

Global Views

Weekly commentary on economic and financial market developments

November 18, 2011

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Canada's Re-Energized Export Policy

- **Accelerated efforts to expand Canada's network of free trade partners is an important step in bolstering the economy's longer-term competitiveness and growth potential.**

In the latest in a string of recent announcements on the trade policy front, Ottawa is moving ahead to implement free trade agreements with Panama and Jordan. In the context of Canada's overall export activity, both nations are small markets. Canadian exports to Panama totaled \$160 million last year, while shipments to Jordan rang in at \$66 million. Combined, they accounted for less than 0.1% of total merchandise exports.

But, like many other emerging markets in Asia, Latin America and the Middle East, demand from these nations is growing rapidly. Over the past decade, Canadian exports to Panama and Jordan increased at an average annual rate of 9% and 7%, respectively. In contrast, Canada's total exports receipts over this period grew a mere 1% annually, in part reflecting stagnating sales to the United States, which still accounts for roughly 75% of all international shipments.

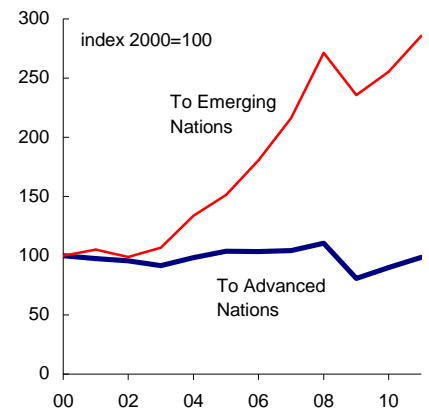
Ottawa also signaled this week a renewed interest in the Trans-Pacific Partnership (TPP), despite prior concerns over supply management in dairy and poultry. Encompassing Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, the United States and Vietnam, this represents a significant opportunity to strengthen economic ties within the Asia-Pacific region. Canadian exports to the eight TPP member nations apart from the United States totaled close to \$5 billion last year.

The renewed focus on bilateral and multilateral trade expansion acknowledges the necessity of growing and diversifying our export base. Canada has lost global export market share among advanced nations over the past decade amid fierce competitive pressures and lagging trade policy efforts. Since 2008, however, Canada has concluded four other free trade agreements representing seven countries: Colombia, Honduras, Peru and the European Free Trade Association states of Iceland, Liechtenstein, Norway and Switzerland. Discussions are underway on several others, including with India and the European Union.

The large and traditional export markets of the United States and Europe will continue to account for the vast majority of Canada's exports for the foreseeable future. However, from a growth perspective, faster-growing emerging nations provide formidable potential, especially with domestic demand in more heavily indebted advanced nations expected to remain sluggish for some time. Canada's exports to emerging markets have expanded at a 10% annual rate over the past decade at a time when shipments to advanced nations have virtually stalled (chart 1). Emerging markets accounted for 11% of Canada's exports last year, up from 4% in 2000 (chart 2).

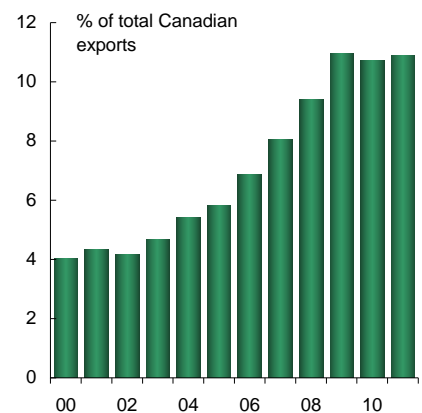
Importantly, expanded trade relationships with emerging economies will give Canadian businesses secure market access to low-cost imported goods needed to boost domestic competitiveness. In particular, raising the import content of Canadian exports can reduce production costs, critical in a strong Canadian dollar environment. Rising import shares have historically been associated with rising productivity.

Canadian Merchandise Exports



Source: Statistics Canada, Scotia Economics.

Emerging Market Exports



Source: Statistics Canada, Scotia Economics

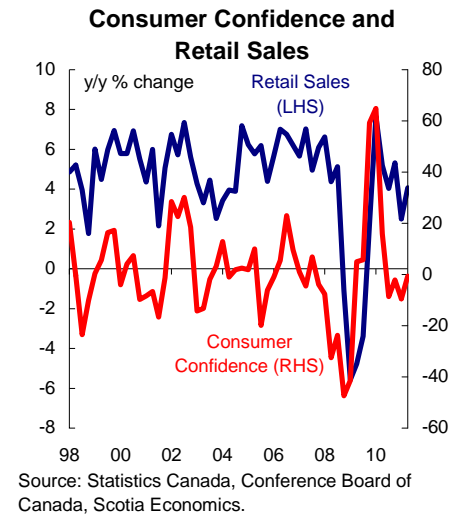
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Real Wages: A Really Good Indicator Of Consumer Performance

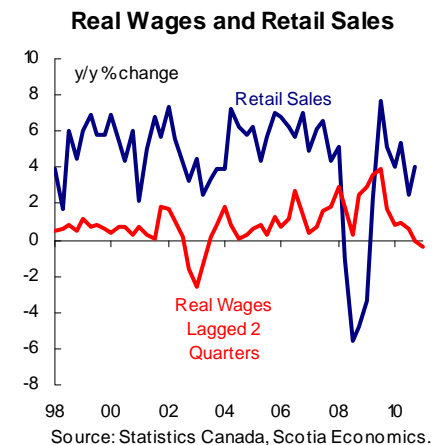
- Real wages can provide a timely leading snapshot of retail sales.

Uncertainty in the global economy has shaken Canadian consumer confidence over the past few months, with the Conference Board of Canada's measure of confidence sitting at its lowest level since mid-2009. Next week's September retail sales release will mark the first official results taken after the deepening global financial market turmoil witnessed in August and will provide some information as to how Canadians reacted in the face of heightened economic uncertainty and volatility in equity markets. Given the reporting of sales numbers lag two months, more timely barometers of consumer activity are often sought, especially during rocky periods of economic activity. Real wages prove to be a very good leading indicator.

Consumer confidence surveys are one commonly used measure of consumer activity, and prove to be a decent co-incident indicator. As chart 1 shows, retail sales growth and consumer confidence move in a fairly synchronized manner — though confidence readings are much more volatile. Given the timeliness of confidence data, the metric could be used to provide an outlook on retail sales performance a month ahead of retail sales data releases.



Real wages prove to be a much better leading indicator, however. While consumers may worry about the current economic environment, their spending power appears to play a larger role in their decision making. Assuming an individual would need roughly 6 months to respond to a shift in their relative income flow and materially change their consumption habits, a strong relationship can be found between real wages and retail sales with a 2-quarter lag, as shown in chart 2. With a correlation coefficient of nearly 0.9, data on real wages can provide a solid outlook as to whether there will be an acceleration or deceleration in retail sales growth in the next two quarters, and is far less volatile than consumer confidence measures. Given the continued deterioration of real wages in the 2nd and 3rd quarter of 2011, it is likely that we'll see a slower pace of retail sales growth for the 4th quarter of this year and the start of 2012.



Sensitivity to real wages varies across consumer segments. Long-run and short-run elasticities are quite similar for major segments, with supermarkets and grocery stores showing the least amount of sensitivity, whereas segments specializing in big-ticket items such as furniture and electronics stores as well as building centers prove to be the most sensitive to fluctuations in spending power.

Looking further down the horizon, conditions should stabilize somewhat as inflationary pressures subside. A flattening or even slight improvement in real wages could materialize with less pressure from gas and food prices on consumers' wallets. Nonetheless the coming months will likely see a slowdown in the pace of retail activity, particularly in more sensitive segments.

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U.S. Households Likely To See Cooler Inflation

- While a technical quirk will keep the cost of shelter elevated, easing energy, new-vehicle and apparel prices point to slower consumer inflation ahead.

A better-than-expected October report on U.S. consumer inflation provided a much-welcome respite for consumers, who continue to face a daunting number of challenges, including, until recently, rising cost of living. With the expectation of slower growth at home and abroad through much of 2012, inflationary pressures are likely to moderate in the quarters ahead.

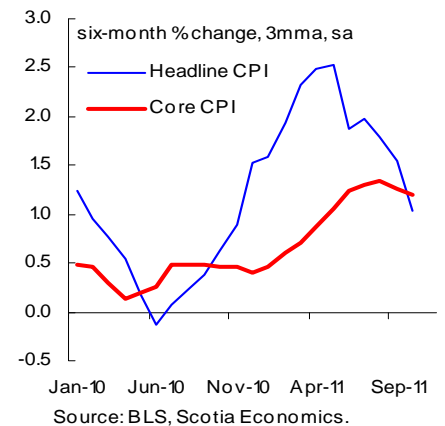
Instead of looking at the commonly-cited year-over-year inflation rates, we examine the six-month trend. It is a more revealing measure, as monthly gains have been moderating in recent months. Headline inflation crested in May — in line with the late-April peak in oil prices — while core inflation has been softening since September (chart 1).

The principal drivers of consumer inflation in 2011 have been energy, food and shelter, followed by apparel and new motor vehicles. With the expectation of a slower global expansion next year, energy prices are unlikely to repeat the 25% gain registered through April of this year, easing price pressures along the supply chain through to headline CPI (chart 2). Core inflation is also likely to recede in the coming quarters, not only as economic headwinds shift consumer demand into lower gear, but also as the impact of temporary factors, including those affecting autos and apparel, gradually dissipate. The surge in new car prices — largely due to the supply disruptions from the Japan earthquake in March — has begun reversing direction. While clothing retailers are still trying to pass along the higher cost of cotton, prices have nearly halved since their spring peak and consumer confidence remains weak, suggesting that these hikes might not hold.

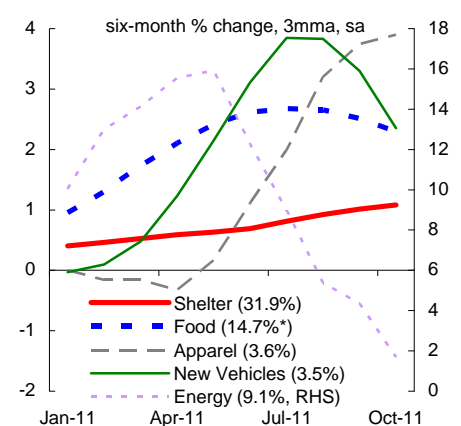
However, the upward pressure from housing — the single biggest component of the consumer basket, with the weight of 31.9% — may be more resilient, largely due to a technical quirk. As highlighted in the August-26th issue of Global Views, the owners' equivalent rent — the cost of owning a home in the CPI index — is implicitly priced off of the rental market, where the vacancy rate sits at a decade low, and is likely to remain elevated for some time.

Aside from temporary factors and technical considerations, a number of cyclical and structural challenges will take time to resolve. Significant slack in the labour and product markets is an ongoing issue. Monetary velocity is at historic lows, pricing power limited, and incomes stagnant. Whichever way one looks at it — surveys, breakevens, swaps — inflation expectations have been shifting especially lower since late summer, and are now on the lower side of their historical range (chart 3). All of these points reaffirm our view that consumer inflation is likely to stay well under control over the next year.

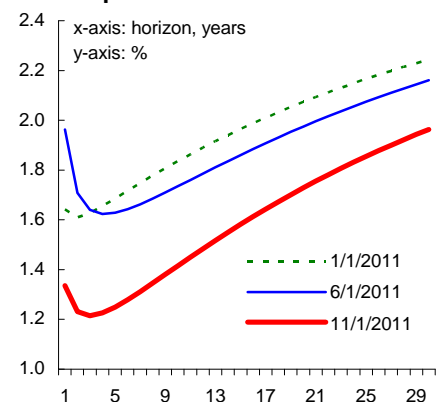
Six-Month Trend Shows Slower Headline and Core Inflation



Recent Drivers of Consumer Inflation



Expected Inflation Yield Curve



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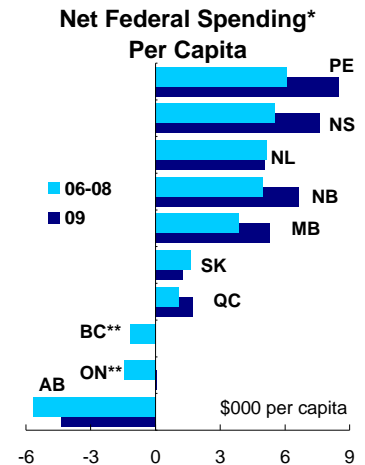
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The Opportunities In Revisiting Canada's Employment Insurance Program

- As the federal-provincial fiscal framework is reassessed, EI reform is important.

