

CAN THE FED AFFORD TO DISAPPOINT MARKETS?

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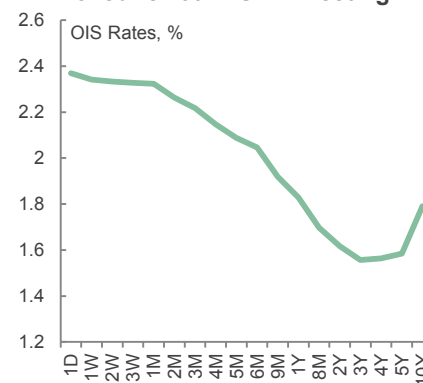
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Next Week's Risk Dashboard

- CBs: Fed, BoJ, BoE, Norges,...
- ...BanRep, Brazil, Indonesia, Philippines
- HK protests
- Eurozone PMIs, ZEW
- ECB's Sintra
- CDN CPI, retail, mfrg, ADP
- TMX
- BoC's Poloz, Schembri
- CUSMA/USMCA
- US macro: housing and industrial
- GDP: NZ, Argentina
- UK Conservative ballots
- RBA minutes

Chart of the Week

Markets Priced For Fed Cuts Ahead of June 19th FOMC Meeting



Sources: Scotiabank Economics, Bloomberg.

Chart of the Week: Prepared by: Evan Andrade, Research Analyst.

Can The Fed Afford To Disappoint Markets?

UNITED STATES—A DONUT, CAPITULATION OR MEET ME IN THE MIDDLE?

Far and away the biggest potential risk to world markets over the coming week is likely to be what the Federal Reserve decides on Wednesday. There is high uncertainty over what they may do in the near-term relative to what is already priced and in the context of the Fed's shifting reaction function. The pros and cons of policy easing are laid out in 'cheat sheet' fashion in the accompanying table at the end of this edition of *The Global Week Ahead*.

This will of course be the full deal including a statement at 2pmET alongside revised economic projections of FOMC members including a fresh 'dot plot' and then Chair Powell's press conference at 2:30pmET.

We don't expect a rate change at this meeting but one cannot be fully ruled out. Our formal house view is monitoring Fed communications as well as developments such as the G20 meeting at month-end, NAFTA implementation progress, the next OPEC meeting in early July, sundry geopolitical and trade risks and, of course, macroeconomic data including inflation. Obviously there is a solid chance the Fed leans toward guiding policy easing with four cuts priced by the end of next year and almost three full cuts this year. The risk of market dislocation and negative feedback effects upon the outlook if full-on disappointment of such expectations arises may be too great for the Fed to embrace. However, acting more decisively than in the past in order to get more front-loaded bang for the rate-cut buck has gained friends at the Fed, but it remains possible that the overall suite of communications will meet markets half way for now. Here is what to watch for next week.

Statement language about current conditions

Reference to the "labor market remains strong" and "job gains have been solid" will be downgraded following May's 75k non-farm shocker.

Forecasts

GDP growth may be upgraded for 2019 on the strength of the Q1 start and present tracking of Q2 growth, but 2020 growth could well be lowered. Downgrading the core PCE inflation projection to below 2% as we have done is feasible and would provide forecast muscle to accommodation signals.

Patience

Key will be whether "patient" is retained and whether ambivalence toward "what future adjustments" to the fed funds target range may be needed is altered. Removing "patient" would be a strong signal toward a nearer term rate cut especially if accompanied by "soon" either now or in the FOMC minutes three weeks later.

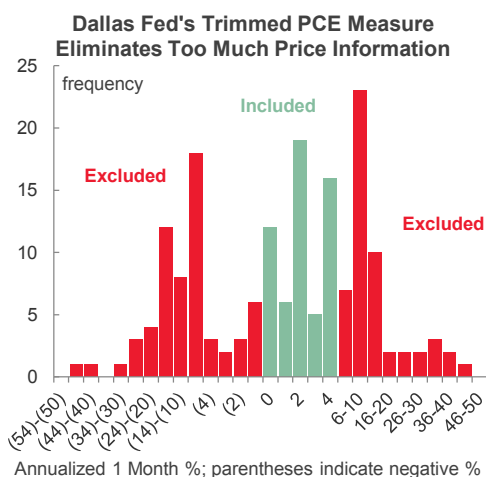
The dot plot

Recall that in the last set of projections by FOMC participants for the fed funds target range, eleven of seventeen members projected an unchanged policy rate through to year-end, four projected one hike and two projected two hikes. The median projection anticipated an unchanged rate this year followed by one hike next year and a longer run neutral rate of 2¾%. The dots are certainly not moving higher this round. Even the traditionally most hawkish FOMC members like KC's George and Cleveland's Mester are not indicating openness to nearer term hikes. Instead, the issue is how many may join possible cuts with the most likely candidates being Bullard, Evans, maybe Kashkari, and possibly several members of the Board of Governors. Overall, I would be surprised not to see the dots split between holds and 1–3 cuts this year with median projections shifting down to at least meeting markets half way. Doing so would likely still have markets pricing later cuts.

Inflation

How Chair Powell discusses inflation risk is key. Will he stick to the messaging on May 1st that indicated he believed transitory forces were depressing core inflation? One argument for doing so is to point to 'trimmed mean' PCE gauge produced by the Dallas Fed

Chart 1



Sources: Scotiabank Economics, Dallas Fed.

as it sits at 2.0% and right on the Fed's target. However, as chart 1 depicts using components from [here](#), this measure basically weeds out over 70% of the individual line items in PCE prices and about 55% of the basket on a weighted basis. As a clever colleague noted, it's as if the measure tosses out anything that's not at 2%! This counsels against ignoring the signals sent by core CPI this past week that may portend further downward pressure upon core PCE to 1.5% y/y (recap [here](#)). What is arguably more important is how Powell conveys the Fed's perspective toward the symmetrical 2% inflation target; even if one accepts the Dallas measure—a big 'if'—then years of undershooting 2% should still perhaps be followed by efforts toward overshooting 2% for a period of time in order to anchor long-run inflation expectations. While the Fed has long claimed its 2% target is a symmetrical one, it tightened policy during a prolonged period of undershooting 2% that has persisted for many years and has only more recently begun to more heavily emphasize the importance of market participants believing in symmetry. In short, the Fed shifted the inflation guidance goal posts recently. In order to convince markets that the target is symmetrical, easing may be necessary and only material easing is likely to be impactful. A fuller discussion on how the Fed views measures of inflation expectations will also be key given multiple falling market and survey-based measures. This discussion will reveal how much the Fed thinks its 2% inflation goal is under threat.

