Global Views

Weekly commentary on economic and financial market developments

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Will March Come In Like A Lion Or A Lamb?

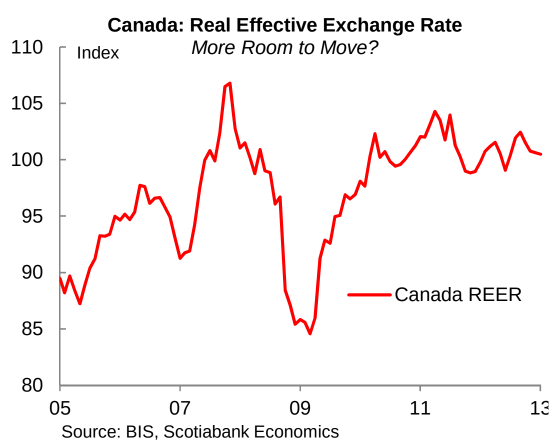
- **Please see our full indicator, central bank, auction and event calendars on pp. A3-A10.**

Much of next week's action and the global market tone will emanate from the **US**. It will start slow as Monday's calendar is empty, although Congress returns from recess. The week will then steadily progress toward potentially massive risks come Friday. That's because that day witnesses a confluence of factors including the expiration of the sequester agreement that could trigger $85 billion worth of automatic spending cuts particularly focused upon the US defence budget. If that happens, the cuts would be concentrated upon the March through September period and knock about a percentage point off of US GDP growth over this period at annualized rates. That would also be true if it is replaced by a different mixture of cuts. Both sides are taking hard lines amid little negotiating progress, but we've seen the bravado abruptly change eventually. That said, it would likely be naïve to expect US growth to remain fully immune to fiscal risks in Q2-Q3 as the continuing resolution expires and thus poses the risk of a government shut down, a budget must be agreed upon and passed, and the debt ceiling must be raised in May.

The second major risk to the week stems from high profile Fed speak. Chairman Ben Bernanke speaks three times during the week including his semi-annual testimony on monetary policy before the Senate Banking Committee on Tuesday and the House Financial Services Committee the next day. He also addresses low long-term interest rates presumably in terms of their effects on the economy and markets. As such, this is the Chairman's best opportunity to clarify what was to markets a confusing set of FOMC minutes. As we argue in our column in this week's Global Views, markets probably misinterpreted the minutes on the first pass but the Fed itself was likely to blame for this.

US data risk will be high throughout the week but particularly on Friday, when a drop in monthly personal incomes is likely as dividend receipts were brought forward into the prior month in anticipation of a higher tax burden in January. We already know that retail sales were soft in January, so we expect the spending half of the report to be flat that same day. ISM manufacturing may also weaken somewhat on Friday if it follows the sharp disappointment in the Philly Fed gauge lower; admittedly, it can be a spotty relationship. Vehicle sales are expected to give up a little ground but construction spending should post a small rise. The day before is expected to be somewhat more upbeat as Q4 GDP could be revised higher from the initial –0.1% print to an expected half point gain largely due to improved assessments of the trade picture. Also on Thursday, jobless claims could begin to come cleaner following two weeks of heavy distortions. On Wednesday, an already known steep drop in volatile aircraft orders might result in a sharp plunge in durable goods orders that we think will leave core orders excluding transportation roughly flat. Pending home sales, however, are expected to rebound from the drop in December. On Tuesday, the Conference Board's consumer confidence metric is expected to improve, but this is hardly a shoe-in as this measure of confidence weights labour markets and household cash flow more so than the University of Michigan gauge. As recognition of the impact of higher payroll and marginal tax rates hits incomes while gas prices continue to climb, it's not clear that consumers will prove to have a bigger bounce in their step.

Canadian markets will follow the broad global market tone next week, but with a couple of twists. One concerns the rapid manner in which the shine is coming off the country's prior resilience in a barrage of negative data stretching back to when housing markets began to turn lower last spring and intensifying as the rest of the year unfolded. Since CAD peaked against the USD last September, it has been among the worst major performing currencies among the major crosses and has shed about 5% of its value against the USD. That's the good news. It has performed considerably worse against most other major currency crosses ranging from a 3.4% drop against the Australian dollar to a 10% decline against the Korean won. It has held its own, however, against pound sterling which has limited some of the damage to CAD on a real effective exchange



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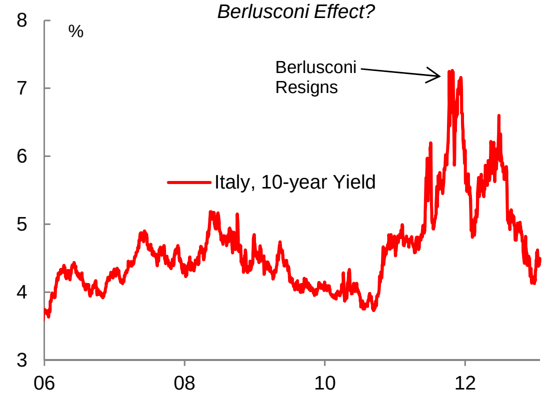
rate basis, and appreciated against the rand and yen. As a consequence, the real effective exchange rate's correction still positions it as over-valued by several cents according to IMF estimates. The accompanying chart shows this up to January since the Bank for International Settlements' measure relies upon monthly inflation figures only available up to that point. CAD has depreciated further in February by 2% against the USD, but appreciated by 1.4% against pound sterling and massively against the yen (17%). As such, I think the real effective exchange rate that is trade weighted and adjusted for relative rates of inflation remains deeply over-valued. Future data risk may not help the currency as sentiment turns. Consensus has next Friday's Q4 GDP report pegged at 0.6% q/q and -0.1% m/m for December, and there may even be downsides to this. Note that of the 19 estimates submitted so far, about one fifth of them were submitted before a deeply negative retail sales print for December. The BoC's downgraded forecast was for 1% q/q annualized growth in the January MPR compared to 2.5% forecast Q4 growth in the prior October MPR so the BoC is clearly being shocked to the downside of its expectations over a fairly short period of time (as is much of consensus though to varying degrees). Bank of Canada Governor Mark Carney will have an opportunity to address this fact when he speaks on "Rebuilding Trust in Banking" on Monday. The topic may well be focused upon his next job as Governor-designate of the Bank of England given that country's widespread challenges in the banking sector. Canada also auctions 5's on Wednesday.

The chief risk posed to global markets by **Europe** concerns the Italian election on Sunday and Monday. Whether voter intentions reflected in polls are genuine, or are masking real preferences is the issue, it has been observed that a so-called Berlusconi effect overstated his electoral disadvantage in 2006 when he was six percentage points behind Romano Prodi but lost by only 0.1 percentage point and garnered 49.7% of the vote. Analysts cite an unwillingness on behalf of Italian voters to publicly disclose their true intentions, which may be understandable particularly to those abroad who have witnessed Berlusconi's rather notoriously inappropriate remarks and conduct over the years. Currently, Pier Luigi Bersani leads Berlusconi by about the same six percentage point margin that Prodi had held in 2006. Italian 10-year notes rallied massively from unsustainable 6% thresholds in mid-2012 toward January 2013 lows of about 4.13% and have since backed up to 4.45% and would probably rally on a Bersani victory and sharply sell-off alongside other European debt should Berlusconi win (see chart). Eurozone data risk will also be significant, but well behind other global developments. This includes Eurozone confidence measures, CPI and the unemployment rate, German retail sales, French consumer spending, Q4 UK GDP revisions, and Italian & UK manufacturing PMIs.

Italy: 10-Year Yields
Berlusconi Effect?



Source: Bloomberg, Scotiabank Economics

Asian markets take third place to the US for risks facing global and regional markets. Key will be China's private and state manufacturing sector purchasing managers' indices that land into the Monday market open and on Thursday. Consensus is expecting both readings to remain largely unchanged over the prior month and thus parked slightly beyond the 50 line in expansion territory — where the state PMI has remained for four months. India's Q4 GDP print on Friday is expected to continue to decelerate with consensus pegging it at a hair beneath 5% y/y, in stark contrast with the much faster growth 8-10% growth rates seen until mid-2011. The country hit a low point in terms of growth in 2009Q1 at 3.5%, and recent weakening, along with slightly subsiding inflationary pressures, have supported an RBI easing bias most recently reflected in January's rate cut (the next rate decision is due on March 19th). Japan's economy is expected to remain mired in deflation when next Thursday's January print for national CPI and the February print for Tokyo's CPI arrive. That said, expectations are for a firming in other data as gains are expected in housing starts, industrial production, and household spending. Australian home sales have been on a solid upward path for three consecutive months now in support of the RBA's contention that rate cuts are working their way through the economy, and we're hopeful the trend will remain alive when the January figures arrive on Wednesday. While they won't influence the global market tone, trade data releases across the Philippines, South Korea, Thailand and New Zealand will help inform our understanding of momentum behind global trading activity, particularly in South Korea's case in that the country has been an indirect casualty of the yen's weakening.

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FOMC Minutes: 40 Opinions Too Many?

- **Markets probably misinterpreted the Fed minutes by over-emphasizing what it had already said, and overlooking the richer and generally still dovish talk elsewhere.**

Markets seem to have misinterpreted minutes to the January 29th-30th FOMC meeting, but the Federal Reserve probably has to share in the blame for that. The sell-off in equities over-emphasized what the Fed had already said about perhaps scaling back asset purchases in the prior round of minutes. However, it appears that equities fully ignored a much richer dialogue that remained supportive of stimulus. That said, the market reaction was significantly different this time than in response to the prior round of meeting minutes which sparked exit concerns and motivated Treasury selling in contrast to a rally in Treasuries this time and there is a strong note of caution to believing that the risk of early Fed exits must drive both equity and bond prices lower simultaneously as opposed to non-Fed demand for Treasuries accelerating on safe haven fears.

Below, through a careful key word search of the minutes, we attempt to capture the range of this dialogue by summarizing opinions in categories mirroring the language of the Fed that is used to connote the breadth of opinion on various topics ("one", "two", "some", "several", etc. made particular points). We have italicized the ones we think are particularly key and supportive of our dovish assertion on balance. Overall, our takeaway is that portrayals of sharp divisions within the Fed are overstated, they do not pay heed to the likelihood that the most hawkish concerns are probably coming from officials who do not vote this year (Fisher, Plosser, Lacker), and they are overstating fears that the Fed will exit accommodative policies prematurely. That said, it was a misstep for the Fed to have prompted this kind of market response through meeting minutes that could have been crafted in a clearer fashion. Is it really enhancing communication for the Fed to issue minutes with no fewer than 40 references to what one, a couple, a few, some, several, many, most and nearly all argued? Chairman Bernanke is well regarded by other FOMC officials for his de-centralized style, but markets may be wishing for him to communicate the majority and power-weighted opinion. We will therefore be watching for clarifying communications that attempt to convey the power-weighted consensus more clearly from the top of the house, particularly when Chairman Bernanke testifies before the Senate Banking Committee next Tuesday.

