March 9, 2018

A REQUIEM FOR THE US STEEL WORKER

FORECASTS & DATA

CONTACTS

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Next Week's Risk Dashboard

- Tariff responses
- Pennsylvania election
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Chart of the Week

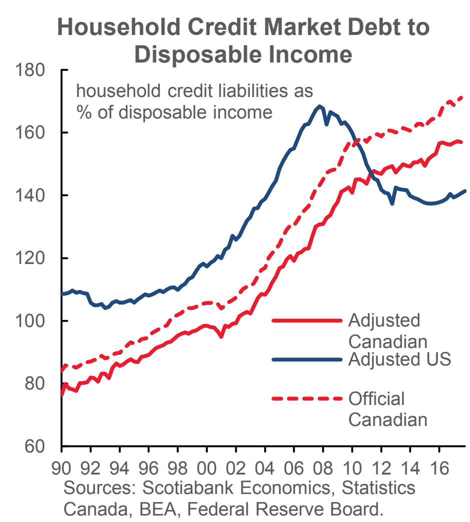


Chart of the Week: Prepared by: Sam Fraser, Research Analyst.

A Requiem For The US Steel Worker

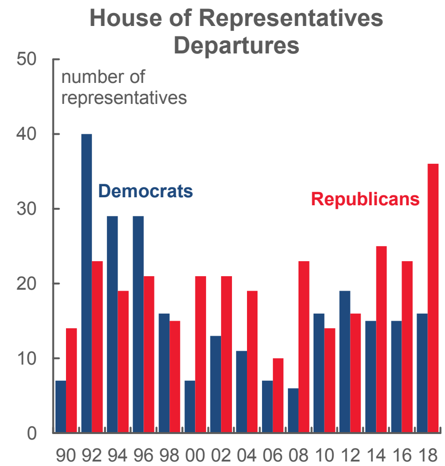
UNITED STATES — APPEAL TO YOUR CONSTITUENCY — OR BACKFIRE?

The potential global aftermath of the steel and aluminum tariffs introduced by the Trump administration will combine with top-shelf data and Pennsylvania's special House election as key market-oriented considerations.

In my opinion, it's likely that we will see retaliation to the US tariffs by China and Europe. Trump's negotiated exemptions approach to allies beyond Canada and Mexico is an insulting way of pleading with other countries to hold off on retaliatory measures. They can beg and grovel to avoid, or just retaliate right off the bat. We'll see which approach the EU and China take, but China is unlikely among the friendlies to this administration being given this offer or at least they likely face the highest bar of all. I'll return to what the tariffs mean to US steel workers later on.

On Tuesday, voters in Pennsylvania cast their ballots in a special election to fill a seat in the House of Representatives that was vacated due to the scandal surrounding Republican Tim Murphy. You can google the sordid details if so inclined. The vote is a test of whether the Trump base is as solid as in 2016, or eroding into the midterms which is when the party in the White House often suffers an erosion of support. The Democratic candidate is Conor Lamb who is up against Republican Rick Saccone. Most earlier polls (here) had been showing Saccone to be in the lead, but that lead has diminished over time. Indeed the freshest poll by RABA Research shows Lamb four points ahead of Saccone and the polling was conducted from March 6–8. That period included the day of Trump's tariff announcements which was clearly aimed at this vote and Saccone's sagging performance (Trump could have taken until next month to reach his decision). The vote is largely symbolic on the path to the midterms, as it won't materially change anything in the House where the GOP presently holds a commanding 238–193 lead over the Dems. The problem for the Republicans is that they have more than twice as many open seats as the Dems going into the November 2018 election as a much higher than normal number of GOP House members will not be running for re-election this time as they choose to retire, face special circumstances, or abandon ship (chart 1).

Chart 1



Sources: Scotiabank Economics, Center for Responsive Politics.

Tuesday's **CPI inflation** update for the month of February follows the stronger-than-expected reading in January's CPI. **There are decent reasons to expect a somewhat tamer overall report this time around.** Recall that the January acceleration was principally driven by apparel prices that climbed at the fastest monthly pace since February 1990, gasoline prices that jumped by almost 6% m/m and medical care prices that jumped by 0.4% m/m (2.0% y/y). This time around, gasoline prices are tracking only about 1% higher in February over January. Average seasonal influences usually take month-ago unadjusted CPI up by more in February than January (+0.4% m/m versus +0.2% on average over the past five years) and may mean upside pressure. Offsetting this argument, however, is that the large jump in January's month-ago unadjusted price was toward the high end of the norm and poses a higher-than-normal jumping off point for February. Overall, I've gone with headline CPI of 2.2% y/y and +0.2% m/m seasonally adjusted (2.1% / 0.5% prior) and core CPI unchanged at +1.8% and up by 0.2% m/m (1.8% / 0.3%) prior). Regardless, always recall that this is not the Fed's preferred inflation gauge which is the price deflator for total consumer expenditures.

