

**BON VOYAGE LE PEN?**

- [Europe — A Likely Macron Victory May Not Be Fully Priced](#) 2
- [United States — Temporary Soft Spots?](#) 2-3
- [Canada — Would You Like New Or Used?](#) 3-4
- [Latin America — Policy Divergence Continues](#) 4
- [Asia — Central Bank Inaction](#) 4-5

**FEATURE ARTICLE**

- [Bank of England Super Thursday Preview](#) 6

Alan Clarke

**FORECASTS & DATA**

- [Key Indicators](#) A1-A3
- [Global Auctions Calendar](#) A4
- [Events Calendar](#) A5
- [Global Central Bank Watch](#) A6

**CONTACTS**

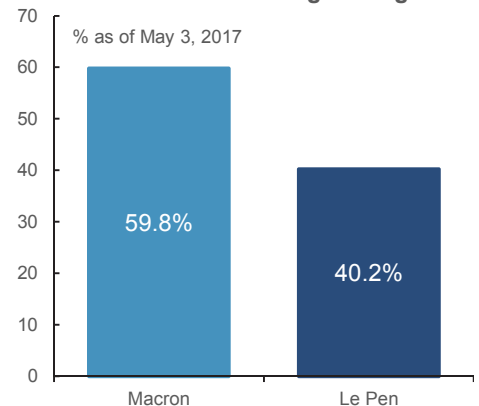
Derek Holt, VP & Head of Capital Markets Economics  
416.863.7707  
Scotiabank Economics  
[derek.holt@scotiabank.com](mailto:derek.holt@scotiabank.com)

**Next Week's Risk Dashboard**

- ▶ French election
- ▶ US CPI, retail sales
- ▶ U.S. health bill part 2
- ▶ Chinese CPI, trade, credit
- ▶ Fed speak
- ▶ CBs: BoE, Peru, RBNZ, Bank Negara, Philippines
- ▶ CDN housing data
- ▶ CPI: LatAm, Asian updates
- ▶ European macro updates

**Chart of the Week**

**French Presidential Election - Second Round Polling Average**



Sources: Scotiabank Economics, The Telegraph.

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

## Bon Voyage Le Pen?

### EUROPE — A LIKELY MACRON VICTORY MAY NOT BE FULLY PRICED

**Sunday's final round of the French election and the Bank of England meeting next Thursday will get most of the attention in Europe while the former is a potential risk factor to world markets.** Neither development is expected to carry much by way of surprises. Of course by definition you could say that about a lot of other things that have surprised markets over time.

**Sunday's French election results** should be available by about 8pm Paris time, or about 2pm Toronto/New York time and hence several hours before Asian markets open. It is Emmanuel Macron's to lose as he is several country miles ahead of Marine Le Pen in the polls (see chart on first page). London's bookies are quoting about 1/6 to 1/9 odds of a Macron victory and anywhere between 4/1, 5/1 or 7/2 odds for Le Pen. Judging by the spread between French and German sovereign yields, it isn't clear that a victory by Macron is fully priced (chart 1).

Please see page 6 for our UK fixed income strategist Alan Clarke's **preview of the Bank of England meeting**. Clarke thinks that the BoE's near-term inflation forecasts will be revised higher but offset by a lowered medium-term inflation forecast as the central bank views inflation forces as transitory. He expects a hiking bias but with no urgency attached to it.

Behind these developments there will be data risk. German factory orders, industrial production and trade for March will lead up to Q1 German GDP growth on Friday. French trade, industrial production and Q1 nonfarm payrolls will offer little competition for the French election results. UK industrial output and trade figures, Italian retail sales and industrial output, the Eurozone add-up for industrial output and Russian CPI round out the data calendars.

### UNITED STATES — TEMPORARY SOFT SPOTS?

**The key question that will be partly addressed over the coming week is whether softer readings on consumer spending in Q1 and inflation in March were transitory phenomena poised for a rebound in Q2 — or not.** It will take until Friday to find out the answer to this amidst **uncertainties regarding the timing and success of a vote in the Senate on the American Health Care Act** (aka Trumpcare). After the House of Representatives voted to repeal Obamacare and replace it with the American Health Care Act, the next step will include costing and coverage estimates from the Congressional Budget Office in a rather unusual reversal of the order of operations for informed debate to occur. Then negotiations will occur in the Senate toward an ultimate bill that may differ substantially from the House bill.

**Friday's retail sales report is forecast to rise by 0.5% m/m in April.** That's the change in the dollar value since we don't get volume figures until we can strip out the CPI changes that arrive that same day, and yet the change in sales volumes was probably quite small. There are three reasons. First, broad consumer prices probably rebounded from the 0.3% m/m drop in headline CPI and the 0.1% m/m drop in core CPI such that consumers paid a little more at the till than they did in March. Secondly, within these price effects — and of particular significance to retail sales given the gas stations component — average unleaded gasoline prices were up by about 4% m/m in April over March. The third reason is that, while it was hardly a ripping start to Q2, vehicle sales were up by 1.7% m/m in April given yesterday's results. Of note is that there is already a slight 0.5% annualized gain in total consumption baked into Q2 given the way the first quarter exited.

