

'HAWKISH' FED? OH PLEASE!!

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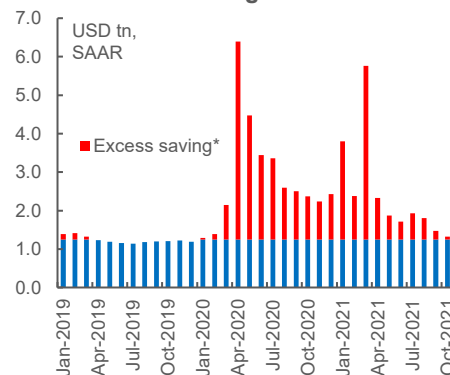
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Next Week's Risk Dashboard

- Fed policy has become too easy
- US inflation set for another gain
- Bank of Canada expectations
- China on watch for RRR cut
- Another big hike from Brazil?
- Peru's CB expected to hike again
- RBA's big decisions are ahead
- RBI forward guidance on watch
- Inflation: China, LatAm in focus

Chart of the Week

US Consumers Can Still Stomach Higher Costs



*Defined as personal savings in excess of 2019 avg. monthly savings.
Sources: Scotiabank Economics, BEA.

Chart of the Week: Prepared by: Marc Ercolao, Economic Analyst.

A 'Hawkish' Fed? Oh Please!!

US INFLATION—DRIVING EASIER POLICY

Another round of inflation data kicks off with Friday's US consumer price index for November. I went with a rise of 0.5% m/m for headline that would take inflation to 6.8% y/y from 6.2%, while core CPI is forecast to rise by 0.4% m/m to 4.9% y/y from 4.6%.

One general driver is that the easing of Delta variant cases from earlier peaks could continue to put upward pressure upon prices. Even though the number of new cases was starting to edge a little higher nationwide later in November and now into December as Omicron uncertainty lies ahead, prior months have witnessed fairly sustained price pressures around reasonably stable easing of cases (chart 1).

Other drivers include tracking of used vehicle prices. They were up by 5% m/m seasonally adjusted according to the Manheim index and 9.3% m/m according to JD Power (NSA) whose prices serve as input into CPI. At a 3.3% weight in CPI, used vehicles could add at least 0.2% m/m to headline and core CPI whether seasonally adjusted or not. Higher gasoline prices could add another 0.1% m/m to headline CPI. November is typically a month with little seasonal price pressure that would impact month-ago NSA prices as input into the year-over-year inflation rate.

HOW SHOULD THE FED REACT?

A popular question among clients is why the Federal Reserve would be turning more hawkish in the face of supply-side driven inflationary pressures. First off, they're not, it's arguably the opposite, and secondly, that's a mischaracterization. Both of these points are worth elaborating upon since they flow naturally from the upcoming inflation update.

Firstly, hawkish?? I think it's the opposite and a pivot toward opening the door to hiking the nominal policy rate is needed in order to take some of that back. The Federal Reserve allowed the real policy rate to turn more deeply negative and hence easier as any measure of backward- or forward-looking inflation expectations has risen while they talked through it (charts 2-5). That would be true even if inflation cruises back down from 6–7%+ to materially lower. Macro models use real rates. When real rates go more deeply negative and the Fed's reaction function to the development is at best described as a policy of benign neglect or at worst outright policy error (I think the latter...), then they invoke more stimulus to the economy

