December 9, 2016

THE FED AND FIFTEEN OTHERS

FEATURE ARTICLES

FORECASTS & DATA

CONTACTS

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Next Week's Risk Dashboard

- FOMC
- BoE
- Banxico
- Bank of Russia
- A dozen other CBs
- US CPI, retail sales, industrial data
- European PMI, ZEW surveys
- Chinese growth signals
- CDN manufacturing, home sales
- Australian jobs
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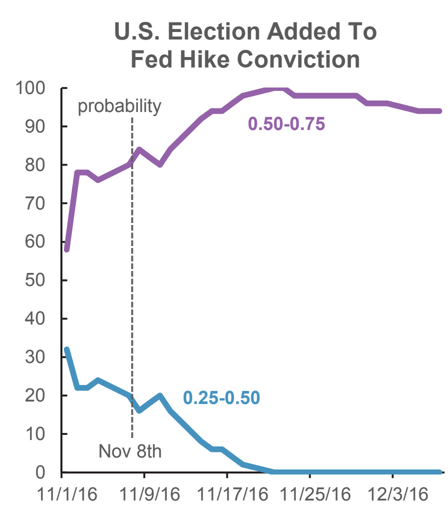
Chart of the Week



Source: Scotiabank Economics, Bloomberg.

Chart of the Week: Prepared by: Samantha Cameron, Research Assistant.

The Fed — And Fifteen Others

Central banks will be pretty much the only — or at least the main — game in town across all major geographical regions next week. While the ECB, Bank of Canada and RBA may be out of the way until the new year after recent policy decisions, no less than sixteen other central banks will issue rate decisions across a mixture of globally impactful institutions and central banks of strictly local market significance. Quite a few of them span across many of my employer's and our clients' core markets. Decisions will be delivered by the Federal Reserve; Bank of England; Swiss National Bank; Russia Central Bank; four LatAm central banks including Banxico, Chile, Colombia and Peru; Norges Bank, Bank of Korea, Bank Indonesia, Iceland, and three banks in Africa. Almost all of them will *follow* the Federal Reserve meeting and so the emerging market central banks may adjust their stances and guidance on the basis of what incremental risk the Fed poses to capital flight — or return — considerations. Significant data risk will also unfold across numerous markets while other forms of global event risk should be fairly low.

UNITED STATES — HIKE, THEN WHAT?

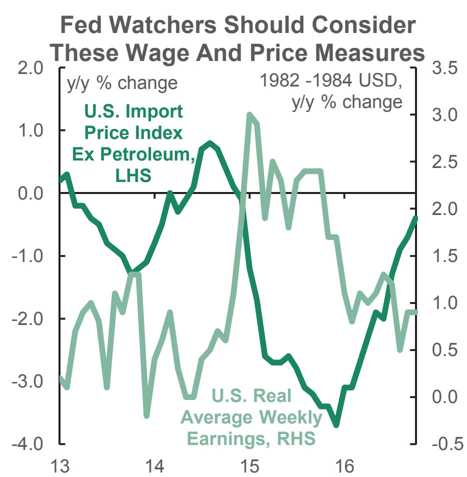
The last thing the Federal Reserve likely wants to do with its policy decision on Wednesday is to fan the flames of the bond and currency markets. That would risk short-circuiting progress toward its dual mandate goals at a point of heightened uncertainty overhanging the outlook due to the new incoming US administration. The dovish hike redux is my bet for next Wednesday in a replay of what they did the last time the Fed hiked a year ago almost to the day. The tools may differ this time, but with the potential benefits of Trumponomics still uncertain in magnitude and timing while the risks to potential shifts in US trade and geopolitical policies are being ignored by markets, the Fed will likely attempt to tamp down or at least not further exacerbate dollar and rate pressures on the dual mandate. You see, the likely pain precedes the uncertain gain when it comes to Trumponomics and the Fed is likely to buy some time to assess this risk by retaining a very gradual bias on future rate moves. See page 8 for a fuller preview.

Everything else is unlikely to matter anywhere nearly as much. What may matter to markets will include:

- **Retail sales:** November's release on Wednesday will include Black Friday/Thanksgiving/Cyber Monday effects and therefore provide an indication of consumer sentiment into the key holiday shopping season. A decent, but slower rise than registered the prior month is expected.
- **CPI:** The Fed will have an idea through their own tracking, but the latest inflation print for November arrives on Thursday and hence after the FOMC meeting. Modest further upward pressure on headline and core is expected. Of course, the Fed's preferred measure of inflation doesn't arrive until December 22.
- **Industrial production:** November's reading arrives on Wednesday ahead of the Fed but won't matter. A small decline is expected and would fit the pattern of recently soft readings out of Germany and the UK.
- **Philly Fed:** The diffusion index will help inform expectations for the next ISM print when the December reading arrives Thursday.
- **Housing starts:** Another November indicator will also feed into revised Q4 GDP growth tracking along with retail sales and industrial production. A steep pull-back is likely on Friday following a massive gain the prior month. Starts (and completed resales) will take a backseat to new home sales, pending home sales and weekly mortgage purchase applications as higher-frequency and more current readings show housing's resilience — or lack thereof — in the face of a significant backing up in mortgage rates.

What won't likely matter to markets immediately but may be worth paying attention to nonetheless will include updates on two key trends (chart 1):

Chart 1



Source: Scotiabank Economics, Bureau of Labor Statistics.

- **Import prices:** November's reading on Tuesday is expected to drop on a combination of dollar and commodity influences. The pace of declining import prices had been easing over the past year but dollar strength may cap that improvement and place renewed downward pressure going forward. I would also watch producer prices the next day (Wednesday) for similar reasons.

- **Inflation-adjusted wages:** Monthly data on average inflation-adjusted weekly earnings on Thursday should be worth a glance by Fed watchers. The prior reading for October was up by only 0.9% y/y and the pace of gains has cooled since peaking at about 3% y/y in early 2015. Nominal wage gains have been outpaced by faster inflation squeezing real wage growth such that the Fed likely shouldn't be too comfortable with progress toward full(er) employment that is not boosting real wage growth.

