

WILL JUNE BE KIND TO MAY?

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Next Week's Risk Dashboard

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Chart of the Week
The ECB's Inflation Goal Is Being Met By Growing Skepticism


Chart of the Week: Prepared by: Samantha Cameron, Research Assistant.

Will June Be Kind To May?

EUROPE—WATCH DRAGHI, THEN COMEY, THEN VOTE

All three of next week's biggest potential global market movers will arrive on Thursday and two of them emanate from Europe (the other being Comey). The ECB starts off the day followed by Comey and then the UK general election results.

No ECB policy change is expected but the bias that comes through in President Draghi's press conference will be very closely examined. Amid waning inflation—both hard readings and market-derived expectations shown on the front cover—it is likely premature to expect a shift in tone toward teeing up an eventual exit path. Please see page 5–6 for our Paris-based Eurozone strategist Frédéric Prêtet's preview.

Will UK Prime Minister Theresa May win or lose Thursday's election and if she wins will she secure a larger or smaller majority or—gasp—a hung Parliament?

Polls still lean toward a Conservative victory (chart 1) but their once formidable lead has sharply narrowed of late in no small part due to May's flip-flop on the so-called "dementia tax" whereby she initially stated that anyone with savings over £100,000 including their house would be responsible for funding their own long-term care. Domestic policy has mattered more than Brexit-related issues in terms of the final weeks of the campaign. Of course opinion polls matter less in a first-past-the-poll parliamentary system than a system of proportional representation and so there is a rather high bar set in terms of the risk of a smaller majority government. Pollsters surveyed by Bloomberg expect a majority of between 50–100 seats compared to a much slimmer majority of 17 seats going into the election. Early exit polls should be available as soon as 10pm London time with results streaming in overnight and generally known early in Friday's London trading.

The rest of the week's market-oriented risks may either simply pass the time or get ignored in the face of the two far grander expected developments. Germany, France and the UK update trade figures, while the same countries plus Spain update industrial production all for the month of April. German factory orders, UK PMIs for the service sector and broad composite reading, plus CPI prints from Norway and Switzerland will advance tracking of Q2 growth and inflation risks.

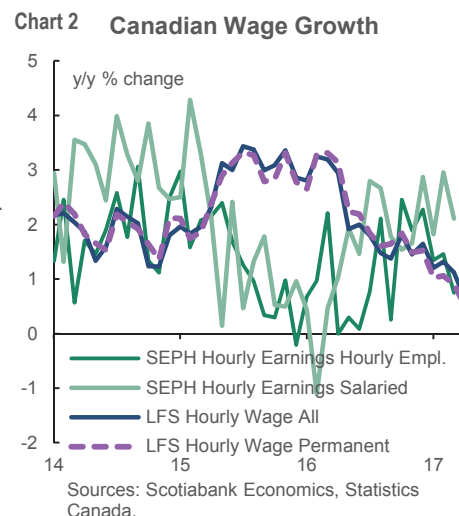
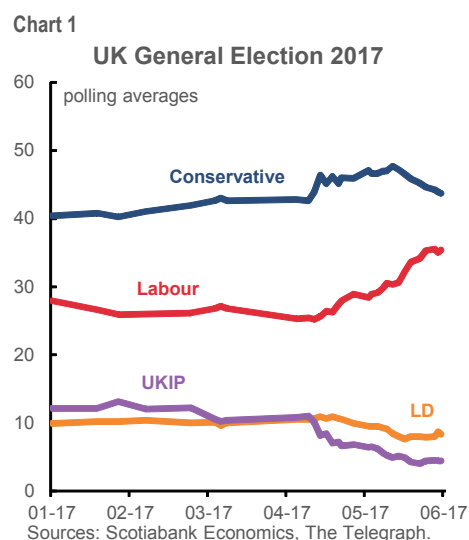
Also note that the Paris-based OECD issues a fresh set of forecasts for the world economy on Wednesday and its assessments can often generate headline risk.

CANADA—BOTTOMING WAGE GROWTH?

Markets will have to wait until Friday to get anything that matters much to Canadian market directions. By then, however, it might be a tough sell after Thursday's main events in Europe that could well drive the global market tone into the end of the week and beyond.

Friday brings out another batch of job market figures for the month of May. The key thing to watch has increasingly become wage growth and it could well be bottoming. Recall that the April figures hit the lowest rate of wage gains since the revised Labour Force Survey has tracked them starting in 1998. You can call it a record low if you wish, but I'm pretty sure there were nastier episodes (hint: think tumbleweeds and farm foreclosures). If this May performs anywhere in keeping with the historic norms for the month of May when seasonally unadjusted wages dip in month-ago terms by a fairly modest amount, then we could be carving out a bottom in year-ago wage growth terms.

