# GLOBAL ECONOMICS
# | THE GLOBAL WEEK AHEAD

July 13, 2018

## THAT '70S SHOW



## FORECASTS & DATA



## CONTACTS


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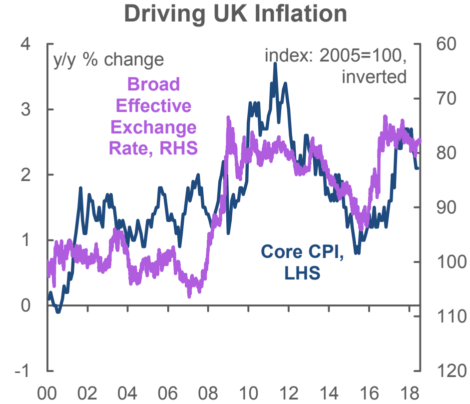
### Next Week's Risk Dashboard

- US earnings
- Chinese GDP
- CPI: Canada, UK, Japan, NZ…
- …Brazil, Argentina, Malaysia
- Powell's testimony
- CDN retail, home sales, mfrg, ADP
- Trump-Putin
- US retail, IP, housing, Philly
- NAFTA
- UK wages, jobs, retail
- Chinese retail, IP, investment
- Australian jobs
- CBs: Indonesia, South Africa

### Chart of the Week

Currency Pass Through Driving UK Inflation




Sources: Scotiabank Economics, Bank of England, Bloomberg.

**Chart of the Week: Prepared by: Sam Fraser, Research Analyst.**

# That ’70s Show

## CANADA—SEE YOU IN SEPTEMBER?

**Top-shelf data risk returns next week including another inflation report.** There is also the risk of shelved NAFTA headlines returning on the back of guidance from US Treasury Secretary Mnuchin that the passing of the Mexican election makes NAFTA a renewed priority. Also important, however, is Mexican guidance that the incoming and outgoing Presidents will wait until courts have validated the recent vote before returning to the bargaining table. With about two months to go until the next Bank of Canada rate decision on September 5th, next week will mark significant advances in tracking one out of the two months of scorecards on the economic calendar.

Having said that, Governor Poloz has somewhat lessened the emphasis upon data dependency in his recent guidance, notably when he stated “the little picture is the bumps and wiggles”. Of course, little pictures can turn into bigger pictures and so markets are advised not to take this guidance quite so literally. As for data, here’s a rundown before returning to the Governor’s recently freshened guidance.

**1. Friday’s CPI report for June will be the week’s main event.** I’m expecting another up-tick or two to 2.4% y/y in the year-ago headline inflation rate. If that happens—and recall that the humble pie had a few particularly foul-tasting bits in it last month—then there are several drivers.

- One is that while June is normally a fairly benign month for seasonal price changes, the fact that May’s seasonally unadjusted month-ago price gain was very much on the lighter side of a traditional May could magnify the risk of a more-powerful-than-normal rise in June.
- One reason for this is that food prices in particular performed unusually in May. Food prices fell 0.1% m/m in May versus the recent same-month pattern of around +½% gains. The fact that food prices undercut expectations was a major contributing factor to May’s inflation undershoot that markets over-reacted to in tamping down the drop in rate hike expectations weeks before the recent decision. So much so that CPI would have risen to about 2.5% y/y and closer to consensus estimates had food prices behaved more typically for the month. It’s unlikely that new sources of competition in food retailing over the years had a sudden profound influence in May and so the inclination is to look through some of May’s softness toward a rebound in June.
- Also note, however, that gasoline prices are likely to have been a fairly similar influence upon the year-ago inflation rate in June compared to May. Tariff effects will likely further exacerbate upward pressure upon inflation after this list of countervailing tariffs on imports from the US took effect on July 1st.
- Weather—or more specifically, the delayed start of Spring and Summer—may have also sapped more normal pricing power in May but the arrival of seasonally more normal weather in June and July may have restored some of that.
- Based upon the above arguments, I’m assuming the average of the BoC’s three core inflation measures ticks higher and back to the 2% target.

**2. Retail sales for May are also due on Friday and it could be a somewhat more upbeat take than the prior month’s drop of 1.2% m/m.** Unlike in June, monthly average gasoline prices jumped higher by over 4% m/m, unadjusted and non-annualized and with about an 11% weight on gasoline stations. That should help buoy the dollar value of sales, but not singlehandedly. Also recall that poor weather in April and a delayed start to Spring may have played a role in depressing key spending categories. Eight of eleven retail categories fell in April led by auto sales, building materials and related stores, clothing stores and sporting goods and each of these categories is at least partly weather-driven. I’m factoring in a significant rebound in May but it’s possible that the turn in weather postpones much of the pent-up spending until later.

**3. Canadian home resales for June are due on Monday.** Sales have declined for the past two months and risen only once so far this year. 2018H1 is water under the bridge and June will offer little new info. More of the interest lies in the trend going forward with the expectation that the B20 adjustment and rebasing offers stabilization and renewed growth going forward.

**4. Manufacturing shipments (Tuesday) will probably be another somewhat weak report when May's numbers are released.** Export volumes fell 1% m/m in May and so knowing this in advance lends some pertinent information to the export-oriented portion of the sector. That said, shipments could benefit from a weak hand-off given the decline in April that was significantly driven by the energy patch. Volatility in the energy products category will persist for months to come given ongoing production disruptions most recently including Syncrude's challenges.

**5. ADP payrolls are due out on Thursday for the month of June.** They are far less widely followed than either the Labour Force Survey that gets most of the attention or the lagging Payrolls Survey.

