

ON DECK FOR WEDNESDAY, JUNE 16

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	06-16	07:00	MBA Mortgage Applications (w/w)	Jun11	--	--	-3.1
CA	06-16	08:30	Core CPI - Common (y/y)	May	--	1.8	1.7
CA	06-16	08:30	Core CPI - Median (y/y)	May	--	2.3	2.3
CA	06-16	08:30	Core CPI - Trim (y/y)	May	--	2.3	2.3
CA	06-16	08:30	CPI, All items (m/m)	May	0.4	0.4	0.5
CA	06-16	08:30	CPI, All items (y/y)	May	3.5	3.5	3.4
CA	06-16	08:30	CPI, All items (index)	May	--	140.8	140.3
CA	06-16	08:30	Wholesale Trade (m/m)	Apr	-0.8	-0.9	2.8
US	06-16	08:30	Building Permits (000s a.r.)	May	--	1,730	1,733
US	06-16	08:30	Export Prices (m/m)	May	--	0.8	0.8
US	06-16	08:30	Housing Starts (000s a.r.)	May	1,650	1,630	1,569
US	06-16	08:30	Housing Starts (m/m)	May	5.2	3.9	-9.5
US	06-16	08:30	Import Prices (m/m)	May	--	0.8	0.7
US	06-16	14:00	FOMC Interest Rate Meeting (%)	Jun 16	0.25	0.25	0.25
US	06-16	14:30	Powell Holds Press Conference Following FOMC Meeting				
CA	06-16	18:30	Bank of Canada Governor Tiff Macklem Senate Appearance				

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KEY POINTS:

- Global markets certainly feel like the Fed is coming up
- FOMC expectations in brief
- CDN CPI: will supply chains effects overwhelm lockdowns again?
- UK core CPI posts biggest monthly May gain on record
- Chinese momentum cools by more than expected
- Brazil expected to hike again
- US housing starts, CDN wholesale also on tap

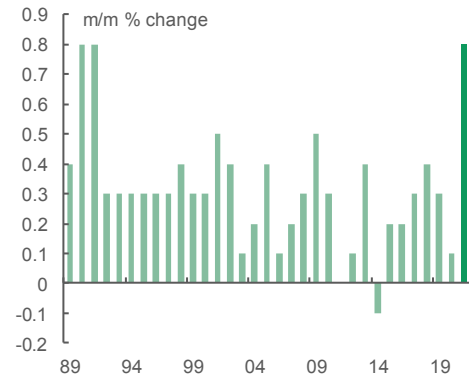
INTERNATIONAL

Well it sure feels like it's Fed day in the markets with no one really sticking their necks out too far. Broad asset classes are little changed with curves slightly flatter, the dollar flat and equities little changed. There are a few other distractions to pass the time ahead of 2pmET but it's mostly about the Fed today.

UK inflation spiked higher ahead of next week's BoE meeting and took sterling up with it and it wasn't just about base effects. Core CPI is suddenly smack on target at 2% (1.5% consensus, 1.3% prior). Headline CPI was up by 2.1% y/y (1.8% consensus, 1.5% prior). Core is rising by the most since August 2018. Base effects were a part of that, but like elsewhere, core CPI was up by more on a month-over-month seasonally unadjusted basis than a typical month of May (+0.8% m/m) and so that's where the hotter y/y number came from compared to the known base effect. May core CPI m/m NSA was the hottest gain for a month of May since at least back to 1992 (chart 1).

Chinese macro reports disappointed overnight. Retail sales were up 12.4% y/y (14% consensus, 17.7% prior). Industrial output was up 8.8% y/y (9.2% consensus, 9.8% prior). Fixed investment grew by 15.4% y/y (17% consensus, 19.9% prior). But the jobless rate ticked lower to 5%.

Chart 1

May 2021 Core CPI Was the Strongest Since 1991


Sources: Scotiabank Economics, UK ONS.

