Scotiabank

GLOBAL ECONOMICS

THE GLOBAL WEEK AHEAD

June 10, 2022

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With thanks for research support from: Marc Ercolao.

Next Week's Risk Dashboard

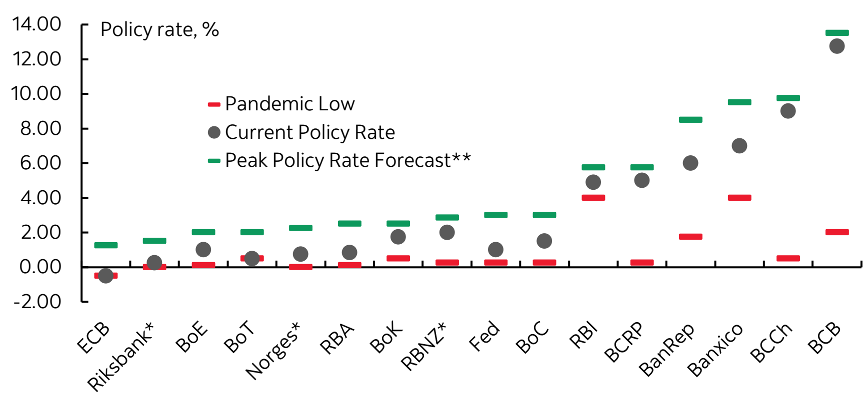
- **FOMC to accelerate tightening**
- **BoE to hike again**
- **BoJ likely to stand pat**
- **PBoC cut risk**
- **SNB to follow the ECB**
- **Brazil's central bank's guidance to be key**
- **CBCT slowly tightening**
- **Improved China readings…**
- **…amid risk of further lockdowns**
- **UK, Aussie and SK jobs**
- **Soft US retail sales**
- **Global macro readings**

The Acceptance Stage

FORECASTS & DATA

Chart of the Week

Central Bank Hikers: Where They Were, Where They Are, Where They'll Go



*Bloomberg consensus forecasts. All other policy rate forecasts are as of the June 9, 2022 *Scotiabank Forecast Tables.*
**Over the 2022–2023 forecast horizon.
Sources: Scotiabank Economics, Bloomberg.

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

June 10, 2022

The Acceptance Stage

FOMC—A STEEPER CLIMB

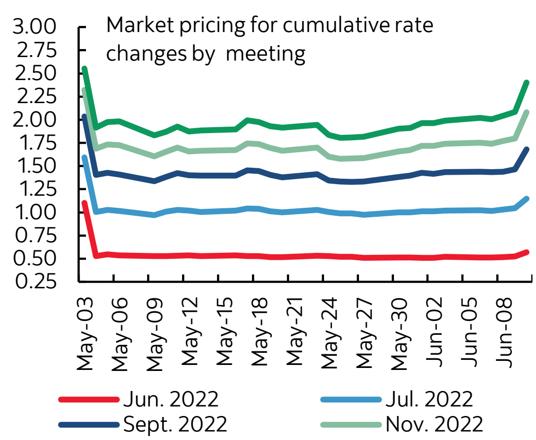
Having spent almost all of 2021 in denial toward inflation risk while pumping up talk that the rather blunt tool of monetary policy should be used to achieve fully inclusive labour market outcomes, the Fed has since begrudgingly pivoted through the stages of grief in terms of inflation management. This week's two-day meeting on Tuesday and Wednesday is likely to be the cathartic acceptance stage if not full-on capitulation. The hawks will be running the show.

This will be a full meeting including the statement on Wednesday at 2pmET alongside the Summary of Economic Projections and the revised 'dot plot' of the committee's not-a-forecast forecasts for what they don't think about their thoughts on the policy rate going forward. And who said that anyway. Right. Just call it a forecast folks! The rest of us have to. Chair Powell's press conference will follow at 2:30pmET.

The problem is that the Fed's handholding habits prefer to pre-commit to moves a meeting ahead of time which seems incongruent to also claiming to be data dependent and not on a pre-set path. The aim to precommitment may be to avoid disrupting markets, yet the merits of this approach have been dubious as markets are already highly disrupted by the perception that inflation risk has run amok and that glaciers are melting faster than the Fed has been tightening. Chart 1 shows the recent spike around meeting-by-meeting rate pricing. A 1% fed funds upper limit is clearly far too low for an economy absent slack, at if not beyond full employment, and with inflation more than four times target. Four times! At least we can't call them commitment-phobic.

Chart 1

Markets Reprice the Fed's Rate Path



Sources: Scotiabank Economics, Bloomberg.

The stage for this meeting started to be set at the last meeting on May 3rd–4th. During the press conference, Chair Powell said "additional 50 point rate increases should be on the table at the next couple of meetings" and that there was "widespread" support for this on the FOMC. At the same time, he said "75bps is not something the committee is actively considering." Even the most hawkish committee members have tended to push the debate by adhering to 50 moves but for a longer preferred period than perhaps their colleagues would like.

