Scotiabank

GLOBAL ECONOMICS

THE GLOBAL WEEK AHEAD

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With thanks for research support from: Jaykumar Parmar.

Next Week's Risk Dashboard

- **Bond selloff — drivers and durability**
- **Not so fast with Fed hikes**
- **Annual benchmarking revisions may wipe out nonfarm payrolls…**
- **…and along with incremental evidence may rebalance the dual mandate risks**
- **Canadian bank earnings — a high bar after a massive run**
- **Canada's economy — solid growth?**
- **RBNZ's forward rate path will do the talking…**
- **…right before the NZ Budget**
- **BoK's balancing act**
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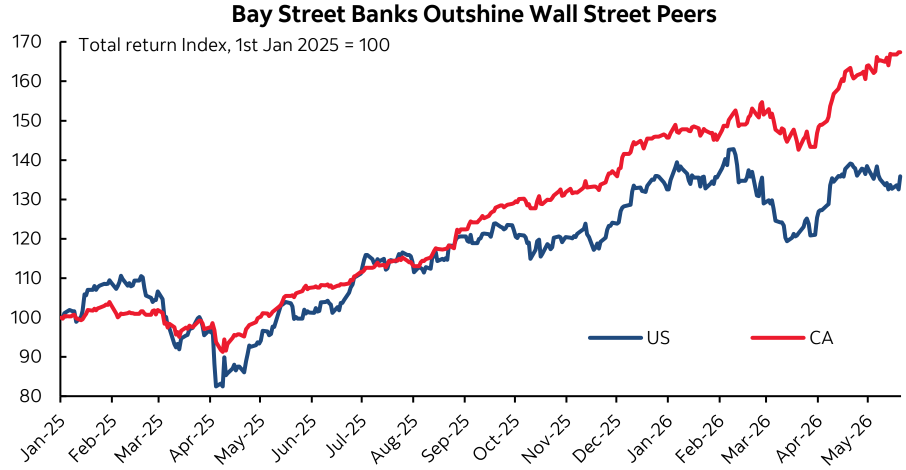
- **BoC, ECB to focus on risks to financial stability**
- **Inflation watch: US, Eurozone, Australia, Japan**
- **Global macro**
- **US markets shut Monday**

Is This One For Real?

FORECASTS & DATA

Chart of the Week

Bay Street Banks Outshine Wall Street Peers



Sources: Scotiabank Economics, Bloomberg.

Chart of the Week: Prepared by: Jaykumar Parmar, Economic Analyst.

Is This One For Real?

Even though it moderated over the back half of this past week, is this bond selloff for real with much further to sustainably run? Or is it a tactical buying opportunity for fixed income investors?

The US ten-year Treasury yield has indeed risen by roughly 60bps over about the past three months with about 25–30 bps of that very recently. In the grand history of bond selloffs, this one's a 98-pound weakling. The nominal US 10-year yield is still within the broad trading range that has been in place since 2023 (chart 1). We've seen peaks in US 10-year yields like today's earlier last year, in 2024 and in 2023. The aberration was the pandemic's lows and the decade-long period of falling nominal yields post-GFC.

Going down the list of possible drivers of the selloff may inform whether this has further room to sustainably run or is just another range-bound trade and possibly poised to rally. Spoiler alert—I'm unconvinced it's the former.

Fiscal Deficits & Crowding Out

Some of the concern stems from the US fiscal position but that is probably overstated because it isn't judged in a holistic overall sense that considers the broad flow of funds position of the US economy.

Chart 2 starts with Washington's deficit. It's big and ugly. Tax cuts keep getting provided by leveraging away the future when the higher interest bill, debt payback, and benefit reductions are incurred by future generations to pay for it. That comes at a cost to long-run growth.

But is it crowding out overall savings in a way that could cause even higher bond yields? That's less clear in several respects.

On the surface, answering the question whether deficits cause higher interest rates poses the same dilemma to me as when I recall doing the CFA exams quite a few moons ago. I remember thinking 'do I want to pass, or give the correct economist's answer?' I plugged my nose and passed. Good boy. But in reality, deficits don't anywhere and everywhere cause higher interest rates. It depends.

One thing it depends upon is not in America's favour. The US is chronically running pro-cyclical fiscal policy in an economy that doesn't need constant deficit-financed pump-priming. It's an economy in excess aggregate demand versus one with a vacuous pit of slack waiting for governments to fill it in. Even then, don't get economists started on whether this works in the long-run as much has been learned from more interventionist periods in economic policy in past decades.

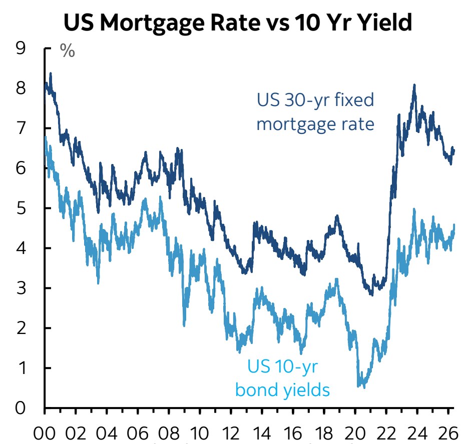
Regardless, an economy that was generating inflationary pressures before the war with Iran that further amplified those pressures isn't helped by constantly inflaming the deficit as under Trump 1.0 and 2.0. If we're right on downside growth risks, then excess demand conditions of the US economy may be reduced going forward which could help to alleviate some of the pressures.

The National Saving and Borrowing Picture

But another big consideration involves how the rest of the economy-wide borrowing and saving picture has been changing.

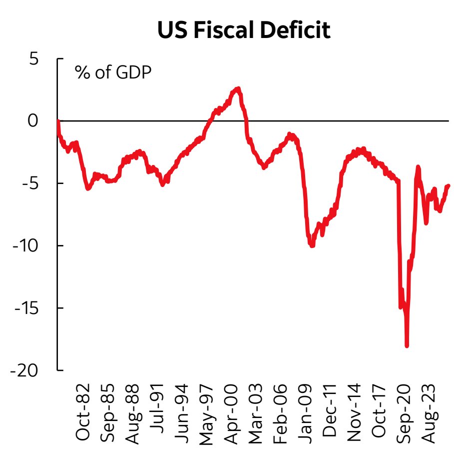
For starters, chart 3 shows the overall net saving status of the US economy using the Federal Reserve's **financial accounts** of the US economy. High dissaving by the government is being offset by relatively high saving activity by businesses and households. The US needs to be careful it doesn't have governments borrowing so much more rapidly as to drive a negative net saving picture but it's not there. Yet. The net saving position of earlier periods is indeed being eroded.

Chart 1



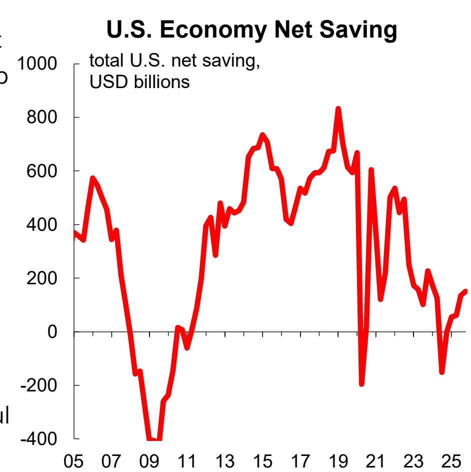
Source: Scotiabank Economics, Bloomberg, bankrate.com.

Chart 2



Sources: Scotiabank Economics, Bloomberg, US Treasury.

Chart 3



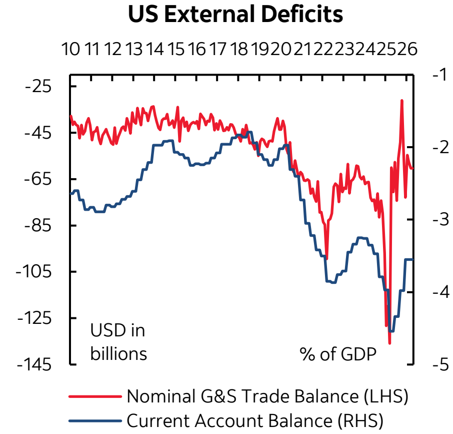
Source: Scotiabank Economics, Federal Reserve.

We can break that up by broad sectors using different sets of accounts. For one, the US has reduced its current account deficit with the rest of the world from the peak deficits in the pandemic but it remains high (chart 4). Some policies may further aggravate the balance.

Second, borrowing is the other way of looking at the net demands on funding markets. Competition for borrowing also has to include household debt originations that remain well off the peaks coming out of the pandemic when activity surged and 'nesting' behaviour was more prevalent across spending patterns (chart 5). Uncertainty may further restrain borrowing.

