September 4, 2020

STICK TO YOUR KNITTING

FORECASTS & DATA

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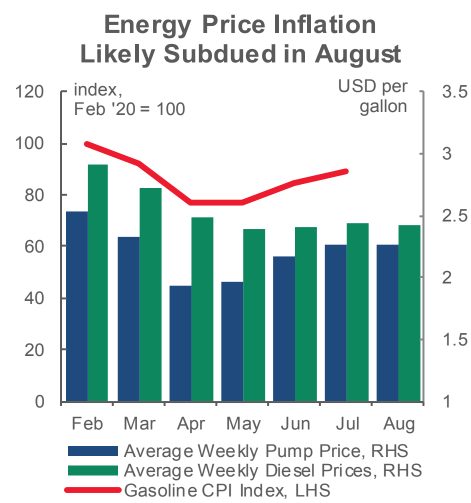
Next Week's Risk Dashboard

- CBs: ECB, BoC, Peru, Negara
- Inflation: US, China, LatAm, Norway, Sweden
- China macro
- European macro

Chart of the Week



Sources: Scotiabank Economics, US EIA, US BLS.

Chart of the Week: Prepared by: Evan Andrade, Economic Analyst.

Stick to Your Knitting

Go ahead folks. Take Monday off. After a quiet start to the week, you'll be rewarded by plenty of excitement. Off-calendar risk will remain focused upon US stimulus talks amid shrinking prospects for agreement and US election polling that has replaced multiple daily reports of COVID-19 case counts as the latest obsession. Calendar-based risk will be principally focused upon the ECB's latest communications, the Bank of Canada's freshest communications, a slew of inflation reports from the US, China, Latin America and Europe and macro indicators from China and Europe.

1. BANK OF CANADA—WHERE TO FROM HERE, GOVERNOR?

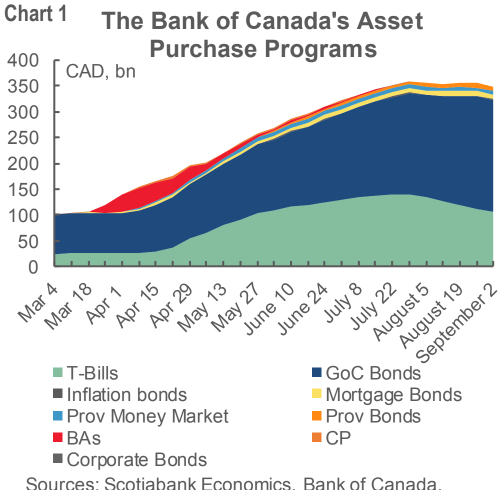
The Bank of Canada will be a focal point for domestic markets both on Wednesday and Thursday. Its latest policy statement arrives on Wednesday at 10amET. There will be no forecasts or press conference with this one. Governor Macklem will deliver the next day's usual progress report. His topic will be "The uneven effects of COVID-19 on different sectors and people in the economy" and it will be available at 12:30pmET followed by a virtual press conference at 1:45pmET. That sounds more micro than macro in an effort to acknowledge improved macro conditions that mask very disparate effects.

Material changes to policy measures are not expected at this meeting but guidance may be important across several fronts. The statement itself is likely to repeat the line about "As the economy moves from reopening to recuperation, it will continue to require extraordinary monetary policy support." This is the BoC's way of tamping down enthusiasm toward recovery readings. Also watch for repeated forward rate guidance that included the line "The Governing Council will hold the policy interest rate at the effective lower bound until economic slack is absorbed so that the 2 percent inflation target is sustainably achieved."

Asset purchase guidance may be where some uncertainty lies. The last statement had indicated that the BoC's QE programs would "continue until the recovery is well underway." That was vaguely defined to be somewhere after the initial spurt of activity but before spare capacity had been shut. It also noted that "To support the recovery and achieve the inflation objective, the Bank is prepared to provide further monetary stimulus as needed."

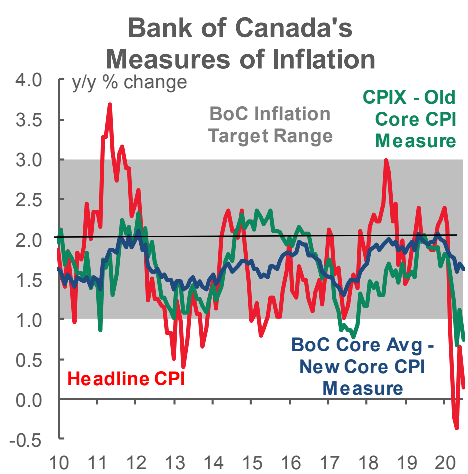
The central bank's actions of late have thrown some doubt into this. As chart 1 demonstrates, the BoC's purchase programs have stalled somewhat. The result has been a flat balance sheet that has topped out at about the C$540 billion range since mid-July. Its purchase programs have levelled off at about the C$350B range for several weeks now and then fell outright in the latest week. While the BoC has focused its buying efforts on Government of Canada bonds, those holdings also declined in the latest week. So, is the BoC still in the bond buying game and still as committed to its earlier purchase guidance? Does the BoC still think there are strong reasons to keep buying bonds with a narrowed focus upon GoC securities beyond just repairing financial markets, or is there now less confidence in those alternative goals like injecting liquidity and front-running debt issuance? It may be that we'll hear that the BoC is just as focused upon expanding GoC purchases as previously, or that it will be more opportunistic and adjust flows as needed. Such a step could easily spark a reassessment of cumulative future bond buying.

