

A 'STORMY' STATE OF THE UNION

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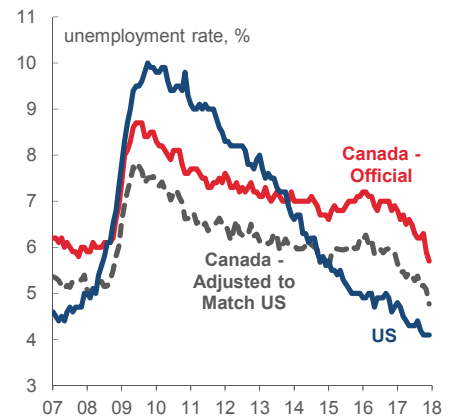
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Next Week's Risk Dashboard

- ▶ FOMC
- ▶ Inflation: US, EZ, Australia...
- ▶ ...Thailand, South Korea, Indonesia, Peru
- ▶ GDP: Eurozone, Canada, Mexico, Taiwan
- ▶ Nonfarm payrolls
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- ▶ Trump's State of the Union
- ▶ Other CBs: Colombia, Chile
- ▶ China's PMIs
- ▶ Japan's macro dump
- ▶ US macro prints
- ▶ UK PMIs
- ▶ Earnings

Chart of the Week

Race to the Bottom



Sources: Scotiabank Economics, BLS, Statistics Canada.

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

A ‘Stormy’ State of the Union

UNITED STATES — SO MUCH FROM WHICH TO CHOOSE

The coming week promises not to be boring for US market observers and participants. The potential for parting salvos and scandalous entertainment will spice up what would have been a jam-packed week for earnings and top-shelf data risk in any event.

Let’s start with the Fed. Chair Yellen will be a gracious professional right up to her last meeting at the helm. She goes out with a perfect five stars on communication and leadership in my books and should have gotten a second term if not for the peculiarities of Washington these days. **Wednesday’s FOMC Meeting will be a statement-only event at 2pmET. No forecasts. No dot plots. You got your fill of those in December. While I would be surprised to see Yellen deliver any big parting messages—that’s not her style—it is possible that this statement has a somewhat more hawkish tinge to it.** There are several reasons:

1. For one thing, **the last meeting in December occurred before final passage of the Tax Cuts and Jobs Act.** While the Fed has incorporated some expectations of its macroeconomic influences, there may be a small rise in conviction as its passage became a certainty and as formal costing efforts like the CBO’s became available into the new year ([here](#)).
2. For another, **core PCE inflation has built a little more traction** off the August bottom by rising from a low of 1.3% y/y to 1.5% including the late December post-FOMC reading but **pending Monday’s January print.** That’s not a huge deal, but they could signal that transitory inflation headwinds are lifting at the margin.
3. **Third, the depreciation in the USD since the last meeting would add somewhat to conviction that higher import prices will partially flow through to CPI and PCE.** The depreciation in the USD since the December meeting has been notable. Broad dollar weakness began at the start of last year and the broad trade-weighted dollar is now at the lows of the past two years. Given Fed research that estimates every 10% depreciation in the dollar adds ½% to inflation within two quarters and just over ¼% within four quarters, the dollar-induced inflation downdraft that was occurring last year is set to reverse higher this year. In fact, I wouldn’t be the least surprised to see 2% PCE inflation by mid-year.
4. Fourth, while it didn’t quite cross the 3% mark in Q4, **GDP growth was still respectable for the third straight quarter** following a soft patch entering the start of the year ([here](#) for more). It was above potential and so the output gap continues to edge further above zero into mild excess aggregate demand.

The other of the two main events of the week will be President Trump’s State of the Union address on Tuesday night at 9pmET.

It’s a toss-up whether that or a potentially scandalous interview on the Jimmy Kimmel show the same evening will get the higher ratings, but at least you won’t have to choose which one to focus on as one follows the other. Trump himself could very well be watching Kimmel...

Earnings risk will kick it up a notch with 120 S&P500 firms scheduled to release including Pfizer, Lockheed Martin, McDonald’s, Eli Lilly, Boeing, MetLife, AT&T, Facebook, Microsoft, eBay, Time Warner, UPS, Mastercard, Visa, Alphabet, Amazon, Mattel, Apple and Merck & Co among many others.

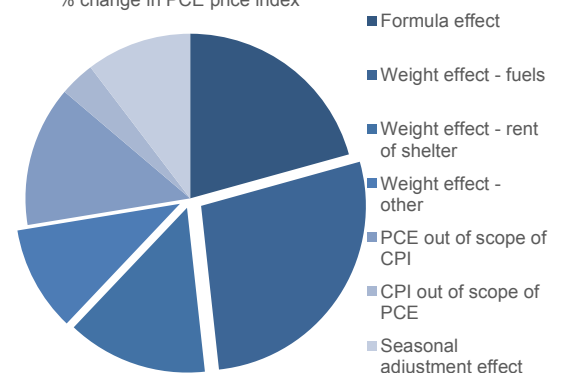
Data risk is best rattled off as follows.

