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*With thanks for research support from:  
 Marc Ercolao.*

#### Next Week's Risk Dashboard

- A rotation toward services could insulate the economy
- Fed's Powell to deliver hawkish warnings to Congress
- Canadian inflation to reach for greater heights
- BoC may firm up super-size risk
- UK CPI holding high, further upside ahead
- Macron's agenda at risk in French election
- Banxico expected to hike 75bps
- Colombia's Presidential election
- PBoC likely to hold LPRs
- Norges to hike, size and guidance in question
- Bank Indonesia to hike on currency and stability concerns...
- ...and ditto for Philippines' central bank
- Turkey's messed up monetary policy
- Global PMIs to headline other indicators

#### The Great Services Rotation

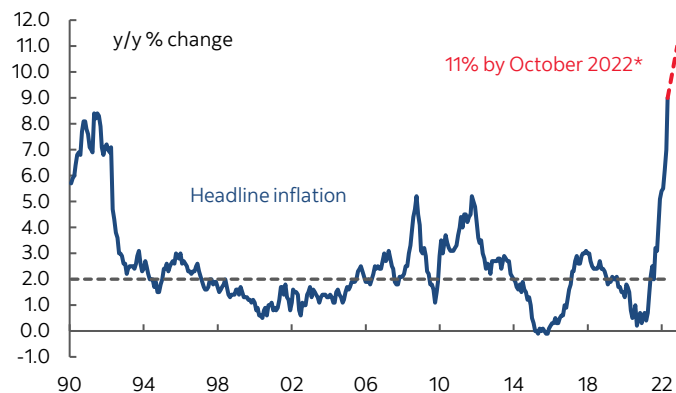
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#### Chart of the Week

##### UK Inflation Heading for an Unprecedented Overshoot



\*Based on messaging in the June 16, 2022 Monetary Policy statement.  
 Sources: Scotiabank Economics, Bank of England, ONS.

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

## The Great Services Rotation

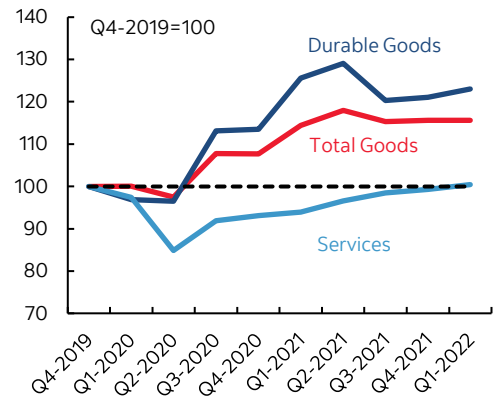
Traipsing through airports and hotels this past week provided plenty of anecdotes that the Great Services Rotation remains alive and well. Goods sectors—especially the most interest-sensitive ones like housing—are stumbling as one might expect in response to tightening monetary policy and the concomitant effects on financial conditions. The Amazon delivery guy you invited to your weddings and backyard bbqs during the pandemic might be feeling a little more jilted now. But it's on the services side of the economy where the evidence of reengagement with the outside world is evident. This is what makes today very incomparable to past cycles when there was not such a behavioural quest for some sense of normalcy in people's lives and when the services sector was a much smaller share of the economy in the past.

As context, enter chart 1 that shows that spending on services in the US economy is barely back to where it was before the pandemic with no material net growth to date whereas goods—especially big-ticket spending on durables—have shot higher. Ditto for Canada (chart 2). As goods cool, there is too little attention being placed on the extent to which services can soar from here and make up for over two years of lost growth. Any rotation of employment from highly interest-sensitive sectors toward services might be welcomed to feed this growth.

What I saw with my own eyes this past week provided plenty of anecdotes to back the view there are zero signs of recession in services spending. You've likely seen such evidence yourselves. That matters as services account for 65% of US consumer spending and 55% of GDP. Airports are packed. Airports are struggling with staff shortages, gate changes, delays and cancellations, although these issues long pre-dated the pandemic to the frustration of frequent fliers back then! Planes are sold out. Excess carry-on baggage is brought to the front of the plane to be checked before take-off. Restaurants are packed. Where I travelled to may not be representative of everywhere...but not a single mask was worn. Not one! Close talkers would respond to one's taking a step back by taking a step forward in what's become the pandemic tango. Handshaking was all the rage once again. Is there a gel bottle in here? Nope. Folks in front of me at the hotel check-in counter at 1amET were complaining about their room only to realize it was better than a park bench after being told the hotel was sold-out with no other available options. Pandemic schmendemic! I felt like taking a shower in hand gel upon returning home. And whatever you do don't touch the jumping tail-wagging dog!

Chart 1

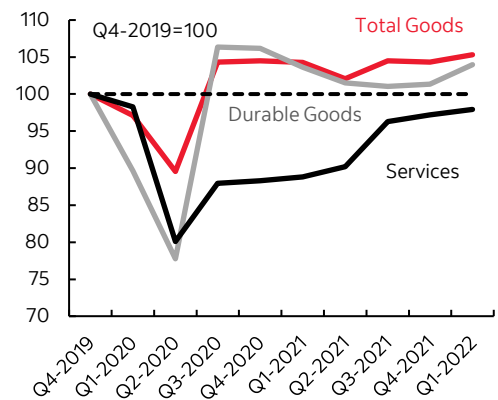
United States: The Services Rotation Has a Long Way to Go



Sources: Scotiabank Economics, BEA.

Chart 2

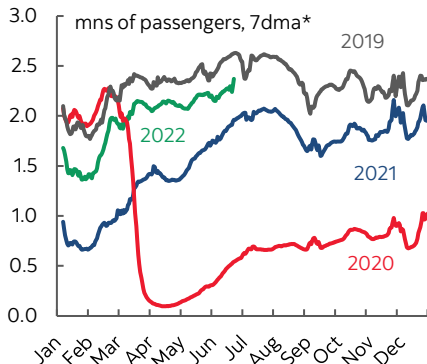
Canada: The Services Rotation Has a Long Way to Go



Sources: Scotiabank Economics, BEA.

Chart 3

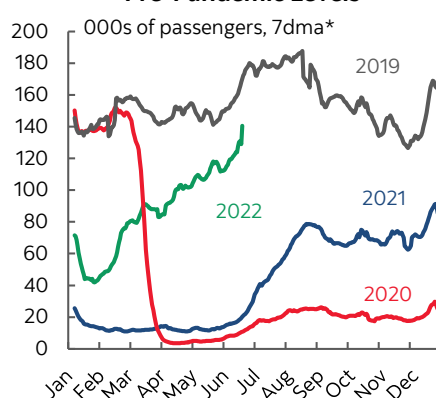
US Air Travel Nearing Pre-Pandemic Levels



\*Represents total number of passengers screened at US airports.  
Sources: Scotiabank Economics, TSA.

