November 30, 2018

NOTHING A LOT OF MALBEC CAN'T FIX

FORECASTS & DATA

CONTACTS

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Next Week's Risk Dashboard

- G20
- Trump-Xi
- OPEC meeting
- Powell, Clarida, Quarles, Williams, Brainard
- CBs: BoC, RBA, RBI, Chile
- CDN jobs, trade, productivity
- Brexit campaigning
- Carney on Brexit
- US nonfarm, ISM, other macro
- UK PMIs
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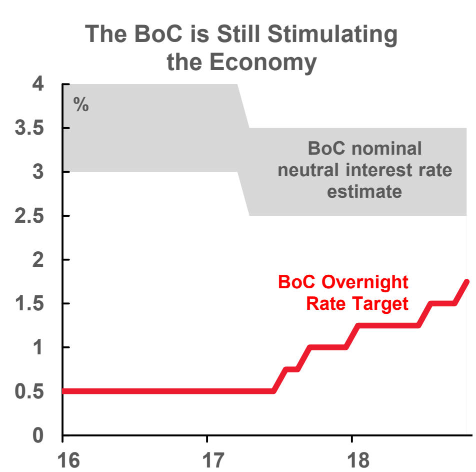
Chart of the Week



Sources: Scotiabank Economics, Bank of Canada.

Chart of the Week: Prepared by: Alena Bystrova, Research Analyst.

Nothing A Lot Of Malbec Can't Fix

CANADA—HOW ENERGIZED IS POLOZ?

The coming week will place a heavy degree of market emphasis upon how the Bank of Canada is reading the shifting tea leaves. That's because up to this point, the BoC has been inclined to guide expectations toward a gradual path of rate hikes toward a more neutral policy rate. This stance has informed expectations because the BoC has tended to look through fresh developments not only since the October meeting but also since Governor Poloz's speech on November 5th in London and SDG Wilkins' later speech that briefly repeated a bias toward returning to neutral over time. Whether this is still what the BoC believes is a key matter to guide the rates and currency complex. By the time macro data like jobs, trade and productivity growth arrive later in the week, this debate may have already been largely settled.

We expect the Bank of Canada to hold its overnight borrowing rate at 1.75% next Wednesday in a statement-only affair. The week will have the feeling of a fuller BoC meeting, however, because Governor Poloz speaks the next day in Toronto with remarks available at 8:35amET. A press conference will follow. The title to his speech is not yet known as per the Bank's practice of releasing it three business days in advance. Nevertheless the focus will be upon delivering an economic progress report. This year, the BoC committed to delivering such a progress report by a Governing Council member the day after non-MPR statements. This time is Poloz's turn and one should juxtapose that on top of his tendency to offer a December/January surprise over recent years.

Given that the BoC hiked in October and issued a full set of forecasts, this go-around may be focused upon shedding clues toward potential shifts in the forecast bias when the BoC next updates its forecasts on January 9th. The formal staff forecasting exercises should result in briefing Governing Council around the week before Christmas according to their laid-out decision-making process here. There is a lot of new information to incorporate but expect limited direct forecast inferences to be shared just yet.

One piece of new information is the Q3 GDP report and its composition that broadly met if not slightly exceeded BoC expectations but that disappointed in terms of underlying investment (recap here). This evidence limits capacity expansion to the detriment of growth in potential GDP.

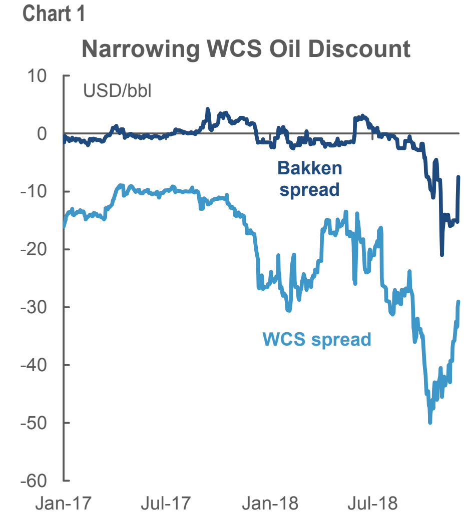
The second is the impact of the Federal mini-budget and its central focus upon investment incentives (recap here).

Third is the impact of one-off announcements like those from GM and others that we think net out to little change to the 2019–2020 GDP forecast. GM—as noted by our autos economist Juan Manuel Herrera—has allocations at its Oshawa plant until the end of 2019 after which it was already on track to drop to about 50,000 vehicles produced in 2020 from about 150,000 this year. The marginal information to some forecasters of eliminating 50,000 units produced in 2020 is small. Further, taking project developments in piecemeal fashion is always dangerous; there have been other more positive investment announcements made recently in Ontario's economy. Regardless, GM is not a consideration for the 2019 forecast.

Fourth is perhaps how Poloz views progress toward implementing the USMCA agreement. I would expect him to either appear to be neutral relative to October or perhaps more encouraged by the ceremonial signing and ongoing negotiations that continue to drive our expectation that a deal with side letter amendments won't be passed by all three countries until well into 2019. During this period, the BoC cannot put monetary policy on hold nor should it.

Fifth is the biggie. What does the Governor think about the state of Canada's energy market and feedback effects upon the economy and the inflation mandate? I frankly haven't a clue because the BoC has largely evaded the topic since oil prices began to drop around eight weeks ago. But here's what I would suggest with the caveat that there are obviously other potential ways of looking at the issue.

Chart 1



Sources: Scotiabank Economics, Bloomberg.

