

DAILY POINTS

June 29, 2022 @ 7:05 EST

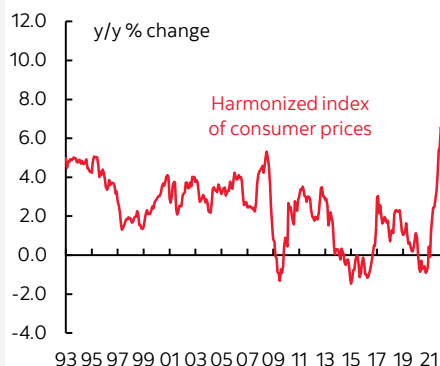
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Chart 1

Spanish Inflation at Record Highs



Sources: Scotiabank Economics, Instituto Nacional de Estadística.

On Deck for Wednesday, June 29

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	06-29	07:00	MBA Mortgage Applications (w/w)	Jun 24	--	--	4.2
US	06-29	08:30	GDP (q/q a.r.)	1Q T	-1.4	-1.5	-1.5
US	06-29	08:30	GDP Deflator (q/q a.r.)	1Q T	--	8.1	8.1
US	06-29	09:00	Lagarde, Powell, Bailey, Carstens Speak in Sintra				

KEY POINTS:

- **Mild risk-off sentiment amid light developments**
- **Mixed Eurozone inflation readings...**
- **...as Spanish inflation smashes consensus...**
- **...but German states point to softer than expected national CPI**
- **ECB, Fed hawk talk**
- **Central bank celebrity panel is unlikely to spark any ripples**
- **Low revision risk to US GDP, PCE**

Mild risk-off sentiment is in the driver's seat again this morning. N.A. equity futures are down ¼%, European cash markets are mostly lower in the -1% range, and Asian markets pushed lower across the board. Sovereign bonds are catching a mild bid across Treasuries, the gilts front-end and most of the EGBs curve led by spread compression across the periphery. Canada's curve is underperforming all of them and mostly holding firm. The USD is little changed on balance as the euro and related crosses plus CAD hold firm.

More hawkish talk from Fed (Mester, early stages of hiking, policy needs to address supply driven inflation) and ECB (Wunsch, fiscal stimulus needs to be offset) officials alongside mixed Eurozone inflation readings and reinforcement of Covid Zero policies by China's Xi Jinping (tough talk, amid more reopenings and easing) are offering a few fresh developments ahead of what is likely to be just a photo-op at the ECB's annual conference. US revision risks to Q1 GDP (-1.5% q/q) and core PCE (5.1% q/q) could be wildcards, but no material revisions are expected.

Spanish inflation smashed consensus expectations by landing at 1.8% m/m (0.8% consensus) and 10% y/y (8.7% consensus) for one of the biggest surprises in global inflation forecasting during the pandemic (chart 1). Core CPI also accelerated to 5.5% y/y (4.9% prior).

Germany's inflation add-up arrives a little later this morning (8amET), but the figures from the individual states are pointing toward a softer reading than consensus expected (0.4% m/m, 8.8% y/y from 8.7%). The individual states recorded monthly inflation of between -0.1% m/m and 0.2% versus national consensus at 0.4%. France will be the tie-breaker tomorrow morning ahead of the Eurozone and Italian figures on Friday.

With four speakers plus a moderator, the celebrity panel at the conclusion of the ECB's annual Forum on Central Banking is either going to give just barely enough time for quick sound bites, or it will result in a brawl for the mic by a hog or two. Usually, it's the former with this raucous bunch of folks, so I don't expect a whole lot out of this. You put it at the end of the conference so that folks don't leave early. Powell, Lagarde, Bailey and Carstens will be on the panel from 9amET – 10:30amET.