Chart 1



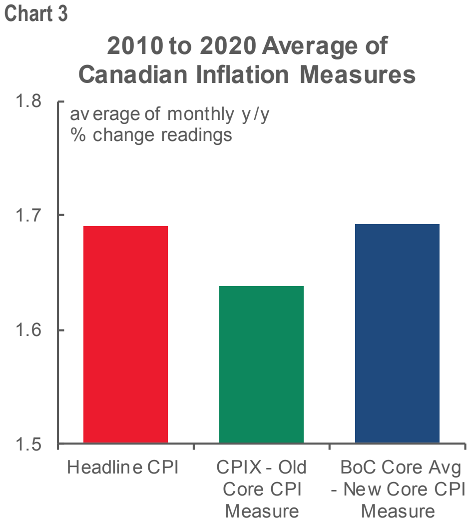
Sources: Scotiabank Economics, Bank of Canada.

Chart 2



Sources: Scotiabank Economics, Statistics Canada.

Chart 3



Sources: Scotiabank Economics, Statistics Canada.

Alternatively, is the BoC teeing up an eventual move toward substituting yield caps for purchase volumes? The BoJ did that with its 10 year around 0% +/- 20bps target that allowed it to scale back purchases. If the BoC goes down this route, then a shorter- to medium-term target is much more likely and one that goes out to 3s or the key 5s part of the curve that matters to fixed rate mortgages. All we know is that the BoC said it discussed yield targets at its July meeting, but left us dangling by refusing to expand upon the dialogue. Such teases, tisk tisk. As argued in the yield caps section in this earlier piece, I still think there are benefits to pursuing yield targets and that they could well do it as the RBA has done while the Fed dithers on the matter but can also rely upon its dot plot.

It's also feasible that the BoC at least jawbones average inflation targeting at this meeting. The Fed's strategic review is leaving the BoC's review in the dust after the Fed's revised Statement on Longer-Run Goals and Monetary Policy Strategy codified reference to average inflation targeting and a tolerance toward catch-up periods. The BoC's fixed schedule to complete and deliver its 2021 Inflation Renewal agreement with the Federal Government targets completion by the end of next year, or roughly the same timeline as the ECB's own review. The Fed altered its statement ahead of the release of its full strategic review perhaps later this year. Could the BoC do likewise? They certainly could, as the Inflation Renewal agreement already references the symmetry of the 2% inflation goal. Macklem could emphasize or jawbone a more concerted effort toward convincing markets that 2% is an average target accompanied by overshooting periods and not a ceiling.

And they should in my view. Despite the proud posturing, charts 2 and 3 show how poorly the central bank has fallen well shy of its goals in terms of sustainably achieving its 2% inflation target. In theory, the BoC targets 2% headline inflation within a 6–8 quarter horizon as the midpoint of a 1–3% symmetrical range. Like the Fed, the BoC has acted as if the 2% inflation target is a ceiling and either fallen short on stimulus or hit the brakes at the first whiff that it might be headed there. Stability considerations may account for some of this, whether justified or exaggerated at times. It has typically fallen short of the target and not on it on average. Consider the following repeated observations:

- Using core inflation as the operational guide to where overall CPI is going in relation to the target, note that over the past decade, the BoC has never meaningfully exceeded 2% average core by their current definition of core.
- they hit it fleetingly in 2011, came close in mid-2016 and then again a bit more durably in 2018–19.
- Over the past decade since 2010, average core by the new definition has been 1.7% y/y. Average core by their old definition has been 1.6%. Average headline CPI inflation has been 1.7%.

Charts 2 and 3 depict these points. Because the BoC treats 2% as a ceiling in practice even while emphasizing symmetry, average inflation has been below 2% and in the lower half of the 1–3% target range. **Inflation expectations have also been anchored below 2% over time.** An imperfect market measure is the implied inflation breakeven rate across various maturities of real return bonds; the 10 year, for instance, has averaged 1.7% since 2010. Also, on average, 57% of businesses have told the BoC's Business Outlook Survey that they expect inflation to average under 2% over the past decade.

