

ON DECK FOR THURSDAY, MAY 30

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	05/30	08:30	Current Account (C\$ bn a.r.)	1Q	--	-17.9	-15.5
US	05/30	08:30	GDP (q/q a.r.)	1Q S	3.1	3.1	3.2
US	05/30	08:30	GDP Deflator (q/q a.r.)	1Q S	--	0.9	0.9
US	05/30	08:30	Initial Jobless Claims (000s)	May	215	214.0	211.0
US	05/30	08:30	Continuing Claims (000s)	May	1680	--	1676.0
US	05/30	08:30	Wholesale Inventories (m/m)	Apr P	--	0.1	-0.1
US	05/30	10:00	Pending Home Sales (m/m)	Apr	--	0.5	3.8

KEY POINTS:

- Global markets stabilize with few fresh catalysts
- Fed's Clarida to go heavy on economics today
- BoC's Wilkins is likely to sound upbeat on Canada
- US Q1 GDP could be revised softer
- Oil might drive the US trade deficit wider...
- ...while USD strength portends bigger deficits...
- ...that may persistently frustrate Trump
- US oil inventories on tap
- Spanish CPI comes in weaker than expected...
- ...for similar reasons to France's softness

INTERNATIONAL

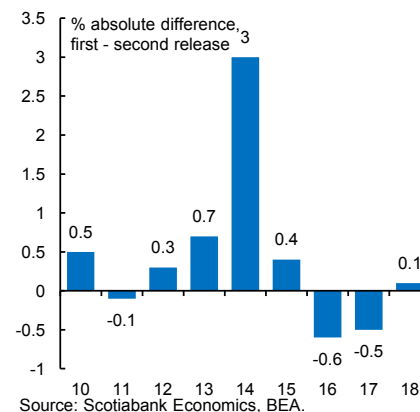
Markets are stabilizing somewhat after yesterday's risk-off tone. There is little by way of fresh catalysts. Incremental risk may present itself through a potentially key speech by the Fed's #2, Richard Clarida (see below). BoC Senior Deputy Governor Wilkins also speaks on the economy this afternoon (see below). US data risk should be modest with Q1 GDP revisions, an early read on the US trade deficit, plus jobless claims and pending home sales. US oil inventories will be watched for whether they confirm a decline in the private industry estimate released yesterday. Overnight releases were minor and focused upon Spain.

- There isn't much movement across currencies with the USD fairly flat on balance. Safe havens like the yen and Swiss franc are softer. The won, rand and CAD are leading appreciating currencies but the moves are modest. The Euro and sterling are flat.
- After yesterday's rally, sovereign bonds are either flat (Treasury's, Canada's) or slightly cheaper (gilts, bunds, French bonds). Italian debt spreads are narrowed in 10s over bunds by about 5bps.
- Oil prices are little changed with WTI up a smidge at about US\$59 and Brent down a bit to about US\$69. A drop in weekly US oil inventories through the private industry estimate is constructive ahead of the fuller government report this morning (10:30amET).

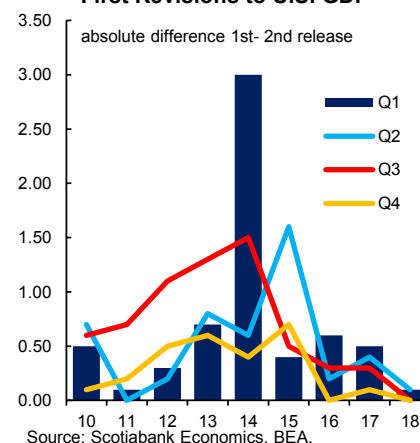
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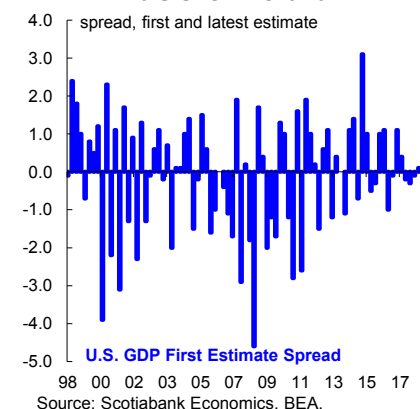
Large Q1 U.S. GDP Second Release Revisions



First Revisions to U.S. GDP



Cumulative Revision To U.S. GDP Growth



- US equity futures are up by about ¼% on balance with TSX futures flat. European cash markets are up by about ¼% on average with London leading the way but Paris and Frankfurt in that range. Asian equity markets saw mild weakness in Tokyo, HK and mainland China while Seoul rallied by ¾%.