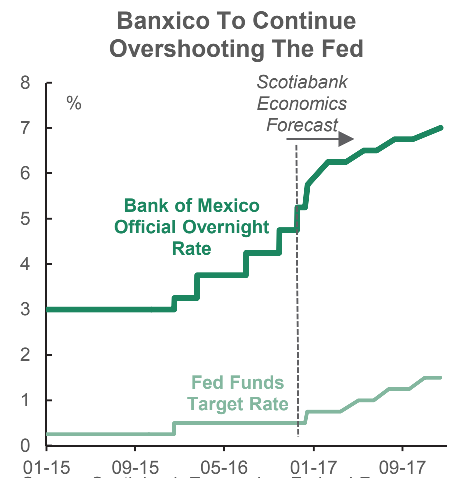
Also note that the US Treasury will reel in new supply ahead of the Fed through auctions for 3s, 10s in a reopening, and 30s in a reopening on Monday and Tuesday.

LATIN AMERICA — BANXICO TO HIKE WHILE OTHER CENTRAL BANKS STAND PAT

Four of the main central banks across LatAm markets will issue policy decisions next week. One is expected to hike in order to combat inflationary pressures but the rest are probably in holding patterns as they assess inflation risk relative to targets.

Banco de Mexico is expected to hike its overnight rate again by 50bps on Thursday. Peso depreciation has been associated with a rise in CPI inflation from 2.1% y/y at the end of last year to 3.3% now which is the fastest pace of inflation since the end of 2014. Having already raised its overnight rate by 225bps over the past year, a recent Bloomberg consensus poll expects another Banxico hike next week and two more next year that would take the rate up to 6%. Scotia Economics expects more hikes than consensus, with the overnight rate rising to 7% by the end of next year and thus substantially outpacing the Federal Reserve (chart 2). Following if not exceeding the Fed in order to contain downside risk to the peso and hence upside risk to inflation will likely remain a key risk throughout 2017.

Chart 2



Source: Scotiabank Economics, Federal Reserve, Banco de Mexico.

Banco Central de Reserva del Peru is expected to hold its policy reference rate at 4.25% on Thursday. For that matter, a recent Bloomberg consensus poll indicated that the median call was for a policy hold throughout the next year. Medians can mask any underlying divergence of opinions, however, and so it's worth noting that the sample was very limited to only six shops with one forecasting only to Q1 next year, another expecting 75bps in cuts and another shop expecting 100bps in hikes through to the end of 2017. Inflation has been cooling recently but, at 3.35% y/y, it remains just above the upper end of the 1-3% target range. Governor Velarde recently emphasized upside risk to inflation stemming from drought ahead of seasonal rains in the new year but also advised he will look through any drought-driven inflation upsides as transitory and beyond the central bank's influences.

Chile's central bank has had its hawkish wings clipped by the evolution of data — and the appointment of a new President, Mario Marcel, who is widely perceived to be more dovish compared to the prior central bank head. This will be Marcel's first decision in charge of the central bank and it is expected to maintain a policy hold at an overnight rate of 3.5% on Tuesday ahead of the Fed, but with cut risk. The economy shrank by 0.4% y/y in October and inflation has declined from a peak of 5.7% y/y in October 2014 o 2.9% y/y recently and thus inside the 3% mid-point of the 2-4% inflation target range.

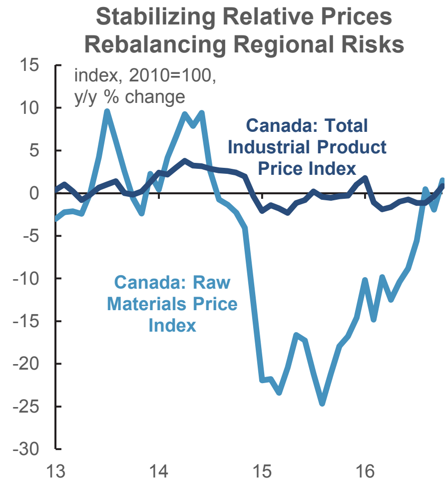
Banco de la Republica Colombia is also expected to maintain a policy hold at an overnight lending rate of 7.75% on Friday. Inflation is still in the process of cooling from a peak of 9% y/y back in July but, at just under 6% now, remains uncomfortably above the inflation target of 3% y/y +/-1%.

Behind central bank decisions, regional data probably won't matter a whole lot. Argentina is in the early days of attempting to re-establish credibility insofar as its inflation readings are concerned, and the November CPI print will be only the seventh estimate since statistical releases were restored following the period of the great denial under the previous administration; all we have thus far are month-ago readings with no year-ago base effect against which to compare. Retail sales in Brazil and Colombia will inform consumer spending risks and neither country has been performing well in this regard over 2016. Industrial production figures from Mexico and Colombia will also be updated and have been on diverging paths this year with Mexico on the downswing.

CANADA — WHAT THE FED DOES COULD IMPACT THE NEXT BOC DECISION

Having just received its fix of central bank guidance (see here), Canada will be somewhat of an exception to the wave of global central banks updating their policy stances over the coming week. That said, what some of them do — notably the Fed — may inform the next round of risks facing the BoC at its next policy decision on January 18, 2017 and, therefore, **global market risks associated with potential Fed actions may be magnified in the Canadian market. One scenario is a dovish Fed hike that may tamp down the USD and by corollary boost CAD in such manner as to potentially heat up BoC rate cut talk again.** Weighing against this interpretation is that a cut would return toward the lower zero bound and court the risk of unconventional options like negative rates or QE in response to future shocks and those options might face limited chance of success in Canada. Recent BoC staff research (here) argues that “The estimated model implies that QE in small open economies is expected to be much less effective on long-term yields because of the high substitutability between home and foreign assets founds in the data. In the model, this causes the effect on the exchange rate to be limited.”

