Scotiabank Group

Global Views

Weekly commentary on economic and financial market developments

April 8, 2011

Global Views is available on: www.scotiabank.com, Bloomberg at SCOE and Reuters at SM1C

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Jam-Packed Schedule Will Have Sources Of Cover In Short Supply

- **Every major region faces high data and event risk. See our Calendars on pp. A3-A9.**

Sources of cover will be in short supply next week, as every major region within global capital markets will face a heavy fundamentals calendar, coupled with potential event risk and central bank statements.

The opening market tone out of Asia may well be dominated by two weekend developments that speak to key event risk. One is whether or not the US averts a total shut-down of nonessential Federal government services in the context of the budget tussle between the Republicans and Democrats. Following the November 2010 Congressional mid-term elections, Republicans gained control of the House of Representatives and narrowed the Democrats' majority in the Senate. The GOP and Tea Party influences used this new-found influence to block passage of spending bills accompanying the Federal Budget that are critical to regular government operations. The immediate deadline is midnight on Friday April 8th; if an agreement to extend funding is not reached by then, some non-essential government services could be crippled especially if a continued weekend session of Congress is unable to reach a compromise. President Obama has stated that this time he will veto further "stop gap" measures to temporarily extend government funding as negotiations continue, in the hope that this will motivate a focused resolution after what have already been six stopgap measures this fiscal year. At risk in the markets' eyes is the ultimate potential for default on US government obligations but that won't arise until the debt ceiling is hit in May; that said, the current debate doesn't help. We think the risk of default is low in a game of brinksmanship that should have cooler heads prevail, and would not be immediately faced as the focus would first turn toward expenditure savings in other areas. History is on the side of this view. There have been five government shutdowns over the past three decades. Three of them lasted from hours to as much as a long weekend. A fourth and fifth in 1995-96 during a prolonged dispute between the Clinton administration and the Republicans led to mildly more serious interruptions. Market nervousness has pushed yields on US 10s 40bps higher over the past three weeks.

The second weekend factor will be meetings of EU Finance Ministers and central bankers in Budapest on Friday and into Saturday that will include a focus upon Portugal's request for assistance. The amount and terms could be given further clarity through a statement and ensuing press conferences. European markets will also be focused upon ECB speeches in the after-math of Trichet's less hawkish-than-expected press conference following the decision to hike its benchmark rate by 25bps. Key European data include German CPI, UK trade, UK CPI, Germany's ZEW investor confidence gauge, Euro-zone CPI and UK unemployment.

US markets will also face heavy data risk next week, particularly focused on the February US trade deficit, March retail sales, March CPI, and industrial production. Decent expected growth indicators and upsides to headline inflation set a potentially risky backdrop for auctioning 3s and reopening both 10s and 30s. Fed speech risk is high, with seven speakers on tap, while the Beige book will add to regional recovery anecdotes.

Canada will be in the spotlight on Tuesday and Wednesday with both days carrying major data, policy and event risk to markets. We think Tuesday's BoC statement and Wednesday's full Monetary Policy Report will maintain a largely neutral tone with our forecast remaining for a resumption of rate hikes only by October. Federal party leaders will debate their platforms on Tuesday in English and Thursday in French. Following a record real trade deficit in January, February's trade balance will be watched closely on Tuesday followed by whether January's large gain in real manufacturing shipments can extend further in Thursday's February print.

Asian and global markets will be keenly focused on the release of key Chinese trade data on Saturday, new yuan loans, and the country's major data releases for Q1 real GDP, industrial production, retail sales, and CPI on Thursday evening (ET). CPI is expected to cross 5% y/y so markets will be searching for signs that tighter policy is cooling growth conditions in a soft landing scenario for China. Bank Indonesia and the Bank of Korea make rate announcements and both are expected to be on hold.

Latin American markets will be focused on the outcome of Sunday's election in Peru, an expected hold by the Bank of Mexico, and a hike by Chile's central bank.

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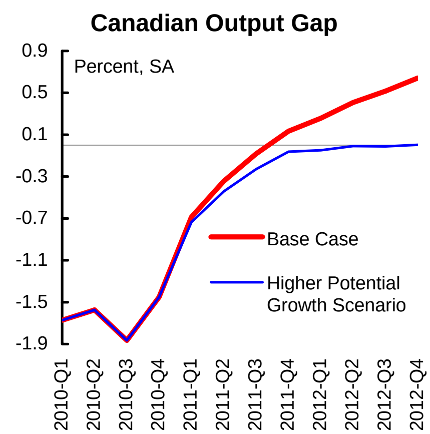
BoC Could Well Dance Around Output Gap & Too-Low-For-Too-Long Concerns

- **We don't view the BoC as facing the necessity to turn instantly more hawkish in light of the accelerated closure of spare capacity and weak evidence of speculative pressures associated with operating at too low rates for too long a period of time.**

Two of the key considerations facing the BoC as it crafts its rate announcement to be delivered on Tuesday April 12th, and its Monetary Policy Report on Wednesday April 13th are what to do about rapidly shifting output gap dynamics, and how to evaluate the risks associated with operating at too low interest rates for too long.

Chart 1



Source: Bank of Canada, Scotia Economics.

Smaller Output Gap Doesn't Need Abrupt Policy Shift

We focused on the output gap dynamics in last week's Global Views on pp.10-11 and summarize our main points here.

Because 2010Q4 growth over-shot BoC expectations by a full percentage point, and 2011Q1 could come in as much as double the BoC's January forecast for Q1 annualized growth of 2.5%, the output gap is closing off materially faster than the BoC last assumed in the January Monetary Policy Report. Indeed, it looks probable that spare capacity in the Canadian economy disappears by late this year or early next as measured solely by the output gap, in contrast to the BoC's forecast that this would not occur until late 2012. Chart 1 provides our updated forecast for the output gap. But these shifting dynamics do not mean inflationary pressures are creeping higher nor that they lie just around the corner in a manner that risks breaching the BoC's 1-3% policy band sooner for five reasons:

- Our measure of excess demand by 2012 in chart 1 is modest. Large swings in inflation readings have generally required large swings in output gap readings to occur, but our fresh output gap forecast only foresees a move into modest excess demand by the end of next year. Indeed, given measurement problems, one cannot say that there is compelling evidence that the economy does anything other than remain near balance in 2012 as opposed to shifting more rapidly into excess demand.
- Price pressures do not occur immediately in response to an economy closing off spare capacity. The usual relationship is roughly a one year lag for this to occur. So if modest excess demand occurs into 2012, it isn't clear that inflationary pressures build on both headline and core until 2012H2 or later. If monetary policy operates with about a one year lag, then that would be consistent with our view that the BoC begins hiking again only by October.
- Lagged output gaps are tenuously correlated with inflation readings in any event. The relationship was tightest before the BoC adopted inflation targeting. Since then a combination of pre-emptively targeting stable inflation, disinflationary external sector influences, and factors resulting in sticky wages and prices have all combined to complement the role of output gaps in driving inflation.
- The BoC could well argue that growth is being front-loaded in this cycle, and therefore growth momentum will rapidly wane over 2011H2-2012 and with it the pace of improvement in the output gap will also materially slow. There is considerable merit to this view, as reflected in the Scotia Economics quarterly Canadian GDP forecast.
- Lastly, there is no compelling pressure on current inflation readings that would spark alarm over the faster than expected pace by which excess capacity is being closed off. We also surveyed several of these measures in the same article in last week's Global Views that we cited above.

Too Low For Too Long?

One of the Bank of Canada's concerns relates to the perils of operating at low interest rates for too long a period of time in a manner that could skew risk taking and create future imbalances that could unwind in damaging

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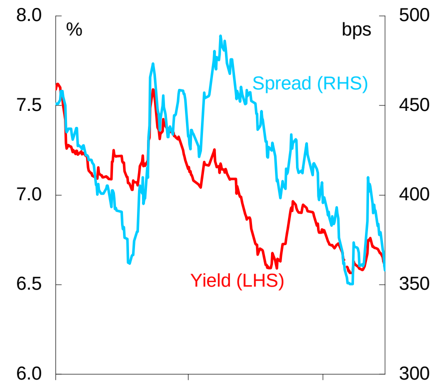
ways to the economy. We briefly survey some of the Canadian evidence on this count, and conclude that while it's mixed, on balance the concern is exaggerated at this point but bears continual monitoring.

On credit spreads, in contrast to a strong desire to push pricing to the limit, a lack of conviction exists across accounts. Credit spreads are much thinner than they were during the crisis period, but remain materially wider than pre-crisis benchmarks across provincial bonds, CMBs, and bank deposit notes (chart 2). The chase for yield has stopped out at wider spreads than previously. A possible exception is high yield spreads, but Canada largely lacked a high yield market place until recently so drawing comparisons to pre-crisis spreads and yields is difficult at best (chart 3).

Chart 3

High Yield Compression



Source: Scotia Capital Economics.

Spreads in the interbank market defined by the gap between CDOR and OIS sit at 27bps in Canada and while vastly narrower than they were during the crisis, they remain wider than the single digit basis point readings that characterized pre-crisis markets. Thus, Canadian bank funding costs have improved sharply, but are not as leanly priced over market as they were pre-crisis.

Economy-wide merger and acquisition volumes have picked up over the past year through to the end of 2010, but remain far below their pre-crisis peaks (chart 4). Incidentally, this same argument holds true in the US and globally with data until the end of February.

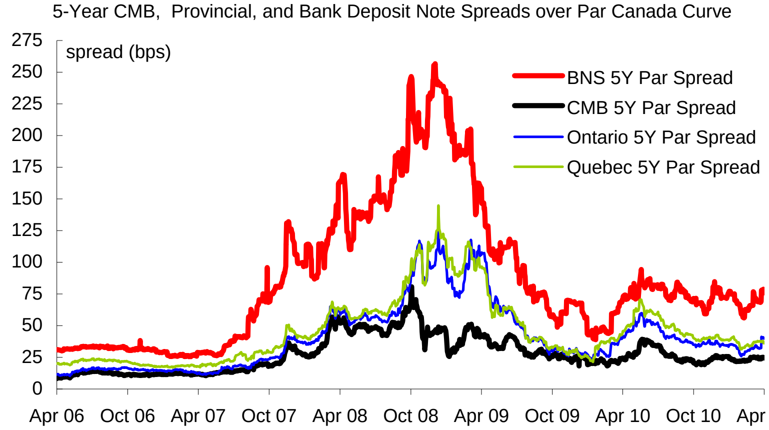
Further, as we argued in "The Credit Cycle Doesn't Suggest the BoC Should Be In A Rush" in last week's Global Views, growth in money supply and household credit variables has sharply decelerated.

In conclusion, if there is speculative excess in some respects, in our view it lies in CAD over-shooting fundamental drivers. The strong prospect that this will continue could well cause more unease at the BoC with downside implications to both inflation through import-effects and growth, than evidence of feeding speculative excess through low interest rates. In short, there are already various forms of tightening in place in the Canadian economy including CAD, fiscal policy, tighter mortgage rules, rising bond yields, and the impact of higher commodity prices in crowding out other types of discretionary spending. To add to these forms of tightening through premature BoC rate hikes would impose excessive tightening on the economy in our view, especially given evidence of operating at cycle tops in the household sector of the economy.

