July 27, 2018

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CONTACTS

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

Next Week's Risk Dashboard

- CBs: Fed, BoJ, BoE, Banxico, RBI, Brazil
- Inflation: US, Eurozone, Peru, Asia
- GDP: Eurozone, Canada, Mexico, Sweden
- US nonfarm, ISM, other macro
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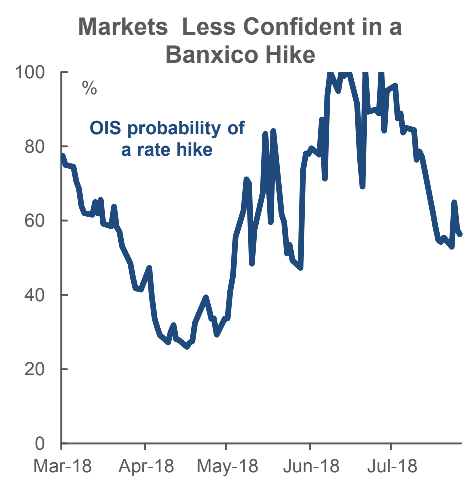
Chart of the Week



Sources: Scotiabank Economics, Bloomberg.

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

'For Now' Or For Longer?

CANADA—SOMETHING OLD, SOMETHING NEW

Something old (May GDP) and something new(ish) (June exports) may combine with nothing borrowed (no GoC bond auctions) and (hopefully) nothing blue in the reignited NAFTA negotiations amid Mexican guidance toward a deal "in coming months".

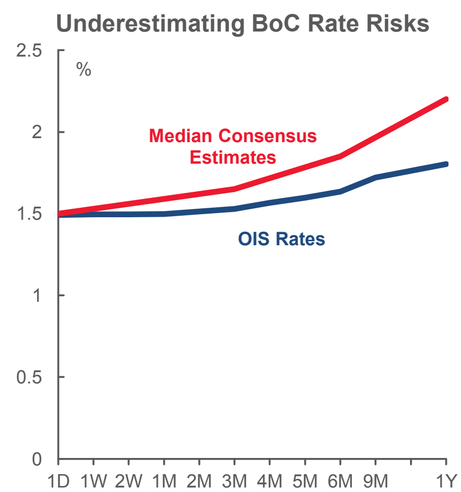
Before turning to the latest scorekeeping on GDP growth, **my view remains that markets are underpricing BoC hike risks in September, October and over the longer term. Note that we will be issuing a revised set of global forecasts over the coming week. Both consensus and markets are underpricing BoC risks in our view (chart 1).**

An awful lot can happen between now and the next BoC meeting, but the BoC is still going to be "guided by incoming data"—as the statement notes—and somewhat against Poloz's "bumps and wiggles" remark. The incoming data over the coming six weeks will include key updates for inflation, Q2 GDP, jobs, wages, etc. Overall, the data is expected to fit the BoC's narrative and reinforce a tightening bias that is focused upon unusually negative real policy rates for an economy experiencing capacity pressures.

- **GDP growth-tracking** is not out of reach of the BoC's 2.8% July MPR forecast for Q2 pending Tuesday's May GDP update.

- **I figure July CPI will land around 2.7% y/y and the average of the core measures will tick up again to 2.1%.** If not for tariffs, CPI inflation for July would be tracking unchanged at about 2½% y/y and it lands on August 17th. The imposition of US tariffs on steel and aluminum and the Canadian reciprocal tariffs on steel, aluminum and other products summing up to C$16.6 billion of imports slightly adds to inflation risk. Further, as grocery chain guidance put it this past week, a softer currency, higher transportation costs and higher wages are also likely to reinforce upward pressure upon grocery prices over the back half of the year.

Chart 1



Sources: Scotiabank Economics, Bloomberg.

- Monthly jobs are a crap shoot at the best of times, but **trend hiring intentions remain strong.**

On trade policy and how it may affect the BoC, rates and CAD, I don't think we'll get material developments on NAFTA, US-Canada-Mexico auto tariffs, or US-EU/world auto tariffs until late year, if then, and therefore **Poloz's guidance that he cannot craft monetary policy "on the basis of hypothetical scenarios" will continue to dominate.** The recent moratorium on further tariffs and promise to revisit steel and aluminum tariffs between the US and EU while negotiations to liberalize trade are being pursued is constructive, but short on details, vague on timelines, absent enforcement mechanisms and with an escape clause that signals tariffs are unlikely unless one or the other chooses to withdraw from negotiations. This is more about EU success and domestic pushback against Trump than any victory for the Trump administration.

Key in this regard is a movement afoot in the US Senate through the Automotive Jobs Act of 2018 to delay judgement from the Commerce Department's Section 232 investigation into the absurd assertion that auto imports threaten US national security and to invite potential tariff judgements. The bipartisan Act would require the International Trade Commission to also study the matter and to issue a report to Congress with policy recommendations that may conflict with anything the Commerce Department's 'study' and recommendations to the President wind up recommending. Recall that the ITC was a more favourable forum for Canada in terms of the Boeing-Bombardier dispute and may be more likely to issue a more dispassionate assessment. The ITC's study of the auto industry could well negate any judgements from Wilbur Ross's politicized Commerce Department. The Senate bill combined with aggressive domestic lobbying against auto tariffs probably derailed Trump's general inclinations. The vote would need to be a super majority to be "veto-proof", but that's not inconceivable given that requiring further study and reporting back to Congress versus just the President is tough for members of both parties to argue against. Note, however, that while NAFTA negotiations have been resurrected, nothing in the US-EU tariff moratorium involves revisiting trade policy risks toward Canada, China, etc.

Regardless, what if we still did get earlier or eventual trade policy developments that are unfavourable? What impact would they have upon the BoC? Recall Poloz's guidance on auto tariff effects when he addressed the topic during the press conference on July 11th.

