

**BATTING .500 ON GEOPOLITICAL RISKS**

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**Next Week's Risk Dashboard**

- ▶ CBs: Fed, RBA, Norges, Chile
- ▶ Inflation: US, Eurozone, Russia, Peru...
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- ▶ GDP: Canada, Mexico, Eurozone
- ▶ BoC's Poloz speaks on household debt
- ▶ US nonfarm payrolls
- ▶ Chinese PMIs
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- ▶ US macro: ISMs, trade, ADP
- ▶ Earnings
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- ▶ European consumers
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**Chart of the Week**

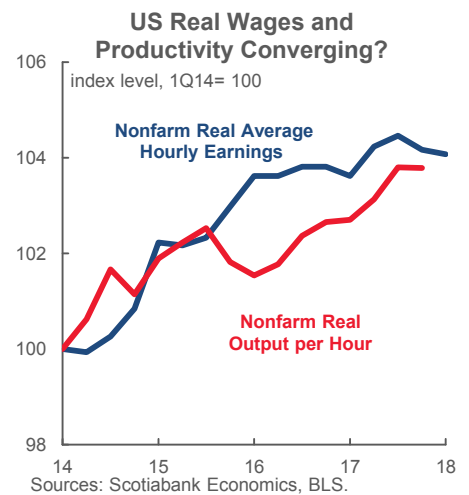


Chart of the Week: Prepared by: Sam Fraser, Research Analyst.

## Batting .500 On Geopolitical Risks

### UNITED STATES — MAY'S GEOPOLITICS WILL INFORM FED RISKS

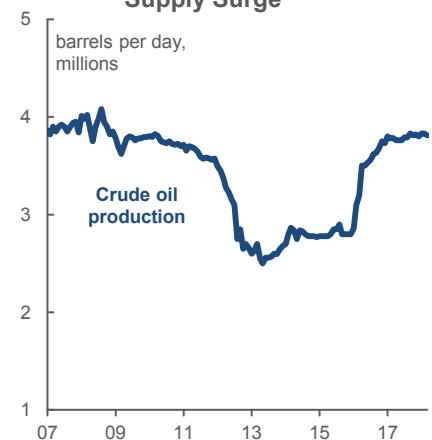
The coming week will be book-ended by top shelf macro releases with the Fed's latest policy decision and statement in the middle of it all as high-profile earnings risk will be peppered throughout the last big week for the first quarter reporting season. Of the four main sources of policy and geopolitical risks, there could be further constructive developments centered upon NAFTA and North Korea, but the Iran recertification and Chinese tariff deadlines loom ahead by mid-month.

**Wednesday's FOMC statement (2pmET) is likely to be a maintenance affair with no policy action and relatively straightforward wording updates.** More intrigue will return on the path to the June 13<sup>th</sup> FOMC meeting. It is possible that reference to the labor market having 'continued to strengthen' may be softened after the February disappointment, but market-based inflation metrics have increased further since the last meeting on March 21<sup>st</sup> so a significant bias shift is unlikely. Markets are pricing next-to-no chance of a hike until the June meeting that is significantly priced. What lends considerable uncertainty to our views on the June meeting is a confluence of event risks all packed into the month of May that are expected to inform our forecast risks. We might come out of it with either a hike or hold call; the relative risk-reward relationship would suggest marginally betting against a June hike given the near certainty that is priced into markets. Recall May's milestones listed below.

- 1. The deadline to recertify a US waiver on sanctions or break the Iran nuclear deal is May 12<sup>th</sup>.** In the wake of the meeting between Trump and French President Macron, it seems even more likely that the US administration will abrogate the deal and reintroduce sanctions. The question then becomes who else may follow (Europe, Japan, etc.), how much of the increase in Iranian oil production since sanctions were lifted falls back down (chart 1) and how tensions in the Middle East may evolve. Conditioned by the course of events, a negative oil price shock to world growth may be likely that creates temporarily higher headline inflation while crowding out pricing power in the core inflation basket on later second-round effects. Gasoline prices have already been skyrocketing for US consumers with the price of a gallon of regular unleaded up 65% over the past two years (chart 2). We need to be careful while judging inflation pressures if an energy price shock moves through components of the price basket only to then disinflate if wage gains don't keep up. So far, for instance, light truck sales are holding up but they would be among the first casualties in a more serious gasoline price spike while discretionary purchases like eating out, clothing and home renovations could also be incrementally crowded out.
- 2. A NAFTA agreement is possible as soon as next week.** Important details are still being negotiated while negotiators signal continued progress. Any deal that follows an initial outline and handshake must then be approved by Congress late this year in a best case scenario.
- 3. The Section 301 Committee will hold a public hearing on May 15<sup>th</sup>.** The purpose is to consider what Chinese products to hit with what tariffs and the ensuing process may invite further trade retaliation. Protectionist risk has been put on the backburner of late but could well return. As Treasury Secretary Mnuchin and US Trade Representative Robert Lighthizer get dispatched to China, there is the possibility of a more constructive dialogue emerging in order to head off or mitigate greater risks later.

Chart 1

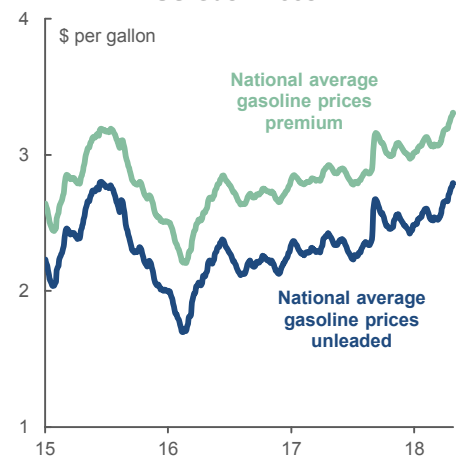
#### Sanctions Risk Reversing Iran's Supply Surge



Sources: Scotiabank Economics, Bloomberg.

