

THE HOLIDAY DOUBLE ISSUE

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Happy Holidays!

Best wishes for the holiday season from all of us.

To our clients & readers — we thank you for your continued interest in Scotiabank publications.

The next issue of The Global Week Ahead will be published the week of January 2, 2017.

CONTACTS

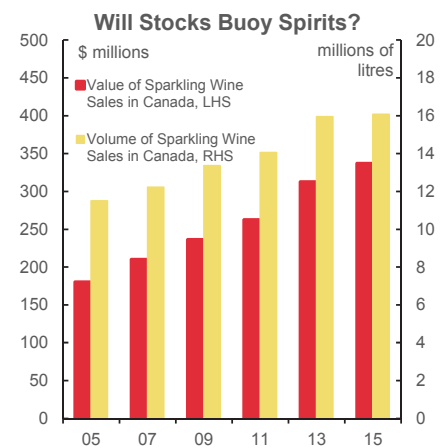
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Risk Dashboard — Week of Dec 26-30

- ▶ German retail sales
- ▶ China's industrial profits
- ▶ Japan's monthly data dump
- ▶ US consumer confidence
- ▶ Spanish retail sales, CPI
- ▶ South Korean inflation, PMIs
- ▶ Other minor US data hits
- ▶ 4 US debt auctions
- ▶ LatAm CB minutes
- ▶ Canada quiet

Risk Dashboard — Week of Jan 2-6

- ▶ Fed minutes
- ▶ US nonfarm
- ▶ Chinese PMIs
- ▶ US ISM, trade
- ▶ CDN jobs, trade
- ▶ Eurozone inflation
- ▶ LatAm inflation
- ▶ UK PMIs
- ▶ German factory orders

Chart of the Week


Source: Scotiabank Economics, Statistics Canada.

Chart of the Week: Prepared by: Samantha Cameron, Research Assistant.

The Holiday Double Issue

This will be the last Global Week Ahead of 2016 and the first Global Week Ahead of 2017. It combines what to expect over the coming week and the first week of January when many people return from vacation particularly in western markets.

CANADA — SILENT NIGHT WEEK, JOBS AND TRADE AFTERWARD

There will be no data, scheduled events, auctions or earnings releases next week. Canadian stock and bond markets will be shut Monday December 26th and Tuesday December 27th for Christmas and Boxing Day given both fall on the weekend this year and both are statutory holidays, and then again on January 2nd. Early bond market closes will occur at 1pm on the preceding Fridays.

The first week of January brings out two top tier macro reports at the end of the week but most of the market focus before that will be upon developments in the US and overseas.

First will be jobs data that will close out 2016 with the December and full-year tallies on Friday January 6th. And what a year it was thanks to a super acceleration in hiring over the back half of the year. Since the end of July, Canada heaped on 148,000 new jobs in seasonally adjusted but **non-annualized** terms over the next four months! That's on par with the full-year tallies for job growth that we saw in each of 2013, 2014 and 2015 and positions the full-year comparison quite favourably against the recent trend (chart 1). Most of the 2016 gains were on private sector payrolls (+194k) as public sector payrolls grew by about 46k and self-employed fell by 65k.

The composition toward more flexible forms of employment, however, was not constructive to the consumer outlook. All of the job growth this past year has been part-time (+198k) as full-time jobs fell by 23k. As a consequence, hours worked expanded only by 0.8% y/y after annualizing the first eleven months of the year. Furthermore, wage growth has cooled to just 1.4% y/y in nominal average wage terms, and 1.5% y/y for permanent employees which is the measure more closely watched by the BoC. Wage settlements in the private sector are only growing by just over 1% y/y so there is no evidence at the margin for an improvement any time soon. **Since hours worked times wages equals what gets many Canadian workers paid, it's important not to over-emphasize the job headlines when setting an outlook for consumer spending (chart 2).**

Second will be trade figures due out at the same time on Friday January 6th. A declining export trend is being re-established after a brief improvement in July and August. Export volumes are tracking a contraction of almost 7% in annualized q/q terms in October based solely upon the Q3 hand-off and October data pending the upcoming November update.

LATIN AMERICA — DIVERGENCE TO BE SHOWCASED EARLY IN 2017

When the biggest game in town is a series of transcribed notes that provide massaged accounts of what was discussed at past central bank meetings, you know it's going to be a slow holiday-driven week.