Chart 4

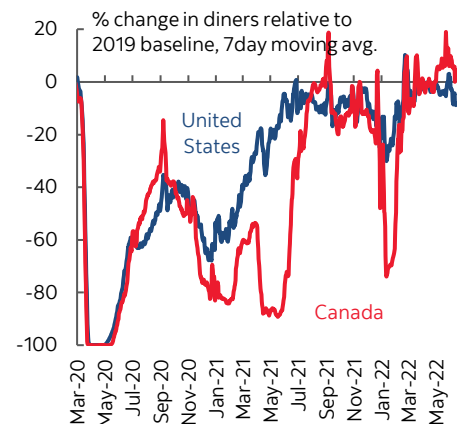
CA Air Travel Nearing Pre-Pandemic Levels



Sources: Scotiabank Economics, CATSA.

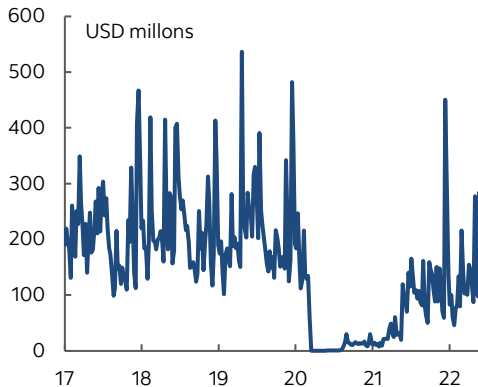
Chart 5

Strong Canadian Restaurant Activity



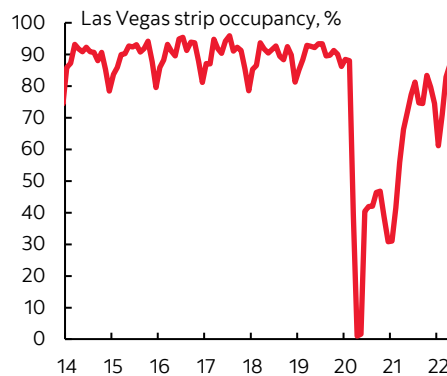
Sources: Scotiabank Economics, OpenTable.

**Chart 6**  
**United States Weekly Box Office Sales**



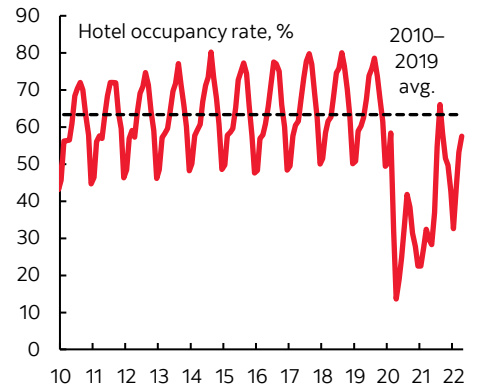
Sources: Scotiabank Economics, BOXOFFICE Media.

**Chart 7**  
**Gamblers are Back!**



Sources: Scotiabank Economics, Las Vegas Convention & Visitors Authority,

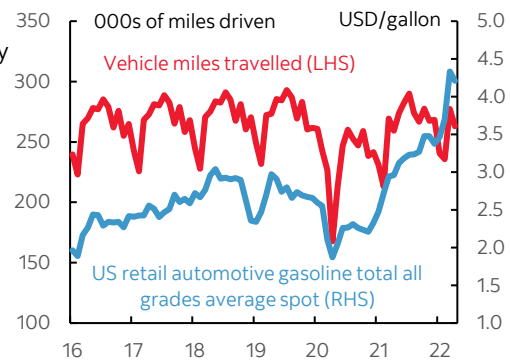
**Chart 8**  
**Canadians Are Checking-In**



Sources: Scotiabank Economics, Ontario Ministry of Tourism, Culture & Sport.

Now for some data to go with the anecdotes and principally through alt-data that arrives before the official lagging stuff that then gets revised to be often unrecognizable by the final tallies! These figures have been previously flagged but are worth updates. Flight activity remains robust in the US (chart 3) and Canada (chart 4). Open Table restaurant figures are holding firm in both the US and Canada (chart 5). More is being spent at movie theatres (chart 6). US hotel occupancy is holding firm while revenue per available room hit a record high in nominal terms ([here](#)). 'What happens in Vegas stays in Vegas' has returned (chart 7). Canadian hotel occupancy rates are rebounding, although admittedly this chart might just as well have been a bond trader's egg going into and out of this week's onslaught of central banks (chart 8). US miles driven are a little stale (up to April) but have held in as gasoline prices have been soaring since 2020—and driven much of that rise—given the quest to get out and reengage (chart 9).

**Chart 9**  
**US Miles Driven Have Held Up as Gas Prices Have Soared**



Sources: Scotiabank Economics, US Department of Transportation, US Department of Energy.

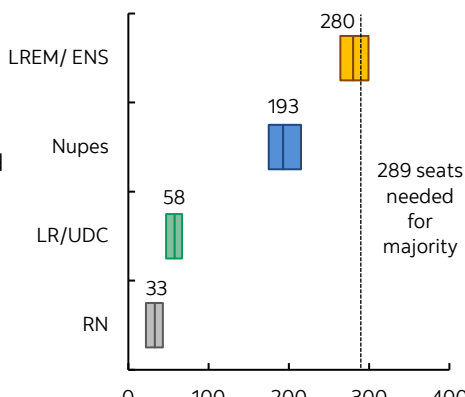
So on we march to the next things designed to cause market hearts to flutter over the upcoming week. First, however, the recompense for US market participants following this past week's gyrations will be the chance to recharge while reflecting upon the importance of the nation's diversity issues on the Juneteenth market holiday on Monday. Officially made a national holiday last year, Juneteenth is to acknowledge the January 1<sup>st</sup>, 1863 Emancipation Proclamation and the ensuing freeing of slaves in Texas on June 19<sup>th</sup> 1865 and has taken on a wider meaning to many people today. From a market standpoint, it also probably means that volumes will be softer across many other markets.

**ELECTIONS IN FRANCE, COLOMBIA**

France and Colombia head to the polls over the weekend.

