

LESS TALK, MORE ACTION

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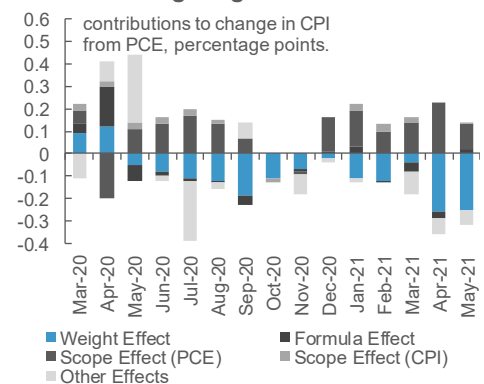
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Next Week's Risk Dashboard

- ECB Preview
- Crunch time for the US debt ceiling
- The UK's reopening trial
- Redefining Canadian inflation
- Other CBs: PBOC, BI, SARB, Russia
- PMIs: Eurozone, UK, US, Australia
- Canadian, UK retail sales
- Earnings

Chart of the Week

What We Can Learn From Dynamic Weighting in US PCE



Sources: Scotiabank Economics, BEA.

Chart of the Week: Prepared by: Marc Ercolao, Economic Analyst.

Less Talk, More Action

Several top-shelf global market risks will be packed into the final days of July. They are likely to continue to motivate relatively flat yield curves over coming weeks.

The coming week's ECB meeting will be among them, with a strong sense it will be marked by a lot more jawboning than material market consequences. The following week's FOMC communications will only include the statement and Chair Powell's press conference (no forecasts or dots), but while indicating 'substantial further progress' has not yet been achieved he is likely to expand upon how tapering is under 'active consideration' as the Chair recently put it in Congressional testimony.

Further market turbulence nevertheless lies ahead in the form of the oddity of the US debt ceiling and that is likely to keep taper talk at bay until at least Jackson Hole if not later. A month-end flood of liquidity before the US debt ceiling gets reinstated on August 1st is likely to drive a final push lower in Treasury's general account at the Federal Reserve down to about US\$450 billion, or about \$200B from present levels (chart 1). The last debt auctions before the ceiling is imposed will arrive before relative debt scarcity is engaged with issuance drying up. Treasury Secretary Yellen has indicated she will send a letter to Congress invoking extraordinary measures and how long they could last. The past debt ceiling tricks could be reengaged by temporarily backing into retirement funds of government workers and the Treasury Exchange Stabilization Fund.

My personal view remains that Congress may not begin to get serious until after recess when they come back in September and must address the September 6th expiration of the Pandemic Unemployment Assistance Program, the expiration of the American Rescue Plan's extended benefits, the September 30th expiration of student loan deferrals at 0%, the September 30th expiration of COVID sick leave benefits, and a new agreement to fund the US government beyond the September 30th fiscal year-end. Mixed into the middle of all of that are plans for further fiscal stimulus that Republicans generally oppose. Oh, and did I mention Congress almost never acts on such matters until their proverbial backs are against the wall?

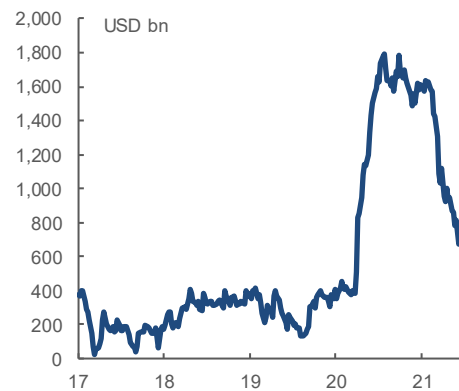
All of this will occur as the Fed continues to flood the market with US\$120 billion per month in securities purchases and the overnight reverse repo facility struggles to keep up with draining liquidity (chart 2).

Reopening experiments also kick into higher gear from the UK to major Canadian provinces like Ontario while all of the rest of this will be unfolding. **As the UK blows the barn doors open on restrictions, markets will be very closely monitoring nascent signs of increased hospitalizations and deaths (chart 3).** The lessons from the UK experiment will inform COVID-19 risks elsewhere. With low 'breakthrough' cases, the twist this time is more likely to be about the risks that a shrinking number of non-vaccinated people are exposing themselves toward than the same acute risk to the entire herd that was present during prior waves.

If that doesn't whet your appetite for thrill seeking enough, then try on earnings. 80 S&P500 firms from Twitter to Netflix will release and earnings seasons intensify elsewhere including in Canada.

