

**CENTRAL BANKS SHOULD TURN DOWN THE BASE**

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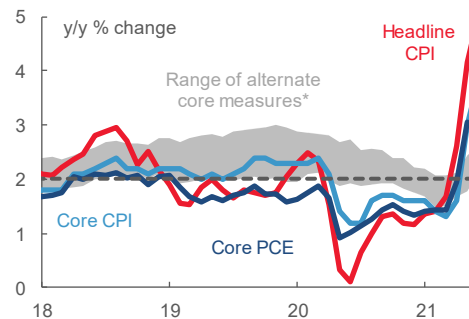
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**Next Week's Risk Dashboard**

- FOMC Preview
- Canadian inflation
- Other CBs: BoJ, Norges, SNB...
- ...Brazil, BI, CBCT, Turkey
- UK inflation
- US retail sales
- Australian jobs

**Chart of the Week**
**All Major US Inflation Measures Above Target**


\*Includes Dallas trimmed mean PCE, Cleveland median CPI, Cleveland 16% trimmed mean CPI, and Atlanta Fed core sticky CPI.

Sources: Scotiabank Economics, BLS, Federal Reserve Banks.

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

## Central Banks Should Turn Down the Base

### FEDERAL RESERVE—UNCLE SAM SURE MAKES LIFE DIFFICULT FOR HIMSELF

The week's main focus is likely to be upon Wednesday's FOMC communications. The two day meeting culminates in Wednesday's statement and updated forecasts including a revised dot plot (2pmET) followed by Chair Powell's press conference. I'll focus upon three considerations.

#### First, will the Fed make additional changes in an effort to address downward pressure upon short-term market rates?

That can't be ruled out but it isn't a base case risk in my opinion. Instead, we may hear Chair Powell say that the forces distorting the shorter-term rates complex are likely to be transitory and the tools they are presently using to smooth the adjustments are generally holding the fort.

A bit of background on the matter may be worth offering in that it also helps to explain at least part of why global bond yields have been under downward pressure over recent weeks and why that might not last beyond July. A major driver has been the wall of cash that has gone into the financial system and the associated policy responses.

#### The Debt Ceiling is the Main Culprit

Recall that the US government's debt ceiling was suspended in August 2019 but will be reinstated on August 1<sup>st</sup> of this year. During the pandemic, the Treasury was able to run -up its debt to finance current and prospective future stimulus needs under the auspices of the CARES Act and subsequent stimulus measures, given the suspension of the ceiling. A by-product of the reinstatement of the ceiling is that it curtails the ability of the US Treasury to borrow and hence roll over the supply of t-bills that has been shrinking (chart 1). Instead, the Treasury will have to utilize cash balances by running down its General Account (TGA) at the Federal Reserve and it has been doing so in preparation for the August 1<sup>st</sup> reinstatement of the ceiling (chart 2). The peak was last July at just over US\$1.8 trillion but the real run-down began from about mid-February this year onward when the account fell from US\$1.6 trillion to about half that now. It could still have to fall by about another US\$650B or so between now and the end of July in order to get back toward where the balance sat before the debt ceiling was suspended.

The result is a massive gusher of cash hitting the financial system, but it is a transitory factor. By the August 1<sup>st</sup> reinstatement of the debt ceiling, the process of running down the TGA account should be over. The next vulnerability could take the form of agreement to raise the debt ceiling over the second half of this year which would enable a return to borrowing and thus reverse some of the tidal wave of cash that has hit markets. Of course, the very notion of a debt ceiling is unusual across international experience and the repeated challenges it represents are often akin to Uncle Sam shooting himself in the foot.

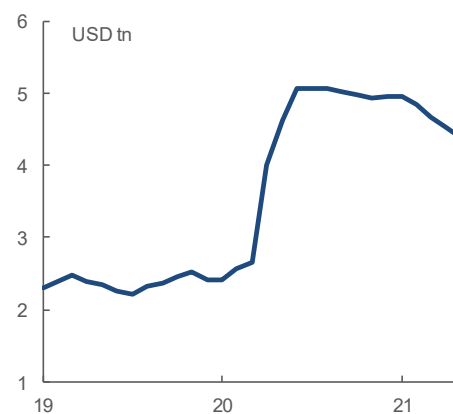
#### Reinstatement of the Supplementary Leverage Ratio

The gusher of cash into the financial system from the Treasury's General Account at the Fed has been reinforced by the Fed's quantitative easing program that continues to buy US\$120 billion of Treasuries and MBS each month. The problem these two forces represent is where to put all that money that is chasing relative scarcity in a shrinking pool of treasury bills.

Banks don't really want it as a general observation and there have been warnings about this for quite a while now including from money centre banks. The reason is that accepting this redeployment of the Treasury's cash through bank deposits would put banks in violation of regulatory rules. On March 19th, the Federal Reserve's Board of Governors announced that the suspension of

Chart 1

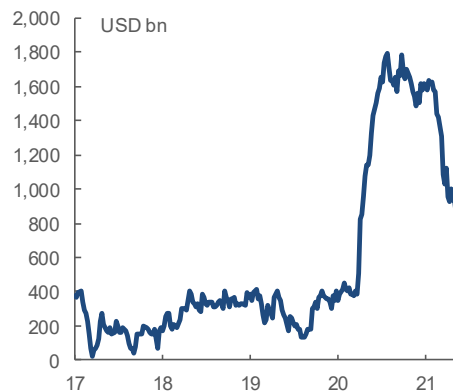
Outstanding T-Bills Held by US Public



Sources: Scotiabank Economics, Bloomberg.

