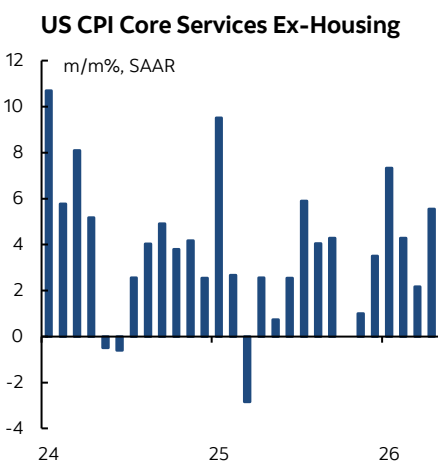


Contributors

Derek Holt

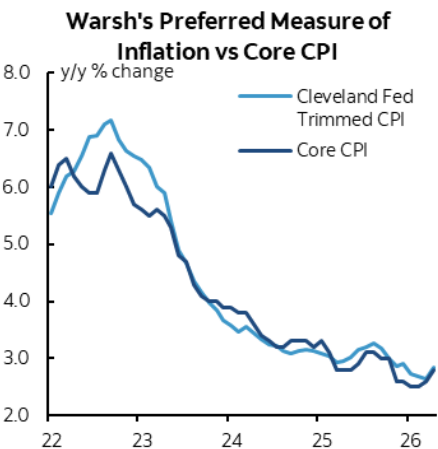
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Chart 1



Sources: Scotiabank Economics, BLS.

Chart 2



Sources: Scotiabank Economics, BLS, Cleveland Fed.

On Deck for Wednesday, June 10th

| Country | Date | Time | Indicator | Period | BNS | Consensus | Latest |
|-----------|--------------|--------------|---|---------------|-------------|-------------|-------------|
| US | 06-10 | 07:00 | MBA Mortgage Applications (w/w) | Jun 05 | -- | -- | -2.5 |
| US | 06-10 | 08:30 | CPI (m/m) | May | 0.4 | 0.5 | 0.6 |
| US | 06-10 | 08:30 | CPI (y/y) | May | 4.1 | 4.2 | 3.8 |
| US | 06-10 | 08:30 | CPI (index) | May | -- | 335.1 | 333.0 |
| US | 06-10 | 08:30 | CPI ex. Food & Energy (m/m) | May | 0.3 | 0.3 | 0.4 |
| US | 06-10 | 08:30 | CPI ex. Food & Energy (y/y) | May | 2.9 | 2.9 | 2.8 |
| CA | 06-10 | 09:45 | BoC Interest Rate Announcement (%) | Jun 10 | 2.25 | 2.25 | 2.25 |
| CA | 06-10 | 10:30 | BoC Press Conference | | | | |
| US | 06-10 | 14:00 | Treasury Budget (US\$ bn) | May | -- | -283.6 | 215.0 |

KEY POINTS:

- **Anxious bonds await US CPI**
- **Oil ignores US-Iran attacks**
- **US CPI: conflicting trimmed measures**
- **BoC — Keep it short and sweet**
- **Norges Bank hike pricing increased after CPI**
- **China's CPI remained tame**
- **BoJ's Ueda will skip next week's meeting**

The week's developments heat up quickly starting today with US CPI and the BoC ahead of the ECB tomorrow. There was little fuss over the US and Iran exchanging fire overnight as oil is basically flat. Sovereign bond yields are a touch antsy ahead of US CPI as evidenced by a mild cheapening bias across US Ts, gilts and EGBs. Equities are broadly in the red with losses of ¾% to over 1% in US futures, -½% in TSX futures and around -½% across European cash markets. The dollar is mixed as it's losing ground to the won, CAD, and European crosses but up against the yen and Antipodeans.

The yen is stable despite reports that BoJ Governor Ueda has been hospitalized and will skip next week's meeting but probably be there in July. Markets are priced for a hike next week.

US CPI TO SET THE STAGE FOR WARSH'S ENTRY

Consensus expects core CPI to rise by 0.3% m/m which is also my estimate (8:30amET). Total CPI is expected to rise by 0.5% m/m (Scotia 0.4%). The results should lift y/y CPI inflation to over 4% with core approaching 3%. Key may be whether the cool core goods inflation in recent reports combines with some relief in core services inflation after the prior surge (chart 1).

Then watch for the Cleveland Fed's trimmed and median CPI soon afterward, given Warsh's preference for central tendency measures. There has not been the spread between the core CPI and trimmed CPI measures (chart 2) that has arisen for core PCE versus trimmed PCE (chart 3). Warsh's preference is toward trimmed PCE which arrives after core PCE inflation on June 25th.

A fuller CPI preview is in my weekly.

