

POLITICS AND CENTRAL BANKS

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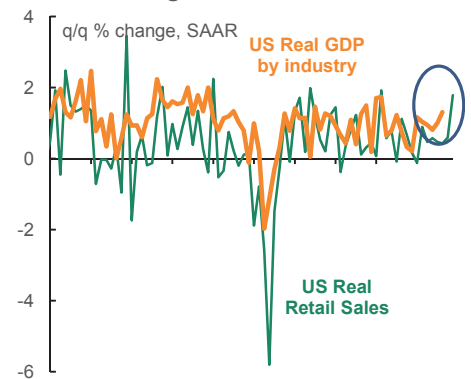
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Next Week's Risk Dashboard

- ▶ ECB
- ▶ BoJ
- ▶ US gov't shutdown
- ▶ Earnings
- ▶ WEF at Davos
- ▶ NAFTA negotiations
- ▶ CDN CPI, retail sales
- ▶ Q4 GDP: US, UK, South Korea, Philippines
- ▶ Eurozone PMIs, ZEW
- ▶ UK CPI, wages, GDP
- ▶ US durables, home sales
- ▶ German IFO
- ▶ Norges Bank
- ▶ Chinese profits
- ▶ Bank Negara

Chart of the Week

Strong US Retail Sales a Sign of Strong GDP To Come?



Sources: Scotiabank Economics, Federal Reserve Bank of St. Louis, Bureau of Economic Analysis.

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

Politics And Central Banks

UNITED STATES — AS SPARE CAPACITY LEAVES TOWN, IS GOVERNMENT NEXT?

One marquee macro release and earnings reports will combine with uncertainty over whether a partial government shutdown will be averted to shape the week's market risks.

As this publication goes to print, there is no clarity on whether a shutdown will be averted. It appears that the Democrats have enough votes to block a funding bill that would extend funding to February 16th if it passes the House of Representatives (H.J. Res. 125) and makes its way over to the Senate, assisted by some GOP Senators. It's possible that a very short funding arrangement is passed that extends negotiations into next week and averts a shutdown after Friday January 19th. But at the point of publishing, it is not the least bit clear that a partial government shutdown will be averted. The effects at this point have been very mildly negative for stocks as headline risk intensified while 10 year Treasuries cheapened and hence are not attracting a safe-haven bid and the USD has broadly weakened.

This will be a big week for earnings as the Q4 season kicks into higher gear and broadens out. Eighty-nine firms listed on the S&P500 will release including names like Netflix, State Street, Johnson & Johnson, Procter & Gamble, GE, Ford, American Airlines, Southwest Airlines, Caterpillar, Intel, Starbucks, 3M, Colgate-Palmolive and Lockheed Martin. Several of these names will be parsed for guidance on the outlook for capital spending (e.g., Caterpillar) and demand for autos and other consumer products.

The main—perhaps only—piece of material data risk will have to wait until Friday to surface. Q4 GDP growth could be 3-handled for the third consecutive quarter. After a soft start to the year when Q1 growth was just 1.2%, the economy went on a tear with 3.1% growth in Q2 and 3.2% growth in Q3. The regional Federal Reserve District Banks have weighed in with 'nowcast' estimates that range from 3.1–3.9%. The Bloomberg consensus looks for growth at 2.7% and Scotiabank Economics forecasts 2.8%.

It's the consequences more than the precise estimate that matter the most to Fed watchers. The broad implication is that the US output gap is pushing into excess aggregate demand territory for the first time in ten years (chart 1). Following the financial crisis, it took just two years for spare capacity to stop widening, during which time many dreams were ruined or at least put on hold, but then another eight long years to get back to where the US economy was before the wheels fell off into the Hudson River. Many US households and businesses understand why Tolstoy once remarked that "The two most powerful warriors are patience and time." The policy implication is an ongoing mix shift away from monetary stimulus toward a classically pro-cyclical fiscal boost albeit minor in nature.

Other data releases will include **existing home sales** (Wednesday), **new home sales** (Thursday), **durable goods orders** (Friday) and the **Richmond Fed's** regional manufacturing gauge (Tuesday). Both home sales tallies are expected to soften following large prior gains while durables should get another assist from transportation sector orders. The Richmond Fed's gauge will be used to further inform ISM-manufacturing expectations ahead of the February 1st release and in the wake of a slight softening of the Philly Fed's regional metric.