Chart 1

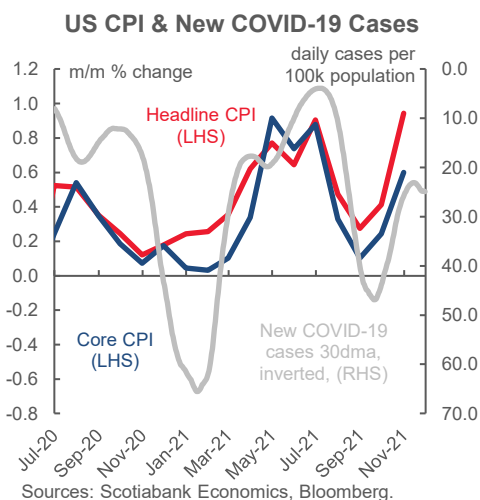


Chart 2

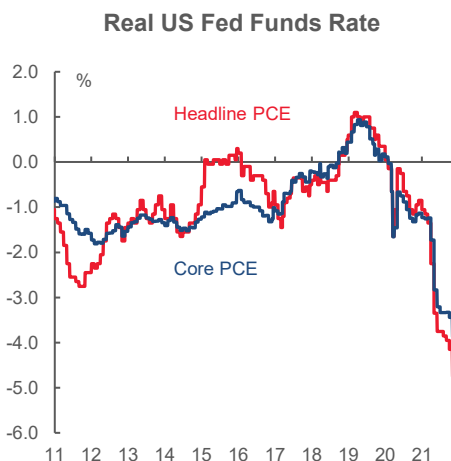


Chart 4

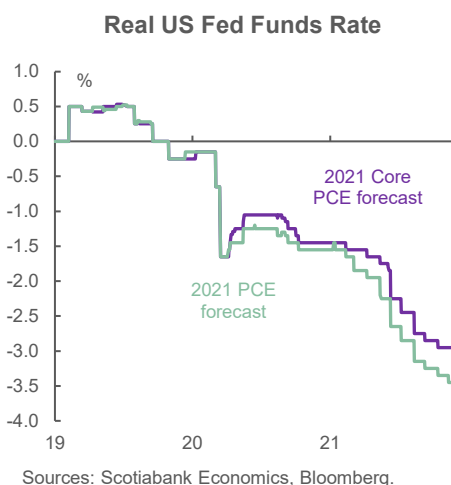


Chart 3

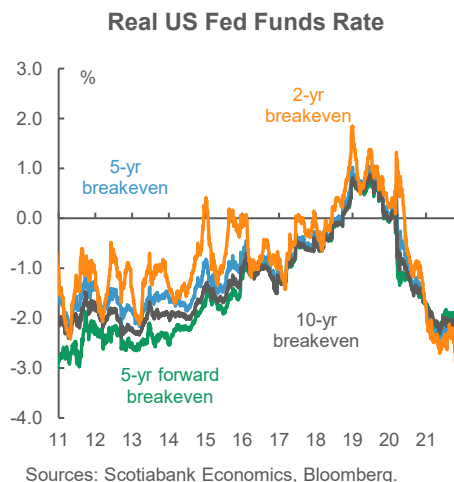
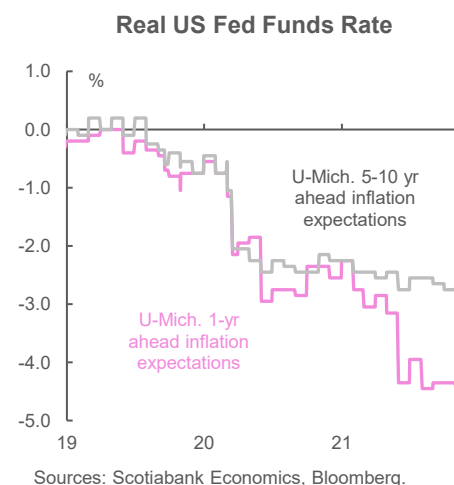


Chart 5



precisely when we don't need it. More stimulus—all else equal—means more inflation. Think of a simple example being a company that is getting more net pricing power in excess of what has happened to their borrowing costs which buoys margins which can benefit the real economy. Chart 6 shows the connection between inflation and profit margins as evidence.

The decline in the real policy rate is also why we shouldn't necessarily and materially downgrade our growth forecasts just because of Omicron (that we know little about...), as this de facto easing of policy stimulus serves as an offset.

As for the Fed's balance sheet, it is still expanding and the stock theory of such moves leans to heavy stimulus remaining in place for a long time and in fact increasing until at least March and then turning incrementally neutral. Here too we remain some distance away from balance sheet tools turning more hawkish per se.

In my view, however, the Federal Reserve *should* be more hawkish and markets should be pricing more hawkish policy outcomes. Markets are too lightly priced for rate hikes in 2022 with fed funds futures pricing two hikes in 2022. It's hard to imagine it even being worth Chair Powell's time to get out of bed in order to deliver two hikes in 2022 given the scant effects on the economy and markets.

As for what's causing inflation, some of it is obviously supply driven, but central banks are trying to let themselves off the hook by exaggerating its prominence and some folks in the markets are rather complicit in this regard! For one thing, chart 7 shows the surge in domestic demand as policy over-stimulated demand. Fitting a pre-pandemic trend-line to final demand shows that if the goal was to right the ship in terms of final demand then mission accomplished and perhaps then some! The rate sensitivity of demand may have been a lot greater than central banks assumed it would be.

Plus there is a lot of uncertainty around where potential GDP and maximum employment sit. With US GDP having already recovered the pandemic hit by 2021Q2, we could now be very close to capacity limits. If we're dealing with long-lived skills mismatches and retirements from the US workforce, then maybe we're closer to full employment than job shortfalls suggest. If the US economy is approaching capacity limits, then policy tightening would have merit.

Forward-expectations can also risk becoming a self-fulfilling prophecy and reason to shift toward a tightening stance. If folks expect higher prices next year and subsequently, then the way they behave in practice can add to the pressure through anticipatory buying and investment in capital goods.

