

## US & Canadian Monetary Policy & Capital Markets

- The Bank of Canada is forecast to cut twice in 2020.
- The Federal Reserve may not be done cutting as the balance sheet expands.
- US and Canadian inflation risks are tilted lower.

### 1. BANK OF CANADA—EASING IS COMPATIBLE WITH INFLATION GOALS

Two rate cuts are forecast in 2020 with our current placement anticipating them to occur in the first half of the year after which the overnight rate is expected to hold at 1.25%. Chart 1 shows our yield curve projections. The crux of the argument that follows is that to ease monetary policy would not be inconsistent with inflation presently being on target.

- A significant part of the reason that inflation landed on the 2% target in 2019 had to do with a series of idiosyncratic drivers that may prove to be transitory and that have nothing to do with economy-wide slack or the lack thereof;
- As slack nevertheless widens, this should marginally combine with the reversal of these more dominant temporary factors to put renewed downside pressure on inflation in 2020;
- From a risk management standpoint, the BoC should err on the side of easing when downside risks to inflation surface given its weak track record at forecasting inflation;
- The way the BoC has implemented policy measures suggests to economists, markets and businesses that 2% is an inflation ceiling as opposed to a symmetrical target implemented in what the BoC used to describe more commonly as a flexible inflation targeting framework. This tendency to act like it's a ceiling risks unmooring full-cycle inflation expectations—with some supporting evidence—and poses greater vulnerability to future shocks.

Secondary to the inflation argument for easing are four other matters that are addressed below. Amidst shaken consumer confidence due to financial stress and a weakened jobs trend, rate cuts could re-inject fresh confidence.

### A. Inflation's Transitory and Idiosyncratic Drivers

The BoC has tended to argue that inflation around 2% is a signal that the economy is running at or very near full capacity. An alternative explanation is that inflation is being driven by a variety of idiosyncratic factors that may be transitory and that have nothing to do with slack or the lack thereof.

For starters, the connection between 'core' inflation and output gaps is tenuous at best. Chart 2 shows the BoC's two output gap measures and the average of the three 'core' measures of inflation. There is a broad connection over time but it is too strong a statement that if inflation is on target then it must be that spare capacity has been eroded. That's particularly since estimating potential growth is highly imprecise and hence so are slack estimates.

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Chart 1

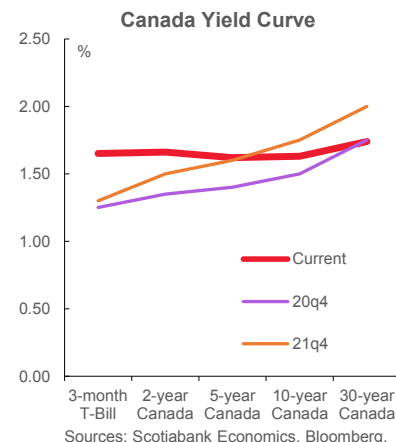


Chart 2

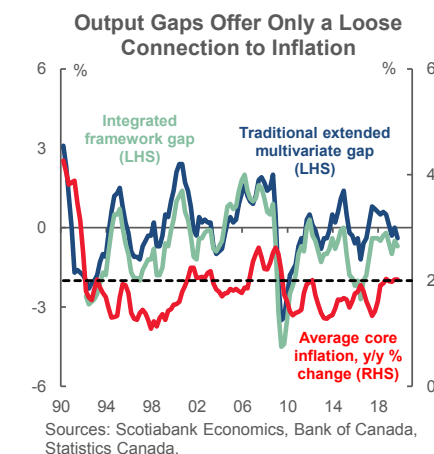
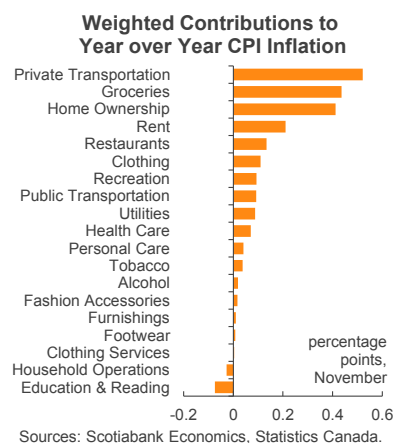


Chart 3



Secondly, chart 3 shows the main drivers of annual CPI inflation as a segue into discussing potentially idiosyncratic drivers. Autos, gasoline, groceries, and home ownership costs including house prices and mortgage interest are the top drivers of inflation. Each of them potentially has little to nothing to do with broad slack conditions and much more to do with industry-specific drivers.

Take grocery prices for example. On a weighted contribution to overall CPI inflation basis, groceries rank as the second biggest driver. [This](#) annual report explains sources of food price pressures in terms of idiosyncratic factors like African swine fever's impact upon global pork supply, the impact of trade war frictions on supply chains, the impact on vegetable prices of E.Coli outbreaks and the impact of supply chain disruptions on beef prices. Whether such effects on grocery prices are transitory or not is uncertain, but they have little to do with broad economy-wide capacity pressures.

Or take the impact of past depreciation in the Canadian dollar on auto prices (chart 4) which has contributed to the biggest weighted contribution to overall CPI inflation. There is a one year lagged effect between changes in the dollar and auto prices when new models are introduced; as CAD appreciated this past year, there should be less auto price inflation in 2020.

Or take the impacts of past rate hikes by the BoC on mortgage interest costs (chart 5) and the likelihood that this factor drops out as a driver of rising home ownership costs in 2020.