Chart 3

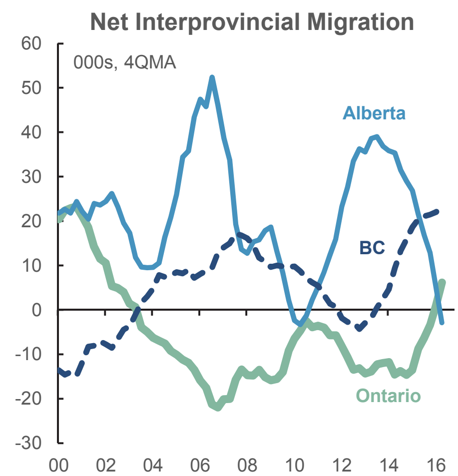


Source: Scotiabank Economics, Statistics Canada.

In the meantime, a few tidbits may be of interest on the domestic calendar. The main one is likely to be Thursday’s manufacturing report for October. Before we get any Q4 data, the hand-off from Q3 bakes in a cooler pace of growth in the volume of manufacturing shipments in Q4 (+1.2%) versus Q3 (+2.5%) in seasonally adjusted and annualized terms. **October’s manufacturing shipment volumes are likely to follow the decline in export volumes** (-0.7% m/m) that the already released print for the same month registered. The dollar value of manufacturing shipments could rise because the dollar value of exports climbed, but stripping out price effects could reveal a weaker underlying tone — especially since much of the export gain was entirely built upon just three main sectors: autos, metal ores and non-metallic ores, and energy products as 8 of 11 export categories fell.

Was a correction in existing home sales a fleeting phenomenon? That’s possible, given that they fell from May through August but then climbed over the next two months. November’s reading will extend the evidence for better or for worse as Vancouver’s plunge following the introduction of a foreign buyers’ tax on the path to a vacancy tax gets absorbed in that market and diverts demand to other markets — namely Toronto. In a broader sense, **regional housing markets are adjusting to the divergence between industrial and raw materials prices** that occurred when commodity prices began to sink from mid-2014 onward but that is now coming back into balance (chart 3). They are doing so a) through rebalancing of migration flows (chart 4), and b) through the improvement in commodity prices relative to industrial goods. Housing shocks never really hit highly regionalized Canadian housing markets equally and this may be yet another manifestation of this historical tendency.

Chart 4



Source: Scotiabank Economics, Statistics Canada.

This rebalancing of housing markets should be a modest positive in the context of evaluating fresh risks to household imbalances and the Canadian financial system when the Bank of Canada releases its Financial System Review on Thursday.

EUROPE — RUSSIAN DOVES, ENGLISH HAWKS?

Four European central banks issue decisions over the coming week including the Bank of England, the Central Bank of the Russian Federation, the Swiss National Bank and Norges Bank. All will do so on Thursday except Russia that follows the next day, and hence the whole group will follow the Fed. None of these central banks is expected to adjust policy, but markets will be particularly focused upon guidance from the Bank of England and Russia.

Please see the Bank of England meeting preview by our London-based UK economist/strategist Alan Clarke on page 7. He expects no policy changes accompanied by a slightly more hawkish tone to the Monetary Policy Committee's minutes as the Bank of England takes to the sidelines on a prolonged hold that signals the end of easing. Before the BoE decision, UK inflation may continue to rise both in terms of headline CPI and core CPI on Tuesday, and retail sales face a high bar set against continued growth after a large gain in October.

Chart 5

Source: Scotiabank Economics, Bloomberg, Russia Federal Service of State Statistics.

Russia's central bank is expected to hold at 10% on its overnight rate. Russia's inflation rate recently fell to 5.8% y/y which is the lowest since July 2012 and well down from the peak of 16.9% in March of 2015. The utter collapse of the ruble starting in 2014H2 until its weakest versus the USD back in January of this year prompted a spike in imported inflation that the central bank combatted through higher rates (chart 5). As the currency has appreciated this year, it capped inflation and then put inflation under renewed downward pressure, allowing the central bank to begin easing again. The central bank is expected to renew policy easing at its following meeting in February or soon thereafter. It has set itself a goal of bringing inflation down to 4% y/y by the end of next year and wants to see further progress toward this goal before extending an easing campaign. Seven consecutive quarterly contractions in the economy suggest that easier monetary policy would be welcomed, but the adjustment to the oil price shock may be maturing anyway as oil prices have firmed somewhat this year and the pace of quarterly GDP contractions has steadily lessened. The economy is expected to gradually return to modest growth in 2017 as inflation continues to cool.

Most economists expect a **prolonged holding pattern by Norges Bank** with no change in its 0.5% deposit rate over the next year. **The same applies to the Swiss National Bank** that is expected to keep its deposit rate at -0.75% over the next year.

Data risk could well figure prominently into the European market tone and particularly through another monthly batch of widely followed sentiment surveys. The composite purchasing managers' index for the Eurozone economy will be watched carefully in terms of whether it extends strong gains over the prior two months that signals stronger economic growth in Q4. The ZEW survey of Eurozone growth expectations will be interpreted similarly.

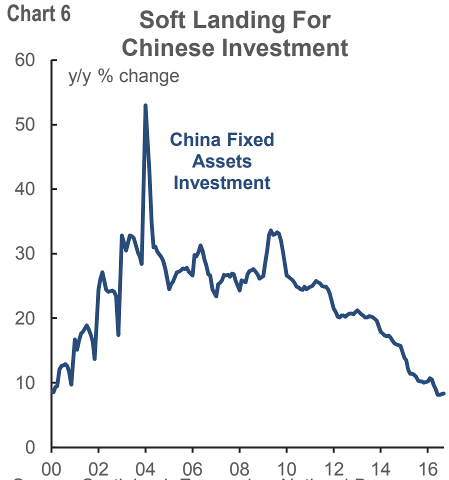
Eurozone CPI revisions, trade, and industrial output add-ups are also due out. A first cut at Sweden's headline CPI inflation rate for November may extend the trend toward firming inflation that has been in place for over a year as Sweden shifted from deflation last year to 1.2% year-ago CPI inflation in October.

ASIA — REGIONAL CENTRAL BANKS REACT POST-FED

I would watch five things out of Asia next week including two regional central bank decisions, significant data that could impact market sentiment toward China's economy, and data that could affect assessments of monetary policy directions in Australia and India.

