Scotiabank

GLOBAL ECONOMICS

THE GLOBAL WEEK AHEAD

January 21, 2022

Contributors

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With thanks for research support from: Marc Ercolao.

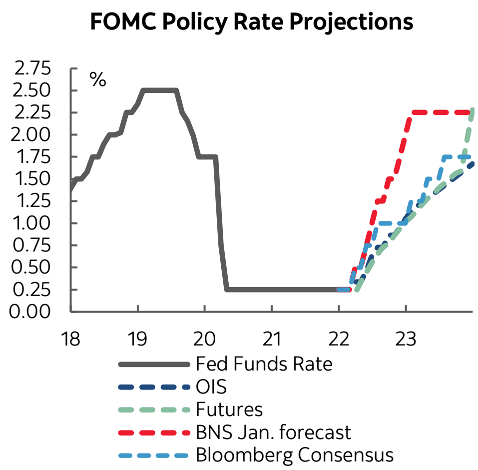
Next Week's Risk Dashboard

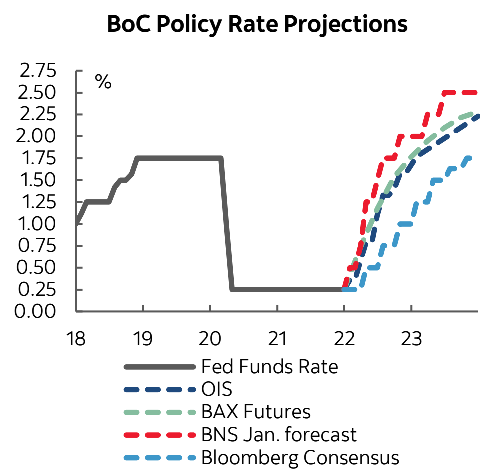
- FOMC: March hike and balance sheet signals?
- BoC forecast to hike
- Why the BoC should end reinvestment
- BanRep, Chile, SARB expected to hike
- Global PMIs to inform omicron's hit
- AU/NZ inflation under further upward pressure
- Fed's preferred inflation gauge is approaching 6%
- Global Q4 GDP to show early signs of omicron's effects

Take a Hike!

FORECASTS & DATA

Chart of the Week





Sources: Scotiabank Economics, Bloomberg.

Chart of the Week: Prepared by: Marc Ercolao, Economic Analyst.

January 21, 2022

Take a Hike!

The dominant theme this week is likely to be policy tightening signals and actions across multiple central banks.

BANK OF CANADA—HIKE & DISINVEST

It's showtime! Let's see what Governor Macklem & Co are made of when market attention will be captivated by a barrage of communications for two hours into lunchtime on Wednesday. It starts with the policy statement and Monetary Policy Report at 10amET that should reveal much of what we need to know. Then the press conference starts at 11:00amET and this time will be led by Governor Macklem and Senior Deputy Governor Rogers.

Markets are assigning about 70% odds to a 25bps rate hike which I think is reasonable. The consensus of economists is more mixed with one-third expecting +25bps and the rest expecting a hold. Trimming in the sample to focus upon the large domestic banks results in a 50–50 split and Scotiabank is among the half expecting a quarter-point hike and not ruling out the lower possibility of a larger hike.

Much of our time has been sunk into explaining the rate call through various publications, countless client calls and through the financial press. See the cover charts for a depiction of our forecasts for BoC and Fed rate hikes compared to market pricing and consensus. The rationale for our rate call will be further explained in a forthcoming slide deck for our clients. Less well communicated by us up to now is what to expect regarding potential balance sheet guidance including updated projections and scenarios and that's the additional perspective that will be offered here.

If the BoC embraces a rate hike this week then it's eminently feasible that they will also announce a shift in reinvestment plans around their large C$436 billion Government of Canada Bond Purchase Program. Recall that at present they are purchasing about $4–5 billion per month of Government of Canada bonds in gross terms in order to try and keep the holdings on an even keel as they mature. The BoC shifted to this stance last October and hence well ahead of the Fed that is still a net buyer of Treasuries. The BoC *should* change up their plans this week in my view.

One reason for why they might step away is that the BoC has guided in speeches by the Governor and Deputy Governor Gravelle that they will reinvest flows from maturing securities "at least until we raise the policy interest rate." The first hike that could come as soon as this week is therefore either the point at which this decision will be made, or it starts the clock on how soon thereafter and we will be expecting guidance.

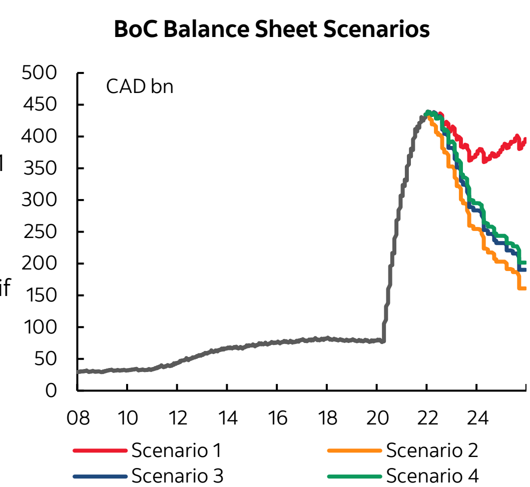
There are at least three reasons for not delaying.

1. Minimal effects: BoC research (**here**) that was released at about the time that the BoC shut down net purchases last October concluded that the GBPP had a very small effect on yields. The announcement effect was measured as -10bps and the recurring flow effect was estimated to be "modest and transitory" and estimated "to fully reverse in the four days following the GBPP operation." Therefore, the actions can be impactful on the day and for a short period thereafter making execution around the operations important to market participants, but the BoC estimates that the effects basically disappear within less than a trading week. So, if there was modest effect going in, there should logically be modest effect on yields as the BoC withdraws from the bond market. One possible intuitive explanation for this reflects the nature of the Canadian market that has a price-taker component in global capital markets and is hence more buffeted by external factors.

