

INEPT MANIPULATORS

- [Canada — One Versus Hundreds](#) 2-3
- [Europe — Defending EU Principles](#) 3-4
- [Latin America — An Odd Couple](#) 4-5
- [United States — The Beats Roll On](#) 5-6
- [Asia-Pacific — Falsely Accused](#) 6

FORECASTS & DATA

- [Key Indicators](#) A1-A2
- [Global Auctions Calendar](#) A3
- [Events Calendar](#) A4
- [Global Central Bank Watch](#) A5

CONTACTS

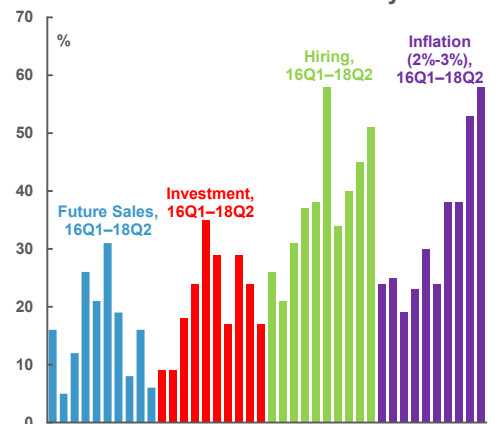
Derek Holt, VP & Head of Capital Markets Economics
416.863.7707
Scotiabank Economics
derek.holt@scotiabank.com

Next Week's Risk Dashboard

- ▶ Brexit
- ▶ Italian budget
- ▶ US Treasury FX report
- ▶ US earnings
- ▶ FOMC minutes
- ▶ Chinese GDP
- ▶ CPI: Canada, UK, NZ, Argentina
- ▶ BoC surveys
- ▶ CDN macro
- ▶ Other China macro
- ▶ CBs: BoK, Chile
- ▶ UK macro
- ▶ Australian jobs
- ▶ WCS spread

Chart of the Week

Business Outlook Survey



Sources: Scotiabank Economics, Bank of Canada.

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

Inept Manipulators

CANADA—ONE VERSUS HUNDREDS

Next week will be a key one for BoC watchers as the last salvos of information arrive that will inform positioning ahead of the October 24th policy decision and Monetary Policy Report. A hike and a repeated 'gradual' mantra are still expected. I'll review the salient developments before turning to a special topic for consideration that has been of interest to a number of clients. The BoC goes into communications blackout on Tuesday.

The week starts with the Bank of Canada's twin quarterly surveys: the Business Outlook Survey (BOS) and the Senior Loan Officer Survey. The BOS gets most of the attention as a sample survey of about 100 business leaders' opinions on investment intentions, hiring intentions, capacity constraints, labour shortages and price pressures. The chart on the cover page demonstrates what's at stake going into the figures. Up until the July edition, businesses had been indicating moderated expectations for future sales growth over the next year, solid but somewhat softer investment intentions, still-strong hiring intentions, and accelerating inflation concerns. The Q3 report may already be stale before its arrival. The survey period ran from about the last week of August through to the first two-and-a-half weeks of September and hence preceded the USMCA deal that was struck late on September 30th. If the BOS is resilient in terms of investment and hiring intentions plus inflation expectations then it will be a sign that factors other than NAFTA uncertainty—like strong US growth and domestic capacity constraints—dominated business sentiment; if it weakens, then that can be blamed on NAFTA uncertainty that has since ebbed. **Therefore, a good reading may be hawkish to the BoC outlook, but a bad set of readings could be discarded in what may amount to one-tailed significance to the report.**

CPI arrives at the end of the week. I figure that CPI in month-ago seasonally unadjusted terms will come in at 0% m/m with the risk of a slightly firmer +0.1% reading. That would knock the year-ago headline rate down to 2.6% (if 0% m/m NSA) or 2.7% (if 0.1% m/m) from 2.8% the prior month. Either way, it would be a further mild deceleration in year-ago terms with little month-ago change. The drivers to the call include a) base-effect shifts that would knock two-tenths off the year-ago rate, b) gasoline prices that reinforce the cooler year-ago headline inflation but that were flat in m/m terms, and c) the fact that September usually displays little seasonal price pressure in either direction both in terms of headline inflation and CPI ex-food and energy. As for special considerations, I don't think that pass-through from tariffs is material to the overall basket and it occurs with lags anyway as inventories adjust and tax incidence effects unfold. On the average of the core measures, I'm going unchanged at 2.1% y/y.

There will also be three activity readings on tap for next week. They will help to inform GDP expectations for Q3.

- One will be **existing home sales** during September on Monday; they have risen smartly in seasonally adjusted terms for three consecutive months so far. A small rise is possible.
- Wednesday's **manufacturing sales** during August may be dragged down by two considerations. One is that shipments have been doing rather well for some time and therefore pose a high base effect off of which to post further growth. Shipments have been up for three consecutive months by an average of over 1% m/m, and they've risen during five of the seven months so far this year. Second is that we already know that exports were soft during August; they fell by 1% m/m in dollar terms and 0.7% in volume terms excluding price effects.
- Lastly, **retail sales** during August arrive on Friday. Given limited information for auto sales and gasoline prices, a solid headline rise is expected but sales excluding autos and gas prices might be more challenged especially after increases in several categories the prior month.

