

**BE OPPORTUNISTIC**

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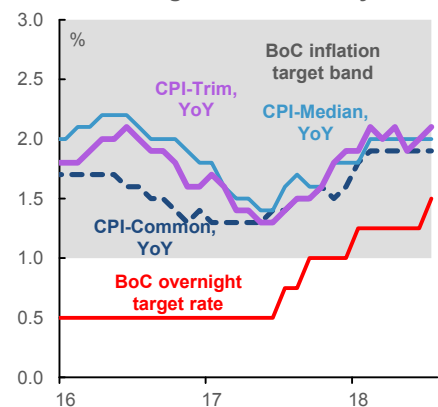
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**Next Week's Risk Dashboard**

- ▶ NAFTA negotiations
- ▶ BoC
- ▶ Other CBs: RBA, Riksbank, Chile, Negara
- ▶ CDN jobs, trade
- ▶ US nonfarm, ISM, trade
- ▶ CPI: Latam, Asia
- ▶ European macro

**Chart of the Week**

**Canada's Negative Real Policy Rate**



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

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

## Be Opportunistic

### CANADA—BoC SHOULD PUT DATA OVER HYPOTHETICALS

The two main focal points will be ongoing NAFTA developments that restart on Wednesday and the same day's Bank of Canada meeting in a week that will otherwise start and end with labour days.

Before we get to all of that, Canadian markets will be shut on Monday for the annual Labour Day long weekend. After Friday's early bond close, there will not be a further opportunity to trade Canadian government bonds in either the cash or futures markets until futures re-open on Tuesday at 6amET. **This poses a potential liquidity challenge** as clients seek to express market reactions through alternative plays that could exaggerate influences upon other global financial market vehicles. It may also concentrate the effects of any market reactions upon the C\$ as soon as Asian trading opens on Sunday evening.

**At the point of writing, Scotiabank Economics continues to forecast a Bank of Canada rate hike next Wednesday.** It is with modest conviction at the point of publishing. At this stage we remain constructive toward the negotiations and resist the impulses offered by obsessive monitoring of gyrating headlines that have swung USDCAD all over the map within a two cent range of late. As this note is being sent, intense, high stakes negotiations are providing headlines that one might expect in the late stages. By now, markets should be fairly conditioned to the President's tendency to go rogue and to therefore apply a massive filter to [this](#) report (with thanks to Canada's free press...). Instead, we emphasize the constructive tone to both USTR Lighthizer's remarks and those of Canada's Chrystia Freeland who will resume negotiations on Wednesday and who cite encouraging progress. Further, President Trump's letter to Congress notifying of the intent to enter an agreement by the end of November 2018 states that the US will do so "with Mexico — and with Canada if it is willing." From this point, there remain thirty days before which a full agreement's text must be presented to Congress and then two months thereafter the President may sign it. The window to negotiate therefore remains wide open and there remains ample time left to achieve agreement. **Our reading of the negotiations is therefore generally positive and we continue to expect a successful resolution.**

Besides, Governor Poloz has tended to dismiss any tendency to be overly reactive to the negotiations, preferring instead to react one way or the other when negotiations become fact and focusing upon data dependency in the meantime. He clearly said so in July in reference to NAFTA risks: "...policy will be guided by a careful, meeting-by-meeting analysis of data, not a predetermined path or hypothetical scenarios." Indeed, if he were to pass on a rate hike next week due to NAFTA uncertainty, then we're afraid to point out that such uncertainty will persist long after an agreement in principle is achieved and straight up to whether all three countries' legislative chambers ultimately pass legislation well into 2019. It is not credible to keep monetary policy on hold throughout this period.

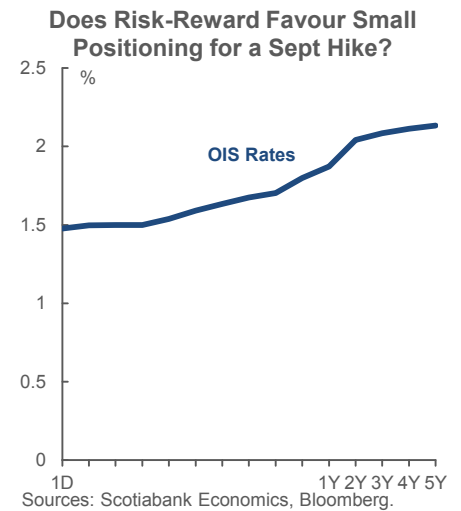
**It is worth emphasizing to clients, however, that the risk of an impasse in the negotiations is not the end of the world for Canada anyway.** It could trigger a chain of events that could pose downside risks to the North American economy while perhaps proving to be very destabilizing to American politics. The country's many American friends are expressing their own opposition as evidenced [here](#) and [here](#) and even [here](#) on the specific matter of the battle over the dairy trade. The prospect of auto tariffs levied upon Canada may well trigger Congress to finally take steps to strip the President of his abused Section 232 "national security" powers. The prospect of total gridlock in Washington after November 6<sup>th</sup> is not a remote one and the optics of the American government stepping on a kitten in the negotiations may not be helpful to the GOP's goals in light of the Party's inability to check the President's tendencies to date.

