

**THE ECB COULD HOLD THE KEY TO RISK APPETITE**

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**CONTACTS**

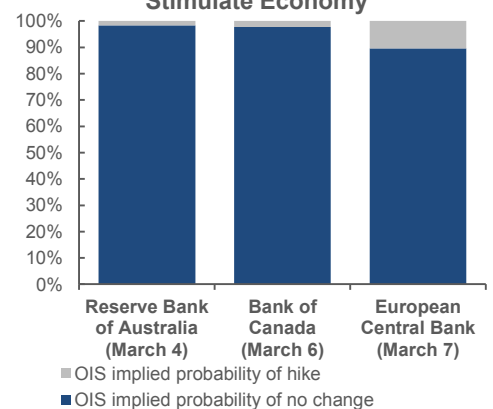
Derek Holt, VP & Head of Capital Markets Economics  
416.863.7707  
Scotiabank Economics  
[derek.holt@scotiabank.com](mailto:derek.holt@scotiabank.com)

**Next Week's Risk Dashboard**

- ▶ China’s National Congress
- ▶ US debt ceiling effects
- ▶ CBs: BoC, ECB, RBA, Negara, Peru, Turkey
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- ▶ UK PMIs
- ▶ China trade & PMIs
- ▶ Australian GDP
- ▶ CDN trade, housing starts

**Chart of the Week**

**Banks Continue to Stimulate Economy**



Sources: Scotiabank Economics, Bloomberg.

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

## The ECB Could Hold The Key To Risk Appetite

### UNITED STATES—LETTER #2 IS ALREADY BEING DRAFTED

The machinations surrounding working within the US government's debt limit will now swing into gear as of this weekend. Suspended last February in the Bipartisan Budget Act of 2018, the limit becomes binding again on March 2<sup>nd</sup>. The early influences and future challenges of this step are explained below with the first steps carrying small microeconomic consequences to a particular class of debt instrument. **Macro data risk will be limited but powerfully concentrated upon an updated assessment of labour markets.**

**Step one is to define the debt limit.** The debt ceiling will become binding at the level of debt that exists by Saturday March 2<sup>nd</sup> (just over US\$22 trillion, precise amount to be published [here](#)).

**Step two toward addressing the debt limit is to have a firmer grasp on when Treasury would run out of room to maneuver within the debt ceiling by applying extraordinary measures.** At that point, the US government would face default risk on its obligations. Given the role of US government debt—directly and indirectly—in informing pricing of varied securities and as collateral in products such as repos, default would set off a calamitous chain of events in world financial markets and a potential liquidity crisis in world markets. Estimates of this point of no return have varied, but the Congressional Budget Office recently weighed in with an estimate and primer that clients are encouraged to review ([here](#)). The CBO estimates that time runs out around late in the fiscal year which ends on September 30<sup>th</sup>. This is somewhat later than other groups have estimated to date.

**Step three toward addressing the debt ceiling was taken by US Treasury Secretary Mnuchin when he delivered [this](#) letter to members of Congress.** Mnuchin advised that the first step toward staying within the debt ceiling will be **the suspension of State and Local Government Series (SLGS) securities** that are issued to state and local governments to help them comply with tax rules. Suspending them is one way of remaining within the debt ceiling for a time. This step won't buy a whole lot of time. The total amount of such notes outstanding is only US\$61.4 billion as at the end of January of this year and it has been on a dwindling path (chart 1). So far this year, Treasury has issued US\$14 billion of such notes and in all of last year it had issued US\$57 billion in gross terms ([here](#)). The amount of SLGS note issuance suspended as a share of the debt ceiling is less than 5%.

Subsequent steps to stay within the debt ceiling are explained more fully in the aforementioned CBO note. One such example will be depleting the cash balances Treasury has on hold at the Federal Reserve but only after consideration of net receipts through the upcoming tax season. Treasury has made use of this tactic previously (charts 2, 3).

Macroeconomic data reports will pose material risk over the upcoming week but one of them will dominate all others.

**Nonfarm payrolls and wage growth are due out on Friday for February and ADP private payrolls will be released on Wednesday.** I've pencilled in +210k as a nonfarm estimate with wage growth at 3.3% y/y. Shifting base effects would counsel a

Chart 1

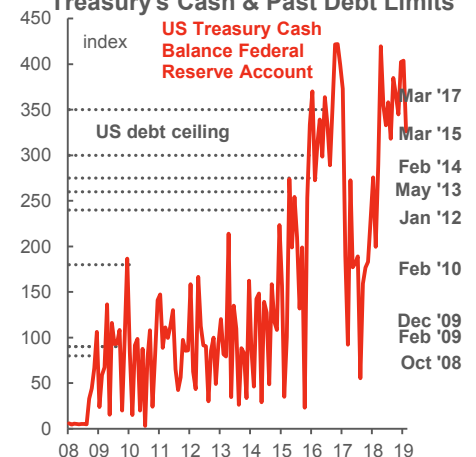
Treasury Debt Sales To State & Local Governments



Sources: Scotiabank Economics, US Treasury.

Chart 2

Treasury's Cash & Past Debt Limits



Sources: Scotiabank Economics, U.S. Treasury.

