

## Contributors

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# Latam Charts: The Week that Shook the World

- Fed tightening highlights a week in which advanced economy central banks accelerated the pace of tightening and/or signaled more aggressive actions to rein in inflation and prevent inflation expectations from becoming unmoored.
- The initial market reaction to the Fed's 75 basis point hike was “dovish,” as the Fed burnished its price stability credentials. But a subsequent large bearish decline and increased volatility in markets suggests the Fed has its hands full convincing markets that a soft landing is still possible.
- For the Latam region, market gyrations translate into less favourable external financial conditions, which increase the premium on sound policy frameworks and strong institutions.

**Well, if not the world, then financial markets. The past week saw some dramatic moves by key central banks as markets looked into the eyes of a bear.** The Fed's 75 basis point rate hike and more aggressive communications, signalling the possibility of another 75 bps move, certainly caught the market's attention. As Scotiabank's Derek Holt pointed out, however, the [initial market reaction was surprisingly dovish](#). That response followed earlier sharp downward movements in financial markets, reflecting growing pessimism that a so-called soft landing, in which the Fed succeeds in returning inflation to target without triggering a recession, is becoming progressively less likely.

**For the Latam markets (and emerging markets around the globe), higher advanced economy interest rates, coupled with skittish investor risk appetite, make for a less favourable financial environment, albeit one that the region has managed through with considerable poise.** Past editions of the Latam Charts and Latam Weekly have noted that central banks in the region have been proactive in fighting inflation; indeed, they have led their global peers. **In this respect, an interesting counterfactual to consider is what financial conditions would be had Latam central banks temporized with price pressures as others have done.**

## KEY ECONOMIC CHARTS

**Regardless of this alternative scenario, and the growing external risks, it is apparent that the regional recovery remains on track.** Scotiabank teams expect real GDP growth to moderate to pre-pandemic levels (chart 1), as output and employment levels return to where they were before the pandemic struck. The latest prints—[economic activity in Colombia, GDP in Peru](#)—are consistent with this trend. Nevertheless, the risks to this outlook have increased and high-frequency monthly activity indicators (chart 2) should be closely monitored for nascent signs of a stalling economy.

**High inflation continues to persist across the region, with headline inflation running above central banks' inflation targets (chart 3).** But strong commitments to price stability, coupled with the policy actions already taken and the additional steps that have been telegraphed, lead our country teams to anticipate a gradual return of inflation to target over the coming year. With the policy rate hikes Latam central banks have put in place, policy rates are now positive in real (after inflation) terms, significantly so in Brazil and Chile (chart 4). In this regard, the proactive response by the region's central bankers stands out in comparison to their global peers (chart 5).

**At the same time, the strong economic rebound in 2021 and continued growth in 2022 have been instrumental in bringing down large pandemic-related deficits (chart 6).** Fiscal outcomes in Peru have been especially impressive, though possibly inadvertent as the government investment has atrophied. Colombia's public finances have likewise improved significantly, with it now appearing that the country is on track to [return to its medium-term fiscal anchors](#) much faster than anticipated.

**Improved fiscal outlooks should help the region weather the financial storms that may be brewing in global financial markets.** Lowering debt-to-GDP ratios (chart 7) and reducing external debt burdens (chart 8) would provide a confidence boost to investors anxiously watching external financial conditions. Moreover, sound public finances would also rein in large current account deficits (chart 9) in Chile and Colombia and help bolster international reserves that serve as a buffer to external shocks.

#### KEY MARKET CHARTS

**Despite the shared financial shock of an appreciating US dollar, growing concerns of recession, and continuing geopolitical tensions, regional financial markets have performed reasonably well through the first half of 2022.** Most currencies are up against the USD since the start of year (chart 3), though the strength of the dollar has clearly weighed on Latam currencies more recently. And while many regional equities markets are down on the year, these movements should be viewed in the context of volatile global markets (4). That is not to say, however, that there aren't risks to price into financial assets. Political and policy uncertainty remains across the region, with constitutional drafting in Chile, a presidential election in Colombia, concerns with respect to policy changes that could dampen foreign investment in Mexico and continuing political machinations in Peru. Such uncertainty may be reflected in exchange rates (chart 5) and CDS spreads on Latam sovereign bonds (chart 6), which have waxed and waned in response to indications of greater or lesser uncertainty.

#### YIELD CURVES

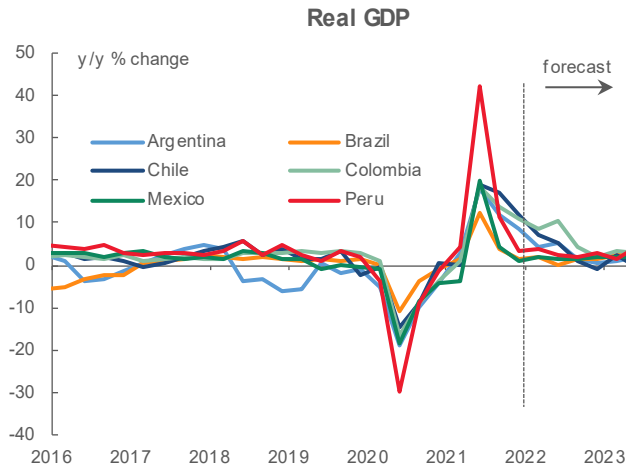
**Most yield curves across the region are now inverted or flat (charts 1–20).** As noted in previous editions of the Latam Charts, this could be an early indicator of recession, albeit one that should not be given inordinate weight. Colombia and Peru are the exceptions here, as they have been through the yield curve inversion in other Latam countries.

#### KEY COVID-19 CHARTS

**Jurisdictions around the world are easing masking and vaccine requirements as the COVID-19 virus fades from public consciousness, if not public health concerns.** Key monitoring charts for what remains a potential threat to public health and economic health are provided below.

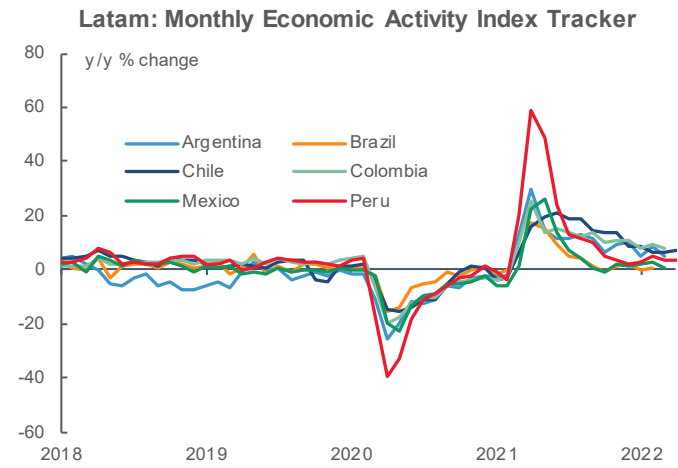
## Key Economic Charts

Chart 1



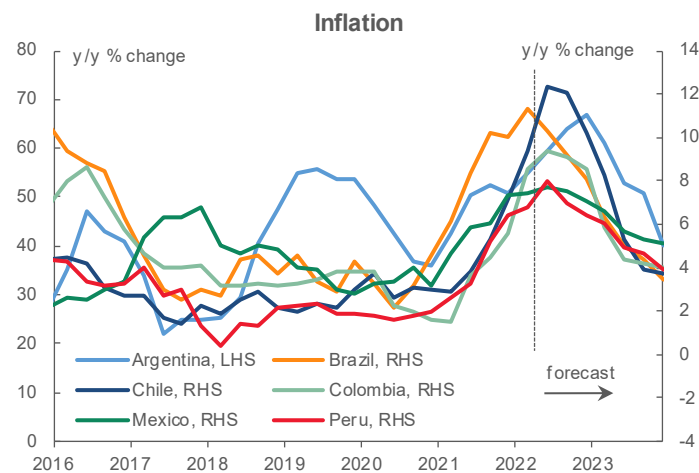
Sources: Scotiabank Economics, Haver Analytics.

