March 2, 2018

TAKE THE HIGH ROAD

FORECASTS & DATA

CONTACTS

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Next Week's Risk Dashboard

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Chart of the Week

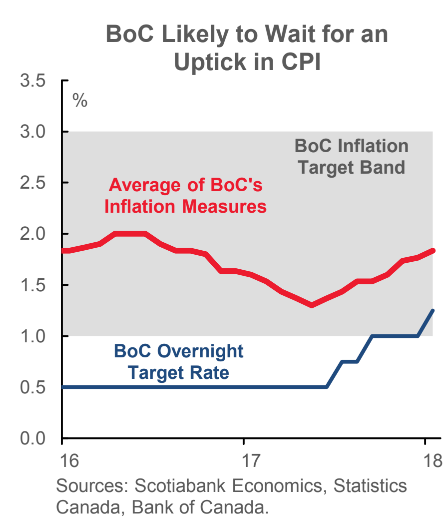


Chart of the Week: Prepared by: Sam Fraser, Research Analyst.

Take The High Road

In the wake of US President Trump's guidance that steel and aluminum tariffs will be set at 25% and 10%, respectively, and Commerce Secretary Wilbur Ross's guidance that they will be broadly applied, I'm starting this week's look ahead with cautions on the global policy responses. Before doing so, note that we do not as yet have specifics that Trump has guided to expect next week. Given his past promises, there is a material chance that such guidance takes longer to emerge and a non-zero chance that it may never materialize. We also need confirmation that no country exemptions will be provided.

Assuming that we do get specifics, that there are no exemptions and that the policy will be implemented with a specific timeline, how should the world respond? **One school of thought is that retaliatory tariffs are needed**. This school posits that a clear signal that leans back upon the US administration must be sent, much like what happened in 2002 when the Bush administration applied steel tariffs (more reference to that below). In fairness, the global response did cause the Bush administration to back down and blink but today is a bigger risk for reasons noted in the US section of this write-up when reviewing the 2002 episode. Indeed, **the BoC's advice on how to behave in such matters** may be drawn from the technical report of its Global Economy Model (here, page 69) written by none other than our very own René Lalonde before he joined Scotia:

> "The trade literature suggests that increases in tariffs by one region against another will benefit the region that imposes the tariff, but harm that region which is its target—the so-called "beggar-thy-neighbour policy." As past experience has shown (particularly the Great Depression), a beggar-thy-neighbour policy eventually escalates into a worldwide tariff war, and theory suggests that everyone loses in such an outcome."

Escalation that spirals out of control is a non-negligible risk set against the backdrop of NAFTA uncertainties, US withdrawal from the Trans-Pacific Partnership and President Trump's attitudes to the WTO. If one takes a step down this path with the erratic US administration, then do so knowing that it may require taking many more such steps. China appears to be signalling a willingness to take the high road and mitigate any tendency to retaliate. Europe seems poised to retaliate as it did in 2002. **For countries like Canada and others, there are alternatives.** The playground concept of standing up to a bully does not necessarily apply when taken to the level of international relations, especially in the context of dealing with what appears to be a rogue US administration willing to court whatever risks strike the fancy of the personality in power. Here are some other ideas.

1. Let markets work. Countries like Canada that has the most at stake as the biggest exporter of steel and aluminum to the US have flexible exchange rates as a shock absorber. Let it float and do what it must when needed. China's peg is more complicated including from a financial stability standpoint.

2. Vigorously launch NAFTA and WTO challenges in global unison. Attacking everyone's steel and aluminum industries is one of the few things that would unite the west ex-US with China, Russia, Japan and EMs. This response would aggravate the U.S. President, put US involvement with the WTO at further risk and involve lengthy delays and uncertainties - but it would aggravate US domestic business interests more so and with that voters and Congress.

3. Let stocks have Trump's ear. His beloved though antiquated Dow is speaking to him rather clearly here and into mid-terms. Keep the rhetoric high and the pressure on and risk a volatile period in the markets for the longer-run good and take away Trump's ability to claim that the stock market approves of his policies right into the mid-terms.

4. Let monetary policy mitigate risks. Major central banks meet next week including the ECB, BoJ, BoC and RBA. Global central banks are not out of firepower in my opinion. Let the professionals conduct appropriate, measured responses on the bias. There will be zero hint of ECB policy exits and a more cautious bias from the BoC possibly with reference to tools at its disposal although I suspect it's very early for that and contingent upon other potentially related developments (e.g. NAFTA). Show the US administration through the greenback that there is no free lunch to be had on trade policy and in the process complicate the Federal Reserve's policy exits and rate risks to global markets.

5. Foment US divisions through effective lobbying. This is a rogue administration making enemies galore at home, within its own administration including high profile resignation risk, within the GOP itself as its members attacked the administration, and definitely with Democrats and business interests. Don't abandon faith in US democratic checks and balances on executive powers.

That's the whole nature of the division of powers that the founding fathers established and we're seeing a good example of why. Retain belief in America as a trusted partner versus the President's 35% approval rating, recognizing that this administration speaks for a minority of Americans perhaps waiting for due political process to express their concerns and as soon as on Tuesday.

Retaliating through tariffs in the case of a country like Canada that has high import propensities risks backfiring. It could hit Canadian consumers and businesses with higher prices for imported goods and reduced choices while disrupting supply chains. Right now, a relatively modest share of total exports to the U.S. that are represented by steel and aluminum (about 6%) plus multiplier effects such as hydro output with a particularly politically-sensitive concentration upon Quebec is material exposure to the spat. Magnifying the risks to more sectors would not be welcome and would risk bringing in much more potential collateral damage across a greater number of industries at a time when there are enough uncertainties overhanging the broad macroeconomic outlook including risks to housing markets.

CANADA — COOL HEADS NEEDED

Everything you might want to know about the Bank of Canada and then some will be in for an update next week including word from the central bank itself. I suspect that the week as a whole may well end with a higher degree of unease overhanging the outlook largely derived from the predominant focus upon risks to trade policy.

No rate change is expected on Wednesday in a 10am ET statement-only affair. Why OIS markets have even a modest 15% chance of a hike is beyond me. This one is likely to be a maintenance statement with a more cautious spin that buys time to assess developments on the path to the April Monetary Policy Report. There are some rather compelling reasons to pause the hike cycle including the following.

