March 7, 2019

AMERICAS

The USD retains a firm undertone versus its major currency peers but remains more or less contained to the broader ranges in place in recent months. We remain skeptical that gains can extend significantly beyond the short term, however, and continue to note a number of likely headwinds for the US currency in the longer term. We have downgraded our forecast for the CAD modestly following the Bank of Canada's dovish turn this month, however. The MXN eased as investors focus on domestic concerns and we look for additional softness over our forecast horizon. Stronger commodity prices have helped lift the CLP and the COP.

EUROPE

The EUR plunged following the European Central Bank's dovish messaging at the March policy meeting, pushing EURUSD to the 1.12 area. We think spot is near the low end of the range but concede that additional weakness will soften the broader outlook for the EUR in the medium term in all likelihood. The GBP firmed in recent weeks as a delayed Brexit now seems to be a greater risk than a no-deal Brexit, absent a smooth UK departure from the EU. Uncertainties remain, however, and a delay does nothing to provide clarity for the economic outlook.

ASIA-PACIFIC

The JPY has under-performed amid a rebound in risk appetite in recent weeks and we expect only limited scope for JPY gains in the medium-term. Expectations that US-China trade tensions can be addressed positively will support near-term gains in the CNY towards 6.60 versus the USD.

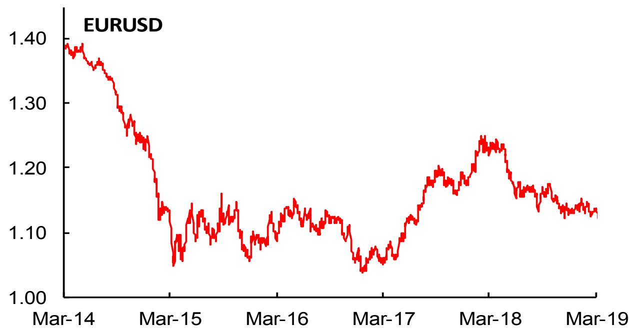
CONTENTS

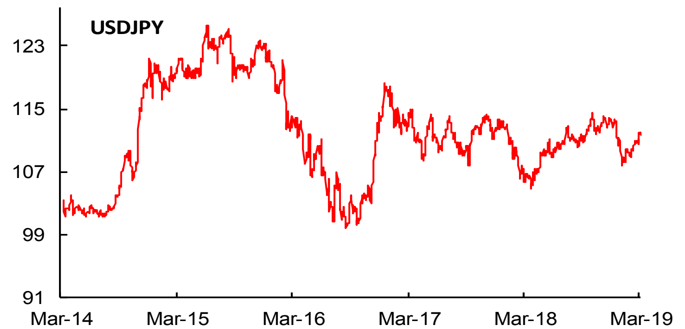
Market Tone & Fundamental Outlook	3
United States & Canada	4-5
G10 (Eurozone, United Kingdom, Japan, Australia)	6-7
China, India, Brazil	8-9
Pacific Alliance (Mexico, Colombia, Chile, Peru)	10-11
Developing Economies (South Korea, Thailand, Taiwan, Malaysia)	12-13
Global Currency Forecast	14
Contacts & Contributors	15-16

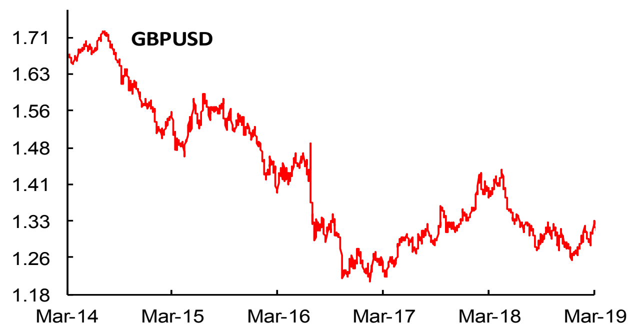
Core Exchange Rates

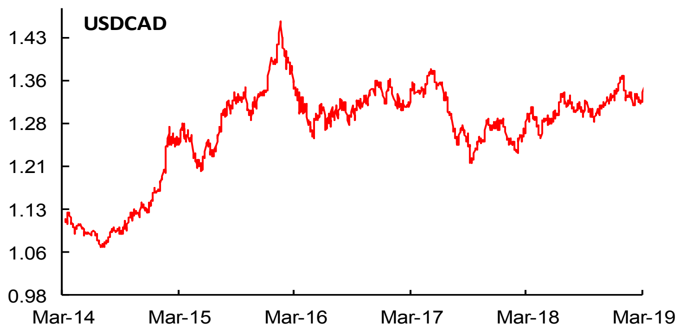
Global Foreign Exchange Outlook

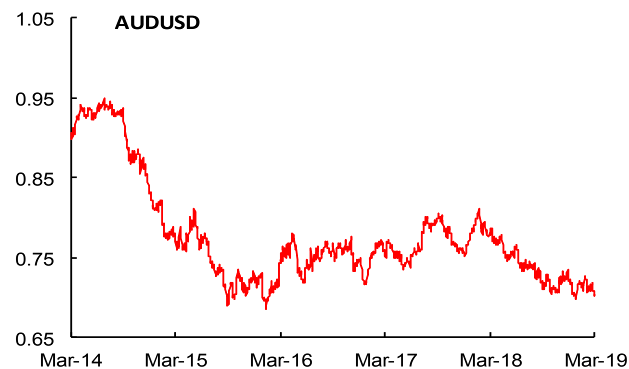
March 7, 2019	Spot	2019f Q1	2019f Q2	2019f Q3	2019f Q4	2020f Q1	2020f Q2	2020f Q3	2020f Q4
EURUSD	1.12	1.17	1.22	1.26	1.30	1.30	1.30	1.32	1.32
USDJPY	112	110	110	108	108	107	107	105	105
GBPUSD	1.31	1.32	1.35	1.37	1.40	1.42	1.42	1.45	1.45
USDCAD	1.34	1.34	1.32	1.30	1.28	1.25	1.25	1.23	1.23
AUDUSD	0.70	0.75	0.77	0.77	0.78	0.78	0.78	0.78	0.78
USDMXN	19.44	19.55	19.90	20.48	21.26	21.40	21.26	21.36	21.71











Market Tone & Fundamental Focus

Shaun Osborne, 1.416.945.4538
Foreign Exchange Strategy
shaun.osborne@scotiabank.com

The US dollar (USD) retains a firm undertone against its major currency peers. In broad terms, however, the USD is showing little directional momentum. A measure of implied volatility in the major currencies has eased to the lowest level since January 2018, reflecting becalmed market conditions—as well as a distinct lack of conviction amongst market participants about whether markets will move decisively in any direction in the near term at least.

We feel there is only limited scope for the USD to advance in the short term while we continue to see downside risks building for the USD in the longer run as US growth momentum is poised to slow and the Fed's tightening cycle looks increasingly mature. Additionally, rising fiscal and current account deficits represent a clear and present danger to the USD's longer-run stability. Finally, the US presidential election cycle is starting to gear up and President Trump has taken to criticizing Fed policy and commenting on the USD's value again. While investors have, so far, largely ignored the President's occasional forays into what are normally considered to be highly sensitive subject matters, verbal intervention on the USD may make it harder for the USD to advance and might yet encourage more softness in the months ahead if the intensity of commentary increases.

We have downgraded our forecast for the Canadian dollar (CAD) a little relative to our last update. The CAD has been buffeted by soft crude oil prices and disappointing growth data in the past few weeks. Moreover, the dovish messaging from the Bank of Canada at this month's policy meeting leaves the near-term path towards additional monetary tightening highly uncertain. Relatively wide interest rate differentials between the US and Canada are an impediment to a significant improvement in the CAD's performance in the near term, regardless of the sharp rebound in crude oil prices so far this year. The fact that the CAD retains a healthy yield advantage against its other, major-currency peers should not be ignored, however, and we expect further gains in commodity prices to add to the CAD's broader underpinning later in 2019.

Elsewhere in the G-10 space, the euro (EUR) and yen (JPY) remain relatively range bound. Investors appear reluctant to push the EUR much below the 1.12 area but sluggish growth, stubbornly low inflation and regional tensions (popular protests in France, the Italian government's fiscal policy stand-off with Brussels) have precluded more sustained EUR gains. The European Central Bank announced a substantial downgrade to its 2019 growth outlook following its March policy meeting and indicated that it was unlikely to raise interest rates until 2020, pushing longer term rates down and leaving the EUR looking somewhat vulnerable to additional losses—and our forecast for medium term gains in some danger. We still rather see limited scope for losses below the 1.12 area but concede that a sustained EUR drop below this point will weaken the broader outlook for the currency perhaps significantly.

