January 26, 2017

SHIFTING RISKS AT THE FED, BoE AND THE BoJ

- United States—Weeks Until The Minutes 2-3
- Canada—Past Growth, Future Directions 3-4
- Asia—The BoJ, Chinese Sentiment And The Aftermath Of The US Election 4-5
- Europe—Improved Fundamentals, But A Still-Cautious BoE 5
- Latin America—Can Mexico Repeat Solid Growth? 6

FEATURE ARTICLES

- Bank of England Preview 7
  Alan Clarke
- FOMC Preview—A Delayed Balance Sheet Fuse? 8-9
  Derek Holt

FORECASTS & DATA

- Key Indicators A1-A3
- Global Auctions Calendar A4
- Events Calendar A5
- Global Central Bank Watch A6

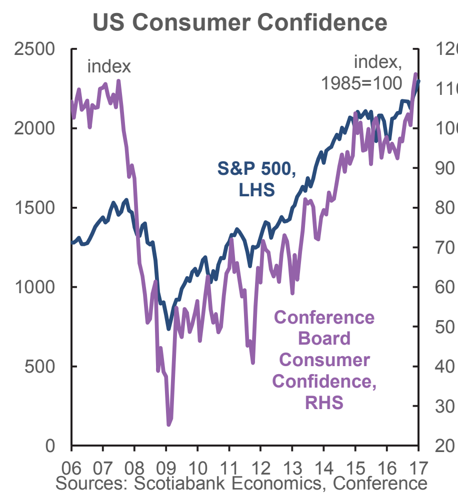
CONTACTS

Derek Holt, VP & Head of Capital Markets Economics
416.863.7707
Scotiabank Economics
derek.holt@scotiabank.com

Next Week's Risk Dashboard

- Federal Reserve
- BoE
- BoJ
- Russian CB
- BoC's Poloz
- US nonfarm
- Chinese PMIs
- US macro hits
- GDP: Canada, Mexico, Eurozone
- Eurozone CPI, consumers
- Asian CPI, export hits
- Japan's monthly data dump
- Earnings season continues

Chart of the Week



Sources: Scotiabank Economics, Conference Board, Bloomberg.

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

Shifting Risks At The Fed, BoE And The BoJ

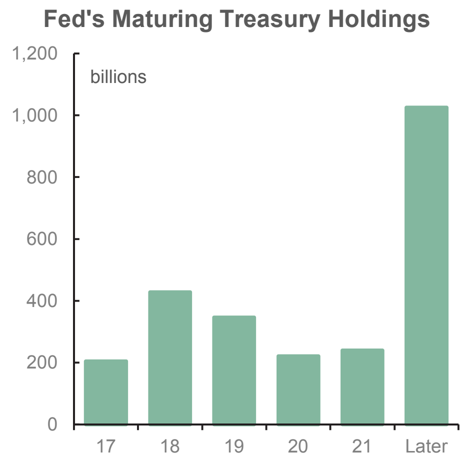
UNITED STATES—WEEKS UNTIL THE MINUTES

Next week is going to be jam-packed with key market risks including the FOMC meeting, first tier data, and earnings. The FOMC meeting may be a slow fuse risk that reappears with a bang in the minutes to the meeting weeks later and so the more pressing market risks may be data focused.

The Federal Reserve Open Market Committee meeting on Tuesday and Wednesday should be largely a placeholder at this point until further information on Washington's broader fiscal, regulatory and trade policies becomes clearer. **The main risk is a deeper discussion on balance sheet management** with the emphasis upon the criteria and potential timing for reduced reinvestment of maturing Treasuries and principal payments on agency and MBS holdings. That discussion is unlikely to be revealed until either individual Fed speakers provide some colour or the FOMC minutes arrive on February 22nd. It is becoming increasingly important to receive guidance well ahead of the large rise in maturing Treasury holdings next year (chart 1). See pages 8-9 for a fuller discussion on rate guidance and balance sheet management signals.

Data risk will also figure prominently in next week's market risks and perhaps more so than the FOMC statement. This can be lumped into the following three categories. The print of the week could well be wage growth on Friday and it could well moderate a touch.

Chart 1



Sources: Scotiabank Economics, Federal Reserve Bank of New York.

1. Jobs & Wages

- **Nonfarm payrolls** for January: We expect +165k but watch for the risk that the year-ago rate falls back somewhat. Some of the spike to 2.9% y/y in December's wage gain was driven by year-ago base effects as the average hourly wage slipped a touch from November 2015 to December 2015 and this pushed the December 2016 year-ago wage gain higher in percentage terms. Also note that the recently announced hiring freeze for the Federal government is unlikely to impact payrolls given it accounted for a tiny 3,000 jobs per month on average over 2016H2 and has barely budged for years (chart 2).

- **ADP private payrolls** will be released two days prior to nonfarm.

2. Household Sector

- **Incomes, consumer spending and the Fed's preferred inflation measure** will be released on Monday and cover the final month of 2016. Consumption should follow the already released retail sales report (+0.6% m/m) materially higher. The PCE deflator should follow at least some of the already known upward jump in year-ago CPI inflation higher after it went from 1.7% y/y in November to 2.1% y/y in December. Core PCE prices are rising by about a half percentage slower pace than core CPI (2.2%) but may come under similarly mild upward pressure.

- **The Conference Board's consumer confidence** yardstick (Tuesday) and **vehicle sales** for January (Wednesday) will inform consumer sentiment especially regarding big-ticket purchases.

- **Relatively minor housing data** will include pending home sales for December and the S&P Case-Shiller repeat-sales house price metric for November.

Chart 2

Sources: Scotiabank Economics, Bureau of Labor Statistics.

3. **The Industrial Sector**

- **ISM manufacturing:** Will Wednesday's print for January follow measures like the Philly Fed higher after it unexpectedly rose to the highest reading since a brief spike back in November 2014?
- **ISM services:** Friday's January release is expected to hold in around the highest reading since October 2015.
- **Factory orders:** December's estimate on Friday will probably just follow the 2.6% rise in durable goods orders higher with the new information being what happened to nondurable goods orders.
- The Dallas Fed survey of regional manufacturing conditions and the Chicago Fed's PMI will marginally inform industrial tracking in January on Monday and Tuesday, respectively.
- **Construction spending:** It could well prove challenging to follow up the 0.9% gain in November with another rise in December at least in terms of the likelihood of a similar magnitude.

