Scotiabank Group

Global Views

Weekly commentary on economic and financial market developments

April 15, 2011

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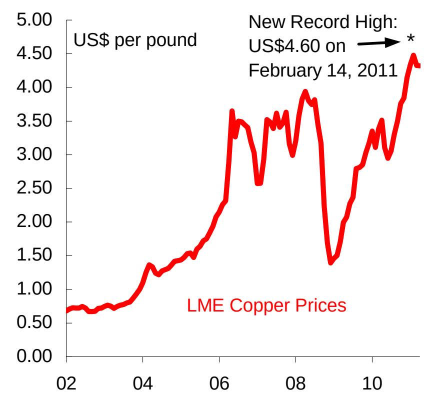
Copper Production Rallies Back in China

- **China's refined copper output set for another record in April, underpinning prices.**

Copper Price Strength Continues



Data to April 15, 2011. Source: Scotiabank Commodity Price Index

LME official cash settlement prices for copper rose to US$4.27 per pound today in reaction to better-than-expected first-quarter GDP growth in China (9.7% yr/yr) and a strong pick-up in China's refined copper output in March (23.7% yr/yr), though prices fell back later in the day. Prices have retreated from an all-time record high of US$4.60 on February 14th, but remain very lucrative for mining companies, yielding an average profit margin of 69% over full break-even costs including depreciation.

While Chinese fabricators de-stocked copper in 2010:Q4 and 2011:Q1, alongside credit restrictions and near-record high prices, a big pick-up in China's copper consumption in the second quarter will underpin prices. End-use demand in autos, air conditioners, electronic goods and high-speed railway systems remains strong and will pick-up seasonally in the second quarter. Re-construction in Japan will also boost copper demand as 2011 unfolds, as will some rejuvenation in U.S. industrial demand. Japanese trading houses have been buying refined copper from Chinese bonded warehouses (and from Chile) to offset shortfalls of cathode from damaged Japanese plants and to lay the ground-work for re-construction following the earthquake & tsunami.

Global supply/demand conditions are expected to be in 'deficit' for much of the remainder of this year (that is, refined copper consumption will exceed supplies — likely by an even larger amount than in 2010, despite further monetary policy tightening in China in reaction to rising consumer price inflation — up 5.4% yr/yr in March).

In this environment, it would not be surprising to see copper prices re-test the previous record in February, contrary to recent concern that copper prices have peaked. New copper mine development in areas such as Zambia and the D.R. Congo will probably not be noticeable until 2012.

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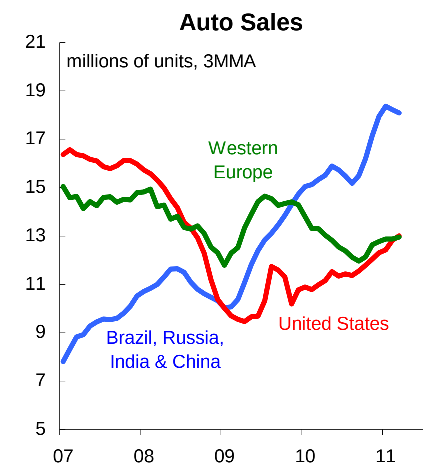
Strong New Car Sales Suggest No Economic Slowdown In Sight

- **Global car sales strengthen, even as Japanese volumes are cut in half.**

Despite rising concerns that the global economy may be weakening, under the weight of high oil prices and the spillover from Japan's devastating earthquake and subsequent nuclear crisis, global auto sales continue to move higher, pointing to ongoing strength in the global economy. Based on data available so far, we estimate that global car sales advanced 3% year-over-year in March — the twenty-first consecutive monthly year-over-year gain since the global auto market bottomed in the first half of 2009.

Global car sales continue to move ahead, despite a sharp 37% year-over-year plunge in Japan, which pulled its volumes below an annualized 2 million units in March — less than half the full-year 2010 total. In fact, excluding last month's fall-off in Japan, global car purchases advanced 8% above a year earlier, roughly in line with a 9% increase during the previous two months.

Russia continued to lead the way in March, with volumes surging 76% above a year earlier, buoyed by the Kremlin's vehicle scrappage program. However, it must be noted that the program began in mid-March 2010, making last month's increase much more impressive. In fact, the strong sales performance last month highlights the impact of rising oil & gas prices on the Russian economy. Business and consumer confidence have improved, and investment activity is rebounding strongly — developments that if sustained, will lift the Russian auto market above its pre-crisis sales peak of 2.9 million cars before mid-decade.



Source: Scotia Economics.

Among the other BRIC nations, purchases continued to post double-digit gains in India, but moderated in both China and Brazil. In China, the sales gain softened to 5% year-over-year, roughly half of the January-February average increase. This moderation reflects the phase-out of subsidies for vehicle trade-ins in rural areas, and a reinstatement of a 10% sales tax. Despite the moderation, European automakers continued to outperform with continued double-digit gains in China. Sales at Volkswagen — the second-largest vehicle retailer in China, behind General Motors — reported a 16% gain last month. Meanwhile, luxury automakers, Mercedes-Benz and BMW, posted an 80% year-over-year surge in China last month. These two automakers are likely to sell more vehicles in China than in the United States this year. In 2010, their U.S. volumes exceeded their China sales by 152,000 units.

Car sales in Brazil posted a double-digit decline last month. However, the fall-off reflects one-time calendar effects, rather than a slowing in economic activity. The popular long carnival holiday fell in March this year, instead of February as is typical, meaning Brazilians had samba on their mind, rather than vehicle-buying.

In contrast, North American consumers are increasingly returning to auto dealerships. In the United States and Canada, an improving job market is more than offsetting the impact of higher gasoline prices, leading to double-digit sales gains in March. In fact, new vehicle purchases by U.S. households have jumped by nearly 25% so far this year, lifting overall U.S. volumes by roughly 20% in 2011. However, rising gasoline prices are starting to have a significant impact on the type of vehicle consumers are buying. In March, sales of compact cars and small CUVs soared 40% above a year earlier in the United States — nearly four times the industry-wide increase. These models also led the gains in Canada last month — a sharp reversal from previous months, when pickups and minivans were leading the way.

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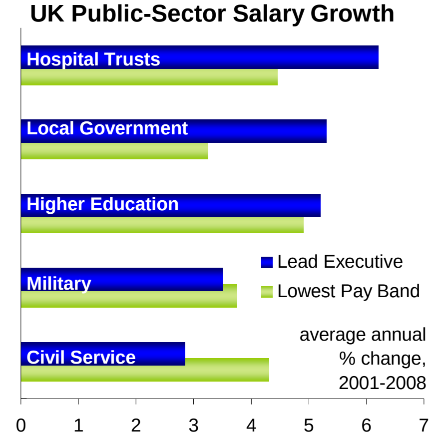
Public Service Compensation — Some UK Proposals

- **UK policy proposals, recognizing the key role of the civil service in fiscal repair, emphasize pay for performance for senior bureaucrats. On public-sector pensions, the overarching recommendation is a fixed-cost ceiling.**

Many governments, after public-sector wage and hiring freezes, are focusing on the longer-term affordability of their civil services, given their size and the wages plus benefits promised to employees. For some jurisdictions, the escalation in the number of employees requires review. On employee remuneration and pension costs, in the UK the final reports of the *Hutton Review of Fair Pay in the Public Sector* and the *Independent Public Service Pensions Commission* (also chaired by Lord Hutton) offer some interesting insights. The starting point in the *Fair Pay* review is critical — that the UK depends upon its government to prosper, and this will only happen if the public service successfully transforms itself. This transformation, according to Lord Hutton, involves the civil service lowering its cost base, better managing risk, investing in talent and responding more effectively to change. This reform is unlikely if the public continues to view government as a drag on society.

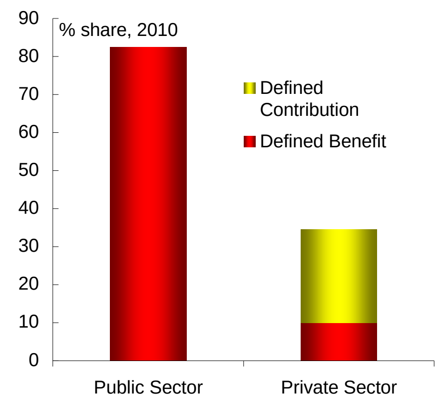
UK Public-Sector Salary Growth



Source: Hutton Review of Fair Pay in the public sector, *Final Report*, March 2011.

In the UK, a key public concern has been the salary and benefit escalation for senior civil servants, reflecting in part the backlash related to bankers' bonuses. As the top chart illustrates, part of the solution rests with greater oversight and public reporting for the extended public sector.

UK Employees' Pension Coverage



Source: Independent Public Service Pensions Commission, *Final Report*, March 2011.

At the senior bureaucrat level, evidence in the United States as well as in the UK suggests that public-sector rewards are increasingly detached from the private-sector experience, even though government executives' responsibilities are equally complex and influential. As a result, new talent is often discouraged from entering the public service, mid-career departures from government are common and civil service morale is eroded. For senior bureaucrats, Hutton's solution is a much greater focus on managing and rewarding performance, in part to motivate, but also to clearly communicate to the public the "value for money". Defining fair pay as proportional to each individual's contribution in a balanced framework, the Hutton report suggests that senior civil servants each year should earn back a portion of their basic pay if they achieve pre-agreed objectives. Managers substantially outperforming their objectives would be eligible for additional pay. For middle-level managers, this "earn-back-pay" model would be optional. For lower level employees, gainsharing systems would be developed in each government unit and possibly across the entire public service

In the final report of the Public Service Pensions Commission, a key focus of the recommendations is to raise the affordability of the government's pension obligations so that they can be sustained. Thus one of the initial proposals is that public-sector workforce strategies and pay guidelines take into far greater account the value of pensions in the total public-sector remuneration package. As the bottom graph illustrates, membership in defined benefit pension plans in the UK is now quite rare outside of the public service, with a similar trend evident in Canada and the United States.

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Although other jurisdictions, such as a number of U.S. State governments, are shifting to defined contribution plans, the Hutton *Report* concludes that the defined benefit framework should be maintained as the core design, and that the pension benefits already earned should be honoured. Therefore, to establish control over its total pension expense, the Commission recommends that the government set a fixed-cost ceiling, defined as the proportion of pensionable pay that the government will contribute on average to employees' pensions over the long term. If this ceiling is exceeded, a consultation process should determine how to lower the total costs, with an automatic default change proceeding if an agreement cannot be reached. An important consequence of the process of setting the cost ceiling, monitoring pension costs and taking action if needed is the greater public disclosure and discussion of government pension costs. Potential adjustments could include a rise in employee contributions, a reduction in the accrual rate of future benefits, less indexation or reduced ancillary benefits.

In addition, the Commission stipulates that the government's pension liabilities must be included in any longer-term assessment of fiscal sustainability. To ensure regular information and public discussion on the government's pension obligations for its employees, the Commission is turning to the UK Office for Budget Responsibility (OBR), created in May 2010 to prepare independent economic and fiscal projections. The Commission is recommending that the OBR regularly publish its analysis of the long-term fiscal impact of the main public service pension schemes.

The Commission's recommendations cover many other details of government pensions in the UK. A single benefit design is recommended, but contribution rates should be tiered according to income. Tighter and more uniform administration across the various government pension plans is suggested, and greater use of shared support and procurement services by the plans is urged to lower costs. Such reforms to tighten governance and expenses are positive on an ongoing basis. What stands out, however, is the Commission's theme of overall cost control as an essential framework for other public-sector pension changes.

