

**TRUMP & MAY NEED A LITTLE HELP FROM CUPID**

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**Next Week's Risk Dashboard**

- ▶ POTUS's SOTUS
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- ▶ CBs: BoE, RBA, RBI, Russia...
- ▶ ...Banxico, Brazil, Peru, Philippines, Thailand
- ▶ CPI: Italy, Russia, Turkey...
- ▶ ...Mexico, Brazil, Colombia, Chile
- ▶ US funding talks
- ▶ Fed-speak
- ▶ CDN jobs, housing starts
- ▶ BoC's Lane
- ▶ US macro
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- ▶ German macro
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- ▶ Earnings continued
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**Chart of the Week**
**The Cost of the Longest  
 Federal Government Shutdown**


Sources: Scotiabank Economics, CBO.  
 Based on the CBO estimate of an \$8bn (0.2pp) negative impact on the level of GDP in Q1 2019 (January 28, 2019).

\*Impact based on Scotiabank's forecast for the change in level of GDP (\$27bn non-annualized) for Q1 2019.

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

## Trump & May Need A Little Help From Cupid

### CANADA—WAGERING ON WAGE GROWTH

Most of the coming week's focus will be skewed toward next Friday's jobs report.

Canada's job market has been on a tear of late. 167,000 jobs net of recent revisions have been created over the past four monthly reports, including a pair of doozies. Indeed, since job growth accelerated starting around mid-2016, little ol' Canada has grown a whopping three quarters of a million new jobs. I've pencilled in another small gain for January's reading.

Wage growth, however, has not been on a tear of late. The measure that comes from next Friday's Labour Force Survey—wages for permanent employees—is not the measure that matters to the BoC that is now focused upon a wage common composite metric. Nevertheless, what used to be the BoC's preferred measure has sharply decelerated from a peak of 3.9% y/y in May last year to just 1.5% at the end of 2018.

Why? Much of the deceleration over 2018H2 was coming off the high base effect when minimum wage hikes and prior weakness in 2017—itsself following the lagging effects of the commodity shock over 2014–15—were combining to drive stronger wage gains. Because of such wild gyrating influences, I'm not sure the BoC should be putting that much emphasis upon recently soft wage gains and reading too much into that. Instead, there is merit to smoothing the oscillating wage growth picture. One option is a rolling two year average that largely cancels out transitory influences and points to **trend nominal wage gains around or slightly above 2% y/y** (chart 1). Indeed, that's been about the steady pace of smoothed wage growth for years now with nominal wage gains essentially anchored to the inflation target and maybe a touch more.

**Where is wage growth going over the duration of this year as one possible influence upon the BoC's inflation targeting framework?** In her recent speech ([here](#)), SDG Wilkins noted that the BoC expects a rebound in economic growth in Q2 and with that faster wage gains. She did not elaborate on the reasoning behind such expectations. One possibility is that she's simply assuming that peak wage growth of nearly 4% last May then began to slide and so a more favourable year-ago base effect going forward after May could gradually push wage growth higher in year-ago terms over Q2 and beyond. If so, the BoC risks chasing base effects and attaching a volatile reaction function to such influences. Needless to say that would be less than ideal.

**An alternative explanation is that perhaps Wilkins was drawing a connection between growth and wages that is worth exploring.** Charts 2–3 evaluate evidence of a connection between swings in economic growth, job growth, the unemployment rate and wage growth. The relationships are tenuous, however, and not really the stuff upon which quarterly forecasts should rest with much conviction. I'm not sure this is what Wilkins was suggesting, but no explanation for why she expects faster wage growth into Q2 was provided.

Housing starts are scheduled for a January update on Friday.

**Bank of Canada Deputy Governor Timothy Lane will speak at the Peterson Institute in Washington on Wednesday.** The topic is unlikely to influence markets. Lane will speak on "The Canadian Approach to Foreign Reserve Management" and will include

