‘BACK TO SCHOOL’ WAS NEVER LIKE THIS

FORECASTS & DATA

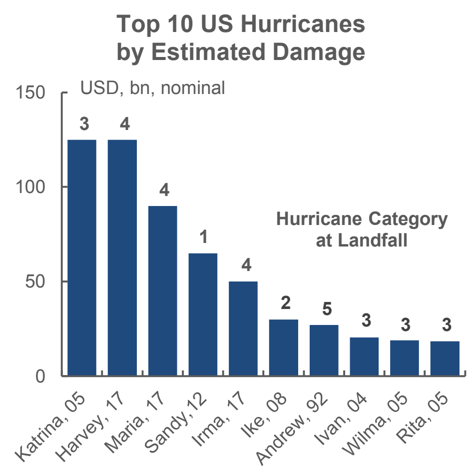
CONTACTS

Derek Holt, VP & Head of Capital Markets Economics
416.863.7707
Scotiabank Economics
derek.holt@scotiabank.com

Next Week's Risk Dashboard

- Hurricane Dorian
- Tariff hikes
- US nonfarm payrolls
- CBs: BoC, RBA, Riksbank, Chile, Russia
- Argentina & contagion redux
- Brexit legal challenges
- PMIs: China, UK
- CDN jobs, trade
- US ISM, construction, trade...
- ...auto sales, ADP, factory orders
- Fed-speak
- CPI: Brazil, Chile, Peru, Colombia, Switzerland
- German industrial data
- Australian GDP

Chart of the Week



Sources: Scotiabank Economics, NOAA.

Chart of the Week: Prepared by: Evan Andrade, Research Analyst.

‘Back To School’ Was Never Like This

CANADA—STILL ‘APPROPRIATE’?

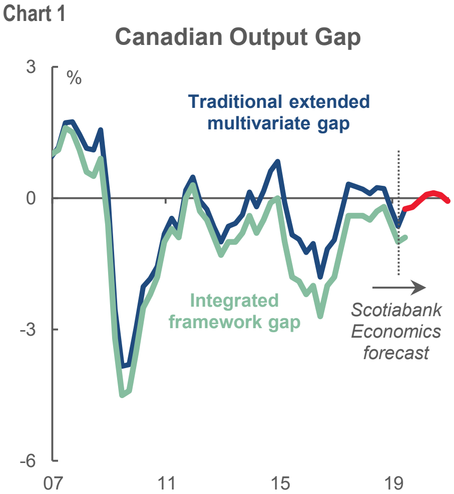
The Bank of Canada will emerge from a nearly two month slumber—during which the Fed put out dozens of communications—to put some ink to paper on what it presently thinks. This will combine with a pair of macro readings to liven up the domestic market. Canadian markets need fresh guidance from the BoC in a world that has changed quite a bit since the last communications on July 10th. Canadian markets will be shut on Monday for Labour Day.

The BoC will be a statement-only affair on Wednesday at 10amET, followed by an Economic Progress Report to be delivered by Deputy Governor Larry Schembri on Thursday. Schembri’s remarks will be available at 11:45amET followed by a press conference. We don’t expect the policy rate to change at this meeting but continue to forecast a rate cut on October 30th.

A dovish nod to markets would be if the BoC alters reference in the final paragraph to how “the degree of accommodation being provided by the current policy interest rate remains appropriate” by hinting that it views the policy rate as having become somewhat restrictive or by striking it out entirely. Retaining the reference absent alteration of any sort could be taken as a touch hawkish relative to what markets have priced in for the BoC which is a full rate cut by year-end and another one next year. Explicit forward guidance is unlikely and generally loathed by Governor Poloz in any event, but they have altered this bias language multiple times this year. Here is the pattern so far to date:

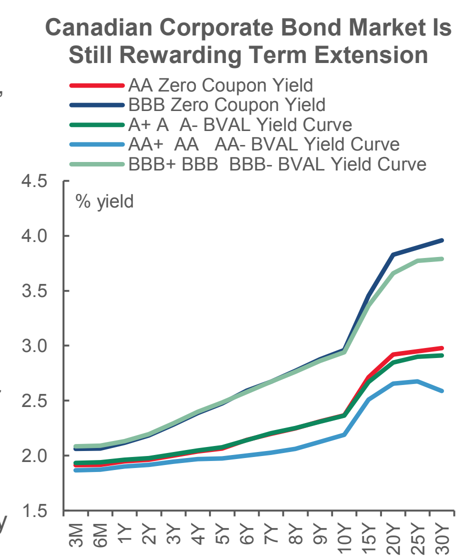
- In January, the guidance was that the policy rate “will need to rise over time into a neutral range to achieve the inflation target.”
- Then in the March statement, they changed this to how the outlook “continues to warrant a policy interest rate that is below its neutral range” and watered down reference to rising rates by noting there was “increased uncertainty about the timing.”
- The April statement then took this one step further by striking out all reference to rising rates and noting that “an accommodative policy interest rate continues to be warranted” and that the BoC “will continue to evaluate the appropriate degree of monetary policy accommodation as new data arrive.”
- Finally, the July statement reintroduced reference to “the degree of accommodation being provided….remains appropriate” while noting that the BoC is watching developments in the energy sector and “the impact of trade conflicts on prospects for Canadian growth and inflation.”

Chart 1



Sources: Scotiabank Economics, Bank of Canada.