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Washington's Budget Arithmetic

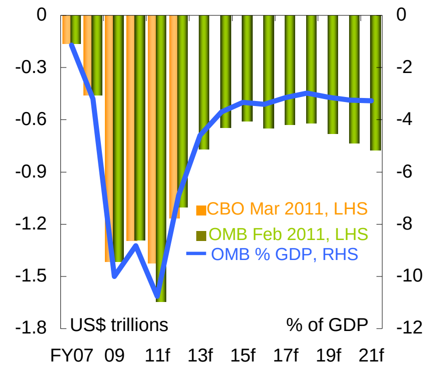
- **Since the President's February *Budget*, fiscal repair has shifted to centre stage.**

The central recommendation for fiscal repair from the Bi-Partisan Panel that "everything must be on the table" is now the valued starting point for Congress and the administration in the upcoming budget policy negotiations. The projections from the President's February *Budget* clearly indicated that further measures were needed to put Washington back on a sustainable fiscal path. Moreover, the *Budget* estimates were based on the optimistic assumption that U.S. real GDP growth would average 4.0% annually from 2012 to 2015 and 3.1% for the following two years. Given a more realistic GDP forecast, the projected deficit remains stuck at roughly 3.2% of GDP from fiscal 2015[1] (FY15) through FY21, resulting in the publicly held debt climbing close to 5% annually to 80% of GDP by September 2021*(top and middle graphs)*.

In the February *Budget*, forecast expenditures never dropped below 22% of GDP and edged back up to 24% by FY21 *(bottom graph)*. Federal revenues, however, historically have averaged roughly 18%-19% of GDP. While the Government Accountability Office reports at least $100 billion of duplication, waste and overlap, tough program trade-offs will still be necessary, and consensus is emerging that all spending categories, including tax expenditures, the major mandatory programs and Defence are up for review and significant change. The agreement this week on spending cuts of close to US$39 billion for the remainder of FY12, offers a start on this restructuring, with the President willing to introduce additional cuts for Defence and Medicare beyond the savings already planned. Health care alone renders the President's end-of-June target ambitious for agreeing on at least the first stages of a new fiscal plan.

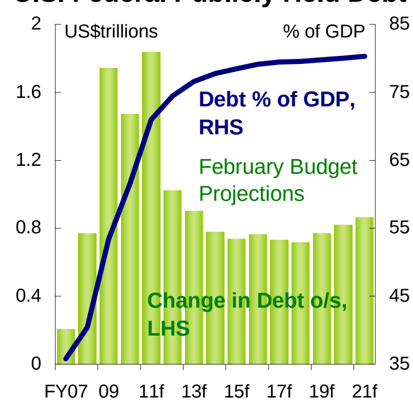
In contrast to the February *Budget*, the President proposes that if the publicly held debt-to-GDP is not stabilized by 2014 and set to head lower during the second half of the decade, automatic across-the-board cuts in direct spending and expenditures through the tax code will be triggered. This underlines the President's original target of achieving a primary budget surplus, with revenues covering all expenditures except interest charges, by mid-decade. In fact this target is key in curtailing net interest from the cumulative run-up in red ink, and will considerably facilitate Washington's fiscal repair. Net interest in the February *Budget* was forecast to climb from US$207 billion (1.5% of GDP) in FY11 to US$844 billion (3.4% of GDP) by FY21, increasingly squeezing out program spending room.

U.S. Federal Budget Balances



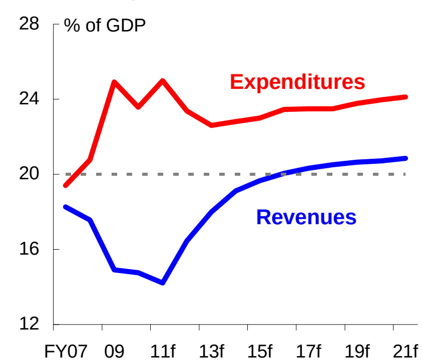
Source: Office of Management and Budget, Congressional Budget Office, Scotia Economics.

U.S. Federal Publicly Held Debt



Source: Office of Management and Budget, Scotia Economics.

U.S. Federal Revenues and Expenditures Path



Source: Office of Management and Budget, Scotia Economics.

[1] The U.S. federal fiscal year-end is September 30th.

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Peru's 2011 Elections: We've Seen This Movie Before

In a typically surprising outcome, Peru's first round elections took place on April 10 paving the way for a run-off vote on June 5th.

Mr. Ollanta Humala and Ms. Keiko Fujimori were able to place first and second, respectively by securing the votes of both rural areas and urban lower income levels. The fact that none of the mainstream and more centrist candidates, Alejandro Toledo, Pedro Pablo Kuczynski (PPK) and Luis Castañeda, were able to make it into the run-off came as a huge surprise, given Peru's strong growth over the last decade, the significant expansion of Peru's middle class since the 2006 elections and the (until now perceived) high rejection rate of both Humala and Fujimori.

Perhaps the main reason no mainstream candidate (in terms of representing economic and institutional continuity) was elected, was because the centrist vote was divided. Although both Fujimori and, especially, Humala conducted unexpectedly strong and professional campaigns, their chances were vastly improved by the fact that the three mainstream candidates overpopulated the center of the political spectrum, thereby dividing the middle class vote. Toledo, PPK and Castañeda together received 44% of valid votes, greater than that received by Humala (31.8%). The sum of votes of any two of the mainstream candidates surpassed that of Fujimori (23.5%). Thus, had there been only one, or even two, candidates representing the center, a mainstream candidate would have displaced Fujimori for a place in the run-off.

April 10 Election Results
(98.3% of votes counted)

	valid votes
Ollanta Humala	31.7%
Keiko Fuimori	23.5%
Pedro Pablo Kuczynski	18.5%
Alejandro Toledo	15.6%
Luis Castañeda	9.8%
Others	7.1%

Note, also, that while Fujimori's votes relied on the legacy of her father (president of Peru from 1990 to 2000), Humala's performance is in line with a long list of strong left leaning preferences in South America in the last decade. Not only slow-growth countries such as Venezuela (Chávez), Ecuador (Correa) and Bolivia (Morales) have produced left-to-center leaning governments in the region in the past decade, but high growth and more middle-class economies such as Brazil (Lula, Rousseff, Chile (Bachelet 2006 to 2010), Uruguay (Vásquez, Mujica) and, Argentina (the Kirchners) have as well. Lima, by far the most middle-class city within Peru, also voted for the left-leaning candidate as recently as in the November elections for Mayor of the city.

The run-off: Scary Movie 2

Given the high rejection rates of both run-off contenders (41% of those polled by Ipsos-Apoyo on April 3, before the first round, would never vote for Humala or, separately, for Fujimori), the first round results have left much of the population wondering who to vote for on June 5.

Some of the facts to consider for the second round are the following:

- Humala reached 31.8% of votes in the first round, just over the 31.0% he obtained in the first round of 2006. He has, thus, not lost strength over the past five years.
- He has obtained an 8.2% percentage point lead over second place Fujimori, compared to 6.7 percentage points over second place García in the first round of 2006.

Therefore, it would appear that Humala is in a slightly improved position, going into the run-off, than he was in 2006. The question then becomes how does Keiko Fujimori compare to Alan García as a run-off candidate? Both Fujimori and Humala have high rejection rates. This is a similar situation to the García - Humala run-off in 2006. Will Fujimori be as capable of convincing voters that she represents the "lesser of two evils" as García was in 2006?

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The key difference between García and Fujimori as contenders is that García's rejection was mainly on economic management, an area in which Fujimori is better viewed. Meanwhile, just as Fujimori's constituency is a legacy of her father's perceived success in defeating terrorism and hyper-inflation, so her rejection rate is a legacy of the perceived authoritarianism, corruption and human rights abuses of her father's regime. This is an important difference with García. In view of this, many of today's undecided are weighing economic convenience against questions of principle. The key then, may, in the end, be how many voters that wish to maintain current economic guidelines, as the majority of mainstream voters do, will, however, void their votes rather than transfer them to Fujmori.

Experience shows that first-round polls are a poor indicator as to what to expect in the second round (Humala was ahead of García in run-off polls taken before the first-round elections in 2006). Many analysts have conducted voter transfer analyses, according to which, under the likelihood that most of Kuczynski's 19% go to Fujimori, Toledo's votes are more evenly divided and Castañeda's votes are weighed slightly in favor of Fujimori, Fujimori should win the run-off. However, the race is too close to call this early on. Two months is an enormous amount of time in Peruvian elections (Humala was in fourth place with 13% of votes five weeks before the first round elections).

Both Fujimori and Humala have been conducting very strong, professional, and, to an extent, surprisingly well financed campaigns (by Peruvian standards). Both Humala and Fujimori share the preferences of the lower two quintiles of household income levels. Given that both face the challenge of attracting middle class voters, it is likely that both will try to moderate their campaign platforms in the second round and convince the skeptics. The largest question voters face for the second round is what exactly do Humala and Keiko Fujimori represent?

For Humala, the challenge is to convince voters he is not as radical in economic policy as many picture him to be. Humala in his 2011 campaign, and in contrast with 2006, has attempted to reinvent himself as a moderate leftist, rather than a radical, that is, a Lula da Silva, rather than a Chávez. This is not being taken at face value inside Peru, however. The sincerity of his newfound moderation is in question for many, given the memory of the more radical Humala in the relatively recent past, the mixed messages coming from some of the members of his party, and certain non-orthodox proposals of his Government Plan. In view of this, the challenge to convince public opinion and market participants that, if elected, he will not lead an anti-investment government may be an uphill battle. Although Toledo and Castañeda were unsuccessful in their attempt to use fear tactics against Humala in the first round, it is possible that the message being sent by the volatile markets will be a more potent and convincing argument.

For Fujimori, the challenge is to convince voters that she is not a substitute for her father, and will not pose a threat to democratic institutions and the normal institutional checks and balances of a democracy. She will also need to divest herself of her father's legacy of human rights abuses and corruption.

The elections have heightened the sense of uncertainty in the financial markets, in terms of future economic policy, respect for democratic institutions, and the power and capability to manage the State in a situation of potential political polarization and congressional fragmentation. It has also brought to question what the election results mean in terms of Peru's current social structure and the true progress that has been made in improving social welfare over the past decade.

Investment sentiment is clearly more sensitive to the possibility of a Humala government than one led by Keiko Fujimori. These uncertainties, until adequately addressed, are likely to affect market sentiment until the June 5 run-offs, and perhaps beyond. It is less clear to what extent these uncertainties might affect growth through a postponement of investment decisions and of certain large-item consumption decisions.

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Peru: Sunday Night Election Update

The following article was published on April 11, 2011.

Various pollsters have reported expected results of the first-round of presidential elections in Peru based on a sample of voting stations. Humala is leading the first-round with 31% to 32% of the vote, which is greater than the 27% that he was winning in electoral polls a week ago. It is even larger than the 30.6% that he won in the 2006 first-round elections. This good performance suggests that high economic growth and a reduction of poverty rates have so far not reduced support for a left-wing candidate, and that instead some of the population may be focusing on continued inequality. Toledo, speaking on television on Sunday night, said that the results should serve as a wakeup call for the economic and political powers in the country, demonstrating that the benefits of economic growth are not accruing to the majority of the population.

In second place is Keiko Fujimori, with about 23% of the vote; she has about a 5% point lead on Kuczynski who is in third place. How will she fare against Humala? On one hand, she will be more effective than Kuczynski at attracting votes from the poorer segments of society where Humala is strongest. On the other hand, Humala has made fighting corruption a key part of his rhetoric, and Keiko may be particularly vulnerable to such attacks as her father's administration was corrupt by most accounts.

We would have preferred a victory by Toledo who would probably have had a good chance at beating Humala while also supporting democracy and most current policies; nevertheless, Fujimori may be a more effective rival for Humala than Kuczynski, who is probably too far to the right. The danger with both Humala and Fujimori is that their presidency may threaten the country's democracy and freedom of the press. Mario Vargas Llosa, the nobel prize winning author and former Peruvian presidential candidate, has referred to a second round between Humala and Fujimori as a choice between getting HIV and having terminal cancer. Foreign investors would surely be happier with Keiko Fujimori, thanks to her father's efforts towards macroeconomic stabilization in the 1990s.