**Apart from the data, markets should continue to pay greater heed to Governor Poloz's increasingly hawkish guidance.** Indeed, just imagine if, say, a Fed or ECB head dropped some of the following language that Poloz used in a media interview on Friday July 13th following the BoC's hike and communications on July 11th.

Governor Poloz referenced how **"we're behind"** the inflation curve and Taylor rule and the US on monetary tightening. He indicated that there were once plausible reasons for being behind, but that those reasons may no longer be valid. He buttressed this point with a slightly nuanced reference to the oil shock that has lifted and so his rationale for being "behind" has gone. That implies quicker catch-up now. That is also consistent with having dropped 'cautious' two statements ago. If we're confident in our oil price projections then the signal here is that the reason for being behind has gone, which is the terms of trade argument.

The Governor expressed some concern about the risk of unmoored inflation expectations when he said **"The risk of de-anchoring your expectations is much higher."** Again, can you imagine if Powell or Draghi said that? Markets are not demonstrating this right now given where inflation breakeven rates derived from real return bonds sit, but I'm a bit surprised to hear Poloz speak so bluntly about this despite fully agreeing with him. Again, the messaging is the choice of language; he's obviously concerned about where real rates are which reinforces his prior messaging but more directly.

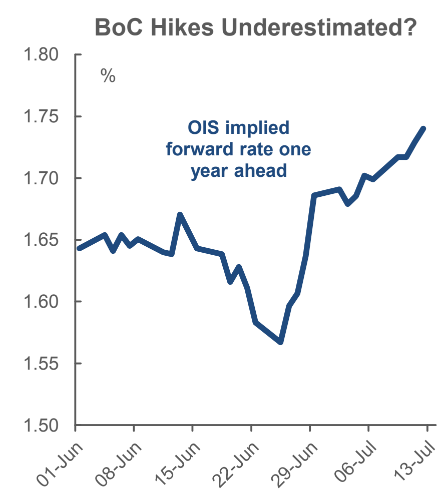
**Poloz is emphasizing NAFTA resolution as at least as big a (positive) risk that suddenly wipes away steel and aluminum tariffs as any further deterioration (e.g. autos).** Many analysts including Scotia have made this point, but it has not recently resonated with the one-sided bets in markets.

The Governor's remarks were again ambiguous toward raising or cutting in a protectionist scenario which signals balanced monetary policy risks if trade tensions escalate depending how they are manifested. There is a message to both modellers and markets here. I think he's saying this because he knows that the tendency in models and NAFTA shock scenario-building to assume cutting—and the market bias to assume as much if trade tensions and negative supply shocks escalate—shouldn't be such a one-sided bet (which it is, at least through the currency). Everyone employs models that forecast rate cuts in NAFTA shock scenarios and he's saying don't be so sure. Again, **that is hawkish by way of restoring more balance to the monetary policy risks** that may stem from protectionism when backed up by how he flags monetary policy isn't the best tool to address such issues which implies he'll focus on whatever the implications are for inflation.

Indeed, this is all encapsulated in Poloz's reference to the **stagflation of the 1970s** given the negative supply shock nature of protectionist policies. The inference here is that he's skewed toward emphasizing the longer-wave inflation implications to shifts in globalization which is the same debate that is going on within the Fed.

**Overall, Poloz is broadly sounding like a Governor who is more likely to go in a straight line and/or more aggressively than markets are assuming (chart 1).** September OIS contract pricing assigns essentially zero chance to a hike; perhaps it's not a base case yet but there should be some significant probability (at least 10bps) given such messaging and given the meeting is two months away and they've already proven a willingness to go back-to-back when developments merit. Year-end OIS rate risks may also be too low. Full year out OIS is arguably way too low with just one hike baked in. Given some street chatter of large idiosyncratic flows influencing the front end

Chart 1



Sources: Scotiabank Economics, Bloomberg.

of the Canada curve, it is possible that markets should be prepared for some whiplash if this effect subsides and attention returns to the Governor's recently more hawkish stance.

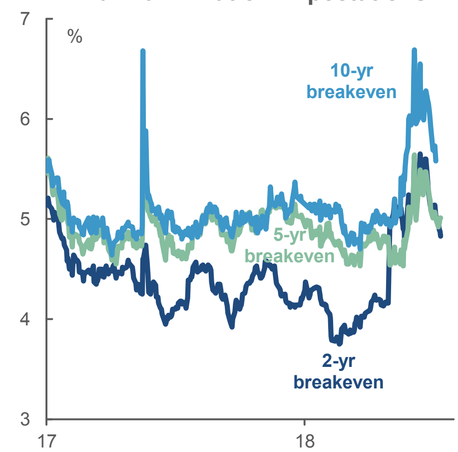
Canada auctions 2 year notes on Wednesday.

## LATIN AMERICA—INFLACIÓN! INFLAÇÃO!

**Latin American markets will follow the broad global market tone with little of note on the domestic calendars other than a pair of inflation reports from Argentina and Brazil.**

**Argentina's woes are reflected in accelerating inflation** that is seriously eroding the purchasing power of workers' paycheques. The June estimate arrives on Tuesday. May's print was 26% y/y; small wonder why the central bank has hiked its 7 day repo rate to 40%. The catalyst has been peso weakness given the nearly 60% drop in the currency versus the USD since December. A combination of earlier political tinkering with the central bank and capital flight sparked by Fed rate hikes drove the currency lower and Argentina back into the arms of the IMF. Again.

Chart 2



Sources: Scotiabank Economics, Bloomberg.