'Nearly all' - 17 to 18 members
- all but one member judged that maintaining the highly accommodative stance of monetary policy was warranted in order to foster a stronger economic recovery in a context of price stability
- inflation over the medium-term would run at or below the FOMC's 2% objective

'Most' - 13 to 16 members
- the committee's asset purchases had been effective in easing financial conditions and helping stimulate economic activity
- there has been some reduction in downside risks to the economy

'Many' - 9 to 12 members
- should the economy continue to operate below potential for too long, reduced investment and underutilization of labor could further undermine the growth of potential output over time
- cite expected sales growth to drive higher employment this year
- low long term rates were supporting housing and consumer durable purchases
- expressed some concerns about the potential costs and risks arising from further asset purchases

'Several' - 7 to 8 members
- the Fed should be prepared to vary the pace of asset purchases in response to the outlook or as the cost-benefits calculus evolved
- but, the potential costs of reducing or ending asset purchases too soon were significant
- asset purchases should continue until a substantial improvement in the labor market outlook had occurred
- the continuation of slow job growth and persistently high long-duration unemployment could lead to permanent damage to the labour market

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- domestic credit conditions have improved including through auto loans, and increased competition to make commercial and industrial loans
- flagged the potential for excessive risk-taking and adverse consequences for financial stability
- noted the economic and social costs of high unemployment and the potential negative effects on the economy over the long run stemming from under-utilization of resources
- additional asset purchases could risk greater exit difficulties
- a very large portfolio of long-duration assets would expose the Fed to capital losses when these holdings are unwound

'Some' - 5 to 6 members
- low rates were feeding strong auto sales and consumer durables
- the recent increase in the payroll tax could have significant negative effects on spending
- there is the potential for a sharp increase in longer-term interest rates to adversely affect financial stability and indicated the need for further work on this
- further asset purchases could foster market behaviour that could undermine financial stability

'A few' - 3 to 4 members
- argued weak aggregate demand was the primary factor restraining job growth and that there was still substantial slack in labor markets
- current monetary policy posed upside risks to inflation, and additional asset purchases could raise inflation risks further
- argued that Fed policies were intended in part to promote a more balanced approach to risk-taking
- further asset purchases could impede the functioning of particular financial markets
- noted past instances in which policymakers had prematurely removed accommodation
- said that communication challenges remain

'A couple' - 2 members
- little evidence to date that asset purchases are impeding the proper functioning of markets
- housing market could pose upsides to growth this year
- a shift in the relationship between the unemployment rate and the level of job vacancies in recent years was unlikely to persist as the economy recovered and unemployment benefits returned to customary levels
- uncertainties surrounding both the level and source of changes in potential output make it difficult for policy to be predicated upon real time measures of the output gap
- increased competition should lessen restraints on mortgage credit
- Fed should communicate a consensus expectation for the path of the fed funds rate after a threshold was crossed
- losses on long-duration assets would not impede the functioning of monetary policy

'One' - 1 member
- there is positive news about the fiscal position of the states
- firms in his district continued to have difficulty finding workers with suitable skills, suggesting that labor market mismatch was a factor deterring job growth
- employment growth was lower in the states where a greater share of small businesses identified lack of demand as their most important problem
- losses on long-duration assets would not impede the effective operation of monetary policy
- purchases should vary incrementally from meeting to meeting in response to income information about the economy
- some market participants incorrectly interpreted the thresholds as triggers that would necessarily lead to an immediate rise in the fed funds rate

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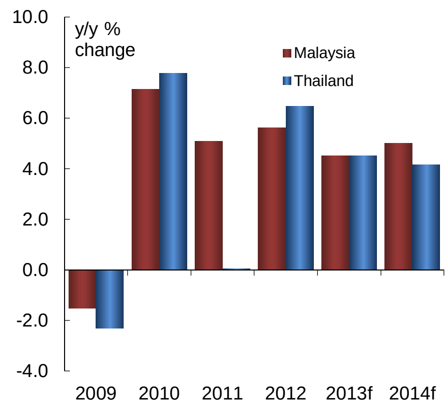
Solid Economic Growth And Inflation Outlook In Malaysia And Thailand

- **Domestic demand–driven growth is supported by rising incomes, favourable labour market conditions, a low interest rate environment, and expansionary fiscal policies.**

The Malay Peninsula hosts two dynamic Asian economies: Malaysia and neighbouring Thailand are enjoying strong economic growth momentum, driven by solid domestic demand. Both economies will likely expand by around 4½% this year. Thailand's economy is larger in nominal terms with GDP at US$370 billion in 2012 versus Malaysia's US$300 billion. Nevertheless, Malaysia is the more developed of the two when measured by per capita GDP (Malaysia: US$10,600 Thailand: US$5,850), income equality, the importance of the services sector, and sovereign credit ratings. Both economies are highly export dependent, with China being their most important export destination, purchasing 12% of total shipments abroad in both cases. Nevertheless, the countries specialize in different goods, with Malaysia's top exports being electronic equipment and petroleum & natural gas, while Thailand ships such goods as textiles & footwear, fishery products, and rice. The nations' strong domestic demand growth will likely be complemented by brightening export sector prospects along with a pickup in economic momentum in China.

The Malaysian economy grew by 6.4% y/y in the final quarter of 2012, taking output gains to 5.6% for 2012 as a whole. Growth is driven by surging domestic demand that counterbalances some of the adverse export sector impacts stemming from still-weak growth conditions in advanced economies. Income growth, favourable employment conditions, low interest rates, and government subsidies to several socioeconomic groups point to sustained positive momentum in household spending. Investment gains will remain firm over the forecast horizon on the back of outlays in infrastructure, and the oil and gas sectors.

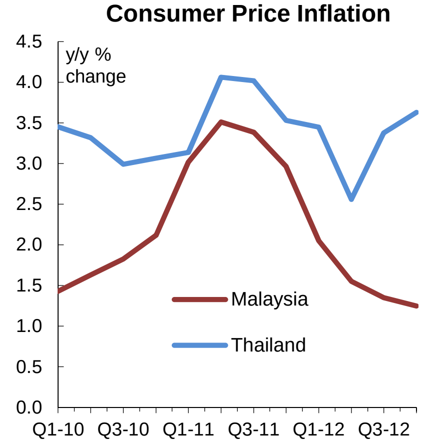
Real GDP Growth



Source: Bloomberg, Scotiabank Economics.

Thailand's real GDP increased by 3.6% q/q (seasonally adjusted, non-annualized) in the final quarter of 2012, taking the overall economic expansion to 6½% last year. A very strong expansion in annual terms — 18.9% y/y — reflects a low base resulting from the extensive flooding in the fourth quarter of 2011. While strong household consumption is the main growth driver, Thai exports are showing signs of a broad-based recovery across different sectors. Solid growth in private credit indicates that domestic demand will continue to be the economy's cornerstone in the coming quarters. Furthermore, the government's expansionary fiscal policy, increasing household incomes, supportive labour market conditions, improving consumer confidence, and accommodative monetary policy stance bode well for the domestic economic outlook.

Consumer Price Inflation



Source: Bloomberg, Scotiabank Economics.

The inflation outlook is favourable in both Malaysia and Thailand. Malaysian consumer price inflation has decelerated from a mid-2011 peak of 3.5% y/y to 1.3% y/y in January, the lowest among Asian developing economies. Nevertheless, anticipated changes to government subsidies and an expected implementation of a goods and services tax in the latter part of 2013 will likely push inflation to a still-manageable level of around 3% y/y in 2014. In Thailand, core inflation, at 1.6% y/y, hovers comfortably within the Bank of Thailand's 0.5-3.0% target range. Headline consumer price inflation is slightly below 3½% y/y; we expect it to remain in the 3-3¾% range through 2014.

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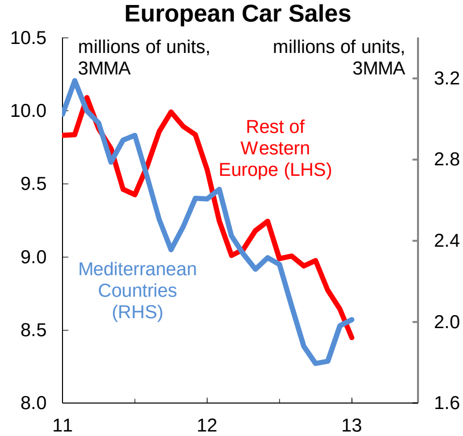
Record Low Car Sales In Western Europe

- **Broad-based weakness continues on the continent, but purchases outside of Western Europe are gaining momentum.**

The downturn continues across Western Europe's car market, with seasonally adjusted volumes slumping to an annualized 9.9 million units in January — the lowest level on record (data from 1996 onward). Prior to last month's fall-off, the previous low had been an annualized 10.4 million units set last October. Despite the weak data, there were some indications that purchases may have bottomed in the Mediterranean nations — Portugal, Spain, Italy and Greece — the region at the epicentre of the economic and financial difficulties facing Western Europe in recent years.

Downshift Continues for European Car Sales



Source: Scotiabank Economics.

Car sales in the nations bordering the Mediterranean have been cut in half since reaching a peak of 4.6 million units in 2007, but appear to have bottomed in late 2012 at an annual rate of 1.8 million units (see chart). In fact, purchases in the region have improved in each of the past three months alongside the introduction of a light vehicle scrapping program by the government of Spain late last year. While new car purchases in Spain were still 10% below a year earlier in January, this represents a much better performance than the 16% y/y slide in the other Mediterranean nations.

Furthermore, the Spanish government introduced a new scrapping program in early February, applicable to vehicles that are at least 10 years old and are replaced with new, more fuel-efficient models that emit less carbon dioxide. The previous plan applied to passenger cars that were at least 12 years old. According to the government, the goal is to take 150,000 older vehicles off the road in 2013, up from the 75,000 vehicles that were replaced under last year's plan.

Despite some stabilization in Spain, car sales continue to weaken in the other Mediterranean countries, as well as across most of the other nations of Western Europe. Only seven countries posted year-over-year sales gains last month in Western Europe, while eleven nations — accounting for more than 70% of overall purchases — reported lower volumes. In particular, there appears to be no end in sight to the contraction in Italian sales. Purchases in Italy suffered their fourteenth consecutive double-digit fall-off last month, as demand continues to be undercut by slumping economic conditions and households that continue to refrain from non-essential spending.

