

# Global Views

Weekly commentary on economic and financial market developments

October 21, 2011

<a href="#">Economics &gt;</a>	<a href="#">Corporate Bond Research</a>	<a href="#">Emerging Markets Strategy</a>	<a href="#">Equity Strategy</a>	<a href="#">Fixed Income Research</a>	<a href="#">Fixed Income Strategy &gt;</a>	<a href="#">Foreign Exchange Strategy &gt;</a>
<a href="#">Economic Statistics &gt;</a>	<a href="#">Financial Statistics &gt;</a>	<a href="#">Forecasts &gt;</a>	<a href="#">Contact Us &gt;</a>			

## 2-9 Economics

- 2 • Believe It Or Not, Europe Isn't The Only Risk Factor Next Week ..... Karen Cordes Woods & Derek Holt
- 3-6 • Are Canadian Equities Under-Valued?..... Karen Cordes Woods & Derek Holt
- 7 • Asian Industrial Output Momentum To Survive Flooding In The ASEAN Region..... Carlos Gomes & Oscar Sánchez
- 8 • Overhauling Innovation Support — Ottawa's Panel Report ..... Emily Jackson & Mary Webb
- 9 • Canadian Small Businesses Adjust To New Realities ..... Alex Koustas & Adrienne Warren

## 10 Fixed Income Strategy

- UK Public Finances — September ..... Alan Clarke

## 11 Foreign Exchange Strategy

- EUR's Path Since May Provides Clues To The Road Ahead ..... Camilla Sutton & Eric Theoret

## A1-A12 Forecasts & Data

- Key Data Preview ..... A1-A2
- Key Indicators..... A3-A6
- Global Auctions Calendar ..... A7
- Events Calendar ..... A8
- Global Central Bank Watch ..... A9
- Forecasts..... A10
- Latest Economic Statistics..... A11
- Latest Financial Statistics ..... A12

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### ***Believe It Or Not, Europe Isn't The Only Risk Factor Next Week***

- Please see our full indicator, central bank, auction and event calendars on pp. A3-A9.

**Europe** will clearly be the show-stealer for better or for worse in swinging global markets next week. The EU finance ministers' weekend meeting gives way to the EU Summit I into Monday. That will have to achieve material progress before the EU Summit II by Wednesday at the earliest. What has thus far emerged is thin gruel by way of potentially combining the EFSF and permanent rescue fund which brings no additional net capital to the fire fight. At this juncture, the policy uncertainty makes it impossible to comment upon the outcome as the past week was spent floating leaks and trial balloons to test market sentiment. A delicate calculus will determine the balance of Greek debt hair cuts, bank recapitalization efforts, whether to increase the size of the EFSF directly or through leverage, and complementary reforms; without the details it's next to impossible to determine the balance between the potential immediate effects, further digestion of implementation concerns including the possible need for Parliamentary approvals, and any unintended effects. Data will clearly take a backseat to the bigger picture next week, but consensus isn't expecting the balance of manufacturing PMI, EC industrial orders, and EC confidence, to bolster the risk trade while state level German CPI readings will likely be soft for October. Sweden's Riksbank is expected to remain on hold Thursday. Spain's budget update could pose a risk, and so could Spanish and Italian auctions.

**Canadian** markets will be all about the Bank of Canada next week as it releases its rate decision on Tuesday and Monetary Policy Report on Wednesday. Expect a stand-pat policy with a dovish bias in the statement and the MPR. The BoC will likely revise its 2011 growth forecast lower (2.8% in the July MPR, versus Scotia's 2.1%) and perhaps its 2012 figure of 2.6%. The output gap estimate would thus widen with balance perhaps being pushed out further again. Combined with expecting a resetting of commodity base effects, more slack in the economy could well have the BoC repeating its emphasis upon downward risks to inflation. In our view, the BoC will retain its emphasis upon growth and financial stability concerns while discounting near-term inflation readings it cannot influence anyway. When BoC Governor Carney emphasizes that the BoC has embraced anywhere from 2-12 quarter lags before targeting inflation to return to its 2% target, he is engaging the substantial flexibility within his inflation targeting mandate in a manner that is not terribly different from what a more explicit price level targeting framework would entail. Also on Wednesday, BoC Governor Mark Carney will give an interview at a conference on the outlook and sovereign debt issues. Retail sales may be a bright spot on Tuesday by way of what we already know about the roles played by higher prices during the month, but how sales volumes flow into a firmed up August GDP call is uncertain.

**US** markets will be overwhelmingly driven by European developments, but added volatility could easily come through earnings that have thus far had positive surprises accounting for about 70% of releases. Additional volatility could surround key releases, particularly the advance Q3 GDP estimate as Bloomberg consensus ranges anywhere from 1.8%-3.5% (we're at 2.5%). Recession worries will be dismissed in the near-term and that could benefit the risk trade, but great uncertainty continues to surround the outlook into Q4/Q1. Other key releases include consumer confidence, personal spending and incomes, durable goods orders, new and pending home sales, and regional surveys from the Chicago and Richmond Fed districts. The US auctions 2s, 5s and 7s. After a heavy week for Fed speak, only NY Fed President William Dudley (always voting) and Dallas Fed President Richard Fisher (voting 2011, no representation 2012) are on tap next week.

**Asian** markets may only have the capacity to swing the global tone on Sunday evening when the private sector's flash purchasing managers' index for the Chinese manufacturing sector lands. There is no consensus for this measure, but markets will be sensitive to whether it continues to depict signs of slowing in China's economy given that the index slipped into contraction territory over the prior three months. Of regional interest will also be consensus expectations for another hike by the Reserve Bank of India on Tuesday, and holds by the RBNZ and BoJ. We'll also get a firmer sense of how regional trade was holding up into August and September with reports out of Japan, Thailand, Hong Kong and the Philippines. Later in the week, consensus expects soft readings for Japanese consumer spending and industrial production, amid ongoing evidence of deflation. This poses the risk of further unconventional steps by the BoJ.

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## Are Canadian Equities Under-Valued?

- **We survey eight measures of Canadian equity valuations over long periods of time and conclude that while there are unique elements to the Canadian story, the bar is set high for the bulls to prove why evidence of under-valuation is so compelling.**

After having considered the deepest and most liquid stock market in the world in our previous note on U.S. equity valuations<sup>1</sup>, we now consider Canadian valuations using the same metrics that we employed for the U.S. Yet again, we're approaching the issue from the vantage point of economists, as opposed to a bottom up perspective such that we're only considering broad markets without discounting the potential for under- or over-valuation across individual stocks. Since no one valuation measure is perfect for any asset class, we need to consider a variety of measures and do so over long periods of time so as not to fall into the trap of emphasizing a particular measure or time period that supports one's case.

Our conclusion is a bit stronger than it was for U.S. equities: two valuation measures are near their all-time highs; one is probably at fair value; and the other five are under-valued if market 'memory' is confined to the 1990s-onward environment but not in relation to prior history.

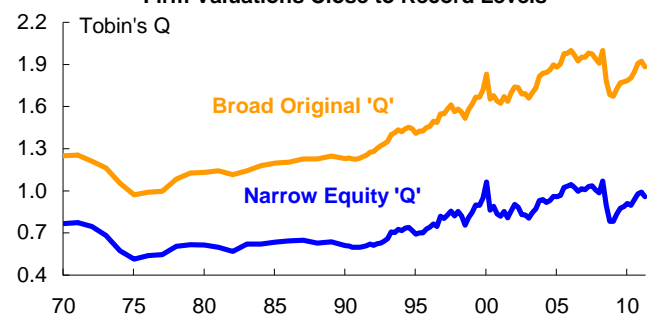
### Tobin's 'Q'

Recall from our U.S. paper that Tobin's 'Q' is defined as the market value of corporate debt and equity divided by the replacement cost of nonfinancial assets. The higher the ratio, the more attractive it is for companies to invest in capital goods since the value the market attaches to the firm exceeds the replacement cost of its assets. Thus, it is also a stock valuation metric which contrasts what the market is willing to pay with the cost of reconstructing firms from the ground up. Indeed, this measure complements price-earnings ratios since an investor is buying an earnings stream but would also be interested in the starting point for the net valuation of a company's assets.

Chart 1 depicts the results (top gold line) back to 1970 when market value components to the National Balance Sheet (NBS) accounts for private non-financial corporations first became available (book value goes to 1961). According to this chart, Canada is currently flirting with a record high. Now since this ratio can only be calculated up to 2011Q2 we need to update it with what has happened since given the correction in the TSX since June 30th. We figure this has had the effect of pushing Tobin's 'Q' from a reading of about 1.9 in 2011Q2 to a reading of about 1.7 today which is still toward the upper bounds of history with the peak of 2.0 reached in 2008Q2. This is one reason why firms may be aggressively expanding investment in capital goods now, but it also signals that market valuations are near their highest ever in relation to the costs of rebuilding firms from scratch.

**Chart 1**

#### Firm Valuations Close to Record Levels



Source: National Balance Sheet Accounts, Statistics Canada, Scotia Economics.

### Equity 'Q'

Equity 'Q' is a narrower version of Tobin's 'Q' and compares the equity market value of nonfinancial private corporations to their net worth with assets valued at their replacement costs using the same NBS accounts.

<sup>1</sup>. For further detail on the metrics and methodologies used in this paper, see "Are U.S. Equities Under-Valued?", October 14, 2011.

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In contrast to the United States, Canada's Equity 'Q' ratio is materially higher than it was during the period of the 1990s onward (chart 1 again). Indeed, prior to the equity market correction since June 30th, Canada's overall equity 'Q' stood near its high point and was about two-thirds higher than it was at the start of the 1990s. Since the end of June, the TSX has sold off about 10% of its value which likely leaves the equity 'Q' ratio currently at just under 0.9 and still relatively high by historical standards.

### Price-Earnings Ratios

After smoothing out huge distortions introduced to the price-earnings ratio for nonfinancial and financial corporations like during the vicious recession of the early 1990s when Canadian earnings collapsed, today's price-to-trailing-earnings ratio currently stands roughly in line with its longer-run historical average (chart 2). A multiple of about 15 times trailing earnings may seem cheap in comparison to, say, the late 1990s — but it is generally in line with prior experiences.

Price-to-forward-earnings ratios are not available for as long a period as price-to-trailing so we can only go back to 1987, but the results are shown in chart 3. Today's TSX price index is about 11.8 times the level of one-year forward earnings expectations on the TSX. As such, it is low by the standards of the past 25 years. The ratio was skewed higher around the dot-com period, but even after controlling for that outlier and the late 2008-09 collapse at the opposite end of market performance, this multiple is still relatively low. That said, if we had forward earnings prior to 1987, then this multiple would likely be in line with the average over the period prior to the late 1980s since that was the conclusion for price-to-trailing-earnings and forward and trailing earnings largely track one another over time anyway (chart 4).