Chart 2

Still Somewhat Fatter Spreads Than Pre-Crisis

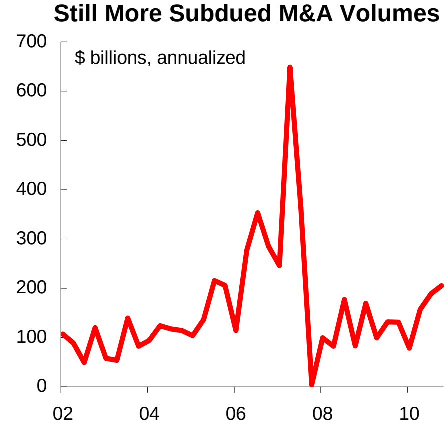
5-Year CMB, Provincial, and Bank Deposit Note Spreads over Par Canada Curve



Source: Scotia Capital Fixed Income Research.

Chart 4

Still More Subdued M&A Volumes



Source: Crosbie M&A Quarterly Reports, Scotia Capital Economics.

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Canada's Housing Market Still Has Some Spring In Its Step

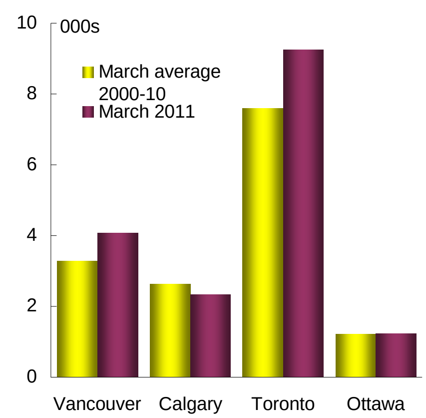
- **Start to the busy spring housing season marked by healthy demand and firm prices, but with less sense of urgency that defined buyers in the spring of 2010.**

A roundup of regional real estate activity reports for March (national figures will be out next week), suggests a healthy start to the spring sales season. Demand continues to be underpinned by improving employment conditions (notwithstanding the unexpected dip in this morning's jobs report) and low borrowing costs. The upward drift in fixed mortgage rates over the past two months, and expectations of higher rates to come, is likely providing an added impetus to would-be buyers.

New residential mortgage regulations that came into effect March 18 — most notably the shortening of the maximum amortization period from 35 to 30 years — may also have provided a modest lift. Overall, however, the impact of this latest round of regulatory changes appears much less pronounced than in the spring of 2010, when tighter mortgage qualifying criteria and increased restrictions on investor properties were unveiled. As a result, we do not anticipate a repeat of the post-rush slump that befell Canadian real estate markets in the summer of 2010.

While conditions vary from market-to-market, they generally continue to moderately favour sellers and more competitively-priced properties:

MLS Home Sales



Source: Scotia Economics

- *Toronto* witnessed its second strongest March sales on record, though roughly 10% short of the March 2010 all-time high. Overall, the GTA remains a seller's market, with prices up 5% y/y. The most affordable segments — condominiums and semi-detached homes — are leading sales and pricing, suggesting strong first-time buyer activity.

- The start to the spring season has been much more subdued in *Ottawa*, where last month's sales were in line with the average March volume of the past decade, and down about 20% from a year earlier. The region also remains in modest seller's territory, with average prices also up 5% y/y. Similar to Toronto, demand and price increases are highest for condominiums and other multi-unit housing.

- *Calgary's* real estate market continues to recover, but sales volumes last month were also fairly typical for a March, and well below the record levels seen during the housing boom of 2004-2007. Conditions are gradually shifting from a buyer's market to greater balance, with average prices down 2% y/y but flat on a m/m basis. Demand for single-family homes is leading the way, benefitting from improved affordability and rising employment, but at the lower end of the price spectrum. Sales and pricing remain quite soft in the resale condominium market, though this likely reflects in part oversupply and price concessions from competing new condo developments.

- *Vancouver* continues to buck broader national trends. Sales in Greater Vancouver were nearing record levels last month, soaring 30% above a year earlier. Despite a steady rise in the number of new listings, market conditions continue to favour sellers, with average prices up 5% y/y. In contrast to most other parts of the country, demand is being fuelled by high-end single-detached homes, with anecdotal evidence suggesting high levels of foreign investor activity. Both sales and pricing of apartment properties are proving much softer, suggesting that a lack of affordability is hindering first-time buyers.

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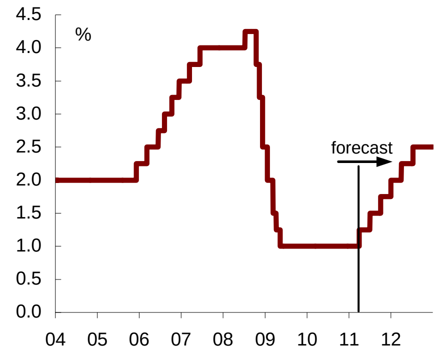
Monetary Policy Tightening Underway in the Euro Zone

- **Persistent turmoil in the euro zone periphery will likely keep the ECB's monetary policy normalization gradual.**

The European Central Bank (ECB) raised its benchmark refinancing rate by 25 basis points (bps) to 1.25% following the Governing Council meeting on Thursday. It was the first upward adjustment in the ECB main refinancing rate since July 2008. Further monetary tightening is likely in the coming quarters due to persistent overshooting of the inflation target, and the prospect that inflation is unlikely to respond quickly to the rate hike. Nevertheless, concerns regarding euro zone financial stability will keep monetary policy normalization gradual. Prior to the official announcement, ECB President Jean-Claude Trichet and other senior monetary officials had been working diligently to prepare investors for the monetary tightening. The ECB's decision will prompt global investors to adjust expectations on rate hikes by the Bank of England and the US Federal Reserve.

The interest rate increase reflects growing confidence within the ECB about the sustainability of the modest recovery in domestic economic activity. In announcing the rate decision, President Trichet continued to describe the monetary policy stance as "accommodative", and emphasized that the ECB believed that the risks to the inflation outlook were on the "upside". Nevertheless, Trichet did not say his often-used phrase "strong vigilance" in the context of monitoring price developments, that has previously indicated a forthcoming hike in the near term. Euro zone policymakers have recently become more concerned about second-round inflationary impacts stemming from higher energy and food prices. With consumer price inflation at 2.6% y/y in March — significantly above the ECB's target of "below, but close to, 2%" — the monetary authorities assess that inflationary pressures are a threat to the central bank's price stability mandate.

ECB Benchmark Interest Rate



Source: Scotia Economics, Bloomberg.

On the growth front, there are no signs of excess demand growth within the euro zone. With substantial excess capacity in both production facilities and labour markets, the risk of domestic supply-side inflationary pressures is contained. As yet, there has been little indication of acceleration in wage pressures. Under these conditions, Thursday's monetary tightening could be interpreted as a pre-emptive move to boost the credibility of the ECB's inflation targeting framework and anchor inflation expectations over the medium term. At the same time, the euro zone economy will likely not suffer notably from slightly higher interest rates. While increasing rates may put additional pressure on the euro zone periphery's economies through higher mortgage costs, limiting inflationary expectations should lower the cost of international financing, helping the troubled economies to gain access to favourable funding costs.

We expect a gradual monetary normalization process with the second hike likely to take place in the third quarter of the year. We assess that the ECB refinancing rate will close the year at 1.75%, followed by further quarterly increases to 2.5% by the third quarter of 2012.

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New York Fed On Chairman's Side — Post 1980

- **Since the 1980s, the New York Fed has voted with the FOMC's majority view.**

Recent differences of opinion across FOMC members have emphasized how the NY Fed always sides with the Chairman of the Federal Reserve. We thought it useful to point out that this wasn't always the case.

In a speech last week in San Juan, Puerto Rico, New York Fed President William Dudley fired back at increasingly more vocal Fed hawks, including regional bank Presidents Richard Fisher, Jeffrey Lacker, Charles Plosser and recently St. Louis Fed President James Bullard, who went as far as suggesting that the Fed could stop the QE2 program US$100 billion short of its original US$600 billion June target. Dudley cautioned against being too optimistic, saying that, although the US economy is showing signs of a gradual recovery, a month of faster-than-expected hiring activity should not alter the Fed's view of the asset purchase program or reverse the course of monetary policy. There is still ample healing to be done, as "a stronger recovery with more rapid progress toward our dual mandate objectives is what we [Fed] have been seeking." As such, Dudley largely sided with the interpretations offered by Chairman Bernanke.

Indeed, since Paul Volcker — who was the head of the NYFRB from 1975 to 1979 — no New York Fed President dissented against the majority view heavily influenced by the Chairman. This includes the presidencies of Anthony Morton Solomon (1980-1985), Edward Gerald Corrigan (1985-1993), William J. McDonough (1993–2003), Timothy Geithner (2003–2009) and now William C. Dudley (2009-Present). However, prior to the 1980s, New York Fed Presidents were known to sway from the majority view on occasion. Dissenters included Allan Sproul (1941–1956), Alfred Hayes (1956–1975) and Paul Volcker (1975–1979). Studies show [1] that the New York and St. Louis regional Fed banks together accounted for over 40% of all dissenting votes from 1959 to 1981, with an overwhelmingly hawkish bias. However, the per cent share of dissenting votes seemed to decline with each subsequent presidency (Hayes, 11% (28 votes), Volcker 5% (3 votes)).

Part of the explanation for the change in the voting behaviour may lie in the fact that since the 1980s — the eras of Fed Chairmen Alan Greenspan (1987-2006) and Ben S. Bernanke (2006-Present) — the Fed has become more transparent in its actions, striving to achieve better credibility in managing its dual mandate. What's more, the Fed buys and sells Treasuries through the NYFRB in order to control medium-term interest rates, and through those actions sends signals about its interest rate expectations. It may be that, due to its deepening policy role and the increasingly higher priority assigned to enhancing the overall Fed transparency, the NYFRB has become more prone to reflect the prevailing Fed view. Finally, while some argue that the FOMC members nominated by Democratic Presidents have a tendency to generally hold more dovish views, Dudley would not qualify. The President nominates Federal Reserve Board Governors, not regional Bank presidents.

Based on its track record, we can expect the New York Fed to continue to side with the majority view. Our forecast does not expect the Fed to embark on a rate hike cycle until at least early 2012. Dudley has two speeches scheduled for next week, one in Tokyo on Monday and another in Hong Kong on Tuesday.

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Peru: Update After the Debate

The following article was published on April 3, 2011.

I watched the debate with much interest tonight, considering how much emphasis most local journalists and political analysts placed on its role in determining the winner of the first round on April 10th.

The debate took place in a context of polls showing a substantial rise in Humala's popularity. El Comercio published a table of four different polls showing Humala winning 25% to 29% of the vote, about a 6% gain relative to prior polls. Based on these latest results, Humala's place in the second-round seems more secure.

Figure 1

First-round election polls

	Humala	Fujimori	Toledo	Kuczynski	Castañeda
Ipsos Apoyo	27.2%	20.5%	18.5%	18.1%	12.8%
CPI	28.7%	19.1%	19.6%	17.8%	14.0%
IMA	26.1%	17.8%	22.0%	15.7%	11.9%
Imagen	25.1%	18.1%	20.4%	16.3%	11.9%

Source: El Comercio, April 3, 2011.

