

## Latam Charts: Now It Gets Interesting

- The Latam region continues on the path of economic recovery. But recent developments underscore that uncertainty remains with respect to near-term economic prospects.
- There is less uncertainty regarding the direction of prices. Higher inflation has elicited policy rate hikes across the region.
- And with uncertainty about the persistence of inflation and the underlying resilience of the recovery, things are getting interesting for central bankers.

### KEY ECONOMIC CHARTS

**While the economic recovery remains on track across the Latam region, recent developments underscore the uncertainty that clouds the near-term outlook.** The bounce back in real GDP that marked the first half of 2020 is expected to moderate over the near term, converging on pre-pandemic growth rates (chart 1). This pattern reflects the return of economic activity to pre-pandemic levels and the waning of base effects on year over year growth rates. Monthly leading indicators provide a preview of this process, with a deceleration evident across most of the region (chart 2). Chile, where the monthly activity index remains elevated, is the exception.

**Recent developments complicate the narrative.** For example, in Colombia, data on August economic activity, which fell -1.9% m/m on a seasonally-adjusted basis, suggests the recovery still faces challenges, even as the [Citi survey](#) of expected growth improved again, increasing to 8.71% y/y, up from 8.26 % y/y. Meanwhile, in Chile, the municipality of Santiago walked back its full re-opening under the “Paso a Paso” plan in the wake of a rise in COVID-19 cases and test positivity rates, despite a truly impressive vaccine rollout. And in Mexico economic activity surprised on the downside in August, with the seasonally adjusted economic activity index declining -1.6% m/m (versus 0.2% m/m consensus). The upshot here is that there is increased uncertainty about near-term growth prospects.

**In contrast, there is far less uncertainty about the short-term outlook for inflation, which has risen sharply across the region (chart 3).** That increase has elicited Latam central banks to tighten policy. Unwinding the extraordinarily expansionary monetary conditions introduced to combat the economic and financial effects of the pandemic will take time. And while policy rates across the region have moved higher, apart from those in Brazil and Mexico, they remain negative in real (adjusted for inflation) terms (chart 4).

**On this basis, central banks are not out of sync with central banks around the globe (chart 5).** Indeed, Brazil and Mexico stand out in terms of proactive rate hikes; other Latam central banks will have to follow their lead once advanced economies’ central banks move towards a rebalancing of monetary conditions.

**Fiscal policy has also been used aggressively throughout the pandemic, generating large fiscal deficits (chart 6).** Markets have thus far readily digested the resulting increase in gross debt (chart 7). However, in the absence of clear, credible plans to preserve fiscal sustainability investors could begin to price in higher risk premiums, leading to an increase in borrowing costs.

### CONTACTS

James Haley  
416.607.0058  
Scotiabank Economics  
[jim.haley@scotiabank.com](mailto:jim.haley@scotiabank.com)

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**Such concerns could become elevated should indicators of external sustainability also deteriorate.** For now, external debt (chart 8), current account balances (chart 9), and total reserves (chart 10) do not point to specific risks. External debt burdens have come down from pandemic peaks. And current account balances have improved in Argentina, Brazil and Mexico. That being said, the continued widening of current account deficits (and how they are financed) in Chile, Colombia and Peru may garner closer attention by investors. In contrast, total reserves have either increased or have been flat.

## KEY MARKET CHARTS

**Financial markets have been broadly stable in recent weeks.** Latam currencies, which have generally depreciated against the US dollar over the year, have been relatively flat in recent days (chart 3). That being said, the Peruvian currency has appreciated over the past month, reversing some of the losses sustained in the run up to, and the period of political uncertainty that followed, the presidential elections. The reduction in political uncertainty that has strengthened the PEN is also reflected the rebound in the equity market in the past few weeks, which has recouped earlier losses (chart 4). The Mexican peso stands out when viewed in a longer time horizon—it has traded within a comparatively narrow range (chart 5).

**Political factors may likewise help explain spreads on Latam sovereign over US Treasuries (chart 6).** Spreads widened in Peru, but also in Colombia (as nation-wide strikes earlier in the year disrupted production) and Brazil, where opposition to the president has led to increased political uncertainty. More recently, Chilean sovereign spreads have widened as accusations of impropriety have been leveled against the president. In contrast, spreads have narrowed on Colombian and Peruvian sovereigns in recent days.

## YIELD CURVE CHARTS

**Sovereign yield curves across the Latam region have priced in the progressive rise of inflation and expectations of higher inflation since the start of the year (charts 1–12).** For the most part, curves have shifted up across the maturity spectrum. Argentina (chart 1) and Mexico (chart 9), where the Mexico M-Bono curve remains firmly anchored at medium- and long-term maturities, are exceptions. In Brazil, where the BCB raised the Selic rate 150 bps October 28, yields at the short-end of the market have shifted up between 600 and 1,000 bps since the start of the year.

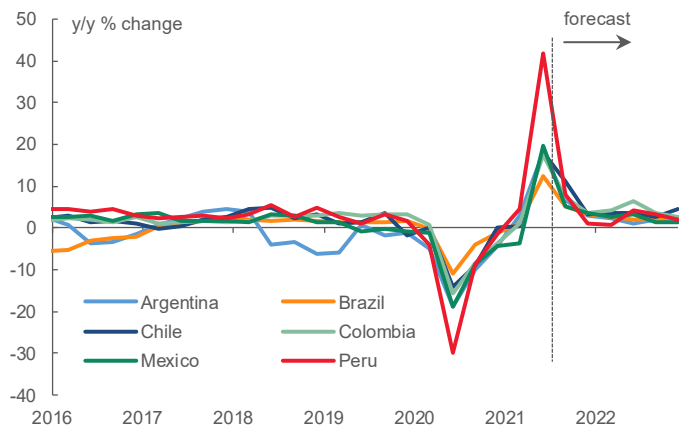
## KEY COVID-19 CHARTS

**As the reversal of opening initiatives in Chile underscore, the pandemic remains a key driver of economic prospects.** Charts 1–12 provide critical information for monitoring COVID-19 developments. In this regard, declines in new daily case counts (chart 7) and test positivity rate (chart 12) are encouraging, notwithstanding the uptick in Chile. So too is the progress made in terms of vaccine rollouts across the Latam region (chart 10). At the same time, the increase in cases in the UK (chart 8), which has a high vaccination rate, clearly demonstrates that the virus continues to pose a threat to recovery.

## Key Economic Charts

Chart 1

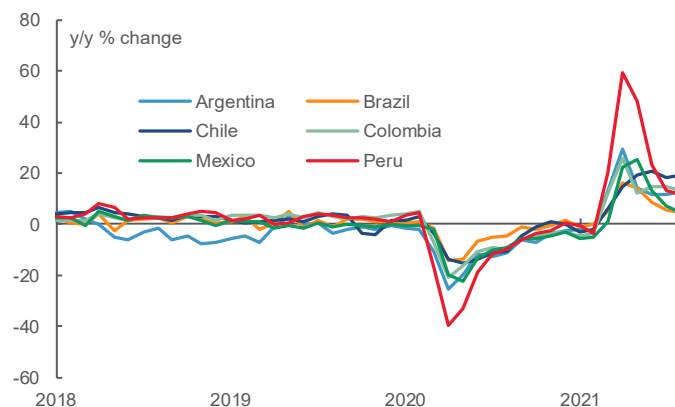
Real GDP



Sources: Scotiabank Economics, Haver Analytics.

