

DON'T TRUST — VERIFY!

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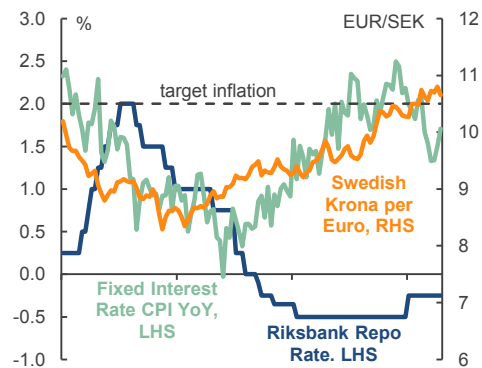
Derek Holt, VP & Head of Capital Markets Economics
416.863.7707
Scotiabank Economics
derek.holt@scotiabank.com

Next Week's Risk Dashboard

- US-China trade details
- Brexit preparations
- Carney's successor
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- Australian jobs
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Chart of the Week

Is Swedish Inflation High Enough for Riksbank to "Move Toward Zero"?



Sources: Scotiabank Economics, Sveriges Riksbank.

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

Don't Trust—Verify!

CANADA—IT'S NOT JUST ONE REPORT

Macro data and a more informed debate on potential fiscal stimulus will pretty much round things out into year-end with the only added development being the following week's monthly GDP print.

Scotia's Marc Desormeaux thinks Monday's existing home sales for November face downside risk to kick-start the week.

The release never really garners immediate market reaction, but clearly it informs the broader debate on housing's contribution to the economy and Bank of Canada policy. Marc estimates that seasonally adjusted home sales slipped in Vancouver and Toronto. Year-ago sales were up smartly in both cities, but that's off of the low base effect throughout last year when B20 was rumbling through town. A dip in November sales isn't a big deal given it's a time of year when seasonal adjustments are heavily relied upon relative to a soft underlying pace of activity, but it could still showcase that the recent 2–3 month trend has pointed toward a noticeably cooler pace of gains compared to earlier in the year. It remains plausible that housing experienced a bit of a dead cat bounce this year as B20 effects matured and global bond market developments brought the key five year fixed mortgage rate lower, but the drivers to the latter have turned less favourably since September. The next big test for housing is likely to come with advance readings on appetite for mortgage pre-approvals in the context of the mortgage rate guarantee periods ahead of next Spring's housing market.

Manufacturing sales in October will be reported on Tuesday. The drivers are mixed but I've gone with a modest gain with soft confidence (+0.3% m/m). Recall that exports were up by 0.7% m/m in October, albeit with a very mixed composition. A soft prior month for manufacturers that saw sales dip by 0.2% m/m may also assist November's reading. The domestic sales picture is uncertain, and the problems are that the order book has been terrible of late; new orders fell by 2.7% m/m and unfilled orders shrank by 0.6% in September.

Wednesday's CPI figures for November could see headline leap forward but with core readings remaining better behaved around 2.0–2.1% y/y. The reasons behind a potential surge in headline inflation would likely be ignored by the Bank of Canada that anticipated an acceleration to 2.1% y/y in Q4 in the October MPR. Their forecast seems to be in the right ballpark so far. Among the drivers of the call for higher headline inflation is that there will be a year-ago base effect shift that will raise CPI from 1.9% to 2.3% y/y. Further, seasonal price swings in the month-ago seasonally unadjusted component will likely knock CPI back down to the 2.1% y/y range. Gasoline prices may knock about -0.1% off of the month-ago seasonally unadjusted CPI reading, but add 0.2% to y/y CPI given the recent surge (chart 1). In all, net out the base effect shift with seasonal influences and gas price drivers and that takes us back up to 2.3% y/y for November CPI.

Is Canada's labour market just suffering from minor sniffles or is it catching a cold?

Another reading next week will make a further contribution to the debate. In what follows, the inference is that **it is incorrect to believe that recent weakness has only taken the form of a single Labour Force Survey reading.** Rather, all three major job market surveys have been flashing amber of late (chart 2). To that effect, keep an eye on Thursday's ADP payrolls reading for November. ADP fell by 22,600 jobs in October and reversed the prior month's comparable rise. StatsCan's more lagging SEPH payrolls estimate fell by 28,000 jobs in September. Line up these readings with the Labour Force Survey's decline of over 90,000 jobs over September and October after removing temporary election-related hiring in October.

Next up will be **Friday's retail sales print for October.** Oh joy. This is one of my least favourite indicators for which to attempt a forecast. I *think* it could be a decent report but

Chart 1 Gas Prices Will Drag CPI Higher Into Year-End

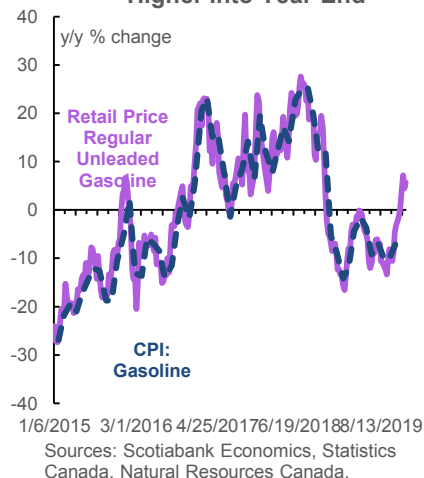
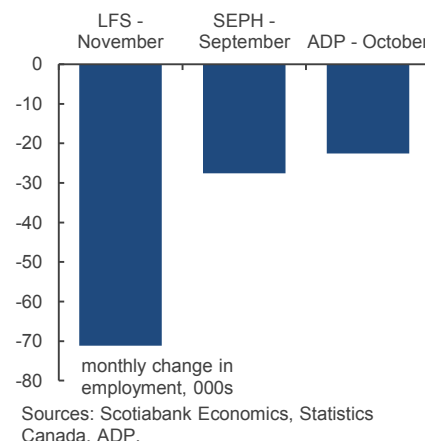