1. Trade policy uncertainty: At some point over the coming week, the US Trump administration is expected to formally announce a 25% tariff on imports of steel and 10% tariff on aluminum imports. That's not a slam dunk given turmoil within the US administration as well as Congress plus lobbying efforts. What we do not know as yet is whether Canada will be exempt. That seems unlikely but remains possible. If the US wished to exempt Canada (and Mexico, plus perhaps others) then it might have made this clearer and it might have indicated much higher tariffs to be pursued against a subset of countries that the Commerce Department deems to be the worst 'dumping' offenders. A lot is at stake for Canada, given the role played by these industries. Steel accounted for about 3.1% of Canadian exports to the US in 2017 while aluminum and 'articles thereof' accounted for 2.7% with Canada the biggest exporter of both to the US and accounting for 16% of US steel imports and 40% of US aluminum imports. As outlined in the opening section above, I am not a believer in retaliation to potential US steel and aluminum tariffs a) because it risks escalation that turns a sector dispute into something involving greater collateral damage and b) because it risks imposing further damage upon Canadian consumers and businesses through higher prices and lower real wages.

Of course, related to trade policy uncertainty is the pending conclusion of round seven of NAFTA negotiations in Mexico City by this Monday. This may yield either incremental progress on some matters, none at all or possibly worse if frustrations abound. Be on watch for statements from all three countries by the conclusion of this round. I suspect the negotiations will conclude with all parties remaining at the table until Monday if for no other reason than the likelihood that the detailed tariff announcements won't be released until later in the week.

2. Higher frequency growth signals have waned: Several measures chalked up decent growth for the overall fourth quarter but ended it on a sour note. This poses awkward hand-off math into Q1 that sets growth expectations lower into the new year. Retail sales volumes fell 0.8% m/m in December. Wholesale sales fell 0.9%. Manufacturing sales volumes slipped 0.1%. Housing starts tanked by 14%. Hours worked were a bright spot in December (+1.2%) but gave back half of that in January. Jobs tanked in January through the loss of 88,000 positions.

3. Business investment intentions are weak: Scotia's provincial economist Marc Desormeaux points out the correlation between Statistics Canada's investment intentions survey and actual investment spending in charts 1 and 2. The picture deteriorated quite sharply in the latest set of readings and diminishes optimism that the sources of growth were becoming more diversified and less reliant upon consumption and housing, albeit perhaps translating into greater capacity pressures over time.

4. Capacity pressures on hold: For now, however, while there is little to no spare capacity in the broad Canadian economy, the fact that Q4 GDP growth was probably only marginally stronger than the BoC's estimated potential growth rate meant little or no additional upward pressure on capacity constraints into the new year.

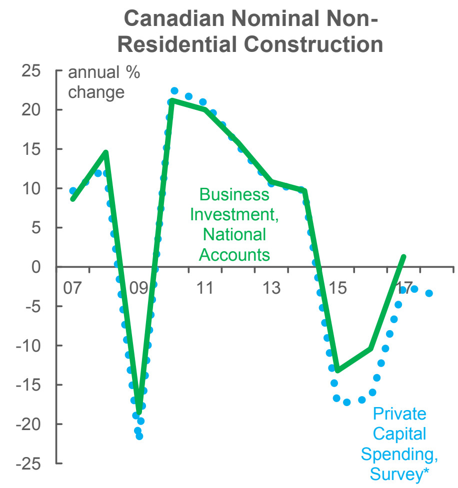
5. Core inflation has not added to pressures: The average of the BoC's three central tendency growth measures remained at 1.8% y/y in January, unchanged from December. That's getting rather close to the BoC's 2% inflation target but its data dependence is not under any fresh upward pressure since the January hike.

6. Market volatility: The five year GoC bond yield has risen by about 35bps since mid-December and presently sits at the highest level since a brief pop higher in 2013. While it has stabilized this month, at the margin this imposes additional mortgage market tightening pressures into the key Spring housing market. In fact, since early last June, the five year bond yield has risen by over 100bps. Some of this has reflected waning BoC influences further up the curve, but much of it is a synchronous rise with 5 year Treasuries that have also cheapened.

7. Spring mortgage volumes: Rate pressures are only one consideration to gauging how the key Spring housing market may hold up, or not. The other is the uncertain effect of stress testing introduced to the uninsured mortgage book at the start of the year. This requires tacking on 200bps to the posted five year mortgage rate at the point of qualification, after which borrowers can do as they wish. The one-two punch of rate pressures and stress testing could be enough to add enough downside to housing markets to tilt the balance toward more near-term caution. The BoC will be speaking with banks through senior levels and desks to evaluate mortgage pre-approvals into the key season and won't have enough material information in this regard until at least the April meeting.

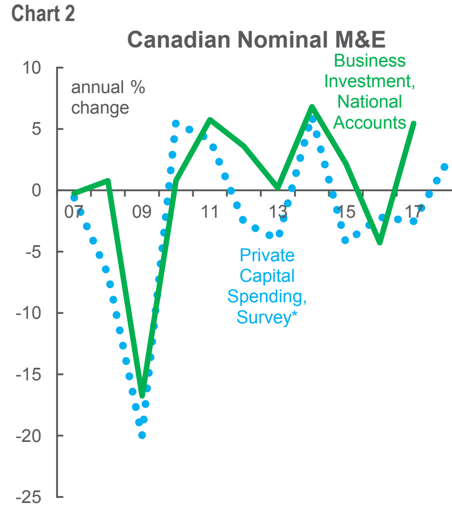
Amid the reasons for caution, however, there are some incremental positives. Trend growth is still constructive and it may be that US and Canadian readings are being temporarily distorted by bone-chilling cold at times this winter. Auto sales remain very strong in Canada. Additional fiscal stimulus in the US since the BoC's January meeting will probably translate into moderately higher Canadian GDP growth—all else equal, of course—given estimated two-to-one pass-through effects. Canadian fiscal policy is marginally more expansionary in terms of near-term program spending growth and may become more so in the next Federal Budget that will be presented in an election year in 2019.

Chart 1



* 2018 reflects spending intentions. Sources: Scotiabank Economics, Statistics Canada.