Finally, market pricing for the policy rate to lift-off is in the ballpark of when the US economy closes off spare capacity and starts pushing into excess aggregate demand and may even be a little too late. That wouldn't be tightening for supply-side reasons. It would also be the point at which another set of factors supports inflation—namely excess aggregate demand at or beyond the point of full employment and maybe wages.

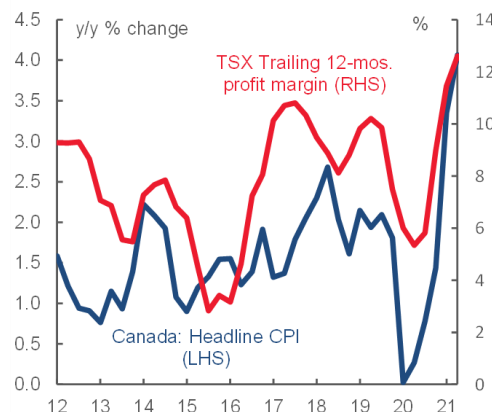
In all, Fed policy shifted toward being more dovish via what was allowed to happen to the real policy rate and expectations for its evolution driven by Fed policy rate expectations, while tightening soon could very well prove to be compatible with demand pressures. As previously written, the clock for Fed hikes in 2022 should arguably start at 100bps if it's going to be anything meaningful.

BANK OF CANADA—C'MON, GIVE US SOMETHING!

The Bank of Canada delivers its latest policy decisions in a statement-only affair on Wednesday at 10amET. It will be followed the next day by the customary 'economic progress report' to be delivered this time by Deputy Governor Toni Gravelle who will also host a press conference which we haven't seen in a little while.

Chart 6

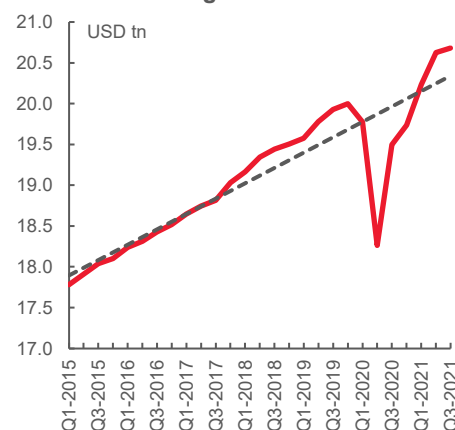
Where Inflation Goes, So Do Profits



Sources: Scotiabank Economics, Bloomberg.

Chart 7

Overshooting US Final Demand



Sources: Scotiabank Economics, BLS.

Gravelle heads the financial markets division at the BoC and gave his last speech way back on March 23rd that focused upon balance sheet management and exit guidance ([here](#)). Governor Macklem subsequently updated this guidance ([here](#)) and the BoC actioned its move into the reinvestment phase at the October meeting (recap [here](#)). Perhaps exit guidance will once again be Gravelle's focus this time around, in which case I would watch for refreshed guidance on reinvestment and maybe asset sales.

To date, the BoC has only said they will reinvest "at least until we raise the policy interest rate" and they have not provided guidance on asset sales. There are no GoC bonds maturing off the BoC's balance sheet either over the remainder of this month or in January before a wave of maturities subsequently arrive (chart 8). This could therefore be a window of opportunity for refreshed guidance especially in light of the fact that jobs have increased by another 185k since the October meeting while arguably pushing into maximum employment (recap [here](#)). Furthermore, through the monetary policymaker's version of benign neglect, the real policy rate has pushed more deeply negative and via this measure has served to ease monetary policy conditions (charts 9-11).

One option for the BoC to consider could be to signal reducing the pace of reinvestment and/or refresh guidance on when reinvestment may end. Ending reinvestment now would violate prior guidance. We could also hear more about any openness toward asset sales and efforts to drain liquidity, as market proxies for the Bank of Canada's policy rate like CORRA have edged a few basis points lower.

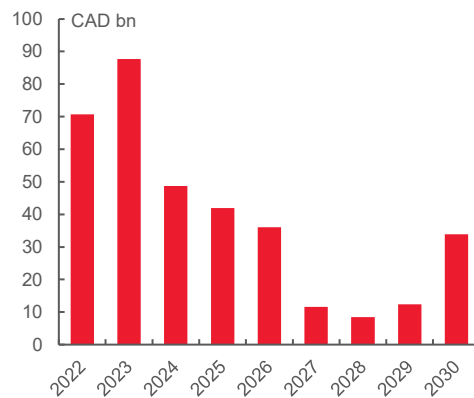
As for the statement and Gravelle's broader guidance, the best course of action for the BoC is likely to play it safe in a short and sweet statement that defers deeper thoughts to the next meeting on January 26th 2022 which will be a full meeting including a Monetary Policy Report containing fresh forecasts. By that time, there may be greater available insight into the threat posed by the Omicron variant once we hopefully learn more about the efficacy of vaccines, antibody drugs and other treatments, the severity of symptoms across broader populations and the speed at which it is spreading. For now, expect a statement reference to this fresh uncertainty while leaving it at that. Also by that time, the Federal Government's somewhat opaque process to date around setting fiscal policy priorities may be better informed including via the December 14th Budget Update.