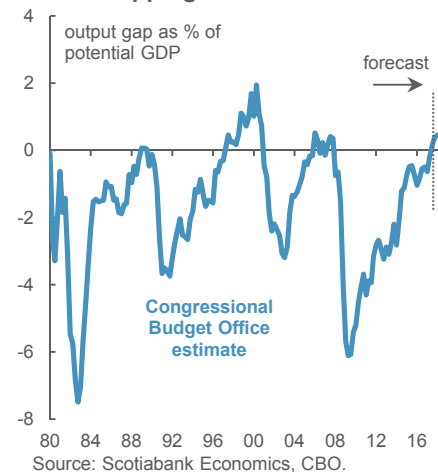
The US Treasury will conduct four auctions including 2s, 2 year FRNs, 5s and 7s.

EUROPE — HOW TO MANAGE AN UNEXPECTED GUEST

Much of the global market focus will be upon Europe over the coming week. The risk of ECB exit-talk (or more likely avoiding it), evidence of geopolitical risks that may emerge from Davos, top-shelf data risk in the Eurozone and UK, plus a decisions by another central bank from a commodity-driven economy will be the four main focal points.

Chart 1

US Slipping Into Excess Demand



Will the ECB signal policy exits while leaving policy unchanged next Thursday?

I'd say no to the former and obviously yes to the latter. Recall that the account of the December ECB meeting stated that "The language pertaining to various dimensions of the monetary policy stance and forward guidance could be revisited early in the coming year." The market inclination was to assume that because growth signals have been improving this meant that the ECB would begin to provide early guidance about shutting down bond purchases after the current extension to September comes to a close, albeit with optionality to continue thereafter retained in the original language. Persistently weak inflation and euro strength that may point to further downside pressure on inflation are complicating this story (chart 2). **I think next week's signals will be of the relatively dovish variety or entirely defer the discussion to a later meeting which could be somewhat of a relief to the bond market, all else equal.** Three ECB officials have recently spoken out on euro strength concerns including Vice President Vitor Costâncio, Austrian central bank Governor Nowotny and Banque de France Governor François Villeroy de Galhau. Costâncio has already advised it may be premature to have forward guidance details. Also note that the ECB Survey of Professional Forecasters closes out the week on Friday.

A tiny, cloistered town of about 11,000 inhabitants in the Swiss Alps that hasn't seen population growth in decades won't know what hit them next week even by the standards afforded by past years' events. **The annual World Economic Forum meeting will start on Tuesday and go through Friday and it will strive to achieve a balance between a globalist agenda and more insular attitudes.** India's Prime Minister Narendra Modi will kick it off with the opening address and US President Trump will get the final word in the closing keynote address. The leaders of Canada, France, the UK and Italy plus EU President Juncker will all be there along with top party officials from China but not President Xi Jinping who dominated attention last year. Leaders from emerging/developing/rising markets will also be represented. Brazil's President Temer and Argentina's Macri will be there. The heads and top officials from international organizations like the IMF, World Bank, the UN and World Trade Organization will all be there. This isn't just the wannabes and celebrities among the power set vying for their share of caviar and bubbly. It's the world's top leaders. Four main themes have been set for this year's WEF including sustained economic progress, the balance between global cooperation and local autonomy, restoring a 'social compact' and managing technological change. Tacit understanding of common positions may emerge. Set against global themes is the advance billing for Trump's stated 'America first' keynote—and hence why he speaks at the end of a global gathering.

Another batch of survey-based evidence on growth conditions across the Eurozone starts arriving on Tuesday through Thursday. The ZEW investor expectations survey (Tuesday), purchasing managers indices (Wednesday) and German IFO confidence (Thursday) readings have generally been more positive as 2017 handed off to 2018 growth signals. The key will be whether the upward momentum across many of them will continue into the new year (chart 3).

Norges Bank delivers another policy decision next Thursday. Governor Oystein Olsen advised last month that he is biased "to have a slightly earlier first increase" in the policy rate given improving inflation and growth but that 2018 could be "too early" to begin tightening. No change is expected next week, but the currency would be sensitive to further discussion of exit policies.

