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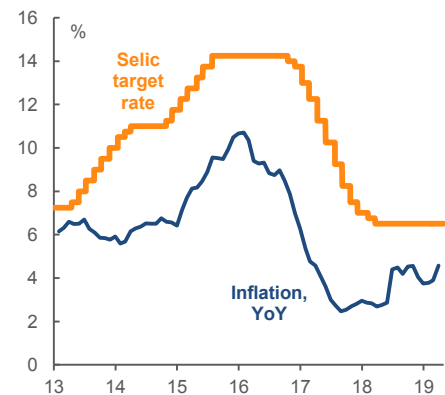
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**Next Week's Risk Dashboard**

- US-China trade talks
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- CDN macro: jobs, trade, housing
- US macro: trade, PPI
- China PMIs, reserves, trade, financing
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**Chart of the Week**

**Brazil On a Holding Pattern**



Sources: Scotiabank Economics, Banco Central do Brasil, Bloomberg.

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

## B20 B4 9

### CANADA—POLOZ TO ADDRESS THE MORTGAGE INDUSTRY

Canada faces a significant line-up of macro reports, earnings and a potentially important speech by Bank of Canada Governor Stephen Poloz. This will be juxtaposed on top of a packed global calendar of nine central bank decisions, potentially key trade policy developments and significant global macro releases that could impact Canada's open economy and markets.

**Governor Poloz speaks about “The future of Canada’s mortgage market” on Monday at 2pmET.** The speech will be available at 1:45pmET and a press conference will follow at 3:30pmET. It's doubtful we'll hear anything of added relevance to broader monetary policy given heavy BoC communications of late. That said, Poloz has tended to emphasize the ingredients to a positive macroeconomic outlook that doesn't sustainably require the current degree of accommodation notwithstanding its suitability for current circumstances.

Instead, there are at least two main topics that Poloz may address.

#### 1. The outlook for housing

The BoC assumes housing returns as a positive contributor to GDP growth next year as multiple effects on housing markets stabilize including the effects of past policy changes and volatile oil prices. To quote verbatim from the MPR, the BoC said: “By 2020, provincial and municipal housing market policies and tighter mortgage finance guidelines are no longer expected to slow household spending growth.” That may be thin gruel to those desiring a quicker rebound, but the BoC's fresh forecasts and guidance remain generally constructive.

#### 2. Mortgage rules

Poloz may dredge up the usual list of arguments behind why Canada's housing and mortgage markets are unlike the challenges facing the US and UK among others starting over a decade ago. That will be little news to an informed domestic audience. Further, **don't expect the Governor to come down in favour of rather intense real estate industry lobbying pressures for easier mortgage rules such as abandoning or watering down B20.** For one thing, Governor Poloz has already said that the rules have served their intended purpose to insulate the economy from downside risks associated with home buyers over-reaching in frothy housing markets by over-leveraging their financial positions. For another, Poloz rightly noted that other influences matter more when he recently stated:

“This suggests that provincial and municipal housing policy measures have had a much stronger impact on housing activity than changes to mortgage lending guidelines and past increases in interest rates. Supporting this analysis is the fact that many other markets across the country are seeing solid activity even though they have the same mortgage lending guidelines and interest rates.”

Poloz has been a strong supporter of using tightening through macroprudential tools in order to address stability issues. More fundamentally, I personally disagree with advice to abandon or relax B20. For one thing, I've likened the abandonment of B20 at this phase to be metaphorically similar to prematurely ceasing a course of antibiotics treatment just as the patient stabilizes and against doctor's orders. The housing and mortgage market is being put on firmer foundations. The riskiest tails of activity have been reined in. A half dozen or more bids per home listing is mostly a thing of the past. Vancouver's 33% y/y price gain in the Spring of 2017 is also in the rearview mirror. After having gone through all of this pain in adjusting housing markets that has yielded benefits of bringing in the tails of the riskiest financing behaviour, credibility would be shot by then turning around after the adjustments and saying “Just kidding, go back to what you were previously doing.”

In addition, I find that too often the shock-control economics of advice to abandon B20 is wanting. Consider the following points:

**Affordability wouldn't get sustainable relief.** It is pressured now partly because of the stress test. Eliminate the test—which is tantamount to a two percentage point easing of mortgage rates—and combine that with market-driven declines in mortgage rates. The result is a boom in house prices all over again. The same folks who can't afford housing because of the stress

test now would cry out a year or two from now that they can't afford housing because prices have become further out of reach and how did the government let that happen?