Chart 2

Treasury General Account With Federal Reserve



Sources: Scotiabank Economics, Federal Reserve.

the Supplementary Leverage Ratio would end on March 31<sup>st</sup>. The suspension of the SLR's inclusion of holdings of Treasury bonds and reserves was a policy response to the initial stages of the pandemic. Because Treasuries and reserves now count as assets again in the SLR, it has meant renewed upward pressure on assets relative to tier 1 Capital. Should banks respond to the gusher of cash coming back into the financial system by willingly accepting more deposits, it would risk violating the Basel III regulatory requirement because those deposits would have to be invested in assets of one form or another including, say, Treasuries. To stay within the SLR requirements, banks would either have to turn away deposits, shed other assets which may not make profitable sense or issue common equity which may be undesirably dilutive. An added constraint is the capital surcharge against global systemically important banks as another factor limiting the willingness of some banks to accept deposits.

Since banks can't really accept such a tidal wave of deposits with regulators breathing down their necks, the flows wind up at money market funds. More money market inflows while T-bill supply shrinks has bid prices upward and yields to practically nothing. Through arbitrage, the effective fed funds rate has also fallen.

### Reverse Repo Facility Changes

If left unchecked, then the gusher of cash into the financial system through the combined effects of reinstating the debt ceiling, banks having to turn away deposits and ongoing Fed buying of Treasuries and MBS to the tune of US\$120B per month would have driven **such a wall of cash through private markets as to push measures like the effective fed funds rate and t-bill yields durably and deeply below zero. A negative effective fed funds rate would be uncharted waters for the nature of the US financial system.**

The Fed could have tried to offset such pressures by paying more for reserves held on deposit with it. Some still think this remains an option. Raising Interest on Excess Reserves from 0.1% to something higher but without altering the 0.25% upper limit of the Fed rate corridor could have held back some of this cash from the open market and, through arbitrage, limit downward pressure on other short-term rates.

But the Fed has multiple tools and opted instead to enhance its reverse repo facility whereby it sells securities into the market in exchange for withdrawing cash from the financial system as a way of soaking up excess liquidity. The purpose of the facility is to operate as a safety valve on the system by allowing excess cash to have an alternative place to park without further disrupting short-term market rates and it has definitely worked (chart 3). At the March FOMC, the Fed increased the RRP counterparty limit by US\$50B to US\$80B in order to increase the ability to drain cash from the system. On April 30<sup>th</sup>, the NY Fed announced changes to counterparty eligibility criteria for its reverse repo facility to increase its accessibility. Those changes increased accessibility to the facility for a broader array of counterparties.

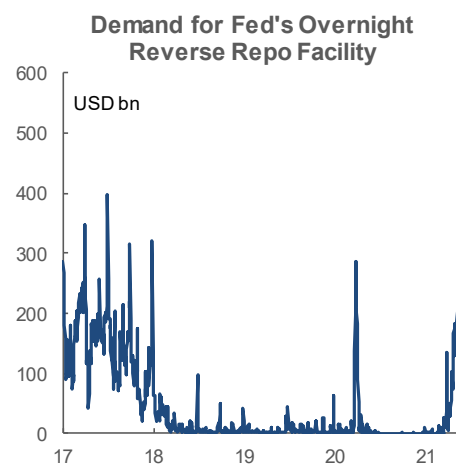
There are other tools that could be pursued such as easing the regulatory constraints on banks that are forcing them to turn away some deposits, though pressures within the administration and Congress may be difficult to overcome. The Fed could also still raise its IOER by, say, 5bps in order to pull other short-term market rates higher. So far, however, the Fed's reverse repo facility is holding the fort and able to absorb the gusher of cash without courting negative rates.

**I think that these combined forces have driven reach for yield pressures further up the yield curve and tamped down Treasury yields across maturities while also inflating other asset prices.** If the debt ceiling is the prima facie culprit made worse by regs, then this should be a transitory effect after which point the gusher of cash stabilizes, maybe bill issuance picks up again if the debt ceiling is lifted and maybe the Fed transitions toward taper talk as we expect over the duration of the year. This is among the foundations behind why we continue to forecast upward pressure on, say, the US 10 year Treasury yield at 2.1% by year-end and 2.3% by the end of 2023.

### Taper Talk?

A second consideration is whether Chair Powell indicates that the FOMC is "talking about talking about tapering" as he once put it. **He probably can't repeat his answer at the last press conference which was a decisive 'no.'** That's because we learned in the minutes to that meeting that 'a number' of FOMC officials did indeed wish to start getting on with the movement toward a

Chart 3



Sources: Scotiabank Economics, Bloomberg.

discussion on tapering. We've since heard several FOMC officials either indicate that now is the time to taper, that now is the time to start talking about tapering, or that they will be watching data and developments over the next few months to inform whether we are getting closer to a taper dialogue.

For now, **Chair Powell is likely to say that there are varying opinions across the FOMC but that the criteria of 'substantial further progress' toward the Fed's dual mandate policy goals is not yet being met given the number of unemployed Americans.**

For a long time now, we've expected the Fed to implement tapered bond purchases at the January 2022 meeting after announcing the policy shift at the December 2021 meeting. Opening up the discussion by late summer perhaps at either Jackson Hole in late August or at the September meeting would be compatible with guidance they will communicate their intentions well in advance. This view requires further progress on jobs and vaccinations.

### Forecasts and Dots

The final consideration is that FOMC participants will refresh forecasts they last offered in March. A lot has happened since then including about 200 million extra vaccine doses administered (presently ~306 million) and the outlining of proposals for new fiscal stimulus including the American Jobs Plan and the American Families Plan that are still marked by high uncertainty around the negotiations.

