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What Cupid Thinks Of Bonds

This is a lighter than usual edition of the Global Week Ahead. Regular publishing will resume on Monday.

CANADA — HOUSING'S ENTRY TO 2018

Limited data risk and Bank of Canada communications will modestly inform risks to the macro calendar.

BoC Deputy Governor Schembri speaks on Thursday in Manitoba. The BoC is likely to release the topic by Monday or maybe Tuesday. His remarks will be available at 1:30pmET that day.

Data risk will be fairly modest and mainly come through the manufacturing report on Friday. The year-end tally follows a large prior gain of 3.4% m/m and that may combine with the drop in new orders during November to drive downside risks. That said, a rise in already-released exports in December including several manufacturing related categories may be offsetting. I'm assuming little change on net.

Existing home sales for January will more credibly inform concerns about how the resale housing market entered 2018. One reason is that the month-ago numbers are more inclusive across all markets than the limited data from several major markets. Another reason is that the Canadian Real Estate Association seasonally adjusts the figures whereas for mysterious reasons the local boards have yet to discover the merits of seasonal adjustments that are highly important in such a seasonal housing market as Canada's. Nevertheless, given the extent to which sales were so strong toward the end of 2017, I've been dismayed at some of the coverage in the press about how the local boards' January data is a sign of impending doom in the housing market. It's entirely reasonable to expect that brought-forward demand to the end of 2017 ahead of stricter stress testing applied to uninsured mortgages would give way to a softer-than-normal January. A fuller assessment of housing markets, however, should also consider that the new build segment remains very strong in the wake of the strong January housing starts number. I think that continues to reflect a need for supply to catch up, as well as arbitrage by buyers into generally more affordable new builds on average. Teranet repeat-sales house prices in January (Wednesday) will provide more credible price estimates along with the CREA's adjusted metrics.

ADP jobs for January (Thursday) will provide an assessment of payroll changes by contrast to StatsCan's Labour Force Survey which is a household survey. Large differences between ADP and the Survey of Employment, Payrolls and Hours as well as the Labour Force Survey are not uncommon occurrences.

Canada auctions 5s on Wednesday.

UNITED STATES — IT'S MOSTLY ABOUT INFLATION

Data risk will be mostly focused upon a pair of reports on Valentine's Day that bond markets will be paying keen attention to. The US administration's 2019 budget proposal early in the week will be somewhat more closely watched in light of the just-passed funding and debt ceiling agreement.

Here is a quick run-down of the hits:

- **CPI (January, Wednesday):** I'm expecting headline inflation to fall back to just under 2% y/y and core inflation to slip a touch. Solid month-ago changes are likely to occur for both measures as base effects are a consideration to the year-ago comparisons. Nevertheless, the Fed's preferred inflation gauge remains the price deflator for total consumer expenditures.
- **Retail sales (January, Wednesday):** A decline in auto sales to 17.07 million units at a seasonally adjusted pace in January (17.76 million prior) could make for a softer headline than underlying sales ex-autos but is also contingent upon auto prices. This may be the first early test of income effects on consumer spending as tax reforms and company pay-outs could slightly increase average take-home income.

- **Industrial data:** Four reports will inform the health of the industrial sector. The most significant will be a small expected gain in industrial production in January on Thursday. The Philly Fed business metric (Thursday) will be the first main regional measure of use to forecasting the next ISM-manufacturing report as Thursday's Empire manufacturing gauge plays a minor role in this regard. Producer prices in January (Thursday) are expected to show a further moderation of price pressures in year-ago terms due to base effects but still considerable month-ago increases.
- **Housing starts** (January, Friday) and the **University of Michigan's consumer sentiment** survey (February, Friday) round out data risks.

Fed-speak will be confined to Cleveland President Mester's speech on the outlook on Tuesday with the greater sensitivity being ongoing developments surrounding potential vacancy appointments including the Fed's #2 role.

The US Treasury auctions 30 year TIPS on Thursday.

EUROPE — UK INFLATION CRESTING?

How the Eurozone economy closed out 2017 will be one of three modestly significant macro risks to European markets along with UK inflation and consumer data plus Sweden's central bank meeting.

Eurozone GDP growth is expected to close out 2017 at a pace similar to the third quarter (+0.6%). The headline is expected to mask somewhat slower growth in Germany and a slight acceleration in Italy. We already know that France's economy accelerated a touch in Q4 and Spain's economy slightly decelerated.