If housing markets were to tear higher in that scenario, then the take-back is that **the BoC would see one less hurdle to returning with rate hikes**. It would do so a) because of stronger economic growth, and b) perhaps because it now has to resort to using the blunt instrument of monetary policy to contain stability risks. It's a classic case of how you can't have your cake and eat it too. Sharply ease off mortgage rules and watch mortgage rates rise faster over time than they may well have otherwise. Now go do a keyword search for 'Bank of Canada' in articles done in favour of eliminating or easing B20; I'll spare you the effort in that this issue isn't even noted in passing.

**The argument that was given last year about how B20's 200bps rate shock needs to be lessened or abandoned because of higher mortgage rates is much less valid now.** The rally in global government bonds has lowered yields everywhere including the key 5 year GoC yield (chart 1). Mortgage rates have fallen. In any event, a measure like B20 is designed to address longer-term markets and is not something that within reason should adjust to cyclical turns in borrowing costs from month-to-month.

That B20 incited shifts away from federally regulated lenders toward less regulated entities is likely. **Is the way to address this to abandon tighter regulations that were designed to make the core of the financial system resilient?** Or is the preferred route to put pressure and accountability upon provincial governments to strengthen their own regulatory frameworks applied to lenders under their jurisdictions?

It's plausible that first time home buyers have been negatively impacted by B20 not just through the obvious stress test but also the relative price movements in favour of lower valued homes. That assumes first time home buyers were not over-reaching and buying more expensive homes previously and were among the ones who shifted into lower priced homes. It's also odd to suggest reintroducing froth to the entire housing market as a consequence to easing up on B20 or eliminating it just to address first time homebuyers' affordability challenges. There are alternative policy tools that can do so without impacting the entire housing market.

Overall, a holistic framework of interests needs to consider nearer-term revenues weighed against the downside risks to an over-leveraged housing market into some future economic downturn and what that could do to the entire economy. The right thing to do for affordability is for provincial and municipal governments with jurisdiction over supply-side matters to take more concrete steps in this regard.

**Continuing on the same housing theme will be Wednesday's update for housing starts in April.** Permit volumes remain elevated which may imply that at least some of the softening in housing starts has been due to weather-related considerations (chart 2).

**Canada's trade performance will be updated for March on Thursday.** Key will be whether the 4.1% plunge in export volumes during the prior month stabilizes if not rebounds. Recall that weakness was widespread, but there were important caveats. For one, StatsCan admitted it was dealing with guesswork when it estimated crude oil exports and so watch for revisions with more complete data. Second, recall that exports of metal and non-metallic mineral products were sharply lower in February mostly due to lower exports of gold to the UK which is where many such transactions are cleared and it was likely a one-off. Removing the effects of crude oil guesswork and gold yielded an export volume picture that was still weak, but less so. Overall, a modest rebound from February weakness in export volumes is reasonable to expect particularly as Alberta's mandated crude production cuts have been scaled back twice already since their initial introduction at the start of the year.

Chart 1

Canada Five Year Bond Yield

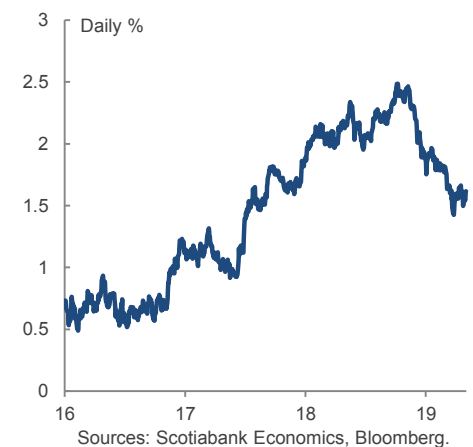
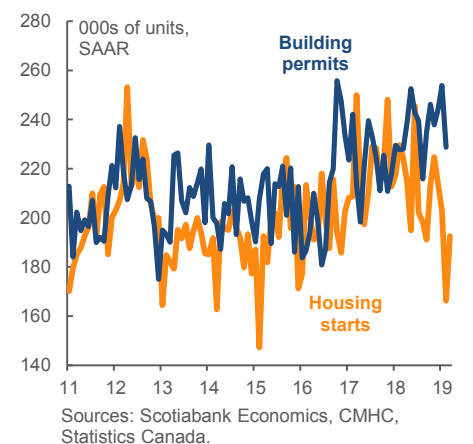


Chart 2

Is Weather Driving A Wedge Between Starts and Permits?



**Last, Friday brings a spin of the wheel for Canadian jobs.** The April report follows a small decline in employment during March (-7.2k) but the year is still up by about 65,000 jobs on net thanks to large gains in January and February.

Throughout it all, 103 firms release earnings reports with names like Air Canada, WestJet, Barrick Gold, Thomson Reuters, Home Capital, Sun Life, CNQ, Cineplex, Hydro One, Magna, Canadian Tire and TELUS on tap. The banks don't start to release until May 22<sup>nd</sup>.

