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GLOBAL ECONOMICS

THE GLOBAL WEEK AHEAD

June 14, 2024

Contributors

Derek Holt
VP & Head of Capital Markets Economics
Scotiabank Economics
416.863.7707
derek.holt@scotiabank.com

With thanks for research support from: Jaykumar Parmar.

Next Week's Risk Dashboard

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- **Trump's proposals face a very different bond market**
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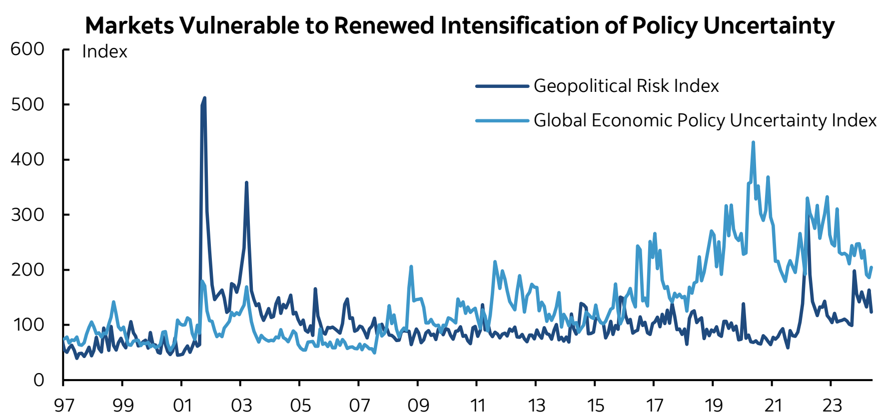
This Isn't the 2016 Bond Market!

FORECASTS & DATA

Chart of the Week



Sources: Scotiabank Economics, Caldara, Dario, and Matteo Iacoviello (2021), "Measuring Geopolitical Risk," working paper, Board of Governors of the Federal Reserve Board, November 2021

Chart of the Week: Prepared by: Jaykumar Parmar, Economic Analyst.

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This Isn't the 2016 Bond Market!

The onslaught of global central bank decisions will continue over the coming week and will be set against the backdrop of significant global data releases. Major central banks like the BoE, PBOC and RBA will weigh in alongside a slew of others totalling eight decisions all together that could well prompt global and regional market volatility.

And yet in markets it's clearly not about just the week ahead. It's not about the latest pontification by some central bankers somewhere when they often mess up anyway. Nor is it about merely tracking the latest inflation figures.

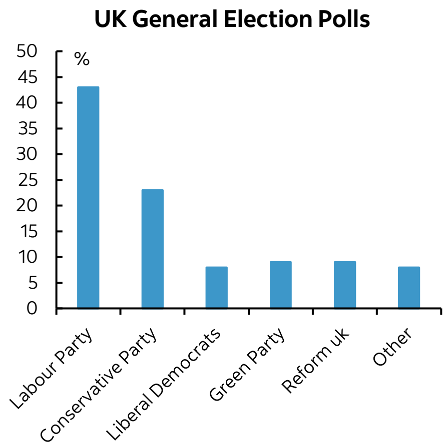
Central banks are entering a period of heightened uncertainty stemming from political developments that cannot be avoided or separated from the potential effects upon markets and economies. Political developments are putting renewed risk into the implications for fiscal policy, European unity, the bond market, and market stability. How these developments may net out is deeply uncertain at this phase which means how central banks may have to respond could also be highly uncertain.

Global political turmoil has to be closely monitored which we all knew coming into the year but have to start treating more seriously now. A look at the latest G7 leaders' family photo naturally has one thinking it will probably be a very different picture within 12–18 months as most of them could well be out of their jobs if current polling proves to be accurate. Regime change on a global scale is feasible and it cannot be thought of as simply right versus left. This presents higher uncertainty around the potential for a tectonic shift in policy directions and associated effects.

UK PM Sunak may be first after the July 4th UK election with Labour's Keir Starmer trying his best to convince markets that Jeremy Corbyn's fiscal agenda is in the rearview mirror (chart 1). German Chancellor Scholz's four party alliance only secured 31% support amid record participation and a 70% personal disapproval rating while the far-right AfD party is coming on stronger and posing a significant threat to European unity (chart 2). President Biden (November 5th) and PM Trudeau (no later than October 2025) are polling very poorly. This is driving pressure to call a German election as early as this summer but no later than October of next year.

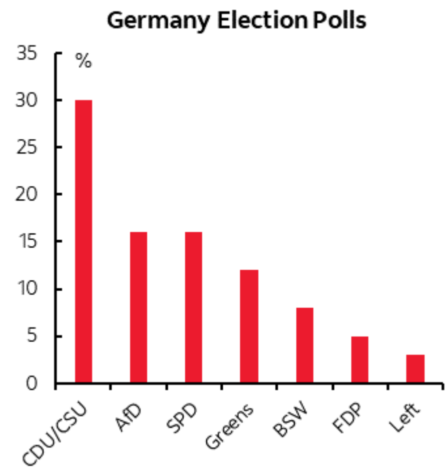
Japanese and Italian governments are inherently unstable. With the UK's exception—where a sequence of conservative prime ministers has looked like anything but—most of these countries could turn further to the center-right unless France's left continues to gain.

Chart 1



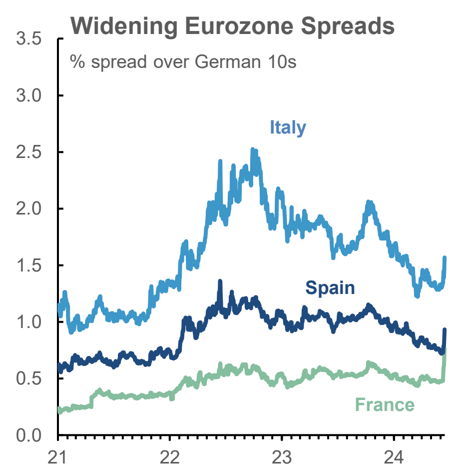
Sources: Scotiabank Economics, Ipsos Political Monitor.

Chart 2



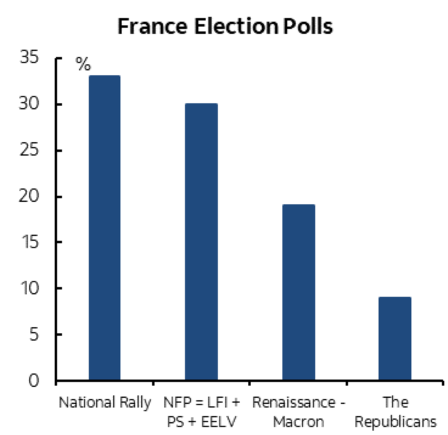
Sources: Scotiabank Economics, Politico.