Chart 2

All Three Canadian Jobs Surveys Point to Losses



that's surrounded with a lot of caution. **Auto sales volumes were up by 4.1% m/m in October** by our estimate. Given the weight applied in the overall retail report, this could suggest around a ¼% weighted contribution to total retail sales growth. There is always high uncertainty around this in part because it is a dealer-reported estimate versus StatsCan's methodology. Gas prices were little changed according to CPI (+0.4% with a 3.1% weight) and shouldn't factor into the report. That leaves the rest of the emphasis upon core sales ex-autos and particularly ex-autos and gas that will have to be fairly decent in order to reinforce a potential autos contribution.

Scotia's Rebekah Young will now share her thoughts on what next week's developments could mean to the fiscal policy debate. Canadians can likely expect an update on the health of the federal government's balance sheet at the start of the week. Finance Minister Morneau will table a **Fall Statement on Monday**. The current state of fiscal affairs could be better than anticipated. In fact, we estimate fiscal trends could potentially be on track to deliver windfall revenues in the order of \$3bn largely driven by stronger personal income tax receipts (which comprise half of government revenues) in light of solid employment trends through the first of the year, particularly in provinces driving the economy at present. Even with some moderation in the momentum of job gains there is still some upside potential. Meanwhile corporate revenue receipts—which make up only about 15% of government revenues—may be 'less bad' than anticipated.

But the big question is whether prudence or politics will win out in how a mid-year projected windfall might be handled next week. This update will set the fiscal baseline for the new government against which its mandate will be assessed. There are also still plenty of downside risks facing the Canadian economy including the sharp pullback in recent employment, against a backdrop of prolonged global trade uncertainty that is weighing on growth. Importantly, federal program spending is also elevated. This would argue for holding the potential uptick in revenues as part of this government's practice of maintaining a \$3 bn risk reserve. On the other hand, oil-producing provinces, with the backing of all of Canada's Premiers, are demanding a retroactive payment delivered through changes to a fiscal stabilization mechanism designed to deal with sudden economic shocks. Alberta's Premier Kenney is seeking a one-time payment of \$2.4 bn. The federal government may find political imperatives win out.

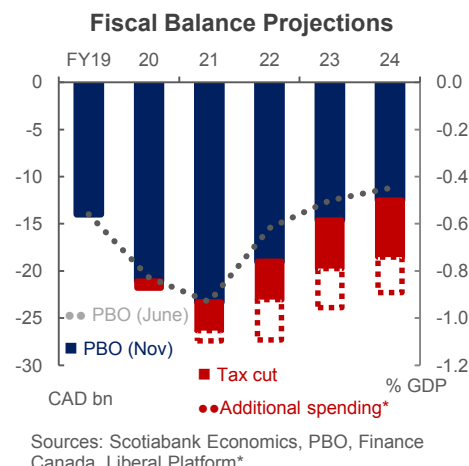
Otherwise, the update should stick close to the medium-term fiscal baseline set out during the elections with little by way of new measures. It will bake in the recently announced tax cuts to this campaign baseline, but there is still much debate (and horse-trading) ahead on other deliverables so we will have to wait for the government's first budget, typically in March, for more details. Nevertheless, the government can be expected over time to add to next week's baseline in line with its election platform that added net new spending investments and tax cuts ramping up from about \$4 bn next year (FY21) to \$9 bn by FY24. (And this is net: for every two parts new spending, there will be one part pulled back.) Even with the projected net new spending, the deficit would still be modest, peaking next year around 1.2% of GDP before declining marginally over the mandate to about 0.8% of GDP (chart 3). See [here](#) for a longer take on the anticipated update.

UNITED STATES—START LOADING!

Ronald Reagan may have spun a Russian proverb into the "trust, but verify" rationale for signing the 1987 INF Treaty with Mikhail Gorbachev, but it also carries meaning in the current context of US-China trade negotiations. As further details are digested on the path to a formal written agreement and potential signing ceremony early in the new year, **markets will also consider macro releases in the lead-up to the Christmas holiday season.**

Markets don't particularly trust either side in the US-China trade negotiations and are waiting to verify concrete signs that a meaningful deal has been achieved and not just one that swaps uncertain purchases of hogs and soybeans for scaling back only some of the tariffs. Indeed, in order to target US\$40–50 billion of agricultural purchases, China would not only have to restore its purchases to 2017 levels but then raise them by a further 2–2.5 times. They'd better start gathering up all the hogs and beans and placing them on boats now if that's the case! The timing of this target is being figured out on the fly of late with the Chinese not answering and most US officials ducking the question until Larry Kudlow advised it could be over a two year period. Whether that's quickly enough to appease Trump ahead of the election next November remains doubtful. In any event, many false starts and

Chart 3



steps backward combined with overwhelming hubris have driven markets to adopt a more sanguine perspective toward the negotiations.

Lurking in the background is the sense that a calming of trade tensions could be transitory. Chart 4 is one I created years ago to show that dollar strength lagged out will continue to drive a worsening US current account deficit until well past the US election. Whoever wins the November 2020 election could well return to a belligerent approach. The widened US 'twin deficits' (fiscal and trade or current account balances) are the product of US domestic policies more than anything else and they are linked to one another. Laying down US\$1 trillion or more of red ink in Washington each year for the foreseeable future demands more imported capital alongside funding a widening current account deficit. The economics behind the drivers are being misunderstood by the US administration—intentionally or not—and by corollary the politics of widening imbalances won't sit well for an extended period going forward.