Chart 2

#### US Gas Prices



Sources: Scotiabank Economics, Bloomberg.

4. **The timing of a summit between US President Trump and North Korean leader Kim Jong-un is uncertain.** The location has not yet been chosen and Trump's caution that the meeting may never arrive, alongside demands for North Korea to give up its nuclear weapons, add to the intrigue. The recent pledges by the leaders of North and South Korea to achieve a denuclearized peace are encouraging compared to developments last year and earlier this year but important details remain to be negotiated.

Anything could happen over this time frame, but say that—come June 13<sup>th</sup>—a harsher shock to oil and gasoline prices, a significant escalation of US-China trade tensions and a failed attempt at securing greater stability on the Korean Peninsula combined to impair financial stability and possibly to the detriment of global growth. Does the Fed still hike? At a minimum, I would think market conviction would decline. Taken further, what's the enormous rush for the Fed to deliver its projected two more hikes this year—or maybe three—over the remaining six meetings in the face of such uncertainty?

Then there is data with Q1 GDP pending as this report goes to print alongside a wave of significant macro releases next week. In a sea of macro reports, two will stand out.

**1. PCE inflation (Monday):** A combination of year-ago base effects and an already known rise in core CPI to 2.1% drive expectations for a gain in core inflation measured by the price deflator for total consumer expenditures excluding food and energy. A 2% y/y print (1.6% prior) wouldn't be an unreasonable expectation. Total consumer spending should end Q1 on a firmer note in the wake of the already known gain in the retail sales 'control group' that excludes food, autos, gasoline and building materials and that maps onto the GDP accounts estimate of consumption growth. Solid income growth should continue to support a personal saving rate of around 3 ½%, up from the low point of 2.4% in December.

**2. Nonfarm payrolls (Friday):** Was the deceleration in job growth during March (103k) a flash in the pan and possibly weather-influenced, or was February's 326,000 rise the aberration in the context of three out of the past four prints that have registered job growth at a one-handed pace? At least as important is whether average hourly wage growth hangs in at 2.7% y/y in nominal terms, or slips as base effects counsel, or climbs somewhat further given typical seasonal wage gains during April. I'm going with 2.8% y/y.

**Other data risk will include:**

- **ISM-manufacturing (Wednesday):** the key regional Fed surveys that are relied upon for an ISM call pointed in different directions during April as the Philly Fed inched higher but the Richmond Fed's manufacturing gauge fell sharply. I wouldn't be surprised to see a fairly mild decline in ISM.
- **Vehicle sales (Tuesday):** They remain elevated around the 17 ½ million mark following a better-than-expected gain in March. Rising gasoline prices, pressures on borrowing costs and softer trend employment gains partially counter solid income growth, technological change and the age of vehicles on US roads.
- **ADP private payrolls** on Wednesday precede nonfarm but throw too many false signals to be a reliable nonfarm predictor.

ISM non-manufacturing (Thursday), factory orders (Thursday), international trade (Thursday), construction spending (Tuesday) and pending home sales (Monday) round out the calendar of releases.

Mary Webb notes that **the US Treasury, following a brief release on financing and cash balances on April 30<sup>th</sup>, will provide further quarterly financing details on May 2<sup>nd</sup> to meet the upsurge in net marketable borrowing** from US\$519 billion in fiscal 2017 to well over \$1 trillion in fiscal 2018 and fiscal 2019. Treasury has indicated that it will focus on 2-, 3-, and 5-year issuance, but raise auction sizes for bills plus nominal notes and bonds across the curve in order to keep the weighted average maturity of the marketable debt outstanding at about the current level of almost 70 months. We also expect an announcement of an October maturity 5-year TIPs.

**Next week is the last big week of the US earnings season.** 144 S&P500 firms will release, followed by 38 the following week, 18 the week after that and then the releases fizzle out. Next week's key names include Apple, Pfizer, Merck, Berkshire Hathaway, McDonald's, Loews, Mastercard, MetLife, Kellogg and CBS.

**CANADA — ALL THAT SPARKLES**

Stock pickers, macro watchers and Bank of Canada followers will all have something to consider over the coming week. There is even the chance that the week ends with a NAFTA handshake of sorts given guidance from the negotiators that they are working on a May 4<sup>th</sup> deadline, although it feels like that has been the hope for ages now.

Tuesday’s GDP growth print for February should be among the strongest monthly gains since growth began to fizzle after the middle of last year. I’m expecting a gain of 0.4% m/m that would lift annualized Q1 growth tracking to around 1.6% q/q using the monthly GDP figures and with the usual caveats in translating that into quarterly expenditure-based GDP growth prospects. That would be the third straight quarter of growth around the 1.6–1.7% mark. Recall that the BoC forecast 1.3% q/q growth in Q1 in the April MPR after a downward revision from 2.5% in its prior forecast round. **Therefore, anything around the tracking estimate would not surprise the BoC’s guidance that it is looking through a soft patch to an expected ‘strong’ recovery in Q2 as they put it.** So far in 2018, the economy has paid the price for transportation bottlenecks, pulled-forward housing demand into the end of last year and at times worse winter weather than even Canadians are accustomed to!

