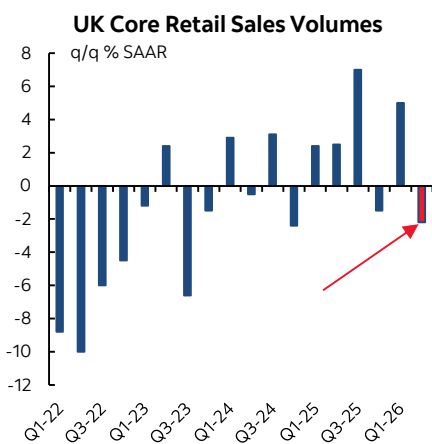


Contributors

Derek Holt

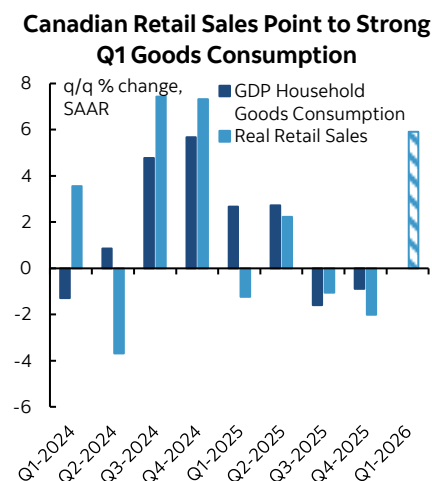
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Chart 1



Sources: Scotiabank Economics, UK ONS.

Chart 2



Sources: Scotiabank Economics, Statistics Canada.

On Deck for Friday, May 22nd

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	05-22	08:30	IPPI (m/m)	Apr	--	1.3	2.4
CA	05-22	08:30	Raw Materials Price Index (m/m)	Apr	--	2.6	12.0
CA	05-22	08:30	Retail Sales (m/m)	Mar	0.6	0.6	0.7
CA	05-22	08:30	Retail Sales ex. Autos (m/m)	Mar	--	0.9	0.5
US	05-22	10:00	U. of Michigan Consumer Sentiment	May F	--	48.2	48.2
US	05-22	10:00	Fed's Waller Speaks on Economic Outlook				

KEY POINTS:

- **Markets offer a nice segue into a US long weekend**
- **Fed's Waller to speak on the outlook**
- **Canadian consumers likely had a strong Q1 into Q2 uncertainty**
- **Canadian producer prices may further inform pass through to consumer prices**
- **UK consumers had a strong Q1, start Q2 by taking a breather**

Well, it's not a bad segue into a long weekend for Americans. Stocks are a touch higher across the board. Global sovereign bond prices are higher as well with the US 10-year yield now about 13bps off the peak since just a couple of days ago. The dollar is broadly firmer but only gently so against the majors.

The one outlier is the won which depreciated again overnight, prompting the Finance Ministry to remark that the moves have been "excessive relative to fundamentals and will take decisive action if necessary". Cue next week's BoK decision but most have a hold. The won has been a train-wreck since the middle of last year after which it depreciated by about 12% to the dollar which further complicates the picture for inflation risk.

Light Canadian and UK data and a speech by a top Fed official are highlighted below.

UK CONSUMERS TAKE A BREATHER

UK retail sales volumes disappointed with a 1.3% m/m drop in April (-0.6% consensus) mostly due to lower fuel sales volumes. Sales ex-fuel slipped by -0.4% m/m. UK consumers are coming off a strong Q1 advance during which core retail sales volumes grew by 5% q/q SAAR (chart 1). Very tentative tracking for Q2 is pointing to about a 2% pullback through a combination of a strong jumping off point and economic uncertainty.

CANADIAN CONSUMERS LIKELY HAD A SOLID Q1 INTO Q2 UNCERTAINTY

Canada follows suit with updated retail sales figures for March and April plus any revisions. Advance guidance from Statcan on April 24th indicated March was tracking a nominal sales gain of 0.6% m/m SA. That can often be off by a lot and so revision risk is in play along with important details like volumes. The first estimate for April is due with it.

Barring massive revisions in either direction, we're tracking retail sales volume growth of around 6% q/q SAAR in Q1. Based on historical connections, that could imply that inflation-adjusted consumer spending on goods in the GDP accounts may be tracking around 4%+ q/q SAAR (chart 2). Like the UK case above, tentative tracking for Q2 will be offered, except it will be more tentative than the UK case because Statcan's early read on April will only be for nominal sales (not volumes) and will not contain any details; such teases. The picture we could be left with is a strong Q1 after a tepid second half of 2025.

CANADIAN PRODUCER PRICES TO INFORM LAGGING CONSUMER PASS THROUGH

Canada also updates industrial and raw materials prices with April readings (8:30amET). Only folks with time to waste submit random guesses for these readings so ignore the very thin consensus. An updated version of chart 3 is what I'll be interested in seeing. Some of

my street colleagues pounce on m/m readings and miss the plot. The broad trend to the volatile readings is unambiguously pointed higher and suggests pass through risk into consumer prices with a lag as shown in the chart. What happens to CPI and core CPI will be patiently observed as we remain at a highly nascent stage for evaluating inflationary pressures driven by pre-war and wartime influences.

