

**ON DECK FOR TUESDAY, JUNE 16**

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	06/16	08:30	International Securities Transactions (C\$ bn)	Apr	--	--	-9.8
US	06/16	08:30	Retail Sales (m/m)	May	8.5	8.4	-16.4
US	06/16	08:30	Retail Sales ex. Autos (m/m)	May	3.0	5.5	-17.2
US	06/16	09:15	Capacity Utilization (%)	May	--	66.9	64.9
US	06/16	09:15	Industrial Production (m/m)	May	3.0	3.0	-11.3
US	06/16	10:00	Business Inventories (m/m)	Apr	--	-1.0	-0.2
US	06/16	10:00	NAHB Housing Market Index	Jun	--	45.0	37.0
US	06/16	10:00	Powell Delivers Policy Report to Senate Panel				
US	06/16	16:00	Clarida Discusses Economic Outlook				

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**KEY POINTS:**

- **Markets in risk-on mode ahead of the Fed, US recovery evidence**
- **Fed's Powell, Clarida could clarify intentions**
- **US retail sales, IP expected to rebound**
- **BoJ adds to funding measures**
- **Markets to get their first glimpse at BoC's Macklem**
- **UK jobs surprise, wages don't**
- **German investor confidence hits 14 year high**
- **Chile's central bank expected to remain on hold**

**INTERNATIONAL**

Risk-on continues in the aftermath of yesterday's announcements by the Fed that it would begin buying corporates. Data and stimulus are in the driver's seat this morning. The Bank of Japan increased funding programs by about two-thirds to ¥90 trillion. COVID-19 case counting is being downplayed perhaps as markets accept the role of stimulus combined with the low likelihood of further shutdowns and that regional flares will occur while testing, contact tracing and better treatment are among the tools being relied upon. Geopolitical tensions (North Korea, India-China) are generally being overlooked by global markets this morning. Improving macro readings should continue into today with Fed and BoC communications also ahead. Anonymous officials in the US administration are once again trying talking up infrastructure spending, absent specifics like time horizons and how to fund it and into a period in which the US is going to be paralyzed by election campaigning. If it's anything like prior proposals spread over a decade with no clarity on funding then it's not going to offer meaningful stimulus to annual growth.

- US equity futures are up by between 1¼% and 1¾% while TSX futures are up by about 1½%. European cash markets are up by 2–3% with broadly-based gains. Asian equities closed higher by as little as 1 ½% (Shanghai) to as much as 5 ¼% (Seoul) with the Nikkei not far behind (+4.9%).
- US Treasury yields are cheapening by 6bps at the long end, 2–3bps in 10s and with the front-end of the curve little changed. Canada is outperforming at the long end with slightly less cheapening. Italian and peripheral spreads over bunds are narrowing as a further sign of risk-on momentum.

- Oil prices are up by about 2% in terms of Brent and WTI. Gold is flat at US\$1727/oz and still directionless as it has been since about mid-April.
- The USD is little changed on balance this morning. Even as currencies like the won, Mexican peso, sterling, Swiss franc and some Scandies rally, the euro, yen, A\$/NZ\$ and CAD are little changed.

**UK jobs surprised with a better than expected +6k in April (-110k consensus) with the unemployment rate unchanged at 3.9% (4.7% consensus).** Wage growth excluding bonuses slowed by a full point to 1.7% y/y from a peak of 3.9% y/y last summer and is now down to its slowest rate since January 2015. What's interesting about this is that the UK never saw the artificial bump higher in wage growth as unemployed lower wage earners dropped out of the math, as in countries like the US and Canada.

German ZEW investor expectations increased by over 13 points to 63.4. We haven't seen a reading that high since March 2006.

Chile's central bank is expected to remain on hold at 0.5% this evening (6pmET).

## UNITED STATES

Fed-speak and recovery evidence will be in focus today. Expectations are laid out below with more in the Global Week Ahead ([here](#)).

**Fed Chair Powell delivers his first round of semi-annual testimony to Congress before the Senate Banking committee (10amET) with round two before the house tomorrow at 12pmET.** We already have the Monetary Policy Report ([here](#)) with the incremental focus upon Powell's written statement at 10amET plus early questioning. The crux of the issue is whether Powell really intended to indicate that there was such heavy conditionality around the outcome of developments over coming months that prospects for stances like strengthened forward rate guidance, yield curve control and converting from month-by-month QE guidance to more specific program parameters hang in the balance.

**Vice Chair Clarida's speech on the US economic outlook and monetary policy (6:30pmET) could be a further such chance.**

A pair of macro reports should further inform early recovery evidence. **Retail sales are expected to grow by 8½% m/m** in May's report (8:30amET) with sales ex-autos up by 3% m/m (consensus 5½%). Auto sales rebounded by 42% m/m and will single-handedly add about 7 points. Weekly chain store sales were up by 1.2% m/m and higher prices might help in categories like food and beverage sales.