**While we think Governor Poloz will remain true to his tendency to look through the negotiations phase and to pass judgement only when he is dealing with facts on the matter, the main case for raising interest rates emphasizes the following points.**

- **Canada's economy is operating around full capacity conditions** judged by a composite of measures such as output gaps, industrial capacity utilization rates and labour market conditions.
- Core inflation is on-target already with headline inflation temporarily overshooting. **The BoC's July MPR forecast over 2% headline inflation throughout its forecast horizon and its profile would have embedded an implied tightening path. Therefore while 3% headline inflation is transitory, the BoC's forecasts to 2020 point to sustained mild upside to the mid-point of its inflation target range after incorporating its internalized assumptions on the future rate path.**

- The BoC's broad narrative that included an economic rebound over H2 and stabilizing housing markets is unfolding nicely. We don't see obvious damage to Canadian capital spending and business plans.
- Canada's economy just grew by about 3% in Q2. **To a data dependent central bank, there is a case for behaving opportunistically on the back of solid growth.** It is unclear that the data will be as favourable at the October 24<sup>th</sup> meeting and the central banker's world of data dependency has often involved striking while the iron is hot.
- In fact, to this last point, there is a parallel to when the BoC hiked one year ago almost to the day. Into the September 2017 meeting, the Canadian economy had just come off of solid growth of 4.5%. It then slowed to 1.7% growth the next quarter and the BoC shifted to the sidelines until January 2018. This time around, growth was 2.9% in Q2 and is expected to slow into Q3. There may be some merit to behaving tactically to have further distance from the lower bound on rates in order to connote future policy flexibility.
- NAFTA was at least as unsettled if not arguably more so at this time last year when the post-election threat of tearing up the agreement was more apparent than what may be progress under current NAFTA negotiations. Yet the BoC has hiked throughout the uncertainty.
- There is sufficient opportunity to explain next week's decision in Senior Deputy Governor Wilkins' speech the following day. An MPR is not necessary, as proven one year ago to the day. Furthermore, the BoC has laid the road map for tightening policy through its July MPR this year and our reading of Governor Poloz's remarks.
- A hike would be a surprise next week under current market pricing (chart 1), but Poloz has demonstrated full willingness to surprise markets including when he cut in January 2015 and when he hiked a year ago.
- The BoC had stronger 'gradual' guidance a year ago than they do now after having dropped "cautious" from the May 2018 statement, yet he still hiked in back to back decisions last year.
- Further to the charge that hiking back-to-back would violate going gradually is an argument for how the BoC may have room to catch up in tightening monetary policy. Had it not been for a transitory soft patch earlier in the year, the BoC may have already hiked three times this year. It was testing whether the economy would rebound from the earlier soft patch, and the economy passed with flying colours in Q2. With the air now cleared on that aspect of the debate, the BoC can perhaps temporarily expedite the pace of tightening.
- Neither time had a Business Outlook Survey so the need to hold until another survey is a ruse.
- I don't think the yield curve matters to Governor Poloz and very arguably shouldn't. He can hike and manage the bias to get a limited narrowing of spreads along the distorted curve just like happened a year ago. Further, Poloz has already said that he doesn't view it as a policy issue or tangible signal about the economy. Indeed, since Canada is importing this distorted bond market easing for reasons that have little to nothing to do with its domestic economy, there may be a good case to take measures to neutralize the effects.

Chart 1



**Data risk will be focused upon trade figures for July on Wednesday and then the monthly Labour Force Survey on Friday.**

I expect a re-widening of the trade deficit given expected easing of export growth following June's torrid pace. A similar easing of job growth may occur on the heels of the large 54,100 increase in jobs during July. The wage measure that is derived from the LFS is not the measure that matters to the BoC.

