June 4, 2021

POLITICS AND CENTRAL BANKS

FORECASTS & DATA

CONTACTS

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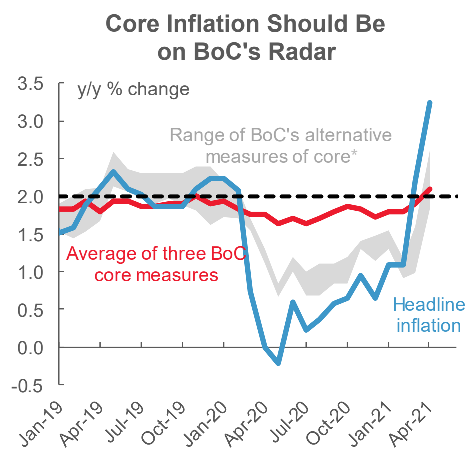
Next Week's Risk Dashboard

- CBs: ECB, BoC, Peru, Chile
- BoC Preview
- ECB Preview
- Mexican mid-term elections
- Peru's Presidential election
- Inflation: US, China, LatAm
- Other macro

Chart of the Week



*Includes CPIX, CPIXFET, CPIW measures.
Sources: Scotiabank Economics, Statistics Canada.

Chart of the Week: Prepared by: Marc Ercolao, Economic Analyst.

Politics and Central Banks

The main developments over the coming week will be focused upon central bank decisions by the ECB, BoC and a pair of LatAm central banks, Peru's Presidential election, Mexico's mid-term elections, another US inflation update and a sprinkling of other global macro readings. The ECB and US inflation are likely to dominate global market attention.

CENTRAL BANKS—LOW RISK OF SURPRISES

Each of the ECB, BoC, Banco Central Chile and Central Reserve Bank of Peru weigh in with policy decisions over the coming week. The ECB may matter to global markets while regional markets will pay attention to the other three. The BoC is closest to home and among the vanguard of central banks trying to gradually shrug off COVID-19 and steer toward the exits. Latin American markets will also be influenced by the outcomes of elections in Peru and Mexico.

1. ECB—ELEVATED PURCHASES LIKELY TO BE EXTENDED

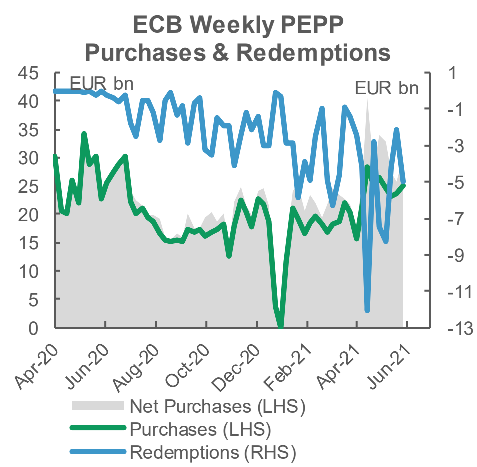
Thursday's ECB meeting could be a significant event for world markets over the coming week. **At issue is whether they extend guidance to continue buying European Government Bonds (EGBs) at an elevated pace in the nearer term.** It would be surprising to markets if they did not.

Recall that the March 11th communications introduced guidance that the "Governing Council expects purchases under the PEPP over the next quarter to be conducted at a significantly higher pace than during the first months of this year." The April 22nd statement extended that guidance into "the current quarter." Clearly the coming meeting will have to address whether or not to extend this guidance yet again given the approaching end of the quarter and the fact that the next decision is due on July 22nd—well into the start of Q3. The ECB cannot afford to keep markets guessing at this meeting and evaluating week-by-week purchases until the July meeting and so it is likely to amend the reference to extending elevated purchases "over the next quarter."

That would be in keeping with the somewhat elevated pace of net purchases that has been seen of late (chart 1). It would also be consistent with that fact that bond yield spreads over US Treasuries have moved a bit narrower since the initial announcement in March notwithstanding recent mild widening (chart 2). With Eurozone core CPI inflation still running well below the 'close to, but below' 2% headline target, the ECB is likely to argue that headline inflation at 2.0% does not have required breadth to be durably consistent with achieving its target. Otherwise, the broad parameters of the Pandemic Emergency Purchase Programme are likely to be left intact with an overall envelopment of €1.85 trillion and with purchases lasting "until at least the end of March 2022."

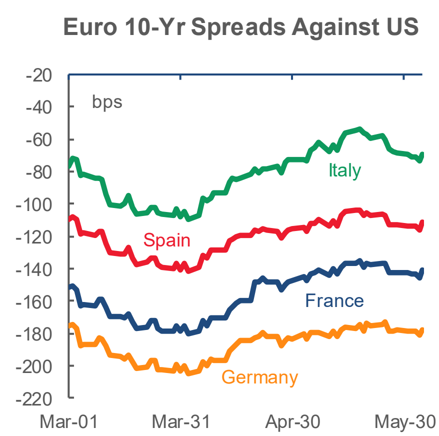
Still, if there is the risk of surprise, then it is more likely to come in President Lagarde's press conference (8:30amET) rather than the statement itself (7:45amET).