1. Is oil's slide transitory?

I agree with our energy economist Rory Johnston who thinks so but we'll await the OPEC meeting to confirm speculation toward a 1 million plus bpd production cut that may bolster global price benchmarks. Further, we're already encouraged by the compression in Western Canada Select price discounts to WTI (chart 1). More compression is expected into 2019 as US refineries return their demand for heavy oil to prior levels, as oil-by-rail works through pipeline bottlenecks and on the path toward the Line 3 pipeline next November. What is unclear in this mixture is the net effect of company-specific production announcements that the National Energy Board continues to portray as feeding growth in output of heavy oil as well as total conventional and nonconventional sources through to year end (here).

2. What is being revealed by little hedging activity?

Enter chart 2. It shows the number of firms that are hedging oil prices this year into next year by the fraction of output they are hedging. We worked with our equity analysts to derive the figures. 'Not much' is the short answer. 'Why' is the next question. One possibility is that the cost of hedging may be too high relative to the implied return expectations. In plain English, oil companies may be anticipating a rise in oil prices and have an asymmetric bias in favour of the return half of the risk-return calculus.

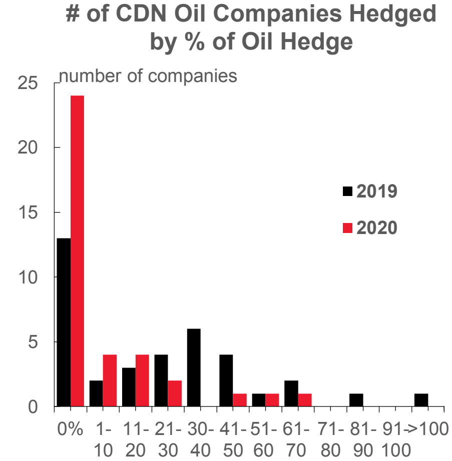
3. Expectations matter:

For years up to the decline in 2014H2, WTI was hanging around $100/bl. The plunge to about a quarter of that over 2014H2–2015H1 was a far bigger shock than the decline from the relatively recent and short-lived spike to US$77 this time. In fact, when it was occurring, many were skeptical it would last. While they've been perhaps vindicated with the return back toward about US$25 lower —depending upon how last this correction itself persists—it remains questionable whether firms adjusted investment and hiring plans as prices increased. The point here is that expectations matter in relation to starting points and perhaps this wasn't much of a shock to plans. Clearly that's less true for WCS that fell from nearly US$60 in May to about one-third of that now albeit slowly improving.

4. The energy sector isn't what it was in 2014–15.

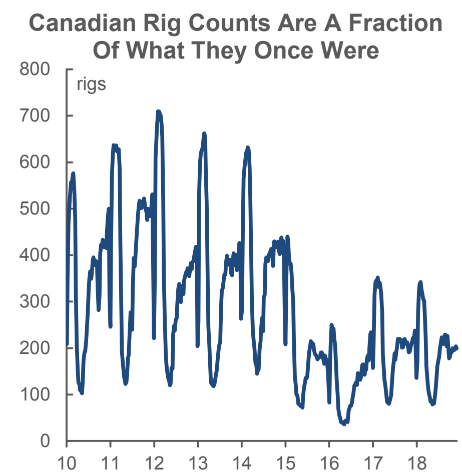
Back then we were at elevated readings across everything going into the price shock. Today we've spent the post-14/15 period adjusting lower and thereby dragging down the sector's relative importance in the economy. The incremental amount of what is at risk to forecasts has adjusted commensurately lower. For example, drilling/exploration activity has largely dried up to about one-third or less of the pace back then and the economy has adjusted (chart 3). Investment in the oil patch has already corrected to about half what it was just four years ago (chart 4). Say we knock another quarter or half out of that compared to a $2 trillion economy; is that really reason for perma-bears to go cold on everything from growth to the BoC, CAD and the price of Leafs tickets? Also witness charts 5–8 that depict shares of GDP, employment, foreign direct investment and exports represented by energy today. For more on the role of Canada's energy sector in the economy, go here. It is an important, vibrant part of the Canadian economy, but Canada is not, say, Norway by way of the tag I oftentimes sense gets applied by international accounts and how they discount the enormous diversification of the Canadian economy.

Chart 2



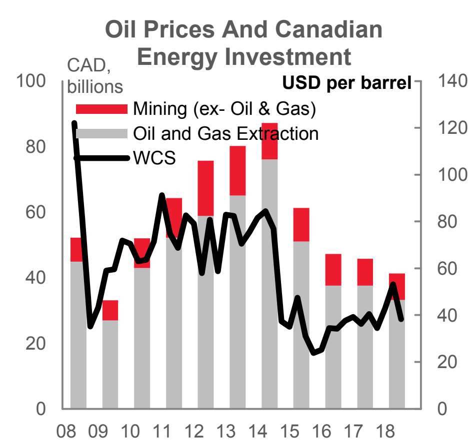
Sources: Scotiabank Economics, Scotiabank Equity Research.

Chart 3



Sources: Scotiabank Economics, Baker hughes inc.

Chart 4



Sources: Scotiabank Economics, Statistics Canada, Bloomberg.
* Preliminary Data. WCS Q4 quarter-to-date avg.

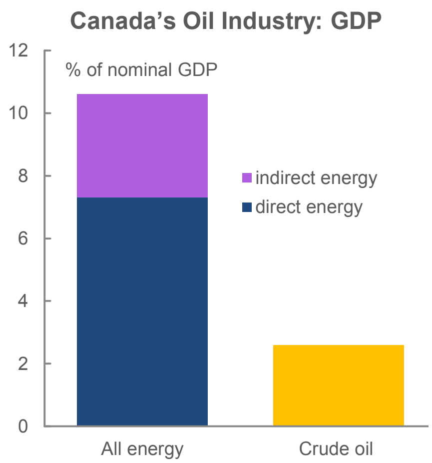
5. Other automatic stabilizers have adjusted unlike 2014.