They might revise upward 2021 growth from 6.5% y/y (we have 7.7%) and perhaps add a touch to inflation projections given greater evidence of supply chain and other pressures since the March meeting. Like the argument in the Canadian section below, **the Fed is overstating the role of base effects in driving inflation higher in the US.** While the FOMC was submitting forecasts through last year and early this year, it knew in real time what the base effects were and yet the committee lowballed their inflation forecasts compared to present reality (chart 4). The chart plots actual inflation alongside dotted lines for the forecasts at each point in the pandemic. **That indicates that higher inflation is not just a function of base effects from a year ago but also greater-than-anticipated price resilience and pressure with each evolving month than FOMC officials had feared.** To say bah, we knew that would happen all along is a grand overstatement by the Fed. We simply did not get the deflationary or sharply disinflationary outcome that was feared when gigantic monetary and fiscal policy stimulus measures were put in place. An offsetting risk might be if they show less conviction in the decline in the unemployment rate given ongoing supply side challenges.

**The median dot that signals when the committee consensus thinks the policy rate could begin to gravitate higher is unlikely to change.** There were only four out of eighteen officials who saw a hike in 2022 at the March meeting and even if that changes it's highly unlikely that six more would join them. It's probably also unlikely but not impossible at this point that the median dot for a continued rate hold in 2023 will change; in March, 11 of 18 thought the policy rate would be unchanged in 2023. It's unlikely that three more would join the seven anticipating hikes before Chair Powell embraces a taper dialogue.

### CANADA—HERE TOO, IT'S NOT JUST ABOUT THE BASE

Canada updates CPI inflation for May on Wednesday. It's with only modest confidence that I went with an estimate that is little changed in May versus April at 3.5% y/y (from 3.4%). Month-over-month seasonally unadjusted CPI is forecast at +0.4% while seasonally adjusted is estimated to land around 0.2–0.3% m/m after rising by 0.6% m/m in April. It may be that Canada faces a supply-chain-driven risk toward faster price gains similar to the US that has registered consecutively large gains, but that was in a reopening economy versus Canada's economy that remained under lockdown measures for a second month in May.

The drivers of this headline estimate include less pressure from year-ago base effects that alone would drop the rate from 3.4% in April to 3.1% y/y in May. Gasoline prices

Chart 4

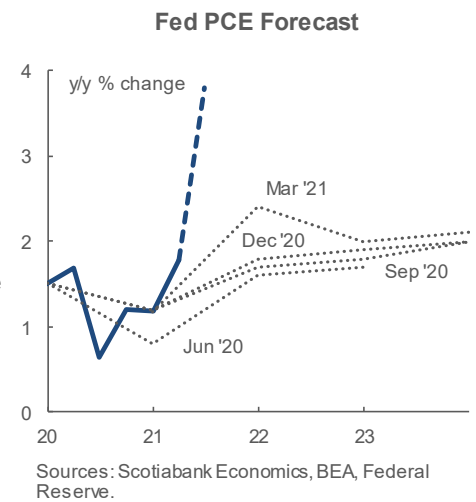
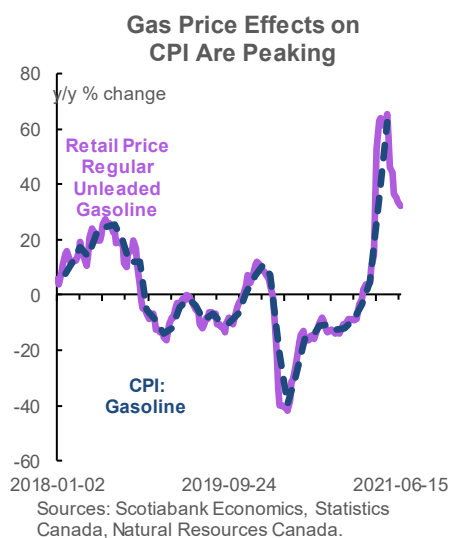


Chart 5



probably won't add much in weighted terms to the month-over-month change in CPI and the base effects on year-over-year inflation are in the early stages of waning with what we've already observed for retail pump prices in May and June (chart 5). May is usually a seasonal up-month for prices in a "normal" year with, for example, core and headline both up by an average of 0.3% m/m in May over the five years prior to the pandemic. A typical degree of seasonality would lift the year-over-year rate back up to 3.5%. The wild card remains supply chain effects as just observed once again in the US.

Remember to also add to the official reported figure. Recall that when Statistics Canada replaces current CPI measures by using pandemic-era spending weights in July for June CPI we'll likely be tracking around a half percentage point higher on the year-over-year rate based on StatsCan's tracking of the effects of using pandemic-era spending weights to date versus pre-pandemic spending weights (chart 6). All measures of core inflation—some more driven by base effects than others—have also accelerated (chart 7).

**In a grander sense, however, we can't just pin the rise in headline inflation on year-ago base effects as that misses two other relative contributions.** The first and most important is that prices each month have been much firmer than expected during the recovery to date. Enter chart 8 that shows the pattern of actual headline inflation versus the Bank of Canada's forecasts for where inflation would land over its forecast horizon as drawn from Monetary Policy Reports throughout the pandemic but starting only in June of last year since the BoC boycotted forecasting at the start of the pandemic. If base effects were the only—or dominant—driver behind rising inflation and the BoC knew those base effects in real time by observing price levels last Spring through Fall, then how come it didn't forecast the rise in inflation to present? They knew the starting point for prices in the year-over-year comps with certainty and yet their forecasts for inflation have been sharply exceeded by actual inflation to date.

**The answer lies in the fact that relative to fears at the start of the pandemic, Canada did not experience deflation or deep disinflation.** Instead, price levels each month proved to be a lot more resilient than feared. When this point is combined with base effects it explains much of the overall run-up in inflation, but it's misleading to argue that the only reason inflation has accelerated is due to base effects.