Chart 1



Sources: Scotiabank Economics, Bloomberg.

Chart 2



Sources: Scotiabank Economics, Bloomberg.

2. THE BANK OF CANADA—PASS FOR NOW, BUT LITTLE WIGGLE ROOM LATER

The Bank of Canada will deliver a statement-only policy decision on Wednesday at 10amET, sans presser, sans MPR and hence sans forecasts as those were part of the customary jocularity and stand-up comedy at the April meeting. The next day brings out Deputy Governor Lane for his turn at the off-MPR day-after progress report.

The BoC is Likely to Stand Pat at the June Meeting…

I think this will be a maintenance statement on the path toward a potentially more interesting July meeting. Apart from the limited communication tools available at this coming meeting, another reason is that we're probably not at an inflexion point just yet when cautious, risk management-oriented and data dependent central bankers would be comfortable with pursuing policy exits in a straight-line meeting-by-meeting sense. In fact, the BoC has made it very clear that they will taper in 'gradual and measured fashion' so going bing, bang, boom at each meeting doesn't sound like it would be in keeping with their cautious approach.

That's probably especially true during a soft patch in the economy that has lost jobs for two months while losing some of its resilience by shrinking in April—all while the BoC talks through transitory upsides to inflation readings to avoid over-reacting to limited inflation readings to date. Remember that the last statement ended by saying "Decisions regarding further adjustments to the pace of net purchases will be guided by Governing Council's ongoing assessment of the strength and durability of the recovery." It's not hard to argue that April and May are setbacks in the strength and durability so, until proven otherwise, markets would likely be comfortable with the BoC standing pat for now.

Overall, recall that the BoC tapered bond purchases from $5B+/week down to $4B+/week last October and then down to $3B/week (no '+') at the April meeting and brought forward closure of the output gap and with it on-target inflation and implied rate hike guidance to the second half of next year. Now we're at the data dependent, let-sleeping-dogs-lie stage of the adjustments awaiting more comfort that activity measures will move upward while evaluating persistence within inflation readings.

Another reason for standing pat is that the BoC likely wants to test the rebound narrative on growth and jobs after a lockdown-induced soft patch and before changing anything again quite so soon after the April changes. As argued here, it's likely that whatever economic activity is lost during April and May will just be punted into June and Q3 onward. As argued here, that may also be true for jobs but not just yet. If so, policy should look through the adjustments in favour of emphasizing more durable forces but it is likely to wait to see what happens.

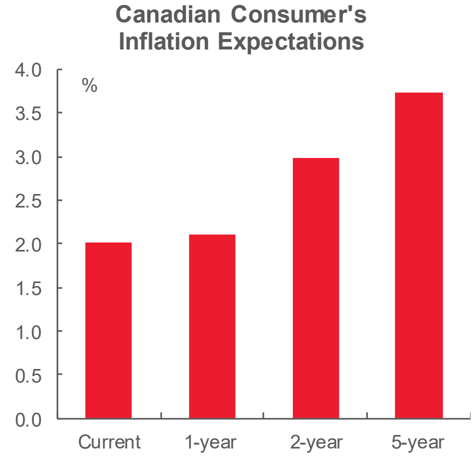
There is probably low risk that the June BoC statement will explicitly tee up a taper for the July meeting. Instead, look for continued reference to assessing "the strength and durability of the recovery" and providing "the appropriate degree of monetary policy stimulus." Also bear in mind that while Scotia Economics thinks the output gap may shut later this year, the BoC's official guidance in the April forecasts doesn't expect that to come true until 2022H2. We'll see, but data and time will tell us more and perhaps as soon as later this year.

…but the Conditions for Tapering May Arrive for the July Meeting…

The July 14th meeting, however, may well bring forward more confidence in the rebound narrative such that the BoC could have greater conviction to once again taper net purchases by then. If the BoC thinks spare capacity shuts by sometime over 2022H2 then ending net purchases before this point—as the BoC has guided—would likely have to be at least one or two quarters in advance of that point to be meaningful. Our forecast assumes spare capacity shuts by the end of this year and so it would be unlikely that the BoC could end purchases *before* closure of spare capacity if that were to be the case. On the other hand, if the BoC's forecast is right, then they have time to end purchases before a later forecast closure of spare capacity and it's what the BoC forecasts that matters to them in driving policy decisions versus what we think they should do.