China releases aggregate financing figures some time over the coming week for the month of November that will dredge up the usual headlines about credit growth in the economy, while the potentially more significant growth signals will include November readings for industrial production and retail sales on Monday evening (eastern time). Growth in investment in fixed assets may be bottoming at just over 8% year-to-date — a fraction of the post-crisis investment surge (chart 6) — but November figures will bring us another month closer to the full year's performance. **Chinese fixed investment was unsustainably fed by stimulus measures coming out of the crisis, and to bottom at 8% annual growth would be an encouraging soft-landing.**

Chart 6



Source: Scotiabank Economics, National Bureau of Statistics of China.

Both the Bank of Korea and Bank Indonesia are expected to maintain their policy rates at unchanged levels of 1.25% and 4.75%, respectively. **That said, both central banks are thought to be open to further monetary policy easing**, and that bias may be further impacted by the Federal Reserve's market effects on Wednesday given that the two central banks issue their decisions afterward. The 234-56 parliamentary vote to impeach President Park may also raise the odds of a BoK cut. The Bank of Korea commented shortly after the vote that it would stabilize markets and the economy and review contingency plans. The central bank is scheduled to issue another policy decision next Thursday after the Fed on Wednesday. Prior to the impeachment vote, consensus was unanimous in expecting no rate change. Now that's less clear. **A potential credit crunch that impacts South Korean conglomerates cannot be dismissed since the issue was overly tight relations and influence peddling by the 9 Chaebols** and banks may view them as riskier clients in the face of the changing political tide.

Did the Reserve Bank of India do the right thing in surprising markets by not cutting borrowing costs this past week? Inflation data for November will be updated on Monday and resurrect the debate shortly after the ink dried on the decision. Inflation had already been falling from a recent 6% y/y peak a few months ago to 4.2% y/y in October. That brings it within reach of the RBI's 4% inflation target and any further downward momentum would resurrect the debate over further easing.

Following a sharper-than-expected contraction in Q3 GDP and a recent easing bias by the Reserve Bank of Australia, **the focus for RBA watchers now shifts to the November jobs report** at the start of the week. Consensus expects a solid employment gain. Consensus is often well off the mark on Australian jobs.

Sundry other headlines of limited and/or strictly regional market significance will include Japan's Q4 Tankan report on manufacturing conditions, November trade updates from India and Indonesia, New Zealand's manufacturing report for Q3, and India's industrial production during October.

Feature Article

Bank of England Meeting Preview

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The December MPC meeting comes six weeks after the Bank updated its key forecasts as part of the quarterly *Inflation Report* process. While there has not been enough to rock the boat since then to lead to a change of stance by the MPC, we do expect the tone of the minutes to evolve ever so slightly in the hawkish direction.

The key incremental developments since the November QIR have been:

+ The composite CIPS survey has continued to rise and now stands at 55.2 — pointing to a very robust end to the year.

+/- The first monthly data for Q4 have been mixed, showed booming retail sales but disappointing industrial production. Combined with the CIPS surveys, the outlook for Q4 GDP growth is now 0.4-0.5% q/q; broadly in line with BoE projections.

+ Upstream housing data continue to improve. Mortgage approvals and RICS continue to regain the ground that was lost earlier in the year. Better (less bad) than expected housing data was something that resonated with the MPC in the November QIR and it seems that we are seeing more of the same.

- Inflation was lower than expected in October, slowing to 0.9% y/y, which was below the BoE's assumption of 1.1% y/y. The pass-through from the weaker GBP exchange rate is proving a little slower than some had assumed.

+/- Nonetheless, the outlook for inflation has ticked up a little. This is reflecting the cross currents of the 4% appreciation in the effective GBP exchange rate since the QIR (reducing some of the upside pressure on inflation), versus the rebound in the price of oil (pointing to further upside for near-term inflation).

+/0 The Autumn Budget Statement delivered a modest loosening in fiscal policy. The structural deficit is projected to narrow by an average of 0.6% of GDP per year over the coming years, which is 0.2% points less per year than previously projected. That should have a very small positive impact on GDP growth.

Based on our simple **+** (hawkish) / **-** (dovish) / **0** (neutral) judgement next to each of these developments, our conclusion is that the tone of the MPC minutes will evolve in the hawkish direction. That chimes with comments from the BoE's Chief Economist, Andy Haldane. In a recent interview, Haldane said that he had no bias on the future direction of interest rates, having previously been in the dovish camp. Our house call is that the next move in Bank Rate will be upwards, although not for a considerable period — probably not until 2019. The prolonged pause is likely to come against a backdrop of sub-potential GDP growth, holding back domestically generated inflation. So while the weaker GBP exchange rate and rebounding energy prices are likely to push headline inflation above target, we expect the MPC to look through this temporary overshoot.

In fact, we think that there is even a small risk of an interest rate cut towards the end of 2017. Our GDP projection assumes that growth slows to a low-point of around 0.2% q/q during H2-2017. If that happens, we think it is questionable whether the MPC holds its nerve; it could pull the trigger on one final interest rate cut. That said, given the tendency for data to prove better than feared in the aftermath of the Brexit vote, there is a good chance that our pessimism is misplaced and the BoE does not ultimately cut rates any further. Hence our call is for no change in Bank Rate for the next two years.

Feature Article

FOMC Preview: The Dovish Hike Redux?

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The two-day meeting of the Federal Open Market Committee starts Tuesday and culminates in Wednesday's 2pmET statement and Summary of Economic Projections by FOMC members followed by Chair Yellen's press conference at 2:30pmET. We are among the 58 out of 60 forecasters within Bloomberg's consensus that expect the Fed to hike by 25bps, taking the fed funds target range to 0.5-0.75%. Fed fund futures remain 100% priced for a hike. To not hike would arguably risk doing more damage through negative signaling or higher inflation expectations. A cautious balance is likely to be struck on the bias and on that issue there is more of a difference of opinion across markets in a fair debate. I think there is a solid case for a dovish hike that leans against market forces that risk short-circuiting further dual mandate progress.