Chile (Wednesday), Mexico (Thursday) and Colombia (Friday) all release central bank meeting minutes next week. The bigger debate in the near-term comes on the back of freshly released Brazilian inflation figures that continue to plummet and drive expectations for accelerated monetary policy easing in Brazil.

Chart 1

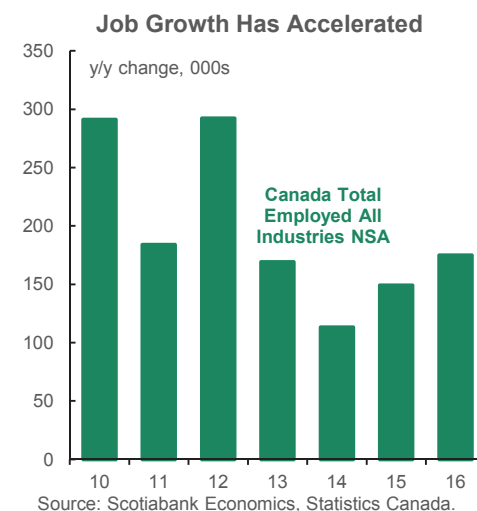
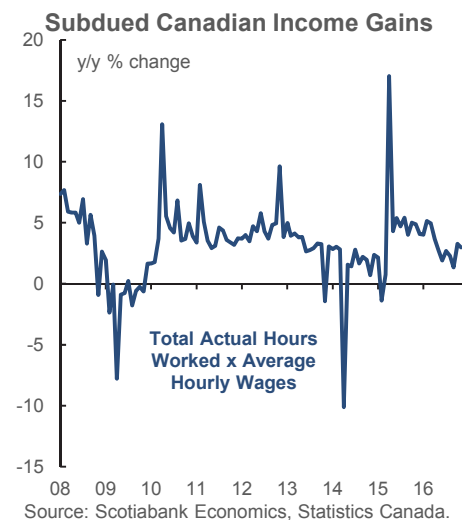


Chart 2



Chile releases fresh figures for manufacturing output and retail sales later in the week. Dominican Republic issues a rate decision next Friday after it last hiked by 50bps at the end of October. Q3 GDP figures will be released by Ecuador, Jamaica and El Salvador. Argentina updates industrial output on Wednesday.

Over the first week in the New Year, the prime focus will be on a wave of inflation updates from Mexico, Peru, Chile, Colombia, Bolivia, Uruguay and Ecuador. The range of inflation figures across the region runs from a low of 1% y/y in Ecuador to a high of 6% in Colombia. **The levels and, more importantly, the directions of change in LatAm inflation readings are driving highly differentiated outcomes across central banks.** Rising Mexican inflation is driving a tightening bias through 2017. A recent spike in Peruvian inflation is worth monitoring against the expectation for a prolonged rate pause. Cooling inflation in Brazil (chart 3) and Colombia is driving expectations for policy easing (continued in Brazil, commencing in Colombia in 2017) while falling Chilean inflation is driving expectations for a long pause.

EUROPE — MERRY CHRISTMAS IN 24 OFFICIAL LANGUAGES

European markets should be quiet next week as they typically all but shut down over the holiday period. There will only be limited data on the consumer sector, and no scheduled event risk or central bank announcements. Data risk quickly heats up in the new year.

After a wild 2.4% m/m gain in October, **German retail sales are likely to retreat in November's release.** A bump in year-ago growth from -1% y/y to +1% y/y will likely be entirely driven by base effects and October's gain. The timing of the release is uncertain at this point and may be either next week or the week after.

Spain releases retail sales volumes for November and CPI for December late in the week with the expectation that **Spanish consumption growth remains softer than the peak over the first half of the year** when retail sales growth was 6% y/y (it was 0.6% y/y in October) and CPI will continue to inch higher. Adjusted for working days, retail sales were up 2.2% y/y in October but this too was a slowdown from a peak of 5.8% growth back in June.

UK bond markets will be shut Monday Dec 26th for Boxing Day and Jan 2nd for New Year's Day.

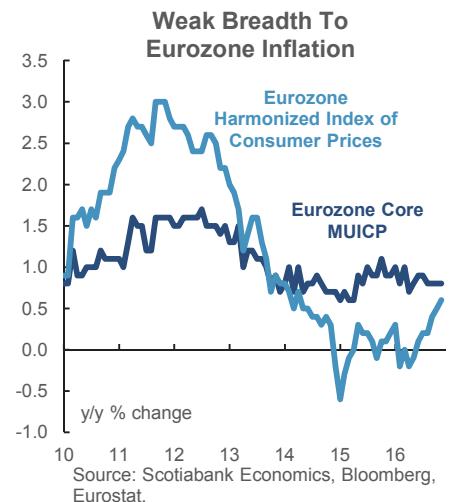
During the first week of January when many return from vacation, the market focus will be upon Eurozone inflation and a limited array of European growth signals.

