BMO Capital Markets®
We're here to help.™

BMO CAPITAL MARKETS ECONOMICS

Focus

A weekly financial digest

Douglas Porter, CFA, Chief Economist, BMO Financial Group

June 8, 2018

Feature Article
Page 5

Ontario: Now 'Open for Business'?

**Canadian Jobs Disappoint...
But Wage Growth at 9-year High**

Doug Ford Elected Ontario Premier

Trade Talks to Dominate G7 Summit

BMO Capital Markets Economics
economics.bmocapitalmarkets.com • 1-800-613-0205
Please refer to page 13 for important disclosures

FOMC Preview: Finally… Positive Real Policy Rates

Michael Gregory, CFA
Deputy Chief Economist
michael.gregory@bmo.com
416-359-4747

We look for the FOMC to lift the target range for the federal funds rate on June 13th by 25 bps to 1.75%-to-2.00%, with the 1.875% midpoint finally rising above core PCE inflation (currently 1.8% y/y) for the first time since March 2008. Although real policy rates will still be slightly negative relative to headline PCE inflation (2.0%), this is an **important milestone on the road to policy normalization** (a trip that began 2½ years or 175 bps ago).

Normally, the Fed would raise its other interest rates by the same amount, lifting the overnight reverse repo rate to 1.75% and the discount rate (for primary credit) to 2.50%. However, there is a **good chance the interest rate on excess reserves** (IOER) **might rise by only 20 bps** to 1.95%, as discussed in the prior FOMC meeting (and mentioned in the Minutes).

The effective fed funds rate has been regularly trading at 1.70%, 7.5 bps above the midpoint of the target range and up from last year's 3.5 bp norm. As is the case in the broader money market, this reflects two forces: (1) hefty Treasury issuance, which is increasing the demand for repo financing and thus the level of repo rates (diverting some investment flows to the repo market at the expense of fed funds); and, (2) the repatriation of corporate profits, which is reducing the demand for the money market instruments these offshore funds had previously invested in (applying upward pressure on their rates). Assuming fed funds continue to trade 5 bps below IOER, this action should pressure the effective rate closer to the 1.875% midpoint (say, 1.91%). The Fed will likely take pains in the press release (and in Powell's presser) to explain that this is purely a technical adjustment and has no policy implications.

The statement should also describe the economy in a more upbeat tone, acknowledging the new cycle low in the jobless rate and that household spending has picked up from its Q1 pace. The economic outlook will still *"warrant further gradual increases in the federal funds rate"*; but, with confidence in the outlook increasing, we judge it's only a matter of time before the FOMC drops the reference to policy rates remaining *"for some time, below levels that are expected to prevail in the longer-run"*.

In the partial **Summary of Economic Projections**, the median forecast for the 2018-end fed funds rate should shift to 2.375% from 2.125%, so two more rate hikes pencilled in for this year. The forecasts for 2019 and 2020 should remain unchanged at 2.875% and 3.375%, respectively (implying a couple of rate hikes each year). The average forecasts will all likely rise by at least a few basis points (currently 2018 at 2.19%, 2019 at 2.93% and 2020 at 3.33%), painting a mildly up-drifting "dot plot". We look for no change in the 2.875% longer-run median projection; but, with net risk, it could lift to 3.00%. Among the other economic projections, the 2018 medians could all be upgraded at least a tenth stronger (GDP 2.8%, headline and core PCE 2.0%) or lower (unemployment rate 3.7%). The longer-run jobless rate forecast could fall more meaningfully from 4.5%.

Finally, against the background of an economy boasting full employment, a zero output gap, above-potential GDP growth, a mega-dose of fiscal stimulus, and headline inflation at the 2% target with core only a bit below but on the rise, **we suspect Chairman Powell will confidently defend the FOMC's rate hike and signal more are on their way** (dependent on the data and developments, of course). MJG

Is the Tariff Tiff Greasing the Tech Rally?

Sal Guatieri
Senior Economist
sal.guatieri@bmo.com
416-359-5295

A week after the official start of a global trade war, the Nasdaq is at new highs and outrunning other global equity markets, S&P 500 info tech shares are up double digits this year (after soaring 37% last year), and Apple looks to become the first ever $1 trillion company. While most sectors are struggling to break even this year amid growing risks of a disruptive trade war, technology shares just keep motoring higher. Some of the enthusiasm, of course, reflects double-digit earnings growth for the sector and hopes of an AI revolution. Some also reflects worsening labour shortages that are forcing companies to invest more in automation to meet demand. There are now more U.S. job openings than seekers.

In addition, tech companies could benefit from the recent trade skirmish, assuming it's limited. As tariffs spread to more foreign products, business costs will go up, forcing more companies to automate to lift productivity and stay competitive. This implies robust demand for high-tech gear and software. Of course, in the event of a full-scale trade war, the disruptive impact on the economy would dominate, dragging down demand for IT gear. But to date, the specified tariffs by the U.S. and other countries are too small to have a material impact on GDP growth, likely to shave, at most, a quarter percentage point. Investors are betting cooler heads will prevail, and trade tensions won't escalate. If not, tech shares, which have led the market on the way up, could well lead on the way down. Sal

Priscilla Thiagamoorthy
Economic Analyst
priscilla.thiagamoorthy@bmo.com
416-359-6229

