

ON DECK FOR THURSDAY, MAY 28

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	05/28	08:30	Current Account (C\$ bn a.r.)	1Q	--	-10.2	-8.8
US	05/28	08:30	Durable Goods Orders (m/m)	Apr P	-20.0	-19.1	-15.3
US	05/28	08:30	Durable Goods Orders ex. Trans. (m/m)	Apr P	-14.0	-15.0	-0.6
US	05/28	08:30	GDP (q/q a.r.)	1Q S	-5.0	-4.8	-4.8
US	05/28	08:30	GDP Deflator (q/q a.r.)	1Q S	--	1.3	1.3
US	05/28	08:30	Initial Jobless Claims (000s)	May 23	2100	2100	2438
US	05/28	08:30	Continuing Claims (000s)	May 16	--	25680	25073
US	05/28	10:00	Pending Home Sales (m/m)	Apr	--	-17.0	-20.8

KEY POINTS:

- **Stocks keep edging higher despite risks to social media**
- **Trump's potential move on social media could backfire...**
- **...which may mean the issue blows over**
- **US claims continue to decline**
- **US core capital goods orders fall by less than expected**
- **US Q1 GDP revised a touch lower**
- **Will US pending home sales follow the new home sales beat?**
- **Won falls on BoK hint at using other easing tools**
- **Eurozone CPI decline fed by energy**
- **CDN Q2 bank earnings season is wrapping up**

INTERNATIONAL

Incremental information is relatively light insofar as influences upon the global risk trade are concerned. Calendar-based risk is irrelevant to markets as indicators classically lag turning points. Several US releases failed to move the needle given the market focus upon forward-looking expectations and the freshest evidence; on that note and as a reminder, see last evening's Closing Points for a review of less conventional and high frequency US readings that inform recovery tracking.

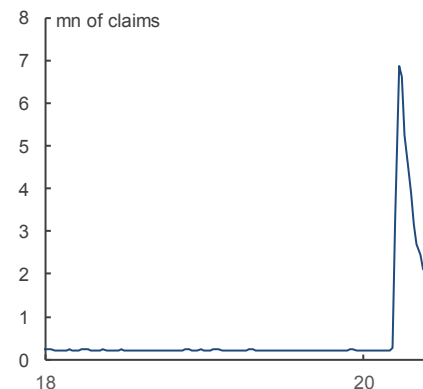
Social media stocks are dragging the tech-heavier elements of the US market lower as Trump threatens an executive order to reduce liability in relation to third-party postings after Twitter slapped a pair of long over due fact-checks on Trump's postings. Is it just me or is such a move counter to Trump's own interests? Much of what he posts could potentially expose social media to liability! Penalizing them would hardly help Trump given his reliance upon the tool. If this issue goes away, then I suspect it may reflect the fact this suddenly dawns upon him.

- US equity futures are mixed with the S&P500 up slightly, the DJIA up by about ¼% but the Nasdaq index down by about 1%. TSX futures are up by ¼%. European cash markets are rallying by between ½% and 2%. Asian equities were mixed as the Nikkei jumped by 2¼%, HK fell by ¾% and Seoul was slightly lower while mainland China's markets were divided between small gains and losses.
- EGBs are outperforming other sovereign bond markets as 10 year yields drop by between 1–5bps led by France with bunds lagging. Gilts are little

CONTACTS

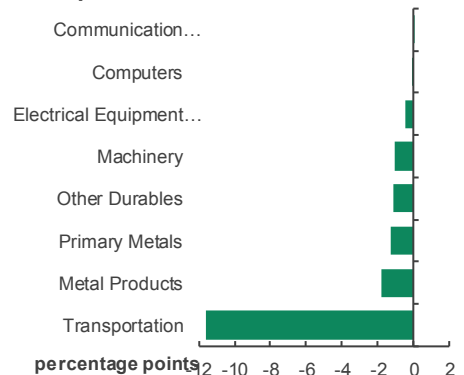
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Chart 1

US Initial Jobless Claims


Sources: Scotiabank Economics, US Dept of Labor.

Chart 2

Weighted Contributions to April US Durable Goods Orders


percentage points
 Sources: Scotiabank Economics, US Census Bureau.

changed. Canada's curve is little changed except for mild cheapening at the long-end while the US 2s10s and 10s30s slopes are slightly steeper.

- Oil prices are little changed with gold up US\$13 to \$1722/oz.
- The USD is little change overall with a lack of a unifying theme across currency pairs. The won (BoK remarks) and real are the weakest performers, the yen and CAD are flat, and the strongest pairs are the Mexican peso, some Scandies and the A\$/NZ\$.

The Bank of Korea cut its 7-day repo rate by 25bps to 0.5% as expected by 19 of 23 forecasters and downgraded forecasts. The won was the weakest overnight performer to the USD among major and semi-major crosses as the BoK hinted at using additional easing tools without specifying them. Governor Lee Ju-yeol simply said "Should it be deemed necessary to expand the accommodative stance of monetary policy further, we could actively respond with policy tools other than rates."

Eurozone inflation is rapidly decelerating, but so far mostly in energy-driven headline terms. Spanish CPI landed on the screws at -1.0% y/y (-0.9% y/y EU harmonized), but core CPI was unchanged at 1.1% y/y indicating that lower fuel costs drove the headline gauge lower. German inflation slipped to 0.6% y/y which was also bang-on expectations (0.9% prior).

UNITED STATES

Low impact releases included the following this morning.