**UNITED STATES—SHIFTING INFLATION GEARS**

The main points of emphasis over the coming week will be upon Friday's CPI inflation reading for April and the resumption of US-China trade negotiations in Washington.

**US-China trade negotiations recommence on Wednesday in Washington.** It is thought to be plausible that a deal may be announced as soon as the end of next week and a Xi-Trump summit could be held soon thereafter. The usual "people familiar with the negotiations" have indicated that a deal is in the works to phase out some of the bilateral tariffs.

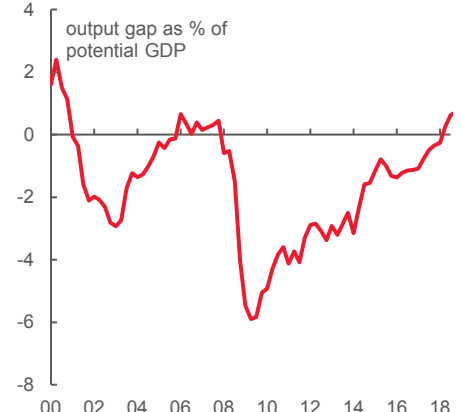
**CPI could well begin to rebound or at least stabilize in the upcoming print.**

Headline inflation is forecast to rise from 1.9% in March to 2.0% in April. Core CPI inflation is forecast to rise to 2.1% from 2% previously. The driver that works against such calls is the shift in year-ago base effects that would on its own drop inflation to 1.5%. Instead, this is the time of year when seasonal price gains on a month-ago basis can be large and they peak around the February through May period as apparel lines change seasons, as travel often picks up and as consumers in northern climates come out of hibernation. An average pace of seasonal price gains for a month of April would print headline inflation around 1.8%. Gasoline prices, however, have been soaring over recent months. In March, gas was little changed compared to the same month last year while April raised this by 3% that alone would raise headline inflation by 0.1% in year-ago terms versus March. On a month-ago basis, gasoline was up 10% in April. As for core CPI, a typical month of April alone would be enough to raise core CPI by a tick. More fundamentally, the drivers of inflation going forward are more likely to be a) a recent shift into excess aggregate demand conditions (chart 3), b) the fact the broad dollar's disinflationary influences are ebbing as the dollar moves sideways (chart 4) and c) the gradual abatement of transitory factors that Chair Powell emphasized.

**Does CPI matter though?** Yes and no. CPI matters to real return bonds. CPI matters to many labour negotiations and contracts. CPI is not, however, the Fed's preferred inflation gauge. The Fed has traditionally emphasized the price deflator for total consumer expenditures (PCE) and more narrowly the core PCE measure that strips out food and energy. This tended to be because PCE is more inclusive of a broader array of prices, such as medical care where CPI only includes spending by households. PCE also includes spending on behalf of households by governments and employers. It's also the case that PCE dynamically adjusts weights on what people spend their money on and where whereas CPI uses fixed weights that adjust periodically. PCE therefore captures spending shifts in response to relative price and income shifts more quickly and accurately than CPI.

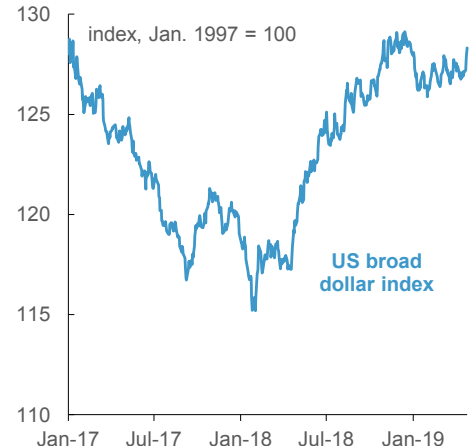
**But is the Fed now shifting gears away from PCE as well?** Yes and no. Even under Chair Yellen, the Fed emphasized a variety of price and wage signals and not

**Chart 3**  
**US Excess Demand is Running at a Nearly Two-Decade High**



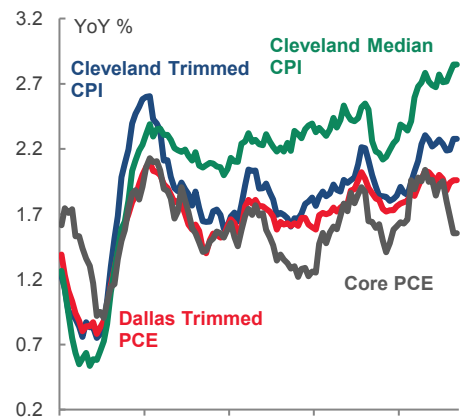
Sources: Scotiabank Economics, Congressional Budget Office.