Chart 1 Trend CDN Wage Growth is Anchored Around the BoC's Inflation Target

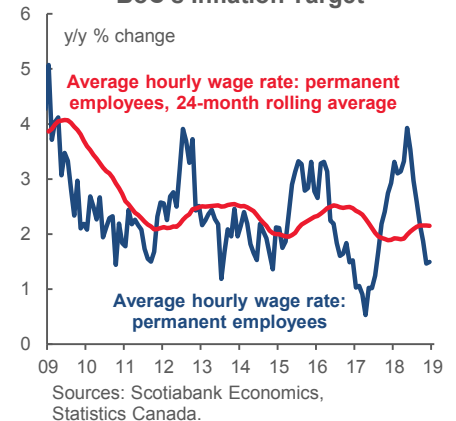


Chart 2

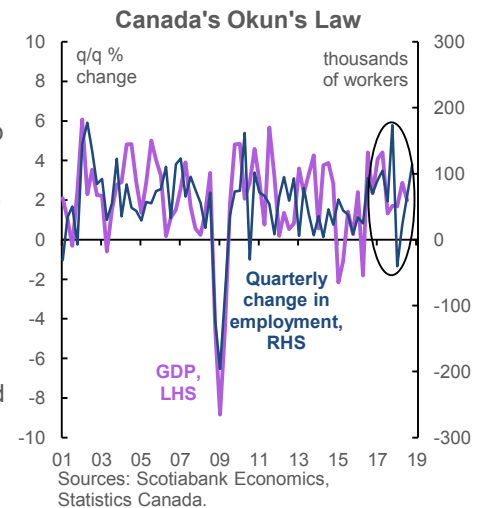
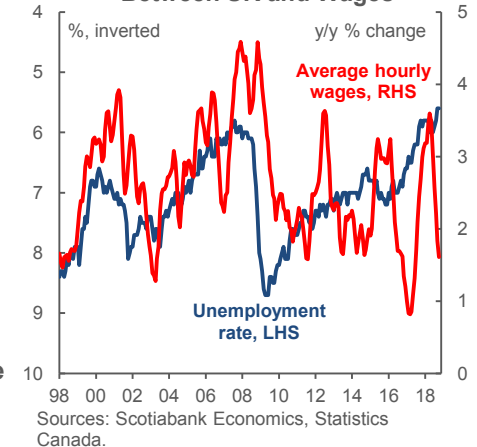


Chart 3 Loose Relationship Between UR and Wages



reference to how Canada ended the use of foreign reserves to influence the C\$ over two decades ago. Any time the topic of currencies comes up I suppose there is **limited scope for remarks on issues such as exchange rate pass-through** to inflation and export competitiveness, but the BoC is typically reticent to go too far in discussing the currency by contrast to some other global central banks.

Earnings reports will come from twenty-two firms including names like WestJet, Genworth, BCE and Great-West.

We may see an updated release schedule for Canadian trade figures for the month of December. The release was to have occurred on February 5<sup>th</sup> but was postponed because of the effects of the US government shutdown on data sharing arrangements. Readers are encouraged to check [here](#) for updates.

Canada auctions 2s on Thursday.

### **UNITED STATES—POTUS'S SOTUS**

The coming week will position US President Trump just where he likes to be—at the center of most things—with government-related risks being the main focal point over limited data and earnings risk.

**Trump delivers his State of the Union speech before a joint session of Congress on Tuesday night at 9pmET.** Trump has said his theme will be one of unity which stands in contrast to the first half of his tenure and his positions on immigration. Apart from the predictable 'MAGA' and 'America First' hype, it's a chance for him to address issues such as willingness to embrace emergency powers to seek funding for a wall, the probability of another government shutdown, an infrastructure focus that is likely to be more talk than likely action, openness to limited further tax reform, and legislative priorities over the second half of his term on the way to the November 2020 Presidential election.

**US-China trade talks move toward less senior levels for the time being while the annual Lunar New Year interrupts progress.** Progress was cited by both sides this past week. US Treasury Secretary Mnuchin and US Trade Representative Lighthizer are to travel to China for the next round of talks in mid-February. As yet, no firm date has been set for that or for a possible meeting between Presidents Xi Jinping and Trump. Regarding China's apparent pledges to buy more products from the US, some of the potential caveats include the following:

- It's easy to promise, and I'm sure at first there will be symbolic gestures, but enforcement of firm commitments would be needed and it isn't clear what the penalties could be;
- It's unclear if this is being promised through diverting trade away from others, like the Europeans or other world growers of specific crops like soybeans. If so, what it stabilizes in one region could be destabilizing to policy and economies elsewhere and with potential feedback effects back upon the US markets and economy;
- It is unclear if China's promises to address the trade deficit with the US may divert exports to non-US destinations only to be re-exported to the US and how to track this;
- Breadth of purchases may be an added consideration. Buying up a lot of a few simple products like natural gas or soybeans may not appease the US and may not materially matter outside of a handful of small sectors of the US economy;
- Also note that the US-China deficit should probably ease through some natural forces as the US comes off its sugar high that over-stimulated growth and impacted imports. If the broad dollar weakens over coming years, it could make Chinese imports more expensive to Americans and create the illusion of progress toward reducing the US trade deficit with China;
- Lastly, 2025 is the Made in China deadline that is the bigger US concern with respect to dominating across multiple industry categories. Buying more US goods over coming years could simply buy China more time to implement the 2025 goals.