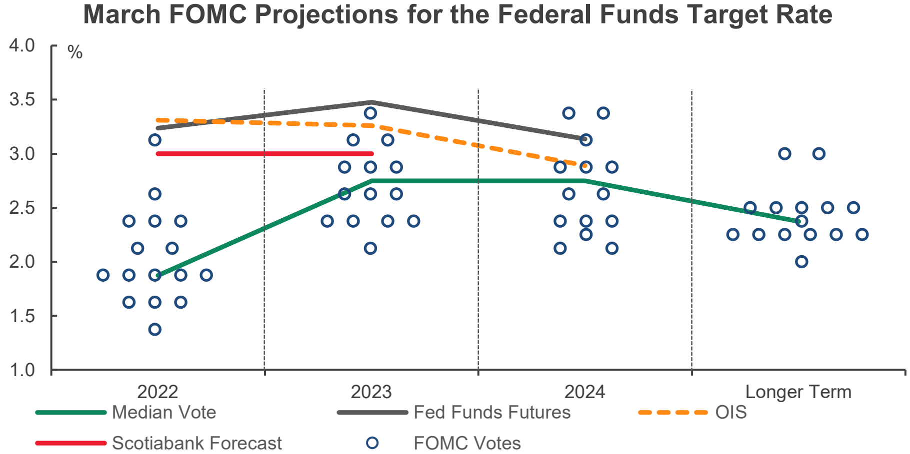
Six weeks later Powell may be regretting this. As explained **here**, there is no credible evidence that inflationary pressures are easing. In fact, month-over-month core CPI just increased at its fastest pace since last June which suggests that pressures continue to intensify. Markets are pushing the Fed to pick up the pace. This is evidenced by the fact they are pricing a modest chance at a 75bps hike on June 15th and a material likelihood of a 75bps hike at the July meeting.

The FOMC might hike by 75bps this week, but the risk to doing so is that this would make a dumpster fire out of the Fed's approach to meeting-by-meeting guidance and risk fully losing control of the narrative into each individual meeting. I think they'll stick to 50, though we could see some dissenters like Governor Waller who apparently wishes to hike at a 50 point clip for the longest stretch of time among any of his colleagues. The better calculus may be to allow markets to do the Fed's expedited tightening work rather than a bigger administered rate hike now. The way they may be likely to do this courts a combination of a few possibilities.

- Provide explicit guidance toward a 75bps move being actively considered for the July meeting instead of Powell's prior guidance toward 50bps for the June and July meetings;

Chart 2

March FOMC Projections for the Federal Funds Target Rate



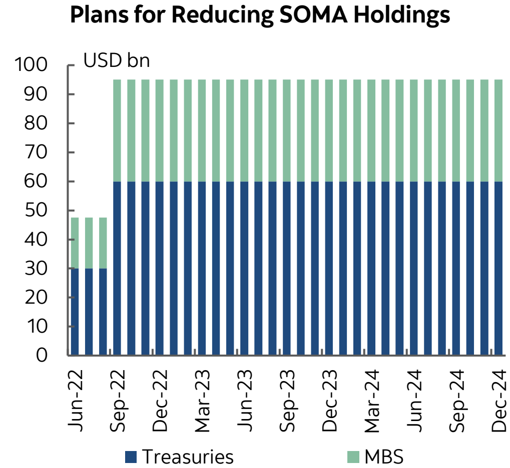
Note: OIS & Fed Fund Futures as of March 16, 2022.
Sources: Scotiabank Economics, US Federal Reserve.

- Extend guidance on out-sized hikes to at least one extra meeting by including the September FOMC meeting and perhaps openness to another big move in October;
- Raise the projected path of rate moves shown in chart 2 from 2% by the end of this year and 2.75% by the end of next year to at least 3% by the end of this year and above the neutral rate range of 2–3% over 2023.
- A hawkish surprise would entail revisiting the FOMC's estimate of the longer run neutral policy rate. To date, the Committee has indicated they think it's at about 2½% as the mid-point of a 2–3% range of individual estimates. The distribution of those estimates would require quite a few to raise them in order to lift the median figure and it may be more likely that the FOMC continues to manage the messaging through the pace, size, and terminal rate path.
- Instead of saying "it's certainly possible" that the FOMC has to raise the policy rate above the neutral rate range, Powell may strengthen this language to more active consideration.

Probably the most likely outcome would be to extend the period of forward guidance for half-point meeting moves and raise the end goalposts within a shorter period of time.

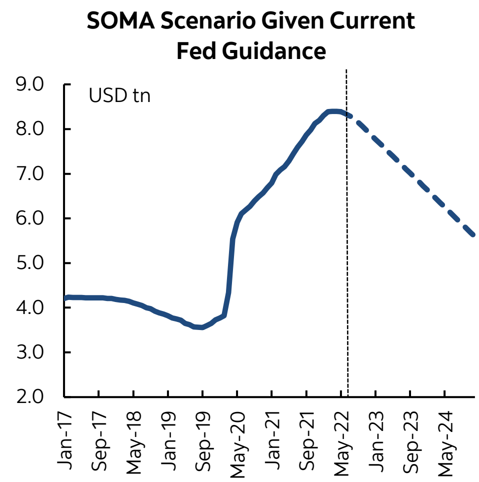
Balance sheet plans are likely on autopilot for the time being with the path of roll-off caps shown in chart 3 and the outlook for the SOMA balance in chart 4. The FOMC only just announced at the May meeting that it would start its roll-off plans of maturing holdings of Treasuries and mortgage-backed securities starting on June 1st and after having outlined its plans in the April 6th minutes to the March 15th–16th meeting. It will have only been unwinding its holdings for a couple of weeks into this meeting and may view the exercise as being at a highly nascent stage by way of evaluating the impacts upon markets and expected future reserves. It would be a surprise if plans to sell MBS outright were to be expedited compared to guidance that they may be considered once roll-off plans are "well underway."

Chart 3



Sources: Scotiabank Economics, Federal Reserve.

Chart 4



Sources: Scotiabank Economics, Federal Reserve.