There is, however, some controversy over exactly how weak wage growth may be. Four measures are shown in chart 2—two each from the Labour Force Survey (LFS) and the

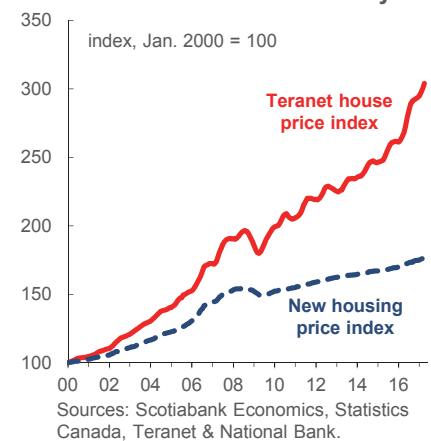


Survey of Employment, Payrolls and Hours (SEPH). Three of the four are sub-1% y/y in nominal terms and hence those definitions of wages are falling in inflation-adjusted terms. The fourth measure is one that hawks tend to cherry pick and it is the outlier but there are two huge cautions. One is that both of the SEPH measures include overtime whereas LFS does not. Working more or fewer overtime hours typically at a premium can distort the weighted average but in ways that are not necessarily signalling cost-push types of inflation. Second is that the SEPH measures are for payroll employees only and thus exclude the large number of small businesses that do not manage formal payrolls for their employees. So the one of four measures that is sitting at about 2% in year-ago terms simply says that payroll employees with access to overtime hours may be doing better than other types of workers and even then their real wages are flat which doesn't strike me as a particularly hawkish signal.

Housing will be the other thing to watch over the week but probably will have less if any market effect. New home construction starts during May will be released Thursday—15 minutes before ECB President Draghi holds his press conference and on the same day as we get UK election results later that evening. Starts have been cruising at a pace well above most estimates of household formations with five months of over-200k readings for the annualized pace of new home construction. Combined with an increase in new resale listings, this has had the effect of bringing supply back into the marketplace. One reason why this is happening is the relative cost of new homes—that will also be updated on Thursday—compared to resale homes (chart 3). New homes have become more affordable relative to resales as the gap in price changes has widened and this relative improvement may have stoked a pick-up in new supply. That, in turn, may suggest that concerns such as the share of GDP represented by residential construction investment are somewhat exaggerated at least for now. In other words, just when policymakers blinked, the market did its thing in bringing out new supply. As a consequence, an evolving risk facing the housing outlook remains that of waning demand growth amidst an acceleration of supply.

Chart 3

New Housing Supply Benefiting From Greater Affordability



The Bank of Canada releases its semi-annual Financial System Review on Thursday. It may garner headlines for comments on financial stability risks associated with housing markets. If so, they should reinforce Governor Poloz's remarks on challenges facing pockets of the mortgage market as "idiosyncratic" in nature.

Canada auctions 2s on Wednesday.

UNITED STATES—BLACKED OUT FOR COMEY

Former FBI Director James Comey may well have chosen the perfect week to maximize focus upon his long anticipated testimony. If multiple media outlets are on the mark, then his testimony before the Senate Intelligence Committee may be as soon as next Thursday. If he picks that very day, however, then his testimony may compete with the ECB and UK election for global risk factors facing markets.

Why the perfect week? Well, because **there is almost quite literally nothing else on tap.** The Federal Reserve will be in hush mode starting this Saturday at midnight until its June 14th statement and press conference. We're also in between earnings seasons with a month to go in the current quarter and hence too early for material guidance and analysts' estimates to be firmed up.

Only a trio of relatively minor releases will arrive including ISM-services (Monday), factory orders (Monday) and the Fed's flow of funds accounts for Q1 that include estimates of household net worth (Thursday).

ASIA—MEETING FOR NOTHING

Asian markets will have some distance from the developments that will grip Europe and North America next Thursday but global risk factors may well dominate local markets. Three possible exceptions include a pair of central bank decisions and key Chinese data.

The Reserve Bank of India is expected to stay on hold next Wednesday. A fresh Bloomberg poll expects the repo rate to be held at 6.25% between now and the rest of the decade although the sample of participants willing, forced, or otherwise to forecast out that far thins rather quickly after a year from now. Inflation sits at 3% y/y and hence comfortably within the RBI's 4% +/- 2%

inflation target zone but it is trending lower in such fashion as to potentially stir more dovish views on the Monetary Policy Committee led by Governor Urjit Patel.