Wednesday's retail sales print for February will be relying upon more difficult to observe momentum in core sales (ex-autos and gas) to drive any gains. We already know that vehicle sales were little changed (-0.6% m/m) and regular unleaded gasoline prices were up by only about 1% m/m. Therefore, headline sales that include autos and gasoline won't get any significantly greater lift than whatever happens to core sales. One factor I'm banking upon to lift core sales is a possibly weaker weather effect. Recall that the weakest spending categories in January were ones that are most likely to be influenced by weather and included visiting auto dealerships, heading out to eating/drinking establishments and loading up on building materials. A weather effect conundrum, however, is the fact that February was warmer than the average month of February—but also wetter across the population-dense Eastern and Midwest states (here)

Less impactful releases will include industrial data such as production (Friday) that could get a lift in the February reading after a soft patch in January, producer prices (Wednesday) that are expected to exhibit firmer pressures on core prices ex-food and energy, and the volatile Philly Fed diffusion index that has been stuck in a solid growth range throughout the past fifteen months. Housing starts (Friday) will likely give back some of the 10% gain in January. The UofM consumer sentiment metric (Friday) will also be watched for any reaction to the tariffs issue.

Now let's go back to the tariffs issue. Obviously watch for retaliatory measures from countries that were not made exempt. More importantly, **I think Trump's tariffs may have just doomed the American steel worker over time.** That's right, he has likely done his support base a big disservice over time even if, unfortunately, many may not realize the potential complexities at this time. In the near-term, an industry operating around its long-run average capacity utilization rate will likely raise prices behind the tariff wall. Prices abroad may go down if dumping is diverted, depending upon whether other steel tariff walls go up elsewhere. If it all backs up in China, then I'm not sure how well served the world may be if China's economy becomes destabilized. The grander forces, however, are mostly about the role of technology. There are three reasons why US steel industry jobs may suffer over time.

1. Tariffs are not about bringing manufacturing home; they risk driving it away. By raising US steel prices, why wouldn't downstream users of steel and aluminum contemplate shifting production elsewhere or alter incremental investment plans to avoid locating in the United States? Why not, for instance, locate that future auto plant in, say, Canada or Mexico, or for that matter, China which has an abundance of cheap steel?

2. One possible argument is that less near- and medium-term competitive pressure on the US steel industry could drive less competitive zeal. My **lazy mills hypothesis** involves referencing innovations in strip casting, for example, with names like Castrip, PoStrip, Baostrip and Mainstrip that are potentially in the early days of revolutionizing the steel industry. Research contributions like this one from researchers at Canada's McGill University are credited with taking a concept that has been around for a long time and making it possible to implement. The potential consequences are enormous. This article from *The Economist* last year reviewed the potential effects. This process technology needs a lot less labour, much smaller plants on much small areas of land and offers much lower production costs. Some of this innovation is occurring at a US steel company, but much of it is occurring in Europe and specifically the UK and Germany. So my point is this: **relieving pressure on US steel companies to innovate and seek efficiencies by protecting them behind a cozy doozy of a trade barrier is likely to be an unintended by-product of tariffs and may well shift the momentum in this regard to foreign steel companies.**

3. A further possible argument is that the revolution in materials sciences just got another shot in the arm. Raising the costs of inputs like steel and aluminum only further incentivizes users to more aggressively seek out alternatives. Graphene, new forms of glass that are harder than steel, nanotechnology, hydrogels and multiple new ways of slicing and dicing the periodic table of elements all present strong prospects for new products and new ways of making older products. Lighter and stronger car chassis, plane bodies and new ways of making pharmaceuticals are among the examples of the competitive threats facing steel that just became much more expensive to US buyers across multiple industries. If boardrooms are not already expediting plans to embrace these opportunities, then they probably soon will, and down goes demand for steel. This was already a force in motion but raising the domestic price of steel may have accelerated it.

The US Treasury will have a lot of debt to sell for years and years to come so next week's step in that direction will include a three year auction on Monday and reopenings for 10s and 30s on Monday and Tuesday respectively.

CANADA — SLACKERS!

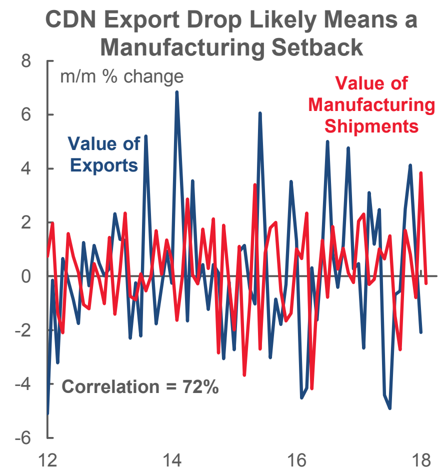
The clocks go forward one hour this weekend, except in Saskatchewan, BC's Peace River district and a few small towns in northern Ontario. Will the extra hour of daylight at the end of the day put a spring in the BoC's step? I'd say that's unlikely but Bank of Canada communications from the top of the house may be the week's more significant market risk.