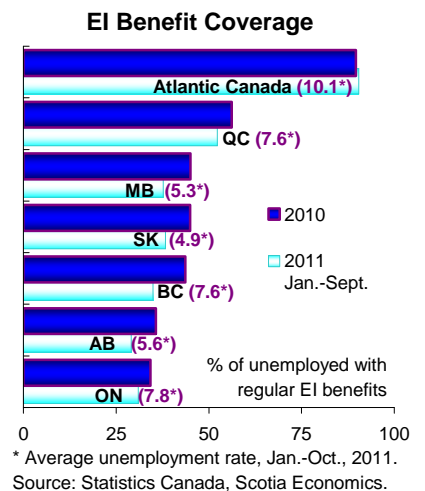
The federal government is honouring its election pledge to continue the current 6% annual expansion of Canada's Health Transfer (CHT) for two years after fiscal 2013-14 (FY14). Ottawa cautions, however, that the size of CHT increases after FY16 is subject to negotiation, a reminder of the high stakes involved in renewing the agreements for Ottawa's major transfers to the Provinces. Yet the design of several other federal programs also deserves reassessment because they too drive the wide provincial variance in net federal spending (*top chart*). A prime example is the federal Employment Insurance (EI) program, with a report released this week by the Mowat Centre adding to the growing volume of recommendations for change. The EI program is large, with benefits over the past five fiscal years averaging \$17.2 billion. It is an essential component of our social safety net and, if well-structured, should also be a key factor enabling worker transitions and bolstering labour productivity.

Central to the Mowat Centre's comprehensive package of EI reforms is replacing the current regional local unemployment rate criteria for EI eligibility and length of benefits with a *single, national* standard for benefit access, benefit duration and a benefit formula. A rough indicator of the uneven EI benefit coverage across Canada resulting from the program's current framework is the share of workers receiving regular EI benefits¹ versus the number of unemployed (*bottom chart*). Among OECD nations, Canada is relatively unique in its marked regional differentiation of unemployment insurance benefits. If EI's primary objective is to act as insurance for individuals during temporary unemployment, equity issues are raised when two workers paying EI premiums with equivalent work histories are laid off and subsequently face different EI benefits and training options depending upon their geographic location. Moreover the local unemployment rate, reflecting the stock of unemployed, is a rather blunt, static indicator of labour market dynamics that does not fully capture changes in the flow of individuals in and out of work. The present EI framework, created for labour markets a number of decades ago, has not been adapted to subsequent workplace developments, such as the rising incidence of non-standard work, frequently in urban areas. Moreover, regional disparities have shifted. The Mowat report documents that as of 2009, Ontario workers on average report the longest period of unemployment, and a number of Ontario cities, such as Windsor, were among the hardest hit during the recent recession.



* Revenues paid from each province to Ottawa less federal spending in the province. Data for calendar 2009 reflect the expanded federal deficit and stimulus.

** For 2009, British Columbia and Ontario both received positive net federal spending, but for both it was less than \$100 per capita. Source: Statistics Canada.



* Average unemployment rate, Jan.-Oct., 2011. Source: Statistics Canada, Scotia Economics.

¹ Regular benefits are those paid to individuals who lost their jobs through no fault of their own, who are available to work but cannot find a job.

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A range of other useful EI reforms include the repeated suggestion of simplification, enhancing the system's transparency for workers. In the current framework, features such as 58 economic regions are further complicated by pilot projects. The largest portion of federal transfers to Provinces for employment programs such as training, is through the *Labour Market Development Agreements*, funded by EI premiums and available only to current or recent EI recipients. The Mowat report recommends aggregating federal transfers for employment programming to one transfer drawn from Ottawa's general revenues to finance measures open to all individuals. This would enhance program flexibility for the Provinces and focus EI more specifically on its insurance function, a shift that would allow lower EI premiums for employers and employees.

Federal Transfers for Active Employment Measures to Provinces, FY10				
	Total*		Share of Nat'l Unemployed	Total Per Unemployed
	\$ millions	% share	%	\$
NL	162.8	5	3	4,889
PE	36.1	1	1	4,294
NS	120.3	4	3	3,208
NB	125.2	4	3	3,737
QC	909.3	29	27	3,006
ON	1,046.2	33	42	2,244
MB	81.2	3	2	3,066
SK	67.6	2	2	3,114
AB	209.4	7	7	2,720
BC	424.4	13	10	3,862

* Includes *Labour Market Development Agreements*, *Strategic Training and Transition Fund* and *Labour Market Agreements*.
Source: Human Resources and Skills Development Canada, Ontario Finance, Mowat Centre for Policy Innovation.

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India's Inflation Dynamics Stand At Odds With Regional Trends

- Persistent threat of inflation is a characteristic of high-growth countries.

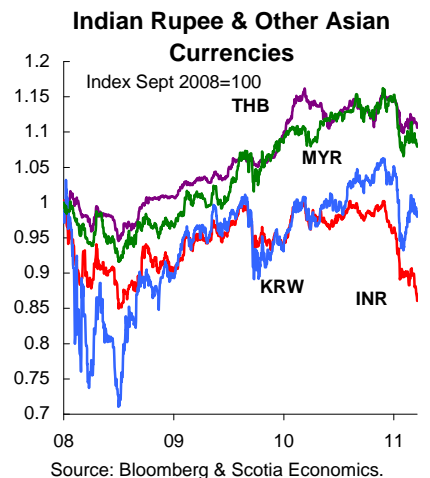
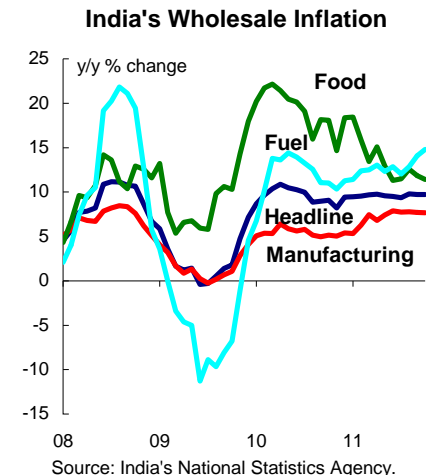
India's economic outlook remains conditioned by unrelenting inflation. After almost two years of price stability, inflationary pressures are once again on the rise. The country's inflation prospects highlight the contrast with the situation in most other economies within Asia, where inflation is already trending down, and with advanced economies where inflation is hardly a threat at all.

Inflation remains a key concern for monetary authorities at the Reserve Bank of India (RBI) as yearly price gains remain elevated, failing to follow the downtrend observed elsewhere in Asia. The yearly advance of Indian wholesale prices gains stood practically flat at 9.7% y/y over the past three months, as ebbing food costs have been compensated for by a persistent rise in fuel prices (please see first chart). The latter have been the main force maintaining upward price pressure as the withdrawal of state-backed fuel subsidies has combined with elevated global oil prices and a weakened rupee (over the past four months).

While private local spending has remained firm, manufacturing cost gains — an indicator of core inflationary pressures — have not increased recently, evidencing no widespread spillover effects from the recent pickup in fuel costs. Although the RBI has pursued a monetary tightening campaign for close to two years — having increased for the eleventh time the benchmark repo rate in October to 8.5% — the central bank will tread carefully from here on, as the effects of a persistently tight monetary stance are now evident throughout the economy. Therefore, unless there is a surprise along the way, moderating inflationary expectations and some evidence of a fall in core pressures are likely to allow the RBI to maintain the status quo through the turn of the year.

Recent fuel cost acceleration in India has resulted from a combination of several factors. The government's agenda for public deficit reduction during the current fiscal year included cuts to fuel subsidies, leaving monetary policy to bear the brunt of the risk of fuel cost spikes. Unfortunately, this is exactly what is happening now as global oil prices have increased in US dollar terms. Coincidentally, the Indian rupee (INR) has yet to recover from the bout of uncertainty that saw it depreciate by 11% since early September. The rupee failed to display the typical pattern where, as a response to an adverse shock, the exchange rate's initial weakening is immediately followed by a recovery that compensates in part for the initial loss. Such was the case, for instance, of the Korean won, the Malaysian ringgit and even the flood-battered Thai baht (please see second chart). The INR's odd behaviour has therefore exacerbated the effect of the rise in oil prices.

Looking ahead, we expect that fundamental drivers will eventually come back to dictate currency behaviour throughout Asia. This implies that although appreciatory forces are likely to come back to haunt central bankers in high-growth countries in Asia, in a context of elevated oil costs with anticipated increases in agricultural commodity prices, inflationary pressures will remain latent.



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Dominican Republic's Resilience Questioned Amid Global Turmoil

- **Investor concern is rising, despite robust economic performance and sound public finances.**

The Dominican Republic (DR) has not been immune to the heightened volatility present in global financial markets. Investor perception of the country's sovereign credit risk has weakened sharply over the past year despite upgrades by credit rating agencies in 2011 and improved debt indicators (the public debt to GDP ratio reached 38% of GDP as of August 2011). The country's sovereign debt spread, measured by the EMBIG index, widened from 300 basis points (bps) over US Treasury (UST) bond yields in November 2010 to UST + 600 bps last September, before stabilizing at around 500 bps. Despite concerns regarding weak liquidity, vulnerabilities to external shocks and government debt ratios, the DR issued US\$250 million in USD-denominated 10-year bonds at a yield of 6.9% in early November. In July, authorities met all of the Stand-By Arrangement (SBA) objectives jointly agreed with the International Monetary Fund (IMF), bringing the total disbursement amount up to US\$1,218.4 million. In September, the IMF's seventh SBA revision finished with satisfactory results. Standard & Poor's raised the country's sovereign credit rating from "B" to "B+" with "stable" outlook in June, citing improvement in the country's debt structure and positive prospects for the economy. Other current long-term foreign-currency ratings are: Moody's: "B1" and Fitch: "B" with a "positive" outlook.

The nation's economic recovery remains on track with a potential growth rate of 5% in 2011-12. Following a 7.8% y/y expansion last year, output advanced by a robust 4.2% y/y in the first three quarters of 2011, notwithstanding debt-related problems in the US and Europe and concerns over global economic deceleration. The DR is a highly open economy dependent on international economic performance, with tourism, remittances and exports (growing by 24% y/y) being the main economic drivers. On the tourism front, during the first three quarters of the year, stopover tourist arrivals grew by 3.5% over the same period in 2010. South American passengers have been the major contributors to tourism arrivals since 2009, increasing by almost 43% from January to September 2011. Due to US and European debt-sustainability troubles and fragile consumer confidence in the developed world, tourist arrivals from those nations have decreased significantly, a trend that is expected to continue in 2012.

The inflation outlook has deteriorated since the beginning of the year, with the headline rate reaching 8.9% y/y in October. However, we expect consumer prices to return to a more moderate pace and to close the year around 8-8.5%, in line with central bank projections. Price pressures remained elevated due to higher commodity and food prices. Monetary authorities in the DR increased the reference rate in March, April and May by a cumulative 175 basis points to 6.75%; however, at the last six meetings the central bank left the interest rate unchanged, given the temporary nature of rising inflationary pressures. The government will adopt an inflation-targeting regime in 2012.

In response to higher oil prices and a fiscal deterioration, the government raised taxes at the beginning of the year and implemented additional austerity measures. This has helped authorities to meet the IMF's target for fiscal consolidation. The central bank expects the central government deficit to decline to 1.6% of GDP at the end of 2011 from 2.5% in 2010. The current account shortfall has been financed by foreign direct investment. Consumer goods account for more than half of imports, while capital goods represent less than 14% of total imports. Import growth has been slowing, expanding by 17% in the first half of the year, significantly lower than the 33% rate during the same period last year.

The Dominican peso (DOP), currently trading at 38.25 per US dollar, continues to follow a smooth depreciation trend in line with the managed floating currency regime. The DOP has depreciated by 2.7% against the US dollar (USD) over the past 12 months. The nation's net international reserves, currently at US\$2.6 billion, have declined throughout most of 2011. We expect the DOP per USD rate to close the year at 38.5 pesos and to maintain a similar pace of nominal depreciation in 2012.