Chart 2



Sources: Scotiabank Economics, Bloomberg.

The BoC could postpone such a potential language adjustment to the October MPR’s full forecast reassessment. By that time, the BoC may be further informed about the durability of growth in the Canadian economy with two more full batches of monthly readings. It may also have considerably more information on external risks such as a hard Brexit with the EU deadline the day after the BoC’s October 30th decision. By then, whether the US remains committed to imposing higher tariffs on China (see US section)—and whether China gives up recent hope that the US could walk them back in favour of further retaliation against the US—may be clearer.

In the interim period, the BoC may walk the line between downside risks to the outlook while flagging recent strengths. The case against easing entails pointing at core inflation that is on-target, escalating wage growth in the context of strong second quarter economic growth, and the impact easing could have upon reigniting imbalances in the housing market. The case in favour of easing entails referencing persistent slack (chart 1, thanks René!) and added downside risks to growth that could lead to slack persisting for longer than the BoC previously anticipated. That could call into question the durability of the return to the inflation target, thus requiring a policy nudge. Furthermore, the Q2 GDP gain wasn't terribly impressive 'under the hood' (recap here). Inventories are relatively high which may suggest a retrenchment in hiring and production. Market-based measures of inflation expectations are low, but not terribly reliable especially in Canada. Relative central bank prospects may put pressure on the C$. The Canadian rates curve is inverted with the policy rate at 1.75%, 2 year rate at 1.35% and the 5 year bond yield at 1.19% such that not easing would risk tightening funding market conditions at a fragile point in the outlook. I'm not sure that central banks should be sending such a message to bond markets in the current environment; as chock full of smart folks and models as they are, central banks are up against bond markets that can undershoot and overshoot resting points, but that are priced by thousands of agents constantly incorporating new information such that the information they reveal can be informative. That said, the inverted Canadian sovereign curve is a) not as clear a recession signal over history as in the US, and b) not backed up by an inverted corporate curve (chart 2).

Nevertheless, it's worth offering a number of observations by drawing parallels between today and when the BoC eased in 2015:

- Back then, Governor Poloz dismissed strong growth in 2014Q3 and 2014Q4 in favour of forward-looking risks. He didn't wait for growth to roll over with evidence of a stumbling economy in Q1 as there was zero Q1 data available when they cut in January. The case for doing so today is even stronger given how 2019Q2 has been the only strong quarter in the past three. Further, '19Q2 was driven by a lot of one-offs, transitory factors and idiosyncratic drivers.
- Back then, Poloz reasoned the country was experiencing a terms of trade shock that would drag down national income and trickle through to weaker household incomes, profits and fiscal balances. Today, the means to this end are different than those in 2014–15, but the end result is the same. The trade war has driven commodities lower and dampened prospects for export-dependent nations in a cooling global economy facing recession risk including in the US. Canada Western Select oil prices are about US$13 off the springtime peak but still healthy, though in part due to Alberta's mandated production cuts while energy investment is weak and pipeline hopes keep getting pushed out. Remember, the BoC specifically flagged it was watching energy sector developments as one of its main touch points.
- Back then, the country had slack in the economy like it still does today. The output gap points to excess supply conditions.
- Back then, the economy faced downside risks. Today, downside risks are elevated once again. That should give the BoC reason to push out the point at which it expects spare capacity to be sustainably shut.
- Back then, inflation was still above 2% y/y right up to November 2014 before it began to slide. In early 2015, core inflation was only marginally below the present level. It would slide lower in 2016 into early 2017 in lagging response to the commodity shock. Going forward, prolonged slack questions the durability of achieving the 2% inflation target.
- Back then, Canada faced a Federal election in October 2015 that was as uncertain as today's. That didn't stop the BoC from cutting twice including just three months before the election. If they feel a need to ease now, the election shouldn't stop them this time either.
- Back then, markets had eased. The BoC faced a choice of letting lower bond yields and a weaker currency do the trick with no cut to the policy rate. Of course, the reason markets eased was in anticipation of monetary easing such that not delivering may have inappropriately tightened financial conditions. Ditto today.

On top of all of these parallels, we must recognize that today is an even more uncertain environment. A reckless US administration is blatantly protectionist and jeopardizing business plans to invest, hire and expand in a much more uncertain policy framework. The case for taking out insurance against such greater uncertainties by emphasizing a risk management approach that Poloz constantly references is stronger than it was in 2015.

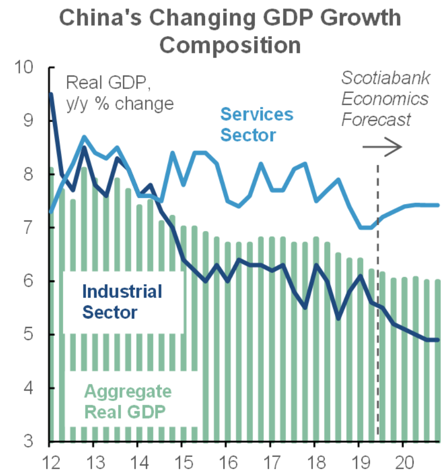
While the BoC will be the main event, Canada will also update trade figures for July on Wednesday and jobs for August on Friday. After exports fell 5% m/m in June and imports fell by 4.3% m/m, rebounds in both wouldn't be a surprise but it's much less clear where the balance will be struck for the net trade position and what happened to volumes. Since export and import volumes both fell in June, Q3 trade growth is already behind the eight ball before getting July data. As for jobs, I've gone with a small positive following the 24,000 jobs that were lost in July but another negative would make it three in a row and probably prove to be disconcerting to the BoC.

