

YELLEN MIGHT CRASH TRUMP'S PARTY

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Chart of the Week

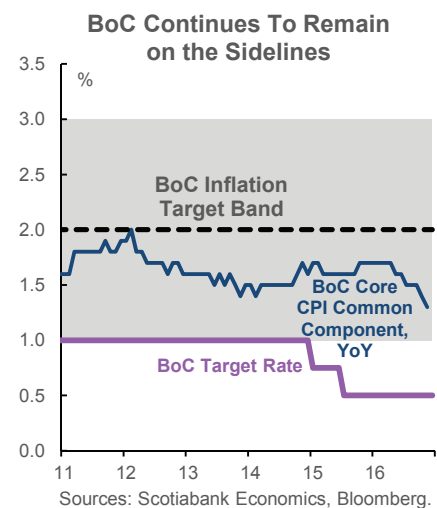


Chart of the Week: Prepared by: Samantha Cameron, Research Assistant.

Yellen Might Crash Trump's Party

CANADA — BOC LIKELY TO REMAIN ON HOLD

Canada heats up next week and guidance from the Bank of Canada will be front and centre in terms of potential domestic sources of market moves. Significant data risk will be concentrated toward the end of the week and after the BoC has set the table for rates and currency markets and, to a lesser extent, equity markets — particularly pricing of preferred share resets.

The Bank of Canada issues its latest policy decision on Wednesday at 10amET. This will be the full deal including the release of the Monetary Policy Report at the same time and a press conference hosted by Governor Poloz and Senior Deputy Governor Wilkins at 11:15amET. Markets are presently assigning a nearly 100% probability to no rate change at this juncture. Strong Canadian data ranging from jobs, trade and housing to the BoC's twin surveys of business and lending conditions are likely to keep it in watch mode for now. The Canadian dollar has been strengthening this year versus the USD by about four cents since late December, but has only appreciated by about 1½ cents since the last BoC statement on December 7th. Any sentiment that the BoC may take out policy insurance against trade policy risks after the US election can be countered by repeating Poloz's comment from last November: "We only incorporate actually announced policy changes, and there haven't been any of those." Please see page 7 for a further BoC preview.

Data risk will include manufacturing sales and retail sales during the month of November on Thursday and Friday, respectively, as well as CPI for the month of December that also comes out on Friday.

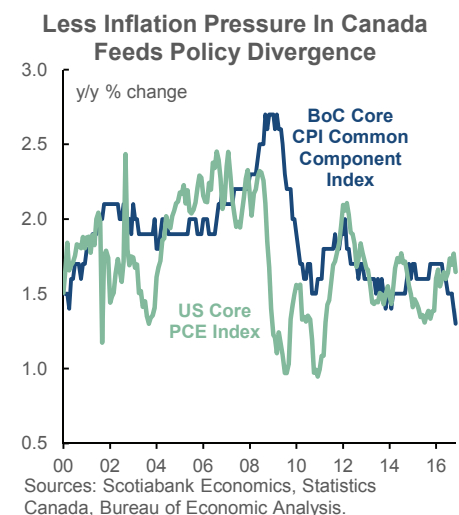
CPI will be a tricky one to read going into the report more so on core than headline inflation. In terms of headline inflation, December is usually a down month for seasonally unadjusted broad prices so viewed through that lens, headline inflation might be under slight downward pressure from the 1.2% y/y prior reading. Offsetting this, however, are two main considerations: gasoline prices were up considerably in December so the usual seasonality argument may not hold; and the prior month's CPI reading fell considerably and thereby represented a weak jumping off point for December which could push December CPI higher. **On net, we expect a sizeable jump in headline CPI from 1.2% y/y toward the 2% +/- range. The new core inflation measures, however, are impossible to forecast in advance and, from what I understand, no one within consensus will be attempting to do so.** Common component CPI is the measure that the BoC has scored more strongly than the other readings in research it has produced, and the last 1.3% y/y reading continued a divergence in the core inflation readings that matter to the BoC versus the Fed (chart 1). Diverging price and wage pressures in the two countries with Canadian wage growth at 1½ y/y versus 2.9% in the US support monetary policy divergence. Scotiabank Economics expresses divergence through a long pause by the Bank of Canada culminating in about a 100bps BoC undershoot of the Fed's policy rate into 2018.

Retail sales are coming off of a very strong prior month that registered a 1.1% m/m rise in the dollar value of sales and a 0.6% m/m rise in the volume of sales. This high base effect combined with weak wage growth of just over 1% may put downside risk to the holiday shopping season, but upside risk comes from almost 150,000 jobs being created over the second half of last year as well as the large increase in child benefits payments. It's possible that not all of the child benefits will be spent; it's also possible that leverage will be applied given mortgage applications include child benefits as an income source. PM Trudeau, however, recently remarked that this year's Budget would have "things to say" on tax and that tax fairness is the issue which, of course, is often code for upper income earners taking yet another tax hit relative to lower income earners including in the last Budget.