**UNITED STATES —LABOR DAY COMES TWICE**

**NAFTA negotiations and Friday’s nonfarm payroll and wage growth estimates will book-end the week’s market developments.** The fact that US markets will be shut for Labor Day on Monday poses the challenge that the market response to weekend NAFTA developments will be priced across overseas desks and that the absence of US market players could pose a challenge to liquidity conditions.

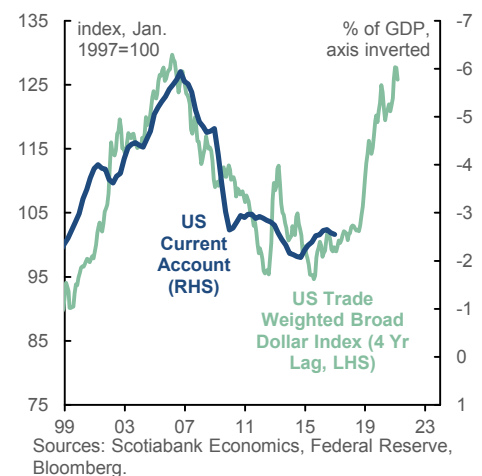
**The main macro release of the week arrives on Friday when nonfarm payrolls and its sister household survey arrive covering the month of August.** If August is within the realm of typical Augusts when it comes to seasonal wage gains, then when combined with year-ago base effects we could well see an acceleration of wage growth. I’m guesstimating about +180k for nonfarm. The unemployment rate is derived from the household survey that is expected to register softer employment growth than the +389k during July and possible faster growth in the labor force that expanded by just 105,000 in July.

Nowcasting efforts applied to Q3 US GDP growth expectations will also be informed by several other indicators.

- **Construction spending:** Tuesday’s July reading is expected to rebound from the prior month’s softness.
- **ISM-manufacturing:** Tuesday’s August print should follow lower the two more correlated regional surveys including the Philly Fed and Richmond Fed.
- **Vehicle sales:** Tuesday’s August reading is expected to remain flat at about 16.7 million units sold.
- **Trade deficit:** Wednesday’s trade balance during July is expected to widen. We already know the advance goods trade balance that registered a sharp widening of the deficit. Next week’s measure adds in the typically stable services balance. We may well remain on the path toward a further deterioration in the US trade balance in lagging response to broad dollar movements (chart 2).
- **ADP:** Thursday’s August reading will probably be passed over by markets barring a large surprise, given its poor advance tracking of private nonfarm payrolls.
- **ISM non-mfrg:** Strength in consumer spending could help to push the August reading higher on Thursday.
- **Factory orders:** July’s estimate will require a solid gain in orders for nondurables good to mitigate the negative effects of the already known sharp drop in durable goods orders.

Chart 2

**Record US Trade Deficits Ahead**



A wave of regional Fed Presidents will speak over the coming week including two voting members (Williams, Mester), two alternates (Evans twice, Rosengren) and Dallas Fed President Kaplan (nonvoting 2018).

**LATIN AMERICA—A REARVIEW MIRROR ON MEXICAN INFLATION?**

One central bank decision and a wave of inflation reports will dominate domestic calendars across Latin American markets. The dominant influence upon Mexico—plus any spillover effects—may stem from weekend NAFTA developments.

**Banco Central de Chile is not expected to alter its policy overnight rate target on Tuesday.** Within the Bloomberg consensus, only one out of nine forecasters expects a hike. With inflation running at 2.7% y/y, it lies well within the target range of 2–4%. Next Friday’s inflation report for August is expected to remain unchanged.

**Four other Latin American economies will update inflation readings** starting with Peru this Saturday, then Colombia (Wednesday), then Brazil (Thursday) and finally Mexico on Friday. In all cases except for Mexico, inflation will remain in line with

inflation target ranges (chart 3). Mexican inflation has ceased to decline over the past three reports after moving lower from a peak of 6.8% y/y last December to 4.5% in May before climbed again to 4.8% in July. That said, the forecasting consensus anticipates continued downward pressure upon trend inflation over 2018–19 that should enable a return to easing policy. Obviously—and like Canada—the central bank outlook is partly conditioned by the outlook for NAFTA but in Mexico’s case it is more heavily conditioned by the peso’s response and the concomitant inflation risks.