- **Eurozone inflation:** The Eurozone add-up and Italian CPI arrive on Wednesday January 4th, while German and French CPI lands the day before. Headline inflation is expected to climb a little further to just under 1% y/y for the Eurozone aggregate while core CPI is expected to remain unchanged at around 0.8% y/y. If so, then breadth will remain absent in the inflation pick-up (chart 4).
- **German factory orders** will be updated with November figures on Friday January 6th. If only October wasn't so smashingly good. The huge 4.9% jump in the order book that month is likely to be followed by some give-back. The last time there was a comparable gain in July 2014, the next month almost fully reversed the improvement. If that happens again this time, then the order book trend would be restored along a relatively flat line for seasonally adjusted factory order levels this year. If somehow a further gain is posted after such a barn-burner of a pace, then perhaps German factories have truly latched onto something.

Chart 3



Chart 4



- **UK purchasing managers indices** will all be updated in the first week of January starting with manufacturing on the Tuesday, construction on Wednesday, and then services and the broad composite on Thursday. At issue are two considerations: a) whether the broad composite will keep on rising as it has been since the Brexit vote; and b) whether the rotation of the drivers of growth from waning readings in the manufacturing sector toward strengthening readings in services and construction continues.

ASIA — CAN CHINA MAINTAIN MOMENTUM INTO 2017?

The main focus in Asian markets with the prospect of spilling over to affect the global market tone will be Chinese macro data. This is true in each of the next two weeks and the core issue is whether China can keep up momentum on growth and in terms of fending off concerns about its credit markets. Industrial profits for November (December 26th) will further inform the debate over China's corporate debt markets in yet another year during which the over-hyped risk of disaster was averted.

The first week of the New Year then brings out another round of Chinese purchasing managers' indices starting when most markets are closed. The state versions of the manufacturing and non-manufacturing PMIs land New Year's Eve on the West's (Gregorian) calendar while the private manufacturing PMI arrives on New Year's Day and then the private services and composite PMIs follow on January 3rd. China sentiment has improved compared with earlier in the year in no small part due to the improved tone of macro data that goes well beyond the remarkably stable 6.7% rate of growth in each of the first three quarters of 2016 — with no revisions! Righto. Skepticism toward GDP figures is nonetheless mitigated by readings like the PMIs (chart 5) plus harder to fudge figures like railcar loadings and electricity production that have also improved.

Japan does a data dump over the first couple of days next week. Inflation might reach the highest headline rate since April 2015 before falling commodities continued to drag it lower. Ex-food and energy, Japanese CPI remains hovering just above 0% y/y. Retail sales, total household spending, the jobless rate, housing starts and industrial production will also be updated.

The rest of next week will see modest focus on South Korean industrial (PMIs, production) and CPI figures, Thai exports and stale minutes to the now-long-ago November 1st BoJ meeting. The following week should be fairly uneventful outside of the aforementioned Chinese data.

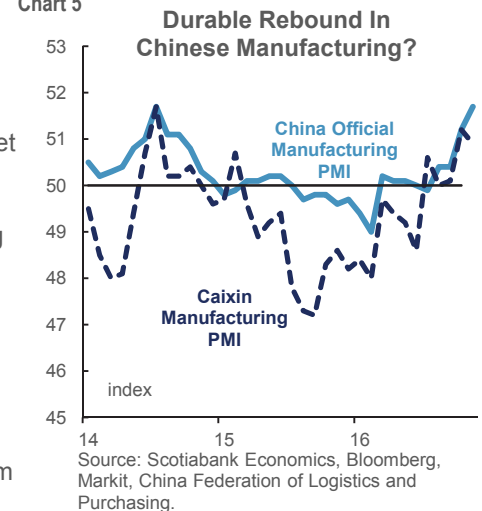
UNITED STATES — REST UP, THE NEW YEAR STARTS WITH A BANG!

The first week of the New Year will start with bang by way of potential US developments, but next week will be a slow grind toward that eventual outcome. The report on Russian interference with the US election is due any time before President Obama leaves office and President-elect Trump takes over on January 20th.

