Scotiabank.

GLOBAL ECONOMICS

THE GLOBAL WEEK AHEAD

December 15, 2023

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With thanks for research support from: Cesar Amador.

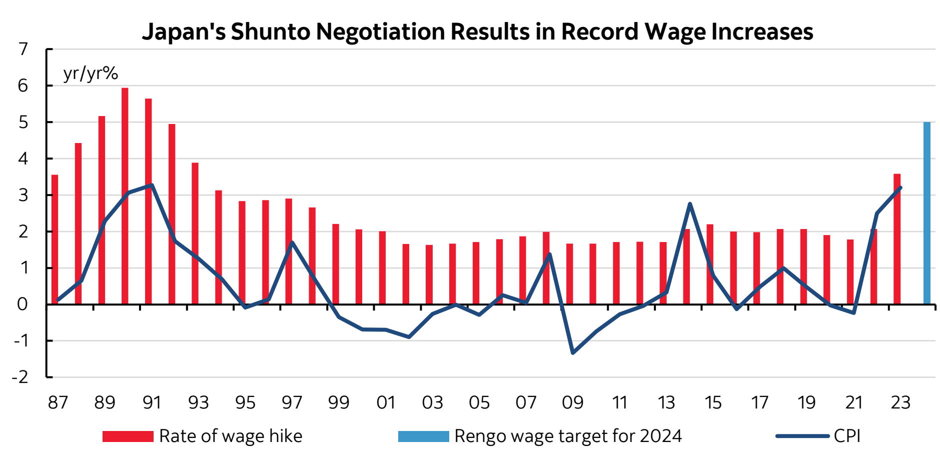
Next Week's Risk Dashboard

- Is the Fed mismanaging markets again?
- Will the BoJ be the next shock to markets?
- Canadian core CPI may inform a trend…
- … as Macklem fades all near-term inflation data…
- …and prospects of near-term rate cuts
- Canada's economy is expected to grow
- BanRep: Too early to ease?
- Chile's central bank is expected to continue easing
- Chinese banks are unlikely to change lending rates
- Bank Indonesia expected to hold
- US core PCE may be softer than core CPI
- UK core CPI to remain elevated?
- Japan's CPI to arrive post-BoJ
- NZ to issue mid-year fiscal update
- Turkey's central bank to slow hike pace
- Pre-holiday global macro updates focused upon the US

Walking It Back

FORECASTS & DATA

Chart of the Week



Sources: Scotiabank Economics, Ministry of Internal Affairs and Communications, Ministry of Health, Labour and Welfare (spring wage increase, shunto).

Chart of the Week: Prepared by: Cesar Amador, Economic Analyst.

December 15, 2023

Walking It Back

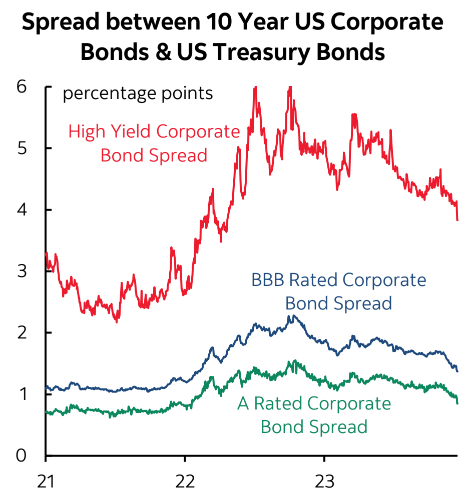
It is my belief that the Fed mismanaged markets this past week but didn't necessarily do the wrong thing with its policy guidance (recap **here**). If that's true, then we've only begun to see Fed officials walk back the aggressive market reaction on the heels of what NY Fed President Williams said on Friday when he stated "We aren't really talking about rate cuts" and how the discussion is "premature." We heard the same thing from Governor Macklem on Friday who emphasized how it's too early to even be discussing cuts. In both countries, the front-end began cheapening on Friday and modestly reduced pricing for nearer-term rate cuts.

Atlanta Fed President—a recent dove who votes in 2024—also remarked that he sees only two rate cuts in 2024 starting in Q3 and he'll speak again on Tuesday. So will Chicago's Goolsbee on three occasions next week, although he doesn't cast a vote in 2024.

Saying they intend to cut by 75bps next year—and with the individual votes behind the dots skewed toward less rather than more—is not unreasonable by the Fed and implies that they are only likely to begin easing over the second half of the year. But the Powell Fed's approach to managing markets leaves a lot to be desired and now we face the consequences.

A massive easing of financial conditions in the context of economic strength risks fanning inflationary pressures and thwarting chances at bigger and more sustained easing later. This massive easing may have been the fault of markets in getting overly excited, but the Fed should've known that failure to caution against a potentially premature easing of financial conditions would spark further easing. Stocks are at record highs, credit is rallying big time with the Moody's BAA corporate benchmark yield down 130bps from the peak to its lowest since April as credit continues to tighten (chart 1), and mortgages are cheaper.

Chart 1



Sources: Scotiabank Economics, Bloomberg.

It's not bold to lean against Powell's Fed. Every other major central bank seems to be doing so, for example. After all, we're in this boat because the Fed dismissed all of inflation's warning signs when Powell embarked upon an unprecedented experiment to push the frontiers of maximum employment. In 2021 they faced supportive conditions to gently lift off as emergency conditions had passed in markets, as vaccines arrived, and as behavioural and technological changes alongside health policies indicated an ability to adapt to new realities. Consumers bounced back much more rapidly than the Fed assumed because they underestimated the rate elasticity of spending in response to free money galore. One should feel perfectly entitled to seriously doubt the Fed's competence then as now.

Whatever the outcome, we are embarking upon a great experiment. Either the Fed faces a volatile path that may present communications difficulties over 2024 and starting fairly early in the year when they may have to walk back more of the aftermath. Or it sees much darker days ahead than indicated in measures of risk appetite. Or it is adding to concern about secular inflation risk.