One of these stabilizers is the currency. USDCAD was at about 1.10 back when the 2014 shock hit but is north of 1.30 now and hasn't really done much in response to oil with the plethora of other driving factors (USD strength, NAFTA headline volatility, etc.). Lower oil and depreciated CAD that is in no small part due to USD strength benefit other parts of the economy (Ontario, Quebec, etc.).

6. Leakage effects

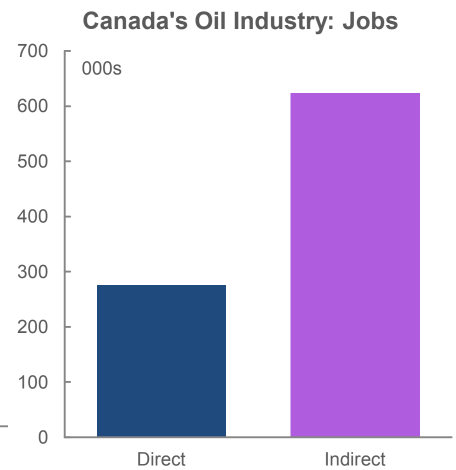
There is a vibrant debate over the full supply chain effects of lower oil this time around and how much is leaking out to the US refineries. Oil companies with upgraders and refineries, for example, aren't complaining about cheap feeder costs and there have been just such major investments coming on line in the wake of the prior investment boom. That's a big reason why the industry was divided toward the concept of mandated production cuts in recent meetings with Alberta's Premier Notley. There would be more trouble for the economy if lower input costs weren't benefiting margins in key parts of the energy sector where heavy investments were made. Also note the evidence in the latest trade figures that displayed weakness in oil imports due to substitution toward domestic production. From a GDP accounting sense, that's a plus that implies less import leakage out of the economy.

Chart 5



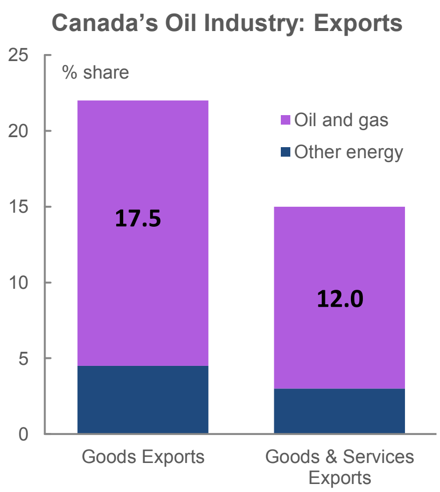
Sources: Scotiabank Economics, Statistics Canada

Chart 6



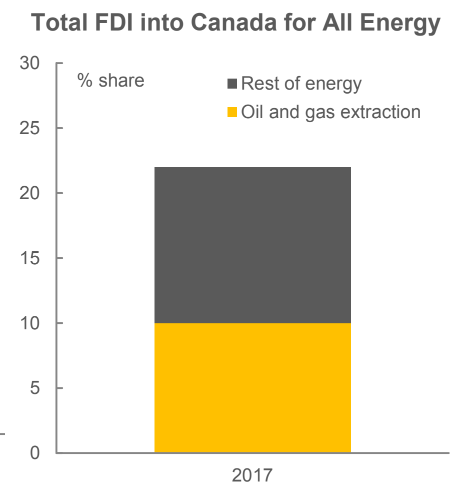
Sources: Scotiabank Economics, Statistics Canada.

Chart 7



Sources: Scotiabank Economics, Statistics Canada

Chart 8



Sources: Scotiabank Economics, Statistics Canada.

But enough about oil. Err…not quite. It may figure prominently in next week's **trade figures** for October on Thursday that I'm guesstimating may show a slightly narrower monthly deficit. **Labour productivity growth** (Tuesday) will probably decelerate to around ¼% q/q. The week closes with spinning the wheel on Canadian jobs and the highly volatile **Labour Force Survey**. I'm expecting a small job gain and the wage measure that is derived from the household survey is not the figure that matters to the BoC.

ASIA-PACIFIC—TARIFF ALCHEMY

Across a fairly active calendar for macro risks, one consideration will rise above all others from the standpoint of global markets: **Will China and the United States achieve agreement that allays market fears of a further escalation of trade tensions?** Most of the other Asian economic developments carry largely regional market implications.

On prospects for a deal with China, US President Trump's guidance has been remarkably but not uncharacteristically volatile even within just the past week. As this publication goes to print, earlier warnings to slap further tariffs on China have given way to guidance that "I think we're very close to doing something with China, but I don't know that I want to do it, because what we have right now is billions and billions of dollars coming into the United States in the form of tariffs or taxes." Trump claimed "I think China wants to make a deal. I'm open to making a deal, but frankly, I like the deal we have right now." Righto. **The fatal flaw to this argument, however, is that tariff revenues don't create wealth for the US simply because they raise revenues for Washington** at least in the short-run; they divert wealth from some uncertain combination of Chinese exporters but also American consumers, American businesses, American workers and American shareholders. So much for draining the swamp to the benefit of the people. Regardless, a deal that averts further escalation could be taken quite constructively into the Asian market open, or vice versa!

In a grander long-run sense, what does a possible 'deal' mean? I thought this was a good piece that indicates room for a deal but that also argues that a temporary thaw would be a small step on the path to future potential US-China frictions. The piece asserts that regardless of who won the 2016 US Presidential election there would have been an escalation of tensions with China and that President Xi Jinping has "sidestepped what was China's best and last opportunity to avert rivalry with Washington." Of course, while the article has a tinge of 'blame China' to it, one might also put at least equal—in my opinion more—weight upon the Trump administration's actions.

