February 2, 2018

POLITICAL RISK VERSUS THE EAGLES

FORECASTS & DATA

CONTACTS

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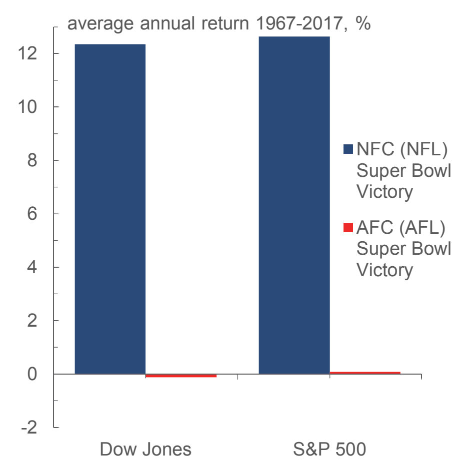
Next Week's Risk Dashboard

- US shutdown risk redux
- CBs: BoE, RBA, Russia, RBNZ, RBI…
- …Banxico, Brazil, Peru, Philippines
- CPI: China, Mexico, Brazil, Chile, Colombia, Norway, Philippines
- CDN jobs, trade, housing
- BoC's Wilkins
- China PMIs, trade, reserves
- UK PMIs, industrial, trade
- Earnings
- Super Bowl effect
- Fed speak
- ECB speak
- US ISM services, trade
- GDP: Indonesia, Norway
- NZ jobs
- European, Asian macro

Chart of the Week

More Reasons to Root for the Eagles



Sources: Scotiabank Economics, Bloomberg.

Chart of the Week: Prepared by: Raffi Ghazarian, Senior Research Analyst.

Political Risk Versus The Eagles

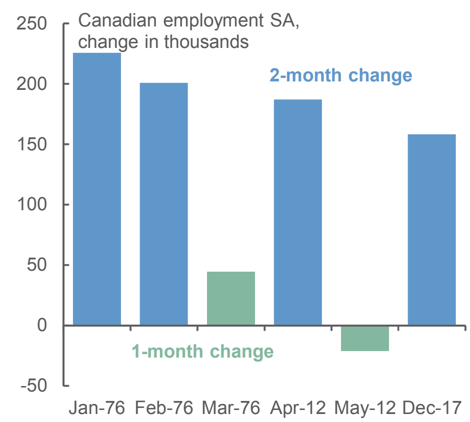
CANADA — COGNITIVE DISSONANCE

Potentially influential developments in Canadian markets will be back-end loaded next week when top-shelf data and Bank of Canada communications will be digested. Earnings releases will be peppered throughout the week.

Will Canada continue to grow jobs in the January Labour Force Survey next Friday? After back-to-back gains totalling about 145,000 new jobs for each of the past two months, it may be a stretch to expect another positive, let alone a big one. Since the inception of the Labour Force Survey in 1976, there have been two other times when two consecutive months have matched or exceeded the pace of job gains registered in the two months of November and December of last year. Evidence drawn from those two periods about what may happen the following month is a draw (chart 1). After March–April 2012 when 187k jobs were created, May dipped but only by 21k. The other time was in Jan–Feb 1976 when 200,800 jobs were created and then each of March and April followed up with additional and sizeable gains.

The point is that another strong number would be a low probability event, but not an impossible one while bearing in mind that consensus has a longstanding tendency to lowball Canadian job growth. Seriously lowball. I mean astoundingly so. **Out of the 601,000 jobs created since job growth began to go vertical after July 2016, the median consensus calls have cumulatively forecast only 81,000 for a cumulative forecast miss of over half a million jobs (chart 2).** This is why I have a problem with the argument one sometimes hears to ignore the jobs reports. One or two, maybe. But ignoring or talking down the trend instead of altering one's thinking may be precisely the problem when it comes to the relatively growth bearish and rates bullish bias one hears across parts of the street including the alarmist concerns about housing and the consumer. Psychologists have a term for this form of behaviour (more here).

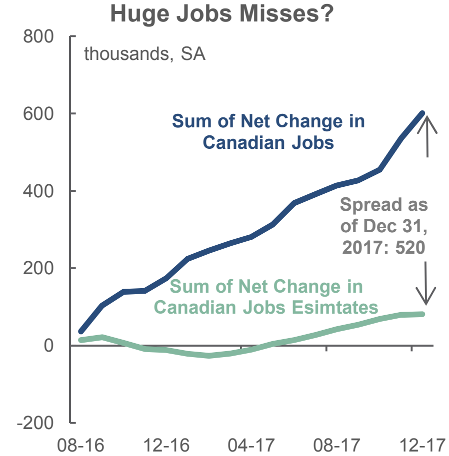
Chart 1



Sources: Scotiabank Economics, Statistics Canada.

The day before the jobs report, Bank of Canada Senior Deputy Governor Carolyn Wilkins will speak in Montebello, Quebec, between Ottawa and Montreal on Thursday at 1pmET. The remarks will be available across the wires about fifteen minutes before. The topic is not yet known as this publication goes to print, as per the BoC's usual practice of releasing details three business days before the event (more lead time would be welcome). This will be one of two events by Governing Council members before the March 7th policy decision; the other will be a speech by Deputy Governor Schembri on February 15th.