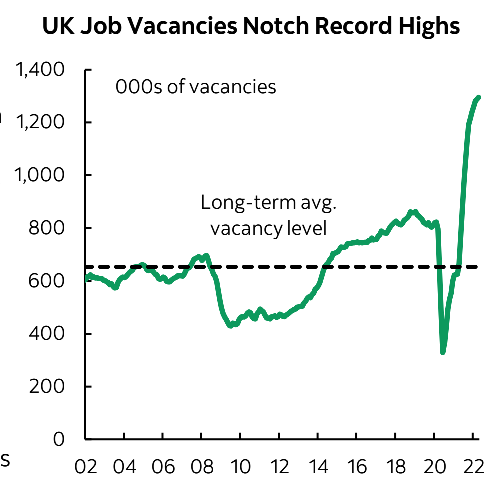
BANK OF ENGLAND—SHORT AND SWEET

Thursday's communications will spare us from having to wade through another tome. The next Monetary Policy Report including updated projections won't be due until the August 4th meeting. Further, there will be no press conference during which to hear the dulcet tones of Governor Bailey's walk through the monetary policy decision since they follow MPR meetings. That should make this week's publication of the statement and meeting minutes a fairly straight forward affair.

A quarter-point hike of the Bank Rate is widely expected with just one out of about three-dozen economists venturing toward thinking that a 50 move might be on order. Markets have a quarter point hike fully priced along with over one-quarter odds of a 50 move.

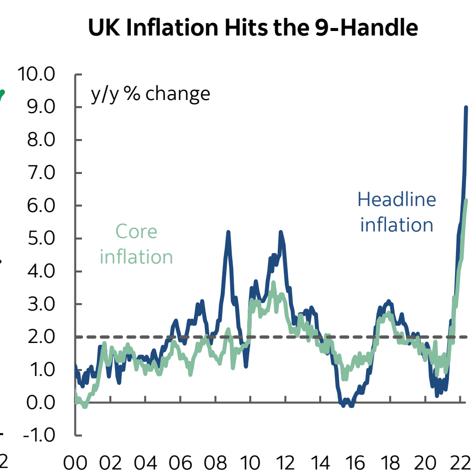
If it's a 25bps move, then expect hawkish dissenters again. The case for a 50bps move could include the recent introduction of fiscal stimulus, better-than-expected job growth and persistently high job vacancies (chart 5) as well as firmer core CPI inflation (chart 6).

Chart 5



Sources: Scotiabank Economics, UK ONS

Chart 6



Sources: Scotiabank Economics, ONS.

It seems more likely that the BoE will continue to soldier on with a gradual pace of tightening and repeat guidance toward how "some degree of further tightening in monetary policy may still be appropriate in the coming months."

BANK OF JAPAN—WHAC-A-MOLE

The Bank of Japan has succeeded in controlling one thing while another is blowing up. They are likely to remain more agnostic toward yen weakness than they were toward earlier pressures on JGBs. No policy changes are expected in this week's communications into Friday, but there may be downward growth revisions and upward revisions to nearer-term inflation.

Back in April, the Bank of Japan implemented a policy of unlimited buying of 10-year bonds at a 0.25% rate in daily operations as needed. The 10-year yield had been breaching the upper limit of the 0% +20bps range as the note sold off starting earlier this year. The yield has been moving sideways at just under 25bps since April and the BoJ's credible threat can claim success.

As any homeowner knows, once you fix something, it's pretty much guaranteed that something else may bust. On the yen, however, the challenge posed to the BoJ is a bit of a different story. The currency has fallen from 115 to the greenback in early April toward the 134 range now. This time, the BoJ is likely to continue to look through this market pressure and stand pat on policy notwithstanding political pressures. The main driver is relative central bank divergence as the Federal Reserve tightens on inflation concerns while the BoJ stands pat. Governor Kuroda recently remarked that "Japan is absolutely not in a situation that warrants monetary tightening, as the economy is still in the midst of recovering from the pandemic's impact."

It's worth a reminder of how the BoJ views the effects on inflation of yen and oil movements in that it is inclined to view the effects as transitory and hence unlikely to deliver the medium- to longer-run goal of 2% inflation. The Bank of Japan has estimated (**here**, especially pages 20–21) that a one standard deviation move in the yen (roughly 4%) adds about 0.1–0.2% to inflation over 2–8 quarters; the recent move has been much larger than that and would imply that if it were to stick, then all else equal, Japan would get a 0.4–0.8% lift to inflation by the time it peaks within about a year and a half and then subsides. Further, the same paper estimated that a one standard deviation in oil prices of roughly 15% would add 0.1–0.3 percentage points to inflation inside of a year. The move in oil prices has been roughly four times that size which may imply—all else equal—that higher oil prices could add 0.4–over 1% to inflation in nearer-term quarters before trailing off. The challenge for the BoJ is that they wish to have confidence that inflation will remain at their 2% target over the medium term if they are to tighten policy. The yen and oil drivers of nearer term inflation are unlikely to sustain inflationary pressure around the 2% target throughout the monetary policy horizon of relevance to the BoJ. Japan is experiencing a relative price shock as a commodity importer with a weakening currency but the second-round effects in the context of soft wage gains could more likely be more disinflationary in Japan than elsewhere.

PBOC—ANOTHER CUT?

The People's Bank of China will make a decision at some point this coming week on whether to cut its one-year Medium-Term Lending Facility Rate. Few within consensus expect such a move versus a hold following the last reduction in January. There are several competing forces around the decision on whether to ease monetary policy.