> "The implications for interest rates of an escalation in trade actions would depend on the circumstances."
>
> Tariffs induce competing supply and demand effects, "resulting in two-sided risks to future inflation."
>
> "That puts monetary policy in a very awkward place. The last thing you can have happen is have inflation expectations begin to be revised upwards. The inflation part would probably dominate that analysis, but I can't prejudge it."

Further, recall that autos are about 8% of Canadian CPI. If one were to simply shock vehicle prices by reciprocal 25% tariffs, then inflation could rise by +2 points on back-of-the-envelope math that is then subject to uncertainty about pass-through incidence effects and competing/reinforcing effects. Also recall that there will be slightly higher inflation stemming from the 25% and 10% Canadian tariffs that were imposed on Canada Day (**here**).

In a stagflation scenario where soft trend growth is impacted by a reciprocal tariff shock and floats around BoC estimates of potential growth, CAD would likely depreciate and the output gap could stagnate around presently shut capacity. The BoC's mandate is inflation around 2% +/-1% and we're already pushing into the upper half of that range. **In such a more adverse trade scenario, inflation could move higher yet, leading the BoC to take steps to anchor inflation expectations and leaving the rest to fiscal and regulatory policy.**

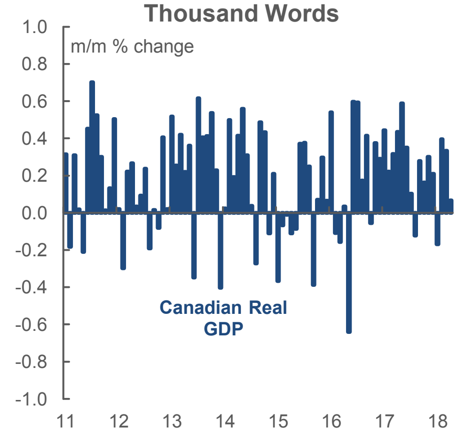
In the meantime, **one should expect the Governor's guidance to remain in place regarding his concerns that "we're behind" the inflation curve and "the risk of de-anchoring your expectations is much higher."** As Scotia Economics has always advised, one should also not ignore the opposite possibility that trade policy suddenly evolves in a fashion more constructive to the outlook. Either way, our monetary policy views do not hang on trade good, trade bad, black or white interpretations of the risk implications to rates. It is a more complex calculus than that and one that motivates policy tightening through a base case scenario on the composition of the risks.

As for the more immediate calendar, next week accelerates the data flow with **GDP for the month of May on Tuesday and trade figures for June on Friday.**

My estimate for May GDP is +0.4% m/m. If at all close to the mark, then it would be the fourth straight monthly gain, the eighth gain in the past nine reports and the 15th monthly expansion in the seventeen months back to the start of last year. Despite all of the never-ending questions about housing resilience, competitiveness concerns and sundry other challenges, Canada has been on a sustainable growth path (chart 2). We know that retail sales volumes were up 2% m/m, wholesale trade volumes were up 1.3%, manufacturing shipment volumes grew by 0.9% and hours worked were flat. Because GDP can be expressed as an identity that multiplies hours worked by labour productivity per hour worked, growth would have to come from the improvement in activity-based readings and that flows through to higher productivity during the month. Housing starts were soft but that was entirely due to the volatile multiples component that carries less value-added influence on nearer-term GDP than singles. Recall, however, that export volumes were down 1% m/m significantly due to metal ores, and non-metallic minerals and import volumes were up 1.2% on aircraft. Therefore, the trade sector was a) driven significantly by idiosyncratic factors that overstated export weakness and overstated import signals of domestic demand.

Chart 2

A Resilient Picture is Worth a Thousand Words



Sources: Scotiabank Economics, Statistics Canada.

As for the **June trade report**, an 11% m/m drop in the Western Canada Select oil price benchmark is likely to overwhelm a small 2% depreciation in USDCAD to contribute toward a wider deficit. That is, if not for the fact that distortions during the prior month could reverse and drive a slightly narrower trade deficit which is where I think it all nets out to. Recall StatsCan noted that "A number of Canadian refineries were temporarily shut down in May, resulting in higher imports to meet domestic demand for refined petroleum products." Also recall that Syncrude's problems struck toward the end of the month and raise uncertainties over the direct negative and offsetting indirect effects if other producers crowded in pipeline capacity. I would advise discounting headline trade data throughout this period of volatile idiosyncratic disruptions to production and exports in some key sectors that earlier in the year had included agriculture and autos with the energy and mining sector remaining a persistent source of volatility. Next up in the following month's report for July will be early evidence on the likely modest net effect of reciprocal steel and aluminum tariffs. The overall advice is to largely ignore headline volatility in the trade balance from the beginning of the year and for a while yet and to home in on the underlying details that control for distortions.

Earnings reports from 74 firms listed on the TSX will hit the tapes including names like WestJet, Fortis, Shopify, Genworth Canada, AltaGas, Encana, Great-West Lifeco, several resource plays, BCE Inc., SNC-Lavalin, TransCanada, Industrial Alliance, Bombardier and Telus.

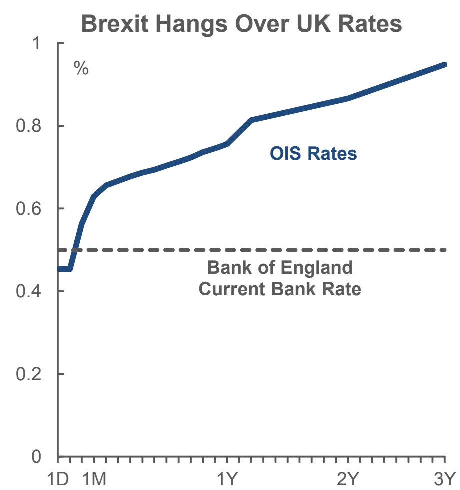
EUROPE—SILENCE = HIKE?

