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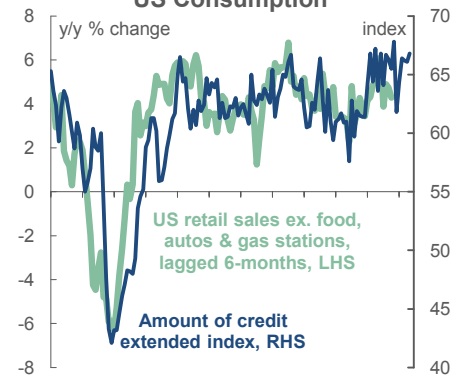
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**Next Week's Risk Dashboard**

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- ▶ Eurozone 'supercore' CPI
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**Chart of the Week**

**Credit Conditions Helping Support US Consumption**



07 08 09 10 11 12 13 14 15 16 17 18  
Sources: Scotiabank Economics, Bloomberg, US Census Bureau, NACM.

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

## The Port of Lost Wonder

### UNITED STATES—WILL THE FED ADD A HIKE?

**A lot is riding on next week by way of potential US influences upon global markets.** It starts with a lot of debt being taken down at auction, proceeds to Tuesday's US-North Korea Summit, Wednesday's FOMC meeting, another batch of consumer and inflation updates over the middle of the week and then ends with potential US-China tariff fireworks. The conclusion of the G7 Summit in Quebec, Canada may offer additional fireworks into the Monday market open.

**The US-North Korea (aka Trump-Kim) Summit** will kick off at 9am Singapore time (9pmET Monday night). It will be held at the Capella Singapore Hotel on Sentosa Island which is connected to the mainland by road. The island also hosts Universal Studios Singapore, Madam Tussaud's Singapore, a waterpark and two large golf courses that occupy about one quarter of the area. If that doesn't offer enough distractions and things take a turn for the worse, then maybe they'll wind up at the Port of Lost Wonder (a waterpark for kids aged 3–10 years...) less than a fifteen minute walk away.

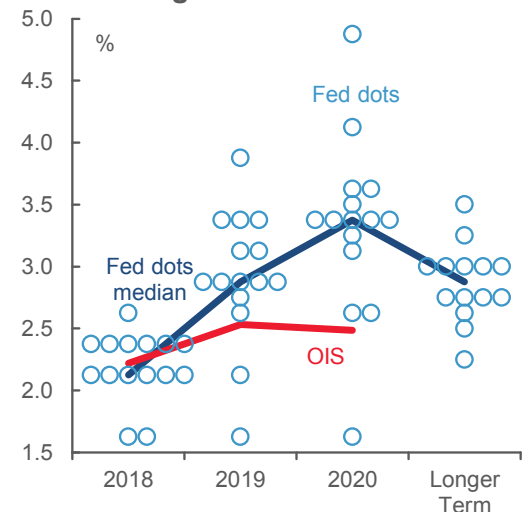
**The FOMC meeting on Tuesday and Wednesday culminates in a full suite of communications starting at 2pmET on Wednesday.** I think it will be a hike and steady as she goes outcome that delivers a widely expected hike that brings the upper end of the Fed's target range to 2% and leaves rate guidance for one more hike this year intact. The further away from zero, the greater the likelihood the Fed communicates a shift toward a target level versus a range. A statement and updated Summary of Economic Projections will be released at 2pmET followed by Chair Powell's press conference at 2:30pmET. **Relatively minor forecast changes to the Summary of Economic Projections are expected** including small upward revisions to near-term PCE inflation projections to reflect higher energy prices and perhaps modest tariff effects since the last forecasts in March. **Core PCE inflation is unlikely to be materially altered over time but may be revised up in the near-term on transitory tariff considerations.** That would send a signal that the Fed is looking through transitory price pressures. See the CPI section below for a discussion on how upward pressure on inflation readings may prove to be transitory.

The bigger issue will be **whether the FOMC consensus swings the median projection for the number of rate hikes toward one more this year.** The current projections ([here](#)) point to two hikes this year and three next year, but it would only take small changes to this year's 'dot plot' to add another hike bringing the 2019 total to 4. Because markets are likely to continue hair-cutting the Fed's longer-run rate forecasts (chart 1) due to uncertainty over the post-2019 outlook, most of the sensitivity lies around whether the same number of hikes will be guided in the nearer term. It's therefore unclear that it would work if the Fed, say, added another near-term hike but left the outer years unchanged in a signal that it is just front-loading more of the rate hikes when the market doesn't believe the later hikes to begin with. I would think that if the Fed did not have conviction back in March to add another hike this year, then developments since then probably have not raised such conviction given trade tensions and recently stable core PCE inflation at 1.8% y/y. It would make for awkward optics for the Fed to signal faster hikes only to then immediately observe a further escalation of global trade tensions as soon as a couple of days later (see below). Further, it's the same FOMC today that it was in March so compositional shifts that have influenced prior dot plots won't be a factor.