Chart 2



Sources: Scotiabank Economics, Bloomberg.

While jobs and the BoC will be the week's two main events, there are three other things worth considering.

1. Earnings: Twenty-eight TSX firms release earnings including names like Genworth, Manulife, BCE, Great-West Life, TELUS, Suncor and WestJet.

2. International merchandise trade during December will update contributions to growth from exports and imports to close out Q4 and thus improve our growth-tracking evidence. There are two main considerations. One is that both import and export growth are coming off large gains in dollar value terms of 5.8% (the largest since July 2009) and 3.7% (the largest since November 2016), respectively. Moderation in both readings is likely and I'm figuring they will net out to a smaller monthly trade deficit with more of the moderation coming from the import side of the trade ledger. Second is that net trade is tracking a small subtraction from GDP growth in Q4 given that, in volume terms, exports are tracking a gain of just under 3% at a seasonally adjusted and annualized rate and imports are tracking a somewhat larger rise.

Trade figures are notoriously volatile, incomplete and subject to heavy revisions so we'll wait until Tuesday to firm up an updated Q4 GDP estimate.

3. The first glimpse at how new home construction will perform in 2018 arrives Thursday with January's housing starts. If you thought it was cold over much of December and January, try a job as a roofer or walking along girders at a downtown condo project. Cold weather may have disrupted activity which would be a reason to discount downside risk if it simply gets deferred to a more hospitable outdoor climate. Lagging data on the volume of housing permits being taken out for new single and multiple dwelling units goes to November so far (December on Wednesday). While the permit figures are down from the peak of about a quarter-million per month at an annualized rate in late 2016, they have persistently hovered over 200k.

Canada auctions 2s on Wednesday.

UNITED STATES — A 'GRAND DEAL' IN THIS CONGRESS?!

The risk of another government shutdown will combine with the Super Bowl's powers as a stock market predictor, Fed-speak, earnings and limited data risk on an active calendar over the coming week.

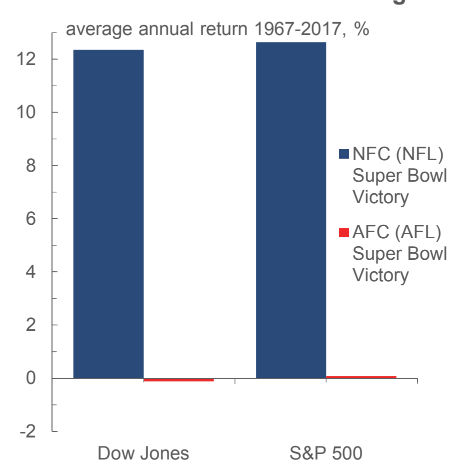
Avoiding a government shutdown by next Thursday is increasingly complicated by the fact that with each turn of the screw, the debt ceiling is becoming increasingly binding. The suspension of the debt ceiling after December 8th last year has been exhausting Treasury's liquidity management and emergency funding options. Failure to secure a longer-lived funding arrangement and associated increase in the legislated debt ceiling increasingly risks prioritization of payments by the US government that could be destabilizing to its various stakeholders and perhaps ultimately Treasuries. It's far too early to reach this end conclusion, but the clock is ticking a little faster than previously thought.

That's because the CBO recently incorporated the effects of the Tax Cuts and Jobs Act into its forecast for when Treasury would run out of room created through emergency measures and have to begin to prioritize payments (here). **The CBO now figures the US Treasury would run out of options to fund government without prioritizing who gets paid by around mid-March.** That is problematic because the current proposal to extend stopgap funding to keep the lights on in Washington beyond next Thursday to March 23rd overlaps with when the debt ceiling becomes effectively binding. The obstacle is the need for a deal on contentious issues surrounding immigration policy, and President Trump's State of the Union speech did not help matters in this regard. **This merits the caution to market participants that a confluence of required agreements on immigration policy, funding requirements and the debt ceiling may all come to a simultaneous head over the next 4–6 weeks.** I would think that it's more likely to get patchwork extensions of funding and a lifted debt ceiling than a shutdown and payments prioritization which, in turn, is more likely than a grand deal that durably solves all three challenges. This Congress likely has no appetite for such a solution on the path to the November mid-terms. The ongoing Mueller investigation and escalating tensions between the Republicans and Democrats in the context of the highly divisive Trump administration makes for little apparent appetite for collaboration. I believe this political risk in the context of managing government finances is a contributing factor to market instability manifest through the dollar, Treasuries and equities. The US could arguably mask such divisions more successfully when Treasury issuance pressures were less acute and monetary policy more accommodative but it may now be playing Russian roulette with the nation's reserve currency standing.

