GLOBAL ECONOMICS
THE GLOBAL WEEK AHEAD

June 18, 2021

THE FED'S REACTION TO THE MARKET REACTION

FORECASTS & DATA

CONTACTS

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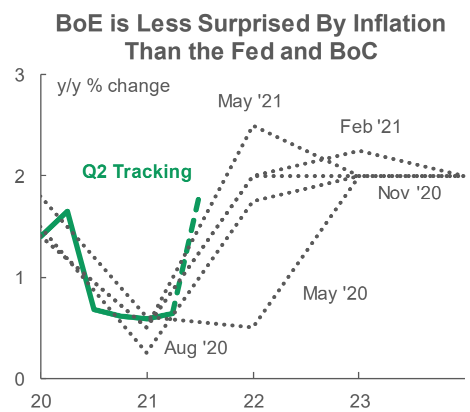
Next Week's Risk Dashboard

- The Fed's reaction to the markets
- What's driving bond markets redux
- Fed's stress tests
- CBs: BoE, Banxico, PBOC, BoT, BSP
- PMIs: EZ, UK, US (Markit), Japan, Australia
- US PCE, consumers, housing, investment
- Canadian retail sales

Chart of the Week



* Each dotted line represents the CPI forecasts from the indicated MPR date labels.
Sources: Scotiabank Economics, Bank of England, ONS.

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

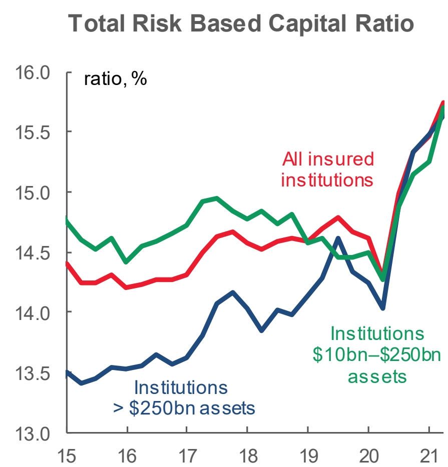
The Fed's Reaction to the Market Reaction

THE FED IS NOT SO STRESSED ABOUT US BANKS

The Federal Reserve Board will release the results of annual stress tests on the US banking system on Thursday at 4:30pmET. They especially matter because the Board announced on March 25th (here) that banks that pass the stress test will have restrictions on dividend policy and share buybacks lifted after June 30th.

The Fed has said that the restrictions will end "for most firms" after June 30th. Vice Chair Quarles said on June 1st that the stress tests are showcasing a "very resilient" banking system. This would suggest there is low risk of any disappointment. Any individual banks that fail the stress test will remain subject to the restrictions through Sept 30th and, if they fail again at that time, then even tighter distribution limitations will be imposed. Total risk-based capital positions at banks have improved since the initial shock of the pandemic (chart 1). The FDIC's overall assessment of the sector is summarized here until the next round of Q2 reports. The next phase will involve communications from across individual banks on capital management plans when the Q2 US bank earnings season begins on July 9th.

Chart 1



Sources: Scotiabank Economics, Bloomberg.

Stress tests apply to banks with more than US$100B in total consolidated assets and they are designed to ensure that there will remain adequate capital to absorb losses in a severe recession. All firms participated last year but smaller banks only need to participate every other year. Out of 33 eligible banks, 23 large banks have been stress tested including 19 mandatory banks and four firms that opted in (three of which are Canadian) out of 14 that could have.

The stress test involves a hypothetical global recession that began in 2021Q1 with strains in commercial real estate and corporate debt markets, plus firms with significant trading operations will be tested against the default of their largest counterparty. The scenarios are outlined here.

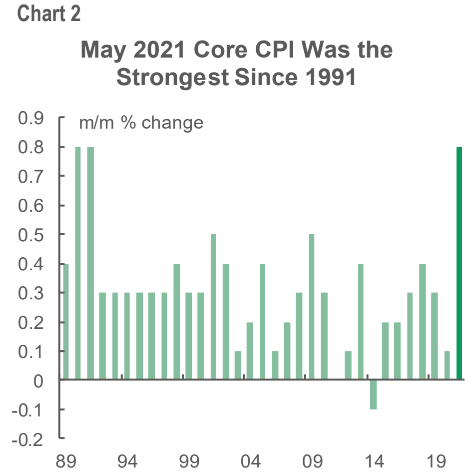
CENTRAL BANKS—THE FED RIPPLE

Fivw central banks will weigh in with policy decisions over the coming week, with most of the attention placed upon two of them. There will also be a heavy line-up of Fed-speak. I'll focus comments on the BoE, Banxico and the Fed. Central banks in the Philippines (Thursday) and Thailand (Friday) are not expected to alter policy and the People's Bank of China is widely expected to keep its Loan Prime Rates unchanged at the start of the week.

Bank of England—Debating Lift-Off

No material policy shifts are likely at this meeting. The prior round of communications on May 6th offered the more significant shift. Recall that the MPC decided to reduce the flow of gilts purchases to £3.4B/week while leaving the size of the gilt purchase program unchanged at £875B so that they could stick to prior guidance that they will keep buying until the end of 2021. They could have left the flow unchanged but that would have exhausted the size of the facility a few weeks beforehand. There is likely to be only one hawkish dissenter who will continue to prefer to reduce the purchase program, but Chief Economist Andy Haldane will dissent for the last time before leaving.