**US government funding talks will continue over the coming week.** An agreement needs to be reached by February 15<sup>th</sup> in order to avoid another shutdown, unless the deadline is extended. It is possible that Trump ended the recent month-long shutdown only to temporarily reduce friction with unpaid workers and address deteriorating public services and assets. That shouldn't be misconstrued as his tolerance limit toward the concept of shutdowns since he could simply be allowing some degree of normalcy to be returning before pursuing another shutdown and maybe doing so in serial fashion. Another shutdown after the 15<sup>th</sup> could butt

up against the end of the debt ceiling suspension on March 1<sup>st</sup>. After that point, Treasury's cash on hand (chart 4) and extraordinary powers at its disposal could continue to run government through to mid-summer. Markets would exhibit signs of strain well before then.

**Never-ending Fed-speak returns.** All this talk might have one thinking of a song by Joe Jones a long time ago and since re-made by many, but I digress. One might actually quite look forward to what Chair Powell (Wednesday), Vice Chair Quarles (Wednesday) and Vice Chair Clarida (Thursday) have to say in the wake of bullish jobs and ISM reports. The Fed has dug in deeply on a pause of uncertain duration that is being confronted by strong data.

At present, major macroeconomic releases are in limbo. Following the US government shutdown, the release schedules to catch up have addressed only relatively minor reports. Factory orders are due on Monday for the month of November and they should be a positive reading given we already knew the 1.7% jump in durable goods orders and the milder 0.2% rise in orders ex-transportation. ISM-services will be released on Tuesday. International trade figures are due on Wednesday.

But what we haven't heard are release dates for Q4 GDP, retail sales during December, December's PCE inflation, consumer spending, income and saving rate figures, December's durable goods orders, December's new home sales and December's housing starts.

Ninety-five S&P500 firms release earnings over the coming week. Names will include Alphabet (formerly Google), Twitter, Walt Disney and GM.

The US Treasury will auction 3s, 10s and 30s next week.

## LATIN AMERICA—PACIENCIA

**Three central bank meetings and four inflation reports may keep local markets abuzz.** Paciencia—with or without the accent, depending upon Spanish or Portuguese—will probably mirror the Fed for now.

**None of Banco Central do Brasil (Tuesday), Banxico (Thursday) or Banco Central de Reserva del Peru (Thursday) is expected to alter policy rates** but the bias will be monitored especially in the wake of the 'patient' signal from the Federal Reserve.

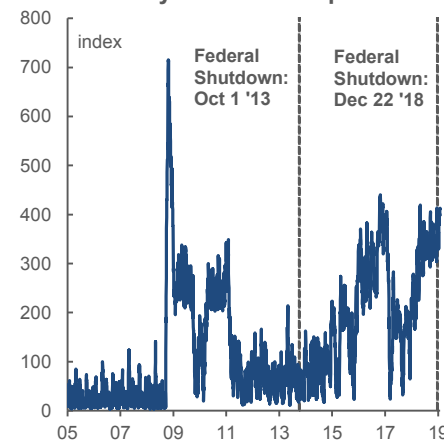
**1. Banxico:** Scotia's economics team in Mexico expects a policy hold at 8.25%. Inflation ended 2018 at 4.8% y/y and was moving largely sideways up to December but January's tally is expected to soften next Thursday. Even if it does, inflation will likely remain above the 2–4% inflation target range. Furthermore, the peso has appreciated by about 7% to the USD since the end of November. The combined forces of slightly softer inflation, a Fed on pause for now, peso appreciation and what already amounts to 525bps of Banxico rate hikes since late 2015 provide breathing room.

