

DAILY POINTS

May 19, 2023 @ 7:15 EST

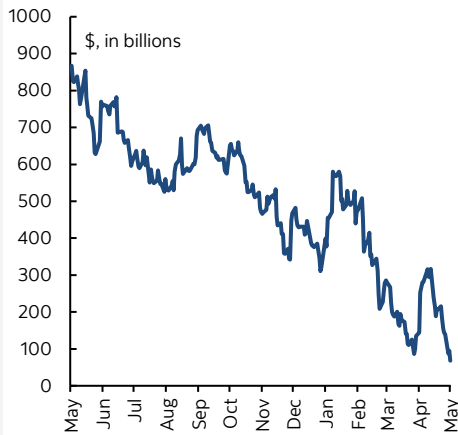
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Chart 1

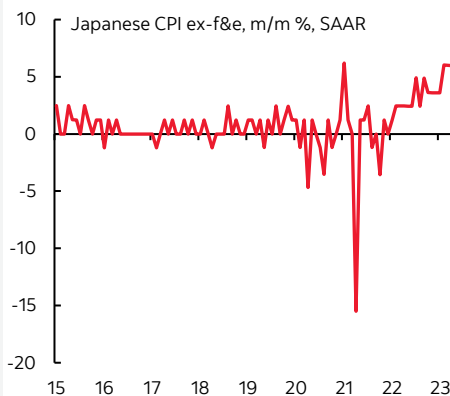
Treasury General Account Balance



Sources: Scotiabank Economics, Fiscal Data US.

Chart 2

Japanese Inflation's Breadth is Rising



Sources: Scotiabank Economics, Bloomberg.

On Deck for Friday, May 19

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	05-19	08:30	Retail Sales (m/m)	Mar	-1.4	-1.4	-0.2
CA	05-19	08:30	Retail Sales ex. Autos (m/m)	Mar	--	-0.8	-0.7
US	05-19	08:45	Fed's Williams Speaks at Monetary Policy Conference				
US	05-19	08:45	Fed's Bowman Takes Part in Discussion at Bankers Convention				
US	05-19	11:00	Fed Chair Powell, Former Chair Bernanke Speak on Policy Panel				

KEY POINTS:

- **Global markets cautiously optimistic...**
- **...as guidance points to a possible debt ceiling deal this weekend**
- **Japanese core inflation is surging, adding to BoJ pivot risk**
- **Why Fed Chair Powell's appearance today may matter**
- **Canada to update retail sales for March and April, debatable BoC interpretations**

Solid risk-on sentiment is potentially marking an end to the week and there are several key developments to consider. The USD is broadly softer. Stocks are broadly higher including mild gains in N.A. futures plus gains of +/- ½% across European cash markets. US Ts and Canadas are slightly cheaper while gilts and EGBs are headed the other way.

The main catalyst is ongoing enthusiasm that a US debt ceiling deal may be near at hand. House Speaker McCarthy said late yesterday that a deal might be reached by this weekend and a possible vote could be held next week and hence before Yellen's June 1st deadline. An added catalyst is that the US Treasury's daily cash position fell again in yesterday's release to just US\$68B (chart 1).

There are increasingly convincing signs that Japanese inflation may motivate a BoJ pivot this year. Japanese CPI accelerated to 3.5% y/y in line with expectations (3.2% prior). Ex-f&e CPI picked up to 4.1% y/y (4.2% consensus, 3.8% prior). More important is that CPI ex-f&e in m/m SA terms was tied with two other months for the hottest increases since a temporary blip in 2014 (chart 2). There is a trend toward rising m/m core CPI SA gains over the past year that indicates that inflation's breadth is fanning out. Next Thursday's Tokyo gauge for May will offer a fresher assessment. The implication is that the path to the mid-June BoJ meeting is being marked by reason to upgrade inflation forecasts in the context of ongoing speculation toward a policy pivot at some point.

Fed Chair Powell and former Chair Bernanke appear jointly on a panel at 11amET. In addition to anything Powell may say of relevance to the June 14th decision, there is also a possibility that they share updated views on the natural rate of interest. The occasion is to honour the late Fed economist Thomas Laubach. Laubach is well known in central banking for his work on the natural rate of interest. See the Global Week Ahead for a more detailed discussion of the issues, estimates and possibilities here.

