June 8, 2017

## CENTRAL BANKAUTION



## FEATURE ARTICLES



## FORECASTS & DATA



**CONTACTS**


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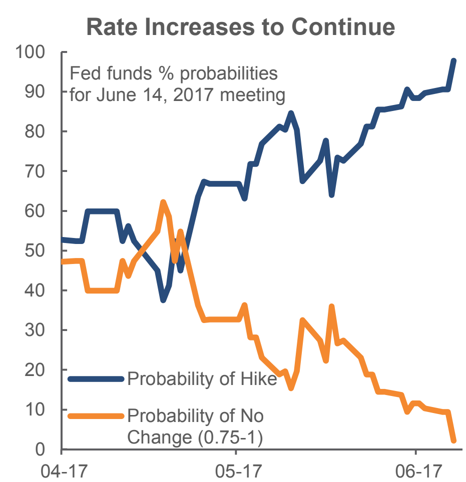
### Next Week's Risk Dashboard

- FOMC
- Bank of England
- Bank of Japan
- Other CBs: SNB, Russia, Chile, Turkey
- French parliamentary elections
- US CPI, retail sales
- China macro hits
- CDN manufacturing
- Australian jobs
- Indian inflation
- NZ GDP

### Chart of the Week



Sources: Scotiabank Economics, Bloomberg.

**Chart of the Week: Prepared by: Samantha Cameron, Research Assistant.**

## Central Bankaution

### UNITED STATES—SEVEN HOURS

To call it a look at the week ahead is a bit of a stretch this time around. **What global markets need to know about US contributions to the global market tone over the coming week all arrives on Wednesday and all in the span of about seven hours.**

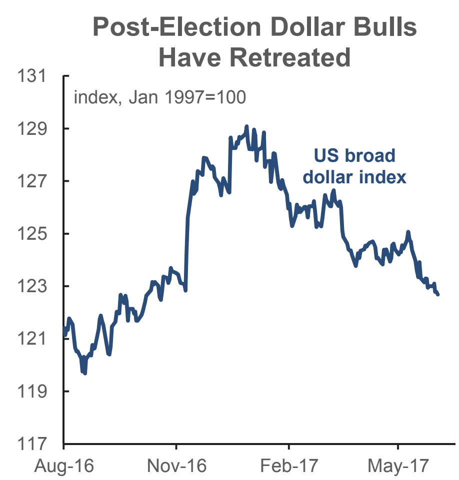
See page 7–8 for a fuller preview of the FOMC meeting that culminates in a 2pmET statement on Wednesday accompanied by forecasts and followed by Chair Yellen's press conference that will likely end after 3:30pm. A 25bps rate hike and further discussion of details surrounding reinvestment plans is expected, but we continue to anticipate that a reduction of reinvestment of Treasuries and MBS will be announced and implemented at the December meeting. **If the Fed is truly data dependent and not stubbornly committed to a forecast bias, then next week's universally expected hike is likely to be accompanied by fairly dovish guidance on balance.** There are several reasons for this.

1. It has been six months since "about half" of Fed officials incorporated fiscal stimulus into their forecasts with "almost all" flagging upside risks to their growth forecasts according to the minutes to the December FOMC. And yet said stimulus presently lies nowhere in sight for an erratic US administration. That's better than markets, mind you, where seemingly 110% of investors immediately priced in 'Trumponomics' or at least the market-beneficial parts of it all. Now, the USD, Treasuries, inflation expectations and commodity prices have reversed all or almost all of that post-election viewpoint (chart 1) but stocks and the Fed's bias have not.

2. Inflation is under renewed downward pressure of late and likewise for wages. See below for more.

3. Job growth has averaged just 121,000 over the past three months compared to 224k on average during a brief acceleration in January and February. In her March 2017 speech (here), Chair Yellen had said that she thought job growth of between 75k–125k per month would absorb new labor force entrants. Also recall that the 90% confidence interval for nonfarm estimates is +/- 115,000 and so Yellen's estimates are lined up against high uncertainty surrounding often revised estimates of job growth. Regardless, being toward the upper end of this bound of late means little incremental tightening pressure on the unemployment rate that recently fell only because of large defections from the labor force.

Chart 1



Sources: Scotiabank Economics, US Federal Reserve.

4. The US economy grew by only 1.2% in Q1 and the average of 'nowcasts' from the Atlanta, NY and St. Louis Federal Reserve banks for Q2 equals 2.8% which means average quarterly growth of just 1.5% so far this year. That is a little below the Fed's estimate of longer-run potential growth in the economy (1.8%) and thus progress toward eliminating spare capacity and shifting toward excess aggregate demand has stalled out in 2017.

In all, it's likely that the Fed shifts to the sidelines after this meeting in order to evaluate growth and inflation data; just as it took several months for a softening data trend to unfold alongside sundry government policy setbacks. The next forecast hike is in December assuming market stability, improved data, and some traction on the broader policy framework. The US administration likely has about ten months to conceive promised forms of stimulus before mid-term campaigning completely takes over. The minutes to the meeting will be released on July 5th and are likely to reinforce expected details on reinvestment tapering that is likely to be further expanded upon in Chair Yellen's press conference.

**Released earlier on the same day as the Fed, CPI and retail sales for May are unlikely to influence the meeting's outcome but they could well reinforce a moderately dovish day. US retail sales will require spending on things other than vehicles and gasoline to post any growth**. That's not impossible at all, but given that US vehicle sales fell by 1.4% m/m in May and a small decline in gasoline prices, these two components probably point to a reduction in total sales of about ¼% m/m all else equal.

**CPI is expected to continue cooling** from a peak of 2.7% y/y in February toward about 2% in May. The Fed's preferred inflation measure—the price deflator for total consumption, or the PCE deflator—is itself likely to continue to stray back toward 1½% y/y when its May print arrives on June 30th**.**

The rest of the week brings out relatively minor data risk.

**Producer prices** (Tuesday) could well remain under upward pressure driven by dollar weakness. So far, there is little evidence of pass-through into CPI or PCE as the pressures are probably being absorbed in margins.