If Macklem further bolsters a recent remark by Deputy Governor Schembri that indicated the BoC is looking at average inflation targeting as an option in its review and Macklem perhaps strengthens this by opining on the merits and risks to doing so, then the result could be to bump up (imperfect) market measures of inflation expectations that remain materially lower in Canada than the US. Canada's 10 year breakeven, for instance, sits at about 1.3% versus 1 ¾% in the US.

Finally, while this is the stuff of remote tail risks this early into his mandate, it's feasible that Macklem wades into where he would like to take the central bank in terms of sustainable finance and ESG initiatives if not now then subsequently and perhaps more probably at the October meeting or later. As the Throne Speech on September 23rd draws nearer and probably ends up containing an emphasis upon climate change initiatives, the degree to which Macklem may seek to align the central bank with the Federal government's goals will be closely watched.

Macklem's role as chair of the expert panel on sustainable finance that was submitted to the government last year likely didn't hurt his candidacy for the top job. Global monetary policy makers are mulling over inclusion of climate change scenarios into formal modelling and risk analyses. They are also being lobbied to 'green' their QE programs such as through buying green bonds to finance environmental projects. The scope for internal inconsistencies, unintended effects or adverse incentives may be considerable. For example, are you still greening things at the BoC if your provincial bond purchase program remains open to buying bonds from high greenhouse gas emitting regions of the country? Oh I can hear the howls of protest already about those easterners who are now throwing the central bank at them. If the need arises to expand the BoC's tiny corporate bond purchase program at some future point, would it play kingmaker in c-suites by favouring bonds issued by more environmentally friendly corporations? The scope for altering the relative cost of credit and perceived risks is substantial.

After having heavily encroached upon private credit markets and funding of governments one way or the other, should unelected officials at powerful central banks be permitted to turn their attention toward other aims including the environment and social policy goals? Frankly, my preference would be to work on their ability to hit their inflation targets. More time spent by governing councils, FOMCs and MPCs on matters other than inflation targeting frameworks means less confidence that inflation expectations will return toward being moored around inflation targets.

2. EUROPEAN CENTRAL BANK—LESS ACTION, MORE TALKING

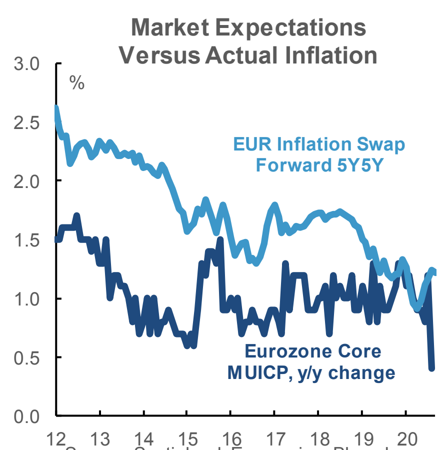
A number of important considerations surround the ECB's communications on Thursday including its policy statement (7:45amET) and President Lagarde's press conference forty-five minutes later. **It's likely that any market effects stemming from the suite of communications are likely to be derived from jawboning as opposed to concrete action.**

First, it's likely premature to expect imminent changes to monetary policy. The Pandemic Emergency Purchase Programme, for example, has a massive amount of unutilized space given it currently stands at about €500 billion and hence well shy of the €1.35 trillion ceiling after the ECB raised the facility by €600 billion on June 4th. Net purchases under the asset purchase programme (APP) are expected to continue at the unchanged pace of €20 billion per month and purchases under the additional €120 billion temporary envelope are to be maintained until the end of 2020.

Second, major forecast changes are unlikely. The Euro-area economy is performing "more or less in line with our baseline projections" according to ECB Chief Economist Lane. The ECB is unlikely to overreact just yet to wiggles in very recent activity indicators and inflation figures.

Third, the ECB is undertaking its own strategic review—the first since 2003—and is expected to deliver the results sometime later next year. It has a web page set up for its review (here) and will be hosting an ECB Listens event—borrowed from the Fed—on October 21st (agenda here). Like other central banks, the ECB is pondering expansion of its policy framework to incorporate matters such as the effects of climate change and digitalization. Lagarde recently said she wants the ECB "to look at all the business lines and the operations in which we are engaged in order to tackle climate change." Further dialogue is feasible next week.

Chart 4



Source: Scotiabank Economics, Bloomberg, Eurostat.