2. Big and bloated: With handy research help from my colleague Marc Ercolao, we've mapped out updated reinvestment scenarios for the GBPP. They are summarized in chart 1 and described below in order to help depict the range of outcomes we're considering. I'll conclude with what range is most probable.

I. **Scenario 1:** This is just intended to provide a baseline by showing what would happen if the BoC continued to buy a gross volume of ~$4.5 billion of bonds each month while allowing the current maturities schedule to work its way through. It is not intended to be realistic because it basically assumes the BoC never ends reinvestment and never hikes. The gross flow was set by the BoC to roughly keep the holdings reasonably steady on a trend basis, although each month's holdings will still be volatile given the varying maturities (chart 2).

Chart 1



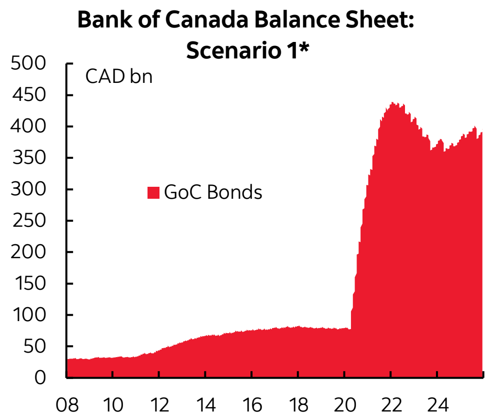
Sources: Scotiabank Economics, Bank of Canada.

II. **Scenario 2:** This is the exact opposite of scenario 1 and is also provided simply for baseline purposes. It assumes that the BoC fully stops all reinvestment after this week such that maturiting securities start dropping off very soon. Under this scenario we get about a $353 billion portfolio by the end of this year and $255 billion by the end of next year which would be a material reduction from the $436 billion starting point but is still multiple orders-of-magnitude larger than the pre-pandemic holdings of ~$80 billion (chart 3).

III. **Scenario 3:** Now we start to carve out a middle ground. This scenario assumes that the BoC reinvests at an unchanged pace of $4.5 billion/month until June and hence around the point at which we think it will have raised the policy rate by at least 100–125bps. Afterward we assume full roll-off. This only slightly delays shrinkage with the GBPP portfolio ending 2022 at about $382 billion and 2023 at about $284 billion. A conclusion to be drawn from waiting to end reinvestment until after a few hikes is that it doesn't much matter compared to scenario 2 (chart 4).

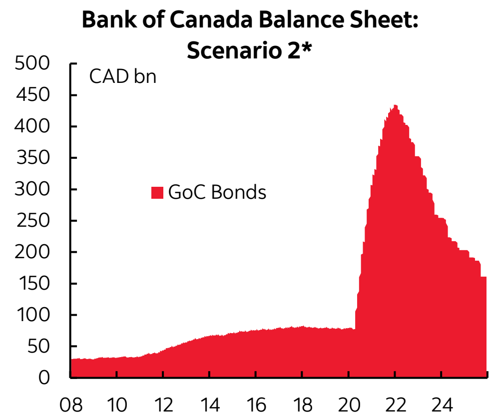
IV. **Scenario 4:** Some may prefer this scenario in that it applies the same path toward tapering reinvested flows as the BoC followed while taking a year from October 2020 to October 2021 to gradually reduce its net purchases to zero. This scenario assumes that the BoC reduces reinvestment by $1 billion at a time each quarter around MPR meetings starting this April and winds down reinvestment by the following April. The result is that the GBPP holdings shrink more slowly than under scenarios 2 and 3 and end 2022 at $392 billion and 2023 at $295 billion (chart 5).

Chart 2



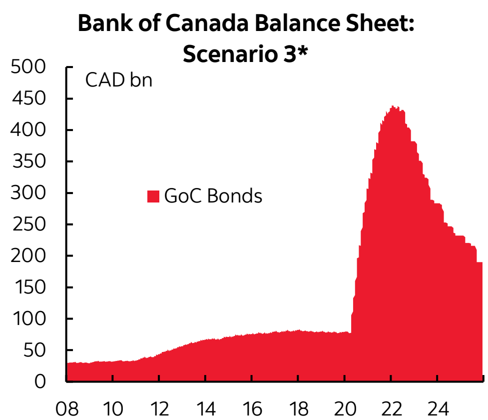
*Monthly GoC bond purchases of CAD 4.5bn/mth. while existing bond holdings mature.
Sources: Scotiabank Economics, Bank of Canada.

Chart 3



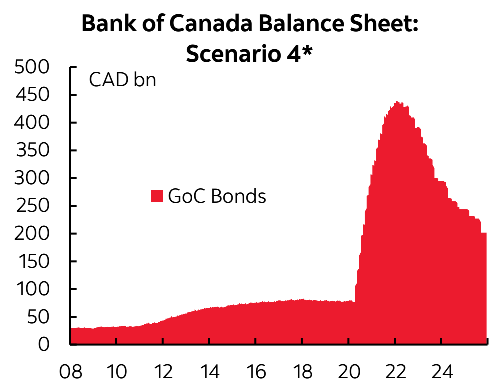
*Immediate roll-off of GoC bond holdings beginning in Feb. 2022.
Sources: Scotiabank Economics, Bank of Canada.

Chart 4



*Monthly purchases of CAD 4.5bn/mth until Jun. 2022. Full roll-off of GoC bonds thereafter.
Sources: Scotiabank Economics, Bank of Canada.