The added contribution is the month-over-month pace of increases in seasonally adjusted prices. Chart 9 shows the acceleration in various measures of core prices that, among other things, remove emphasis upon rising gasoline prices.

**As a last main point for now, the "transitory" camp seems to be cherry-picking the data in both the US and Canada. This point was made on the latest US CPI reading (here).** They are only considering what may be transitory upsides to inflation while neglecting legitimate points on how some of the weakest categories may be only temporarily weak. For example, has food price inflation really gone away at just 0.9% y/y in Canada and with US food-at-home up by just 0.7% y/y? Or is that form of inflation soft now because of high base effects of a year-ago due to pandemic hoarding, and are longer-term secular forces behind expanding world population, income growth, environmental shocks and supply chain challenges still likely to drive rising food prices? What about medical care commodity and medical care services prices in US CPI that are presently flat in year-over-year terms; will secular forces toward more expensive treatments and technological innovation go away as drivers of higher price pressures? Or take overall services prices by contrast to the fact that

Chart 6

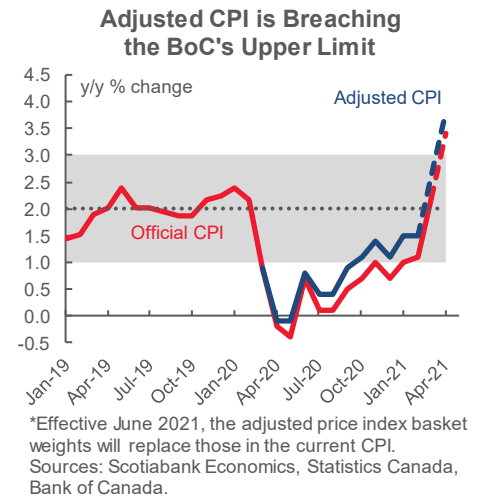


Chart 7

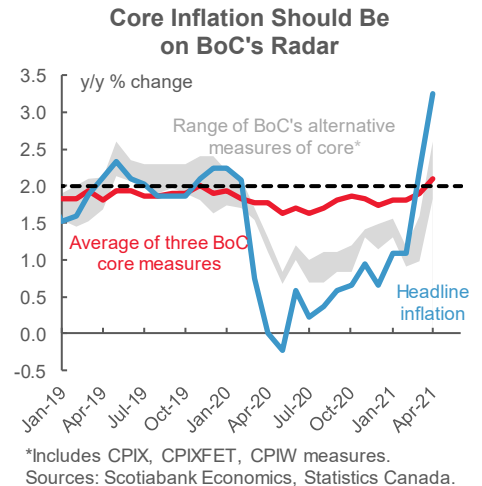
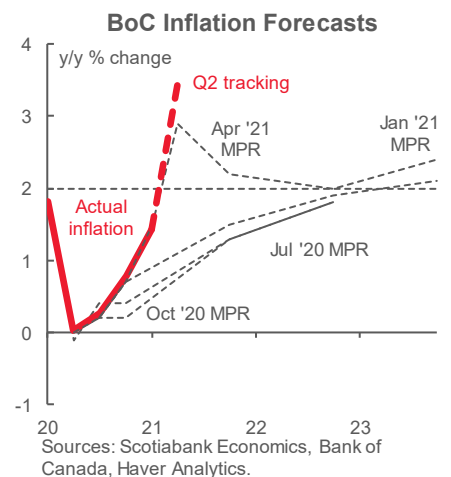


Chart 8



almost all the accelerated inflation during the pandemic so far has been driven by goods prices with reopening effects still ahead for services. Categories like travel services, vegetables, communications, local and commuter transit, rented accommodations among others could well be subject to upside pressure over the cycle ahead as economies hopefully continue to normalize.

Perhaps the deal clincher here is that if the BoC really thinks inflation is driven by transitory forces, then by corollary presently distorted base effects into the year ahead might cause inflation to crash in the absence of other influences. Their forecasts don't reveal such a bias with inflation forecast to average just above the 2% target throughout 2021–23.

In any event, as a reminder of how difficult it remains to forecast and target inflation, recall chart 10 that shows inflation persistently below the BoC's target 94% of the time across individual months since 2010 on an average core basis and two-thirds of the time on a headline basis. The BoC's inflation targeting success since going down that path in the early 1990s has more recently stumbled along with the experiences of other major central banks. The fact they tend to downplay or dismiss this is perhaps a signal they have no desire to follow what the Fed did in revising its strategic framework last August.

## THE REST!

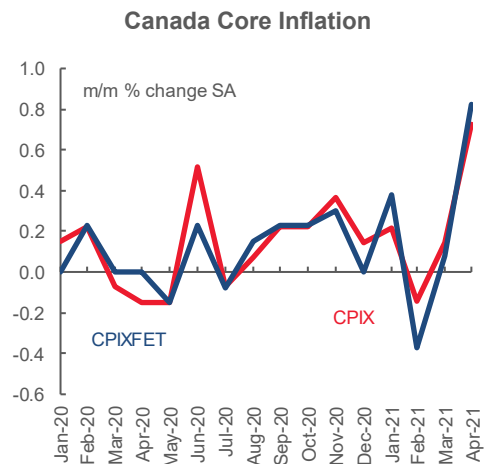
More will be offered on the rest of the week's developments in daily notes over the coming week. Highlights are offered below.

**Seven other central banks that are not named the Federal Reserve will also weigh in with updated policy decisions.** All of them will do so over the back half of the week.

