

SUPER MARIO VERSUS THE STABLE GENIUS

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Next Week's Risk Dashboard

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- ▶ CBs: ECB, Chile, BanRep, Russia
- ▶ BoE guidance
- ▶ Trade tensions
- ▶ Fed tensions
- ▶ Earnings
- ▶ GDP: US, France, SK
- ▶ Eurozone PMIs
- ▶ US housing, investment, trade
- ▶ Australian CPI
- ▶ Chinese profits

Chart of the Week
Robust Earnings Growth Estimates


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

Super Mario Versus The Stable Genius

CANADA—THAT ‘R’ WORD

Rebound, of course. What were you thinking?! Canada is enjoying significant upward momentum on growth and inflation drivers of late, but the coming week may press pause on further developments in this regard. That’s because there is little market risk on the formal domestic calendar until the following week. That probably magnifies the potential market volatility in CAD and short rates that stems from possible central bank communications and ongoing random policy developments centered upon the US administration’s role in creating global market volatility. In the meantime, the OIS curve continues to have a very benign view toward BoC rate risks (chart 1).

This coming weekend’s meeting of G20 finance ministers and central bankers in Buenos Aires could be impactful in several respects. For one, there is the risk of central bank guidance from the sidelines and into the Monday Asian market open that may include Canada as well as everyone else. For another, a forum that brings together the biggest industrialized economies and the biggest emerging markets is sure to be a lively one for discussing global trade policy and the US government’s protectionist turn.

On the data front, we’re only talking **wholesale trade** for May on Monday. Whippee. The report never really has much effect, but it will complete the scorecard of monthly GDP drivers on the path to the GDP report for May on July 31st. It would seem reasonable to assume a healthy rise in wholesale trade given strong import figures (+1.7% m/m) and the sector’s significant trade orientation.

The information to date points to a considerably better GDP print than the prior month of April. Monthly GDP growth is pointing toward a rise of 0.3-0.4% that slightly rounds up within that range. Retail sales volumes were up 2% m/m in May as the consumer rebounded and manufacturing shipment volumes jumped by +0.9%. Flat hours worked moderates the enthusiasm. So does a 10% m/m drop in housing starts, albeit this was entirely in the volatile multi-family segment that a) rebounded by +46% m/m in June and b) involves less of an impact of near-term construction value-added and contributions to GDP growth than the 1.6% gain in single family housing starts during May. A ‘nowcast’ tracking range of just under 2½% and quarterly conversion of monthly GDP figures that settles in just above 2 ½% seems reasonable with most June data still ahead. Recall that the BoC’s July MPR forecast Q2 growth of 2.8% at a seasonally adjusted rate and while this is toward the upper bound of consensus, it may be in reach as more complete information on the full quarter arrives.

Earnings reports will be significant in number and breadth as the Canadian Q2 earnings season picks up. Thirty-five TSX-listed firms will report including CN, Loblaw, Air Canada and several gold and energy plays.

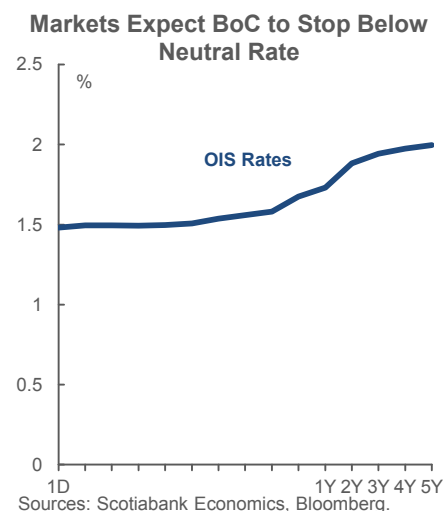
Canada holds a 10 year auction on Wednesday.

UNITED STATES—MARKETS ARE BACKING THE FED’S INDEPENDENCE

While the calendar reverts back to fundamentals-based risks and developments, random US trade policy guidance combined with the Trump administration’s ongoing interference with the Fed’s independence (see [this Scotia Flash](#) note released July 19, 2018) and the aforementioned G20 Summit will offer plenty of additional considerations by way of market risks. Combine all of this with thin summertime trading volumes as August looms, and the scope for wild and magnified price action remains high.

OIS markets—by the way—are not paying material heed to President Trump’s interference as the Fed is priced to remain on a hiking trajectory that ultimately caps out at around 2½% (chart 2). Further to the aforementioned note, recall St. Louis Fed President James Bullard’s recent remark that “A threat to Fed independence would come more through legislation that would

Chart 1



change the Fed structure.” The implications are that a) it reinforces that Trump doesn’t really have a practical influence over the Fed as per the previously mentioned note, but b) it raises the issue of potential changes in legislation.