BANK OF CANADA — KEEP IT SHORT AND SWEET

No one expects the BoC to do anything this morning. The best advice is to issue a short statement and opening remarks by Governor Macklem (both at 9:45amET), hold a short presser (10:30amET), and say see ya next month with fresh forecasts at which point it will be see ya after summer in September. The BoC is monitoring all manner of developments that will take time and patience for now. See my weekly for a fuller preview.

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PERU CONTINUES TO AWAIT ELECTION RESULTS

Our Peruvian clients and colleagues continue to monitor the ongoing election contest that may come down to overseas votes and a diaspora vote that may combine to overturn the slight lead by the left-wing candidate. The sol's appreciation yesterday is banking on such a market friendly outcome as opposed to a turn to the left.

NORGES HIKE PRICING RAISED POST-CPI

Norway's inflation was stronger than expected. Total CPI was up 0.2% m/m (0.1% consensus) and 3.1% y/y (3.1% consensus, 3.4% prior) but underlying CPI that excludes energy and taxes was up by 0.4% m/m (0.2% consensus) and 3.4% y/y (3.2% consensus). The krone is among the strongest crosses to the dollar this morning, while short-term yields climbed. Markets increased pricing for the chance of another rate hike after the 25bps increase on May 7th with about a one-in-four chance at the next week's decision, 50–50 odds in August and a 25bps hike priced for September.

CHINA — MIRACULOUSLY NO INFLATION TO BE FOUND

It's a miracle! Hallelujah! The world's biggest importer of oil wants us to believe it's the only country on the planet with no inflation in the aftermath of the war and its effects on broad commodity prices. If something's too good to be true...

Anyway, China's CPI inflation figures were a touch softer than expected in May. Total CPI was up 1.2% y/y with core CPI ex-food and energy up 1.1% y/y, both of which were a tick beneath consensus. Chart 4 shows the annualized m/m core inflation rates that have decelerated as the war erupted. Producer prices jumped 3.9% y/y (2.8% prior) in line with consensus but at about a four-year high.

So, one possibility is that firms are eating the input price surge in margins. Another is that they're being told to by the state, particularly the SOEs. Another is that the data is made up. You pick.

Chart 3

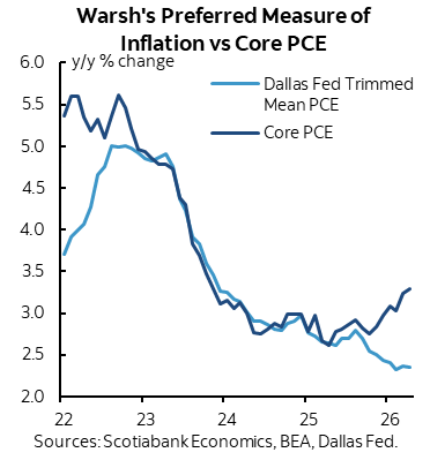
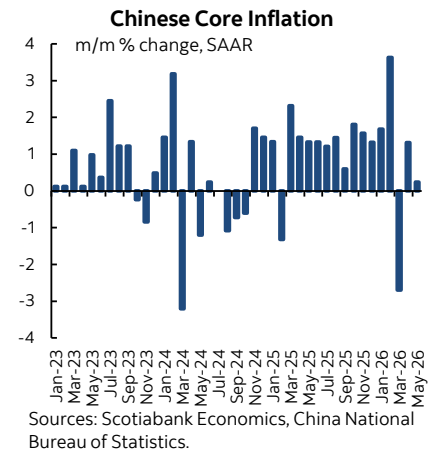