### Price-to-Cyclically Adjusted Earnings

Chart 5 is our attempt at constructing a Canadian cyclically-adjusted price-to-earnings ratio for Canadian nonfinancial and financial corporations that mirrors Shiller's ratio for the United States. We take current valuations deflated by current CPI, and compare that to a moving average of the past decade's inflation adjusted earnings. The aim to this measure is to smooth out volatility in the earnings and valuation cycle. When one buys a stock, one isn't buying just that year's trailing earnings or one year's forward earnings. One is buying a cycle's earnings. It should be expressed in

Chart 2

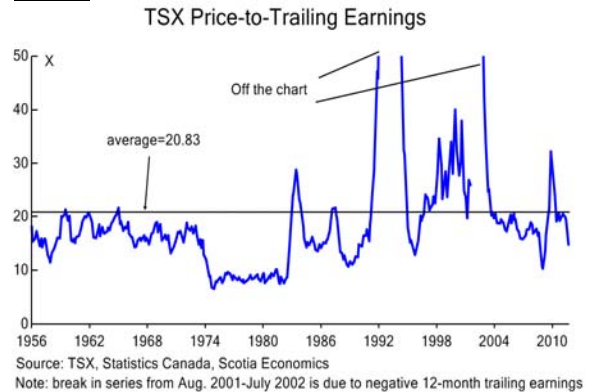


Chart 3

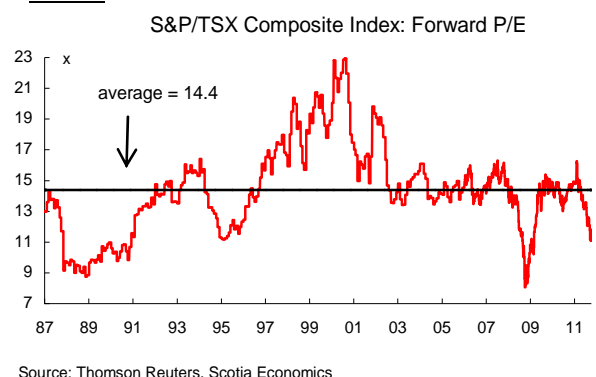
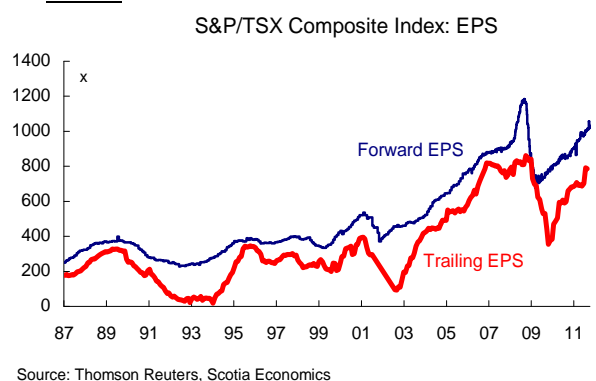


Chart 4



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relation to forward earnings expectations, but there are no forward measures for a full cycle and one-year forward earnings expectations by analysts largely just extrapolate trailing earnings — as noted above. What the ratio shows is that stocks are cheap now only in relation to the period of the late 1990s onward including the dot-com period when valuations soared at the start of the last decade. Stocks by this measure are expensive in relation to prior periods back to the mid-1960s.

### Dividend Yield

The dividend yield on the entire TSX currently sits at just under 3% which is in line with the long-run average of just over 3% dating back to the 1950s (chart 6). While the dividend yield may be more attractive than the average over the 1990-onward period, and sharply higher than the roughly 1% level of mid-2000, it is not undervalued by comparison to the longer-run sweep. In order to address the possibility that earnings are not flowing through toward dividends, we also plot the earnings yield on the TSX and arrive at a similar conclusion (chart 6 again).

### Price-to-Book Ratio

We can construct the price-to-book ratio using Statistics Canada's national balance sheet accounts for private non-financial corporations by taking the market value of equities over their book value. This can be reliably done from 1990 onward. Canada's aggregate price-to-book ratio sat near its high as at 2011Q2 (chart 7). We infer that this ratio has fallen from about 1.46 in 2011Q2 to 1.32 now after accounting for the drop in the TSX since the end of Q2 and leaving the other components unchanged. This would lower price-to-book toward the post-1990 average.

### Competing asset model

Charts 8 and 9 provide the Canadian comparison of the choice between receiving the earnings yield on the entire TSX versus the yield on Canada bonds with a maturity of 10+ years (the longest time series available). Like the U.S., this model has had a spotty track record over time and is characterized by the same flaws we outlined in our US paper. Chart 8 plots a variant of this by showing the ratio of the level of the TSX divided by its fair value determined as earnings discounted by the bond yield. The results are indexed to equal 100 at the start of the period. What it shows is that Canadian stocks are roughly fairly valued.

Chart 5

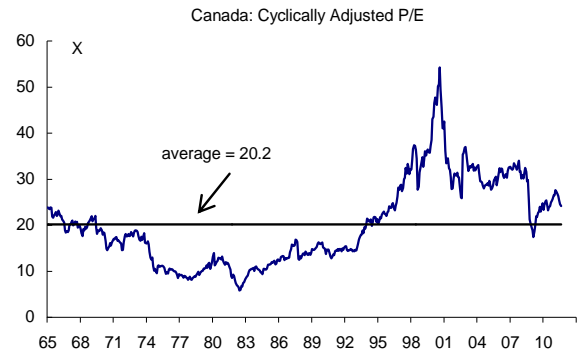


Chart 6 TSX Dividend and Earnings Yields

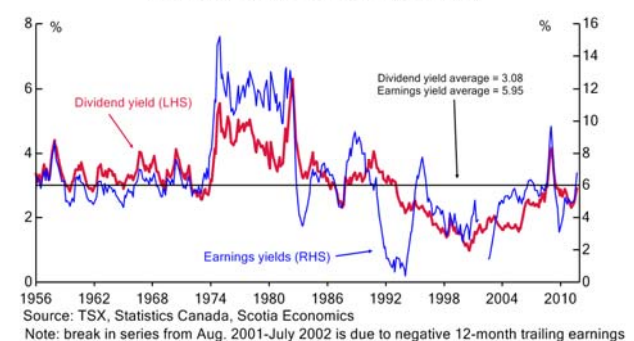
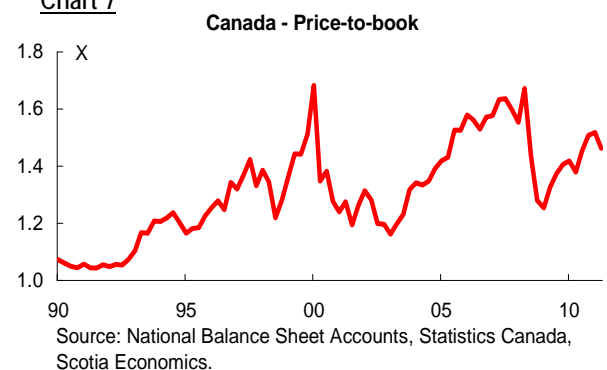


Chart 7





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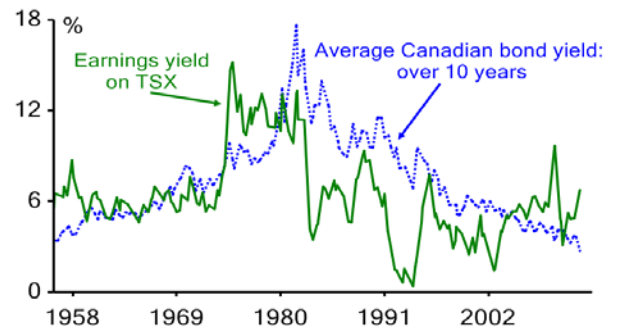
### Conclusion

There are pros and cons with respect to which time period should be treated as the valuation benchmark in both Canada and the U.S. and we went over some of them in our earlier U.S. report. A key one is that the period of the 1990s onward may not — in our opinion — be a fair benchmark for assessing under/over-valuation since that period onward was marked by a structural shift higher in risk appetite during the years of leveraged excess. If so, then the 1990s-onward period was the anomaly. If that's true, then we're left with either pointing toward over-valuation in a minority of measures or fair valuation in a majority.

A unique Canadian twist, however, is that at present the world has come to love the country's banks by virtue of their having side-stepped most of the land mines that hit banks elsewhere. In addition, there have been huge structural changes in global commodities demand as emerging markets — China in particular — have dramatically raised their commodity appetites over the 1990s-onward period. This matters far more to a stock market like Canada's than in the U.S., since much of the TSX is a play on two key sectors: natural resources and financial institutions. Should China continue to dominate incremental demand for commodities into the future, then Canadian valuations may well have undergone a structural break higher over the recent past. What tempers our thoughts on this, however, is that if this were true then the evidence of exploring new peaks in, say, inflation-adjusted oil and gold prices is missing. An added concern is the impact that credit problems facing French banks may have upon at least short-term commodity trading since they finance so much of the business.

Chart 8

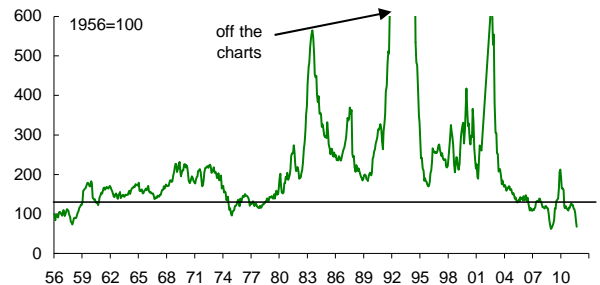
Canada: The Competing Asset Theory



Source: Statistics Canada, Scotia Economics

Chart 9

TSX Value Relative to Fair Value



Source: Statistics Canada; Scotia Economics

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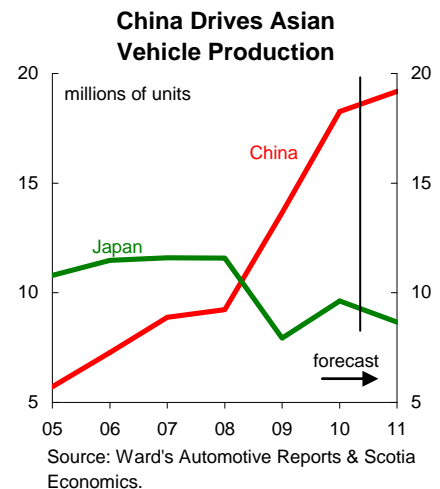
### Asian Industrial Output Momentum To Survive Flooding In The ASEAN Region

- **The expansion in the region's industrial activity has been severely tested as a result of natural disasters; it will be tested again by falling demand from Western Europe.**

Industrial activity in Asia remains resilient despite the adverse shocks caused by natural disasters that have plagued the region this year. The Japanese earthquake and ensuing tsunami and nuclear generator crisis resulted in severe supply chain disruptions affecting most neighbouring countries. Now, widespread flooding in Thailand has caused significant production outages for Japanese automakers and electronic appliance producers located across the ASEAN region.

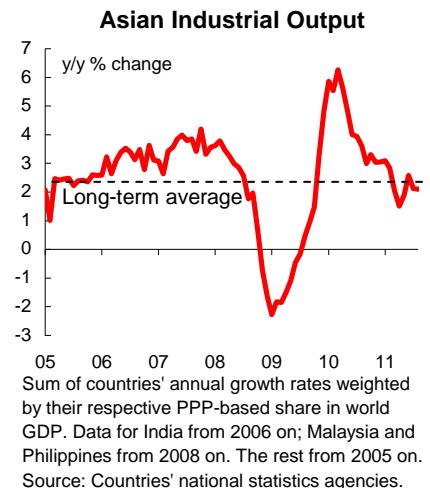
Flooding in Thailand has reduced vehicle production in the country by about 6,000 units per day in recent weeks. These temporary plant closures will have a significant impact on economic activity in the nation, as the auto industry accounts for 15% of manufacturing activity and roughly 6% of overall GDP. However, Thailand accounts for only 5% of overall vehicle output across Asia. Therefore, despite the negative impact on the Thai economy and its people, the flooding will not prevent the region from continuing to lead the rebound in global vehicle production in the coming months.