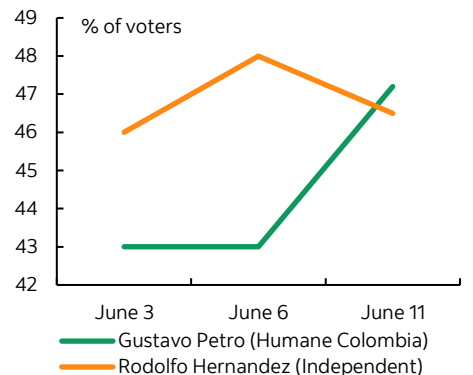
France's legislative elections wrap up on Sunday following President Macron's victory in April's presidential vote. Results will be available after polls close at 8pm (2pmET). Participation in the first round that was held last week was a record low. Macron's party and allies need 289 seats in order to retain their majority in parliament, but three fresh polls keep uncertainty alive. Ipsos-Sopra Steria predict anywhere between 265–305 seats, Elabe estimates between 255–295 seats and Ifop-Fiducial estimates 270–300 seats (chart 10). At stake is the degree to which Macron may be able to deliver his agenda.

**Chart 10**  
**Seat Projections for 2022 French Presidential Election**



Sources: Scotiabank Economics, Politico.

**Chart 11**  
**Colombia 2022 Presidential Runoff**



Sources: Scotiabank Economics, AS/COA Poll Aggregator.

Colombia’s second-round Presidential election will also be held on Sunday. Gustavo Petro—a left wing candidate, former guerilla and admirer of the late Hugo Chávez—will run against Rodolfo Hernández, the former mayor of Bucaramanga who has described Adolf Hitler as a ‘great German thinker’ (more colour [here](#)). Polls are very tight (chart 11). The results should be known into the start of the week.

**CANADIAN INFLATION—CROSSING THE RUBICON**

Canada updates CPI inflation on Wednesday for the month of May. This one will offer a few twists like changed basket weights and the first-time inclusion of used vehicles and could make eyes water in Ottawa.

I’ve estimated a 1.2% m/m rise in seasonally unadjusted prices that would contribute to raising inflation by a full percentage point to 7.8% y/y. That would be the highest rate of inflation since 1983.

On their own, a shift in year-ago base effects would lower the rate of inflation toward 6.2%. Other changes drag this materially higher.

For one thing, May is usually a seasonal up-month for prices in Canada. For another, higher gasoline prices should add a weighted 0.4% to m/m inflation. Higher Alberta hub natural gas prices could add about another tenth, although the rise in Canada has been less acute than in the US that is exporting more to help Europe versus Canada’s relative inability to do so.

Higher food prices probably added another few tenths. A further reopening effect on higher contact service prices is also likely.

The addition of used vehicle prices into the basket will occur for the first time by replacing the prior silly practice of using new vehicles as a proxy. This will probably add 0.2% to the y/y inflation rate given Statcan guidance ([here](#)), although we can’t observe the JD Power measure that Statcan is using for the month of May. It should be widely disclosed in some form much like the availability in the US. This 0.2% addition to the y/y rate is over and above the all-in year-over-year rate that would be derived by just applying the 1.2% m/m NSA estimate because used vehicles will only be added for the first time.

I’m not so convinced that used vehicles are being adequately captured. JD Power is one among a few measures of used vehicle prices while others like BlackBook prices have been up by much more. Also, whereas the US BLS takes a higher quality younger sample of used vehicles aged 2–7 years to include in CPI, Statcan uses the whole sample. Neither is right per se, but when folks are looking for close substitutes to new vehicles they can’t get in recent times, using the whole sample might understate used vehicle inflation. In any event, by the time the agency has gotten around to it, the official inflation statistics are likely to show ebbing used vehicle contributions to inflation while sticking to its rigid practice of not going back in time to address the fact it should have captured used vehicle prices many moons ago. Maybe you can get away with that when it comes to cannabis and streaming services, but the weight on used vehicles should merit different judgement whatever the international practices.

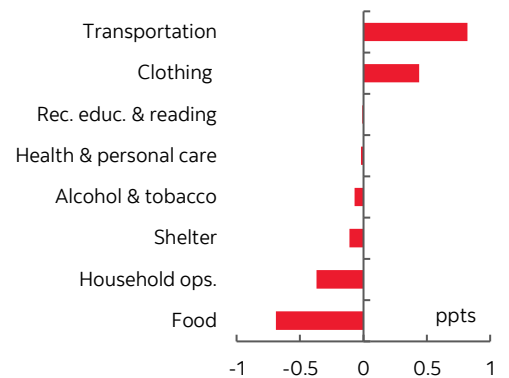
It’s likely that there will also be further upward pressure on the central tendency price measures including trimmed mean CPI, weighted median CPI and common component CPI.

Statistics Canada will also apply updated CPI basket weights in what is now an annual occurrence. They used to only do so every four years until 2009, then every two except for when the pandemic struck when it slipped to three years. Starting last year, the agency has been doing so annually. This should reduce measurement error that was already generally modest. Annual basket weight updates will more speedily incorporate new products and more rapidly account for shifts in the composition of spending.

We don’t expect the change in basket weights to have a meaningful impact upon the year-over-year inflation rate. This was initially argued [here](#) back in March. Now that we have the actual changes to weights from this recent release, we can sketch out what April CPI would have looked like if the weights had changed in that month instead. The impact on the 6.8% y/y rate of applying the new weights would have been minimal because while some weights increased, other weights decreased and on balance the changes in the weights compared to

Chart 12

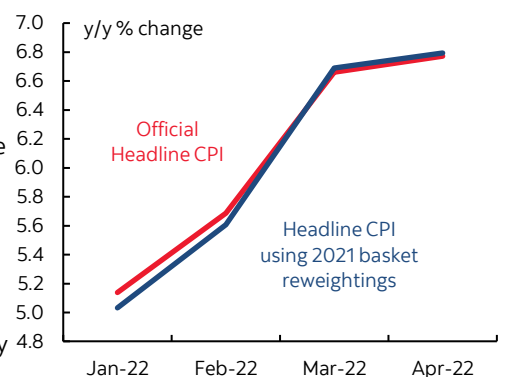
**Change in Basket Share by Major Components\***



\*Statistics Canada basket weight adjustment to reflect 2021 expenditures will be reflected in to-be May 2022 CPI release on June 22. Sources: Scotiabank Economics, Statistics Canada.