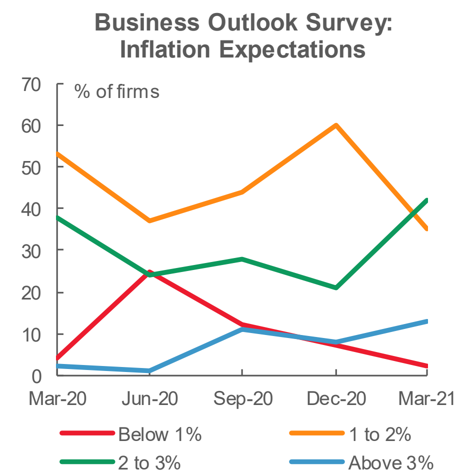
By the July meeting we'll have the following pieces of evidence to support a further stimulus reduction or a teed-up next move:

Chart 3



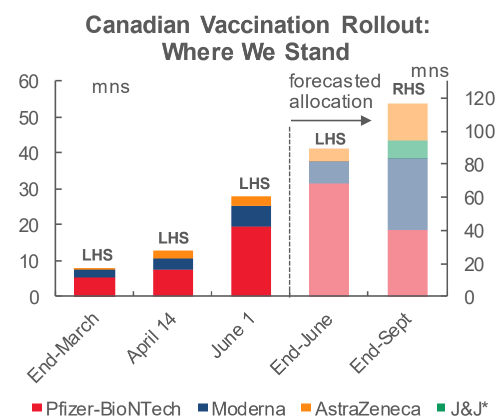
Sources: Scotiabank Economics, Bank of Canada.

Chart 4



Sources: Scotiabank Economics, Bank of Canada.

Chart 5



*J&J timeline still undetermined. 10mn doses purchased; distribution could potentially start in June.
Sources: Scotiabank Economics, Canada Government.

- the June jobs report that should be more constructive. As a case in point, Ontario has once again timed its reopening efforts to coincide with the June Labour Force Survey reference week that includes the 15th of each month such that the survey should capture positive reopening effects.

- We'll also get the BoC's twin consumer and business surveys that precede MPR meetings; both may show headline influences through pushing adaptive expectations higher. Chart 3 shows that consumers already anticipate overshooting the BoC's 2% target while chart 4 shows that businesses have moved away from expecting very weak inflation toward over half of survey respondents in April who expected inflation to be above target.

- The US fiscal stimulus debate should be further informed given recurring focus upon the outline of a deal before the July 4th holiday.

- Canada is also likely to be closer to herd immunity by mid-July. To date, over 25 million doses have been administered covering about two-thirds of the total population but with a small minority fully vaccinated so far. By the July BoC meeting, full inoculation should be just around the corner toward the end of summer (chart 5).

…and the BoC's Exit Guidance Doesn't Offer Much Wiggle Room

One could go further and say that the longer the BoC waits to taper again, the greater the risk it winds up moving more abruptly and in violation of its policy guidance to date. This is a key point worth elaborating upon because it will demonstrate that the BoC may have relatively little time during which to compress a lot of decisions in order to deliver on its exit guidance.

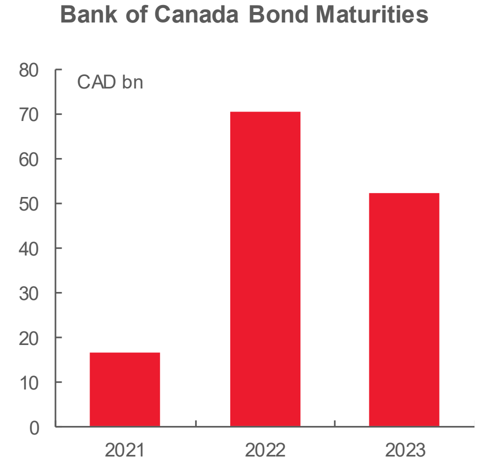
Recall that Deputy Governor Gravelle's exit speech (here) coupled with prior comments by Governor Macklem indicated that net purchases would decline to zero before spare capacity shuts and that this path would be "gradual and in measured steps." That likely means they won't go from $3B/week to zero in one shot but could taper in, say, 2–3 steps over time. Who knows exactly what that means, but maybe they go $3B–2–1–0, or $3B–1.5–0 or some mild alternative to these steps over time.

How much time? Assuming they stick to the pattern of tapering at meetings versus tapering off-cycle, that would mean they have four meetings from July to December over which to spread 2-3 or possibly more tapers before hitting our estimated time at which spare capacity shuts and meaningfully ahead of when the BoC expects spare capacity to shut pending further macro forecast revisions at its July meeting.

Moving in July after tapering in April and last October gives them optionality to choose at which of the one or two of the remaining three or four meetings in September, October and December or maybe January to go to zero. If the BoC passes on a July taper and the economy does indeed rip out of lockdowns as we expect, then the BoC could risk having to bunch up tapering decisions and moving to net zero more abruptly. **'Gradual and measured' suggests tapering at a pace of once or twice each quarter. Given the uncertainty toward the speed of the rebound and the desire to move gradually, a small $1 billion taper in July and then seeing what happens may be prudent and maximize subsequent flexibility.**