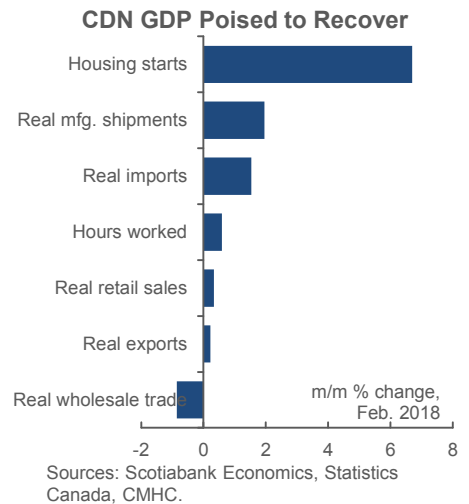
A simple regression approach of GDP on the higher-frequency and more visible monthly readings is on the borderline between 0.3% and 0.4% monthly GDP growth. Most readings pointed higher during February (chart 3). Hours worked, manufacturing shipment volumes, housing starts and retail sales volumes all posted healthy gains along with exports and imports that reflect internal and external strengths. The one downside was the wholesale sector. Tipping it over the threshold is the expectation that hits to mining, quarrying, oil and gas extraction through unscheduled maintenance shutdowns and rail transportation issues that impeded the movement of grains should all diminish over the quarter and into Q2. Some of this rebound showed up in improved export volume figures—alongside strong import gains—during February, but next Thursday’s trade figures for March may be challenged to keep up the momentum.

**Bank of Canada Governor Poloz heads north on Tuesday**—way north, to Yellowknife in the Northwest Territories, a town of about 20,000 people that is tied to resource industries and where diamond mining plays a significant role. He will speak to the local Chamber of Commerce and his comments will be available over the newswires by 2:30pmET. The topic will be “Canada’s Economy and Household Debt: How Big Is The Problem?”. A press conference will follow. I would be very surprised if the speech did not deliver a similar punchline as the Wilkins’ speech just a month ago on March 22nd in terms of implications for rates markets:

“With high levels of household debt and the Canadian economy operating close to capacity, monetary policy actions to achieve the inflation target and support financial stability are currently complementary. The Bank of Canada has underscored that there is nonetheless a fine balance to be struck here: while moving too slowly would allow more time for financial vulnerabilities to build, moving too quickly could have outsized effects, given the high level of household indebtedness.”

The Governor’s narrative has at times been out of step with the forecasts, notably on transitory inflation that the Governor warns about notwithstanding the fact that the BoC’s revised forecasts expect inflation to remain at or above the 2% mid-point of the target range throughout its forecast horizon. By way of near-term policy risks, recall that the MPR press conference’s opening statement hinted at the May 30<sup>th</sup> meeting being ‘live’ when it said “We will be monitoring the data for the second quarter very closely in the weeks ahead.” That reference was then omitted in the parliamentary testimony’s opening statement and whether that was a signal that this was unintended guidance or no longer valid may be further informed by the Governor’s appearance. Also see the US section for a discussion of risks to the Federal Reserve outlook given how US monetary policy could influence Canada through the exchange rate and bond market. One difference in that discussion applied to Canada is that an oil price spike could be a bigger positive terms-of-trade shock to Canada that lifts national income which would then get sprinkled across government fiscal positions, corporate profits and household incomes.

Chart 3



**Canada's earnings season kicks into higher gear** with 67 TSX-listed firms set to release. Some of the household names will include Shopify, SNC-Lavalin, Bombardier, BCE, Manulife, Air Canada, Encana, Martinrea, Fortis, Genworth Canada, Maple Leaf Foods, Cineplex, Loblaw, Great-West Life and CNQ.

**In next Wednesday's release of annual real GDP data for the Provinces for 2017**, Mary Webb will be looking for Alberta's gain last year to top 4.0% and British Columbia to record its fourth consecutive year of growth over 3.0%. The 2017 data are preliminary, by industry and at basic prices, with strength anticipated in manufacturing across most regions last year.

### LATIN AMERICA — TURNING POINTS?

**The extent to which Mexico's economy remains growth challenged, Peru's inflation may be bottoming and Chile's central bank decision will be the main focal points in addition to prospects for a NAFTA deal.**

**Mexico's economy** has been registering the softest growth since 2013 and Monday's first quarter GDP accounts will likely extend the soft patch. Growth is expected to land around 1½% y/y. Most forecasters think that sunnier days are ahead including Scotia's Mario Correa who is based in Mexico City and who thinks that average annual GDP growth will land at 2.4% this year and 2.8% next. His forecast write-up is [here](#). I've taken the liberty of including his chart 4 because, in Mario's words, "On the external front, and despite the negative rhetoric coming from the Trump administration, Mexican trade is booming."

**Banco Central de Chile is expected to hold its overnight rate target at 2.5% next Thursday.** Scotia's economist in Santiago—Benjamin Sierra—thinks that the next rate move will be up but not until the second half of this year. He forecasts GDP growth rising from 1.5% last year to 3.6% this year and nearly 4% next year, taking CPI inflation up with it from 2.3% last year to 2.8% this year and 3% in 2019. CPI inflation recently surprised lower at 1.8% y/y while CPI ex-food and energy was stable at 1.6% which puts inflation beneath the central bank's 2–4% target range. Chile also updates industrial production, retail sales and the unemployment rate over the coming week.