Trade

While the Fed's assessment of risks to its symmetrical inflation target, the risks to disappointing market pricing, and higher uncertainty over the global economic outlook will likely carry the day, an updated assessment of trade policy risks to growth and how increased uncertainty could merit conditional easing will be important. Since the pivotal March FOMC meeting, developments in global trade policy have worsened through increased tensions with China, increased Brexit uncertainty, and still hopeful implementation of the USMCA deal.

Separate from the Fed, macro data risk should be a minor consideration to markets because the releases are few in number, not terribly prominent and because they will be overshadowed by whatever the Fed does. A pair of industrial gauges (Empire on Monday, the Philly Fed on Thursday) will begin to inform expectations for the next ISM-manufacturing report. A pair of housing releases (starts on Tuesday, existing home sales on Friday) will inform how softening job growth and falling mortgage rates net out as influences.

The US Treasury auctions five year Treasury Inflation Protected Securities in a reopening on Thursday.

CANADA—IMPORTED FED ACTIONS VS A HEAVY DOMESTIC LINE-UP

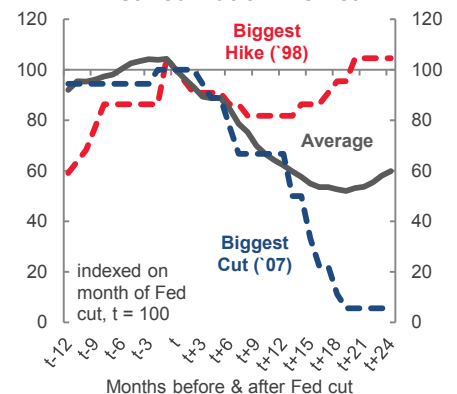
This will be a big week for Canada-watchers. Event risk will focus upon a key pipeline decision of economic and political significance. Macro data risk will be high including an inflation reading and three activity readings that will further inform Q2 GDP growth-tracking. Bank of Canada communications could pose some risk. PM Trudeau pays a visit to his best and most trusted pal Trump on Thursday to talk CUSMA/USMCA as well as China's unlawful, arbitrary and cruel detention of two Canadians.

Notwithstanding this heavy domestic calendar, spillover effects from whatever the Federal Reserve does on Wednesday could well dominate influences upon domestic markets through imported effects upon the currency and rates but also through potential BoC implications. Chart 2 demonstrates that, on average, when the Fed begins a rate cutting cycle defined as the first cut in at least a year, the BoC follows almost immediately thereafter. An exception within this period since the 1990s was 1998 around the time of the Asian financial crisis. In all other instances, the BoC cut aggressively.

Enter Bank of Canada communications including a pending published interview with Governor Poloz on an unknown topic ([here](#)). We'll also hear from Deputy Governor Lawrence Schembri who speaks on Monday about 'inflation target renewal'. His text will be available at 2:30pmET. There will be light audience Q&A but no press conference. The BoC's inflation-control agreement with the Federal Government will be renewed in 2021 and Governor Poloz spoke on the topic in February ([here](#)). Now, before one dismisses the topic as a progress report on the path toward repeating the 2% inflation goal but with little nearer term market significance, recall that Poloz's speech on the topic in February turned

Chart 2

BoC Overnight Rate Before & After First Fed Cut of The Year



Sources: Scotiabank Economics, Federal Reserve, Bank of Canada.

out to be more skewed toward nearer term considerations. That speech reaffirmed a temporary interruption of the rate hike cycle but was uncertain about the length of the pause period. With markets pricing over 50% odds of a rate cut this year, the focus has shifted to whether the BoC will push back on markets. With growth rebounding in Canada (decelerating in the US), a weak C\$ (versus a strong USD), roughly on-target core inflation (versus below-target in the US), strong employment gains (softening in the US), rebounding housing markets and some progress toward NAFTA 2.0 ratification, the BoC may feel it has some time on its side as it evaluates conditions. Among the knocks against that view are bond market signals that it ignored when it was still hiking in 2007 and then lagged the Fed downward, a deteriorating environment for global trade policy risks, and waning Canadian terms of trade.

CPI is expected to hold steady at 2.0% y/y in Wednesday's pre-FOMC May report but the focus will be upon the average of the three central tendency measures and whether April's small slip will stabilize (chart 3). Why unchanged and where does the risk lie?

For one thing, shifting base effects would drop the headline inflation rate to 1.9%. For another, gasoline prices were up a touch on average in May over April but have been falling at a quickening pace in year-ago terms which should knock a tenth off of CPI. Market-derived gas prices continue to signal that the way CPI captures gasoline prices will continue to ebb through the next report for June (chart 4). The challenge lies in estimating typical seasonality around this time of year and atypical influences in this report.

May seasonality can be all over the map as opposed to fairly regular seasonal price gains over prior months. A typical seasonally unadjusted gain is 0.3% m/m, but recent years have seen wide swings. Further, the prior month was a much stronger unadjusted price gain than normal that, combined with the prospect of poor Spring weather across many parts of the country, could motivate weaker-than-normal price pressures in May.