The main driver of Asian vehicle production is China, which represents half of the region's overall output, and roughly one-quarter of total global assemblies (please see top chart). Japan and South Korea are the next largest producers with more than 20% and 13% of the region's total, respectively. In the case of China, we continue to expect a double-digit quarterly jump in vehicle production during the fourth quarter of 2011, as the pace of car sales has recently regained momentum. Car purchases in China advanced 9% y/y in September, up from a 7% gain in the June-August period, and only a 4% increase in April-May — when volumes were held back by sharp declines for Japanese models, due to product shortages. In the case of Japan, automakers are back at full production and are continuing to replenish low inventories across major markets. As highlighted last week in our *Global Auto Report*, Japanese dealers in the United States ended September with only a 41 days' supply of vehicles, well below 54 days' for the rest of the industry. Finally, in South Korea, automakers also continue to ramp up assemblies, with production jumping 10% year-over-year in September, buoyed by accelerating sales gains for the country's two large automakers — Hyundai and Kia.



Asian industrial output rebounded above the 2.4% y/y long-term average last June, though has since fallen mainly as a result of a reduction in China's yearly advance (please see bottom chart). The Asian behemoth is heavily represented in the region's total PPP-based GDP with a double-digit weight. The rest of the countries (Japan, India, S. Korea, Indonesia, Taiwan, Thailand, Malaysia and the Philippines) have seen industrial output gains. Given data imperfections (as this measure captures annual changes only), we believe that regional industrial activity has recently moved sideways or even improved slightly after the mid-year rebound, which would be consistent with the vehicle output figures illustrated above as the sector accounts for nearly 10% of manufacturing output.

Looking ahead, Asian industrial activity is bound to be tested once again, as demand in Western Europe — the destination for nearly 20% of Asia's overall exports — is dampened by fiscal woes.



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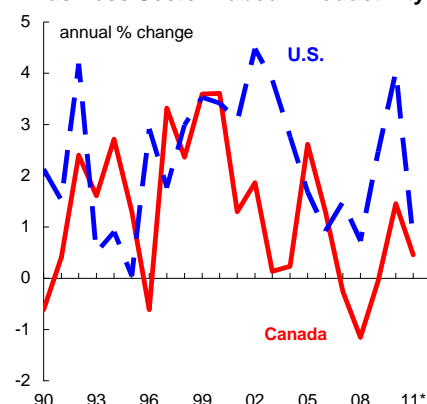
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## Overhauling Innovation Support — Ottawa's Panel Report

- In a chronically difficult, but critical, policy area, the Panel offers pragmatic suggestions.

Charged with advising on the effectiveness of federal programs supporting business and commercially-oriented R&D, the federal *Expert Panel Report* this week offers far-reaching, pragmatic suggestions in area where progress is frequently difficult to quantify. As international competition ratchets higher in Canada's domestic and export markets, the nation's lagging productivity growth (*top chart*) is a continuing concern, particularly over the next decade when Canada's economic growth will increasingly rely on productivity gains rather than labour force expansion. While there are many contributing factors to Canada's productivity performance, including regulatory and intellectual property right policies, the Panel's research centres around federal tax and spending support for product, process, organization and market innovation. In 2008, for the 31 OECD nations for which data are available, Canada's R&D expenditures relative to GDP remain 'middle of the pack'. Yet the expenditure amounts are still substantial — the most recent data indicate that Canada's total R&D spending was close to \$30 billion in 2009, with business accounting for \$15 billion, government sectors for \$3 billion and higher education for \$11 billion, the latter outperforming many other nations.

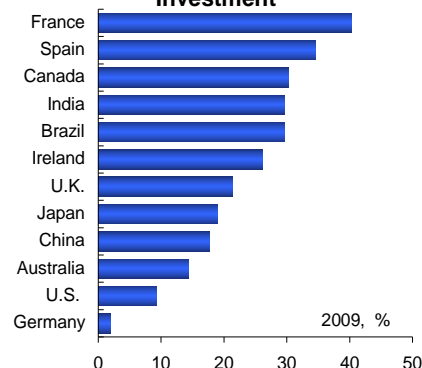
**Business Sector Labour Productivity**



\*First half of 2011. Source: Statistics Canada, U.S. Bureau of Labor Statistics.

The Panel suggests that innovation must be elevated as a priority across the federal government, with one Cabinet Minister designated to ensure a continuing effort that places innovation at the centre of Ottawa's economic strategy, harking back to prior recommendations for a "productivity lens" on policy development. The federal delivery vehicle would be an Industrial Research and Innovation Council whose multiple responsibilities would include an expanded Industrial Research Assistance Program and oversight of new collaborative research institutes evolving from the current business-oriented institutes of the National Research Council. Data for direct federal innovation-related spending for fiscal 2010-11 highlight the current tilt towards goods-producing industries, with less than 30% of the funding allocated to services. Federal support for business innovation currently comprises more than 100 programs and institutes. The Panel's recommendations emphasize a user-oriented approach, favouring large national programs of broad application with well-defined outcome objectives, collaborating with the Provinces. For example, the Panel recommends that a current two-year pilot commercialization initiative be developed and expanded into a permanent program serving all sectors. Regionally oriented programs would concentrate on enlarging local business capacity to successfully compete abroad. With respect to federal procurement, the Panel believes that Ottawa could better use its substantial purchasing power to broaden markets for leading-edge goods, services and technologies.

**Tax Subsidy Rates\* on R&D Investment**



\* Includes income tax deductions and subnational incentives. Source: Federal Support to Research and Development - Expert Panel Report, Oct. 2011.

The Panel credits the federal Scientific Research and Experimental Development Tax Incentive Program with encouraging and lowering the cost of industrial R&D (*bottom chart*), but suggests a number of changes to simplify its administration and the compliance costs for businesses. It questions the Program's substantial revenue cost, and urges decreasing the refundable portion of the tax credit over time, deploying the savings into measures to aid innovative firms develop into larger enterprises, successful in global markets. The Panel's far-reaching suggestions will undoubtedly spur debate, given the numerous stakeholders in Ottawa's current innovation programs. Thus the Panel also recommends an external Innovation Advisory Committee to oversee the timely implementation of its plan and its continuing refinement.



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### Canadian Small Businesses Adjust To New Realities

- **Canadian small businesses are likely to face challenging conditions in the months ahead, but are positioning to take advantage of opportunities in the faster-growing regions in Canada and internationally as well.**

Domestic prospects for businesses of all sizes are being constrained by the much slower and uneven pace of economic growth in most advanced nations amid increasing fiscal consolidation and persistently high unemployment. Meanwhile, intensifying debt-related strains in the euro zone and the United States suggest that financial markets will remain volatile during this adjustment period, dampening business and consumer confidence.

Small firms are particularly sensitive to domestic demand, so their ability to maintain momentum will depend in large part on the resilience of consumer and business expenditures. We expect consumers to be cautious spenders for the time being, given high household debt loads and some recent softening in employment conditions. A more subdued outlook for housing and renovation activity will reinforce this outlook.

However, household employment, income and spending trends will continue to have a distinct regional performance differential, with the commodity-sensitive areas benefitting from more buoyant conditions than those regions more reliant on non-resource exports to the established markets in the United States, Europe and Japan.

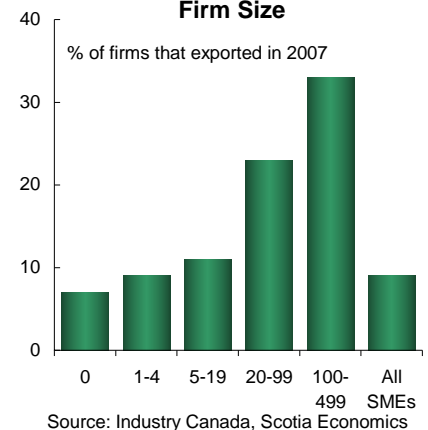
The current environment favours firms whose products and services are geared to corporate customers over those that rely primarily on households. While businesses may become more conservative in new hiring and investment in the months ahead, corporate balance sheet strength provides considerable flexibility to maintain current expenditures. Small businesses also will continue to benefit from the ongoing buoyancy in resource-related activity.

However, the best growth prospects for many small firms may lie in their ability to tap export markets, notwithstanding the near-term disruptions to global trade flows. The fast-growing emerging nations in Asia and Latin America in particular offer considerable growth potential. Exporters focused on the more traditional markets of the United States and Europe will undoubtedly be challenged by underlying weak demand and less favourable demographic trends.

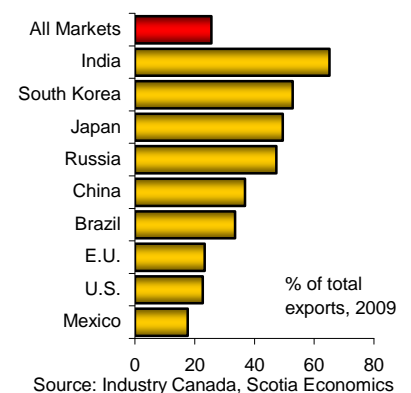
Canadian small businesses are less likely to export compared with their medium and large counterparts. Less than 10% of the smallest small firms — those with fewer than 5 employees — exported in 2007 (chart 1). This share rises to 23% for those with 20-99 employees, but is still far below the 33% export propensity of mid-sized firms. Seeking export opportunities should be a priority for small businesses, with domestic consumer and housing activity shifting to a more moderate growth trajectory.

However, small businesses are also leaders in targeting emerging markets, particularly in Asia, and are therefore well positioned to benefit from the rapidly expanding purchasing power and more favourable demographic trends in many of these regions. While small firms account for roughly a quarter of Canada's overall exports, they comprise 65% of shipments to India, 53% to South Korea, 47% to Russia and 37% to China (chart 2).

**Chart 1 - Export Propensity By Firm Size**



**Chart 2 - Small Business Export Share by Destination**



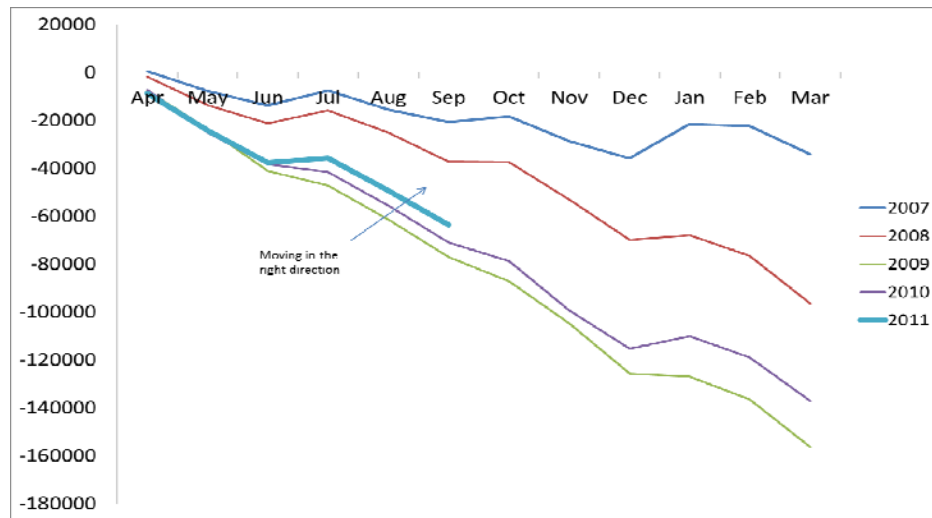
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## UK Public Finances — September

### No Pain No Gain

- For the second consecutive month, the UK public finances data have given the coalition government some reassurance that its austerity programme is paying off.
- Public Sector Net Borrowing Excluding financial sector interventions (PSNBx) posted lower than expected borrowing in September, up by just GBP14.1bn against expectations for GBP15bn. Furthermore, the previous month was revised down by GBP1.2bn.
- To put that figure into some context:
  - GBP14.1bn borrowing this September is almost GBP1½bn lower than the same month a year ago;
  - For the first 6 months of the fiscal year, government borrowing has been around GBP7½ bn lower than during the first 6 months of the previous fiscal year.