1. PCE inflation (Monday): Will we continue to see building evidence of rising core inflation? Monday’s price deflator for personal consumption expenditures in December will update the Fed’s preferred metric and the issue is whether or not core PCE continues to rise. Consensus doesn’t think so and expects it to hold flat at 1.5% y/y. Then again, core CPI did tick higher in December to 1.8% y/y. There are many differences between core CPI and core PCE ([here](#)) and about half of the difference in the latest CPI and PCE reports was explainable by different weights on several key components like gasoline and shelter (chart 1). Consumer spending within the same report will offer no new information as it simply breaks out the December reading from the already known full quarter.

Chart 1

Differences Between PCE & CPI

% change in CPI vs.
% change in PCE price index



Sources: Scotiabank Economics, BEA.

2. Nonfarm payrolls (Friday): After December's somewhat disappointing pace of job creation (148k), will nonfarm payrolls deliver on expectations for accelerated job growth? I'm betting it will. More important, **will wage growth continue to trend higher** after partially rebounding over the past couple of months? There may be a high bar set for such expectations as it would take a seasonally unadjusted gain of at least as much as last January to drive the year-ago wage rate up by a faster pace of 2.6% y/y than the prior month's 2.5%. Last January's seasonally unadjusted gain was the strongest since 2011.

3. ISM manufacturing (Thursday): Declines in the Philly Fed and Richmond Fed regional metrics suggest that the ISM manufacturing headline will decline in January. If that happens, it would restore the slight softening trend in place since September after a temporary hurricane-related increase.

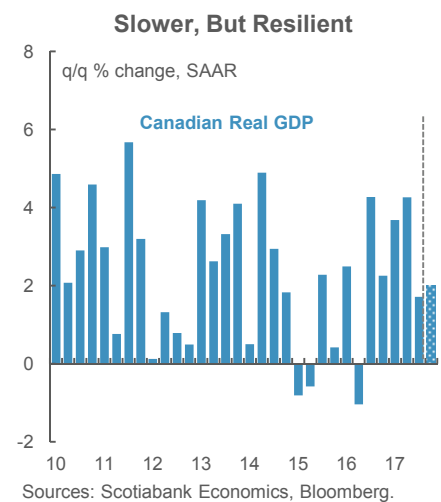
In addition to the top three marquee releases, we'll also get updates on house prices (Tuesday), the Conference Board's consumer confidence (Tuesday), ADP (Wednesday), pending home sales (Wednesday), construction spending (Thursday), vehicle sales (Thursday) and factory orders (Friday).

CANADA — THE PAST AND THE FUTURE

The conclusion of the sixth round of NAFTA negotiations and monthly GDP figures that will further inform how the economy ended 2017 will be the main events for Canada-watchers over the coming week. **By mid-week, we'll have a stronger understanding of how Canada's economy was performing and of how future risks may be evolving.**

GDP figures arrive on Wednesday. The economy probably put in a healthy pace of growth in November such that tracking for Q4 GDP growth likely improved to about the 2% annualized pace. That compares to the BoC's estimated growth rate of 2.5% for Q4 as provided in the January edition of the Monetary Policy Report. I figure the economy grew by about 0.5% m/m in November based upon a regression model of GDP versus several high-frequency readings. Manufacturing shipment volumes soared by 2.5% m/m and housing starts advanced by 13% m/m in seasonally adjusted terms. Retail sales volumes were up 0.3% m/m. Hours worked fell 0.7% m/m which requires a solid productivity gain in order to get decent GDP growth but hours worked then advanced by about double that pace the following month. Wholesale trade also put in a solid performance. Somewhat large declines in output in the agricultural, mining and utility sectors may reverse and add to headline gains although more of the upside through utilities is likely to come in ensuing months. After Canada's recent growth run a glass-half-empty bias would say the back half of 2017 was disappointing but a glass-half-full bias would say it was a minor miracle to get still pretty decent growth after the rapid growth experienced over the prior four quarters (chart 2).

Chart 2



By Monday we should have an advanced understanding of how the latest round of NAFTA negotiations went on the path to the seventh round in Mexico City in late February. The nine days spent on this round made it the longest yet which a) may be a positive about each party's seriousness but b) raise the expectations. The risks are complicated by the fact that US President Trump delivers his second State of the Union address on Tuesday evening and will either laud the negotiations as an example of how his emphasis upon renegotiations can work, or point to the round as a failure to put American interests first and escalate his warnings. Given his recent remarks, he will likely repeat that he may or may not withdraw from NAFTA even though all he could control would be delivery of intent to withdraw but not the ultimate decision six months later. It's unclear whether the International Trade Commission's decision to block the Commerce Department's bid to impose tariffs on Bombardier's planes will agitate the President but the fact that an American agency reached this decision is encouraging to NAFTA watchers.

Earnings risk will be modest with just six TSX firms on tap including Metro.

ASIA — CHINA'S GROWTH SIGNALS

Growth signals from China's economy and inflation reports from several economies across the region will combine with Japan's regular monthly data dump to influence global and regional markets.

There are three issues to consider when monitoring the release of China’s purchasing managers’ indices next week. The state’s manufacturing and non-manufacturing PMIs for the month of January will be released on Tuesday night eastern time while the private manufacturing PMI arrives the following day. As a general observation they have lagged progress in other countries (charts 3, 4). The first issue is whether China’s manufacturing sector faces upside risks in lagging fashion to elsewhere in the world as conditions improve in its core export markets. The second issue is whether there could be distortions brought about through average seasonal adjustments since the Lunar New Year holiday is relatively late this year (February 16th). Production shut downs and advance preparation won’t happen until next month and will then begin to recover before the end of February and hence the effects won’t straddle the two months. The third issue is momentum in the non-manufacturing—primarily service—sector, which matters more to GDP growth than manufacturing. We think it most assuredly will continue to outperform the manufacturing sector.