The pound (GBP) will build on recent gains if UK politicians can avert a "hard" or no-deal Brexit. We think the risks of a calamitous departure from the European Union at the end of this month have eased, but have not been removed entirely. A negotiated Brexit remains our base case but we think the odds of a delay have risen, given the political complexities of the situation. A delay may trigger a modest relief rally for the GBP in the next few weeks but, without any long-term resolution to the Brexit imbroglio, the UK economy is likely to remain in slow growth mode—and keep the Bank of England on hold—for longer. We think a positive outcome to the Brexit situation will lift the GBP towards 1.40 versus the USD through the end of 2019 and should also be supportive for the EUR (versus the USD) by removing a significant downside risk to the Eurozone outlook.

The Mexican peso (MXN) is lagging behind the performance of the Latam regional currencies so far this year. The MXN is still firmer year-to-date but has traded steadily lower from the high seen in January amid trade uncertainties (Congress dawdling over USMCA legislation) and more specific, home-grown concerns (sovereign ratings downgrades amid focus on Pemex reforms). We expect the MXN to ease modestly over the forecast horizon but the pace of losses is likely to reflect how quickly (or not) global financial conditions tighten as well as the domestic monetary policy backdrop as inflation recedes. The Chilean peso (CLP) has out-performed on the back of the strong rally in copper prices so far this year; we remain constructive on the outlook for metals—and therefore the CLP—but the copper rally has been significant and may pause as markets reassess global supply/demand balances. Firmer crude oil has likewise supported the Colombian peso (COP), which rose to its highest level since October through the end of February. The COP may struggle to rise beyond the 3050 area for now versus the USD absent much higher crude or a stronger sense of conviction regarding scope for tighter domestic monetary policy. The Peruvian sol (PEN) should be supported by positive growth prospects over the balance of the year—but subdued domestic inflation suggests little hurry for tighter monetary policy.

We expect progress on US-China trade talks—and efforts to curb yuan (CNY) depreciation—to prompt a further recovery in the CNY from the late-2018 low versus the USD near 7.00. We target a recovery to 6.60 over the balance of 2019.

Canada

Currency Outlook

Shaun Osborne, 1.416.945.4538
Foreign Exchange Strategy
shaun.osborne@scotiabank.com

The CAD is second only to the GBP in terms of its year-to-date performance versus the USD, rising around 1.5% at writing. But all of that strength (and more) came in the first week or so of the year and, since then, the CAD has struggled to maintain altitude against the big dollar.

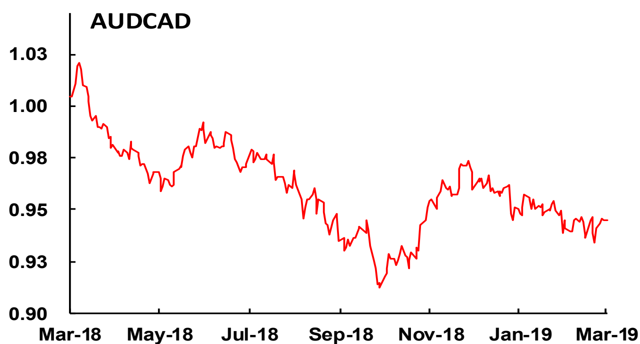
On the face of it, the CAD has missed a chance to improve as commodity prices have strengthened and more balanced global supply has supported a 30% jump in WTI crude prices since January. Canadian crude prices have also improved, albeit at the cost of mandated domestic production cuts. The clear improvement in Canada's terms of trade might suggest that the CAD is undervalued.

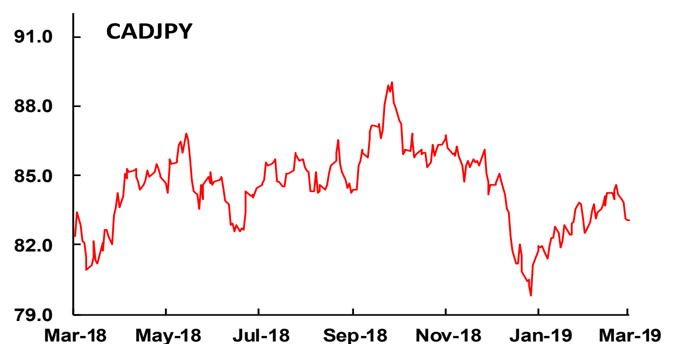
But a look at interest rate differentials explains why the CAD is slipping—and looks poised to stay soft for now. Disappointing Canadian Q4 GDP data and the risk of a sluggish Q1 has resulted in the Bank of Canada (BoC) hitting the rate "pause" button; policy makers are uncertain when they will get back into tightening mode. This has resulted in a significant widening in US-Canada 2-year rate spreads (rising from a 63bps premium for the USD at the start of the year to near 85 bps at writing). We have dialed back expectations for both Fed and BoC tightening over our forecast horizon but we do not expect spreads to widen further in the next few quarters.

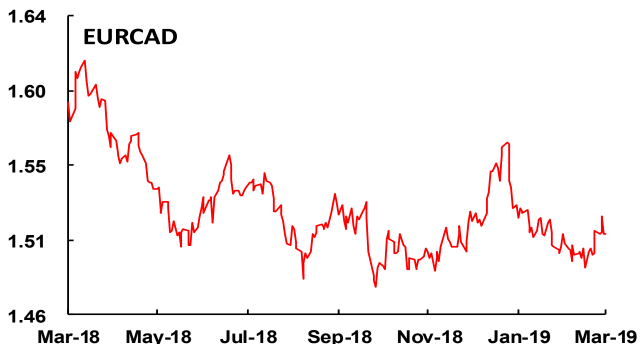
We expect USDCAD to trade near 1.34/1.36 in the near term—close to the CAD low (73.5 USc) seen around the turn of the year at worst. But we look for USDCAD to drift lower to 1.28 by late 2019 (a modest downgrade for the CAD relative to our last forecast update).

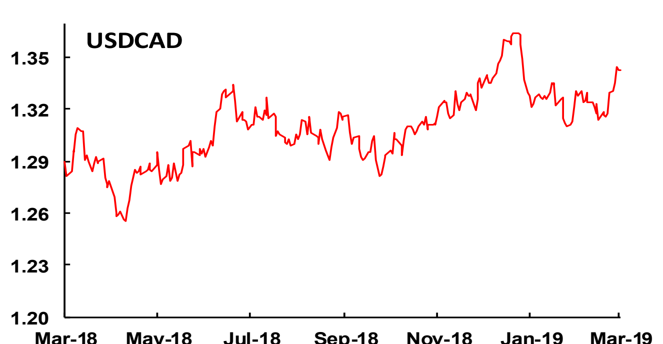
Canadian Dollar Cross-Currency Trends

FX Rate	Spot 7-Mar	19Q1f	19Q2f	19Q3f	19Q4f	20Q1f	20Q2f	20Q3f	20Q4f
AUDCAD	0.94	1.01	1.02	1.00	1.00	0.98	0.98	0.96	0.96
CADJPY	83.1	82.1	83.3	83.1	84.4	85.6	85.6	85.4	85.4
EURCAD	1.51	1.57	1.61	1.64	1.66	1.63	1.63	1.62	1.62
USDCAD	1.34	1.34	1.32	1.30	1.28	1.25	1.25	1.23	1.23









United States and Canada

Fundamental Commentary

Brett House, 1.416.863.7463
Scotiabank Economics
brett.house@scotiabank.com

UNITED STATES — US growth outperformed consensus expectations in Q4-2018 with a 2.6% q/q SAAR expansion, continuing a string of quarters that have exceeded Fed estimates of underlying non-inflationary potential at 1.9% and have pushed the economy into the greatest degree of excess demand since Q3-2000. Consumption leads the way, with a 1.9 ppts contribution to the headline 2.6% growth figure, while non-residential investment added a further 0.8 ppts. Widespread chatter about increased risks of recession looks overdone: though Q1-2019 is likely to be softer as temporary effects from the federal government shutdown and polar vortex have weighed on growth, activity pushed into Q2 should drive a rebound as the year proceeds. Trade negotiations provide further upside risk as additional tariffs on imports from China are unlikely to be imposed since they would hit consumer goods heading into the 2020 election cycle. There is also a reasonable chance that we may see later this year White House and Congressional agreement on enhanced federal contributions to the Trump Administration's as-yet stillborn infrastructure plan.