Sales in Germany — Europe's largest auto market — also fell 8.5% below a year earlier in January, continuing the weakening trend that has been evident since May 2012. Despite the poor start to 2013, we still expect purchases in Germany to edge up 2% in 2013, with the gain underpinned by an improving economy.

The United Kingdom is Western Europe's strongest auto market, with purchases continuing to gain momentum. Car sales in the U.K. advanced by 5% last year, and the gain accelerated to 11% y/y in January — the eleventh consecutive year-over-year increase. Household purchases continue to lead the way, with volumes advancing 16% y/y last month buoyed by a strengthening labour market.

Outside of Western Europe, car sales are on target to set record highs in 2013. Double-digit gains in China and solid replacement demand in the United States will lead the way. Preliminary data for January indicate that purchases in China surged 48% y/y, buoyed by promotional campaigns ahead of the Chinese New Year.

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New Legal Protections In The Belize Restructuring

We explain the new legal provisions contained in the Belize restructuring proposal and the scenarios under which these clauses could have value. While no covenants can force a sovereign debtor to pay, we think these additional protections should play a small role in reducing exit yields.

The recently released restructuring proposal for Belize includes a number of new legal covenants and rights for bondholders in the event of future debt servicing difficulties. While the fact that we are already talking about another restructuring does not bode well for the bonds, we think such precautions are a prudent response to the recent history. We consider each of the protections in turn:

(1)Principal reinstatement. Under this clause, which was first used in the second Ecuador restructuring in the summer of 2000, the Trustee will reinstate the 10% principal reduction if Belize fails to make payments during the first ten years of the new bonds. That clause seems reasonable to us considering that investors are giving up 10% of their principal in return for assurances that the country will pay.

Under what scenarios would this clause have any economic value? If Belize had $1bn of attachable assets located in the US, then increasing the face value of your debt would increase the amount of those assets you could claim. At the other extreme, when attachable assets are few and debt service is limited by the country's fiscal situation, increasing face value has no effect on total recovery. The latter case is more representative for most sovereigns, but there are nonetheless a few advantages of this clause to bondholders. First, principal reinstatement increases the value of a bondholder's claim relative to the claims of other creditors who do not have such a clause. Even if the size of the pie is fixed during a restructuring, bondholders could claim a larger share of it. Second, the principal reinstatement could have value to bondholders in terms of public relations. When presenting its case to multilaterals and the investor community, Belize would have to acknowledge the larger original value of the debt, such that any restructuring it proposes relative to that original value would seem more aggressive and less fair to bondholders. Third, the clause creates the appearance that bondholders are giving up less by tendering into the exchange, which could encourage participation at the margin.

(2)Most favored creditor. An important drag on Belize's fiscal outlook for many years has been the large potential liabilities related to the expropriation of the telecommunications company, and more recently, an electric utility. This clause is designed to limit how much Belize pays on these claims, as well as to encourage a settlement in Belizean dollars rather than hard currency, such that capital controls could then be used to prevent a rapid depletion of central bank reserves. While a resolution of these claims could be extremely helpful to the bonds, we are not sure how much this particular clause will help. First, the calculation to determine whether creditors are treated more favorably is ambiguous, because in contrast to the pre-defined face value of bonds, there is wide disagreement on the fair value of the expropriated assets. Second, even if other creditors were arguably treated more favorably, the bondholders' only method of enforcement would be an acceleration, a mechanism bondholders would be reluctant to use. Third, court orders and arbitral awards are exempted from this clause and must be paid in full. We are told that Belizean law requires compensation for expropriated assets to be paid in Belizean dollars anyway, but we imagine creditors will try to resist that payment scheme for obvious reasons. Nevertheless, we do like the fact that a negative pledge clause covers these creditors, ensuring that they will not receive priority claims to any of the country's revenue streams.

(3)Bondholder committee engagement and trustee indemnification. These are, in our opinion, the most valuable clauses inserted into the new indenture. Belize's 2012 default not only occurred just two years after Ecuador's controversial default, but also shared many similar features. Both governments had sufficient funds to pay the coupon due when they defaulted, and their initial restructuring offers were very low. The value of Belize bonds plummeted last year, in part on the expectation of a repetition of the Ecuador scenario. Belize bondholders, after some protracted negotiation, of course fared much better than Ecuador's creditors. Still, bondholders are taking precautions to avoid an Ecuador scenario in the future.

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During the Ecuador default, bondholders had difficulty organizing and the trustee was unwilling to take any action on their behalf without proper indemnification. The new indenture establishes a $500,000 USD contingency account to pay for legal expenses incurred by the trustee in the event of another default. The trustee may want a much larger indemnification to take action, but this provision represents a good start. If the trustee declines to take action, a committee representing more than half of outstanding bonds could use the money instead. Belize is required to engage in negotiations with such a committee, provide it with information, and pay its expenses. Those provisions are probably not legally enforceable — if a court cannot force a country to pay its debt, it also cannot force a country to pay legal expenses. Nevertheless, they do set expectations on both sides for how negotiations would be conducted.

Much uncertainty exists around the proper exit yield for Belize's restructuring, and considering the long maturity of the bond, that exit yield makes a tremendous difference with regards to the recovery value bondholders obtain in this restructuring. (See our recent article, "Belize's latest restructuring accord," February 12, 2013.) No legal covenants can force a debtor with little regard for the international community to treat its creditors fairly; such countries are generally the exception, however. When a country like Belize has a variety of competing interests and objectives, we believe these clauses could have a small but helpful effect on the exit yield. Moreover, some of the covenants developed here could serve as a model for other high-risk sovereigns that would like to access bond markets.

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UK: Are You Blanchflower In Disguise?

We were as surprised as anyone when we saw the vote in the latest Monetary Policy Committee (MPC) minutes which showed a 6-3 split on whether or not to deliver more quantitative easing (QE). Moreover, one of the surprise new dissenters who wanted an additional £25bn of asset purchases was Governor Mervyn King.

The vote was completely at odds with King's recent speech and the thrust of his appearance at the Inflation Report press conference. Furthermore, it was in contrast with the essence of the body of the discussion in the minutes. We can only conclude that Mervyn King has been kidnapped and an imposter (most likely former chief Dove, Danny Blanchflower) has donned a latex Mervyn King mask to seek revenge.

The key points of Governor King's recent speech (which was repeated in the QIR press conference) were that:

- Using monetary easing to bring forward spending from the future might support growth now. However, the main pitfall was that when tomorrow comes, you need even more stimulative conditions to make up for the demand that you transferred to yesterday. It is akin to running up an ever-steepening hill.

- Instead, what is needed to boost the recovery are tangible supply-side reforms (but he wouldn't say what) and stronger demand for British goods from overseas.

The latter may be the first clue to King's surprising vote. If you want to boost overseas demand, why not weaken the currency. But to do so explicitly would attract all sorts of complaints that it is competitive devaluation and the start of a currency war. To do so more subtly might raise fewer eyebrows.

But more than anything, if you dissect the minutes, paragraph by paragraph and give a judgment about whether each is hawkish, dovish or neutral, the vote is very odd. We judge that on this basis the thrust of the body of the minutes was overwhelmingly hawk friendly. We count 9 hawk friendly aspects, 6.5 neutral and only 2 dovish aspects.

The main aspects were:

1.) Financial market conditions had continued to improve in recent months
2.) Peripheral jitters had continued to wane.
3.) GBP exchange rate depreciation was good for growth.
4.) Employment gains had been surprisingly good.
5.) Lending and credit conditions had improved (the credit conditions report a few weeks earlier indicated there were 'significant' improvements).
6.) Oil prices were sharply higher — adding to the inflation outlook.

Where do we go from here?

- This could be Mervyn King using the Maradonna Theory - getting the market to price in the policy easing for you and sparing you the bother of actually loosening policy. Put another way, it was verbal intervention rather than actual intervention. The bank must have observed over recent months the effect of teasing the market with the prospect of a rate cut. The market goes mad and thinks it's coming. Do the same by dropping hints on QE and the market spares you the bother of another £25bn of purchases.

- Linked to that, the minutes noted that higher gilt yields could be a drag on growth. That may be true, but it is something of a change from the previous hints that rising yields were a sign of returning confidence - risk on - hence an encouraging sign.

- It may have been an insurance policy. In other words, having projected inflation above the 2% target two years ahead, the Bank wants to send the signal 'make no mistake — we are nowhere near hiking interest rates'.

- Last but not least, King is close to his exit. In the past, outgoing MPC members have been more trigger-happy with dissents.

All in all, we don't believe that this vote is a hint that QE is coming, nor do we expect the Bank Rate to be cut (even though it was considered). This was tactical verbal intervention.

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Key Data Preview

CANADA

Q4 2012 GDP (March 1) is not looking good. Scotiabank is forecasting a muted +0.3% q/q SAAR print. The main issue is that the economy looks to have taken a turn for the worse in December. Manufacturing sales volumes were down by 3.8% m/m, retail sales volumes fell by 1.6% m/m, wholesale trade volumes fell by 0.9% m/m… and those three sectors cumulatively account for just over one-fifth of GDP. The net has us looking for a fairly steep -0.4% m/m GDP print for December. The carry-over into quarterly GDP (based on what we already know from October and November GDP numbers) translates into a quarter-on-quarter annualized GDP print in the 0.2-0.3% q/q range. There are some additional risks with respect to the Q4 GDP number: soft existing home sales in Q3 translated into a drag on GDP from lower levels of real estate transactions. As existing home sales continued to soften into Q4, we could see further drag there as well. Trade could provide a slight lift but for the wrong reasons: export volumes fell by just under 2% q/q SAAR, while import volumes fell by a steeper 3% SAAR. In sum, we're looking for a very weak performance during Q4 — slightly softer than the BoC's 1% forecast and much softer than had been anticipated earlier this year.

UNITED STATES

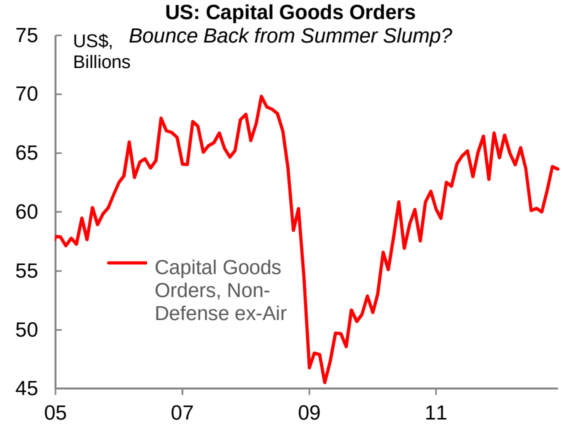
Revisions to **Q4 2012 GDP** (February 28) could well result in a meaningful upgrade to US growth in light of strong December data released subsequent to the initial GDP print. On the initial GDP reading, real imports added 0.56% to GDP and exports subtracted 0.8%; we're now expecting the export drag to be 0.1% lower and the addition from imports to be 0.1% higher. As well, positive revisions to non-defense capital goods shipments ex-air imply that there is a possibility of an upwards revision to the already-strong investment category (which contributed 0.86% to GDP in Q4). In short, trade might be less bad than initially thought, and some of the domestic strength which had been a silver lining in the initial report could build on itself. We're looking for an upwards revision to +0.4% q/q SAAR from the initial -0.1% q/q SAAR print.

