

### DAILY POINTS

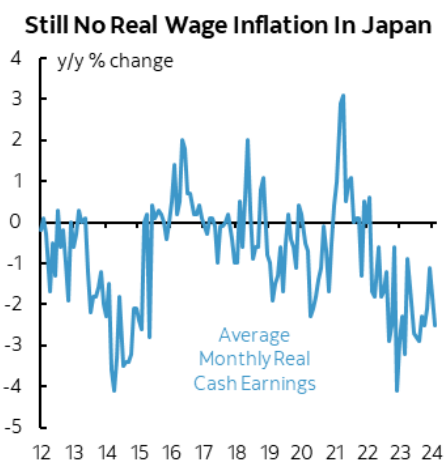
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#### Contributors

##### Derek Holt

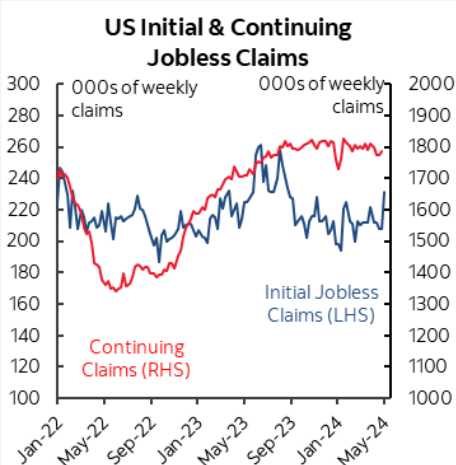
VP & Head of Capital Markets Economics  
Scotiabank Economics  
416.863.7707  
[derek.holt@scotiabank.com](mailto:derek.holt@scotiabank.com)

Chart 1



Source: Scotiabank Economics, Ministry of Health, Labour and Welfare, Japan.

Chart 2



Sources: Scotiabank Economics, US Dept of Labor.

### On Deck for Thursday, May 9

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	05-09	08:30	Initial Jobless Claims (000s)	Mar 04	210	212	231
US	05-09	08:30	Continuing Claims (000s)	Apr 27	1790	1782	1785
CA	05-09	10:00	Bank of Canada releases Financial System Review				
CA	05-09	11:00	Bank of Canada's Macklem and Rogers - Press Conference				
US	05-09	14:00	Fed's Daly Participates in Fireside Chat				

#### KEY POINTS:

- **US, UK front-ends outperforming on US claims and the BoE**
- **Bank of England wants more evidence before deciding exactly when to cut**
- **BoC's communications to discuss one-sided risks**
- **Banxico expected to hold**
- **Will Peru's central bank stay on cutting path?**
- **Brazil's central bank downshifts pace, drops forward guidance**
- **Japanese real wages weaken, no evidence of pass through of Shunto gains**
- **Bank Negara holds, in no rush to alter stance**

A cacophony of cries from central bankers and light data are driving regional markets this morning. Global bonds and stocks had a cheapening bias with the exception of the gilts front-end on a dovish sounding but noncommittal BoE, until weaker US claims hit and drove a bull steepener in US Ts.

#### Bank of England Fails to Commit

The Bank of England didn't exactly go out of its way to set up a June cut, but it also didn't rule it out. The communications are [here](#) and [here](#). Markets responded accordingly by adding only 2bps to June cut pricing that is slightly better than 50–50 odds now, and 3bps to August cut pricing which remains the market base case. The MPC said "CPI inflation is expected to return to close to the 2% target in the near term, but to increase slightly in the second half of this year, to around 2 ½%, owing to the unwinding of energy-related base effects. There continue to be upside risks in the near-term inflation outlook from geopolitical factors, although developments in the Middle East have had a limited impact on oil prices so far."

Governor Bailey's statement and his comments in the press conference were somewhat at odds with one another. In the statement, he said that the BoE is "not yet at a point" to cut, that inflation persistence is judged to be similar to the assessment in February, that "ups and downs" in data should not be interpreted and that a cut in June is neither planned nor ruled out. He emphasized that there will be two more inflation readings before the June decision. He also said "It is likely we will need to cut Bank Rate" which is a close to being a full on truism when delivered absent any time reference! He also guided that Bank Rate could fall faster than markets are pricing.

#### Cautious LatAm Central Banks

There are two more central bank decisions on tap today.

**1. Banxico (3pmET):** A hold is widely expected based on central bank guidance, next month's Mexican election on June 2nd, a patient approach that spreads out potential easing after cutting in March, and a pushed out Fed. Mexico's CPI print for April didn't offer any surprises as it landed on the screws at 0.2% m/m NSA and likewise for core. Forecasting monthly Mexican CPI has the big advantage of knowing half of the month's data in advance given their practice of releasing figures on a bi-weekly basis. Nice.

2. **Peru (7pmET):** Most expect another -25bps cut but a minority feels that they may skip this time.

