POLITICS AND THE FED

FEATURE ARTICLES

FORECASTS & DATA

CONTACTS

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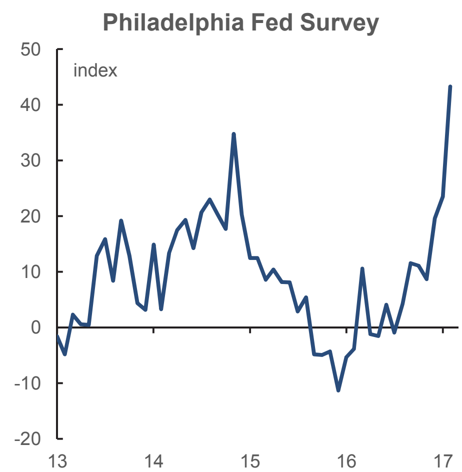
Next Week's Risk Dashboard

- FOMC
- US debt ceiling
- Dutch election
- CBs: BoJ, BoE, Chile, Indonesia
- US CPI & retail sales
- China macro
- Alberta budget
- CDN manufacturing
- CDN pre-budget speculation
- Australian jobs
- NZ GDP

Chart of the Week



Sources: Scotiabank Economics, Philadelphia Federal Reserve.

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

Politics And The Fed

UNITED STATES — MORE HAWKISH...FOR NOW

Wednesday's Fed meeting will overshadow most other market developments next week, but domestic data risk could also be elevated while the debt ceiling returns to being front and centre to policy risks.

It seems fairly clear that the Federal Reserve will raise the fed funds target range by 25bps to 0.75–1.0% next Wednesday. Chair Yellen's recent omission of 'months ahead' in plural form as guidance to rate hike timing and a greater overall sense of immediacy support a hike call (here). Almost all primary dealers confirm 100% market probability for a hike. It would truly be a surprise to markets if the FOMC got a collective case of cold feet on game day. Aside from the hike itself, it's quite possible that broader policy guidance may be somewhat more hawkish through upward growth forecast revisions. Guidance could otherwise simply follow Chair Yellen's aforementioned speech by reaffirming that rate hikes will proceed at a gradual pace and reinvestment will continue until the rate normalization process is "well underway" that we define to be around a fed funds target rate of 2%+ and that we are not forecasting to occur until late 2018 onward. Please see page 8 for a preview of the meeting.

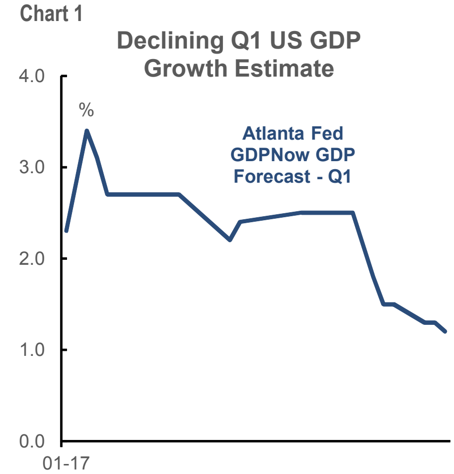
It is, however, unclear whether this is what the Fed *should* do and this part of the debate matters in assessing Fed risks after next week. In addition to points raised here on whether the Fed *should* be in such a rush to raise rates now—not least of which being the risk of a highly misguided protectionist border tax—I would update two points.

a) We now have even more data that has been souring with the sole but notable exceptions being jobs and sentiment gauges. Enter chart 1 that shows the Atlanta Fed's tracking of Q1 GDP growth that has plunged from 3.4% at the start of its tracking to just 1.2% now, and in the context of a wave of recent data disappointments. This follows growth of just 1.9% in Q4 and only one quarter of growth over 2% in the six including the present quarter.

b) It's unclear why job growth is so strong early in 2017 despite weak economic growth. Okun's 'law' posits that GDP growth and job growth should ride roughly in tandem over time. It works reasonably well over time (chart 2) but job growth has exceeded GDP growth over the past year and this divergence may be favouring job gains by an even greater margin so far in 2017. Without strong growth to back it, has hiring accelerated so far this year in anticipation of enhanced capital goods tax incentives like accelerated depreciation and lowered corporate income taxes? Capital goods orders might be stronger yet if not for the possibility that they may be postponed until more generous write-offs apply. Why purchase capital goods now if they are much cheaper to buy in after-tax terms later? In the interim period, it's possible that hiring is overshooting as the capital:labour mixture slants toward adding labour to hit subdued growth targets. **If that's the case—and only more data will tell—then it may be a mistake for the Fed to be hiking out of concern that the full employment part of its dual mandate is overheating** and the test for this would be whether hiring is being brought forward to reveal weakness later when capital goods tax incentives become more generous.

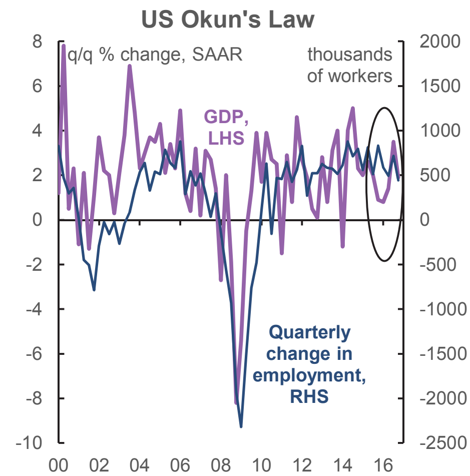
Once again, the US federal debt ceiling requires eventual resolution and I've asked Scotia's Mary Webb to comment in this paragraph. Suspended through March 15, 2017, by legislation enacted in November 2015, the ceiling will be reset on March 16th to reflect the cumulative borrowing during the suspension. Pending legislation authorizing a further suspension or a debt ceiling increase, the US Treasury is expected to undertake extraordinary measures to fund the government's operations, as it did in 2011 and 2013. The Congressional Budget Office currently estimates that

Chart 1



Sources: Scotiabank Economics, Federal Reserve Bank of Atlanta.

