

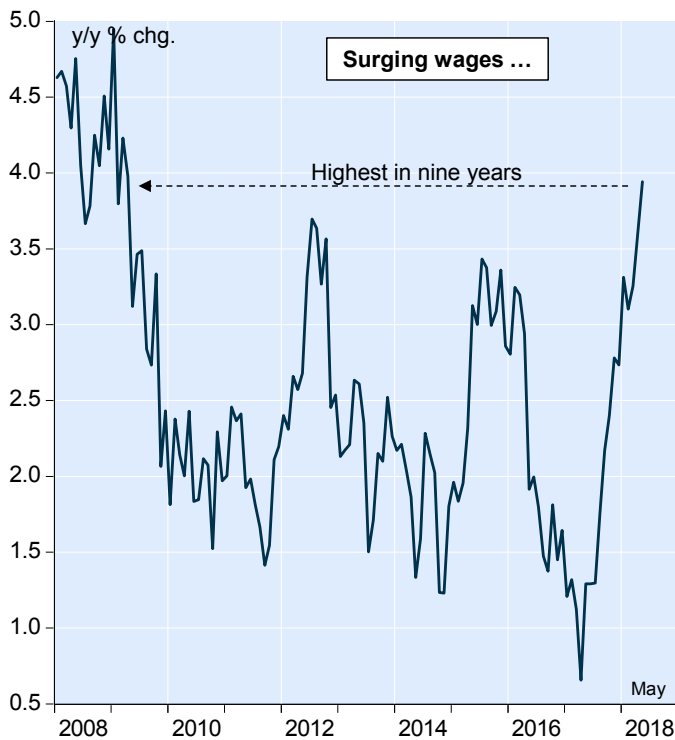
Canada Watch

We've just had the worst start to the year since the 2009 recession in terms of Canadian employment creation. And yet, markets cheered May's *Labour Force Survey* (at least right after the report was released), pushing up odds of a Bank of Canada rate hike in July and lifting the Canadian dollar in process. Investors seemingly shrugged off the 7K job losses in May which took the tally for the first five months of 2018 to -49K, and instead focused on the decade-low jobless rate of 5.8% and acceleration of wage growth. Indeed, the 3.9% year-on-year increase for average hourly earnings is the highest in nine years. As today's *Hot Charts* show, investor concerns are warranted because accelerating wages have typically been associated with upward pressures on core inflation.

Krishen Rangasamy

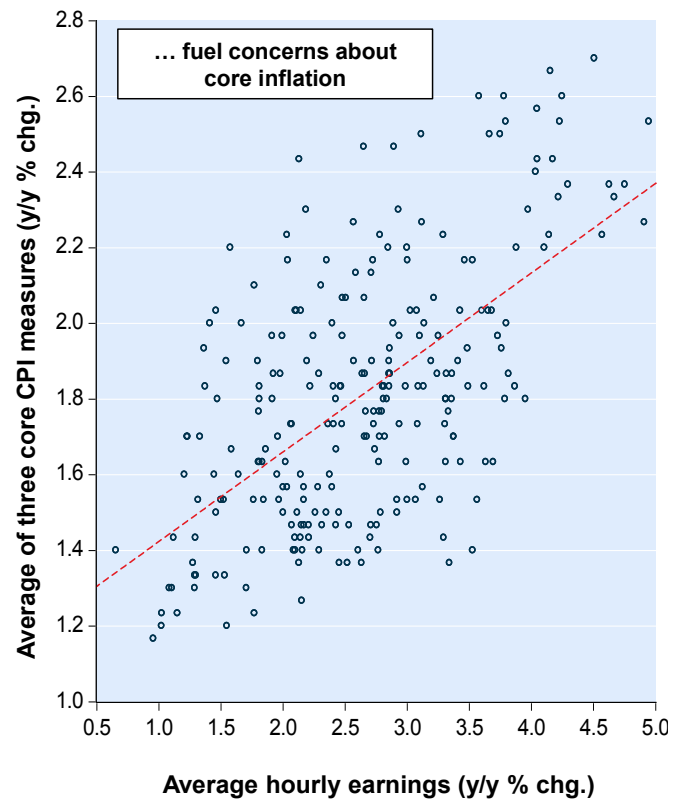
Canada: Surging wages fuel inflation concerns

Average hourly earnings



NBF Economics and Strategy (data via Datastream)

Core inflation versus Wage growth



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