

THE BoC's HOMESTRETCH

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CONTACTS

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

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Chart of the Week

López Obrador the Odds-on Favourite

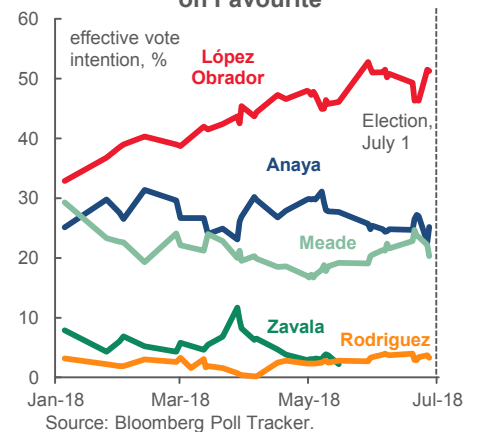


Chart of the Week: Prepared by: Sam Fraser, Research Analyst.

The BoC's Homestretch

CANADA—JOBS AND TRADE LIKELY DON'T MATTER AT THIS STAGE

A holiday-shortened week starts off with markets shut on Monday for the Canada Day holiday and it will take until the end of next week for the domestic calendar to heat up. Along that path, Canadian markets are likely to be dead quiet when the US heads out for Independence Day on Wednesday. **Jobs and trade will be the focus on Friday.** The impact upon relative rates and USDCAD will be at least as subject to simultaneous US data risk through nonfarm payrolls. Relative trade account updates are likely to favour the US but conviction on how relative jobs and wages impact USDCAD and relative rates is modest.

After a wild ride in pricing odds of a BoC hike on July 11th (chart 1), it would take big changes to one or both reports in order to raise risks to what the BoC's Governing Council would otherwise do on July 11th. In fact, I'd argue that it's very unlikely the data will matter to the BoC one bit. Recall that at his recent press conference following his speech ([here](#)), Governor Poloz emphasized how "hundreds of data points" are relied upon and not just a handful, that the broad "underlying narrative is correct" as laid out in the April MPR "which is quite reassuring" and against this bigger picture "the little picture is the bumps and wiggles" and "we don't set monetary policy on the basis of those single data points." The strong message to the markets is that data hits and misses that accumulate over time will be taken into consideration but that thus far there has been no material deviation from the BoC's broad narrative regarding the outlook and policy directions. Even had GDP ([here](#)) and the BoC's Business Outlook Survey ([here](#)) not turned out to be as supportive of hikes, the Governor's guidance on nearer term developments leans toward discounting them.

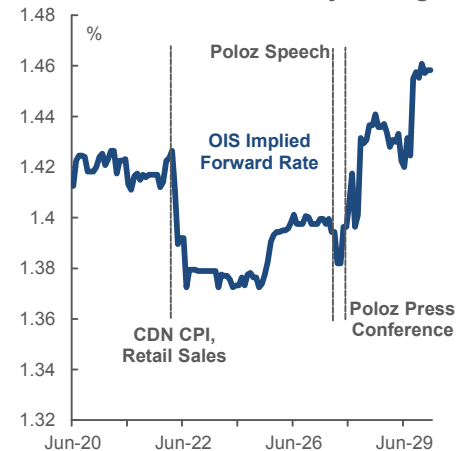
After Friday, the only additional information before the BoC decision will be housing starts and that is hardly a potential swing variable at the best of times. The broad story I've been explaining to clients for quite some time including meetings this week and a swing through western Canadian accounts last week has not changed one bit with two hikes forecast over the remainder of this year including July's and then three more next year. That is the firm's house view.

Canada's trade deficit will probably widen when May's figures arrive on Friday.

A partial clue arrived with the advance release of the US merchandise trade deficit ahead of the complete US data next Friday. As chart 2 depicts, the narrowing of the US trade deficit in June that came through a pick-up in US export growth while US imports were little changed may connote a wider Canadian trade deficit during the month. That's not assured, at least in part because the general correlation between the measures is rather volatile and since the advance US release does not provide a country-by-country breakdown and so we don't know to what degree the narrower US trade deficit mirrors the US-Canadian bilateral relationship that month. Regardless, a possibly wider Canadian trade deficit wouldn't necessarily be a bad development given how strong the trade numbers were in April. During April, Canada's trade deficit sharply narrowed as export growth was strong for the third consecutive month while imports fell for the first time in three months. It is fairly apparent that export volumes have been on an improving trend (chart 3).

Chart 1

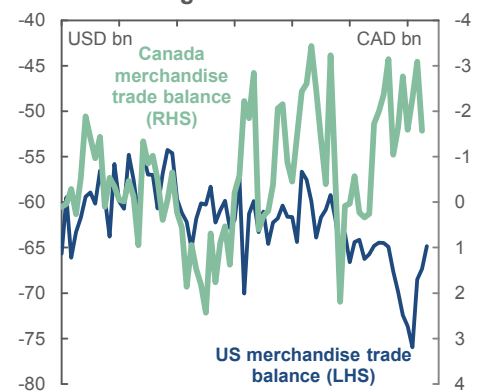
A Wild Ride for BoC July Pricing



Sources: Scotiabank Economics, Bloomberg.