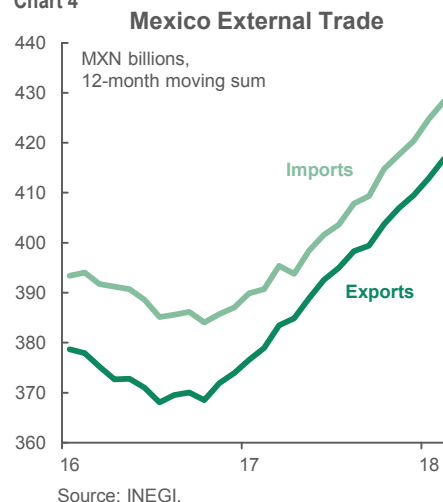
**Peru's inflation rate may start to stabilize when the April reading arrives on Tuesday.** Recall that it has been in freefall of late and during March hit the lowest reading (0.36% y/y) since December 2009. That puts inflation well below the 1–3% target range of the Central Reserve Bank of Peru. Year-ago base effects begin to shift more favourably over the next couple of months. Furthermore, the March report showcased a ½% m/m rise in CPI for the biggest monthly gain in seven months as a further bottoming sign. Recall that food and beverage prices (-2.6%) have been the main driver of recent weakness while housing (+5.7%) has been the main upside source of inflationary pressure. Scotia's Guillermo Arbe—based in Lima—forecasts the next central bank move to be a hike but not this year.

### EUROPE — INFORMING BoE & ECB RISKS

**The extent of the Q1 growth slowdown in Europe and another batch of fresh inflation Eurozone readings will inform the further evolution of ECB policy risks. UK survey-based growth evidence enters Q2 as the last major macro updates on the path to the May 10<sup>th</sup> Bank of England meeting although disappointing GDP figures cemented market expectations for no policy change.**

**The already lessened expectation that the BoE would hike on May 10th was further reduced in the wake of evidence the economy barely grew in Q1 (+0.1% q/q). The last pieces of macro evidence on the path to the meeting and possible updated guidance will be another monthly batch of purchasing managers' indices.** Other than that, there is little else of material consequence to inform data dependence before the BoE's decision the week after next. The UK's composite PMI has fallen back to its lowest since July of 2016 and has given up over three full points just since last October (chart 5). There may be transitory influences from weather that have operated on recent readings, but the softening trend has been in place for some time now. April's reading on Thursday will sum up the manufacturing PMI (Tuesday), construction PMI (Wednesday) and the services PMI (Thursday) and help to inform the transitory bias. While I'm sensitive to the impact upon client's positioning, in my opinion,

Chart 4



**Governor Carney was right to have wavered on hiking in the wake of disappointing growth evidence that GDP reaffirmed, a downside surprise to inflation (that will move back toward target even with the BoE on auto-pilot over the coming year) and in the face of Brexit and sundry other risks. He also must steer an MPC with many voices.**

**Exactly how much weaker Eurozone growth is tracking into 2018 will be informed by Wednesday's GDP figures for the first quarter.** After a trio of 0.7% q/q non-annualized growth readings, consensus thinks next week's figure will cool down by several tenths to a median estimate of 0.4% and a range of estimates that runs between 0.3–0.6%. The final revisions to Eurozone PMIs for April are also due on Wednesday.

**Eurozone CPI inflation arrives on Tuesday, the day before GDP.** Headline inflation is expected to moderate a touch to 1.3% y/y but key will be the core readings. Supercore CPI excluding packaged holidays has shown exceptionally little traction over time (chart 6). Because Good Friday and Easter straddled the end of March into early April, be careful with interpreting the core CPI reading. It will take until May 16<sup>th</sup> when CPI is revised and the details filled in before we can estimate 'supercore' inflation that removes the Easter effect on vacation package pricing and distortions.

**No policy change at the Norges Bank is anticipated on Thursday but a flap over inflation targeting is brewing.** The minority government's decision on March 2<sup>nd</sup> to lower the inflation target by ½% to 2% was voted down by the Parliamentary Finance Committee as the majority in Parliament are opposed. Lowering the target was publicly supported by Norges Bank and the main opposition Christian Democratic Party ultimately deferred to the government. Norway is unlikely to have another election until 2021 having had an election last September.

### ASIA — THE PHILIPPINES MIGHT BE NEXT

**Asia-Pacific markets could pose risk to global markets on top of significant regional developments. Four key developments will include Chinese macro reports, the RBA's latest policy communications, a round of regional CPI reports, and labour market updates that will be of relevance to RBNZ watchers.**

**China's purchasing managers' indices** enter a 'cleaner' period for the month of April when the state's versions arrive on Monday and the private versions arrive later in the week. The annual Lunar New Year's holiday fell on February 16<sup>th</sup> this year (January 28<sup>th</sup> last year) and because of the shifting timing from year to year it can throw off seasonal adjustments to underlying activity readings. Hence, production curtailment leading up to the holiday and throughout the week drags down activity during the month and then a rebound unfolds the month afterward often in ways not fully compensated by unstable seasonal adjustments. **Because this is the April report, it is the first cleaner reading after this distorting period.** Until now, judgement has been reserved with respect to the underlying strength of China's economy. I would think there is the downside risk of protectionist concerns overhanging the figures. Those concerns may extend into May given the discussion on tariffs in the US section of this report. Such risks may be more likely to affect the private PMIs that are more skewed toward coastal cities and exporters than the more SOE-dominated state PMIs.

**The Reserve Bank of Australia is unanimously expected to leave its cash target rate at 1.5% on Tuesday.** It will then issue its quarterly Statement on Monetary Policy on Thursday evening (ET) including revised forecasts. Headline CPI inflation in Q1 was 1.9% y/y and hence still a tick below the bottom end of the 2–3% inflation target zone. The average of the underlying inflation measures slightly increased to 1.95% y/y including 1.9% for trimmed mean CPI and 2.0% for the weighted median measure. Guidance is likely to remain cautious but consistent with expectations for a rate hike perhaps as soon as late this year.

