

SELF-INFLICTED WOUNDS

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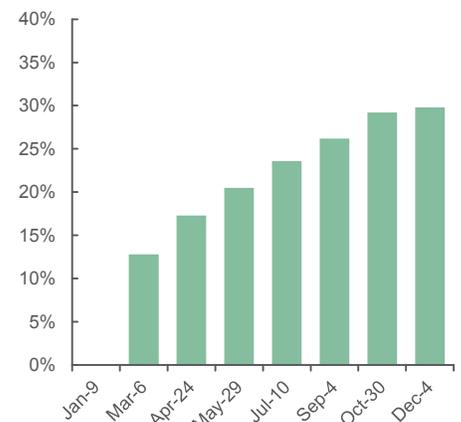
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Next Week's Risk Dashboard

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Chart of the Week
Probability of Rate Hikes in 2019


Sources: Scotiabank Economics, Bloomberg.

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

Self-Inflicted Wounds

UNITED STATES—TIME TO IMPOSE SOME DISCIPLINE

While the US government shutdown may become the longest in history, the main market focal points next week will be US-China trade negotiations, key Federal Reserve communications and an inflation update. This will be the Fed's bigger opportunity to either more directly signal a shift in course or to reinforce the communications resulting from its December meeting.

Barring evidence of flexibility that has not been apparent to date, Trump's US government shutdown will be the longest in history by the end of next week. The Trump shutdown would eclipse the previous record holder when the GOP held both the Senate and House during Bill Clinton's term and shut down government from December 16th 1995 to January 5th 1996. See chart 1. Weekend meetings are planned to work out a solution on border security that is the stumbling block to ending the shutdown. While we're unsure of his emergency powers to unlock border wall funding through the Defense budget, if he does, the flip side could be that the Senate takes up the House's bill to restore government funding and Trump doesn't veto it. Trump's remark that the government could be shut for months or years is to be treated as just blowing smoke during a press conference that was replete with factual errors. Rating agencies and markets would have a thing or two to say about the total inability of a first world government to govern its affairs while putting creditors at risk. It's not going to come to that and so markets need to see through the rhetoric.

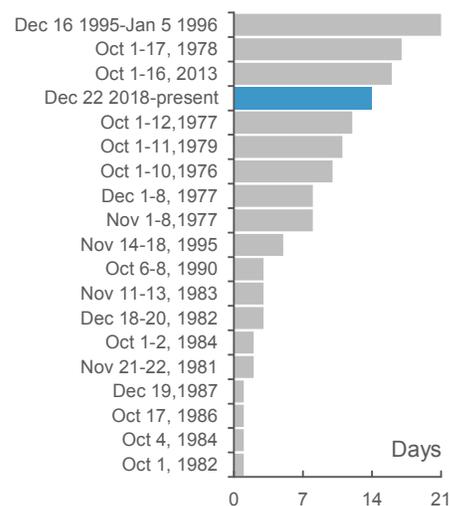
The US trade delegation heads to China to meetings with Chinese counterparts on Monday and Tuesday. Like CUSMA negotiations, we may hear of progress from the sidelines. The US administration asks markets to believe that China realizes the need to negotiate given souring fundamentals, but the same applies to the US in a mutual pain sort of way. Trump's trade war has already played the dominant role in driving market volatility and it is going to be responsible for a poor upcoming US earnings season while trade policy risks are being fingered for restraining business investment and driving cooler manufacturing growth. The incentives to negotiate are mutual and our house bias remains that we get a deal perhaps in line with the 90-day moratorium on further US tariff actions. If other trade policy negotiations serve as a useful guide, however, then the prospects of a deal taking place are likely to take considerably longer.

Minutes to the December 18th–19th FOMC meeting are due on Wednesday at 2pmET. Recall the recap of the main developments stemming from that meeting [here](#). Not a huge amount has changed in markets since that meeting to declare any results stale by this point. The S&P500 is basically flat now versus then and is now down a cumulative 14% from the October peak. The USD has depreciated by less than 1% on a DXY basis. The US 10 year Treasury yield has fallen by about 10bps to 2.65% and the 2 year yield has dropped by about 16bps as Fed rate hikes have been removed from market pricing.