Chart 2

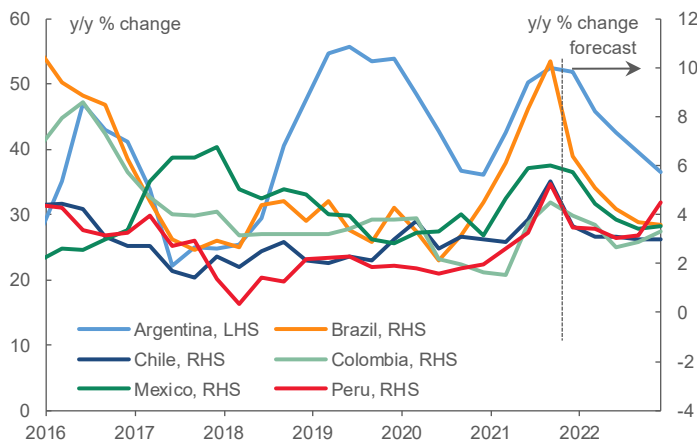
Latam: Monthly Economic Activity Index Tracker



Sources: Scotiabank Economics, Haver Analytics.

Chart 3

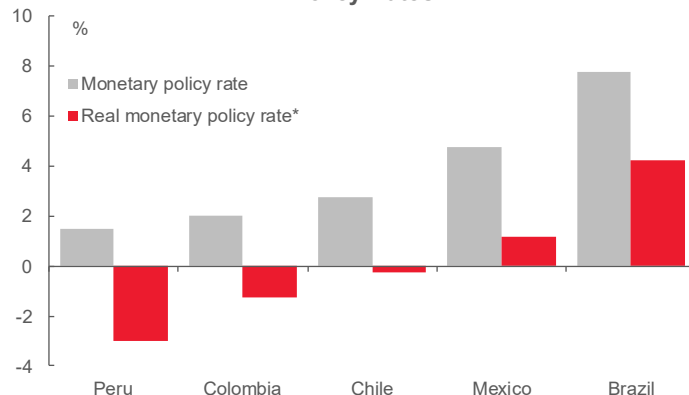
Inflation



Sources: Scotiabank Economics, Haver Analytics.

Chart 4

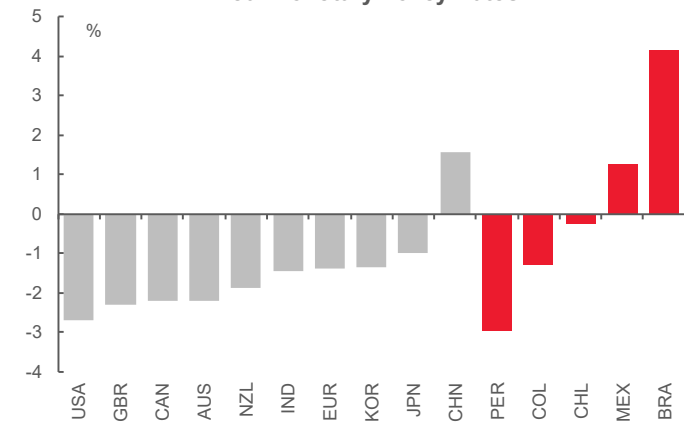
Policy Rates



\* Real monetary policy rate = current policy rate - BNS expected inflation, end-Q4-2022, % y/y. Argentina: MPR = 38.0%; Real MPR = 1.5%. Sources: Scotiabank Economics, Haver Analytics.

Chart 5

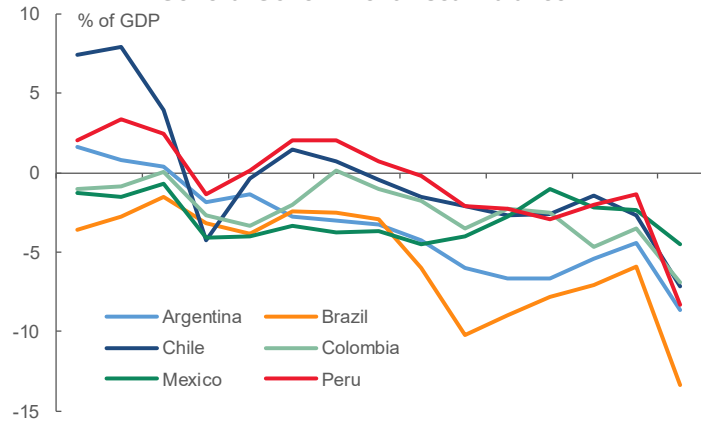
Real Monetary Policy Rates\*



\* Real monetary policy rate = current policy rate - BNS expected inflation, end-Q4-2022, % y/y. Sources: Scotiabank Economics, Bloomberg.

Chart 6

General Government Fiscal Balance



Sources: Scotiabank Economics, IMF Fiscal Monitor, Apr. 2021.