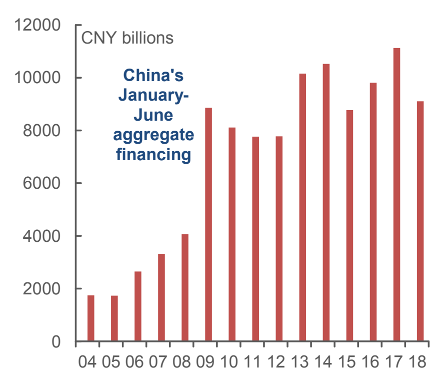
**Brazil's inflation report is a preview to the CPI report for July that is due out on August 8th.** Friday's print will be the estimate for eleven urban areas covering the period from June 15th to July 15th. The so-called IBGE-15 metric (hence '15') is usually highly correlated with the later release for the full month. However, the IBGE-15 measure and the full release diverged from one another in June to the greatest degree since June 2004. The higher full-month reading than the mid-month reading may have signalled accelerating price pressures later in the month. Much of that divergence is expected to close in Friday's mid-month estimate that is expected to jump higher. That should bring both readings closer to the 4 ½% mid-point of the central bank's 3–6% policy target range. Having said that, the risk of market inflation expectations becoming thoroughly unmoored as a partial consequence to currency depreciation has been mitigated of late (chart 2).

## ASIA-PACIFIC—CHINA'S SOFT LANDING REDUX

**The Monday Asian market open will be focused upon the latest assessment of China's economic growth when Q2 GDP arrives which may carry global market implications.** A smattering of inflation reports as well as ongoing trade tensions and rhetoric will also be considered.

Chart 3

China's Aggregate Financing Remains Strong



Sources: Scotiabank Economics, Bloomberg.

**It isn't a particularly brave forecaster who anticipates Q2 Chinese GDP growth in the high 6-handled range.** While most other major economies exhibit a lot of variability quarter-to-quarter, China's growth rate is remarkably stable. For the past eleven quarters, growth has been either 6.7%, 6.8% or 6.9%. Of course that makes it a modern day miracle of accurate statistical gathering and dissemination, especially in light of the fact that there are never any revisions. Or, as Premier Li once put it, the numbers are 'manmade.' Not surprisingly, Monday's print is expected to remain in this tight range.

**The grander issue is the extent to which the twin forces of trade policy risks and credit cycle challenges have been influencing China's economy and how they may evolve from here.** There is a solid case for being less worried than much of the popular commentary about China's credit cycle and the implications for nearer term growth, but more worried about export momentum than was recently indicated regarding the latest batch of trade figures for June. The latter could well feedback upon the former unless policymakers potentially respond by easing access such as through further reductions in required reserve ratios.

Chart 3 shows that China's financing cycle so far this year is weaker than last year's expansion, but it is still around the trend levels of financing activity that have been experienced over the past decade. **This offers very little aggregate evidence of**

**success toward cooling the credit cycle in anything other than a perfunctory manner.** By corollary, that indicates less worry about the economy than the fans of a hard landing have perennially advanced. The aggregate evidence masks record rates of contraction in some shadow financing categories like entrusted loans and trust loans, rapidly retreating bankers' acceptances and a three-year low in equity issuance. What offsets this, however, is a strong pace of expansion in traditional domestic currency lending. Indeed, new yuan loan issuance is at a record high so far this year over the same year-to-date periods (chart 4).

**More of the concern lies in terms of how China's trade accounts unfold going forward.** China's trade surplus with the US just surged to a record high in value terms as Chinese exporters capitalized upon strong stimulus-fed US growth. As the peak effects of US stimulus begin to wane in future while tariff influences begin to bite, this could be as good as it gets for Chinese exporters. When this effect takes hold, it will return the focus to ongoing downside risk to China's current account balance (chart 5). With that, there may be less to recycle by way of current account surpluses being reinvested back into instruments like US Treasuries.

China will also update retail sales, industrial production and fixed asset investment for the month of June at the same time as the GDP accounts are released. Each of Japan, New Zealand and Malaysia will update CPI for June. Bank Indonesia is expected to stay on hold. Australian job growth will hope for the third decent consecutive monthly gain on Wednesday night eastern time and hence following the release of minutes to the July 3rd RBA meeting.

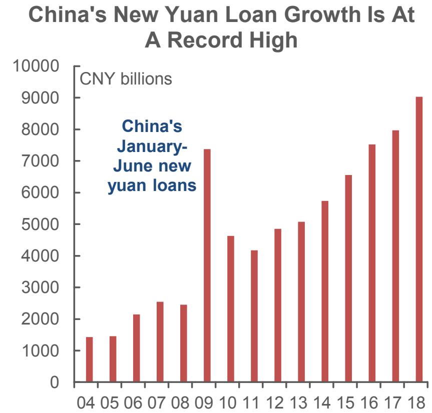
## EUROPE—MAKE OR BREAK TIME FOR THE BoE

UK markets will dominate the week's European market focus and mostly from a data tracking standpoint.

**On the path to the August 2nd Bank of England meeting, next week's data could cement or break current market expectations for a hike.** OIS markets are assigning over 80% odds to a hike next month. Tuesday's wages and jobs for May, Wednesday's CPI for June, and Thursday's retail sales for June will all be the last batch of updates for these key reports before the BoE makes its decision. That the BoE will proceed gradually was punctuated by Governor Carney's recent remark that "An ongoing tightening of monetary policy over the next few years would be appropriate to return inflation sustainably to its target." Real wage growth is expected to remain roughly flat which raises the issue of potential downside risk to retail sales in the wake of the large gain in May that wasn't income-driven so much as it was driven by the transitory release of pent-up weather-related demand (chart 6). Higher energy prices are expected to lift headline CPI inflation to just beyond the 2½% y/y mark with core prices trailing by about a half percentage point.