The Reserve Bank of Australia is unanimously expected to leave its cash target rate unchanged at 1.5% next Tuesday. A small minority of forecasters expect one or two rate cuts by year-end but most expect no change this year. Since the last meeting on May 2nd, the A\$ has depreciated against other major currencies and this should lessen the RBA's prior concerns about the competitiveness implications of the A\$ (chart 4).

Growth is expected to help the RBA case. After a strong 1.1% q/q non-annualized but seasonally adjusted gain in Q4, **next week's Q1 Australian GDP report** is expected to grow by about 0.5% which is still respectable for a relatively mature economy. Australia also releases trade figures for April on Wednesday that will inform growth momentum arguments into Q2.

China will also be a focal point in terms of several data releases. CPI inflation has been running along bottom at just over 1% y/y for the past three months in defiance of any China reflation thesis and next week's figure might pose marginal upside to that. By contrast, **producer price inflation** has peaked along with the year-ago base effect influences of commodity prices and so next week's update for May should be the third consecutive monthly decline in the year-ago pace of change in producer prices. China also updates the private sector versions of purchasing managers indices for the services sector and the economy-wide composite metric to start the week before then moving on to update trade, foreign reserves and foreign direct investment.

Other miscellaneous risks face local markets including CPI inflation updates that will be delivered by the Philippines and Taiwan. Exports will be updated by Malaysia and Philippines. Malaysia reports industrial production on Friday. Japan releases revisions to Q1 GDP growth that originally landed at 2.2% q/q in seasonally adjusted and annualized terms but that may be revised slightly higher.

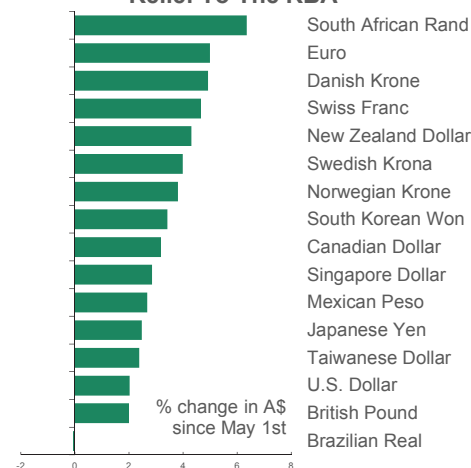
LATIN AMERICA—EVALUATING THE BIAS

A central bank policy decision and a series of inflation reports will add a LatAm twist to the likely more dominant role of external developments that will be back-end loaded toward the end of the week.

After a 25bps cut to a 4.25% reference rate in early May, **Banco Central de Reserva del Peru is thought to have another trick or two up its sleeve but exactly when it may deliver a potential cut is uncertain.** The median Bloomberg consensus now forecasts one more cut by the end of this year or early next year and Scotiabank's Lima-based economist Mario Guerrero thinks that the rate will end 2018 at 3.75%. Whether that cut takes place next Thursday after the central bank surprised markets in May is unclear but doubtful. Countering the near-term effects of flooding on the economy is the fact that inflation of 3.7% y/y in April was still running hotter than the upper band of the central bank's 2% +/-1% inflation target range.

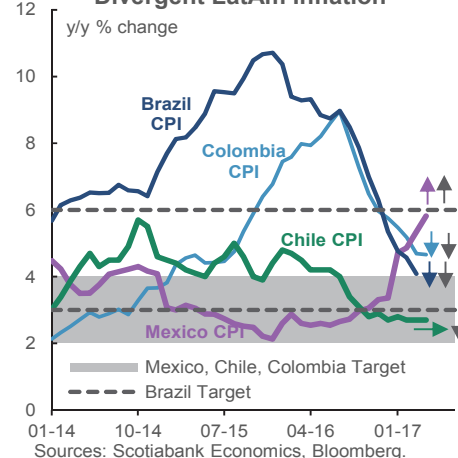
Inflation reports from Colombia (Monday), Mexico and Chile (Thursday) and Brazil (Friday) will advance understanding of future monetary policy risks. Two of the four central banks are operating with inflation within their target ranges while three of the four are in easing mode. Chart 5 depicts this with the first set of left-hand arrows signalling the direction of recent inflation readings matched in colour to the relevant country's inflation reading and the second set of arrows indicating the recent direction of central bank rate decisions for the country represented by the coloured arrows. Mexico's inflation rate continues to soar and Banxico is correspondingly tightening monetary policy as the one exception.

Chart 4 **A\$ Weakness Provides Some Relief To The RBA**



Sources: Scotiabank Economics, Bloomberg.

Chart 5 **Divergent LatAm Inflation**



Sources: Scotiabank Economics, Bloomberg.

Feature Article

ECB Preview: Slightly Adjusting The Forward Guidance...But No More

Latest European Central Bank (ECB) minutes showed that there was still major division inside the board regarding the sequencing and the timing of the exit strategy.

