

POLITICS AT THE FOREFRONT AGAIN

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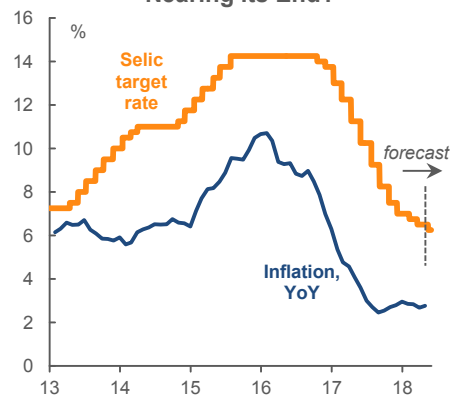
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Next Week's Risk Dashboard

- ▶ Key NAFTA deadline
- ▶ US-China trade tensions
- ▶ Italian coalition deadline
- ▶ GDP: Japan, Germany, Chile, Colombia, Peru, Norway
- ▶ CPI: Canada, Japan, India
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Chart of the Week

Brazil's Easing Campaign Nearing its End?



Sources: Scotiabank Economics, Banco Central do Brasil, Bloomberg.

Chart of the Week: Prepared by: Raffi Ghazarian, Senior Research Analyst.

Politics At The Forefront Again

CANADA—IN DECISIVE MOMENTS

It shouldn't have come to this. Yet it has. The BoC's extreme data dependency has everyone chewing away at the delectable little rubber bits on the ends of their pencils and all are asking the same question: **"Will he or won't he hike on May 30th and if not then when?"** **This debate will be incrementally informed when the last remaining pieces of the puzzle fall into place over the coming week.** After next week there will only be wholesale trade figures due out before the rate decision. The BoC goes into the dark after May 23. **Mixed into the fray will be a key NAFTA deadline and the start of US tariff and investment proceedings against China with the latter being addressed in the US section.** I'm skeptical that the data will be a slam dunk versus more forward-looking bullish considerations such as the lagging positive income effects that lie ahead in response to a large recent improvement in Canada's terms of trade (chart 1).

Indeed, selling exports at more quickly rising prices than imports raises the country's purchasing power and incomes. The terms of trade has been improving for quite some time and not just because of oil, as agricultural and some metals prices have dramatically advanced. The boost in terms of trade has accelerated of late with very possibly further upside to come if a further oil shock unfolds given Iranian sanctions and tensions in the Middle East. The effects of a positive terms of trade shock should stimulate nominal GDP growth as a broad income measure and then stimulate trickle-down effects through profits, better fiscal balances and improved household incomes. Some of this improvement will probably be spent and stoke stronger consumption and investment. Governor Poloz cut twice in 2015 due to a negative shock to the terms of trade and his reasoning pointed to an income drag effect that was pulling down economic activity. If he thinks that wasn't a mistake and if his bias is symmetrical, then having largely recovered to the terms of trade that existed four years ago should motivate more conviction to hike. This would reinforce hikes to date as new terms of trade information is incorporated into the picture.

Chart 1 **Canada's Terms Of Trade**



Source: Scotiabank Economics, Statistics Canada

The week's most important release may be next Friday's CPI for April. After rising by 2.3% y/y in March, I'm figuring headline inflation pulls back a little to about 2.1% y/y. On the surface, that may appear to be incrementally dovish, or maybe regressively hawkish. I'd say indifferently benign! One reason is that present tentative tracking for May CPI that is released a month later points to a renewed acceleration to about the 2½% y/y pace. The BoC should look through such volatility toward expecting inflation to remain at or above the mid-point of its 1–3% inflation target range. Indeed, despite Governor Poloz's emphasis upon transitory considerations that have near-term merit, the BoC forecasts inflation of 2.3% this year, 2.1% in 2019 and 2.1% in 2020 and therefore it expects inflation to remain at or slightly above the mid-point of its 1–3% target range throughout its forecast horizon. It is always important to emphasize that this forecast embeds an implied rate path which the BoC never discloses.

What's driving the inflation volatility? The probable answer should also temper reactions next week. Near-term volatility is largely due to factors that shouldn't sway the opinion of stewards of the nation's monetary policy—like base effects, gasoline prices and typical seasonal influences—and all backward-looking considerations. Throughout it all I'm assuming that the average of the three central tendency measures holds reasonably steady at about 2% y/y as the central tendency measures are performing similarly to the CPI ex-energy and CPI ex-food and energy metrics.

One upside caution for CPI tracking is that minimum wage hike pass-through effects into the inflation basket are probably not over, although the inflation figures for May are more likely to show further effects. In April, minimum wages went up slightly in New Brunswick, Nova Scotia and PEI so I would watch for slight pass-through into childcare, home services and restaurant prices in those provinces. In May, Quebec's minimum wage went up by about 7%. On June 1st BC will hike its minimum wage by over 11% and then in October Alberta's minimum wage goes up again and this time by another 10%.