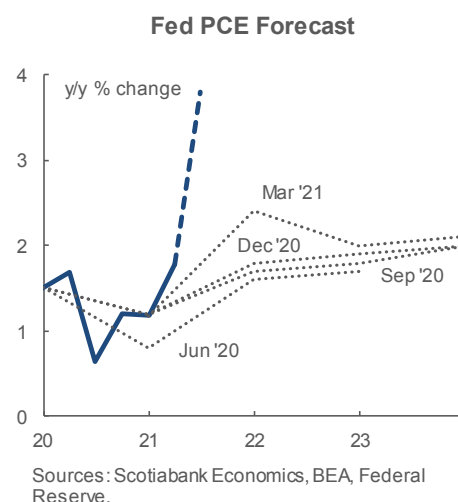
Brazil's central bank is expected to hike its Selic rate by another +75bps (5:30pmET).

UNITED STATES

The focus is on the FOMC statement at 2pmET along with the revised dots and Summary of Economic Projections followed by Chair Powell's press conference at 2:30pmET for about an hour or so. Brief expectations are below and see the previously distributed Global Week Ahead [here](#) and other postings for more.

- **Dots:** Will the 2023 median shift to a hike? There is a fairly high bar to get 3 officials changing from a hold and Powell will likely downplay it anyway. Plus they may want to prime things with a taper discussion first and they're not quite there yet. Seems to me you can't really talk rate hikes until there is committee agreement on when to start getting out of bond buying.
- **Taper talk:** Nothing in the statement. The presser is likely to have Powell say they talked about talking about it, but 'substantial further progress' is a ways off yet. The minutes 3 weeks from now may be more revealing.
- **Forecasts:** GDP and inflation likely higher, but so may be the UR. Powell's presser is likely to repeat that inflation's burst is transitory in the absence of 8+ million more jobs needed which is debatable. If he talks about it all being base effects again then chart 2 is a reminder that when the FOMC knew the base effects in real time it failed to forecast the surge we're getting now and that's because the month-over-month pressures are the driving factor.
- **IOER change:** I doubt it personally but nobody can 100% rule it out. The NY Fed's RRP facility is so far holding the fort against the wall of cash from the Treasury and keeping EFF positive. Powell's presser will leave the door open to a change if needed. The FOMC has revealed a preference for using repo rather than tweaking IOER to date and I just don't see why they'd change at this point versus jawboning further options. Past IOER changes were frankly not terribly durable influences upon EFF whereas the repo changes have generally had better effects. Watch for Powell to indicate he thinks pressures on the Fed's s-t rate control, yields and cash flows should be transitory and wane by late July.
- **Bond markets:** Following on the IOER discussion, Powell *might* reference how bond markets in general are temporarily dealing with the wall of cash hitting markets and driving some reach for yield.
- **Statement changes:** Current conditions paragraph could strike out "turned up recently" and indicate moderation in terms of job growth while striking out "inflation continues to run below 2 percent" in favour of a reference to expected transitory factors. No change in third paragraph. Fourth paragraph is a awkward and in need of a change with "inflation running persistently below this longer-run goal." No change in purchase language. Risk of dissenters is low given the ones most in favour of changing things up soon don't vote this year.

Chart 2



US housing starts for May will be faded ahead of the Fed but are expected to rebound from the ~10% m/m drop in April (8:30amET)

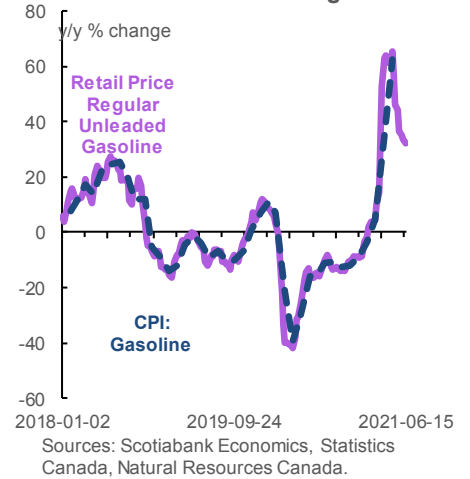
CANADA

Canada updates inflation for May before the Fed. I went with +0.4% m/m NSA and +3.5% y/y for a slight up-tick in the annual pace. There should be less upward pressure on the year-over-year rate from base effects and gasoline prices are a waning effect (chart 3). May is usually a seasonal up-month for prices in a "normal" year that I've yet to see in my career so far, but the key uncertainty is whether we get a repeat of the seasonally abnormal spurt in price gains that we saw in April. Canada remained in lockdown mode during May due to the third wave of COVID-19 cases but the price gains in April occurred in the same context and were likely more about supply chain effects. See the week ahead, pp.4-6 for more including why the base effects argument is exaggerated.