**Two days after the Fed, the US Trade Representative is expected to release its final list of targeted Chinese imports with recommended tariff rates.** Shortly thereafter, President Trump is expected to decide on whether to impose the tariffs and when. If tariffs are imposed, then Chinese retaliation is likely to be rather swift. **This risks either ending the week on a negative market tone or starting the following week in such fashion.**

Chart 1

### Markets Hair-Cutting the Fed's Longer-Run Rate Guidance



Sources: Scotiabank Economics, Bloomberg.

**Key releases will include the following:**

- CPI:** May's reading on Tuesday could well be a doozy. I've estimated a rise in headline CPI inflation from 2.5% in April to 2.9% in May. Some of that is due to base effects that add about 0.1% to the headline rate. Most of it is due to rising gasoline prices. Ergo, not much of this is expected to translate into upward pressure on core CPI excluding food and energy. Next week is expected to bring gentle further upward pressure upon core CPI that brings the cumulative acceleration to about ½% from the 1.7% rate at last September's low point. **This acceleration in core CPI is not inconsistent with broad dollar influences.** The Fed estimates that every 10% depreciation in the USD adds about ½% to core PCE inflation within about two quarters and this lessens to about 0.3% within one year. The kind of inflation acceleration we are getting now is consistent with the broad dollar index's depreciation from early 2017 to last Fall. Since the low in the broad dollar index in late January of this year, it has since appreciated by about 6%. That may indicate that the worst of the dollar's impact on rising inflation may soon ebb and give way to flattening and/or downside pressure by late year or into early next year. It therefore makes sense for the FOMC to look past a modest and temporary overshoot of inflation for the time being.
- Retail Sales:** Despite a small 1½% m/m decline in vehicle sales, retail sales are expected to have posted a decent gain of around ½% m/m in May (Thursday). Gasoline prices were up sharply over the month (+6.4% m/m for regular unleaded) and I'm assuming a modest rise for sales ex-autos and gas.
- Industrial output:** May's reading on Friday follows a trio of back-to-back gains averaging about 0.6% m/m that it should build upon. I'm figuring about a ½% m/m rise. Recall that ISM-manufacturing climbed by over a point to 58.7 and hence further into expansion territory. There were considerably larger gains in some of the regional surveys.

Producer prices (Wednesday), the University of Michigan's consumer sentiment reading (Friday) and inflation-adjusted wage earnings (Tuesday) round out the releases.

**This will be another heavy week for debt issuance and especially at the start of the week.** The US Treasury auctions US\$68 billion in Treasuries including \$32 billion of 3s on Monday, US\$22 billion of 10s in a reopening on Monday and US\$14 billion of 30s in a Tuesday reopening. Add to that US\$90 billion of bills to be auctioned on Monday.

**CANADA—COME FROM AWAY**

Most of what impacts Canadian markets will be exogenously determined over the coming week. The conclusion of the G7 Summit in Quebec may intensify the risks surrounding dysfunctional politics centered upon the US administration and will be monitored into the Asian market open on Monday. **Key will be whether US isolationism and protectionism escalates into a further threat of escalating measures.** Otherwise, the domestic calendar will be fairly light and focused upon manufacturing and housing. I still think that markets are underestimating the significance of the acceleration in wage pressures (explained [here](#)) that has positioned inflation-adjusted wage growth to sharply outpace the US and elsewhere (chart 2).

**Manufacturing sales volumes may post a third consecutive gain** when April's figures land on Friday. Manufacturing new order volumes slipped a little the prior month which would ordinarily suggest caution toward the next month's sales, but the level of the new order book remains toward an all-time high. A 1.2% m/m rise in export volumes during April was the third consecutive gain and the sixth rise in eight months which also lends support toward expecting a rise in manufacturing sales. Indeed, the export complex has done quite well of late. Export volumes are at a record high (chart 3) and grew by about 3.3% q/q at a seasonally adjusted and annualized rate in Q1 while Q2 is

Chart 2

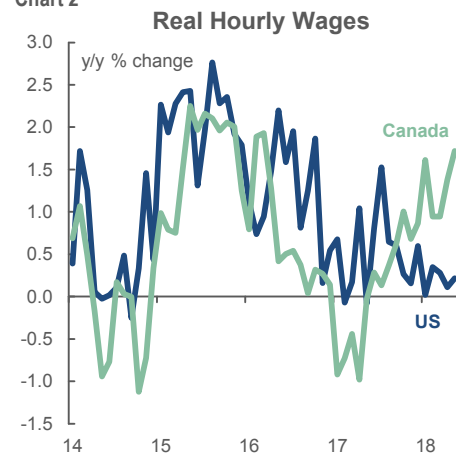
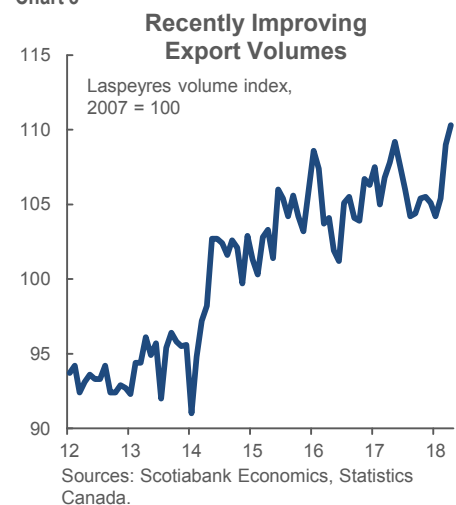


Chart 3



baking in double-digit growth in export volumes so far. This is important to the BoC and the Canadian economy in that it points toward evidence in support of the rotation of the sources of growth more in favour of exports and business investment (chart 4) relative to the household sector.