Manufacturing shipments should clock a healthy rise following the prior month's weakness but also in the wake of very strong export figures.

Canada also auctions 5s on Thursday.

Chart 1



UNITED STATES — YELLEN AND CPI COULD CRASH THE PARTY

US markets will start the week shut on Monday in celebration of a progressive American, Martin Luther King Jr. They will end the week watching Donald Trump take the Oath of Office and become the 45th President of the United States of America. In between will be earnings, key data like CPI, and a pair of addresses by Fed Chair Yellen.

If addresses over 140 characters from learned individuals still strike your fancy, then **Fed Chair Yellen speaks** on Wednesday (Commonwealth Club in San Francisco) and Thursday (invitation-only at the Stanford Institute For Economic Policy Research). **From a market standpoint, she could well crash the party that will unfold in Washington at week's end by repeating warnings about applying excessive fiscal stimulus at or near the point of full employment.** The week also brings out voting regional Presidents Dudley, Kashkari and Harker as well as San Fran's Williams who votes next year.

The week ends with President-elect Donald Trump formally being sworn in as President on Friday following galas and celebrations the night before. Inauguration Day is all about pomp and circumstance, protests, galas and parades ([here](#), for one outline of events). Markets shouldn't expect anything by way of meaningful policy signals on a day that's more focused upon designer labels. You'll find a like-minded gathering to suit your stripes somewhere in Washington, with two examples being a "[Thanks, Obama](#)" gathering, and a [DeploraBall](#) for Trump supporters who kept their ball caps.

Data risk will be concentrated on the latest CPI print for December on Wednesday. Headline inflation could be a doozy with the first CPI print above 2% y/y since briefly flirting with such territory in mid-2014. CPI was above 2% for 14 months over 2014 and early 2015 as the longest such stretch in the post-Global Financial Crisis era. Core inflation will be watched more closely and is expected to remain just above 2% y/y and has been above 2% since November of 2015. **With inflation crossing the Fed's 2% Rubicon, wage inflation at 2.9% y/y and the output gap almost shut (chart 2), fiscal policy is at risk of doing what it seems to do time and again: arrive late to the party and create unwanted troubles for the economy and markets.**

Also watch a **trio of industrial readings** including December industrial production on Wednesday (with the hope it follows global readings higher), Tuesday's Empire manufacturing gauge and Thursday's Philly Fed diffusion index. **Housing starts** (Thursday) round out semi-major hits, and weekly jobless claims will begin to temporarily push into the holiday-free period before the next week risks being distorted by both the Martin Luther King Jr. holiday and Inauguration Day when Washington closes down for the party.

Earnings season intensifies but much of the focus will remain on financials before we broaden out into the nonfinancials in key sectors that may be exposed to negative USD effects as outlined in last week's *Global Week Ahead*. Recall that Fed research points to a 10/4 rule of thumb in that a 10% trade-weighted appreciation in the dollar drops earnings by about 4% for the nonfinancials group ex-energy and ex-utilities. Thirty-three firms listed on the S&P500 release next week including names like Morgan Stanley, Citi, Goldman Sachs, Netflix, Keycorp, BoNYM, Celanese, American Express and GE.

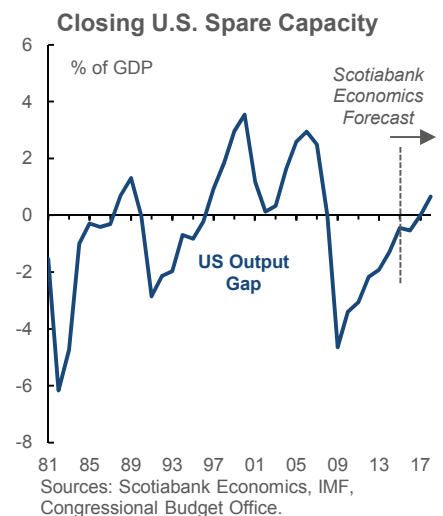
The only auction is a reopening of 10 year TIPS on Thursday.

ASIA — 6.7%?

China releases Q4 GDP growth figures next Thursday evening eastern time. That might get most of the attention for Asia-watchers, with global spillover effects, but there's a good case for it not to. Our model estimate considers the following inputs:

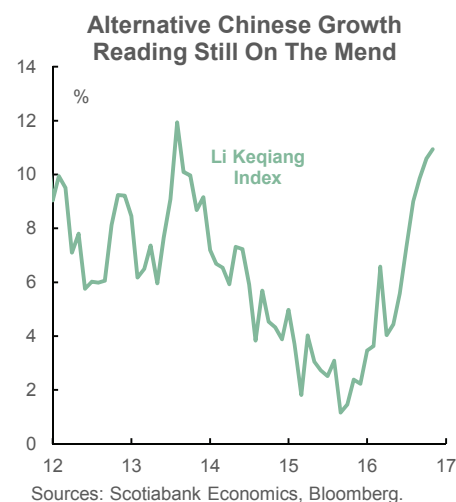
- What was China's GDP growth rate in Q1 of last year? 6.7% y/y.
- What was China's GDP growth rate in Q2 of last year? 6.7%.
- What was it in Q3 of last year? Golly, 6.7% again.