Chart 2



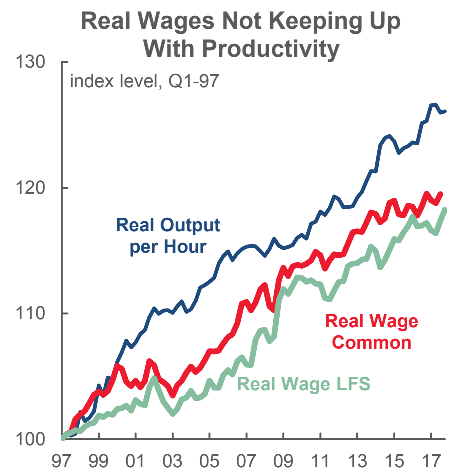
* 2018 reflects spending intentions. Sources: Scotiabank Economics, Statistics Canada.

Other considerations will also help to inform the outlook for the BoC next week. **The day afterward, we get the first of the speeches by a senior Governing Council member—Deputy Governor Tim Lane in this case**—after a non-MPR meeting, consistent with the introduction of the practice in Wilkins' NY speech on November 15th. At this point, we don't know the specific topic or whether it will be a general post-statement overview. Lane is, however, known as a rigorous heavy hitter on the BoC's Governing council in terms of monetary policy theory and practice.

The day of the BoC meeting we'll get another trade report, this time for January. With trade policy risks front and centre, this one risks being treated as a footnote. Recall that export volumes were flat in December but import volumes were up by another 1% after a 5% rise the prior month and so the trade deficit unexpectedly widened. I'm cautiously going with a narrower nominal trade deficit for January partly given about a 10% m/m rise in Western Canada Select oil price and about an 8% rise in Brent of relevance to east coast projects. Softer domestic activity readings into year-end might also indicate somewhat less of a pull effect on imports into the new year compared to the strong prior rate of growth. That said, trade balance estimates are always plagued by at least two things: incomplete data from surveys particularly in the resource space (especially energy) that leads to high revision risk later; and a shortage of available advance readings.

Wednesday's Q4 productivity growth numbers and Friday's wage and job figures contained within the February Labour Force Survey offer important linkages of relevance to the BoC's views on wage growth and its broader inflation targeting framework. Chart 3 demonstrates that real wage growth (i.e., adjusted for inflation) and productivity growth are tightly linked but wage gains have not kept pace with productivity gains over time. I wouldn't be surprised to see a large job gain that reverses the prior month's drop of 88,000 that carried some distortions like the loss of jobs at a large department store chain and a large drop in sales support jobs in Ontario. Further, I wouldn't be surprised to see wage growth accelerate again partly as minimum wage pressures are more completely captured in the household survey compared to the possible recognition lag that may have held back some awareness of wage gains during the January survey reference period. See Juan Manuel Herrera's piece on the BoC's wage-common measure here.

Chart 3



Sources: Scotiabank Economics, Bank of Canada, Statistics Canada.

Housing starts will wrap things up on Thursday. They've been on an absolute tear for an extended period with readings over 200k at an annualized rate for every month since December 2016 except for last May. So far at least, this counters concern that housing markets are abruptly slowing perhaps as a) homebuyers do arbitrage by shifting relative demand toward new homes that have witnessed cooler price growth over time than resales, and b) new home supply remains tight.

UNITED STATES — T.N.T.

Tariffs, nonfarm payrolls and the Texas primaries will dominate US and global market developments over the coming week.

Texans go to the polls in the state's primary on Tuesday and it will be a test of momentum for the Democrats. I think that a reason why harsh tariffs were announced by Trump and why Congress has postponed potential gun legislation until after next week sometime is an attempt to appeal to Texans with the Dems uncharacteristically on the rise there. We'll see if this strategy works, or if it is underestimating the state's diversity and risks backfiring. It has been noted that Democrats are fielding candidates in every one of the 36 congressional districts which they have not done since 1993. It is, of course, a red state traditionally, but the Dems are thought to be serious contenders in a few districts that could materially erode GOP support and operate as a significant blow ahead of the Congressional mid-terms in November.

At issue is also how American—and in this case Texan—voters are responding to broad policy directions, and the metals tariffs could easily backfire on the GOP. Texan oil projects are obvious consumers of steel. The Trump administration's protection of steel and aluminum will raise an important input cost while protecting an industry that has under-invested, operates at high costs, doesn't spend as much on R&D as other countries' steel sectors, pays high wages to unionized employees and has suffered a long-term erosion of its competitiveness. The energy industry has been very vocal in response to the tariffs including, for instance, the President of the American Petroleum Institute who remarked that they are "inconsistent with the administration's goal of continuing the energy renaissance and building world class infrastructure." At the same time, spending increases and the tax cuts that are skewed toward upper income earners are driving long-term fiscal deficits much higher. How will a state with the biggest rainy day fund in the country (the "Texas Economic Stabilization Fund") view Washington's largesse? For that matter, note that a vast majority of Texan industry views NAFTA favourably and views Washington's immigration policy proposals as a negative risk to their businesses (here). Texans will get a chance to vote on whether this is the version of the American Dream they subscribe to. In case you're tempted to discount the Dems' threat in the state, recall that Clinton captured the state's popular vote in 2016.

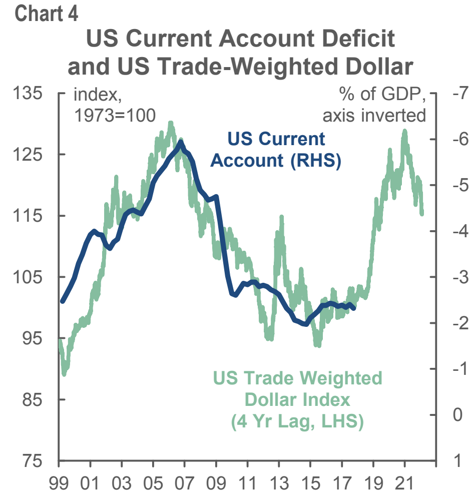
It's not, however, all about Texas. **How the steel and tariff duties resonate across the rest of the country will matter a great deal in part because memories of 2002 still linger.** This study estimated that 200,000 Americans lost their jobs due to the steel tariffs that the Bush administration imposed that year. A quarter of those lost jobs were in the metal manufacturing, machinery and transportation sectors that use the metals while more Americans lost jobs that year due to the tariffs than the total number of employees in the US steel industry. Recall that the Bush administration had to back off and reverse the tariffs a year later in response to global retaliation. Not the difference today, however, in that a) the workforce is larger so the job implications may be bigger, b) it was only steel in 2002 and not aluminum, and c) major providers like Canada were exempted from the higher tariffs and so the negative hits to the US economy through supply disruptions were less material in 2002 than they risk being today.

