

**ON DECK FOR TUESDAY, JULY 13**

Country	Date	Time	Event	Period	BNS	Consensus	Latest
US	07-13	08:30	CPI (m/m)	Jun	0.5	0.5	0.6
US	07-13	08:30	CPI (y/y)	Jun	4.9	4.9	5.0
US	07-13	08:30	CPI (index)	Jun	--	270.7	269.2
US	07-13	08:30	CPI ex. Food & Energy (m/m)	Jun	0.4	0.4	0.7
US	07-13	08:30	CPI ex. Food & Energy (y/y)	Jun	4.0	4.0	3.8
US	07-13	12:00	Fed Hosts Event on Racism and the Economy				
US	07-13	14:00	Treasury Budget (US\$ bn)	Jun	--	-192.0	-132.0

**KEY POINTS:**

- Slightly flatter curves ahead of US inflation
- Will US core CPI repeat the pattern of upside surprises?
- US bank earnings strongly beat but soft on details
- Chinese markets shrug off stronger exports

**INTERNATIONAL**

US bank earnings and inflation figures will dominate attention this morning.

Sovereign bond curves are very slightly flatter ahead of US inflation. 10 year yields are down by 1–2bps across US Treasuries, Canada and European markets. The USD is slightly firmer again. Equity market sentiment is fragile with little change across most N.A. and European benchmarks so far.

While Chinese data is always to be taken with a mountain of salt, exports appear to have beaten consensus expectations for June. In yuan terms they were up 20% y/y (consensus 15%, prior 18%) and in USD terms they were up 32% (23% consensus, 28% prior). How much was driven by price effects is unclear. So is how much of a rebound was just due to prior port capacity issues with damaged supply chains and shipping delays after a COVID-19 surge in Guangdong. GDP growth arrives tomorrow night (ET).

**UNITED STATES**

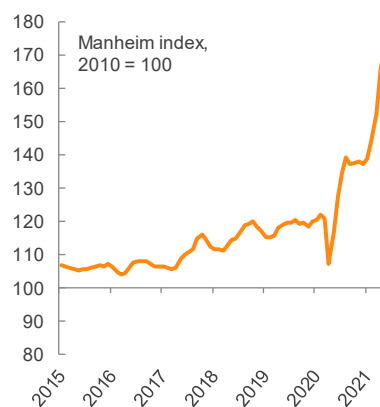
For US core CPI inflation, I went with 0.4% m/m and 4% y/y (8:30amET). That would be a cooler but still strong month-ago pace of change and a further climb in year-over-year terms.

The issue is whether the pattern of upside beats will continue after it began in March. Back in March, core CPI increased by 0.3% m/m (0.2% consensus) but then in April the 0.9% m/m rise was triple expectations and the May reading of 0.7% m/m also beat the consensus estimate of 0.5%.

The consensus range for today is almost evenly divided between 3.9%, 4.0% and 4.1% with small tails in the 4.2%+ and 3.8%-and-under categories. One issue is that used vehicle prices may not contribute as much this time, at least to the extent indicated by the Manheim index (chart 1). That doesn't necessarily mean that used vehicle price inflation is over and done with as we've previously seen pauses on the sharp upswing and supply chain issues on the new vehicles side of the picture remain acute. Gas prices are also a waning influence in year-ago terms but not month-ago. Another reopening effect is expected.

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**Chart 1**
**US Used Car Price Inflation Peaking?**


Sources: Scotiabank Economics, BLS, Manheim.

As for other transitory factors, I'd just repeat the caution not to cherry-pick the ones that may be temporarily hot and downplay those while ignoring ones that may be temporarily cool like most services prices relative to goods prices as the services side reopens, or like medical care for other long-term reasons, or food at home etc. I find there is a strong tendency in some quarters of the markets to talk one's book and pretend the upsides of the past few months never happened and can't ever possibly repeat.

