

Canada: IVEY PMI (May) 62.7. A high print yes...

... but well with in the historical context of the number set.

The May IVEY PMI for Canada at 62.7, is a nice pick up from April's 58.7, and comfortably ahead of the median at 60.5 and just about spot on our own forecast for 62.5.

Typically May is a very strong month for the IVEY purchaser index due to seasonal factors.

On average - outside of 2009's recession riddled reading of 48.4 - the IVEY will typically print a reading in the 60's. On that basis, while the 62.7 looks like a high print for any PMI index, it is well with in the historical context of the IVEY number set - a number that is not seasonally adjusted.

As for the sub indexes, employment rises significantly from 54.0 to 58.1. A nice pick up but one that comes too late for market punters that will sometimes use the report to get some context for the formal employment report published by Statcan. May employment was published by Statcan at 7am this morning (+24.7K for those that may have missed it).

Inventories are up at 54.4 from April's 50.0. Inventory recovery has been sluggish in Canada, with Q1 seeing the first real contribution to GDP coming out of inventories, following two previous quarters of growth. After consistently printing predominantly soft numbers throughout 2009 the inventory index in the last three months has consistently printed above the boom bust line at 50.

Supplier deliveries printing in the mid 40s, up from 42.5. This category is counter intuitive. The tendency is for supplier deliveries to slow when the economy is running tight and during periods of recession, the index will approach and cross the boom bust line at 50. That said, with the current readings comfortably below 50, the profile on supplier deliveries fits with the theme of recovery, supporting the view that the pick up in Canadian employment is indeed in response to the demand challenges present in an economy that has seen a significant reduction in capacity utilization rates.

Prices were unchanged.

Net, net, the headline and sub indexes fit with the theme of economic recovery. On that there is little surprise and really little value to the overall economic story provided here. That said, currency market participants tend to endow the IVEY PMI with a gravitas that just isn't warranted of a report with limited history, a small sample size (175 companies) and one that is not seasonally adjusted.

Disclosure appendix

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Issuer of report

HSBC Securities (Canada) Inc.
70 York Street, 8th Floor
Toronto, Ontario M5J 1S9, Canada
Telephone +1 416 868 7523
Fax +1 416 364 2543
Website: www.research.hsbc.com

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