Chart 5

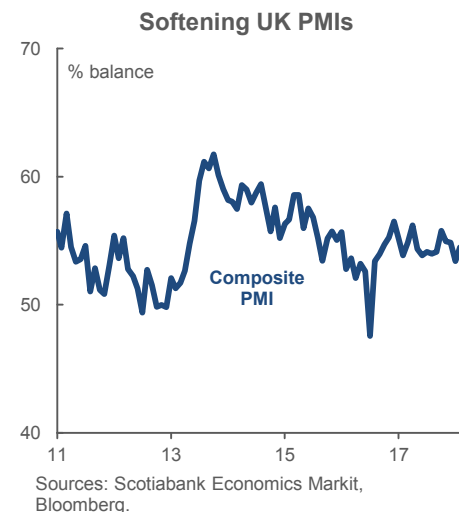


Chart 6

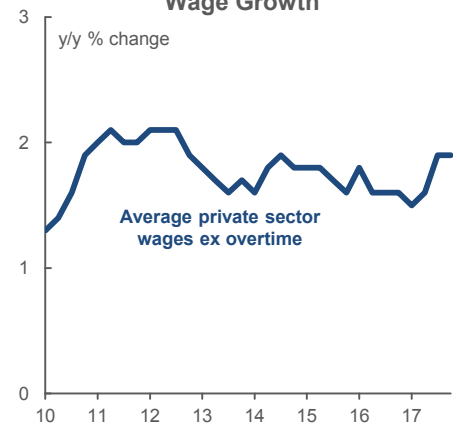


**New Zealand’s job growth and wages are slated for Q1 updates on Tuesday night (ET).** The country has witnessed a modest acceleration of wage growth (chart 7) and that might continue into Q1. CPI inflation was released earlier in the month and decelerated to 1.1% y/y from a peak of 2.2% at the start of the year. This points to slightly better real wage gains but weakening inflation remains close to the lower end of the RBNZ’s 1–3% target range over the medium term. Real wage gains achieved in part through slightly firmer nominal wage growth are unlikely to be more encouraging to the RBNZ given slipping inflation. That suggests that the current cash rate of 1.75% is likely to remain unchanged until at least late year with a stronger case for raising rates next year.

**In terms of inflation developments and how they may influence other regional central banks, the one to watch will be the Philippines.** As chart 8 demonstrates, it has been the stand-out by way of accelerating price pressures. **Each of the Philippines, Indonesia, South Korea and Thailand update inflation prints next week.** Bangko Sentral ng Pilipinas issues a rate decision the following week on May 10<sup>th</sup>. Governor Espenilla recently stated “Economic growth remains solid enough to absorb some policy tightening, if warranted” and warned of a willingness to take “immediate and appropriate” steps to address inflation and financial stability with an eye on financial sector reforms. Consensus thinks inflation might rise again next week and possibly hit the highest rate in about seven years. That would likely further amplify near-term hike talk and possibly make the Philippines the second Asian economy to hike rates this year after Bank Negara Malaysia did so in January and against policy easing in China.

Chart 7

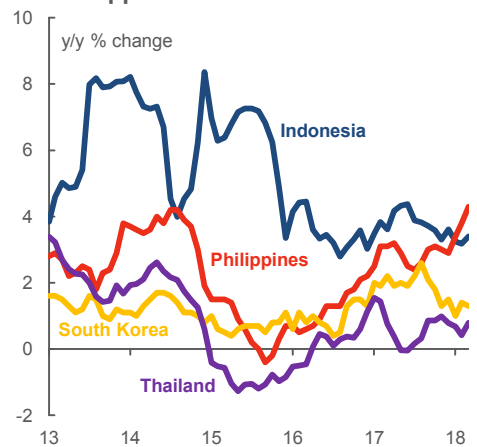
**Modest Acceleration of NZ Wage Growth**



Sources: Scotiabank Economics, Bloomberg.

Chart 8

**Philippines Inflation Stands Out**



Sources: Scotiabank Economics, Bloomberg.

**Key Indicators for the week of April 30 – May 4**
**NORTH AMERICA**

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	04/30	08:30	IPPI (m/m)	Mar	--	--	0.1
CA	04/30	08:30	Raw Materials Price Index (m/m)	Mar	--	--	-0.3
US	04/30	08:30	PCE Deflator (m/m)	Mar	0.0	0.0	0.2
US	04/30	08:30	PCE Deflator (y/y)	Mar	2.1	2.1	1.8
US	04/30	08:30	PCE ex. Food & Energy (m/m)	Mar	0.2	0.2	0.2
US	04/30	08:30	PCE ex. Food & Energy (y/y)	Mar	2.0	2.0	1.6
US	04/30	08:30	Personal Spending (m/m)	Mar	0.3	0.4	0.2
US	04/30	08:30	Personal Income (m/m)	Mar	0.4	0.4	0.4
MX	04/30	09:00	GDP (q/q)	1Q P	--	--	0.8
MX	04/30	09:00	GDP (y/y)	1Q P	1.9	--	1.5
US	04/30	09:45	Chicago PMI	Apr	--	58.0	57.4
US	04/30	10:00	Pending Home Sales (m/m)	Mar	--	0.5	3.1
US	04/30	10:30	Dallas Fed. Manufacturing Activity	Apr	--	25.0	21.4
CA	05/01	08:30	Real GDP (m/m)	Feb	0.4	0.3	-0.1
US	05/01	10:00	Construction Spending (m/m)	Mar	0.3	0.5	0.1
US	05/01	10:00	ISM Manufacturing Index	Apr	58.0	58.5	59.3
US	05/01		Domestic Vehicle Sales (mn a.r.)	Apr	--	13.4	13.4
US	05/01		Total Vehicle Sales (mn a.r.)	Apr	17.1	17.2	17.4
US	05/02	07:00	MBA Mortgage Applications (w/w)	APR 27	--	--	-0.2
US	05/02	08:15	ADP Employment Report (000s m/m)	Apr	200.0	192.5	241.1
US	05/02	14:00	<b>FOMC Interest Rate Meeting (%)</b>	<b>May 2</b>	<b>1.75</b>	<b>1.75</b>	<b>1.75</b>
CA	05/03	08:30	Merchandise Trade Balance (C\$ bn)	Mar	-2.5	--	-2.7
US	05/03	08:30	Initial Jobless Claims (000s)	APR 28	225	--	209
US	05/03	08:30	Continuing Claims (000s)	APR 21	1840	--	1837
US	05/03	08:30	Productivity (q/q a.r.)	1Q P	0.8	0.9	0.0
US	05/03	08:30	Trade Balance (US\$ bn)	Mar	-55.6	-55.6	-57.6
US	05/03	08:30	Unit Labor Costs (q/q a.r.)	1Q P	3.0	3.0	2.5
US	05/03	10:00	Factory Orders (m/m)	Mar	1.7	1.3	1.2
US	05/03	10:00	ISM Non-Manufacturing Composite	Apr	58.0	58.0	58.8
US	05/04	08:30	Nonfarm Employment Report (000s m/m)	Apr	210.0	185	103
US	05/04	08:30	Unemployment Rate (%)	Apr	4.0	4.0	4.1
US	05/04	08:30	Household Employment Report (000s m/m)	Apr	--	--	-37.0
US	05/04	08:30	Average Hourly Earnings (m/m)	Apr	0.2	0.2	0.3
US	05/04	08:30	Average Hourly Earnings (y/y)	Apr	2.7	2.7	2.7
US	05/04	08:30	Average Weekly Hours	Apr	--	34.5	34.5