Chart 13

**Canadian CPI Basket Reweighting Likely to Have Minimal Impact on May CPI**



Sources: Scotiabank Economics, Statistics Canada.

last year were modest. Some of the key ones are shown in chart 12. Chart 13 shows the estimated trivial difference between y/y inflation using old versus about to be refreshed CPI weights.

In all, this means that higher inflation this week will have genuine drivers and not just be a function of basket weight changes or other technicalities. Even the addition of 0.2 ppts from used vehicles only accounts for a fifth of the acceleration I've estimated.

With this week's figures, Canada will probably vault up the rankings of the world's inflation readings (chart 14). There are measurement differences between jurisdictions, like how Canada captures housing by using builder prices to determine replacement cost whereas the US relies upon the concept of owners' equivalent rent. Builder prices in Canada have risen much slower than resale prices. Claims that Canada has softer inflation than the US should be made more carefully. In any event, the inflation rate in Canada will essentially match the Eurozone's 8.1% rate after taking into account confidence ranges around the estimates, sharply exceed inflation in Australia (5.1%), somewhat exceed NZ (6.9%) and Sweden (7.3%) while approaching the US (8.6%) but still remaining below the UK (9.0%) that has had to raise regulated energy prices three times to avert bankruptcy of utilities dealing with soaring input gas prices.

If my estimates turn out to be correct, then boxes of tissues will be flying off the shelves in Ottawa. What have we done????!! Excessively easy monetary and fiscal policy added domestic pressures to inflation regardless of the political desire to externalize it all to beyond Canada's shores.

Furthermore, the drivers of inflation are extremely broad. I still hear folks saying inflation is because of the war in Ukraine and the effects on food and energy/gasoline prices plus disruptions at factories in China, yet the facts say otherwise. Inflation was ripping in Canada long before China's Covid Zero policies and the war (chart 15) and yet the Bank of Canada spent 2021 talking through it all. Breadth is very high with about 78% of the CPI basket rising by more than the 2% inflation target, 70% by over 3% and 65% by more than 4%. It's a disservice to the debate on inflation and the public policy response to not acknowledge that the pressures have long been evident and with a strong domestic component.

Combined with what will probably be a further increase in measures of inflation expectations drawn from the Bank of Canada's consumer and business surveys, this will likely mean that the size and pace of rate hikes will be increased at the July meeting. A hike of 75bps is expected. I've advocated larger hikes for a while because the BoC has hung out below neutral rate estimates for far too long and needs to get monetary policy into restrictive territory.

**CENTRAL BANKS—THE FED'S RIPPLE EFFECTS**

Policy decisions by major central banks are out of the way until the next round, with most of this week's action focused upon regional central bank decisions. Expectations are highlighted in chronological order, although almost all of the action occurs on Thursday.

**People's Bank of China (Monday):** No changes are expected to the 1-year and 5-year Loan Prime Rates following the PBoC's decision to leave the 1-year Medium-Term Lending Facility Rate unchanged this past week. Since the end of March, the yuan has depreciated by about 6%—driven by a combination of Fed tightening, speculation toward PBoC easing and yuan fixings. In the current climate, additional monetary policy stimulus may be on hold in relation to risks to financial stability.

**Fed Chair Powell delivers his semi-annual monetary policy testimony** before the Senate Banking Committee on Wednesday (9:30amET) and the House Financial Services Committee on Thursday (10amET). The customary advance release of the Monetary Policy Report ([here](#)) is never where the action is focused—unlike, say, the MPRs released by the Bank of England and Bank of Canada that include full forecasts and broader assessments and guidance. Still, the Fed has been using language like how the pursuit of price stability is “unconditional” and it is “acutely focused” on returning inflation to target. A recap of this past week's decisions and communications is available [here](#). Powell may be

Chart 14

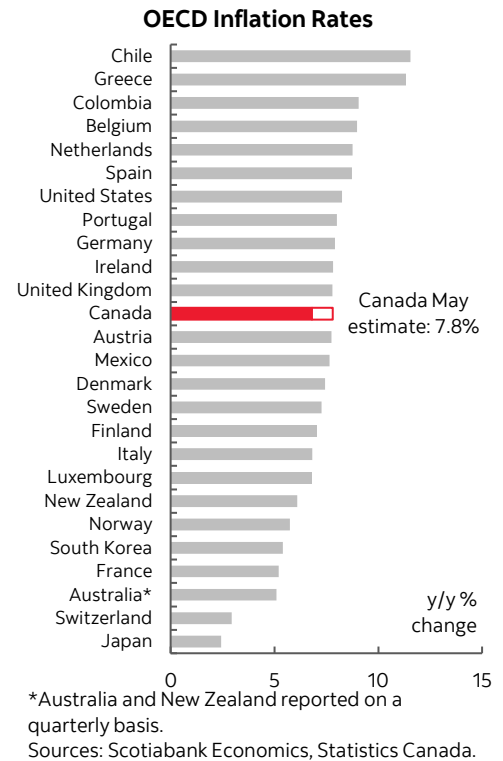
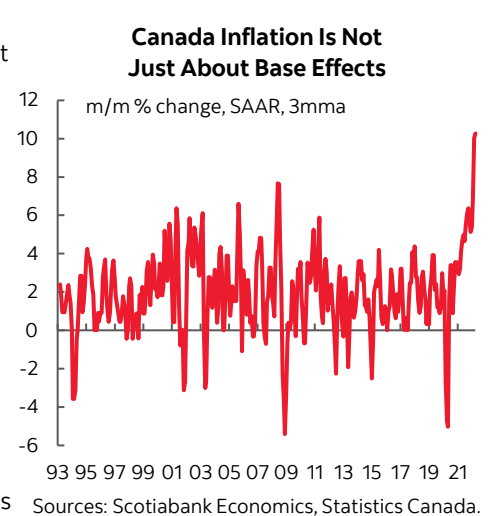


Chart 15



grilled on why he guided 50bps since the prior meeting in May and then the Fed appeared to use select media outlets to steer markets toward a 75bps hike last Monday. There will be an opening statement followed by the usual dance with members of Congress.

**BoC (Wednesday):** Bank of Canada SDG Rogers will participate in a ‘fireside chat’ at 10:40amET on ‘Growth and Risk—The Future of the Canadian Economy.’ There will be no text and no media lock-up but it will be hosted by the Globe and Mail newspaper. Watch for remarks on topics like openness to a larger policy rate move at the next decision on July 13<sup>th</sup>. Prior guidance in the June 1<sup>st</sup> communications and Deputy Governor Beaudry’s remarks on June 2<sup>nd</sup> were open to either a bigger rate move than 50bps or a higher terminal rate or both. Since then, the Fed has hiked 75bps and we expect the BoC to follow suit with its own 75bps hike.