**Chart 4**  
**A Topping Broad Dollar Could End Disinflation**



Source: Scotiabank Economics, US Federal Reserve.

**Chart 5**  
**Is The Fed Changing Its Preferred Inflation Measure?**



Sources: Scotiabank Economics, Bloomberg.

just one. Thus, the current framework of relying upon core PCE but supplementing it with alternative readings that weed out temporary and extraneous factors is not new. One can nevertheless fairly ask whether the Fed is going through a rather BoC- or RBA-like transformation in thinking toward inflation metrics by demonstrating a preference for readings that weed out the more volatile components in the tails. **Powell did so by emphasizing trimmed and median measures that are not slipping of late as core PCE has. Those alternative readings from the Dallas and Cleveland Feds suggest inflation is holding around target which was the center point of his "I'm not cutting" message to markets (chart 5).** PCE is too sensitive to the transitory, idiosyncratic measures that Powell suggested were causing core PCE inflation to be unexpectedly but temporarily soft in Q1 (see a recap of those factors [here](#)).

**Could Powell's preference toward such alternative central tendency measures of inflation translate into changes to formal targets?** They might, and perhaps as soon as the Fed's conference to be held at the Chicago Fed on June 4–5<sup>th</sup> (agenda [here](#)). In short, PCE could be on death watch and this could be very important to Fed watchers.

Recall that the Fed wants a framework for targeting inflation that relies upon less volatile and more smoothed measures that perhaps also account for past misses (like years of undershooting...). Price level and NGDP targeting are two options but they may be too radical and difficult to communicate and implement. Price level targeting still leaves open the issue of what price level to use and when to commence tracking and over what time period. NGDP targeting theoretically makes a central bank indifferent to achieving the target whether through higher real output or higher prices which could make bond markets uneasy. NGDP is also heavily susceptible to endless rounds of revisions to GDP when the initial estimate can wind up bearing little to no resemblance to the final estimate.

Another alternative is a **multi-year average inflation target**. Another is **an inflation target range** instead of just 2% which would be like the BoC's 1–3%. A range or multi-year average would connote a similar degree of flexibility to catching up for past overshoots/undershoots and allowing the Fed to have more flexibility around interpreting distortions to PCE spot readings. Another possibility that could be combined with the others would be to change from PCE itself and perhaps adopt something like the monthly trimmed/median/common measures used by the BoC or the RBA's trimmed mean and weighted median measures.

Added indicators on tap will include producer prices for April (Thursday), weekly jobless claims and the US trade balance in March (Thursday) that could inform Q1 GDP revisions. Higher oil prices could lead a widened deficit as the US remains a net crude oil importer (chart 6).

Fed-speak will be back again. Two voting regional Fed Presidents (Evans Thursday, Williams Friday) will speak, as well as three nonvoting members including Philly's Harker (Monday), Dallas President Kaplan (Tuesday) and Atlanta's Bostic (Thursday and Friday).

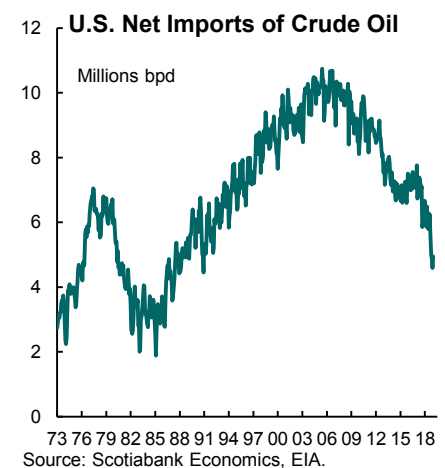
Earnings season cools off somewhat with just 58 S&P500 firms on tap. Names will include Berkshire Hathaway, AIG and Walt Disney.

## EUROPE—HAWKS AND GREEN SHOOTS

**Norway might inch closer to an expected rate hike with guidance to be provided next week while macroeconomic data will be particularly focused upon the UK and Germany.**

**Brexit-related inventory stockpiling is expected to play a significant role in driving Q1 GDP growth on Friday.** It's plausible that growth accelerates to about the ½% q/q non-annualized pace after only 0.2% growth in Q4. That said, the Bank of England's revised forecasts ([here](#)) expect growth to come right back down in Q2 as Brexit-related stocking of inventories dissipates. Secondary releases will include March readings for industrial output, construction output, trade and the services index all on Friday.