Further bad news for markets comes from the second round simulations, where the contests against Humala are closer than before. According to Ipsos-Apoyo, the second round simulation results are Castaneda–Humala 46%/44%; Fujimori–Humala 42/42; Toledo-Humala 44/40; Kuczynski-Humala 41/43. The second round simulations from CPI show the other candidates defeating Humala with a larger margin, though still too close for comfort in some cases.

The latest Ipsos survey also presented a useful histogram of political orientation. Survey participants were asked to rank themselves and all the candidates on the political spectrum from extreme left (1) to extreme right (10). The average voter was at 5.5. Humala was at 4.0. The other candidates were clustered at 6.4 to 7.0, with Kuczynski the one who was most to the right. Thus, Humala needs to move right, and all the other candidates need to move left, which is what took place in the debate.

In his introductory remarks, Humala spoke about education, support for small businesses, justice, and the importance of freedom of the press and democracy, the latter being a topic where his views had been questioned by critics. Later in the debate, he pre-empted other controversial issues by affirming the importance of price stability and fiscal restraint. Humala´s proposals were fairly moderate; for example, in the second segment of the debate, titled "reducing poverty," Humala suggested raising the minimum wage.

Humala was attacked by the other candidates for his radical plans and the instability which his presidency would cause. Castañeda and Kuczynski criticized Humala´s previously released government plan which, according to them, included changes to the constitution, the dissolution of Congress, and the nationalization of the economy. Humala replied curtly that that was not his plan, and then went on to talk about fighting corruption. In an indirect but obvious attack on Humala, Toledo asked Castañeda if he thought the Venezuelan model was an effective way to reduce poverty. Castañeda of course replied that it was not. Later on, Humala was accused of trying to convert Peru into another Venezuela, Nicaragua, or Bolivia. An often repeated message was that Humala, or "Comandante Ollanta" as Toledo liked to call him, was a return to the past rather than a step forward toward more growth. Fujimori attacked Humala less than the others; at one point, she indicated that free markets and private investment do not generate opportunities for those left behind by the country's growth.

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Of course, most of the debate was not about the benefits of free markets. There was talk of school lunches, small businesses, and poor farmers—not much controversy there. Toledo, Kuczynski, and Fujimori attacked each other's past record in government. (In the case of Keiko Fujimori, they attacked her father's accomplishments.) Those attacks seemed ineffective and often led to a disagreement about the relevant economic and social statistics. Thus, it seems that Toeldo, Kuczynski and Fujimori are mostly battling for second place right now.

The nature of the contest should change in the second round, however. In order to win, Humala will have to convince the public that he is much less radical now than before, but much of the public seems sceptical. Last week's Caretas magazine showed a picture of Humala, with his left side dressed in a red polo shirt while the right side was covered by a suit and tie. An editorial in today's Peru 21 newspaper mentioned a chef's special offered by a local seafood restaurant in honor of Humala: a ceviche made out of both white sole and red salmon. It will be interesting to see how Humala responds to stronger attacks about his true intentions.

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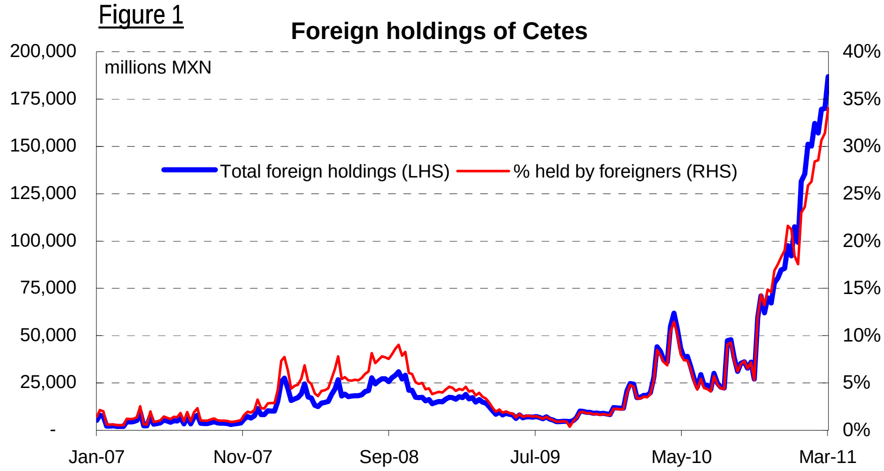
Enhanced Forward Rate Arbitrage in Mexico

The following article was published on April 1, 2011.

Foreign investors can enhance their returns from the FX forward rate arbitrage trade in Mexico by investing in short-term notes issued by government-agencies and high-rated corporates rather than in Cetes. We consider the costs and benefits.

A popular FX trade in Mexico, one that to the surprise of many investors has still not been arbitraged away, is a simple forward rate arbitrage. Under this trade an investor borrows in dollars, purchases Mexican government peso-denominated Cetes (short-term treasury notes), and also sells pesos on the FX forwards market to lock in his expected gains in dollar-terms. The expected gain, which depends on the investor's dollar funding costs, is approximately 80bp for a 1 month to 3 month tenor. The persistence of the arbitrage may help to explain the tremendous increase in foreign holdings of Cetes over the past six months, as shown in Figure 1. The fact that the most attractive FX forward points are in the 1 month to 3 month range also explains why foreign holdings are disproportionately weighted towards shorter-term Cetes, with over 70% of foreign holdings maturing in less than 3 months.

Figure 1



Source: Scotia Capital based on data from Banxico. Last data release was on March 3rd.

Such an arbitrage trade has minimal credit risk since it is hard to imagine how Mexico would default in the next month. There is theoretically some risk, as indicated by a 1Y CDS trading at 44bp, but we would think that even that low number overstates the risks since the government is more likely to default on hard-currency bonds than on local bonds and the upwards sloping CDS curve suggests that default risk is lower for periods of less than one year. To the extent that investors are already willing to go into the local market and bear a small amount of credit risk, we thought it might be worthwhile to consider the potential additional returns from investing in short-term instruments other than Cetes.

Our goal here is a preliminary evaluation of the yield enhancement offered by other short-term instruments (those issued by government agencies, banks, and other corporates), which should be weighed against the different credit risk and reduced liquidity. Recognizing that the secondary market for short-term notes other than Cetes is limited, we assume that the investor would buy the notes in the primary issuance and hold them to maturity. For this same reason, we restrict our attention to issuers that typically offer short-term notes with tenors of 3 months or less—tenors of about 1 month are the most common. Since most issuers refinance their notes upon maturity, we can get a fairly good idea of what types of issuers will come to the market in the near term by looking at upcoming maturities. The yields of the existing paper suggest the levels for future issuances. The table below presents some data on the relevant upcoming issuers.

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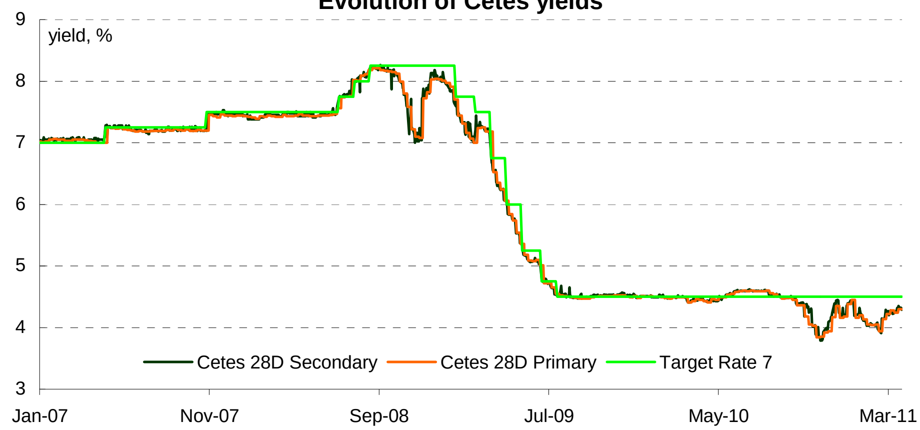
Sector	Yield	Typical Issue Size (MXN)	Typical Short Tenors
Cetes	0.043	5.5bn	28 and 91 days
Government Agency	4.51% to 4.56%	1bn to 5bn	7 to 30 days
Banks	4.51% to 4.65%	500mn to 1bn	7 to 60 days
Automotive Finance	4.62 to 4.69%	200mn to 600mn	28 days
Mortgage (Sofol)	5% to 6%	200mn to 1bn	28 to 84 days

Source: Scotia Capital, based on data from Valmer. Cetes yields are from Bloomberg.

With the exception of the Sofoles (mortgage lenders), the credit quality is not significantly worse than that of Cetes. Many of the government agencies and banks have the same credit rating as the government of Mexico while the automotive finance issuances (e.g. VW, Toyota, Daimler) are usually guaranteed by the foreign parent. Yields are currently only about 30bp above current 1 month Cetes rates, however. Still, browsing over the issuance history of some of the short-term notes reveals that the issuance yields are not immediately sensitive to movements in Cetes rates. Thus, if Cetes yields were to fall back to the levels we saw in February (Figure 2), the yield enhancement from using corporate short term notes instead of Cetes would increase from 30bp to 60bp. That figure represents a 100% increase over the current after-tax return with Cetes.

Figure 2

Evolution of Cetes yields



Source: Bloomberg, Banxico.

With regards to taxes, foreigners buying Mexican short term notes from countries like the US that have double taxation treaties with Mexico, whether purchasing Cetes or corporate commercial paper, are taxed at a rate of 4.9% on the coupon. This tax reduces the gains from the arbitrage trade by 20 to 25bp. Residents of countries without double taxation treaties pay a 10% tax, while the tax rate for some tax havens can exceed 30%. Canadian investors do not pay any tax thanks to a tax treaty between Canada and Mexico.

In our opinion, these alternative short-term notes may make sense for certain investors, depending on the structure of their risk limits and their liquidity preferences. We think they are worth keeping in mind as the yield on Cetes continues to evolve.

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Global Strategy Outlook — Spring 2011 Update

Equities Outperform Bonds in Q1, Leadership Narrows

- The MSCI World AC Index advanced 4% (USD return) in Q1/11, enabling equities to outperform bonds and thus extending the winning streak that started two years ago. Gains in Europe (+6%/USD) and North America (S&P 500 +5%; TSX +8%/USD) outpaced returns in Asia-Pacific ex-Japan (1%/USD) and Latin America (0%/USD). China (A-shares index +5%/USD) led performance among emerging markets (MSCI emerging markets 2%/USD in Q1).
- Bonds (long-term U.S. Treasuries -2.1%; DEX Universe Index +0.3% in Canada) posted flat/negative returns in the first quarter of 2011. Cash (three-month bills) managed to outperform bonds for the second quarter in a row. Government bond performance has been lagging since the global recession ended in Q2/09, and long-term bond performance turned outright negative in Q4/10 and Q1/11. A stronger economic outlook (world GDP expected at +4.2% in 2011), bond outflows, rising inflation pressures, and the potential for tighter monetary policy in the United States and Europe later in 2011 have been hurting bond returns recently.
- Equities entered 2011 looking overbought, both on an absolute and relative basis. Moreover, following its 25%+ rebound from last August, the S&P 500 looked poised for a pullback earlier in Q1. Japan's tragic earthquake and social unrest in North Africa and the Middle East did impact risk appetite in early March, but the flight-to-quality was short-lived and well contained. The S&P 500 ended Q1/11 1.3% below its February 1,343 peak and nestled above its 50-day moving average (1,308). Our tactical asset mix indicator is looking more neutral, and we now see much lower odds of a major pullback.

