

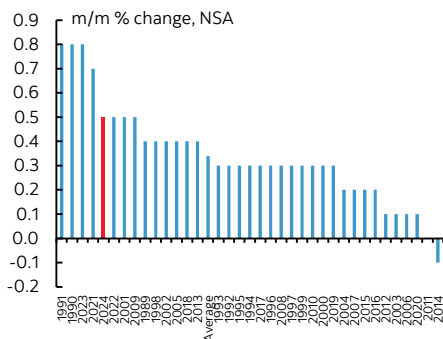
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Chart 1

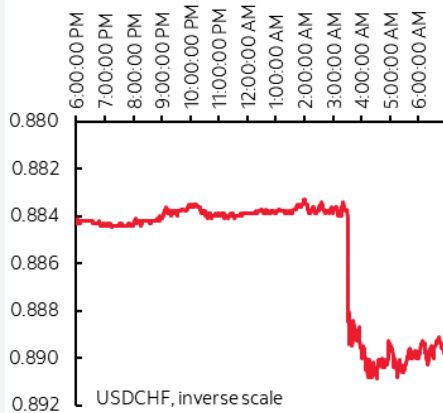
Comparing UK Core CPI for All Months of May



Sources: Scotiabank Economics, UK Office for National Statistics.

Chart 2

SNB's Surprise Cut Drove The Franc



Sources: Scotiabank Economics, Bloomberg.

On Deck for Thursday, June 20

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	06-20	08:30	Building Permits (000s a.r.)	May	--	1450.0	1440.0
US	06-20	08:30	Current Account (US\$ bn)	1Q	--	-206.8	-194.8
US	06-20	08:30	Housing Starts (000s a.r.)	May	1375	1370.0	1360.0
US	06-20	08:30	Housing Starts (m/m)	May	1.1	0.7	5.7
US	06-20	08:30	Initial Jobless Claims (000s)	Jun 15	225	235.0	242.0
US	06-20	08:30	Continuing Claims (000s)	Jun 08	1790	1810.0	1820.0
US	06-20	08:30	Philadelphia Fed Index	Jun	--	5.0	4.5
US	06-20	08:45	Fed's Kashkari Participates in Fireside Chat				
US	06-20	16:00	Fed's Barkin Speaks on Economic Outlook				
US	06-20	22:15	Fed's Daly Participates in Panel Discussion on AI				

KEY POINTS:

- **Relative central bank divergence is on display**
- **Bank of England sounded marginally more open to an August cut...**
- **...but generally stayed out of the election fray**
- **SNB cuts, drives CHF underperformance, bull steepener**
- **Norges holds, douses cut expectations for the rest of 2024**
- **Bank Indonesia unsuccessfully tries jawboning the rupiah**
- **Light US data on tap**

Stocks are broadly richer while bonds and currencies are diverging as American markets are welcomed back from their holiday this morning. There are no real global macro catalysts to this pattern. Relative central bank divergence is on display as four central banks weighed in ahead of light US data.

The Bank of England Inched Closer to an August Cut

The Bank of England's communications added about 5bps to August 1st cut pricing that now stands at about -15bps priced out of a quarter point reduction.

Nobody expected the 5.25% Bank Rate to change. They didn't disappoint. Bailey and co largely stayed out of the election fray ahead of the July 4th vote. The BoE had previously cancelled any public communications during the election campaign, so expecting them to rock the boat this morning would be a rather unusual call. Furthermore, wage growth remains hot, but job growth is cooling. UK CPI at 0.5% m/m NSA in May was hotter than a typical month of May which extends the pattern of readings that say there should be no rush to ease (chart 1). No new projections were due at this meeting which added to the case for this to be a pretty dull affair.

Still, the Monetary Policy Summary ([here](#)) flagged the discussion around the near-term policy rate bias. See paragraphs 47 through 51. Among the seven members who voted to hold today, some indicated that "the policy decision at this meeting was finely balanced." We don't know how many out of the 7 felt this way, or whether Governor Bailey is one of them. The remaining two members continued to vote for a cut at this meeting which was the same number as previously.

What this indicates is that more members may be inclined to ease as soon as the August 1st decision.