In the next stage of the election, we should see the candidates look for alliances with the parties who performed poorly in the first round as a way to shore up additional support. It will be interesting to see whether Humala can form such an alliance, since it would probably require a credible commitment on his part to basic principles such as the supremacy of the constitution and democracy. He will continue to moderate his message, and we would not be surprised to see a "clarification" of his government plan, whose extreme proposals have made Humala vulnerable to much criticism in the past.

Overall, we think the robust support that Humala has received based on the polls from tonight should be a slight negative for Peruvian financial markets this week; nevertheless, some investors may be reassured by Fujimori's strength among Humala's core supporters.

Update: As of Friday morning, April 15th, the official count of presidential votes, which is almost complete, shows the same results as the polls from Sunday night. The latest official count is 31.7% Humala, 23.5% Fujimori, 18% Kuczynski, and 15.6% Toledo.

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Who is Voting for Humala?

The following article was published on April 8, 2011.

While most of Peru has probably benefitted from the country's economic growth, the level of inequality remains substantial. We highlight that inequality with a brief discussion of the characteristics of different social classes, which play a significant role in determining voter preferences.

A question that many observers are struggling with is why would people vote for a radical left candidate in a country that seems to be prospering under a market-based economy, a country whose growth rate is the envy of most others in the region. The topic is particularly confusing for investors in the US, who, having seen the numerous problems created by the Venezuelan economic model, must find it strange that a candidate that some have accused of having links with President Chavez could do so well in Peru.

We thought a description of the electorate would be one step towards understanding voter preferences, especially since voter preference for Humala is highly dependent on social class (see Figure 1). These descriptions are based on the formulas developed over the last decade by APEIM, the Peruvian national association of companies involved in market research. We describe the classes below, starting with the lowest and moving up to the highest class, and we also show the current percentage of each class within the country.

Class E – Marginal (14%): Live in a two room house that has a dirt floor and usually no bathroom. Almost all have televisions, and the majority have cell phones, but they typically do not have any other appliances or electrical equipment. Virtually none have health insurance or bank accounts.

Class D – Lower Class (30%): Live in a three room house with a cement floor and one bathroom. Less than a third have health insurance provided by the state and even fewer have bank accounts. Lower class jobs include housekeeper, gardener, street vendor, bus fare collector, and street sweeper.

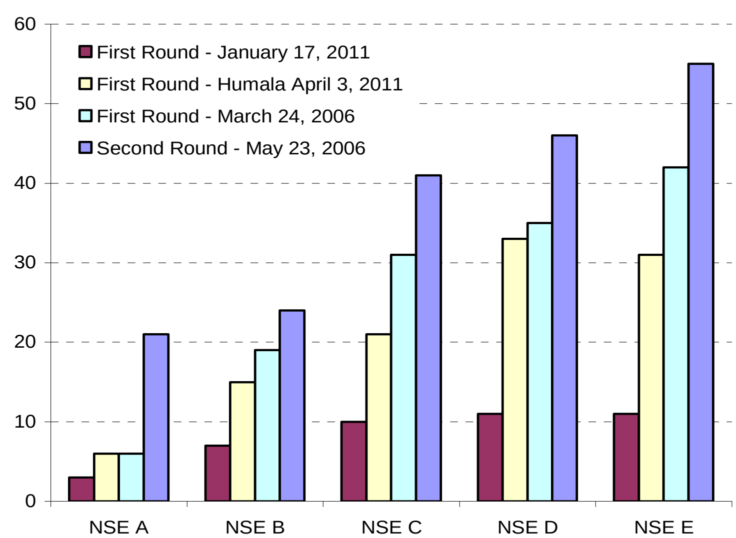
Class C – Upper Lower Class (33%): More likely to have certain appliances and services such as a washing machine, stereo, and cable TV. More than half have access to state-run health care, and a third have bank accounts. One fourth own computers. Normally have a high-school education, and some have attended technical institutes beyond high-school.

Class B – Middle Class (18%): Live in a modern house with modern appliances and services, including internet access. One-third have cars. More than half employ domestic help. Middle class jobs include teacher, salesperson, and technician.

Class A – Upper Class (5%): Most have a college degree and a quarter have a graduate school degree. 86% of the class employ domestic help. The head of the household usually holds a management position in a private company or in government; others are entrepreneurs or independent professionals.

Much attention has been given, both by some political candidates and by analysts, to the reduction in poverty that has occurred in Peru recently. As shown in

Figure 1. % Votes for Humala by economic class



Source: Ipsos-Apoyo. NSE "A" is upper class. NSE "E" is marginal/ lowest class.

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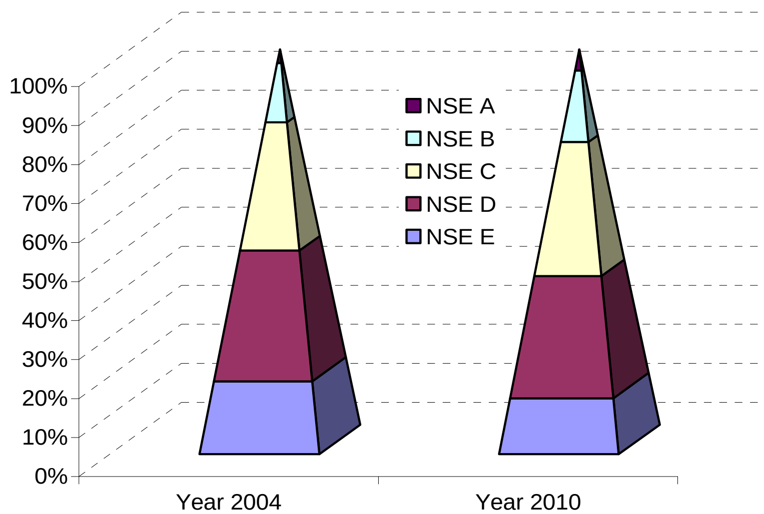
Figure 2, the percentage of the population in the bottom two classes has fallen by 6%, while the percentage in the top two classes has risen by 5%. Nevertheless, the descriptions of the classes above are meant to evoke the inequality that still exists. For example, the top two classes have domestic help while many people in the bottom two classes work as domestic help. In assessing the impact of the lower class on elections, it is important to remember that voting is mandatory in Peru. In contrast, voter turnout in the US is typically around 50%, with a turnout that is nearly double among the top 20% of income earners relative to the bottom 20%.

Figure 2. % of Population in each class



Source: APEIM. Classification formulas have changed over the years, thus the results may not be strictly comparable.

The Presidential debate on April 3rd and the subsequent discussion has in part been a discussion of inequality vs. growth. Humala, and even sometimes Fujimori, are campaigning on the idea that economic growth alone does not benefit a significant segment of the population. Meanwhile, Toledo has characterized a vote for Humala as a "step backwards" and a "step into the unknown." In actuality, most of the population probably has benefitted from the country's economic growth, but inequality remains and may have actually become more apparent recently. Of course other dimensions beyond economic ideology also affect voter preferences (rural vs. urban, views of the previous Fujimori government, etc.), and we do not mean to oversimplify. Nevertheless, this dimension remains important in many developing countries. Some countries in Latin America have arrived at a compromise between the two extremes with center-left candidates such as Lula in Brazil or even Bachelet in Chile, who aimed to continue to promote growth with free-market policies while also increasing social expenditures. We do not know whether Humala is really that type of candidate yet.

The shift in the social class structure towards the top of the pyramid and away from Humala's core base suggests that if he did not win in 2006 he should not win now. Nevertheless, Humala's moderation—if it is credible to voters—adds a new factor into the analysis. We, like most analysts, think that Humala is unlikely to win in the second round; nevertheless, he certainly has a real chance which we cannot discount.

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Beat the Street Q1/11

The following article was published on April 13, 2011.

Q1 Earnings Could (Again) Positively Surprise

- We believe S&P 500 earnings are en route to exceed expectations for a ninth consecutive quarter. Our optimism is driven by improving U.S. macro fundamentals in Q1; accelerating top-line growth; a strong beat ratio among companies having already reported; and a low negative-to-positive preannouncement ratio (N/P ratio). A pick-up in share buybacks could also benefit the Q1 earnings season.
- **U.S. macro fundamentals improving in Q1.** The U.S. economic backdrop remains supportive of a solid Q1 earnings season. In fact, most macro data showed improvement in Q1. The manufacturing ISM averaged 61.1 in Q1 compared to 57.9 in Q4/10, and the ISM Services increased to 58.8 from 55.9 in Q4. U.S. LEI, exports, industrial production, capacity utilization, retail sales, consumer confidence, and jobless claims were, on average, stronger in Q1 than in Q4.
- Although the Eurozone outlook remains clouded by debt concerns in peripheral countries, Germany's economy is firing on all cylinders, which is pulling the Eurozone economy forward. The Eurozone PMI averaged 57.9 in Q1 compared to 55.7 in Q4/10 and the PMI Services improved to 56.6 from 54.3. Moreover, production at German factories is up 12.4% YOY, which is giving a boost to the Eurozone industrial production (+5.9% YOY). On the negative side, the leading economic indicator is declining, suggesting a slow down in activity, and consumer confidence remained weak due to an elevated unemployment rate. As long as U.S. and European economic growth remain positive, earnings should maintain their upward trajectory.
- With Japan accounting for 8% of world GDP and less than 5% of U.S. exports, we believe Japan's natural disasters should have no major adverse impact on the U.S. Q1 earnings season.
- **Top-line growth is accelerating.** Based on bottom-up estimates, S&P 500 Q1 revenue growth should reach 13% YOY. We have to go back to late 2004 and early 2005 to witness such strong top-line improvement on a year-over-year basis. With the pace of global/U.S. economic activity improving, S&P 500 top-line expansion should remain robust. Moreover, a weaker USD should also lift S&P 500 top-line growth via stronger exports.
- **Q1 earnings season off to a good start.** Most S&P 500 companies that have already reported Q1/11 numbers – i.e., those with a quarter ending in February – have surpassed analyst expectations, leading to a beat ratio of 85%. 22 of 26 companies reported a beat, with the average surprise coming in at +8% (excluding Lennar and Micron).
- Regarding the top-line, 18 companies beat consensus on revenues (beat ratio of 69%), with an average beat of 1.5% (or 0.8% if we exclude Lennar and Micron). These preliminary results could set the stage for another better-than-expected earnings season in Q1.
- **N/P ratio below average.** There have been 82 negative EPS preannouncements for Q1/10 vs. 44 positive ones. The N/P ratio currently sits at 1.9 (82/44), a level similar to Q4/10. The N/P ratio is also slightly below the long-term average of 2.1. A low N/P ratio is a good omen entering Q1/11 earnings season.

Profit margins recovery slowing

- Profit margin expansion has played a key role in the overall earnings recovery from 2009 lows. Although overall profit levels contracted abruptly during the '08-'09 recession, margins troughed well above levels hit during previous recessions. S&P 500 profit margins have already expanded 450 bp since bottoming in June 2009 and are currently hovering around 9%. The 2-year surge in margins has moderated recently and margin improvement has somewhat stalled in the final quarter of 2010. U.S. margins tend to stall mid-late in the cycle, but revenue growth takes over.
- With inflation pressures building, forcing companies like Hersey, Kraft and Starbucks to announce price increases and FedEx to warn recently, profit margins should peak sooner rather than later. However, we believe they should remain at lofty levels as long as capacity utilization is rising and wage growth stays weak.

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- Even though margins are stabilizing, earnings should continue to get a lift from top-line growth and the softness in the USD. Moreover, historical data shows that a peak in profit margins does not translate into an outright decline in earnings. We looked at S&P 500 earnings following a peak in corporate profit margins, which are defined as corporate profits divided by U.S. nominal GDP. Going back to the mid-60s, we identified seven peaks in corporate profit margins. Interestingly, S&P 500 EPS peaked on average five quarters after profit margins peaked, with an average gain in earnings of 18%. In two instances (1977 and 1997), S&P 500 EPS kept growing for over ten quarters despite a peak in profit margins.