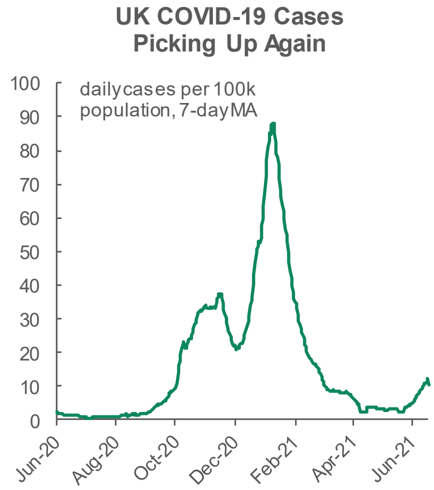
Chart 2



Sources: Scotiabank Economics, UK ONS.

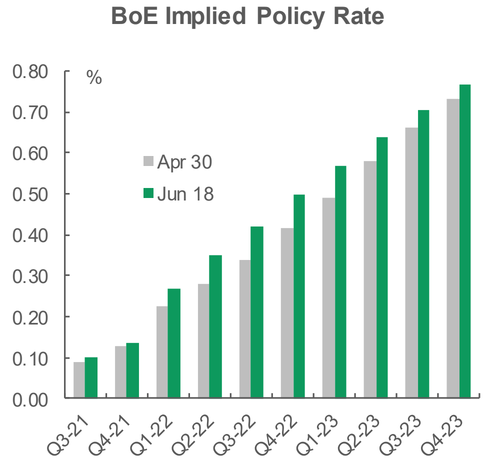
The May meeting also revised forecasts higher and indicated they expect slack to be eliminated by 2022-Q2 with no material change in the output gap thereafter. When questioned on this, Governor Bailey said the forecast for excess demand was "definitively temporary" as the effects of fiscal policy offer a temporary boost and because the BoE lowered its estimates of the scarring effects of the pandemic on the supply side. While he noted that there was high uncertainty around this forecast, developments over recent weeks are unlikely to have materially altered that stance. Also recall that Inflation was revised higher to 2½% this year and slightly softer at 2% next year. Since then, inflation has surprised higher with core CPI spiking to 2% (1.3% prior) and 0.8% m/m for the strongest gain in a month of May in decades (chart 2). The BoE has nevertheless done a better job at forecasting inflation so far than either the Fed or the BoC as the chart of the week on the front cover demonstrates. Regardless, the lifting of COVID-19 restrictions has been postponed by at least a month due to the rise of the Delta COVID-19 variant (chart 3). It's unlikely the BoE will feel comfortable enough to rock the boat further at this meeting.

Chart 3



Sources: Scotiabank Economics, Bloomberg.

Chart 4



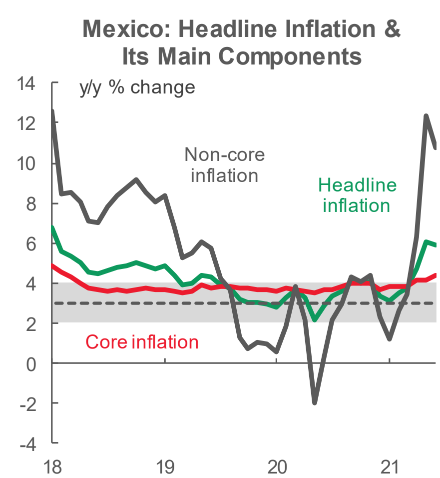
Sources: Scotiabank Economics, Bloomberg.

It's unclear that the BoE would view it as being worthwhile to offer further adjustments to the stock and flow of its gilts purchase program given its expiration by year-end anyway. The more meaningful debate concerns when the policy rate may begin to lift off. Markets are sensibly pricing rate hikes into Q2 of next year which roughly coincides with the BoE's forecast for spare capacity to shut (chart 4). It's unlikely that there will be much if any attention placed upon spillover effects of the Fed policy shift, particularly since the BoE is already scheduled to end bond purchases perhaps even before the Fed begins to dial them back, while markets are pricing BoE hikes well ahead of the Fed.

Banxico—Watching Inflation

Governor Herrera. Well, not quite yet, but former Finance Minister Arturo Herrera becomes Governor in December when current Governor Diaz de Leon steps down. That could offer an interesting transition point for the central bank. The December meeting will be on the cusp of when Scotia's Eduardo Suarez, based in Mexico City, thinks the central bank will begin to raise its policy rate in 2022-Q1. Also bear in mind that current inflation readings are surprising higher. The catch is that Herrera is a dove and has already signalled that he sees no need to rush toward raising the policy rate. That's probably sensible for now, but we'll see as the year progresses.

Chart 5



Sources: Scotiabank Economics, INEGI.

For now, Thursday's communications are unlikely to offer any material shifts. Inflation is running at 5.9% y/y with core accelerating to 4.4% and hence well above the 3% +/-1% target range (chart 5). Banxico forecasts inflation to remain above the target until early 2022. Signs of greater-than-expected pressures and persistence could alter this stance at subsequent meetings. One risk to monitor is the impact of the Fed shift on imported inflation given the peso's extra 3%+ post-Fed depreciation to the USD and 5%+ since the prior week.

Fed-Speak

Several Fed officials will take to the virtual podium. Post-FOMC comments from individual members will be watched for possibly further clues on how many members wish to discuss tapering now and potential timelines for doing so. Fed Chair Powell delivers testimony before the Select Subcommittee on the Coronavirus Crisis of the US House of Representatives on Tuesday at 2pmET. His topic will be the Fed's response to the pandemic. There is likely low risk to his testimony especially after his performance this past week.

Fed-speak will also bring out St. Louis President Bullard and NY Fed President Williams (Monday), Cleveland's Mester and San Fran's Daly (Tuesday), Governor Bowman on community development, Atlanta's Bostic and Boston's Rosengren (Wednesday), Bostic again with Philly's Harker, Williams and Bullard (Thursday), and once again Mester and Rosengren (Friday).