On the latter note, **existing home sales during May will be released on Friday.** Sales fell by 2.9% m/m in April and have declined in three out of the four months so far this year. We already know that seasonally adjusted sales in the Greater Toronto Area slipped 0.4% m/m but since that has been the weakest major market so far this year it may point to a calming period ahead for sales. Repeat-sales (May) and new house prices (April) will also be released on Wednesday and Thursday, respectively. So far, price softness including adjustments for compositional shifts have been very modest and still give the affordability advantage to new homes over resales (chart 5).

Canada auctions \$700 million of 2050 bonds on Thursday.

### LATIN AMERICA—CONSOLIDATING POWER

**Chilean monetary policy and Mexico’s Presidential election campaign will combine to offer the two main local market influences on top of spillover effects from global developments over the coming week.**

**Scotia’s Benjamin Sierra expects Banco Central de Chile to hold its policy rate at 2.5% on Wednesday.** It has remained there since the last rate cut a little over a year ago. Part of the reason for a holding pattern is that inflation remains reasonably well behaved at 2.0% y/y. That puts it at the lower end of the 2–4% inflation target range. The central bank expects inflation to return to the 3% target into 2019. With this time frame in mind, Sierra forecasts the central bank to begin tightening monetary policy later this year.

**The third and final debate among Mexican Presidential candidates will be on Tuesday.** The election on July 1<sup>st</sup> remains Andres Manuel Lopez Obrador’s (AMLO) to lose with polls continuing to put him firmly in the lead (chart 6). Formal campaigning ends on June 27<sup>th</sup> after which no surveys may be conducted and no materials may be distributed. AMLO’s victory is highly anticipated and the leftist former mayor of Mexico City would govern for six years.

**The uncertainty that remains is how far his Morena party’s power would stretch and hence whether or not there would be checks on his potential powers.** Would Morena capture Congress? Recent polling indicates it could win a majority. Would it stretch its powerbase across regional governments? Morena could capture several governorships across Mexican states; it presently holds none of the 32 but is polling well in several of the 9 that are being contested this time. Mexico’s stock market has dropped as AMLO’s potential grip on power has increased; the S&P/BMV IPC index is at about its lowest since the very end of 2016. The peso has depreciated to about 20½ to the USD. Widespread political control for AMLO and Morena would mean little effective opposition to campaign promises. They include expanded fiscal obligations such as doubling old age pensions and raising student aid including universal access to public universities, lessening the influences of the business elite, reviewing whether to proceed with the present construction of Mexico City’s new airport after reviewing contracts, providing amnesty to some criminals and reviewing or possibly cancelling some oil contracts as part of a possibly more nationalistic approach to the sector. On

Chart 4

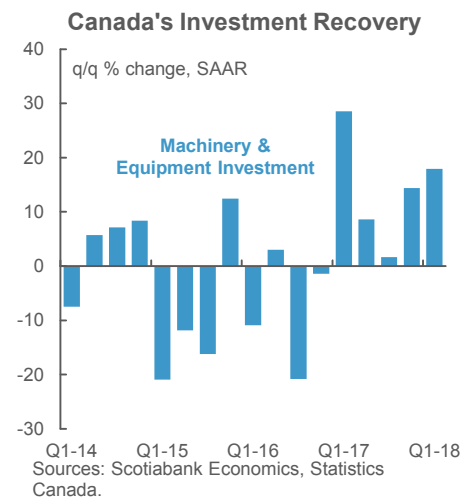


Chart 5

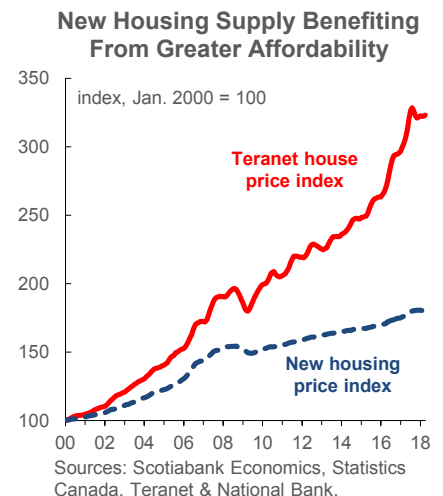
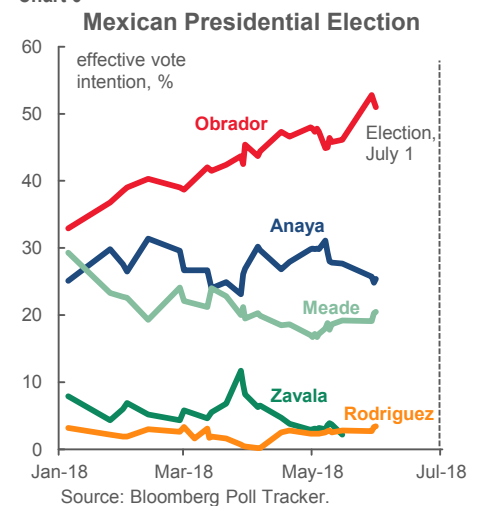


Chart 6



NAFTA, AMLO has sided with Canadian PM Trudeau with the view that no new NAFTA agreement is better than a bad NAFTA deal and has insisted—like Canada—that negotiations remain focused on a trilateral deal against US President Trump's quest for bilateral deals.