**Manufacturing gauges:** Three readings arrive on Thursday and on balance they face downside risk. The main one will be actual industrial output during May which follows a large 1% m/m gain the prior month. The Philly Fed's diffusion index usually combines with the Richmond Fed measure as the two regional surveys of greatest use in formulating a view on ISM. Maintaining the large rebound in May could be a challenge as a precursor to June's ISM print. The Empire manufacturing gauge arrives on the same day.

**Housing and consumers:** Housing starts and consumer sentiment (UofM) close out the week. Sentiment has been riding sideways following prior gains while starts have been trending lower over the past couple of months.

The US Treasury clears out three auctions ahead of the Fed including threes (Monday), a 10 year reopening (also Monday) and a 30 year reopening (Tuesday).

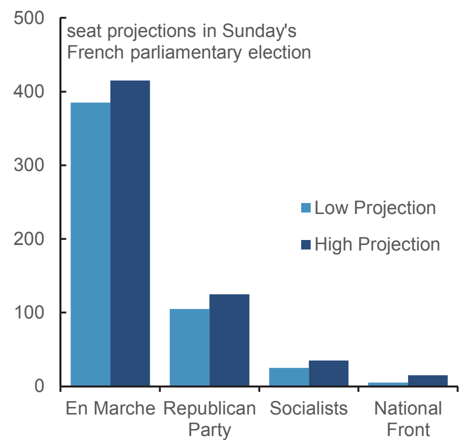
## EUROPE—MACRON LIKELY TO GET A STRONG MANDATE

**France's first round of parliamentary elections will be on Sunday as the follow-up to the Presidential election won by Emmanuel Macron and this is likely to be the main source of potential European risk to global markets over the coming week.** The second round will be the following Sunday. **Three central bank decisions in the UK, Russia and Switzerland will be additional factors.**

**A recent Ipsos poll leaned toward 39 year-old President Emmanuel Macron's En Marche party winning almost 30% of the popular vote that would be enough to secure a large absolute majority in the lower house on Sunday**. Ipsos (chart 2) figured that En Marche could win between 385–415 seats out of 577 seats in the National Assembly that would swamp the next biggest seat tally that it forecasts to be the Republican Party with 105–125 seats. The Socialists (25–35 seats) and the National Front (5–15 seats) would both be decimated in Parliament. Now think back to the start of the year when one of the fears concerning global and particularly European political risk was that France would succumb to a populist movement that would see the National Front sweep into power and start the machinations toward pulling away from the European Union (i.e., so-called "Frexit"). That risk has been put out to pasture as both France and previously Denmark avoided populist turns against the rest of the Eurozone. Now all that is left to be done is for a fledgling party and its leader to map out a much more detailed agenda.

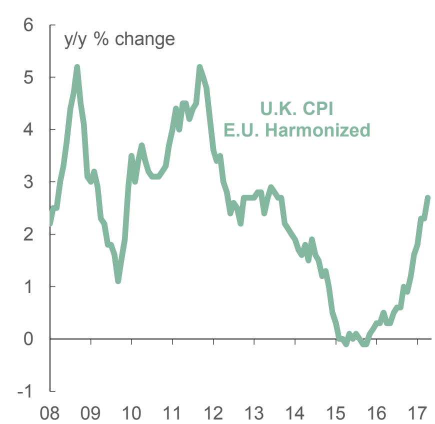
No policy change is expected from the Bank of England on Thursday. **The BoE is expected to continue to guide that it is looking through near-term upside risks to inflation readings as being driven by transitory considerations.** Next week's CPI print for May (Tuesday) is expected to continue the upward march (chart 3) and consensus expects inflation to peak just shy of 3% before year-end. Much of this transitory argument is rooted in the belief that pound sterling depreciation is motivating a one-off bout of inflation pressure while depressing inflation-adjusted wages. The next day's retail sales figures for May are likely to give back some of April's large 2% m/m rise in sales volumes ex-fuel. Please see page 6 for a fuller BoE preview by our UK economist/strategist Alan Clarke.

Chart 2 En Marche!




Sources: Scotiabank Economics, Ipsos.

Chart 3 Likely Transitory




Sources: Scotiabank Economics, U.K. Office for National Statistics.

**Bank of Russia is expected by most economists to deliver another rate cut of 25–50 bps**. Inflation remains a tick higher than the central bank's inflation target of 4% despite having sharply declined from a peak of about 17% y/y two years ago. Uncertainty over the inflation outlook may result in cautious guidance.

**Swiss National Bank is expected to leave policy intact** with an outlook that remains heavily conditioned by ECB monetary policy.

**Other Eurozone data risk will be of the second- and third-tier variety for the most part**. German investor confidence (Tuesday), Eurozone CPI revisions (Thursday), European industrial production (Wednesday) and trade (Thursday) round out the updates.

## CANADA—A GOOD START TO Q2 TRACKING

Limited data risk will be concentrated on Thursday and follows the Fed meeting the day before. Canadian markets could spend most of the week being driven by global developments.

**Thursday's April manufacturing report will be useful in further informing perspectives on how Q2 GDP growth is shaping up.** This particular sector could play into concerns that growth will be harder to come by in the second quarter but this may not become evident just yet. Recall that annualized growth in manufacturing shipment volumes hit almost 8% in Q1 over Q4. The hand-off math is such that no growth is baked into Q2 as we await hard Q2 data. That could, however, change for the better given that export volumes were up 1.1% in April but a strong caution is that the large manufacturing gain in Q1 was not associated with growth in export volumes. Indeed, the connection between exports and manufacturing shipments in both nominal and inflation-adjusted terms has tended to be considerably weaker for the past several years than previously (charts 4, 5). Also note that the baked-in pace of inventory accumulation is tracking at a somewhat cooler pace in Q2 versus Q1 so a repeat of the 3.5 percentage point lift to GDP growth from inventories in Q1 seems a stretch.

**A pair of housing releases also arrive next week** including the repeat-sale Teranet house price metric for May on Wednesday followed by the national add-up for existing home sales during the same month the following day. One of the strengths to the national add-up is simply that the Canadian Real Estate Association seasonally adjusts its figures whereas the local real estate boards that release results in advance of the totals do not. That means that the year-ago rates of change in sales and prices from the local boards (chart 6) are more useful than their month-ago figures.