Chart 6



**German industrial and trade figures could offer a mixed set of readings on how the economy performed in March.** Factory orders (Tuesday) are expected to rise, but mostly just because the prior month's 4.2% drop was the biggest since January 2017. Industrial output (Wednesday) is expected to retrench following a solid prior rise and the rest of the hopes are pinned upon volatile trade figures (Friday) after both exports and imports fell in February.

**Norges Bank is likely to reinforce a relatively hawkish bias but hold its policy rate at 1.0% next Thursday.** Recall that Governor Øystein stated the following at the last meeting in March:

“Our current assessment of the outlook and balance of risks suggest that the policy rate will most likely be increased further in the course of the next half-year.”

Since then, March's underlying inflation that excludes energy and tax changes climbed by a tick to 2.7% y/y. That was stronger than both Norges Bank (2.6%) and consensus (2.5%) had anticipated. Underlying inflation has been rapidly rebounding over the past year (chart 7). CPI will again be updated this time for April but not until the day after the central bank's decision. Pricing for future rate actions could be whipsawed into the close of the week.

Trade figures will also be updated by France (Tuesday). Industrial output is due out from France (Friday), Italy (Friday) and Spain (Thursday). Sundry other reports will include Q1 French wage growth (Friday), Italy's services and composite PMIs (Monday) and Spain's April services and composite PMIs (Monday) and Italian retail sales in March (Friday).

### ASIA-PACIFIC—FIVE LITTLE MONKEYS JUMPING ON THE BED...

**China macro reports, the next round of US-China trade negotiations (see US section) and no fewer than five central bank decisions will offer plenty of potential market action.** One issue is whether the Fed's more hawkish guidance this past week will factor into incrementally more cautious stances by regional central banks weighed against prospects for reduced risks to trade policy.

**China releases April readings for a batch of variables over the coming week.** They will enhance the understanding of whether momentum continues into Q2 or not and in the wake of the slightly softer state PMIs. The private sector versions of the services and composite PMIs arrive Sunday night (eastern time). Foreign reserves will follow the next day. Trade figures land mid-week. CPI inflation is due on Wednesday night. Credit and money supply figures will arrive either next week or the week thereafter.

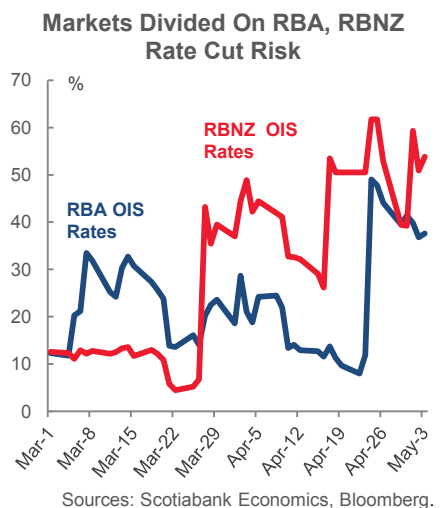
**Tuesday's RBA policy decision is likely to keep the cash rate target on hold at 1.5% but the bias will be closely scrutinized.** Recall that Q1 CPI inflation eased to 1.3% y/y (1.8% prior, 1.5% consensus) which puts it significantly below the RBA's 2–3% inflation target range. The trimmed mean (1.6% y/y, 1.8% prior, 1.7% consensus) and weighted median (1.2% y/y, 1.6% prior revised down a tick, 1.6% consensus) inflation readings also fell. That was enough to prompt intensified pricing for a rate cut that now stands at about 50–50 odds by June (chart 8) and with a cut fully priced by the end of the year. Nevertheless, recall that this only satisfies one of the RBA's criteria for easing laid out at its April 1<sup>st</sup> meeting:

“Members also discussed the scenario where inflation did not move any higher and unemployment trended up, noting that a decrease in the cash rate would likely be appropriate in these circumstances.”

Chart 7



Chart 8



The unemployment rate has held around the 5% range over the past six months or so, and job growth has been sustainably strong including 71,000 jobs created so far this year.

**Tuesday’s RBNZ decision is more uncertain.** There is a nearly even split within consensus between those expecting a dovish hold at a cash rate of 1.75% and those expecting a 25bps rate cut. OIS markets are identically divided with roughly 50–50 odds of a cut at this meeting (chart 8 again). After the last meeting on March 26<sup>th</sup>, Governor Adrian Orr was quite blunt with his guidance:

“Given the weaker global economic outlook and reduced momentum in domestic spending, the more likely direction of our next OCR move is down.”

Since then, inflation fell to 1.5% y/y in Q1 (1.9% prior, 1.7% consensus). The question is whether the central bank will be patient and evaluate improving global markets and economic conditions as well as the ripple effect of the more hawkish sounding Federal Reserve and hold off on adjustment next week.