Chart 2

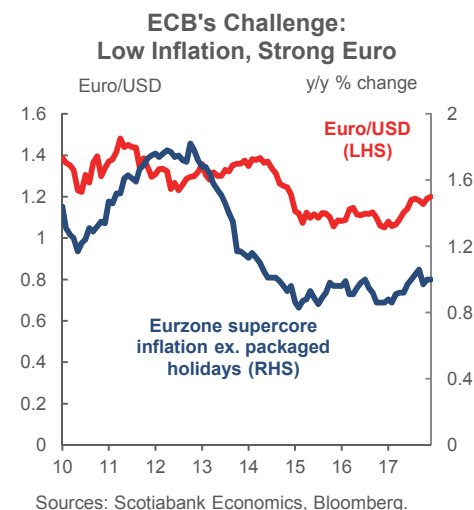


Chart 3

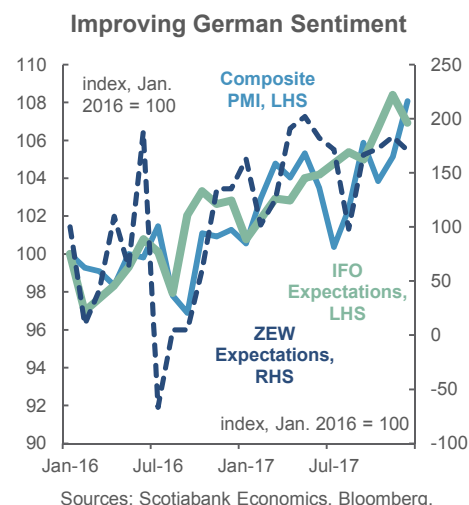
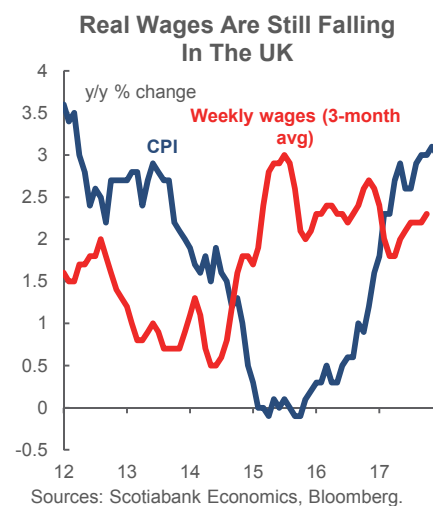


Chart 4



Top tier UK data will shape the near-term tone for pound sterling and the gilts curve. Wages Wednesday will bring updates on labour cost pressures in November and then Q4 GDP arrives Friday. Real wages are still declining. A top in inflationary pressures and expectations that inflation will ebb over the remainder of the year will help, but the other half of the story requires nominal wage growth to at least hang in at October's rate of 2.3% y/y if not rise further (chart 4). The economy is expected to have grown by about 0.4% q/q which would sustain the slight improvement in economic momentum over the back half of 2017 compared to the first half while nevertheless maintaining the material slowdown after 2016.

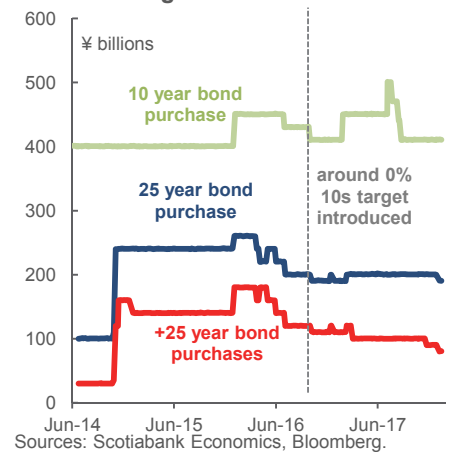
ASIA — DEFENDING THE 0.1%

The main development across Asian markets that could carry global market implications will be the Bank of Japan's policy decision. **Like the ECB, I wouldn't be surprised to see a fairly dovish BoJ outcome against tail expectations for early exit signals from both central banks.**

The Bank of Japan's policy decisions on Tuesday will be carefully scrutinized for evidence of where the balance lies between early exit talk versus possibly accelerated tactical bond purchases. Of the two options I'd lean closer to the latter outcome. The country is nowhere close to the BoJ's inflation target of 2%. National CPI is running at 0.6% y/y, core CPI ex-food is running at 0.9% y/y and CPI ex-food and energy is running at just 0.1% y/y. Another batch of CPI figures arrives at week's end for December. There has been nowhere close to enough traction on CPI after many years of undershooting objectives to merit lessened stimulus. The country plans to raise the sales tax again next year and that usually brings forward economic activity and leaves a vacuum behind with transitory implications for inflation. What is often mistakenly interpreted is the reduction in BoJ buying of JGBs across longer-end maturities (chart 5). One reason the BoJ has been allowed to reduce its purchases has to do with the introduction of the 'around 0%' 10 year bond yield target in September 2016. This substituted a dare to markets to challenge the BoJ by inviting the requisite amount of purchases to defend the target for actual purchases themselves. Some in the markets assume this must mean that the BoJ has become a less powerful influence upon global bond markets as its share of bond buying relative to issuance has fallen but this is an incorrect understanding of the role played by the yield target. Indeed, the current debate is whether the yield on 10 year JGBs is approaching the 0.1% enough to merit an unlimited bond buying pledge by the BoJ to bring it closer to the 0% target, which it has previously done. I'd be much less surprised to see the latter than exit signals.