**EUROPE**

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
SP	04/30	04:00	Current Account (€ bn)	Feb	--	--	-0.4
IT	04/30	05:00	CPI (m/m)	Apr P	--	0.2	0.3
IT	04/30	05:00	CPI (y/y)	Apr P	--	0.7	0.8
IT	04/30	05:00	CPI - EU Harmonized (m/m)	Apr P	--	0.6	2.3
IT	04/30	05:00	CPI - EU Harmonized (y/y)	Apr P	--	0.8	0.9
GE	04/30	08:00	CPI (m/m)	Apr P	--	-0.1	0.4
GE	04/30	07:00	Retail Sales (m/m)	Mar	--	0.8	-0.5
GE	04/30	08:00	CPI (y/y)	Apr P	--	1.5	1.6
GE	04/30	08:00	CPI - EU Harmonized (m/m)	Apr P	--	-0.1	0.4
GE	04/30	08:00	CPI - EU Harmonized (y/y)	Apr P	--	1.4	1.5
UK	05/01	04:30	Manufacturing PMI	Apr	54.0	54.8	55.1
UK	05/01	04:30	Net Consumer Credit (£ bn)	Mar	--	1.4	1.6
IT	05/02	03:45	Manufacturing PMI	Apr	--	54.5	55.1
FR	05/02	03:50	Manufacturing PMI	Apr F	--	53.4	53.4
GE	05/02	03:55	Manufacturing PMI	Apr F	--	58.1	58.1
EC	05/02	04:00	Manufacturing PMI	Apr F	--	56.0	56.0
UK	05/02	04:30	PMI Construction	Apr	--	50.8	47.0
EC	05/02	05:00	GDP (q/q)	1Q A	--	0.4	0.7
EC	05/02	05:00	Unemployment Rate (%)	Mar	--	8.5	8.5

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



**Key Indicators for the week of April 30 – May 4**
**EUROPE (continued from previous page)**

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
IT	05/02	05:00	Real GDP (q/q)	1Q P	--	0.3	0.3
IT	05/02		Budget Balance (€ bn)	Apr	--	--	0.0
IT	05/02		Budget Balance YTD (€ bn)	Apr	--	--	-26.8
NO	05/03	04:00	<b>Norwegian Deposit Rates (%)</b>	<b>May 3</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>
UK	05/03	04:30	Official Reserves Changes (US\$ bn)	Apr	--	--	1493
UK	05/03	04:30	Services PMI	Apr	53.0	53.2	51.7
EC	05/03	05:00	Euro zone CPI Estimate (y/y)	Apr	--	1.3	1.4
EC	05/03	05:00	Euro zone Core CPI Estimate (y/y)	Apr A	--	0.9	1.0
EC	05/03	05:00	PPI (m/m)	Mar	--	0.1	0.1
FR	05/04	02:45	Central Government Balance (€ bn)	Mar	--	--	-28.5
FR	05/04	02:45	Current Account (€ bn)	Mar	--	--	-1986
FR	05/04	02:45	Trade Balance (€ mn)	Mar	--	-5085	-5186
IT	05/04	03:45	Services PMI	Apr	--	53.0	52.6
FR	05/04	03:50	Services PMI	Apr F	--	57.4	57.4
GE	05/04	03:55	Services PMI	Apr F	--	54.1	54.1
EC	05/04	04:00	Composite PMI	Apr F	--	55.2	55.2
EC	05/04	04:00	Services PMI	Apr F	--	55.0	55.0
EC	05/04	05:00	Retail Trade (m/m)	Mar	--	0.5	0.1