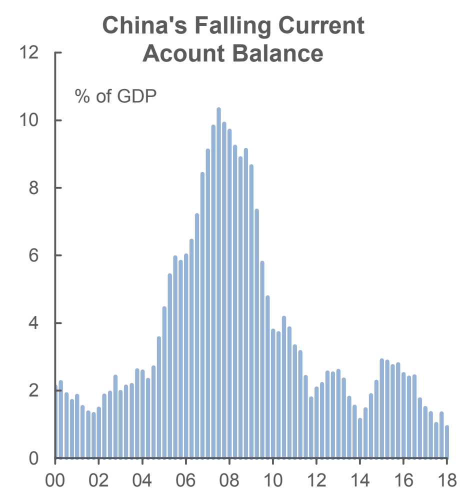
Eurozone updates will be confined to CPI revisions and details for June on Wednesday, German producer prices on Friday, Italian industrial orders and sales on Tuesday, Irish Q1 GDP on Thursday and the Eurozone trade add-up for May on Monday.

Chart 4



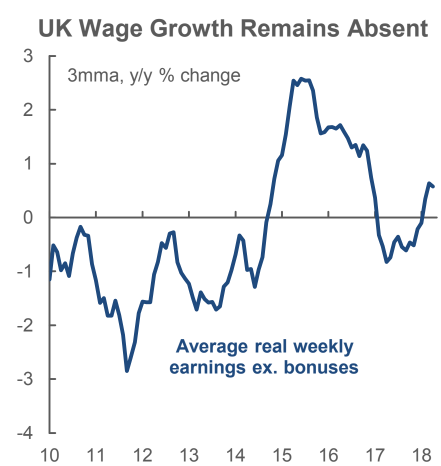

Sources: Scotiabank Economics, Bloomberg.

Chart 5




Sources: Scotiabank Economics, Bloomberg.

Chart 6




Sources: Scotiabank Economics, Office for National Statistics.

## UNITED STATES—PEAK EARNINGS?

**Accelerated emphasis upon the Q2 earnings season, modest data risk, Fed Chair Powell's second swing at providing semi-annual testimony before Congress and the hype around Monday's Trump-Putin summit will offer plenty of potential market volatility.**

**Sixty-one firms listed on the S&P500 release earnings over the coming week. Twenty-seven of those will be financials which is a typical degree of emphasis as the Q2 earnings season unfolds.** Key names will include BlackRock, BofA, Goldman Sachs, Morgan Stanley, Capital One and State Street. Nonfinancials will include the likes of Netflix, eBay, Kinder Morgan and Microsoft. **So far, 23 of the 25 firms that have released earnings have beaten analysts' earnings expectations while 21 have beaten revenue expectations.**

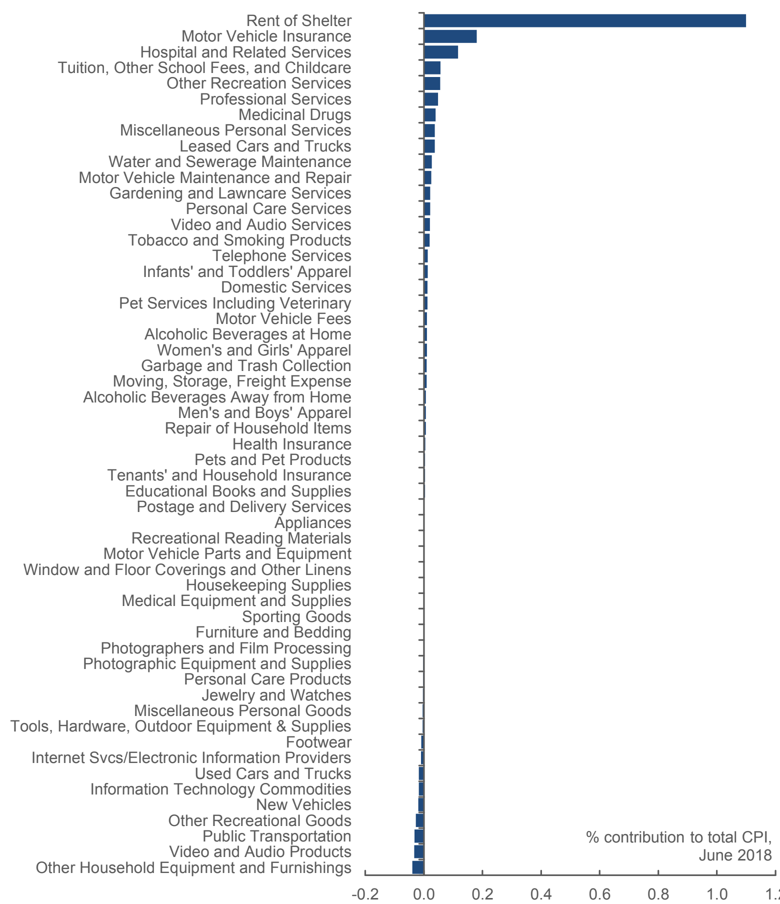
**Federal Reserve Chair Powell will present the Fed's semi-annual Monetary Policy Report to Congress** on Tuesday before the Senate Banking Committee and then again on Wednesday before the House Financial Services Committee. The report has been pre-released (here) but most of the market emphasis tends to be placed upon the verbal testimony and questioning.