If the Fed doesn't lean against bond and currency markets then watch out, we're in for greater curve steepening into the new year and a stronger dollar. That could raise the odds of greater caution at future meetings. The broad trade-weighted dollar index is at a 15 year high and the 30 year mortgage rate has climbed by almost three quarters of a percentage point over the past couple of months. Trade (chart 1) and housing markets face downside risk. As argued here, the economic pain arrives first in the "Trump trade" before uncertain net gains to possible future fiscal, trade and regulatory policy actions that markets are probably overestimating. It's not all about Trump, however, in that the USD has been swinging higher since 2014 and yields were rising several weeks ahead of the election for global reasons. Some of this is because of improved fundamentals, some is an overshoot, and some is thanks to actions of other global central banks.

There are many ways in which the Fed could resist the urge to join the party or invoke an incrementally more dovish bias. I'm probably only thinking of a few, but it's entirely possible that it does so using any one of its main tools on game day — or a combination.

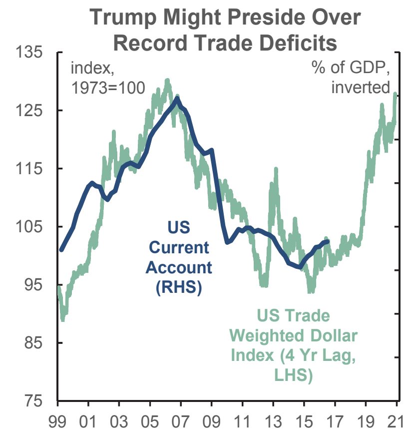
1. Language: They could flag tightened financial conditions in either nuanced or explicit ways. They could shift language to how real wage growth is under downward pressure (chart 2). They could also reference uncertain effects of fiscal policy on the dual mandate with some forms being inflationary and some not. They could maintain reference to unchanged — if not falling — survey-based measures of inflation expectations and downplay market-based readings that have simply caught up (chart 3). Tilting away from balanced near-term growth risks is a possibility.

2. Dots: The FOMC could choose to leave the median pace of projected hikes unchanged or even lower it; either would signal caution relative to market enthusiasm. Recall that the last dots forecast two hikes in 2017 and three in each of 2018 & 2019. Two year Treasury yields have doubled since July and that may be too much too soon.

3. Macro forecasts: The FOMC could only tweak forecasts by marginally downgrading 2016 GDP growth and PCE inflation and marginally upgrading them for 2017-18 if at all.

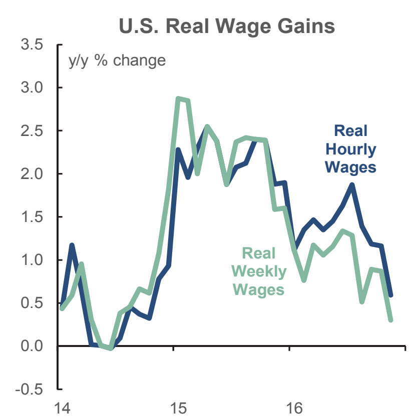
4. Press conference: Especially if the FOMC's dots don't inject caution, Chair Yellen might do so with a buck-stops-here approach. She might dwell upon the dollar and bond markets doing too much of the Fed's work too soon. She could discuss the evidence on fiscal multiplier effects and uncertain consequences to growth. She could argue they cannot act in anticipation of other policy levers versus waiting for action to show up in data-dependent fashion. She could also warn of the consequences to protectionism.

Chart 1



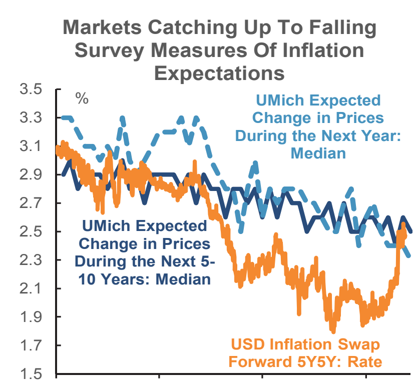
Source: Scotiabank Economics, Federal Reserve, Bloomberg.

Chart 2



Source: Scotiabank Economics, U.S. BLS.

Chart 3



Source: Scotiabank Economics, University of Michigan,Bloomberg.

Key Indicators for the week of December 12 – 16

NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
MX	12/12	09:00	Industrial Production (m/m)	Oct	--	--	0.1
MX	12/12	09:00	Industrial Production (y/y)	Oct	-1.5	--	-1.3
US	12/12	14:00	Treasury Budget (US$ bn)	Nov	--	-99.5	-44.2
US	12/13	08:30	Export Prices (m/m)	Nov	--	-0.3	0.5
US	12/13	08:30	Import Prices (m/m)	Nov	-0.4	-0.3	0.5
US	12/14	07:00	MBA Mortgage Applications (w/w)	DEC 9	--	--	-0.7
CA	12/14	08:30	Teranet - National Bank HPI (y/y)	Nov	--	--	11.8
US	12/14	08:30	PPI (m/m)	Nov	0.1	0.1	0.0
US	12/14	08:30	PPI ex. Food & Energy (m/m)	Nov	0.2	0.2	-0.2
US	12/14	08:30	Retail Sales (m/m)	Nov	0.2	0.3	0.8
US	12/14	08:30	Retail Sales ex. Autos (m/m)	Nov	0.4	0.4	0.8
US	12/14	09:15	Capacity Utilization (%)	Nov	--	75.1	75.3
US	12/14	09:15	Industrial Production (m/m)	Nov	-0.3	-0.2	0.0
US	12/14	10:00	Business Inventories (m/m)	Oct	--	-0.1	0.1
US	12/14	14:00	**FOMC Interest Rate Meeting (%)**	**Dec 14**	**0.75**	**0.75**	**0.50**
CA	12/15	08:30	Manufacturing Shipments (m/m)	Oct	0.4	0.7	0.4
US	12/15	08:30	CPI (m/m)	Nov	0.2	0.2	0.4
US	12/15	08:30	CPI (y/y)	Nov	1.7	1.7	1.6
US	12/15	08:30	CPI (index)	Nov	--	241.4	241.7
US	12/15	08:30	CPI ex. Food & Energy (m/m)	Nov	0.2	0.2	0.1
US	12/15	08:30	CPI ex. Food & Energy (y/y)	Nov	2.2	2.2	2.1
US	12/15	08:30	Current Account (US$ bn)	3Q	--	-111.0	-119.9
US	12/15	08:30	Empire State Manufacturing Index	Dec	--	3.0	1.5
US	12/15	08:30	Initial Jobless Claims (000s)	DEC 10	260	256	258
US	12/15	08:30	Continuing Claims (000s)	DEC 3	2010	--	2005
US	12/15	08:30	Philadelphia Fed Index	Dec	8.0	9.0	7.6
CA	12/15	09:00	Existing Home Sales (m/m)	Nov	--	--	2.4
US	12/15	10:00	NAHB Housing Market Index	Dec	--	63.0	63.0
MX	12/15	14:00	**Overnight Rate (%)**	**Dec 15**	**5.75**	**5.50**	**5.25**
US	12/15	16:00	Total Net TIC Flows (US$ bn)	Oct	--	--	-152.9
US	12/15	16:00	Net Long-term TIC Flows (US$ bn)	Oct	--	--	-26.2
CA	12/16	08:30	International Securities Transactions (C$ bn)	Oct	--	--	11.8
US	12/16	08:30	Building Permits (000s a.r.)	Nov	--	1240	1260
US	12/16	08:30	Housing Starts (000s a.r.)	Nov	1190	1220	1323
US	12/16	08:30	Housing Starts (m/m)	Nov	-10.0	-7.8	25.5