### ASIA-PACIFIC—FIRST TO REACT

Much of the week’s upcoming regional market focus will be upon Australian developments including the RBA, but inflation reports and another central bank decision will be monitored for monetary policy implications. Asian markets will get first crack at responding to NAFTA developments.

**Consensus unanimously expects the Reserve Bank of Australia to keep its cash target rate unchanged at 1.5% on Tuesday.** Governor Lowe has only guided to expect tightened policy “at some point” which indicates direction but nothing regarding timing. Australia’s inflation rate of 2.1% with central tendency inflation gauges both at 1.9% compared favourably to the 2–3% inflation target range. GDP growth in Q2 is expected to slow on Tuesday night (ET) compared to the Q1 pace, but to remain at a healthy clip. Consensus expects a policy hold throughout the remainder of 2018.

**Bank Negara Malaysia is also expected to keep its overnight policy rate on hold at 3.25% on Wednesday.** The central bank has been on hold since it hiked once in January. With inflation running at just 0.9% y/y, pressures continue to ease compared to the peak of inflationary pressure that hit 5% about a year and a half ago.

**Inflation reports are due out from South Korea, Indonesia, Philippines, Taiwan and Thailand.** All will be released toward the start of the week. All of these countries presently have inflation rates that are toward the low end of their target ranges with relatively little change expected next week. South Korea’s rate of 1.5% y/y in July was beneath the BoK’s 2% inflation target. Indonesia’s 3.3% rate was well inside the 3–4% target range. Philippines’ inflation rate of 5.7% y/y is expected to move higher next week to just under 6% and remain well above the 2–4% inflation target range; hence the central bank’s policy tightening this year and on the path to another decision on September 27th. Thailand’s inflation rate of 1.5% y/y lies at the lower end of the 1–4% target range.

**China releases the private sector versions of its purchasing managers’ indices** for August early in the week. They will further inform the perspective offered by the small improvement in the already-released state PMIs.

### EUROPE—WATCH MODE

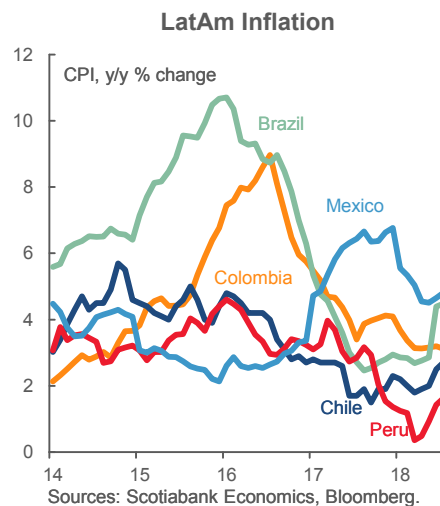
European markets will be primarily focused upon incremental evidence of growth conditions in Q3 and developments elsewhere and notably trade tensions centered upon the US and most of its trading partners.

UK purchasing managers indices for August will be released on Monday (manufacturing), Tuesday (construction), and both services and the composite index (Wednesday). The readings are expected to remain in modest growth territory.

**Sweden’s Riksbank is expected to hold its policy rate at -0.5% on Thursday.** Sweden’s underlying inflation rate of 2.2% is slightly above the 2% target which reinforces the central bank’s guidance to expect rate hikes toward the end of the year. Any shifts in such guidance will be the thing to watch.

Other macro developments will inform Q3 GDP growth tracking. They will include industrial production releases by Germany and France, German factory orders, German exports, Eurozone retail sales, Italian purchasing managers indices

