

DAILY POINTS

May 12, 2022 @ 7:00 EST

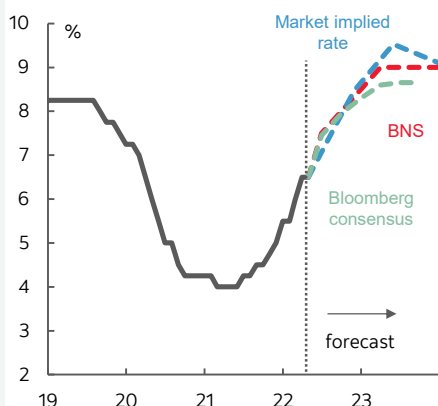
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Chart 1

Mexico: Overnight Rate Forecasts



Sources: Scotiabank Economics, Banxico, INEGI.

Chart 2

Canada's Terms of Trade



Sources: Scotiabank Economics, Statistics Canada.

On Deck for Thursday, May 12

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	05-12	08:30	Initial Jobless Claims (000s)	May 7	200	192	200
US	05-12	08:30	Continuing Claims (000s)	Apr 30	1350	1368	1384
US	05-12	08:30	PPI (m/m)	Apr	0.5	0.5	1.4
US	05-12	08:30	PPI ex. Food & Energy (m/m)	Apr	0.7	0.6	1.0
CA	05-12	11:35	BoC's Gravelle on commodities				

KEY POINTS:

- **Risk-off sentiment on off-calendar risk, ongoing effects of US CPI**
- **Euro drops as Finland seeks NATO membership**
- **UK economy posts softer than expected readings**
- **Banxico expected to hike today**
- **BoC will probably state the obvious about commodities and Canada**
- **More US inflation readings on the way**

Off-calendar risk is combining with spillover effects of yesterday's US inflation readings to continue to drive risk-off sentiment. Sovereign bond yields are broadly lower by 4–7bps in a US Ts flattener move while gilts and EGBs rally by a little more. The USD is broadly stronger along with the yen and Swiss franc. Equities are down. Again. US and Canadian equity futures are off by about ½% – 1% with European cash markets mostly down by 2%+. Oil is down by over 1%.

China's Sunac China Holdings defaulted on a dollar denominated bond as a sign of ongoing struggles in its property finance market. Some view it as a fresh catalyst to a wave of other defaults in the property sector.

The euro dropped on headlines that Finland's government threw support behind joining NATO and the predictable objections from Russia that ensued. Finland and Sweden are expected to take formal steps toward membership soon which will take time for all of NATO's members to ratify.

The UK economy posted a batch of generally softer than expected readings this morning. Q1 GDP grew 0.8% (consensus 1%) as consumption was the lone bright spot and even that disappointed. An estimate of monthly GDP ended the quarter at -0.1% m/m to set up a soft Q2. Industrial output fell 0.2% m/m in March, a services index retreated by 0.2% and the lone bright spot was construction output at +1.7% m/m.

Swedish inflation was a bit firmer than expected with underlying CPI at 0.6% m/m (0.4% consensus) and 6.4% y/y (6.2% consensus).

Banxico is expected to hike by 50bps this afternoon according to 22 of 23 forecasters (2pmET). Markets and economists view the central bank as still facing a steep hill to climb in significant part due to being pulled along by the Fed (chart 1).

US producer price inflation for April is expected to be cooler than March but remain elevated. Prices are estimated to have risen by about ½% m/m with prices ex-food and energy perhaps a touch firmer than that. US weekly initial jobless claims are due at the same time (8:30amET).

BoC DepGov Gravelle speaks on commodities and the impact on growth and inflation in Canada (11:35amET). There are no prizes for thinking that he'll say hot commodities are a plus for Canada and through the terms of trade effects an imported lift to incomes that all else equal benefit growth and raise inflationary pressures (chart 2). The BoC has recently adopted the practice of skipping pressers (Rogers, Schembri, Gravelle today).

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		
	2.59	2.64	2.71	2.82	2.90	3.01	2.84	2.93	3.04	2.98	3.05	3.12	Canada - BoC	1.00
	2.74	2.68	2.65	2.84	2.80	2.76	3.00	3.00	2.92	2.95	2.97	2.87	US - Fed	1.00
	0.06	0.14	0.29	0.54	0.66	0.77	0.88	0.99	1.04	1.05	1.14	1.17		
	-0.05	-0.05	-0.05	0.02	0.02	0.02	0.25	0.25	0.23	1.01	1.03	0.99	England - BoE	1.00
	1.23	1.29	1.55	1.37	1.45	1.67	1.72	1.83	1.96	1.96	2.07	2.13		
	Spreads vs. U.S. (bps):													
	15	3	-6	2	-10	-25	16	8	-12	-3	-8	-25	Euro zone - ECB	0.00
	-253	-250	-242	-228	-224	-224	-196	-194	-200	-193	-191	-195	Japan - BoJ	-0.10
-264	-269	-276	-280	-288	-299	-259	-268	-281	-197	-202	-213			
-135	-135	-116	-145	-145	-134	-112	-110	-108	-102	-98	-100	Mexico - Banxico	6.50	
Equities	Level						% change:							
	Last	Change				1 Day	1-wk	1-mo	1-yr					
S&P/TSX	19837	-52.8				-0.3	-6.4	-8.6	3.8	Australia - RBA	0.35			
Dow 30	31834	-326.6				-1.0	-6.5	-7.0	-5.2					
S&P 500	3935	-65.9				-1.6	-8.5	-10.5	-3.1	New Zealand - RBNZ	1.50			
Nasdaq	11364	-373.4				-3.2	-12.3	-15.0	-12.8					
DAX	13544	-284.9				-2.1	-2.6	-4.1	-10.6					
FTSE	7175	-172.9				-2.4	-4.4	-5.3	2.4					
Nikkei	25749	-464.9				-1.8	-4.0	-2.2	-8.5	Canada - BoC	Jun 01, 2022			
Hang Seng	19380	-444.2				-2.2	-7.1	-9.1	-31.4					
CAC	6112	-157.3				-2.5	-4.0	-6.5	-2.7	US - Fed	Jun 15, 2022			
Commodities	Level						% change:							
WTI Crude	103.87	-1.84				-1.7	-4.1	3.3	57.2	England - BoE	Jun 16, 2022			
Natural Gas	7.37	-0.27				-3.5	-16.1	10.3	148.2					
Gold	1847.59	-4.81				-0.3	-1.6	-6.1	1.8	Euro zone - ECB	Jun 09, 2022			
Silver	21.79	-0.08				-0.4	-3.6	-13.0	-20.7					
CRB Index	304.89	7.80				2.6	-3.0	0.7	46.6	Japan - BoJ	Jun 17, 2022			
Currencies	Level						% change:							
USDCAD	1.3030	0.0038				0.3	1.5	3.1	7.4	Mexico - Banxico	May 12, 2022			
EURUSD	1.0440	-0.0073				-0.7	-1.0	-3.6	-13.5					
USDJPY	128.68	-1.2900				-1.0	-1.2	2.6	17.3	Australia - RBA	Jun 07, 2022			
AUDUSD	0.6881	-0.0057				-0.8	-3.2	-7.7	-10.9					
GBPUSD	1.2210	-0.0041				-0.3	-1.2	-6.1	-13.1	New Zealand - RBNZ	May 24, 2022			
USDCHF	0.9960	0.0016				0.2	1.1	6.8	9.5					

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