

ROAD RAGE

- [United States — A Skunk At The G7 Garden Party](#) 2
- [Canada — The BoC's Awkward Position](#) 2-5
- [Latin America — Left Vs. Right](#) 6
- [Asia-Pacific — Fundamentals Vs Politics](#) 6-7
- [Europe — June Bugs](#) 7

FORECASTS & DATA

- [Key Indicators](#) A1-A3
- [Global Auctions Calendar](#) A4
- [Events Calendar](#) A5
- [Global Central Bank Watch](#) A6

CONTACTS

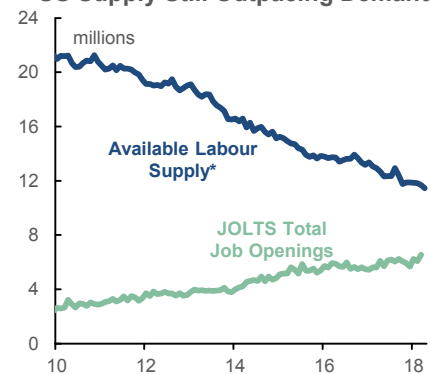
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Next Week's Risk Dashboard

- ▶ BoC
- ▶ G7 Fin Mins & CBs
- ▶ US tariffs
- ▶ US nonfarm, PCE, ISM
- ▶ GDP: Canada, India, Brazil
- ▶ CDN bank earnings
- ▶ Colombia's election round 1
- ▶ CPI: Eurozone, Peru, SK, Thailand
- ▶ Chinese PMIs
- ▶ UK PMI

Chart of the Week

US Supply Still Outpacing Demand



* Sum of unemployed and those not counted in labour force but reporting they want a job now.
Sources: Scotiabank Economics, Haver Analytics.

Chart of the Week: Prepared by: Sam Fraser, Research Analyst.

Road Rage

UNITED STATES—A SKUNK AT THE G7 GARDEN PARTY

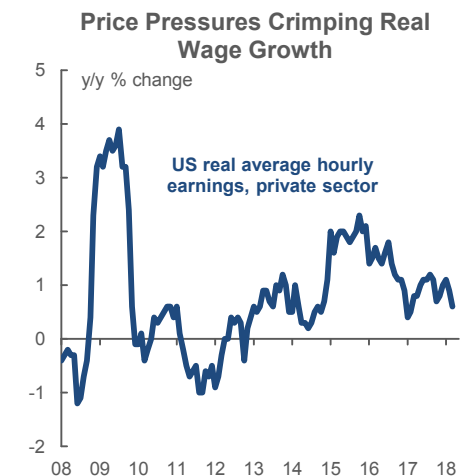
US markets start off closed on Monday for the Memorial Day holiday and will turn to a heavy fundamentals-based calendar of market risks late in the week.

Protectionism is likely to figure prominently when G7 Finance Ministers and central bank heads gather in Whistler, British Columbia, Canada on Thursday evening and then hold press conferences on Saturday June 2nd. The theme of the meeting is “investing in growth that works for everyone.” The full agenda is [here](#). In the wake of President Trump’s instruction to the Commerce Department to initiate a Section 232 investigation of auto imports as a national security threat it’s likely that US Treasury Secretary Mnuchin and Fed Chair Powell may hear a lot of protests notwithstanding their distance from Trump as freer traders. It will be interesting to see how protectionism is spun as something that “works for everyone”. This meeting tees up the meeting of G7 leaders next month in Quebec. Canada holds the G7 Presidency this year.

The three main macro developments will be as follows. **On balance, little wage and price pressure is expected while activity readings drawn from hiring and manufacturing reports should indicate solid momentum.** Since the Fed has signaled tolerance toward modestly and temporarily overshooting its 2% inflation target, markets may put a bigger weight on possible upsides to activity readings.

- 1. PCE inflation:** Thursday’s update on consumer spending in April will begin to inform Q2 consumption growth tracking. After 4% consumption growth in inflation-adjusted terms during Q4, the first quarter began the year with a whimper at 1.1% annualized consumption growth. The way Q1 averaged and ended hands-off momentum of just under 1% annualized growth into Q2 before actual monthly data begins to arrive. More important may be headline and core inflation pressures. After CPI ticked higher to 2.5% y/y and core held steady at 2.1%, the price deflator for total consumer spending might perform similarly but there is always risk in how CPI translates into PCE inflation. The latter is of course the Fed’s preferred measure.
- 2. Nonfarm payrolls and wages:** My best guess for Friday’s job growth is about +180k and with wage growth stagnant at around 2.6% y/y. Wage growth has been averaging 2.6% since the start of 2016 and, while it has had ups and downs within a roughly 2.3–2.8% spread, the trend has been fairly stable. Of note, however, is that recently rising inflation has eaten into nominal wage growth enough to keep inflation-adjusted or real wages flat (chart 1). Ergo, consumers are neither gaining nor falling behind a mild acceleration in the cost of living.
- 3. ISM-manufacturing:** Friday’s ISM-manufacturing report for May should halt a two-month deceleration that nevertheless still left strong growth intact. The best correlated regional gauges with ISM are the Philly Fed and Richmond Fed manufacturing measures and they both moved materially higher in their latest readings.

Chart 1



Sources: Scotiabank Economics, Bloomberg.

Other reports will include the second estimate of Q1 GDP growth (Wednesday) that is usually just about relatively modest updates of data received since the initial estimate and ahead of the third estimate that incorporates more complete service sector data. Repeat sales house prices (Tuesday), the Conference Board’s consumer confidence measure for May (Tuesday), ADP private payrolls for May (Wednesday), the Fed’s Beige book of regional conditions (Wednesday), pending home sales for April (Thursday) and then construction spending for April (Friday) round things out.

CANADA—THE BoC’s AWKWARD POSITION

The Bank of Canada rate decision and statement on Wednesday will be the main event of the week. Monthly GDP arrives afterward and the bank earnings season continues.

The BoC is forecast to hold its policy rate at 1.25% on Wednesday in a statement-only affair. In our opinion, the BoC is in the awkward position of having to run the risk of an overheating economy that would otherwise require tighter monetary policy if it were not for key sources of heightened uncertainty, particularly of late. Should those sources of uncertainty diminish, then the BoC may have to tighten monetary policy at an expedited pace thereafter.

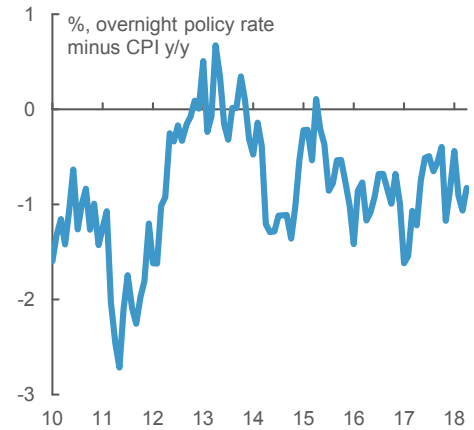
The main source of uncertainty lies in trade policy although broader geopolitical risks remain present (Iran, NK, Eurozone, etc.). Just when it appeared that US-China trade frictions were settling down as President Trump met his match in President Xi Jinping and as the risk of abrogating the NAFTA agreement was pushed lower partly due to domestic US lobbying efforts, recent developments have become more disturbing in terms of possible implications.

