

**ON DECK FOR FRIDAY, JUNE 21**

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	06/21	08:30	Retail Sales (m/m)	Apr	0.3	0.2	1.1
CA	06/21	08:30	Retail Sales ex. Autos (m/m)	Apr	0.4	0.4	1.7
US	06/21	10:00	Existing Home Sales (mn a.r.)	May	5.2	5.3	5.2
US	06/21	10:00	Existing Home Sales (m/m)	May	0.0	2.1	-0.4

**KEY POINTS:**

- Eurozone PMIs lessen market conviction toward ECB easing
- WTI/WCS monitoring major refinery fire
- CDN retail sales: high hurdle for a volume gain
- US existing home sales: waiting for pending home sales spike to show up
- Gold still rallying on real 10 year Treasury yield effect
- Japanese inflation decelerates
- Fed-speak largely inconsequential; Markit PMIs on tap
- BanRep expected to hold

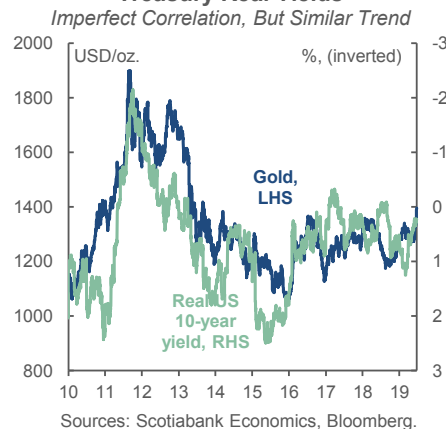
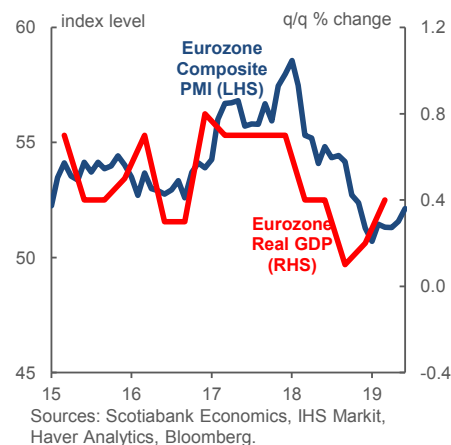
**INTERNATIONAL**

The absence of unifying global themes is reflected in divergent tendencies across global asset classes. Small improvements in Eurozone PMIs reinforce the narrative that perhaps the worst has passed, but excitement is restrained by still high uncertainty into 2019H2 including next week's G20. The Eurozone data isn't generally translating into the same bond market effects across the pond. US markets will focus upon some data (home sales, Markit PMIs) and no real surprises from a number of Fed speakers. Canadian retail sales face a high hurdle for growth given a strong prior month. BanRep is expected to hold this afternoon. Commodities are generally rallying with a major fire at the biggest refinery on the east coast in Philadelphia being monitored for WTI and WCS implications.

- Oil continues to rally. WTI and Brent are up by 50 cents and \$1 respectively. A risk premium is being retained on the perception that the called-off US air strikes on Iran signal still present risk of escalation. A fire at a refiner in Philadelphia that processes up to 335,000 bpd is being monitored by WTI-watchers. Gold continues to rally somewhat this morning and is up by US\$115/oz since the end of May as the decline in the real 10 year Treasury yield makes gold relatively more attractive upon comparison of the bond yield to gold storage and financing costs (see chart).
- Currency markets are divided in their appetite for the USD that is flat on a DXY basis. The Euro and euro-related crosses are slightly stronger on the back of PMIs (see below). CAD is flat ahead of retail sales (see below) but outperforming a number of other crosses on higher commodity prices and residual strength from the distorted CPI reading. Pound sterling, the NZ\$, yen and Mexican peso are leading decliners.
- Sovereign bond yields are generally flat to somewhat higher this morning. The US Treasury curve is flat across maturities. Canada's curve is slightly

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**Gold vs. US 10-Year Treasury Real Yields**

**Eurozone GDP Growth and PMIs**

**Rebounding Home Sales?**


underperforming Treasuries but performing similarly to gilts. The Eurozone PMIs lessened bond market conviction toward ECB easing as German and French yields increased by 1–3bps. The 10 year German bund yield increased a little (less negative) the minute the French PMI results hit slightly ahead of the German and composite Eurozone readings.

