December 7, 2018

EYES ON POLITICIANS AND CENTRAL BANKERS

FORECASTS & DATA

CONTACTS

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Next Week's Risk Dashboard

- Brexit vote
- Italian deficit proposal
- CBs: ECB, SNB, Norges, Russia…
- …BSB, Peru, Philippines
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- AMLO's first budget
- US retail sales
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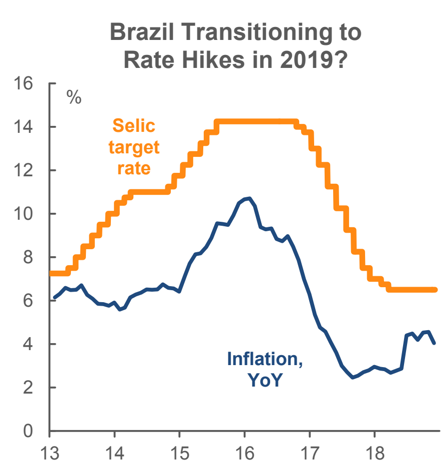
- China macro
- CDN housing; CPI look ahead
- Japan's Tankan

Chart of the Week



Sources: Scotiabank Economics, Banco Central do Brasil, Bloomberg.

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

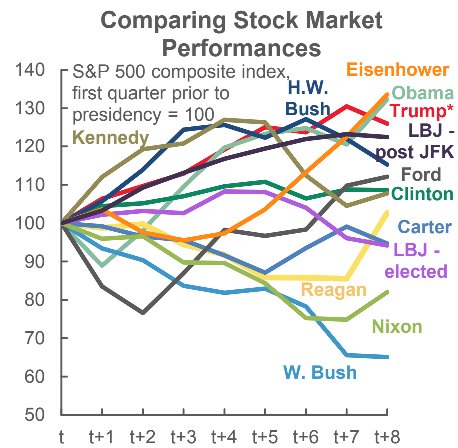
Eyes On Politicians and Central Bankers

UNITED STATES—GASOLINE TO TAKE DOWN CPI

A pair of top-shelf macro reports will retain most of the coming week's focus. Much softer gasoline prices will distort headlines for both of the readings and this will emphasize the need to carefully scrutinize the underlying details. The Huawei affair and its influences upon the US-China trade dialogue will also remain a focus; what remains in doubt is whether Chinese officials believe President Trump didn't know about it in advance given that the bail hearing revealed that the US had issued an arrest warrant four months ago.

Wednesday's CPI reading for November should decelerate rather precipitously. I figure that headline CPI inflation will fall from 2.5% y/y in October down to 2.1%. One major influence is the price of gasoline. The year-ago pace of increase went from about 16% y/y in October down to just over 4% in November as gas prices have tumbled recently. With about a 4% weight in CPI, that could single-handedly chop up to a half point off CPI. Underlying inflationary pressures excluding food and energy are forecast to be up a tick to 2.2% y/y. Base effects and a typically soft month for prices may fan further weakness.

Chart 1



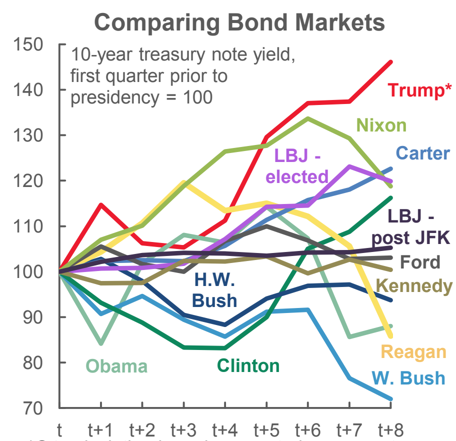
*Q4 calculation based on quarterly average to date. Sources: Scotiabank Economics, Standard & Poors.

Friday's retail sales report will also demonstrate the effects of the sudden deceleration in gasoline prices. Regular unleaded gasoline prices fell by about 8% m/m and gasoline carries about 9% weight in total retail sales. Combined with a 0.6% m/m drop in new vehicle sales, it may be tough for headline sales to stay in the black. I've gone with a small negative. Having said that, this report will also reveal how the holiday shopping season is performing with the emphasis likely to be placed upon retail sales excluding the effects of vehicles and gasoline. Several reports indicated that this was a strong year for on-line sales during the Thanksgiving, Black Friday and Cyber Monday period but that may not be reflective of total spending activity.

The US also releases producer prices for November (Tuesday), JOLTS job openings that continue to trend at record highs (Monday), industrial production (Friday) that is expected to follow through on ISM-manufacturing with a modest gain, and weekly oil inventories (Wednesday) after the large draw over the prior week.

The US Treasury auctions 3s on Tuesday and conducts both 10 year (Wednesday) and 30 year (Thursday) reopenings.

