

NOW AND FOREVER TOGETHER AMERICA

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Derek Holt

FORECASTS & DATA

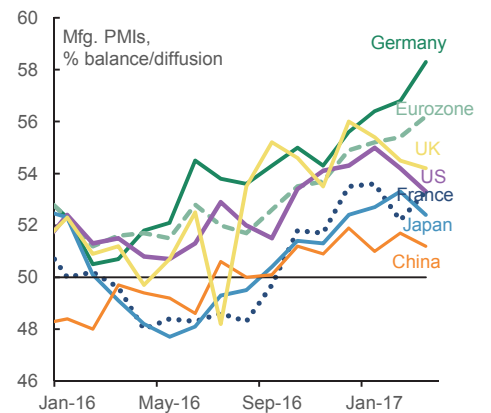
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Next Week's Risk Dashboard

- ▶ FOMC
- ▶ US funding agreement
- ▶ US health, tax bill debates
- ▶ Final French campaigning
- ▶ US nonfarm payrolls
- ▶ China PMIs
- ▶ US ISM, trade, consumers
- ▶ BoC's Poloz in Mexico
- ▶ CDN jobs, trade
- ▶ Eurozone GDP
- ▶ UK PMIs
- ▶ Other CBs: RBA, Norges Bank
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- ▶ Earnings
- ▶ CDN provincial GDP, Census
- ▶ Indonesian GDP

Chart of the Week
Global Manufacturing


Sources: Scotiabank Economics, Markit, Bloomberg.

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

Now And Forever Together America

UNITED STATES — UNCLE (!) SAM

It seems excusable during times like this to start off with a massive run-on sentence albeit with apologies to the grammatical purists. Developing trade policy risks, the need to approve a temporary one-week funding extension and then approve a longer agreement to avert a government shutdown, the outcome of a potential vote on a renewed health plan, tax plan negotiations, top shelf macro data, the FOMC meeting and resulting statement on Wednesday, and earnings reports will offer plenty of reasons to put the US at the vanguard of global market risks over the coming week. Throughout it all, markets will continue to be informed by the degree to which the U.S. government is willing to create frictions in international commerce—something markets have tended to downplay since the election in favour of emphasizing stimulus promises. Markets clearly now hang on which direction this delicate balance may take next. Markets—indeed the world—need an America that doesn't view global and domestic interests as being incompatible with one another through an isolationist agenda.

The FOMC meeting on Tuesday and Wednesday culminates in a statement-only outcome on Wednesday at 2pmET. Please see page 7 for a fuller preview. There will be no forecast updates or press conference with this one. The statement should be fairly brief and remain on course with most of the language used in the last statement. It's likely that the main change will be to wording surrounding reinvestment policy in favour of some style of "later this year" statement-codification of guidance provided in the minutes to the March 14-15th meeting but not the statement that followed that meeting. Markets would then be formally on notice to watch for a future change in language that makes a policy shift sound more imminent. It's unlikely that the Fed will move toward phasing out reinvestment as soon as the June or July meetings if it adds "later this year" to next week's statement. We would take that as confirmation—for now—of our view that the Fed announces and implements a policy of partial reinvestment at the December meeting.

High data risk will start on Monday and run through to Friday, but Friday and Monday in that order offer the greatest potential sources of market risk.

1. Nonfarm payrolls: Friday's release for April is expected to bounce back from March's disappointing pace of job creation (98k) and remain range-bound on wage growth at around the 2¾% y/y pace. The March weakness is being cautiously treated as an anomaly but others expect a rebound because they believe weather temporarily depressed the March numbers. Whether the slowdown of job growth was due to the weather and specifically winter storm Stella is doubtful. One reason for this is that ADP private payrolls for the same month were unaffected by any weather argument and came in at +263k. We get April's ADP report on Wednesday. Also, one counts as employed on nonfarm payrolls during the reference period that includes the 12th of each month whether one made it in to work or not when snow storms hit. Weather can have an impact upon hours worked, but they were up by 0.1% m/m in March which reversed the prior month's dip and so a clear effect here relative to the trend is also difficult to discern.

2. Consumer spending, incomes and PCE inflation: After total retail sales fell by 0.2% m/m, was flat ex-autos, and rose by only 0.1% excluding autos and gasoline, you would think total consumer spending for April might be weak in Monday's March print. Against this reasoning—and why I've gone higher—is that the retail sales control group was up by a healthy 0.5% m/m. This is the measure that consumer spending is derived from and there is a fairly high correlation between the two over time. Secondly, retail sales under-represent services spending that is more fully captured in total consumer spending. Core PCE inflation is expected to soften from 1.8% down a couple of ticks or so as we already know that core CPI fell back to 2% from 2.2% for the same month of March. The two measures need not follow one another perfectly in part due to the fact that CPI is a fixed-weight price series and PCE dynamically adjusts weights on what and where people spend.

3. ISM manufacturing: A second consecutive decline in the ISM-manufacturing report is quite possible on Monday when the April reading arrives. All of the regional surveys were flat to lower especially the two that are most highly correlated with ISM. The Philly Fed metric fell back from 32.8 to 22 and the Richmond Fed measure slipped from 22 to 20. In addition, the Empire gauge fell from 16.4 to 5.2 and the Dallas Fed was roughly flat at 16.8.

