Apr	--	--	0.5
US	05-19	10:00	Pending Home Sales (m/m)	Apr	--	1.6	1.5
US	05-19	19:00	Fed's Paulson Speaks on Economic Outlook				

KEY POINTS:

- Oil's two-day rise on Iran fears continues to drive higher bond yields
- Canadian CPI due shortly
- Why the BoE should ignore UK payrolls
- Japan's economy outperformed with an asterisk
- Global Week Ahead — Joined at the Hip (reminder [here](#))

Oil prices are gyrating between yesterday's increase after tough talk from Trump over the weekend and today's slight pullback after Trump said he held off on launching additional attacks on Iran following appeals from Gulf states. The net effect is that oil prices have been higher since Friday and this reflects the general perception that there is no traction in negotiations. Nor should any progress be expected in what is likely to be a stalemate. To me, the main signal from developments since the weekend is that the risk of renewed conflict remains material and both sides have dug in such that the commodities shock will persist.

All of which is why bonds continue to cheapen. The US Treasury curve is up by 2–3bps across maturities in a slight bear flattener. Gilts are slightly outperforming after mixed job market readings and even that may be an overreaction (see below). EGB yields are higher by about 2bps across everywhere and anything. US equity futures are down by about ½% (¾% for the Nasdaq) with the TSX up by over ¼%–½% and European equities are gaining by up to 1½%. Currencies are broadly lower to the USD with slight outperformance by the petro-aligned crosses.

CANADIAN INFLATION—LOOK BENEATH THE HEADLINE

CPI for April lands this morning (8:30amET). See my [weekly](#) that was sent on Friday for a full preview that I won't repeat here given that we get the numbers shortly.

Briefly, I've estimated a 1% m/m NSA rise with consensus at 0.7% and with a range from 0.6–1.0% but the consensus is somewhat thin. There is a reasonable range from 0.5–1.0%. You would get the bottom of that range solely on gas and average seasonality. Then layer on several other drivers that I wrote about.

Key may be breadth and whether the trimmed mean and weighted median CPI gauges continue to build traction in m/m SAAR terms after a prior soft patch (chart 1).

Recall that the BoC's hawkish scenario in the April MPR that was predicated on higher for longer oil prices is getting a boost from higher for longer oil prices.

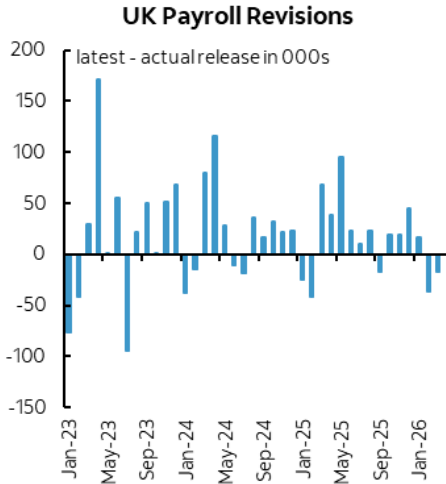
UK LABOUR MARKET—MIXED REVIEWS

UK markets paid more attention to the sticker shock of a drop in payrolls that may be low quality while ignoring total employment gains. Still, decelerating wage gains reinforce a

cautious picture for the Bank of England in terms of passthrough concerns. I would think the bigger issue for the BoE is the tightened financial conditions as the 10-year gilt has moved up by about 85bps since the Iran war.

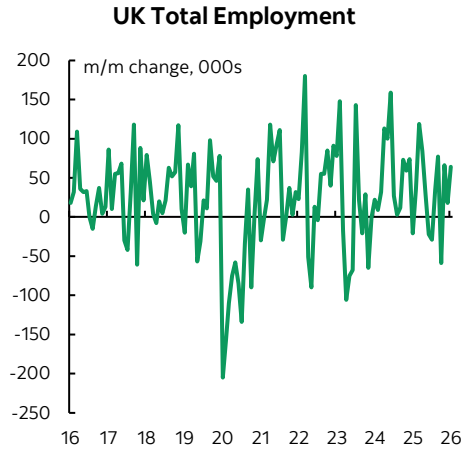
- Payroll jobs fell by 100k m/m in April. That's the worst reading since the start of the pandemic (chart 2). The Office of National Statistics warned, however, that incomplete data from this year's tax season could drive larger than normal revisions presumably in either direction. Here's what they said: "Early months in the tax year typically carry a greater degree of uncertainty in their initial estimates, and such estimates in recent years have received larger-than-average upward revisions."

Chart 3



Sources: Scotiabank Economics, ONS.

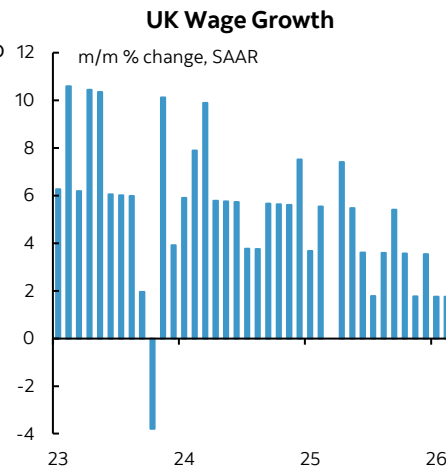
Chart 4



Sources: Scotiabank Economics, UK ONS.