First, trading will be heavily interrupted by holiday hours. Bond markets will be shut this coming Monday after an early 2pmET close on Friday December 23rd, and they will be shut again on Monday January 2nd after an early close the preceding Friday. Stock markets are open on each of those days.

Second, next week's data flow will only be for those truly in need of a steady diet of macro hits as they are unlikely to materially impact much of anything. The line-up of hits includes S&P CoreLogic Case-Shiller house prices for October on Tuesday, the Conference Board's consumer confidence metric for December the same day, pending home sales during November on Wednesday and weekly jobless claims the next day. The Dallas and Richmond Fed manufacturing indices arrive Tuesday and Wednesday followed by the Chicago Fed's PMI on Friday. Weekly Baker Hughes rig counts and DOE oil inventories will, of course, be released on the normal schedule.

Chart 5

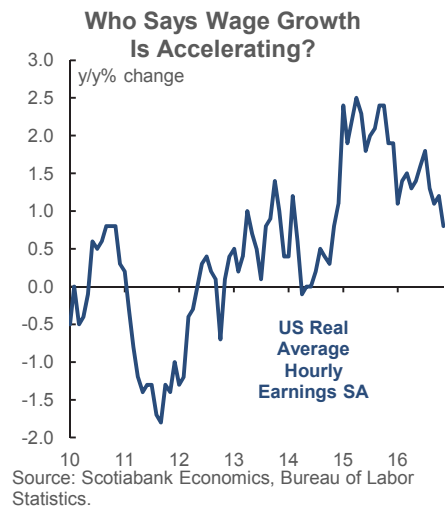


In case you think you're the only one facing post-Christmas debts, **next week will be a heavy week for debt auctions by the US government** with four in the line-up. Get used to it, debt is going to the moon over coming years. A two year Treasury auction kicks it off on Tuesday, followed by a two year FRNs reopening on Wednesday, a 5 year notes auction also on Wednesday, and a 7 year notes auction on Thursday.

The following week is the one that will intensify risks on the macro calendar through the arrival of first and second tier releases as follows.

- Jobs:** Nonfarm payrolls close out 2016 with the December report on Friday January 6th. They will be preceded by ADP private payrolls. Nonfarm is expected to come in around 180k while nominal wage growth will be carefully watched to see if the slowdown to 2.5% y/y in November was a blip or signaling lost momentum. Nominal wage growth remains a red herring in my opinion as real wage growth is declining (chart 6).
- Federal Reserve:** Minutes to the December 13th-14th FOMC meeting will be released on January 4th while Chicago Fed President Evans (voting 2017) and Richmond Fed President Lacker (alternate 2017) speak on Friday. At issue is further guidance on the rationale for adding one more hike in 2017 to its forecasts that were otherwise left largely unchanged in terms of growth, inflation and job markets. Additional colour on the debate over applying fiscal policy stimulus near the point of full-employment will also be carefully scrutinized.
- Manufacturing: ISM-manufacturing** (Jan 3rd) has been strengthening up to November and at issue is whether December will set a high mark for the year. **Vehicle sales** (Jan 4th) posted no growth in 2016 over where they ended 2015 but they remained at the most elevated levels since before the crisis; how will 2016 hand off to 2017? **Factory orders** (Jan 6th) will likely follow durable goods orders lower but that was due to the reversal of a prior huge gain in aircraft orders while business investment in core capital goods ex-defense and ex-air has risen in 5 of the past 6 months..
- Trade:** The trade balance for November will be released at the same time as nonfarm payrolls. Trade is looking like a drag on Q4 GDP growth after export volumes fell by 2.9% m/m in October and import volumes rose by 1.4% m/m. More Q4 data will inform this risk on the path toward dealing with the strongest USD in a decade-and-a-half and what that does by way of a likely blow-out in the trade deficit starting next year and beyond.
- Non-manufacturing:** Construction spending and ISM-services round out the macro hits that week.