The Trump administration's surprise decision to have the Commerce Department use Section 232 provisions to investigate whether auto and parts imports are a national security threat puts both the global auto sector and NAFTA negotiations at risk. It's highly unlikely that the BoC would throw caution to the wind by raising borrowing costs and adding to C\$ strength until markets are better informed about which path the investigations may pursue. My inclination is to think that the domestic lobby in the US—including US auto manufacturers, consumer groups and the subsidiaries, suppliers and dealer networks of foreign automakers—would aggressively push back on the threat of tariffs, voluntary or involuntary export restraints, and other possible measures. The risk of retaliation by America's allies that are being targeted with potential measures could also motivate cooler heads in the longer run. But that outcome needs to be further informed by the outcome of the investigation, President Trump's possible actions thereafter and the international response. Until such point—which could take months—it is conceivable that Canadian monetary policy is on hold and the US administration's tactics may essentially put added downside risk to the Canadian currency.

Regardless, a hold call could well allow potential imbalances to continue to fester over time. Below is a list of several motivations for believing this.

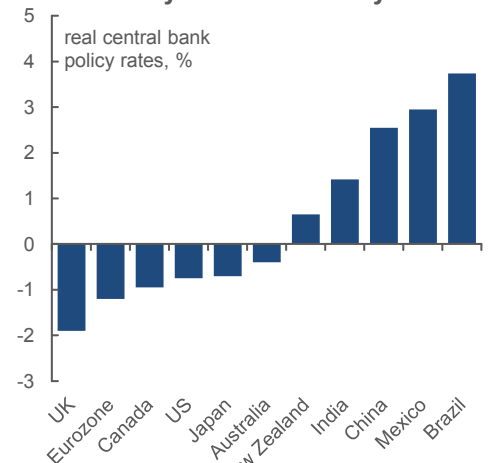
1. The current real policy rate remains at about -1% and suggests that the BoC's three nominal overnight policy rate hikes since last July have only kept pace with inflation (chart 2). If borrowing costs have risen at the same time that prices charged to consumers have increased at an accelerated rate, then monetary policy has arguably not tightened one bit; indeed it may remain excessively easy.
2. Relative to other global central banks, Canada's real policy rate is looking rather Japanese or European, yet the economy definitely is not (chart 3). The BoC is behind the Fed's cumulative policy rate hikes and the effects of Fed balance sheet unwinding as the US tightens both conventional and unconventional monetary policy. The Fed has hiked 150bps (soon 175bps) without breaking a sweat while markets fret over the BoC's three quarter-point rate hikes to date. Starting points matter, such that the argument that the BoC cannot exceed the pace of Fed rate hikes going forward seems invalid.
3. Broader financial conditions reinforce how easy financial conditions are at present. High yield sits at a record high, various fixed income spreads are rather tight and the currency is probably undervalued given where the terms of trade sit. See charts 4–6.

Chart 2 BoC's Real Policy Rate Hasn't Budgeted



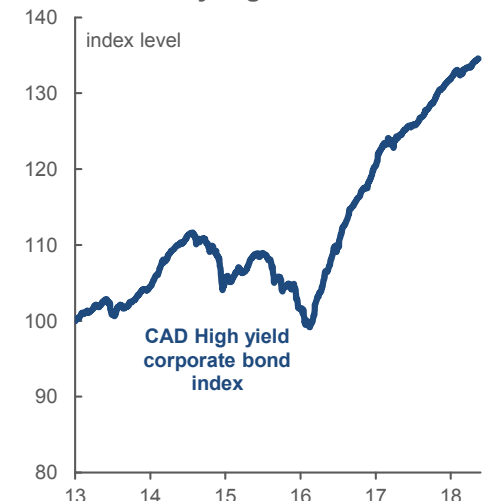
Sources: Scotiabank Economics, Bank of Canada, Statistics Canada.

Chart 3 Easy Canadian Money



Sources: Scotiabank Economics, Bloomberg.

Chart 4 A Frothy High Yield Market



Sources: Scotiabank Economics, Bloomberg.

4. The materially stronger-than-expected improvement in the terms of trade is a positive exogenous income shock to the economy with trickle down benefits (chart 7). Its sharp weakening was the reason the BoC cut rates in 2015; a symmetrical bias should lead to incremental policy tightening this time notwithstanding the major difference between now and back then which is heightened uncertainty over trade policy directions. Indeed the terms of trade—export prices relative to import prices—sit at the most elevated level since late 2014 with broad-based gains across commodities (charts 8–9). Production bottlenecks in some sectors like limited pipeline capacity probably only fan inflation risk.
5. Recent activity readings have been mostly stronger in favour of a late Q1 into Q2 rebound narrative following transitory headwinds earlier in the year while two of the BoC’s three core CPI measures are above 2% and rising somewhat faster than stateside (chart 10).
6. Real wage growth lies at almost a two-year high with probable further upward pressure upon wage gains (chart 11). This transparent price measure indicates a variety of influences including higher minimum wage effects with more to come but also tightening labour market conditions.
7. Canada is running largely at capacity with the BoC’s twin output gap measures having shut (chart 12) and industrial capacity utilization at about an eleven-year high (chart 13). We view a moderate evolving investment impulse that operates as a lift to aggregate demand as more likely to generate further inflation than the BoC appears to believe.