On a lighter note….Raffi Ghazarian and Sam Fraser in our group ask you to join them in hoping the Philadelphia Eagles win the Super Bowl on Sunday February 4th. Betting lines are not expecting this, but stock markets may be hoping for it. As the accompanying chart 3 they drew up illustrates, the so-called Super Bowl effect is fairly powerful. **Causation is an entirely different matter, but who wins the Super Bowl is probably the most accurate stock market forecaster for the year ahead that we're aware of.**

Chart 3

More Reasons to Root for the Eagles

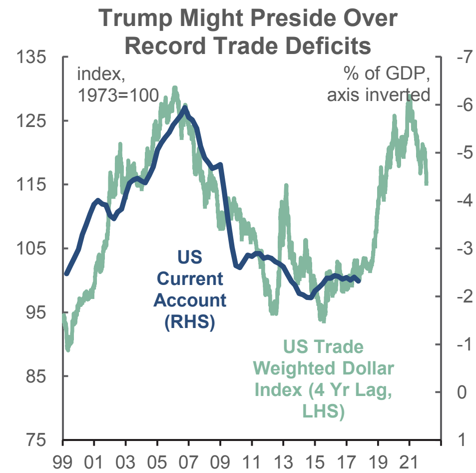


Sources: Scotiabank Economics, Bloomberg.

Fed-speak may factor prominently into the coming week as two voting FOMC members will speak (Dudley, Williams), three alternate members will also speak (Evans, Bullard, George), and so will three nonvoting officials (Kaplan, Harker, Kashkari). A key matter will be to clarify what was meant by the insertion of the word 'further' in front of 'gradual increases' in the January 31st FOMC statement. Was that a further softening of 'gradual' as argued here?

Earnings season is ongoing with 90 S&P500 firms releasing next week including GM, Walt Disney and Kellogg. We're just past the halfway point in the S&P500 earnings season and it's racking up beats all over the place. That has generally been the case ever since SOX legislation and the aftermath of the dot-com excess turned US equity analysts more conservative, but it's still fairly impressive especially on the revenue side (there is more evidence of consistent earnings beats over time). Overall, about 82% of firms that have released thus far have beaten average analysts' earnings expectations by just under 4% in aggregate and 81% have beaten revenue expectations by just under 2% in aggregate.

Chart 4



Source: Scotiabank Economics, Federal Reserve, Bloomberg.

ISM-services (Monday) and trade (Tuesday) round out the data updates. It's too soon to begin talking about potential improvement in the US trade deficit in response to the depreciation in the USD. As chart 4 demonstrates, dollar movements take four years to have the maximum correlations with movements in the trade or broader current account position of the US economy. That means that the trade position of the US economy is still being negatively hit by the appreciation of the broad dollar index that occurred from 2014 through to its peak in late 2016 into early 2017. As a consequence, the trade deficit will keep on pressuring a protectionist administration this year.

The US Treasury auctions 3s, 10s and 30s next week.

LATIN AMERICA — MONETARY POLICY IN FOCUS

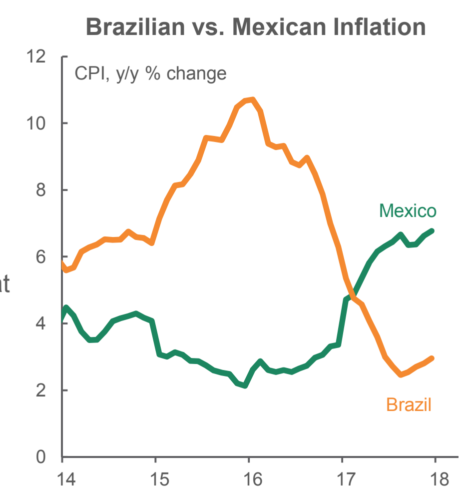
Three central bank decisions, a further explanation from another central bank that recently cut rates, and four inflation reports will drive domestic sources of market risk in addition to imported global considerations.

The three central banks poised to make policy decisions are expected to go in three different directions.

1. **Brazil's central bank is expected to cut its Selic rate by 25bps** to 6.75% on Wednesday. Even though CPI inflation is expected to continue to post very gentle traction away from the low point in August when January's figures arrive on Thursday, at about 3% y/y inflation it remains toward the bottom of the central bank's 3–6% inflation target range.

2. **Banxico is expected to hike its overnight rate** on Thursday. Banxico has the opposite problem compared to Brazil (chart 5) in that inflation is relatively high at about 6.8% y/y but January's update on Thursday might begin to show relief. A further consideration is how the central bank views currency risk in light of the peso's disinflationary appreciation this year versus a sagging USD.

Chart 5



Sources: Scotiabank Economics, Bloomberg.

3. **Peru's central bank is expected to hold its policy reference rate** later on Thursday but the risk is skewed to a cut on the back of the January inflation report that fell again to 1.25% y/y which brings inflation closer to the lower end of the 1–3% policy target range. Scotiabank's Mario Guerrero has cautioned that there is the risk of a future rate cut partly in light of soft investment and political developments.

Friday's minutes to Colombia's BanRep meeting on January 29th are likely to reinforce that rate cuts are done for now. The co-director of the central bank—Adolfo Meisel—recently remarked rather clearly that "I'd say that in the first half, the work is already done in terms of monetary policy." That said, Monday's inflation report for January is expected to dip below 4% y/y which would bring it back within the 2–4% target range.

Finally, Chile's inflation rate on Thursday is expected to fall back to about 2% y/y which would set it at the lower end of the 2–4% inflation target range. Chile's central bank has until March 20th before it makes another rate decision after recently holding its policy rate at 2.5%.