Fed-speak will be closely watched for signs that FOMC officials are contemplating changes to their proposed forecasts including projected rate paths, but it's more probable that the balance of opinion will be closely guarded and left until the discussion at the March 20th–21st meeting. Governor Brainard speaks Tuesday. NY Fed President Dudley speaks twice on Tuesday and Wednesday. Atlanta Fed President Bostic (voting), Dallas Fed President Kaplan (nonvoting) and Chicago Fed President Evans (alternate) speak on Wednesday, Tuesday and Friday, respectively. While I was leaning toward four hikes this year in the wake of more aggressive pro-cyclical fiscal policy due to the combined effects of tax reforms and the two-year spending and funding agreement, protectionist concerns are offsetting. At the margin, protectionism creates near-term inflation and longer-term disinflation through diminished demand for the products like autos that incur higher costs due to pass-through effects of tariffs on raw steel and aluminum imports. Protectionism also imperils financial stability as witnessed by the stock market reaction that logically places a higher weight on retaliatory risks and an earnings hit to users of steel versus a positive albeit transitory lift to earnings of domestic steel and aluminum producers before their demand suffers.

Data risk will also factor prominently with quick remarks as follows:

1. Nonfarm payrolls: Wage growth will be key in this report. Recall it accelerated in January to 2.9% y/y which was the highest since 2009. Fed Chair Powell dismisses wage pressures and he's generally right to do so if we're talking unit labour costs that essentially amount to productivity adjusted wage pressures. As long as wages are met by productivity gains then inflation concerns are downplayed. I suspect we'll see a lower wage growth print next week as the January reading benefited from year-ago base effects that became less favourable in February. Also note that ADP private payrolls are due out for February on Wednesday.

Chart 4



Source: Scotiabank Economics, Federal Reserve, Bloomberg.

2. Trade: The US trade deficit is likely to widen again in Wednesday's release of January figures and partly due to higher oil prices. In a grander sense, why is the Trump administration turning incrementally more protectionist? One of my favourite arguments remains that the long lagging effects of the dollar's rise negatively impact the trade account and we're still in the early- to middle-innings in terms of the effects of the dollar's ascent until early last year. The best correlation between the dollar and net trade balance involves about a four year lag on the dollar (chart 4). Depreciation since early last year won't be a factor for an improved trade balance for a long while yet. Imagine the irony of a protectionist President presiding over a ballooning trade deficit and doing nothing about it before his constituency that voted him in. Of course, doing bad things to worsen the situation is not helpful in many ways, but Trump and his adviser Peter Navarro likely feel there is more at risk into the mid-terms and 2020 if they stand idly by and watch the trade deficit mushroom than if they create the impression of acting to alter the trade agenda.

Other releases will include ISM-services for February (Monday), factory orders for January (Tuesday) the Fed's Beige Book of regional conditions on Wednesday and the Q4 flow of funds financial accounts of the US economy from the Federal Reserve on Thursday.

LATIN AMERICA — DISINFLATION

A central bank decision, a round of regional inflation reports and whether countries like Mexico or Brazil get possible exemptions to US steel tariffs will be the driving forces in LatAm markets that will otherwise be buffeted by external factors.

Peru's inflation rate continues to decelerate and is running at the lowest rate since May 2010. At 1.18% y/y in February, the additional deceleration was marginal compared to the prior month. **At the margin this reinforces some economists' expectations for the central bank to cut its reference rate again to 2.75% next Thursday.**

Each of Mexico and Chile (both Thursday), Brazil (Friday), and Colombia (Monday) update inflation readings for the month of February. They should all be relatively tame readings. In fact, three out of four of them are expected to perhaps drift lower in the context of the recent trends (chart 5).

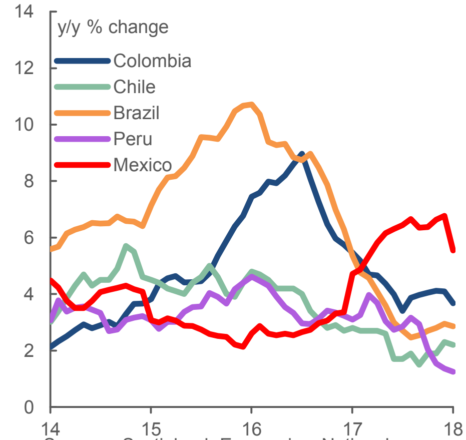
- **Brazil is an exception where inflation is expected to stabilize** around a 2.8% y/y zone after a massive wave of disinflation took the rate down from a peak of 10.7% y/y in early 2016 to a trough of 2.5% y/y in August. Banco Central do Brasil targets 3–6% inflation.

- **Mexico's inflation is expected to continue to drift lower** from a peak of 6.8% y/y in December to 5.6% in January and with the February reading inching lower yet as the lagged influences of peso movements and base effects turn. Banxico targets 2–4% inflation.

- **Chile's inflation rate** has been bouncing off bottom from 1.5% y/y in September to 2.2% in January following a prior sharp deceleration and a figure hovering over 2% y/y is expected. Chile's central bank targets 2–4% inflation.

Chart 5

LatAm Disinflation



Sources: Scotiabank Economics, National Statistical Agencies.

- **Colombia's inflation** rate sits at 3.7% y/y with consensus expecting a slight softening next week. BanRep targets 2–4% inflation.

ASIA — CHINA'S TURN

Most of the upcoming week's developments will be fixated upon China but several central bank decisions and limited data risk also factor into the week.

The Trump administration's tariff announcements preceded China's National People's Congress that kicks off at the start of the week. Applying tariffs to everybody's steel industries as one of the few ways to unite China, Russia, Japan, Canada, Brazil, Korea and other countries on a common policy issue was bad enough by way of what it says about the White House's inexperienced political strategists. Doing so on the eve of China's annual shin dig was even worse as it hands over the communications momentum to China's leaders to dominate the aftermath. **This is the annual gathering at which China announces its growth target for the year as well as broader policy goals for 2018.** Major appointments are expected to be made including the PBoC Governor and regulatory positions. **At risk is a more thorough response to the US tariffs by President Xi Jinping and Premier Li Keqiang** and a response from the top of the Chinese political order may be a major risk factor over the week.