Chart 2



Sources: Scotiabank Economics, BLS, BEA.

these measures will likely be exhausted sometime during the Fall of 2017, allowing the President's Budget and Congressional plans to be reviewed in the interim.

There will also be elevated data risk next week. We don't yet know nonfarm before going to print, but next week's two main data highlights may arrive on Wednesday just hours ahead of the Fed meeting.

1. CPI (Wednesday): This is not the Fed's preferred inflation gauge—which is the price deflator for total consumer expenditures, or the PCE deflator—because it only periodically adjusts the weights on what people spend and where they spend it. CPI therefore doesn't allow for income and substitution effects as a reflection of how consumers shift their budgets in response to relative price swings. I would therefore discount CPI particularly since it is running about 0.6 percentage points hotter than the PCE price gauge in terms of both headline and core prices. As a side bar, there may be room here for the Fed to follow a page from the Bank of Canada and others like the RBA in moving more toward trimmed measures of inflation that look at central tendencies and weed out potentially extraneous price signals that may be misleading. Simply put, the Fed's way of looking at inflation may be increasingly outdated in central banking circles.

2. Retail sales (Wednesday): This will further our understanding of how the US consumer is performing in Q1 and hence aid forecast tracking of about 70% of the US economy represented by total consumer spending of which retail sales are a subset. Headline and core retail sales are expected to be roughly flat in this release for February. One input is that auto sales were unchanged in February over January after pulling back from December's level that was the highest since July 2005. Autos including parts account for about one-fifth of retail sales. Two is that gasoline prices fell by about 2% m/m in February and they account for about 8% of retail sales. Three is that core prices are assumed to have been little changed in February over January such that core sales won't get much of a lift in dollar terms from higher prices. Fourth is that sales ex-autos and gas were quite strong in January in dollar terms and this may pose a high base effect off of which to post further growth in February. Recall, however, that retail sales volumes fell in January as the only reason for a higher dollar value of sales was higher prices.

3. Real wages: A reminder that nominal wage growth is barely keeping up with the rising cost of living will arrive Wednesday at the same time as CPI. Changes in real average weekly earnings and real average hourly earnings are likely to remain largely unchanged to lower in year-ago percentage terms.

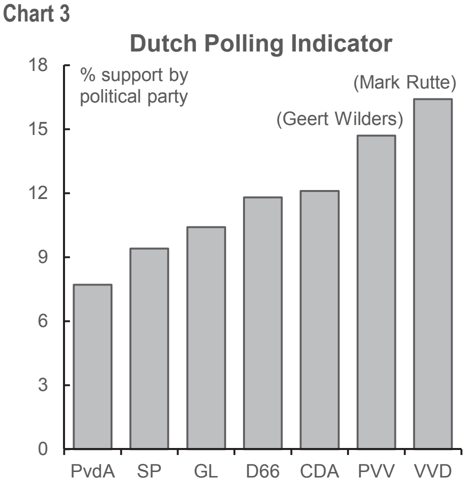
4. Industrial readings: Another round of tracking risk ahead of the next ISM-manufacturing report will start next week. The Empire gauge of regional manufacturing conditions will update activity around the NY Fed's district. The Philly Fed diffusion index will do likewise for that district. Industrial production in February is expected to post a minor rebound from prior weakness when it hits on Friday.

5. Household readings: Housing starts might register a modest gain after a 2.5% m/m dip in January. In any event, they've been riding around the highest readings since late 2007 and yet remain about 45% lower than the pre-crisis peak. The same reasoning might apply to Friday's UofM consumer sentiment reading that has been floating around post-crisis highs.

EUROPE — INTENSIFYING POLITICAL RISK

If you lament the choice Americans faced in their election, then try walking in the shoes of Dutch voters on Wednesday. **The Dutch election** entails choosing between 28 parties. Most stand no chance whatsoever at forming a government. One leading contender is the incumbent PM Mark Rutte who, while more moderate, has nevertheless campaigned with the immigrant-focused slogan "act normal or leave." Righto, he's the friendly one. The other main leading contender is Geert Wilders who heads the People's Party For Freedom and has campaigned on calling a referendum on continued EU membership and on an anti-Islam bias. Not so friendly. Recent polls (chart 3) show they are neck-and-neck in terms of translating polling into seats in parliament. **A victory by Rutte will largely put to rest Dutch EU referendum risk. A victory by Wilders will raise the risk but he would still need a lot of support within a highly fractured Dutch parliament. A Wilders victory might also add**

Chart 3



Source: Peilingwijzer, Tom Louwerse, Leiden University. March 8, 2017.

momentum to the anti-EU factions supporting Le Pen in France and, when combined with Brexit negotiations, would up the ante on EU risks.

Soon after the Dutch election, UK Prime Minister Theresa May has pledged to advance an "Article 50" application to withdraw the UK from the European Union by the end of this month and that would commence two years of negotiations. Developments between now and the self-imposed month-end deadline may be informative. With each passing week we obtain further information on whether this deadline will be met, and further hurdles that lie ahead include but are not limited to the following:

- **UK election?** This is a remote prospect but some believe that the Prime Minister might call a snap election to take advantage of a disorganized Labour Party and in the wake of the decision by the House of Lords (see details below). The next general election is otherwise on tap for May 2020 and hence not long after the current timeline for Brexit negotiations to be completed by which point it's feasible that the Labour Party has righted itself. We may therefore be years and years away from settling this.

- **French Presidential elections:** The first round is on April 23, with the second round on May 7. This could either result in a harder line by Europe against the UK if Macron or Fillon wins, or the EU might have far bigger troubles on its hands if Le Pen wins—given her pledge to hold a French referendum on EU membership.