US employment data is equity supportive

- The March U.S. payrolls report was an all-around beat: the headline figure came in at +216,000 (versus consensus at +190,000), and private payrolls increased 230,000 (versus 206,000 estimates). In addition, the March unemployment rate eased to 8.8%, hours worked moved up to 34.3, and February data were revised higher. The lower unemployment rate may stem the recent slide in consumer confidence, which is mostly due to rising gas prices.
- We view the March U.S. payrolls report as a further sign that the U.S. recovery is sustainable. As long as the trend in U.S. employment improves (lower jobless claims), equities should post positive returns and we will stick to an equity overweight stance. Stronger U.S. payrolls should push yields higher and hurt bond returns, as the next step for the Fed will be to unwind easing (no QE3) and then move to tighten monetary policy (verbally, we expect, in 2H/11; rate hikes expected in Q1/12). Our valuation models point to S&P 500 fair value at 1,420 and U.S. 10-year bond yields of 4.2%. Risk-reward still favours the S&P 500.

Transitions in Monetary Policy Reshaping Rally

- Strong U.S. jobs data is positive for the S&P 500, but the transition to tighter global monetary policy (flattening yield curves, slowing profit growth) will represent a challenge for the higher-beta/risk trade in coming months. Commodities prices may feel heavy if markets link strong U.S. employment data to tightening risks.
- In Europe, the European central bank could raise its benchmark rate as early as May 7 (+25 bp to 1.25%). The Bank of Canada (benchmark rate currently at 1%) is expected to resume rate hikes in Q3/11, and the U.S. Federal Reserve (Fed funds at 0.25%) could delay rate hikes to Q1/12. However, verbal tightening (end of QE2) could precede actual Fed rate hikes. The timing of rate hikes remains a matter of debate, but we expect transitions in monetary policy to increase market volatility heading into 2012.
- A Q2/12 window for the start of Fed rate hikes would imply a 36-month lag from the end of the last recession (Q2/09), which is slightly longer than the historical lag of 31 months. Although "rate hike" headlines are bound to increase investor anxiety, tangible impacts on bonds (flat/inverted curve) and equities (performance; transportation/utility leadership) typically take hold one year after the start of tightening.

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- The global transition towards tighter monetary policy should continue to hurt bonds and challenge the equity risk-reward outlook heading into 2012. Global and sector leadership will also narrow. We are not as bullish on equities as we were in 2009 and 2010, but our pro-cyclical bias for 2011 remains unchanged and we expect 8%-10% total return for the S&P 500. Although we recognize this is now the consensus view, being out-of-consensus at the mid-point of the cycle when fundamentals (and U.S. politics) remain supportive can be perilous. When the earnings trend rolls over and the Street complacently dismisses it, it will be time to run against consensus. In the meantime, equity sentiment and flows should remain positive in 2011 as U.S. GDP growth tops 3%, corporate profits rise, and job growth continues. Attractive valuations (S&P 500 forward P/E stands at 13x) and M&A activity also represent supportive drivers.

Asset Mix & Global Equity Strategy

- **Tactical outlook neutral, valuations favour equities.** Our tactical asset mix indicator is currently looking more neutral and our models point to S&P 500 fair value of 1,420 versus 4.2% for U.S. 10-year yields. The S&P 500 is thus 7% undervalued and 10-year bonds are 4% overvalued. This +11% spread favouring equities warrants an overweight stance, but equities' valuation advantage over bonds is not as compelling as it was in 2009 and 2010. Hence, our core asset mix recommendation for 2011 is still to overweight equities, but the magnitude is smaller than what we were recommending over the past two years.
- With short-term interest rates heading higher, the bond-to-cash trade-off doesn't look appealing either, which explains our cash overweight stance.
- Relative to our neutral asset mix stance (50% equities–45% fixed income–5% cash), we are positioned as follows: +8% equities (versus +18% in 2009 and 2010), -10% bonds (versus -17%) and +2% cash (versus -1%). See Exhibit for details.

Scotia Capital Asset Mix - Spring 2011 Update

	Asset Mix		Change from	Total Return
	Benchmark	**Recommended**	**Last Quarter**	**Next 12-M**
Equities	**50%**	**58%**	**0%**	**8-10%**
Canada (TSX)	10%	13%		
U.S. (S&P 500)	15%	20%		
Int'l (Europe, Japan)	15%	18%		
EM-Asia	6%	4%		
EM-LatAm	4%	3%		
Bonds	**45%**	**35%**	**0%**	**3%**
Government	35%	23%		2%
Corporate	10%	12%		4%
Cash (91-D Tbills)	**5%**	**7%**	**0%**	**1%**

Source: Scotia Capital

Our Developed over Emerging "Tactical" Bias Unchanged for 2011

- Our 2011 global equity preferences have been driven by our belief that diverging monetary policies (EM tightening; Fed still easing/ECB on hold), and fiercer inflation worries in developing economies would lead to temporary S&P 500 outperformance. Since central banks in emerging markets (EM) have intensified tightening measures, and with the Fed on hold, EM leadership has reversed and the S&P 500 has outperformed. When the Fed starts raising interest rates, however, the S&P 500 will lose its monetary

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edge and EM relative performance should benefit. When year-over-year (YOY) changes in Fed funds move up, EM tends to outperform the S&P 500. Fed funds have been flat since 2009 and this consolidation period has benefited the S&P 500. With the next move likely up for Fed funds, EM leadership could resume in the latter part of 2011 or early 2012. Hence, recent S&P 500 (and DM) leadership should be temporary. Longer term, we do not expect a sustained S&P 500 outperformance cycle until the USD (DXY Index) bear market ends.

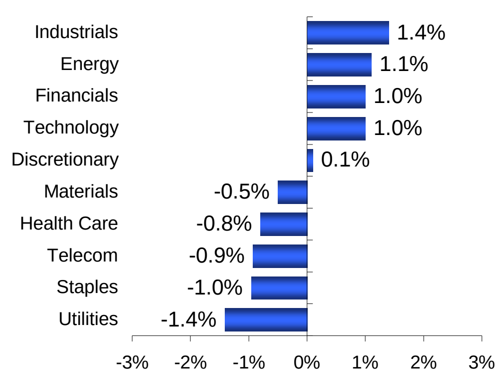
Raising EPS estimates and targets

- Following Scotia Economics' most recent updates to GDP and commodity forecasts, we have revised our earnings estimates higher. Our top-down S&P/TSX earnings model now yields $950 (+41% YOY) for 2011 and $985 in 2012 (+4% YOY). We were previously looking for $860 in 2011 and $925 in 2012. Using a 14.7x forward multiple (a 6% premium to the one we use for the S&P 500) on our 2012E earnings, we derive a 12- to 18-month target of 14,750 (was 14,000 previously) for the S&P/TSX Composite Index.
- Our top-down S&P 500 earnings model yields US$95 for 2011 (up from US$90) and US$100 in 2012 (was US$95). Using a 14x forward multiple on our 2012E earnings, our S&P 500 12- to 18-month target goes up to 1,400 (from 1,325).

Strategic Edge Portfolio (SEP) & Equity strategy Update

- The SEP is our large-capitalization equity model portfolio, which highlights our sector strategy views and preferred picks from Scotia Capital Equity Research. Year-to-date (YTD), the SEP is up 7.7% (total return) and is outperforming the TSX by 215 basis points (bp). Since the start of 2011, SEP relative performance has benefitted from the following themes: our energy (+8% YTD) over materials (-2%) bias; our overweight in financials-banks and industrials; and a focus on business spending (capital goods over transportation; media over retail). Our 5% cash position cost us 28 bp and in the absence of Valeant from the portfolio (VRX; up 71% YTD) deducted 60 bp. Individual stock selections in banks, industrials, and gold also visibly added value in Q1/11.
- **2011 SEP strategy revisited.** Our objective for 2011 has been to build a portfolio that will continue to benefit from the market's positive tone, while reducing our overall cyclical exposure. In our opinion, the transition towards global monetary tightening in 2H/11 or 1H/12 will eventually hurt risk appetite, and we believe the risk-reward outlook of the "high-beta" trade is not as compelling as it was in 2009 and 2010. Most cyclical sectors still look better in terms of earnings leadership, and rising interest rates will weigh on sectors like utilities and pipelines. At this time, we would stick with our energy over materials preference, and leaving the core structure and preferences of the Strategic Edge Portfolio unchanged. Themes that have worked well in Q1 should see sustained leadership in coming months. Please refer to our April 4 *Daily Edge* comment ("Model Portfolios & Sector Strategy – April Update") for further details on the SEP and U.S. sector portfolio.

U.S. Sector Recommendation



Source: Scotia Capital

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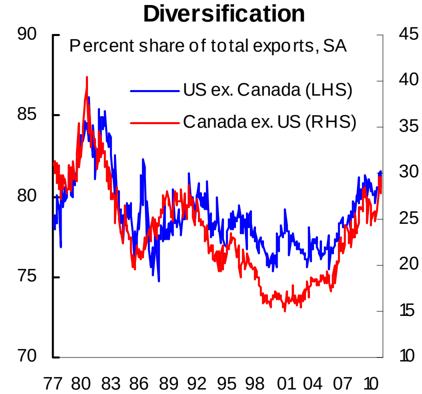
Key Data Preview

CANADA

January's trade report revealed that the real trade deficit took an abrupt turn for the worse in January, and that December's nominal surplus was not as strong as initially understood. This reinforced BoC concerns (as well as our own), over the uncertainty facing the direction of Canadian trade through a loss of export competitiveness (weak labour productivity, strong Canadian dollar) and a sizeable import leakage. This further highlights the need for Canada to diversify its export base even more (see chart 1). We estimate that the nominal **trade surplus** (Tuesday) will expand to around C$0.9 billion in February, as the impact of a weak base effect from the prior month and stepped-up gains in commodity prices are likely to be only partly offset by a strong Canadian dollar.

Canada Should Step Up Export Diversification



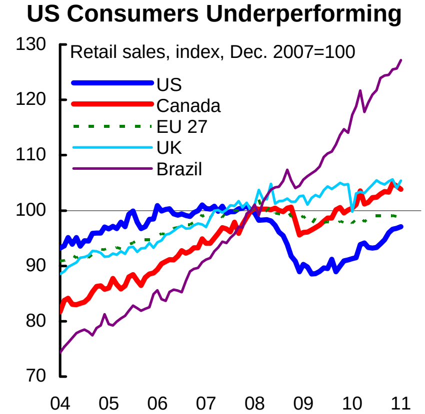
Source: US Census Bureau, Statistics Canada, Scotia Capital Economics.