**Bank of Canada Senior Deputy Governor Carolyn Wilkins speaks on "Canadian Economic Update: Strength In Diversity"** on Monday at 1:35pmET. On the surface, it's hardly clear to me whether that's a speech on the economy with monetary policy implications or a diversity speech. The embargoed text will become available at about 1:20pm. There will be audience Q&A that is usually fairly tame and no press conference.

Canada auctions three year notes on Thursday.

## ASIA—TAPER TIFF

There will be a few developments in Asia that will be worth a sniff or two over the coming week, but they are more likely to impact regional markets than carry significant global effects.

Chart 4


Sources: Scotiabank Economics, Statistics Canada.

Chart 5

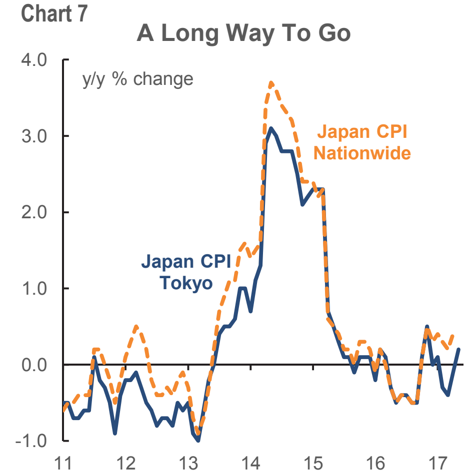

Sources: Scotiabank Economics, Statistics Canada.

Chart 6


Sources: Scotiabank Economics, TREB, REBGV, CREB, GMREB, EREB.

**The debate going into the Bank of Japan's latest policy pronouncements and guidance toward the end of the week is whether the central bank is lessening bond purchases in a mini-taper of sorts. This is probably misreading things for two reasons.** First, a reason why bond purchases have been reduced somewhat over time was the shift toward a nominal yield target of 0% for 10 year JGBs to anchor yields on longer maturities in addition to the negative policy rate of -0.1%. Concerns about the BoJ's rising share of JGBs were a part of the debate over shifting to a hard yield target. The whole point of the 0% 10s target was to draw a line in the sand while conditioning flexible purchases to achieve the outcome as needed. There have been only relatively minor swings in yields on 10 year notes from -8bps before last November's US election to a peak of +10bps in early February and around 7bps now. Such swings clearly matter in proportionate terms to paper holders but are of zero consequence to the economy. Second, Governor Kuroda's very recent guidance sounded committed to extended policy supports. He remarked that "Japan is no longer experiencing deflation in the sense of a sustained decline in prices" but "The rate of change in the consumer price index recently has been around 0 percent and there is still a long way to go until the price stability target of 2 percent is achieved." On that note, please see chart 7. Such guidance counsels expectations for no further stimulus but that it would be premature to expect monetary policy to become less easy. Also note that Kuroda recently forecast growth of about 1½% in each of this year and 2018 which is little changed from the April forecasts for 1.6% growth this year and 1.3% next year.

Chart 7




Sources: Scotiabank Economics, Ministry of Internal Affairs and Communications.

**Modest China macro risk** will be focused upon updated credit growth figures for May and a couple of growth readings. Retail sales are expected to continue to rise by a 10-handled y/y pace and industrial output is expected to hold steady at a growth rate of around 6 ½% y/y.

**Bank Indonesia is expected to leave its 7 day reverse repo rate unchanged** at 4.75% next week. Inflation is running at 4.3% y/y which is close to the 3% +/-1% inflation target range while the central bank recently reinforced expectations for growth this year to be similar to last year's 5%.

**Can Australia's jobs juggernaut continue?** After almost 100,000 jobs were created in the past two months, May's report would be forgiven if it signalled a slower pace. Also note that of this amount, full-time jobs have dominated with a gain of 62.3k. The figures arrive overnight into Friday.

**New Zealand's Q1 GDP report on Wednesday may post quickened growth** back up to the 0.7-0.8% pace that had been experienced over the first three quarters of 2016 before a slowdown to end the year.

**Has Indian inflation bottomed?** It dropped to 3% y/y in April compared with a peak of 11.5% in late 2013. Consensus expects inflation to decline again in next week's May report. That would bring inflation closer to the lower end of the Reserve Bank of India's 4% +/-2% inflation target range. After deciding by a vote of 5-1 to keep rates on hold this past week, the RBI may face increased pressure to ease at its next meeting on August 2nd.

## LATIN AMERICA—THAT'S ALL FOLKS

**Chile's central bank meeting will be the main highlight over the coming week and yet it is expected to be a non-event this time around.** Combined with relatively minor data risk across neighbouring economies, LatAm markets will likely be more impacted by developments abroad.

After easing by a cumulative 100bps since January, **Banco Central de Chile** recently revised 2017 growth lower to the 1.0–1.75% range but guided that it felt it was "most probable" that easing to date would prove to be sufficient. President Mario Marcel remarked that "Considering the rate cuts already realized, we believe our monetary policy has reached an already expansive level. In the most probable scenario, new movements in the rate will not be necessary, and the most important thing will be to let the (already enacted) monetary impulse permeate the economy." Clear as day. No policy change is expected next week.

Data risk will be confined to Brazilian retail sales (Tuesday), Colombia's industrial output and retail sales (both Thursday) and Peruvian trade (tbd) and unemployment figures (Thursday).

## Feature Article

**CONTACTS**

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# Bank of England Decision

The latest Bank of England 'Super Thursday' / Quarterly Inflation Report (QIR) was published just over a month ago. There has been relatively little to rock the boat since then, hence we expect a relatively uneventful BoE meeting on June 15th. Nonetheless, surprises have happened in the past, so it is prudent to assess exactly how things have evolved since the May meeting.