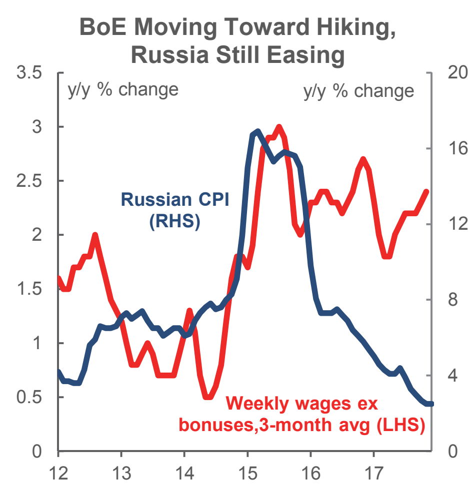
EUROPE — A MORE HAWKISH BoE?

Data risk will operate in the background to a pair of central bank decisions, an ECB nomination that may shed further light on the competition to reshape the central bank's leadership including President Draghi's successor, ongoing Brexit-related politics, and German Chancellor Angela Merkel's coalition negotiations.

Scotiabank's Alan Clarke expects the Bank of England to largely stand pat on 'Super Thursday' when the central bank releases its policy decision and statement plus the Inflation Report. No Bank Rate change is expected but Clarke anticipates a mildly hawkish bias on the path to an expected hike in May. Since the November meeting, markets have tightened financial conditions through pound sterling appreciation and higher bond yields but Clarke notes that GDP growth has been a little stronger than expected and wage inflation has been firming from a recent low of 1.8% y/y last April to 2.4% now which, alongside firming oil prices, all points to somewhat greater conviction that gently higher inflation is on the way. Of course, lurking in the background is ongoing Brexit-related uncertainty on the path toward leaving the EU by March of next year.

Russia's central bank is likely to keep going in the opposite direction in no small part because of divergent wage and price pressures between the UK and Russia (chart 6). Consensus is nearly unanimous that a 25bps cut is in the cards next Friday. After the economy grew by only 1.5% y/y in 2017 and the central bank cut by 50bps in December, expectations for further easing are motivated by the central bank's guidance toward "the prospect of some key rate reduction in the first half of 2018". Wednesday's CPI update is expected to witness a further decline in Russian inflation to just over 2% and a new record low for the modern era.

Chart 6



Sources: Scotiabank Economics, Bloomberg.

After Ireland surprised with a candidate of its own (Governor Philip Lane) for ECB Vice President to replace Vitor Constancio who retires in May (other retirements here), Spain is expected to announce its candidate by Wednesday which is the deadline for offering candidates. **If the VP spot goes to the south, it is thought to add credibility to awarding the President's job to among the generally more hawkish northern countries when Mario Draghi retires in October 2019 (he speaks on Monday).** Bundesbank President Jens Weidmann is a contender and has tended to be hawkishly critical of ECB policy, but German candidacy tends to incite opposition from weaker regions across the Eurozone. Bank of France Governor Francois Villeroy de Galhau is also thought to be a contender and is more dovish. Other speculation has included IMF Managing Director—and former French Finance Minister—Christine Lagarde. Ergo, it would appear to be France versus Germany in the contest to lead the ECB. Lane was thought to be a possible contender until he was advanced as a candidate for the Vice Presidency.

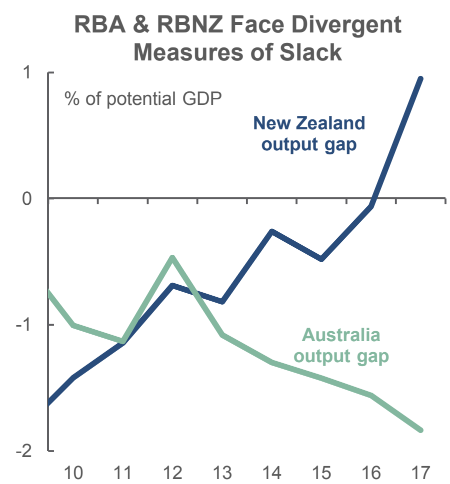
Data risk will be primarily focused upon trade figures from Germany, France and the UK; industrial output figures from France, Germany and the UK; German factory orders; the last of the monthly UK purchasing managers' indices for the service sector and the broad composite reading; and Norway's CPI inflation rate plus Q4 GDP growth both on Friday.

ASIA — MORE CENTRAL BANKS!

If you've read this far, you've probably figured out that central banks and their rock star leaders will once again figure prominently in global markets over the coming week. Asia-Pacific markets will be no exception in this regard with **four central banks weighing in with policy decisions. China macro data will be a further consideration.**

Weaker-than-expected inflation reports make it easier for both the RBA and RBNZ to maintain a neutral-dovish stance in the near term and keep policy on hold on Monday night (ET) and Wednesday, respectively. Australian inflation climbed only a tick to 1.9% y/y in Q4 with the trimmed mean CPI measure holding flat at 1.8% and the weighted median CPI ticked up to 2%. Compared to the Reserve Bank of New Zealand, however, more slack in Australia's economy may afford a longer easy money bias as the output gap goes into excess demand in New Zealand (chart 7). Immediate pressure upon NZ inflation is fairly moderate at 1.6% y/y in 2017Q4 and the RBNZ has guided not to expect a hike until next year. Bloomberg consensus begins to factor in the risk of hikes in both countries later this year.

Chart 7



Sources: Scotiabank Economics, IMF.

