

DAILY POINTS

May 17, 2022 @ 7:40 EST

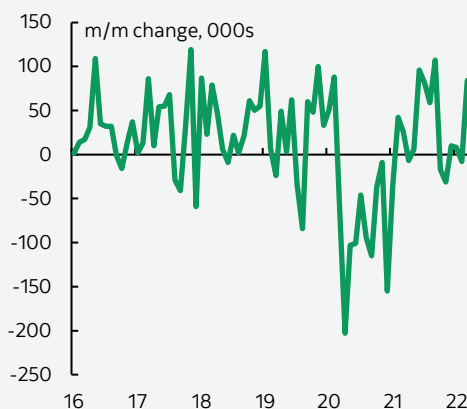
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Chart 1

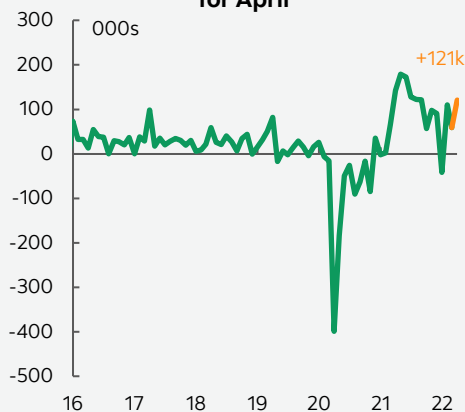
UK Total Employment



Sources: Scotiabank Economics, UK ONS.

Chart 2

UK Payroll Flash Estimate for April



Sources: Scotiabank Economics, UK ONS.

On Deck for Tuesday, May 17

Country	Date	Time	Event	Period	BNS	Consensus	Latest
US	05-17	08:30	Fed's Bullard Discusses Economic Outlook				
CA	05-17	08:30	International Securities Transactions (C\$ bn)	Mar	--	--	7.4
US	05-17	08:30	Retail Sales (m/m)	Apr	1.0	1.0	0.7
US	05-17	08:30	Retail Sales ex. Autos (m/m)	Apr	0.0	0.4	1.4
US	05-17	09:15	Capacity Utilization (%)	Apr	--	78.6	78.3
US	05-17	09:15	Industrial Production (m/m)	Apr	0.2	0.5	0.9
US	05-17	09:15	Fed's Harker Discusses Healthcare as Economic Driver				
US	05-17	10:00	Business Inventories (m/m)	Mar	--	1.9	1.5
US	05-17	12:30	Fed's Kashkari Takes Part in Townhall Discussion				
US	05-17	14:00	Powell Interviewed During WSJ Event				
US	05-17	14:30	Fed's Mester Gives Opening Remarks to Panel on Inflation				
US	05-17	18:45	Fed's Evans Discusses the Economic Outlook				

MARKETS:

- **Risk-on sentiment lacks obvious catalysts**
- **US retail sales: strong headline, but core?**
- **US industrial output: prices and ISM support another gain**
- **Powell & Co on tap**
- **UK jobs perk up, gilts cheapen**

Risk-on sentiment has few obvious catalysts backing it this morning. I'm not sure where all of the gloomy recessionistas suddenly went, but they're not dominating the headlines at least for today. The fact that Walmart earnings misses expectations and issued negative guidance is also being ignored. China's developments that are being cited in the popular press are either old, or expected, or mixed and all to the point of counselling caution against cherry-picking the developments. China's lowering of mortgage rates is old news from yesterday morning and was shaken off by local stocks at the time. China's covid-19 cases fell in Shanghai and the relaxation of restrictions is underway, but that was expected with a previously mapped out plan, while cases are flaring elsewhere in the country (not to mention places like NYC).

Further, while UK jobs looked good and impacted local markets, they lack the global star power of, say, nonfarm payrolls as a catalyst for world markets. So on we march toward US retail sales and whatever new twists Powell & Co might throw at markets today. I'm not sure markets are prone to thinking this way, but it doesn't hurt that Russia's acceptance of Finland and Sweden joining NATO (see Lavrov's comments this morning) may feed the impression that the conflict will remain contained to Ukraine.

In any event, sovereign bonds are having one of their worst days of late. US Treasury yields are up 1-5bps in a bear 2s10s flattener move, EGBs are mostly higher by 6-9bps across maturities and Aussie/Kiwi yields also climbed overnight. See gilts below. The USD is broadly weaker against all major currencies except the yen. US equity futures are up by 1½% to just over 2% with TSX futures up by just under 1% and European cash markets are gaining by about 1-1½%. Oil is up a buck and copper is a bit higher as well.

US retail sales should get a hefty lift when April's numbers land (8:30amET) from what we already know in terms of vehicle sales volumes and prices, but lower gas prices will weigh on the headline and core sales ex-autos and gas will probably be the greater focus. A mild gain in industrial production is expected to be led by prices in mfrg and mining plus continued manufacturing production gains (9:15amET).