Chart 3



**Key Indicators for the week of September 3 – 7**
**NORTH 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>
US	09/04	10:00	Construction Spending (m/m)	Jul	0.5	0.5	-1.1
US	09/04	10:00	ISM Manufacturing Index	Aug	57.2	57.6	58.1
US	09/05	07:00	MBA Mortgage Applications (w/w)	AUG 31	--	--	-1.7
CA	09/05	08:30	Merchandise Trade Balance (C\$ bn)	Jul	-1.8	-1.0	-0.6
CA	09/05	08:30	Productivity (q/q a.r.)	2Q	--	0.3	-0.3
US	09/05	08:30	Trade Balance (US\$ bn)	Jul	-49.7	-50.0	-46.3
CA	09/05	10:00	<b>BoC Interest Rate Announcement (%)</b>	<b>Sep 5</b>	<b>1.75</b>	<b>1.50</b>	<b>1.50</b>
US	09/06	08:15	ADP Employment Report (000s m/m)	Aug	200	193	219
CA	09/06	08:30	Building Permits (m/m)	Jul	--	0.5	-2.3
US	09/06	08:30	Initial Jobless Claims (000s)	SEP 1	210	213	213
US	09/06	08:30	Continuing Claims (000s)	AUG 25	1730	--	1708
US	09/06	08:30	Productivity (q/q a.r.)	2Q F	--	2.9	2.9
US	09/06	08:30	Unit Labor Costs (q/q a.r.)	2Q F	--	-0.9	-0.9
US	09/06	10:00	Durable Goods Orders (m/m)	Jul F	--	--	-1.7
US	09/06	10:00	Durable Goods Orders ex. Trans. (m/m)	Jul F	--	--	0.2
US	09/06	10:00	Factory Orders (m/m)	Jul	-0.9	-0.6	0.7
US	09/06	10:00	ISM Non-Manufacturing Composite	Aug	56.0	56.8	55.7
CA	09/07	08:30	Employment (000s m/m)	Aug	10	0.0	54.1
CA	09/07	08:30	Unemployment Rate (%)	Aug	5.9	5.9	5.8
US	09/07	08:30	Average Hourly Earnings (m/m)	Aug	--	0.2	0.3
US	09/07	08:30	Average Hourly Earnings (y/y)	Aug	2.8	2.7	2.7
US	09/07	08:30	Average Weekly Hours	Aug	--	34.5	34.5
US	09/07	08:30	Nonfarm Employment Report (000s m/m)	Aug	180	191	157
US	09/07	08:30	Unemployment Rate (%)	Aug	4.0	3.8	3.9
US	09/07	08:30	Household Employment Report (000s m/m)	Aug	--	--	389
MX	09/07	09:00	Bi-Weekly Core CPI (% change)	Aug 31	0.1	--	0.2
MX	09/07	09:00	Bi-Weekly CPI (% change)	Aug 31	0.2	--	0.3
MX	09/07	09:00	Consumer Prices (m/m)	Aug	0.5	--	0.5
MX	09/07	09:00	Consumer Prices (y/y)	Aug	4.8	--	4.8
MX	09/07	09:00	Consumer Prices Core (m/m)	Aug	0.3	--	0.3

**EUROPE**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Indicator</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>
IT	09/03	03:45	Manufacturing PMI	Aug	--	51.2	51.5
FR	09/03	03:50	Manufacturing PMI	Aug F	--	53.7	53.7
GE	09/03	03:55	Manufacturing PMI	Aug F	--	56.1	56.1
EC	09/03	04:00	Manufacturing PMI	Aug F	--	54.6	54.6
UK	09/03	04:30	Manufacturing PMI	Aug	--	53.9	54.0
GR	09/03	05:00	Real GDP NSA (y/y)	2Q F	--	--	2.4
IT	09/03		Budget Balance (€ bn)	Aug	--	--	10.6
IT	09/03		Budget Balance YTD (€ bn)	Aug	--	--	-30.7
UK	09/04	04:30	PMI Construction	Aug	--	54.9	55.8
EC	09/04	05:00	PPI (m/m)	Jul	--	0.3	0.4
IT	09/05	03:45	Services PMI	Aug	--	53.1	54.0
FR	09/05	03:50	Services PMI	Aug F	--	55.7	55.7
GE	09/05	03:55	Services PMI	Aug F	--	55.2	55.2
EC	09/05	04:00	Composite PMI	Aug F	--	54.4	54.4
EC	09/05	04:00	Services PMI	Aug F	--	54.4	54.4
UK	09/05	04:30	Official Reserves Changes (US\$ bn)	Aug	--	--	577
UK	09/05	04:30	Services PMI	Aug	--	53.9	53.5
EC	09/05	05:00	Retail Trade (m/m)	Jul	--	-0.1	0.3
SZ	09/06	01:45	GDP (y/y)	2Q	--	2.4	2.2
GE	09/06	02:00	Factory Orders (m/m)	Jul	--	1.8	-4.0
SW	09/06	03:30	<b>Riksbank Interest Rate (%)</b>	<b>Sep 6</b>	<b>--</b>	<b>-0.5</b>	<b>0.00</b>
GE	09/07	02:00	Current Account (€ bn)	Jul	--	19.8	26.2
GE	09/07	02:00	Industrial Production (m/m)	Jul	--	0.2	-0.9
GE	09/07	02:00	Trade Balance (€ bn)	Jul	--	19.5	21.8