**Data**

i) Q1 GDP was revised down from 0.3% q/q to 0.2% q/q (contrary to the BoE's view that growth will be revised up to 0.4% q/q in the fullness of time). **[Dovish]**

ii) CPI inflation accelerated to 2.7% y/y in April—in line with the BoE expectation. **[Neutral]**

iii) PMI data softened a little, but continue to point to robust Q2 GDP growth **[Neutral]**

iv) Retail sales rebounded strongly in April, supporting the case for robust Q2 GDP **[Hawkish]**

v) Vehicle registrations remained very weak—continuing to highlight downside risks to Q2 GDP **[Dovish]**

vi) Eurozone data have been robust—supporting the BoE view that export demand will be supportive **[Hawkish]**

vii) Housing data have been disappointing—bad news for consumer data **[Dovish]**

viii) The unemployment rate fell (again) potentially highlighting upside risks to wages **[Hawkish]**

ix) Wage inflation little changed **[Neutral]**

**Markets**

a) The trade-weighted GBP exchange rate has depreciated by 1.6%, implying a 16bp addition to inflation **[Hawkish]**

b) Oil has fallen by 2.7% in GBP terms **[Dovish]**

Summing everything up, this represents a classic mixed bag. There is no compelling reason for any member of the committee (dissenter or not) to change their view at this meeting. Hence we expect another 7–1 vote to be announced. Following Kristin Forbes' departure, we would expect the vote to become unanimous again.

With the General Election out of the way, we should expect some announcements regarding new members of the Monetary Policy Committee. Who will Kristin Forbes' replacement be? Will Andy Haldane be reappointed as Chief Economist (his appointment expired on 31 May)? Is there a replacement for Charlotte Hogg yet?

## Feature Article

# FOMC Preview — All Or None?

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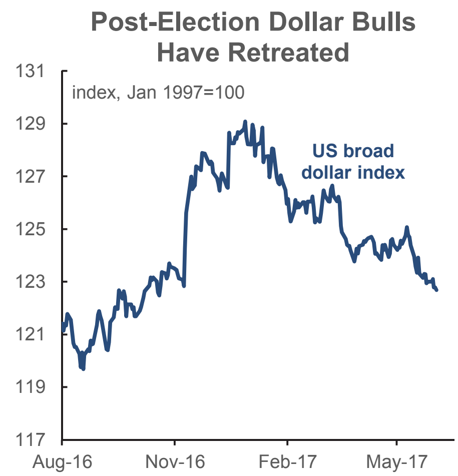
The two-day FOMC meeting culminates in a 2pmET statement on Wednesday accompanied by fresh forecasts and followed by Chair Yellen's press conference that will likely end after 3:30pm. A 25bps rate hike and further discussion of details surrounding reinvestment plans is expected. A cautious tone is expected.

**Scotia continues to anticipate that reduced reinvestment will be formally announced and implemented only by the December meeting** but that the "later this year" time-dependent reference will be shortened by the September or October meeting as an advance clue. The effects are ultimately likely to put mild upward pressure upon the term structure of rates and term premia into 2018. An ideal wish list on reinvestment guidance either now or in the minutes to be released on July 5th includes more detail on timing, starting points, ultimate cap thresholds, distributions of flows across individual securities and conditioning toward a data dependent path. Further discussion on the end-point for the size of the Fed's balance sheet beyond Governor Powell's recent speech may also be provided. We estimate that the initial reinvestment cap will be US$7.5 billion for each of Treasuries and MBS at the starting point (above which flows would continue to be reinvested) and that this will be raised in quarterly increments to end 2018 at caps of US$30 billion in allowed run-offs each month. That path would set the Fed on course to shrink its balance sheet ultimately toward what we think will be a steady state scenario of US$2.5 trillion by 2025. Risks would be skewed toward a larger balance sheet for longer. Such a path should be conditioned as data dependent just as the path for the fed funds target rate is.

Chart 1



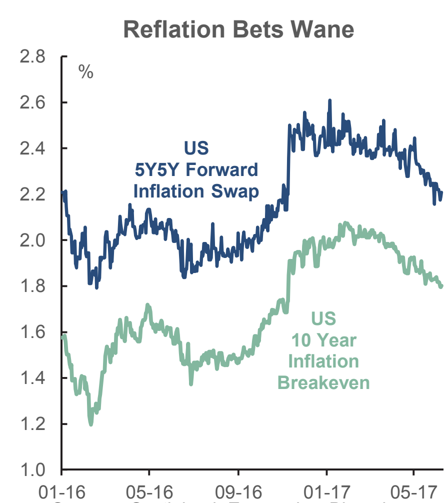

Sources: Scotiabank Economics, US Federal Reserve.

On timing the next hike, we've been in the June and December camp for quite some time (even before recently stumbling macro/inflation data and lessened confidence in other policy initiatives). To have hiked in March then June then September would have driven market expectations that the Fed was on a mechanistic once-a-quarter hike path that would risk tightening too much too soon and it would risk going against 'gradual' and data dependent guidance. The argument for a pause after June nevertheless goes much further.

**Indeed if the Fed is truly data dependent and not stubbornly committed to a forecast bias, then next week's universally expected hike is likely to be accompanied by fairly dovish guidance on balance that may include heightened caution toward timing the last projected hike of the year (we think December).** There are several reasons for this.

1. It has been six months since "about half" of Fed officials incorporated fiscal stimulus into their forecasts with "almost all" flagging upside risks to their growth forecasts according to the minutes to the December FOMC. And yet said stimulus presently lies nowhere in sight for an erratic US administration. That's better than markets, mind you, where seemingly 110% of investors immediately priced in 'Trumponomics' or at least the market-beneficial parts of it all. Now, the USD, Treasuries, inflation expectations and commodity prices have reversed all or almost all of that post-election viewpoint (charts 1, 2) but stocks and the Fed's bias have not. In my opinion, too many FOMC members bought into the initial hype surrounding 'Trumponomics' and fewer should today.

Chart 2

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4. The US economy grew by only 1.2% in Q1 and the average of 'nowcasts' from the Atlanta, NY and St. Louis Federal Reserve banks for Q2 equals 2.8% which means average quarterly growth of just 1.5% so far this year. That is a little below the Fed's estimate of longer run potential growth in the economy (1.8%) and thus progress toward eliminating spare capacity and shifting toward excess aggregate demand has stalled out in 2017.

In all, it's likely that the Fed shifts to the sidelines after this meeting in order to evaluate growth and inflation data; just as it took several months for a softening data trend to unfold alongside sundry government policy setbacks. The next forecast hike is in December assuming market stability, improved data, and some traction on the broader policy framework. The US administration likely has about ten months to conceive promised forms of stimulus before mid-term campaigning completely takes over.