We might hear reference to how a second half economic rebound is proceeding in line with expectations, while nevertheless being the case that the BoC's 2021 growth forecasts may be a touch too high net of all of the GDP revisions of late. Additional downside risk at least through Q4 is likely via the widespread flooding in British Columbia, but reference toward an expected rebound should signal the BoC's tendency to look through the effects for monetary policy purposes.

We don't expect to hear word on the BoC's strategic review this week. Governor Macklem delivers the customary pre-holiday speech the week afterward.

Chart 8

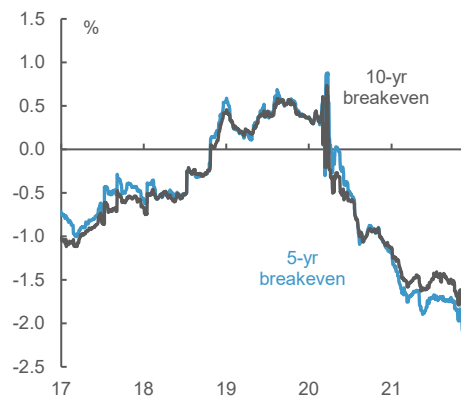
Bank of Canada Bond Maturities



Sources: Scotiabank Economics, Bank of Canada

Chart 10

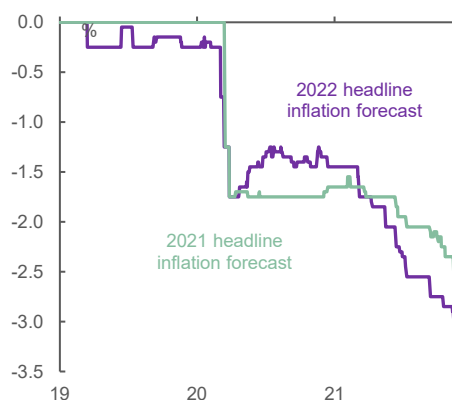
Real CA Policy Rate



Sources: Scotiabank Economics, Bloomberg.

Chart 11

Real CA Policy Rate



Sources: Scotiabank Economics, Bloomberg.

CHINA'S RRR-WATCH TO LEAD OTHER CENTRAL BANK DEVELOPMENTS

Four other central banks deliver policy decisions but the main consideration across global markets is likely to be the PBOC.

Chinese Premier Li recently stated that a cut to the required reserve ratio applied to banks may be delivered "at proper time." Any day now would be welcome given mounting downside risks. Chart 12 shows the evolution of required reserve ratios. If cut, it could free up somewhat more bank capital to apply to lending which could help to stimulate China's sagging economic growth. Events over the course of this week might offer a suitable backdrop for such a move including CPI on Thursday and the aggregate financing figures for the overall economy that are due at some point this week or next.

Brazil's central bank is expected to hike its policy Selic rate by another 150bps to 9.25% on Wednesday. Why? Because at the last meeting on October 27th they hiked by 150bps and rather explicitly said "For the next meeting, the Committee foresees another adjustment of the same magnitude." Since then, Brazilian inflation spiked higher again on November 10th when it hit 10.7% y/y (from 10.25%). Another update is coming next Friday (chart 13).

Peru's central bank is expected to hike by 50bps to a new policy rate of 2.5% on Thursday. Inflation ebbed a bit in November but remains at 5.7% y/y while core inflation accelerated to 2.9% y/y (chart 14).

The Reserve Bank of Australia's policy decision on Monday evening will be monitored for two possible though unlikely hints in light of the arrival of the Omicron variant and the uncertainties it represents. First, while they have stated that the A\$4 billion/week bond purchase program will be re-evaluated at the next meeting in February, we'll be watching for hints that they are perhaps leaning toward curtailing or ending it. A full discussion at the February meeting likely makes it premature to expect much just yet. This would be a further step after abandoning its 3-year yield target under pressure from financial markets. Second, any discussion around potential timing of rate hikes is unlikely at this meeting but conditions around growing consensus opinions that it may bring forward its guidance somewhat may be discussed.

The Reserve Bank of India's policy decision on Tuesday evening (ET) is not expected to reveal major shifts in policy guidance. Discussion around forward guidance for policy tightening in 2022 may be a risk in light of rising core inflation (chart 15).

While their central banks won't be making policy decisions over the coming week, local monetary policy considerations may be further informed by a wave of CPI inflation updates for November starting with Colombia on Saturday, followed by Philippines on Monday, then Chile and Taiwan on Tuesday, Mexico on Thursday and Norway on Friday. I'll write about those during the week as they arise.