Further, the replacement cost component of the owned accommodation portion of shelter costs in CPI is driven by the 'house only' part of StatsCan's new house price index. As the latter has seen an abrupt ebbing in the pace of increase over the past year, the historical lagged effects point to downside risks to the owned accommodation part of CPI into 2020 (chart 6). Note that house price contributions to Canadian CPI are derived from builder prices and not resale prices.

The same transitory idiosyncratic argument may be true for gas price inflation this year off of low prior base effects but pending further evaluation of risks to energy markets that are discussed later (chart 7).

**The large weighted roles played by several idiosyncratic drivers of inflation are probably not adequately filtered out by the 'core' measures of inflation.** For instance, the latest month-ago change in the trimmed mean CPI gauge included several of these arguably idiosyncratic components (chart 8). They likely combine to play a significant role in driving inflation to the BoC's target. If they weaken, which is quite plausible, then achieving the BoC's 2% inflation target may itself be a transitory accomplishment.

Chart 4

#### Auto Price Inflation Bottoming on Currency Pass-through Effects

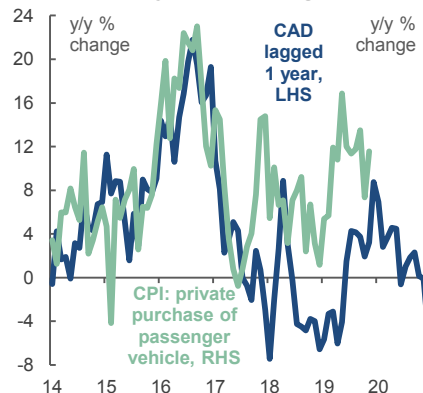


Chart 5

#### Canadian Mortgage Interest in CPI and the BoC Rate

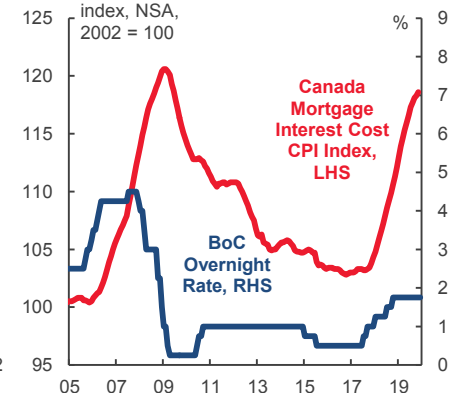


Chart 6

#### Ebbing New House Prices Point to Less Inflation

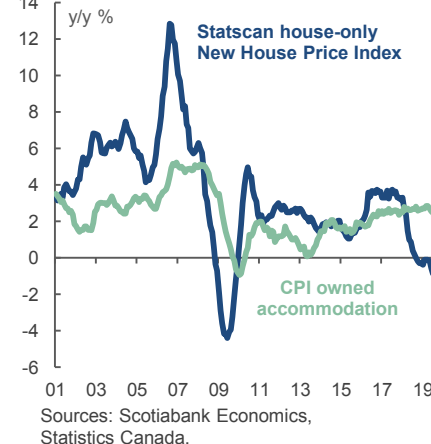
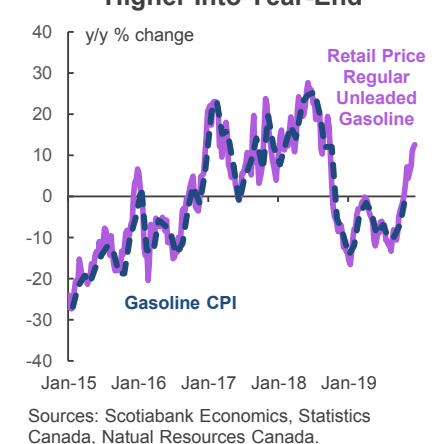


Chart 7

#### Gas Prices Will Drag CPI Higher Into Year-End



## B. Canada Is Building Slack Again

What reinforces downside risk to inflation is the possibility that as transitory drivers diminish, widening slack in the economy could sap pricing power. Economic growth over the second half of 2019 averaged below the BoC's estimate of potential growth that is required to soak up production inputs and preserve stable inflation. Our forecast is for GDP growth to equal about 1.5% in 2020 with possible downside risk which would ride roughly in tandem to potential growth or below it such that, at a minimum, widened slack by the end of 2019 persists over 2020. Household finances are strained and manufacturers and wholesalers have the highest inventory bloat since the 2009 recession which portends slowing production growth and likely slowing hiring activity with it.

## C. Restoring Credibility to a Symmetrical Inflation Target

In a risk management sense, the BoC should place greater emphasis upon downside risks—like the ones discussed thus far—than upside risks to inflation given it has perennially over-predicted inflation in the past.

Enter chart 9. A very well established pattern is that the BoC constantly forecasts a return to 2% inflation within its projection period but almost never achieves it. Each dotted line shows the inflation forecast contained within successive Monetary Policy Reports over the years. The solid line is the actual trend in inflation. Note that average 'core' inflation fell below the 2% inflation target during 90% of the months during Governor Poloz's term as Governor. **If one's forecast bias has been to persistently predict inflation to be too high, then adopting a more cautious policy stance has merit.**

## D. Inflation Expectations

A potentially dangerous unmooring of inflation expectations is occurring in Canada and it may be time for the BoC to return to emphasizing the flexible inflation targeting approach that it utilized toward the start of the decade. This may be a direct offshoot of the BoC's inability to sustainably achieve 2% inflation. Over Governor Poloz's term, average core inflation has run at about 1.7% y/y which is identical to the average over the slightly longer post-recession period since 2010. Just as inflation arrived at the 2% inflation target, the BoC has rung the all clear and declared the economy 'home', defined as a point at which supply and demand are balanced, slack has disappeared and stable prices are evident.