## Key Economic Charts

Chart 7

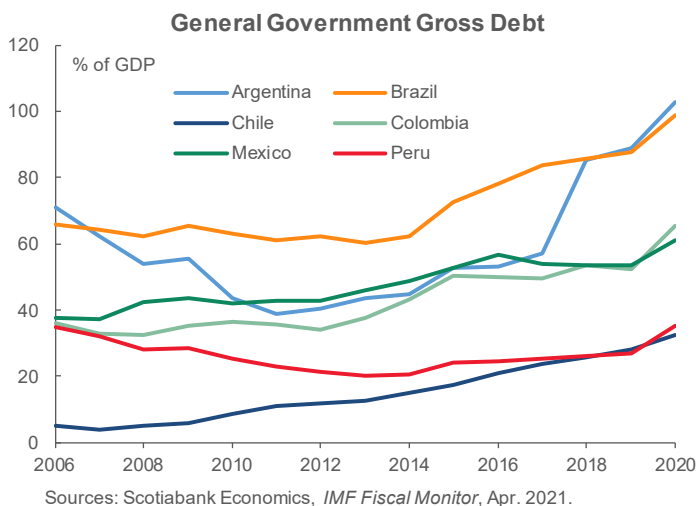


Chart 8



Chart 9

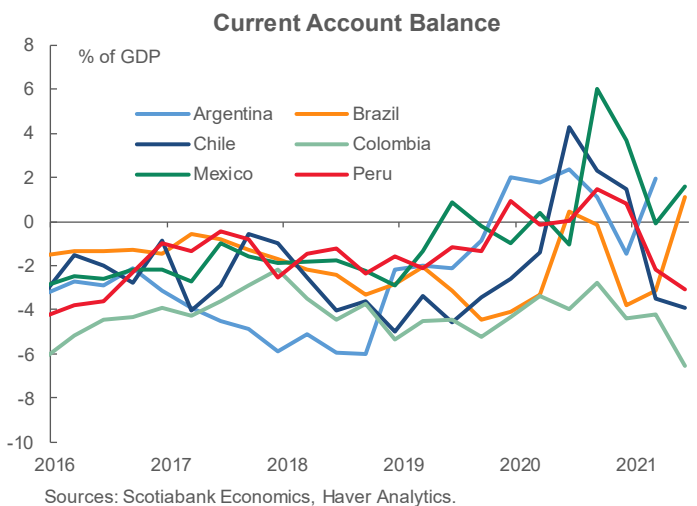
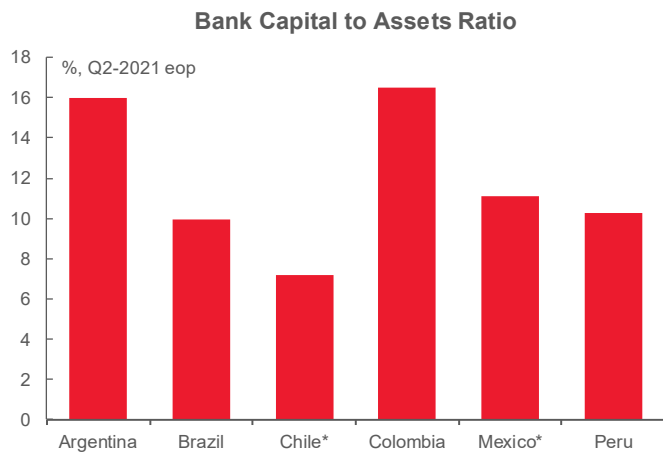


Chart 10



## Key Market Charts

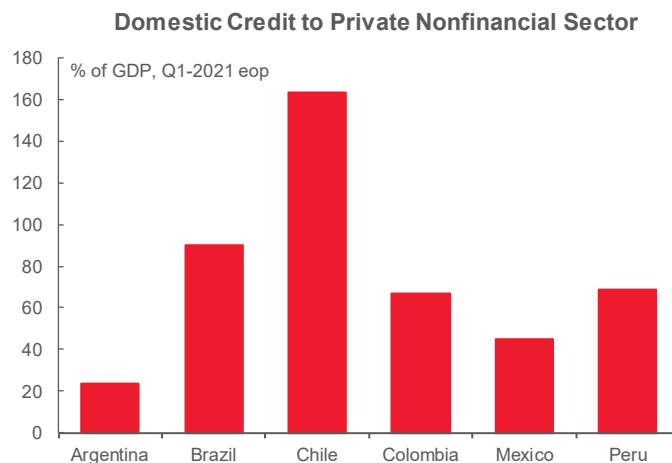
Chart 1



\* Data to Q1-2021.

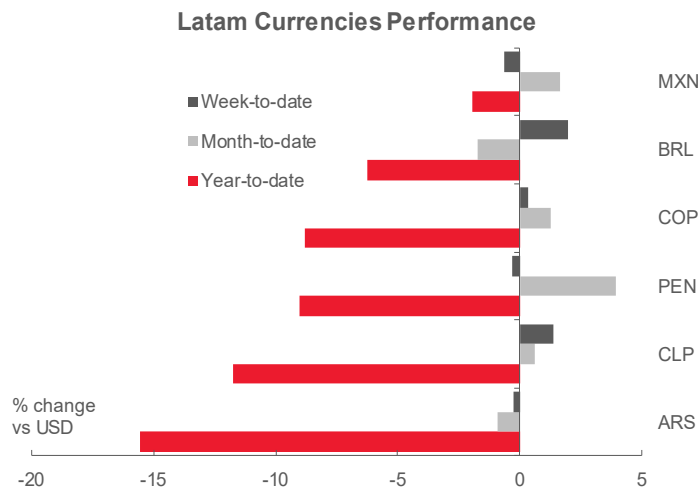
Sources: Scotiabank Economics, IMF.

Chart 2



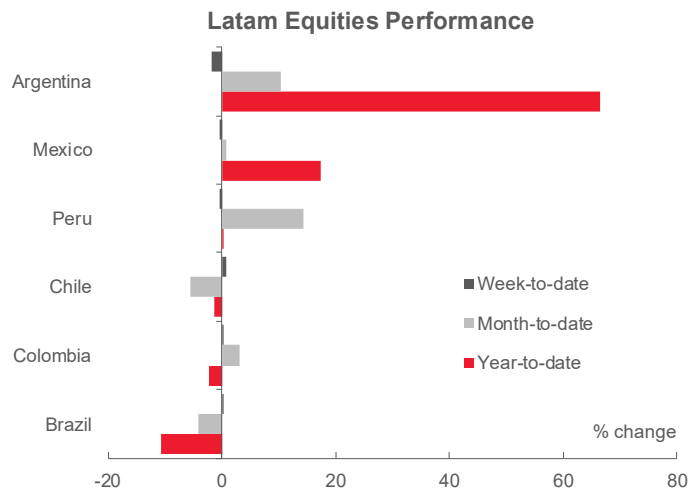
Sources: Scotiabank Economics, BIS, Haver Analytics.

Chart 3



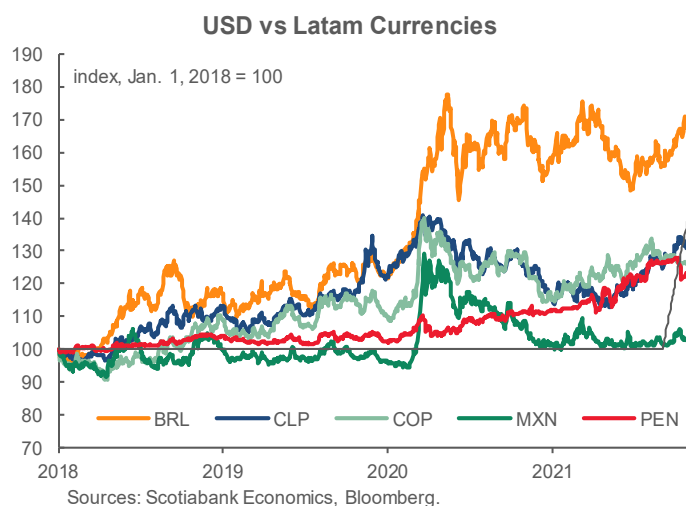
Sources: Scotiabank Economics, Bloomberg.