And finally we have **earnings risk next week**. 103 firms listed on the S&P500 release earnings over the coming week. Some of the key names put the emphasis upon tech and pharmaceuticals and will include Apple, Facebook, Amazon.com, Exxon and other energy plays, Pfizer, Merck, Mastercard, Visa, MetLife and UPS.

CANADA—PAST GROWTH, FUTURE DIRECTIONS

Backward-looking albeit solid growth and forward-looking monetary policy risks will offer a pair of factors for markets to consider in what will otherwise be a week primarily driven by external developments. Earnings will play at best a minor role largely confined to individual stocks as opposed to influencing the market tone.

It wouldn't take a whole lot to get Q4 GDP growth in line with the Bank of Canada's revised projection for 1.6% growth, and Tuesday's **November GDP** print will further inform such risks. At present, only 0.3% annualized Q4 growth is baked in based upon what we know from Q3 and only October GDP that itself fell by 0.3%. Average monthly gains of 0.3% m/m in each of November and December would lift the quarter to 1½% growth in seasonally adjusted and annualized terms, but monthly figures don't necessarily track quarterly growth perfectly given differing measurement concepts. The BoC's Q4 forecast was issued before the solid gains in manufacturing shipment volumes and retail sales volumes were known and so the BoC may have underestimated implied growth in November a touch. Our estimate is for November GDP to have grown by about 0.4% over October and it is based upon the following:

- export volumes were up 3.5% m/m;
- manufacturing shipment volumes grew by 1.2%;
- retail sales volumes advanced 0.7%;
- wholesale sales volumes were flat (-0.1%);
- import volumes were little changed (-0.3%);
- housing starts fell 4.4% m/m all due to multis (-7.3%) as singles were flat (+0.3%) and so current month construction activity might be more robust than the multis drop would suggest;
- 10,700 jobs were created in November but they were part-time, before job creation surged forward in December by 53,700 jobs with full-time employment doing all of the work (+81k);
- hours worked climbed 1% m/m in November;

- Also note that the prior month offers soft jumping off points for a number of sectors as headline GDP fell by 0.3%, and they include October declines in each of manufacturing (-2% m/m), mining/energy (-1.2%), utilities (-1%), agriculture (-0.7%) and construction (-0.5%).

Bank of Canada Governor Stephen Poloz delivers a speech at the University of Alberta next Tuesday evening (5:35pmET) and follows it up with a press conference at 6:40pmET. His topic is “Models and the art and science of making monetary policy.” There will also be audience Q&A. It may carry dovish implications if he repeats that a cut is on the table, but I think he was largely baited on that issue and it was hugely state-contingent upon trade policy risks. The speech title suggests a premium placed upon uncertainty, however, which on net plays more toward our long pause viewpoint.

10 TSX-listed firms release earnings next week including names like BCE, Manitoba Telco, Open Text, and Genworth Canada.

Canada issues two year notes on Thursday at noon.

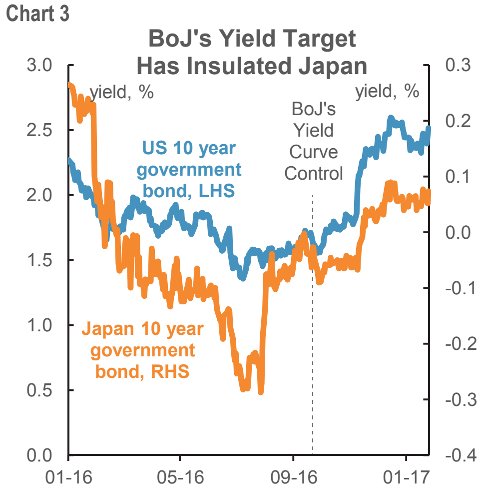
ASIA—THE BOJ, CHINESE SENTIMENT AND THE AFTERMATH OF THE US ELECTION

There will be two main events in Asia over the coming week that may impact the global market tone, and a whole lot of tertiary factors to consider that are likely to be of regional market significance at best.

The Bank of Japan issues a policy statement Tuesday evening eastern time. **It’s likely highly premature to do so, but a debate has emerged over whether the BoJ may prepare markets for raising its yield target**. Recall that on September 21st last year, the BoJ announced it would target a yield on 10 year JGBs of around 0% while leaving its short-term policy rate at -0.1%. It dubbed this new phase for Japanese monetary policy the “Yield Curve Control” program and, in the process, copied Federal Reserve efforts to target yields over the 1942-51 period when the 10 year Treasury yield was capped at 2½% alongside other caps along the curve (review here). The current Japanese experience has been a success if judged as insulating Japan’s largely closed bond market from an imported bond yield shock that intensified with the US election. Japanese yields have been steady with 10s around zero while Treasury spreads widened markedly since September when the BoJ acted (chart 3). As a consequence, this has helped to depreciate the yen from about 100 to the dollar to about 114 now but off the peak depreciation to 118 seen in mid-December 2016. Because the Bank of Japan has a long history of at first denying there were more deeply rooted problems in the economy throughout much of the 1990s, and then prematurely backed away from stimulus in 2000 and 2006, odds are that the central bank leaves well enough alone next week while tweaking forecasts that should nevertheless leave FY2017-18 growth around 1½% as advised by Governor Kuroda recently and a largely unchanged inflation profile.

The second main event may be Chinese purchasing managers’ indices that will further inform the debate over whether the economy is building momentum. The state PMIs for the non-manufacturing and manufacturing sectors arrive Tuesday evening eastern time, and the private manufacturing PMI arrives Thursday evening. Both the state and private manufacturing PMIs have shot higher as part of a global upturn (chart 4). **At risk may be whether harsh US trade policy rhetoric dampens Chinese business sentiment into 2017.** Rocking China’s economy and specifically its leverage corporate sector and state banks would be rather unwise from the standpoint of the health of the global economy.