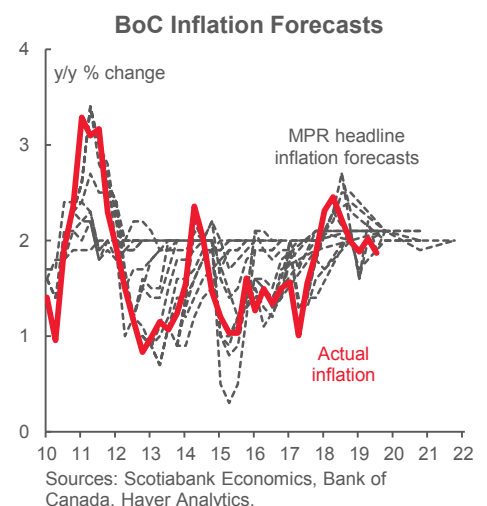
**How do measures of inflation expectations behave in light of this approach?** All measures of inflation expectations have their pros and cons, but they all suggest that the BoC's inflation target range is skewed to the lower 1–2% half of its 1–3% band. Bond market measures are below 2% (chart 10). Businesses don't believe 2% will be hit (chart 11). The consensus of private sector economists is the most optimistic, but a) it may suffer from the same inflation over-forecasting bias as the BoC, and b) the Bloomberg consensus only projects 1.9–2.0% inflation over 2020–21 and nothing higher.

Now here lies the rub. When the Bank speaks of having returned to 'home' and signals that it is content with inflation at 2%, it implicitly signals to markets, households and businesses that 2% is a ceiling. By corollary, **it comes to be believed that average inflation over the cycle is being targeted at something materially**

Chart 8



Chart 9



**below 2%.** This can mean that businesses, consumers and governments start to believe that wage- and price-setting exercises over the full cycle should be something below a 2% inflation and overall cost of living estimate. Measures of inflation expectations would appear to confirm this.

Does it matter? Probably. The lower inflation gets, the less of an unanticipated shock to the economy it takes to get deflation which is the worst overall scenario for the economy in that businesses and consumers put off spending plans in anticipation of lower prices in a self-fulfilling and damaging feedback loop.

**Downside risks to inflation, a poor track record at forecasting it and potentially unmoored inflation expectations combine to counsel an easing bias.**

### E. Other Considerations

The crux of the easing argument is rooted in the inflation targeting framework, but other arguments are also briefly addressed.

### F. (i) A Softening Job Market

If job growth faces downside risk then that's a significant risk to the strained consumer sector and housing markets. In turn, this may merit easier financial conditions.

There is no doubt that Canada's job market has been on a tear since mid-2016 when job growth began to accelerate. It has performed more strongly than the US job market over this time. More recent trends across the three main measures of job growth are nevertheless indicating somewhat greater caution on average (chart 12). It's feasible that job growth overshoot what should have occurred in the context of soft trend growth in GDP over recent years and that the historical connections between the two measures will weaken job markets. This relationship is referred to as Okun's 'law' which posits that the historical connection between GDP growth and job growth is dragging job growth downward (chart 13).

A similar argument may hold in terms of wage growth. A weak pace of wage growth a year ago played a significant role in driving an overshoot of wage growth at present. Month-over-month gains were nevertheless quite strong over the middle of 2019 but may have since settled back down (chart 14). If monthly gains have slowed then when tacked onto this past year's strong gains, the pace of wage growth may abruptly slow in 2020. More disconcerting is that wage gains at the present rate are not backed by productivity gains casts doubt on the sustainability of wage pressures.