Chart 1: PSNBx – Cumulative Fiscal Year to Date



Source: Macrobond

- Hence the Treasury is making good progress at narrowing the budget deficit. However, there is some interpretation required here:

#### The glass half empty approach:

- The Budget had assumed that borrowing would be GBP23bn lower during this fiscal year compared with the previous fiscal year. Half way into the fiscal year, borrowing has only fallen by around a third of the projection.

#### The glass half full approach:

- Borrowing for the previous year was revised sharply lower last month. Hence the starting point is lower, making it easier to reach the projected end-point despite a slower pace of decline in borrowing during the current year.

In other words, the pace of narrowing the deficit has been slower than hoped, but the lower starting point means that the government is still on track to hit its target. That is all very well this year, but it does highlight the risk that if the pace of decline in borrowing does not accelerate at some point, then it will be harder to meet next year's projection.

However, that is a long way into the future. The bottom line now is that as far as the public finances are concerned, after a slow start things are coming together. There has been some pain as a result of the austerity drive; however, there are some tangible signs of gains in terms of narrowing the deficit.

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### EUR's Path Since May Provides Clues To The Road Ahead

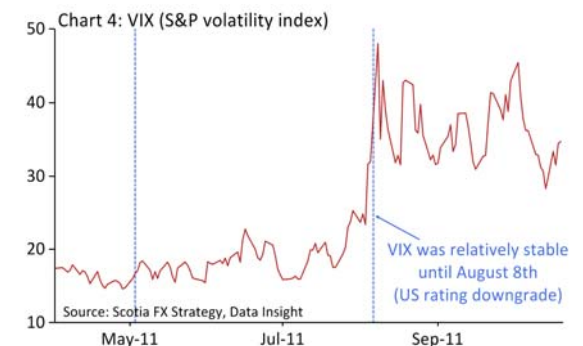
- Without a fundamental shift EUR sustainably above 1.40 is unlikely but a move to 1.40 is likely in the cards.

The fundamental problem in Europe is a sovereign debt issue that has been materially complicated by low growth. The solution isn't a clear one. Recapitalization of the banking system, ring fencing contagion and agreeing to PSI for Greek bond holders do not fix the problems, but they remove enough uncertainty for the system to begin healing (and for EUR to retrace its losses). This will be an interesting weekend and an important driver of the near-term EUR move. In the medium-term, we expect the next year to be a challenging one for Europe and EUR, and hold a year-end forecast of 1.40, expecting several episodes of risk aversion followed by retracements. Below we trace the path of EUR since May and conclude that the passing of risk aversion should bring EUR back to 1.40, but a sustainable move above here is unlikely.

EUR reached its year-to-date intraday high of 1.4940 on May 4th and then proceeded to drop to its October 4th low of 1.3146. The German-US 2yr spread peaked on May 4th and the net long EUR position peaked the same week; while risk aversion didn't spike until August (see charts). The ECB's May 5th decision and press conference is often attributed with the early fall in EUR; however the initial move came two-sessions after other asset classes had reached their extremes. The S&P 500 and oil prices peaked on May 2nd while the trade weighted USD bottomed the same day. Accordingly it is too simple to think that it was interest rates that was the only catalyst for the EUR decline.

EUR settled into a new 1.40 to 1.45 range during the summer, but then after the US rating downgrade in early August, followed closely by worries over France's rating, the FOMC announcement that rates would be on hold until mid-2013 and a rapid deterioration in the economic data, risk aversion spiked and EUR took another leg lower.

Going forward this implies that a fall in risk aversion is likely to bring EUR back to 1.40 (we are well on our way) but to move sustainably above this level we'd likely need a shift in the other fundamentals. Currently, this does not look like the most likely path. We hold a EURUSD 2011 and 2012 year-end target of 1.40. The same forecast end points conceals the intra-year swings we expect as bouts of risk aversion pushes EUR lower and then as risk appetite improves it retraces the losses.



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## Key Data Preview

### CANADA

**Retail sales** (Tuesday) is the lone data release of note next week in Canada with an expected gain in both nominal and real terms in August for three reasons. First, and perhaps the most important, will likely be a base effect given the 0.6% m/m decline in nominal sales and the large -0.9% hit to price-adjusted sales in July. Second, the hot and sunny weather in most of the country in August likely led to an increase in foot traffic. Third, while the number of new motor vehicles sold in August declined by 0.4% m/m, auto prices rebounded from a decline in July, rising 1.3% as reported in the August CPI which, when combined, could result in a modest lift to new car sales although note that auto prices include both new and used cars. Fourth, clothing prices continued to increase in August which could boost the dollar value of clothing sales although we don't know how volumes responded during the month. There are also a few caveats, however, which suggest that there is a downside risk to this report. For one, equities went through a substantial global market rout at the beginning of the month that plagued both business and consumer confidence. In addition, income growth moderated substantially in July and August with average hourly wage growth falling to the lowest level since June 2003, likely putting the brakes on spending. Nonetheless, what will matter more going forward is how price-adjusted sales fared for the quarter as whole given continued month-to-month volatility. In that regard, once all of the months shake out, we should witness a decent gain in consumption, with an added lift from autos following the Japanese disasters and resulting supply chain constraints in Q2.

### UNITED STATES

The **Conference Board's consumer confidence** (Tuesday) measure will likely witness a slight up-tick in October but will still remain close to the bottom hit in February 2009. Recall that this measure differs from the University of Michigan consumer sentiment index by way of its greater focus on changes in labour conditions over financial market developments. Having said that, volatility in financial markets still impacts this metric and it is changes in both of these markets that will likely provide the necessary lift to consumer confidence in October. Indeed, nonfarm payrolls posted only the second monthly print above 100k in September over the past five months while initial jobless claims have trended down from higher levels with prints around 400k for both the first and second weeks of October. Incomes have also started to level off although still remain negative in real terms. In addition, equities jumped almost 10% in the first two weeks of October which is exactly when this survey is generally being filled out and sent back to the Conference Board. Nonetheless, with the economic outlook still uncertain, we are only expecting a mild increase in confidence in October.

We are looking for a 2.5% q/q (annualized) increase in **US real GDP** (Thursday) in Q3. This would mark the strongest quarterly print since Q3 2010 with gains spread across many components. While this is encouraging, it probably won't be repeated in Q4 with much of the strength likely reflecting a rebound in auto sales and production after the Japanese disasters crippled supply chains in Q2. Nonetheless, we should continue to witness mild gains in residential investment — with starts up 7% in Q3 alone — as the US housing market hits a trough while exports should get a further lift from a weakening US dollar once again.

The **US personal income and spending** (Friday) report will finish the week off on a positive note. Personal income will likely rebound by about 0.4% m/m in September, supported by a 0.4% m/m increase in aggregate hours worked and a modest gain in wages during the month. Personal spending, on the other hand, should jump by roughly 0.7% m/m, in line with strong gains in retail sales during the month. But, what will be more important is what happened to price-adjusted spending. Taking our nominal guess of 0.7% and assuming that the CPI deflator increases by the same amount as occurred in August, we would obtain a real spending print of about 0.5%. Looking at the quarter as a whole, this would translate into a quarterly gain of about 1.9% which is exactly what we are expecting consumption will increase by in the real GDP report. Indeed, after Thursday's GDP report is released, September US personal spending won't likely be much of a surprise as the Q3 real GDP results will provide us with actual real spending numbers for September which we can then use to make an updated estimate for nominal spending which is what comes across your Bloomberg at release time.

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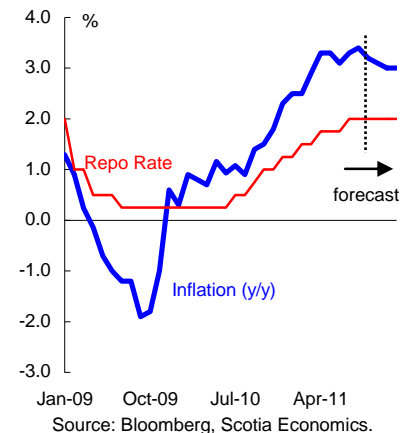
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## EUROPE

We expect that Sweden's central bank, the Riksbank, will leave the benchmark interest rate unchanged at 2.0% at the next Executive Board meeting on Wednesday, October 26<sup>th</sup> (decision to be announced on Thursday). In response to building inflationary pressures during the post-crisis rebound, the repo rate was raised by a cumulative 175 basis points from July 2010 to July 2011. At the latest meeting in September, however, monetary authorities judged that it was appropriate to pause in the tightening cycle. Further rate increases were postponed in the context of the weakened global growth environment and ongoing sovereign debt turmoil, which will weigh on Swedish economic prospects through lower exports and confidence. The headline inflation rate — though still well above the Riksbank's 2% target — eased from 3.4% y/y in August to 3.2% in September, and will likely decelerate further in the coming months with expected cooling in hiring activity and energy prices. In response to the deteriorating outlook, the Swedish government introduced new stimulus measures in the draft 2012 budget amounting to US\$2.4 billion. The funds will be aimed primarily at supporting the labour market through increased public sector employment, government construction projects, and a reduction in the value-added tax on restaurant services. These measures could fuel wage pressures in the economy, though any effect on inflation will likely be offset by the slowdown in economic activity.

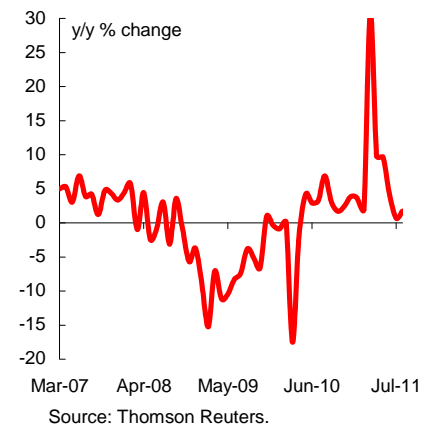
Swedish Repo Rate and Inflation



## LATIN AMERICA

Chilean industrial production (IP) data will be released on October 28<sup>th</sup>, and we expect output growth to continue to show moderation. In August, IP increased by 1.7% y/y, the second-smallest gain in ten months; however, it showed a rebound with respect to the July number, due to a rise in the manufacturing sector. Recent data suggest that economic activity in Chile improved slightly in August, boosted by retail sales; however, the mining sector was constrained by strikes that ended at the beginning of the month. We expect mining activity to resume and local demand to remain relatively stable; nonetheless, lower external demand could dampen output performance.