S&P/TSX: Q1/11 Earnings Season Preview

- **S&P/TSX:** According to bottom-up forecasts, quarterly EPS should reach $210 in Q1, which would mark the second straight $200+ quarterly EPS figure. Bottom-up consensus is suggesting earnings growth of 19% YOY (see Exhibit 1). On a sequential basis (Q1/11 vs. Q4/10), TSX earnings are expected to grow a weak 1% as Industrials EPS is expected to contract significantly due to rising fuel prices, among others.
- On a 12-month trailing basis, TSX EPS should hit $731 in Q1/11, which would be the strongest reading since Q1/09 ($753). TSX trailing earnings troughed at $576 in Q2/09 and have rebounded 27% since then, lagging the 118% rebound in S&P 500 trailing earnings.
- **Sectors:** Nine of 10 TSX GICS sectors are expected to deliver year-over-year earnings growth in Q1 (fiscal Q2 for banks) with cyclicals still in the driver seat. As indicated in Exhibit 1, Materials (+78% YOY), Health Care (+59%), Technology (+34%), and Energy (+20%) should post the strongest EPS growth in Q1. Amongst the laggards, Financials (+3%) and Industrials (+3%) are expected to grow earnings very modestly in Q1, while Utilities EPS is expected to contract 12% YOY.
- Benefiting from strong tailwinds, the loonie is flying at its highest level against the greenback since 2007. At almost US$1.05, the loonie has gained over 4.5% YTD. The recent strength in the loonie has, however, raised investors' concerns over the potential negative impact on TSX earnings. These fears were justified in the 1990s when the Canadian dollar and TSX EPS were exhibiting a relatively strong negative correlation (-54%). In the last decade, however, the correlation between the Canadian dollar and TSX earnings has completely reversed to stand at +82%. The 75% appreciation in the C$ between 2002 and 2007 was accompanied by a 147% gain in TSX EPS. With the loonie and TSX EPS mainly driven by the global macro landscape, a steep decline in the loonie would be more worrisome for TSX EPS.

Exhibit 1

S&P/TSX Q1/11 Earnings Expectations*

	Q1/11 E		
	$	QOQ	YOY
S&P/TSX	210	1%	19%
Energy	40	41%	20%
Materials	53	9%	78%
Industrials	14	-37%	3%
Cons. Discretionary	17	-11%	15%
Cons. Staples	24	-17%	17%
Health Care	7	-12%	59%
Financials	33	-13%	3%
Technology	6	2%	34%
Telecom	17	19%	8%
Utilities	35	7%	-12%
TSX 60	13	-4%	15%
TSX Completion	11	19%	36%

*As at March 31, 2011

Source: Scotia Economics

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S&P 500: Q1/11 Earnings Season

- **S&P 500:** quarterly EPS is expected to reach US$22.13 in Q1/11, suggesting a run-rate of US$88 and a 1% sequential EPS improvement (US$21.93 in Q4). Since quarterly earnings troughed in Q4/08, S&P 500 EPS has improved steadily and exceeded expectations for eighth straight quarters. Year over year, S&P 500 EPS should expand 14% (see Exhibit 2). The pace of earnings growth is slowing rapidly as yearly comparisons are getting more difficult.
- The beat ratio should remain above its 10-year average of 65% for a ninth consecutive quarter. On a 12-month trailing basis, S&P 500 EPS should reach US$86.52 in Q1/11, that's up from US$83.77 in Q4 and US$79.01 in Q3. Trailing earnings have increased 118% since their US$39.61 trough in Q3/09.
- **Sectors:** Eight of 10 S&P 500 sectors are expected to post positive EPS growth on a year-over-year basis. Cyclical sectors should continue to lead the profit recovery with Materials (+33% YOY), Industrials (+22%), and Technology (+20%) expected to show the strongest earnings scorecard in Q1. However, consensus is looking for earnings contraction in Utilities (-4% YOY) and Telecom (-1%).
- **S&P 500 revenues:** The top line should continue to expand in Q1. Based on bottom-up estimates, S&P 500 Q1 revenue growth should reach 13% YOY. We have to go back to late 2004 and early 2005 to witness such strong top-line improvement on a year-over-year basis. From a sector perspective, all 10 GICS sectors should enjoy positive revenue growth, with Energy (+25% YOY), Financials (+22%), and Materials (+14%) leading the way. The weakest top-line growth should come from Utilities (+3% YOY), Telecom (+6%), and Health Care (+6%).

Exhibit 2

S&P 500 Q1/11 Earnings Expectations*

	Q1/11 E		
	$	QOQ	YOY
S&P 500	22.13	1%	14%
Energy	9.93	9%	18%
Materials	4.26	25%	33%
Industrials	4.51	-14%	22%
Cons. Discretionary	4.34	-14%	6%
Cons. Staples	4.74	-10%	8%
Health Care	7.77	9%	10%
Financials	4.23	24%	16%
Technology	6.67	-16%	20%
Telecom	1.89	16%	-1%
Utilities	3.26	51%	-4%
S&P SmallCap 600	4.74	8%	37%

*As at March 31, 2011

Source: Scotia Economics

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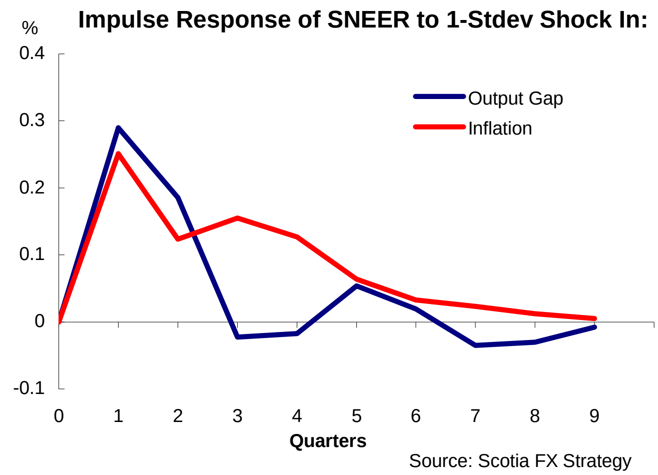
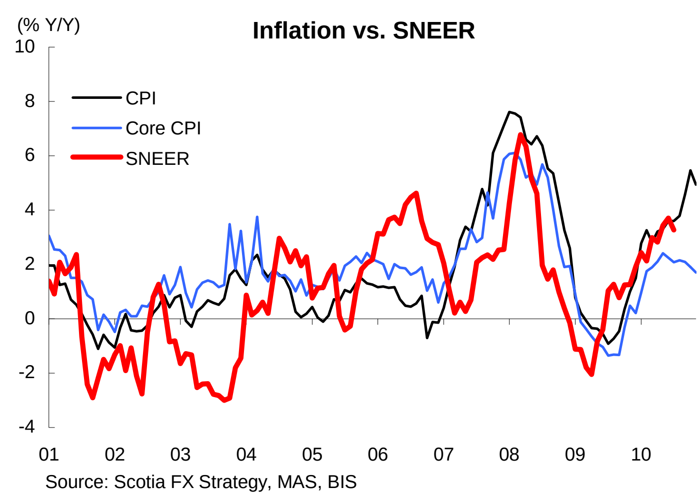
Singapore Entices SGD Bulls With Sneer Adjustment

- **The monetary policy decision directly favours continued gradual SGD gains, backed by high inflation and an expanding output gap.**

Ahead of the Monetary Authority of Singapore's (MAS) bi-annual monetary policy decision on Wednesday, we released a note analyzing what may be the most likely scenario for the MAS decision, and the implications that the policy decision would have for USDSGD (see: Scotia Capital Asian FX Strategy - SGD View Ahead of MAS Decision). To aid in the analysis, we constructed and estimated an idealized MAS policy reaction function for the Singapore Dollar's nominal effective exchange rate (SNEER) band, the intermediate monetary target for Singapore's policymakers. As inputs into the model we took the headline inflation rate, our statistical estimate of Singapore's output gap, and past policy shifts in the SNEER in order to assess the degree of policy smoothing on the part of the MAS.



Ultimately we found a strong positive relationship between decisions to adjust the SNEER in response to inflation and the output gap (higher inflation and a larger positive output gap begets a higher SNEER) as is logical, but no evidence of policy smoothing. The latter result suggests that the MAS seeks to adjust policy in a much more discrete and contemporaneous fashion to shifts in the economy and inflation. In addition, the sensitivity of MAS SNEER policy to inflation appears to be of notably greater strength than the sensitivity to the output gap, an important consideration in the current high inflation environment. Indeed, a vector auto-regression (VAR) model based on our estimated MAS policy reaction function shows that the SNEER response to shocks from inflation and the output gap differ in that there is much more persistence in SNEER response to inflation shocks, whereas the response to output gap shocks play out well within 2 quarters (see first chart). This has positive implications for the propensity of the SNEER to continue to post gains towards the top end of its band after hawkish policy adjustments, so long as we see prominent inflationary pressures still present.



Considering the still rapid thrust of headline inflation pressure in Singapore, in the context of our estimated MAS reaction function, developments in the output gap, global inflation dynamics, and the estimate of the SNEER's potential path of appreciation since the last meeting, a re-centering of the SNEER band upwards to the prevailing level was what we saw as the most likely policy decision by the MAS. However, we did not consider a steepening in the SNEER's (currently appreciatory) policy band trajectory as likely, since although inflation was currently seen to be too high for comfort, it is expected by the MAS to (only gradually)

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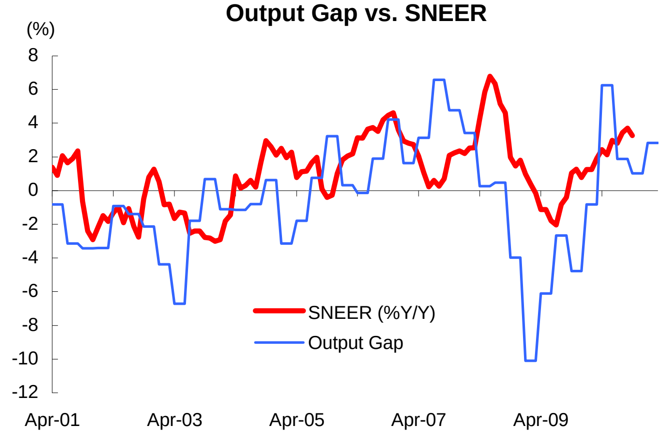
moderate to 3% by the end of the year. In fact, the MAS changed neither its 2011 forecast for headline inflation from a range of 3% to 4%, nor its forecast for core inflation to come in between 2% to 3%. Core inflation has actually been displaying a notable propensity to moderate (see second chart), further suggesting to us that an increment in the slope of the SNEER policy band's appreciatory bent, in addition to a re-centering higher of the band, would be perhaps too hawkish a shift (though one still possible). All considered, a re-centering of the band to the prevailing level would bode well for further SGD gains against the USD. This bullish SGD view against the USD appeared to be well shared by short term market participants, as the ability of SGD to rebound vs. the USD following bouts of risk-aversion induced weakness early on in the week spoke to the aggressive speculative positioning for a hawkish MAS.

Ultimately, the MAS did indeed choose to re-center the SNEER band higher, and refrained from making any change to the slope or the width of the policy band. However, there was a slight nuance in the policy decision that somewhat tempered its hawkish nature. Instead of re-centering the band to the prevailing level, as has typically been the case when a re-centering is announced, the MAS elected to re-centre it upwards, but "below the prevailing level." What this means exactly remains to be seen with the evolution of the SNEER, however it still can be interpreted as SGD-bullish given that the re-centering easily allows for additional appreciation.

The broad-based and well above consensus expansion in Singapore's Q1 GDP was a helpful dynamic for a continued bullish SGD view. The very positive growth result places upwards pressure on the output gap, which we have estimated to now be around 2.5% (see last chart). Combined with the inflation profile, it becomes obvious that the bias of monetary policy should continue to be to the tightening side. Following the announcement, USDSGD managed to rally to a new low against the USD, sustainably through the 1.25 level. While there will still remain volatility in the pair, the downside direction remains well justified given our estimation of a positive output gap and the still uncomfortably high, from the point of view of the MAS, 5% y/y rate of inflation. In fact, if we set our estimated policy reaction function to a "steady state" long term outcome, which would essentially mean no change in the SNEER, we find that the implied MAS "target" rate of inflation is just a hair below 1.2% (vs. the 15-year realized annual average Singapore inflation rate of 1.4%).