Incorporating climate change models into macro forecasting and scenario testing exercises has considerable appeal notwithstanding the layering of uncertainties onto the rest of the macroeconomic framework. **But should central banks plod on in more aggressive ways?** The ECB and other central banks may be better advised to do a much better job at what is supposed to be their prime talent: inflation targeting. As chart 4 demonstrates, the ECB hasn't come close to being able to engineer inflation "below, but close to, 2% over the medium term." As a result, measures of inflation expectations have drifted materially below the target (see chart again). It's not clear what gives central banks such confidence that their blunt instruments can tackle a complex matter like climate change—or income inequality or other forms of societal changes—when they have had no success at what is supposed to be their bailiwick. Having missed its goals, diversification is in the air while new legacies are being sought. At risk are the long-run implications to central bank independence if captured by special interests.

Fourth, watch for further reference to currency concerns given the nearly 10% appreciation in the euro to the dollar since May with half of that occurring since July. ECB Chief Economist Lane recently remarked that "The euro-dollar rate does matter" and acknowledged that "We've seen a repricing in recent weeks" and "it will be important to recognize that the euro-dollar rate is also endogenous to monetary policy." Euro appreciation has tightened financial conditions, added downside risk to Eurozone growth given its trade dependency and also added downside risk to inflation. Despite declining pass-through of euro effects to inflation, ECB research still concludes that "exchange rate changes play an important role in explaining inflation developments" (here).

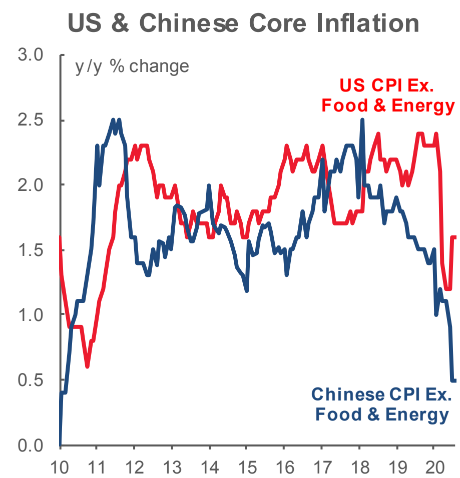
Overall, the meeting is likely to be heavier on jawboning risks than action, with more of the tangible policy risks being saved for subsequent meetings.

3. DIVERGING INFLATION EXPERIENCES

That inflation rates are diverging across economies during the pandemic will be further reinforced by fresh evidence next week. At least some of this may be explained by the differential timing of the pandemic shock across countries.

US and Chinese inflation rates in the post-pandemic world are heading in opposite directions, at least for now. As chart 5 demonstrates, the US has seen core CPI inflation potentially begin to bounce off the pandemic bottom, but China's core CPI inflation rate remains in freefall toward the lowest rate in over ten years. The spread between relative core inflation rates of about 1% is the widest it has been since the GFC when it peaked at about three full percentage points. China's economy is more subject to sharper bouts of disinflation when shocks arise.

Chart 5



Sources: Scotiabank Economics, NBSoC, US BLS.

Next week's readings are likely to further widen this gulf. When the US updates CPI on Friday, it is likely to see both higher headline and core CPI inflation during August. Headline inflation is forecast to rise from 1% y/y in July to 1.4% principally due to forecast month-ago gains in core CPI combined with a mild assist from gasoline prices. Core CPI has risen by 0.6% m/m in seasonally adjusted terms in each of June and July and the reopening effect upon price pressures buoyed by stimulus is expected to repeat. If so, core inflation could also rise again; it bottomed at 1.2% y/y in June, climbed to 1.6% in July and is forecast to rise to over 1.7% in August.

China, by contrast, is expected to continue to experience falling headline inflation, and core inflation may inch closer to 0% y/y. The first major country into the pandemic may be serving as a litmus test for downside risk to inflation abroad including through trade ties.

Several Latin American economies will register fresh inflation readings starting with Colombia this Saturday followed by Chile on Tuesday and then both Mexico and Brazil on Wednesday. Countries with the weakest price pressures in terms of headline inflation have been Colombia, Chile and Brazil that are all around 2–2 ½% y/y. **Mexico is the stand-out** with CPI inflation running at 3.6% y/y and core CPI at 3.9% y/y which is toward the upper bound of Banxico's 3% +/-1% target range.

Norges Bank faces the challenge of accelerating underlying CPI inflation that excludes the effects of energy and taxes. Headline CPI inflation is well below the 2% inflation target principally due to a drag effect from energy prices, but underlying inflation had risen to 3.5% y/y by July with August figures due on Thursday. That's the highest rate of underlying inflation in four years. The central bank has thus far emphasized that currency appreciation and low wage growth may result in a moderation of inflationary pressure in future. If lagging effects of the pandemic shock on pricing power do not drive underlying inflation lower toward year end into 2021H1 then Norges Bank may find it increasingly difficult to talk through the overshoot.