Chart 5

BoJ JGB Purchases Fell When Yield Target Introduced



the latter than exit signals.

I wouldn't be surprised to see Chinese industrial profit growth accelerate again when the December figures arrive late in the week. Base effects are playing some havoc with the year-ago growth rate. It fell back to just under 15% y/y in November when the year-ago comparison was to a pick-up, but December's tally will compare to the year-ago deceleration in profit growth when it fell back to about 2% y/y.

Could another Asian central bank begin tightening monetary policy? It might be too soon, but consensus thinks there are decent odds that Bank Negara Malaysia raises its policy rate next Thursday for the first time in about three and a half years. If not, then the hike could be delivered at the March meeting. A final contributing piece of evidence will be CPI for December that arrives on Tuesday.

Behind these three developments will be regional data including New Zealand's Q4 inflation rate and a pair of Q4 GDP reports from Philippines and South Korea.

CANADA — A JANUARY CHILL?

Next week's line-up includes another round of NAFTA negotiations, first tier data, earnings season, the potential spillover consequences if the US government shuts down, and trading the aftermath of the Bank of Canada's decision. Who says Canada is dull?!

By Montreal's January weather standards, NAFTA negotiators will be welcomed with considerable warmth. Daytime highs are forecast to be in the single digit below-0° Celsius range next Tuesday through Saturday during which period the NAFTA teams will be in town. That's a far sight from the -25°C range that has chilled the city over recent weeks—and sometimes colder. **That's unlikely to translate into much warmth at the negotiating table**, however, as negotiations continue to be stuck on issues like a sunset clause, dispute resolution mechanisms, US auto content and dairy marketing boards. A protectionist US administration has laid down on the table divisive hard lines that have been rejected by its NAFTA partners since the original negotiations. Reportedly only two of around thirty chapters in the agreement have been settled upon thus far. The ministers leading the negotiations for each country are expected to meet on the final day of this round and likely hold a press conference to set the tone at least for the currency into the following Monday's Asian market open. The next round of negotiations will be held back in Mexico City late next month.

Data risk will inform progress toward the Bank of Canada's 2% inflation target and efforts to firm up a November GDP estimate. CPI (December) lands on Friday, retail sales (November) on Thursday, and wholesale trade (November) arrives on Monday.

I think headline CPI could well slip back below 2% y/y but the key will be what happens to core inflation anyway, not least because the BoC is looking through an expected temporary soft-patch in headline CPI. Here are the key ingredients to the call:

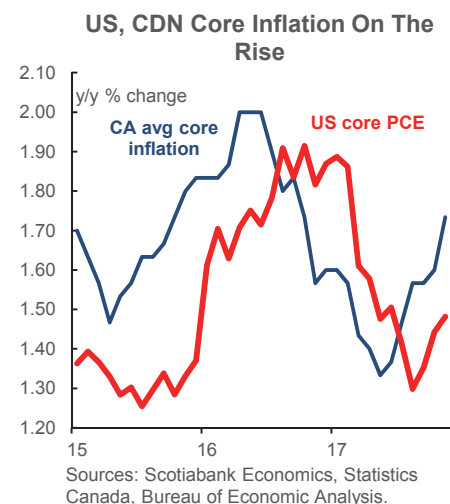
- Base effects independent of all else would support a rise of headline CPI from 2.1% y/y in November to 2.3% y/y in December.
- But December is usually a seasonal down-month. In fact, on average, CPI has declined by 0.4% m/m over the past five Decembers and CPI has fallen in eight of the nine past Decembers and one (2010) was unchanged. The decline might be more powerful this time since November 2017 was an atypical month of November when seasonally unadjusted prices climbed by 0.3% m/m versus the fact that they fell by 0.2% m/m on average over the prior five Novembers. That poses a high jumping off point for December's prices.
- Further reinforcing this point is that gasoline prices fell by 3% m/m in seasonally unadjusted terms in December which would reinforce a seasonal down-month for headline CPI and this would subtract about two-tenths off of the year-ago CPI rate.

Core CPI by the average of the three central tendency measures is nevertheless the usual area of uncertainty and the bigger risk than headline CPI for BoC purposes. The average of the three measures has moved higher from a low of 1.3% y/y in May to 1.7% in November and has therefore showcased somewhat greater traction than core PCE inflation in the US (chart 6). Indeed, core inflation in Canada is just three tenths off the target. It would not take much at all to get core inflation rising to 2% y/y over the duration of this year.