Chart 3



Sources: Scotiabank Economics, Ministry of Finance Japan, Bloomberg.

Chart 4

Sources: Scotiabank Economics, Bloomberg, Markit, China Federation of Logistics and Purchasing.

Of local market significance with limited capacity to influence the broad global risk trade will be the following data hits:

- Japan conducts its monthly data dump over the first two days of the week when it releases retail trade, the Jobless rate, household spending, industrial production, vehicle production and housing starts all for December;
- Exports: Each of Australia, New Zealand, and South Korea issue updates;
- CPI: Thailand, South Korea and Indonesia all release inflation reports.

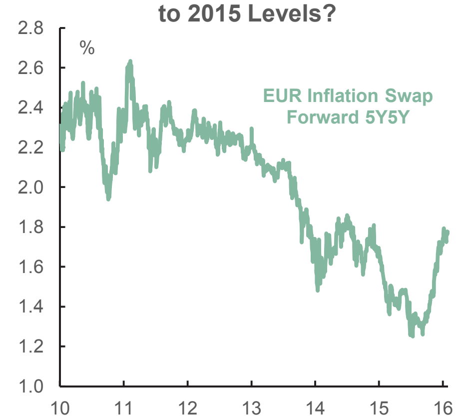
EUROPE—IMPROVED FUNDAMENTALS, BUT A STILL-CAUTIOUS BOE

Exactly how strongly the Eurozone economy ended 2016 as a hand-off to fortunes in 2017 will compete with inflation data and a Bank of England meeting for plenty of homegrown market action in Europe over the coming week.

Our London-based UK fixed income strategist/economist Alan Clarke discusses the **Bank of England** on page 7. In a nutshell, his view is that **the accompanying Quarterly Inflation Report will be mildly more hawkish or less dovish in nature** than the prior forecasts in November. Alan expects the BoE to revise growth higher, the unemployment rate lower and perhaps adjust inflation forecasts a smidge higher while tamping down any talk of tightened monetary policy any time soon in the face of slowly evolving Brexit uncertainties. Also note that well behind the BoE will be another batch of purchasing managers' indices for the manufacturing, service and construction sectors.

Chart 5

Have Eurozone Inflation Expectations Only Reverted to 2015 Levels?



Sources: Scotiabank Economics, Bloomberg.

Before markets get to the BoE on Thursday, however, **the week will start with a bang when GDP figures from across the Eurozone are released on Monday.** Most estimates for Eurozone GDP growth run between 0.3-0.5% q/q in seasonally adjusted but non-annualized terms. That would be comparable to the 0.4% growth that was registered in Q3. Expectations for Q1 also cut through a similar range of forecasts. **So where's the growth pick-up signalled by indicators like purchasing managers' indices?** If PMIs are of use here, then they may point to modest upside risk. Among individual countries, France and Spain will be in focus next week before another batch of Eurozone economies led by Germany and Italy release their individual GDP growth estimates as a Valentine's gift two weeks later.

If GDP surprises a little higher,then another wave of upsides to Eurozone inflation would add more heat to the bond market. German CPI inflation was already running at 1.7% y/y and hence the highest since July 2013 while Spanish inflation was running at 1.4% y/y for its highest rate since August 2013. Those countries had been leading upsides to Eurozone inflation of 1.1% y/y as countries like France (0.8% y/y) and Italy (0.5% y/y) weighed down broader inflationary pressures facing the ECB. A key question is whether reflation momentum can be sustained or whether much of it is simply base-effect fed as we compare readings to year-ago lows in energy prices. The backing up in Eurozone inflation expectations such as reflected in the 5y5y inflation swap suggests that longer-run inflation expectations have corrected off of earlier lows, but only back to norms that existed in 2015 while perhaps largely driven by higher spot oil prices (chart 5).

After holding its policy rate at 10% since September, **the central bank of Russia** has been focused upon bringing inflation back to target. At 5.4% y/y in December, CPI inflation remained above the 4% target but it has been sliding rapidly from the peak of almost 17% y/y in March of 2015. First Deputy Governor Ksenia Yudaeva recently noted that "Our major concern for the next year is the inflation target of 4 percent; we expect to reach that at the end of the year."

Updates on consumer spending may get the final bit of attention behind the more dominant BoE, GDP and inflation headlines. Eurozone and German retail sales plus French consumer spending growth all for the month of December will all be watched for evidence they can maintain prior upsides.

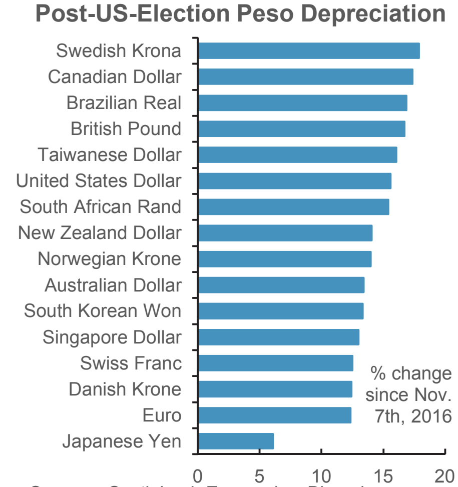
LATIN AMERICA—CAN MEXICO REPEAT SOLID GROWTH?

Can Mexico follow up the strongest growth in twelve quarters with additional growth? We'll find out when Q4 GDP arrives on Tuesday. This will be the dominant factor within LatAm markets, particularly in the context of the US-election aftermath.

Recall that, in 2016Q3, the Mexican economy grew by about 1% q/q in seasonally adjusted non-annualized terms. The last time it grew faster was in 2013Q3. Because of earlier softness, one solid quarter in '16Q3 only translated into 2% y/y growth, and consensus thinks next Tuesday's Q4 print will land at about 1.9% y/y. Currency depreciation is doing much of the shock absorber work for Mexico's economy right now in the short-run but the policy offset is higher interest rates to stem imported inflation. Since the US election, the peso has depreciated by double digit percentages against almost every major currency (chart 6).

Relatively minor data releases will get relatively fleeting attention including industrial production updates from Brazil and Chile, Chilean retail sales, and Brazilian trade.