Chart 2



Things were really different over the final two quarters of 2015 when growth was 6.8% in '15Q4 and 6.9% in '15Q3. Perhaps sarcasm doesn't come across clearly in print, so let me point to chart 3 to reinforce the message. An assortment of growth signals out of China have been on the mend of late including the Bloomberg version of a Li Keqiang index. This index weights railcar loadings, electricity consumption and aggregate financing because Premier Li's famous discussion with the US Ambassador leaned toward such alternatives to 'manmade' GDP figures. **Such alternative growth readings have improved markedly** over the past year and are perceived to be less open to potential manipulation than GDP. China doesn't help the case for viewing its GDP figures credibly when a) it releases them for such a large economy much sooner than any other major economy; b) quarterly growth has been remarkably constant for so long, which is improbable although statistically possible, and c) China of course always gets the first quick print bang on and never revises the numbers by contrast to practices elsewhere. **There was a time when China-skeptics beat the drum warning people to ignore the alternative growth readings and to instead discount GDP figures; with the trend in alternative growth readings outperforming the GDP figures, those voices are now conspicuously absent.** China also releases December updates for property prices, retail sales and industrial production next week.

Chart 3



Bank Indonesia and Bank Negara Malaysia are expected to keep policy on hold next week. **Australia releases the latest jobs print** for December on Thursday. Somewhat like Canada, but to a lesser degree, Australia's job market has surpassed expectations over the past couple of months. Trade figures from India and Indonesia may also be updated.

EUROPE — DRAGHI'S OPTIMISM VERSUS MAY'S HARD CHOICES

UK Prime Minister Theresa May delivers what is being billed as a major policy speech on Tuesday and that may compete with the European Central Bank's latest policy decision and President Draghi's press conference next Thursday as the main focal point in European markets. Data risk will incrementally inform tracking of growth and inflation in the UK and German economies but should be of far less consequence. The World Economic Forum occurs in Davos for the whole week but aside from endless interviews nothing material ever results that is of relevance to markets.

Our Paris-based Eurozone strategist Frédéric Prêtet shares his ECB preview of what to expect on page 6. He sensibly points out that **after extending the QE program to December 2017 at the December 8th meeting last year, ECB policy will remain on hold this time.** Recall that expectations had been for a six-month extension of purchases to September at an unchanged €80 billion monthly pace which would have added €480 billion in extra purchases relative to the prior plan to allow the QE program to expire in March. Instead, €540 billion of purchases were added by extending QE for longer (to December) albeit at a reduced monthly pace of €60 billion. Markets were conflicted in how to read the greater-than-expected size of the stimulus extension versus the slower pace and the optionality over potentially extending again if needed. The sharp improvements in various growth and inflation indicators since then suggest that Draghi may adopt a more upbeat tone. That might also be reflected in the ECB's latest Survey Of Professional Forecasters that is likely to be released toward the end of the week. Fred thinks that by the next meeting on March 9th, the ECB may sound more hawkish, obviously depending upon the further evolution of data and markets. If so, then the whole assumption that the Fed will shape currency markets because it is the only central bank to be gradually exiting from extraordinarily easy monetary policy may be at least partially revisited from a market pricing standpoint; the ECB is nowhere close to exiting and there are deep-seated political risks facing the Eurozone this year, but at the margin, a more positive outlook at the ECB can quite easily influence lopsided relative trades like EURUSD since the US election.

UK Prime Minister Theresa May is expected to deliver a speech on Tuesday that may outline detailed plans for exiting the European Union. Is it right to suggest that the UK will "blink first" as Malta's finance minister recently put it? The tone of comments provided over the weeks and months since last summer's vote has suggested that the UK may be forced into the position of a hard Brexit that imposes more currency pain as opposed to an amicable divorce where the country is allowed to cherry-pick the things it wants from the EU.

BoE Governor Carney speaks again on Monday at the London School of Economics on “Policy Issues Affecting the Bank of England.” It’s not clear what more Carney could say after his recent comments, but speaking the day before the Prime Minister’s address may complicate his immediate task at hand somewhat. Carney — like Draghi — also has cause for somewhat more optimism in the face of data upsides that suggest the UK economy has weathered the initial Brexit shock rather well, due in no small part to the flexible exchange rate shock absorber and Carney’s own actions in the immediate aftermath. Carney recently signalled that bank capital requirements against risk-weighted assets may be raised if data and credit cycle upsides continue after he reduced requirements following the Brexit outcome. Carney also noted “Recent data would be consistent with a further upgrade of our forecasts” and “the scale of the immediate risks around Brexit have gone down for the U.K.”