- **Germany holds Federal elections on Sunday September 24th**: The risks have changed markedly over the past two months. Chancellor Merkel faces Martin Schulz who took over as head of the Social Democratic Party in January. Schulz has taken a hard-line stance on Brexit negotiations. A recent poll by the Forsa Institute showed Merkel's Christian Democratic Union party getting 33% of the vote versus 32% for the SPD in a tight race at this still very early point in campaigning. That's the closest polling between the two parties in almost 7 years. **Merkel is scheduled to meet US President Trump on Tuesday in Washington.**

- **Scotland's First Minister Nicola Sturgeon has guided that a Scottish independence referendum could be called toward the Fall of 2018** around when the details of a potential deal between the UK and EU may become clearer and with that whether Scotland's quest to maintain some aspects of EU membership is upheld.

- **The House of Lords on March 7th required a vote in the British parliament once a deal has been struck** but before it has been debated by the European Parliament 2+ years from now as a final seal of approval by parliament. The Lords also require that parliament has to agree to leave the EU if the May government suddenly decides to pull out absent a deal which some feel is a risk given the EU's refusal to date to simultaneously negotiate a trade deal alongside divorce proceedings.

- **Italy must hold elections by February of next year. EU Parliamentary elections will be held in 2019.**

The Bank of England delivers another policy decision next Thursday. Our London-based strategist Alan Clarke thinks this will largely be a placeholder on the calendar. He argues that the BoE needs more wage and consumption data, it's too soon to include the effects of the Budget, and recent data have been mixed. Please see page 7 for his full preview.

Each of **Norges Bank** and the **Swiss National Bank** are expected to leave monetary policy unchanged on Thursday.

Set against this bigger-picture set of risks will also be an array of data releases of generally secondary or tertiary importance. Eurozone CPI revisions with Germany's on Tuesday and the Eurozone aggregate on Thursday; Germany's ZEW investor confidence metric on Tuesday; UK jobless counts the next day; and Italian industrial production, retail sales and trade throughout the week will be the most notable among the releases.

CANADA — FED SPILLOVERS & BUDGET SPECULATION

The coming week in Canadian markets is likely to be more about spillover effects from Wednesday's Fed meeting and speculation over what may be in the Canadian Federal Budget the following week on March 22nd than anything on the domestic calendar in the meantime. The latter will include limited data risk and one provincial budget. Furthermore, it will be March Break in Canada and the US.

As chart 4 demonstrates, it's hard to make a case that the Fed-BoC debate alone has driven a sustained trend in the Canadian dollar's price per one US$ since Fed tightening talk heated up last Fall. USDCAD has bounced within a 1.30–1.36 zone over this whole period. Bond yields have moved more convincingly with, say, 5 year Government of Canada yields rising by about half a percentage point since before the US election. **Thus, the BoC's concern is more likely that Canada is importing a bond shock driven by external factors that may not suit the Canadian economy, rather than any sustained trend in the currency notwithstanding its depreciation over recent weeks** that has merely restored CAD to around where it was the last time the Fed hiked in December.

Alberta will present its *2017–18 Budget* on Thursday March 16 as its economy regains positive growth. Scotia's Mary Webb notes that the Province's *Q3 Statement* estimates a $10.8 billion deficit for fiscal 2016–17 (FY17), holding the shortfall narrower than $11 billion despite events such as the Fort McMurray wildfires and the decision to report in FY17 the $1.1 billion present value of fourteen annual payments through FY31 for electricity generation facilities with useful lives beyond 2030 to transition away from coal. Deficits, an updated *Capital Plan,* and financing requirements through FY20 will reveal the Province's mid-term fiscal repair intentions.

There may be only one other domestic development of note and that could be next Friday's manufacturing report for January. In the usual parade of monthly data, this report advances our early tracking of growth in January and Q1; thus far we only have exports, housing starts, jobs, and hours worked. The question is whether potentially negative base effects in manufacturing sales during the prior month of December will dominate positive effects reflected in the already released tally for export growth in January, or vice versa. As chart 5 depicts, monthly changes in export values don't necessarily provide much information in making a call on monthly manufacturing sales notwithstanding the fact they arrive earlier for the month in question. Therefore don't necessarily translate a solid export gain into implications for manufacturers. What may matter more is that a 2.3% m/m rise in manufacturing shipments in December could be tough to repeat on base effects, and the new order book has been soft of late. Export categories of relevance to manufacturing were mixed as auto exports rose 7.7% m/m but energy products, industrial machinery, electronics and aircraft exports fell. Inventory adjustments can add further complication, while new manufacturing orders fell 0.6% m/m in December and were flat (+0.2%) in November after only two solid monthly gains.

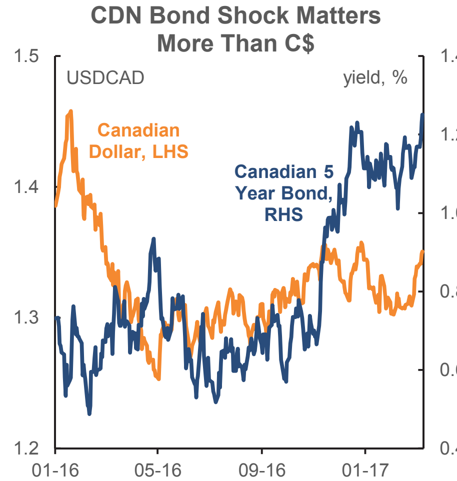
Existing home sales for February will be released on Wednesday but a) they usually get ignored by markets, and b) housing observers know this to be a relatively soft point during the year when positive seasonal adjustments matter more than unadjusted sales. That's usually true until the Spring housing market when homebuyers emerge from hibernation and closing periods push beyond the school year.

LATIN AMERICA — ANOTHER CHILEAN RATE CUT?

The main event by way of domestic LatAm risks may be Thursday's policy decision by Chile's central bank. Spillover effects from Wednesday's Fed meeting are more likely to dominate the local market tone in the relative absence of much else happening.