Chart 6



Key Indicators for the week of December 26 – 30

NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	12/27	09:00	S&P/Case-Shiller Home Price Index (m/m)	Oct	0.4	0.6	0.4
US	12/27	09:00	S&P/Case-Shiller Home Price Index (y/y)	Oct	5.0	5.0	5.1
US	12/27	10:00	Consumer Confidence Index	Dec	109	108.5	107.1
US	12/27	10:00	Richmond Fed Manufacturing Index	Dec	--	5.0	4.0
US	12/27	10:30	Dallas Fed. Manufacturing Activity	Dec	--	10.2	10.2
US	12/28	07:00	MBA Mortgage Applications (w/w)	DEC 23	--	--	2.5
US	12/28	10:00	Pending Home Sales (m/m)	Nov	--	0.5	0.1
US	12/29	08:30	Initial Jobless Claims (000s)	DEC 24	265	--	275
US	12/29	08:30	Continuing Claims (000s)	DEC 17	2030	--	2036
US	12/29	08:30	Wholesale Inventories (m/m)	Nov P	--	0.1	-0.4
US	12/30	09:45	Chicago PMI	Dec	--	56.8	57.6

EUROPE

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
GE	DEC 27-JAN 06		Retail Sales (m/m)	Nov	--	-0.8	2.5
SP	12/28	03:00	Real Retail Sales (y/y)	Nov	--	--	0.6
UK	DEC 28-JAN 03		Nationwide House Prices (m/m)	Dec	--	0.3	0.1
SP	12/30	03:00	CPI (m/m)	Dec P	--	0.1	0.4
SP	12/30	03:00	CPI (y/y)	Dec P	--	0.9	0.7
SP	12/30	03:00	CPI - EU Harmonized (m/m)	Dec P	--	0.1	0.2
SP	12/30	03:00	CPI - EU Harmonized (y/y)	Dec P	--	1.0	0.5
RU	DEC 30-31		Real GDP (y/y)	3Q F	--	--	-0.40

ASIA-PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
VN	DEC 23-24		CPI (y/y)	Dec	--	4.9	4.5
VN	DEC 24-31		Real GDP YTD (y/y)	4Q	--	6.3	5.9
SK	12/26	16:00	Consumer Confidence Index	Dec	--	--	95.8
JN	12/26	18:30	Household Spending (y/y)	Nov	--	0.2	-0.4
JN	12/26	18:30	Jobless Rate (%)	Nov	--	3.0	3.0
JN	12/26	18:30	National CPI (y/y)	Nov	--	0.5	0.1
JN	12/26	18:30	Tokyo CPI (y/y)	Dec	--	0.4	0.5
CH	12/26	20:30	Industrial Profits YTD (y/y)	Nov	--	--	9.8
JN	12/27		Housing Starts (y/y)	Nov	--	9.8	13.7
JN	12/27		Construction Orders (y/y)	Nov	--	--	15.2
JN	12/27	18:50	Industrial Production (m/m)	Nov P	--	1.6	0.0
JN	12/27	18:50	Large Retailers' Sales (y/y)	Nov	--	--	-1.0
JN	12/27	18:50	Retail Trade (m/m)	Nov	--	-0.5	2.5
JN	12/27	18:50	Retail Trade (y/y)	Nov	--	0.8	-0.2
JN	12/27	18:50	Industrial Production (y/y)	Nov P	--	4.6	-1.4
JN	12/27	23:00	Vehicle Production (y/y)	Nov	--	--	-3.9
SK	12/28	16:00	Business Survey- Manufacturing	Jan	--	--	72.0
SK	12/28	16:00	Business Survey- Non-Manufacturing	Jan	--	--	72.0
SK	12/28	18:00	Industrial Production (m/m)	Nov	--	1.0	-1.7
SK	12/28	18:00	Industrial Production (y/y)	Nov	--	1.4	-1.6
HK	12/29	03:30	Exports (y/y)	Nov	--	-0.2	-1.8
HK	12/29	03:30	Imports (y/y)	Nov	--	2.3	0.5
HK	12/29	03:30	Trade Balance (HKD bn)	Nov	--	-40.0	-37.2
SK	12/29	18:00	CPI (m/m)	Dec	--	0.2	-0.1
SK	12/29	18:00	CPI (y/y)	Dec	--	1.3	1.5
SK	12/29	18:00	Core CPI (y/y)	Dec	--	1.4	1.6
TH	12/30	02:30	Exports (y/y)	Nov	--	--	-4.3
TH	12/30	02:30	Imports (y/y)	Nov	--	--	7.4
TH	12/30	02:30	Trade Balance (US\$ mn)	Nov	--	--	1794
IN	12/30	06:00	Fiscal Deficit (INR Crore)	Nov	--	--	-24481

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

Key Indicators for the week of December 26 – 30

ASIA-PACIFIC (continued from previous page)

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Indicator</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>
SK	12/31	19:00	Exports (y/y)	Dec	--	4.5	2.7
SK	12/31	19:00	Imports (y/y)	Dec	--	6.4	10.1
SK	12/31	19:00	Trade Balance (US\$ mn)	Dec	--	6808	8003
CH	12/31	20:00	Manufacturing PMI	Dec	--	51.6	51.7
CH	12/31	20:00	Non-manufacturing PMI	Dec	--	--	54.7

LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Indicator</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>
CL	12/29	07:00	Industrial Production (y/y)	Nov	-0.7	-1.5	-6.9
CL	12/29	07:00	Retail Sales (y/y)	Nov	2.8	2.1	5.1
CL	12/30	07:00	Unemployment Rate (%)	Nov	6.7	6.3	6.4
CO	12/30	10:00	Urban Unemployment Rate (%)	Nov	--	9.0	9.0

Global Auctions for the week of December 26 – 30**NORTH AMERICA**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	12/27	13:00	U.S. to Sell 2-Year Notes
US	12/28	11:30	U.S. to Sell 2-Year Floating Rate Notes Reopening
US	12/28	13:00	U.S. to Sell 5-Year Notes
US	12/29	13:00	U.S. to Sell 7-Year Notes

EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
IT	12/29	05:00	Italy to Sell Bonds
SP	01/05	04:30	Spain to Sell Bonds
UK	01/05	05:30	U.K. to Sell Bonds

ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
JN	12/26	22:45	Japan to Sell 2-Year Bonds
JN	01/04	22:45	Japan to Sell 10-Year Bonds

Events for the week of December 26 – 30**NORTH AMERICA**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
MX	12/29	10:00	Central Bank Monetary Policy Minutes
US	01/06		Fed's Lacker Speaks to Maryland Bankers Association
US	01/06	12:15	Fed's Evans Speaks on Economy and Policy in Chicago

EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
NO	01/04	03:30	Norges Bank Deputy Governor Matsen Speaks in Oslo
EC	JAN 5-15		ECB account of the monetary policy meeting

ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
JN	12/25	18:50	BOJ Minutes of Oct. 31-Nov.1 Meeting
JN	12/25	23:00	BOJ Kuroda speaks in Keidanren
JN	DEC 26-27		Japanese Prime Minister Abe to Meet with U.S. President Obama
JN	12/28	18:50	BOJ Summary of Opinions at Dec.19-20 Meeting
SK	01/03	02:00	Bank of Korea Policy Meeting Minutes

LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CO	12/30	13:00	Colombia Monetary Policy Minutes

Global Central Bank Watch

NORTH AMERICA

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
Bank of Canada – Overnight Target Rate	0.50	January 18, 2017	0.50	0.50
Federal Reserve – Federal Funds Target Rate	0.75	February 1, 2017	0.75	0.75
Banco de México – Overnight Rate	5.75	February 9, 2017	5.75	--

EUROPE

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
European Central Bank – Refinancing Rate	0.00	January 19, 2017	0.00	--
Bank of England – Bank Rate	0.25	February 2, 2017	0.25	--
Swiss National Bank – Libor Target Rate	-0.75	March 16, 2017	-0.75	--
Central Bank of Russia – One-Week Auction Rate	10.00	February 3, 2017	10.00	--
Sweden Riksbank – Repo Rate	-0.50	February 15, 2017	-0.50	--
Norges Bank – Deposit Rate	0.50	March 16, 2017	0.50	--

ASIA PACIFIC

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
Bank of Japan – Policy Rate	-0.10	January 31, 2017	-0.10	--
Reserve Bank of Australia – Cash Target Rate	1.50	February 6, 2017	1.50	1.50
Reserve Bank of New Zealand – Cash Rate	1.75	February 8, 2017	1.75	1.75
People's Bank of China – Lending Rate	4.35	TBA	--	--
Reserve Bank of India – Repo Rate	6.25	February 8, 2017	6.00	--
Bank of Korea – Bank Rate	1.25	TBA	1.25	--
Bank of Thailand – Repo Rate	1.50	February 8, 2017	1.50	1.50
Bank Indonesia – 7-Day Reverse Repo Rate	4.75	January 19, 2017	4.75	--

LATIN AMERICA

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
Banco Central do Brasil – Selic Rate	13.75	January 11, 2017	13.75	--
Banco Central de Chile – Overnight Rate	3.50	January 19, 2017	3.50	--
Banco de la República de Colombia – Lending Rate	7.50	January 30, 2017	7.75	--
Banco Central de Reserva del Perú – Reference Rate	4.25	January 12, 2017	4.25	--

AFRICA

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
South African Reserve Bank – Repo Rate	7.00	January 24, 2017	7.00	--

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