

Contributors

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On Deck for Thursday, June 18th

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	06-18	08:30	IPPI (m/m)	May	--	1.0	2.0
CA	06-18	08:30	Raw Materials Price Index (m/m)	May	--	1.1	2.6
US	06-18	08:30	Philadelphia Fed Index	Jun	--	10.0	-0.4
US	06-18	08:30	Initial Jobless Claims (000s)	Jun 13	215	225.0	229.0
US	06-18	08:30	Continuing Claims (000s)	Jun 06	1780	1789.5	1795.0
US	06-18	10:00	Leading Indicators (m/m)	May	--	0.1	0.1
US	06-18	16:00	Total Net TIC Flows (US\$ bn)	Apr	--	--	150.7
US	06-18	16:00	Net Long-term TIC Flows (US\$ bn)	Apr	--	--	81.3

KEY POINTS:

- **US Treasuries continue flattening the day after the FOMC**
- **The US waved the white flag in its MOU with Iran**
- **BoE held amid MPC divisions**
- **UK job growth ebbed as wages accelerated**
- **Canadian small businesses point to increases in BoC's inflation expectations**
- **Canadian producer price update to inform lagging consumer pass through**
- **BI hiked again and tightened FX rules**
- **BSP might have hiked by more given the peso reaction**
- **SNB warns on FX intervention**
- **Norges Bank held, issued lukewarm hike guidance**
- **US quiet with just claims on tap**

The day after Kevin Warsh's debut is offering a calmer market backdrop in US and Canadian markets as the rest of the world catches up. My FOMC recap is available [here](#). The US Treasury yield curve is flattening a touch with 2s slightly cheaper and the longer end rallying on hope that the Fed will act to contain inflation pressure. Canada's curve is doing likewise. Gilts and EGBs are catching up to yesterday afternoon's FOMC communications and driving curve flatteners with shorter-term yields up by about 5bps across Europe. Antipodean yields performed similarly but the kiwi curve is underperforming everyone else.

Stocks are mixed, with US and Canadian futures up a touch but European cash markets are in the red as they catch up. The dollar is a bit firmer again this morning in an extension of yesterday afternoon's reaction.

Bank of England — Holds Amid MPC Divisions

The Bank of England left Bank Rate unchanged at 3.75% as priced and universally expected. The 7–2 vote positioned the majority against two MPC members who called for a 25bps hike (Pill and Greene). Divisions on the MPC were substantial as some members were more encouraged by the US-Iran MOU with fewer concerns about second round effects on inflation, while Governor Bailey noted he accepts that inflation risks are skewed to the upside and pressures from the war are still in the inflation pipeline.

The two-year gilt yield is about 5bps higher this morning but was little affected by the BoE's communications. Ditto for sterling. Markets eased off nearer-term pricing for a BoE hike but retained pricing for about 30bps of tightening by year-end.

UK Job Growth Ebbs, Wages Accelerate

UK job growth basically ground to a halt as wage growth accelerated just hours before the Bank of England's decision. Payroll positions were little changed with just 1,733 new spots

added in May. Total employment lags, but April was also little changed with just 18k overall jobs added. Both have been decelerating for a while (charts 1, 2). There was also little change in job vacancies (chart 3).

Yet wage growth accelerated to the fastest pace since September. Wages were up by 5.3% m/m SAAR (chart 4).

Bank Indonesia — It Worked, for Now

Indonesia’s central bank hiked its policy rate by another 25bps overnight, matching the expectations of the majority of forecasters notwithstanding a significant minority who thought they’d hold and a pair who called for +50. BI also tightened some of the regulatory rules around FX activity. The one-two punch was aimed at controlling the rupiah’s weakness and it had been depreciating post-Fed and pre-BI. The move worked for now as the rupiah bounced back following the decision to reinforce the pattern of gains since the emergency meeting delivered a hike back on June 9th.

BSP — Should’ve Hiked by More?

If the aim of the overnight rate hike that was delivered by Bangko Sentral ng Pilipinas was to control the peso’s slide, then it didn’t work so well. The peso slipped further after the overnight rate went up by 25bps to 4.75% for the second hike following the one on April 23rd. Governor Remolona

guided that BSP is prepared to hike again amid concern that inflation would persists above the 4% target ceiling throughout the forecast horizon. Given the peso reaction and BSP’s forecast for inflation to persistently target the upper ceiling, perhaps BSP should have appeased the sizeable minority who called for +50bps and were disappointed by the aftermath.