CANADA — Canadian economic activity ended 2018 on a decidedly soft note with real GDP growth at 0.4% q/q SAAR in Q4 after a 0.1% m/m contraction in December, the weakest quarter since Q2-2016. Underperformance in Q4 was likely driven by transitory factors: the drop in international and domestic oil prices, ongoing trade policy uncertainties, and further adjustment to the B20 and provincial housing sector measures. With a weak hand-off into 2019 compounded by an end-2018 build in inventories, we expect Q1 to continue to look soft, owing to some lingering effects from weather, followed by a rebound in Q2. Labour markets remain tight, major industries are still at or near their average capacity utilization rates, global growth and commodity demand are only marginally lower, oil prices are expected to edge higher, and investment intentions in major surveys remain firm. Trade-related doubts are expected to abate as the US steps back from the brink with China and moves forward slowly on the ratification of the USMCA, whose signed side letters already provide Canada and Mexico with protection from possible US auto-sector tariffs. Nevertheless, we expect the federal government to add additional fiscal stimulus, focused on immediate cash infusions to households, in its March 19 budget.

Derek Holt, 1.416.863.7707
Scotiabank Economics
derek.holt@scotiabank.com

Monetary Policy Commentary

UNITED STATES — The Federal Reserve's 'patient' turn will likely be enough to avoid an inverted 90s10s yield curve going forward. It might even steepen the curve in an effort to further incentivize risk taking and lending activity. This market-based recession signal—howsoever distorted in present times—will be driven by two considerations. One is our forecast for the Fed to remain on hold at least until a pencilled in rate hike in December, after which one more may be in the cards next year to top out at a fed funds rate of 3.0%. Two is that an expected soft patch to begin the year should lead to firming growth, hoped for improvement to nearer term US-China trade tensions and other geopolitical risks and possibly another stimulative spending bill to coincide with a raised debt limit. If that happens, market-based inflation expectations could drive higher Treasury yields over the duration of the year. We also expect an end to the Fed's balance sheet unwind later this year.

CANADA — Scotiabank Economics has changed its forecast to delay earlier expectations for two rate hikes over 2019H2 to now tentatively expecting one hike in December and one more in 2020. A 2.25% peak is anticipated. Greater than expected economic slack is derived from a sharper deterioration in domestic economic growth over 2018Q4 into 2019Q1. This delays some pressure upon inflation expectations. Instead of talking through a mild shock to his expectations, Governor Poloz abruptly shifted his bias away from recently firmer hike guidance. The supporting narrative continues to anticipate an economic rebound with 'green shoots' appearing in late Q1 onto Q2 and going forward, CUSMA ratification, and Federal fiscal stimulus. The challenges facing the Bank of Canada differ from the Federal Reserve's in terms of a laxer starting point for monetary policy and much easier financial conditions including the currency.

G10

Currency Outlook

Eric Theoret, 1.416.863.7030
Foreign Exchange Strategy
eric.theoret@scotiabank.com

EUROZONE — The EUR has yet to break out of its range from early October, with movement roughly bound between the lower 1.12s and lower 1.16s. Yield spreads have narrowed in a EUR-supportive manner however their correlation to the EUR remains muted. The options market is also offering support and the premium for protection against EUR weakness is moderating. Speculative positioning remains bearish and extended, leaving EUR vulnerable to a squeeze. We maintain a constructive medium-term EUR outlook, targeting 1.22 by the end of Q2 2019.

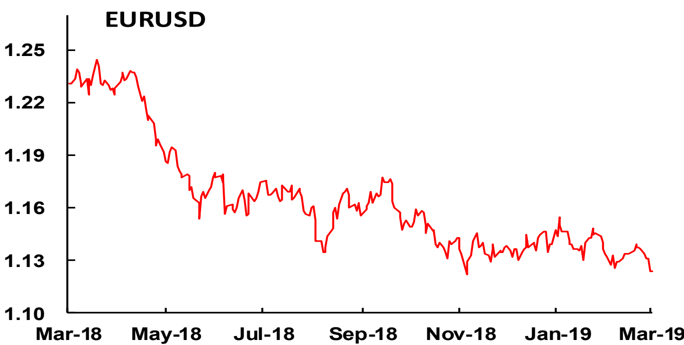
UNITED KINGDOM — Sterling has been the best-performing G10 currency YTD with a 3.3% gain vs. the USD. The prospect of a softer, later Brexit has been viewed constructively however market participants remain concerned and GBP puts continue to trade at a sizeable premium relative to calls. Our forecast is based on a constructive outcome to the negotiations and we are bullish targeting gains toward 1.35 by Q2 2019.

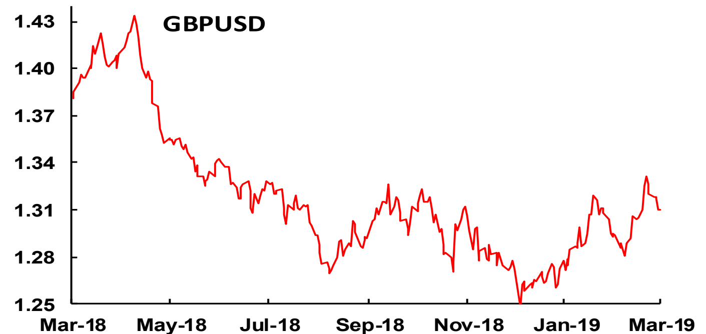
JAPAN — The JPY has underperformed all of the G10 currencies YTD with a 1.8% decline vs. the USD, trading defensively on an unwind of the haven-driven rally from Q4. Sentiment continues to dominate and the options market reveals an ongoing fade in the premium for protection against JPY strength. The outlook for relative central bank policy is bearish as the BoJ maintains an exceptionally dovish bias toward further easing. We see modest upside risk to our Q2 2019 USDJPY target of 110.

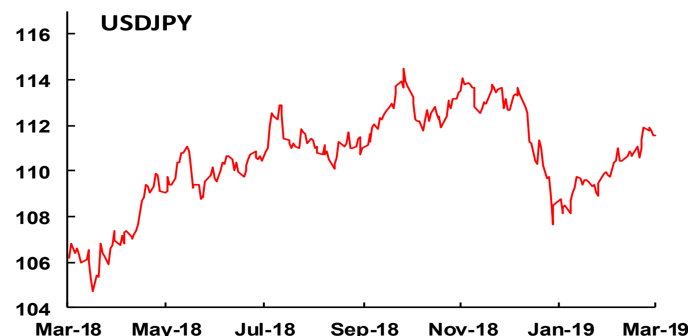
AUSTRALIA — AUD has been range bound since late summer 2018, consolidating (on a closing basis) between the upper 0.69s and mid-0.73 area. The outlook for relative central bank policy is neutral, reflecting patience from both the Fed and the RBA. The continued easing in trade tensions is AUD-supportive and we maintain a bullish AUD forecast targeting 0.77 by the end of 2Q19.

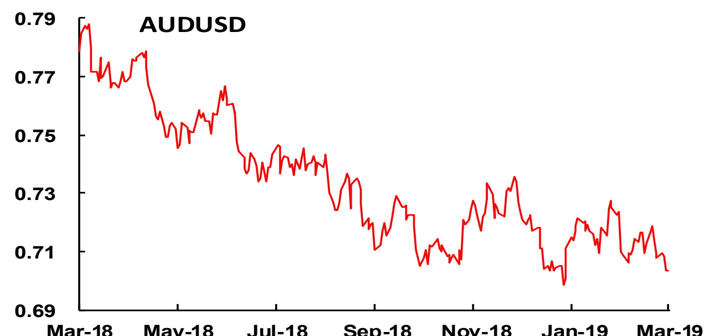
Currency Trends

FX Rate	Spot 7-Mar	19Q1f	19Q2f	19Q3f	19Q4f	20Q1f	20Q2f	20Q3f	20Q4f
EURUSD	1.12	1.17	1.22	1.26	1.30	1.30	1.30	1.32	1.32
GBPUSD	1.31	1.32	1.35	1.37	1.40	1.42	1.42	1.45	1.45
USDJPY	112	110	110	108	108	107	107	105	105
AUDUSD	0.68	0.75	0.77	0.77	0.78	0.78	0.78	0.78	0.78









G10

Fundamental Commentary

Tuuli McCully, 65.6305.8313
Scotiabank Economics
tuuli.mccully@scotiabank.com

Eric Theoret, 1.416.863.7030
Foreign Exchange Strategy
eric.theoret@scotiabank.com

EUROZONE — Euro area growth trends were depressed by inventory changes in Q4 which took around 0.4 percentage points off the quarterly GDP gain. Despite generally positive growth dynamics elsewhere late last year, ECB policy makers dispensed with the soft patch narrative that has characterized their recent economic commentary and surprised markets by downgrading the 2019 growth outlook substantially—implying little or no acceleration in growth trends this year at all – at the March policy meeting. Growth forecasts beyond 2019 were also reduced, as were overall inflation forecasts. More importantly for the markets, policy normalization was deferred from later this year to 2020, weighing on yields and the exchange rate. A fresh round of liquidity support should help stabilize fragile growth expectations and alleviate uncertainty into the European parliamentary elections scheduled for late May.