## Key Indicators for the week of June 12 – 16

### NORTH AMERICA

| Country | Date | Time | Indicator | Period | BNS | Consensus | Latest |
|---|---|---|---|---|---|---|---|
| US | 06/12 | 14:00 | Treasury Budget (US$ bn) | May | -- | -91.5 | 182.4 |
| US | 06/13 | 08:30 | PPI (m/m) | May | 0.0 | 0.0 | 0.5 |
| US | 06/13 | 08:30 | PPI ex. Food & Energy (m/m) | May | 0.1 | 0.2 | 0.4 |
| US | 06/14 | 07:00 | MBA Mortgage Applications (w/w) | JUN 9 | -- | -- | 7.1 |
| CA | 06/14 | 08:30 | Teranet - National Bank HPI (y/y) | May | -- | -- | 13.4 |
| US | 06/14 | 08:30 | CPI (m/m) | May | 0.0 | 0.0 | 0.2 |
| US | 06/14 | 08:30 | CPI (y/y) | May | 2.1 | 1.9 | 2.2 |
| US | 06/14 | 08:30 | CPI (index) | May | -- | -- | 244.5 |
| US | 06/14 | 08:30 | CPI ex. Food & Energy (m/m) | May | 0.2 | 0.2 | 0.1 |
| US | 06/14 | 08:30 | CPI ex. Food & Energy (y/y) | May | 1.9 | 1.9 | 1.9 |
| US | 06/14 | 08:30 | Retail Sales (m/m) | May | 0.0 | 0.1 | 0.4 |
| US | 06/14 | 08:30 | Retail Sales ex. Autos (m/m) | May | 0.2 | 0.2 | 0.3 |
| US | 06/14 | 10:00 | Business Inventories (m/m) | Apr | -- | -0.1 | 0.2 |
| US | 06/14 | 14:00 | **FOMC Interest Rate Meeting (%)** | **Jun 14** | **1.25** | **1.25** | **1.00** |
| CA | 06/15 | 08:30 | Manufacturing Shipments (m/m) | Apr | 1.0 | -- | 1.0 |
| US | 06/15 | 08:30 | Empire State Manufacturing Index | Jun | -- | 5.0 | -1.0 |
| US | 06/15 | 08:30 | Export Prices (m/m) | May | -- | -0.1 | 0.5 |
| US | 06/15 | 08:30 | Import Prices (m/m) | May | -- | -0.1 | 0.5 |
| US | 06/15 | 08:30 | Initial Jobless Claims (000s) | JUN 10 | 245 | -- | 245 |
| US | 06/15 | 08:30 | Continuing Claims (000s) | JUN 3 | 1925 | -- | 1917 |
| US | 06/15 | 08:30 | Philadelphia Fed Index | Jun | 30.0 | 23.5 | 38.8 |
| CA | 06/15 | 09:00 | Existing Home Sales (m/m) | May | -- | -- | -1.7 |
| US | 06/15 | 09:15 | Capacity Utilization (%) | May | -- | 76.7 | 76.7 |
| US | 06/15 | 09:15 | Industrial Production (m/m) | May | 0.0 | 0.0 | 1.0 |
| US | 06/15 | 10:00 | NAHB Housing Market Index | Jun | -- | 70.0 | 70.0 |
| US | 06/15 | 16:00 | Total Net TIC Flows (US$ bn) | Apr | -- | -- | -0.7 |
| US | 06/15 | 16:00 | Net Long-term TIC Flows (US$ bn) | Apr | -- | -- | 59.8 |
| CA | 06/16 | 08:30 | International Securities Transactions (C$ bn) | Apr | -- | -- | 15.1 |
| US | 06/16 | 08:30 | Building Permits (000s a.r.) | May | -- | 1250 | 1260 |
| US | 06/16 | 08:30 | Housing Starts (000s a.r.) | May | 1200 | 1218 | 1172 |
| US | 06/16 | 08:30 | Housing Starts (m/m) | May | 2.4 | 3.9 | -2.6 |
| US | 06/16 | 10:00 | U. of Michigan Consumer Sentiment | Jun P | 96.5 | 97.1 | 97.1 |

### EUROPE

| Country | Date | Time | Indicator | Period | BNS | Consensus | Latest |
|---|---|---|---|---|---|---|---|
| IT | 06/12 | 04:00 | Industrial Production (m/m) | Apr | -- | -- | 0.4 |
| FR | 06/13 | 01:30 | Non-Farm Payrolls (q/q) | 1Q F | -- | -- | 0.3 |
| SP | 06/13 | 03:00 | CPI (m/m) | May F | -- | -- | -0.1 |
| SP | 06/13 | 03:00 | CPI (y/y) | May F | -- | 1.9 | 1.9 |
| SP | 06/13 | 03:00 | CPI - EU Harmonized (m/m) | May F | -- | -- | 0.0 |
| SP | 06/13 | 03:00 | CPI - EU Harmonized (y/y) | May F | -- | -- | 2.0 |
| UK | 06/13 | 04:30 | CPI (m/m) | May | -- | 0.2 | 0.5 |
| UK | 06/13 | 04:30 | CPI (y/y) | May | -- | 2.7 | 2.7 |
| UK | 06/13 | 04:30 | PPI Input (m/m) | May | -- | -0.3 | 0.1 |
| UK | 06/13 | 04:30 | PPI Output (m/m) | May | -- | 0.1 | 0.4 |
| UK | 06/13 | 04:30 | RPI (m/m) | May | -- | 0.4 | 0.5 |
| UK | 06/13 | 04:30 | RPI (y/y) | May | -- | 3.7 | 3.5 |
| EC | 06/13 | 05:00 | ZEW Survey (Economic Sentiment) | Jun | -- | -- | 35.1 |
| GE | 06/13 | 05:00 | ZEW Survey (Current Situation) | Jun | -- | -- | 83.9 |
| GE | 06/13 | 05:00 | ZEW Survey (Economic Sentiment) | Jun | -- | -- | 20.6 |
| GE | 06/14 | 02:00 | CPI (m/m) | May F | -- | -- | -0.2 |
| GE | 06/14 | 02:00 | CPI (y/y) | May F | -- | -- | 1.5 |
| GE | 06/14 | 02:00 | CPI - EU Harmonized (m/m) | May F | -- | -- | -0.2 |
| GE | 06/14 | 02:00 | CPI - EU Harmonized (y/y) | May F | -- | -- | 1.4 |

Forecasts at time of publication.
Source: Bloomberg, Scotiabank Economics.