Chart 2

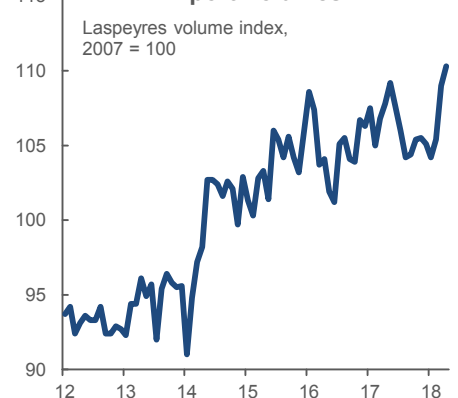
Narrowing US Trade Deficit = Widening Canadian Deficit?



Sources: Scotiabank Economics, Statistics Canada, Census Bureau.

Chart 3

Recently Improving Export Volumes



Sources: Scotiabank Economics, Statistics Canada.

Unfortunately, export figures for June and especially July if not longer are likely to be harshly affected by the Syncrude oilsands facility's outage that is likely to last for at least a month and quite possibly longer. This kind of disruption, however, would be looked through by a central bank because of its transitory nature. Chart 4 represents the efforts of Nikita Perevalov and Rory Johnston to estimate the impact of the Syncrude disruption on GDP growth and the bottom line is that it punts activity out of one quarter into the next in intertemporal fashion. There is significant scope for disrupting industrial and export figures as this effect works through, at least partially mitigated by the potential for other producers to backfill the negative supply shock partly given existing pipeline constraints.

The Labour Force Survey for June arrives at the same time on Friday as the trade figures. I'm guesstimating about a 20k rise in jobs that is slightly above the long-run average. Job growth has performed better to date this year than the headline may imply. A key reason for this is that employment creation excluding the self-employed has been up for four straight months (chart 5). A lot of self-employed jobs are extremely valuable in the economy, but it is possible that strength in payroll employment and wage gains are pulling the self-declared self-employment category of workers back into the workforce. Plus there is always the self-disclosure data quality issue surrounding reported changes in self-employment. Regardless, the issue concerns whether wage growth will remain strong and possibly accelerate further. The wage figure in LFS is no longer the BoC's preferred gauge but it has been rising rapidly this year and sat a tick beneath 4% y/y in May, or getting closer to 2% in real terms. I think it could cross 4% y/y next week. The alternative wage figure from the Survey of Employment, Payrolls and Hours (SEPH) lags behind with April data and is much more volatile, but its latest print decelerated to about 2½ y/y. The BoC's use of the wage common metric is methodologically more skewed toward the SEPH wage measure but on a smoothed basis and the freshness angle continues to favour LFS.

On a separate note, I'm tossing in chart 6 for an added bonus. Not that it speaks to anything per se on the calendar next week but it does address appetite for Canada as a destination for foreign direct investment. Canada has continued to do quite well.

Canada auctions \$3 billion of 5 year bonds on Thursday after the US holiday.

EUROPE—FOOTBALL ISN'T THE ONLY DISAPPOINTMENT

German industrial data and updated guidance from Sweden's central bank will be the main focal points over the coming week.

Germany hopes to do better on the economic scorecard next week. It's good to have hope. Unfortunately, there is room for ongoing disappointment when factory orders (Thursday) and industrial production (Friday) will be released (chart 7). Recall that factory orders fell 2½% m/m in April and have fallen every month this year by a cumulative but non-annualized 7% since December. That sets order levels back to July as they have unwound all of the 2017H2 optimism. Also recall that German industrial output fell 1% m/m in April and has fallen in two of the four months this year to date. **What may work against hopes for improvement in both readings is the fact that fresh survey-based data continues to go against Germany's industrial sector into June.** The German manufacturing PMI dipped again in June and has been sliding throughout this year while the IFO business confidence metric has been doing likewise (chart 8).