UNITED KINGDOM — Brexit negotiations continue to dominate the narrative for the UK as market participants consider the prospect of a softer and later departure from the EU. The core Irish border issue remains unresolved however. Fundamentals are deteriorating in terms of both hard and soft data. The yoy pace of GDP growth moderated to 1.3% in Q4 2018, matching the multi-year low from Q1 of the same year. The high frequency activity indices are also well off their 2017 highs and the PMI's have drifted back toward 50. BoE rate expectations have been largely unchanged since October, pricing about 25bpts of tightening over the next 12 months or so. We are expecting a stabilization in the data and our base case anticipates a constructive outcome to Brexit negotiations.

JAPAN — The Japanese economy grew by 0.7% in 2018 as a whole, according to preliminary estimates. Real GDP increased by 0.3% q/q (non-annualized) in Q4 following a 0.7% q/q contraction in Q3. In year-over-year terms, the economy was flat in the fourth quarter, vis-à-vis a meagre 0.1% advance in Q3. Net exports have recently been a drag on growth as shipments are adversely impacted by weaker global and Chinese demand. On a positive note, both household spending and investment recorded decent gains in the final quarter of 2018. The economy is set to propel ahead reasonably well in the first half of 2019. Growth will likely accelerate notably in the third quarter as consumers and businesses bring forward their spending in anticipation of the consumption tax rate increase (from 8% to 10%), which is scheduled for October 2019. The tax hike will likely cause a temporary contraction in output (in q/q terms) in Q4 2019, before the economy returns to its potential growth trajectory of around 1.0% y/y. We expect Japan's real GDP growth to average 0.9% y/y in 2019–20. The Bank of Japan (BoJ) will likely maintain its ultra-accommodative monetary policy stance in place through 2020. Following the January 23 monetary policy meeting, the BoJ maintained the short-term policy rate and the 10-year bond yield target unchanged at -0.1% and 0%, respectively. Against the background of rising global uncertainties and late-cycle dynamics, we note that the BoJ's monetary policy room is fairly limited. Inflation remains low; prices at the headline level increased by only 0.2% y/y in January while the CPI excl. fresh food—the BoJ's preferred measure—remained soft at 0.8% y/y. In the near-term, headline inflation will likely hover below 1% y/y until the consumption tax rate hike will trigger a temporary pickup in the final months of 2019.

AUSTRALIA — The Australian economy expanded by 2.8% in 2018. Momentum showed signs of deceleration in Q4, with output rising by 0.2% q/q (2.3% y/y). We expect Australia's real GDP to grow by 2½% y/y in 2019–20. The nation's labour market remains strong; in the past 12 months to January, monthly job creation has averaged 23,000 positions, with close to 90% of them in the full-time category. Surveys of hiring intentions point to further employment gains. At 5% in January, unemployment is in line with the Reserve Bank of Australia's (RBA) estimate for the economy's neutral jobless rate, implying that labour market slack has virtually disappeared. This should boost incomes over the coming quarters. Wages rose by 2.3% y/y in Q4 2018; with headline inflation at 1.8% y/y in Q4, real wages are rising moderately. Consumers' inflation expectations are elevated at 3.7% y/y (as of February 2019), exceeding the RBA's 2–3% inflation target. Nevertheless, we assess that somewhat softer household spending prospects will likely keep demand-driven inflation in check. While we forecast a slight pickup in wage and price gains, headline inflation is expected to remain in the RBA's target range through 2020. Therefore, the RBA will not rush to alter monetary policy; it assesses that the scenario in which it would need to ease monetary policy is equally likely as a scenario where policy would need to be tightened. Earlier, the RBA had assessed that an interest rate hike was the most likely next policy action. Given the RBA's changing tone and elevated global uncertainties amidst late-cycle dynamics, we now anticipate the central bank to keep the benchmark interest rate on hold for most of our forecast horizon. Residential real estate prices are declining in Australia as a response to stricter lending standards and increased housing supply. Given Australia's low interest rates, a strong labour market, and robust loan quality, we assess that the housing market developments are not a cause for major concern at this point. Nevertheless, we continue to monitor the situation closely, particularly the price adjustment's impact on consumer confidence.

China, India, Brazil

Currency Outlook

Qi Gao, 65.6305.8396
Foreign Exchange Strategy
qi.gao@scotiabank.com

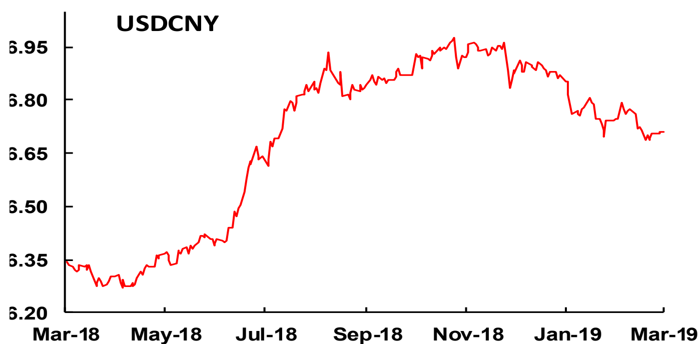
CHINA — China's new foreign-investment law will be passed at the Second Session of the 13th NPC that kicked off on 5 March, with the aim of further opening up the nation's markets and addressing complaints. MSCI Inc. has decided to increase the weighting of A-shares in its indexes by raising the inclusion factor to 20% from 5% by November. The yuan will likely head for 6.60 on hopes for the US and China signing a trade deal in late March.

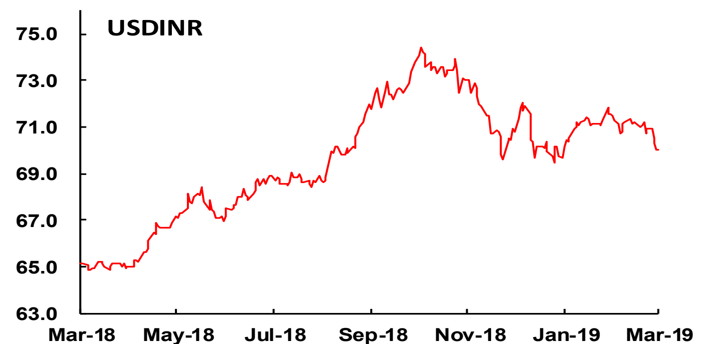
INDIA — The INR remains susceptible to geopolitical situation, oil prices and the headlines on the general election due by May. While oil prices are consolidating with limited upside potential, there is a sign that tensions between the nuclear-armed India and Pakistan could ease finally. The RBI will step in if necessary to smooth extreme movements in local FX market. USD/INR is likely to trade in a range of 69-72 in the month of March.

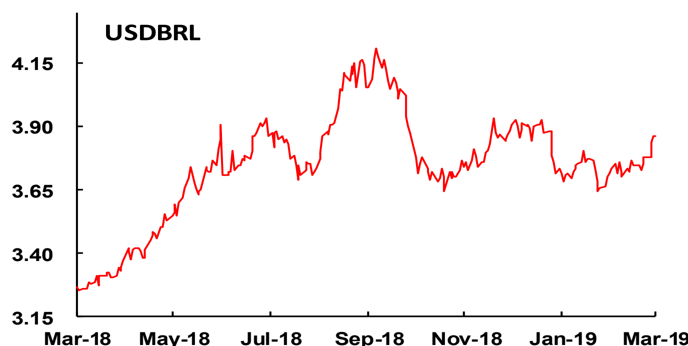
BRAZIL — The real has been trading sideways since the Presidential election last year, with its USD cross moving in a 3.63–3.94 range since. The Brazilian real has been the 4th best performing emerging markets currency since the election from a total return perspective (+8.9%), but we fear that the outlook going forward gets a bit cloudier, as the difficult political hurdles faced by reforms —particular pensions—are becoming apparent.