Chart 10



Chart 11

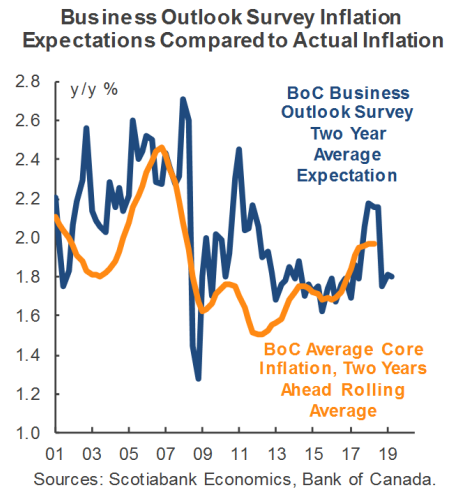


Chart 12

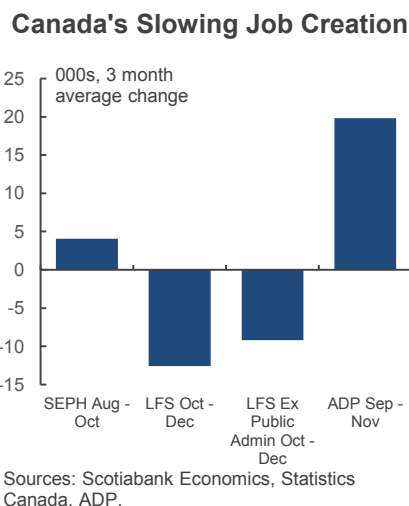


Chart 13

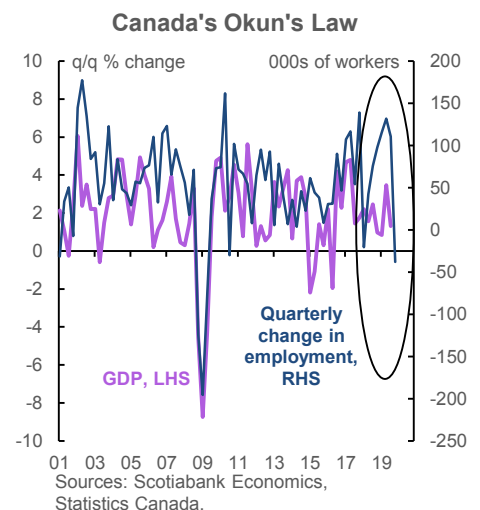
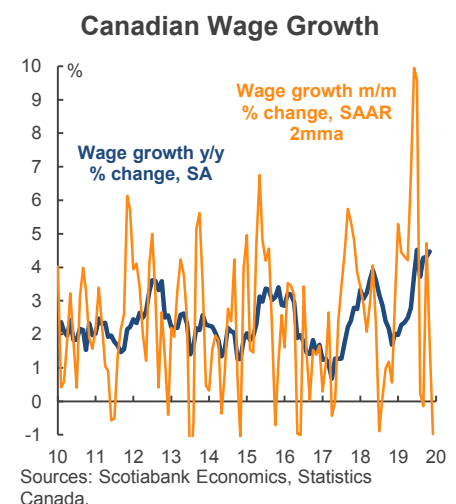


Chart 14



## F. (ii) What Fiscal Stimulus?

If there is a sense that fiscal stimulus can take over from monetary policy into 2020 then such beliefs should arguably be put to rest.

For one thing, incremental Federal fiscal stimulus has been focused upon a small increase in the Basic Personal Amount as a small tax cut. We estimate the incremental effect on economic growth to be small—at around a tenth of a percentage point into 2020 or less—and transitory (chart 15). Go [here](#) for more.

For another, this small amount of Federal stimulus is offset by near-universal fiscal consolidation across provincial governments and by an increase in Canada Pension Plan premiums that took effect at the beginning of 2020.

Third, Canada is projected to run deficits of 1.2% of GDP in FY20 and FY21 before they gradually diminish in subsequent years. Almost a third of this is not stimulatory, and is instead due to actuarial accounting for pension obligations. Recession risk would materially widen deficits given the Finance Department's estimate that each 1% shock to nominal GDP adds \$5 billion to the deficit. Peak-to-trough NGDP growth involved a swing of eight percentage points in the early 1990s, over 10% in the early 2000s and about 15% in 2008–09. The federal government is not likely to materially pre-spend fiscal room much further as it could well expose the country to downside risk to its AAA credit rating—which the Finance Minister is explicitly mandated to protect—and risk pro-cyclical future belt-tightening that by practical necessity would focus upon the middle class.

**Last, perhaps unlike some other parts of the world, Canada has room to act with monetary policy as a first line of defense relative to fiscal policy.** In fact, many economists—likely including those at the BoC—believe that fiscal policy is likely to prove more powerful when the policy rate is toward the lower bound. Politically, it may also be unfeasible for the Federal Government to launch material fiscal stimulus without the BoC leading the way.

## F. (iii) Household Debt and Stability Risks

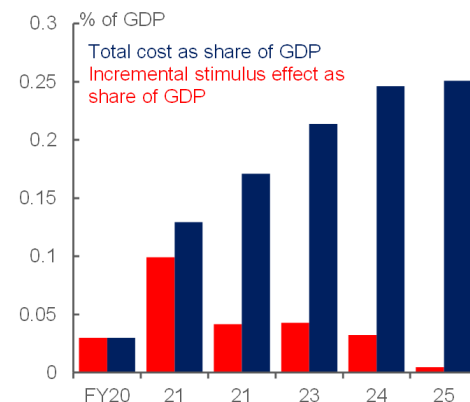
**Financial stability risks attached to easing are arguably exceeded by stability risks attached to having led households toward a low rate environment only to suddenly stop by not addressing downside risks to growth and inflation.** The household saving rate sits at about 1%, and hence a fraction of what it is in the US while debt payments are at a cyclically elevated share of household incomes versus the historic lows in the US.

As a result of strained finances, Canada has been stuck in a soft trend growth environment for retail sales and broader consumption for about the past two years. Retailers have borne the brunt of this adjustment (chart 16).

Furthermore, growth in existing home sales may have passed its peak. Sales were rising at a 1.5–3.5% monthly seasonally adjusted pace from April through to August. Over the three most recent months, sales growth has slowed to a crawl at 0.4% m/m on average even as year-ago growth rates remain elevated. Further, there was never an upswing in new home sales and absorptions as all of the arguably temporary upswing in housing was in the resale market. That in turn could have been driven by the maturation of the B20 dampening effect on home sales in 2018 that posed a soft jumping-off point for sales

Chart 15

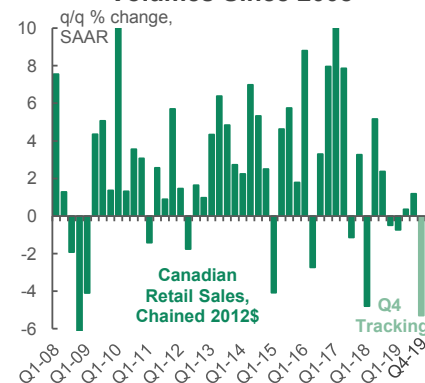
### Small Impact in the Bigger Picture



Sources: Scotiabank Economics, Finance Canada.