While the February GDP report will not be released until April 29th, leading indicators are gradually trickling in, revealing a mixed bag of results. So far we know that housing starts contributed strongly to growth — on a surge in volatile multiples projects — while hours worked retreated in two of the past four months, although March saw a solid 0.5% gain. Although our forecasting capability is constrained by the lack of up-to-date data available on domestic demand, exports and inventories, we are forecasting a decline of 1.5% m/m in **manufacturing sales** (Thursday), on a strong base effect and lower vehicle production.

UNITED STATES

While rising commodity prices are putting upward pressure on headline inflation gauges along the supply chain — an effect we expect to be transitory — the pass-through to the core basket has been much more subdued. Core consumer inflation sat at 1.1% y/y in February, still well below the Fed's target, keeping the Fed on the sidelines. We do not expect this to change as the higher cost of food and energy will act to crowd out discretionary spending, dampening core pressures. For March, we are looking for a headline CPI (Thursday) gain of 0.4% m/m, on a strong base effect from the prior month and slightly more moderate advances in gasoline and food prices. Core index is forecast to increase by 0.2% m/m.

US Consumers Underperforming



Source: IBGE, Eurostat, Statistics Canada, St. Louis Fed, Scotia Capital Economics.

We suspect that **retail sales** (Wednesday) extended the upward trend in March, but at a slower clip than the average monthly gain of 0.9% registered since mid-2010. The pace of recovery in US consumer demand has so far underperformed several advanced economies, save for the euro zone (see chart 2). For the month of March, we are forecasting an increase of 0.6% m/m for both the headline and core (ex. auto) prints. Higher light-vehicle sales, chain-store sales and gasoline prices were likely the main drivers of growth, helped by improving labour market conditions.

The US trade gap has been widening since mid-2009, but remains some 25% narrower than its 2006-2008 average. The headline US trade deficit disappointed in January — widening more than expected.— but the underlying details revealed broad strength in import volumes outside of petroleum, providing encouraging evidence about the US consumer. We look for the nominal **trade gap** (Tuesday) to shrink to about US$43 billion in February, from US$46.3 billion in the prior month. A strong base effect is likely to be partly offset by a sizeable pick-up in petroleum prices. It may be worthwhile to monitor the real ex-oil trade details for more insight on underlying foreign and domestic demand.

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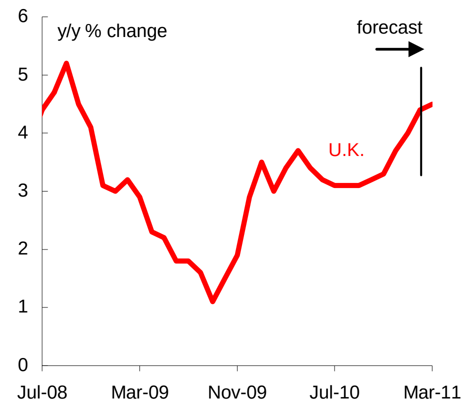
EUROPE

Inflationary pressures continue to intensify in the UK, reflecting higher energy and food prices, increases in the value-added tax rate and the lagged effects of the substantial depreciation of the British pound. The consumer price index increased by 4.4% y/y in February, continuing to exceed the official 2.0% target by a wide margin. Inflation expectations and prices at the core level are picking up as well. Inflation will likely continue to rise in the coming months towards the 5.0% y/y threshold, before subsiding to below 4.0% by the end of the year. We estimate that consumer prices rose by 0.7% m/m in March, taking the annual inflation rate to 4.5%. The debate concerning a possible increase in the Bank of England's Bank Rate in the coming months is intensifying; the next monetary policy decision is scheduled for May 5th, 2011.

Headline Inflation



Source: Bloomberg, Scotia Economics.

LATIN AMERICA

For the week ahead (April 11th-15th), the most relevant event in Latin America will be the presidential elections in Peru that will take place on Sunday, April 10th. In the beginning of the year, the election was not considered a major event, as the candidate leading the voting intention surveys was seen as a prudent politician, and no major changes in the macroeconomic front were anticipated by market participants. Recently, however, the return of Ollanta Humala as a leader in the first round of voting has attracted international attention and injected a higher degree of market anxiety. Former President Alejandro Toledo — the expected winner a few months ago — has lost popularity. Keiko Fujimori (the daughter of former President Alberto Fujimori) has also gained relevant ground in the latest polls, indicating that this will be a very close election. What is certain is that a runoff vote will take place in June as no single candidate will obtain the needed majority during the first round of votes.

Key Indicators for the week of April 11 - 15

North America

Country	Date	Time	Event	Period	BNS	Consensus	Latest
MX	APR 8-15		ANTAD Same-Store Sales (YoY)	MAR	- -	--	3.3
MX	04/11	09:00	Industrial Production (YoY)	FEB	5.38	5.95	6.62
MX	04/11	09:00	Industrial Production (MoM)	FEB	- -	--	1.4
MX	04/11	09:00	Trade Balance (USD mns)	FEB F	- -	--	274.7
US	04/12	07:30	NFIB Small Business Optimism	MAR	- -	94.9	94.5
CA	04/12	08:30	New Housing Price Index (MoM)	FEB	0.1	0.2	0.2
CA	04/12	08:30	Int'l Merchandise Trade (CAD bns)	FEB	0.9	0.7	0.1
US	04/12	08:30	Import Price Index (MoM)	MAR	- -	2.1	1.4
US	04/12	08:30	Trade Balance (USD bns)	FEB	-43.0	-44.0	-46.3
CA	04/12	09:00	**Bank of Canada Rate**	12-Apr	**1.00**	**1.00**	**1.00**
US	04/12	14:00	Monthly Budget Statement (USD bns)	MAR	- -	-189.0	-222.5
US	04/13	07:00	MBA Mortgage Applications (WoW)	8-Apr	- -	--	-2.0
MX	04/13	08:00	Vehicle Domestic Sales (AMDA)	MAR	- -	--	66990
US	04/13	08:30	Advance Retail Sales (MoM)	MAR	0.6	0.5	1.0
US	04/13	08:30	Retail Sales Less Autos (MoM)	MAR	0.6	0.7	0.7
US	04/13	10:00	Business Inventories (MoM)	FEB	- -	0.8	0.9
MX	04/13	10:00	Vehicle Exports (AMIA)	MAR	- -	--	155808
MX	04/13	10:00	Vehicle Production (AMIA)	MAR	- -	--	193527
CA	04/13	10:30	**Monetary Policy Report**				
US	04/13	14:00	**Fed's Beige Book**				
CA	04/14	08:30	Manufacturing Sales (MoM)	FEB	-1.5	-0.6	4.5
US	04/14	08:30	Initial Jobless Claims (000s)	9-Apr	385	380.0	382.0
US	04/14	08:30	Continuing Claims (000s)	2-Apr	3700.0	3704.5	3723.0
US	04/14	08:30	Producer Price Index (MoM)	MAR	0.8	1.1	1.6
US	04/14	08:30	PPI Ex Food & Energy (MoM)	MAR	0.2	0.2	0.2
US	04/15	08:30	Consumer Price Index (MoM)	MAR	0.4	0.5	0.5
US	04/15	08:30	CPI Ex Food & Energy (MoM)	MAR	0.2	0.2	0.2
US	04/15	08:30	Consumer Price Index (YoY)	MAR	2.6	2.6	2.1
US	04/15	08:30	CPI Ex Food & Energy (YoY)	MAR	1.2	1.2	1.1
US	04/15	08:30	Empire Manufacturing	APR	18.0	17.0	17.5
US	04/15	09:00	Total Net TIC Flows (USD bns)	FEB	- -	--	32.5
US	04/15	09:15	Industrial Production (MoM)	MAR	0.4	0.6	0.0
US	04/15	09:15	Capacity Utilization Rate	MAR	77.2	77.4	77.0
US	04/15	09:55	U. of Michigan Confidence	APR P	- -	69.0	67.5
MX	04/15	10:00	**Overnight Rate**	15-Apr	**4.50**	**4.50**	**4.50**

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

Key Indicators for the week of April 11 - 15

Europe

Country	Date	Time	Event	Period	BNS	Consensus	Latest
RU	APR 8-11		Trade Balance (USD bns)	FEB	- -	16.7	17.3
FR	04/11	02:45	Industrial Production (MoM)	FEB	- -	0.5	1.0
IT	04/11	04:00	Industrial Production sa (MoM)	FEB	- -	1.7	-1.5
UK	04/11	19:01	RICS House Price Balance (%)	MAR	- -	-24.0	-26.0
RU	APR 11-13		Budget Level YTD (RUB bns)	MAR	- -	--	52.8
GE	04/12	02:00	CPI - EU Harmonised (MoM)	MAR F	0.5	0.5	0.5
GE	04/12	02:00	CPI - EU Harmonised (YoY)	MAR F	2.2	2.2	2.2
FR	04/12	02:45	Current Account (€ bns)	FEB	- -	--	-5.1
SP	04/12	03:00	CPI (EU Harmonised) (MoM)	MAR	- -	2.3	0.1
SP	04/12	03:00	CPI (EU Harmonised) (YoY)	MAR F	- -	3.3	3.3
UK	04/12	04:30	DCLG UK House Prices (YoY)	FEB	- -	0.1	0.5
UK	04/12	04:30	Total Trade Balance (£ mns)	FEB	- -	-3950	-2950
UK	04/12	04:30	CPI (MoM)	MAR	0.7	0.6	0.7
UK	04/12	04:30	CPI (YoY)	MAR	4.5	4.4	4.4
UK	04/12	04:30	Core CPI (YoY)	MAR	3.5	3.3	3.4
GE	04/12	05:00	Zew Survey (Current Situation)	APR	- -	85.2	85.4
GE	04/12	05:00	ZEW Survey (Econ. Sentiment)	APR	- -	11.3	14.1
EC	04/12	05:00	ZEW Survey (Econ. Sentiment)	APR	- -	--	31.0
FR	04/13	01:30	CPI - EU Harmonised (MoM)	MAR	0.5	0.7	0.5
FR	04/13	01:30	CPI - EU Harmonised (YoY)	MAR	1.8	2.0	1.8
SP	04/13	03:00	House transactions (YoY)	FEB	- -	--	19.6
UK	04/13	04:30	Claimant Count Rate	MAR	- -	4.5	4.5
UK	04/13	04:30	Jobless Claims Change	MAR	- -	-3.0	-10.2
UK	04/13	04:30	Average Weekly Earnings (3M/YoY)	FEB	- -	2.6	2.3
UK	04/13	04:30	ILO Unemployment Rate (3mths)	FEB	8.0	8.0	8.0
EC	04/13	05:00	Euro-Zone Ind. Prod. sa (MoM)	FEB	- -	0.8	0.3
UK	04/13	19:01	Nationwide Consumer Confidence	MAR	- -	40.0	38.0
RU	04/14		Gold & Forex Reserve (USD bns)	8-Apr	- -	--	504.5
SP	04/14		Spain Business Confidence	1Q	- -	--	-20.5
IT	04/15	04:00	Trade Balance (Total, € mns)	FEB	- -	--	-6554
EC	04/15	05:00	Euro-Zone CPI - Core (YoY)	MAR	1.0	1.1	1.0
EC	04/15	05:00	Euro-Zone CPI (MoM)	MAR	1.2	1.3	0.4
EC	04/15	05:00	Euro-Zone CPI (YoY)	MAR	2.6	2.6	2.4
IT	04/15	05:00	CPI - EU Harmonized (MoM)	MAR F	- -	2.0	2.0
IT	04/15	05:00	CPI - EU Harmonized (YoY)	MAR F	- -	2.6	2.6
EC	04/15	05:00	Euro-Zone Trade Balance SA (€ bns)	FEB	- -	-3.6	-3.3
EC	04/15	05:00	Euro-Zone Trade Balance (€ bns)	FEB	- -	-4.0	-14.8

