

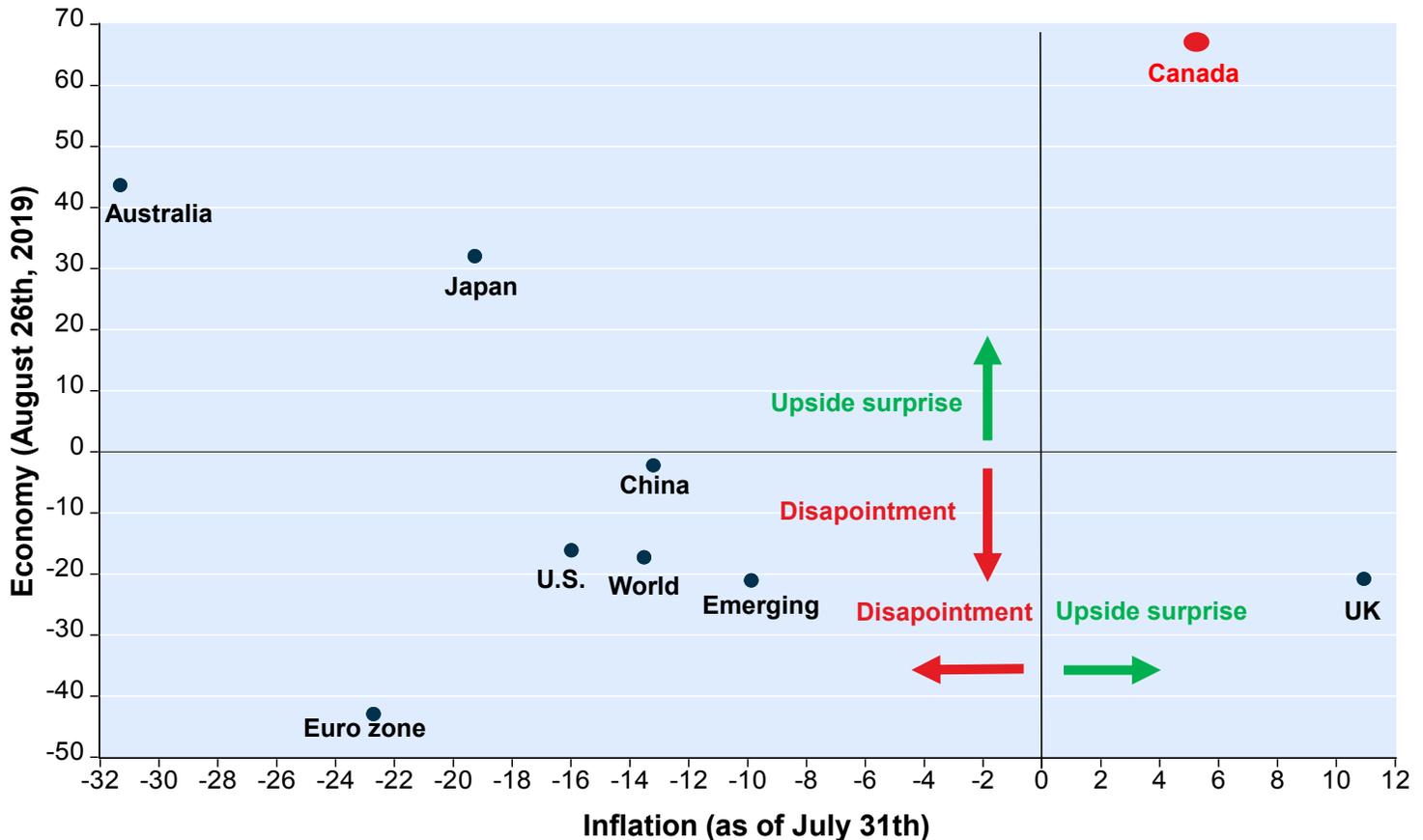
Canada Watch

By Matthieu Arseneau

With several central banks pivoting towards monetary stimulus, markets are betting that the Bank of Canada will soon jump on the bandwagon. The United States, China and the Euro zone (that's almost half of global GDP), are disappointing on both the economic and inflation fronts according to Citigroup's surprise indices. But as today's Hot chart shows, Canada remains in the opposite camp with positive economic surprises and higher than expected inflation. The Canadian economy may have registered the strongest growth among G7 countries in Q2 (consensus expectations of 3.0% for this Friday release). Private sector job creation in 2019 is the strongest since 2011, core inflation is right on the central bank's target, and risks to the housing sector have faded with sales bouncing back strongly in recent months on the back of declining mortgage rates. Unless the trade conflict between the United States and China escalates further, there is no need for monetary stimulus in Canada.

Canada: Do we need monetary stimulus?

Economic and inflation surprise indices (Citigroup)



NBF Economics and Strategy (data via Bloomberg)



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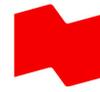
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