Also recall that April CPI had been influenced by the Easter holiday shift to later than normal and Boeing's challenges that combined to drive an 8.4% y/y rise in travel tours pricing with air transportation prices up 6.6% on a combination of "jet groundings and increased April holiday travel". This effect should drop out and soften price gains to less than usual in May.

Retail sales during April will be updated on Friday. The value of overall sales will get a boost from higher prices but what happened to volumes is much less clear—especially given a cold, wet Spring that could weigh on this report and the next one. Gas prices were up by 10% m/m and carry about an 11% weight that translates into a small positive influence on retail sales. Seasonally adjusted CPI was up by 0.3% m/m. The problem is that auto sales were not terribly strong but difficult to translate into how the retail report captures the sector, and the prior month saw a strong 1.1% rise in retail sales that presents a high base effect that makes it more difficult to register further growth.

Can manufacturing sales repeat with another solid gain in April on Tuesday? My guesstimate is for another mild rise. After a 2.1% rise in March that was the strongest since last May, the bar for another gain might be set high. That export volumes increased by 2.0% in April may nevertheless point to another manufacturing gain. The export gain probably overstates manufacturing strengths, however, in that the gain in exports was significantly driven by gold moving through Hong Kong and the UK. Manufacturing new orders were up strongly in each of the prior two months and that could add upside to shipments from either domestic or international sources again albeit without much breadth.

ADP payrolls will be updated for May on Thursday. While monthly estimates for job gains can vary across ADP, the Labour Force Survey and the SEPH payrolls survey, **all three measures generally confirm that job growth has been very strong** since it began to accelerate after July 2016 (chart 5).

Chart 3

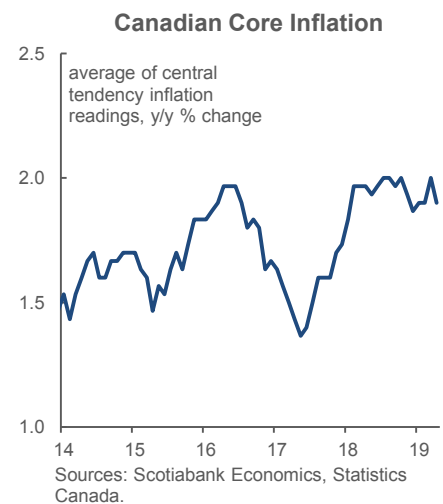
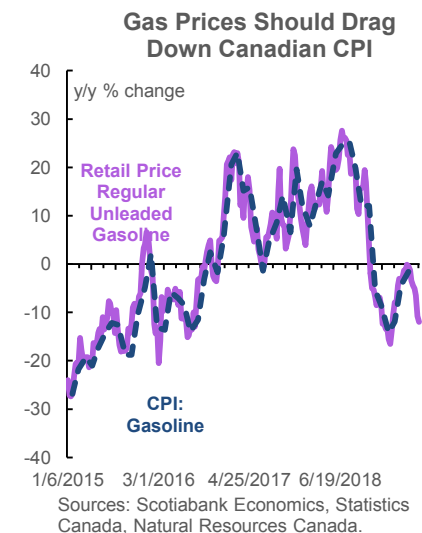


Chart 4



Whether or not the Trans Mountain Pipeline (TMX) project will get the green light depends upon Tuesday's key decision by the Federal government. Cabinet had already previously endorsed the pipeline before the Federal Court intervened last summer by saying consultations with environmental and indigenous groups were inadequate. The federal government then bought the pipeline for \$4½ billion from Kinder Morgan with a pledge to proceed. The court ordered the National Energy Board to reassess, and upon doing so it approved the project on February 22nd of this year with new conditions and gave the feds 90 days to make a decision. That deadline was missed in order to give indigenous groups and others more time.

The TMX expansion would increase pipeline capacity from about 300,000 barrels per day to about 890,000 bpd from Edmonton, Alberta through to Burnaby, BC. It would do so by building a new pipeline along the same route as the prior route and it would sharply increase the flow of ships through the port. In addition to its economic significance, it is also portrayed by Alberta's Premier Kenney as a matter of improving Alberta's alienation within Confederation.

LATIN AMERICA—CHILE AN OUTLIER?

A pair of central banks weigh in alongside evidence of ongoing recession in Argentina. After Chile's central bank recently shocked markets with a rate cut of 50bps, other major central banks across the region either have rejected (Peru) or are likely to reject following in its footsteps (Colombia, Brazil). That may leave Chile as an idiosyncratic outcome rather than signalling a regional movement.

BanRep is likely to leave its policy rate unchanged at 4.25% on Friday. Headline and core inflation are running at 3.3% y/y which lies within the 2–4% inflation target range. Inflation is signalling no urgency to alter monetary policy. Partly in light of the inflationary implications, BanRep signalled a degree of disquiet over the peso's depreciation when it recently announced that it would suspend a US dollar purchase program. The peso has rallied by over 3% to the dollar since then so far this month following the currency's 9% depreciation from mid-April to the end of May (chart 6). This may add small downside risk to inflation. In a broader sense, BanRep President Juan Jose Echavarria recently sparked tensions with President Ivan Duque by referencing growth that has 'stagnated' since the election almost a year ago. Duque countered that the economy is "recovering and we will continue to work so that it grows more."

Argentina's economy has been shrinking for four quarters and a fifth quarter-ago contraction is likely to be registered on Wednesday when 2019Q1 figures land. In year-ago terms, the economy ended 2018 by shrinking at the quickest pace since 2009 as the Global Financial Crisis hit.

Banco Central do Brasil's policy decision on Wednesday is likely to leave the Selic rate unchanged at 6.5%. Inflation at 4.7% y/y is riding at roughly the mid-point of the 3–6% inflation target range.