Currency Trends

FX Rate	Spot 7-Mar	19Q1f	19Q2f	19Q3f	19Q4f	20Q1f	20Q2f	20Q3f	20Q4f
USDCNY	6.71	6.80	6.60	6.70	6.70	6.60	6.60	6.50	6.50
USDINR	70.0	69.0	67.0	68.0	68.0	67.0	67.0	66.0	66.0
USDBRL	3.86	3.82	3.91	3.97	4.18	4.08	4.11	4.07	4.18







China, India, Brazil

Fundamental Commentary

Tuuli McCully, 65.6305.8313
Scotiabank Economics
tuuli.mccully@scotiabank.com

CHINA — Trade discussions between the US and China continue. According to President Trump, the talks have been progressing well; in addition to discussions on bilateral goods trade, the negotiations have also covered topics that we consider rather demanding, such as intellectual property protection, technology transfers, and exchange rate management. On February 24, President Trump announced that he will delay the planned increase in tariffs on Chinese goods imports, which was scheduled to take place on March 1, and that he will hold a bilateral summit with President Xi, potentially in March, to finalize a trade agreement between the two countries. While this is a positive development for the global economy, near-term growth uncertainties are only marginally diminished at this point. We expect recent progress to be reflected in business sentiment indicators in the near term; however, concrete plans—followed by actions—for resolving the various issues between the US and China need to materialize before the real economy would benefit from the easing of the trade conflict. Stronger economic prospects would require that improving confidence translates into a rebound in business investment globally. The Chinese economy will play a key role in shaping the global economic outlook over the next few months. The Chinese economy will continue to be under downward pressure on the back of three key considerations: 1) the trade conflict between the US and China; 2) Chinese authorities' targeted deleveraging efforts to reduce financial risks in the shadow banking sector; and 3) China's economic development and structural transition to a services-driven economy. We expect growth to slow to 6.2% in 2019 and further to 6.0% in 2020. We believe that the Chinese government will implement various stimulus measures (such as additional cuts to banks' reserve requirement ratios and expansionary fiscal policies) to prevent growth from slowing below the 6% mark given that a more significant slowdown would put its income-per-capita goals for the end of the decade at risk.

INDIA — The Reserve Bank of India (RBI) lowered the benchmark repo and reverse repo rates by 25 bps to 6.25% and 6.0%, respectively, following the bi-monthly Monetary Policy Committee (MPC) meeting that concluded on February 7. The rate cut took place under the RBI's monetary policy stance of "calibrated tightening"; the stance was subsequently revised to "neutral". The decision to cut interest rates was justified by the need to boost India's economic growth amidst low headline inflation. The MPC noted that high-frequency indicators point to some softening in economic activity and that the economy's output gap has opened up modestly, yet the authorities foresee India's real GDP growth at 7.4% y/y in the fiscal year 2019–20 (April–March), which is in line with our growth projection for India through 2020. India's real GDP expanded by 7.3% in 2018. Looser monetary conditions are intended to buttress Indian private investment and consumption. India's inflation outlook is complicated: headline inflation is low while core inflation is high. Lower food and fuel prices pushed headline inflation down to 2.1% y/y January, compared with 5.1% a year earlier. Meanwhile, core inflation remains elevated at 5.4% y/y in January (vs. 5.0% in January 2018). Moreover, the government's shift to a looser fiscal policy stance—ahead of the general election that will take place in April–May—forms a notable inflation risk. Accordingly, we foresee headline inflation rebounding to 5⅓% y/y by year-end. The minutes of the RBI's February meeting reveal deep divisions within the MPC regarding the country's inflation outlook and risks. The future monetary policy direction will be data-dependent, yet we assess that Governor Das' bias are toward further easing. While we expect no further interest rate cuts in the foreseeable future, we point out that further monetary easing may materialize if inflation surprises on the downside. The Interim Union Budget for fiscal year 2019–20 was unveiled on February 1. As expected, it included populist elements, such as income support to small-scale farmers and tax rebates, given the approaching election. The government expects the fiscal deficit in the FY2019–20 to be 3.4% of GDP, vis-à-vis the original target of 3.1% of GDP.

BRAZIL — We've been pleasantly surprised by the stability of IPCA inflation, which has completely looked past the upwards moves we saw in both manufacturing PPI and FGV IGP-DI inflation. For now, the patience exhibited by the COPOM on not hiking rates has been rewarded, as the economy continues to show mixed performance (retail sales +4.0% y/y in December, but industrial production was -3.6% y/y in the same month, and overall economic activity was basically flat), and IPCA remains stable. To us, the key question on inflation remains BRL and whether producer side price pressures transfer over to the consumer side, and for the former of the two—whether the government can deliver on reforms, as without them, the BRL is likely to plummet as fundamental concerns return. On growth, we continue to see a gradual acceleration, and pushed back our rate hike cycle by the BCB, based on what has been very muted pass-through of producer prices onto the consumer price basket. However, we do see acceleration in inflation once it becomes apparent that reform progress will only be modest. On the reform front, it looks likely we'll get a watered down pension reform—which in our base case affects public employees and the military, and an ambitious scenario affects new entrants into the private labor force. These changes would be positive, but unlikely to stabilize long term fiscal dynamics—particularly if we think current interest rates are below their long run steady state—implying financing costs will rise.

Pacific Alliance
Currency Outlook

Guillermo Arbe
511.211.6052
Scotiabank Peru
guillermo.arbe@scotiabank.com.pe

Mario Correa
52.55.5123.2683
Scotiabank Mexico
mcorrea@scotiacb.com.mx

Sergio Olarte
57.1.745.6300
Scotiabank Colombia
sergio.olartea@co.scotiabank.com

Benjamin Sierra
56.2.2619.4974
Scotiabank Chile
benjamin.sierra@scotiabank.cl

MEXICO — We expect both high volatility and higher uncertainty due to both, domestic and foreign factors. On the domestic side, some controversial policy decisions (e.g. Texcoco's airport cancellation) and a worsened prospect on sovereign debt as S&P revised its outlook on Mexico to negative and Fitch downgraded Pemex rating could put some pressure on the Fx. On the external side, a weaker sentiment for EM will be in place as China decelerated and financial markets get tighter.

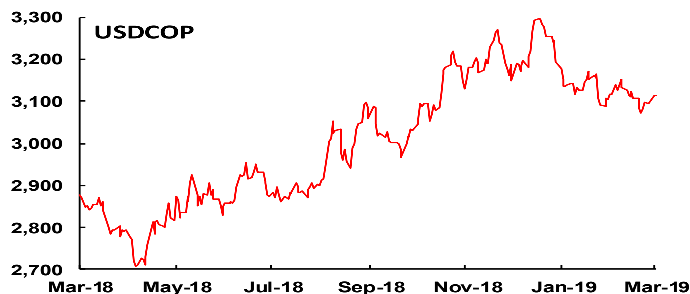
COLOMBIA — The COP has recovered this year. YTD, COP has appreciated ~ 4.5%, to 3080-3100, on the back of a more dovish FED, which triggered higher world global appetite. Colombian CDS 5-Y have fallen almost 50bps. Stronger oil prices have also helped FX in Colombia. Tax payment season is coming, in March and April, which normally involves companies repatriating, which brings additional, but temporary, strengthening of the peso. Therefore, we expect COP to appreciate in the short run to ~3000. Having said that, after tax season we believe Cop will return to current levels with high volaility .