Chart 1

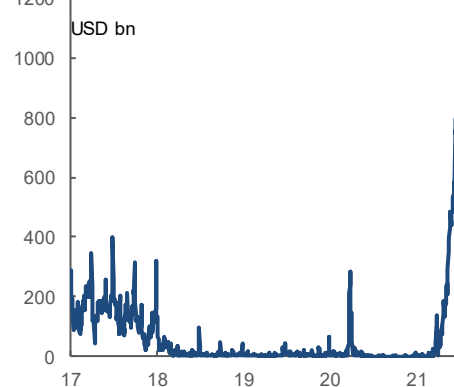
Treasury General Account With Federal Reserve



Sources: Scotiabank Economics, Federal Reserve.

Chart 2

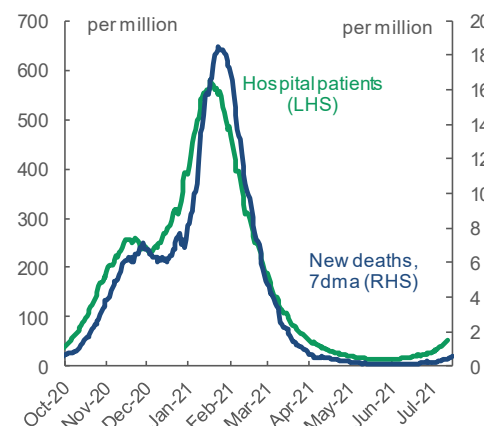
Demand for Fed's Overnight Reverse Repo Facility



Sources: Scotiabank Economics, Bloomberg.

Chart 3

UK: Concerning COVID-19 Trend?



Sources: Scotiabank Economics, Our World in Data.

ECB—WORDS, WORDS, MERE WORDS

ECB President Lagarde certainly built expectations for this meeting when she said on July 26th that this Thursday's upcoming ECB meeting will offer "some interesting variations and changes" and "it's going to be an important meeting." She went on to say that "given the persistence that we need to demonstrate to deliver on our commitment, forward guidance will certainly be revisited."

So what's likely to be on the menu? Perhaps more importantly, will it even matter to markets? The statement will arrive at 7:45amET and Lagarde's usual presser will be held 45 minutes later.

This will be the meeting at which the ECB will seek to codify and operationalize the conclusions of its strategic review that were announced on July 8th. The main release is available [here](#). The revised monetary policy strategy statement is [here](#). A separate release explaining the inclusion of climate change into monetary policy considerations is [here](#).

At the point of writing this, anonymous officials—who sometimes mislead—were indicating that members of Governing Council were struggling with how to agree on communication changes and that there would be no agreement until the September meeting on whether and how to alter purchase programs. With about €650 billion to go on the Pandemic Emergency Purchase Program's unutilized capacity (chart 4) and at the present rate of purchases (chart 5), there is time before the ECB needs to refresh guidance that the program will run "until at least the end of March 2022, and, in any case, until it judges that the coronavirus crisis phase is over."

At a minimum, **it's likely that the guidance around the inflation target will be changed** from "close to, but below, 2% within its projection horizon" where it has been since 2003, to 2% in a more symmetrical fashion.

It's unlikely that they codify a willingness to overshoot 2% for some time like the Fed's revised Statement on Longer-Run Goals and Monetary Policy Strategy did last August ([here](#)). Lagarde's press conference on the 8th flatly stated the ECB is not embracing Fed-style guidance on average inflation targeting.

Whereas the Fed's statement said policy "seeks to achieve inflation that averages 2 percent over time, and therefore judges that, following periods when inflation has been running persistently below 2 percent, appropriate monetary policy will likely aim to achieve inflation moderately above 2 percent for some time," the ECB's strategic review concluded that when policy has been around the effective lower bound it "may also imply a transitory period in which inflation is moderately above target." The absence of explicit reference to averaging 2% and the use of 'may' and 'imply' that sound even more vague than the Fed's "will likely" and "seeks" make the ECB sound less committed. 'Transitory' sounds just as vague as 'some time.' Neither of the two central banks' commitments are iron clad, which has been a mistaken impression in the markets insofar as the Fed is concerned without even getting into what "moderately" and "some time" will come to mean.

That said, "may" and "imply" with no averaging reference were probably necessary ECB concessions to the more hawkish northern central bankers who constantly agitate against letting down one's guard on inflation risk. If we can essentially rule out something stronger, then the most extreme form of adjusted forward guidance is likely to draw the line at the same 'may' and 'imply' references. Surely if something stronger couldn't be agreed upon when it got down to brass tacks in the strategic review then they won't achieve something stronger at this meeting.

