

ON DECK FOR WEDNESDAY, MAY 5

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	05-05	07:00	MBA Mortgage Applications (w/w)	Apr 30	--	--	-2.5
US	05-05	08:15	ADP Employment Report (000s m/m)	Apr	1,000	850.0	516.8
US	05-05	09:30	Fed's Evans Speaks on Economy and Monetary Policy				
US	05-05	10:00	ISM Non-Manufacturing Composite	Apr	64.5	64.1	63.7
US	05-05	11:00	Fed's Rosengren Speaks on the Economic Outlook				
US	05-05	12:00	Fed's Mester Speaks to Boston Economic Club				

KEY POINTS:

- Risk-on sentiment ahead of US job market signals
- ADP's checkered history sets a high bar to matter for nonfarm
- US ISM-services likely improved on easing restrictions...
- ...and the employment subindex is loosely connected with payrolls
- Brazil's central bank expected to hike today
- A recap of overnight developments

INTERNATIONAL

A bit of a risk-on feel across global markets lacks a unifying theme. Some media commentary pins it on Treasury Secretary Yellen's remarks at a WSJ online forum after the N.A. market close yesterday when she did not follow through on comments earlier in the day indicating that tighter monetary policy to cool overheating risk may be necessary. Too late, damage done I say and in any event she largely just stated the obvious with the bigger issue being the inappropriateness of commenting on Fed policy. I don't buy her attempt at a retraction as an explanation for today's market moves that are fairly mild anyway; the USD showed little reaction around the event itself and is flat this morning while US 10s are slightly cheaper.

Instead, most of the attempt at explaining market moves is focused upon regional markets. Local market influences stemming from overnight developments are summarized below. The main focus on this side of the pond and likely globally today will be on US job market signals ahead of Friday's nonfarm payrolls.

- N.A. equity futures are up by about ¼%–½% with European cash markets up by about 1% or so on average.
- Sovereign curves are slightly cheaper and mildly steeper other than a mostly parallel upward shift in gilts.
- The USD is little changed but several firmer commodity prices are lifting some of the commodity FX crosses.

Here is a round-up of overnight releases:

- The NZ\$ is outperforming and New Zealand's curve is underperforming after a stronger than expected jobs report for Q1. Employment doubled

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Chart 1

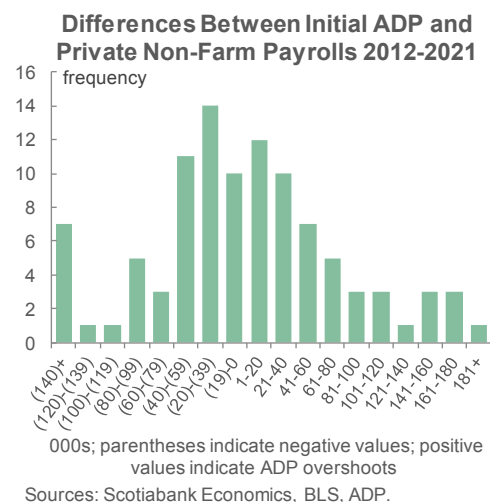
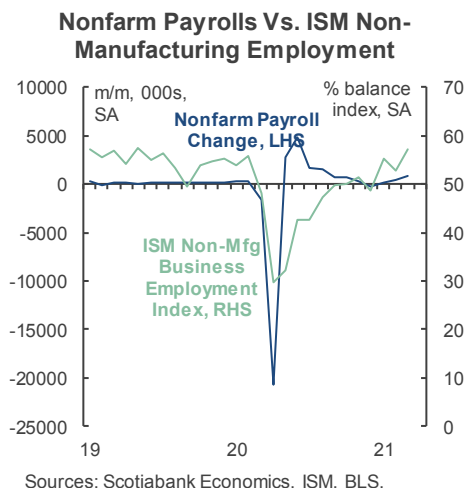


Chart 2



consensus expectations with a 0.6% q/q rise but given the size of the market that's only a gain of 15k jobs that dropped the UR two-tenths to 4.7%.

- While the composite Eurozone PMI was left unrevised (53.8, prior 53.7), that masked some shifts in individual countries. Spain's overall PMI jumped 5.1 points to 55.2 to its highest since March 2019. Italy slipped a bit to 51.2 while Germany and French readings were little changed.
- The Thai baht is outperforming on the back of stronger than expected inflation (3.4% y/y, consensus 2.5%) but with core inflation up only a bit (0.3% y/y, 0.2% consensus).
- India's composite PMI held little changed at 55.4 (56 prior) despite the surge in COVID-19 cases, although it may be too early for effects to show up. The trendless reading since September points to continued soft/moderate growth in India's economy.
- The Swiss franc slipped after weaker than expected inflation at -0.1% y/y (consensus +0.4%) but with core at 0% y/y (consensus -0.1%).
- The Bank of Thailand held policy unchanged as expected and warned of the obvious by way of future negative forecast revisions driven by a third wave while inflation risk remains in part via currency depreciation.