**Bankgo Sentral ng Pilipinas is expected to cut its overnight borrowing rate by 25bps** to 4.5% on Thursday. Governor Diokno guided very recently that “It’s just a matter of timing. We can cut policy rates and reduce RRR.”

**Bank Negara Malaysia could join the Philippines in cutting rates.** Very soft inflation at 0.2% y/y with core at 0.5% y/y provides cover for easing after the policy rate has been on hold since January of last year.

**Bank of Thailand is expected to stay on hold** at a benchmark rate of 1.75% on Wednesday. Core inflation remains very soft at 0.6% y/y but in the past with headline inflation only just inside the lower end of the 1–4% policy target range. The central bank is monitoring US-China trade talks and spillover effects plus financial stability.

Against this wave of central banks, data is likely to pose minimal risk and strictly to regional markets with no global implications. Australian trade (Monday) and retail sales (Monday) both land for March. Indonesian Q1 GDP growth arrives at the start of the week amid expectations for a stable growth rate of about 5.2% y/y. Philippines GDP growth is due out Wednesday night (eastern time) and here too stability at about 6% y/y is expected. Taiwan will also report CPI for April on Tuesday and core inflation is likely to remain exceptionally low (0.5% y/y prior month).

## LATIN AMERICA—ON HOLD ACROSS THE AMERICAS?

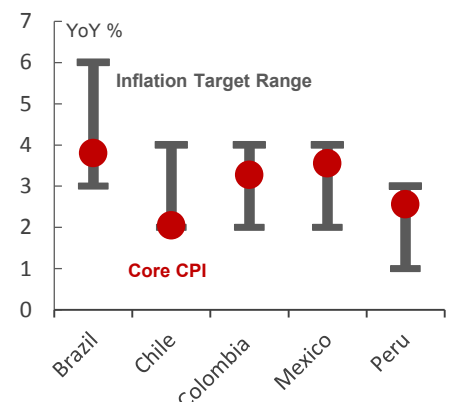
**Three central bank decisions and four inflation reports** may have the region hopping with its own domestically derived price action alongside imported spillover effects of global developments.

**None of the three central banks are expected to alter policy stances by contrast to possible developments across the Asia Pacific region.** In fact, central banks throughout the Americas are holding off on easing including the recently somewhat more hawkish sounding Fed and Bank of Canada. Our team of crack economists based throughout Latin America thinks Banco Central do Brasil will hold at 6.5% on Wednesday (Eduardo Suárez), and then Chile (Benjamin Sierra) and Peru (Guillermo Arbe) will both follow up with holds at 3% and 2.75% respectively the following day.

Our research analyst Evan Andrade gets artistry points for coming up with chart 9 that helps inform these expectations. In all cases, inflation is roughly within the inflation target ranges for each central bank but with Chile’s rate hugging bottom. Four of these countries update inflation readings for April starting with Colombia this weekend, Chile on Wednesday and then Mexico and Brazil on Friday.

Chart 9

### LATAM Inflation Within Targets



Sources: Scotiabank Economics, Bloomberg, Central Bank News.

## Key Indicators for the week of May 6 – 10

### NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	05/07	10:00	JOLTS Job Openings (000s)	Mar	--	--	7087
US	05/07	15:00	Consumer Credit (US\$ bn m/m)	Mar	--	17.0	15.2
US	05/08	07:00	MBA Mortgage Applications (w/w)	MAY 3	--	--	-4.3
CA	05/08	08:15	Housing Starts (000s a.r.)	Apr	200	--	192
CA	05/09	08:30	Merchandise Trade Balance (C\$ bn)	Mar	-2.7	--	-2.9
CA	05/09	08:30	New Housing Price Index (m/m)	Mar	--	--	0.0
US	05/09	08:30	Initial Jobless Claims (000s)	MAY 4	215	215	230
US	05/09	08:30	Continuing Claims (000s)	APR 27	1650	1660	1671
US	05/09	08:30	PPI (m/m)	Apr	0.2	0.2	0.6
US	05/09	08:30	PPI ex. Food & Energy (m/m)	Apr	0.1	0.2	0.3
US	05/09	08:30	Trade Balance (US\$ bn)	Mar	-53	-51	-49
MX	05/09	09:00	Bi-Weekly Core CPI (% change)	Apr 30	0.2	--	0.4
MX	05/09	09:00	Bi-Weekly CPI (% change)	Apr 30	0.1	--	0.0
MX	05/09	09:00	Consumer Prices (m/m)	Apr	0.1	--	0.4
MX	05/09	09:00	Consumer Prices (y/y)	Apr	4.4	--	4.0
MX	05/09	09:00	Consumer Prices Core (m/m)	Apr	0.6	--	0.3
CA	05/10	08:30	Building Permits (m/m)	Mar	--	--	-5.7
CA	05/10	08:30	Employment (000s m/m)	Apr	25	--	-7.2
CA	05/10	08:30	Unemployment Rate (%)	Apr	5.8	--	5.8
US	05/10	08:30	CPI (m/m)	Apr	0.4	0.4	0.4
US	05/10	08:30	CPI (y/y)	Apr	2.0	2.1	1.9
US	05/10	08:30	CPI (index)	Apr	--	256	254
US	05/10	08:30	CPI ex. Food & Energy (m/m)	Apr	0.2	0.2	0.1
US	05/10	08:30	CPI ex. Food & Energy (y/y)	Apr	2.1	2.1	2.0
US	05/10	14:00	Treasury Budget (US\$ bn)	Apr	--	165	-147
MX	05/10	09:00	Industrial Production (m/m)	Mar	0.9	--	0.3
MX	05/10	09:00	Industrial Production (y/y)	Mar	2.8	--	-0.8

