

Monday May 06, 2024

## DOUBLE MANDATE

The U.S. economy has been marching to its own beat for the past few months, thanks to robust growth, a vigorous job market, but also stubbornly high inflation. A gap in monetary policy has therefore developed, notably between the United States and Canada, which tends to keep the USD strong.

But we're starting to see signs of a slowdown. On Friday, for example, job creation numbers were a disappointment (175,000 vs. 240,000 expected) for April. The previous month's reading was also downgraded by 22,000. Unemployment crept up from 3.8% to 3.9%. Other indicators (purchasing managers, ISM, PMI) also showed an economy losing steam.

However, the "price" component of some of these indexes remains high. With core inflation at 3.8%, the Fed could find itself dealing with a puzzle brought on by its double mandate (price stability and jobs): keep its key rate at current levels to get the upper hand on inflation or cut rates to favour a soft landing.

For the time being, a first rate cut is expected by markets in July in Canada and in November in the United States. Any changes in these expectations will have an impact on currencies.

Have a great day,

*Olivier Cosialls*

Economic news to watch today

Nothing to monitor

## Market Moves

Source: Bloomberg at market close

|                     |                |
|---------------------|----------------|
| USD/CAD             | 1.3686 +0.0012 |
| EUR/USD             | 1.0761 +0.0036 |
| EUR/CAD             | 1.4729 +0.0063 |
| TSX                 | 21,947 +0.57%  |
| S&P500              | 5,128 +1.26%   |
| WTI Oil             | 78.11 -1.06%   |
| CA 10-YR Bond Yield | 3.65% -2.38%   |
| US 10-YR Bond Yield | 4.51% -1.60%   |

## Trends

|                          |        |        |
|--------------------------|--------|--------|
| Range of the day         | 1.3625 | 1.3725 |
| Range of the next 5 days | 1.3550 | 1.3800 |

## Risk Management Solutions Group

- Montreal : 514-394-8282 / 514-390-5655
- Toronto : 416-869-8900

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