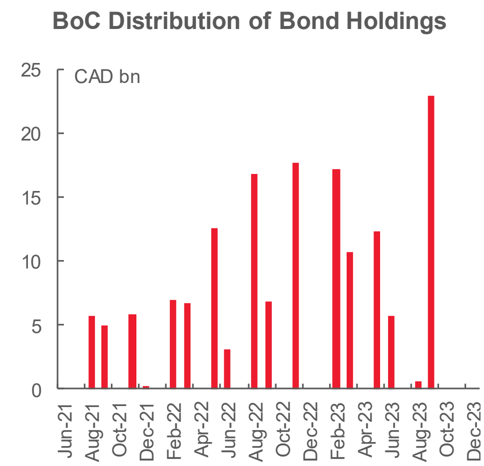
After this period, Gravelle's speech noted that while net purchases would be zero, gross purchases would continue in such fashion as to reinvest maturing GoC bonds on the BoC's balance sheet until "some amount of time before we start to increase the

Chart 6



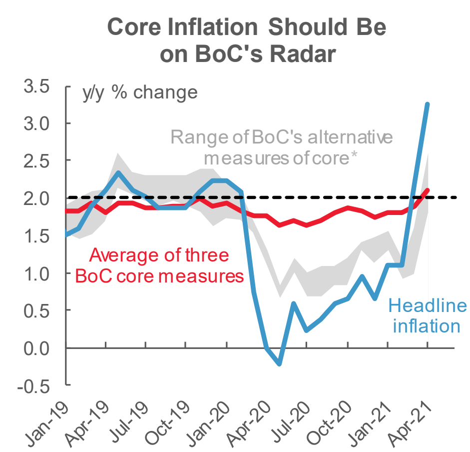
Sources: Scotiabank Economics, Bank of Canada

Chart 7



Sources: Scotiabank Economics, Bank of Canada

Chart 8



*Includes CPIX, CPIXFET, CPIW measures.
Sources: Scotiabank Economics, Statistics Canada.

policy interest rate." Given the amount of bonds on the BoC's balance sheet that will be maturing in each of 2021, 2022 and 2023 this means gross purchases on the order of about $1½ billion per week on average for a time in 2022 to keep the portfolio flat overall. That's because there is about C$70 billion of Government of Canada bonds on the BoC's balance sheet that will mature in 2022 (charts 6, 7). Given that we forecast rate hikes to commence around mid-2022 which is in keeping with the BoC's assumptions on a sustainable return to just above 2% inflation, ending net purchases by around the end of this year would only give a six-month reinvestment period before hiking or box the BoC into hiking later into a potential boom.

Overall, to end net purchases before spare capacity shuts and then reinvest for a meaningful time that makes it worth it before hiking the policy rate doesn't give a whole lot of wiggle room in our forecasts for growth, spare capacity and inflation for the BoC to get on with it. Spreading out the decisions by tapering again soon would maximize the optionality around forecast uncertainty but there is no big rush to do so next week. In fact, **tapering at this meeting would likely surprise market participants and create brought-forward pressure in everything from ending purchases to rate-hike pricing by signalling the BoC is in a rush.** Markets are already priced for a pair of hikes over 2022H2 so signalling a more urgent exit path would likely bring that forward. In my view, they should be in a rush, but are likely to be slow and plodding about it all and in keeping with their overall exit guidance.

There is also the matter of measures of inflation all converging upon the BoC's target or surpassing it. The April MPR (Box 5) noted how multiple measures of core inflation were generally below target including trimmed mean, weighted median, common component, CPI ex food and energy, CPI ex-food energy and indirect taxes, CPI-W that lowers weights on more volatile components and 'MEANSTD' CPI that uses flexible weights and filters out large year-over-year changes. **Since then, however, these measures all popped noticeably higher and it's much harder to dismiss them as a group (chart 8).** Some of these measures are more susceptible to base effects than others, but they've all converged to just above the 2% headline target and likely quite a bit earlier than the BoC had anticipated if not desired.

3. LATIN AMERICAN CENTRAL BANKS AND ELECTIONS

Each of Banco Central de Chile (Tuesday) and Banco Central de Reserva del Perú (Thursday) are expected to stay on hold with policy rates set at 0.5% and 0.25% respectively. Local markets and potential central bank monitoring could be influenced by a pair of weekend elections.

Chile may upgrade forecasts in a manner consistent with the expectations of our economists in Santiago for a first rate hike this October. That same morning's CPI update for May is likely to show greater upside pressure on inflation with headline inflation expected to push closer to the upper end of the 3% +/-1% target range and core just below the mid-point.

Peru's central bank is already dealing with inflation at 2.5% y/y and hence in the upper half of its 2% +/- 1% target range. Core CPI, however, is running at a milder 1.8% y/y pace. That might be vulnerable to upward pressure if political risk continues to drive capital outflows and currency depreciation. This weekend's Presidential election risks further volatility with markets eyeing a narrower lead by leftist populist Pedro Castillo over the right wing candidate Keiko Fujimori who enjoys support of the relatively more affluent classes and is the daughter of former President Alberto Fujimori. The Peruvian Sol has depreciated by about 7% to the USD since early April and almost one-fifth since the start of last year. We're not at that point yet, but developments may risk earlier policy tightening than forecast for next year.