SNB Cut Was a Modest Surprise

The Swiss National Bank cut its policy rate by another 25bps this morning. It wasn't totally unexpected, as 12 out of 28 forecasters expected the cut and the rest thought they'd hold. The modest surprise drove the franc weaker (chart 2) and is underperforming other major currencies while the bull steepener is bucking the trend toward higher yields elsewhere.

There was a compelling case for easing. A very practical one is that the next formal decision wouldn't be until September 26th by which time other central banks may be easing and—barring an unusual intermeeting decision—that would have left the franc very vulnerable. The franc had already been appreciating since the last week of May and SNB was uncomfortable with such strength. That's because inflation at 1.4% y/y and with core at 1.2% is already very low (chart 3).

Norges Bank Pushes Out Projected Easing

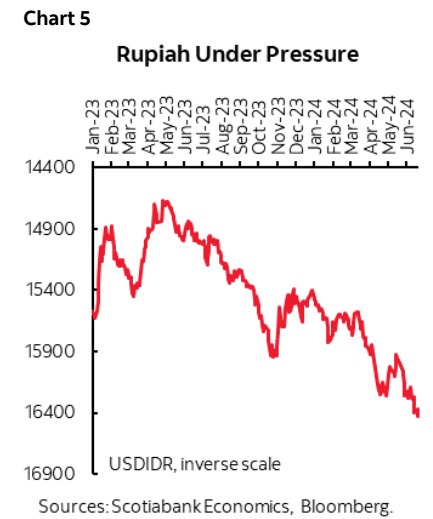
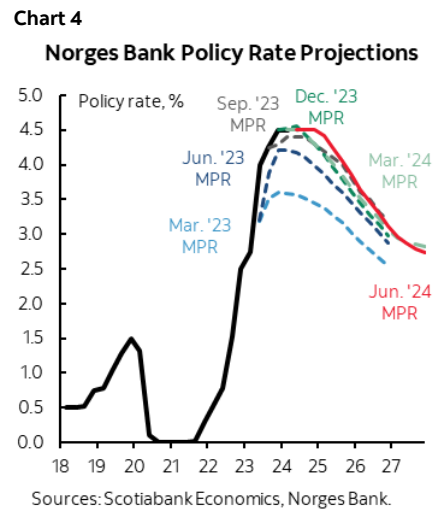
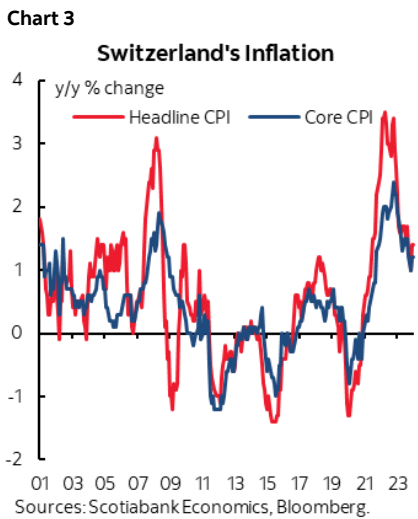
Norges Bank held its deposit rate unchanged at 4.5% as everyone expected, but the hawkish bias drove the krone to strengthen and outperform all other majors and semi-majors this morning while the rates curve is underperforming other global benchmarks. Explicit forward guidance is generally more reliable from this central bank than others, and so what they said indicated even less of a rush to cut that should be taken with greater acceptance than the maligned tool of forward guidance at some other central banks like the BoC. Previously Norges had said they would likely hold until autumn, and they now say "If the economy evolves as currently envisaged, the policy rate will continue to lie at 4.5 percent to the end of the year, before gradually being reduced." Refreshed policy rate forecasts from the central bank indicate only 75bps of cuts next year as the policy rate path shifted higher compared to prior projections (chart 4).

Bank Indonesia Failed to Stem Currency Weakness

Bank Indonesia tried to jawbone rupiah strength after holding its policy rate unchanged and against tail bets it might have hiked again. It didn't work. The rupiah depreciated and was Asia's worst overnight performer to the USD (chart 5). They tried to argue that the rupiah was expected to appreciate going forward and that they would use intervention to stem the currency's slide. Markets were looking for a more convincing gesture like the hike in April to defend the currency.