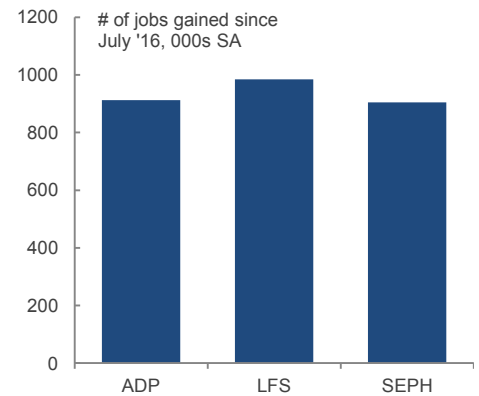
ASIA-PACIFIC—MULLING HONG KONG'S NEXT STEPS

A trio of central banks, deeper guidance on the RBA's recent internal dialogue and limited macro risk should be of primary significance to regional markets with little global spillover. The only consideration that may carry implications for global markets would be the seriousness of instability in Hong Kong stemming from further mass protests planned for Sunday against the local government's extradition bill.

The Bank of Japan's meeting on Thursday is not expected to yield a significant change in the policy stance. Governor Kuroda recently jawboned options remaining at his disposal should downside risks become more acute, but noted he doesn't see a case to trigger them at this point. The options he noted nevertheless represent trying more of the same that has not generated a

Chart 5

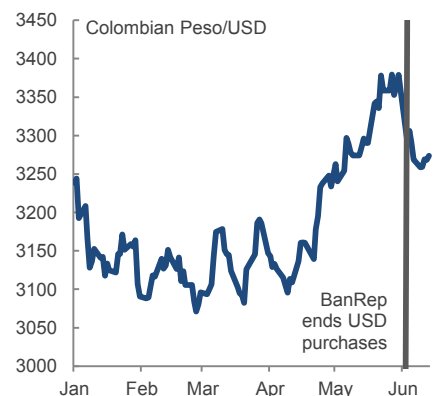
Canadian Job Growth



Sources: Scotiabank Economics, StatsCan, ADP Research Institute.

Chart 6

Colombian Peso Depreciation At Its End



Sources: Scotiabank Economics, Bloomberg.

successful move toward the 2% inflation goal after many years of trying (chart 7). CPI for May is due out on Thursday. Further reductions to the -0.1% policy balance rate, increased and broadened asset purchases, faster growth in the monetary base and lowering the 'around 0%' nominal 10 year yield target were cited.

Each of Bank Indonesia and Bangko Sentral ng Pilipinas deliver rate decisions over the coming week. Bank Indonesia is expected to remain on hold at 6% with modest cut risk. The Philippines central bank is expected to cut by 25bps to an overnight borrowing rate of 4.25%. Both central banks are monitoring global conditions including US-China trade risks while the Philippines recently commenced easing.

New Zealand refreshes GDP growth for Q1 and a repeat of the 0.6% q/q non-annualized pace in 2018Q4 is anticipated which would keep growth just north of 2¼% y/y after a downward trajectory since mid-2016. Minutes to the RBA's meeting on June 4th arrive on Monday.

EUROPE—A FINE TIME FOR PEOPLE RISK

The ECB's annual forum will be Draghi's last and it will combine with policy decisions by the Bank of England and Norges Bank. Macro data risk will be elevated in the UK and across the EU.

Another batch of survey-based growth evidence arrives across the Eurozone next week. The ZEW investor expectations metric for Germany (Tuesday) and the Eurozone (Wednesday) will be teasers ahead of the Eurozone Purchasing Managers' Indices for June on Friday. **If the improvement in GDP growth during Q1 is to prove durable, then the correlation over time with PMIs would require some further improvement in the surveys (chart 8).**

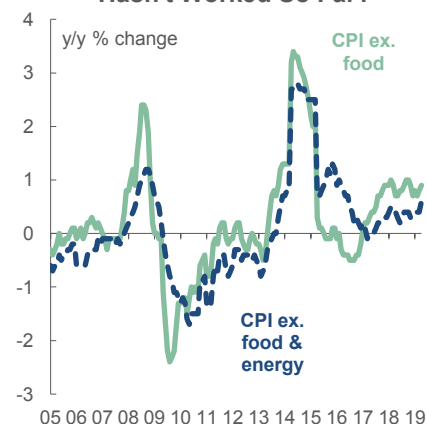
Norges Bank is expected to hike its deposit rate by 25bps on Thursday but it's not a slam dunk. That would be the third hike since September as distance rises from the 0.5% floor that existed from March 2016 to August 2017. Inflation recently fell by more than expected, however, as headline equalled 2.5% y/y in May (2.9% consensus and prior) and underlying CPI was up by 2.3% y/y (2.6% consensus and prior). That inflation report landed after the central bank said in its May 8th statement ([here](#)) that the "balance of risks suggests that the policy rate will most likely be raised in June."

The Bank of England is unanimously expected to stay on hold with its Bank Rate left at 0.75% on Thursday. Core inflation of 1.8% y/y is not signalling any urgency to act, and the May update on Wednesday could reinforce this point while Thursday's retail sales report could face downside risk.

In the midst of the Conservative Party's leadership race that will decide upon who will replace Prime Minister May, the BoE will wish to steer clear of politics and assess next steps. The Conservatives hold another series of ballots from Tuesday through Thursday to whittle down the remaining seven candidates to two for a run-off postal vote with the results to be announced the week of July 22nd.