Brazil is expected to hike 75bps later today (5:30pmET) after guiding at its last meeting that it would likely return with a similar hike today given rising inflation pressure. Recall the line in the prior statement:

"For the next meeting, unless there is a significant change in inflation projections or in the balance of risks, the Committee foresees the continuation of the partial normalization process with another adjustment, of the same magnitude, in the degree of monetary stimulus."

UNITED STATES

ADP payrolls for April (8:15amET) and ISM-services for April (10amET) will be the main focal points alongside limited Fed-speak.

ADP matters if it's a big outlier and not even necessarily at that. Consensus expects 850k and I'm at 1 million but everyone knows how volatile the reading can be. Chart 1 shows the historical spread between initial ADP changes and initial private nonfarm payroll changes to show the frequency of outlier moves relative to expectations for +950k in Friday's private payrolls. Use it to gauge the probability of nonfarm being materially different from ADP if there is a big outlier move in ADP but with the caution that most of the history of large outlier moves has been during the pandemic.

ISM-services-employment takes on elevated importance given the softening in the ISM-manufacturing employment component, but the ISM-services report overall is expected to reflect easier restrictions and positive reopening effects. I guesstimated a rise to 64.5 (63.7 prior) but the point is that softening restrictions should have a particularly positive effect on pandemic-affected service sector activities. Chart 2 shows the rough connection between the employment subcomponent to ISM-services and changes in payrolls; here too a big outlier move would be needed to materially alter nonfarm expectations.

A trio of Fed speakers will include Chicago's Evans (voting 2021, 9:30amET) followed by Boston's Rosengren (nonvoting 2021, voting 2022, 11amET) and Cleveland's Mester (nonvoting 2021, voting 2022, 12pmET).

Fixed Income	Government Yield Curves (%):												Central Banks			
U.S. 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	Canada - BoC	0.25		
	0.16	0.16	0.17	0.83	0.82	0.85	1.60	1.59	1.61	2.28	2.26	2.29				
	0.31	0.30	0.31	0.95	0.92	0.93	1.54	1.52	1.53	2.09	2.06	2.07			US - Fed	0.25
	-0.69	-0.70	-0.69	-0.59	-0.61	-0.58	-0.22	-0.24	-0.23	0.34	0.32	0.31				
-0.12	-0.12	-0.13	-0.08	-0.08	-0.08	0.10	0.10	0.10	0.66	0.66	0.66	Euro zone - ECB	0.00			
0.07	0.05	0.06	0.37	0.35	0.36	0.82	0.80	0.80	1.32	1.29	1.31			Japan - BoJ	-0.10	
Spreads vs. U.S. (bps):																
CANADA	14	14	15	12	11	8	-6	-7	-8	-19	-20	-22	Mexico - Banxico	4.00		
GERMANY	-85	-86	-85	-142	-143	-144	-182	-183	-184	-194	-195	-198			Australia - RBA	0.10
JAPAN	-28	-28	-30	-91	-90	-93	-151	-150	-151	-161	-160	-163				
U.K.	-10	-11	-11	-46	-47	-50	-78	-80	-81	-95	-97	-98			Next Meeting Date	
Equities	Level						% change:						Canada - BoC	Jun 09, 2021		
	Last	Change					1 Day	1-wk	1-mo	1-yr	US - Fed	Jun 16, 2021				
S&P/TSX	19188	-25.1					-0.1	-0.9	0.8	29.5						
Dow 30	34133	19.8					0.1	0.4	1.8	42.9						
S&P 500	4165	-28.0					-0.7	-0.5	2.1	45.2						
Nasdaq	13634	-261.6					-1.9	-3.2	-0.5	54.8						
DAX	15053	196.8					1.3	-1.6	-0.4	40.3						
FTSE	7005	81.4					1.2	0.9	4.0	19.7						
Nikkei	28813	-241.3					-0.8	-1.3	-3.5	46.9						
Hang Seng	28418	-139.2					-0.5	-2.2	-1.8	17.7						
CAC	6300	48.3					0.8	-0.1	3.2	40.5						
Commodities	Level						% change:						England - BoE	May 06, 2021		
WTI Crude	66.40						0.71	1.1	4.0	13.2	170.4					
Natural Gas	2.99						0.02	0.6	2.1	18.9	39.9					
Gold	1777.47						-1.59	-0.1	-0.2	2.8	4.2					
Silver	26.83						0.95	3.7	2.1	10.3	79.7					
CRB Index	202.45						1.60	0.8	1.2	10.0	63.7					
Currencies	Level						% change:						Japan - BoJ	Jun 18, 2021		
USDCAD	1.2275						-0.0034	-0.3	-0.3	-2.0	-12.6					
EURUSD	1.2015						0.0001	0.0	-0.9	1.7	10.8					
USDJPY	109.29						-0.0400	-0.0	0.6	-0.8	2.6					
AUDUSD	0.7736						0.0029	0.4	-0.7	1.1	20.3					
GBPUSD	1.3918						0.0031	0.2	-0.1	0.1	11.9					
USDCHF	0.9135						-0.0002	-0.0	0.4	-2.5	-6.1	Mexico - Banxico	May 13, 2021			
														Australia - RBA	Jun 01, 2021	
																New Zealand - RBNZ

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