As an added consequence, the Fed's communications exported a broad easing of global financial conditions. In some areas this may be welcomed, like China. In others, like Canada, it may further complicate the Bank of Canada's plans and make it less likely that we see rate cuts any time soon given the multitude of idiosyncratic upside drivers of that inflation market that are sharply distinct from the US.

Next up to take a swing at managing markets will be another big and powerful central bank that is particularly prone to saying one thing and doing another while springing surprises. This will be the one-year anniversary of when the BoJ began surprising markets coming into the past year.

CENTRAL BANKS—IS THIS TIME DIFFERENT FOR THE BOJ?

This will be a quieter week for global central banks, but if anything rocks the boat for global markets then key may be any wildcard risk out of the Bank of Japan. Regional markets may be impacted by specific developments highlighted below.

Bank of Japan—Show Me the Money

It's probably too soon to expect the BoJ to raise its policy balance rate of -0.10% when it issues a fresh decision on Tuesday. Consensus, including Scotiabank Economics, expects a hold. Markets are more nervously leaning toward a hike as priced in OIS contracts. Volatile formal and informal guidance from the central bank appears to lean toward continuing stimulus efforts at least until it has further clarity toward the outcome of Spring wage negotiations.

Bank of Japan guidance that was provided on December 7th sparked some of the market turmoil before anonymous officials tamped down the speculation by saying that markets were overreacting. Here is what went down at that time.

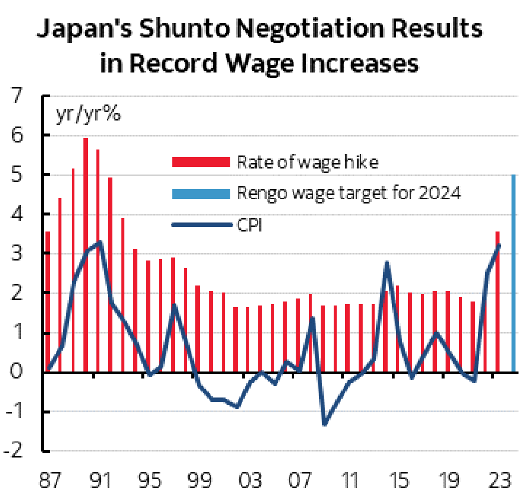
- Deputy Governor Himino discussed the impact that reducing monetary stimulus could have on the economy during parliamentary testimony.
- Then Governor Ueda's testimony said his job will get "even more challenging" toward year-end and early 2024. That was taken as a hint that a big decision looms but his remark was still somewhat vague on timing.
- Ueda then told parliament "There are various options. But we have not made a decision yet on which interest rate to target once we end our negative interest rate policy. We could either keep the interest rate applied to reserves (financial institutions park with the central bank), or revert to a policy targeting the overnight call rate." This guidance was offered in hypothetical terms and shouldn't have been taken as a signal about imminent changes.
- In fact, Ueda provided ambiguous guidance about when the BoJ might consider raising its policy rate. He said "Whether we keep short-term rates at zero or move them to 0.1%, and at what speed we will push up rates to 0.25% or 0.50%, would depend on economic and financial conditions at the time."
- Then a regular once-a-quarter meeting between Governor Ueda and PM Kishida reportedly involved Ueda saying that the coming Shunto spring wage negotiations and what shape the domestic economy is in will inform next steps for monetary policy. That shouldn't have surprised anyone.
- Ueda said the following about his discussions with the PM: "I explained that the BOJ hopes to check whether wages will rise sustainably including next year, whether higher wages will push up service prices, and the strength of domestic demand."

While it's unclear if and when the BoJ may hike and how given Ueda's remark, there are milestones ahead that could be informative starting with this week's decision. The January 23rd meeting will be the next time that the BoJ updates its forecasts including for inflation and they might wait to have a full reassessment of expected conditions at that time.

Further progress in wage negotiations will offer another milestone. The Japanese Trade Union Confederation ("Rengo") recently confirmed it is going into the Spring wage negotiations demanding a 5% hike after employers and the unions agreed on a 3.8% increase last Spring. We'll know by about March and should have a decent idea of the likelihood of agreement before then. Given that the BoJ is emphasizing wage growth as a pre-condition for sustained achievement of its 2% inflation target, they might opt to wait for further clarity on the negotiations and signals from the business community regarding its willingness to meet such demands.

If wage negotiations grant Rengo their demands, then as shown in chart 2, this would be the strongest back-to-back set of wage gains on record since the early 1990s which takes us back to the early days when the wheels were in motion toward almost three decades of disinflationary pressures. That would be very significant in terms of giving the BoJ confidence that achievement of its 2% inflation objective might actually be possible this time and therefore enable the central bank to further distance itself from extreme stimulus.

Chart 2



Sources: Scotiabank Economics, Ministry of Internal Affairs and Communications, Ministry of Health, Labour and Welfare (spring wage increase, shunto).

As an added consideration, does what the Fed did this past week—and perhaps more importantly, how markets reacted—make it easier or harder for the Bank of Japan to exit negative rates? Maybe. Or at least it suggests added reason to tread carefully. Japanese financial conditions have responded in mixed fashion since the Fed. The Nikkei is little changed on net in the aftermath thus far. The 10-year JGB yield is flat post-Fed and well within the BoJ's tolerances within its more relaxed yield curve control. The yen, however, has appreciated and extended its move from about 152 to the USD at its weakest in mid-November to about 142 now but that move is mostly about speculation toward raising the BoJ's policy balance rate.

In my opinion the BoJ is getting a gift from the Fed. Go ahead and exit the distorted era of negative rates, we've got your back and then the rest is up to your own progress on wage-price developments. Criticism that the BoJ has zigged when the Fed has zagged and gotten it wrong more often than not in the past may face different circumstances today given prospects for wages to reinforce pricing power.

Of course, after all of that being said, one can never have much confidence about the call into BoJ decisions given their proclivity toward springing surprises upon markets including last December and this past July when they tweaked yield curve control targets on both occasions.

RBA Minutes—More About Doing Nothing

The Reserve Bank of Australia releases minutes to the December 4th meeting when they held the cash rate target at 4.35% on Monday and retained data dependence in guiding future decisions.