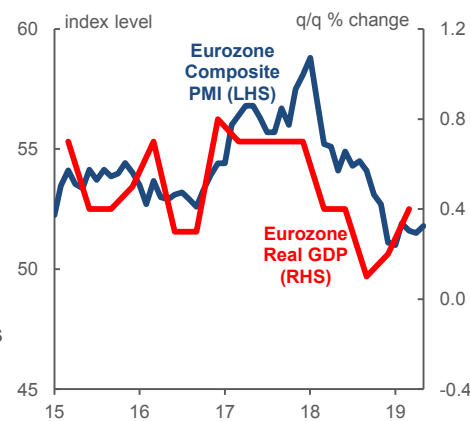
The deadline of October 31st for a Brexit deal with the EU looms amid uncertainty regarding risks of a hard Brexit, another referendum, a delay, a general election, or renewed negotiations. The EU has generally continued to reject further negotiations or another deadline extension. Adding to the intrigue is the fact that Governor Carney will step down from his role at the end of January 2020 and his successor has not yet been chosen. Applications to replace him were accepted until June 5th. Of the varied candidates, I find speculation toward whether Carney's successor will be more or less hawkish than he was to be pretty simplistic. For one thing, the BoE's Monetary Policy Committee will ensure a degree of policy continuity. For another, the many meetings and client requests that I recall when Carney skipped across the pond from the Bank of Canada to the Bank of England usually started with a presumption that Carney would carry his perceived hawkishness with him. That hasn't generally panned out as monetary policy must suit local conditions and Brexit threw a wrench into the outlook. Presumably, Carney's replacement will also adapt to the circumstances and the mandate.

Chart 7 Should the BoJ Try More of What Hasn't Worked So Far?



Source: Scotiabank Economics, Bloomberg.

Chart 8 Eurozone GDP Growth and PMIs



Sources: Scotiabank Economics, IHS Markit, Haver Analytics, Bloomberg.

Also note that the ECB's annual Forum on Central Banking at Sintra, Portugal will be held from Monday through Wednesday. The agenda is [here](#). Former IMF Chief Economist Olivier Blanchard (now with the Peterson Institute) could be a candidate for President Draghi's role when Draghi retires at the end of October, and Blanchard speaks on Monday over dinner. Draghi's speech on Tuesday morning will be monitored, alongside appearances by Carney, former Fed chair Yellen and former Fed vice chair Fischer.

Federal Reserve Cheat Sheet	
Arguments For Easing	Arguments Against Easing
GDP growth will weaken to a one-handed pace that just isn't good enough	The US economy is strong with low unemployment and continued growth that doesn't need help
There are downside risks to mild projected GDP growth that require accommodation even if no recession lurks	There are also upside risks to growth
Bond markets are signalling recession probabilities in line with actual past recessions	Bond markets are distorted and markets often over react such that policymakers should craft policy independently
Don't disappoint market pricing for cuts that would tighten financial conditions	Markets have gone too far and easing could inflame bubbles
Trade policy risks have been worse than anticipated for longer and will remain elevated. The damage has already been done to trade and investment	Trump will settle down into an election year
Look through potential tariff effects on inflation as transitory and in favour of growth drivers of the dual mandate, or view tariffs as ultimately deflationary like the 1930s. Bernanke vowed to never repeat the Fed's mistake back then.	Tariff effects could be inflationary if presented as a persistent supply shock such that easing would inflame inflation risk
The Fed's 2% inflation goal is symmetrical, meaning that ten years of failed model-based forecasts for higher inflation will now position the Fed to risk an overshoot of 2% as an average goal and not a ceiling to prove it is serious about its target	2% is still the target, trying to overshoot may not work or it could be problematic with unintended consequences to the bond market.
Inflation expectations are falling as a threat to Fed goals	Falling inflation expectations depend upon the measure and they are at best imperfect guides.
Fed-speak sounds more open to easing and don't fight the Fed	Powell hasn't said much of late and wait for the more open June FOMC debate
The Fed will give into Trump's pressure tactics	The Fed is independent, will pursue its Congressional dual mandate and might even exert its independence by defying Trump
The Fed may want to act faster and more pre-emptively in the face of increased risks this time	The Fed remains slow moving and will take its time and monitor further developments like the G20, OPEC meeting etc.
USD strength has many drivers and it has tightened financial conditions while putting downside pressure on inflation pass-through that requires Fed counter-action.	USD strength may be transitory if it is driven by trade policies that could settle down.
Other central banks like the PBOC, ECB, BoJ and BoE are shoving dollar strength onto the Fed which requires relative central bank adjustments	Currency markets face many varied drivers with monetary policy just one of them and duelling central banks yield subpar outcomes compared to global coordination
The Fed has to respect its Congressional dual mandate and do whatever it thinks is necessary.	Easing would bow to Trump and by bailing him out it could embolden him in such fashion as to worsen the outlook for trade policy
Weak payrolls in May were a warning shot as hiring confidence has been drained and don't risk waiting to find out	Volatile jobs could bounce higher next time so wait for a trend
The unemployment rate can go lower without stoking materially faster wage and price pressures that have eluded the Fed to date. Estimates for the natural rate of unemployment keep pushing lower so let's test it further.	Where the natural rate of unemployment rests is uncertain and this may be a dangerous pursuit
The US economic expansion is long in the tooth and the risk of accidents is naturally higher, requiring pre-emptive action	Expansions don't die of old age
The Fed is central banker to the world and easing could benefit multiple regions to the indirect benefit of the US economy and global financial stability	Monetary policy must be conducted strictly in terms of what is necessary for the US while letting the rest of the world adjust and adapt
Monetary policy can still ignite aggregate demand	Monetary policy would be like pushing on a string in the face of confidence-sapping trade wars that push us into a liquidity trap
The Fed has plenty of ammunition in the tank through varied tools in order to counter future risks even if it gives away a few rate cut bullets now	Don't prematurely give away precious room for conventional easing and QE policies are less and less effective over time