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

Key Indicators for the week of April 11 - 15

Asia Pacific

Country	Date	Time	Event	Period	BNS	Consensus	Latest
CH	04/09	22:00	Trade Balance (USD bns)	MAR	- -	-3.4	-7.3
JN	04/10	19:50	Machine Orders (MoM)	FEB	- -	-0.9	4.2
SK	04/10	23:00	Bank Lending to HH (KRW tns)	MAR	- -	--	431.7
CH	APR 10-15		Foreign Exchange Reserves (USD bns)	MAR	- -	2980.0	2847.3
CH	APR 10-15		New Yuan Loans (CNY bns)	MAR	- -	600.0	535.6
CH	APR 10-15		Money Supply - M0 (YoY)	MAR	- -	14.9	10.3
CH	APR 10-15		Money Supply - M1 (YoY)	MAR	- -	14.9	14.5
CH	APR 10-15		Money Supply - M2 (YoY)	MAR	- -	15.4	15.7
MA	04/11	00:01	Industrial Production YoY	FEB	- -	5.7	1.0
IN	04/11	01:30	Industrial Production YoY	FEB	- -	5.1	3.7
TA	04/11	04:00	Total Trade Balance USD bns)	MAR	- -	1.5	0.9
JN	04/11	19:50	Bank Lending Banks Adjust (YoY)	MAR	- -	--	-1.7
NZ	04/11	20:00	QV House Prices (YoY)	MAR	- -	--	-1.7
SK	04/11	21:00	**South Korea 7-Day Repo Rate**	12-Apr	**3.00**	**3.00**	**3.00**
PH	04/11	21:00	Total Monthly Exports (USD mns)	FEB	- -	--	4000.3
PH	04/11	21:00	Total Exports (YoY)	FEB	- -	13.3	11.8
ID	APR 11-12		**Bank Indonesia Reference Rate**	12-Apr	**6.75**	**6.75**	**6.75**
JN	04/12	02:00	Machine Tool Orders (YoY)	MAR P	- -	--	73.9
SK	04/12	19:00	Unemployment Rate (SA)	MAR	- -	3.8	4.0
NZ	04/13	18:45	Retail Sales (MoM)	FEB	- -	--	-1.1
NZ	04/13	18:45	Retail Sales Ex-Auto (MoM)	FEB	- -	--	-1.2
SI	04/13	20:00	Advance GDP Estimate (QoQ)	1Q	- -	11.4	6.9
AU	04/13	21:30	New Motor Vehicle Sales (YoY)	MAR	- -	--	-1.5
CH	04/14	22:00	Industrial Production (QoQ)	MAR	- -	--	0.0
CH	04/14	22:00	Fixed Assets Inv Excl. Rural (QoQ)	MAR	- -	--	0.0
CH	04/14	22:00	Retail Sales (QoQ)	MAR	- -	--	0.0
CH	04/14	22:00	Real GDP (YoY)	1Q	- -	9.4	9.8
CH	04/14	22:00	GDP Constant Price (QoQ)	1Q	- -	--	0.0
CH	04/14	22:00	Consumer Price Index (YoY)	MAR	- -	5.2	4.9
CH	04/14	22:00	Producer Price Index (YoY)	MAR	- -	7.2	7.2
CH	04/14	22:00	Industrial Production (YoY)	MAR	- -	14.0	14.9
CH	04/14	22:00	Retail Sales (YoY)	MAR	- -	16.5	11.6
SI	04/15	01:00	Retail Sales SA (MoM)	FEB	- -	2.0	-2.9
IN	04/15	02:30	Monthly Wholesale Prices (YoY)	MAR	- -	8.4	8.3

Latin America

Country	Date	Time	Event	Period	BNS	Consensus	Latest
BZ	04/11	10:00	Trade Balance (FOB) - Weekly (USD mns)	10-Apr	- -	--	534.0
CL	04/12	07:30	Central Bank Economist Survey				
BZ	04/12	08:00	Retail Sales (MoM)	FEB	- -	0.5	1.2
BZ	04/12	08:00	Retail Sales (YoY)	FEB	- -	9.3	8.3
CL	04/12	17:00	**Nominal Overnight Rate Target**	12-Apr	**4.50**	**4.50**	**4.00**
PE	04/12		Trade Balance (PEN mns)	FEB	- -	--	234.0
CO	04/15	17:00	Trade Balance (USD mns)	FEB	- -	--	209.9
PE	04/15		GDP NSA (YoY)	FEB	- -	8.8	10.0
PE	04/15		Unemployment Rate	MAR	- -	--	9.1

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

Global Auctions for the week of April 11 - 15

North America

Country	Date	Time	Event
US	04/11	11:00	U.S. Fed to Purchase USD6.5-8.5 Bln Notes/Bonds
US	04/11	11:30	U.S. to Sell USD32 Bln 3-Month Bills
US	04/11	11:30	U.S. to Sell USD30 Bln 6-Month Bills
CA	04/12	10:30	Canada to Sell CAD7.7 Bln 98-Day Bills
CA	04/12	10:30	Canada to Sell CAD2.9 Bln 182-Day Bills
CA	04/12	10:30	Canada to Sell CAD2.9 Bln 364-Day Bills
US	04/12	11:30	U.S. to Sell 4-Week Bills
US	04/12	13:00	U.S. to Sell USD32 Bln 3-Year Notes
US	04/13	13:00	U.S. to Sell USD21 Bln 10-Year Notes Reopening
US	04/14	13:00	U.S. to Sell USD13 Bln 30-Year Bonds Reopening

Europe

Country	Date	Time	Event
GE	04/11	05:15	Germany to Sell EU5 Bln 6-Mth Bills
FR	04/11	09:00	France to Sell EUR3.5 Bln 84-Day Bills
FR	04/11	09:00	France to Sell EUR2 Bln 175-Day Bills
FR	04/11	09:00	France to Sell EUR2 Bln 357-Day Bills
DE	04/12	04:15	Denmark to Sell Up to DKK5 Bln 2% 2014 Bonds
IT	04/12	05:00	Italy to Sell Bills
NO	04/12	05:00	Norway to Sell NOK3 Bln 342-Day Bills
BE	04/12	05:30	Belgium to Sell Bills
SZ	04/12	05:30	Switzerland to Sell 6-Month Bills
NE	04/12	07:00	Netherlands to Sell EUR2 Bln 3.75% 2042 Bonds
SW	04/13	05:10	Sweden to Sell SEK10 Bln 96-Day Bills
GE	04/13	05:15	Germany to Sell Add'l EU2 Bln 30-Year Notes
SZ	04/13	05:30	Switzerland to Sell Bonds
UK	04/13	05:30	U.K. to Sell GBP5 Bln 2% 2016 Bonds
RU	04/13	06:00	Russia to Sell Up to RUB20 Bln OFZ Bonds
PD	04/13	06:00	Poland to Sell Up to PLN5.5 Bln Bonds
IT	04/14	05:00	Italy to Sell Bonds/Floating Rate Notes
SW	04/14	05:10	Sweden to Sell SEK750 Mln 0.5% I/L 2017 Bonds
UK	04/14	05:30	U.K. to Sell GBP2 Bln 4.25% 2040 Bonds
UK	04/15	06:10	U.K. to Sell Bills

Source: Bloomberg, Scotia Economics.

Global Auctions for the week of April 11 - 15

Asia Pacific

Country	Date	Time	Event
MA	04/10	12:00	Bank Negara to Sell MYR2 Bln 91-Day Islamic Notes
SK	04/10	22:30	Korea to Sell KRW2 Tln 5-Year Bonds
TH	04/10	23:00	Bank of Thailand to Sell THB23 Bln 24D Bills
TH	04/10	23:00	Bank of Thailand to Sell THB20 Bln 87D Bills
TH	04/10	23:00	Bank of Thailand to Sell THB10 Bln 178D Bills
TH	04/10	23:00	Bank of Thailand to Sell THB85 Bln 15D Bills
MA	04/11	00:00	Bank Negara to Sell MYR2 Bln 210-Day Notes
SI	04/11	00:00	Singapore To Sell S$3.9 billion 91-Day T-Bills
TA	04/11	00:30	Taiwan to Sell TWD30 Bln 20-Year Bonds
AU	04/11	20:00	Australia Plans to Sell CIB Bond
TH	04/11	23:00	Bank of Thailand to Sell THB75 Bln 15D Bills
HK	04/11	23:30	Hong Kong to Sell HKD27.286 Bln 91-D Bills
HK	04/11	23:30	Hong Kong to Sell HKD9 Bln 182-D Bills
JN	04/11	23:35	Japan to Sell 2-Month Bills
JN	04/11	23:45	Japan to Sell 30-Year Bond
PH	04/12	01:30	Philippines Plans to Sell PHP9.0 Bln 7-Yr Bonds Due 2018
ID	04/12	04:30	Indonesia to Sell 5-Yr to Maturity Government Sukuk
ID	04/12	04:30	Indonesia to Sell 10-Yr to Maturity Government Sukuk
ID	04/12	04:30	Indonesia to Sell 15-Yr to Maturity Government Sukuk
CH	04/12	23:00	China to Sell 5 Year Bond
CH	04/12	23:00	China to Increase CNY30 Bln on the 5-Yr Bond
JN	04/12	23:35	Japan to Sell 3-Month Bills
IN	04/13	07:30	India to Sell INR 40Bln 91-Day Bills
IN	04/13	07:30	India to Sell INR 20Bln 182-Day Bills
NZ	04/13	22:30	New Zealand Plans to Sell Government Bonds
JN	04/13	23:45	Japan to Sell 5-Year Bond
JN	04/14	23:35	Japan to Sell 1-Year Bills

Source: Bloomberg, Scotia Economics.