Third, corporate debt issuance is also off the pandemic peak (chart 6), debt to assets has been falling (chart 7), and interest coverage is sky high and this is driving low net charge-off rates (chart 8). Growth in retained earnings is strong and companies have been bringing foreign earnings retained abroad back home more recently (chart 9).

Chart 4



Sources: Scotiabank Economics, U.S. Census Bureau, Bloomberg.

In other words, it's feasible that deficit financing is sustainable in the short-run because of this overall framework of economy-wide saving and borrowing in addition to the privileges of being a reserve currency. It's unclear whether private borrowing is being crowded out by Washington's largesse, or if private borrowing would be relatively soft in any event which is where I lean.

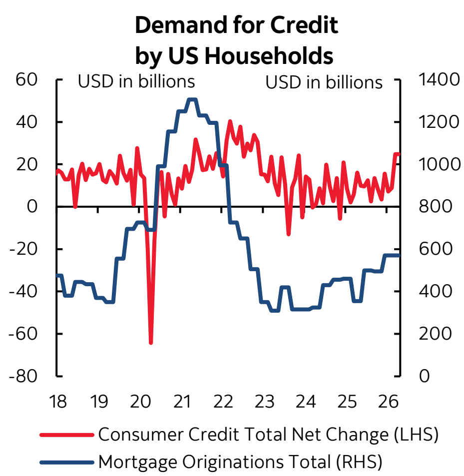
A country like Canada, on the other hand, would probably be in trouble with deficit:gdp ratios like the US and absent a major reserve currency.

Fed Hikes?

Bonds have cheapened partly because markets have pivoted toward pricing Fed rate hikes. A little over a quarter point of rate hikes is priced into year-end and early next year compared to early March when markets were leaning toward pricing 50–75bps of cuts.

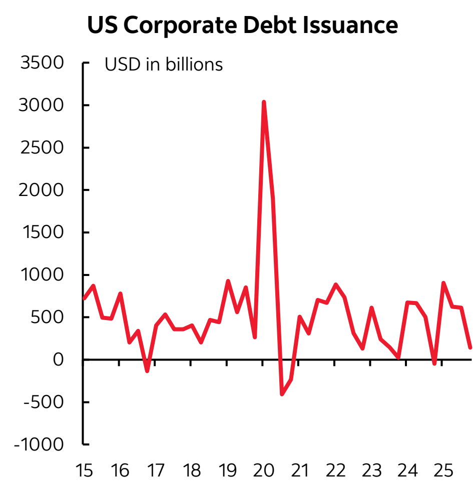
In my opinion, there is a very high bar to the FOMC pivoting toward hikes as a consensus call with a new incoming Chair in Kevin Warsh. It would be the granddaddy of all about-faces. It could also prompt renewed threats to Fed independence.

Chart 5



Sources: Scotiabank Economics, Federal Reserve, Inside Mortgage Finance.

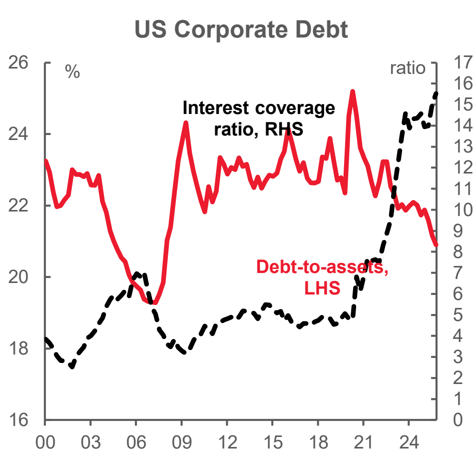
Chart 6



Sources: Scotiabank Economics, Federal Reserve.

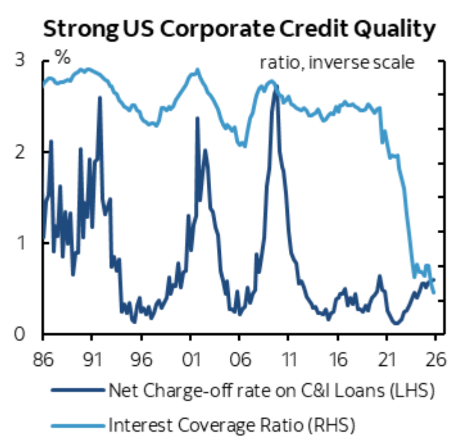
The Fed is already restrictive by contrast to many other global central banks like the BoC, ECB, BoJ etc. The policy rate is above most reasonable estimates of neutral.

Chart 7



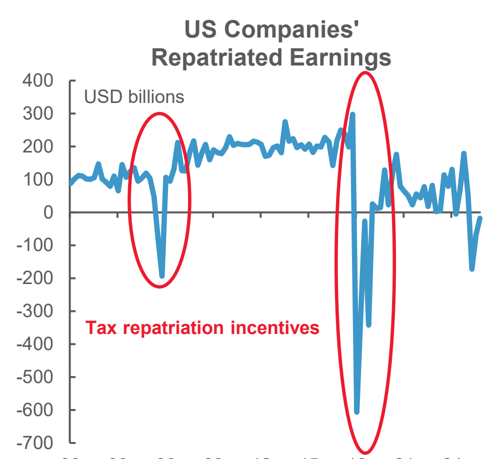
Sources: Scotiabank Economics, BEA, US Federal Reserve.

Chart 8



Sources:Scotiabank Economics, Haver, Bloomberg.

Chart 9



Sources: Scotiabank Economics, Bloomberg.

Most of the present concern surrounds the price stability part of the Fed's mandate. That's relatively more transparent for markets to observe than risks to the full employment part of the mandate that also concerns the FOMC. Markets and forecasters can observe commodity prices in real time, make assumptions, and translate this into expectations for future inflation on top of pre-existing conditions. It's still difficult, but less opaque than forming expectations on the future state of the job market.

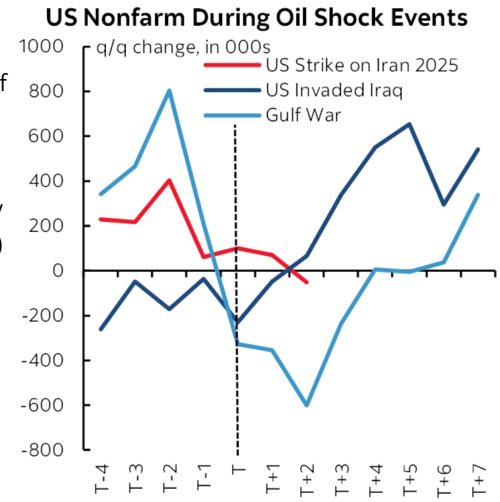
There are two risks concerning the job market: how it evolves and coming annual revisions. How it evolves will be patiently informed by data, but payrolls often suffer in energy shocks (chart 10) and the FOMC minutes noted discussions within Districts about weak hiring intentions.

On revisions, that's deserving of a separate section.

Coming Annual Revisions May Wipe out Jobs

We're probably faced with overstated job gains and will find out by how much when the preliminary annual benchmarking revisions arrive in September, likely about one week before the September FOMC meeting.

Chart 10

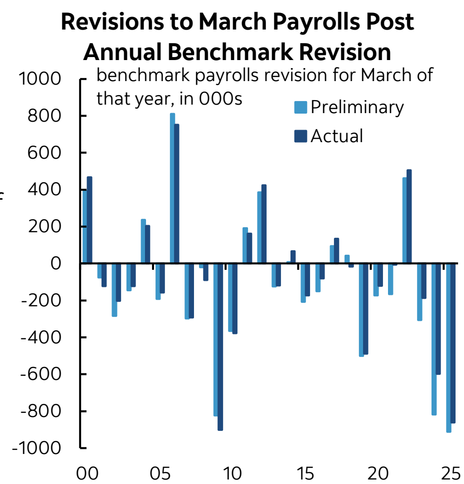


Sources: Scotiabank Economics, BLS.

The past couple of years have seen blow outs in terms of negative revisions (chart 11). Last year's revisions that apply to March payroll levels and prior months stretching back to the prior April took monthly payrolls down by an average of about 70k, or around 900k in total. This time around, it would take monthly average revisions of about -60k over April 2025 to March 2026 in this September's revisions to wipe out 2026Q1 nonfarm payroll gains.