4. Trade: The March trade balance will be watched for whether the prior month's narrower deficit is durable or the trend toward widening trade deficits since last Fall remains intact. What may partially play to a temporary interruption of deteriorating deficits is the energy balance given that oil prices fell by about 7% in March over February.

Less impactful releases will include construction spending for March on Monday, vehicle sales for April on Tuesday, ISM-services on Wednesday and factory orders on Thursday.

On tax reforms, the table at right summarizes the Trump administration's proposals although many important details remain absent at this stage. If achieved, then the US corporate tax reforms would dramatically address the lack of tax competitiveness compared to most other jurisdictions. Table 1 in [this](#) piece illustrates a few scenarios of US tax reforms and what the resulting marginal effective tax rate could be relative to elsewhere. If proposed US corporate tax reforms are enacted, then a renewed race to the bottom across global jurisdictions may be set in motion and potentially shift fiscal policy debates in many countries including NAFTA neighbours. Further, when the proposals were announced, there was—and remains—no focus upon how to pay for them other than to say that the tax reform package would “pay for itself” with growth and through closing deductions and loopholes that would generate “trillions and trillions” in revenues. I highly doubt that will happen as it relies in no small part upon Laffer curve type of thinking whereby lowered tax rates generate faster growth in the economy and hence revenues. Chart 1 defies this argument in that declines (increases) in the personal effective tax rate through policy changes or changes in the composition of personal income generally result in increases (declines) in revenues. That's even more likely now with aging baby boomers in my opinion; having gone through a massive wealth and income shock in the Global Financial Crisis that interrupted retirement plans and still being down on real house prices, boomers may hoard tax cuts rather than spending them. As evidence of this, there has been no grand consumption boom in response to an energy tax cut over the past three years.

Personal:

- Tax brackets reduced from 7 to 3 at 10%, 25% and 35%
- Income bracket thresholds have yet to be determined
- The basic deduction will be doubled to \$24,000
- A 3.8% investment tax is to be repealed
- Deductions only for mortgage interest and charitable donations
- Top capital gains and dividend tax rate cut to 20%
- Alternative minimum tax to be repealed
- The death/wealth tax to be repealed
- Help for child care and dependent care but no specifics

Business:

- Corporate tax rate cut from 35% to 15% including for SMEs
- Will now apply to only US based income
- Lowered tax rate on repatriated profits but % TBD
- No border tax

About 124 firms listed in the S&P500 release earnings next week. There is still scope for single names to pose systemic market risk at this stage in the earnings season post-financials and when average earnings results are significantly informed by progress to date. Much of that risk will be concentrated upon tech and pharma. Some of the key names will Apple, Facebook, Time Warner, CBS, Kellogg, Loews, Merck, Pfizer, Mastercard and Berkshire Hathaway.

CANADA — AFTA THE NAFTA TEMPEST

A material amount of macro risk will unfold in Canadian markets toward the end of the week while earnings will pose equity market risk throughout the week. NAFTA risks should subside given President Trump's admission he has changed his mind on withdrawing in favour of monitoring negotiations, but the topic may nevertheless resurface.

Bank of Canada Governor Stephen Poloz speaks in Mexico City next Thursday at an event hosted by the CanChem México and Club de industriales. No specific topic has been provided as yet, in accordance with the BoC's practice of disclosing topics within about three business days of the event. **It's probably a reasonable assumption that he will address NAFTA and broader trade policy risks** and how they feed back on monetary policy. On that, Canada and Mexico have much in common and hence it's likely that the choice of audience implies a dovish speech tone and one that would be backed by soft core inflation ([here](#)).

Chart 1



Source: Scotiabank Economics, Bureau of Economic Analysis, Congressional Budget Office.

That very same day, the latest trade figures arrive for the month of March and hence they will close out the first quarter. **Net trade is shaping up to be a drag on Q1 GDP growth** but we'll have more confidence in its role after the March figures. Export volumes are tracking a 2.6% annualized decline in Q1 over Q4 up to February data while import volumes are tracking a 15.1% rise. Serial frustration on the export side of the picture therefore remains intact following mild growth in Q4, while imports remain extraordinarily volatile.

Then it's on to another jobs report. Canada has created 274,000 jobs since last July and when annualized this would equate to 411,000 jobs in a full year. The only year in which Canada cracked 400,000 jobs created was way back in 1979 when it was arguably a more impressive feat given there were 40% fewer people working back then. Consensus has had a consistent tendency to underestimate job growth for many years so, on average, this persistence factor leans toward better-than-expected performance more often than not.

Earnings season ramps up in Canada next week as 83 firms listed on the TSX release. Some of the names will include Martinrea, Agrium, Encana, WestJet, Foris, Cineplex, Colliers, Kinross, Benworth Canada, Loblaw, Home Capital Group, Hydro One, SNC-Lavalin, Canadian Natural Resources, Great-West Lifeco, Manulife, Air Canada, Husky Energy, TransCanada and TransAlta.