There are at least two main issues to watch for in the minutes. One is a fuller balance sheet discussion that likely occurred at this meeting. Of greatest relevance to markets would be any signal that balance sheet unwinding is about to be slowed or paused. However, Chair Powell's recent remarks repeat flexibility but that a 'strong' economy does not merit such changes so I would expect reference in the minutes to at best suggest that a minority of FOMC participants think it would be appropriate to shift course. Recall that Chair Powell's speech on the topic of balance sheet unwinding in June 2017 ([here](#)) noted that unwinding "should continue as planned as long as there is no material deterioration in the economic outlook" and they did not signal such a material deterioration in the meeting or up to Powell's freshest remarks. Powell has repeated Yellen's remark that balance sheet unwinding should be something that should be like watching paint dry, rather than expecting big deviations in plans. Powell also noted that the Fed will tend to emphasize changes to conventional monetary policy tools—like the fed funds range and IOER—rather than unconventional tools like balance sheet management when the outlook shifts. Powell also stated he thinks that balance sheet tightening has been a case of "pretty small run-off so far" and has entailed a "small adjustment in economic growth and real outcomes."

Chart 1

This Shutdown Could Be A Record Breaker By Week's End



Sources: Scotiabank Economics, Congressional Research Service, US House, US Senate.

Secondly, **watch for any discussion on the criteria for timing further rate hikes and whether there is much to be read into the small 25bps reduction in the long-run neutral rate estimate.** As Powell did in the presser to the December meeting and during his recent interviews, one might expect the minutes to simply point to data dependency.

In addition to the minutes, a pair of speeches by Chair Jerome Powell and Vice Chair Richard Clarida will be closely watched on Thursday. In fact, they may be the more likely opportunity to signal any course shift, or to reaffirm prior communications than doing so in the minutes. Powell speaks to the Economic Club of Washington at about noon. Clarida speaks to the Money Marketeers of New York University at about 5:30pmET. Seven regional Fed Presidents will deliver ten addresses from Monday to Thursday. Voting FOMC members who will be speaking include Chicago's Charles Evans on Wednesday and Thursday, NY Fed President John Williams on January 5th, Boston's Eric Rosengren on Wednesday and St. Louis President James Bullard on Thursday.

The Fed is in a lose-lose jam here but on net I would prefer to see Powell stay the course and continue to guide monetary tightening. The economy is doing rather well by most readings. Some will say the Fed has to rescue equities with greater dovishness, but some would say the 'Fed put' should no longer exist. Trump blames the Fed for market actions, yet the fact that markets have eliminated pricing for Fed rate hikes suggests that other risk factors are driving the equity sell-off. Trump may wish to have his growth bias favoured by much easier Fed policy—by contrast to his past criticisms of loose monetary policy before he became President—but the Fed can't be seen to be rewarding the Trump administration's many, varied and costly intransigencies. **A moral hazard problem hangs over monetary policy in that turning more dovish could relax pressure upon the administration to back away from its deeply protectionist bias and the cost this is imposing upon markets.** Instead, staying the course with tightening monetary policy could impose needed discipline upon the unhelpful chaos in the White House and to the long-run benefit of both the US and world economies. Should the Trump administration wish to calm markets, it should instead a) stop threatening the Fed, b) strike a trade deal with China, c) end the government shutdown.

In terms of the release schedule, some indicators will be delayed until well after the current government shutdown eventually ends, but they are not the critical measures. Affected readings include the advance merchandise trade and broader merchandise and services trade balances plus new home sales. The Bureau of Labor Statistics produces the most important reading next week (CPI) and it is fully funded.

The December reading for CPI arrives on Friday. It is possible that both headline and core inflation pulled back somewhat. For headline CPI, base effects counsel an unchanged reading of 2.2% y/y but falling gasoline prices and typically soft seasonal month-ago price changes could bring the reading down to 1.9% y/y. For core CPI, shifting base effects will also carry minimal influence but seasonally soft prices could put slight downward pressure to around 2.1% y/y from 2.2% the prior month.

ISM services will be updated on Monday with the December estimate. Given the weaker-than-expected ISM reading, it's possible that expectations for a mild softening in the services sector could follow suit. Services represent about 77% of the US economy versus about 12% for the manufacturing sector. Both sectors carry indirect spillover effects including upon each other, but the US economy is far more driven by services than manufacturing; 6 ½ times more driven by services than manufacturing to be exact.

The US Treasury auctions 3s and holds reopenings for 10s and 30s.

CANADA—HOW LONG TO HOLD

The Bank of Canada will be the main domestic market risk over the coming week with a fairly light data release calendar on tap.