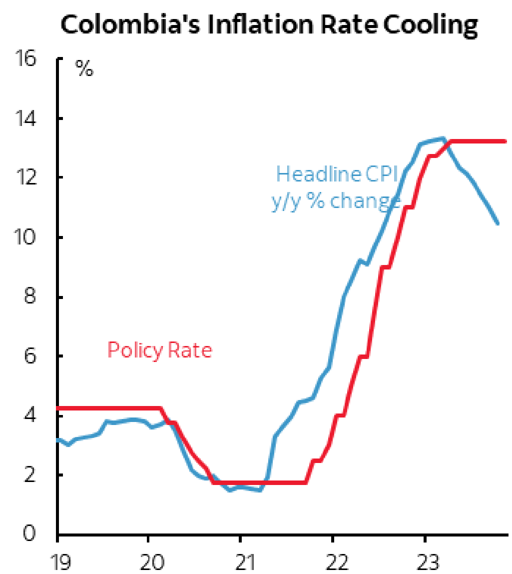
Chinese Bank's Lending Rates—No Changes Expected

After the PBOC left its 1-year Medium Term Lending Facility Rate unchanged at 2.5%, Chinese banks are likely to leave their 1-year and 5-year Loan Prime Rates unchanged at 3.45% and 4.2% respectively on Tuesday.

Banco Central de la Republica de Colombia—Cut When Inflation is Still Very High?

BanRep faces a split consensus with some expecting a hold at an overnight lending rate of 13.25% and some expecting a cut of -25bps on Tuesday. It would be the commencement of BanRep's easing cycle if so. At 10.2% y/y, inflation remains far above the 3% +/-1% target range and so the bar is set high against beginning an easing campaign just yet (chart 3). What the cut camp is going with is the split 5–2 vote at the prior two meetings when a minority wanted a cut both times. As for the aftermath of the Fed's moves this past week, most LatAm currencies are little changed with slight appreciation in the wake of the decision and shorter-term Colombian government bond yields posted a modest rallied.

Chart 3



Sources: Scotiabank Economics, Bloomberg.

Banco Central de Chile—Continued Easing

Another 50bps cut is expected on Tuesday that would extend the easing cycle to a cumulative 300bps since it commenced in July. At 4.8% y/y in November, CPI inflation did not ebb as rapidly as expected and remains above the 3% target amid expectations for future declines.

Bank of Canada—Anyone Left Who is Thinking About Hikes?

The Summary of Deliberations in the process that led up to the December 6th statement and decisions will arrive on Wednesday at 1:30pmET. The revealed discussion probably won't add much but there could be added emphasis upon points made by DepGov Gravelle's recent speech and Governor Macklem's subsequent remarks (more under CPI below). Gravelle said they don't have enough evidence that inflation is cooling toward target, they then want to assess whether it is sustainable and only then will then discuss potential easing but that they aren't even at this point. Watch for any update to the discussion around the range of opinion on whether to retain a hike bias in addition to potential further guidance on the guideposts for eventually easing.

Bank Indonesia—Don't Wake the Rupiah

BI is expected to leave its 7-day reverse repo rate unchanged at 6% for a second straight meeting on Thursday. The rupiah has been little changed since the last decision on November 23rd which indicates a period of financial stability while inflation is within range of the 1.5–3.5% target range even after mild upside to 2.9% y/y in November but with core holding at 1.9%.

Central Bank of Turkey—Eventually Train Derailments Come to a Stop

After hiking its one-week repo rate by 500bps on November 23rd, does this central bank have further hikes in the tank when it weighs in again on Thursday? Language it used to describe its forward policy bias in the accompanying statement leaned toward further tightening but at a slower pace with the rate hike cycle to be over "in a short period of time."

INFLATION—FOUR MAJOR MARKET UPDATES

Several major market inflation updates arrive this week, but for the most part they are likely to be placeholders upon which no imminent decisions will hang into the new year.

Canada—Searching for a Trend

Canada updates CPI inflation for November on Tuesday. This one could help to inform a trend which is important given that recent remarks by BoC officials have emphasized that they are looking for a multi-month trend of soft inflation and would then have to believe that the forces are likely to be sustainable before broaching the topic of when to cut rates. Recent comments by Governor Macklem nevertheless distance the BoC from nearer term inflation volatility that I'll return to in a moment.

For my estimate, I've gone with a seasonally unadjusted (as per survey convention) headline CPI decline of -0.2% m/m that translates into about a 0.1% m/m rise in seasonally adjusted terms. In year-over-year terms I went with 2.8%, down from 3.1% the prior month. The devil will lie in the details.

Part of the deceleration in the year-over-year rate will be driven by base effects that alone would take CPI down from 3.1% y/y to 3%. The month-over-month unadjusted headline reading will also be weighed down by what is typically a soft month for seasonal price pressures. Gasoline prices can be a part of that soft seasonality and should shave a tenth or so off of the m/m NSA reading. Food prices are unlikely to have a major weighted contribution effect on headline CPI in m/m terms.

It then becomes a matter of how core inflation readings come across. Vehicle prices probably won't have a material effect. Shelter is expected to remain a hot influence given the way Canadian CPI captures it by directly incorporating rent that is soaring (chart 4) as well as the replacement cost of housing as reflected in builder prices, not resales.

Services inflation may be key after a hot month gain of 0.8% m/m NSA in October that was warmer than seasonally normal.

But what it will all come down to is what happens to the BoC's preferred core inflation gauges. Trimmed mean lops off the top and bottom 20% of the basket and weighted median CPI is the 50th percentile price change after ranking weighted contributions. The year-over-year measures are less important than the m/m measures in seasonally adjusted at an annualized rate terms. Year-over-year measures are compounded monthly price changes that are slow to reflect inflection points.

As chart 5 demonstrates, we may or may not be at such an inflection point. The m/m SAAR trimmed mean and weighted median figures have been soft for a couple of months now. They have been wildly volatile with prior soft patches quickly giving way to renewed price pressures as shown in the chart. On a 3-month moving average basis, however, the two measures continue to trend at sticky elevated levels (chart 6).