- **Brazil goes first with another expected 75bps hike on Wednesday** and set against the backdrop of faster-than-expected inflation. Then we get a clustering of other central banks.
- **Bank Indonesia is forecast to stay on hold** at 3.5% as a soft economy and below-target inflation are nevertheless set against concerns regarding rupiah volatility and capital account flows.
- The Central Bank of China Taiwan is expected to hold at 1.125%
- **The Bank of Japan ends the week with the expectation it will leave all policy variables intact but perhaps extend support programs** that are otherwise scheduled to expire in September. It could delay this decision to the mid-July meeting before taking August off.
- **Norges Bank's refreshed guidance on Thursday will be closely watched in order to see if a recent downside surprise in inflation alters guidance that rate hikes will commence "in the latter half of 2021."** Moving at the August meeting is unlikely, but any of the September, November or December meetings are candidates for a first hike.
- The Swiss National Bank (Thursday) has backed off some of its earlier talk of franc intervention and the recent relative stability in the Swiss franc to the dollar over the past month is unlikely to change that.
- Turkey's central bank is likely to hold at a lofty 19% on Thursday. Political pressure toward cutting the policy rate may build further over coming meetings.

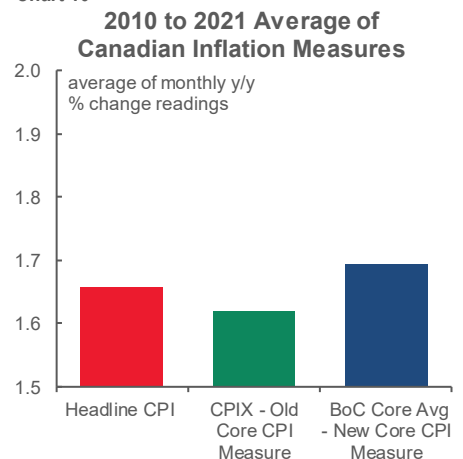
**The main US economic indicator will be Tuesday's retail sales during May.** Total sales may dip by around -1/2% m/m while sales ex-autos post a mild gain of a comparable magnitude. Vehicle sales carry about a one-fifth weight and should drag on the

Chart 9



Sources: Scotiabank Economics, Statistics Canada.

Chart 10



Sources: Scotiabank Economics, Statistics Canada.

headline given we know that new vehicle sales were down 8.2% m/m in May partly due to chip shortages while auto prices in CPI were up by 1.6% m/m. Higher prices may guard against some further downside risk as gasoline prices were up 4.6% m/m with about a 7% weight, while broader CPI increased by 0.6% m/m and core CPI was up by 0.7%. The other ~70% of retail sales that are not made up of gas and new vehicle sales could be more resilient on reopening effects.

**UK inflation may come under further upward pressure when May's reading arrives on Wednesday.** Core CPI is likely to rise a couple more tenths toward 1 ½% y/y with headline running at about 1 ¾% y/y. May's retail sales (Friday) may add to the gains in April on further reopening effects. As the economy reopens and inflation gradually moves closer to target, the Bank of England tapered its weekly gilts purchase rate to £3.44 billion at the May meeting (chart 11) while retaining the guidance that the total size of the purchase program would remain at £875 billion once purchases are completed "around" year-end.

**Australia updates jobs for May at mid-week.** The prior month's drop of about 31k is expected to rebound from the policy-induced decline. The Australian government's Job Keeper wage subsidy program ended in March and likely sparked the shedding of payroll positions.

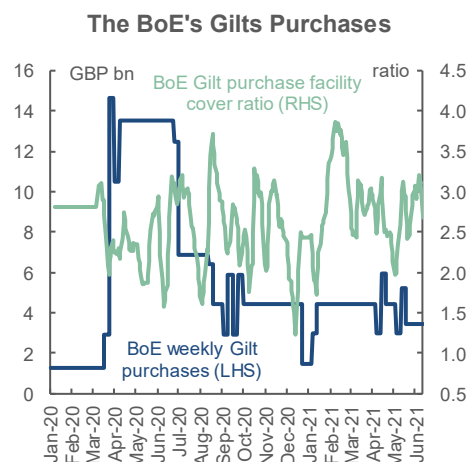
China's retail sales and industrial production during May (Wednesday) could further inform momentum concerns in China's economy.

Most expect Wednesday's Q1 GDP report from New Zealand to indicate a rebound from the 1% q/q non-annualized drop in Q4. Most estimates range from 0.4–0.9%.

India's CPI inflation rate for May is expected to spike higher on Monday and further breach the mid-point of the Reserve Bank of India's 4% +/-2% inflation target range by stretching above 5%. With the COVID-19 case surge and risks to growth, the RBI has been talking through the rise in inflationary pressure that is partly distorted.

Latin American markets face light calendar-based risk with just Argentina's inflation during May (Wednesday) and Colombia's retail sales and industrial output during April (Tuesday).