**ASIA-PACIFIC**

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
SK	04/29	19:00	Industrial Production (y/y)	Mar	--	-1.6	-6.4
SK	04/29	19:00	Cyclical Leading Index Change	Mar	--	--	-0.2
CH	04/29	21:00	Manufacturing PMI	Apr	51.2	51.3	51.5
CH	04/29	21:00	Non-manufacturing PMI	Apr	--	54.5	54.6
AU	04/29	21:30	Private Sector Credit (y/y)	Mar	--	4.9	4.9
TH	04/30	03:30	Exports (y/y)	Mar	--	--	7.7
TH	04/30	03:30	Imports (y/y)	Mar	--	--	21.8
TH	04/30	03:30	Trade Balance (US\$ mn)	Mar	--	--	2289
TH	04/30	03:30	Current Account Balance (US\$ mn)	Mar	--	4400	6157
SK	04/30	20:00	Exports (y/y)	Apr	--	3.9	6.1
SK	04/30	20:00	Imports (y/y)	Apr	--	16.8	5.0
SK	04/30	20:00	Trade Balance (US\$ mn)	Apr	--	8470	6865
JN	04/30	20:30	Markit/JMMA Manufacturing PMI	Apr F	53.3	--	53.3
TH	04/30	23:00	CPI (y/y)	Apr	1.2	0.9	0.8
TH	04/30	23:00	Core CPI (y/y)	Apr	--	0.7	0.6
HK	APRIL 29-30		Govt Monthly Budget Surp/Def (HKD bn)	Mar	--	--	7.2
PH	APRIL 29-30		Bank Lending (y/y)	Mar	--	--	17.6
AU	05/01	00:30	<b>RBA Cash Target Rate (%)</b>	<b>May 1</b>	<b>1.50</b>	<b>1.50</b>	<b>1.50</b>
JN	05/01	01:00	Vehicle Sales (y/y)	Apr	--	--	-4.9
NZ	05/01	13:00	QV House Prices (y/y)	Apr	--	--	7.3
NZ	05/01	18:45	Unemployment Rate (%)	1Q	4.5	4.5	4.5
NZ	05/01	18:45	Employment Change (y/y)	1Q	--	3.3	3.7
SK	05/01	19:00	CPI (y/y)	Apr	1.6	1.5	1.3
SK	05/01	19:00	Core CPI (y/y)	Apr	--	1.4	1.3
JN	05/01	19:50	Monetary Base (y/y)	Apr	--	--	9.1
CH	05/01	21:45	HSBC Manufacturing PMI	Apr	50.8	50.9	51.0
JN	APR 30- MAY 9		Official Reserve Assets (US\$ bn)	Apr	--	--	1268
ID	05/02	00:00	CPI (y/y)	Apr	3.3	3.5	3.4
ID	05/02	00:00	Core CPI (y/y)	Apr	--	2.8	2.7
JN	05/02	01:00	Consumer Confidence	Apr	--	44.5	44.3
TH	05/02	03:30	Business Sentiment Index	Apr	--	--	53.3
SI	05/02	09:00	Purchasing Managers Index	Apr	--	--	53.0
AU	05/02	21:30	Building Approvals (m/m)	Mar	--	1.0	-6.2
AU	05/02	21:30	Trade Balance (AUD mn)	Mar	--	950	825
TH	05/02	23:30	Consumer Confidence Economic	Apr	--	--	66.8

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

## Key Indicators for the week of April 30 – May 4

### ASIA-PACIFIC (continued from previous page)

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
HK	05/03	04:30	Retail Sales - Volume (y/y)	Mar	--	--	28.2
SK	05/03	19:00	Current Account (US\$ mn)	Mar	--	--	4027
HK	05/03	20:30	Purchasing Managers Index	Apr	--	--	50.6
CH	05/03	21:45	HSBC Services PMI	Apr	--	52.3	52.3
MA	05/04	00:00	Exports (y/y)	Mar	--	0.0	-2.0
MA	05/04	00:00	Imports (y/y)	Mar	--	-3.0	-2.8
MA	05/04	00:00	Trade Balance (MYR bn)	Mar	--	9.5	9.0
ID	MAY 3-4		Consumer Confidence Index	Apr	--	--	121.6

### LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CL	04/30	08:00	Industrial Production (y/y)	Mar	-0.4	1.2	3.7
CL	04/30	08:00	Unemployment Rate (%)	Mar	6.7	6.8	6.7
PE	05/01	01:00	Consumer Price Index (m/m)	Apr	0.2	--	0.5
PE	05/01	01:00	Consumer Price Index (y/y)	Apr	0.8	--	0.4
BZ	05/02	09:00	PMI Manufacturing Index	Apr	--	--	53.4
BZ	MAY 2-7		Trade Balance (FOB) - Monthly (US\$ mn)	Apr	--	--	6281
BZ	05/03	08:00	Industrial Production SA (m/m)	Mar	--	--	0.2
BZ	05/03	08:00	Industrial Production (y/y)	Mar	--	--	2.8
CL	05/03	08:00	Retail Sales (y/y)	Mar	-0.7	4.5	4.0
CL	05/03	17:00	<b>Nominal Overnight Rate Target (%)</b>	<b>May 3</b>	<b>2.50</b>	<b>2.50</b>	<b>2.50</b>

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**Global Auctions for the week of April 30 – May 4****EUROPE**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
DE	05/02	04:30	Denmark to Sell 0.5% 2027 Bonds
DE	05/02	04:30	Denmark to Sell 4.5% 2039 Bonds
SW	05/02	05:03	Sweden to Sell 1 Billion Kronor of 2.5% 2025 Bonds
SW	05/02	05:03	Sweden to Sell 500 Million Kronor of 2.25% 2032 Bonds
GE	05/02	05:30	Germany to Sell EUR3 Bln 0% 2023 Bonds
SP	05/03	04:30	Spain to Sell 0.05% 2021 Bonds
SP	05/03	04:30	Spain to Sell 1.4% 2028 Bonds
SP	05/03	04:30	Spain to Sell 3.45% 2066 Bonds
FR	05/03	04:50	France to Sell 0.5% 2026 Bonds
FR	05/03	04:50	France to Sell 1.25% 2034 Bonds
FR	05/03	04:50	France to Sell 2% 2048 Bonds
UK	05/03	05:30	U.K. to Sell 3 Billion Pounds of 0.75% 2023 Bonds
IC	05/04	06:30	Iceland to Sell Bonds

