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Next Week's Risk Dashboard

- ▶ BoC
- ▶ US CPI, retail sales
- ▶ Yellen's testimony
- ▶ Fed-speak
- ▶ US Q2 earnings
- ▶ Chinese CPI, trade, financing
- ▶ Other CBs: Chile, Peru, BoK, Negara
- ▶ CDN housing
- ▶ Other US macro
- ▶ Indian CPI
- ▶ UK jobs, BoE surveys
- ▶ Norway's CPI

Chart of the Week

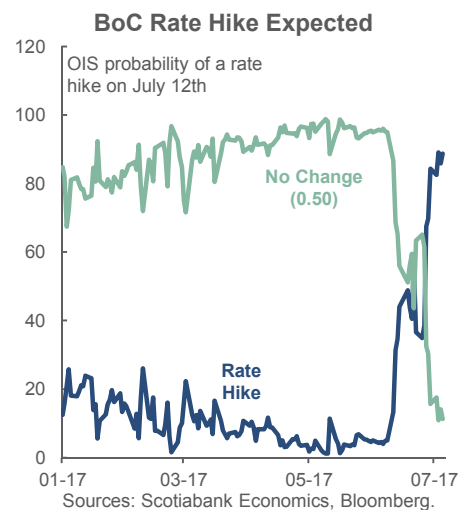


Chart of the Week: Prepared by: Samantha Cameron, Research Assistant.

How To Guide Without Admitting It

CANADA — HIKE, THEN WHAT?

The coming week will be all about unanswered questions in Wednesday's Bank of Canada policy decision and communications. Against the backdrop of a very sudden repricing of the currency and borrowing costs, Governor Poloz's answers—or possibly lack thereof—will help determine whether this is the start of a hiking cycle with dovish initial guidance relative to what's already priced (chart 1), on-the-mark with current pricing, or with hawkish guidance that drives further CAD appreciation and higher short-term rates. I think their policy signals lean toward a moderately hawkish hike but there is rarely a whole lot of conviction in forecasting the BoC's often volatile communications. For a central bank that is loathe to provide forward guidance, it will have to do so to some extent at least whether expressed or implied with the difference being between six- and one-half dozen.

Please see page 5 for a fuller preview of the Bank of Canada statement and Monetary Policy Report on Wednesday (10amET) and the ensuing press conference at 11:15amET. We expect a 25bps hike. While the bias is uncertain for a central bank that under present leadership almost prides itself on not providing any or, at times, abruptly shifting its communications, **our forecast is that this is about more than just taking back the two rate cuts in 2015** that were of debateable usefulness outside of heating up housing even further. If the central bank is sensitive to what it communicates to markets, then Poloz's recent remark that inflation will be "well into an uptrend" in 2018H1 is a hawkish cue that speaks to more than just removing the two cuts in 2015. So far, we are expressing that risk fairly gently in the face of ongoing risks facing the outlook with three hikes forecast between now and 2018Q1.

Housing data will be the other focus for the week. Housing starts for June land on Tuesday, the Teranet repeat-sales house price metric arrives Wednesday for the same month, and Statistics Canada's new house price index for May arrives Thursday. Canada conducts a three year auction on Thursday.

UNITED STATES — THE FED VERSUS DATA

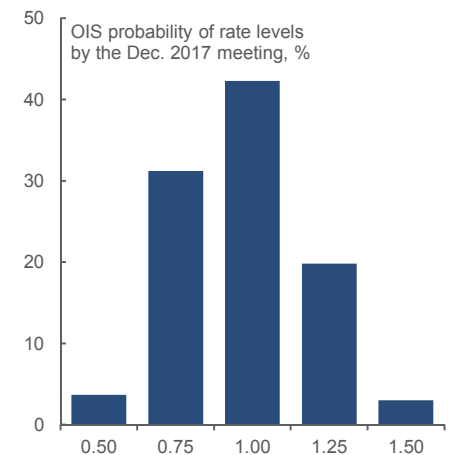
Two main data risks, Fed speak and the unofficial start of the Q2 earnings season for financials will shape the broad tone of US markets over the coming week. Most of the action will have to wait until Friday to unfold.

Fed speak will once again factor into the picture. With the semi-annual Monetary Policy Report having already been released before then (and pending as this is printed) it is somewhat less likely than normal that Chair Yellen's accompanying testimonies to both chambers of Congress on Wednesday and Thursday will carry surprises, although the opening remarks and Q&A can often be where the risk lies. Governor Brainard speaks on Tuesday about normalizing central banks' balance sheets. Regional Presidents Evans (voting), Kaplan (voting), Williams (alternate) and George (nonvoting) will also speak. The Fed releases its Beige Book of regional economic conditions and anecdotes on Wednesday.