Mexico also holds elections this Sunday. All 500 seats within the Lower House of Congress will be contested. Furthermore, regional elections for state governors, mayors, individual state legislatures and local governments will be held. Results may begin to be released by approximately 9pmET on Sunday night with fuller initial results by 12amET. Scotiabank's Eduardo Suárez is a VP of Economics based in Mexico City and his preview of the elections is here. Polls indicate that the governing Morena party led by President Andrés Manuel López Obrador (AMLO) should retain its majority of representatives in the Lower House which will be good enough to pass budgets and fiscal reforms, but fail to retain the two-thirds majority needed for considerations such as amendments to the Constitution.

US INFLATION—THE ENERGIZER BUNNY

The US updates CPI inflation for the month of May on Thursday. Here we go again.

My estimate is for headline inflation to rise to 4.5% y/y (from 4.2% prior) and +0.4% m/m with core CPI increasing to 3.3% y/y (from 3% prior) and 0.2% m/m. Conservative assumptions were used which may suggest there is more risk of a higher rather than a lower set of readings including on core inflation.

Once again, the main uncertainty is around whether supply chain pass-through effects from businesses onto consumers will be high or take a breather after recent adjustments. I went with a conservative estimate of this effect in the breakdown of the drivers and so there could be upside risk to both estimates. After large gains of nearly 1% m/m in both headline and core CPI there may be some moderation, but if we continue to get as powerful pass-through effects into May then we could get headline CPI venturing toward the 4.5–5% y/y range. One challenge is clearly that final demand producer prices for May won't arrive until the following week and so assessing pass-through risk to consumers is clearly difficult absent business prices!

Transitory or not (some is, some isn't), it's not clear that markets will just shrug over a 4.5–5% y/y print with core pushing above 3¼%. We're probably in more of a secular upswing in inflationary pressures that should fade arguments rooted in the past about secular downward forces (most are turning the other way btw…) and weight a stimulus-overshoot that may persist for years in response to a transitory shock. A really, really bad transitory shock, but a transitory shock nonetheless.

THE REST!

The main forces that are likely to be in play for global markets have been covered, but there will be a few other residual gems worth highlighting.

For starters, when it comes to inflation, it's not all about you, America. **China's CPI inflation rate is likely to continue to drive higher** in Tuesday's reading for May. Some or much of that will be due to year-ago base effects as last year's sliding inflation rate begins to inform a rising profile this year. From under 1% y/y in April the rate could rise to over 1½% in May.

A wave of inflation reports will also be arriving across several markets especially in Latin America in addition to the earlier reference to Chile's update. Colombia (Saturday), Mexico (Wednesday) and Brazil (Wednesday) will be joined by Norway and Sweden (Thursday).

The rest of the US release schedule will be very light. Trade figures on Tuesday should show a narrower deficit given we already know the merchandise component and just need to tack on a usually relatively stable services balance. JOLTS job openings in April (Tuesday) will further inform vacancies relative to job growth. Friday's University of Michigan consumer sentiment for June might continue its see-saw pattern of the past year but perhaps bouncing higher this time.

China updates its own trade figures for May into the start of the week and may release aggregate financing figures for May either this coming week or the week after.

European markets swill be mainly focused upon German and UK reports. German factory orders for April (Monday), industrial production (Tuesday) exports (Wednesday) and ZEW investor sentiment (Tuesday) will be closely watched for continued positive indications following a round of robust gains in March. UK releases for April on Friday are expected to show rebound effects including across industrial output, construction output, services output, trade and a monthly GDP estimate.

Key Indicators for week of June 7 – 11

NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	06/07	15:00	Consumer Credit (US$ bn m/m)	Apr	--	28.6	25.8
CA	06/08	08:30	Merchandise Trade Balance (C$ bn)	Apr	-2.2	--	-1.1
US	06/08	08:30	Trade Balance (US$ bn)	Apr	-68.1	-68.1	-74.4
US	06/08	10:00	JOLTS Job Openings (000s)	Apr	--	--	8,123
MX	06/09	07:00	Bi-Weekly Core CPI (% change)	May 31	--	--	0.3
MX	06/09	07:00	Bi-Weekly CPI (% change)	May 31	--	--	0.0
MX	06/09	07:00	Consumer Prices (m/m)	May	0.1	--	0.3
MX	06/09	07:00	Consumer Prices (y/y)	May	5.8	--	6.1
MX	06/09	07:00	Consumer Prices Core (m/m)	May	0.2	--	0.4
US	06/09	07:00	MBA Mortgage Applications (w/w)	Jun4	--	--	-4.0
CA	**06/09**	**10:00**	**BoC Interest Rate Announcement (%)**	**Jun 9**	**0.25**	**0.25**	**0.25**
US	06/09	10:00	Wholesale Inventories (m/m)	Apr F	--	--	0.8
US	06/10	08:30	CPI (m/m)	May	0.4	0.4	0.8
US	06/10	08:30	CPI (y/y)	May	4.5	4.5	4.2
US	06/10	08:30	CPI (index)	May	268.0	268.2	267.1
US	06/10	08:30	CPI ex. Food & Energy (m/m)	May	0.2	0.4	0.9
US	06/10	08:30	CPI ex. Food & Energy (y/y)	May	3.3	3.3	3.0
US	06/10	08:30	Initial Jobless Claims (000s)	Jun 5	350	388	406
US	06/10	08:30	Continuing Claims (000s)	May 29	3,600	3,615	3,642
US	06/10	14:00	Treasury Budget (US$ bn)	May	--	--	-225.6
MX	06/11	07:00	Industrial Production (m/m)	Apr	--	--	0.7
MX	06/11	07:00	Industrial Production (y/y)	Apr	--	--	1.7
CA	06/11	08:30	Capacity Utilization (%)	1Q	--	--	79.2
US	06/11	10:00	U. of Michigan Consumer Sentiment	Jun P	83.0	83.3	82.9