Four economies update inflation figures. Australia’s Q4 CPI inflation rate is expected to cross back above 2% y/y after waning slightly over the prior couple of quarters partly on base effects and energy prices. The trimmed mean and weighted median central tendency inflation figures are expected to remain just beneath 2% y/y and hence slightly beneath the RBA’s 2–3% inflation target range. **Thailand’s inflation rate** of 0.8% y/y in December is well below the Bank of Thailand’s 2.5% +/-1.5% target range and will remain well below next week. **Indonesia’s inflation rate** was 3.6% y/y in December—well within the 3–5% inflation range and likely to remain so. **South Korea’s inflation rate** of 1.5% y/y in December was below the 2% target and it too is likely to remain below target but then rise to it by 2018H2; hence one reason why the Bank of Korea hiked its policy rate in November given the lagging effects of monetary policy adjustments.

Japan updates regular monthly data like household spending, retail sales, the jobless rate, industrial production, vehicle production and housing starts early on in the week. The BoJ’s summary of opinions on Tuesday follows the recent BoJ meeting that largely tamped down expectations for reduced stimulus anytime soon. Tactical BoJ purchases of JGBs across all maturities early in the week will be monitored by traders albeit in the context of the BoJ having rightly cautioned to pay more attention to the 0% nominal 10 year yield target than tactical purchases.

Other regional developments will be fairly tame including trade figures from New Zealand, South Korea and Thailand, Q4 GDP from Taiwan and industrial production from South Korea.

LATIN AMERICA — GAUGING CURRENCY EFFECTS

Most of the regional market focus will be upon central bank and inflation dynamics but evidence of a growth bottom in Mexico is also expected. I would particularly watch for the risk of currency remarks on the back of appreciation relative to the USD so far this year (chart 5).

Banco Central de la Republica de Colombia will probably leave its overnight lending rate at 4.75% next Thursday. A considerable minority expects another rate cut; in fact, they number six out of fifteen forecasters in Bloomberg’s consensus. Scotia expects a hold. For one thing, BanRep’s co-director José Antonio Ocampo recently remarked the “Room to cut interest rates is limited because we have already cut them

Chart 3

Global Manufacturing

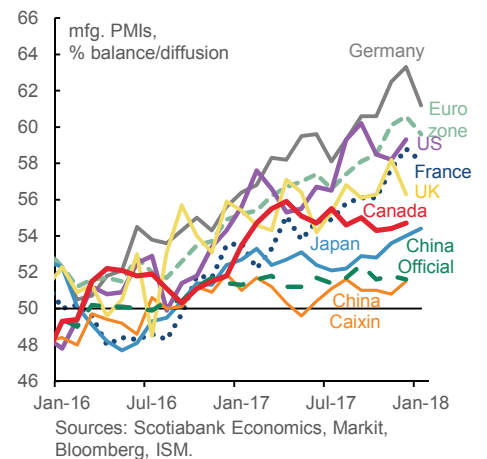


Chart 4

Global Services

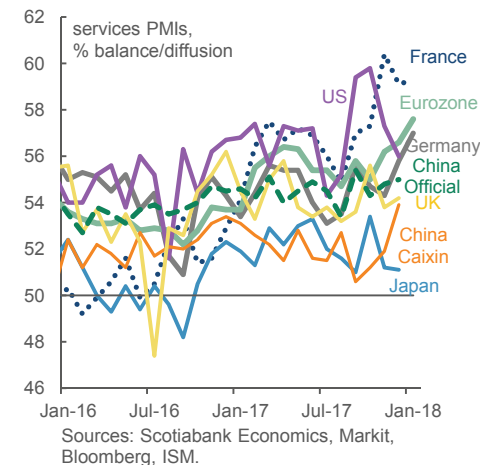
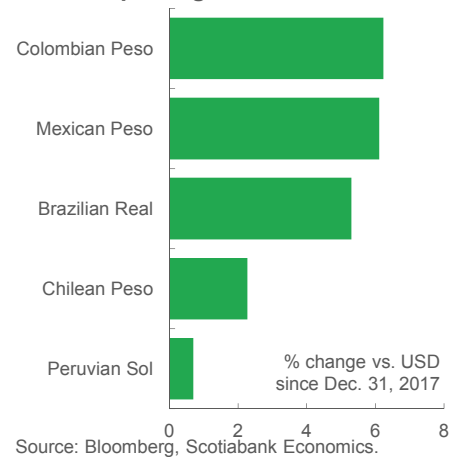


Chart 5

USD Weakness Is Also Impacting LatAm Markets



by three percentage points and if you take into account core inflation, which in my opinion is what we should take into account for monetary policy, in real terms it was practically zero in December.” Note that he did not guide that there was no room for considering a cut. Then again, headline CPI inflation was 4.1% y/y in December and core was at 5% y/y compared to the inflation target range of 2–4%. Inflation seems to have bottomed over the back half of last year after declining from a peak of 9% in July of 2016—but consensus still anticipates somewhat further downward pressure over 2018H1 toward the mid-point of the target range.