Chart 11



## Key Indicators for week of June 14 – 18

### NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	06-14	08:30	Manufacturing Shipments (m/m)	Apr	-1.1	--	3.5
CA	06-15	08:15	Housing Starts (000s a.r.)	May	280	--	268.6
US	06-15	08:30	Empire State Manufacturing Index	Jun	--	22.0	24.3
US	06-15	08:30	PPI (m/m)	May	0.4	0.5	0.6
US	06-15	08:30	PPI ex. Food & Energy (m/m)	May	0.5	0.5	0.7
US	06-15	08:30	Retail Sales (m/m)	May	-0.6	-0.6	0.0
US	06-15	08:30	Retail Sales ex. Autos (m/m)	May	0.5	0.4	-0.8
CA	06-15	09:00	Existing Home Sales (m/m)	May	--	--	-12.5
US	06-15	09:15	Capacity Utilization (%)	May	75.0	75.1	74.6
US	06-15	09:15	Industrial Production (m/m)	May	0.5	0.6	0.6
US	06-15	10:00	Business Inventories (m/m)	Apr	--	-0.1	0.3
US	06-15	10:00	NAHB Housing Market Index	Jun	--	83.0	83.0
US	06-15	16:00	Total Net TIC Flows (US\$ bn)	Apr	--	--	146.4
US	06-15	16:00	Net Long-term TIC Flows (US\$ bn)	Apr	--	--	262.2
US	06-16	07:00	MBA Mortgage Applications (w/w)	Jun11	--	--	-3.1
CA	06-16	08:30	Core CPI - Common (y/y)	May	--	--	1.7
CA	06-16	08:30	Core CPI - Median (y/y)	May	--	--	2.3
CA	06-16	08:30	Core CPI - Trim (y/y)	May	--	--	2.3
CA	06-16	08:30	CPI, All items (m/m)	May	0.4	--	0.5
CA	06-16	08:30	CPI, All items (y/y)	May	3.5	--	3.4
CA	06-16	08:30	CPI, All items (index)	May	--	--	140.3
CA	06-16	08:30	Wholesale Trade (m/m)	Apr	-0.8	--	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	1,640	1,569
US	06-16	08:30	Housing Starts (m/m)	May	5.2	4.5	-9.5
US	06-16	08:30	Import Prices (m/m)	May	--	0.8	0.7
<b>US</b>	<b>06-16</b>	<b>14:00</b>	<b>FOMC Interest Rate Meeting (%)</b>	<b>Jun 16</b>	<b>0.25</b>	<b>0.25</b>	<b>0.25</b>
CA	06-17	08:30	International Securities Transactions (C\$ bn)	Apr	--	--	3.2
US	06-17	08:30	Initial Jobless Claims (000s)	Jun12	360	360	376
US	06-17	08:30	Continuing Claims (000s)	Jun 5	3,400	3,421	3,499
US	06-17	08:30	Philadelphia Fed Index	Jun	--	31.0	31.5
US	06-17	10:00	Leading Indicators (m/m)	May	--	1.3	1.6

### EUROPE

Country	Date	Time	Indicator	Period	Consensus	Latest
EC	06-14	05:00	Industrial Production (m/m)	Apr	0.4	0.1
EC	06-14	05:00	Industrial Production (y/y)	Apr	37.4	10.9
GE	06-15	02:00	CPI (m/m)	May F	0.5	0.5
GE	06-15	02:00	CPI (y/y)	May F	2.5	2.5
GE	06-15	02:00	CPI - EU Harmonized (m/m)	May F	0.3	0.3
GE	06-15	02:00	CPI - EU Harmonized (y/y)	May F	2.4	2.4
UK	06-15	02:00	Average Weekly Earnings (3-month, y/y)	Apr	4.9	4.0
UK	06-15	02:00	Employment Change (3M/3M, 000s)	Apr	135.0	84.0
UK	06-15	02:00	Jobless Claims Change (000s)	May	--	-15.1
UK	06-15	02:00	ILO Unemployment Rate (%)	Apr	4.7	4.8
FR	06-15	02:45	CPI (m/m)	May F	0.3	0.3
FR	06-15	02:45	CPI (y/y)	May F	1.4	1.4
FR	06-15	02:45	CPI - EU Harmonized (m/m)	May F	0.4	0.4
FR	06-15	02:45	CPI - EU Harmonized (y/y)	May F	1.8	1.8
IT	06-15	04:00	CPI - EU Harmonized (y/y)	May F	1.3	1.3
EC	06-15	05:00	Trade Balance (€ mn)	Apr	--	15,821
RU	06-15	12:00	Real GDP (y/y)	1Q P	-1.00	-1.00

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



## Key Indicators for week of June 14 – 18

### EUROPE (continued from previous page)

Country	Date	Time	Indicator	Period	Consensus	Latest
UK	06-16	02:00	CPI (m/m)	May	0.3	0.6
UK	06-16	02:00	CPI (y/y)	May	1.8	1.5
UK	06-16	02:00	RPI (m/m)	May	0.3	1.4
UK	06-16	02:00	RPI (y/y)	May	3.3	0.0
EC	06-16	05:00	Labour Costs (y/y)	1Q	--	3.0
<b>SZ</b>	<b>06-17</b>	<b>03:30</b>	<b>SNB Sight Deposit Interest Rate</b>	<b>Jun 17</b>	<b>-0.75</b>	<b>-0.75</b>
<b>NO</b>	<b>06-17</b>	<b>04:00</b>	<b>Norwegian Deposit Rates (%)</b>	<b>Jun 17</b>	<b>0.00</b>	<b>0.00</b>
EC	06-17	05:00	CPI (m/m)	May F	0.3	0.3
EC	06-17	05:00	CPI (y/y)	May F	2.0	2.0
EC	06-17	05:00	Euro zone Core CPI Estimate (y/y)	May F	0.9	0.9
<b>TU</b>	<b>06-17</b>	<b>07:00</b>	<b>Benchmark Repo Rate (%)</b>	<b>Jun 17</b>	<b>19.00</b>	<b>19.00</b>
GE	06-18	02:00	Producer Prices (m/m)	May	0.7	0.8
UK	06-18	02:00	Retail Sales ex. Auto Fuel (m/m)	May	1.4	9.0
UK	06-18	02:00	Retail Sales with Auto Fuel (m/m)	May	1.6	9.2
EC	06-18	04:00	Current Account (€ bn)	Apr	--	17.8
IT	06-18	04:30	Current Account (€ mn)	Apr	--	3,099