Chart 5
Canadian Mortgage Bond Spreads

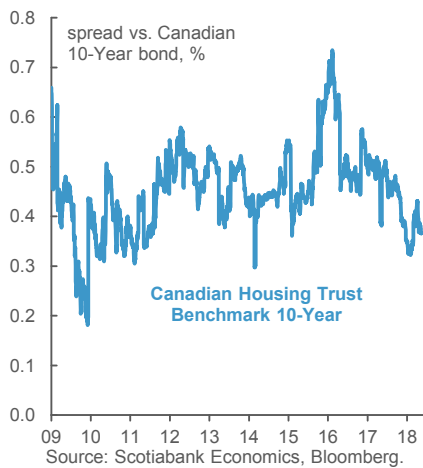


Chart 6
Provincial Bond Spreads

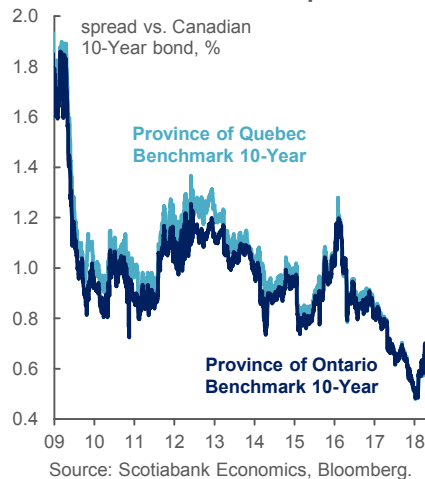


Chart 7
Canada's Terms Of Trade



Chart 8
Lumber Prices Going to the Moon

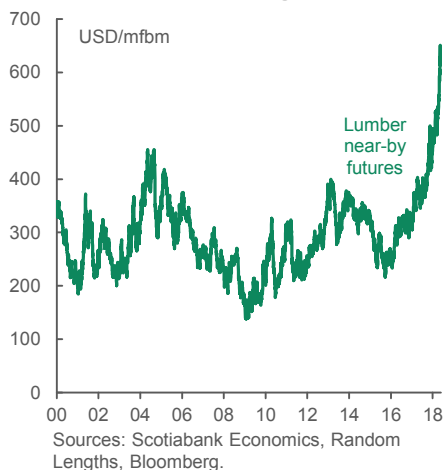


Chart 9
Commodities in Recovery

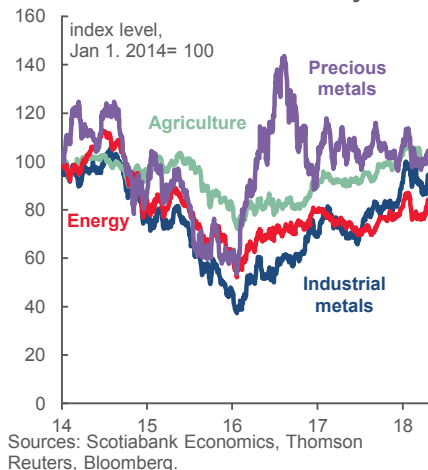
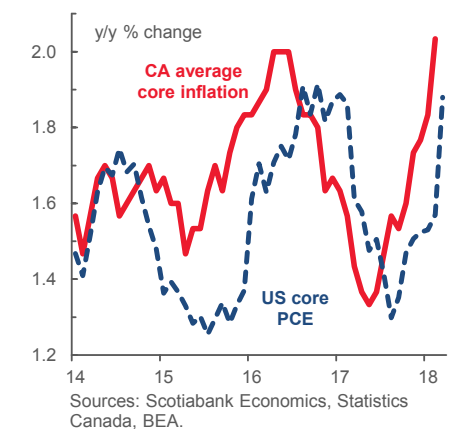


Chart 10
CDN Core Inflation Rising Faster Than in the US



8. The BoC forecasts inflation to persistently remain above 2% throughout the 2018–2021 forecast horizon despite Governor Poloz’s references to transitory influences. Their forecasts embed an unknown rate profile that is assumed to point to policy tightening. Should trade tensions subside and policy tightening be delayed, there may be upside risk to the BoC’s inflation forecasts. Further, we take the BoC’s remarks that the economy is 50% more sensitive to rate hikes today than in past cycles as more of a caution on the ultimate terminal rate versus an argument against remaining on a steady hike trajectory. The BoC’s real neutral policy rate of 1% today is about ½% lower than a few years ago. Given ranges applied to these estimates, it is not inconceivable that the real neutral rate is as much as 50% lower today than in the past. This argument does not counsel avoiding rate hikes with the present real policy rate set about 200bps below the BoC’s neutral real policy rate estimate.
9. The risk of abrogating the NAFTA agreement is probably low on balance due in large part to the powerful business and political lobby in the US that favours maintaining NAFTA and given the path to the mid-term Congressional elections. Negotiating uncertainty will continue to overhang the outlook and our house assumption is that no agreement will be reached and passed in all three countries until at least next year. Monetary policy cannot be put on indefinite hold throughout this period of time without exacerbating further domestic imbalances.
10. On housing, weakness in the Toronto region is partly offset by strengths elsewhere including Vancouver and offset by expected strengths in other areas of the economy. A stronger housing market in southern Ontario is expected later in the year and into next year. The key Spring market is mostly guarded against rate risk already given rate commitments embedded within mortgage pre-approvals that pass on lower rates to buyers while leaving it to lenders to hedge the risk of higher rates than the commitments. Solid income gains, balanced supply and demand ratios, higher immigration and transitory adjustments to tightened macroprudential rules in the context of a very different mortgage market in Canada than the US should enable the market to withstand tightened monetary policy. Indeed, the BoC would likely be happy with sustained cooler housing markets.

The Q2 bank earnings season wraps up with BNS (my employer) on Tuesday followed by BMO, National and Laurentian on Wednesday.

Thursday’s GDP growth report may either validate a hawkish hold or a possible rate hike. My regression model of GDP against higher-frequency activity readings leans toward 0.3% m/m growth in seasonally adjusted terms back in March. The BoC anticipated growth of 1.3% in Q1 in the April MPR after previously forecasting Q1 growth of 2.5% in the January MPR. Current tracking of Q1 GDP growth lies on the order of about 2% aided by the possibility that stronger growth in imports than domestic spending over the past couple of quarters may have also driven inventory investment. If so, then growth is somewhat exceeding the BoC’s expectations to start the year. With that, the output gap is roughly shut right now given that the BoC’s estimate for Q1 ranged from -0.1% to -0.4% using the integrated framework and extended multivariate approaches respectively.

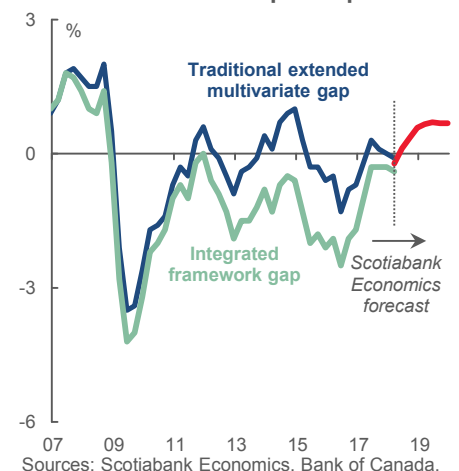
Chart 11 Canadian Wage Growth



* Weighted hourly earnings of salaried and hourly employees. Sources: Scotiabank Economics, Statistics Canada.

Chart 12

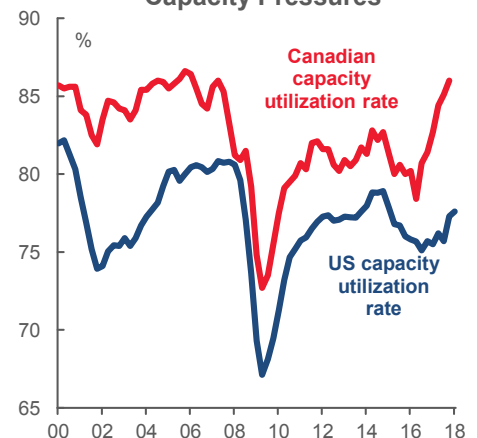
Canadian Output Gap



Sources: Scotiabank Economics, Bank of Canada.