The Reserve Bank of India should keep policy on hold next week with the risk of more hawkish guidance. Inflation ended 2017 at 5.2% y/y as the effects of prior demonetization efforts unwind. That puts inflation toward the top end of the 2–6% target range.

Bangko Sentral ng Pilipinas is expected to stay on hold at a policy rate of 3% next Thursday but the risk is toward an unexpected hike. Governor Espenilla recently reinforced the importance of "comfortably" achieving the central bank's inflation target which is a range of 2–4%. Inflation was 3.3% y/y in December, and Monday night's (ET) reading is expected to rise to over 3½%. Consensus expects inflation to be threatening the upper end of the target range over the back half of 2018 and therefore pre-emptive monetary policy may seek to tighten conditions in advance.

China releases the private sector versions of purchasing managers' indices for the service sector and the composite reading on Monday and will follow up with updates on foreign reserves, exports and CPI over the course of the week. **The key may be that volatile Chinese inflation is expected to pull back to 1.5% y/y** from 1.8% in December partly on base effects as CPI jumped last January.

Sundry other data risks include Australian trade and retail sales, Q4 Indonesian GDP and Q4 job growth in New Zealand.

Key Indicators for the week of February 5 – 9

NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	02/05	10:00	ISM Non-Manufacturing Composite	Jan	56.3	56.5	56.0
CA	02/06	08:30	Merchandise Trade Balance (C$ bn)	Dec	-2.2	-2.2	-2.5
US	02/06	08:30	Trade Balance (US$ bn)	Dec	-52.0	-52.0	-50.5
US	02/06	10:00	JOLTS Job Openings (000s)	Dec	--	--	5879
US	02/07	07:00	MBA Mortgage Applications (w/w)	FEB 2	--	--	-2.6
CA	02/07	08:30	Building Permits (m/m)	Dec	--	2.0	-7.7
US	02/07	15:00	Consumer Credit (US$ bn m/m)	Dec	--	19.3	28.0
CA	02/08	08:15	Housing Starts (000s a.r.)	Jan	205	210	218
CA	02/08	08:30	New Housing Price Index (m/m)	Dec	--	--	0.1
US	02/08	08:30	Initial Jobless Claims (000s)	FEB 3	230	232	230
US	02/08	08:30	Continuing Claims (000s)	JAN 27	1950	1940	1953
MX	02/08	09:00	Bi-Weekly Core CPI (% change)	Jan 31	0.2	--	0.2
MX	02/08	09:00	Bi-Weekly CPI (% change)	Jan 31	0.2	--	0.2
MX	02/08	09:00	Consumer Prices (m/m)	Jan	0.6	--	0.6
MX	02/08	09:00	Consumer Prices (y/y)	Jan	5.7	--	6.8
MX	02/08	09:00	Consumer Prices Core (m/m)	Jan	0.6	--	0.4
MX	02/08	14:00	**Overnight Rate (%)**	**Feb 8**	**7.50**	**--**	**7.25**
CA	02/09	08:30	Employment (000s m/m)	Jan	10.0	10.0	64.8
CA	02/09	08:30	Unemployment Rate (%)	Jan	5.7	5.8	5.8
MX	02/09	09:00	Industrial Production (m/m)	Dec	--	--	-0.1
MX	02/09	09:00	Industrial Production (y/y)	Dec	0.2	--	-1.5
US	02/09	10:00	Wholesale Inventories (m/m)	Dec F	--	0.2	0.2

EUROPE

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
IT	02/05	03:45	Services PMI	Jan	--	55.9	55.4
FR	02/05	03:50	Services PMI	Jan F	--	59.3	59.3
GE	02/05	03:55	Services PMI	Jan F	--	57.0	57.0
EC	02/05	04:00	Composite PMI	Jan F	--	58.6	58.6
EC	02/05	04:00	Services PMI	Jan F	--	57.6	57.6
UK	02/05	04:30	Official Reserves Changes (US$ bn)	Jan	--	--	-44.0
UK	02/05	04:30	Services PMI	Jan	--	54.1	54.2
EC	02/05	05:00	Retail Trade (m/m)	Dec	--	-1.0	1.5
GE	02/06	02:00	Factory Orders (m/m)	Dec	--	0.7	-0.4
FR	02/06	02:45	Central Government Balance (€ bn)	Dec	--	--	-84.7
GE	02/07	02:00	Industrial Production (m/m)	Dec	--	-0.5	3.4
FR	02/07	02:45	Current Account (€ bn)	Dec	--	--	-3260
FR	02/07	02:45	Trade Balance (€ mn)	Dec	--	-4854	-5692
UK	02/07	03:30	Halifax House Price (3 month, y/y)	Jan	--	2.4	2.7
GE	02/08	02:00	Current Account (€ bn)	Dec	--	25.0	25.4
GE	02/08	02:00	Trade Balance (€ bn)	Dec	--	21.0	23.7
SP	02/08	03:00	Industrial Output NSA (y/y)	Dec	--	--	4.7
UK	02/08	07:00	BoE Asset Purchase Target (£ bn)	Feb	--	435.0	435.0
UK	02/08	07:00	**BoE Policy Announcement (%)**	**Feb 8**	**0.50**	**0.50**	**0.50**
NO	02/09	02:00	GDP (q/q)	4Q	--	--	0.7
FR	02/09	02:45	Industrial Production (m/m)	Dec	--	0.2	0.0
FR	02/09	02:45	Industrial Production (y/y)	Dec	--	3.5	2.5
FR	02/09	02:45	Manufacturing Production (m/m)	Dec	--	-0.5	-1.0
IT	02/09	04:00	Industrial Production (m/m)	Dec	--	0.9	0.0
UK	02/09	04:30	Manufacturing Production (m/m)	Dec	--	0.3	0.4
UK	02/09	04:30	Visible Trade Balance (£ mn)	Dec	--	-11550	-12231
RU	02/09	05:30	**One-Week Auction Rate (%)**	**Feb 9**	**7.50**	**7.50**	**7.75**

Forecasts at time of publication.