Chart 1

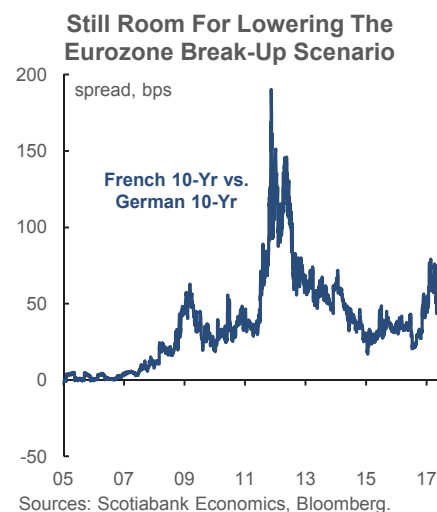
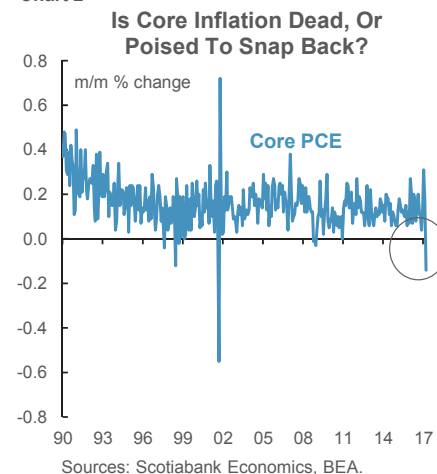


Chart 2



**CPI may also rebound somewhat after a soft spot** that dragged prices down 0.3% m/m in March and brought the year-ago rate down to 2.4% from 2.7% the prior month. A 3.3% weight on gasoline combined with the 4% m/m rise in regular unleaded prices could alone add a tenth to month-ago prices but core prices ex-food and energy will be more closely watched following the first monthly decline since January 2010 and one of the biggest potential downside outliers on record (chart 2). Regardless, we'll have to wait until May 30<sup>th</sup> to get the bigger test in the form of the Fed's preferred measures of inflation that are the price deflator on total consumption and core PCE prices.

**Policy risk is ever present in this environment and with it goes the possibility of a vote on health care reforms.** The New York Times' whip count ([here](#)) shows 19 in the House leaning no and 30 undecided. Only 22 Republicans can vote against and still have it advance to the Senate where further amendments are likely.

**Fed-speak may also be a factor as eight individual FOMC members speak a total of ten times** and potentially weigh in with views following the May 2<sup>nd</sup>-3<sup>rd</sup> two-day FOMC meeting and before the FOMC minutes arrive on May 24<sup>th</sup>. There are presently no members of the Board of Governors on the docket to speak before the June 14<sup>th</sup> FOMC meeting. For a recap of the latest statement go [here](#). The speakers will include four voting FOMC members (Dudley, Evans, Harker and Kaplan twice), two alternate members (Williams and Mester) and two nonvoting members (Bullard and Rosengren twice). One issue that might require clarification is why the FOMC did not speak as aggressively toward transitory weakness in core inflation as it chose to when stating it thought weak growth was transitory.

Other macro risk will be more limited, including updates on the University of Michigan's consumer sentiment index, the JOLTS job vacancies figure for March, and Q1 mortgage delinquencies that have likely bottomed for the cycle and in fact ticked a little higher to 4.8% in the final quarter of 2016.

Earnings risk is winding down and only forty S&P500 firms release over the coming week. None of the names are big market-movers, with some of the more notable ones being Walt Disney and several retail plays.

The US Treasury auctions 3s, 10s and 30s next week.

### CANADA — WOULD YOU LIKE NEW OR USED?

**Canada probably will not be where the action is over the coming week as most of anything that drives local markets will likely be determined abroad.** A niche within a niche of the mortgage market is getting more attention from abroad than from domestic investors. Those domestic investors tend to be generally more informed about the market's differences and often capitalize upon exaggerated concerns whenever they surface. Somewhat fitting this theme will be that the week's focus will be upon a handful of housing-related releases.

**Housing starts** may be poised for some moderation after they hit the highest level in about five years in March and almost the highest in a decade in seasonally adjusted and annualized terms. April's figures hit the tapes on Monday. If they do cool off, however, the trend in starts could nevertheless remain strong as indicated by the number of permits being doled out (chart 3). This is a key part of the housing debate since, for example, efforts to cool Ontario's and more specifically southern Ontario's including Toronto's housing markets may have been timed at the peak pace of demand and just as supply is coming back. A fair chunk of employment is riding on the outcome (chart 4) as those directly employed in cross-country housing construction activities account for about 4% of total employment before counting multiplier effects.

Chart 3

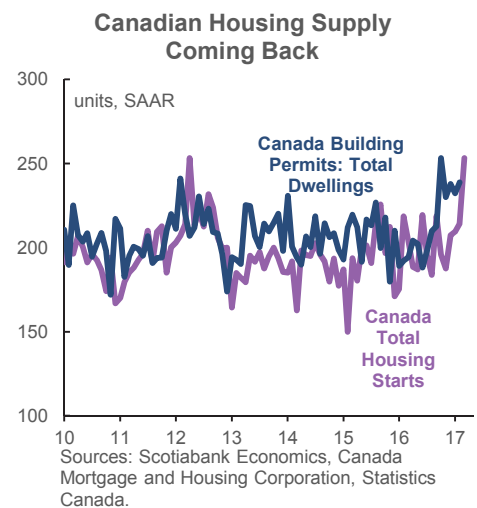
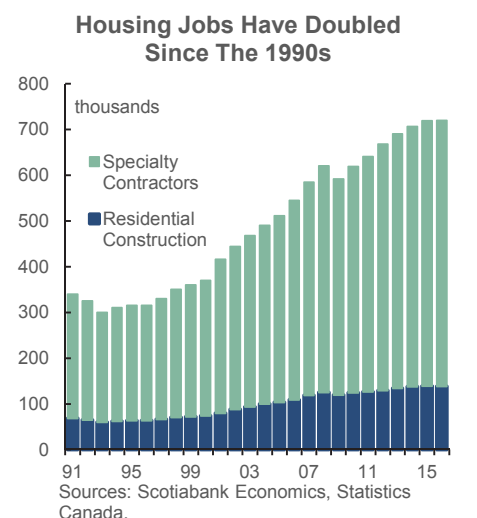


Chart 4



Prices for new homes are not where the pressure is occurring in Canadian housing markets. March figures for the **new housing price index** arrive on Thursday, but the February reading was still up by only 3.3% y/y. That, in turn, is a safety valve on strong gains in some resale markets — namely southern Ontario — and potentially an explanation for accelerating supply as the price of new homes has fallen relative to resales. If so, markets are working as they should. Chart 5 is a reminder of the kind of price pressures on the **resale** side of the picture by comparing repeat sales price measures in the US and Canada. That measure will be updated for Canada on Friday.