Chart 3



Source: Scotiabank Economics, Bloomberg.

Chart 4



Sources: Scotiabank Economics, Politico.

Europe's Political Turmoil and the Bond Market

European elections present substantial market risk. Nascent signs of pressures unseen since past crises around Greek and Italian debt challenges are starting to resurface. They are nothing close to such a point yet, but the widening of French 10-year debt spreads to bunds to the widest point in many years and spillover effects upon other countries is starting to price in greater uncertainty that may intensify as the French elections on June 30th and July 7th draw nearer (chart 3). The outcome could well affect the ECB's next decision and guidance on July 18th.

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Macron's resignation rumours could have something to them—despite denials—if his party loses as badly as current polling suggests (chart 4). The other day's poll by Elabe showed Marine Le Pen's National Rally (formerly National Front) party securing 31% of the vote, an alliance of left-wing parties getting 28%, and Macron's Renaissance party getting 18%. That's a close outcome between left and right and roughly within polling error. Macron's approval rating sits at 24%, his lowest since 2018. The latest poll points to only 40% of Macron's MPs qualifying on June 30th for the second-round vote on July 7th. The four French left wing political parties recently agreed to form an alliance. Losing this badly and having to potentially appoint Le Pen as prime minister could well be too much for Macron to accept with the next Presidential election not scheduled until April 2027, but he would very likely lose an election held now.

This isn't as simple a matter as preferring left versus right or somewhere in the middle. Both the French left and right oppose the EU with uncertain effects in terms of whether that means a path toward weakening its institutions or outright withdrawal. The latter could resurrect a Eurozone break-up premium that is driving investors to seek relative safety in bunds as the German 10-year has shed about 30bps of yield in the past week. Fiscal policy is an added concern as France's National Rally is feared to favour expansionist policies that risk ratings downgrades. The left is also a risk to fiscal policy albeit the policy mixture would differ. European unity around support for Ukraine could be shattered and give rise to more intense geopolitical risk.

Trump is a Grave Danger to the Bond Market

In the United States, both Biden and Trump present policy risks to the market outlook. Since Trump is strongly outperforming Biden in the polls (chart 5), it's Trump policies that need to be given the most scrutiny in terms of the prospect of becoming reality unless new polling information arises.

Trump's playbook is operating like it's still 2016 and yet the bond market is profoundly different today. One the eve of the 2016 election, the US ten-year Treasury yield stood at 1.83% and immediately began selling off as Trump's victory became priced. Today's bond market is much more attuned to inflation risk and debt issuance and a cavalier fiscal plan could be met by a stronger bond market sell off that would sterilize his fiscal plans and drive business and household fixed term borrowing costs considerably higher. Expansionary fiscal policy would also potentially thwart policy easing by the Federal Reserve.

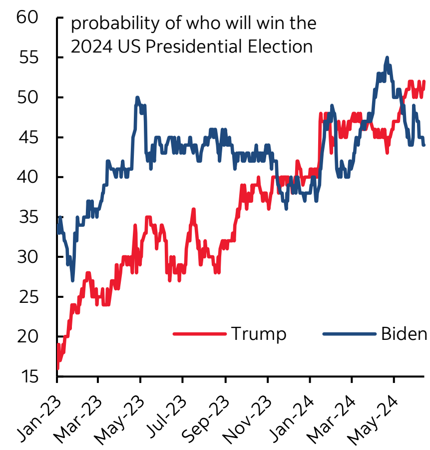
That's because while Biden is no friend to the US bond market, Trump's tax plans could be the apple that tips the cart right over. Everyone loves a tax cut and the immediate market reaction may be favourable, but the effects on the bond market and economy could prove very different over time. The US government has enormous advantage over others because of its reserve currency status, but there is a limit to this advantage and the bond market is willing to supply credit to the US government at a higher yield.

Trump's plans are likely to add to the US fiscal deficit that is already running north of 6% of GDP (chart 6). US government public debt has risen by 50% since just before the pandemic struck and has risen from 107% of GDP before the pandemic to 122% now (chart 7). Sensitivity to each Treasury refunding announcement has been clearly amplified as evidenced by market volatility since last Fall.

Tax cuts don't pay for themselves. That's political hyperbole. We saw that in his first term when Trump inherited a deficit to GDP ratio of about 2½% and it widened to about double that after the 2018 Tax Cuts and Jobs Act but before the pandemic arrived. That raised structural deficits and issuance pressures. The pandemic's effects were no one's fault at first, but Trump's crisis mismanagement and expansionary fiscal policies added to the deficits and bond market pressures. President Biden was derelict in his duty to repair the damage done to US government finances.

Chart 5

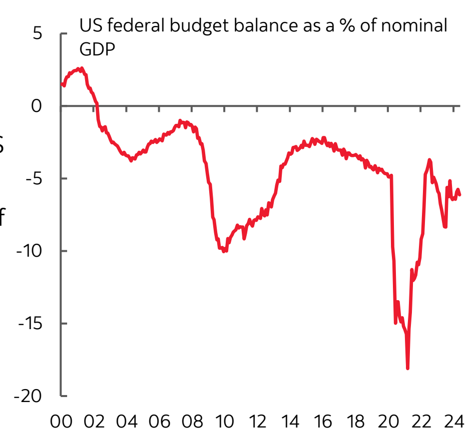
US Presidential Election



Sources: Scotiabank Economics, PREDICTIT.

Chart 6

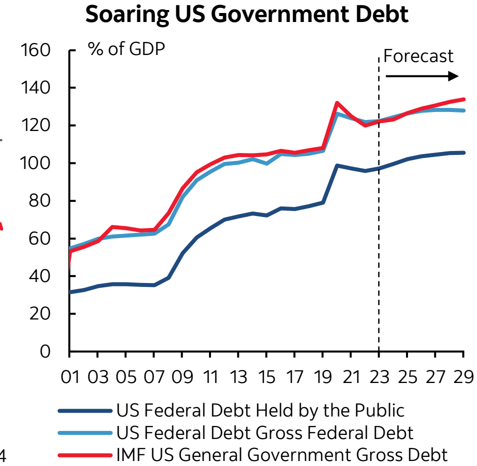
Uncle Sam Loves his Deficits



Sources: Scotiabank Economics, US Treasury.

Chart 7

Soaring US Government Debt



Sources: Scotiabank Economics, OMB, IMF.

Trump's proposal to permanently extend the Tax Cuts and Jobs Act provisions that are slated to expire at the end of 2025 is estimated by the Congressional Budget Office to add about US$400 billion per year to the deficit and US$4 trillion over the next decade (**here**).

His proposal to cut the corporate income tax rate by one percentage point to 20% would cost another over US$100 billion over the next decade (CBO estimate in reverse **here**).