## Key Indicators for the week of June 12 – 16

### EUROPE *(continued from previous page)*

| Country | Date | Time | Indicator | Period | BNS | Consensus | Latest |
|---|---|---|---|---|---|---|---|
| UK | 06/14 | 04:30 | Average Weekly Earnings (3-month, y/y) | Apr | -- | 2.4 | 2.4 |
| UK | 06/14 | 04:30 | Employment Change (3M/3M, 000s) | Apr | -- | 135.0 | 122.0 |
| UK | 06/14 | 04:30 | Jobless Claims Change (000s) | May | -- | -- | 19.4 |
| UK | 06/14 | 04:30 | ILO Unemployment Rate (%) | Apr | -- | 4.6 | 4.6 |
| EC | 06/14 | 05:00 | Employment (q/q) | 1Q | -- | -- | 0.3 |
| EC | 06/14 | 05:00 | Industrial Production (m/m) | Apr | -- | -- | -0.1 |
| EC | 06/14 | 05:00 | Industrial Production (y/y) | Apr | -- | -- | 1.9 |
| FR | 06/15 | 02:45 | CPI (m/m) | May F | -- | -- | 0.1 |
| FR | 06/15 | 02:45 | CPI (y/y) | May F | -- | -- | 0.8 |
| FR | 06/15 | 02:45 | CPI - EU Harmonized (m/m) | May F | -- | -- | 0.0 |
| FR | 06/15 | 02:45 | CPI - EU Harmonized (y/y) | May F | -- | -- | 0.9 |
| IT | 06/15 | 04:00 | CPI - EU Harmonized (y/y) | May F | -- | -- | 1.5 |
| UK | 06/15 | 04:30 | Retail Sales ex. Auto Fuel (m/m) | May | -- | -0.8 | 2.0 |
| UK | 06/15 | 04:30 | Retail Sales with Auto Fuel (m/m) | May | -- | -0.7 | 2.3 |
| EC | 06/15 | 05:00 | Trade Balance (€ mn) | Apr | -- | -- | 30.9 |
| TU | 06/15 | 07:00 | **Benchmark Repo Rate (%)** | **Jun 15** | **--** | **--** | **8.00** |
| UK | 06/15 | 07:00 | BoE Asset Purchase Target (£ bn) | Jun | -- | 435.0 | 435.0 |
| UK | 06/15 | 07:00 | BoE Policy Announcement (%) | Jun 15 | -- | 0.3 | 0.3 |
| EC | 06/16 | 05:00 | CPI (m/m) | May | -- | -- | -0.1 |
| EC | 06/16 | 05:00 | CPI (y/y) | May F | -- | -- | 1.4 |
| EC | 06/16 | 05:00 | Euro zone Core CPI Estimate (y/y) | May F | -- | -- | 0.9 |
| EC | 06/16 | 05:00 | Labour Costs (y/y) | 1Q | -- | -- | 1.6 |
| RU | 06/16 | 06:30 | **One-Week Auction Rate (%)** | **Jun 16** | **9.00** | **9.00** | **9.25** |
| RU | JUN 16-19 | | Real GDP (y/y) | 1Q P | -- | 0.50 | 0.50 |

### ASIA-PACIFIC

| Country | Date | Time | Indicator | Period | BNS | Consensus | Latest |
|---|---|---|---|---|---|---|---|
| CH | JUN 09-15 | | Aggregate Financing (CNY bn) | May | -- | 1190 | 1394 |
| CH | JUN 09-15 | | New Yuan Loans (bn) | May | -- | 990 | 1100 |
| JN | 06/11 | 19:50 | Machine Orders (m/m) | Apr | -- | 0.7 | 1.4 |
| IN | JUN 11-30 | | Current Account Balance | 1Q | -- | -5.75 | -7.91 |
| SI | 06/12 | 01:00 | Retail Sales (y/y) | Apr | -- | -- | 2.1 |
| JN | 06/12 | 02:00 | Machine Tool Orders (y/y) | May P | -- | -- | 34.7 |
| IN | 06/12 | 08:00 | CPI (y/y) | May | 3.0 | 2.5 | 3.0 |
| IN | 06/12 | 08:00 | Industrial Production (y/y) | Apr | -- | 2.80 | 2.70 |
| HK | 06/13 | 04:30 | Industrial Production (y/y) | 1Q | -- | -- | -0.8 |
| SK | 06/13 | 19:00 | Unemployment Rate (%) | May | 4.0 | -- | 4.0 |
| CH | 06/13 | 22:00 | Fixed Asset Investment YTD (y/y) | May | 8.8 | 8.8 | 8.9 |
| CH | 06/13 | 22:00 | Industrial Production (y/y) | May | 6.4 | 6.4 | 6.5 |
| CH | 06/13 | 22:00 | Retail Sales (y/y) | May | 10.5 | 10.7 | 10.7 |
| IN | JUN 13-16 | | Exports (y/y) | May | -- | -- | 19.8 |
| IN | JUN 13-16 | | Imports (y/y) | May | -- | -- | 49.1 |
| JN | 06/14 | 00:30 | Capacity Utilization (m/m) | Apr | -- | -- | -1.6 |
| JN | 06/14 | 00:30 | Industrial Production (m/m) | Apr F | -- | -- | 4.0 |
| JN | 06/14 | 00:30 | Industrial Production (y/y) | Apr F | -- | -- | 5.7 |
| IN | 06/14 | 02:30 | Monthly Wholesale Prices (y/y) | May | -- | 2.9 | 3.9 |
| NZ | 06/14 | 18:45 | GDP (y/y) | 1Q | -- | 2.7 | 2.7 |
| AU | 06/14 | 21:30 | Employment (000s) | May | -- | 15.0 | 37.4 |
| AU | 06/14 | 21:30 | Unemployment Rate (%) | May | 5.7 | 5.7 | 5.7 |
| ID | JUN 14-15 | | Exports (y/y) | May | -- | 15.3 | 12.6 |
| ID | JUN 14-15 | | Imports (y/y) | May | -- | 7.7 | 10.3 |
| ID | JUN 14-15 | | **BI 7-Day Reverse Repo Rate (%)** | **Jun 15** | **4.75** | **4.75** | **4.75** |
| ID | JUN 14-15 | | Trade Balance (US$ mn) | May | -- | 1190 | 1238 |
| PH | JUN 14-15 | | Overseas Remittances (y/y) | Apr | -- | 9.1 | 10.7 |

Forecasts at time of publication.
Source: Bloomberg, Scotiabank Economics.