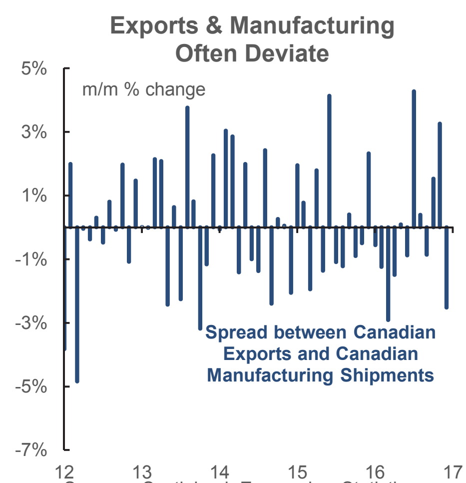
Chile's inflation rate just slipped a tick to 2.7% y/y and remains well within the central bank's 3% +/-1% inflation target range (chart 6). **That should support another rate**

Chart 4



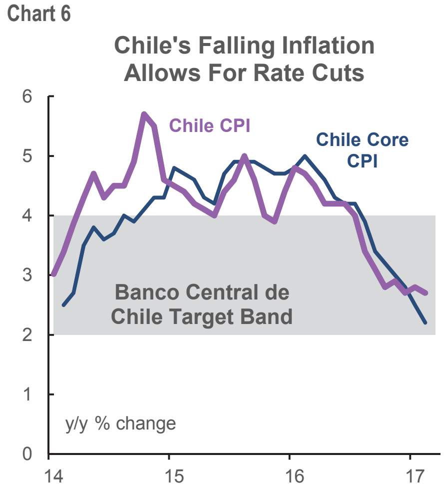
Sources: Scotiabank Economics, Bloomberg.

Chart 5



Sources: Scotiabank Economics, Statistics Canada.

Chart 6



Sources: Scotiabank Economics, Instituto Nacional de Estadistica.

cut in next Thursday's policy decision. A cut of 25bps to 3% would restore the overnight rate target to where it stood at the low point of the recent cycle in 2015 before a pair of hikes later that year while remaining well above the crisis depth of 0.5%.

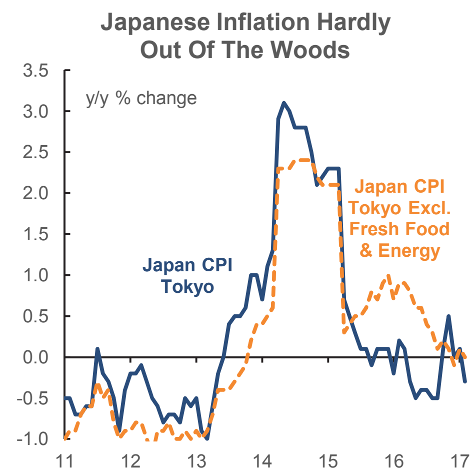
Relatively minor data hits will be primarily focused upon Colombia with retail sales, industrial production and trade figures on tap. Mexico also releases factory output.

ASIA — BOJ NOT YET OUT OF THE WOODS

Asian markets will be focused upon a pair of central banks—one of global market significance, the other of local relevance—and potentially significant data from China and Australia.

The Bank of Japan issues a policy decision next Thursday. Among global central banks, the BoJ is perhaps most notorious for prematurely declaring victory. Recent public comments by BoJ officials suggesting an exit from deflation risk may be furthering this tendency. Chart 7 shows the freshest CPI gauge for the city of Tokyo slipping back into slightly declining prices in year-ago terms whether defined as headline inflation or core inflation. **This will not likely lead to a majority tendency of opinion in favour of tightening policy for a considerable time yet**. But the issue at hand is whether to a) continue to defend a 10 year bond yield target of "around 0%" and b) whether to encourage yield curve steepening. A combination of purchases and the threat of purchases through the stated yield target has served the Japanese bond market well in terms of insulating it against cheapening forces driven by developments in the US and Europe, but at the expense of broadened support particularly from important life insurance companies who find the yields to be too unattractive.

Chart 7



Sources: Scotiabank Economics, Ministry of Internal Affairs and Communications.

Bank Indonesia is expected to hold its policy 7-day reverse repo rate unchanged at 4.75% next week. It has left the rate unchanged since October after implementing six cuts in 2016. Evidence that inflation may have bottomed and is under mild upward pressure so far this year weighs against risk of further easing. The central bank targets inflation of 4% +/-1% and the recent increases have brought CPI up a little to 3.4%.

Sundry data risks of local market relevance will include **updates from China** for retail sales, industrial production, property prices and aggregate financing all for the month of February. **Australia's latest jobs report** on Wednesday will be watched for whether the streak of solid gains over the past four months is continuing. **New Zealand releases Q4 GDP** Wednesday. Exports from India and Indonesia and Japanese machine orders as a cap-ex guide round out the release schedule.

Feature Article

Bank of England Meeting Preview

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While there is unlikely to be any change in BoE policy at the March meeting, the focus of attention will be on the accompanying minutes. This meeting will mark the mid-point between the February and May *Quarterly Inflation Report*s (QIR). So what has changed? Has the Monetary Policy Committee's tone evolved? Are we any closer to a dissent—especially in light of Kristin Forbes's recent speech?

Data released since the February QIR have been mixed, but the disappointments were probably slightly more prominent than the upwards surprises. More specifically, the deterioration in the CIPS surveys, weaker-than-expected retail sales data and lower-than-expected CPI inflation data all stand out. The most important upwards surprise was the upwards revision to Q4 GDP, from 0.6% q/q to 0.7% q/q, albeit with downwards revisions to the back-data. Mathematically, the stronger-than-anticipated GDP reading for Q4 2016 implies a faster pace of GDP growth during 2017. Indeed, we revised our GDP growth forecast for 2017 up from 1.7% y/y to 2.0% y/y on the back of this data. The BoE's 2% y/y growth forecast for 2017 looked heroic when it was published in early February, but could even be revised up slightly on the back of the revised Q4 GDP data.