An expected hike and accompanying guidance from the Bank of England will pair up with inflation and growth reports for the Eurozone to provide a shift back to the fundamentals in the wake of the at least temporary truce on EU-US trade policy risks.

The Bank of England is widely expected to raise its Bank Rate next Thursday when it issues a statement and forecast updates within the quarterly Inflation Report. Unlike in April when Governor Carney tamped down May hike expectations by flagging that the MPC is "conscious that there are other meetings" later in the year, neither Carney nor the MPC members have taken steps to talk down a rate hike this time around. If one were, say, Governor Poloz at the BoC, then that may not matter so much given Poloz is not a fan of strict forward guidance. Carney, however, is historically more predisposed to providing such guidance. While some criticized Carney's change in guidance in April—and unfairly so in my opinion—he would likely deserve criticism this time around if he didn't take steps to ward off expectations that are primed for a hike next week. 35 out of 43 forecasters within consensus expect a hike and OIS markets attach a roughly 90% probability to a hike.

The bigger issue is the guidance that accompanies the likely hike. Markets expect an excruciatingly slow pace of tightening over the years ahead (chart 3) and this is consistent with Carney's guidance earlier in July: "An ongoing tightening of monetary policy over the next few years would be appropriate to return inflation sustainably to its target." That guidance—especially in the face of uncertainty regarding hard, moderate, soft or no Brexit—is unlikely to change at this point. As an aside, note that while they won't affect the policy decision, the UK releases an updated manufacturing PMI the day before the BoE decision and then updated services and composite PMIs the day after.

Chart 3



Sources: Scotiabank Economics, Bloomberg.

After staying the course on exit guidance, the ECB's data dependence will be modestly informed by fresh growth and inflation signals. The information is going to be slight in nature given the smoothed inflation criteria for moving toward rate hikes that requires "the continued sustained convergence of inflation to levels that are below, but close to, 2% over the medium term". CPI for Germany and Spain arrives on Monday, and the preliminary Eurozone add-up arrives on Tuesday along with estimates from France and Italy. **The Eurozone tally is expected to continue to hover around 2% y/y with the core rate remaining at about half that pace.** The ECB won't be terribly encouraged until the core measure sustainably rises further. Outside of the Eurozone, Switzerland updates inflation on Friday.

Eurozone-wide GDP growth in Q2 will also be updated on Monday. It is expected to remain around ½% q/q in seasonally adjusted non-annualized terms. The marked growth slowdown from the 0.6–0.8% pace from 2016Q4 to 2017Q4 is now well entrenched after just 0.4% growth in Q1. While volatile, survey-based evidence drawn from PMIs suggests that the growth slowdown is stabilizing, particularly if a real truce between US and EU trade tensions is materializing.

UNITED STATES—FED TO STAY ON COURSE, FOR NOW OR FOR LONGER?

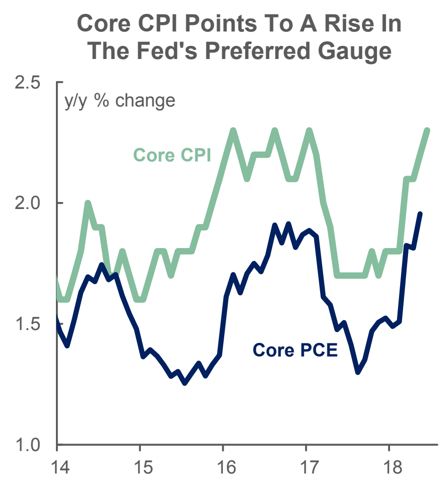
Global markets will be highly sensitive to major developments out of the US economy over the coming week. The Fed meeting, top-shelf and secondary macro data, another wave of key earnings reports and ongoing NAFTA negotiations will make for a jam-packed week. Members of Congress return to their constituencies and so the political fireworks in Washington may settle down somewhat.

The FOMC meeting starts on Tuesday and culminates in Wednesday's statement at 2pmET. There will be no forecasts or press conference with this one. Press conferences begin following all statements in January. No rate change is expected by any primary dealer including Scotia. Fed funds futures are pricing essentially zero risk of a hike. Consensus (including Scotia) and markets expect a hike in September. Among the possible statement tweaks are the following:

- **Inflation language likely needs updating in a somewhat more hawkish sense.** Recall that the June statement said the following: "On a 12-month basis, both overall inflation and inflation for items other than food and energy have moved close to 2 percent." Since then, headline PCE inflation climbed to 2.3% y/y which is the highest since March 2012, while core PCE inflation increased to 1.96% y/y which is also about a six year high (chart 4). The Fed will have another PCE update before the statement and it is expected to rise further (see below). Will the FOMC leave updated guidance as factual in nature while repeating that it requires a "sustained return to 2 percent inflation" and continue to hint that it is looking through the overshoot on a "symmetric" inflation target? Probably, but the risk may also be that the statement emphasizes temporary drivers.

- **There may be strengthened confidence in the expansion** on the back of the magnitude and composition of Q2 GDP growth including major revisions to household saving rates. The latter could allay late cycle concerns as explained here.

Chart 4



Sources: Scotiabank Economics, Bloomberg.

- **It is doubtful that there will be statement-codified reference to uncertainties surrounding global trade policies but it is a risk.** That risk may be lessening given the de-escalation of US-EU trade tensions, at least for now, along with the reinvigoration of NAFTA negotiations, but a continued escalation of US-China tensions appears likely.

- **There will probably not be a statement-codified "for now" qualifier added to guidance to expect gradual hikes** in keeping with Chair Powell's recent semi-annual testimony to Congress, but it would be a clearly dovish signal if the FOMC consensus backed doing so.