Earnings risk will be light as Canada's season typically lags the US. Only five TSX-listed firms are due out, including Kinder Morgan, CP and Rogers.

Separate from the week's data-flow is some concern in the market that the BoC's possible hike path may be interrupted or delayed by the drop in Canadian oil prices and the broader terms of trade. This stems from concerns surrounding the

plunge in the differential between the WTI price of oil and on the Western Canada Select benchmark that has approached a whopping discount of US\$50 per barrel as the WCS price has fallen to the low \$20s. I think the BoC looks through the WCS differential while emphasizing other more constructive developments. They are likely to acknowledge the discount in the broad set of upcoming communications, but it won't carry the day on their forecasts. The reasoning goes as follows.

1. There are temporary factors aggravating the spread and they are expected to improve over time. For example, Rory Johnston—our commodities economist—figures that oil-by-rail commitments from CP and CN that have been recently announced will take oil-by-rail up from about 200k bpd over the summer to about 50% more by year-end (chart 1). That will help ease bottlenecks but the progress has been a bit frustrated by shortages of rail crews, tank cars, etc. This is big; it wasn't that long ago when there was no oil-by-rail (2011) and now it's as if rail companies built a pipeline while Canadians were sleeping. I'm always struck by how underappreciated this point has tended to be and it's on the verge of becoming yet more significant as a way of clearing out a logjam of discounted production.

2. Second is that pipeline capacity will get a boost when Line 3 and then the third Keystone leg (XL) kick in by as soon as late 2019 or early 2020 (Line 3). Two out of three ain't bad pending future Transmountain developments. **This too should help ease the pipeline bottlenecks that are causing a discounted glut.**

3. On net, Scotia Economics expects the WCS-WTI spread to be cut in half over the BoC's projection horizon from today's spot spread to the annual averages forecast for both 2019 and 2020. Rory will further elaborate upon his views as part of our pending *Global Outlook* report that we will release early next week, but he has generally been out in front on this issue for some time now.

Monetary policy acts with lengthy lags and so the BoC needs to craft policy with an eye on what they expect in future. If there are reasons to expect the WCS spread to narrow over time (with the caution that the blow-out was a surprise to many) then that's what they would likely focus upon rather than pegging the overnight rate decision to the volatile WCS spot price.

Further, what matters more to the BoC outlook are reasons to revise GDP growth upward that our pending *Global Outlook* will explore more fully. For now, what matters is that economic growth over 2018–2020 is likely to average above the BoC's estimate of the noninflationary potential growth rate. That translates into further pressure upon capacity constraints and further inflationary pressures. In summation, Governor Poloz said [here](#) that "it takes hundreds of data points to make a complete picture." He's right of course, and so it would be an oddity if the BoC emphasized just one such data point—the WCS spread.

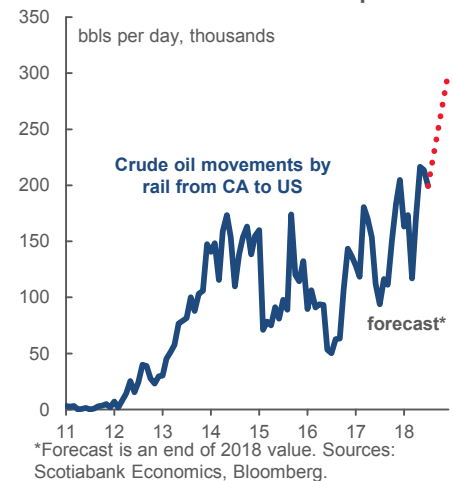
EUROPE—DEFENDING EU PRINCIPLES

Crunch time arrives both for Brexit negotiations as well as Italy's budget proposals. Both developments carry the capacity to impact global markets and local markets over the coming week. The common issue that is interwoven through both issues is striking a balance between regional autonomy versus the need to preserve and reinforce fundamental EU principles regarding membership rules, what happens when they are violated and the cost of exiting.

Next week will bring key milestones that will further inform what shape the UK's planned exit from the EU will take on March 29th 2019. The EU Summit next Wednesday and Thursday could be a make-it-or-break-it point in the dialogue that will go a long way toward further informing the risk of a soft or hard exit. French President Macron had said last month that there would be no point meeting again in November if there was no progress on key sticking points by next week's Summit. The main issue that remains is how to treat the border between the Republic of Ireland (an EU member) and Northern Ireland (soon not). A so-called 'backstop' plan is sought to avoid a hard border that would be marked by border check-points and a politically unpalatable division. In advance of the EU Summit, Brexit negotiators have been at work on solutions. Working toward the EU Summit deadline next week requires UK PM May to present a Brexit agreement to her cabinet for approval by Tuesday. One proposal is to have a twenty-

Chart 1

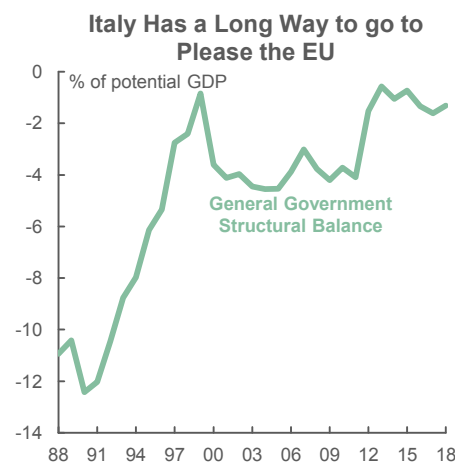
Near-Record Crude Rail Shipments



one month period that postpones a hard border after the March 2019 date and that can be possibly pushed further out. Heading into the weekend, it appears this is desired neither by friends nor foes of Brexit within the Conservative Party.