Light US Data and a TIPS Auction on Tap

Relatively light US data is on tap into the N.A. open. Weekly jobless claims, housing starts for May and the June edition of the Philly Fed's metric are all due at 8:30amET ahead of light auction risk with the 5-year TIPS reopening at 1pmET.



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.	4.73	4.72	4.70	4.26	4.24	4.24	4.24	4.22	4.25	4.38	4.36	4.40	Canada - BoC	4.75
CANADA	3.85	3.85	3.87	3.32	3.31	3.35	3.30	3.29	3.33	3.23	3.22	3.27	US - Fed	5.50
GERMANY	2.82	2.81	2.87	2.44	2.42	2.48	2.42	2.40	2.47	2.58	2.56	2.64	England - BoE	5.25
JAPAN	0.29	0.28	0.33	0.52	0.51	0.55	0.96	0.93	0.98	2.14	2.13	2.13		
U.K.	4.15	4.19	4.22	3.89	3.93	4.00	4.04	4.07	4.12	4.53	4.55	4.61		
	Spreads vs. U.S. (bps):													
CANADA	-87	-86	-83	-94	-93	-90	-94	-93	-92	-115	-114	-113	Euro zone - ECB	4.25
GERMANY	-190	-191	-183	-182	-182	-176	-182	-182	-178	-180	-180	-175	Japan - BoJ	-0.10
JAPAN	-443	-443	-437	-374	-373	-369	-329	-329	-327	-224	-223	-227		
U.K.	-58	-53	-48	-37	-31	-25	-21	-16	-12	16	19	22	Mexico - Banxico	11.00
Equities	Level			% change:										
	Last	Change		1 Day	1-wk	1-mo	1-yr							
S&P/TSX	21517	-94.4		-0.4	-2.0	-4.2	8.9							
Dow 30	38835	56.8		0.1	0.2	-2.9	13.2							
S&P 500	5487	13.8		0.3	2.1	3.5	24.4							
Nasdaq	17862	5.2		0.0	3.0	7.0	30.5							
DAX	18154	85.7		0.5	-0.6	-3.3	12.7							
FTSE	8234	29.0		0.4	0.9	-2.3	8.8							
Nikkei	38633	62.3		0.2	-0.2	-0.8	15.1							
Hang Seng	18335	-95.1		-0.5	1.2	-4.6	-4.6							
CAC	7642	71.4		0.9	-0.9	-6.8	4.8							
Commodities	Level			% change:										
	Last	Change		1 Day	1-wk	1-mo	1-yr							
WTI Crude	81.70	0.13		0.2	4.1	2.4	15.9							
Natural Gas	2.85	-0.06		-2.1	-6.5	3.5	14.3							
Gold	2340.59	12.43		0.5	1.6	5.0	20.9							
Silver	29.48	0.35		1.2	0.3	-0.7	23.1							
CRB Index	295.68	2.61		0.9	1.0	0.7	9.1							
Currencies	Level			% change:										
	Last	Change		1 Day	1-wk	1-mo	1-yr							
USDCAD	1.3712	0.0005		0.0	-0.2	0.6	3.6							
EURUSD	1.0726	-0.0018		-0.2	-0.1	-1.2	-1.8							
USDJPY	158.42	0.3300		0.2	0.9	1.4	12.0							
AUDUSD	0.6673	0.0000		0.0	0.6	0.1	-1.7							
GBPUSD	1.2689	-0.0031		-0.2	-0.6	-0.1	-0.6							
USDCHE	0.8901	0.0059		0.7	-0.4	-2.3	-0.9							
								Next Meeting Date						
								Canada - BoC	Jul 24, 2024					
								US - Fed	Jul 31, 2024					
								England - BoE	Jun 20, 2024					
								Euro zone - ECB	Jul 18, 2024					
								Japan - BoJ	June 14, 2024					
								Mexico - Banxico	Jun 27, 2024					
								Australia - RBA	Aug 06, 2024					
								New Zealand - RBNZ	Jul 09, 2024					

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