**Banxico (Thursday):** Consensus unanimously expects a 75bps hike. This follows guidance from Governor Victoria Rodriguez Ceja to this effect this past Wednesday and in the wake of the Fed’s 75bps move. It also follows pretty explicit guidance by Deputy Governor Heath when he said “For us, raising 75 is a lot, I don’t think raising 100 is possible, it would be better 75, two or three consecutive times.” Heath guided that the terminal rate could rise to 10% from the present 7% overnight rate. The Fed’s more aggressive stance is bearing down on Banxico’s relative stance. Chart 16 shows the paths expected for the policy rate and inflation rate by our Mexican economics team.

**Turkey (Thursday):** Thursday’s policy decision has most expecting no change to the 14% one-week repo rate—despite an inflation rate of about 74% y/y. Market confidence has been severely damaged as the lira has depreciated by 135% since early 2021 and has kept sinking this year. President Erdogan’s extraordinarily unorthodox belief is that “We will pull down inflation and exchange rates with low-rate policy. High rates make the rich richer, the poor poorer. We won’t let that happen.” In reality, inflation is a highly regressive tax on the poor who have their President to thank for ruining their livelihood.

**Norges Bank (Thursday):** Will it be 25bps or 50bps? Do I hear 75? Monetary policy has become like running cattle auctions of late with language most ordinary humans can’t possibly understand coming to a conclusion with the slam of a gavel. A similar debate has marked many central banks of late. Most within consensus think Norway’s central bank will hike its deposit rate by 25bps but a fair minority think it would accelerate the pace, and markets have most of a 75bps move priced in. The 25bps camp can point to prior guidance derived from the March MPR [here](#) (chart 17). The 50bps camp can point to guidance that conditional upon developments could see the policy rate go up more quickly. This meeting brings out a fresh MPR and with it new forecasts and forward rate guidance that will likely be raised.

**Bank Indonesia (Thursday):** Here too consensus is somewhat divided. Most expect a 25bps rate hike but a fair minority think it could be 50bps. Lift-off for this central bank might start off tepidly in a balance between relatively modest inflation at 3 ½% y/y with core at about 2 ½%, versus currency instability driven by the outward pull effect of Fed policy tightening on capital flows. The rupiah has fallen by 3–4% since April.

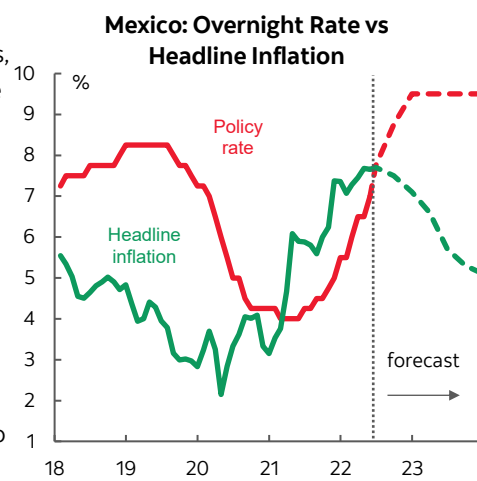
**Bangko Sentral ng Pilipinas (Thursday):** A similar calculus applies to the Philippines’ central bank with a nearly evenly divided consensus between a hike of 25bps and 50bps. The peso has been weakening of late for the same reason cited above for the rupiah and multiple other EM crosses.

**GLOBAL INDICATORS—PMIS AND UK CPI**

Purchasing managers’ indices and UK inflation will headline the line-up of global economic indicators that are due out over the coming week.

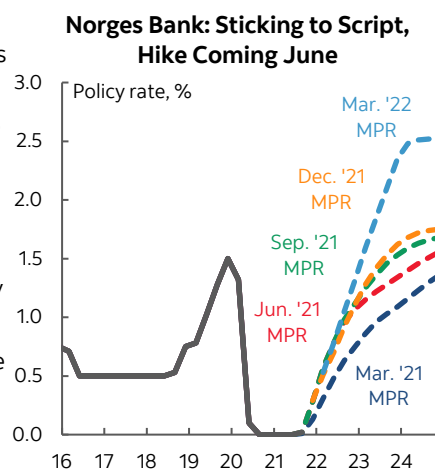
UK CPI inflation (Wednesday) is expected to stabilize around 9% y/y with upside risk and with core perhaps easing a touch toward 6% (6.2% prior). The next big up-leg in UK inflation is likely to arrive in October when Ofgem—the UK energy regulator—has indicated it will raise the cap on annual energy bills to £2,800 from £1,971 after raising it to that level in April from £1,278. This has had a major effect on UK inflation this year (chart 18).

Chart 16



Sources: Scotiabank Economics, Banxico, INEGI.

Chart 17



Sources: Scotiabank Economics, Norges Bank.

Thursday brings out June updates to purchasing managers' indices in each of the US (not ISM), Eurozone and UK while Australian PMIs and Japan's Jibun PMIs will be updated the day before. Most are expected to weaken a bit further but remain in mild growth territory. Charts 19–23 illustrate the connections to GDP growth over time as the PMIs are among the sentiment-based readings that can shed advance clues toward near-term growth. Germany's IFO business confidence measure on Friday also falls in the same category.

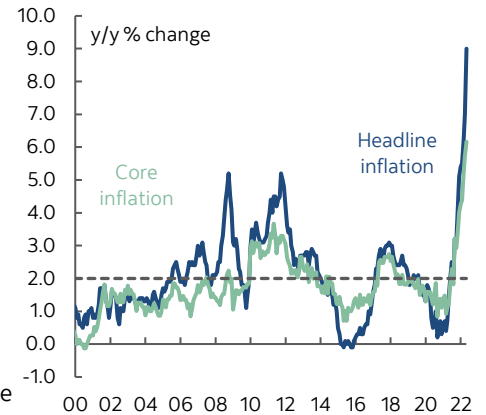
Canada will update retail sales for April with preliminary guidance for sales during May on Tuesday. Advance guidance based upon a partial sample pointed to a 0.8% m/m nominal rise in sales during April which would mean very little if any growth in volumes given that we already know CPI.

Other US indicators will focus upon existing home sales during May (Tuesday), new home sales (Friday) and weekly claims (Thursday). Falling pending home sales will likely put further downward pressure upon completed resales as the 30-year mortgage rate has hit about 6% while declining model home foot traffic probably presages another decline in new home sales.