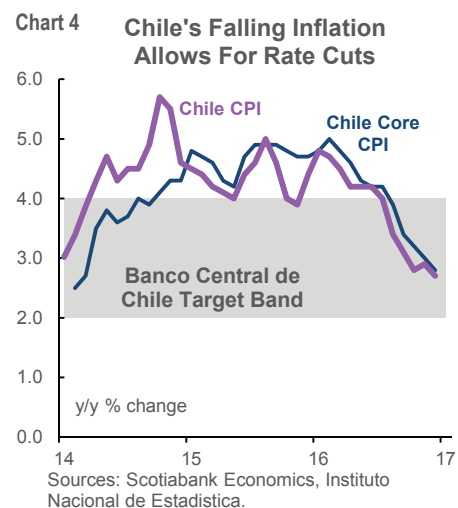
Once again, one might be tempted to conclude that the BoE is another case of a gradually shifting central bank bias that may further soften the allure of the greenback’s lopsided post-US-election trade relative to major currencies. In this case, that could be very premature. **With an Article 50 application pending within the next couple of months and hard Brexit worries still a concern, how leaving the E.U. plays out over the longer-run and concomitant risks indicate the merits of ongoing policy caution.** The EU can thrive without the UK easier than the UK can thrive without the EU and so the relative implications for currency markets can quite easily be less bearish for the euro and still more bearish for the pound.

With such developments at hand, obsessing over near-term data wiggles is likely unwise. For the scorekeepers, UK CPI (Tuesday), jobs data (Wednesday) and retail sales (Friday) will be watched. Across the channel, the focus will primarily be upon Germany’s ZEW survey indicating expectations for future growth and will be digested alongside potential CPI revisions for the month of December across the Eurozone.

LATIN AMERICA — WILL CHILE CUT RATES AS INFLATION DROPS?

Banco Central de Chile’s rate decision on Thursday will be the main focal point by way of regional developments even if any market effects are overwhelmed by global factors which is likely.

Chile’s central bank is expected to cut its overnight rate target by 25bps to 3.25% and Scotiabank’s on-the-ground Chilean economist Benjamin Sierra is onside with such expectations. The central bank’s inflation target range runs between 2-4% and the latest inflation reading for December fell back to toward the lower half of that band at 2.7% (chart 4). Inflation in Chile has rapidly retreated from a peak of 5.7% y/y just over a couple of years ago. Inflation was running at 4% as recently as five months ago. The speed with which inflation is under downward pressure is motivating a more accommodative policy stance.



Feature Article

ECB Preview: No Change But Sounding Less Dovish

REMOVING THE “DOWNSIDE RISK” TO GROWTH?

- Following the decision to prolong its QE program up to December 2017 at its last meeting, we do not expect much from the ECB this week. The statement at the press conference could also remain roughly unchanged although the tone of the press conference could reflect a stronger confidence inside the board regarding the economic outlook. Indeed, over the past month:
 - Activity data have continued to surprise on the upside with, for example, Eurozone economic confidence index reaching in December its highest level in almost five years. Furthermore, hard data showed the first signs of catching up with bullish surveys through, in particular, a strong rise in industrial production in November. So, Q4 2016 and Q1 2017 are on track to deliver decent acceleration in GDP growth. At the global level also, business sentiment proved also more resilient than expected following Trump’s election. This suggests the possibility of stronger export growth than previously thought. This change is important as lower external demand has been a key argument behind the “downside risk” to the Eurozone growth outlook and minutes from the December meeting mentioned that “*the external outlook was perceived to be rather uncertain*”. So, it could be important to see if the ECB removes this “downside risk” in its statement as soon as this meeting or waits for the March meeting.
 - Inflation data have also accelerated, up to 1.1% y/y in December from 0.6% y/y the previous months. Core inflation even drifted slightly higher from 0.8% y/y to 0.9% y/y. However, this level still remains below the 1.0% y/y mark (in the “high deflationary risk” area for the ECB) and the central bank is also well aware that seasonality swings make the trend on core inflation difficult to read at this time of the year. This lack of visibility would, in our view, still keep the ECB on a cautious mode for the time being

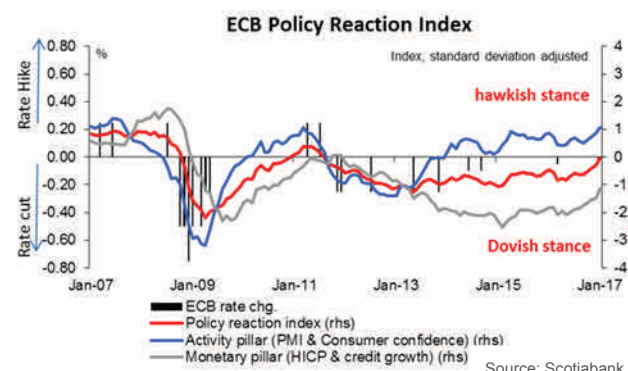
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AND THE ECB MAY SOUND MORE HAWKISH BY MARCH