Key Indicators for the week of June 17 – 21

NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	06/17	08:30	International Securities Transactions (C\$ bn)	Apr	--	--	-1.5
US	06/17	08:30	Empire State Manufacturing Index	Jun	--	10.5	17.8
CA	06/17	09:00	Existing Home Sales (m/m)	May	--	--	1.9
US	06/17	10:00	NAHB Housing Market Index	Jun	--	67.0	66.0
US	06/17	16:00	Total Net TIC Flows (US\$ bn)	Apr	--	--	-8.1
US	06/17	16:00	Net Long-term TIC Flows (US\$ bn)	Apr	--	--	-28.4
CA	06/18	08:30	Manufacturing Shipments (m/m)	Apr	0.3	0.4	2.1
US	06/18	08:30	Building Permits (000s a.r.)	May	--	1290	1290
US	06/18	08:30	Housing Starts (000s a.r.)	May	1225	1239	1235
US	06/18	08:30	Housing Starts (m/m)	May	-0.8	0.3	5.7
US	06/19	07:00	MBA Mortgage Applications (w/w)	JUN 14	--	--	26.8
CA	06/19	08:30	Core CPI - Common (y/y)	May	--	1.9	1.8
CA	06/19	08:30	Core CPI - Median (y/y)	May	--	1.9	1.9
CA	06/19	08:30	Core CPI - Trim (y/y)	May	--	2.1	2.0
CA	06/19	08:30	CPI, All items (m/m)	May	0.1	0.1	0.4
CA	06/19	08:30	CPI, All items (y/y)	May	2.0	2.1	2.0
CA	06/19	08:30	CPI, All items (index)	May	--	136.0	136.0
CA	06/19	08:30	Teranet - National Bank HPI (y/y)	May	--	--	1.2
US	06/19	14:00	FOMC Interest Rate Meeting (%)	Jun 19	2.50	2.50	2.50
US	06/20	08:30	Current Account (US\$ bn)	1Q	--	-124.6	-134.4
US	06/20	08:30	Initial Jobless Claims (000s)	JUN 15	220	220	222
US	06/20	08:30	Continuing Claims (000s)	JUN 8	1680	1670	1695
US	06/20	08:30	Philadelphia Fed Index	Jun	15	10.5	16.6
US	06/20	10:00	Leading Indicators (m/m)	May	--	0.1	0.2
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	1.2	-0.4

EUROPE

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
EC	06/17	05:00	Labour Costs (y/y)	1Q	--	--	2.3
GE	06/18	02:00	Producer Prices (m/m)	May	--	0.2	0.5
EC	06/18	05:00	CPI (m/m)	May	--	0.2	0.2
EC	06/18	05:00	CPI (y/y)	May F	1.2	1.2	1.2
EC	06/18	05:00	Euro zone Core CPI Estimate (y/y)	May F	0.8	0.8	0.8
EC	06/18	05:00	Trade Balance (€ mn)	Apr	--	--	22533
EC	06/18	05:00	ZEW Survey (Economic Sentiment)	Jun	--	--	-1.6
GE	06/18	05:00	ZEW Survey (Current Situation)	Jun	--	6.1	8.2
GE	06/18	05:00	ZEW Survey (Economic Sentiment)	Jun	--	-5.8	-2.1
RU	06/18-06/19		Real GDP (y/y)	1Q P	0.50	0.50	0.50
EC	06/19	04:00	Current Account (€ bn)	Apr	--	--	24.7
IT	06/19	04:00	Current Account (€ mn)	Apr	--	--	4040
UK	06/19	04:30	CPI (m/m)	May	0.3	0.3	0.6
UK	06/19	04:30	CPI (y/y)	May	2.0	2.0	2.1
UK	06/19	04:30	PPI Input (m/m)	May	--	0.2	1.1
UK	06/19	04:30	PPI Output (m/m)	May	--	0.2	0.3
UK	06/19	04:30	RPI (m/m)	May	0.3	0.2	1.1
UK	06/19	04:30	RPI (y/y)	May	2.8	2.9	3.0
NO	06/20	04:00	Norwegian Deposit Rates (%)	Jun 20	1.00	1.25	1.00
UK	06/20	04:30	Retail Sales ex. Auto Fuel (m/m)	May	-0.3	-0.5	-0.2
UK	06/20	04:30	Retail Sales with Auto Fuel (m/m)	May	-0.5	-0.5	0.0
UK	06/20	07:00	BoE Asset Purchase Target (£ bn)	Jun	435	435	435
UK	06/20	07:00	BoE Policy Announcement (%)	Jun 20	0.75	0.75	0.75
EC	06/20	10:00	Consumer Confidence	Jun A	--	-6.5	-6.5
SP	06/20-06/27		Current Account (€ bn)	Apr	--	--	0.0

Forecasts at time of publication.
Source: Bloomberg, Scotiabank Economics.

Key Indicators for the week of June 17 – 21

EUROPE (continued from previous page)

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
FR	06/21	03:15	Manufacturing PMI	Jun P	50.8	50.9	50.6
FR	06/21	03:15	Services PMI	Jun P	52.0	51.6	51.5
GE	06/21	03:30	Manufacturing PMI	Jun P	44.7	44.6	44.3
GE	06/21	03:30	Services PMI	Jun P	55.2	55.3	55.4
EC	06/21	04:00	Composite PMI	Jun P	52.1	52.0	51.8
EC	06/21	04:00	Manufacturing PMI	Jun P	48.1	48.0	47.7
EC	06/21	04:00	Services PMI	Jun P	53.1	53.0	52.9
UK	06/21	04:30	PSNB ex. Interventions (£ bn)	May	--	4.2	5.8
UK	06/21	04:30	Public Finances (PSNCR) (£ bn)	May	--	--	-7.1
UK	06/21	04:30	Public Sector Net Borrowing (£ bn)	May	--	3.2	5.0