Norway's neighbour to the east does not face this dilemma. Headline and underlying inflation rates of 0.5% y/y in July pending an August update on Thursday are running well below the Riksbank's 2% target. This continues to afford ample room for expansionary monetary policy after Sweden's central bank expanded stimulus at its last policy meeting on July 1st.

4. EXTRA CREDIT

Beyond the main focal points above, there will also be a sprinkling of macro reports and a pair of central bank decisions that may be of consequence to global and regional markets.

Much of the focus will be upon China. Updates for export and import growth during August arrive this weekend amid expectations for mild improvement as its principal export markets in Europe and the US recover. Aggregate financing figures including new yuan loans and market issuance could give a sense of overall financial conditions as August tallies arrive either this coming week or early the following week.

The UK reports monthly GDP for July on Friday which will likely show another large reopening-driven gain around 7% m/m. A suite of other July readings will further inform momentum on Friday including solid expected gains in industrial output, service sector activity and trade.

Industrial readings will be updated by Germany (Monday), France and Italy (Thursday) and Spain (Friday) for July. Export figures are coming from Germany (Tuesday).

Several countries will revise GDP growth estimates. Japan's initial Q2 estimate of -7.8% q/q non-annualized will more fully incorporate the Q2 cap-ex drop of -11.3% y/y that was nearly triple the consensus estimate (Monday). Eurozone GDP revisions to the Q2 non-annualized drop of -12.1% arrive Tuesday and are not expected to be material.

Peru's central bank is expected to hold its policy reference rate unchanged at 0.25% on Thursday. The risk lies in guidance regarding liquidity programs as the central bank said at its July meeting that it expects downside pressure to inflation to be transitory.

Bank Negara Malaysia will deliver a policy decision on Thursday. Most expect no change with cut risk either now or perhaps at the next meeting.

US producer prices (Thursday) and weekly claims (Thursday) plus Canadian housing starts (Wednesday) round out the line-up.

Key Indicators for week of September 7 – 11

NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	09/08	15:00	Consumer Credit (US$ bn m/m)	Jul	--	12.9	8.9
MX	09/09	07:00	Bi-Weekly Core CPI (% change)	Aug 31	0.1	--	0.2
MX	09/09	07:00	Bi-Weekly CPI (% change)	Aug 31	0.1	0.1	0.2
MX	09/09	07:00	Consumer Prices (m/m)	Aug	0.4	--	0.7
MX	09/09	07:00	Consumer Prices (y/y)	Aug	4.0	--	3.6
MX	09/09	07:00	Consumer Prices Core (m/m)	Aug	0.3	--	0.4
US	09/09	07:00	MBA Mortgage Applications (w/w)	Sep 4	--	--	-2.0
CA	09/09	08:15	Housing Starts (000s a.r.)	Aug	200	220.0	245.6
CA	**09/09**	**10:00**	**BoC Interest Rate Announcement (%)**	**Sep 9**	**0.25**	**0.25**	**0.25**
US	09/09	10:00	JOLTS Job Openings (000s)	Jul	--	6000	5889
US	09/10	08:30	Initial Jobless Claims (000s)	Sep 5	800	830	881
US	09/10	08:30	Continuing Claims (000s)	Aug 29	12500	--	13254
US	09/10	08:30	PPI (m/m)	Aug	0.2	0.2	0.6
US	09/10	08:30	PPI ex. Food & Energy (m/m)	Aug	0.2	0.2	0.5
US	09/10	10:00	Wholesale Inventories (m/m)	Jul F	--	-0.1	-0.1
MX	09/11	07:00	Industrial Production (m/m)	Jul	--	--	17.9
MX	09/11	07:00	Industrial Production (y/y)	Jul	--	--	-16.7
CA	09/11	08:30	Capacity Utilization (%)	2Q	--	70.7	79.8
US	09/11	08:30	CPI (m/m)	Aug	0.4	0.3	0.6
US	09/11	08:30	CPI (y/y)	Aug	1.4	1.2	1.0
US	09/11	08:30	CPI (index)	Aug	--	259.6	259.1
US	09/11	08:30	CPI ex. Food & Energy (m/m)	Aug	0.4	0.2	0.6
US	09/11	08:30	CPI ex. Food & Energy (y/y)	Aug	1.7	1.6	1.6
US	09/11	14:00	Treasury Budget (US$ bn)	Aug	--	--	-63.0