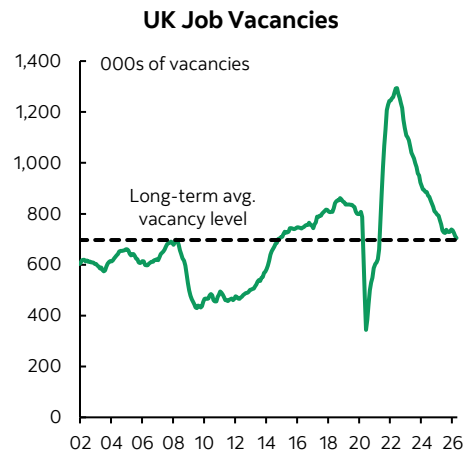
- As a case in point, the first few months of last year saw large and generally positive revisions to payrolls as shown in chart 3.
- Total employment was up by 64k m/m in March (chart 4). It was up by 148k year-to-date.
- The unemployment rate edged up to 5%.
- Wage growth held at 1¾% m/m SAAR for the third month in a row as prior pressures eased (chart 5).
- Job vacancies edged a touch lower and are roughly at the long-term average (chart 6).

Chart 5



Sources: Scotiabank Economics, UK ONS.

Chart 6



Sources: Scotiabank Economics, UK ONS

JAPAN'S ECONOMY OUTPERFORMED

Japanese Q1 GDP is somewhat of an artefact before the effects of an oil shock on the net importer. Still, it was doing better than expected in the early stages of the Iran war. Q1 GDP was up by 2.1% q/q SAAR (1.7% consensus) but the beat was significantly due to a downward revision to Q4 (0.8% from 1.3%). Still, consumer spending and net exports drove the Q1 beat.

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.	4.07	4.05	3.99	4.26	4.24	4.13	4.61	4.59	4.46	5.15	5.12	5.03	Canada - BoC	2.25
CANADA	3.07	3.06	2.97	3.37	3.35	3.24	3.72	3.69	3.59	4.04	4.02	3.94	US - Fed	3.75
GERMANY	2.73	2.71	2.71	2.86	2.84	2.82	3.17	3.15	3.10	3.69	3.67	3.62	England - BoE	3.75
JAPAN	1.44	1.42	1.40	2.02	1.99	1.92	2.79	2.74	2.56	4.16	4.10	3.83	Euro zone - ECB	2.15
U.K.	4.47	4.48	4.54	4.62	4.63	4.64	5.08	5.10	5.10	5.74	5.77	5.77	Japan - BoJ	0.75
	Spreads vs. U.S. (bps):													
CANADA	-101	-99	-102	-89	-89	-88	-90	-90	-87	-110	-111	-109	Mexico - Banxico	6.50
GERMANY	-135	-134	-128	-140	-139	-131	-145	-144	-136	-146	-145	-140	Australia - RBA	4.35
JAPAN	-263	-263	-259	-225	-224	-220	-182	-185	-190	-98	-103	-119	New Zealand - RBNZ	2.25
U.K.	39	43	55	35	39	52	47	51	64	59	64	74		
Equities	Level						% change:						Next Meeting Date	
	Last			Change			1 Day	1-wk	1-mo	1-yr				
S&P/TSX	33833			-434.9			-1.3	-0.7	-1.5	30.3			Canada - BoC	Jun 10, 2026
Dow 30	49686			160.0			0.3	-0.0	0.5	16.1			US - Fed	Jun 17, 2026
S&P 500	7403			-5.4			-0.1	-0.1	3.9	24.1			England - BoE	Jun 18, 2026
Nasdaq	26091			-134.4			-0.5	-0.7	6.6	35.8			Euro zone - ECB	Jun 11, 2026
DAX	24643			334.9			1.4	2.9	-0.2	3.0			Japan - BoJ	Jun 16, 2026
FTSE	10387			63.2			0.6	1.2	-2.6	19.4				
Nikkei	60551			-265.4			-0.4	-3.5	3.5	61.5				
Hang Seng	25798			122.7			0.5	-2.1	-1.4	10.6				
CAC	8050			62.1			0.8	0.9	-4.5	2.1				
Commodities	Level						% change:							
WTI Crude	108.27			-0.39			-0.4	6.0	29.1	72.7				
Natural Gas	3.04			0.02			0.5	6.9	13.7	-2.3				
Gold	4539.96			-26.71			-0.6	-3.7	-5.8	40.6				
Silver	75.73			-3.01			-3.8	-5.8	-4.5	135.7				
CRB Index	405.77			6.48			1.6	4.2	11.9	37.0				
Currencies	Level						% change:							
USDCAD	1.3750			0.0011			0.1	0.4	0.8	-1.4				
EURUSD	1.1619			-0.0037			-0.3	-1.0	-1.4	3.4				
USDJPY	159.11			0.2900			0.2	0.9	0.2	9.8				
AUDUSD	0.7117			-0.0051			-0.7	-1.7	-0.8	10.2				
GBPUSD	1.3408			-0.0026			-0.2	-1.0	-0.9	0.4				
USDCHF	0.7872			0.0028			0.4	0.8	1.1	-5.7				

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