ASIA-PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
SI	06/16	20:30	Exports (y/y)	May	--	-18.7	-10.0
PH	06/16-06/17		Overseas Remittances (y/y)	Apr	--	3.2	6.6
AU	06/17	21:30	House Price Index (y/y)	1Q	--	-6.9	-5.1
JN	06/18	19:50	Merchandise Trade Balance (¥ bn)	May	--	-1207	56.8
JN	06/18	19:50	Adjusted Merchandise Trade Balance (¥ bn)	May	--	-807	-110.9
JN	06/18	19:50	Merchandise Trade Exports (y/y)	May	--	-8.4	-2.4
JN	06/18	19:50	Merchandise Trade Imports (y/y)	May	--	1.0	6.5
PH	06/18-06/19		Balance of Payments (US\$ mn)	May	--	--	467
HK	06/19	04:30	Unemployment Rate (%)	May	2.8	2.8	2.8
SK	06/19	17:00	PPI (y/y)	May	--	--	0.6
NZ	06/19	18:45	GDP (y/y)	1Q	2.3	2.4	2.3
ID	06/19-06/20		BI 7-Day Reverse Repo Rate (%)	Jun 20	6.00	6.00	6.00
JN	06/19-06/20		BoJ Policy Rate (%)	Jun 20	-0.10	--	-0.10
JN	06/19-06/25		Supermarket Sales (y/y)	May	--	--	-1.0
JN	06/20	01:30	All Industry Activity Index (m/m)	Apr	--	0.7	-0.4
JN	06/20	02:00	Machine Tool Orders (y/y)	May F	--	--	-27.3
PH	06/20	04:00	Overnight Borrowing Rate (%)	Jun 20	4.25	4.25	4.50
TA	06/20	04:00	Export Orders (y/y)	May	--	-7.2	-3.7
TA	06/20	04:00	Benchmark Interest Rate	Jun 20	1.38	1.38	1.38
JN	06/20	19:30	National CPI (y/y)	May	0.9	0.7	0.9
JN	06/20	20:30	Markit/JMMA Manufacturing PMI	Jun P	--	--	49.8
TH	06/20-06/21		Customs Exports (y/y)	May	--	-5.2	-2.6
TH	06/20-06/21		Customs Imports (y/y)	May	--	-2.0	-0.7
TH	06/20-06/21		Customs Trade Balance (US\$ mn)	May	--	715	-1457
JN	06/21	01:30	Nationwide Department Store Sales (y/y)	May	--	--	-1.1
HK	06/21	04:30	CPI (y/y)	May	2.9	2.8	2.9
HK	06/21	04:30	BoP Current Account (HK\$ bns)	1Q	--	--	40.4

LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
PE	06/17	10:00	Economic Activity Index NSA (y/y)	Apr	0.3	0.8	3.2
PE	06/17	10:00	Unemployment Rate (%)	May	--	--	7.3
BZ	06/19	08:00	SELIC Target Rate (%)	Jun 19	6.50	6.50	6.50
CO	06/20	11:00	Trade Balance (US\$ mn)	Apr	--	-495	-762
CO	06/21	10:00	Overnight Lending Rate (%)	Jun 21	4.25	4.25	4.25

Forecasts at time of publication.
Source: Bloomberg, Scotiabank Economics.

Global Auctions for the week of June 17 – 21

NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	06/20	13:00	U.S. to Sell 5-Year TIPS Reopening

EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
BE	06/17	06:00	Belgium Bond Auction
UK	06/18	05:30	U.K. to Sell 2.75 Billion Pounds of 0.875% 2029 Bonds
SW	06/19	05:00	Sweden to Sell Bonds
GE	06/19	05:30	Germany to Sell 1 Billion Euros of 2.5% 2046 Bonds
SP	06/20	04:45	Spain to Sell Bonds
FR	06/20	05:50	France to Sell I/L Bonds
IC	06/21	06:30	Iceland to Sell Bonds

ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
SK	06/16	21:30	Korea Central Bank to Sell KRW 300 Bln 182-Days Bond
CH	06/16	21:30	Shanghai to Sell Bonds
SK	06/16	22:30	Korea to Sell KRW 2.15Tln 10-Year Bond
CH	06/16	22:30	Guangdong to Sell Bonds
SK	06/17	01:00	Korea Central Bank to Sell KRW 800Bln 91-Days Bond
CH	06/17	02:00	Shenzhen to Sell Bonds
CH	06/17	03:00	Anhui to Sell Bonds
KZ	06/17	07:00	Kazakhstan to Sell 65B Tenge of 8.07% 2034 Meukam Bonds
CH	06/17	23:30	Inner Mongolia to Sell Bonds
JN	06/17	23:35	Japan to Sell 5-Year Bonds
ID	06/18	05:00	Indonesia to Sell 3,12Mo Bills & 5,10,15,20,30Yr Bonds
AU	06/18	21:00	Australia To Sell AUD2 Bln 2.5% 2031 Bonds
SK	06/18	21:30	Korea Central Bank to Sell KRW 2.4 Tln 2-Year Bond
CH	06/18	23:00	China Plans to Sell 1-Year Upsized Government Bond
CH	06/18	23:00	China Plans to Sell 10-Year Upsized Government Bond
TH	06/18	23:00	Thailand to Sell THB30 Bln Bonds Due 2023
TH	06/18	23:00	Thailand to Sell THB8 Bln Bonds Due 2067
NZ	06/19	22:05	New Zealand To Sell NZD150 Mln 2.75% 2037 Bonds
BM	06/20	04:00	Brunei to Sell BND 50Mln 1Y Islamic Notes
CH	06/20	23:00	China Plans to Sell 50-Year Government Bond
TA	06/21	00:30	Taiwan to Sell TWD 30 Bln 10-Yr Bonds

Source: Bloomberg, Scotiabank Economics.