Chart 2



*Q4 calculation based on quarterly average to date. Sources: Scotiabank Economics, Federal Reserve Board.

As an aside, see charts 1–2 that I've updated and previously used to compare stocks and bonds under past Presidents at identical points of their presidencies to President Trump's first two years in office. In light of recent market developments, Trump is now third best among Presidents for the stock market's performance (behind Obama and Eisenhower) and the bond market has performed worse under Trump than any other past President. On balance, a diversified portfolio has underperformed under President Trump. There are a multitude of other factors driving all of this but it's worth considering across policy theatres given the importance this President places upon how the stock market is performing.

ASIA-PACIFIC—HOW ARE TRADE FRICTIONS IMPACTING CHINA'S ECONOMY?

How is China's economy holding up in the face of trade tensions with the United States? This will be a key focal point in global markets over the coming week alongside possible further developments surrounding the US-China trade dialogue. President Trump recently characterized the discussions as going "very well." Other regional market developments are highlighted below.

China starts off the data parade with export and import figures for November this weekend. So far, they've been holding up well but a cooler pace of growth is expected as tariffs begin to bite and also as US growth comes off the bubble.

Is China's CPI inflation rate still under upward trend pressure? This weekend's figures will be closely examined in light of the upward trend in prices outside of food and energy commodities. Consumer goods prices have gone from rising at a 1½% y/y pace in June to nearly double that in October. **This raises the issue of whether China's efforts to stimulate the economy against trade frictions are coinciding with rising inflation risk.**

What will further inform that perspective will be additional evidence on the credit cycle and how the lending spigot has been sprung when financing figures for November arrive sometime over the coming week. I like to keep reminding readers that local currency loan growth and total financing growth that also adds in bonds, equities and shadow financing products have been rising at a very strong pace this year compared to history (charts 3, 4). That was true before China eased lending standards by dropping required reserve ratios but certainly after such steps and others that have been designed to ease the credit cycle.

How the domestic economy is performing in China will be evidenced by retail sales and industrial production for November on Thursday night (ET). Retail sales growth has been ebbing and sits at the slowest pace since 2003, yet one could hardly call this 8.6% y/y pace "slow", per se. Industrial production has been fairly stable around 6% y/y growth for the past four years.

Bangko Sentral ng Pilipinas delivers another rate decision on Thursday. Consensus thinks the central bank will keep its overnight reverse repo rate unchanged at 4.75% but the risk is pointed toward a hike. Governor Espenilla recently stated "There's a need to pay close attention to the core inflation trend. Monetary policy will need to stay vigilant to keep inflation under firm control amid expected strong economic growth." So what has been happening to core inflation? Headline inflation decelerated to 6% y/y in the latest figures for November and has come off from a peak of 6.7% in September, but **core CPI inflation has been accelerating (chart 5).** In fact, core CPI inflation hit 5.1% y/y recently and has remained on a sharp upward trend since 2015.

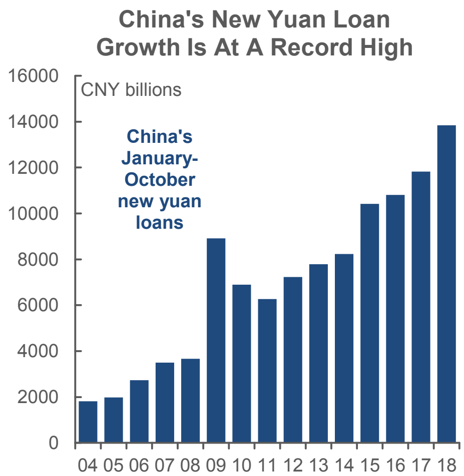
India releases CPI for November on Wednesday that may inform the RBI's bias after it attempted to strike a balance between guiding that inflation risk could bring "commensurate policy actions" (ie: hikes) while nevertheless remaining open to adjusting its guidance if inflation does not accelerate. Japan releases its Q4 Tankan survey of business conditions on Thursday.

EUROPE—EVERYTHING YOU EVER WANTED TO KNOW ABOUT EUROPE…

….but were too afraid to ask! Take most of the things that concern you about the outlook for European markets and pack them into one single week and that about sums up the coming week.

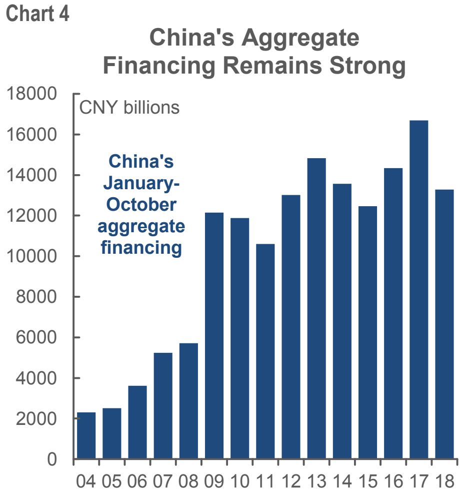
We'll hear the latest guidance and plans from the European Central Bank on Thursday. That the quantitative easing program will be shut down on schedule this month is largely a fait accompli. What follows next remains highly uncertain. That

Chart 3



Sources: Scotiabank Economics, Bloomberg.