Could another solid gain in retail sales be chalked up in next Thursday's November print? That's quite possible even though the October gain of 1.5% m/m poses a high bar as it was the biggest gain since January. Gasoline prices were up by 7% m/m in seasonally unadjusted terms during November. Auto sales were up quite sharply in November over October. In inflation-adjusted terms, the 1.4% m/m rise in retail sales volumes in October reversed three months of declines and restored optimism insofar as tracking the consumer is concerned. Based upon the Q3 hand-off and October data, retail sales volumes are tracking a rise of about 4% q/q at a seasonally adjusted and annualized rate. That is half the rate of growth over the three quarters up to Q2 last year but remains strong.

Canada's earnings season typically lags the US and so only five TSX firms will report including names like CN and Rogers. **Canada conducts a three year auction** on Wednesday.

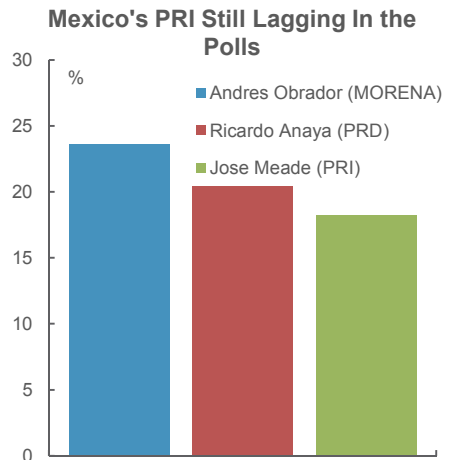
Chart 6



LATIN AMERICA — INTERNAL AND EXTERNAL POLITICAL RISK

For a second straight week, Latin American markets will follow the global market tone with little to nothing material on the domestic calendars — with one obvious exception. Please refer to the discussion on NAFTA negotiations in the Canada section as headline risk may loom over both the peso and CAD in either direction. In that context, polling for Mexico’s July 1st Presidential election may not help as the latest polls showed the ruling Institutional Revolutionary Party slipping further behind the leading leftist candidate (chart 7). Mexico’s retail sales print for November on Thursday is about the only game in town in terms of macro releases.

Chart 7



Sources: Scotiabank Economics, Bloomberg, Mitosky

Key Indicators for the week of January 22 – 26

NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	01/22	08:30	Wholesale Trade (m/m)	Nov	--	--	1.5
MX	01/22	09:00	Unemployment Rate (%)	Dec	3.2	--	3.4
MX	01/23	09:00	Global Economic Indicator IGAE (y/y)	Nov	2.6	--	1.5
US	01/23	10:00	Richmond Fed Manufacturing Index	Jan	--	18.0	20.0
US	01/24	07:00	MBA Mortgage Applications (w/w)	JAN 19	--	--	4.1
MX	01/24	09:00	Bi-Weekly Core CPI (% change)	Jan 15	0.5	0.3	0.0
MX	01/24	09:00	Bi-Weekly CPI (% change)	Jan 15	0.4	0.4	0.3
US	01/24	10:00	Existing Home Sales (mn a.r.)	Dec	5.55	5.7	5.8
US	01/24	10:00	Existing Home Sales (m/m)	Dec	-4.5	-2.2	5.6
CA	01/25	08:30	Retail Sales (m/m)	Nov	0.8	--	1.5
CA	01/25	08:30	Retail Sales ex. Autos (m/m)	Nov	0.5	--	0.8
US	01/25	08:30	Initial Jobless Claims (000s)	JAN 20	225	249	220
US	01/25	08:30	Continuing Claims (000s)	JAN 13	1900	1900	1952
US	01/25	08:30	Wholesale Inventories (m/m)	Dec P	--	--	0.8
MX	01/25	09:00	Retail Sales (INEGI) (y/y)	Nov	7.7	--	-0.1
US	01/25	10:00	Leading Indicators (m/m)	Dec	--	0.5	0.4
US	01/25	10:00	New Home Sales (000s a.r.)	Dec	650	675	733
CA	01/26	08:30	Core CPI - Common (y/y)	Dec	--	--	1.5
CA	01/26	08:30	Core CPI - Median (y/y)	Dec	--	--	1.9
CA	01/26	08:30	Core CPI - Trim (y/y)	Dec	--	--	1.8
CA	01/26	08:30	CPI, All items (m/m)	Dec	-0.4	--	0.3
CA	01/26	08:30	CPI, All items (y/y)	Dec	1.8	--	2.1
CA	01/26	08:30	CPI, All items (index)	Dec	--	--	131
US	01/26	08:30	Durable Goods Orders (m/m)	Dec P	0.7	0.9	1.3
US	01/26	08:30	Durable Goods Orders ex. Trans. (m/m)	Dec P	0.5	0.7	-0.1
US	01/26	08:30	GDP (q/q a.r.)	4Q A	2.8	2.9	3.2
US	01/26	08:30	GDP Deflator (q/q a.r.)	4Q A	--	2.4	2.1
MX	01/26	09:00	Trade Balance (US\$ mn)	Dec	1,103	--	399