**Industrial output should also rebound by 3% m/m** or so based in part on survey-based evidence from May. Rebound momentum continued in yesterday's Empire manufacturing gauge that climbed by just under 50 points to nearly hit the zero dividing line between expansion and contraction for the strongest reading since February.

## CANADA

**The BoC's new Governor Macklem and Senior Deputy Governor Wilkins offer parliamentary testimony (3pmET).** A statement will be released at that time. Ensuing testimony is rarely market moving and there will be no press. Macklem endorsed Poloz's last round of communications and will steer the BoC toward fresh forecasts in July. He has set 0.25% as the effective lower bound while the BoC is winding down short-term funding market stimulus and proceeded with its bond purchase programs. **There are low expectations for incremental guidance this afternoon.**

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.	0.20	0.19	0.20	0.35	0.34	0.40	0.75	0.72	0.83	1.52	1.46	1.58	Canada - BoC	0.25
CANADA	0.30	0.29	0.31	0.38	0.36	0.44	0.55	0.52	0.63	1.05	1.02	1.19	US - Fed	0.25
GERMANY	-0.65	-0.66	-0.61	-0.63	-0.65	-0.56	-0.42	-0.45	-0.31	0.07	0.04	0.20	England - BoE	0.10
JAPAN	-0.14	-0.16	-0.14	-0.10	-0.11	-0.10	0.02	0.01	0.02	0.56	0.53	0.55		
U.K.	-0.02	-0.04	0.01	0.03	0.00	0.08	0.23	0.21	0.34	0.63	0.60	0.73		
Spreads vs. U.S. (bps):														
	10	10	10	3	2	4	-20	-21	-20	-47	-44	-39		
CANADA	-85	-85	-81	-98	-99	-96	-117	-117	-114	-145	-142	-138	Euro zone - ECB	0.00
GERMANY	-34	-36	-34	-45	-46	-51	-73	-71	-81	-96	-93	-103	Japan - BoJ	-0.10
JAPAN	-22	-23	-20	-32	-34	-32	-52	-52	-49	-89	-86	-84	Mexico - Banxico	5.50
U.K.														
Equities	Level						% change:							
	Last	Change			1 Day	1-wk	1-mo	1-yr						
S&P/TSX	15360	103.1			0.7	-3.9	4.9	-5.8			Australia - RBA		0.25	
Dow 30	25763	157.6			0.6	-6.6	8.8	-1.3			New Zealand - RBNZ		0.25	
S&P 500	3067	25.3			0.8	-5.1	7.1	6.2						
Nasdaq	9726	137.2			1.4	-2.0	7.9	24.7						
DAX	12280	368.7			3.1	-2.7	17.3	1.5						
FTSE	6222	156.9			2.6	-1.8	7.3	-15.3						
Nikkei	22582	1051.3			4.9	-2.2	12.7	6.9			Canada - BoC		Jul 15, 2020	
Hang Seng	24344	567.1			2.4	-2.8	2.3	-10.2			US - Fed		Jul 29, 2020	
CAC	4941	125.6			2.6	-3.0	15.5	-7.9			England - BoE		Jun 18, 2020	
Commodities	Level						% change:							
	Level			Change			1 Day			1-wk				
WTI Crude	37.80			0.68			1.8			-2.9			28.4 -28.0	
Natural Gas	1.68			0.01			0.4			-5.2			1.8 -29.8	
Gold	1727.62			2.46			0.1			0.7			-0.9 28.8	
Silver	17.08			-0.54			-3.1			-3.1			5.1 13.7	
CRB Index	136.14			1.36			1.0			-1.7			9.1 -22.1	
Currencies	Level						% change:							
	Level			Change			1 Day			1-wk				
USDCAD	1.3561			-0.0011			-0.1			1.1			-2.7 1.1	
EURUSD	1.1305			-0.0018			-0.2			-0.3			3.6 0.8	
USDJPY	107.33			0.0000			0.0			-0.4			-0.0 -1.1	
AUDUSD	0.6920			0.0001			0.0			-0.6			6.1 1.0	
GBPUSD	1.2652			0.0047			0.4			-0.6			3.8 0.9	
USDCHF	0.9476			-0.0016			-0.2			-0.3			-2.4 -5.2	
													Japan - BoJ	Jun 15, 2020
													Mexico - Banxico	Jun 25, 2020
													Australia - RBA	Jul 07, 2020
													New Zealand - RBNZ	Jun 23, 2020

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