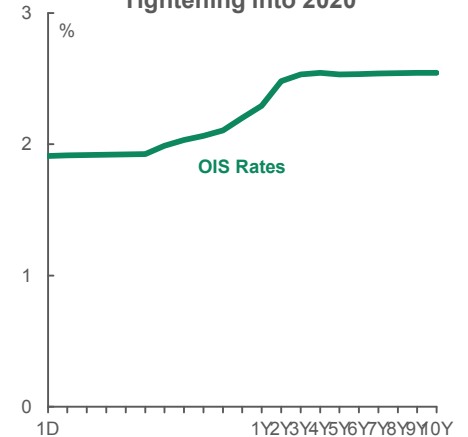
The latter issue of changes to legislation is likely a longer-tailed risk. There is likely zero concern this year, mild concern thereafter and it also depends upon what shape Congress takes after November. If it’s a divided Congress come November, then forget it as both chambers would have to pass a change to the Federal Reserve Act. The last time legislation governing the Fed changed was in 1977 when Jimmy Carter signed the revised Federal Reserve Act that shifted the Fed to the current dual mandate when it set the goal of “maximum employment, production, and price stability.” The dual mandate had its roots in earlier legislation well before being codified specifically for the Fed. That set of changes in 1977-78 also increased Congressional oversight of the Fed through the present monetary policy reporting arrangements that set up the once-named Humphrey-Hawkins semi-annual testimony which has actually been a useful thing over time versus unhelpful intrusion. While the Act moved fairly quickly through the House and Senate from the point of introduction in 1977, the dual mandate had been gestating for decades. Today, I would think that any further changes to the structure or mandate and supervision of the Fed would be the by-product of very lengthy debate and I doubt they’d be able to pull it off within Trump’s present term.

The macro calendar will be heavily focused upon growth-tracking evidence.

- Q2 GDP:** The veil will be lifted on exactly how strong growth was last quarter when Q2 growth is released on Friday. Consensus is calling for a print just north of 4% in quarter-ago seasonally adjusted and annualized terms. Scotia’s pick is a little under 4% and relative to consensus we may be on the lower side of expectations. The Atlanta Fed’s ‘nowcast’ is pegged at 4.5%. The New York Fed’s ‘nowcast’ hasn’t really reacted to data upsides and remains at about 2.8%. Credible forecasting shops range within a wide band from the upper 3% range to as high as 5½%. We’re probably already past the cyclical peak for growth, but this is expected to cool toward two-handled quarterly growth going forward. President Trump’s concerns about rising rates working against growth are not the main issue to most forecasters versus the likelihood that peak growth will wane as a) pent-up demand from Q1 wanes and b) fiscal stimulus effects peter out over time.
- Housing:** Existing (Monday) and new (Wednesday) home sales are due for June updates. New home sales may moderate following a large 6.7% m/m rise in May and have been on a solid upward trend for the past eight years but nevertheless remain about 50% lower than the 2005 peak and only just in-line with the long-run historical average. This is one reason for supply shortfalls that have been driving house prices higher including the repeat-sales and FHFA measures that are pushing toward 7% y/y increases well above the pace of inflation.
- Investment:** A strong jump from 43 to 233 in orders for Boeing planes from May to June is expected to be among the contributors to a significant increase in headline durable goods orders on Thursday. The key will again be whether core capital goods orders (ex-defense and air) can continue to grow after rising sharply in April and modestly in May.
- Trade:** The advance goods trade balance for June is also due out on Thursday. The deficit has been narrowing over recent months and by a cumulative amount of over US\$11 billion from the peak deficit of US\$76 billion in February to US\$65 billion in May. That narrowing may pause next week. Exports may struggle to post another strong rise in the wake of the 2.1% advance in May while import growth was soft that month.

Chart 2

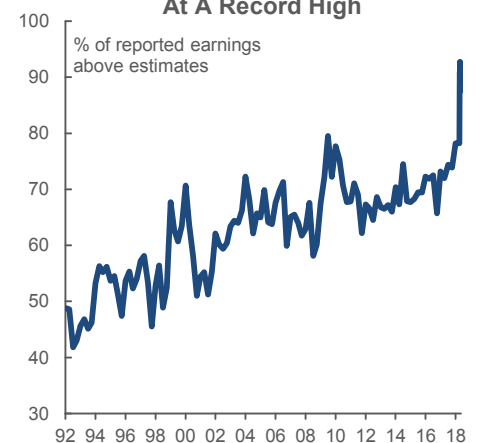
Markets Expect Fed to Keep on Tightening into 2020



Sources: Scotiabank Economics, Bloomberg.