UK inflation is expected to begin moderating in Tuesday's January print. The past effects of pound sterling's depreciation following the Brexit vote boosted import prices and raised inflation but this effect is likely to reverse as base effects drive inflation softer this year. **UK retail sales for the same month arrive the following day** and follow a volatile pattern distorted by November's UK version of Black Friday sales against the backdrop of no growth in inflation-adjusted incomes.

Sweden's central bank issues a fresh policy decision on Valentine's Day. The Riksbank is not expected to change its policy measures but the key will be whether guidance toward future rate hikes will be altered. At present, the central bank's explicit forward guidance indicates a first planned hike in 2018Q3. It's unlikely that information received since the last decision on December 20th has been material enough to give the central bank enough confidence to materially alter guidance. Another key Scandinavian central bank will weigh in when Norges Bank Governor Olsen delivers his annual speech on Thursday.

Sundry other data risks will include German CPI revisions and details for January on Wednesday, French unemployment in Q4, and Eurozone add-ups for industrial production and trade on Wednesday and Thursday, respectively.

LATIN AMERICA — Q4 GROWTH

How the economies of Colombia and Peru closed out 2017 will be the main factors to consider over the upcoming week.

Colombia's and Peru's Q4 GDP land on Thursday. Both have experienced materially slower growth over the past couple of years. Colombia's Q3 growth was 2% y/y compared to about triple that pace about four years ago and Peru's slowed to 2.5% y/y which is down a couple of points compared to the pattern back in 2016. Both countries likely registered similar growth in Q4 as Q3.

Meeting minutes from Brazil's central bank (Thursday) and Chile's central bank (Friday) plus Colombian retail sales and trade and Argentina's CPI round out the regional market risks.

ASIA — THE PRESCIENT CHINESE CALENDAR

China's New Year is next Friday. Stock market investors can appreciate it being the year of the dog based upon the market's performance so far. China's New Year is when the economy grinds to a halt, markets close, and cash is king as the largest annual migration of people on earth characterizes migrant workers returning home and personal travel soaring. Most Asian market risks are likely to be of a regional nature.

Can Australia follow up a large 35k rise in employment during January with another gain on Wednesday? Consensus is betting on it but, as with other job measures like Canada's this past week, it is never done with much conviction.

Neither Bank Indonesia (Thursday) nor the Bank of Thailand (Wednesday) are expected to alter their policy stances on a combination of muted inflation pressures and stability considerations.

India's inflation reading is expected to continue hovering around 5% y/y in the upper half of the central bank's 4% +/-2% inflation target range but not threatening in either direction.

Japanese Q4 GDP is expected to markedly slow to about one-third of the pace clocked in Q3. Chinese financing and foreign direct investment (uncertain timing), Malaysian Q4 GDP, trade figures from several countries, and Japanese producer prices round out the hits.

Key Indicators for the week of February 12 – 16
NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Indicator</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>
US	02/12	14:00	Treasury Budget (US\$ bn)	Jan	--	51.0	-23.2
US	02/14	07:00	MBA Mortgage Applications (w/w)	FEB 9	--	--	0.7
CA	02/14	08:30	Teranet - National Bank HPI (y/y)	Jan	--	--	9.1
US	02/14	08:30	CPI (m/m)	Jan	0.3	0.3	0.2
US	02/14	08:30	CPI (y/y)	Jan	1.9	1.9	2.1
US	02/14	08:30	CPI ex. Food & Energy (m/m)	Jan	0.2	0.2	0.2
US	02/14	08:30	CPI ex. Food & Energy (y/y)	Jan	1.7	1.7	1.8
US	02/14	08:30	Retail Sales (m/m)	Jan	0.3	0.2	0.4
US	02/14	08:30	Retail Sales ex. Autos (m/m)	Jan	0.5	0.5	0.4
US	02/14	10:00	Business Inventories (m/m)	Dec	--	0.3	0.4
US	02/15	08:30	Initial Jobless Claims (000s)	FEB 10	225	228	221
US	02/15	08:30	Continuing Claims (000s)	FEB 3	1925	1928	1923
US	02/15	08:30	PPI (m/m)	Jan	0.4	0.4	-0.1
US	02/15	08:30	PPI ex. Food & Energy (m/m)	Jan	0.2	0.2	-0.1
US	02/15	08:30	Empire State Manufacturing Index	Feb	--	18.0	17.7
US	02/15	08:30	Philadelphia Fed Index	Feb	20.0	21.6	22.2
US	02/15	09:15	Industrial Production (m/m)	Jan	0.4	0.2	0.9
US	02/15	09:15	Capacity Utilization (%)	Jan	78.0	78.0	77.9
US	02/15	16:00	Net Long-term TIC Flows (US\$ bn)	Dec	--	--	57.5
CA	02/16	08:30	Manufacturing Shipments (m/m)	Dec	0.3	-0.5	3.4
CA	02/16	08:30	International Securities Transactions (C\$ bn)	Dec	--	--	19.6
US	02/16	08:30	Housing Starts (000s a.r.)	Jan	1210	1230	1192
US	02/16	08:30	Housing Starts (m/m)	Jan	1.5	3.2	-8.2
US	02/16	08:30	Building Permits (000s a.r.)	Jan	--	1300	1300
US	02/16	08:30	Export Prices (m/m)	Jan	--	0.6	0.1
US	02/16	08:30	Import Prices (m/m)	Jan	--	0.6	0.1
US	02/16	10:00	U. of Michigan Consumer Sentiment	Feb P	96.0	95.5	95.7

EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Indicator</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>
UK	02/13	04:30	CPI (m/m)	Jan	-0.6	-0.6	0.4
UK	02/13	04:30	CPI (y/y)	Jan	2.9	2.9	3.0
UK	02/13	04:30	PPI Input (m/m)	Jan	1.0	0.6	0.1
UK	02/13	04:30	PPI Output (m/m)	Jan	0.2	0.2	0.4
UK	02/13	04:30	RPI (m/m)	Jan	-0.7	-0.7	0.8
UK	02/13	04:30	RPI (y/y)	Jan	3.9	4.1	4.1
GE	02/14	02:00	CPI (m/m)	Jan F	--	-0.7	-0.7
GE	02/14	02:00	CPI (y/y)	Jan F	--	1.6	1.6
GE	02/14	02:00	CPI - EU Harmonized (m/m)	Jan F	--	-1.0	-1.0
GE	02/14	02:00	CPI - EU Harmonized (y/y)	Jan F	--	1.4	1.4
GE	02/14	02:00	Real GDP (q/q)	4Q P	--	0.6	0.8
SW	02/14	03:30	Riksbank Interest Rate (%)	Feb 14	-0.50	-0.50	-0.50
IT	02/14	04:00	Real GDP (q/q)	4Q P	--	0.4	0.4
PD	02/14	04:00	GDP (y/y)	4Q P	--	5.2	4.9
EC	02/14	05:00	GDP (q/q)	4Q P	--	0.6	0.6
EC	02/14	05:00	Industrial Production (m/m)	Dec	--	0.1	1.0
EC	02/14	05:00	Industrial Production (y/y)	Dec	--	4.2	3.2
FR	02/15	01:30	Unemployment Rate (%)	4Q	--	9.5	9.7
SP	02/15	03:00	CPI (y/y)	Jan F	--	0.5	0.5
SP	02/15	03:00	CPI - EU Harmonized (m/m)	Jan F	--	-1.5	-1.5
SP	02/15	03:00	CPI - EU Harmonized (y/y)	Jan F	--	0.7	0.7
EC	02/15	05:00	Trade Balance (€ mn)	Dec	--	27.0	26.3
UK	02/16	04:30	Retail Sales with Auto Fuel (m/m)	Jan	-0.4	0.6	-1.5