**US President Trump and Russian President Putin meet in Helsinki on Monday in the wake of Special Counsel Robert Mueller's indictment of twelve Russian intelligence officers for interference in the 2016 US election.** Trump has thus far indicated no willingness to cancel the Summit. Trump's tendency to date has been to push off much of the concern surrounding Russian meddling and Putin's tendency has been to deny any involvement in the US election which should make for a fine pair on stage.

**Data risk will be primarily represented by retail sales for the month of June to start the week off on Monday.** A 3.4% m/m seasonally adjusted rise in vehicle sales should offer some upside with about a one-fifth weight on autos in the overall report. Gasoline prices should be a flat influence in June. Excluding autos and gasoline, sales growth faces somewhat more downside than upside risk following a large gain in May. Given that CPI was up only mildly month-over-month in June, there should be a mild rise in inflation-adjusted retail sales as well. Nevertheless, as previously explained (here), most of the inflationary pressure falls outside of classic retail sales categories which could translate into an even better real sales gain. Chart 7 provides the weighted breakdown of the sources of contribution to year-ago inflation in the June report.

Chart 7

US Core CPI Is About Much More Than Phones And Drugs




Sources: Scotiabank Economics, BLS.

**Industrial production** is expected to rebound in Tuesday's June print and that should drive a higher capacity utilization rate. A large gain in **housing starts** in May and a sharp drop in building permits that month put downside risk to starts in June (Wednesday). **The Fed's Beige Book** of regional economic conditions (Wednesday), the **Philly Fed's volatile diffusion index** of regional business conditions and the **Empire gauge** of regional manufacturing conditions will all play secondary roles to the other higher profile releases.

## Key Indicators for the week of July 16 – 20

### NORTH AMERICA

| Country | Date | Time | Indicator | Period | BNS | Consensus | Latest |
|---|---|---|---|---|---|---|---|
| CA | 07/16 | 08:30 | International Securities Transactions (C$ bn) | May | -- | -- | 9.1 |
| US | 07/16 | 08:30 | Empire State Manufacturing Index | Jul | -- | 21.0 | 25.0 |
| US | 07/16 | 08:30 | Retail Sales (m/m) | Jun | 0.4 | 0.5 | 0.8 |
| US | 07/16 | 08:30 | Retail Sales ex. Autos (m/m) | Jun | 0.3 | 0.3 | 0.9 |
| US | 07/16 | 10:00 | Business Inventories (m/m) | May | -- | 0.4 | 0.3 |
| CA | 07/17 | 08:30 | Manufacturing Shipments (m/m) | May | 0.3 | 0.5 | -1.3 |
| US | 07/17 | 09:15 | Capacity Utilization (%) | Jun | -- | 78.2 | 77.9 |
| US | 07/17 | 09:15 | Industrial Production (m/m) | Jun | 0.6 | 0.5 | -0.1 |
| US | 07/17 | 10:00 | NAHB Housing Market Index | Jul | -- | 69.0 | 68.0 |
| US | 07/17 | 16:00 | Total Net TIC Flows (US$ bn) | May | -- | -- | 138.7 |
| US | 07/17 | 16:00 | Net Long-term TIC Flows (US$ bn) | May | -- | -- | 93.9 |
| US | 07/18 | 07:00 | MBA Mortgage Applications (w/w) | JUL 13 | -- | -- | -0.5 |
| US | 07/18 | 08:30 | Building Permits (000s a.r.) | Jun | -- | 1330 | 1301 |
| US | 07/18 | 08:30 | Housing Starts (000s a.r.) | Jun | 1267 | 1320 | 1350 |
| US | 07/18 | 08:30 | Housing Starts (m/m) | Jun | -4.0 | -2.2 | 5.0 |
| US | 07/19 | 08:30 | Initial Jobless Claims (000s) | JUL 14 | 220 | 221 | 231 |
| US | 07/19 | 08:30 | Continuing Claims (000s) | JUL 7 | 1730 | 1725 | 1739 |
| US | 07/19 | 08:30 | Philadelphia Fed Index | Jul | 24.0 | 21.5 | 19.9 |
| US | 07/19 | 10:00 | Leading Indicators (m/m) | Jun | -- | 0.5 | 0.2 |
| CA | 07/20 | 08:30 | Core CPI - Common (y/y) | Jun | -- | 1.9 | 1.9 |
| CA | 07/20 | 08:30 | Core CPI - Median (y/y) | Jun | -- | -- | 1.9 |
| CA | 07/20 | 08:30 | Core CPI - Trim (y/y) | Jun | -- | -- | 1.9 |
| CA | 07/20 | 08:30 | CPI, All items (m/m) | Jun | 0.2 | 0.0 | 0.1 |
| CA | 07/20 | 08:30 | CPI, All items (y/y) | Jun | 2.5 | 2.3 | 2.2 |
| CA | 07/20 | 08:30 | CPI, All items (index) | Jun | -- | 133.4 | 133.4 |
| CA | 07/20 | 08:30 | Retail Sales (m/m) | May | 1.2 | 0.9 | -1.2 |
| CA | 07/20 | 08:30 | Retail Sales ex. Autos (m/m) | May | 0.7 | 0.5 | -0.1 |