The 5s auction that was going to occur on Wednesday has been pushed to Thursday next week in order to avoid competing with BoC communications. Hallelujah! Deputy Governor Schembri speaks on Wednesday and his comments will hit the wires at 12:00pmET which would have been the same time as the auction. Clearly the BoC now wishes to stay clear of the space around auctions which is a positive development for its communications. Schembri's topic will be "Reaching Our Potential: Challenges and Opportunities" which as the title suggests will be centered upon potential growth arguments aka the economy's noninflationary speed limit to growth. Recall that in the April MPR ([here](#)), the BoC raised its estimate for potential growth from 1.4% to 1.8% this year and from 1.5% to 1.8% in 2019 and introduced a potential growth estimate of 1.8% in 2020. The BoC applies glacier-sized ranges around these estimates. The BoC also forecast actual GDP growth to exceed potential GDP growth with forecasts for 2.0%, 2.1% and 1.8% growth over 2018–2020. Therefore, the BoC forecasts continued pressure upon capacity to go along with its forecast for sustained pressure on inflation.

Activity readings will also be assessed as guides to Q2 'nowcast' GDP growth estimates. Manufacturing sales arrive on Wednesday and they should benefit from the large gain in export volumes (reminder [here](#)). Ordinarily, a large manufacturing sales volume gain of 2% m/m the prior month would be a limiting factor for sales growth expectations in March, but in addition to the strong export figures that we already know for March, recall that new orders surged by 5% m/m in February and unfilled orders were up 3% m/m which point to momentum in the shipments pipeline. Don't expect repeat gains for new orders, mind you.

Friday's retail sales reading might take a backseat to CPI but some upside to sales ex-autos is expected given flatness the prior month. Retail sales volumes have been on a weak trend and have fallen in three of the past four months but moved higher in February. Harsher-than-usual weather in parts of the country may have been a contributing factor but income growth should drive a return to spending gains into Spring.

The seasonally adjusted nationwide add-ups for the month of April for home resale markets including estimates of sales, listings and prices arrive on Tuesday and the Teranet repeat-sales house price measure is due on Monday. Recall that Teranet lags the Canadian Real Estate Association's price measures because it is based upon lagging submissions to land registries. Weak resales, especially in the Toronto area, are assumed to be transitory and follow the typical pattern of what happens following tightened macroprudential regulations like the B-20 OSFI guidance that came into effect in January. A stabilizing sales picture over the second half of the year is expected and the bigger effect on demand for the trades and construction multipliers comes through continued strength in housing starts that building permit volumes are pointing toward.

And then there is NAFTA. US House Speaker Paul Ryan made waves this past week when he spelled out what has been generally understood for some time. Ryan noted that in order to have the current Congress weigh in on NAFTA—during the 'lame duck' session in December after mid-terms but before a new Congress in January— a solid agreement is needed by Thursday May 17th. If not, then it would be up to the next Congress to take up in 2019. Our understanding of the timeframe derived from industry sources goes as follows and is base upon the requirements of the Trade Promotion Authority law:

- USTR Lighthizer must notify Congress 90 days before the US administration plans to sign a NAFTA 2.0;
- 60 days before signing, the agreement must be published;
- Following signing, the USTR has 60 days to lay out the specific changes in the laws that would be necessary to reflect NAFTA 2.0;
- 105 days ahead of signing NAFTA 2.0, the USITC has to issue an assessment of the economic effects of NAFTA 2.0.

Working through these and other timelines is how next Thursday is derived while allowing Congress several weeks to consider NAFTA 2.0 before voting on it in December. Key divisions appear to remain on issues such as auto content, sunset clauses, dairy marketing boards etc. All sides are attempting to put on constructive airs during the negotiations so as to head off the risk of an impulsive tweet or action that could work against everyone's interests.

UNITED STATES—CONSUMER REBOUND?

A likely escalation of trade tensions with China and an early read on whether the US consumer is bouncing back in Q2 will be the dominant focal points over the coming week. An interesting dynamic is unfolding whereby the consumer may rebound in the short-term only to be hit by higher prices through potential tariff effects that could drive a combination of reduced spending and/or substitution effects in the composition of spending. Next Thursday's NAFTA deadline is discussed in the Canada section.

Markets will be gradually informed by developments in US-China trade tensions over coming weeks. Those tensions begin to escalate again next week. On Tuesday, the US Trade Representative will hold a public hearing addressing its proposed list of tariffs on \$50 billion of imports from China. The comment period ends on May 22nd. Sometime over the first half of June, the USTR may revise its list of tariffs and send recommendations to President Trump who may then decide to enact the tariffs. Mixed into the fray will be the USTR's next list of tariffs on another \$100 billion of Chinese imports and more hearings in a similar process. Also, next Friday will bring Treasury's deadline for proposals on restricting Chinese investment specifically related to intellectual property which seems liberally interpreted. China's potential retaliations against any US moves would further inflame tensions.