- **The FOMC has a chance to reinforce expectations for a September hike in either the statement on Wednesday or the ensuing meeting minutes on August 22nd.** That's more likely than the absence of such a signal, or the opposite guidance.

- **A tail risk is guidance that the FOMC is studying balance sheet management options but it is likely premature to expect this.** Recall that the peak rate of balance sheet run-off through reduced reinvestment of Treasuries, MBS and agency product will be hit from October onward.

Top-shelf data risk will surround the FOMC meeting with major releases throughout the week. As usual, my estimates are included in the accompanying tables.

- **Nonfarm payrolls and wages:** July's readings arrive on Friday. I'm estimating +200k and +2.7%.

- **PCE:** June updates for inflation, consumer spending and incomes arrive on Tuesday. Slightly firmer headline and core PCE inflation is expected in the wake of the CPI report that showed likewise. A modest consumption gain is expected following the already known rise in retail sales although the 'control group' component was flat and matters the most to broad consumption growth as captured within GDP. Solid income growth is expected to back modest consumption growth.

- **ISM manufacturing:** July's reading arrives just ahead of the Fed on Wednesday. The rise in the Philly Fed metric and the stable Richmond Fed measure point toward a firm reading hanging in around 60 and signalling a still-robust pace of expansion with rising price pressures in the manufacturing sector.

Other releases will include pending home sales for June (Monday), repeat sale house prices for May and the Conference Board's consumer confidence (Tuesday), ADP private payrolls, construction spending and vehicle sales on Wednesday, factory orders for June (Thursday) and then both trade for June and ISM-services for July on Friday.

Earnings risk will remain high, with 140 S&P500-listed firms releasing over the coming week. Key names will include Loews, Caterpillar, Pfizer, Apple and Berkshire Hathaway.

LATIN AMERICA—THREE DEBATES

With ongoing NAFTA negotiations operating in the background, more of the immediate focus will be upon three main questions that are derived from the domestic calendars.

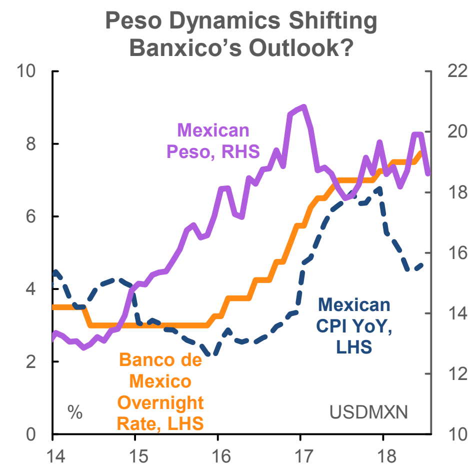
1. Is Peruvian inflation back on an upswing?

Probably not, or at least not durably so. CPI arrives for the month of July on Wednesday. CPI hit a trough of 0.4% y/y in March after a 2+ year slide from a peak of 4.6% and has more recently risen to just shy of 1½%. July's estimate lands on Wednesday. A renewed decline is likely, but one that is probably going to be driven by base effects. Recall that Banco Central de Reserve del Peru targets inflation of 1–3% and so returning to the lower bound of the target range is neutral-dovish for now. The central bank nevertheless expects inflation to return back toward the middle of the range later this year and throughout next year and is probably still inclined to look through the soft patch. Scotia's Guillermo Arbe expects rate hikes to commence into early 2019 partly to anchor such inflation forecasts.

2. Is Banxico done hiking?

For now, probably, but Scotia Economics continues to differ from consensus in cautiously forecasting the resumption of rate hikes later this year into next. Inflation is running at 4.65% y/y which is challenging the 2–4% inflation target range. Two things moderate this concern. For one, inflation is ebbing from the peak of 6.8% y/y at the end of last year and consensus expects a print below 4% y/y into next year (chart 5). Having said that, the latest inflation estimate did tick marginally higher. Secondly, what mitigates some inflation risk is the over 10% appreciation in the peso versus the USD since about mid-June due to election results, President-elect AMLO's early policy guidance, and the resumption of NAFTA negotiations. This has eased some concern about inflation pass-through effects stemming from currency depreciation from mid-April through to mid-June. Furthermore, GDP growth has been marginal at best with Q1 landing at 1.3% y/y and Q2 slated for release on Tuesday. A policy hold at an overnight rate of 7.75% is likely.

Chart 5



Sources: Scotiabank Economics, Banco de Mexico, Bloomberg.

3. Is Banco Central do Brasil done easing?

Probably, and the next movement in the Selic rate is probably upward. The central bank issues its latest rate decision on Wednesday and does so again on September 19th. Scotia's Eduardo Suárez expects tightened policy over the back half of this year and is somewhat more aggressive than consensus. Recall that inflation edged higher to 4.4% y/y in June, a jump of about one and a half percentage points from the prior month. The central bank targets inflation of 3–6%. After riding sideways through much of the past year following a massive bout of disinflation, June's print was the first notable rise in almost three years. What happens in future is partly a function of currency movements to date and the currency outlook; the real has depreciated by almost one-fifth since the end of January. The problem is that growth is minimal after the Q1 GDP report eased by almost a percentage point to 1.2% y/y. The bounce from the recession may be a short-lived and modest 'V'. Growth is expected to resume a gentle climb back to a two-handled pace later in the year into next. At issue is therefore the complex trade-off between inflation risks relative to the target range versus growth challenges.

ASIA—ANOTHER BoJ HEAD FAKE?

A pair of developments (BoJ, China macro) could be highly significant to global markets while another pair of developments (RBI, Asian inflation) is of greater interest to regional markets.