### EUROPE

| Country | Date | Time | Indicator | Period | BNS | Consensus | Latest |
|---|---|---|---|---|---|---|---|
| EC | 07/16 | 05:00 | Trade Balance (€ mn) | May | -- | 17.2 | 16.7 |
| UK | 07/17 | 04:30 | Average Weekly Earnings (3-month, y/y) | May | -- | 2.5 | 2.5 |
| UK | 07/17 | 04:30 | Employment Change (3M/3M, 000s) | May | -- | 120.0 | 146.0 |
| UK | 07/17 | 04:30 | Jobless Claims Change (000s) | Jun | -- | -- | -7.7 |
| UK | 07/17 | 04:30 | ILO Unemployment Rate (%) | May | -- | 4.2 | 4.2 |
| IT | 07/17 | 05:00 | CPI - EU Harmonized (y/y) | Jun F | -- | 1.5 | 1.5 |
| UK | 07/18 | 04:30 | CPI (m/m) | Jun | -- | 0.2 | 0.4 |
| UK | 07/18 | 04:30 | CPI (y/y) | Jun | -- | 2.6 | 2.4 |
| UK | 07/18 | 04:30 | PPI Input (m/m) | Jun | -- | 0.4 | 2.8 |
| UK | 07/18 | 04:30 | PPI Output (m/m) | Jun | -- | 0.3 | 0.4 |
| UK | 07/18 | 04:30 | RPI (m/m) | Jun | -- | 0.4 | 0.4 |
| UK | 07/18 | 04:30 | RPI (y/y) | Jun | -- | 3.5 | 3.3 |
| EC | 07/18 | 05:00 | CPI (m/m) | Jun | -- | 0.1 | 0.1 |
| EC | 07/18 | 05:00 | CPI (y/y) | Jun F | -- | 2.0 | 2.0 |
| EC | 07/18 | 05:00 | Euro zone Core CPI Estimate (y/y) | Jun F | -- | 1.0 | 1.0 |
| UK | 07/19 | 04:30 | Retail Sales ex. Auto Fuel (m/m) | Jun | -- | 0.3 | 1.3 |
| UK | 07/19 | 04:30 | Retail Sales with Auto Fuel (m/m) | Jun | -- | 0.2 | 1.3 |
| IR | 07/19 | 06:00 | Real GDP (q/q) | 1Q | -- | 0.8 | 3.2 |
| GE | 07/20 | 02:00 | Producer Prices (m/m) | Jun | -- | 0.3 | 0.5 |
| EC | 07/20 | 04:00 | Current Account (€ bn) | May | -- | -- | 28.4 |
| IT | 07/20 | 04:00 | Current Account (€ mn) | May | -- | -- | 3009.4 |
| UK | 07/20 | 04:30 | PSNB ex. Interventions (£ bn) | Jun | -- | 5.0 | 5.0 |
| UK | 07/20 | 04:30 | Public Finances (PSNCR) (£ bn) | Jun | -- | -- | 4.5 |
| UK | 07/20 | 04:30 | Public Sector Net Borrowing (£ bn) | Jun | -- | 3.7 | 3.4 |

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

## Key Indicators for the week of July 16 – 20

### ASIA-PACIFIC

| Country | Date | Time | Indicator | Period | BNS | Consensus | Latest |
|---|---|---|---|---|---|---|---|
| CH | 07/15 | 22:00 | Fixed Asset Investment YTD (y/y) | Jun | 6.5 | 6.0 | 6.1 |
| CH | 07/15 | 22:00 | Industrial Production (y/y) | Jun | 6.5 | 6.5 | 6.8 |
| CH | 07/15 | 22:00 | Real GDP (y/y) | 2Q | 6.7 | 6.7 | 6.8 |
| CH | 07/15 | 22:00 | Retail Sales (y/y) | Jun | 9.0 | 8.8 | 8.5 |
| ID | 07/16 | 00:00 | Exports (y/y) | Jun | -- | 15.6 | 12.5 |
| ID | 07/16 | 00:00 | Imports (y/y) | Jun | -- | 29.1 | 28.2 |
| ID | 07/16 | 00:00 | Trade Balance (US$ mn) | Jun | -- | 968.0 | -1523.6 |
| IN | 07/16 | 02:30 | Monthly Wholesale Prices (y/y) | Jun | -- | 5.2 | 4.4 |
| NZ | 07/16 | 18:45 | Consumer Prices (y/y) | 2Q | 1.5 | 1.6 | 1.1 |
| SI | 07/16 | 20:30 | Exports (y/y) | Jun | -- | -- | 15.5 |
| PH | 07/16 | | Overseas Remittances (y/y) | May | -- | 5.0 | 12.7 |
| JN | 07/17 | | Nationwide Department Store Sales (y/y) | Jun | -- | -- | -2.0 |
| MA | 07/18 | 00:00 | CPI (y/y) | Jun | 2.1 | -- | 1.8 |
| JN | 07/18 | 19:50 | Merchandise Trade Balance (¥ bn) | Jun | -- | 531.2 | -580.5 |
| JN | 07/18 | 19:50 | Adjusted Merchandise Trade Balance (¥ bn) | Jun | -- | 155.0 | -296.8 |
| JN | 07/18 | 19:50 | Merchandise Trade Exports (y/y) | Jun | -- | 7.0 | 8.1 |
| JN | 07/18 | 19:50 | Merchandise Trade Imports (y/y) | Jun | -- | 5.3 | 14.0 |
| AU | 07/18 | 21:30 | Employment (000s) | Jun | 18.0 | 16.5 | 12.0 |
| AU | 07/18 | 21:30 | Unemployment Rate (%) | Jun | 5.4 | 5.4 | 5.4 |
| ID | JUL 18-19 | | **BI 7-Day Reverse Repo Rate (%)** | **Jul 19** | **5.50** | **5.25** | **5.25** |
| JN | 07/19 | 02:00 | Machine Tool Orders (y/y) | Jun F | -- | -- | 11.4 |
| HK | 07/19 | 04:30 | Unemployment Rate (%) | Jun | 2.8 | -- | 2.8 |
| SK | 07/19 | 17:00 | PPI (y/y) | Jun | -- | -- | 2.2 |
| JN | 07/19 | 19:30 | National CPI (y/y) | Jun | 0.7 | 0.8 | 0.7 |
| HK | 07/19 | | Composite Interest Rate (%) | Jun | -- | -- | 0.46 |
| PH | 07/19 | | Balance of Payments (US$ mn) | Jun | -- | -- | -583.0 |
| JN | 07/20 | 00:30 | All Industry Activity Index (m/m) | May | -- | 0.0 | 1.0 |
| TA | 07/20 | 04:00 | Export Orders (y/y) | Jun | -- | 4.8 | 11.7 |
| TH | 07/20 | | Customs Exports (y/y) | Jun | -- | -- | 11.4 |
| TH | 07/20 | | Customs Imports (y/y) | Jun | -- | -- | 11.7 |
| TH | 07/20 | | Customs Trade Balance (US$ mn) | Jun | -- | -- | 1203.8 |