Canada releases provincial economic accounts on Monday that break down provincial growth in 2016 for the scorekeepers. Mary Webb provides the following summary of expectations. British Columbia is expected to lead with a gain of just over 3.0% for the second year in a row, followed by Ontario with a 2.7% advance. For both BC and Ontario, growth in 2016 lagged for their goods-producers (+0.1% and +1.7%, respectively), while a range of private-sector services including Financial, Real Estate and Professional, Technical & Scientific services, Wholesale/Retail Trade, Arts/Recreation and Hospitality propelled their expansion. The significant assist from private-sector services is expected to extend through 2017. In contrast, real GDP in 2016 likely declined for a second consecutive year in Alberta (-2.7%), and more modestly in Saskatchewan (-0.4%) and Newfoundland and Labrador (-0.3%), though all three major oil-producing provinces are now benefitting from current, stronger oil prices.

Key results from the 2016 Census will be released by Statistics Canada on Wednesday through a breakdown of the population by age, gender and dwelling type.

Canada auctions three year notes on Thursday.

EUROPE — FRANCE, THE SEQUEL

The biggest thing to watch in European markets next week will be what the following week brings. The French election sequel will be on Sunday May 7th and next week's calendar of data and event risks is of the largely if not entirely inconsequential variety in terms of global market risks and will simply pass the time waiting for it. Norges Bank and UK data offer possible regional market effects.

Enough about the French election. Let's talk about the French election. **Get used to saying President Macron if the polls turn out to be anywhere close to reality.** Polls by Ipsos, OpinionWay, Elabe and Harris give Emmanuel Macron anywhere between a 22 to 38 percentage point victory over Marine Le Pen in what would be a runaway defeat for Frexit promoters. To the victor go the spoils, and Macron won the support of Republican party leader François Fillon and Socialist party head Benoît Hamon after the first round. Le Pen seems destined to follow in her father's footsteps as Jean-Marie—the National Front's founder—came close but failed in the second round in 2002 when he lost to Jacques Chirac. While France's election has so far bucked the trend of failed global polls and is likely to resist the populist groundswells that swept Trump into power and triggered Brexit, one shouldn't underplay the scope of political change that is occurring in France. The left essentially died on April 23rd, and the two main political parties that have governed France since the 1950s will now have to wait until at least 2022 to get another chance as either Macron's party/movement En Marche (likely) or the National Front will take the reins notwithstanding Le Pen's efforts to suddenly distance herself from the party. Markets have already

Chart 2



largely voted on the outcome by reducing the Eurozone break-up risk that Frexit sentiment could have sparked and with a possible further reduction ahead (chart 2).

Eurozone GDP (Wednesday) will be the add-up of what will be already fairly well informed given France's and Spain's Q4 GDP report expected soon after publishing this report. Expectations are for a print of around ½% GDP growth for the Eurozone.

Norges Bank issues a policy decision on Thursday and no change in the deposit rate of 0.5% is expected. The central bank's inflation target is 2½%. CPI printed close to the target at 2.4% y/y in March and Bloomberg consensus expects inflation to average 2.2% y/y in 2017 and 2% next year. Underlying CPI inflation was 1.7% y/y in March, however, and while it appears to have carved out a bottom after dropping from a peak of 3.7% y/y in July of last year, it is not threatening to break-out. Like Canada where core inflation is soft in the wake of the energy collapse, there is little pricing power in Norway.

UK macro releases will advance growth tracking exercises into the second quarter in the wake of Q1 GDP that is pending at the point of publishing. The manufacturing (Tuesday) and construction (Wednesday) PMIs have been giving up some of the post-Brexit gains so far over 2017 and the April reading will be a test of whether that softening trend is persisting. The wild card in terms of the broad composite PMI on Thursday will be whether the service sector's purchasing managers' index continues to partly buck the trend toward softening growth signals in manufacturing and construction.

Sundry releases will include German unemployment, Eurozone PMI revisions and Spanish industrial output.

LATIN AMERICA — INFLATION DRIVING POLICY DIVERGENCE

LatAm markets won't exactly be where the global market action is next week, lest random policy risk surface. **Pretty much the only thing of note will be a pair of inflation reports** that will incrementally inform debates on monetary policy in Colombia and Peru.

Both countries update CPI figures for the month of April on Friday. Peru will do so during market trading across the Americas while Colombia will do so on Friday night. They are on somewhat divergent paths of late (chart 3). At about 4% y/y in March, Peru's inflation rate remains above the central bank's target range of 2% +/- 1% and is likely to stay there for some time in no small part due to the effects of heavy rains that have impacted food prices. Colombia's inflation rate is also above the central bank's target of 3% +/-1%, but the March reading (4.7% y/y) was the lowest since last August and is rapidly converging upon target and away from last summer's 9% peak.

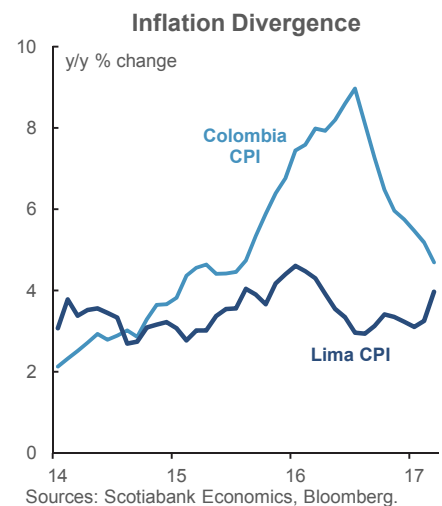
As a consequence to this divergence on relative inflation rates, divergent policy rate paths are expected over 2017. Colombia is expected to ease by a cumulative one percentage point or more by year-end while Peru is expected to do little if anything on rates.