Trump's proposal to eliminate taxes on tips raises a host of issues that make costing it problematic. The latest data available seems to be IRS stats showing tip income at US$38 billion in 2018. Yes, six years ago. Assuming no growth since then at an assumed relatively low marginal tax rate would result in under US$10B/year of foregone revenue for Treasury. One problem is that tips have probably risen and by perhaps quite a lot since then giving how the tipping culture has shifted. Another problem is that eliminating taxes on tips could drive a shift in the sources of income away from regular pay to tips, thereby costing an unknown amount of foregone tax revenues on regular pay. It's also not clear that data on tips income is reliable given the obvious incentive to date for workers to be paid under the table.

In summation, extending the TCJA provisions, cutting corporate income taxes, and eliminating taxes on tips could cost upward of a half trillion per year in US government revenues with no plan about how to fund it. Multiplier effects and the state of the economy at the time are difficult to estimate, but it's reasonable to conclude that the deficit-to-GDP ratio would likely rise to at least 7–8% and perhaps higher. That would take Washington's deficit to GDP ratio to the highest level on a sustained basis than at any other point outside of wartime or deep crisis like the GFC and pandemic. Some possibilities for how to pay for the tax cut could negatively impact finances at other levels of government, thereby shifting fiscal and issuance pressures elsewhere.

In such a scenario, US 10s presently at 4.2% may look dear. The combined inflation risk and impact upon Treasury supply could in isolation of other effects have us staring at the prospect of a 6%+ ten-year yield. If 30-year mortgage spreads of the past couple of years persist, then US mortgage holders could be left with mouths agape when the 30-year fixed mortgage rate rises toward 8–9% or potentially higher.

In short, Trump's tax plans could wind up landing like a lead balloon in the back pockets of American debtors including consumers, homebuyers, and businesses. Tax cuts in a different bond market could go toward higher debt servicing costs except for those without debt in which case the indirect effects could be important.

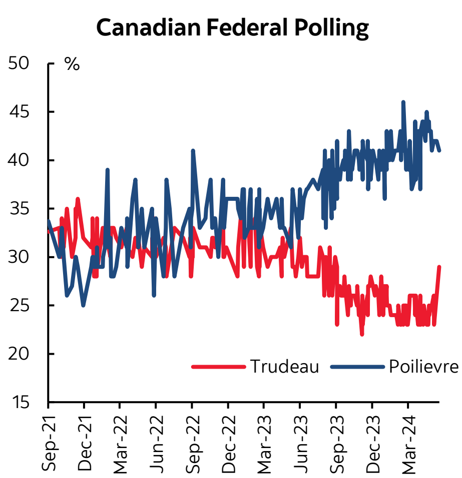
Canada Is Not an Island

Canada, in turn, will not escape the consequences. A federal election by no later than October of next year is at present looking like it may be a disaster for the Federal liberals and NDP. Chart 8 shows polling, chart 9 shows that attempts to map this onto seat projections would grant a large majority to the Conservatives if a vote were held today. A lot can change in the next sixteen months or less, but governments doing this badly in the polls typically don't spend less and yet this prospect is not factored into anyone's forecasts. Fiscal pump priming may be in the cards in Canada either in a Fall fiscal update or next Winter's budget. Canada's bond market could be caught up in spillover effects from what transpires in the US plus greater domestic debt issuance pressures plus the possibility that the Bank of Canada may not be as accommodative in the face of expansionary fiscal policy.

In all of this, how should global central banks respond? That's highly unclear at this point. Should market turmoil risk instability and systemic risk then they could be forced to respond in dovish fashion. Should it be more of a slow grind toward more expansionary fiscal policy and consequences for inflation and bond markets then this could thwart prospects for at least some of the policy easing they might have otherwise considered. Should fiscal issuance intensify, will central banks allow markets to engage in price discovery while continuing to tip toe away from bond markets?

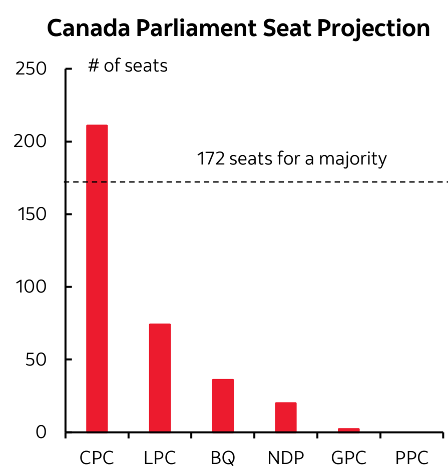
I'm not saying that all of this is a base case or even close to being one at this point, but one has got to keep a part of one's mind open to the possibility that central bank plans could be thrown into a state of upheaval toward

Chart 8



Sources: Scotiabank Economics, 338canada.com.

Chart 9



Sources: Scotiabank Economics, 338canada.com.

greater easing pressures if market turmoil intensifies over the summer and beyond. Political risk and consequences for market stability and policies are front and center.

With that, the round of global central banks that are tasked with delivering this week's decisions should approach them in a highly circumspect manner.

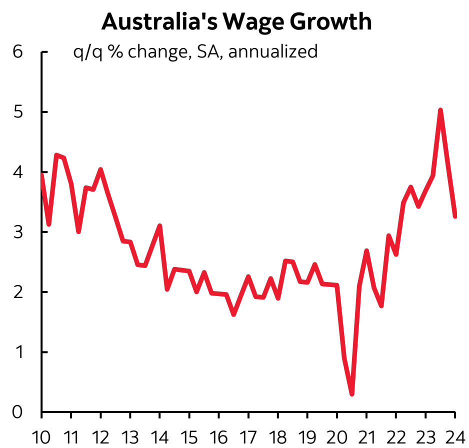
CENTRAL BANKS—EIGHT IS ENOUGH!!

Eight central banks will weigh in with updated decisions this week. Brief highlights are offered below in chronological order of the pending decisions. More will be offered in regular notes throughout the week.

RBA—Another Hawkish Hold

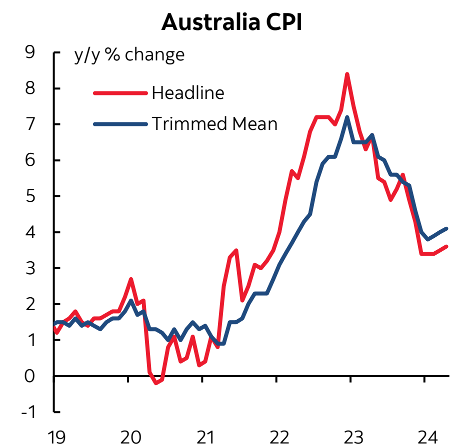
No ones expects Australia's central bank to change its policy rate on Tuesday. Markets are priced for a hold and are not pricing a full quarter-point cut until early 2025. The prior meeting on May 7th delivered a higher-for-longer message. Since, then, 77k jobs have been created if which roughly half have been full-time. Wage growth remains high (chart 10). Inflation also remains high (chart 11) and driven by domestic non tradeable prices that matter more to the RBA.