Chart 4



| Fixed Income | Government Yield Curves (%): | | | | | | | | | | | | Central Banks | |
|--------------|------------------------------|-------|------|---------|-------|-------|-----------|-------|--------------------|--------------|-------|------|------------------|------|
| | 2-YEAR | | | 5-YEAR | | | 10-YEAR | | | 30-YEAR | | | Current Rate | |
| | Last | 1-day | 1-wk | Last | 1-day | 1-wk | Last | 1-day | 1-wk | Last | 1-day | 1-wk | | |
| U.S. | 4.13 | 4.12 | 4.08 | 4.26 | 4.25 | 4.22 | 4.52 | 4.52 | 4.50 | 5.01 | 5.00 | 4.99 | Canada - BoC | 2.25 |
| CANADA | 2.85 | 2.88 | 2.80 | 3.14 | 3.18 | 3.07 | 3.49 | 3.53 | 3.41 | 3.88 | 3.91 | 3.79 | US - Fed | 3.75 |
| GERMANY | 2.69 | 2.67 | 2.67 | 2.78 | 2.76 | 2.75 | 3.06 | 3.04 | 3.04 | 3.61 | 3.59 | 3.57 | England - BoE | 3.75 |
| JAPAN | 1.43 | 1.42 | 1.41 | 1.94 | 1.94 | 1.91 | 2.69 | 2.68 | 2.64 | 3.87 | 3.89 | 3.87 | | |
| U.K. | 4.34 | 4.33 | 4.37 | 4.47 | 4.46 | 4.49 | 4.91 | 4.90 | 4.93 | 5.60 | 5.59 | 5.62 | | |
| | Spreads vs. U.S. (bps): | | | | | | | | | | | | | |
| CANADA | -128 | -124 | -128 | -112 | -106 | -114 | -104 | -99 | -108 | -113 | -109 | -121 | Euro zone - ECB | 2.15 |
| GERMANY | -143 | -145 | -141 | -147 | -149 | -146 | -146 | -148 | -146 | -140 | -141 | -142 | Japan - BoJ | 0.75 |
| JAPAN | -270 | -270 | -268 | -231 | -231 | -231 | -183 | -184 | -186 | -114 | -111 | -112 | | |
| U.K. | 22 | 21 | 29 | 22 | 21 | 27 | 39 | 38 | 44 | 59 | 59 | 63 | Mexico - Banxico | 6.50 |
| Equities | Level | | | | | | % change: | | | | | | | |
| | Last | | | Change | 1 Day | 1-wk | 1-mo | 1-yr | | | | | | |
| S&P/TSX | 34412 | | | -67.0 | -0.2 | -2.2 | 1.0 | 30.2 | Australia - RBA | 4.35 | | | | |
| Dow 30 | 50872 | | | 86.1 | 0.2 | -0.8 | 2.5 | 18.7 | New Zealand - RBNZ | 2.25 | | | | |
| S&P 500 | 7387 | | | -19.1 | -0.3 | -2.9 | -0.2 | 22.3 | | | | | | |
| Nasdaq | 25679 | | | -250.8 | -1.0 | -5.2 | -2.2 | 30.3 | | | | | | |
| DAX | 24243 | | | -189.9 | -0.8 | -2.2 | -0.4 | 1.1 | Next Meeting Date | | | | | |
| FTSE | 10182 | | | -44.9 | -0.4 | -1.5 | -0.5 | 15.0 | Canada - BoC | Jun 10, 2026 | | | | |
| Nikkei | 64179 | | | -1237.4 | -1.9 | -6.2 | 2.3 | 68.0 | US - Fed | Jun 17, 2026 | | | | |
| Hang Seng | 24408 | | | -157.9 | -0.6 | -4.8 | -7.5 | 1.0 | | | | | | |
| CAC | 8179 | | | -24.3 | -0.3 | 0.4 | 0.8 | 4.8 | England - BoE | Jun 18, 2026 | | | | |
| Commodities | Level | | | | | | % change: | | | | | | | |
| WTI Crude | 87.98 | | | -0.22 | -0.2 | -8.4 | -7.8 | 35.4 | Euro zone - ECB | Jun 11, 2026 | | | | |
| Natural Gas | 3.18 | | | 0.04 | 1.3 | -1.0 | 15.4 | -10.0 | Japan - BoJ | Jun 16, 2026 | | | | |
| Gold | 4175.64 | | | -85.21 | -2.0 | -5.8 | -11.8 | 25.6 | | | | | | |
| Silver | 68.60 | | | 1.48 | 2.2 | -10.0 | -14.9 | 89.2 | | | | | | |
| CRB Index | 372.32 | | | 0.00 | 0.0 | -4.3 | -4.4 | 24.4 | | | | | | |
| Currencies | Level | | | | | | % change: | | | | | | | |
| USDCAD | 1.3928 | | | -0.0021 | -0.2 | 0.2 | 1.8 | 1.9 | Mexico - Banxico | Jun 25, 2026 | | | | |
| EURUSD | 1.1552 | | | 0.0009 | 0.1 | -0.4 | -2.0 | 1.1 | | | | | | |
| USDJPY | 160.48 | | | 0.1200 | 0.1 | 0.3 | 2.1 | 10.8 | Australia - RBA | Jun 16, 2026 | | | | |
| AUDUSD | 0.7010 | | | -0.0020 | -0.3 | -1.7 | -3.3 | 7.5 | | | | | | |
| GBPUSD | 1.3392 | | | 0.0012 | 0.1 | -0.2 | -1.6 | -0.8 | New Zealand - RBNZ | Jul 07, 2026 | | | | |
| USDCHF | 0.7986 | | | 0.0004 | 0.1 | 0.8 | 2.6 | -2.9 | | | | | | |

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