Chart 4

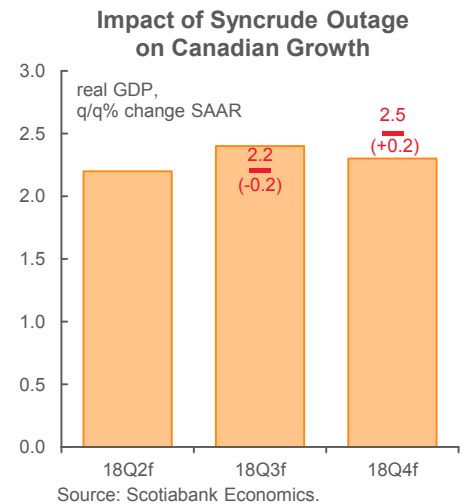


Chart 5

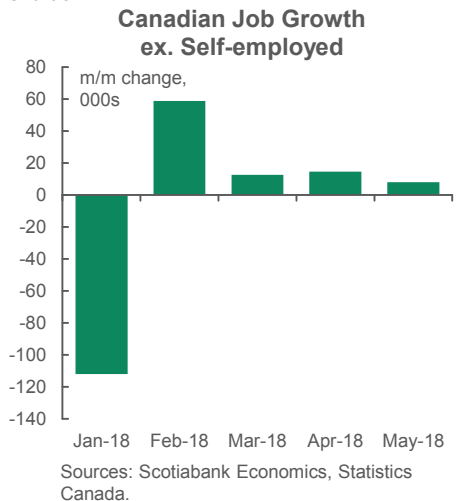
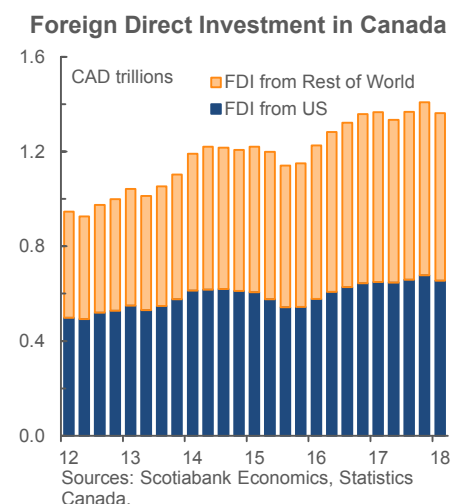


Chart 6



Sweden's central bank is expected to remain on hold next Tuesday and will probably continue to guide that rate hikes lie a fair distance away even if the World Cup may not. Inflation recently increased to just above the 2% target at 2.1%, but inflation excluding energy rests at 1.5% y/y. Higher oil prices and currency depreciation may continue to put mild upward pressure upon headline inflation in transitory fashion. On April 26th, the Riksbank pushed out guidance for rate hikes at a “slow pace towards the end of the year” and referenced the risks of inflation remaining too low. Since then the krona has depreciated by about an extra 3% versus the USD but appreciated about 1% versus the Euro, while Brent oil prices have increased by about US\$5.

Bank of England Governor Carney will speak on Thursday with the topic to be confirmed. Less-watched developments will include the Eurozone retail sales add-up for May (Tuesday), PMIs for June from Italy and Spain, and Spanish industrial output for May (Tuesday).

LATIN AMERICA—AMLO

The primary risk across LatAm markets over the coming week will be centered upon Mexico. This weekend's long-awaited election, what it might do to the peso, and hence to the outlook for Mexican monetary policy will be rapidly informed into the Monday market open. Most of Mexico's main LatAm neighbours will also be releasing updated inflation readings.

Mexico's election is this Sunday July 1st. Happy Canada Day! **While Andres Manuel Lopez Obrador (“AMLO”) is widely expected to win the Presidency with polls calling the outcome for some time, any scope for surprise on that count is whether his Morena Party also takes Congress.** The latter issue is much more uncertain but carries broader potential market implications into the Monday market open as he would either face few obstacles to implementing a moderate leftist agenda or a significant check on his powers. With that may go the degree to which he may or may not enjoy a similar degree of backing to that which President Trump has, given that the GOP holds both chambers of the US Congress at least until November.

Minutes to the June 21st Banxico meeting that resulted in a 25 bps rate hike will be released on Thursday. Depending upon the outcome of the election, the minutes may or may not be stale in light of potential risks to the peso. The pass-through effects of peso depreciation on inflation were front and centre as a motivator to tighten monetary policy. In that regard, however, Banxico may be relatively more encouraged by recent peso strength since mid-June that arrested the depreciation over the prior two months.

Four countries will provide the latest print estimates for inflation during June. Peru updates this weekend, Colombia next Thursday and then Friday brings out Chile and Brazil. As chart 9 demonstrates, **inflation across four among the most significant LatAm economies has been converging toward a spread that is tighter than in quite some time.** The spread from low (Peru) to high (Chile) runs from 0.9% y/y to 3.2% y/y. Relative to central bank inflation targets, however, inflation continues to perform rather differently. Peru's inflation rate of 0.9% y/y is just beneath the 1–3% target range. So is Brazil's 2.9% y/y rate which is below the 3–6% target range. Chile's 2% inflation rate is right at the lower bound of the 2–4% target range and Colombia's is roughly in the middle of the 2–4% target range. **As a consequence, the pressure to tighten monetary policy over 2018H2 is likely to**