The BoJ's meeting at the start of the week is once again the subject of speculation that it may alter policy guidance in a way that involves taking baby steps toward policy normalization. The outcome of the meeting has the potential to impact global bond markets, as recent mixed developments have signalled. I'm not sure I'd bet on any adverse effect on global bonds. No economist expects either a change in the policy rate (currently -0.1%) or a change in the 'around zero' guidance on the 10 year JGB yield target at this meeting. The more likely issue is the direction of the bias. The BoJ was the subject of speculation that tightened policy may be in the works earlier in the year, but the BoJ will probably once again deflect such speculation. The undesirable ancillary effects of very loose monetary policy and its effects on banks and short-term paper markets and the distance away from outright price deflation are the only motivations to mildly more hawkish views to marginally relax the 0% 10-year yield target to a narrow range instead. Persistently weak inflation with all national and Tokyo CPI and core CPI readings remaining under 1% represents the main reason behind expectations that not even mild exit signals will be provided just yet. The recent interruption of yen-weakening from late March through to mid-July may be added reason for near-term caution toward providing exit signals. Overall, expect Governor Kuroda to a) revise down inflation forecasts once again, and b) stay the course. He no doubt has an eye on market-based measures of inflation expectations that are really not budging (chart 6).

Chart 6

Sources: Scotiabank Economics, Bloomberg.

China updates the state versions and private sector versions of its purchasing managers' indices over the coming week. The state PMIs for the manufacturing and non-manufacturing sectors are due out on Monday night (eastern time). The private sector versions of the PMIs are due out on Tuesday night (manufacturing) and Thursday night (services and composite). The July readings will be closely monitored for signs of weakening in the face of rising trade tensions between the US and China. **So far, there has been little such evidence; for instance, the state's composite PMI has been hanging in around a 54–55 reading that signals moderate growth.**

It is by no means a slam dunk, but Scotia's Tuuli McCully is with the part of consensus that expects the Reserve Bank of India to raise its policy rates on Wednesday. Out of thirty-one within the Bloomberg consensus, twenty-two expect a rate hike. One rationale is that inflation has begun creeping higher again over recent months and hit 5% y/y in June. That starts to put it well into the upper half of the 2–6% inflation target range. The hold camp argues that the drivers of inflation are likely to ebb somewhat going forward and that instead of a hike now, the RBI might adopt a hawkish data-dependent bias as it monitors inflation risk.

Sundry other calendar notes include Australian trade and retail sales releases around mid-week. South Korea and Thailand (Tuesday night ET) and Indonesia (Wednesday) update inflation readings. Japan releases a wave of updates for June including retail sales, the jobless rate, industrial production, vehicle output and housing starts. New Zealand updates Q2 job growth (Tuesday night) and Taiwan GDP is due out the same night.

Key Indicators for the week of July 30 – August 3

NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	07/30	10:00	Pending Home Sales (m/m)	Jun	--	0.2	-0.5
US	07/30	10:30	Dallas Fed. Manufacturing Activity	Jul	--	31.0	36.5
CA	07/31	08:30	IPPI (m/m)	Jun	--	--	1.0
CA	07/31	08:30	Raw Materials Price Index (m/m)	Jun	--	--	3.8
CA	07/31	08:30	Real GDP (m/m)	May	0.4	0.4	0.1
US	07/31	08:30	Employment Cost Index (q/q)	2Q	--	0.7	0.8
US	07/31	08:30	PCE Deflator (m/m)	Jun	0.1	0.1	0.2
US	07/31	08:30	PCE Deflator (y/y)	Jun	2.4	2.3	2.3
US	07/31	08:30	PCE ex. Food & Energy (m/m)	Jun	0.1	0.1	0.2
US	07/31	08:30	PCE ex. Food & Energy (y/y)	Jun	2.1	2.0	2.0
US	07/31	08:30	Personal Spending (m/m)	Jun	0.4	0.4	0.2
US	07/31	08:30	Personal Income (m/m)	Jun	0.3	0.4	0.4
MX	07/31	09:00	GDP (q/q)	2Q P	--	--	1.1
MX	07/31	09:00	GDP (y/y)	2Q P	--	--	1.3
US	07/31	09:00	S&P/Case-Shiller Home Price Index (m/m)	May	--	--	0.2
US	07/31	09:00	S&P/Case-Shiller Home Price Index (y/y)	May	--	--	6.6
US	07/31	10:00	Consumer Confidence Index	Jul	126	126.6	126.4
US	08/01	07:00	MBA Mortgage Applications (w/w)	JUL 27	--	--	-0.2
US	08/01	08:15	ADP Employment Report (000s m/m)	Jul	185	185	177
US	08/01	10:00	Construction Spending (m/m)	Jun	0.1	0.3	0.4
US	08/01	10:00	ISM Manufacturing Index	Jul	60.5	59	60
US	08/01	14:00	**FOMC Interest Rate Meeting (%)**	**Aug 1**	**2.00**	**2.00**	**2.00**
US	08/01		Total Vehicle Sales (mn a.r.)	Jul	--	17.0	17.4
US	08/02	08:30	Initial Jobless Claims (000s)	JUL 28	210	220	217
US	08/02	08:30	Continuing Claims (000s)	JUL 21	1750	--	1745
US	08/02	10:00	Factory Orders (m/m)	Jun	0.7	0.7	0.4
MX	08/02	14:00	**Overnight Rate (%)**	**Aug 2**	**7.75**	**7.75**	**7.75**
CA	08/03	08:30	Merchandise Trade Balance (C$ bn)	Jun	-2.0	-2.3	-2.8
US	08/03	08:30	Average Hourly Earnings (m/m)	Jul	--	0.3	0.2
US	08/03	08:30	Average Hourly Earnings (y/y)	Jul	2.7	2.7	2.7
US	08/03	08:30	Average Weekly Hours	Jul	--	34.5	34.5
US	08/03	08:30	Nonfarm Employment Report (000s m/m)	Jul	200	194	213
US	08/03	08:30	Trade Balance (US$ bn)	Jun	-46	-46.0	-43.1
US	08/03	08:30	Unemployment Rate (%)	Jul	3.9	3.9	4.0
US	08/03	08:30	Household Employment Report (000s m/m)	Jul	--	--	102.0
US	08/03	10:00	ISM Non-Manufacturing Composite	Jul	58.5	58.6	59.1