Chart 3

Earnings Beats Are At A Record High



Sources: Scotiabank Economics, Bloomberg.

5. **Richmond Fed:** The regional district bank's manufacturing index usually drives little market response, but it will be used to firm up a call for the ISM-manufacturing print that is due out on August 1st and that can carry meaningful market effects. So far, ISM is looking pretty good in the wake of this past week's jump in the Philly Fed's metric which is the other highly correlated regional gauge.

Earnings season ramps up again over the coming week. 169 firms listed on the S&P500 will release including names like Alphabet, Whirlpool, 3M, Lockheed Martin, Coca Cola, UPS, GM, Boeing, Visa, Facebook, Ford, Mastercard, Xerox, Southwest Airlines, McDonald's, Intel, Amazon, Starbucks, Twitter, and Merck & Co. The beat ratio is off the charts this season (chart 3).

The US Treasury will auction 2s, 5s, 7s, 2 year floating rate notes, kitchen sinks and quite possibly busts of former Presidents as a deluge of US\$119 billion of debt supply hits markets.

LATIN AMERICA—WHAT'S THE BIAS?

LatAm markets—like everywhere else—could well be buffeted by developments out of the G20 meetings in Argentina and by random developments in US policy. **Apart from that, the domestic calendars are principally focused upon a pair of central bank decisions.**

Banco Central de Chile (Tuesday) and Banco Central de la Republica de Colombia both issue monetary policy decisions on Tuesday and Friday, respectively. No one within consensus expects changes to Chile's 2.5% overnight rate or Banrep's 4.25% rate. Chile's inflation rate of 2% y/y and Colombia's 3.2% y/y are both well within their identical 2-4% inflation target ranges (chart 4). Scotiabank's economists in Chile and Colombia anticipate rate hikes at both central banks over 2018H2 partly as the growth dynamic improves. Therefore, the key considerations in both cases will be refreshed guidance that may soon have to more clearly begin to prime markets for tightening.

EUROPE—ECB ON AUTO-PILOT WITH GUIDANCE RISK

European markets will probably be more focused upon key data than updated ECB policy guidance while the start of the week may bring refreshed guidance from top BoE officials of pertinence to expectations for a rate hike on August 2nd.

Recall that the ECB laid out the broad strokes of its exit policies at the June 14th meeting. At that time, it extended asset purchases from September to year-end at a reduced pace of €15 billion per month after which point they will cease. The ECB guided that it will leave its benchmark rates unchanged until "at least" the summer of 2019. Finally, the ECB stated that it will continue to reinvest for an extended period after ending purchases.

I don't see the conditions for revisiting any of this guidance at this stage. The ECB is largely on auto-pilot and monitoring data with the understanding that all of this is subject to its expectations tracking reasonably well. At issue may be any ECB rebuttal of US President Trump's allegations of currency manipulation that President Draghi has previously countered. The title to this report is therefore not a reference to a new upcoming video game. Also at issue may be more aggressive warnings on global trade policy risks and how the ECB interprets developments in the context of its "below 2%"