Chart 5



*Monthly purchases of CAD 4.5bn/mth in Q1-'22. Each subsequent quarter, purchases reduced by CAD 1.0bn/mth. until 0. Then full roll-off GoC bonds.
Sources: Scotiabank Economics, Bank of Canada.

What's the most likely range we're dealing with? Who cares! Even by 2025 we wind up with a small difference in the outcomes; the spread between the high and low amounts by which GBPP holdings are reduced under scenarios 2, 3 and 4 is only about $40 billion.

3. What about issuance: Exactly. What about it. The counterargument to the BoC stepping back from the bond market is that because issuance volumes are still expected to be high there will be an increase in net supply on the private market for other participants to take down and this may put upward pressure upon yields. Umm….that's kind of the point! I'm not too convinced that this will be a material effect, but if it is, then it would be consistent with needing to tighten financial conditions at this stage of the cycle.

4. Other policy motives: At the same time, the other policy imperatives for the GBPP program have also passed. Liquidity rebounded very quickly early in the pandemic. Further, the Canadian economy no longer needs this form of extra stimulus while operating at the lower bound on rates given where slack, inflation and labour markets now sit.

Given all of these observations, the policy advice could well be to just get on with it and immediately transition toward allowing full roll-off of the maturing flows. I think they should go cold turkey and end reinvestment very soon, but they may be more methodical and drag it out longer without making much of a difference.

Because of the very limited evidence regarding the efficacy of the GBPP, curtailing its size through shifting reinvestment plans would not be an effective substitute for tightening monetary policy by raising the policy rate itself. Failure to do so now would not arrest the steep decline in the real policy rate that has unfolded over time. Worse, it would ease financial conditions through CAD depreciation and a front-end rally given that much of a possible hike is already priced and given that the BoC is unlikely to sound more aggressive than markets are pricing into the subsequent meeting.

As a final note, if the BoC were to hike this week and embrace a rapid retreat from reinvestment, it would be doing both things before the Fed is expected to hike in March and embrace roll-off later in the year. That behaviour would be consistent with the pattern of actions to date whereby the BoC has prided itself on being ahead of the Fed in ending net purchases last October and shifting toward reinvestment well ahead of the Fed.

FEDERAL RESERVE—FOCUS ON FORWARD GUIDANCE

The FOMC runs its two-day meeting on Tuesday into Wednesday and culminates in a 2pmET statement followed by Chair Powell's press conference at 2:30pm for approximately one hour. The FOMC is in between forecast rounds and dot plots that were last revised at the December meeting that shifted the tone (recap **here**). No major policy changes are expected this week, but additional forward guidance on the policy rate and potentially balance sheet plans may be provided.

Markets will be on close watch for a potentially strong signal toward near-term lift-off given that Chair Powell remarked during his confirmation testimony before the Senate Banking Committee on January 11th that a rate hike could be delivered as soon as March. Fed funds futures are fully priced for a March hike. That could mean that in order to reinforce market pricing, we would have to see the statement codify reference to a hike in March. One way in which that could be done would be by repeating the line in the October 2015 statement just before the Fed hiked for the first time in that cycle at the next meeting in December.

> "In determining whether it will be appropriate to raise the target range at its next meeting, the Committee will assess progress—both realized and expected—toward its objectives of maximum employment and 2 percent inflation."

Key is the reference to the "next meeting" while the rest of the line would likely have to be refreshed for current conditions. Other options include using Fed code words like "soon." The meeting minutes three-weeks hence will probably further inform such plans.

Not codifying such intentions could inject uncertainty into March pricing. If Chair Powell sounds open to a March hike but somewhat noncommittal during the press conference perhaps by saying he doesn't wish to pre-judge the discussion in March, then we could see hike pricing being trimmed somewhat.

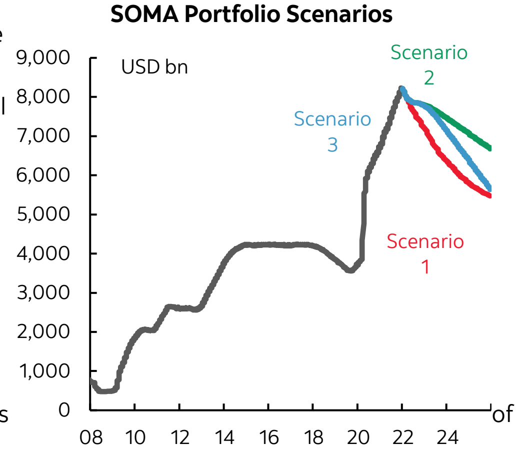
I would not look for changed guidance on the fuller path for the policy rate compared to the dot plot they published in December when the FOMC's median 'dot plot' projection called for three hikes this year. Our forecast for considerably more than that is derived partly by not being overly literal toward the dot plot. For one thing, it has a checkered history in terms of usefulness. For another, it's probably rather politicized in the sense that committee members may not be comfortable with more aggressive signals that could have markets bringing forward pricing for future hikes.

Secondly, markets will be closely watching for signals on balance sheet management. During Powell's confirmation testimony he noted that the Fed could allow run-off "at some point later this year" which we've pencilled in to mean Q4. He said no decision has been made yet, there will be further discussion at the January meeting and intimated that they'll discuss plans over multiple meetings to come. He re-emphasized that key differences this time compared to post-GFC include a) the nature of this shock, and b) a much bigger balance sheet now. The broad takeaway that balance sheet reduction will be "sooner and faster" was therefore strengthened compared to somewhat similar communication in December.

Balance sheet reinvestment scenarios and linkages to the term premium and hence the Fed's power to influence the fuller yield curve were laid out in detail in last week's Global Week Ahead **here** so as to spread out treatment of the Fed and BoC scenarios in two issues this publication. Chart 6 summarizes the reinvestment scenarios for the Fed's SOMA portfolio.