- In view of the current macroeconomic developments, there are therefore arguments to suggest that the tone of the ECB board could gradually turn more hawkish. While it looks premature at this meeting, we think this shift could start taking place at the March meeting when the ECB will probably upgrade its economic forecasts.
- We have updated our indicator on the ECB’s policy reaction which, in the past, used to be a reliable index to track the shift in the monetary policy. It is based on two factors, a monetary and an activity pillar. The former tracks the deviation of headline inflation vs. the ECB’s price target of 2.0% as well as credit growth vs. their long term average. The latter is based on the deviation of both the PMI manufacturing and consumer confidence index vs. their long term averages. In view of recent data, the activity pillar is already well above its long term average while the monetary pillar is still below. So, on average, our ECB’s policy reaction index is back to its long term average, implying that the ECB could be in a “wait and see” mode. However, in view of coming inflation data, the signal sent by the monetary pillar will further improve, pushing our policy reaction index gradually above its long term average, on the “hawkish side”. We could thus see the tone of the ECB gradually adjusting to this move and turning less and less dovish.

Chart 1: ECB’s Policy Index To Move To The Hawkish Side



Feature Article

Bank of Canada Preview — Better Data, Still Uncertain

Macroeconomic data may have improved and headline inflation is on the rise, but these necessary but not sufficient conditions for a more hawkish bias shift at the Bank of Canada will instead encounter a patient stance. The rate statement hits the tapes at 10amET on Wednesday along with the Monetary Policy Report and its full set of forecast updates. Governor Poloz and Senior Deputy Governor Wilkins hold a joint press conference 75 minutes later. Because Fed Chair Yellen speaks twice after the BoC announcements next week, it's possible that a hawkish sounding Fed will do any of the Bank of Canada's residual policy work for it on the C\$ should the BoC feel the need to retain a cautious but more balanced stance than previously.

OIS markets are convinced there will be no policy change next week with the overnight rate holding at 0.5% and are pricing about a 30% probability of a hike by year's end. Cut talk has disappeared but could be resurrected if the new incoming US administration revisits NAFTA or tears up the agreement (note the Obamacare tear-first approach) while imposing a border import tax. Recall, however, that on this point Poloz stated before the last policy decision that "We only incorporate actually announced policy changes, and there haven't been any of those." There still have not been, either good or bad, but note the difference with FOMC officials as many have started to incorporate speculative US policy changes into their forecasts. Nevertheless, trade policy uncertainty matters an awful lot to Canada. One-third of GDP is derived from exports, and the BoC needs to see a sustained trend of export growth that rotates the economy away from excess reliance upon household sector activity. Until it does, it would be more than a tad unwise to shift toward sounding more hawkish at this juncture.

Absent such issues, expect the BoC to otherwise acknowledge a firmer economy than it anticipated the last go-around. In the October MPR, the BoC forecast 3.2% Q3 growth and 1.5% Q4 growth, whereas Q3 turned out to be 3.5% and we think Q4 ran at about 2.5%. There is a little less slack now. In fact, after matching the US on growth during Q3, it is possible that Canada matched US growth in Q4 with the Atlanta Fed tracking 2.9% Q4 US growth and may have even beaten US growth albeit partly due to vastly reduced import leakage effects. About 200,000 jobs were created in Canada since July which blew consensus expectations out of the water by a cumulative 213,000 jobs! Export growth is tracking at 2.8% q/q in Q4 in volume terms after about a 9% rise in Q3 which may signal that C\$ and US growth effects on Canadian exports picked up over the whole back half of 2016. Further, the Bank of Canada's Business Outlook Survey came in so strong across the board that it should allay at least some of the BoC's concerns about business confidence compared to when it stated last month that "uncertainty, which has been undermining business confidence and dampening investment in Canada's major trading partners, remains undiminished." That might be enough to bring back reference to the balance of risks compared to its omission last time. As for the currency, it hasn't done that much on net since the December statement; it is now only about 1.5 cents stronger versus the USD.

Nevertheless, wage growth is running at half that of the US (chart 3), and even though headline inflation will likely spike to around 2% y/y next week, the BoC's preferred common-component measure of core CPI is only sitting at 1.3% y/y (chart 2). The criteria for policy divergence from the Fed are thus focused upon less traction on inflation risks.