Given this backdrop, there is unlikely to be much of a shift in the MPC's tone at this meeting. Nonetheless, following her speech in mid-February, we know that Kristin Forbes is on the verge of voting for a rate hike and the February minutes show that she isn't alone. The latest meetings noted that:

> *"…there were limits to the degree to which above-target inflation could be tolerated. For some members, the risks around the trade-off embodied in the central projection meant they had moved a little closer to those limits."*

We assume that Ian McCafferty is the other hawk.

While we judge that there haven't been enough developments to trigger a change in tone at this meeting, last month's QIR told us exactly what could trigger a move, in either direction. More specifically, the Bank told us that if household consumption growth slows by more than they assumed, then the committee would be more likely to loosen monetary policy. By contrast, if wage inflation proves higher than expected, then the MPC would be likely to tighten monetary policy. On this front:

Consumer spending: Retail sales growth has been disappointing in recent months. The pace of growth in sales has slumped from over 5% y/y in mid-2016, down to 1.5% y/y currently. Over the same period, the retail sales deflator has recovered from -3.5% y/y to around 2% y/y. Essentially, this confirms that the mechanism which everyone is assuming will cause overall GDP growth to slow this year is already happening. Higher inflation is eroding household real disposable income growth, which in turn is holding back spending growth.

It is tempting to conclude that, given this evidence from retail sales, overall consumption growth could slow more abruptly and sooner than previously assumed. However, we find that the peak correlation between retail sales and consumption growth of close to 70% comes with retail sales leading by 3 months. So we doubt that overall consumption growth will snap lower purely because retail sales growth has slumped. Furthermore, the Q1 consumption data will not be available until late-May. So it is too soon to conclude whether the consumption data are deviating from the MPC's base case. Nonetheless, it does represent a flashing warning light for the doves on the MPC.

Wage inflation: The Bank of England expects wage inflation to reach 3% y/y by end-year. To the naked eye, the latest reading of 2.6% 3m/yr isn't a million miles from that level and it shouldn't be too hard to exceed the Bank's projection. However, recent figures have been flattered by favourable base effects which will drop out over the coming months. So even if the recent respectable pace of monthly gains in average earnings is maintained, average earnings growth will end the year between 2¼% y/y and 2 ½% y/y. As with household consumption growth, it is far too early for the Committee to judge whether wage inflation is deviating from its base case.

OVERALL

This meeting is likely to be a holding operation. Recent data have been mixed. There haven't been enough developments on the two key aspects of the outlook that the Bank has revealed that it is sensitive to – namely wage inflation and consumption. It is also too soon for the Bank to have been able to factor in the impact of the March Budget statement. See you in May!

Feature Article

FOMC Preview — Hawkish Risks, For Now

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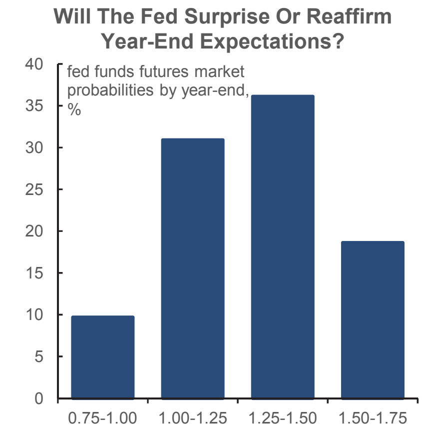
It's fairly clear that the Federal Reserve will raise its fed funds target range by a quarter point to 0.75–1% when its policy statement lands at 2pmET next Wednesday. The risk to the Fed's forecasts is toward a slightly more hawkish than priced outcome. Committee forecasts are likely to receive more attention than either the statement itself or Chair Yellen's press conference at 2:30pmET.

Fed funds futures are assigning 100% odds to a hike. By year-end, they have about two-and-a-half 25bps hikes priced in which is similar to our house forecast for 3 hikes this year (chart 1). Within consensus, all but one of the Fed's 23 primary dealers expect a hike next week—including Scotia. If the Fed abides by Cleveland Fed President Mester's recent remark that "We certainly never want to surprise the markets", then expecting a hike could be the safest bet going in present markets. Recall that Yellen's omission (here) of any reference to "months ahead" as a time frame for a possible hike signalled greater urgency to markets, although it's not clear what changed her mind in just two weeks. Referencing "at our meeting later this month" also cued up a hike in similar fashion to how the Fed cued up the initial hike in December 2015.

Chart 1

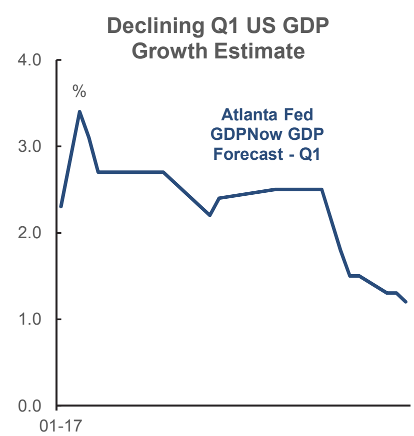


Sources: Scotiabank Economics, Bloomberg.

Statement language may upgrade the assessment of business investment given increases in core capital goods orders for six of the past eight months but the latest soft report casts some doubt. **Forward rate guidance** is likely to continue to emphasize "gradual" hikes as Yellen noted: "I therefore continue to have confidence in our judgement that a gradual removal of accommodation is likely to be appropriate." **Reinvestment guidance** of QE flows will most assuredly remain unchanged to continue "until normalization of the level of the federal funds rate is well under way."

Forecasts may include small upward revisions to 2017–19 GDP growth after a slightly weaker than expected 2016 and given the Fed is lower than Bloomberg's consensus in each year. Rapidly deteriorating growth-tracking in Q1 may call this into question (chart 2). The issue is whether or not more FOMC committee participants possibly incorporate broader fiscal, trade and regulatory assumptions than the few who did in December.

Chart 2



Sources: Scotiabank Economics, Federal Reserve Bank of Atlanta.