### EUROPE

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
IT	05/06	03:45	Services PMI	Apr	--	51.8	53.1
FR	05/06	03:50	Services PMI	Apr F	--	50.5	50.5
GE	05/06	03:55	Services PMI	Apr F	--	55.6	55.6
EC	05/06	04:00	Composite PMI	Apr F	--	51.3	51.3
EC	05/06	04:00	Services PMI	Apr F	--	52.5	52.5
EC	05/06	05:00	Retail Trade (m/m)	Mar	--	-0.1	0.4
GE	05/07	02:00	Factory Orders (m/m)	Mar	--	1.5	-4.2
FR	05/07	02:45	Current Account (€ bn)	Mar	--	--	-778
FR	05/07	02:45	Trade Balance (€ mn)	Mar	--	-4500	-4002
UK	05/07	03:30	Halifax House Price (3 month, y/y)	Apr	--	4.5	2.6
GE	05/08	02:00	Industrial Production (m/m)	Mar	--	-0.5	0.7
SP	05/09	03:00	Industrial Output NSA (y/y)	Mar	--	--	-0.2
NO	05/09	04:00	Norwegian Deposit Rates (%)	May 9	--	1.00	1.00
GE	05/10	02:00	Current Account (€ bn)	Mar	--	25.5	16.3
GE	05/10	02:00	Trade Balance (€ bn)	Mar	--	18.9	18.0
FR	05/10	02:45	Industrial Production (m/m)	Mar	--	-0.5	0.4
FR	05/10	02:45	Industrial Production (y/y)	Mar	--	0.0	0.6
FR	05/10	02:45	Manufacturing Production (m/m)	Mar	--	--	1.1
IT	05/10	04:00	Industrial Production (m/m)	Mar	--	-0.7	0.8
UK	05/10	04:30	Business Investment (q/q)	1Q P	--	-0.9	-0.9
UK	05/10	04:30	GDP (q/q)	1Q P	--	0.5	0.0
UK	05/10	04:30	Index of Services (m/m)	Mar	--	0.1	0.1
UK	05/10	04:30	Industrial Production (m/m)	Mar	--	0.2	0.6
UK	05/10	04:30	Manufacturing Production (m/m)	Mar	--	0.1	0.9
UK	05/10	04:30	Visible Trade Balance (£ mn)	Mar	--	-13650	-14112