New Zealand’s Economy Beats on Revisions

Kiwi Q1 GDP grew by 0.8% q/q SA nonannualized, matching expectations, but the prior quarter was revised up by three-tenths to 0.5% for an overall net beat. Q1 growth was led by services (+0.5% q/q), agriculture/forestry/fishing (+1.2%) and manufacturing (+1.9%) as mining shrank (-11.6%) along with construction and utilities output. The NZ\$ was soft but outperformed other major crosses against the USD overnight.

SNB — FX Intervention Warning

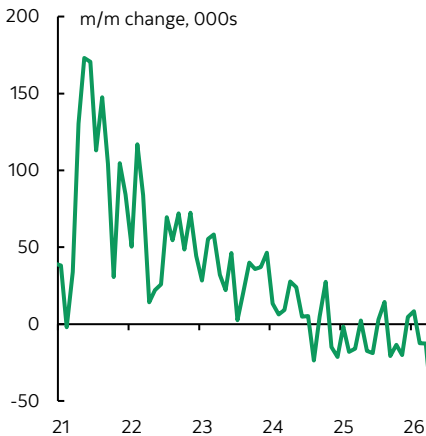
To no one’s surprise, the Swiss National Bank stayed on hold at a policy rate of 0%. A warning that it is increasingly prepared to intervene in FX was met by currency softness as the franc slipped overnight against the dollar and euro but was flat to sterling.

Norges — A Lukewarm Hike Warning

Norway’s central bank held its deposit rate unchanged at 4.25% after hiking on May 29th. The krone fell even as Norway’s short-term bond yields spiked higher on guidance that further policy tightening is likely. Explicit forward guidance (chart 5) noted that the rate outlook was raised compared to the last time in March “and is just above 4.5% at the end of the year.” Chart 5 demonstrates that this forward guidance is nevertheless expected to represent temporary tightening to thwart second-round effects on inflation as tightening subsequently reverses

Chart 1

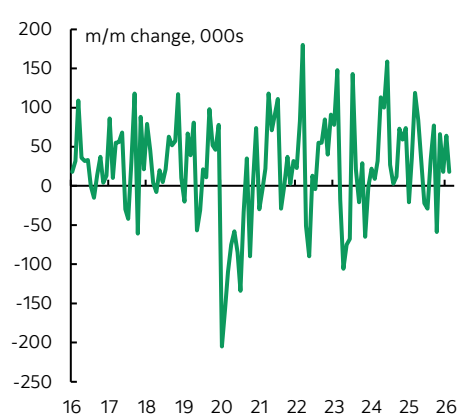
UK Payroll Employment



Sources: Scotiabank Economics, UK ONS.

Chart 2

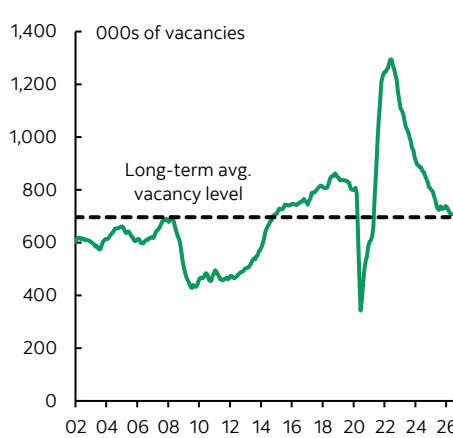
UK Total Employment



Sources: Scotiabank Economics, UK ONS.

Chart 3

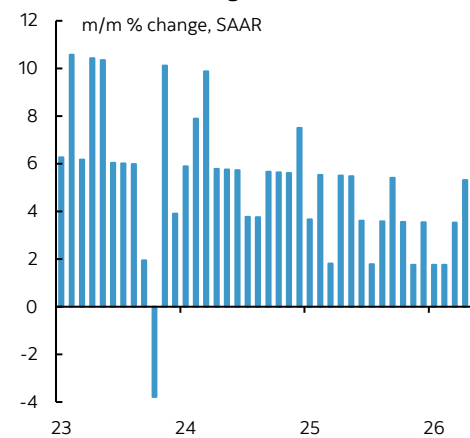
UK Job Vacancies



Sources: Scotiabank Economics, UK ONS.

Chart 4

UK Wage Growth



Sources: Scotiabank Economics, UK ONS.

later on in the forecast horizon. Having said that, the guidance around the risks to this outlook was fairly even handed, as Norges noted much depends on the speed of normalization in energy markets and how domestic data evolves.