Just when it was looking down and out, the UK job market perked up (charts 1, 2). The result was to vault sterling to the top of the heap among major currencies to the USD, but

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on a general down day for the buck. Gilts are getting hammered with the 2s yield up 12bps in a bear flattener move as BoE hike expectations move a bit higher. The preliminary flash payroll estimate increased by 121k in April and the prior flash estimate of 35k was revised up to 59k. The less fresh total employment tally increased by 83k on a rolling quarter-ago basis as per convention, and all of that gain was posted in the single month of March that was up by 84k. Wages also accelerated to 7% y/y (5.6% prior revised up from 5.4%) which beat consensus expectations for 5.4%. Most of that wage beat was due to bonuses, however, as ex-bonus wages were range bound at about 4.2% y/y.

Chair Powell's interview will last for about 35 minutes from 2-2:35pmET at the WSJ's rather audaciously titled "The Future of Everything" event. No text. I doubt very much that he'll stray from his recent messaging (50bps for a couple of meetings and then see, implemented roll-off caps) and how he thinks the period ahead will be challenging but they're aiming for a soft landing while external events will be the deciding factor on that count (in his view). A number of other Fed officials are also on tap throughout the day.

Other releases included stale Q1 Eurozone GDP (+0.3% q/q, 0.2% consensus) with jobs up 0.5% q/q. Thai Q1 GDP also beat expectations at 2.2% q/q (1.7% consensus).

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		
	2.62	2.57	2.61	2.87	2.83	2.92	2.91	2.88	2.99	3.11	3.10	3.13	Canada - BoC	1.00
	2.68	2.64	2.68	2.79	2.74	2.80	2.96	2.92	3.00	2.96	2.92	2.97	US - Fed	1.00
	0.37	0.14	0.16	0.70	0.61	0.69	1.01	0.94	1.00	1.15	1.10	1.14		
	-0.05	-0.05	-0.05	0.01	0.02	0.02	0.25	0.25	0.25	1.02	1.01	1.04	England - BoE	1.00
CANADA GERMANY JAPAN U.K.	Spreads vs. U.S. (bps):													
	6	7	6	-9	-8	-11	5	3	1	-15	-18	-16	Euro zone - ECB	0.00
	-225	-244	-245	-217	-222	-223	-190	-195	-199	-197	-200	-199		
	-268	-263	-266	-286	-281	-289	-267	-264	-275	-209	-209	-209	Japan - BoJ	-0.10
Equities	Level						% change:						Mexico - Banxico	7.00
	Last			Change			1 Day	1-wk			1-mo	1-yr		
S&P/TSX	20206			106.6			0.5	1.6			-7.5	3.8	Australia - RBA	0.35
Dow 30	32223			26.8			0.1	-0.1			-6.5	-6.1		
S&P 500	4008			-15.9			-0.4	0.4			-8.8	-3.7	New Zealand - RBNZ	1.50
Nasdaq	11663			-142.2			-1.2	0.3			-12.6	-12.8		
DAX	14191			226.6			1.6	4.8			0.2	-7.8		
FTSE	7530			65.2			0.9	4.0			-1.1	7.1		
Nikkei	26660			112.7			0.4	1.9			-0.5	-6.2	Canada - BoC	Jun 01, 2022
Hang Seng	20603			652.3			3.3	4.9			-4.3	-27.9		
CAC	6439			91.0			1.4	5.3			-2.3	1.1	US - Fed	Jun 15, 2022
Commodities	Level						% change:							
WTI Crude	115.18			0.98			0.9	15.5		7.7		73.8	England - BoE	Jun 16, 2022
Natural Gas	8.27			0.31			3.9	12.0		13.3		165.9		
Gold	1834.51			10.38			0.6	-0.2		-7.3		-1.7	Euro zone - ECB	Jun 09, 2022
Silver	21.17			0.33			1.6	-3.2		-17.5		-22.3		
CRB Index	315.59			7.01			2.3	5.4		1.2		53.2	Japan - BoJ	Jun 17, 2022
Currencies	Level						% change:							
USDCAD	1.2819			-0.0027			-0.2	-1.6		1.6		6.2	Mexico - Banxico	Jun 23, 2022
EURUSD	1.0545			0.0111			1.1	0.2		-2.2		-13.2		
USDJPY	129.23			0.0700			0.1	-0.9		1.8		18.3	Australia - RBA	Jun 07, 2022
AUDUSD	0.7037			0.0066			0.9	1.4		-4.2		-9.4		
GBPUSD	1.2483			0.0164			1.3	1.4		-4.1		-11.7	New Zealand - RBNZ	May 24, 2022
USDCHF	0.9928			-0.0095			-0.9	-0.3		5.1		9.9		

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