	Good News	Bad News
Canada ▪ BoC's FSR sees debt and housing market risks easing ▪ Doug Ford named Ontario's Premier as PC party wins majority	**Average Hourly Wages** +3.9% y/y (May)—fastest since April 2009 **Jobless Rate** steady at 5.8% (May) **Merchandise Trade Deficit** narrowed to $1.9 bln (Apr.) **Capacity Utilization** +0.5 ppts to 86.1% (Q1) —12-yr high	**Employment** -7,500 (May)—all full-time **Housing Starts** -9.8% to 195,613 a.r. (May) **Building Permits** -4.6% (Apr.) **Auto Sales** -0.7% y/y (May) **Labour Productivity** -0.3% (Q1) **Ivey PMI** -9 pts to 62.5 (May)
United States ▪ President Trump to push for separate trade talks with Canada and Mexico at G7 Summit	**Goods & Services Trade Deficit** narrowed to $46.2 bln (Apr.) **Job Openings** hit record high 6,698k (Apr.) **Non-manufacturing ISM** +1.8 pts to 58.6 (May) **Initial Claims** -1k to 222k (June 2 week) **Household Net Worth** $100 trln (Q1)—record	**Factory Orders** -0.8% (Apr.) **Auto Sales** -1.8% to 16.8 mln a.r. (May) **Consumer Credit** slowed to +$9.3 bln (Apr.)
Japan ▪ Japan willing to hold talks with North Korea	**Bank Lending Ex-Trusts** +1.9% y/y (May)	**Household Spending** -1.3% y/y (Apr.) **Current Account Surplus** narrowed to ¥1.8 trln (Apr.) **Services PMI** -1.5 pts to 51.0 (May) **Composite PMI** -1.4 pts to 51.7 (May)
Europe ▪ ECB's Praet: Bank will debate QE wind-down at next meeting ▪ Italy PM Conte promises *"radical change"* ▪ PM May keeps cabinet intact with an Irish backstop deadline	**Euro Area—Retail PMI** +3.1 pts to 51.7 (May) **U.K.—Services PMI** +1.2 pts to 54.0; **Construction PMI** steady at 52.5; **Composite PMI** +1.3 pts to 54.5 (May) **France—Trade Deficit** unch at €5.0 bln (Apr.)	**Euro Area—Retail Sales** +0.1% (Apr.) —below expected **Euro Area—Producer Prices** slowed to +2.0% y/y (Apr.) **Germany—Factory Orders** -2.5% (Apr.) **Germany—Industrial Production** -1.0% (Apr.) **Germany—Trade Surplus** narrowed to €19.4 bln (Apr.) **France—Industrial Production** -0.5% (Apr.) **Italy—Retail Sales** -0.7% (Apr.)
Other ▪ RBA on hold ▪ RBI surprises with a rate hike ▪ Turkey unexpectedly hikes	**China—Exports** +12.6% y/y; **Imports** +26.0% y/y (May) **China—Caixin Services PMI** steady at 52.9; **Composite PMI** steady at 52.3 (May) **Australia—Real GDP** +1.0% q/q (Q1) **Australia—Retail Sales** +0.4% (Apr.)	**China—Foreign Reserves** fell a tad to $3.111 trln (May) **Australia—Trade Surplus** narrowed to A$977 mln (Apr.)

Indications of stronger growth and a move toward price stability are good news for the economy.

Ontario: Now 'Open for Business'?

Robert Kavcic, Senior Economist • robert.kavcic@bmo.com • 416-359-8329

Every once in a while, the polls nail it. Ontario voters opted for change, electing a Progressive Conservative government to a majority mandate after 15 years under Liberal leadership. As we await the first budget, we can sketch a picture of what to expect, and consider some of the economic issues facing the new leadership.

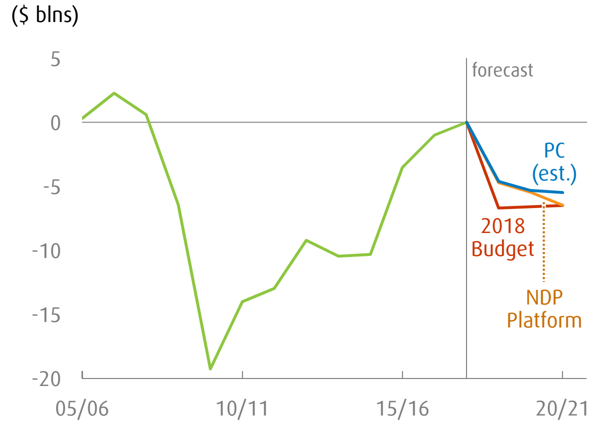
Centrepieces of the PC election platform included lower corporate and personal income taxes, elimination of the cap-and-trade program and other measures to reduce hydro rates and gas prices. The platform famously did not include a bottom-line projection. But, tallying up the costed items and building off a base 2018 budget (i.e., before new measures—the same approach used in the fully-projected NDP platform) very roughly suggest that **the budget deficit could track in the $5 billion-to-$6 billion range by FY20/21**. That is before any *"spending efficiencies"* are found, before any other items without a dollar figure in the PC platform, and before any changes to reporting standards as per the auditor general (*Chart 1* and *Table 1*). While this is a crude estimate given the limited information at hand, the bottom line is roughly in-line with the levels proposed by the other two parties. The big difference, however, is that the source of the deficit is almost entirely the result of tax cuts. This is a stark change from the era of higher spending and taxes—program spending rose from 13.2% of GDP in FY02/03 to nearly 17% today.

Suffice it to say that, from a credit perspective, none of the election platforms were giving investors the warm fuzzies, and **a shift back into deficit at this later stage of the cycle opens the door to bigger challenges down the road.** The bond market has already been charging more to lend to Ontario than Quebec, and the election campaign certainly hasn't helped (*Chart 2*). Starting with the turn back into deficit in the 2018 budget (Liberals), spreads widened further versus Quebec, a province which continues to run modest surpluses. The initial sense is likely that the PC victory is the 'least bad' credit outcome, but we again must wait for details on what a *"reasonable timeframe"* to balance the budget means.