### LATIN AMERICA

| Country | Date | Time | Indicator | Period | BNS | Consensus | Latest |
|---|---|---|---|---|---|---|---|
| BZ | 07/16 | 07:30 | Economic Activity Index SA (m/m) | May | -- | -3.5 | 0.5 |
| BZ | 07/16 | 07:30 | Economic Activity Index NSA (y/y) | May | -- | -3.0 | 3.7 |
| PE | 07/16 | | Economic Activity Index NSA (y/y) | May | 5.4 | 5.2 | 7.8 |
| PE | 07/16 | | Unemployment Rate (%) | Jun | -- | 6.8 | 6.6 |
| CO | 07/19 | 11:00 | Trade Balance (US$ mn) | May | -- | -171.0 | -324.8 |
| BZ | 07/20 | 08:00 | IBGE Inflation IPCA-15 (m/m) | Jul | -- | 0.7 | 1.1 |
| BZ | 07/20 | 08:00 | IBGE Inflation IPCA-15 (y/y) | Jul | -- | 4.6 | 3.7 |

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

## Global Auctions for the week of July 16 – 20

### NORTH AMERICA

| Country | Date | Time | Event |
|---|---|---|---|
| CA | 07/18 | 12:00 | Canada to Sell CAD3 Bln 1.75% 2020 Bonds |
| US | 07/19 | 13:00 | U.S. to Sell USD13 Bln 10-Year TIPS |

### EUROPE

| Country | Date | Time | Event |
|---|---|---|---|
| GE | 07/17 | 05:30 | Germany to Sell EUR3 Bln 0% 2020 Bonds |
| DE | 07/18 | 04:30 | Denmark to Sell 0.25% 2020 Bonds\ |
| DE | 07/18 | 04:30 | Denmark to Sell 0.5% 2027 Bonds |
| GE | 07/18 | 05:30 | Germany to Sell EUR1 Bln 1.25% 2048 Bonds |
| SP | 07/19 | 04:45 | Spain to Sell 0.35% 2023 Bonds |
| SP | 07/19 | 04:45 | Spain to Sell 2.35% 2033 Bonds |
| SP | 07/19 | 04:45 | Spain to Sell 5.9% 2026 Bonds |
| SP | 07/19 | 04:45 | Spain to Sell 1.4% 2028 Bonds |
| FR | 07/19 | 04:50 | France to Sell 0% 2021 Bonds |
| FR | 07/19 | 04:50 | France to Sell 0% 2024 Bonds |
| UK | 07/19 | 05:30 | U.K. to Sell 2 Billion Pounds of 1.75% 2057 Bonds |
| FR | 07/19 | 05:50 | France to Sell I/L Bonds |

### ASIA-PACIFIC

| Country | Date | Time | Event |
|---|---|---|---|
| CH | 07/16 | 02:00 | Zhejiang to Sell CNY15.1 Bln 10Y Bonds |
| CH | 07/16 | 21:30 | Shaanxi to Sell Bonds |
| CH | 07/16 | 22:30 | Shaanxi to Sell Bonds |
| CH | 07/17 | 02:00 | Liaoning to Sell Bonds |
| CH | 07/17 | 22:35 | China to Sell CNY37 Bln 1-Yr Upsized Bonds |
| CH | 07/17 | 22:35 | China to Sell CNY37 Bln 10-Yr Upsized Bonds |
| CH | 07/18 | 02:00 | Guangxi to Sell Bonds |
| CH | 07/18 | 21:30 | Fujian to Sell Bonds |
| NZ | 07/18 | 22:05 | New Zealand To Sell NZD150Mln 2.75% 2037 Bonds |
| CH | 07/18 | 22:30 | Fujian to Sell Bonds |
| CH | 07/19 | 02:00 | Shanghai to Sell Bonds |
| CH | 07/19 | 03:00 | Shanghai to Sell Bonds |
| CH | 07/19 | 23:00 | China To Sell CNY29 Bln 30-Yr Bonds |

Source: Bloomberg, Scotiabank Economics.