Chart 6



Sources: Scotiabank Economics, Bloomberg.

Feature Article

Bank of England Preview

CONTACTS

Alan Clarke, Head of European Fixed Income Strategy
44.207.826.5986
Fixed Income Strategy
alan.clarke@scotiabank.com

We expect the tone of the February *Quarterly Inflation Report* (QIR) to evolve in the hawkish direction, underpinned by more upbeat growth and unemployment forecasts. Meanwhile the shift in the Bank's inflation projection is less easy to call, although on balance we suspect it gets nudged higher.

GROWTH

The latest projections contained in the November *Inflation Report* pointed to an annual average GDP growth rate of 1.4% y/y during 2017 which is in line with the latest Treasury consensus of economists (up from 1.2% in December). Our own forecast is for GDP growth of 1.6% y/y this year, with the risk of 1.7% y/y. We suspect that the Bank's projection will move into line with our own.

While 1.6-1.7% y/y GDP growth may sound very robust, particularly compared with the 2016 pace of 2.0% y/y, the annual average disguises a more sluggish quarterly pace of growth. More specifically, after growing by 0.6% q/q during Q4-2016, we expect the quarterly growth rate to slow progressively from 0.4% q/q during Q1-17, to 0.3% in Q2, then plateauing at 0.2% q/q during Q3 and Q4. The main reason for expecting a slowdown is that the rise in CPI inflation will erode household real disposable income, killing off consumer spending growth. Whatever the cause, a 0.2% q/q growth rate, if realised, is pretty feeble and underlines that the annual average growth rate should not be used as an argument for the MPC to consider getting hawkish. Beware the annual average growth rates!

UNEMPLOYMENT

The Bank's latest projection for the unemployment rate was pretty pessimistic; looking for a ½% rise to 5.4% by end-2017. While that isn't far above the latest Treasury consensus poll, it is well above our own forecast for no change in the unemployment rate (currently 4.8%). The employment components of the CIPS surveys are both at the highest for over a year. The headline CIPS readings are both in upper-50 territory. The Manpower Employment Outlook Survey (MEOS) improved in the latest quarter and is at a level consistent with faster hiring. If the level of unemployment in the official statistics can't stay robust in that environment, when can it?

INFLATION

This is one of the hardest BoE inflation projections that we have had to call for a long time. The latest BoE profile assumed that inflation rises sharply through 2017, reaching a peak of 2.83% y/y in mid-2018, before slowing to 2.7% y/y at the 2-year-ahead point and hitting 2.49% 3-years ahead. The key influences on the Bank's inflation projection are likely to be:

- The latest CPI inflation print (for December) was 1.6% y/y, which was 0.2% points higher than where the Bank had assumed it would be. We would expect there to be some follow-through into the Bank's profile two years out; most likely around 5bp or so.
- At the time of writing, the exchange rate is a little over 3.5% stronger than at the time of the November QIR and at one point was more than 5% stronger. In isolation, that would suggest a drag on headline inflation of close to 30bp.
- By contrast, the price of **oil** has rebounded by 6-7% in USD terms or just over 10% in GBP terms. In isolation, that should add around 25bp to the Bank's inflation projection.
- Last but not least, **equity prices** are more than 3% higher than in November and the signs are that **utility bills** will rise by the Autumn.

The dampening impact of the firmer GBP exchange rate, set against the likely boost from higher oil prices should largely cancel one another out. However, we suspect that the Bank may be minded to aim higher rather than lower, since the mechanical inputs into the projections are augmented with the committee's judgement.

Hence we would envisage that the peak in the Bank's inflation projection is nudged up to 3% y/y. This largely parallel upwards shift in the profile will probably mean that the crucial 2-year-ahead portion of the projection is either unchanged at 2.7% y/y or slightly higher. We would expect the 3-year-ahead point on the profile to be largely unchanged at just below 2.5% y/y.

Overall

We expect the February QIR to be mildly more hawkish (less dovish) than in November. Inflation is rising more sharply than expected (and likely to continue to do so), growth is firmer than expected and consumer credit growth is elevated. In the old days, that would have been a flashing light for a rate hike. But while we expect the market to further price in the possibility of a rate hike in the not too distant future, we doubt that the BoE will deliver. First and foremost, the Bank is only just ending policy easing. Furthermore, the annual average growth rates disguise a more downbeat quarter to quarter pace of growth towards the end of the year. Last but not least, given the ongoing uncertainty surrounding Brexit, the Bank is unlikely to be willing to risk derailing growth by hiking prematurely.

Feature Article

FOMC Preview—A Delayed Balance Sheet Fuse?

CONTACTS

Derek Holt, VP & Head of Capital Markets Economics
416.863.7707
Scotiabank Economics
derek.holt@scotiabank.com

The Federal Reserve retreats for another two day FOMC meeting on Tuesday and Wednesday of next week that culminates in a statement-only affair Wednesday at 2pmET. There will be no press conference or forecast updates at this one and so that alone should temper any expectations for material policy tweaks that require further explanations. That said, there are two debates worth entertaining.

The lesser of the two, in my opinion, is the debate regarding **when the Fed will hike next**. Not yet, and with no firm guidance on when are entirely reasonable assumptions for next week. Chair Yellen recently stated that the Fed will evaluate data and conditions "over the coming months" which is Fed-speak for don't expect a reassessment until perhaps the following FOMC meeting on March 14th–15th when another batch of forecasts will be released, or more likely two meetings later at the June 13th–14th meeting when yet another batch of forecasts will be presented. It is along that time line that we need to get through the debt ceiling decision as it approaches around mid-March, the need for a Federal Budget to be proposed to Congress and passed, and with it answers to some very fundamental questions on stimulus timing and amounts and how it will all be funded. While it is possible that statement language captures this pause argument, it is more probable that the minutes to the meeting may further the dialogue when they are released on February 22nd.