The main releases over the coming week will be Friday's round of figures for the Fed's preferred inflation gauge as well as spending and income growth during November. A soft retail sales control group (+0.1% m/m) could portend a soft reading for overall consumer spending unless components under-sampled by retail sales surprise higher. Income gains should remain solid given recent growth in payrolls and, if that is paired with relatively soft consumption, then the saving rate might pop higher after dipping to 'just' 7.8% the prior month. For inflation, the key will be the extent to which core PCE continues to track core CPI (chart 5). Given core CPI was unchanged at 2.3% y/y in November, a constant spread could imply that core PCE will itself remain unchanged at 1.6% y/y albeit that there are different methodologies that might post slightly more downside risk to the core PCE measure such as a higher weight on soft medical care.

A round of industrial readings will include the start of another batch of regional manufacturing reports on the way to the next ISM-manufacturing report. Empire and Markit's PMI gauges will start it all off on Monday and then the volatile Philly Fed metric is slotted in for Thursday. Industrial output might post a better print off of a miserable prior month but the trend is likely to remain weak.

Thursday's weekly jobless claims will take on a bit more appeal than normal following the spike to 252k (203k prior) during Thanksgiving week. Because Thanksgiving moves around somewhat each year, the stability of the seasonal adjustments can be questionable. Next week's reading should fall back and right into the nonfarm reference period, but if it doesn't then it would add some concern in terms of the next payrolls reading.

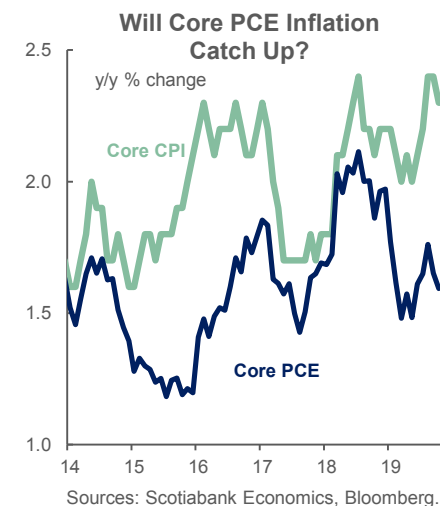
Existing home sales (Thursday) might struggle to post another gain and the next day's third-and-final reading on Q3 GDP growth is expected to be unchanged from the last round's 2.1%. This round incorporates more evidence on quarterly services spending.

Fed-speak should be fairly light especially after Chair Powell's recent press conference. Governor Brainard speaks on Wednesday, voting regional Presidents Rosengren (Tuesday) and Evans (Wednesday) also speak, and nonvoting regional President Kaplan also speaks on Tuesday.

Chart 4



Chart 5



LATIN AMERICA—IT'S LOOKING UP FROM HERE

A pair of central bank decisions, more information on Brazil's recent policy decisions and a smattering of macro releases will add a little variety to the otherwise external factors that could spill over into local markets.

Banxico is widely expected to cut its overnight rate by 25bps to 7¼% on Thursday. That would be the fourth cut since August. Falling inflation is one rationale, but not the prime supporting factor. Headline inflation is running at 3% y/y and hence bang on the mid-point of the central bank's 2–4% policy range. Core inflation is tracking higher at 3.7% y/y. This provides some cover to go after weak growth in an attempt to further stimulate the economy. Mexican GDP has been little changed for the past six consecutive quarters. **Encouragingly, however, consensus expects growth to be bottoming about now** and looks forward to mild growth into 2020 (chart 6). Advancing the NAFTA 2.0 trade agreement should be a confidence boost going forward.

BanRep is widely expected to stay on hold at an unchanged overnight lending rate of 4.25% on Friday. Core inflation of 3.4% is above the mid-point of the central bank's headline target range of 2–4%, but, unlike Mexico, the economy has been experiencing somewhat better growth and has rolled out some policy reforms to calm markets since the protests. In fact, the Colombian peso has appreciated by about 4% to the greenback so far this month.

Brazil's central bank will release minutes to the recent policy meeting on Tuesday and then issue its Q4 Inflation Report on Thursday ahead of the next day's partial reading on inflation during December that is expected to jump higher off of the recently lowest reading since May of 2018.

Other releases will include Mexican retail sales on Friday, Colombian industrial output (Tuesday) and trade (Wednesday), and Argentina's Q3 GDP report (Tuesday).

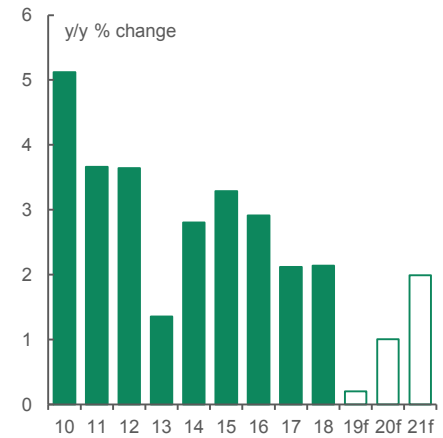
EUROPE—SETTING THE TABLE FOR HIS SUCCESSOR

The aftermath of the UK election will continue to reverberate as preparations to exit the EU swing into higher gear and key decisions need to be made including central bank leadership. Mark Carney's second last policy meeting will transition toward incorporating tightened scenarios. European macro reports and a pair of other central bank decisions are also ahead and one of them could transition away from negative rates.