EUROPE

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
SP	07/30	03:00	CPI (m/m)	Jul P	--	--	0.3
SP	07/30	03:00	CPI (y/y)	Jul P	--	2.5	2.3
SP	07/30	03:00	CPI - EU Harmonized (m/m)	Jul P	--	-1.1	0.2
SP	07/30	03:00	CPI - EU Harmonized (y/y)	Jul P	--	2.4	2.3
SW	07/30	03:30	GDP (y/y)	2Q P	--	2.6	3.3
UK	07/30	04:30	Net Consumer Credit (£ bn)	Jun	--	1.4	1.4
EC	07/30	05:00	Business Climate Indicator	Jul	--	1.4	1.4
EC	07/30	05:00	Consumer Confidence	Jul F	--	-0.6	-0.6
EC	07/30	05:00	Economic Confidence	Jul	--	112.0	112.3
EC	07/30	05:00	Industrial Confidence	Jul	--	6.7	6.9
GE	07/30	08:00	CPI (m/m)	Jul P	--	0.4	0.1
GE	07/30	08:00	CPI (y/y)	Jul P	--	2.1	2.1
GE	07/30	08:00	CPI - EU Harmonized (m/m)	Jul P	--	0.4	0.1
GE	07/30	08:00	CPI - EU Harmonized (y/y)	Jul P	--	2.1	2.1
UK	07/30	19:01	GfK Consumer Confidence Survey	Jul	--	-9.0	-9.0

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

Key Indicators for the week of July 30 – August 3

EUROPE *(continued from previous page)*

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
GE	07/31	02:00	Retail Sales (m/m)	Jun	--	1.0	-1.6
FR	07/31	02:45	CPI (m/m)	Jul P	--	-0.3	0.0
FR	07/31	02:45	CPI (y/y)	Jul P	--	2.1	2.0
FR	07/31	02:45	CPI - EU Harmonized (m/m)	Jul P	--	-0.3	0.0
FR	07/31	02:45	CPI - EU Harmonized (y/y)	Jul P	--	2.4	2.3
SP	07/31	03:00	Real GDP (q/q)	2Q P	--	0.7	0.0
GE	07/31	03:55	Unemployment (000s)	Jul	--	-10.0	-15.0
GE	07/31	03:55	Unemployment Rate (%)	Jul	--	5.2	5.2
SP	07/31	04:00	Current Account (€ bn)	May	--	--	-1.5
EC	07/31	05:00	Euro zone CPI Estimate (y/y)	Jul	--	2.0	2.0
EC	07/31	05:00	Euro zone Core CPI Estimate (y/y)	Jul A	--	1.0	0.9
EC	07/31	05:00	GDP (q/q)	2Q A	--	0.4	0.4
EC	07/31	05:00	Unemployment Rate (%)	Jun	--	8.3	8.4
IT	07/31	05:00	CPI (m/m)	Jul P	--	0.3	0.2
IT	07/31	05:00	CPI (y/y)	Jul P	--	1.4	1.3
IT	07/31	05:00	CPI - EU Harmonized (m/m)	Jul P	--	-1.8	0.2
IT	07/31	05:00	CPI - EU Harmonized (y/y)	Jul P	--	1.4	1.4
IT	07/31	06:00	Real GDP (q/q)	2Q P	--	0.2	0.3
SP	07/31	07:00	Budget Balance YTD (€ mn)	Jun	--	--	-14493
IT	08/01	03:45	Manufacturing PMI	Jul	--	53.0	53.3
UK	08/01	04:30	Manufacturing PMI	Jul	--	54.2	54.4
IT	08/01		Budget Balance (€ bn)	Jul	--	--	-3.2
IT	08/01		Budget Balance YTD (€ bn)	Jul	--	--	-40.7
UK	08/02	04:30	PMI Construction	Jul	--	52.8	53.1
EC	08/02	05:00	PPI (m/m)	Jun	--	0.3	0.8
UK	08/02	07:00	BoE Asset Purchase Target (£ bn)	Aug	--	435	435
UK	08/02	07:00	BoE Policy Announcement (%)	Aug 2	--	0.8	0.5
FR	08/03	02:45	Central Government Balance (€ bn)	Jun	--	--	-55.1
IT	08/03	03:45	Services PMI	Jul	--	53.6	54.3
IT	08/03	04:00	Industrial Production (m/m)	Jun	--	0.3	0.7
UK	08/03	04:30	Official Reserves Changes (US$ bn)	Jul	--	--	716
UK	08/03	04:30	Services PMI	Jul	--	54.7	55.1
EC	08/03	05:00	Retail Trade (m/m)	Jun	--	0.4	0.0