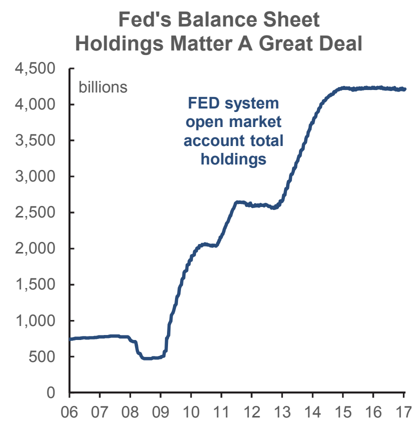
The more important of the two debates is with respect to when the Fed may begin to provide firmer signals on balance sheet management. With two out of our three hikes forecast for this year already priced into fed fund futures, **the greater bond market risk compared to what is presently priced is a further elaboration by the FOMC on when it may begin to partially phase out reinvestment of maturing Treasury, agency and MBS holdings.** This is a huge issue to the bond market—and by extension other correlated trades—in no small part because of the size of the Securities Open Market Account (chart 1), its composition by security (chart 2) and the volume of maturing Treasury holdings over coming years (chart 3). The topic has been hinted at but generally not with much substance to date. Until recently, the FOMC only guided that reinvestment would continue until the rate normalization process was "well underway". Recent references have signaled rising discomfort with leaving it at that. For example, the minutes to the December 2016 meeting simply said the following:

> "Several participants noted circumstances that might warrant changes to the path for the federal funds rate could also have implications for the reinvestment of proceeds from maturing Treasury securities and principal payments from agency debt and mortgage-backed securities."

In language used by the Fed's minutes, "several participants" does not connote a stream of thought driven by a majority. That was nevertheless a tone shift from the minutes to the November and previous meetings that said:

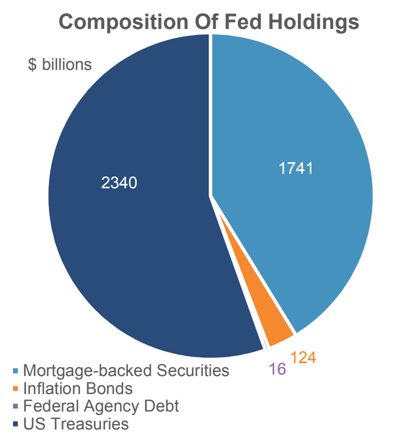
> "The Committee also decided to maintain its existing policy of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities and of rolling over

Chart 1



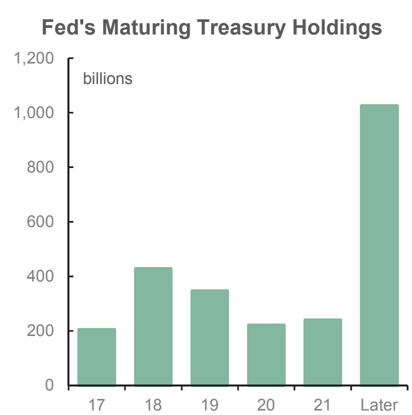
Sources: Scotiabank Economics, Federal Reserve.

Chart 2



Sources: Scotiabank Economics, Federal Reserve.

Chart 3



Sources: Scotiabank Economics, Federal Reserve Bank of New York.

> maturing Treasury securities at auction, and it anticipated doing so until normalization of the level of the federal funds rate is well under way. Members noted that this policy, by keeping the Committee's holdings of longer-term securities at sizable levels, should help maintain accommodative financial conditions."

More recently, several FOMC officials have elaborated a touch in such fashion as to add to expectations that this topic will be a major point of discussion next week. Governor Brainard recently stated that the conditions for phasing out reinvestment in the face of significant fiscal stimulus could be achieved "sooner than they otherwise would have been." Regional Fed Presidents Rosengren, Bullard, Williams, Harker and Kaplan have also recently noted the need to discuss phasing out reinvestment and the latter two get policy votes this year. We may hear more on the topic from next week's presently lone FOMC speaker, Charles Evans (voting 2017) who speaks two days after the FOMC meeting and therefore may be the first to hint at a view whether consensus or filtered. For now, there really hasn't been much meat to the discussion but the communication signals point to elevated attention placed upon this topic in the two day meeting that will otherwise have no reason to alter guidance on other policy tools.

At the moment, **our best guess is that reinvestment will commence being partially phased out toward the end of 2018 or early 2019** and thus within about a 24+ month horizon. That is conditioned upon the largely arbitrary assumption that a 2% Fed funds target rate qualifies for a rate normalization process that is "well underway" and we don't expect to hit that level until late 2018. Policy signals on phasing out reinvestment will likely be delivered well in advance of action and so markets will price such expectations ahead of time. We don't think the Fed will go cold turkey and suddenly end reinvestment and we assign about 75% odds to gradually phasing out reinvestments of both maturing Treasuries currently reinvested at auction and principal payments of agency debt and agency MBS in agency MBS. Firming up a definition of "well underway" may be one form by which the minutes may convey the criteria for possibly altering balance sheet management but commitment to a precise point estimate is likely to be avoided.

There are two tailed risks to the timing of this decision on when to begin phasing out reinvestment that we presently judge to be skewed to earlier (perhaps late this year or early next) rather than later. It is the mountain of maturing Treasuries next year as shown in chart 3 that creates some sense of urgency to have a fuller dialogue with the markets on this topic sooner rather than springing a destabilizing surprise later. Equally challenging may be the coincident consideration that Chair Yellen's term will be up in early February 2018 and Vice Chair Fischer's term will expire in June 2018. **Having to manage down the balance sheet while supply pressures may be of rising concern and at the same time as leadership uncertainty exists at the Fed is a massive potential combination of risks overhanging the bond market.** External political influences upon this process must be avoided or handled with extreme care for the potential consequences. Our assumptions may be revisited after we get through the debt ceiling debate and can evaluate an approved Federal Budget. At this point, it is less than obvious when and by how much reinvestment could be curtailed should Treasury issuance soar to fund deficit spending. The conditions for financial repression and lowering borrowing costs during the post-crisis years may be giving way to the perception that monetary policy is more overtly funding fiscal policy initiatives.

