

### DAILY POINTS

May 30, 2023 @ 7:30 EST

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Chart 1

#### Ebbing Spanish Inflation

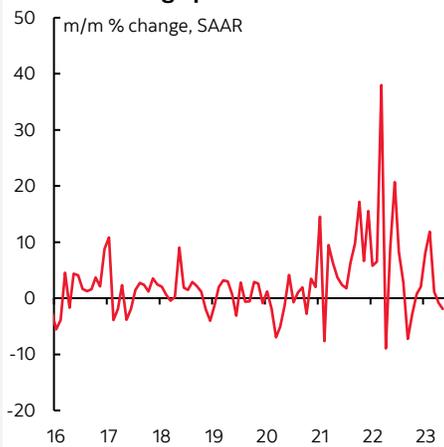


Chart 2

#### No Relief for UK Shoppers



### On Deck for Tuesday, May 30

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	05-30	08:30	Current Account (C\$ bn a.r.)	1Q	--	-10.2	-10.6
US	05-30	09:00	S&P/Case-Shiller Home Price Index (m/m)	Mar	0.0	0.0	0.1
US	05-30	09:00	S&P/Case-Shiller Home Price Index (y/y)	Mar	-1.8	-1.6	0.4
US	05-30	10:00	Consumer Confidence Index	May	100	99.0	101.3
US	05-30	10:30	Dallas Fed. Manufacturing Activity	May	--	-18.0	-23.4
US	05-30	13:00	Fed's Barkin Speaks on Monetary Policy				

#### KEY POINTS:

- **Three factors are dominating global markets this morning**
- **EGBs, US Ts rally after Spanish CPI falls short and drones hit Moscow**
- **Sterling gains, gilts cheapen on surge in shop prices**
- **US consumer confidence on tap...**
- **...as consumers' inflation expectations remain high**
- **Alberta's UCP majority outcome unlikely to alter provincial spreads**

Stocks and bonds are both generally richer into the N.A. session. US Treasury yields are down by 5–7bps across the curve, Canada's curve is performing similarly to the US at the front-end but underperforming across longer maturities, and yields on EGBs are similarly lower across maturities and countries with slightly cheaper gilts the exception. S&P futures are up by about ½% while the Nasdaq is up by 1¼% and with TSX futures a touch higher amid mixed European cash markets that have London and Paris down by ¼% but other exchanges up by around ½%. The USD is slightly weaker with sterling leading gainers.

US and UK market participants are returning from holidays to monitor debt ceiling developments before tomorrow's probable vote in the House but yields across EGBs fell as soon as Spanish inflation hit and around the same time that drones hit Moscow and escalated tensions. The two effects spilled over into Treasuries and Canadas.

Spanish CPI inflation landed quite a lot softer than expected in May. On an EU Harmonized basis, it fell by -0.2% m/m NSA (consensus +0.2%) with the year-over-year rate ebbing to 2.9% (3.3% consensus, 3.8% prior). Chart 1 shows our seasonally adjusted m/m change and how pressures have ebbed. This is just one country, however, and Germany, France and Italy all report tomorrow before the EU tally on Thursday.

Sterling is outperforming and gilts are cheaper after the British Retail Consortium's monthly Shop Price Index jumped by 0.5% m/m and that took the year-over-year rate higher to 9%. Both food (15.4% y/y) and non food (5.8% y/y) prices contributed to the acceleration. This measure is not at all ebbing even with year-ago base effects (chart 2).

Alberta's United Conservative Party won a majority in yesterday's election and is leading in 49 of 87 ridings with 52.6% of the vote. This is as much a defeat for Trudeau as it is a victory for the UCP that will complicate the Federal Government's environmental policies. No impact on Alberta spreads is likely given the minimal surprise factor and more important drivers of provincial bond spreads.

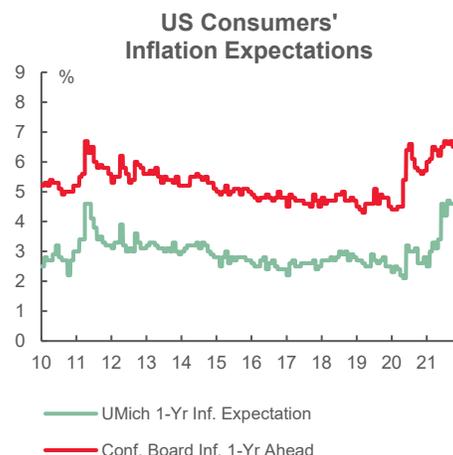
On tap into the N.A. session is just US consumer confidence for the month of May (10amET). It could be a tough call given competing effects, but most within consensus expect a mild deterioration (consensus 99 from 101.3, Scotia 100). The prior month's wage growth picked up and nonfarm payrolls beat expectations to help set the stage for May when gas prices were little changed over April. The S&P spent much of May trading water compared to April when it rebounded from the temporary hit in March that was due to

peak concerns around regional bank developments. The 30-year fixed mortgage rate is ending the second half of May a touch higher than during the month of April.