Chart 16

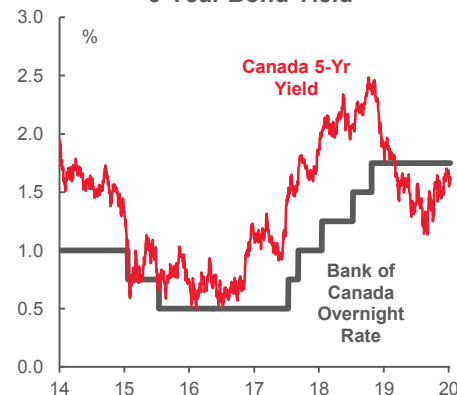
### Weakest Retail Sales Volumes Since 2008



Sources: Scotiabank Economics, Statistics Canada.

Chart 17

### Bank of Canada Overnight Rate & 5-Year Bond Yield



Sources: Scotiabank Economics, Bank of Canada, Bloomberg.



and prices this year, and also by the bond market rally that drove fixed borrowing costs consistently lower before they increased after August. Both effects are arguably mature.

Last, chart 17 repeats an argument I've previously used. Easing back in 2015 flattened the entire term structure of rates and pushed through fixed and variable rate mortgages into housing markets. This past year, Canada imported a positive bond shock derived from market-driven actions as well as actions by the Federal Reserve and ECB. That motivated the earlier pick-up in home sales. The curve nevertheless remains inverted with a policy rate at 1.75% and the 5 year GoC yield under 1.6%. **Easing today may simply remove this inverted kink, ease businesses' working capital financing requirements and push back on an appreciating C\$ over the past year.** The horse has arguably left the barn in terms of appetite for fixed rate mortgages that comprise over three-quarters of all mortgage debt in Canada and therefore it's unlikely that modest easing would spark a flood back into variable rate mortgages.

#### F. (iv) Iran and Oil

As uncertainty remains high, do higher oil prices stemming from US-Iran developments change the BoC picture? Not at this point. It's possible in future, but not in a way that is favourable to the outlook versus imposing an added downside risk to the overall Canadian economy and possibly reinforcing an easing bias. There are several supporting points.

1. The WTI moves so far are modest (+\$8 off the early October levels, only back to April 2019 levels). Brent is a similar picture that matters to the east coast projects that sell into the northeastern US and with that price back up to April levels and US\$10 higher than October. Western Canada Select—a proxy for Alberta's heavy crude—has barely budged by comparison.
2. Any more material rise in oil prices would have to be sustained. It's not clear how next steps would impact oil prices over our full forecast horizon and hence whether any gains would be transitory or longer-lived. For instance, who knows where we go from here, but for reference purposes the Gulf War popped oil prices higher for less than six months.
3. It depends upon the nature of a potential oil shock. One that is driven by demand that supports oil prices in a sharply improving world economy could be constructive to the Canadian outlook in that the energy regions benefit but the improving world picture is a favourable offset to the regions that use more expensive oil (e.g. Ontario, Quebec).

But an oil price shock led by tensions in the Middle East may be more of a supply shock with prices that could benefit Alberta and the east coast but offer a negative shock to central Canada absent a material pick-up in world growth. Shutting the Suez, for example, would hardly be favourable to the world economy, let alone Ontario and Quebec especially if accompanied by further appreciation in the partially petro-driven Canadian dollar. Heavily indebted Canadian consumers would no doubt just love higher home heating and gasoline costs and so it's the starting position on finances to when the shock is imposed that matters.

4. Further, Alberta's ability to get product out of the ground and to market is constrained and so any further gains in oil prices would be mostly a price effect with relatively little flow-through to cap-ex.

Chart 18

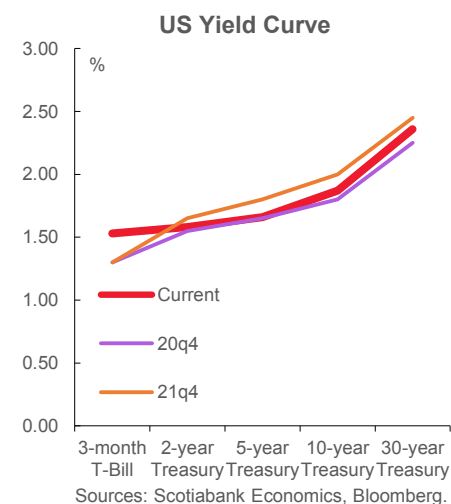


Chart 19

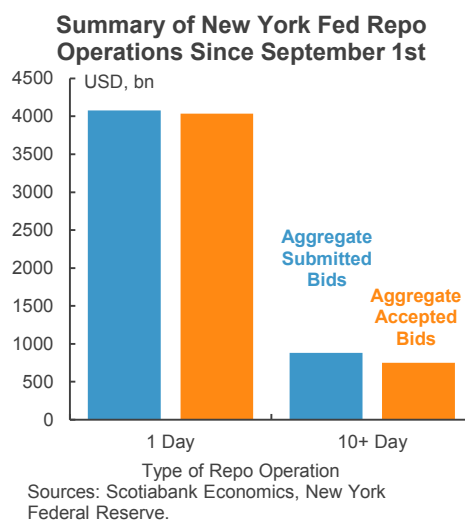
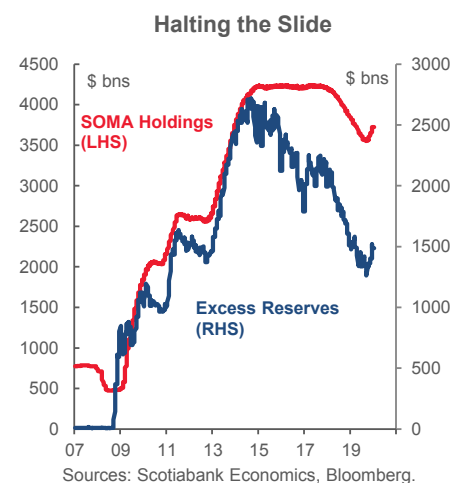