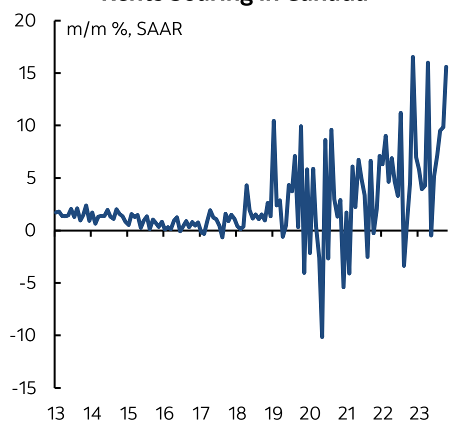
Having said that, recent comments by BoC officials are leaning strongly against attaching much significance to nearer-term inflation readings. Governor Macklem's latest speech (**here**) accepted that "as growth slows, inflation pressures will ease. But we can't rule out bumps along the way" and "over coming months, you should expect to see some push and pull on inflation as the cooling economy reduces price pressures while other forces continue to exert upward pressure. That's why further declines in inflation will likely be gradual. When it's clear that inflation is on a sustained downward track, we can begin discussing lowering our policy interest rate."

He elaborated upon this in his press conference by saying coming months will be sticky at around 3% y/y. The intimation is that they won't be fussed over volatile months while expecting that later in 2024 "inflation will be getting close to the 2% target. And once we are clearly on a path back to price stability, we will be considering whether and when we can lower our policy interest rate."

In my opinion, that says that the earliest we can likely look to policy easing is next summer, and it could well be later if they need more sustained evidence of cooling especially as they expect growth to begin to rebound later next year. On that, Macklem also prepared markets

Chart 4

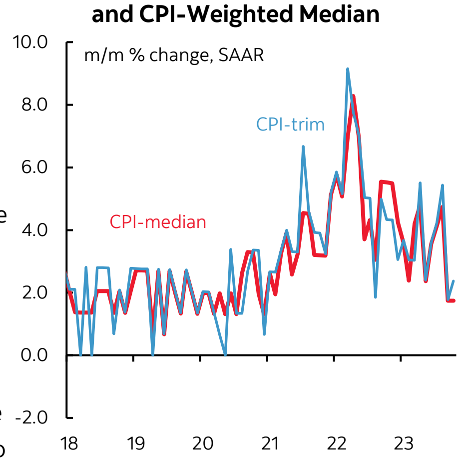
Rents Soaring in Canada



Sources: Scotiabank Economics, Statistics Canada, Haver.

Chart 5

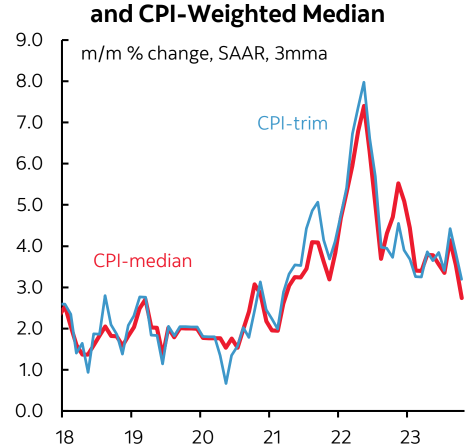
Canadian CPI-Trimmed Mean and CPI-Weighted Median



Sources: Scotiabank Economics, Statistics Canada.

Chart 6

Canadian CPI-Trimmed Mean and CPI-Weighted Median



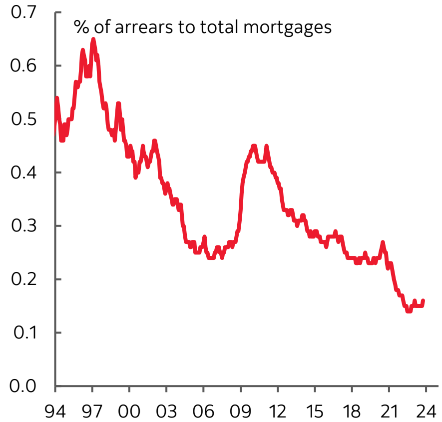
Sources: Scotiabank Economics, Statistics Canada.

to look through GDP weakness over 2024H1 toward hopeful improvements by late year.

Macklem also pushed back on arguments that the BoC will follow the Fed by saying "we're different, independent, and under different circumstances." Further, when asked about the impact of mortgage resets, he said "That's kind of how monetary policy works. It squeezes people so they spend less and it takes the steam out of inflation." That, in turn, is a poke back against forecasters saying that the BoC will ease because of mortgage reset pressures. Nevertheless, people are coping and indicators like mortgage delinquencies (chart 7) and mortgage provisioning rates (chart 8) remain very healthy and dominate the household lending breakdown.

Chart 7

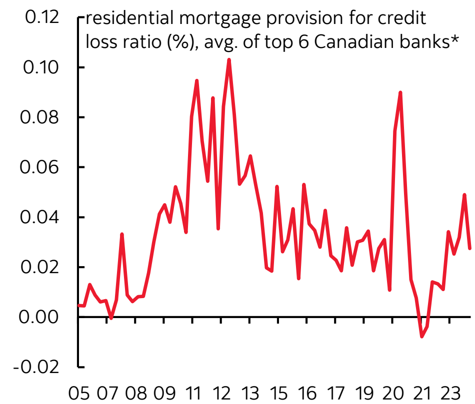
Canadian Residential Mortgage Delinquencies



Sources: Scotiabank Economics, CBA.

Chart 8

Present Mortgage Provisioning Isn't Terribly Unusual



*Average of full sample since Q1 - 2013.
Sources: Scotiabank Economics.

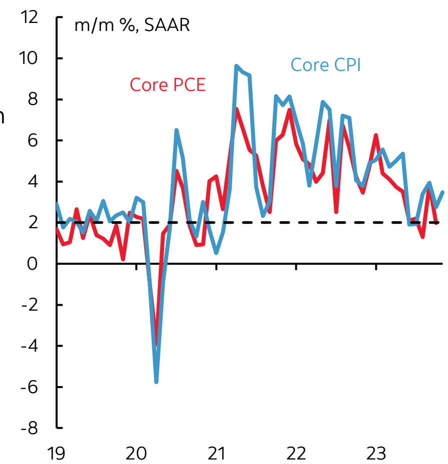
Next up for the BoC will also be Wednesday's Summary of Deliberations that could further inform the dialogue they had in the lead up to the December 6th communications and thereafter.