Durable goods orders in January (February 27) are likely to be extremely weak due to a dramatic drop-off in new orders of aircraft at Boeing. Just two planes were ordered during January after 183 planes had been ordered in December. That alone should account for a multiple percentage point drag on the order book as US$12.7bn of non-defense aircraft orders made in December transform into a much weaker US$2-4bn of aircraft orders. The net leaves us anticipating a 5% m/m decline. Watch out for capital goods orders, which seem to be bouncing back from a summer slump (see chart).

The fiscal cliff showed up fairly obviously in December 2012's personal income data, as a surge in dividend payments (+34.3% m/m) resulted in a 2.6% m/m increase in incomes as U.S. companies paid out dividends in advance of a 2013 hike in dividend taxes (see chart). We're expecting that surge to be undone — and then some — resulting in a steep 2.5% drop in personal incomes when **PCE** data are released (March 1). Interestingly, even as wages responded to tax incentives, spending did not during January. Retail sales were up by 0.1% m/m in spite of a hike in the payroll tax leading us to expect a matching 0.1% m/m increase in personal spending. We're expecting the PCE deflator (the Fed's preferred inflation metric) to remain subdued at 1.1% y/y.

US: Capital Goods Orders

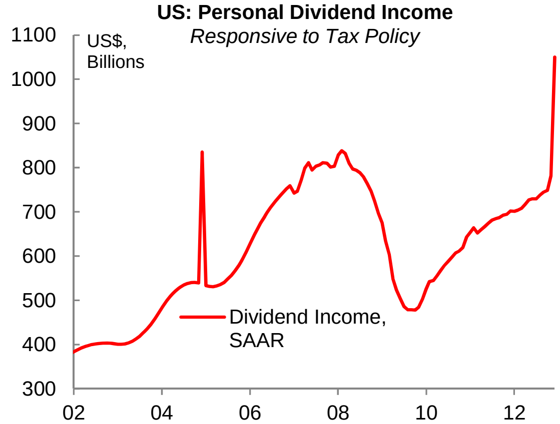
Bounce Back from Summer Slump?



Source: Census Bureau, Scotiabank Economics

US: Personal Dividend Income

Responsive to Tax Policy



Source: BEA, Scotiabank Economics

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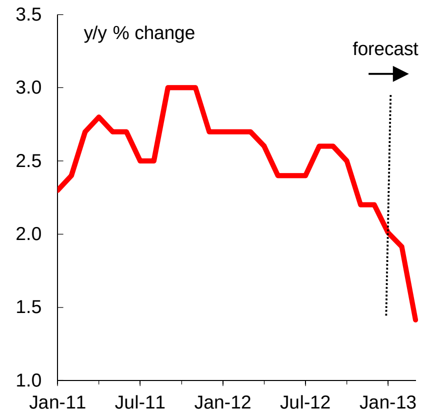
EUROPE

We expect the February flash euro area inflation estimate (March 1st) to show a 1.9% y/y gain in the CPI, slightly down from January's 2.0% print. After the slowdown seen between January and December, euro area inflation could prove to be a bit stickier on the back of higher energy prices. Indeed, looking to weekly data in gasoline prices, it seems that the upward pressure on energy prices accelerated over the most recent weeks (notwithstanding the US$5/bbl drop in the price of Brent oil since early-February). With less favorable base effect compared to January, it means that the year-over-year trend in energy prices will also reaccelerate. On the other hand, regarding food prices which proved to show ongoing stickiness over recent months, the base effect this time will be helpful, favouring a slowdown. Finally, core prices should continue to move around the 1.4%-1.5% y/y range for the time being.

Euro Area Inflation

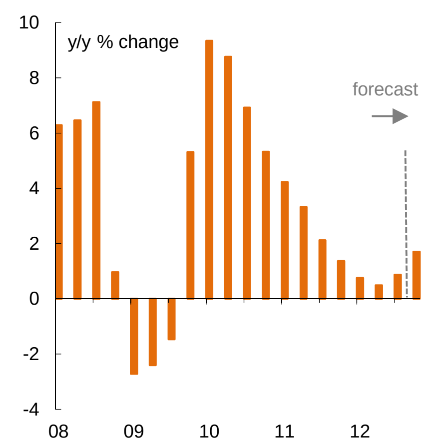


Source: Bloomberg, Scotiabank Economics.

LATIN AMERICA

In Latin America, the main focus next week will be on the Brazilian fourth-quarter GDP report on March 1st. In the first nine months of 2012, Brazilian real GDP increased by 0.7% y/y on average, significantly below the 3.2% recorded in the same period a year before. Brazilian industrial output was hit by lower external demand and a strong currency during most of 2012 while consumption failed to improve materially, despite low interest rates. The government is aiming to support the sluggish economy by decreasing taxes and offering credit incentives. At the same time, the monetary authorities eased conditions, cutting the reference rate by a total of 525 basis points between August 2011 and October 2012. Nonetheless, inflation is increasing, moving from 4.1% y/y last June (its lowest point in almost two years) to 6.1% in January. The central bank president has stated that inflation is not out of control and that the monetary policy stance could be adjusted if needed. We estimate that the economy expanded by 1.7% y/y in the fourth-quarter and by 1.0% in 2012 overall.

Brazilian GDP

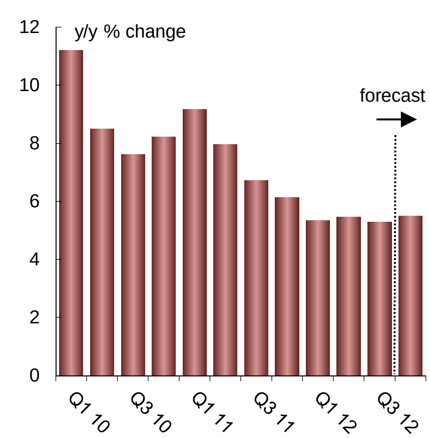


Source: Thomson Reuters, Scotiabank Economics.

ASIA

India will release fourth-quarter real GDP data on February 28th. We estimate that India's output advanced by 5½% y/y in the final quarter of 2012 following a 5.3% gain in the July-September period, taking the annual growth rate to 5.4% in 2012 overall. India's economic growth outlook is challenged by tight monetary policy, constrained fiscal room, and still-subdued global demand conditions. Consumer spending growth remains muted relative to historical standards due to weak confidence, while investment is limited by structural limitations, such as poor infrastructure and a complex regulatory environment. Nevertheless, investment will be supported by the administration's plan to speed up the approval and implementation of large projects. In addition, monetary policy easing and implementation of economic reforms will improve business sentiment. Public spending will be held back due to the need to consolidate government finances and the challenges in reaching political consensus on necessary steps to revive economic growth. Net exports will continue to be a drag on growth as import demand surpasses India's shipments abroad.

Real GDP Growth - India



Source: Bloomberg, Scotiabank Economics.

Key Indicators for the week of February 25 - March 1

North America

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	02/25	10:30	Dallas Fed. Manufacturing Activity	Feb	3.0	--	5.5
MX	02/26	09:00	Trade Balance (US$ mn)	Jan P	--	961.7	961.7
US	02/26	09:00	S&P/Case-Shiller Home Price Index (m/m)	Dec	0.5	0.6	0.6
US	02/26	09:00	S&P/Case-Shiller Home Price Index (y/y)	Dec	--	6.6	5.5
US	02/26	10:00	Consumer Confidence Index	Feb	58.5	61.8	58.6
US	02/26	10:00	New Home Sales (000s a.r.)	Jan	375	380	369
US	02/26	10:00	Richmond Fed Manufacturing Index	Feb	-8.0	-2.0	-12.0
US	02/27	07:00	MBA Mortgage Applications (w/w)	FEB 22	--	--	-1.7
US	02/27	08:30	Durable Goods Orders (m/m)	Jan	-5.0	-4.4	4.3
US	02/27	08:30	Durable Goods Orders ex. Trans. (m/m)	Jan	0.0	0.2	1.0
US	02/27	10:00	Pending Home Sales (m/m)	Jan	1.0	2.0	-4.3
CA	02/28	08:30	Current Account (C$ bn a.r.)	4Q	--	-17.0	-18.9
CA	02/28	08:30	IPPI (m/m)	Jan	--	0.3	0.0
CA	02/28	08:30	Raw Materials Price Index (m/m)	Jan	--	1.5	-2.0
US	02/28	08:30	Initial Jobless Claims (000s)	FEB 23	360	360	362
US	02/28	08:30	Continuing Claims (000s)	FEB 16	3170	3137	3148
US	02/28	08:30	GDP (q/q a.r.)	4Q S	0.4	0.5	-0.1
US	02/28	09:45	Chicago PMI	Feb	--	54.1	55.6
CA	03/01	08:30	Real GDP (m/m)	Dec	-0.4	-0.1	0.3
CA	03/01	08:30	Real GDP (q/q a.r.)	4Q	0.3	0.7	0.6
US	03/01	08:30	PCE Deflator (m/m)	Jan	0.0	0.1	0.0
US	03/01	08:30	PCE Deflator (y/y)	Jan	1.1	1.2	1.3
US	03/01	08:30	PCE ex. Food & Energy (m/m)	Jan	0.2	0.2	0.0
US	03/01	08:30	PCE ex. Food & Energy (y/y)	Jan	1.4	1.3	1.4
US	03/01	08:30	Personal Spending (m/m)	Jan	0.1	0.2	0.2
US	03/01	08:30	Personal Income (m/m)	Jan	-2.5	-2.3	2.6
US	03/01	09:55	U. of Michigan Consumer Sentiment	Feb F	76.3	76.3	76.3
US	03/01	10:00	Construction Spending (m/m)	Jan	0.6	0.4	0.9
US	03/01	10:00	ISM Manufacturing Index	Feb	51.5	52.5	53.1
US	03/01	17:00	Domestic Vehicle Sales (mn a.r.)	Feb	12.0	12.0	12.1
US	03/01	17:00	Total Vehicle Sales (mn a.r.)	Feb	15.1	15.1	15.2