**ASIA-PACIFIC**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CH	05/01	22:35	China to Sell CNY41 Bln 3-Yr Upsized Bonds
CH	05/01	22:35	China to Sell CNY41 Bln 7-Yr Upsized Bonds
NZ	05/02	22:05	New Zealand Plans To Sell NZD100Mln Inflation Bonds

## Events for the week of April 30 – May 4

### NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CA	05/01	14:30	Bank of Canada's Poloz Gives Speech in Yellowknife
US	05/02	14:00	<b>FOMC Rate Decision</b>
US	05/02		Treasury's Quarterly Refunding
US	05/04	12:00	Fed's Dudley Speaks with Bloomberg's Matthew Winkler
US	05/04	17:30	Quarles Speaks on Liquidity Regulation and Fed's Balance Sheet
US	05/04	20:00	Fed's Kaplan Speaks at Conference on Currencies and Capital

### EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
SW	05/02	08:00	Riksbank Governor Ingves Gives Speech in London
EC	05/02	11:30	ECB's Weidmann speaks in Mannheim, Germany
ES	05/03	03:00	ECB's Hansson answers Estonian MPs questions in parliament
NO	05/03	04:00	<b>Deposit Rates</b>
SW	05/03	04:00	Riksbank's Ingves in Open Hearing in Parliament
EC	05/03	08:00	ECB's Constancio Speaks in Frankfurt
EC	05/03	08:30	ECB's Coeure Speaks in Frankfurt
SZ	05/03	12:00	SNB's Jordan Speaks About Vollgeld in Zurich
SZ	05/03	12:00	SNB President Jordan holds speech on sovereign money
FR	05/04		France Sovereign Debt to Be Rated by Moody's

### ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
AU	04/30	00:00	RBA Governor Lowe Remarks at Board Dinner
AU	05/01	00:30	<b>RBA Cash Rate Target</b>
TA	05/03	04:00	Central Bank Mar. Minutes
AU	05/03	21:30	RBA Statement on Monetary Policy

### LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CL	05/03	17:00	<b>Overnight Rate Target</b>

## 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	May 30, 2018	1.25	1.38
Federal Reserve – Federal Funds Target Rate	1.75	May 2, 2018	1.75	1.75
Banco de México – Overnight Rate	7.50	May 17, 2018	7.50	--

**Federal Reserve:** Minor statement tweaking is likely when the FOMC issues its latest decisions and guidance on Wednesday at 2pmET. The month of May will inform significant data and geopolitical risks on the path to the almost fully priced June hike.

### 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	June 14, 2018	0.00	--
Bank of England – Bank Rate	0.50	May 10, 2018	0.50	0.50
Swiss National Bank – Libor Target Rate	-0.75	June 21, 2018	-0.75	--
Central Bank of Russia – One-Week Auction Rate	7.25	June 15, 2018	7.25	--
Sweden Riksbank – Repo Rate	-0.50	July 3, 2018	-0.50	--
Norges Bank – Deposit Rate	0.50	May 3, 2018	0.50	0.50
Central Bank of Turkey – Benchmark Repo Rate	8.00	June 7, 2018	8.00	--

**Norges Bank:** No policy change is anticipated on Thursday but a flap over inflation targeting is brewing. The minority government's decision on March 2nd to lower the inflation target by ½% to 2% was voted down by the Parliamentary Finance Committee as the majority in Parliament are opposed. Lowering the target was publicly supported by Norges Bank and the main opposition Christian Democratic Party ultimately deferred to the government. Norway is unlikely to have another election until 2021 having held an election last September.

### 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	June 15, 2018	-0.10	--
Reserve Bank of Australia – Cash Target Rate	1.50	May 1, 2018	1.50	1.50
Reserve Bank of New Zealand – Cash Rate	1.75	May 9, 2018	1.75	1.75
People's Bank of China – Lending Rate	4.35	TBA	--	--
Reserve Bank of India – Repo Rate	6.00	June 6, 2018	6.00	--
Bank of Korea – Bank Rate	1.50	May 24, 2018	1.50	--
Bank of Thailand – Repo Rate	1.50	May 16, 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	May 17, 2018	4.25	--

**The Reserve Bank of Australia (RBA)** will hold a monetary policy meeting on May 1. We do not expect any changes to the benchmark interest rate as Australia's inflation remains contained (1.9% y/y in Q1 2018). We forecast that wage pressures and demand-driven inflation will strengthen modestly over the course of 2018, which will likely prompt the RBA to commence a tightening cycle in Q4 2018.

### 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	6.50	May 16, 2018	6.50	--
Banco Central de Chile – Overnight Rate	2.50	May 3, 2018	2.50	2.50
Banco de la República de Colombia – Lending Rate	4.50	June 29, 2018	4.25	--
Banco Central de Reserva del Perú – Reference Rate	2.75	May 10, 2018	2.75	--

**Banco Central de Chile** is expected to hold its overnight rate target at 2.5% next Thursday. Scotia's economist in Santiago – Benjamin Sierra – thinks that the next rate move will be up but not until the second half of this year. He forecasts GDP growth rising from 1.5% last year to 3.6% this year and nearly 4% next year, taking CPI inflation up with it from 2.3% last year to 2.8% this year and 3% in 2019. CPI inflation recently surprised lower at 1.8% y/y while CPI ex-food and energy was stable at 1.6% which puts inflation beneath the central bank's 2-4% target range. Chile also updates industrial production, retail sales and the unemployment rate over the coming week.

### 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	6.50	May 24, 2018	6.50	--

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

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