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



## Key Indicators for the week of September 3 – 7

### EUROPE (continued from previous page)

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
FR	09/07	02:45	Central Government Balance (€ bn)	Jul	--	--	-58.9
FR	09/07	02:45	Current Account (€ bn)	Jul	--	--	-2333
FR	09/07	02:45	Industrial Production (m/m)	Jul	--	0.2	0.6
FR	09/07	02:45	Industrial Production (y/y)	Jul	--	0.9	1.7
FR	09/07	02:45	Manufacturing Production (m/m)	Jul	--	--	0.6
FR	09/07	02:45	Trade Balance (€ mn)	Jul	--	-5700.0	-6248
SP	09/07	03:00	Industrial Output NSA (y/y)	Jul	--	--	-2.0
UK	09/07	03:30	Halifax House Price (3 month, y/y)	Aug	--	3.6	3.3
EC	09/07	05:00	GDP (q/q)	2Q F	--	0.4	0.4

### ASIA-PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
NZ	09/02	18:45	Terms of Trade Index (q/q)	2Q	--	1.0	-1.9
JN	09/02	19:50	Capital Spending (y/y)	2Q	--	6.5	3.4
JN	09/02	20:30	Markit/JMMA Manufacturing PMI	Aug F	--	--	52.5
AU	09/02	21:30	Retail Sales (m/m)	Jul	--	0.3	0.4
AU	09/02	21:30	ANZ Job Advertisements (m/m)	Aug	--	--	1.5
CH	09/02	21:45	HSBC Flash China Manufacturing PMI	Aug	--	50.7	50.8
CH	09/02	21:45	HSBC Manufacturing PMI	Aug	50.5	50.7	50.8
TH	09/02	23:00	CPI (y/y)	Aug	1.4	1.5	1.5
TH	09/02	23:00	Core CPI (y/y)	Aug	--	0.8	0.8
JN	Sept 2-7		Official Reserve Assets (US\$ bn)	Aug	--	--	1256
ID	09/03	00:00	CPI (y/y)	Aug	3.8	3.3	3.2
ID	09/03	00:00	Core CPI (y/y)	Aug	--	2.9	2.9
JN	09/03	01:00	Vehicle Sales (y/y)	Aug	--	--	1.2
TH	09/03	03:30	Business Sentiment Index	Aug	--	--	52.0
SI	09/03	09:00	Purchasing Managers Index	Aug	--	52.2	52.3
SK	09/03	19:00	CPI (y/y)	Aug	1.4	1.4	1.5
SK	09/03	19:00	Core CPI (y/y)	Aug	--	--	1.1
SK	09/03	19:00	GDP (y/y)	2Q F	2.9	--	2.9
JN	09/03	19:50	Monetary Base (y/y)	Aug	--	--	7.0
AU	09/03	21:30	Current Account (AUD bn)	2Q	--	-11.0	-10500
AU	09/03	21:30	Australia Net Exports of GDP	2Q	--	0.1	0.3
AU	09/04	00:30	<b>RBA Cash Target Rate (%)</b>	<b>Sep 4</b>	<b>1.50</b>	<b>1.50</b>	<b>1.50</b>
NZ	09/04	13:00	QV House Prices (y/y)	Aug	--	--	5.1
HK	09/04	20:30	Purchasing Managers Index	Aug	--	--	48.2
PH	09/04	21:00	CPI (y/y)	Aug	5.8	5.9	5.7
PH	09/04	21:00	Unemployment Rate (%)	Jul	5.5	--	5.5
AU	09/04	21:30	GDP (y/y)	2Q	2.8	2.8	3.1
CH	09/04	21:45	HSBC Services PMI	Aug	--	52.6	52.8
IN	Sept 4-28		Current Account Balance	2Q	--	-17.0	-13.0
MA	09/05	00:00	Exports (y/y)	Jul	--	2.8	7.6
MA	09/05	00:00	Imports (y/y)	Jul	--	5.0	14.9
MA	09/05	00:00	Trade Balance (MYR bn)	Jul	--	6.7	6.1
MA	09/05	03:00	<b>Overnight Rate (%)</b>	<b>Sep 5</b>	<b>3.25</b>	<b>3.3</b>	<b>3.25</b>
TA	09/05	04:00	CPI (y/y)	Aug	2.0	1.7	1.8
SK	09/05	19:00	Current Account (US\$ mn)	Jul	--	--	7377
AU	09/05	21:30	Trade Balance (AUD mn)	Jul	--	1450.0	1873
TH	09/05	23:30	Consumer Confidence Economic	Aug	--	--	69.1
ID	Sept 5-6		Consumer Confidence Index	Aug	--	--	128.1
MA	09/06	03:00	Foreign Reserves (US\$ bn)	Aug 30	--	--	104.2
JN	09/06	19:30	Household Spending (y/y)	Jul	--	-0.8	-1.2
AU	09/06	21:30	Home Loans (%)	Jul	--	-0.1	-1.1
AU	09/06	21:30	Investment Lending (% change)	Jul	--	--	-2.7
CH	Sept 6-7		Foreign Reserves (US\$ bn)	Aug	--	3115.0	3118