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The Near-Term Outlook For EUR Is Deteriorating

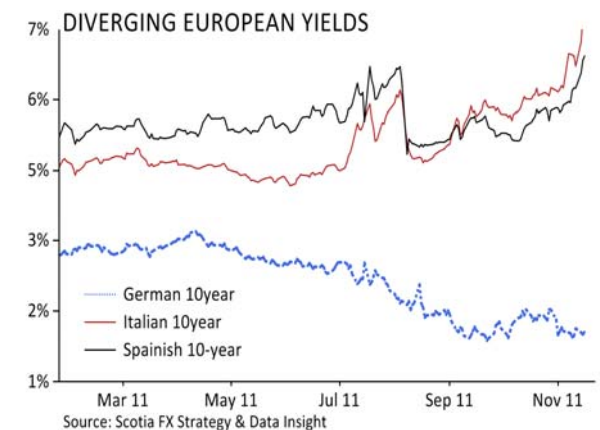
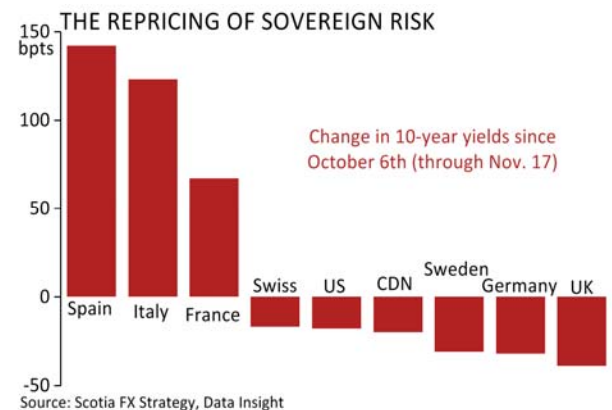
- Recent European developments have all been negative for sentiment and EUR.

Europe had an opportunity to relieve financial market stress and buy itself time but has failed to do so. Recent developments in Europe have escalated the crisis and pushed a solution farther into the future. The problem is beginning to feel unsurmountable, covering everything from current account imbalances, high debt burdens, low growth, lack of political will to adjust and rapidly declining confidence. The scales are tipping increasingly in favour of further EUR downside before markets can stabilize.

As European bond yields (excluding German) have climbed higher and higher, the depreciation in EUR has not had the same intensity. There are several reasons for this, all of which will continue to support EUR enough to avoid a collapse, however most of which will fade over time, opening the door to further downside.

The factors that are supportive of EUR include:

- 1) Positive EUR flows appear to have been a major factor for EUR over the last few months. These are fourfold: i) repatriation by both retail investors and corporates; ii) European bank repatriation in a step towards recapitalizing; iii) ongoing foreign official flows (central banks have accumulated close to \$11trn in reserves, these require diversification outside of just the US bond market); and iv) shifts into the German bunds market. These flows are all important, but points i and ii are limited and likely to fade over time.
- 2) The German bund market, as an investment in EUR alone is very different than an investment in EUR backed by German bunds. There is value in Germany, even if the crisis accelerates.
- 3) The ECB — there are two supportive elements here. The first is that Mario Draghi appears to adhere to the inflation fighting mandate but not as strictly as Jean-Claude Trichet did. In addition, the potential that the ECB could shift its mandate and become a lender of last resort and thereby stabilize markets is positive (but considering the hurdles this faces, it is not our base case). In the current environment loose monetary policy is actually supportive of EUR because of its perceived impact on financial market stability; however in the longer term these policies would likely still weigh against the EUR.
- 4) The USD side of the equation (we are still USD bears against most other currencies). The combination of loose monetary policy, the threat of further quantitative easing (QE), lack of fiscal plan (potential failure of Super Committee) and the benefit that a weak USD will bring to the US economy are all bearish.



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As the crisis in Europe appears to be entering a new and more dangerous phase, the EUR looks vulnerable to test lower. The balance of risks for the EUR appear to be shifting to the downside. Below we outline some of the developments that should put increasing near-term downside pressure on EUR.

- 1) Contagion fears and the European bond markets are providing a clear message — sovereign risk is being re-priced. Since their August low, Italian bond yields have jumped over 200bpts and are flirting with 7%, bringing perceived financing costs to unsustainable levels. Spain isn't far behind, with yields having jumped 180bpts, while French yields have jumped 125bpts since their September lows. Meanwhile the perceived safety of Germany have pushed yields to record lows. Meanwhile uncertainty over the sovereign CDS market as a hedge vehicle continues and the basis swap continues to widen. Suggesting that fears are rising, USD funds are in demand and market participants are shedding non-German sovereign European risk.
- 2) The outstanding questions on the aid programs, namely the EFSF and ESM, are increasing market uncertainty. The lack of details surrounding the potential leveraging of the EFSF as well as the embedded special purpose vehicle (SPV) is concerning. Adding to this uncertainty is the slowly evolving outline for the ESM (including how it will rank versus the EFSF debt). The fading credibility of these vehicles is a notable concern for potential investors and EUR traders.
- 3) With Mario Draghi as the new president, the ECB has turned to a less rigid adherence to its inflation fighting roots; having already lowered interest rates. This relative shift should weigh on EUR.
- 4) To date, the ECB's role in stabilizing bond markets has been through the Securities Market Programme (SMP), which was introduced as a temporary measure to provide limited support to bond markets with the intention of restoring proper functioning of policy transmission channels. Many now believe the ECB needs to do more; however the ECB continues to remind listeners that this is not their mandate. In order to do so, it is our view that the EMU would require closer fiscal ties; however this is not palatable to most, leaving the prospect of large scale unsterilized bond buying by the ECB as relatively low.
- 5) Increasingly, there appears to be a lack of political will to provide the support needed, namely clarity on the EFSF, ESM and the potential solutions going forward.
- 6) The austerity measures in Europe were within the realm of achievable as long as growth maintained its trajectory; however as the economic outlook deteriorates in Europe it complicates the likelihood of successful implementation of austerity.
- 7) A weaker EUR will smooth the European economic outlook but not devastate the US'. The OECD's global model estimates that a 10% depreciation in EUR adds 0.7% to GDP in year one, 1.3% in year two and 1.7% in year three; however it is not crushing to the US economy (as long as other currencies do not weaken as well), with the model estimating that a 10% decline in EUR pressures USD GDP lower by: -0.1% in year one; -0.2% in year two; -0.2% in year three.
- 8) Believing that China might save Europe might just prove to be wishful thinking unless Europe decides to ante-up more than it is currently willing.
- 9) Finally, the crushing blow to confidence does not have an easy fix. This might prove the most devastating aspect of the current crisis faced by the Eurozone.

Accordingly, though we do not expect EUR to collapse towards parity, particularly as the USD side of the equation remains weak; we increasingly fear that the near-term outlook for EUR is deteriorating rapidly.

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BoE Inflation Report — November

The BoE *Inflation Report* was far more dovish than expected. In particular, the Bank's inflation projection was slashed, to show inflation at the 2-year ahead horizon at around 1¼% — a massive target undershoot. The Bank's GDP growth projection was revised down. However predictably, it wasn't revised down enough. It is clear that further policy ease is on the way. However, the only questions are 'how' and 'when'.

Inflation projection — Slashed

- The 2-year ahead inflation projection was pushed down by far more than we expected. We judge that the mid-point of the 2-year ahead inflation projection is now around 1¼% y/y — a significant margin below the 2% y/y target (Chart 1).
- Perhaps even more striking was the Bank's Ribbon Chart. This takes on board the risk distribution around the mid-point and is intended to show the probability that inflation will be above target. It was pushed down dramatically (Chart 2). It shows just a 30% probability of inflation exceeding target at the 2-year ahead horizon.
- These projections raise more questions than answers. The simplest answer is that more policy easing is coming. But the unanswered questions were:
 - With an inflation projection this low, why didn't you increase the pace of QE at the November meeting? (we suspect there will be a dissenter in favour of this).
 - Given such a low inflation projection — doesn't that suggest that the Bank doesn't think QE is going to work?

Growth projection — revised lower, but not enough

- The Bank's forecast for GDP growth was revised down — though predictably not enough in our view (Chart 3 on the following page). We judge that the mid-point of its projections point to average annual GDP growth of 1.3% y/y this year and 1.0% y/y next year.
- To some extent this is still predicated on the Bank's assumption that past GDP readings will

Chart 1: BoE Inflation Projection —
Market Rate Expectations (November 2011)

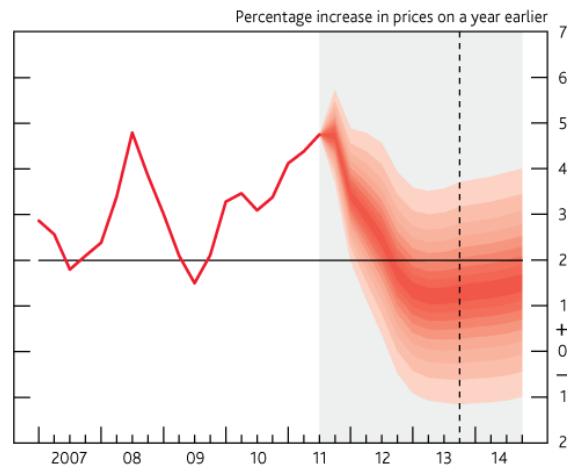
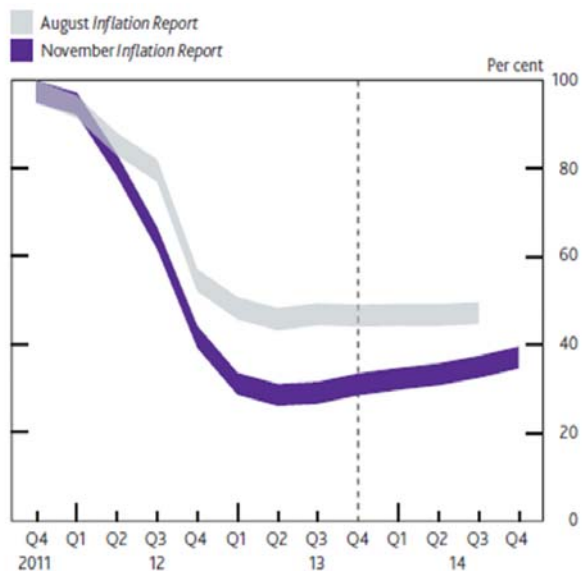


Chart 2: BoE Inflation 'Ribbon Chart'.
Probability That Inflation is Above Target.



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be revised up. In the very near term, we believe it is more likely that GDP for Q3 gets revised down, not up.

- To put the Bank's projections into context, last week the European Commission downgraded its forecast for the UK to 0.7% y/y this year and 0.6% y/y next year (a touch weaker than our own forecast).
- It is possible that the Bank's projection is artificially higher on the back of its belief that QE will support growth.
- Likely disappointments on near term GDP readings, in tandem with the low inflation projection scream out that further policy easing is on the way.
- The Bank has been hopelessly too optimistic with regards to growth for well over a year (Chart 4). We suspect today's downward revision will not be the last.

Conclusion

It is a case of when, not if, the Bank will announce further asset purchases. King did note that in comparison with the current inflation target overshoot, the projected undershoot is small. The Bank is also loath to fine tune and is keen to see confirmation that the long awaited slowdown in inflation is actually materialising. In the absence of a sharp worsening in the upcoming economic data, the next instalment is still likely to come in February, though there is a risk it arrives a little sooner. King hinted that if the Bank was to step in again, it would be more of the same, rather than looking at other asset classes. Beyond February, at least one other instalment of asset purchases is likely in May, meaning that the scale of BoE purchases is likely to hit GBP400bn before it is finished.