The RBA and RBI issue policy decisions on Monday night (ET) and Wednesday morning, respectively. Consensus expects both central banks to hold their policy rates at 1.5% and 6.5% respectively, though Scotia's Tuuli McCully is among a minority expecting the Reserve Bank of India to raise its policy rate by 25bps. McCully reasons that the RBI changed its bias at the October 5th meeting to 'calibrated tightening' from neutral which opens the door to renewed hikes following a pause since August.

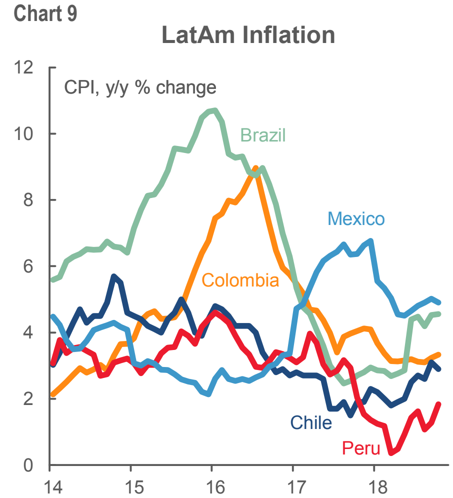
Each of Indonesia and Thailand (Sunday night ET), South Korea (Monday), Philippines (Tuesday) and Taiwan (Wednesday) report November estimates for CPI inflation. Most of these countries are registering inflation rates around the lower end of their central banks' inflation targets except for South Korea that at 2% was spot on the Bank of Korea's target which informed the BoK's recent decision to raise its repo rate by 25bps.

Sundry other developments will include China reporting the private versions of its purchasing managers' indices late next week. Australia takes a first shot at estimating Q3 GDP growth that is likely to soften somewhat in quarter-ago terms while hanging in well north of 3% y/y. The country also updates trade and retail sales figures on Wednesday evening. Japan updates capital spending estimates for Q3 that are expected to post materially softer growth than in Q2 and that may inform revision risk to the reported contraction in the economy during Q3 (-1.2% q/q SAAR).

LATIN AMERICA—AND YOU THINK YOUR ECONOMY HAS PROBLEMS?

Buenos Aires will provide a fitting backdrop to discuss the challenges the world economy faces. Argentina's inflation rate hit 46% y/y in October. Argentina's economy has been contracting again with real GDP down 4.2% y/y in Q2 and with consensus not expecting this rate to turn into the black until 2019H2. Since the start of 2018, the Argentinian peso has massively depreciated from about 19 to the USD to 38 now. And you think you've got problems in your economy? While such a backdrop is one reason for elevated security measures during the G20 Summit (Nov 30–December 1), the focus will be upon developments affecting other attendees and the world economy with plenty of scope for theatrics with regard to the main economic issues as discussed elsewhere in this report.

Chart 9



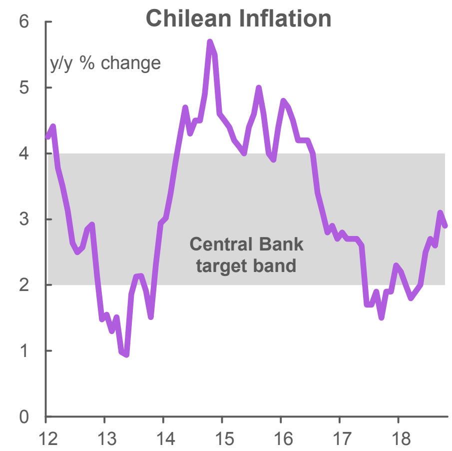
Sources: Scotiabank Economics, Bloomberg.

Set against Argentina's inflation problem, the rest of LatAm pales by comparison. **The coming week will yield inflation reports for November from Peru (this Saturday), Colombia (Wednesday), and a trio on Friday including Mexico, Chile and Brazil.** See chart 9 for the trends across these markets.

Before Chile's inflation report lands, **Banco Central de Chile will issue a rate decision on Tuesday.** It is expected to hold the policy rate unchanged at 2.75% with a minority of forecasters anticipating a 25bps hike. Scotia's Santiago-based Benjamin

Sierra expects a hold. Headline inflation of 2.9% y/y and core inflation of 2.1% y/y are riding within the lower half of the 2–4% inflation target range (chart 10). Wage growth has recently accelerated to 4.5% y/y after a marked downward trend since late summer 2017.

Chart 10



Sources: Scotiabank Economics, Bloomberg.

UNITED STATES—A CHANCE FOR THE FED TO CLARIFY

If the Federal Reserve believes that markets misinterpreted recent communications then it will have plenty of opportunity to alter that reaction over the coming week before going into communications blackout the following week ahead of the December 19th FOMC decision. Several of the Fed's heaviest hitters take to the podium as the week's main area of focus. Top-shelf macro indicators will nevertheless give Fed-speak a run for its money.

I still think that markets over-reacted to Fed communications this past week including through views expressed about Powell's speech here and in five takeaways from the FOMC minutes here. **The Fed will put pretty much all of its heavy hitters to work to possibly further inform this debate.**

- **Federal Reserve communications will be especially focused upon Chair Powell's testimony** on the economic outlook before the Joint Economic Committee of the US Senate on Wednesday at 10:15amET.
- Powell also offers brief welcoming remarks at a housing conference on Thursday evening.
- Before markets get to Powell, however, they will also get another chance to hear from **Vice Chair Richard Clarida** in a scheduled interview with Bloomberg on Monday morning.
- The Fed's regulatory **Vice Chair Randall Quarles** speaks twice on Monday—about the US economy, inflation and monetary policy—and Wednesday on banking conditions.
- **NY Fed President Williams** speaks on the Treasury market on Monday morning.
- **Governor Brainard** will speak about financial stability on Friday.
- Also note that the **Fed's Beige Book** that contains regional anecdotes is on tap for Wednesday.