ASIA-PACIFIC—CHINA'S DAMAGE ASSESSMENT

Another batch of survey-based sentiment readings that depict how well China is holding up in the face of an adversarial US trading partner will be the week's main focal points out of Asian markets. Developments in the trade dialogue and specifically with regard to stalling if not reversing US tariff hikes could also figure prominently just as the latest round of tariff hikes kick in on Sunday (see US section). A policy decision by the Reserve Bank of Australia will also be closely monitored.

The state versions of China's purchasing managers' indices for August will be released shortly after this publication is printed with the private sector versions of the manufacturing PMI (Sunday night ET) and both the services and composite PMIs (Tuesday evening) following. Each of the state and private composite PMIs indicate slowing momentum, but continued growth buoyed more by China's services sector that is larger than its manufacturing sector (chart 3). Taking excessive comfort in this point may be unwise, however, given synergies between manufacturing and services, but the more domestic orientation of the service industry that is less tradeable offers some degree of protection from trade tensions. **The August PMIs probably face downside risk in light of the August 1st announcement by US President Trump that he would levy tariffs on China in what would later be amended to a three stage plan on September 1st, October 1st and mid-December.**

Chart 3



Sources: Scotiabank Economics, Bloomberg.

The Reserve Bank of Australia is not expected to alter its cash rate target when it decides next Tuesday. Twenty-six out of 31 forecasters expect a hold. OIS markets are pricing only about one-in-seven odds of a cut. The status of labour markets has been a key consideration to the RBA, so the 41,000 jobs that were created in July that kept the unemployment rate stable at 5.2% was probably encouraging especially since it rebounded from the only weak month for jobs gains so far this year. Governor Lowe's recent remarks that "political shocks are turning into economic shocks" but that "Monetary policy cannot deliver medium-term growth. We risk just pushing up asset prices" wasn't the sort of language that marks a central banker intent on rushing forward with additional easing. Thus, even though trade tensions have escalated over the past month, it's not clear the RBA is ready to further deploy its toolkit.

Soon after the RBA decision, Australia will release Q2 GDP. If the bulk of the range of consensus estimates proves to be in the right ballpark, then ½% q/q non-annualized GDP growth may be welcomed by the RBA.

A batch of inflation reports will be released by South Korea and Thailand on Monday, Philippines on Wednesday, and Taiwan on Friday.

EUROPE—LAST DITCH EFFORTS

Key macro reports out of Germany and the UK will combine with UK political risk to make European markets no slouch in terms of their ability to influence global market sentiment.

UK PM Boris Johnson's decision to prorogue Parliament as a crafty way of stymying debate about Brexit options ahead of the October 31st deadline will be subject to a variety of challenges over the coming week. Indeed, one Scottish Parliamentarian, Ian Murray, described the coming week as "the most important week in modern British history," though readers could well think of other important weeks! A legal challenge to the suspension of Parliament is slated for a hearing on Wednesday. A second legal challenge brought forward by former PM John Major will be heard the following day. Johnson also faces a foe in John Bercow, the three-time 'remain' Speaker of the House who has a variety of means by which to assert Parliament's checks and balances on the administration and who declared Johnson's act "a constitutional outrage". Bercow stated "We cannot have a situation in which Parliament is shut down—we are a democratic society. And Parliament will be heard and nobody is going to get away as far as I am concerned with stopping that happening." Whether lawyers or lawmakers, the week could inform next steps to potentially reassert Parliament's authority and thus inform hard Brexit risks that have markedly risen of late.

In the midst of the fray will be a batch of readings on the health of the UK economy. Sentiment-based purchasing managers' indices for August will include the manufacturing PMI on Monday, the construction PMI on Tuesday, and then the services and composite PMIs on Wednesday. Another batch of declines could well focus the minds! See chart 4.

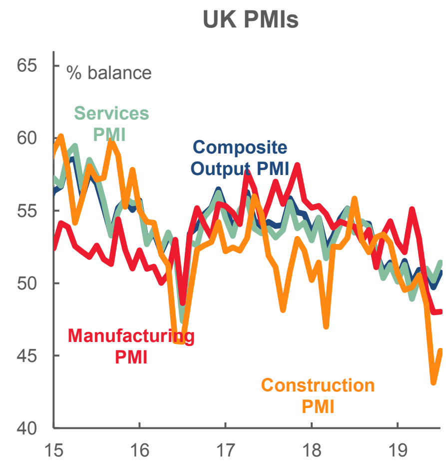
Mixed readings may be in order for Germany's industrial economy. Thursday's factory orders for July are expected to give back some of June's 2.5% rise, while Friday's industrial production is expected to improve a touch following the 1.5% drop in June. Both readings are likely to preserve a generally soft trend.

While nobody expects Sweden's Riksbank to alter its -0.25% repo rate on Thursday, the explicit policy bias may turn more dovish. The July 3rd decision forecast that the policy rate would turn positive into 2020 after being raised "towards the end of the year or at the beginning of next year." Expectations have built for the central bank to flatten its forecast policy rate trajectory.