Chart 4

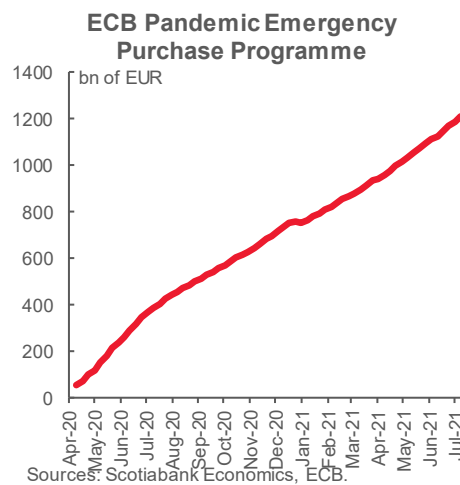


Chart 5

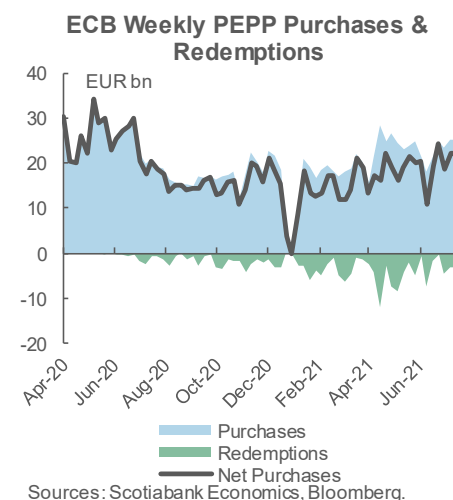
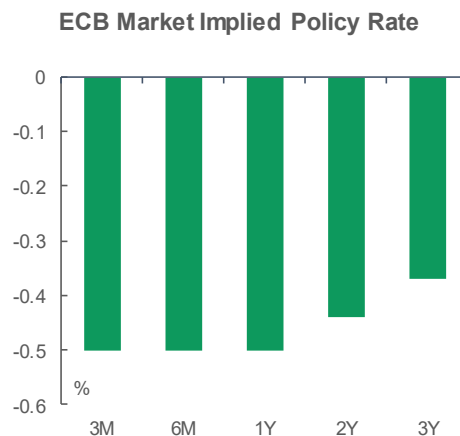


Chart 6



That could make it difficult to engineer a meaningful change to forward rate guidance. At present, we're told the key rates will "remain at their present or lower levels until it has seen the inflation outlook robustly converge" to the about to be refreshed inflation target. Former President Draghi emphasized that the part about 'or lower' was necessary because otherwise markets would face an asymmetrical bias toward speculating when the policy rate may increase and that this could leave to a steeper term structure than desired. In practice, cutting the -0.5% deposit rate further is more complicated as the effective lower bound is closer at hand and given the offsets of the two-tier system that exempts part of banks reserve holdings from the negative rate.

In any event, the ECB is, in practice, already basically approaching its inflation target in a more symmetrical fashion than in the past and the key lies in its ability to engineer inflation toward the target in any event. Actions speak louder than words on this count. Ask Japan about the gap that can exist between the two and hence the ability of market participants to believe it.

Ultimately, with markets not pricing anything to happen to the deposit rate for a long while yet (chart 6), any impact on markets from tinkering with the verbiage is likely to be minimal.

Also watch for further discussion around how to implement over time the ECB's climate policies that abandoned neutrality principles. The climate release noted above said "the ECB will adjust the framework guiding the allocation of corporate bond purchases to incorporate climate change criteria, in line with its mandate. These will include the alignment of issuers with, at a minimum, EU legislation implementing the Paris agreement through climate change-related metrics or commitments of the issuers to such goals."

OTHER CENTRAL BANKS—A TAIL RISK TO LOCALIZED EFFECTS

Four other central bank decisions are also on the docket for the coming week. There is a tiny chance that one of them could be impactful to world markets, while the rest will either leave policy unchanged or have limited consequences to local markets.

The People's Bank of China is expected to keep its 1-year and 5-year Loan Prime Rates unchanged at 3.85% and 4.65% respectively on Monday evening (ET). A small minority expects tiny cuts. PBOC open market operations may have been a signal in favour of a hold while relying upon the recently implemented 50bps cut to banks' required reserve ratios.

The Central Bank of Russia is expected to hike its key rate again on Friday. Consensus is divided on exactly how much it will move higher with estimates resting between 50–100bps from the present 5.5% level. Inflation at 6.5% y/y in June and 6.6% on a core basis is running well above the 4% target. It is driven by sustained month-over-month pressures above seasonal norms in addition to base effects. Governor Nabiullina has previously guided that a hike of between 25–100bps is being considered. An increase in the lower part of that range could be more likely to signal future increases to get back to a neutral policy rate. The upside surprise to recent inflation nevertheless counsels leaning higher on this move (chart 7).