EUROPE

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
GE	09/07	02:00	Industrial Production (m/m)	Jul	--	4.5	8.9
GE	09/08	02:00	Current Account (€ bn)	Jul	--	17.3	22.4
GE	09/08	02:00	Trade Balance (€ bn)	Jul	--	16.0	15.5
FR	09/08	02:45	Trade Balance (€ mn)	Jul	--	--	-7955
EC	09/08	05:00	Employment (q/q)	2Q F	--	--	-2.8
EC	09/08	05:00	GDP (q/q)	2Q F	--	-12.1	-12.1
RU	09/09	12:00	Real GDP (y/y)	2Q P	--	-8.50	-8.50
FR	09/10	02:45	Industrial Production (m/m)	Jul	--	4.9	12.7
FR	09/10	02:45	Industrial Production (y/y)	Jul	--	-8.2	-11.7
FR	09/10	02:45	Manufacturing Production (m/m)	Jul	--	--	14.4
IT	09/10	04:00	Industrial Production (m/m)	Jul	--	3.5	8.2
EC	**09/10**	**07:45**	**ECB Main Refinancing Rate (%)**	**Sep 10**	**0.00**	**0.00**	**0.00**
EC	**09/10**	**07:45**	**ECB Marginal Lending Facility Rate (%)**	**Sep 10**	**0.25**	**0.25**	**0.25**
EC	**09/10**	**07:45**	**ECB Deposit Facility Rate (%)**	**Sep 10**	**-0.50**	**-0.50**	**-0.50**
GE	09/11	02:00	CPI (m/m)	Aug F	--	-0.1	-0.1
GE	09/11	02:00	CPI (y/y)	Aug F	--	0.0	0.0
GE	09/11	02:00	CPI - EU Harmonized (m/m)	Aug F	--	-0.2	-0.2
GE	09/11	02:00	CPI - EU Harmonized (y/y)	Aug F	--	-0.1	-0.1
UK	09/11	02:00	Index of Services (m/m)	Jul	--	7.0	7.7
UK	09/11	02:00	Industrial Production (m/m)	Jul	--	4.2	9.3
UK	09/11	02:00	Manufacturing Production (m/m)	Jul	--	5.0	11.0
UK	09/11	02:00	Visible Trade Balance (£ mn)	Jul	--	-6700	-5116
SP	09/11	03:00	CPI (m/m)	Aug F	--	0.0	0.0
SP	09/11	03:00	CPI (y/y)	Aug F	--	-0.5	-0.5
SP	09/11	03:00	CPI - EU Harmonized (m/m)	Aug F	--	0.0	0.0
SP	09/11	03:00	CPI - EU Harmonized (y/y)	Aug F	--	-0.6	-0.6
SP	09/11	03:00	Industrial Output NSA (y/y)	Jul	--	--	-9.6
IT	09/11	04:00	Unemployment Rate (%)	2Q	--	8.5	8.9

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

Key Indicators for week of September 7 – 11

ASIA-PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
JN	09/06	19:50	Official Reserve Assets (US$ bn)	Aug	--	--	1402
AU	09/06	21:30	ANZ Job Advertisements (m/m)	Aug	--	--	16.7
CH	09/06	21:00	Foreign Reserves (US$ bn)	Aug	--	3171	3154
CH	09/06	21:00	Exports (y/y)	Aug	6	7.5	7.2
CH	09/06	21:00	Imports (y/y)	Aug	1.5	0.2	-1.4
CH	09/06	21:00	Trade Balance (USD bn)	Aug	--	49.7	62.3
AU	09/07	02:30	Foreign Reserves (AUD bn)	Aug	--	--	60.0
TA	09/07	04:00	Exports (y/y)	Aug	--	0.8	0.4
TA	09/07	04:00	Imports (y/y)	Aug	--	0.7	-6.8
TA	09/07	04:00	Trade Balance (US$ bn)	Aug	--	6.1	5.4
SI	09/07	05:00	Foreign Reserves (US$ mn)	Aug	--	--	321350
JN	09/07	19:30	Household Spending (y/y)	Jul	--	-3.7	-1.2
JN	09/07	19:50	Bank Lending (y/y)	Aug	--	--	6.3
JN	09/07	19:50	Current Account (¥ bn)	Jul	--	1886	168
JN	09/07	19:50	GDP (q/q)	2Q F	-7.8	-8.1	-7.8
JN	09/07	19:50	GDP Deflator (y/y)	2Q F	1.5	1.5	1.5
JN	09/07	19:50	Trade Balance - BOP Basis (¥ bn)	Jul	--	172.2	-77.3
ID	09/07	22:00	Consumer Confidence Index	Aug	--	--	86.2
TA	09/08	04:00	CPI (y/y)	Aug	-0.2	-0.4	-0.5
NZ	09/08	18:45	Manufacturing Activity	2Q	--	--	0.0
SK	09/08	19:00	Unemployment Rate (%)	Aug	4.2	4.3	4.2
JN	09/08	19:50	Japan Money Stock M2 (y/y)	Aug	--	8.1	7.9
JN	09/08	19:50	Japan Money Stock M3 (y/y)	Aug	--	6.7	6.5
CH	09/08	21:30	CPI (y/y)	Aug	2.4	2.4	2.7
CH	09/08	21:30	PPI (y/y)	Aug	--	-1.9	-2.4
JN	09/09	02:00	Machine Tool Orders (y/y)	Aug P	--	--	-31.1
JN	09/09	19:50	Machine Orders (m/m)	Jul	--	2.0	-7.6
PH	09/09	21:00	Exports (y/y)	Jul	--	-9.9	-13.3
PH	09/09	21:00	Imports (y/y)	Jul	--	-23.4	-24.5
PH	09/09	21:00	Trade Balance (US$ mn)	Jul	--	-1450	-1303
CH	09/09	21:00	New Yuan Loans (bn)	Aug	1200	1250	993
TH	09/09	23:30	Consumer Confidence Economic	Aug	--	--	42.6
MA	**09/10**	**03:00**	**Overnight Rate (%)**	**Sep 10**	**1.75**	**1.75**	**1.75**
NZ	09/10	18:30	Business NZ PMI	Aug	--	--	58.8
MA	09/11	00:00	Industrial Production (y/y)	Jul	--	1.1	-0.4
IN	09/11	08:00	Industrial Production (y/y)	Jul	--	-12.00	-16.60

LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CO	09/05	13:00	Consumer Price Index (m/m)	Aug	0.4	0.1	0.0
CO	09/05	13:00	Consumer Price Index (y/y)	Aug	2.3	2.0	2.0
BZ	09/09	08:00	IBGE Inflation IPCA (m/m)	Aug	--	0.2	0.4
BZ	09/09	08:00	IBGE Inflation IPCA (y/y)	Aug	2.4	2.4	2.3
PE	09/09		Trade Balance (USD mn)	Jul	--	--	455
BZ	09/10	08:00	Retail Sales (m/m)	Jul	--	--	8.0
BZ	09/10	08:00	Retail Sales (y/y)	Jul	1.2	--	0.5
PE	**09/10**	**19:00**	**Reference Rate (%)**	**Sep 10**	**0.25**	**0.25**	**0.25**

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

Global Auctions for week of September 7 – 11

NORTH AMERICA

Country	Date	Time	Event
US	09/08	13:00	U.S. To Sell 3-Year Notes
US	09/09	13:00	U.S. To Sell 10-Year Notes Reopening
CA	09/10	12:00	Canada to Sell 2-Year Bonds
US	09/10	13:00	U.S. To Sell 30-Year Bonds Reopening

EUROPE

Country	Date	Time	Event
AS	09/08	05:00	Austria Bond Auction
NE	09/08	05:00	Netherlands to Sell Bonds
NO	09/09	05:00	Norway to Sell Bonds
SW	09/09	05:00	Sweden to Sell Bonds
SZ	09/09	05:15	Switzerland to Sell Bonds
GE	09/09	05:30	Germany to Sell 4 Billion Euros of 0% 2030 Bonds
IT	09/10	05:00	Italy to Sell Bonds
UK	09/10	05:00	U.K. to Sell 0.125% 2023 Bonds
IR	09/10	05:30	Ireland to Sell Bonds
UK	09/10	06:30	U.K. to Sell 0.625% 2050 Bonds

ASIA-PACIFIC

Country	Date	Time	Event
CH	09/06	21:30	Shandong to Sell 6, 9, 14, 20, & 29 Year Bonds
SK	09/06	22:30	Korea to Sell KRW 2.4Tln 5-Year Bond
CH	09/07	21:30	Liaoning to Sell 4 & 20 Year Bonds
CH	09/07	23:30	Qingdao to Sell CNY1.752 Bln 9-Year Bonds
JN	09/07	23:35	Japan to Sell 5-Year Bonds
CH	09/08	23:00	China Plans to Sell 2 & 5 Year Upsized Government Bond
NZ	09/09	22:05	New Zealand to Sell Bonds
JN	09/09	23:35	Japan to Sell 20-Year Bonds
CH	09/10	23:00	China Plans to Sell 30-Year Government Bond

Sources: Bloomberg, Scotiabank Economics.

Events for week of September 7 – 11

NORTH AMERICA

Country	Date	Time	Event
CA	**09/09**	**10:00**	**Bank of Canada Rate Decision**

EUROPE

Country	Date	Time	Event
IT	09/07		Bank of Italy Report on Balance-Sheet Aggregates
EC	**09/10**	**07:45**	**ECB Monetary Policy Announcement**

ASIA-PACIFIC

Country	Date	Time	Event
MA	**09/10**	**03:00**	**BNM Overnight Policy Rate**

LATIN AMERICA

Country	Date	Time	Event
PE	**09/10**	**19:00**	**Reference Rate**

Sources: Bloomberg, Scotiabank Economics.