CPI will be a June update on Friday and a further decline in year-ago terms is expected. Gas prices fell 2% m/m in June and will exert some downward pressure upon headline inflation (chart 2). The large year-ago percentage gains in gasoline prices are behind us as they were being compared to the move toward cheap gas at US\$1.70 a gallon on average over a year ago. If just base effects are relied upon, headline CPI could drop from 1.9% all the way down to 1.5% y/y and core CPI would dip from 1.7% y/y to 1.6% y/y. Given normal seasonal patterns and limited price-tracking information, I figure about a 1.6–1.7% y/y headline CPI rate and core CPI inflation at about 1.7% y/y with frankly similar risks attached to a slightly stronger and slightly weaker core CPI rate. That

Chart 1

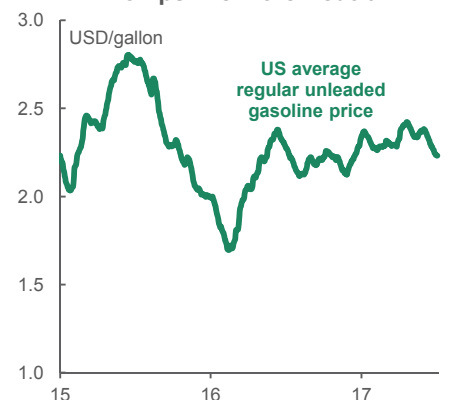
Less Than Two BoC Hikes Priced



Sources: Scotiabank Economics, Bloomberg.

Chart 2

Gasoline's Year-Ago Comps Are More Neutral



Sources: Scotiabank Economics, American Automobile Association, Bloomberg.

doesn't mean downside risks for core CPI are over as we'll need decent and sustained monthly gains to offset year-ago base effects going forward.

Headline retail sales during June will be released at the same time as CPI and could come in soft. Vehicle sales fell 1% m/m in volume terms and in dollar terms carry about a 20% weight. Gas prices fell 2% m/m with an 8% value weighting. Combined, they result in a weighted 0.35% drop in headline sales assuming flat vehicle prices and flat gasoline volumes. Assuming a 0.2% rise in sales ex-autos and gas with a weight of just over 70% after they were flat the prior month, headline sales could come in 0.2% lower. A flat to slightly lower volume of retail sales is likely to be inferred from CPI and the retail report.

The Q2 earnings season unofficially kicks into higher gear as the financials begin reporting next Friday. Included among them will be JP Morgan Chase, Citigroup, Wells Fargo and PNC Financial.

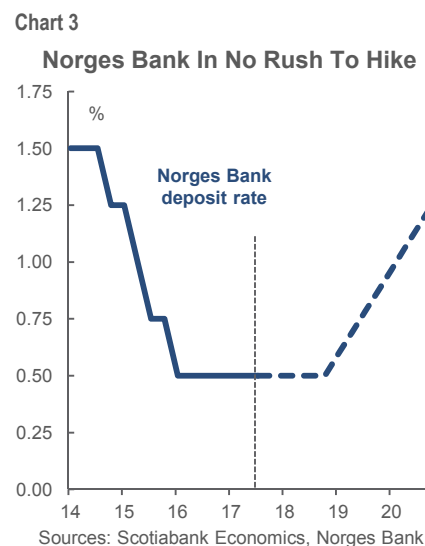
Other data risk on Friday will include a new round of consumer confidence measures with the University of Michigan's consumer sentiment gauge for July, industrial production during June that follows an upside surprise to ISM-manufacturing and real wage growth during June that has been ever-so-slightly improving over recent months but remains barely above zero. Producer prices are due out the day before.

The US Treasury auctions 3s 10s, 30s over the coming week.

EUROPE — NORGES BANK IS IN NO RUSH TO HIKE

Europe is unlikely to matter terribly much to the global market tone over the coming week by way of fresh risks to what is presently priced in. What little is expected is of the second and third tier variety of data or of purely local market consequence.

On first pass, one might think there is an interesting contrast in the bias of two central banks operating within economies that have significant resource exposure. The Bank of Canada has been in a sudden rush to move toward hiking while declaring the oil shock to be over. **Norges Bank** has also been among the bevy of central banks to suddenly begin whistling a different tune when it too argued that the oil shock was largely a thing of the past. On June 22nd, the central bank's policy communications included a revised projected rate path that no longer included a rate cut which is similar to the BoC's shift toward dropping this possibility in April and then priming markets for hikes (chart 3). Norway's CPI inflation rate was 2.1% y/y in May and core inflation was 1.6% and so, with both measures beneath the 2.5% inflation target, June's CPI update on Monday may help to inform timing of the future rate path. That's where the similarities end; the BoC doesn't formally guide rate predictions but has shifted to sounding as if hikes are coming soon while Norges Bank—which does formally project its policy rate—doesn't forecast hikes until 2020. What gives? One consideration is that Norway's economy is considerably more resource-dependent than Canada's. Oil and natural gas make up 47% of Norway's exports, but under 20% of Canadian exports in a more diversified economy. As other parts of Canada's economy have improved, they have played a larger role than the ex-energy sector in Norway. Further, the IMF still estimates a Norwegian output gap of just over 1% of potential output which considerably exceeds the IMF's last estimate for Canada's output gap.



Can the upward trend in UK employment gains that has been in place since the end of last year be maintained in May's reading on Wednesday? The Bank of England's pair of quarterly surveys will be updated on Thursday including its Credit Conditions Survey and Bank Liabilities Survey. Prior Q1 editions ([here](#) and [here](#)) indicated broadly unchanged supply of credit to households and corporations in Q1 but credit to households was expected to increase in Q2 through secured loans and for this to be driven by lenders' market share objectives.