Governor Poloz speaks on Tuesday in Kingston. His topic is "Today's Labour Market and the Future of Work." His comments hit the wires at 10:15amET that day. A press conference will follow, so this is the full deal. Poloz, uncut, raw and talking about the BoC's latest pet topic.

They've shaken up the consensus with fresher thinking on labour markets this year, including through this piece in January. The BoC has been de-emphasizing wage growth of permanent employees in the Labour Force Survey as the BoC's traditionally preferred metric. Instead, it has adopted 'wage common' as the new preferred benchmark, and that composite metric gives a tiny weight to the LFS measure. The purpose of this gauge is to synthesize disparate readings of wage growth in the LFS, the payrolls survey, the GDP accounts and the productivity accounts and reduce them to common drivers of wage pressures (see here). This step is consistent with the BoC's move from emphasizing its old core CPI measure toward central tendency measures of price pressures including common component CPI, weighted median CPI and trimmed mean CPI, each of which generally attempts to remove outlier contributions to inflation. The BoC has to do a much better job at explaining this new CPI metric to markets based on the number of client queries I've fielded on it. **The BoC has generally tended to indicate a higher degree of labour market slack than many private economists are comfortable acknowledging along with the softer wage signals coming from wage common than the LFS measure and so I would expect a moderately dovish tone from this speech**. Fitting the labour market theme is that the new entry to estimating Canadian job growth lands on Thursday in the form of ADP's payrolls estimate for February.

Data risk of relevance to markets will be skewed toward Friday's manufacturing shipments. I expect about a 1% m/m drop in the value of shipments but with wide forecast brackets on it. One reason for this is that the value of exports fell by 2.1% m/m in January. The correlation between monthly changes in the value of exports (that we already know for January) and manufacturing shipments is over 70% (chart 2) but in addition to the other 30% is the fact that correlations are one thing, deviations on the monthly estimates are still left wide open as a risk factor. Another reason is that shipments are likely suffering from a loss of momentum on the order book. New orders were little changed in December (+0.3% m/m) after falling by 2.3% in November. Much of the recent weakness in new orders was due to price effects, mind you, as the volume of new orders climbed by 1.8% in December. Watch for a potential divergence between the value and volume of shipments as a consequence. What is more difficult to observe going into the estimates is the domestic component to manufacturing sales versus the export side of the picture.

Chart 2



Sources: Scotiabank Economics, Statistics Canada.

Existing home sales during February (Thursday) never really get market attention and there is no consensus for the estimate, but housing observers will hope to see some sign of stabilization. Recall that sales momentum accelerated into year-end but not by as much as the seasonally adjusted 15% m/m plunge in resale volumes during January. A caution is always that, well, this is Canada when most potential homebuyers find something else to do with their time during winter. Therefore, seasonal adjustment factors applied to lower sales volumes are more important and sometimes unstable. I suspect the adjustment to OSFI's tighter B-20 mortgage stress testing rules applied to uninsured mortgages, tighter housing regs including BC's further clamp-down, plus the lagging effects of the BoC's rate hikes will all take some time to be fully evaluated but that a re-profiling of sales will eventually stabilize as the year wears on. Trend gains in incomes and jobs (up 73k over the volatile past four months) may come to support housing demand.

Also note that Canada releases quarterly national balance sheet accounts for Q4 on Thursday, Q4 international investment position data on Wednesday that offers evidence on foreign buying of a suite of Canadian securities, and then January's international securities transactions on Friday.

Manitoba's *Budget* on Monday will be covered by Mary Webb. She expects the province to announce a deficit for fiscal 2018–19 (FY19) that improves upon last year's forecast of a $698 million shortfall (1.2% of GDP). For the current fiscal year, FY18, Manitoba's mid-year update indicated that the Summary Net Income Loss is now expected to be $827 million, a $13 million improvement from the *Budget* estimate. For Summary net debt, as measured by the Province, the FY18 increase is now scaled back to $1.50 billion from the *Budget* forecast of $1.66 billion. Next week's *Budget,* in addition to the themes of fiscal repair and safeguarding key services, is expected to address climate change, with Manitoba recently signing on to the federal *Pan-Canadian Framework on Clean Growth and Climate* Change for the next two years

Canada auctions 3s on Wednesday.