Chart 7

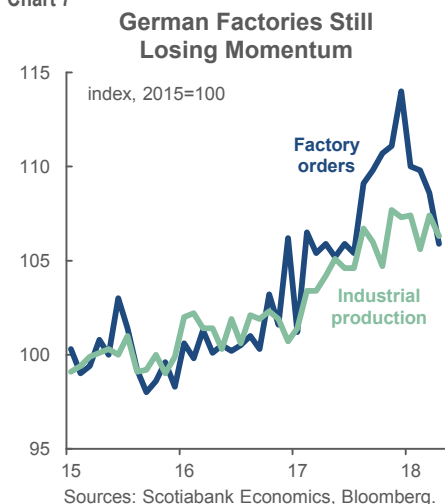


Chart 8

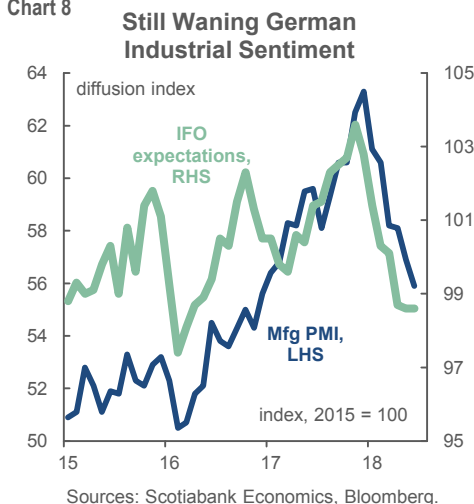
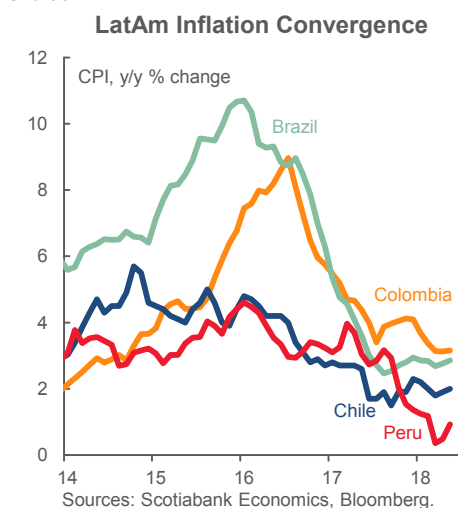


Chart 9



be relatively more skewed against Peru and in favour of the others while Mexican monetary policy risks will be further informed by the election.

ASIA-PACIFIC—DIVERGING MONETARY POLICY RISKS

The Reserve Bank of Australia's (RBA) latest policy decision will combine with limited Chinese macro data and a series of Asian inflation updates to primarily inform local market conditions with little spillover effect into global markets anticipated.

The RBA is universally expected to remain on hold at a cash target rate of 1.5% on Tuesday. Australia's overnight indexed swap (OIS) curve is signalling market expectations for no rate change over the duration of this year as rate risk slightly builds over 2019H2 (chart 10). Scotiabank Economics is in the more aggressive minority of shops forecasting a hike as soon as Q4 this year as the median forecast doesn't swing to a hike until a couple of quarters later. With inflation currently not threatening the 2–3% target range, there is no immediate pressure to signal policy directions but fresh guidance on the direction of inflation risks into 2019 will be carefully watched.

China updates the private sector versions of its purchasing managers' indices into Monday (manufacturing) and then Wednesday (services, composite). Each of these readings has indicated subdued growth with the June prints expected to hover in the 51–52 range. Recall that 50 is the dividing line between expansion and contraction.

CPI updates for June will come from Indonesia, South Korea and Thailand on Monday and then Philippines on Wednesday. With only one exception, inflation has been toward the lower end of or below inflation targets. Indonesian inflation of 3.2% y/y sits at the bottom of the 3–5% policy band. South Korean inflation of 1.7% is below the 2% target. Thai inflation of 1.5% y/y is toward the bottom of the 1–4% band. Only the Philippines stands out with inflation of 4.7% y/y that is breaching the upper bound of the 2–4% band. Fear of inflation stemming from rupiah weakness has motivated Bank Indonesia to raise rates. Actual inflation has driven policy tightening by Banko Sentral ng Pilipinas. No inflation has kept the Bank of Thailand on hold. After having hiked last October, the Bank of Korea faces no real imminent inflation threat to drive another hike but won weakness over the past month bears monitoring by way of the risk of policy tightening over 2018H2.

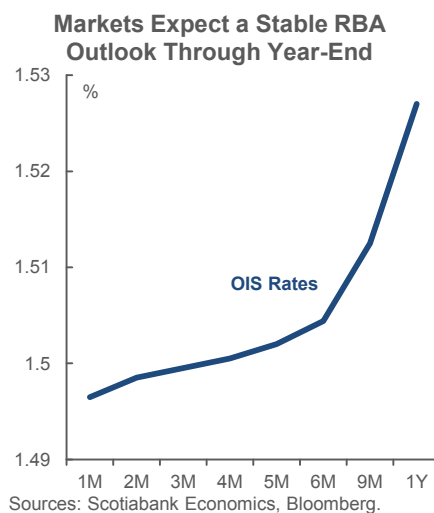
UNITED STATES—NOT GETTING REAL

A holiday-interrupted week will place most of the market attention upon the final couple of days when Fed communications and top-shelf data risk surface. An early 2pmET bond market close and 1pm equity market close on Tuesday precedes Independence Day on Wednesday.