### ASIA-PACIFIC—BoJ GIVING UP OR EXTENDING?

Developments toward the end of the week may carry the greatest potential to impact the global market tone. They will include the Bank of Japan's latest communications and the USTR's tariff list on Chinese imports that was noted in the US section.

**The Bank of Japan issues a full set of updated decisions and forecasts on Friday.** No change is expected in the policy balance rate of -0.1%, the 10 year yield target of "around" 0%, and asset purchases. **The greater risk lies in potential changes to inflation forecasts.** The BoJ had previously forecast inflation of 1.3% this year rising to 2.3% in each of 2019 and 2020. Not only do markets not believe the central bank's target (chart 7), they are quite a lot higher than the Bloomberg consensus forecasts for 1% this year and next and then 1.5% in 2020. It is also much higher than present inflation that stood at 0.6% y/y in April including 0.7% for core (ex food) inflation and 0.4% ex-food and energy. **Recall that the BoJ removed reference to the 2% inflation target for around fiscal 2019 in its April statement which spawned some debate about whether this indicated it was emphasizing flexibility, giving up on its inflation target, or indicating an extension of planned stimulus.** It was probably the latter in my opinion.

Also, some debate has arisen around potentially raising the BoJ's nominal 10 year bond yield target in light of tightening Fed policy should the yen weaken too much. The BoJ will be informed by whether the Fed signals an expedited pace of hikes in its projections just two days before. Movements to date in the yen don't really spark enough material concern as the yen has depreciated by only about 5% relative to the USD to 109½ since late March and in the context of still very soft inflation.

**China releases a regular round of monthly indicators starting as this publication goes to print on Friday evening when CPI for May will be released.** Inflation is expected to remain at around 1.8% y/y after decelerating from a temporary commodity-fed spike to 2.9% in February. China also releases aggregate financing and yuan loans data at some point, foreign direct investment at some point, retail sales and industrial production for May on Wednesday night (ET), and then new home prices the next day.

**Indian inflation is expected to rise closer to 5% y/y** when the May figures are released on Tuesday morning (ET). From a trough of 1.5% last June, rising inflation was one reason behind the RBI's rate hike earlier this past week. Congrats to Scotia's Tuuli McCully for going against consensus and successfully calling the hike.

Then it's time to spin the wheels on Australia's latest jobs report that rounds out the release schedule at mid-week.

### EUROPE—ECB JAWBONING

**Thursday's ECB communications will get the most attention by way of Europe's potential impact upon the global market tone.** Data will be well down the list of other potential influences.

**Will the ECB signal a firm exit strategy next week or will it delay doing so for at least one more meeting?** I'm personally skeptical that the ECB is ready to do so just yet but can't ignore the risk. That said, the euro's appreciation may be pricing much of the risk already which may indicate risk of a relatively dovish outcome for market pricing. In the best-case scenario, the ECB could hint at the end of the asset purchase programmes (APP) next week but hold off on implementing this until either July or September with heavy conditionality that lays out the criteria for doing so. That could be as simple as noting that a discussion was had but no clear conclusion was reached.

Chart 7



Recall that the ECB halved its net purchases to €30 billion per month at the start of the year (chart 8) with a commitment to carry through to the end of September 2018. Details on its holdings are available [here](#). It just doesn't make logical sense to me for the ECB to feel it is in a hurry to signal explicit plans to end asset purchases and declare victory. Capital key limits to the ECB's purchase programme are real, but ending purchases and moving toward ending reinvestment and hiking rates are steps that are likely a long way off. Recall that the purchases were "to be carried out until the Governing Council sees a sustained adjustment in the path of inflation that is consistent with its aim of achieving inflation rates below, but close to, 2% over the medium term." **The ECB is nowhere near this point.** Achieving such a goal remains a forecast and inflation forecasts have not performed well. Furthermore, volatile developments in Italian politics and global trade conflict may counsel additional caution.

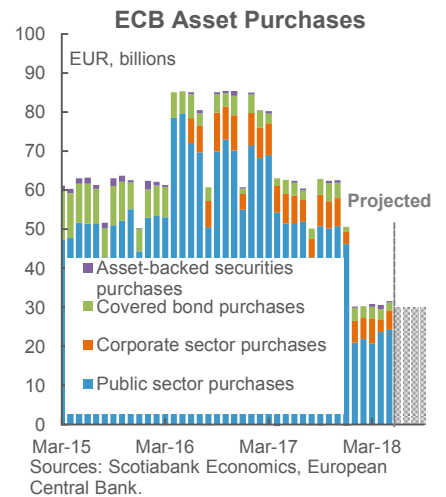
Indeed, what may further inform the ECB debate could be Eurozone CPI revisions at the end of the week. They will also bring out enough detail to calculate 'supercore' CPI inflation excluding packaged vacation prices. This will be important to help assess what drove core CPI higher to 1.1% y/y in May from 0.7% the prior month. If it was due to multi-month ongoing distortions arising from shifting holiday timing and influences on travel costs, then the ECB would be well advised to look through it as 'supercore' inflation would likely remain very soft.