Chart 4

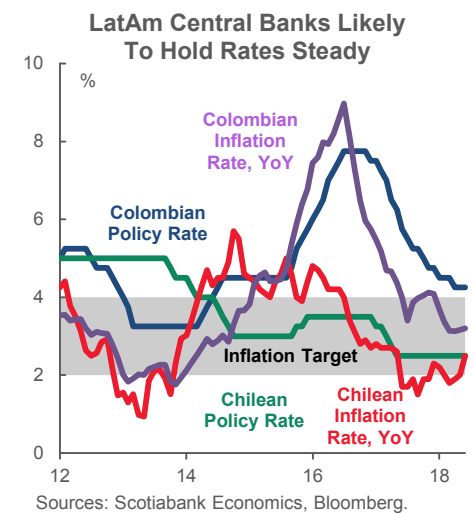


Chart 5

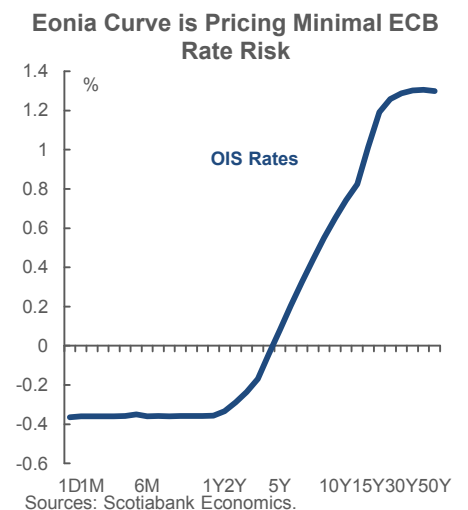
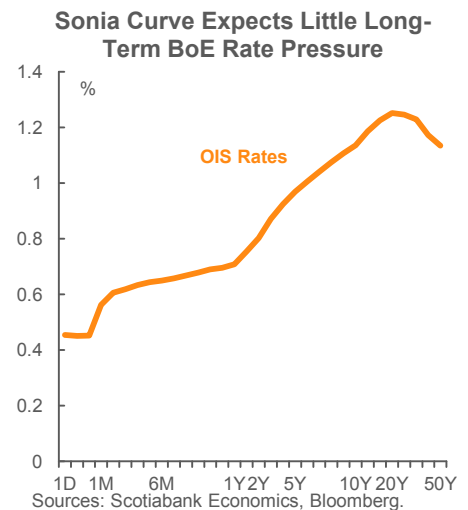


Chart 6



inflation target. In any event, OIS markets are pricing slightly negative rates out to four years along the tenor curve (chart 5). This is key to global bond markets as it suggests markets are not fussed by the risk that being paid to borrow in the short-term to capture a spread further up global curves could come to an abrupt end that would be destabilizing to global bond markets.

Bank of England guidance may also be important. The weekend G20 meetings in Argentina may bring freshened guidance and so may Monday's speech by Deputy Governor Broadbent. They are the final scheduled communications ahead of the August 2nd decision. OIS markets continue to expect a rate hike at that time, but also expect a very subdued degree of rate risk thereafter (chart 6). A balancing act lies between mixed activity and inflation signals. Headline inflation recently came in unchanged and softer than expected at 2.3% y/y (2.5% consensus, 2.3% prior) and core CPI was up 1.9% y/y (2.1% consensus, 2.1% prior). Core inflation peaked at 2.7% from last August pretty much through to January and has since fallen back to the present 1.9% rate. The effects of pound sterling's prior depreciation from late 2015 through to late 2016 since gave way to a largely sideways movement in terms of the Bank of England's effective exchange rate index. If inflation was only juiced because of sterling's prior depreciation, then what's the rush to hike in the face of uncertainty toward a hard or soft Brexit? Offsetting softer inflation (and somewhat softer wages that are registering very slight real wage gains) are decent activity readings like May GDP and a small upward revision to Q1 GDP, construction and manufacturing output and PMIs. That is, until retail sales disappointed expectations this week.

Data risk will be focused upon Eurozone purchasing managers' indices on Tuesday that have been on softening trends of late (charts 7, 8). French GDP growth in Q2 (Friday) will tease expectations for broader German and Eurozone GDP growth the following week. Consensus expects a further softening of the year-ago French growth rate to under -2% for the first time since the first quarter of last year.

ASIA-PACIFIC—STRONG EARNINGS...AND CHEAP!

A wave of Asian earnings reports and policy conflict with the US administration will dominate market developments over the coming week. Refer to the cover chart for a depiction of earnings growth coming out of China and juxtapose that against relative valuations in China that are among the cheapest in the world (chart 9). Data risk will be of largely regional market significance with little global spillover anticipated.

Australian CPI inflation is poised for an update on Tuesday evening eastern time. The Q2 print is expected to push higher and cross 2% for the first time in a year. That would bring it back within the low end of the RBA's 2-3% target range. The central tendency measures that include trimmed mean and weighted median metrics are both expected to remain slightly below 2%. At the margin, inflation should therefore move in the direction of expecting eventual hikes but without providing immediate pressure.

South Korea's economy is expected to continue to post growth of just under 3% y/y when Q2 GDP lands on Wednesday night eastern time.

Chinese industrial profits, Japan's Tokyo CPI measure and some trade reports including New Zealand's round out minor additional developments.