Retail sales will partially inform tracking of an expected rebound in consumption growth in Q2. The April reading arrives on Tuesday. Recall that consumption growth was quite weak in Q1 but that followed a very strong quarter in Q4 that may have pulled sales forward (chart 2). More adverse than normal weather may have also dampened spending in Q1. Otherwise, the underlying consumer fundamentals are sound. Income growth has been solid so far this year while the US saving rate is healthy particularly when adjusted for capital gains that are not adequately captured in the traditional saving rate measure. That said, this retail sales print is a bit trickier to anticipate thanks to one major auto company's decision to no longer release monthly sales data in favour of quarterly reporting and for no good reason in my opinion. We therefore don't know exactly what happened to new vehicle sales in April. Based upon the rest of the firms, however, sales appeared to be down significantly from the prior month. This may weigh on headline retail sales. Sales ex-autos should be stronger partly due to higher gasoline prices but also firmer sales ex-autos and gas.

Other data risk will be modest. **Housing starts** get updated with an April reading on Wednesday and the **Philly Fed regional gauge of manufacturing conditions** will be updated for May on Thursday.

Several FOMC speakers will take to the podium again including Cleveland's Mester (twice), St. Louis President Bullard, Atlanta's Bostic, and Minneapolis President Kashkari.

The US Treasury auctions 10 year TIPS in a reopening on Thursday.

LATIN AMERICA—RATE DIVERGENCE

Two central banks and a round of Q1 GDP reports are on tap over the coming week. The positive spread between the Banxico overnight rate and Brazil's Selic rate could widen further toward the widest of the post-crisis period (chart 3). The US Congress's NAFTA deadline next Thursday is addressed in the Canadian section.

The Bank of Mexico issues a decision on Thursday. No rate change is expected, though the timing of the decision on the same day as the US Congress's NAFTA deadline is somewhat unfortunate in the context of potential peso volatility.

Chart 2 Will the US Consumer Rebound in Q2?

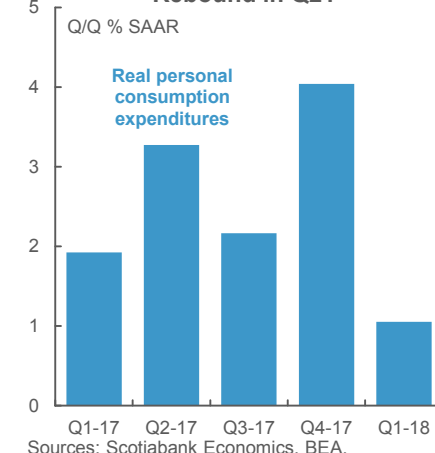


Chart 3 Policy Divergence to Widen Further?



Scotiabank Economics presently anticipates that the overnight rate will move sideways over the summer months. Recent inflation data dipped below 5% y/y for the first time since February of last year and inflation has fallen from a peak of 6.8% y/y in December 2017 to about 4 ½% now. That puts inflation closer to the 2–4% inflation target zone but still above.

Banco Central do Brasil is expected to cut its Selic rate again on Wednesday. Minutes to the March 20–21 meeting ([here](#)) left the door wide open to cutting again when they said but with enough wiggle room to maintain an air of mystery:

“Regarding the next meeting, at this time the Copom views an additional moderate monetary easing as appropriate. The Committee judges that this additional stimulus mitigates the risk of delayed convergence of inflation toward the targets. This view regarding the next Copom meeting might change in favor of the interruption of the monetary easing process, if risk mitigation proves unnecessary.”

Both Chile and Colombia are expected to witness stronger economic growth when Q1 GDP arrives on Friday and Tuesday respectively. Peru may release Q1 GDP either toward the end of next week or the following week. Chile’s growth rate could approach the strongest since 2013Q3 toward just shy of 4% y/y. Colombia’s growth rate is expected to post marginal improvement to just over 2% y/y and thus reverse the softening in the final quarter of last year.

EUROPE—DID EASTER DRAG DOWN INFLATION?

Italian political risk overhangs the Eurozone and will be further informed to start the week before modest data risk takes over.

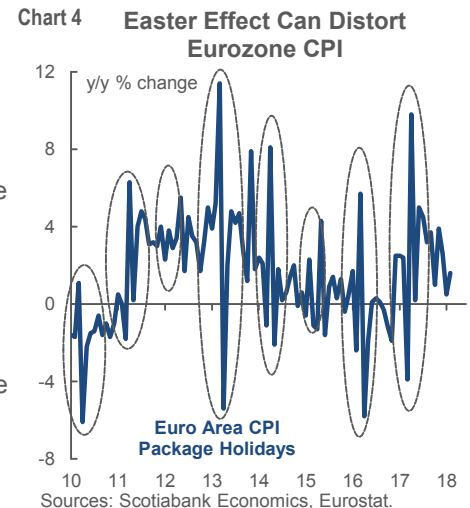
Prospects for an Italian coalition that may avert another early election call will be informed by Sunday’s deadline that has been set by President Sergio Mattarella.