Italy needs to present its draft budget plan to the EU on Monday and the Italian cabinet is expected to meet that same day in order to discuss proposals. A showdown has been looming for some time. Toward the end of this past week, Italy's parliament approved a budget that would risk violating EU requirements. Both houses backed proposals for a 2019 headline deficit-to-gdp target of 2.4% that would slightly diminish to 2.1% in 2020 and 1.8% in 2021 with increases over prior proposals designed to fund income supports and a reduction in the retirement age. Pierre Moscovici—the EU Commissioner for Economic and Financial Affairs—has warned against such proposals by depicting them as violations of EU rules to contain structural deficits. Italy's structural deficits—defined to exclude transitory one-offs and swings in the business cycle—are a long way from meeting EU rules that require that Italy reduce its structural deficit each year until it is eliminated (chart 2). In fact, Italy's latest proposals for the headline deficit would take the structural deficit in the wrong direction.

Chart 2



Sources: Scotiabank Economics, IMF, Bloomberg.

Other developments may be comparatively light and mostly focused upon UK macro data. UK wage growth in August arrives Tuesday; it had accelerated to 2.9% y/y in July and toward cycle highs compared to the past decade. UK CPI is due for September on Wednesday and it is expected to drift a little lower with core in line with the Bank of England's 2% target. UK retail sales during September are expected to soften in Thursday's reading. The final estimate for Eurozone CPI in September arrives Wednesday. Germany releases the ZEW investor confidence metric for October on Tuesday; it is one of three measures along with PMIs and the IFO business confidence reading that are used as survey-based evidence of growth momentum.

LATIN AMERICA—AN ODD COUPLE

Latin American markets will be principally watching global market developments with a pair of local twists focused upon central banks in Chile and Argentina. You couldn't ask for a more divergent set of central bank circumstances which is a regional example of the point about how developments outside of the major markets need to be segmented with a heavy emphasis upon idiosyncratic factors.

Scotia's Santiago-based economist Benjamin Sierra expects Banco Central de Chile to hold its policy rate next Friday. Consensus is divided with some expecting a 25bp rate hike. Central bank guidance has pointed toward a nearer-term hike, but the timing has been vague. Inflation climbed to 3.1% y/y in September which brings it into the upper half of the central bank's 3% +/- 1% policy target range. What also leans toward tightening policy is that the central bank had previously revised up its growth forecast. The September statement ([here](#)) noted that "Economic growth has been faster than forecast, reducing the output gap more quickly and consolidating the outlook for an early convergence of inflation to target." As a consequence, the central bank noted that "...the Board believes that the monetary stimulus should start being gradually withdrawn in the coming months." On the policy rate, the minutes to that meeting (also [here](#)) noted that "by 2020 it would stand around its neutral level, which was estimated between 4% and 4.5%." **The vague timing of the guidance did not indicate an imminent rush which helps to explain the divided call for next week.**

Banco Central de la Republica Argentina will continue to hold daily auctions of 7 day Leliq notes next week while inflation is expected to continue rising. The September CPI report is due out next Wednesday. Following August's inflation increase to 34% y/y, another big jump is expected as the lagging effects of peso depreciation continue to feed through the data. To counter the self-reinforcing inflation dynamic of peso depreciation and a rush to ditch pesos in exchange for necessities and items that may hold their value better, the daily notes auctions were introduced as part of the new monetary plan at the start of this month. The notes auctions are designed to a) serve as a more transparent and frequent guide to central bank policy, and b) to remove pesos from circulation and shrink the money supply in order to help contain price pressures. The recent auction rate has been 72.728%. Clearly we're beyond the normal frameworks of monetary policy decisions and into emergency mode that has been oriented toward stemming capital flight. To add to the drama, the President of the central bank—Luis Caputo—resigned on

September 25th after occupying the office for only about three months. Would you have liked the job? The new central bank President is Guido Sandleris. A hint at temporary stabilization is that the peso has rallied of late and is up by 12% versus the USD since the start of October (chart 3). The implementation of the new monetary plan on September 30th has helped to calm markets in the near-term. Furthermore, the auction rate on the Leliq notes has been stable of late (chart 3 again) and that may indicate that the worst of the policy adjustments has passed. It's not over yet, however, as the next round of challenges will surround the country's entry into recession ahead of President Mauricio Macri's quest to be re-elected in the October 27th 2019 general election.

UNITED STATES—THE BEATS ROLL ON

US-China relations, earnings risk and macro data will all combine to have the potential to catapult US developments into the heart of world markets.