### ASIA-PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
JN	06-14	00:30	Capacity Utilization (m/m)	Apr	--	--	5.6
JN	06-14	00:30	Industrial Production (y/y)	Apr F	--	--	15.4
IN	06-14	02:30	Monthly Wholesale Prices (y/y)	May	--	13.3	10.5
AU	06-14	21:30	House Price Index (y/y)	1Q	--	7.8	3.6
ID	06-15	00:00	Exports (y/y)	May	--	54.8	51.9
ID	06-15	00:00	Imports (y/y)	May	--	63.8	29.9
ID	06-15	00:00	Trade Balance (US\$ mn)	May	--	2,331	2,190
JN	06-15	00:30	Tertiary Industry Index (m/m)	Apr	--	-0.5	1.1
HK	06-15	04:30	Industrial Production (y/y)	1Q	--	--	-6.0
IN	06-15	07:30	Exports (y/y)	May	--	--	195.7
IN	06-15	07:30	Imports (y/y)	May	--	--	167.1
JN	06-15	19:50	Machine Orders (m/m)	Apr	--	2.5	3.7
JN	06-15	19:50	Merchandise Trade Balance (¥ bn)	May	--	-90.0	253.1
JN	06-15	19:50	Adjusted Merchandise Trade Balance (¥ bn)	May	--	241.8	65.2
JN	06-15	19:50	Merchandise Trade Exports (y/y)	May	--	51.1	38.0
JN	06-15	19:50	Merchandise Trade Imports (y/y)	May	--	26.6	12.8
CH	06-15	22:00	Fixed Asset Investment YTD (y/y)	May	17.0	17.0	19.9
CH	06-15	22:00	Industrial Production (y/y)	May	9.5	9.2	9.8
CH	06-15	22:00	Retail Sales (y/y)	May	15.0	14.0	17.7
NZ	06-16	18:45	GDP (y/y)	1Q	--	0.8	-0.9
SI	06-16	20:30	Exports (y/y)	May	--	16.8	6.0
<b>TA</b>	<b>06-17</b>	<b>21:00</b>	<b>Benchmark Interest Rate</b>	<b>16-Jun</b>	<b>1.13</b>	<b>1.13</b>	<b>1.13</b>
AU	06-16	21:30	Employment (000s)	May	--	30.0	-30.6
AU	06-16	21:30	Unemployment Rate (%)	May	--	5.5	5.5
<b>ID</b>	<b>06-17</b>	<b>03:20</b>	<b>BI 7-Day Reverse Repo Rate (%)</b>	<b>Jun 17</b>	<b>3.50</b>	<b>3.50</b>	<b>3.50</b>
HK	06-17	04:30	Unemployment Rate (%)	May	--	6.1	6.4
JN	06-17	19:30	National CPI (y/y)	May	-0.1	-0.2	-0.4
<b>JN</b>	<b>06-18</b>		<b>BoJ Policy Rate (%)</b>	<b>Jun 18</b>	<b>-0.10</b>	<b>--</b>	<b>-0.10</b>

### LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
BZ	06-14	08:00	Economic Activity Index SA (m/m)	Apr	--	0.5	-1.6
BZ	06-14	08:00	Economic Activity Index NSA (y/y)	Apr	--	19.3	6.3
PE	06-15	10:00	Economic Activity Index NSA (y/y)	Apr	56.3	--	18.2
CO	06-15	11:00	Retail Sales (y/y)	Apr	--	--	20.1
PE	06-15	11:00	Unemployment Rate (%)	May	--	--	15.1
<b>BZ</b>	<b>06-16</b>	<b>17:30</b>	<b>SELIC Target Rate (%)</b>	<b>Jun 16</b>	<b>--</b>	<b>4.25</b>	<b>3.50</b>

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

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**Global Auctions for week June 14 – 18****NORTH AMERICA**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	06-15	13:00	U.S. To Sell 20-Year Bonds Reopening
US	06-17	13:00	U.S. To Sell 5-Year TIPS Reopening

**EUROPE**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
UK	06-15	05:00	U.K. to Sell Bonds
GE	06-15	05:30	Germany to Sell EUR 5 Bln of 0% 2023 Bonds
FI	06-15	06:00	Finland to Sell Up to EUR1.5 Bln Bonds
SW	06-16	05:00	Sweden to Sell Bonds
UK	06-16	05:00	U.K. to Sell 0.625% 2035 Bonds
GE	06-16	05:30	Germany to Sell EUR 5 Bln 2031 Bonds
SP	06-17	04:30	Spain to Sell Bonds
FR	06-17	04:50	France to Sell Bonds
IR	06-17	05:00	Ireland to Sell Bills

**ASIA-PACIFIC**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CH	06-15	23:00	China Plans to Sell 1-Yr Upsize Bond
CH	06-15	23:00	China Plans to Sell 10-Yr Upsize Bond
CH	06-17	23:00	China Plans to Sell 50-Yr Upsize Bond

**LATIN AMERICA**

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

**Events for week of June 14 – 18**
**NORTH AMERICA**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	06-16	14:00	FOMC Rate Decision (Lower Bound)
US	06-16	14:00	FOMC Rate Decision (Upper Bound)
US	06-16	14:30	Powell Holds Press Conference Following FOMC Meeting

**EUROPE**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
UK	06/12/21-06/13/21		G-7 summit in Cornwall
EC	06-14	09:00	ECB's Schnabel Speaks
UK	06-14	09:00	BOE's Bailey at Association of Corporate Treasurer's Conference
UK	06-15	08:15	BOE's Bailey Speaks on Future of Financial Services
EC	06-15	09:50	ECB's Panetta Speaks
SZ	06-17	03:30	SNB Policy Rate
<b>SZ</b>	<b>06-17</b>	<b>03:30</b>	<b>SNB Sigt Deposit Interest Rate</b>
<b>NO</b>	<b>06-17</b>	<b>04:00</b>	<b>Deposit Rates</b>
<b>TU</b>	<b>06-17</b>	<b>07:00</b>	<b>One-Week Repo Rate</b>
EC	06-17		Euro-Area Finance Ministers Meet
EC	06-18		EU Finance Ministers Meet
UK	06-18		United Kingdom Sovereign Debt to be rated by Fitch