The Five Star Movement and the far right wing League party (formerly known as the Northern League before an attempt to broaden its appeal) have remarked that they are making “significant steps” in the direction of establishing a coalition government. Significant divisions remain including recent differences toward the rest of Europe but the two parties generally remain euro-skeptics. Whether a deal can be struck and what form it might take could inform markets into the Monday open not only in terms of the risk of a fresh Italian election but also Italy’s stance toward the Eurozone on matters such as budget controls and the common currency.

A cleaner read on Eurozone inflation arrives on Wednesday. With more details to the April CPI report, it will be possible to assess so-called ‘supercore’ inflation that strips out pricing of packaged holidays among other items. This is particularly important given the Easter holiday and its past influences (chart 4). Recall that **Eurozone inflation was weaker in April than the prior month and weaker than consensus expectations.**

Headline inflation fell back to 1.2% y/y (1.3% prior, 1.3% consensus) while core inflation was 0.7% y/y (1.0% prior, 0.9% consensus). April gets caught up in the shifting timing of the annual Easter break which can distort broad inflation readings because average seasonal adjustments don’t always control for when the holiday occurs each year and hence when people travel and pump up holiday-related spending, let alone to what degree they travel from year to year. Easter was on April 1st this year and so the long weekend straddled the months of March and April. By comparison, last year’s holiday fell on April 16th, the year before it was March 27th, and so on. Therefore the measure that we need in order to be able to truly tell what happened to inflation last month is so-called ‘supercore’ CPI excluding packaged holidays.

Q1 Eurozone GDP revisions (Tuesday), the ZEW measure of investor sentiment (Tuesday) and Eurozone add-ups for industrial production (Tuesday) and trade (Friday) are also due. **Germany’s first estimate of Q1 GDP growth informs some of the Eurozone GDP growth revision risk and the German economy is expected to witness materially slower growth.** Germany also updates the ZEW measure and provides CPI revisions.



After a fairly neutral Bank of England decision and overall set of communications that pushed out rate hike guidance, the next round of data is likely to be of fairly little interest. Next week's focus will be upon fresh job market updates including wage growth during March. Wages excluding bonuses have been rising at an accelerating pace over the past year but real wage changes adjusted for inflation have not.

Norway's economy is expected to continue registering solid growth when Q1 GDP arrives Tuesday. The expectation is for growth of 0.6% q/q (non-annualized, seasonally adjusted) which would put the first quarter on par with the performance over 2017 and continue a rebound from the aftermath of the plunge in the price of oil over 2014–15.

ASIA-PACIFIC—TIT FOR TAT REDUX?

The dominant focus across Asian markets is likely to be the potential escalation of trade tensions between the United States and China. This is outlined in the US section of the Global Week Ahead.

Neither the Bank of Thailand nor Bank Indonesia are expected to change policy rates around mid-week, but Indonesia is thought to face the greatest risk of a hike. The tone of the assessments of risks facing the broader emerging markets landscape and applied to Thailand and Indonesia will be closely monitored.

Emerging markets had been experiencing outflows of capital recently (charts 5, 6). More recently, there has been diminished concern over US inflation risk and, with that, less concern that the Federal Reserve could expedite the pace of rate increases and trigger deepened capital outflows from EMs. It is early, but this fresher development may mitigate concerns over currency risk and resulting imported inflation.

Q1 GDP growth in Japan is not expected to be pretty. Consensus estimates that the economy fully stalled out in the first quarter by posting no growth for the first time in nine quarters. A fair number of shops estimate that the economy mildly contracted. Juxtapose that against the backdrop of still very soft inflation and no real wage growth and it's safe to assume the Bank of Japan remains in no hurry whatsoever to deviate from its stimulus path. Indeed inflation is due for an April update next Thursday night and it is expected to pull back on headline, core ex-food, and ex-food and energy readings.

India's updated inflation reading for April should remain well within the Reserve Bank of India's inflation target zone of 2–6%. At a rate approaching 4½% y/y, the latest print would be just above the target mid-point. Recall, however, that the April RBI policy decision came off somewhat more hawkishly than anticipated. That surprise nevertheless followed a modest downward trend in inflation over the first several months of the year; **if inflation resumes climbing as expected next week then it may well further reinforce a hawkish bias into the June 6th RBI decision.**

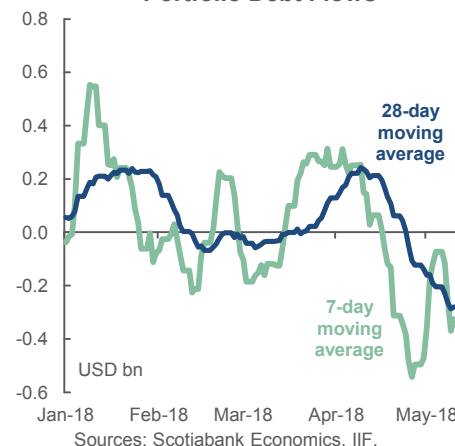
A pair of Chinese macro updates is unlikely to materially move the dial on growth tracking. Retail sales and industrial output will both be updated on Monday evening eastern time.