Chart 3

Washington's Debt Mountain



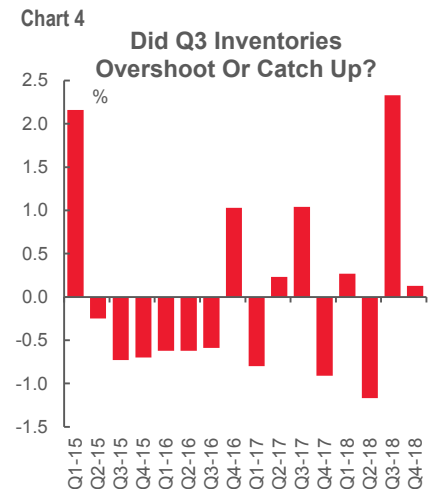
Sources: Scotiabank Economics, U.S. Treasury.

modest deceleration of wage growth but fairly typical increases for a month of February would result in a modest acceleration from 3.2% y/y that was recorded in January. That would preserve wage growth within the range that has existed since last Fall.

Also on tap will be construction spending for December (Monday), housing starts for January (Friday), the ISM non-manufacturing PMI for February (Tuesday), new home sales for December (Tuesday) and international trade figures for December on Wednesday. We already know that the latter will be a considerably larger deficit because of the pre-release of the advance goods trade balance. The overall trade deficit is likely to keep trending higher given the lagging effects of dollar appreciation. Further deteriorations in the US trade deficit will likely continue to (mis)inform a protectionist bias by the US administration.

**As an aside, does the overshoot on GDP growth in 2018Q4 (recap [here](#)) mask an underlying inventory problem that may sideswipe the US economy going forward?**

I'm not as convinced of that as other voices within consensus who reason inventory accumulation over the second half of last year may damage growth prospects going forward as it is unwound. Chart 4 is helpful in this regard. For starters, inventories have been a drag on growth more often than not for years. Further, inventories were a large drag on GDP growth in Q2 after minimal contribution in Q1. It may well be that the 2.3 percentage point contribution to GDP growth from inventories in Q3 before a negligible inventory effect on growth in Q4 was a restocking effect. As GDP growth came on stronger than most anticipated, it depleted inventories over H1 and requiring restocking into the second half of the year.



Sources: Scotiabank Economics, BEA.

**Fed-speak should offer fairly minor risk** after the deluge of communications that markets have digested so far this year. Four addresses by three regional Presidents including two appearances by NY Fed President Williams (voting) on Wednesday plus addresses by San Fran's Barkin on Tuesday and Cleveland's Mester on Wednesday will combine with Wednesday's Beige Book. The Fed also releases the Q4 Financial Accounts of the United States (a.k.a. the flow of funds accounts) that include household finance measures among others.

## CANADA—THE BoC IS BUYING TIME

**The Bank of Canada's latest policy statement will combine with significant data risk to further inform the direction of risks facing shorter-term rates and the Canadian dollar.**

**A Bank of Canada policy rate hold at 1.75% on Wednesday is a slam dunk.** There probably isn't a whole lot of intrigue surrounding the implied policy bias either, at least for now. I would expect the central bank to repeat much of the sort of guidance that Governor Poloz provided in his very recent speech (recap [here](#)). Key was his following quote:

"We judge that we will need to move our policy rate up into a **neutral range over time**, to a point where it is not stimulating or constraining economic growth. However, the path back to that neutral range is highly uncertain. We will watch the data as they come in, and use judgment to deal with the uncertainties and manage the associated risks."

**The statement-only affair will be followed by an Economic Progress Report by Deputy Governor Lynn Patterson the next day** over lunch in Hamilton, Ontario. This is the customary speech provided after non-MPR meetings in order to provide further colour on the discussions that led up to the statement and the factors influencing the outlook. The broad tone is likely to generally buy time before a fuller assessment to be provided in the April Monetary Policy Report that will include revised forecasts and risk assessments.

**Nevertheless, expect retention of a hint of optimism regarding an expected rebound to growth over 2019 as the following transitory headwinds dissipate.** One is the impact of last Fall's collapse in domestic oil prices that has already reversed and the recent two-step reduction of Alberta's mandated production cuts. Two is the negative lingering impact of NAFTA uncertainty on business investment that may unleash pent-up cap-ex with a deal having been struck and aided by accelerated

depreciation introduced in October's mini-budget. Three is the negative effects of B-20 mortgage stress tests and provincial housing finance measures that will dissipate in a return to more stable housing markets. Don't expect the BoC to reference potential fiscal stimulus until it's a fact after the March 19<sup>th</sup> Federal budget, but it's a reasonable expectation for market participants in our view.

Indeed, Poloz's speech specifically flagged housing, investment and trade policy certainty as the three things he needs to see improve to inform a tightening bias. Nevertheless, the fact that Poloz referenced "the path to neutral" rejected the option of going down the Fed's path by introducing more flexible language on the direction of rate risks and so expect that to also be reinforced next week.