EUROPE

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
TU	12/12	02:00	Real GDP (y/y)	3Q	--	0.3	3.1
GE	12/13	02:00	CPI (m/m)	Nov F	--	0.1	0.1
GE	12/13	02:00	CPI (y/y)	Nov F	--	0.8	0.8
GE	12/13	02:00	CPI - EU Harmonized (m/m)	Nov F	--	0.0	0.0
GE	12/13	02:00	CPI - EU Harmonized (y/y)	Nov F	--	0.7	0.7
SP	12/13	03:00	CPI (m/m)	Nov F	--	0.3	0.3
SP	12/13	03:00	CPI (y/y)	Nov F	--	0.7	0.7
SP	12/13	03:00	CPI - EU Harmonized (m/m)	Nov F	--	0.2	0.2
SP	12/13	03:00	CPI - EU Harmonized (y/y)	Nov F	--	0.5	0.5
IT	12/13	04:00	Industrial Production (m/m)	Oct	--	0.3	-0.8
UK	12/13	04:30	CPI (m/m)	Nov	--	0.2	0.1
UK	12/13	04:30	CPI (y/y)	Nov	--	1.1	0.9
UK	12/13	04:30	PPI Input (m/m)	Nov	--	-0.5	4.6
UK	12/13	04:30	PPI Output (m/m)	Nov	--	0.2	0.6
UK	12/13	04:30	RPI (m/m)	Nov	--	0.2	0.0
UK	12/13	04:30	RPI (y/y)	Nov	--	2.1	2.0
EC	12/13	05:00	Employment (q/q)	3Q	--	--	0.4
EC	12/13	05:00	ZEW Survey (Economic Sentiment)	Dec	--	--	15.8

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

Key Indicators for the week December 12 – 16

EUROPE *(continued from previous page)*

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
GE	12/13	05:00	ZEW Survey (Current Situation)	Dec	--	59.0	58.8
GE	12/13	05:00	ZEW Survey (Economic Sentiment)	Dec	--	14.0	13.8
RU	DEC 13-14		Real GDP (y/y)	3Q P	--	-0.4	-0.4
FR	12/14	02:45	CPI (m/m)	Nov F	--	0.0	0.0
FR	12/14	02:45	CPI (y/y)	Nov F	--	0.5	0.5
FR	12/14	02:45	CPI - EU Harmonized (m/m)	Nov F	--	0.0	0.0
FR	12/14	02:45	CPI - EU Harmonized (y/y)	Nov F	--	0.7	0.7
IT	12/14	04:00	CPI - EU Harmonized (y/y)	Nov F	--	0.1	0.1
UK	12/14	04:30	Average Weekly Earnings (3-month, y/y)	Oct	--	2.3	2.3
UK	12/14	04:30	Employment Change (3M/3M, 000s)	Oct	--	50.0	49.0
UK	12/14	04:30	Jobless Claims Change (000s)	Nov	--	6.0	9.8
UK	12/14	04:30	ILO Unemployment Rate (%)	Oct	--	4.8	4.8
EC	12/14	05:00	Industrial Production (m/m)	Oct	--	0.2	-0.8
EC	12/14	05:00	Industrial Production (y/y)	Oct	--	0.9	1.2
FR	12/15	03:00	Manufacturing PMI	Dec P	--	51.9	51.7
FR	12/15	03:00	Services PMI	Dec P	--	51.8	51.6
GE	12/15	03:30	Manufacturing PMI	Dec P	--	54.5	54.3
GE	12/15	03:30	Services PMI	Dec P	--	54.8	55.1
SZ	12/15	03:30	**SNB 3-Month Libor Target Rate (%)**	**Dec 15**	**-0.75**	**-0.75**	**-0.75**
EC	12/15	04:00	Composite PMI	Dec P	--	53.8	53.9
EC	12/15	04:00	Manufacturing PMI	Dec P	--	53.7	53.7
EC	12/15	04:00	Services PMI	Dec P	--	53.7	53.8
NO	12/15	04:00	**Norwegian Deposit Rates (%)**	**Dec 15**	**0.50**	**0.50**	**0.50**
UK	12/15	04:30	Retail Sales ex. Auto Fuel (m/m)	Nov	--	0.0	2.0
UK	12/15	04:30	Retail Sales with Auto Fuel (m/m)	Nov	--	0.1	1.9
UK	12/15	07:00	BoE Asset Purchase Target (£ bn)	Dec	--	435.0	435.0
UK	12/15	07:00	**BoE Policy Announcement (%)**	**Dec 15**	**0.25**	**0.25**	**0.25**
EC	12/16	05:00	CPI (m/m)	Nov	--	-0.1	-0.1
EC	12/16	05:00	CPI (y/y)	Nov F	--	0.6	0.6
EC	12/16	05:00	Euro zone Core CPI Estimate (y/y)	Nov F	--	0.8	0.8
EC	12/16	05:00	Labour Costs (y/y)	3Q	--	--	1.0
EC	12/16	05:00	Trade Balance (€ bn)	Oct	--	29.0	26.5
RU	12/16	05:30	**One-Week Auction Rate (%)**	**Dec 16**	**10.00**	**10.00**	**10.00**