One is yuan stability given the depreciation since April that has been driven by diverging bets on relative monetary policy actions of the Fed and the PBoC. China may not wish to court greater risk to the currency especially after US CPI and during a week that is likely to bring a more hawkish Fed pivot.

Second, credit growth has sharply accelerated of late and propped up year-to-date financing flows above the same period last year (chart 7). That may be a function of easing lockdowns—although watch Shanghai's status into next week as mass testing recommences in a part of the city—as well as prior cuts in the required reserve ratios.

Third, CPI inflation landed unchanged at 2.1% y/y in May with core inflation also unchanged at 0.9%. Those figures are well beneath the 3% policy target that China never really hits anyway. The PBoC may be satisfied that inflation is stabilizing for now.

Chart 7

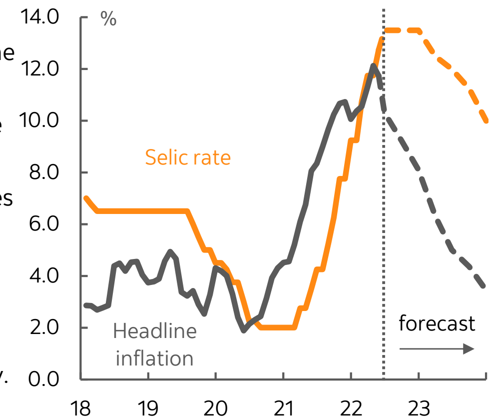
Sources: Scotiabank Economics, Bloomberg.

Fourth, there is a bit of a chicken and egg argument between whether the PBoC leads banks' rate moves or vice versa, but some point to how the decision by banks to lower their 5-year Loan Prime Rate way back on May 19th may have given the central bank room to ease its facility rate.

BRAZIL—OWE-LA!

The BCB will meet on Wednesday and most market participants will be looking for a signal around where the bank stands on its rate hiking cycle. One more hike is all but guaranteed (consensus +50bps; BNS +75bps), which would bring the Selic rate from the current 12.75% to the 13.25–13.50% range. The question from here is whether the cycle is complete, or a continuation of further tightening is ahead. It's likely that next week's hike will be flagged as the last, as messaging at the May meeting hinted toward this outcome. However, expect the bank to flag current inflation, elevated inflation expectations, and proposed fiscal policies alongside the October general elections as reasons for potential hikes down the road. The BCB was one of the first central banks to begin normalizing their policy rate to combat inflationary pressures when they delivered a hike from their 2.00% floor back on March 2021 and have since hiked a cumulative +1000 bps (chart 8).

Chart 8



Sources: Scotiabank Economics, BCB, IBGE.

SNB—FOLLOW THE LEADER

The Swiss National Bank is expected to leave its policy rate unchanged at -0.75% on Thursday. The franc has depreciated by about 7% to the dollar since April and weakened somewhat to the euro. As the ECB moves toward tightening, the SNB is likely to follow suit to a degree. Markets have the policy rate moving up toward the 1¼% range within about one year's time.

CBCT—SLOW AND STEADY

Taiwan's central bank is expected to hike by 25bps on Thursday with a minority thinking it will split hairs and go by half that amount. Its last decision was back on March 17th when it surprised with a hike of 25bps for the first hike of the pandemic. The central bank does not face the same acute inflationary pressures as elsewhere as CPI held steady at 3.4% y/y in May with core inflation ticking up to 2.6%.

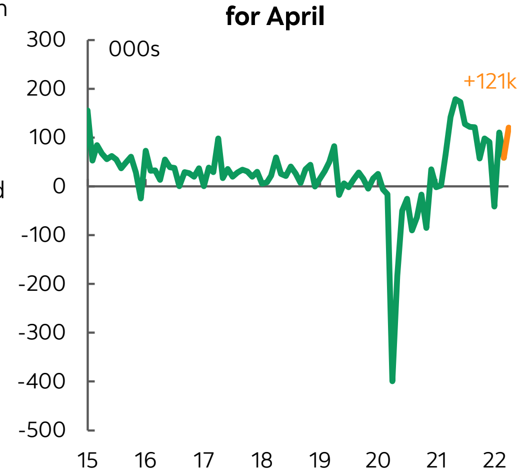
GLOBAL MACROECONOMIC READINGS

The line-up of major global indicators will primarily focus upon a batch of Chinese releases, an update on US consumer spending and job market conditions in the UK and Australia.

These days, China's economy is built upon hope with relatively little policy support. The hope for this week is that easing restrictions stem some of the bleeding when May's readings for industrial output, retail sales, fixed asset investment, the jobless rate and new home prices arrive on Tuesday and Wednesday. Total financing activity will also be updated sometime by mid-week or earlier.

UK job market conditions will be updated on Tuesday. The UK labour market continues to show signs of strength as +121k payrolled employees were added in April and an additional +24k on March's upward revisions (chart 9). The BoE's current rate hiking cycle combined with a deteriorating growth outlook have not yet derailed labour market tightness, which should allow the bank to continue tightening into the end of the year. The current 3.7% unemployment rate marks the lowest level since the mid-1970s, however this is partly attributed to a handful of labour market participants sidelined from the workforce – ~400k since the beginning of 2020. Demand for labour remains robust as job vacancies notch record highs month after month, currently sitting at 1.3 million.

Chart 9



Sources: Scotiabank Economics, UK ONS.

In addition to job markets, UK markets will face April GDP, industrial output, the services index and trade figures on Monday followed by retail sales on Friday. Eurozone and German ZEW investor expectations during June (Tuesday) will kick off the monthly round of sentiment surveys ahead of the following week's PMIs and IFO confidence measures. Swedish CPI inflation for May (Tuesday) will be the last main reading ahead of the Riksbank's expected hike on June 30th.