ASIA — THE QUESTION OF CHINA'S SERVICES SECTOR

There will be four main events across Asian markets next week, one of which has the potential to impact the broad global market tone while the rest are significant to individual markets. Random policy risk is ever-present particularly on the trade front, and [this](#) is a good overview of Asia's trade ties to the US by Scotia's Tuuli McCully and Raffi Ghazarian.

China updates purchasing managers' indices for the month of April. The government's versions of the PMIs for manufacturing and services land on Saturday night in the eastern time zone. The private versions arrive on Monday night (manufacturing) and then Wednesday night for the services print and the composite reading. With the exception of the state's services PMI, all have been signalling slight growth with readings a point or two above the 50 marker that divides expansion from contraction. Given that services are the biggest share of China's economy (chart 4), **what matters to growth the most are the conflicting signals coming from the non-manufacturing PMIs.** The public non-manufacturing PMI has been the best of the bunch and accelerated to five points above the 50-line in March while posting the highest reading since May 2014. The private

Chart 3



services PMI has been decelerating this year. What matters the most across the collection of PMIs may therefore be whether the state's non-manufacturing PMI or the private services PMI is accurately capturing developments outside of manufacturing so far in 2017 (chart 5).

The **Reserve Bank of Australia** issues a policy decision on Tuesday. It is unanimously expected to keep the cash target rate unchanged at 1.5%. Australian CPI inflation sits at 2.1% y/y while central tendency measures remain a little below 2%. **Like Canada, Australia's job market has performed well over time and yet nominal wage growth is still decelerating in both countries** (chart 6). On balance, Australian workers are not securing real wage gains (i.e., above inflation) and this questions the durability of any inflation threat in such fashion as to allow the RBA to remain patient on monetary policy matters.

Indonesia's Q1 GDP report may arrive next week or the week after. Growth probably remained around 5% y/y which is where it has been over the past three years.

A round of April CPI inflation reports arrives next week from Thailand, Taiwan, South Korea, Indonesia and the Philippines. They have little in common such that generalist talk of some global reflation trade remains mismatched to the realities across these markets. That divergence in relative inflation rates is likely to continue. Recall that March inflation readings were 0.2% y/y in Taiwan, 0.8% in Thailand, 2.2% in South Korea, 3.4% in Philippines and 3.6% in Indonesia.

Miscellaneous considerations will include trade figures from Australia, South Korea and Malaysia, Australian new home sales, and New Zealand's unemployment and job figures for Q1.

Chart 4

China Manufacturing and Services

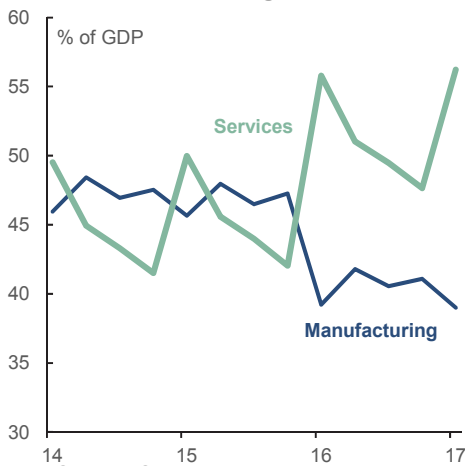


Chart 5

Conflicting Readings On China's Services Sector in 2017

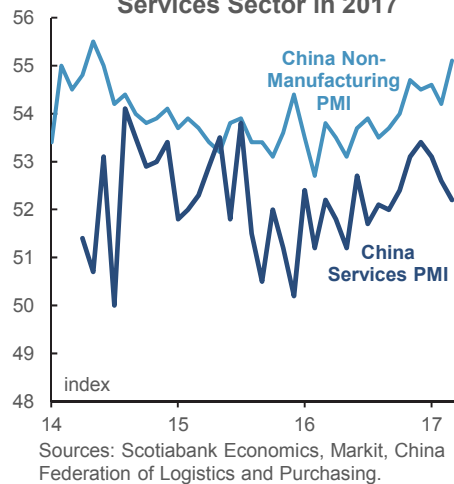
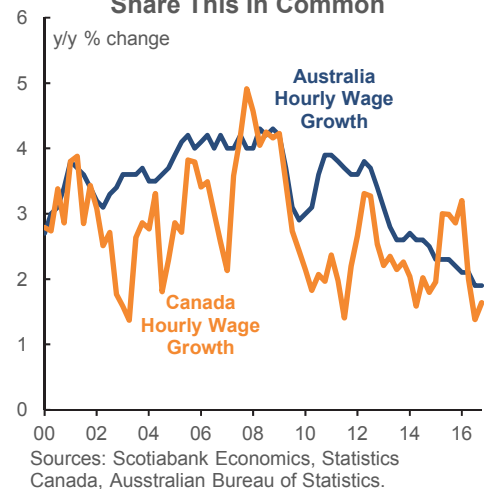


Chart 6

Australia And Canada Share This In Common



Feature Article

FOMC Preview — A Great Balance Sheet Experiment

The FOMC meeting on Tuesday and Wednesday culminates in a statement-only outcome on Wednesday at 2pmET. There will be no forecast updates or press conference with this one. The statement should be fairly brief and remain on course with a substantial portion of the language used in the last statement in March.