Canada conducts a 2-year auction on Wednesday.

### LATIN AMERICA — POLICY DIVERGENCE CONTINUES

**Peru's latest monetary policy decision and the April inflation figures from several countries will dominate local market developments beyond global factors.** In the process, these developments should showcase ongoing policy divergence across the Latin American central banks. A few macro updates will incrementally inform select debates.

**Banco Central de Reserve del Peru is unlikely to alter its policy rate on Thursday** but a potential plateau in CPI inflation may be flagged as welcome news. CPI slipped back to 3.7% y/y in April from a one-year peak of 4% in March. It nevertheless remains higher than the central bank's inflation target of 2% +/-1% (chart 6). The impact of flooding on food prices caused by heavy rains has been responsible for a fair portion of the upward pressure on inflation in 2017.

**CPI is expected to remain under upward pressure in Mexico's release on Tuesday.** Banxico targets inflation of 3% +/-1% and so riding at over 5% is a tad problematic — ergo policy tightening.

**Argentina inches one step closer to a full year's worth of inflation data** since restoring its figures last May following the disastrous inflation policies of the previous regime, and the month-ago pace of inflation has been steadily around the 1.5–2.5% pace.

**Chilean and Brazilian inflation are the only CPI measures that have supported policy easing.** Chilean CPI inflation has declined to the 2.7% y/y mark over recent months and rests inside the 3% +/-1% policy target range of the central bank. Brazilian CPI inflation has been running at just over 4% y/y and hence within the central bank's inflation target range of 4½% +/- 1½%.

Other developments will bring out a March update for retail sales in Brazil. There is hope that the sector is turning as sales have risen in month-ago terms for four consecutive months so far and the pace of year-ago contraction has ebbed to about -3%. Chilean and Peruvian trade figures and Mexican industrial output that has been falling in year-ago terms are also slated for updates.

### ASIA — CENTRAL BANK INACTION

**China's consumer and producer inflation rates (chart 7) and a trio of regional central bank decisions will make Asian markets worth paying attention to** but in a second fiddle sense to other global developments like the French election.

Chart 5

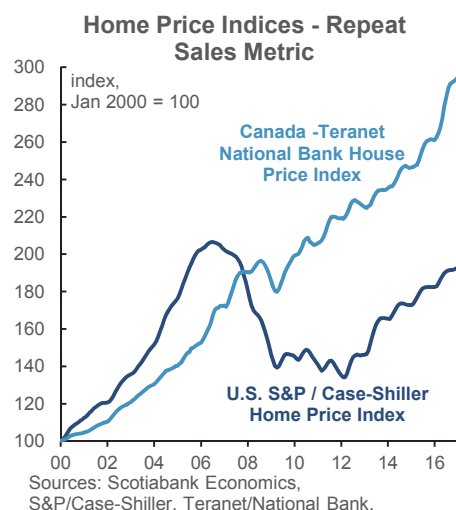


Chart 6

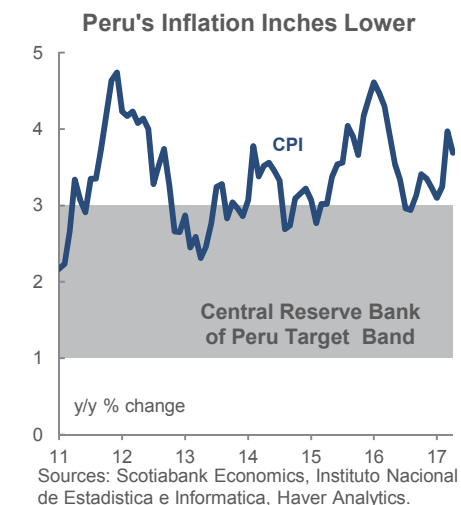
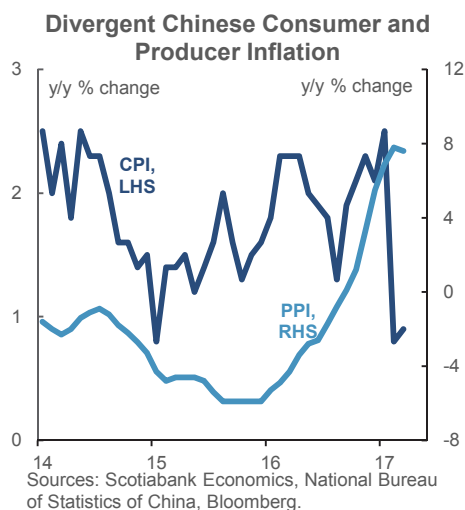


Chart 7



**China's CPI inflation rate probably held around 1% y/y in April** partly because the year-ago base effect was similar to the prior month's reading. Base effects start to change over the several months afterward, however, and in such fashion as to probably put renewed upward pressure on the year-ago rate that may fool a portion of the market. Call it fake inflation, base effect style. The point of the matter is that trend inflation is soft on the consumer side of the picture. **Chinese producer price inflation** is showing signs of a top as the year-ago rate is no longer being compared to the weakening in commodity prices like oil that occurred from mid-2014 through to early 2016. As the year-ago comparator shifts, producer price inflation is likely to fall toward zero and possibly lower over the remainder of 2017.