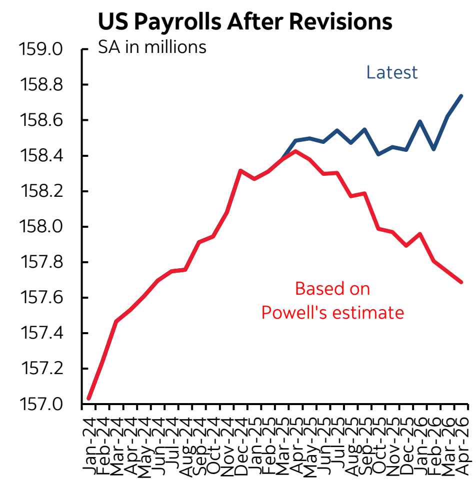
Chair Powell used to say that he thought monthly negative revisions this time would be around – 60k. He stopped repeating this a few press conferences ago. The FOMC should resurrect such talk. Yet if this were to happen, then chart 12 shows that payrolls would go from a tepid trend to a clear downward trend. It would position the payrolls data we have seen to date since April 2025 as, well, rather fake.

Chart 11



Sources: Scotiabank Economics, Bloomberg, BLS.

Chart 12



Sources: Scotiabank Economics, BLS.

The FOMC would face a real policy conundrum in that context with probably rising inflation and probably negative payroll revisions alongside what may be weak hiring as the shock effects ripple through the labour market over coming months and quarters.

We don't have much ability to firmly assess the potential size of this year's benchmarking payroll revisions since it's based off quarterly state level data that heavily lags and that is heavily subject to its own revisions. Further, the BLS has tweaked some of its methodologies. Yet it's unclear that the BLS's revised methodologies will mean lower annual revisions this time.

Birth-Death Model Adjustments May be Overstating Job Gains

One source of those revisions is to go back and review what was done with birth-death model adjustments. When the BLS estimates payrolls, it seeks to control for net business openings and closings that may not be appropriately captured in its sampling. This approach can fail to adequately capture the effects on hiring of net business openings at moments of rapid change, like tariffs, commodity shocks, AI, shifting immigration policy, etc.

Birth-death model adjustments to the estimated change in monthly payrolls have been subject to upward drift since the pandemic struck as shown in the admittedly ugly chart 13. The adjustments are seasonally unadjusted and vary with the months (hence the variability). The difference in recent years has often meant adding hundreds of thousands more jobs each month than was the pre-pandemic norm for this approach.

Chart 14 shows the effect it is having so far this year by comparing monthly birth-death model adjustments to payrolls in each of January through April compared to the pre-pandemic average.

For instance, when April's 115k seasonally adjusted job gain landed, a significant driver was the large 391k seasonally unadjusted, record-high birth-death model adjustment. If the average birth-death adjustment for months of April had instead been applied to each month this year, then April's seasonally adjusted change in nonfarm payrolls using the same SA factors would have been a drop of about 223k instead of the reported gain of 115k.

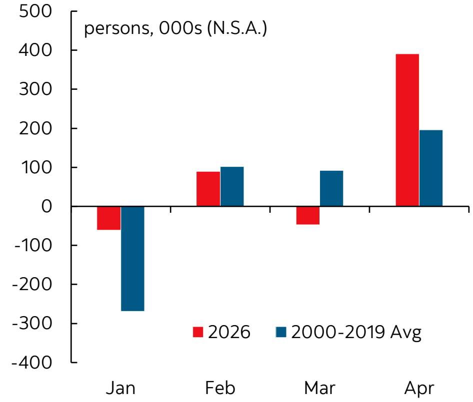
Chart 13

Upward Drift in Net Birth-Death Payroll Adjustments

Sources: Scotiabank Economics, Bloomberg.

Chart 14

US Birth-Death Model Adjustments Are Off the Charts



Sources: Scotiabank Economics, Bloomberg.

The amplitudes at the peak adjustments are moving higher in the pandemic era which is likely overstating payrolls which is part of the reason for record annual negative annual benchmarking revisions in each of the past couple of years

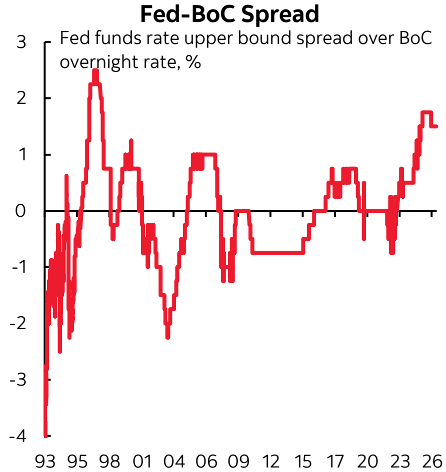
I think we're teeing up another biggie this September that could put nonfarm payrolls on a clear downward trajectory from April 2025 to March 2026 when they deliver the preliminary annual benchmarking revisions.

Yet if material negative revisions land right before the September FOMC then there is the potential to restore greater balance between upside risk to inflation and downside risk to jobs that may mean a more cautious Committee regarding which direction to lean toward.

As for spillover effects, should the Fed truly move toward hiking, then presumably to make it worthwhile we'd be talking a minimum of 50bps and perhaps more. If that were to happen, the Fed versus BoC spread would hit new wides (chart 15). The currency implications combined with the cover of the Fed tightening could further raise the risk of BoC tightening. We're nowhere near such a connection until we see what the Fed does but bear it in mind as an additional argument potentially affecting the BoC.

Chart 15

Fed-BoC Spread



Sources: Scotiabank Economics, Bloomberg.

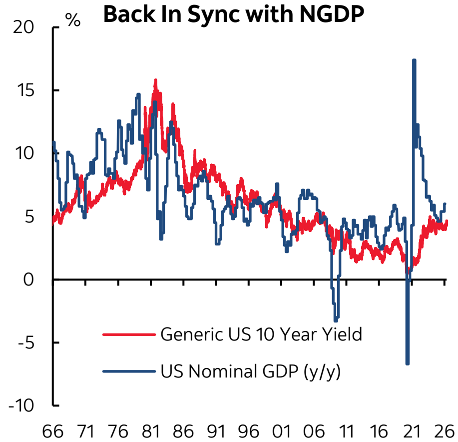
Other Assorted Treasury Drivers

Over time the 10-year should ride around NGDP expectations (chart 16). Assumptions around potential real GDP growth plus long-term expected inflation would be a stretch to get up to 4.65% let alone sustainably higher toward 5%.

Term premia have risen (chart 17) but very suddenly against a historical pattern of abrupt swings and the estimated 10-year term premia from the NY Fed's economists has only gone up by around 10bps above trend.

Chart 16

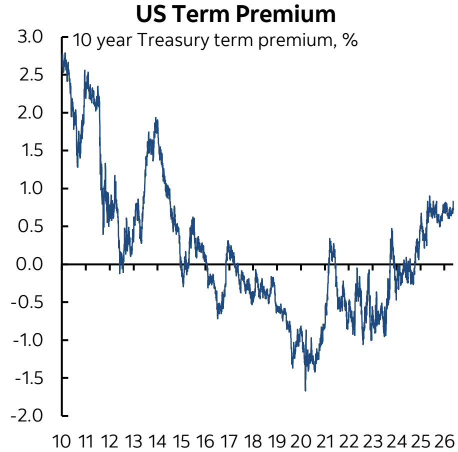
US Treasury Yield Getting Back In Sync with NGDP



Sources: Scotiabank Economics, Bloomberg, BEA.

Chart 17

US Term Premium



Sources: Scotiabank Economics, New York Federal Reserve.

Inflation pricing has moved higher but mostly across nearer-term expectations. The US 2s breakeven rate has increased to 2.75% with the 10s breakeven at 2.4% (chart 18) while the Fed's preferred five-year forward breakeven rate has moved up to about 2.35% (chart 19). I don't put a lot of faith in measures of inflation expectations from markets or surveys, but for what it's worth, the market is signalling this may be more of a short-lived inflation shock to the US that policy shouldn't overreact against.

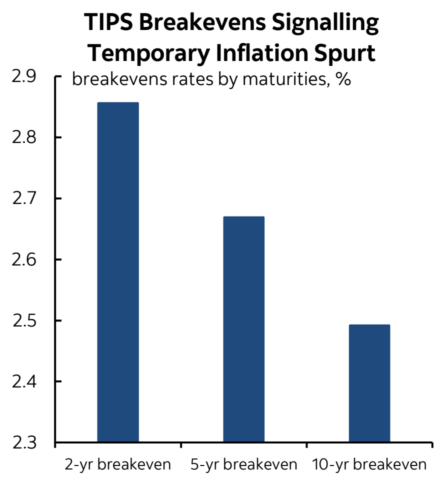
It's not clear that liquidity has been impaired to the point to which bonds are suffering. Far from it in my opinion. For instance, reserves continue to climb to US$6¾ trillion (chart 20). Measures of bond market liquidity are healthy; chart 21 shows one whereby lower is better because it measures deviations from estimated fair value on an equally weighted portfolio of Treasury securities.