ASIA-PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
JN	07/29	19:50	Large Retailers' Sales (y/y)	Jun	--	1.6	-2.0
JN	07/29	19:50	Retail Trade (y/y)	Jun	--	1.7	0.6
SK	JULY 29-30		Department Store Sales (y/y)	Jun	--	--	1.8
SK	07/30	17:00	Business Survey- Manufacturing	Aug	--	--	80.0
SK	07/30	17:00	Business Survey- Non-Manufacturing	Aug	--	--	80.0
SK	07/30	19:00	Industrial Production (y/y)	Jun	--	0.7	0.9
SK	07/30	19:00	Cyclical Leading Index Change	Jun	--	--	-0.1
JN	07/30	19:30	Jobless Rate (%)	Jun	2.2	2.3	2.2
JN	07/30	19:50	Industrial Production (y/y)	Jun P	--	0.6	4.2
CH	07/30	21:00	Manufacturing PMI	Jul	51.3	51.3	51.5
CH	07/30	21:00	Non-manufacturing PMI	Jul	--	55.0	55.0
AU	07/30	21:30	Building Approvals (m/m)	Jun	--	1.0	-3.2
AU	07/30	21:30	Private Sector Credit (y/y)	Jun	--	4.5	4.8
PH	JULY 30-31		**Bank Lending (y/y)**	**Jun**	**--**	**--**	**17.70**
JN	JULY 30-31		**BoJ Policy Rate (%)**	**Jul 31**	**-0.10**	**-0.10**	**-0.10**

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

Key Indicators for the week of July 30 – August 3

ASIA-PACIFIC *(continued from previous page)*

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
JN	07/31	00:00	Vehicle Production (y/y)	May	--	--	3.8
JN	07/31	01:00	Consumer Confidence	Jul	--	43.8	43.7
JN	07/31	01:00	Housing Starts (y/y)	Jun	--	-2.5	1.3
JN	07/31	01:00	Construction Orders (y/y)	Jun	--	--	-18.7
TH	07/31	03:30	Exports (y/y)	Jun	--	--	13.1
TH	07/31	03:30	Imports (y/y)	Jun	--	--	12.7
TH	07/31	03:30	Trade Balance (US$ mn)	Jun	--	--	2695
TH	07/31	03:30	Current Account Balance (US$ mn)	Jun	--	3958	958
TA	07/31	04:00	Real GDP (y/y)	2Q P	2.8	3.0	3.0
IN	07/31	07:00	Fiscal Deficit (INR Crore)	Jun	--	--	193526
NZ	07/31	13:00	QV House Prices (y/y)	Jul	--	--	5.7
NZ	07/31	18:45	Unemployment Rate (%)	2Q	4.4	4.4	4.4
NZ	07/31	18:45	Employment Change (y/y)	2Q	--	3.6	3.1
SK	07/31	19:00	CPI (y/y)	Jul	1.6	1.7	1.5
SK	07/31	19:00	Core CPI (y/y)	Jul	--	1.2	1.2
SK	07/31	20:00	Exports (y/y)	Jul	--	7.8	-0.1
SK	07/31	20:00	Imports (y/y)	Jul	--	17.0	10.7
SK	07/31	20:00	Trade Balance (US$ mn)	Jul	--	6000	6240
JN	07/31	20:30	Markit/JMMA Manufacturing PMI	Jul F	51.6	--	51.6
CH	07/31	21:45	HSBC Manufacturing PMI	Jul	50.8	50.9	51.0
TH	07/31	23:00	CPI (y/y)	Jul	1.6	1.5	1.4
TH	07/31	23:00	Core CPI (y/y)	Jul	--	0.8	0.8
JN	JULY31-AUG 1		Official Reserve Assets (US$ bn)	Jul	--	--	1259
ID	08/01	00:00	CPI (y/y)	Jul	3.8	--	3.1
ID	08/01	00:00	Core CPI (y/y)	Jul	--	--	2.7
JN	08/01	01:00	Vehicle Sales (y/y)	Jul	--	--	-7.3
TH	08/01	03:30	Business Sentiment Index	Jul	--	--	52.8
HK	08/01	04:30	Retail Sales - Volume (y/y)	Jun	--	12.4	11.6
IN	08/01	05:00	Repo Rate (%)	Aug 1	6.50	6.5	6.25
IN	08/01	05:00	Reverse Repo Rate (%)	Aug 1	6.25	6.3	6.00
IN	08/01	05:00	Cash Reserve Ratio (%)	Aug 1	4.00	4.0	4.00
JN	08/01	19:50	Monetary Base (y/y)	Jul	--	--	7.4
AU	08/01	21:30	Trade Balance (AUD mn)	Jun	--	900.0	827.0
TH	08/01	23:30	Consumer Confidence Economic	Jul	--	--	67.9
SI	08/02	09:00	Purchasing Managers Index	Jul	--	--	52.5
SK	08/02	19:00	Current Account (US$ mn)	Jun	--	--	8681
HK	08/02	20:30	Purchasing Managers Index	Jul	--	--	47.7
AU	08/02	21:30	Retail Sales (m/m)	Jun	--	0.3	0.4
CH	08/02	21:45	HSBC Services PMI	Jul	--	--	53.9
MA	08/03	00:00	Exports (y/y)	Jun	--	13.0	3.4
MA	08/03	00:00	Imports (y/y)	Jun	--	15.3	0.1
MA	08/03	00:00	Trade Balance (MYR bn)	Jun	--	9.4	8.1

LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CL	07/31	09:00	Industrial Production (y/y)	Jun	3.6	4.1	1.8
CL	07/31	09:00	Unemployment Rate (%)	Jun	6.9	6.9	7.0
CO	07/31	11:00	Urban Unemployment Rate (%)	Jun	--	10.3	11.1
PE	08/01	01:00	Consumer Price Index (m/m)	Jul	0.5	--	0.3
PE	08/01	01:00	Consumer Price Index (y/y)	Jul	1.7	--	1.4
BZ	08/01	09:00	PMI Manufacturing Index	Jul	--	--	49.8
BZ	08/01		**SELIC Target Rate (%)**	**Aug 1**	**--**	**6.50**	**6.50**
BZ	08/01		Trade Balance (FOB) - Monthly (US$ mn)	Jul	--	--	5882
BZ	08/02	08:00	Industrial Production SA (m/m)	Jun	--	--	-10.9
BZ	08/02	08:00	Industrial Production (y/y)	Jun	--	--	-6.6
CL	08/02	09:00	Retail Sales (y/y)	Jun	4.3	4.30	3.04