On the macro docket, two releases in particular will stand out. Friday's nonfarm payrolls report is at the top of the list. My best guess at a report with a +/-115,000 90% confidence interval is for a gain of 200k that still signals robust labour market conditions. Also watch for the wage figures; **I've gone a tick lighter than the prior month on a combination of base effects and soft month-ago wage growth. The ISM manufacturing report** for November is the other marquee release particularly from an equity market standpoint; there the risk may be to the downside given what we already know about the two best correlated measures that include the Philly and Richmond Fed metrics.

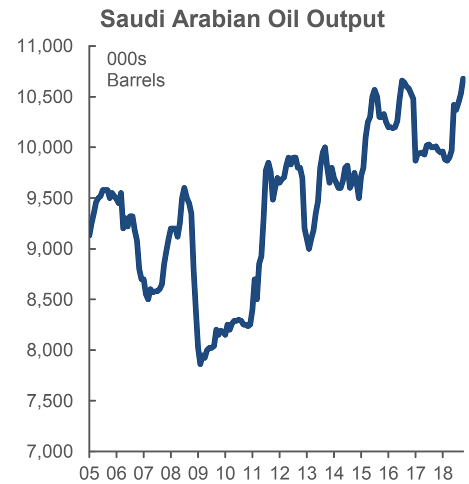
In addition, the US releases the following: construction spending for October (Monday); vehicle sales during November (Monday); ADP private payrolls for November (Wednesday); November's ISM services (Wednesday); probably a record goods and services trade deficit for October (Thursday); October's factory orders that will be weighed down by the already known drop in durables (Thursday); and the UofM's consumer sentiment gauge for December on Friday. Also note that the Q3 edition of the Fed's balance sheet accounts for the US economy that includes household and business measures is due on Thursday.

EUROPE—GEARING UP FOR VOTES

While the macro calendar will be relatively light over the coming week, the focus will be upon two major risks of potential consequence to world markets. In fact, the preponderance of such risks across multiple theaters and explained in this publication could well inform how global markets end the year and hand-off to 2019.

One will be the OPEC meeting in Vienna on Thursday. Unconfirmed reports indicate that a delegate leaked news that OPEC's Economic Commission Board recommended a production cut of 1.3 million barrels per day. That would reverse all of the Saudi run-up since earlier this year—and then some (chart 11). That rise has been going on since before the Khashoggi affair and fed a sense that much of the oil price weakness is the Saudis' problem to fix rather than offloading it onto other OPEC partners or non-OPEC producers.

Chart 11



Sources: Scotiabank Economics, Bloomberg.

Two will be all of the final lobbying, baby kissing and ear tugging on **the path to the vote in the UK parliament on the Brexit deal with the EU.** The vote is scheduled for Tuesday December 11th and it's going to be a tough uphill slog.

For his part, **Bank of England Governor Mark Carney and company will attend a Treasury Committee hearing on the Brexit Withdrawal Agreement on Tuesday.** The BoE issued this report on the costs of a 'hard Brexit' crash-out and see the summary chart in particular.

Behind these two developments will be limited macro data. Much of that will be focused upon **UK purchasing managers' indices** including the manufacturing reading (Monday), the construction PMI (Tuesday) and then the services and composite gauges on Wednesday. The readings will be parsed for indications of ongoing adjustments to Brexit and sterling.

German factory orders (Thursday) and industrial production (Friday) will round out the main releases.

Key Indicators for the week of December 3 – 7

NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	12/03	10:00	Construction Spending (m/m)	Oct	0.4	0.4	0.0
US	12/03	10:00	ISM Manufacturing Index	Nov	57.0	57.5	57.7
US	12/03		Total Vehicle Sales (mn a.r.)	Nov	17.0	17.2	17.5
CA	12/04	08:30	Productivity (q/q a.r.)	3Q	0.2	--	0.7
US	12/05	07:00	MBA Mortgage Applications (w/w)	NOV 30	--	--	5.5
US	12/05	08:15	ADP Employment Report (000s m/m)	Nov	200.0	195.0	227.4
US	12/05	08:30	Productivity (q/q a.r.)	3Q F	--	2.3	2.2
US	12/05	08:30	Unit Labor Costs (q/q a.r.)	3Q F	--	1.0	1.2
CA	12/05	10:00	**BoC Interest Rate Announcement (%)**	**Dec 5**	**1.75**	**1.75**	**1.75**
US	12/05	10:00	ISM Non-Manufacturing Composite	Nov	59.5	59.0	60.3
CA	12/06	08:30	Merchandise Trade Balance (C$ bn)	Oct	-0.3	--	-0.4
US	12/06	08:30	Initial Jobless Claims (000s)	DEC 1	220	225	234
US	12/06	08:30	Continuing Claims (000s)	NOV 24	1700	1690	1710
US	12/06	08:30	Trade Balance (US$ bn)	Oct	-53.8	-55.0	-54.0
US	12/06	10:00	Durable Goods Orders (m/m)	Oct F	--	--	-4.4
US	12/06	10:00	Durable Goods Orders ex. Trans. (m/m)	Oct F	--	--	0.1
US	12/06	10:00	Factory Orders (m/m)	Oct	-2.5	-2.0	0.7
CA	12/07	08:30	Employment (000s m/m)	Nov	10.0	--	11.2
CA	12/07	08:30	Unemployment Rate (%)	Nov	5.8	--	5.8
US	12/07	08:30	Nonfarm Employment Report (000s m/m)	Nov	200.0	199.0	250.0
US	12/07	08:30	Unemployment Rate (%)	Nov	3.7	3.7	3.7
US	12/07	08:30	Household Employment Report (000s m/m)	Nov	--	--	600.0
US	12/07	08:30	Average Hourly Earnings (m/m)	Nov	0.1	0.3	0.2
US	12/07	08:30	Average Hourly Earnings (y/y)	Nov	3.0	3.1	3.1
US	12/07	08:30	Average Weekly Hours	Nov	--	34.5	34.5
MX	12/07	09:00	Bi-Weekly Core CPI (% change)	Nov 30	0.1	0.0	0.2
MX	12/07	09:00	Bi-Weekly CPI (% change)	Nov 30	0.4	0.1	0.6
MX	12/07	09:00	Consumer Prices (m/m)	Nov	0.9	0.8	0.5
MX	12/07	09:00	Consumer Prices (y/y)	Nov	4.7	4.7	4.9
MX	12/07	09:00	Consumer Prices Core (m/m)	Nov	0.3	0.3	0.3
US	12/07	10:00	U. of Michigan Consumer Sentiment	Dec P	97.0	97.0	97.5
US	12/07	15:00	Consumer Credit (US$ bn m/m)	Oct	--	15.0	10.9