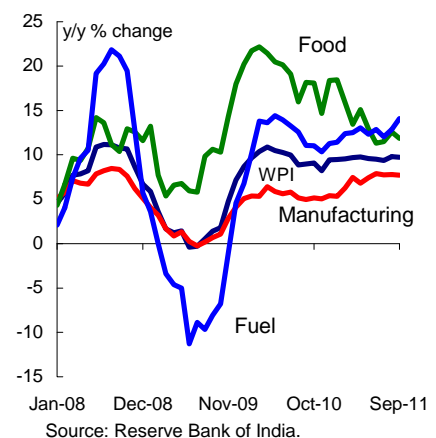
Chilean Industrial Production



## ASIA

The Reserve Bank of India (RBI) faces a difficult decision as to whether to raise the benchmark repo rate next week. Headline wholesale price inflation came down slightly in September to 9.7% y/y, from the 9.8% August reading (please see chart). The slight retrenchment was predicated by a combined stabilization of food prices and a rise in fuel costs, which have recently become the leading cause of price pressures. Notwithstanding the rise in fuel prices, manufacturing costs came down, which is a relevant development given that input costs in manufacturing is regarded by the RBI as a measure of underlying inflation. We see the combined contraction in food prices — a regional occurrence — and the retrenchment in core pressures as sufficient evidence that monetary policy tightening exercised through the past 18 months is running its course. Given global uncertainty as to the expansion in demand from developed countries, we expect the RBI to leave monetary conditions unaltered this time around fixing the repo rate at 8.25%.

India's Inflation





## Key Indicators for the week of October 22 - 28

## North America

Country	Date	Time	Event	Period	BNS	Consensus	Latest
US	10/24	08:30	Chicago Fed Nat Activity Index	SEP	--	-0.3	-0.4
MX	10/24	09:00	Bi-Weekly CPI (MoM)	15-Oct	0.2	0.4	0.1
MX	10/24	09:00	Bi-Weekly Core CPI (MoM)	15-Oct	--	0.1	0.1
CA	10/25	08:30	Retail Sales (MoM)	AUG	0.3	0.2	-0.6
CA	10/25	08:30	Retail Sales Less Autos (MoM)	AUG	0.3	0.4	0.0
CA	10/25	09:00	<b>Bank of Canada Rate</b>	25-Oct	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>
US	10/25	09:00	S&P/CS 20 City (MoM) SA	AUG	--	0.2	0.1
US	10/25	09:00	S&P/CS Composite-20 (YoY)	AUG	--	-3.6	-4.1
MX	10/25	09:00	Trade Balance (USD millions)	SEP P	--	-1209.0	-805.8
MX	10/25	10:00	Central Bank Announces International Reserves for Prev. Week				
US	10/25	10:00	Consumer Confidence Index	OCT	47.0	46.0	45.4
US	10/25	10:00	House Price Index (MoM)	AUG	--	0.2	0.8
US	10/25	10:00	Richmond Fed Manuf. Index	OCT	--	-1.0	-6.0
US	10/26	07:00	MBA Mortgage Applications (WoW)	21-Oct	--	--	-14.9
US	10/26	08:30	Durable Goods Orders (MoM)	SEP	-0.5	-0.7	-0.1
US	10/26	08:30	Durables Ex Transportation (MoM)	SEP	0.3	0.5	-0.1
US	10/26	08:30	Cap Goods Orders Nondef Ex Air (MoM)	SEP	--	0.5	0.9
CA	10/26	09:00	Teranet/National Bank HPI (MoM)	AUG	--	--	1.3
CA	10/26	09:00	Teranet/National Bank HPI (YoY)	AUG	--	--	4.7
US	10/26	10:00	New Home Sales (000s)	SEP	310	300	295
US	10/26	10:00	New Home Sales (MoM)	SEP	5.1	1.7	-2.3
CA	10/26	10:30	Monetary Policy Report				
US	10/27	08:30	GDP (QoQ) (Annualized)	3Q A	2.5	2.5	1.3
US	10/27	08:30	Personal Consumption (QoQ)	3Q A	1.9	1.9	0.7
US	10/27	08:30	GDP Price Index (QoQ)	3Q A	--	2.3	2.5
US	10/27	08:30	Core PCE (QoQ)	3Q A	--	2.2	2.3
US	10/27	08:30	Initial Jobless Claims (000s)	22-Oct	400	400	403
US	10/27	08:30	Continuing Claims (000s)	15-Oct	3700	3695	3719
MX	10/27	09:00	Global Economic Indicator IGAE (YoY)	AUG	3.3	3.6	3.7
US	10/27	10:00	Pending Home Sales (MoM)	SEP	0.5	0.3	-1.2
US	10/27	10:00	Pending Home Sales (YoY)	SEP	--	10.8	13.1
US	10/27	11:00	Kansas City Fed Manf. Activity Index	OCT	--	8.0	6.0
US	10/28	08:30	Employment Cost Index	3Q	--	0.6	0.7
US	10/28	08:30	Personal Income (MoM)	SEP	0.4	0.3	-0.1
US	10/28	08:30	Personal Spending (MoM)	SEP	0.7	0.6	0.2
US	10/28	08:30	PCE Deflator (YoY)	SEP	--	3.0	2.9
US	10/28	08:30	PCE Core (MoM)	SEP	--	0.2	0.2
US	10/28	08:30	PCE Core (YoY)	SEP	--	1.7	1.6
US	10/28	09:55	U. of Michigan Confidence	OCT F	--	58.0	57.5
MX	10/28	10:00	Central Bank Monetary Policy Minutes				
MX	10/28		Budget Balance (MXN billions) (Year to date)	SEP	--	--	-172.5

Forecasts at time of publication.

Source: Bloomberg, Scotia Economics.

## Key Indicators for the week of October 22 - 28

## Europe

Country	Date	Time	Event	Period	BNS	Consensus	Latest
IR	OCT 23-24		Property Prices (YoY)	SEP	--	--	-13.9
FR	10/24	03:00	PMI Manufacturing	OCT P	48.0	48.0	48.2
FR	10/24	03:00	PMI Services	OCT P	50.0	50.4	51.5
GE	10/24	03:30	PMI Manufacturing	OCT A	50.0	50.0	50.3
GE	10/24	03:30	PMI Services	OCT A	49.5	49.9	49.7
EC	10/24	04:00	PMI Composite	OCT A	48.0	48.8	49.1
EC	10/24	04:00	PMI Manufacturing	OCT A	48.0	48.0	48.5
EC	10/24	04:00	PMI Services	OCT A	48.0	48.5	48.8
EC	10/24	05:00	Industrial New Orders SA (MoM)	AUG	0.2	0.0	-1.6
GE	10/25	02:00	GfK Consumer Confidence Survey	NOV	5.2	5.1	5.2
FR	10/25	02:45	Consumer Confidence Indicator	OCT	--	78.0	80.0
SP	10/25	03:00	Producer Prices (MoM)	SEP	--	--	-0.3
IT	10/25	04:00	Retail Sales s.a. (MoM)	AUG	--	-0.1	-0.1
UK	10/25	04:30	BBA Loans for House Purchase	SEP	--	36000	35226
UK	10/25	04:30	Current Account (GBP billions)	2Q	--	-9.0	-9.4
IT	10/25	05:00	Consumer Confidence Index SA	OCT	--	98.0	98.5
SP	10/25		Spain Budget Balance (EUR millions) YTD	SEP	--	--	-30867.0
IT	10/26	04:00	Business Confidence	OCT	--	94.1	94.5
UK	10/26	06:00	CBI Trends Total Orders	OCT	--	-7.0	-9.0
UK	10/26	06:00	CBI Business Optimism	OCT	--	--	-16.0
FR	10/26	12:00	Jobseekers- Net Change (000s)	SEP	10.0	23.5	-2.0
FR	10/26	12:00	Total Jobseekers (000s)	SEP	2764.5	--	2754.5
IR	OCT 26-31		Retail Sales (Volume) (MoM)	SEP	--	--	-0.4
GE	10/27	03:00	CPI - Saxony (MoM)	OCT	--	--	0.3
SP	10/27	03:00	Retail Sales (Real) (YoY)	SEP	--	--	-4.0
SW	10/27	03:30	Household Lending (YoY)	SEP	--	5.9	6.2
SW	10/27	03:30	<b>Riksbank Interest Rate</b>		<b>2.00</b>	<b>2.00</b>	<b>2.00</b>
GE	10/27	04:00	CPI - Brandenburg (MoM)	OCT	--	--	-0.1
GE	10/27	04:00	CPI - Hesse (MoM)	OCT	--	--	0.3
EC	10/27	05:00	Business Climate Indicator	OCT	--	-0.2	-0.1
EC	10/27	05:00	Euro-Zone Consumer Confidence	OCT F	-19.9	-19.9	-19.9
EC	10/27	05:00	Euro-Zone Economic Confidence	OCT	93.7	93.8	95.0
EC	10/27	05:00	Euro-Zone Indust. Confidence	OCT	-8.0	-7.0	-5.9
EC	10/27	05:00	Euro-zone Services Confidence	OCT	-1.0	-1.0	0.0
PO	10/27	05:00	Consumer Confidence	OCT	--	--	-50.8
PO	10/27	05:00	Economic Climate Indicator	OCT	--	--	-2.7
UK	10/27	06:00	CBI Reported Sales	OCT	--	-16.0	-15.0
GE	10/27	06:00	CPI - Bavaria (MoM)	OCT	--	--	0.0
UK	10/27	19:01	GfK Consumer Confidence Survey	OCT	-33.0	-30.0	-30.0
GE	10/27		Consumer Price Index (MoM)	OCT P	0.2	0.1	0.1
GE	10/27		Consumer Price Index (YoY)	OCT P	2.7	2.6	2.6
GE	10/27		CPI - Baden Wuerttemberg (MoM)	OCT	--	--	0.0
GE	10/27		CPI - EU Harmonised (MoM)	OCT P	0.1	0.0	0.2
GE	10/27		CPI - EU Harmonised (YoY)	OCT P	2.9	2.8	2.9
GE	10/27		CPI - North Rhine-West. (MoM)	OCT	--	--	0.3
GE	10/27		Import Price Index (MoM)	SEP	--	0.6	-0.7
FR	10/28	02:45	Consumer Spending (MoM)	SEP	0.7	0.0	0.2
FR	10/28	02:45	Consumer Spending (YoY)	SEP	0.0	-0.7	0.3
SP	10/28	03:00	CPI (EU Harmonised) (YoY)	OCT P	3.0	2.9	3.0
SP	10/28	03:00	Consumer Price Index (YoY)	OCT P	--	3.0	3.1
SP	10/28	03:00	Labour Costs (YoY)	3Q	--	--	0.8
SP	10/28	03:00	Unemployment Rate (Survey)	3Q	--	20.8	20.9
NO	10/28	03:00	Unemployment Rate (%)	OCT	2.5	2.5	2.5
SW	10/28	03:15	Consumer Confidence	OCT	--	-6.4	-5.8
SW	10/28	03:30	Retail Sales s.a. (MoM)	SEP	--	0.3	-0.3
IT	10/28	04:00	Hourly Wages (MoM)	SEP	--	--	0.0

Forecasts at time of publication.

Source: Bloomberg, Scotia Economics.