The Bank of England is widely expected to leave policy variables intact including the Bank Rate at 0.75% next Thursday. The path to the meeting will also bring out the Financial Stability Report (Monday) and stress-test results that same day to be followed by a biennial report on climate change scenarios on Wednesday. Core inflation is due out on Wednesday and is expected to remain below target around 1.8% y/y. Activity readings including PMIs for December on Monday, jobless counts and wage growth during October on Tuesday, and retail sales in November on Thursday are unlikely to influence the central bank as it **narrows its Brexit scenarios down by eliminating the risk of a hard exit** in the wake of the UK general election. **This carries with it the prospect of tightened forward policy guidance.** The policy focus is now likely to transition more tightly toward the uncertainties associated with achieving a free trade agreement with the EU before the current deadline at the end of next year, barring extensions.

Chart 6

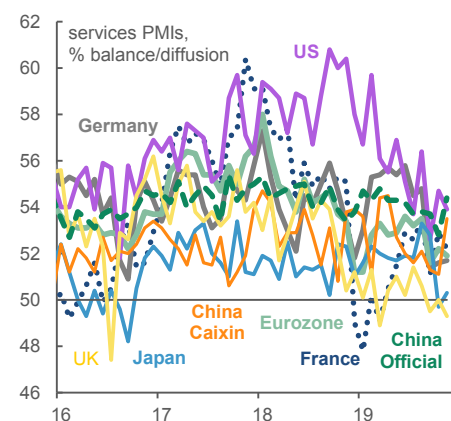
Mexican Growth Below Potential



Sources: Scotiabank Economics, INEGI, IMF.

Chart 7

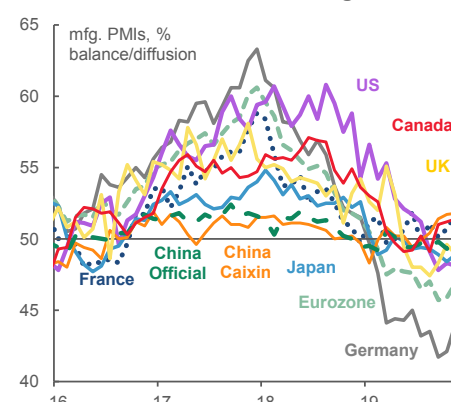
Global Services PMIs



Sources: Scotiabank Economics, Markit, Bloomberg, ISM.

Chart 8

Global Manufacturing



Sources: Scotiabank Economics, Markit, ISM.

We may well also learn who will replace Mark Carney as Governor of the BoE when he departs at the end of next month. The Conservatives' stronger majority feeds reinforced expectations they will announce his successor next week as the window ahead of the first day on the job is fast approaching.

A round of European sentiment surveys will further inform Q4 growth tracking and the transition to 2020Q1. PMIs for December are due for release on Monday and then German IFO business confidence will be released on Wednesday. It remains uncertain whether a turning point in global PMIs is upon us. Some readings have slightly improved of late, but not all (charts 7, 8). Some of the improvements might yet prove to be transitory given stocking activity ahead of tariff uncertainties into recent months.

Sweden's Riksbank is pretty much guaranteed to hike its deposit rate from -0.2% to 0% next Thursday. The central bank altered guidance at the September meeting and reinforced it in the October statement ([here](#)) to expect a hike in the repo rate from -0.25% to 0% "most probably" at the December 19th meeting. **The central bank has guided that the motivation is to get away from negative rates because the net benefits may turn to costs, but not to hike further thereafter.** November CPI provided some cover as it popped higher than expected on all measures. Headline inflation increased to 1.8% y/y (1.6% prior, 1.7% consensus). Underlying inflation excluding energy costs increased to 1.8% (1.7% prior and consensus). This maintains the generally upward trend in inflation over much of the past year.

Norway's Norges Bank is not expected to follow suit that same day. Consensus unanimously expects a policy rate hold at 1.5%. The central bank never embraced negative rates. Further, inflation has been ebbing of late. Underlying inflation fell back to 2.0% y/y in November which is on the central bank's headline target, but the rate has been decelerating ever since March.

ASIA-PACIFIC—A JOBS PARALLEL DOWN UNDER?

Five central banks—two of them biggies—will weigh in with policy decisions as a round of macro data is considered.

The People's Bank of China is expected to reduce its one year Loan Prime Rate (LPR) again next Thursday. This is the PBoC's new policy reference rate and it is on a more transparent release schedule each month. The rate was reduced in each of September and November by a cumulative 10bps and another 5bps is expected, but not assured within a somewhat divided consensus. China will release a batch of macro reports this weekend that could further inform a weakening trend (chart 9). New home prices, industrial production, retail sales and the jobless rate are all due out this Sunday (eastern time).

The Bank of Japan is expected to stay on hold next Thursday. Even though the October sales tax hike weakened conditions, the BoJ may be more encouraged by the addition of a material amount of fiscal stimulus. **The Abe government introduced about US\$240 billion (¥26 trillion) of measures earlier this month.** Japan releases another inflation report later that day and it is expected to show only a slight improvement in core inflation to around ½% y/y.

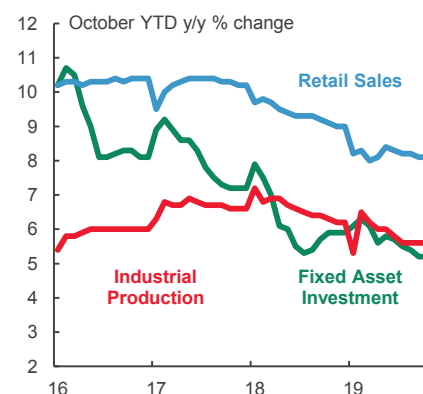
Each of the Bank of Thailand (Wednesday), Bank Indonesia (Thursday) and the Central Bank of China Taiwan (Thursday) are expected to keep policy on hold.