Light N.A. Data Focused on Canadian Inflation

Canada is getting a pair of inflation teasers ahead of next week’s CPI refresh. For one, the CFIB—a small business association and lobby group—released its monthly survey this morning. Its monthly measure of inflation expectations tends to lead the Bank of Canada’s quarterly business survey and is more timely than the BoC’s monthly Business Leaders’ Pulse survey. Chart 6 shows that the CFIB survey points to the next quarterly BOS measure of inflation expectations in July moving much higher and there is a strong correlation notwithstanding mismatched 1- and 2-year horizons. The CFIB measure tends to track beneath the BLP monthly measure which suggests that the Pulse measure of 1-year ahead inflation expectations could remain elevated with upward pressure.

Canada will also refresh producer prices for the month of May this morning (8:30amET). Further gains in industrial and raw materials prices are likely, but key remains assessing the trend in core industrial prices. April’s industrial prices ex-energy jumped by 1.1% m/m which lifted the year-over-year rate to 7.6% and that serves as a leading indicator of coming pressures on core CPI (chart 7).

The US goes relatively quiet today with weekly jobless claims on tap (8:30amET).

US-Iran M.O.U. Text

The text is finally out from both sides at first from the US yesterday following earlier leaks and this morning from Iran’s President ([here](#)). The US may as well have sounded the bugle retreat call and waved the white flag in my opinion. Trump’s low bar for deal success points to the stock market’s reaction which is an odd arbiter of foreign affairs lacking the foresight to anticipate future developments in the Middle East including deferred conflict. I mean, seriously, have you learned absolutely nothing about the stock market and Middle East tensions dating back to the Gulf War??

There is plenty of scope for the MOU to fall apart including the open window beyond 60 days.

Take, for instance, point #1 that calls for the end of conflicts on all fronts including Lebanon. That requires Israel to be onside. Good luck.

Point 4 requires the US to end its blockade within 30 days and remove all US forces in “proximity of Iran.”

Point 5 says Iran will open up the Strait of Hornuz with no fees, for 60 days but Iran’s President noted that Iran and Oman will then discuss the future administration of the Strait including fees.

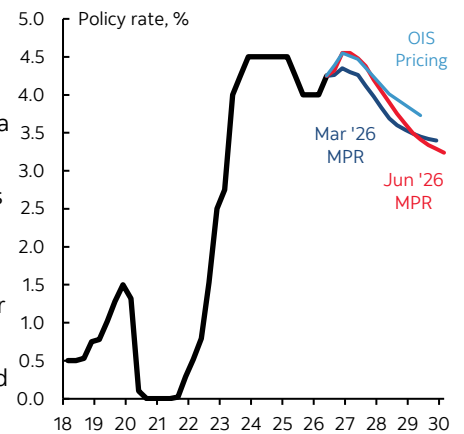
Point 6 explicitly notes the creation of a fund worth at least US\$300 billion for the reconstruction and development of Iran. The form of the fund will be established over the 60 day negotiating period. Trump has said that US taxpayers won’t foot this bill. Who will and how remains a mystery.

Point 7 ends all sanctions against Iran including UN Security Council resolutions and ones imposed unilaterally by the US. How and when will be part of the negotiations. This is likely to involve Congress in which case the Iran hawks will probably resist.

Point 8 gives Iran’s Scout’s honour pledge not to develop nuclear weapons which Trump emphasizes over and over. It’s a hollow offer. Iran has proven itself to be untrustworthy as it kicked inspectors out of the country, secretly worked on a nuclear research program hidden deeply underground and built stockpiles of enriched uranium. Trump says they have cameras everywhere, but Iran is good at moving things

Chart 5

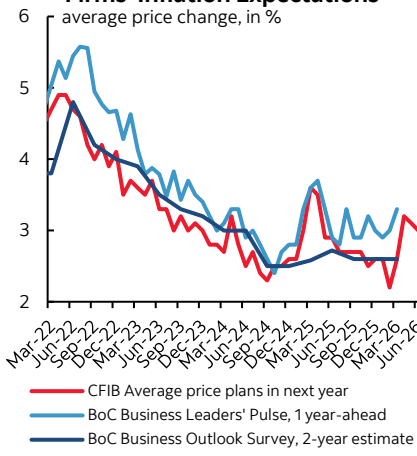
Norges Bank Policy Rate Projections



Sources: Scotiabank Economics, Norges Bank.

Chart 6

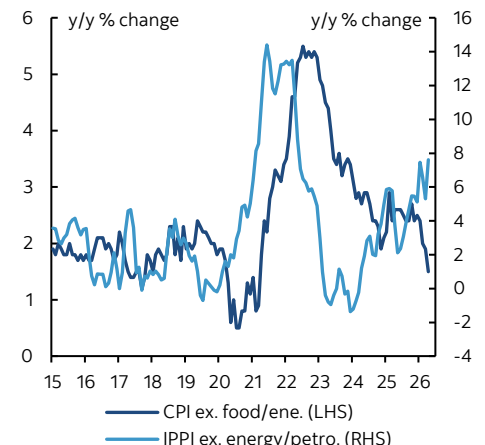
Firms' Inflation Expectations
average price change, in %



Sources: Scotiabank Economics, CFIB, BoC.