## Events for the week of July 16 – 20

### NORTH AMERICA

| Country | Date | Time | Event |
|---|---|---|---|
| FI | 07/16 | | U.S. President Trump, Russian President Putin Meet in Helsinki |
| US | 07/17 | 10:00 | Powell to Deliver Semi-Annual Testimony Before Senate Panel |
| US | 07/17 | | Alabama primary runoff |
| US | 07/17 | | North Carolina "second primary"/runoff |
| US | 07/18 | 10:00 | Fed Chairman Powell Appears Before House Panel |
| US | 07/18 | 14:00 | U.S. Federal Reserve Releases Beige Book |
| US | 07/18 | | Larry Kudlow, Economic Council Director, Speaks at Conference |
| US | 07/19 | 09:00 | Fed's Quarles Speaks on Alternative Reference Rates |
| US | 07/20 | 08:00 | Fed's Bullard Speaks on Economy and Monetary Policy |

### EUROPE

| Country | Date | Time | Event |
|---|---|---|---|
| UK | 07/17 | 04:00 | BOE's Carney, Cunliffe, Stheeman Speak on Financial Stability |
| GE | 07/17 | 08:30 | Russia, Ukraine Energy Ministers Meet in Berlin on Gas Supply |
| IT | 07/18 | 03:30 | Finance Minister Opens Event on Partnership for Investments |
| RU | 07/20 | | Russia Sovereign Debt to be rated by S&P |
| FR | 07/20 | | France Sovereign Debt to be rated by Fitch |

### ASIA-PACIFIC

| Country | Date | Time | Event |
|---|---|---|---|
| AU | 07/16 | 21:30 | RBA July Meeting Minutes |
| ID | JUL 18-19 | | **Bank Indonesia 7D Reverse Repo** |

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 | 1.50 | September 5, 2018 | 1.50 | 1.50 |
| Federal Reserve – Federal Funds Target Rate | 2.00 | August 1, 2018 | 2.00 | 2.00 |
| Banco de México – Overnight Rate | 7.75 | August 2, 2018 | 7.50 | 7.75 |

### EUROPE

| Rate | Current Rate | Next Meeting | Scotia's Forecasts | Consensus Forecasts |
|---|---|---|---|---|
| European Central Bank – Refinancing Rate | 0.00 | July 26, 2018 | 0.00 | 0.00 |
| Bank of England – Bank Rate | 0.50 | August 2, 2018 | 0.50 | 0.75 |
| Swiss National Bank – Libor Target Rate | -0.75 | September 20, 2018 | -0.75 | -0.75 |
| Central Bank of Russia – One-Week Auction Rate | 7.25 | July 27, 2018 | 7.00 | 7.25 |
| Sweden Riksbank – Repo Rate | -0.50 | September 6, 2018 | -0.50 | -0.50 |
| Norges Bank – Deposit Rate | 0.50 | August 16, 2018 | 0.50 | 0.75 |
| Central Bank of Turkey – Benchmark Repo Rate | 17.75 | July 24, 2018 | 17.75 | 18.00 |

### ASIA PACIFIC

| Rate | Current Rate | Next Meeting | Scotia's Forecasts | Consensus Forecasts |
|---|---|---|---|---|
| Bank of Japan – Policy Rate | -0.10 | July 31, 2018 | -0.10 | -0.10 |
| Reserve Bank of Australia – Cash Target Rate | 1.50 | August 7, 2018 | 1.50 | 1.50 |
| Reserve Bank of New Zealand – Cash Rate | 1.75 | August 8, 2018 | 1.75 | 1.75 |
| People's Bank of China – Lending Rate | 4.35 | TBA | -- | 4.35 |
| Reserve Bank of India – Repo Rate | 6.25 | August 1, 2018 | 6.25 | 6.25 |
| Bank of Korea – Bank Rate | 1.50 | August 31, 2018 | 1.75 | 1.75 |
| Bank of Thailand – Repo Rate | 1.50 | August 8, 2018 | 1.50 | 1.50 |
| Bank Negara Malaysia – Overnight Policy Rate | 3.25 | September 5, 2018 | 3.25 | 3.25 |
| Bank Indonesia – 7-Day Reverse Repo Rate | 5.25 | July 19, 2018 | 5.50 | 5.25 |

**Bank Indonesia (BI)** will hold a monetary policy meeting on July 19. The central bank continues its efforts to stabilize the Indonesian rupiah; accordingly, we expect BI to raise the policy rate by 25 basis points to 5.50%, following three hikes since mid-May totalling 100 bps. The central bank highlights that its actions are pre-emptive, front-loading, and ahead of the curve. We expect Indonesia's headline inflation rate to accelerate notably in the second half of 2018, mostly reflecting year-ago base effects.

### LATIN AMERICA

| Rate | Current Rate | Next Meeting | Scotia's Forecasts | Consensus Forecasts |
|---|---|---|---|---|
| Banco Central do Brasil – Selic Rate | 6.50 | August 1, 2018 | 6.50 | 6.50 |
| Banco Central de Chile – Overnight Rate | 2.50 | July 24, 2018 | 2.50 | 2.50 |
| Banco de la República de Colombia – Lending Rate | 4.25 | July 27, 2018 | 4.25 | 4.25 |
| Banco Central de Reserva del Perú – Reference Rate | 2.75 | August 9, 2018 | 2.75 | 2.75 |

### AFRICA

| Rate | Current Rate | Next Meeting | Scotia's Forecasts | Consensus Forecasts |
|---|---|---|---|---|
| South African Reserve Bank – Repo Rate | 6.50 | July 19, 2018 | 6.50 | 6.50 |

**South African Reserve Bank:** No rate change is expected on Thursday. Scotia expects the repo rate to remain at 6.5%. Inflation has been running at about 4½% y/y on both a headline and core basis which lies well within the central bank's 3-6% policy target range.

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