Russia's central bank is expected to cut its key rate by 25bps on Friday.

Other macro releases will be comparatively light. Eurozone Q2 GDP growth of 0.2% q/q non-annualized is due for revision on Friday while PMI revisions for August arrive two days before. Switzerland updates CPI for August on Tuesday and Q2 GDP on Thursday. Inflation is expected to remain stable but very low at about ¼% y/y, but growth is expected to almost stall out after a significant acceleration in Q1.

Chart 4



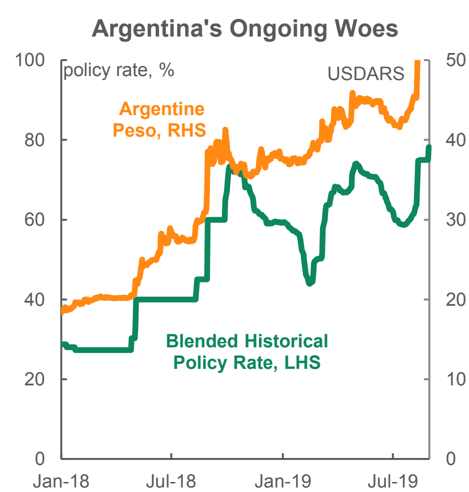
Sources: Scotiabank Economics, Haver Analytics, Markit.

LATIN AMERICA—THERE GOES ARGENTINA AGAIN

LatAm markets will be keeping a close eye upon Argentina's latest crisis and the risk of contagion in the face of technical default risk. The currency is getting pounded, courting a further rise in inflation that is already running at 54% y/y while short-term while the market-driven LELIQ monetary policy rate has soared to a crippling 78% (chart 5). As reformist President Macri faces risk of defeat in the final run-off vote on October 27th, a loose version of the prior regime is waiting in the wings waiting to reclaim power.

Another central bank is expected to ease policy as four countries update inflation readings. **Chile's central bank will make a policy decision on Tuesday** without the benefit of the latest inflation figures for August that don't arrive until the Friday. **The majority of forecasters expect a half point rate cut**. In its last decision on July 18th, the central bank stated that should developments in tracking inflation persist, "the Board estimates that it will be necessary to extend the current monetary stimulus, in a magnitude to be assessed in the September Monetary Policy Report". Inflation slipped to 2.2% y/y in July and approached the lower bound of the 2–4% inflation target range. One reason for expecting a half point cut is that, since having moved away from monthly meetings after December 2017 toward eight meetings, the central bank has loosely guided that one could infer that the probability of ½ point moves instead of ¼ points moves has increased. Another reason is that the central bank cut by 50bps the last time it decided to go in June.

Chart 5



Sources: Scotiabank Economics, Bloomberg.

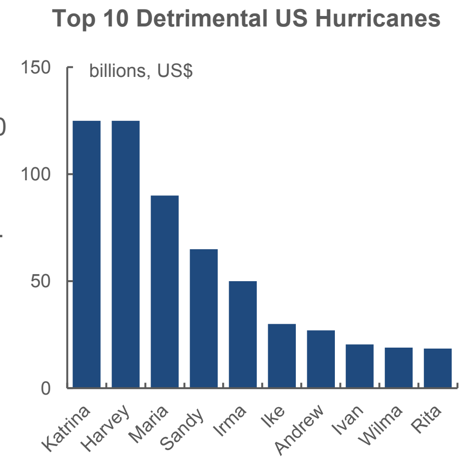
Three other countries will also update inflation readings including Peru this Sunday, Colombia next Thursday and Brazil on Friday. Of these three, only Brazil is under pressure relative to the central bank's target. Peru's inflation has been running at just over 2% y/y, in line with the mid-point of the 1–3% policy target range. Colombia's 3.8% inflation rate is toward the upper end of the 2–4% target range. Brazil's inflation rate is expected to edge higher toward 3.4% y/y which would still keep it in the lower end of the 3–6% target range.

UNITED STATES—TAXING SCHOOLKIDS

Top-shelf macro reports, potential economic and market effects of Hurricane Dorian, the implementation of tariff hikes that risks escalation, and Fed-speak will offer enough market action for a week shortened by Labor Day on Monday.

As the kids cartwheel off to school again, Trump will be taxing their text books and school supplies at a 15% rate starting on Sunday. That's got to make a President feel good about himself. Such necessities are among the items on the 122 pages of individual items listed here valued at about US$110 billion worth of imports. The 15% rate will apply to all of these items, and then on October 1st the 25% tariff rate on $250 billion of targeted goods will be raised to 30% followed by the deadline of December 15th for this list of about another US$160 billion of imports to face 15% tariffs. **China's focus upon avoiding escalation through negotiating tariff removal will thus be put on a stopwatch** as the first batch of new tariffs on Sunday is slated to be followed by additional tariffs on October 1st and in December. Negotiations are ongoing, but random policy risk will hang over markets, tweet to tweet.

Chart 6



Sources: Scotiabank Economics, NOAA.

As this publication goes to print, Hurricane Dorian has been upgraded to Category 3 and is projected to become a category 4 storm by the time it hits land on Tuesday morning. Apart from the human toll, with our best thoughts going out to Floridians over the weekend into next week, **how should we look at the potential economic and market impact of hurricanes?** In short, while the impact of Dorian is highly uncertain, markets should be thinking ahead to the potential impact upon a suite of economic and market indicators and the effects could begin to reveal themselves early into the new trading week. I wrote about this in the morning note on Friday August 30th and will only repeat two of the charts here in chart 6 and 7 with the former showing the most damaging hurricanes and the latter showing vertical bars that depict past hurricanes and what they did to a segment of the stock market. Summary points are as follows:

Chart 7

Sources: Scotiabank Economics, Bloomberg.