One consideration will be whether US Treasury Secretary Mnuchin points to China as a currency manipulator or once again passes on doing so. The Treasury will release its semi-annual *Macroeconomic and Foreign Exchange Policies of Major Trading Partners of the United States* sometime over the coming week (past issues [here](#)). Unconfirmed reports indicated that Treasury staff recommended against labelling China a manipulator. Mnuchin was rather coy in a televised interview that touched upon the topic. Given that Mnuchin is more of a moderate on trade matters within the US administration—relative to the likes of Trump, Ross, Navarro and Lighthizer—I would expect him to support the unconfirmed staff recommendation. He would have to redefine how to assess currency manipulation if Treasury took a different turn, since China generally doesn't satisfy the criteria. The yuan has weakened to the USD partly as a function of broad dollar strength this year, but partly as a function of where the market has taken the yuan due to growth risks pertaining to trade frictions with the US. Further, China's current account surplus has already collapsed to only about ½% of GDP from a peak of over 10% back in 2007. Lastly, the PBOC has not generally driven the currency weaker through overt market interventions. If Mnuchin did take the step of labelling China a manipulator, then the effect is somewhat symbolic but could be used as an excuse by President Trump to unleash further protectionist measures.

The Fed will have a chance to clarify some of the points that were made in the FOMC statement, the Summary of Economic Projections and Chair Powell's press conference when it releases **minutes to the September 25–26th FOMC meeting on Wednesday**. A recap of those communications is available [here](#). In particular, I would think they need to clarify the discussion on accommodation. Recall that the statement deleted reference to how "monetary policy remains accommodative" but then Chair Powell seemed to waffle on the topic in the press conference. The aforementioned Summary provided one possible explanation of what was meant, but clarification from the Fed would be welcomed by markets.

Earnings will factor prominently into the market tone over the coming week. Fifty-five S&P500 firms release earnings including names like Netflix, eBay and twenty-six financials including BofA, BlackRock, Morgan Stanley, Goldman Sachs, US Bancorp, BoNYM, Amex and State Street. While it's very early, the Q3 earnings season is shaping up rather nicely with about 90% of a small sample to date beating analysts' earnings expectations including the early read on key financials. The longstanding pattern of earnings routinely beating analysts' expectations ever since the dot-com mess is showing no signs of abating (chart 4).

Data risk will also be significant. Monday's retail sales are expected to advance in light of a strong showing for vehicle sales that were up by about 5% m/m in seasonally adjusted terms during September. The industrial complex's fortunes will be informed by three reports including Monday's Empire manufacturing gauge of conditions around the New York region, Tuesday's industrial output report that is expected to show modest growth and slight further upward pressure upon capacity utilization, and

Chart 3

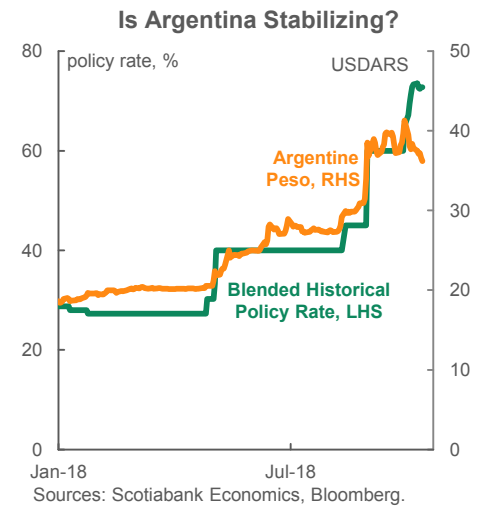
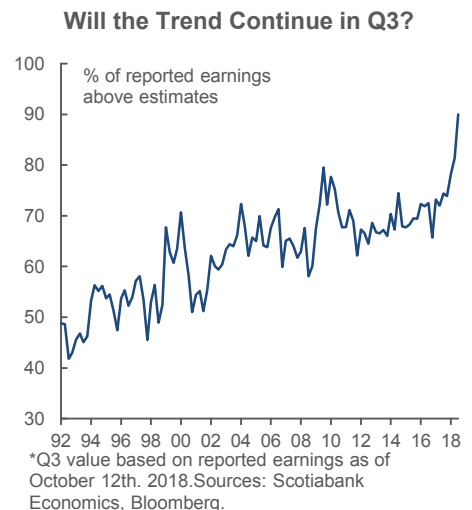


Chart 4



Thursday's volatile Philly Fed metric. Housing starts (Wednesday) will likely give back some of the prior month's large 9% m/m gain. Existing home sales could continue a mild downward trend. Also keep an eye on Wednesday's US Treasury International Capital net monthly inflows figure as an indication of foreign appetite for Treasuries albeit with a lag back to August.

Auction risk continues, but should be fairly mild with just a 30 year TIPS reopening on Thursday.

ASIA-PACIFIC—FALSELY ACCUSED

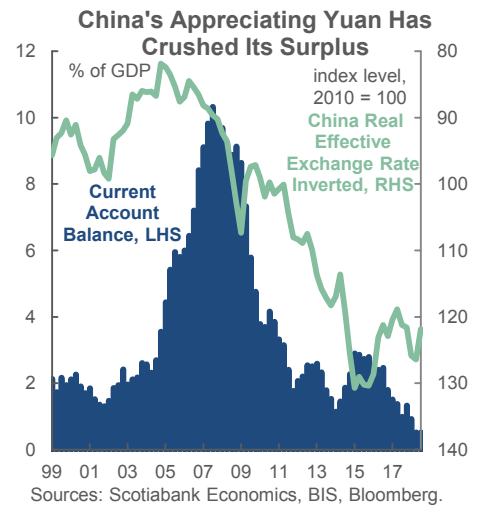
If China is manipulating its currency to its advantage, then chart 5 would suggest it has been doing so rather ineptly over time. While the topic may be of consequence to Asian and world markets over the coming week (see the US section), the point that should settle the debate rather conclusively is that as China's real effective exchange rate has sharply appreciated over the past decade and then some, its current account surplus has virtually disappeared. President Trump's timing to go after China's surpluses is off by about a decade compared to when Mitt Romney was making a fuss over it, assuming it would have been a legitimate tangle even back then.