EUROPE

Country	Date	Time	Indicator	Period	Consensus	Latest
GE	06/07	02:00	Factory Orders (m/m)	Apr	0.0	3.0
SP	06/07	03:00	Industrial Output NSA (y/y)	Apr	--	15.1
GE	06/08	02:00	Industrial Production (m/m)	Apr	-1.0	2.5
FR	06/08	02:45	Current Account (€ bn)	Apr	--	-2,896
FR	06/08	02:45	Trade Balance (€ mn)	Apr	--	-6,067
EC	06/08	05:00	Employment (q/q)	1Q F	--	-0.3
EC	06/08	05:00	GDP (q/q)	1Q F	--	-0.6
EC	06/08	05:00	ZEW Survey (Economic Sentiment)	Jun	--	84.0
GE	06/08	05:00	ZEW Survey (Current Situation)	Jun	--	-40.1
GE	06/08	05:00	ZEW Survey (Economic Sentiment)	Jun	84.7	84.4
GE	06/09	02:00	Current Account (€ bn)	Apr	--	18.6
GE	06/09	02:00	Trade Balance (€ bn)	Apr	--	20.5
FR	06/10	02:45	Industrial Production (m/m)	Apr	--	0.8
FR	06/10	02:45	Industrial Production (y/y)	Apr	--	13.7
FR	06/10	02:45	Manufacturing Production (m/m)	Apr	--	0.4
IT	06/10	04:00	Industrial Production (m/m)	Apr	--	-0.1
EC	**06/10**	**07:45**	**ECB Main Refinancing Rate (%)**	**Jun 10**	**0.00**	**0.00**
UK	06/11	02:00	Industrial Production (m/m)	Apr	--	1.8
UK	06/11	02:00	Manufacturing Production (m/m)	Apr	--	2.1
UK	06/11	02:00	Visible Trade Balance (£ mn)	Apr	--	-11,710
IT	06/11	04:00	Unemployment Rate (%)	1Q	--	0.0
RU	**06/11**	**06:30**	**One-Week Auction Rate (%)**	**Jun 11**	**5.25**	**5.00**

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

Key Indicators for week of June 7 – 11

ASIA-PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CH	06/07	21:00	Exports (y/y)	May	--	32.6	32.3
CH	06/07	21:00	Imports (y/y)	May	--	53.3	43.1
CH	06/07	21:00	Trade Balance (USD bn)	May	--	50.9	42.9
CH	06/07	21:00	Foreign Reserves (US$ bn)	May	--	3,219	3,198
AU	06/06	21:30	ANZ Job Advertisements (m/m)	May	--	--	4.7
JN	06/07	01:00	Coincident Index CI	Apr P	--	--	93.0
JN	06/07	01:00	Leading Index CI	Apr P	--	--	102.5
JN	06/07	01:00	New Composite Leading Economic Index	Apr P	--	--	102.5
AU	06/07	02:30	Foreign Reserves (AUD bn)	May	--	--	61.5
SI	06/07	05:00	Foreign Reserves (US$ mn)	May	--	--	385,709
SK	06/07	19:00	Current Account (US$ mn)	Apr	--	--	7,816
JN	06/07	19:50	Bank Lending (y/y)	May	--	--	4.8
JN	06/07	19:50	Current Account (¥ bn)	Apr	--	--	2,650
JN	06/07	19:50	GDP (q/q)	1Q F	--	-1.2	-1.3
JN	06/07	19:50	GDP Deflator (y/y)	1Q F	--	-0.2	-0.2
JN	06/07	19:50	Trade Balance - BOP Basis (¥ bn)	Apr	--	--	983.1
PH	06/07	21:00	Unemployment Rate (%)	Apr	--	--	7.1
MA	06/08	03:00	Foreign Reserves (US$ bn)	May 31	--	--	110.6
TA	06/08	04:00	CPI (y/y)	May	--	--	2.1
TA	06/08	04:00	Exports (y/y)	May	--	--	38.7
TA	06/08	04:00	Imports (y/y)	May	--	--	26.4
TA	06/08	04:00	Trade Balance (US$ bn)	May	--	--	6.2
NZ	06/08	18:45	Manufacturing Activity	1Q	--	--	-0.6
SK	06/08	19:00	Unemployment Rate (%)	May	--	--	3.7
SK	06/08	19:00	GDP (q/q)	1Q F	--	--	1.6
SK	06/08	19:00	GDP (y/y)	1Q F	--	--	1.8
JN	06/08	19:50	Japan Money Stock M2 (y/y)	May	--	--	9.2
JN	06/08	19:50	Japan Money Stock M3 (y/y)	May	--	--	7.8
CH	06/09	21:00	New Yuan Loans (bn)	May	--	1,450	1,470
PH	06/08	21:00	Exports (y/y)	Apr	--	--	31.6
PH	06/08	21:00	Imports (y/y)	Apr	--	--	16.6
PH	06/08	21:00	Trade Balance (US$ mn)	Apr	--	--	-2,413
CH	06/08	21:30	CPI (y/y)	May	--	1.6	0.9
CH	06/08	21:30	PPI (y/y)	May	--	8.4	6.8
ID	06/09	22:00	Consumer Confidence Index	May	--	--	101.5
JN	06/09	02:00	Machine Tool Orders (y/y)	May P	--	--	120.8
NZ	06/10	18:30	Business NZ PMI	May	--	--	58.4
MA	06/11	00:00	Industrial Production (y/y)	Apr	--	--	9.3
IN	06/11	08:00	Industrial Production (y/y)	Apr	--	--	22.4

LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CO	06/05	13:00	Consumer Price Index (m/m)	May	--	0.7	0.6
CO	06/05	13:00	Consumer Price Index (y/y)	May	--	3.0	2.0
BZ	06/08	08:00	Retail Sales (m/m)	Apr	--	--	-0.6
BZ	06/08	08:00	Retail Sales (y/y)	Apr	--	--	2.4
CL	**06/08**	**18:00**	**Nominal Overnight Rate Target (%)**	**Jun 8**	**0.50**	**--**	**0.50**
BZ	06/09	08:00	IBGE Inflation IPCA (m/m)	May	--	--	0.3
BZ	06/09	08:00	IBGE Inflation IPCA (y/y)	May	--	--	6.8
PE	**06/10**	**19:00**	**Reference Rate (%)**	**Jun 10**	**0.25**	**--**	**0.25**

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

Global Auctions for week June 7– 11

NORTH AMERICA

Country	Date	Time	Event
US	06/08	13:00	U.S. To Sell 3-Year Notes
US	06/09	13:00	U.S. To Sell 10 year Notes Reopening
US	06/10	13:00	U.S. To Sell 30-Year Bonds Reopening

EUROPE

Country	Date	Time	Event
NE	06/08	04:00	Netherlands to Sell 0% 2031 Bonds
UK	06/08	05:00	U.K. to Sell 0.375% 2026 Bonds
AS	06/08	05:15	Austria to Sell Bonds on Jun. 8
GE	06/08	05:30	Germany to Sell EUR 4 Bln of 0% 2028 Bonds
UK	06/08	06:30	U.K. to Sell 1.625% 2071 Bonds
NO	06/09	05:00	Norway to Sell Bonds
SZ	06/09	05:15	Switzerland to Sell Bonds
GE	06/09	05:30	Germany to Sell EUR 1.5 Bln 2050 Bonds
SW	06/10	05:00	Sweden to Sell I/L Bonds
IT	06/10	05:00	Italy to Sell Bonds
IR	06/10	05:00	Ireland to Sell Bonds

ASIA-PACIFIC

Country	Date	Time	Event
JN	06/07	23:35	Japan to Sell 30-Year Bonds
CH	06/08	23:00	China Plans to Sell 2-Yr Upsize Bond
CH	06/08	23:00	China Plans to Sell 5-Yr Upsize Bond
CH	06/10	23:00	China Plans to Sell 30-Yr Upsize Bond

LATIN AMERICA

Country	Date	Time	Event

No Scheduled Auctions.

Sources: Bloomberg, Scotiabank Economics.

Events for week of June 7 – 11

NORTH AMERICA

Country	Date	Time	Event
CA	**06/09**	**10:00**	**Bank of Canada Rate Decision**

EUROPE

Country	Date	Time	Event
EC	06/04/21-06/05/21		G7 Finance Ministers Meeting in London
EC	**06/10**	**07:45**	**ECB Main Refinancing Rate**
EC	06/10	07:45	ECB Marginal Lending Facility
EC	06/10	07:45	ECB Deposit Facility Rate
EC	06/10	08:30	ECB President Christine Lagarde Holds Press Conference
RU	**06/11**	**06:30**	**Key Rate**

ASIA-PACIFIC

Country	Date	Time	Event
AU	06/09	00:00	RBA's Kent Gives Speech at Online Webinar

LATIN AMERICA

Country	Date	Time	Event
MX	06/06		Mexican Legislative Election
CL	**06/08**	**18:00**	**Overnight Rate Target**
PE	**06/10**	**19:00**	**Reference Rate**

Sources: Bloomberg, Scotiabank Economics.