Banco Central de Chile is also expected to hold its policy rate at 2.5% next Thursday. It has been parked there since an easing campaign ended last May with successful influences upon inflation. Inflation is running at 2.3% y/y and thus toward the lower end of the 2–4% target range, but that’s a pick-up from the trough of 1.5% inflation set just last September. Chilean growth signals will arrive via industrial production on Wednesday and retail sales on Friday, but the economy’s growth rate has already improved from nothing a year ago to 2.2% y/y in Q3 and is expected to hold at a similar rate in Q4.

Then there’s Peru. **Inflation has been in freefall over the past two years and the decline has accelerated over the past few months.** December’s CPI inflation rate fell to 1.4% y/y which is getting toward the lower bound of the 1–3% policy target range. January’s CPI inflation rate could be similar. Guillermo Arbe Carbonel, who leads the Scotiabank Economics team in Peru, thinks that seasonal rains might put food prices under upward pressure and therefore the central bank might hold off until March or April to cut rates again and sit out its February meeting.

Mexico’s Q4 GDP print (Tuesday) is expected to begin to turn upward off a bottom of 1.5% y/y in Q3, closing on almost 2% growth by Scotiabank Economics’ estimation. Growth could gradually improve somewhat further to the 2 ½% mark later this year thanks to an improving export growth profile and a modest expected improvement in business investment plus government spending.

EUROPE — THE RACE TO 4%

Top shelf data risk across the Eurozone and UK may combine with ongoing negotiations to form a German coalition government backing Chancellor Merkel to shape the near-term direction of market risks. Currency market volatility has been driven by unstable remarks from the US administration including President Trump’s correction of Treasury Secretary Mnuchin’s comments, and is likely to continue over the coming week perhaps driven by the aftermath of Davos.

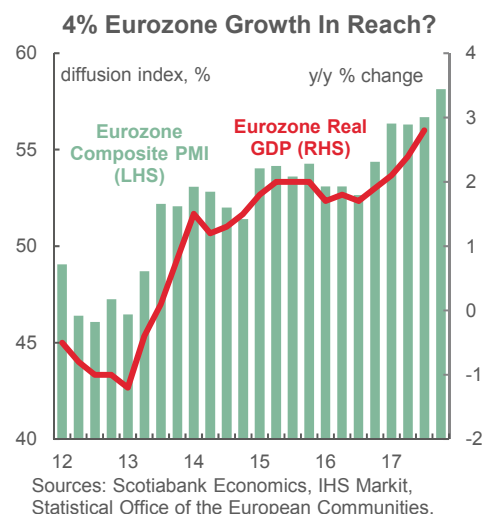
US President Donald Trump set 4% growth as a target and it is on the verge of being achieved. Just not in the US. **The Eurozone economy is more likely to soon hit 4% GDP growth judging by signals sent through purchasing managers’ indices (chart 6), though it will probably not happen as fast as in next Tuesday’s Q4 GDP print.** Nevertheless, growth momentum has been steadily improving since the end of 2016 albeit at what has so far been relative underperformance to three consecutive quarters of roughly 3% growth in the US.

The first Eurozone CPI inflation print of 2018 will further inform the debate over the ECB policy outlook. Inflation data has nevertheless shifted behind currency risks in the pecking order of factors that carry the potential to motivate a fundamental reassessment of monetary policy directions. Recall that ECB President Draghi recently locked horns with US Treasury Secretary Mnuchin about as directly as a central banker tends to in relation to a top foreign policy official when he stated the following:

“The exchange rate has moved in part because of endogenous reasons, namely the improvement in the economy, in part due to exogenous reasons that have to do with communication. But not by the ECB, but by someone else. This someone else’s communication doesn’t comply with the agreed terms of references.”

Draghi went on to remark that Mnuchin’s comments and the divisive inward focus of US policy was disturbing to the Governing Council:

Chart 6



“This concern was broader than simply the exchange rate, it was about the overall status of international relations right now. There is also an additional concern. If all this was to lead to an unwanted tightening of monetary policy which is not warranted then we would have to think about our monetary policy strategy.”

The clear signal here was not to push the ECB too far on currency war rhetoric that would motivate a strong shove back against euro strength. As this risk continues to be assessed, **January’s Eurozone inflation figures are unlikely to provide material traction with core CPI likely to remain stuck at just under 1% or close to it.** Wednesday’s Eurozone add-up and releases from France and Spain will be preceded by German CPI on Tuesday and followed by Italy on Friday.

Of course the two issues of currency strength and the inflation outlook are at least partly intertwined by way of estimates of exchange rate pass-through effects into import prices. [This](#) ECB working paper from 2016 estimated that a 10% nominal exchange rate appreciation lowers Euro Area import prices by about 4½% within one year. The Euro on a nominal effective exchange rate basis has appreciated by over 8% since last Spring. [This](#) ECB working paper from about a year ago estimates small pass-through effects to CPI but one that is conditioned on the nature of the exchange rate shock with higher estimates for shocks derived from monetary policy changes and exogenous changes (e.g. of the sort the US administration may be foisting upon its trading partners) than for global supply shocks.

Across the channel, **UK purchasing managers’ indices** will be closely watched to see whether small declines in the manufacturing and construction sector readings to end 2017 are carrying over into the start of 2018.