The Reserve Bank of New Zealand (Wednesday eastern time), Bangko Sentral ng Pilipinas (Thursday) and Bank Negara Malaysia (Friday) **are all expected to leave their policy rates unchanged** over the coming week. Falling unemployment is among the factors leading markets to assign over 50% odds to an RBNZ hike in early 2018 and rising thereafter, but don't expect much talk of this scenario next week as communications remain focused upon risk factors. Bangko Sentral ng Pilipinas is consumed by the search for its next governor to be chosen by President Rodrigo Duterte and from a rumoured short list of four candidates. Bank Negara's Governor Datuk Seri Muhammad Ibrahim recently remarked that growth may be straying toward the upper end of its 4.5-4.8% projected growth range for 2017 but, on the policy rate, guided the following: "At the end of the day, it must be at a level that will promote economic growth."

Other data risk will be skewed toward Chinese foreign reserves and maybe foreign direct investment and aggregate financing, Q1 GDP from Hong Kong and Indonesia, exports to be updated by China, India, and Philippines, Australian retail sales, industrial output from India and Malaysia.

## Feature Article

### Bank of England Super Thursday Preview

We expect moderate tweaks to the Bank's key projections. The near term portion of the inflation projection is likely to be pushed up, with the medium term portion nudged slightly lower. While inflation is likely to approach or even exceed 3%, we expect the Bank to look through this, helped by weaker-than-expected growth. The Bank will retain a bias to hike, but is not in a great hurry to deliver. We do not envisage anyone else joining Kristin Forbes in voting for a rate hike.

#### GROWTH

The Bank of England has been well ahead of the game when it comes to the growth outlook. In February, the Bank upgraded its growth projection for 2017 to 2% y/y—well above consensus expectations, which subsequently drifted higher. However, in light of the much weaker-than-expected Q1 GDP reading (0.3% q/q versus the BoE's expectation of 0.5–0.6% q/q) there is room for a slight downwards revision to the Bank's growth forecast for 2017. The full year forecast should come down from 2% y/y to around 1.8% y/y. While we think that the Bank's 1.6% y/y forecast for 2018 is too optimistic, we doubt that will change by much, if at all.

#### INFLATION PROJECTION

The MPC's inflation profile is facing a number of cross-currents. On the dove-friendly side of things: the GBP exchange rate has appreciated, the price of oil has fallen, and GDP growth has disappointed. Meanwhile, on the hawkish side: bond yields have fallen, as have market expectations for the future path of Bank Rate, the latest CPI inflation reading was higher than the BoE has assumed, and utility bill hikes have been bigger than previously assumed. These influences will have a varying impact at different points along the MPC's inflation projection.

**Near term:** We believe that the peak in the Bank's inflation projection (currently around 2¾% y/y) is too low. The peak in our own projection is around 3.25% y/y. The upwards surprise in the latest inflation data and utility bill hike announcements, suggests that the peak in the Bank's CPI profile will be shifted up to around 3% y/y. Had it not been for the drop in the price of oil (especially in GBP terms) then that peak could have been somewhat higher.

**Medium term:** We suspect that the appreciation in the GBP and the weaker-than-anticipated GDP data justifies a slight downwards revision to the medium term portion of the Bank's projection. If nothing had changed since February, then the Bank's 2-year ahead projection would have been 2.51% y/y, down only fractionally from the late-2017 peak. We expect that to be pushed down a little, although remaining above the Bank's 2% target.

#### KEY JUDGEMENTS: LABOUR MARKET

The Bank expects the pace of headline wage inflation to accelerate to 3% 3m/y by the end of 2017. Our own forecast points to an end-year pace of wage inflation of between 2% and 2¼% 3m/y. The difference between those two outlooks is that the Bank expects the monthly pace of increase to accelerate from the recent 0.2% m/m batting average, whereas we don't.

Wage inflation has decelerated in recent months, but we would expect the MPC to stick to its guns for 3% wage inflation by end-year. In particular, the unemployment rate has fallen to 4.7% (and is on the verge of ticking down to 4.6%). That is a sizeable margin below the Bank's 4.9% forecast for Q1. That is likely to reassure the Bank that accelerating wage pressures are in the pipeline.

Our view is that unemployment overlooks the potential for overseas workers to fill vacancies, for now at least. For the past 3 years there has been an influx of 300–400k per year of non UK-born workers into employment, a massive increase in supply. We believe that this is the reason that wage inflation has undershot relative to expectations based on just the unemployment rate. In turn, this has helped to keep domestically generated inflation muted.

#### CONCLUSION

We expect the Bank to retain an implicit bias to hike, but also signal that it is not in a hurry to deliver. The near term portion of the Bank's inflation projection is likely to be pushed higher, reaching a peak of 3% y/y or slightly higher. Meanwhile, weaker-than-expected GDP and a slight re-appreciation in the pound should mean that inflation returns towards the 2% target slightly more quickly than the Bank had previously assumed. A lack of acceleration in domestically generated inflation, coupled with weaker-than-anticipated growth should justify the MPC looking through a temporary spell of above-target inflation. The future path of wage inflation will ultimately determine whether this stance can persist throughout the rest of the year.