Chart 4



Sources: Scotiabank Economics, Bloomberg.

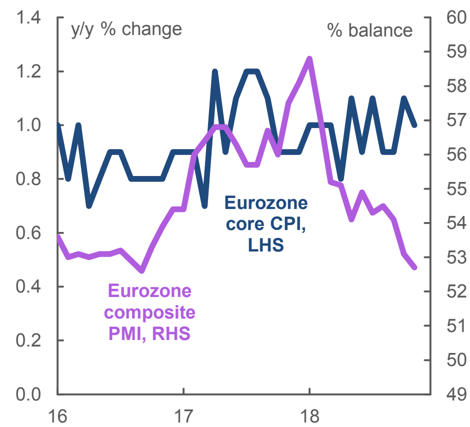
Chart 5

Sources: Scotiabank Economics, Bloomberg.

neither inflation nor growth signals such as purchasing managers' indices are pressuring the ECB to commit is evident in chart 6. Only after the ECB meeting will we get another batch of PMIs on Friday. In the meantime, the ECB is likely to reduce both its growth outlook and inflation forecast and it could do so somewhat abruptly pending developments in the UK and Italy that are discussed below. The ECB will try to alter forecasts without driving markets to push out rate hike expectations even further. At present, the ECB guides that it is on track to keep its policy rate unchanged "at least through the summer of 2019" which implies rate hike risk as soon as later next year. Markets, however, have written off pricing for a rate hike in 2019. Guidance toward QE reinvestment plans and any possible discussion around providing longer term loans to the banking sector will be closely examined.

Chart 6

No Rush for the ECB to Tighten



Sources: Scotiabank Economics, Bloomberg, Eurostat, Markit.

Swiss National Bank issues a policy decision on Thursday just hours ahead of the ECB and is not expected to alter its main policy rates. **Norges Bank is also expected to remain on hold** with its deposit rate set at 0.75% on Thursday. The plunge in oil prices has driven a more cautious stance and attention will be focused upon possibly altered rate hike guidance. CPI for November will arrive on Monday ahead of the decision; core inflation was only 1.6% y/y in October and beneath the 2% inflation target.

Tuesday's vote on the Brexit deal in the British Parliament has been looking doomed for some time. Ireland's Prime Minister bluntly stated the country is preparing for a no-deal Brexit. Labour opposition leader Jeremy Corbyn has stated he expects the vote to fail, that "a better deal both for Britain and Europe is, I believe, both desirable and possible" but that "a no-deal Brexit will not only do serious damage to the U.K. but will have unpredictable and very damaging consequences all across Europe." Corbyn has also indicated that the will of the people expressed in the original referendum needs to be respected. That leaves us in uncharted waters as various options are considered including pulling the vote, continuing to negotiate with or without a vote, holding another referendum or possibly a new election. The concern about the potential aftermath of the vote is so great that the UK government advised businesses including grocery chains to stockpile inventories in case of a hard Brexit that disrupts or cripples EU supply chains. Rising uncertainty and waning growth signals have combined to drive an 11% depreciation in sterling to the dollar since April. Volatility is anything but over yet. Against this backdrop, UK macro data like Monday's trade, industrial output, GDP and service sector readings plus the next day's wage and job figures will hardly matter.

Italy must submit fresh budget proposals to the EU on Tuesday. Italy's Deputy PM Luigi Di Maio recently advised that he thinks agreement is possible to avert fines that would stem from the EU's rules on excessive deficits. Local reports have indicated that the Italian government may reduce its planned deficit-to-GDP target from 2.4% next year to around 2% but key will be whether its underlying structural deficit outlook is reduced enough to satisfy the EU.

Russia's central bank weighs in with a policy decision on Friday. Consensus is somewhat divided on a pause in the key rate at 7.5% or a hike to 7.75%.

CANADA—TESTING POLOZ'S SYMMETRY

Canada turns quiet next week. Hallelujah! Just don't get too comfortable yet. Very little of significance will be on the docket, which probably means that Canadian markets will be more driven by developments abroad as explained in the other regional sections of this write-up. Into year-end, however, Canada will see competing influences through what could be mildly constructive readings on the economy—but increasingly dovish inflation signals.

Housing starts (Monday) have averaged about 213,000 per month at an annualized rate so far over the first ten months of 2018. The volumes are off from their peaks which helped to explain why residential structures investment was a drag on GDP during Q3. But the volumes have nevertheless remained cyclically elevated and another print of about 200k is feasible for November. Unfortunately we don't have building permit volumes for the month before. Q3 capacity utilization (Wednesday), Teranet repeat-sales home prices for November (Wednesday) and new home prices for October (Thursday) will round out the mostly housing focus.