## Key Indicators for the week of June 12 – 16

### ASIA-PACIFIC *(continued from previous page)*

| Country | Date | Time | Indicator | Period | BNS | Consensus | Latest |
|---|---|---|---|---|---|---|---|
| NZ | 06/15 | 18:30 | Business NZ PMI | May | -- | -- | 56.8 |
| SI | 06/15 | 20:30 | Exports (y/y) | May | -- | -- | -0.7 |
| JN | JUN 15-16 | | **BoJ Policy Rate (%)** | **Jun 16** | **-0.10** | **-0.10** | **-0.10** |
| JN | JUN 15-20 | | Nationwide Department Store Sales (y/y) | May | -- | -- | 0.7 |

### LATIN AMERICA

| Country | Date | Time | Indicator | Period | BNS | Consensus | Latest |
|---|---|---|---|---|---|---|---|
| BZ | 06/13 | 08:00 | Retail Sales (m/m) | Apr | -- | -0.6 | -1.9 |
| BZ | 06/13 | 08:00 | Retail Sales (y/y) | Apr | -- | -2.5 | -4.0 |
| CO | 06/15 | 15:00 | Retail Sales (y/y) | Apr | -- | -2.0 | 1.9 |
| CL | 06/15 | 18:00 | **Nominal Overnight Rate Target (%)** | **Jun 15** | **2.50** | **2.50** | **2.50** |
| PE | 06/15 | | Economic Activity Index NSA (y/y) | Apr | 1.1 | -- | 0.7 |
| PE | 06/15 | | Unemployment Rate (%) | May | -- | -- | 6.8 |
| BZ | JUN 15-19 | | Economic Activity Index SA (m/m) | Apr | -- | -- | -0.4 |
| BZ | JUN 15-19 | | Economic Activity Index NSA (y/y) | Apr | -- | -- | 1.1 |

Forecasts at time of publication.
Source: Bloomberg, Scotiabank Economics.

## Global Auctions for the week of June 12 – 16

### NORTH AMERICA

| Country | Date | Time | Event |
|---|---|---|---|
| US | 06/12 | 13:00 | U.S. to Sell 3-Year Notes |
| US | 06/12 | 13:00 | U.S. to Sell 10-Year Notes Reopening |
| US | 06/13 | 13:00 | U.S. to Sell 30-Year Bonds Reopening |
| CA | 06/15 | 12:00 | Canada to Sell 3-Year Bonds |

### EUROPE

| Country | Date | Time | Event |
|---|---|---|---|
| IT | 06/13 | 05:00 | Italy to Sell Bonds |
| NE | 06/13 | 05:30 | Netherlands to Sell 0.75% 2027 Bonds |
| SW | 06/14 | 05:03 | Sweden to Sell Bonds |
| NO | 06/14 | 05:05 | Norway to Sell Bonds |
| SZ | 06/14 | 05:15 | Switzerland to Sell Bonds on June 14 |
| GE | 06/14 | 05:30 | Germany to Sell EUR3 Bln 0.25% 2027 Bonds |
| SP | 06/15 | 04:30 | Spain to Sell Bonds |
| FR | 06/15 | 04:50 | France to Sell Bonds |
| FR | 06/15 | 05:50 | France to Sell I/L Bonds |

### ASIA-PACIFIC

| Country | Date | Time | Event |
|---|---|---|---|
| CH | 06/11 | 21:30 | Hebei to Sell Special Bonds |
| CH | 06/12 | 02:00 | Shaanxi to Sell General Bonds |
| AU | 06/12 | 21:00 | Australia Plans to Sell I/L Bonds |
| JN | 06/12 | 23:45 | Japan to Sell 20-Year Bonds |
| CH | 06/13 | 03:00 | Xinjiang to Sell CNY1 Bln 5-Yr Special Bonds |
| CH | 06/13 | 23:00 | China Plans to Sell 5-Year Upsized Government Bond |
| NZ | 06/14 | 22:05 | New Zealand Plans to Sell NZD150 Mln 2% 2025 Bonds |
| CH | 06/15 | 23:00 | China Plans to Sell 30-Year Upsized Government Bond |

### LATIN AMERICA

| Country | Date | Time | Event |
|---|---|---|---|
| BZ | 06/13 | 11:00 | Brazil to Sell I/L Bonds |

Source: Bloomberg, Scotiabank Economics.

## Events for the week of June 12 – 16

### NORTH AMERICA

| Country | Date | Time | Event |
|---|---|---|---|
| US | 06/13 | 09:00 | The Federal Open Market Committee (FOMC) holds a closed meeting |
| US | 06/14 | 09:00 | The Federal Open Market Committee (FOMC) holds a closed meeting |
| US | 06/14 | 14:00 | **FOMC Rate Decision** |
| US | 06/14 | 14:30 | Federal Reserve Board Chairwoman Janet Yellen holds a news conference |
| US | 06/16 | 12:45 | Fed's Kaplan Speaks in Dallas |

### EUROPE

| Country | Date | Time | Event |
|---|---|---|---|
| IT | JUN 10-11 | | G7 Environment Ministers Meet in Italy |
| EC | 06/13 | 06:30 | Estonia's Orlova Speaks on EU Presidency, Trade in Brussels |
| EC | 06/14 | 04:00 | ECB's Knot Speaks in Dutch Parliament |
| SZ | 06/15 | 03:30 | SNB Sight Deposit Interest Rate |
| SZ | 06/15 | 03:30 | SNB 3-Month Libor Target Range |
| UK | 06/15 | 07:00 | **Bank of England Bank Rate** |
| TU | 06/15 | 07:00 | **Benchmark Repurchase Rate** |
| TU | 06/15 | 07:00 | **Overnight Lending Rate** |
| TU | 06/15 | 07:00 | **Overnight Borrowing Rate** |
| EC | JUN 15-16 | | EU/Euro-Area Finance Ministers Meet in Luxembourg |
| RU | 06/16 | 06:30 | **Key Rate** |
| PO | 06/16 | | Portugal Sovereign Debt to be rated by Fitch |
| UK | 06/16 | | United Kingdom Sovereign Debt to be rated by DBRS |