Chart 13

CDN Industry Faces Greater Capacity Pressures



Sources: Scotiabank Economics, Federal Reserve Board, Statistics Canada.

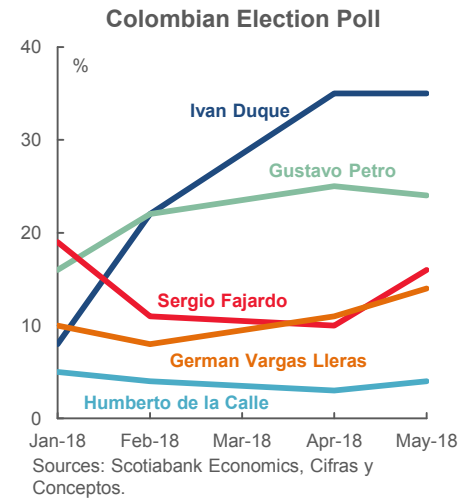
LATIN AMERICA—LEFT VS. RIGHT

Colombia’s election and a select number of macroeconomic updates will be the main focal points. The bigger Colombian political risk is likely to come next month.

The first round of Colombia’s Presidential election will be held this Sunday.

There are five main candidates and the top two will go on to the second and determining round on June 17th. Current polling (chart 14) indicates that the first round may already be settled given the large leads held by right wing candidate Iván Duque and left wing candidate Gustavo Petro. This election brings two firsts for Colombia. One is the best chance the left has had to seriously contend. Two is the first electoral challenge by a former member of a guerilla group. Petro was once a member of the now departed M-19 Marxist rebel group. Duque is well in front of the current polls, but polls have not performed well in Colombian politics. A major issue will be how voter sentiment is expressed with respect to support for a former guerilla group member in the wake of the contentious peace deal with the Revolutionary Armed Forces of Colombia (a.k.a. Farc) that has divided voters.

Chart 14



Brazil’s Q1 GDP growth rate (Wednesday) is expected to begin to restore a more favourable trend over the course of this year. Growth peaked in Q1 last year and has been waning since with the economy’s growth rate just barely staying in the black in Q4.

Is Peru’s inflation rate bottoming? The low of 0.36% y/y in March moved slightly higher in April for the first time since last August. May’s reading will help to inform whether this is the start of an upward trend. Peru’s inflation rate is expected to rise by just above 2% by year-end and the central bank has indicated it is looking through the transitory downsides.

Chile updates macro reports that will inform Q2 GDP growth tracking risks. April editions of reports on industrial production (Thursday), retail sales (Friday) and the unemployment rate (Thursday) will be released. Q1 growth in year-ago terms was 4.2% which was the strongest in almost five years.

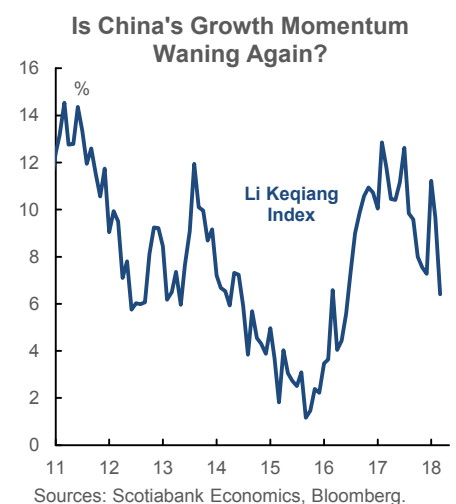
Banxico releases meeting minutes to elaborate upon the May 17th hold decision. The minutes may already be stale in light of the US Section 232 investigation of the global auto sector (including Mexico’s).

ASIA-PACIFIC—FUNDAMENTALS VS POLITICS

Whether a significant calendar of Asian macro releases will matter to global markets will depend upon random possible developments surrounding the on-off summit between the US and North Korea and somewhat related US-China trade tensions.

China updates purchasing managers’ indices on Wednesday evening (ET) for the state versions and then starting on Thursday evening for the private manufacturing PMI. They are May readings and so we are pushing well past the Lunar New Year distortions and into the cleaner period during which it is easy to evaluate growth momentum. PMIs are likely to continue to indicate that broad growth remains modest, but **a risk is whether US-China trade tensions begin to show up as a drag effect on activity and sentiment.** Some readings like the sometimes popular Keqiang index have indicated somewhat waning growth momentum in China’s economy despite the remarkable stability of Chinese GDP growth (chart 15). The index, however, speaks to a time before services came to dominate growth in China’s economy and attaches largely arbitrary weights to bank lending, electricity consumption and rail freight volumes. These readings have been referenced as Premier Li Keqiang’s preferred metrics following his remark in 2010 that GDP is “man made”. China also releases

Chart 15



industrial profits in April this weekend but the waning year-ago growth rate is mostly about a re-basing to the very rapid rates of profit growth that were being registered a year ago.

India's Q1 GDP growth rate will be released on Thursday morning (ET). Growth is expected to hang in just north of 7% y/y and hence retain the acceleration that has been achieved toward the quickest growth rate since 2016Q3. The rupee has been among the more challenged currencies this year and has lost about 6% of its value versus the USD since the end of January while underperforming all other Asian FX crosses. The currency has stabilized more recently, partly in the aftermath of the FOMC minutes that tamped down market expectations for additional Fed hikes this year. By corollary, that stems concerns about capital flight from across Emerging Markets (EMs) and it may well be the case that respected academics piled on the anti-EM bandwagon at precisely the wrong moment. Should next week's growth figures remain resilient then it would reinforce more recent currency moves.

Japan updates a wave of macro reports that will inform Q1 GDP revisions and Q2 growth tracking. They will include April's retail sales on Tuesday night (ET), industrial output and housing starts the following night plus Q1 capital spending also on Thursday night. The capital spending figures can often lead to material Q1 GDP revisions when the imputed numbers are then followed by actual estimates. It wouldn't take much of a surprise on cap-ex to make the difference between growth and no growth in the Japanese economy during the first quarter given the first swing at the estimates showed a slight contraction of -0.6% q/q in seasonally adjusted annualized terms and downward revision to the prior quarter's growth from 1.6% to 0.6%.

Last, a pair of regional CPI prints for May will be released by South Korea and Thailand on Thursday night (ET). **Both countries are expected to continue to register inflation that is well below the Bank of Korea's 2% and toward the bottom end of the Bank of Thailand's 1–4% inflation targets.**

EUROPE—JUNE BUGS

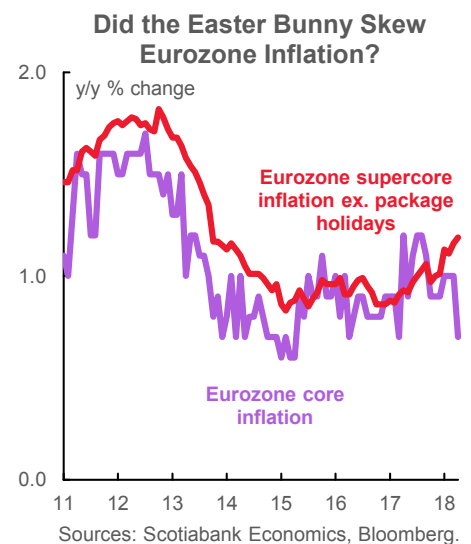
Three main considerations worth paying particular attention to in European markets, with possible global market spillovers, will include the ongoing dialogue over US tariff exemptions, cleaner post-Easter Eurozone inflation readings, and waning UK growth signals.