This will be a full set of Bank of Canada communications starting with the release of the statement and Monetary Policy Report with revised forecasts at 10amET on Wednesday. Governor Poloz and Senior Deputy Governor Wilkins will host a press conference at 11:15amET. **No policy rate change is expected. Key will be the general bias provided through forecast guidance.** It's likely that the BoC will retain reference to how "...the policy interest rate will need to rise into a neutral range to achieve the inflation target" while at the same time signalling near-term patience in getting there by emphasizing data dependence. GDP growth is likely tracking around 2% in Q4 and hence a little weaker than the BoC's forecast for 2.3% in the October MPR and

after Q3 growth of 2% exceeded the BoC's forecast for 1.8%, leaving the overall Q3–Q4 picture tracking broadly in line with the BoC's expectations. Job markets are ripping with over 170,000 jobs having been created over the past four months. Housing market data has been mixed with starts remaining elevated while home sales in key markets have softened.

Apart from backward-looking data, however, the BoC's forecast for near-term growth will have to be revised down in light of Alberta's roughly 8% mandated oil production cut that was announced between forecast rounds. The cuts took effect in the new year and even though they have been moderated somewhat they will negatively impact readings from manufacturing shipments to exports and GDP growth. This will likely raise the BoC's estimated amount of near-term slack in the economy especially when coupled with the impact of incorporating downward historical revisions to GDP growth. With that, **the inflation profile may be pushed out somewhat** while reference to how "there may be additional room for non-inflationary growth" is likely to be retained. All that said, the persistence of the oil price shock has been fairly transitory to date (chart 2) which should encourage the central bank. Market volatility, the Fed's signal toward a rate pause for now and binary risks surrounding considerations like US-China trade negotiations and the Brexit deadlines all counsel near-term caution. Through it all, one should likely expect Poloz to repeat his general argument that there are two-sided risks to the outlook for everything including rates versus the market temptation to simply go to a dark place while pricing out rate hike risk this year (chart 3).

Modest data risk will otherwise lurk in the background to the BoC. The main release will be updated merchandise trade figures for the month of November on Tuesday. **I'm estimating a wider nominal monthly trade deficit** of around C\$2.3 billion that would be roughly double the prior month's tally. Part of the reason is focused upon lower commodity prices and hence the deterioration may prove somewhat temporary. The Western Canada Select oil price was US\$26.34 on average in October and then about US\$18 in November for about a 32% m/m NSA (non-annualized) decline. WTI was US\$70.67 on average in October and then US\$57 in November for a drop of about 19%. Prices for commodities like iron ore and lumber also fell while the large gain in agricultural exports during October may be unlikely to repeat. Also recall that CAD depreciated by about 1.5% m/m and so that will drive a little wider trade deficit by, for example, having to pay more for imports. What will matter more to the BoC will be the more difficult to assess export and import volumes especially given a rebound in export volumes during the prior month. Also note that Statistics Canada has warned about how the round of trade figures for December may be affected by the US government shutdown should it persist. Canada also releases housing starts for December on Wednesday.

Canada conducts a 2 year bond auction on Thursday.

ASIA-PACIFIC—THE PBOC MAY NOT BE DONE JUICING THE MARKETS

China macro reports will be the dominant source of risk to global markets derived from the region. The path ahead may inform prospects for further PBOC easing.

Chinese CPI will be on Wednesday night's docket and markets will receive another batch of credit, money supply and foreign direct investment figures either next week or the week afterward along an uncertain release schedule. **The inflation report might accommodate further monetary policy stimulus.** Inflation peaked at 2.5% y/y in September and October before slipping somewhat in November, and December's report could be up to a half point softer than the peak, in part driven by lower commodity prices. CPI ex-food and energy has been tamer at about 1.8% y/y. **That provides ample room for monetary accommodation in relation to the "around 3%" inflation goal established at the Chinese Communist Party's National Congress.**

Chart 2

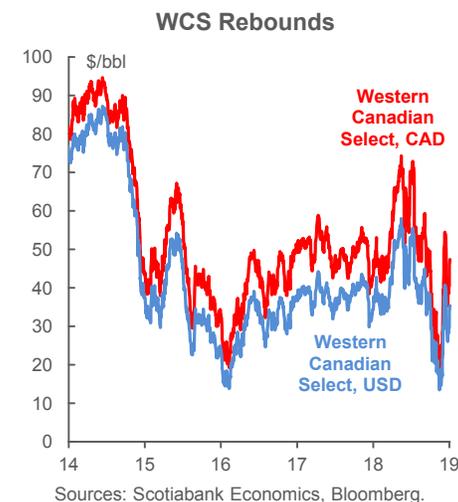
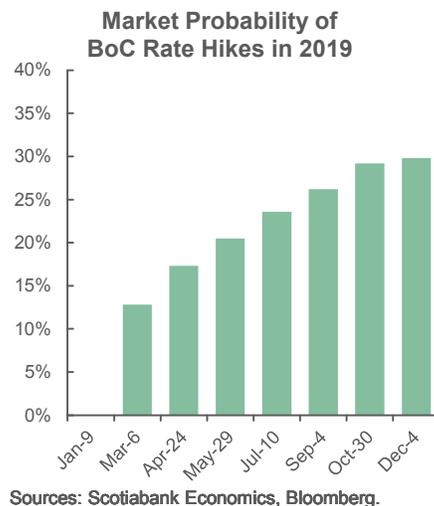