The headliner US release will be Wednesday's retail sales for May. I went with a guesstimated -0.5% m/m drop in total sales and a 0.5% rise in sales ex-autos and about in the middle if we also exclude gasoline. Vehicle sales plunged by about 11% m/m in May and prices slipped, while gas prices were up by over 9% m/m and broader prices jumped quite a bit higher in the CPI figures. Producer prices should see a somewhat tamer increase during May (Tuesday).

Housing releases are expected to show stable starts on permits strength (Thursday) and keep an eye on homebuilder confidence in the June readings (Wednesday) that includes a measure of recorded visits to model homes as a new home sales indicator. The start of another round of monthly regional manufacturing gauges will include the Empire measure on Wednesday followed by the Philly Fed's gauge (Thursday) before the week closes out with slower growth in industrial output.

Canada will update minor releases that should be of little consequence to markets. With that billing, I bet you can't wait to hear that manufacturing shipments (Tuesday) probably climbed by around 1½% m/m in dollar terms during April given Statcan's flash guidance based upon partial samples. Existing home sales during May probably fell again based upon several local real estate boards (Wednesday). Housing starts during May (Wednesday) might hold up given a large prior rise in permit volumes for multiple housing units. Wholesale trade during April was previously guided to be up a touch (Thursday).

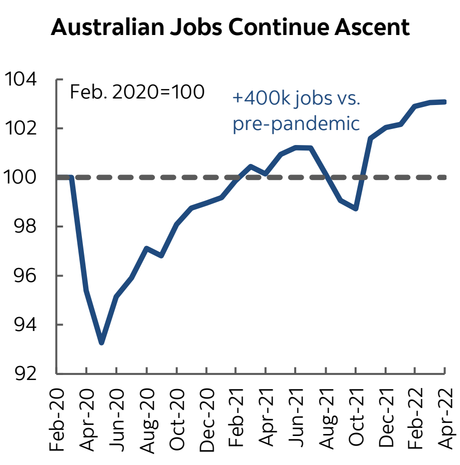
Australia updates jobs on Wednesday. Its job market is expected to tally another modest gain in May (consensus +17k), which would mark the seventh straight month of job gains and would put the total level of employment +400k above pre-pandemic levels (chart 10). The 3.9% unemployment rate sits a tenth of a percent below the 4.0% that the RBA assesses to be the full employment jobless rate level. This low level of unemployment is not masked by stunted participation levels, as is the case in many developed economies. In fact, the current 66.3% participation rate (chart 11) represents a level consistent with end-2019 figures and is only expected to increase as reopening and migration takes effect.

LatAm markets face a light line-up beyond Brazil's central bank. Peru's job market situation gets updated for May (Wednesday). Colombia will update several April readings on Wednesday including manufacturing conditions, retail sales and industrial output followed by trade figures on Friday.

India's year-over-year inflation rate is expected to ease off somewhat toward 7% y/y when May's reading arrives on Monday. The RBNZ may be further vindicated in its early jump on gradual rate hikes that it began last year when Q1 GDP (Wednesday) probably accelerates at a similar pace to the 3% gain in the prior quarter.

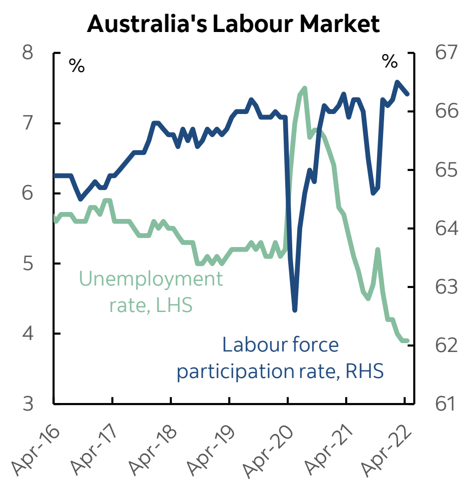
South Korea updates job market conditions on Tuesday. Unemployment levels hit a record low of 2.7%, the participation rate at 63.8% is almost fully recovered and YTD job gains have eclipsed +500k (chart 12). Wage pressures at the margin have come off in recent months when measured on a m/m SAAR basis but remain elevated when compared to year ago levels. On wages, the BoK is prioritizing inflation containment during their normalization cycle, which is well underway, but current levels of inflation are keeping real wages suppressed.

Chart 10



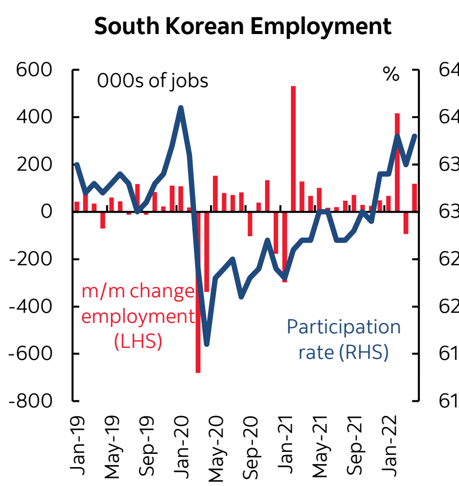
Sources: Scotiabank Economics, Australian Bureau of Statistics.

Chart 11



Sources: Scotiabank Economics, Bloomberg.

Chart 12



Sources: Scotiabank Economics, Statistics Korea.