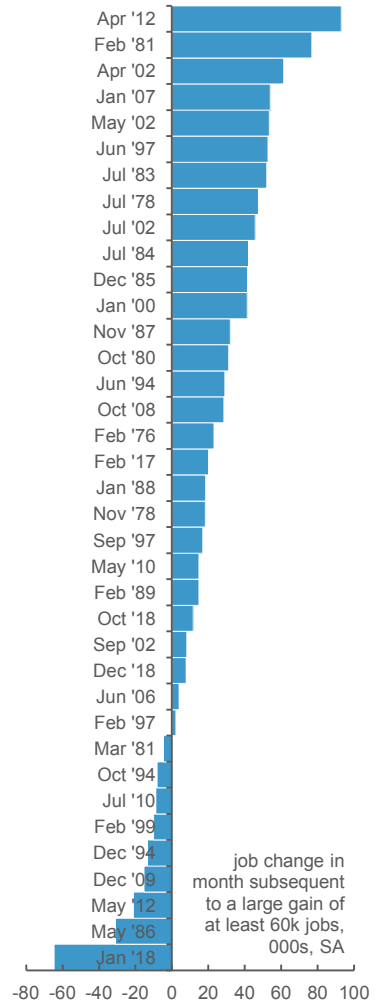
**A risk to this perspective is whether developments since Poloz spoke could inform a slightly tweaked overall message.** In that regard, the developments have been mixed. Core CPI remained unchanged at 1.9% y/y in January and just a hair beneath the BoC's 2% target, but headline inflation is temporarily undershooting at 1.4% (recap [here](#)). GDP growth, however, was a disappointment albeit probably for transitory reasons over Q4-Q1 (recap [here](#)). **The catch is clearly that the GDP disappointment will motivate an increased estimate of the amount of slack in the economy and this may modestly lessen confidence in returning headline inflation to 2% by year-end as the BoC previously guided.** The Bank of Canada had previously estimated the output gap at about -½% in 2018Q4 using both of its metrics. This estimate could move higher not only because of the Q4 GDP disappointment but also as the BoC incorporates historical GDP revisions and possibly revised estimates of potential growth at the April meeting. Or the BoC could offset at least some of the softer actual GDP levels with lower estimates for potential growth by observing that inflation is close to target even with such actual GDP growth disappointment. After this point, it becomes a question of how rapidly the economy rebounds from this soft patch and hence how rapidly slack is eroded.

In the Poloz quote above, note the emphasis upon achieving neutral "over time." This language connotes a pause period until we think the central bank hikes again later this year. One complicating factor concerns **exactly what is the neutral rate?** [This](#) piece by my clever bank-side colleague Nikita Perevalov estimates the neutral rate to be 2½% as the mid-point of a 2–3% range. Using this range, the BoC could be anywhere from one to five hikes away from the long-run neutral rate guidepost. The Bank of Canada has generally stated that its research points to a range from 2½% to 3½%, though we have a general sense that Governor Poloz leans toward the lower half of the BoC's range. We're expecting fresh perspectives on the neutral rate, slack and potential in the April MPR.

Nevertheless, note the two forms of uncertainty when informing the outlook for the policy rate. One is the significant +/- 50bps variation within a 100bps bracket to either our estimated range for the neutral rate or the BoC's. Two is the potential spread between the actual policy rate and the neutral rate and how it evolves over time. **Too often there seems to be confusion when treating the neutral rate as the holy grail for the peak of the rate cycle as opposed to what it is: a long-run equilibrium rate at which inflation is on target and the economy is fully absorbing available resources.** Along that path, the actual policy rate can both overshoot and undershoot this long-run guidepost. Expressed in such terms, the debate over whether the BoC hikes at all, once, twice or perhaps three times before declaring the hike cycle to be done is a narrower dispersion of opinion within consensus than it could be given the range of modelling uncertainties.

Chart 5

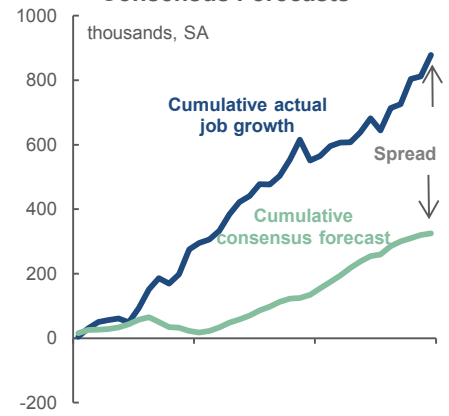
**Big Gains Don't Have to Beget Big Losses**



Sources: Scotiabank Economics, Statistics Canada, Haver Analytics.

Chart 6

**Job Growth Has Blown Away Consensus Forecasts**



Sources: Scotiabank Economics, Bloomberg.

**Data risk will also factor into the week's tone. I'm cautiously expecting a narrower trade deficit** as the figures for December are released on Wednesday and later than usual due to the cross-border effects of the US government shutdown and the huge importance of that bilateral trading relationship. Higher domestic oil prices should help.

**As for Friday's Labour Force Survey, I'm going to the high side of consensus again** and the spread runs from estimates of -20k to +25k. That is not with great confidence for a survey with a miles-wide confidence interval, but the reasons I've gone to the upper end are two-fold. One is that many may be assuming that because the economy generated 66,800 jobs in January that what goes up so fast must come back down. Perhaps, but chart 5 shows that it's more common—but not guaranteed—to see another increase in total employment in months following all the times when Canada has created at least 60,000 jobs since the inception of the Labour Force Survey in 1976. The second reason is shown in chart 6 that I've used previously to show how consensus has hugely underestimated cumulative job growth for a very long time and yet persistently sticks with bearish views toward employment gains month after month after month. Spin the wheel, and good luck. Behind trade and jobs, Friday's housing starts will get short shrift but I'm figuring that permit volumes continue to support a pace of new home construction over 200,000 at an annualized rate.

### **ASIA-PACIFIC—CHINA'S VERSION OF SOTUS, BUT WITH MORE SUBSTANCE**

**The main event may well be China's "Two Sessions" meetings that begin this weekend in the year of the 70<sup>th</sup> Anniversary of the founding of the People's Republic of China.** First will be the meeting of the Chinese People's Political Consultative Conference this Sunday. Second will be the more seriously followed **National People's Congress (NPC) on Tuesday.** Premier Li Keqiang will start things off on Tuesday when he delivers the "Report on the Work of the Government" which is often likened to the US State of the Union Speech (SOTUS), but usually with more substance and specific priorities.