Consensus unanimously expects no change to the Fed funds target range of 0.75–1.0%. Fed funds futures contracts are assigning around 15% odds to a hike next week. **The scope for surprise from a central bank that tends to prefer to have markets and consensus lined up more favourably in advance of policy changes is probably very low.** Given the distance to the next meeting on June 14th, a direct signal on hiking at that meeting is also unlikely. Markets are pricing about two-thirds odds to a hike then.

There are also enough question marks to merit a patient data-dependent posture.

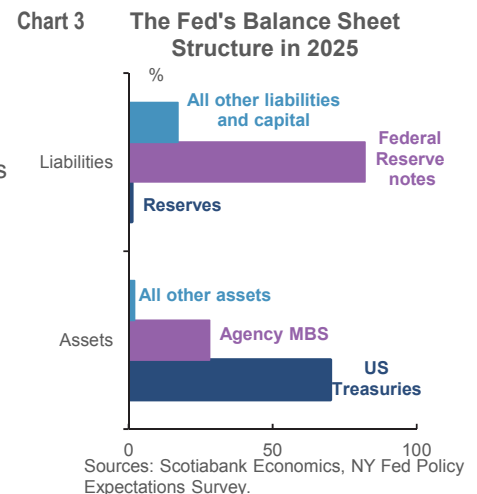
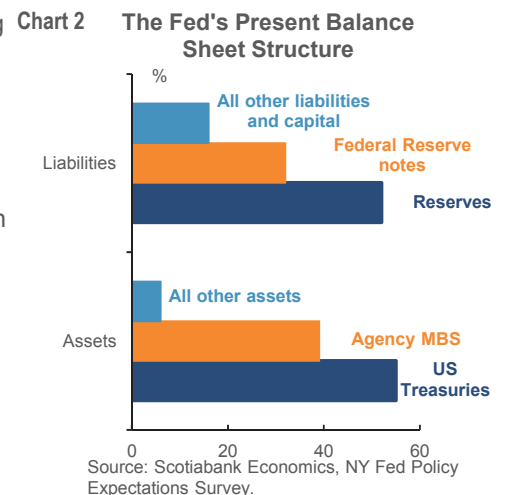
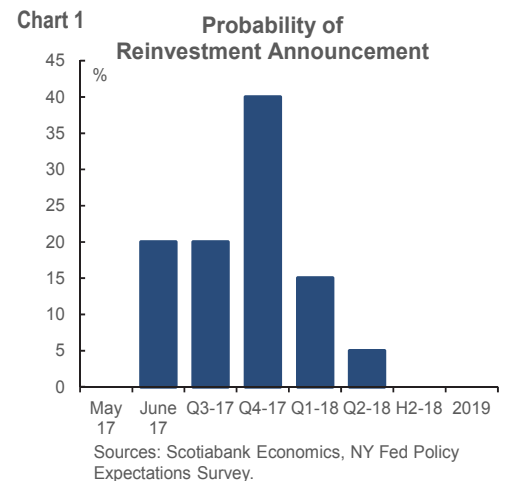
One is soft economic growth in Q1 despite evidence that business investment is slowly on the mend. The fact that it was consumer spending that was so weak in Q1 works against residual seasonality arguments affecting GDP in many first quarters over the years in that there is little to no evidence of residual seasonality in consumption. It is possible that the Fed moderates its prior reference to how household spending has “continued to rise moderately”. Another factor is what the Treasury market may be telling policymakers and investors. The ten year Treasury yield peaked at 2.63% two days before the Fed hiked on March 15th and has since shed 32bps. The lack of clarity on other fiscal, trade and regulatory policy measures in Washington also remains unhelpful to the Fed’s task of deciphering risks to the economic outlook.

It’s likely that the main change will be to wording surrounding reinvestment policy in favour of some style of “later this year” statement-codification of guidance provided in the minutes to the March 14–15th meeting. Markets would then be formally on notice to watch for a future change in language that makes a policy shift toward reducing reinvestment of maturing Treasuries and MBS flows sound more imminent. It’s unlikely that the Fed will move toward phasing out reinvestment as soon as the June or July meetings if it adds “later this year” to next week’s statement. Indeed, we would take such a reference as confirmation—for now—of our base case view that the Fed announces and implements a policy of partial reinvestment at the December meeting (chart 1).

The debate on when to begin scaling back reinvestment drives the outlook for the Fed’s balance sheet. We assume that once it is announced, reinvestment will be phased out gradually, over a period of 6 to 12 months, likely at a pace of reduction equal to an average of \$5–7 billion per month for each of Treasuries and MBS simultaneously. It is not clear whether a dollar amount of the reduction is suitable or a percentage amount, as the amounts to consider reinvesting vary from month to month both in terms of MBS (prepayments) and Treasuries (volume of maturities). The Fed has provided inadequate guidance on this issue. As reinvestment phases out, and assuming no asset sales, the shape of today’s Fed balance sheet (chart 2) will undergo dramatic change. Treasuries will become a greater share of the shrinking balance sheet we project to fall to US\$2.5 trillion by 2025 from US\$4.48 trillion at present. Reserves will shrink back to pre-crisis levels driven primarily by currency in circulation, while Federal Reserve notes will sharply rise as a share of liabilities and capital (chart 3). What would derail such change would be anything short of steady state assumptions on the economy and markets.