Europe

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
UK	02/25	07:59	Nationwide House Prices (m/m)	Feb	--	0.2	0.5
HU	02/26	08:00	**Base Rate (%)**	Feb 26	**5.25**	**5.25**	**5.50**
FR	02/26	12:00	Total Jobseekers (000s)	Jan	3152.0	3167.9	3132.9
UK	02/27	04:30	Business Investment (q/q)	4Q P	--	--	3.8
UK	02/27	04:30	GDP (q/q)	4Q P	-0.3	-0.3	-0.3
UK	02/27	04:30	Index of Services (m/m)	Dec	--	0.0	0.0
EC	02/27	05:00	Business Climate Indicator	Feb	--	-1.0	-1.1
EC	02/27	05:00	Economic Confidence	Feb	89.4	89.9	89.2
EC	02/27	05:00	Industrial Confidence	Feb	-13.5	-13.1	-13.9
UK	02/27	19:01	GfK Consumer Confidence	Feb	--	-26.0	-26.0
SZ	02/28	01:45	GDP (y/y)	4Q	0.8	0.9	1.4
FR	02/28	02:45	Consumer Spending (m/m)	Jan	-0.8	-0.3	0.0
FR	02/28	02:45	Producer Prices (m/m)	Jan	--	0.3	-0.3
SP	02/28	03:00	CPI (y/y)	Feb P	--	2.7	2.7
SP	02/28	03:00	CPI - EU Harmonized (y/y)	Feb P	2.8	2.8	2.8
SP	02/28	03:00	Real GDP (q/q)	4Q F	-0.7	-0.7	-0.7

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

Key Indicators for the week of February 25 - March 1

Europe *(continued from previous page)*

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
GE	02/28	03:55	Unemployment (000s)	Feb	-7.0	0.0	-16.0
GE	02/28	03:55	Unemployment Rate (%)	Feb	6.8	6.8	6.8
EC	02/28	05:00	CPI (m/m)	Jan	-1.0	-1.0	-1.0
EC	02/28	05:00	CPI (y/y)	Jan	2.0	2.0	2.2
SP	02/28	07:59	Current Account (€ bn)	Dec	--	--	1.8
GE	02/28	08:00	CPI (m/m)	Feb P	--	0.7	-0.5
GE	02/28	08:00	CPI (y/y)	Feb P	--	1.7	1.7
GE	02/28	08:00	CPI - EU Harmonized (m/m)	Feb P	--	0.7	-0.7
GE	02/28	08:00	CPI - EU Harmonized (y/y)	Feb P	--	1.7	1.9
GE	03/01	02:00	Retail Sales (m/m)	Jan	--	0.9	-1.6
SW	03/01	03:30	GDP (y/y)	4Q	0.4	1.1	0.7
IT	03/01	03:45	Manufacturing PMI	Feb	--	47.5	47.8
IT	03/01	04:00	Unemployment Rate (%)	4Q	--	11.2	10.6
PD	03/01	04:00	GDP (y/y)	4Q	0.9	0.9	1.4
UK	03/01	04:30	Manufacturing PMI	Feb	--	51.0	50.8
EC	03/01	05:00	Euro zone CPI Estimate (y/y)	Feb	1.9	1.9	2.0
EC	03/01	05:00	Unemployment Rate (%)	Jan	11.8	11.8	11.7
IT	03/01	05:00	CPI (m/m)	Feb P	--	0.2	0.2
IT	03/01	05:00	CPI (y/y)	Feb P	--	2.2	2.2
IT	03/01	05:00	CPI - EU Harmonized (m/m)	Feb P	--	-2.0	-2.0
IT	03/01	05:00	CPI - EU Harmonized (y/y)	Feb P	--	2.4	2.4
IT	03/01	06:59	Budget Balance YTD (€ bn)	Feb	--	--	-2.2
SP	03/01	06:59	Budget Balance YTD (€ mn)	Dec	--	--	-45910

Asia Pacific

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
TA	02/23	03:20	Current Account Balance (US$ mn)	4Q	--	--	11640.0
VN	02/24	06:59	CPI (y/y)	Feb	--	--	7.1
CH	02/24	20:45	HSBC Flash China Manufacturing PMI	Feb	--	52.2	51.9
SI	02/25	00:00	CPI (m/m)	Jan	--	0.7	0.7
SI	02/25	00:00	CPI (y/y)	Jan	--	4.0	4.3
HK	02/25	03:30	Exports (y/y)	Jan	--	18.8	14.4
HK	02/25	03:30	Imports (y/y)	Jan	--	25.9	11.9
HK	02/25	03:30	Trade Balance (HKD bn)	Jan	--	-29.0	-48.0
VN	02/25	06:59	Exports (y/y)	Feb	--	--	43.2
VN	02/25	06:59	Imports (y/y)	Feb	--	--	42.3
VN	02/25	06:59	Industrial Production (y/y)	Feb	--	--	21.1
TA	02/25	19:30	Unemployment Rate (%)	Jan	4.2	4.2	4.2
PH	02/25	20:00	Imports (y/y)	Dec	--	--	2.2
PH	02/25	20:00	Trade Balance (US$ mn)	Dec	--	--	-1586.0
SI	02/26	00:00	Industrial Production (m/m)	Jan	--	4.0	5.4
SI	02/26	00:00	Industrial Production (y/y)	Jan	--	5.9	-0.6
TA	02/26	03:00	Export Orders (y/y)	Jan	--	18.0	8.5
TH	02/26	06:59	Customs Exports (y/y)	Jan	--	13.3	13.5
TH	02/26	06:59	Customs Imports (y/y)	Jan	--	18.5	4.7
TH	02/26	06:59	Customs Trade Balance (US$ mn)	Jan	--	-2000.0	-2365.3
SK	02/26	16:00	Consumer Confidence Index	Feb	--	--	102.0
NZ	02/26	16:45	Trade Balance (NZD mn)	Jan	--	125.0	485.7
NZ	02/26	16:45	Exports (NZD bn)	Jan	--	3.6	4065.5
NZ	02/26	16:45	Imports (NZD bn)	Jan	--	3.5	3579.8

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

Key Indicators for the week of February 25 - March 1

Asia Pacific *(continued from previous page)*

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
SK	02/26	18:00	Current Account (US$ mn)	Jan	--	--	2252.9
JN	02/26	18:50	Large Retailers' Sales (y/y)	Jan	--	-0.8	0.1
JN	02/26	18:50	Retail Trade (m/m)	Jan	--	0.8	0.0
JN	02/26	18:50	Retail Trade (y/y)	Jan	--	-1.6	0.3
HK	02/27		Annual GDP	2012	1.3	1.4	4.9
HK	02/27		Real GDP (q/q)	4Q	--	1.6	0.6
HK	02/27		Real GDP (y/y)	4Q	2.0	2.5	1.3
TA	02/27	03:00	Commercial Sales (y/y)	Jan	--	7.8	1.7
TA	02/27	03:00	Leading Index (m/m)	Jan	--	--	0.9
TA	02/27	03:00	Industrial Production (y/y)	Jan	--	17.1	2.4
SK	02/27	16:00	Business Survey- Manufacturing	Mar	--	--	72.0
SK	02/27	16:00	Business Survey- Non-Manufacturing	Mar	--	--	70.0
SK	02/27	18:00	Industrial Production (m/m)	Jan	--	0.3	1.0
SK	02/27	18:00	Industrial Production (y/y)	Jan	--	5.0	0.8
SK	02/27	18:00	Cyclical Leading Index Change	Jan	--	--	0.4
JN	02/27	18:15	Markit/JMMA Manufacturing PMI	Feb	--	--	47.7
JN	02/27	18:50	Industrial Production (m/m)	Jan P	--	1.5	2.4
JN	02/27	18:50	Industrial Production (y/y)	Jan P	--	-4.8	-7.9
AU	02/27	19:00	HIA New Home Sales (m/m)	Jan	--	--	6.2
AU	02/27	19:30	Private Capital Expenditure	4Q	--	1.0	2.8
AU	02/27	19:30	Private Sector Credit (m/m)	Jan	--	0.3	0.4
AU	02/27	19:30	Private Sector Credit (y/y)	Jan	--	3.7	3.6
JN	02/27	23:00	Vehicle Production (y/y)	Jan	--	--	-17.2
JN	02/28	00:00	Housing Starts (y/y)	Jan	--	8.8	10.0
JN	02/28	00:00	Construction Orders (y/y)	Jan	--	--	4.8
IN	02/28	00:30	Real GDP (y/y)	4Q	5.5	4.9	5.3
TH	02/28	02:30	Exports (y/y)	Jan	--	--	13.7
TH	02/28	02:30	Imports (y/y)	Jan	--	--	1.3
TH	02/28	02:30	Trade Balance (US$ mn)	Jan	--	--	283.0
TH	02/28	02:30	Current Account Balance (US$ mn)	Jan	--	230	730
TH	02/28	02:30	Business Sentiment Index	Jan	--	--	50.6
HK	02/28	03:30	Govt Monthly Budget Surp/Def (HKD bn)	Jan	--	--	51.7
IN	02/28	06:59	Fiscal Deficit (INR Crore)	Jan	--	--	-8227
MA	02/28	06:59	Unemployment Rate (%)	4Q	3.0	--	3.0
JN	02/28	18:30	Household Spending (y/y)	Jan	0.1	0.4	-0.7
JN	02/28	18:30	Jobless Rate (%)	Jan	4.2	4.2	4.2
JN	02/28	18:30	National CPI (y/y)	Jan	-0.3	-0.2	-0.1
JN	02/28	18:30	Tokyo CPI (y/y)	Feb	--	-0.6	-0.6
JN	02/28	18:50	Capital Spending (y/y)	Feb	--	-7.2	2.2
SK	02/28	19:00	Exports (y/y)	Feb	--	-10.9	10.8
SK	02/28	19:00	Imports (y/y)	Feb	--	-9.5	4.0
SK	02/28	19:00	Trade Balance (US$ mn)	Feb	--	1000	476
CH	02/28	20:00	Manufacturing PMI	Feb	50.5	50.5	50.4
CH	02/28	20:45	HSBC Manufacturing PMI	Feb	52.5	--	52.3
ID	02/28	23:00	Exports (y/y)	Jan	--	--	-9.8
ID	02/28	23:00	Imports (y/y)	Jan	--	--	-5.6
ID	02/28	23:00	Trade Balance (US$ mn)	Jan	--	--	-155.2
ID	02/28	23:00	CPI (y/y)	Feb	4.9	--	4.6
ID	02/28	23:00	CPI (m/m)	Feb	0.4	--	1.0
ID	02/28	23:00	Core CPI (y/y)	Feb	--	--	4.3
JN	03/01	00:00	Vehicle Sales (y/y)	Feb	--	--	-12.9
ID	03/01	06:59	Consumer Confidence Index	Feb	--	--	116.2
JN	03/01	06:59	Official Reserve Assets (US$ bn)	Feb	--	--	1267.3
TH	03/01	06:59	CPI (y/y)	Feb	3.4	3.4	3.4
TH	03/01	06:59	CPI (m/m)	Feb	0.4	0.3	0.2
TH	03/01	06:59	Core CPI (y/y)	Feb	1.6	1.6	1.6