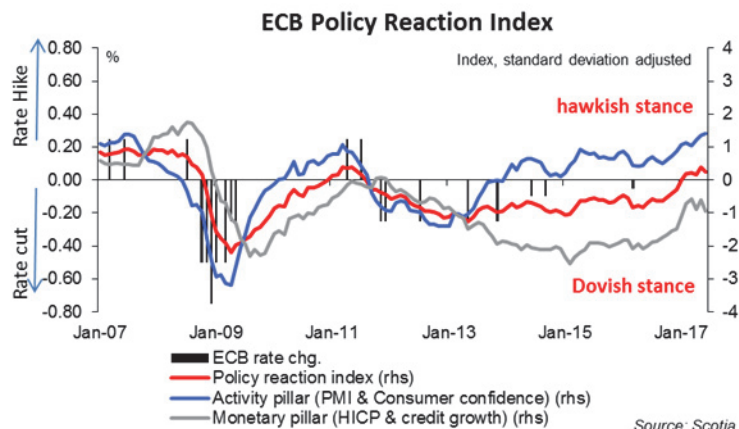
In view of the conflicting data released over the past two months, this might still be the case for this meeting. This means that there could be room for only a slight adjustment in the wording of the forward guidance... but no more.

CONFLICTING NEWS... IN THE RECENT DATA

By updating our indicator on the ECB's policy reaction which has been a reliable index to track the shift in the monetary policy, we can illustrate this diverging signal.

- On one side, rising business and consumer confidence points to strengthening activity. This points to a reduction of the output gap, wages acceleration and higher inflation over the medium term. This is the main input for the hawkish members of the ECB.
- On the other side, inflation has failed to show any significant improvement over the recent months. At 1.4% y/y in May, headline inflation is even lower than at the March meeting and well below the 2.0% y/y target. Also, behind the sharp seasonal swings, core inflation has remained roughly stable at 0.9% y/y in May — still in the “high deflationary risk area”. Also, the improvement in credit growth remains very gradual, up 2.2% y/y in May, roughly unchanged from the previous months.
- So, while the activity pillar is already well above its long term average, the monetary pillar is still below. On average, our ECB's policy reaction index is back to its long term average, implying that the ECB could be in a neutral stance.

Chart 1: ECB's Policy Index In Neutral Stance



... AND IN THE FORECASTS

Latest ECB minutes also indicated that the new forecasts will be an important input in the decision-making process at the June meeting. Unfortunately, we expect them to also validate this diverging trend with growth revised up while inflation will likely be revised down.

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On growth: Despite the adverse impact of a stronger EUR vs. March, an upward revision in past GDP data, rising confidence, lower oil prices and higher global growth (IMF Forecast revised up), we expect Eurozone GDP growth to be revised up between 0.1% and 0.2% each of the coming three years.

On inflation; Despite the positive impact of stronger growth and lower unemployment, a stronger EUR and, more importantly, lower oil prices (down from \$56 in the March forecast to around \$51/52), inflation should be slashed by 0.1% to 0.2% each year. At around 1.5%/1.6% in 2019, inflation will thus be seen as too low compared to the 2.0% target.

INFLATION REMAINS THE ANCHOR IN THE MANAGEMENT OF THE MONETARY POLICY

Dovish members, including the ECB president, will likely emphasize that the inflation outlook is the key for the management of the monetary policy. In this regard, in view of the recent inflation data and the downward revision to the inflation forecast, any change at the June meeting seems unlikely.

However, there could be some slight concession to the hawks:

- The risk on the growth outlook will likely be upgraded, from “downside” to “balanced”. This is well expected by the economists.
- But beyond this, is there a chance to see a change in the wording of the forward guidance? It currently states that “*Based on our regular economic and monetary analyses, we decided to keep the key ECB interest rates unchanged. We continue to expect them to remain at present or lower levels for an extended period of time, and well past the horizon of our net asset purchases*”; and “*If the outlook becomes less favourable, or if financial conditions become inconsistent with further progress towards a sustained adjustment in the path of inflation, we stand ready to increase our asset purchase programme in terms of size and/or duration*”.

As noted by the ECB chief economist in a recent speech¹, the forward guidance was part of a tool box (with TLTRO, the negative deposit rate and the QE) dedicated to dealing with a situation back in 2015 where “*inflation expectations started to give concrete signs of destabilisation*”. This appears to be no longer the case with the ECB president acknowledging to the EU parliament that “*tail risks have receded measurably*”. This comment seems to open the door for a slight adjusting in the forward guidance through, in our view, dropping reference to the possibility of “lower” interest rates from the aforementioned phrase.