Of greater importance will be the so-called **dot plot for FOMC participants' assessments of forecast hikes**. My base case assumption is that the FOMC's median projections remain in favour of three hikes per year in each of 2017, 2018 and 2019 and a long-run "r-star" or neutral policy rate of 1% in inflation-adjusted terms that would signal approaching the end of a hiking campaign about three years out from now. **Upward growth revisions may, however, be accompanied by a faster hike profile.**

On Yellen's press conference, the risk is more skewed to a sense of déjà vu than any surprises. Her aforementioned speech on the economic outlook that she delivered on March 3rd was likely a near-verbatim warm-up for what she will say next week.

The risks to the Fed outlook are therefore slightly more skewed toward more hawkish long-run forecasts and rate guidance than the last set of dots. Yellen may not believe that herself, but again, the issue is how other committee participants change.

It will take a considerable period to assess whether the Fed is on the right path. Yellen is probably right that the Fed is not behind. **I skew the risks more toward reasons for why the Fed may be getting ahead of itself in hiking now** as argued here.

Key Indicators for the week of March 13 – 17

NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	03/14	08:30	Teranet - National Bank HPI (y/y)	Feb	--	--	13.0
US	03/14	08:30	PPI (m/m)	Feb	0.1	0.1	0.6
US	03/14	08:30	PPI ex. Food & Energy (m/m)	Feb	0.2	0.2	0.4
MX	03/14	10:00	Industrial Production (m/m)	Jan	--	--	-0.1
MX	03/14	10:00	Industrial Production (y/y)	Jan	-2.5	--	-0.6
US	03/15	07:00	MBA Mortgage Applications (w/w)	MAR 10	--	--	3.3
US	03/15	08:30	CPI (m/m)	Feb	0.0	0.1	0.6
US	03/15	08:30	CPI (y/y)	Feb	2.6	2.7	2.5
US	03/15	08:30	CPI (index)	Feb	--	--	242.8
US	03/15	08:30	CPI ex. Food & Energy (m/m)	Feb	0.2	0.2	0.3
US	03/15	08:30	CPI ex. Food & Energy (y/y)	Feb	2.2	2.2	2.3
US	03/15	08:30	Empire State Manufacturing Index	Mar	--	15.0	18.7
US	03/15	08:30	Retail Sales (m/m)	Feb	-0.2	-0.1	0.4
US	03/15	08:30	Retail Sales ex. Autos (m/m)	Feb	-0.1	0.1	0.8
CA	03/15	09:00	Existing Home Sales (m/m)	Feb	--	--	-1.3
US	03/15	10:00	Business Inventories (m/m)	Jan	--	0.3	0.4
US	03/15	10:00	NAHB Housing Market Index	Mar	--	65.0	65.0
US	03/15	14:00	**FOMC Interest Rate Meeting (%)**	**Mar 15**	**1.00**	**1.00**	**0.75**
US	03/15	16:00	Total Net TIC Flows (US$ bn)	Jan	--	--	-42.8
US	03/15	16:00	Net Long-term TIC Flows (US$ bn)	Jan	--	--	-12.9
CA	03/16	08:30	International Securities Transactions (C$ bn)	Jan	--	--	10.2
US	03/16	08:30	Building Permits (000s a.r.)	Feb	--	1253	1293
US	03/16	08:30	Housing Starts (000s a.r.)	Feb	1250	1260	1246
US	03/16	08:30	Housing Starts (m/m)	Feb	0.3	1.1	-2.6
US	03/16	08:30	Initial Jobless Claims (000s)	MAR 11	240	238	243
US	03/16	08:30	Continuing Claims (000s)	MAR 4	2055	2062	2058
US	03/16	08:30	Philadelphia Fed Index	Mar	30.0	26.5	43.3
US	03/16	10:00	JOLTS Job Openings (000s)	Jan	--	--	5501
CA	03/17	08:30	Manufacturing Shipments (m/m)	Jan	-0.8	--	2.3
US	03/17	09:15	Capacity Utilization (%)	Feb	--	75.5	75.3
US	03/17	09:15	Industrial Production (m/m)	Feb	0.1	0.2	-0.3
US	03/17	10:00	Leading Indicators (m/m)	Feb	--	0.4	0.6
US	03/17	10:00	U. of Michigan Consumer Sentiment	Mar P	96.5	97.0	96.3

EUROPE

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
IT	03/13	05:00	Industrial Production (m/m)	Jan	--	--	1.4
GE	03/14	03:00	CPI (m/m)	Feb F	--	--	0.6
GE	03/14	03:00	CPI (y/y)	Feb F	--	--	2.2
GE	03/14	03:00	CPI - EU Harmonized (m/m)	Feb F	--	--	0.7
GE	03/14	03:00	CPI - EU Harmonized (y/y)	Feb F	--	--	2.2
SP	03/14	04:00	CPI (m/m)	Feb F	--	--	-0.3
SP	03/14	04:00	CPI (y/y)	Feb F	--	--	3.0
SP	03/14	04:00	CPI - EU Harmonized (m/m)	Feb F	--	--	-0.3
SP	03/14	04:00	CPI - EU Harmonized (y/y)	Feb F	--	--	3.0
EC	03/14	06:00	Industrial Production (m/m)	Jan	--	--	-1.6
EC	03/14	06:00	Industrial Production (y/y)	Jan	--	--	2.0
EC	03/14	06:00	ZEW Survey (Economic Sentiment)	Mar	--	--	17.1
GE	03/14	06:00	ZEW Survey (Current Situation)	Mar	--	--	76.4
GE	03/14	06:00	ZEW Survey (Economic Sentiment)	Mar	--	--	10.4
FR	03/15	03:45	CPI (m/m)	Feb F	--	--	0.1
FR	03/15	03:45	CPI (y/y)	Feb F	--	--	1.2
FR	03/15	03:45	CPI - EU Harmonized (m/m)	Feb F	--	--	0.1
FR	03/15	03:45	CPI - EU Harmonized (y/y)	Feb F	--	--	1.4
UK	03/15	05:30	Average Weekly Earnings (3-month, y/y)	Jan	2.3	2.4	2.6
UK	03/15	05:30	Employment Change (3M/3M, 000s)	Jan	95.0	95.0	37.0
UK	03/15	05:30	Jobless Claims Change (000s)	Feb	-10.0	--	-42.4
UK	03/15	05:30	ILO Unemployment Rate (%)	Jan	4.8	4.8	4.8
EC	03/15	06:00	Employment (q/q)	4Q	--	--	0.2
IT	03/15	06:00	CPI - EU Harmonized (y/y)	Feb F	--	--	1.6