Output Gap vs. SNEER



Source: Scotia FX Strategy, MAS, BIS

With inflation still high, despite the forecast for moderation, and the structural depreciatory pressure still well evident on the USD, Singaporean monetary authorities chose to tighten policy, but not shift the policy stance to the maximum degree of hawkishness. This constitutes a measured response that should continue to guarantee gradual SGD gains, while not impairing to too great a degree the relative price competitiveness of the SGD, which is actually trading near a 14-year high on a real effective basis. We currently target 1.2360 for Q4 of 2011, and 1.2050 for Q4 of 2012 in USDSGD.

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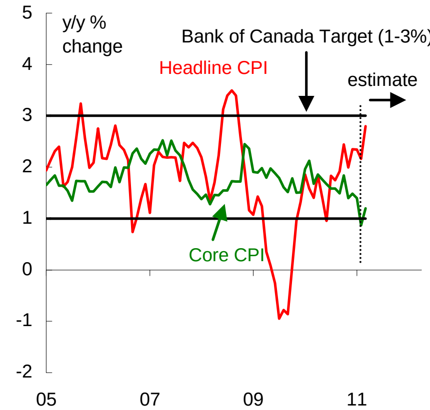
Key Data Preview

CANADA

Canadian Inflation



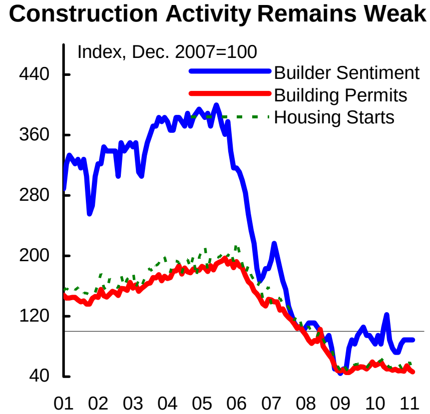
Source: Statistics Canada, Scotia Capital Economics.

Canada will update its inflation numbers next week, bringing up the rear behind the US, China and the Eurozone which all released their March reports this week. In all three countries/regions, commodity prices continued to weigh on headline inflation, a theme that will also be reflected in Canada. What will be different, however, is the swing in core **CPI** (yoy) from February to March as prices temporarily jumped last February in response to the Vancouver Winter Olympics, reversing course the following month. As a result, core inflation (yoy) artificially dipped to a record low last month and will likely push much higher in March due to the accompanying base effect. Nonetheless, even with the 'Olympics' factor, core inflation is still only set to print at 1.2% y/y. Bearing in mind that core inflation is also being held down by the effects of the HST-related tax refunds which will disappear later this year, a strong Canadian dollar, further crowding out of discretionary goods from high commodity prices and a weaker housing market will all likely still keep core inflation well anchored. Within this context, we do not see the Bank of Canada hiking rates before the Fall of this year.

Retail sales will also get a lift in February by base effects after sales contracted in both December and January, in part due to temporary factors such as unseasonable weather and an increase in Quebec's sales tax. Thus, we are looking for a decent gain in both nominal and price-adjusted terms as auto sales, clothing and furniture all rebound, while higher gasoline prices provide a further boost to nominal sales. This will help boost real GDP in February, along with gains in housing starts, although weakness in net trade, a decline in hours worked and an expected contraction in real wholesale sales will likely leave growth for the month flat.

UNITED STATES

Construction Activity Remains Weak



Source: NAHB, US Census Bureau, Scotia Capital Economics.

During the Q&A session following a speech in Asia this week, New York Fed President Dudley indicated that it might take up to two years to clear all the foreclosures in the pipeline, after they reached a record high in 2011. Whether measured by sales, prices or construction activity, the US housing market remains depressed even as other pockets of the economy improve. Despite low interest rates, many potential buyers remain on the sidelines, discouraged by the pace of recovery in the labour market, a high supply of foreclosure and short-sale properties — which keep them hoping that home prices could see further declines — and stricter lending standards. Next week will bring a string of key housing releases. We expect construction activity to continue to move along a stable low level, forecasting for the **NABH's Homebuilder Sentiment Index** (Monday) to remain unchanged at 17, and for **building permits** (Tuesday) and **housing starts** (Tuesday) to post modest monthly gains of 2.0% and 8.0% to 545k and 520k annualized units, respectively, on a weak base effect. Although **existing home sales** (Thursday) have shown some improvement since bottoming in July, sales of distressed properties have on average accounted for roughly a third of monthly activity. For March, we estimate a gain of 3.5% m/m to 5.1 million annualized units, as suffered in February their biggest decline since mid-2010.

While manufacturing — formerly the backbone of Philadelphia's economy — now accounts for only 5% of overall employment, it still represents a solid cross-section of the national activity. The **Philadelphia Fed Manufacturing Index** (Thursday) has been steadily improving since bottoming in late 2008, and now sits at it highest level since early 1984. Strength has been widespread across components, an encouraging development for most barometers, save for the input prices lifted by the rising cost of commodities. We do not expect a significant change in either direction for April, with our forecast looking for a slight moderation to 40.0 from 43.4.

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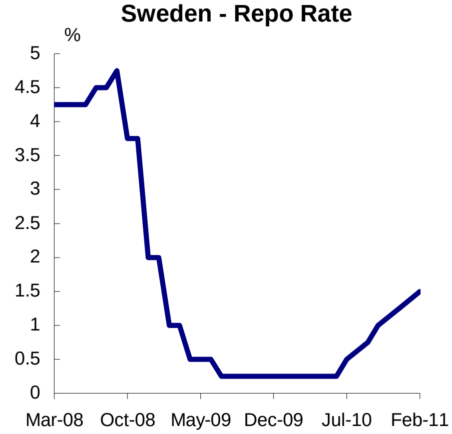
EUROPE

Swedish monetary authorities will likely continue the process of interest rate normalization next week; the Executive Board's monetary policy announcement is scheduled for April 20th. The repo rate has been raised by 125 bps since last summer to the current level of 1.50%. The monetary policymakers have noted that forthcoming monetary tightening will need to be somewhat more aggressive than previously anticipated in order to reduce the risk of imbalances building up in the economy. The central bank assesses that the repo rate will average 1.7% in the second quarter of the year, and will continue to climb gradually to 2.5% by the first quarter of 2012. The Swedish economy remains in strong growth territory, with expansion broadly-based across the external sector, investment and private consumption. The central bank expects real GDP to expand by 4.4% this year. Reflecting robust economic growth and rising energy and commodity prices, inflationary pressures are picking up, with the consumer price index increasing by 2.9% y/y in March, continuing to exceed the central bank's 2% target.

Sweden - Repo Rate



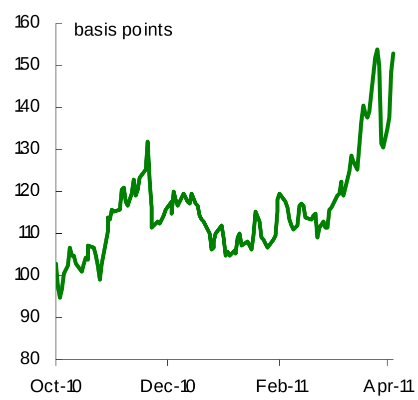
Source: Bloomberg

LATIN AMERICA

In Latin America, focus will be on the Peruvian presidential election with Ollanta Humala and Keiko Fujimori preparing their campaign for the second round of votes that will take place on June 5th. Investors' concerns remain high due to the uncertainties surrounding the possible changes in economic policies as a new government takes office, and a closer-than initially expected-second round of ballots.

CDS spreads (5-year) have increased 30 basis points (bps) to150 bps in the last month, while the Peruvian new sol (PEN) and the equity Index have lost 2.0% and 12.0%, respectively, since mid-March. Notwithstanding the recent spike in volatility for Peruvian assets, we expect the turbulence to calm down once the new government unveils its economic plan.

Peru's 5-year CDS



Source: Bloomberg.

Key Indicators for the week of April 18 - 22

North America

Country	Date	Time	Event	Period	BNS	Consensus	Latest
CA	4/18/2011	08:30	Int'l Securities Transactions (C$ billions)	FEB	--	10.0	13.3
US	4/18/2011	10:00	NAHB Housing Market Index	APR	17.0	17.0	17.0
CA	4/19/2011	07:00	Consumer Price Index (MoM)	MAR	0.6	0.6	0.3
CA	4/19/2011	07:00	Consumer Price Index (YoY)	MAR	2.8	2.8	2.2
CA	4/19/2011	07:00	Bank Canada CPI Core (MoM)	MAR	0.2	0.2	0.2
CA	4/19/2011	07:00	Bank Canada CPI Core (YoY)	MAR	1.2	1.2	0.9
CA	4/19/2011	08:30	Leading Indicators (MoM)	MAR	--	0.3	0.8
CA	4/19/2011	08:30	Wholesale Sales (MoM)	FEB	--	-0.2	1.5
US	4/19/2011	08:30	Building Permits (MoM)	MAR	2.0	1.1	-5.2
US	4/19/2011	08:30	Housing Starts (MoM)	MAR	8.0	9.6	-22.5
US	4/19/2011	08:30	Building Permits (000s)	MAR	545	540	534
US	4/19/2011	08:30	Housing Starts (000s)	MAR	520	525	479
US	4/20/2011	07:00	MBA Mortgage Applications (WoW)	15-Apr	--	--	-6.7
MX	4/20/2011	09:00	Unemployment Rate (%)	MAR	4.8	5.0	5.4
US	4/20/2011	10:00	Existing Home Sales (MoM)	MAR	3.5	2.5	-9.6
US	4/20/2011	10:00	Existing Home Sales (millions)	MAR	5.1	5.0	4.9
MX	4/20/2011	10:00	Bi-Weekly Core CPI (WoW)	15-Apr	--	0.19	0.24
MX	4/20/2011	10:00	Bi-Weekly CPI (WoW)	15-Apr	0.05	-0.05	0.05
CA	4/21/2011	08:30	Retail Sales (MoM)	FEB	0.6	0.5	-0.3
CA	4/21/2011	08:30	Retail Sales Less Autos (MoM)	FEB	0.5	0.5	0.0
US	4/21/2011	08:30	Initial Jobless Claims (000s)	16-Apr	400	390	412
US	4/21/2011	08:30	Continuing Claims (000s)	9-Apr	3800	3682	3680
US	4/21/2011	09:45	Bloomberg Economic Expectations	APR	--	--	-8.0
US	4/21/2011	09:45	Bloomberg Consumer Comfort	17-Apr	--	--	-43.0
US	4/21/2011	10:00	House Price Index (MoM)	FEB	--	-0.2	-0.3
US	4/21/2011	10:00	Leading Indicators (MoM)	MAR	--	0.3	0.8
US	4/21/2011	10:00	Philadelphia Fed Index	APR	40.0	36.8	43.4
US	4/21/2011	16:00	RPX Composite 28dy (YoY)	FEB	--	--	-3.4
US	4/21/2011	16:00	RPX Composite 28dy Index	28-Feb	--	--	--