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Chart 1

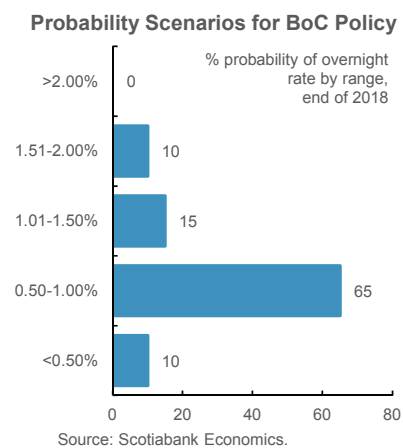


Chart 2

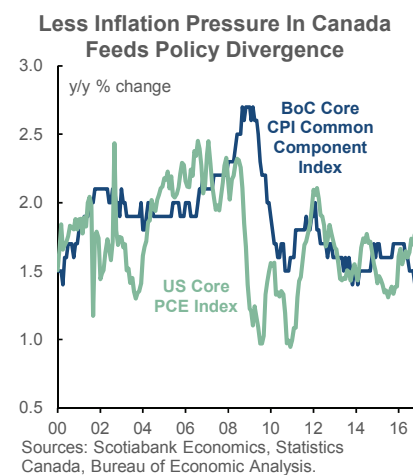
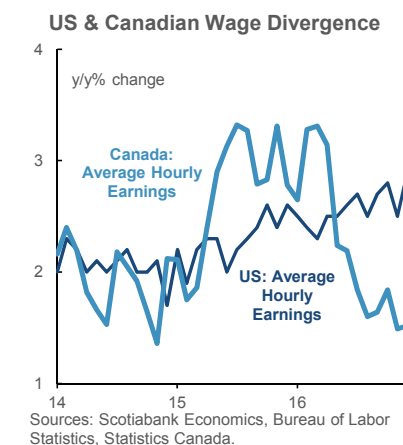


Chart 3



Key Indicators for the week of January 16 – 20
NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	01/17	08:30	Empire State Manufacturing Index	Jan	--	8.0	9.0
US	01/18	07:00	MBA Mortgage Applications (w/w)	JAN 13	--	--	5.8
US	01/18	08:30	CPI (m/m)	Dec	0.3	0.3	0.2
US	01/18	08:30	CPI (y/y)	Dec	2.1	2.1	1.7
US	01/18	08:30	CPI (index)	Dec	--	241.5	241.4
US	01/18	08:30	CPI ex. Food & Energy (m/m)	Dec	0.2	0.2	0.2
US	01/18	08:30	CPI ex. Food & Energy (y/y)	Dec	2.1	2.1	2.1
US	01/18	09:15	Capacity Utilization (%)	Dec	75.3	75.5	75.0
US	01/18	09:15	Industrial Production (m/m)	Dec	0.5	0.6	-0.4
CA	01/18	10:00	BoC Interest Rate Announcement (%)	Jan 18	0.50	0.50	0.50
US	01/18	10:00	NAHB Housing Market Index	Jan	--	69.0	70.0
US	01/18	16:00	Total Net TIC Flows (US\$ bn)	Nov	--	--	18.8
US	01/18	16:00	Net Long-term TIC Flows (US\$ bn)	Nov	--	--	9.4
CA	01/19	08:30	International Securities Transactions (C\$ bn)	Nov	--	--	15.8
CA	01/19	08:30	Manufacturing Shipments (m/m)	Nov	1.0	--	-0.8
US	01/19	08:30	Building Permits (000s a.r.)	Dec	1230	1220	1212
US	01/19	08:30	Housing Starts (000s a.r.)	Dec	1220	1200	1090
US	01/19	08:30	Housing Starts (m/m)	Dec	11.9	10.1	-18.7
US	01/19	08:30	Initial Jobless Claims (000s)	JAN 14	260	252	247
US	01/19	08:30	Continuing Claims (000s)	JAN 7	2090	--	2087
US	01/19	08:30	Philadelphia Fed Index	Jan	17.0	15.1	19.7
CA	01/20	08:30	CPI, All items (m/m)	Dec	0.2	--	-0.4
CA	01/20	08:30	CPI, All items (y/y)	Dec	1.9	--	1.2
CA	01/20	08:30	CPI, All items (index)	Dec	--	--	128.6
CA	01/20	08:30	Retail Sales (m/m)	Nov	0.5	--	1.1
CA	01/20	08:30	Retail Sales ex. Autos (m/m)	Nov	0.7	--	1.4
MX	01/20	09:00	Unemployment Rate (%)	Dec	3.3	--	3.5