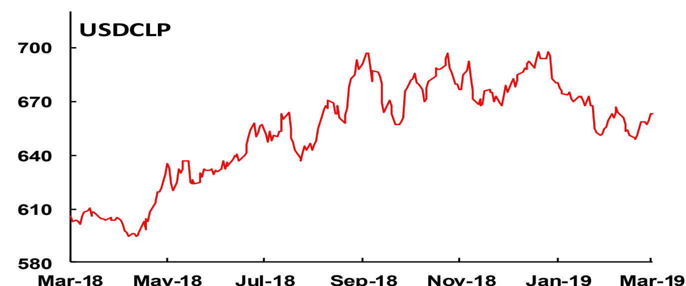
CHILE — Since its peak at end-2018, the exchange rate (USDCLP) has decreased, pressed by higher copper prices and declining risk aversion, to reach its lowest level since mid-2018. According to our quantitative approach current level (648) suggests a relatively overvalued CLP at this stage, however, the forecast for end-2019 remains at 640. In other words, quantitative elements to warrant an additional appreciation of the CLP seems limited, while technical arguments to support it are running out in the very short term.

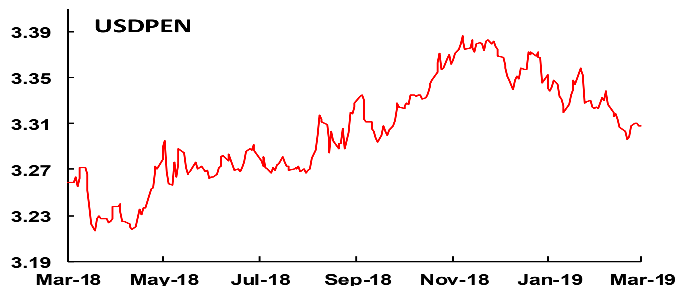
PERU — In the YTD, the PEN has appreciated 2.1%, recovering about half of the 4.1% depreciation experienced in 2018. This current trend is much more in line with Peru's robust external accounts and overall macro story. One remarkable change in FX is that the Central Bank has not intervened in the spot market in over a year now. The CB continues managing currency swaps, but seems to be largely leaving the FX market to its own devices. Our read is that the CB is allowing the market much more leeway, but would intervene once again if volatility increased significantly. In late February, the PEN touched on our year-end forecast of 3.30. We are not changing our forecast quite yet, it's still early in the year, but we believe that the current trend has legs.

Currency Trends

FX Rate	Spot 7-Mar	19Q1f	19Q2f	19Q3f	19Q4f	20Q1f	20Q2f	20Q3f	20Q4f
USDMXN	19.44	19.55	19.90	20.48	21.26	21.40	21.26	21.36	21.71
USDCOP	3114	3080	3105	3150	3120	3050	3100	3125	3150
USDCLP	663	671	664	658	646	643	643	647	639
USDPEN	3.31	3.35	3.31	3.32	3.30	3.31	3.27	3.28	3.25







Pacific Alliance
Fundamental Commentary

Guillermo Arbe
511.211.6052
Scotiabank Peru
guillermo.arbe@scotiabank.com.pe

Mario Correa
52.55.5123.2683
Scotiabank Mexico
mcorrea@scotiacb.com.mx

Sergio Olarte
57.1.745.6300
Scotiabank Colombia
sergio.olartea@co.scotiabank.com

Benjamin Sierra
56.2.2619.4974
Scotiabank Chile
benjamin.sierra@scotiabank.cl

MEXICO — Mexico has experienced an increase in country's risk perception as uncertainty rose and the economic activity showed signs of deceleration. Negative events such as fuel shortages in several states, the blockade of the railways in the state of Michoacan, workers strikes in several companies in Tamaulipas and the downgrade of Pemex's credit rate will most likely have an impact on economic activity, industrial production and job creation. Federal government deep restructuring will delay public spending and, thus, will negatively affect economic activity. Investors' confidence setback, generated by public policies carried out by the government such as the Texcoco´s airport and the oil and electric power tenders' cancellations, has diminished investment and decelerated consumption as households and firms are more cautious in their decisions. Public balance is one of the top topics on market's radar since fiscal target has very little room for maneuver, because revenues are expected to increase more than the overall economy and Pemex delicate financial situation would require further funds. Finally, on the external side, the deterioration of the global economic growth prospects, the geopolitical tensions and the dropped of global trade add volatility and downward pressure to economic activity.

COLOMBIA — Colombia's economic activity is still growing below potential, although last year it recovered a bit. Economic activity grew 2.7% in 2018 up from 1.4% in 2017 and with even better dynamics in 2H18. Low interest rates, higher than expected, terms of trade due to higher oil prices, steady FDI and pro-market presidential elections results supported economic activity recovery last year. We think GDP recovery will continue this year to 3.4%, on the back of investment pickup (4G program, tourism FDI, low income houses construction… among others), still countercyclical public expenditure—due to last year of regional governments and regional campaigning—and gradual improvement in consumer confidence. Having said that, fiscal sustainability and widen current account deficit, still raise concerns on the capability of Colombia to recover at a faster pace. Lower oil prices, a watered down fiscal reform last year and the possibility of Moody's and Fitch rating cuts to BBB-, put 2019 growth bias to the downside. Although, meeting the fiscal rule this year seems harder (2.4% of GDP of central government deficit), recent Ministry communication points that the government will do whatever it takes to reduce the deficit. In fact, Minister Carrasquilla included in the financial plan public owned companies sale to raised additional resources to reduced debt needs. Although its arguable there are still some fiscal issues, markets are giving he benefit of the doubt and short-run fiscal sustainability concerns has vanished. For now higher Ecopetrol dividends, and January's improved tax collection has helped the government to gain credibility. Having said that, longer run fiscal sustainability is still the main concern for the near future in Colombian markets. With negative output gap, inflation under control, and FX pass-through ghost vanishing, the central bank has kept expansionary MPR at 4.25% for the last ten months to help economic activity recovery.

CHILE — According to early data, economic activity grew 4% last year. Despite growth in H1 having been very high (4.9%) compared with the standard in previous years, several factors, both domestic and foreign, dragged back the original momentum in H2. Recall the trough of the cyclical slowdown in the Chilean economy took place in the period between 2016 and the first half of 2017, being the latter severely hit by specific events. For the current year growth expectation remains at 3.2% and the rhythm should accelerate starting midyear. Indirect data tend to confirm that lackluster start of the year. As far as domestic demand is concerned, the most dynamic component is investment, while consumption (specifically durable goods) has been growing at a very limited rate, according to both foreign trade and sector sales. For 2019, consumption and investment growth would be 2.8% and 8%, respectively. The unemployment rate would reach 6.8%, a shy decrease from the 6.9% in 2018. Mirroring this (among other conditions related with foreign prices) the inflation that reached 2.6% in 2018 is expected to increase just 3%, though risks of this forecast are rather downward biased, and the market consensus is at 2.7%. The Central Bank determined a second hike of MPR leaving it at 3% in January. It is expected the MPR would remain at the current level at least till the July Monetary Policy Meeting, when an additional 25pb could be determined, followed by another in Q4. Politically, the current year will be decisive to reach agreements, approve them and to start the accomplishment of critical reforms that were in the economic program of the Government (taxes, labour market, pension funds system, among others of less economic relevance). We continue thinking there are good reasons to expect reasonable solutions, all which would likely be widely celebrated by market and business confidence.

PERU — The economy ended 2018 in strength, with GDP growth of 4.8%, YoY, in 4Q18 (4.0% in the full year). This bodes well for 2019, and we see upside to our 4.0% forecast. Rains and low government spending due to post-electoral changes in regional authorities will impact, especially in the first semester, but this is already largely factored in our forecasts, and will not dent the main drivers of growth this year, which include private consumption, agroindustry, mining investment, and a mild improvement in infrastructure investment. Corruption events continue hitting the headlines, with some impact on the construction sector. However, this is occurring in an environment in which overall political stability and visibility have improved significantly. Aside from growth, we have made two changes in our forecasts. We have made a small adjustment in our inflation forecast, from 2.5% to 2.4%. We would have been more aggressive, if not for the risk of weather on food prices this year. The important thing is, there are little signs of demand pressures. In line with this, we are changing our forecast on Central Bank monetary policy. We now expect the Central Bank to raise its reference rate only once, and possibly not at all, in 2019, down from two increases previously. The CB has signaled that it is in no hurry to raise its policy rate, but is likely to do so eventually.

Developing Economies
Currency Outlook

Qi Gao, 65.6305.8396
Foreign Exchange Strategy
qi.gao@scotiabank.com

SOUTH KOREA — The BoK is expected to maintain its pro-growth stance amid mounting risks of disinflation and deflation. The US and South Korea announced on 2 March that they will end annual large-scale joint military exercises as part of diplomatic efforts to "achieve complete denuclearization of the Korean Peninsula." The KRW will continue to be driven by the Fed's policy stance, the US-China trade talks and geopolitical situation, trading between 1,100 and 1,140 in the months ahead.