Chart 6

SOMA Portfolio Scenarios



Sources: Scotiabank Economics, NY Fed.

The operating assumption that is likely to continue to guide Powell's thinking is that omicron is expected to have transitory effects before "a very positive outcome follows." It's doubtful that Powell has changed his mind about this since his recent testimony.

THREE OTHER HIKING CENTRAL BANKS

There will be three other regional central banks making decisions this week and all three are expected to hike their policy rates—in some cases by a lot.

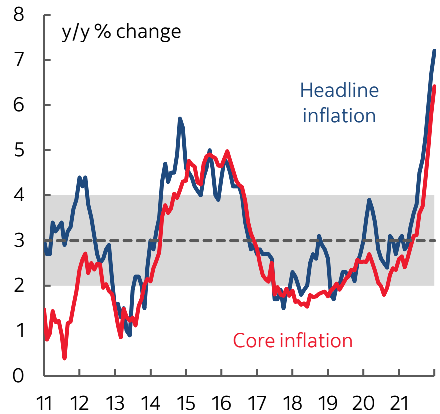
Chile's central bank will kick things off Wednesday after the Fed (4pmET) and is expected to deliver another +125 bps hike to the overnight rate. Even amidst a cumulative +325 bps of tightening since mid-2021, inflation continues to soar, reaching 7.2% y/y and 6.4% y/y for headline and core inflation, respectively, in December (chart 7). In its last communication, the Board stressed that the policy rate will need to remain above its nominal neutral value over the monetary policy horizon.

The South African Reserve Bank (SARB) follows on Thursday. Consensus expects it to hike by 25bps for the second hike following the move last November. The policy rate decision will need to consider balancing accelerating inflation with a sluggish growth outlook. The 5.9% y/y inflation reading in December represents fresh highs, which sit at the top of the 3–6% target range set out by the central bank. A swift but severe wave of omicron infections came and went since the last meeting which put a dent in economic activity and short-term growth projections. SARB's quarterly projection model indicates 25 bps hikes each quarter for the next 12 quarters, and while a pause in the cycle is possible, it is likely the bank moves forward with the hike and assesses economic conditions thereafter.

The week of central banks wraps up with a policy rate decision by Colombia's central bank on Friday. Scotia's view falls in line with consensus where the expectation is to hike the policy rate by another 75 bps to 3.75%. High inflation and mounting price pressures (chart 8) will force BanRep's hawkish hand to leave the door open for further tightening. Headline prices in December continued to rise, reaching 5.6% y/y, however core inflation is still semi-contained in the bank's 2–4% target range at 3.4% y/y. We expect the 5.00% neutral policy rate to be reached by Q2 this year.

Chart 7

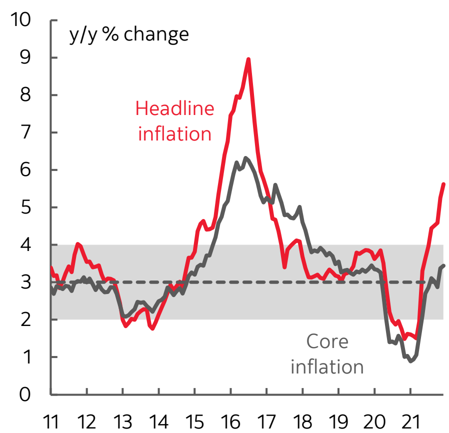
Chile: Headline & Core Inflation



Sources: Scotiabank Economics, INE.

Chart 8

Colombia: Headline & Core Inflation



Sources: Scotiabank Economics, DANE.

MACRO REPORTS—GDP, INFLATION AND PMIS

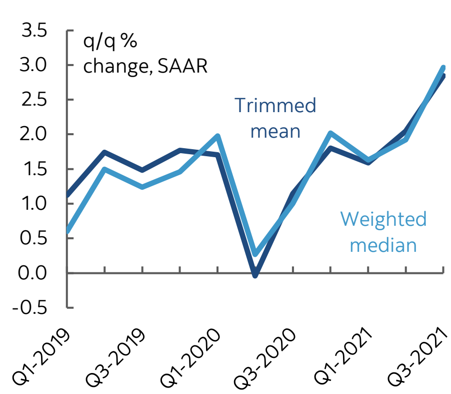
A round of PMIs, GDP readings and inflation reports are on tap across global markets over the coming week. In terms of freshness, the purchasing managers' indices are the most likely to reveal new information into the omicron shock that we expect to fade over coming weeks.

Inflation readings will be updated across numerous markets:

- Australia's Q4 reading kicks them off on Monday. Inflation is expected to cross 3% y/y with somewhat further upward pressure on the central tendency measures that include trimmed mean CPI and weighted median CPI. The annualized rate of quarter-over-quarter changes in these central tendency measures illustrate the momentum in Australian inflation that is challenging the RBA's inflation target range of 2–3% on average over time (chart 9).

Chart 9

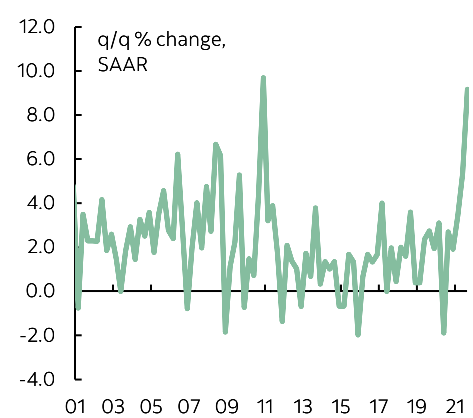
Australian Core CPI Measures



Sources: Scotiabank Economics, Australian Bureau of Statistics.

