TRANSITORY?

FORECASTS & DATA

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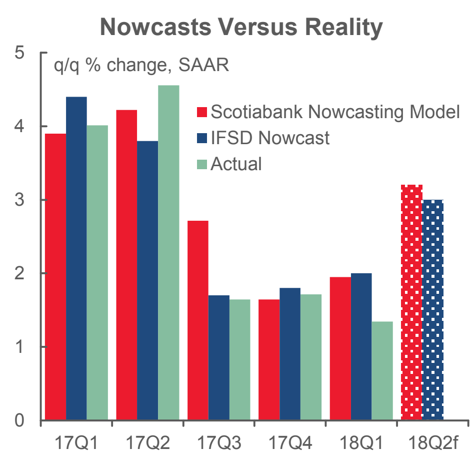
Next Week's Risk Dashboard

- BoC's Poloz
- GDP: Canada, US (R), India, Brazil
- CDN bank earnings
- Jackson Hole
- NAFTA negotiations
- US consumer spending
- China macro
- Bank of Korea
- Inflation: US, Eurozone
- US political risk

Chart of the Week



Sources: Scotiabank Economics, Statistics Canada, IFSD University of Ottawa.

Chart of the Week: Prepared by: Nikita Perevalov, Senior Economist & Yukiko Kitayama, Analyst, Summer Intern.

Transitory?

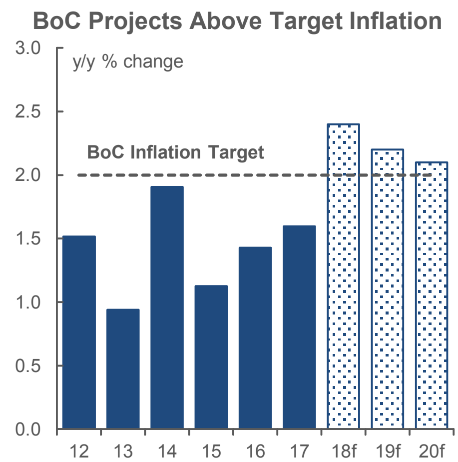
CANADA—SHARPENING THE PENCILS

Consensus and market expectations for the Bank of Canada's decision on September 5th will be firmed up in the wake of pending Bank of Canada communications and a GDP report. Bank earnings season will also operate in the background of macro risks that could also include NAFTA developments given Mexico's desire to achieve agreement before the fast-approaching August 31st deadline. Canada bond markets will close early on Friday at 1pmET ahead of the Labour Day long weekend.

Bank of Canada communications may well pose high risk to CAD and short rates into the Asian Monday market open. Governor Poloz delivered a CNBC interview late on Friday afternoon. It was a blended message that did not provide concrete direction or guidance on timing the next hike in a hiking cycle which is not unexpected given his tendency to avoid explicit forward guidance. If he is to provide clearer perspectives, the opportunity to do so comes tomorrow.

During the TV interview, Poloz left viewers guessing on the interplay between his reading of recent inflation versus his takes on growth, the state of the economy and hence where this could take inflation. Poloz (mostly correctly) noted that headline inflation has risen due to transitory factors but that core is steady (at 2%). I say mostly correctly because I'd be remiss in failing to note that while the peak at 3% or slightly higher may be transitory, the BoC's own July MPR forecast headline inflation durably above the 2% target throughout the entire 2018-2020 forecast horizon. The BoC projects inflation at 2.4% this year, 2.2% in 2019 and 2.1% in 2020 (chart 1). While it's true the BoC has a target range of 1-3% inflation, their projections are just above the mid-point and it is important to note that this projection embeds an implied rate path toward policy normalization. Poloz said 3% or higher is transitory. He did not say a mild inflation overshoot that needs an implied rate path to come true was transitory and that may be the key. We're therefore left wondering if his transitory remark was sensibly oriented toward tamping down present readings, or whether to place emphasis upon what the Governor says versus what the BoC forecasts, as well as the usual guessing over the BoC's implied rate path to keep inflation from climbing higher yet than forecast.

Chart 1



Sources: Scotiabank Economics, Statistics Canada, Bank of Canada.

Further, Poloz did not provide guidance on where core inflation may go in future, but his guidance on the underlying fundamentals is nevertheless informative in that sense. Poloz described the economy as "back on track" and at "full strength." Bloomberg consensus forecasts next week's Q2 GDP growth to be somewhat above the BoC's 2.8% forecast from July. He repeated the line that the economy is more sensitive to higher rates now than historically, which is something we take to motivate a lower terminal rate in this cycle rather than all of the individual steps toward it. Poloz sounded constructive on trade policy saying that tariffs are a major risk to an open economy which is not a new argument, but that "I'm a pretty optimistic person" as he went on to express the view that NAFTA negotiations will work out the issues and that recent developments in US-Mexican negotiations have been encouraging. He also repeated that their forecasts incorporate tariffs to date but not other hypotheticals.

Poloz will be on a panel at Jackson Hole on Saturday at 12:25pmET with text available fifteen minutes prior to the panel (here). BoC Governor Poloz's panel has some heavy hitters with Raghuram Rajan (former RBI Governor who flagged the risks prior to the GFC) and Agustin Carstens who now heads the BIS after previously being the Banxico Governor. We do not know whether the BoC may release an updated research piece on the topic at or around the time of the panel. There will be no press conference, but there will be audience Q&A that may be of higher than average quality. Poloz will not, however, conduct another media roundtable at Jackson Hole which he has typically done in the past. He may provide further remarks from the sidelines at any point.