Australia updates job growth for April on Wednesday night eastern time. The country lost momentum over the prior two reports that showed flat employment after a long string of strong gains.

Chart 5
Total Emerging Market Portfolio Equity Flows



Chart 6
Total Emerging Market Portfolio Debt Flows



Key Indicators for the week of May 14 – 18

NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	05/14	08:30	Teranet - National Bank HPI (y/y)	Apr	--	--	6.6
US	05/15	08:30	Empire State Manufacturing Index	May	--	15.0	15.8
US	05/15	08:30	Retail Sales (m/m)	Apr	0.3	0.3	0.6
US	05/15	08:30	Retail Sales ex. Autos (m/m)	Apr	0.4	0.5	0.2
CA	05/15	09:00	Existing Home Sales (m/m)	Apr	--	1.5	1.3
US	05/15	10:00	Business Inventories (m/m)	Mar	--	0.1	0.6
US	05/15	10:00	NAHB Housing Market Index	May	--	69.0	69.0
US	05/15	16:00	Total Net TIC Flows (US\$ bn)	Mar	--	--	44.7
US	05/15	16:00	Net Long-term TIC Flows (US\$ bn)	Mar	--	--	49.0
US	05/16	07:00	MBA Mortgage Applications (w/w)	MAY 11	--	--	-0.4
CA	05/16	08:30	Manufacturing Shipments (m/m)	Mar	1.0	0.9	1.9
US	05/16	08:30	Building Permits (000s a.r.)	Apr	--	1347	1379
US	05/16	08:30	Housing Starts (000s a.r.)	Apr	1300	1325	1319
US	05/16	08:30	Housing Starts (m/m)	Apr	-1.5	0.5	1.9
US	05/16	09:15	Capacity Utilization (%)	Apr	--	78.4	78.0
US	05/16	09:15	Industrial Production (m/m)	Apr	0.4	0.6	0.5
CA	05/17	08:30	International Securities Transactions (C\$ bn)	Mar	--	--	4.0
US	05/17	08:30	Initial Jobless Claims (000s)	MAY 12	210	215	211
US	05/17	08:30	Continuing Claims (000s)	MAY 5	1780	1775	1790
US	05/17	08:30	Philadelphia Fed Index	May	22.0	21.0	23.2
US	05/17	10:00	Leading Indicators (m/m)	Apr	--	0.4	0.3
MX	05/17	14:00	Overnight Rate (%)	May 17	7.50	--	7.50
CA	05/18	08:30	CPI, All items (m/m)	Apr	0.2	0.3	0.3
CA	05/18	08:30	CPI, All items (y/y)	Apr	2.1	2.3	2.3
CA	05/18	08:30	CPI, All items (index)	Apr	--	133.3	132.9
CA	05/18	08:30	Core CPI - Common (y/y)	Apr	--	--	1.9
CA	05/18	08:30	Core CPI - Median (y/y)	Apr	--	--	2.1
CA	05/18	08:30	Core CPI - Trim (y/y)	Apr	--	--	2.0
CA	05/18	08:30	Retail Sales (m/m)	Mar	0.4	--	0.4
CA	05/18	08:30	Retail Sales ex. Autos (m/m)	Mar	0.3	--	0.0

EUROPE

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
GE	05/15	02:00	Real GDP (q/q)	1Q P	--	0.4	0.6
NO	05/15	02:00	GDP (q/q)	1Q	--	--	-0.3
FR	05/15	02:45	CPI (m/m)	Apr F	--	0.1	0.1
FR	05/15	02:45	CPI (y/y)	Apr F	--	1.6	1.6
FR	05/15	02:45	CPI - EU Harmonized (m/m)	Apr F	--	0.1	0.1
FR	05/15	02:45	CPI - EU Harmonized (y/y)	Apr F	--	1.8	1.8
PD	05/15	04:00	GDP (y/y)	1Q P	--	4.8	4.9
PO	05/15	04:30	Real GDP (q/q)	1Q P	--	0.6	0.7
UK	05/15	04:30	Average Weekly Earnings (3-month, y/y)	Mar	--	2.6	2.8
UK	05/15	04:30	Employment Change (3M/3M, 000s)	Mar	--	129.0	55.0
UK	05/15	04:30	Jobless Claims Change (000s)	Apr	--	--	11.6
UK	05/15	04:30	ILO Unemployment Rate (%)	Mar	--	4.2	4.2
EC	05/15	05:00	GDP (q/q)	1Q P	--	0.4	0.4
EC	05/15	05:00	Industrial Production (m/m)	Mar	--	0.7	-0.8
EC	05/15	05:00	Industrial Production (y/y)	Mar	--	3.7	2.9
EC	05/15	05:00	ZEW Survey (Economic Sentiment)	May	--	--	1.9
GE	05/15	05:00	ZEW Survey (Current Situation)	May	--	85.2	87.9
GE	05/15	05:00	ZEW Survey (Economic Sentiment)	May	--	-8.2	-8.2
GE	05/16	02:00	CPI (m/m)	Apr F	--	0.0	0.0
GE	05/16	02:00	CPI (y/y)	Apr F	--	1.6	1.6
GE	05/16	02:00	CPI - EU Harmonized (m/m)	Apr F	--	-0.1	0.0
GE	05/16	02:00	CPI - EU Harmonized (y/y)	Apr F	--	1.4	1.4
EC	05/16	05:00	CPI (m/m)	Apr	--	0.3	0.3
EC	05/16	05:00	CPI (y/y)	Apr F	--	1.2	1.2
EC	05/16	05:00	Euro zone Core CPI Estimate (y/y)	Apr F	--	0.7	0.7
IT	05/16	05:00	CPI - EU Harmonized (y/y)	Apr F	--	0.6	0.6