BoC Deputy Governor Timothy Lane gets the last word on the BoC's formal 2018 calendar. He speaks about leveraging Fintech on Monday but remarks will not be published and there should be minimal market relevance.

Canada holds a two year auction on Wednesday.

The next big things for Canada through to year-end will be CPI on the 19th, retail sales on the 21st, GDP for October on the 21st, and the Bank of Canada's Business Outlook survey on the 21st.

On October GDP, it is early in terms of tracking exercises, but I'm getting +0.2% m/m so far and that translates into just 0.7% q/q annualized and seasonally adjusted GDP growth for Q4. That said, retail sales could well be on the soft side at least in terms of headline results with what we know about vehicle sales and gasoline prices. The recent tone of the data has been constructive on trade (here) and jobs (here).

Chart 7

Sources: Scotiabank Economics, Bloomberg.

The bigger focus, however, could well be upon November CPI the week after next on December 19th. A reading well under 2% y/y is very feasible. To some extent, the unmooring of market-based measures of inflation expectations is capturing this in advance (chart 7). In fact, I get CPI dropping from 2.4% y/y in October to 1.7% y/y in November. The average of the core measures may be resilient around 2%.

Why? Gasoline price changes alone will knock about 0.6% off the year-over-year CPI rate as we swing from gas prices being up 13% y/y in October to down 5% y/y in November and with about a 3.4% weight in CPI. The rest of the math after that only slightly worsens the picture but nothing else is offsetting in the other direction. Base effects alone take the year-ago inflation reading down and so does the fact that November is usually a slightly soft month for seasonal prices. December CPI could see a bit further downward drag from gas prices given what we know about the month to this point, but the effects ebb as right now I'm looking at knocking maybe another tenth or two off headline CPI from gas prices in December.

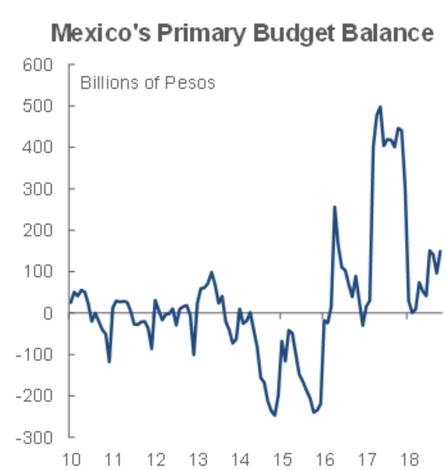
I think the BoC would put more emphasis upon the average of the central tendency CPI measures, but that kind of softness in headline inflation will provide cover for an interim pause in addition to arguments that were discussed in the aforementioned note on Canadian jobs. After Governor Poloz put such emphasis upon how the rise in headline CPI inflation was due to transitory factors—despite being shocked by the energy market developments that are now dragging it down—the test of how symmetrical his bias is will come if he talks through the sharp deceleration as probably transitory itself.

LATIN AMERICA—PROMISES AND THE PESO

The inaugural budget of the new Mexican administration and a pair of central bank decisions will dominate regional market attention over the coming week.

Mexican President Lopez Obrador's first budget arrives no later than the end of next week but with the risk that it may not arrive until next Saturday's deadline. It may be a delicate balancing act compared to his promises, to say the least. AMLO campaigned to increase social spending and public investment but not to raise new revenues, while his Finance Minister has promised a budget surplus equal to 1% of GDP. A piece of cake! This is set against the positive backdrop of a gradually improving year-to-date primary budget surplus (chart 8). The government's plans for the energy sector will be a key focal point. The peso and Mexican markets in general will be sensitive to the combined fiscal balancing act and energy sector plans.

Chart 8



Sources: Scotiabank Economics, Bloomberg.

Banco Central do Brasil is expected to stay on hold at a 6.5% Selic rate on Wednesday. There are at least three reasons for this. One is very convincing: the central bank said so! In its October 31st statement, the BCB said that their inflation projections assume a path for the Selic rate that stays unchanged at 6.5% at the end of 2018 and gradually rises to 8% over 2019 after which it levels off. That's what consensus has gone with to the decimal point over the 2019–2020 horizon. Second is that inflation isn't pressuring the central bank to withdraw stimulus any earlier. November's inflation rate fell back to 4.05% y/y and is in the lower half of the 3–6% inflation target range. Third is that growth isn't pressuring the central bank to ease any further as GDP growth accelerated in Q3.