Chart 2



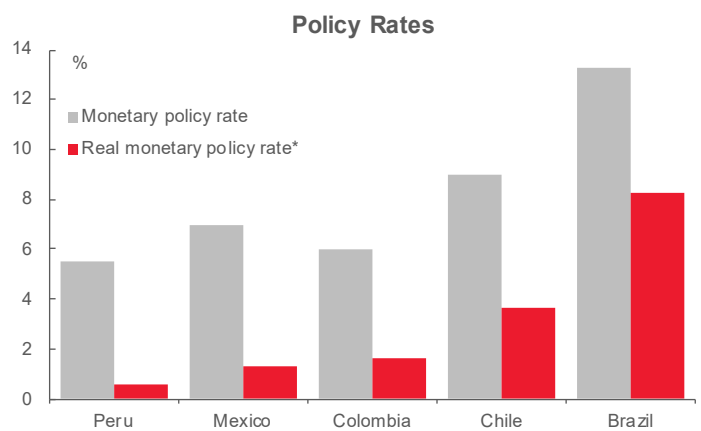
Sources: Scotiabank Economics, Haver Analytics.

Chart 3



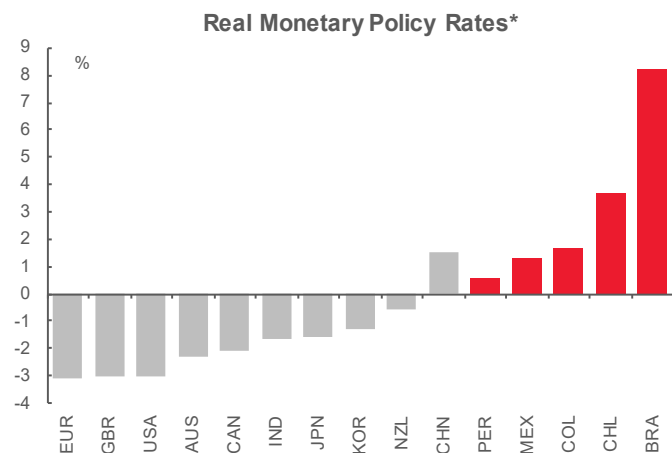
Sources: Scotiabank Economics, Haver Analytics.

Chart 4



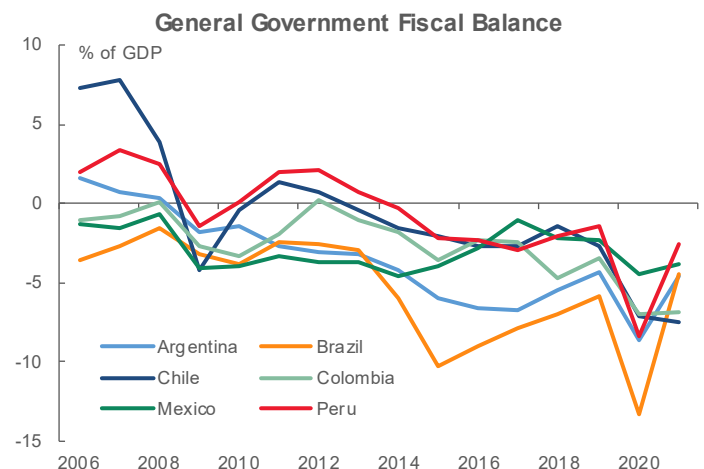
\* Real monetary policy rate = current policy rate - BNS expected inflation, end-Q2-2023, % y/y. Argentina: MPR = 49.0%; Real MPR = -4.0%.  
Sources: Scotiabank Economics, Haver Analytics.

Chart 5



\* Real monetary policy rate = current policy rate - BNS expected inflation, end-Q2-2023, % y/y. Sources: Scotiabank Economics, Bloomberg.

Chart 6



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

## Key Economic Charts

Chart 7

### General Government Gross Debt

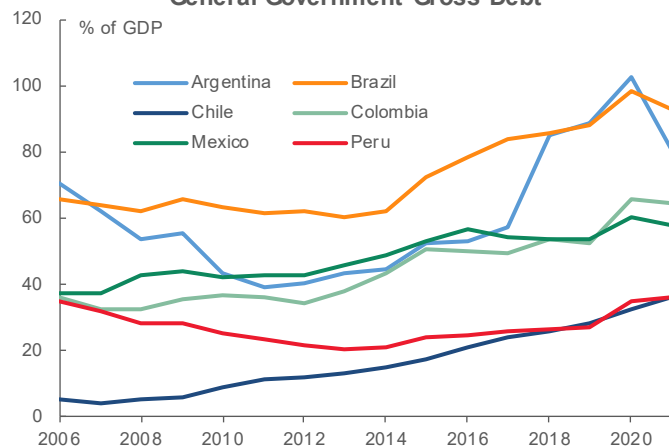


Chart 8

### External Debt

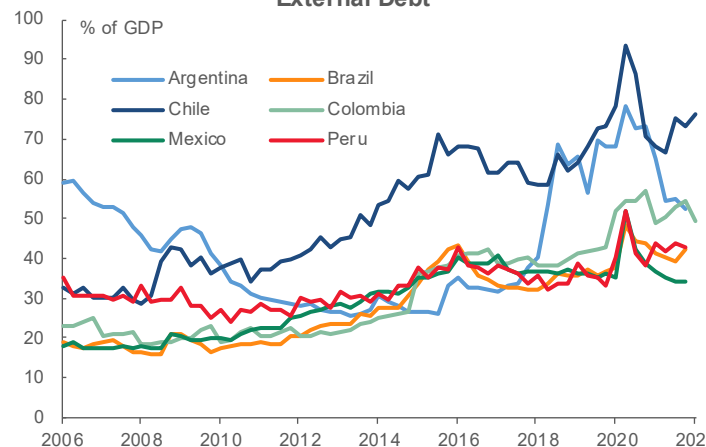


Chart 9

### Current Account Balance

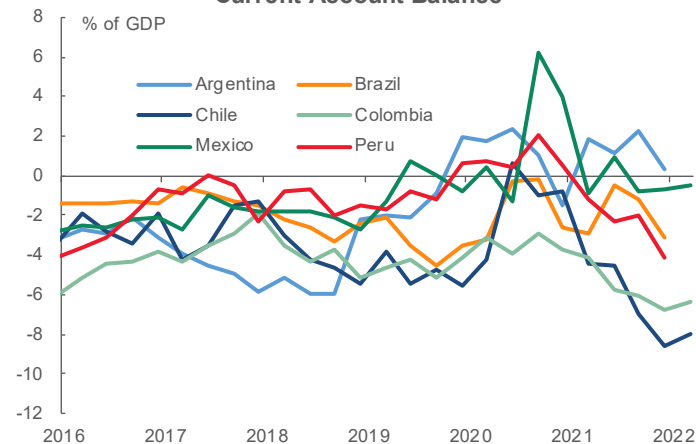
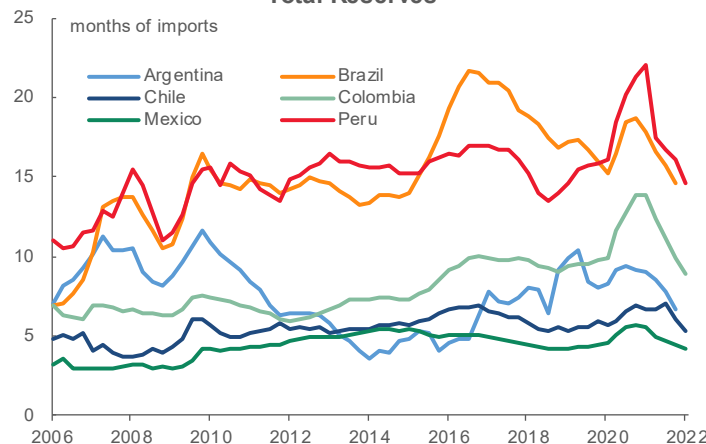