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

Key Indicators for the week of February 12 – 16

ASIA-PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CH	FEB 9-25		Aggregate Financing (CNY bn)	Jan	--	3150	1140
CH	FEB 9-25		New Yuan Loans (bn)	Jan	--	2050	584
SI	02/12	00:00	Retail Sales (y/y)	Dec	--	4.5	5.3
IN	02/12	07:00	CPI (y/y)	Jan	5.2	5.1	5.2
IN	02/12	07:00	Industrial Production (y/y)	Dec	--	6.1	8.4
PH	FEB 11-16		Budget Deficit/Surplus (PHP bn)	Dec	--	--	-8.6
JN	02/13	01:00	Machine Tool Orders (y/y)	Jan P	--	--	48.3
TA	02/13	03:00	Real GDP (y/y)	4Q F	3.3	3.3	3.3
SK	02/13	18:00	Unemployment Rate (%)	Jan	3.6	3.7	3.6
JN	02/13	18:50	GDP (q/q)	4Q P	0.3	0.2	0.6
JN	02/13	18:50	GDP Deflator (y/y)	4Q P	--	0.0	0.1
SI	02/13	19:00	Real GDP (y/y)	4Q F	3.1	--	3.1
MA	02/13	23:00	Current Account Balance (MYR mns)	4Q	--	--	12500
MA	02/13	23:00	Annual GDP (y/y)	2017	5.8	--	4.2
MA	02/13	23:00	GDP (y/y)	4Q	5.6	5.7	6.2
IN	02/14	01:30	Monthly Wholesale Prices (y/y)	Jan	--	3.2	3.6
TH	02/14	02:05	BoT Repo Rate (%)	Feb 14	1.50	1.50	1.50
JN	02/14	18:50	Machine Orders (m/m)	Dec	--	-2.3	5.7
AU	02/14	19:30	Employment (000s)	Jan	--	15.0	34.7
AU	02/14	19:30	Unemployment Rate (%)	Jan	5.5	5.5	5.5
SI	02/14	19:30	Exports (y/y)	Jan	--	7.1	3.1
ID	02/14	23:00	Exports (y/y)	Jan	--	6.0	6.9
ID	02/14	23:00	Imports (y/y)	Jan	--	16.2	17.8
ID	02/14	23:00	Trade Balance (US\$ mn)	Jan	--	320	-270
JN	02/14	23:30	Capacity Utilization (m/m)	Dec	--	--	0.0
JN	02/14	23:30	Industrial Production (y/y)	Dec F	4.2	--	4.2
NZ	02/15	16:30	Business NZ PMI	Jan	--	--	51.2
ID	FEB 14-15		BI 7-Day Reverse Repo Rate (%)	Feb 15	4.25	4.25	4.25
IN	FEB 14-15		Exports (y/y)	Jan	--	--	12.4
IN	FEB 14-15		Imports (y/y)	Jan	--	--	21.1
PH	FEB 14-15		Overseas Remittances (y/y)	Dec	--	--	2.0

LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
PE	02/12		Trade Balance (USD mn)	Dec	--	--	603.0
CO	02/14	10:00	Retail Sales (y/y)	Dec	--	--	-1.2
PE	02/15		Economic Activity Index NSA (y/y)	Dec	2.2	--	1.8
PE	02/15		GDP (y/y)	4Q	2.3	--	2.5
PE	02/15		Unemployment Rate (%)	Jan	--	--	6.5

Global Auctions for the week of February 12 – 16

NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CA	02/14	12:00	Canada to Sell 5-Year Bonds

EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
IT	02/13	05:00	Italy to Sell Up to EUR2.5 Bln 0.2% 2020 Bonds
IT	02/13	05:00	Italy to Sell Up to EUR3 Bln 1.45% 2024 Bonds
IT	02/13	05:00	Italy to Sell Up to EUR2.25 Bln 3.45% 2048 Bonds
SP	02/14	04:40	Spain Bond Auction
SZ	02/14	05:15	Switzerland to Sell Bonds
GE	02/14	05:30	Germany to Sell EUR1.5 Bln 2.5% 2044 Bonds
PO	02/14	05:30	Portugal to Sell 2.2% 2022 Bonds
PO	02/14	05:30	Portugal to Sell 2.125% 2028 Bonds
SP	02/15	04:30	Spain to Sell 0.45% 2022 Bonds
SP	02/15	04:30	Spain to Sell 1.4% 2028 Bonds
SP	02/15	04:30	Spain to Sell 2.35% 2033 Bonds
FR	02/15	04:50	France to Sell 0% 2021 Bonds
FR	02/15	04:50	France to Sell 0% 2023 Bonds
FR	02/15	04:50	France to Sell 6% 2025 Bonds
SW	02/15	05:03	Sweden to Sell SEK250 Mln 0.25% 2022 Bonds
SW	02/15	05:03	Sweden to Sell SEK250 Mln 0.125% 2032 Bonds
UK	02/15	05:30	U.K. to Sell GBP2.25 Bln 1.75% 2057 Bonds
FR	02/15	05:50	France to Sell 0.1% 2025 Bonds
FR	02/15	05:50	France to Sell 0.1% 2047 Bonds
FR	02/15	05:50	France to Sell 1.85% 2027 Bonds

ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
AU	02/12	19:00	Australia To Sell AUD150 Mln 0.75% 2027 Indexed Bonds
AU	02/13	19:00	Australia To Sell AUD600 Mln 2.25% 2028 Bonds
JN	02/13	22:45	Japan to Sell 5-Year Bonds
NZ	02/14	20:05	New Zealand To Sell NZD200 Mln 2.75% 2025 Bonds
AU	02/15	19:00	Australia To Sell AUD400 Mln 2% 2021 Bonds

Source: Bloomberg, Scotiabank Economics.