CPI reports will also be updated by Hong Kong (Tuesday), Japan and Singapore (Thursday) and Malaysia (Friday).

Chart 18

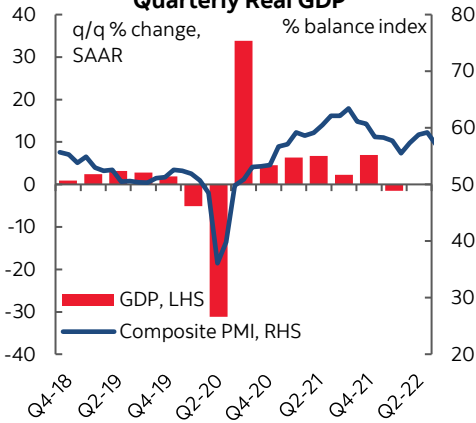
UK Inflation Continues to Climb



Sources: Scotiabank Economics, ONS.

Chart 19

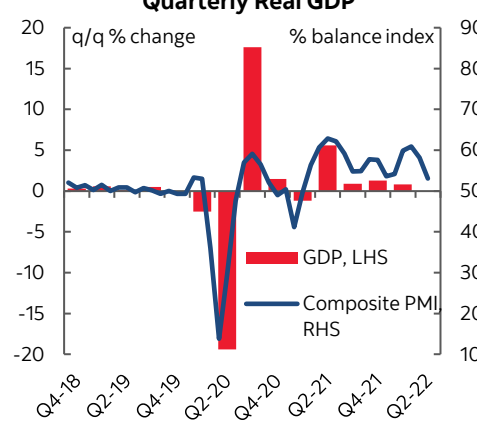
US Composite PMI & Quarterly Real GDP



Sources: Scotiabank Economics, Markit, Bloomberg.

Chart 20

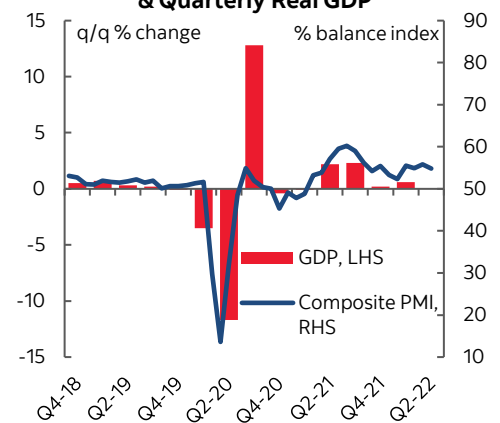
UK Composite PMI & Quarterly Real GDP



Sources: Scotiabank Economics, Markit, Bloomberg.

Chart 21

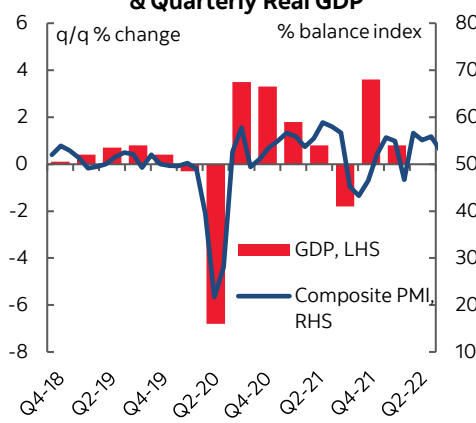
Euro Area Composite PMI & Quarterly Real GDP



Sources: Scotiabank Economics, Markit, Bloomberg.

Chart 22

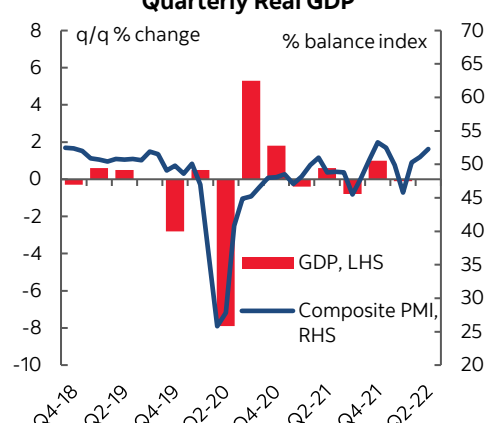
Australia Composite PMI & Quarterly Real GDP



Sources: Scotiabank Economics, Markit, Bloomberg.

Chart 23

Japan Composite PMI & Quarterly Real GDP



Sources: Scotiabank Economics, Markit, Bloomberg.

## Key Indicators for the week of June 20 – 24

## NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	06/21	08:30	Retail Sales (m/m)	Apr	0.8	0.8	0.0
CA	06/21	08:30	Retail Sales ex. Autos (m/m)	Apr	0.0	0.5	2.4
US	06/21	10:00	Existing Home Sales (mn a.r.)	May	5.3	5.4	5.6
US	06/21	10:00	Existing Home Sales (m/m)	May	-5.5	-3.7	-2.4
US	06/22	07:00	MBA Mortgage Applications (w/w)	Jun 17	--	--	6.6
CA	06/22	08:30	Core CPI - Common (y/y)	May	--	3.4	3.2
CA	06/22	08:30	Core CPI - Median (y/y)	May	--	4.7	4.4
CA	06/22	08:30	Core CPI - Trim (y/y)	May	--	5.4	5.1
CA	06/22	08:30	CPI, All items (m/m)	May	1.2	1.0	0.6
CA	06/22	08:30	CPI, All items (y/y)	May	7.8	7.3	6.8
CA	06/22	08:30	CPI, All items (index)	May	--	151.0	149.8
MX	06/23	07:00	Bi-Weekly Core CPI (% change)	Jun 15	--	0.3	0.3
MX	06/23	07:00	Bi-Weekly CPI (% change)	Jun 15	--	0.3	0.3
MX	06/23	07:00	Retail Sales (INEGI) (y/y)	Apr	--	--	3.8
US	06/23	08:30	Current Account (US\$ bn)	1Q	--	-279.0	-217.9
US	06/23	08:30	Initial Jobless Claims (000s)	Jun 18	220	232	229
US	06/23	08:30	Continuing Claims (000s)	Jun 11	1,280	1,338	1,312
<b>MX</b>	<b>06/23</b>	<b>14:00</b>	<b>Overnight Rate (%)</b>	<b>Jun 23</b>	<b>7.75</b>	<b>7.75</b>	<b>7.00</b>
MX	06/24	07:00	Global Economic Indicator IGAE (y/y)	Apr	--	--	0.4
US	06/24	10:00	New Home Sales (000s a.r.)	May	585.0	595.0	591.0
US	06/24	10:00	U. of Michigan Consumer Sentiment	Jun F	--	50.2	50.2