The Eurozone industrial production add-up for May arrives Wednesday, while trade figures will arrive on Friday. In both cases, individual country estimates will arrive beforehand.

LATIN AMERICA — POLICY DIVERGENCE FAVOURS NEW SOL

A pair of central bank policy decisions next Thursday will be the main focal points by way of domestic market risks in the LatAm space independent of global factors. From a 4% policy rate, Peru is thought to have more room and more of a case to ease than Chile where the policy rate sits at 2.5%.

Peru's latest inflation print supports further easing. The June CPI report fell from 3% y/y to 2.7% y/y and is therefore now inside the central bank's 2% +/-1% inflation target range. In mid-June, central bank President Velarde stated "Yes, there is opportunity to lower the interest rate. It is simply a matter of looking for the right time to do it." Peru is in a definite soft patch for growth. After peaking at 4.6% in 2015Q4, growth has steadily declined to 2.1% in Q1. This deceleration recently prompted the opposite leader to demand a meeting with President Kuczynski to discuss a flood reconstruction plan following massive flooding this year and to rein in corruption. A dip in inflation may just provide the cover for going ahead with another cut set against this backdrop.

Chile's inflation reading is expected to decline to 2% in a pending update as this publication goes to print. That would carry inflation back down toward the lower end of the 3% +/-1% inflation target. That might be thought to motivate further easing expectations by Banco Central de Chile next Thursday but recently published minutes to the last meeting suggest that a transitory soft patch for inflation readings is expected over the next couple of months before rising back to 3% next year and that growth is performing in line with the central bank's expectations. **If soft inflation is expected and growth is in line with expectations then the central bank could well stay on hold.**

Relative to one another, policy divergence could therefore continue to favour Peru's new sol currency over the Chilean peso (chart 4).

Mexico releases industrial production for May (Wednesday), Brazil updates retail sales (Wednesday) and Argentina publishes another CPI report for June (Tuesday).

ASIA — NO INFLATION HERE

A pair of inflation reports from two of Asia's biggest economies and a pair of regional central bank policy decisions should keep the rates and FX complexes abuzz with activity on relative trades over the coming week.

Both China (Monday) and India (Wednesday) issue CPI estimates for June, and inflation will be on the minds of policymakers who issue fresh decisions at the Bank of Korea (Thursday) and Bank Negara Malaysia (Thursday). The post-Global Financial Crisis environment has crushed inflation across major Asian economies (chart 5). While China's CPI inflation rate appears to have been bottoming, India's continues to decline and both readings remain low. Reflation evidence has been extraordinarily tough to come by across major markets worldwide despite efforts by central bankers to talk it up.

Bank of Korea is not expected to alter its policy rate path next week or over the coming year for that matter. Inflation is running at 1.9% y/y and core CPI is a half point softer. With an inflation target of 2% and geopolitical risks on its very border, this is no central bank looking to hike rates any time soon.

The case for Bank Negara is somewhat similar. Inflation is not threatening a central bank that has not altered its policy target for a year notwithstanding the absence of a formal inflation target and having more to do with concerns over currency risks and inflation pass-through effects.

China also releases foreign direct investment figures at some point soon (on no fixed schedule) and ditto for aggregate financing figures. Export figures will become available by mid-week.

Sundry other releases will include industrial output from India and Malaysia and trade figures from the Philippines.

Chart 4 Policy Divergence Favours the New Sol

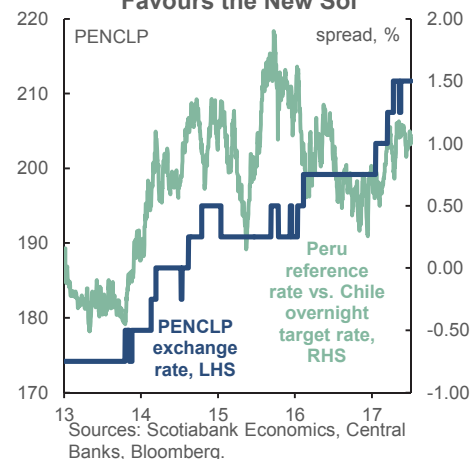
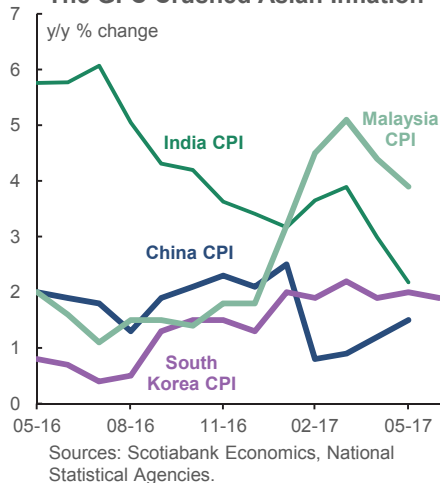


Chart 5

The GFC Crushed Asian Inflation



Feature Article

BoC Preview: Guidance Required

As Governor Poloz moves into his first experience leading a hiking cycle, the privilege to date of bouncing along a rate bottom that afforded the luxury of being loathe to provide forward guidance will be pressured to transition toward more sophisticated central bank communications with markets whether expressed or implied. The speed of market adjustments with two year yields up 40bps and the C\$ up 5 cents versus the USD since just before the Wilkins speech on June 12th is a sign of a rate tantrum by markets that were caught flat-footed by the BoC's desire to suddenly spring a surprise and wondering where to next. Further surprises would not be welcomed by either markets or—more importantly—households and businesses. The risk of more such market action to come through a further pile-on into a modest market requires some handholding.