Chart 20



## 2. FEDERAL RESERVE—EASY, BUT JUST DON'T CALL THEM THAT!

The Federal Reserve is likely on an extended pause with greater risk of further rate cuts than hikes later in the year. We've retained one rate cut in our forecast to signal our concerns about risks to the inflation outlook and growth prospects plus broader policy risks, but if the Fed were to resume easing then it is likely they would go beyond this forecast marker. Rate cuts are not expected to be withdrawn over our 2020–21 forecast horizon. To prevent the real policy rate from rising and imposing tightened conditions upon the US economy, inflation risks may require nominal rate cuts. Chart 18 shows our yield curve forecasts.

### A. SO LONG, QUANTITATIVE TIGHTENING

As risks to the outlook and future potential rate cuts are evaluated, the more significant nearer-term development is the likelihood that within just a few months, the Federal Reserve will probably have fully unwound the shrinkage of its balance sheet that began in 2018. At present, the US\$4.17 trillion in assets has already reversed about 60% of the decline in the size of the balance sheet that had been induced by ending reinvestment. By Spring, it's likely that the balance sheet will be pushing back toward US\$4.5 trillion again. The Fed's prior plans to shrink the balance sheet are partially in tatters.

The balance sheet has been increased by the Fed in two primary ways that are expected to continue. One has been through the System Open Market Account (SOMA) portfolio that has climbed by over US\$160 billion since October. This has been achieved through Treasury bill purchases as the Federal Reserve addressed liquidity risks overhanging markets. The New York Federal Reserve has pledged to continue these purchases "at least into the second quarter" of 2020. The second way has involved a large expansion of the overnight and term reverse repurchase agreements that were also designed to address funding pressures (chart 19).

To this point, we cannot refer to these balance sheet developments as restarting quantitative easing that involved the Fed engaging in non-sterilized purchases of Treasuries, agencies, mortgage backed securities and TIPS. All of the Fed's actions

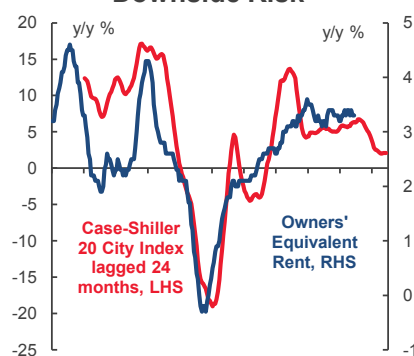
Chart 21 November Weighted Contributions to Headline CPI



Source: Scotiabank Economics, BLS.

Chart 22

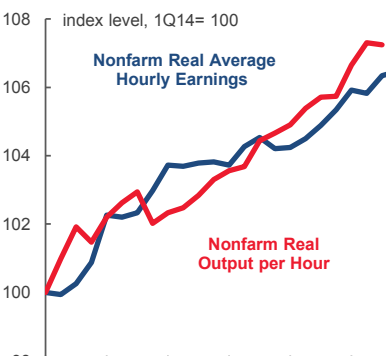
### US Core CPI Could Face Downside Risk



Sources: Scotiabank Economics, BLS, Bloomberg.

Chart 23

### US Real Wages & Productivity Are In Sync With One Another



Sources: Scotiabank Economics, BLS.

of late have involved expanding holdings of shorter-term instruments in order to address funding risks, including by raising depleted excess reserves (chart 20).

Those funding risks were being driven by insufficient liquidity in the financial system that had arisen through multiple complex drivers as opposed to President Trump's accusation that the Fed simply mismanaged its balance sheet. In the context of those drivers, the Fed—in retrospect—had engaged in an overly rapid pace of balance sheet unwinding. Why? For one, the Liquidity Coverage Ratio had not been materially tested by fresh market developments and it arguably wound up tying up a higher proportion of assets held in liquid instruments than markets could handle during funding swings. For another, the US fiscal deficit has increased by about US\$1.7 trillion since the 2016 election with about three-quarters of that rise occurring since the February 2018 spending bill and the January 2018 Tax Cuts and Jobs Act. So much for tax cuts paying for themselves! Pressure to fund quarterly corporate tax installments also grew relative to these other developments.

## B. INFLATION DOWNSIDES

Part of our relatively dovish caution is rooted in the concern that renewed downside risk to inflation may surface. There are four reasons for this.

The US economy is operating under excess aggregate demand conditions with a positive output gap. Our growth forecast (1.7% 2020, 1.8% 2021) assumes that GDP expands at a slower pace than the FOMC's estimated potential rate of growth (1.9%). This should drive lower excess demand conditions and at least cap inflation risk to the extent to which today's flatter Phillips curve operates upon inflation risk.