ASIA — HE WHO KNOWS PATIENCE KNOWS PEACE

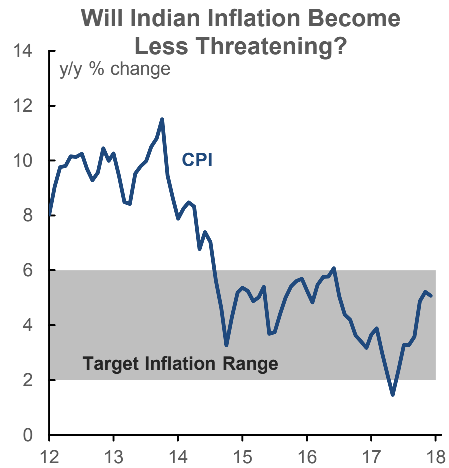
Will the Chinese proverb cited in the heading to this section (to which I might humbly add 'she'…) guide China through a period of increased turmoil and uncertainty in global trading relationships? Against the backdrop of few macroeconomic data releases and no pending monetary policy decisions, **the main Asian market risk factor over the coming week may come from China's potential response to the US steel and aluminum tariffs.**

If countries like China retaliate, President Trump has already indicated the risk of further escalation when he remarked that reciprocal taxes on imports from retaliating countries could be in store and said "We're going to be doing a lot of that." Is that another idle threat from a President who levies many only to be checked by US business interests and Congress, or a substantive risk of escalation? Should China speak Trump's language and perhaps teach him a lesson? Is the better route to allow the US administration to do things that harm its own competitiveness and retain an eye on longer-run goals? My leanings are toward the latter, but we'll see.

Data risk will include the following:

- **China updates retail sales and industrial production** for February on Tuesday and Thursday, respectively. Rarely do either of them shock markets, with expectations for 10% spending growth and just over 6% industrial output growth.
- **New Zealand releases Q4 GDP growth** on Wednesday evening eastern time. Growth is expected to ratchet higher both in seasonally adjusted q/q terms and year-ago terms. That would halt a deceleration that has been in play since 2016H2.
- **India updates CPI inflation** on Monday morning eastern time. The February reading is expected to dip back below 5% y/y but remain firmly within the Reserve Bank of India's 2–6% target range (chart 3). This could help to pull back on the RBI's somewhat hawkish leanings especially in light of fairly narrow drivers of the earlier run-up.

Chart 3



Source: Scotiabank Economics, India Central Statistical Organisation.

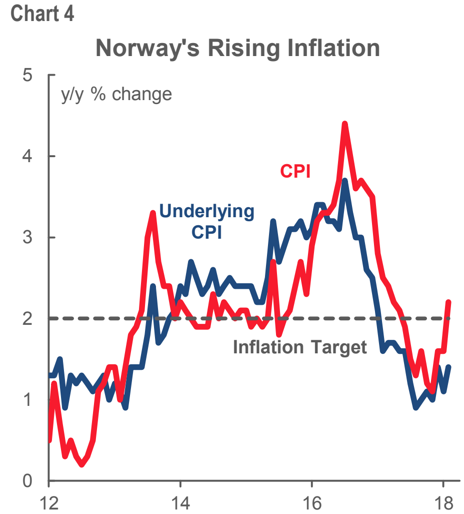
EUROPE — FRIENDS FROM AFAR

US Trade Representative Robert Lighthizer should expect to get an earful when he meets with his EU and Japanese counterparts in Brussels on Saturday. The tone of the meeting may be an influencing factor on the Monday market open. A pair of lower profile central bank decisions and minimal data risk are also on tap.

European Trade Commissioner Cecilia Malmstrom has stated the opening position that because the EU is an ally of the US it should be exempt from the duties. We'll see about that. **If Canada and Mexico were immediately given exemptions but Europe wasn't, does that imply that Lighthizer is heading over with a wish list of demands that may not sit well with the Europeans and Japanese?** Friends from afar may prove to be far from friends by the end of the weekend.

Norges Bank is expected to remain on hold with the deposit rate left at 0.5% on Thursday. Its policy guidance will be closely scrutinized. The central bank recently lowered its inflation target to 2% from 2.5% just in time for the February inflation reading to unexpectedly jump over the new threshold to 2.2% y/y (chart 4). Underlying inflation is softer at 1.4% and still providing some policy leeway. Governor Oystein Olsen recently remarked that "Over time, lower average inflation owing to a lower inflation target will result in a correspondingly lower nominal interest rate." This was guidance on the end game versus the steps toward it, and he went on to dismiss how this change alters how monetary policy would be conducted. A minority of forecasters expect a rate hike late in the year.

Chart 4



Sources: Scotiabank Economics, Bloomberg.

No policy rate change is expected by the **Swiss National Bank** on Thursday morning or this year. With CPI inflation running at just ½% y/y and the ECB policy rate on hold for an extended period, the SNB faces no immediate pressure to alter policy.