Global Central Bank Watch

NORTH AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Canada – Overnight Target Rate	0.25	September 9, 2020	0.25	0.25
Federal Reserve – Federal Funds Target Rate	0.25	September 16, 2020	0.25	0.25
Banco de México – Overnight Rate	4.50	September 24, 2020	4.50	4.25

Bank of Canada: A fresh policy statement arrives on Wednesday followed by Governor Macklem's speech the next day. No material policy changes are expected at this meeting between forecast cycles. Recovery evidence will be placed in the context of a long and winding road to a full recovery. The statement is likely to repeat reference to maintaining support with an openness to adding to it. Forward guidance has already been strengthened, but incremental risks could focus upon yield targeting, discussion of the BoC's ongoing strategic review perhaps including reference to average inflation targeting, as well as broader policy goals at the central bank under Macklem that may incorporate sustainable finance/ESG objectives.

EUROPE

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	0.00	September 10, 2020	0.00	0.00
European Central Bank – Marginal Lending Facility Rate	0.25	September 10, 2020	0.25	0.25
European Central Bank – Deposit Facility Rate	-0.50	September 10, 2020	-0.50	-0.50
Bank of England – Bank Rate	0.10	September 17, 2020	0.10	0.10
Swiss National Bank – Libor Target Rate	-0.75	TBA	-0.75	-0.75
Central Bank of Russia – One-Week Auction Rate	4.25	September 18, 2020	4.25	4.13
Sweden Riksbank – Repo Rate	0.00	September 22, 2020	0.00	0.00
Norges Bank – Deposit Rate	0.00	September 24, 2020	0.00	0.00
Central Bank of Turkey – Benchmark Repo Rate	8.25	September 24, 2020	8.25	8.25

European Central Bank (ECB): No change in policy measures is expected at this meeting. We expect more updates on the immediate risks to the European economy. One such risk is the rise in appreciation of the Euro and the monetary policy implications for future inflation. While there may be worrying variations in recent economic indicators, tangible policy actions will be left for future meetings. Forecast updates may offer few changes. Discussion of average inflation targeting and yield targets may arise from the press conference.

ASIA PACIFIC

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Policy Rate	-0.10	September 17, 2020	-0.10	-0.10
Reserve Bank of Australia – Cash Target Rate	0.25	October 5, 2020	0.25	0.25
Reserve Bank of New Zealand – Cash Rate	0.25	September 22, 2020	0.25	0.25
People's Bank of China – 1-Year Loan Prime Rate	3.85	September 20, 2020	3.85	3.85
Reserve Bank of India – Repo Rate	4.00	October 1, 2020	4.00	4.00
Bank of Korea – Bank Rate	0.50	October 14, 2020	0.50	0.50
Bank of Thailand – Repo Rate	0.50	September 23, 2020	0.50	0.50
Bank Negara Malaysia – Overnight Policy Rate	1.75	September 10, 2020	1.75	1.50
Bank Indonesia – 7-Day Reverse Repo Rate	4.00	September 17, 2020	4.00	4.00
Central Bank of Philippines – Overnight Borrowing Rate	2.25	October 1, 2020	2.25	2.25

Bank Negara Malaysia (BNM): Malaysian monetary authorities will make a policy decision on September 10. We do not expect any changes to the benchmark interest rate following this meeting, yet we highlight that a monetary easing bias remains in place on the back of the weak economic backdrop and deflationary pressures. In July, the BNM lowered the Overnight Policy Rate by 25 bps to 1.75%, taking cumulative cuts to 125 bps since January 2020. Headline consumer price index has been in deflationary territory since March, decreasing by 1.3% y/y in July. The benchmark interest rate is elevated in real terms, providing the BNM with additional monetary easing space if needed. We assess that one more interest rate cut of 25 bps is likely to take place following the November policy meeting.

LATIN AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	2.00	September 16, 2020	1.75	2.00
Banco Central de Chile – Overnight Rate	0.50	October 15, 2020	0.50	0.50
Banco de la República de Colombia – Lending Rate	2.00	September 25, 2020	2.00	2.00
Banco Central de Reserva del Perú – Reference Rate	0.25	September 10, 2020	0.25	0.25

Banco Central de Reserva del Peru: The central bank is expected to keep policy rates at 0.25% as they have reached the lower bound of conventional policy. Inflation at the lower end of the target range, economic activity well below pre-pandemic levels, and uncertainty on the future of the pandemic are consistent with maintaining accommodative policy for a very long time. Our economists in Peru believe the Reference Rate will remain on hold until at least late 2021.

AFRICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	3.50	September 17, 2020	3.50	3.50

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