Chart 7

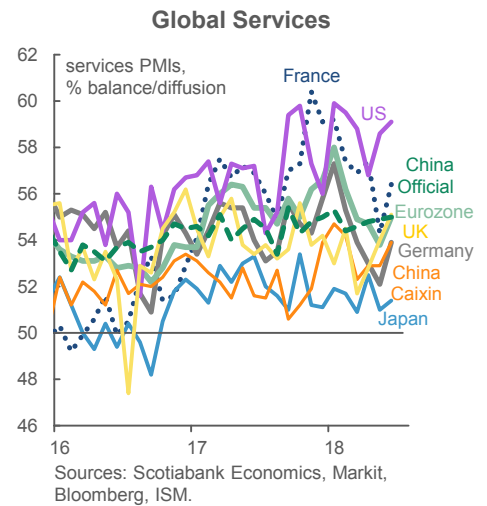


Chart 8

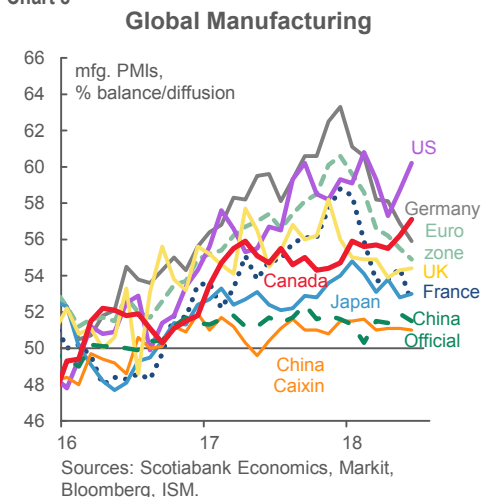
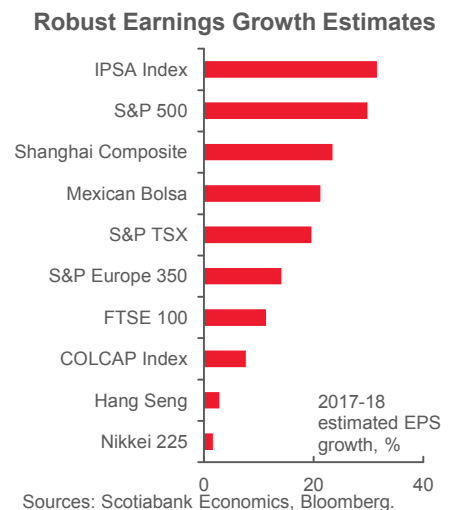


Chart 9



Key Indicators for the week of July 23 – 27

NORTH AMERICA

| Country | Date | Time | Indicator | Period | BNS | Consensus | Latest |
|---------|-------|-------|---------------------------------------|--------|------|-----------|--------|
| CA | 07/23 | 08:30 | Wholesale Trade (m/m) | May | -- | 0.6 | 0.1 |
| MX | 07/23 | 09:00 | Global Economic Indicator IGAE (y/y) | May | 3.1 | 2.0 | 4.5 |
| US | 07/23 | 10:00 | Existing Home Sales (mn a.r.) | Jun | 5.5 | 5.4 | 5.4 |
| US | 07/23 | 10:00 | Existing Home Sales (m/m) | Jun | 1.3 | 0.2 | -0.4 |
| MX | 07/24 | 09:00 | Bi-Weekly Core CPI (% change) | Jul 15 | 0.1 | 0.2 | 0.1 |
| MX | 07/24 | 09:00 | Bi-Weekly CPI (% change) | Jul 15 | 0.2 | 0.3 | 0.3 |
| US | 07/24 | 10:00 | Richmond Fed Manufacturing Index | Jul | -- | 18.0 | 20.0 |
| US | 07/25 | 07:00 | MBA Mortgage Applications (w/w) | JUL 20 | -- | -- | 2.5 |
| MX | 07/25 | 09:00 | Retail Sales (INEGI) (y/y) | May | -- | -- | 3.3 |
| US | 07/25 | 10:00 | New Home Sales (000s a.r.) | Jun | 665 | 669 | 689 |
| US | 07/26 | 08:30 | Durable Goods Orders (m/m) | Jun P | 3.5 | 2.8 | -0.4 |
| US | 07/26 | 08:30 | Durable Goods Orders ex. Trans. (m/m) | Jun P | 0.5 | 0.4 | 0.0 |
| US | 07/26 | 08:30 | Initial Jobless Claims (000s) | JUL 21 | 210 | 215 | 214 |
| US | 07/26 | 08:30 | Continuing Claims (000s) | JUL 14 | 1740 | 1733 | 1739 |
| US | 07/26 | 08:30 | Wholesale Inventories (m/m) | Jun P | -- | 0.4 | 0.6 |
| MX | 07/26 | 09:00 | Unemployment Rate (%) | Jun | 3.3 | -- | 3.2 |
| US | 07/27 | 08:30 | GDP (q/q a.r.) | 2Q A | 3.7 | 4.2 | 2.0 |
| US | 07/27 | 08:30 | GDP Deflator (q/q a.r.) | 2Q A | -- | 2.4 | 2.2 |
| MX | 07/27 | 09:00 | Trade Balance (US\$ mn) | Jun | 2196 | -- | -1587 |
| US | 07/27 | 10:00 | U. of Michigan Consumer Sentiment | Jul F | -- | 97.1 | 97.1 |