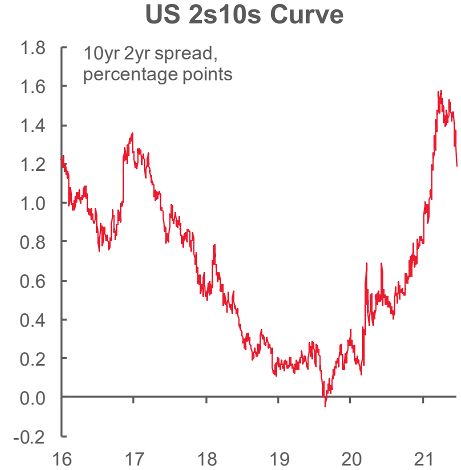
WHAT'S DRIVING BONDS?

With so many Fed speakers on tap it might be useful to hear them share their thoughts on bond market developments. Are they surprised by the magnitude of curve flattening in Treasuries since the FOMC communications? If they indicate surprise, then could it impact their views on appropriate policy stances going forward since market signals provided by deep and liquid markets could offer information to consider? After both 2s and 10s initially cheapened following the full suite of communications, the Treasury curve flattened with the 2 year yield ending the week about 10–11bps higher and the 10 year yield ending about 3bps lower compared to before the Fed communications.

This is an important issue not least because we all know the dismal evidence on how Treasury curve flattening can portend challenges ahead. If curves are flattening because the market perceives the Fed to be committing a policy error with trouble ahead, then that's obviously not a good sign. Such a risk signal seems to be pretty low so far given that the 2s10s curve remains fairly steep (chart 6) and models based on the Treasury curve's slope indicate low risk of such trouble ahead (here). An awful lot would have to go horribly wrong against the narrative of a vaccine- and stimulus-fed recovery in order for trouble to lurk within a reasonable time frame.

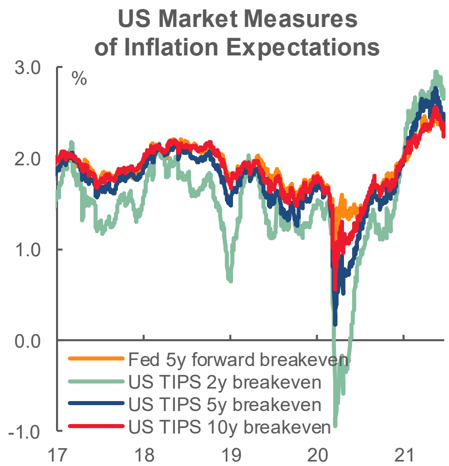
If curves are instead flattening because markets think the Fed won't quite let inflation run as hot as previously thought, then that might offer more of a mixed signal. It might be resetting inflation expectations at a modestly lower level and, once reset, market positioning could then turn more neutral. So far, it seems that market-based and survey-based measures of inflation expectations continue to indicate that markets believe in the reflation trade relative to the Fed's guidance it plans to modestly overshoot 2% for some time (charts 7–8). Or it could be driving a very crowded repositioning away from reflation trades in commodities and inflation product that may be undershooting the ultimate resting point. Alternatively, there may be another explanation.

Chart 6



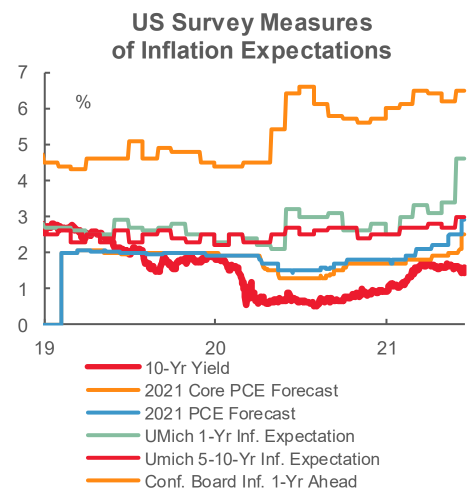
Sources: Scotiabank Economics, Bloomberg.

Chart 7



Sources: Scotiabank Economics, Bloomberg.

Chart 8



Sources: Scotiabank Economics, Bloomberg.

From what I've gathered, it seems that the bandwagon consensus narrative in the markets right now is that inflation is already on its way out, the Fed's going to prematurely snuff out the recovery and that growth will disappoint. Good luck with all of that.

On the Fed (recap here), since when do two hikes three years from now expressed in dots of dubious merit that most of us had already anticipated anyway result in prematurely snuffing out a recovery that is expected to shut spare capacity this year? Even by the end of 2023 the FOMC is saying they'd still expect to be running 175bps below what they say is the nominal R* measure. Even the most hawkish among FOMC officials—all two out of 18 of them—think that by the end of 2023 the policy rate range will be 1.5–1.75%. The most hawkish among FOMC officials appears to be St. Louis Fed President James Bullard and, while I have a bias toward his arguments, his caution that the Fed could raise rates later in 2022 is a minority view at present and still probably leaves the Fed trailing developments. Snuff out? You've gotta be kidding me. We don't have anything close to that kind of information on our hands at this point. The Fed is more likely to be years behind and will get further and further behind. Flatteners don't usually arrive this early ahead of the first hypothetical hike in the dots that Fed Chair Powell dismissed as requiring a "mountain of salt" to take literally.