Chart 4



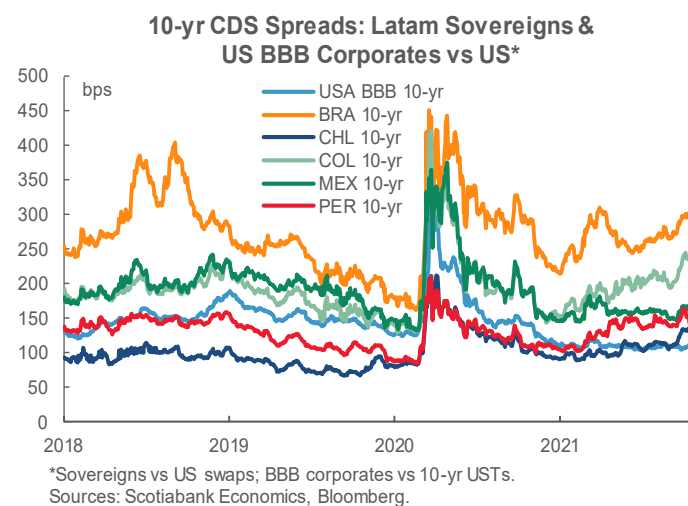
Sources: Scotiabank Economics, Bloomberg.

Chart 5



Sources: Scotiabank Economics, Bloomberg.

Chart 6



\*Sovereigns vs US swaps; BBB corporates vs 10-yr USTs.  
Sources: Scotiabank Economics, Bloomberg.

## Yield Curves

Chart 1

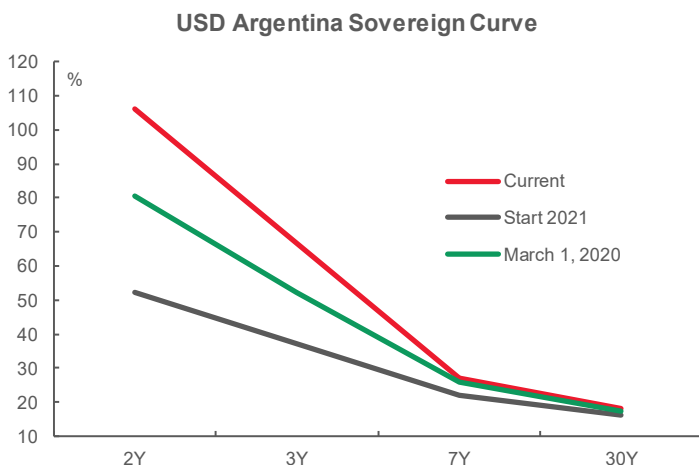


Chart 2

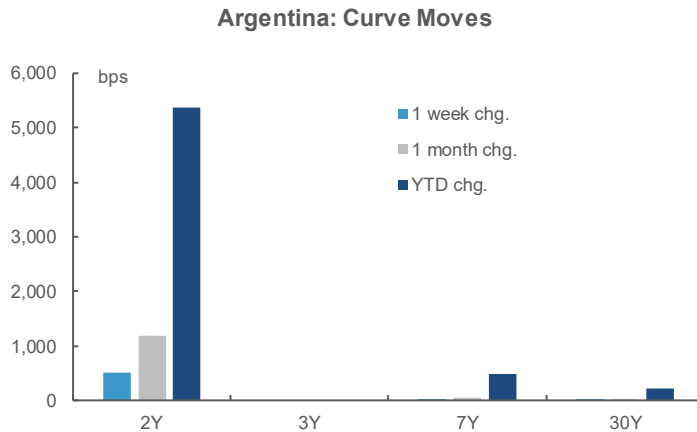


Chart 3

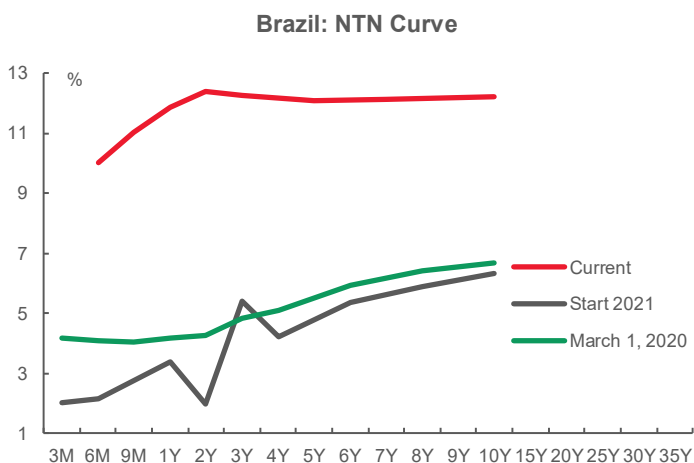


Chart 4

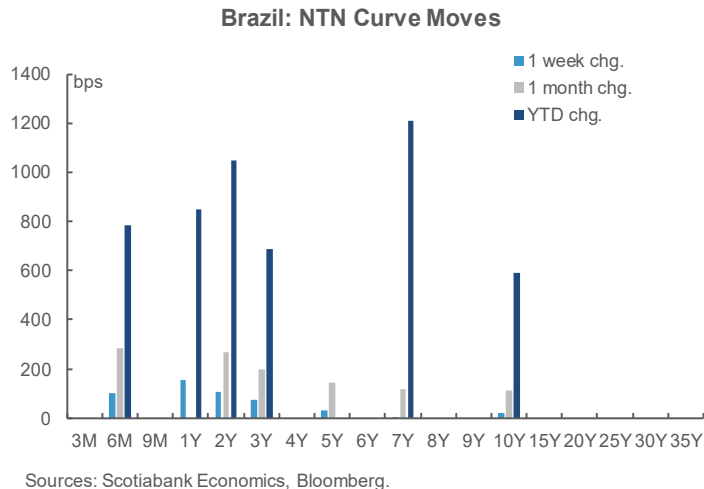


Chart 5

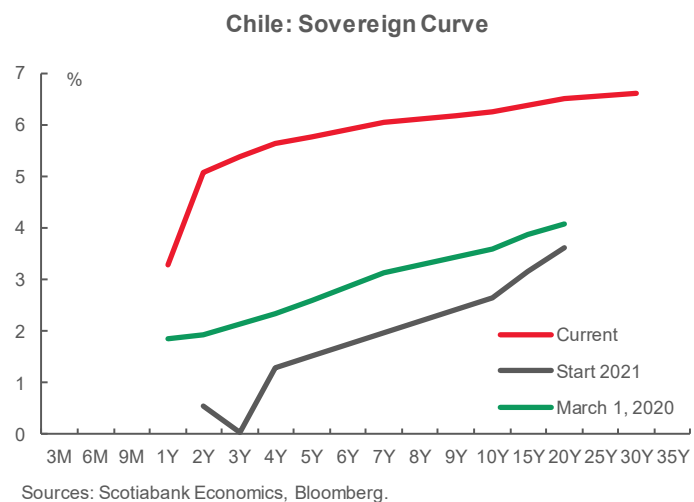
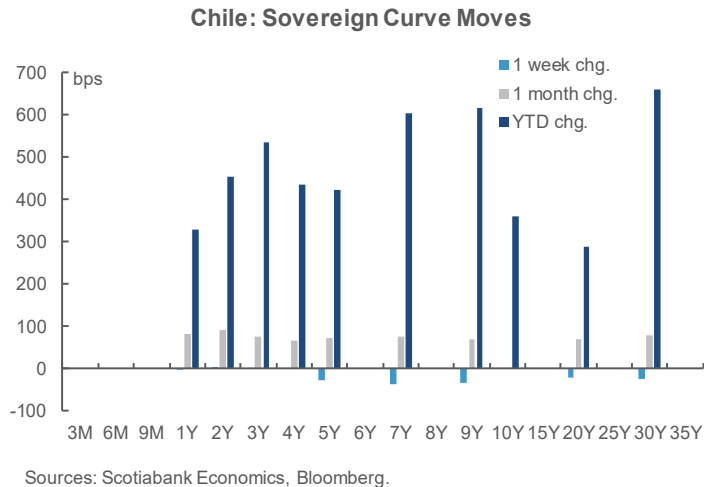