EUROPE

| Country | Date | Time | Indicator | Period | BNS | Consensus | Latest |
|---------|-------|-------|--------------------------------------|---------------|-------------|-------------|-------------|
| EC | 07/23 | 10:00 | Consumer Confidence | Jul A | -- | -0.7 | -0.5 |
| FR | 07/24 | 03:00 | Manufacturing PMI | Jul P | -- | 52.5 | 52.5 |
| FR | 07/24 | 03:00 | Services PMI | Jul P | -- | 55.7 | 55.9 |
| GE | 07/24 | 03:30 | Manufacturing PMI | Jul P | -- | 55.5 | 55.9 |
| GE | 07/24 | 03:30 | Services PMI | Jul P | -- | 54.5 | 54.5 |
| EC | 07/24 | 04:00 | Composite PMI | Jul P | -- | 54.7 | 54.9 |
| EC | 07/24 | 04:00 | Manufacturing PMI | Jul P | -- | 54.6 | 54.9 |
| EC | 07/24 | 04:00 | Services PMI | Jul P | -- | 55.0 | 55.2 |
| TU | 07/24 | 07:00 | Benchmark Repo Rate (%) | Jul 24 | -- | 18.75 | 17.75 |
| FR | 07/25 | 02:45 | Producer Prices (m/m) | Jun | -- | -- | 0.6 |
| GE | 07/25 | 04:00 | IFO Business Climate Survey | Jul | -- | 101.5 | 101.8 |
| GE | 07/25 | 04:00 | IFO Current Assessment Survey | Jul | -- | 104.8 | 105.1 |
| GE | 07/25 | 04:00 | IFO Expectations Survey | Jul | -- | 98.3 | 98.6 |
| GE | 07/26 | 02:00 | GfK Consumer Confidence Survey | Aug | -- | 10.7 | 10.7 |
| SP | 07/26 | 03:00 | Unemployment Rate (%) | 2Q | -- | 15.8 | 16.7 |
| EC | 07/26 | 07:45 | ECB Main Refinancing Rate (%) | Jul 26 | 0.00 | 0.00 | 0.00 |
| FR | 07/27 | 01:30 | GDP (q/q) | 2Q A | -- | 0.3 | 0.2 |
| FR | 07/27 | 02:45 | Consumer Spending (m/m) | Jun | -- | 0.6 | 0.9 |
| SP | 07/27 | 03:00 | Real Retail Sales (y/y) | Jun | -- | -- | -0.4 |
| RU | 07/27 | 06:30 | One-Week Auction Rate (%) | Jul 27 | -- | 7.25 | 7.25 |
| GE | 07/27 | | Retail Sales (m/m) | Jun | -- | 1.0 | 0.0 |

Key Indicators for the week of July 23 – 27

ASIA-PACIFIC

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Indicator</u> | <u>Period</u> | <u>BNS</u> | <u>Consensus</u> | <u>Latest</u> |
|----------------|-------------|-------------|---|---------------|------------|------------------|---------------|
| PH | JULY 22-23 | | Budget Deficit/Surplus (PHP bn) | Jun | -- | -- | -32.9 |
| SI | 07/23 | 01:00 | CPI (y/y) | Jun | 0.4 | 0.6 | 0.4 |
| TA | 07/23 | 04:00 | Industrial Production (y/y) | Jun | -- | 4.8 | 7.1 |
| TA | 07/23 | 04:00 | Unemployment Rate (%) | Jun | 3.7 | 3.7 | 3.7 |
| HK | 07/23 | 04:30 | CPI (y/y) | Jun | 2.2 | 2.2 | 2.1 |
| JN | 07/23 | 20:30 | Markit/JMMA Manufacturing PMI | Jul P | -- | -- | 53.0 |
| JN | 07/24 | 01:00 | Coincident Index CI | May F | 116.1 | -- | 116.1 |
| JN | 07/24 | 01:00 | Leading Index CI | May F | 106.9 | -- | 106.9 |
| JN | 07/24 | 01:00 | Supermarket Sales (y/y) | Jun | -- | -- | -2.3 |
| JN | 07/24 | 01:30 | Nationwide Department Store Sales (y/y) | Jun | -- | -- | -2.0 |
| SK | 07/24 | 17:00 | Consumer Confidence Index | Jul | -- | -- | 105.5 |
| NZ | 07/24 | 18:45 | Trade Balance (NZD mn) | Jun | -- | 200.0 | 294.3 |
| NZ | 07/24 | 18:45 | Exports (NZD bn) | Jun | -- | 5 | 5415 |
| NZ | 07/24 | 18:45 | Imports (NZD bn) | Jun | -- | 5 | 5121 |
| AU | 07/24 | 21:30 | Consumer Prices (y/y) | 2Q | 2.2 | 2.2 | 1.9 |
| VN | JULY 24-25 | | CPI (y/y) | Jul | -- | 4.9 | 4.7 |
| VN | JULY 24-25 | | Exports (y/y) | Jul | -- | 15.8 | 16.0 |
| VN | JULY 24-25 | | Imports (y/y) | Jul | -- | 10.4 | 10.0 |
| VN | JULY 24-25 | | Industrial Production (y/y) | Jul | -- | -- | 12.3 |
| SK | 07/25 | 19:00 | GDP (y/y) | 2Q P | 2.8 | 2.9 | 2.8 |
| SI | 07/26 | 01:00 | Industrial Production (y/y) | Jun | -- | 3.0 | 11.1 |
| HK | 07/26 | 04:30 | Exports (y/y) | Jun | -- | 8.1 | 15.9 |
| HK | 07/26 | 04:30 | Imports (y/y) | Jun | -- | 8.2 | 16.5 |
| HK | 07/26 | 04:30 | Trade Balance (HKD bn) | Jun | -- | -52.0 | -43.2 |
| NZ | 07/26 | 18:00 | ANZ Consumer Confidence Index | Jul | -- | -- | 120.0 |
| JN | 07/26 | 19:30 | Tokyo CPI (y/y) | Jul | -- | 0.7 | 0.6 |
| AU | 07/26 | 21:30 | Producer Price Index (y/y) | 2Q | -- | -- | 1.7 |
| CH | 07/26 | 21:30 | Industrial Profits YTD (y/y) | Jun | -- | -- | 21.1 |
| SI | 07/26 | 22:30 | Unemployment Rate (%) | 2Q | 2.0 | 2.0 | 2.0 |