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

## Key Indicators for the week of September 3 – 7

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

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
MA	09/07	00:00	Industrial Production (y/y)	Jul	--	1.0	1.1
JN	09/07	01:00	Coincident Index CI	Jul P	--	115.7	116.4
JN	09/07	01:00	Leading Index CI	Jul P	--	103.5	104.7
AU	09/07	02:30	Foreign Reserves (AUD bn)	Aug	--	--	69.1
TA	09/07	04:00	Exports (y/y)	Aug	--	5.1	4.7
TA	09/07	04:00	Imports (y/y)	Aug	--	14.9	20.5
TA	09/07	04:00	Trade Balance (US\$ bn)	Aug	--	3.5	2.2
SI	09/07	05:00	Foreign Reserves (US\$ mn)	Aug	--	--	289208

### LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
PE	09/01	01:00	Consumer Price Index (m/m)	Aug	0.2	0.2	0.4
PE	09/01	01:00	Consumer Price Index (y/y)	Aug	1.1	--	1.6
CL	09/03	08:00	Retail Sales (y/y)	Jul	-1.0	3.50	6.25
BZ	09/03	09:00	PMI Manufacturing Index	Aug	--	--	50.5
BZ	09/03		Trade Balance (FOB) - Monthly (US\$ mn)	Aug	--	--	4227
BZ	09/04	08:00	Industrial Production SA (m/m)	Jul	--	--	13.1
BZ	09/04	08:00	Industrial Production (y/y)	Jul	--	--	3.5
CL	09/04	17:00	<b>Nominal Overnight Rate Target (%)</b>	<b>Sep 4</b>	<b>2.50</b>	<b>2.50</b>	<b>2.50</b>
CL	09/05	07:30	Economic Activity Index SA (m/m)	Jul	--	--	-0.1
CL	09/05	07:30	Economic Activity Index NSA (y/y)	Jul	1.5	3.0	4.9
CO	09/05	20:00	Consumer Price Index (m/m)	Aug	0.1	0.1	-0.1
CO	09/05	20:00	Consumer Price Index (y/y)	Aug	3.1	3.1	3.1
BZ	09/06	08:00	IBGE Inflation IPCA (m/m)	Aug	--	--	0.3
BZ	09/06	08:00	IBGE Inflation IPCA (y/y)	Aug	--	--	4.5
CL	09/07	07:00	CPI (m/m)	Aug	0.2	0.2	0.4
CL	09/07	07:00	CPI (y/y)	Aug	2.7	2.7	2.7



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**Global Auctions for the week of September 3 – 7****EUROPE**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
AS	09/04	05:15	Austria to Sell 0% 2022 Bonds
AS	09/04	05:15	Austria to Sell 0.75% 2028 Bonds
GE	09/04	05:30	Germany to Sell EUR250 Mln 0.1% I/L 2046 Bonds
GE	09/04	05:30	Germany to Sell EUR500 Mln 0.5% I/L 2030 Bonds
DE	09/05	04:30	Denmark to Sell Bonds
SW	09/05	05:00	Sweden to Sell SEK1 Bln 0.75% 2028 Bonds
SW	09/05	05:00	Sweden to Sell SEK500 Mln 0.75% 2029 Bonds
SP	09/06	04:30	Spain to Sell Bonds
FR	09/06	04:50	France to Sell 0.75% 2028 Bonds
FR	09/06	04:50	France to Sell 1.5% 2031 Bonds
FR	09/06	04:50	France to Sell 1.25% 2034 Bonds
FR	09/06	04:50	France to Sell 1.75% 2066 Bonds
UK	09/06	05:30	U.K. to Sell Bonds
IC	09/07	06:30	Iceland to Sell Bonds