Also on the Fed, while they are talking about it in greater numbers than "a number" who raised it at the previous meeting, they are still saying 'substantial further progress' has not yet been achieved to merit tapering. Data flow over "coming meetings" doesn't say one meeting (July) so strong signals just yet are likely premature. The FOMC is likely to want several months of payrolls and inflation data in order to shift gears meaningfully. Maybe 'coming meetings' was actually a dovish taper signal to those among us who thought it possible that Powell could drop the taper bomb at the late August Jackson Hole symposium or at the September FOMC. To go from $120B to zero and then presumably reinvest for a while before hiking is still going to take a while. In the meantime, there are hundreds of billions more Treasury purchases forthcoming into the period in which the debt ceiling is going to be reinstated that, in my opinion, is excessive central bank buying.

On inflation, it's premature to price in a return to very low numbers in my view (US CPI recap here, and the Canadian CPI recap takes a similar approach here). Be wary of the cherry-pickers who choose to emphasize data that fits their thesis that it's all just transitory because of upsides like gas and autos, while ignoring potential transitory downsides that could heat up as the economy reopens—like broad services price inflation that hasn't even begun in earnest. Or clothing, because the workforce will be wearing threadbare pyjamas to work from home years from now... Or food and medical care price inflation that is flat now compared to high year-ago base effects but likely isn't busting up a multi-decade trend of rising pressures. Further, secular forces that held inflation back in the past pre-pandemic decade may well not be the same disinflationary forces going forward even if we didn't have history-busting monetary and fiscal policy stimulus that is expected to persist on top of it all. When was the last time the Fed blew up its balance sheet and sat on zero for years while fiscal policy joined in and all in response to a transitory shock solved by science? #never. In any event, inflation risk is to be judged over the full cycle ahead and not just the past few months, or the next six months.

Scarcity and liquidity may still be the more likely explanations for Treasury curve flattening. The debt ceiling reinstatement on August 1st is messing up the markets and will for a while yet. The policy-induced flows in and out of bond markets are more important than inflation views in driving yields. Since about mid-February, the Treasury General Account has dropped by ~US$865B (chart 9) while the Fed's o/n repo facility has drained about $750B (chart 10). Bills outstanding have dropped by about $600B over a similar time frame (chart 11). The Fed has bought hundreds of billions of more Treasuries over that same period and is fanning relative scarcity pressures. That's a lot of money on net that has to go somewhere else and that drives reach for yield pressure.

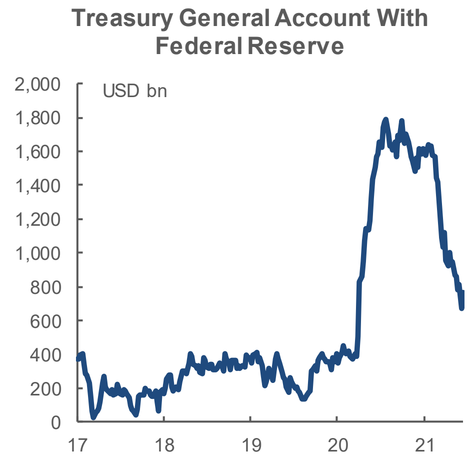
Overall, I'm personally uncertain regarding the overall blend of bond market drivers and it may be that we'll have to wait until the forces over coming weeks before the August 1st debt ceiling reinstatement subside before we can judge the durability of these flows and what's causing them. Maybe by then we'll be getting closer to tapering. At that point, it could still dawn upon markets that the Fed's first action is more likely to offer much less support to bond markets. If the Dems move to raise the debt ceiling and wrap it in a stimulus package that can get past Congress, then less buying and more issuance could well drive renewed curve steepening.

INDICATORS—PMIS TO INFORM MOMENTUM

Regional growth variations will be further informed by the latest monthly batch of purchasing managers' indices for the month of June. The measures reflect what global purchasing managers in the manufacturing and service sectors are seeing and expect for new orders, current sales and production, price pressures, hiring intentions, and supply chain readings on backlogs and inventories.

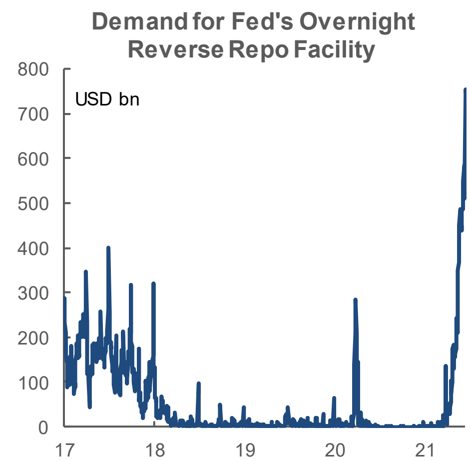
Japan and Australia kick it off with their readings on Tuesday followed by Eurozone and UK PMIs on Wednesday. The US will also consider updates of the Markit PMIs on Wednesday but the more widely followed ISM gauges will follow in early July. See

Chart 9



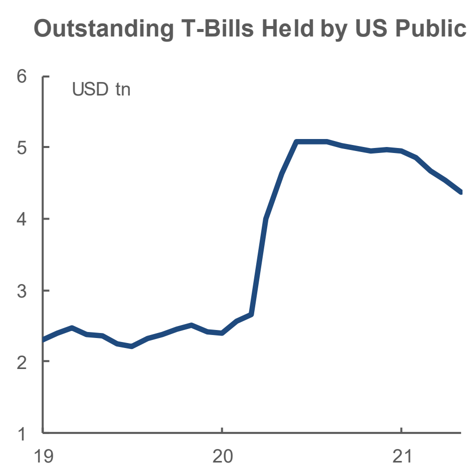
Sources: Scotiabank Economics, Federal Reserve.