Chart 6



## Yield Curves

Chart 7

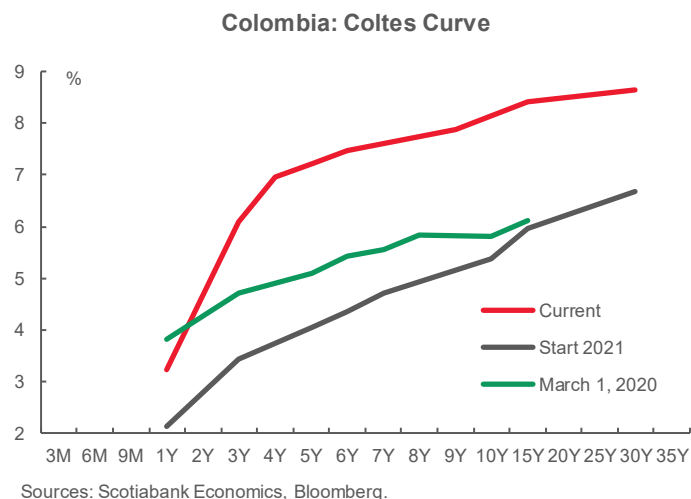


Chart 8

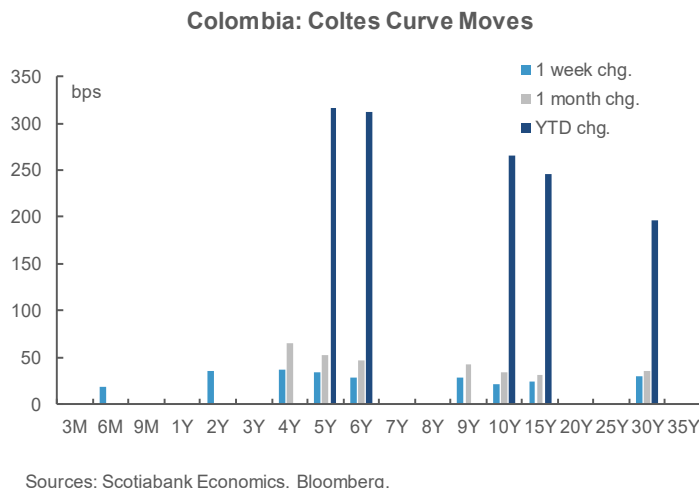


Chart 9

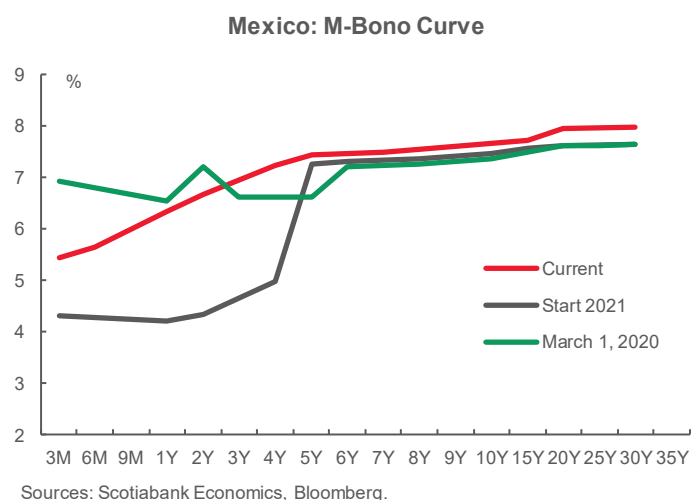


Chart 10

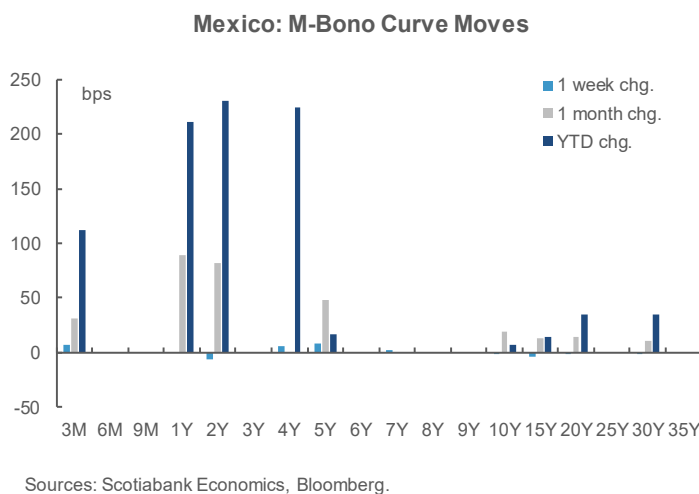


Chart 11

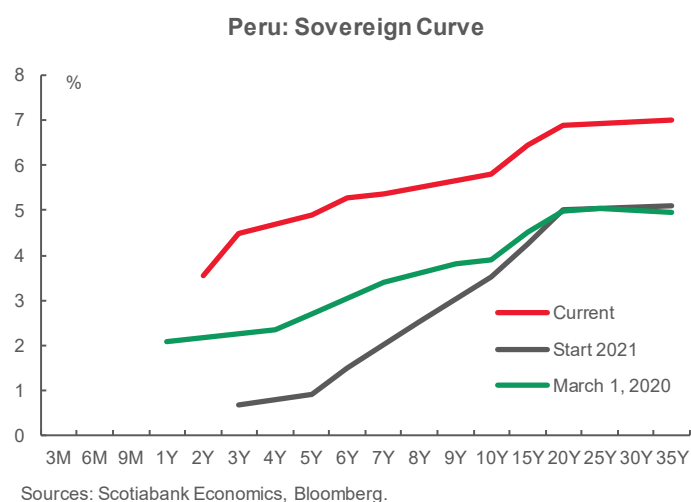
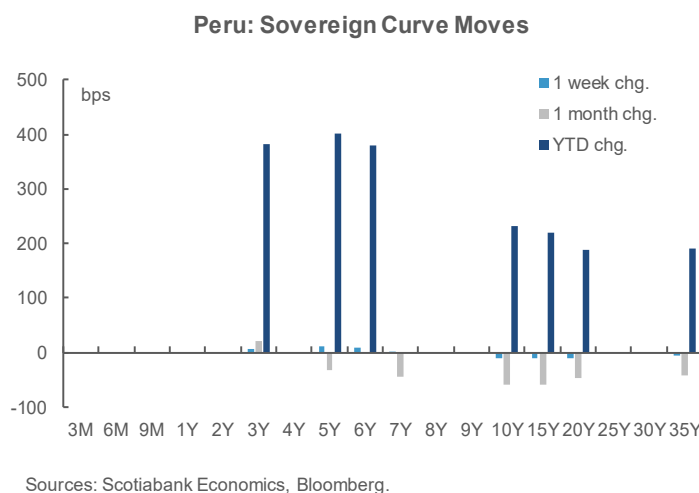