Key Indicators for the week of June 13 – 17

NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	06/14	08:30	Manufacturing Shipments (m/m)	Apr	1.6	--	2.5
US	06/14	08:30	PPI (m/m)	May	0.8	0.8	0.5
US	06/14	08:30	PPI ex. Food & Energy (m/m)	May	0.6	0.6	0.4
US	06/15	07:00	MBA Mortgage Applications (w/w)	Jun 10	--	--	-6.5
CA	06/15	08:15	Housing Starts (000s a.r.)	May	285.0	--	267.3
US	06/15	08:30	Empire State Manufacturing Index	Jun	--	4.0	-11.6
US	06/15	08:30	Export Prices (m/m)	May	--	1.4	0.6
US	06/15	08:30	Import Prices (m/m)	May	--	1.2	0.0
US	06/15	08:30	Retail Sales (m/m)	May	-0.5	0.2	0.9
US	06/15	08:30	Retail Sales ex. Autos (m/m)	May	0.5	0.7	0.6
CA	06/15	09:00	Existing Home Sales (m/m)	May	--	--	-12.6
US	06/15	10:00	Business Inventories (m/m)	Apr	--	1.2	2.0
US	06/15	10:00	NAHB Housing Market Index	Jun	--	68.0	69.0
US	**06/15**	**14:00**	**FOMC Interest Rate Meeting (%)**	**Jun 15**	**1.50**	**1.50**	**1.00**
US	06/15	16:00	Total Net TIC Flows (US$ bn)	Apr	--	--	149.2
US	06/15	16:00	Net Long-term TIC Flows (US$ bn)	Apr	--	--	23.1
CA	06/16	08:30	Wholesale Trade (m/m)	Apr	0.2	--	0.3
US	06/16	08:30	Building Permits (000s a.r.)	May	--	1,788	1,823
US	06/16	08:30	Housing Starts (000s a.r.)	May	1,720	1,709	1,724
US	06/16	08:30	Housing Starts (m/m)	May	-0.2	-0.9	-0.2
US	06/16	08:30	Initial Jobless Claims (000s)	Jun 11	205	--	229
US	06/16	08:30	Continuing Claims (000s)	Jun4	1,250	--	1,306
US	06/16	08:30	Philadelphia Fed Index	Jun	--	6.0	2.6
CA	06/17	08:30	International Securities Transactions (C$ bn)	Apr	--	--	46.9
CA	06/17	08:30	IPPI (m/m)	May	--	--	0.8
CA	06/17	08:30	Raw Materials Price Index (m/m)	May	--	--	-2.0
US	06/17	09:15	Capacity Utilization (%)	May	--	79.2	79.0
US	06/17	09:15	Industrial Production (m/m)	May	0.1	0.4	1.1
US	06/17	10:00	Leading Indicators (m/m)	May	--	-0.4	-0.3

EUROPE

Country	Date	Time	Indicator	Period	Consensus	Latest
UK	06/13	02:00	Index of Services (m/m)	Apr	0.1	-0.2
UK	06/13	02:00	Industrial Production (m/m)	Apr	0.3	-0.2
UK	06/13	02:00	Manufacturing Production (m/m)	Apr	0.3	-0.2
UK	06/13	02:00	Visible Trade Balance (£ mn)	Apr	-20,000	-23,897
IT	06/13	04:00	Unemployment Rate (%)	1Q	--	9.1
GE	06/14	02:00	CPI (m/m)	May F	0.9	0.9
GE	06/14	02:00	CPI (y/y)	May F	7.9	7.9
GE	06/14	02:00	CPI - EU Harmonized (m/m)	May F	1.1	1.1
GE	06/14	02:00	CPI - EU Harmonized (y/y)	May F	8.7	8.7
UK	06/14	02:00	Average Weekly Earnings (3-month, y/y)	Apr	7.3	7.0
UK	06/14	02:00	Employment Change (3M/3M, 000s)	Apr	106.0	83.0
UK	06/14	02:00	Jobless Claims Change (000s)	May	--	-56.9
UK	06/14	02:00	ILO Unemployment Rate (%)	Apr	3.6	3.7
EC	06/14	05:00	ZEW Survey (Economic Sentiment)	Jun	--	-29.5
GE	06/14	05:00	ZEW Survey (Current Situation)	Jun	-31.0	-36.5
GE	06/14	05:00	ZEW Survey (Economic Sentiment)	Jun	-26.8	-34.3
FR	06/15	02:45	CPI (m/m)	May F	0.6	0.6
FR	06/15	02:45	CPI (y/y)	May F	5.2	5.2
FR	06/15	02:45	CPI - EU Harmonized (m/m)	May F	0.7	0.7
FR	06/15	02:45	CPI - EU Harmonized (y/y)	May F	5.8	5.8
EC	06/15	05:00	Industrial Production (m/m)	Apr	0.5	0.0
EC	06/15	05:00	Industrial Production (y/y)	Apr	-1.1	-0.8
EC	06/15	05:00	Trade Balance (€ mn)	Apr	--	-16,382
RU	06/15	12:00	Real GDP (y/y)	1Q P	3.50	3.50