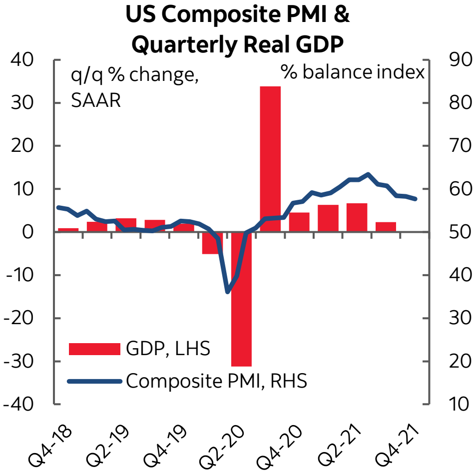
Chart 10

New Zealand Inflation



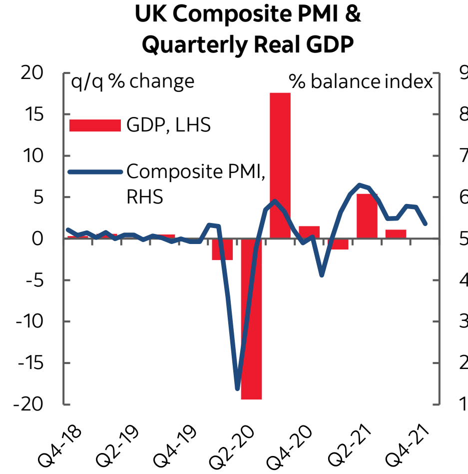
Sources: Scotiabank Economics, Stats ZN.

Chart 11



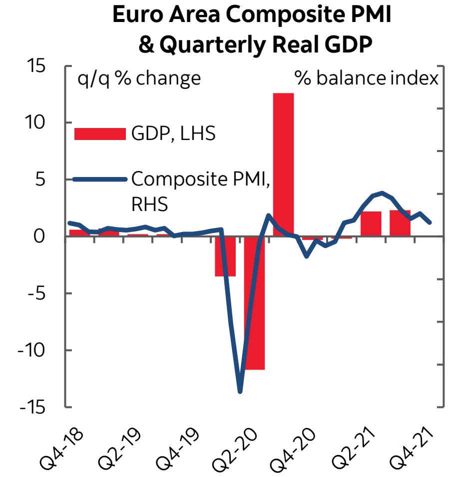
Sources: Scotiabank Economics, Markit, Bloomberg.

Chart 12



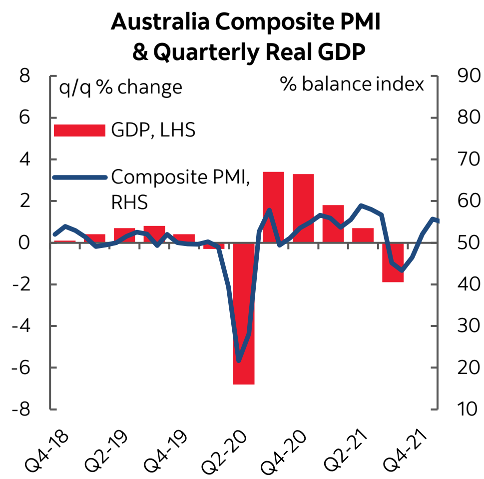
Sources: Scotiabank Economics, Markit, Bloomberg.

Chart 13



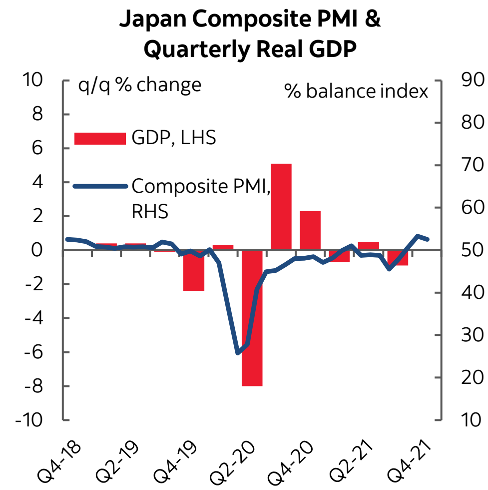
Sources: Scotiabank Economics, Markit, Bloomberg.

Chart 14



Sources: Scotiabank Economics, Markit, Bloomberg.

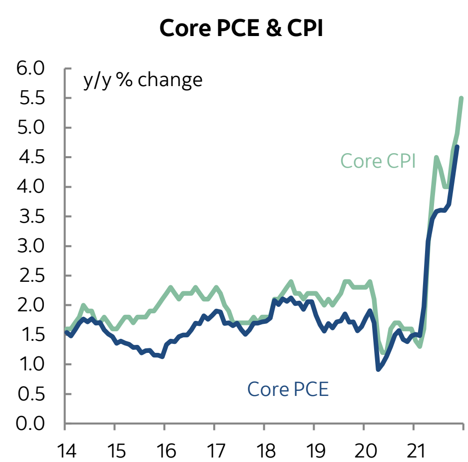
Chart 15



Sources: Scotiabank Economics, Markit, Bloomberg.

- New Zealand also updates Q4 inflation into Thursday and a reading approaching 6% y/y is expected to nearly triple the RBNZ's 2% target. Quarter-over-quarter inflation at an annualized rate is expected to land north of 5% and maintain significant upward pressure (chart 10).
- The Fed's preferred inflation gauge for December will be updated on Friday and is expected to follow CPI higher. Headline PCE inflation is approaching 6% y/y with core PCE inflation inching closer to 5% (chart 16).

Chart 16



Sources: Scotiabank Economics, BLS, BEA.

The folks at Markit will release purchasing managers' indices for January across multiple markets and they will help to inform the degree to which omicron is disrupting production plans, order activity, hiring intentions and price pressures. All of them land on Monday across the US, Japan, Eurozone, UK and Japan. Charts 11–15 showcase loose connections with GDP growth as an advance indicator.