Regulatory changes are being designed to potentially raise appetite for US Treasuries. The Federal Reserve's announcements about relaxed capital standards in March, plus relaxation of the Supplementary Leverage Ratio plus the Genius Act's effects on stablecoin demand are among the considerations. Quantifying the potential impact net of how other investors respond is a key uncertainty.

Warnings

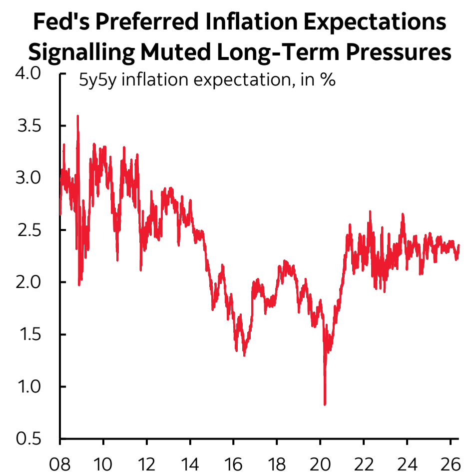
There are many more potential drivers of bond yields. Among the ones not discussed above are intangibles like sentiment including market manipulation as a risk to the Treasury market. Investors face enough uncertainty. They cannot also deal with EM-like tendencies whereby policy front-running by the administration creates a more uncertain investing regime at higher risk. The administration might not be able to resist jawboning or undertaking policy actions that would seek to artificially bring yields down.

Chart 18



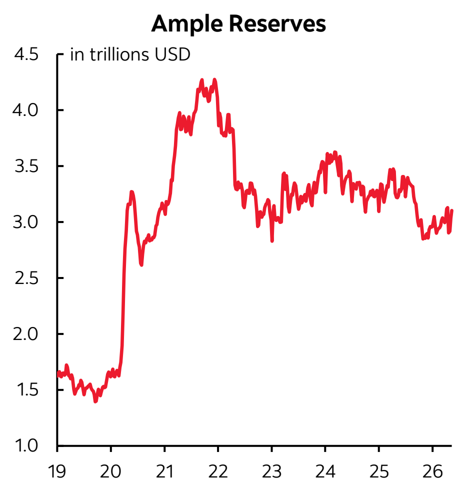
Sources: Scotiabank Economics, Bloomberg.

Chart 19



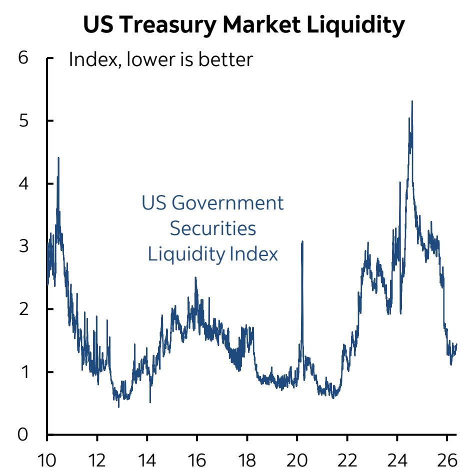
Sources: Scotiabank Economics, Federal Reserve.

Chart 20



Sources: Scotiabank Economics, Federal Reserve.

Chart 21



Sources: Scotiabank Economics, Bloomberg.

Incoming Chair Warsh also needs to relatively quickly motivate the Federal Reserve to explain its plans for managing the balance sheet given his vacillating stance on the topic. He had advocated reducing it toward a more traditional, cleaner balance sheet but then moderated this guidance. It may be that Warsh will be disciplined by the bond market and broad liquidity considerations in a way that checks any desire to pursue rapid change.

As a wrap, experienced forecasters have seen many sudden bond market moves and normally set a high bar to being knocked off longer-run views by short-term moves. They speak in ranges, scenarios and simulations, not point forecasts that involve feigning precision. In fairness, however, the bond market is a notoriously complex beast that often disciplines and humbles the most experienced managers of the biggest bond pools. The US administration needs to pay heed to this and not overplay the supporting factors or further strain the risks. After all, bonds vote and have the capacity to vote out entire administrations.

CANADA'S ECONOMY—A SOLID DOMESTIC ECONOMY?

On Friday, Statistics Canada will release GDP figures for Q1 on a complete expenditure accounts basis, plus monthly GDP estimates for March, April, and any revisions to prior months.

They will be backward looking, but a round of GDP figures will help us understand more about momentum into the commodities shock. We'll learn more about how much net slack there is in the Canadian economy and more about how the domestic economy is performing and over which the BoC has more influence than GDP.

GDP is estimated to have grown by roughly 2% q/q at a seasonally adjusted and annualized pace in Q1. The consumer is tracking solid growth (chart 22). Whether that continues or not is unclear after early guidance that Q1 strength was followed by somewhat of a setback in

April. When oil prices surged in anticipation of Russia's invasion of Ukraine and the aftermath in 2022, Canadian consumers reacted by pushing their saving rate close to zero and rebuilding it later (chart 23). The saving rate, like currencies, serves as a shock absorber at least for a time.

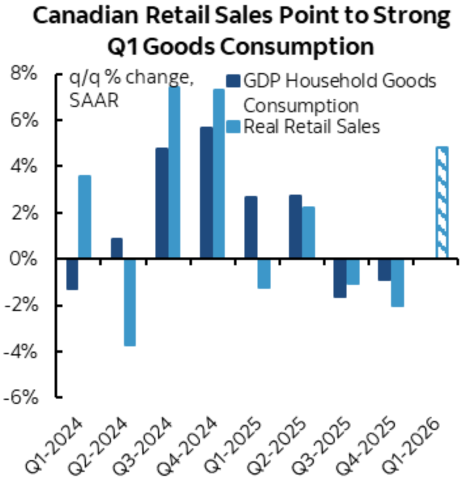
There may be a reversal of the inventory drag effect that held back Q4 GDP growth (chart 24) but that might be offset by a surge in imports that serves as a leakage effect on GDP growth (chart 25).

As for March monthly GDP on an income basis, Statcan had said toward the end of April that it was tracking 'essentially unchanged' as a rough guide. That was based upon trade-offs they loosely described as driven by gains in sectors like wholesale and transportation versus weakness in resources. There might be upside based upon our tracking of available activity readings.

April GDP, however, is a total wildcard. Statcan will release its preliminary estimate sans details. It's important because it will help to inform momentum into Q2 GDP tracking.

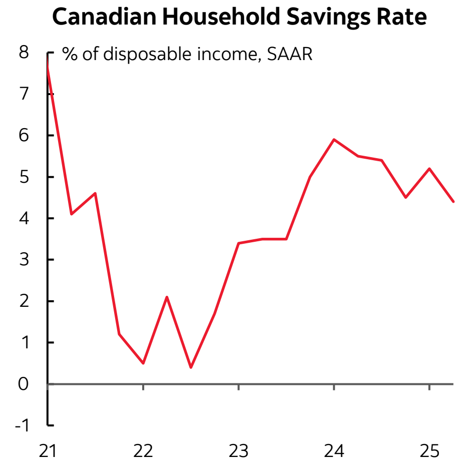
Key overall, however, may be what happens to the domestic economy as measured by final domestic demand. FDD adds consumer spending, investment and government spending. It excludes net trade and inventory effects. It's a proxy for the health of the domestic economy and it is likely to post solid growth again after a reasonably decent prior pattern (chart 26).

Chart 22



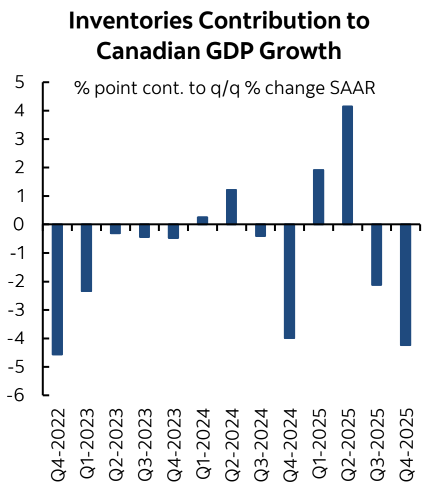
Sources: Scotiabank Economics, Statistics Canada.

Chart 23



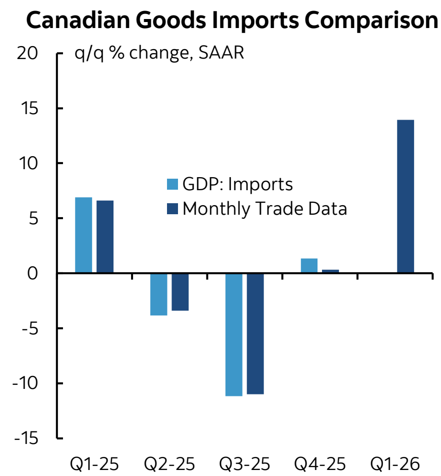
Sources: Scotiabank Economics, Statistics Canada.