With our expected hike next week largely baked into markets, the greater question mark is whether the BoC is speaking to a script that simply implies taking back the insurance provided through two rate cuts in 2015—or going further than that. The case for simply sterilizing the two prior cuts and flat-lining for a period of time at an overnight rate of 1% may be rooted in Poloz's references to: a) how those cuts have done their job (even if they only heated up housing), and b) that the oil shock's effects are over—to imply just removing oil-related emergency stimulus. That may be the safe thing for Poloz to do.

But the case for raising rates by more than the consensus call for 50bps in hikes and by perhaps more than the markets have priced is the direction toward which Scotia Economics continues to lean. Whether that guidance arrives next week or in subsequent meetings is uncertain given how quickly the BoC's reaction function has changed and uncertainty over data-dependent arguments going forward. Note that OIS markets have priced two hikes by the end of this year and have not priced most of a third hike until Q3 of next year. Our house forecast is for three hikes (July, October and 2018Q1) before flat-lining. That is as aggressive as we are prepared to go in our print forecast at this point, but **we judge the risk to our rate forecast through to the end of 2018 as more skewed toward greater than three hikes rather than fewer** and with that the risk to the curve and CAD remains greater in our view over time than is currently priced. As previously argued, if we let our Scotiabank Global Macroeconomic Model speak unfiltered through reliance upon an output gap and augmented Phillips curve approach, then a full 100bps of tightening is recommended by the end of 2018 that would leave the policy rate at a still-low 1.5%. Chart 2 shows our inflation forecast using the augmented Phillips curve model.

Canada has already closed spare capacity by the BoC's traditional or "extended multivariate" output gap definition and the average of this measure and its newer "integrated framework" output gap is expected to shut later this year. If that happens, then 2018 could well bring about Poloz's recent guidance that inflation should be "well into an uptrend" by 2018H1. So should wage pressures given tightening markets, evidence of a recent bottoming, and big minimum wage hikes by Ontario and Alberta. Given monetary policy lags, it's plausible that the central bank already views itself as on-the-mark at best, if not slightly behind the inflation curve through maintaining emergency levels of stimulus just 6-12 months ahead of Poloz's inflation guidance.

Several risks are overstated. CAD is one ([here](#)). NAFTA has not been torn up. A border tax is D.O.A. An imported bond shock on deficit-financed US stimulus has not occurred. Soft present core inflation is less of a caution at the BoC's emergency rates than at the Fed which is up 100bps. There is more evidence that exports and investment can fill in for housing. Toronto housing is stumbling, but this is likely temporary while Vancouver is on the mend and elsewhere is resilient (chart 3). And job gains support consumers.

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Chart 1

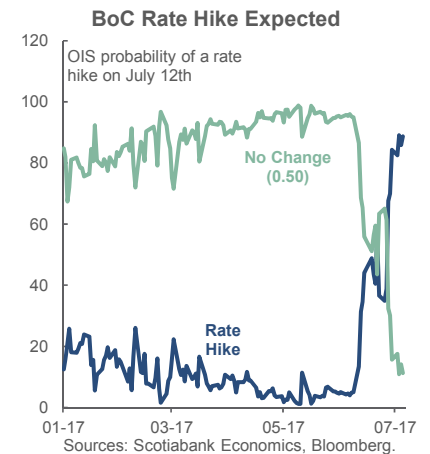


Chart 2

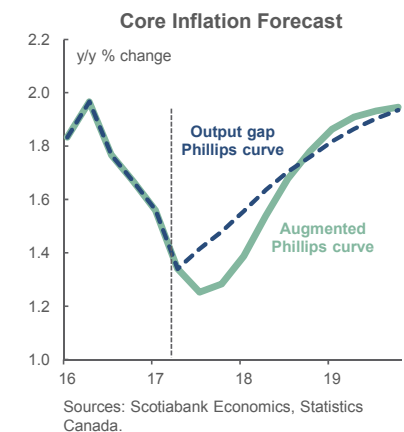
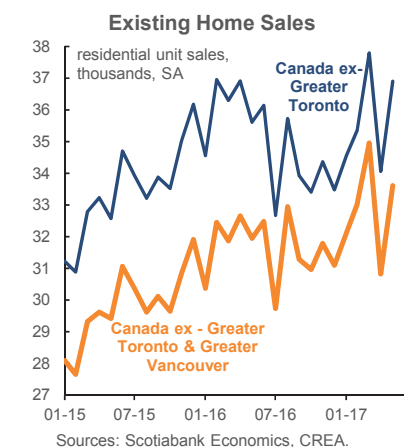