### ASIA-PACIFIC

| Country | Date | Time | Event |
|---|---|---|---|
| AU | 06/12 | 04:30 | RBA's Debelle Speech in Hong Kong |
| ID | 06/14 | 00:00 | **Bank Indonesia 7D Reverse Repo** |
| AU | 06/15 | 03:40 | RBA's Debelle Speech in Sydney |
| JN | JUN 15-16 | | **BOJ Policy Balance Rate** |
| JN | JUN 15-16 | | BOJ 10-Yr Yield Target |

### LATIN AMERICA

| Country | Date | Time | Event |
|---|---|---|---|
| CL | 06/15 | 18:00 | **Overnight Rate Target** |

Source: Bloomberg, Scotiabank Economics.

## Global Central Bank Watch

### NORTH AMERICA

| Rate | Current Rate | Next Meeting | Scotia's Forecasts | Consensus Forecasts |
|---|---|---|---|---|
| Bank of Canada – Overnight Target Rate | 0.50 | July 12, 2017 | 0.50 | 0.50 |
| Federal Reserve – Federal Funds Target Rate | 1.00 | June 14, 2017 | 1.25 | 1.25 |
| Banco de México – Overnight Rate | 6.75 | June 22, 2017 | 6.75 | -- |

**Federal Reserve:** We expect a 25bps rate hike and further discussion on reducing bond reinvestment. Guidance on timing the next rate hike is likely to be reemphasized as being data dependent but in the context of greater uncertainties over inflation, employment and growth data. Please see page 7-8 for a fuller Fed preview.

### EUROPE

| Rate | Current Rate | Next Meeting | Scotia's Forecasts | Consensus Forecasts |
|---|---|---|---|---|
| European Central Bank – Refinancing Rate | 0.00 | July 20, 2017 | 0.00 | -- |
| Bank of England – Bank Rate | 0.25 | June 15, 2017 | 0.25 | 0.25 |
| Swiss National Bank – Libor Target Rate | -0.75 | June 15, 2017 | -0.75 | -- |
| Central Bank of Russia – One-Week Auction Rate | 9.25 | June 16, 2017 | 9.00 | 9.00 |
| Sweden Riksbank – Repo Rate | -0.50 | July 4, 2017 | -0.50 | -- |
| Norges Bank – Deposit Rate | 0.50 | June 22, 2017 | 0.50 | -- |
| Central Bank of Turkey – Benchmark Repo Rate | 8.00 | June 15, 2017 | -- | -- |

**Bank of England:** No policy change is anticipated and the BoE is expected to continue to guide that it is looking through near-term upside risks to inflation readings. Please see page 6 for a fuller BoE preview.
**SNB:** No policy change is expected in an outlook that remains heavily conditioned by ECB monetary policy.
**Bank of Russia:** A rate cut is anticipated by most within consensus but inflation remains a tick higher than the central bank's inflation target of 4% despite having sharply declined from a peak of about 17% y/y two years ago. Uncertainty over the inflation outlook may result in cautious guidance.

### ASIA PACIFIC

| Rate | Current Rate | Next Meeting | Scotia's Forecasts | Consensus Forecasts |
|---|---|---|---|---|
| Bank of Japan – Policy Rate | -0.10 | June 16, 2017 | -0.10 | -0.10 |
| Reserve Bank of Australia – Cash Target Rate | 1.50 | July 4, 2017 | 1.50 | 1.50 |
| Reserve Bank of New Zealand – Cash Rate | 1.75 | June 21, 2017 | 1.75 | 1.75 |
| People's Bank of China – Lending Rate | 4.35 | TBA | -- | -- |
| Reserve Bank of India – Repo Rate | 6.25 | August 2, 2017 | 6.25 | -- |
| Bank of Korea – Bank Rate | 1.25 | July 13, 2017 | 1.25 | -- |
| Bank of Thailand – Repo Rate | 1.50 | July 5, 2017 | 1.50 | 1.50 |
| Bank Negara Malaysia – Overnight Policy Rate | 3.00 | July 13, 2017 | 3.00 | 3.00 |
| Central Bank of Philippines – Overnight Borrowing Rate | 3.00 | June 22, 2017 | 3.00 | -- |
| Bank Indonesia – 7-Day Reverse Repo Rate | 4.75 | June 15, 2017 | 4.75 | 4.75 |

**The Bank of Japan (BoJ):** Japanese monetary policymakers will meet on June 16. Given that inflationary pressures remain muted and far below the BoJ's 2% inflation target, we expect the central bank to maintain a stimulative monetary policy stance over the coming months. In our view, speculation regarding reduced monetary stimulus by the BoJ seems premature.

### LATIN AMERICA

| Rate | Current Rate | Next Meeting | Scotia's Forecasts | Consensus Forecasts |
|---|---|---|---|---|
| Banco Central do Brasil – Selic Rate | 10.25 | July 26, 2017 | 9.50 | -- |
| Banco Central de Chile – Overnight Rate | 2.50 | June 15, 2017 | 2.50 | 2.50 |
| Banco de la República de Colombia – Lending Rate | 6.25 | June 30, 2017 | 6.25 | -- |
| Banco Central de Reserva del Perú – Reference Rate | 4.00 | July 13, 2017 | 3.75 | -- |

**Banco Central de Chile:** After easing by a cumulative 100bps since January, the central bank recently revised 2017 growth lower to the 1-1.75% range but guided that it felt it was "most probable" that easing to date would prove to be sufficient. No policy change is expected next week.

### AFRICA

| Rate | Current Rate | Next Meeting | Scotia's Forecasts | Consensus Forecasts |
|---|---|---|---|---|
| South African Reserve Bank – Repo Rate | 7.00 | July 20, 2017 | 7.00 | -- |

Forecasts at time of publication.
Source: Bloomberg, Scotiabank Economics.

**Fixed Income Strategy (London, Paris)**

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