From a business perspective, the real conundrum in Ontario is that **business confidence is depressed** despite some of the best macroeconomic conditions in the province in more than a decade. For example, the jobless rate recently hit a near 28-year low of 5.5%, while real GDP growth averaged 2.8% in the three years through 2017, the strongest in 16 years. Yet, small business confidence slumped to the lowest level since the financial crisis over the latest 12-month period (*Chart 3*). Taxes and regulatory costs are currently the biggest hindrance to confidence, though that is the case

Chart 1

Ontario Budget Balance



Sources: BMO Economics, Provincial budgets, party platforms

Table 1

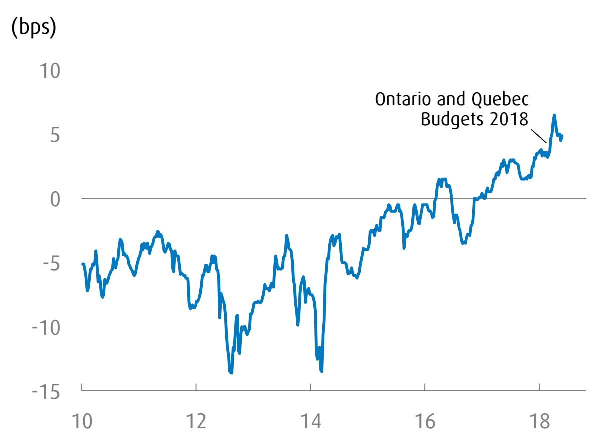
PC Platform: Major Economic Measures

- Tax cut of 20% for incomes in the $43k-to-$86k range
- Elimination of income tax for minimum-wage earners
- Corporate tax rate reduction of 1 ppt, to 10.5%
- Small business tax reduction
- Cancel 2019 minimum wage increase ($14/hr to $15/hr)
- Eliminate cap-and-trade program
- Lower gas tax by 10 cents per litre
- Child-care tax credit up to age 15
- More housing supply; keep rent control for existing tenants
- Balance the budget in "a reasonable timeframe"

Sources: BMO Economics, PC Party

Chart 2

Ontario – Quebec 10-year Yield Spread



Sources: BMO Economics

in most provinces (Ontario actually ranks slightly 'less bad' than average on this front). On a relative basis, energy costs and wages are the biggest issues (*Chart 4*). If there's a consolation to potential deficits over the near term, it's that this election outcome addresses a number of key concerns in the business sector—a pause in minimum wage increases; measures to address energy costs, most significantly scrapping the cap-and-trade program; and, tax rate reductions. Unlike the alternative platforms, **this at least moves the province in the right direction from a competitiveness perspective**, at a time when its U.S. counterparts are doing the same. Note that Ontario will have the lowest corporate income tax rate (10.5%) in Canada if measures go through as planned.

Another key consideration for the incoming government is that **peak economic growth is likely already behind Ontario**. Many indicators point to slower growth through 2018Q1, and our index of economic performance is now running at the softest year-over-year clip since 2013. That's consistent with our view that real GDP growth will slow to 2.0% this year, down from 2.8% in 2017, and further to 1.9% in 2019 as growth settles in around potential (*Chart 5*). Some of the challenges the incoming government will have to deal with:

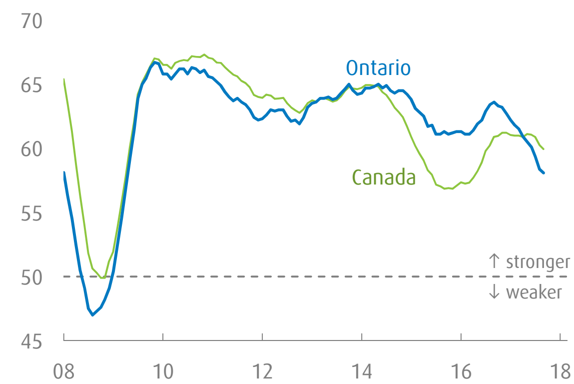
- The **housing market** is only now stabilizing in the wake of past policy measures, while a continued gradual increase in interest rates should temper any rebound.
- The **auto sector** has likely peaked, with sales and production down from cycle highs. Overall export volumes are also fading, and manufacturing jobs are only slightly above post-recession lows. There's a risk that **factory activity** is merely being sustained by cyclical strength, and the next downturn could further hollow out the sector.
- Ongoing tension on the **trade** front with the U.S.—if tariffs imposed on steel and aluminum on national security grounds are extended to autos, the impact in Ontario would be significant.
- **On the plus side**, Ontario is seeing some of strongest **demographic trends** in more than a decade, with population growth accelerating on the back of new millennial households and migration from outside and within Canada. This is a challenge as well, from spending and housing perspectives.

The Bottom Line: This is a significant turning point for Ontario fiscal policy. While uncertainty about the deficit will persist until a budget is tabled, the mandate sets up a clear tack away from higher taxes and big program spending, to tax relief, leaner government and competitiveness, and could be a first indication that Canadians' appetite for deficit spending has peaked.