Chart 3



If inflation performs in line with such expectations for a softer headline and tame core, then it may well be an opportune moment for the People's Bank of China to add more monetary policy stimulus. The approaching annual Lunar New Year holiday on February 5th shuts industry down throughout the week and drives accelerated consumer spending, mass travel and vacations. Demand for liquidity, cash and credit typically soars and affords another opportune backdrop for additional easing.

On January 4th, the PBoC cut the required reserve ratio by a full percentage point in two equal steps that take effect on January 15th and 25th. On January 2nd, the PBoC took an incremental step in this direction by enhancing eligibility for its own version of the Bank of England's 'funding for lending' scheme that is designed to boost lending to smaller-sized Chinese businesses. The PBoC also weakened the daily reference rate for the yuan this past week. Market proxies for policy rate reductions continue to signal more easing ahead (chart 4). Before the January 4th move, the PBoC has already reduced the reserve ratio applied to both large and small banks by 2.5 percentage points this year but could go much lower yet if it really wishes to spring the lending spigot.

There is also scope for bad activity data to fan further policy easing. If China releases foreign direct investment figures next week instead of the week after, then markets will monitor further evidence toward the collapse that surfaced in the November reading (chart 5).

Last, **China may also update credit figures for December next week**; if not, then the following week. The stock of lending continues to grow and the pace at which new yuan-denominated loans has been rising has accelerated. The loan book's growth is quickening with new yuan loans increasing at the fastest pace since 2009's expansion of the loan book over the prior year and as officials seek to counter downside risks to the economy stemming in part from US-China trade tensions.

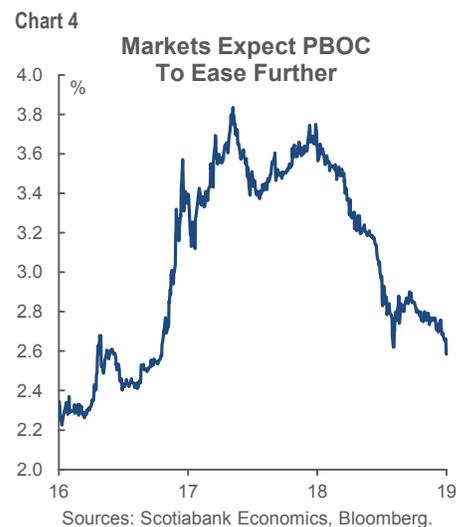
Other developments will pose small risk to local markets. Australia updates trade figures and retail sales for November. Japan also updates trade and household spending for November. Taiwan updates CPI for December and South Korea updates labour market conditions.

LATIN AMERICA—THE FOCUS WILL BE UPON MONETARY POLICY RISKS

A likely policy hold by one central bank and five inflation reports from across the region will keep the focus upon monetary policy developments alongside external factors.

Roughly one month after its last hold decision, **Banco Central de Reserva del Peru will return with another likely hold decision** next Thursday. The benchmark rate is expected to remain at 2.75% and the bias will be closely watched for how it fits with the consensus view that the central bank could hike at one of its three meetings this quarter. Its last statement ([here](#)) cited "greater risk on global economic activity and uncertainty in financial markets" as an external complement to a neutral bias driven by anchored inflation expectations around the inflation target range of 1–3%. Inflation was 2.2% y/y in December. The central bank won't revisit its inflation forecasts until the next Inflation Report on March 29th. The decline in world copper prices provides some cover to remain on hold as it assesses risks to the outlook while transitioning closer to tightening monetary policy.

Each of Mexico, Chile, Colombia, Brazil and Argentina update inflation readings for December next week. Argentina's is in a league of its own at a ridiculously high reading of 48% y/y up to November. The Argentine peso remains toward record weakness but has stabilized over recent months; that may portend stabilizing but still very high inflation over the course of 2019. Each of the others is running at much better rates of inflation relative to their respective central bank inflation target ranges. Falling global commodity prices including energy are likely to weigh upon several of the readings as is the case elsewhere.