EUROPE

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
UK	01/23	04:30	PSNB ex. Interventions (£ bn)	Dec	--	5.0	8.7
UK	01/23	04:30	Public Finances (PSNCR) (£ bn)	Dec	--	--	12.9
UK	01/23	04:30	Public Sector Net Borrowing (£ bn)	Dec	--	--	8.1
EC	01/23	05:00	ZEW Survey (Economic Sentiment)	Jan	--	--	29.0
GE	01/23	05:00	ZEW Survey (Current Situation)	Jan	--	89.9	89.3
GE	01/23	05:00	ZEW Survey (Economic Sentiment)	Jan	--	17.70	17.40
EC	01/23	10:00	Consumer Confidence	Jan A	--	0.6	0.5
FR	01/24	03:00	Manufacturing PMI	Jan P	--	--	58.8
FR	01/24	03:00	Services PMI	Jan P	--	--	59.1
GE	01/24	03:30	Manufacturing PMI	Jan P	--	63.0	63.3
GE	01/24	03:30	Services PMI	Jan P	--	55.6	55.8
EC	01/24	04:00	Composite PMI	Jan P	--	57.9	58.1
EC	01/24	04:00	Manufacturing PMI	Jan P	--	60.3	60.6
EC	01/24	04:00	Services PMI	Jan P	--	56.4	56.6
UK	01/24	04:30	Average Weekly Earnings (3-month, y/y)	Nov	--	2.5	2.5
UK	01/24	04:30	Employment Change (3M/3M, 000s)	Nov	--	-13.0	-56.0
UK	01/24	04:30	Jobless Claims Change (000s)	Dec	--	--	5.9
UK	01/24	04:30	ILO Unemployment Rate (%)	Nov	4.2	4.3	4.3
FR	01/24	12:00	Total Jobseekers (000s)	Dec	--	--	3454
FR	01/24	12:00	Jobseekers Net Change (000s)	Dec	--	--	-29.5
GE	01/25	02:00	GfK Consumer Confidence Survey	Feb	--	10.8	0.0
SP	01/25	03:00	Unemployment Rate (%)	4Q	--	--	16.4
GE	01/25	04:00	IFO Business Climate Survey	Jan	--	117.0	117.2
GE	01/25	04:00	IFO Current Assessment Survey	Jan	--	125.4	125.4
GE	01/25	04:00	IFO Expectations Survey	Jan	--	109.6	109.5
NO	01/25	04:00	Norwegian Deposit Rates (%)	Jan 25	--	--	0.50
EC	01/25	07:45	ECB Main Refinancing Rate (%)	Jan 25	--	0.00	0.00
UK	01/26	04:30	GDP (q/q)	4Q A	0.4	0.4	0.4
UK	01/26	04:30	Index of Services (m/m)	Nov	--	0.2	0.2