Chart 3

Business Confidence Low

(index of owners expecting stronger performance next year)

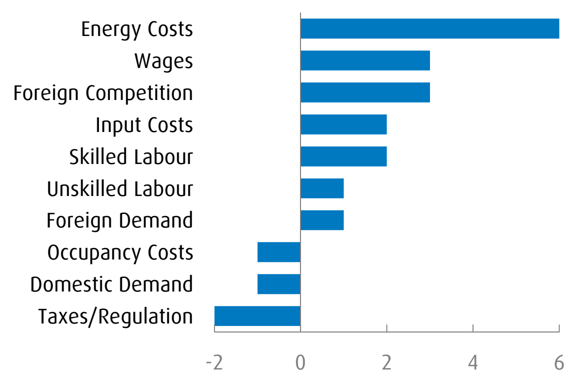


Sources: BMO Economics, CFIB

Chart 4

Issues Facing Ontario Businesses

May 2018 (ppt response vs. national average)

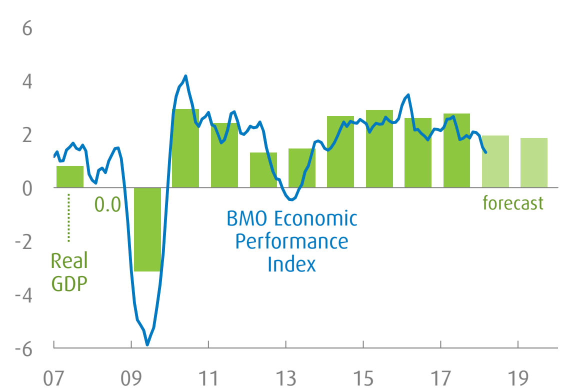


Sources: BMO Economics, CFIB

Chart 5

Peak Growth Likely Past

Ontario (y/y % chng)



Sources: BMO Economics, Haver Analytics

Economic Forecast Summary for June 8, 2018

BMO Capital Markets Economic Research

	2017				2018				Annual		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2017	2018	2019
CANADA											
Real GDP (q/q % chng : a.r.)	4.0	4.6	1.7	1.7	1.3	2.5	2.1	1.9	3.0	2.0	1.8
Consumer Price Index (y/y % chng)	1.9	1.3	1.4	1.8	2.1	2.4	2.5	2.3	1.6	2.3	2.1
Unemployment Rate (percent)	6.6	6.5	6.2	6.0	5.8	5.8	5.7 ↑	5.6 ↑	6.3	5.7	5.5
Housing Starts (000s : a.r.)	222	207	223	229	223	209 ↓	215 ↓	213 ↓	220	215 ↓	205 ↓
Current Account Balance ($blns : a.r.)	-55.9	-59.6	-71.7	-65.9	-78.0	-68.9	-67.2	-65.8	-63.3	-70.0	-65.0
Interest Rates (average for the quarter : %)											
Overnight Rate	0.50	0.50	0.83	1.00	1.25	1.25	1.50	1.75	0.71	1.44	2.31
3-month Treasury Bill	0.47	0.54	0.81	0.92	1.14	1.25	1.50	1.70	0.69	1.40	2.20
10-year Bond	1.71	1.51	1.95	1.96	2.24	2.35	2.50	2.65	1.78	2.45	2.90
Canada-U.S. Interest Rate Spreads (average for the quarter : bps)											
90-day	-13	-36	-25	-30	-44	-66	-61	-54	-26	-56	-35
10-year	-73	-75	-30	-41	-52	-60	-58	-55	-55	-57	-48
UNITED STATES											
Real GDP (q/q % chng : a.r.)	1.2	3.1	3.2	2.9	2.2	3.2	2.9	2.9	2.3	2.8	2.5
Consumer Price Index (y/y % chng)	2.6	1.9	2.0	2.1	2.3	2.7	2.8	2.6	2.1	2.6	2.2
Unemployment Rate (percent)	4.6	4.3	4.3	4.1	4.1	3.8	3.7	3.6	4.4	3.8	3.5
Housing Starts (mlns : a.r.)	1.23	1.17	1.17	1.26	1.32	1.29	1.30	1.28	1.21	1.30	1.28
Current Account Balance ($blns : a.r.)	-451	-495	-406	-513	-518 ↑	-500 ↑	-523 ↑	-538 ↑	-466	-520 ↑	-570 ↑
Interest Rates (average for the quarter : %)											
Fed Funds Target Rate	0.71	0.96	1.13	1.21	1.46	1.71	1.96	2.21	1.00	1.83	2.73
3-month Treasury Bill	0.60	0.90	1.06	1.23	1.58	1.90	2.10	2.25	0.95	1.95	2.55
10-year Note	2.44	2.26	2.24	2.37	2.76	2.95	3.05	3.20	2.33	3.00	3.40
EXCHANGE RATES (average for the quarter)											
US¢/C$	75.6	74.4	79.9	78.6	79.1	78.1	78.7	79.7	77.1	78.9	81.1
C$/US$	1.32	1.34	1.25	1.27	1.27	1.28	1.27	1.26	1.30	1.27	1.23
¥/US$	114	111	111	113	108	109	108	106	112	108	104
US$/Euro	1.07	1.10	1.18	1.18	1.23	1.20 ↑	1.20 ↑	1.24 ↑	1.13	1.22 ↑	1.27
US$/£	1.24	1.28	1.31	1.33	1.39	1.36	1.37	1.42	1.29	1.38	1.45

Blocked areas represent BMO Capital Markets forecasts
Up and down arrows indicate changes to the forecast ↑↓ Spreads may differ due to rounding

Canada

Benjamin Reitzes
Canadian Rates & Macro Strategist
benjamin.reitzes@bmo.com
416-359-5628

National Balance Sheet and Financial Flow Accounts (Q1)
Thursday, 8:30 am

Canada's household debt ratio likely pulled back sharply in Q1, as credit growth hit a five-year low. While income growth wasn't spectacular to start the year, it was far stronger than a year ago, which should dampen debt ratios. Note that the ratio generally falls in Q1 (averaging 0.7 ppts since 2010) as housing is usually softer through the winter, but look for a steeper drop this year. This release also includes details on household assets. Net worth as a share of disposable income climbed in Q4, but a drop in the TSX and home prices suggests we'll see a decline in net worth in Q1. Overall, Canadian balance sheets are in decent shape, despite the persistent concerns about the debt burden.