The path to Friday's marquee release of the week—nonfarm payrolls—will be peppered with more modest data risk along the way.

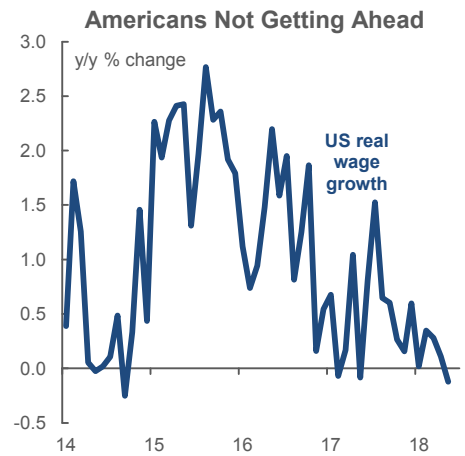
- **ISM-manufacturing:** A mildly softer reading is anticipated on Monday in the wake of the mixed key regional measures. Recall that the Philly Fed's diffusion index fell sharply from 34.4 in May to 19.9 in June. The Richmond Fed's manufacturing measure improved somewhat from a 16 print in May to 20 in June. They are the two best correlated measures with ISM but the more volatile Philly Fed is usually discounted when there are wild swings.
- **Factory orders:** a 1% decline in durable goods orders will need a significant gain in orders for nondurables to keep the headline in the black on Tuesday. I think it will decline at a more tempered rate than durables.
- **Vehicle sales:** Will a decline in vehicle sales since September's twelve year high occur on Tuesday when June figures are released? I'm estimating little change around 17 million sales units at an annualized and seasonally adjusted rate.
- **ADP private payrolls:** Thursday's estimate for June is usually discounted ahead of nonfarm given that it can often throw head fakes. 190k is my estimate.

Chart 10



- ISM-services:** The service sector reading has been volatile since late Fall but generally pointing to firm growth. Thursday's June reading is expected to continue the pattern with a reading well above the 50 line dividing growth from contraction but still just shy of 60.
- Nonfarm:** +200k for jobs and wage growth steady at 2.7% y/y is Scotia's call. A small up-tick or down-tick would keep wage growth within a largely unchanged range since a brief acceleration in 2015. This one will establish a job growth trend for better or for worse after two disappointing months in March and April that then gave way to +223k in May. Real wage growth remains non-existent in the US (chart 11).
- Trade:** We already know the advance release for the merchandise trade deficit that improved in May and this points to a narrowing of the overall total deficit after tacking on expectations for a reasonably stable services surplus.

Chart 11



Sources: Scotiabank Economics, Statistics Canada, BLS.

While minutes to the June 12–13th FOMC meeting may already be stale or will be when nonfarm hits, there are two broad areas of focus. One is further colour on the direction of risks to the balance of opinion on how the FOMC reads trade policy risks and their effects upon the outlook. Two is further colour on how much of a minority view backed a very slight swing toward an extra hike this year. Recall that Chair Powell stated in his press conference that “most participants did not revise their projections”. Whether some moved down but the net dot plot added one in favour of an extra hike could, as one scenario, inform markets on exactly how thin the consensus in favour of 2 more hikes this year may be.

Key Indicators for the week of July 2 – 6

NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	07/02	10:00	Construction Spending (m/m)	May	0.0	0.5	1.8
US	07/02	10:00	ISM Manufacturing Index	Jun	58.0	58.3	58.7
US	07/03	10:00	Factory Orders (m/m)	May	-0.5	0.0	-0.8
US	07/03		Domestic Vehicle Sales (mn a.r.)	Jun	--	--	13.4
US	07/03		Total Vehicle Sales (mn a.r.)	Jun	17.0	17.0	16.8
US	07/04	07:00	MBA Mortgage Applications (w/w)	JUN 29	--	--	-4.9
US	07/05	08:15	ADP Employment Report (000s m/m)	Jun	190.0	190.0	178.2
US	07/05	08:30	Initial Jobless Claims (000s)	JUN 30	220	225	227
US	07/05	08:30	Continuing Claims (000s)	JUN 23	1720	1720	1705
US	07/05	10:00	ISM Non-Manufacturing Composite	Jun	58.0	58.2	58.6
CA	07/06	08:30	Employment (000s m/m)	Jun	20.0	20.0	-7.5
CA	07/06	08:30	Unemployment Rate (%)	Jun	5.8	5.8	5.8
CA	07/06	08:30	Merchandise Trade Balance (C\$ bn)	May	-3.0	-2.4	-1.9
US	07/06	08:30	Nonfarm Employment Report (000s m/m)	Jun	200.0	198.0	223.0
US	07/06	08:30	Unemployment Rate (%)	Jun	3.8	3.8	3.8
US	07/06	08:30	Household Employment Report (000s m/m)	Jun	--	--	293.0
US	07/06	08:30	Average Hourly Earnings (m/m)	Jun	0.3	0.3	0.3
US	07/06	08:30	Average Hourly Earnings (y/y)	Jun	2.7	2.8	2.7
US	07/06	08:30	Average Weekly Hours	Jun	--	34.5	34.5
US	07/06	08:30	Trade Balance (US\$ bn)	May	-43.0	-43.8	-46.2