Poloz's panel topic will be "The Fourth Industrial Revolution and Central Banking." The impact of the 4th IR on the global economy has been hotly debated for some time including at the WEF as one example (here). There are many potential ways in which the panel—and specifically Poloz—could address this topic, but the key could be to go back to what he said last November about digitalization (DIG), globalization and inflation as one way of encapsulating the 4th IR effects. This includes a BoC staff research piece (here) that he flagged in parliamentary testimony on October 31st (here) and further emphasized in a keynote speech on inflation on November 7th (here).

The broad take-away from that earlier work is that BoC research has not yet found compelling evidence of a significant DIG or other common external effect on Canadian inflation versus more dominant local market factors like spare capacity considerations. Poloz has therefore been dismissive of the view that "central banks may be losing the ability to understand the processes that drive inflation" to cite how he framed the debate. Their research involved pointing to potential competing DIG effects that could be disinflationary or that could have the opposite effects (e.g. through the exercise of market power by major e-commerce players). Poloz nevertheless left the door open to further evaluating potential effects as more data is gathered, as time and experiences pass by, and as research further develops in this area.

If the BoC didn't find DIG evidence on inflation less than a year ago, then how likely is it that Poloz might signal a shift in that thinking just ten months later? I would think it's not likely, but therein may lie the risk of any updated research on the topic that may accompany his panel appearance or follow soon thereafter. If he sticks to what he was describing ten months ago, then Poloz could sound open to further consideration but generally dismissive of the DIG effects while putting most of the emphasis upon fundamentals. Those fundamentals involve stronger recent growth than the BoC has forecast. That, in turn, means a slightly more rapid entry into excess demand conditions over 2018H2 than the BoC had anticipated thus far. That, in turn, would continue to support a rate hike path and perhaps one in favour of an expedited pace of tightening compared to near-term meeting pricing.

Relevant supporting passages from Poloz's communications last Halloween and on November 7th 2017 include the following:

> "Some have argued that globalization is restraining inflation. This could be due to increased imports from lower-cost countries, for example, or the effect of Canadian companies participating in global supply chains. Others point to the impact of digitalization on the economy. They suggest that digital technologies could lower barriers to entry in some sectors and lead to more competition. The rise of e-commerce may be changing price-setting behaviour. And digital technologies could promote innovation and higher productivity, which could create disinflationary pressure."

> "However, Bank staff have yet to find rigorous empirical evidence to show that these factors add to our understanding of Canadian inflation beyond what the basic drivers tell us. To be clear, all I am saying is that the evidence does not pass the formal test for statistical significance. Common sense tells you that globalization and digitalization are affecting prices. Over time, as we accumulate data, we may be more able to identify and statistically quantify these effects."

His conclusion to that speech therefore mostly but not entirely dismissed prior inflation undershoots as being some mystery. He said it mostly wasn't, amid little real evidence of factors they haven't previously considered—like DIG effects. Instead, he pinned the previous undershoots on:

> "...the surprising persistence of excess capacity in the economy, and the fact that inflation reacts to excess demand after a lag. This drag can persist until all slack in the labour market is absorbed as firms build additional capacity through higher investment with the economy approaching potential. Beyond these factors, there have been repeated relative price fluctuations—in electricity prices and from increased competition in food retailing, for example—which have temporary effects on inflation and should be looked through. Moreover, there may also be some drag on inflation from globalization and digitalization. When we put it all together, we see that inflation has been behaving well within the normal zone of statistical and policy tolerance."

So the key to Saturday may be his depiction of current slack and domestic drivers of inflation. To put it in his language, is the Canadian economy "all the way home" yet? I would think he should have greater conviction that it is fast approaching such a point if not already there while continuing to emphasize uncertainties on how spare capacity may evolve including in labour markets. Investment is on the mend as businesses have no choice but to expand capacity despite NAFTA concerns. GDP growth is rebounding nicely following an earlier soft patch. The output gaps are shut and beginning to slip into excess aggregate demand territory. Further, the economy has been making among the best degrees of progress in terms of wage and price pressures in years. Under such conditions, the BoC may well have hiked three times already this year but the gap between January and July involved testing its hypothesis that growth headwinds would prove transitory. They have, and so the BoC arguably has some catching up to do in order to take stronger steps to raise its negative real policy rate toward or somewhat beyond zero before potentially taking a breather.

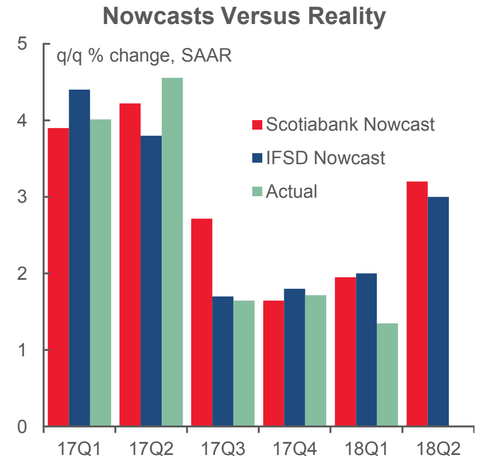
Overall, it is possible but by no means definite that Poloz could reinforce his recent confidence in the outlook and guidance to expect further rate hikes toward a lower neutral rate than in previous cycles. He will likely never indicate forward guidance attached to individual meetings, but the tone of his comments will be closely parsed for evidence of a sense of urgency to catch up on monetary policy in such fashion as to inform rate expectations at each of the remaining three meetings this year and beyond.