Colombia kicks off the reports with its CPI print this weekend. At 3.3% y/y in November and with core at 3.7% y/y, inflation is running within the 2–4% target range but high enough to motivate forecasters to expect BanRep to begin raising its policy rate at some point over 2019H2.

Mexico: CPI for December is slated to be updated on Wednesday. At 4.7% y/y in November and with core CPI at 3.6% y/y, inflation is challenging the upper end of Banxico's 2–4% target range. Inflation is expected to come off the boil over the duration of this year and possibly allow Banxico to begin easing policy from what is the highest overnight rate since August 2008 (chart 6). Markets will be focused on signals regarding whether Banxico is done hiking or perhaps has one more hike up its sleeve albeit in challenging market circumstances. A stronger peso since the end of November may counsel against further hikes.

Brazil: CPI inflation is due on Friday. The prior reading for November had eased to 4.05% y/y from 4.56% the month before that. Inflation is therefore running in the lower half of Banco Central do Brasil's target range of 3–6% y/y. Expectations for inflation to bottom around mid-year or slightly later coupled with hopes that a recovery will be supported by the election of President Bolsonaro and its thus far positive effects upon market risk appetite are behind calls for rate hikes probably over 2019H2.

Chile updates CPI for November at some point over the coming week. At 2.8% y/y and with core at 2.2%, inflation is running within the central bank's 2–4% target range. Another rate hike is expected this quarter.

EUROPE—GETTING READY TO VOTE

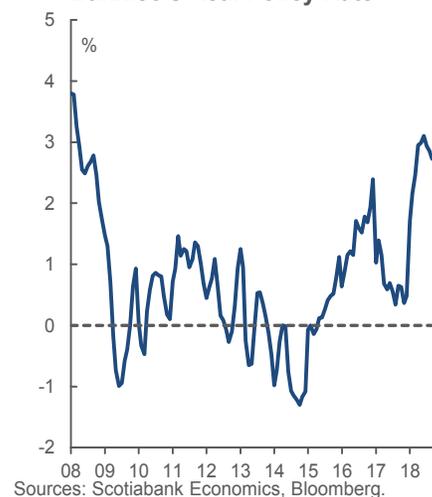
The Brexit debate may dominate developments next week in the context of fairly soft macro data.

The tedious if not downright dispiriting Brexit debate returns in full force next week as the British Parliament resumes sitting on Monday. Formal debate in the House of Commons on the European Union (Withdrawal) Act is expected to resume on Wednesday at 12pm London time in the Main Chamber and in a committee at 9:15am. Debate resumes in the Main Chamber at 9:30am on Thursday and then again at 9:30am the next morning. A vote on PM May's Brexit deal is expected as soon as early the following week. At the moment, it seems doomed, with hard-Brexit risk going up but options remain focused upon last second compromises between May and European leaders on the contentious issue of the Irish backstop either before the vote or after a possible failed vote in order to secure agreement before the March 29th Brexit deadline. Other options may include extending the March 29th decline, a second referendum, or perhaps an election—all with varying but at this time generally low probabilities of occurrence. There is room for continued cautious optimism on the end game as self-imposed pain on both sides of the channel through a hard Brexit may force compromise.

Most of the market risk due to the fundamentals calendar may be derived from Germany's releases. The country updates November readings for factory orders (Monday), retail sales (Monday), industrial production (Tuesday) and trade figures (Wednesday). At risk in subsequent rounds of European trade figures could be the inability to get a handle on the US part of the relationship should the US government shutdown continue as US trade figures are among those affected.