**2. Banco Central do Brasil:** At 3.8% y/y and scheduled for another update on Friday, inflation has been running toward the lower end of the central bank's inflation target range of 3–6%. The Federal Reserve's 'patient' stance has been among the considerations that have driven the real toward a 7% appreciation against the USD over the past five weeks or so. In all, there is little to no pressure to raise the Selic policy rate above 6.5% next week but longer-term guidance will be monitored in the face of such developments, as bank leadership changes hands.

**3. Banco Central de Reserva del Peru:** The policy reference rate is likely to remain at 2.75% on Thursday. Inflation recently dipped slightly lower to 2.1% y/y in January and is therefore bang on the mid-point of the inflation target range.

**Colombia (Tuesday) and Chile (Friday) will also release inflation figures for January.** Chile's rate is expected to decelerate from 2.6% y/y in December toward the bottom end of the 2–4% inflation target range. Colombia's inflation rate is expected to hold roughly steady around 3.2% y/y and hence close to the mid-point of BanRep's 2–4% inflation target range. Banrep just held its

Chart 4 Treasury's Cash Stockpile



Sources: Scotiabank Economics, Bloomberg.

policy rate at 4.25% and doesn't deliver another policy decision until March 29<sup>th</sup>. Next Thursday's meeting minutes will be parsed for further information related to the consensus forecast for policy tightening to commence in April.

### ASIA-PACIFIC—HAPPY NEW YEAR!

By now, you may have detected that major global central banks have no appetite for altering policy—in the near-term at least. Expect more of this bias to extend to next week's policy decisions by the Reserve Bank of Australia, Reserve Bank of India, the Bank of Thailand and Bangko Sentral ng Pilipinas. Where there is risk may lie in terms of the RBI that might be impatient to cut the repo rate. See the US section for more on US-China trade negotiations. China otherwise goes quiet given the annual Lunar New Year is on Tuesday and the country's industry basically shuts down for the week.

**The RBA is expected to hold its cash target rate** at 1.5% on Tuesday night (all days/times eastern as usual). Neither headline inflation at 1.8% y/y nor the weighted median metric (1.7%) are pressuring the 2–3% inflation target range. Spillover effects from uncertainty through US-China trade negotiations also merit caution as do capital flow implications through currency connections to the Fed's 'patient' stance. Roughly one-third of economists—including Scotia's Tuuli McCully—expect the RBA to raise rates this year.

**The RBI is expected to stay on hold at 6.5% on Thursday but with cut risk or at least a neutral sounding bias.** Inflation at 2.2% y/y has continued to decline from the 4.9% y/y mark last June and is close to the bottom end of the 2–6% inflation target range. The market probability of a rate cut has ebbed in the wake of the near-term pause signalled by the Federal Reserve (chart 5).

**Bangko Sentral ng Pilipinas is expected to hold its policy rate** at 4.75% on Thursday. It halted a hiking campaign at its December meeting after raising the overnight rate by 175bps since March. The central bank is of the view that inflation will continue to fall back to within its 2–4% inflation target range. Inflation has declined from a peak of 6.7% y/y in September to 5.1% by year-end and January's figure is due out on Monday.

**Bank of Thailand is also unanimously expected to hold its policy rate on Wednesday.** It hiked in December partly in order to stem stability risks, but with inflation near zero at 0.3% y/y and 0.7% on a core basis, there is no compelling case for following up with another jolt at this point.

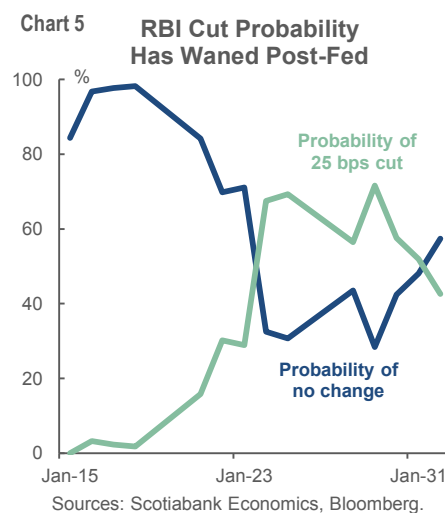
Data hits will include Australian retail sales and trade on Monday, the Caixin services and composite PMIs for China this weekend, New Zealand's jobs and wage growth during Q4 on Wednesday and Indonesian GDP growth during Q4 by mid-week. The latter is expected to hold steady around 4.1% y/y.