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

Key Indicators for the week of April 18 - 22

Europe — continued on next page

Country	Date	Time	Event	Period	BNS	Consensus	Latest
SO	APR 14-22		Unemployment Rate (%)	MAR	--	13.1	13.2
BP	APR 15-20		Unemployment Rate (%)	MAR	--	--	9.5
RU	APR 15-18		Industrial Production (YoY)	MAR	--	5.5	5.3
RU	APR 15-18		Producer Prices (MoM)	MAR	--	2.7	1.3
RU	APR 15-18		Producer Prices (YoY)	MAR	--	22.6	20.9
UA	APR 15-18		Industrial Production (MoM)	MAR	--	12.4	12.8
UA	APR 15-18		Industrial Production (YoY)	MAR	--	7.6	8.0
UA	APR 15-18		Retail Trade YTD (YoY)	MAR	--	--	13.5
UK	4/17/2011	19:01	Rightmove House Prices (MoM)	APR	--	--	0.8
UK	4/17/2011	19:01	Rightmove House Prices (YoY)	APR	--	--	0.9
LN	4/18/2011	02:00	TEO LT Reports First Quarter Earnings				
FI	4/18/2011	02:00	PPI (MoM)	MAR	--	--	0.9
FI	4/18/2011	02:00	PPI (YoY)	MAR	--	--	7.0
SP	4/18/2011	03:00	House Price Index (QoQ)	1Q	--	--	-0.9
SP	4/18/2011	03:00	House Price Index (YoY)	1Q	--	--	-3.4
TU	4/18/2011	03:00	Consumer Confidence	MAR	--	--	93.6
SV	4/18/2011	04:30	Unemployment Rate (%)	FEB	--	--	12.3
IT	4/18/2011	05:00	Current Account (mlns euro)	FEB	--	--	-8129.0
HU	4/18/2011	08:00	**Hungary Base Rate Announcement**		**6.00**	**6.00**	**6.00**
PD	4/18/2011	08:00	Employment (MoM)	MAR	--	0.2	0.2
PD	4/18/2011	08:00	Employment (YoY)	MAR	--	4.3	4.2
PD	4/18/2011	08:00	Avg Gross Wages (MoM)	MAR	--	6.3	0.9
PD	4/18/2011	08:00	Avg Gross Wages (YoY)	MAR	--	4.0	4.1
EC	4/18/2011	10:00	Euro-Zone Consumer Confidence	APR A	--	-11.0	-10.6
EC	4/19/2011	02:00	EU 25 New Car Registrations (YoY)	MAR	--	--	0.9
HU	4/19/2011	03:00	Avg Gross Wages (YoY)	FEB	--	5.2	1.6
FR	4/19/2011	03:00	PMI Manufacturing	APR P	55.4	55.4	55.4
FR	4/19/2011	03:00	PMI Services	APR P	60.0	60.0	60.4
AS	4/19/2011	03:10	Producer Price Index (MoM)	FEB	--	--	0.4
AS	4/19/2011	03:10	Producer Price Index (YoY)	FEB	--	--	5.0
GE	4/19/2011	03:30	PMI Manufacturing	APR A	60.5	60.0	60.9
GE	4/19/2011	03:30	PMI Services	APR A	60.0	59.8	60.1
EC	4/19/2011	04:00	PMI Composite	APR A	--	57.0	57.6
EC	4/19/2011	04:00	Euro-Zone Current Account nsa (€ billions)	FEB	--	--	0.5
EC	4/19/2011	04:00	ECB Euro-Zone Current Account SA (€ billions)	FEB	--	--	-0.7
EC	4/19/2011	04:00	PMI Manufacturing	APR A	57.0	57.0	57.5
EC	4/19/2011	04:00	PMI Services	APR A	57.0	56.9	57.2
EC	4/19/2011	05:00	Construction Output SA (MoM)	FEB	--	--	1.8
EC	4/19/2011	05:00	Construction Output WDA (YoY)	FEB	--	--	-4.5
PD	4/19/2011	08:00	Sold Industrial Output (MoM)	MAR	--	18.0	3.5
PD	4/19/2011	08:00	Sold Industrial Output (YoY)	MAR	--	9.6	10.7
PD	4/19/2011	08:00	Producer Prices (MoM)	MAR	--	0.7	1.0
PD	4/19/2011	08:00	Producer Prices (YoY)	MAR	--	8.3	7.3
PO	4/19/2011		Producer Prices (MoM)	MAR	--	--	0.7
PO	4/19/2011		Producer Prices (YoY)	MAR	--	--	6.4
RU	APR 19-20		Disposable Income (YoY)	MAR	--	-0.7	-1.5
RU	APR 19-20		Real Wages (YoY)	MAR	--	2.1	2.4
RU	APR 19-20		Retail Sales (Real) (MoM)	MAR	--	7.6	-0.7
RU	APR 19-20		Retail Sales (Real) (YoY)	MAR	--	3.6	3.3
RU	APR 19-20		Unemployment Rate (%)	MAR	--	7.4	7.6
RU	APR 19-20		Investment In Productive Capacity (YoY)	MAR	--	2.4	-0.4

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

Key Indicators for the week of April 18 - 22

Europe

Country	Date	Time	Event	Period	BNS	Consensus	Latest
ES	4/20/2011	01:00	Producer Prices (MoM)	MAR	--	--	0.1
ES	4/20/2011	01:00	Producer Prices (YoY)	MAR	--	--	5.0
GE	4/20/2011	02:00	Producer Prices (MoM)	MAR	--	0.8	0.7
GE	4/20/2011	02:00	Producer Prices (YoY)	MAR	--	6.6	6.4
DE	4/20/2011	03:00	Consumer Confidence Indicator	APR	--	0.5	-0.8
NE	4/20/2011	03:30	Consumer Confidence (sa)	APR	--	-7.0	-8.0
SW	4/20/2011	03:30	**Riksbank Interest Rate**		**1.75**	**1.75**	**1.50**
IT	4/20/2011	04:00	Industrial Orders s.a. (MoM)	FEB	--	--	-0.3
IT	4/20/2011	04:00	Industrial Orders n.s.a. (YoY)	FEB	--	--	17.5
IT	4/20/2011	04:00	Industrial Sales s.a. (MoM)	FEB	--	--	1.0
IT	4/20/2011	04:00	Industrial Sales n.s.a. (YoY)	FEB	--	--	8.0
UK	4/20/2011	04:30	Bank of England Minutes				
SV	4/20/2011	04:30	PPI (Industrial) (MoM)	MAR	--	--	1.1
SV	4/20/2011	04:30	PPI (YoY)	MAR	--	--	5.2
UK	4/20/2011	04:30	Public Finances (PSNCR) (£ billions)	MAR	--	14.0	7.0
UK	4/20/2011	04:30	PSNB ex Interventions (£ billions)	MAR	--	20.0	11.8
UK	4/20/2011	04:30	Public Sector Net Borrowing (£ billions)	MAR	--	18.7	10.3
IC	4/20/2011	05:00	**Sedlabanki Interest Rate**		**--**	**4.00**	**4.25**
IC	4/20/2011	05:00	Unemployment Rate (%)	1Q	--	--	7.4
IC	4/20/2011	05:00	Wage Index (MoM)	MAR	--	--	0.2
IC	4/20/2011	05:00	Wage Index (YoY)	MAR	--	--	4.2
PD	4/20/2011	08:00	Core Inflation (MoM)	MAR	--	0.4	0.1
PD	4/20/2011	08:00	Core Inflation (YoY)	MAR	--	2.0	1.7
BE	4/20/2011	09:00	Consumer Confidence	APR	--	--	-2.0
GR	4/20/2011		Current Account (€ millions)	FEB	--	--	-2786.2
RU	4/20/2011		Weekly CPI (WoW)	18-Apr	--	--	0.1
RU	4/20/2011		Weekly CPI Year-to-Date	18-Apr	--	--	4.0
SP	4/20/2011		Trade Balance (Mln Euros)	FEB	--	--	-4927.2
SZ	4/21/2011	03:00	Money Supply M3 (YoY)	MAR	--	--	7.7
SZ	4/21/2011	03:00	Real Estate Index Family Homes	1Q	--	--	390.0
NE	4/21/2011	03:30	Unemployment Rate (sa)	MAR	--	5.1	5.1
GE	4/21/2011	04:00	IFO - Business Climate	APR	--	110.5	111.1
GE	4/21/2011	04:00	IFO - Current Assessment	APR	--	115.5	115.8
GE	4/21/2011	04:00	IFO - Expectations	APR	--	105.5	106.5
LN	4/21/2011	04:00	Industrial Production (YoY)	MAR	--	--	13.6
UK	4/21/2011	04:30	Retail Sales Ex Auto Fuel (MoM)	MAR	--	-0.4	-1.0
UK	4/21/2011	04:30	Retail Sales Ex Auto Fuel (YoY)	MAR	--	0.8	1.2
UK	4/21/2011	04:30	Retail Sales w/Auto Fuel (MoM)	MAR	--	-0.5	-0.8
UK	4/21/2011	04:30	Retail Sales w/Auto Fuel (YoY)	MAR	--	1.0	1.3
LV	4/21/2011	06:00	Producer Prices (MoM)	MAR	--	--	0.7
LV	4/21/2011	06:00	Producer Prices (YoY)	MAR	--	--	8.6
TU	4/21/2011	07:00	**Benchmark Repo Rate**		**6.25**	**6.25**	**6.25**
BE	4/21/2011	09:00	Business Confidence Level. sa	APR	--	5.6	6.2
RU	4/21/2011		Gold & Forex Reserve USD	15-Apr	--	--	508.4
FR	4/22/2011	02:45	Business Survey Overall Demand	APR	--	--	28.0
FR	4/22/2011	02:45	Own-Company Production Outlook	APR	--	--	25.0
FR	4/22/2011	02:45	Production Outlook Indicator	APR	--	--	21.0
FR	4/22/2011	02:45	Business Confidence Indicator	APR	--	108	109
HU	4/22/2011	03:00	Retail Trade (IA) (YoY)	FEB	--	0.7	0.1
AS	4/22/2011	03:10	Industrial Production (MoM)	FEB	--	--	0.5
AS	4/22/2011	03:10	Industrial Production (YoY)	FEB	--	--	8.4
NE	4/22/2011	03:30	Consumer Spending (YoY)	FEB	--	--	0.7
IT	4/22/2011	04:00	Retail Sales s.a. (MoM)	FEB	--	0.1	-0.3
IT	4/22/2011	04:00	Retail Sales (YoY)	FEB	--	--	-1.2
TU	4/22/2011	04:00	Foreign Tourist Arrivals (YoY)	MAR	--	--	13.2
RU	4/22/2011		Money Supply Narrow Def. (RUB trillions)	18-Apr	--	--	5.7