Existing Home Sales, MLS Home Price Index
Friday, 9:00 am (expected)

	Existing Home Sales	Average Prices
May (e)	**-17.0% y/y**	**-5.0% y/y**
Apr.	-13.9% y/y	-11.3% y/y

	MLS Home Price Index
May (e)	**+1.0% y/y**
Apr.	+1.5% y/y

The housing market has struggled mightily to start 2018, as a combination of new mortgage rules, higher rates and localized tighter foreign-buyer rules weighed heavily on sales. Sales are expected to drop 17% y/y in May, slightly worse than the prior month, suggesting the monthly move was flat to lower. There are some early signs that the market is stabilizing but we're still waiting on a rebound. Toronto and Vancouver remain soft (outside a still-robust condo market) along with Calgary, while activity has plateaued in the hot markets of Montreal and Ottawa. Average prices look to be down 5% y/y, while the quality-adjusted MLS HPI is expected to decelerate to 1% y/y, which would be the slowest increase since late 2009.

United States

Sal Guatieri
Senior Economist
sal.guatieri@bmo.com
416-359-5295

Consumer Prices
Tuesday, 8:30 am

May (e)	**+0.2%**	**+2.7% y/y**
Consensus	*+0.2%*	*+2.8% y/y*
Apr.	+0.2%	+2.5% y/y
	Ex. Food & Energy	
May (e)	**+0.2%**	**+2.2% y/y**
Consensus	*+0.2%*	*+2.2% y/y*
Apr.	+0.1%	+2.1% y/y

Although fuel prices were flat on a seasonally-adjusted basis last month, rising material costs (no thanks to tariffs, with steel prices up 40% this year) and continued rising rents should lift the headline and core CPI measures by 0.2% in May. This would raise their yearly rates to 2.7% and 2.2%, 15-month highs for both. Unlike last year, however, inflation should maintain an upward drift in response to taut labour markets and possibly broader tariffs.

FOMC Announcement and Summary of Economic Projections
Wednesday, 2:00 pm; 2:30 pm press briefing

See Michael Gregory's Thought on page 2.

Retail Sales
Thursday, 8:30 am

		Ex. Autos
May (e)	**+0.4%**	**+0.5%**
Consensus	*+0.4%*	*+0.5%*
Apr.	+0.2%	+0.3%
	Ex. Autos/Gas	
May (e)	**+0.5%**	
Consensus	*+0.3%*	
Apr.	+0.3%	

Firmer weekly chain-store receipts and rising retail work hours suggest retail sales rose 0.4% in May, picking up from the prior month's pace. Reversing auto sales suggest the ex-autos figure sped up 0.5%, supported by strong job growth, rising wages and tax cuts. This would point to annual 3.5% growth in Q2 consumer spending, confirming that Q1's downshift (to 1.0% from 4.0% in Q4) was temporary.

Industrial Production and Capacity Utilization

Friday, 9:15 am

	Industrial Production	Capacity Utilization
May (e)	**+0.2%**	**78.1%**
Consensus	*+0.3%*	*78.1%*
Apr.	+0.7%	78.0%

Gushing oil output and earlier-than-usual demand for air conditioning should offset some pullback in factory work hours to lift industrial production 0.2% in May following April's outsized 0.7% increase. Some slowing in manufacturing would not be a surprise after the fastest three-month spurt in nearly eight years. Factories have been humming this year in response to strong demand for consumer durables, business machinery and exports. The capacity utilization rate is expected to tick up to 78.1%. While marking a three-year high, this would still imply some slack in the industrial space.

Euro Area

Jennifer Lee
Senior Economist
jennifer.lee@bmo.com
416-359-4092

ECB Monetary Policy Announcement

Thursday, 7:45 am ET

Press conference 8:30 am ET

The ECB is meeting on Thursday, June 14th. After a couple of months of uncertainty and disappointing data, the central bank is finally getting what it has always wanted… higher inflation. The latest reading on Euro Area consumer prices came in at 1.9% y/y in May, the fastest increase in a year. Even core inflation (which removes the impact of food, energy, alcohol and tobacco) rose 1.1%, a pace not seen in eight months. The headline reading now satisfies the ECB's mandate of having inflation at or near 2%. Also helping were more promising jobs data… the unemployment rate is at a 9½-year low of 8.5%. And, with the heat from Italy dialled down a notch, the ECB will now be able to freely discuss (and admit to it) the prospects of scaling back its bond-buying program this year. Don't expect any details; just, discussion.

This week, no fewer than four policymakers trotted out their views in support of this. Chief Economist, and known dove, Peter Praet confirmed that, during the upcoming meeting, *"the Governing Council will have to assess whether progress so far has been sufficient to warrant a gradual unwinding of our net purchases"*, and that it would be a *"judgement call"*. He did cite the improving convergence of inflation toward their target, the pickup in wage growth and persistent underlying economic strength. The Netherland's Knot, albeit a hawk, said that, given the current rate of inflation, it *"makes sense to herald the end of the bond purchasing programme quickly"*. Slovenia's Dolenc acknowledged the risks for future growth, *"but I think we should not be worried about that"*. And another hawk, Estonia's Hansson, said it was *"reasonable"* to signal the end of QE and even went as far as to suggest that *"higher rates were possible before mid-2019"*. Indeed, the stars are aligning and we stand by the call we've held since December: the ECB will trim their monthly purchases further in the fall (from €30 bln to €15 bln), and wind up the QE program by the turn of the year. Rate hikes are another story; likely to be told in September 2019.