## Key Indicators for the week of October 22 - 28

## Asia Pacific

Country	Date	Time	Event	Period	BNS	Consensus	Latest
PH	OCT 19-25		Budget Deficit/Surplus (PHP billions)	SEP	--	--	9.2
CH	OCT 21-25		HSBC Flash China Manufacturing PMI	OCT	--	--	49.4
JN	10/23	19:50	Adjusted Merchandise Trade Bal.	SEP	--	-121.1	-294.4
JN	10/23	19:50	Merchnds Trade Exports (YoY)	SEP	--	1.0	2.8
JN	10/23	19:50	Merchnds Trade Imports (YoY)	SEP	--	13.0	19.2
AU	10/23	20:30	Producer Price Index (QoQ)	3Q	--	0.8	0.8
JN	10/24	01:00	Supermarket Sales (YoY)	SEP	--	--	-2.2
TA	10/24	04:00	Commercial Sales (YoY)	SEP	--	4.6	4.7
TA	10/24	04:00	Industrial Production (YoY)	SEP	--	6.3	3.9
TA	10/24	04:00	Unemployment Rate (%) SA	SEP	--	4.4	4.4
NZ	10/24	17:45	Consumer Prices (QoQ)	3Q	--	0.7	1.0
AU	10/24	19:00	Conference Board Leading Index	AUG	--	--	-0.1
PH	10/24	21:00	Total Imports (YoY)	AUG	--	--	6.6
PH	10/24	21:00	Trade Balance (USD millions)	AUG	--	--	-570.0
IN	10/25	01:30	<b>India REPO Cutoff Yld</b>		<b>8.25</b>	<b>8.50</b>	<b>8.25</b>
IN	10/25	01:30	Cash Reserve Ratio		6.00	6.00	6.00
IN	10/25	01:30	Reverse Repo Rate		7.25	7.50	7.25
HK	10/25	04:30	Exports (YoY)	SEP	--	8.5	6.8
HK	10/25	04:30	Imports (YoY)	SEP	--	12.0	14.1
HK	10/25	04:30	Trade Balance (HKD billions)	SEP	--	-35.9	-34.8
NZ	10/25	20:00	NBNZ Activity Outlook	OCT	--	--	35.4
NZ	10/25	20:00	NBNZ Business Confidence	OCT	--	--	30.3
AU	10/25	20:30	Consumer Prices (QoQ)	3Q	--	0.6	0.9
AU	10/25	20:30	RBA Trimmed Mean (QoQ)	3Q	--	0.6	0.7
AU	10/25	20:30	RBA Weighted Median (QoQ)	3Q	--	0.6	0.5
NZ	10/26	16:00	<b>RBNZ Official Cash Rate</b>		<b>2.50</b>	<b>2.50</b>	<b>2.50</b>
SK	10/26	17:00	SK Consumer Confidence	OCT	--	--	99.0
NZ	10/26	17:45	Trade Balance (NZD millions)	SEP	--	-440.0	-641.1
NZ	10/26	17:45	Exports (NZD millions)	SEP	--	3510.0	3442.6
NZ	10/26	17:45	Imports (NZD millions)	SEP	--	3900.0	4083.7
SK	10/26	19:00	GDP at Constant Price (QoQ)	3Q P	--	0.6	0.9
JN	10/26	19:50	Retail Trade (MoM) SA	SEP	--	-0.5	-1.7
JN	10/26	19:50	Large Retailers' Sales (YoY)	SEP	--	-2.5	-2.6
CH	10/26	22:00	Industrial Profits YTD (YoY)	SEP	--	--	28.2
JN	OCT 26-27		<b>BOJ Target Rate</b>		<b>0.10</b>	<b>0.10</b>	<b>0.10</b>
CH	OCT 26-29		Leading Index	SEP	--	--	101.8
TA	10/27	04:00	Leading Index (MoM)	SEP	--	--	-0.3
TA	10/27	04:00	Coincident Index (MoM)	SEP	--	--	-0.1
SK	10/27	19:00	Current Account in (USD million)	SEP	--	--	401.3
SK	10/27	19:00	Goods Balance in (USD million)	SEP	--	--	480.2
JN	10/27	19:30	Job-To-Applicant Ratio	SEP	--	0.7	0.7
JN	10/27	19:30	Overall Hhold Spending (YoY)	SEP	--	-3.5	-4.1
JN	10/27	19:30	Jobless Rate	SEP	--	4.5	4.3
JN	10/27	19:30	Tokyo CPI (YoY)	OCT	--	-0.5	-0.2
JN	10/27	19:30	Tokyo CPI Ex-Fresh Food (YoY)	OCT	--	-0.4	-0.1
JN	10/27	19:30	Natl CPI (YoY)	SEP	--	0.1	0.2
JN	10/27	19:30	Natl CPI Ex-Fresh Food (YoY)	SEP	--	0.2	0.2
JN	10/27	19:30	Natl CPI Ex Food, Energy (YoY)	SEP	--	-0.4	-0.5
JN	10/27	19:50	Industrial Production (MoM)	SEP P	1.2	-2.1	0.6
CH	10/27	21:35	MNI October Business Condition Survey				
JN	10/28	00:00	Vehicle Production (YoY)	SEP	-5.3	--	-8.9

Forecasts at time of publication.

Source: Bloomberg, Scotia Economics.

## Key Indicators for the week of October 22 - 28

## Latin America

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>
BZ	10/24	06:30	Central Bank Weekly Economists Survey				
BZ	10/24	09:00	Trade Balance (FOB) - Weekly	23-Oct	--	--	304.0
BZ	10/25	03:00	FIPE CPI - Weekly (WoW)	23-Oct	--	0.3	0.3
BZ	10/25	08:30	Current Account - Monthly (USD millions)	SEP	--	-3400.0	-4861.7
BZ	10/25	08:30	Foreign Investment (USD millions)	SEP	--	5250.0	5606.0
BZ	10/26	10:30	Central Bank Posts Currency Flows' Data for Prev. Week				
BZ	10/27	06:30	COPOM Monetary Policy Meeting Minutes				
BZ	10/27	07:00	Unemployment Rate	SEP	--	5.8	6.0
BZ	10/28	06:00	FGV Inflation IGP-M (MoM)	OCT	--	0.5	0.7
BZ	10/28	06:00	FGV Inflation IGP-M (YoY)	OCT	--	7.0	7.5
CL	10/28	08:00	Industrial Production (YoY)	SEP	--	3.5	1.7
CL	10/28	08:00	Industrial Sales (YoY)	SEP	--	2.0	2.9
CL	10/28	08:00	Unemployment Rate	SEP	--	7.4	7.4
CL	10/28	08:00	Copper Production Total (tons)	SEP	--	--	427420
CL	10/28	08:00	Retail Sales (YoY)	SEP	--	8.5	9.1
CO	10/28		Overnight Lending Rate	28-Oct	<b>4.50</b>	<b>4.50</b>	<b>4.50</b>

Forecasts at time of publication.

Source: Bloomberg, Scotia Economics.

## Global Auctions for the week of October 22 - 28

## North America

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	10/24	11:00	U.S. Fed to Purchase USD2.25-2.75 Bln Notes/Bonds
US	10/24	11:30	U.S. to Sell 3-Month Bills
US	10/24	11:30	U.S. to Sell 6-Month Bills
CA	10/25	10:30	Canada to Sell CAD7.7 Bln 98-Day Bills
CA	10/25	10:30	Canada to Sell CAD2.9 Bln 182-Day Bills
CA	10/25	10:30	Canada to Sell CAD2.9 Bln 364-Day Bills
US	10/25	11:00	U.S. Fed to Purchase USD4.25-5.00 Bln Notes/Bonds
US	10/25	11:30	U.S. to Sell 4-Week Bills
US	10/25	13:00	U.S. to Sell 2-Year Notes
US	10/26	11:00	U.S. Fed to Sell USD8.00-9.00 Bln Notes
US	10/26	13:00	U.S. to Sell 5-Year Notes
US	10/27	11:00	U.S. Fed to Purchase USD2.25-2.75 Bln Notes/Bonds
US	10/27	13:00	U.S. to Sell 7-Year Notes
US	10/28	11:00	U.S. Fed to Sell USD8.00-9.00 Bln Notes

## Europe

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
NO	10/24	05:00	Norway to sell Bills
FR	10/24	09:00	France to Sell Bills (BTF)
SP	10/25	04:30	Spain to Sell 3M and 6M Bills
EC	10/25	05:15	ECB Announces Allotment in 6-Day Main Refinancing Tender
SZ	10/25	05:30	Switzerland to Sell 3-Month Bills (CH0036179379)
NE	10/25	06:00	Netherlands to Sell Up to EUR3 Bln 3.25% 2015 & 4% 2019 Bonds
EC	10/25	09:30	ECB Calls for Bids in 3-Month Tender
EC	10/25	09:30	ECB Calls for Bids in 12-Month Refinancing Tender
IT	10/26	05:00	Italy to Sell Bills & Zero Coupon Notes (BOT & CTZ)
SW	10/26	05:10	Sweden to Sell Bills
EC	10/26	05:15	ECB Announces Allotment in 3-Month Tender
EC	10/26	05:15	ECB Announces Allotment in 12-Month Refinancing Tender
IT	10/27	05:00	Italy to Sell I/L Bonds
SW	10/27	05:10	Sweden to Sell I/L Bonds
IT	10/28	05:00	Italy to Sell Bonds/Floating Rate Notes (BTP/CCT)
UK	10/28	06:10	U.K. to Sell Bills
EC	10/28	09:30	ECB Calls for Bids in 8-Day Main Refinancing Tender

## Asia Pacific

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CH	10/23	23:00	China Muni to Sell CNY17.9 Bln 5-Year Bonds (1108)
JN	10/24	04:00	Japan Auction for Enhanced-Liquidity
JN	10/25	23:35	Japan to Sell 3-Month Bills
JN	10/25	23:45	Japan to Sell 2-Year Bond

Source: Bloomberg, Scotia Economics.



## Events for the week of October 22 - 28

## North America

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	10/22	10:00	Fed's Duke Speaks in Virginia Beach, Virginia
US	10/24	08:45	Fed's Dudley to Speak on the Economy in the Bronx
US	10/24	09:00	Fed's Fisher Speaks in Toronto on U.S. Economy
US	10/24	13:00	Fed's Dudley to Speak to Bronx Chamber of Commerce
CA	OCT 24-25		Fisher, Carstens Speak at Cities Forum in Toronto
CA	10/25	09:00	<b>Bank of Canada Releases Interest Rate Announcement</b>
CA	10/26	10:30	Bank of Canada Publishes its Monetary Policy Report
CA	10/26	17:15	Bank of Canada Governor Carney Speaks in New York

## Europe

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
EC	10/22	03:00	EU Finance Ministers Meet on Debt Crisis
EC	10/23	04:30	EU Leaders Hold Summit in Brussels
EC	10/24	18:00	EU's Juncker Speaks in Zurich
PO	10/25	04:00	Portuguese Prime Minister Speaks at Conference on 2012 Budget
IT	10/26	03:30	Draghi, Tremonti Speak at World Saving Day Event in Rome
EC	10/26	07:30	ECB's Constancio Speaks at Event in London
EC	10/26	09:30	ECB's Coene Speaks at Belgian Parliament on Dexia
EC	10/26	10:00	ECB's Stark Speaks in Dortmund, Germany
EC	10/26		EU Summit in Brussels
SW	10/27	03:30	<b>Riksbank Interest Rate</b>
IT	10/27	18:00	Prime Minister Berlusconi Set to Testify in Bribery Trial
UK	10/27		House of Commons Debates Motion on EU Membership Referendum
UK	OCT 28-30		Commonwealth Summit in Perth, Australia

## Asia Pacific

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
AU	10/24	19:00	RBA's Battellino Speaks at Investment Conference in Sydney
NZ	10/24	21:30	Pre-Election Economic and Fiscal Update
IN	10/25	01:30	<b>India REPO Cutoff Yld</b>
NZ	10/26	16:00	<b>Reserve Bank of New Zealand Reviews Official Interest Rate</b>
JN	OCT 26-27		<b>BOJ Target Rate</b>

## Latin America

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
AR	10/22	23:00	Argentina Holds Presidential Elections
CA	10/26	08:00	Central Reserve Bank of Peru President Speaks in Toronto
BZ	10/27	06:30	COPOM Monetary Policy Meeting Minutes
CL	10/28	07:30	Central Bank Meeting Minutes
CO	10/28		<b>Overnight Lending Rate</b>

Source: Bloomberg, Scotia Economics.