- **Initial claims:** they tend to drop at first due to difficulty filing and processing claims, but then temporarily soar. Look through.
- **Nonfarm payrolls:** There are two effects to monitor here. One is hours worked that can often get hit significantly. Two is headline payrolls due to difficulty of employers to post/interview/hire and difficulty getting around. Dorian will be hitting Florida on the path to the September nonfarm reference period which is the pay period including the 12th of each month so it's reasonable to expect softer payrolls. At just over 9 million, Florida is about 6% of total nationwide payrolls and exceeded only by California (17.5), Texas (12.8) and NY (9.8).
- **Retail sales:** Growth usually gets brought forward due to preparations (generators, etc.) and in the immediate aftermath as damage is assessed and repaired. Then sales tend to weaken. The second round negative effects also get compounded by the hurricane impact upon incomes through hours and payrolls.
- **Mortgage applications:** There is some evidence that they can decline somewhat around hurricanes.
- **GDP:** The first round hit is almost always negative until activity gets punted into the subsequent period. The timing of this storm could impact Q3 GDP negatively, but raise Q4/Q1.
- **2s10s:** Sometimes this spread can tighten.
- **S&P500:** It's not unusual for the S&P to take a temporary hit. Think insurers, airlines, etc. EPS for those sectors tends to get hit hard. Home Depot, etc. then register positive earnings effects.
- **The Fed:** It usually takes an exceptional hurricane season, like 2017, for it to really mess up reading of the tea leaves and prompt remarks by the Fed. Yellen frequently referenced the effects in October onward that year as Harvey, Irma and Sandy all hit. She nevertheless cited the temporary effects as the Fed looks through the distortions. Nevertheless, we'll go through a period in which it may be temporarily difficult to monitor activity.

Out of a long list of macro readings, two reports will stand out. **ISM-manufacturing kicks it off when Americans return to work on Tuesday.** The August reading could restore a sense of stability to manufacturing, albeit a fragile sense. Regional manufacturing surveys that improved included the Empire, Dallas and Richmond gauges while the Philly and Kansas measures were somewhat weaker. On net, **a stable ISM-manufacturing with possibly slight upside risk is expected**.

Then it's on to **Friday's nonfarm payrolls report**. The granddaddy of global macro readings could be entering a tough period. For one thing, while I've pencilled in a guesstimate of 150k, the escalation of Trump's tariff war including his August 1st announcement may have negatively impacted hiring confidence on the path to the nonfarm reference period. Further, through a combination of year-ago base effects and moderate monthly wage gains, the yearly pace of wage gains is expected to decelerate again. From a peak of 3.4% y/y in February, wage growth could slow to about 3% next week. As Hurricane Dorian threatens Florida, hiring effects could distort the next nonfarm print for September.

The US also releases construction spending for July (Tuesday), trade during July (Wednesday), August vehicle sales (Wednesday), ADP payrolls for August (Thursday), factory orders during July (Thursday) and ISM-services for August (Thursday).

Fed-speak will include panel remarks by Chair Powell (no text) on Friday in Switzerland, Governor Bowman, and four regional Presidents (Rosengren, Williams, Kashkari and Evans).

Key Indicators for the week of September 2 – 6

NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	09/03	10:00	Construction Spending (m/m)	Jul	0.5	0.3	-1.3
US	09/03	10:00	ISM Manufacturing Index	Aug	52.0	51.2	51.2
US	09/04	07:00	MBA Mortgage Applications (w/w)	APR 4	--	--	-0.9
CA	09/04	08:30	Merchandise Trade Balance (C$ bn)	Jul	-0.1	--	0.1
CA	09/04	08:30	Productivity (q/q a.r.)	2Q	--	--	0.3
US	09/04	08:30	Trade Balance (US$ bn)	Jul	-52.3	-55.3	-55.2
US	09/04	09:00	Total Vehicle Sales (mn a.r.)	Aug	17.0	16.9	16.8
CA	**09/04**	**10:00**	**BoC Interest Rate Announcement (%)**	**Sep 4**	**1.75**	**1.75**	**1.75**
US	09/05	08:15	ADP Employment Report (000s m/m)	Aug	150	140.0	155.6
US	09/05	08:30	Initial Jobless Claims (000s)	MAY 4	215	214	209
US	09/05	08:30	Continuing Claims (000s)	APR 27	--	1686	1674
US	09/05	08:30	Productivity (q/q a.r.)	2Q F	--	2.2	2.3
US	09/05	08:30	Unit Labor Costs (q/q a.r.)	2Q F	--	2.5	2.4
US	09/05	10:00	Durable Goods Orders (m/m)	Jul F	--	--	2.1
US	09/05	10:00	Durable Goods Orders ex. Trans. (m/m)	Jul F	--	--	-0.4
US	09/05	10:00	Factory Orders (m/m)	Jul	1.0	0.9	0.6
US	09/05	10:00	ISM Non-Manufacturing Composite	Aug	54.0	53.8	53.7
CA	09/06	08:30	Employment (000s m/m)	Aug	20	--	-24.2
CA	09/06	08:30	Unemployment Rate (%)	Aug	5.7	--	5.7
US	09/06	08:30	Average Hourly Earnings (m/m)	Aug	0.3	0.3	0.3
US	09/06	08:30	Average Hourly Earnings (y/y)	Aug	3.0	3.0	3.2
US	09/06	08:30	Average Weekly Hours	Aug	--	34.4	34.3
US	09/06	08:30	Nonfarm Employment Report (000s m/m)	Aug	150	157.0	164.0
US	09/06	08:30	Unemployment Rate (%)	Aug	3.7	3.7	3.7