Events for the week of June 17 – 21

NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	06/19	14:00	FOMC Rate Decision
US	06/19	14:30	Fed Chair Powell Holds Press Conference After FOMC Meeting
CA	06/20	08:30	ADP Canada Releases May. Payroll Estimates
US	06/21	12:00	Fed Listens Event in Cincinnati with Brainard and Mester
US	06/21	15:00	Fed's Daly Hosts Podcast on Community Economics

EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
SZ	06/17	04:00	Sight Deposits CHF
UK	06/18	10:00	BOE Governor Carney on a panel at ECB Forum in Sintra
UK	06/18		Conservative Party leadership ballot to narrow down candidates
NO	06/20	04:00	Deposit Rates
EC	06/20	04:00	ECB Publishes Economic Bulletin
UK	06/20	07:00	Bank of England Bank Rate
UK	06/20	16:00	BOE Governor Carney gives annual Mansion House Speech

ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
AU	06/17	19:15	RBA's Kearns Speaks in Canberra
AU	06/17	21:30	RBA Minutes of June Policy Meeting
JN	06/18	21:10	BOJ Outright Bond Purchase
JN	06/19	02:36	BOJ Eto speaks in Tokyo
AU	06/19	21:15	RBA Governor Lowe Gives Speech in Adelaide
AU	06/19	21:30	RBA FX Transactions Market
JN	06/19	00:00	BOJ Policy Balance Rate
JN	06/19	00:00	BOJ 10-Yr Yield Target
ID	06/19	00:00	Bank Indonesia 7D Reverse Repo
ID	06/20	03:00	Bank Indonesia Rate Decision and Briefing
TA	06/20	04:00	CBC Benchmark Interest Rate
PH	06/20	04:00	BSP Overnight Borrowing Rate
PH	06/20	04:00	BSP Standing Overnight Deposit Facility Rate
JN	06/20	21:10	BOJ Outright Bond Purchase 1-3 Yr, 3-5 YR, 5-10 Yr

LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
BZ	06/19	08:00	Selic Rate
CO	06/21	10:00	Overnight Lending Rate

Source: Bloomberg, Scotiabank Economics.

Global Central Bank Watch

NORTH AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Canada – Overnight Target Rate	1.75	July 10, 2019	1.75	1.75
Federal Reserve – Federal Funds Target Rate	2.50	June 19, 2019	2.50	2.50
Banco de México – Overnight Rate	8.25	June 27, 2019	8.25	8.25

Federal Reserve: No policy rate change is expected. Prior 'dot plot' projections for a hold or a hike will likely shift toward an uncertain mixture of holds and cuts of varying magnitudes over the forecast horizon. At issue is whether the central bank replaces 'patient' with something that indicates more openness to easing that is aggressively priced into markets. Please see the US section of *The Global Week Ahead* for more.

EUROPE

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	0.00	July 25, 2019	0.00	0.00
Bank of England – Bank Rate	0.75	June 20, 2019	0.75	0.75
Swiss National Bank – Libor Target Rate	-0.75	September 19, 2019	-0.75	-0.75
Central Bank of Russia – One-Week Auction Rate	7.75	July 26, 2019	7.75	7.50
Sweden Riksbank – Repo Rate	-0.25	July 3, 2019	-0.25	-0.25
Norges Bank – Deposit Rate	1.00	June 20, 2019	1.00	1.25
Central Bank of Turkey – Benchmark Repo Rate	24.00	July 25, 2019	24.00	24.00

Bank of England: The Bank Rate will be left on hold at 0.75%. Core inflation is not signalling any urgency to act in either direction with another update pending the day before the decision. Brexit uncertainty and more general political uncertainty will continue to cloud the outlook over the duration of the year with the search to replace Governor Carney underway.

Norges Bank: The central bank guided on May 8th that the rate would go up next week, but since then inflation surprised to the downside. That may imperil the consensus forecast for a hike.

ASIA PACIFIC

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Policy Rate	-0.10	June 20, 2019	-0.10	--
Reserve Bank of Australia – Cash Target Rate	1.25	July 2, 2019	1.25	1.25
Reserve Bank of New Zealand – Cash Rate	1.50	June 25, 2019	1.50	1.75
People's Bank of China – Lending Rate	4.35	TBA	--	--
Reserve Bank of India – Repo Rate	5.75	August 7, 2019	5.50	5.75
Bank of Korea – Bank Rate	1.75	July 18, 2019	1.75	1.75
Bank of Thailand – Repo Rate	1.75	June 26, 2019	1.75	1.75
Bank Negara Malaysia – Overnight Policy Rate	3.00	July 9, 2019	3.00	3.00
Bank Indonesia – 7-Day Reverse Repo Rate	6.00	June 20, 2019	6.00	6.00
Central Bank of Philippines – Overnight Borrowing Rate	4.50	June 20, 2019	4.25	4.25

Bank of Japan (BoJ): We do not expect any changes to the BoJ's monetary policy stance following the June 20 meeting. Highly-accommodative monetary policy will likely be maintained through 2020 on the back of Japan's muted inflation outlook and slowing demand growth globally. **Bank Indonesia (BI):** Indonesian monetary authorities will make a policy decision on June 20. We expect the BI to continue its wait-and-see stance over the near-term, closely monitoring financial market volatility and the direction of monetary policy in other economies, notably in the US. Inflation remains contained, at 3.3% y/y in May. **Bangko Sentral ng Pilipinas (BSP):** Headline inflation, at 3.2% y/y in May, is within the BSP's target range of 2-4% y/y. Therefore, the benchmark interest rate will likely be lowered by 25 bps to 4.25% following the June 20 policy meeting, marking a second consecutive rate reduction. Nevertheless, we do not expect the BSP to execute an aggressive monetary easing program, as the period of low inflation may turn out to be fairly short-lived.

LATIN AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	6.50	June 19, 2019	6.50	6.50
Banco Central de Chile – Overnight Rate	2.50	July 18, 2019	3.00	3.00
Banco de la República de Colombia – Lending Rate	4.25	June 21, 2019	4.25	4.25
Banco Central de Reserva del Perú – Reference Rate	2.75	July 12, 2019	2.75	2.75

BanRep: No policy rate change is expected. Inflation is close to target and the central bank just ceased a dollar purchase program that sparked a rally in the peso.

Banco Central do Brasil: The Selic rate is expected to be left unchanged with inflation near target.

AFRICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	6.75	July 18, 2019	6.75	0.00

Forecasts at time of publication.
Source: Bloomberg, Scotiabank Economics.

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