Did the Easter Bunny wreak havoc with Eurozone inflation in April? That seemed to be among the considerations given that 'supercore' inflation excluding packaged holiday prices was somewhat more resilient than just plain old 'core' inflation in April (chart 16). We'll find out more when May's figures land on Thursday but the first pass each month leaves important details out of the picture and so full judgement will have to be deferred until the greater details and revisions on June 15th. Germany will provide a hint the day before when it updates CPI.

With the calendar flipping over into June on Friday, tariff waiver discussions between the US and its allies are getting down to the final window of opportunity before tensions surrounding the protectionist US steel and aluminum measures rise. By the end of the third week in June, the US administration must decide whether to grant the European Union a permanent exemption from the tariffs just as both the EU and Japan (not granted a waiver) notified the WTO this past week of their intention to impose retaliatory tariffs. Both notifications involved small amounts of US goods including Japan's targeted half billion of US exports and the EU's targeted US\$3.3 billion of US exports.

UK growth momentum will be informed by Friday's purchasing managers' index for the manufacturing sector in May. The PMI has been declining for five consecutive months and so it's hard to pin weakness upon temporary considerations like weather. More likely is that the modest rise in the PMIs over 2016H2 and much of 2017 had more to do with the transitory positive influences of post-Brexit currency depreciation that is now shaking out of the growth readings.

Chart 16



Key Indicators for the week of May 28 – June 1
NORTH AMERICA

| Country | Date | Time | Indicator | Period | BNS | Consensus | Latest |
|---------|-------|-------|---|---------------|-------------|-------------|-------------|
| MX | 05/28 | 09:00 | Unemployment Rate (%) | Apr | 3.0 | -- | 2.9 |
| US | 05/29 | 09:00 | S&P/Case-Shiller Home Price Index (m/m) | Mar | -- | 0.7 | 0.8 |
| US | 05/29 | 09:00 | S&P/Case-Shiller Home Price Index (y/y) | Mar | 6.5 | 6.5 | 6.8 |
| US | 05/29 | 10:00 | Consumer Confidence Index | May | 128.5 | 128.0 | 128.7 |
| US | 05/29 | 10:30 | Dallas Fed. Manufacturing Activity | May | -- | 24.5 | 21.8 |
| US | 05/30 | 07:00 | MBA Mortgage Applications (w/w) | MAY 25 | -- | -- | -2.6 |
| US | 05/30 | 08:15 | ADP Employment Report (000s m/m) | May | 200 | 185.0 | 204.1 |
| CA | 05/30 | 08:30 | Current Account (C\$ bn a.r.) | 1Q | -- | -18.2 | -16.3 |
| CA | 05/30 | 08:30 | IPPI (m/m) | Apr | -- | -- | 0.8 |
| CA | 05/30 | 08:30 | Raw Materials Price Index (m/m) | Apr | -- | -- | 2.1 |
| US | 05/30 | 08:30 | GDP (q/q a.r.) | 1Q S | 2.3 | 2.3 | 2.3 |
| US | 05/30 | 08:30 | GDP Deflator (q/q a.r.) | 1Q S | -- | 2.0 | 2.0 |
| US | 05/30 | 08:30 | Wholesale Inventories (m/m) | Apr P | -- | -- | 0.3 |
| CA | 05/30 | 10:00 | BoC Interest Rate Announcement (%) | May 30 | 1.25 | 1.25 | 1.25 |
| CA | 05/31 | 08:30 | Real GDP (m/m) | Mar | 0.3 | 0.3 | 0.4 |
| CA | 05/31 | 08:30 | Real GDP (q/q a.r.) | 1Q | 1.9 | 2.0 | 1.7 |
| US | 05/31 | 08:30 | Initial Jobless Claims (000s) | MAY 26 | 230.0 | 230.0 | 234.0 |
| US | 05/31 | 08:30 | Continuing Claims (000s) | MAY 19 | 1750 | -- | 1741 |
| US | 05/31 | 08:30 | PCE Deflator (m/m) | Apr | 0.2 | 0.2 | 0.0 |
| US | 05/31 | 08:30 | PCE Deflator (y/y) | Apr | 2.0 | 2.0 | 2.0 |
| US | 05/31 | 08:30 | PCE ex. Food & Energy (m/m) | Apr | 0.1 | 0.1 | 0.2 |
| US | 05/31 | 08:30 | PCE ex. Food & Energy (y/y) | Apr | 1.9 | 1.8 | 1.9 |
| US | 05/31 | 08:30 | Personal Spending (m/m) | Apr | 0.3 | 0.4 | 0.4 |
| US | 05/31 | 08:30 | Personal Income (m/m) | Apr | 0.3 | 0.3 | 0.3 |
| US | 05/31 | 09:45 | Chicago PMI | May | -- | 58.0 | 57.6 |
| US | 05/31 | 10:00 | Pending Home Sales (m/m) | Apr | 0.3 | 1.0 | 0.4 |
| US | 06/01 | 08:30 | Nonfarm Employment Report (000s m/m) | May | 200 | 190.0 | 164.0 |
| US | 06/01 | 08:30 | Unemployment Rate (%) | May | 3.9 | 3.9 | 3.9 |
| US | 06/01 | 08:30 | Average Hourly Earnings (m/m) | May | -- | 0.3 | 0.1 |
| US | 06/01 | 08:30 | Average Hourly Earnings (y/y) | May | 2.6 | 2.7 | 2.6 |
| US | 06/01 | 08:30 | Average Weekly Hours | May | -- | 34.5 | 34.5 |
| US | 06/01 | 08:30 | Household Employment Report (000s m/m) | May | -- | -- | 3.0 |
| US | 06/01 | 10:00 | Construction Spending (m/m) | Apr | 0.5 | 0.9 | -1.7 |
| US | 06/01 | 10:00 | ISM Manufacturing Index | May | 59.0 | 58 | 57 |