EUROPE

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
IT	07/02	03:45	Manufacturing PMI	Jun	--	52.5	52.7
FR	07/02	03:50	Manufacturing PMI	Jun F	--	53.1	53.1
GE	07/02	03:55	Manufacturing PMI	Jun F	--	55.9	55.9
EC	07/02	04:00	Manufacturing PMI	Jun F	--	55.0	55.0
UK	07/02	04:30	Manufacturing PMI	Jun	--	54.0	54.4
EC	07/02	05:00	PPI (m/m)	May	--	0.5	0.0
EC	07/02	05:00	Unemployment Rate (%)	May	--	8.5	8.5
IT	07/02		Budget Balance (€ bn)	Jun	--	--	-7.9
IT	07/02		Budget Balance YTD (€ bn)	Jun	--	--	-37.4
RU	JUL 2-3		Real GDP (y/y)	1Q F	--	1.3	1.3
FR	07/03	02:45	Central Government Balance (€ bn)	May	--	--	-54.3
SW	07/03	03:30	Riksbank Interest Rate (%)	Jul 3	-0.50	-0.50	-0.50
UK	07/03	04:30	PMI Construction	Jun	--	52.5	52.5
EC	07/03	05:00	Retail Trade (m/m)	May	--	0.1	0.1
IT	07/04	03:45	Services PMI	Jun	--	53.3	53.1
FR	07/04	03:50	Services PMI	Jun F	--	56.4	56.4
GE	07/04	03:55	Services PMI	Jun F	--	53.9	53.9
EC	07/04	04:00	Composite PMI	Jun F	--	54.8	54.8
EC	07/04	04:00	Services PMI	Jun F	--	55.0	55.0
UK	07/04	04:30	Official Reserves Changes (US\$ bn)	Jun	--	--	448.0
UK	07/04	04:30	Services PMI	Jun	--	54.0	0.1
GE	07/05	02:00	Factory Orders (m/m)	May	--	1.1	-2.5
SP	07/05	03:00	Industrial Output NSA (y/y)	May	--	--	11.0
GE	07/06	02:00	Industrial Production (m/m)	May	--	0.3	-1.0
FR	07/06	02:45	Current Account (€ bn)	May	--	--	-1146
FR	07/06	02:45	Trade Balance (€ mn)	May	--	-5140	-4954
UK	07/06	03:30	Halifax House Price (3 month, y/y)	Jun	--	1.6	1.9

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

Key Indicators for the week of July 2 – 6

ASIA-PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
SK	06/30	20:00	Exports (y/y)	Jun	--	2.2	13.5
SK	06/30	20:00	Imports (y/y)	Jun	--	12.5	12.6
SK	06/30	20:00	Trade Balance (US\$ mn)	Jun	--	6500	6554
JN	07/01	19:50	Tankan All Industries Index	2Q	--	9.3	2.3
JN	07/01	19:50	Tankan Manufacturing Index	2Q	--	22.0	24.0
JN	07/01	19:50	Tankan Non-Manufacturing Index	2Q	--	23.0	23.0
JN	07/01	20:30	Markit/JMMA Manufacturing PMI	Jun F	53.1	--	53.1
AU	07/01	21:30	ANZ Job Advertisements (m/m)	Jun	--	--	1.5
CH	07/01	21:45	HSBC Manufacturing PMI	Jun	51.0	51.1	51.1
TH	07/01	23:00	CPI (y/y)	Jun	1.7	1.5	1.5
TH	07/01	23:00	Core CPI (y/y)	Jun	--	0.8	0.8
JN	JUL 1-6		Official Reserve Assets (US\$ bn)	Jun	--	--	1254.5
ID	07/02	00:00	CPI (y/y)	Jun	3.2	3.0	3.2
ID	07/02	00:00	Core CPI (y/y)	Jun	--	2.8	2.8
JN	07/02	01:00	Vehicle Sales (y/y)	Jun	--	--	-0.6
TH	07/02	03:30	Business Sentiment Index	Jun	--	--	51.5
SI	07/02	09:00	Purchasing Managers Index	Jun	--	52.5	52.7
SK	07/02	19:00	CPI (y/y)	Jun	1.7	1.7	1.5
SK	07/02	19:00	Core CPI (y/y)	Jun	--	1.3	1.3
JN	07/02	19:50	Monetary Base (y/y)	Jun	--	--	8.1
AU	07/02	21:30	Building Approvals (m/m)	May	--	0.0	-5.0
AU	07/03	00:30	RBA Cash Target Rate (%)	Jul 3	1.50	1.50	1.50
HK	07/03	04:30	Retail Sales - Volume (y/y)	May	--	--	11.1
NZ	07/03	13:00	QV House Prices (y/y)	Jun	--	--	6.9
AU	07/03	21:30	Retail Sales (m/m)	May	--	0.3	0.4
AU	07/03	21:30	Trade Balance (AUD mn)	May	--	1200.0	977.0
CH	07/03	21:45	HSBC Services PMI	Jun	--	52.7	52.9
SK	07/04	19:00	Current Account (US\$ mn)	May	--	--	1768.2
HK	07/04	20:30	Purchasing Managers Index	Jun	--	--	47.8
PH	07/04	21:00	CPI (y/y)	Jun	4.9	4.8	4.6
TH	07/04	23:30	Consumer Confidence Economic	Jun	--	--	66.9
SI	07/04	23:30	Foreign Reserves (US\$ mn)	Jun	--	--	287916
MA	07/05	00:00	Exports (y/y)	May	--	6.2	14.0
MA	07/05	00:00	Imports (y/y)	May	--	0.1	9.1
MA	07/05	00:00	Trade Balance (MYR bn)	May	--	10.5	13.1
TA	07/05	04:00	CPI (y/y)	Jun	1.5	1.5	1.6
JN	07/05	19:30	Household Spending (y/y)	May	--	-1.5	-1.3
JN	07/06	01:00	Coincident Index CI	May P	--	116.1	117.5
JN	07/06	01:00	Leading Index CI	May P	--	106.5	106.2
AU	07/06	02:30	Foreign Reserves (AUD bn)	Jun	--	--	82.5
MA	07/06	03:00	Foreign Reserves (US\$ bn)	Jun 29	--	--	107.9

LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
PE	07/01	01:00	Consumer Price Index (m/m)	Jun	--	0.1	0.0
PE	07/01	01:00	Consumer Price Index (y/y)	Jun	--	1.2	0.9
BZ	07/02	09:00	PMI Manufacturing Index	Jun	--	--	50.7
BZ	JUL 2-6		Trade Balance (FOB) - Monthly (US\$ mn)	Jun	--	6619	5981
CL	07/03	09:00	Retail Sales (y/y)	May	3.2	4.0	7.4
BZ	07/04	08:00	Industrial Production SA (m/m)	May	--	-15.9	0.8
BZ	07/04	08:00	Industrial Production (y/y)	May	--	-12.0	8.9
CL	07/05	08:30	Economic Activity Index SA (m/m)	May	--	--	-0.4
CL	07/05	08:30	Economic Activity Index NSA (y/y)	May	3.9	--	5.9
CO	07/05	20:00	Consumer Price Index (m/m)	Jun	--	0.2	0.3
CO	07/05	20:00	Consumer Price Index (y/y)	Jun	--	3.2	3.2
BZ	07/06	08:00	IBGE Inflation IPCA (m/m)	Jun	--	1.3	0.4
BZ	07/06	08:00	IBGE Inflation IPCA (y/y)	Jun	--	4.4	2.9
CL	07/06	08:00	CPI (m/m)	Jun	0.3	0.1	0.3
CL	07/06	08:00	CPI (y/y)	Jun	0.2	--	2.0

Forecasts at time of publication.

Source: Bloomberg, Scotiabank Economics.

Global Auctions for the week of July 2 – 6

NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CA	07/05	12:00	Canada to Sell CAD3 Bln 2.0% 2023 Bonds

EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
AS	07/03	05:15	Austria to Sell 0.75% 2028 Bonds
AS	07/03	05:15	Austria to Sell 4.15% 2037 Bonds
UK	07/03	05:30	U.K. to Sell 2.5 Billion Pounds of 1.625% 2028 Bonds
SP	07/05	04:30	Spain to Sell 0.05% 2021 Bonds
SP	07/05	04:45	Spain to Sell 4.7% 2041 Bonds
SP	07/05	04:45	Spain to Sell 1.95% 2030 Bonds
SP	07/05	04:45	Spain to Sell 0.65% 2027 Linkers
FR	07/05	04:50	France to Sell 0.75% 2028 Bonds
FR	07/05	04:50	France to Sell 1.5% 2031 Bonds
FR	07/05	04:50	France to Sell 1.25% 2034 Bonds
IC	07/06	06:30	Iceland to Sell Bonds

ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CH	07/01	21:30	Sichuan to Sell Bond
CH	07/01	21:30	Sichuan to Sell CNY11.7 Bln 5Y Bonds (2018-GEN-6)
AU	07/01	22:00	Australia to Sell AUD300 Mln 2.25% 2022 Bonds
CH	07/02	01:00	Inner Mongolia to Sell Bonds
CH	07/02	21:30	Jiangxi to Sell Bonds
CH	07/02	22:30	Jiangxi to Sell Bonds
JN	07/02	23:35	Japan to Sell 10-Year Bonds
AU	07/03	22:00	Australia To Sell AUD800 Mln 2.75% 2029 Bond
CH	07/03	22:35	China To Sell CNY37 Bln 3-Yr Bonds
CH	07/03	22:35	China to Sell CNY37 Bln 7-Yr Upsized Bonds
CH	07/04	21:30	Ningxia to Sell Bonds
NZ	07/04	22:05	New Zealand To Sell NZD100 Mln 2.5% 2040 Bonds
JN	07/04	23:35	Japan to Sell 30-Year Bonds

Source: Bloomberg, Scotiabank Economics.