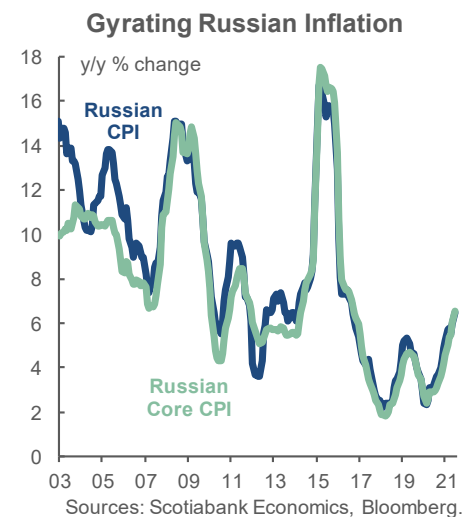
The South African Reserve Bank is likely to keep its policy rate unchanged at 3.5% on Thursday. Inflation is running at 5.2% y/y but core inflation of 3.1% is toward the lower end of SARB's 3–6% target range.

Bank Indonesia is widely expected to stay on hold with a 7-day reverse repo rate of 3.5% on Thursday. Inflation is running at 1.3% and 1.5% in year-over-year headline and core terms respectively. The rupiah has stabilized of late and depreciated by 3–4% to the dollar since the beginning of the year, but the central bank remains concerned about feeding capital account volatility especially into potential Fed tapering later this year.

REDEFINING CANADIAN INFLATION

Canadian inflation as you and I know it is about to be officially redefined somewhat starting next week and into the following week. The official pattern to date is likely to be reprofiled higher as Statistics Canada begins the conversion to new spending weights that reflect pandemic-era spending patterns.

Chart 7



It starts on Wednesday at 8:30amET when the agency will release a paper titled “An Analysis of the 2021 Consumer Price Index Basket Update, Based on 2020 Expenditures.” A briefing session will ensue. Don’t expect earth shattering headlines or to have to put down that gripping novel, but the information will be important to efforts to bring inflation readings inline with pandemic realities and hence it is important to Bank of Canada watchers. I expect the focus to be upon how the basket weights have changed in accordance with changed spending patterns during the pandemic. This may enable translating changed weights into revised CPI inflation estimates up to May of this year. The following week’s release of June CPI will convert from CPI figures to date that are based on pre-pandemic spending weights to the new spending realities.

What effect will this have? The issue was last addressed [here](#) back in April. **Upon converting to pandemic-era weights, headline CPI in the adjusted CPI index was tracking between 0.4–0.5 percentage points above official CPI** up to February 2021 (chart 8). The changed weights relative to official CPI weights to date are shown in chart 9. Not surprisingly, the weights on things like housing, food, home furnishings, health and personal care all went up while the weights on transportation, clothing and footwear and recreation/education/reading all fell. Other than potential re-estimations of these weights, we should also learn whether the estimated effects were stable through the updated March to May period.

It’s not clear whether this week’s briefing will offer more updated spending weights in greater detail that would be necessary for evaluating what happened to core inflation measures. The weights that have been disclosed to date are insufficient to allow for updating proxies for measures like common component CPI, weighted median CPI and trimmed mean CPI that require the full list of 55 components. As a general observation, the average of these core measures should probably turn out to be higher with the new weights compared to the core inflation measures available to date.

A significant uncertainty is whether this reprofiling of inflation to date with updated basket weights will only represent a level adjustment to overall prices that should shake out as an influence upon inflation rates going forward, or whether the composition of spending in this cycle will evolve in a way that drives persistently rapid gains in the soon-to-be higher weighted categories, or somewhere in between. There is also the issue of whether basket weights will go through another material adjustment on the biennial schedule should the composition of spending patterns return fully or partially toward pre-pandemic realities.

MACRO REPORTS—MOSTLY ABOUT PMI READINGS

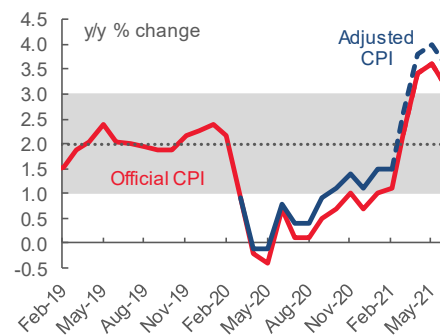
The main global macro data risk will come through the monthly wave of purchasing managers indices that arrive toward the end of the week. Australia arrives first on

Thursday night after two consecutive monthly declines in the composite reading that still leave it signalling strong growth (chart 10). The UK composite PMI (Friday) has been on an upswing due to reopening effects and may build further upon the trend (chart 11). Eurozone PMIs (Friday) took a bit of a breather the prior month but have generally been signalling a significant rebound in activity during Q2 (chart 12). The US Markit (not ISM) gauges wrap it all up on Friday and have been on a tear for a while (chart 13).