EUROPE

| Country | Date | Time | Indicator | Period | BNS | Consensus | Latest |
|---------|----------------|-------|-------------------------------|--------|-----|-----------|--------|
| UK | MAY 28- JUNE 3 | | Nationwide House Prices (m/m) | May | -- | 0.2 | 0.2 |
| SP | 05/29 | 07:00 | Budget Balance YTD (€ mn) | Apr | -- | -- | -4459 |
| FR | 05/30 | 02:45 | Consumer Spending (m/m) | Apr | -- | 0.2 | 0.1 |
| FR | 05/30 | 02:45 | GDP (q/q) | 1Q P | -- | 0.3 | 0.3 |
| SP | 05/30 | 03:00 | CPI (m/m) | May P | -- | 0.6 | 0.8 |
| SP | 05/30 | 03:00 | CPI (y/y) | May P | -- | 1.7 | 1.1 |
| SP | 05/30 | 03:00 | CPI - EU Harmonized (m/m) | May P | -- | 0.5 | 0.8 |
| SP | 05/30 | 03:00 | CPI - EU Harmonized (y/y) | May P | -- | 1.7 | 1.1 |
| SP | 05/30 | 03:00 | Real Retail Sales (y/y) | Apr | -- | -- | 1.5 |
| SW | 05/30 | 03:30 | GDP (y/y) | 1Q | -- | 3.3 | 3.3 |
| GE | 05/30 | 03:55 | Unemployment (000s) | May | -- | -10.0 | -7.0 |
| GE | 05/30 | 03:55 | Unemployment Rate (%) | May | -- | 5.3 | 5.3 |
| PD | 05/30 | 04:00 | GDP (y/y) | 1Q F | -- | -- | 5.1 |
| EC | 05/30 | 05:00 | Business Climate Indicator | May | -- | 1.3 | 1.4 |
| EC | 05/30 | 05:00 | Economic Confidence | May | -- | 112.0 | 112.7 |
| EC | 05/30 | 05:00 | Industrial Confidence | May | -- | 6.8 | 7.1 |
| PO | 05/30 | 06:00 | Real GDP (q/q) | 1Q F | -- | -- | 0.4 |

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

Key Indicators for the week of May 28 – June 1
EUROPE (continued from previous page)

| Country | Date | Time | Indicator | Period | BNS | Consensus | Latest |
|---------|-------|-------|-----------------------------------|--------|-----|-----------|--------|
| GE | 05/30 | 06:00 | Retail Sales (m/m) | Apr | -- | 0.5 | -0.3 |
| GE | 05/30 | 08:00 | CPI (m/m) | May P | -- | 0.3 | 0.0 |
| GE | 05/30 | 08:00 | CPI (y/y) | May P | -- | 1.9 | 1.6 |
| GE | 05/30 | 08:00 | CPI - EU Harmonized (m/m) | May P | -- | 0.3 | 0.0 |
| GE | 05/30 | 08:00 | CPI - EU Harmonized (y/y) | May P | -- | 1.8 | 1.4 |
| UK | 05/30 | 19:01 | GfK Consumer Confidence Survey | May | -- | -8.0 | -9.0 |
| SZ | 05/31 | 01:45 | GDP (y/y) | 1Q | -- | 2.3 | 1.9 |
| FR | 05/31 | 02:45 | CPI (m/m) | May P | -- | 0.2 | 0.2 |
| FR | 05/31 | 02:45 | CPI (y/y) | May P | -- | 1.8 | 1.6 |
| FR | 05/31 | 02:45 | CPI - EU Harmonized (m/m) | May P | -- | 0.3 | 0.2 |
| FR | 05/31 | 02:45 | CPI - EU Harmonized (y/y) | May P | -- | 2.1 | 1.8 |
| FR | 05/31 | 02:45 | Producer Prices (m/m) | Apr | -- | -- | 0.4 |
| SP | 05/31 | 03:00 | Real GDP (q/q) | 1Q F | -- | 0.7 | 0.7 |
| SP | 05/31 | 04:00 | Current Account (€ bn) | Mar | -- | -- | -0.5 |
| UK | 05/31 | 04:30 | Net Consumer Credit (£ bn) | Apr | -- | 1.3 | 0.3 |
| EC | 05/31 | 05:00 | Euro zone CPI Estimate (y/y) | May | -- | 1.6 | 1.2 |
| EC | 05/31 | 05:00 | Euro zone Core CPI Estimate (y/y) | May A | -- | 1.0 | 0.7 |
| EC | 05/31 | 05:00 | Unemployment Rate (%) | Apr | -- | 8.4 | 8.5 |
| IT | 05/31 | 05:00 | CPI (m/m) | May P | -- | 0.2 | 0.1 |
| IT | 05/31 | 05:00 | CPI (y/y) | May P | -- | 0.8 | 0.5 |
| IT | 05/31 | 05:00 | CPI - EU Harmonized (m/m) | May P | -- | 0.2 | 0.5 |
| IT | 05/31 | 05:00 | CPI - EU Harmonized (y/y) | May P | -- | 0.9 | 0.6 |
| IT | 06/01 | 03:45 | Manufacturing PMI | May | -- | 53.0 | 53.5 |
| IT | 06/01 | 04:00 | Real GDP (q/q) | 1Q F | -- | 0.3 | 0.3 |
| UK | 06/01 | 04:30 | Manufacturing PMI | May | -- | 53.5 | 53.9 |
| IT | 06/01 | | Budget Balance (€ bn) | May | -- | -- | -3.1 |
| IT | 06/01 | | Budget Balance YTD (€ bn) | May | -- | -- | -30.1 |

ASIA-PACIFIC

| Country | Date | Time | Indicator | Period | BNS | Consensus | Latest |
|---------|----------------|-------|---------------------------------------|--------|------|-----------|--------|
| CH | 05/26 | 21:30 | Industrial Profits YTD (y/y) | Apr | -- | -- | 3.1 |
| SK | MAY 27- JUNE 1 | | Department Store Sales (y/y) | Apr | -- | -- | 5.4 |
| HK | 05/28 | 04:30 | Exports (y/y) | Apr | -- | 9.1 | 8.0 |
| HK | 05/28 | 04:30 | Imports (y/y) | Apr | -- | 12.1 | 10.7 |
| HK | 05/28 | 04:30 | Trade Balance (HKD bn) | Apr | -- | -38.5 | -55.5 |
| SK | 05/28 | 17:00 | Consumer Confidence Index | May | -- | -- | 107.1 |
| JN | 05/28 | 19:30 | Jobless Rate (%) | Apr | 2.5 | 2.5 | 2.5 |
| JN | 05/29 | 19:50 | Large Retailers' Sales (y/y) | Apr | -- | 0.2 | 0.1 |
| JN | 05/29 | 19:50 | Retail Trade (y/y) | Apr | -- | 0.9 | 1.0 |
| AU | 05/29 | 21:30 | Building Approvals (m/m) | Apr | -- | -3.0 | 2.6 |
| JN | 05/30 | 01:00 | Consumer Confidence | May | -- | 43.9 | 43.6 |
| SK | 05/30 | 17:00 | Business Survey- Manufacturing | Jun | -- | -- | 81.0 |
| SK | 05/30 | 17:00 | Business Survey- Non-Manufacturing | Jun | -- | -- | 81.0 |
| SK | 05/30 | 19:00 | Industrial Production (y/y) | Apr | -- | -1.4 | -4.3 |
| SK | 05/30 | 19:00 | Cyclical Leading Index Change | Apr | -- | -- | -0.2 |
| JN | 05/30 | 19:50 | Industrial Production (y/y) | Apr P | -- | 3.6 | 2.4 |
| CH | 05/30 | 21:00 | Manufacturing PMI | May | 51.4 | 51.4 | 51.4 |
| CH | 05/30 | 21:00 | Non-manufacturing PMI | May | -- | 54.8 | 54.8 |
| AU | 05/30 | 21:30 | Private Capital Expenditure | 1Q | -- | 1.0 | -0.2 |
| AU | 05/30 | 21:30 | Private Sector Credit (y/y) | Apr | -- | 5.0 | 5.1 |
| HK | MAY 30-31 | | Govt Monthly Budget Surp/Def (HKD bn) | Apr | -- | -- | -23.4 |
| PH | MAY 30-31 | | Bank Lending (y/y) | Apr | -- | -- | 18.8 |
| JN | 05/31 | 00:00 | Vehicle Production (y/y) | Apr | -- | -- | 0.2 |
| JN | 05/31 | 01:00 | Housing Starts (y/y) | Apr | -- | -8.9 | -8.3 |
| JN | 05/31 | 01:00 | Construction Orders (y/y) | Apr | -- | -- | -4.0 |