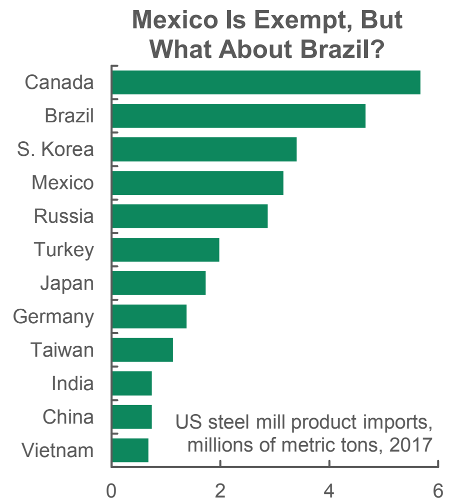
Data risk will only include CPI revisions from across the Eurozone with the revised add-up due on Friday, plus retail sales from Italy and Spain and the Eurozone add-up for industrial production.

LATIN AMERICA — IF MEXICO IS YOUR FRIEND…

Mexico got an exemption from US tariffs, and yet US President Trump has never sounded like much of an amigo to Mexicans! That being said, would other Latin American economies have a case to make for exemptions? **This issue could be of major significance to Brazil, and the coming week may well further inform this risk.**

Brazil is #2 on the list of source countries for imported steel mill products into the US not terribly far behind Canada but significantly ahead of Mexico (chart 5). A joint statement by Brazil's Foreign Affairs and Trade ministries referred to the tariffs "with great concern" and flagged the potentially significant impact on Brazilian exports and US-Brazil relations. The Brazilian government has signalled no tendency to negotiate with the US in favour of declaring greater openness to closer ties with Europe. Nor has it indicated a retaliatory posture.

Chart 5



Sources: Scotiabank Economics, US Department of Commerce, Enforcement & Compliance.

Colombia's congressional election will be held on Sunday and a divided Congress is expected. It is a purging of sorts on the path to the Presidential election in May. A leftist candidate and a right-leaning economist are roughly tied in the latest polling for the May election. This Sunday's election will have the Revolutionary Armed Forces of Colombia—known as FARC by its Spanish acronym—joining the fray for the first time. Granted, FARC's Presidential candidate Rodrigo Londono recently withdrew from the election for health reasons, though he was polling very poorly. An earlier peace deal between President Juan Manuel Santos and the FARC guarantees the group 10 Congressional seats regardless of how they actually poll. Most Colombians despise the group that was responsible for over 200,000 deaths and over five million refugees as a result of open conflict with the government, and assassinations of FARC members has been on the rise. Several right-leaning candidates in the Presidential election have expressed a desire to re-write the peace deal.

Data risk will be subdued over the coming week. Argentina releases CPI for February on Wednesday. The year-ago rate has only been possible to calculate very recently since CPI price level statistics were only reintroduced in January of last year. Inflation is running at about a 25% y/y pace. Retail sales from Brazil and Colombia, industrial production from Mexico and Colombia, Peru's trade balance and unemployment rate will round out the hits.

Key Indicators for the week of March 12 – 16

NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	03/12	14:00	Treasury Budget (US$ bn)	Feb	--	-216.0	49.2
US	03/13	08:30	CPI (m/m)	Feb	0.2	0.2	0.5
US	03/13	08:30	CPI (y/y)	Feb	2.2	2.2	2.1
US	03/13	08:30	CPI (index)	Feb	--	249.0	247.9
US	03/13	08:30	CPI ex. Food & Energy (m/m)	Feb	0.2	0.2	0.3
US	03/13	08:30	CPI ex. Food & Energy (y/y)	Feb	1.8	1.8	1.8
MX	03/13	10:00	Industrial Production (y/y)	Jan	0.3	--	-0.7
US	03/14	07:00	MBA Mortgage Applications (w/w)	MAR 9	--	--	0.3
CA	03/14	08:30	Teranet - National Bank HPI (y/y)	Feb	--	--	8.7
US	03/14	08:30	PPI (m/m)	Feb	0.1	0.1	0.4
US	03/14	08:30	PPI ex. Food & Energy (m/m)	Feb	0.2	0.2	0.4
US	03/14	08:30	Retail Sales (m/m)	Feb	0.2	0.3	-0.3
US	03/14	08:30	Retail Sales ex. Autos (m/m)	Feb	0.3	0.4	0.0
US	03/14	10:00	Business Inventories (m/m)	Jan	--	0.6	0.4
US	03/15	08:30	Empire State Manufacturing Index	Mar	--	15.0	13.1
US	03/15	08:30	Export Prices (m/m)	Feb	--	0.3	1.0
US	03/15	08:30	Import Prices (m/m)	Feb	--	0.3	1.0
US	03/15	08:30	Initial Jobless Claims (000s)	MAR 10	215	228	231
US	03/15	08:30	Continuing Claims (000s)	MAR 3	1900	--	1870
US	03/15	08:30	Philadelphia Fed Index	Mar	24.0	23.5	25.8
CA	03/15	09:00	Existing Home Sales (m/m)	Feb	--	--	-14.5
US	03/15	10:00	NAHB Housing Market Index	Mar	--	72.0	72.0
US	03/15	16:00	Total Net TIC Flows (US$ bn)	Jan	--	--	-119.3
US	03/15	16:00	Net Long-term TIC Flows (US$ bn)	Jan	--	--	27.3
CA	03/16	08:30	International Securities Transactions (C$ bn)	Jan	--	--	-2.0
CA	03/16	08:30	Manufacturing Shipments (m/m)	Jan	-1.0	-1.0	-0.3
US	03/16	08:30	Building Permits (000s a.r.)	Feb	--	1328	1377
US	03/16	08:30	Housing Starts (000s a.r.)	Feb	1265	1290	1326
US	03/16	08:30	Housing Starts (m/m)	Feb	-4.6	-2.7	9.7
US	03/16	09:15	Capacity Utilization (%)	Feb	--	77.7	77.5
US	03/16	09:15	Industrial Production (m/m)	Feb	0.2	0.3	-0.1
US	03/16	10:00	JOLTS Job Openings (000s)	Jan	--	--	5811
US	03/16	10:00	U. of Michigan Consumer Sentiment	Mar P	98.0	99.3	99.7