Chart 24



Sources: Scotiabank Economics, Statistics Canada.

Chart 25



Sources: Scotiabank Economics, Statistics Canada.

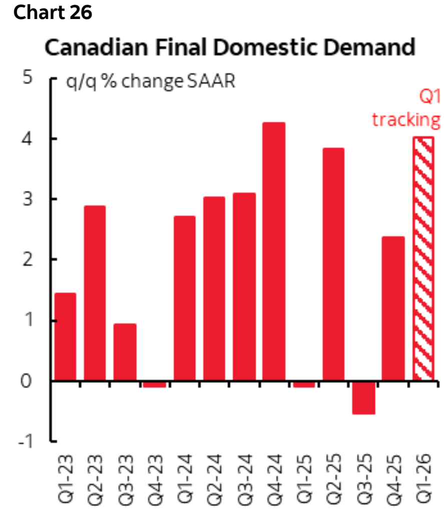
Will it matter to the BoC? Slightly by way of evaluating whether Canada is adding, subtracting, or moving sideways on estimates economic slack. If we're right with growth around 2%, then that would roughly double the BoC's estimated noninflationary speed limit to growth and mildly reduce the small amount of spare capacity in the economy. That would be an interesting setup for inflation risk into the lagging effects of the strong gains across commodity prices.

CANADIAN BANK EARNINGS—A HIGH BAR

Canadian banks release Q2 earnings next week. The party starts with BNS (my employer), BMO and National Bank on Wednesday followed by TD, CIBC and RBC on Thursday, then Laurentian on Friday.

Chart 27 shows analysts' average EPS expectations. They're all expected to post earnings growth over the same quarter last year which is the somewhat appropriate comparator since earnings are not seasonally adjusted.

Chart 26

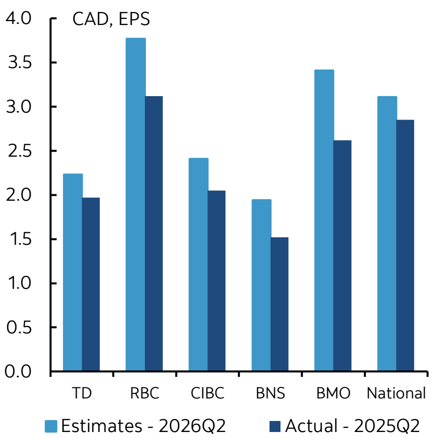


Sources: Scotiabank Economics, Statistics Canada.

Chart 28 shows the massive surge in Canadian bank shares over the past year and Jay Parmar's chart of the week on the front cover shows how the Canadian banks have vastly outperformed their American peers. Long undervalued, the Canadian banks have come roaring back and face a test at the halfway point of the fiscal year.

Chart 27

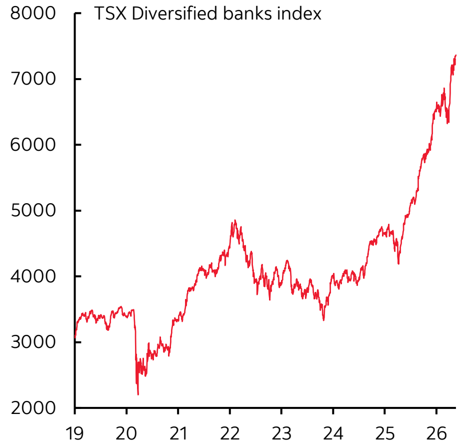
Canadian Bank Earnings



Sources: Scotiabank Economics. Bloomberg.

Chart 28

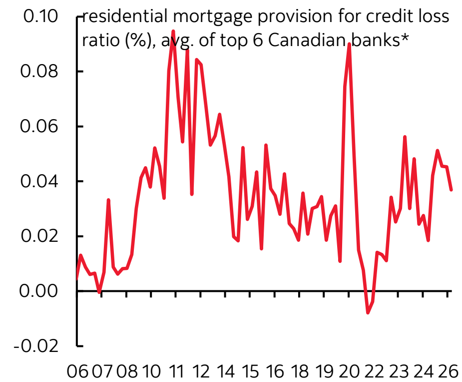
Soaring Canadian Bank Share Prices



Sources: Scotiabank Economics, Bloomberg.

Chart 29

Present Mortgage Provisioning Isn't Terribly Unusual



*Average of full sample since Q1 - 2013.
Sources: Scotiabank Economics.

Expect a focus on credit quality. When you hear about collective provisions, be sure to put them in context which means scaling provisions to the size of the lending book. In the case of mortgage provisioning, to date the banks have merely mean-reverted on provisions relative to the total value of mortgages outstanding after abnormally low provisions and losses in the pandemic period when rates were rock bottom and supports were high (chart 29).

CENTRAL BANKS—HIKES AND CUES

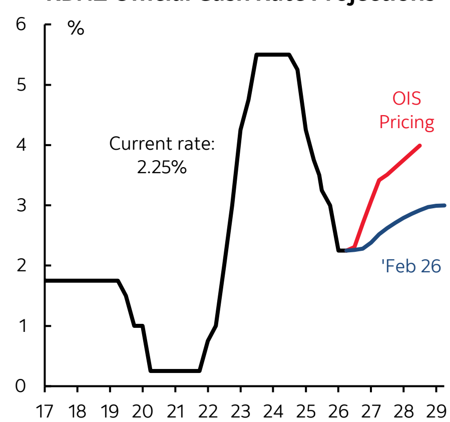
Three central banks will weigh in with decisions this week alongside assessments of financial stability from two others.

RBNZ—Updated Forward Rate Path Will Do the Talking

New Zealand's central bank is widely expected to stay on hold at an official cash rate of 2.25% on Tuesday. Fresh forecasts to be delivered at this meeting may inform the bias including an updated explicit forward rate path. The prior path that was presented in February has fallen well behind market pricing (chart 30). Markets are pricing most of a hike by the July meeting and about 75bps of increases by year-end. At its last meeting on April 7th, the RBNZ cautioned that it didn't wish to needlessly harm growth, but that it wouldn't hesitate to act decisively if CPI inflation did not land on 2% in the medium-term.

Chart 30

RBNZ Official Cash Rate Projections



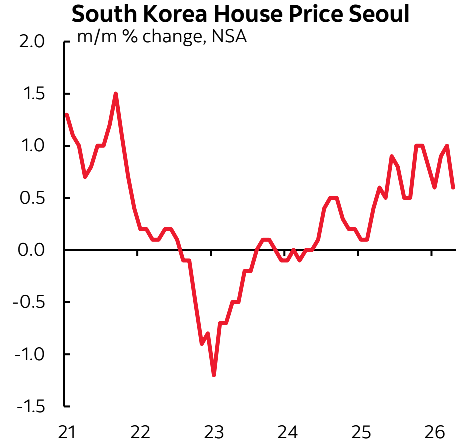
Sources: Scotiabank Economics, Reserve Bank of New Zealand.

Bank of Korea—Balancing Act

South Korea's central bank is likely to hold its base rate at 2.5% on Thursday. Markets expect hike risk to begin to surface in the second half of the year. A strike at Samsung is estimated by the BoK to knock about ½% off of Q2 GDP growth which presumably will be regained when the strike ends. Like elsewhere, the trade off between growth and inflation risk is driving limits to patience. Watch this central bank if it tees up readiness to soon hike since it was a leader in hiking rates back in 2021 before most other central banks woke up. The won's nearly 12% depreciation since last summer and ongoing depreciation recently has drawn attention by the Finance Ministry and the imported inflation risk may garner a hawkish reaction by the BoK. This is juxtaposed alongside stability considerations stemming from still hot hot prices (chart 31).

Chart 31

South Korea House Price Seoul



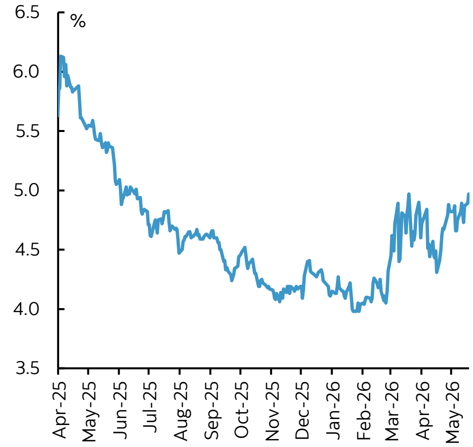
Sources: Scotiabank Economics, Kookmin Bank-International Finance.

SARB—Cue the Action

Most forecasters expect the South African Reserve Bank to hike its policy rate by another 25bps on Thursday. Deputy Governor Tshazibana said at the bank's biannual monetary policy review on April 21st that SARB was ready to respond to the Iran war shocks. Inflation has been shooting higher to 4% y/y in April with core not far behind at 3.6% y/y. Inflation expectations measured by breakeven rates are pushing higher at 4.9% (chart 32). A hike would reinforce the scenarios that SARB laid out at its March meeting.