Key Indicators for the week of January 30 – February 3

NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	01/30	08:30	PCE Deflator (m/m)	Dec	0.2	0.3	0.0
US	01/30	08:30	PCE Deflator (y/y)	Dec	--	--	1.4
US	01/30	08:30	PCE ex. Food & Energy (m/m)	Dec	0.1	0.1	0.0
US	01/30	08:30	PCE ex. Food & Energy (y/y)	Dec	--	1.7	1.6
US	01/30	08:30	Personal Spending (m/m)	Dec	0.4	0.5	0.2
US	01/30	08:30	Personal Income (m/m)	Dec	0.4	0.4	0.0
US	01/30	10:00	Pending Home Sales (m/m)	Dec	--	1.3	-2.5
US	01/30	10:30	Dallas Fed. Manufacturing Activity	Jan	--	15.5	15.5
CA	01/31	08:30	IPPI (m/m)	Dec	--	--	0.3
CA	01/31	08:30	Raw Materials Price Index (m/m)	Dec	--	--	-2.0
CA	01/31	08:30	Real GDP (m/m)	Nov	0.4	--	-0.3
US	01/31	08:30	Employment Cost Index (q/q)	4Q	--	0.6	0.6
MX	01/31	09:00	GDP (q/q)	4Q P	--	--	1.0
MX	01/31	09:00	GDP (y/y)	4Q P	1.7	--	2.0
US	01/31	09:00	S&P/Case-Shiller Home Price Index (m/m)	Nov	--	0.6	0.6
US	01/31	09:00	S&P/Case-Shiller Home Price Index (y/y)	Nov	--	5.0	5.1
US	01/31	09:45	Chicago PMI	Jan	--	55.0	53.9
US	01/31	10:00	Consumer Confidence Index	Jan	112.0	112.7	113.7
US	02/01	07:00	MBA Mortgage Applications (w/w)	JAN 27	--	--	4.0
US	02/01	08:15	ADP Employment Report (000s m/m)	Jan	160.0	170.0	152.6
US	02/01	10:00	Construction Spending (m/m)	Dec	0.2	0.3	0.9
US	02/01	10:00	ISM Manufacturing Index	Jan	55.0	55.0	54.5
US	02/01	14:00	**FOMC Interest Rate Meeting (%)**	**Feb 1**	**0.75**	**0.75**	**0.75**
US	02/01		Domestic Vehicle Sales (mn a.r.)	Jan	--	14.1	14.2
US	02/01		Total Vehicle Sales (mn a.r.)	Jan	18.0	17.9	18.3
US	02/02	08:30	Initial Jobless Claims (000s)	JAN 28	245	--	259
US	02/02	08:30	Continuing Claims (000s)	JAN 21	--	--	2100
US	02/02	08:30	Productivity (q/q a.r.)	4Q P	--	0.8	3.1
US	02/02	08:30	Unit Labor Costs (q/q a.r.)	4Q P	--	2.5	0.7
US	02/03	08:30	Nonfarm Employment Report (000s m/m)	Jan	165.0	163.0	156.0
US	02/03	08:30	Household Employment Report (000s m/m)	Jan	--	--	63.0
US	02/03	08:30	Unemployment Rate (%)	Jan	4.7	4.7	4.7
US	02/03	08:30	Average Hourly Earnings (m/m)	Jan	0.2	0.3	0.4
US	02/03	08:30	Average Weekly Hours	Jan	--	34.3	34.3
US	02/03	10:00	Factory Orders (m/m)	Dec	1.0	1.5	-2.4
US	02/03	10:00	ISM Non-Manufacturing Composite	Jan	57.0	57.0	56.6

EUROPE

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
UK	JAN 28-FEB 03		Nationwide House Prices (m/m)	Jan	0.0	--	0.8
SP	01/30	03:00	Real GDP (q/q)	4Q P	0.7	--	0.7
EC	01/30	05:00	Business Climate Indicator	Jan	--	--	0.8
EC	01/30	05:00	Consumer Confidence	Jan F	-4.9	--	-4.9
EC	01/30	05:00	Economic Confidence	Jan	107.5	--	107.8
EC	01/30	05:00	Industrial Confidence	Jan	-0.5	--	0.1
GE	01/30	08:00	CPI (m/m)	Jan P	-0.5	--	0.7
GE	01/30	08:00	CPI (y/y)	Jan P	2.0	--	1.7
GE	01/30	08:00	CPI - EU Harmonized (m/m)	Jan P	-0.7	--	1.0
GE	01/30	08:00	CPI - EU Harmonized (y/y)	Jan P	2.0	--	1.7
UK	01/30	19:01	GfK Consumer Confidence Survey	Jan	-8.0	--	-7.0
FR	01/31	01:30	GDP (q/q)	4Q A	0.5	--	0.2
FR	01/31	02:45	Consumer Spending (m/m)	Dec	0.4	--	0.4
FR	01/31	02:45	CPI (m/m)	Jan P	-0.5	--	0.3
FR	01/31	02:45	CPI (y/y)	Jan P	1.1	--	0.6
FR	01/31	02:45	CPI - EU Harmonized (m/m)	Jan P	-0.5	--	0.3
FR	01/31	02:45	CPI - EU Harmonized (y/y)	Jan P	1.4	--	0.8
FR	01/31	02:45	Producer Prices (m/m)	Dec	--	--	0.8