Chart 10



Sources: Scotiabank Economics, Australian Bureau of Statistics.

Chart 11



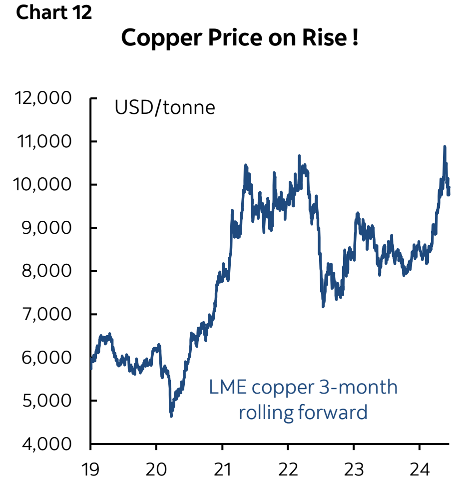
Sources: Scotiabank Economics, Australian Bureau of Statistics.

BCCh—More Cautious?

Chile's central bank decision on Tuesday faces a somewhat divided and lightly populated consensus. Four out of seven expect a 25bps cut, 2 expect -50bps including our Santiago-based economists, and one expects a hold. We may hear a more cautious sounding central bank toward the pace of easing either now or in future not least of which because of 525bps of cuts to date since they began last July.

Since the 50bps cut on May 23rd, inflation has been a little hotter than expected and at 3% y/y remains above target. The peso has appreciated more than other crosses given higher copper prices (chart 12) and the unemployment rate fell. GDP is tracking two consecutive months of decline, however, which could tip the balance toward a larger cut. The surprise hold by Peru's central bank and the FOMC's dot plot that is on the fence between 25bps and 50bps of cuts this year may also weigh on the decision.

Chart 12



Sources: Scotiabank Economics, Bloomberg.

PBOC—Likely to Extend a Hold

A minority of forecasters mainly comprised of the usual suspects think that China's central bank could cut its 1-year Medium-Term Lending Facility Rate from 2.5% by 10bps on Wednesday. Sixteen of 21 in Bloomberg's poll think it will hold.

Several factors may lean more closely toward a hold. For one, recent financing figures accelerated somewhat, suggesting that the lagging effects of prior reductions in required reserve ratios may be driving credit easing. The yuan has been weakening from about 7.1 to the dollar at the start of the year to 7¼. Cutting now could further destabilize the currency (chart 13) given that the Federal Reserve is in no rush to ease. Inflation remains very low at just 0.3% y/y with core CPI at 0.6% compared to a 3% headline target, but China's central bank has been persistently more indifferent toward achieving its inflation target than would be the case across other central banks.

Chart 13

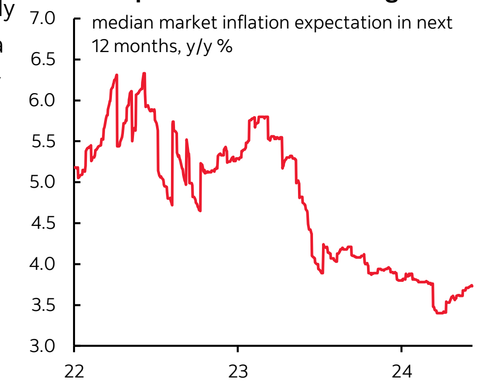
Sources: Scotiabank Economics, Bloomberg.

BCB—Hitting the Brakes

Brazil's central bank is expected to hold its Selic rate at 10.5% on Wednesday. This would be a natural progression from having downshifted the prior 50bps per meeting cut pace to 25bs in early May that reflected a more divided committee. A small recent increase in inflation expectations is a key concern (chart 14), headline inflation appears to be stuck at just under 4% y/y, and potentially expansionary fiscal stimulus is being carefully monitored.

Chart 14

Brazil's Inflation Expectations Deanchoring



Sources: Scotiabank Economics, Banco Central do Brasil.

BoC's Summary of Deliberations—Consensus?

The Bank of Canada issues its Summary of Deliberations on Wednesday. These cover the process leading up to the June 5th decision to cut the policy rate. Watch for discussion that reflects the degree of consensus on Governing Council and possible indications on next moves.

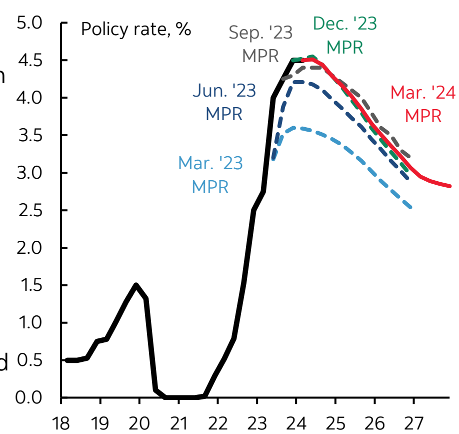
Norges Bank—Still On Hold Until Autumn?

Norway's central bank is unanimously expected to hold its deposit rate unchanged at 4.5% on Thursday. Markets are priced for no change and all nine within consensus expect a hold.

The prior meeting on May 8th stated no change for "some time ahead." This is a central bank that tends to prefer providing explicit forward guidance and sticking to it barring unusual circumstances. Forecasts will be refreshed at this meeting and watch for updated forward guidance that in the last round saw no changes until autumn and modest easing in 2025 (chart 15).

Chart 15

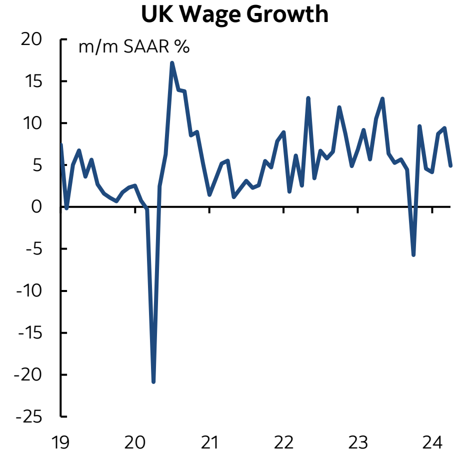
Norges Bank Policy Rate Projections



Sources: Scotiabank Economics, Norges Bank.

Chart 16

UK Wage Growth



Sources: Scotiabank Economics, UK Office for National Statistics.

SNB—A Close Call?