Chart 32

South Africa 10 Year Breakeven Rate



Sources: Scotiabank Economics, Bloomberg.

Bank of Canada Communications—Focus on Risks

Two events might garner some attention this week.

External part-time Deputy Governor Vincent speaks on "the labour market and structural change in the Canadian economy" on Tuesday. There will be no press conference.

Then two days later, Governor Macklem unveils the semi-annual Financial Stability Report and Financial System Survey. This event usually does not broach monetary policy topics and is by definition focused upon risks instead of base case scenarios. Treat with care.

ECB Communications—More Risks!

Minutes to the April meeting (Thursday) will follow the ECB's assessment of risks to financial stability the day before.

GLOBAL MACRO—INFLATION WILL BE THE FOCUS

A slew of other global macro readings will also be offered and are summarized in in the accompanying table at the end. Much of the focus will be upon a round of global inflation readings.

Inflation Watch

The US, Eurozone, Japan, Australia, Brazil and Singapore update inflation measures over the coming week.

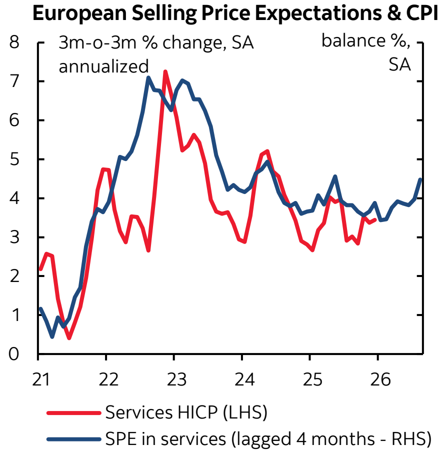
The Fed's preferred PCE inflation gauge will be updated with April's readings on Thursday. Total prices are estimated to rise by 0.4% m/m SA with core PCE up 0.3%. These estimates are based on what we already know about CPI, weighting differences between CPI and PCE, other methodological differences, and input from a subset of producer prices that are included in PCE. If correct, then these estimates would merely reinforce market sentiment surrounding the Fed's outlook with volatility around any significant upside or downside surprises.

While the Eurozone CPI add-up for May won't be available until the following week, markets should have most of what they need to estimate Eurozone inflation by Friday. That's because each of Germany, France, Italy and Spain release that day. Those estimates will likely push total Eurozone CPI inflation over 3% y/y with core inflation inching closer toward 2½% y/y. Charts 33–35 show why the ECB is worried; soft survey data shows expectations for rising prices and pass through into categories like services, food, industrial and retail goods and there tends to be a reasonably correlation with what's coming for actual inflation.

Australia's monthly inflation readings for April (Tuesday) probably won't be impactful to nearer-term RBA pricing with markets expecting the hike at the last meeting to give way to a pause on June 16th. The recent weak jobs report is one reason for this. Still, trimmed mean inflation

Chart 33

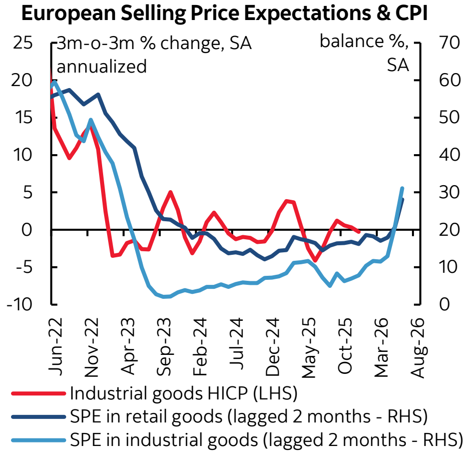
European Selling Price Expectations & CPI



Sources: Scotiabank Economics, ECB, European Commission.

Chart 34

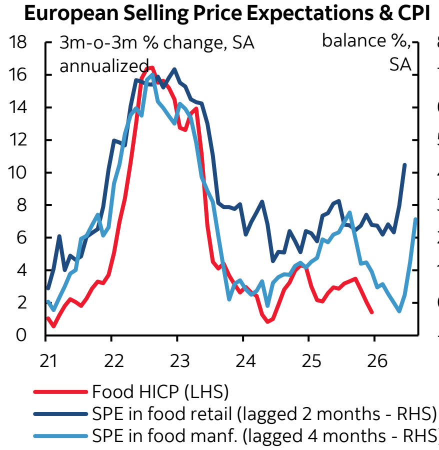
European Selling Price Expectations & CPI



Sources: Scotiabank Economics, ECB, European Commission.

Chart 35

European Selling Price Expectations & CPI



Sources: Scotiabank Economics, ECB, European Commission.

could push closer to 3½% y/y with total CPI around 4½%—thereby well above the RBA's 2–3% inflation target range (chart 36).

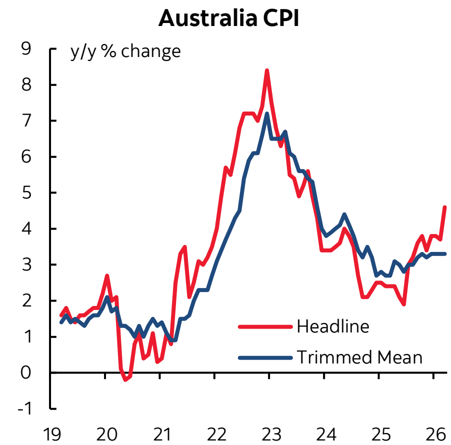
Tokyo CPI (Thursday), Singapore's CPI (Monday) and Brazil's inflation (Wednesday/Thursday) will round out the main focus upon the others.

Other Developments

New Zealand is pulling a Canada in reverse. The RBNZ's decision arrives hours before New Zealand's Finance Minister Wellington delivers her budget on Wednesday. This is the reverse order to how Canada did it last month. Pack your decisions so close together that your central bank can't be expected to opine on the contents in a classic duck-and-weave.

US markets face an otherwise light line-up other than PCE. The main highlights include consumer confidence (Tuesday), personal income and spending (Thursday) that are both expected to post moderate growth in dollar terms but probably nothing in inflation-adjusted terms. Durable goods orders (Thursday) are forecast to post a large increase on transportation orders but core orders ex -defence and air may weaken after the prior massive 3.4% m/m surge.

Chart 36



Sources: Scotiabank Economics, Australian Bureau of Statistics.

Canada will focus on aforementioned GDP and bank earnings reports with only the wonky SEPH payrolls report for way back in March due out on Thursday. It's too lagging and too unreliable to matter given it tends to get revised by tens of thousands of jobs each month it comes out.

Japan's data dump on Thursday will bring out fresh readings for retail sales, industrial output, housing starts and the jobless rate to inform Q2 growth tracking.

How are European consumers holding up in the energy shock? We'll find out when France updates consumer spending (Friday) and Germany refreshes retail sales perhaps this week, both for the month of April.

Chart 37

Other Global Macro Indicators (May 25th - May 29th)

US	CA	CPI	Other Macro	
		Monday		
		SI	MX	Trade
		Tuesday		
S&P Case-Shiller HPI			CH	Industrial Profts
Consumer Confidence				
Dallas Fed. Manf.				
		Wednesday		
MBA Mort. App			AU	Pvt. Capex Q1
Richmond Fed Manf.				
		Thursday		
Durable Goods	Current Account	Tokyo	MX	UR
GDP Q1			NO	GDP Q1
Claims			EC	Economic & Industrial Confidence
PCE, Personal Spending & Income			SK	IP
New Home Sales			JN	Jobless rate, Retail trade
		Friday		
Wholesale Inventories	Monthly GDP	FR	SW	GDP Q1
Chicago PMI	GDP Q1	SP	FR	Consumer Spending
		GE	GE	UR
			BZ	GDP Q1
			CL	IP, Retail Sales, UR
			TA	GDP Q1
			JN	Consumer confidence, Housing starts

Sources: Scotiabank Economics, Bloomberg.