Consumer spending updates from France, Germany and the UK and confidence readings from the Eurozone round out the macro data risks.

Key Indicators for the week of January 29 – February 2
NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	01/29	08:30	PCE Deflator (m/m)	Dec	0.1	0.1	0.2
US	01/29	08:30	PCE Deflator (y/y)	Dec	1.7	1.7	1.8
US	01/29	08:30	PCE ex. Food & Energy (m/m)	Dec	0.2	0.2	0.1
US	01/29	08:30	PCE ex. Food & Energy (y/y)	Dec	1.5	1.5	1.5
US	01/29	08:30	Personal Spending (m/m)	Dec	0.4	0.4	0.6
US	01/29	08:30	Personal Income (m/m)	Dec	0.3	0.3	0.3
US	01/29	10:30	Dallas Fed. Manufacturing Activity	Jan	--	25.4	29.7
MX	01/30	09:00	GDP (q/q)	4Q P	--	--	-0.3
MX	01/30	09:00	GDP (y/y)	4Q P	1.9	--	1.5
US	01/30	09:00	S&P/Case-Shiller Home Price Index (m/m)	Nov	--	0.6	0.7
US	01/30	09:00	S&P/Case-Shiller Home Price Index (y/y)	Nov	--	6.4	6.4
US	01/30	10:00	Consumer Confidence Index	Jan	122	123	122
US	01/31	07:00	MBA Mortgage Applications (w/w)	JAN 26	--	--	4.5
US	01/31	08:15	ADP Employment Report (000s m/m)	Jan	200	183	250
CA	01/31	08:30	IPPI (m/m)	Dec	--	0.0	1.4
CA	01/31	08:30	Raw Materials Price Index (m/m)	Dec	--	-2.5	5.5
CA	01/31	08:30	Real GDP (m/m)	Nov	0.5	0.4	0.0
US	01/31	08:30	Employment Cost Index (q/q)	4Q	--	0.6	0.7
US	01/31	09:45	Chicago PMI	Jan	--	64.0	67.8
US	01/31	10:00	Pending Home Sales (m/m)	Dec	0.4	0.5	0.2
US	01/31	14:00	FOMC Interest Rate Meeting (%)	Jan 31	1.50	1.50	1.50
US	02/01	08:30	Initial Jobless Claims (000s)	JAN 27	235	235	233
US	02/01	08:30	Continuing Claims (000s)	JAN 20	1930	1925	1937
US	02/01	08:30	Productivity (q/q a.r.)	4Q P	--	1.0	3.0
US	02/01	08:30	Unit Labor Costs (q/q a.r.)	4Q P	--	0.9	-0.2
US	02/01	10:00	Construction Spending (m/m)	Dec	0.3	0.4	0.8
US	02/01	10:00	ISM Manufacturing Index	Jan	58.0	58.6	59.3
US	02/01		Domestic Vehicle Sales (mn a.r.)	Jan	--	13.5	13.7
US	02/01		Total Vehicle Sales (mn a.r.)	Jan	17.4	17.3	17.8
US	02/02	08:30	Nonfarm Employment Report (000s m/m)	Jan	200	180	148
US	02/02	08:30	Unemployment Rate (%)	Jan	4.0	4.1	4.1
US	02/02	08:30	Household Employment Report (000s m/m)	Jan	--	--	104.0
US	02/02	08:30	Average Hourly Earnings (m/m)	Jan	--	0.3	0.3
US	02/02	08:30	Average Hourly Earnings (y/y)	Jan	2.5	2.6	2.5
US	02/02	08:30	Average Weekly Hours	Jan	--	34.5	34.5
US	02/02	10:00	Factory Orders (m/m)	Dec	0.7	1.3	1.3
US	02/02	10:00	U. of Michigan Consumer Sentiment	Jan F	--	95.0	94.4

EUROPE

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
GE	JAN 27-	FEB 3	Retail Sales (m/m)	Dec	--	-0.4	1.8
UK	JAN 28-	FEB 3	Nationwide House Prices (m/m)	Jan	0.2	0.1	0.6
SP	01/29	03:00	Real Retail Sales (y/y)	Dec	--	--	2.9
FR	01/30	01:30	GDP (q/q)	4Q A	--	0.6	0.6
FR	01/30	02:45	Consumer Spending (m/m)	Dec	--	0.1	2.2
SP	01/30	03:00	Real GDP (q/q)	4Q P	--	0.7	0.8
UK	01/30	04:30	Net Consumer Credit (£ bn)	Dec	--	1.4	1.4
EC	01/30	05:00	Business Climate Indicator	Jan	--	1.7	1.7
EC	01/30	05:00	Economic Confidence	Jan	--	116	116
EC	01/30	05:00	GDP (q/q)	4Q A	--	0.6	0.7
EC	01/30	05:00	Industrial Confidence	Jan	--	8.9	9.1
GE	01/30	08:00	CPI (m/m)	Jan P	--	-0.6	0.6
GE	01/30	08:00	CPI (y/y)	Jan P	--	1.7	1.7
GE	01/30	08:00	CPI - EU Harmonized (m/m)	Jan P	--	-0.7	0.8
GE	01/30	08:00	CPI - EU Harmonized (y/y)	Jan P	--	1.6	1.6
UK	01/30	19:01	GfK Consumer Confidence Survey	Jan	-13.0	-13.0	-13.0