Jobless claims fell to 2.12 million (Scotia 2.1 million, consensus 2.1 million). A total of 41 million Americans have now filed for jobless benefits. The figure is pushing outside of the nonfarm reference period. Chart 1 shows the improvement.

US Q1 GDP was revised to -5.0% (Scotia -5%, consensus -4.8%) and hence down a couple of tenths. Consumption growth was revised lower to 6.8% (7.6% initial). Corporate profits are estimated to have fallen by 15.9% q/q in after-tax terms.

US big-ticket core durable goods orders fell by less than expected. Headline orders fell by 17.2% m/m (consensus -19%, Scotia -20%). Orders excluding the transportation sector fell by 7.4% m/m (consensus -15%, Scotia -14%) and orders ex-air and defence fell by 5.8% m/m (consensus -10%). The weighted contribution to the decline in total durable goods orders by type of good is shown in chart 2.

Pending home sales are due out at 10amET for the month of April. These are contract signings before they show up as completed resale figures once the paperwork settles on closing within 30-90 days for the most part. A sharp decline is expected and is a little more informed by regional pending home sales than was the case into the large upside beat by new home sales the other day.

CANADA

Canada's macro calendar is empty until tomorrow morning's GDP. Another pair of Canadian banks missed earnings expectations this morning. TD Q2 adjusted EPS of C\$0.85 slightly fell short of the \$0.88 consensus while CIBC posted a substantial miss with adjusted EPS of C\$0.94 (consensus \$1.60). Laurentian and Canadian Western Bank get the final say tomorrow, but there were more misses than beats overall with the one proud beat coming from Scotia. Go Team!

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.	0.18	0.18	0.17	0.35	0.35	0.34	0.70	0.68	0.67	1.47	1.44	1.39	Canada - BoC	0.25
CANADA	0.31	0.30	0.30	0.41	0.41	0.41	0.55	0.55	0.55	1.12	1.10	1.10	US - Fed	0.25
GERMANY	-0.64	-0.63	-0.69	-0.62	-0.61	-0.68	-0.42	-0.41	-0.50	0.03	0.03	-0.07	England - BoE	0.10
JAPAN	-0.15	-0.14	-0.15	-0.12	-0.12	-0.13	0.00	0.00	0.00	0.50	0.49	0.45		
U.K.	-0.03	-0.02	-0.05	0.01	0.00	-0.01	0.20	0.19	0.17	0.61	0.62	0.57		
	Spreads vs. U.S. (bps):													
	Last	1-day	1-wk	Last	1-day	1-wk	Last	1-day	1-wk	Last	1-day	1-wk		
CANADA	12	12	13	6	6	7	-15	-14	-13	-35	-34	-29	Euro zone - ECB	0.00
GERMANY	-83	-82	-86	-97	-95	-102	-112	-110	-117	-144	-141	-145	Japan - BoJ	-0.10
JAPAN	-33	-33	-32	-47	-47	-47	-70	-68	-67	-98	-95	-94		
U.K.	-21	-21	-22	-34	-35	-35	-50	-49	-50	-86	-82	-82		
Equities	Level						% change:							
	Last			Change			1 Day	1-wk	1-mo			1-yr		
S&P/TSX	15272			123.9			0.8	2.6	3.2			-6.3	Australia - RBA	0.25
Dow 30	25548			553.2			2.2	5.5	6.0			0.8	New Zealand - RBNZ	0.25
S&P 500	3036			44.4			1.5	3.9	6.0			8.3		
Nasdaq	9412			72.1			0.8	2.5	9.3			23.7		
DAX	11735			76.9			0.7	6.0	8.7			-2.4		
FTSE	6210			66.1			1.1	2.4	4.2			-14.6		
Nikkei	21916			497.1			2.3	6.6	10.8			3.1		
Hang Seng	23133			-168.6			-0.7	-4.7	-5.9			-15.5		
CAC	4742			53.0			1.1	6.7	3.8			-10.7		
Commodities	Level						% change:							
	Last			Change			1 Day	1-wk	1-mo			1-yr		
WTI Crude	32.64			-0.17			-0.5	-2.5	164.5			-44.8		
Natural Gas	1.89			0.00			0.2	6.7	5.3			-26.8		
Gold	1722.81			13.35			0.8	-0.2	0.9			34.7		
Silver	17.19			-0.11			-0.6	-1.6	13.1			18.1		
CRB Index	128.86			-0.30			-0.2	-1.6	19.1			-28.5		
Currencies	Level						% change:							
	Last			Change			1 Day	1-wk	1-mo			1-yr		
USDCAD	1.3758			0.0006			0.0	-1.4	-1.7			2.0		
EURUSD	1.1026			0.0020			0.2	0.7	1.9			-1.2		
USDJPY	107.75			0.0300			0.0	0.1	0.8			-1.5		
AUDUSD	0.6642			0.0020			0.3	1.2	2.3			-4.1		
GBPUSD	1.2287			0.0026			0.2	0.5	-1.1			-2.9		
USDCHF	0.9693			0.0009			0.1	-0.1	-0.6			-3.8		
	Next Meeting Date													
													Canada - BoC	Jun 03, 2020
													US - Fed	Jun 10, 2020
													England - BoE	Jun 18, 2020
													Euro zone - ECB	Jun 04, 2020
													Japan - BoJ	Jun 16, 2020
													Mexico - Banxico	Jun 25, 2020
													Australia - RBA	Jun 02, 2020
													New Zealand - RBNZ	Jun 23, 2020

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