Events for the week of July 2 – 6

NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	06/30		Deadline for U.S. to Outline Restrictions on Chinese Investment
MX	07/01		2018 Election Day
MX	07/05	10:00	Central Bank Monetary Policy Minutes
US	07/05	14:00	FOMC Meeting Minutes

EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
EC	07/02	09:30	ECB Executive Board Member Praet Speaks in Helsinki
SW	07/03	03:30	Riksbank Interest Rate
SW	07/03	05:00	Riksbank First Deputy Governor af Jochnick Gives Speech
EC	07/03	12:00	ECB Executive Board Member Praet Speaks in Bucharest
SW	07/03	00:00	Riksbank's Skingsley, af Jochnick at Almedalen Week
UK	07/04	04:05	BOE's Woods Speaks in London
UK	07/04	06:55	BOE's Saporta Speaks in London
UK	07/05	06:00	BOE Governor Carney Speaks in Newcastle
AS	07/05	06:30	ECB's Mersch, Nowotny, Nouy at Austrian C.Bank Conference
GE	07/05	07:00	Merkel, Orban Hold Talks After His Re-Election in Hungary
GE	07/05	09:00	Merkel, U.K.'s May Hold Talks in Berlin on Brexit
AS	07/05	13:30	Bundesbank President Jens Weidmann Speaks in Linz, Austria
EC	07/06	03:00	ECB's Nouy, EU's Dombrovskis at Austrian C.Bank Conference
AS	07/06	05:30	EU's Juncker, Austria's Kurz Brief Media on EU Presidency
GE	07/06	06:30	Germany's Scholz gives press conference on 2019 budget

ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
AU	07/03	00:30	RBA Cash Rate Target
JN	07/03	21:30	BOJ Harada speaks in Kanazawa
JN	07/04	21:30	BOJ Masai speaks in Matsumoro

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	July 11, 2018	1.50	1.50
Federal Reserve – Federal Funds Target Rate	2.00	August 1, 2018	2.00	2.00
Banco de México – Overnight Rate	7.75	August 2, 2018	7.50	7.75

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 26, 2018	0.00	0.00
Bank of England – Bank Rate	0.50	August 2, 2018	0.50	0.50
Swiss National Bank – Libor Target Rate	-0.75	September 20, 2018	-0.75	-0.75
Central Bank of Russia – One-Week Auction Rate	7.25	July 27, 2018	7.00	0.00
Sweden Riksbank – Repo Rate	-0.50	July 3, 2018	-0.50	-0.50
Norges Bank – Deposit Rate	0.50	August 16, 2018	0.50	0.00
Central Bank of Turkey – Benchmark Repo Rate	17.75	July 24, 2018	17.75	--

Riksbank: Sweden's central bank is expected to remain on hold next Tuesday and will probably continue to guide that rate hikes lie a fair distance away. Inflation recently increased to just above the 2% target at 2.1%, but inflation excluding energy rests at 1.5% y/y. Higher oil prices and currency depreciation may continue to put mild upward pressure upon headline inflation in transitory fashion. On April 26th, the central bank pushed out guidance for rate hikes at a "slow pace towards the end of the year" and referenced the risks of inflation remaining too low. Since then the krona has depreciated by about an extra 3% versus the USD but appreciated about 1% versus the Euro, while Brent oil prices have increased by about US\$5.

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 31, 2018	-0.10	-0.10
Reserve Bank of Australia – Cash Target Rate	1.50	July 3, 2018	1.50	1.50
Reserve Bank of New Zealand – Cash Rate	1.75	August 8, 2018	1.75	1.75
People's Bank of China – Lending Rate	4.35	TBA	--	4.35
Reserve Bank of India – Repo Rate	6.25	August 1, 2018	6.25	6.25
Bank of Korea – Bank Rate	1.50	July 12, 2018	1.50	1.50
Bank of Thailand – Repo Rate	1.50	August 8, 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	5.25	July 19, 2018	4.75	5.00

The Reserve Bank of Australia (RBA) will hold a monetary policy meeting on July 3. We do not expect any changes to the benchmark interest rate as Australia's inflation remains contained (1.9% y/y in Q1 2018). The RBA's monetary policy stance will likely remain unchanged until we see signs of rising wage and demand-driven inflationary pressures.

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	August 1, 2018	6.50	6.50
Banco Central de Chile – Overnight Rate	2.50	July 24, 2018	2.50	2.50
Banco de la República de Colombia – Lending Rate	4.25	July 27, 2018	4.25	4.25
Banco Central de Reserva del Perú – Reference Rate	2.75	July 12, 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

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

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