Key Indicators for the week of May 25 – 29

NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
MX	05-25	08:00	Trade Balance (US$ mn)	Apr	--	--	5932.0
US	05-26	09:00	S&P/Case-Shiller Home Price Index (m/m)	Mar	0.1	-0.1	-0.1
US	05-26	09:00	S&P/Case-Shiller Home Price Index (y/y)	Mar	0.9	--	0.9
US	05-26	10:00	Consumer Confidence Index	May	92.5	92.3	92.8
US	05-26	10:30	Dallas Fed. Manufacturing Activity	May	--	--	-2.3
US	05-27	07:00	MBA Mortgage Applications (w/w)	May 22	--	--	-2.3
US	05-27	10:00	Richmond Fed Manufacturing Index	May	--	--	3.0
MX	05-28	08:00	Unemployment Rate (%)	Apr	--	--	2.4
CA	05-28	08:30	Current Account (C$ bn a.r.)	1Q	--	--	-0.7
US	05-28	08:30	Durable Goods Orders (m/m)	Apr P	2.9	2.3	0.8
US	05-28	08:30	Durable Goods Orders ex. Trans. (m/m)	Apr P	0.2	0.1	0.9
US	05-28	08:30	GDP (q/q a.r.)	1Q P	2.0	2.0	2.0
US	05-28	08:30	GDP Deflator (q/q a.r.)	1Q P	--	--	3.6
US	05-28	08:30	Initial Jobless Claims (000s)	May 23	205	210.0	211.0
US	05-28	08:30	Continuing Claims (000s)	May 16	1776	1786.0	1782.0
US	05-28	08:30	PCE Deflator (m/m)	Apr	0.4	0.5	0.7
US	05-28	08:30	PCE Deflator (y/y)	Apr	3.7	3.9	3.5
US	05-28	08:30	PCE ex. Food & Energy (m/m)	Apr	0.3	0.3	0.3
US	05-28	08:30	PCE ex. Food & Energy (y/y)	Apr	3.3	3.3	3.2
US	05-28	08:30	Personal Spending (m/m)	Apr	0.6	0.5	0.9
US	05-28	08:30	Personal Income (m/m)	Apr	0.3	0.4	0.6
US	05-28	10:00	New Home Sales (000s a.r.)	Apr	660	660.0	682.0
CA	05-29	08:30	Real GDP (m/m)	Mar	0.1	--	0.2
CA	05-29	08:30	Real GDP (q/q a.r.)	1Q	2.0	--	-0.6
US	05-29	08:30	Wholesale Inventories (m/m)	Apr P	--	--	1.3
US	05-29	09:45	Chicago PMI	May	--	51.2	49.2

EUROPE

Country	Date	Time	Indicator	Period	Consensus	Latest
GE	05-27		Retail Sales (m/m)	Apr	--	-0.8
NO	05-28	02:00	GDP (q/q)	1Q	--	-0.30
FR	05-28	02:45	Producer Prices (m/m)	Apr	--	2.0
SP	05-28	03:00	Real Retail Sales (y/y)	Apr	--	3.7
EC	05-28	05:00	Economic Confidence	May	--	93.0
EC	05-28	05:00	Industrial Confidence	May	--	-7.7
SW	05-29	02:00	GDP (y/y)	1Q	--	2.1
FR	05-29	02:45	Consumer Spending (m/m)	Apr	--	0.7
FR	05-29	02:45	CPI (m/m)	May P	--	1.0
FR	05-29	02:45	CPI (y/y)	May P	--	2.2
FR	05-29	02:45	CPI - EU Harmonized (m/m)	May P	--	1.2
FR	05-29	02:45	CPI - EU Harmonized (y/y)	May P	--	2.5
FR	05-29	02:45	GDP (q/q)	1Q F	--	0.0
SP	05-29	03:00	CPI (m/m)	May P	--	0.4
SP	05-29	03:00	CPI (y/y)	May P	--	3.2
SP	05-29	03:00	CPI - EU Harmonized (m/m)	May P	--	0.7
SP	05-29	03:00	CPI - EU Harmonized (y/y)	May P	--	3.5
GE	05-29	03:55	Unemployment (000s)	May	--	20.0
GE	05-29	03:55	Unemployment Rate (%)	May	--	6.4
SP	05-29	04:00	Current Account (€ bn)	Mar	--	4.0
IT	05-29	06:00	Real GDP (q/q)	1Q F	--	0.2
PO	05-29	06:00	Real GDP (q/q)	1Q F	--	0.00
GE	05-29	08:00	CPI (m/m)	May P	--	0.6
GE	05-29	08:00	CPI (y/y)	May P	--	2.9
GE	05-29	08:00	CPI - EU Harmonized (m/m)	May P	--	0.5
GE	05-29	08:00	CPI - EU Harmonized (y/y)	May P	--	2.9

Forecasts at time of publication.
Sources: Bloomberg, Scotiabank Economics.

Key Indicators for the week of May 25 – 29

ASIA PACIFIC

Country	Date	Time	Indicator	Period	Consensus	Latest
SI	05-25	01:00	CPI (m/m)	Apr	--	0.5
SI	05-25	01:00	CPI (y/y)	Apr	2.1	1.8
JN	05-25	01:30	Nationwide Department Store Sales (y/y)	Apr	--	3.2
JN	05-26	01:00	Coincident Index CI	Mar F	--	116.5
JN	05-26	01:00	Leading Index CI	Mar F	--	114.5
JN	05-26	01:00	New Composite Leading Economic Index	Mar F	--	114.5
SI	05-26	01:00	Industrial Production (m/m)	Apr	--	4.7
SI	05-26	01:00	Industrial Production (y/y)	Apr	11.7	10.1
TA	05-26	04:00	Industrial Production (y/y)	Apr	21.8	28.7
CH	05-26	21:30	Industrial Profits YTD (y/y)	Apr	--	15.8
NZ	**05-26**	**22:00**	**RBNZ Official Cash Rate (%)**	**May 27**	**2.25**	**2.25**
SK	05-26	22:00	Discount Store Sales (y/y)	Apr	--	-15.2
SK	05-26	22:00	Department Store Sales (y/y)	Apr	--	14.7
PH	05-26		Budget Deficit/Surplus (PHP bn)	Apr	--	-349.7
AU	05-27	21:30	Private Capital Expenditure	1Q	--	0.4
HK	05-28	04:30	Exports (y/y)	Apr	--	35.8
HK	05-28	04:30	Imports (y/y)	Apr	--	41.2
HK	05-28	04:30	Trade Balance (HKD bn)	Apr	--	-89.1
NZ	05-28	18:00	ANZ Consumer Confidence Index	May	--	80.3
SK	05-28	19:00	Industrial Production (m/m)	Apr	--	0.3
SK	05-28	19:00	Industrial Production (y/y)	Apr	--	3.6
SK	05-28	19:00	Cyclical Leading Index Change	Apr	--	0.7
JN	05-28	19:30	Jobless Rate (%)	Apr	--	2.7
JN	05-28	19:30	Tokyo CPI (y/y)	May	--	1.5
JN	05-28	19:50	Large Retailers' Sales (y/y)	Apr	--	1.1
JN	05-28	19:50	Retail Trade (m/m)	Apr	--	1.0
JN	05-28	19:50	Retail Trade (y/y)	Apr	--	1.4
PH	05-28	21:00	Exports (y/y)	Apr	14.0	20.4
PH	05-28	21:00	Imports (y/y)	Apr	10.8	12.3
PH	05-28	21:00	Trade Balance (US$ mn)	Apr	--	-4512.0
AU	05-28	21:30	Private Sector Credit (m/m)	Apr	--	0.7
AU	05-28	21:30	Private Sector Credit (y/y)	Apr	--	8.1
SK	**05-28**		**BoK Base Rate (%)**	**May 28**	**--**	**2.50**
JN	05-29	01:00	Consumer Confidence	May	--	32.2
JN	05-29	01:00	Housing Starts (y/y)	Apr	--	-29.3
TH	05-29	03:00	Current Account Balance (US$ mn)	Apr	--	600.0
TH	05-29	03:30	Exports (y/y)	Apr	--	19.3
TH	05-29	03:30	Imports (y/y)	Apr	--	37.2
TH	05-29	03:30	Trade Balance (US$ mn)	Apr	--	-146.0
TA	05-29	04:00	Real GDP (y/y)	1Q P	13.6	13.7
PH	05-29		Bank Lending (y/y)	Apr	--	9.4

LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
BZ	05-25	07:30	Current Account (US$ mn)	Apr	--	--	-6036.3
BZ	05-27	08:00	IBGE Inflation IPCA-15 (m/m)	May	--	--	0.9
BZ	05-27	08:00	IBGE Inflation IPCA-15 (y/y)	May	--	--	4.4
BZ	05-29	08:00	GDP (IBGE) (q/q)	1Q	--	--	0.1
BZ	05-29	08:00	GDP (IBGE) (y/y)	1Q	--	--	1.8
CL	05-29	09:00	Industrial Production (y/y)	Apr	--	--	-4.5
CL	05-29	09:00	Retail Sales (y/y)	Apr	--	--	4.6
CL	05-29	09:00	Unemployment Rate (%)	Apr	--	--	8.9
CO	05-29	11:00	Urban Unemployment Rate (%)	Apr	--	--	9.4

Forecasts at time of publication.
Sources: Bloomberg, Scotiabank Economics.