After dropping 19,000 jobs in October, Australia's jobs report for November (Wednesday) will take on elevated significance ahead of the next RBA decision in the new year. That was the first time jobs were lost since May of 2018, and the biggest decline since August 2016. It's interesting that this coincided with the recent declines in Canadian employment across multiple measures (see the Canadian section). One possibility is that both economies over-shot on job growth earlier and suffered a confidence blow into heightening trade concerns.

New Zealand will release Q3 GDP growth on Wednesday and it is expected to continue to showcase solid activity. Growth should hang in around the ½% q/q mark with the year-ago rate possibly arresting the declining trend that has been in place since late 2016.

Chart 9

Chinese Economic Activity has Been Declining



Sources: Scotiabank Economics, National Bureau of Statistics of China.

Key Indicators for the week of December 16 – 20

NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	12/16	08:30	International Securities Transactions (C\$ bn)	Oct	--	--	4.8
US	12/16	08:30	Empire State Manufacturing Index	Dec	--	4.0	2.9
CA	12/16	09:00	Existing Home Sales (m/m)	Nov	--	--	0.0
US	12/16	10:00	NAHB Housing Market Index	Dec	--	70.0	70.0
US	12/16	16:00	Total Net TIC Flows (US\$ bn)	Oct	--	--	-37.6
US	12/16	16:00	Net Long-term TIC Flows (US\$ bn)	Oct	--	--	49.5
CA	12/17	08:30	Manufacturing Shipments (m/m)	Oct	0.3	--	-0.2
US	12/17	08:30	Building Permits (000s a.r.)	Nov	--	1405	1461
US	12/17	08:30	Housing Starts (000s a.r.)	Nov	1505	1340	1314
US	12/17	08:30	Housing Starts (m/m)	Nov	3.0	2.0	3.8
US	12/17	09:15	Capacity Utilization (%)	Nov	--	77.4	76.7
US	12/17	09:15	Industrial Production (m/m)	Nov	1.0	0.8	-0.8
US	12/17	10:00	JOLTS Job Openings (000s)	Oct	--	7018	7024
US	12/18	07:00	MBA Mortgage Applications (w/w)	Dec 13	--	--	-9.2
CA	12/18	08:30	Core CPI - Common (y/y)	Nov	--	--	1.9
CA	12/18	08:30	Core CPI - Median (y/y)	Nov	--	--	2.2
CA	12/18	08:30	Core CPI - Trim (y/y)	Nov	--	--	2.1
CA	12/18	08:30	CPI, All items (m/m)	Nov	-0.3	--	0.3
CA	12/18	08:30	CPI, All items (y/y)	Nov	2.3	--	1.9
CA	12/18	08:30	CPI, All items (index)	Nov	--	--	136.6
CA	12/18	08:30	Teranet - National Bank HPI (y/y)	Nov	--	--	1.0
CA	12/19	08:30	Wholesale Trade (m/m)	Oct	--	--	1.0
US	12/19	08:30	Current Account (US\$ bn)	3Q	--	-122.0	-128.2
US	12/19	08:30	Initial Jobless Claims (000s)	Dec 14	220	225	203
US	12/19	08:30	Continuing Claims (000s)	Dec 7	1665	1672	1693
US	12/19	08:30	Philadelphia Fed Index	Dec	--	8.0	10.4
US	12/19	10:00	Existing Home Sales (mn a.r.)	Nov	5.4	5.4	5.5
US	12/19	10:00	Existing Home Sales (m/m)	Nov	-1.1	-0.4	1.9
US	12/19	10:00	Leading Indicators (m/m)	Nov	--	0.1	-0.1
MX	12/19	14:00	Overnight Rate (%)	Dec 19	7.25	7.25	7.50
MX	12/20	07:00	Retail Sales (INEGI) (y/y)	Oct	--	--	2.4
CA	12/20	08:30	New Housing Price Index (m/m)	Oct	--	--	0.2
CA	12/20	08:30	Retail Sales (m/m)	Oct	0.5	--	-0.1
CA	12/20	08:30	Retail Sales ex. Autos (m/m)	Oct	0.2	--	0.2
US	12/20	08:30	GDP (q/q a.r.)	3Q T	2.1	2.1	2.1
US	12/20	08:30	GDP Deflator (q/q a.r.)	3Q T	--	1.8	1.8
US	12/20	10:00	PCE Deflator (m/m)	Nov	0.2	0.2	0.2
US	12/20	10:00	PCE Deflator (y/y)	Nov	1.5	1.4	1.3
US	12/20	10:00	PCE ex. Food & Energy (m/m)	Nov	0.2	0.1	0.1
US	12/20	10:00	PCE ex. Food & Energy (y/y)	Nov	1.6	1.5	1.6
US	12/20	10:00	Personal Spending (m/m)	Nov	0.2	0.4	0.3
US	12/20	10:00	Personal Income (m/m)	Nov	0.3	0.3	0.0
US	12/20	10:00	U. of Michigan Consumer Sentiment	Dec F	--	99.2	99.2

EUROPE

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
FR	12/16	03:15	Manufacturing PMI	Dec P	--	51.5	51.7
FR	12/16	03:15	Services PMI	Dec P	--	52.1	52.2
GE	12/16	03:30	Manufacturing PMI	Dec P	--	44.6	44.1
GE	12/16	03:30	Services PMI	Dec P	--	52.0	51.7
EC	12/16	04:00	Composite PMI	Dec P	50.7	50.7	50.6
EC	12/16	04:00	Manufacturing PMI	Dec P	47	47.3	46.9
EC	12/16	04:00	Services PMI	Dec P	52	52.0	51.9
IT	12/16	04:00	CPI - EU Harmonized (y/y)	Nov F	--	0.4	0.4
UK	12/16	04:30	Manufacturing PMI	Dec P	49	49.2	48.9
UK	12/16	04:30	Services PMI	Dec P	49.5	49.5	49.3
EC	12/16	05:00	Labour Costs (y/y)	3Q	--	--	2.7