US—The Fed's Preferred Gauge

The US updates the Fed's preferred gauge of inflation for November on Friday. It may be a touch weaker than the recent CPI update. Chart 9 demonstrates that core PCE tends to undershoot core CPI and this is due to a complicated mixture of differences in the two readings. One simple example is a lower PCE weight upon elevated shelter cost inflation than CPI.

Chart 9

US Core PCE and Core CPI



Sources: Scotiabank Economics, BEA.

UK—Not Exactly Light

UK CPI for November arrives on Wednesday. Forecasters expect a soft headline reading of 0.1% m/m NSA that could take the year-over-year rate down to 4.3% with core expected to slip a touch to a still-elevated 5.6%. More important will be the month-over-month core gauge. The last couple of months haven't exactly been lightweights. In fact, they've been a little hotter than the seasonally unadjusted averages for those months (charts 10, 11).

Japan—A Mere Post-Decision Placeholder

Japan CPI for November (Thursday) arrives after the BoJ's decisions on Tuesday. Base effects are among the considerations in driving expectations for a weaker y/y reading shifting from 3.3% to under 3%, but key will be core and in month-over-month terms. Nevertheless, the BoJ will get another inflation update on January 18th before its next decision with forecasts on January 23rd.

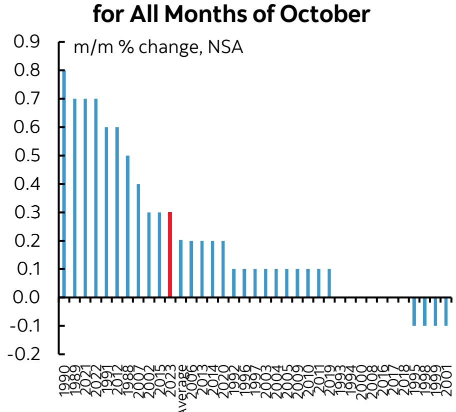
CANADA'S ECONOMY—LOOKING A LITTLE BETTER

Canada updates GDP for the month of October and provides a preliminary estimate for November on Friday. The hope is that it's not a lump of coal in anyone's stocking.

Back on November 30th, Statcan guided that October GDP was tracking a gain of about 0.2% m/m SA.

Chart 10

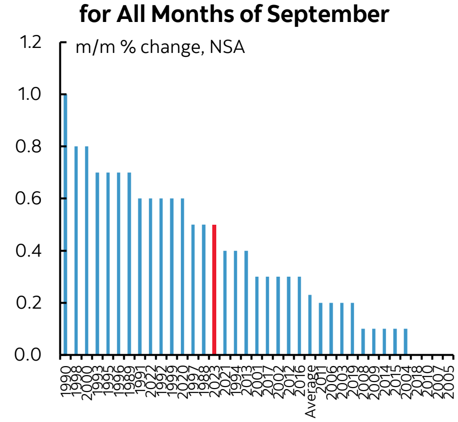
Comparing UK Core CPI for All Months of October



Sources: Scotiabank Economics, UK Office for National Statistics.

Chart 11

Comparing UK Core CPI for All Months of September



Sources: Scotiabank Economics, UK Office for National Statistics.

We've received further data since then and when I run it through a simple regression model it continues to indicate growth of 0.2% with Thursday's final reading for October retail sales unlikely to have a material effect given its modest weighting in GDP. Having said that, we clearly don't have the same information that Statcan has and so because some of the goods sector data has surprised a little higher for October, it might mean that the less observable sectors added a bit more upside.

If that's not enough handwaving for you, then how about this: based upon such highly tentative tracking, we may be poised to achieve around 1% q/q GDP growth in Q4. October GDP could be a second consecutive month of mild growth and we'll see about November.

GLOBAL MACRO—MOSTLY ABOUT THE US

The rest of the global line-up will be relatively subdued which is fairly typical going into the year-end holiday period. I'll rattle off some of the highlights for now and write more about them in daily notes over the coming week.

The US offers several releases this week as follows in chronological order:

- Housing starts (Tuesday): November's reading could get a mild lift from trend momentum in building permits.
- Existing home sales (Wednesday): November's reading could stabilize at relatively soft levels in keeping with stabilization in pending home sales. If the modest decline in mortgage rates that reflect the bond market's rally persists then there could be further stabilization ahead.
- Consumer Confidence (Wednesday): December's reading could get a lift from lower inflation, lower gas prices, higher equities, solid job growth, firmer wage growth and falling mortgage rates.
- GDP-3rd revision (Thursday): No material revision is expected to the 5.2% q/q SAAR growth reading but the risk may be more pointed gently higher than lower given data since the second estimate.
- Core PCE 3rd revision (Thursday): Ahead of the monthly PCE estimates for November that are due out the next day, any further revisions to this estimate could be impactful to how the week ends.
- Jobless claims (Thursday): After dipping to 202k the prior week, whether such momentum is sustained into the coming nonfarm reference period for December could be useful information in terms of informing risks to the next payrolls report. Jobless claims remain low and so do layoff announcements.
- Philadelphia Fed's business outlook (Thursday): Will December's reading following the downside surprise to the Empire gauge on the path to informing expectations for the next ISM-manufacturing print?
- Personal income and spending (Friday): November's readings could reveal strong income growth and mild spending growth. I've estimated income growth of 0.5% m/m SA and a small rise in the saving rate as broad consumption probably grew by marginally less.
- Durable goods (Friday): November's reading could bounce back on volatile transportation orders including planes, but core orders ex-defence and aircraft are expected to be stable.
- New home (Friday): Slipping model home foot traffic might have weighed on new home sales during November given their role as a leading indicator.