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

Key Indicators for the week of February 25 - March 1

Latin America

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
BZ	02/26	07:00	Unemployment Rate (%)	Jan	--	5.2	4.6
CL	02/28	07:00	Industrial Production (y/y)	Jan	--	3.8	-2.5
CL	02/28	07:00	Retail Sales (y/y)	Jan	--	10.2	11.0
CL	02/28	07:00	Unemployment Rate (%)	Jan	--	6.1	6.1
CO	02/28	11:00	Urban Unemployment Rate (%)	Jan	--	12.9	10.2
PE	03/01	06:59	Consumer Price Index (m/m)	Feb	--	--	0.1
PE	03/01	06:59	Consumer Price Index (y/y)	Feb	--	--	2.9
BZ	03/01	07:00	GDP (IBGE) (q/q)	4Q	--	0.8	0.6
BZ	03/01	07:00	GDP (IBGE) (y/y)	4Q	1.7	1.5	0.9
BZ	03/01	08:00	PMI Manufacturing Index	Feb	--	--	53.2
BZ	03/01	13:00	Trade Balance (FOB) - Monthly (US$ mn)	Feb	--	-402	-4035

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

Global Auctions for the week of February 25 - March 1

North America

Country	Date	Time	Event
US	02/25	11:00	U.S. Fed to Purchase USD2.75-3.50 Bln Notes
US	02/25	11:30	U.S. to Sell USD35 Bln 3-Month Bills
US	02/25	11:30	U.S. to Sell USD30 Bln 6-Month Bills
US	02/25	13:00	U.S. to Sell USD35 Bln 2-Year Notes
CA	02/26	10:30	Canada to Sell CAD8.60 Bln 98-Day Bills
CA	02/26	10:30	Canada to Sell CAD3.20 Bln 168-Day Bills
CA	02/26	10:30	Canada to Sell CAD3.20 Bln 350-Day Bills
US	02/26	11:00	U.S. Fed to Purchase USD1.25-1.75 Bln Notes
US	02/26	13:00	U.S. to Sell USD35 Bln 5-Year Notes
US	02/27	11:00	U.S. Fed to Purchase USD4.25-5.25 Bln Notes
CA	02/27	12:00	Canada to Sell 5 Year Notes
US	02/27	13:00	U.S. to Sell USD29 Bln 7-Year Notes

Europe

Country	Date	Time	Event
IT	02/25	05:00	Italy to Sell Up to EUR3 Bln Zero 2014 Bonds
IT	02/25	05:00	Italy to Sell 2.1% I/L 2021 Bonds
IT	02/25	05:00	Italy to Sell 3.1% I/L 2026 Bonds
GE	02/25	05:30	Germany to Sell EU3 Bln 12-Mth Bills
BE	02/25	06:00	Belgium Cancels Bond Auction
FR	02/25	08:50	France to Sell Bills (BTF)
DE	02/26	04:30	Denmark to Buy Back Bonds
IT	02/26	05:00	Italy to Sell EUR8.75 Bln 183-Day Bills
SZ	02/26	05:30	Switzerland to Sell 3-Month Bills
IT	02/27	05:00	Italy to Sell 5-Year and 10-Year Bonds
SW	02/27	05:03	Sweden to Sell SEK10 Bln 201-Day Bills
SW	02/27	05:03	Sweden to Sell SEK5 Bln 110-Day Bills
UK	03/01	06:10	UK to Sell Bills

Asia Pacific

Country	Date	Time	Event
JN	02/26	03:00	Japan Auction for Enhanced-Liquidity
CH	02/26	22:00	China to Sell 7-Year Bonds
NZ	02/27	20:05	New Zealand Plans to Sell Bonds
JN	02/27	22:35	Japan to Sell 3-Month Bills
JN	02/27	22:45	Japan to Sell 2-Year Bonds

Latin America

Country	Date	Time	Event
BZ	02/28	09:30	Brazil to Sell Bills due 10/1/2013 - LTN
BZ	02/28	09:30	Brazil to Sell Bills due 4/1/2015 - LTN
BZ	02/28	09:30	Brazil to Sell Bills due 7/1/2016 - LTN

Source: Bloomberg, Scotiabank Economics.

Events for the week of February 25 - March 1

North America

Country	Date	Time	Event
CA	FEB 23-24		Official Parti Conservateur du Quebec Leadership Elections
US	02/24	19:15	Fed's Rosengren Speaks on Regulation in Seoul
CA	02/25	12:15	Bank of Canada Governor Carney Speaks in London, Ontario
US	02/25	19:00	Fed's Lockhart Speaks on Economy in Knoxville, Tennessee
US	02/26	10:00	Fed's Bernanke Testifies at Senate Banking Committee
US	02/26		Regulators Roundtable Meeting on Interbank Rate in Washington
US	02/27	10:00	Fed's Bernanke Testifies to House Financial Services Committee
US	02/27	16:30	Fed's Fisher Speaks on Economy and Monetary Policy in New York
US	02/28	08:15	Fed's Lockhart to Give Opening Remarks at Banking Conference
US	02/28	12:15	Fed's Raskin Speaks on Banking in Atlanta
US	02/28	20:00	Fed's Evans Speaks in Des Moines, Iowa
US	03/01	06:00	Swedish Riksbank Deputy Governor Lars E.O. Svensson speech in San Francisco
US	03/01	22:00	Fed's Bernanke Speaks on Low Long-Term Interest Rates

Europe

Country	Date	Time	Event
IT	FEB 24-25		Italy Holds General Elections
GE	FEB 24-25		Merkel Makes Two-Day Trip to Turkey for Talks with Erdogan
PO	02/25	03:00	Seventh Quarterly Review of Portugal's Aid Program Begins
EC	02/25	10:30	ECB's Weidmann Speaks in Paris
UK	02/25	10:45	Osborne Testifies to U.K. Parliament Banking Panel
EC	02/25	13:30	ECB's Asmussen Speaks in Berlin
IA	02/25		Iran Nuclear Power Talks in Kazakhstan
SP	02/26	03:00	Bank of Spain Governor at Banking Summit in Paris
SW	02/26	03:30	Riksbank Minutes from Rate Meeting Released
UK	02/26	05:00	BOE's Bean, Tucker, Miles and McCafferty Speak in London
HU	02/26	08:00	**Hungary Base Rate Announcement**
EC	02/27	03:30	ECB's Praet Speaks in Frankfurt
EC	02/27	09:00	ECB's Mersch Speaks in Frankfurt
EC	02/27	12:30	ECB's Draghi Speaks in Munich
EC	02/27		ECB Longer-Term Refinancing Operations Repayment Begins
EC	02/28	03:00	ECB's Constancio Speaks at Brussels Think Tank
EC	02/28	03:00	EU's Almunia Speaks at European Competition Forum in Brussels
EC	02/28	03:15	Monti, Moscovici, EU's Almunia Speak at Brussels Law Event
EC	02/28	03:30	EU's Almunia, ECB's Praet, Italy's Monti Speak in Brussels
EC	02/28	03:45	Italy's Monti Speaks at European Competition Forum in Brussels
EC	02/28	05:30	ECB's Constancio Speaks at CEPS in Brussels
UK	02/28	08:30	EU's Van Rompuy, Rehn, Ireland's Gilmore at London Conference
EC	02/28	10:00	ECB's Praet on Panel at EU Competition Forum in Brussels
UK	02/28		U.K. Commons Special Election in Eastleigh
UK	02/28		U.K. Parliament Replace Former Parliament Member Huhne
HU	03/01	04:00	Hungarian Premier Orban to Name Central Bank President
EC	03/01	06:00	ECB Announces 3-Year LTRO Repayment
EC	03/01		European Commission SSM Framework for EU Banks Begins
GE	03/01		Merkel Attends Regional CDU Party Meeting, Greifswald

Source: Bloomberg, Scotiabank Economics.

Events for the week of February 25 - March 1

Asia Pacific

Country	Date	Time	Event
SK	FEB 24-25		South Korean President Elect Park Takes Office
SI	02/25	02:30	Singapore Finance Minister Delivers 2013 Budget
AU	02/25	16:15	RBA's Debelle Speaks at University Breakfast in Adelaide
AU	FEB 25-26		APEC Finance and Central Bank Deputies' Meeting
JN	FEB 25-26		Cabinet Office Monthly Economic Report for February
NZ	02/26	18:00	Finance Minister English Speech
HK	FEB 26-27		Hong Kong Financial Secretary Presents 2013-14 Budget
IN	02/27	01:30	Indian Finance Minister Chidambaram Presents Economic Survey
JN	02/27	20:30	BOJ Board Member Kiuchi Speaks to Business Leaders
IN	02/28	00:30	Indian Finance Minister Chidambaram Presents 2013-2014 Budget
HK	02/28	02:00	Hong Kong Labor Department Holds Minimum Wage Seminar
AU	02/28	18:00	The Australian Government Holds Jobs and Skills Expo

Latin America

Country	Date	Time	Event
BZ	02/25	12:30	Brazil Central Bank President Tombini Speaks in New York

Source: 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	1.00	March 6, 2013	1.00	--
Federal Reserve – Federal Funds Target Rate	0.25	March 20, 2013	0.25	--
Banco de México – Overnight Rate	4.50	March 8, 2013	4.50	--

Fed: We think that markets overreacted to public discussion of the FOMC's exit strategy because an exit from monetary stimulus is likely still quite far off. Consistent with FOMC guidance, we continue to expect the Fed Funds Target Rate to remain at 0.25 into mid-2015 and for asset purchases to continue into 2014 with the pace of purchases falling towards year-end 2013.
BoC: We continue to expect the BoC to remain on hold throughout our entire forecast horizon. We anticipate that GDP will come in markedly below the BoC's 1% q/q SAAR forecast for Q4 2012, and CPI is currently tracking well below the BoC's Q1 2013 forecast of 0.9% y/y (January CPI came in at 0.5% y/y). If these trends continue, the BoC could well be compelled to acknowledge even more spare capacity in the Canadian economy in its April Monetary Policy Report.