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

Key Indicators for the week of December 16 – 20

EUROPE (continued from previous page)

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
UK	12/17	04:30	Average Weekly Earnings (3-month, y/y)	Oct	3.5	3.4	3.6
UK	12/17	04:30	Employment Change (3M/3M, 000s)	Oct	-20	-17.0	-58.0
UK	12/17	04:30	Jobless Claims Change (000s)	Nov	--	--	33.0
UK	12/17	04:30	ILO Unemployment Rate (%)	Oct	3.9	3.9	3.8
EC	12/17	05:00	Trade Balance (€ mn)	Oct	--	--	18.7
GE	12/18	02:00	Producer Prices (m/m)	Nov	--	0.1	-0.2
GE	12/18	04:00	IFO Business Climate Survey	Dec	95.3	95.5	95.0
GE	12/18	04:00	IFO Current Assessment Survey	Dec	98	98.1	97.9
GE	12/18	04:00	IFO Expectations Survey	Dec	92.5	92.9	92.1
UK	12/18	04:30	CPI (m/m)	Nov	0.2	0.2	-0.2
UK	12/18	04:30	CPI (y/y)	Nov	1.5	1.4	1.5
UK	12/18	04:30	PPI Input (m/m)	Nov	--	0.1	-1.3
UK	12/18	04:30	PPI Output (m/m)	Nov	--	0.0	-0.1
UK	12/18	04:30	RPI (m/m)	Nov	--	0.1	-0.2
UK	12/18	04:30	RPI (y/y)	Nov	--	2.0	2.1
EC	12/18	05:00	CPI (m/m)	Nov F	--	-0.3	-0.3
EC	12/18	05:00	CPI (y/y)	Nov F	--	1.0	1.0
EC	12/18	05:00	Euro zone Core CPI Estimate (y/y)	Nov F	--	1.3	1.3
SW	12/19	03:30	Riksbank Interest Rate (%)	Dec 19	0.00	0.00	-0.25
NO	12/19	04:00	Norwegian Deposit Rates (%)	Dec 19	1.50	1.50	1.50
UK	12/19	04:30	Retail Sales ex. Auto Fuel (m/m)	Nov	0.3	0.4	-0.3
UK	12/19	04:30	Retail Sales with Auto Fuel (m/m)	Nov	0.2	0.2	-0.1
UK	12/19	07:00	BoE Asset Purchase Target (£ bn)	Dec	435	435.0	435.0
UK	12/19	07:00	BoE Policy Announcement (%)	Dec 19	0.75	0.75	0.75
UK	12/19	19:01	GfK Consumer Confidence Survey	Dec	--	-14.0	-14.0
GE	12/20	02:00	GfK Consumer Confidence Survey	Jan	--	9.8	9.7
FR	12/20	02:45	Consumer Spending (m/m)	Nov	--	0.2	0.2
FR	12/20	02:45	Producer Prices (m/m)	Nov	--	--	-0.1
EC	12/20	04:00	Current Account (€ bn)	Oct	--	--	28.2
IT	12/20	04:00	Current Account (€ mn)	Oct	--	--	4102
UK	12/20	04:30	Business Investment (q/q)	3Q F	--	0.0	-0.1
UK	12/20	04:30	Current Account (£ bn)	3Q	--	-15.5	-25.2
UK	12/20	04:30	GDP (q/q)	3Q F	--	0.3	0.3
UK	12/20	04:30	PSNB ex. Interventions (£ bn)	Nov	--	6.1	11.2
UK	12/20	04:30	Public Finances (PSNCR) (£ bn)	Nov	--	--	0.4
UK	12/20	04:30	Public Sector Net Borrowing (£ bn)	Nov	--	5.0	10.5
EC	12/20	10:00	Consumer Confidence	Dec A	--	-7.1	-7.2

ASIA-PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
JN	12/15	19:30	Markit/JMMA Manufacturing PMI	Dec P	--	--	48.9
CH	12/15	21:00	Fixed Asset Investment YTD (y/y)	Nov	5.2	5.2	5.2
CH	12/15	21:00	Industrial Production (y/y)	Nov	4.7	5.0	4.7
CH	12/15	21:00	Retail Sales (y/y)	Nov	7.5	7.6	7.2
ID	12/15	23:00	Exports (y/y)	Nov	--	-2.5	-6.1
ID	12/15	23:00	Imports (y/y)	Nov	--	-13.6	-16.4
ID	12/15	23:00	Trade Balance (US\$ mn)	Nov	--	-21.5	161.3
JN	12/15	23:30	Tertiary Industry Index (m/m)	Oct	--	-3.6	1.8
PH	12/16	00:00	Overseas Remittances (y/y)	Oct	--	4.4	6.3
IN	12/16	01:30	Monthly Wholesale Prices (y/y)	Nov	--	0.8	0.2
SI	12/16	19:30	Exports (y/y)	Nov	--	-5.3	-12.3
HK	12/17	03:30	Unemployment Rate (%)	Nov	3.1	3.2	3.1
JN	12/17	18:50	Merchandise Trade Balance (¥ bn)	Nov	--	-350	15.7
JN	12/17	18:50	Adjusted Merchandise Trade Balance (¥ bn)	Nov	--	-57.0	-34.7
JN	12/17	18:50	Merchandise Trade Exports (y/y)	Nov	--	-8.8	-9.2
JN	12/17	18:50	Merchandise Trade Imports (y/y)	Nov	--	-12.3	-14.8

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

Key Indicators for the week of December 16 – 20

ASIA-PACIFIC (continued from previous page)