#### CONTACTS

**Alan Clarke, Head of European Fixed Income Strategy**  
44.207.826.5986  
Fixed Income Strategy  
[alan.clarke@scotiabank.com](mailto:alan.clarke@scotiabank.com)

## Key Indicators for the week of May 8 – 12

### NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	05/08	08:15	Housing Starts (000s a.r.)	Apr	200	--	253.2
CA	05/09	08:30	Building Permits (m/m)	Mar	--	--	-2.5
MX	05/09	09:00	Bi-Weekly Core CPI (% change)	Apr 30	0.1	0.1	0.3
MX	05/09	09:00	Bi-Weekly CPI (% change)	Apr 30	0.2	0.1	-0.2
MX	05/09	09:00	Consumer Prices (m/m)	Apr	0.09	0.07	0.61
MX	05/09	09:00	Consumer Prices (y/y)	Apr	5.78	5.76	5.35
MX	05/09	09:00	Consumer Prices Core (m/m)	Apr	0.46	0.45	0.57
US	05/09	10:00	JOLTS Job Openings (000s)	Mar	--	--	5743
US	05/09	10:00	Wholesale Inventories (m/m)	Mar F	--	--	-0.1
US	05/10	07:00	MBA Mortgage Applications (w/w)	MAY 5	--	--	-0.1
US	05/10	08:30	Export Prices (m/m)	Apr	--	0.2	-0.2
US	05/10	08:30	Import Prices (m/m)	Apr	--	0.2	-0.2
US	05/10	14:00	Treasury Budget (US\$ bn)	Apr	--	--	-176.2
CA	05/11	08:30	New Housing Price Index (m/m)	Mar	--	--	0.4
US	05/11	08:30	Initial Jobless Claims (000s)	MAY 6	245	--	238
US	05/11	08:30	Continuing Claims (000s)	APR 29	1970	--	1964
US	05/11	08:30	PPI (m/m)	Apr	--	0.2	-0.1
US	05/11	08:30	PPI ex. Food & Energy (m/m)	Apr	--	0.2	0.0
CA	05/12	08:30	Teranet - National Bank HPI (y/y)	Apr	--	--	13.5
US	05/12	08:30	CPI (m/m)	Apr	0.3	0.2	-0.3
US	05/12	08:30	CPI (y/y)	Apr	2.3	2.3	2.4
US	05/12	08:30	CPI (index)	Apr	--	244.5	243.8
US	05/12	08:30	CPI ex. Food & Energy (m/m)	Apr	0.2	0.2	-0.1
US	05/12	08:30	CPI ex. Food & Energy (y/y)	Apr	2.0	2.0	2.0
US	05/12	08:30	Retail Sales (m/m)	Apr	0.5	0.6	-0.2
US	05/12	08:30	Retail Sales ex. Autos (m/m)	Apr	0.4	0.5	0.0
MX	05/12	09:00	Industrial Production (m/m)	Mar	--	--	0.2
MX	05/12	09:00	Industrial Production (y/y)	Mar	-0.45	--	-1.69
US	05/12	10:00	Business Inventories (m/m)	Mar	--	0.1	0.3
US	05/12	10:00	U. of Michigan Consumer Sentiment	May P	97.0	97.0	97.0

### EUROPE

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
GE	05/08	02:00	Factory Orders (m/m)	Mar	0.5	--	3.4
UK	05/08	03:30	Halifax House Price (3 month, y/y)	Apr	3.6	3.6	3.8
GE	05/09	02:00	Current Account (€ bn)	Mar	--	--	20.4
GE	05/09	02:00	Industrial Production (m/m)	Mar	0.0	--	2.2
GE	05/09	02:00	Trade Balance (€ bn)	Mar	--	--	20.0
FR	05/09	02:45	Central Government Balance (€ bn)	Mar	--	--	-21.5
FR	05/10	02:45	Current Account (€ bn)	Mar	--	--	-3.6
FR	05/10	02:45	Industrial Production (m/m)	Mar	1.2	--	-1.6
FR	05/10	02:45	Industrial Production (y/y)	Mar	0.8	--	-0.7
FR	05/10	02:45	Manufacturing Production (m/m)	Mar	1.2	--	-0.6
FR	05/10	02:45	Trade Balance (€ mn)	Mar	--	--	-6568
IT	05/10	04:00	Industrial Production (m/m)	Mar	--	--	1.0
UK	05/11	04:30	Industrial Production (m/m)	Mar	-0.25	--	-0.70
UK	05/11	04:30	Manufacturing Production (m/m)	Mar	0.0	--	-0.1
UK	05/11	04:30	Visible Trade Balance (£ mn)	Mar	-11500	--	-12461
UK	05/11	07:00	BoE Asset Purchase Target (£ bn)	May	435	--	435
UK	05/11	07:00	<b>BoE Policy Announcement (%)</b>	<b>May 11</b>	<b>0.25</b>	--	<b>0.25</b>
GE	05/12	02:00	CPI (m/m)	Apr F	0.0	--	0.0
GE	05/12	02:00	CPI (y/y)	Apr F	2.0	--	2.0
GE	05/12	02:00	CPI - EU Harmonized (m/m)	Apr F	0.0	--	0.0
GE	05/12	02:00	CPI - EU Harmonized (y/y)	Apr F	2.0	--	2.0
GE	05/12	02:00	Real GDP (q/q)	1Q P	0.7	--	0.4

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

## Key Indicators for the week of May 8 – 12

### EUROPE (continued from previous page)

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
FR	05/12	02:45	Non-Farm Payrolls (q/q)	1Q P	--	--	0.4
SP	05/12	03:00	CPI (m/m)	Apr F	1.0	--	1.0
SP	05/12	03:00	CPI (y/y)	Apr F	2.6	--	2.6
SP	05/12	03:00	CPI - EU Harmonized (m/m)	Apr F	0.9	--	0.9
SP	05/12	03:00	CPI - EU Harmonized (y/y)	Apr F	2.6	--	2.6
EC	05/12	05:00	Industrial Production (m/m)	Mar	--	--	-0.3
EC	05/12	05:00	Industrial Production (y/y)	Mar	--	--	1.2