Q4 GDP reports are likely to be treated as stale assessments of their respective economies ahead of omicron's impact in early 2022. Most of them land toward the end of the week. The US economy is expected to have grown by about 5½% q/q annualized in Q4 (Thursday). Germany's economy is expected to have modestly shrunk in Q4 with mildly positive growth in France and solid growth in Spain (Friday). Several Asian economies will update Q4 GDP including South Korea (Monday), Philippines (Wednesday), Taiwan (Thursday) and Hong Kong (Friday).

US markets will continue to focus upon earnings with over 100 S&P500-listed firms slated to release across a broadening number of sectors. One consideration in the context of the 8% drop in the S&P500 to date is that the earnings beat ratio is landing a little weaker than markets had become accustomed to. It's not low by any means, but it's toward the lower end of the pandemic-era's experience to date. If some of this is due to supply chain problems that we think will gradually improve into a post-omicron rebound then the broad index could manage monetary tightening.

US indicators will also include consumer confidence for January (Tuesday), new home sales for December (Wednesday) and income and spending figures for December (Friday) that will probably show the saving rate popping higher amid soft spending and an acceleration of income growth.

Key Indicators for the week of January 24 – 28

NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
MX	01/24	07:00	Bi-Weekly Core CPI (% change)	Jan 15	0.25	0.3	0.2
MX	01/24	07:00	Bi-Weekly CPI (% change)	Jan 15	0.4	0.4	0.0
MX	01/25	07:00	Global Economic Indicator IGAE (y/y)	Nov	--	--	-0.7
US	01/25	09:00	S&P/Case-Shiller Home Price Index (m/m)	Nov	--	1.0	0.9
US	01/25	09:00	S&P/Case-Shiller Home Price Index (y/y)	Nov	19.0	18.2	18.4
US	01/25	10:00	Consumer Confidence Index	Jan	110	111.5	115.8
US	01/25	10:00	Richmond Fed Manufacturing Index	Jan	--	14.0	16.0
MX	01/26	07:00	Retail Sales (INEGI) (y/y)	Nov	--	--	5.3
US	01/26	07:00	MBA Mortgage Applications (w/w)	Jan 21	--	--	2.3
US	01/26	08:30	Wholesale Inventories (m/m)	Dec P	--	1.4	1.4
CA	**01/26**	**10:00**	**BoC Interest Rate Announcement (%)**	**Jan 26**	**0.50**	**0.25**	**0.25**
US	01/26	10:00	New Home Sales (000s a.r.)	Dec	765	765.0	744.0
US	**01/26**	**14:00**	**FOMC Interest Rate Meeting (%)**	**Jan 26**	**0.25**	**0.25**	**0.25**
MX	01/27	07:00	Trade Balance (US$ mn)	Dec	--	--	-111.7
US	01/27	08:30	Durable Goods Orders (m/m)	Dec P	-1.0	-0.5	2.6
US	01/27	08:30	Durable Goods Orders ex. Trans. (m/m)	Dec P	0.0	0.4	0.9
US	01/27	08:30	GDP (q/q a.r.)	4Q A	5.5	5.3	2.3
US	01/27	08:30	GDP Deflator (q/q a.r.)	4Q A	--	6.0	6.0
US	01/27	08:30	Initial Jobless Claims (000s)	Jan 22	280	260	286
US	01/27	08:30	Continuing Claims (000s)	Jan 15	1,650	--	1,635
US	01/27	10:00	Pending Home Sales (m/m)	Dec	--	0.5	-2.2
US	01/28	08:30	Employment Cost Index (q/q)	4Q	1.2	1.2	1.3
US	01/28	08:30	PCE Deflator (m/m)	Dec	0.4	0.4	0.6
US	01/28	08:30	PCE Deflator (y/y)	Dec	5.8	5.8	5.7
US	01/28	08:30	PCE ex. Food & Energy (m/m)	Dec	0.5	0.5	0.5
US	01/28	08:30	PCE ex. Food & Energy (y/y)	Dec	4.9	4.8	4.7
US	01/28	08:30	Personal Spending (m/m)	Dec	-0.2	-0.6	0.6
US	01/28	08:30	Personal Income (m/m)	Dec	0.6	0.5	0.4
US	01/28	10:00	U. of Michigan Consumer Sentiment	Jan F	--	68.8	68.8

EUROPE

Country	Date	Time	Indicator	Period	Consensus	Latest
FR	01/24	03:15	Manufacturing PMI	Jan P	55.3	55.6
FR	01/24	03:15	Services PMI	Jan P	55.3	57.0
GE	01/24	03:30	Manufacturing PMI	Jan P	57.0	57.4
GE	01/24	03:30	Services PMI	Jan P	48.0	48.7
EC	01/24	04:00	Composite PMI	Jan P	52.6	53.3
EC	01/24	04:00	Manufacturing PMI	Jan P	57.5	58.0
EC	01/24	04:00	Services PMI	Jan P	52.0	53.1
UK	01/24	04:30	Manufacturing PMI	Jan P	57.6	57.9
UK	01/24	04:30	Services PMI	Jan P	54.0	53.6
UK	01/25	02:00	PSNB ex. Interventions (£ bn)	Dec	18.5	17.4
UK	01/25	02:00	Public Finances (PSNCR) (£ bn)	Dec	--	37.0
UK	01/25	02:00	Public Sector Net Borrowing (£ bn)	Dec	16.1	16.6
GE	01/25	04:00	IFO Business Climate Survey	Jan	94.2	94.7
GE	01/25	04:00	IFO Current Assessment Survey	Jan	95.9	96.9
GE	01/25	04:00	IFO Expectations Survey	Jan	92.9	92.6
GE	01/27	02:00	GfK Consumer Confidence Survey	Feb	-8.2	-6.8
SP	01/27	03:00	Unemployment Rate (%)	4Q	14.2	14.6
GE	01/27	02:00	Retail Sales (m/m)	Dec	-1.4	0.8
FR	01/28	01:30	Consumer Spending (m/m)	Dec	0.0	0.8
FR	01/28	01:30	GDP (q/q)	4Q P	0.5	3.0
FR	01/28	02:45	Producer Prices (m/m)	Dec	--	0.0
SP	01/28	03:00	Real GDP (q/q)	4Q P	1.4	2.6
GE	01/28	04:00	Real GDP (q/q)	4Q P	-0.2	1.7
EC	01/28	05:00	Economic Confidence	Jan	114.5	115.3
EC	01/28	05:00	Industrial Confidence	Jan	15.0	14.9