EUROPE

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
SP	03/13	04:00	CPI (m/m)	Feb F	--	0.1	0.1
SP	03/13	04:00	CPI (y/y)	Feb F	--	1.1	1.1
SP	03/13	04:00	CPI - EU Harmonized (m/m)	Feb F	--	0.1	0.1
SP	03/13	04:00	CPI - EU Harmonized (y/y)	Feb F	--	1.2	1.2
IT	03/13	05:00	Unemployment Rate (%)	4Q	--	11.0	11.2
GE	03/14	03:00	CPI (m/m)	Feb F	--	0.5	0.5
GE	03/14	03:00	CPI (y/y)	Feb F	--	1.4	1.4
GE	03/14	03:00	CPI - EU Harmonized (m/m)	Feb F	--	0.5	0.5
GE	03/14	03:00	CPI - EU Harmonized (y/y)	Feb F	--	1.2	1.2
SP	03/14	04:00	Real Retail Sales (y/y)	Jan	--	--	1.5
EC	03/14	06:00	Employment (q/q)	4Q	--	--	0.4
EC	03/14	06:00	Industrial Production (m/m)	Jan	--	-0.4	0.4
EC	03/14	06:00	Industrial Production (y/y)	Jan	--	4.7	5.2
FR	03/15	03:45	CPI (m/m)	Feb F	--	-0.1	0.0
FR	03/15	03:45	CPI (y/y)	Feb F	--	1.2	1.2
FR	03/15	03:45	CPI - EU Harmonized (m/m)	Feb F	--	0.0	0.0
FR	03/15	03:45	CPI - EU Harmonized (y/y)	Feb F	--	1.3	1.3
SZ	03/15	04:30	**SNB 3-month Libor Lower Target (%)**	**Mar 15**	**-1.25**	**-1.25**	**-1.25**
SZ	03/15	04:30	**SNB 3-month Libor Upper Target (%)**	**Mar 15**	**-0.25**	**-0.25**	**-0.25**
NO	03/15	05:00	**Norwegian Deposit Rates (%)**	**Mar 15**	**0.50**	**0.50**	**0.50**
IR	03/15	07:00	Real GDP (q/q)	4Q	--	2.6	4.2

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

Key Indicators for the week of March 12 – 16

EUROPE *(continued from previous page)*

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
IT	03/16	05:00	CPI - EU Harmonized (y/y)	Feb F	--	0.7	0.7
EC	03/16	06:00	CPI (m/m)	Feb	--	0.2	0.0
EC	03/16	06:00	CPI (y/y)	Feb F	--	1.2	1.2
EC	03/16	06:00	Euro zone Core CPI Estimate (y/y)	Feb F	--	1.0	1.0
EC	03/16	06:00	Labour Costs (y/y)	4Q	--	--	1.6

ASIA-PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
SI	03/12	01:00	Retail Sales (y/y)	Jan	--	3.0	4.6
JN	03/12	02:00	Machine Tool Orders (y/y)	Feb P	--	--	48.8
IN	03/12	08:00	CPI (y/y)	Feb	5.0	4.7	5.1
IN	03/12	08:00	Industrial Production (y/y)	Jan	--	6.4	7.1
AU	03/12	20:30	Home Loans (%)	Jan	--	-0.2	-2.3
AU	03/12	20:30	Investment Lending (% change)	Jan	--	--	-2.6
MA	03/13	00:00	Industrial Production (y/y)	Jan	--	7.7	2.9
JN	03/13	00:30	Tertiary Industry Index (m/m)	Jan	--	-0.3	-0.2
HK	03/13	04:30	Industrial Production (y/y)	4Q	--	--	0.3
SK	03/13	19:00	Unemployment Rate (%)	Feb	3.6	3.7	3.6
JN	03/13	19:50	Machine Orders (m/m)	Jan	--	5.2	-11.9
CH	03/13	22:00	Fixed Asset Investment YTD (y/y)	Feb	7.0	7.0	7.2
IN	03/14	02:30	Monthly Wholesale Prices (y/y)	Feb	--	2.54	2.84
NZ	03/14	17:45	GDP (y/y)	4Q	2.7	3.1	2.7
IN	MAR 14-28		Current Account Balance	4Q	--	--	-7.2
IN	MAR 14-15		Exports (y/y)	Feb	--	--	9.1
IN	MAR 14-15		Imports (y/y)	Feb	--	--	26.1
PH	MAR 14-15		Overseas Remittances (y/y)	Jan	--	4.9	7.1
ID	03/15	00:00	Exports (y/y)	Feb	--	--	7.9
ID	03/15	00:00	Imports (y/y)	Feb	--	--	26.4
ID	03/15	00:00	Trade Balance (US$ mn)	Feb	--	--	-677
NZ	03/15	17:30	Business NZ PMI	Feb	--	--	55.6
SI	03/15	20:30	Exports (y/y)	Feb	--	6.0	13.0
JN	03/16	00:30	Capacity Utilization (m/m)	Jan	--	--	2.8
JN	03/16	00:30	Industrial Production (y/y)	Jan F	--	--	2.7

LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
PE	MAR 12-16		Trade Balance (USD mn)	Jan	--	--	1057
BZ	03/13	08:00	Retail Sales (m/m)	Jan	--	0.4	-1.5
BZ	03/13	08:00	Retail Sales (y/y)	Jan	--	4.1	3.3
CO	03/14	11:00	Retail Sales (y/y)	Jan	--	--	-3.8
PE	MAR 14-16		Economic Activity Index NSA (y/y)	Feb	2.5	--	1.3
PE	MAR 14-16		Unemployment Rate (%)	Feb	--	--	7.3

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

Global Auctions for the week of March 12 – 16

NORTH AMERICA

Country	Date	Time	Event
US	03/12	11:30	U.S. to Sell USD28 Bln 3-Year Notes
US	03/12	13:00	U.S. to Sell USD21 Bln 10-Year Notes Reopening
US	03/13	13:00	U.S. to Sell USD13 Bln 30-Year Bonds Reopening
CA	03/14	12:00	Canada to Sell 3-Year Bonds

WESTERN EUROPE

Country	Date	Time	Event
IT	03/13	06:00	Italy to Sell Up to 2.5 Billion Euros of 0.2% 2020 Bonds
NE	03/13	06:00	Netherlands to Sell Up to 6B Euros of 0.75% 2028 Bonds
IT	03/13	06:00	Italy to Sell Up to 4 Billion Euros of 1.45% 2025 Bonds
IT	03/13	06:00	Italy to Sell 2.45% 2033 Bonds
IT	03/13	06:00	Italy to Sell 2.7% 2047 Bonds
SZ	03/14	06:15	Switzerland to Sell Bonds
GE	03/14	06:30	Germany to Sell EUR1.5 Bln 1.25% 2048 Bonds
PO	03/14	06:30	Portugal to Sell 4.1% 2045 Bonds
PO	03/14	06:30	Portugal to Sell 2.125% 2028 Bonds
SP	03/15	05:30	Spain to Sell 0.45% 2022 Bonds
SP	03/15	05:30	Spain to Sell 1.4% 2028 Bonds
SP	03/15	05:30	Spain to Sell 2.35% 2033 Bonds
SP	03/15	05:30	Spain to Sell 4.9% 2040 Bonds
FR	03/15	05:50	France to Sell 0% 2021 Bonds
FR	03/15	05:50	France to Sell 0% 2023 Bonds
FR	03/15	05:50	France to Sell 0.5% 2025 Bonds
UK	03/15	06:30	U.K. to Sell 2.5 Billion Pounds of 1.625% 2028 Bonds

ASIA-PACIFIC

Country	Date	Time	Event
AU	03/12	20:00	Australia To Sell AUD150 Mln 0.75% 2027 Bonds;
CH	03/12	21:30	Guizhou to Sell Bonds
JN	03/12	23:45	Japan to Sell 5-Year Bonds
CH	03/13	02:00	Inner Mongoloa to Sell Bonds
CH	03/13	22:35	China to Sell CNY20 Bln 5-Yr Upsized Bonds
NZ	03/14	21:05	New Zealand To Sell NZD200 Mln 2.75% 2025 Bonds
CH	03/14	21:30	Hebei to Sell Bonds
AU	03/15	20:00	Australia To Sell AUD500 Mln 2.75% 2028 Bonds
CH	03/15	21:30	Jiangxi to Sell Bonds
CH	03/15	22:35	China to Sell CNY20 Bln 30-Yr Bonds

Source: Bloomberg, Scotiabank Economics.