Global Auctions for the week of May 25 – 29

NORTH AMERICA

Country	Date	Time	Event
US	05-26	13:00	U.S. To Sell 2-Year Notes
US	05-27	11:30	U.S. To Sell 2-Year FRN Reopening
CA	05-27	12:00	Canada to Sell 10 Year Bonds
US	05-27	13:00	U.S. To Sell 5-Year Notes
US	05-28	13:00	U.S. To Sell 7-Year Notes

EUROPE

Country	Date	Time	Event
BE	05-25	06:00	Belgium to Sell Bonds
IT	05-26	05:00	Italy to Sell I/L Bonds
NO	05-27	05:00	Norway to Sell Bonds
UK	05-27	05:00	UK to Sell GBP4 Billion of 4.125% 2033 Bonds
GE	05-27	05:30	Germany to Sell EU2 Billion of 15/20-year Bonds
IT	05-28	05:00	Italy to Sell Bonds
FI	05-28	06:00	Finland to Sell Ori Bonds

ASIA PACIFIC

Country	Date	Time	Event
CH	05-24	22:35	China To Sell 10-Year Additional Bonds
JN	05-24	23:35	Japan to Sell 5-Year Climate Transition Bonds
CH	05-24	23:35	China to Sell 90 Billion Yuan 1.72% 2036 Bonds
JN	05-26	23:35	Japan to Sell 40-Year Bonds
JN	05-28	23:35	Japan to Sell 2-Year Bonds

LATIN AMERICA

Country	Date	Time	Event
No Scheduled Auctions			

Sources: Bloomberg, Scotiabank Economics.

Events for the week of May 18 – 22

NORTH AMERICA

Country	Date	Time	Event
CA	05-26	08:30	BoC External Deputy Governor Nicolas Vincent Speaks
US	05-28	08:55	Fed's Williams Speaks at Reykjavík Economic Conference
CA	05-28	10:00	Bank of Canada Releases Financial Stability Report
CA	05-28	11:00	Press Conference -- Bank of Canada's Macklem and Rogers

EUROPE

Country	Date	Time	Event
EC	05-26	09:00	ECB's Sleijpen Speaks in Amsterdam
EC	05-27	04:00	ECB Financial Stability Review
EC	05-27	20:00	ECB's Lane Speaks in Tokyo
UK	05-27	22:25	BOE's Clare Lombardelli on panel at Bank of Japan event
EC	05-28	04:30	ECB's Cipollone Speaks in Rome
SZ	05-28	07:00	SNB's Schlegel, Turkey Governor Karahan Speak in Reykjavik
EC	05-28	07:30	ECB Publishes Account of April Rate Decision
EC	05-28	11:30	ECB's Schnabel Speaks in Cologne
UK	05-28	11:40	BOE Deputy Governor Sarah Breeden Speaks
UK	05-29	04:20	BOE Governor Andrew Bailey Speaks in Iceland
EC	05-29	04:30	ECB's Panetta Speaks in Rome
EC	05-29	07:15	ECB's Radev, Norges Bank's Wolden Bache Speak in Reykjavik
EC	05-29	09:35	ECB's Muller Speaks in Reykjavik

ASIA PACIFIC

Country	Date	Time	Event
SL	05-25	22:00	CBSL Overnight Policy Rate
NZ	05-26	22:00	RBNZ Monetary Policy Statement
NZ	**05-26**	**22:00**	**RBNZ Official Cash Rate**
AU	05-27	04:00	RBA Board Member Hewson-Speech
SK	**05-28**		**BOK Base Rate**

LATIN AMERICA

Country	Date	Time	Event
UR	05-26		Monetary Policy Rate
GU	05-27		Leading Interest Rate
CO	05-29		Central Bank Board Meeting

Sources: Bloomberg, Scotiabank Economics.

Global Central Bank Watch

NORTH AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Canada – Overnight Target Rate	2.25	June 10, 2026	2.25	2.25
Federal Reserve – Federal Funds Target Rate	3.75	June 17, 2026	3.75	3.75
Banco de México – Overnight Rate	6.50	June 25, 2026	6.50	6.50

Bank of Canada (BoC): The Bank of Canada will release its annual Financial Stability Report on Thursday at 10am EST, providing its assessment of households, businesses, banks and non-bank financial intermediaries over the past 12–18 months of Trump's tariffs on Canadian exports, as well as potential risks related to the Middle East conflict and the upcoming CUSMA renegotiation. It is not normally a discussion on monetary policy views or implications. This will be followed by a press conference with Governor Macklem and Senior Deputy Governor Rogers at 11am EST.

EUROPE

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	2.15	June 11, 2026	2.40	2.40
European Central Bank – Marginal Lending Facility Rate	2.40	June 11, 2026	2.65	2.65
European Central Bank – Deposit Facility Rate	2.00	June 11, 2026	2.25	2.25
Bank of England – Bank Rate	3.75	June 18, 2026	3.75	3.75
Swiss National Bank – Sight Deposit Rate	0.00	June 18, 2026	0.00	0.00
Central Bank of Russia – One-Week Auction Rate	14.50	June 19, 2026	14.25	14.25
Sweden Riksbank – Repo Rate	1.75	June 17, 2026	1.75	1.75
Norges Bank – Deposit Rate	4.25	June 18, 2026	4.50	4.50
Central Bank of Turkey – Benchmark Repo Rate	37.00	June 11, 2026	37.00	37.00

ASIA PACIFIC

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Policy Rate	0.75	June 16, 2026	1.00	1.00
Reserve Bank of Australia – Cash Rate Target	4.35	June 16, 2026	4.35	4.35
Reserve Bank of New Zealand – Cash Rate	2.25	May 26, 2026	2.25	2.25
People's Bank of China – 7-Day Reverse Repo Rate	1.40	TBA	1.40	1.40
Reserve Bank of India – Repo Rate	5.25	June 5, 2026	5.25	5.25
Bank of Korea – Base Rate	2.50	May 28, 2026	2.50	2.50
Bank of Thailand – Repo Rate	1.00	June 24, 2026	1.00	1.00
Bank Negara Malaysia – Overnight Policy Rate	2.75	July 9, 2026	2.75	2.75
Bank Indonesia – BI-Rate	5.25	June 18, 2026	5.25	5.25
Central Bank of Philippines – Overnight Borrowing Rate	4.50	June 18, 2026	4.50	4.50

Reserve Bank of New Zealand (RBNZ): The Reserve Bank of New Zealand is expected to keep its cash rate steady on Tuesday while providing updated economic forecasts, three months into the Middle East conflict and amid broadly elevated commodity prices. Markets are pricing in a 20% chance of a hike at this meeting, with a full hike priced in by July. Since April, Q1 inflation came in slightly above consensus, though medium-term inflation expectations remain well-anchored. Meanwhile, job growth cooled in Q1, while wage growth rose modestly more than expected. Holding the rate would allow the bank additional time to assess conditions before shifting gears amid a weak economic recovery. The key focus will be its updated forward guidance and how aggressively it brings forward the rate hikes. **Bank of Korea (BoK):** Following stronger-than-expected Q1 GDP growth driven by the AI boom and intensifying inflation concerns, the Bank of Korea appears to be shifting away from rate cuts and beginning to discuss potential rate hikes this year. While no policy change is expected at Thursday's meeting, the bank is likely to adopt a more hawkish tone. Markets have already moved ahead, pricing in around 50bps of tightening by year-end. In addition, the won remains weak, while housing prices and household debt continues to show resilience. Focus will again be on the updated dot plot alongside revised growth and inflation forecasts.

LATIN AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	14.50	June 17, 2026	14.25	14.25
Banco Central de Chile – Overnight Rate	4.50	June 16, 2026	4.50	4.50
Banco de la República de Colombia – Lending Rate	11.25	June 30, 2026	11.75	11.75
Banco Central de Reserva del Perú – Reference Rate	4.25	June 11, 2026	4.25	4.25

AFRICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	6.75	May 28, 2026	7.00	7.00

South African Reserve Bank (SARB): Following consecutive inflation readings above the 3% target and breakeven rates reaching 4.9%, consensus favours a 25 bp rate hike on Thursday. At its March meeting, the bank outlined two adverse scenarios: a short-term (two-month) scenario with oil prices averaging around US$100 per barrel, and a prolonged one-year scenario with 5% and 10% rand depreciation, respectively. In both cases, inflation rises above target implying higher interest rates, with one hike in the former and several in the latter. Given the prolonged conflict and elevated oil prices, consensus is leaning toward the more adverse scenario, supporting a hike at this meeting. However, the relative stability of the South African rand has led a minority to favour a hold.

Sources: Bloomberg, Scotiabank Economics.