EUROPE

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
IT	12/03	03:45	Manufacturing PMI	Nov	--	48.9	49.2
FR	12/03	03:50	Manufacturing PMI	Nov F	--	50.7	50.7
GE	12/03	03:55	Manufacturing PMI	Nov F	--	51.6	51.6
EC	12/03	04:00	Manufacturing PMI	Nov F	--	51.5	51.5
UK	12/03	04:30	Manufacturing PMI	Nov	--	51.7	51.1
IT	12/03		Budget Balance (€ bn)	Nov	--	--	-3.9
IT	12/03		Budget Balance YTD (€ bn)	Nov	--	--	-53.4
FR	12/04	02:45	Central Government Balance (€ bn)	Oct	--	--	-87.1
UK	12/04	04:30	PMI Construction	Nov	--	52.5	53.2
EC	12/04	05:00	PPI (m/m)	Oct	--	0.5	0.5
GR	12/04	05:00	Real GDP NSA (y/y)	3Q F	--	--	1.8
SP	12/05	03:00	Industrial Output NSA (y/y)	Oct	--	--	-2.8
IT	12/05	03:45	Services PMI	Nov	--	49.2	49.2
FR	12/05	03:50	Services PMI	Nov F	--	55.0	55.0
GE	12/05	03:55	Services PMI	Nov F	--	53.3	53.3
EC	12/05	04:00	Composite PMI	Nov F	--	52.4	52.4
EC	12/05	04:00	Services PMI	Nov F	--	53.1	53.1
UK	12/05	04:30	Official Reserves Changes (US$ bn)	Oct	--	--	-127.0
UK	12/05	04:30	Services PMI	Nov	--	52.5	52.2
EC	12/05	05:00	Retail Trade (m/m)	Oct	--	0.2	0.0

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

Key Indicators for the week of December 3 – 7

EUROPE *(continued from previous page)*

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
GE	12/06	02:00	Factory Orders (m/m)	Oct	--	-0.5	0.0
GE	12/07	02:00	Industrial Production (m/m)	Oct	--	0.3	0.2
FR	12/07	02:45	Current Account (€ bn)	Oct	--	--	-1918
FR	12/07	02:45	Industrial Production (m/m)	Oct	--	0.7	-1.8
FR	12/07	02:45	Industrial Production (y/y)	Oct	--	-1.4	-1.1
FR	12/07	02:45	Manufacturing Production (m/m)	Oct	--	0.9	-2.1
FR	12/07	02:45	Trade Balance (€ mn)	Oct	--	-5750	-5663
UK	12/07	03:30	Halifax House Price (3 month, y/y)	Nov	--	1.0	1.5
EC	12/07	05:00	GDP (q/q)	3Q F	--	0.2	0.2