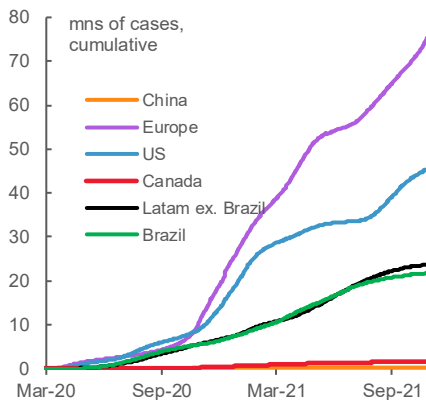
Chart 12



## Key COVID-19 Charts

Chart 1

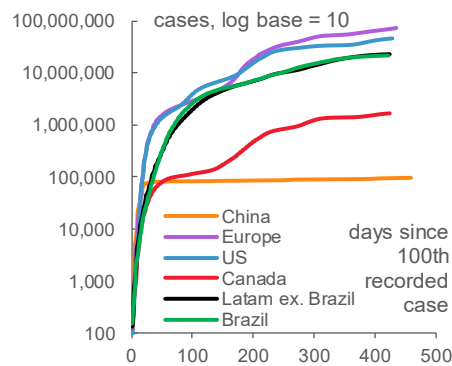
Global COVID-19 Cases



Sources: Scotiabank Economics, Johns Hopkins University, Oxford University.

Chart 2

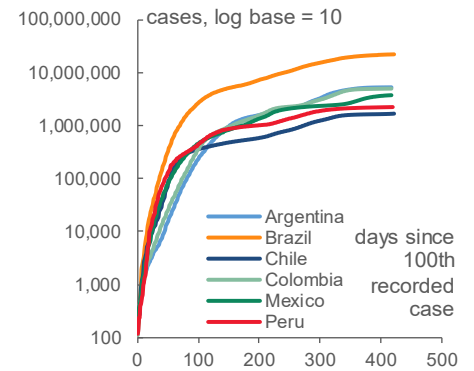
Global Cumulative COVID-19 Cases



Sources: Scotiabank Economics, Johns Hopkins University.

Chart 3

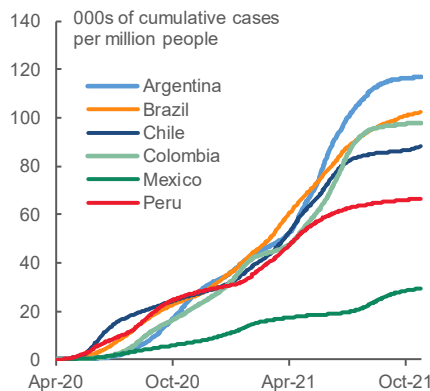
Latam Cumulative COVID-19 Cases



Sources: Scotiabank Economics, Johns Hopkins University.

Chart 4

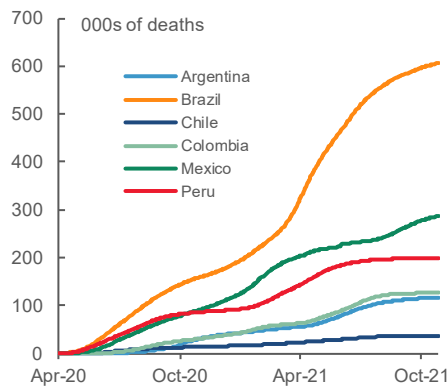
Latam Population-Adjusted COVID-19 Cases



Sources: Scotiabank Economics, Johns Hopkins University, United Nations.

Chart 5

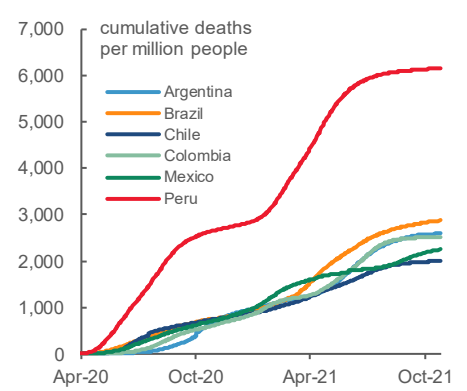
Latam Cumulative COVID-19 Deaths



Sources: Scotiabank Economics, Johns Hopkins University.

Chart 6

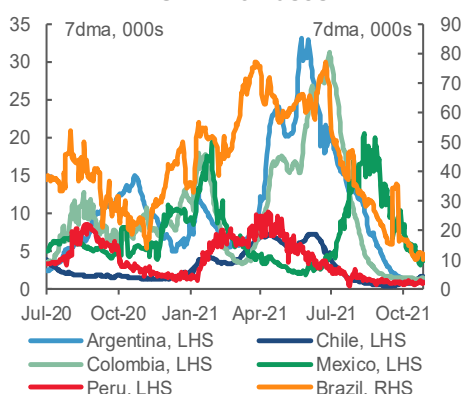
Latam Cumulative COVID-19 Deaths



Sources: Scotiabank Economics, Johns Hopkins University.

Chart 7

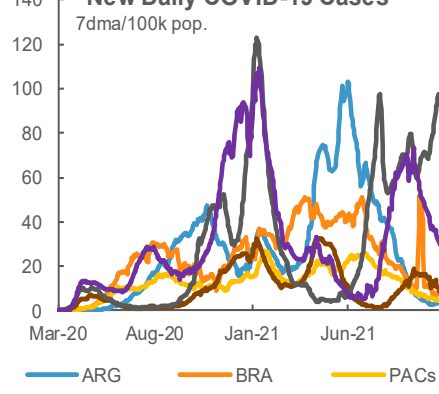
Latam: Trend in New Daily COVID-19 Cases



Sources: Scotiabank Economics, Johns Hopkins University.

Chart 8

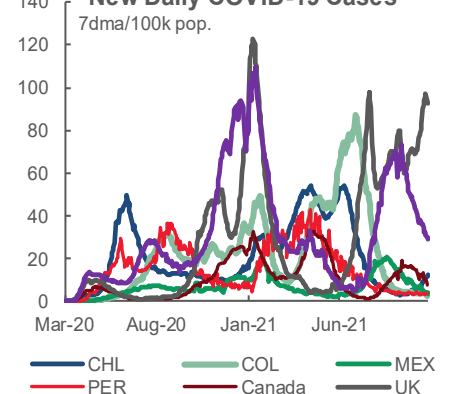
Latam vs World: New Daily COVID-19 Cases



Sources: Scotiabank Economics, JHU.