**Brazil's Central Bank Downshifts, Abandons Forward Guidance**

Brazil's central bank downshifted the pace of cutting to -25bps last evening compared to the prior auto-pilot path of -50bps reductions. Guidance was data dependent with a cautious tone and is no longer teeing up moves ahead of meetings.

Bank Negara Malaysia held its overnight rate at 3% as widely expected and sounded in no rush to alter policy.

**Japan's Shunto Wage Gains Are Not Driving Broader Gains**

Japanese real wages fell at a quicker pace in March (-2.5% y/y, -1.4% consensus) and the prior month was revised lower (1.4% y/y from 1.8%). This softening is not conducive to sustainably achieving 2% inflation and is showing no traction following the Shunto wage gains that were posted in the Spring of 2023. That could be because those gains only impact less than one-fifth of Japanese workers.

**BoC's Communications to Focus on Risks, Will Drive One-Sided Headlines**

Also watch for the BoC's finsys review. This report and the press conference are, by definition, about risks. Because of that it's not uncommon for headlines to be misinterpreted or partially interpreted as representing a bias or stance on monetary policy with a dovish slant. Expect housing, mortgages etc to drive headlines while stating that the financial system is generally sound. As a matter of principle, they do not talk about monetary policy in this report or the press conference and defer those questions to the presser, but there is non-zero risk of violating that.

US markets only face initial weekly jobless claims that climbed to 231k which is the highest level since last August, but hardly alarming. San Fran Fed President Daly speaks at (2pmET).

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.	4.80	4.84	4.87	4.47	4.50	4.57	4.47	4.49	4.58	4.64	4.64	4.73	Canada - BoC	5.00
CANADA	4.18	4.19	4.25	3.67	3.68	3.76	3.63	3.63	3.74	3.52	3.51	3.63	US - Fed	5.50
GERMANY	2.91	2.93	2.99	2.49	2.50	2.57	2.47	2.46	2.54	2.61	2.58	2.65	England - BoE	5.25
JAPAN	0.31	0.28	0.29	0.52	0.48	0.49	0.92	0.88	0.90	1.98	1.97	1.99	Euro zone - ECB	4.50
U.K.	4.26	4.31	4.43	3.99	4.02	4.17	4.13	4.14	4.29	4.61	4.61	4.75	Japan - BoJ	-0.10
	Spreads vs. U.S. (bps):												Mexico - Banxico	11.00
CANADA	-63	-65	-63	-80	-82	-81	-85	-87	-85	-112	-113	-110	Australia - RBA	4.35
GERMANY	-189	-191	-188	-198	-200	-200	-200	-203	-204	-203	-206	-208	New Zealand - RBNZ	5.50
JAPAN	-449	-455	-458	-395	-402	-408	-356	-361	-368	-266	-267	-274		
U.K.	-54	-53	-45	-48	-48	-40	-35	-36	-30	-3	-3	2		
Equities	Level			% change:									Next Meeting Date	
	Last	Change		1 Day	1-wk	1-mo	1-yr							
S&P/TSX	22259	-31.5		-0.1	2.4	-0.5	8.1					Canada - BoC	Jun 05, 2024	
Dow 30	39056	172.1		0.4	3.0	0.4	16.4					US - Fed	Jun 12, 2024	
S&P 500	5188	-0.0		-0.0	3.4	-0.4	25.9					England - BoE	May 09, 2024	
Nasdaq	16303	-29.8		-0.2	4.5	-0.0	33.9					Euro zone - ECB	Jun 06, 2024	
DAX	18647	148.4		0.8	4.2	3.2	16.9					Japan - BoJ	June 14, 2024	
FTSE	8385	30.8		0.4	3.2	5.7	8.0					Mexico - Banxico	May 09, 2024	
Nikkei	38074	-128.4		-0.3	-0.9	-3.8	30.7					Australia - RBA	Jun 18, 2024	
Hang Seng	18538	224.0		1.2	1.8	8.2	-6.2					New Zealand - RBNZ	May 21, 2024	
CAC	8154	22.3		0.3	3.0	1.3	10.2							
Commodities	Level			% change:										
WTI Crude	79.58	0.59		0.7	0.8	-6.6	8.0							
Natural Gas	2.20	0.02		0.7	8.3	17.7	-2.8							
Gold	2328.14	19.29		0.8	1.1	4.4	14.4							
Silver	27.24	-0.03		-0.1	2.9	-2.1	5.4							
CRB Index	289.01	-0.56		-0.2	1.3	-2.6	9.4							
Currencies	Level			% change:										
USDCAD	1.3706	-0.0016		-0.1	0.2	1.0	2.4							
EURUSD	1.0760	0.0012		0.1	0.3	-0.9	-1.8							
USDJPY	155.54	0.0100		0.0	1.2	2.5	15.0							
AUDUSD	0.6607	0.0027		0.4	0.6	-0.3	-2.3							
GBPUSD	1.2510	0.0012		0.1	-0.2	-1.3	-0.9							
USDCHF	0.9067	-0.0013		-0.1	-0.4	0.4	1.8							

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