Chart 6

Banxico's Real Policy Rate



Key Indicators for the week of January 7 – 11

NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	01/07	10:00	Durable Goods Orders (m/m)	Nov F	--	--	0.8
US	01/07	10:00	Durable Goods Orders ex. Trans. (m/m)	Nov F	--	--	-0.3
US	01/07	10:00	Factory Orders (m/m)	Nov	0.3	0.3	-2.1
US	01/07	10:00	ISM Non-Manufacturing Composite	Dec	59.9	59.0	60.7
CA	01/08	08:30	Merchandise Trade Balance (C\$ bn)	Nov	-2.3	-2.2	-1.2
US	01/08	08:30	Trade Balance (US\$ bn)	Nov	-53.4	-54.0	-55.5
US	01/08	10:00	JOLTS Job Openings (000s)	Nov	--	--	7079.0
US	01/08	15:00	Consumer Credit (US\$ bn m/m)	Nov	--	16.0	25.4
CA	01/09	08:15	Housing Starts (000s a.r.)	Dec	210.0	210.0	216.0
MX	01/09	09:00	Bi-Weekly Core CPI (% change)	Dec 31	0.1	--	0.4
MX	01/09	09:00	Bi-Weekly CPI (% change)	Dec 31	0.2	--	0.6
MX	01/09	09:00	Consumer Prices (m/m)	Dec	0.9	--	0.9
MX	01/09	09:00	Consumer Prices (y/y)	Dec	5.0	4.8	4.7
MX	01/09	09:00	Consumer Prices Core (m/m)	Dec	0.5	--	0.3
CA	01/09	10:00	BoC Interest Rate Announcement (%)	Jan 9	1.75	1.75	1.75
US	01/10	07:00	MBA Mortgage Applications (w/w)	JAN 5	--	--	-8.5
CA	01/10	08:30	Building Permits (m/m)	Nov	--	-0.5	-0.2
CA	01/10	08:30	New Housing Price Index (m/m)	Nov	--	-0.1	0.0
US	01/10	08:30	Initial Jobless Claims (000s)	JAN 5	215	225	231
US	01/10	08:30	Continuing Claims (000s)	DEC 29	1700	1700	1740
US	01/10	10:00	Wholesale Inventories (m/m)	Nov F	--	0.5	0.8
US	01/11	08:30	CPI (m/m)	Dec	-0.2	-0.1	0.0
US	01/11	08:30	CPI (y/y)	Dec	1.9	1.9	2.2
US	01/11	08:30	CPI (index)	Dec	--	251.1	252.0
US	01/11	08:30	CPI ex. Food & Energy (m/m)	Dec	0.2	0.2	0.2
US	01/11	08:30	CPI ex. Food & Energy (y/y)	Dec	2.1	2.2	2.2
MX	01/11	09:00	Industrial Production (m/m)	Nov	-0.6	--	-1.6
MX	01/11	09:00	Industrial Production (y/y)	Nov	1.2	--	1.0
US	01/11	14:00	Treasury Budget (US\$ bn)	Dec	--	0.0	-204.9

EUROPE

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
GE	01/07	02:00	Factory Orders (m/m)	Nov	--	-0.1	0.3
GE	01/07	02:00	Retail Sales (m/m)	Nov	--	0.4	0.1
EC	01/07	05:00	Retail Trade (m/m)	Nov	--	0.2	0.3
GE	01/08	02:00	Industrial Production (m/m)	Nov	--	0.3	-0.5
FR	01/08	02:45	Current Account (€ bn)	Nov	--	--	-684.0
FR	01/08	02:45	Trade Balance (€ mn)	Nov	--	-4945.5	-4052.0
UK	01/08	03:30	Halifax House Price (3 month, y/y)	Dec	--	0.4	0.3
EC	01/08	05:00	Business Climate Indicator	Dec	--	1.0	1.1
EC	01/08	05:00	Consumer Confidence	Dec F	--	-6.2	-6.2
EC	01/08	05:00	Economic Confidence	Dec	--	108.2	109.5
EC	01/08	05:00	Industrial Confidence	Dec	--	3.0	3.4
GE	01/09	02:00	Current Account (€ bn)	Nov	--	24.8	15.9
GE	01/09	02:00	Trade Balance (€ bn)	Nov	--	18.6	18.9
EC	01/09	05:00	Unemployment Rate (%)	Nov	--	8.1	8.1
FR	01/10	02:45	Industrial Production (m/m)	Nov	--	0.0	1.2
FR	01/10	02:45	Industrial Production (y/y)	Nov	--	-0.2	-0.7
FR	01/10	02:45	Manufacturing Production (m/m)	Nov	--	0.4	1.4

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

Key Indicators for the week of January 7 – 11

EUROPE (continued from previous page)

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
SP	01/11	03:00	Industrial Output NSA (y/y)	Nov	--	--	3.6
IT	01/11	04:00	Industrial Production (m/m)	Nov	--	-0.3	0.1
UK	01/11	04:30	Industrial Production (m/m)	Nov	--	0.2	-0.6
UK	01/11	04:30	Manufacturing Production (m/m)	Nov	--	0.4	0.0
UK	01/11	04:30	Visible Trade Balance (£ mn)	Nov	--	-11400	-11873