Chart 10



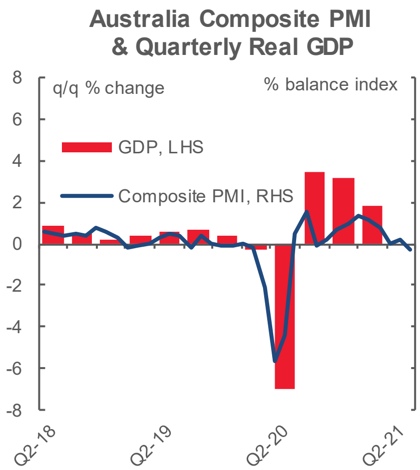
Sources: Scotiabank Economics, Bloomberg.

Chart 11



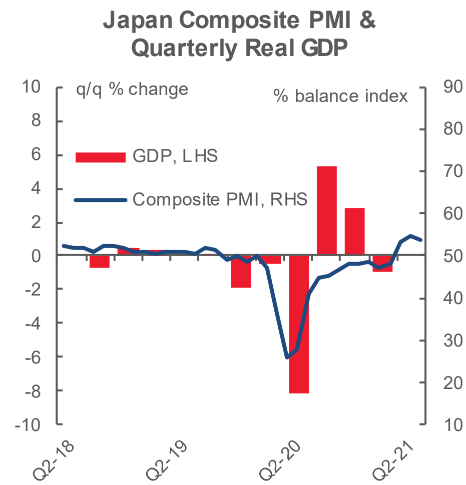
Sources: Scotiabank Economics, Bloomberg.

Chart 12



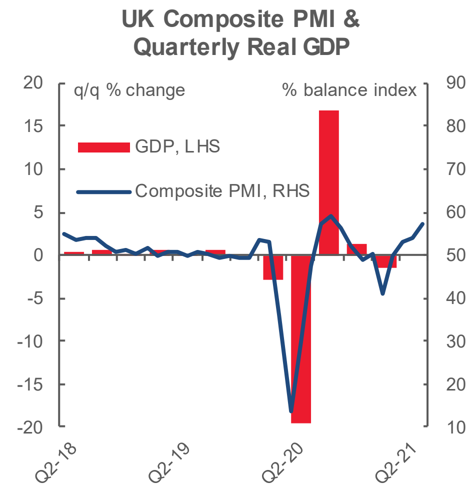
Sources: Scotiabank Economics, IHS Markit, Bloomberg.

Chart 13



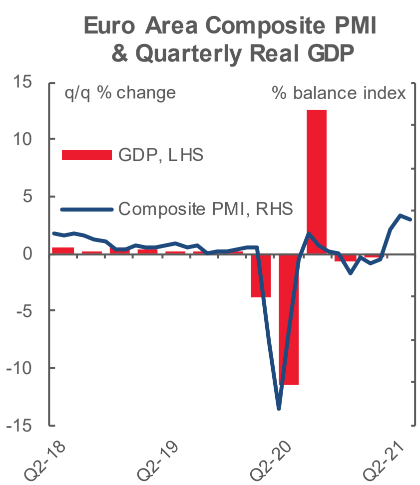
Sources: Scotiabank Economics, IHS Markit, Bloomberg.

Chart 14



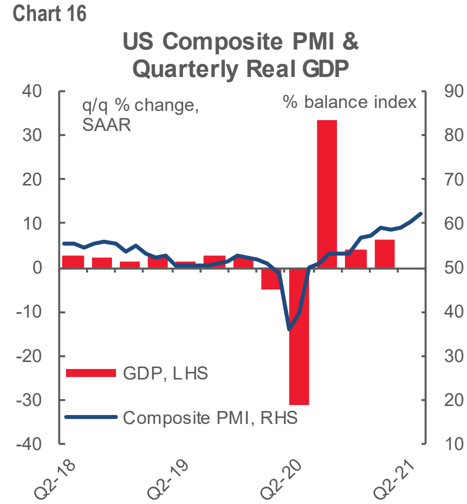
Sources: Scotiabank Economics, IHS Markit, Bloomberg.

Chart 15



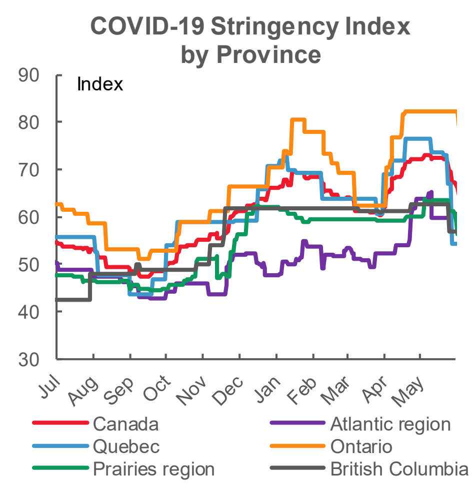
Sources: Scotiabank Economics, IHS Markit, Bloomberg.

Chart 16



Sources: Scotiabank Economics, Markit, Bloomberg.

Chart 17



Sources: Scotiabank Economics, Bank of Canada.

charts 12–16 for depictions of the trends in these readings and how the strongest growth signals are coming from the UK and US.

Canada updates April retail sales on Wednesday as the lone development of the week. There are two things to watch. First, we already have ‘flash’ guidance based upon 46% of companies surveyed that sales fell by 5.1% m/m. Since that is only about half of the typical full survey response rate there could be revisions. At the same time, however, we should get preliminary ‘flash’ guidance for May which is also likely to be on the soft side. Much of Canada remained in lockdown through April and May. Markets are likely to look past the figures with eyes on timing the potential magnitude of a rebound that could start as soon as June if readings on restrictions and mobility are a guide (chart 17).