After Poloz will come GDP for June and the full second quarter (Thursday). Nowcasting efforts are pointing to a solid rise in Q2 growth. The Bank of Canada had forecast 2.8% growth in Q2 in the July MPR. Tracking on both the production side of GDP accounts using monthly GDP and on the expenditure side of the GDP accounts points to somewhat stronger growth of just over 3% (chart 2).

Bank earnings season gets fired up again on Tuesday. BNS (my employer) and BMO release fiscal Q3 earnings on Tuesday. National Bank reports on Wednesday. TD Bank and Canadian Western Bank report on Thursday.

Canada conducts a two year bond auction on Thursday.

Chart 2



Sources: Scotiabank Economics, Statistics Canada, IFSD University of Ottawa.

UNITED STATES—NAVIGATING POLITICAL RISK

The potential market aftermath of this weekend's Jackson Hole Symposium, escalating US political risks, NAFTA headline risk, ongoing trade negotiations between the US, China and Europe, limited and concentrated US data risk, and a series of large bond auctions all lie ahead. Overall, it will hardly be a boring week for market participants in the dying days of August before the post-Labor Day environment takes over.

The Fed's annual Jackson Hole symposium wraps up on Saturday. The agenda is here. While the BoC may be the one remaining potential source of market risk by way of central bank communications, the rest of the agenda largely has an academic feel to it. Chair Powell's speech at Jackson Hole was pretty much a non-event to markets (recap here). **Don't expect any guidance to come from the world's three other most influential central banks.** BoJ Governor Kuroda will not be in attendance, but one of his Deputy Governors (Wakatabe) will be. Nobody will be in attendance from the ECB which is rather unusual and the Bundesbank is sending its VP Claudia Buch. The BoE's Chief Economist Andy Haldane will be his institution's sole representative. **Not surprisingly, the Fed itself will be out in full force and we're already seeing sideline interviews.** Powell, Brainard, Quarles, Governor-nominee Goodfriend, each of the regional district bank Presidents minus the vacancy at the San Fran Fed, and former Fed officials Dudley and Fischer will all be in attendance plus other more distant former Fed officials. As noted in the LatAm section of *The Global Week Ahead*, there may be a greater risk of comments to the press from LatAm central bank heads.

Data risk will be overwhelmingly focused upon just Thursday's indicators for the Fed's preferred inflation measures, consumer spending, income growth and the saving rate during the month of July. The data will kick Q3 GDP tracking into higher gear which matters in terms of gauging the durability of strong Q2 growth. July was probably a good month for total consumer spending, given that we already know that retail sales were up by more than expected. Retail sales rose by 0.5% m/m in July (0.1% consensus) including a 0.6% rise in sales ex-autos, a +0.6% gain in sales ex-autos and gas and a 0.5% jump in the important 'control group' measure that more directly factors into total consumption and GDP. Most of that rise was probably in terms of volumes.

As for headline and core PCE inflation, the issues are whether a) PCE directionally follows CPI higher, and b) whether the gap between the PCE and CPI measures changes. The already-known stable headline CPI reading in July may translate into stable PCE, but **the up-tick in core CPI is driving expectations for an identical up-tick in core PCE** (chart 3). If core PCE ticks higher, that would matter more to the Fed. It's not a slam dunk given sundry differences in the two measures. For example, CPI only captures medical spending by individuals, whereas PCE includes medical spending on their behalf by governments and employers.

Secondary releases will include consumer confidence (Tuesday), the Richmond Fed's regional manufacturing gauge (Tuesday), the advance merchandise goods trade balance (Tuesday), the second pass at Q2 US GDP estimates after the initial 4.1% reading (Wednesday), and pending home sales (Wednesday).

How seriously should market participants and policymakers including the Federal Reserve treat the potential market implications of US political risks? Not very, in my opinion, but more intensified political headline risk will be hanging over the markets from now through to at least the mid-terms. At the extreme, would impeachment cause a market crash of sorts? I realize this is obviously something that is not to be treated as a base case scenario at this point, but it's worth considering the scope for market instability through a review of the evidence for investors along various time frames. Before doing so, history suggests that outright impeachment in the US is a risk to be treated fairly lightly by contrast to, say, a number of emerging markets. Andrew Johnson was impeached by the House but acquitted in the Senate trial in 1868. Richard Nixon quit after being impeached by the House but resigned from office before further proceedings were enacted, and soon afterward he was pardoned by Ford. Clinton was impeached by the House but then acquitted in the Senate. So even if it gets to that stage this time, there are no guarantees on outcomes. But, chart 4 shows what happened to the S&P500 into and out of the Nixon and Clinton periods starting two years prior to decision days and ending two years afterward in order to sample a long enough surrounding period. At worst, one might suggest it can be a short-lived effect before the focus returns to earnings and other considerations but there is even a big caveat on that. At best it has been a neutral effect like when stocks ignored Clinton's challenges right up to vote day. But there are two complicating considerations.