## EUROPE

Country	Date	Time	Indicator	Period	Consensus	Latest
GE	06/20	02:00	Producer Prices (m/m)	May	1.5	2.8
EC	06/21	04:00	Current Account (€ bn)	Apr	--	-1.6
IT	06/21	04:30	Current Account (€ mn)	Apr	--	-1,025
UK	06/22	02:00	CPI (m/m)	May	0.6	2.5
UK	06/22	02:00	CPI (y/y)	May	9.1	9.0
UK	06/22	02:00	RPI (m/m)	May	0.4	3.4
UK	06/22	02:00	RPI (y/y)	May	11.3	11.1
EC	06/22	10:00	Consumer Confidence	Jun A	-20.5	-21.1
UK	06/23	02:00	PSNB ex. Interventions (£ bn)	May	12.0	18.6
UK	06/23	02:00	Public Finances (PSNCR) (£ bn)	May	--	2.4
UK	06/23	02:00	Public Sector Net Borrowing (£ bn)	May	11.5	17.8
FR	06/23	03:15	Manufacturing PMI	Jun P	53.9	54.6
FR	06/23	03:15	Services PMI	Jun P	57.7	58.3
GE	06/23	03:30	Manufacturing PMI	Jun P	54.0	54.8
GE	06/23	03:30	Services PMI	Jun P	54.5	55.0
EC	06/23	04:00	Composite PMI	Jun P	54.1	54.8
EC	06/23	04:00	Manufacturing PMI	Jun P	53.8	54.6
EC	06/23	04:00	Services PMI	Jun P	55.5	56.1
<b>NO</b>	<b>06/23</b>	<b>04:00</b>	<b>Norwegian Deposit Rates (%)</b>	<b>Jun 23</b>	<b>1.00</b>	<b>0.75</b>
UK	06/23	04:30	Manufacturing PMI	Jun P	53.7	54.6
UK	06/23	04:30	Services PMI	Jun P	53.0	0.1
<b>TU</b>	<b>06/23</b>	<b>07:00</b>	<b>Benchmark Repo Rate (%)</b>	<b>Jun 23</b>	<b>14.00</b>	<b>14.00</b>
UK	06/23	19:01	GfK Consumer Confidence Survey	Jun	-40.0	-40.0
SP	06/24	03:00	Real GDP (q/q)	1Q F	0.3	0.3
GE	06/24	04:00	IFO Business Climate Survey	Jun	92.7	93.0
GE	06/24	04:00	IFO Current Assessment Survey	Jun	99.0	99.5
GE	06/24	04:00	IFO Expectations Survey	Jun	87.4	86.9

Forecasts at time of publication.

Sources: Bloomberg, Scotiabank Economics.



## Key Indicators for the week of June 20 – 24

## ASIA PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
<b>CH</b>	<b>06/19</b>	<b>21:15</b>	<b>PBoC Loan Prime Rate 1-Year (%)</b>	<b>Jun 20</b>	<b>3.70</b>	<b>3.70</b>	<b>3.70</b>
TA	06/20	04:00	Export Orders (y/y)	May	--	2.0	-5.5
HK	06/21	04:30	CPI (y/y)	May	--	1.6	1.3
HK	06/21	04:30	BoP Current Account (HK\$ bns)	1Q	--	--	97.0
NZ	06/21	18:45	Trade Balance (NZD mn)	May	--	--	-580.5
NZ	06/21	18:45	Exports (NZD bn)	May	--	--	6,311
NZ	06/21	18:45	Imports (NZD bn)	May	--	--	5,727
TH	06/21	23:30	Customs Exports (y/y)	May	--	8.3	9.9
TH	06/21	23:30	Customs Imports (y/y)	May	--	18.0	21.5
TH	06/21	23:30	Customs Trade Balance (US\$ mn)	May	--	-1,300	-1,908
JN	06/22	02:00	Machine Tool Orders (y/y)	May F	--	--	23.7
SK	06/22	17:00	PPI (y/y)	May	--	--	9.2
JN	06/22	20:30	Markit/JMMA Manufacturing PMI	Jun P	--	--	53.3
PH	06/22	21:00	Budget Deficit/Surplus (PHP bn)	May	--	--	4.9
SI	06/23	01:00	CPI (y/y)	May	5.4	5.5	5.4
JN	06/23	01:30	Nationwide Department Store Sales (y/y)	May	--	--	19.0
<b>PH</b>	<b>06/23</b>	<b>03:00</b>	<b>Overnight Borrowing Rate (%)</b>	<b>Jun 23</b>	<b>2.75</b>	<b>2.50</b>	<b>2.25</b>
<b>ID</b>	<b>06/23</b>	<b>03:20</b>	<b>BI 7-Day Reverse Repo Rate (%)</b>	<b>Jun 23</b>	<b>3.75</b>	<b>3.50</b>	<b>3.50</b>
TA	06/23	04:00	Industrial Production (y/y)	May	--	4.5	7.3
TA	06/23	04:00	Unemployment Rate (%)	May	--	3.7	3.7
JN	06/23	19:30	National CPI (y/y)	May	2.5	2.5	2.5
MA	06/24	00:00	CPI (y/y)	May	2.8	2.7	2.3
SI	06/24	01:00	Industrial Production (y/y)	May	--	5.5	6.2
SK	06/24	20:00	Department Store Sales (y/y)	May	--	--	19.1

## LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
BZ	06/24	08:00	IBGE Inflation IPCA-15 (m/m)	Jun	--	--	0.6
BZ	06/24	08:00	IBGE Inflation IPCA-15 (y/y)	Jun	--	--	12.2

Forecasts at time of publication.

Sources: Bloomberg, Scotiabank Economics.