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

Key Indicators for the week of January 24 – 28

ASIA-PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
TA	01/22	03:00	Unemployment Rate (%)	Dec	--	3.7	3.7
JN	01/23	19:30	Markit/JMMA Manufacturing PMI	Jan P	--	--	54.3
SI	01/24	00:00	CPI (y/y)	Dec	3.7	3.7	3.8
MA	01/24	02:00	Foreign Reserves (US$ bn)	Jan 14	--	--	116.9
TA	01/24	03:00	Industrial Production (y/y)	Dec	--	8.9	12.2
SK	01/24	18:00	GDP (y/y)	4Q P	3.9	3.9	4.0
AU	01/24	19:30	Consumer Prices (y/y)	4Q	3.0	3.2	3.0
JN	01/25	00:30	Nationwide Department Store Sales (y/y)	Dec	--	--	8.1
SK	01/25	16:00	Consumer Confidence Index	Jan	--	--	103.9
NZ	01/25	16:45	Trade Balance (NZD mn)	Dec	--	--	-864.2
NZ	01/25	16:45	Exports (NZD bn)	Dec	--	--	5,863
NZ	01/25	16:45	Imports (NZD bn)	Dec	--	--	6,727
JN	01/26	00:00	Coincident Index CI	Nov F	--	--	93.6
JN	01/26	00:00	Leading Index CI	Nov F	--	--	103.0
SI	01/26	00:00	Industrial Production (y/y)	Dec	--	11.5	14.6
SK	01/26	16:00	Business Survey- Manufacturing	Feb	--	--	92.0
SK	01/26	16:00	Business Survey- Non-Manufacturing	Feb	--	--	78.0
NZ	01/26	16:45	Consumer Prices (y/y)	4Q	5.1	5.8	4.9
PH	01/26	20:00	Exports (y/y)	Dec	--	6.5	6.6
PH	01/26	20:00	Imports (y/y)	Dec	--	29.0	36.8
PH	01/26	20:00	Trade Balance (US$ mn)	Dec	--	-4,600	-4,706
CH	01/26	20:30	Industrial Profits YTD (y/y)	Dec	--	--	9.0
PH	01/26	21:00	Real GDP (y/y)	4Q	5.3	6.4	7.1
PH	01/26	21:00	Annual GDP (y/y)	2021	5.1	5.1	-9.6
JN	01/27	01:00	Machine Tool Orders (y/y)	Dec F	--	--	40.5
TA	01/27	03:00	Real GDP (y/y)	4Q A	3.3	3.8	3.7
HK	01/27	03:30	Exports (y/y)	Dec	--	--	25.0
HK	01/27	03:30	Imports (y/y)	Dec	--	--	20.0
HK	01/27	03:30	Trade Balance (HKD bn)	Dec	--	--	-11.6
NZ	01/27	16:00	ANZ Consumer Confidence Index	Jan	--	--	98.3
SK	01/27	18:00	Industrial Production (y/y)	Dec	--	2.0	5.9
SK	01/27	18:00	Cyclical Leading Index Change	Dec	--	--	-0.4
JN	01/27	18:30	Tokyo CPI (y/y)	Jan	--	0.5	0.8
AU	01/27	19:30	Producer Price Index (y/y)	4Q	--	--	2.9
SI	01/27	21:30	Unemployment Rate (%)	4Q	--	--	2.6
MA	01/27	23:00	Exports (y/y)	Dec	--	24.5	32.4
MA	01/27	23:00	Imports (y/y)	Dec	--	30.3	38.0
MA	01/27	23:00	Trade Balance (MYR bn)	Dec	--	20.6	18.9
HK	01/28	03:30	Annual GDP	2021	6.4	--	-6.1
HK	01/28	03:30	Real GDP (y/y)	4Q A	4.5	5.2	5.4

LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
BZ	01/26	07:00	IBGE Inflation IPCA-15 (m/m)	Jan	--	0.4	0.8
BZ	01/26	07:00	IBGE Inflation IPCA-15 (y/y)	Jan	--	10.1	10.4
BZ	01/26	07:30	Current Account (US$ mn)	Dec	--	--	-6,522
CL	**01/26**	**16:00**	**Nominal Overnight Rate Target (%)**	**Jan 26**	**5.25**	**5.25**	**4.00**
CO	**01/28**	**13:00**	**Overnight Lending Rate (%)**	**Jan 28**	**3.75**	**3.75**	**3.00**

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

Global Auctions for the week of January 24 – 28

NORTH AMERICA

Country	Date	Time	Event
US	01/24	13:00	U.S. To Sell 2-Year Notes
US	01/25	13:00	U.S. To Sell 5-Year Notes
CA	01/27	12:00	Canada to sell 30 Year Bonds
US	01/27	13:00	U.S. To Sell 7-Year Notes

EUROPE

Country	Date	Time	Event
EC	01/24	06:30	EU to Sell Up to EU2.5 Billion of 0.4% 2037 Bonds
NE	01/25	04:00	Netherlands to Sell Up to EU2 Billion of 0% 2052 Bonds
IT	01/26	05:00	Italy to Sell Bonds
SW	01/26	05:00	Sweden to Sell SEK750 Million of 1.5% 2023 Bonds
NO	01/26	05:00	Norway to Sell Bonds
SW	01/26	05:00	Sweden to Sell SEK1.75 Billion of 2.25% 2032 Bonds
GE	01/26	05:30	Germany to Sell EU4 Billion of 2032 Bonds

ASIA-PACIFIC

Country	Date	Time	Event
CH	01/25	22:00	China to Sell CNY 7-Yrs Upsize Bond
CH	01/25	22:00	China to Sell CNY 3-Yrs Upsize Bond
JN	01/26	22:35	Japan to Sell 2-Year Bonds

LATIN AMERICA

No Scheduled Auctions.