**Consensus is divided toward prospects for a rate cut by Russia's central bank to 7% on the one-week auction rate.** It seems likely they will ease monetary policy. Deputy Governor Ksenai Yudaeva said this past week that "based on the inflation trend we're seeing at the moment, we see some room for reduction."

**UK CPI inflation is slated for a May update on Wednesday.** Scotia's London-based Alan Clarke thinks inflation may tick up to 2.5% y/y from 2.4% in April. Higher energy prices are expected to be the catalyst, and Clarke thinks this will be a transitory influence before inflation keeps marching lower to about 2% toward year-end. The UK also updates trade, industrial production, construction and retail sales figures over the course of the week.

The Eurozone also updates ZEW investor confidence on Tuesday, plus add-ups for industrial production on Wednesday and trade on Friday.

Chart 8





## Key Indicators for the week of June 11 – 15

### NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
MX	06/11	09:00	Industrial Production (m/m)	Apr	--	--	0.0
MX	06/11	09:00	Industrial Production (y/y)	Apr	3.6	--	-3.7
US	06/12	08:30	CPI (m/m)	May	0.4	0.2	0.2
US	06/12	08:30	CPI (y/y)	May	2.9	2.8	2.5
US	06/12	08:30	CPI (index)	May	--	251.7	250.5
US	06/12	08:30	CPI ex. Food & Energy (m/m)	May	0.2	0.2	0.1
US	06/12	08:30	CPI ex. Food & Energy (y/y)	May	2.2	2.2	2.1
US	06/12	14:00	Treasury Budget (US\$ bn)	May	--	-127.0	214.3
US	06/13	07:00	MBA Mortgage Applications (w/w)	JUN 8	--	--	4.1
CA	06/13	08:30	Teranet - National Bank HPI (y/y)	May	--	--	5.6
US	06/13	08:30	PPI (m/m)	May	0.3	0.3	0.1
US	06/13	08:30	PPI ex. Food & Energy (m/m)	May	0.2	0.2	0.2
US	06/13	14:00	<b>FOMC Interest Rate Meeting (%)</b>	<b>Jun 13</b>	<b>2.00</b>	<b>2.00</b>	<b>1.75</b>
CA	06/14	08:30	New Housing Price Index (m/m)	Apr	--	0.0	0.0
US	06/14	08:30	Export Prices (m/m)	May	--	0.5	0.3
US	06/14	08:30	Import Prices (m/m)	May	--	0.5	0.3
US	06/14	08:30	Initial Jobless Claims (000s)	JUN 9	220	222	222.0
US	06/14	08:30	Continuing Claims (000s)	JUN 2	1750	1734	1741.0
US	06/14	08:30	Retail Sales (m/m)	May	0.5	0.4	0.2
US	06/14	08:30	Retail Sales ex. Autos (m/m)	May	0.6	0.5	0.3
US	06/14	10:00	Business Inventories (m/m)	Apr	--	0.3	0.0
CA	06/15	08:30	International Securities Transactions (C\$ bn)	Apr	--	--	6.1
CA	06/15	08:30	Manufacturing Shipments (m/m)	Apr	0.5	0.7	1.4
US	06/15	08:30	Empire State Manufacturing Index	Jun	--	18.5	20.1
CA	06/15	09:00	Existing Home Sales (m/m)	May	--	--	-2.9
US	06/15	09:15	Capacity Utilization (%)	May	78.1	78.1	78.0
US	06/15	09:15	Industrial Production (m/m)	May	0.5	0.2	0.7
US	06/15	10:00	U. of Michigan Consumer Sentiment	Jun P	98.5	98.5	98.0
US	06/15	16:00	Total Net TIC Flows (US\$ bn)	Apr	--	--	-38.5
US	06/15	16:00	Net Long-term TIC Flows (US\$ bn)	Apr	--	--	61.8