Chart 3: BoE GDP Growth Projection

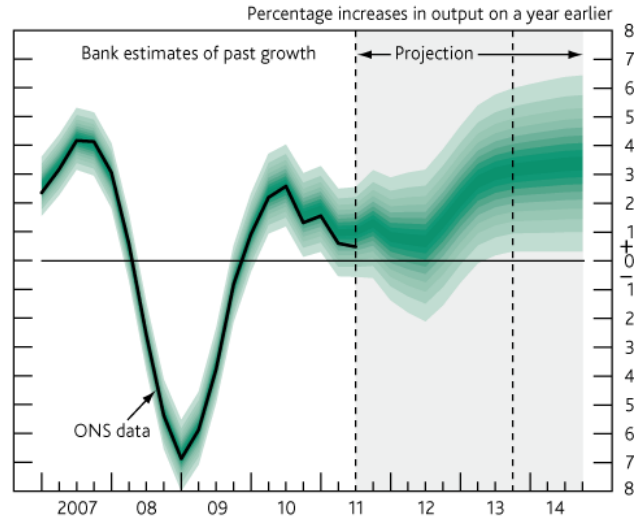
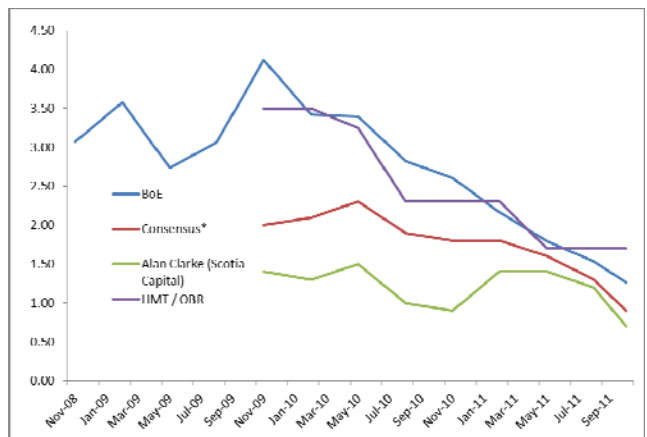


Chart 4: Evolution of BoE and Consensus Forecasts for UK GDP (2011)



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Turkey & Brazil After The Monetary Surprises

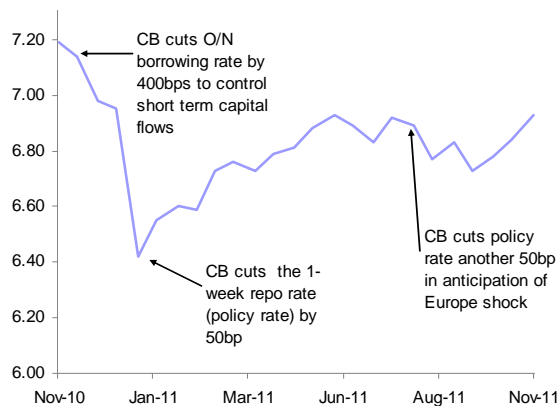
Introduction

In late summer, both Turkey and Brazil surprised analysts and markets by cutting their policy rates, seemingly deviating from the monetary stances of other countries and their own previously established monetary objectives. Turkey's central bank was the first to act, cutting its one-week repo rate by 50bp to 5.75% on August 4th, based on fears of the potential effect on Turkish growth from spillovers of the European debt crisis. Brazil's Copom moved one month later, cutting the Selic rate by 50bp on August 31st even as both IPCA inflation and inflation expectations were above the central bank's target band (4.5% +/-2%), and rising further. Now that several months have passed, we can evaluate the motives and effects of the decisions with the benefit of new economic releases and financial market data.

In reviewing the economic performance of these two countries since the rate cut, we find a continuation of previous trends with very little evidence of spillovers from Europe. Brazil's central bank was right that growth was slowing, but not for the reasons that it had expected. September industrial output fell 1.6% y/y; and while one could argue that this pattern is consistent with the spillover effects from the Euro area, stagnant industrial output has been a characteristic of Brazil for the last year and a half. Global uncertainty should impact exports first, but so far the extent of the effect is limited, as export growth on a y/y basis was still 23% in September and 20% in October.

Turkey continues to expand rapidly, with GDP hovering in the 5%-10% range since 2009. So far, evidence suggests that the impact of the Euro crisis has been limited on Turkish growth, with the latest IP data (September) expanding +12.0%, while figures for October show that capacity utilization rates keep rising — they are currently at 77%, their highest level since 2009. At the same time, the country's current account deficit is soaring, as the trade balance has continued to move further into negative territory since the start of 2009. We believe that the soaring current account deficit could be one of the major reasons that led the CBRT to cut overnight rates late last year in an attempt to weaken the Lira by reducing the returns to short term capital, a move that was reversed in August on the expectation of depreciation pressures from global risk aversion.

Figure 1. Expected annual Turkey CPI in 12 months



Source: CBRT expectations survey, Scotia Capital

Figure 2. Correlation between USD/BRL & USD/MXN



Source: Bloomberg, Scotia Capital. 30-day rolling correlation shown.

Credibility

While the central bank's motives were questionable back in the summer, recent economic performance should have confirmed to markets the banks' new bias and elicited a response. Surprisingly, initial responses have dissipated. While BCB's credibility is questioned by analysts, the performance of the BRL is in line with that of other high beta currencies. In the post-Lehman crisis, BRL's sell-off was quite similar to MXN's, and this time around the magnitude of the moves of LATAM's two major currencies have also been of similar magnitudes. As shown in Figure 2, the correlation between BRL and MXN has remained high in

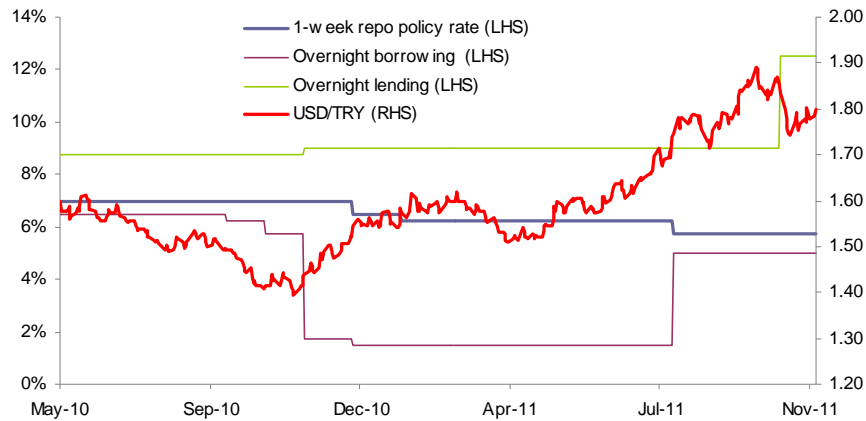
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recent months, and the effect of the surprise rate cut was very short-lived. One could argue that BRL should have held up better in a sell-off this time around, because the IOF makes it costly for investors to liquidate Brazil exposure if they plan to re-enter at a later time. It is hard to test that argument, however, since rules for investing in Brazil continue to evolve.

Figure 3. Monetary policy and the exchange rate in Turkey

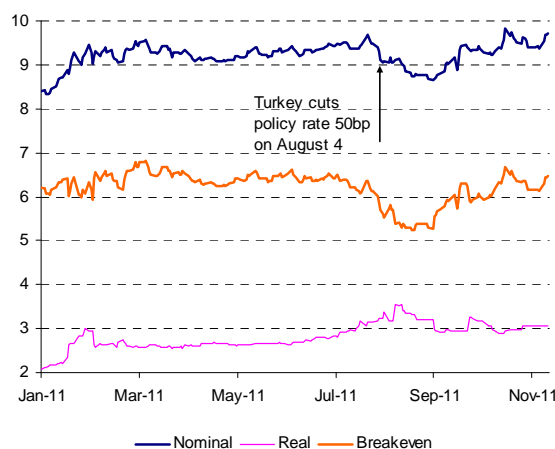


Source: CBRT, Bloomberg

In Turkey, the 500bp cumulative cut in the overnight borrowing rate at the end of 2010 started a weakening trend for the Turkish Lira, which lost about 30% of its value between then and the USD/TRY peak in early October 2011 (Figure 3). The lira has given signs of reversing some of its losses since the overnight lending rate was raised in October 2011. The key fact to note here is that the lira started depreciating long before the controversial cut to the policy rate in August, showing that credibility was not the primary cause. It is commonly assumed that once credibility is lost, it is hard to regain. Therefore, that the currency responded immediately to the increase in the overnight lending rate in October demonstrates that credibility was not lost.

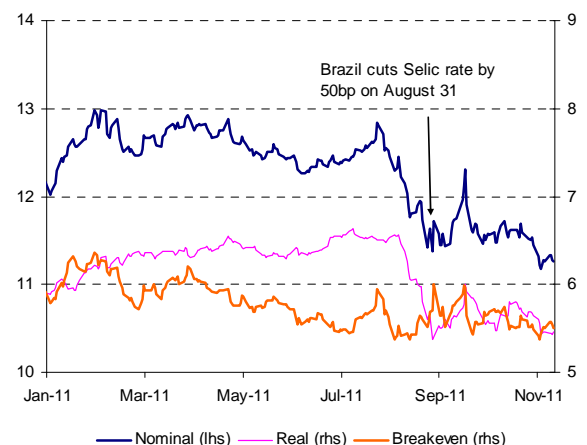
The lack of any effect on local yields is even more surprising. We would have expected the shift away from inflation fighting to have increased inflation expectations at the long-end, causing a sell-off in longer dated nominal bonds. In Turkey, 10Y yields and inflation breakevens actually fell in response to the rate cut, and did not start rising until global volatility began to have an effect a month and a half later (Figure 4). In Brazil, while the initial response was somewhat consistent with theoretical predictions, any effect soon dissipated.

Figure 4. Effect of Turkey's cut on 10-year yields



Source: Bloomberg, Scotia Capital, as of November 17, 2011

Figure 5. Effect of Brazil's cut on 10-year yields



Source: Bloomberg, Scotia Capital, as of November 17, 2011

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10Y nominal yields rose by up to 80bp, but then returned to prior levels within one month of the rate cut; some of that increase may have been caused by global factors that had nothing to do with Brazil's monetary policy. Breakeven rates in Brazil did not change noticeably after the rate cut and have more recently started to fall (Figure 5). Another way to have done the analysis would have been to look at curve slopes, which should have steepened. Both countries saw about 80bp of steepening initially (between 10Y and 2y points), but curves soon returned to their prior flat shape. Thus, we are surprised that the fixed income market did not penalize either country more.

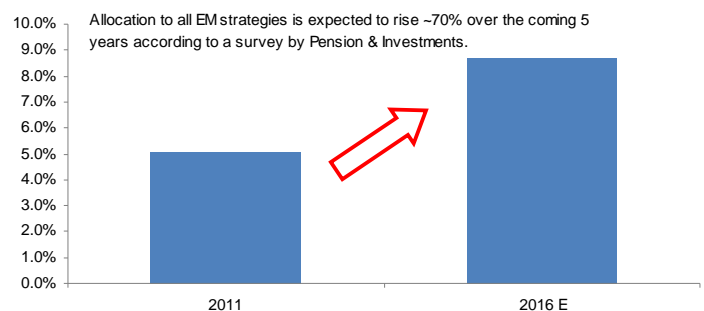
Conclusion

We are left with a paradox. Central banks in Brazil and Turkey cut rates to compensate for potential external risks that most market analysts thought were exaggerated. The predicted external shocks did not materialize, confirming economists' scepticism. Nevertheless, FX and fixed income markets have largely ignored the central banks' change in objectives. How can that be?

We can think of a number of explanations, though all of them incomplete. Turkey has reversed course somewhat on its loosening stance. While it has not changed its policy rate since August, the central bank's manipulation of other short-term rates and the amount of funds offered at those rates has effectively tightened monetary policy. This tightening has given the Lira some relief, despite the uncertainty in Europe. Thus, Turkey's move could be interpreted not as a regime shift but a self-correcting deviation. Although we don't sense such a direct retraction from Brazil's Central Bank, the BCB may be planning to use alternative tools to selectively target monetary policy. One example where this has already happened was the recent change in lending conditions for consumer credit; although the changes mostly eased capital requirements for shorter-term loans, they were accompanied by a tightening of conditions for lending at maturities greater than five years. Inflation dynamics may be helping as well. Notwithstanding the significant weakness in both TRY and BRL, there does not appear to be widespread pass-through into inflation, which could be giving the central bank's credibility some degrees of freedom.

Finally, despite the less orthodox approach to monetary policy from both the CBRT and the BCB, there appears to be a structural increase in the planned allocations to EM, which could be driving investors to "buy on dips", thus reducing the downside for Turkish and Brazilian assets (Figure 6). Certain foreign investors respond more to returns and to capital controls than to long-term fundamentals; one could even argue that credibility is lost slowly and therefore should not have an immediate impact. Still, we think that there remains further room for repricing of Central Bank credibility, especially in Brazil, making developments around this issue important to watch over the medium term.

Figure 6. Expected increase in EM allocations



Source: Scotia Capital, Pension and Investments

This is part of a more in depth standalone document found in: <http://www.scotiaview.com/login>

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Beat The Street Update — Q3 Earnings Scorecard

This text was published on November 14, 2011.

Q3 Earnings Recap: Small vs. Large CAPS

Small caps: U.S. small caps earnings disappoint, with Q3 numbers coming in 2% below expectations. In Canada, small cap earnings (TSX Completion) are also 2% below consensus, but stronger than large caps on a YOY basis (see Exhibit 1).