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

Key Indicators for the week of April 18 - 22

Asia Pacific

Country	Date	Time	Event	Period	BNS	Consensus	Latest
CH	APR 14-22		Actual FDI (YoY)	MAR	--	--	32.2
NZ	4/17/2011	18:30	Performance Services Index	MAR	--	--	50.8
NZ	4/17/2011	18:45	Consumer Prices (QoQ)	1Q	--	1.0	2.3
NZ	4/17/2011	18:45	Consumer Prices (YoY)	1Q	--	4.6	4.0
CH	4/17/2011	22:00	China March Property Prices				
ID	APR 17-22		Total Local Auto Sales (units)	MAR	--	--	73849
ID	APR 17-22		Total Motorcycle Sales (units)	MAR	--	--	665164
TH	APR 17-22		Total Car Sales (units)	MAR	--	--	77213
SI	4/18/2011	01:00	Electronic Exports (YoY)	MAR	--	-9.5	-12.8
SI	4/18/2011	01:00	Non-oil Domestic Exports (YoY)	MAR	--	4.5	7.8
SI	4/18/2011	01:00	Non-oil Domestic Exp SA (MoM)	MAR	--	-1.5	2.9
AU	4/18/2011	21:30	Reserve Bank's Board April Minutes				
CH	4/18/2011	22:30	HSBC Flash China Manufacturing	APR	--	--	52.5
HK	APR 18-19		**Composite Interest Rate**	MAR	--	--	0.2
PH	APR 18-19		Balance of Payments (PHD millions)	MAR	--	--	-133.0
JN	4/19/2011	01:00	Consumer Confidence	MAR	--	--	40.7
JN	4/19/2011	01:00	Consumer Confidence Households	MAR	--	--	40.6
JN	4/19/2011	02:00	Machine Tool Orders (YoY)	MAR F	--	--	49.5
HK	4/19/2011	04:30	Unemployment Rate SA (%)	MAR	--	3.5	3.6
JN	4/19/2011	19:50	Merchnds Trade Balance Total (¥ billions)	MAR	--	645.4	653.3
JN	4/19/2011	19:50	Adjusted Merchnds Trade Bal. (¥ billions)	MAR	--	327.5	556.0
JN	4/19/2011	19:50	Merchnds Trade Exports (YoY)	MAR	--	-1.1	9.0
JN	4/19/2011	19:50	Merchnds Trade Imports (YoY)	MAR	--	5.9	10.0
AU	4/19/2011	20:30	Westpac Leading Index (MoM)	FEB	--	--	-0.1
AU	4/19/2011	21:00	Consumer Inflation Expectation	APR	--	--	3.5
AU	4/19/2011	21:30	Import price index (QoQ)	1Q	--	0.6	-3.8
AU	4/19/2011	21:30	Export price index (QoQ)	1Q	--	4.5	-8.1
CH	4/19/2011	22:00	Conference Board China February Leading Economic Index				
JN	APR 19-22		Supermarket Sales (YoY)	MAR	--	--	0.6
MU	APR 19-22		CPI - Composite (YoY)	MAR	--	--	4.7
TH	4/20/2011	03:30	**Benchmark Interest Rate**		**2.50**	**2.75**	**2.50**
SI	4/20/2011	04:00	Automobile COE Open Bid Cat A (units)	20-Apr	--	--	43212
SI	4/20/2011	04:00	Automobile COE Open Bid Cat B (units)	20-Apr	--	--	55001
SI	4/20/2011	04:00	Automobile COE Open Bid Cat E (units)	20-Apr	--	--	57100
TA	4/20/2011	04:00	Export Orders (YoY)	MAR	--	5.0	5.3
MA	4/20/2011	05:00	CPI (YoY)	MAR	--	3.0	2.9
NZ	4/20/2011	18:45	Net Migration SA	MAR	--	--	470.0
JN	4/20/2011	19:50	Japan Buying Foreign Bonds (¥ billions)	15-Apr	--	--	176.5
JN	4/20/2011	19:50	Japan Buying Foreign Stocks (¥ billions)	15-Apr	--	--	-161.0
JN	4/20/2011	19:50	Foreign Buying Japan Bonds (¥ billions)	15-Apr	--	--	-445.4
JN	4/20/2011	19:50	Foreign Buying Japan Stocks (¥ billions)	15-Apr	--	--	389.5
AU	4/20/2011	21:30	Producer Price Index (QoQ)	1Q	--	1.0	0.1
AU	4/20/2011	21:30	RBA Foreign Exchange Transactions (AUD millions)		--	--	414.0
AU	4/20/2011	21:30	Producer Price Index (YoY)	1Q	--	2.7	2.7
NZ	4/20/2011	23:00	Credit Card Spending SA (MoM)	MAR	--	--	-0.3
NZ	4/20/2011	23:00	Credit Card Spending (YoY)	MAR	--	--	5.3
NZ	4/20/2011	23:00	ANZ Consumer Confidence Index	APR	--	--	101.4
NZ	4/20/2011	23:00	ANZ Consumer Confidence (MoM)	APR	--	--	-6.2
JN	4/21/2011	01:00	Coincident Index CI	FEB F	--	--	106.3
JN	4/21/2011	01:00	Leading Index CI	FEB F	--	--	104.2
IN	4/21/2011	02:30	Food Articles WPI (YoY)	9-Apr	--	--	8.3
IN	4/21/2011	02:30	Fuel Power Light WPI (YoY)	9-Apr	--	--	13.0
IN	4/21/2011	02:30	Primary Articles WPI (YoY)	9-Apr	--	--	11.4
HK	4/21/2011	04:30	CPI - Composite Index (YoY)	MAR		4.2	3.7
TH	4/22/2011	03:30	Forward Contracts (USD billions)	15-Apr	--	--	21.3
TH	4/22/2011	03:30	Foreign Reserves (USD billions)	15-Apr	--	--	184.6
TA	4/22/2011	04:00	Unemployment Rate (%)	MAR	--	4.5	4.6
MA	4/22/2011	05:30	Foreign Reserves (USD billions)	15-Apr	--	--	113.8

Latin America

Country	Date	Time	Event	Period	BNS	Consensus	Latest
BZ	4/18/2011	07:00	FGV CPI IPC-S	17-Apr	--	0.9	0.9
BZ	4/18/2011	07:30	Central Bank Weekly Economists Survey				
BZ	4/19/2011	08:00	Unemployment Rate (%)	MAR	--	6.7	6.4
CO	4/19/2011	17:00	Industrial Production (YoY)	FEB	--	5.8	6.2
CO	4/19/2011	17:00	Retail Sales (YoY)	FEB	--	12.4	12.3
BZ	4/20/2011	08:00	IBGE CPI IPCA-15 (MoM)	APR	--	0.7	0.6
BZ	4/20/2011		**SELIC Target - Central Bank**	20-Apr	**12.25**	**12.25**	**11.75**

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

Global Auctions for the week of April 18 - 22

North America

Country	Date	Time	Event
US	4/18/2011	11:30	U.S. to Sell 3-Month Bills
US	4/18/2011	11:30	U.S. to Sell 6-Month Bills
US	4/19/2011	11:30	U.S. to Sell 4-Week Bills
CA	4/20/2011	12:00	Canada to Sell 5-Year Notes
US	4/21/2011	13:00	U.S. to Sell 5-Year TIPS

Europe

Country	Date	Time	Event
SP	4/18/2011	04:30	Spain to Sell 12M and 18M Bills
GE	4/18/2011	05:15	Germany to Sell EU3 Bln 12-Mth Bills
HU	4/18/2011	05:30	Hungary to Sell 6-Week Bills
BE	4/18/2011	05:30	Belgium to Sell 4.25% 2041 Bonds
EC	4/18/2011	05:30	Belgium to Sell 4.25% 2021 Bonds
EC	4/18/2011	05:30	Belgium to Sell 4.25% 2013 Bonds
NE	4/18/2011	06:00	Netherlands to Sell Bills
PD	4/18/2011	06:00	Poland to Sell Up to PLN1 Bln 49-Week T-bills
LN	4/18/2011	06:30	Lithuania to Sell Bills
RO	4/18/2011	08:00	Romania to Sell RON1 Bln 152-Day Bills
BP	4/18/2011	09:00	Bulgaria to Sell BGN15 Mln 3-Month Bills
FR	4/18/2011	09:00	France to Sell Bills
MB	4/19/2011	05:00	Malta to Sell Bills
HU	4/19/2011	05:30	Hungary to Sell 3-Month Bills
SZ	4/19/2011	05:30	Switzerland to Sell 3-Month Bills
UK	4/19/2011	05:30	U.K. to Sell GBP900 Mln 0.5% I/L 2050 Bonds
HU	4/19/2011	06:00	Hungary's Central Bank to Sell 2-Week Bills
AL	4/19/2011	08:00	Albania to Sell 2-Year Bonds
MK	4/19/2011	09:00	Moldova To Sell Up To MDL45 Mln 91-Day Bills
MK	4/19/2011	09:00	Moldova To Sell Up To MDL57 Mln 182-Day Bills
MK	4/19/2011	09:00	Moldova To Sell Up To MDL25 Mln 364-Day Bills
SP	4/20/2011	04:30	Spain to Sell 5.5% 2021 Bonds
SW	4/20/2011	05:10	Sweden to Sell Bonds
GE	4/20/2011	05:15	Germany to Sell EU6 Bln 5-Year Notes
PO	4/20/2011	05:30	Portugal to Sell Bills
RU	4/20/2011	06:00	Russia to Sell Up to RUB20 Bln OFZ Bonds
PD	4/20/2011	06:30	Poland to Hold Exchange Offer Auctions
MC	4/20/2011	08:00	The FYR of Macedonia's Central Bank to Sell 28-Days Bill
FR	4/21/2011	05:00	France to Sell Bonds/Notes
SO	4/21/2011	05:10	Slovakia to Sell 4% 2020 Bonds
HU	4/21/2011	05:30	Hungary to Sell Bonds
PD	4/21/2011	06:00	Poland to Sell Up to PLN1.5 Bln 48-Week T-bills
UK	4/21/2011	06:10	U.K. to Sell Bills
RO	4/21/2011	08:00	Romania to Sell RON500 Mln Bonds Due June 2017
HU	4/22/2011	05:30	Hungary to Sell 6-Week Bills

Source: Bloomberg, Scotia Economics.

Global Auctions for the week of April 18 - 22

Asia Pacific

Country	Date	Time	Event
SK	4/17/2011	22:30	Korea to Sell KRW1.6 Tln 10-Year Bonds
SI	4/18/2011		Singapore to sell 91-Day T-Bills
MA	4/18/2011		Bank Negara MYR1 Bln 91-Day Islamic Notes
MA	4/18/2011		Bank Negara to Sell MYR1 Bln 210-Day Notes
MA	4/18/2011		Bank Negara to Sell MYR1 Bln 261-Day Notes
PH	4/18/2011	01:30	Philippines Plans to Sell PHP1.5 Bln 91-Day Bills Due 2011
PH	4/18/2011	01:30	Philippines Plans to Sell PHP4.0 Bln 364-Day Bills Due 2012
TH	4/18/2011	23:00	Bank of Thailand to Sell THB23 Bln 28D Bills
TH	4/18/2011	23:00	Bank of Thailand to Sell THB20 Bln 91D Bills
TH	4/18/2011	23:00	Bank of Thailand to Sell THB10 Bln 182D Bills
HK	4/18/2011	23:30	Hong Kong to Sell HKD25.189 Bln 91-D Bills
HK	4/18/2011	23:30	Hong Kong to Sell HKD8 Bln 182-D Bills
JN	4/19/2011	04:00	Japan Auction for Enhanced-Liquidity
ID	4/19/2011	04:30	Indonesia to Sell 5-Yr to Maturity Government Bond
ID	4/19/2011	04:30	Indonesia to Sell 15-Yr to Maturity Government Bond
ID	4/19/2011	04:30	Indonesia to Sell 1-Yr to Maturity Treasury Bills
CH	4/19/2011	23:00	China to Sell 3 Year Bond
JN	4/19/2011	23:35	Japan to Sell 3-Month Bills
IN	4/20/2011	07:30	India to Sell INR 40Bln 91-Day Bills
IN	4/20/2011	07:30	India to Sell INR 20Bln 364-Day Bills
KZ	4/20/2011	08:00	Kazakhstan to Sell up to KZT14 Bln Fixed-Rate Bonds Due 2021
NZ	4/20/2011	22:30	New Zealand Plans to Sell Government Bonds
JN	4/20/2011	23:45	Japan to Sell 20-Year Bond
JN	4/21/2011	23:35	Japan to Sell 3-Month Bills
KZ	4/22/2011	07:00	Kazakhstan to Sell Up to KZT30 Bln 91-Day CB Notes

Source: Bloomberg, Scotia Economics.