Canada updates retail sales for May and will provide preliminary guidance for June on Friday. May will be another lockdown-driven drop, but we could see the beginnings of a turning point in the June guidance. StatsCan provided preliminary guidance on June 23rd for May sales and indicated a 3.2% m/m drop based on a 62% partial response rate compared to the typical 91% rate which serves as a reminder that the estimate could be off once they have the complete sample. We know that auto sales were down by 8–9% in May but they appeared to jump at a low double-digits rate in June and carry about a 20% weight with the drop partially offset by higher auto prices on the month. Sales ex-autos probably also dipped in May. June guidance may well benefit from not just higher auto sales but a more generalized reopening effect on broad retail sales.

Chart 8

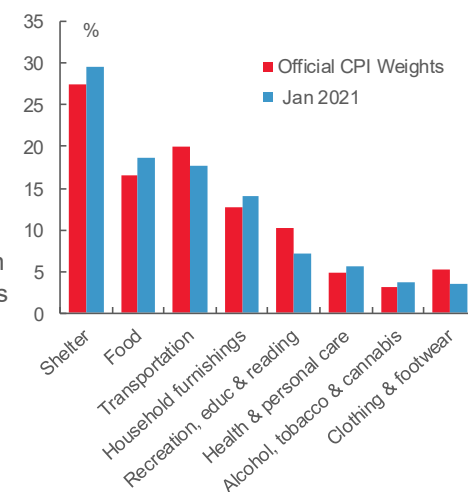
CPI is Breaching the BoC’s Upper Limit



*Effective June 2021, the adjusted price index basket weights will replace those in the current CPI. Sources: Scotiabank Economics, Statistics Canada, Bank of Canada.

Chart 9

Comparing Official CPI Basket Weights to the Adjusted Price Index



Sources: Scotiabank Economics, Statistics Canada, Bank of Canada.

The US faces a light release schedule. Housing starts in June (Tuesday) are expected to register a mild increase given the backlog of permit growth over the past several months and notwithstanding the dip in permits the prior month. Jobless claims (Thursday) have settled into a 360–380k range over recent weeks. Existing home sales (Thursday) could have gotten a little lift in June from a jump in pending home sales that close with 30–90 days after initial signings.

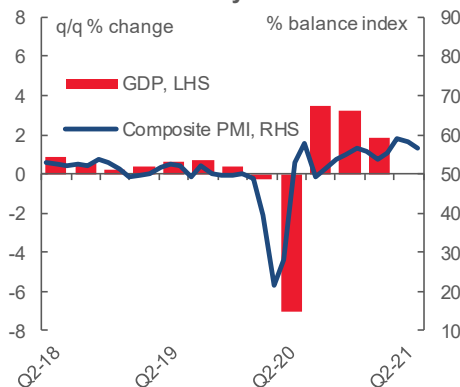
UK retail sales during June (Friday) could begin to showcase a rebound as restrictions eased. Mind you, that was the expectation for May's sales as well, but perhaps the greater relaxation of restrictions will be a more powerful influence.

LatAm releases will only include Brazil's mid-month inflation report for July (Friday) and Mexican retail sales during May (Friday).

Asia-Pacific's release schedule will be similarly light with just Australian retail sales during June (Tuesday) plus a pair of CPI releases from Japan (Monday) and Malaysia (Friday).

Chart 10

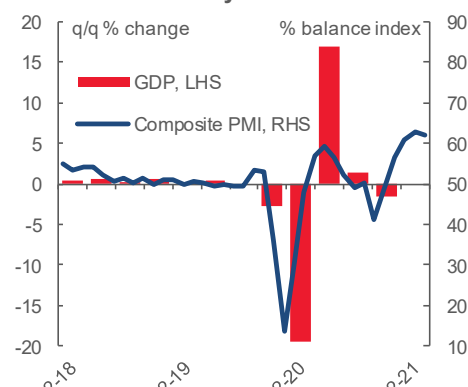
Australia Composite PMI & Quarterly Real GDP



Sources: Scotiabank Economics, IHS Markit, Bloomberg.

Chart 11

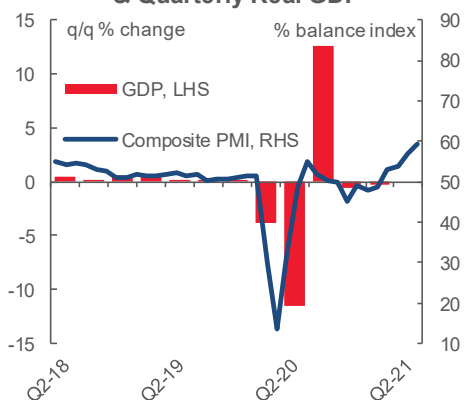
UK Composite PMI & Quarterly Real GDP



Sources: Scotiabank Economics, IHS Markit, Bloomberg.