LATIN AMERICA

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Indicator</u> | <u>Period</u> | <u>BNS</u> | <u>Consensus</u> | <u>Latest</u> |
|----------------|-------------|-------------|-----------------------------------|---------------|------------|------------------|---------------|
| CL | 07/24 | 18:00 | Nominal Overnight Rate Target (%) | Jul 24 | 2.50 | 2.50 | 2.50 |
| BZ | 07/26 | 09:30 | Current Account (US\$ mn) | Jun | -- | 60 | 729 |
| CO | 07/27 | | Overnight Lending Rate (%) | Jul 27 | 4.25 | 4.25 | 4.25 |

Global Auctions for the week of July 23 – 27

NORTH AMERICA

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Event</u> |
|----------------|-------------|-------------|---|
| US | 07/24 | 13:00 | U.S. to Sell USD35 Bln 2-Year Notes |
| US | 07/25 | 11:30 | U.S. to Sell USD18 Bln 2-Year Floating Rate Notes Reopening |
| CA | 07/25 | 12:00 | Canada to Sell CAD3 Bln 2.125% 2029 Bonds |
| US | 07/25 | 13:00 | U.S. to Sell USD36 Bln 5-Year Notes |
| US | 07/26 | 13:00 | U.S. to Sell USD30 Bln 7-Year Notes |

EUROPE

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Event</u> |
|----------------|-------------|-------------|---|
| BE | 07/23 | 05:30 | Belgium to Sell OLO Bonds Auction |
| UK | 07/24 | 05:30 | U.K. to Sell 2.75 Billion Pounds of 1% 2024 Bonds |
| GE | 07/25 | 05:30 | Germany to Sell EUR4 Bln 2023 Bonds |
| BE | 07/25 | 05:30 | Belgium to Sell 0.5% 2024 Bonds |
| IT | 07/26 | 05:00 | Italy to Sell Zero Bonds |

ASIA-PACIFIC

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Event</u> |
|----------------|-------------|-------------|---|
| CH | 07/22 | 21:30 | Gansu to Sell Bonds |
| CH | 07/22 | 22:30 | Dalian to Sell Bonds |
| CH | 07/23 | 21:30 | Hebei to Sell Bonds |
| JN | 07/23 | 23:35 | Japan to Sell 40-Year Bonds |
| CH | 07/25 | 21:30 | Sichuan to Sell CNY15 Bln 5Y Bonds |
| NZ | 07/25 | 22:05 | New Zealand To Sell NZD150 Mln 2.75% 2025 Bonds |
| JN | 07/25 | 23:35 | Japan to Sell 2-Year Bonds |
| CH | 07/26 | 02:00 | Xinjiang to Sell CNY14.35 Bln 5Y Bonds |

Source: Bloomberg, Scotiabank Economics.