Chart 12

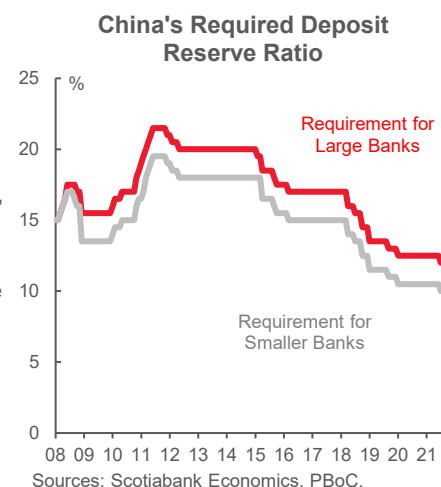


Chart 13

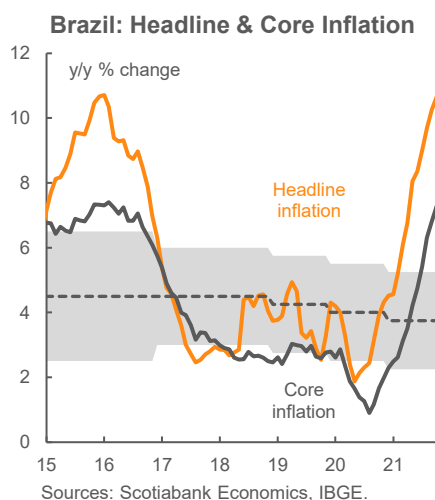


Chart 14

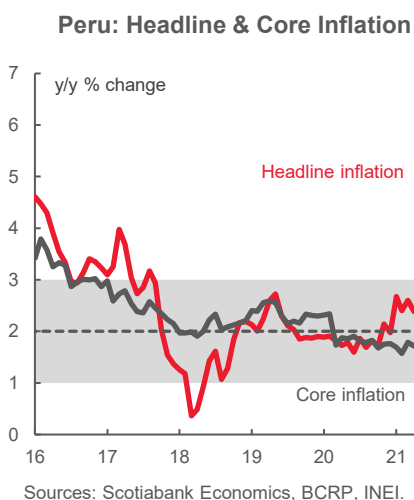


Chart 15



Key Indicators for week of December 6 – 10

NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	12/07	08:30	Merchandise Trade Balance (C\$ bn)	Oct	1.75	--	1.9
US	12/07	08:30	Productivity (q/q a.r.)	3Q F	--	-4.9	-5.0
US	12/07	08:30	Trade Balance (US\$ bn)	Oct	-65.7	-67.0	-80.9
US	12/07	08:30	Unit Labor Costs (q/q a.r.)	3Q F	--	8.3	8.3
US	12/07	15:00	Consumer Credit (US\$ bn m/m)	Oct	--	25.5	29.9
US	12/08	07:00	MBA Mortgage Applications (w/w)	Dec 3	--	--	-7.2
CA	12/08	10:00	BoC Interest Rate Announcement (%)	Dec 8	0.25	0.25	0.25
US	12/08	10:00	JOLTS Job Openings (000s)	Oct	--	10,600	10,438
MX	12/09	07:00	Bi-Weekly Core CPI (% change)	Nov 30	--	0.1	0.2
MX	12/09	07:00	Bi-Weekly CPI (% change)	Nov 30	--	0.3	0.7
MX	12/09	07:00	Consumer Prices (m/m)	Nov	1.0	1.0	0.8
MX	12/09	07:00	Consumer Prices (y/y)	Nov	7.2	7.3	6.2
MX	12/09	07:00	Consumer Prices Core (m/m)	Nov	0.3	0.3	0.5
US	12/09	08:30	Initial Jobless Claims (000s)	Dec 4	220	230	222
US	12/09	08:30	Continuing Claims (000s)	Nov 27	1,900	1,910	1,956
US	12/09	10:00	Wholesale Inventories (m/m)	Oct F	--	2.2	2.2
MX	12/10	07:00	Industrial Production (m/m)	Oct	--	--	-1.4
MX	12/10	07:00	Industrial Production (y/y)	Oct	--	1.4	1.6
CA	12/10	08:30	Capacity Utilization (%)	3Q	82.2	--	82.0
US	12/10	08:30	CPI (m/m)	Nov	0.5	0.7	0.9
US	12/10	08:30	CPI (y/y)	Nov	6.8	6.8	6.2
US	12/10	08:30	CPI (index)	Nov	278.0	278.0	276.6
US	12/10	08:30	CPI ex. Food & Energy (m/m)	Nov	0.4	0.5	0.6
US	12/10	08:30	CPI ex. Food & Energy (y/y)	Nov	4.9	4.9	4.6
US	12/10	10:00	U. of Michigan Consumer Sentiment	Dec P	68.0	67.7	67.4
US	12/10	14:00	Treasury Budget (US\$ bn)	Nov	--	--	-165.1