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Key Indicators for the week of May 1 – 5
NORTH 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>
US	05/01	08:30	PCE Deflator (m/m)	Mar	-0.1	-0.2	0.1
US	05/01	08:30	PCE Deflator (y/y)	Mar	1.9	--	2.1
US	05/01	08:30	PCE ex. Food & Energy (m/m)	Mar	-0.1	-0.1	0.2
US	05/01	08:30	PCE ex. Food & Energy (y/y)	Mar	1.6	--	1.8
US	05/01	08:30	Personal Spending (m/m)	Mar	0.4	0.2	0.1
US	05/01	08:30	Personal Income (m/m)	Mar	0.3	0.3	0.4
US	05/01	10:00	Construction Spending (m/m)	Mar	0.3	0.4	0.8
US	05/01	10:00	ISM Manufacturing Index	Apr	56.2	56.5	57.2
US	05/02		Domestic Vehicle Sales (mn a.r.)	Apr	--	13.4	13.0
US	05/02		Total Vehicle Sales (mn a.r.)	Apr	16.9	17.3	16.5
US	05/03	07:00	MBA Mortgage Applications (w/w)	APR 28	--	--	-1.8
US	05/03	08:15	ADP Employment Report (000s m/m)	Apr	180	170.0	263.5
US	05/03	10:00	ISM Non-Manufacturing Composite	Apr	55.8	56.0	55.2
US	05/03	14:00	FOMC Interest Rate Meeting (%)	May 3	1.00	1.00	1.00
CA	05/04	08:30	Merchandise Trade Balance (C\$ bn)	Mar	-0.6	--	-1.0
US	05/04	08:30	Initial Jobless Claims (000s)	APR 29	250	245.0	244.0
US	05/04	08:30	Continuing Claims (000s)	APR 22	--	2010.0	1979.0
US	05/04	08:30	Productivity (q/q a.r.)	1Q P	0.2	0.0	1.3
US	05/04	08:30	Trade Balance (US\$ bn)	Mar	-44.8	-45.1	-43.6
US	05/04	08:30	Unit Labor Costs (q/q a.r.)	1Q P	--	2.8	1.7
US	05/04	10:00	Factory Orders (m/m)	Mar	0.6	0.3	1.0
CA	05/05	08:30	Employment (000s m/m)	Apr	20	--	19.4
CA	05/05	08:30	Unemployment Rate (%)	Apr	6.7	--	6.7
US	05/05	08:30	Average Hourly Earnings (y/y)	Apr	2.7	2.7	2.7
US	05/05	08:30	Average Hourly Earnings (m/m)	Apr	0.3	0.3	0.2
US	05/05	08:30	Average Weekly Hours	Apr	--	34.3	34.3
US	05/05	08:30	Nonfarm Employment Report (000s m/m)	Apr	200	180.0	98.0
US	05/05	08:30	Unemployment Rate (%)	Apr	4.5	4.6	4.5
US	05/05	15:00	Consumer Credit (US\$ bn m/m)	Mar	--	14.5	15.2
US	05/05		Household Employment Report (000s m/m)	Apr	--	--	472.0

EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Indicator</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>
IT	05/02	03:45	Manufacturing PMI	Apr	56.2	--	55.7
FR	05/02	03:50	Manufacturing PMI	Apr F	55.1	--	55.1
GE	05/02	03:55	Manufacturing PMI	Apr F	58.2	--	58.2
EC	05/02	04:00	Manufacturing PMI	Apr F	56.8	--	56.8
UK	05/02	04:30	Manufacturing PMI	Apr	55.0	--	54.2
EC	05/02	05:00	Unemployment Rate (%)	Mar	9.5	--	9.5
IT	05/02		Budget Balance (€ bn)	Apr	--	--	-22.9
IT	05/02		Budget Balance YTD (€ bn)	Apr	--	--	-29.0
GE	05/03	03:55	Unemployment (000s)	Apr	-10.0	--	-30.0
GE	05/03	03:55	Unemployment Rate (%)	Apr	5.8	--	5.8
UK	05/03	04:30	PMI Construction	Apr	--	--	52.2
EC	05/03	05:00	GDP (q/q)	1Q A	0.5	--	0.5
EC	05/03	05:00	PPI (m/m)	Mar	--	--	0.0
IT	05/04	03:45	Services PMI	Apr	54.0	--	52.9
FR	05/04	03:50	Services PMI	Apr F	57.7	--	57.7
GE	05/04	03:55	Services PMI	Apr F	54.7	--	54.7
EC	05/04	04:00	Composite PMI	Apr F	56.7	--	56.7
EC	05/04	04:00	Services PMI	Apr F	56.2	--	56.2
NO	05/04	04:00	Norwegian Deposit Rates (%)	May 4	--	--	0.50
UK	05/04	04:30	Net Consumer Credit (£ bn)	Mar	--	--	1.4
UK	05/04	04:30	Official Reserves Changes (US\$ bn)	Apr	--	--	77.0
UK	05/04	04:30	Services PMI	Apr	55.0	--	55.0
EC	05/04	05:00	Retail Trade (m/m)	Mar	--	--	0.7
SP	05/05	03:00	Industrial Output NSA (y/y)	Mar	--	--	-1.7
UK	MAY 05-09		Halifax House Price (3 month, y/y)	Apr	3.8	--	3.8