Chart 10

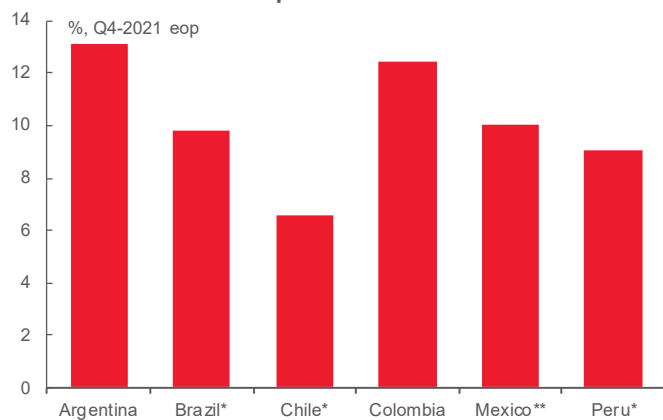
### Total Reserves



## Key Market Charts

Chart 1

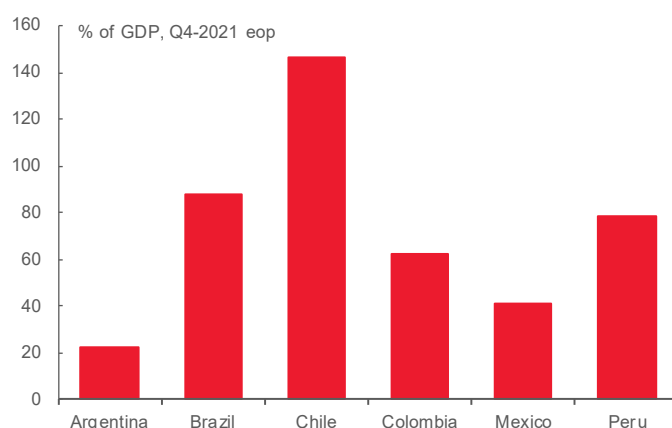
### Bank Capital to Assets Ratio



\* Data to Q3-2021. \*\* Data to Q1-2021.  
Sources: Scotiabank Economics, IMF.

Chart 2

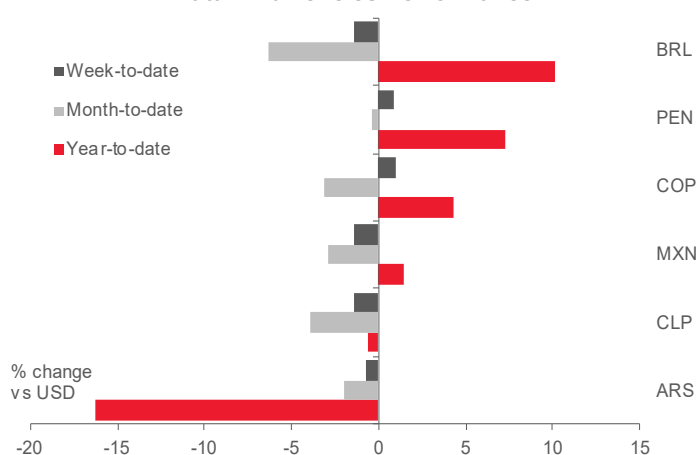
### Domestic Credit to Private Nonfinancial Sector



Sources: Scotiabank Economics, BIS, Haver Analytics.

Chart 3

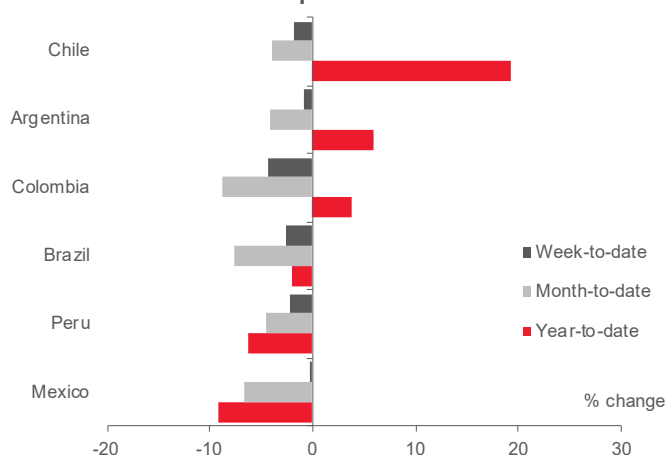
### Latam Currencies Performance



Sources: Scotiabank Economics, Bloomberg.

Chart 4

### Latam Equities Performance



Sources: Scotiabank Economics, Bloomberg.

Chart 5

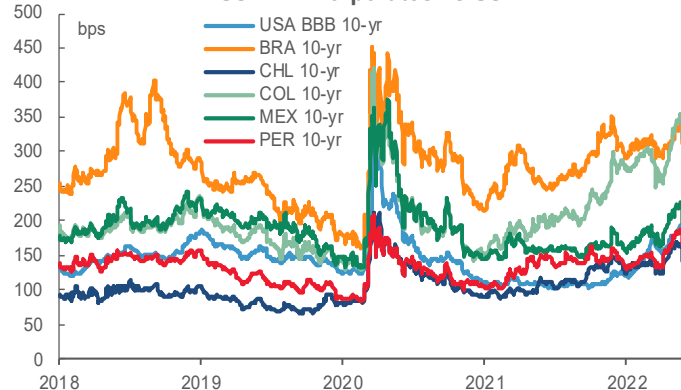
### USD vs Latam Currencies



Sources: Scotiabank Economics, Bloomberg.

Chart 6

### 10-yr CDS Spreads: Latam Sovereigns & US BBB Corporates vs US\*

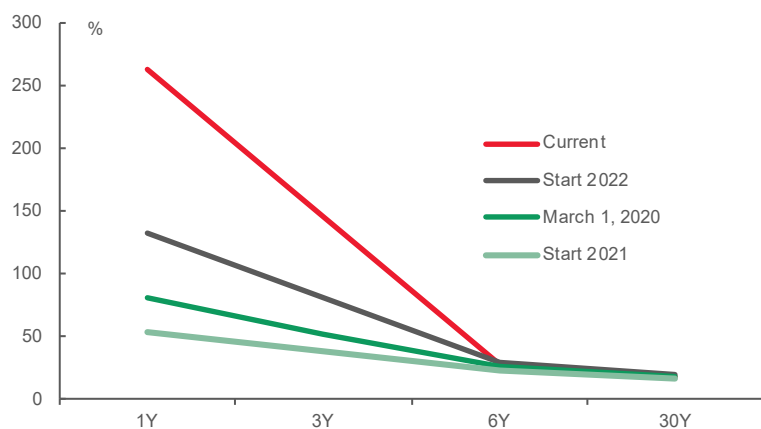


\*Sovereigns vs US swaps; BBB corporates vs 10-yr USTs.  
Sources: Scotiabank Economics, Bloomberg.

## Yield Curves

Chart 1

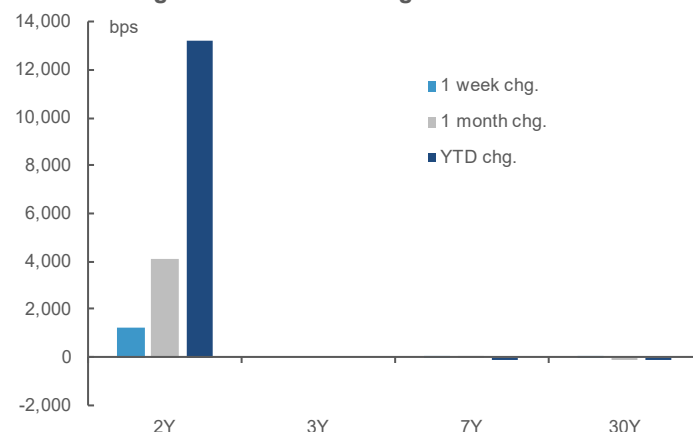
USD Argentina Sovereign Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 2

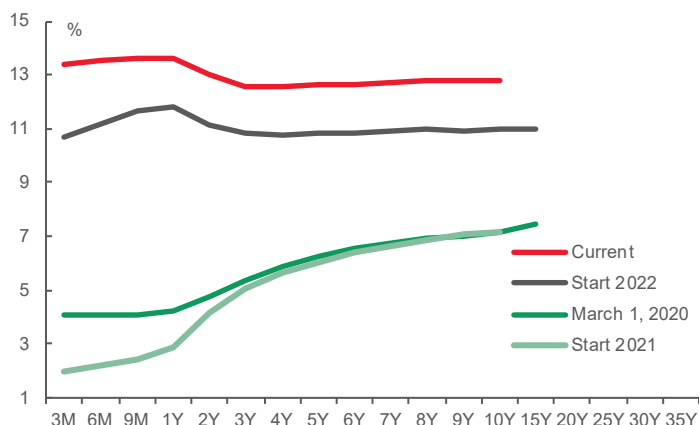
Argentina: USD Sovereign Curve Moves



Sources: Scotiabank Economics, Bloomberg.