Banco Central de Reserva del Peru is expected to stay on hold on Thursday at a reference rate of 2.75%. A slowdown in the mining sector and weaker public works spending has dragged GDP growth down to 2.3% y/y as of Q2. CPI sits at 2.2% y/y and hence just above the mid-point of the 1–3% target range. The central bank's President Julio Velarde recently forecast inflation at 2.0% in 2019. In all, after ending the easing cycle in March, the conditions are not yet favourable to commence tightening.

Key Indicators for the week of December 10 – 14

NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	12/10	08:15	Housing Starts (000s a.r.)	Nov	200	198.0	205.9
CA	12/10	08:30	Building Permits (m/m)	Oct	--	-0.2	0.4
US	12/10	10:00	JOLTS Job Openings (000s)	Oct	--	--	7009
US	12/11	08:30	PPI (m/m)	Nov	0.0	0.0	0.6
US	12/11	08:30	PPI ex. Food & Energy (m/m)	Nov	0.1	0.1	0.5
US	12/12	07:00	MBA Mortgage Applications (w/w)	DEC 7	--	--	2.0
CA	12/12	08:30	Capacity Utilization (%)	3Q	--	85.7	85.5
CA	12/12	08:30	Teranet - National Bank HPI (y/y)	Nov	--	--	2.8
US	12/12	08:30	CPI (m/m)	Nov	-0.1	0.0	0.3
US	12/12	08:30	CPI (y/y)	Nov	2.1	2.2	2.5
US	12/12	08:30	CPI (index)	Nov	--	251.9	252.9
US	12/12	08:30	CPI ex. Food & Energy (m/m)	Nov	0.2	0.2	0.2
US	12/12	08:30	CPI ex. Food & Energy (y/y)	Nov	2.2	2.2	2.1
MX	12/12	09:00	Industrial Production (m/m)	Oct	2.4	--	1.0
MX	12/12	09:00	Industrial Production (y/y)	Oct	2.51	--	1.8
US	12/12	14:00	Treasury Budget (US$ bn)	Nov	--	-165.0	-100.5
CA	12/13	08:30	New Housing Price Index (m/m)	Oct	--	0.0	0.0
US	12/13	08:30	Export Prices (m/m)	Nov	--	-1.0	0.5
US	12/13	08:30	Import Prices (m/m)	Nov	--	-1.0	0.5
US	12/13	08:30	Initial Jobless Claims (000s)	DEC 8	225	227	231
US	12/13	08:30	Continuing Claims (000s)	DEC 1	1635	--	1631
US	12/14	08:30	Retail Sales (m/m)	Nov	-0.1	0.1	0.8
US	12/14	08:30	Retail Sales ex. Autos (m/m)	Nov	0.0	0.2	0.7
US	12/14	09:15	Capacity Utilization (%)	Nov	--	78.6	78.4
US	12/14	09:15	Industrial Production (m/m)	Nov	0.3	0.3	0.1
US	12/14	10:00	Business Inventories (m/m)	Oct	--	0.5	0.3

EUROPE

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
GE	12/10	02:00	Current Account (€ bn)	Oct	--	18.0	21.1
GE	12/10	02:00	Trade Balance (€ bn)	Oct	--	17.0	18.3
IT	12/10	04:00	Industrial Production (m/m)	Oct	--	-0.4	-0.2
UK	12/10	04:30	Index of Services (m/m)	Oct	--	0.1	-0.1
UK	12/10	04:30	Industrial Production (m/m)	Oct	--	0.0	0.0
UK	12/10	04:30	Manufacturing Production (m/m)	Oct	--	0.0	0.2
UK	12/10	04:30	Visible Trade Balance (£ mn)	Oct	--	-10500.0	-9731
UK	12/11	04:30	Average Weekly Earnings (3-month, y/y)	Oct	--	3.0	3.0
UK	12/11	04:30	Employment Change (3M/3M, 000s)	Oct	--	25.0	23.0
UK	12/11	04:30	Jobless Claims Change (000s)	Nov	--	--	20.2
UK	12/11	04:30	ILO Unemployment Rate (%)	Oct	--	4.1	4.1
EC	12/11	05:00	ZEW Survey (Economic Sentiment)	Dec	--	--	-22.0
GE	12/11	05:00	ZEW Survey (Current Situation)	Dec	--	55.0	58.2
GE	12/11	05:00	ZEW Survey (Economic Sentiment)	Dec	--	-25.0	-24.1
IT	12/12	04:00	Unemployment Rate (%)	3Q	--	10.3	10.7
EC	12/12	05:00	Employment (q/q)	3Q F	--	--	0.2
EC	12/12	05:00	Industrial Production (m/m)	Oct	--	0.2	-0.3
EC	12/12	05:00	Industrial Production (y/y)	Oct	--	0.8	0.9
RU	DEC 12-13		Real GDP (y/y)	3Q P	--	1.30	1.30
GE	12/13	02:00	CPI (m/m)	Nov F	--	0.1	0.1
GE	12/13	02:00	CPI (y/y)	Nov F	--	2.3	0.0
GE	12/13	02:00	CPI - EU Harmonized (m/m)	Nov F	--	0.1	0.1
GE	12/13	02:00	CPI - EU Harmonized (y/y)	Nov F	--	2.2	2.2
FR	12/13	02:45	CPI (m/m)	Nov F	--	-0.2	-0.2
FR	12/13	02:45	CPI (y/y)	Nov F	--	1.9	1.9
FR	12/13	02:45	CPI - EU Harmonized (m/m)	Nov F	--	-0.2	-0.2
FR	12/13	02:45	CPI - EU Harmonized (y/y)	Nov F	--	2.2	2.2