Events for the week of April 18 - 22

North America

Country	Date	Time	Event
US	4/16/2011	10:15	International Monetary Fund Financial Committee Meets
US	4/18/2011	10:30	Fed's Fisher, Lockhart to Discuss Globalization in Atlanta
CA	4/18/2011	11:30	Nederland Bank President & Bank of Canada Governor in Toronto
US	4/18/2011	12:00	Fed's Bullard to Speak on Banking Rules in Kentucky
US	4/18/2011	12:30	Fed's Fisher to Speak on U.S. Economic Outlook in Atlanta
CA	4/19/2011		Province of Newfoundland presents 2011-12 budget

Europe

Country	Date	Time	Event
EC	4/16/2011	14:30	Germany's Weber, Schaeuble Hold Press Conference in Washington
FI	4/17/2011	02:00	Finnish Parliamentary Elections
LX	4/17/2011	18:00	EU Courts Close For Two Weeks
EC	4/18/2011	05:00	Bank Of Greece holds General Shareholders Meeting
HU	4/18/2011	08:00	**Hungary Base Rate Announcement**
PO	4/18/2011	09:30	Banco Comercial Portugues Annual Meeting
EC	4/18/2011	09:30	ECB Calls for Bids in 7-Day Main Refinancing Tender
PD	4/19/2011	05:00	Bank Pekao Shareholders Meeting; Vote on Dividend
EC	4/19/2011	05:15	ECB Announces Allotment in 7-Day Main Refinancing Tender
SZ	4/20/2011	03:00	Swiss Government Holds Regular Meeting
SW	4/20/2011	03:30	**Riksbank Interest Rate**
UK	4/20/2011	04:30	Bank of England Releases Monetary Policy Committee Minutes
IC	4/20/2011	05:00	**Sedlabanki Interest Rate**
EC	4/20/2011	05:00	OECD's Padoan Presents New Research on High Unemployment Risks
EC	4/20/2011	05:00	OECD's Padoan Speaks at Lisbon Council in Brussels
PD	4/20/2011	06:00	PGNiG Holds Shareholder Meeting
EC	4/20/2011	11:30	Luxembourg's Juncker Speaks on Euro Economic Governance
PO	4/20/2011	14:00	Portugal Year-to-Date Budget report
SZ	4/21/2011	03:00	SNB Publishes Monthly Statistical Bulletin
GE	4/21/2011	04:30	Beiersdorf Holds Annual Shareholders Meeting
TU	4/21/2011	07:00	**Benchmark Repo Rate**
EC	4/21/2011	09:30	ECB Calls for Bids in 7-Day Main Refinancing Tender
IR	4/21/2011		Irish March Car Sales Report
PD	4/21/2011		TPSA Publishes 1Q Earnings
PD	4/21/2011		PKN Orlen Publishes 1Q Preliminary Earnings
PO	4/22/2011	03:00	Euronext Lisbon Exchange Is Closed for Easter Friday Holiday
IR	4/22/2011		Irish March Car Sales Report
IR	4/22/2011		Irish Car Sales Report for March
IR	4/22/2011		Irish March Car Sales Report

Source: Bloomberg, Scotia Economics.

Events for the week of April 18 - 22

Asia Pacific

Country	Date	Time	Event
NZ	APR 13-15		Finance Minister English Attends Bo'ao Forum
IN	4/17/2011	14:30	Earnings Expected: HDFC Bank, CMC, IFCI, Indusind Bank
NZ	4/17/2011	18:30	Business NZ Publishes Performance of Services Index
NZ	4/17/2011	18:45	Statistics New Zealand on Consumer Prices Index
AU	4/18/2011	21:30	Reserve Bank's Board April Minutes
HK	APR 18-19		**Composite Interest Rate**
NZ	4/19/2011	12:00	Fonterra Milk Powder Auction Results Due
TH	4/20/2011	03:30	**Benchmark Interest Rate**
NZ	4/20/2011	21:00	ANZ-Roy Morgan Consumer Confidence Survey
JN	4/20/2011	21:30	BOJ Deputy Governor Nishimura to Speak in Yokohama City
AU	4/20/2011	21:30	RBA Foreign Exchange Transactn
NZ	4/20/2011	23:00	Credit Card Spending

Latin America

Country	Date	Time	Event
BZ	4/20/2011		**SELIC Target - Central Bank**

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	May 31, 2011	1.00	--
Federal Reserve – Federal Funds Target Rate	0.25	April 27, 2011	0.25	--
Banco de México – Overnight Rate	4.50	May 27, 2011	4.50	--

This week's BoC rate announcement and accompanying Monetary Policy Report did little to change our view that the BoC is on hold until October. While the BoC pulled forward its output gap and inflation views by two quarters, we still don't see significant wage or price inflationary pressures ahead. In the U.S., talk about the Fed's exit strategy continues to take centre stage as the deadline for the Fed's bond-buying program (QE2) nears. With the FOMC divided on this front, several Fed Presidents weighed in this week on how they think the process should get underway and which of the many tools at their disposal they should use.

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	6.25

After hiking by a quarter-point last week, we expect the ECB to remain on hold until the third quarter of 2011. The BoE will likely begin a gradual process of monetary normalization in the third quarter of 2011. We expect the Hungarian National Bank to maintain its 'wait-and-see' policy stance next week; the Base Rate was raised three times between November 2010 and January 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	4.75
Reserve Bank of New Zealand – Cash Rate	2.50	April 27, 2011	2.50	2.50
People's Bank of China – Lending Rate	6.31	TBA	--	--
Reserve Bank of India – Repo Rate	6.75	May 3, 2011	--	--
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	May 12, 2011	3.00	--
Bank of Thailand – Repo Rate	2.50	April 20, 2011	2.50	2.75
Bank Indonesia – Reference Interest Rate	6.75	May 12, 2011	6.75	--

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	4.50	May 12, 2011	4.75	--
Banco de la República de Colombia – Lending Rate	3.50	April 29, 2011	3.75	3.63
Banco Central de Reserva del Perú – Reference Rate	4.00	May 12, 2011	4.25	--

With March inflation (6.3%y/y) getting closer to the upper limit of the central bank's target range (4.5% +/- 2.0), we expect Brazil's monetary authority to continue to tighten monetary conditions, hiking rates 50 basis points to 12.25%. Together with higher interest rates, other measures such as higher bank reserve requirements or capital controls could be expected in the mid-term, as the central bank has shown some resistance to currency appreciation.

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)	11Q1	11Q2f	11Q3f	11Q4f	12Q1f	12Q2f	12Q3f	12Q4f
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)	-9.0	-26.2	0.9	0.4	(Feb)
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)	1560	1609	1553	1573	(Feb)
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		

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	-712	(Feb)
Industrial Production	5.3	6.7	6.2	5.9	(Mar)
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	7.3	(Mar)
Auto Sales (millions)	11.5	11.6	12.3	13.1	(Mar)
CPI	1.6	1.2	1.3	2.7	(Mar)
PPI	4.2	3.8	3.9	5.8	(Mar)
Pre-tax Corp. Profits	36.8	34.8	16.1		

Mexico	2010	10Q3	10Q4	Latest	
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	5.2	(Feb)
CPI	4.2	3.7	4.2	3.0	(Mar)

Brazil	2010	10Q3	10Q4	Latest	
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)

Chile	2010	10Q3	10Q4	Latest	
Real GDP	5.2	6.9	5.8		
Current Acc. Bal. (US$B, ar)	3.6	-0.2	4.9		
Merch. Trade Bal. (US$B, ar)	12.1	14.7	17.7	14.6	(Mar)
Industrial Production	0.6	4.4	2.7	1.5	(Feb)
CPI	1.4	2.2	2.5	3.4	(Mar)

Italy	2010	10Q3	10Q4	Latest	
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	-59.5	(Feb)
Industrial Production	6.5	7.5	5.1	2.4	(Feb)
CPI	1.6	1.6	1.8	2.5	(Mar)

Germany	2010	10Q3	10Q4	Latest	
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)

France	2010	10Q3	10Q4	Latest	
Real GDP	1.7	2.0	1.7		
Current Acc. Bal. (US$B, ar)	-54.3	-41.8	-94.8	-65.3	(Feb)
Merch. Trade Bal. (US$B, ar)	-38.7	-42.0	-39.1	-57.6	(Feb)
Industrial Production	5.7	5.0	5.7	5.6	(Feb)
Unemployment Rate (%)	9.8	9.8	9.6	9.6	(Feb)
CPI	1.5	1.5	1.6	2.0	(Mar)

Euro Zone	2010	10Q3	10Q4	Latest	
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	7.5	7.3	8.1	7.4	(Feb)
Unemployment Rate (%)	9.9	9.9	9.9	9.8	(Feb)
CPI	1.6	1.7	2.0	2.7	(Mar)

United Kingdom	2010	10Q3	10Q4	Latest	
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	-131.1	(Feb)
Industrial Production	2.0	3.0	3.3	2.4	(Feb)
Unemployment Rate (%)	7.9	7.8	7.9	7.8	(Jan)
CPI	3.3	3.1	3.4	4.1	(Mar)

Japan	2010	10Q3	10Q4	Latest	
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	16.6	13.3	6.8	2.9	(Feb)
Unemployment Rate (%)	5.1	5.0	5.0	4.6	(Feb)
CPI	-0.7	-0.8	0.1	0.0	(Feb)

Australia	2010	10Q3	10Q4	Latest	
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		

China	2010	10Q3	10Q4	Latest	
Real GDP	10.3	9.6	9.8		
Current Acc. Bal. (US$B, ar)	30.5				
Merch. Trade Bal. (US$B, ar)	182.5	260.4	249.6	1.7	(Mar)
Industrial Production	13.5	13.3	13.5	14.8	(Mar)
CPI	4.6	3.6	4.6	5.4	(Mar)

South Korea	2010	10Q3	10Q4	Latest	
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/08	Apr/15*	United States	10Q4	11Q1	Apr/08	Apr/15*
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	0.99	0.87	3-mo. T-bill	0.12	0.09	0.04	0.06
10-yr Gov't Bond	3.12	3.35	3.44	3.31	10-yr Gov't Bond	3.29	3.47	3.58	3.42
30-yr Gov't Bond	3.53	3.76	3.84	3.73	30-yr Gov't Bond	4.33	4.51	4.64	4.49
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	1.28	1.17	3-mo. T-bill	0.40	0.80	0.88	0.88
10-yr Gov't Bond	2.96	3.35	3.48	3.38	10-yr Gov't Bond	3.36	3.71	3.78	3.70
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	1.25	1.25	Repo Rate	0.50	0.50	0.50	0.50
Overnight Rate	0.82	0.90	0.55	1.15	3-mo. T-bill	4.85	4.85	4.85	4.85
FX Reserves (US$B)	300.1	300.3	308.9	(Feb)	10-yr Gov't Bond	3.40	3.69	3.81	3.60
					FX Reserves (US$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	5.64	5.58
10-yr Gov't Bond	1.13	1.26	1.33	1.29	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	84.76	83.12
CADUSD	1.00	1.03	1.05	1.04	US¢/Australian$	102.33	103.29	105.64	105.56
GBPUSD	1.561	1.603	1.638	1.632	Chinese Yuan/US$	6.61	6.55	6.54	6.53
EURUSD	1.338	1.416	1.448	1.445	South Korean Won/US$	1126	1097	1083	1090
JPYEUR	0.92	0.85	0.81	0.83	Mexican Peso/US$	12.340	11.905	11.731	11.697
USDCHF	0.94	0.92	0.91	0.89	Brazilian Real/US$	1.661	1.632	1.569	1.573

Equity Markets (index, end of period)

United States (DJIA)	11578	12320	12380	12325	U.K. (FT100)	5900	5909	6056	5992
United States (S&P500)	1258	1326	1328	1319	Germany (Dax)	6914	7041	7217	7176
Canada (S&P/TSX)	13443	14116	14208	13880	France (CAC40)	3805	3989	4062	3973
Mexico (Bolsa)	38551	37441	37472	37019	Japan (Nikkei)	10229	9755	9768	9592
Brazil (Bovespa)	69305	68587	68718	66093	Hong Kong (Hang Seng)	23035	23528	24396	24008
Italy (BCI)	1048	1120	1144	1123	South Korea (Composite)	2051	2107	2128	2141

Commodity Prices (end of period)

Pulp (US$/tonne)	960	990	990	990	Copper (US$/lb)	4.42	4.26	4.46	4.27
Newsprint (US$/tonne)	640	640	640	640	Zinc (US$/lb)	1.10	1.05	1.12	1.08
Lumber (US$/mfbm)	308	290	275	262	Gold (US$/oz)	1405.50	1439.00	1469.50	1476.75
WTI Oil (US$/bbl)	91.38	106.72	112.79	109.14	Silver (US$/oz)	30.63	37.87	40.22	42.61
Natural Gas (US$/mmbtu)	4.41	4.39	4.04	4.22	CRB (index)	332.80	359.43	368.70	362.28

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

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