Eurozone CPI inflation is shaping up to come in quite soft when Tuesday's add-up arrives. After France's softer reading yesterday, we now have Spain's deceleration. **Spanish inflation fell by more than expected** to just 0.9% y/y in May (1.6% prior, 1.1% consensus) on an EU-harmonized basis. Like the French numbers, the deceleration was probably due to a combination of year-ago shifts in energy base effects and the impact of the later than usual Easter holiday. **Caution is merited until further readings arrive.** Germany and Italy update CPI tomorrow.

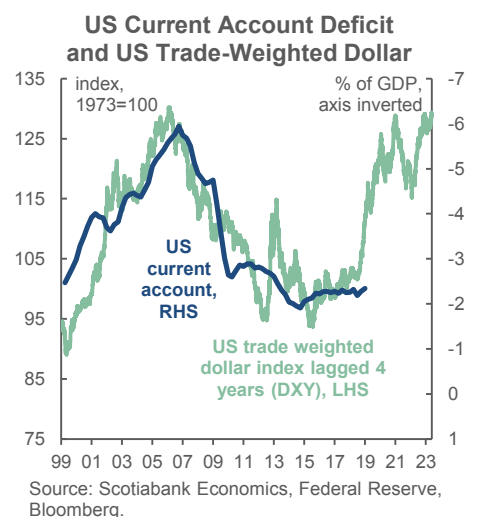
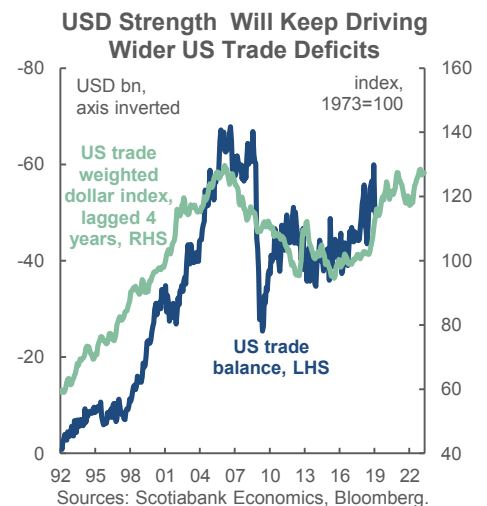
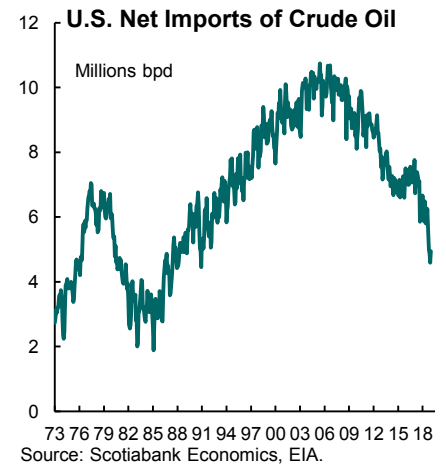
UNITED STATES

Fed Vice Chair Clarida speaks on "Sustaining maximum employment and price stability" tomorrow before the Economic Club of NY (12pmET). The person, title and audience suggest a full-on deep dive into the fundamentals and policy outlook. That said, I'd be surprised if the speech differed from the general message from top FOMC members that there is no strong case to go up or down any time soon. On May 20th, Clarida remarked that unemployment could fall further without sparking significantly higher inflation. He also said the Fed is close to dual mandate goals. A few days before that he had said the Fed's review of its framework "is more likely to produce evolution, not a revolution, in the way we conduct monetary policy."

US GDP growth in Q1 might be revised down somewhat (8:30amET) given weaker readings that have been received since the initial estimate of 3.2% such as construction spending. Revisions to Q1 GDP growth are normally relatively modest with a few exceptions shows in chart 1 that depicts the absolute values of differences between the advance and second releases. Other quarters can have significant revisions from the first to the second print (second chart). Where the biggest difference lies usually comes following two rounds of revisions and when more comprehensive services information is incorporated (chart 3). By that point, it's not uncommon for the ultimate reading to bear little resemblance to the initial estimate.

The US advance goods trade deficit for April is due out (8:30amET) ahead of the total trade picture including services that arrives next week. **The deficit might rise again** and partly due to higher oil prices given the ongoing US status as a net importer of crude oil (chart 4). The lagging effects of dollar strength continue to point to further widening of the US trade and broader current account deficits in charts 5 and 6 that I've been using for years to warn that **Trump's protectionist bias isn't likely to be 'rewarded' by smaller deficits throughout his first term and potentially into any possible second term.**

Lesser US releases will include **weekly US jobless claims (8:30amET)** that appear to be settling back down again, and **pending US home sales (10amET)** that precede completed resale transactions by 30–90 days. Pending sales could moderate after a strong 3.8% advance in March.