EUROPE

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
IT	01/16	04:00	CPI - EU Harmonized (y/y)	Dec F	--	0.5	0.5
EC	01/16	05:00	Trade Balance (€ mn)	Nov	--	24.0	20.1
FR	01/17	02:45	Central Government Balance (€ bn)	Nov	--	--	-85.5
UK	01/17	04:30	CPI (m/m)	Dec	--	0.3	0.2
UK	01/17	04:30	CPI (y/y)	Dec	--	1.4	1.2
UK	01/17	04:30	PPI Input (m/m)	Dec	--	2.4	-1.1
UK	01/17	04:30	PPI Output (m/m)	Dec	--	0.4	0.0
UK	01/17	04:30	RPI (m/m)	Dec	--	0.4	0.3
UK	01/17	04:30	RPI (y/y)	Dec	--	2.3	2.2
EC	01/17	05:00	ZEW Survey (Economic Sentiment)	Jan	--	--	18.1
GE	01/17	05:00	ZEW Survey (Current Situation)	Jan	--	65.0	63.5
GE	01/17	05:00	ZEW Survey (Economic Sentiment)	Jan	--	19.0	13.8
GE	01/18	02:00	CPI (m/m)	Dec F	--	0.7	0.7
GE	01/18	02:00	CPI (y/y)	Dec F	--	1.7	1.7
GE	01/18	02:00	CPI - EU Harmonized (m/m)	Dec F	--	1.0	1.0
GE	01/18	02:00	CPI - EU Harmonized (y/y)	Dec F	--	1.7	1.7
UK	01/18	04:30	Average Weekly Earnings (3-month, y/y)	Nov	--	2.6	2.5
UK	01/18	04:30	Employment Change (3M/3M, 000s)	Nov	--	-35.0	-6.0
UK	01/18	04:30	Jobless Claims Change (000s)	Dec	--	5.0	2.4
UK	01/18	04:30	ILO Unemployment Rate (%)	Nov	--	4.8	4.8
EC	01/18	05:00	CPI (m/m)	Dec	--	0.5	0.5
EC	01/18	05:00	CPI (y/y)	Dec F	--	1.1	1.1
EC	01/18	05:00	Euro zone Core CPI Estimate (y/y)	Dec F	--	0.9	0.9
EC	01/19	04:00	Current Account (€ bn)	Nov	--	--	28.4
IT	01/19	04:30	Current Account (€ mn)	Nov	--	--	6086
EC	01/19	07:45	ECB Main Refinancing Rate (%)	Jan 19	0.00	0.00	0.00
GE	01/20	02:00	Producer Prices (m/m)	Dec	--	0.4	0.3
UK	01/20	04:30	Retail Sales ex. Auto Fuel (m/m)	Dec	--	-0.4	0.5
UK	01/20	04:30	Retail Sales with Auto Fuel (m/m)	Dec	--	-0.1	0.2

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

Key Indicators for the week of January 16 – 20
ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Indicator</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>
JN	01/15	18:50	Machine Orders (m/m)	Nov	--	-1.4	4.1
JN	01/15	23:30	Tertiary Industry Index (m/m)	Nov	--	0.2	0.2
ID	JAN 15-16		Exports (y/y)	Dec	--	14.1	21.3
ID	JAN 15-16		Imports (y/y)	Dec	--	3.4	9.9
ID	JAN 15-16		Trade Balance (US\$ mn)	Dec	--	902.0	837.8
PH	JAN 15-16		Overseas Remittances (y/y)	Dec	--	14.5	-3.0
JN	01/16	01:00	Machine Tool Orders (y/y)	Dec P	--	--	-5.6
IN	01/16	01:30	Monthly Wholesale Prices (y/y)	Dec	--	3.5	3.2
AU	01/16	19:30	Home Loans (%)	Nov	--	0.0	-0.8
AU	01/16	19:30	Investment Lending (% change)	Nov	--	--	0.7
AU	01/16	19:30	New Motor Vehicle Sales (m/m)	Dec	--	--	-0.6
SI	01/16	19:30	Exports (y/y)	Dec	--	7.0	11.5
JN	01/16	23:30	Capacity Utilization (m/m)	Nov	--	--	1.5
JN	01/16	23:30	Industrial Production (y/y)	Nov F	4.6	--	4.6
MA	01/17	23:00	CPI (y/y)	Dec	1.9	1.9	1.8
HK	JAN 17-19		Composite Interest Rate (%)	Dec	--	--	0.26
NZ	01/18	16:30	Business NZ PMI	Dec	--	--	54.4
NZ	01/18	19:00	ANZ Consumer Confidence Index	Jan	--	--	124.5
AU	01/18	19:30	Employment (000s)	Dec	--	10.0	39.1
AU	01/18	19:30	Unemployment Rate (%)	Dec	5.7	5.7	5.7
ID	JAN 18-19		BI 7-Day Reverse Repo Rate (%)	Jan 19	4.75	4.75	4.75
MA	JAN 18-19		Overnight Rate (%)	Jan 19	3.00	3.00	3.00
PH	JAN 18-19		Balance of Payments (US\$ mn)	Dec	--	--	-1671
PH	JAN 18-31		Budget Deficit/Surplus (PHP bn)	Dec	--	--	-19.1
HK	01/19	03:30	Unemployment Rate (%)	Dec	3.3	--	3.3
AU	01/19	19:00	HIA New Home Sales (m/m)	Nov	--	--	-8.5
CH	01/19	21:00	Fixed Asset Investment YTD (y/y)	Dec	8.3	8.3	8.3
CH	01/19	21:00	Industrial Production (y/y)	Dec	6.1	6.1	6.2
CH	01/19	21:00	Real GDP (y/y)	4Q	6.7	6.7	6.7
CH	01/19	21:00	Retail Sales (y/y)	Dec	10.6	10.7	10.8
JN	01/20	00:30	Nationwide Department Store Sales (y/y)	Dec	--	--	-2.4
TA	01/20	03:00	Export Orders (y/y)	Dec	--	9.0	7.0

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>
PE	01/16		Economic Activity Index NSA (y/y)	Nov	2.8	--	2.1
PE	01/16		Unemployment Rate (%)	Dec	--	--	5.8
CO	01/18	14:00	Retail Sales (y/y)	Nov	--	--	-0.7
CL	01/19	16:00	Nominal Overnight Rate Target (%)	Jan 19	3.25	3.25	3.50