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
TH	12/18	02:05	BoT Repo Rate (%)	Dec 18	1.25	1.25	1.25
NZ	12/18	16:45	Trade Balance (NZD mn)	Nov	--	-700	-1013
NZ	12/18	16:45	Exports (NZD bn)	Nov	--	5	5035
NZ	12/18	16:45	Imports (NZD bn)	Nov	--	6	6048
NZ	12/18	16:45	GDP (y/y)	3Q	--	2.3	2.1
AU	12/18	19:30	Employment (000s)	Nov	20	15.0	-19.0
AU	12/18	19:30	Unemployment Rate (%)	Nov	5.3	5.3	5.3
JN	12/19	01:00	Machine Tool Orders (y/y)	Nov F	--	--	-37.9
TA	12/19	03:00	Benchmark Interest Rate	Dec 19	1.38	1.38	1.38
ID	12/19	03:00	BI 7-Day Reverse Repo Rate (%)	Dec 19	5.00	5.00	5.00
HK	12/19	04:00	Composite Interest Rate (%)	Nov	--	--	1.0
PH	12/19	04:00	Balance of Payments (US\$ mn)	Nov	--	--	163.0
NZ	12/19	16:00	ANZ Consumer Confidence Index	Dec	--	--	120.7
SK	12/19	16:00	PPI (y/y)	Nov	--	--	-0.6
JN	12/19	18:30	National CPI (y/y)	Nov	0.5	0.5	0.2
TH	12/19	22:30	Customs Exports (y/y)	Nov	--	-4.7	-4.5
TH	12/19	22:30	Customs Imports (y/y)	Nov	--	-6.8	-7.6
TH	12/19	22:30	Customs Trade Balance (US\$ mn)	Nov	--	48.5	506.5
JN	12/19	22:30	BoJ Policy Rate (%)	Dec 19	-0.10	--	-0.10
MA	12/19	23:00	CPI (y/y)	Nov	1.2	1.1	1.1
CH	12/20	00:00	People's Bank of China Loan Prime Rate	Dec	4.10	4.10	4.15
JN	12/20	00:30	Nationwide Department Store Sales (y/y)	Nov	--	--	-17.5
TA	12/20	03:00	Export Orders (y/y)	Nov	--	-0.9	-3.5
HK	12/20	03:30	CPI (y/y)	Nov	3.1	3.1	3.1
HK	12/20	03:30	BoP Current Account (HK\$ bns)	3Q	--	--	35.0
JN	12/20-12/25		Supermarket Sales (y/y)	Nov	--	--	-4.1

LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
PE	12/15	00:00	Economic Activity Index NSA (y/y)	Oct	--	--	2.2
PE	12/15	00:00	Unemployment Rate (%)	Nov	--	--	6.4
CO	12/18	10:00	Trade Balance (US\$ mn)	Oct	--	-985	-916
BZ	12/20	07:00	IBGE Inflation IPCA-15 (m/m)	Dec	--	0.9	0.1
BZ	12/20	07:00	IBGE Inflation IPCA-15 (y/y)	Dec	--	3.7	2.7
BZ	12/20	07:30	Current Account (US\$ mn)	Nov	--	-3800	-7874
CO	12/20	14:00	Overnight Lending Rate (%)	Dec 20	4.25	4.25	4.25

Global Auctions for the week of December 16 – 20**NORTH AMERICA**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CA	12/18	12:00	Canada to Sell 2 Year Bonds
US	12/19	13:00	U.S. to Sell 5 Year TIPS Reopening

EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
UK	12/17	05:30	U.K. to Sell 2.75 Billion Pounds of 2% 2025 Bonds
IC	12/17	06:30	Iceland to Sell Bonds
SW	12/18	05:00	Sweden to Sell Bonds

ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
SK	12/15	21:30	Korea to Sell KRW 200Bln 20 Year Bonds
JN	12/16	22:35	Japan to Sell 20-Year Bonds
TA	12/16	23:30	Taiwan to Sell TWD40 Bln 2-Yr NCD
SK	12/17	20:30	Korea Central Bank to Sell KRW 2.1Tln 2 Year Bonds
CH	12/17	22:00	China Plans to Sell 1, 10, & 50 Year Upsized Government Bonds

Events for the week of December 16 – 20

NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	12/17	08:00	Fed's Kaplan Speaks in New York
US	12/17	12:30	Fed's Rosengren to Speak to Forecasters Club of New York
US	12/17	12:30	Fed's Williams Holds Press Briefing on Economic Conditions
US	12/18	12:40	Fed's Evans Speaks in Indianapolis
CA	12/19	08:30	ADP Canada Releases Nov. Payroll Estimates
MX	12/19	14:00	Overnight Rate

EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
UK	12/16	11:00	BOE Publishes Financial Stability Report, Stress Tests
FI	12/17	04:00	ECB's Rehn Presents Finnish Economic Outlook in Helsinki
SW	12/19	03:30	Riksbank Interest Rate
NO	12/19	04:00	Deposit Rates
SW	12/19	05:00	Riksbank Press Conference
UK	12/19	07:00	Bank of England Bank Rate
UK	12/20	06:00	BOE's Haskel Speaks in London

ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
AU	12/15	20:00	RBA's Kearns Gives Speech in Sydney
AU	12/16	19:30	RBA Minutes of Dec. Policy Meeting
TH	12/18	02:05	BoT Benchmark Interest Rate
AU	12/18	19:30	RBA FX Transactions Market
AU	12/18	19:30	RBA FX Transactions Government
AU	12/18	19:30	RBA FX Transactions Other
HK	12/18	00:00	Composite Interest Rate
ID	12/18	00:00	Bank Indonesia 7D Reverse Repo
JN	12/18	00:00	BOJ Policy Balance Rate
TA	12/19	03:00	CBC Benchmark Interest Rate
CH	12/20	00:00	People's Bank of China Loan Prime Rate Announcement

LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CO	12/20	14:00	Overnight Lending Rate

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	January 22, 2020	1.75	1.63
Federal Reserve – Federal Funds Target Rate	1.75	January 29, 2020	1.75	1.75
Banco de México – Overnight Rate	7.50	December 19, 2019	7.25	7.25

Banco de México (Banxico): Our view is in line with expectations that Banxico will deliver a fourth consecutive 25 basis point cut next week. November inflation which came in at 3%—which is in line with Banxico's inflation target range—was the slowest pace in three years according to Scotiabank Economist Miguel Saldaña. Slowing inflation reflects Mexico's near-flat growth over 2019 and a widening negative output gap over the same period. Expect a split in the votes as dissenters opt for even larger cuts to provide stimulus to the economy in 2020. However, the temptation to deliver greater easing should be tempered by core inflation, which has remained on the higher end of the target range.

EUROPE

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	0.00	January 23, 2020	0.00	0.00
European Central Bank – Marginal Lending Facility Rate	0.25	January 23, 2020	0.25	0.25
European Central Bank – Deposit Facility Rate	-0.50	January 23, 2020	-0.50	-0.50
Bank of England – Bank Rate	0.75	December 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	6.25	February 7, 2020	6.25	6.25
Sweden Riksbank – Repo Rate	-0.25	December 19, 2019	0.00	0.00
Norges Bank – Deposit Rate	1.50	December 19, 2019	1.50	1.50
Central Bank of Turkey – Benchmark Repo Rate	12.00	January 16, 2020	12.00	12.00

Bank of England (BoE): The Bank of England will continue to hold the policy rate at 0.75%, despite the added clarity of a new Conservative majority. With Governor Carney's term due to expire at the end of January 2020, we expect a successor to be appointed in short order. The previous attempts to appoint a new head of the BoE were delayed due to Brexit uncertainties and December's snap election.

Sweden Riksbank: The Swedish central bank is expected to hike by 25 basis points next week. This will end the nearly 5 year stint of negative rates. During this time, Sweden's fixed interest inflation measure has slowly climbed back to the central bank's target of 2%. The move to end negative repo rates could also be politically motivated as the central bank's negative policy has come under intense scrutiny.

Norges Bank: Deposit rates are expected to remain at 1.50% under Norway's strong growth—estimated at 2.5% in 2019—and healthy 2.2% y/y inflation.

ASIA PACIFIC

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Policy Rate	-0.10	December 19, 2019	-0.10	-0.10
Reserve Bank of Australia – Cash Target Rate	0.75	February 3, 2020	0.50	0.75
Reserve Bank of New Zealand – Cash Rate	1.00	February 11, 2020	0.75	0.75
People's Bank of China – Loan Prime Rate	4.15	December 20, 2019	4.10	4.10
Reserve Bank of India – Repo Rate	5.15	February 6, 2020	4.90	4.90
Bank of Korea – Bank Rate	1.25	January 17, 2020	1.25	1.25
Bank of Thailand – Repo Rate	1.25	December 18, 2019	1.25	1.25
Bank Negara Malaysia – Overnight Policy Rate	3.00	TBA	3.00	2.75
Bank Indonesia – 7-Day Reverse Repo Rate	5.00	December 19, 2019	5.00	5.00
Central Bank of Philippines – Overnight Borrowing Rate	4.00	TBA	4.00	4.00

Bank of Japan (BoJ): The BoJ's policymakers will meet on December 19. The Japanese economy is weighed down by simultaneous domestic and external sector challenges. Accordingly, we had held the view of the BoJ likely unveiling additional monetary stimulus in December, yet we now think that the BoJ may wait slightly longer to assess the direction of the economy. This reflects the fact that the Japanese government announced a fiscal stimulus package in early December, totalling around JPY13 trillion (USD 120 bn). The package includes an extra budget for the current fiscal year (April-March) as well as additional outlays planned for FY2020.

People's Bank of China (PBoC): China's new benchmark lending rate, the 1-year Loan Prime Rate (LPR) will be set on the 20th of each month. The PBoC will likely continue to guide the LPR gradually lower in order to support the economy; we expect it to be set at 4.10%, 5 bps lower than last month.

Bank of Thailand (BoT): We expect Thai monetary authorities to keep the benchmark interest rate unchanged at 1.25% following the December 18 policy meeting. The BoT lowered the policy rate by 50 bps between August and November. We assess that further easing is possible in early 2020; the central bank has pointed out that the Thai economy will face higher risks over the coming months, as trade tensions and a slowdown in China will adversely impact the country's export sector while weaker income and employment conditions will dampen consumer spending prospects.

Bank Indonesia (BI): Indonesian monetary authorities will make a policy decision on December 19. We expect the central bank to leave the 7-day reverse repo rate at 5.0% for a second consecutive month. The policy rate was cut by 100 bps between July and October. Nevertheless, we assess that the central bank has room to ease policy further if needed.

LATIN AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	4.50	February 5, 2020	4.50	4.50
Banco Central de Chile – Overnight Rate	1.75	January 29, 2020	1.75	1.50
Banco de la República de Colombia – Lending Rate	4.25	December 20, 2019	4.25	4.25
Banco Central de Reserva del Perú – Reference Rate	2.25	January 9, 2020	2.25	2.25

Banco de la República de Colombia: Board members are expected to hold the benchmark interest rate at 4.25%. Stable core inflation and expectations have allowed the central bank to maintain rates since April of last year. While growth is still below potential, Colombian indicators point to rising domestic demand and little need for additional monetary accommodation.

AFRICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	6.50	January 16, 2020	6.50	6.50

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

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