The main US releases arrive on Friday when the Fed’s preferred inflation gauge plus income and consumer spending during May will be released. Incomes probably fell by about 2% m/m in May because even though stimulus cheques continued to be disbursed, the pace at which they are being distributed even in June has been markedly slowing compared to the initial burst. Consumer spending could slip given the already known decline in retail sales that now represent just under half of total consumer spending; if services rebound more rapidly, then that could spare a decline in total spending.

Other US releases will include home resales during May (Tuesday) that are expected to dip given the trend in pending home sales, new home sales for the same month that could bounce back from the prior decline, May durable goods orders that are expected to recover from the prior month’s weakness, and the final estimate for Q1 GDP that is expected to be unchanged around 6.4%.

Key Indicators for week of June 21 – 25

NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	06-22	10:00	Existing Home Sales (mn a.r.)	May	5.7	5.7	5.9
US	06-22	10:00	Existing Home Sales (m/m)	May	-2.5	-2.4	-2.7
US	06-22	10:00	Richmond Fed Manufacturing Index	Jun	--	18.0	18.0
MX	06-23	07:00	Retail Sales (INEGI) (y/y)	Apr	--	--	2.5
US	06-23	07:00	MBA Mortgage Applications (w/w)	Jun 18	--	--	4.2
CA	06-23	08:30	Retail Sales (m/m)	Apr	-6.0	-5.0	3.6
CA	06-23	08:30	Retail Sales ex. Autos (m/m)	Apr	-4.5	-4.5	4.3
US	06-23	08:30	Current Account (US$ bn)	1Q	--	-207.0	-188.5
US	06-23	10:00	New Home Sales (000s a.r.)	May	880.0	875.0	863.0
MX	06-24	07:00	Bi-Weekly Core CPI (% change)	Jun 15	0.2	0.2	0.2
MX	06-24	07:00	Bi-Weekly CPI (% change)	Jun 15	0.1	0.2	0.2
MX	06-24	07:00	Unemployment Rate (%)	May	--	--	4.7
US	06-24	08:30	Durable Goods Orders (m/m)	May P	3.0	3.0	-1.3
US	06-24	08:30	Durable Goods Orders ex. Trans. (m/m)	May P	1.0	0.8	1.0
US	06-24	08:30	GDP (q/q a.r.)	1Q T	6.4	6.4	6.4
US	06-24	08:30	GDP Deflator (q/q a.r.)	1Q T	--	4.3	4.3
US	06-24	08:30	Initial Jobless Claims (000s)	Jun 19	380	380	412
US	06-24	08:30	Continuing Claims (000s)	Jun 12	3,500	--	3,518
US	06-24	08:30	Wholesale Inventories (m/m)	May P	--	--	0.8
MX	**06-24**	**14:00**	**Overnight Rate (%)**	**Jun 24**	**4.00**	**4.00**	**4.00**
MX	06-25	07:00	Global Economic Indicator IGAE (y/y)	Apr	--	21.6	0.8
US	06-25	08:30	PCE Deflator (m/m)	May	0.6	0.5	0.6
US	06-25	08:30	PCE Deflator (y/y)	May	4.0	3.9	3.6
US	06-25	08:30	PCE ex. Food & Energy (m/m)	May	0.7	0.6	0.7
US	06-25	08:30	PCE ex. Food & Energy (y/y)	May	3.6	3.5	3.1
US	06-25	08:30	Personal Spending (m/m)	May	-0.3	0.3	0.5
US	06-25	08:30	Personal Income (m/m)	May	-2.0	-2.8	-13.1
US	06-25	10:00	U. of Michigan Consumer Sentiment	Jun F	--	86.5	86.4

EUROPE

Country	Date	Time	Indicator	Period	Consensus	Latest
UK	06-22	02:00	PSNB ex. Interventions (£ bn)	May	26.0	31.7
UK	06-22	02:00	Public Finances (PSNCR) (£ bn)	May	--	33.6
UK	06-22	02:00	Public Sector Net Borrowing (£ bn)	May	24.3	31.0
EC	06-22	10:00	Consumer Confidence	Jun A	-3.3	-5.1
FR	06-23	03:15	Manufacturing PMI	Jun P	59.0	59.4
FR	06-23	03:15	Services PMI	Jun P	59.6	56.6
GE	06-23	03:30	Manufacturing PMI	Jun P	63.0	64.4
GE	06-23	03:30	Services PMI	Jun P	55.5	52.8
EC	06-23	04:00	Composite PMI	Jun P	58.5	57.1
EC	06-23	04:00	Manufacturing PMI	Jun P	62.1	63.1
EC	06-23	04:00	Services PMI	Jun P	57.9	55.2
UK	06-23	04:30	Manufacturing PMI	Jun P	64.0	65.6
UK	06-23	04:30	Services PMI	Jun P	63.0	62.9
SP	06-24	03:00	Real GDP (q/q)	1Q F	-0.5	-0.5
GE	06-24	04:00	IFO Business Climate Survey	Jun	100.6	99.2
GE	06-24	04:00	IFO Current Assessment Survey	Jun	97.8	95.7
GE	06-24	04:00	IFO Expectations Survey	Jun	103.6	102.9
UK	06-24	07:00	BoE Asset Purchase Target (£ bn)	Jun	875.0	875.0
UK	**06-24**	**07:00**	**BoE Policy Announcement (%)**	**Jun 24**	**0.10**	**0.10**
UK	06-24	19:01	GfK Consumer Confidence Survey	Jun	-7.0	-9.0
GE	06-25	02:00	GfK Consumer Confidence Survey	Jul	-4.0	0.0