**One consideration to watch will be the announcement of China's 2019 GDP growth target.** Last year's was set at "around 6.5%" and this year's target could be a little lower but with a 6% floor to a possible range. The inflation target is set at "around 3%" and likely to stay near there this year despite the fact that inflation hasn't hit 3% since 2013. **It's possible we hear of stimulus measures,** though Premier Li has cautioned they won't be of the "flood-like" variety. A possible auto sales tax cut could address eight consecutive months of declining auto sales. There is likely to be considerable reference to trade negotiations whether explicit or nuanced in terms of their status from China's perspective and China's red lines.

Neither the **Reserve Bank of Australia** (Monday night, eastern time) nor **Bank Negara Malaysia** (Tuesday) are expected to adjust their policy rates of 1.5% and 3.25%, respectively.

**Australia also issues a first peek at Q4 GDP growth** that most expect to modestly improve to around ½% q/q at a seasonally adjusted but non-annualized pace.

**China macro risks may also flow from data that mostly arrives after the NPC.** The private versions of the services and composite PMIs for February will be released on Monday evening (eastern time). **Moderation is expected for China's exports.** They showed surprising strength in January but renewed softening is expected for February. Lunar New Year effects and shifting year-ago base effects may explain a considerable amount of the volatility. China then closes out the week with inflation figures for February on Friday night.

Other considerations will include CPI inflation updates from South Korea, Philippines and Taiwan plus Australian retail sales and trade figures.

### **EUROPE—TLTRO III?**

**Thursday's policy meeting of the European Central Bank could be a key consideration to global markets. UK macro data will be of secondary importance as markets await the next Brexit vote on March 12<sup>th</sup>.**

The ECB will issue its policy statement at 7:45amET next Thursday ahead of President Draghi's press conference at 8:30amET. **There are at least two key policy considerations in addition to its current general stance toward the outlook.**

One key consideration will be whether now will be the time to possibly introduce a fresh Targeted Long-Term Refinancing Operation (TLTRO) that provides loans to banks for a fixed period at low cost in order to stimulate lending within the Eurozone. The amounts that have been borrowed under prior TLTRO offerings are shown in chart 7 which indicates the substantial sums involved. The last such facility will expire in June of next year and it is getting increasingly important to provide guidance on what happens next and not only to address current challenges to the outlook but also to influence the longer-term rates complex.

Recall that the ECB switched from general liquidity injections through Longer-Term Refinancing Operations (LTROs) that were rolled out from March 2008 to February 2012 toward the conditional TLTROs starting in June 2014. In addition to whether the ECB is prepared to introduce a TLTRO III at this juncture is the matter of how they may design a fresh TLTRO. If the ECB announces intention to introduce another TLTRO at this meeting, then don't expect important details until subsequent meetings, in keeping with the pattern of rolling out past programs. For instance, the June 2014 TLTRO I set the borrowing cost for the program at the ECB's main refi rate (presently 0%) plus 10bps for a four year term and the technical details were shared at the next meeting followed by later modifications. The March 2016 TLTRO II made the cost of borrowing conditional upon achieving lending goals. The more a bank lends, the lower its borrowing cost and with the cost being as low as the interest rate on the ECB's deposit facility (presently -0.4%). It took until the May meeting to get important details to the TLTRO II program. Interested readers can review more [here](#).

A second consideration will be whether the ECB pushes out guidance to date that its policy rate will be on hold "through" the summer of 2019 to signal a delayed hike. The ECB could well do any combination of delaying hike guidance, announcing intention to introduce a TLTRO III, or announcing details of a TLTRO III. It could also do none of these steps versus simply jawboning markets that it is prepared to do so if judged necessary at a later date as the ECB buys time to assess further developments in the world economy, across markets and in terms of global trade policies. Global risk appetite to close out the week could well be affected by what route the ECB adopts.

UK markets are likely to continue to be buffeted by volatile Brexit headlines as wheels are being spun toward a vote on the withdrawal agreement on March 12<sup>th</sup>. The macro calendar will be exclusively focused upon more purchasing managers' indices for February that will be taken together as an indication of growth momentum. At risk is an outright dip into contraction territory for the composite PMI that hovered at 50.3 in January and hence just three-tenths above the 50 dividing line between expansion and contraction. The services and composite PMIs will be released on Tuesday after the construction PMI the day before. The manufacturing sector has slightly outperformed the other sectors partly with the assistance of currency depreciation to support exports (chart 8). All of the composites are nevertheless close to the 50 dividing line.

Other macro releases worth highlighting will include German factory orders on Friday, French and Italian industrial production on Friday, Spanish PMIs on Tuesday, Swiss CPI Tuesday, and the Eurozone retail sales add up on Thursday.

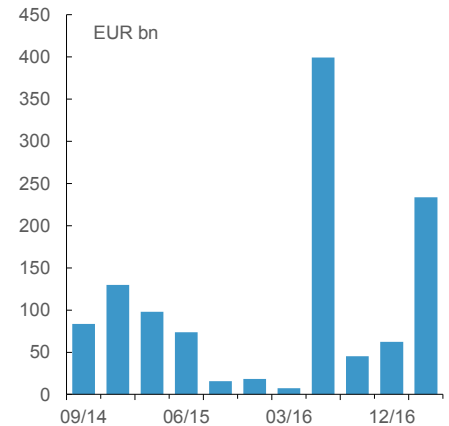
### LATIN AMERICA—INFORMING CENTRAL BANK POLICY RISKS

A trio of inflation reports will inform regional central bank perspectives while Peru's central bank delivers its latest policy decision.