During all of this, China will update the private versions of purchasing managers' indices, trade figures, CPI and possibly foreign reserves.

No policy changes are expected from the Bank of Japan toward the end of the week and it is too early to expect exit talk. Governor Kuroda already said so. In comments this past week, Kuroda noted that the BoJ may begin to **ponder policy exits next fiscal year starting in April 2019.** Specifically, he noted:

> "Right now, the members of the policy board and I think that prices will move to reach 2 percent in around fiscal 2019. So it's logical that we would be thinking about and debating exit at that time too. I'm not saying that the negative rate of 0.1 percent and the around 0 percent aim for 10-year bond yields will never change, but it is possible. We will be discussing that at each policy meeting."

One caveat is the obvious point that the BoJ hasn't witnessed 2% inflation over the past three decades with brief exceptions in '97–'98, mid-2008 and a few months in 2014 (chart 6). Secondly, Japan plans to raise its sales tax again from 8% to 10% by October 2019 and while that will likely pop headline inflation higher temporarily, it's likely to have the same effect as it did during past hikes by reducing consumption, walloping growth and driving disinflationary second-round forces. Monetary stimulus would likely need to be maintained to get through this period.

Neither the RBA (Monday night ET) nor Bank Negara Malaysia (Wednesday night) are expected to alter policy next week. With inflation at 1.9% y/y and trade policy uncertainty overhanging the outlook and significantly focused upon its own backyard through China and commodity connections, the RBA will have no appetite to rock the boat especially if expectations for cooler Q4 GDP growth materialize on Tuesday evening(ET).

Other data risk will include CPI inflation updates from South Korea, the Philippines, and Taiwan. Japan revises Q4 GDP and updates monthly household spending.

EUROPE — POLITICS & THE ECB

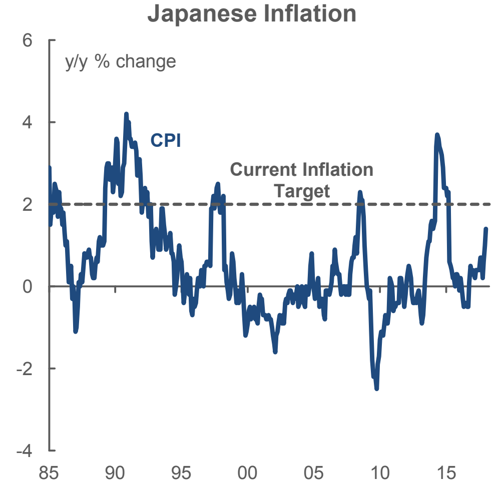
Domestic and global politics will be operating in the background of the ECB's communications and policy decisions as the dominant forces affecting European markets in addition to external factors.

No policy changes are expected when the ECB refreshes guidance and President Draghi holds his usual press conference on Thursday. It may be premature to discuss policy exits with any clarity emanating from the dialogue in advance of the current planned expiration of bond purchases in September. Weak core inflation of about 1% y/y, a recent softening of PMIs, lagging effects of past euro appreciation that add headwinds to growth and inflation, plus global trade policy uncertainty will likely keep the ECB in a cautious frame of mind.

Political risk will be focused upon two main events on Sunday that will inform incremental market risks into the Monday market open at home and perhaps abroad. **Members of Germany's Social Democrats will vote on the coalition deal with Chancellor Angela Merkel's Christian Democrats.** If it fails, then Germany will be thrown back into political turmoil which would likely be disruptive to the market open. **Italy's general election will also be on Sunday.** Polling points to no single coalition group having a majority or anything even close to it which will mean an extended period of uncertainty regarding what government may emerge. Results should be available into the market open on Monday.

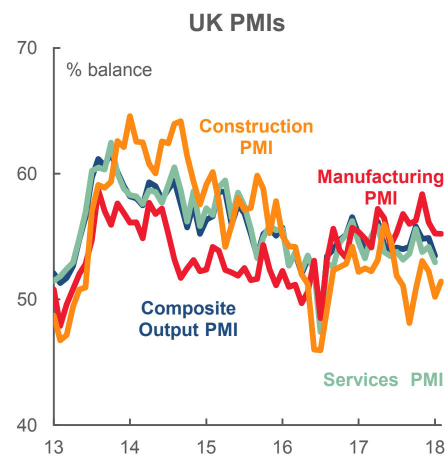
Data risk will be relatively minor by comparison to the ECB and politics and focused upon the Eurozone retail sales add-up (Monday); Q4 GDP revisions (Wednesday); trade figures for January from Germany, France and the UK; industrial output updates from France, Germany and the UK; and German factory orders. After recent upsides to manufacturing and construction sector **PMIs in the UK**, the services and composite PMI readings will be watched for overall growth directions on Monday (chart 7). **Norway's inflation rate** is expected to continue to creep higher from the 1.6% prior reading. Recall that Norges Bank just lowered its inflation target to 2% from 2.5% which is, of course, the quickest and easiest way of getting low inflation back to target!

Chart 6



Sources: Scotiabank Economics, Bloomberg.

Chart 7



Sources: Scotiabank Economics, Haver Analytics, Markit.