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

Key Indicators for the week of May 14 – 18

EUROPE (continued from previous page)

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
RU	MAY 17-18		Real GDP (y/y)	1Q A	--	1.5	0.9
GE	05/18	02:00	Producer Prices (m/m)	Apr	--	0.3	0.1
EC	05/18	04:00	Current Account (€ bn)	Mar	--	--	35.1
IT	05/18	04:00	Current Account (€ mn)	Mar	--	--	838.6
EC	05/18	05:00	Trade Balance (€ mn)	Mar	--	--	18897.5

ASIA-PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
JN	05/14	02:00	Machine Tool Orders (y/y)	Apr P	--	--	28.1
IN	05/14	02:30	Monthly Wholesale Prices (y/y)	Apr	--	2.9	2.5
IN	05/14	08:00	CPI (y/y)	Apr	4.6	4.4	4.3
CH	05/14	22:00	Fixed Asset Investment YTD (y/y)	Apr	7.3	7.4	7.5
CH	05/14	22:00	Industrial Production (y/y)	Apr	6.0	6.4	6.0
CH	05/14	22:00	Retail Sales (y/y)	Apr	10.2	10.0	10.1
IN	MAY 14-15		Exports (y/y)	Apr	--	--	-0.7
IN	MAY 14-15		Imports (y/y)	Apr	--	--	7.2
PH	MAY 14-15		Overseas Remittances (y/y)	Mar	--	4.0	4.5
ID	05/15	00:00	Exports (y/y)	Apr	--	11.5	6.1
ID	05/15	00:00	Imports (y/y)	Apr	--	18.6	9.1
ID	05/15	00:00	Trade Balance (US\$ mn)	Apr	--	835.6	1091.7
JN	05/15	00:30	Tertiary Industry Index (m/m)	Mar	--	-0.2	0.0
SK	05/15	19:00	Unemployment Rate (%)	Apr	4.0	--	4.0
JN	05/15	19:50	GDP (q/q)	1Q P	0.2	0.0	0.4
JN	05/15	19:50	GDP Deflator (y/y)	1Q P	--	0.3	0.1
AU	05/15	21:30	Wage Cost Index (q/q)	1Q	--	0.6	0.6
JN	05/16	00:30	Capacity Utilization (m/m)	Mar	--	--	3.4
JN	05/16	00:30	Industrial Production (y/y)	Mar F	2.2	--	2.2
TH	05/16	03:05	BoT Repo Rate (%)	May 16	1.50	1.50	1.50
NZ	05/16	18:45	Producer Price - Inputs (q/q)	1Q	--	--	0.9
NZ	05/16	18:45	Producer Price - Outputs (q/q)	1Q	--	--	1.0
JN	05/16	19:50	Machine Orders (m/m)	Mar	--	-2.8	2.1
SI	05/16	20:30	Exports (y/y)	Apr	--	7.9	-2.7
AU	05/16	21:30	Employment (000s)	Apr	--	20.0	4.9
AU	05/16	21:30	Unemployment Rate (%)	Apr	5.5	5.5	5.5
HK	MAY 16-17		Composite Interest Rate (%)	Apr	--	--	0.38
ID	MAY 16-17		BI 7-Day Reverse Repo Rate (%)	May 17	4.25	4.25	4.25
JN	MAY 16-22		Nationwide Department Store Sales (y/y)	Apr	--	--	0.1
MA	05/17	00:00	Current Account Balance (MYR mns)	1Q	--	--	12900
MA	05/17	00:00	GDP (y/y)	1Q	5.6	5.6	5.9
HK	05/17	04:30	Unemployment Rate (%)	Apr	2.9	2.9	2.9
JN	05/17	19:30	National CPI (y/y)	Apr	1.0	0.7	1.1
PH	MAY 17-18		Balance of Payments (US\$ mn)	Apr	--	--	-266.0
SI	MAY 17-25		Real GDP (y/y)	1Q F	4.3	--	4.3

LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
PE	MAY 14-15		Economic Activity Index NSA (y/y)	Mar	2.8	--	2.9
PE	MAY 14-15		Unemployment Rate (%)	Apr	--	--	8.1
CO	05/15	12:00	GDP (y/y)	1Q	--	2.2	1.6
BZ	05/16	07:30	Economic Activity Index NSA (y/y)	Mar	--	--	0.7
BZ	05/16		SELIC Target Rate (%)	May 16	6.25	6.25	6.50
CL	05/18	08:30	GDP (y/y)	1Q	4.0	3.8	3.3
PE	MAY 18-25		GDP (y/y)	1Q	2.8	--	2.2

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

Global Auctions for the week of May 14 – 18

NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CA	05/17	12:00	Canada to Sell CAD3 Bln 2% 2023 Bonds
US	05/17	13:00	U.S. to Sell USD11 Bln 10-Year TIPS Reopening

EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
IT	05/14	00:00	Treasury Holds Sale of BTP Italia
DE	05/16	04:30	Denmark to Sell Bonds
NO	05/16	05:00	Norway to Sell Bonds
SW	05/16	05:03	Sweden to Sell Bonds
GE	05/16	05:30	Germany to Sell EUR2 Bln 0.5% 2028 Bonds
SP	05/17	04:30	Spain to Sell 5.9% 2026 Bonds
SP	05/17	04:30	Spain to Sell 1.4% 2028 Bonds
FR	05/17	04:50	France to Sell 0% 2021 Bonds
FR	05/17	04:50	France to Sell 0% 2023 Bonds
FR	05/17	05:50	France to Sell 1.1% 2022 Linkers
FR	05/17	05:50	France to Sell 1.85% 2027 Linkers
IC	05/18	06:30	Iceland to Sell Bonds

ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CH	05/14	21:30	Dalian to Sell Bonds
CH	05/14	22:30	Dalian to Sell Bonds
JN	05/14	23:35	Japan to Sell 30-Year Bonds
CH	05/15	22:35	China To Sell CNY41 Bln 1-Yr Bonds
CH	05/15	22:35	China To Sell CNY41 Bln 10-Yr Bonds
JN	05/16	23:35	Japan to Sell 5-Year Bonds
CH	05/17	02:00	Liaoning to Sell Bonds
CH	05/17	21:30	Jiangsu to Sell Bonds
CH	05/17	22:30	Jiangsu to Sell Bonds
CH	05/17	22:35	China To Sell CNY29 Bln 50-Yr Bonds

Events for the week of May 14 – 18

NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	05/14	02:45	Fed's Mester Speaks at Bank of France Conference
US	05/14	09:40	Fed's Bullard Speaks at Crypto Conference in New York
US	05/15	08:00	Fed's Kaplan discusses Outlook for Energy Market, Economy
US	05/15	10:00	Fed Nominees Clarida and Bowman Testify Before Senate Panel
US	05/15	13:00	Fed's Williams to Speak at Economic Club of Minnesota
US	05/15		Idaho state primary
US	05/15		Nebraska state primary
US	05/15		Oregon state primary
US	05/15		Pennsylvania state primary
US	05/16	08:30	Fed's Bostic to Give Economic Update
CA	05/16	12:15	Bank of Canada's Schembri Speaks at the OEA
US	05/16	17:30	Fed's Bullard Speaks to Media
US	05/17	10:45	Fed's Kashkari Speaks at Moderated Q&A in Minneapolis
US	05/17	13:30	Fed's Kaplan Speaks in Moderated Q&A
MX	05/17	14:00	Overnight Rate
US	05/18	03:00	Fed's Mester Speaks at ECB on Macroeconomic, Monetary Policy
US	05/18	09:15	Fed's Kaplan Speaks in Moderated Q&A
US	05/18	09:15	Fed's Brainard Speaks About Community Reinvestment Act

EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
EC	05/14	02:30	ECB's Villeroy Speaks in Paris
EC	05/14	02:45	Fed's Mester, ECB's Villeroy Speak in Paris
PO	05/14	04:30	Bank of Portugal Governor at Conference on Payment Systems
SW	05/14	05:15	Swedish Fiscal Policy Council Report
EC	05/14	06:00	ECB's Mersch Speaks in Bodrum, Turkey
EC	05/14	06:15	ECB's Lautenschläger Speaks in Copenhagen
EC	05/14	07:45	ECB's Praet Speaks in London
EC	05/14	11:00	ECB's Lautenschläger Speaks in Copenhagen
EC	05/14	12:15	ECB's Praet Speaks in London
EC	05/14	13:45	ECB's Coeure Speaks in Geneva
SW	05/15	03:25	Riksbank's af Jochnick Gives Speech
SW	05/15	04:00	Sweden's SKL Releases Economy Report
SW	05/15	00:00	Riksbank's Skingsley Speaks in Malmö
SW	05/16	01:00	SEB Publishes New Economic Forecasts
SW	05/16	02:00	Riksbank Deputy Governor Skingsley Gives Speech
UK	05/16	04:10	BOE's John Speaks on Benchmark Reform in Liverpool
EC	05/16	08:00	ECB President Draghi Speaks in Frankfurt
EC	05/16	08:30	ECB's Coeure Chairs a Panel in Frankfurt
EC	05/16	10:30	ECB's Praet Chairs Panel in Frankfurt
SZ	05/16	12:00	SNB's Jordan Speak at Vollgeld Event in Zurich
SW	05/17	03:15	Swedish Fiscal Policy Council Conference
EC	05/17	06:30	ECB Vice-President Constancio Speaks in Frankfurt
EC	05/17	08:00	ECB Vice President Constancio Speaks in Frankfurt
UK	05/17	12:00	BOE Chief Economist Haldane Speaks in London
PO	05/18	03:30	Bank of Portugal's Costa, Lloyds CEO Speak at Event in Lisbon
SZ	05/18		Switzerland Sovereign Debt to be rated by S&P