Events for the week of July 23 – 27

NORTH AMERICA

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Event</u> |
|----------------|-------------|-------------|------------------------|
| US | 07/24 | | Georgia primary runoff |

EUROPE

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Event</u> |
|----------------|-------------|-------------|--|
| UK | 07/23 | 13:00 | BOE's Broadbent Speaks in London |
| TU | 07/24 | 07:00 | One-Week Repo Rate |
| HU | 07/24 | 08:00 | Central Bank Rate Decision |
| EC | 07/26 | 07:45 | ECB Main Refinancing Rate |
| EC | 07/26 | 08:30 | ECB President Draghi Holds Press Conference in Frankfurt |
| RU | 07/27 | 06:30 | Key Rate |
| SW | 07/27 | | Sweden Sovereign Debt to be rated by Fitch |

ASIA-PACIFIC

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Event</u> |
|----------------|-------------|-------------|--|
| AZ | 07/27 | | Azerbaijan Sovereign Debt to be rated by S&P |
| AZ | 07/27 | | Azerbaijan Sovereign Debt to be rated by Fitch |

LATIN AMERICA

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Event</u> |
|----------------|-------------|-------------|--|
| AR | 07/21 | 00:00 | G-20 Finance Ministers, Central Bankers Meet in Buenos Aires |
| CL | 07/24 | 18:00 | Overnight Rate Target |
| CO | 07/27 | | Overnight Lending Rate |

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 | 1.50 | September 5, 2018 | 1.50 | 1.50 |
| Federal Reserve – Federal Funds Target Rate | 2.00 | August 1, 2018 | 2.00 | 2.00 |
| Banco de México – Overnight Rate | 7.75 | August 2, 2018 | 7.50 | 7.75 |

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 | July 26, 2018 | 0.00 | 0.00 |
| Bank of England – Bank Rate | 0.50 | August 2, 2018 | 0.50 | 0.75 |
| Swiss National Bank – Libor Target Rate | -0.75 | September 20, 2018 | -0.75 | -0.75 |
| Central Bank of Russia – One-Week Auction Rate | 7.25 | July 27, 2018 | 7.00 | 7.25 |
| Sweden Riksbank – Repo Rate | -0.50 | September 6, 2018 | -0.50 | -0.50 |
| Norges Bank – Deposit Rate | 0.50 | August 16, 2018 | 0.50 | 0.75 |
| Central Bank of Turkey – Benchmark Repo Rate | 17.75 | July 24, 2018 | 17.75 | 18.00 |

ECB: After having mapped out its exit plans at the June meeting, the ECB is in data dependent auto-pilot mode for the time being. No policy changes are expected and no guidance changes are anticipated. At risk may be whether President Draghi re-engages the US administration on allegations of currency manipulation and more directly addresses trade policy risks.

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 | July 31, 2018 | -0.10 | -0.10 |
| Reserve Bank of Australia – Cash Target Rate | 1.50 | August 7, 2018 | 1.50 | 1.50 |
| Reserve Bank of New Zealand – Cash Rate | 1.75 | August 8, 2018 | 1.75 | 1.75 |
| People's Bank of China – Lending Rate | 4.35 | TBA | -- | 4.35 |
| Reserve Bank of India – Repo Rate | 6.25 | August 1, 2018 | 6.25 | 6.25 |
| Bank of Korea – Bank Rate | 1.50 | August 31, 2018 | 1.75 | 1.75 |
| Bank of Thailand – Repo Rate | 1.50 | August 8, 2018 | 1.50 | 1.50 |
| Bank Negara Malaysia – Overnight Policy Rate | 3.25 | September 5, 2018 | 3.25 | 3.25 |
| Bank Indonesia – 7-Day Reverse Repo Rate | 5.25 | August 16, 2018 | 5.50 | 5.25 |

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 | August 1, 2018 | 6.50 | 6.50 |
| Banco Central de Chile – Overnight Rate | 2.50 | July 24, 2018 | 2.50 | 2.50 |
| Banco de la República de Colombia – Lending Rate | 4.25 | July 27, 2018 | 4.25 | 4.25 |
| Banco Central de Reserva del Perú – Reference Rate | 2.75 | August 9, 2018 | 2.75 | 2.75 |

Banco Central de Chile (Tuesday) and Banco Central de la Republica de Colombia both issue monetary policy decisions on Tuesday and Friday respectively. No one within consensus expects changes to Chile's 2.5% overnight rate or Banrep's 4.25% rate. Chile's inflation rate of 2% y/y and Colombia's 3.2% y/y are both well within their identical 2-4% inflation target ranges. Scotiabank's economists in Chile and Colombia anticipate rate hikes at both central banks over 2018H2 partly as the growth dynamic improves. Therefore, the key considerations in both cases will be refreshed guidance that may soon have to more clearly begin to prime markets for tightening.

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 | September 20, 2018 | 6.50 | 6.50 |

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