Other highlights over the week will include New Zealand's mid-year fiscal update on Tuesday, light UK data including producer prices (Wednesday) and retail sales (Friday). German IFO business confidence (Monday) and producer prices (Wednesday), and Eurozone CPI revisions (Thursday).

Key Indicators for the week of December 18 – 22

NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	12-18	10:00	NAHB Housing Market Index	Dec	--	37.0	34.0
CA	12-19	08:30	Core CPI - Median (y/y)	Nov	--	3.3	3.6
CA	12-19	08:30	Core CPI - Trim (y/y)	Nov	--	3.3	3.5
CA	12-19	08:30	CPI, All items (m/m)	Nov	-0.2	-0.2	0.1
CA	12-19	08:30	CPI, All items (y/y)	Nov	2.8	2.8	3.1
CA	12-19	08:30	CPI, All items (index)	Nov	--	--	158.6
CA	12-19	08:30	IPPI (m/m)	Nov	--	-0.7	-1.0
CA	12-19	08:30	Raw Materials Price Index (m/m)	Nov	--	-3.5	-2.5
US	12-19	08:30	Building Permits (000s a.r.)	Nov	--	1460.0	1498.0
US	12-19	08:30	Housing Starts (000s a.r.)	Nov	1395	1360.0	1372.0
US	12-19	08:30	Housing Starts (m/m)	Nov	1.7	-0.9	1.9
CA	12-19	08:30	Core CPI - Common (y/y)	Nov	--	--	4.2
MX	12-20	07:00	Retail Sales (INEGI) (y/y)	Oct	--	--	2.3
US	12-20	07:00	MBA Mortgage Applications (w/w)	Dec 15	--	--	7.4
US	12-20	08:30	Current Account (US$ bn)	3Q	--	-195.9	-212.1
US	12-20	10:00	Consumer Confidence Index	Dec	103.0	104.0	102.0
US	12-20	10:00	Existing Home Sales (mn a.r.)	Nov	3.8	3.8	3.8
US	12-20	10:00	Existing Home Sales (m/m)	Nov	0.3	-0.5	-4.1
MX	12-21	07:00	Bi-Weekly Core CPI (% change)	Dec 15	--	--	0.0
MX	12-21	07:00	Bi-Weekly CPI (% change)	Dec 15	--	--	-0.1
CA	12-21	08:30	Retail Sales (m/m)	Oct	0.8	0.8	0.6
CA	12-21	08:30	Retail Sales ex. Autos (m/m)	Oct	--	0.5	0.2
US	12-21	08:30	GDP (q/q a.r.)	3Q T	5.3	5.2	5.2
US	12-21	08:30	GDP Deflator (q/q a.r.)	3Q T	--	3.6	3.6
US	12-21	08:30	Initial Jobless Claims (000s)	16-Dec	220	215.0	202.0
US	12-21	08:30	Continuing Claims (000s)	09-Dec	1875	1877.5	1876.0
US	12-21	08:30	Philadelphia Fed Index	Dec	--	-3.0	-5.9
US	12-21	10:00	Leading Indicators (m/m)	Nov	--	-0.4	-0.8
MX	12-22	07:00	Global Economic Indicator IGAE (y/y)	Oct	--	--	3.3
MX	12-22	07:00	Trade Balance (US$ mn)	Nov	--	--	-252.5
CA	12-22	08:30	Real GDP (m/m)	Oct	0.2	0.1	0.1
US	12-22	08:30	Durable Goods Orders (m/m)	Nov P	3.5	2.2	-5.4
US	12-22	08:30	Durable Goods Orders ex. Trans. (m/m)	Nov P	0.2	0.1	0.0
US	12-22	08:30	PCE Deflator (m/m)	Nov	0.0	0.0	0.0
US	12-22	08:30	PCE Deflator (y/y)	Nov	2.8	2.8	3.0
US	12-22	08:30	PCE ex. Food & Energy (m/m)	Nov	0.2	0.2	0.2
US	12-22	08:30	PCE ex. Food & Energy (y/y)	Nov	3.4	3.4	3.5
US	12-22	08:30	Personal Spending (m/m)	Nov	0.2	0.3	0.2
US	12-22	08:30	Personal Income (m/m)	Nov	0.5	0.4	0.2
US	12-22	10:00	New Home Sales (000s a.r.)	Nov	650	688.0	679.0
US	12-22	10:00	U. of Michigan Consumer Sentiment	Dec F	--	69.5	69.4

EUROPE

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
GE	12-18	04:00	IFO Business Climate Survey	Dec	--	87.7	87.3
GE	12-18	04:00	IFO Current Assessment Survey	Dec	--	89.6	89.4
GE	12-18	04:00	IFO Expectations Survey	Dec	--	85.9	85.2
EC	12-19	05:00	CPI (m/m)	Nov F	--	-0.5	-0.5
EC	12-19	05:00	CPI (y/y)	Nov F	--	2.4	2.4
EC	12-19	05:00	Euro zone Core CPI Estimate (y/y)	Nov F	--	3.6	3.6
GE	12-20	02:00	GfK Consumer Confidence Survey	Jan	--	-27.0	-27.8
GE	12-20	02:00	Producer Prices (m/m)	Nov	--	-0.3	-0.1
UK	12-20	02:00	CPI (m/m)	Nov	--	0.1	0.0
UK	12-20	02:00	CPI (y/y)	Nov	--	4.3	4.6
UK	12-20	02:00	RPI (m/m)	Nov	--	0.2	-0.2
UK	12-20	02:00	RPI (y/y)	Nov	--	5.7	6.1
EC	12-20	04:00	Current Account (€ bn)	Oct	--	--	31.2
IT	12-20	04:30	Current Account (€ mn)	Oct	--	--	2189.2
EC	12-20	10:00	Consumer Confidence	Dec P	--	-16.3	-16.9