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

Key Indicators for week of June 21 – 25

ASIA-PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
AU	06-20	21:30	Retail Sales (m/m)	May P	--	0.4	1.1
CH	**06-20**	**21:30**	**PBoC Loan Prime Rate 1-Year (%)**	**Jun 21**	**3.85**	**3.85**	**3.85**
TA	06-21	04:00	Export Orders (y/y)	May	--	42.2	42.6
SK	06-21	17:00	PPI (y/y)	May	--	--	5.6
SK	06-21		Department Store Sales (y/y)	May	--	--	34.5
JN	06-22	01:30	Nationwide Department Store Sales (y/y)	May	--	--	167.0
JN	06-22	02:00	Machine Tool Orders (y/y)	May F	--	--	140.7
TA	06-22	04:00	Unemployment Rate (%)	May	--	3.7	3.7
HK	06-22	04:30	CPI (y/y)	May	1.3	1.2	0.7
HK	06-22	04:30	BoP Current Account (HK$ bns)	1Q	--	--	97.5
JN	06-22	20:30	Markit/JMMA Manufacturing PMI	Jun P	--	--	53.0
TH	06-22	23:30	Customs Exports (y/y)	May	--	35.0	13.1
TH	06-22	23:30	Customs Imports (y/y)	May	--	53.9	29.8
TH	06-22	23:30	Customs Trade Balance (US$ mn)	May	--	775.0	182.5
PH	06-22		Budget Deficit/Surplus (PHP bn)	May	--	--	-44.4
JN	06-23	01:00	Coincident Index CI	Apr F	--	--	95.5
JN	06-23	01:00	Leading Index CI	Apr F	--	--	102.4
SI	06-23	01:00	CPI (y/y)	May	1.9	2.1	2.1
TH	**06-23**	**03:05**	**BoT Repo Rate (%)**	**Jun 23**	**0.50**	**0.50**	**0.50**
TA	06-23	04:00	Industrial Production (y/y)	May	--	12.9	2.5
SK	06-23	17:00	Consumer Confidence Index	Jun	--	--	105.2
JN	06-24	01:00	Supermarket Sales (y/y)	May	--	--	6.0
PH	**06-24**	**04:00**	**Overnight Borrowing Rate (%)**	**Jun 23**	**2.00**	**2.00**	**2.00**
SK	06-24	17:00	Business Survey- Manufacturing	Jul	--	--	97.0
SK	06-24	17:00	Business Survey- Non-Manufacturing	Jul	--	--	81.0
NZ	06-24	18:45	Trade Balance (NZD mn)	May	--	--	388.0
NZ	06-24	18:45	Exports (NZD bn)	May	--	--	5,366
NZ	06-24	18:45	Imports (NZD bn)	May	--	--	4,978
JN	06-24	19:30	Tokyo CPI (y/y)	Jun	--	-0.3	-0.4
MA	06-25	00:00	CPI (y/y)	May	4.7	4.7	4.7
SI	06-25	01:00	Industrial Production (y/y)	May	--	24.1	2.1
VN	06-25		CPI (y/y)	Jun	--	--	2.9
VN	06-25		Industrial Production (y/y)	Jun	--	--	11.6

LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CO	06-22	11:00	Trade Balance (US$ mn)	Apr	--	-1,476	-1,298
BZ	06-25	08:00	IBGE Inflation IPCA-15 (m/m)	Jun	--	0.9	0.4
BZ	06-25	08:00	IBGE Inflation IPCA-15 (y/y)	Jun	--	8.2	7.3
BZ	06-25	08:30	Current Account (US$ mn)	May	--	4,192	5,663

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

Global Auctions for week June 21 – 25

NORTH AMERICA

Country	Date	Time	Event
US	06-22	13:00	U.S. To Sell 2-Year Notes
US	06-23	13:00	U.S. To Sell 5-Year Notes
US	06-24	13:00	U.S. To Sell 7-Year Notes

EUROPE

Country	Date	Time	Event
NE	06-22	04:00	Netherlands to Sell Bonds
GE	06-23	05:30	Germany to Sell EUR 2.5 Bln of 0% 2036 Bonds
IT	06-25	05:00	Italy to Sell Bonds
IC	06-25	07:30	Iceland to Sell Bonds

ASIA-PACIFIC

Country	Date	Time	Event
JN	06-21	23:35	Japan to Sell 5-Year Bonds
JN	06-23	23:35	Japan to Sell 20-Year Bonds

LATIN AMERICA

No Scheduled Auctions.

Sources: Bloomberg, Scotiabank Economics.

Events for week of June 21 – 25

NORTH AMERICA

Country	Date	Time	Event
US	06-21	09:30	Fed’s Bullard Discusses Economic Outlook
US	06-21	15:00	Fed’s Williams Speaks at Banking Conference
US	06-22	10:30	Fed’s Mester Discusses Monetary Policy and Financial...
US	06-22	11:00	Fed’s Daly Speaks at Peterson Institute Event
US	06-23	09:00	Fed’s Bowman Speaks at Fed Conference on Economic Resilience
US	06-24	11:00	Fed’s Williams Takes Part in Moderated Discussion
US	06-24	13:00	Fed’s Bullard Discusses Outlook for Economy and Monetary...
MX	**06-24**	**14:00**	**Overnight Rate**
US	06-24	16:30	Fed Releases Bank Stress Rest Results
US	06-25	11:35	Fed’s Mester Speaks at Fed Conference on Economic Resilience