One is to control for a lot of other drivers in each period. For example, leading up to Nixon's resignation, stocks were falling primarily because we had the implosion of the Bretton Woods fixed exchange rate system in March 1973 and the 1973 oil shock. Stocks recovered thereafter as the dust settled on the pair of market shocks and the focus shifted elsewhere. It's unclear that markets cared much about Nixon per se relative to much else that was going on. Further, stocks ignored the Clinton proceedings leading up to and through the votes as they were focused upon recovering from the Asian financial crisis and extending the dot-com era's gains.

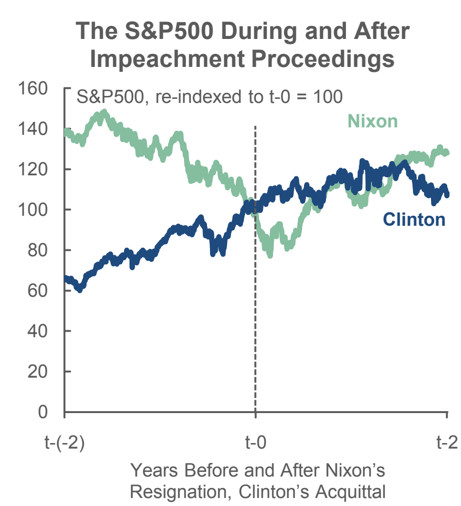
Nevertheless, US stocks have outperformed other global benchmarks since the November 2016 election and heavily due to this year's relative performance (chart 5). That might suggest relative US gains are vulnerable to political developments beyond common factors that have driven global stocks higher since the US election. Then again, recall that to the extent to which tax and deregulation policies have contributed to the gains, it is a reasonable assumption that such policies would likely remain intact at least over the medium term. Beyond 2020 may be a bigger question mark, but stocks don't typically take such a long horizon view and they may consider lower odds of less market-friendly policies.

Second is that in the current context, it is unclear that US policy directions would shift in a negative manner absent Trump at least until the next Presidential election in 2020. One angle on this is that markets have already seen the 'good' side of Trump's policies through tax cuts/reforms and some deregulation and if Vice President Pence takes over then these measures would be durable for as long as markets are capable of looking forward. It may even be that markets are more concerned about the 'bad' side of the Trump administration's policies and particularly its protectionist approach and some foreign policies.

Chart 3

Sources: Scotiabank Economics, Bloomberg.

Chart 4



Sources: Scotiabank Economics, Bloomberg.

Chart 5

Sources: Scotiabank Economics, Bloomberg.

The US Treasury auctions $121 billion of bonds including 2s, 5s, 7s and 2 year FRNs next week. Total US public debt now stands at US$21.41 trillion and has risen by about US$926 billion so far this year. The public debt to GDP ratio now stands at about 106%. That puts the country third highest in the G20 behind Japan at 253% and Italy at 132%. The CBO recently projected just the Federal Debt held by the public component to rise from 78% of GDP now to between 96–109% of GDP in ten years under various alternative scenarios (here).

LATIN AMERICA—PROMISES, PROMISES

There will be three main things to watch across LatAm markets over the coming week. One will be the possibility of remarks by central bank heads as the Fed's Jackson Hole symposium concludes. Two will be prospects for significant advancement of NAFTA negotiations. Mexico's stated desire to achieve an agreement by the end of August faces a fast-approaching deadline in a year when deadlines have been repeatedly missed and in a moment when Canada has not yet returned to the negotiating table that has been consumed by a focus upon specific US-Mexico issues. Three will be an updated assessment of Brazilian economic growth.

In attendance at Jackson Hole are Banxico Governor Alejandro Díaz de León, BanRep Governor Juan José Echavarría, Banco Central de Chile Governor Mario Marcel, Banco Central de Reserva del Peru President Julio Velarde, Banco Central do Brasil Governor Ilan Goldfajn, and Banco Central de Argentina President Luis Caputo. None of these officials are on the formal agenda, but any of them may provide sideline remarks and interviews. Their interest in Jackson Hole is primarily derived from the Fed's strong influence upon their own markets, though with obvious considerations that are specific to their market such as currency and NAFTA considerations (Banxico) or crisis response (Argentina).

Brazil's economy has been barely growing since emerging from the recession that spanned the period from 2015Q1 to the end of 2016. Don't expect anything grander out of next Friday's Q2 GDP report. The country may be lucky to register 1% y/y growth in the context of a mixed consensus for the quarter-ago growth rate that has most estimates sitting on either side of zero in favour of a slight preference for mild contraction.

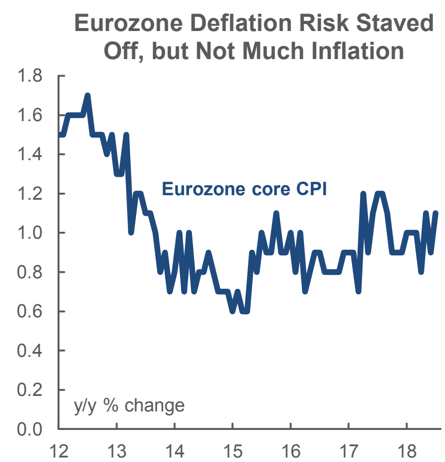
EUROPE—STILL GOING NOWHERE

While Brexit and US-European trade negotiations are among the perpetually evolving considerations that pose constant headline risk, European markets are more likely to spend much of the coming week focused upon developments abroad. **A possible exception might take the form of another batch of inflation readings late in the week.** There should be nothing of consequence to markets by way of other central bank developments, particularly given the complete absence of ECB officials at Jackson Hole and limited BoE representation by Chief Economist Andy Haldane. UK markets will be shut on Monday for a Summer bank holiday.