## Global Central Bank Watch

## North America

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
Bank of Canada – Overnight Target Rate	1.00	October 25, 2011	1.00	1.00
Federal Reserve – Federal Funds Target Rate	0.25	November 2, 2011	0.25	--
Banco de México – Overnight Rate	4.50	December 2, 2011	4.50	--

The Bank of Canada will likely keep rates on hold next Tuesday but will revise down its growth estimates and most likely push out the closing of the output gap in its Monetary Policy Report (Wednesday) as economic activity slows in Canada. While both headline and core inflation remain elevated, BoC Governor Carney noted in one of his recent speeches that the Central Bank has flexibility surrounding its inflation-targeting horizon, allowing the BoC to look through these near-term results with a focus more on growth and financial stability. In the U.S., the Fed remains split on its views of monetary policy, with several members speaking out this past week either in support or opposition of further additional policy easing. We continue to argue that if the Fed does indeed provide additional easing via quantitative easing, for example, it likely won't occur until the current FOMC rotates in the New Year, shifting out the three outspoken dissenters and ushering in a more dovish voting committee. The next Fed statement will be released on November 2.

## Europe

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
European Central Bank – Refinancing Rate	1.50	November 3, 2011	1.50	--
Bank of England – Bank Rate	0.50	November 10, 2011	0.50	0.50
Swiss National Bank – Libor Target Rate	0.00	December 15, 2011	0.00	--
Central Bank of Russia – Refinancing Rate	8.25	October 28, 2011	8.25	8.25
Hungarian National Bank – Base Rate	6.00	October 25, 2011	6.00	6.00
Central Bank of the Republic of Turkey – 1 Week Repo Rate	5.75	November 23, 2011	5.75	--

Two opposing forces affecting the inflation outlook will encourage the Hungarian National Bank to keep monetary conditions unchanged next week. On the one hand, substantial depreciation of the Hungarian forint (HUF) - the currency breached the 300 per euro mark early this month for the first time since April 2009 - will exert upward pressure on prices. The annual rate of inflation currently sits at 3.6% y/y, well above the central bank's 3% target, and we estimate that it will edge up toward 4% by the end of the year. On the other hand, the deteriorating growth picture as a result of euro area turmoil and domestic fiscal consolidation efforts and household deleveraging will act to curb inflationary pressure in the medium term.

## Asia Pacific

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
Bank of Japan – Target Rate	0.10	October 27, 2011	0.10	0.10
Reserve Bank of Australia – Cash Target Rate	4.75	October 31, 2011	4.75	4.75
Reserve Bank of New Zealand – Cash Rate	2.50	October 26, 2011	2.50	2.50
People's Bank of China – Lending Rate	6.56	TBA	--	--
Reserve Bank of India – Repo Rate	8.25	October 25, 2011	8.25	8.50
Hong Kong Monetary Authority – Base Rate	0.50	TBA	0.50	--
Central Bank of China Taiwan – Discount Rate	1.88	December 30, 2011	1.88	--
Bank Negara Malaysia – Overnight Policy Rate	3.00	November 11, 2011	3.00	--
Bank of Korea – Bank Rate	3.25	November 10, 2011	3.25	--
Bank of Thailand – Repo Rate	3.50	November 30, 2011	3.50	--
Bank Indonesia – Reference Interest Rate	6.50	November 10, 2011	6.75	--
Central Bank of the Philippines – Overnight Policy Rate	4.50	December 1, 2011	4.50	--

The Reserve Bank of India (RBI) will likely leave the benchmark repo rate unchanged next week as evidence of stabilization in underlying price pressures has recently emerged. Manufacturing costs retracted slightly in September notwithstanding the pickup in fuel prices, a key input. The fall in core inflation (to a rate of 7.7%) combined favourably with decelerating food costs, leading to a slight reduction in the headline inflationary reading. Deteriorating global demand in wealthy countries is also likely to keep the Bank of Japan and the Reserve Bank of New Zealand from altering monetary conditions this time around.

## Latin America

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
Banco Central do Brasil – Selic Rate	11.50	November 30, 2011	11.00	--
Banco Central de Chile – Overnight Rate	5.25	November 15, 2011	5.25	--
Banco de la República de Colombia – Lending Rate	4.50	October 28, 2011	4.50	4.50
Banco Central de Reserva del Perú – Reference Rate	4.25	November 10, 2011	4.25	--

Colombian inflation has shown some signs of acceleration, picking up to 3.7% y/y in September from 3.3% in the previous month, yet it still remains within the central bank's official target range of 2-4%. Food and housing prices have been feeding the increase in the consumer price index, reflecting strong local demand. Nevertheless, amid global financial market stress, we expect the central bank of Colombia to maintain its benchmark interest rate unchanged at 4.50% at the October 28th meeting, confirming a neutral monetary stance.

## Africa

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
South African Reserve Bank – Repo Rate	5.50	November 10, 2011	5.50	--

Forecasts at time of publication.

Source: Bloomberg, Scotia Economics.

## Forecasts as at October 7, 2011\*

	2000-09	2010	2011f	2012f	2000-09	2010	2011f	2012f
<b>Output and Inflation (annual % change)</b>								
<b>Real GDP</b>								
<b>Consumer Prices<sup>2</sup></b>								
World <sup>1</sup>	3.6	5.2	3.8	3.8				
Canada	2.1	3.2	2.1	1.7	2.1	1.8	2.9	2.0
United States	1.7	3.0	1.7	1.5	2.6	1.6	2.8	1.9
Mexico	1.7	5.4	3.7	2.9	4.9	4.4	3.4	4.0
United Kingdom	1.9	1.8	0.7	0.7	1.9	3.7	4.4	2.1
Euro zone	1.4	1.8	1.6	1.1	2.0	2.2	2.6	1.5
Japan	0.6	4.0	0.3	3.2	-0.3	-0.4	1.1	1.3
Australia	3.1	2.7	2.9	3.0	3.2	2.7	2.8	2.5
China	9.4	10.4	9.1	8.9	2.0	4.6	5.0	4.5
India	7.4	9.0	7.9	8.3	22.5	32.2	7.5	6.0
Korea	4.4	6.2	4.7	5.0	3.1	3.5	3.7	3.3
Thailand	4.1	7.9	4.5	4.8	2.6	3.0	3.5	2.8
Brazil	3.3	7.5	3.5	4.0	6.7	5.9	6.5	6.0
Chile	3.7	5.2	6.5	4.8	3.5	1.4	3.5	3.3
Peru	5.2	8.8	6.2	5.6	2.5	2.1	3.8	2.7
<b>Central Bank Rates (% end of period)</b>	<b>11Q1</b>	<b>11Q2</b>	<b>11Q3f</b>	<b>11Q4f</b>	<b>12Q1f</b>	<b>12Q2f</b>	<b>12Q3f</b>	<b>12Q4f</b>
Bank of Canada	1.00	1.00	1.00	1.00	1.00	1.00	1.25	1.75
Federal Reserve	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
European Central Bank	1.00	1.25	1.50	1.50	1.50	1.50	1.50	1.50
Bank of England	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Swiss National Bank	0.25	0.25	0.00	0.00	0.00	0.00	0.25	0.25
Bank of Japan	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Reserve Bank of Australia	4.75	4.75	4.75	4.75	4.75	5.00	5.00	5.00
<b>Exchange Rates (end of period)</b>								
Canadian Dollar (USDCAD)	0.97	0.96	1.05	1.02	1.00	0.99	0.98	0.98
Canadian Dollar (CADUSD)	1.03	1.04	0.95	0.99	1.00	1.01	1.02	1.02
Euro (EURUSD)	1.42	1.45	1.34	1.40	1.42	1.42	1.40	1.40
Sterling (GBPUSD)	1.60	1.61	1.56	1.60	1.61	1.62	1.63	1.64
Yen (USDJPY)	83	81	77	80	82	83	84	85
Australian Dollar (AUDUSD)	1.03	1.07	0.97	1.00	1.02	1.04	1.06	1.08
Chinese Yuan (USDCNY)	6.5	6.5	6.4	6.3	6.2	6.1	6.0	5.9
Mexican Peso (USDMXN)	11.9	11.7	13.9	12.9	12.9	12.7	12.7	12.7
Brazilian Real (USDBRL)	1.63	1.56	1.88	1.80	1.79	1.77	1.76	1.75
<b>Commodities (annual average)</b>	<b>2000-09</b>	<b>2010</b>	<b>2011f</b>	<b>2012f</b>				
WTI Oil (US\$/bbl)	51	79	92	92				
Brent Oil (US\$/bbl)	50	80	108	104				
Nymex Natural Gas (US\$/mmbtu)	5.95	4.40	4.25	4.50				
Copper (US\$/lb)	1.78	3.42	4.05	4.05				
Zinc (US\$/lb)	0.73	0.98	1.00	1.01				
Nickel (US\$/lb)	7.11	9.89	10.50	9.00				
Gold, London PM Fix (US\$/oz)	522	1,225	1,565	1,675				
Pulp (US\$/tonne)	668	960	980	1,000				
Newsprint (US\$/tonne)	572	607	643	690				
Lumber (US\$/mfbm)	275	254	255	260				

<sup>1</sup> World GDP for 2000-09 are IMF PPP estimates; 2010e-12f are Scotia Economics' estimates based on a 2010 PPP-weighted sample of 38 countries.

<sup>2</sup> CPI for Canada and the United States are annual averages. For other countries, CPI are year-end rates.

\* See Scotia Economics 'Global Forecast Update' ([www.scotiacapital.com/English/bns\\_econ/forecast.pdf](http://www.scotiacapital.com/English/bns_econ/forecast.pdf)) for additional forecasts & commentary.