Key Indicators for the week of March 5 – 9

NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	03/05	10:00	ISM Non-Manufacturing Composite	Feb	59.5	58.9	59.9
US	03/06	10:00	Factory Orders (m/m)	Jan	-1.0	-1.2	1.7
US	03/07	07:00	MBA Mortgage Applications (w/w)	MAR 2	--	--	2.7
US	03/07	08:15	ADP Employment Report (000s m/m)	Feb	205	200.0	233.5
CA	03/07	08:30	Merchandise Trade Balance (C$ bn)	Jan	-2.6	-2.5	-3.2
CA	03/07	08:30	Productivity (q/q a.r.)	4Q	--	--	-0.6
US	03/07	08:30	Productivity (q/q a.r.)	4Q F	--	-0.1	-0.1
US	03/07	08:30	Trade Balance (US$ bn)	Jan	-55.5	-55.0	-53.1
US	03/07	08:30	Unit Labor Costs (q/q a.r.)	4Q F	--	2.1	2.0
CA	03/07	10:00	**BoC Interest Rate Announcement (%)**	**Mar 7**	**1.25**	**1.25**	**1.25**
US	03/07	15:00	Consumer Credit (US$ bn m/m)	Jan	--	18.3	18.4
CA	03/08	08:15	Housing Starts (000s a.r.)	Feb	200	220.0	216.2
CA	03/08	08:30	Building Permits (m/m)	Jan	--	--	4.8
CA	03/08	08:30	New Housing Price Index (m/m)	Jan	--	--	0.0
US	03/08	08:30	Initial Jobless Claims (000s)	MAR 3	225	220.0	210.0
US	03/08	08:30	Continuing Claims (000s)	FEB 24	1925	1915	1931
MX	03/08	09:00	Bi-Weekly Core CPI (% change)	Feb 28	0.2	0.2	0.3
MX	03/08	09:00	Bi-Weekly CPI (% change)	Feb 28	0.1	0.1	0.2
MX	03/08	09:00	Consumer Prices (m/m)	Feb	0.5	0.4	0.5
MX	03/08	09:00	Consumer Prices (y/y)	Feb	5.5	5.4	5.6
MX	03/08	09:00	Consumer Prices Core (m/m)	Feb	0.4	0.5	0.3
CA	03/09	08:30	Capacity Utilization (%)	4Q	--	--	85.0
CA	03/09	08:30	Employment (000s m/m)	Feb	40	21.0	-88.0
CA	03/09	08:30	Unemployment Rate (%)	Feb	5.8	5.9	5.9
US	03/09	08:30	Average Hourly Earnings (m/m)	Feb	0.1	0.2	0.3
US	03/09	08:30	Average Hourly Earnings (y/y)	Feb	2.7	2.8	2.9
US	03/09	08:30	Average Weekly Hours	Feb	--	34.4	34.3
US	03/09	08:30	Nonfarm Employment Report (000s m/m)	Feb	200	205.0	200.0
US	03/09	08:30	Unemployment Rate (%)	Feb	4.0	4.0	4.1
US	03/09	08:30	Household Employment Report (000s m/m)	Feb	--	--	409.0

EUROPE

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
IT	03/05	03:45	Services PMI	Feb	--	57.0	57.7
FR	03/05	03:50	Services PMI	Feb F	--	57.9	57.9
GE	03/05	03:55	Services PMI	Feb F	--	55.3	55.3
EC	03/05	04:00	Composite PMI	Feb F	--	57.5	57.5
EC	03/05	04:00	Services PMI	Feb F	--	56.7	56.7
UK	03/05	04:30	Official Reserves Changes (US$ bn)	Feb	--	--	1709
UK	03/05	04:30	Services PMI	Feb	53.0	53.3	53.0
EC	03/05	05:00	Retail Trade (m/m)	Jan	--	-0.1	-1.1
GR	03/05	05:00	Real GDP NSA (y/y)	4Q F	--	--	1.3
FR	03/07	02:45	Current Account (€ bn)	Jan	--	--	-928
FR	03/07	02:45	Trade Balance (€ mn)	Jan	--	-4500	-3468
UK	03/07	03:30	Halifax House Price (3 month, y/y)	Feb	1.5	1.6	2.2
EC	03/07	05:00	GDP (q/q)	4Q F	--	0.6	0.6
TU	03/07	06:00	**Benchmark Repo Rate (%)**	**Mar 7**	**8.00**	**8.00**	**8.00**
GE	03/08	02:00	Factory Orders (m/m)	Jan	--	-1.6	3.8
EC	03/08	07:45	**ECB Main Refinancing Rate (%)**	**Mar 8**	**0.00**	**0.00**	**0.00**
GE	03/09	02:00	Current Account (€ bn)	Jan	--	17.2	27.8
GE	03/09	02:00	Industrial Production (m/m)	Jan	--	0.6	-0.6
GE	03/09	02:00	Trade Balance (€ bn)	Jan	--	18.1	18.1
FR	03/09	02:45	Central Government Balance (€ bn)	Jan	--	--	-67.8
FR	03/09	02:45	Industrial Production (m/m)	Jan	--	-0.2	0.0
FR	03/09	02:45	Industrial Production (y/y)	Jan	--	3.8	4.5
FR	03/09	02:45	Manufacturing Production (m/m)	Jan	--	0.1	0.3
SP	03/09	03:00	Industrial Output NSA (y/y)	Jan	--	--	2.9
UK	03/09	04:30	Industrial Production (m/m)	Jan	1.7	1.5	-1.3
UK	03/09	04:30	Manufacturing Production (m/m)	Jan	0.2	0.2	0.3
UK	03/09	04:30	Visible Trade Balance (£ mn)	Jan	-12200	-12000	-13576