Chart 3

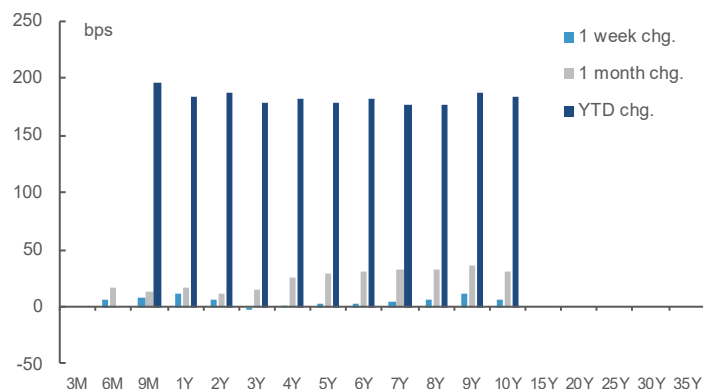
Brazil: BM&F Pre x DI Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 4

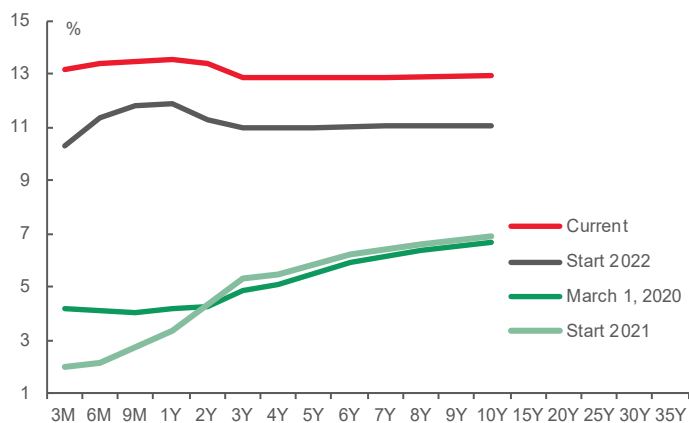
Brazil: BM&F Pre x DI Curve Moves



Sources: Scotiabank Economics, Bloomberg.

Chart 5

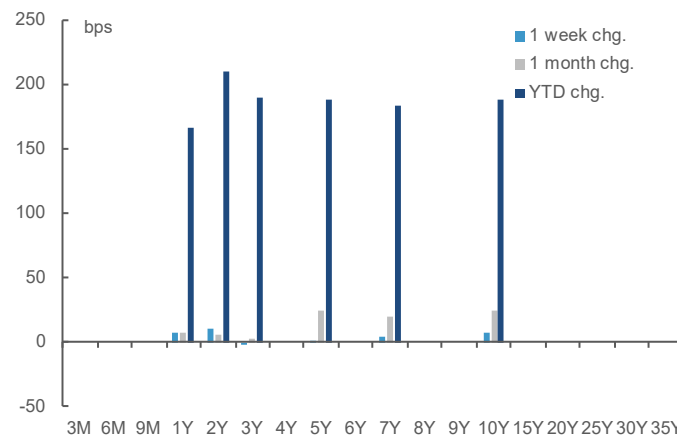
Brazil: NTN Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 6

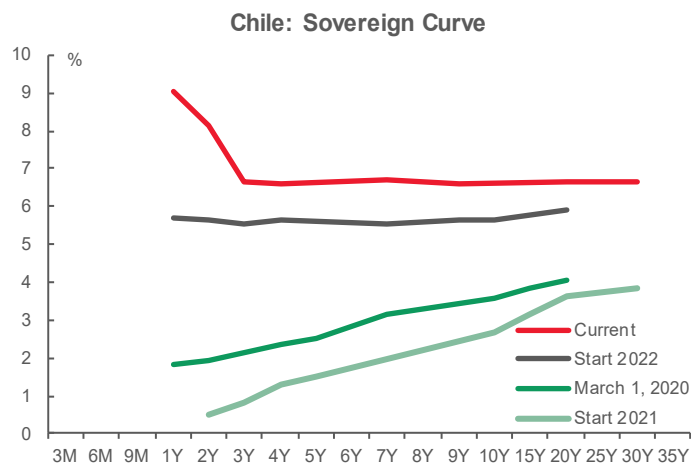
Brazil: NTN Curve Moves



Sources: Scotiabank Economics, Bloomberg.

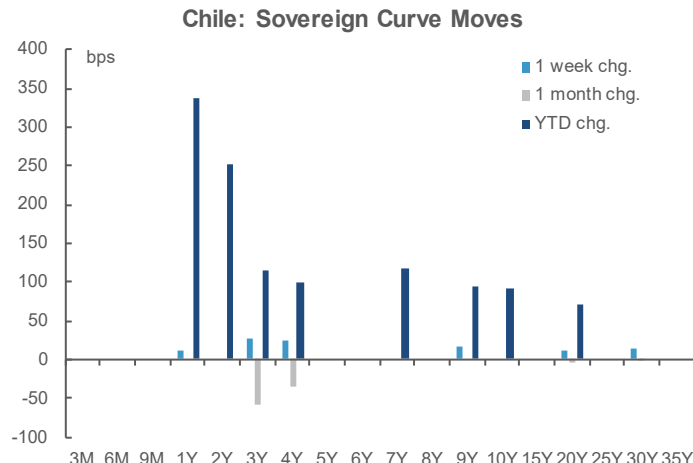
## Yield Curves

Chart 7



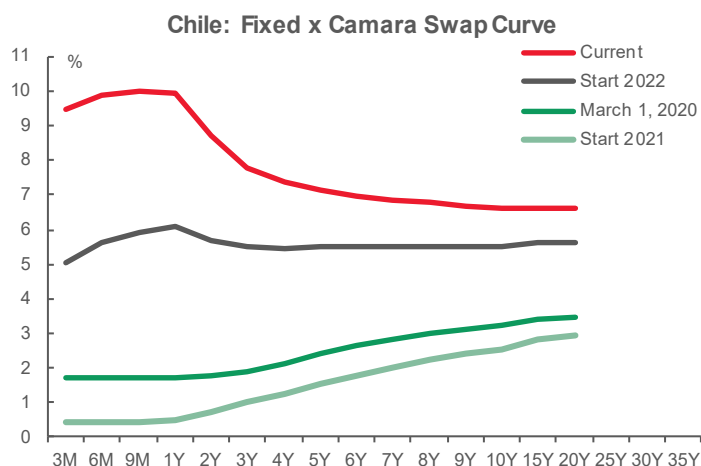
Sources: Scotiabank Economics, Bloomberg.