Large caps: S&P 500 delivered record Q3 EPS that beat consensus by 3%. In Canada, a major earnings miss for the TSX 60 was due to a collapse in the Insurance sector.

Beat or miss: Most TSX sectors are missing consensus forecasts in Q3, with Financials, Gold, and Mining EPS coming in below expectations. Energy is bucking the trend, with Q3 EPS 11% ahead of consensus.

Exhibit 1: Q3 Earnings Recap: Small vs. Large — Canada & U.S. (as of November 11, 2011)

	Large Caps		Small Caps	
	S&P 500	TSX 60	S&P 600	TSX Completion
Beat or Miss	Beat	Miss	Miss	Miss
Beat or Miss (%)	3.4%	-11.0%	-2.0%	-2.0%
Beat ratio	73%	48%	65%	45%
Q3 EPS (YOY%)	18%	28%	10%	38%
Q3 EPS (QOQ%)	2.3%	-13.0%	-0.4%	-1.0%
Q4 EPS Revisions si	-4.4%	-9.0%	-4.5%	-10%

Source: Scotia Capital, S&P

U.S. Q3 Earnings Positively Surprised

The Q3 earnings season is drawing to an end, with over 90% of S&P 500 companies having already reported. Despite all the doom and gloom in Q3, S&P 500 quarterly earnings positively surprised. The S&P 500 beat ratio (i.e., the percentage of companies exceeding estimates) hit 73% in Q3, which is above the 65% average since 1999. With most companies beating, Q3 EPS exceeded the consensus set at the beginning of October by 3%.

Quarterly EPS set a new record high. S&P 500 Q3 EPS is coming in at US\$25.42, implying a run rate of almost US\$102. Q3 earnings are rising 2.3% on a sequential basis (Q3 vs. Q2) and 17.9% YOY, resulting in a new quarterly record high.

On a trailing basis, S&P 500 EPS is also setting a new record high of US\$94.77, surpassing the previous record of US\$91.47 set in Q2/07. Trailing earnings are up 20% YOY. With 59% of companies beating on the top line, S&P 500 Q3 revenues are exceeding estimates by almost 2% in Q3. S&P 500 Q3 revenues stand at US\$265 per share, implying a 0.7% sequential increase and a double-digit gain (10.3%) over the same quarter last year. The pace of revenue expansion is, however, moderating from the 11.2% witnessed in Q2.

Profit margins' expansion continues. S&P 500 profit margins have continued to expand in Q3. Based on trailing figures, S&P 500 profit margins increased to 9.2% in Q3 from 9% in Q2. As illustrated in Exhibit 3, profit margins are supported by rising capacity utilization, as well as productivity gains. As long as capacity utilization keeps rising, profit margins should remain well supported.

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U.S. Small Cap Earnings Disappoint

Despite a relatively good beat ratio (65%), the U.S. small cap earnings season is somewhat disappointing. S&P 600 Q3 EPS is coming in 2% lighter than expected at US\$5.34. Hence, Q3 EPS is contracting 0.4% sequentially, but rising 9.9% on a year-over-year basis. Only four of 10 S&P 600 sectors are posting sequential earnings improvement in Q3: Telecom, Financials, Discretionary, and Health Care. Small cap earnings appear especially weak when compared to large cap earnings: (1) the S&P 600 beat ratio is weaker than the S&P 500; (2) S&P 600 Q3 EPS is contracting sequentially, while rising for the S&P 500; and (3) year-over-year earnings growth is milder for small caps (9.9% vs. 17.9%).

TSX Q3 Earnings Season: No Insurance Coverage

Q3 is a miss. In Canada, the earnings season is well under way, with almost 80% of S&P/TSX companies having reported. However, the beat ratio is weak (46%) and Q3 earnings are below expectations. In fact, TSX Q3 EPS is coming in at 9% below bottom-up forecasts set in early October, with the miss mainly due to the collapse in Insurance earnings. TSX Q3 EPS stands at \$206, suggesting a run rate of \$825. Q3 earnings are contracting 10% QOQ, but increasing 30% YOY. TSX trailing EPS reached \$850 in Q3, an increase of 29% compared to last year. TSX trailing EPS remains 8% below the peak level hit in Q3/08, a stark contrast with record high S&P 500 earnings.

Top line expanding. TSX Q3 revenues are up 11% YOY. On a 12-month trailing basis, however, the TSX top-line improvement is more modest, with revenues rising 8% YOY to \$7,529. Based on trailing figures, the TSX profit margin has continued to expand in Q3. At 11.3%, the TSX profit margin is essentially back at a record-high level.

Beat or miss. Although eight of 10 TSX sectors are delivering positive year-over-year earnings growth, most sectors are missing consensus. Financials, Gold, and Mining sectors are all missing consensus numbers. From the 15 mining companies having reported, only one has been able to beat consensus forecasts. Energy is having a solid earnings season, with earnings coming in 11% ahead of expectations. In our *Beat the Street* report, published on October 19, we had expected all four sectors (Financials, Energy, Gold, and Mining) to report weaker-than-expected earnings.

Although TSX 60 Q3 EPS has been dragged lower by Insurance, the percentage of companies exceeding expectations is relatively weak at 48%. Large cap earnings growth stands at 28% YOY. Despite a weaker beat ratio, small caps are doing a tad better, with Q3 EPS rising 38% YOY and contracting only 1% on a sequential basis.

Q4 Earnings Expectations Coming Down

The U.S. economy should continue to expand over the coming quarters, but European macro data is clearly deteriorating. With Italy now in the spotlight and the European crisis intensifying, Europe will most likely experience a period of very modest economic growth (if not a recession). China is slowing, but recent data is pointing toward a soft landing.

Weaker global growth and fears from the European crisis pushed our earnings revisions ratio (the percentage of upward revisions relative to the total number of revisions) sharply lower in the last few months. The TSX and S&P 500 revisions ratios are quite depressed and hovering below the 40% threshold, suggesting further negative earnings revisions.

Negative revisions hit Q4 EPS. Bottom-up forecasts for Q4 have already started to migrate lower. TSX Q4 EPS has been reduced by over 9% to \$226 since September, while S&P 500 Q4 EPS has been cut by a more modest 4.4%. Q4 EPS revisions for small caps have been roughly in line with those of large caps.

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In Canada, almost all TSX sectors suffered negative revisions for Q4. As illustrated in Exhibit 2, the Financials sector has been the hardest hit, with Q4 expectations cut 17% since September. On the back of a dismal Q3 earnings season, Insurance Q4 earnings forecasts have dropped a stunning 44%. Resource sectors have not been spared, with Energy Q4 EPS revised 8% lower and Materials 10% lower (Gold -3% vs. Mining -28%).

In the U.S., all 10 S&P 500 sectors suffered negative revisions for Q4. Revisions have been more severe for Materials (-21% since September) and Telecom (-14%).

Looking out to 2012, earnings forecasts are likely to come down further over the coming months. TSX 2012 EPS forecasts are down 1.8% since September and S&P 500 EPS is down 3.2%. As pointed out previously, earnings growth should remain supported by U.S. economic growth, rising capacity utilization, and productivity gain.

Our base-case scenario remains one of slow, but positive U.S. GDP growth, which should translate into mid-single-digit earnings improvement. Our 2012 forecasts are more conservative than Bay and Wall Street estimates, which are expecting low-double-digit earnings growth.

Our TSX EPS forecasts stand at \$900 for 2011 and \$950 for 2012 (+5.5%). For the S&P 500, our EPS estimates stand at US\$95 for 2011 and US\$100 for 2012 (+5%). The biggest risk to the economic/earnings outlook remains Europe, in our view.

Exhibit 2: S&P/TSX: Q4 EPS Forecasts Coming Down Hard (as of November 11, 2011)

	Q4/11 EPS Consensus		
	Current	September	Change (%)
S&P/TSX	226	250	-9%
Energy	42	46	-8%
Materials	66	73	-10%
Divers. M/Mining	179	250	-28%
Gold	57	59	-3%
Industrials	22	21	2%
Discretionary	21	22	-3%
Cons. Staples	31	33	-6%
Health Care	12	12	-4%
Financials	33	39	-17%
Banks	45	51	-12%
Insurance	12	21	-44%
Technology	5	3	53%
Telecom	16	17	-5%
Utilities	25	27	-7%
TSX 60	14	15	-9%
TSX Completion	13	14	-10%

Source: Scotia Capital estimates, Bloomberg

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Key Data Preview

CANADA

Canadian retail sales (Tuesday) is the only potentially market moving data release in Canada next week, especially given that we are expecting a decent print for both the headline and core. Indeed, a combination of stronger new auto sales volumes and higher auto prices will likely lead to a much stronger increase in headline retail sales in September versus core sales. Having said that, what is even more important is how price-adjusted sales performed as prices for both clothing and footwear, and transportation each jumped 1.0% m/m in September on a seasonally-adjusted basis. Average retail gasoline prices also rose in September, according to Bloomberg. While higher prices may help overall nominal sales numbers, with average hourly wages in Canada now growing at their slowest pace since July 1998, we wouldn't be surprised if price-adjusted sales actually declined on the month as consumers reduced discretionary purchases in order to maintain the essential ones. This would weigh heavily on September real GDP, joining aggregate hours worked which also declined in September, although a strong gain in manufacturing shipments and housing starts may be enough to keep real GDP in positive territory for the month. Indeed, by Tuesday, we will have all of the observable pieces needed to estimate real GDP for the month given that price-adjusted wholesale sales will be released on Monday.

UNITED STATES

Existing home sales (Monday) are expected to decline once again in October after pending home sales fell for a third consecutive month in September despite a sharp decline in borrowing costs ahead of the Fed's announcement to extend the average maturity of its holdings on September 21. Indeed, as we have written about in the past, demand for new or existing homes is not solely based on borrowing costs which is why the recent Fed actions to bring long rates down have not had as large an impact on the housing market as would have occurred in the past. Why? For one, while borrowing costs may be lower, access to credit is still very tight suggesting that some prospective homebuyers are not able to access the market. Second, while the pace of foreclosures has slowed over the past year, foreclosures still continue to mount which is keeping months' supply for existing homes at an elevated level, especially when compared to new home sales. This glut of supply in turn continues to put downward pressure on prices which leads to our third point. Although the pace is slowing, prices are still declining on a year-over-year basis according to the S&P/Case-Shiller index which is keeping many prospective buyers on the sidelines. Lastly, the unemployment rate still remains at a considerably high level while average hourly wage growth has weakened to the slowest pace of growth since February 2004, suggesting that there are fewer Americans who are actually able to afford new homes at this time. It is for all of these reasons that we are also starting to see huge jumps in rental pricing as the US CPI report illustrated this past week.

Personal consumption (Wednesday) will likely post a decent gain in October after both headline and core retail sales rose by much more than expected during the month. While retail sales only account for roughly 40% of total consumption, there is a decent correlation between this metric and headline retail sales. We should also witness an increase in real personal consumption as much of the growth in headline retail sales in October was due to an increase in volumes rather than prices, putting personal consumption on a strong footing in Q4. We should also witness a further gain in personal incomes in October after the recent nonfarm payrolls report registered an increase in both hours worked and wages which can be used as a loose proxy for nominal incomes. This would mark the second consecutive monthly increase in incomes and should provide a small lift to consumption as well despite the fact that on a trend basis, average hourly wage growth has slowed substantially. In addition, uncertainty regarding the situation in Europe continues to zap both consumer and business confidence not only in Europe but across the globe as financial markets have responded quite negatively to ongoing European debt woes.

Durable goods orders (Wednesday) will likely decline quite sharply in October after aircraft orders were relatively non-existent during the month. However, excluding transportation, we should witness a relatively smaller gain in core orders after the new orders component within the ISM manufacturing index pushed back into expansionary territory in October.