Banco Central de Reserva del Peru is expected to remain on hold again next Thursday at a policy reference rate of 2.75%. Inflation has been running at just over the midpoint of the 1–3% policy reference range. This factor and soft copper prices incited

Chart 7

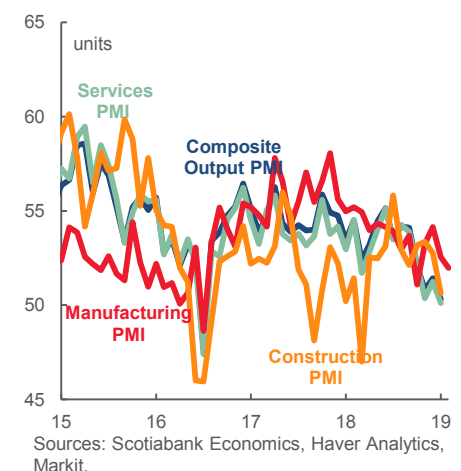
Amounts Borrowed Under Prior ECB TLTRO Refinancing Operations



Sources: Scotiabank Economics, ECB.

Chart 8

UK PMI's



Sources: Scotiabank Economics, Haver Analytics, Markit.

President Julio Velarde and the board to note at its last policy meeting that it was “appropriate to maintain an expansive monetary policy position.” Since that decision, however, copper prices have continued to rally (chart 9). Prices on the London Mercantile Exchange are at their highest since early last July when they were in the midst of a swoon.

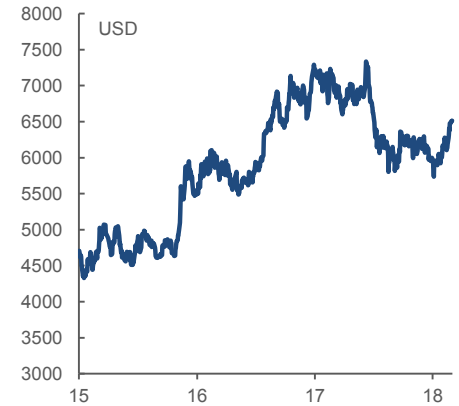
**Colombian CPI inflation is expected to be little changed around 3.1% y/y** in February’s reading that lands on Tuesday evening (eastern time). Scotia’s economist based in Bogota—Sergio Olarte—expects inflation to land at 0.74% m/m and 0.56% m/m for core. His reasoning is that February offers up the highest seasonal influences of the year, education fees increase each year in February and food prices are likely to keep rising due to El Niño effects. That would keep inflation near the mid-point of BanRep’s 2–4% inflation target range. When the central bank issued its quarterly inflation report on February 15th, Governor Juan Jose Echavarría disagreed with markets that were pricing rate hikes. When asked if he agreed, he flatly said “no” and “I don’t see” and “this means that we see relatively calm times in 2019.” If only other central bankers were as clear.

**Chile’s CPI inflation rate arrives on Friday and is expected to be little changed** from the 1.8% y/y rate posted in January. That positions inflation below the bottom of the 2–4% inflation target range. Ditto for core that was at 1.9% y/y in January.

**Mexican CPI lands on Thursday and it will be a further test of the speed and magnitude of the trend decline that has been in place for over a year.** Inflation peaked at 6.8% y/y in December 2017 and, at 4.4% in January, hit its lowest level since December 2016. Inflation continues to rise above Banxico’s 2–4% target range but by a diminishing margin on the path toward coming back within the bands probably over 2019H2.

Chart 9

**Copper Prices Have Rallied Since Peru’s Last Rate Decision**



Sources: Scotiabank Economics, Bloomberg.