Eurozone inflation will be updated with the August estimate on Friday. Germany and Spain report on Thursday and will therefore inform risks to the Eurozone reading a touch ahead. France and Italy report on Friday. Eurozone core inflation has been bouncing around 1% within a tight range between 0.8%–1.1% throughout this year. Expectations for the August reading are for core inflation to remain little changed. **Deflation risk was once a greater concern but it has been staved off by ECB policy and yet progress toward the under-2% inflation target remains muted (chart 6).** Hence muted expectations for the first ECB rate hike that we continue to believe will not be delivered within our 2018–19 forecast horizon.

Other releases will be comparatively mild in terms of their likely significance. They will include consumer spending updates from Germany (day TBD), France (Wednesday) and Spain (Friday). Q2 GDP revisions from France (Wednesday) and Italy (Friday) and Germany's IFO business confidence reading for August (Monday) will round out the calendar of risks.

Chart 6



Sources: Scotiabank Economics, Bloomberg, Eurostat.

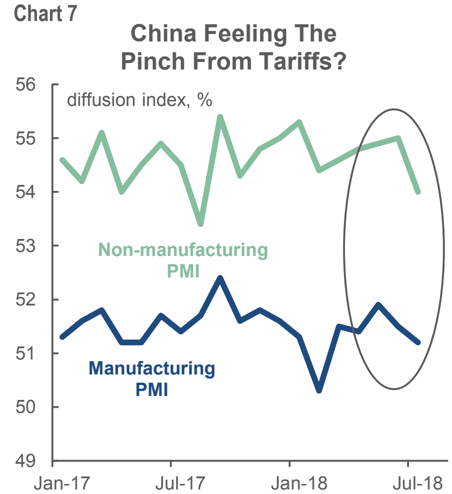
ASIA-PACIFIC—WILL THE BoK HIKE?

There will be five main developments worth focusing upon within Asian financial markets over the coming week. One will be ongoing US-Chinese trade negotiations and concomitant headline risk. Two will be Chinese macro data. Three will be the possibility of a hike by the Bank of Korea. Fourth will be Indian Q2 GDP growth. Finally will be a round of macro reports from Japan.

Most within the limited consensus that is available thus far expect no rate change by the **Bank of Korea** on Friday, but there is the very sensible risk of a hike. Inflation is well below the 2% target with headline at 1.5% y/y in July and core at 1.1% y/y. Both readings surprised consensus expectations to the downside and that's likely what consensus is going by. Scotia's Tuuli McCully defends her call for a rate hike in the context of forward-looking expectations for inflation to cross the 2% mark by the end of 2018. This view is anchored in developments at the July 11th meeting, albeit that it preceded the latest batch of inflation figures. At that meeting, one board member deviated from his colleagues and cast his vote in favour of a hike and the meeting minutes noted that now might be the moment at which to "somewhat reduce" monetary policy stimulus.

China releases the latest monthly batch of the state's purchasing managers' indices for August on Thursday evening eastern time. Recall that each of the aggregate, manufacturing and non-manufacturing readings have been waning somewhat of late (chart 7). The August readings may be vulnerable to further downside risk in light of the imposition of US tariffs and the escalating US-China trade tensions.

Chart 7



Sources: Scotiabank Economics, Bloomberg.

Japan conducts its regular monthly data dump next week, with each indicator covering the month of July. The country will release retail sales on Wednesday, the jobless rate, Tokyo CPI and industrial production on Thursday and housing starts on Friday. These releases typically don't carry notable effects upon global markets.

India wraps it all up on Friday with a GDP report for Q2. Growth may continue to accelerate. Growth hit a trough of 5.6% in 2017Q2 and had been on a declining trend since a short-lived peak of over 9% in 2016Q1. It has since rebounded to 7.7% y/y in 2018Q1 and may have inched slightly higher again in Q2. Off of a weak base-effect, growth is nevertheless expected to pull back somewhat to just over the 7% range into year-end and early 2019.