Canada will update retail sales this morning for the month of March and with a preliminary look at April (8:30amET). There may be high revision risk to the preliminary March reading that showed a m/m SA nominal drop of 1.4%. That's because the 28% sampling rate behind that flash measure was a record low. Hopefully the sampling rate for the preliminary April reading that we'll also get today will be a tad more impressive.

Canada knocked back pricing for the BoC's policy rate yesterday in what I think was some folks' selective hearing toward what the Governor said and confusion over what a stress testing, risk-focused report communicated versus the BoC's baseline forecast. Journalists talking their PAs blaring the negative stuff absent any balance from the report didn't help.

Mexico also updates retail sales for March this morning (8amET) and they are expected to be little changed (+0.1% m/m).

Fixed Income	Government Yield Curves (%):												Central Banks		
	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			
U.S.	4.25	4.25	3.99	3.69	3.69	3.45	3.65	3.65	3.47	3.90	3.90	3.79	Canada - BoC	4.50	
CANADA	4.07	4.06	3.73	3.36	3.35	3.01	3.18	3.17	2.88	3.17	3.16	2.98	US - Fed	5.25	
GERMANY	2.79	2.76	2.59	2.45	2.42	2.22	2.48	2.45	2.28	2.65	2.63	2.46	England - BoE	4.50	
JAPAN	-0.06	-0.06	-0.05	0.11	0.11	0.11	0.40	0.38	0.39	1.24	1.22	1.25			
U.K.	3.98	3.96	3.80	3.84	3.80	3.60	4.02	3.96	3.78	4.44	4.38	4.22			
	Spreads vs. U.S. (bps):														
CANADA	-18	-19	-26	-33	-33	-44	-47	-48	-59	-74	-75	-81	Euro zone - ECB	3.75	
GERMANY	-146	-149	-140	-124	-127	-123	-117	-120	-119	-125	-127	-133	Japan - BoJ	-0.10	
JAPAN	-430	-431	-404	-358	-358	-334	-325	-327	-308	-266	-268	-254			
U.K.	-26	-30	-19	15	11	15	37	31	31	54	48	43	Mexico - Banxico	11.25	
Equities	Level						% change:								
	Last		Change			1 Day		1-wk		1-mo		1-yr			
S&P/TSX	20297		0.7			0.0		-0.6		-1.9		0.6		Australia - RBA	3.85
Dow 30	33536		115.1			0.3		0.7		-1.1		7.3			
S&P 500	4198		39.3			0.9		1.6		1.0		7.6		New Zealand - RBNZ	5.25
Nasdaq	12689		188.3			1.5		2.9		4.4		11.4			
DAX	16251		88.0			0.5		2.1		2.2		17.1			
FTSE	7772		29.5			0.4		0.2		-1.6		6.4			
Nikkei	30808		234.4			0.8		4.8		7.7		16.7		Canada - BoC	Jun 07, 2023
Hang Seng	19451		-276.7			-1.4		-0.9		-4.5		-3.3		US - Fed	Jun 14, 2023
CAC	7492		44.9			0.6		1.0		-0.8		19.4			
Commodities	Level						% change:								
WTI Crude	72.70		0.84			1.2		3.8		-8.2		-35.2		England - BoE	Jun 22, 2023
Natural Gas	2.58		-0.01			-0.4		13.9		16.2		-68.9			
Gold	1964.49		6.94			0.4		-2.3		-1.5		6.7		Euro zone - ECB	Jun 15, 2023
Silver	23.52		-0.17			-0.7		-5.5		-6.3		8.6			
CRB Index	261.66		-0.62			-0.2		1.4		-4.9		-16.6		Japan - BoJ	Jun 16, 2023
Currencies	Level						% change:								
USDCAD	1.3483		-0.0020			-0.1		-0.5		0.2		5.1		Mexico - Banxico	Jun 22, 2023
EURUSD	1.0796		0.0026			0.2		-0.5		-1.5		2.0			
USDJPY	138.33		-0.3800			-0.3		1.9		2.7		8.2		Australia - RBA	Jun 06, 2023
AUDUSD	0.6651		0.0029			0.4		0.1		-0.9		-5.6			
GBPUSD	1.2430		0.0021			0.2		-0.2		-0.1		-0.3		New Zealand - RBNZ	May 23, 2023
USDCHF	0.9024		-0.0028			-0.3		0.5		0.5		-7.2			

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