Key Indicators for the week of February 5 – 9

ASIA-PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
SK	02/04	18:00	Current Account (US$ mn)	Dec	--	--	7427.6
AU	02/04	19:30	ANZ Job Advertisements (m/m)	Jan	--	--	-2.3
HK	02/04	19:30	Purchasing Managers Index	Jan	--	--	51.5
CH	02/04	20:45	HSBC Services PMI	Jan	--	53.5	53.9
AU	02/05	19:30	Retail Sales (m/m)	Dec	--	-0.2	1.2
AU	02/05	19:30	Trade Balance (AUD mn)	Dec	--	200.0	-628.0
PH	02/05	20:00	CPI (y/y)	Jan	3.7	3.6	3.3
PH	02/05	20:00	Core CPI (y/y)	Jan	--	3.3	3.0
AU	02/05	22:30	**RBA Cash Target Rate (%)**	**Feb 6**	**1.50**	**1.50**	**1.50**
ID	FEB 4-5		Annual GDP (y/y)	2017	5.1	5.1	5.0
ID	FEB 4-5		Real GDP (y/y)	4Q	5.2	5.1	5.1
ID	FEB 4-5		Consumer Confidence Index	Jan	--	--	126.4
MA	02/06	02:00	Foreign Reserves (US$ bn)	Jan 30	--	--	103.0
TA	02/06	03:00	CPI (y/y)	Jan	1.2	1.0	1.2
NZ	02/06	16:45	Unemployment Rate (%)	4Q	4.6	4.7	4.6
NZ	02/06	16:45	Employment Change (y/y)	4Q	--	3.6	4.2
JN	02/07	00:00	Coincident Index CI	Dec P	--	120.5	117.9
JN	02/07	00:00	Leading Index CI	Dec P	--	108.1	108.3
AU	02/07	00:30	Foreign Reserves (AUD bn)	Jan	--	--	85.4
MA	02/07	02:00	Exports (y/y)	Dec	--	13.3	14.4
MA	02/07	02:00	Imports (y/y)	Dec	--	16.3	15.2
MA	02/07	02:00	Trade Balance (MYR bn)	Dec	--	9.2	10.0
TA	02/07	03:00	Exports (y/y)	Jan	--	17.3	14.8
TA	02/07	03:00	Imports (y/y)	Jan	--	11.9	12.2
IN	02/07	04:00	**Repo Rate (%)**	**Feb 7**	**6.00**	**6.00**	**6.00**
IN	02/07	04:00	**Reverse Repo Rate (%)**	**Feb 7**	**5.75**	**5.75**	**5.75**
IN	02/07	04:00	**Cash Reserve Ratio (%)**	**Feb 7**	**4.00**	**4.00**	**4.00**
SI	02/07	04:00	Foreign Reserves (US$ mn)	Jan	--	--	279900
NZ	02/07	15:00	**RBNZ Official Cash Rate (%)**	**Feb 8**	**1.75**	**1.75**	**1.75**
JN	02/07	18:50	Bank Lending (y/y)	Jan	--	--	2.5
JN	02/07	18:50	Current Account (¥ bn)	Dec	--	1059.0	1347.3
JN	02/07	18:50	Trade Balance - BOP Basis (¥ bn)	Dec	--	514.3	181.0
CH	FEB 6-7		Foreign Reserves (US$ bn)	Jan	3150	3170	3140
PH	02/08	03:00	**Overnight Borrowing Rate (%)**	**Feb 8**	**3.25**	**3.00**	**3.00**
NZ	02/08	11:00	QV House Prices (y/y)	Jan	--	--	6.6
JN	02/08	18:50	Japan Money Stock M2 (y/y)	Jan	--	3.6	3.6
JN	02/08	18:50	Japan Money Stock M3 (y/y)	Jan	--	3.1	3.1
AU	02/08	19:30	Home Loans (%)	Dec	--	-1.0	2.1
AU	02/08	19:30	Investment Lending (% change)	Dec	--	--	1.5
PH	02/08	20:00	Exports (y/y)	Dec	--	8.3	1.6
PH	02/08	20:00	Imports (y/y)	Dec	--	9.7	18.5
CH	02/08	20:30	CPI (y/y)	Jan	1.8	1.5	1.8
CH	02/08	20:30	PPI (y/y)	Jan	--	4.2	4.9
MA	02/08	23:00	Industrial Production (y/y)	Dec	--	4.2	5.0
JN	02/08	23:30	Tertiary Industry Index (m/m)	Dec	--	0.1	1.1
CH	FEB 7-8		Exports (y/y)	Jan	--	11.3	10.9
CH	FEB 7-8		Imports (y/y)	Jan	--	11.2	4.5
CH	FEB 7-8		Trade Balance (USD bn)	Jan	--	54.7	54.7

Forecasts at time of publication.