### EUROPE—THE BANK OF BREXIT

If your name is Mark Carney, you probably don't much relish the thought of having to hold another policy meeting in the midst of the Brexit fracas. Alas, such is his destiny next Thursday as the week's main event in European markets.

**No policy changes are expected from the Bank of England.** Much of the focus is likely to be two-fold in nature. For one, expect a reminder that inflation is roughly on the 2% target at 2.1% y/y and with core at 1.9%. For another, the emphasis is likely to be upon contingency planning given that the odds of a hard Brexit have increased recently in the wake of votes on the seven proposed amendments to the European Union (Withdrawal) Act. The voting resulted in only a loose promise to avoid a hard Brexit that lacked substance, and a pledge to go with cap in hand to Brussels and demand a better solution to the Irish border. The latter continues to be rebuffed by the EC. Prime Minister May has pledged to hold a vote on, well, something Brexit-related on February 14<sup>th</sup>. It's in the Prime Minister's powers to determine if she receives a rose or a thorn on that day. Spokespeople for PM May confirmed on Friday that the present plan remains to leave the EU on March 29<sup>th</sup> with no extension having been requested. I would think an extension is the most likely scenario.

Data risk will be relatively minor and mostly focused upon German factory orders (Wednesday), industrial production (Thursday) and exports (Friday). UK PMIs for the construction and service sectors and then the composite PMI on Tuesday will further inform growth tracking.





**Key Indicators for the week of February 4 – 8**
**NORTH AMERICA**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Indicator</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>
US	02/04	10:00	Durable Goods Orders (m/m)	Nov F	--	1.7	0.8
US	02/04	10:00	Durable Goods Orders ex. Trans. (m/m)	Nov F	--	0.2	-0.3
US	02/04	10:00	Factory Orders (m/m)	Nov	0.5	0.3	-2.1
US	02/05	10:00	ISM Non-Manufacturing Composite	Jan	57.5	57.0	58.0
US	02/06	07:00	MBA Mortgage Applications (w/w)	FEB 1	--	--	-3.0
CA	02/06	08:30	Building Permits (m/m)	Dec	--	-0.5	2.6
US	02/06	08:30	Trade Balance (US\$ bn)	4Q P	-54.5	-54.0	-55.5
US	02/06	08:30	Productivity (q/q a.r.)	Nov	--	1.7	2.3
US	02/06	08:30	Unit Labor Costs (q/q a.r.)	4Q P	--	1.7	0.9
US	02/07	08:30	Initial Jobless Claims (000s)	FEB 2	225	220	253
US	02/07	08:30	Continuing Claims (000s)	JAN 26	1780	--	1782
MX	02/07	09:00	Bi-Weekly Core CPI (% change)	Jan 31	0.1	--	0.1
MX	02/07	09:00	Bi-Weekly CPI (% change)	Jan 31	0.2	--	0.1
MX	02/07	09:00	Consumer Prices (m/m)	Jan	0.2	0.3	0.7
MX	02/07	09:00	Consumer Prices (y/y)	Jan	4.5	4.5	4.8
MX	02/07	09:00	Consumer Prices Core (m/m)	Jan	0.2	0.3	0.5
MX	02/07	09:00	Consumer Prices Core (y/y)	Jan	3.6	--	3.7
MX	02/07	14:00	<b>Overnight Rate (%)</b>	<b>Feb 7</b>	<b>8.25</b>	<b>--</b>	<b>8.25</b>
US	02/07	15:00	Consumer Credit (US\$ bn m/m)	Dec	--	16.0	22.1
CA	02/08	08:15	Housing Starts (000s a.r.)	Jan	210.0	205.0	213.4
CA	02/08	08:30	Employment (000s m/m)	Jan	15.0	2.0	7.8
CA	02/08	08:30	Unemployment Rate (%)	Jan	5.6	5.7	5.6