Chart 8



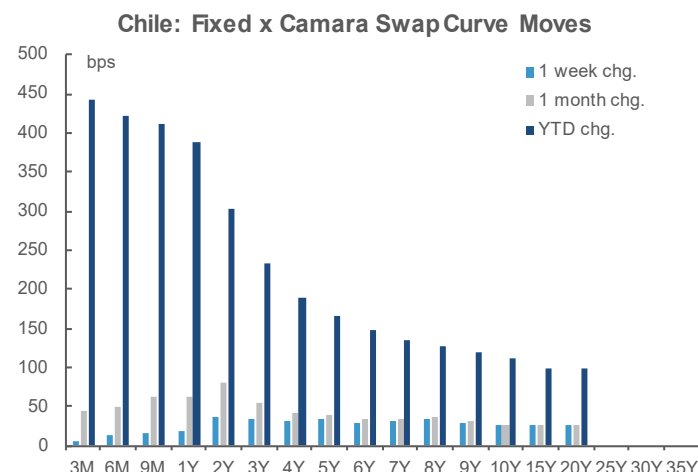
Sources: Scotiabank Economics, Bloomberg.

Chart 9



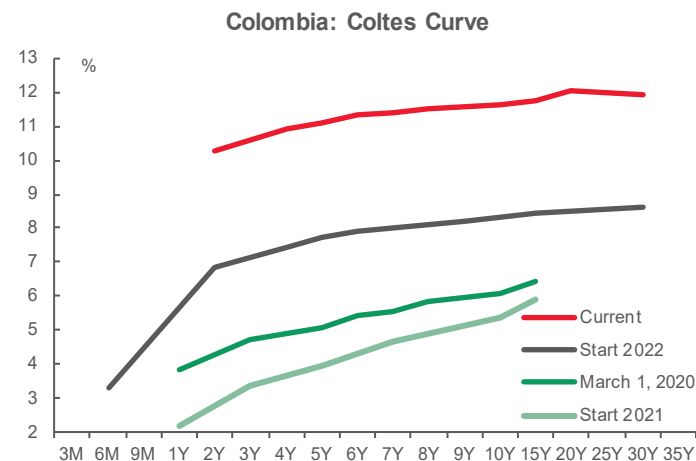
Sources: Scotiabank Economics, Bloomberg.

Chart 10



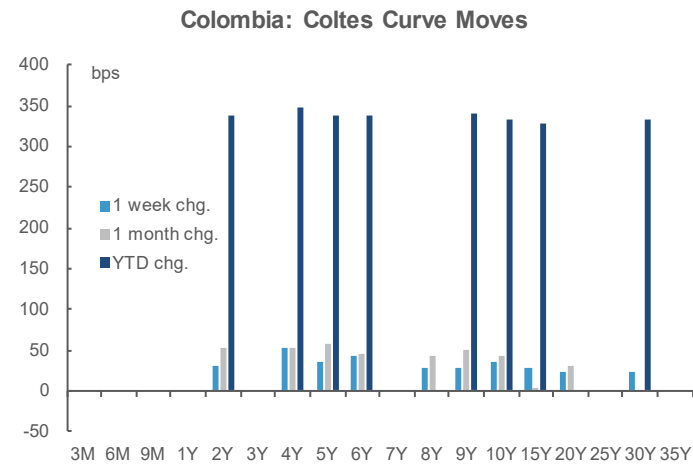
Sources: Scotiabank Economics, Bloomberg.

Chart 11



Sources: Scotiabank Economics, Bloomberg.

Chart 12

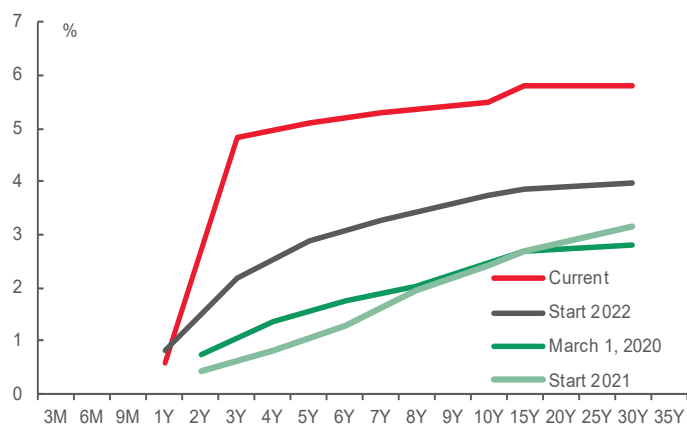


Sources: Scotiabank Economics, Bloomberg.

## Yield Curves

Chart 13

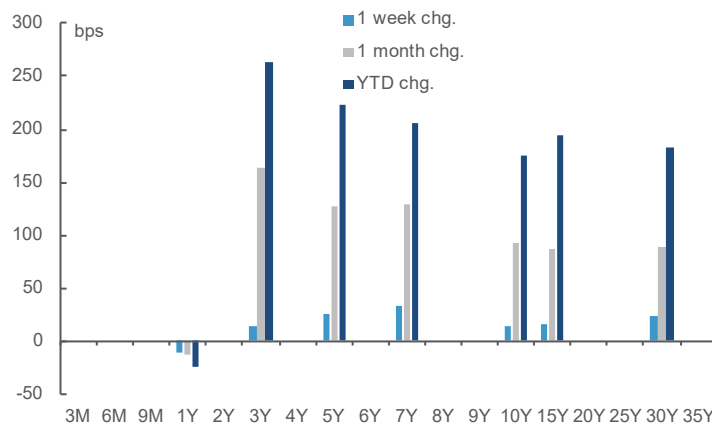
Colombia: UVR-Indexed Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 14

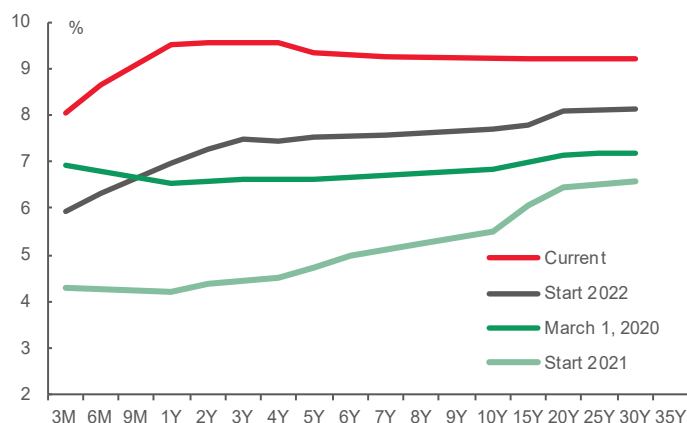
Colombia: UVR-Indexed Curve Moves



Sources: Scotiabank Economics, Bloomberg.

Chart 15

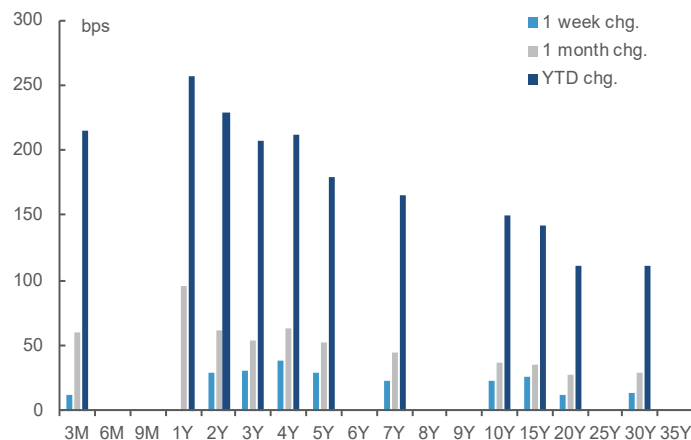
Mexico: M-Bono Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 16

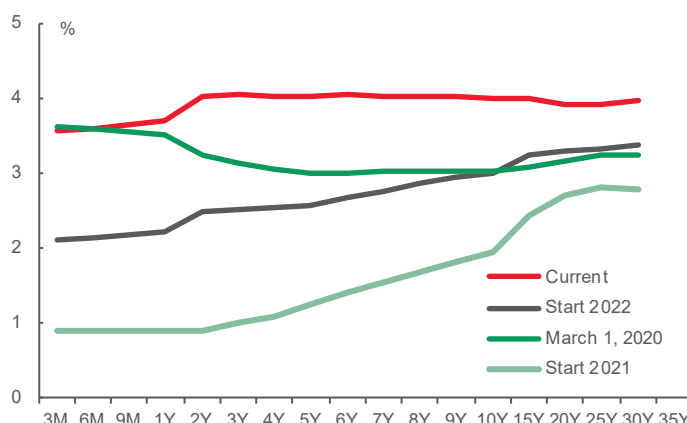
Mexico: M-Bono Curve Moves



Sources: Scotiabank Economics, Bloomberg.