Bank earnings season got off to a solid start at least in terms of headlines. JP Morgan Chase beat expectations with EPS of US\$3.78 (consensus \$3.15). Their presentation is [here](#). Goldman Sachs smashed expectations with a 50% beat to analysts' expectations (US\$15.02 EPS, consensus US\$10.15) as investment banking revenues and other factors offset a miss on trading revenues relative to expectations. I'll leave the details to bank equity analysts but generally they seem to be on the soft side.

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				
	0.22	0.23	0.22	0.79	0.80	0.80	1.35	1.37	1.35	1.98	2.00	1.98	Canada - BoC	0.25		
	0.48	0.47	0.46	0.93	0.93	0.95	1.31	1.31	1.31	1.82	1.82	1.78	US - Fed	0.25		
	-0.67	-0.67	-0.68	-0.60	-0.60	-0.62	-0.30	-0.30	-0.27	0.20	0.21	0.22	England - BoE	0.10		
	-0.12	-0.11	-0.11	-0.12	-0.12	-0.10	0.03	0.03	0.04	0.67	0.67	0.67				
	0.08	0.09	0.05	0.28	0.30	0.28	0.64	0.65	0.63	1.13	1.16	1.17				
	Spreads vs. U.S. (bps):															
	25	25	24	14	13	15	-4	-5	-4	-16	-18	-19	Euro zone - ECB	0.00		
	-90	-90	-90	-139	-139	-142	-165	-166	-162	-178	-179	-175	Japan - BoJ	-0.10		
-34	-34	-33	-90	-91	-89	-133	-134	-131	-131	-133	-130					
-14	-13	-17	-50	-50	-52	-72	-72	-72	-85	-84	-81					
Equities	Level						% change:						Mexico - Banxico	4.25		
	Last					Change	1 Day	1-wk	1-mo	1-yr						
S&P/TSX	20233					-24.9	-0.1	-0.3	0.5	29.4	Australia - RBA				0.10	
Dow 30	34996					126.0	0.4	0.6	1.5	34.2	New Zealand - RBNZ				0.25	
S&P 500	4385					15.1	0.3	0.7	3.2	39.0						
Nasdaq	14733					31.3	0.2	0.6	4.7	41.8						
DAX	15796					5.9	0.0	1.8	0.7	23.4						
FTSE	7130					4.5	0.1	0.4	-0.1	15.4						
Nikkei	28718					149.2	0.5	0.3	-1.5	27.1	Canada - BoC				Jul 14, 2021	
Hang Seng	27963					448.2	1.6	-0.4	-3.0	9.8	US - Fed				Jul 28, 2021	
CAC	6550					-8.8	-0.1	0.7	-0.8	29.6	England - BoE				Aug 05, 2021	
Commodities	Level						% change:						Euro zone - ECB	Jul 22, 2021		
													Japan - BoJ	Jul 16, 2021		
WTI Crude	74.40						0.30	0.4	1.4	4.9	85.5	Mexico - Banxico				Aug 12, 2021
Natural Gas	3.72						-0.03	-0.9	2.2	12.7	113.7	Australia - RBA				Aug 03, 2021
Gold	1809.30						3.02	0.2	0.7	-3.6	0.4	New Zealand - RBNZ				Jul 13, 2021
Silver	25.93						-0.09	-0.3	-2.3	-7.9	38.1					
CRB Index	212.27						-0.44	-0.2	1.0	0.0	50.9					
Currencies	Level						% change:									
USDCAD	1.2482						0.0029	0.2	0.2	2.8	-8.3					
EURUSD	1.1839						-0.0022	-0.2	0.1	-2.3	4.4					
USDJPY	110.22						-0.1500	-0.1	-0.4	0.1	2.7					
AUDUSD	0.7478						0.0002	0.0	-0.3	-3.0	7.8					
GBPUSD	1.3848						-0.0035	-0.3	0.3	-1.9	10.3					
USDCHF	0.9169						0.0018	0.2	-0.8	1.9	-2.6					

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