EUROPE

Country	Date	Time	Event
EC	06-23	03:30	ECB's Guindos Speaks
UK	**06-24**	**07:00**	**Bank of England Bank Rate**
EC	06-24	07:30	ECB's Panetta Speaks
EC	06-24	11:30	ECB's Schnabel Speaks
EC	06/24/21-06/25/21		EU leaders meet in Brussels

ASIA-PACIFIC

Country	Date	Time	Event
CH	**06-20**	**21:30**	**1-Year Loan Prime Rate**
CH	06-20	21:30	5-Year Loan Prime Rate
JN	06-22	19:50	BOJ Minutes of April Meeting
AU	06-22	23:15	RBA's Ellis Speech in Adelaide
TH	**06-23**	**03:05**	**BoT Benchmark Interest Rate**
PH	**06-24**	**04:00**	**BSP Overnight Borrowing Rate**
PH	06-24	04:00	BSP Standing Overnight Deposit Facility 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	July 14, 2021	0.25	0.25
Federal Reserve – Federal Funds Target Rate	0.25	July 28, 2021	0.25	0.25
Banco de México – Overnight Rate	4.00	June 24, 2021	4.00	4.00

Banco de México (Banxico): No material communication shifts are expected at the monetary policy meeting on June 24. Our Mexico City economists are calling for a hold of the policy rate at 4.00% with tightening expected to begin in Q1-2022. This view currently reflects the signaling from the latest board meeting minutes as well as latest Quarterly Inflation Report. Headline inflation pulled back to 5.9% y/y from it's April peak of 6.1% y/y–with core inflation up to 4.4% y/y from 4.1% y/y–which still remains well above the 3% +/- 1% target range.

EUROPE

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	0.00	July 22, 2021	0.00	0.00
European Central Bank – Marginal Lending Facility Rate	0.25	July 22, 2021	0.25	0.25
European Central Bank – Deposit Facility Rate	-0.50	July 22, 2021	-0.50	-0.50
Bank of England – Bank Rate	0.10	June 24, 2021	0.10	0.10
Swiss National Bank – Libor Target Rate	-0.75	TBA	-0.75	-0.75
Central Bank of Russia – One-Week Auction Rate	5.50	July 23, 2021	5.25	5.50
Sweden Riksbank – Repo Rate	0.00	July 1, 2021	0.00	0.00
Norges Bank – Deposit Rate	0.00	August 19, 2021	0.00	0.00
Central Bank of Turkey – Benchmark Repo Rate	19.00	July 14, 2021	19.00	19.00

Bank of England (BoE): No material policy shifts are expected at this meeting. The prior meeting in May revised forecasts and reset the gilts purchase program. New information since then has been mixed with inflation coming in stronger while reopening plans have been postponed due to the rise of the delta COVID-19 variant. The BoE may well decide to stick with its purchase program through to year-end while markets bring forward rate hike pricing to when the central bank forecasts closure of spare capacity by about Springtime next year.

ASIA PACIFIC

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Policy Rate	-0.10	July 16, 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	July 22, 2021	3.50	3.50
Central Bank of Philippines – Overnight Borrowing Rate	2.00	June 24, 2021	2.00	2.00

People's Bank of China (PBoC): The People's Bank of China (PBoC) will likely maintain a prudent and neutral monetary policy stance this year and avoid making sharp policy adjustments, with a focus on maintaining financial stability. We expect the Chinese benchmark Loan Prime Rates (LPR) to remain unchanged in the foreseeable future; the 1-year and 5-year LPRs are expected to remain at current levels of 3.85% and 4.65%, respectively. While the economic recovery is well underway, we assess that it is not sustainable enough for a near-term monetary tightening via traditional policy levers. Banks' reserve requirement ratios are also expected to remain unchanged over the coming months. We note that the Chinese authorities have dipped into their metal reserves to cool commodity prices, following explosive growth in producer prices. We further note that the PBoC has raised the FX Reserve Ratio to rein in the Chinese yuan. This move underlines the PBoC's determination to maintain yuan stability, an important factor for China's external sector. **Bank of Thailand (BoT):** The BoT is expected to maintain its policy rate at 0.50%. Thailand's economic recovery is expected to face further headwinds following a 3rd wave of COVID-19 infections. While inflation is likely to accelerate in Q2 2021, it is expected to be transitory due to base effects and inflation expectations remaining anchored within the target. May's CPI inflation of 2.4% y/y was mainly driven by a recovery of energy prices from year-ago lows and higher vehicle prices due to supply chain concerns. The MPC will continue to emphasize the importance of supporting economic recovery and has indicated that it would use additional appropriate monetary policy tools if necessary. **Central Bank of Philippines (BSP):** BSP is not expected to alter policy, holding the overnight reverse repo rate at 2.0%. Interest rates on overnight deposit and lending facilities are also expected to be kept at 1.5% and 2.0%, respectively. May's inflation came in at 4.5% y/y, within the BSP's forecast range but above the BSP's inflation target range of 3±1%. Inflation is likely to be elevated for the coming months, driven mainly by transitory supply-side constraints on food domestically, rising commodity prices globally, and base effects. However, inflationary pressures are expected to ease going into 2022, settling into the BSP's target range. Containment of a new wave of COVID-19 outbreak, sustained vaccination rollout and the strength of global economic recovery continue to be the primary risks to Philippines' economic recovery. The BSP has indicated that it remains committed to deploying its full range of instruments as appropriate to maintain price and financial stability.

LATIN AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	4.25	August 4, 2021	4.25	4.25
Banco Central de Chile – Overnight Rate	0.50	July 14, 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	July 8, 2021	0.25	0.25

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.