EUROPE

Country	Date	Time	Indicator	Period	Consensus	Latest
GE	12/06	02:00	Factory Orders (m/m)	Oct	-0.3	1.3
UK	12/06	04:30	PMI Construction	Nov	54.2	54.6
GR	12/06	05:00	Real GDP NSA (y/y)	3Q	--	16.4
GE	12/07	02:00	Industrial Production (m/m)	Oct	0.9	-1.1
FR	12/07	02:45	Current Account (€ bn)	Oct	--	-2,664
FR	12/07	02:45	Trade Balance (€ mn)	Oct	-6,900	-6,777
EC	12/07	05:00	Employment (q/q)	3Q F	--	0.9
EC	12/07	05:00	GDP (q/q)	3Q F	2.2	2.2
EC	12/07	05:00	ZEW Survey (Economic Sentiment)	Dec	--	25.9
GE	12/07	05:00	ZEW Survey (Current Situation)	Dec	5.0	12.5
GE	12/07	05:00	ZEW Survey (Economic Sentiment)	Dec	25.0	31.7
GE	12/09	02:00	Current Account (€ bn)	Oct	17.0	15.4
GE	12/09	02:00	Trade Balance (€ bn)	Oct	14.3	16.0
GE	12/10	02:00	CPI (m/m)	Nov F	-0.2	-0.2
GE	12/10	02:00	CPI (y/y)	Nov F	5.2	5.2
GE	12/10	02:00	CPI - EU Harmonized (m/m)	Nov F	0.3	0.3
GE	12/10	02:00	CPI - EU Harmonized (y/y)	Nov F	6.0	6.0
UK	12/10	02:00	Index of Services (m/m)	Oct	0.4	0.7
UK	12/10	02:00	Industrial Production (m/m)	Oct	0.1	-0.4
UK	12/10	02:00	Manufacturing Production (m/m)	Oct	0.1	-0.1
UK	12/10	02:00	Visible Trade Balance (£ mn)	Oct	-14,400	-15
SP	12/10	03:00	Industrial Output NSA (y/y)	Oct	--	1.9
IT	12/10	04:00	Industrial Production (m/m)	Oct	0.3	0.1

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

Key Indicators for week of December 6 – 10

ASIA-PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
AU	12/05	19:30	ANZ Job Advertisements (m/m)	Nov	--	--	6.2
SK	12/06	18:00	Current Account (US\$ mn)	Oct	--	--	10,068
JN	12/06	18:30	Household Spending (y/y)	Oct	--	-0.6	-1.9
AU	12/06	19:30	House Price Index (y/y)	3Q	--	21.7	16.8
PH	12/06	20:00	CPI (y/y)	Nov	4.1	4.0	4.6
PH	12/06	20:00	Unemployment Rate (%)	Oct	--	--	8.9
AU	12/06	22:30	RBA Cash Target Rate (%)	Dec 7	0.1	0.1	0.1
JN	12/07	00:00	Coincident Index CI	Oct P	--	89.9	88.7
JN	12/07	00:00	Leading Index CI	Oct P	--	102.8	100.9
AU	12/07	00:30	Foreign Reserves (AUD bn)	Nov	--	--	76.0
MA	12/07	02:00	Foreign Reserves (US\$ bn)	Nov 30	--	--	116.5
TA	12/07	03:00	CPI (y/y)	Nov	2.8	2.5	2.6
TA	12/07	03:00	Exports (y/y)	Nov	--	22.3	24.6
TA	12/07	03:00	Imports (y/y)	Nov	--	24.5	37.2
TA	12/07	03:00	Trade Balance (US\$ bn)	Nov	--	5.3	6.1
SI	12/07	04:00	Foreign Reserves (US\$ mn)	Nov	--	--	419,032
JN	12/07	18:50	Bank Lending (y/y)	Nov	--	--	0.9
JN	12/07	18:50	Current Account (¥ bn)	Oct	--	1274.9	1033.7
JN	12/07	18:50	GDP (q/q)	3Q F	--	-0.8	-0.8
JN	12/07	18:50	GDP Deflator (y/y)	3Q F	--	-1.1	-1.1
JN	12/07	18:50	Trade Balance - BOP Basis (¥ bn)	Oct	--	135.4	-229.9
IN	12/07	23:30	Repo Rate (%)	Dec 8	4.00	4.00	4.00
IN	12/07	23:30	Reverse Repo Rate (%)	Dec 8	3.35	3.35	3.35
IN	12/07	23:30	Cash Reserve Ratio (%)	Dec 8	4.00	4.00	4.00
CH	12/07		Foreign Reserves (US\$ bn)	Nov	--	3,205	3,218
CH	12/07		Exports (y/y)	Nov	--	19.8	27.1
CH	12/07		Imports (y/y)	Nov	--	22.0	20.6
CH	12/07		Trade Balance (USD bn)	Nov	--	82.1	84.5
NZ	12/08	16:45	Manufacturing Activity	3Q	--	--	3.9
JN	12/08	18:50	Japan Money Stock M2 (y/y)	Nov	--	4.1	4.2
JN	12/08	18:50	Japan Money Stock M3 (y/y)	Nov	--	3.7	3.7
CH	12/08	20:30	CPI (y/y)	Nov	2.0	2.5	1.5
CH	12/08	20:30	PPI (y/y)	Nov	--	12.0	13.5
ID	12/08		Consumer Confidence Index	Nov	--	--	113.4
JN	12/09	01:00	Machine Tool Orders (y/y)	Nov P	--	--	81.5
NZ	12/09	16:30	Business NZ PMI	Nov	--	--	54.3
PH	12/09	20:00	Exports (y/y)	Oct	--	5.9	6.3
PH	12/09	20:00	Imports (y/y)	Oct	--	26.7	24.8
PH	12/09	20:00	Trade Balance (US\$ mn)	Oct	--	-3,807	-3,996
MA	12/09	23:00	Industrial Production (y/y)	Oct	--	4.6	2.5
CH	12/09		New Yuan Loans (bn)	Nov	1,400	1,590	826
IN	12/10	07:00	Industrial Production (y/y)	Oct	--	4.30	3.10

LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CO	12/04	12:00	Consumer Price Index (m/m)	Nov	--	0.2	0.0
CO	12/04	12:00	Consumer Price Index (y/y)	Nov	--	5.0	4.6
CL	12/07	7:00	CPI (m/m)	Nov	0.5	0.5	1.3
CL	12/07	7:00	CPI (y/y)	Nov	6.7	6.7	6.0
BZ	12/08	07:00	Retail Sales (m/m)	Oct	--	1.0	-1.3
BZ	12/08	07:00	Retail Sales (y/y)	Oct	--	-5.6	-5.5
BZ	12/08	16:30	SELIC Target Rate (%)	Dec 8	9.25	9.25	7.75
PE	12/09	18:00	Reference Rate (%)	Dec 9	2.50	--	2.0
BZ	12/10	07:00	IBGE Inflation IPCA (m/m)	Nov	--	1.1	1.3
BZ	12/10	07:00	IBGE Inflation IPCA (y/y)	Nov	--	10.9	10.7

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

Global Auctions for week December 6 – 10

NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	12/07	13:00	U.S. To Sell USD54 Bln 3-Year Notes
US	12/08	13:00	U.S. To Sell USD36 Bln 10-Year Notes
US	12/09	13:00	U.S. To Sell USD22 Bln 30-Year Bonds Reopening

EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
NE	12/07	04:00	Netherlands to Sell Up to EU3 Billion of 2% 2024 Bonds
UK	12/07	05:00	U.K. to Sell GBP1.5 Billion of 1.25% 2051 Bonds
GE	12/07	05:30	Germany to Sell EU4 Billion of 2023 Bonds
DE	12/08	04:15	Denmark to Sell 0% 2024 Bonds
DE	12/08	04:15	Denmark to Sell 0% 2031 Bonds
NO	12/08	05:00	Norway to Sell Bonds
SZ	12/08	05:15	Switzerland to Sell Bonds
GE	12/08	05:30	Germany to Sell EUR 3 Bln of 0% 2031 Bonds

ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
AU	12/05	19:00	Australia to Sell A\$1.5 Billion 0.25% 2024 Bonds
CH	12/06	02:00	Qinghai to Sell CNY670.02 Mln 10Y Bonds
CH	12/06	21:30	Gansu to Sell CNY4.30033 Bln 10Y Bonds
JN	12/06	22:35	Japan to Sell 30-Year Bonds
AU	12/07	19:00	Australia to Sell A\$1 Billion 1% 2031 Bonds
CH	12/07	21:35	China to Sell CNY 64Bln 2-Yr Upsize Bond
CH	12/07	21:35	China to Sell CNY 64Bln 5-Yr Upsize Bond
JN	12/08	22:35	Japan to Sell 5-Year Bonds
CH	12/09	22:00	China Plans to Sell 30-Yr Upsize Bond

LATIN AMERICA

No Scheduled Auctions.