Events for the week of March 12 – 16

NORTH AMERICA

Country	Date	Time	Event
CA	03/13	10:30	Bank of Canada Governor Stephen Poloz Speech in Kingston
CA	03/15	08:30	ADP Publishes February Payrolls Report

EUROPE

Country	Date	Time	Event
EC	03/14	04:00	ECB President Draghi speaks in Frankfurt
EC	03/14	04:45	ECB's Peter Praet to speak in Frankfurt
EC	03/14	04:45	ECB's Angeloni speaks in Rome
EC	03/14	06:45	ECB Vice President Constancio speaks in Frankfurt
HU	03/14	09:00	Hungarian Central Bank's Minutes
EC	03/14	09:30	Bank of France Governor Villeroy de Galhau speaks in Frankfurt
EC	03/14	12:15	ECB's Coeure speaks in Berlin
SZ	03/15	04:30	**SNB Sight Deposit Interest Rate**
NO	03/15	05:00	**Deposit Rates**
EC	03/15	11:45	ECB's Lautenschlaeger speaks in Florence
NO	03/16	03:30	Norway Central Bank Deputy Governors Speech
PO	03/16		Portugal Sovereign Debt to be rated by S&P
IT	03/16		Italy Sovereign Debt to Be Rated by Moody's
IT	03/16		Italy Sovereign Debt to be rated by Fitch

ASIA-PACIFIC

Country	Date	Time	Event
AU	03/12	20:10	RBA's Bullock Gives Speech in Sydney
AU	03/13	18:10	RBA's Kent Gives Speech in Sydney
JN	03/13	19:50	BOJ Minutes of Policy Meeting
AU	03/15	18:45	RBA's Debelle Gives Speech in Sydney

LATIN AMERICA

Country	Date	Time	Event
CO	03/11		Congressional election

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	1.25	April 18, 2018	1.25	1.25
Federal Reserve – Federal Funds Target Rate	1.50	March 21, 2018	1.75	1.75
Banco de México – Overnight Rate	7.50	April 12, 2018	7.50	--

Federal Reserve: A 25bps hike to the existing 1.25-1.50% target range is expected on March 21st. The bigger uncertainty is how the bias may be altered. Assuming developments in global trade policy do not rapidly escalate for the worse and spark financial instability concerns, the FOMC is likely to a) show more confidence in tightening monetary policy due to a more significant fiscal lift to growth this year, and b) may add an extra rate hike to its 'dot plot' projections. We wouldn't be surprised to see an extra hike this year (from 3 to 4). It is less likely that FOMC participants revise their neutral rate expectations given minutes to the prior meeting indicated a) only 'some' discussed such prospects, and b) they gave arguments for both a higher and a lower than presently forecast neutral rate.

EUROPE

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	0.00	April 26, 2018	0.00	--
Bank of England – Bank Rate	0.50	March 22, 2018	0.50	--
Swiss National Bank – Libor Target Rate	-0.75	March 15, 2018	-0.75	--
Central Bank of Russia – One-Week Auction Rate	7.50	March 23, 2018	7.25	7.25
Sweden Riksbank – Repo Rate	-0.50	April 26, 2018	-0.50	--
Norges Bank – Deposit Rate	0.50	March 15, 2018	0.50	0.50
Central Bank of Turkey – Benchmark Repo Rate	8.00	April 25, 2018	8.00	--

Norges Bank: Will likely keep its deposit rate unchanged at 0.5%. The central bank recently lowered its inflation target to 2% from 2.5%. Governor Oystein Olsen remarked "Over time, lower average inflation owing to a lower inflation target will result in a correspondingly lower nominal interest rate." He went on to dismiss how this change alters how monetary policy would be conducted. A minority of forecasters expect a rate hike late in the year.

Swiss National Bank: No policy rate change is expected this year. With CPI inflation running at just ½% y/y and the ECB policy rate on hold for an extended period, the SNB faces no pressure to alter policy.

ASIA PACIFIC

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Policy Rate	-0.10	April 27, 2018	-0.10	--
Reserve Bank of Australia – Cash Target Rate	1.50	April 3, 2018	1.50	1.50
Reserve Bank of New Zealand – Cash Rate	1.75	March 21, 2018	1.75	1.75
People's Bank of China – Lending Rate	4.35	TBA	--	--
Reserve Bank of India – Repo Rate	6.00	April 5, 2018	6.00	--
Bank of Korea – Bank Rate	1.50	April 12, 2018	1.50	--
Bank of Thailand – Repo Rate	1.50	March 28, 2018	1.50	1.50
Bank Negara Malaysia – Overnight Policy Rate	3.25	May 10, 2018	3.25	--
Bank Indonesia – 7-Day Reverse Repo Rate	4.25	March 22, 2018	4.25	--

LATIN AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	6.75	March 21, 2018	6.75	--
Banco Central de Chile – Overnight Rate	2.50	March 20, 2018	2.50	2.50
Banco de la República de Colombia – Lending Rate	4.50	March 20, 2018	4.50	--
Banco Central de Reserva del Perú – Reference Rate	2.75	April 12, 2018	2.75	--

AFRICA

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

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