Chart 9

Pacific Alliance vs World: New Daily COVID-19 Cases



Sources: Scotiabank Economics, JHU.



## Key COVID-19 Charts

Chart 10

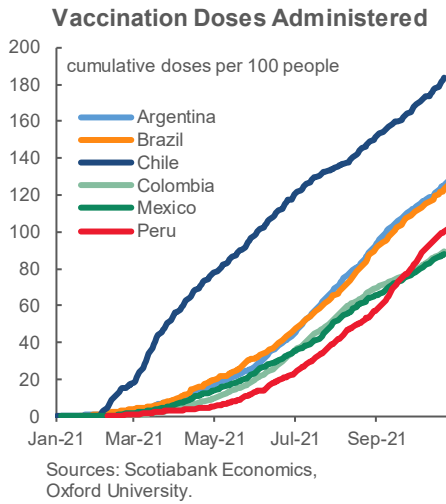


Chart 11

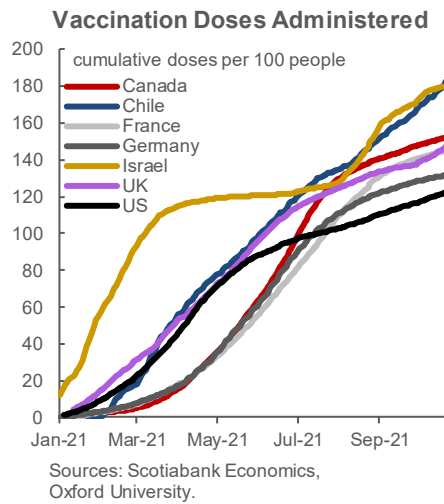
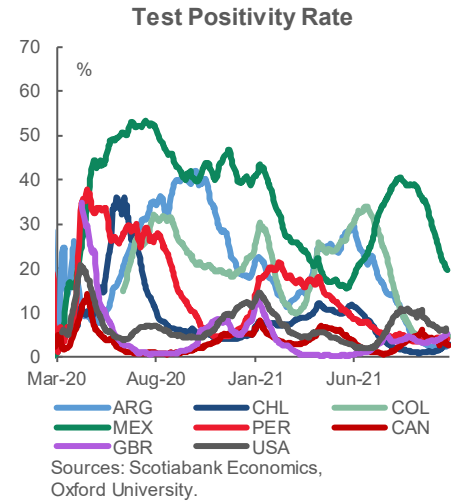


Chart 12



## Market Events & Indicators for October 29–November 12

### ARGENTINA

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Oct-29	15:00	Wages (m/m)	Aug	--	--	4.91	
Nov-01		Government Tax Revenue (ARS bn)	Oct	--	--	976.3142	
Nov-03		Vehicle Exports Adefa	Oct	--	--	17903	
Nov-03		Vehicle Production Adefa	Oct	--	--	43535	
Nov-03		Vehicle Domestic Sales Adefa	Oct	--	--	25700	
Nov-05		Central Bank Survey		--			
Nov-09	14:00	Construction Activity (y/y)	Sep	--	--	22.7	
Nov-09	14:00	Industrial Production (y/y)	Sep	--	--	13.82	

### BRAZIL

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Oct-29	8:30	Primary Budget Balance (BRL bn)	Sep	--	-1.796	16.729	
Oct-29	8:30	Nominal Budget Balance (BRL bn)	Sep	--	-47.3	-29.739	
Oct-29	8:30	Net Debt % GDP	Sep	--	59.14	59.34	
Nov-01	7:25	Central Bank Weekly Economist Survey		--			
Nov-01	9:00	Markit Brazil PMI Manufacturing	Oct	--	--	54.4	
Nov-01	14:00	Trade Balance Monthly (USD mn)	Oct	--	--	4322	
Nov-01	14:00	Exports Total (USD mn)	Oct	--	--	24284	
Nov-01	14:00	Imports Total (USD mn)	Oct	--	--	19962	
Nov-02	7:00	Central Bank Meeting Minutes		--			
Nov-03	4:00	FIPE CPI - Monthly	Oct	--	--	1.13	
Nov-03	7:00	FGV CPI IPC-S	31-Oct	--	--	1.05	
Nov-04	8:00	Industrial Production (m/m)	Sep	--	--	-0.7	
Nov-04	8:00	Industrial Production (y/y)	Sep	--	--	-0.7	
Nov-04	9:00	Markit Brazil PMI Composite	Oct	--	--	54.7	
Nov-04	9:00	Markit Brazil PMI Services	Oct	--	--	54.6	
Nov 1-4		Vehicle Sales Fenabrave	Oct	--	--	155083	
Nov-08	6:00	FGV Inflation IGP-DI (m/m)	Oct	--	--	-0.55	
Nov-08	6:00	FGV Inflation IGP-DI (y/y)	Oct	--	--	23.43	
Nov-08	6:00	FGV CPI IPC-S	07-Nov	--	--	1.05	
Nov-08	6:25	Central Bank Weekly Economist Survey		--			
Nov-08	13:00	Trade Balance Weekly (USD mn)	07-Nov	--	--	-371.03	
Nov 5-8		Vehicle Sales Anfavea	Oct	--	--	155075	
Nov 5-8		Vehicle Production Anfavea	Oct	--	--	173287	
Nov 5-8		Vehicle Exports Anfavea	Oct	--	--	23639	
Nov-10	3:00	FIPE CPI - Weekly	07-Nov	--	--	1.03	
Nov-10	7:00	IBGE Inflation IPCA (m/m)	Oct	--	--	1.16	
Nov-10	7:00	IBGE Inflation IPCA (y/y)	Oct	--	--	10.25	
Nov-11	7:00	Retail Sales (m/m)	Sep	--	--	-3.1	
Nov-11	7:00	Retail Sales (y/y)	Sep	--	--	-4.1	
Nov-11	7:00	Retail Sales Broad (m/m)	Sep	--	--	-2.5	
Nov-11	7:00	Retail Sales Broad (y/y)	Sep	--	--	0	
Nov-12	7:00	IBGE Services Volume (m/m) SA	Sep	--	--	0.54	
Nov-12	7:00	IBGE Services Volume (y/y) NSA	Sep	--	--	16.7	

### CHILE

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Oct-29	8:00	Unemployment Rate (%)	Sep	8.5	8.3	8.5	We expect a stabilization in the unemployment rate due to similar dynamism of the employment compared to the work force.
Oct-29	8:00	Retail Sales (y/y)	Sep	13.0	20.8	25.07	The increase in retail sales will be driven by new upturn in purchases with credit and debit cards in September, evidence that the liquidity coming from fiscal aid and withdrawals of pension funds is being consumed intensely.
Oct-29	8:00	Commercial Activity (y/y)	Sep	--	--	22.17	
Oct-29	8:00	Manufacturing Production (y/y)	Sep	--	3.05	10.56	
Oct-29	8:00	Industrial Production (y/y)	Sep	--	--	4.24	
Oct-29	8:00	Copper Production Total (Tons)	Sep	--	--	466928	

Forecasts at time of publication.  
Sources: Scotiabank Economics, Bloomberg.