Events for week of December 6 – 10**NORTH AMERICA**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CA	12/08	10:00	Bank of Canada Rate Decision

EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
SW	12/06	03:30	Riksbank Publishes Minutes From Nov. 24 Meeting
UK	12/06	06:30	BOE's Broadbent speaks
UK	12/10		United Kingdom Sovereign Debt to be rated by Fitch

ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
AU	12/06	22:30	RBA Cash Rate Target
AU	12/08	17:00	RBA Governor Lowe speaks at Payments Summit
IN	12/07	23:30	RBI Repurchase Rate
IN	12/07	23:30	RBI Reverse Repo Rate
IN	12/07	23:30	RBI Cash Reserve Ratio

LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
BZ	12/08	16:30	Selic Rate
PE	12/09	18:00	Reference Rate

Sources: Bloomberg, Scotiabank Economics.

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	0.25	December 8, 2021	0.25	0.25
Federal Reserve – Federal Funds Target Rate	0.25	December 15, 2021	0.25	0.25
Banco de México – Overnight Rate	5.00	December 16, 2021	5.25	5.25

Bank of Canada (BoC): No major policy shifts are likely at Wednesday's statement-only meeting as the BoC will likely wish to return with revised forecasts for the January meeting. The next day's speech by Deputy Governor Gravelle may provide further guidance on balance sheet management.

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	December 16, 2021	0.00	0.00
European Central Bank – Marginal Lending Facility Rate	0.25	December 16, 2021	0.25	0.25
European Central Bank – Deposit Facility Rate	-0.50	December 16, 2021	-0.50	-0.50
Bank of England – Bank Rate	0.10	December 16, 2021	0.25	0.25
Swiss National Bank – Libor Target Rate	-0.75	TBA	-0.75	-0.75
Central Bank of Russia – One-Week Auction Rate	7.50	December 17, 2021	8.00	8.00
Sweden Riksbank – Repo Rate	0.00	February 10, 2022	0.00	0.00
Norges Bank – Deposit Rate	0.25	December 16, 2021	0.50	0.50
Central Bank of Turkey – Benchmark Repo Rate	15.00	December 16, 2021	14.75	14.75

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	December 17, 2021	-0.10	0.00
Reserve Bank of Australia – Cash Target Rate	0.10	December 6, 2021	0.10	0.10
Reserve Bank of New Zealand – Cash Rate	0.75	February 22, 2022	1.00	1.00
People's Bank of China – 1-Year Loan Prime Rate	3.85	December 19, 2021	3.85	3.85
Reserve Bank of India – Repo Rate	4.00	December 7, 2021	4.00	4.00
Bank of Korea – Bank Rate	1.00	January 14, 2022	1.00	1.00
Bank of Thailand – Repo Rate	0.50	December 22, 2021	0.50	0.50
Bank Negara Malaysia – Overnight Policy Rate	1.75	January 20, 2022	1.75	1.75
Bank Indonesia – 7-Day Reverse Repo Rate	3.50	December 16, 2021	3.50	3.50
Central Bank of Philippines – Overnight Borrowing Rate	2.00	December 16, 2021	2.00	2.00

Reserve Bank of Australia (RBA): The RBA will make a monetary policy decision on December 7. We do not expect any changes to the RBA's policy parameters; in fact, Australian monetary conditions will remain supportive of economic growth for an extended period. Nevertheless, we believe that the RBA is too dovish in its expectation of the benchmark interest rate remaining on hold at 0.10% for several years. We believe the RBA will need to start normalizing monetary policy in 2023 at the latest. **Reserve Bank of India (RBI):** The RBI will make a monetary policy announcement on December 8. While we expect monetary conditions to remain unchanged in the near term, persistently high core inflation complicates the RBI's monetary policymaking at the time of nascent economic recovery. Inflationary pressures and financial stability considerations are expected to prompt the central bank to commence a cautious monetary normalization phase in the first half of 2022.

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	7.75	December 8, 2021	9.25	9.25
Banco Central de Chile – Overnight Rate	2.75	December 14, 2021	4.00	3.75
Banco de la República de Colombia – Lending Rate	2.50	December 17, 2021	3.00	3.00
Banco Central de Reserva del Perú – Reference Rate	2.00	December 9, 2021	2.50	2.50

Banco Central do Brasil (BCB): We expect the BCB to further raise the Selic rate by another 150 bps to 9.25% at the December meeting. This call comes on the heels of an earlier 150 bps increase announced by the BCB and the central bank said at the time that "For the next meeting, the Committee foresees another adjustment of the same magnitude." Double digit policy rates are likely as we move through 2022. **Banco Central de Reserva del Perú (BCRP):** November inflation pulled back a tenth of a percent to 5.7% y/y, but still remains elevated above the 4.9% BCRP year-end projection. We expect the BCRP to raise the reference rate by 50 bps on December 9. We expect inflation to continue rising into early 2022, leading the BCRP to implement a further 150 bps of increases through the year, taking the reference rate to 4.00% by end-2022.

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	3.75	January 27, 2022	3.75	4.00

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

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