Chart 12

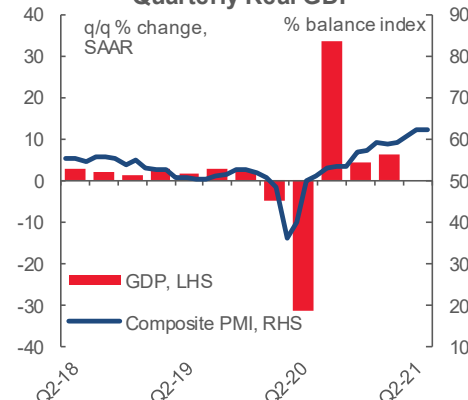
Euro Area Composite PMI & Quarterly Real GDP



Sources: Scotiabank Economics, IHS Markit, Bloomberg.

Chart 13

US Composite PMI & Quarterly Real GDP



Sources: Scotiabank Economics, Markit, Bloomberg.

Key Indicators for week of July 19 – 23

NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	07/19	10:00	NAHB Housing Market Index	Jul	--	82.0	81.0
CA	07/20	08:30	Teranet - National Bank HPI (y/y)	Jun	--	--	13.8
US	07/20	08:30	Building Permits (000s a.r.)	Jun	--	1,700	1,683
US	07/20	08:30	Housing Starts (000s a.r.)	Jun	1,600	1,590	1,572
US	07/20	08:30	Housing Starts (m/m)	Jun	1.7	1.2	3.6
US	07/21	07:00	MBA Mortgage Applications (w/w)	Jul 16	--	--	16.0
MX	07/22	07:00	Bi-Weekly Core CPI (% change)	Jul 15	--	0.2	0.2
MX	07/22	07:00	Bi-Weekly CPI (% change)	Jul 15	--	0.3	0.2
US	07/22	08:30	Initial Jobless Claims (000s)	Jul 17	340	350	360
US	07/22	08:30	Continuing Claims (000s)	Jul 10	3,000	--	3,241
US	07/22	10:00	Existing Home Sales (mn a.r.)	Jun	5.9	5.9	5.8
US	07/22	10:00	Existing Home Sales (m/m)	Jun	1.7	1.7	-0.9
US	07/22	10:00	Leading Indicators (m/m)	Jun	--	0.9	1.3
MX	07/23	07:00	Retail Sales (INEGI) (y/y)	May	--	27.7	30.1
CA	07/23	08:30	Retail Sales (m/m)	May	-3.0	--	-5.7
CA	07/23	08:30	Retail Sales ex. Autos (m/m)	May	-1.5	--	-7.2

EUROPE

Country	Date	Time	Indicator	Period	Consensus	Latest
GE	07/20	02:00	Producer Prices (m/m)	Jun	1.2	1.5
EC	07/20	04:00	Current Account (€ bn)	May	--	22.8
IT	07/20	04:30	Current Account (€ mn)	May	--	6,654
UK	07/21	02:00	PSNB ex. Interventions (£ bn)	Jun	21.7	24.3
UK	07/21	02:00	Public Finances (PSNCR) (£ bn)	Jun	--	21.7
UK	07/21	02:00	Public Sector Net Borrowing (£ bn)	Jun	21.5	23.6
EC	07/22	07:45	ECB Main Refinancing Rate (%)	Jul 22	0.00	0.00
EC	07/22	10:00	Consumer Confidence	Jul A	-2.5	-3.3
UK	07/22	19:01	GfK Consumer Confidence Survey	Jul	-8.0	-9.0
UK	07/23	02:00	Retail Sales ex. Auto Fuel (m/m)	Jun	0.1	-2.1
UK	07/23	02:00	Retail Sales with Auto Fuel (m/m)	Jun	0.2	-1.4
FR	07/23	03:15	Manufacturing PMI	Jul P	58.2	59.0
FR	07/23	03:15	Services PMI	Jul P	58.8	57.8
GE	07/23	03:30	Manufacturing PMI	Jul P	64.1	65.1
GE	07/23	03:30	Services PMI	Jul P	59.5	57.5
EC	07/23	04:00	Composite PMI	Jul P	60.0	59.5
EC	07/23	04:00	Manufacturing PMI	Jul P	62.5	63.4
EC	07/23	04:00	Services PMI	Jul P	59.5	58.3
UK	07/23	04:30	Manufacturing PMI	Jul P	62.3	63.9
UK	07/23	04:30	Services PMI	Jul P	62.0	62.4
RU	07/23	06:30	One-Week Auction Rate (%)	Jul 23	6.25	5.50

Forecasts at time of publication.