- US equity futures are slightly lower with TSX futures flat. European cash markets are little changed across the main bourses. Asian equities were mixed as stocks fell in Tokyo by about 1%, fell in Seoul and HK by about ¼%, but climbed across mainland China by ½% (Shanghai) and 1.3% (Shenzhen).

**Is Eurozone GDP growth improving?** The latest purchasing managers' indices suggest it may well be, if ever so slightly. See the accompanying chart that plots the composite PMI along with GDP. The mild upward trend in the PMI gauge could signal further mild gains in GDP growth after it came in at 0.4% q/q at a non-annualized rate in Q1. Here's a run-down of the PMIs:

- Eurozone-wide: The composite PMI edged up to 52.1 (51.8 prior) because of a half point jump in the services PMI (53.4, 52.9 prior). The manufacturing PMI was little changed and remain in contractionary territory (47.8, 47.7 prior). A rise in new orders (51.2, 50.4 prior) drove positive details behind the composite PMI.
- Germany: The composite PMI was flat at 52.6. The services PMI moved up two ticks to 55.6 and hence further above the 50 dividing line between contraction (below) and expansion (above). The manufacturing PMI also improved to 45.4 (44.3 prior).
- France: The composite PMI increased by 1.7 points to 52.9. The services PMI increased to 53.1 (51.5 prior) and the manufacturing PMI improved to 52.0 (50.6 prior).

**Japanese inflation is weak. Quelle surprise.** The May reading slipped to 0.7% y/y (0.9% prior, 0.7% consensus). Core inflation that in Japan excludes fresh food decelerated by slightly less than expected (0.8% y/y, 0.9% prior, 0.7% consensus). Strip out fresh food and energy, and inflation is running at just 0.5% y/y which met expectations for a down tick.

**Consensus unanimously expects BanRep to hold its policy rate at 4.25% this afternoon.** Headline and core inflation are running comfortably within the 2–4% inflation target range. BanRep recently abandoned a USD purchase program because of peso depreciation and import price pass-through risk.

## UNITED STATES

**US markets will consider limited Fed-speak and macro data.** Vice Chair Clarida spoke in a Bloomberg interview this morning but offered nothing new. He stated that “the case for providing more accommodation has increased” which was already known, while emphasizing that uncertainty went up in the past 6–8 weeks as reinforcement to Powell's argument for the tone shift from the May meeting to the June meeting. Governor Brainard and Cleveland President Mester will speak at another ‘Fed listens’ event (12pmET, no text) and San Francisco President Daly speaks at 3pmET but only on community economics.

**US releases will include existing home sales for May (10amET) and the Markit PMIs as a prelude to the more widely followed ISM readings the week after next.** Existing home sales are expected to post a solid rise after two months of declines as the spike in pending home sales back in March has yet to show up as completed resales (see chart). That might also point to revision risk.

## CANADA

**Canada updates retail sales for April this morning (8:30amET) as the last big release before next Friday's GDP print for the month.** A high hurdle for further growth may be present by virtue of the fact that March saw strong gains in both total sales (+1.1% m/m) and sales ex-autos (+1.7% m/m) which was the strongest seasonally adjusted gain since last May. One should immediately cut through to what happened to sales volumes as opposed to the headlines that are based upon values, as higher gas prices (+10% m/m) will likely drive the gas stations component higher and that carries an 11% weight in total retail sales.