Global Auctions for the week of January 16 – 20**NORTH AMERICA**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CA	01/19	12:00	Canada to Sell 5-Year Bonds
US	01/19	13:00	U.S. to Sell 10-Year TIPS Reopening

EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
GE	01/17	05:30	Germany to Sell EUR5 Bln 0% 2018 Bonds
NO	01/18	05:05	Norway to Sell Bonds
UK	01/18	05:30	U.K. to Sell GBP2.75 Bln 0.5% 2022 Bonds
SP	01/19	04:30	Spain to Sell Bonds
FR	01/19	04:50	France to Sell Bonds
FR	01/19	05:03	Sweden to Sell I/L Bonds
FR	01/19	05:50	France to Sell I/L Bonds
IC	01/20	06:30	Iceland to Sell Bonds

ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
JN	01/16	22:45	Japan to Sell 20-Year Bonds
CH	01/17	21:35	China to Sell 3-Yr Bonds
CH	01/17	21:35	China to Sell 7-Yr Bonds
AU	01/18	18:30	Australia Plans to Sell AUD500 Mln Bills Maturing Apr 28, 2017
NZ	01/18	20:05	New Zealand Plans to Sell NZD200 Mln 2.75% 2025 Bonds
JN	01/18	22:45	Japan to Sell 5-Year Bonds
AU	01/19	19:00	Australia Plans to Sell AUD600 Mln 3.25% 2029 Bonds

LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
BZ	01/19	09:00	Brazil to Sell Fixed Rate Bonds

Events for the week of January 16 – 20

NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	01/17	08:45	Fed's Dudley Speaks on Consumer Behavior in New York
US	01/17	18:00	Fed's Williams Speaks in Sacramento
CA	01/18	10:00	Bank of Canada Rate Decision
CA	01/18	10:00	Bank of Canada Releases January Monetary Policy Report
US	01/18	11:00	Fed's Kashkari Speaks on Economy in Minneapolis
CA	01/18	11:15	BOC's Poloz and Wilkins Hold Press Conference in Ottawa
US	01/18	15:00	Fed's Yellen Speaks in San Francisco
US	01/19	20:00	Fed's Yellen Speaks at Stanford
US	01/20	09:00	Fed's Harker Speaks in New Jersey on Economic Outlook
US	01/20	13:00	Fed's Williams Speaks at Event at San Francisco Fed

EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
ec	01/16	03:00	ECB's Villeroy Speaks in Paris
UK	01/16	07:30	ECB's Mersch speaks in Helsinki
UK	01/16	10:30	ECB Executive Board's Peter Praet on Panel in Paris
UK	01/16	13:30	Carney Speaks at London School of Economics
SZ	01/16		World Economic Forum Annual Meeting
SW	01/17	09:30	Riksbank's Skingsley Speech
GE	01/18	04:15	Merkel, Gentiloni Speak at German-Italian Economic Forum
EC	01/18	05:45	ECB's Nouy speaks in Koblenz, Germany
NO	01/18	10:50	Norges Bank Governor Olsen Addresses Oslo Stock Exchange
PO	01/18	11:00	Portugal's Costa Speaks at Event on Family-Owned Businesses
EC	01/19	07:45	ECB Main Refinancing Rate
EC	01/19	08:30	ECB Press Conference
EC	01/19	18:00	ECB's Coeure attends World Economic Forum in Davos
IR	01/20		Ireland Sovereign Debt to be rated by Moody's

ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CH	01/15		China's Xi Jinping Makes State Visit to Switzerland
MA	01/18	00:00	BNM Overnight Policy Rate
ID	01/18	00:00	Bank Indonesia 7D Reverse Repo
EC	01/19	22:40	BOJ's Nakaso Speech

LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CL	01/19	16:00	Overnight Rate Target

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	6.00	--

Bank of Canada: No policy change is expected next week but a cautious bias is likely to be retained. Stronger macro data buys the BoC some time to assess US policy risks and spillover effects on Canada. Please see page 7 for a fuller preview.

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	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	--

ECB: No policy change is expected at next week's meeting since the ECB only just extended stimulus at its last meeting. Stronger data might buoy spirits at the ECB. Please see page 6 for a fuller preview.

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	February 23, 2017	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	4.75

Bank Indonesia: BI will hold a monetary policy meeting on January 19th. We expect the central bank to leave the benchmark interest rate unchanged at 4.75%; given elevated global uncertainties, we do not foresee further interest rate reductions over the coming months.

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	13.00	February 22, 2017	12.50	--
Banco Central de Chile – Overnight Rate	3.50	January 19, 2017	3.25	3.25
Banco de la República de Colombia – Lending Rate	7.50	January 30, 2017	7.25	7.25
Banco Central de Reserva del Perú – Reference Rate	4.25	February 9, 2017	4.25	--

Banco Central de Chile: Scotia expects Chile's central bank to cut its policy rate by 25bps next week as inflation has fallen back toward the lower half of the inflation target range.

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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