Chart 3



Key Indicators for the week of July 10 – 14

NORTH AMERICA

| Country | Date | Time | Indicator | Period | BNS | Consensus | Latest |
|---------|-------|-------|---|---------------|-------------|-------------|-------------|
| US | 07/10 | 15:00 | Consumer Credit (US\$ bn m/m) | May | -- | 15.0 | 8.2 |
| CA | 07/11 | 08:15 | Housing Starts (000s a.r.) | Jun | 200 | -- | 195 |
| US | 07/11 | 10:00 | JOLTS Job Openings (000s) | May | -- | -- | 6044.0 |
| US | 07/11 | 10:00 | Wholesale Inventories (m/m) | May F | -- | 0.3 | 0.3 |
| CA | 07/12 | 08:30 | Teranet - National Bank HPI (y/y) | Jun | -- | -- | 13.9 |
| MX | 07/12 | 09:00 | Industrial Production (y/y) | May | 0.7 | -- | -4.4 |
| CA | 07/12 | 10:00 | BoC Interest Rate Announcement (%) | Jul 12 | 0.75 | 0.75 | 0.50 |
| US | 07/13 | 07:00 | MBA Mortgage Applications (w/w) | JUL 8 | -- | -- | 1.4 |
| CA | 07/13 | 08:30 | New Housing Price Index (m/m) | May | -- | -- | 0.8 |
| US | 07/13 | 08:30 | Initial Jobless Claims (000s) | JUL 8 | 245 | -- | 248 |
| US | 07/13 | 08:30 | Continuing Claims (000s) | JUL 1 | 1950 | -- | 1956 |
| US | 07/13 | 08:30 | PPI (m/m) | Jun | 0.0 | 0.0 | 0.0 |
| US | 07/13 | 08:30 | PPI ex. Food & Energy (m/m) | Jun | 0.2 | 0.1 | 0.3 |
| US | 07/13 | 14:00 | Treasury Budget (US\$ bn) | Jun | -- | -- | -88.4 |
| US | 07/14 | 08:30 | CPI (m/m) | Jun | 0.1 | 0.1 | -0.1 |
| US | 07/14 | 08:30 | CPI (y/y) | Jun | 1.7 | -- | 1.9 |
| US | 07/14 | 08:30 | CPI (index) | Jun | -- | -- | 244.7 |
| US | 07/14 | 08:30 | CPI ex. Food & Energy (m/m) | Jun | 0.1 | 0.2 | 0.1 |
| US | 07/14 | 08:30 | CPI ex. Food & Energy (y/y) | Jun | 1.7 | -- | 1.7 |
| US | 07/14 | 08:30 | Retail Sales (m/m) | Jun | -0.2 | 0.1 | -0.3 |
| US | 07/14 | 08:30 | Retail Sales ex. Autos (m/m) | Jun | 0.0 | 0.2 | -0.3 |
| US | 07/14 | 09:15 | Capacity Utilization (%) | Jun | 76.8 | 76.7 | 76.6 |
| US | 07/14 | 09:15 | Industrial Production (m/m) | Jun | 0.4 | 0.3 | 0.0 |
| US | 07/14 | 10:00 | Business Inventories (m/m) | May | -- | 0.3 | -0.2 |
| US | 07/14 | 10:00 | U. of Michigan Consumer Sentiment | Jul P | 94.5 | -- | 95.1 |

EUROPE

| Country | Date | Time | Indicator | Period | BNS | Consensus | Latest |
|---------|-------|-------|--|--------|-----|-----------|--------|
| GE | 07/10 | 02:00 | Current Account (€ bn) | May | -- | -- | 15.1 |
| GE | 07/10 | 02:00 | Trade Balance (€ bn) | May | -- | -- | 18.1 |
| IT | 07/11 | 04:00 | Industrial Production (m/m) | May | -- | -- | -0.4 |
| UK | 07/12 | 04:30 | Average Weekly Earnings (3-month, y/y) | May | -- | 1.8 | 2.1 |
| UK | 07/12 | 04:30 | Employment Change (3M/3M, 000s) | May | -- | 130.0 | 109.0 |
| UK | 07/12 | 04:30 | Jobless Claims Change (000s) | Jun | -- | -- | 7.3 |
| UK | 07/12 | 04:30 | ILO Unemployment Rate (%) | May | -- | 4.6 | 4.6 |
| EC | 07/12 | 05:00 | Industrial Production (m/m) | May | -- | -- | 0.5 |
| EC | 07/12 | 05:00 | Industrial Production (y/y) | May | -- | -- | 1.4 |
| GE | 07/13 | 02:00 | CPI (m/m) | Jun F | -- | -- | 0.2 |
| GE | 07/13 | 02:00 | CPI (y/y) | Jun F | -- | -- | 1.6 |
| GE | 07/13 | 02:00 | CPI - EU Harmonized (m/m) | Jun F | -- | -- | 0.2 |
| GE | 07/13 | 02:00 | CPI - EU Harmonized (y/y) | Jun F | -- | -- | 1.5 |
| FR | 07/13 | 02:45 | CPI (m/m) | Jun F | -- | -- | 0.0 |
| FR | 07/13 | 02:45 | CPI (y/y) | Jun F | -- | -- | 0.7 |
| FR | 07/13 | 02:45 | CPI - EU Harmonized (m/m) | Jun F | -- | -- | 0.0 |
| FR | 07/13 | 02:45 | CPI - EU Harmonized (y/y) | Jun F | -- | -- | 0.8 |
| SP | 07/13 | 03:00 | CPI (m/m) | Jun F | -- | -- | 0.0 |
| SP | 07/13 | 03:00 | CPI (y/y) | Jun F | -- | -- | 1.5 |
| SP | 07/13 | 03:00 | CPI - EU Harmonized (m/m) | Jun F | -- | -- | 0.0 |
| SP | 07/13 | 03:00 | CPI - EU Harmonized (y/y) | Jun F | -- | -- | 1.6 |
| IT | 07/14 | 04:00 | CPI - EU Harmonized (y/y) | Jun F | -- | -- | 1.2 |
| EC | 07/14 | 05:00 | Trade Balance (€ mn) | May | -- | -- | 17.9 |
| IR | 07/14 | 06:00 | Real GDP (q/q) | 1Q | -- | -- | 2.5 |