Events for the week of April 11 - 15

North America

Country	Date	Time	Event
US	04/09	14:00	Fed's Yellen Speaks on Yale Economists and Crisis
US	04/11	05:15	NY Fed's Dudley to Speak in Tokyo
US	04/11	12:00	Fed's Yellen Speaks to Economic Club of New York
US	04/12	06:15	NY Fed's Dudley to Speak in Hong Kong
CA	04/12	09:00	Bank of Canada Releases Interest Rate Announcement
US	04/12	09:15	Kansas City Fed's Hoenig Speaks on `Too Big to Fail'
US	04/12	14:45	Fed's Tarullo Testifies on Derivatives Regulation
US	04/12	14:50	Fed's Fisher Moderates Panel in Dallas on Growth
CA	04/12	16:00	Manitoba Releases 2011 Provincial Budget
CA	04/12	19:00	Leaders' Debates 2011
CA	04/13	10:30	Bank of Canada Publishes its Monetary Policy Report
US	04/13	14:00	Fed Releases Beige Book Economic Survey
EC	04/13	17:00	Bundesbank's Axel Weber, Fed's Bullard to Speak at St Louis
US	04/14	09:00	Fed's Duke Speaks on Credit Conditions in Washington
US	04/14	09:20	Fed's Kocherlakota Speaks in Montana
US	04/14	12:30	Fed's Plosser Speaks in New York City
US	04/14	13:15	Fed's Tarullo Speaks in Washington on Growth, Inflation
US	04/14	18:45	Fed's Lacker Speaks on Economy at University of Baltimore
MX	04/15	10:00	Overnight Rate
US	04/15	11:15	Fed's Evans Speaks in New York City
US	04/15	13:30	Fed's Hoenig to Speak on Economy at Purdue University

Europe

Country	Date	Time	Event
EC	04/09	03:00	EU Finance Ministers, Central Bankers Meet in Budapest
UK	04/09	14:00	Bank of England's Andrew Haldane speaks in Bretton Woods
EC	04/11	03:00	EU's Rehn, EIB's Maystadt Speak at Conference on Project Bonds
EC	04/11	11:30	ECB's Weber Speaks in Bochum, Germany
PO	04/11		Bank of Portugal Releases Data on Banks
EC	04/12	07:00	EU's Van Rompuy Meets Greece's Papandreou in Athens
EC	04/12	07:40	ECB's Stark Speaks in Hong Kong
EC	04/12	13:00	EU's Van Rompuy Meets Cypriot President in Nicosia
SP	04/13	05:00	Bank of Spain Deputy Governor Speaks in Pamplona
EC	04/13	08:00	ECB's Mersch Speaks at Event in Berlin
EC	04/13	13:00	ECB's Stark Speaks in Stuttgart, Germany
EC	04/13	17:00	Bundesbank's Axel Weber, Fed's Bullard to Speak at St Louis
EC	04/14	13:40	ECB's Gonzalez-Paramo Speaks in Moscow
EC	04/14		ECB's Orphanides speaks at HABA event in New York
EC	APR 14-15		EU Agriculture Ministers Meet in Luxembourg
EC	04/15	10:00	ECB's Constancio Speaks in New York

Asia Pacific

Country	Date	Time	Event
JN	04/10	20:30	Bank of Japan to Hold Quarterly Branch Managers' Meeting
NZ	04/11	20:00	Finance Minister English Speaks
SK	04/11	21:00	South Korea 7-Day Repo Rate
ID	APR 11-12		Bank Indonesia Reference Rate
GE	04/12	02:00	Consumer Price Index (MoM)
JN	APR 12-13		Cabinet Office Monthly Economic Report
AU	04/13	13:00	RBA's Stevens Speaks in New York to American-Australian Group

Latin America

Country	Date	Time	Event
CL	04/12	17:00	Nominal Overnight Rate Target

Source: Bloomberg, Scotia Economics.

Global Central Bank Watch

North America

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Canada – Overnight Target Rate	1.00	April 12, 2011	1.00	1.00
Federal Reserve – Federal Funds Target Rate	0.25	April 27, 2011	0.25	--
Banco de México – Overnight Rate	4.50	April 15, 2011	4.50	4.50

We expect for the BoC to remain on hold until October, when a 25bp hike to 1.25% is likely. Although headline inflation has moved up - lifted by rising food and energy prices, an effect we expect to be transitory - core consumer inflation remains subdued, well below the Bank's target. The market shrugged off another week loaded with Fed speeches, focusing on the ECB and BoE meetings and the possibility of a US government shutdown come Friday due to the inability to hammer out a Federal Budget for the remainder of the current fiscal year. With headline inflation returning within the central bank's expected range and stable inflation expectations, Banco de Mexico will unlikely begin to tighten monetary policy in the near term. We expect the official overnight interest rate to remain unchanged at 4.50% during the first half of the year.

Europe

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	1.25	May 5, 2011	1.25	1.25
Bank of England – Bank Rate	0.50	May 5, 2011	0.50	0.50
Swiss National Bank – Libor Target Rate	0.25	June 16, 2011	0.25	--
Central Bank of Russia – Refinancing Rate	8.00	April 29, 2011	8.25	--
Hungarian National Bank – Base Rate	6.00	April 18, 2011	6.00	6.00
Central Bank of the Republic of Turkey – 1 Week Repo Rate	6.25	April 21, 2011	6.25	--

A monetary policy normalization process is underway in the euro zone, initiated by the ECB's interest rate hike on April 7. We expect further tightening to be gradual with the second rate increase to take place in the third quarter of the year. The BoE will likely begin tightening monetary conditions in the third quarter of 2011.

Asia Pacific

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Target Rate	0.10	April 28, 2011	0.10	--
Reserve Bank of Australia – Cash Target Rate	4.75	May 3, 2011	4.75	--
Reserve Bank of New Zealand – Cash Rate	2.50	April 27, 2011	2.50	--
People's Bank of China – Lending Rate	6.31	TBA	6.06	--
Reserve Bank of India – Repo Rate	6.75	May 3, 2011	6.50	--
Hong Kong Monetary Authority – Base Rate	0.50	TBA	0.50	--
Central Bank of China Taiwan – Discount Rate	1.75	June 24, 2011	1.75	--
Bank Negara Malaysia – Overnight Policy Rate	2.75	May 5, 2011	2.75	--
Bank of Korea – Bank Rate	3.00	April 11, 2011	3.00	3.00
Bank of Thailand – Repo Rate	2.50	April 20, 2011	2.50	--
Bank Indonesia – Reference Interest Rate	6.75	April 12, 2011	6.75	6.75

We expect the Bank of Korea and Bank Indonesia to remain on the sidelines next week, leaving the benchmark interest rates unchanged at 3.0% and 6.75%, respectively.

Latin America

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	11.75	April 20, 2011	12.25	12.25
Banco Central de Chile – Overnight Rate	4.00	April 12, 2011	4.50	4.50
Banco de la República de Colombia – Lending Rate	3.50	April 29, 2011	3.50	--
Banco Central de Reserva del Perú – Reference Rate	4.00	May 12, 2011	4.00	--

We expect that the central bank of Chile will continue to tighten monetary policy and hike the reference rate at the next meeting by 50 basis points (bps) to 4.50%. The expected pace of monetary policy tightening accelerated after the central bank surprised the market with a hike of 50 bps at their last announcement, after four consecutive 25 bps increases, and a very positive economic performance at the beginning of the year.

Africa

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	5.50	May 12, 2011	5.50	--

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

Output and Inflation (annual % change)	Real GDP 2000-09	2010e	2011f	2012f	Consumer Prices[2] 2000-09	2010e	2011f	2012f
World[1]	3.6	4.9	4.4	4.4				
Canada	2.1	3.1	3.1	2.6	2.1	1.8	2.5	2.3
United States	1.8	2.9	2.9	2.7	2.6	1.6	2.3	1.9
Mexico	1.9	5.5	4.3	3.8	4.9	4.4	4.1	4.1
United Kingdom	2.7	1.3	1.4	1.7	2.2	3.7	3.7	2.9
Euro zone	1.2	1.7	1.4	1.6	2.1	2.2	2.4	2.3
Japan	0.7	3.9	1.0	2.9	-0.3	-0.5	0.5	1.2
Australia	3.0	3.0	3.8	3.5	3.2	3.0	2.8	2.5
China	10.2	10.3	9.5	9.7	2.0	3.5	4.5	4.0
India	7.2	8.7	8.5	8.8	5.7	8.4	7.0	5.0
Korea	4.5	5.8	5.5	5.3	3.2	3.0	3.3	3.0
Brazil	2.9	7.6	4.0	4.5	6.6	5.9	6.0	5.0
Chile	3.6	5.2	6.0	5.5	3.4	3.0	4.5	3.0
Peru	5.1	8.8	7.0	7.2	2.5	2.1	3.5	3.0

Central Bank Rates (%, end of period)	11Q1	11Q2f	11Q3f	11Q4f	12Q1f	12Q2f	12Q3f	12Q4f
Bank of Canada	1.00	1.00	1.00	1.50	2.00	2.25	2.25	2.25
Federal Reserve	0.25	0.25	0.25	0.25	0.75	1.25	1.75	2.00
European Central Bank	1.00	1.25	1.50	1.75	2.00	2.25	2.50	2.50
Bank of England	0.50	0.50	0.75	1.00	1.25	1.50	1.75	2.00
Swiss National Bank	0.25	0.25	0.25	0.50	0.50	0.75	0.75	1.00
Bank of Japan	0.10	0.10	0.10	0.10	0.10	0.25	0.25	0.50
Reserve Bank of Australia	4.75	5.00	5.25	5.50	5.75	6.00	6.25	6.50
Exchange Rates (end of period)								
Canadian Dollar (USDCAD)	0.97	0.97	0.96	0.95	0.95	0.94	0.93	0.92
Canadian Dollar (CADUSD)	1.03	1.03	1.04	1.05	1.05	1.06	1.08	1.09
Euro (EURUSD)	1.42	1.42	1.44	1.45	1.45	1.46	1.47	1.48
Sterling (GBPUSD)	1.60	1.60	1.61	1.63	1.65	1.67	1.69	1.70
Yen (USDJPY)	83	79	82	84	86	87	89	90
Australian Dollar (AUDUSD)	1.03	1.05	1.06	1.08	1.07	1.08	1.09	1.10
Chinese Yuan (USDCNY)	6.5	6.4	6.2	6.1	6.0	5.9	5.8	5.8
Mexican Peso (USDMXN)	11.9	12.2	12.2	12.5	12.6	12.5	12.6	12.7
Brazilian Real (USDBRL)	1.63	1.64	1.64	1.65	1.67	1.70	1.72	1.75

Commodities (US$, annual average)	2000-09	2010	2011f	2012f
WTI Oil (/bbl)	51	79	102	105
Brent Oil (/bbl)	50	80	112	115
Nymex Natural Gas (/mmbtu)	5.95	4.40	4.40	4.75
Copper (/lb)	1.78	3.42	4.40	4.15
Zinc (/lb)	0.73	0.98	1.09	1.09
Nickel (/lb)	7.11	9.89	11.25	8.90
Gold, London PM Fix (/oz)	522	1,225	1,425	1,350
Pulp (/tonne)	668	960	1,000	1,000
Newsprint (/tonne)	572	607	665	705
Lumber (/mfbm)	275	254	270	300

[1] World GDP for 2000-09 are IMF estimates; 2010-12f are Scotia Economics' estimates based on a 2009 PPP-weighted sample of 34 countries.
[2] CPI for Canada and the United States are annual averages. For other countries, CPI are year-end rates.