Canada	2010	11Q1	11Q2	Latest	United States	2010	11Q1	11Q2	Latest
Real GDP (annual rates)	3.2	3.6	-0.4		Real GDP (annual rates)	3.0	0.4	1.3	
Current Acc. Bal. (C\$B, ar)	-50.9	-40.3	-61.3		Current Acc. Bal. (US\$B, ar)	-471	-478	-472	
Merch. Trade Bal. (C\$B, ar)	-9.0	5.8	-14.3	-7.5 (Aug)	Merch. Trade Bal. (US\$B, ar)	-646	-729	-762	-737 (Aug)
Industrial Production	4.9	5.7	2.3	1.5 (Jul)	Industrial Production	5.3	5.3	3.8	3.4 (Sep)
Housing Starts (000s)	192	178	192	208 (Sep)	Housing Starts (millions)	0.58	0.58	0.57	0.66 (Sep)
Employment	1.4	1.9	1.6	1.8 (Sep)	Employment	-0.8	0.9	0.9	1.1 (Sep)
Unemployment Rate (%)	8.0	7.8	7.5	7.1 (Sep)	Unemployment Rate (%)	9.6	8.9	9.1	9.1 (Sep)
Retail Sales	5.5	2.5	4.0	3.9 (Jul)	Retail Sales	6.8	8.6	8.1	8.1 (Sep)
Auto Sales (000s)	1561	1573	1573	1625 (Aug)	Auto Sales (millions)	11.6	13.0	12.1	13.0 (Sep)
CPI	1.8	2.6	3.4	3.2 (Sep)	CPI	1.6	2.1	3.4	3.9 (Sep)
IPPI	1.0	4.1	5.0	-5.2 (Aug)	PPI	4.2	4.9	6.9	6.9 (Sep)
Pre-tax Corp. Profits	21.2	12.9	14.8		Pre-tax Corp. Profits	25.0	2.8	1.3	
<b>Mexico</b>					<b>Brazil</b>				
Real GDP	5.4	4.6	3.3		Real GDP	6.7	3.8	2.7	
Current Acc. Bal. (US\$B, ar)	-5.7	-4.2	-10.4		Current Acc. Bal. (US\$B, ar)	-47.4	-58.3	-43.4	
Merch. Trade Bal. (US\$B, ar)	-3.0	7.6	5.7	-9.7 (Aug)	Merch. Trade Bal. (US\$B, ar)	20.2	12.7	39.3	36.9 (Sep)
Industrial Production	6.0	5.2	3.4	3.1 (Aug)	Industrial Production	10.5	2.6	0.6	1.0 (Aug)
CPI	4.2	3.5	3.3	3.1 (Sep)	CPI	5.1	6.8	6.5	7.2 (Sep)
<b>Chile</b>					<b>Italy</b>				
Real GDP	5.2	10.0	6.8		Real GDP	1.2	1.0	0.8	
Current Acc. Bal. (US\$B, ar)	3.0	0.7	0.1		Current Acc. Bal. (US\$B, ar)	-0.07	-0.12	-0.08	-0.09 (Aug)
Merch. Trade Bal. (US\$B, ar)	11.6	16.5	15.5	3.9 (Sep)	Merch. Trade Bal. (US\$B, ar)	-39.1	-77.2	-45.6	-54.2 (Aug)
Industrial Production	0.5	11.7	7.8	1.7 (Aug)	Industrial Production	6.5	2.3	2.1	3.8 (Aug)
CPI	1.4	2.9	3.3	3.3 (Sep)	CPI	1.6	2.3	2.7	3.1 (Sep)
<b>Germany</b>					<b>France</b>				
Real GDP	3.6	4.6	2.8		Real GDP	1.4	2.2	1.7	
Current Acc. Bal. (US\$B, ar)	187.6	194.8	156.6	120.8 (Aug)	Current Acc. Bal. (US\$B, ar)	-44.5	-51.5	-81.9	-50.8 (Aug)
Merch. Trade Bal. (US\$B, ar)	201.2	208.6	209.3	236.7 (Aug)	Merch. Trade Bal. (US\$B, ar)	-39.0	-54.2	-52.0	-41.6 (Aug)
Industrial Production	10.1	12.8	8.0	7.9 (Aug)	Industrial Production	5.1	4.7	2.1	4.4 (Aug)
Unemployment Rate (%)	7.7	7.3	7.1	6.9 (Sep)	Unemployment Rate (%)	9.8	9.7	9.7	9.9 (Aug)
CPI	1.1	2.1	2.3	2.6 (Sep)	CPI	1.5	1.8	2.1	2.2 (Sep)
<b>Euro Zone</b>					<b>United Kingdom</b>				
Real GDP	1.7	2.4	1.6		Real GDP	1.8	1.6	0.6	
Current Acc. Bal. (US\$B, ar)	-77	-165	-120	-109 (Aug)	Current Acc. Bal. (US\$B, ar)	-71.6	-74.0		
Merch. Trade Bal. (US\$B, ar)	32.0	-71.1	-15.3	-53.6 (Aug)	Merch. Trade Bal. (US\$B, ar)	-152.4	-146.1	-160.0	-152.6 (Aug)
Industrial Production	7.4	6.5	4.2	5.1 (Aug)	Industrial Production	1.9	1.6	-0.8	-1.0 (Aug)
Unemployment Rate (%)	10.1	9.9	9.9	9.9 (Aug)	Unemployment Rate (%)	7.9	7.7	7.8	8.1 (Jul)
CPI	1.6	2.5	2.8	3.0 (Sep)	CPI	3.3	4.1	4.4	5.2 (Sep)
<b>Japan</b>					<b>Australia</b>				
Real GDP	4.0	-0.7	-1.1		Real GDP	2.7	1.0	1.4	
Current Acc. Bal. (US\$B, ar)	195.9	193.9	75.4	63.3 (Aug)	Current Acc. Bal. (US\$B, ar)	-32.9	-41.7	-22.4	
Merch. Trade Bal. (US\$B, ar)	74.8	31.8	-55.0	-45.7 (Aug)	Merch. Trade Bal. (US\$B, ar)	19.3	22.0	49.5	45.6 (Aug)
Industrial Production	16.6	-2.5	-7.0	-1.0 (Aug)	Industrial Production	4.5	-4.7	-3.3	
Unemployment Rate (%)	5.1	4.7	4.6	4.3 (Aug)	Unemployment Rate (%)	5.2	5.0	4.9	5.2 (Sep)
CPI	-0.7	-0.5	-0.4	0.2 (Aug)	CPI	2.8	3.3	3.6	
<b>China</b>					<b>South Korea</b>				
Real GDP	10.4	9.7	9.5		Real GDP	6.2	4.2	3.4	
Current Acc. Bal. (US\$B, ar)	305.4				Current Acc. Bal. (US\$B, ar)	28.2	10.4	22.0	4.8 (Aug)
Merch. Trade Bal. (US\$B, ar)	181.5	-8.2	186.0	174.2 (Sep)	Merch. Trade Bal. (US\$B, ar)	41.2	29.0	33.3	18.7 (Sep)
Industrial Production	13.5	14.8	15.1	13.8 (Sep)	Industrial Production	16.6	11.2	6.7	5.1 (Aug)
CPI	4.6	5.4	6.4	6.1 (Sep)	CPI	3.0	4.5	4.2	4.3 (Sep)

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

Source: Bloomberg, Scotia Economics.

## Interest Rates (% , end of period)

Canada	11Q2	11Q3	Oct/14	Oct/21*	United States	11Q2	11Q3	Oct/14	Oct/21*
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	0.83	0.82	0.88	0.81	3-mo. T-bill	0.01	0.02	0.01	0.02
10-yr Gov't Bond	3.11	2.16	2.40	2.37	10-yr Gov't Bond	3.16	1.92	2.25	2.21
30-yr Gov't Bond	3.55	2.77	2.97	2.99	30-yr Gov't Bond	4.37	2.91	3.23	3.25
Prime	3.00	3.00	3.00	3.00	Prime	3.25	3.25	3.25	3.25
FX Reserves (US\$B)	60.4	62.3	64.3	(Aug)	FX Reserves (US\$B)	128.3	136.6	138.7	(Jul)
<b>Germany</b>					<b>France</b>				
3-mo. Interbank	1.51	1.51	1.52	1.53	3-mo. T-bill	1.18	0.38	0.40	0.68
10-yr Gov't Bond	3.03	1.89	2.20	2.12	10-yr Gov't Bond	3.41	2.60	3.13	3.25
FX Reserves (US\$B)	64.8	66.0	67.2	(Aug)	FX Reserves (US\$B)	61.0	60.3	56.5	(Aug)
<b>Euro-Zone</b>					<b>United Kingdom</b>				
Refinancing Rate	1.25	1.50	1.50	1.50	Repo Rate	0.50	0.50	0.50	0.50
Overnight Rate	1.72	1.46	0.96	0.93	3-mo. T-bill	4.85	4.85	4.85	4.85
FX Reserves (US\$B)	319.9	317.2	319.3	(Aug)	10-yr Gov't Bond	3.38	2.43	2.61	2.54
<b>Japan</b>					FX Reserves (US\$B)	75.3	79.7	82.5	(Aug)
Discount Rate	0.30	0.30	0.30	0.30	<b>Australia</b>				
3-mo. Libor	0.13	0.13	0.13	0.13	Cash Rate	4.75	4.75	4.75	4.75
10-yr Gov't Bond	1.14	1.03	1.02	1.01	10-yr Gov't Bond	5.21	4.22	4.44	4.49
FX Reserves (US\$B)	1080.6	1100.8	1173.9	(Aug)	FX Reserves (US\$B)	33.3	40.3	42.1	(Aug)

## Exchange Rates (end of period)

USDCAD	0.96	1.05	1.01	1.01	¥/US\$	80.56	77.06	77.22	76.13
CADUSD	1.04	0.95	0.99	0.99	US\$/Australian\$	107.22	96.62	103.40	103.41
GBPUSD	1.605	1.558	1.582	1.595	Chinese Yuan/US\$	6.46	6.38	6.38	6.38
EURUSD	1.450	1.339	1.388	1.388	South Korean Won/US\$	1068	1178	1156	1148
JPYEUR	0.86	0.97	0.93	0.95	Mexican Peso/US\$	11.714	13.897	13.243	13.557
USDCHF	0.84	0.91	0.89	0.88	Brazilian Real/US\$	1.563	1.879	1.733	1.772

## Equity Markets (index, end of period)

United States (DJIA)	12414	10913	11644	11762	U.K. (FT100)	5946	5128	5466	5484
United States (S&P500)	1321	1131	1225	1236	Germany (Dax)	7376	5502	5967	5961
Canada (S&P/TSX)	13301	11624	12082	11959	France (CAC40)	3982	2982	3218	3161
Mexico (Bolsa)	36558	33503	34848	34746	Japan (Nikkei)	9816	8700	8748	8674
Brazil (Bovespa)	62404	52324	55030	55383	Hong Kong (Hang Seng)	22398	17592	18502	18026
Italy (BCI)	1039	796	857	853	South Korea (Composite)	2101	1770	1835	1838

## Commodity Prices (end of period)

Pulp (US\$/tonne)	1035	970	970	970	Copper (US\$/lb)	4.22	3.23	3.40	3.20
Newsprint (US\$/tonne)	640	640	640	640	Zinc (US\$/lb)	1.05	0.86	0.86	0.81
Lumber (US\$/mfbm)	237	240	241	236	Gold (US\$/oz)	1505.50	1620.00	1678.00	1642.50
WTI Oil (US\$/bbl)	95.42	79.20	86.80	87.94	Silver (US\$/oz)	35.02	30.45	31.82	30.80
Natural Gas (US\$/mmbtu)	4.37	3.67	3.70	3.61	CRB (index)	338.05	298.15	317.18	311.89

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



Fixed Income Strategy

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