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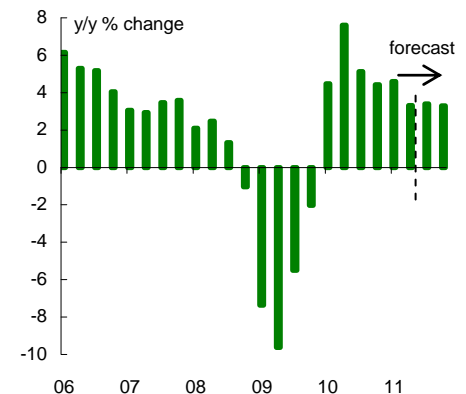
EUROPE

We expect a moderate downward revision to the initial estimate of UK GDP for the third quarter — down from 0.5% q/q to 0.4%. Since the initial data were published, there has been a lower than assumed reading for industrial production. In addition, a mistake in the initial monthly services sector data (which accounts for ¾ of GDP by output) also hints at a slight downward adjustment. The second estimate will provide a first glance at the breakdown of GDP by expenditure component. Given the continued slump in consumer confidence, we expect household consumption (accounting for two-thirds of GDP) to continue to contract, by around ¼ -½% q/q, while net exports are also likely to drag on growth. Hence all of the headline gain is likely to come from either government consumption, inventory accumulation or investment. Recent investment data have been exceptionally volatile, with business and government investment up and down by 10 - 20% q/q in each of the last two quarters, and thus forecasts of this component are not particularly reliable. If it was government consumption or inventories that accounted for the bulk of the growth in the third quarter, then this is hardly the basis for an enduring recovery. Overall the message is that at first glance 0.5% q/q growth may have been better than expected, but below the surface the picture is less optimistic. Worse still, survey indicators suggest that zero growth is the best we can hope for in the fourth quarter. As a result, we estimate that the UK economy will expand by 0.8% in both 2011 and 2012.

LATIN AMERICA

A vast array of relevant economic indicators such as quarterly GDP, the global economic activity indicator (IGAE), retail sales, unemployment and the trade and current account balances will be released for Mexico in the coming week (November 21st-25th). Amid concerns over the spillover effects from the US slowdown, investors will be paying more attention to quarterly GDP data. We expect real GDP to have expanded by 3.4% y/y in the third quarter of the year, following an expansion of 3.3% y/y in the second and 4.6% y/y in the first quarter. This is two percentage points below the 5.1% growth observed in the third quarter of 2010. Our forecast for the Mexican economy is to decelerate from 5.4% growth in 2010 to 3.7% in 2011, still a notable rate of expansion.

Mexican GDP

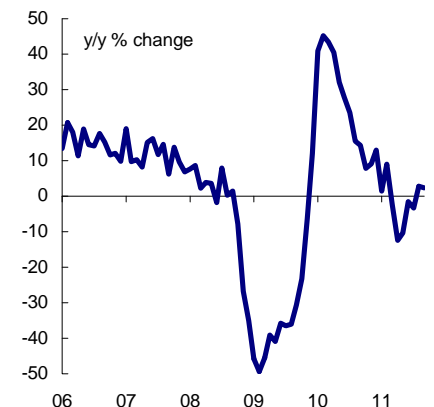


Source: Thomson Reuters and Scotia Economics.

ASIA

Japan's export values for October will likely reflect some of the effect of the flooding that permeated manufacturing operations in Thailand. Indeed, a second adverse shock to Japanese supply chains was provoked by the stoppage of manufacturing assembly lines in Thailand when some facilities were deemed inoperable because of heavy flooding. Electronic parts suppliers and vehicle producers were severely affected, causing interruptions at end-product assembly lines in Japan. Although some of these producers have started already to bring back operations in November, we anticipate foreign sale values for October to have stalled near third-quarter average levels, implying no quarterly advance and a slight -0.4% contraction in year-over-year terms.

Japan's Exports



Source: Ministry of Finance, Japan.

Key Indicators for the week of November 19 - 25

North America							
Country	Date	Time	Event	Period	BNS	Consensus	Latest
CA	11/21	08:30	Wholesale Sales (MoM)	SEP	--	0.5	0.2
US	11/21	08:30	Chicago Fed Nat Activity Index	OCT	--	--	-0.2
US	11/21	10:00	Existing Home Sales (units, millions)	OCT	4.76	4.80	4.91
US	11/21	10:00	Existing Home Sales (MoM)	OCT	-3.0	-2.2	-3.0
CA	11/22	08:30	Retail Sales (MoM)	SEP	0.6	0.5	0.5
CA	11/22	08:30	Retail Sales Less Autos (MoM)	SEP	0.4	0.3	0.4
US	11/22	08:30	GDP (QoQ) (Annualized)	3Q S	2.5	2.5	2.5
US	11/22	08:30	Personal Consumption (QoQ)	3Q S	--	2.4	2.4
US	11/22	08:30	GDP Price Index (QoQ)	3Q S	--	2.5	2.5
US	11/22	08:30	Core PCE (QoQ)	3Q S	--	2.1	2.1
MX	11/22	09:00	GDP Constant \$ (YoY)	3Q	3.4	--	3.3
MX	11/22	09:00	Global Economic Indicator IGAE (YoY)	SEP	3.5	--	4.4
MX	11/22	10:00	International Reserves Weekly (USD billions)	18-Nov	--	--	140.4
US	11/22	10:00	Richmond Fed Manuf. Index	NOV	--	-1.5	-6.0
US	11/22	14:00	Minutes of FOMC Meeting				
US	11/23	07:00	MBA Mortgage Applications (WoW)	18-Nov	--	--	-10.0
US	11/23	08:30	Durable Goods Orders (MoM)	OCT	-1.0	-1.2	-0.6
US	11/23	08:30	Durables Ex Transportation (MoM)	OCT	-0.2	0.0	1.8
US	11/23	08:30	Cap Goods Orders Nondef Ex Air (MoM)	OCT	--	-0.4	2.9
US	11/23	08:30	Personal Income (MoM)	OCT	0.2	0.3	0.1
US	11/23	08:30	Personal Spending (MoM)	OCT	0.3	0.3	0.6
US	11/23	08:30	PCE Deflator (YoY)	OCT	--	2.7	2.9
US	11/23	08:30	PCE Core (MoM)	OCT	--	0.1	0.0
US	11/23	08:30	Initial Jobless Claims (000s)	18-Nov	390.0	389.5	388.0
US	11/23	08:30	Continuing Claims (000s)	11-Nov	3600.0	3620.0	3608.0
MX	11/23	09:00	Retail Sales (INEGI) (YoY)	SEP	2.2	--	2.7
US	11/23	09:55	U. of Michigan Confidence	NOV F	--	65	64
US	11/23	11:00	Kansas City Fed Manf. Activity	NOV	--	9.0	8.0
MX	11/24	09:00	Bi-Weekly CPI (MoM)	15-Nov	--	--	0.1
MX	11/24	09:00	Bi-Weekly Core CPI (MoM)	15-Nov	--	--	0.1
MX	11/24	09:00	Trade Balance (USD millions)	OCT P	--	-1100	-1831
MX	11/25	09:00	Unemployment Rate (%)	OCT	5.4	--	5.7
MX	11/25	09:00	GDP Current \$ (YoY)	3Q	--	--	8.9
MX	11/25	10:00	Current Account Balance (USD millions)	3Q	--	--	-2598

Forecasts at time of publication.

Source: Bloomberg, Scotia Economics.

Key Indicators for the week of November 19 - 25

Europe							
Country	Date	Time	Event	Period	BNS	Consensus	Latest
EC	11/21	04:00	ECB Euro-Zone Current Account SA (EUR billions)	SEP	--	--	-5.0
NO	11/22	04:00	GDP s.a. (QoQ)	3Q	--	0.8	0.4
UK	11/22	04:30	Public Finances (PSNCR) (GBP billions)	OCT	--	-1.0	19.9
UK	11/22	04:30	PSNB ex Interventions (GBP billions)	OCT	6.5	6.6	14.1
UK	11/22	04:30	Public Sector Net Borrowing (GBP billions)	OCT	--	3.8	11.4
EC	11/22	10:00	Euro-Zone Consumer Confidence	NOV A	--	--	-19.9
SP	11/22		Trade Balance (EUR millions)	SEP	--	--	-4922.2
FR	11/23	02:45	Production Outlook Indicator	NOV	--	-27.0	-29.0
FR	11/23	02:45	Business Confidence Indicator	NOV	95.0	95.0	97.0
FR	11/23	03:00	PMI Manufacturing	NOV P	48.0	48.0	48.5
FR	11/23	03:00	PMI Services	NOV P	44.0	44.8	44.6
GE	11/23	03:30	PMI Manufacturing	NOV A	48.5	48.5	49.1
GE	11/23	03:30	PMI Services	NOV A	49.9	50.0	50.6
EC	11/23	04:00	PMI Composite	NOV A	46.0	46.1	46.5
EC	11/23	04:00	PMI Manufacturing	NOV A	46.3	46.5	47.1
EC	11/23	04:00	PMI Services	NOV A	45.8	46.0	46.4
UK	11/23	04:30	Bank of England Minutes				
UK	11/23	04:30	BBA Loans for House Purchase (units)	OCT	--	33000	33130
EC	11/23	05:00	Industrial New Orders SA (MoM)	SEP	--	-2.7	2.0
GE	11/24	02:00	GDP s.a. (QoQ)	3Q F	0.5	0.5	0.5
GE	11/24	02:00	GDP wda (YoY)	3Q F	2.5	2.6	2.6
GE	11/24	02:00	GDP nsa (YoY)	3Q F	2.4	2.5	2.5
GE	11/24	02:00	Domestic Demand (QoQ)	3Q	--	0.5	0.4
GE	11/24	02:00	Exports (QoQ)	3Q	--	1.6	2.3
GE	11/24	02:00	Imports (QoQ)	3Q	1.0	1.5	3.2
GE	11/24	02:00	Capital Investment (QoQ)	3Q	0.8	1.2	0.3
GE	11/24	02:00	Government Spending (QoQ)	3Q	0.0	0.2	0.2
GE	11/24	02:00	Private Consumption (QoQ)	3Q	--	0.5	-0.7
SP	11/24	03:00	Mortgages on Houses (YoY)	SEP	--	--	-41.7
SW	11/24	03:15	Consumer Confidence	NOV	--	-9.0	-7.5
SW	11/24	03:15	Manufacturing Confidence s.a.	NOV	--	-9.0	-7.0
SW	11/24	03:30	PPI (MoM)	OCT	--	0.1	-0.7
GE	11/24	04:00	IFO - Business Climate	NOV	103.7	105.2	106.4
GE	11/24	04:00	IFO - Current Assessment	NOV	114.0	115.0	116.7
GE	11/24	04:00	IFO - Expectations	NOV	93.5	96.0	97.0
IT	11/24	04:00	Consumer Confidence Ind. sa	NOV	--	92.7	92.9
UK	11/24	04:30	GDP (QoQ)	3Q P	0.4	0.5	0.5
UK	11/24	04:30	GDP (YoY)	3Q P	0.4	0.5	0.5
UK	11/24	04:30	Private Consumption (QoQ)	3Q P	--	0.2	-0.8
UK	11/24	04:30	Government Spending (QoQ)	3Q P	--	0.5	1.1
UK	11/24	04:30	Gross Fixed Capital Formation (QoQ)	3Q P	--	1.1	1.7
UK	11/24	04:30	Exports (QoQ)	3Q P	--	0.8	-1.3
UK	11/24	04:30	Imports (QoQ)	3Q P	--	0.7	-0.3
UK	11/24	04:30	Total Business Investment (QoQ)	3Q P	--	--	11.6
UK	11/24	04:30	Index of Services (MoM)	SEP	-0.2	0.1	0.3
UK	11/24	04:30	Index of Services (3mth/3mth)	SEP	0.6	0.7	0.6
UK	11/24	06:00	CBI Trends Total Orders	NOV	--	-19.0	-18.0
UK	NOV 24-30		BoE Housing Equity Withdrawal (GBP billions)	2Q	--	-6.0	-5.8
FR	11/25	02:45	Consumer Confidence Indicator	NOV	82.0	81.0	82.0
SP	11/25	03:00	Producer Prices (MoM)	OCT	--	0.2	0.2
IT	11/25	04:00	Retail Sales s.a. (MoM)	SEP	--	-0.3	0.0
GE	11/25	00:00	Import Price Index (MoM)	OCT	--	-0.2	0.6

Forecasts at time of publication.

Source: Bloomberg, Scotia Economics.