Global Central Bank Watch

NORTH AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Canada – Overnight Target Rate	0.25	June 9, 2021	0.25	0.25
Federal Reserve – Federal Funds Target Rate	0.25	June 16, 2021	0.25	0.25
Banco de México – Overnight Rate	4.00	June 24, 2021	4.00	4.00

Bank of Canada (BoC): This is likely to be a maintenance statement on the path toward a more interesting meeting in July. We expect GoC bond purchases to be maintained at a C$3B/week pace. A further taper of bond purchases is possible at the July meeting when jobs may rebound with easing restrictions along with possibly higher measures of inflation expectations and improving economic activity. Key is the fact that the BoC has relatively little time between now and the BoC's estimated closure of spare capacity by 2022H2 into which to pack many exit decisions with optionality along the way. Before hiking the policy rate around when spare capacity is exhausted by mid-2022 or a little later in their forecasts, the BoC has to taper net purchases to zero and reinvest maturing flows for a meaningful time. In order to maximize optionality around developments it may be advisable to taper at the July meeting and then evaluate. This would be in keeping with maximizing optionality around subsequent meetings in order to taper in a "measured and gradual" manner as guided.

EUROPE

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	0.00	June 10, 2021	0.00	0.00
European Central Bank – Marginal Lending Facility Rate	0.25	June 10, 2021	0.25	0.25
European Central Bank – Deposit Facility Rate	-0.50	June 10, 2021	-0.50	-0.50
Bank of England – Bank Rate	0.10	June 24, 2021	0.10	0.00
Swiss National Bank – Libor Target Rate	-0.75	TBA	-0.75	-0.75
Central Bank of Russia – One-Week Auction Rate	5.00	June 11, 2021	5.25	5.25
Sweden Riksbank – Repo Rate	0.00	July 1, 2021	0.00	0.00
Norges Bank – Deposit Rate	0.00	June 17, 2021	0.00	0.00
Central Bank of Turkey – Benchmark Repo Rate	19.00	June 17, 2021	19.00	19.00

European Central Bank (ECB): The ECB has to decide whether or not to extend guidance that it will purchase EGBs at "a significantly higher pace than during the first months of the year" for another quarter given expiring in-quarter guidance. We think they will do so in order to avoid an abrupt shock to markets and given core inflation that remains well below target while EGB spreads over US Treasury yields have widened since the first accelerated purchases in March. **Central Bank of Russia (CBR):** Economic growth is likely to continue despite growing COVID-19 concerns, although likely at a slower pace than earlier in the pandemic. With a headline inflation reading of 5.5% y/y in April and six consecutive months running above the bank's 4.0% target, the Bank of Russia is expected to tighten at the June 11 meeting. We anticipate a 25 bps hike in the Key Rate to 5.25% with more tightening expected to occur at the July and September meetings.

ASIA PACIFIC

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Policy Rate	-0.10	June 18, 2021	-0.10	-0.10
Reserve Bank of Australia – Cash Target Rate	0.10	July 6, 2021	0.10	0.10
Reserve Bank of New Zealand – Cash Rate	0.25	July 13, 2021	0.25	0.25
People's Bank of China – 1-Year Loan Prime Rate	3.85	June 20, 2021	3.85	3.85
Reserve Bank of India – Repo Rate	4.00	August 6, 2021	4.00	4.00
Bank of Korea – Bank Rate	0.50	July 15, 2021	0.50	0.50
Bank of Thailand – Repo Rate	0.50	June 23, 2021	0.50	0.50
Bank Negara Malaysia – Overnight Policy Rate	1.75	July 8, 2021	1.75	1.75
Bank Indonesia – 7-Day Reverse Repo Rate	3.50	June 17, 2021	3.50	3.50
Central Bank of Philippines – Overnight Borrowing Rate	2.00	June 24, 2021	2.00	0.00

LATIN AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	3.50	June 16, 2021	3.50	4.25
Banco Central de Chile – Overnight Rate	0.50	June 8, 2021	0.50	0.50
Banco de la República de Colombia – Lending Rate	1.75	June 28, 2021	1.75	1.75
Banco Central de Reserva del Perú – Reference Rate	0.25	June 10, 2021	0.25	0.25

Banco Central de Chile (BCCh): Our economics team in Chile is expecting the overnight rate to be held at 0.50% on June 8. Economic performance has exceeded expectations thus far and normalization of the policy rate should take place this year–we forecast the first 25 bps hike in October 2021. The June MPR to be published on June 9 is expected to showcase a rise in the 2021 GDP projection, from the 6–7% range up to the 7–8% range.
Banco Central de Reserva del Perú (BCRP): Our economics team in Peru is calling for a hold in the reference rate at 0.25% at the June 10 meeting. Core inflation remains subdued at 1.8% y/y giving the BCRP room to keep its key interest rate unchanged. High global soft commodity prices and PEN depreciation have yet to pass through to prices in general, but may do so eventually.

AFRICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	3.50	July 22, 2021	3.50	3.50

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