### EUROPE

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
IT	06/11	04:00	Industrial Production (m/m)	Apr	--	-0.5	1.2
UK	06/11	04:30	Industrial Production (m/m)	Apr	0.1	0.1	0.1
UK	06/11	04:30	Manufacturing Production (m/m)	Apr	0.2	0.3	-0.1
UK	06/11	04:30	Visible Trade Balance (£ mn)	Apr	-11500	-11300	-12287
IT	06/12	04:00	Unemployment Rate (%)	1Q	--	11.1	11.0
UK	06/12	04:30	Average Weekly Earnings (3-month, y/y)	Apr	2.5	2.5	2.6
UK	06/12	04:30	Employment Change (3M/3M, 000s)	Apr	140	124.0	197.0
UK	06/12	04:30	Jobless Claims Change (000s)	May	--	--	31.2
UK	06/12	04:30	ILO Unemployment Rate (%)	Apr	4.2	4.2	4.2
EC	06/12	05:00	ZEW Survey (Economic Sentiment)	Jun	--	--	2.4
GE	06/12	05:00	ZEW Survey (Current Situation)	Jun	85.5	85.0	87.4
GE	06/12	05:00	ZEW Survey (Economic Sentiment)	Jun	-12.0	-14.0	-8.2
SP	06/13	03:00	CPI (m/m)	May F	--	0.9	0.9
SP	06/13	03:00	CPI (y/y)	May F	--	2.0	2.0
SP	06/13	03:00	CPI - EU Harmonized (m/m)	May F	--	0.9	0.9
SP	06/13	03:00	CPI - EU Harmonized (y/y)	May F	--	2.1	2.1
UK	06/13	04:30	CPI (m/m)	May	--	0.4	0.4
UK	06/13	04:30	CPI (y/y)	May	2.5	2.4	2.4
UK	06/13	04:30	PPI Input (m/m)	May	--	2.0	0.4
UK	06/13	04:30	PPI Output (m/m)	May	--	0.3	0.3
UK	06/13	04:30	RPI (m/m)	May	--	0.4	0.0
UK	06/13	04:30	RPI (y/y)	May	3.4	3.4	3.4
EC	06/13	05:00	Employment (q/q)	1Q	--	--	0.3
EC	06/13	05:00	Industrial Production (m/m)	Apr	-0.5	-0.6	0.5
EC	06/13	05:00	Industrial Production (y/y)	Apr	2.9	2.9	3.0

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

## Key Indicators for the week of June 11 – 15

### EUROPE (continued from previous page)

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
GE	06/14	02:00	CPI (m/m)	May F	--	0.5	0.5
GE	06/14	02:00	CPI (y/y)	May F	--	2.2	2.2
GE	06/14	02:00	CPI - EU Harmonized (m/m)	May F	--	0.6	0.6
GE	06/14	02:00	CPI - EU Harmonized (y/y)	May F	--	2.2	2.2
FR	06/14	02:45	CPI (m/m)	May F	--	0.4	0.4
FR	06/14	02:45	CPI (y/y)	May F	--	2.0	2.0
FR	06/14	02:45	CPI - EU Harmonized (m/m)	May F	--	0.4	0.4
FR	06/14	02:45	CPI - EU Harmonized (y/y)	May F	--	2.3	2.3
UK	06/14	04:30	Retail Sales ex. Auto Fuel (m/m)	May	--	0.3	1.3
UK	06/14	04:30	Retail Sales with Auto Fuel (m/m)	May	--	0.5	1.6
EC	06/14	07:45	<b>ECB Main Refinancing Rate (%)</b>	<b>Jun 14</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
EC	06/15	05:00	CPI (m/m)	May	1.1	0.5	0.5
EC	06/15	05:00	CPI (y/y)	May F	1.9	1.9	1.9
EC	06/15	05:00	Euro zone Core CPI Estimate (y/y)	May F	--	1.1	1.1
EC	06/15	05:00	Labour Costs (y/y)	1Q	--	--	1.5
EC	06/15	05:00	Trade Balance (€ mn)	Apr	--	--	26932.6
IT	06/15	05:00	CPI - EU Harmonized (y/y)	May F	--	1.1	1.1
RU	06/15	06:30	<b>One-Week Auction Rate (%)</b>	<b>Jun 15</b>	<b>7.25</b>	<b>7.25</b>	<b>7.25</b>

### ASIA-PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CH	JUNE 9-15		Aggregate Financing (CNY bn)	May	1350	1300	1561
CH	JUNE 9-15		New Yuan Loans (bn)	May	1200	1200	1180
NZ	06/10	18:45	Manufacturing Activity	1Q	--	--	2.8
JN	06/10	19:50	Machine Orders (m/m)	Apr	--	2.4	-3.9
JN	06/10	19:50	Japan Money Stock M2 (y/y)	May	--	3.30	3.30
JN	06/10	19:50	Japan Money Stock M3 (y/y)	May	--	2.8	2.8
IN	JUNE 10-29		Current Account Balance	1Q	--	-12.5	-13.5
MA	06/11	00:00	Industrial Production (y/y)	Apr	--	4.3	3.1
JN	06/11	02:00	Machine Tool Orders (y/y)	May P	--	--	22.0
AU	06/11	21:30	Home Loans (%)	Apr	--	-1.8	-2.2
AU	06/11	21:30	Investment Lending (% change)	Apr	--	--	-9.0
JN	06/12	00:30	Tertiary Industry Index (m/m)	Apr	--	0.6	-0.3
SI	06/12	01:00	Retail Sales (y/y)	Apr	--	1.8	-1.5
IN	06/12	08:00	CPI (y/y)	May	5.0	4.8	4.6
IN	06/12	08:00	Industrial Production (y/y)	Apr	--	6.0	4.4
AU	06/13	21:30	Employment (000s)	May	15.0	19.0	22.6
AU	06/13	21:30	Unemployment Rate (%)	May	5.6	5.6	5.6
CH	06/13	22:00	Fixed Asset Investment YTD (y/y)	May	7.2	7.0	7.0
CH	06/13	22:00	Industrial Production (y/y)	May	6.7	7.0	7.0
CH	06/13	22:00	Retail Sales (y/y)	May	10.0	9.6	9.4
JN	06/14	00:30	Capacity Utilization (m/m)	Apr	--	--	0.5
JN	06/14	00:30	Industrial Production (y/y)	Apr F	2.5	--	2.5
IN	06/14	02:30	Monthly Wholesale Prices (y/y)	May	--	4.00	3.18
HK	06/14	04:30	Industrial Production (y/y)	1Q	--	--	0.6
NZ	06/14	18:30	Business NZ PMI	May	--	--	58.9
SK	06/14	19:00	Unemployment Rate (%)	May	3.8	--	3.8
IN	JUNE 14-15		Exports (y/y)	May	--	--	5.17
IN	JUNE 14-15		Imports (y/y)	May	--	--	4.60
JN	JUNE 14-15		<b>BoJ Policy Rate (%)</b>	<b>Jun 15</b>	<b>-0.10</b>	<b>--</b>	<b>-0.10</b>
PH	JUNE 14-18		Overseas Remittances (y/y)	Apr	--	10.0	-9.8