		Jun 8 [1]	Jun 1	Week Ago	4 Weeks Ago	Dec. 31, 2017
					(basis point change)	
Canadian Money Market	Call Money	1.25	1.25	0	0	25
	Prime Rate	3.45	3.45	0	0	25
U.S. Money Market	Fed Funds (effective)	1.75	1.75	0	0	25
	Prime Rate	4.75	4.75	0	0	25
3-Month Rates	Canada	1.24	1.26	-2	3	18
	United States	1.92	1.90	2	2	55
	Japan	-0.13	-0.15	2	-1	4
	Eurozone	-0.32	-0.32	0	1	1
	United Kingdom	0.63	0.62	1	-2	11
	Australia	2.05	1.99	6	12	27
2-Year Bonds	Canada	1.92	1.92	0	-5	23
	United States	2.50	2.47	3	-4	61
10-Year Bonds	Canada	2.31	2.25	7	-6	27
	United States	2.93	2.90	3	-4	53
	Japan	0.04	0.04	0	0	0
	Germany	0.45	0.38	7	-11	3
	United Kingdom	1.39	1.28	11	-5	20
	Australia	2.78	2.70	7	-1	15
Risk Indicators	VIX	12.7	13.5	-0.8 pts	0.0 pts	1.7 pts
	TED Spread	40	41	-1	-4	9
	Inv. Grade CDS Spread [2]	65	66	0	6	16
	High Yield CDS Spread [2]	343	347	-3	13	37
					(percent change)	
Currencies	US¢/C$	77.13	77.21	-0.1	-1.3	-3.0
	C$/US$	1.297	1.295	—	—	—
	¥/US$	109.40	109.54	-0.1	0.0	-2.9
	US$/€	1.1771	1.1659	1.0	-1.4	-1.9
	US$/£	1.339	1.335	0.3	-1.1	-0.9
	US¢/A$	75.88	75.69	0.3	0.6	-2.8
Commodities	CRB Futures Index	200.31	201.71	-0.7	-1.6	3.3
	Oil (generic contract)	66.14	65.81	0.5	-6.4	9.5
	Natural Gas (generic contract)	2.89	2.96	-2.3	3.1	-2.0
	Gold (spot price)	1,299.24	1,293.73	0.4	-1.4	-0.3
Equities	S&P/TSX Composite	16,170	16,044	0.8	1.2	-0.2
	S&P 500	2,767	2,735	1.2	1.4	3.5
	Nasdaq	7,606	7,554	0.7	2.7	10.2
	Dow Jones Industrial	25,211	24,635	2.3	1.5	2.0
	Nikkei	22,695	22,171	2.4	-0.3	-0.3
	Frankfurt DAX	12,750	12,724	0.2	-1.9	-1.3
	London FT100	7,686	7,702	-0.2	-0.5	0.0
	France CAC40	5,440	5,466	-0.5	-1.8	2.4
	S&P ASX 200	6,045	5,990	0.9	-1.2	-0.3

[1] = as of 10:30 am [2] = One day delay

Global Calendar
June 11 – June 15

BMO Capital Markets®

	Monday June 11	Tuesday June 12	Wednesday June 13	Thursday June 14	Friday June 15
Japan		**Producer Price Index** **May (e) +0.2% +2.1% y/y** Apr. +0.1% +2.0% y/y **Tertiary Industry Index** **Apr. (e) +0.6%** Mar. -0.3%		**Industrial Production** **Apr. F (e) +0.3% +2.5% y/y** Mar. +1.4% +2.4% y/y BoJ Monetary Policy Meeting (June 14-15)	
Euro Area	**ITALY** **Industrial Production** **Apr. (e) -0.5% +3.6% y/y** Mar. +1.2% +3.6% y/y	**GERMANY** **ZEW Survey—Expectations** **June (e) -14.0** May -8.2	**EURO AREA** **Industrial Production** **Apr. (e) -0.6% +2.9% y/y** Mar. +0.5% +3.0% y/y	**EURO AREA** ECB Monetary Policy Meeting **GERMANY** **Consumer Price Index** **May F (e) +0.6% +2.2% y/y** Apr. +0.1% +1.4% y/y **FRANCE** **Consumer Price Index** **May F (e) +0.4% +2.3% y/y** Apr. +0.2% +1.8% y/y	**EURO AREA** **Consumer Price Index** **May F (e) +0.5% +1.9% y/y** Apr. +0.3% +1.2% y/y **Trade Surplus** **Apr. (e) €20.0 bln** Mar. €21.2 bln **Labour Costs** **Q1** Q4 +1.5% y/y
U.K.	**Trade Deficit / Non-EU** **Apr. (e) £11.3 bln £3.2 bln** Mar. £12.2 bln £3.6 bln **Industrial Production** **Apr. (e) +0.1% +2.7% y/y** Mar. +0.1% +2.9% y/y **Manufacturing Production** **Apr. (e) +0.3% +3.1% y/y** Mar. -0.1% +2.9% y/y	**Jobless Claims / Claimant Count Rate** **May** Apr. +31,200 2.5% **Avg. Wkly Earnings Ex. Bonus (3 mma)** **Apr. (e) +2.9% y/y** Mar. +2.9% y/y **Jobless Rate (3 mma)** **Apr. (e) 4.2%** Mar. 4.2%	**Consumer Price Index** **May (e) +0.4% +2.4% y/y** Apr. +0.4% +2.4% y/y **Producer Price Index (Output)** **May (e) +0.3% +2.9% y/y** Apr. +0.3% +2.7% y/y	**RICS House Price Balance** **May (e) -5%** Apr. -8% **Retail Sales (incl. Fuel)** **May (e) +0.5% +2.4% y/y** Apr. +1.6% +1.4% y/y	**ITALY** **Industrial Orders** **Apr.** Mar. +0.5% +2.6% y/y **Consumer Price Index** **May F (e) +0.4% +1.1% y/y** Apr. +0.5% +0.6% y/y
Other	**CHINA** **CPI [D] / PPI [D]** **May (e) +1.8% y/y +3.9% y/y** Apr. +1.8% y/y +3.4% y/y **Foreign Direct Investment [D]** **May** Apr. -1.1% y/y **Aggregate Yuan Financing [D]** **May (e) 1.3 trln** Apr. 1.6 trln **New Yuan Loans [D]** **May (e) 1.2 trln** Apr. 1.2 trln **M2 Money Supply [D]** **May (e) +8.5% y/y** Apr. +8.3% y/y **AUSTRALIA** Markets Closed	**AUSTRALIA** **NAB Business Confidence** **May** Apr. 10 **SINGAPORE** U.S.-North Korea Summit	**AUSTRALIA** **Westpac Consumer Confidence** **June** May -0.6%	**CHINA** **Industrial Production (ytd)** **May (e) +6.8% y/y** Apr. +6.9% y/y **Retail Sales (ytd)** **May (e) +9.7% y/y** Apr. +9.7% y/y **Fixed Asset Investment (ytd)** **May (e) +7.0% y/y** Apr. +7.0% y/y **AUSTRALIA** **Employment** **May (e) +19,000** Apr. +22,600 **Jobless Rate** **May (e) 5.6%** Apr. 5.6%	