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

Key Indicators for the week of December 10 – 14

EUROPE *(continued from previous page)*

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
NO	12/13	04:00	**Norwegian Deposit Rates (%)**	**Dec 13**	**0.75**	**0.75**	**0.75**
IR	12/13	06:00	Real GDP (q/q)	3Q	--	1.3	2.5
TU	12/13	06:00	**Benchmark Repo Rate (%)**	**Dec 13**	**24.00**	**24.00**	**24.00**
EC	12/13	07:45	**ECB Main Refinancing Rate (%)**	**Dec 13**	**0.00**	**0.00**	**0.00**
SP	12/14	03:00	CPI (m/m)	Nov F	--	-0.1	-0.1
SP	12/14	03:00	CPI (y/y)	Nov F	--	1.7	1.7
SP	12/14	03:00	CPI - EU Harmonized (m/m)	Nov F	--	-0.2	-0.2
SP	12/14	03:00	CPI - EU Harmonized (y/y)	Nov F	--	1.7	1.7
FR	12/14	03:15	Manufacturing PMI	Dec P	--	50.7	50.8
EC	12/14	03:30	Manufacturing PMI	Dec P	--	51.9	51.8
GE	12/14	03:30	Manufacturing PMI	Dec P	--	51.7	51.8
EC	12/14	05:00	Labour Costs (y/y)	3Q	--	--	2.2
IT	12/14	05:00	CPI - EU Harmonized (y/y)	Nov F	--	1.7	1.7
RU	12/14	05:30	**One-Week Auction Rate (%)**	**Dec 14**	**7.50**	**7.50**	**7.50**

ASIA-PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CH	12/08	20:30	CPI (y/y)	Nov	2.6	2.4	2.5
CH	12/08	20:30	PPI (y/y)	Nov	--	2.7	3.3
CH	DEC 8-12		Exports (y/y)	Nov	--	9.4	15.6
CH	DEC 8-12		Imports (y/y)	Nov	--	14.0	21.4
CH	DEC 8-12		Trade Balance (USD bn)	Nov	--	34.4	34.0
NZ	12/09	16:45	Manufacturing Activity	3Q	--	--	1.8
JN	12/09	18:50	Bank Lending (y/y)	Nov	--	--	2.2
JN	12/09	18:50	Current Account (¥ bn)	Oct	--	1262.7	1822
JN	12/09	18:50	GDP (q/q)	3Q F	-0.4	-0.5	-0.3
JN	12/09	18:50	GDP Deflator (y/y)	3Q F	--	-0.3	-0.3
JN	12/09	18:50	Trade Balance - BOP Basis (¥ bn)	Oct	--	-265.4	323.3
AU	12/09	19:30	Home Loans (%)	Oct	--	-0.4	-1.0
AU	12/09	19:30	Investment Lending (% change)	Oct	--	--	-2.8
CH	DEC 9-15		New Yuan Loans (bn)	Nov	950	1200	697
JN	12/10	18:50	Japan Money Stock M2 (y/y)	Nov	--	2.6	2.7
JN	12/10	18:50	Japan Money Stock M3 (y/y)	Nov	--	2.3	2.3
AU	12/10	19:30	House Price Index (y/y)	3Q	--	-2.0	-0.6
PH	12/10	20:00	Exports (y/y)	Oct	--	3.5	-2.6
PH	12/10	20:00	Imports (y/y)	Oct	--	13.1	26.1
PH	12/10	20:00	Trade Balance (US$ mn)	Oct	--	-3625.0	-3927
JN	12/11	01:00	Machine Tool Orders (y/y)	Nov P	--	--	-0.7
SK	12/11	18:00	Unemployment Rate (%)	Nov	3.9	3.9	3.9
JN	12/11	18:50	Machine Orders (m/m)	Oct	--	10.2	-18.3
MA	12/11	23:00	Industrial Production (y/y)	Oct	--	3.3	2.3
JN	12/11	23:30	Tertiary Industry Index (m/m)	Oct	--	0.9	-1.1
IN	DEC 11-15		Exports (y/y)	Nov	--	--	17.9
IN	DEC 11-15		Imports (y/y)	Nov	--	--	17.6
SI	12/12	00:00	Retail Sales (y/y)	Oct	--	--	1.9
IN	12/12	07:00	CPI (y/y)	Nov	3.00	--	3.31
IN	12/12	07:00	Industrial Production (y/y)	Oct	--	--	4.50
PH	12/13	03:00	**Overnight Borrowing Rate (%)**	**Dec 13**	**4.75**	**4.75**	**4.75**
NZ	12/13	16:30	Business NZ PMI	Nov	--	--	53.5
JN	12/13	18:50	Tankan All Industries Index	4Q	--	12.8	13.4
JN	12/13	18:50	Tankan Manufacturing Index	4Q	--	18.0	19.0
JN	12/13	18:50	Tankan Non-Manufacturing Index	4Q	--	21.0	22.0
JN	12/13	19:30	Markit/JMMA Manufacturing PMI	Dec P	--	--	52.2
CH	12/13	21:00	Fixed Asset Investment YTD (y/y)	Nov	5.9	5.9	5.7
CH	12/13	21:00	Industrial Production (y/y)	Nov	5.9	5.9	5.9
CH	12/13	21:00	Retail Sales (y/y)	Nov	9.0	8.8	8.6

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

Key Indicators for the week of December 10 – 14

ASIA-PACIFIC *(continued from previous page)*

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
JN	12/13	23:30	Capacity Utilization (m/m)	Oct	--	--	-1.5
JN	12/13	23:30	Industrial Production (y/y)	Oct F	4.2	--	4.2
IN	12/14	01:30	Monthly Wholesale Prices (y/y)	Nov	--	--	5.3
HK	12/14	03:30	Industrial Production (y/y)	3Q	--	--	1.6

LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
PE	DEC 10-14		Trade Balance (USD mn)	Oct	200	--	397.0
PE	DEC 11-17		Economic Activity Index NSA (y/y)	Oct	--	--	2.1
PE	DEC 11-17		Unemployment Rate (%)	Nov	--	--	6.4
BZ	12/12	15:20	**SELIC Target Rate (%)**	**Dec 12**	**6.50**	**6.50**	**6.50**
BZ	12/13	06:00	Retail Sales (m/m)	Oct	--	--	-1.3
BZ	12/13	06:00	Retail Sales (y/y)	Oct	--	2.6	0.1
PE	12/13	18:00	**Reference Rate (%)**	**Dec 13**	**2.75**	**--**	**2.75**
CO	12/14	10:00	Retail Sales (y/y)	Oct	--	4.9	5.9

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

Global Auctions for the week of December 10 – 14

NORTH AMERICA

Country	Date	Time	Event
US	12/11	13:00	U.S. to Sell 3-Year Notes
US	12/12	13:00	U.S. to Sell 10-Year Notes Reopening
US	12/13	13:00	U.S. to Sell 30-Year Bonds Reopening

EUROPE

Country	Date	Time	Event
AS	12/11	05:15	Austria to Sell Bonds
GE	12/11	05:30	Germany to Sell EUR3 Bln 0% 2020 Bonds
GE	12/11	05:35	2Y Note Average Yield
GE	12/11	05:35	2Y Note Bid-Cover
GE	12/11	05:35	2Y Note Allotment
GE	12/11	05:35	2Y Note Low Bid
SW	12/12	05:00	Sweden to Sell 500 Million Kronor of 2.25% 2032 Bonds
SZ	12/12	05:15	Switzerland to Sell Bonds
UK	12/12	05:30	U.K. to Sell 500 Million Pounds of 0.125% 2048 Linkers
SP	12/13	04:30	Spain to Sell Bonds
IT	12/13	05:00	Italy to Sell Bonds

ASIA-PACIFIC

Country	Date	Time	Event
JN	12/10	22:35	30Y Bond Amount Sold
JN	12/10	22:35	Japan to Sell 30-Year Bond
CH	12/11	22:00	China to Sell CNY29 Bln 2-Yr Upsized Bonds
CH	12/11	22:00	China to Sell CNY48 Bln 5-Yr Upsized Bonds
NZ	12/12	20:05	New Zealand To Sell NZD250 Mln 3% 2029 Bonds
JN	12/12	22:35	Japan to Sell 5-Year Bond
CH	12/13	22:00	China Plans to Sell 30Y Upsized Government Bond

Source: Bloomberg, Scotiabank Economics.