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

Key Indicators for the week of May 28 – June 1

ASIA-PACIFIC (continued from previous page)

| Country | Date | Time | Indicator | Period | BNS | Consensus | Latest |
|---------|----------------|-------|-----------------------------------|--------|------|-----------|--------|
| TH | 05/31 | 03:30 | Exports (y/y) | Apr | -- | -- | 6.3 |
| TH | 05/31 | 03:30 | Imports (y/y) | Apr | -- | -- | 6.7 |
| TH | 05/31 | 03:30 | Trade Balance (US\$ mn) | Apr | -- | -- | 3015 |
| TH | 05/31 | 03:30 | Current Account Balance (US\$ mn) | Apr | -- | 2482 | 5751 |
| HK | 05/31 | 04:30 | Retail Sales - Volume (y/y) | Apr | -- | -- | 10.0 |
| IN | 05/31 | 07:00 | Fiscal Deficit (INR Crore) | Mar | -- | -- | 39140 |
| IN | 05/31 | 08:00 | Real GDP (y/y) | 1Q | 7.3 | 7.3 | 7.2 |
| NZ | 05/31 | 18:00 | ANZ Consumer Confidence Index | May | -- | -- | 120.5 |
| NZ | 05/31 | 18:45 | Terms of Trade Index (q/q) | 1Q | -- | -2.0 | 0.8 |
| SK | 05/31 | 19:00 | CPI (y/y) | May | 1.6 | 1.7 | 1.6 |
| SK | 05/31 | 19:00 | Core CPI (y/y) | May | -- | 1.4 | 1.4 |
| SK | 05/31 | 19:00 | GDP (y/y) | 1Q F | 2.8 | 2.8 | 2.8 |
| JN | 05/31 | 19:50 | Capital Spending (y/y) | 1Q | -- | 3.2 | 4.3 |
| SK | 05/31 | 20:00 | Exports (y/y) | May | -- | 10.9 | -1.5 |
| SK | 05/31 | 20:00 | Imports (y/y) | May | -- | 10.1 | 14.5 |
| SK | 05/31 | 20:00 | Trade Balance (US\$ mn) | May | -- | 5347 | 6609 |
| CH | 05/31 | 21:45 | HSBC Manufacturing PMI | May | 51.0 | 51.2 | 51.1 |
| TH | 05/31 | 23:00 | CPI (y/y) | May | 1.4 | 1.2 | 1.1 |
| TH | 05/31 | 23:00 | Core CPI (y/y) | May | -- | 0.7 | 0.6 |
| JN | MAY 31- JUNE 7 | | Official Reserve Assets (US\$ bn) | May | -- | -- | 1256 |
| JN | 06/01 | 01:00 | Vehicle Sales (y/y) | May | -- | -- | 0.5 |
| TH | 06/01 | 03:30 | Business Sentiment Index | May | -- | -- | 49.5 |

LATIN AMERICA

| Country | Date | Time | Indicator | Period | BNS | Consensus | Latest |
|---------|----------|-------|---|--------|------|-----------|--------|
| BZ | 05/30 | 08:00 | GDP (IBGE) (q/q) | 1Q | -- | 0.3 | 0.1 |
| BZ | 05/30 | 08:00 | GDP (IBGE) (y/y) | 1Q | -- | 0.9 | 2.1 |
| CL | 05/31 | 09:00 | Industrial Production (y/y) | Apr | -- | -- | -2.4 |
| CL | 05/31 | 09:00 | Unemployment Rate (%) | Apr | -- | -- | 6.9 |
| CO | 05/31 | 11:00 | Urban Unemployment Rate (%) | Apr | -- | -- | 10.6 |
| PE | 06/01 | 01:00 | Consumer Price Index (m/m) | May | 0.24 | -- | -0.1 |
| PE | 06/01 | 01:00 | Consumer Price Index (y/y) | May | 1.1 | -- | 0.5 |
| BZ | 06/01 | 09:00 | PMI Manufacturing Index | May | -- | -- | 52.3 |
| CL | 06/01 | 09:00 | Retail Sales (y/y) | Apr | -- | -- | 4.13 |
| BZ | JUNE 1-6 | | Trade Balance (FOB) - Monthly (US\$ mn) | May | -- | -- | 6142 |

Global Auctions for the week of May 28 – June 1

EUROPE

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Event</u> |
|----------------|-------------|-------------|---|
| IT | 05/28 | 05:00 | Italy to Sell Up to 1.75 Billion Euros of 2020 Zero Bonds |
| IT | 05/28 | 05:00 | Italy to Sell 0.1% 2022 Linkers On May 28 |
| IT | 05/28 | 11:00 | Italy to Sell 1.3% 2028 Linkers On May 28 |
| IT | 05/30 | 05:00 | Italy to Sell Bonds |
| NO | 05/30 | 05:00 | Norway to Sell Bonds |
| SW | 05/30 | 05:03 | Sweden Bond auction |

ASIA-PACIFIC

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Event</u> |
|----------------|-------------|-------------|--|
| CH | 05/28 | 21:30 | Heilongjiang to Sell Bonds |
| JN | 05/28 | 23:35 | Japan to Sell 40-Year Bonds |
| CH | 05/30 | 01:00 | Inner Mongolia to Sell Bonds |
| CH | 05/30 | 21:30 | Anhui to Sell Bonds |
| NZ | 05/30 | 22:05 | New Zealand Plans To Sell NZD200Mln 2.75% 2037 Bonds |
| JN | 05/30 | 23:35 | Japan to Sell 2-Year Bonds |
| CH | 05/31 | 21:30 | Sichuan to Sell Bonds |