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

Key Indicators for the week of July 10 – 14
ASIA-PACIFIC

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Indicator</u> | <u>Period</u> | <u>BNS</u> | <u>Consensus</u> | <u>Latest</u> |
|----------------|-------------|-------------|---|---------------|-------------|------------------|---------------|
| JN | 07/09 | 19:50 | Bank Lending (y/y) | Jun | -- | -- | 3.2 |
| JN | 07/09 | 19:50 | Current Account (¥ bn) | May | -- | 1863.2 | 1951.9 |
| JN | 07/09 | 19:50 | Machine Orders (m/m) | May | -- | 1.7 | -3.1 |
| JN | 07/09 | 19:50 | Trade Balance - BOP Basis (¥ bn) | May | -- | -- | 553.6 |
| CH | 07/09 | 21:30 | CPI (y/y) | Jun | 1.5 | 1.6 | 1.5 |
| CH | 07/09 | 21:30 | PPI (y/y) | Jun | -- | 5.5 | 5.5 |
| SI | JUL 09-14 | | Real GDP (y/y) | 2Q A | 2.6 | -- | 2.7 |
| CH | JUL 09-15 | | Aggregate Financing (CNY bn) | Jun | -- | 1425.0 | 1062.5 |
| CH | JUL 09-15 | | New Yuan Loans (bn) | Jun | -- | 1300.0 | 1110.0 |
| JN | 07/10 | 19:50 | Japan Money Stock M2 (y/y) | Jun | -- | 3.9 | 3.9 |
| JN | 07/10 | 19:50 | Japan Money Stock M3 (y/y) | Jun | -- | 3.4 | 3.4 |
| PH | 07/10 | 21:00 | Exports (y/y) | May | -- | -- | 12.1 |
| PH | 07/10 | 21:00 | Imports (y/y) | May | -- | -- | -0.1 |
| PH | 07/10 | 21:00 | Trade Balance (US\$ mn) | May | -- | -- | -2052.0 |
| AU | 07/10 | 21:30 | Home Loans (%) | May | -- | 1.5 | -1.9 |
| AU | 07/10 | 21:30 | Investment Lending (% change) | May | -- | -- | -2.3 |
| ID | JUL 10-11 | | Consumer Confidence Index | Jun | -- | -- | 125.9 |
| JN | 07/11 | 02:00 | Machine Tool Orders (y/y) | Jun P | -- | -- | 24.5 |
| SK | 07/11 | 19:00 | Unemployment Rate (%) | Jun | 3.6 | -- | 3.6 |
| MA | 07/12 | 00:00 | Industrial Production (y/y) | May | -- | 4.3 | 4.2 |
| JN | 07/12 | 00:30 | Tertiary Industry Index (m/m) | May | -- | -- | 1.2 |
| SI | 07/12 | 01:00 | Retail Sales (y/y) | May | -- | -- | 2.6 |
| IN | 07/12 | 08:00 | CPI (y/y) | Jun | 2.0 | -- | 2.2 |
| IN | 07/12 | 08:00 | Industrial Production (y/y) | May | -- | -- | 3.10 |
| NZ | 07/12 | 21:00 | ANZ Consumer Confidence Index | Jul | -- | -- | 127.8 |
| CH | JUL 12-13 | | Exports (y/y) | Jun | -- | 9.0 | 8.7 |
| CH | JUL 12-13 | | Imports (y/y) | Jun | -- | 14.0 | 14.8 |
| CH | JUL 12-13 | | Trade Balance (USD bn) | Jun | -- | 43.0 | 40.8 |
| SK | JUL 12-13 | | BoK Base Rate (%) | Jul 13 | 1.25 | -- | 1.25 |
| MA | 07/13 | 03:00 | Overnight Rate (%) | Jul 13 | 3.00 | 3.00 | 3.00 |
| NZ | 07/13 | 18:30 | Business NZ PMI | Jun | -- | -- | 58.5 |
| IN | JUL 13-17 | | Exports (y/y) | Jun | -- | -- | 8.3 |
| IN | JUL 13-17 | | Imports (y/y) | Jun | -- | -- | 33.1 |
| JN | JUL 13-20 | | Nationwide Department Store Sales (y/y) | Jun | -- | -- | 0.0 |
| JN | 07/14 | 00:30 | Capacity Utilization (m/m) | May | -- | -- | 4.3 |
| JN | 07/14 | 00:30 | Industrial Production (y/y) | May F | 6.8 | -- | 6.8 |
| IN | 07/14 | 02:30 | Monthly Wholesale Prices (y/y) | Jun | -- | -- | 2.2 |