[D] = date approximate

Upcoming Policy Meetings | BoE: June 21, Aug. 2, Sep. 13 | ECB: July 26, Sep. 13, Oct. 25

North American Calendar
June 11 – June 15

BMO Capital Markets

Canada

Monday June 11

(no releases)

Tuesday June 12

Manpower Survey—Net Outlook

Q3 (e)	**+14%**
Q2	+14%

10:30 am — 3-, 6- & 12-month bill auction $9.0 bln (new cash $0.9 bln)

Wednesday June 13

(no releases)

Thursday June 14

8:30 am — New Housing Price Index

Apr. (e)	**+0.1%**	**+1.7% y/y**
Mar.	unch	+2.4% y/y

8:30 am — New Motor Vehicle Sales[D]

Apr. (e)	**-2.5% y/y**
Mar.	-0.4% y/y

8:30 am — National Balance Sheet and Financial Flow Accounts (Q1)

Noon — 30-year real return bond auction $0.7 bln

10-year bond auction announcement

Friday June 15

8:30 am

	Mfg. Sales	Mfg. New Orders
Apr. (e)	**+0.7%**	**+0.5%**
Mar.	+1.4%	-0.7%

8:30 am — Int'l Securities Transactions

	Inflows	Outflows
Apr.		
Mar.	$6.1 bln	-$1.9 bln

9:00 am

	Existing Home Sales[D]	Average Prices
May (e)	**-17.0% y/y**	**-5.0% y/y**
Apr.	-13.9% y/y	-11.3% y/y

9:00 am — MLS Home Price Index[D]

May (e)	**+1.0% y/y**
Apr.	+1.5% y/y

United States

Monday June 11

- 11:00 am — 4-week bill auction announcement
- 11:30 am — 26-week bill auction $42 bln
- 11:30 am — 3-year note auction $32 bln
- 1:00 pm — 13-week bill auction $48 bln
- 1:00 pm — 10[R]-year note auction $22 bln

Saturday June 9

G7 Summit in Charlevoix, Quebec (June 8-9)

Tuesday June 12

6:00 am — NFIB Small Business Economic Trends Survey

May (e)	**105.0**
Consensus	*105.0*
Apr.	104.8

8:30 am — Consumer Prices

May (e)	**+0.2%**	**+2.7% y/y**
Consensus	*+0.2%*	*+2.8% y/y*
Apr.	+0.2%	+2.5% y/y

8:30 am — CPI Ex. Food & Energy

May (e)	**+0.2%**	**+2.2% y/y**
Consensus	*+0.2%*	*+2.2% y/y*
Apr.	+0.1%	+2.1% y/y

2:00 pm — Budget Deficit

May '18 (e)	**$144.0 bln**
Consensus	*$114.5 bln*
May '17	$88.4 bln

Manpower Survey—Net Outlook

Q3 (e)	**+18%**
Q2	+18%

- 11:30 am — 4-week bill auction
- 1:00 pm — 30[R]-year bond auction $14 bln

Wednesday June 13

7:00 am — MBA Mortgage Apps

June 8	
June 1	+4.1%

8:30 am — PPI Final Demand

May (e)	**+0.2%**	**+2.7% y/y**
Consensus	*+0.3%*	*+2.9% y/y*
Apr.	+0.1%	+2.6% y/y

8:30 am — PPI Final Demand ex. F&E

May (e)	**+0.2%**	**+2.2% y/y**
Consensus	*+0.2%*	*+2.3% y/y*
Apr.	+0.2%	+2.3% y/y

2:00 pm — FOMC Announcement and Summary of Economic Projections

2:30 pm — Fed Chair Powell's Press Briefing

Thursday June 14

8:30 am — Initial Claims

June 9 (e)	**222k (unch)[C]**
June 2	222k (-1k)

8:30 am — Continuing Claims

June 2	
May 26	1,741k (+21k)