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

Key Indicators for the week of December 18 – 22

EUROPE *(continued from previous page)*

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
UK	12-21	02:00	PSNB ex. Interventions (£ bn)	Nov	--	12.9	14.9
UK	12-21	02:00	Public Finances (PSNCR) (£ bn)	Nov	--	--	13.3
UK	12-21	02:00	Public Sector Net Borrowing (£ bn)	Nov	--	11.6	14.0
TU	12-21	06:00	Benchmark Repo Rate (%)	Dec 21	--	42.50	40.00
UK	12-22	02:00	Business Investment (q/q)	3Q F	--	-4.2	-4.2
UK	12-22	02:00	Current Account (£ bn)	3Q	--	-13.1	0.0
UK	12-22	02:00	GDP (q/q)	3Q F	--	0.0	0.0
UK	12-22	02:00	Retail Sales ex. Auto Fuel (m/m)	Nov	--	0.4	-0.1
UK	12-22	02:00	Retail Sales with Auto Fuel (m/m)	Nov	--	0.5	-0.3
FR	12-22	02:45	Producer Prices (m/m)	Nov	--	--	0.0
SP	12-22	03:00	Real GDP (q/q)	3Q F	--	0.3	0.3

ASIA PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
SI	12-17	19:30	Exports (y/y)	Nov	--	--	-3.4
NZ	12-18	16:45	Trade Balance (NZD mn)	Nov	--	--	-1709.0
NZ	12-18	16:45	Exports (NZD bn)	Nov	--	--	5400.2
NZ	12-18	16:45	Imports (NZD bn)	Nov	--	--	7110.0
JN	**12-18**	**19:00**	**BoJ Policy Rate (%)**	**Dec 19**	**--**	**-0.10**	**-0.10**
MA	12-18	23:00	Exports (y/y)	Nov	--	--	-4.4
MA	12-18	23:00	Imports (y/y)	Nov	--	--	-0.2
MA	12-18	23:00	Trade Balance (MYR bn)	Nov	--	--	12.9
HK	12-19	03:30	Unemployment Rate (%)	Nov	--	--	2.9
NZ	12-19	16:00	ANZ Consumer Confidence Index	Dec	--	--	91.9
JN	12-19	18:50	Merchandise Trade Balance (¥ bn)	Nov	--	-962.4	-661.0
JN	12-19	18:50	Adjusted Merchandise Trade Balance (¥ bn)	Nov	--	-734.9	-462.0
JN	12-19	18:50	Merchandise Trade Exports (y/y)	Nov	--	0.8	1.6
JN	12-19	18:50	Merchandise Trade Imports (y/y)	Nov	--	-9.6	-12.5
CH	**12-19**	**20:15**	**PBoC Loan Prime Rate 1-Year (%)**	**Dec 20**	**--**	**3.45**	**3.45**
PH	12-19	05:00	Balance of Payments (US$ mn)	Nov	--	--	1500.0
TA	12-20	03:00	Export Orders (y/y)	Nov	--	--	-4.6
SK	12-20	16:00	PPI (y/y)	Nov	--	--	0.8
ID	12-21	02:20	BI 7-Day Reverse Repo Rate (%)	Dec 21	--	6.0	6.0
HK	12-21	03:30	CPI (y/y)	Nov	--	--	2.7
HK	12-21	03:30	BoP Current Account (HK$ bns)	3Q	--	--	50.0
JN	12-21	18:30	National CPI (y/y)	Nov	--	2.7	3.3
MA	12-21	23:00	CPI (y/y)	Nov	--	1.7	1.8
MA	12-22	02:00	Foreign Reserves (US$ bn)	Dec 15	--	--	112.3
TA	12-22	03:00	Unemployment Rate (%)	Nov	--	--	3.4

LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CO	**12-19**	**13:00**	**Overnight Lending Rate (%)**	**Dec 19**	**13.00**	**13.13**	**13.25**
CL	**12-19**	**16:00**	**Nominal Overnight Rate Target (%)**	**Dec 19**	**8.50**	**--**	**9.00**
CO	12-20	10:00	Trade Balance (US$ mn)	Oct	--	--	-574.7
BZ	12-22	06:30	Current Account (US$ mn)	Nov	--	--	-229.8

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

Global Auctions for the week of December 18 – 22

NORTH AMERICA

Country	Date	Time	Event
CA	12-18	12:00	Canada to Sell 5 Year Bonds
US	12-20	13:00	U.S. To Sell 20-Year Bond Reopening
CA	12-21	12:00	Canada to Sell 10 Year Bonds

EUROPE

Country	Date	Time	Event
UK	12-19	05:00	U.K. to Sell GBP3 Billion of 4.625% 2034 Bonds

ASIA PACIFIC

Country	Date	Time	Event
SK	12-18	21:30	South Korea to Sell 200 Billion Won 20-Year Bonds
SK	12-19	20:30	Bank of Korea to Sell 700 Billion Won 3-Year Bonds
CH	12-19	21:35	China Plans to Sell Bonds
TH	12-19	22:00	Thailand to Sell Bonds
PK	12-20	09:00	Pakistan to Sell Bonds
PK	12-21	09:00	Pakistan to Sell Bonds
CH	12-21	21:35	China Plans to Sell CNY 7Y Bond

LATIN AMERICA

Country	Date	Time	Event
No Scheduled Auctions			

Sources: Bloomberg, Scotiabank Economics.

Events for the week of December 18 – 22

NORTH AMERICA

Country	Date	Time	Event
US	12-19	12:30	Fed's Bostic Speaks on US economy, business outlook
CA	12-20	13:30	Bank of Canada Releases Summary of Deliberations

EUROPE

Country	Date	Time	Event
UK	12-18	05:30	BOE's Broadbent speaks
EC	12-18	07:00	ECB's Wunsch Speaks
EC	12-18	08:30	ECB's Schnabel Chairs Panel at Conference
EC	12-18	10:00	ECB's Lane Chairs Panel at Conference
EC	12-18	00:00	ECB Biennial Conference on Fiscal Policy and EMU Governance
EC	12-19	03:00	ECB's Simkus Speaks on Forecasts in Vilnius
UK	12-19	08:00	BOE's Breeden speaks
EC	12-20	09:00	ECB's Lane Speaks in Dublin
EC	12-21	11:00	ECB's Lane Speaks in Dublin
SW	12-22	04:30	Riksbank publishes FX sales