ASIA-PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CH	DEC 10-15		Aggregate Financing (CNY bn)	Nov	--	1098.2	896.3
CH	DEC 10-15		New Yuan Loans (bn)	Nov	--	720.0	651.3
JN	12/11	18:50	Machine Orders (m/m)	Oct	--	1.1	-3.3
JN	12/11	23:30	Tertiary Industry Index (m/m)	Oct	--	0.3	-0.1
JN	12/12	01:00	Machine Tool Orders (y/y)	Nov P	--	--	-8.9
NZ	12/12	16:45	Manufacturing Activity	3Q	--	--	2.2
AU	12/12	19:30	House Price Index (y/y)	3Q	--	4.8	4.1
PH	12/12	20:00	Unemployment Rate (%)	Oct	5.4	--	5.4
CH	12/12	21:00	Fixed Asset Investment YTD (y/y)	Nov	8.3	8.3	8.3
CH	12/12	21:00	Industrial Production (y/y)	Nov	6.0	6.1	6.1
CH	12/12	21:00	Retail Sales (y/y)	Nov	10.0	10.2	10.0
HK	12/13	03:30	Industrial Production (y/y)	3Q	--	--	-0.5
IN	12/13	07:00	CPI (y/y)	Nov	4.2	3.9	4.2
JN	12/13	18:50	Tankan All Industries Index	4Q	--	6.1	6.3
JN	12/13	18:50	Tankan Manufacturing Index	4Q	--	10.0	6.0
JN	12/13	18:50	Tankan Non-Manufacturing Index	4Q	--	19.0	18.0
AU	12/13	19:30	New Motor Vehicle Sales (m/m)	Nov	--	--	-2.4
JN	12/13	23:30	Capacity Utilization (m/m)	Oct	--	--	-2.0
JN	12/13	23:30	Industrial Production (y/y)	Oct F	-1.3	--	-1.3

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

Key Indicators for the week December 12 – 16

ASIA-PACIFIC *(continued from previous page)*

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
IN	12/14	01:30	Monthly Wholesale Prices (y/y)	Nov	--	3.1	3.4
NZ	12/14	16:30	Business NZ PMI	Nov	--	--	55.2
AU	12/14	19:30	Employment (000s)	Nov	--	17.5	10.9
AU	12/14	19:30	Unemployment Rate (%)	Nov	5.6	5.6	5.6
JN	12/14	19:30	Markit/JMMA Manufacturing PMI	Dec P	--	--	51.3
ID	DEC 14-15		Exports (y/y)	Nov	--	11.3	4.6
ID	DEC 14-15		Imports (y/y)	Nov	--	0.1	3.3
ID	DEC 14-15		Trade Balance (US$ mn)	Nov	--	859.0	1206.8
ID	DEC 14-15		**BI 7-Day Reverse Repo Rate (%)**	**Dec 15**	**4.75**	**4.75**	**4.75**
PH	DEC 14-15		Overseas Remittances (y/y)	Oct	--	10.6	6.7
SK	DEC 14-15		**BoK Base Rate (%)**	**Dec 15**	**1.25**	**1.25**	**1.25**
SI	12/15		Retail Sales (y/y)	Oct	--	--	2.0
NZ	12/15	19:00	ANZ Consumer Confidence Index	Dec	--	--	127.2
SI	12/15	19:30	Exports (y/y)	Nov	--	-3.0	-12.0

LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
BZ	12/13	06:00	Retail Sales (m/m)	Oct	--	-0.3	-1.0
BZ	12/13	06:00	Retail Sales (y/y)	Oct	--	-7.2	-5.9
CL	12/13	16:00	**Nominal Overnight Rate Target (%)**	**Dec 13**	**3.50**	**3.50**	**3.50**
BZ	12/15	05:30	Economic Activity Index SA (m/m)	Oct	--	-0.6	0.2
BZ	12/15	05:30	Economic Activity Index NSA (y/y)	Oct	--	-4.6	-3.7
PE	12/15	18:00	**Reference Rate (%)**	**Dec 15**	**4.25**	**--**	**4.25**
PE	12/15		Economic Activity Index NSA (y/y)	Oct	3.0	--	4.1
PE	12/15		Unemployment Rate (%)	Nov	--	--	6.2
CO	12/16	14:00	Retail Sales (y/y)	Oct	--	-1.0	-1.3
CO	12/16		**Overnight Lending Rate (%)**	**Dec 16**	**7.75**	**7.75**	**7.75**

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

Global Auctions for the week of December 12 – 16

NORTH AMERICA

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

EUROPE

Country	Date	Time	Event
AS	12/13	05:15	Austria to Sell 0.75% 2026 Bonds
AS	12/13	05:15	Austria to Sell 1.2% 2025 Bonds
SW	12/14	05:03	Sweden to Sell Bonds
SZ	12/14	05:15	Switzerland to Sell Bonds on Dec. 14 (Optional)
UK	12/14	05:30	U.K. to Sell GBP800 Mln 0.125% I/L 2036 Bonds
IC	12/16	06:30	Iceland to Sell Bonds

ASIA-PACIFIC

Country	Date	Time	Event
AU	12/12	19:00	Australia Plans to Sell I/L Bonds
JN	12/12	22:45	Japan to Sell 5-Year Bonds
CH	12/13	22:00	China Plans to Sell 5-Year Upsized Bonds
NZ	12/14	20:05	New Zealand Plans to Sell NZD150 Mln 2.75% 2037 Bonds
JN	12/14	22:45	Japan to Sell 20-Year Bonds

LATIN AMERICA

Country	Date	Time	Event
BZ	12/15	09:00	Brazil to Sell Fixed Rate Bonds - 01/01/2023
BZ	12/15	09:00	Brazil to Sell Fixed Rate Bonds - 01/01/2027

Source: Bloomberg, Scotiabank Economics.