We think this could be the most discussed point at the June meeting. However, as the ECB president will wish to avoid any tightening in financial conditions, like a spike in the euro that this change could imply, he is therefore likely to spend most of the conference call by stressing that very accommodative conditions are still needed.

Table 1: Potential Forecast Change

Growth			
GDP % y/y	2017	2018	2019
ECB (March)	1.8	1.7	1.6
Base effect/Global growth	0.2	0.1	0.1
Interest rates	0.0	0.0	0.0
Oil prices	0.1	0.1	0.1
EUR	-0.1	-0.1	-0.1
Potential forecast (June)	1.9/2.1	1.8/1.9	1.7/1.8
Inflation			
HICP % y/y	2017	2018	2019
ECB (March)	1.7	1.6	1.7
Output Gap	0.1	0.1	0.1
Interest rates	0.0	0.0	0.0
Oil prices	-0.1	-0.1	-0.1
EUR	-0.1	-0.1	-0.1
Potential forecast (June)	1.5/1.6	1.4/1.5	1.5/1.6

¹ http://www.ecb.europa.eu/press/key/date/2017/html/ecb.sp170511_1.en.html

Key Indicators for the week of June 5 – 9

NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	06/05	10:00	Durable Goods Orders (m/m)	Apr F	--	--	-0.7
US	06/05	10:00	Durable Goods Orders ex. Trans. (m/m)	Apr F	--	--	-0.4
US	06/05	10:00	Factory Orders (m/m)	Apr	-0.3	-0.2	0.5
US	06/05	10:00	ISM Non-Manufacturing Composite	May	56.8	57.0	57.5
US	06/06	10:00	JOLTS Job Openings (000s)	Apr	--	--	5743
US	06/07	07:00	MBA Mortgage Applications (w/w)	JUN 2	--	--	-3.4
CA	06/07	08:30	Building Permits (m/m)	Apr	--	--	-5.8
US	06/07	15:00	Consumer Credit (US\$ bn m/m)	Apr	--	15.0	16.4
CA	06/08	08:15	Housing Starts (000s a.r.)	May	200	--	213
CA	06/08	08:30	New Housing Price Index (m/m)	Apr	--	--	0.2
US	06/08	08:30	Initial Jobless Claims (000s)	JUN 3	240	--	248
US	06/08	08:30	Continuing Claims (000s)	MAY 27	1920	--	1915
MX	06/08	09:00	Bi-Weekly Core CPI (% change)	May 31	0.34	--	0.2
MX	06/08	09:00	Bi-Weekly CPI (% change)	May 31	0.09	--	-0.3
MX	06/08	09:00	Consumer Prices (m/m)	May	-0.1	--	0.1
MX	06/08	09:00	Consumer Prices (y/y)	May	6.14	--	5.8
MX	06/08	09:00	Consumer Prices Core (m/m)	May	0.37	--	0.5
CA	06/09	08:30	Capacity Utilization (%)	1Q	--	--	82.2
CA	06/09	08:30	Employment (000s m/m)	May	20	--	3.2
CA	06/09	08:30	Unemployment Rate (%)	May	6.6	--	6.5
MX	06/09	09:00	Industrial Production (m/m)	Apr	--	--	0.0
MX	06/09	09:00	Industrial Production (y/y)	Apr	-2.65	--	3.4
US	06/09	10:00	Wholesale Inventories (m/m)	Apr F	--	0.2	-0.3

EUROPE

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
UK	06/05	04:30	Official Reserves Changes (US\$ bn)	May	--	--	1362.0
UK	06/05	04:30	Services PMI	May	--	55.1	55.8
IT	06/06	03:45	Services PMI	May	--	--	56.2
FR	06/06	03:50	Services PMI	May F	58.0	--	58.0
GE	06/06	03:55	Services PMI	May F	55.2	--	55.2
EC	06/06	04:00	Composite PMI	May F	56.8	--	56.8
EC	06/06	04:00	Services PMI	May F	56.2	--	56.2
EC	06/06	05:00	Retail Trade (m/m)	Apr	--	--	0.3
GE	06/07	02:00	Factory Orders (m/m)	Apr	0.0	--	1.0
SP	06/07	03:00	Industrial Output NSA (y/y)	Apr	--	--	9.0
UK	06/07	03:30	Halifax House Price (3 month, y/y)	May	--	--	3.8
EC	06/07	05:00	GDP (q/q)	1Q F	0.6	--	0.5
GE	06/08	02:00	Industrial Production (m/m)	Apr	1.5	--	-0.4
FR	06/08	02:45	Current Account (€ bn)	Apr	--	--	-3.0
FR	06/08	02:45	Trade Balance (€ mn)	Apr	--	--	-5353
EC	06/08	07:45	ECB Main Refinancing Rate (%)	Jun 8	0.00	--	0.00
GE	06/09	02:00	Current Account (€ bn)	Apr	--	--	30.2
GE	06/09	02:00	Trade Balance (€ bn)	Apr	--	--	25.3
FR	06/09	02:45	Central Government Balance (€ bn)	Apr	--	--	-29.6
FR	06/09	02:45	Industrial Production (m/m)	Apr	0.5	--	2.0
FR	06/09	02:45	Industrial Production (y/y)	Apr	1.3	--	2.0
FR	06/09	02:45	Manufacturing Production (m/m)	Apr	0.6	--	2.5
IT	06/09	04:00	Unemployment Rate (%)	1Q	--	--	11.9
UK	06/09	04:30	Industrial Production (m/m)	Apr	--	0.6	-0.5
UK	06/09	04:30	Manufacturing Production (m/m)	Apr	--	0.8	-0.6
UK	06/09	04:30	Visible Trade Balance (£ mn)	Apr	--	--	-13441