Source: Bloomberg, Scotiabank Economics.

Events for the week of May 14 – 18**ASIA-PACIFIC**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
AU	05/14	19:10	RBA's Debelle Gives Speech in Sydney
AU	05/14	21:30	RBA May Meeting Minutes
AU	05/14	21:40	RBA's Debelle Speech to HK Forum Via Video Link
TH	05/16	03:05	BoT Benchmark Interest Rate
NZ	05/16	22:00	Finance Minister Delivers Budget
ID	MAY 16-17		Bank Indonesia 7D Reverse Repo
NZ	05/17	20:00	Finance Minister Post-Budget Speech

LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
BZ	05/16		Selic Rate
CL	05/18	08:30	Central Bank Meeting Minutes

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	1.25	May 30, 2018	1.25	n/a
Federal Reserve – Federal Funds Target Rate	1.75	June 13, 2018	2.00	2.00
Banco de México – Overnight Rate	7.50	May 17, 2018	7.50	7.50

Banxico: No rate change is expected but the decision will be made on the same day as the US Congressional deadline for a NAFTA agreement which may invoke peso volatility.

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 14, 2018	0.00	0.00
Bank of England – Bank Rate	0.50	June 21, 2018	0.50	--
Swiss National Bank – Libor Target Rate	-0.75	June 21, 2018	-0.75	-0.75
Central Bank of Russia – One-Week Auction Rate	7.25	June 15, 2018	7.25	--
Sweden Riksbank – Repo Rate	-0.50	July 3, 2018	-0.50	-0.50
Norges Bank – Deposit Rate	0.50	June 21, 2018	0.50	0.50
Central Bank of Turkey – Benchmark Repo Rate	8.00	June 7, 2018	8.00	--

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 15, 2018	-0.10	-0.10
Reserve Bank of Australia – Cash Target Rate	1.50	June 5, 2018	1.50	1.50
Reserve Bank of New Zealand – Cash Rate	1.75	June 27, 2018	1.75	1.75
People's Bank of China – Lending Rate	4.35	TBA	--	--
Reserve Bank of India – Repo Rate	6.00	June 6, 2018	6.00	--
Bank of Korea – Bank Rate	1.50	May 24, 2018	1.50	--
Bank of Thailand – Repo Rate	1.50	May 16, 2018	1.50	1.50
Bank Negara Malaysia – Overnight Policy Rate	3.25	July 11, 2018	3.25	3.25
Bank Indonesia – 7-Day Reverse Repo Rate	4.25	May 17, 2018	4.25	4.25

The Bank of Thailand (BoT) will hold a monetary policy meeting on May 16. We expect the central bank to leave the benchmark interest rate at 1.50%. We anticipate that a cautious monetary normalization phase will commence in the final months of 2018. Inflationary pressures have intensified slightly in recent months with prices at the headline level rising 1.1% y/y in April, compared with a 0.4% y/y reading two months earlier. We expect the headline inflation rate to close the year at the lower boundary of the BoT's medium-term inflation target of 2.5% y/y $\pm 1.5\%$. **Bank Indonesia** will hold a monetary policy meeting on May 17. Indonesian monetary policymakers will likely leave the benchmark interest rate unchanged at 4.25%, given that they assess the current policy stance to be consistent with maintained macroeconomic and financial system stability. Inflation remained contained at 3.4% y/y in April.

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	6.50	May 16, 2018	6.25	6.25
Banco Central de Chile – Overnight Rate	2.50	June 13, 2018	2.50	--
Banco de la República de Colombia – Lending Rate	4.25	June 29, 2018	4.25	--
Banco Central de Reserva del Perú – Reference Rate	2.75	June 7, 2018	2.75	--

Banco Central do Brasil: The central bank is expected to cut its Selic policy rate by 25bps on Wednesday on the back of guidance provided in the minutes to the March 20-21 meeting.

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	6.50	May 24, 2018	6.50	--

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

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