ASIA-PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
JN	01/06	18:50	Monetary Base (y/y)	Dec	--	5.8	6.1
CH	JAN 6-7		Foreign Reserves (US\$ bn)	Dec	3050	3071.9	3061.7
ID	JAN 6-7		Consumer Confidence Index	Dec	--	--	122.7
JN	01/07	00:00	Vehicle Sales (y/y)	Dec	--	--	8.3
TA	01/07	03:00	Exports (y/y)	Dec	--	-5.5	-3.4
TA	01/07	03:00	Imports (y/y)	Dec	--	-0.3	1.1
TA	01/07	03:00	Trade Balance (US\$ bn)	Dec	--	4.8	4.7
SI	01/07	04:00	Foreign Reserves (US\$ mn)	Dec	--	--	289520
SK	01/07	18:00	Current Account (US\$ mn)	Nov	--	--	9190.3
AU	01/07	19:30	Trade Balance (AUD mn)	Nov	--	2175.0	2316.0
AU	01/07	19:30	ANZ Job Advertisements (m/m)	Dec	--	--	-0.3
PH	JAN 7-8		Bank Lending (y/y)	Nov	--	--	17.9
JN	01/08	00:00	Consumer Confidence	Dec	--	42.8	42.9
AU	01/08	00:30	Foreign Reserves (AUD bn)	Dec	--	--	66.0
TA	01/08	03:00	CPI (y/y)	Dec	0.3	0.3	0.3
SK	01/08	19:00	Unemployment Rate (%)	Dec	3.8	3.9	3.8
AU	01/08	19:30	Building Approvals (m/m)	Nov	--	-0.3	-1.5
JN	01/09	18:50	Official Reserve Assets (US\$ bn)	Dec	--	--	1258.3
CH	01/09	20:30	PPI (y/y)	Dec	--	1.6	2.7
CH	01/09	21:00	CPI (y/y)	Dec	2.3	2.1	2.2
CH	JAN 9-15		New Yuan Loans (bn)	Dec	750.0	825.0	1250.0
JN	01/10	00:00	Coincident Index CI	Nov P	--	103.0	104.9
JN	01/10	00:00	Leading Index CI	Nov P	--	99.5	99.6
JN	01/10	18:30	Household Spending (y/y)	Nov	--	--	-0.3
JN	01/10	18:50	Bank Lending (y/y)	Dec	--	--	2.1
JN	01/10	18:50	Current Account (¥ bn)	Nov P	--	560.1	1309.9
JN	01/10	18:50	Trade Balance - BOP Basis (¥ bn)	Nov P	--	-614.3	-321.7
AU	01/10	19:30	Retail Sales (m/m)	Nov	--	0.3	0.3
MA	01/10	23:00	Industrial Production (y/y)	Nov	--	2.3	4.2
SI	01/11	00:00	Retail Sales (y/y)	Nov	--	--	0.1

LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CO	01/05	12:00	Consumer Price Index (m/m)	Dec	--	0.3	0.1
CO	01/05	12:00	Consumer Price Index (y/y)	Dec	--	3.2	3.3
BZ	01/08	06:00	Industrial Production SA (m/m)	Nov	--	0.3	0.2
BZ	01/08	06:00	Industrial Production (y/y)	Nov	--	0.0	1.1
PE	JAN 9-11		Trade Balance (USD mn)	Nov	--	--	-154.9
PE	01/10		Reference Rate (%)	Jan 10	2.75	--	2.75
BZ	01/11	06:00	IBGE Inflation IPCA (m/m)	Dec	--	0.2	-0.2
BZ	01/11	06:00	IBGE Inflation IPCA (y/y)	Dec	--	3.8	4.1

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

Global Auctions for the week of January 7 – 11

NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	01/08	13:00	U.S. to Sell USD38 Bln 3-Year Notes
US	01/09	13:00	U.S. to Sell USD24 Bln 10-Year Notes Reopening
CA	01/10	12:00	Canada to Sell CAD3 Bln 2.25% 2021 Bonds
US	01/10	13:00	U.S. to Sell USD16 Bln 30-Year Bonds Reopening

EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
AS	01/08	05:15	Austria to Sell 0.75% 2028 Bonds
AS	01/08	05:15	Austria to Sell 1.5% 2047 Bonds
UK	01/08	05:30	U.K. to Sell 2.25 Billion Pounds of 1.625% 2028 Bonds
NE	01/08	05:30	Netherlands to Sell Up to 1.75B Euros of 1.75% 2023 Bonds
GE	01/08	05:30	Germany to Sell 500 Million Euros of 0.5% 2030 Linkers
SZ	01/09	05:15	Switzerland to Sell Bonds
GE	01/09	05:30	Germany to Sell 4 Billion Euros of 2029 Bonds
FR	01/10	04:50	France to Sell 0.75% 2028 Bonds
FR	01/10	04:50	France to Sell 1.25% 2034 Bonds
FR	01/10	04:50	France to Sell 2% 2048 Bonds
IT	01/11	11:00	Italy to Sell Bonds

LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
JN	01/07	22:35	Japan to Sell 10-Year Bonds
CH	01/08	21:35	China to Sell CNY20 Bln 2-Yr Upsized Bonds
CH	01/08	21:35	China to Sell CNY20 Bln 5-Yr Upsized Bonds
JN	01/09	22:35	Japan to Sell 30-Year Bonds

Source: Bloomberg, Scotiabank Economics.