What could also matter is what the confidence survey says about inflation expectations. Chart 3 shows the two measures of 1-year ahead consumer inflation expectations. They are not the greatest gauges, but consumer expectations are not showing signs of relief.

Otherwise, there are only minor gauges due out including US S&P repeat-sales house prices for March that are expected to land flat in m/m terms (9amET) and the Dallas Fed's manufacturing gauge for May (10:30amET).

Chart 3



Sources: Scotiabank Economics, Bloomberg.

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.	4.52	4.56	4.32	3.85	3.93	3.74	3.72	3.80	3.69	3.90	3.96	3.95	Canada - BoC	4.50
CANADA	4.27	4.33	4.11	3.54	3.59	3.40	3.29	3.33	3.21	3.23	3.26	3.21	US - Fed	5.25
GERMANY	2.82	2.88	2.82	2.40	2.46	2.45	2.38	2.43	2.47	2.54	2.57	2.64	England - BoE	4.50
JAPAN	-0.06	-0.06	-0.06	0.10	0.10	0.11	0.44	0.44	0.40	1.25	1.26	1.24	Euro zone - ECB	3.75
U.K.	4.50	4.49	4.14	4.28	4.28	3.99	4.32	4.33	4.16	4.64	4.64	4.53	Japan - BoJ	-0.10
	Spreads vs. U.S. (bps):												Mexico - Banxico	11.25
CANADA	-25	-24	-21	-31	-34	-34	-43	-47	-48	-67	-70	-74	Australia - RBA	3.85
GERMANY	-170	-168	-150	-145	-147	-129	-134	-137	-123	-135	-139	-131	New Zealand - RBNZ	5.50
JAPAN	-457	-462	-438	-375	-383	-364	-328	-336	-329	-264	-270	-271	Next Meeting Date	
U.K.	-1	-7	-19	43	35	25	60	53	46	74	68	58	Canada - BoC	Jun 07, 2023
Equities	Level						% change:						US - Fed	Jun 14, 2023
	Last		Change		1 Day		1-wk		1-mo		1-yr		England - BoE	Jun 22, 2023
S&P/TSX	19968		47.6		0.2		-0.9		-3.2		-4.5		Euro zone - ECB	Jun 15, 2023
Dow 30	33093		328.7		1.0		-1.0		-2.9		-0.4		Japan - BoJ	Jun 16, 2023
S&P 500	4205		54.2		1.3		0.3		0.9		1.1		Mexico - Banxico	Jun 22, 2023
Nasdaq	12976		277.6		2.2		2.5		6.1		7.0		Australia - RBA	Jun 06, 2023
DAX	16024		71.0		0.4		-0.8		0.6		9.9		New Zealand - RBNZ	Jul 11, 2023
FTSE	7572		-54.8		-0.7		-2.6		-3.8		-0.2			
Nikkei	31328		94.6		0.3		1.2		8.6		14.8			
Hang Seng	18596		44.7		0.2		-5.5		-6.5		-13.2			
CAC	7264		-39.4		-0.5		-1.5		-3.0		10.7			
Commodities	Level						% change:							
WTI Crude	71.83		-0.84		-1.2		-0.2		-6.4		-37.6			
Natural Gas	2.35		-0.07		-2.8		-2.1		-2.5		-73.1			
Gold	1956.03		12.84		0.7		-1.0		-1.7		5.4			
Silver	23.15		0.14		0.6		-2.2		-6.9		5.8			
CRB Index	260.70		2.21		0.9		-0.5		-2.8		-18.7			
Currencies	Level						% change:							
USDCAD	1.3590		-0.0002		-0.0		0.6		0.3		7.4			
EURUSD	1.0732		0.0024		0.2		-0.4		-2.2		-0.4			
USDJPY	139.92		-0.5300		-0.4		1.0		1.8		9.7			
AUDUSD	0.6540		0.0001		0.0		-1.1		-1.4		-9.1			
GBPUSD	1.2420		0.0065		0.5		0.1		-0.6		-1.8			
USDCHF	0.9029		-0.0014		-0.2		0.2		0.8		-5.7			

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