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> |
|----------------|-------------|-------------|--|---------------|-------------|------------------|---------------|
| PE | 07/10 | | Trade Balance (USD mn) | May | -- | -- | 26.4 |
| BZ | 07/12 | 08:00 | Retail Sales (m/m) | May | -- | -- | 1.0 |
| BZ | 07/12 | 08:00 | Retail Sales (y/y) | May | -- | -- | 1.9 |
| CL | 07/13 | 18:00 | Nominal Overnight Rate Target (%) | Jul 13 | 2.50 | 2.50 | 2.50 |
| PE | 07/13 | 19:00 | Reference Rate (%) | Jul 13 | 3.75 | -- | 4.00 |
| BZ | 07/14 | 07:30 | Economic Activity Index SA (m/m) | May | -- | -- | 0.3 |
| BZ | 07/14 | 07:30 | Economic Activity Index NSA (y/y) | May | -- | -- | -1.8 |
| PE | 07/14 | | Economic Activity Index NSA (y/y) | May | 2.5 | -- | 0.2 |

Global Auctions for the week of July 10 – 14

NORTH AMERICA

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Event</u> |
|----------------|-------------|-------------|--------------------------------------|
| US | 07/11 | 13:00 | U.S. to Sell 3-Year Notes |
| US | 07/12 | 13:00 | U.S. to Sell 10-Year Notes Reopening |
| US | 07/13 | 11:30 | U.S. to Sell 30-Year Bonds Reopening |
| CA | 07/13 | 12:00 | Canada to Sell 3-Year Bonds |

EUROPE

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Event</u> |
|----------------|-------------|-------------|--------------------------------------|
| NE | 07/11 | 05:30 | Netherlands to Sell 2.75% 2047 Bonds |
| SZ | 07/12 | 05:15 | Switzerland to Sell Bonds |
| GE | 07/12 | 05:30 | Germany to Sell EUR5 Bln 2027 Bonds |
| IT | 07/13 | 05:00 | Italy to Sell Bonds |
| IR | 07/13 | 05:10 | Ireland to Sell Bonds |
| IR | 07/13 | 05:30 | Ireland to Sell Bonds |

ASIA-PACIFIC

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Event</u> |
|----------------|-------------|-------------|--|
| CH | 07/09 | 21:30 | Beijing to Sell General Bonds |
| CH | 07/09 | 23:00 | China Plans to Sell Saving Bonds |
| CH | 07/10 | 02:00 | Guangxi to Sell Special Bonds |
| AU | 07/10 | 21:00 | Australia Plans to Sell I/L Bonds |
| JN | 07/10 | 23:45 | Japan to Sell 5-Year Bonds |
| CH | 07/11 | 02:00 | Jiangsu to Sell General Bonds |
| CH | 07/11 | 03:00 | Jiangsu to Sell Special Bonds |
| CH | 07/11 | 23:00 | China Plans to Sell 5-Year Government Bond |
| NZ | 07/12 | 22:05 | New Zealand Plans to Sell NZD100 Mln 2.5% 2040 I/L Bonds |
| JN | 07/12 | 23:45 | Japan to Sell 20-Year Bonds |

LATIN AMERICA

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Event</u> |
|----------------|-------------|-------------|--------------------------|
| BZ | 07/11 | 11:00 | Brazil to Sell I/L Bonds |

Events for the week of July 10 – 14

NORTH AMERICA

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Event</u> |
|----------------|-------------|-------------|--|
| US | 07/10 | 23:05 | Fed's Williams Speaks in Sydney |
| US | 07/11 | 12:00 | Fed's Brainard Speaks in New York |
| US | 07/12 | 08:30 | Fed Releases Chair Yellen's testimony to Congress |
| CA | 07/12 | 10:00 | Bank of Canada Rate Decision |
| CA | 07/12 | 10:00 | Bank of Canada Releases July Monetary Policy Report |
| US | 07/12 | 10:00 | Yellen to Appear Before U.S. House Panel |
| CA | 07/12 | 11:15 | BoC's Poloz and Wilkins Hold Press Conference in Ottawa |
| US | 07/12 | 14:00 | U.S. Federal Reserve Releases Beige Book |
| US | 07/12 | 14:15 | Fed's George Speaks in Denver on the Economic Outlook |
| US | 07/13 | 10:00 | Fed Chair Yellen Testifies Before Senate Banking Panel |
| US | 07/13 | 11:30 | Fed's Evans Speaks at Rocky Mountain Summit in Victor, Idaho |
| US | 07/14 | 09:30 | Fed's Kaplan Speaks in Mexico City |