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

Key Indicators for the week of March 5 – 9

ASIA-PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
AU	03/04	19:30	Building Approvals (m/m)	Jan	--	5.0	-20.0
AU	03/04	19:30	ANZ Job Advertisements (m/m)	Feb	--	--	6.2
HK	03/04	19:30	Purchasing Managers Index	Feb	--	--	51.1
CH	03/04	20:45	HSBC Services PMI	Feb	--	54.3	54.7
MA	03/04	23:00	Exports (y/y)	Jan	--	15.2	4.7
MA	03/04	23:00	Imports (y/y)	Jan	--	11.2	7.9
MA	03/04	23:00	Trade Balance (MYR bn)	Jan	--	7.6	7.3
TA	03/05	03:00	Industrial Production (y/y)	Jan	--	4.0	1.2
SK	03/05	18:00	Current Account (US$ mn)	Jan	--	--	4092
SK	03/05	18:00	CPI (y/y)	Feb	1.1	1.2	1.0
SK	03/05	18:00	Core CPI (y/y)	Feb	--	1.2	1.1
AU	03/05	19:30	Current Account (AUD bn)	4Q	--	-12	-9125
AU	03/05	19:30	Retail Sales (m/m)	Jan	--	0.4	-0.5
AU	03/05	19:30	Australia Net Exports of GDP	4Q	--	-0.6	0.0
PH	03/05	20:00	CPI (y/y)	Feb	4.0	4.1	4.0
PH	03/05	20:00	Core CPI (y/y)	Feb	--	3.8	3.9
AU	03/05		**RBA Cash Target Rate (%)**	**Mar 6**	**1.50**	**1.50**	**1.50**
NZ	03/06	11:00	QV House Prices (y/y)	Feb	--	--	6.4
AU	03/06	19:30	GDP (y/y)	4Q	2.9	2.5	2.8
PH	03/06	20:00	Unemployment Rate (%)	Jan	5.0	--	5.0
JN	03/07	00:00	Coincident Index CI	Jan P	--	115.3	120.2
JN	03/07	00:00	Leading Index CI	Jan P	--	106.1	107.4
AU	03/07	00:30	Foreign Reserves (AUD bn)	Feb	--	--	65.3
MA	03/07	02:00	Foreign Reserves (US$ bn)	Feb 28	--	--	103.6
MA	03/07	02:00	**Overnight Rate (%)**	**Mar 7**	**3.25**	**3.25**	**3.25**
TA	03/07	03:00	CPI (y/y)	Feb	1.3	2.0	0.9
TA	03/07	03:00	Exports (y/y)	Feb	--	9.1	15.3
TA	03/07	03:00	Imports (y/y)	Feb	--	7.0	23.3
TA	03/07	03:00	Trade Balance (US$ bn)	Feb	--	4.4	2.4
SI	03/07	04:00	Foreign Reserves (US$ mn)	Feb	--	--	282385
NZ	03/07	16:45	Manufacturing Activity	4Q	--	--	0.5
JN	03/07	18:50	Bank Lending (y/y)	Feb	--	--	2.4
JN	03/07	18:50	Current Account (¥ bn)	Jan	--	368.5	797.2
JN	03/07	18:50	GDP (q/q)	4Q F	0.10	0.20	0.10
JN	03/07	18:50	GDP Deflator (y/y)	4Q F	--	0.0	0.0
JN	03/07	18:50	Trade Balance - BOP Basis (¥ bn)	Jan	--	-691	539
AU	03/07	19:30	Trade Balance (AUD mn)	Jan	--	200	-1358
TH	03/07	22:30	Consumer Confidence Economic	Feb	--	--	67.0
CH	MAR 6-7		Foreign Reserves (US$ bn)	Feb	--	3150	3161
JN	03/08	18:30	Household Spending (y/y)	Jan	--	-0.8	-0.1
JN	03/08	18:50	Japan Money Stock M2 (y/y)	Feb	--	3.30	3.40
JN	03/08	18:50	Japan Money Stock M3 (y/y)	Feb	--	2.8	2.9
PH	03/08	20:00	Exports (y/y)	Jan	--	-3.7	-4.9
PH	03/08	20:00	Imports (y/y)	Jan	--	14.7	17.6
PH	03/08	20:00	Trade Balance (US$ mn)	Jan	--	-3500	-4017
CH	03/08	20:30	CPI (y/y)	Feb	1.9	2.4	1.5
CH	03/08	20:30	PPI (y/y)	Feb	--	3.8	4.3
CH	MAR 7-8		Exports (y/y)	Feb	--	10.0	11.1
CH	MAR 7-8		Imports (y/y)	Feb	--	6.5	36.8
CH	MAR 7-8		Trade Balance (USD bn)	Feb	--	-8.5	20.3
JN	MAR 8-9		**BoJ Policy Rate (%)**	**Mar 9**	**-0.10**	**--**	**-0.10**

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

Key Indicators for the week of March 5 – 9

LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CL	03/05	06:30	Economic Activity Index SA (m/m)	Jan	--	0.6	0.4
CL	03/05	06:30	Economic Activity Index NSA (y/y)	Jan	3.8	3.4	2.6
CO	03/05	19:00	Consumer Price Index (m/m)	Feb	--	0.8	0.6
CO	03/05	19:00	Consumer Price Index (y/y)	Feb	--	3.4	3.7
BZ	03/06	07:00	Industrial Production SA (m/m)	Jan	--	-0.6	2.8
BZ	03/06	07:00	Industrial Production (y/y)	Jan	--	6.0	4.3
CL	03/08	06:00	CPI (m/m)	Feb	0.2	0.2	0.5
CL	03/08	06:00	CPI (y/y)	Feb	2.2	2.1	2.2
PE	03/08	18:00	**Reference Rate (%)**	**Mar 8**	**2.75**	**2.75**	**3.00**
BZ	03/09	07:00	IBGE Inflation IPCA (m/m)	Feb	--	0.3	0.3
BZ	03/09	07:00	IBGE Inflation IPCA (y/y)	Feb	--	2.8	2.9

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

Global Auctions for the week of March 5 – 9

WESTERN EUROPE

Country	Date	Time	Event
AS	03/06	05:15	Austria to Sell 0.75% 2028 Bonds
AS	03/06	05:15	Austria to Sell 0% 2022 Bonds
UK	03/06	05:30	U.K. to Sell 2.25 Billion Pounds of 1.5% 2047 Bonds
GE	03/06	05:30	Germany to Sell EUR500 Mln 0.1% I/L 2026 Bonds
GE	03/06	05:30	Germany to Sell EUR500 Mln 0.5% I/L 2030 Bonds
DE	03/07	04:30	Denmark to Sell Bonds
SW	03/07	05:03	Sweden to Sell 1.5 Billion Kronor of 0.75% 2028 Bonds
NO	03/07	05:05	Norway to Sell Bonds
GE	03/07	05:30	Germany to Sell EUR4 Bln 0% 2023 Bonds
IR	03/08	05:30	Ireland to sell Bonds
IC	03/09	06:30	Iceland to Sell Bonds

ASIA-PACIFIC

Country	Date	Time	Event
JN	03/05	22:45	Japan to Sell 30-Year Bonds
AU	03/06	19:00	Australia To Sell AUD500 Mln 4.75% 2027 Bonds
CH	03/06	21:35	China To Sell CNY20 Bln 7-Yr Bonds
CH	03/06	21:35	China to Sell CNY20 Bln 3-Yr Upsized Bonds
CH	03/07	20:30	Guangxi to Sell CNY4.84 Bln 5Y Bonds
CH	03/07	21:30	Guangxi to Sell CNY600 Mln 5Y Bonds
CH	03/07	21:30	Guangxi to Sell CNY1.5 Bln 7Y Bonds
AU	03/08	19:00	Australia To Sell AUD500 Mln 3.25% 2029 Bonds

Source: Bloomberg, Scotiabank Economics.