Events for the week of May 28 – June 1

NORTH AMERICA

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Event</u> |
|----------------|-------------|-------------|---|
| US | 05/29 | 00:40 | Fed's Bullard Speaks in Tokyo |
| CA | 05/30 | 10:00 | Bank of Canada Rate Decision |
| US | 05/30 | 14:00 | U.S. Federal Reserve Releases Beige Book |
| US | 05/31 | 06:00 | Fed's Bullard Takes Part in MNI Roundtable in Tokyo |
| MX | 05/31 | 10:00 | Central Bank Monetary Policy Minutes |
| CA | 05/31 | 12:20 | Bank of Canada Deputy Leduc speaks in Quebec City |
| US | 05/31 | 12:30 | Fed's Bostic Speaks in Moderated Q&A in Orlando |
| US | 05/31 | 13:00 | Fed's Brainard Speaks on Economic and Monetary Policy Outlook |

EUROPE

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Event</u> |
|----------------|-------------|-------------|---|
| IT | 05/29 | 04:30 | ECB's Visco Speaks at Bank of Italy Annual Meeting |
| SW | 05/29 | 05:00 | Riksbank's Ohlsson Gives Speech |
| EC | 05/29 | 05:30 | ECB's Mersch Speaks at Frankfurt Finance Summit |
| EC | 05/29 | 11:30 | ECB's Lautenschlaeger Speaks at Colloquium in Frankfurt |
| EC | 05/29 | 12:00 | ECB's Villeroy to Speak in Paris |
| EC | 05/29 | 12:00 | ECB's Coeure Speaks at Roundtable Discussion in Paris |
| SZ | 05/30 | 10:45 | SNB's Jordan Speaks in Solothurn |
| SW | 05/31 | | Riksbank's Skingsley Speaks in Kiev |
| SW | 06/01 | 06:00 | Riksbank's Ingves Gives Speech |
| IR | 06/01 | | Ireland Sovereign Debt to be rated by S&P |
| PO | 06/01 | | Portugal Sovereign Debt to be rated by Fitch |

ASIA-PACIFIC

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Event</u> |
|----------------|-------------|-------------|--|
| JN | 05/29 | 20:00 | BOJ Governor Kuroda Speaks at Conference |

LATIN AMERICA

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Event</u> |
|----------------|-------------|-------------|------------------------------------|
| CO | 05/27 | | Presidential election: First Round |

Global Central Bank Watch

NORTH AMERICA

| <u>Rate</u> | <u>Current Rate</u> | <u>Next Meeting</u> | <u>Scotia's Forecasts</u> | <u>Consensus Forecasts</u> |
|---|---------------------|---------------------|---------------------------|----------------------------|
| Bank of Canada – Overnight Target Rate | 1.25 | May 30, 2018 | 1.25 | 1.25 |
| Federal Reserve – Federal Funds Target Rate | 1.75 | June 13, 2018 | 2.00 | 2.00 |
| Banco de México – Overnight Rate | 7.50 | June 21, 2018 | 7.50 | 7.50 |

Bank of Canada: No policy rate change is anticipated. Deepened uncertainty surrounding trade policy negotiations is likely to maintain near-term caution. As discussed in the Canada section of the Global Week Ahead, rising capacity strains, building wage and price pressures, improving terms of trade and a very low and negative real policy rate put the Bank in the position of having to possibly tighten at an expedited pace over time should nearer term risks subside.

EUROPE

| <u>Rate</u> | <u>Current Rate</u> | <u>Next Meeting</u> | <u>Scotia's Forecasts</u> | <u>Consensus Forecasts</u> |
|--|---------------------|---------------------|---------------------------|----------------------------|
| European Central Bank – Refinancing Rate | 0.00 | June 14, 2018 | 0.00 | 0.00 |
| Bank of England – Bank Rate | 0.50 | June 21, 2018 | 0.50 | 0.50 |
| Swiss National Bank – Libor Target Rate | -0.75 | June 21, 2018 | -0.75 | -0.75 |
| Central Bank of Russia – One-Week Auction Rate | 7.25 | June 15, 2018 | 7.25 | 7.25 |
| Sweden Riksbank – Repo Rate | -0.50 | July 3, 2018 | -0.50 | -0.50 |
| Norges Bank – Deposit Rate | 0.50 | June 21, 2018 | 0.50 | 0.50 |
| Central Bank of Turkey – Benchmark Repo Rate | 8.00 | June 7, 2018 | 8.00 | 8.00 |

ASIA PACIFIC

| <u>Rate</u> | <u>Current Rate</u> | <u>Next Meeting</u> | <u>Scotia's Forecasts</u> | <u>Consensus Forecasts</u> |
|--|---------------------|---------------------|---------------------------|----------------------------|
| Bank of Japan – Policy Rate | -0.10 | June 15, 2018 | -0.10 | -0.10 |
| Reserve Bank of Australia – Cash Target Rate | 1.50 | June 5, 2018 | 1.50 | 1.50 |
| Reserve Bank of New Zealand – Cash Rate | 1.75 | June 27, 2018 | 1.75 | 1.75 |
| People's Bank of China – Lending Rate | 4.35 | TBA | -- | 4.35 |
| Reserve Bank of India – Repo Rate | 6.00 | June 6, 2018 | 6.00 | 6.00 |
| Bank of Korea – Bank Rate | 1.50 | July 12, 2018 | 1.50 | 1.50 |
| Bank of Thailand – Repo Rate | 1.50 | June 20, 2018 | 1.50 | 1.50 |
| Bank Negara Malaysia – Overnight Policy Rate | 3.25 | July 11, 2018 | 3.25 | 3.25 |
| Bank Indonesia – 7-Day Reverse Repo Rate | 4.50 | June 28, 2018 | 4.50 | 4.50 |

LATIN AMERICA

| <u>Rate</u> | <u>Current Rate</u> | <u>Next Meeting</u> | <u>Scotia's Forecasts</u> | <u>Consensus Forecasts</u> |
|--|---------------------|---------------------|---------------------------|----------------------------|
| Banco Central do Brasil – Selic Rate | 6.50 | June 20, 2018 | 6.50 | 6.50 |
| Banco Central de Chile – Overnight Rate | 2.50 | June 13, 2018 | 2.50 | 2.50 |
| Banco de la República de Colombia – Lending Rate | 4.25 | June 29, 2018 | 4.25 | 4.25 |
| Banco Central de Reserva del Perú – Reference Rate | 2.75 | June 7, 2018 | 2.75 | 2.75 |

AFRICA

| <u>Rate</u> | <u>Current Rate</u> | <u>Next Meeting</u> | <u>Scotia's Forecasts</u> | <u>Consensus Forecasts</u> |
|--|---------------------|---------------------|---------------------------|----------------------------|
| South African Reserve Bank – Repo Rate | 6.50 | July 19, 2018 | 6.50 | 6.50 |

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