Sources: Bloomberg, Scotiabank Economics.

Events for the week of January 24 – 28

NORTH AMERICA

Country	Date	Time	Event
US	01/25	09:30	FOMC Begins Two-Day Meeting
CA	**01/26**	**10:00**	**Bank of Canada Rate Decision**
US	01/26	14:00	FOMC Rate Decision (Lower Bound)
US	**01/26**	**14:00**	**FOMC Rate Decision (Upper Bound)**
US	01/26	14:00	FOMC Concludes Two-Day Meeting
US	01/26	14:30	Fed Chair Powell Holds Press Conference Following FOMC Meeting

EUROPE

Country	Date	Time	Event
SW	01/25	05:00	Skingsley speech

ASIA-PACIFIC

No Scheduled Events.

LATIN AMERICA

Country	Date	Time	Event
CL	**01/26**	**16:00**	**Overnight Rate Target**
CO	**01/28**	**13:00**	**Overnight Lending Rate**

Sources: 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	0.25	January 26, 2022	0.50	0.25
Federal Reserve – Federal Funds Target Rate	0.25	January 26, 2022	0.25	0.25
Banco de México – Overnight Rate	5.50	February 10, 2022	5.75	5.75

Bank of Canada (BoC): We expect the BoC to raise the overnight lending rate by 25bps on Wednesday while issuing fresh forecasts. They may also announce plans to end reinvestment, or intimate as much. **Federal Reserve (FOMC):** No policy changes are likely at this meeting. The focus will be upon anticipated strengthening of forward guidance to expect a rate hike at the March meeting. We are also expecting further dialogue on balance sheet plans as part of the Fed's evolution of thinking that is expected over several meetings. We forecast a move toward allowing roll-off of maturing securities by Q4 this year.

EUROPE

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	0.00	February 3, 2022	0.00	0.00
European Central Bank – Marginal Lending Facility Rate	0.25	February 3, 2022	0.25	0.25
European Central Bank – Deposit Facility Rate	-0.50	February 3, 2022	-0.50	-0.50
Bank of England – Bank Rate	0.25	February 3, 2022	0.50	0.50
Swiss National Bank – Libor Target Rate	-0.75	March 24, 2022	-0.75	-0.75
Central Bank of Russia – One-Week Auction Rate	8.50	February 11, 2022	8.50	8.50
Sweden Riksbank – Repo Rate	0.00	February 10, 2022	0.00	0.00
Norges Bank – Deposit Rate	0.50	March 24, 2022	0.75	0.50
Central Bank of Turkey – Benchmark Repo Rate	14.00	February 17, 2022	14.00	14.00

ASIA PACIFIC

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Policy Rate	-0.10	March 18, 2022	-0.10	-0.10
Reserve Bank of Australia – Cash Target Rate	0.10	January 31, 2022	0.10	0.10
Reserve Bank of New Zealand – Cash Rate	0.75	February 22, 2022	1.00	1.00
People's Bank of China – 1-Year Loan Prime Rate	3.70	February 20, 2022	3.70	3.70
Reserve Bank of India – Repo Rate	4.00	February 8, 2022	4.00	4.00
Bank of Korea – Bank Rate	1.25	February 24, 2022	1.25	1.25
Bank of Thailand – Repo Rate	0.50	February 9, 2022	0.50	0.50
Bank Negara Malaysia – Overnight Policy Rate	1.75	March 3, 2022	1.75	1.75
Bank Indonesia – 7-Day Reverse Repo Rate	3.50	February 10, 2022	3.50	3.50
Central Bank of Philippines – Overnight Borrowing Rate	2.00	February 17, 2022	2.00	2.00

LATIN AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	9.25	February 2, 2022	10.75	10.75
Banco Central de Chile – Overnight Rate	4.00	January 26, 2022	5.25	5.25
Banco de la República de Colombia – Lending Rate	3.00	January 28, 2022	3.75	3.75
Banco Central de Reserva del Perú – Reference Rate	3.00	February 10, 2022	3.50	3.00

Banco Central de Chile (BCCh): We expect a 125 bps hike of the overnight rate to 5.25% at next week's meeting. In order to contain recent inflationary pressures, we forecast the policy rate to hit 6.25% in Q1-2022, and remain there for the remainder of the year. **Banco de la República de Colombia (BanRep):** Higher than initially expected inflation pressures and a consolidating economic recovery affirm the expectation of a hawkish BanRep. We expect the Central Bank to hike the policy rate by 75 bps to 3.75% next meeting, followed by another hike of equal magnitude in March. We believe that the Central Bank will reach the 5.00% neutral rate by Q2 and remain there for the rest of the year.

AFRICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	3.75	January 27, 2022	4.00	4.00

South African Reserve Bank (SARB): The Monetary Policy Committee is expected to raise the repo rate by 25 bp to 4.00%. South Africa currently sits on the edge of trying to balance rising inflation pressures and weaker short-term growth.

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