**EUROPE**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Indicator</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>
UK	02/04	04:30	PMI Construction	Jan	--	52.5	52.8
EC	02/04	05:00	PPI (m/m)	Dec	--	-0.7	-0.3
IT	02/04	05:00	CPI (m/m)	Jan P	--	0.0	-0.1
IT	02/04	05:00	CPI (y/y)	Jan P	--	0.8	1.1
IT	02/04	05:00	CPI - EU Harmonized (m/m)	Jan P	--	-1.9	-0.1
IT	02/04	05:00	CPI - EU Harmonized (y/y)	Jan P	--	0.9	1.2
IT	02/05	03:45	Services PMI	Jan	--	50.0	50.5
FR	02/05	03:50	Services PMI	Jan F	--	47.5	47.5
GE	02/05	03:55	Services PMI	Jan F	--	53.1	53.1
EC	02/05	04:00	Composite PMI	Jan F	--	50.7	50.7
EC	02/05	04:00	Services PMI	Jan F	--	50.8	50.8
UK	02/05	04:30	Official Reserves Changes (US\$ bn)	Jan	--	--	1387.0
UK	02/05	04:30	Services PMI	Jan	--	51.0	51.2
EC	02/05	05:00	Retail Trade (m/m)	Dec	--	-1.6	0.6
GE	02/06	02:00	Factory Orders (m/m)	Dec	--	0.3	-1.0
GE	02/07	02:00	Industrial Production (m/m)	Dec	--	0.7	-1.9
FR	02/07	02:45	Current Account (€ bn)	Dec	--	--	-2756.0
FR	02/07	02:45	Trade Balance (€ mn)	Dec	--	-4000.0	-5099.0
SP	02/07	03:00	Industrial Output NSA (y/y)	Dec	--	--	-2.8
UK	02/07	03:30	Halifax House Price (3 month, y/y)	Jan	--	1.5	1.3
UK	02/07	07:00	BoE Asset Purchase Target (£ bn)	Feb	--	435.0	0.4
UK	02/07	07:00	<b>BoE Policy Announcement (%)</b>	<b>Feb 7</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>
GE	02/08	02:00	Current Account (€ bn)	Dec	--	23.3	21.4
GE	02/08	02:00	Trade Balance (€ bn)	Dec	--	18.0	20.4
NO	02/08	02:00	GDP (q/q)	4Q	--	0.6	0.6
FR	02/08	02:45	Industrial Production (m/m)	Dec	--	0.7	-1.3
FR	02/08	02:45	Industrial Production (y/y)	Dec	--	-1.4	-2.1
FR	02/08	02:45	Manufacturing Production (m/m)	Dec	--	1.1	-1.4
IT	02/08	04:00	Industrial Production (m/m)	Dec	--	0.4	-1.6
RU	02/08	05:30	<b>One-Week Auction Rate (%)</b>	<b>Feb 8</b>	<b>--</b>	<b>7.75</b>	<b>7.75</b>

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

## Key Indicators for the week of February 4 – 8

### ASIA-PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CH	02/02	20:45	HSBC Services PMI	Jan	--	53.4	53.9
JN	02/03	18:50	Monetary Base (y/y)	Jan	--	4.6	4.8
AU	02/03	19:30	Building Approvals (m/m)	Dec	--	2.0	-9.1
AU	02/03	19:30	ANZ Job Advertisements (m/m)	Jan	--	--	0.0
SI	02/04	08:00	Purchasing Managers Index	Jan	--	--	51.1
AU	02/04	19:30	Retail Sales (m/m)	Dec	--	0.0	0.4
AU	02/04	19:30	Trade Balance (AUD mn)	Dec	--	2225	1925
PH	02/04	20:00	CPI (y/y)	Jan	5.0	4.4	5.1
AU	02/04	22:30	<b>RBA Cash Target Rate (%)</b>	<b>Feb 5</b>	<b>1.50</b>	<b>1.50</b>	<b>1.50</b>
ID	FEB 05-06		Annual GDP (y/y)	2018	5.2	5.2	5.1
ID	FEB 05-06		Real GDP (y/y)	4Q	5.2	5.1	5.2
TH	02/06	02:05	<b>BoT Repo Rate (%)</b>	<b>Feb 6</b>	<b>1.75</b>	<b>1.75</b>	<b>1.75</b>
NZ	02/06	16:45	Unemployment Rate (%)	4Q	3.9	4.1	3.9
NZ	02/06	16:45	Employment Change (y/y)	4Q	--	2.6	2.8
JN	02/06	18:50	Official Reserve Assets (US\$ bn)	Jan	--	--	1271
TH	02/06	22:30	Consumer Confidence Economic	Jan	--	--	66.3
JN	02/07	00:00	Coincident Index CI	Dec P	--	102.2	102.9
JN	02/07	00:00	Leading Index CI	Dec P	--	97.9	99.1
AU	02/07	00:30	Foreign Reserves (AUD bn)	Jan	--	--	76.3
PH	02/07	03:00	<b>Overnight Borrowing Rate (%)</b>	<b>Feb 7</b>	<b>4.75</b>	<b>4.75</b>	<b>4.75</b>
IN	02/07	04:00	<b>Repo Rate (%)</b>	<b>Feb 7</b>	<b>6.50</b>	--	<b>6.50</b>
IN	02/07	04:00	<b>Reverse Repo Rate (%)</b>	<b>Feb 7</b>	<b>6.25</b>	--	<b>6.25</b>
IN	02/07	04:00	<b>Cash Reserve Ratio (%)</b>	<b>Feb 7</b>	<b>4.00</b>	--	<b>4.00</b>
SI	02/07	04:00	Foreign Reserves (US\$ mn)	Jan	--	--	287673
JN	02/07	18:30	Household Spending (y/y)	Dec	--	0.9	-0.6
JN	02/07	18:50	Bank Lending (y/y)	Jan	--	--	2.4
JN	02/07	18:50	Current Account (¥ bn)	Dec	--	458.5	757.2
JN	02/07	18:50	Trade Balance - BOP Basis (¥ bn)	Dec P	--	133.8	-559.1
HK	02/07	19:30	Purchasing Managers Index	Jan	--	--	48.0
ID	FEB 07-08		Current Account Balance (US\$ mn)	4Q	--	-8627	-8846
TH	02/08	02:30	Foreign Reserves (US\$ bn)	Feb 1	--	--	208.3

### LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CL	02/04	07:00	Retail Sales (y/y)	Dec	--	3.0	-0.8
CL	02/05	06:30	Economic Activity Index SA (m/m)	Dec	--	--	1.2
CL	02/05	06:30	Economic Activity Index NSA (y/y)	Dec	--	--	3.1
CO	02/05	19:00	Consumer Price Index (m/m)	Jan	--	0.7	0.3
CO	02/05	19:00	Consumer Price Index (y/y)	Jan	--	3.3	3.2
BZ	02/06		<b>SELIC Target Rate (%)</b>	<b>Feb 5</b>	<b>6.50</b>	<b>6.50</b>	<b>6.50</b>
PE	02/07	18:00	<b>Reference Rate (%)</b>	<b>Feb 7</b>	<b>2.75</b>	<b>2.75</b>	<b>2.75</b>
BZ	02/08	06:00	IBGE Inflation IPCA (m/m)	Jan	--	--	0.2
BZ	02/08	06:00	IBGE Inflation IPCA (y/y)	Jan	--	--	3.8
CL	02/08	06:00	CPI (m/m)	Jan	--	--	-0.1
CL	02/08	06:00	CPI (y/y)	Jan	--	--	2.6

## Global Auctions for the week of February 4 – 8

### NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	02/05	13:00	U.S. to Sell 3-Year Notes
US	02/06	13:00	U.S. to Sell 10-Year Notes
CA	02/07	12:00	Canada to Sell 2 Year Bonds
US	02/07	13:00	U.S. to Sell 30-Year Bond

### EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
GE	02/05	05:30	Germany to Sell I/L Bonds
SW	02/07	05:00	Sweden to Sell I/L Bonds
IC	02/08	06:30	Iceland to Sell Bonds

### ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
JN	02/04	22:35	Japan to Sell 10-Year Bonds
NZ	02/06	20:05	New Zealand To Sell NZD100 Mln I/L 2040 Bonds
JN	02/06	22:35	Japan to Sell 30-Year Bonds
BM	02/07	03:00	Brunei to Sell BND100Mn 3M Islamic Notes

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Source: Bloomberg, Scotiabank Economics.



## Events for the week of February 4 – 8

### NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	02/03	10:40	Fed's Kashkari Speaks at Town Hall Event in Minnesota
US	02/04	19:30	Fed's Mester Discusses Economic Outlook and Monetary Policy
CA	02/06	08:35	Bank of Canada Deputy Governor Timothy Lane Speech
US	02/06	18:05	Fed's Quarles Speaks on Bank Stress Testing
US	02/06	19:00	Fed Chairman Powell to Host Town Hall Meeting with Educators
US	02/07	09:30	Fed's Clarida Discusses Paper on Global Factor in Neutral Rate
MX	02/07	14:00	<b>Overnight Rate</b>
US	02/07	19:30	Fed's Bullard Speaks at St. Cloud State University

### EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
EC	02/07	04:00	ECB Publishes Economic Bulletin
UK	02/07	07:00	<b>Bank of England Bank Rate</b>

### ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
AU	02/04	22:30	<b>RBA Cash Rate Target</b>
AU	02/05	20:30	RBA's Lowe Gives Speech in Sydney
TH	02/06	02:05	<b>BoT Benchmark Interest Rate</b>
PH	02/07	03:00	<b>BSP Overnight Borrowing Rate</b>
PH	02/07	03:00	BSP Standing Overnight Deposit Facility Rate
IN	02/07	04:00	<b>RBI Repurchase Rate</b>
IN	02/07	04:00	RBI Reverse Repo Rate
AU	02/07	19:30	RBA Statement on Monetary Policy

### LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
BZ	02/06		<b>Selic Rate</b>
PE	02/07	18:00	<b>Reference Rate</b>

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	March 6, 2019	1.75	2.00
Federal Reserve – Federal Funds Target Rate	2.50	March 20, 2019	2.50	2.50
Banco de México – Overnight Rate	8.25	February 7, 2019	8.25	8.25

**Banxico:** A policy hold at an overnight rate of 8.25% is expected. Slightly softer expected inflation, a Fed on pause for now, peso appreciation and substantial policy tightening since late 2015 provide breathing space for the central bank.

### EUROPE

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	0.00	March 7, 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	--	7.75
Sweden Riksbank – Repo Rate	-0.25	February 13, 2019	-0.25	-0.25
Norges Bank – Deposit Rate	0.75	March 21, 2019	0.75	1.00
Central Bank of Turkey – Benchmark Repo Rate	24.00	March 6, 2019	24.00	24.00

**Bank of England:** No policy changes are expected. Inflation is close to the 2% target and this will be emphasized along with contingency planning for the March 29th Brexit deadline.

**Bank of Russia:** A policy hold at 7.75% is expected following the hike in December. The central bank is likely to see through a sales tax increase at the start of the year.

### ASIA PACIFIC

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Policy Rate	-0.10	March 15, 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	--	4.30
Reserve Bank of India – Repo Rate	6.50	February 7, 2019	6.50	6.50
Bank of Korea – Bank Rate	1.75	February 28, 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	March 5, 2019	3.25	3.25
Bank Indonesia – 7-Day Reverse Repo Rate	6.00	February 21, 2019	6.00	6.25
Central Bank of Philippines – Overnight Borrowing Rate	4.75	February 7, 2019	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 February 5. On the back of a still-soft wage and price inflation outlook, we assess that the RBA will stay on the sidelines until the final months of 2019. **The Reserve Bank of India (RBI):** The RBI's Monetary Policy Committee will hold a policy meeting on February 7, marking the first rate decision for the new RBI governor, Shaktikanta Das. We expect the benchmark repo rate to be left unchanged at 6.50%. Nevertheless, we will be closely monitoring Governor Das' policy biases given his background in India's Ministry of Finance and his ties to Prime Minister Narendra Modi, which have raised concerns regarding the RBI's potentially eroding independence and a possible shift to a more lax monetary policy stance. **The Bank of Thailand (BoT):** Thai monetary authorities will likely keep the benchmark interest rate unchanged at 1.75% following the February 6 policy meeting. Given that the BoT raised the rate by 25 bps on December 19, the central bank will likely stay in wait-and-see mode over the coming months in order to assess the impact of the December hike. **Bangkok Sentral ng Pilipinas (BSP):** We expect the BSP to continue taking a break from monetary tightening following the February 7 monetary policy meeting in order to assess the impact of recent interest rate hikes. The central bank raised the benchmark overnight borrowing rate by 175 bps between May and November 2018.

### LATIN AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	6.50	February 6, 2019	6.50	6.50
Banco Central de Chile – Overnight Rate	3.00	March 29, 2019	3.00	3.00
Banco de la República de Colombia – Lending Rate	4.25	March 29, 2019	4.25	4.25
Banco Central de Reserva del Perú – Reference Rate	2.75	February 7, 2019	2.75	2.75

**Banco Central de Reserva del Perú:** no policy change is anticipated with inflation essentially bang on the mid-point of the inflation target rate.

### AFRICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	6.75	March 28, 2019	6.75	6.75

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

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