**ASIA-PACIFIC**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
AU	06-14	21:30	RBA Minutes of June Policy Meeting
AU	06-16	20:00	RBA'S Lowe Gives Speech in Toowoomba
<b>TA</b>	<b>06/16/21-06/17/21</b>		<b>CBC Benchmark Interest Rate</b>
<b>ID</b>	<b>06-17</b>	<b>03:20</b>	<b>Bank Indonesia 7D Reverse Repo</b>
<b>JN</b>	<b>06/17/21-06/18/21</b>		<b>BOJ Policy Balance Rate</b>
JN	06/17/21-06/18/21		BOJ 10-Yr Yield Target

**LATIN AMERICA**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
BZ	06-16	17:30	Selic Rate

## Global Central Bank Watch

### NORTH AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Canada – Overnight Target Rate	0.25	July 14, 2021	0.25	0.25
Federal Reserve – Federal Funds Target Rate	0.25	June 17, 2021	0.25	0.25
Banco de México – Overnight Rate	4.00	June 25, 2021	4.00	4.00

**Federal Reserve (FOMC):** No significant policy changes are expected in Wednesday's full suite of policy communications including the statement and fresh forecasts including dot plot (2pmET) followed by Chair Powell's press conference (2:30pmET). There may be indications of a discussion on tapering, but Chair Powell is likely to reiterate that "substantial further progress" toward dual mandate goals has not been achieved. It's possible but unlikely that the IOER rate is raised to counter short-term funding market pressures with the Fed continuing to rely upon other tools like its reverse repo facility to prevent a liquidity surge from driving short-term rates negative. Forecast updates are unlikely to result in brought forward dot plot guidance on when the fed funds target rate may be raised.

### 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	June 24, 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	5.00	July 23, 2021	5.25	5.50
Sweden Riksbank – Repo Rate	0.00	July 1, 2021	0.00	0.00
Norges Bank – Deposit Rate	0.00	June 17, 2021	0.00	0.00
Central Bank of Turkey – Benchmark Repo Rate	19.00	June 17, 2021	19.00	19.00

**Norges Bank:** The monetary policy committee is expected keep the deposit rate on hold at 0.00% on June 17. The statement from the last meeting on May 5 continued to guide markets toward a policy rate hike in the latter half of 2021, making Norway the likely candidate among rich world countries to begin their tightening cycle. **Central Bank of Turkey (CBoT):** President Erdogan's pressure to cut rates is intensifying after May's inflation print clocked in at 16.6% y/y, down from 17.1% the month prior, and snapping a seven-month straight increase in prices. July or August are the months being floated for a potential interest rate cut, so Governor Kavcioglu and the committee will likely be able to resist external pressures for another month and hold the benchmark repo rate at 19.00% on June 17. The Turkish Lira has continued to slide since the last meeting, with a majority of changes in the currency's value being sentiment driven. **Swiss National Bank (SNB):** No change of the -0.75% policy rate is expected on June 17. The SNB expects consumer prices to remain muted over the coming years and continues to revert to FX interventions on an "as necessary" basis to curb the Franc's relative strength.

### ASIA PACIFIC

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Policy Rate	-0.10	June 18, 2021	-0.10	-0.10
Reserve Bank of Australia – Cash Target Rate	0.10	July 6, 2021	0.10	0.10
Reserve Bank of New Zealand – Cash Rate	0.25	July 14, 2021	0.25	0.25
People's Bank of China – 1-Year Loan Prime Rate	3.85	June 21, 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	July 15, 2021	0.50	0.50
Bank of Thailand – Repo Rate	0.50	June 23, 2021	0.50	0.50
Bank Negara Malaysia – Overnight Policy Rate	1.75	July 8, 2021	1.75	1.75
Bank Indonesia – 7-Day Reverse Repo Rate	3.50	June 17, 2021	3.50	3.50
Central Bank of Philippines – Overnight Borrowing Rate	2.00	June 24, 2021	2.00	0.00

**Bank of Japan (BoJ):** The BoJ is expected to keep its policy rate at -0.10% and continue its government bond purchase to maintain the 10-year JGB yield at around 0%. Persisting slack in the economy and low wage gains keep price pressures at bay. Japan is unlikely to achieve the annual inflation target of 2% y/y in the foreseeable future. The BoJ will likely maintain its ultra-loose monetary policy stance for an extended period, well past other major central banks' monetary normalization timelines. **Bank Indonesia (BI):** BI is expected to hold its reverse repo rate at 3.50%. While inflation has picked up, May's headline figure of 1.7% y/y is still out of BI's target band of 3.0 ± 1.0 %. BI has indicated that it will maintain accommodative policy to accelerate Indonesia's economic recovery while ensuring the exchange rate stability of the rupiah.

### LATIN AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	3.50	June 17, 2021	4.25	4.25
Banco Central de Chile – Overnight Rate	0.50	July 15, 2021	0.50	0.50
Banco de la República de Colombia – Lending Rate	1.75	June 29, 2021	1.75	1.75
Banco Central de Reserva del Perú – Reference Rate	0.25	July 9, 2021	0.25	0.25

**Banco Central do Brasil (BCB):** Inflation continues to accelerate at a faster-than-expected pace. The 8.1% y/y growth in May's headline inflation should keep the BCB signalling an aggressive, front-loaded tightening cycle. As a result, we are calling for a 75 bps hike of the Selic Rate at the June 16 meeting. The key outstanding question concerns the Committee's indication on May 5 that it is pursuing only a "partial" normalization process. Our call for a 7.0% terminal Selic rate is consistent with this guidance if the hiking cycle remains steep.

### 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

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

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