**Key Indicators for the week of March 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	03/04	10:00	Construction Spending (m/m)	Dec	0.2	0.2	0.8
US	03/05	10:00	ISM Non-Manufacturing Composite	Feb	57.0	57.2	56.7
US	03/05	10:00	New Home Sales (000s a.r.)	Dec	610.0	587.0	657.0
US	03/05	14:00	Treasury Budget (US\$ bn)	Jan	--	3.0	-13.5
US	03/06	08:15	ADP Employment Report (000s m/m)	Feb	200.0	190.0	212.9
CA	03/06	08:30	Merchandise Trade Balance (C\$ bn)	Dec	-1.5	-1.8	-2.1
CA	03/06	08:30	Productivity (q/q a.r.)	4Q	--	--	0.3
US	03/06	08:30	Trade Balance (US\$ bn)	Dec	-57.0	-57.0	-49.3
CA	03/06	10:00	<b>BoC Interest Rate Announcement (%)</b>	<b>Mar 6</b>	<b>1.75</b>	<b>1.75</b>	<b>1.75</b>
CA	03/07	08:30	Building Permits (m/m)	Jan	--	--	6.0
US	03/07	08:30	Initial Jobless Claims (000s)	MAR 2	225	225	225
US	03/07	08:30	Continuing Claims (000s)	FEB 23	1750	--	1805
US	03/07	08:30	Productivity (q/q a.r.)	4Q F	--	1.7	2.2
US	03/07	08:30	Unit Labor Costs (q/q a.r.)	4Q F	--	1.8	0.9
MX	03/07	09:00	Bi-Weekly Core CPI (% change)	Feb 28	0.11	--	0.3
MX	03/07	09:00	Bi-Weekly CPI (% change)	Feb 28	0.70	--	-0.1
MX	03/07	09:00	Consumer Prices (m/m)	Feb	0.24	--	0.1
MX	03/07	09:00	Consumer Prices (y/y)	Feb	4.23	--	4.4
MX	03/07	09:00	Consumer Prices Core (m/m)	Feb	0.38	--	0.2
US	03/07	15:00	Consumer Credit (US\$ bn m/m)	Jan	--	17.5	16.6
CA	03/08	08:15	Housing Starts (000s a.r.)	Feb	215.0	214.1	207.9
CA	03/08	08:30	Capacity Utilization (%)	4Q	81.8	--	82.6
CA	03/08	08:30	Employment (000s m/m)	Feb	25.0	11.2	66.8
CA	03/08	08:30	Unemployment Rate (%)	Feb	5.7	5.7	5.8
US	03/08	08:30	Nonfarm Employment Report (000s m/m)	Feb	210.0	185.0	304.0
US	03/08	08:30	Unemployment Rate (%)	Feb	3.9	3.9	4.0
US	03/08	08:30	Household Employment Report (000s m/m)	Feb	--	--	-251.0
US	03/08	08:30	Average Hourly Earnings (m/m)	Feb	0.2	0.3	0.1
US	03/08	08:30	Average Hourly Earnings (y/y)	Feb	3.3	3.3	3.2
US	03/08	08:30	Average Weekly Hours	Feb	--	34.5	34.5
US	03/08	08:30	Building Permits (000s a.r.)	Jan	--	1280.0	1326.0
US	03/08	08:30	Housing Starts (000s a.r.)	Jan	--	1190.0	1078.0
US	03/08	08:30	Housing Starts (m/m)	Jan	--	10.4	-11.2

**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	03/04	04:30	PMI Construction	Feb	--	50.5	50.6
EC	03/04	05:00	PPI (m/m)	Jan	--	0.3	-0.8
IT	03/05	03:45	Services PMI	Feb	--	49.5	49.7
FR	03/05	03:50	Services PMI	Feb F	--	49.8	49.8
GE	03/05	03:55	Services PMI	Feb F	--	55.1	55.1
EC	03/05	04:00	Composite PMI	Feb F	--	51.4	51.4
EC	03/05	04:00	Services PMI	Feb F	--	52.3	52.3
IT	03/05	04:00	Real GDP (q/q)	4Q F	--	-0.2	-0.2
UK	03/05	04:30	Official Reserves Changes (US\$ bn)	Feb	--	--	1535.0
UK	03/05	04:30	Services PMI	Feb	--	50.0	50.1
EC	03/05	05:00	Retail Trade (m/m)	Jan	--	1.4	-1.6
TU	03/06	06:00	<b>Benchmark Repo Rate (%)</b>	<b>Mar 6</b>	<b>24.00</b>	<b>24.00</b>	<b>24.00</b>
UK	03/07	03:30	Halifax House Price (3 month, y/y)	Feb	--	1.0	0.8
EC	03/07	05:00	Employment (q/q)	4Q F	--	--	0.3
EC	03/07	05:00	GDP (q/q)	4Q F	--	0.2	0.2
GR	03/07	05:00	Real GDP NSA (y/y)	4Q F	--	--	2.4
EC	03/07	07:45	<b>ECB Main Refinancing Rate (%)</b>	<b>Mar 7</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

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



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

### EUROPE (continued from previous page)

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
GE	03/08	02:00	Factory Orders (m/m)	Jan	--	0.5	-1.6
FR	03/08	02:45	Current Account (€ bn)	Jan	--	--	-1117.0
FR	03/08	02:45	Industrial Production (m/m)	Jan	--	0.1	0.8
FR	03/08	02:45	Industrial Production (y/y)	Jan	--	0.5	0.0
FR	03/08	02:45	Manufacturing Production (m/m)	Jan	--	-0.2	1.0
FR	03/08	02:45	Trade Balance (€ mn)	Jan	--	-4970.5	-4652.6
SP	03/08	03:00	Industrial Output NSA (y/y)	Jan	--	--	-4.2
IT	03/08	04:00	Industrial Production (m/m)	Jan	--	0.2	-0.8