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



## Key Indicators for the week of June 11 – 15

### LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Indicator</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>
PE	06/11		Trade Balance (USD mn)	Apr	--	--	589
BZ	06/13	08:00	Retail Sales (m/m)	Apr	--	--	0.3
BZ	06/13	08:00	Retail Sales (y/y)	Apr	--	--	6.5
CL	06/13	18:00	<b>Nominal Overnight Rate Target (%)</b>	<b>Jun 13</b>	<b>2.50</b>	<b>2.50</b>	<b>2.50</b>
PE	06/14		Economic Activity Index NSA (y/y)	Apr	5.5	--	3.9
PE	06/14		Unemployment Rate (%)	May	--	--	7.3
BZ	06/15	07:30	Economic Activity Index SA (m/m)	Apr	--	--	-0.7
BZ	06/15	07:30	Economic Activity Index NSA (y/y)	Apr	--	--	-0.7
CO	06/15	11:00	Retail Sales (y/y)	Apr	--	5.0	5.5

## Global Auctions for the week of June 11 – 15

### NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	06/11	13:00	U.S. to Sell USD 32Bln 3-Year Notes
US	06/11	13:00	U.S. to Sell USD 22Bln 10-Year Notes Reopening
US	06/12	13:00	U.S. to Sell USD 14Bln 30-Year Bonds Reopening
CA	06/14	12:00	Canada to Sell CAD700 Mln 0.500% 2050 Bonds

### EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
NE	06/12	05:00	Netherlands to Sell Up to 2.5B Euros of 0% 2024 Bonds
FI	06/12	08:02	Finland to Sell Up to 1B Euros of 1.125% 2034 Bonds
IT	06/13	05:00	Italy to Sell Up to 2 Billion Euros of 0.05% 2021 Bonds
NO	06/13	05:00	Norway to Sell Bonds
SW	06/13	05:00	Sweden to Sell 1.5 Billion Kronor of 1% 2026 Bonds
SZ	06/13	05:15	Switzerland to Sell Bonds
GE	06/13	05:30	Germany to Sell EUR2 Bln 0.5% 2028 Bonds
PO	06/13	05:30	Portugal to Sell 4.95% 2023 Bonds
PO	06/13	05:30	Portugal to Sell 2.125% 2028 Bonds
IT	06/13	11:00	Italy to Sell Bonds
IR	06/14	05:30	Bond auction

### ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CH	06/11	02:00	Shaanxi to Sell Bonds
CH	06/11	02:00	Henan to Sell Bonds
AU	06/11	21:00	Australia To Sell AUD150 Mln 2.00% 2035 Bonds
CH	06/12	02:00	Guangdong to Sell Bonds
CH	06/12	22:35	China to Sell CNY29 Bln 2-Yr Upsized Bonds
CH	06/12	22:35	China to Sell CNY45 Bln 5-Yr Upsized Bonds
CH	06/13	21:30	Gansu to Sell Bonds
NZ	06/13	22:05	New Zealand Plans To Sell NZD200Mln 2.75% 2025 Bonds
CH	06/13	22:30	Gansu to Sell Bonds
CH	06/14	02:00	Jilin to Sell Bonds
CH	06/14	22:35	China to Sell CNY29 Bln 30-Yr Upsized Bonds

Source: Bloomberg, Scotiabank Economics.