Chart 7

Canadian Core CPI & Core IPPI



Sources: Scotiabank Economics, Statistics Canada.

around and hiding its actions with the scientific support of the Russians. I think the US administration is foolishly counting on Iran's word and what to do about the enriched uranium stockpiles is to be part of the negotiations over the 60-day window.

Point 11 states that the US will "make fully available frozen or restricted funds." This too is a gift to Iran that enables it to redeploy frozen assets toward rebuilding including its armed forces.

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.	4.20	4.19	4.06	4.26	4.26	4.19	4.46	4.49	4.46	4.87	4.93	4.96	Canada - BoC	2.25
CANADA	2.84	2.82	2.77	3.09	3.08	3.06	3.41	3.42	3.41	3.79	3.82	3.81	US - Fed	3.75
GERMANY	2.63	2.59	2.68	2.69	2.66	2.76	2.93	2.93	3.03	3.46	3.48	3.56	England - BoE	3.75
JAPAN	1.39	1.39	1.42	1.86	1.87	1.93	2.62	2.60	2.69	3.78	3.76	3.88	Euro zone - ECB	2.40
U.K.	4.19	4.14	4.34	4.31	4.29	4.46	4.76	4.75	4.91	5.46	5.47	5.59	Japan - BoJ	1.00
	Spreads vs. U.S. (bps):													
CANADA	-136	-137	-129	-117	-118	-113	-105	-107	-106	-108	-112	-114	Mexico - Banxico	6.50
GERMANY	-158	-160	-138	-157	-161	-143	-152	-156	-143	-141	-145	-139	Australia - RBA	4.35
JAPAN	-282	-280	-264	-239	-240	-225	-184	-189	-177	-109	-117	-107	New Zealand - RBNZ	2.25
U.K.	-2	-4	28	5	2	28	30	26	44	58	54	63		
Equities	Level						% change:						Next Meeting Date	
	Last	Change		1 Day	1-wk	1-mo	1-yr							
S&P/TSX	35125	-264.5		-0.7	2.9	3.8	32.2	Canada - BoC Jul 15, 2026						
Dow 30	51493	-507.1		-1.0	3.2	3.6	22.1	US - Fed Jul 29, 2026						
S&P 500	7420	-91.3		-1.2	2.1	0.2	24.1	England - BoE Jun 18, 2026						
Nasdaq	26022	-354.7		-1.3	3.4	-0.3	33.1	Euro zone - ECB Jul 23, 2026						
DAX	24919	-15.9		-0.1	2.9	2.5	6.9	Japan - BoJ Jul 31, 2026						
FTSE	10398	-110.2		-1.0	0.9	0.7	17.6	Mexico - Banxico Jun 25, 2026						
Nikkei	71053	1151.2		1.6	10.6	17.3	84.6	Australia - RBA Aug 11, 2026						
Hang Seng	23925	-387.3		-1.6	-1.3	-6.8	0.9	New Zealand - RBNZ Jul 07, 2026						
CAC	8417	-13.9		-0.2	2.6	5.4	9.9							
Commodities	Level						% change:							
WTI Crude	75.45	-1.34		-1.7	-14.0	-30.6	0.4	England - BoE Jun 18, 2026						
Natural Gas	3.15	0.00		0.1	2.0	4.1	-21.1	Euro zone - ECB Jul 23, 2026						
Gold	4243.14	-13.79		-0.3	0.7	-7.1	25.9	Japan - BoJ Jul 31, 2026						
Silver	69.81	-0.57		-0.8	8.3	-11.3	88.3							
CRB Index	364.45	1.96		0.5	-2.4	-10.2	15.9							
Currencies	Level						% change:							
USDCAD	1.4130	0.0030		0.2	1.2	2.8	3.2	Mexico - Banxico Jun 25, 2026						
EURUSD	1.1456	-0.0045		-0.4	-1.1	-1.7	-0.2	Australia - RBA Aug 11, 2026						
USDJPY	160.94	0.2900		0.2	0.6	1.3	10.9	New Zealand - RBNZ Jul 07, 2026						
AUDUSD	0.7003	-0.0011		-0.2	-0.7	-2.3	7.6							
GBPUSD	1.3219	-0.0074		-0.6	-1.5	-1.6	-1.5							
USDCHF	0.8047	0.0050		0.6	1.2	2.6	-1.7							

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