Chart 17

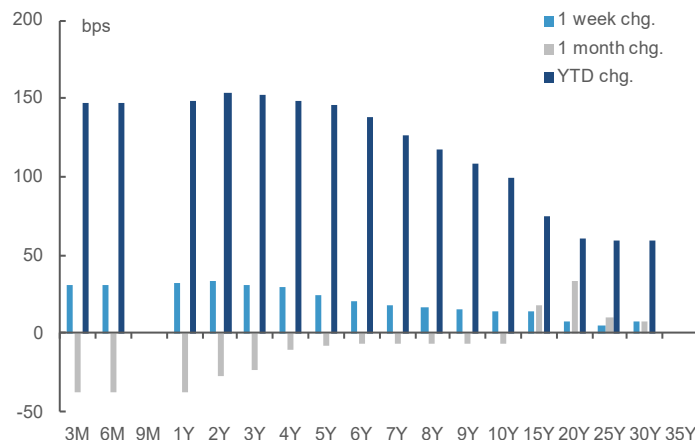
Mexico: Udibonos BVAL Yield Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 18

Mexico: Udibono Curve Moves



Sources: Scotiabank Economics, Bloomberg.



Yield Curves

Chart 19

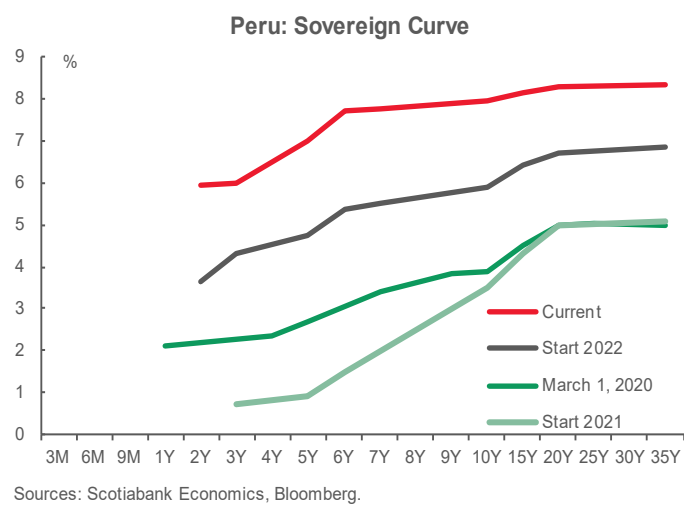
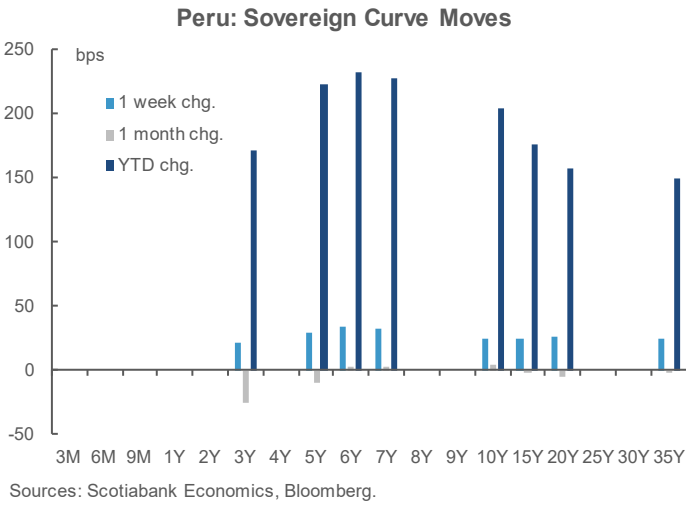
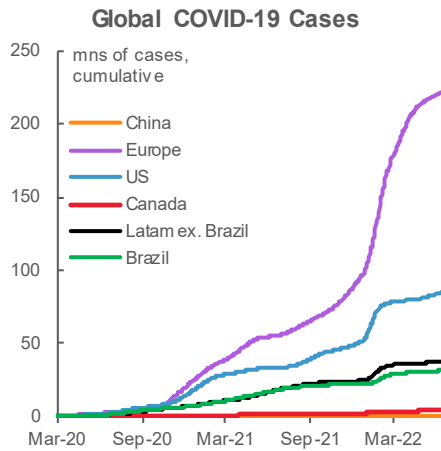


Chart 20



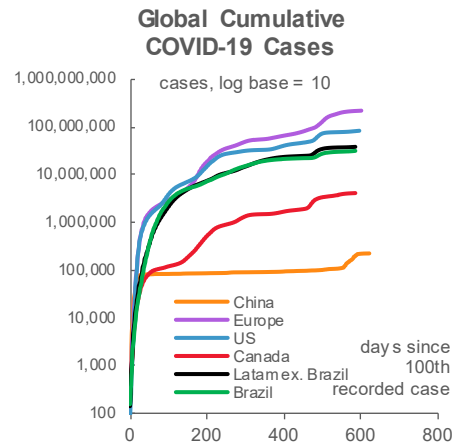
## Key COVID-19 Charts

Chart 1



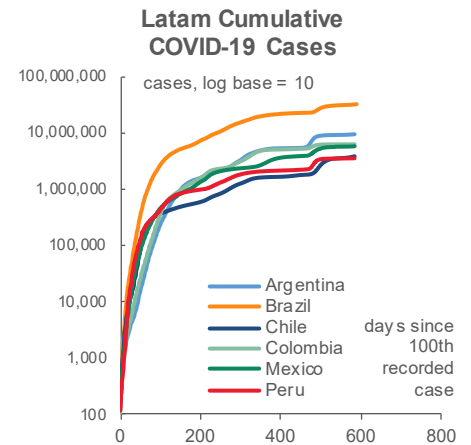
Sources: Scotiabank Economics, Johns Hopkins University, Oxford University.

Chart 2



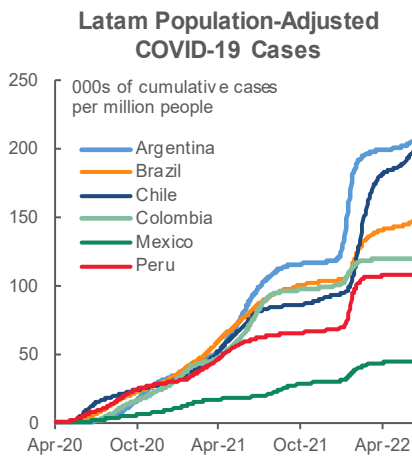
Sources: Scotiabank Economics, Johns Hopkins University.

Chart 3



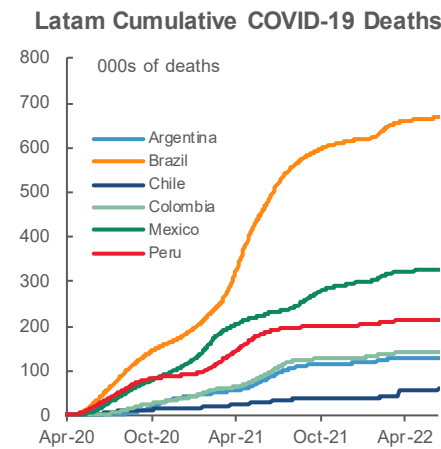
Sources: Scotiabank Economics, Johns Hopkins University.