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

Key Indicators for the week of June 13 – 17

EUROPE *(continued from previous page)*

Country	Date	Time	Indicator	Period	Consensus	Latest
SZ	**06/16**	**03:30**	**SNB Policy Rate**	**Jun 16**	**-0.75**	**-0.75**
IT	06/16	04:00	CPI - EU Harmonized (y/y)	May F	7.3	7.3
EC	06/16	05:00	Labour Costs (y/y)	1Q	--	1.9
UK	**06/16**	**07:00**	**BoE Policy Announcement (%)**	**Jun 16**	**1.25**	**1.00**
UK	06/17	02:00	Retail Sales ex. Auto Fuel (m/m)	May	-1.0	1.4
UK	06/17	02:00	Retail Sales with Auto Fuel (m/m)	May	-0.6	1.4
EC	06/17	05:00	CPI (m/m)	May F	0.8	0.8
EC	06/17	05:00	CPI (y/y)	May F	8.1	8.1
EC	06/17	05:00	Euro zone Core CPI Estimate (y/y)	May F	3.8	3.8

ASIA PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
IN	06/13	08:00	CPI (y/y)	May	7.2	7.10	7.79
JN	06/14	00:30	Capacity Utilization (m/m)	Apr	--	--	-1.6
JN	06/14	00:30	Industrial Production (y/y)	Apr F	--	--	-4.8
IN	06/14	02:30	Monthly Wholesale Prices (y/y)	May	--	15.2	15.1
HK	06/14	04:30	Industrial Production (y/y)	1Q	--	--	5.8
SK	06/14	19:00	Unemployment Rate (%)	May	--	2.7	2.7
JN	06/14	19:50	Machine Orders (m/m)	Apr	--	-1.3	7.1
CH	06/14	22:00	Fixed Asset Investment YTD (y/y)	May	6.5	6.1	6.8
CH	06/14	22:00	Industrial Production (y/y)	May	-0.5	-1.0	-2.9
CH	06/14	22:00	Retail Sales (y/y)	May	-7.0	-7.1	-11.1
IN	06/14	23:30	Exports (y/y)	May	--	--	30.7
IN	06/14	23:30	Imports (y/y)	May	--	--	31.0
ID	06/15	00:00	Exports (y/y)	May	--	33.8	47.8
ID	06/15	00:00	Imports (y/y)	May	--	40.5	22.0
ID	06/15	00:00	Trade Balance (US$ mn)	May	--	2,250	7,560
JN	06/15	00:30	Tertiary Industry Index (m/m)	Apr	--	0.8	1.3
NZ	06/15	18:45	GDP (y/y)	1Q	--	2.3	3.2
JN	06/15	19:50	Merchandise Trade Balance (¥ bn)	May	--	-2,064	-843
JN	06/15	19:50	Adjusted Merchandise Trade Balance (¥ bn)	May	--	-1,704	-1,619
JN	06/15	19:50	Merchandise Trade Exports (y/y)	May	--	16.3	12.5
JN	06/15	19:50	Merchandise Trade Imports (y/y)	May	--	43.7	28.3
AU	06/15	21:30	Employment (000s)	May	--	25.0	4.0
AU	06/15	21:30	Unemployment Rate (%)	May	--	3.8	3.9
NZ	06/16	18:30	Business NZ PMI	May	--	--	51.2
SI	06/16	20:30	Exports (y/y)	May	--	--	6.4
TA	**06/16**		**Benchmark Interest Rate**	**Jun 16**	**1.625**	**1.625**	**1.375**
MA	06/17	00:00	Exports (y/y)	May	--	--	20.8
MA	06/17	00:00	Imports (y/y)	May	--	--	22.0
MA	06/17	00:00	Trade Balance (MYR bn)	May	--	--	23.5
HK	06/17	04:30	Unemployment Rate (%)	May	--	--	5.4
JN	**06/17**		**BoJ Policy Rate (%)**	**Jun 17**	**-0.10**	**--**	**-0.10**

LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CO	06/15	11:00	Retail Sales (y/y)	Apr	--	15.4	12.0
BZ	**06/15**	**17:30**	**SELIC Target Rate (%)**	**Jun 15**	**13.50**	**13.25**	**12.75**
PE	06/15	11:00	Economic Activity Index NSA (y/y)	Apr	3.3	3.5	3.8
PE	06/15	11:00	Unemployment Rate (%)	May	8.1	--	8.3
CO	06/17	11:00	Trade Balance (US$ mn)	Apr	--	--	-1520.7

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

June 10, 2022

Global Auctions for the week of June 13 – 17

NORTH AMERICA

Country	Date	Time	Event
CA	06/16	12:00	Canada to Sell 50 Year Bonds

EUROPE

Country	Date	Time	Event
NE	06/14	04:00	Netherlands to Sell Up to EU5 Billion of 0.5% 2040 Bonds
IT	06/14	05:00	Italy to Sell Bonds
GE	06/14	05:30	Germany to Sell EUR 5.5 Bln of 0.2% 2024 Bonds
DE	06/15	04:15	Denmark to Sell Bonds
FI	06/15	06:00	Finland to Sell Bonds
SP	06/16	04:30	Spain to Sell Bonds
FR	06/16	04:50	France to Sell Bonds

ASIA-PACIFIC

Country	Date	Time	Event
CH	06/13	02:00	Yunnan to Sell Bonds
CH	06/13	22:35	China to Sell CNY51 Bln 7-Yr Bonds
CH	06/16	22:35	China Plans To Sell CNY 30-Yr Upsized Bonds

LATIN AMERICA

No Scheduled Auctions.

Sources: Bloomberg, Scotiabank Economics.