EUROPE

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
IT	09/02	03:45	Manufacturing PMI	Aug	--	--	48.5
FR	09/02	03:50	Manufacturing PMI	Aug F	--	--	51.0
GE	09/02	03:55	Manufacturing PMI	Aug F	--	43.6	43.6
EC	09/02	04:00	Manufacturing PMI	Aug F	--	47.0	47.0
UK	09/02	04:30	Manufacturing PMI	Aug	48.5	48.8	48.0
IT	09/02	03:00	Budget Balance (€ bn)	Aug	--	--	3.2
UK	09/03	04:30	PMI Construction	Aug	46.1	46.0	45.3
EC	09/03	05:00	PPI (m/m)	Jul	--	--	-0.6
IT	09/04	03:45	Services PMI	Aug	--	--	51.7
FR	09/04	03:50	Services PMI	Aug F	--	--	53.3
GE	09/04	03:55	Services PMI	Aug F	--	54.4	54.4
EC	09/04	04:00	Composite PMI	Aug F	--	--	51.8
EC	09/04	04:00	Services PMI	Aug F	--	53.4	53.4
UK	09/04	04:30	Official Reserves Changes (US$ bn)	Aug	--	--	1749
UK	09/04	04:30	Services PMI	Aug	51.5	51.5	51.4
EC	09/04	05:00	Retail Trade (m/m)	Jul	--	--	1.1
GR	09/04	05:00	Real GDP NSA (y/y)	2Q F	--	--	0.9
SZ	09/05	01:45	GDP (y/y)	2Q	--	0.9	1.7
GE	09/05	02:00	Factory Orders (m/m)	Jul	-1.0	-1.2	2.5
SW	**09/05**	**03:30**	**Riksbank Interest Rate (%)**	**Sep 5**	**-0.25**	**--**	**-0.25**
GE	09/06	02:00	Industrial Production (m/m)	Jul	0.4	0.5	-1.5
FR	09/06	02:45	Current Account (€ bn)	Jul	--	--	-755
FR	09/06	02:45	Trade Balance (€ mn)	Jul	--	--	-5187
UK	09/06	03:30	Halifax House Price (3 month, y/y)	Aug	--	--	4.1
EC	09/06	05:00	Employment (q/q)	2Q F	--	--	0.2
EC	09/06	05:00	GDP (q/q)	2Q F	--	0.2	0.2
RU	**09/06**	**06:30**	**One-Week Auction Rate (%)**	**Sep 6**	**--**	**7.00**	**7.25**

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

Key Indicators for the week of September 2 – 6

ASIA-PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
SK	08/31	20:00	Exports (y/y)	Aug	--	-12.5	-11.0
SK	08/31	20:00	Imports (y/y)	Aug	--	-4.5	-2.7
SK	08/31	20:00	Trade Balance (US$ mn)	Aug	--	2239	2403
JN	08/31	20:00	Official Reserve Assets (US$ bn)	Aug	--	--	1316
NZ	09/01	18:45	Terms of Trade Index (q/q)	2Q	--	--	0.9
JN	09/01	19:50	Capital Spending (y/y)	2Q	--	--	6.1
JN	09/01	20:30	Markit/JMMA Manufacturing PMI	Aug F	--	--	49.5
AU	09/01	21:30	ANZ Job Advertisements (m/m)	Aug	--	--	0.8
CH	09/01	21:45	Caixin Manufacturing PMI	Aug	49.8	49.8	49.9
ID	09/01	22:00	CPI (y/y)	Aug	3.5	3.5	3.3
ID	09/01	22:00	Core CPI (y/y)	Aug	--	3.2	3.2
TH	09/02	00:00	CPI (y/y)	Aug	0.7	0.6	1.0
TH	09/02	00:00	Core CPI (y/y)	Aug	--	0.4	0.4
JN	09/02	01:00	Vehicle Sales (y/y)	Aug	--	--	6.7
TH	09/02	03:30	Business Sentiment Index	Aug	--	--	49.1
SK	09/02	19:00	CPI (y/y)	Aug	0.3	0.4	0.6
SK	09/02	19:00	Core CPI (y/y)	Aug	--	--	1.0
SK	09/02	19:00	GDP (y/y)	2Q F	2.1	2.1	2.1
JN	09/02	19:50	Monetary Base (y/y)	Aug	--	--	3.7
AU	09/02	21:30	Current Account (AUD bn)	2Q	--	1	-2900
AU	09/02	21:30	Retail Sales (m/m)	Jul	--	0.2	0.4
AU	09/02	21:30	Australia Net Exports of GDP	2Q	--	0.3	0.2
AU	**09/03**	**00:30**	**RBA Cash Target Rate (%)**	**Sep 3**	**1.00**	**1.00**	**1.00**
SI	09/03	09:00	Purchasing Managers Index	Aug	--	--	49.8
NZ	09/03	13:00	QV House Prices (y/y)	Aug	--	--	2.2
HK	09/03	20:30	Purchasing Managers Index	Aug	--	--	43.8
AU	09/03	21:30	GDP (y/y)	2Q	1.7	1.5	1.8
CH	09/03	21:45	Caixin Services PMI	Aug	--	51.7	51.6
MA	09/04	00:00	Exports (y/y)	Jul	--	--	-3.1
MA	09/04	00:00	Imports (y/y)	Jul	--	--	-9.2
MA	09/04	00:00	Trade Balance (MYR bn)	Jul	--	--	10.3
SK	09/04	19:00	Current Account (US$ mn)	Jul	--	--	6377
PH	09/04	21:00	CPI (y/y)	Aug	2.2	1.8	2.4
PH	09/04	21:00	Unemployment Rate (%)	Jul	5.1	--	5.1
AU	09/04	21:30	Trade Balance (AUD mn)	Jul	--	6600	8036
ID	09/04	22:00	Consumer Confidence Index	Aug	--	--	124.8
TH	09/04	23:30	Consumer Confidence Economic	Aug	--	--	62.2
IN	09/04	23:30	Current Account Balance	2Q	--	--	-4.63
JN	09/05	19:30	Household Spending (y/y)	Jul	--	0.8	2.7
SI	09/05	21:00	Foreign Reserves (US$ mn)	Aug	--	--	272673
JN	09/06	01:00	Coincident Index CI	Jul P	--	--	100.4
JN	09/06	01:00	Leading Index CI	Jul P	--	--	93.3
AU	09/06	02:30	Foreign Reserves (AUD bn)	Aug	--	--	65.3
MA	09/06	03:00	Foreign Reserves (US$ bn)	Aug 30	--	--	103.1
TA	09/06	04:00	CPI (y/y)	Aug	0.7	0.7	0.4

