

**ON DECK FOR FRIDAY, MAY 28**

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	05-28	08:30	PCE Deflator (m/m)	Apr	0.6	0.6	0.5
US	05-28	08:30	PCE Deflator (y/y)	Apr	3.5	3.5	2.3
US	05-28	08:30	PCE ex. Food & Energy (m/m)	Apr	0.7	0.6	0.4
US	05-28	08:30	PCE ex. Food & Energy (y/y)	Apr	3.0	2.9	1.8
US	05-28	08:30	Personal Spending (m/m)	Apr	0.5	0.5	4.2
US	05-28	08:30	Personal Income (m/m)	Apr	-13.5	-14.2	21.1
US	05-28	08:30	Wholesale Inventories (m/m)	Apr P	--	0.7	1.3
US	05-28	09:45	Chicago PMI	May	--	68.0	72.1
US	05-28	10:00	U. of Michigan Consumer Sentiment	May F	--	83.0	82.8

**KEY POINTS:**

- Markets are welcoming the US long weekend
- Early US bond market closure today
- Fed's preferred inflation gauge should largely follow CPI higher
- US personal income expected to fall as stimulus cheques wane
- US consumer spending: will services offset weak retail?
- France's economy double dips
- French consumer spending tanked during lockdown...
- ...which means more pent-up demand coming out of it!

**INTERNATIONAL**

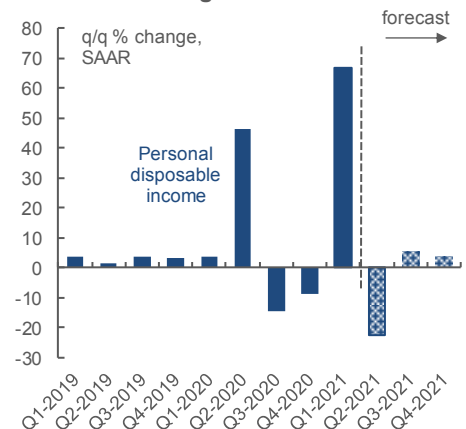
Well it will feel like a holiday in markets rather quickly today as the US long weekend arrives and after Europe goes home. Monday is sure to be a thriller. The US bond market shuts early at 2pmET today ahead of the Memorial Day long weekend. There is no early close in stocks, at least technically! So far, we've got a rather polite long weekend send-off brewing with a mild risk-on tone ahead of US macro data that shouldn't carry huge surprises given previous indications. Overnight releases were of minor consequence to global risk appetite and focused upon dismal readings out of France.

- US and Canadian equity futures are up by about ¼% – ½% or so with European cash markets up by as much as ½% in Paris and Frankfurt.
- Sovereign bonds are trading water.
- The USD is little changed overall.

Unless no inflation in Japan shocks anyone, then **the main overnight brow raiser came out of France where consumer spending tanked by -8.3% m/m in April (-4% consensus) and Q1 GDP was revised down a half point to -0.1% q/q non-annualized.** France entered its third national lockdown at the end of March and so while estimating the magnitude of the dip in consumer spending is guesswork, the general outcome isn't terribly surprising and just suggests there is more potential pent-up demand to unleash as the economy reopens. Downward revisions to construction spending were the main culprit behind the weaker GDP print. That technically thrust France's economy back into technical recession after Q4 GDP fell by 1.5% q/q. Mon dieu!

**CONTACTS**

Derek Holt, VP & Head of Capital Markets Economics  
416.863.7707  
Scotiabank Economics  
[derek.holt@scotiabank.com](mailto:derek.holt@scotiabank.com)

**Chart 1**
**Soaring US Incomes**


Sources: Scotiabank Economics, BEA.

**UNITED STATES**

**The US will release the Fed's preferred inflation gauges plus updates on consumer incomes and spending this morning (8:30amET).**

Headline PCE inflation is generally expected to follow CPI higher with prices up by 0.6% m/m and 3.5% y/y. Ditto for core PCE inflation that is expected to rise by about 3% y/y and 0.6–0.7% m/m. Note that annualized month-over-month core PCE inflation has been running at 2.4% in January, 1.1% in February, 4.4% in March and is estimated at 8.7% for today. Ignore the year-over-year and focus upon the trend in m/m SA core PCE by taking, say, a 3mth MA which is obviously not driven by base effects.