## Market Events & Indicators for October 29–November 12

### CHILE

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Nov-02	7:30	Economic Activity (y/y)	Sep	13.0	--	19.08	September's Imacec is consistent with our GDP growth forecast of 11.2% in 2021 and no less than 4.5% in 2022.
Nov-02	7:30	Central Bank Traders Survey		--			
Nov 1-3		Vehicle Sales Total	Oct	--	--	42627	
Nov-05	8:00	Nominal Wage (m/m)	Sep	--	--	0.1	
Nov-05	8:00	Nominal Wage (y/y)	Sep	--	--	6.4	
Nov-08	6:00	CPI (m/m)	Oct	--	--	1.2	
Nov-08	6:00	CPI (y/y)	Oct	--	--	5.3	
Nov-08	6:30	Trade Balance (USD mn)	Oct	--	--	79	
Nov-08	6:30	Exports Total (USD mn)	Oct	--	--	7428.82	
Nov-08	6:30	Imports Total (USD mn)	Oct	--	--	7350.09	
Nov-08	6:30	Copper Exports (USD mn)	Oct	--	--	4157.14	
Nov-08	6:30	International Reserves (USD mn)	Oct	--	--	53309	
Nov 2-8		IMCE Business Confidence	Oct	--	--	60.68	
Nov-10	6:30	Central Bank Economist Survey		--			

### COLOMBIA

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Oct-29	11:00	National Unemployment Rate (%)	Sep	12	--	12.33	Job growth will continue, however as more
Oct-29	11:00	Urban Unemployment Rate (%)	Sep	13.8	13.8	14.19	people return to the labour market, the unemployment rate will improve slowly.
Oct-29	14:00	Overnight Lending Rate (%)	29-Oct	2.25	2.25	2.00	The Board is likely to remain split in the next central bank meeting. Some Board members remain cautious, while the most hawkish side is closely watching core inflation expectations. We expect a 25 bps hike as in current environment gradualism would prevail, however we know 50 bps hike is possible.
Nov-02	11:00	Davivienda Colombia PMI Mfg	Oct	--	--	55.5	
Nov-02	11:00	Exports FOB (USD mn)	Sep	--	3750	3318.06	
Nov-02	18:00	Colombia Monetary Policy Minutes		--			
Nov-05	20:00	CPI (m/m)	Oct	0.2	0.22	0.38	Inflation will reflect diverse effects. On the
Nov-05	20:00	CPI (y/y)	Oct	4.78	4.78	4.51	upside, utility fees and food stuff will continue
Nov-05	20:00	CPI Core (m/m)	Oct	0.12	--	0.3	to lead price increases. Meanwhile, the VAT
Nov-05	20:00	CPI Core (y/y)	Oct	3.16	--	3.03	holiday will partially offset inflationary pressures by 8 bps.
Nov-08		Consumer Confidence Index	Oct	--	--	-3	
Nov-11	10:00	Manufacturing Production (y/y)	Sep	16	--	22.93	Economic recovery will continue with
Nov-11	10:00	Retail Sales (y/y)	Sep	16.4	--	32	moderate gains in the manufacturing sector, while retail sales will still show better gains amid better mobility.
Nov-11	14:00	Industrial Production (y/y)	Sep	--	--	15.5	
Nov-12		Central Bank Economist Survey		--			

### MEXICO

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Oct-29	7:00	GDP NSA (y/y)	3Q P	5.2	6.05	19.56	A downside surprise in the GDP proxy for August suggest GDP figures for 3Q could also be below consensus, affected by a drop in services by the increase in contagion of the Delta variant and effect of the outsourcing reform in professional services, but also with a modest pace in industry as pressures by disruptions remain.
Oct-29	7:00	GDP SA (q/q)	3Q P	--	0.1	1.47	
Oct-29	10:00	Net Outstanding Loans (MXN bn)	Sep	--	--	4639.5	
Oct-29		Budget Balance YTD (MXN bn)	Sep	--	--	-262.44	

Forecasts at time of publication.  
Sources: Scotiabank Economics, Bloomberg.

## Market Events & Indicators for October 29–November 12

### MEXICO

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Nov-01	11:00	Remittances Total (USD mn)	Sep	--	--	4743.6	
Nov-01	11:00	Central Bank Economist Survey		--	--		
Nov-01	14:00	IMEF Manufacturing Index SA	Oct	--	--	49.827	
Nov-01	14:00	IMEF Non-Manufacturing Index SA	Oct	--	--	50.076	
Nov-02	11:30	Markit Mexico PMI Mfg	Oct	--	--	48.6	
Nov-03	8:00	Leading Indicators (MoM)	Sep	--	--	0.01	
Nov-03	11:00	International Reserves Weekly (USD mn)	29-Oct	--	--	198546	
Nov-04	8:00	Vehicle Domestic Sales	Oct	--	--	76930	
Nov-05	8:00	Consumer Confidence	Oct	--	--	43.44	
Nov-05		Citibanamex Survey of Economists		--	--		
Nov-08	7:00	Gross Fixed Investment (%)	Aug	--	--	15.7	
Nov-08	7:00	Vehicle Exports	Oct	--	--	195294	
Nov-08	7:00	Vehicle Production	Oct	--	--	208092	
Nov-09	7:00	CPI (m/m)	Oct	0.6	--	0.62	
Nov-09	7:00	CPI Core (m/m)	Oct	0.4	--	0.46	
Nov-09	7:00	CPI (y/y)	Oct	6	--	6	
Nov-09	7:00	Bi-Weekly CPI (%)	31-Oct	--	--	0.54	
Nov-09	7:00	Bi-Weekly Core CPI (%)	31-Oct	--	--	0.33	
Nov-09	7:00	Bi-Weekly CPI (y/y)	31-Oct	--	--	6.12	
Nov-09	10:00	International Reserves Weekly (USD mn)	05-Nov	--	--	198546	
Nov-10		ANTAD Same-Store Sales (y/y)	Oct	--	--	10.1	
Nov-10		Nominal Wages (m/m)	Oct	--	--	4.1	
Nov-11	7:00	Industrial Production SA (m/m)	Sep	--	--	0.4	
Nov-11	7:00	Industrial Production NSA (y/y)	Sep	--	--	5.53	
Nov-11	7:00	Manuf. Production NSA (y/y)	Sep	--	--	6.6	
Nov-11	14:00	Overnight Rate (%)	11-Nov	5.00	--	4.75	
Nov-12	13:00	Formal Job Creation Total	Oct	--	--	174.1	

### PERU

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Nov-01	11:00	Lima CPI (m/m)	Oct	0.5	0.08	0.4	
Nov-01	11:00	Lima CPI (y/y)	Oct	5.8	4.85	5.23	Inflation is not abating, the BCRP must continue acting.
Nov-11	18:00	Reference Rate (%)	11-Nov	2.00	--	1.50	

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