Key Indicators for the week of November 19 - 25

Asia Pacific

Country	Date	Time	Event	Period	BNS	Consensus	Latest
JN	11/20	18:50	Merchnds Trade Balance Total (JPY billions)	OCT	28.0	39.9	296.2
JN	11/20	18:50	Adjusted Merchnds Trade Bal. (JPY billions)	OCT	--	-204.0	-21.8
JN	11/20	18:50	Merchnds Trade Exports (YoY)	OCT	-0.4	-0.3	2.3
JN	11/20	18:50	Merchnds Trade Imports (YoY)	OCT	18.0	15.1	12.1
TH	11/20	21:30	Gross Domestic Product SA (QoQ)	3Q	2.1	1.5	-0.2
JN	11/20	23:30	All Industry Activity Index (MoM)	SEP	--	-1.0	-1
PH	NOV 20-25		Budget Deficit/Surplus (PHP billions)	OCT	--	--	-18.5
TH	NOV 20-25		Customs Exports (YoY)	OCT	9.5	9.8	19.1
TH	NOV 20-25		Customs Imports (YoY)	OCT	30.1	29.2	41.9
TH	NOV 20-25		Customs Trade Balance (USD millions)	OCT	-510.0	-498.0	238.2
JN	11/21		Coincident Index CI	SEP F	--	--	88.9
JN	11/21		Leading Index CI	SEP F	--	--	91.6
TA	11/21	03:00	Export Orders (YoY)	OCT	--	3.8	2.7
TA	11/21	03:20	Current Account Balance (USD millions)	3Q	--	9600.0	9015.0
CH	NOV 21-25		HSBC Flash China Manufacturing PMI	NOV	--	--	0.00
HK	11/22	03:30	CPI - Composite Index (YoY)	OCT	--	--	5.8
AU	11/22	18:00	Conference Board Leading Index	SEP	--	--	-0.1
TA	11/23	03:00	Industrial Production (YoY)	OCT	--	2.5	1.6
MA	11/23	04:00	CPI (YoY)	OCT	--	--	3.4
SK	11/23	16:00	SK Consumer Confidence	NOV	--	--	100.0
NZ	11/23	16:45	Trade Balance (NZD millions)	OCT	--	-450.0	-751.0
NZ	11/23	16:45	Exports (NZD billions)	OCT	--	3.8	3.4
NZ	11/23	16:45	Imports (NZD billions)	OCT	--	4.3	4.2
HK	11/24	03:30	Exports (YoY)	OCT	--	--	-3.0
HK	11/24	03:30	Imports (YoY)	OCT	--	--	2.3
HK	11/24	03:30	Trade Balance (HKD billions)	OCT	--	--	-40.0
TA	11/24	04:00	GDP - Constant Prices (YoY)	3Q F	--	3.4	3.4
JN	11/24	18:30	Tokyo CPI (YoY)	NOV	-0.3	-0.5	-0.5
JN	11/24	18:30	Tokyo CPI Ex-Fresh Food (YoY)	NOV	--	-0.3	-0.4
JN	11/24	18:30	Natl CPI (YoY)	OCT	0.0	-0.1	0.0
JN	11/24	18:30	Natl CPI Ex-Fresh Food (YoY)	OCT	--	-0.1	0.2
JN	11/24	18:30	Natl CPI Ex Food, Energy (YoY)	OCT	--	-0.9	-0.4
PH	11/24	20:00	Total Imports (YoY)	SEP	--	--	10.4
PH	11/24	20:00	Trade Balance (USD millions)	SEP	--	--	-804.0
CH	11/24	20:35	MNI November Business Condition Survey				
CH	NOV 24-28		Leading Index	OCT	--	--	100.4
TH	NOV 24-28		Total Capacity Utilization ISIC (%)	OCT	--	--	65.4
TH	NOV 24-28		Mfg. Production Index ISIC (SA)	OCT	--	--	188.6

Forecasts at time of publication.

Source: Bloomberg, Scotia Economics.

Key Indicators for the week of November 19 - 25

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	11/21	08:00	Trade Balance (FOB) - Weekly (USD millions)	20-Nov	--	--	1575.0	
BZ	NOV 21-25		Economic Activity Index (MoM) SA	SEP	--	--	0.0	
BZ	NOV 21-25		Economic Activity Index (YoY) NSA	SEP	--	--	1.2	
BZ	11/22	05:00	FGV Preview Inflation IGP-M (MoM)	21-Nov	--	--	0.37	
BZ	11/22	07:30	Current Account - Monthly (USD millions)	OCT	--	--	-2200.4	
BZ	11/23	06:00	IBGE CPI IPCA-15 (MoM)	NOV	--	0.5	0.4	
BZ	11/23	07:30	Outstanding Loans (MoM)	OCT	--	--	2.1	
BZ	11/24	06:00	Unemployment Rate (%)	OCT	--	5.9	6.0	
BZ	11/25	05:00	FGV Consumer Confidence	NOV	--	--	115.2	
CO	11/25		Overnight Lending Rate		4.50	4.75	4.50	

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

Global Auctions for the week of November 19 - 25

North America

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	11/21	11:00	U.S. Fed to Sell USD8.00-8.75 Bln Notes
US	11/21	11:30	U.S. to Sell 3-Month Bills
US	11/21	11:30	U.S. to Sell 6-Month Bills
US	11/21	13:00	U.S. to Sell 2-Year Notes
US	11/21	14:00	U.S. Fed to Sell USD8.00-8.75 Bln Notes
CA	11/22	10:30	Canada to Sell CAD5.5 Bln 98-Day Bills
CA	11/22	10:30	Canada to Sell CAD2.1 Bln 182-Day Bills
CA	11/22	10:30	Canada to Sell CAD2.1 Bln 364-Day Bills
US	11/22	11:00	U.S. Fed to Purchase USD4.25-5.00 Bln Notes/Bonds
US	11/22	11:30	U.S. to Sell 4-Week Bills
US	11/22	13:00	U.S. to Sell 5-Year Notes
US	11/22	14:00	U.S. Fed to Purchase USD2.25-2.75 Bln Notes/Bonds
CA	11/23	12:00	Canada to Sell 5-Year Notes
US	11/23	13:00	U.S. to Sell 7-Year Notes

Europe

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
NE	11/21	06:00	Netherlands to Sell Bills
FR	11/21	09:00	France to Sell Bills
SP	11/22	04:30	Spain to Sell 3M and 6M Bills
SZ	11/22	05:30	Switzerland to Sell 6-Month Bills
NE	11/22	06:00	Netherlands to Sell Up to EUR3 Bln 1% 2014 bond
SW	11/23	05:10	Sweden to Sell Bills
GE	11/23	05:15	Germany to Sell EU6 Bln 10-Year Notes
SW	11/24	05:10	Sweden to Sell I/L Bonds
IT	11/25	05:00	Italy to Sell Bills & Zero Coupon Notes
UK	11/25	06:10	U.K. to Sell Bills

Asia Pacific

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CH	11/20	22:00	Zhejiang Muni to Sell CNY3.3 Bln 3-Year Bonds
CH	11/20	22:00	Zhejiang Muni to Sell CNY3.4 Bln 5-Year Bonds
JN	11/20	22:35	Japan to Sell 2-Month Bills
AU	11/21	19:00	Australia to Sell Treasury Indexed Bonds
JN	11/21	22:35	Japan to Sell 3-Month Bills
JN	11/21	22:45	Japan to Sell 20-Year Bond
CH	11/22	22:00	China to Sell 7 Year Bond

Source: Bloomberg, Scotia Economics.

Events for the week of November 19 - 25

North America

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	11/21	14:30	Fed's Lockhart to Speak on Economy in Brazil
FI	11/22	08:00	Nobel Winner Joseph E. Stiglitz Speaks in Helsinki, Finland
US	11/22	13:00	Fed's Kocherlakota Speaks in Winnipeg, Manitoba
US	11/22	14:00	Fed Releases Minutes from Nov. 1-2 FOMC Meeting
CA	11/23	12:25	Bank of Canada Governor Carney speaks in Montreal
CA	11/23		Ontario Finance Minister Duncan Gives Fall Economic Statement
CA	11/25	11:30	David Dodge, Felix Chee Speak in Alberta

Europe

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
SP	11/20		Spain Holds General Election
IR	11/21	07:45	ECB's Stark Speaking in Dublin
PO	11/21	14:00	Portugal Year-to-Date Budget Report
EC	11/21		EU Foreign Ministers Meet in Brussels
EC	11/22	11:00	ECB's Coene Speaks at Financial Forum Conference in Brussels
EC	11/22	11:00	EU's Barroso Speaks at Beer Serves Europe Event in Brussels
GE	11/22	12:30	Schaeuble, Blessing, Fuest Speak on Euro Debt Crisis, Berlin
UK	11/22	19:00	Bank of England Financial Policy Committee Holds Meeting
UK	11/23	04:30	Bank of England Releases Monetary Policy Committee Minutes
EC	11/23	06:00	EU's Rehn Issues Consultation Paper on Euro Bonds
PO	11/25	05:00	Portugal's Parliament to Discuss 2012 Budget Proposal

Asia Pacific

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
AU	11/20	22:00	RBA's Debelle Speaks to Securitization Forum in Sydney
CH	NOV 22-25		China Refining Summit 2011
AU	11/24	04:20	RBA's Stevens Addresses Economic Outlook Conference in Sydney

Latin America

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CO	11/25		Overnight Lending Rate

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	December 6, 2011	1.00	--
Federal Reserve – Federal Funds Target Rate	0.25	December 13, 2011	0.25	--
Banco de México – Overnight Rate	4.50	December 2, 2011	4.50	--

Canadian inflation started to moderate in October after rising once again over the past few months, suggesting that the BoC has room to remain on hold in the current environment. Indeed, we continue to forecast a 1.0% overnight rate through the end of this year. In the U.S., a plethora of FOMC members (voting, alternate and non-voting) hit the road this week, clarifying their views on monetary policy and highlighting once again the sharp division within the Fed.

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	1.25	December 8, 2011	1.25	--
Bank of England – Bank Rate	0.50	December 8, 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	November 25, 2011	8.25	8.25
Hungarian National Bank – Base Rate	6.00	November 29, 2011	6.00	6.00
Central Bank of the Republic of Turkey – 1 Week Repo Rate	5.75	November 23, 2011	5.75	5.75

We expect the central bank of Turkey to maintain its reference rate unchanged at 5.75% next week. Despite some signs of nascent economic cooling (unemployment up, consumer confidence down), the current account deficit widened in September - bringing the 12-month moving average to a record US\$77.6 billion (equivalent to roughly 12% of GDP) - and inflationary pressures intensified in October. The headline rate picked up to 7.7% y/y in October from 6.2% in September, while the core rate, which has been accelerating throughout 2011, reached 7.7% in October. Nonetheless, the Turkish government has indicated its preference for zero real interest rates in the economy, and is likely influencing monetary policymakers, who have opted to employ alternative policy tools, such as reserve requirements, rather than increased interest rates to rein in credit growth. The Russian central bank will likely also hold monetary policy rates steady next week, on the back of manageable inflationary pressures and an expected slowdown in economic activity in the coming quarters.

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	December 21, 2011	0.10	--
Reserve Bank of Australia – Cash Target Rate	4.50	December 5, 2011	4.50	4.50
Reserve Bank of New Zealand – Cash Rate	2.50	December 7, 2011	2.50	2.50
People's Bank of China – Lending Rate	6.56	TBA	--	--
Reserve Bank of India – Repo Rate	8.50	December 16, 2011	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	January 31, 2012	3.00	--
Bank of Korea – Bank Rate	3.25	December 7, 2011	3.25	--
Bank of Thailand – Repo Rate	3.50	November 30, 2011	3.50	--
Bank Indonesia – Reference Interest Rate	6.00	December 8, 2011	6.50	--
Central Bank of the Philippines – Overnight Policy Rate	4.50	December 1, 2011	4.50	--

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	11.00
Banco Central de Chile – Overnight Rate	5.25	December 13, 2011	5.25	--
Banco de la República de Colombia – Lending Rate	4.50	November 25, 2011	4.50	4.75
Banco Central de Reserva del Perú – Reference Rate	4.25	December 7, 2011	4.25	--

We expect the central bank of Colombia to maintain its monetary policy stance unchanged and leave the reference rate at 4.50%, despite the recent spike in prices. Colombian inflation increased to 4.02% y/y in October from 3.7% y/y in September and it now stands at the upper end of the central bank's target band (2-4%). Inflationary pressures are being fed by food and transportation, reflecting still strong local demand.

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	TBA	5.50	--

Forecasts at time of publication.

Source: Bloomberg, Scotia Economics.