Events for the week of December 12 – 16

NORTH AMERICA

Country	Date	Time	Event
US	12/14	14:00	**FOMC Rate Decision**
CA	12/15	10:30	BOC releases Financial System Review, Poloz press conference
MX	12/15	14:00	**Overnight Rate**
US	12/16	12:30	Fed's Lacker, Bank of America's Moynihan to Speak in Charlotte

EUROPE

Country	Date	Time	Event
AS	12/12	04:00	ECB's Nowotny Presents Economic Outlook for Austria
ES	12/13	04:00	ECB's Hansson Speaks on Estonian/Euro Area Economy
AS	12/13	04:30	ECB's Nowotny Hosts Presser with IMF on Austria
EC	12/13	07:00	ECB's Makuch Speaks on Eurozone/ Slovak Economy
IT	12/13	18:00	Italy's Renzi Speaks in Parliament Before EU Summit
EC	12/14		EU's Moscovici meets ECB's Draghi in Frankfurt
SZ	12/15	03:30	**SNB 3-Month Libor Target Range**
SZ	12/15	03:30	SNB Sight Deposit Interest Rate
NO	12/15	04:00	**Deposit Rates**
UK	12/15	07:00	**Bank of England Bank Rate**
NO	12/16	04:00	Norges Bank Deputy Governor Jon Nicolaisen Speaks in Oslo
RU	12/16	05:30	**Key Rate**
NO	12/16	05:30	Norges Bank Deputy Governor Egil Matsen Speaks in Trondheim
NO	12/16	07:30	Norges Bank Governor Oystein Olsen Speaks in Kongsvinger
GE	12/16		Germany Sovereign Debt to Be Rated by S&P
EC	12/16		EU Debt to Be Rated by DBRS
RU	12/16		Bank of Russia Governor Nabiullina Speaks After Rate Decision
RU	12/16		Bank of Russia Publishes Monetary-Policy Report

ASIA-PACIFIC

Country	Date	Time	Event
SK	DEC 14-15		**BoK 7-Day Repo Rate**
ID	DEC 14-15		**Bank Indonesia 7D Reverse Repo**

LATIN AMERICA

Country	Date	Time	Event
CL	12/13	16:00	**Overnight Rate Target**
PE	12/15	18:00	**Reference Rate**
CO	12/16		**Overnight Lending Rate**

Source: Bloomberg, Scotiabank Economics.

Global Central Bank Watch

NORTH AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Canada – Overnight Target Rate	0.50	January 18, 2017	0.50	0.50
Federal Reserve – Federal Funds Target Rate	0.50	December 14, 2016	0.75	0.75
Banco de México – Overnight Rate	5.25	December 15, 2016	5.75	5.50

Federal Reserve: We expect a 25bps hike in the fed funds target rate to a new range of 0.5-0.75% with a mid-point of 0.625% and somewhat dovish guidance given the powerful appreciation in the USD and sharply higher bond yields. See page 8 for a further elaboration. **Banco de Mexico:** We expect a 50bps hike in the overnight rate to 5.75% and a signal to expect further tightening in 2017 in order to counter rising Mexican inflation and offset further downward pressure on the peso that would otherwise occur in response to projected Federal Reserve hikes.

EUROPE

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	0.00	January 19, 2017	0.00	--
Bank of England – Bank Rate	0.25	December 15, 2016	0.25	0.25
Swiss National Bank – Libor Target Rate	-0.75	December 15, 2016	-0.75	--
Central Bank of Russia – One-Week Auction Rate	10.00	December 16, 2016	10.00	10.00
Sweden Riksbank – Repo Rate	-0.50	December 21, 2016	-0.50	--
Norges Bank – Deposit Rate	0.50	December 15, 2016	0.50	0.50

Each of the **BoE, Russian central bank, Norges Bank** and **Swiss National Bank** are expected to remain on hold next week. Russia's central bank may hint more strongly at progress toward easing inflation pressures that could pave the way for the resumption of rate cuts next year. Please see page 7 for a preview of the **Bank of England**'s meeting.

ASIA PACIFIC

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Policy Rate	-0.10	December 20, 2016	-0.10	--
Reserve Bank of Australia – Cash Target Rate	1.50	February 6, 2017	1.50	1.50
Reserve Bank of New Zealand – Cash Rate	1.75	February 8, 2017	1.75	1.75
People's Bank of China – Lending Rate	4.35	TBA	--	--
Reserve Bank of India – Repo Rate	6.25	February 8, 2017	6.25	--
Bank of Korea – Bank Rate	1.25	December 15, 2016	1.25	1.25
Bank of Thailand – Repo Rate	1.50	December 21, 2016	1.50	1.50
Bank Indonesia – 7-Day Reverse Repo Rate	4.75	December 15, 2016	4.75	4.75

Bank Indonesia (BI) and the **Bank of Korea** (BoK) will make interest rate decisions on December 15th. We expect that the BI's 7-Day Reverse Repo Rate will be maintained at 4.75% in the near term due to elevated uncertainty globally. Nevertheless, a monetary easing bias remains in place in Indonesia on the back of low inflation (3.6% y/y in November); we expect the benchmark interest rate to be lowered in early 2017. While we expect the BoK to maintain the policy rate at 1.25% next week, we note that uncertainties surrounding South Korea's economic outlook remain elevated, raising the likelihood of further monetary easing in the near term.

LATIN AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	13.75	January 11, 2017	13.75	--
Banco Central de Chile – Overnight Rate	3.50	December 13, 2016	3.50	3.50
Banco de la República de Colombia – Lending Rate	7.75	December 16, 2016	7.75	7.75
Banco Central de Reserva del Perú – Reference Rate	4.25	December 15, 2016	4.25	--

Central banks in **Chile, Colombia** and **Peru** are all expected to hold policy rates next week, with Peru facing the risk of a rate cut as a new central bank head potentially applies a more dovish bias.

AFRICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	7.00	January 24, 2017	7.00	--

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

Fixed Income Strategy (London, Paris)

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