Second, housing is the dominant driver of inflation at the moment but this is likely to change. Chart 21 shows the weighted contributions to CPI inflation derived from various components and the dominant role played by shelter costs. 'Rent of shelter' is a category that includes rental payments of tenant-occupied housing but more importantly imputed rental of owner-occupied housing. This latter owners' equivalent rent component is climbing by 3.3% y/y and accounts for about one-quarter of the CPI basket. As chart 22 shows, cooling house price inflation should carry lagged downward influences upon owners' equivalent rent in CPI and with that a material source of downward pressure on overall inflation.

Chart 24

### USD Strength Remains Disinflationary

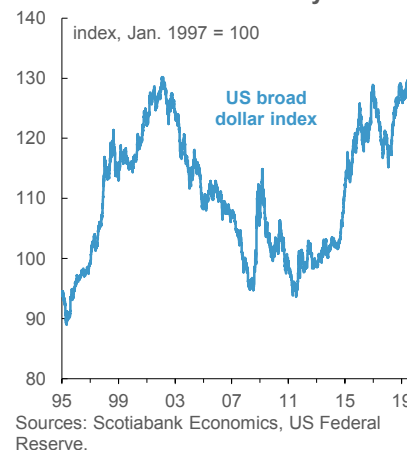
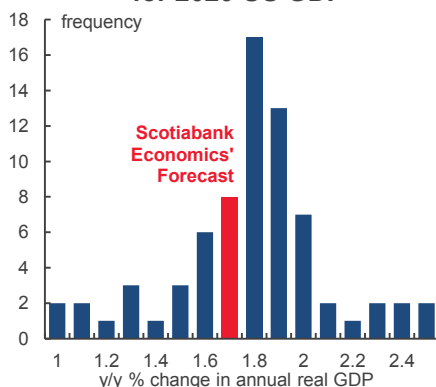


Chart 25

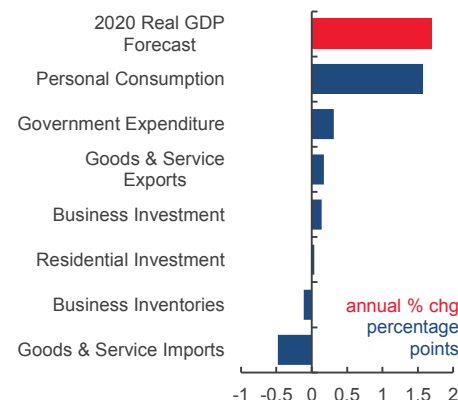
### Bloomberg Forecast Distribution for 2020 US GDP



Note: Forecasts as of January 10th, 2020.  
Sources: Scotiabank Economics, Bloomberg.

Chart 26

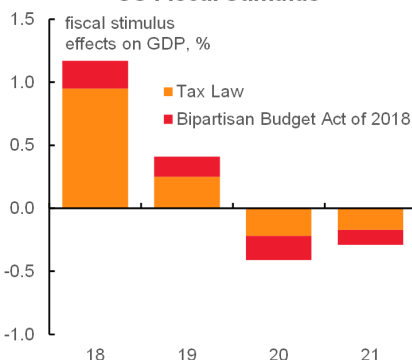
### Estimated Component Contributions to Forecasted 2020 US Real GDP Growth



Sources: Scotiabank Economics, BEA.

Chart 27

### US Fiscal Stimulus



Sources: Scotiabank Economics, Joint Committee on Taxation, Central Budget Office, "The Tax Cuts and Jobs Act: A Boost to Growth or Missed Opportunity?" - Jason Furman.

Chart 28

### U.S. Manufacturing & Trade Inventories/Sales





Third, whereas wage growth has accelerated over time to the present 3.1% y/y rate, it has slightly cooled from the pace being set earlier last year. More important is that to translate into classic cost-push types of wage pressures, there would need to be more evidence that real wage growth (presently less than 1%) is exceeding soft productivity growth but this is not evident (chart 23).

Last is the impact of the USD (chart 24). We believe that the estimates of dollar pass-through into inflation that were provided in [this](#) speech remain valid. Each sustained 10% appreciation/depreciation in the broad US\$ subtracts/adds about 0.5% to US inflation within six months and dissipates to about 0.25% within one year. Despite its slight depreciation since September, the broad dollar remains slightly firmer than at the start of 2019 and still over 10% stronger since early 2018. There isn't enough depreciation in place yet to drive an inflationary reversal of currency influences but this will require continued monitoring.

### C. GROWTH RISKS

Scotiabank Economics forecasts US GDP growth to occur at a rate somewhat below Bloomberg consensus. We think the economy will expand by 1.7% this year and 1.8% next year. Chart 25 shows how we compare to consensus for 2020 growth. Chart 26 breaks down drivers.

One reason we are below consensus is that we anticipate significant import leakage of activity driven in part by lagging effects of broad dollar strength.

Another reason is that fiscal stimulus is turning toward fiscal drag. Chart 27 shows a respected fiscal economist's estimates of the impact of the US\$300 billion spending bill in February 2018 and the prior month's tax cuts upon growth in GDP over 2018–21. Stimulus is dropping out of the equation this year. Tax Cuts 2.0 in this Congress—in arguably the most divided election year in recent memory—is highly unlikely to be delivered. Fiscal hawks within Congress that supported earlier stimulus are likely more agitated by the predictable failure of self-funding promises. In spite of his propensity to spend, partisan policy precludes any further fiscal stimulus in an election year (outside of a war act).