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

Key Indicators for the week of March 13 – 17

EUROPE *(continued from previous page)*

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
NO	03/16	05:00	**Norwegian Deposit Rates (%)**	**Mar 16**	**--**	**--**	**0.50**
EC	03/16	06:00	CPI (m/m)	Feb	--	--	0.4
EC	03/16	06:00	CPI (y/y)	Feb F	--	--	2.0
EC	03/16	06:00	Euro zone Core CPI Estimate (y/y)	Feb F	--	--	0.9
TU	03/16	07:00	Benchmark Repo Rate (%)	Mar 16	--	--	8.00
UK	03/16	08:00	BoE Asset Purchase Target (£ bn)	Mar	435	435	435
UK	03/16	08:00	**BoE Policy Announcement (%)**	**Mar 16**	**0.25**	**0.25**	**0.25**
EC	03/17	06:00	Trade Balance (€ mn)	Jan	--	--	28.1

ASIA-PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
JN	03/12	19:50	Machine Orders (m/m)	Jan	--	-0.8	6.7
IN	MAR 12-31		Current Account Balance	4Q	--	-12000	-3.43
MA	03/13	00:00	Industrial Production (y/y)	Jan	--	5.2	4.7
JN	03/13	00:30	Tertiary Industry Index (m/m)	Jan	--	0.1	-0.4
HK	03/13	04:30	Industrial Production (y/y)	4Q	--	--	-0.1
IN	03/13	08:00	CPI (y/y)	Feb	3.60	3.60	3.17
PH	03/13	21:00	Unemployment Rate (%)	Jan	4.7	--	4.7
CH	03/13	22:00	Fixed Asset Investment YTD (y/y)	Feb	8.0	8.2	8.1
IN	03/14	02:30	Monthly Wholesale Prices (y/y)	Feb	--	6.1	5.3
SK	03/14	19:00	Unemployment Rate (%)	Feb	3.6	3.9	3.6
AU	03/14	20:30	New Motor Vehicle Sales (m/m)	Feb	--	--	0.6
PH	MAR 14-15		Overseas Remittances (y/y)	Jan	--	8.9	3.6
JN	03/15	00:30	Capacity Utilization (m/m)	Jan	--	--	0.6
JN	03/15	00:30	Industrial Production (y/y)	Jan F	--	--	3.2
NZ	03/15	17:45	GDP (q/q)	4Q	--	0.9	1.1
NZ	03/15	17:45	GDP (y/y)	4Q	--	3.3	3.5
AU	03/15	20:30	Employment (000s)	Feb	--	18.0	13.7
AU	03/15	20:30	Unemployment Rate (%)	Feb	5.7	5.7	5.7
ID	MAR 15-16		**BI 7-Day Reverse Repo Rate (%)**	**Mar 16**	**4.75**	**--**	**4.75**
JN	MAR 15-16		**BoJ Policy Rate (%)**	**Mar 16**	**-0.10**	**--**	**-0.10**
HK	03/16	04:30	Unemployment Rate (%)	Feb	3.3	--	3.3
NZ	03/16	17:30	Business NZ PMI	Feb	--	--	51.6
NZ	03/16	20:00	ANZ Consumer Confidence Index	Mar	--	--	127.4
SI	03/16	20:30	Exports (y/y)	Feb	--	11.4	8.6
ID	MAR 16-17		Exports (y/y)	Feb	--	--	27.7
ID	MAR 16-17		Imports (y/y)	Feb	--	--	14.5
ID	MAR 16-17		Trade Balance (US$ mn)	Feb	--	--	1395.8
JN	MAR 16-21		Nationwide Department Store Sales (y/y)	Feb	--	--	-1.2
JN	MAR 16-27		Supermarket Sales (y/y)	Feb	--	--	-1.6
HK	03/17		Composite Interest Rate (%)	Feb	--	--	0.32

LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CO	03/14	15:00	Retail Sales (y/y)	Jan	--	--	6.2
PE	03/15		Economic Activity Index NSA (y/y)	Jan	--	--	3.3
PE	03/15		Unemployment Rate (%)	Feb	--	--	7.2
CL	03/16	17:00	**Nominal Overnight Rate Target (%)**	**Mar 16**	**2.75**	**3.00**	**3.25**
CO	03/17	11:00	Trade Balance (US$ mn)	Jan	--	--	-486.9

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

Global Auctions for the week of March 13 – 17

EUROPE

Country	Date	Time	Event
IT	03/13	06:00	Italy to Sell Bonds
UK	03/14	06:30	U.K. to Sell 2027 Bonds
NE	03/14	06:30	Netherlands to Sell 0% 2022 Bonds
GE	03/15	06:30	Germany to Sell EUR1 Bln 2.5% 2046 Bonds
SP	03/16	05:30	Spain to Sell Bonds
FR	03/16	05:50	France to Sell Bonds
SW	03/16	06:03	Sweden to Sell I/L Bonds
FR	03/16	06:50	France to Sell I/L Bonds

ASIA-PACIFIC

Country	Date	Time	Event
AU	03/13	20:00	Australia Plans to Sell I/L Bonds
JN	03/13	23:45	Japan to Sell 20-Year Bonds
CH	03/14	02:00	Liaoning to Sell CNY4.17 Bln General Bonds
CH	03/14	02:00	Liaoning to Sell CNY1.39 Bln General Bonds
CH	03/14	23:00	China Plans to Sell 7-Year Government Bond
NZ	03/15	21:05	New Zealand Plans to Sell NZD200 Mln 2.75% 2025 Bonds
JN	03/17	04:00	Japan Auction for Enhanced-Liquidity

LATIN AMERICA

Country	Date	Time	Event
BZ	03/16	11:00	Brazil to Sell Fixed Rate Bonds

Source: Bloomberg, Scotiabank Economics.