### ASIA-PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CH	MAY 06-07		Foreign Reserves (US\$ bn)	Apr	--	3020.0	3009.1
AU	05/07	21:30	Building Approvals (m/m)	Mar	--	-5.0	8.3
AU	05/07	21:30	ANZ Job Advertisements (m/m)	Apr	--	--	0.3
CH	MAY 07-08		Exports (y/y)	Apr	--	12.0	16.4
CH	MAY 07-08		Imports (y/y)	Apr	--	17.0	20.3
CH	MAY 07-08		Trade Balance (USD bn)	Apr	--	35.9	23.9
JN	05/08	01:00	Consumer Confidence	Apr	--	--	43.9
TA	05/08	04:00	Exports (y/y)	Apr	--	10.9	13.2
TA	05/08	04:00	Imports (y/y)	Apr	--	17.6	19.8
TA	05/08	04:00	Trade Balance (US\$ bn)	Apr	--	3.9	3.9
SI	05/08	05:00	Foreign Reserves (US\$ mn)	Apr	--	--	259147
AU	05/08	21:30	Retail Sales (m/m)	Mar	--	0.2	-0.1
ID	MAY 08-09		Consumer Confidence Index	Apr	--	--	121.5
SK	05/09	19:00	Unemployment Rate (%)	Apr	3.7	--	3.7
JN	05/09	19:50	Official Reserve Assets (US\$ bn)	Apr	--	--	1230
CH	05/09	21:30	CPI (y/y)	Apr	1.1	1.1	0.9
CH	05/09	21:30	PPI (y/y)	Apr	--	6.7	7.6
CH	MAY 09-15		Aggregate Financing (CNY bn)	Apr	--	1105	2119
CH	MAY 09-15		New Yuan Loans (bn)	Apr	--	800	1020
IN	MAY 09-15		Exports (y/y)	Apr	--	--	27.6
IN	MAY 09-15		Imports (y/y)	Apr	--	--	45.3
JN	05/10	01:00	Coincident Index CI	Mar P	--	114.7	115.3
JN	05/10	01:00	Leading Index CI	Mar P	--	105.5	104.8
NZ	05/10	17:00	<b>RBNZ Official Cash Rate (%)</b>	<b>May 11</b>	<b>1.75</b>	<b>1.75</b>	<b>1.75</b>
JN	05/10	19:50	Bank Lending (y/y)	Apr	--	--	3.0
JN	05/10	19:50	Current Account (¥ bn)	Mar	--	2593	2814
JN	05/10	19:50	Trade Balance - BOP Basis (¥ bn)	Mar	--	799	1077
PH	05/10	21:00	Exports (y/y)	Mar	--	20.0	11.0
PH	05/10	21:00	Imports (y/y)	Mar	--	17.0	20.3
PH	05/10	21:00	Trade Balance (US\$ mn)	Mar	--	-2190	-1728
MA	05/11	00:00	Industrial Production (y/y)	Mar	--	--	4.7
PH	05/11	04:00	<b>Overnight Borrowing Rate (%)</b>	<b>May 11</b>	<b>3.00</b>	<b>3.00</b>	<b>3.00</b>
NZ	05/11	18:30	Business NZ PMI	Apr	--	--	57.8
JN	05/11	19:50	Japan Money Stock M2 (y/y)	Apr	--	4.3	4.3
JN	05/11	19:50	Japan Money Stock M3 (y/y)	Apr	--	3.6	3.6
ID	MAY 11-12		Current Account Balance (US\$ mn)	1Q	--	-1923	-1812
SI	05/12	01:00	Retail Sales (y/y)	Mar	--	--	-2.5
MA	05/12	03:00	<b>Overnight Rate (%)</b>	<b>May 12</b>	<b>3.00</b>	<b>3.00</b>	<b>3.00</b>
HK	05/12	04:30	Real GDP (y/y)	1Q	3.3	--	3.1
IN	05/12	08:00	CPI (y/y)	Apr	3.70	--	3.81
IN	05/12	08:00	Industrial Production (y/y)	Mar	--	--	-1.20

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



## Key Indicators for the week of May 8 – 12

### LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Indicator</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>
CL	05/08	07:00	CPI (m/m)	Apr	0.2	0.2	0.4
CL	05/08	07:00	CPI (y/y)	Apr	2.6	2.7	2.7
PE	MAY 09-11		Trade Balance (USD mn)	Mar	--	--	692
BZ	05/10	08:00	IBGE Inflation IPCA (m/m)	Apr	--	0.2	0.3
BZ	05/10	08:00	IBGE Inflation IPCA (y/y)	Apr	--	4.1	4.6
BZ	05/11	08:00	Retail Sales (m/m)	Mar	--	-0.1	-0.2
BZ	05/11	08:00	Retail Sales (y/y)	Mar	--	-1.1	-3.2
PE	05/11	19:00	<b>Reference Rate (%)</b>	<b>May 11</b>	<b>4.25</b>	<b>4.25</b>	<b>4.25</b>

## Global Auctions for the week of May 8 – 12

### NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	05/09	13:00	U.S. to Sell 3-Year Notes
CA	05/10	12:00	Canada to Sell 2-Year Bonds
US	05/10	13:00	U.S. to Sell 10-Year Notes
US	05/11	13:00	U.S. to Sell 30-Year Bonds

### EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
AS	05/09	05:15	Austria to Sell Bonds
NE	05/09	05:30	Netherlands to Sell 0% 2022 Bonds
NO	05/10	05:05	Norway to Sell Bonds
SZ	05/10	05:15	Switzerland to Sell Bonds on May 10
GE	05/10	05:30	Germany to Sell EUR3 Bln 0% 2022 Bonds
IT	05/11	05:00	Italy to Sell Bonds
SW	05/11	05:03	Sweden to Sell I/L Bonds

### ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CH	05/07	21:30	Xinjiang to Sell Bonds
AU	05/08	21:00	Australia Plans to Sell I/L Bonds
CH	05/08	21:30	Beijing to Sell Bonds
CH	05/08	22:30	Beijing to Sell Bonds
JN	05/08	23:45	Japan to Sell 10-Year Bonds
CH	05/09	01:40	Hebei to Sell Bonds
CH	05/09	23:00	China Plans to Sell Upsized Government Bond
JN	05/10	23:45	Japan to Sell 30-Year Bonds
NZ	05/11	22:05	New Zealand Plans to Sell NZD100 Mln 2.5% 2035 I/L Bonds

### LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
BZ	05/11	11:00	Brazil to Sell Fixed Rate Bonds

## Events for the week of May 8 – 12

### NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	05/06	15:00	Fed's Williams Speaks in Stanford
US	05/08	08:35	Fed's Bullard Speaks on Panel on Interest Rate Policy
US	05/08	08:45	Fed's Mester Speaks at Chicago Council on Global Affairs
US	05/09	13:00	Fed's Rosengren Speaks at NYU Conference on Risk Management
US	05/09	16:15	Fed's Kaplan Speaks to Dallas Regional Chamber
US	05/10	12:00	Fed's Rosengren to Speak on Economy at Vermont Business Group
US	05/11	06:25	Fed's Dudley Speaks on Globalization in Mumbai
US	05/12	09:00	Fed's Evans Speaks in Dublin
US	05/12	12:30	Philadelphia Fed's Harker Speaks at Drexel University

### EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
EC	05/06	16:00	EU's Oettinger, Thyssen, Moedas speak at conference, Brussels
GE	05/07	12:00	Schleswig-Holstein Holds State Election
FR	05/07		Second and final round of French presidential election
PO	05/08	03:30	Portugal's Vasconcelos Speaks About Brexit at Event in Lisbon
PO	05/08	04:30	Bank of Portugal Governor Speaks at Conference in Lisbon
IT	05/08	05:00	Bank of Italy Report on Balance-Sheet Aggregates
IT	05/08	18:00	Barack Obama Speaks At Milan Food Summit
PO	05/08		Portuguese Prime Minister Visits Qatar
SW	05/10	03:05	Swedish Financial Markets Minister Gives Speech
SW	05/10	03:30	Riksbank Publishes Minutes from April Meeting
SW	05/10	03:30	Riksbank's Jochnick Gives Speech
SZ	05/10	03:30	SNB Presents New 20 Franc Note
SW	05/10	05:10	Swedish FSA Head Gives Speech
EC	05/10	07:00	ECB's Draghi Speaks in Dutch Parliament
EC	05/11	04:00	ECB Publishes Economic Bulletin
UK	05/11	07:00	<b>Bank of England Bank Rate</b>
UK	05/11	07:00	Bank of England Inflation Report
SZ	05/11	12:30	IMF's Obstfeld Speaks in Geneva
SW	05/11	00:00	Riksbank Conference
SW	05/12	05:30	Riksbank's Floden Speaks on Panel
IR	05/12		Ireland Sovereign Debt to be rated by Moody's

### ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
SK	05/09	07:00	South Korea Special Presidential Election
NZ	05/09	18:00	N.Z. Government 9-Month Financial Statements
JN	05/09	19:50	BOJ Summary of Opinions at April 26-27 Meeting
NZ	05/10	17:00	<b>RBNZ Official Cash Rate</b>
NZ	05/10	17:00	RBNZ OCR decision - mps
PH	05/11	04:00	<b>BSP Overnight Borrowing Rate</b>
PH	05/11	04:00	BSP Standing Overnight Deposit Facility Rate
MA	05/12	03:00	<b>BNM Overnight Policy Rate</b>

### LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
PE	05/11	19:00	<b>Reference Rate</b>
CO	05/12	14:00	Colombia Monetary Policy Minutes

Source: Bloomberg, Scotiabank Economics.

## 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	June 14, 2017	1.25	1.25
Banco de México – Overnight Rate	6.50	May 18, 2017	6.75	--

### EUROPE

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
European Central Bank – Refinancing Rate	0.00	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	9.25	June 16, 2017	9.25	--
Sweden Riksbank – Repo Rate	-0.50	July 4, 2017	-0.50	--
Norges Bank – Deposit Rate	0.50	June 22, 2017	0.50	--

**Bank of England:** No policy action is expected. A hike bias is expected but not communicated with any sense of urgency as the central bank alters inflation forecasts to present short-term upside as transitory. Please see p.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	June 16, 2017	-0.10	--
Reserve Bank of Australia – Cash Target Rate	1.50	June 6, 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 Negara Malaysia – Overnight Policy Rate	3.00	May 12, 2017	3.00	3.00
Central Bank of Philippines – Overnight Borrowing Rate	3.00	May 11, 2017	3.00	3.00
Bank Indonesia – 7-Day Reverse Repo Rate	4.75	May 18, 2017	4.75	--

**Reserve Bank of New Zealand (RBNZ):** Policymakers at the RBNZ will meet on May 11th (local time). Headline inflation reached the middle of the RBNZ's target band of 1-3% y/y in the first quarter (+2.2% y/y), yet price gains were driven by temporary factors. Accordingly, we expect the RBNZ to leave the benchmark Cash Rate unchanged at 1.75% over the coming months.

**Bank Negara Malaysia:** No policy change is expected as a bias toward strengthening growth is preserved.

**Banko Sentral ng Pilipinas:** No policy change is expected amid a search for a new central bank governor.

### 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	10.50	--
Banco Central de Chile – Overnight Rate	2.75	May 18, 2017	2.75	--
Banco de la República de Colombia – Lending Rate	6.50	May 26, 2017	6.50	--
Banco Central de Reserva del Perú – Reference Rate	4.25	May 11, 2017	4.25	4.25

**Banco Central de Reserva del Perú:** The chance of a rate cut trades off inflation that remains above target versus expectations it will decline as the impact of heavy rains on food prices abates.