Key Indicators for week of July 19 – 23

ASIA-PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
JN	07/19	19:30	National CPI (y/y)	Jun	0.1	0.2	-0.1
CH	07/19	21:30	PBoC Loan Prime Rate 1-Year (%)	Jul 20	3.85	3.85	3.85
TA	07/20	04:00	Export Orders (y/y)	Jun	--	28.9	34.5
HK	07/20	04:30	Unemployment Rate (%)	Jun	--	5.8	6.0
SK	07/20	17:00	PPI (y/y)	Jun	--	--	6.4
JN	07/20	19:50	Merchandise Trade Balance (¥ bn)	Jun	--	484.4	-189.4
JN	07/20	19:50	Adjusted Merchandise Trade Balance (¥ bn)	Jun	--	17.5	43.1
JN	07/20	19:50	Merchandise Trade Exports (y/y)	Jun	--	46.2	49.6
JN	07/20	19:50	Merchandise Trade Imports (y/y)	Jun	--	28.3	27.9
AU	07/20	21:30	Retail Sales (m/m)	Jun P	--	-0.6	0.4
TH	07/20	23:30	Customs Exports (y/y)	Jun	--	38.0	41.6
TH	07/20	23:30	Customs Imports (y/y)	Jun	--	50.0	63.5
TH	07/20	23:30	Customs Trade Balance (US\$ mn)	Jun	--	548.0	796.0
JN	07/21	01:00	Supermarket Sales (y/y)	Jun	--	--	2.9
JN	07/21	02:00	Machine Tool Orders (y/y)	Jun F	--	--	96.6
ID	07/22	03:20	BI 7-Day Reverse Repo Rate (%)	Jul 22	3.50	3.50	3.50
TA	07/22	04:00	Unemployment Rate (%)	Jun	--	4.2	4.2
HK	07/22	04:30	CPI (y/y)	Jun	1.2	1.2	1.0
MA	07/23	00:00	CPI (y/y)	Jun	3.4	3.4	4.4
SI	07/23	01:00	CPI (y/y)	Jun	2.5	2.5	2.4
TA	07/23	04:00	Industrial Production (y/y)	Jun	--	11.8	16.5

LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CO	07/19	11:00	Trade Balance (US\$ mn)	May	--	-971	-1,488
BZ	07/23	08:00	IBGE Inflation IPCA-15 (m/m)	Jul	--	0.7	0.8
BZ	07/23	08:00	IBGE Inflation IPCA-15 (y/y)	Jul	--	8.5	8.1

Forecasts at time of publication.

Global Auctions for week July 19 – 23**NORTH AMERICA**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	07/21	13:00	U.S. To Sell 20-Year Bonds Reopening
US	07/22	13:00	U.S. To Sell 10-Year TIPS

EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
UK	07/20	05:00	U.K. to Sell 1.25 Billion Pounds of 1.625% 2071 Bonds
GE	07/20	05:30	Germany to Sell 4 Billion Euros of 0% 2028 Bonds
DE	07/21	04:30	Denmark to Sell Bonds
GE	07/21	05:30	Germany to Sell 1.5 Billion Euros of 1.25% 2048 Bonds

ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CH	07/19	03:00	Hubei to Sell Bonds
CH	07/19	22:30	Beijing to Sell Bonds
CH	07/20	03:00	Jilin to Sell Bonds
CH	07/20	23:00	China Plans to Sell 1-Yr Bond
CH	07/20	23:00	China Plans to Sell 10-Yr Upsize Bond

LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
No Scheduled Auctions.			

Events for week of July 19 – 23

NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
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No Scheduled Events.

EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
UK	07/19	06:00	BOE's Jonathan Haskel speaks on scarring to economy
EC	07/22	07:45	ECB Main Refinancing Rate
EC	07/22	07:45	ECB Marginal Lending Facility
EC	07/22	07:45	ECB Deposit Facility Rate
EC	07/22	08:30	ECB President Christine Lagarde Holds Press Conference
EC	07/23	04:00	ECB Survey of Professional Forecasters
RU	07/23	06:30	Key Rate

ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CH	07/19	21:30	1-Year Loan Prime Rate
CH	07/19	21:30	5-Year Loan Prime Rate
AU	07/19	21:30	RBA Minutes of July Policy Meeting
JN	07/20	19:50	BOJ Minutes of June Meeting
ID	07/22	03:20	Bank Indonesia 7D Reverse Repo

LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
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No Scheduled Events.