Apart from the currency manipulation issue, China will also factor prominently in world markets through a heavy macro release schedule. Either over the weekend or into Monday we should learn about loan growth and broader financing figures for September in what is tracking as a record year for new yuan loan growth. Chinese CPI inflation for September (Monday night ET) is expected to continue drifting higher to among the highest readings of the past several years. GDP growth in Q3 is (not surprisingly) expected to land around the 6.6–6.7% y/y range. Chinese GDP growth figures are never revised and have been in the high 6s for every one of the past twelve quarters and counting. Retail sales, industrial production, fixed asset investment and new home prices during September will close out the week's schedule.

Consensus is divided on what the Bank of Korea might do next Thursday. About half of economists expect a continued pause at 1.5%, while the other half including Scotia's Tuuli McCully expect a quarter point hike in the 7-day repo rate. Inflation is running at 1.9% y/y which is within spitting distance of the 2% target.

Australia spins the wheel on its latest jobs report for September on Wednesday. New Zealand updates CPI for Q3 on Monday night (eastern time) and Japan does likewise for September on Thursday.

Chart 5



Key Indicators for the week of October 15 – 19
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	10/15	08:30	Empire State Manufacturing Index	Oct	--	20.0	19.0
US	10/15	08:30	Retail Sales (m/m)	Sep	0.5	0.6	0.1
US	10/15	08:30	Retail Sales ex. Autos (m/m)	Sep	0.3	0.4	0.3
CA	10/15	09:00	Existing Home Sales (m/m)	Sep	--	0.2	0.9
US	10/15	10:00	Business Inventories (m/m)	Aug	--	0.5	0.6
CA	10/15	10:30	BoC Senior Loan Officer Survey	3Q	--	--	-8.9
CA	10/15	10:30	Business Outlook Future Sales	3Q	--	--	6.0
CA	10/16	08:30	International Securities Transactions (C\$ bn)	Aug	--	--	12.7
US	10/16	09:15	Capacity Utilization (%)	Sep	78.2	78.2	78.1
US	10/16	09:15	Industrial Production (m/m)	Sep	0.3	0.2	0.4
US	10/16	10:00	JOLTS Job Openings (000s)	Aug	--	6900	6939
US	10/16	10:00	NAHB Housing Market Index	Oct	--	67.0	67.0
US	10/16	16:00	Total Net TIC Flows (US\$ bn)	Aug	--	60.3	52.2
US	10/16	16:00	Net Long-term TIC Flows (US\$ bn)	Aug	--	--	74.8
US	10/17	07:00	MBA Mortgage Applications (w/w)	OCT 12	--	--	0.0
CA	10/17	08:30	Manufacturing Shipments (m/m)	Aug	-0.5	-0.7	0.9
US	10/17	08:30	Building Permits (000s a.r.)	Sep	--	1275	1249
US	10/17	08:30	Housing Starts (000s a.r.)	Sep	1200	1210	1282
US	10/17	08:30	Housing Starts (m/m)	Sep	-6.4	-5.6	9.2
US	10/18	08:30	Initial Jobless Claims (000s)	OCT 13	215	210	207
US	10/18	08:30	Continuing Claims (000s)	OCT 6	1665	1670	1650
US	10/18	08:30	Philadelphia Fed Index	Oct	24	20.0	22.9
US	10/18	10:00	Leading Indicators (m/m)	Sep	--	0.5	0.4
CA	10/19	08:30	Core CPI - Common (y/y)	Sep	--	2.0	2.0
CA	10/19	08:30	Core CPI - Median (y/y)	Sep	--	--	2.1
CA	10/19	08:30	Core CPI - Trim (y/y)	Sep	--	--	2.2
CA	10/19	08:30	CPI, All items (m/m)	Sep	0.0	0.1	-0.1
CA	10/19	08:30	CPI, All items (y/y)	Sep	2.6	2.7	2.8
CA	10/19	08:30	CPI, All items (index)	Sep	--	134.4	134.2
CA	10/19	08:30	Retail Sales (m/m)	Aug	0.4	0.5	0.3
CA	10/19	08:30	Retail Sales ex. Autos (m/m)	Aug	0.2	0.2	0.9
US	10/19	10:00	Existing Home Sales (mn a.r.)	Sep	5.3	5.3	5.3
US	10/19	10:00	Existing Home Sales (m/m)	Sep	-0.8	-0.9	0.0