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Finally! A Fed official opining that maybe monetary policy does indeed need to be tightened to address supply pressures. Cleveland's Fed said that at times supply shocks to inflation "could threaten the stability of inflation expectations and would require policy action." Yep, like now. I've been saying that for ages while arguing against the myth that policy cannot address inflation generated by such forces. Aside from the fact that a lot of inflation is demand-generated, mainstreet doesn't sit around wondering how much of inflation is demand- or supply-driven while contemplating adjustments to their behaviour and expectations. They just act. Regardless of the source, households and businesses engage in extrapolative behaviour.

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.	3.10	3.11	3.06	3.21	3.23	3.23	3.16	3.17	3.16	3.28	3.28	3.25	Canada - BoC	1.50
CANADA	3.16	3.15	3.25	3.22	3.22	3.33	3.33	3.34	3.42	3.29	3.28	3.34	US - Fed	1.75
GERMANY	0.93	0.96	1.06	1.38	1.43	1.42	1.60	1.63	1.64	1.80	1.83	1.84	England - BoE	1.25
JAPAN	-0.04	-0.05	-0.07	0.04	0.06	0.07	0.24	0.24	0.25	1.28	1.31	1.26		
U.K.	2.08	2.12	2.14	2.12	2.14	2.17	2.45	2.47	2.50	2.71	2.71	2.73		
	Spreads vs. U.S. (bps):													
	6	4	19	0	-1	9	17	16	26	1	0	9		
CANADA	-216	-215	-200	-183	-180	-181	-156	-155	-152	-148	-145	-142	Euro zone - ECB	0.00
GERMANY	-314	-316	-313	-317	-317	-316	-292	-293	-291	-200	-197	-199	Japan - BoJ	-0.10
JAPAN	-102	-100	-91	-109	-109	-107	-71	-71	-66	-56	-57	-52		
U.K.													Mexico - Banxico	7.75
Equities	Level						% change:							
	Last			Change			1 Day	1-wk	1-mo	1-yr				
S&P/TSX	19223			-35.6			-0.2	1.2	-7.4	-4.7			Australia - RBA	0.85
Dow 30	30947			-491.3			-1.6	1.4	-6.8	-9.8			New Zealand - RBNZ	2.00
S&P 500	3822			-78.6			-2.0	1.5	-8.1	-11.0				
Nasdaq	11182			-343.0			-3.0	1.0	-7.8	-23.0				
DAX	12975			-257.2			-1.9	-1.3	-10.3	-17.3				
FTSE	7284			-39.5			-0.5	2.7	-4.0	2.8				
Nikkei	26805			-244.9			-0.9	2.5	0.1	-7.0				
Hang Seng	21997			-422.1			-1.9	4.7	6.3	-24.1				
CAC	6009			-76.7			-1.3	1.6	-7.8	-8.5				
Commodities	Level						% change:							
WTI Crude	112.62			0.86			0.8	6.1	-2.1	54.3			England - BoE	Aug 04, 2022
Natural Gas	6.77			0.20			3.0	-1.3	-22.4	86.4			Euro zone - ECB	Jul 21, 2022
Gold	1825.97			5.96			0.3	-0.6	-1.5	3.7			Japan - BoJ	Jul 21, 2022
Silver	21.24			-0.23			-1.0	-2.0	-4.7	-18.6				
CRB Index	301.00			2.23			0.7	-2.6	-6.1	42.4				
Currencies	Level						% change:							
USDCAD	1.2857			-0.0018			-0.1	-0.7	1.6	3.7			Mexico - Banxico	Aug 11, 2022
EURUSD	1.0527			0.0008			0.1	-0.4	-2.3	-11.5			Australia - RBA	Jul 05, 2022
USDJPY	136.53			0.3900			0.3	0.2	7.0	23.5			New Zealand - RBNZ	Jul 12, 2022
AUDUSD	0.6886			-0.0022			-0.3	-0.6	-4.3	-8.3				
GBPUSD	1.2162			-0.0022			-0.2	-0.8	-3.9	-12.1				
USDCHF	0.9506			-0.0066			-0.7	-1.1	-0.7	3.2				

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