Europe

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	0.75	March 7, 2013	0.75	--
Bank of England – Bank Rate	0.50	March 7, 2013	0.50	0.50
Swiss National Bank – Libor Target Rate	0.00	March 14, 2013	0.00	--
Central Bank of Russia – Refinancing Rate	8.25	March 15, 2013	8.25	--
Hungarian National Bank – Base Rate	5.50	February 26, 2013	5.25	5.25
Central Bank of the Republic of Turkey – 1 Wk Repo Rate	5.50	March 26, 2013	5.50	--
Sweden Riksbank – Repo Rate	1.00	April 17, 2013	1.00	--
Norges Bank – Deposit Rate	1.50	March 14, 2013	1.50	--

The monetary easing cycle will continue in Hungary next week, with another 25-basis point cut expected after the central bank's meeting on February 26th. Inflation eased substantially in January, falling from 5.0% y/y to 3.7%. Domestic demand price pressures are virtually nonexistent; real GDP contracted by a greater-than-anticipated -0.9% q/q in the fourth quarter, while the third quarter was also revised lower. This will be the last meeting as governor for András Simor, as his term ends in the beginning of March (his replacement will be named by Prime Minister Orban on March 1st).

Asia Pacific

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Target Rate	0.10	March 7, 2013	0.10	--
Reserve Bank of Australia – Cash Target Rate	3.00	March 4, 2013	3.00	3.00
Reserve Bank of New Zealand – Cash Rate	2.50	March 13, 2013	2.50	2.50
People's Bank of China – Lending Rate	6.00	TBA	--	--
Reserve Bank of India – Repo Rate	7.75	March 19, 2013	7.50	--
Bank of Korea – Bank Rate	2.75	March 13, 2013	2.75	--
Bank of Thailand – Repo Rate	2.75	April 3, 2013	2.75	--
Bank Indonesia – Reference Interest Rate	5.75	March 7, 2013	5.75	--

Latin America

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	7.25	March 6, 2013	7.25	--
Banco Central de Chile – Overnight Rate	5.00	March 14, 2013	5.00	--
Banco de la República de Colombia – Lending Rate	4.00	March 22, 2013	3.75	3.75
Banco Central de Reserva del Perú – Reference Rate	4.25	March 7, 2013	4.25	4.25

Africa

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	5.00	March 20, 2013	5.00	--

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

Forecasts as at January 31, 2013*	2000-11	2012e	2013f	2014f	2000-11	2012e	2013f	2014f
Output and Inflation (annual % change)	Real GDP				Consumer Prices[2]			
World[1]	3.7	3.1	3.2	3.8				
Canada	2.2	1.9	1.7	2.4	2.1	1.5	1.3	2.0
United States	1.8	2.2	1.9	2.7	2.5	2.1	2.0	2.1
Mexico	2.2	4.0	3.6	3.9	4.8	3.6	3.8	3.8
United Kingdom	1.9	0.0	0.9	1.4	2.3	2.7	2.8	2.4
Euro Zone	1.4	-0.5	-0.2	1.0	2.1	2.2	1.9	1.7
Japan	0.8	1.9	0.8	1.2	-0.3	-0.1	0.3	0.6
Australia	3.0	3.5	2.6	3.1	3.1	2.2	2.8	3.0
China	9.4	7.8	8.1	8.3	2.4	2.5	3.3	3.9
India	7.3	5.5	6.0	6.5	6.6	7.2	7.0	6.1
South Korea	4.5	2.0	2.8	3.5	3.2	1.4	2.7	3.0
Thailand	4.0	5.5	4.0	4.2	2.7	3.6	3.1	3.3
Brazil	3.6	1.0	3.3	4.0	6.6	5.8	5.8	5.5
Chile	4.8	5.6	5.0	5.5	3.5	1.5	3.1	3.3
Peru	5.6	6.3	6.0	5.5	2.6	2.6	3.0	3.0
Central Bank Rates (%, end of period)	12Q4	13Q1f	13Q2f	13Q3f	13Q4f	14Q1f	14Q2f	14Q3f
Bank of Canada	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Federal Reserve	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
European Central Bank	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Bank of England	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Swiss National Bank	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bank of Japan	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Reserve Bank of Australia	3.00	3.00	3.00	3.00	3.25	3.25	3.50	3.50
Exchange Rates (end of period)								
Canadian Dollar (USDCAD)	0.99	0.98	0.97	0.97	0.96	0.96	0.96	0.97
Canadian Dollar (CADUSD)	1.01	1.02	1.03	1.03	1.04	1.04	1.04	1.03
Euro (EURUSD)	1.32	1.34	1.30	1.28	1.27	1.26	1.26	1.25
Sterling (GBPUSD)	1.63	1.59	1.61	1.63	1.64	1.65	1.65	1.66
Yen (USDJPY)	87	92	93	94	95	95	96	97
Australian Dollar (AUDUSD)	1.04	1.05	1.06	1.07	1.08	1.08	1.09	1.09
Chinese Yuan (USDCNY)	6.2	6.2	6.2	6.2	6.1	6.1	6.1	6.1
Mexican Peso (USDMXN)	12.9	12.8	12.6	12.6	12.8	12.9	12.7	12.8
Brazilian Real (USDBRL)	2.05	1.96	1.98	2.01	2.00	2.00	1.98	1.98

Commodities (annual average)	2000-11	2012	2013f	2014f
WTI Oil (US$/bbl)	57	94	94	96
Brent Oil (US$/bbl)	58	112	112	112
Nymex Natural Gas (US$/mmbtu)	5.67	2.83	3.75	4.00
Copper (US$/lb)	2.10	3.61	3.50	3.30
Zinc (US$/lb)	0.77	0.88	1.00	1.15
Nickel (US$/lb)	7.62	7.95	8.25	8.50
Gold, London PM Fix (US$/oz)	668	1,669	1,725	1,700
Pulp (US$/tonne)	718	872	875	950
Newsprint (US$/tonne)	581	640	630	660
Lumber (US$/mfbm)	272	298	360	398

[1] World GDP for 2000-11 are IMF PPP estimates; 2012-14f are Scotiabank Economics' estimates based on a 2011 PPP-weighted sample of 38 countries.
[2] CPI for Canada and the United States are annual averages. For other countries, CPI are year-end rates.

* See Scotiabank Economics 'Global Forecast Update' (http://www.gbm.scotiabank.com/English/bns_econ/forecast.pdf) for additional forecasts & commentary.

North America

Canada	2011	12Q3	12Q4	Latest	
Real GDP (annual rates)	2.6	0.6			
Current Acc. Bal. (C$B, ar)	-52.3	-75.6			
Merch. Trade Bal. (C$B, ar)	0.9	-20.7	-11.9	-10.8	(Dec)
Industrial Production	3.8	0.0		0.6	(Nov)
Housing Starts (000s)	193	222	202	161	(Jan)
Employment	1.6	1.0	1.6	1.8	(Jan)
Unemployment Rate (%)	7.5	7.3	7.2	7.0	(Jan)
Retail Sales	4.1	2.5	0.7	-0.7	(Dec)
Auto Sales (000s)	1589	1654	1660	1567	(Dec)
CPI	2.9	1.2	0.9	0.5	(Jan)
IPPI	4.6	0.0	-0.2	-0.2	(Dec)
Pre-tax Corp. Profits	15.2	-2.3			

United States	2011	12Q3	12Q4	Latest	
Real GDP (annual rates)	1.8	3.1	-0.1	-0.1	(Q4-A)
Current Acc. Bal. (US$B, ar)	-466	-430			
Merch. Trade Bal. (US$B, ar)	-738	-697	-724	-674	(Dec)
Industrial Production	4.1	3.5	2.6	2.4	(Jan)
Housing Starts (millions)	0.61	0.77	0.90	0.89	(Jan)
Employment	1.2	1.7	1.6	1.6	(Jan)
Unemployment Rate (%)	8.9	8.0	7.8	7.9	(Jan)
Retail Sales	8.3	4.6	4.0	4.1	(Jan)
Auto Sales (millions)	12.7	14.5	15.0	15.2	(Jan)
CPI	3.2	1.7	1.9	1.6	(Jan)
PPI	6.0	1.5	1.7	1.4	(Jan)
Pre-tax Corp. Profits	2.1	19.3			

Mexico	2011	12Q3	12Q4	Latest	
Real GDP	3.9	3.2	3.2		
Current Acc. Bal. (US$B, ar)	-9.2	-14.6			
Merch. Trade Bal. (US$B, ar)	-1.5	-4.7	-7.8	11.5	(Dec)
Industrial Production	4.0	3.6	1.8	-1.1	(Dec)
CPI	3.4	4.6	4.1	3.3	(Jan)

Europe

Euro Zone	2011	12Q3	12Q4	Latest	
Real GDP	1.5	-0.6	-0.9		
Current Acc. Bal. (US$B, ar)	17	205	309	426	(Dec)
Merch. Trade Bal. (US$B, ar)	12.8	152.9	219.0	205.0	(Dec)
Industrial Production	3.4	-2.4	-3.2	-2.3	(Dec)
Unemployment Rate (%)	10.1	11.4	11.7	11.7	(Dec)
CPI	2.7	2.5	2.3	2.2	(Dec)

Germany	2011	12Q3	12Q4	Latest	
Real GDP	3.1	0.9	0.4		
Current Acc. Bal. (US$B, ar)	203.6	208.7	242.5	273.0	(Dec)
Merch. Trade Bal. (US$B, ar)	217.2	255.4	245.5	267.6	(Dec)
Industrial Production	8.0	-1.1	-2.5	-1.1	(Dec)
Unemployment Rate (%)	7.1	6.8	6.9	6.8	(Jan)
CPI	2.1	2.0	2.0	1.7	(Jan)

France	2011	12Q3	12Q4	Latest	
Real GDP	1.7	0.0	-0.3		
Current Acc. Bal. (US$B, ar)	-54.5	-40.0	-70.7	-41.7	(Dec)
Merch. Trade Bal. (US$B, ar)	-53.3	-50.7	-45.0	-48.9	(Dec)
Industrial Production	1.7	-2.0	-3.1	-2.1	(Dec)
Unemployment Rate (%)	9.6	10.3	10.5	10.6	(Dec)
CPI	2.1	2.0	1.5	1.2	(Jan)

United Kingdom	2011	12Q3	12Q4	Latest	
Real GDP	0.9	0.0	0.0		
Current Acc. Bal. (US$B, ar)	-32.7	-100.9			
Merch. Trade Bal. (US$B, ar)	-160.7	-164.8	-175.4	-172.4	(Dec)
Industrial Production	-0.7	-1.7	-2.3	-1.7	(Dec)
Unemployment Rate (%)	8.1	7.8		7.8	(Nov)
CPI	4.5	2.4	2.7	2.7	(Jan)

Italy	2011	12Q3	12Q4	Latest	
Real GDP	0.6	-2.4	-2.7		
Current Acc. Bal. (US$B, ar)	-67.4	4.3	17.1	37.2	(Dec)
Merch. Trade Bal. (US$B, ar)	-35.5	23.0	36.0	34.0	(Dec)
Industrial Production	0.2	-6.3	-6.7	-7.0	(Dec)
CPI	2.8	3.2	2.5	2.2	(Jan)

Russia	2011	12Q3	12Q4	Latest	
Real GDP	4.3	2.9			
Current Acc. Bal. (US$B, ar)	98.8	6.7	17.3		
Merch. Trade Bal. (US$B, ar)	16.5	12.8	15.7	17.1	(Dec)
Industrial Production	4.8	2.5	1.7	-0.8	(Jan)
CPI	8.4	6.0	6.5	7.1	(Jan)

All data expressed as year-over-year % change unless otherwise noted.