Chart 4



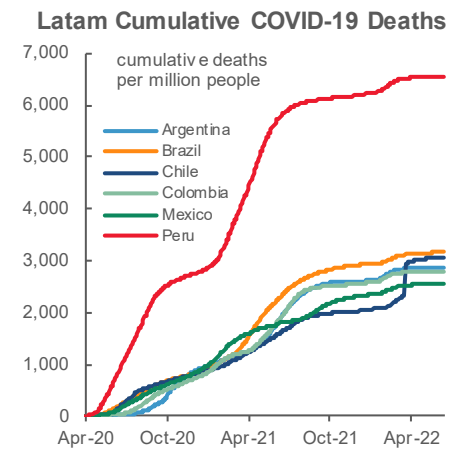
Sources: Scotiabank Economics, Johns Hopkins University, United Nations.

Chart 5



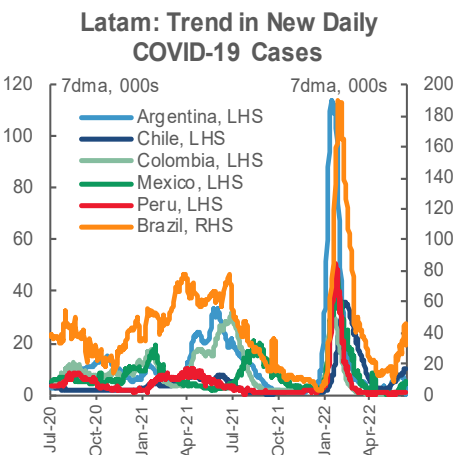
Sources: Scotiabank Economics, Johns Hopkins University.

Chart 6



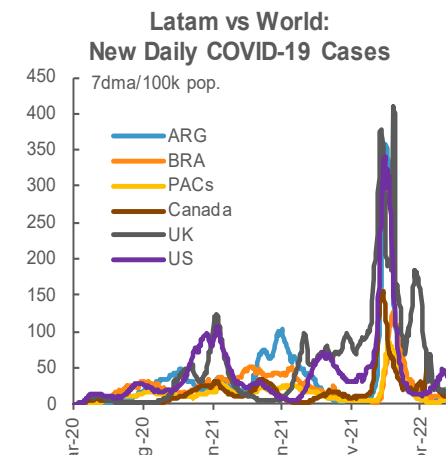
Sources: Scotiabank Economics, Johns Hopkins University.

Chart 7



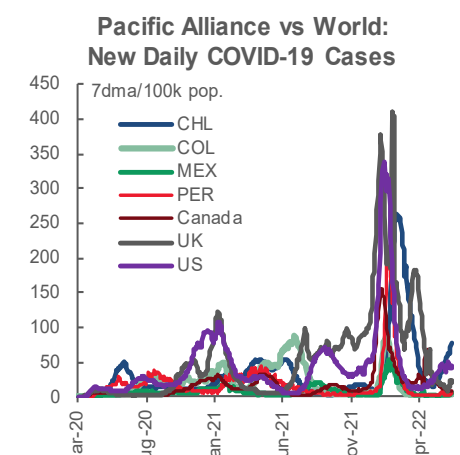
Sources: Scotiabank Economics, Johns Hopkins University.

Chart 8



Sources: Scotiabank Economics, JHU.

Chart 9



Sources: Scotiabank Economics, JHU.

Key COVID-19 Charts

Chart 10

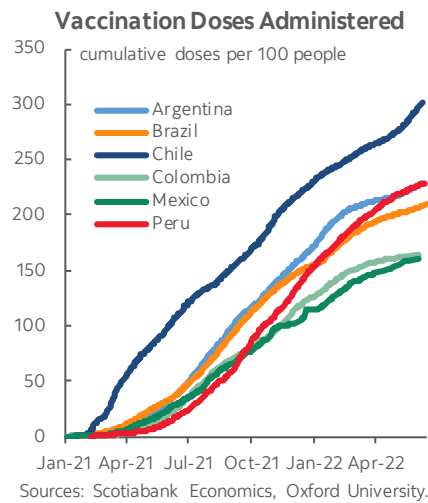


Chart 11

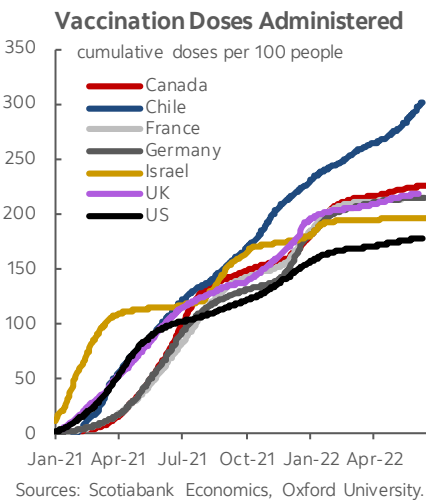
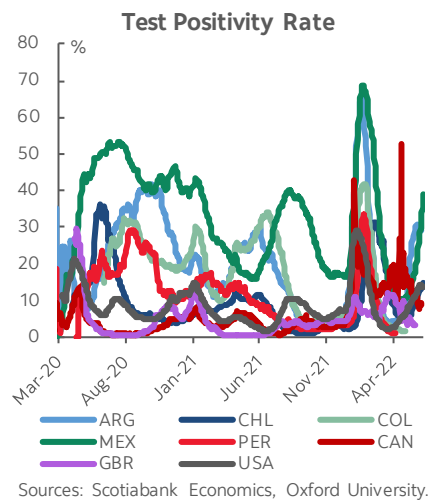


Chart 12



## Market Events &amp; Indicators for June 17–July 1

## ARGENTINA

Date	Time Event	Period	BNS	Consensus	Latest	BNS Comments
Jun-21	Budget Balance (ARS mn)	May	--	--	-79184.8	
Jun-22	15:00 Shop Center Sales (y/y)	Apr	--	--	24.62	
Jun-22	15:00 Supermarket Sales (y/y)	Apr	--	--	-0.07	
Jun-22	15:00 Trade Balance (USD mn)	May	--	--	1444	
Jun-22	15:00 Exports Total (USD mn)	May	--	--	8327	
Jun-22	15:00 Imports Total (USD mn)	May	--	--	6883	
Jun-22	UTDT Leading Indicator	May	--	--	-0.63	
Jun-23	15:00 GDP (q/q)	1Q	--	1	1.5	
Jun-23	15:00 GDP (y/y)	1Q	--	6.1	8.6	
Jun-23	15:00 Unemployment Rate (%)	1Q	--	--	7	
Jun-28	15:00 Current Account Balance (USD mn)	1Q	--	--	372.53	
Jun-30	15:00 Wages (m/m)	Apr	--	--	7.39	
Jun-30	15:00 Economic Activity Index (m/m)	Apr	--	--	-0.7	
Jun-30	15:00 Economic Activity Index (y/y)	Apr	--	--	4.8	
Jun-30	Consumer Confidence Index	Jun	--	--	36.3	
Jul 1-5	Government Tax Revenue (ARS bn)	Jun	--	--	1551.37	