ASIA-PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
NZ	12/02	16:45	Terms of Trade Index (q/q)	3Q	--	0.0	0.6
JN	12/02	18:50	Capital Spending (y/y)	3Q	--	8.5	12.8
AU	12/02	19:30	Building Approvals (m/m)	Oct	--	-1.5	3.3
AU	12/02	19:30	ANZ Job Advertisements (m/m)	Nov	--	--	0.2
JN	12/02	19:30	Markit/JMMA Manufacturing PMI	Nov F	51.8	--	51.8
CH	12/02	20:45	HSBC Manufacturing PMI	Nov	50.0	50.1	50.1
TH	12/02	22:00	CPI (y/y)	Nov	1.2	1.0	1.2
TH	12/02	22:00	Core CPI (y/y)	Nov	--	0.8	0.8
ID	12/02	23:00	CPI (y/y)	Nov	3.2	3.2	3.2
ID	12/02	23:00	Core CPI (y/y)	Nov	--	3.0	2.9
JN	12/03	00:00	Vehicle Sales (y/y)	Nov	--	--	13.0
TH	12/03	02:30	Business Sentiment Index	Nov	--	--	49.6
SI	12/03	08:00	Purchasing Managers Index	Nov	--	--	51.9
SK	12/03	18:00	CPI (y/y)	Nov	2.3	2.0	2.0
SK	12/03	18:00	Core CPI (y/y)	Nov	--	--	1.1
SK	12/03	18:00	GDP (y/y)	3Q F	2.0	2.0	2.0
JN	12/03	18:50	Monetary Base (y/y)	Nov	--	--	5.9
AU	12/03	19:30	Current Account (AUD bn)	3Q	--	-10	-13500
AU	12/03	19:30	Australia Net Exports of GDP	3Q	--	0.3	0.1
AU	12/03	22:30	**RBA Cash Target Rate (%)**	**Dec 4**	**1.50**	**1.50**	**1.50**
JN	DEC 2-7		Official Reserve Assets (US$ bn)	Nov	--	--	1252.9
NZ	12/04	11:00	QV House Prices (y/y)	Nov	--	--	5.4
AU	12/04	19:30	GDP (y/y)	3Q	3.1	3.3	3.4
HK	12/04	19:30	Purchasing Managers Index	Nov	--	--	48.6
PH	12/04	20:00	CPI (y/y)	Nov	6.5	6.3	6.7
PH	12/04	20:00	Unemployment Rate (%)	Oct	5.4	--	5.4
CH	12/04	20:45	HSBC Services PMI	Nov	--	50.8	50.8
MA	12/04	23:00	Exports (y/y)	Oct	--	5.9	6.7
MA	12/04	23:00	Imports (y/y)	Oct	--	2.5	-2.7
MA	12/04	23:00	Trade Balance (MYR bn)	Oct	--	11.2	15.3
TA	12/05	03:00	CPI (y/y)	Nov	--	0.9	1.2
IN	12/05	04:00	**Repo Rate (%)**	**Dec 5**	**6.75**	**6.50**	**6.50**
IN	12/05	04:00	**Reverse Repo Rate (%)**	**Dec 5**	**6.50**	**6.25**	**6.25**
IN	12/05	04:00	**Cash Reserve Ratio (%)**	**Dec 5**	**4.00**	**4.00**	**4.00**
SK	12/05	18:00	Current Account (US$ mn)	Oct	--	--	10831
AU	12/05	19:30	Retail Sales (m/m)	Oct	--	0.3	0.2
AU	12/05	19:30	Trade Balance (AUD mn)	Oct	--	3000	3017
TH	12/05	22:30	Consumer Confidence Economic	Nov	--	--	68.4
IN	12/05		Current Account Balance	3Q	--	-20.0	-15.8
JN	12/06	18:30	Household Spending (y/y)	Oct	--	1.1	-1.6
ID	12/06		Consumer Confidence Index	Nov	--	--	119.2

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

Key Indicators for the week of December 3 – 7

ASIA-PACIFIC *(continued from previous page)*

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
JN	12/07	00:00	Coincident Index CI	Oct P	--	116.8	114.4
JN	12/07	00:00	Leading Index CI	Oct P	--	104.9	104.3
AU	12/07	00:30	Foreign Reserves (AUD bn)	Nov	--	--	64.0
MA	12/07	02:00	Foreign Reserves (US$ bn)	Nov 30	--	--	102.1
TA	12/07	03:00	Exports (y/y)	Nov	--	2.0	7.3
TA	12/07	03:00	Imports (y/y)	Nov	--	11.8	17.6
TA	12/07	03:00	Trade Balance (US$ bn)	Nov	--	4.0	3.4
SI	12/07	04:00	Foreign Reserves (US$ mn)	Nov	--	--	290271
CH	12/07		Foreign Reserves (US$ bn)	Nov	--	3045	3053

LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
PE	12/01	00:00	Consumer Price Index (m/m)	Nov	0.1	0.1	0.1
PE	12/01	00:00	Consumer Price Index (y/y)	Nov	2.2	2.1	1.8
BZ	12/03	07:00	PMI Manufacturing Index	Nov	--	--	51.1
CL	12/03	07:00	Retail Sales (y/y)	Oct	--	4.7	1.6
BZ	12/03		Trade Balance (FOB) - Monthly (US$ mn)	Nov	--	4280.0	6121.0
BZ	12/04	06:00	Industrial Production SA (m/m)	Oct	--	1.3	-1.8
BZ	12/04	06:00	Industrial Production (y/y)	Oct	--	2.2	-2.0
CL	**12/04**	**16:00**	**Nominal Overnight Rate Target (%)**	**Dec 4**	**--**	**2.75**	**2.75**
CL	12/05	06:30	Economic Activity Index SA (m/m)	Oct	--	--	0.4
CL	12/05	06:30	Economic Activity Index NSA (y/y)	Oct	--	4.1	2.3
CO	12/05	19:00	Consumer Price Index (m/m)	Nov	--	0.2	0.1
CO	12/05	19:00	Consumer Price Index (y/y)	Nov	--	3.3	3.3
BZ	12/07	06:00	IBGE Inflation IPCA (m/m)	Nov	--	-0.1	0.5
BZ	12/07	06:00	IBGE Inflation IPCA (y/y)	Nov	--	4.2	4.6
CL	12/07	06:00	CPI (m/m)	Nov	--	0.0	0.4
CL	12/07	06:00	CPI (y/y)	Nov	--	2.9	2.9

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

Global Auctions for the week of December 3 – 7

EUROPE

Country	Date	Time	Event
UK	12/04	05:30	U.K. to sell 1% Treasury Gilt 2024
SP	12/05	04:30	Spain to Sell Bonds
DE	12/05	04:30	Denmark to Sell Bonds
FR	12/06	04:50	France to Sell Bonds (optional auction)
UK	12/06	05:30	U.K to sell new gilt, maturity: 22 January 2049
FR	12/06	05:50	France to Sell I/L Bonds (optional auction)
IC	12/07	06:30	Iceland to Sell Bonds

ASIA-PACIFIC

Country	Date	Time	Event
JN	12/03	22:35	Japan to Sell 10-Year Bond
CH	12/04	22:00	China Plans to Sell 3Y Upsized Government Bond
CH	12/04	22:00	China Plans to Sell 7Y Government Bond
NZ	12/05	20:05	New Zealand To Sell NZD100 Mln 2.5% 2040 Bonds

Source: Bloomberg, Scotiabank Economics.