Key Indicators for the week of August 27 – 31

NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
MX	08/27	09:00	Trade Balance (US$ mn)	Jul	-2715.0	--	-896.9
US	08/27	10:30	Dallas Fed. Manufacturing Activity	Aug	--	30.0	32.3
US	08/28	08:30	Wholesale Inventories (m/m)	Jul P	--	--	0.1
MX	08/28	09:00	Unemployment Rate (%)	Jul	4.0	--	3.4
US	08/28	09:00	S&P/Case-Shiller Home Price Index (m/m)	Jun	0.2	0.2	0.2
US	08/28	09:00	S&P/Case-Shiller Home Price Index (y/y)	Jun	6.4	6.4	6.5
US	08/28	10:00	Consumer Confidence Index	Aug	127.0	126.5	127.4
US	08/28	10:00	Richmond Fed Manufacturing Index	Aug	19.0	18.0	20.0
US	08/29	07:00	MBA Mortgage Applications (w/w)	AUG 24	--	--	4.2
CA	08/29	08:30	Current Account (C$ bn a.r.)	2Q	--	-15.3	-19.5
US	08/29	08:30	GDP (q/q a.r.)	2Q S	4.1	4.0	4.1
US	08/29	08:30	GDP Deflator (q/q a.r.)	2Q S	--	3.0	3.0
US	08/29	10:00	Pending Home Sales (m/m)	Jul	--	0.5	0.9
CA	08/30	08:30	Real GDP (m/m)	Jun	0.1	0.1	0.5
CA	08/30	08:30	Real GDP (q/q a.r.)	2Q	3.2	3.0	1.3
US	08/30	08:30	Initial Jobless Claims (000s)	AUG 25	210	215	210
US	08/30	08:30	Continuing Claims (000s)	AUG 18	1730	--	1727
US	08/30	08:30	PCE Deflator (m/m)	Jul	0.2	0.2	0.1
US	08/30	08:30	PCE Deflator (y/y)	Jul	2.3	2.3	2.2
US	08/30	08:30	PCE ex. Food & Energy (m/m)	Jul	0.2	0.2	0.1
US	08/30	08:30	PCE ex. Food & Energy (y/y)	Jul	2.0	2.0	1.9
US	08/30	08:30	Personal Spending (m/m)	Jul	0.4	0.4	0.4
US	08/30	08:30	Personal Income (m/m)	Jul	0.4	0.4	0.4
CA	08/31	08:30	IPPI (m/m)	Jul	--	--	0.5
CA	08/31	08:30	Raw Materials Price Index (m/m)	Jul	--	--	0.5
US	08/31	10:00	U. of Michigan Consumer Sentiment	Aug F	--	95.5	95.3

EUROPE

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
GE	08/27	04:00	IFO Business Climate Survey	Aug	--	101.8	101.7
GE	08/27	04:00	IFO Current Assessment Survey	Aug	--	105.3	105.3
GE	08/27	04:00	IFO Expectations Survey	Aug	--	98.4	98.2
GE	AUG 27-SEP 3		Retail Sales (m/m)	Jul	--	-0.2	0.9
GE	08/29	02:00	GfK Consumer Confidence Survey	Sep	--	10.6	10.6
FR	08/29	02:45	Consumer Spending (m/m)	Jul	--	0.3	0.1
FR	08/29	02:45	GDP (q/q)	2Q P	--	0.2	0.2
SP	08/30	03:00	CPI (m/m)	Aug P	--	--	-0.7
SP	08/30	03:00	CPI (y/y)	Aug P	--	2.2	2.2
SP	08/30	03:00	CPI - EU Harmonized (m/m)	Aug P	--	0.2	-1.2
SP	08/30	03:00	CPI - EU Harmonized (y/y)	Aug P	--	2.3	2.3
GE	08/30	03:55	Unemployment (000s)	Aug	--	-8.0	-6.0
GE	08/30	03:55	Unemployment Rate (%)	Aug	--	5.2	5.2
UK	08/30	04:30	Net Consumer Credit (£ bn)	Jul	--	1.5	1.6
EC	08/30	05:00	Business Climate Indicator	Aug	--	1.3	1.3
EC	08/30	05:00	Economic Confidence	Aug	--	111.9	112.1
EC	08/30	05:00	Industrial Confidence	Aug	--	5.5	5.8
GE	08/30	08:00	CPI (m/m)	Aug P	--	0.2	0.3
GE	08/30	08:00	CPI (y/y)	Aug P	--	2.0	2.0
GE	08/30	08:00	CPI - EU Harmonized (m/m)	Aug P	--	0.2	0.0
GE	08/30	08:00	CPI - EU Harmonized (y/y)	Aug P	--	2.1	2.1
UK	08/30	19:01	GfK Consumer Confidence Survey	Aug	--	-10.0	-10.0
UK	08/31	02:00	Nationwide House Prices (m/m)	Aug	--	0.1	0.6
FR	08/31	02:45	CPI (m/m)	Aug P	--	0.5	-0.1
FR	08/31	02:45	CPI (y/y)	Aug P	--	2.3	2.3
FR	08/31	02:45	CPI - EU Harmonized (m/m)	Aug P	--	0.5	-0.1
FR	08/31	02:45	CPI - EU Harmonized (y/y)	Aug P	--	2.5	2.6
FR	08/31	02:45	Producer Prices (m/m)	Jul	--	--	0.1

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

Key Indicators for the week of August 27 – 31

EUROPE *(continued from previous page)*

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
SP	08/31	03:00	Real Retail Sales (y/y)	Jul	--	--	0.6
PD	08/31	04:00	GDP (y/y)	2Q F	--	--	5.1
SP	08/31	04:00	Current Account (€ bn)	Jun	--	--	2.4
EC	08/31	05:00	Euro zone CPI Estimate (y/y)	Aug	--	2.1	2.1
EC	08/31	05:00	Euro zone Core CPI Estimate (y/y)	Aug A	--	1.1	1.1
EC	08/31	05:00	Unemployment Rate (%)	Jul	--	8.2	8.3
IT	08/31	05:00	CPI (m/m)	Aug P	--	0.2	0.3
IT	08/31	05:00	CPI (y/y)	Aug P	--	1.4	1.5
IT	08/31	05:00	CPI - EU Harmonized (m/m)	Aug P	--	-0.1	-1.4
IT	08/31	05:00	CPI - EU Harmonized (y/y)	Aug P	--	1.7	1.9
IT	08/31	06:00	Real GDP (q/q)	2Q F	--	0.2	0.2
PO	08/31	06:00	Real GDP (q/q)	2Q F	--	0.5	0.5