## BRAZIL

Date	Time Event	Period	BNS	Consensus	Latest	BNS Comments
Jun-20	4:00 FIPE CPI - Weekly (%)	15-Jun	--	--	0.19	
Jun-20	7:00 FGV CPI IPC-S (%)	15-Jun	--	--	0.79	
Jun-20	7:25 Central Bank Weekly Economist Survey		--	--	--	
Jun-20	14:00 Trade Balance Weekly (USD mn)	19-Jun	--	--	523.8	
Jun-21	7:00 Central Bank Meeting Minutes		--	--	--	
Jun-23	7:00 FGV CPI IPC-S (%)	22-Jun	--	--	0.79	
Jun-24	7:00 FGV Consumer Confidence	Jun	--	--	75.5	
Jun-24	8:00 IBGE Inflation IPCA-15 (m/m)	Jun	--	--	0.59	
Jun-24	8:00 IBGE Inflation IPCA-15 (y/y)	Jun	--	--	12.2	
Jun 20-24	Central Govt Budget Balance (BRL bn)	Apr	--	--	28.553	
Jun 20-24	Federal Debt Total (BRL bn)	Apr	--	--	5565	
Jun 20-24	Economic Activity (m/m)	Mar	--	1	0.34	
Jun 20-24	Economic Activity (y/y)	Mar	--	2.05	0.66	
Jun 20-24	Personal Loan Default Rate (%)	Mar	--	--	4.71	
Jun 20-24	Outstanding Loans (m/m)	Mar	--	1.2	0.8	
Jun 20-24	Total Outstanding Loans (BRL bn)	Mar	--	4767.49	4710.96	
Jun 20-24	Current Account Balance (USD mn)	Mar	--	300	-2414	
Jun 20-24	Foreign Direct Investment (USD mn)	Mar	--	6076.3	11842.6	
Jun 21-25	Tax Collections (BRL mn)	May	--	--	195085.06	
Jun-27	4:00 FIPE CPI - Weekly (%)	22-Jun	--	--	0.19	
Jun-27	7:00 FGV Construction Costs (m/m)	Jun	--	--	1.49	
Jun-27	7:25 Central Bank Weekly Economist Survey		--	--	--	
Jun-28	8:30 Outstanding Loans (m/m)	May	--	1.2	0.8	
Jun-28	8:30 Total Outstanding Loans (BRL bn)	May	--	4767.49	4710.96	
Jun-28	8:30 Personal Loan Default Rate (%)	May	--	--	4.71	
Jun-29	7:00 FGV Inflation IGPM (m/m)	Jun	--	--	0.52	
Jun-29	7:00 FGV Inflation IGPM (y/y)	Jun	--	--	10.72	
Jun-29	Central Govt Budget Balance	May	--	--	28.553	
Jun-30	8:00 National Unemployment Rate (%)	May	--	--	10.5	
Jun-30	8:30 Net Debt % GDP	May	--	--	57.86	
Jun-30	8:30 Nominal Budget Balance (BRL bn)	May	--	--	-41.024	
Jun-30	8:30 Primary Budget Balance (BRL bn)	May	--	--	38.876	
Jun 23-30	Formal Job Creation Total	May	--	--	196966	
Jul-01	7:00 FGV CPI IPC-S (%)	30-Jun	--	--	0.79	
Jul-01	9:00 S&P Global Brazil Manufacturing PMI	Jun	--	--	54.2	
Jul-01	14:00 Trade Balance Monthly (USD mn)	Jun	--	--	4944	
Jul-01	14:00 Exports Total (USD mn)	Jun	--	--	29648	
Jul-01	14:00 Imports Total (USD mn)	Jun	--	--	24704	
Jul 1-5	Vehicle Sales Fenabrave	Jun	--	--	187069	

## CHILE

Date	Time Event	Period	BNS	Consensus	Latest	BNS Comments
Jun-23	8:30 Central Bank Meeting Minutes		--	--	--	
Jun-24	9:00 PPI (m/m)	May	--	--	2.1	
Jun-28	8:30 Central Bank Traders Survey		--	--	--	
Jun-29	9:00 Unemployment Rate (%)	May	8.1	--	7.7	We forecast an increase in the unemployment rate to 8.1%, due to a greater dynamism of the work force than employment.
Jun-30	9:00 Manufacturing Production (y/y)	May	--	--	1.74	
Jun-30	9:00 Industrial Production (y/y)	May	--	--	-3.61	
Jun-30	9:00 Copper Production Total (Tons)	May	--	--	421742	
Jun-30	9:00 Commercial Activity (y/y)	May	--	--	12.64	
Jun-30	9:00 Retail Sales (y/y)	May	0	--	19.95	We forecast retail sales to change 0% y/y affected by a high base of comparison but showing resilience, based on our credit and debit card high-frequency indicators.

Forecasts at time of publication.

Sources: Scotiabank Economics, Bloomberg.

## Market Events &amp; Indicators for June 17–July 1

## CHILE

Date	Time Event	Period	BNS	Consensus	Latest	BNS Comments
Jul-01	8:30 Economic Activity (y/y)	May	5.3	--	--	6.9 For May, we forecast GDP growth of around 5.3% y/y with relevant support from personal services (health), which is consistent with our 2022 GDP growth forecast of 3%.
Jul-01	8:30 Economic Activity (m/m)	May	--	--	--	-0.3
Jul 1-7	IMCE Business Confidence	Jun	--	--	--	46.48

## COLOMBIA

Date	Time Event	Period	BNS	Consensus	Latest	BNS Comments
Jun-17	11:00 Trade Balance (USD mn)	Apr	--	-400	--	-1520.7
Jun-17	11:00 Imports CIF Total (USD mn)	Apr	--	--	--	7063.39
Jun-17	12:00 Economic Activity NSA (y/y)	Apr	--	9.5	--	7.6
Jun-19	Presidential election: Second Round		--	--	--	--
Jun-23	Retail Confidence	May	--	--	--	39
Jun-23	Industrial Confidence	May	--	--	--	10.3
Jun-30	11:00 National Unemployment Rate (%)	May	--	--	--	11.17
Jun-30	11:00 Urban Unemployment Rate (%)	May	--	--	--	11.05
Jun-30	14:00 Overnight Lending Rate (%)	30-Jun	7.50	--	--	6.00
Jul-01	11:00 Davivienda Colombia PMI Mfg	Jun	--	--	--	53.9

## MEXICO

Date	Time Event	Period	BNS	Consensus	Latest	BNS Comments
Jun-21	7:00 Aggregate Supply and Demand (%)	1Q	--	--	--	3
Jun-21	10:00 International Reserves Weekly (USD mn)	17-Jun	--	--	--	198742
Jun-21	Banamex Survey of Economists		--	--	--	--
Jun-23	7:00 Bi-Weekly CPI (%)	15-Jun	--	--	--	0.3
Jun-23	7:00 Bi-Weekly CPI (y/y)	15-Jun	--	--	--	7.72
Jun-23	7:00 Bi-Weekly Core CPI (%)	15-Jun	--	--	--	0.29
Jun-23	7:00 Bi-Weekly Core CPI (y/y)	15-Jun	--	--	--	7.32
Jun-23	7:00 Retail Sales (m/m)	Apr	--	--	--	0.4
Jun-23	7:00 Retail Sales (y/y)	Apr	--	--	--	3.8
Jun-23	14:00 Overnight Rate (%)	23-Jun	7.75	--	--	7.00
Jun-24	7:00 Economic Activity IGAE (m/m)	Apr	--	--	--	0.34
Jun-24	7:00 Economic Activity IGAE (y/y)	Apr	--	--	--	0.4
Jun-27	7:00 Trade Balance (USD mn)	May	--	--	--	-1884.07
Jun-27	7:00 Exports (USD mn)	May	--	--	--	47479.5
Jun-27	7:00 Imports (USD mn)	May	--	--	--	49363.53
Jun-28	7:00 Unemployment Rate NSA (%)	May	--	--	--	3.03
Jun-28	10:00 International Reserves Weekly (USD mn)	24-Jun	--	--	--	198742
Jun-30	10:00 Net Outstanding Loans (MXN bn)	May	--	--	--	4981
Jun-30	Budget Balance YTD (MXN bn)	May	--	--	--	-13.04
Jul-01	10:00 Remittances Total (USD mn)	May	--	--	--	4718.1
Jul-01	10:00 Central Bank Economist Survey		--	--	--	--
Jul-01	10:30 S&P Global Mexico Manufacturing PMI	Jun	--	--	--	50.6
Jul-01	13:00 IMEF Non-Manufacturing Index SA	Jun	--	--	--	52.5
Jul-01	13:00 IMEF Manufacturing Index SA	Jun	--	--	--	50.85

## PERU

Date	Time Event	Period	BNS	Consensus	Latest	BNS Comments
Jul-01	11:00 Lima CPI (m/m)	Jun	0.9	--	--	0.4 We expect a rise in food prices, mainly poultry and vegetables, and oil derivatives.
Jul-01	11:00 Lima CPI (y/y)	Jun	8.5	--	--	8.1 Annual inflation pace could reach the peak in June due to a high base of comparison.

Forecasts at time of publication.

Sources: Scotiabank Economics, Bloomberg.

Scotiabank Economics Latam Coverage



Local Market Coverage

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