Global Central Bank Watch

NORTH AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Canada – Overnight Target Rate	0.25	September 8, 2021	0.25	0.25
Federal Reserve – Federal Funds Target Rate	0.25	July 28, 2021	0.25	0.25
Banco de México – Overnight Rate	4.25	August 12, 2021	4.25	4.25

EUROPE

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	0.00	July 22, 2021	0.00	0.00
European Central Bank – Marginal Lending Facility Rate	0.25	July 22, 2021	0.25	0.25
European Central Bank – Deposit Facility Rate	-0.50	July 22, 2021	-0.50	-0.50
Bank of England – Bank Rate	0.10	August 5, 2021	0.10	0.00
Swiss National Bank – Libor Target Rate	-0.75	TBA	-0.75	-0.75
Central Bank of Russia – One-Week Auction Rate	5.50	July 23, 2021	6.25	6.25
Sweden Riksbank – Repo Rate	0.00	September 21, 2021	0.00	0.00
Norges Bank – Deposit Rate	0.00	August 19, 2021	0.00	0.25
Central Bank of Turkey – Benchmark Repo Rate	19.00	August 12, 2021	19.00	19.00

European Central Bank (ECB): Next week will see the first test of the ECB's recently announced monetary policy strategy. The shift from an inflation goal "below, but close to 2%" to a symmetric 2% target has largely already occurred in practice while the strategic review rejected Fed-style average inflation targeting. The key will lie in implementation risk as it's easy to say what the target is and harder to achieve it. Markets are already priced for a prolonged pause. Changes to the ECB's purchase program are unlikely at this meeting but further guidance on implementing climate policies will be monitored.

Central Bank of Russia (CBR): A 25–100 bps hike of the 5.50% key rate is expected at the July 23rd monetary policy meeting. Market consensus points to a 75 bps hike to 6.25% following higher than expected inflation readings over the past two months. The bigger the hike the less the potential for further large ones as the policy rate is turning toward neutral.

ASIA PACIFIC

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Policy Rate	-0.10	September 22, 2021	-0.10	-0.10
Reserve Bank of Australia – Cash Target Rate	0.10	August 3, 2021	0.10	0.10
Reserve Bank of New Zealand – Cash Rate	0.25	August 17, 2021	0.25	0.25
People's Bank of China – 1-Year Loan Prime Rate	3.85	July 19, 2021	3.85	3.85
Reserve Bank of India – Repo Rate	4.00	August 6, 2021	4.00	4.00
Bank of Korea – Bank Rate	0.50	August 26, 2021	0.50	0.50
Bank of Thailand – Repo Rate	0.50	August 4, 2021	0.50	0.50
Bank Negara Malaysia – Overnight Policy Rate	1.75	September 9, 2021	1.75	1.75
Bank Indonesia – 7-Day Reverse Repo Rate	3.50	July 22, 2021	3.50	3.50
Central Bank of Philippines – Overnight Borrowing Rate	2.00	August 12, 2021	2.00	2.00

People's Bank of China (PBoC): The PBoC will likely maintain a prudent and neutral monetary policy stance this year and avoid making sharp policy adjustments. Conducting monetary policy in China is a balancing act between supporting the economy and addressing rising financial imbalances, such as weaker quality of debt. Accordingly, we expect the benchmark lending rates to remain unchanged over the coming months. As Chinese domestic demand has room to strengthen further, the PBoC reduced banks' reserve requirement ratio earlier this month to provide support to micro, small and medium-sized enterprises that are important employers in the economy.

Bank Indonesia (BI): Indonesian monetary authorities will make a policy decision on July 22. We expect Bank Indonesia to leave the benchmark 7-day reverse repo rate unchanged at 3.50%, despite the fact that the economy is adversely affected by the alarming COVID-19 situation. Nevertheless, as advanced economies are approaching monetary normalization, we assess that financial stability considerations are increasingly important for Indonesian policymakers, preventing any additional monetary stimulus.

LATIN AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	4.25	August 4, 2021	4.75	5.75
Banco Central de Chile – Overnight Rate	0.75	August 31, 2021	0.50	0.75
Banco de la República de Colombia – Lending Rate	1.75	July 30, 2021	1.75	1.75
Banco Central de Reserva del Perú – Reference Rate	0.25	August 12, 2021	0.25	0.25

AFRICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	3.50	July 22, 2021	3.50	3.50

South African Reserve Bank (SARB): The central bank's *Quarterly Projection Model* predicted a 25 bps hike in Q2 and Q4 of this year—the first of which did not materialize at the last policy meeting in May. While this projection remains a broad policy guide, as indicated by Governor Kaganyago, there is no indication the 3.50% repo rate will be changed at the July 22 meeting. Inflation is under control, with peak levels of 5.2% y/y in May, which remains within the 3–6% target range. The bank indicated that amid the normalization process, policy will remain accommodative to support the economy.

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