ASIA-PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
VN	AUG 25-31		CPI (y/y)	Aug	--	--	4.5
VN	AUG 25-31		Exports (y/y)	Aug	--	--	15.3
VN	AUG 25-31		Imports (y/y)	Aug	--	--	10.2
VN	AUG 25-31		Industrial Production (y/y)	Aug	--	--	14.3
CH	08/26	21:30	Industrial Profits YTD (y/y)	Jul	--	--	20.0
SK	AUG 26-31		Department Store Sales (y/y)	Jul	--	--	5.4
HK	08/27	04:30	Exports (y/y)	Jul	--	6.0	3.3
HK	08/27	04:30	Imports (y/y)	Jul	--	9.0	4.4
HK	08/27	04:30	Trade Balance (HKD bn)	Jul	--	-42.4	-54.1
SK	08/27	17:00	Consumer Confidence Index	Aug	--	--	101.0
JN	08/29	01:00	Consumer Confidence	Aug	--	43.3	43.5
SK	08/29	17:00	Business Survey- Manufacturing	Sep	--	--	73.0
SK	08/29	17:00	Business Survey- Non-Manufacturing	Sep	--	--	74.0
JN	08/29	19:50	Large Retailers' Sales (y/y)	Jul	--	-0.7	1.5
JN	08/29	19:50	Retail Trade (y/y)	Jul	--	1.2	1.7
AU	08/29	21:30	Building Approvals (m/m)	Jul	--	-2.0	6.4
AU	08/29	21:30	Private Capital Expenditure	2Q	--	0.6	0.4
HK	08/30	04:30	Retail Sales - Volume (y/y)	Jul	--	--	9.8
NZ	08/30	18:00	ANZ Consumer Confidence Index	Aug	--	--	118.4
SK	08/30	19:00	Industrial Production (y/y)	Jul	--	0.4	-0.4
SK	08/30	19:00	Cyclical Leading Index Change	Jul	--	--	-0.1
JN	08/30	19:30	Jobless Rate (%)	Jul	2.4	2.4	2.4
JN	08/30	19:30	Tokyo CPI (y/y)	Aug	--	1.0	0.9
JN	08/30	19:50	Industrial Production (y/y)	Jul P	--	2.6	-0.9
CH	08/30	21:00	Manufacturing PMI	Aug	51.0	51.0	51.2
CH	08/30	21:00	Non-manufacturing PMI	Aug	--	--	54.0
AU	08/30	21:30	Private Sector Credit (y/y)	Jul	--	4.4	4.5
PH	AUG 30-31		Bank Lending (y/y)	Jul	--	--	17.7
SK	AUG 30-31		**BoK Base Rate (%)**	**Aug 31**	**1.75**	**1.50**	**1.50**
JN	08/31	00:00	Vehicle Production (y/y)	Jun	--	--	4.6
JN	08/31	01:00	Housing Starts (y/y)	Jul	--	-4.3	-7.1
JN	08/31	01:00	Construction Orders (y/y)	Jul	--	--	-6.5
TH	08/31	03:30	Exports (y/y)	Jul	--	--	10.0
TH	08/31	03:30	Imports (y/y)	Jul	--	--	12.9
TH	08/31	03:30	Trade Balance (US$ mn)	Jul	--	--	2875
TH	08/31	03:30	Current Account Balance (US$ mn)	Jul	--	2341	4084
IN	08/31	07:00	Fiscal Deficit (INR Crore)	Jul	--	--	83540
IN	08/31	08:00	Real GDP (y/y)	2Q	7.8	--	7.7
SK	08/31	20:00	Exports (y/y)	Aug	--	--	6.2
SK	08/31	20:00	Imports (y/y)	Aug	--	--	16.2
SK	08/31	20:00	Trade Balance (US$ mn)	Aug	--	--	6912.0

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

Key Indicators for the week of August 27 – 31

LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
BZ	08/27	09:30	Current Account (US$ mn)	Jul	--	--	435.0
CL	08/30	08:00	Industrial Production (y/y)	Jul	3.3	--	7.2
BZ	08/31	08:00	GDP (IBGE) (q/q)	2Q	--	--	0.4
BZ	08/31	08:00	GDP (IBGE) (y/y)	2Q	--	--	1.2
CL	08/31	08:00	Unemployment Rate (%)	Jul	7.0	--	7.2
CO	08/31	11:00	Urban Unemployment Rate (%)	Jul	--	10.9	11.1

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

Global Auctions for the week of August 27 – 31

NORTH AMERICA

Country	Date	Time	Event
US	08/27	13:00	U.S. to Sell USD36 Bln 2-Year Notes
US	08/28	13:00	U.S. to Sell USD37 Bln 5-Year Notes
US	08/29	11:30	U.S. to Sell USD17 Bln 2-Year Floating Rate Notes
US	08/29	13:00	U.S. to Sell USD31 Bln 7-Year Notes
CA	08/30	12:00	Canada to Sell CAD3 Bln 2.0% 2020 Bonds