## Global Auctions for the week of June 20 – 24

## NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CA	06/22	12:00	Canada to Sell 3 Year Bonds

## EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
BE	06/20	06:00	Belgium to Sell 1.4% 2053 Bonds On June 20
BE	06/20	06:00	Belgium to Sell 0.35% 2032 Bonds On June 20
BE	06/20	06:00	Belgium to Sell 0.9% 2029 Bonds On June 20
GE	06/22	05:30	Germany to Sell EU1.5 Billion of 1% 2038 Bonds On June 22
IT	06/24	05:00	Italy to Sell Bonds
IC	06/24	07:00	Iceland to Sell Bonds

## ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
JN	06/20	23:35	Japan to Sell 5-Year Bonds
CH	06/21	22:35	China Plans To Sell CNY 3-Yr Upsized Bonds
CH	06/21	22:35	China Plans To Sell CNY 10-Yr Upsized Bonds
JN	06/22	23:35	Japan to Sell 20-Year Bonds
CH	06/23	22:35	China Plans To Sell CNY 2-Yr Bonds

## LATIN AMERICA

No Scheduled Auctions.

## Events for the week of June 20 – 24

## NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	06/18	16:40	Fed's Waller Discusses Monetary Policy
US	06/21	12:00	Fed's Mester Speaks at Women in Leadership Event
CA	06/22	10:40	Bank of Canada SDG Rogers Holds Fireside Chat
US	06/22	12:50	Fed's Evans Discusses Economic Outlook
US	06/23	10:00	Powell Testifies Before House Financial Services Panel
<b>MX</b>	<b>06/23</b>	<b>14:00</b>	<b>Overnight Rate</b>

## EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
EC	06/20	03:00	ECB's Muller Speaks
UK	06/20	04:00	BOE's Haskel speaks
UK	06/20	09:00	BOE's Catherine Mann speaks
UK	06/21	03:15	BOE's Huw Pill speaks
UK	06/21	08:15	BOE's Tenreyro speaks
UK	06/22	04:40	BOE's Jon Cunliffe speaks
<b>NO</b>	<b>06/23</b>	<b>04:00</b>	<b>Deposit Rates</b>
<b>TU</b>	<b>06/23</b>	<b>07:00</b>	<b>One-Week Repo Rate</b>
UK	06/24	08:30	BOE's Huw Pill speaks
UK	06/24	09:45	BOE's Haskel speaks

## ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
<b>CH</b>	<b>06/19</b>	<b>21:15</b>	<b>1-Year Loan Prime Rate</b>
CH	06/19	21:15	5-Year Loan Prime Rate
AU	06/20	20:00	RBA's Lowe-Speech
AU	06/20	21:30	RBA Minutes of June Policy Meeting
JN	06/21	19:50	BOJ Minutes of April Meeting
<b>PH</b>	<b>06/23</b>	<b>03:00</b>	<b>BSP Overnight Borrowing Rate</b>
PH	06/23	03:00	BSP Standing Overnight Deposit Facility Rate
<b>ID</b>	<b>06/23</b>	<b>03:20</b>	<b>Bank Indonesia 7D Reverse Repo</b>
JN	06/24	02:40	BOJ Board Amamiya Speech at National Shinkin Conference
AU	06/24	07:30	RBA's Lowe-Panel Discussion

## LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CO	06/19		Presidential election: Second Round

## 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	2.25	2.00
Federal Reserve – Federal Funds Target Rate	1.75	July 27, 2022	2.50	2.50
Banco de México – Overnight Rate	7.00	June 23, 2022	7.75	7.75

**Banco de México (Banxico):** Banxico's latest Quarterly Report highlighted that a hike above 50 bps is on the table, sending a message of commitment to tackle inflationary pressures. Recent messaging from Deputy Governor Heath (in favour of several 75 bps moves) and Deputy Governor Espinosa's last vote of the same magnitude, are tipping the committee in that direction. As a result, our new base scenario is a 75 bps hike of the Overnight Rate at next week's meeting. The Board's approach will likely consider the spread between US rates, which we anticipate will remain around 600-650 bps, leaving the policy rate by the end of 2022 at 9.50%.

## 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	1.25	August 4, 2022	1.75	1.75
Swiss National Bank – Libor Target Rate	-0.25	September 22, 2022	-0.25	-0.25
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	0.75
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

**Norges Bank:** Ah, a central bank that has stuck to their messaging since being among the first out of the gates to the tightening party—refreshing! It is widely expected that Norges Bank will hike the Deposit Rate by 25 bps to 1.00% next week, which is consistent with the March MPR and guidance from the May 5 meeting. However, the bank did flag that if inflation remains persistent and financial markets become turbulent on the back of rapid policy tightening globally, then the policy rate may need to be raised more quickly than what was indicated in their March forecasts. At least as important will be the revised forward rate path that is likely to be more hawkish. **Central Bank of Turkey (CBRT):** Turkish inflation continues to rip, hitting 73.5% y/y in May, with no signs of abating. Couple that with a rapidly depreciating Lira and deeply negative real rates and the last thing the Committee should do is keep rates on hold. However, expect a hold of the Benchmark Repo Rate at 14.00% as Erdogan continues to impart his unorthodox policy stance onto policy makers.

## ASIA PACIFIC

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Policy Rate	-0.10	July 21, 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	3.70	3.70
Reserve Bank of India – Repo Rate	4.90	August 4, 2022	5.25	5.25
Bank of Korea – Bank Rate	1.75	July 13, 2022	2.00	2.00
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	2.25	2.25
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	2.75	2.50

**People's Bank of China (PBoC):** The PBoC's Loan Prime Rate fixings will be announced on June 20. We expect the key interest rates to remain unchanged following the PBoC's decision to leave the 1-Year Medium-Term Lending Facility Rate unchanged at 2.85% on June 15. While we assess that some modest monetary easing is possible in the second half of 2022, China's policy support will likely be centered around fiscal measures. **Bank Indonesia (BI):** Indonesian monetary authorities will make a policy decision on June 23; we expect the central bank to begin monetary normalization and raise the policy rate by 25bps to 3.75%. As aggressive monetary tightening by the US Fed is triggering market volatility, BI will likely raise the policy rate to limit significant portfolio outflows and currency weakness, despite the fact that domestic inflation remains relatively contained. **Central Bank of Philippines (BSP):** The BSP will make a monetary policy decision June 23. We expect the benchmark rate to be raised to 2.750%. Reflecting the US Fed's super-sized hike on June 15, it is likely the BSP will try to limit any financial instability by a 50bps rate increase. Moreover, inflation is accelerating with consumer prices rising 5.4% y/y in May, exceeding the BSP's target range of 2.0–4.0%.

## LATIN AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	13.25	August 3, 2022	13.25	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	5.75	5.50

## AFRICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	4.75	July 21, 2022	5.00	5.00

Forecasts at time of publication.

Sources: Bloomberg, Scotiabank Economics.

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