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

Global Auctions for the week of July 30 – August 3

EUROPE

Country	Date	Time	Event
IT	07/30	05:00	Italy to Sell Up to 4 Billion Euros of 2.8% 2028 Bonds
IT	07/30	11:00	Italy to Sell Up to 2 Billion Euros of 0.95% 2023
IT	07/30	11:00	Italy to Sell Up to 1.5B Euros of 2025 Floating Bonds
GE	08/01	05:30	Germany to Sell EUR3 Bln 0.25% 2028 Bonds
SP	08/02	04:30	Spain to Sell Bonds
FR	08/02	04:50	France to Sell 5.5% 2029 Bonds
FR	08/02	04:50	France to Sell 1.5% 2031 Bonds
FR	08/02	04:50	France to Sell 1.25% 2036 Bonds

ASIA-PACIFIC

Country	Date	Time	Event
CH	07/30	21:30	Beijing to Sell Bonds
CH	07/31	02:00	Hubei to Sell Bonds
CH	07/31	22:35	China to Sell CNY41 Bln 3-Yr Upsized Bonds
CH	07/31	22:35	China to Sell CNY41 Bln 7-Yr Upsized Bonds
NZ	08/01	22:05	New Zealand To Sell NZD100 Mln 2.5% 2040 Bonds
JN	08/01	23:35	Japan to Sell 10-Year Bond

Source: Bloomberg, Scotiabank Economics.

Events for the week of July 30 – August 3

NORTH AMERICA

Country	Date	Time	Event
US	08/01	14:00	**FOMC Rate Decision**
MX	08/02	14:00	**Overnight Rate**
US	08/02		Tennessee state primary

EUROPE

Country	Date	Time	Event
UK	08/02	07:00	**Bank of England Bank Rate**
GE	08/03		Germany Sovereign Debt to be rated by Fitch

ASIA-PACIFIC

Country	Date	Time	Event
JN	07/30	00:00	BOJ Outlook Report
JN	07/30	00:00	BOJ Monetary Policy Statement
JN	07/30	00:00	**BOJ Policy Balance Rate**
IN	08/01	05:00	**RBI Repurchase Rate**
JN	08/01	21:30	BOJ Amamiya speaks in Kyoto
JN	08/02	19:50	BOJ Minutes of Policy Meeting
SL	08/02	22:00	**CBSL Standing Lending Rate**

LATIN AMERICA

Country	Date	Time	Event
BZ	08/01		**Selic Rate**

Source: Bloomberg, Scotiabank Economics.

Global Central Bank Watch

NORTH AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Canada – Overnight Target Rate	1.50	September 5, 2018	1.50	1.50
Federal Reserve – Federal Funds Target Rate	2.00	August 1, 2018	2.00	2.00
Banco de México – Overnight Rate	7.75	August 2, 2018	7.75	7.75

Federal Reserve: No policy changes are expected in a statement-only affair on Wednesday. The broad guidance is likely to err more on the neutral-hawkish stay-the-course side of risks as explained in the US section of the Global Week Ahead.
Bank of Canada: Scotia Economics will be revising its rate projections as part of our monthly global forecast update next week.
Banxico: No rate change is expected. Inflation has been ebbing from the peak at the end of last year and the peso has appreciated since mid-June due to elections, policy guidance and the resumption of NAFTA negotiations.

EUROPE

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	0.00	September 13, 2018	0.00	0.00
Bank of England – Bank Rate	0.50	August 2, 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	7.00	7.25
Sweden Riksbank – Repo Rate	-0.50	September 6, 2018	-0.50	-0.50
Norges Bank – Deposit Rate	0.50	August 16, 2018	0.50	0.75
Central Bank of Turkey – Benchmark Repo Rate	17.75	September 13, 2018	17.75	18.00

Bank of England: Scotia Economics expects a rate hike on Thursday but with cautious guidance that repeats Governor Carney's prior guidance to expect "ongoing tightening of monetary policy over the next few years."

ASIA PACIFIC

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Policy Rate	-0.10	July 31, 2018	-0.10	-0.10
Reserve Bank of Australia – Cash Target Rate	1.50	August 7, 2018	1.50	1.50
Reserve Bank of New Zealand – Cash Rate	1.75	August 8, 2018	1.75	1.75
People's Bank of China – Lending Rate	4.35	TBA	--	4.35
Reserve Bank of India – Repo Rate	6.25	August 1, 2018	6.50	6.50
Bank of Korea – Bank Rate	1.50	August 31, 2018	1.75	1.75
Bank of Thailand – Repo Rate	1.50	August 8, 2018	1.50	1.50
Bank Negara Malaysia – Overnight Policy Rate	3.25	September 5, 2018	3.25	3.25
Bank Indonesia – 7-Day Reverse Repo Rate	5.25	August 16, 2018	5.50	5.25

The Bank of Japan's (BoJ) next monetary policy meeting is scheduled for July 31. Given soft GDP and inflation data, we consider it unlikely that the BoJ would be normalizing monetary policy soon, despite some rumors that have caused market volatility and an increase in JGB yields over the past week. **The Reserve Bank of India (RBI)** will make a monetary policy announcement on August 1. We now assess that the RBI may raise the benchmark repo rate by 25 basis points to 6.50%. India's core inflation has continued to rise, reaching 6.4% y/y in June; the upward trajectory poses a threat to the RBI's policy credibility, likely prompting the central bank to tighten policy despite the economy's nascent recovery.

LATIN AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	6.50	August 1, 2018	6.50	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	August 9, 2018	2.75	2.75

Banco Central do Brasil: No change in the Selic rate is expected. Inflation has edged higher alongside a depreciating real this year, but growth is minimal.

AFRICA

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

Forecasts at time of publication.