Fixed Income	Government Yield Curves (%):												Central Banks	
U.S. CANADA GERMANY JAPAN U.K.  CANADA GERMANY JAPAN U.K.	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		
	1.77	1.78	1.84	1.78	1.78	1.83	2.02	2.03	2.08	2.53	2.54	2.59	Canada - BoC	1.75
	1.43	1.42	1.38	1.36	1.35	1.32	1.47	1.47	1.43	1.71	1.70	1.69	US - Fed	2.50
	-0.74	-0.76	-0.69	-0.64	-0.66	-0.60	-0.29	-0.32	-0.26	0.28	0.25	0.32	England - BoE	0.75
	-0.23	-0.23	-0.20	-0.26	-0.26	-0.23	-0.16	-0.17	-0.13	0.34	0.31	0.37		
	0.60	0.57	0.61	0.61	0.60	0.64	0.83	0.81	0.85	1.43	1.42	1.44		
	Spreads vs. U.S. (bps):													
	-33	-36	-46	-41	-43	-51	-55	-56	-65	-82	-84	-89	Euro zone - ECB	0.00
	-251	-254	-254	-241	-244	-244	-232	-235	-234	-225	-229	-227	Japan - BoJ	-0.10
-200	-201	-204	-204	-204	-207	-218	-219	-221	-220	-224	-222			
-117	-121	-124	-116	-119	-120	-120	-122	-123	-110	-112	-115			
Equities	Level						% change:						Mexico - Banxico	8.25
	Last	Change		1 Day		1-wk	1-mo	1-yr						
S&P/TSX	16575	63.0		0.4		2.1	0.9	1.5					Australia - RBA	1.25
Dow 30	26753	249.2		0.9		2.5	3.4	9.4					New Zealand - RBNZ	1.50
S&P 500	2954	27.7		0.9		2.2	3.1	7.4					Next Meeting Date	
Nasdaq	8051	64.0		0.8		2.7	3.4	4.4					Canada - BoC	Jul 10, 2019
DAX	12342	-13.1		-0.1		2.0	1.6	-1.4					US - Fed	Jul 31, 2019
FTSE	7436	11.4		0.2		1.2	1.5	-1.6					England - BoE	Aug 01, 2019
Nikkei	21259	-204.2		-1.0		0.7	-0.1	-6.3					Euro zone - ECB	Jul 25, 2019
Hang Seng	28474	-76.7		-0.3		5.0	3.0	-2.8					Japan - BoJ	Jul 30, 2019
CAC	5536	0.2		0.0		3.1	2.8	4.1					Mexico - Banxico	Jun 27, 2019
Commodities	Level						% change:							
WTI Crude	57.52	0.45		0.8		9.5	-8.7	-12.2					Australia - RBA	Jul 02, 2019
Natural Gas	2.21	0.03		1.2		-7.4	-15.4	-25.7					New Zealand - RBNZ	Jun 25, 2019
Gold	1396.43	7.98		0.6		4.1	9.6	10.2					Next Meeting Date	
Silver	15.33	0.39		2.6		3.6	6.3	-5.9					Canada - BoC	Jul 10, 2019
CRB Index	179.44	0.81		0.5		2.7	-1.4	-7.7					US - Fed	Jul 31, 2019
Currencies	Level						% change:							
USDCAD	1.3189	-0.0003		-0.0		-1.7	-1.6	-0.9					England - BoE	Aug 01, 2019
EURUSD	1.1320	0.0027		0.2		1.0	1.4	-2.4					Euro zone - ECB	Jul 25, 2019
USDJPY	107.49	0.1900		0.2		-1.0	-2.7	-2.3					Japan - BoJ	Jul 30, 2019
AUDUSD	0.6908	-0.0015		-0.2		0.5	0.4	-6.4					Mexico - Banxico	Jun 27, 2019
GBPUSD	1.2664	-0.0038		-0.3		0.6	-0.3	-4.4					Australia - RBA	Jul 02, 2019
USDCHF	0.9816	-0.0002		-0.0		-1.7	-2.9	-1.1					New Zealand - RBNZ	Jun 25, 2019

Source: Bloomberg. All quotes reflect Bloomberg data as at the time of publishing. While this source is believed to be reliable, Scotiabank cannot guarantee its accuracy.

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