This one is a close call. Consensus is evenly divided between a policy rate hold at 1.5% and a 25bps cut on Thursday. Markets have about 70% of a cut priced in. SNB enjoys a good surprise, as evidenced by its 25bps cut on March 21st well ahead of the ECB. Recent inflation has been a smidge warmer than usual months of May but at 1.5% y/y and core CPI at 1.2%, there is ample justification to continue front-running the ECB especially given recent strength in the Swiss franc.

BoE—Watch the Guidance

The Bank of England is universally expected to hold Bank Rate unchanged at 5.25% on Thursday. Key will be guidance that could inform market pricing that is half way toward pricing a 25bps cut at the August 1st meeting.

The BoE may wish to stay out of the fray ahead of the July 4th general election. After all, it cancelled all public communications during the election campaign. That could also add to reasons to be guarded on forward guidance. Wage growth remains hot (chart 16), but job growth is cooling. UK CPI is poised to be updated the day before the decision and could be impactful to the meeting's bias. No new projections are due at this meeting and so that may be added reason for not expecting much from this meeting.

BI—Could Rupiah Weakness Drive a Hike?

Bank Indonesia Thursday is widely expected to hold its policy rate at 6.25% with a small minority thinking that it could hike. That minority might be an understated risk.

Chart 17

Rupiah to Put Pressure on Bank Indonesia Again ?

Sources: Scotiabank Economics, Bloomberg.

Key is that the rupiah has been weakening and currency stability matters a lot to this central bank given the implications for imported inflation and overall market and economic stability. Since early March, the rupiah has been among Asia's weaker currencies to the dollar, having lost about 5% of its value as the Federal Reserve's easing gets pushed out and more intensified uncertainty is creeping back into global markets (chart 17). If BI decides to hold, it is very likely to have a hawkish feel to it.

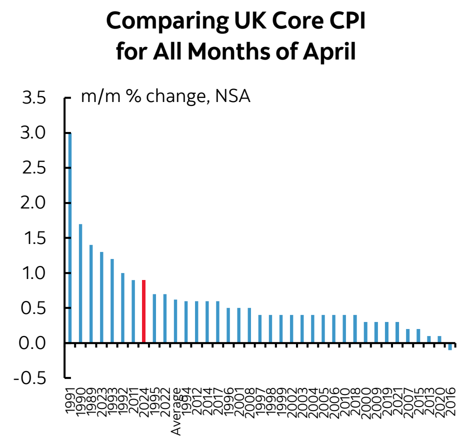
GLOBAL MACRO—A LITTLE SOMETHING FOR EVERYONE

Central banks will dominate market attention this week, but there will also be a solid line-up of key macro releases spread across major markets.

Global PMIs Show Solid Growth—Except in France

A fresh round of global purchasing managers' indices for June starts to arrive halfway through the week. Australia (Wednesday), Japan (Thursday) and then each of the US, Eurozone, UK, Germany, France and India releases on Friday. All regions except France are signalling growth through above-50 composite PMI readings. India has reasonably balanced growth between services and manufacturing, but all other regions are being led by services.

Chart 18



Sources: Scotiabank Economics, UK Office for National Statistics.

UK Inflation Arrives Before the BoE

The main highlight on Europe's data calendar will be UK CPI on Wednesday. The Bank of England delivers its policy decision the day after. Markets are expecting a hold, but inflation may influence forward guidance for subsequent meetings. Markets are pricing most of a first cut by the September meeting and a decent chance at one in August.

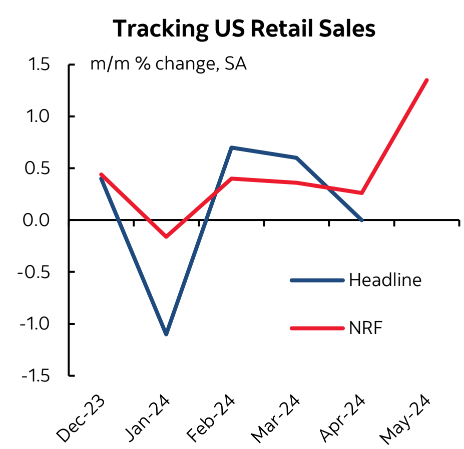
Core inflation has been ebbing from a peak of just over 8% y/y in May 2023 to just under 4% in April. The last three months have, however, registered somewhat firmer than seasonally normal m/m increases with just April shown in chart 18). Still, headline inflation is expected to land at around 2% y/y this summer and at 2.3% it isn't far off. Key will be signals from core inflation along this path.

The UK also updates retail sales for May that may bounce back from the sharp decline during the prior month.

US Releases Focused on Consumer Spending

The main US release will be retail sales for May (Tuesday). At best a modest gain is expected given what we know so far about auto sales and gasoline prices. Guidance from the National Retail Federation nevertheless points to a solid rise (chart 19). Household sector releases will also include housing starts for May (Thursday) that are expected to post a small rise, and existing home sales for the same month (Friday) that are likely to fall based upon tracking of pending home sales. Industrial sector releases will include the kick-off to the month's regional manufacturing gauges with the Empire measure for June (Monday) and then an expected small gain in industrial output during May (Tuesday).

Chart 19



Sources: Scotiabank Economics, U.S. Census Bureau, NRF.

Canada to Focus Upon Housing Updates

Canadian markets will face a light calendar over the coming week. Housing starts during May could have slipped before a surge in permits for new dwellings to the highest level since early 2021 may give them a boost (Monday). Home resales during May (Monday) will merely tee up the first tee of rate sensitivity ahead of the June numbers that may reflect the BoC's rate cut. The base 5-year Canadian government bond yield has dropped by about a half percentage point since the recent peak in late April. Then on Friday, the retail sales figures for April with guidance for May will arrive; Statcan had guided that nominal sales were up 0.7% m/m SA in April pending revisions and details like volumes.

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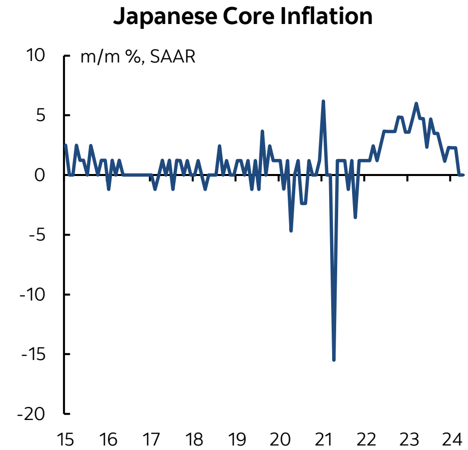
Conflicting Readings on Japanese Inflation

With the Bank of Japan not due to deliver another decision until July 31st, Thursday's CPI figures for May should just be a placeholder between steps and a modest acceleration in year-over-year terms is expected to follow the already known Tokyo CPI gauge. Trend pressures in core inflation at the margin have nevertheless been in steady decline (chart 20).