### 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	--

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

This report has been prepared by Scotiabank Economics as a resource for the clients of Scotiabank. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness. Neither Scotiabank nor any of its officers, directors, partners, employees or affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

These reports are provided to you for informational purposes only. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instrument, nor shall this report be construed as an opinion as to whether you should enter into any swap or trading strategy involving a swap or any other transaction. The information contained in this report is not intended to be, and does not constitute, a recommendation of a swap or trading strategy involving a swap within the meaning of U.S. Commodity Futures Trading Commission Regulation 23.434 and Appendix A thereto. This material is not intended to be individually tailored to your needs or characteristics and should not be viewed as a “call to action” or suggestion that you enter into a swap or trading strategy involving a swap or any other transaction. Scotiabank may engage in transactions in a manner inconsistent with the views discussed this report and may have positions, or be in the process of acquiring or disposing of positions, referred to in this report.

Scotiabank, its affiliates and any of their respective officers, directors and employees may from time to time take positions in currencies, act as managers, co-managers or underwriters of a public offering or act as principals or agents, deal in, own or act as market makers or advisors, brokers or commercial and/or investment bankers in relation to securities or related derivatives. As a result of these actions, Scotiabank may receive remuneration. All Scotiabank products and services are subject to the terms of applicable agreements and local regulations. Officers, directors and employees of Scotiabank and its affiliates may serve as directors of corporations.

Any securities discussed in this report may not be suitable for all investors. Scotiabank recommends that investors independently evaluate any issuer and security discussed in this report, and consult with any advisors they deem necessary prior to making any investment.

**This report and all information, opinions and conclusions contained in it are protected by copyright. This information may not be reproduced without the prior express written consent of Scotiabank.**

™ Trademark of The Bank of Nova Scotia. Used under license, where applicable.

Scotiabank, together with “Global Banking and Markets”, is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including, Scotiabanc Inc.; Citadel Hill Advisors L.L.C.; The Bank of Nova Scotia Trust Company of New York; Scotiabank Europe plc; Scotiabank (Ireland) Limited; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Scotia Inverlat Casa de Bolsa S.A. de C.V., Scotia Inverlat Derivados S.A. de C.V. – all members of the Scotiabank group and authorized users of the Scotiabank mark. The Bank of Nova Scotia is incorporated in Canada with limited liability and is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia is authorised by the UK Prudential Regulation Authority and is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia's regulation by the UK Prudential Regulation Authority are available from us on request. Scotiabank Europe plc is authorised by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority.

Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V., and Scotia Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities.

Not all products and services are offered in all jurisdictions. Services described are available in jurisdictions where permitted by law.

**Fixed Income Strategy (London, Paris)**

[www.gbm.scotiabank.com](http://www.gbm.scotiabank.com)

© 2016, The Bank of Nova Scotia

**This material, its content, or any copy of it, may not be altered in any way, transmitted to, copied or distributed to any other party without the prior express written consent of Scotiabank™.** This material has not been prepared by a member of the research department of Scotiabank, it is solely for the use of sophisticated institutional investors, and this material does not constitute investment advice or any personal recommendation to invest in a financial instrument or "investment research" as defined by the UK Prudential Regulation Authority or UK Financial Conduct Authority. This material is provided for information and discussion purposes only. An investment decision should not be made solely on the basis of the contents of this publication. It is not to be construed as a solicitation or an offer to buy or sell any financial instruments and has no regard to the specific investment objectives, financial situation or particular needs of any recipient. It is not intended to provide legal, tax, accounting or other advice and recipients should obtain specific professional advice from their own legal, tax, accounting or other appropriate professional advisers before embarking on any course of action. The information in this material is based on publicly available information and although it has been compiled or obtained from sources believed to be reliable, such information has not been independently verified and no guarantee, representation or warranty, express or implied, is made as to its accuracy, completeness or correctness. Information included in this material related to comparison performance (whether past or future) or simulated performance (whether past or future) is not a reliable indicator of future returns.

This material is not directed to or intended for use by any person resident or located in any country where the distribution of such information is contrary to the laws of such country. Scotiabank, its directors, officers, employees or clients may currently or from time to time own or hold interests in long or short positions in any securities referred to herein, and may at any time make purchases or sales of these securities as principal or agent. Scotiabank may also have provided or may provide investment banking, capital markets or other services to the companies referred to in this communication.

™ Trademark of The Bank of Nova Scotia. Used under license, where applicable. The bank of Nova Scotia is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. Scotiabank, together with "Global Banking and Markets", is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including Scotia Capital Inc., Scotia Capital (USA) Inc., Scotiabanc Inc.; Citadel Hill Advisors L.L.C.; The Bank of Nova Scotia Trust Company of New York; Scotiabank Europe plc; Scotiabank (Ireland) Limited; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Scotia Inverlat Casa de Bolsa S.A. de C.V., Scotia Inverlat Derivados S.A. de C.V. – all members of the Scotiabank Group and authorized users of the mark. The Bank of Nova Scotia is incorporated in Canada with limited liability. Scotia Capital Inc. is a member of CIPF. Scotia Capital (USA) Inc. is a registered broker-dealer with the SEC and is a member of the NASD and SIPC. The Bank of Nova Scotia, Scotia Capital Inc. and Scotiabank Europe plc are authorised by the UK Prudential Regulation Authority. The Bank of Nova Scotia and Scotia Capital Inc. are subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Scotiabank Europe plc is authorised by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia and Scotia Capital Inc.'s regulation by the UK Prudential Regulation Authority are available from us on request. Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V., and Scotia Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities.