Scotiabank™

GLOBAL ECONOMICS

THE GLOBAL WEEK AHEAD

December 14, 2018

SCROOGED?

FORECASTS & DATA

CONTACTS

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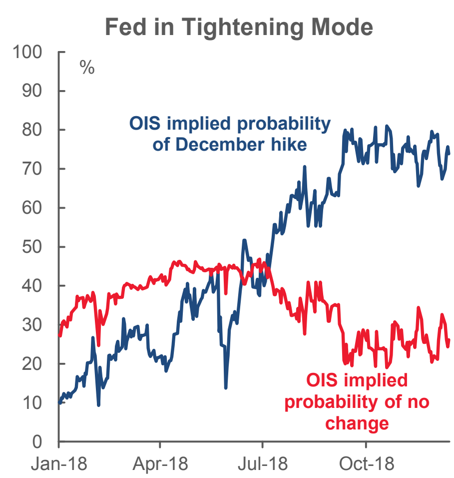
Next Week's Risk Dashboard

- CBs: Fed, BoJ, BoE, Riksbank…
- …Banxico, BanRep…
- …BoT, BI, CBCT
- US gov't shutdown?
- Inflation: US, Canada, UK, Malaysia
- US macro: Consumer updates, durables
- CDN macro: mfrg, housing, retail, GDP
- BoC's BOS
- GDP: NZ, Argentina
- BCB's Inflation Report
- RBA, BCB minutes
- Australian jobs

Chart of the Week



Sources: Scotiabank Economics, Bloomberg.

Chart of the Week: Prepared by: Alena Bystrova, Research Analyst.

Scrooged?

UNITED STATES—HIKE QUIETLY SO NOBODY HEARS

Maybe go a little easy on the holiday cocktails over the coming week; or maybe not! It's going to be a doozy of a week that is jammed with uncertainty into the Fed meeting and top-shelf macro data. The week could well end with the risk of a shutdown in Washington over funding for Trump's dream of a wall along the Mexican border—and American taxpayers would pay for it!

- **The Fed is forecast to hike by another 25bps on Wednesday at the conclusion of the two-day FOMC meeting.** Here is a summary of core expectations and risks:

- **Fed funds target range:** all dealers and banks including Scotia expect a 25bps hike in the fed funds target range that would take the upper bound to 2.25%. Markets are still not fully priced for a hike, leaving open the chance of a dovish surprise. I think that expectation will be disappointed. The minutes to the November 7th–8th meeting indicated a rate hike would be appropriate "fairly soon" which is in keeping with the guidance toward a near-term hike that the Fed has previously employed.

- **"Further gradual increases"?** The minutes also noted that the statement reference to "further gradual increases" might need to be revised in a way "that placed greater emphasis on the evaluation of incoming data in assessing the economic and policy outlook; such a change would help to convey the Committee's flexible approach in responding to changing economic circumstances." Such a move would be consistent with Chair Powell's recent tone. I still think such a change carries little incremental meaning; we always knew that the Fed retained data-dependent flexibility. The final paragraph to each statement over the hike cycle has ended with data-dependent language as opposed to firm commitment to an unwavering path.

- **Fed funds projection:** It's possible that the prior 2018–19 projections for the mid-point of the target range to end at 2.375% and 3.125% respectively will remain unchanged. They already imply a slower pace of full year rate hikes compared to the pattern to date. If the FOMC wishes to adopt a more cautious stance, then there may be a little more at risk in the forecast for a further hike in 2020.

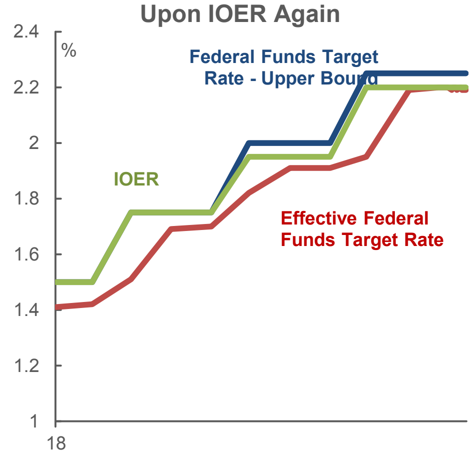
- **Growth and inflation forecasts:** Relative to the projections that were last updated in September, there may be a focus upon revising PCE inflation expectations lower over 2019 and perhaps further out. Oil market developments since the last projections could be used to inform such a forecast bias.

- **Neutral rate:** I don't expect any changes. The minutes to the November meeting indicated that only "a couple of participants" believed that the policy rate "might currently be near its neutral level and that further increases in the federal funds rate could unduly slow the expansion…" The Fed's neutral rate estimate of 3% probably remains reasonable at this point.

- **Language:** The statement could soften reference to "strong" job gains and the unemployment rate "has declined." There may be acknowledgement that market-based long-term inflation expectations have declined. Both signals would lean on language to strike a somewhat more cautious tone into 2019.

- **Balance sheet:** This is the meeting at which the long-awaited balance sheet discussion is likely to occur. Recall that it was promised to occur "in the Fall" in minutes to the July 1st–August 1st FOMC meeting. With the winter solstice beckoning next Friday, that leaves only this coming meeting to deliver on the promise. I think we'll hear the Fed say it is quite content with how its plans are evolving. Recall the speech by the NY Fed's Simon Potter here to that effect at the end of October.

Chart 1 EFF Has Converged Upon IOER Again



Sources: Scotiabank Economics, Bloomberg.

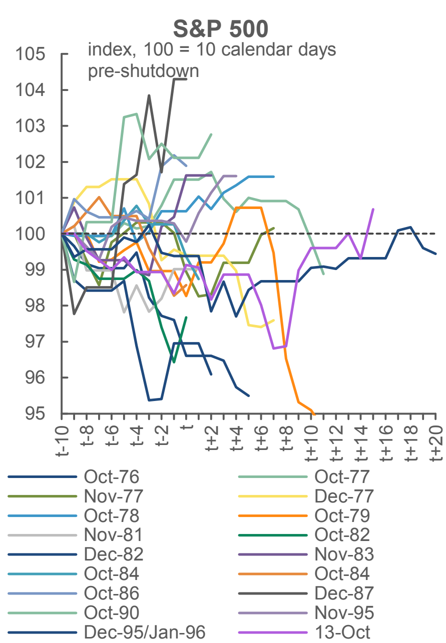
- **IOER versus EFF:** There may be further discussion of the short-rate spread with risk of a wider fed funds versus IOER spread. See chart 1 for the recent movements in EFF relative to the upper bound of the fed funds target range and the interest on excess reserves rate.

Markets may be at risk of again over-reacting to President Trump's threat to shut down the US government. He threatened to do so by next Friday—which is the point at which a two-week funding extension expires—if he doesn't get US$5 billion to fund construction of a concrete wall along the Mexican border. The House has agreed to such a provision but the Senate has not, by offering only US$1.6 billion for border security not specifically earmarked to building a wall. House Republicans went home this past Thursday for a six day break and won't return until just before the deadline; that may serve as an indication of the likelihood of agreement. Nevertheless, there are at least four reasons why even only modest market dysfunction through prior shutdowns is probably an overdone concern this time. For reference, witness charts 2–4 that trace the performance of the S&P500, 10 year Treasury yield and the USD on a DXY basis starting 10 days before shutdowns since the 1970s and up to 20 days afterward (with thanks to Alena Bystrova for her help with these).

- The debt ceiling is not an issue at this point, as it has been at other times when shutdowns have been triggered (18 of them since the 1970s!). The February Bipartisan Budget Act of 2018 suspended the ceiling until March 1st 2019 and it therefore will be reinstated the next day. Treasury will continue to run debt auctions a) because the ceiling is not binding, and b) because essential staff will still be on the job in the event of a shutdown. Therefore, past movements in measures like short-term funding spreads and concerns about liquidity should not exist this time.
- Second is that Congress can utilize Continuing Resolutions to fund government as it negotiates.
- Third is that even by March, Treasury has a high enough cash position and extraordinary measures at its disposal to bridge over potentially months of uncertainty. The Bipartisan Policy Center (here) estimates that the Treasury would have the ability to fund the government until "at least mid-summer 2019."
- Fourth is that only roughly one-quarter of government funding is at risk given prior spending and appropriations bills which is a fraction of the spending at risk going into other historical shutdowns.
- Bonus! A fifth reason could be that perhaps only President Scrooge would shut down the government days before Christmas, notwithstanding precedent (1995, 1987 and 1982).

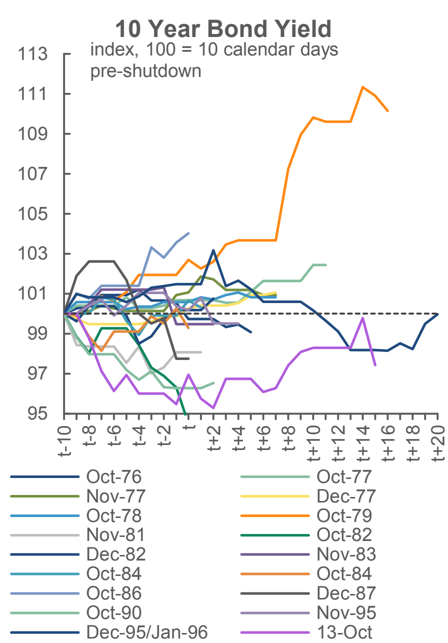
A shutdown also likely carries little implication for activities requiring government approval given the timing would be going into a soft season for mortgage applications that require income and tax payment verification, drilling applications, etc.

Chart 2



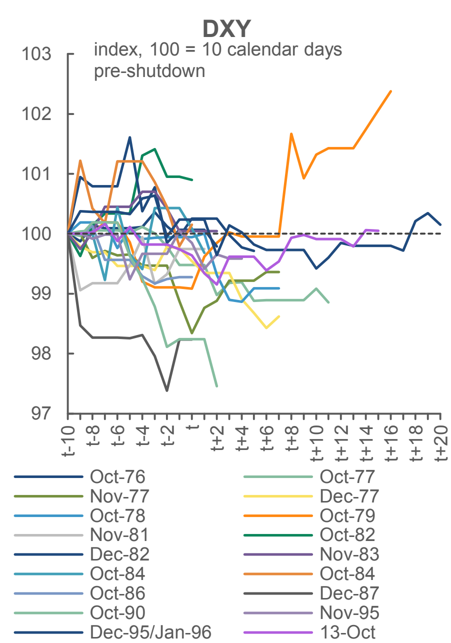
Sources: Scotiabank Economics, Bloomberg.

Chart 3



Sources: Scotiabank Economics, Bloomberg.

Chart 4



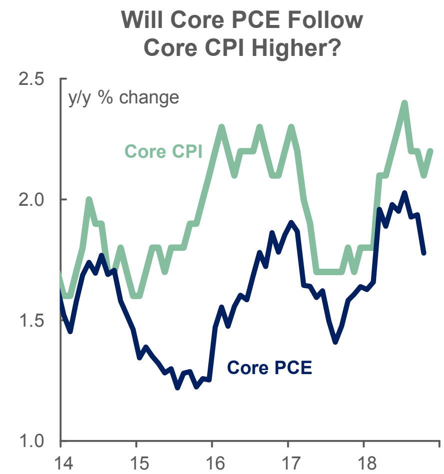
Sources: Scotiabank Economics, Bloomberg.

Data risk will be elevated, particularly on Friday. Here is a rundown of core expectations.

- **PCE inflation (November):** In the wake of a flat reading for CPI (0.0% m/m) and modest rise in core CPI (+0.2% m/m), expectations are for similar performances by the Fed's preferred PCE and core PCE inflation readings on Friday. Maybe. There is translation risk when taking CPI and converting it into a PCE call given different methodologies (chart 5 shows past deviations). As argued here, there may be at least as much pressure on core PCE as there was on core CPI.

- **Consumer spending (November):** Friday's tally should depict another solid gain for total consumer spending given what was learned from the retail sales figures. I figure that total consumer spending probably moved up 0.4% m/m with most of that flowing through to an increased volume of sales given muted overall inflation. Recall that it is the retail sales control group (RSCG) that factors into estimating total consumer spending. The RSCG—that excludes autos, gas and building materials—moved up 0.9% m/m and was revised up the previous month to 0.7% m/m (0.3% prior). The holiday shopping season got off to a strong start.

Chart 5



Sources: Scotiabank Economics, Bloomberg.

- **Personal incomes (November):** Income growth was probably solid but may not have fully kept pace with consumption growth. Average hourly earnings were up by 0.2% m/m and average weekly earnings slipped slightly (-0.07% m/m) during November.

- **Personal saving rate (November):** Any implied downtick in the personal saving rate given the consumption and income growth expectations outlined above is likely to leave intact a strong pace of saving. The 6.2% saving rate in October is back toward where it was at the end of last year, before the TCJA redistributed transfers to household incomes in Q1 that were at first hoarded and then spent over the second and third quarters. A saving rate around 6% would likely be a return to equilibrium before the stimulus effects.

- **Durable goods orders (November):** Friday's headline orders may well get a lift from drivers such as a jump in Boeing's plane orders from 18 in October to 51 in November. The prior month's drop from the 65 planes ordered in September weighed on October's durable goods orders. Markets are generally trained, however, to fade the headline on this reading because of the effects of volatile lumpy orders. The focus will be upon core orders excluding defense and aircraft. That serves as a better proxy for underlying equipment investment in the GDP accounts. Investment indicators have waned of late. Capital goods shipments jumped smartly in June and July to drive a decent 3½% annualized increased in equipment investment in Q3. Shipments then lost momentum by posting small declines over August and September and a small rise in October. Q4 GDP expectations will be informed by November's shipments. Unfortunately, the order book has been soft as an advance indicator of future shipments; it has posted no growth for the past three months.

- Apart from the main releases, there will be several other second- or third-tier reports. Friday's **GDP estimates for Q3** will be the 'final' revision that incorporates the fuller tally of services spending during the quarter; unchanged 3.5% annualized growth is expected. Wednesday's **existing home sales** during November will probably be soft; pending home sales fell by 2.6% m/m in October and result in completed resales within 30–60 days for the most part. The volatile **Philly Fed Business Outlook** measure will inform expectations for the next round of ISM data. Given recent softness in building permits, Tuesday's **housing starts** for November face slight downside risk.

CANADA—CRUNCH TIME FOR THE BoC's DATA DEPENDENCY

To a data-dependent central bank that typically steers clear of explicit forward guidance, one might ordinarily think that next week could inform the policy bias at the January 9th meeting. A chip in that argument lies in the fact that the Poloz BoC has been recently taking a page out of the Carney BoC's book by warning that rates will eventually rise to neutral, but not just yet. Nevertheless, a combination of hard readings on activity and inflation gauges plus the BoC's pet survey will leave little new to assess before the next decision. Only another jobs report on January 4th and another round of trade figures just the day before the decision will follow. I'll come back to arguing why the BoC is likely to set aside much of the information contained in the pending figures and how the BoC could have well set itself up for another abrupt policy reversal fairly soon into 2019.

First, a run-down of the main measures on tap over the coming week is provided.

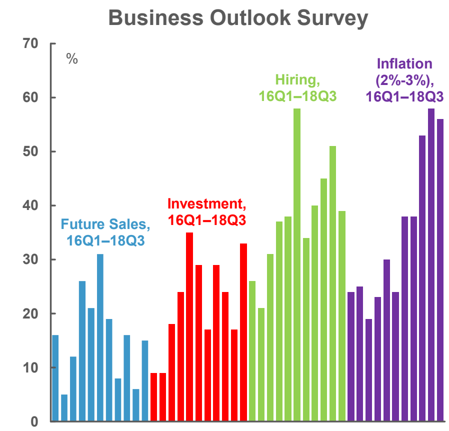
- **Existing home sales (Monday):** Just when things were looking up, momentum has waned again. Sales were up for three straight months from June through August and then fell in September and October. November is usually a seasonally light month for taking possession of resales and so whether up or down it's hard to believe much rides on this tally that is more driven by seasonal adjustment factors than true underlying volumes of activity before the next big test in the Spring housing market.

- **Manufacturing (Tuesday):** This should be a good overall report if unexpected strength in exports serves as any guide. Export volumes were up by 1.2% m/m in October. Exports can be more volatile than manufacturing shipments, but there is about a 70% historical correlation. A sizeable gain in shipments is expected but a risk in translating exports to manufacturing shipments is the paucity of measures of domestic sales.

- **CPI (Wednesday):** November's headline inflation reading is bound to be considerably softer. It's a question of just how much softer. From 2.5% y/y in October, I'm going with 1.8% y/y as my final estimate. The arguments behind the deceleration should not matter to monetary policy, however, which will be more focused upon core inflation as the average of the BoC's three central tendency measures. My best guess at the core average is to expect it to remain around 2% y/y. Base effects alone would drop the headline rate by three-tenths. November is also a typically soft seasonal month for price changes and follows a somewhat stronger-than-usual month of October by way of typical month-ago seasonal influences. Wide brackets around the magnitude of typical November seasonality with few pertinent observables in advance is a reason behind uncertainty over how low headline inflation goes in year-ago terms. Gas prices won't help as they could single-handedly knock multiple tenths of a percentage point off headline CPI.

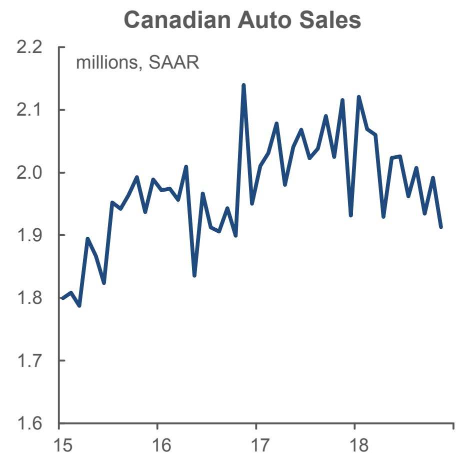
- **BoC's Business Outlook Survey:** Usually we don't get the 'Winter' version of this survey until January, though technically it can still be called the 'Winter' edition as it arrives on the first day of the winter solstice next Friday. Nevertheless, this the first time in the history of the survey that dates back to 1998 when the winter edition has been released before year-end, so perhaps the BoC is in a particular rush to get it out as forecasting exercises swing into higher gear ahead of the policy decision on January 9th. Key will be whether signals that were sent by the business community in the prior quarterly survey on October 15th prove durable, such as those exhibited in chart 6. In addition to being based on a small sample size and having a spotty track record at nailing movements in hard data, a complication this time is that the survey could be stale before arrival. The sample period ran from about mid-November to about the end of the first week of December and hence only partially overlaps with the Federal mini-budget on November 21st that introduced much more generous tax write-offs for various types of investment. There may be a recognition lag to be applied to the tax

Chart 6



Sources: Scotiabank Economics, Bank of Canada.

Chart 7



Sources: Scotiabank Economics, Haver Analytics.

Chart 8

Sources: Scotiabank Economics, Bloomberg.

changes as well, if companies need time to assess the incremental impacts—if any—of the tax changes on capital spending plans.

- **Retail sales (Friday):** October's tally follows a 0.5% m/m rise in the volume of retail sales during September. Nevertheless, a sizeable gain in new vehicle sales (chart 7) could contribute toward another gain. We already know that CPI prices were up 0.3% m/m for headline and this should reinforce a gain in the value of retail sales which is what headline polls estimates as opposed to the volume of sales that will be more closely scrutinized given its tighter linkage to GDP.

- **GDP (Friday):** I'll reserve judgement on October GDP until after interpreting the other releases noted above that are important to the call. Right now, an extremely tentative estimate points to modest growth of 0.1–0.2% m/m based upon limited readings such as a modest 0.1% m/m rise in hours worked and an 8.4% gain in housing starts that fanned out across singles as well as less impactful multiple housing units that typically carry lower economic value-added than singles.

Thursday's wholesale trade will also marginally inform GDP expectations. Last on the calendar is that Canada holds a 30 year bond auction on Thursday.

There is nevertheless a solid case to be made that while the pending releases may inform momentum in the economy before a pending shock to the data, other developments are likely to be the greater focus at the BoC. First is that Alberta's production cut of 325,000 bpd (almost 9% of total production) begins in January. That will wallop the manufacturing, export and GDP figures for the month and quarter and so who cares about data that doesn't encapsulate such effects. Second is that the BoC will incorporate revised slack estimates into its January forecasts in the wake of the years of negative revisions to historical GDP growth that Statistics Canada announced on November 30th. Ongoing trade tensions and little reaction in WTI and Brent to OPEC+ production cuts could also restrain optimism. The BoC will also incorporate a likely upward revision to its estimate of potential growth as it factors into its forecasts the Federal government's mini-budget and its investment incentives.

Having said all of that, the picture for the BoC could well turn on a dime once again over 2019H1. As chart 8 depicts, Canadian oil has rebounded rather sharply and massively outperformed global benchmarks of late after previously underperforming. Most of this improvement probably would have occurred independent of Alberta's planned cuts due to factors like a resumption of normal activity across US oil refineries that are an important source of demand for heavy Canadian oil. Increased transportation of oil by rail is also helping with pipeline bottlenecks. Diminishing US oil inventories are another source of lift. While the developments that dragged down Canadian oil prices particularly in October and November were not well anticipated, we argued throughout it all that the effects would likely prove to be very transitory.

If this improvement to Canadian oil prices proves to be durable, then it puts in play the longevity of Alberta's production cuts. Recall that the reduction of 325,000 bpd would be retained until excess oil in storage is drawn down after which the cuts are reduced to 95,000 bpd until the end of 2019. It would be highly unlikely to expect Alberta to roll back the initial cuts for some time since they will argue that doing so would risk reversing some of the WTI-WCS spread improvement, albeit probably little of it. **But the targets get reviewed monthly in order to avoid taking more oil off the market than is necessary.** Given that prolonging production cuts longer than necessary if the recovery in Canadian oil prices proves durable comes at the expense of shareholders, there may well be pressure within the already divided consensus of producers to phase out the cuts at a faster pace than presently guided. Alberta's Spring election could complicate timing this matter.

Therefore, what matters more to timing BoC hike expectations than near-term data is a potential scenario that Alberta phases out cuts faster than anticipated and perhaps much faster. If so, then after GDP goes down hard in Q1, it could rebound rapidly as soon as Q2 only for it all to have been largely much ado about nothing that all parties involved could have looked through. A permanent loss of output would marginally increase slack, but only to temporarily postpone a hiking path at the BoC—not derail one.

LATIN AMERICA—OIL'S IMPACT ON MONETARY POLICY

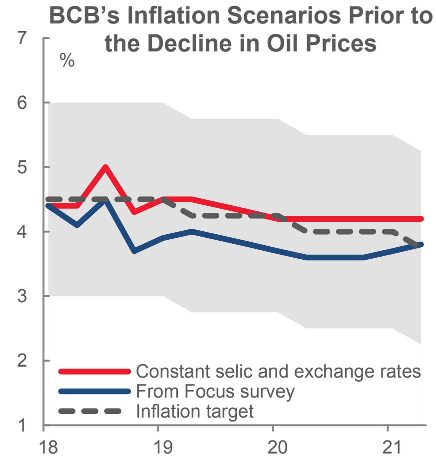
Monetary policy will be a regional focal point over the coming week. A pair of central banks issue rate decisions while another re-evaluates the outlook for inflation. Argentina's recession tracking will continue with another reading on the economy.

Banco de Mexico is expected to raise its overnight rate by 25bps to 8.25% next Thursday. The policy rate has soared since the end of 2015, rising by a cumulative 500bps and counting. A hike next week would put the rate tied with its prior high in late-2008. Chart 9 depicts the real policy rate over time. Paradoxically, inflation has been ebbing back toward the central bank's target range of 2–4%; inflation was 4.7% y/y in November, down from a peak of 6.8% about a year ago. What is motivating a tightening bias is growing concern about currency pass-through effects into inflation given high import propensities. The peso has depreciated by about 8% to the USD since mid-October in part given falling oil prices.

Colombia's central bank is expected to remain on hold at an overnight lending rate of 4.25% on Friday. Inflation at 3.3% y/y (core 3.7%) is riding above the mid-point of the 2–4% inflation target range. GDP growth has remained fairly soft, albeit on a gently rising trajectory from a bottom of under 1% y/y in 2016Q3 to 2.6% in Q3 this year. Consensus expects monetary tightening to begin over 2019H1 and for the central bank to continue to lay the groundwork for eventual hikes.

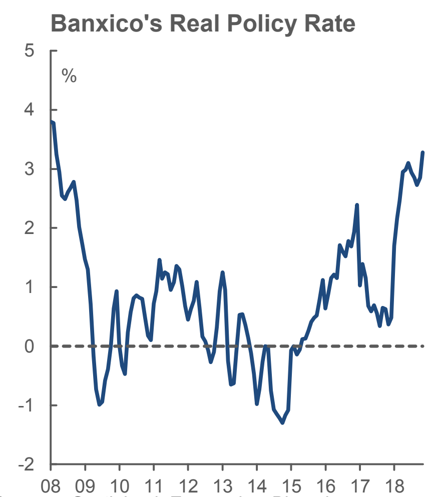
Banco Central do Brasil releases minutes to the December 12th meeting on Tuesday and, more importantly, the last quarterly Inflation Report of the year on Thursday. The latter is the central bank's flagship publication to explain its views on the outlook. The last one (here, p.56) forecast inflation to breach the longer-run target in the scenario that assumes a constant policy rate and exchange rate. By inference, that implies a need to tighten monetary policy. By how much? The alternative shock that uses the Selic and exchange rates from the BCB's own Focus survey of independent economists resulted in on-target inflation riding beneath target over 2019–20. See chart 10. One might infer from that that the central bank's modelling efforts at the time of its last Inflation Report implied that the survey participants may have been a little overly aggressive with their policy rate and exchange rate forecasts. The scenario building, however, obviously pre-dates the swoon in global oil prices that set in from early October onward. That probably means a forecast reset of sorts is in order.

Chart 9



Sources: Scotiabank Economics, Banco Central do Brasil.

Chart 10



Sources: Scotiabank Economics, Bloomberg.

Argentina is in the full throes of a recession and the latest evidence to this effect will arrive on Tuesday when Q3 GDP lands. The economy contracted at an annualized and seasonally adjusted rate of 4% q/q in the second quarter. That was the biggest drop since 2008Q4. In year-ago terms, consensus doesn't expect the bleeding to stop until the second half of next year. Previously large capital outflows and sharp currency depreciation motivated the central bank to raises its seven day repo rate by 12.75 percentage points to 40% in early May before then switching to utilizing auctions to transparently determine where short-term rates are set. The Leliq 8-day notes rate currently sits at 59%.

ASIA-PACIFIC—CENTRAL BANKS STUCK BETWEEN THE FED, OIL AND CHINA'S RISKS

Four central bank decisions will combine with ongoing potential developments in US-China trade negotiations to offer a possible blend of consequences to global and regional markets.

Expectations for the four central bank decisions are outlined as follows:

- **Bank of Thailand (Wednesday):** Most within consensus—including Scotia's Tuuli McCully—expect the BoT to raise its benchmark rate by 25bps. Governor Veerathai Santiprabhob stated at the last decision in November that "If we raise the rate, we may raise and then pause to assess economic data."

- **Bank of Japan (Thursday):** With inflation likely under renewed downward pressure and core inflation well below target, there is no rush to signal much of anything at this meeting—let alone alter policy variables. The policy rate should remain at -0.1%, the 10 year yield target should remain 'around 0%' and asset purchase parameters should remain unchanged. Related to the decision is that Japanese CPI inflation for November (Thursday) is likely to track energy prices lower, much like elsewhere. Headline inflation is expected to drop back below 1% y/y with core inflation excluding fresh food holding steady around 1% and only at about half of the BoJ's goal.

- **Indonesia (Thursday):** Most within consensus expect a policy hold at 6%. Some, including Scotia's McCully, expect another hike after the pre-emptive hike last month. The central bank has generally emphasized a need for stability that envelopes concerns over capital outflows, currency volatility and concomitant inflation risk. Since the last hike in November, the rupiah has slightly appreciated which may counsel against another hike so soon. That said, Wednesday's Fed meeting raises the risk of additional currency volatility and note that BI issues its decision a day after the Fed.

- **Central Bank of China Taiwan (Thursday):** No change to its benchmark rate of 1.375% is expected on Thursday. Core inflation remains very low at 0.7% y/y.

Australia updates job figures for November (Wednesday evening ET). It's a random number generator, but it is set against a trend of firm job gains that are loosely expected to continue. Over just the past three months, 86,000 jobs have been created. Also note that the RBA will elaborate upon the reasoning behind its dovish hold on December 3rd when it releases meeting minutes on Monday. Recall that the central bank noted that the economy is performing well, but that risks are rising over the household sector given soft income growth, high debt levels, some softening home prices and drought conditions that are negatively impacting the agricultural sector. A further discussion about housing market weakness may be particularly important.

Relatively minor regional data releases will include Q3 GDP in New Zealand on Wednesday that is expected to post solid but cooler growth than the surge in Q2 (+1.0% q/q non-annualized). Malaysian CPI will remain very low at about ½% y/y (Tuesday).

EUROPE—ON EDGE AT THE BoE

With Brexit negotiations stalled in the face of EU opposition to providing legally binding guarantees on the backstop plan for the Irish border, the next steps in the saga are uncertain. **This issue will cast a pall over the Bank of England's latest policy deliberations and overshadow the significance of modest data risk.**

Thursday's Bank of England meeting is not expected to yield any policy changes with Brexit uncertainty in the air, but expect the BoE to guide that the underlying conditions support tightened monetary policy over time, dependent upon the evolution of Brexit risks. Wage growth—much like in the US—is riding at its fastest rate since 2009 (chart 11). CPI inflation is expected to pull back a touch on Wednesday partly given the impact of cooling global energy prices, but whether core CPI inflation has further downside given the easing trend since the start of the year will be more important. What could influence core CPI to the upside into 2019 may be further weakening of pound sterling over the past couple of months.

Sweden's Riksbank is not expected to alter its policy rate this time, but guidance may continue to point to raising rates 'soon.' Like Norges Bank, the Riksbank may well firm up guidance for a rate hike early in 2019.

Chart 11

Sources: Scotiabank Economics, Bloomberg.

Key Indicators for the week of December 17 – 21

NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	12/17	08:30	International Securities Transactions (C$ bn)	Oct	--	--	7.7
US	12/17	08:30	Empire State Manufacturing Index	Dec	--	20.4	23.3
CA	12/17	09:00	Existing Home Sales (m/m)	Nov	--	--	-1.6
US	12/17	10:00	NAHB Housing Market Index	Dec	--	61.0	60.0
US	12/17	16:00	Total Net TIC Flows (US$ bn)	Oct	--	--	-29.1
US	12/17	16:00	Net Long-term TIC Flows (US$ bn)	Oct	--	--	30.8
CA	12/18	08:30	Manufacturing Shipments (m/m)	Oct	0.5	--	0.2
US	12/18	08:30	Building Permits (000s a.r.)	Nov	--	1260	1265
US	12/18	08:30	Housing Starts (000s a.r.)	Nov	1220	1235	1228
US	12/18	08:30	Housing Starts (m/m)	Nov	-0.7	0.6	1.5
US	12/19	07:00	MBA Mortgage Applications (w/w)	DEC 14	--	--	2.0
CA	12/19	08:30	Core CPI - Common (y/y)	Nov	--	--	1.9
CA	12/19	08:30	Core CPI - Median (y/y)	Nov	--	--	2.0
CA	12/19	08:30	Core CPI - Trim (y/y)	Nov	--	--	2.1
CA	12/19	08:30	CPI, All items (m/m)	Nov	-0.4	--	0.3
CA	12/19	08:30	CPI, All items (y/y)	Nov	1.8	--	2.4
CA	12/19	08:30	CPI, All items (index)	Nov	--	--	134.1
US	12/19	08:30	Current Account (US$ bn)	3Q	--	--	-101.5
US	12/19	10:00	Existing Home Sales (mn a.r.)	Nov	5.19	5.2	5.2
US	12/19	10:00	Existing Home Sales (m/m)	Nov	-0.5	-0.4	1.4
US	12/19	14:00	**FOMC Interest Rate Meeting (%)**	**Dec 19**	**2.50**	**2.50**	**2.25**
CA	12/20	08:30	Wholesale Trade (m/m)	Oct	--	--	-0.5
US	12/20	08:30	Initial Jobless Claims (000s)	DEC 15	215	227.0	231.0
US	12/20	08:30	Continuing Claims (000s)	DEC 8	1665	1649	1631
US	12/20	08:30	Philadelphia Fed Index	Dec	15	13.5	12.9
MX	12/20	09:00	Retail Sales (INEGI) (y/y)	Oct	3.9	--	4.1
US	12/20	10:00	Leading Indicators (m/m)	Nov	--	0.0	0.1
MX	12/20	14:00	**Overnight Rate (%)**	**Dec 20**	**8.25**	**--**	**8.00**
CA	12/21	08:30	Real GDP (m/m)	Oct	0.2	--	-0.1
CA	12/21	08:30	Retail Sales (m/m)	Oct	0.5	--	0.2
CA	12/21	08:30	Retail Sales ex. Autos (m/m)	Oct	0.2	--	0.1
US	12/21	08:30	Durable Goods Orders (m/m)	Nov P	1.5	2.0	-4.3
US	12/21	08:30	Durable Goods Orders ex. Trans. (m/m)	Nov P	0.4	0.3	0.2
US	12/21	08:30	GDP (q/q a.r.)	3Q T	3.5	3.5	3.5
US	12/21	08:30	GDP Deflator (q/q a.r.)	3Q T	--	1.7	1.7
MX	12/21	09:00	Bi-Weekly Core CPI (% change)	Dec 15	0.37	--	0.0
MX	12/21	09:00	Bi-Weekly CPI (% change)	Dec 15	0.41	--	0.3
MX	12/21	09:00	Global Economic Indicator IGAE (y/y)	Oct	1.83	--	2.1
US	12/21	10:00	PCE Deflator (m/m)	Nov	0.0	0.0	0.2
US	12/21	10:00	PCE Deflator (y/y)	Nov	1.8	--	2.0
US	12/21	10:00	PCE ex. Food & Energy (m/m)	Nov	0.2	0.2	0.1
US	12/21	10:00	PCE ex. Food & Energy (y/y)	Nov	1.9	--	1.8
US	12/21	10:00	Personal Spending (m/m)	Nov	0.4	0.3	0.6
US	12/21	10:00	Personal Income (m/m)	Nov	0.3	0.3	0.5
US	12/21	10:00	U. of Michigan Consumer Sentiment	Dec F	--	97.5	97.5

EUROPE

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
EC	12/17	05:00	CPI (m/m)	Nov	--	--	-0.2
EC	12/17	05:00	CPI (y/y)	Nov F	--	--	2.0
EC	12/17	05:00	Euro zone Core CPI Estimate (y/y)	Nov F	--	--	1.0
EC	12/17	05:00	Trade Balance (€ mn)	Oct	--	--	13.1
GE	12/18	04:00	IFO Business Climate Survey	Dec	102	--	102.0
GE	12/18	04:00	IFO Current Assessment Survey	Dec	105	--	105.4
GE	12/18	04:00	IFO Expectations Survey	Dec	98.2	--	98.7