8:30 am

	Retail Sales	Ex. Autos
May (e)	**+0.4%**	**+0.5%**
Consensus	*+0.4%*	*+0.5%*
Apr.	+0.2%	+0.3%

8:30 am — Retail Sales ex. Autos/Gas

May (e)	**+0.5%**
Consensus	*+0.3%*
Apr.	+0.3%

8:30 am — Import Prices

May (e)	**+0.4%**	**+3.8% y/y**
Consensus	*+0.5%*	*+4.0% y/y*
Apr.	+0.3%	+3.3% y/y

10:00 am — Business Inventories

Apr. (e)	**+0.3%**
Consensus	*+0.3%*
Mar.	-0.1%

11:00 am — 13-, 26- & 52-week bill, 30[R]-year TIPS auction announcements

Friday June 15

8:30 am — Empire State Manufacturing Survey

June (e)	**20.1**
Consensus	*18.5*
May	20.1

9:15 am

	Industrial Production	Capacity Utilization
May (e)	**+0.2%**	**78.1%**
Consensus	*+0.3%*	*78.1%*
Apr.	+0.7%	78.0%

10:00 am — University of Michigan Consumer Sentiment

June P (e)	**99.0**
Consensus	*98.5*
May	98.0

4:00 pm — Net TIC Flows

	Total	Long Term
Apr.		
Mar.	-$38.5 bln	$61.8 bln

[C] = consensus [D] = date approximate [R] = reopening

Upcoming Policy Meetings | Bank of Canada: July 11, Sep. 5, Oct. 24 | FOMC: July 31-Aug. 1, Sep. 25-26, Nov. 7-8

General Disclosure

"BMO Capital Markets" is a trade name used by the BMO Financial Group for the wholesale banking businesses of Bank of Montreal and its subsidiaries BMO Nesbitt Burns Inc., BMO Capital Markets Limited in the U.K. and BMO Capital Markets Corp. in the U.S. BMO Nesbitt Burns Inc., BMO Capital Markets Limited and BMO Capital Markets Corp are affiliates. This document is issued and distributed in Hong Kong by Bank of Montreal ("BMO"). BMO is an authorized institution under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) and a registered institution with the Securities and Futures Commission (CE No. AAK809) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). BMO does not represent that this document may be lawfully distributed, or that any financial products may be lawfully offered or dealt with, in compliance with any regulatory requirements in other jurisdictions, or pursuant to an exemption available thereunder. This document is directed only at entities or persons in jurisdictions or countries where access to and use of the information is not contrary to local laws or regulations. Their contents have not been reviewed by any regulatory authority. Bank of Montreal or its subsidiaries ("BMO Financial Group") has lending arrangements with, or provide other remunerated services to, many issuers covered by BMO Capital Markets. The opinions, estimates and projections contained in this report are those of BMO Capital Markets as of the date of this report and are subject to change without notice. BMO Capital Markets endeavours to ensure that the contents have been compiled or derived from sources that we believe are reliable and contain information and opinions that are accurate and complete. However, BMO Capital Markets makes no representation or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions contained herein and accepts no liability whatsoever for any loss arising from any use of, or reliance on, this report or its contents. Information may be available to BMO Capital Markets or its affiliates that is not reflected in this report. The information in this report is not intended to be used as the primary basis of investment decisions, and because of individual client objectives, should not be construed as advice designed to meet the particular investment needs of any investor. This document is not to be construed as an offer to sell, a solicitation for or an offer to buy, any products or services referenced herein (including, without limitation, any commodities, securities or other financial instruments), nor shall such Information be considered as investment advice or as a recommendation to enter into any transaction. Each investor should consider obtaining independent advice before making any financial decisions. This document is provided for general information only and does not take into account any investor's particular needs, financial status or investment objectives. BMO Capital Markets or its affiliates will buy from or sell to customers the securities of issuers mentioned in this report on a principal basis. BMO Capital Markets or its affiliates, officers, directors or employees have a long or short position in many of the securities discussed herein, related securities or in options, futures or other derivative instruments based thereon. The reader should assume that BMO Capital Markets or its affiliates may have a conflict of interest and should not rely solely on this report in evaluating whether or not to buy or sell securities of issuers discussed herein.

Dissemination of Research

Our publications are disseminated via email and may also be available via our web site http://economics.bmocapitalmarkets.com. Please contact your BMO Financial Group Representative for more information.

Conflict Statement

A general description of how BMO Financial Group identifies and manages conflicts of interest is contained in our public facing policy for managing conflicts of interest in connection with investment research which is available at http://researchglobal.bmocapitalmarkets.com/Public/Conflict_Statement_Public.aspx.

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST

BMO Financial Group (NYSE, TSX: BMO) is an integrated financial services provider offering a range of retail banking, wealth management, and investment and corporate banking products. BMO serves Canadian retail clients through BMO Bank of Montreal and BMO Nesbitt Burns. In the United States, personal and commercial banking clients are served by BMO Harris Bank N.A., Member FDIC. Investment and corporate banking services are provided in Canada and the US through BMO Capital Markets. BMO Capital Markets is a trade name used by BMO Financial Group for the wholesale banking businesses of Bank of Montreal, BMO Harris Bank N.A, BMO Ireland Plc, and Bank of Montreal (China) Co. Ltd. and the institutional broker dealer businesses of BMO Capital Markets Corp. (Member SIPC), BMO Nesbitt Burns Securities Limited (Member SIPC) in the U.S., BMO Nesbitt Burns Inc. (Member Canadian Investor Protection Fund) in Canada, Europe and Asia, BMO Capital Markets Limited in Europe, Asia and Australia and BMO Advisors Private Limited in India.