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

Key Indicators for the week of May 1 – 5
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>
CH	04/29	21:00	Manufacturing PMI	Apr	51.8	51.7	51.8
CH	04/29	21:00	Non-manufacturing PMI	Apr	--	--	55.1
SK	04/30	20:00	Exports (y/y)	Apr	--	--	13.7
SK	04/30	20:00	Imports (y/y)	Apr	--	--	26.9
SK	04/30	20:00	Trade Balance (US\$ mn)	Apr	--	--	6553.0
JN	04/30	20:30	Markit/JMMA Manufacturing PMI	Apr F	52.8	--	52.8
TH	04/30	23:30	CPI (y/y)	Apr	0.9	--	0.8
TH	04/30	23:30	Core CPI (y/y)	Apr	--	--	0.6
JN	05/01	01:00	Vehicle Sales (y/y)	Apr	--	--	13.8
TH	05/01	03:30	Business Sentiment Index	Apr	--	--	52.6
SK	05/01	19:00	CPI (y/y)	Apr	2.2	--	2.2
SK	05/01	19:00	Core CPI (y/y)	Apr	--	--	1.4
JN	05/01	19:50	Monetary Base (y/y)	Apr	--	--	20.3
CH	05/01	21:45	Caixin China Manufacturing PMI	Apr	51.2	51.3	51.2
JN	APR 30-MAY 10		Official Reserve Assets (US\$ bn)	Apr	--	--	1230.3
AU	05/02	00:30	RBA Cash Target Rate (%)	May 2	1.50	1.50	1.50
SI	05/02	09:00	Purchasing Managers Index	Apr	--	--	51.2
NZ	05/02	13:00	QV House Prices (y/y)	Apr	--	--	12.9
NZ	05/02	18:45	Unemployment Rate (%)	1Q	5.2	--	5.2
NZ	05/02	18:45	Employment Change (y/y)	1Q	--	--	5.8
ID	MAY 01-02		CPI (y/y)	Apr	4.0	--	3.6
ID	MAY 01-02		Core CPI (y/y)	Apr	--	--	3.3
SK	05/03	19:00	Current Account (US\$ mn)	Mar	--	--	8400.2
AU	05/03	21:30	Trade Balance (AUD mn)	Mar	--	--	3574.0
CH	05/03	21:45	Caixin China Composite PMI	Apr	--	--	52.1
CH	05/03	21:45	Caixin China Services PMI	Apr	--	--	52.2
TH	05/03	23:30	Consumer Confidence Economic	Apr	--	--	65.1
HK	05/04	20:30	Purchasing Managers Index	Apr	--	--	49.9
TA	05/04	20:30	CPI (y/y)	Apr	0.6	--	0.2
AU	05/04	21:00	HIA New Home Sales (m/m)	Mar	--	--	0.2
PH	05/04	21:00	CPI (y/y)	Apr	3.5	--	3.4
PH	05/04	21:00	Core CPI (y/y)	Apr	--	--	2.9
MA	05/05	00:00	Exports (y/y)	Mar	--	--	26.5
MA	05/05	00:00	Imports (y/y)	Mar	--	--	27.7
MA	05/05	00:00	Trade Balance (MYR bn)	Mar	--	--	8.7
MA	05/05	03:00	Foreign Reserves (US\$ bn)	Apr 28	--	--	95.7
HK	05/05	04:30	Retail Sales - Volume (y/y)	Mar	--	--	-6.1
ID	MAY 04-08		Real GDP (y/y)	1Q	5.1	--	4.9

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	05/01	01:00	Consumer Price Index (m/m)	Apr	-0.2	--	1.3
PE	05/01	01:00	Consumer Price Index (y/y)	Apr	3.8	--	4.0
BZ	05/02	08:00	PMI Manufacturing Index	Apr	--	--	49.6
BZ	05/02		Trade Balance (FOB) - Monthly (US\$ mn)	Apr	--	6329.0	7145.0
BZ	05/03	08:00	Industrial Production SA (m/m)	Mar	--	--	0.1
BZ	05/03	08:00	Industrial Production (y/y)	Mar	--	--	-0.8
CL	05/03	08:00	Retail Sales (y/y)	Mar	4.2	--	-0.3
CL	05/05	07:30	Economic Activity Index SA (m/m)	Mar	--	--	-0.7
CL	05/05	07:30	Economic Activity Index NSA (y/y)	Mar	-0.1	--	-1.3
CO	05/05	20:00	Consumer Price Index (m/m)	Apr	--	0.4	0.5
CO	05/05	20:00	Consumer Price Index (y/y)	Apr	--	4.5	4.7

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Global Auctions for the week of May 1 – 5

NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CA	05/04	12:00	Canada to Sell 3-Year Bonds

EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
DE	05/03	04:00	Denmark to Sell Bonds
SW	05/03	05:03	Sweden to Sell Bonds
GE	05/03	05:30	Germany to Sell EUR3 Bln 0.25% 2027 Bonds
SP	05/04	04:30	Spain to Sell Bonds
FR	05/04	04:50	France to Sell Bonds
UK	05/04	05:30	U.K. to Sell GBP2 Bln 1.75% 2037 Bonds
IC	05/05	06:30	Iceland to Sell Bonds

ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CH	05/02	23:00	China Plans to Sell 1-Year Government Bond
CH	05/02	23:00	China Plans to Sell 10-Year Government Bond
CH	05/02	23:35	China to sell CNY36 Bln 1-Yr Bonds
CH	05/02	23:35	China to sell CNY36 Bln 10-Yr Bonds

LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
BZ	05/02	11:00	Brazil to Sell I/L Bonds

Events for the week of May 1 – 5

NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	05/01	07:45	Treasury Secretary Steven Mnuchin at Milken Conference
US	MAY 02-03		The Federal Open Market Committee (FOMC) holds a closed meeting
US	05/03	14:00	FOMC Rate Decision
CA	05/04	16:25	Bank of Canada Governor Stephen Poloz Speech in Mexico
US	05/05	12:45	Fed's Williams Speaks in Keynote in New York
US	05/05	13:30	Fed's Rosengren and Evans at Hoover Institution's Monetary Policy Conference

EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
GE	05/02	08:15	Schaeuble speaking at BDI event in Berlin on G20 agenda
AS	05/02	12:00	ECB's Nowotny Speaks at Vienna University
GE	05/03	07:10	Merkel will speak at a BDI event in Berlin about G-20 summit
NO	05/04	04:00	Deposit Rates
UK	05/04		U.K. Local Elections
EC	05/04	00:00	EU's Tusk, Juncker, Barnier Speak at Conference in Florence
EC	05/05	02:00	EU's Villarjo Speaks on Future of Antitrust in Brussels
EC	05/05	03:30	EU's Juncker, Tajani Speak at Conference in Florence, Italy
FR	05/05	04:00	Accor AGM Double voting rights resolution
EC	05/05	06:15	EIB President Hoyer Speaks at Conference in Florence, Italy
EC	05/05	08:15	EU President Tusk Speaks at Conference in Florence, Italy
EC	05/05	08:45	EU's Barnier Speaks at Conference in Florence, Italy
EC	05/05	09:00	EU's Mogherini, Jourova Speak at Conference in Florence, Italy
EC	05/05	12:30	Italy's Gentiloni Speaks at Conference in Florence, Italy
IT	05/05		Italy Sovereign Debt to be rated by S&P
TU	05/05		Turkey Sovereign Debt to be rated by S&P
PO	05/05		Portugal Sovereign Debt to be rated by Moody's
UK	05/05		United Kingdom Sovereign Debt to be rated by Fitch
NO	05/05		Norway Sovereign Debt to be rated by DBRS

ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
JN	05/01	19:50	BOJ Minutes of March 15-16 Meeting
JN	05/01	20:20	BOJ Kuroda speaks at Global Think Tank Summit in Yokohama
AU	05/02	00:30	RBA Cash Rate Target
AU	05/03	23:10	RBA Governor Lowe Speech
AU	05/04	21:30	RBA Statement on Monetary Policy

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	May 24, 2017	0.50	0.50
Federal Reserve – Federal Funds Target Rate	1.00	May 3, 2017	1.00	1.00
Banco de México – Overnight Rate	6.50	May 18, 2017	6.75	--

Federal Reserve: No rate change is expected next Wednesday, but the statement may codify reference to reducing reinvestment of Treasury and MBS flows later in the year in keeping with the dialogue in the minutes to the March FOMC meeting.

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	June 8, 2017	0.00	--
Bank of England – Bank Rate	0.25	May 11, 2017	0.25	--
Swiss National Bank – Libor Target Rate	-0.75	June 15, 2017	-0.75	--
Central Bank of Russia – One-Week Auction Rate	9.75	June 16, 2017	9.75	9.50
Sweden Riksbank – Repo Rate	-0.50	July 4, 2017	-0.50	--
Norges Bank – Deposit Rate	0.50	May 4, 2017	0.50	--

Norges Bank: No change in the deposit rate of 0.5% is expected. Headline CPI inflation rests near the 2½% inflation target but core lies beneath.

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	June 16, 2017	-0.10	--
Reserve Bank of Australia – Cash Target Rate	1.50	May 2, 2017	1.50	1.50
Reserve Bank of New Zealand – Cash Rate	1.75	May 10, 2017	1.75	1.75
People's Bank of China – Lending Rate	4.35	TBA	--	--
Reserve Bank of India – Repo Rate	6.25	June 7, 2017	6.25	--
Bank of Korea – Bank Rate	1.25	May 25, 2017	1.25	--
Bank of Thailand – Repo Rate	1.50	May 24, 2017	1.50	1.50
Bank Indonesia – 7-Day Reverse Repo Rate	4.75	May 18, 2017	4.75	--

The Reserve Bank of Australia: The RBA will likely leave the benchmark cash rate unchanged at 1.5% over the coming months. Australian monetary authorities will carefully monitor developments in the labour and property markets. Headline inflation accelerated to 2.1% y/y in the first quarter from 1.5% at end-2016, reflecting base effects stemming from very low commodity prices a year ago.

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	11.25	May 31, 2017	11.25	--
Banco Central de Chile – Overnight Rate	2.75	May 18, 2017	3.00	--
Banco de la República de Colombia – Lending Rate	7.00	May 26, 2017	6.75	6.75
Banco Central de Reserva del Perú – Reference Rate	4.25	May 11, 2017	4.00	--

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	May 25, 2017	7.00	--

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