Key Indicators for the week of February 5 – 9

LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CL	02/05	06:30	Economic Activity Index SA (m/m)	Dec	--	--	0.7
CL	02/05	06:30	Economic Activity Index NSA (y/y)	Dec	--	2.6	3.2
CO	02/05	19:00	Consumer Price Index (m/m)	Jan	--	0.7	0.4
CO	02/05	19:00	Consumer Price Index (y/y)	Jan	--	3.8	4.1
BZ	02/07		**SELIC Target Rate (%)**	**Feb 7**	**6.75**	**6.75**	**7.00**
BZ	02/08	06:00	IBGE Inflation IPCA (m/m)	Jan	--	0.4	0.4
BZ	02/08	06:00	IBGE Inflation IPCA (y/y)	Jan	--	3.0	3.0
CL	02/08	06:00	CPI (m/m)	Jan	--	0.2	0.1
CL	02/08	06:00	CPI (y/y)	Jan	--	2.0	2.3
PE	02/08	18:00	**Reference Rate (%)**	**Feb 8**	**3.00**	**3.00**	**3.00**
BZ	02/09	06:00	Retail Sales (m/m)	Dec	--	--	0.7
BZ	02/09	06:00	Retail Sales (y/y)	Dec	--	--	5.9

Forecasts at time of publication.

Global Auctions for the week of February 5 – 9

NORTH AMERICA

Country	Date	Time	Event
US	02/06	13:00	U.S. to Sell USD26 Bln 3-Year Notes
CA	02/07	12:00	Canada to Sell 2-Year Bonds
US	02/07	13:00	U.S. to Sell USD24 Bln 10-Year Notes
US	02/08	13:00	U.S. to Sell USD16 Bln 30-Year Bonds

EUROPE

Country	Date	Time	Event
AS	02/06	05:15	Austria to Sell 0.75% 2028 Bonds
AS	02/06	05:15	Austria to Sell 0% 2023 Bonds
GE	02/06	05:30	Germany to Sell EUR1 Bln 0.1% I/L 2026 Bonds
DE	02/07	04:30	Denmark to Sell 0.1% 2030 Bonds
SW	02/07	05:03	Sweden to Sell SEK2 Bln 0.75% 2028 Bonds
NO	02/07	05:05	Norway to Sell Bonds
GE	02/07	05:30	Germany to Sell EUR3 Bln 0.5% 2028 Bonds
IR	02/08	05:30	Ireland to sell Bonds
IC	02/09	06:30	Iceland to Sell Bonds

LATIN AMERICA

Country	Date	Time	Event
AU	02/04	19:00	Australia To Sell 4.5% 2033 Bonds
JN	02/05	22:45	Japan to Sell CPI Linked 10-Year Bonds
AU	02/06	19:00	Australia To Sell 2.75% 2028 Bonds
CH	02/06	21:35	China to Sell CNY20 Bln 3-Yr Upsized Bonds
CH	02/06	21:35	China to Sell CNY20 Bln 7-Yr Upsized Bonds
AU	02/08	19:00	Australia To Sell 5.75% 2022 Bonds
CH	02/08	21:35	China to Sell CNY20 Bln 30-Yr Upsized Bonds

Source: Bloomberg, Scotiabank Economics.

Events for the week of February 5 – 9

NORTH AMERICA

Country	Date	Time	Event
US	02/06	08:50	Fed's Bullard Speaks on U.S. Economy and Monetary Policy
US	02/07	06:00	Fed's Kaplan Speaks in Frankfurt
US	02/07	08:30	Fed's Dudley Speaks in Moderated Q&A
US	02/07	10:15	Fed's Evans Speaks on Economic and Policy Outlook
US	02/07	17:20	Fed's Williams Speaks in Hawaii
US	02/08	08:00	Fed's Harker Speaks on Economy: Outlook and Impact for College
US	02/08	09:00	Fed's Kashkari Speaks in Moderated Q&A
CA	02/08	12:45	Bank of Canada Senior Deputy Governor Carolyn Wilkins Speech
MX	02/08	14:00	**Overnight Rate**
US	02/08	21:00	Fed's George Speaks on the Economy

EUROPE

Country	Date	Time	Event
SW	02/03	05:50	Riksbank's Skingsley Gives Speech in Coventry, U.K.
EC	02/06	04:00	ECB's Weidmann, BIS's Carstens Speak in Frankfurt
EC	02/07	04:00	ECB's Nouy and Launtenschlaeger speak in Frankfurt
EC	02/08	03:45	ECB's Weidmann Speaks in Frankfurt
EC	02/08	04:00	ECB Publishes Economic Bulletin
EC	02/08	05:15	ECB's Villeroy Speaks in Frankfurt
EC	02/08	05:30	ECB's Mersch Speaks in London
EC	02/08	05:45	ECB's Praet Speaks in Frankfurt
UK	02/08	07:00	**Bank of England Bank Rate**
UK	02/08	07:00	Bank of England Inflation Report
IT	02/09	05:00	Bank of Italy Publishes Monthly Report `Money and Banks'
RU	02/09	05:30	**Key Rate**
GE	02/09		Germany Sovereign Debt to be rated by Fitch