New Zealand's Flat Economy

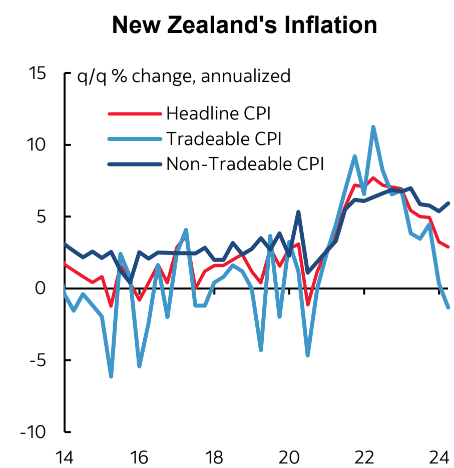
Asia-Pacific markets face a light schedule beyond central bank decisions. New Zealand's Q1 GDP (Wednesday ET) is expected to post little to no growth after a pair of mild quarterly contractions. What is holding back the RBNZ from easing and why markets don't see a solid chance at cutting until November is the fact that domestic, non tradeable CPI inflation is still running hot (chart 21).

Chart 20



Sources: Scotiabank Economics, Ministry of Internal Affairs and Communications.

Chart 21



Sources: Scotiabank Economics, Stats NZ.

Key Indicators for the week of June 17 – 21

NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	06-17	08:15	Housing Starts (000s a.r.)	May	230	245.3	240.2
CA	06-17	08:30	International Securities Transactions (C$ bn)	Apr	--	--	14.4
US	06-17	08:30	Empire State Manufacturing Index	Jun	--	-10.5	-15.6
CA	06-17	09:00	Existing Home Sales (m/m)	May	--	--	-1.7
US	06-18	08:30	Retail Sales (m/m)	May	0.1	0.3	0.0
US	06-18	08:30	Retail Sales ex. Autos (m/m)	May	0.1	0.2	0.2
US	06-18	09:15	Capacity Utilization (%)	May	78.5	78.6	78.4
US	06-18	09:15	Industrial Production (m/m)	May	0.3	0.3	0.0
US	06-18	10:00	Business Inventories (m/m)	Apr	--	0.3	-0.1
US	06-18	16:00	Total Net TIC Flows (US$ bn)	Apr	--	--	102.1
US	06-18	16:00	Net Long-term TIC Flows (US$ bn)	Apr	--	--	100.5
US	06-19	07:00	MBA Mortgage Applications (w/w)	Jun14	--	--	15.6
US	06-19	10:00	NAHB Housing Market Index	Jun	--	45.0	45.0
MX	06-20	08:00	Retail Sales (INEGI) (y/y)	Apr	--	--	-1.7
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	1375.0	1360.0
US	06-20	08:30	Housing Starts (m/m)	May	1.1	1.1	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	1801.5	1820.0
US	06-20	08:30	Philadelphia Fed Index	Jun	--	4.8	4.5
MX	06-21	08:00	Global Economic Indicator IGAE (y/y)	Apr	--	--	-1.3
CA	06-21	08:30	IPPI (m/m)	May	--	--	1.5
CA	06-21	08:30	Raw Materials Price Index (m/m)	May	--	--	5.5
CA	06-21	08:30	Retail Sales (m/m)	Apr	0.7	0.7	-0.2
CA	06-21	08:30	Retail Sales ex. Autos (m/m)	Apr	--	0.5	-0.6
US	06-21	10:00	Existing Home Sales (mn a.r.)	May	4.0	4.1	4.1
US	06-21	10:00	Existing Home Sales (m/m)	May	-3.4	-1.2	-1.9
US	06-21	10:00	Leading Indicators (m/m)	May	--	-0.4	-0.6

EUROPE

Country	Date	Time	Indicator	Period	Consensus	Latest
IT	06-17	04:00	CPI - EU Harmonized (y/y)	May F	0.8	0.8
EC	06-17	05:00	Labour Costs (y/y)	1Q F	--	4.9
EC	06-18	05:00	CPI (m/m)	May F	0.2	0.2
EC	06-18	05:00	CPI (y/y)	May F	2.6	2.6
EC	06-18	05:00	Euro zone Core CPI Estimate (y/y)	May F	2.9	2.9
EC	06-18	05:00	ZEW Survey (Economic Sentiment)	Jun	--	47.0
GE	06-18	05:00	ZEW Survey (Current Situation)	Jun	-65.0	-72.3
GE	06-18	05:00	ZEW Survey (Economic Sentiment)	Jun	49.5	47.1
UK	06-19	02:00	CPI (m/m)	May	0.4	0.3
UK	06-19	02:00	CPI (y/y)	May	2.0	2.3
UK	06-19	02:00	RPI (m/m)	May	0.5	0.5
UK	06-19	02:00	RPI (y/y)	May	3.1	3.3
EC	06-19	04:00	Current Account (€ bn)	Apr	--	35.8
IT	06-19	04:30	Current Account (€ mn)	Apr	--	1499.9
GE	06-20	02:00	Producer Prices (m/m)	May	0.1	0.2
NO	**06-20**	**04:00**	**Norwegian Deposit Rates (%)**	**Jun 20**	**4.50**	**4.50**
UK	**06-20**	**07:00**	**BoE Policy Announcement (%)**	**Jun 20**	**5.25**	**5.25**
EC	06-20	10:00	Consumer Confidence	Jun P	-13.8	-14.3
UK	06-20	19:01	GfK Consumer Confidence Survey	Jun	-16.0	-17.0
UK	06-21	02:00	PSNB ex. Interventions (£ bn)	May	15.5	20.5
UK	06-21	02:00	Public Finances (PSNCR) (£ bn)	May	--	-5.2
UK	06-21	02:00	Public Sector Net Borrowing (£ bn)	May	14.5	19.6
UK	06-21	02:00	Retail Sales ex. Auto Fuel (m/m)	May	1.3	-2.0
UK	06-21	02:00	Retail Sales with Auto Fuel (m/m)	May	1.6	-2.3
FR	06-21	03:15	Manufacturing PMI	Jun P	46.9	46.4
FR	06-21	03:15	Services PMI	Jun P	50.0	49.3

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

Key Indicators for the week of June 17 – 21

EUROPE *(continued from previous page)*

Country	Date	Time	Indicator	Period	Consensus	Latest
GE	06-21	03:30	Manufacturing PMI	Jun P	46.4	45.4
GE	06-21	03:30	Services PMI	Jun P	54.4	54.2
EC	06-21	04:00	Composite PMI	Jun P	52.5	52.2
EC	06-21	04:00	Manufacturing PMI	Jun P	47.9	47.3
EC	06-21	04:00	Services PMI	Jun P	53.5	53.2
UK	06-21	04:30	Manufacturing PMI	Jun P	51.3	51.2
UK	06-21	04:30	Services PMI	Jun P	53.0	52.9