**ASIA-PACIFIC**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CH	09/03	21:30	Inner Mongolia to Sell CNY1.2 Bln 10Y Bonds
CH	09/04	22:35	China To Sell Bonds
JN	09/04	23:35	Japan to Sell 10-Year Bond
NZ	09/05	22:05	New Zealand To Sell Bonds
CH	09/06	02:00	Tianjin to Sell Bonds
AU	09/06	21:00	Australia To Sell AUD1 Bln 2.5% 2030 Bonds

## Events for the week of September 3 – 7

### NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	09/03	14:30	Fed's Evans Speaks on Policy Panel in Argentina
US	09/04	10:30	Fed's Evans Discusses Policy Normalization
CA	09/05	10:00	<b>Bank of Canada Rate Decision</b>
US	09/05	16:00	Fed's Kashkari Speaks at Townhall in Bozeman, Montana
US	09/06	10:00	Fed's Williams Speaks at University of Buffalo
CA	09/06	14:30	Bank of Canada Wilkins Speech in Saskatchewan
US	09/06		Delaware state primary
US	09/07	08:30	Fed's Rosengren Makes Opening Remarks at Boston Fed Conference
US	09/07	09:00	Fed's Mester Moderates Panel at Boston Fed conference
US	09/07	12:45	Fed's Kaplan Speaks at Energy Conference in Dallas

### EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
EC	09/03	02:30	ECB's Mersch Speaks in Paris
EC	09/03	05:20	ECB's Mersch Speaks in Paris
UK	09/04	08:15	BOE's Carney, Haldane, Tenreyro and Saunders Speak in London
EC	09/05	04:30	ECB's Praet Speaks in Vienna
HU	09/05	08:00	Hungarian Central Bank's Minutes
SW	09/06	03:30	<b>Riksbank Interest Rate</b>
SW	09/06	05:00	Riksbank Holds Press Conference on Rate Decision
EC	09/06	07:45	ECB's Lautenschlaeger Speaks in Vienna
SZ	09/06	12:30	SNB's Zurbruegg Speaks at University of Lucerne
IT	09/07		Italy Sovereign Debt to Be Rated by Moody's

### ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
JN	09/03	01:40	BOJ Kuroda speaks at Stock Future 30 years anniversary in Tokyo
KZ	09/03	07:00	<b>Key Rate</b>
AU	09/04	00:30	<b>RBA Cash Rate Target</b>
AU	09/04	05:30	Remarks by RBA Governor Lowe in Perth
MA	09/05	03:00	BNM Overnight Policy Rate
JN	09/05	21:10	BOJ Outright Bond Purchase 5~10 Years
JN	09/05	21:30	BOJ Kataoka speaks in Yokohama
KZ	09/06	00:00	Kazakhstan Sovereign Debt to be rated by S&P

### LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CL	09/04	17:00	Overnight Rate Target

## 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	1.75	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

**Bank of Canada:** A 25bps hike is expected on Wednesday. With modest conviction, we expect Governor Poloz to continue to emphasize the data which has been constructive in the wake of 3% GDP growth and to continue to avoid NAFTA “hypotheticals.” Even at that, we remain positive toward NAFTA negotiations.

### 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	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

**Riksbank:** Above-target underlying inflation is expected to continue to support central bank guidance for a rate hike later this year.

### 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	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	October 18, 2018	1.50	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

**The Reserve Bank of Australia (RBA)** will hold a monetary policy meeting on September 4. We do not expect any changes to the benchmark interest rate in the near term. The RBA's policymakers have recently stated that “the next move in the cash rate would more likely to be an increase than a decrease”. Nevertheless, the policymakers have also noted that there is “no strong case for a near-term adjustment in monetary policy”. The Malaysian central bank, **Bank Negara Malaysia (BNM)**, will hold a monetary policy meeting on September 5. We expect the BNM to leave the Overnight Policy Rate unchanged at 3.25%; the rate has remained at that level since the January 2018 hike of 25 bps. We believe that the BNM will tighten monetary policy very cautiously in the foreseeable future, given that the policy rate is already close to its historical ceiling of 3.50%. We do not foresee another hike until the second half of 2019.

### 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	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

**Banco Central de Chile:** No policy rate change is anticipated. With inflation running at 2.7% y/y, it lies well within the target range of 2-4%.

### 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

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

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