Chart 28 demonstrates that even if relative peace has been achieved for trade policy risks, the second round effects of trade wars are likely to be a weight on GDP growth. The disruption across supply chains has driven upward pressure upon inventories relative to sales with the ratio back toward cycle peaks and that bodes poorly for production and employment. A portion but not all of this is traceable to Boeing's 737Max challenges that we estimate will subtract a meaningful amount from GDP growth at least at the start of 2020.

Chart 29

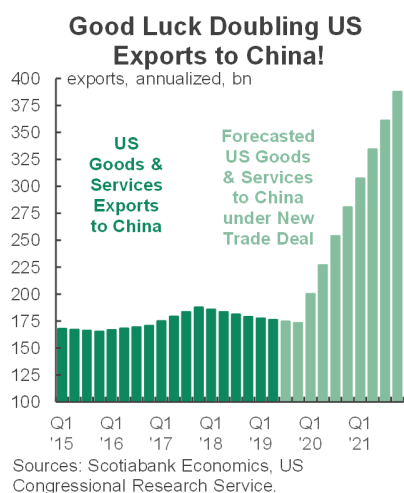


Chart 30

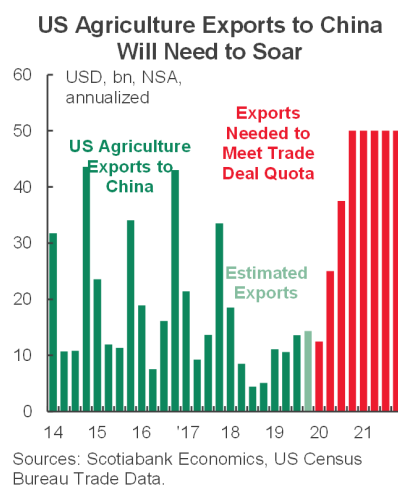
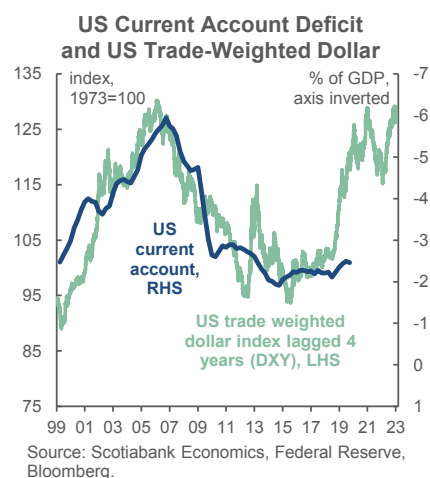


Chart 31



We conclude this article with charts 29–31 because no discussion on risks to markets and Fed policy can leave behind trade policy. Over 2019, we underestimated the magnitude of the risks to trade policy and their growth-dampening influences upon the world economy. It's still prudent to err on the side of prolonged trade tensions despite a current pause in the action. The US-China 'phase 1' trade agreement has set unachievable targets for China to purchase overall US goods and services. Ditto for just the agricultural products portion. It's unclear if China agreed to this to achieve partial tariff relief and had one over on Trump in the process, or if Trump has set up China to fail and take another end-run at protectionist measures when enforcement efforts may fail. The lagged influences of dollar strength on the current account deficit add to skepticism that the US trade deficit will durably dwindle as it has of late. If not, the politics of trade deficits could well resurface and probably after the election this November.

**Table 1**
**Scotiabank Economics' Canada-US Yield Curve Forecast**

	2019	2020				2021			
		(end of quarter, %)							
<b>Canada</b>	<b>Q4</b>	<b>Q1f</b>	<b>Q2f</b>	<b>Q3f</b>	<b>Q4f</b>	<b>Q1f</b>	<b>Q2f</b>	<b>Q3f</b>	<b>Q4f</b>
BoC Overnight Target Rate	1.75	1.50	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Prime Rate	3.95	3.70	3.45	3.45	3.45	3.45	3.45	3.45	3.45
3-month T-bill	1.66	1.55	1.25	1.25	1.25	1.25	1.25	1.25	1.30
2-year Canada	1.69	1.50	1.35	1.30	1.35	1.40	1.45	1.45	1.50
5-year Canada	1.68	1.45	1.35	1.35	1.40	1.45	1.50	1.55	1.60
10-year Canada	1.70	1.55	1.45	1.50	1.50	1.55	1.60	1.70	1.75
30-year Canada	1.76	1.65	1.60	1.65	1.75	1.80	1.85	1.95	2.00
<b>United States</b>	<b>Q4</b>	<b>Q1f</b>	<b>Q2f</b>	<b>Q3f</b>	<b>Q4f</b>	<b>Q1f</b>	<b>Q2f</b>	<b>Q3f</b>	<b>Q4f</b>
Fed Funds Target Rate	1.75	1.75	1.75	1.50	1.50	1.50	1.50	1.50	1.50
Prime Rate	4.75	4.75	4.75	4.50	4.50	4.50	4.50	4.50	4.50
3-month T-bill	1.51	1.55	1.55	1.30	1.30	1.30	1.30	1.30	1.30
2-year Treasury	1.57	1.60	1.55	1.50	1.55	1.60	1.65	1.65	1.65
5-year Treasury	1.69	1.65	1.60	1.60	1.65	1.70	1.75	1.80	1.80
10-year Treasury	1.92	1.80	1.75	1.75	1.80	1.85	1.90	1.95	2.00
30-year Treasury	2.39	2.25	2.15	2.20	2.25	2.30	2.35	2.40	2.45

Sources: Scotiabank Economics, Bloomberg.

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