EUROPE

Country	Date	Time	Event
IT	08/28	05:00	Italy to Sell Up to 1.75 Billion Euros of 2020 Zero Bonds
GE	08/29	05:30	Germany to Sell EUR3 Bln 0% 2023 Bonds
IT	08/30	05:00	Italy to Sell Bonds
SW	08/30	05:00	Sweden to Sell 500 Million Kronor of 0.125% 2027 Linkers

ASIA-PACIFIC

Country	Date	Time	Event
AU	08/26	21:00	Australia To Sell AUD500 Mln 2.25% 2028 Bonds
CH	08/26	21:30	Qingdao to Sell Bonds
AU	08/27	21:00	Australia To Sell AUD150 Mln 1.25% 2022 Bonds
CH	08/27	22:30	Guangxi to Sell Bonds
CH	08/27	23:30	Xinjiang to Sell Bonds
AU	08/28	21:00	Australia To Sell AUD1 Bln 2.75% 2029 Bonds
CH	08/28	21:30	Anhui to Sell Bonds
CH	08/29	02:00	Qinghai to Sell Bonds
CH	08/29	03:00	Qinghai to Sell Bonds
NZ	08/29	22:05	New Zealand To Sell NZD250 Mln 3% 2029 Bonds
JN	08/29	23:35	Japan to Sell 2-Year Bond
CH	08/30	22:30	Zhejiang to Sell Bonds

Source: Bloomberg, Scotiabank Economics.

Events for the week of August 27 – 31

NORTH AMERICA

Country	Date	Time	Event
US	08/25	09:00	Fed Hosts Annual Jackson Hole Central Banking Symposium
CA	08/25	12:25	Bank of Canada Governor Poloz Attends Jackson Hole
US	08/28		Arizona state primary
US	08/28		Florida state primary
US	08/28		Oklahoma primary runoff

EUROPE

Country	Date	Time	Event
EC	08/28	07:00	ECB Board Member Peter Praet Speaks in Cologne, Germany
SW	08/29	06:00	EU Trade Commissioner Malmstrom in Panel
SW	08/31	04:00	ESV Publishes Swedish Budget Forecasts
EC	08/31	13:00	ECB Board Member Luis Guindos Speaks in Asturias, Spain
SW	08/31		Sweden Sovereign Debt to be rated by S&P
IT	08/31		Italy Sovereign Debt to be rated by Fitch

ASIA-PACIFIC

Country	Date	Time	Event
JN	08/28	21:30	BOJ Suzuki speaks in Naha
SK	AUG 30-31		**BoK 7-Day Repo Rate**

LATIN AMERICA

Country	Date	Time	Event
CO	08/31		Central Bank Board Meeting

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	1.50	September 5, 2018	1.75	1.50
Federal Reserve – Federal Funds Target Rate	2.00	September 26, 2018	2.25	2.25
Banco de México – Overnight Rate	7.75	October 4, 2018	7.75	7.75

EUROPE

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	0.00	September 13, 2018	0.00	0.00
Bank of England – Bank Rate	0.75	September 13, 2018	0.75	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	September 14, 2018	7.25	7.25
Sweden Riksbank – Repo Rate	-0.50	September 6, 2018	-0.50	-0.50
Norges Bank – Deposit Rate	0.50	September 20, 2018	0.50	0.75
Central Bank of Turkey – Benchmark Repo Rate	17.75	September 13, 2018	17.75	18.50

ASIA PACIFIC

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Policy Rate	-0.10	September 19, 2018	-0.10	-0.10
Reserve Bank of Australia – Cash Target Rate	1.50	September 4, 2018	1.50	1.50
Reserve Bank of New Zealand – Cash Rate	1.75	September 26, 2018	1.75	1.75
People's Bank of China – Lending Rate	4.35	TBA	--	4.35
Reserve Bank of India – Repo Rate	6.50	October 5, 2018	6.50	6.50
Bank of Korea – Bank Rate	1.50	August 31, 2018	1.75	1.50
Bank of Thailand – Repo Rate	1.50	September 19, 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	5.50	September 27, 2018	5.50	5.50
Central Bank of Philippines – Overnight Borrowing Rate	4.00	September 27, 2018	4.00	4.00

Monetary authorities of the **Bank of Korea (BoK)** will meet on August 31. We assess that the BoK will likely raise its benchmark interest rate by 25 bps to 1.75%. As inflation will likely tick higher from the July level of 1.5% y/y to 2.1% by year-end, South Korean real rates are set to dip into negative territory. Against this background, the BoK will likely opt for a rate hike as it is increasingly focusing on its financial stability mandate amidst ongoing financial market volatility.

LATIN AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	6.50	September 19, 2018	6.75	6.50
Banco Central de Chile – Overnight Rate	2.50	September 4, 2018	2.50	2.50
Banco de la República de Colombia – Lending Rate	4.25	September 28, 2018	4.25	4.25
Banco Central de Reserva del Perú – Reference Rate	2.75	September 13, 2018	2.75	2.75

AFRICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	6.50	September 20, 2018	6.50	6.50

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