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

Key Indicators for the week of December 17 – 21

EUROPE *(continued from previous page)*

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
GE	12/19	02:00	Producer Prices (m/m)	Nov	--	--	0.3
UK	12/19	04:30	CPI (m/m)	Nov	0.2	--	0.1
UK	12/19	04:30	CPI (y/y)	Nov	2.3	--	2.4
UK	12/19	04:30	PPI Input (m/m)	Nov	--	--	0.8
UK	12/19	04:30	PPI Output (m/m)	Nov	--	--	0.3
UK	12/19	04:30	RPI (m/m)	Nov	--	--	0.1
UK	12/19	04:30	RPI (y/y)	Nov	--	--	3.3
SW	12/20	03:30	**Riksbank Interest Rate (%)**	**Dec 20**	**-0.5**	**--**	**-0.50**
EC	12/20	04:00	Current Account (€ bn)	Oct	--	--	16.9
IT	12/20	04:00	Current Account (€ mn)	Oct	--	--	3154
UK	12/20	04:30	Retail Sales ex. Auto Fuel (m/m)	Nov	0.2	--	-0.4
UK	12/20	04:30	Retail Sales with Auto Fuel (m/m)	Nov	0.3	--	-0.5
UK	12/20	07:00	BoE Asset Purchase Target (£ bn)	Dec	435	--	435.0
UK	12/20	07:00	**BoE Policy Announcement (%)**	**Dec 20**	**0.75**	**--**	**0.75**
UK	12/20	19:01	GfK Consumer Confidence Survey	Dec	--	--	-13.0
GE	12/21	02:00	GfK Consumer Confidence Survey	Jan	--	--	10.4
FR	12/21	02:45	Consumer Spending (m/m)	Nov	--	--	0.8
FR	12/21	02:45	GDP (q/q)	3Q F	--	--	0.4
FR	12/21	02:45	Producer Prices (m/m)	Nov	--	--	0.4
UK	12/21	04:30	Business Investment (q/q)	3Q F	--	--	-1.2
UK	12/21	04:30	Current Account (£ bn)	3Q	--	--	-20.3
UK	12/21	04:30	GDP (q/q)	3Q F	--	--	0.6
UK	12/21	04:30	PSNB ex. Interventions (£ bn)	Nov	--	--	8.8
UK	12/21	04:30	Public Finances (PSNCR) (£ bn)	Nov	--	--	-3.3
UK	12/21	04:30	Public Sector Net Borrowing (£ bn)	Nov	--	--	8.0
EC	12/21	10:00	Consumer Confidence	Dec A	--	--	-3.9

ASIA-PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
SI	12/16	19:30	Exports (y/y)	Nov	--	--	8.3
ID	12/16	23:00	Exports (y/y)	Nov	--	--	3.6
ID	12/16	23:00	Imports (y/y)	Nov	--	--	23.7
ID	12/16	23:00	Trade Balance (US$ mn)	Nov	--	--	-1820
PH	DEC16-17		Overseas Remittances (y/y)	Oct	--	--	2.3
HK	12/18	03:30	Unemployment Rate (%)	Nov	2.8	--	2.8
JN	12/18	18:50	Merchandise Trade Balance (¥ bn)	Nov	--	--	-450.1
JN	12/18	18:50	Adjusted Merchandise Trade Balance (¥ bn)	Nov	--	--	-302.7
JN	12/18	18:50	Merchandise Trade Exports (y/y)	Nov	--	--	8.2
JN	12/18	18:50	Merchandise Trade Imports (y/y)	Nov	--	--	19.9
MA	12/18	23:00	CPI (y/y)	Nov	0.6	--	0.6
PH	DEC18-19		Balance of Payments (US$ mn)	Nov	--	--	-458.0
TH	DEC18-24		Customs Exports (y/y)	Nov	--	--	8.7
TH	DEC18-24		Customs Imports (y/y)	Nov	--	--	11.2
TH	DEC18-24		Customs Trade Balance (US$ mn)	Nov	--	--	-279.5
TH	12/19	02:05	**BoT Repo Rate (%)**	**Dec 19**	**1.75**	**1.75**	**1.50**
HK	12/19	03:30	Composite Interest Rate (%)	Nov	--	--	0.77
NZ	12/19	16:45	Trade Balance (NZD mn)	Nov	--	--	-1295
NZ	12/19	16:45	Exports (NZD bn)	Nov	--	--	4859
NZ	12/19	16:45	Imports (NZD bn)	Nov	--	--	6150
NZ	12/19	16:45	GDP (y/y)	3Q	2.7	--	2.8
AU	12/19	19:30	Employment (000s)	Nov	--	--	32.8
AU	12/19	19:30	Unemployment Rate (%)	Nov	5.0	--	5.0
JN	12/19	23:30	All Industry Activity Index (m/m)	Oct	--	--	-0.9
ID	DEC19-20		**BI 7-Day Reverse Repo Rate (%)**	**Dec 20**	**6.25**	**--**	**6.0**
JN	DEC19-20		**BoJ Policy Rate (%)**	**Dec 20**	**-0.10**	**--**	**-0.10**
TA	DEC19-20		**Benchmark Interest Rate**	**Dec 20**	**1.50**	**--**	**1.375**

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

Key Indicators for the week of December 17 – 21

ASIA-PACIFIC *(continued from previous page)*

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
TA	12/20	03:00	Export Orders (y/y)	Nov	--	--	5.1
HK	12/20	03:30	CPI (y/y)	Nov	2.5	--	2.7
NZ	12/20	16:00	ANZ Consumer Confidence Index	Dec	--	--	118.6
SK	12/20	16:00	PPI (y/y)	Nov	--	--	2.2
JN	12/20	18:30	National CPI (y/y)	Nov	1.0	--	1.4
JN	12/21	00:00	Supermarket Sales (y/y)	Nov	--	--	-0.7
JN	12/21	00:30	Nationwide Department Store Sales (y/y)	Nov	--	--	1.6
HK	12/21	03:30	BoP Current Account (HK$ bns)	3Q	--	--	15.6

LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
BZ	12/17	05:30	Economic Activity Index SA (m/m)	Oct	--	--	-0.1
BZ	12/17	05:30	Economic Activity Index NSA (y/y)	Oct	--	--	0.7
CO	12/18	10:00	Trade Balance (US$ mn)	Oct	--	--	-369.2
BZ	12/21	06:00	IBGE Inflation IPCA-15 (m/m)	Dec	--	--	0.2
BZ	12/21	06:00	IBGE Inflation IPCA-15 (y/y)	Dec	--	--	4.4
BZ	12/21	07:30	Current Account (US$ mn)	Nov	--	--	329.1
CO	12/21		**Overnight Lending Rate (%)**	**Dec 21**	**4.25**	**4.25**	**4.25**

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

Global Auctions for the week of December 17 – 21

NORTH AMERICA

Country	Date	Time	Event
CA	12/20	12:00	Canada to Sell CAD2 Bln 0.5% 2022 Bonds
US	12/20	13:00	U.S. Treasury 5-Year TIPS Note Offering

EUROPE

Country	Date	Time	Event
IC	12/21	06:30	Iceland to Sell Bonds

Source: Bloomberg, Scotiabank Economics.

Events for the week of December 17 – 21

NORTH AMERICA

Country	Date	Time	Event
US	12/19	14:00	**FOMC Rate Decision**
US	12/19	14:30	Fed's Powell Holds Press Conference Following FOMC Decision
MX	12/20	14:00	**Overnight Rate**
CA	12/21	10:00	Bank of Canada Business Outlook Survey

EUROPE

Country	Date	Time	Event
EC	12/15	05:30	ECB's Draghi Speaks in Pisa, Italy
FI	12/18	04:00	Bank of Finland Publishes Economic Forecast; Rehn Speaks
NO	12/18		Norges Bank Governor Olsen Speaks in Oslo
SW	12/20	03:30	**Riksbank Interest Rate**
UK	12/20	07:00	**Bank of England Bank Rate**

ASIA-PACIFIC

Country	Date	Time	Event
JN	12/16	20:10	BOJ Outright Bond Purchase 1~3 Years
JN	12/16	20:10	BOJ Outright Bond Purchase 3~5 Years
AU	12/17	19:30	RBA Dec. Meeting Minutes
JN	12/18	20:10	BOJ Outright Bond Purchase 5~10 Years
TH	12/19	02:05	**BoT Benchmark Interest Rate**
AU	12/19	19:30	RBA FX Transactions Market
TA	12/19	00:00	CBC Benchmark Interest Rate
JN	12/19	00:00	**BOJ Policy Balance Rate**
JN	12/19	00:00	BOJ 10-Yr Yield Target
JN	12/20	18:30	Japan Nov CPI
JN	12/20	18:50	BOJ 3Q Money Flow

LATIN AMERICA

Country	Date	Time	Event
CL	12/19	06:30	Central Bank Meeting Minutes
BZ	12/20	05:00	Central Bank Q4 Inflation Report
CO	12/21		**Overnight Lending 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	2.50	2.50
Banco de México – Overnight Rate	8.00	December 20, 2018	8.25	8.00

Federal Reserve: A rate hike of 25bps is expected with continued guidance toward gradual rate hikes and satisfaction with progress toward reducing the size of the balance sheet. Please see the US section of the Global Week Ahead for further elaboration on core expectations.

EUROPE

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	0.00	January 24, 2019	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	March 21, 2019	-0.75	-0.75
Central Bank of Russia – One-Week Auction Rate	7.75	February 8, 2019	--	--
Sweden Riksbank – Repo Rate	-0.50	December 20, 2018	-0.50	-0.50
Norges Bank – Deposit Rate	0.75	January 24, 2019	0.75	0.75
Central Bank of Turkey – Benchmark Repo Rate	24.00	January 16, 2019	24.00	24.00

Bank of England: No policy changes are expected with Brexit uncertainty in the air, but expect the BoE to guide that the underlying conditions that are guiding wage and price pressures support tightened monetary policy over time dependent upon the evolution of Brexit risks.
Riksbank: No policy rate change is expected this time, but guidance may continue to point to raising rates 'soon.' Like Norges Bank, the Riksbank may well firm up guidance for a rate hike early in 2019.

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	6.50	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	TBA	4.75	4.75

Bank of Japan (BoJ): We do not expect any changes to the BoJ's monetary policy stance following the December 20 meeting. Highly accommodative monetary policy will likely be maintained through 2020 on the back of Japan's muted inflation outlook. **Bank of Thailand (BoT):** Thai monetary authorities may raise the benchmark interest rate by 25 bps to 1.75% following the December 19 monetary policy meeting, given that inflation is expected to pick up notably in early 2019. The policy rate has been at the current level since April 2015, yet recent communications from the BoT point to an approaching shift in policy stance. At the November 14 meeting, three out of seven monetary policy committee members voted for a hike. **Bank Indonesia (BI):** Monetary conditions will continue to tighten in Indonesia. Following the November 15 monetary policy meeting, BI raised the benchmark 7-day reverse repo rate by 25 bps to 6.0%. The policy rate has been increased by 175 bps since May 2018 as BI focuses on promoting financial stability and supporting the Indonesian rupiah. We expect BI to deliver another interest rate increase at its December meeting, which will be held a day after the US Federal Reserve's anticipated rate hike on December 19. **Central Bank of the Republic of China (Taiwan):** The beginning of a monetary normalization phase in Taiwan is approaching. Despite a contained inflation outlook, Taiwanese monetary authorities may start normalizing monetary policy in the near future in order to bolster financial stability; the first rate hike—from 1.375% to 1.50%—could be announced as soon as at the central bank's December 20 policy meeting. Indeed, the minutes of the September meeting revealed that policymakers discussed the dynamics of a possible policy rate adjustment in great detail.

LATIN AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	6.50	February 6, 2019	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	4.25	4.25
Banco Central de Reserva del Perú – Reference Rate	2.75	TBA	2.75	2.75

BanRep: No policy rate change is expected with inflation just above the target and growth improving while nevertheless still soft. Expect the groundwork toward a hike in 2019H1 to be laid into the new year.

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.