Events for the week of June 13 – 17

NORTH AMERICA

Country	Date	Time	Event
US	06/15	14:00	FOMC Rate Decision (Lower Bound)
US	**06/15**	**14:00**	**FOMC Rate Decision (Upper Bound)**
US	06/15	14:30	Fed Chair Holds Press Conference Following FOMC Meeting

EUROPE

Country	Date	Time	Event
EC	06/13	07:00	ECB's Guindos Speaks
EC	06/14	13:00	ECB's Schnabel Speaks
EC	06/15	05:15	ECB's members speaks at Young Factor Web Event
EC	06/15	12:00	ECB's Lagarde Speaks
SZ	**06/16**	**03:30**	**SNB Policy Rate**
EC	06/16	03:50	ECB's Panetta Speaks
EC	06/16	04:00	ECB's Vasle Speaks Slovenian Banking Conference
EC	06/16	04:30	ECB members speak at Young Factor web event
UK	**06/16**	**07:00**	**Bank of England Bank Rate**

ASIA-PACIFIC

Country	Date	Time	Event
SK	06/13-06/14		BOK Minutes of May Policy Meeting
TA	**06/16**		**CBC Benchmark Interest Rate**
JN	**06/17**		**BOJ Policy Balance Rate**
JN			BOJ 10-Yr Yield Target

LATIN AMERICA

Country	Date	Time	Event
BZ	**06/15**	**17:30**	**Selic 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	1.50	July 13, 2022	2.00	2.00
Federal Reserve – Federal Funds Target Rate	1.00	June 15, 2022	1.50	1.50
Banco de México – Overnight Rate	7.00	June 23, 2022	7.50	7.50

Federal Reserve (FOMC): A 50 bps rate hike is expected at next week's meeting accompanied by fresh economic projections and the revised 'dot-plot'. The hawks will be out in full force with the potential of revisiting 75 bps hikes at future meetings, extended guidance on out-sized hikes, higher terminal rate signalling via the dot plot, and overall strengthened language toward more active consideration of overshooting the 2–3% neutral range.

EUROPE

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	0.00	July 21, 2022	0.25	0.25
European Central Bank – Marginal Lending Facility Rate	0.25	July 21, 2022	0.50	0.50
European Central Bank – Deposit Facility Rate	-0.50	July 21, 2022	-0.25	-0.25
Bank of England – Bank Rate	1.00	June 16, 2022	1.25	1.25
Swiss National Bank – Libor Target Rate	-0.75	June 16, 2022	-0.75	-0.75
Central Bank of Russia – One-Week Auction Rate	9.50	July 22, 2022	9.00	9.00
Sweden Riksbank – Repo Rate	0.25	June 30, 2022	0.50	0.50
Norges Bank – Deposit Rate	0.75	June 23, 2022	1.00	1.00
Central Bank of Turkey – Benchmark Repo Rate	14.00	June 23, 2022	14.00	14.00

Bank of England (BoE): It is widely expected that the Bank of England will raise the Bank Rate by 25 bps to 1.25% at next week's meeting. While there are cases for a 50 bps move, it seems more likely that the BoE will continue its gradual pace of tightening with repeated guidance for further tightening that may be needed in coming months. **Swiss National Bank (SNB):** No changes to the -0.75% policy rate are expected next week. Forecasts published back in March had the inflation profile nudged up, with further upward pressures expected along side its European peers.

ASIA PACIFIC

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Policy Rate	-0.10	June 17, 2022	-0.10	-0.10
Reserve Bank of Australia – Cash Target Rate	0.85	July 5, 2022	1.25	1.35
Reserve Bank of New Zealand – Cash Rate	2.00	July 12, 2022	2.50	2.50
People's Bank of China – 1-Year Loan Prime Rate	3.70	June 19, 2022	3.65	3.70
Reserve Bank of India – Repo Rate	4.90	August 4, 2022	5.25	4.80
Bank of Korea – Bank Rate	1.75	July 13, 2022	2.00	1.75
Bank of Thailand – Repo Rate	0.50	August 10, 2022	0.75	0.50
Bank Negara Malaysia – Overnight Policy Rate	2.00	July 6, 2022	2.00	2.00
Bank Indonesia – 7-Day Reverse Repo Rate	3.50	June 23, 2022	3.75	3.50
Central Bank of Philippines – Overnight Borrowing Rate	2.25	June 23, 2022	2.50	2.25

Bank of Japan (BoJ): Japanese monetary authorities will make a policy decision on June 17; we expect the BoJ's policy stance to remain unchanged. The BoJ will likely look through the weaker yen and refrain from adjusting the 0.25% upper limit of the BoJ's 10-year yield target. Inflation has accelerated in recent months, reaching the BoJ's 2% inflation target in April, yet price gains reflect higher commodity prices and other supply-side pressures rather than demand-driven pressures. **People's Bank of China (PBoC):** There is no clear cut direction on whether the PBoC will hold or cut its one-year Medium-Term Lending Facility rate next week. Consensus leans toward a hold as China is experiencing modest Yuan stability, increased credit growth and stabilizing, albeit below-target inflation.

LATIN AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	12.75	June 15, 2022	13.50	13.25
Banco Central de Chile – Overnight Rate	9.00	July 13, 2022	9.50	9.50
Banco de la República de Colombia – Lending Rate	6.00	June 30, 2022	7.50	7.50
Banco Central de Reserva del Perú – Reference Rate	5.50	July 7, 2022	5.50	5.50

Banco Central do Brasil (BCB): The BCB hiked the Selic rate by 100 bps for the second consecutive time, as was expected, to 12.75% from 11.75% at the May meeting. As external pressures continue to push prices higher, the BCB is also facing contaminated long-term inflation expectations and general elections in October. In this context, we expect the BCB to hike the Selic rate further by 75 bps to 13.50% at next week's meeting.

AFRICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	4.75	July 21, 2022	4.75	4.75

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