ASIA PACIFIC

Country	Date	Time	Indicator	Period	Consensus	Latest
JN	06-16	19:50	Machine Orders (m/m)	Apr	-3.0	2.9
PH	06-16	21:00	Overseas Remittances (y/y)	Apr	2.9	2.5
AU	06-16	21:30	ANZ Job Advertisements (m/m)	May	--	2.8
CH	06-16	22:00	Fixed Asset Investment YTD (y/y)	May	4.2	4.2
CH	06-16	22:00	Industrial Production (y/y)	May	6.2	6.7
CH	06-16	22:00	Retail Sales (y/y)	May	3.0	2.3
SI	06-17	20:30	Exports (y/y)	May	-1.1	-9.3
AU	**06-18**	**00:30**	**RBA Cash Target Rate (%)**	**Jun 18**	**4.35**	**4.35**
JN	06-18	19:50	Merchandise Trade Balance (¥ bn)	May	-1298.5	-465.6
JN	06-18	19:50	Adjusted Merchandise Trade Balance (¥ bn)	May	-625.2	-560.8
JN	06-18	19:50	Merchandise Trade Exports (y/y)	May	12.8	8.3
JN	06-18	19:50	Merchandise Trade Imports (y/y)	May	9.6	8.3
PH	06-18	21:00	Balance of Payments (US$ mn)	May	--	-639.0
ID	06-19	00:00	Exports (y/y)	May	-1.2	1.7
ID	06-19	00:00	Imports (y/y)	May	-10.3	4.6
ID	06-19	00:00	Trade Balance (US$ mn)	May	2741.0	3558.5
NZ	06-19	18:45	GDP (q/q)	1Q	0.1	-0.1
NZ	06-19	18:45	GDP (y/y)	1Q	0.2	-0.3
CH	**06-19**	**21:15**	**PBoC Loan Prime Rate 1-Year (%)**	**Jun 20**	**3.45**	**3.45**
MA	06-20	00:00	Exports (y/y)	May	1.8	9.1
MA	06-20	00:00	Imports (y/y)	May	8.2	15.6
MA	06-20	00:00	Trade Balance (MYR bn)	May	9.1	7.7
ID	**06-20**	**03:20**	**BI 7-Day Reverse Repo Rate (%)**	**Jun 20**	**6.25**	**6.25**
TA	06-20	04:00	Export Orders (y/y)	May	6.3	10.8
HK	06-20	04:30	Unemployment Rate (%)	May	3.0	3.0
SK	06-20	17:00	PPI (y/y)	May	--	1.8
JN	06-20	19:30	National CPI (y/y)	May	2.9	2.5
JN	06-20	20:30	Markit/JMMA Manufacturing PMI	Jun P	--	50.4
HK	06-21	04:30	CPI (y/y)	May	1.9	1.1
HK	06-21	04:30	BoP Current Account (HK$ bns)	1Q	--	70.7

LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
PE	06-17	11:00	Unemployment Rate (%)	May	--	--	7.7
CL	**06-18**	**18:00**	**Nominal Overnight Rate Target (%)**	**Jun 18**	**5.50**	**5.75**	**6.00**
BZ	**06-19**	**17:30**	**SELIC Target Rate (%)**	**Jun 19**	**10.25**	**10.50**	**10.50**
CO	06-20	11:00	Trade Balance (US$ mn)	Apr	--	--	-686.6

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

Global Auctions for the week of June 17 – 21

NORTH AMERICA

Country	Date	Time	Event
US	06-18	13:00	U.S. To Sell USD13 Bln 20-Year Bond Reopening
CA	06-20	12:00	Canada to Sell C$5 Billion of 3% 2034 Bonds
US	06-20	13:00	U.S. To Sell USD21 Bln 5-Year TIPS Reopening

EUROPE

Country	Date	Time	Event
BE	06-17	06:00	Belgium to Sell Bonds
DE	06-18	04:15	Denmark to Sell Bonds
UK	06-18	05:00	U.K. to Sell Bonds
GE	06-18	05:30	Germany to Sell Bonds
SW	06-19	05:00	Sweden to Sell Bonds
GR	06-19	05:00	Greece to Sell Bonds
GE	06-19	05:30	Germany to Sell EU2 Billion of 2.5% 2054 Bonds
SP	06-20	04:30	Spain to Sell Bonds
FR	06-20	04:50	France to Sell Bonds
FR	06-20	05:50	France to Sell I/L Bonds

ASIA PACIFIC

Country	Date	Time	Event
AU	06-18	21:00	Australia to Sell A$800 Million 2.75% 2035 Bonds
CH	06-18	22:35	China to Sell 45 Billion Yuan 2044 Bonds (Special)
JN	06-19	23:35	Japan to Sell 5-Year Bonds
AU	06-20	21:00	Australia to Sell A$700 Million 1.5% 2031 Bonds
CH	06-20	22:35	China Plans to Sell 30 Year Bonds (Special)

LATIN AMERICA

Country	Date	Time	Event
No Scheduled Auctions			

Sources: Bloomberg, Scotiabank Economics.

Events for the week of June 17 – 21

NORTH AMERICA

Country	Date	Time	Event
US	06-17	13:00	Fed's Harker Speaks on Economic Outlook
US	06-17	21:00	Fed's Cook Gives Acceptance Remarks
US	06-18	10:00	Fed's Barkin Discusses US Economy
US	06-18	11:40	Fed's Collins Gives Keynote Address
US	06-18	13:00	Fed's Logan Speaks in Q&A
US	06-18	13:00	Fed's Kugler Speaks on Economy, Monetary Policy
US	06-18	13:20	Fed's Musalem Gives Speech on Economy, Monetary Policy
US	06-18	14:00	Fed's Goolsbee Speaks in Panel Discussion
CA	06-19	13:30	Bank of Canada Releases Summary of Deliberations
US	06-20	16:00	Fed's Barkin Speaks on Economic Outlook

EUROPE

Country	Date	Time	Event
PO	06-15	05:00	ECB's Centeno Speaks in Dubrovnik
EC	06-15	12:15	ECB's Schnabel Speaks
EC	06-17	04:00	ECB's Lane Speaks
EC	06-18	05:00	ECB's Knot Speaks in Dutch Parliament
EC	06-18	08:00	ECB's Cipollone Speaks
EC	06-18	09:30	ECB's Guindos Speaks
EC	06-18	12:00	Villeroy speaks in Paris
EC	06-19	04:30	ECB's Centeno Speaks
SZ	**06-20**	**03:30**	**SNB Policy Rate**
NO	**06-20**	**04:00**	**Deposit Rates**
SZ	06-20	04:00	SNB's Jordan Speaks After Rate Decision
UK	**06-20**	**07:00**	**Bank of England Bank Rate**
EC	06-21	03:00	ECB's Nagel Speaks