Events for the week of March 5 – 9

NORTH AMERICA

Country	Date	Time	Event
US	03/05	13:15	Fed's Quarles Speaks on Foreign Bank Regulation
US	03/06	07:30	Fed's Dudley Speaks at U.S. Virgin Islands
US	03/06	19:00	Fed's Brainard to Speak in New York
US	03/06	20:30	Fed's Kaplan Speaks at Energy Conference
US	03/06		Texas state primary
US	03/07	08:00	Fed's Dudley Speaks in Puerto Rico
US	03/07	08:00	Fed's Bostic Speaks on the Economic Outlook
CA	03/07	10:00	**Bank of Canada Rate Decision**
US	03/07	14:00	U.S. Federal Reserve Releases Beige Book
CA	03/08	15:50	Bank of Canada Deputy Governor Tim Lane Speech
US	03/09	12:40	Fed's Rosengren Speaks on Outlook
US	03/09	12:45	Fed's Evans Speaks on Monetary Policy

EUROPE

Country	Date	Time	Event
IT	03/04		Italy's General Election
SW	03/05	03:00	Ingves, Thedeen, Lindblad Speak at Conference
GE	03/05	12:00	Oettinger Gives Speech on EU's Finances in Berlin
SW	03/06	03:00	Riksbank's Ingves, Ohlsson in Parliament Hearing
TU	03/07	06:00	**Overnight Borrowing Rate**
SW	03/08	02:00	Riksbank Holds Open Forum
EC	03/08	07:45	**ECB Main Refinancing Rate**

ASIA-PACIFIC

Country	Date	Time	Event
CH	MAR 4-5		China's National People's Congress Begins in Beijing
JN	03/05	00:15	BOJ Deputy Governor nominees' confirmation hearing
AU	03/05	22:30	**RBA Cash Rate Target**
AU	03/06	16:35	RBA Governor Lowe Gives Speech in Sydney
MA	03/07	02:00	**BNM Overnight Policy Rate**
JN	03/08	00:00	BOJ Monetary Policy Statement
JN	03/08	00:00	**BOJ Policy Balance Rate**

LATIN AMERICA

Country	Date	Time	Event
PE	03/08	18:00	**Reference Rate**

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	1.25	March 7, 2018	1.25	1.25
Federal Reserve – Federal Funds Target Rate	1.50	March 21, 2018	1.50	1.50
Banco de México – Overnight Rate	7.50	April 12, 2018	7.50	--

Bank of Canada: No rate change is expected on Wednesday. This will be a statement-only affair followed by a speech by Deputy Governor Tim Lane the next day. We forecast two more hikes this year, but this is heavily state-contingent upon evolving trade policy risks. I would therefore expect a cautious tone in next week's statement.

EUROPE

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	0.00	March 8, 2018	0.00	0.00
Bank of England – Bank Rate	0.50	March 22, 2018	0.50	--
Swiss National Bank – Libor Target Rate	-0.75	March 15, 2018	-0.75	--
Central Bank of Russia – One-Week Auction Rate	7.50	March 23, 2018	7.50	7.25
Sweden Riksbank – Repo Rate	-0.50	April 26, 2018	-0.50	--
Norges Bank – Deposit Rate	0.50	March 15, 2018	0.50	--
Central Bank of Turkey – Benchmark Repo Rate	8.00	March 7, 2018	8.00	8.00

ECB: No policy changes are expected. It may be premature to discuss policy exits with any clarity emanating from the dialogue in advance of the current planned expiration of bond purchases in September. Weak core inflation of about 1% y/y, a recent softening of PMIs, euro appreciation that adds headwinds to growth and inflation, plus global trade policy uncertainty will likely keep the ECB in a cautious frame of mind.

ASIA PACIFIC

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Policy Rate	-0.10	March 9, 2018	-0.10	--
Reserve Bank of Australia – Cash Target Rate	1.50	March 5, 2018	1.50	1.50
Reserve Bank of New Zealand – Cash Rate	1.75	March 21, 2018	1.75	1.75
People's Bank of China – Lending Rate	4.35	TBA	--	--
Reserve Bank of India – Repo Rate	6.00	April 5, 2018	6.00	--
Bank of Korea – Bank Rate	1.50	April 12, 2018	1.50	--
Bank of Thailand – Repo Rate	1.50	March 28, 2018	1.50	1.50
Bank Negara Malaysia – Overnight Policy Rate	3.25	March 7, 2018	3.25	3.25
Bank Indonesia – 7-Day Reverse Repo Rate	4.25	March 22, 2018	4.25	--

The Bank of Japan (BoJ) will hold a monetary policy meeting on March 9, likely leaving the policy stance unchanged given its firm commitment to reaching the 2% y/y inflation target. The CPI, excl. fresh food and fuel, rose by only 0.4% y/y in January, highlighting the absence of demand-driven inflation in Japan. BoJ Governor Haruhiko Kuroda's reappointment for a second five-year term in mid-February implies that the BOJ will continue to implement its ultra-accommodative monetary policy. **The Reserve Bank of Australia (RBA)** will hold a monetary policy meeting on March 6 (local time); we do not expect any changes to the benchmark interest rate as Australia's inflation remains contained (1.9% y/y in Q4 2017). Strengthening wage pressures and demand-driven inflation over the course of 2018 will likely prompt the RBA to commence a tightening cycle in Q4 2018. The Malaysian central bank, **Bank Negara Malaysia (BNM)**, will hold a policy meeting on March 7. Following the January 25 meeting, the BNM increased the Overnight Policy Rate by 25 bps to 3.25%, marking the first hike since July 2014. We expect the BNM to proceed cautiously with further monetary tightening, leaving the policy on hold in the near term.

LATIN AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	6.75	March 21, 2018	6.75	--
Banco Central de Chile – Overnight Rate	2.50	March 20, 2018	2.50	--
Banco de la República de Colombia – Lending Rate	4.50	March 20, 2018	4.50	--
Banco Central de Reserva del Perú – Reference Rate	3.00	March 8, 2018	2.75	2.75

Banco Central de Reserva del Peru: Peru's inflation rate continues to decelerate and is running at the lowest rate since May 2010. At 1.18% y/y in February, the additional deceleration was marginal compared to the prior month. At the margin this reinforces some economists' expectations for the central bank to cut its reference rate again to 2.75% next Thursday.

AFRICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	6.75	March 28, 2018	6.75	--

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