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

Key Indicators for the week of January 29 – February 2

EUROPE (continued from previous page)

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
FR	01/31	02:45	CPI (m/m)	Jan P	--	-0.3	0.3
FR	01/31	02:45	CPI (y/y)	Jan P	--	1.2	1.2
FR	01/31	02:45	CPI - EU Harmonized (m/m)	Jan P	--	-0.5	0.4
FR	01/31	02:45	CPI - EU Harmonized (y/y)	Jan P	--	1.1	1.2
FR	01/31	02:45	Producer Prices (m/m)	Dec	--	--	0.0
SP	01/31	03:00	CPI (m/m)	Jan P	--	-1.0	0.0
SP	01/31	03:00	CPI (y/y)	Jan P	--	0.9	1.1
SP	01/31	03:00	CPI - EU Harmonized (m/m)	Jan P	--	-1.4	0.0
SP	01/31	03:00	CPI - EU Harmonized (y/y)	Jan P	--	0.8	1.2
GE	01/31	03:55	Unemployment (000s)	Jan	--	-17.0	-29.0
GE	01/31	03:55	Unemployment Rate (%)	Jan	--	5.4	5.5
SP	01/31	04:00	Current Account (€ bn)	Nov	--	--	1.7
EC	01/31	05:00	Euro zone CPI Estimate (y/y)	Jan	--	1.3	1.4
EC	01/31	05:00	Euro zone Core CPI Estimate (y/y)	Jan A	--	1.0	0.9
EC	01/31	05:00	Unemployment Rate (%)	Dec	--	8.7	8.7
IT	02/01	03:45	Manufacturing PMI	Jan	--	57.4	57.4
UK	02/01	04:30	Manufacturing PMI	Jan	57.0	56.5	56.3
IT	02/01		Budget Balance (€ bn)	Jan	--	--	14.9
IT	02/01		Budget Balance YTD (€ bn)	Jan	--	--	-53.2
UK	02/02	04:30	PMI Construction	Jan	--	52.0	52.2
EC	02/02	05:00	PPI (m/m)	Dec	--	0.2	0.6
IT	02/02	05:00	CPI (m/m)	Jan P	--	0.3	0.4
IT	02/02	05:00	CPI (y/y)	Jan P	--	0.9	0.9
IT	02/02	05:00	CPI - EU Harmonized (m/m)	Jan P	--	-1.7	0.3
IT	02/02	05:00	CPI - EU Harmonized (y/y)	Jan P	--	0.8	1.0

ASIA-PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
SK	01/29	16:00	Business Survey- Manufacturing	Feb	--	--	82.0
SK	01/29	16:00	Business Survey- Non-Manufacturing	Feb	--	--	78.0
NZ	01/29	16:45	Trade Balance (NZD mn)	Dec	--	-125	-1193
NZ	01/29	16:45	Exports (NZD bn)	Dec	--	5.0	4.6
NZ	01/29	16:45	Imports (NZD bn)	Dec	--	5.1	5.8
JN	01/29	18:30	Household Spending (y/y)	Dec	--	1.5	1.7
JN	01/29	18:30	Jobless Rate (%)	Dec	2.7	2.7	2.7
JN	01/29	18:50	Large Retailers' Sales (y/y)	Dec	--	0.5	1.4
JN	01/29	18:50	Retail Trade (m/m)	Dec	--	-0.2	1.9
JN	01/29	18:50	Retail Trade (y/y)	Dec	--	2.1	2.2
PH	JAN 28-31		Budget Deficit/Surplus (PHP bn)	Dec	--	--	-8.6
SK	JAN 28- FEB 2		Discount Store Sales (y/y)	Dec	--	--	0.0
SK	JAN 28- FEB 2		Department Store Sales (y/y)	Dec	--	--	8.5
SK	01/30	18:00	Industrial Production (m/m)	Dec	--	0.1	0.2
SK	01/30	18:00	Industrial Production (y/y)	Dec	--	-2.4	-1.6
SK	01/30	18:00	Cyclical Leading Index Change	Dec	--	--	-0.1
JN	01/30	18:50	Industrial Production (m/m)	Dec P	--	1.5	0.5
JN	01/30	18:50	Industrial Production (y/y)	Dec P	--	3.2	3.6
AU	01/30	19:30	Consumer Prices (y/y)	4Q	1.9	2.0	1.8
AU	01/30	19:30	Consumer Prices (q/q)	4Q	--	0.7	0.6
AU	01/30	19:30	Private Sector Credit (m/m)	Dec	--	0.5	0.5
AU	01/30	19:30	Private Sector Credit (y/y)	Dec	--	5.2	5.4
CH	01/30	20:00	Manufacturing PMI	Jan	51.5	51.5	51.6
CH	01/30	20:00	Non-manufacturing PMI	Jan	--	55.0	55.0
JN	01/30	23:00	Vehicle Production (y/y)	Dec	--	--	0.9
JN	01/31	00:00	Consumer Confidence	Jan	--	44.9	44.7
JN	01/31	00:00	Housing Starts (y/y)	Dec	--	1.1	-0.4
JN	01/31	00:00	Construction Orders (y/y)	Dec	--	--	20.5
TH	01/31	02:30	Exports (y/y)	Dec	--	--	12.3
TH	01/31	02:30	Imports (y/y)	Dec	--	--	11.9
TH	01/31	02:30	Trade Balance (US\$ mn)	Dec	--	--	3335
TH	01/31	02:30	Current Account Balance (US\$ mn)	Dec	--	--	5285