### ASIA-PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
JN	03/03	18:50	Monetary Base (y/y)	Feb	--	--	4.7
AU	03/03	19:30	Building Approvals (m/m)	Jan	--	1.5	-8.4
AU	03/03	19:30	ANZ Job Advertisements (m/m)	Feb	--	--	-1.7
MA	03/03	23:00	Exports (y/y)	Jan	--	1.4	4.8
MA	03/03	23:00	Imports (y/y)	Jan	--	1.2	1.0
MA	03/03	23:00	Trade Balance (MYR bn)	Jan	--	9.1	10.4
SI	03/04	08:00	Purchasing Managers Index	Feb	--	--	50.7
SK	03/04	18:00	CPI (m/m)	Feb	--	--	-0.1
SK	03/04	18:00	CPI (y/y)	Feb	0.5	--	0.8
SK	03/04	18:00	Core CPI (y/y)	Feb	--	--	1.2
SK	03/04	18:00	GDP (q/q)	4Q F	--	--	1.0
SK	03/04	18:00	GDP (y/y)	4Q F	3.1	--	3.1
AU	03/04	19:30	Current Account (AUD bn)	4Q	--	-9.0	-10700
AU	03/04	19:30	Australia Net Exports of GDP	4Q	--	-0.1	0.4
HK	03/04	19:30	Purchasing Managers Index	Feb	--	--	48.2
PH	03/04	20:00	CPI (y/y)	Feb	4.0	4.0	4.4
CH	03/04	20:45	HSBC Services PMI	Feb	--	53.5	53.6
AU	03/04	22:30	<b>RBA Cash Target Rate (%)</b>	<b>Mar 5</b>	<b>1.50</b>	<b>1.50</b>	<b>1.50</b>
IN	MAR 4-29		Current Account Balance	4Q	--	-16.0	-19.1
MA	03/05	02:00	<b>Overnight Rate (%)</b>	<b>Mar 5</b>	<b>3.25</b>	<b>3.25</b>	<b>3.25</b>
HK	03/05	03:30	Retail Sales - Value (y/y)	Jan	--	--	0.1
HK	03/05	03:30	Retail Sales - Volume (y/y)	Jan	--	--	0.2
NZ	03/05	11:00	QV House Prices (y/y)	Feb	--	--	2.9
AU	03/05	19:30	GDP (q/q)	4Q	--	0.5	0.3
AU	03/05	19:30	GDP (y/y)	4Q	2.8	2.7	2.8
ID	MAR 5-6		Consumer Confidence Index	Feb	--	--	125.5
JN	03/06	18:50	Official Reserve Assets (US\$ bn)	Feb	--	--	1279.3
AU	03/06	19:30	Retail Sales (m/m)	Jan	--	0.3	-0.4
AU	03/06	19:30	Trade Balance (AUD mn)	Jan	--	2900.0	3681.0
PH	03/06	20:00	Unemployment Rate (%)	Dec	5.1	--	5.1
CH	MAR 6-7		Foreign Reserves (US\$ bn)	Feb	3090.0	3087.9	3087.9
JN	03/07	00:00	Coincident Index CI	Jan P	--	98.9	101.8
JN	03/07	00:00	Leading Index CI	Jan P	--	96.0	97.5
AU	03/07	00:30	Foreign Reserves (AUD bn)	Feb	--	--	61.3
MA	03/07	02:00	Foreign Reserves (US\$ bn)	Feb 28	--	--	102.3
SI	03/07	04:00	Foreign Reserves (US\$ mn)	Feb	--	--	293889
NZ	03/07	16:45	Manufacturing Activity	4Q	--	--	2.0
SK	03/07	18:00	Current Account (US\$ mn)	Jan	--	--	4819.3
JN	03/07	18:30	Household Spending (y/y)	Jan	--	-0.6	0.1
JN	03/07	18:50	Bank Lending (y/y)	Feb	--	--	2.4
JN	03/07	18:50	Current Account (¥ bn)	Jan	--	161.0	452.8
JN	03/07	18:50	GDP (q/q)	4Q F	0.3	0.4	0.3
JN	03/07	18:50	GDP Deflator (y/y)	4Q F	--	-0.3	-0.3
JN	03/07	18:50	Trade Balance - BOP Basis (¥ bn)	Jan P	--	-1152.4	216.2
CH	MAR 7-8		Exports (y/y)	Feb	--	-2.2	9.1
CH	MAR 7-8		Imports (y/y)	Feb	--	1.3	-1.5
CH	MAR 7-8		Trade Balance (USD bn)	Feb	--	27.2	39.2

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

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

### ASIA-PACIFIC (continued from previous page)

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
TA	03/08	03:00	CPI (y/y)	Feb	0.1	0.3	0.2
TA	03/08	03:00	Exports (y/y)	Feb	--	-0.3	-0.3
TA	03/08	03:00	Imports (y/y)	Feb	--	6.9	6.8
TA	03/08	03:00	Trade Balance (US\$ bn)	Feb	--	2.0	0.9
CH	03/08	20:30	CPI (y/y)	Feb	1.6	1.5	1.7
CH	03/08	20:30	PPI (y/y)	Feb	--	0.2	0.1

### LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CL	03/04	07:00	Retail Sales (y/y)	Jan	--	2.3	2.4
CL	03/05	06:30	Economic Activity Index SA (m/m)	Jan	--	--	-0.7
CL	03/05	06:30	Economic Activity Index NSA (y/y)	Jan	--	--	2.6
PE	03/07	18:00	<b>Reference Rate (%)</b>	<b>Mar 7</b>	<b>2.75</b>	<b>2.75</b>	<b>2.75</b>
CL	03/08	06:00	CPI (m/m)	Feb	--	--	0.1
CL	03/08	06:00	CPI (y/y)	Feb	--	--	1.8

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**Global Auctions for the week of March 4 – 8****EUROPE**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
AS	03/05	05:00	Austria Bond Auction
AS	03/05	05:15	Austria to Sell 0.5% 2029 Bonds
AS	03/05	05:15	Austria to Sell 1.5% 2047 Bonds
GE	03/05	05:30	Germany to Sell 750 Million Euros of 0.1% 2026 Linkers
DE	03/06	04:30	Denmark to Sell Bonds
UK	03/06	05:30	U.K. to Sell 3 Billion Pounds of 1% 2024 Bonds
SW	03/07	05:00	Sweden to Sell 500 Million Kronor of 0.125% 2027 Linkers
IC	03/08	06:30	Iceland to Sell Bonds

**ASIA-PACIFIC**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
JN	03/04	22:35	Japan to Sell 10-Year Bonds
CH	03/05	22:00	China Plans to Sell 3-Year Government Bond
CH	03/05	22:00	China Plans to Sell 7-Year Upsized Government Bond
NZ	03/06	20:05	New Zealand To Sell NZD100 Mln I/L 2040 Bonds
CH	03/06	22:30	Tianjin to Sell Government Bonds
JN	03/06	22:35	Japan to Sell 30-Year Bonds

**LATIN AMERICA**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
BZ	03/07	10:00	Brazil to Sell LFT - Sep/1/2025

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Source: Bloomberg, Scotiabank Economics.