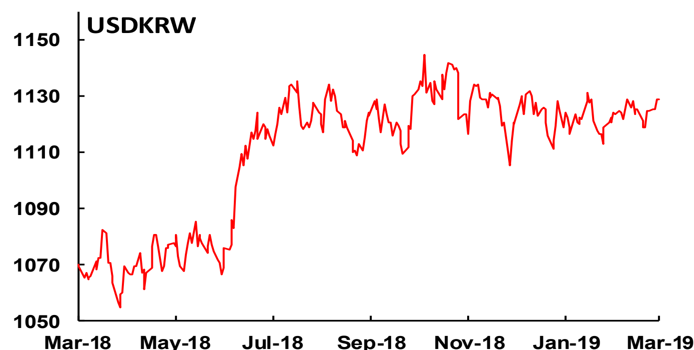
THAILAND — The BoT has become cautious in its export outlook given external risks and a high-base effect. In the coming weeks, we keep a close watch on US auto tariffs and the headlines about the nation's 2019 general election set for 24 March. While USD/THB could trade in a range of 31.5 and 32.0 in the rest of the month, we would like to sell the pair on rallies as the THB could recoup its recent losses after the general election.

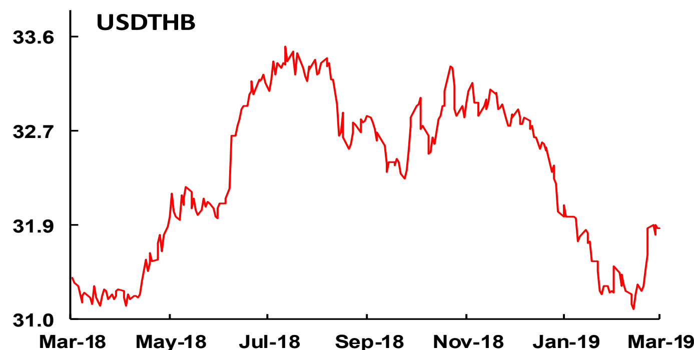
TAIWAN — It reduces demand for selling USD/TWD NDF that Taiwanese life insurance industry has persistently ramped up its allocations to foreign bond ETFs denominated in the TWD. The TWSE share index has been recovering and heading for 10,500, with foreign investors purchasing a net USD 4.29bn of local shares year-to-date. While equity inflows are supportive of the range-trading TWD, we stay vigilant on cross-strait relations in the run-up to the island's 2020 general election.

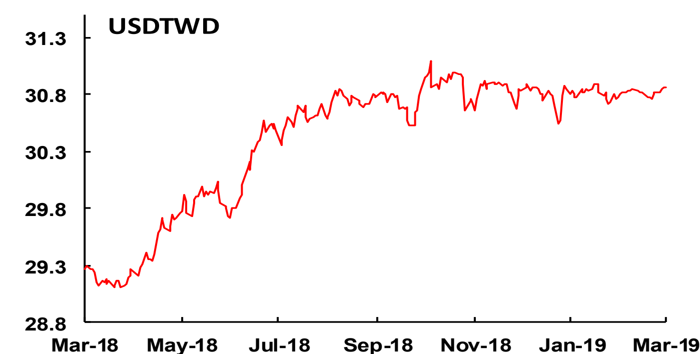
MALAYSIA — The Malaysian economy entering deflation in January is partly due to the base effect. Finance minister Lim Guan Eng said the January CPI decline was not caused by recession or any kind of weak demand. Global reflation policies could improve market sentiment in the months ahead. The MYR is fluctuating in a range of 4.05-4.10 this month but would advance further should China's economic growth gain momentum.

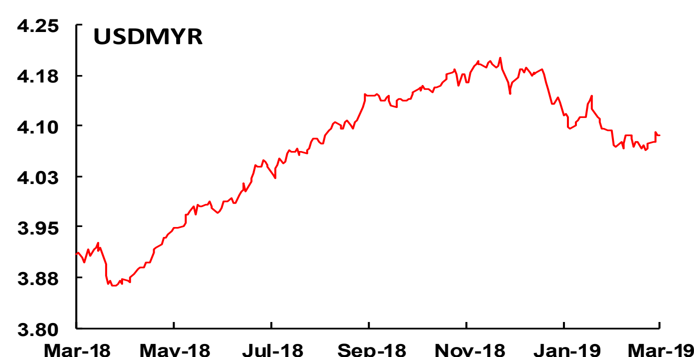
Currency Trends

FX Rate	Spot 7-Mar	19Q1f	19Q2f	19Q3f	19Q4f	20Q1f	20Q2f	20Q3f	20Q4f
USDKRW	1129	1090	1080	1085	1085	1080	1080	1070	1070
USDTHB	31.8	32.0	31.6	31.8	31.8	31.6	31.6	31.4	31.4
USDTWD	30.9	30.4	30.0	30.2	30.2	30.0	30.0	29.8	29.8
USDMYR	4.09	4.10	4.00	4.05	4.05	4.00	4.00	3.95	3.95









Developing Economies

Fundamental Commentary

Tuuli McCully, 65.6305.8313
Scotiabank Economics
tuuli.mccully@scotiabank.com

SOUTH KOREA — South Korea's inflation is set to remain contained in the foreseeable future. Headline inflation has surprised on the downside, easing to 0.5% y/y in February from 2.0% y/y—which is the Bank of Korea's (BoK) inflation target—just three months earlier. Weaker price pressures reflect lower energy and food prices, and will likely prove to be a temporary phenomenon; we expect inflation to rebound in the second half of 2019, closing the year at 1.9% y/y. With strong demand-driven inflationary pressures expected to remain absent over the next two years, the central bank will be able to maintain a relatively loose monetary policy stance through 2020. We do not foresee any changes to the BoK's benchmark interest rate over the course of 2019. The rate was raised by 25 bps to 1.75% in November 2018. The externally-oriented South Korean economy, which exports a substantial amount of intermediate goods, is adversely impacted by China's slowing economic growth, ongoing trade tensions between the US and China, and the trade conflict's ripple effects through regional supply chains. Indeed, the nation's exports are contracting from year-ago levels, manufacturing sector sentiment has softened, and labour market conditions have weakened. We expect South Korea's real GDP to expand by 2.7% in 2019, in line with the pace recorded in 2018. Despite export sector difficulties, net exports continue to contribute to growth. While domestic demand prospects remain reasonably sound—at least for the time being—the fixed investment outlook will remain vulnerable to any deterioration in global demand momentum and elevated trade-related uncertainties.

THAILAND — The Bank of Thailand (BoT) will likely keep its benchmark interest rate unchanged at 1.75% through 2019 following the decision to raise the rate by 25 bps on December 19, 2018. After the most recent policy meeting on February 6, the country's monetary authorities pointed out that accommodative monetary policy would remain appropriate over the coming months. Inflation remains low for the time being, with headline inflation at 0.7% y/y in February. We expect price pressures to rebound slightly over the course of the year, with inflation reaching 1.4% y/y by year-end. Real GDP grew by 3.7% y/y in Q4 2018 following a 3.2% advance in Q3, driven by strong private consumption and investment. We expect the Thai economy to expand by 3.8% in 2019 after a 4.1% gain in 2018. Political uncertainty is elevated ahead the general elections that are scheduled for March 24.

TAIWAN — The export-oriented Taiwanese economy is feeling the adverse impact of persisting global trade uncertainties. Real GDP growth decelerated to 2.7% in 2018 from 3.1% in 2017. The external sector was a drag on growth in H2 2018 as the trade dispute between the US and China intensified. We forecast Taiwan's real GDP growth to decelerate slightly from the 2018 pace, with output likely to increase by 2.3% in 2019. Activity will be driven by domestic demand, buttressed by accommodative monetary policy. Inflation remains low in Taiwan, yet a modest rebound is expected over the course of 2019. Reflecting lower food and fuel prices, headline inflation decelerated notably at the end of 2018; price gains averaged 1.6% y/y in the first nine months of 2018 and dropped to deflationary territory by year-end. In January 2019, headline inflation was 0.2% y/y while core inflation stood at 0.5% y/y. While price pressures will likely remain virtually non-existent in the near term, we expect headline inflation to rebound to (a still-low level of) 1.4% y/y by year-end. Taiwan's monetary policy stance will remain accommodative in the foreseeable future. Following the most recent quarterly monetary policy meeting on December 20, 2018, the Taiwanese central bank left the benchmark interest rate unchanged at 1.375%. Monetary authorities pointed out that the economy is showing signs of slowing, its negative output gap has widened slightly, and that inflationary pressures are soft. Accordingly, we do not expect any changes to the benchmark interest rate over the course of 2019.