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

Key Indicators for the week of June 5 – 9

ASIA-PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
SK	06/04	19:00	Current Account (US\$ mn)	Apr	--	--	5931.8
HK	06/04	20:30	Purchasing Managers Index	May	--	--	51.1
AU	06/04	21:30	ANZ Job Advertisements (m/m)	May	--	--	1.4
CH	06/04	21:45	Caixin China Composite PMI	May	--	--	51.2
CH	06/04	21:45	Caixin China Services PMI	May	--	--	51.5
MA	06/05	00:00	Exports (y/y)	Apr	--	21.9	24.1
MA	06/05	00:00	Imports (y/y)	Apr	--	34.0	39.4
MA	06/05	00:00	Trade Balance (MYR bn)	Apr	--	5.8	5.4
TA	06/05	20:30	CPI (y/y)	May	0.6	0.7	0.1
PH	06/05	21:00	CPI (y/y)	May	3.4	3.3	3.4
PH	06/05	21:00	Core CPI (y/y)	May	--	3.0	3.0
AU	06/05	21:30	Current Account (AUD bn)	1Q	--	-1.0	-3853.0
AU	06/05	21:30	Australia Net Exports of GDP	1Q	--	0.0	0.2
AU	06/06	00:30	RBA Cash Target Rate (%)	Jun 6	1.50	1.50	1.50
NZ	06/06	18:45	Manufacturing Activity	1Q	--	--	0.8
AU	06/06	21:30	GDP (q/q)	1Q	0.7	0.5	1.1
AU	06/06	21:30	GDP (y/y)	1Q	2.1	1.8	2.4
CH	JUN 06-07		Foreign Reserves (US\$ bn)	May	--	--	3030
ID	JUN 06-07		Consumer Confidence Index	May	--	--	123.7
JN	06/07	01:00	Coincident Index CI	Apr P	--	117.7	114.4
JN	06/07	01:00	Leading Index CI	Apr P	--	104.1	105.5
JN	06/07	01:00	New Composite Leading Economic Index	Apr P	--	104.1	105.5
AU	06/07	02:30	Foreign Reserves (AUD bn)	May	--	--	79.9
MA	06/07	03:00	Foreign Reserves (US\$ bn)	May 31	--	--	97.3
TA	06/07	04:00	Exports (y/y)	May	--	6.7	9.4
TA	06/07	04:00	Imports (y/y)	May	--	8.2	23.5
TA	06/07	04:00	Trade Balance (US\$ bn)	May	--	3.4	2.8
IN	06/07	05:00	Repo Rate (%)	Jun 7	6.25	6.25	6.25
IN	06/07	05:00	Reverse Repo Rate (%)	Jun 7	6.00	6.00	6.00
IN	06/07	05:00	Cash Reserve Ratio (%)	Jun 7	4.00	4.00	4.00
SI	06/07	05:00	Foreign Reserves (US\$ mn)	May	--	--	260725
JN	06/07	19:50	Bank Lending (y/y)	May	--	--	3.0
JN	06/07	19:50	Current Account (¥ bn)	Apr	--	1758	2908
JN	06/07	19:50	GDP (q/q)	1Q F	0.5	0.6	0.5
JN	06/07	19:50	GDP Deflator (y/y)	1Q F	-0.8	-0.8	-0.8
JN	06/07	19:50	Trade Balance - BOP Basis (¥ bn)	Apr	--	730	866
AU	06/07	21:30	Trade Balance (AUD mn)	Apr	--	2250	3107
TH	06/07	23:30	Consumer Confidence Economic	May	--	--	65.4
CH	JUN 07-08		Exports (y/y)	May	--	--	8.0
CH	JUN 07-08		Imports (y/y)	May	--	--	11.9
CH	JUN 07-08		Trade Balance (USD bn)	May	--	--	38.0
JN	06/08	19:50	Japan Money Stock M2 (y/y)	May	--	4.3	4.3
JN	06/08	19:50	Japan Money Stock M3 (y/y)	May	--	3.6	3.6
PH	06/08	21:00	Exports (y/y)	Apr	--	23.0	21.0
PH	06/08	21:00	Imports (y/y)	Apr	--	16.0	24.0
PH	06/08	21:00	Trade Balance (US\$ mn)	Apr	--	-2100	-2302
PH	06/08	21:00	Unemployment Rate (%)	Apr	6.6	--	6.6
AU	06/08	21:30	Home Loans (%)	Apr	--	-1.0	-0.5
AU	06/08	21:30	Investment Lending (% change)	Apr	--	--	0.8
CH	06/08	21:30	CPI (y/y)	May	1.5	1.4	1.2
CH	06/08	21:30	PPI (y/y)	May	--	5.4	6.4
JN	JUN 08-12		Machine Tool Orders (y/y)	May P	--	--	34.7
MA	06/09	00:00	Industrial Production (y/y)	Apr	--	4.7	4.6
JN	06/09	00:30	Tertiary Industry Index (m/m)	Apr	--	0.5	-0.2