EUROPE

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Event</u> |
|----------------|-------------|-------------|---|
| GE | JUL 07-08 | | Germany Hosts G-20 Summit in Hamburg |
| UK | 07/08 | 05:45 | BOE Official Jon Cunliffe Speaks in Aix-en-Provence, France |
| SW | 07/08 | 09:30 | Riksbank's Skingsley Speech in France |
| SW | 07/08 | 00:00 | Swedish PM Meets Japan PM in Stockholm |
| EC | 07/09 | 06:00 | ECB's Coeure Speaks in Aix-en-Provence |
| GE | 07/09 | 12:30 | ARD Interviews Left Leader Riexinger |
| PO | 07/10 | 06:00 | Portugal Reports International Trade Figures for May |
| PO | 07/10 | 06:00 | Portugal Releases Construction Output, Employment Report |
| IT | 07/11 | 05:00 | Bank of Italy Publishes Monthly Report 'Money and Banks' |
| PO | 07/11 | | Bank of Portugal Releases Data on Banks |
| IT | 07/12 | 04:00 | Governor Visco, Fin. Min. Padoan at Banking Association Event |
| GE | 07/13 | | Merkel, Macron Hold Joint Cabinet Meeting in Paris |
| AS | 07/14 | 04:00 | ECB's Nowotny presents Austrian Financial Stability Report |
| IT | 07/14 | 09:00 | Bank of Italy Releases the Quarterly Economic Bulletin |
| IT | 07/14 | | Italy Sovereign Debt to be rated by DBRS |

ASIA-PACIFIC

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Event</u> |
|----------------|-------------|-------------|---|
| JN | 07/09 | 20:30 | BOJ Kuroda speaks at Branch Managers' meeting |
| SK | 07/12 | 00:00 | BoK 7-Day Repo Rate |
| MA | 07/13 | 03:00 | BNM Overnight Policy Rate |

LATIN AMERICA

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Event</u> |
|----------------|-------------|-------------|----------------------------------|
| CL | 07/13 | 18:00 | Overnight Rate Target |
| PE | 07/13 | 19:00 | Reference Rate |
| CO | 07/14 | 14:00 | Colombia Monetary Policy Minutes |

Global Central Bank Watch

| <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 | 0.75 | 0.75 |
| Federal Reserve – Federal Funds Target Rate | 1.25 | July 26, 2017 | 1.25 | 1.25 |
| Banco de México – Overnight Rate | 7.00 | August 10, 2017 | 7.00 | -- |

Bank of Canada: Scotia forecasts a hike of 25bps and guidance either expressed or implied that would support the beginning of a modest rate hike cycle. We forecast 75bps in hikes by Q1 which is richer than present market pricing. Please see the preview of the meeting on page 5.

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 | July 20, 2017 | 0.00 | -- |
| Bank of England – Bank Rate | 0.25 | August 3, 2017 | 0.25 | -- |
| Swiss National Bank – Libor Target Rate | -0.75 | September 14, 2017 | -0.75 | -- |
| Central Bank of Russia – One-Week Auction Rate | 9.00 | July 28, 2017 | 9.00 | 8.75 |
| Sweden Riksbank – Repo Rate | -0.50 | September 7, 2017 | -0.50 | -- |
| Norges Bank – Deposit Rate | 0.50 | September 21, 2017 | 0.50 | -- |
| Central Bank of Turkey – Benchmark Repo Rate | 8.00 | July 27, 2017 | -- | -- |

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 | July 20, 2017 | -0.10 | -- |
| Reserve Bank of Australia – Cash Target Rate | 1.50 | August 1, 2017 | 1.50 | 1.50 |
| Reserve Bank of New Zealand – Cash Rate | 1.75 | August 9, 2017 | 1.75 | 1.75 |
| People's Bank of China – Lending Rate | 4.35 | TBA | -- | -- |
| Reserve Bank of India – Repo Rate | 6.25 | August 2, 2017 | 6.25 | -- |
| Bank of Korea – Bank Rate | 1.25 | July 13, 2017 | 1.25 | -- |
| Bank of Thailand – Repo Rate | 1.50 | August 16, 2017 | 1.50 | 1.50 |
| Bank Negara Malaysia – Overnight Policy Rate | 3.00 | July 13, 2017 | 3.00 | 3.00 |
| Bank Indonesia – 7-Day Reverse Repo Rate | 4.75 | July 20, 2017 | 4.75 | -- |

Bank of Korea (BoK): South Korean monetary authorities will meet on July 13. We expect the BoK to leave the benchmark Bank Rate at the current level of 1.25%. We maintain our long-held view that a cautious monetary tightening phase will likely commence in the second quarter of 2018. Inflation remains contained: the headline inflation rate has been hovering near 2% y/y so far this year (1.9% y/y in June), while core inflation remains slightly below 1.5% y/y.

Bank Negara Malaysia: the Malaysian central bank will hold a policy meeting on July 13. We expect it to leave the Overnight Policy Rate unchanged at 3.0% over the coming quarters. Inflation eased to 3.9% y/y in May from 5.1% in March and monetary authorities expect further moderation in the near term.

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 | July 13, 2017 | 2.50 | 2.50 |
| Banco de la República de Colombia – Lending Rate | 5.75 | July 21, 2017 | 5.50 | -- |
| Banco Central de Reserva del Perú – Reference Rate | 4.00 | July 13, 2017 | 3.75 | -- |

Banco Central de Reserva del Perú: Scotia forecasts a 25bps reduction as inflation has fallen back to within the target range allowing the central bank to focus upon soft growth.

Banco Central de Chile: We don't expect any policy rate change at this meeting. Inflation continues to ebb but the central bank has guided markets to look through it as inflation and growth are roughly in line with policymakers' expectations.

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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