US personal income is expected to have dropped by 13.5% m/m in April's reading. Look through it. The main driver is that about \$325B of stimulus cheques went out in March versus US\$61B in April and a relatively trivial amount in May so the effects of the American Recovery Act on income growth are waning but leaving behind stockpiled cash. After a 67% q/q annualized rise in personal incomes during Q1 thanks to two rounds of stimulus cheques including January's, income is likely to contract by over 20% in Q2 before 4–5% annualized growth is likely to occur over Q3 and Q4 (chart 1).

Personal spending is forecast to rise by 0.5% on the assumption that services bounce back in a reopening economy by enough to offset the already known retail disappointment. I'd say there is more downside than upside to that but it's hard to estimate the services side.

The US also releases the advance report for the balance of trade in goods during April (8:30amET) at the same time as inventory estimates for the retail and wholesale sectors during April.

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			
	0.14	0.15	0.15	0.82	0.82	0.82	1.60	1.61	1.62	2.28	2.28	2.32	Canada - BoC	0.25	
	0.32	0.32	0.33	0.91	0.90	0.93	1.49	1.49	1.54	2.06	2.06	2.15	US - Fed	0.25	
	-0.66	-0.66	-0.65	-0.56	-0.55	-0.52	-0.18	-0.17	-0.13	0.39	0.39	0.42	England - BoE	0.10	
	-0.12	-0.12	-0.12	-0.09	-0.09	-0.09	0.08	0.08	0.08	0.68	0.67	0.68			
	0.06	0.05	0.04	0.35	0.35	0.36	0.81	0.81	0.83	1.32	1.32	1.38			
	Spreads vs. U.S. (bps):														
	18	17	17	9	9	11	-11	-12	-8	-22	-23	-17	Euro zone - ECB	0.00	
	-80	-80	-81	-138	-137	-134	-178	-178	-175	-190	-190	-190	Japan - BoJ	-0.10	
-27	-27	-27	-91	-90	-91	-152	-153	-154	-161	-161	-164				
-9	-9	-11	-47	-47	-47	-79	-80	-79	-96	-97	-94				
Equities	Level						% change:						Mexico - Banxico		4.00
	Last	Change			1 Day	1-wk	1-mo	1-yr							
S&P/TSX	19774	28.9			0.1	1.2	2.2	29.6					Australia - RBA	0.10	
Dow 30	34465	141.6			0.4	1.1	1.9	35.7					New Zealand - RBNZ	0.25	
S&P 500	4201	4.9			0.1	1.0	0.4	38.7							
Nasdaq	13736	-1.7			-0.0	1.5	-2.2	46.6							
DAX	15500	93.3			0.6	0.8	1.4	31.6							
FTSE	7047	27.0			0.4	0.4	1.2	13.3							
Nikkei	29149	600.4			2.1	2.9	1.2	33.2					Canada - BoC	Jun 09, 2021	
Hang Seng	29124	11.2			0.0	2.3	0.2	25.9					US - Fed	Jun 16, 2021	
CAC	6480	43.9			0.7	1.5	2.7	35.8					England - BoE	Jun 24, 2021	
Commodities	Level						% change:								
WTI Crude	67.21			0.36			0.5	5.7	5.2	99.4			Euro zone - ECB	Jun 10, 2021	
Natural Gas	2.98			0.02			0.7	2.5	1.9	63.1			Japan - BoJ	Jun 18, 2021	
Gold	1893.80			-2.74			-0.1	0.7	6.3	10.2					
Silver	27.66			-0.47			-1.7	-0.3	5.2	60.9					
CRB Index	205.78			2.34			1.1	2.9	2.7	58.6					
Currencies	Level						% change:								
USDCAD	1.2106			0.0040			0.3	0.3	-1.7	-12.0			Mexico - Banxico	Jun 24, 2021	
EURUSD	1.2179			-0.0016			-0.1	-0.0	0.4	9.9			Australia - RBA	Jun 01, 2021	
USDJPY	109.94			0.1300			0.1	0.9	1.2	2.1			New Zealand - RBNZ	Jul 13, 2021	
AUDUSD	0.7711			-0.0036			-0.5	-0.3	-1.0	16.2					
GBPUSD	1.4176			-0.0031			-0.2	0.2	1.7	15.1					
USDCHF	0.8997			0.0029			0.3	0.2	-1.1	-6.7					

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