MALAYSIA — Malaysian real GDP grew by 4.7% y/y in Q4 2018, following a 4.4% gain in the prior quarter. Activity was mainly driven by private sector activity, particularly consumer spending and investment. The external sector also contributed to growth. In 2018 as a whole, the Malaysian economy expanded by 4.7%. We expect momentum to decelerate somewhat over the coming quarters on the back of slowing demand globally, which will be reflected in Malaysia's export sector performance. Meanwhile, stable employment and income growth will continue to support household spending prospects. Private sector investment activity will continue to be boosted by multi-year projects in both export- and domestically-oriented industries. We expect Malaysia's output gains to average 4⅓% y/y in 2019–20. Bank Negara Malaysia will likely keep the Overnight Policy Rate unchanged at 3.25% through 2019. Malaysia's inflation outlook remains contained. Reflecting changes to consumption tax policies and lower energy prices, headline inflation has dropped to negative territory with consumer prices declining by 0.7% y/y in January. The impact of the tax rate changes will start fading away in the second half of 2019, with the inflation rate climbing toward 1¾% y/y by the end of the year. Nevertheless, strong demand-driven price pressures remain absent, allowing the central bank to maintain its accommodative monetary policy stance.

Global Currency Forecast (end of period)

		2019f	2020f	2019f				2020f			
Major Currencies				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Japan	USDJPY	108	105	110	110	108	108	107	107	105	105
Euro zone	EURUSD	1.30	1.32	1.17	1.22	1.26	1.30	1.30	1.30	1.32	1.32
	EURJPY	140	139	129	134	136	140	139	139	139	139
UK	GBPUSD	1.40	1.45	1.32	1.35	1.37	1.40	1.42	1.42	1.45	1.45
	EURGBP	0.93	0.91	0.89	0.90	0.92	0.93	0.92	0.92	0.91	0.91
Switzerland	USDCHF	0.88	0.91	0.98	0.94	0.91	0.88	0.92	0.92	0.91	0.91
	EURCHF	1.15	1.20	1.15	1.15	1.15	1.15	1.20	1.20	1.20	1.20
Americas											
Canada	USDCAD	1.28	1.23	1.34	1.32	1.30	1.28	1.25	1.25	1.23	1.23
	CADUSD	0.78	0.81	0.75	0.76	0.77	0.78	0.80	0.80	0.81	0.81
Mexico	USDMXN	21.26	21.71	19.55	19.90	20.48	21.26	21.40	21.26	21.36	21.71
	CADMXN	16.61	17.65	14.59	15.08	15.75	16.61	17.12	17.01	17.37	17.65
Brazil	USDBRL	4.18	4.18	3.82	3.91	3.97	4.18	4.08	4.11	4.07	4.18
Chile	USDCLP	646	639	671	664	658	646	643	643	647	639
Colombia	USDCOP	3120	3150	3080	3105	3150	3120	3050	3100	3125	3150
Peru	USDPEN	3.30	3.25	3.35	3.31	3.32	3.30	3.31	3.27	3.28	3.25
Asia-Pacific											
Australia	AUDUSD	0.78	0.78	0.75	0.77	0.77	0.78	0.78	0.78	0.78	0.78
China	USDCNY	6.70	6.50	6.80	6.60	6.70	6.70	6.60	6.60	6.50	6.50
Hong Kong	USDHKD	7.80	7.80	7.82	7.81	7.80	7.80	7.80	7.80	7.80	7.80
India	USDINR	68.0	66.0	69.0	67.0	68.0	68.0	67.0	67.0	66.0	66.0
Indonesia	USDIDR	14200	13800	14400	14000	14200	14200	14000	14000	13800	13800
Malaysia	USDMYR	4.05	3.95	4.10	4.00	4.05	4.05	4.00	4.00	3.95	3.95
New Zealand	NZDUSD	0.73	0.73	0.71	0.71	0.73	0.73	0.73	0.73	0.73	0.73
Philippines	USDPHP	51.5	50.0	52.0	51.0	51.5	51.5	51.0	51.0	50.0	50.0
Singapore	USDSGD	1.35	1.33	1.36	1.34	1.35	1.35	1.34	1.34	1.33	1.33
South Korea	USDKRW	1085	1070	1090	1080	1085	1085	1080	1080	1070	1070
Taiwan	USDTWD	30.2	29.8	30.4	30.0	30.2	30.2	30.0	30.0	29.8	29.8
Thailand	USDTHB	31.8	31.4	32.0	31.6	31.8	31.8	31.6	31.6	31.4	31.4

f: forecast a: actual

SCOTIABANK ECONOMICS

Brett House
brett.house@scotiabank.com

Derek Holt
derek.holt@scotiabank.com

Eduardo Suarez
eduardo.suarez@scotiabank.com

Tuuli McCully
tuuli.mccully@scotiabank.com

Guillermo Arbe
Scotiabank Peru
guillermo.arbe@scotiabank.com.pe

Mario Correa
Scotiabank Mexico
mcorrea@scotiacb.com.mx

Sergio Olarte
Scotiabank Colombia
sergio.olarte@co.scotiabank.com

Benjamin Sierra
Scotiabank Chile
benjamin.sierra@scotiabank.cl

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

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

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

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

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

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

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

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

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

FOREIGN EXCHANGE STRATEGY

Shaun Osborne
shaun.osborne@scotiabank.com

Qi Gao
qi.gao@scotiabank.com

Eric Theoret
eric.theoret@scotiabank.com

Foreign Exchange Strategy

This publication has been prepared by The Bank of Nova Scotia (Scotiabank) for informational and marketing purposes only. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable, but no representation or warranty, express or implied, is made as to their accuracy or completeness and neither the information nor the forecast shall be taken as a representation for which Scotiabank, its affiliates or any of their employees incur any responsibility. Neither Scotiabank nor its affiliates accept any liability whatsoever for any loss arising from any use of this information. This publication is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any of the currencies referred to herein, nor shall this publication be construed as an opinion as to whether you should enter into any swap or trading strategy involving a swap or any other transaction. The general transaction, financial, educational and market information contained herein is not intended to be, and does not constitute, a recommendation of a swap or trading strategy involving a swap within the meaning of U.S. Commodity Futures Trading Commission Regulation 23.434 and Appendix A thereto. This material is not intended to be individually tailored to your needs or characteristics and should not be viewed as a "call to action" or suggestion that you enter into a swap or trading strategy involving a swap or any other transaction. You should note that the manner in which you implement any of the strategies set out in this publication may expose you to significant risk and you should carefully consider your ability to bear such risks through consultation with your own independent financial, legal, accounting, tax and other professional advisors. Scotiabank, its affiliates and/or their respective officers, directors or employees may from time to time take positions in the currencies mentioned herein as principal or agent, and may have received remuneration as financial advisor and/or underwriter for certain of the corporations mentioned herein. Directors, officers or employees of Scotiabank and its affiliates may serve as directors of corporations referred to herein. All Scotiabank products and services are subject to the terms of applicable agreements and local regulations. This publication and all information, opinions and conclusions contained in it are protected by copyright. This information may not be reproduced in whole or in part, or referred to in any manner whatsoever nor may the information, opinions and conclusions contained in it be referred to without the prior express written consent of Scotiabank.

™ Trademark of The Bank of Nova Scotia. Used under license, where applicable. Scotiabank, together with "Global Banking and Markets", is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, all members of the Scotiabank group and authorized users of the mark. The Bank of Nova Scotia is incorporated in Canada with limited liability and is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia and Scotiabank Europe plc are authorised by the UK Prudential Regulation Authority. The Bank of Nova Scotia is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Scotiabank Europe plc is authorised by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia's regulation by the UK Prudential Regulation Authority are available on request. Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V., and Scotia Inverlat Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities. Not all products and services are offered in all jurisdictions. Services described are available in jurisdictions where permitted by law.