Forecasts as at November 3, 2011*

	2000-09	2010	2011f	2012f	2000-09	2010	2011f	2012f
Output and Inflation (annual % change)								
Real GDP								
Consumer Prices²								
World ¹	3.6	5.1	3.8	3.2				
Canada	2.1	3.2	2.2	1.7	2.1	1.8	2.9	1.7
United States	1.7	3.0	1.8	1.7	2.6	1.6	3.0	2.0
Mexico	1.7	5.4	3.7	2.9	4.9	4.4	3.4	4.0
United Kingdom	1.9	1.8	0.8	0.8	1.9	3.7	4.5	2.1
Euro zone	1.4	1.8	1.5	0.3	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	7.8	3.0	3.5	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
Central Bank Rates (% end of period)	11Q1	11Q2	11Q3	11Q4f	12Q1f	12Q2f	12Q3f	12Q4f
Bank of Canada	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
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	1.25	1.00	1.00	1.00	1.00
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	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50
Exchange Rates (end of period)								
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	6.3	6.2	6.1	6.1
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
Commodities (annual average)	2000-09	2010	2011f	2012f				
WTI Oil (US\$/bbl)	51	79	92	92				
Brent Oil (US\$/bbl)	50	80	112	112				
Nymex Natural Gas (US\$/mmbtu)	5.95	4.40	4.25	4.50				
Copper (US\$/lb)	1.78	3.42	4.00	4.00				
Zinc (US\$/lb)	0.73	0.98	0.99	0.99				
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	977	973				
Newsprint (US\$/tonne)	572	607	640	680				
Lumber (US\$/mfbm)	275	254	255	260				

¹ 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.

² 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) for additional forecasts & commentary.

Canada	2010	11Q2	11Q3	Latest	United States	2010	11Q2	11Q3	Latest
Real GDP (annual rates)	3.2	-0.4			Real GDP (annual rates)	3.0	1.3	2.5	
Current Acc. Bal. (C\$B, ar)	-50.9	-61.3			Current Acc. Bal. (US\$B, ar)	-471	-472		
Merch. Trade Bal. (C\$B, ar)	-9.0	-14.7	1.9	15.0 (Sep)	Merch. Trade Bal. (US\$B, ar)	-646	-762	-724	-707 (Sep)
Industrial Production	4.9	2.3		3.1 (Aug)	Industrial Production	5.3	3.8	3.4	3.9 (Oct)
Housing Starts (000s)	192	192	205	208 (Oct)	Housing Starts (millions)	0.58	0.57	0.61	0.63 (Oct)
Employment	1.4	1.6	1.5	1.3 (Oct)	Employment	-0.8	0.9	1.1	1.1 (Oct)
Unemployment Rate (%)	8.0	7.5	7.2	7.3 (Oct)	Unemployment Rate (%)	9.6	9.1	9.1	9.0 (Oct)
Retail Sales	5.5	4.1		3.9 (Aug)	Retail Sales	6.8	8.1	8.2	7.3 (Oct)
Auto Sales (000s)	1561	1574	1602	1586 (Sep)	Auto Sales (millions)	11.6	12.1	12.4	13.2 (Oct)
CPI	1.8	3.4	3.0	2.9 (Oct)	CPI	1.6	3.4	3.8	3.5 (Oct)
IPPI	1.0	5.1	5.2	-5.3 (Sep)	PPI	4.2	6.9	6.9	5.9 (Oct)
Pre-tax Corp. Profits	21.2	14.8			Pre-tax Corp. Profits	25.0	1.3		
Mexico					Brazil				
Real GDP	5.4	3.3			Real GDP	6.7	2.7		
Current Acc. Bal. (US\$B, ar)	-5.7	-10.4			Current Acc. Bal. (US\$B, ar)	-47.4	-43.4	-42.2	
Merch. Trade Bal. (US\$B, ar)	-3.0	5.7	-15.3	-22.0 (Sep)	Merch. Trade Bal. (US\$B, ar)	20.2	39.3	40.3	28.3 (Oct)
Industrial Production	6.0	3.5	3.4	3.6 (Sep)	Industrial Production	10.5	0.6	0.1	-1.6 (Sep)
CPI	4.2	3.3	3.4	3.2 (Oct)	CPI	5.1	6.5	7.1	6.9 (Oct)
Chile					Italy				
Real GDP	5.2	6.6	4.8		Real GDP	1.2	0.8		
Current Acc. Bal. (US\$B, ar)	3.0	1.0	-11.6		Current Acc. Bal. (US\$B, ar)	-0.07	-0.08	-0.04	-0.06 (Sep)
Merch. Trade Bal. (US\$B, ar)	11.6	14.8	3.6	10.0 (Oct)	Merch. Trade Bal. (US\$B, ar)	-39.1	-45.6	-18.6	-30.4 (Sep)
Industrial Production	0.5	7.8	2.4	5.0 (Sep)	Industrial Production	6.5	1.8	0.1	-1.9 (Sep)
CPI	1.4	3.3	3.1	3.7 (Oct)	CPI	1.6	2.7	2.9	3.4 (Oct)
Germany					France				
Real GDP	3.6	2.9	2.6		Real GDP	1.4	1.6	1.6	
Current Acc. Bal. (US\$B, ar)	187.6	156.6	168.0	259.1 (Sep)	Current Acc. Bal. (US\$B, ar)	-44.5	-81.9	-48.6	-71.4 (Sep)
Merch. Trade Bal. (US\$B, ar)	201.9	212.0	226.1	252.2 (Sep)	Merch. Trade Bal. (US\$B, ar)	-38.8	-52.0	-48.1	-54.9 (Sep)
Industrial Production	10.1	8.1	8.1	5.4 (Sep)	Industrial Production	4.6	2.0	3.4	2.3 (Sep)
Unemployment Rate (%)	7.7	7.1	7.0	7.0 (Oct)	Unemployment Rate (%)	9.8	9.7	9.9	9.9 (Sep)
CPI	1.1	2.3	2.5	2.5 (Oct)	CPI	1.5	2.1	2.1	2.3 (Oct)
Euro Zone					United Kingdom				
Real GDP	1.7	1.6	1.3		Real GDP	1.8	0.6	0.5	
Current Acc. Bal. (US\$B, ar)	-77	-120		-109 (Aug)	Current Acc. Bal. (US\$B, ar)	-56.9	-12.2		
Merch. Trade Bal. (US\$B, ar)	32.0	-15.3		-53.6 (Aug)	Merch. Trade Bal. (US\$B, ar)	-152.4	-160.1	-174.8	-185.9 (Sep)
Industrial Production	7.4	4.2	4.1	2.8 (Sep)	Industrial Production	1.9	-0.8	-0.8	-0.8 (Sep)
Unemployment Rate (%)	10.0	9.9	10.1	10.2 (Sep)	Unemployment Rate (%)	7.9	7.8		8.3 (Aug)
CPI	1.6	2.8	2.7	3.0 (Oct)	CPI	3.3	4.4	4.7	5.0 (Oct)
Japan					Australia				
Real GDP	4.1	-1.0	-0.2		Real GDP	2.7	1.4		
Current Acc. Bal. (US\$B, ar)	195.9	75.4	153.5	247.5 (Sep)	Current Acc. Bal. (US\$B, ar)	-32.9	-22.4		
Merch. Trade Bal. (US\$B, ar)	74.6	-52.6	-21.4	-3.4 (Sep)	Merch. Trade Bal. (US\$B, ar)	19.3	50.2	43.0	43.6 (Sep)
Industrial Production	16.6	-7.0	-2.0	-3.4 (Sep)	Industrial Production	4.5	-3.3		
Unemployment Rate (%)	5.1	4.6	4.4	4.1 (Sep)	Unemployment Rate (%)	5.2	4.9	5.2	5.2 (Oct)
CPI	-0.7	-0.4	0.1	0.0 (Sep)	CPI	2.8	3.6	3.5	
China					South Korea				
Real GDP	10.4	9.5	9.1		Real GDP	6.2	3.4	3.4	
Current Acc. Bal. (US\$B, ar)	305.4				Current Acc. Bal. (US\$B, ar)	28.2	22.0	28.7	37.2 (Sep)
Merch. Trade Bal. (US\$B, ar)	181.5	186.0	250.8	204.4 (Oct)	Merch. Trade Bal. (US\$B, ar)	41.2	33.3	26.4	51.5 (Oct)
Industrial Production	13.5	15.1	13.8	13.2 (Oct)	Industrial Production	16.6	6.7	5.4	5.6 (Sep)
CPI	4.6	6.4	6.1	5.5 (Oct)	CPI	3.0	4.2	4.8	3.9 (Oct)

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

Source: Bloomberg, Scotia Economics.

Interest Rates (% , end of period)

Canada	11Q2	11Q3	Nov/11	Nov/18*	United States	11Q2	11Q3	Nov/11	Nov/18*
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	0.90	0.89	3-mo. T-bill	0.01	0.02	0.00	0.00
10-yr Gov't Bond	3.11	2.16	2.13	2.14	10-yr Gov't Bond	3.16	1.92	2.06	2.00
30-yr Gov't Bond	3.55	2.77	2.75	2.74	30-yr Gov't Bond	4.37	2.91	3.13	3.00
Prime	3.00	3.00	3.00	3.00	Prime	3.25	3.25	3.25	3.25
FX Reserves (US\$B)	62.3	63.5	63.5	(Sep)	FX Reserves (US\$B)	136.6	137.4	137.4	(Sep)
Germany					France				
3-mo. Interbank	1.51	1.51	1.43	1.40	3-mo. T-bill	1.18	0.38	0.49	0.50
10-yr Gov't Bond	3.03	1.89	1.89	1.96	10-yr Gov't Bond	3.41	2.60	3.39	3.46
FX Reserves (US\$B)	66.0	66.9	66.9	(Sep)	FX Reserves (US\$B)	60.3	51.8	51.8	(Sep)
Euro-Zone					United Kingdom				
Refinancing Rate	1.25	1.50	1.25	1.25	Repo Rate	0.50	0.50	0.50	0.50
Overnight Rate	1.72	1.46	0.74	0.71	3-mo. T-bill	4.85	4.85	4.85	4.85
FX Reserves (US\$B)	317.2	311.1	311.1	(Sep)	10-yr Gov't Bond	3.38	2.43	2.29	2.25
Japan					FX Reserves (US\$B)	79.7	78.9	78.9	(Sep)
Discount Rate	0.30	0.30	0.30	0.30	Australia				
3-mo. Libor	0.13	0.13	0.13	0.14	Cash Rate	4.75	4.75	4.75	4.50
10-yr Gov't Bond	1.14	1.03	0.97	0.95	10-yr Gov't Bond	5.21	4.22	4.14	3.99
FX Reserves (US\$B)	1100.8	1160.7	1160.7	(Sep)	FX Reserves (US\$B)	40.3	39.7	39.7	(Sep)

Exchange Rates (end of period)

USDCAD	0.96	1.05	1.01	1.03	¥/US\$	80.56	77.06	77.20	76.96
CADUSD	1.04	0.95	0.99	0.97	US\$/Australian\$	107.22	96.62	102.76	100.32
GBPUSD	1.605	1.558	1.607	1.578	Chinese Yuan/US\$	6.46	6.38	6.34	6.36
EURUSD	1.450	1.339	1.375	1.351	South Korean Won/US\$	1068	1178	1127	1139
JPYEUR	0.86	0.97	0.94	0.96	Mexican Peso/US\$	11.714	13.897	13.540	13.701
USDCHF	0.84	0.91	0.90	0.92	Brazilian Real/US\$	1.563	1.879	1.744	1.782

Equity Markets (index, end of period)

United States (DJIA)	12414	10913	12154	11800	U.K. (FT100)	5946	5128	5545	5363
United States (S&P500)	1321	1131	1264	1216	Germany (Dax)	7376	5502	6057	5800
Canada (S&P/TSX)	13301	11624	12277	11929	France (CAC40)	3982	2982	3149	2997
Mexico (Bolsa)	36558	33503	37556	36356	Japan (Nikkei)	9816	8700	8514	8375
Brazil (Bovespa)	62404	52324	57322	56564	Hong Kong (Hang Seng)	22398	17592	19137	18491
Italy (BCI)	1039	796	821	822	South Korea (Composite)	2101	1770	1863	1839

Commodity Prices (end of period)

Pulp (US\$/tonne)	1035	970	950	950	Copper (US\$/lb)	4.22	3.23	3.38	3.44
Newsprint (US\$/tonne)	640	640	640	640	Zinc (US\$/lb)	1.05	0.86	0.85	0.87
Lumber (US\$/mfbm)	237	240	222	234	Gold (US\$/oz)	1505.50	1620.00	1773.00	1719.00
WTI Oil (US\$/bbl)	95.42	79.20	98.99	98.15	Silver (US\$/oz)	35.02	30.45	33.77	32.25
Natural Gas (US\$/mmbtu)	4.37	3.67	3.58	3.34	CRB (index)	338.05	298.15	320.20	313.47

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

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