ASIA-PACIFIC

Country	Date	Time	Event
AU	02/05	22:30	**RBA Cash Rate Target**
IN	02/07	04:00	**RBI Repurchase Rate**
NZ	02/07	15:00	**RBNZ Official Cash Rate**
NZ	02/07	16:00	RBNZ's Spencer news conference on policy statement
JN	02/07	20:30	BOJ Suzuki makes a speech in Wakayama
PH	02/08	03:00	**BSP Overnight Borrowing Rate**
AU	02/08	04:00	RBA Governor Lowe Gives Speech in Sydney
AU	02/08	19:30	RBA Quarterly Statement on Monetary Policy

LATIN AMERICA

Country	Date	Time	Event
BZ	02/07		**Selic Rate**
PE	02/08	18:00	**Reference Rate**
CO	02/09	14:00	Colombia Monetary Policy Minutes

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	1.25	March 7, 2018	1.25	1.25
Federal Reserve – Federal Funds Target Rate	1.50	March 21, 2018	1.50	1.50
Banco de México – Overnight Rate	7.25	February 8, 2018	7.50	--

Banxico: Scotia expects another 25bps hike to 7.50%. Inflation is relatively high at about 6.8% y/y but January's update on Thursday might begin to show relief. A further consideration is how the central bank views currency risk in light of the peso's disinflationary appreciation this year versus a sagging USD.

EUROPE

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	0.00	March 8, 2018	0.00	--
Bank of England – Bank Rate	0.50	February 8, 2018	0.50	0.50
Swiss National Bank – Libor Target Rate	-0.75	March 15, 2018	-0.75	--
Central Bank of Russia – One-Week Auction Rate	7.75	February 9, 2018	7.50	7.50
Sweden Riksbank – Repo Rate	-0.50	February 14, 2018	-0.50	-0.50
Norges Bank – Deposit Rate	0.50	March 15, 2018	0.50	--
Central Bank of Turkey – Benchmark Repo Rate	8.00	March 7, 2018	8.00	--

Bank of England: No rate change is expected but a mildly more hawkish bias on the path to a possible May hike is anticipated.
Central Bank of Russia: Another rate cut is expected given central bank guidance after December's large 50bps cut while inflation keeps falling and on the back of weak growth in 2017.

ASIA PACIFIC

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Policy Rate	-0.10	March 9, 2018	-0.10	--
Reserve Bank of Australia – Cash Target Rate	1.50	February 5, 2018	1.50	1.50
Reserve Bank of New Zealand – Cash Rate	1.75	February 7, 2018	1.75	1.75
People's Bank of China – Lending Rate	4.35	TBA	--	--
Reserve Bank of India – Repo Rate	6.00	February 7, 2018	6.00	6.00
Bank of Korea – Bank Rate	1.50	February 27, 2018	1.50	--
Bank of Thailand – Repo Rate	1.50	February 14, 2018	1.50	--
Bank Negara Malaysia – Overnight Policy Rate	3.25	March 7, 2018	3.25	3.25
Bank Indonesia – 7-Day Reverse Repo Rate	4.25	February 15, 2018	4.25	--

T**he Reserve Bank of Australia (RBA)** hold a monetary policy meeting on February 6 (local time); we do not expect any changes to the benchmark interest rate. The RBA will likely maintain accommodative monetary conditions in the near term to support domestic demand as Australia's inflationary pressures remain contained (1.9% y/y in Q4 2017). Reflecting our expectation for strengthening wage pressures and demand-driven inflation over the course of 2018, the RBA will likely commence a monetary tightening cycle in Q4 2018. Monetary authorities of **the Reserve Bank of New Zealand (RBNZ)** meet on February 8 (local time). New Zealand's headline inflation eased to 1.6% y/y in the final quarter of 2017 from 1.9% y/y in Q3, remaining comfortably within the RBNZ's 1-3% inflation target. Accordingly, we do not expect any changes to the monetary policy stance. At t**he Reserve Bank of India** monetary policy meeting on February 7, we expect the benchmark repurchase rate to be left at 6.0%. The policy rate was cut by 25 basis points in August 2017. Due to a recent pick-up in inflation (to 5.2% y/y in December 2017 from 1.5% y/y in June), we expect the next rate move to be a hike, likely to take place in Q1 2019.

LATIN AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	7.00	February 7, 2018	6.75	6.75
Banco Central de Chile – Overnight Rate	2.50	March 20, 2018	2.50	--
Banco de la República de Colombia – Lending Rate	4.50	March 20, 2018	4.50	--
Banco Central de Reserva del Perú – Reference Rate	3.00	February 8, 2018	3.00	3.00

Banco Central do Brasil: A 25bps cut is expected. Inflation is at about the bottom of the target range but appears to be gently lifting off bottom.
Banco Central de Reserva del Perú: We expect a rate hold at 3% but the risk of a cut at some point in the fairly near term would be driven by falling inflation that stands just above the lower end of the 1-3% target range and political risk that is impeding investment in the country.

AFRICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	6.75	March 28, 2018	6.75	--

Forecasts at time of publication.

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