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

Key Indicators for the week of January 30 – February 3

EUROPE *(continued from previous page)*

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
SP	01/31	03:00	CPI (m/m)	Jan P	--	--	0.6
SP	01/31	03:00	CPI (y/y)	Jan P	--	--	1.6
SP	01/31	03:00	CPI - EU Harmonized (m/m)	Jan P	-1.7	--	0.5
SP	01/31	03:00	CPI - EU Harmonized (y/y)	Jan P	2.2	--	1.4
GE	01/31	03:55	Unemployment (000s)	Jan	-10.0	--	-17.0
GE	01/31	03:55	Unemployment Rate (%)	Jan	5.9	--	6.0
SP	01/31	04:00	Current Account (€ bn)	Nov	--	--	2.0
UK	01/31	04:30	Net Consumer Credit (£ bn)	Dec	--	--	1.9
EC	01/31	05:00	Euro zone CPI Estimate (y/y)	Jan	1.6	--	1.1
EC	01/31	05:00	Euro zone Core CPI Estimate (y/y)	Jan A	0.8	--	0.9
EC	01/31	05:00	GDP (q/q)	4Q A	0.6	--	0.4
EC	01/31	05:00	Unemployment Rate (%)	Dec	9.8	--	9.8
IT	02/01	03:45	Manufacturing PMI	Jan	53.2	--	53.2
UK	02/01	04:30	Manufacturing PMI	Jan	55.6	--	56.1
IT	02/01		Budget Balance (€ bn)	Jan	--	--	8.9
IT	02/01		Budget Balance YTD (€ bn)	Jan	--	--	-47.7
UK	02/02	04:30	PMI Construction	Jan	54.2	--	54.2
EC	02/02	05:00	PPI (m/m)	Dec	--	--	0.3
UK	02/02	07:00	BoE Asset Purchase Target (£ bn)	Feb	435	--	435
UK	02/02	07:00	**BoE Policy Announcement (%)**	**Feb 2**	**0.25**	**--**	**0.25**
IT	02/03	03:45	Services PMI	Jan	52.3	--	52.3
UK	02/03	04:30	Official Reserves Changes (US$ bn)	Jan	--	--	29.0
UK	02/03	04:30	Services PMI	Jan	56.2	--	56.2
EC	02/03	05:00	Retail Trade (m/m)	Dec	--	--	-0.4
IT	02/03	05:00	CPI (m/m)	Jan P	--	--	0.4
IT	02/03	05:00	CPI (y/y)	Jan P	--	--	0.5
IT	02/03	05:00	CPI - EU Harmonized (m/m)	Jan P	-2.0	--	0.4
IT	02/03	05:00	CPI - EU Harmonized (y/y)	Jan P	0.7	--	0.5
RU	02/03	05:30	**One-Week Auction Rate (%)**	**Feb 3**	**--**	**10.00**	**10.00**

ASIA-PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
NZ	01/29	16:45	Trade Balance (NZD mn)	Dec	--	--	-704.6
NZ	01/29	16:45	Exports (NZD bn)	Dec	--	--	3855.3
NZ	01/29	16:45	Imports (NZD bn)	Dec	--	--	4559.9
JN	01/29	18:50	Large Retailers' Sales (y/y)	Dec	--	-0.7	-0.3
JN	01/29	18:50	Retail Trade (m/m)	Dec	--	-0.5	0.2
JN	01/29	18:50	Retail Trade (y/y)	Dec	--	1.8	1.7
SK	JAN 29-31		Discount Store Sales (y/y)	Dec	--	--	-6.1
SK	JAN 29-31		Department Store Sales (y/y)	Dec	--	--	-2.8
JN	01/30	18:30	Household Spending (y/y)	Dec	--	-1.0	-1.5
JN	01/30	18:30	Jobless Rate (%)	Dec	3.1	3.1	3.1
JN	01/30	18:50	Industrial Production (y/y)	Dec P	--	3.0	4.6
AU	01/30	19:30	Private Sector Credit (y/y)	Dec	--	5.7	5.4
JN	01/30	23:00	Vehicle Production (y/y)	Dec	--	--	6.6
JN	JAN 30-31		**BoJ Policy Rate (%)**	**Jan 31**	**-0.10**	**--**	**-0.10**
PH	JAN 30-31		Bank Lending (y/y)	Dec	--	--	17.4
JN	01/31	00:00	Housing Starts (y/y)	Dec	--	8.4	6.7
JN	01/31	00:00	Construction Orders (y/y)	Dec	--	--	-6.0
TH	01/31	02:30	Exports (y/y)	Dec	--	--	10.1
TH	01/31	02:30	Imports (y/y)	Dec	--	--	2.5
TH	01/31	02:30	Trade Balance (US$ mn)	Dec	--	--	2791
TH	01/31	02:30	Current Account Balance (US$ mn)	Dec	--	3193	3195
IN	01/31	06:00	Fiscal Deficit (INR Crore)	Dec	--	--	34489
NZ	01/31	16:45	Unemployment Rate (%)	4Q	4.9	--	4.9
NZ	01/31	16:45	Employment Change (y/y)	4Q	--	--	6.1

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

Key Indicators for the week of January 30 – February 3

ASIA-PACIFIC *(continued from previous page)*

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
SK	01/31	18:00	Industrial Production (y/y)	Dec	--	2.0	4.8
SK	01/31	18:00	Cyclical Leading Index Change	Dec	--	--	0.0
SK	01/31	19:00	Exports (y/y)	Jan	--	9.0	6.4
SK	01/31	19:00	Imports (y/y)	Jan	--	8.9	7.3
SK	01/31	19:00	Trade Balance (US$ mn)	Jan	--	5510	7003
JN	01/31	19:30	Markit/JMMA Manufacturing PMI	Jan F	--	--	52.8
CH	01/31	20:00	Manufacturing PMI	Jan	--	51.2	51.4
CH	01/31	20:00	Non-manufacturing PMI	Jan	--	--	54.5
TH	01/31	22:30	CPI (y/y)	Jan	1.6	1.5	1.1
TH	01/31	22:30	CPI (m/m)	Jan	--	0.2	0.1
ID	JAN 31-FEB 15		Annual GDP (y/y)	2016	5.0	--	4.8
ID	JAN 31-FEB 01		CPI (y/y)	Jan	3.1	--	3.0
ID	JAN 31-FEB 01		Core CPI (y/y)	Jan	--	--	3.1
JN	JAN 31-FEB 07		Official Reserve Assets (US$ bn)	Jan	--	--	1217
TH	JAN 31-FEB 01		Core CPI (y/y)	Jan	--	0.8	0.7
TH	02/01	02:30	Business Sentiment Index	Jan	--	--	50.3
SK	02/01	18:00	CPI (y/y)	Jan	1.3	1.6	1.3
SK	02/01	18:00	Core CPI (y/y)	Jan	--	--	1.2
JN	02/01	18:50	Monetary Base (y/y)	Jan	--	--	23.1
AU	02/01	19:30	Building Approvals (m/m)	Dec	--	2.0	7.0
AU	02/01	19:30	Trade Balance (AUD mn)	Dec	--	2000	1243
TH	02/01	22:30	Consumer Confidence Economic	Jan	--	--	62.5
JN	02/02	00:00	Consumer Confidence	Jan	--	--	43.1
SI	02/02	08:00	Purchasing Managers Index	Jan	--	--	50.6
SK	02/02	18:00	Current Account (US$ mn)	Dec	--	--	8989
HK	02/02	19:30	Purchasing Managers Index	Jan	--	--	50.3
CH	02/02	20:45	Caixin China Manufacturing PMI	Jan	--	51.8	51.9
HK	02/03	03:30	Retail Sales - Value (y/y)	Dec	--	--	-5.5
HK	02/03	03:30	Retail Sales - Volume (y/y)	Dec	--	--	-5.6

LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CL	01/30	07:00	Manufacturing Production (y/y)	Dec	0.0	-1.0	-2.1
CL	01/30	07:00	Retail Sales (y/y)	Dec	5.83	4.50	4.97
CL	01/31	07:00	Unemployment Rate (%)	Dec	6.15	6.10	6.20
CO	01/31	10:00	Urban Unemployment Rate (%)	Dec	--	--	8.7
PE	02/01	00:00	Consumer Price Index (m/m)	Jan	0.3	--	0.3
PE	02/01	00:00	Consumer Price Index (y/y)	Jan	3.2	--	3.2
BZ	02/01	06:00	Industrial Production SA (m/m)	Dec	--	2.6	0.2
BZ	02/01	06:00	Industrial Production (y/y)	Dec	--	0.6	-1.1
BZ	02/01	07:00	PMI Manufacturing Index	Jan	--	--	45.2
BZ	02/01		Trade Balance (FOB) - Monthly (US$ mn)	Jan	--	--	4415

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

Global Auctions for the week of January 30 – February 3

NORTH AMERICA

Country	Date	Time	Event
CA	02/02	12:00	Canada to Sell 2-Year Bonds

EUROPE

Country	Date	Time	Event
IT	01/30	05:00	Italy to Sell Bonds
UK	01/31	05:30	U.K. to Sell 1.5% 2026 Bonds
NO	02/01	05:05	Norway to Sell Bonds
GE	02/01	05:30	Germany to Sell EUR4 Bln 2022 Bonds
IC	02/01	06:30	Iceland to Sell Bonds
SP	02/02	04:30	Spain to Sell Bonds
FR	02/02	04:50	France to Sell Bonds
SW	02/02	05:03	Sweden to Sell I/L Bonds
SW	02/03	05:03	Sweden to Sell I/L Bonds

ASIA-PACIFIC

Country	Date	Time	Event
JN	01/29	22:45	Japan to Sell 2-Year Bonds
JN	02/01	22:45	Japan to Sell 10-Year Bonds

LATIN AMERICA

Country	Date	Time	Event
BZ	02/02	09:00	Brazil to Sell Fixed Rate Bonds

Source: Bloomberg, Scotiabank Economics.

Events for the week of January 30 – February 3

NORTH AMERICA

Country	Date	Time	Event
CA	01/30	12:00	Canada Ambassador to the U.S. speaks in Toronto
CA	01/31	17:20	Bank of Canada's Poloz speaks at University of Alberta
US	02/01	14:00	**FOMC Rate Decision**
US	02/03	09:15	Fed's Evans Speaks on Economy and Policy in Olympia Fields

EUROPE

Country	Date	Time	Event
IT	01/28		Bank of Italy Governor Visco Speaks in Modena
PO	01/28		Portugal Hosts Summit of Southern EU Countries
NE	01/29	06:10	ECB's Governing Council Klaas Knot on Dutch TV
SW	01/31	02:00	Riksbank's Af Jochnick Gives Speech on Basel III
EC	02/01	09:30	EU's Moscovici Speaks on Tax Policies at EPC in Brussels
EC	02/02	04:00	ECB Publishes Economic Bulletin
UK	02/02	07:00	**Bank of England Bank Rate**
UK	02/02	07:00	Bank of England Inflation Report
UK	02/02	07:30	Carney Speaks at Inflation Report Press Conference
EC	02/02	09:30	EU's Wieser Speaks on Euro at EESC in Brussels
RU	02/03	05:30	**Key Rate**
PO	02/03		Portugal Sovereign Debt to be rated by Fitch

ASIA-PACIFIC

Country	Date	Time	Event
AU	01/30	02:45	RBA's Debelle Opening Remarks at Event in Sydney
JN	01/30		**BOJ Short-Term Policy Rate**
JN	01/30		**BOJ Long-Term Policy Rate**
JN	01/30		BOJ Outlook Report
NZ	02/01	18:30	Prime Minister English State of the Nation Speech
JN	02/02	18:50	BOJ Minutes of Dec. 19-20 Meeting

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	0.50	March 1, 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	--

Federal Reserve: We don't expect policy changes next week as the Federal Reserve buys time to assess other policy developments. A discussion on timing the next rate hike and - more importantly - how to manage balance sheet risks may unfold with greater market effects when meeting minutes become available. See the meeting preview on pp.8-9.

EUROPE

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	0.00	March 9, 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	--

Bank of England: No policy changes are expected, but forecasts are likely to sound slightly more hawkish (or less dovish). See the meeting preview on p.7.

ASIA PACIFIC

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
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	February 16, 2017	4.75	--

The Bank of Japan will likely leave its ultra-accommodative monetary policy stance unchanged next week due to absent inflationary pressures and elevated external risks facing Japan's export-oriented economy.

LATIN AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	13.00	February 22, 2017	12.50	--
Banco Central de Chile – Overnight Rate	3.25	February 14, 2017	3.25	--
Banco de la República de Colombia – Lending Rate	7.50	February 24, 2017	7.25	7.25
Banco Central de Reserva del Perú – Reference Rate	4.25	February 9, 2017	4.25	--

AFRICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	7.00	March 30, 2017	7.00	--

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

Fixed Income Strategy (London, Paris)

www.gbm.scotiabank.com