Canada also updates wholesale trade for April with advance 'flash' guidance from StatsCan indicating a drop of -0.8% m/m in lockdowns (8:30amET).

BoC Governor Macklem delivers his postponed Senate testimony this evening (6:30pmET).

Chart 3 Gas Price Effects on CPI Are Peaking



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.	0.16	0.16	0.16	0.78	0.78	0.75	1.49	1.49	1.49	2.19	2.19	2.17	Canada - BoC	0.25
CANADA	0.32	0.32	0.32	0.84	0.84	0.85	1.38	1.38	1.41	1.94	1.94	1.95	US - Fed	0.25
GERMANY	-0.67	-0.67	-0.68	-0.61	-0.60	-0.62	-0.24	-0.23	-0.24	0.31	0.32	0.31	England - BoE	0.10
JAPAN	-0.12	-0.12	-0.12	-0.10	-0.11	-0.10	0.05	0.05	0.07	0.69	0.68	0.67	Euro zone - ECB	0.00
U.K.	0.09	0.08	0.06	0.34	0.33	0.31	0.75	0.76	0.73	1.27	1.28	1.27	Japan - BoJ	-0.10
	Spreads vs. U.S. (bps):												Mexico - Banxico	4.00
CANADA	16	16	16	6	5	10	-11	-11	-8	-25	-25	-22	Australia - RBA	0.10
GERMANY	-84	-84	-83	-139	-138	-137	-173	-173	-174	-188	-187	-186	New Zealand - RBNZ	0.25
JAPAN	-28	-28	-27	-88	-89	-85	-144	-144	-142	-150	-151	-150	Next Meeting Date	
U.K.	-7	-8	-10	-44	-45	-44	-74	-74	-76	-92	-91	-90	Canada - BoC	Jul 14, 2021
Equities	Level						% change:						US - Fed	Jun 16, 2021
	Last	Change			1 Day	1-wk	1-mo	1-yr	England - BoE	Jun 24, 2021				
S&P/TSX	20231	73.7			0.4	1.1	4.5	30.4	Euro zone - ECB	Jul 22, 2021				
Dow 30	34299	-94.4			-0.3	-0.9	-0.2	30.5	Japan - BoJ	Jun 18, 2021				
S&P 500	4247	-8.6			-0.2	0.5	1.7	35.9	Mexico - Banxico	Jun 24, 2021				
Nasdaq	14073	-101.3			-0.7	1.1	4.8	42.2	Australia - RBA	Jul 06, 2021				
DAX	15709	-20.2			-0.1	0.8	1.9	27.6	New Zealand - RBNZ	Jul 13, 2021				
FTSE	7171	-1.9			-0.0	1.3	1.8	14.9						
Nikkei	29291	-150.3			-0.5	1.5	5.3	30.4						
Hang Seng	28437	-201.7			-0.7	-1.2	0.9	16.2						
CAC	6645	5.8			0.1	1.2	4.1	34.2						
Commodities	Level						% change:							
WTI Crude	72.40	0.28			0.4	3.5	10.8	88.6						
Natural Gas	3.21	-0.03			-0.8	2.7	8.5	99.1						
Gold	1854.56	-4.46			-0.2	-1.8	0.6	7.4						
Silver	27.63	-0.11			-0.4	-0.3	1.5	61.7						
CRB Index	210.18	-0.85			-0.4	-0.5	3.4	54.2						
Currencies	Level						% change:							
USDCAD	1.2182	-0.0002			-0.0	0.6	0.9	-10.0						
EURUSD	1.2118	-0.0008			-0.1	-0.5	-0.3	7.6						
USDJPY	109.96	-0.1200			-0.1	0.3	0.7	2.5						
AUDUSD	0.7706	0.0019			0.2	-0.3	-0.7	11.9						
GBPUSD	1.4115	0.0032			0.2	-0.0	-0.1	12.3						
USDCHF	0.8992	0.0012			0.1	0.4	-0.5	-5.5						

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