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>
UK	10/16	04:30	Average Weekly Earnings (3-month, y/y)	Aug	2.6	2.6	2.6
UK	10/16	04:30	Employment Change (3M/3M, 000s)	Aug	10	11.0	3.0
UK	10/16	04:30	Jobless Claims Change (000s)	Sep	--	--	8.7
UK	10/16	04:30	ILO Unemployment Rate (%)	Aug	4.0	4.0	4.0
EC	10/16	05:00	Trade Balance (€ mn)	Aug	--	--	17.6
EC	10/16	05:00	ZEW Survey (Economic Sentiment)	Oct	--	--	-7.2
GE	10/16	05:00	ZEW Survey (Current Situation)	Oct	--	74.3	76.0
GE	10/16	05:00	ZEW Survey (Economic Sentiment)	Oct	--	-12.0	-10.6
IT	10/16	05:00	CPI - EU Harmonized (y/y)	Sep F	--	1.6	1.6
UK	10/17	04:30	CPI (m/m)	Sep	0.2	0.2	0.7
UK	10/17	04:30	CPI (y/y)	Sep	2.6	2.6	2.7
UK	10/17	04:30	PPI Input (m/m)	Sep	--	0.9	0.5
UK	10/17	04:30	PPI Output (m/m)	Sep	--	0.2	0.2
UK	10/17	04:30	RPI (m/m)	Sep	--	0.1	0.9
UK	10/17	04:30	RPI (y/y)	Sep	--	3.5	3.5
EC	10/17	05:00	CPI (m/m)	Sep F	--	0.5	0.5
EC	10/17	05:00	CPI (y/y)	Sep F	--	2.1	2.1
EC	10/17	05:00	Euro zone Core CPI Estimate (y/y)	Sep F	--	0.9	0.9
UK	10/18	04:30	Retail Sales ex. Auto Fuel (m/m)	Sep	-0.4	-0.4	0.3
UK	10/18	04:30	Retail Sales with Auto Fuel (m/m)	Sep	-0.4	-0.4	0.3
EC	10/19	04:00	Current Account (€ bn)	Aug	--	--	21.3
IT	10/19	04:00	Current Account (€ mn)	Aug	--	--	8607
UK	10/19	04:30	PSNB ex. Interventions (£ bn)	Sep	--	4.5	6.8
UK	10/19	04:30	Public Finances (PSNCR) (£ bn)	Sep	--	--	3.1
UK	10/19	04:30	Public Sector Net Borrowing (£ bn)	Sep	--	4.6	5.9

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

Key Indicators for the week of October 15 – 19

ASIA-PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
IN	OCT 14-15		Exports (y/y)	Sep	--	--	19.2
IN	OCT 14-15		Imports (y/y)	Sep	--	--	25.4
PH	OCT 14-15		Overseas Remittances (y/y)	Aug	--	2.0	5.2
ID	10/15	00:00	Exports (y/y)	Sep	--	6.9	4.2
ID	10/15	00:00	Imports (y/y)	Sep	--	23.7	24.7
ID	10/15	00:00	Trade Balance (US\$ mn)	Sep	--	-444.0	-1021.4
JN	10/15	00:30	Capacity Utilization (m/m)	Aug	--	--	-0.6
JN	10/15	00:30	Industrial Production (y/y)	Aug F	0.6	--	0.6
IN	10/15	02:30	Monthly Wholesale Prices (y/y)	Sep	--	5.0	4.5
NZ	10/15	17:45	Consumer Prices (y/y)	3Q	1.7	1.7	1.5
CH	10/15	21:30	CPI (y/y)	Sep	2.3	2.5	2.3
CH	10/15	21:30	PPI (y/y)	Sep	--	3.6	4.1
SI	10/16	20:30	Exports (y/y)	Sep	--	6.0	5.0
JN	10/17	19:50	Merchandise Trade Balance (¥ bn)	Sep	--	-43.3	-438.4
JN	10/17	19:50	Adjusted Merchandise Trade Balance (¥ bn)	Sep	--	-339.4	-190.4
JN	10/17	19:50	Merchandise Trade Exports (y/y)	Sep	--	2.3	6.6
JN	10/17	19:50	Merchandise Trade Imports (y/y)	Sep	--	13.7	15.3
AU	10/17	20:30	Employment (000s)	Sep	--	15.0	44.0
AU	10/17	20:30	Unemployment Rate (%)	Sep	5.3	5.3	5.3
SK	OCT 17-18		BoK Base Rate (%)	Oct 18	1.75	1.63	1.50
JN	10/18	19:30	National CPI (y/y)	Sep	1.2	1.3	1.3
CH	10/18	22:00	Fixed Asset Investment YTD (y/y)	Sep	5.2	5.3	5.3
CH	10/18	22:00	Industrial Production (y/y)	Sep	6.0	6.0	6.1
CH	10/18	22:00	Real GDP (y/y)	3Q	6.6	6.6	6.7
CH	10/18	22:00	Retail Sales (y/y)	Sep	9.0	9.0	9.0
PH	OCT 18-19		Balance of Payments (US\$ mn)	Sep	--	--	1272.0
HK	10/19	04:30	Composite Interest Rate (%)	Sep	--	--	0.66
HK	10/19	04:30	Unemployment Rate (%)	Sep	2.8	2.8	2.8

LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
PE	10/15		Economic Activity Index NSA (y/y)	Aug	3.0	2.4	2.3
PE	10/15		Unemployment Rate (%)	Sep	--	--	6.1
BZ	10/17	07:30	Economic Activity Index SA (m/m)	Aug	--	0.2	0.6
BZ	10/17	07:30	Economic Activity Index NSA (y/y)	Aug	--	2.0	2.6
CO	10/17	11:00	Retail Sales (y/y)	Aug	--	4.6	3.2
CO	10/18	11:00	Trade Balance (US\$ mn)	Aug	--	-678.0	-557.7
CL	10/18	17:00	Nominal Overnight Rate Target (%)	Oct 18	2.50	2.75	2.50

Global Auctions for the week of October 15 – 19

NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CA	10/17	12:00	Canada to Sell CAD3 Bln 2.25% 2029 Bonds
US	10/18	13:00	U.S. to Sell 30-Year TIPS Reopening

EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
GE	10/16	05:30	Germany to Sell EUR4 Bln 0% 2020 Bonds
FI	10/16	06:02	Finland to Sell Up to 1 Billion Euros of 0.5% 2028 Bonds
SW	10/17	05:00	Sweden to Sell 1.5 Billion Kronor of 0.75% 2029 Bonds
GE	10/17	05:30	Germany to Sell EUR1.5 Bln 2.5% 2044 Bonds
SP	10/18	04:30	Spain to Sell Bonds
FR	10/18	04:50	France to Sell Bonds
IC	10/19	06:30	Iceland to Sell Bonds

ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CH	10/15	21:30	Qinghai to Sell Bonds
CH	10/15	22:30	Sichuan to Sell Bonds
JN	10/15	23:35	Japan to Sell 5-Year Bond
CH	10/16	02:00	Liaoning to Sell Bonds
CH	10/16	04:00	Yunnan to Sell Bonds
CH	10/16	23:00	China Plans to Sell 2Y Government Bond
CH	10/16	23:00	China Plans to Sell 5Y Government Bond
CH	10/17	02:00	Hunan to Sell Bonds
NZ	10/17	21:05	New Zealand To Sell NZD150 Mln 2.75% 2037 Bonds
JN	10/17	23:35	Japan to Sell 20-Year Bond
CH	10/18	02:00	Zhejiang to Sell Bonds
CH	10/18	03:00	Tibet to Sell Bonds
CH	10/18	21:30	Chongqing to Sell CNY5 Bln 5Y Bonds
CH	10/18	23:00	China Plans to Sell 30Y Government Bond

Events for the week of October 15 – 19

NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CA	10/15	10:30	BoC Business Outlook Survey
CA	10/15	10:30	BoC Senior Loan Officer Survey
US	10/17	12:10	Fed's Brainard Speaks on Fintech and Financial Inclusion
US	10/17	14:00	FOMC Meeting Minutes
CA	10/18	08:30	ADP Publishes September Payrolls Report
US	10/18	09:05	Fed's Bullard Speaks to Economic Club of Memphis
MX	10/18	10:00	Central Bank Monetary Policy Minutes
US	10/18	12:15	Fed's Quarles Speaks in New York on the Economic Outlook
US	10/19	09:00	Fed's Kaplan Speaks in New York
US	10/19	12:00	Fed's Bostic Speaks on Economic Outlook

EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
EC	10/13	01:45	ECB President Draghi Holds Press Conference in Bali Nusa Dua
EC	10/15	05:15	ECB's Angeloni Speaks in Brussels
EC	10/15	12:00	ECB's Nouy Speaks in Brussels
EC	10/15	14:00	ECB Vice President de Guindos Speaks in Madrid
HU	10/16	08:00	Central Bank Rate Decision
IT	10/16	09:00	Italian Premier Conte Speaks in Parliament Ahead of EU Summit
EC	10/17	03:30	ECB's Praet Speaks in Madrid
UK	10/17	04:30	BOE's FPC Publishes Record of Its Oct. 3 Meeting
UK	10/17	09:15	BOE's Cunliffe Speaks Before Lawmakers in London
EC	10/17	12:30	Bundesbank President Weidmann Speaks in Berlin
IT	10/17	13:00	Italian Premier Conte Attends EU Summit
UK	10/17	13:00	BOE's Broadbent Speaks in Washington
AS	10/18	04:00	ECB's Nowotny Speaks at Conference in Vienna
IT	10/18	04:30	Finance Minister Tria Speaks at Assolombarda Event in Milan
AS	10/18	07:00	ECB's Nowotny speaks at Gewinn Messe trade fair in Vienna
UK	10/19	11:30	BOE Governor Carney Speaks in New York

ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
KZ	10/15	07:00	Key Rate
AU	10/15	20:30	RBA Oct. Meeting Minutes
AU	10/16	00:00	RBA's Debelle gives speech in Sydney
JN	10/17	20:30	BOJ Kuroda speaks at Branch Managers's Meeting
SK	10/17	00:00	BoK 7-Day Repo Rate
JN	10/19	02:35	BOJ Kuroda speaks in Tokyo
HK	10/19	04:30	Composite Interest Rate

LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CL	10/18	17:00	Overnight Rate Target

Source: Bloomberg, Scotiabank Economics.