## Events for the week of March 4 – 8

### NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	03/05	11:30	Fed's Barkin Speaks at the Rural Economy
CA	03/06	10:00	<b>Bank of Canada Rate Decision</b>
US	03/06	12:00	Fed's Williams Speaks to Economic Club of New York
US	03/06	12:00	Fed's Mester Participates in Moderated Discussion
US	03/06	14:00	U.S. Federal Reserve Releases Beige Book
CA	03/07	12:00	Bank of Canada's Lynn Patterson speech in Hamilton
US	03/07	12:15	Fed's Brainard Speaks on Economy and Monetary Policy Outlook
US	03/08	22:00	Powell Discusses Monetary Policy Normalization and Review

### EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
SW	03/05	02:30	Riksbank's Skingsley in Panel on E-krona
UK	03/05	04:30	Financial Policy Committee minutes from Feb. 26 meeting
UK	03/05	10:35	BOE Governor Mark Carney Testifies to House of Lords
TU	03/06	06:00	<b>One-Week Repo Rate</b>
UK	03/06	07:15	BOE's Cunliffe speaks in London.
UK	03/06	12:30	BOE's Saunders Speaks in London.
SW	03/07	03:00	Riksbank's Ingves, Skingsley in Open Parliament Hearing
UK	03/07	04:30	BOE's Tenreyro Speaks in Glasgow
EC	03/07	07:45	<b>ECB Main Refinancing Rate</b>
EC	03/07	07:45	<b>ECB Marginal Lending Facility</b>
EC	03/07	07:45	<b>ECB Deposit Facility Rate</b>
EC	03/07	08:30	ECB's Draghi Speaks in Frankfurt After Policy Decision
SW	03/08	02:00	Riksbank's Floden Gives Speech
AS	03/08	03:00	ECB's Nowotny Speaks at Conference in Prague

### ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
AU	03/04	22:30	<b>RBA Cash Rate Target</b>
MA	03/05	02:00	<b>BNM Overnight Policy Rate</b>
AU	03/05	17:10	RBA Governor Lowe gives speech in Sydney
JN	03/05	20:30	BOJ Harada makes a speech in Kofu

### LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
PE	03/07	18:00	<b>Reference Rate</b>

## 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	March 6, 2019	1.75	1.75
Federal Reserve – Federal Funds Target Rate	2.50	March 20, 2019	2.50	2.50
Banco de México – Overnight Rate	8.25	March 28, 2019	8.25	8.25

**Bank of Canada:** A continued hold at a policy rate of 1.75% is a slam dunk. Guidance is likely to repeat that the BoC desires to raise its policy rate toward neutral "over time". The statement-only affair will be followed by an Economic Progress Report by Deputy Governor Lynn Patterson the next day. The broad tone is likely to generally buy time before a fuller assessment provided in the April Monetary Policy Report that will include revised forecasts.

### 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	March 7, 2019	0.00	0.00
Bank of England – Bank Rate	0.75	March 21, 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	March 22, 2019	--	7.75
Sweden Riksbank – Repo Rate	-0.25	April 25, 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

**ECB:** With soft growth and inflation, the macro backdrop is set for possibly revealing a third TLTRO operation and delayed forward guidance for timing a rate hike. See the body of the text for further elaboration.

### 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	March 15, 2019	-0.10	-0.10
Reserve Bank of Australia – Cash Target Rate	1.50	March 4, 2019	1.50	1.50
Reserve Bank of New Zealand – Cash Rate	1.75	March 26, 2019	1.75	1.75
People's Bank of China – Lending Rate	4.35	TBA	--	4.30
Reserve Bank of India – Repo Rate	6.25	April 4, 2019	6.25	6.25
Bank of Korea – Bank Rate	1.75	April 18, 2019	1.75	1.75
Bank of Thailand – Repo Rate	1.75	March 20, 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	March 21, 2019	6.00	6.00
Central Bank of Philippines – Overnight Borrowing Rate	4.75	March 21, 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 March 5. On the back of a still-soft wage and price inflation outlook, we assess that the RBA will stay on the sidelines through 2019. **Bank Negara Malaysia (BNM):** We expect the Overnight Policy Rate to be left unchanged at 3.25% on March 5, a level where the rate has been kept since the January 2018 hike of 25 bps. The economy's momentum continues to be robust, yet annual inflation has (temporarily) dipped into negative territory due to consumption tax changes; against this backdrop, the BNM will likely maintain the current monetary policy stance in the foreseeable future.

### 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	March 20, 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 22, 2019	4.25	4.25
Banco Central de Reserva del Perú – Reference Rate	2.75	March 7, 2019	2.75	2.75

**Banco Central de Reserva del Perú:** No policy rate change is expected from the present level of 2.75%. Inflation is running at just over the mid-point of the 1–3% policy target range. Guidance at the prior meeting was generally neutral. Since then, however, copper prices have improved and this may be reflected in a moderately more constructive tone to the central bank's communications.

### 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	March 28, 2019	6.75	6.75

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

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