## Events for the week of June 11 – 15

### NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CA	JUNE 8-9		G-7 Leaders' Summit Held in La Malbaie, Quebec
US	06/12		Maine state primary
US	06/12		Nevada state primary
US	06/12		North Dakota state primary
US	06/12		South Carolina state primary
US	06/12		Virginia state primary
MX	06/12		Round 3: Presidential Candidates Debate Takes Place in Merida
US	06/12		US-North Korea Summit held in Singapore
US	06/13	14:00	<b>FOMC Rate Decision</b>
US	06/13	14:30	Fed's Powell Holds Press Conference Following FOMC Decision
US	06/15	13:30	Fed's Kaplan Speaks in Fort Worth

### EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
UK	06/13	13:15	Bank of England's Anil Kashyap Speaks in London
EC	06/14	07:45	<b>ECB Main Refinancing Rate</b>
EC	06/14	08:30	ECB President Draghi Holds Press Conference in Riga
NO	06/14	10:00	Norway Central Bank Deputy Governor Matsen Speech
AS	06/15	04:00	ECB's Nowotny Presents Austrian Economic Outlook in Vienna
EC	06/15	04:45	ECB Executive Board Member Coeure Speaks in Paris
RU	06/15	06:30	<b>Key Rate</b>
RU	06/15	08:00	Bank of Russia Governor Nabiullina holds news conference
UK	06/15		United Kingdom Sovereign Debt to Be Rated by Moody's
IR	06/15		Ireland Sovereign Debt to be rated by Fitch

### ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
AU	06/12	22:00	RBA's Lowe gives speech in Melbourne
SK	06/12	00:00	Local Elections Held in South Korea
AU	06/12	00:00	RBA Governor Philip Lowe Speaks in Melbourne
AU	06/14	23:30	RBA's Ellis Gives Speech in Sydney
JN	06/14	00:00	<b>BOJ Policy Balance Rate</b>

### LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CL	06/13	18:00	<b>Overnight Rate Target</b>

Source: Bloomberg, Scotiabank Economics.

## Global Central Bank Watch

### NORTH AMERICA

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
Bank of Canada – Overnight Target Rate	1.25	July 11, 2018	1.50	1.50
Federal Reserve – Federal Funds Target Rate	1.75	June 13, 2018	2.00	2.00
Banco de México – Overnight Rate	7.50	June 21, 2018	7.50	7.75

**Federal Reserve:** The target rate range is expected to rise by 25bps to 1.75-2.0% but the bigger question relative to market pricing will be whether or not the FOMC adds to the number of forecast rate hikes and does so in 2018. We're skeptical and see the Fed postponing consideration of such a move. See the US section of the Global Week Ahead for more.

### EUROPE

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
European Central Bank – Refinancing Rate	0.00	June 14, 2018	0.00	0.00
Bank of England – Bank Rate	0.50	June 21, 2018	0.50	0.50
Swiss National Bank – Libor Target Rate	-0.75	June 21, 2018	-0.75	-0.75
Central Bank of Russia – One-Week Auction Rate	7.25	June 15, 2018	7.00	7.25
Sweden Riksbank – Repo Rate	-0.50	July 3, 2018	-0.50	-0.50
Norges Bank – Deposit Rate	0.50	June 21, 2018	0.50	0.50
Central Bank of Turkey – Benchmark Repo Rate	17.75	July 24, 2018	17.75	--

**ECB:** No policy changes are expected but a discussion on exiting asset purchases is likely. The ECB could hint at the end of the asset purchase programmes but hold off on implementing this until a future meeting with heavy conditionality that lays out the criteria for doing so. The criteria for winding down stimulus is not yet being met in the context of heightened Italian political risks and uncertainty over global trade policies.

**Central Bank of Russia:** Consensus is divided toward prospects for a rate cut to 7% on the one-week auction rate. Deputy Governor Ksenai Yudaeva said this past week that "based on the inflation trend we're seeing at the moment, we see some room for reduction."

### ASIA PACIFIC

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
Bank of Japan – Policy Rate	-0.10	June 15, 2018	-0.10	0.00
Reserve Bank of Australia – Cash Target Rate	1.50	July 3, 2018	1.50	1.50
Reserve Bank of New Zealand – Cash Rate	1.75	June 27, 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	6.00
Bank of Korea – Bank Rate	1.50	July 12, 2018	1.50	1.50
Bank of Thailand – Repo Rate	1.50	June 20, 2018	1.50	1.50
Bank Negara Malaysia – Overnight Policy Rate	3.25	July 11, 2018	3.25	3.25
Bank Indonesia – 7-Day Reverse Repo Rate	4.75	June 28, 2018	4.75	4.75

**The Bank of Japan's (BoJ)** next monetary policy meeting is scheduled for June 15. Recent soft GDP and inflation data suggest that the BoJ will not be normalizing monetary policy any time soon. We expect the central bank to continue its "Quantitative and Qualitative Monetary Easing with Yield Curve Control" through 2019.

### LATIN AMERICA

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
Banco Central do Brasil – Selic Rate	6.50	June 20, 2018	6.50	6.25
Banco Central de Chile – Overnight Rate	2.50	June 13, 2018	2.50	2.50
Banco de la República de Colombia – Lending Rate	4.25	June 29, 2018	4.25	4.25
Banco Central de Reserva del Perú – Reference Rate	2.75	July 12, 2018	2.75	2.75

**Banco Central de Chile:** The policy rate is expected to remain at 2.5% given inflation continues to ride at the lower end of the inflation target range.

### AFRICA

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
South African Reserve Bank – Repo Rate	6.50	July 19, 2018	6.50	6.50

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

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