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	October 24, 2018	1.75	1.75
Federal Reserve – Federal Funds Target Rate	2.25	November 9, 2018	2.25	2.25
Banco de México – Overnight Rate	7.75	November 16, 2018	8.00	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	October 25, 2018	0.00	0.00
Bank of England – Bank Rate	0.75	November 1, 2018	0.75	0.75
Swiss National Bank – Libor Target Rate	-0.75	December 13, 2018	-0.75	-0.75
Central Bank of Russia – One-Week Auction Rate	7.50	October 26, 2018	7.50	n/a
Sweden Riksbank – Repo Rate	-0.50	October 24, 2018	-0.50	-0.25
Norges Bank – Deposit Rate	0.75	October 25, 2018	0.75	0.75
Central Bank of Turkey – Benchmark Repo Rate	24.00	October 25, 2018	24.00	na

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	October 31, 2018	-0.10	-0.10
Reserve Bank of Australia – Cash Target Rate	1.50	November 6, 2018	1.50	1.50
Reserve Bank of New Zealand – Cash Rate	1.75	November 8, 2018	1.75	1.75
People's Bank of China – Lending Rate	4.35	TBA	--	4.35
Reserve Bank of India – Repo Rate	6.50	December 5, 2018	6.75	6.75
Bank of Korea – Bank Rate	1.50	October 18, 2018	1.75	1.63
Bank of Thailand – Repo Rate	1.50	November 14, 2018	1.50	1.50
Bank Negara Malaysia – Overnight Policy Rate	3.25	November 8, 2018	3.25	3.25
Bank Indonesia – 7-Day Reverse Repo Rate	5.75	October 23, 2018	6.00	6.00
Central Bank of Philippines – Overnight Borrowing Rate	4.50	November 15, 2018	4.75	4.25

Monetary authorities of the **Bank of Korea (BoK)** will make an interest rate decision on October 18. South Korean inflation is approaching the BoK's 2% target, taking the policy rate in real terms to negative territory. This will likely prompt the central bank to redirect its current policy focus on financial stability in the face of persisting trade-related uncertainties, elevated risk aversion, and potential capital outflows. Moreover, reasonably solid economic momentum, continued high credit growth by South Korean households, and a widening interest rate differential between the US and South Korea will likely add to the pressure on the BoK to reduce monetary accommodation. Accordingly, we assess that the next interest rate hike may take place as soon as next week.

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	October 31, 2018	7.00	6.75
Banco Central de Chile – Overnight Rate	2.50	October 19, 2018	2.50	2.75
Banco de la República de Colombia – Lending Rate	4.25	October 26, 2018	4.25	4.25
Banco Central de Reserva del Perú – Reference Rate	2.75	November 9, 2018	2.75	2.75

Banco Central de Chile: Scotia expects a hold but consensus is divided with some expecting a 25bp rate hike next week. The central bank guided at its last meeting that it would begin raising rates over "coming months" but that did not signal an imminent rush to hike.

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	November 22, 2018	6.50	6.75

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

This report has been prepared by Scotiabank Economics as a resource for the clients of Scotiabank. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness. Neither Scotiabank nor any of its officers, directors, partners, employees or affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

These reports are provided to you for informational purposes only. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instrument, nor shall this report be construed as an opinion as to whether you should enter into any swap or trading strategy involving a swap or any other transaction. The information contained in this report is not intended to be, and does not constitute, a recommendation of a swap or trading strategy involving a swap within the meaning of U.S. Commodity Futures Trading Commission Regulation 23.434 and Appendix A thereto. This material is not intended to be individually tailored to your needs or characteristics and should not be viewed as a “call to action” or suggestion that you enter into a swap or trading strategy involving a swap or any other transaction. Scotiabank may engage in transactions in a manner inconsistent with the views discussed this report and may have positions, or be in the process of acquiring or disposing of positions, referred to in this report.

Scotiabank, its affiliates and any of their respective officers, directors and employees may from time to time take positions in currencies, act as managers, co-managers or underwriters of a public offering or act as principals or agents, deal in, own or act as market makers or advisors, brokers or commercial and/or investment bankers in relation to securities or related derivatives. As a result of these actions, Scotiabank may receive remuneration. All Scotiabank products and services are subject to the terms of applicable agreements and local regulations. Officers, directors and employees of Scotiabank and its affiliates may serve as directors of corporations.

Any securities discussed in this report may not be suitable for all investors. Scotiabank recommends that investors independently evaluate any issuer and security discussed in this report, and consult with any advisors they deem necessary prior to making any investment.

This report and all information, opinions and conclusions contained in it are protected by copyright. This information may not be reproduced without the prior express written consent of Scotiabank.

™ Trademark of The Bank of Nova Scotia. Used under license, where applicable.

Scotiabank, together with “Global Banking and Markets”, is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including, Scotiabanc Inc.; Citadel Hill Advisors L.L.C.; The Bank of Nova Scotia Trust Company of New York; Scotiabank Europe plc; Scotiabank (Ireland) Limited; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Scotia Inverlat Casa de Bolsa S.A. de C.V., Scotia Inverlat Derivados S.A. de C.V. – all members of the Scotiabank group and authorized users of the Scotiabank mark. The Bank of Nova Scotia is incorporated in Canada with limited liability and is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia is authorised by the UK Prudential Regulation Authority and is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia's regulation by the UK Prudential Regulation Authority are available from us on request. Scotiabank Europe plc is authorised by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority.

Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V., and Scotia Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities.

Not all products and services are offered in all jurisdictions. Services described are available in jurisdictions where permitted by law.