Events for the week of February 12 – 16

NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CA	02/14	12:00	Canada to Sell 5-Year Bonds

EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
IT	02/13	05:00	Italy to Sell Up to EUR2.5 Bln 0.2% 2020 Bonds
IT	02/13	05:00	Italy to Sell Up to EUR3 Bln 1.45% 2024 Bonds
IT	02/13	05:00	Italy to Sell Up to EUR2.25 Bln 3.45% 2048 Bonds
SP	02/14	04:40	Spain Bond Auction
SZ	02/14	05:15	Switzerland to Sell Bonds
GE	02/14	05:30	Germany to Sell EUR1.5 Bln 2.5% 2044 Bonds
PO	02/14	05:30	Portugal to Sell 2.2% 2022 Bonds
PO	02/14	05:30	Portugal to Sell 2.125% 2028 Bonds
SP	02/15	04:30	Spain to Sell 0.45% 2022 Bonds
SP	02/15	04:30	Spain to Sell 1.4% 2028 Bonds
SP	02/15	04:30	Spain to Sell 2.35% 2033 Bonds
FR	02/15	04:50	France to Sell 0% 2021 Bonds
FR	02/15	04:50	France to Sell 0% 2023 Bonds
FR	02/15	04:50	France to Sell 6% 2025 Bonds
SW	02/15	05:03	Sweden to Sell SEK250 Mln 0.25% 2022 Bonds
SW	02/15	05:03	Sweden to Sell SEK250 Mln 0.125% 2032 Bonds
UK	02/15	05:30	U.K. to Sell GBP2.25 Bln 1.75% 2057 Bonds
FR	02/15	05:50	France to Sell 0.1% 2025 Bonds
FR	02/15	05:50	France to Sell 0.1% 2047 Bonds
FR	02/15	05:50	France to Sell 1.85% 2027 Bonds

ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
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AU	02/13	19:00	Australia To Sell AUD600 Mln 2.25% 2028 Bonds
JN	02/13	22:45	Japan to Sell 5-Year Bonds
NZ	02/14	20:05	New Zealand To Sell NZD200 Mln 2.75% 2025 Bonds
AU	02/15	19:00	Australia To Sell AUD400 Mln 2% 2021 Bonds

Source: Bloomberg, Scotiabank Economics.

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	March 21, 2018	1.50	1.50
Banco de México – Overnight Rate	7.25	April 12, 2018	7.50	--

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	March 22, 2018	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	March 23, 2018	7.50	--
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	--

Riksbank: No policy changes are expected but the key will be whether guidance toward future rate hikes will be altered. At present, the central bank's rate path suggests a hike in 2018Q3. It's unlikely that information received since the last decision on December 20th has been material enough to give the central bank enough confidence to materially alter guidance.

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	March 5, 2018	1.50	1.50
Reserve Bank of New Zealand – Cash Rate	1.75	March 21, 2018	1.75	1.75
People's Bank of China – Lending Rate	4.35	TBA	--	--
Reserve Bank of India – Repo Rate	6.00	April 5, 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	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	4.25

The Bank of Thailand (BoT) will hold a monetary policy meeting on February 14. We expect the central bank to leave the benchmark interest rate at 1.50% over the coming months. Inflationary pressures remain weak in Thailand with prices at the headline level rising by 0.7% y/y in January, below the lower boundary of the BoT's medium-term inflation target of 2.5% y/y \pm 1.5%. **Bank Indonesia** will hold a monetary policy meeting on February 15. Indonesian monetary policymakers will likely maintain status quo over the coming months, given that they assess the current policy stance to be consistent with maintained macroeconomic and financial system stability.

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	6.75	March 21, 2018	6.75	--
Banco Central de Chile – Overnight Rate	2.50	March 20, 2018	2.50	--
Banco de la República de Colombia – Lending Rate	4.50	March 20, 2018	4.50	--
Banco Central de Reserva del Perú – Reference Rate	3.00	March 8, 2018	3.00	--

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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