Events for the week of December 10 – 14

NORTH AMERICA

Country	Date	Time	Event
CA	12/10	13:00	Bank of Canada's Lane Speaks at Panel in Turkey

EUROPE

Country	Date	Time	Event
PO	12/10	04:00	Bank of Portugal Governor Speaks at Conference About Auditing
EC	12/10	07:30	ECB's Angeloni Speaks in London
SW	12/10		Riksbank's Skingsley Gives Speech
EC	12/11	03:30	ECB's Guindos Speaks in Frankfurt
SP	12/12	03:15	Bank of Spain Governor Hernandez de Cos Speaks in Madrid
EC	12/12	08:30	ECB's Hakkarainen Speaks in Frankfurt
NO	12/13	04:00	**Deposit Rates**
SZ	12/13	04:00	SNB's Jordan Speaks at Press Conference in Bern
TU	12/13	06:00	**Benchmark Repo Rate**
EC	12/13	07:45	**ECB Main Refinancing Rate**
EC	12/13	07:45	**ECB Marginal Lending Facility**
EC	12/13	07:45	**ECB Deposit Facility Rate**
EC	12/14	03:15	ECB Vice-President Guindos Speaks in Frankfurt
AS	12/14	04:00	ECB's Nowotny Presents Austrian Economic Outlook
EC	12/14	04:30	ECB's Lautenschlaeger Speaks in Frankfurt
RU	12/14	05:30	**One-Week Auction Rate**
SP	12/14	06:30	Bank of Spain Governor Hernandez de Cos speaks in Barcelona
EC	12/14	08:30	ECB's Angeloni Speaks in Rome

ASIA-PACIFIC

Country	Date	Time	Event
AU	12/09	16:30	RBA's Kent gives speech in Sydney
NZ	12/12	14:15	RBNZ's Orr at Parliament Committee on Annual Report
PH	12/13	03:00	**BSP Overnight Borrowing Rate**

LATIN AMERICA

Country	Date	Time	Event
BZ	12/12	15:20	**Selic Rate**
PE	12/13	18:00	**Reference 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	1.75	January 9, 2019	1.75	2.00
Federal Reserve – Federal Funds Target Rate	2.25	December 19, 2018	2.25	2.25
Banco de México – Overnight Rate	8.00	December 20, 2018	8.00	8.00

EUROPE

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	0.00	December 13, 2018	0.00	0.00
Bank of England – Bank Rate	0.75	December 20, 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	December 14, 2018	7.50	7.50
Sweden Riksbank – Repo Rate	-0.50	December 20, 2018	-0.50	-0.25
Norges Bank – Deposit Rate	0.75	December 13, 2018	0.75	0.75
Central Bank of Turkey – Benchmark Repo Rate	24.00	December 13, 2018	24.00	24.00

ECB: No rate change is expected and plans will remain intact to end QE bond buying this month. Downward forecast revisions to growth and inflation are expected. The Brexit vote and Italy's fiscal proposals may both impact the ECB's tone. Guidance toward future plans including reinvestment, rate hike timing and possible future longer term loans to banks will be monitored.
SNB: No policy change is expected.
Russia: Consensus is divided between prospects for a rate hold and a hike.
Norges Bank: No policy rate change is expected but more dovish guidance may be revised in light of the swoon in global oil prices.

ASIA PACIFIC

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Policy Rate	-0.10	December 20, 2018	-0.10	-0.10
Reserve Bank of Australia – Cash Target Rate	1.50	February 4, 2019	1.50	1.50
Reserve Bank of New Zealand – Cash Rate	1.75	February 12, 2019	1.75	1.75
People's Bank of China – Lending Rate	4.35	TBA	--	4.35
Reserve Bank of India – Repo Rate	6.50	February 6, 2019	6.75	6.50
Bank of Korea – Bank Rate	1.75	January 24, 2019	1.75	1.75
Bank of Thailand – Repo Rate	1.50	December 19, 2018	1.75	1.75
Bank Negara Malaysia – Overnight Policy Rate	3.25	January 24, 2019	3.25	3.25
Bank Indonesia – 7-Day Reverse Repo Rate	6.00	December 20, 2018	6.25	6.00
Central Bank of Philippines – Overnight Borrowing Rate	4.75	December 13, 2018	4.75	4.75

Bangko Sentral ng Pilipinas (BSP): We expect the BSP to take a break from monetary tightening following the December 13 monetary policy meeting in order to assess the impact of recent interest rate hikes. The central bank has raised the benchmark overnight borrowing rate by 150 basis points since May 2018 in response to high inflationary pressures.

LATIN AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	6.50	December 12, 2018	6.50	6.50
Banco Central de Chile – Overnight Rate	2.75	February 5, 2019	2.75	2.75
Banco de la República de Colombia – Lending Rate	4.25	December 21, 2018	4.50	4.25
Banco Central de Reserva del Perú – Reference Rate	2.75	December 13, 2018	2.75	2.75

Banco Central do Brasil: No policy change is expected and guidance is expected to continue to point to hikes in 2019.
Banco Central de Reserva del Peru: Softening growth due to weakness in the mining sector and public works is resulting in little pressure on the central bank to raise rates despite inflation riding a little above the mid-point of the target band.

AFRICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	6.75	January 17, 2019	6.75	6.75

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