ASIA PACIFIC

Country	Date	Time	Event
AU	12-18	19:30	RBA Minutes of Dec. Policy Meeting
SK	12-18	00:00	BOK Minutes of Nov. Policy Meeting
JN	**12-18**	**00:00**	**BOJ Policy Balance Rate**
JN	**12-18**	**00:00**	**BOJ 10-Yr Yield Target**
CH	**12-19**	**20:15**	**5-Year Loan Prime Rate**
CH	**12-19**	**20:15**	**1-Year Loan Prime Rate**
ID	12-21	02:20	Bank Indonesia 7D Reverse Repo
JN	12-21	18:50	BOJ Minutes of Oct. Meeting

LATIN AMERICA

Country	Date	Time	Event
CO	**12-19**	**13:00**	**Overnight Lending Rate**
CL	**12-19**	**16:00**	**Overnight Rate Target**
PY	**12-20**	**05:00**	**Monetary Policy Rate**
CO	12-22	17:00	Colombia Monetary Policy Minutes

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	5.00	January 24, 2024	5.00	5.00
Federal Reserve – Federal Funds Target Rate	5.50	January 31, 2024	5.50	5.50
Banco de México – Overnight Rate	11.25	February 8, 2024	11.25	11.25

Bank of Canada (BoC): The Summary of Deliberations in the process that led up to the December 6th statement and decisions will arrive on Wednesday at 1:30pmET. The revealed discussion probably won't add much but there could be added emphasis upon points made by DepGov Gravelle's recent speech. Gravelle said they don't have enough evidence that inflation is cooling toward target, they then want to assess whether it is sustainable and only then will they discuss potential easing but that they aren't even at this point. Governor Macklem then reinforced this message in his recent speech.

EUROPE

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	4.50	January 25, 2024	4.50	4.50
European Central Bank – Marginal Lending Facility Rate	4.75	January 25, 2024	4.75	4.75
European Central Bank – Deposit Facility Rate	4.00	January 25, 2024	4.00	4.00
Bank of England – Bank Rate	5.25	February 1, 2024	5.25	5.25
Swiss National Bank – Sight Deposit Rate	1.75	March 21, 2024	1.75	1.75
Central Bank of Russia – One-Week Auction Rate	16.00	February 16, 2024	16.00	16.00
Sweden Riksbank – Repo Rate	4.00	February 1, 2024	4.00	4.00
Norges Bank – Deposit Rate	4.50	January 25, 2024	4.50	4.50
Central Bank of Turkey – Benchmark Repo Rate	40.00	December 21, 2023	42.50	42.50

Central Bank of Turkey: After hiking its one-week repo rate by 500bps on November 23rd, does this central bank have further hikes in the tank when it weighs in again on Thursday? Language it used to describe its forward policy bias in the accompanying statement leaned toward further tightening but at a slower pace with the rate hike cycle to be over "in a short period of time."

ASIA PACIFIC

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Policy Rate	-0.10	December 19, 2023	-0.10	-0.10
Reserve Bank of Australia – Cash Rate Target	4.35	February 5, 2024	4.35	4.35
Reserve Bank of New Zealand – Cash Rate	5.50	February 27, 2024	5.50	5.50
People's Bank of China – 1-Year Medium-Term Lending Facility Rate	2.50	January 14, 2024	2.50	2.50
Reserve Bank of India – Repo Rate	6.50	February 7, 2024	6.50	6.50
Bank of Korea – Base Rate	3.50	January 11, 2024	3.50	3.50
Bank of Thailand – Repo Rate	2.50	February 7, 2024	2.50	2.50
Bank Negara Malaysia – Overnight Policy Rate	3.00	January 24, 2024	3.00	3.00
Bank Indonesia – 7-Day Reverse Repo Rate	6.00	December 21, 2023	6.00	6.00
Central Bank of Philippines – Overnight Borrowing Rate	6.50	February 9, 2024	6.50	6.50

Bank of Japan: It's probably too soon to expect the BoJ to raise its policy balance rate of -0.10% when it issues a fresh decision on Tuesday. Volatile formal and informal guidance from the central bank appears to lean toward continuing stimulus efforts at least until it has further clarity toward the outcome of Spring wage negotiations. **People's Bank of China (PBoC):** After the PBOC left its 1-year Medium Term Lending Facility Rate unchanged at 2.5%, Chinese banks are likely to leave their 1-year and 5-year Loan Prime Rates unchanged at 3.45% and 4.2% respectively on Tuesday. **Bank Indonesia:** BI is expected to leave its 7-day reverse repo rate unchanged at 6% for a second straight meeting on Thursday. The rupiah has been little changed since the last decision on November 23rd which indicates a period of financial stability while inflation is within range of the 1.5-3.5% target range even after mild upside to 2.9% y/y in November but with core holding at 1.9%. **Reserve Bank of Australia:** The RBA releases minutes to the December 4th meeting when they held the cash rate target at 4.35% on Monday and retained data dependence in guiding future decisions.

LATIN AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	11.75	TBA	11.75	11.75
Banco Central de Chile – Overnight Rate	9.00	December 19, 2023	8.50	8.50
Banco de la República de Colombia – Lending Rate	13.25	December 19, 2023	13.00	13.00
Banco Central de Reserva del Perú – Reference Rate	6.75	TBA	6.75	6.75

Banco Central de la Republica de Colombia: BanRep faces a split consensus with some expecting a hold at an overnight lending rate of 13.25% and some expecting a cut of -25bps on Tuesday. It would be the commencement of BanRep's easing cycle if so. At 10.2% y/y, inflation remains far above the 3% +/-1% target range and so the bar is set high against beginning an easing campaign just yet. What the cut camp is going with is the split 5-2 vote at the prior two meetings when a minority wanted a cut both times. **Banco Central de Chile:** Another 50bps cut is expected on Tuesday that would extend the easing cycle to a cumulative 300bps since it commenced in July. At 4.8% y/y in November, CPI inflation did not ebb as rapidly as expected and remains above the 3% target amid expectations for future declines.

AFRICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	8.25	January 25, 2024	8.25	8.25

Sources: Bloomberg, Scotiabank Economics.

December 15, 2023