Events for the week of January 7 – 11

NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	01/05	08:00	Fed's Williams Discusses Monetary Policy Frameworks at AEA
US	01/05	10:15	Fed's Bostic Speaks on Future of Traditional Banking at AEA
US	01/05	12:30	Fed's Daly Speaks at AEA Meeting in Atlanta
US	01/07	12:40	Fed's Bostic Speaks to Rotary Club of Atlanta
US	01/09	08:20	Fed's Bostic Speaks in Chattanooga on Economic Outlook
US	01/09	09:00	Fed's Evans Speaks on Economy and Monetary Policy
CA	01/09	10:00	Bank of Canada Rate Decision
US	01/09	11:30	Fed's Rosengren Speaks on the Economic Outlook
US	01/09	14:00	FOMC Meeting Minutes
US	01/10	08:35	Fed's Barkin Speaks on Ensuring Long-Term Growth
US	01/10	12:00	Fed's Powell to Speak to The Economic Club of Washington
US	01/10	12:40	Fed's Bullard Speaks on Economy and Monetary Policy
US	01/10	13:00	Fed's Evans speaks at Economic Forecast Event
US	01/10	17:30	Fed's Clarida Speaks to Money Marketeters in New York

EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
EC	01/07	07:45	ECB's Guindos Speaks in Riga
SW	01/09	03:30	Riksbank Minutes
UK	01/09	10:30	BOE Governor Carney Participates in Online Q&A
EC	01/10	07:30	ECB Publishes Account of Dec. 12-13 Governing Council Meeting
FR	01/10	12:30	ECB's Villeroy Speaks in Luxembourg
EC	01/11	03:20	ECB's Mersch Speaks in Bratislava

LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
PE	01/10		Reference Rate

Global Central Bank Watch

NORTH AMERICA

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
Bank of Canada – Overnight Target Rate	1.75	January 9, 2019	1.75	1.75
Federal Reserve – Federal Funds Target Rate	2.50	January 30, 2019	2.50	2.50
Banco de México – Overnight Rate	8.25	February 7, 2019	8.25	8.25

Bank of Canada: No policy rate change is expected. A near-term pause is likely to be reinforced by greater estimated slack and a pushed out inflation profile. Rate guidance is likely to repeat a delayed return to a neutral policy rate.

EUROPE

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
European Central Bank – Refinancing Rate	0.00	January 24, 2019	0.00	0.00
Bank of England – Bank Rate	0.75	February 7, 2019	0.75	0.75
Swiss National Bank – Libor Target Rate	-0.75	March 21, 2019	-0.75	-0.75
Central Bank of Russia – One-Week Auction Rate	7.75	February 8, 2019	--	--
Sweden Riksbank – Repo Rate	-0.25	February 13, 2019	-0.25	-0.25
Norges Bank – Deposit Rate	0.75	January 24, 2019	0.75	1.00
Central Bank of Turkey – Benchmark Repo Rate	24.00	January 16, 2019	24.00	24.00

ASIA PACIFIC

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
Bank of Japan – Policy Rate	-0.10	January 23, 2019	-0.10	-0.10
Reserve Bank of Australia – Cash Target Rate	1.50	February 4, 2019	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	February 6, 2019	6.50	6.50
Bank of Korea – Bank Rate	1.75	January 24, 2019	1.75	1.75
Bank of Thailand – Repo Rate	1.75	February 6, 2019	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	January 17, 2019	6.00	6.25
Central Bank of Philippines – Overnight Borrowing Rate	4.75	February 7, 2019	4.75	5.00

LATIN AMERICA

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
Banco Central do Brasil – Selic Rate	6.50	February 6, 2019	6.50	6.50
Banco Central de Chile – Overnight Rate	2.75	January 30, 2019	2.75	3.00
Banco de la República de Colombia – Lending Rate	4.25	January 31, 2019	4.25	4.25
Banco Central de Reserva del Perú – Reference Rate	2.75	January 10, 2019	2.75	2.75

Banco Central de Reserva del Peru: No policy rate change is expected. The bias will be closely watched for whether it reinforces expectations for a rate hike later this quarter.

AFRICA

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

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

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