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

Key Indicators for the week of January 29 – February 2

ASIA-PACIFIC (continued from previous page)

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
TA	01/31	03:00	Real GDP (y/y)	4Q P	2.9	2.5	3.1
IN	01/31	06:00	Fiscal Deficit (INR Crore)	Dec	--	--	86784
SK	01/31	18:00	CPI (m/m)	Jan	--	0.4	0.3
SK	01/31	18:00	CPI (y/y)	Jan	1.3	1.3	1.5
SK	01/31	18:00	Core CPI (y/y)	Jan	--	--	1.5
SK	01/31	19:00	Exports (y/y)	Jan	--	24.4	8.9
SK	01/31	19:00	Imports (y/y)	Jan	--	16.0	13.0
SK	01/31	19:00	Trade Balance (US\$ mn)	Jan	--	4936	5539
AU	01/31	19:30	Building Approvals (m/m)	Dec	--	-7.6	11.7
CH	01/31	20:45	HSBC Flash China Manufacturing PMI	Jan	--	51.5	51.5
CH	01/31	20:45	HSBC Manufacturing PMI	Jan	51.4	51.5	51.5
ID	01/31	22:00	CPI (y/y)	Jan	3.4	--	3.6
ID	01/31	22:00	Core CPI (y/y)	Jan	--	--	3.0
TH	01/31	22:00	CPI (y/y)	Jan	0.9	0.7	0.8
TH	01/31	22:00	CPI (m/m)	Jan	--	0.1	-0.1
TH	01/31	22:00	Core CPI (y/y)	Jan	--	0.6	0.6
ID	01/31	23:00	CPI (m/m)	Jan	--	--	0.7
HK	JAN 30-31		Govt Monthly Budget Surp/Def (HKD bn)	Dec	--	--	22.5
PH	JAN 30-31		Bank Lending (y/y)	Dec	--	--	18.4
JN	02/01	00:00	Vehicle Sales (y/y)	Jan	--	--	-1.0
TH	02/01	02:30	Business Sentiment Index	Jan	--	--	50.2
HK	02/01	03:30	Retail Sales - Value (y/y)	Dec	--	6.2	7.5
HK	02/01	03:30	Retail Sales - Volume (y/y)	Dec	--	--	6.9
NZ	02/01	16:00	ANZ Consumer Confidence Index	Jan	--	--	121.8
JN	02/01	18:50	Monetary Base (y/y)	Jan	--	--	11.2
AU	02/01	19:30	Producer Price Index (q/q)	4Q	--	--	0.2
AU	02/01	19:30	Producer Price Index (y/y)	4Q	--	--	1.6
JN	JAN 31- FEB 7		Official Reserve Assets (US\$ bn)	Jan	--	--	1264
SI	02/02	08:00	Purchasing Managers Index	Jan	--	--	52.8

LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CO	01/29		Overnight Lending Rate (%)	Jan 29	4.75	4.63	4.75
CL	01/31	07:00	Industrial Production (y/y)	Dec	0.4	0.4	1.9
CL	01/31	07:00	Unemployment Rate (%)	Dec	6.4	6.3	6.5
CO	01/31	10:00	Urban Unemployment Rate (%)	Dec	--	10.1	9.6
PE	02/01	00:00	Consumer Price Index (m/m)	Jan	0.25	--	0.16
PE	02/01	00:00	Consumer Price Index (y/y)	Jan	1.4	--	1.4
BZ	02/01	06:00	Industrial Production SA (m/m)	Dec	--	--	0.2
BZ	02/01	06:00	Industrial Production (y/y)	Dec	--	--	4.7
BZ	02/01	08:00	PMI Manufacturing Index	Jan	--	--	52.4
CL	02/01	16:00	Nominal Overnight Rate Target (%)	Feb 1	2.50	2.50	2.50
BZ	FEB 1-5		Trade Balance (FOB) - Monthly (US\$ mn)	Jan	--	--	4998
CL	02/02	07:00	Retail Sales (y/y)	Dec	4.3	4.3	5.7

Global Auctions for the week of January 29 – February 2

EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
IT	01/30	05:00	Italy to Sell Up to EUR1.75 Bln 0.9% 2022 Bonds
IT	01/30	05:00	Italy to Sell Up to EUR2 Bln Floating 2025 Bonds
IT	01/30	05:00	Italy to Sell Up to EUR4.5 Bln 2% 2028 Bonds
IT	01/30	05:00	Italy to Sell Up to EUR750 Mln 2.8% 2067 Bonds
SP	01/31	04:40	Spain Bond Auction
NO	01/31	05:05	Norway to Sell Bonds
GE	01/31	05:30	Germany to Sell EUR4 Bln 2023 Bonds
SP	02/01	04:30	Spain to Sell 0.05% 2021 Bonds
SP	02/01	04:30	Spain to Sell 0.65% I/L 2027 Bonds
SP	02/01	04:30	Spain to Sell 2.15% 2025 Bonds
SP	02/01	04:30	Spain to Sell 4.7% 2041 Bonds
FR	02/01	04:50	France to Sell 0.75% 2028 Bonds
FR	02/01	04:50	France to Sell 1.25% 2034 Bonds
FR	02/01	04:50	France to Sell 1.75% 2066 Bonds
SW	02/01	05:03	Sweden to Sell SEK500 Mln 0.125% I/L 2026 Bonds

ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
JN	01/29	22:45	Japan to Sell 2-Year Bonds
CH	01/30	21:35	China to Sell CNY20 Bln 10-Yr Bonds
CH	01/30	21:35	China To Sell CNY20 Bln 1-Yr Bonds
NZ	01/31	20:05	New Zealand To Sell NZD100 Mln 2.5% 2040 Bonds
JN	01/31	22:45	Japan to Sell 10-Year Bonds
AU	02/01	19:00	Australia Plans To Sell AUD500 Mln 3% Bonds Due 2047

Events for the week of January 29 – February 2

NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	01/30	09:00	The Federal Open Market Committee (FOMC) holds a closed door meeting
US	01/31	14:00	FOMC Rate Decision
US	02/02	15:30	Fed's Williams Speaks in San Francisco

EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
SW	01/29	03:15	Riksbank's Ingves Gives Speech in Frankfurt
EC	01/29	05:45	ECB's Lautenschlaeger Speaks in Frankfurt
SW	01/29	06:00	Riksbank's af Jochnick Gives Speech
EC	01/29	11:00	ECB's Coeure Speaks in Paris
EC	01/29		EU27 ministers meet in Brussels to finalize Brexit directives
UK	01/30	10:30	Bank of England Governor Carney Speaks Before Lawmakers
EC	01/30	11:30	ECB's Mersch speaks in Frankfurt
SW	01/31	04:00	Riksbank's Ingves Gives Speech in Oslo
EC	01/31	04:50	ECB's Coeure Speaks in Dublin
EC	02/01	06:15	ECB's Praet Speaks in Brussels
UK	02/01	12:30	BOE's Brazier Speaks in London
EC	02/02	05:00	ECB's Coeure Speaks in Kranj, Slovenia
SW	02/02		Sweden Sovereign Debt to be rated by Fitch

ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
JN	01/30	20:30	BOJ Iwata makes a speech in Oita

LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CO	01/29		Overnight Lending Rate
CL	02/01	16:00	Overnight Rate Target

Global Central Bank Watch

NORTH AMERICA

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
Bank of Canada – Overnight Target Rate	1.25	March 7, 2018	1.25	1.25
Federal Reserve – Federal Funds Target Rate	1.50	January 31, 2018	1.50	1.50
Banco de México – Overnight Rate	7.25	February 8, 2018	7.25	--

Federal Reserve: A statement-only affair on Wednesday afternoon could strike a slightly more hawkish tone given developments since the last FOMC meeting in December. They include passage of the Tax Cuts and Jobs Act, slightly higher core PCE inflation pending Monday's update, the depreciation in the dollar and its influences upon inflation, and decent Q4 GDP growth. This will be Chair Yellen's final meeting.

EUROPE

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
European Central Bank – Refinancing Rate	0.00	March 8, 2018	0.00	--
Bank of England – Bank Rate	0.50	February 8, 2018	0.50	0.50
Swiss National Bank – Libor Target Rate	-0.75	March 15, 2018	-0.75	--
Central Bank of Russia – One-Week Auction Rate	7.75	February 9, 2018	7.75	--
Sweden Riksbank – Repo Rate	-0.50	February 14, 2018	-0.50	-0.50
Norges Bank – Deposit Rate	0.50	March 15, 2018	0.50	--
Central Bank of Turkey – Benchmark Repo Rate	8.00	March 7, 2018	8.00	--

ASIA PACIFIC

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
Bank of Japan – Policy Rate	-0.10	March 9, 2018	-0.10	--
Reserve Bank of Australia – Cash Target Rate	1.50	February 5, 2018	1.50	1.50
Reserve Bank of New Zealand – Cash Rate	1.75	February 7, 2018	1.75	1.75
People's Bank of China – Lending Rate	4.35	TBA	--	--
Reserve Bank of India – Repo Rate	6.00	February 7, 2018	6.00	--
Bank of Korea – Bank Rate	1.50	February 27, 2018	1.50	--
Bank of Thailand – Repo Rate	1.50	February 14, 2018	1.50	--
Bank Negara Malaysia – Overnight Policy Rate	3.25	March 7, 2018	3.25	3.25
Bank Indonesia – 7-Day Reverse Repo Rate	4.25	February 15, 2018	4.25	--

LATIN AMERICA

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
Banco Central do Brasil – Selic Rate	7.00	February 7, 2018	7.00	--
Banco Central de Chile – Overnight Rate	2.50	February 1, 2018	2.50	2.50
Banco de la República de Colombia – Lending Rate	4.75	January 29, 2018	4.75	4.63
Banco Central de Reserva del Perú – Reference Rate	3.00	February 8, 2018	3.00	--

Banco Central de Chile is expected to hold its policy rate again with inflation running at the lower end of its target range but rising while growth is improving. **Banco de la República de Colombia (BanRep):** No rate change is expected but there is a risk of a cut as inflation has recently stabilized but may encounter renewed downward pressure this year.

AFRICA

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
South African Reserve Bank – Repo Rate	6.75	March 28, 2018	6.75	--

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