ASIA PACIFIC

Country	Date	Time	Event
AU	**06-18**	**00:30**	**RBA Cash Rate Target**
NZ	06-18	17:00	RBNZ Chief Economist Paul Conway Speaks on Inflation
JN	06-18	19:50	BOJ Minutes of April Meeting
CH	**06-19**	**21:15**	**5-Year Loan Prime Rate**
CH	**06-19**	**21:15**	**1-Year Loan Prime Rate**
ID	**06-20**	**03:20**	**BI-Rate**

LATIN AMERICA

Country	Date	Time	Event
CL	**06-18**	**18:00**	**Overnight Rate Target**
BZ	**06-19**	**17:30**	**Selic Rate**
PY	**06-20**		**Monetary Policy Rate**

Sources: 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	4.75	July 24, 2024	4.50	4.75
Federal Reserve – Federal Funds Target Rate	5.50	July 31, 2024	5.50	5.50
Banco de México – Overnight Rate	11.00	June 27, 2024	10.75	10.75

Bank of Canada (BoC): The Bank of Canada will be releasing its Summary of Deliberations for the process leading up to the decision on June 5th 2024, during which the BoC cut its overnight rate by 25bps. Watch for the degree of agreement and possible hints at next steps.

EUROPE

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	4.25	July 18, 2024	4.25	4.25
European Central Bank – Marginal Lending Facility Rate	4.50	July 18, 2024	4.50	4.50
European Central Bank – Deposit Facility Rate	3.75	July 18, 2024	3.75	3.75
Bank of England – Bank Rate	5.25	June 20, 2024	5.25	5.25
Swiss National Bank – Sight Deposit Rate	1.50	June 20, 2024	1.50	1.50
Central Bank of Russia – One-Week Auction Rate	16.00	July 26, 2024	16.00	16.00
Sweden Riksbank – Repo Rate	3.75	June 27, 2024	3.75	3.75
Norges Bank – Deposit Rate	4.50	June 20, 2024	4.50	4.50
Central Bank of Turkey – Benchmark Repo Rate	50.00	June 27, 2024	50.00	50.00

Bank of England (BoE): The Bank of England is expected to maintain its bank rate at 5.25% on Thursday, awaiting further data before considering the first rate cut. Economists and traders anticipate the first chance at a rate cut in August with a full cut priced over the following 1-2 meetings. Although the labour market is showing signs of cooling down, the BoE remains concerned about persistent service inflation and wage growth. **Swiss National Bank (SNB):** Consensus and markets are divided on the Swiss National Bank's upcoming policy decision on Thursday, causing volatility in the currency market. It's uncertain whether the SNB will hold its deposit rate at 1.50% or cut it by 25bps. Swiss inflation ticked up to 1.4% in May which is in line with the SNB's anticipated Q2 average. However, the core inflation at margin rose by 0.2% m/m NSA which was a bit hotter than previous years of May. **Norges Bank:** Norges Bank is expected to hold its deposit rate at 4.50% on Thursday, signaling no easing measures in the near term. The latest data from the Norges Bank survey indicates that most domestic companies see increasing economic activity and rising wage pressures, hence, reinforcing the need for a prolonged period of high interest rates to mitigate inflation risks resulting from wage growth.

ASIA PACIFIC

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Policy Rate	0.10	July 31, 2024	0.10	0.10
Reserve Bank of Australia – Cash Rate Target	4.35	June 18, 2024	4.35	4.35
Reserve Bank of New Zealand – Cash Rate	5.50	July 9, 2024	5.50	5.50
People's Bank of China – 1-Year Medium-Term Lending Facility Rate	2.50	June 16, 2024	2.50	2.50
Reserve Bank of India – Repo Rate	6.50	August 8, 2024	6.50	6.50
Bank of Korea – Base Rate	3.50	July 11, 2024	3.50	3.50
Bank of Thailand – Repo Rate	2.50	August 21, 2024	2.50	2.50
Bank Negara Malaysia – Overnight Policy Rate	3.00	July 11, 2024	3.00	3.00
Bank Indonesia – BI-Rate	6.25	June 20, 2024	6.25	6.25
Central Bank of Philippines – Overnight Borrowing Rate	6.50	June 27, 2024	6.50	6.50

Reserve Bank of Australia (RBA): The Reserve Bank of Australia is expected to hold its cash rate at 4.35% on Tuesday, following strong job numbers this week. Despite slow Q1 economic growth, the RBA won't rush to provide monetary easing. Inflation remains high and above the target, while the labor market shows no signs of cooling down. Wages are soaring in a tight labor market. The RBA remains vigilant to upside risks and hasn't ruled out any options yet. **People's Bank of China (PBoC):** Consensus expects the People's Bank of China to hold its policy rate at 2.50% on Monday. However, 4 out of 21 forecasters expects the bank to cut its rate by 25bps due to the recent data showing signs of sluggish recovery. **Bank Indonesia (BI):** Bank Indonesia is expected to keep its policy rate at 6.25% on Thursday, despite of softer headline inflation in May due to the rupiah's weakness (reaching its lowest level since April 2020 at 16,295). Although recent inflation prints remain within the bank's inflation target of 1.5% - 3.5% for 2024, there's an upside risk to inflation due to rising cost of imports. BI may surprise with a rate hike, similar to the move in April 2024, after rupiah crossed the 16,200 level which the bank had expected in the second quarter.

LATIN AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	10.50	June 19, 2024	10.25	10.50
Banco Central de Chile – Overnight Rate	6.00	June 18, 2024	5.50	5.75
Banco de la República de Colombia – Lending Rate	11.75	June 28, 2024	11.25	11.25
Banco Central de Reserva del Perú – Reference Rate	5.75	July 11, 2024	5.50	N/A

Banco Central do Brasil: Consensus expects that Banco Central do Brasil's easing cycle will pause next week on Wednesday. This decision comes after concerns over inflation expectations de-anchoring and recent inflation prints showing a pick up in headline inflation. Additionally, service inflation which has been running hot. **Banco Central de Chile:** Out latam economist, Aníbal Alarcón anticipates that Banco Central de Chile will further cut its overnight rate by another 50bps on Tuesday. However, there's a small probability that the bank might opt for a smaller interest rate cut of 25bps. Recently, inflation rose more than expected, while still remaining above the 3% target. Furthermore, the bank has warned of the inflationary impact from higher copper & electricity prices compared to their current central scenario.

AFRICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	8.25	July 18, 2024	8.25	8.25

Sources: Bloomberg, Scotiabank Economics.