Events for the week of December 3 – 7

NORTH AMERICA

Country	Date	Time	Event
US	12/03	13:00	Fed’s Kaplan Speaks at Community Forum in Laredo, Texas
US	12/04		Georgia general election runoff, non-federal races only
CA	12/05	10:00	**Bank of Canada Rate Decision**
US	12/05	10:15	Fed's Powell to Testify Before Joint Economic Committee
US	12/05	14:00	U.S. Federal Reserve Releases Beige Book
US	12/06	12:15	Fed’s Bostic Speaks on the U.S. Economic Outlook

EUROPE

Country	Date	Time	Event
UK	12/04	04:00	BOE's Carney Speaks at U.K. Parliament
UK	12/04	13:00	BOE's Vlieghe Speaks in Plymouth
EC	12/06	02:30	ECB's Guindos Speaks in Frankfurt
UK	12/07		United Kingdom Sovereign Debt to Be Rated by Moody's

ASIA-PACIFIC

Country	Date	Time	Event
AU	12/03	22:30	**RBA Cash Rate Target**
JN	12/04	20:30	BOJ Wakatabe speaks in Niigata
IN	12/05	04:00	**RBI Repurchase Rate**
IN	12/05	04:00	**RBI Reverse Repo Rate**
IN	12/05	04:00	**RBI Cash Reserve Ratio**
AU	12/06	04:05	RBA's Debelle gives speech in Sydney

LATIN AMERICA

Country	Date	Time	Event
CL	12/04	16:00	**Overnight Rate Target**

Source: Bloomberg, Scotiabank Economics.

Global Central Bank Watch

NORTH AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Canada – Overnight Target Rate	1.75	December 5, 2018	1.75	1.75
Federal Reserve – Federal Funds Target Rate	2.25	December 19, 2018	2.25	2.25
Banco de México – Overnight Rate	8.00	December 20, 2018	8.00	8.00

Bank of Canada: No policy rate change is expected. Key may be updated guidance in the statement-only affair and more importantly Governor Poloz's speech the day after in light of several recent developments that could influence the outlook. See the Canada section of the Global Week Ahead for more.

EUROPE

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	0.00	December 13, 2018	0.00	0.00
Bank of England – Bank Rate	0.75	December 20, 2018	0.75	0.75
Swiss National Bank – Libor Target Rate	-0.75	December 13, 2018	-0.75	-0.75
Central Bank of Russia – One-Week Auction Rate	7.50	December 14, 2018	7.50	7.50
Sweden Riksbank – Repo Rate	-0.50	December 20, 2018	-0.50	-0.25
Norges Bank – Deposit Rate	0.75	December 13, 2018	0.75	0.75
Central Bank of Turkey – Benchmark Repo Rate	24.00	December 13, 2018	24.00	24.50

ASIA PACIFIC

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Policy Rate	-0.10	December 20, 2018	-0.10	-0.10
Reserve Bank of Australia – Cash Target Rate	1.50	December 3, 2018	1.50	1.50
Reserve Bank of New Zealand – Cash Rate	1.75	February 12, 2019	1.75	1.75
People's Bank of China – Lending Rate	4.35	TBA	--	4.35
Reserve Bank of India – Repo Rate	6.50	December 5, 2018	6.75	6.50
Bank of Korea – Bank Rate	1.50	TBA	1.75	1.75
Bank of Thailand – Repo Rate	1.50	December 19, 2018	1.75	1.75
Bank Negara Malaysia – Overnight Policy Rate	3.25	January 24, 2019	3.25	3.25
Bank Indonesia – 7-Day Reverse Repo Rate	6.00	December 20, 2018	6.25	6.00
Central Bank of Philippines – Overnight Borrowing Rate	4.75	December 13, 2018	4.75	4.75

Reserve Bank of Australia (RBA): We expect the RBA to leave the benchmark interest rate unchanged at the current level of 1.50% on December 4. On the back of a still-soft wage and price inflation outlook, we assess that the RBA's monetary tightening phase will wait until mid-2019. **The Reserve Bank of India (RBI)**: Indian monetary authorities may raise the benchmark repo rate by 25 basis points to 6.75% following its next bi-monthly monetary policy meeting on December 5. The RBI had raised its policy rates in June and August. At its October 5 meeting, the central bank left the key interest rates unchanged, yet it changed its policy stance from “neutral” to “calibrated tightening”, indicating that further hikes are in store. While headline inflation eased to 3.3% y/y in October, core inflation continued to accelerate, reaching 6.2% y/y. The weakening in headline inflation reflects base effects; we expect the inflation rate to rebound to above the 4% mark (the midpoint of the RBI's inflation target of 4% ±2%) in early 2019. In recent weeks, the RBI and the Indian government have quarrelled about the central bank's independence as the latter seems to prefer a more stimulative monetary policy stance while the RBI prioritizes inflation-targeting, as per its mandate. Should the RBI leave policy on hold next week, investor concerns regarding the RBI's policy credibility may surface.

LATIN AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	6.50	December 12, 2018	6.50	6.50
Banco Central de Chile – Overnight Rate	2.75	December 4, 2018	2.75	2.75
Banco de la República de Colombia – Lending Rate	4.25	December 21, 2018	4.50	4.25
Banco Central de Reserva del Perú – Reference Rate	2.75	December 13, 2018	2.75	2.75

Banco Central de Chile: No rate change is expected but a minority anticipate a hike. Inflation on both a headline and core basis is running in the lower half of the central bank's inflation target range.

AFRICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	6.75	January 17, 2019	6.75	6.75

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