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

Key Indicators for the week of June 5 – 9

LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Indicator</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>
CL	06/05	08:30	Economic Activity Index SA (m/m)	Apr	--	--	-0.2
CL	06/05	08:30	Economic Activity Index NSA (y/y)	Apr	-1.0	1.0	0.2
CO	06/05	20:00	Consumer Price Index (m/m)	May	--	0.3	0.5
CO	06/05	20:00	Consumer Price Index (y/y)	May	--	4.5	4.7
CL	06/08	08:00	CPI (m/m)	May	0.1	0.1	0.2
CL	06/08	08:00	CPI (y/y)	May	2.6	2.4	2.7
PE	06/08	19:00	Reference Rate (%)	Jun 8	3.75	--	4.00
BZ	06/09	08:00	IBGE Inflation IPCA (m/m)	May	--	0.5	0.1
BZ	06/09	08:00	IBGE Inflation IPCA (y/y)	May	--	3.8	4.1
PE	JUN 09-12		Trade Balance (USD mn)	Apr	--	--	60.0

Global Auctions for the week of June 5 – 9

NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CA	06/07	12:00	Canada to Sell 2-Year Bonds

EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
AS	06/06	05:15	Austria to Sell 0.5% 2027 Bonds
AS	06/06	05:15	Austria to Sell 0% 2023 Bonds
UK	06/06	05:30	U.K. to Sell 0 1/2% 2022 Bonds
GE	06/07	05:30	Germany to Sell EUR3 Bln 0% 2022 Bonds
SW	06/08	05:03	Sweden to Sell I/L Bonds
IR	06/08	05:10	Ireland Bond Auction
IR	06/08	05:30	Ireland to Sell Bonds
IC	06/09	06:30	Iceland to Sell Bonds

ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CH	06/04	21:30	Shanghai to Sell Special Bonds
CH	06/05	21:30	Fujian to Sell General Bonds
CH	06/05	22:40	Fujian to Sell Special Bonds
JN	06/05	23:45	Japan to Sell 30-Year Bonds
CH	06/06	23:00	China Plans to Sell 1-Year Upsized Government Bond
CH	06/06	23:00	China Plans to Sell 10-Year Upsized Government Bond
NZ	06/07	22:05	New Zealand Plans to Sell NZD100 Mln 2.5% 2035 I/L Bonds
JN	06/07	23:45	Japan to Sell 5-Year Bonds
CH	06/09	23:00	China Plans to Sell 3-Year Saving Bonds
CH	06/09	23:00	China Plans to Sell 5-Year Saving Bonds

LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
BZ	06/08	11:00	Brazil to Sell Fixed Rate Bonds

Events for the week of June 5 – 9

NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CA	06/08	10:30	Bank of Canada Releases Financial System Review

EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
SW	06/05	10:00	Riksbank's Jochnick Speaks
PO	06/06		Bank of Portugal Releases Financial Stability Report
SW	06/07	03:30	Statistics Sweden EU/Euro Preference Poll
SW	06/07	09:30	Riksbank's Skingsley in Panel Debate
EC	06/07		EU's Juncker Speaks at Development Days Conference in Brussels
EC	06/07	00:00	EU Development Days Two-Day Conference in Brussels
EC	06/08	02:30	Estonia's Loite Speaks on EU Presidency Priorities in Brussels
SW	06/08	03:40	Riksbank's Skingsley Speaks
IT	06/08	05:00	Bank of Italy Report on Balance-Sheet Aggregates
EC	06/08	07:45	ECB Main Refinancing Rate
EC	06/08	07:45	ECB Marginal Lending Facility
EC	06/08	07:45	ECB Deposit Facility Rate
EC	06/08	08:30	ECB President Mario Draghi Holds Press Conference
GE	06/08	10:30	Germany's Schaeuble Speaks at CDU Party Event, Bad Saulgau
UK	06/08		U.K. General Election
GE	06/09	13:30	Schaeuble Attends CDU Election Event in Baden-Baden
IT	06/09		Italy Sovereign Debt to be rated by Moody's
GE	06/09	00:00	Left Party Holds Convention to Approve 2017 Campaign Platform

ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
AU	06/06	00:30	RBA Cash Rate Target
IN	06/07	05:00	RBI Repurchase Rate
IN	06/07	05:00	RBI Reverse Repo Rate
IN	06/07	05:00	RBI Cash Reserve Ratio

LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
PE	06/08	19:00	Reference Rate
CO	06/09	14:00	Colombia Monetary Policy Minutes

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	0.50	July 12, 2017	0.50	0.50
Federal Reserve – Federal Funds Target Rate	1.00	June 14, 2017	1.25	1.25
Banco de México – Overnight Rate	6.75	June 22, 2017	7.00	--

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 8, 2017	0.00	--
Bank of England – Bank Rate	0.25	June 15, 2017	0.25	--
Swiss National Bank – Libor Target Rate	-0.75	June 15, 2017	-0.75	--
Central Bank of Russia – One-Week Auction Rate	9.25	June 16, 2017	9.25	9.00
Sweden Riksbank – Repo Rate	-0.50	July 4, 2017	-0.50	--
Norges Bank – Deposit Rate	0.50	June 22, 2017	0.50	--

ECB: No policy change is expected but the bias that comes through in President Draghi's press conference will be very closely examined. Amid waning inflation, it is likely premature to expect a shift in tone toward teeing up an eventual exit path. Please see pages 5 to 6 for Frederic Pretet's preview of Thursday's meeting.

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 16, 2017	-0.10	--
Reserve Bank of Australia – Cash Target Rate	1.50	June 6, 2017	1.50	1.50
Reserve Bank of New Zealand – Cash Rate	1.75	June 21, 2017	1.75	1.75
People's Bank of China – Lending Rate	4.35	TBA	--	--
Reserve Bank of India – Repo Rate	6.25	June 7, 2017	6.25	6.25
Bank of Korea – Bank Rate	1.25	July 13, 2017	1.25	--
Bank of Thailand – Repo Rate	1.50	July 5, 2017	1.50	1.50
Bank Negara Malaysia – Overnight Policy Rate	3.00	July 13, 2017	3.00	3.00
Central Bank of Philippines – Overnight Borrowing Rate	3.00	June 22, 2017	3.00	--
Bank Indonesia – 7-Day Reverse Repo Rate	4.75	June 15, 2017	4.75	--

The Reserve Bank of Australia (RBA):

The RBA will hold a monetary policy meeting on June 6. The RBA will likely leave the benchmark cash rate at 1.5% over the coming quarters in order to support domestic demand. A cautious monetary tightening phase will likely commence in the second half of 2018. The RBA will carefully monitor developments in the labour and property markets; employment metrics continue to show mixed signals while the real estate market remains heated in certain Australian cities, particularly in Sydney and Melbourne.

The Reserve Bank of India (RBI):

The RBI's next monetary policy meeting will be held on June 6-7. We do not expect any changes to the benchmark interest rates over the coming quarters as inflationary pressures remain contained. Following the most recent meeting in early April, the central bank left the repo rate unchanged at 6.25% but raised the reverse repo rate by 25 basis points to 6.0%. Narrowing the policy rate corridor will help the RBI to control excess liquidity in the banking system.

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	10.25	July 26, 2017	9.50	--
Banco Central de Chile – Overnight Rate	2.50	June 15, 2017	2.50	--
Banco de la República de Colombia – Lending Rate	6.25	June 30, 2017	6.25	--
Banco Central de Reserva del Perú – Reference Rate	4.00	June 8, 2017	3.75	--

Banco Central de Reserva del Peru: Another rate cut is expected but the timing is uncertain. Scotia expects it to be delivered next week. Falling inflation that has returned to the upper bound of the central bank's inflation target range may be conducive to following up last month's rate cut with another one.

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	7.00	July 20, 2017	7.00	--

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

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Fixed Income Strategy (London, Paris)

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