Events for the week of March 13 – 17

NORTH AMERICA

Country	Date	Time	Event
US	03/14	09:00	The Federal Open Market Committee (FOMC) holds a closed meeting
US	03/15	09:00	The Federal Open Market Committee (FOMC) holds a closed meeting
US	03/15	14:00	FOMC Rate Decision
US	03/15	14:30	Federal Reserve Board Chair Janet Yellen holds a news conference

EUROPE

Country	Date	Time	Event
GE	03/13	06:30	IMF's Obstfeld Briefs Reporters on Labor Markets, Berlin
SW	03/13	07:00	Riksbank's Jochnick Gives Speech
EC	03/13	07:30	NATO's Stoltenberg Speaks at Press Conference in Brussels
GE	03/13	07:45	Merkel, Leaders of German Industry Groups Meet in Munich
EC	03/13	08:45	ECB Board Member Sabine Lautenschlaeger Speaks in Dublin
EC	03/13	09:30	ECB President Mario Draghi Speaks in Frankfurt
SW	03/14	05:00	Riksbank's Ingves, Ohlsson Give Speeches
EC	03/14	09:30	EU's Marco Buti Speaks at EPC Conference in Brussels
SW	03/14	09:45	Riksbank's Jansson Gives Speech
GE	03/14		Trump, Merkel Meet in Washington for First Face-to-Face Talks
SZ	03/16	04:30	SNB Sight Deposit Interest Rate
NO	03/16	05:00	**Deposit Rates**
TU	03/16	07:00	**Overnight Lending Rate**
SW	03/16	07:50	Riksbank's Ohlsson Gives Speech
UK	03/16	08:00	**Bank of England Bank Rate**
GE	03/16	08:30	Schaeuble Speaks, Attends Panel at IIF Conference, Frankfurt
PO	03/17		Portugal Sovereign Debt to be rated by S&P
RU	03/17		Russia Sovereign Debt to be rated by S&P
GE	MAR 17-18		Germany Hosts G-20 Finance Chiefs' Meeting, Baden-Baden

ASIA-PACIFIC

Country	Date	Time	Event
ID	MAR 15-16		**Bank Indonesia 7D Reverse Repo**
JN	MAR 15-16		**BOJ Policy Balance Rate**
JN	MAR 15-16		BOJ 10-Yr Yield Target
HK	MAR 16-17		Composite Interest Rate

LATIN AMERICA

Country	Date	Time	Event
CL	03/16	17:00	**Overnight Rate Target**

Source: Bloomberg, Scotiabank Economics.

Global Central Bank Watch

NORTH AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Canada – Overnight Target Rate	0.50	April 12, 2017	0.50	0.50
Federal Reserve – Federal Funds Target Rate	0.75	March 15, 2017	0.75	1.00
Banco de México – Overnight Rate	6.25	March 30, 2017	6.25	--

Federal Reserve: The fed funds target range is expected to be hiked by 25bps to 0.75–1.0% on Wednesday. Upward forecast revisions to growth are possible given the Fed's last forecast round is now below-consensus. That may be accompanied by the risk of a small rise in rate hike projections. Please see page 8 for a fuller preview, and the US section of the Global Week Ahead.

EUROPE

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	0.00	April 27, 2017	0.00	--
Bank of England – Bank Rate	0.25	March 16, 2017	0.25	--
Swiss National Bank – Libor Target Rate	-0.75	March 16, 2017	-0.75	--
Central Bank of Russia – One-Week Auction Rate	10.00	March 24, 2017	10.00	10.00
Sweden Riksbank – Repo Rate	-0.50	April 27, 2017	-0.50	--
Norges Bank – Deposit Rate	0.50	March 16, 2017	0.50	--

Bank of England: No policy changes are expected next week in a meeting that is likely to be largely a placeholder on the calendar. Please see page 7 for a fuller preview.
Norges Bank and the **Swiss National Bank** are both expected to leave policy unchanged.

ASIA PACIFIC

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Policy Rate	-0.10	March 16, 2017	-0.10	--
Reserve Bank of Australia – Cash Target Rate	1.50	April 4, 2017	1.50	1.50
Reserve Bank of New Zealand – Cash Rate	1.75	March 22, 2017	1.75	1.75
People's Bank of China – Lending Rate	4.35	TBA	--	--
Reserve Bank of India – Repo Rate	6.25	April 6, 2017	6.25	--
Bank of Korea – Bank Rate	1.25	April 13, 2017	1.25	--
Bank of Thailand – Repo Rate	1.50	March 29, 2017	1.50	1.50
Bank Indonesia – 7-Day Reverse Repo Rate	4.75	March 16, 2017	4.75	--

The Bank of Japan will likely leave its ultra-accommodative monetary policy stance unchanged next week due to absent inflationary pressures and elevated external risks facing Japan's export-oriented economy.
Bank Indonesia: BI will hold a monetary policy meeting on March 16th and it is expected to leave the benchmark interest rate unchanged at 4.75%. The central bank will maintain an accommodative policy stance over coming months, yet it remains vigilant regarding financial market volatility. Therefore, we do not foresee any further rate cuts in Indonesia.

LATIN AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	12.25	April 12, 2017	11.75	--
Banco Central de Chile – Overnight Rate	3.25	March 16, 2017	2.75	3.00
Banco de la República de Colombia – Lending Rate	7.25	March 24, 2017	7.00	--
Banco Central de Reserva del Perú – Reference Rate	4.25	April 6, 2017	4.25	--

Banco Central de Chile: A rate cut is expected given that inflation has declined to the lower end of the central bank's inflation target range.

AFRICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	7.00	March 30, 2017	7.00	--

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

Fixed Income Strategy (London, Paris)

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