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

Key Indicators for the week of January 22 – 26
ASIA-PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
SK	01/21	16:00	PPI (y/y)	Dec	--	--	3.1
TH	01/21	22:30	Customs Exports (y/y)	Dec	--	11.1	13.4
TH	01/21	22:30	Customs Imports (y/y)	Dec	--	10.7	13.7
TH	01/21	22:30	Customs Trade Balance (US\$ mn)	Dec	--	1100	1763
TA	01/22	03:00	Export Orders (y/y)	Dec	--	11.4	11.6
TA	01/22	03:00	Unemployment Rate (%)	Dec	3.7	3.7	3.7
PH	01/22	21:00	Real GDP (y/y)	4Q	6.6	6.7	6.9
PH	01/22	21:00	Annual GDP (y/y)	2017	6.6	6.7	6.7
JN	01/22	23:30	All Industry Activity Index (m/m)	Nov	--	0.9	0.3
SI	01/23	00:00	CPI (y/y)	Dec	0.6	--	0.6
JN	01/23	00:30	Nationwide Department Store Sales (y/y)	Dec	--	--	2.2
JN	01/23	01:00	Machine Tool Orders (y/y)	Dec F	--	--	48.3
TA	01/23	03:00	Industrial Production (y/y)	Dec	--	1.0	0.9
HK	01/23	03:30	CPI (y/y)	Dec	1.5	--	1.6
JN	01/23	18:50	Merchandise Trade Balance (¥ bn)	Dec	--	540.0	112
JN	01/23	18:50	Adjusted Merchandise Trade Balance (¥ bn)	Dec	--	276.7	364
JN	01/23	18:50	Merchandise Trade Exports (y/y)	Dec	--	10.6	16.2
JN	01/23	18:50	Merchandise Trade Imports (y/y)	Dec	--	13.3	17.2
JN	01/23	19:30	Markit/JMMA Manufacturing PMI	Jan P	--	--	54.0
MA	01/23	23:00	CPI (y/y)	Dec	3.4	3.5	3.4
JN	JAN 22-23		BoJ Policy Rate (%)	Jan 23	-0.10	--	-0.10
JN	01/24	00:00	Coincident Index CI	Nov F	118	--	118.1
JN	01/24	00:00	Leading Index CI	Nov F	109	--	108.6
NZ	01/24	16:45	Consumer Prices (y/y)	4Q	1.9	1.90	1.90
SK	01/24	18:00	GDP (y/y)	4Q P	3.6	--	3.8
JN	01/25	00:00	Supermarket Sales (y/y)	Dec	--	--	-0.6
MA	01/25	02:00	Overnight Rate (%)	Jan 25	3.25	3.3	3.0
HK	01/25	03:30	Exports (y/y)	Dec	--	--	7.8
HK	01/25	03:30	Imports (y/y)	Dec	--	--	8.6
HK	01/25	03:30	Trade Balance (HKD bn)	Dec	--	--	-39.7
SK	01/25	16:00	Consumer Confidence Index	Jan	--	--	111
JN	01/25	18:30	National CPI (y/y)	Dec	0.8	1.1	0.6
JN	01/25	18:30	Tokyo CPI (y/y)	Jan	--	1.2	1.0
CH	01/25	20:30	Industrial Profits YTD (y/y)	Dec	--	--	14.9
SI	01/25	21:30	Unemployment Rate (%)	4Q	2.2	--	2.2
VN	JAN 24-28		CPI (y/y)	Jan	--	--	1.0
VN	JAN 24-31		Exports (y/y)	Jan	--	--	21.1
VN	JAN 24-31		Imports (y/y)	Jan	--	--	20.8
VN	JAN 24-31		Industrial Production (y/y)	Jan	--	--	11.2
SI	01/26	00:00	Industrial Production (y/y)	Dec	--	--	5.3

LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CO	01/22	10:00	Trade Balance (US\$ mn)	Nov	--	-800.0	-628
BZ	01/23	06:00	IBGE Inflation IPCA-15 (m/m)	Jan	--	0.4	0.4
BZ	01/23	06:00	IBGE Inflation IPCA-15 (y/y)	Jan	--	3.0	2.9
BZ	01/26	07:30	Current Account (US\$ mn)	Dec	--	-4200.0	-2388

Global Auctions for the week of January 22 – 26**NORTH AMERICA**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	01/23	13:00	U.S. to Sell USD26 Bln 2-Year Notes
US	01/24	11:30	U.S. to Sell USD15 Bln 2-Year Floating Rate Notes
CA	01/24	12:00	Canada to Sell 3-Year Bonds
US	01/24	13:00	U.S. to Sell USD34 Bln 5-Year Notes
CA	01/24	15:30	Canada to Sell CAD3 Bln 0.75% 2021 Bonds
US	01/25	13:00	U.S. to Sell USD28 Bln 7-Year Notes

EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
UK	01/23	05:30	U.K. to Sell GBP1 Bln 0.125% I/L 2026 Bonds
GE	01/23	05:30	Germany to Sell EUR5 Bln 0% 2019 Bonds (DE0001104701)
DE	01/24	04:30	Denmark to Sell Bonds
SW	01/24	05:03	Sweden to Sell SEK2 Bln 0.75% 2028 Bonds
IT	01/26	05:00	Italy to Sell Zero Bonds
IC	01/26	06:30	Iceland to Sell Bonds

ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CH	01/23	21:35	China To Sell CNY20 Bln 3-Yr Bonds (1802)
CH	01/23	21:35	China to Sell CNY20 Bln 7-Yr Upsized Bonds (1727)
NZ	01/24	20:05	New Zealand To Sell NZD150 Mln 3.5% 2033 Bonds

Events for the week of January 22 – 26

NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	01/23	10:00	Senate Holds Confirmation Hearing for Fed Nominee Goodfriend
US	01/23	18:30	Fed's Evans Makes Introductory Remarks

EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
FI	01/22	02:00	Bank of Finland Seminar on Sovereign Debt and Fin. Stability
SW	01/23	03:00	Ingves, Bolund, Thedeen in Open Hearing on Financial Stability
SZ	01/23	00:00	World Economic Forum Annual Meeting, Davos-Klostern
SW	01/24	05:30	Riksbank's Floden Gives Speech
NO	01/25	04:00	Deposit Rates
EC	01/25	07:45	ECB Main Refinancing Rate
FR	01/26		France Sovereign Debt to be rated by Fitch

ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CH	01/22	08:40	AIIB President Jin Liquin Speaks in Brussels
JN	01/22	00:00	BOJ Outlook Report
JN	01/22	00:00	BOJ Policy Balance Rate
MA	01/25	02:00	BNM Overnight Policy Rate
JN	01/25	18:50	BOJ Minutes of Policy Meeting
AZ	01/26		Azerbaijan Sovereign Debt to be rated by S&P

Global Central Bank Watch

NORTH AMERICA

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
Bank of Canada – Overnight Target Rate	1.25	March 7, 2018	1.25	1.13
Federal Reserve – Federal Funds Target Rate	1.50	January 31, 2018	1.50	1.50
Banco de México – Overnight Rate	7.25	February 8, 2018	7.25	--

EUROPE

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
European Central Bank – Refinancing Rate	0.00	January 25, 2018	0.00	--
Bank of England – Bank Rate	0.50	February 8, 2018	0.50	0.50
Swiss National Bank – Libor Target Rate	-0.75	March 15, 2018	-0.75	--
Central Bank of Russia – One-Week Auction Rate	7.75	February 9, 2018	7.75	--
Sweden Riksbank – Repo Rate	-0.50	February 14, 2018	-0.50	-0.50
Norges Bank – Deposit Rate	0.50	January 25, 2018	0.50	--
Central Bank of Turkey – Benchmark Repo Rate	8.00	March 7, 2018	8.00	--

ECB: No policy changes are expected but markets will closely watch for signs of a discussion on what to do about bond purchases after September. Although the central bank has provided guidance to expect such a discussion early in 2018, it is a) likely premature to expect exit signals, and b) perhaps quite the opposite is likely to be delivered with a cautious tale of stubbornly low inflation and euro strength. **Norges Bank:** Although Governor Oystein Olsen advised last month that the first rate increase could come earlier than previously anticipated, there is still a fairly low probability that it will be delivered this year, let alone at next week's meeting.

ASIA PACIFIC

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
Bank of Japan – Policy Rate	-0.10	January 23, 2018	-0.10	--
Reserve Bank of Australia – Cash Target Rate	1.50	February 5, 2018	1.50	1.50
Reserve Bank of New Zealand – Cash Rate	1.75	February 7, 2018	1.75	1.75
People's Bank of China – Lending Rate	4.35	TBA	--	--
Reserve Bank of India – Repo Rate	6.00	February 7, 2018	6.00	--
Bank of Korea – Bank Rate	1.50	February 27, 2018	1.50	--
Bank of Thailand – Repo Rate	1.50	February 14, 2018	1.50	1.50
Bank Negara Malaysia – Overnight Policy Rate	3.00	January 25, 2018	3.25	3.25
Bank Indonesia – 7-Day Reverse Repo Rate	4.25	February 15, 2018	4.25	--

The Bank of Japan (BoJ) will hold a monetary policy meeting on January 23. Japan's monetary policy stance is expected to be left unchanged. The central bank will likely maintain the short-term policy rate at -0.1% and adjust the amount of bond purchases depending on market developments, aiming to keep 10-year bond yields close to 0%. Any reductions in bond purchase amounts do not signal tapering as long as the BoJ leaves the 10-year yield target unchanged. The BoJ has highlighted that the cumulative stock of bond purchases impacts interest rates more than each market operation on a flow basis. **Bank Negara Malaysia** will make an interest rate decision on January 25. We assess that monetary tightening will commence soon in Malaysia due to strong domestic demand that will strengthen underlying inflation. The first Overnight Policy Rate hike—from the current level of 3.0% to 3.25%—may take place as soon as next week. Following the most recent monetary policy meeting on November 9, the central bank noted that it might consider reviewing the need for the current degree of monetary accommodation.

LATIN AMERICA

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
Banco Central do Brasil – Selic Rate	7.00	February 7, 2018	7.00	--
Banco Central de Chile – Overnight Rate	2.50	February 1, 2018	2.50	--
Banco de la República de Colombia – Lending Rate	4.75	January 29, 2018	4.75	4.75
Banco Central de Reserva del Perú – Reference Rate	3.00	February 8, 2018	3.00	--

AFRICA

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

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

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