Source: Bloomberg, Global Insight, Scotiabank Economics.

Asia Pacific

Australia	2011	12Q3	12Q4	Latest	
Real GDP	2.4	3.1			
Current Acc. Bal. (US$B, ar)	-33.9	-66.1			
Merch. Trade Bal. (US$B, ar)	35.7	1.9	-5.3	47.2	(Dec)
Industrial Production	-0.8	4.3			
Unemployment Rate (%)	5.1	5.3	5.3	5.4	(Jan)
CPI	3.3	2.0	2.2		

Japan	2011	12Q3	12Q4	Latest	
Real GDP	-0.5	0.4	0.1		
Current Acc. Bal. (US$B, ar)	119.2	82.4	-4.5	-37.9	(Dec)
Merch. Trade Bal. (US$B, ar)	-33.8	-97.0	-112.0	-91.4	(Jan)
Industrial Production	-2.3	-4.6	-6.7	-6.5	(Dec)
Unemployment Rate (%)	4.6	4.2	4.2	4.2	(Dec)
CPI	-0.3	-0.4	-0.2	-0.1	(Dec)

South Korea	2011	12Q3	12Q4	Latest	
Real GDP	3.6	1.5	1.5		
Current Acc. Bal. (US$B, ar)	26.1	58.2	59.8	27.0	(Dec)
Merch. Trade Bal. (US$B, ar)	30.8	30.1	40.1	10.5	(Jan)
Industrial Production	6.9	-0.1	3.0	5.1	(Dec)
CPI	4.0	1.6	1.7	1.5	(Jan)

China	2011	12Q3	12Q4	Latest	
Real GDP	10.4	7.4	7.9		
Current Acc. Bal. (US$B, ar)	201.7				
Merch. Trade Bal. (US$B, ar)	155.0	316.7	333.5	349.8	(Jan)
Industrial Production	12.8	9.2	10.3	10.3	(Dec)
CPI	4.1	1.9	2.5	2.0	(Jan)

Thailand	2011	12Q3	12Q4	Latest	
Real GDP	0.1	3.1	18.9		
Current Acc. Bal. (US$B, ar)	5.9	2.7	0.9		
Merch. Trade Bal. (US$B, ar)	1.4	1.7	0.3	0.3	(Dec)
Industrial Production	-9.3	-10.9	44.2	24.1	(Dec)
CPI	3.8	2.9	3.2	3.4	(Jan)

India	2011	12Q3	12Q4	Latest	
Real GDP	7.5	5.3			
Current Acc. Bal. (US$B, ar)	-62.5	-22.3			
Merch. Trade Bal. (US$B, ar)	-13.5	-16.9	-19.6	-20.0	(Jan)
Industrial Production	4.8	0.4	2.1	-0.6	(Dec)
WPI	9.5	7.9	7.3	6.6	(Jan)

Indonesia	2011	12Q3	12Q4	Latest	
Real GDP	6.5	6.2	6.1		
Current Acc. Bal. (US$B, ar)	1.7	-5.3	-7.8		
Merch. Trade Bal. (US$B, ar)	2.2	0.2	-0.9	-0.2	(Dec)
Industrial Production	4.1	-0.4	11.0	11.0	(Dec)
CPI	5.4	4.5	4.4	4.6	(Jan)

Latin America

Brazil	2011	12Q3	12Q4	Latest	
Real GDP	2.5	0.8			
Current Acc. Bal. (US$B, ar)	-52.5	-35.6	-80.4		
Merch. Trade Bal. (US$B, ar)	29.8	34.6	14.9	-48.4	(Jan)
Industrial Production	0.4	-2.3	-1.0	-2.1	(Dec)
CPI	6.6	5.2	5.6	6.2	(Jan)

Chile	2011	12Q3	12Q4	Latest	
Real GDP	6.0	5.7			
Current Acc. Bal. (US$B, ar)	-0.3	-19.1			
Merch. Trade Bal. (US$B, ar)	10.0	-7.1	6.6	2.9	(Jan)
Industrial Production	6.9	1.5	4.1	-2.5	(Dec)
CPI	3.3	2.6	2.2	1.6	(Jan)

Peru	2011	12Q3	12Q4	Latest	
Real GDP	6.9	6.5			
Current Acc. Bal. (US$B, ar)	-3.3	-2.8			
Merch. Trade Bal. (US$B, ar)	0.9	0.3	0.4	0.7	(Dec)
Unemployment Rate (%)	7.7	6.5	5.9	6.1	(Jan)
CPI	3.4	3.5	2.8	2.9	(Jan)

Colombia	2011	12Q3	12Q4	Latest	
Real GDP	5.9	2.1			
Current Acc. Bal. (US$B, ar)	-10.0	-3.6			
Merch. Trade Bal. (US$B, ar)	0.4	0.0	0.2	0.7	(Dec)
Industrial Production	4.8	-0.4		-4.1	(Nov)
CPI	3.4	3.1	2.8	2.0	(Jan)

All data expressed as year-over-year % change unless otherwise noted.

Source: Bloomberg, Global Insight, Scotiabank Economics.

Interest Rates (%, end of period)

Canada	12Q3	12Q4	Feb/15	Feb/22*	United States	12Q3	12Q4	Feb/15	Feb/22*
BoC Overnight Rate	1.00	1.00	1.00	1.00	Fed Funds Target Rate	0.25	0.25	0.25	0.25
3-mo. T-bill	0.98	0.93	0.94	0.95	3-mo. T-bill	0.09	0.04	0.10	0.12
10-yr Gov't Bond	1.73	1.80	2.02	1.96	10-yr Gov't Bond	1.63	1.76	2.00	1.96
30-yr Gov't Bond	2.32	2.37	2.63	2.59	30-yr Gov't Bond	2.82	2.95	3.18	3.15
Prime	3.00	3.00	3.00	3.00	Prime	3.25	3.25	3.25	3.25
FX Reserves (US$B)	67.9	68.4	68.4	(Dec)	FX Reserves (US$B)	142.0	139.1	139.1	(Dec)
Germany					**France**				
3-mo. Interbank	0.11	0.10	0.15	0.15	3-mo. T-bill	0.00	-0.01	0.02	0.02
10-yr Gov't Bond	1.44	1.32	1.65	1.57	10-yr Gov't Bond	2.18	2.00	2.28	2.23
FX Reserves (US$B)	68.5	67.4	67.4	(Dec)	FX Reserves (US$B)	50.9	54.2	54.2	(Dec)
Euro Zone					**United Kingdom**				
Refinancing Rate	0.75	0.75	0.75	0.75	Repo Rate	0.50	0.50	0.50	0.50
Overnight Rate	0.11	0.13	0.06	0.07	3-mo. T-bill	0.35	0.36	0.38	0.39
FX Reserves (US$B)	332.8	332.4	332.4	(Dec)	10-yr Gov't Bond	1.73	1.83	2.19	2.11
					FX Reserves (US$B)	87.9	88.6	88.6	(Dec)
Japan					**Australia**				
Discount Rate	0.30	0.30	0.30	0.30	Cash Rate	3.50	3.00	3.00	3.00
3-mo. Libor	0.13	0.11	0.10	0.10	10-yr Gov't Bond	2.99	3.27	3.52	3.54
10-yr Gov't Bond	0.78	0.79	0.75	0.73	FX Reserves (US$B)	42.4	44.9	44.9	(Dec)
FX Reserves (US$B)	1233.3	1227.2	1227.2	(Dec)					

Exchange Rates (end of period)

USDCAD	0.98	0.99	1.01	1.02	¥/US$	77.96	86.75	93.50	93.36
CADUSD	1.02	1.01	0.99	0.98	US¢/Australian$	1.04	1.04	1.03	1.03
GBPUSD	1.617	1.626	1.552	1.527	Chinese Yuan/US$	6.28	6.23	6.24	6.24
EURUSD	1.286	1.319	1.336	1.317	South Korean Won/US$	1111	1064	1078	1085
JPYEUR	1.00	0.87	0.80	0.81	Mexican Peso/US$	12.859	12.853	12.690	12.751
USDCHF	0.94	0.92	0.92	0.93	Brazilian Real/US$	2.026	2.052	1.969	1.970

Equity Markets (index, end of period)

United States (DJIA)	13437	13104	13982	13937	U.K. (FT100)	5742	5898	6328	6319
United States (S&P500)	1441	1426	1520	1506	Germany (Dax)	7216	7612	7594	7645
Canada (S&P/TSX)	12317	12434	12687	12694	France (CAC40)	3355	3641	3660	3693
Mexico (IPC)	40867	43706	44153	44005	Japan (Nikkei)	8870	10395	11174	11386
Brazil (Bovespa)	59176	60952	57903	56317	Hong Kong (Hang Seng)	20840	22657	23445	22782
Italy (BCI)	825	873	892	871	South Korea (Composite)	1996	1997	1981	2019

Commodity Prices (end of period)

Pulp (US$/tonne)	830	870	890	890	Copper (US$/lb)	3.75	3.59	3.72	3.55
Newsprint (US$/tonne)	640	640	625	625	Zinc (US$/lb)	0.95	0.92	0.98	0.95
Lumber (US$/mfbm)	300	388	390	390	Gold (US$/oz)	1776.00	1657.50	1612.25	1576.50
WTI Oil (US$/bbl)	92.19	91.82	95.86	92.70	Silver (US$/oz)	34.65	29.95	30.18	28.79
Natural Gas (US$/mmbtu)	3.32	3.35	3.15	3.26	CRB (index)	309.30	295.01	298.45	293.86

** Latest observation taken at time of writing.*
Source: Bloomberg, Scotiabank Economics.

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