CANADA

After Clarida, then it's over to the BoC's Wilkins and the economic progress report that follows non-MPR meetings. Please see the recap of yesterday's BoC statement [here](#). The broad and generally expected takeaway is that the BoC sounded optimistic enough primarily toward the domestic economy in order to push back on rate cut bets but cautious enough toward external risks to signal a medium-term hold. If she sticks to providing a true economic progress report then I would expect further colour behind the positive rebound message and limited emphasis upon geopolitical matters. Her speech highlights will arrive at 2:15pmET and a press conference will be held at 3:50pmET, minutes before cash markets shut.

Fixed Income	Government Yield Curves (%):												Central Banks	
U.S. CANADA GERMANY JAPAN U.K. CANADA GERMANY JAPAN U.K.	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		
	2.10	2.11	2.15	2.07	2.07	2.11	2.26	2.26	2.32	2.68	2.69	2.75	Canada - BoC	1.75
	1.54	1.53	1.58	1.48	1.47	1.53	1.58	1.58	1.64	1.83	1.83	1.88	US - Fed	2.50
	-0.64	-0.65	-0.64	-0.56	-0.56	-0.52	-0.17	-0.18	-0.12	0.47	0.46	0.54		
	-0.16	-0.17	-0.15	-0.18	-0.19	-0.16	-0.08	-0.09	-0.06	0.49	0.47	0.52	England - BoE	0.75
	0.62	0.60	0.65	0.66	0.65	0.71	0.91	0.89	0.95	1.50	1.49	1.52		
	Spreads vs. U.S. (bps):													
	-56	-58	-56	-59	-60	-58	-68	-69	-68	-86	-87	-87	Euro zone - ECB	0.00
	-275	-275	-278	-263	-263	-264	-243	-244	-244	-221	-223	-222	Japan - BoJ	-0.10
-227	-228	-230	-225	-226	-228	-234	-235	-238	-220	-223	-224			
-148	-151	-150	-140	-142	-140	-135	-137	-137	-119	-120	-124			
Equities	Level						% change:						Mexico - Banxico	8.25
	Last	Change					1 Day	1-wk	1-mo	1-yr				
S&P/TSX	16131	-166.0					-1.0	-1.2	-2.7	0.5	Australia - RBA	1.50		
Dow 30	25126	-221.4					-0.9	-2.9	-5.5	1.9				
S&P 500	2783	-19.4					-0.7	-2.8	-5.5	2.2	New Zealand - RBNZ	1.50		
Nasdaq	7547	-60.0					-0.8	-3.1	-6.8	1.1				
DAX	11870	32.6					0.3	-0.7	-3.8	-7.1				
FTSE	7216	30.8					0.4	-1.6	-2.7	-6.2				
Nikkei	20943	-60.8					-0.3	-1.0	-5.9	-4.9				
Hang Seng	27115	-120.8					-0.4	-0.6	-8.7	-9.8				
CAC	5238	16.3					0.3	-0.8	-6.2	-3.5				
Commodities	Level						% change:							
WTI Crude	59.03	0.22					0.4	-3.9	-7.6	-13.5	England - BoE	Jun 20, 2019		
Natural Gas	2.60	-0.03					-1.1	2.1	0.8	-10.0				
Gold	1277.91	-1.84					-0.1	-0.4	-0.4	-1.8	Euro zone - ECB	Jun 06, 2019		
Silver	14.38	-0.11					-0.7	-0.4	-4.0	-12.7				
CRB Index	180.55	0.21					0.1	0.6	-2.0	-11.2	Japan - BoJ	Jun 20, 2019		
Currencies	Level						% change:							
USDCAD	1.3495	-0.0024					-0.2	0.2	0.8	4.8	Mexico - Banxico	Jun 27, 2019		
EURUSD	1.1136	0.0005					0.0	-0.4	-0.7	-4.5				
USDJPY	109.71	0.1200					0.1	0.1	-1.5	0.7	Australia - RBA	Jun 04, 2019		
AUDUSD	0.6917	0.0000					0.0	0.2	-1.9	-8.7				
GBPUSD	1.2629	0.0003					0.0	-0.2	-3.1	-4.9	New Zealand - RBNZ	Jun 25, 2019		
USDCHF	1.0088	0.0009					0.1	0.5	-1.0	2.0				

Source: Bloomberg. All quotes reflect Bloomberg data as at the time of publishing. While this source is believed to be reliable, Scotiabank cannot guarantee its accuracy.

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