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

Key Indicators for the week of September 2 – 6

LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
PE	09/01	01:00	Consumer Price Index (m/m)	Aug	0.1	0.1	0.2
PE	09/01	01:00	Consumer Price Index (y/y)	Aug	2.1	2.1	2.1
BZ	09/02	09:00	PMI Manufacturing Index	Aug	--	--	49.9
BZ	09/02	14:00	Trade Balance (FOB) - Monthly (US$ mn)	Aug	--	--	2293
BZ	09/03	08:00	Industrial Production SA (m/m)	Jul	--	--	-0.6
BZ	09/03	08:00	Industrial Production (y/y)	Jul	--	--	-5.9
CL	09/03	09:00	Retail Sales (y/y)	Jul	--	3.0	-0.9
CL	**09/03**	**18:00**	**Nominal Overnight Rate Target (%)**	**Sep 3**	**2.00**	**2.00**	**2.50**
CL	09/05	08:30	Economic Activity Index SA (m/m)	Jul	--	--	0.0
CL	09/05	08:30	Economic Activity Index NSA (y/y)	Jul	--	--	1.3
CO	09/05	20:00	Consumer Price Index (m/m)	Aug	0.1	0.2	0.2
CO	09/05	20:00	Consumer Price Index (y/y)	Aug	3.8	3.8	3.8
BZ	09/06	08:00	IBGE Inflation IPCA (m/m)	Aug	--	--	0.2
CL	09/06	08:00	CPI (m/m)	Aug	--	--	0.2
CL	09/06	08:00	CPI (y/y)	Aug	--	--	2.6

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

Global Auctions for the week of September 2 – 6

EUROPE

Country	Date	Time	Event
AS	09/03	05:15	Austria to Sell 5Y & 10Y Bonds
UK	09/03	05:30	U.K. to Sell 2.75 Billion Pounds of 0.875% 2029 Bonds
DE	09/04	04:30	Denmark to Sell Bonds
GE	09/04	05:30	Germany to Sell 3 Billion Euros of 0% 2024
SP	09/05	04:45	Spain to Sell Bonds
FR	09/05	04:50	France to Sell Bonds
UK	09/05	05:30	U.K. to Sell 3 Billion Pounds of 0.625% 2025 Bonds
IC	09/06	06:30	Iceland to Sell Bonds

ASIA-PACIFIC

Country	Date	Time	Event
SK	09/01	22:30	Korea to Sell KRW 1.4 Tln 5-Year Bond
JN	09/02	23:35	Japan to Sell 10-Year Bonds
TA	09/03	00:30	Taiwan to Sell TWD30 Bln 20-Yr Bonds
TA	09/03	00:30	Taiwan to Sell TWD170 Bln 364-Day NCD
ID	09/03	05:00	Indonesia to Sell 2, 4, 15, & 30Yr Bonds
CH	09/03	23:00	China Plans to Sell 3Yr & 7Yr Upsized Government Bond
NZ	09/04	22:05	New Zealand To Sell NZD50 Mln 2.5% 2040 Bonds
JN	09/04	23:35	Japan to Sell 30-Year Bonds

LATIN AMERICA

Country	Date	Time	Event
BZ	09/05	11:00	Brazil Sells LFT - March / 1 / 2026

Source: Bloomberg, Scotiabank Economics.