Canada	2010	10Q3	10Q4	Latest	
Real GDP (annual rates)	3.1	1.8	3.3		
Current Acc. Bal. (C$B, ar)	-50.0	-67.9	-44.2		
Merch. Trade Bal. (C$B, ar)	-9.1	-26.1	0.1	1.4	(Jan)
Industrial Production	4.7	7.9	6.0	6.9	(Jan)
Housing Starts (000s)	192	192	179	189	(Mar)
Employment	1.4	1.8	1.7	1.9	(Mar)
Unemployment Rate (%)	8.0	8.0	7.7	7.7	(Mar)
Retail Sales	5.1	3.7	4.5	3.5	(Jan)
Auto Sales (000s)	1559	1609	1556	1513	(Dec)
CPI	1.8	1.8	2.3	2.2	(Feb)
IPPI	1.0	1.0	2.6	-3.4	(Feb)
Pre-tax Corp. Profits	18.4	15.3	16.2		
Mexico					
Real GDP	5.5	5.3	4.6		
Current Acc. Bal. (US$B, ar)	-5.7	-7.7	-14.5		
Merch. Trade Bal. (US$B, ar)	-3.1	-9.2	-4.6	3.3	(Feb)
Industrial Production	6.1	6.2	4.7	6.6	(Jan)
CPI	4.2	3.7	4.2	3.0	(Mar)
Argentina					
Real GDP	9.2	8.6	9.2		
Current Acc. Bal. (US$B, ar)	3.6	3.7	-0.8		
Merch. Trade Bal. (US$B, ar)	12.1	12.0	6.2	7.3	(Feb)
Industrial Production	9.7	9.3	10.6	9.0	(Feb)
CPI	66.4	89.8	54.9	0.0	(Jun)
Germany					
Real GDP	3.5	3.9	4.0		
Current Acc. Bal. (US$B, ar)	187.9	165.6	250.7	145.8	(Feb)
Merch. Trade Bal. (US$B, ar)	201.5	207.5	219.7	187.0	(Feb)
Industrial Production	10.0	10.2	11.5	14.7	(Feb)
Unemployment Rate (%)	7.7	7.6	7.5	7.1	(Mar)
CPI	1.1	1.2	1.5	2.1	(Mar)
Euro Zone					
Real GDP	1.7	1.9	2.0		
Current Acc. Bal. (US$B, ar)	-77	-43	-41	-314	(Jan)
Merch. Trade Bal. (US$B, ar)	0.0	43.0	53.2	-216.0	(Jan)
Industrial Production	7.3	7.2	7.9	6.3	(Jan)
Unemployment Rate (%)	9.9	9.9	9.9	9.8	(Feb)
CPI	1.6	1.7	2.0	2.4	(Feb)
Japan					
Real GDP	4.0	4.7	2.5		
Current Acc. Bal. (US$B, ar)	195.9	227.7	177.0	238.6	(Feb)
Merch. Trade Bal. (US$B, ar)	74.7	70.5	67.3	80.8	(Feb)
Industrial Production	16.0	12.9	5.0	2.9	(Feb)
Unemployment Rate (%)	5.1	5.0	5.0	4.6	(Feb)
CPI	-0.7	-0.8	0.1	0.0	(Feb)
China					
Real GDP	10.3	9.6	9.8		
Current Acc. Bal. (US$B, ar)	290.0				
Merch. Trade Bal. (US$B, ar)	182.5	260.4	249.6	-87.9	(Feb)
Industrial Production	13.5	13.3	13.5	14.9	(Feb)
CPI	4.6	3.6	4.6	4.9	(Feb)

United States	2010	10Q3	10Q4	Latest	
Real GDP (annual rates)	2.9	2.6	3.1		
Current Acc. Bal. (US$B, ar)	-470	-502	-453		
Merch. Trade Bal. (US$B, ar)	-647	-683	-625	-717	(Jan)
Industrial Production	5.3	6.7	6.3	5.6	(Feb)
Housing Starts (millions)	0.59	0.59	0.53	0.48	(Feb)
Employment	-0.8	-0.1	0.5	1.0	(Mar)
Unemployment Rate (%)	9.6	9.6	9.6	8.8	(Mar)
Retail Sales	6.9	6.1	8.1	9.5	(Feb)
Auto Sales (millions)	11.5	11.6	12.3	13.1	(Mar)
CPI	1.6	1.2	1.3	2.1	(Feb)
PPI	4.2	3.8	3.9	5.6	(Feb)
Pre-tax Corp. Profits	36.8	34.8	16.1		
Brazil					
Real GDP	6.7	5.9	4.2		
Current Acc. Bal. (US$B, ar)	-47.5	-45.6	-47.9		
Merch. Trade Bal. (US$B, ar)	20.3	19.6	30.1	18.6	(Mar)
Industrial Production	10.5	8.1	3.6	3.1	(Feb)
CPI	5.1	5.0	6.1	6.5	(Mar)
Italy					
Real GDP	1.2	1.4	1.5		
Current Acc. Bal. (US$B, ar)	-0.07	-0.05	-0.08	-0.13	(Jan)
Merch. Trade Bal. (US$B, ar)	-36.6	-22.9	-44.3	-105.0	(Jan)
Industrial Production	5.4	6.3	4.1	0.9	(Jan)
CPI	1.6	1.6	1.8	2.3	(Feb)
France					
Real GDP	1.7	2.0	1.7		
Current Acc. Bal. (US$B, ar)	-52.7	-41.8	-88.5	-60.9	(Jan)
Merch. Trade Bal. (US$B, ar)	-38.7	-42.0	-39.1	-57.6	(Feb)
Industrial Production	5.8	5.2	5.8	5.4	(Jan)
Unemployment Rate (%)	9.8	9.8	9.6	9.6	(Feb)
CPI	1.5	1.5	1.6	1.7	(Feb)
United Kingdom					
Real GDP	1.3	2.5	1.5		
Current Acc. Bal. (US$B, ar)	-56.1	-55.7	-62.2		
Merch. Trade Bal. (US$B, ar)	-151.3	-159.2	-169.3	-133.6	(Jan)
Industrial Production	2.0	3.0	3.3	2.4	(Feb)
Unemployment Rate (%)	7.9	7.8	7.9	8.0	(Dec)
CPI	3.3	3.1	3.4	4.3	(Feb)
Australia					
Real GDP	2.7	2.7	2.7		
Current Acc. Bal. (US$B, ar)	-31.8	-29.3	-34.5		
Merch. Trade Bal. (US$B, ar)	19.2	27.8	25.7	5.5	(Feb)
Industrial Production	4.3	4.2	-0.3		
Unemployment Rate (%)	5.2	5.2	5.2	4.9	(Mar)
CPI	2.8	2.8	2.7		
South Korea					
Real GDP	6.2	4.4	4.7		
Current Acc. Bal. (US$B, ar)	28.2	39.7	36.6	14.1	(Feb)
Merch. Trade Bal. (US$B, ar)	41.2	42.5	52.1	37.2	(Mar)
Industrial Production	16.6	12.9	9.9	9.6	(Feb)
CPI	3.0	2.9	3.6	4.7	(Mar)

All data expressed as year-over-year % change unless otherwise noted.

Source: Bloomberg, Scotia Economics.

Interest Rates (%, end of period)

Canada	10Q4	11Q1	Apr/01	Apr/08*	United States	10Q4	11Q1	Apr/01	Apr/08*
BoC Overnight Rate	1.00	1.00	1.00	1.00	Fed Funds Target Rate	0.25	0.25	0.25	0.25
3-mo. T-bill	1.05	0.96	0.95	0.98	3-mo. T-bill	0.12	0.09	0.06	0.03
10-yr Gov't Bond	3.12	3.35	3.37	3.46	10-yr Gov't Bond	3.29	3.47	3.44	3.59
30-yr Gov't Bond	3.53	3.76	3.77	3.85	30-yr Gov't Bond	4.33	4.51	4.49	4.65
Prime	3.00	3.00	3.00	3.00	Prime	3.25	3.25	3.25	3.25
FX Reserves (US$B)	59.4	57.0	60.2	(Feb)	FX Reserves (US$B)	122.1	121.4	123.6	(Feb)
Germany					**France**				
3-mo. Interbank	0.96	1.26	1.23	1.28	3-mo. T-bill	0.40	0.80	0.80	0.88
10-yr Gov't Bond	2.96	3.35	3.37	3.49	10-yr Gov't Bond	3.36	3.71	3.72	3.79
FX Reserves (US$B)	62.4	62.3	63.0	(Feb)	FX Reserves (US$B)	52.2	55.8	58.4	(Feb)
Euro-Zone					**United Kingdom**				
Refinancing Rate	1.00	1.00	1.00	1.25	Repo Rate	0.50	0.50	0.50	0.50
Overnight Rate	0.82	0.90	0.90	0.55	3-mo. T-bill	4.85	4.85	4.85	4.85
FX Reserves (US$B)	300.1	300.3	308.9	(Feb)	10-yr Gov't Bond	3.40	3.69	3.72	3.81
					FX Reserves (US$B)	67.2	68.3	73.5	(Feb)
Japan					**Australia**				
Discount Rate	0.30	0.30	0.30	0.30	Cash Rate	4.75	4.75	4.75	4.75
3-mo. Libor	0.13	0.14	0.14	0.14	10-yr Gov't Bond	5.55	5.49	5.54	5.64
10-yr Gov't Bond	1.13	1.26	1.29	1.33	FX Reserves (US$B)	38.1	38.7	36.9	(Feb)
FX Reserves (US$B)	1077.4	1061.5	1056.8	(Feb)					

Exchange Rates (end of period)

USDCAD	1.00	0.97	0.96	0.96	¥/US$	81.12	83.13	84.06	85.02
CADUSD	1.00	1.03	1.04	1.05	US¢/Australian$	102.33	103.29	103.87	105.38
GBPUSD	1.561	1.603	1.611	1.635	Chinese Yuan/US$	6.61	6.55	6.55	6.54
EURUSD	1.338	1.416	1.424	1.444	South Korean Won/US$	1126	1097	1091	1083
JPYEUR	0.92	0.85	0.84	0.81	Mexican Peso/US$	12.340	11.905	11.838	11.744
USDCHF	0.94	0.92	0.92	0.91	Brazilian Real/US$	1.661	1.632	1.607	1.578

Equity Markets (index, end of period)

United States (DJIA)	11578	12320	12377	12409	U.K. (FT100)	5900	5909	6010	6041
United States (S&P500)	1258	1326	1332	1334	Germany (Dax)	6914	7041	7180	7203
Canada (S&P/TSX)	13443	14116	14130	14227	France (CAC40)	3805	3989	4055	4053
Mexico (Bolsa)	38551	37441	37775	37438	Japan (Nikkei)	10229	9755	9708	9768
Brazil (Bovespa)	69305	68587	69268	68733	Hong Kong (Hang Seng)	23035	23528	23528	24396
Italy (BCI)	1048	1120	1120	1144	South Korea (Composite)	2051	2107	2121	2128

Commodity Prices (end of period)

Pulp (US$/tonne)	960	960	960	960	Copper (US$/lb)	4.42	4.26	4.23	4.46
Newsprint (US$/tonne)	640	640	640	640	Zinc (US$/lb)	1.10	1.05	1.06	1.12
Lumber (US$/mfbm)	308	290	284	275	Gold (US$/oz)	1405.50	1439.00	1418.00	1469.50
WTI Oil (US$/bbl)	91.38	106.72	107.94	111.78	Silver (US$/oz)	30.63	37.87	37.63	40.22
Natural Gas (US$/mmbtu)	4.41	4.39	4.36	4.04	CRB (index)	332.80	359.43	360.89	366.65

** Latest observation taken at time of writing.*
Source: Bloomberg, Scotia Economics.

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