FED'S WALLER STANDS OUT ON A QUIET CALENDAR

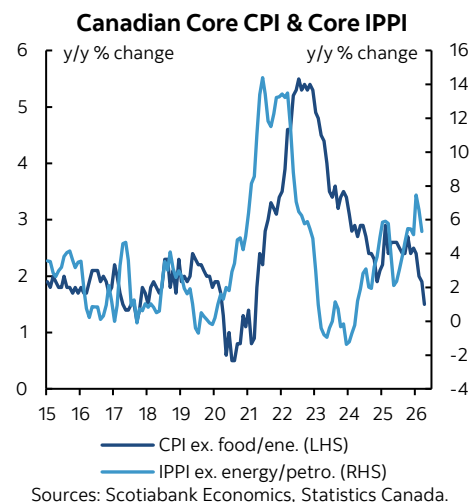
US markets will be focused on answering questions like what are you bbq'ing, who is invited, what's your favourite beer, are you watching the game etc. It's the Memorial Day long weekend and bonds get an early close at 2pmET while equities don't get one, or at least not officially.

Fed Governor Waller's speech at 10amET may be insightful. He'll talk about the economic outlook. Waller hasn't delivered a speech on economics since April 17th and since a lot has happened since then his views may help to inform a bias into the June FOMC when fresh forecasts and dot plot guidance will be offered.

HUM DRUM JAPANESE INFLATION

Japanese inflation was consistent with earlier readings for Tokyo. CPI in April was up by 1.4% y/y with ex-food up 1.4% and ex-food and energy up 1.9%.

Chart 3



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.	4.08	4.08	4.07	4.23	4.25	4.26	4.56	4.57	4.59	5.08	5.09	5.12	Canada - BoC	2.25
CANADA	2.91	2.91	3.06	3.18	3.19	3.35	3.53	3.55	3.69	3.90	3.91	4.02	US - Fed	3.75
GERMANY	2.66	2.69	2.74	2.77	2.81	2.87	3.06	3.10	3.17	3.59	3.62	3.68	England - BoE	3.75
JAPAN	1.44	1.45	1.42	2.00	2.02	2.00	2.76	2.77	2.72	4.03	4.03	4.04	Euro zone - ECB	2.15
U.K.	4.35	4.38	4.55	4.48	4.52	4.70	4.92	4.97	5.17	5.60	5.64	5.85	Japan - BoJ	0.75
	Spreads vs. U.S. (bps):												Mexico - Banxico	6.50
CANADA	-117	-117	-101	-105	-105	-91	-103	-102	-90	-119	-118	-110	Australia - RBA	4.35
GERMANY	-142	-140	-133	-147	-144	-139	-150	-147	-143	-149	-147	-144	New Zealand - RBNZ	2.25
JAPAN	-264	-264	-265	-223	-223	-226	-179	-180	-188	-106	-106	-108	Next Meeting Date	
U.K.	27	29	48	25	28	44	37	39	58	51	55	73	Canada - BoC	Jun 10, 2026
Equities	Level			% change:										
	Last	Change		1 Day	1-wk	1-mo	1-yr							
S&P/TSX	34409	247.7		0.7	1.1	1.3	33.1					Australia - RBA	4.35	
Dow 30	50286	276.3		0.6	0.4	1.6	20.1					New Zealand - RBNZ	2.25	
S&P 500	7446	12.8		0.2	-0.7	4.3	27.5					Next Meeting Date		
Nasdaq	26293	22.7		0.1	-1.3	6.6	38.9					Canada - BoC	Jun 10, 2026	
DAX	24787	180.7		0.7	3.5	2.4	3.3					US - Fed	Jun 17, 2026	
FTSE	10482	38.7		0.4	2.8	0.1	19.9					England - BoE	Jun 18, 2026	
Nikkei	63339	1654.9		2.7	3.1	6.3	71.3					Euro zone - ECB	Jun 11, 2026	
Hang Seng	25606	219.5		0.9	-1.4	-2.1	8.8					Japan - BoJ	Jun 16, 2026	
CAC	8117	31.4		0.4	2.1	-0.5	3.2					Mexico - Banxico	Jun 25, 2026	
Commodities	Level			% change:										
		Change		1 Day	1-wk	1-mo	1-yr					Australia - RBA	Jun 16, 2026	
WTI Crude	98.10	1.75		1.8	-6.9	5.5	60.3					New Zealand - RBNZ	May 26, 2026	
Natural Gas	2.99	-0.03		-1.0	1.0	9.8	-8.1							
Gold	4516.21	-26.84		-0.6	-0.5	-4.7	37.1							
Silver	74.76	-0.90		-1.2	-13.9	-5.4	125.4							
CRB Index	392.37	-4.58		-1.2	-2.0	3.7	32.4							
Currencies	Level			% change:										
		Change		1 Day	1-wk	1-mo	1-yr							
USDCAD	1.3798	0.0021		0.2	0.3	0.9	-0.4							
EURUSD	1.1598	-0.0021		-0.2	-0.2	-0.9	2.8							
USDJPY	159.12	0.1400		0.1	0.2	-0.2	10.5							
AUDUSD	0.7126	-0.0024		-0.3	-0.3	-0.5	11.2							
GBPUSD	1.3424	-0.0007		-0.1	0.7	-0.6	0.0							
USDCHF	0.7867	0.0000		0.0	-0.0	0.3	-5.1							

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