Events for the week of September 2 – 6

NORTH AMERICA

Country	Date	Time	Event
US	09/03	17:00	Fed's Rosengren Speaks in Easton, Massachusetts
US	09/04	09:25	Fed's Williams Speaks in New York
CA	**09/04**	**10:00**	**Bank of Canada Rate Decision**
US	09/04	12:30	Fed's Bowman, Bullard Address `Fed Listens' Event in St. Louis
US	09/04	13:00	Fed's Kashkari Speaks in Townhall Event in Minneapolis
US	09/04	14:00	U.S. Federal Reserve Releases Beige Book
US	09/04	15:15	Fed's Evans Speaks at Event on North American Trade

EUROPE

Country	Date	Time	Event
EC	08/31	05:30	Bank of Spain Gov. Pablo Hernandez de Cos to speak in Asturias
UK	09/03		U.K. House of Commons Returns From Summer Recess
EC	09/04	07:00	ECB's Lane Speaks in London
EC	09/05	03:00	ECB's Guindos Speaks in Frankfurt
SW	**09/05**	**03:30**	**Riksbank Interest Rate**
EC	09/05	10:30	BOE's Tenreyro Speaks in Frankfurt
RU	**09/06**	**06:30**	**Key Rate**
IT	09/06		Bank of Italy Report on Balance-Sheet Aggregates

ASIA-PACIFIC

Country	Date	Time	Event
NZ	09/01	22:00	Treasury Publishes Monthly Economic Indicators
AU	**09/03**	**00:30**	**RBA Cash Rate Target**
JN	09/03	21:30	BOJ Goshi Kataoka speaks in Hakodate

LATIN AMERICA

Country	Date	Time	Event
CL	**09/03**	**18:00**	**Overnight Rate Target**

Source: Bloomberg, Scotiabank Economics.

Global Central Bank Watch

NORTH AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Canada – Overnight Target Rate	1.75	September 4, 2019	1.75	1.75
Federal Reserve – Federal Funds Target Rate	2.25	September 18, 2019	2.00	2.00
Banco de México – Overnight Rate	8.00	September 26, 2019	8.00	8.00

Bank of Canada (BoC): No policy rate change is expected. The BoC is likely to walk a fine line between acknowledging healthy recent data versus downside risks to future growth. Key will be whether the policy rate remains "appropriate."

EUROPE

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	0.00	September 12, 2019	0.00	0.00
European Central Bank – Marginal Lending Facility Rate	0.25	September 12, 2019	0.25	--
European Central Bank – Deposit Facility Rate	-0.40	September 12, 2019	-0.50	--
Bank of England – Bank Rate	0.75	September 19, 2019	0.75	0.75
Swiss National Bank – Libor Target Rate	-0.75	TBA	-0.75	-0.75
Central Bank of Russia – One-Week Auction Rate	7.25	September 6, 2019	7.00	7.00
Sweden Riksbank – Repo Rate	-0.25	September 5, 2019	-0.25	-0.25
Norges Bank – Deposit Rate	1.25	September 19, 2019	1.25	1.25
Central Bank of Turkey – Benchmark Repo Rate	19.75	September 12, 2019	19.25	19.75

Riksbank: No policy rate change is expected, but guidance for future rate hikes could be flattened out.
Russia: A quarter point rate cut is expected as core inflation has recently ebbed.

ASIA PACIFIC

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Policy Rate	-0.10	September 19, 2019	-0.10	-0.10
Reserve Bank of Australia – Cash Target Rate	1.00	September 3, 2019	1.00	1.00
Reserve Bank of New Zealand – Cash Rate	1.00	September 24, 2019	1.00	1.00
People's Bank of China – Lending Rate	4.35	TBA	--	--
Reserve Bank of India – Repo Rate	5.40	October 4, 2019	5.05	5.50
Bank of Korea – Bank Rate	1.50	October 15, 2019	1.25	1.50
Bank of Thailand – Repo Rate	1.50	September 25, 2019	1.50	1.50
Bank Negara Malaysia – Overnight Policy Rate	3.00	September 12, 2019	3.00	3.00
Bank Indonesia – 7-Day Reverse Repo Rate	5.50	September 19, 2019	5.50	5.75
Central Bank of Philippines – Overnight Borrowing Rate	4.25	September 26, 2019	4.00	4.25

The Reserve Bank of Australia (RBA): The RBA will hold a monetary policy meeting on September 3. We expect the central bank to keep the benchmark interest rate on hold at 1.0% at this meeting, as monetary authorities assess the impact of recent policy actions. The RBA has taken decisive steps to support the economy, lowering the Cash Rate Target by 25 bps in June and July. The RBA has indicated that it stands ready to adjust monetary policy further if needed, with labour market developments being the key driver of the central bank's decisions. Assuming that the labour market will fail to strengthen in the near term, another 25 bps cut will likely follow in the final months of 2019.

LATIN AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	6.00	September 18, 2019	5.75	5.50
Banco Central de Chile – Overnight Rate	2.50	September 3, 2019	2.00	2.00
Banco de la República de Colombia – Lending Rate	4.25	September 23, 2019	4.25	4.25
Banco Central de Reserva del Perú – Reference Rate	2.50	September 12, 2019	2.50	2.50

Banco Central de Chile: A 50bps rate cut is expected in keeping with central bank guidance.

AFRICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	6.50	September 19, 2019	6.50	6.50

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