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



## Key Indicators for the week of May 6 – 10

### ASIA-PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
HK	05/05	20:30	Purchasing Managers Index	Apr	--	--	48.0
AU	05/05	21:30	ANZ Job Advertisements (m/m)	Apr	--	--	-1.7
CH	05/05	21:45	Caixin Services PMI	Apr	--	54.2	54.4
ID	05/05-05/06		Real GDP (y/y)	1Q	5.1	5.2	5.2
ID	05/05-05/06		Consumer Confidence Index	Apr	--	--	124.5
JN	05/06	20:30	Markit/JMMA Manufacturing PMI	Apr F	49.5	--	49.5
PH	05/06	21:00	CPI (y/y)	Apr	3.0	3.1	3.3
AU	05/06	21:30	Retail Sales (m/m)	Mar	--	0.2	0.8
AU	05/06	21:30	Trade Balance (AUD mn)	Mar	--	4490	4801
CH	05/06-05/07		Foreign Reserves (US\$ bn)	Apr	3100	3102	3099
JN	05/07	01:00	Vehicle Sales (y/y)	Apr	--	--	-4.7
AU	05/07	02:30	Foreign Reserves (AUD bn)	Apr	--	--	77.1
MA	05/07	03:00	Foreign Reserves (US\$ bn)	Apr 30	--	--	103.5
MA	05/07	03:00	<b>Overnight Rate (%)</b>	<b>May 7</b>	<b>3.25</b>	<b>3.00</b>	<b>3.25</b>
TA	05/07	04:00	CPI (y/y)	Apr	0.7	0.5	0.6
TA	05/07	04:00	Exports (y/y)	Apr	--	-3.3	-4.4
TA	05/07	04:00	Imports (y/y)	Apr	--	2.9	6.6
TA	05/07	04:00	Trade Balance (US\$ bn)	Apr	--	3.1	3.1
SI	05/07	05:00	Foreign Reserves (US\$ mn)	Apr	--	--	295475
SK	05/07	19:00	Current Account (US\$ mn)	Mar	--	--	3602
JN	05/07	19:50	Monetary Base (y/y)	Apr	--	--	3.8
PH	05/07	21:00	Exports (y/y)	Mar	--	-1.2	-0.9
PH	05/07	21:00	Imports (y/y)	Mar	--	4.0	2.6
PH	05/07	21:00	Trade Balance (US\$ mn)	Mar	--	-2660	-2790
NZ	05/07	22:00	<b>RBNZ Official Cash Rate (%)</b>	<b>May 8</b>	<b>1.75</b>	<b>1.50</b>	<b>1.75</b>
AU	05/07	00:30	<b>RBA Cash Target Rate (%)</b>	<b>May 7</b>	<b>1.50</b>	<b>1.25</b>	<b>1.50</b>
CH	05/07-05/08		Exports (y/y)	Apr	--	3.0	14.2
CH	05/07-05/08		Imports (y/y)	Apr	--	-2.0	-7.6
CH	05/07-05/08		Trade Balance (USD bn)	Apr	--	33.7	32.7
ID	05/07-05/08		Current Account Balance (US\$ mn)	1Q	--	-6208	-9148
TH	05/08	03:05	<b>BoT Repo Rate (%)</b>	<b>May 8</b>	<b>1.75</b>	<b>1.75</b>	<b>1.75</b>
CH	05/08	21:30	CPI (y/y)	Apr	2.3	2.5	2.3
CH	05/08	21:30	PPI (y/y)	Apr	--	0.6	0.4
PH	05/08	22:00	Real GDP (y/y)	1Q	6.0	6.0	6.3
JN	05/09	01:00	Consumer Confidence	Apr	--	40.3	40.5
PH	05/09	04:00	<b>Overnight Borrowing Rate (%)</b>	<b>May 9</b>	<b>4.50</b>	<b>4.50</b>	<b>4.75</b>
JN	05/09	19:30	Household Spending (y/y)	Mar	--	1.6	1.7
SI	05/09-05/17		Retail Sales (m/m)	Mar	--	--	-1.5
CH	05/09-05/15		New Yuan Loans (bn)	Apr	900	1175	1690
MA	05/10	00:00	Industrial Production (y/y)	Mar	--	2.0	1.7
SI	05/10	01:00	Retail Sales (y/y)	Mar	--	--	-10.0
IN	05/10	08:00	Industrial Production (y/y)	Mar	--	--	0.1

### LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CO	05/04	08:30	CPI (y/y)	Mar	--	3.1	3.2
CO	05/04	08:30	Core CPI (y/y)	Mar	--	--	3.5
CL	05/06	08:30	Economic Activity Index SA (m/m)	Mar	--	--	-0.2
CL	05/06	08:30	Economic Activity Index NSA (y/y)	Mar	--	1.9	1.4
CL	05/08	08:00	CPI (m/m)	Apr	--	--	0.1
CL	05/08	08:00	CPI (y/y)	Apr	--	--	1.8
BZ	05/08		<b>SELIC Target Rate (%)</b>	<b>May 8</b>	<b>6.50</b>	<b>6.50</b>	<b>6.50</b>
BZ	05/09	08:00	Retail Sales (m/m)	Mar	--	--	0.0
BZ	05/09	08:00	Retail Sales (y/y)	Mar	--	--	3.9
CL	05/09	18:00	<b>Nominal Overnight Rate Target (%)</b>	<b>May 31</b>	<b>3.00</b>	<b>3.00</b>	<b>3.00</b>
PE	05/09	19:00	<b>Reference Rate (%)</b>	<b>May 9</b>	<b>2.75</b>	--	<b>2.75</b>
PE	05/09-05/13		Trade Balance (USD mn)	Mar	--	--	229
BZ	05/10	08:00	IBGE Inflation IPCA (m/m)	Apr	--	0.6	0.8
BZ	05/10	08:00	IBGE Inflation IPCA (y/y)	Apr	3.7	5.0	4.6

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

## Global Auctions for the week of May 6 – 10

### NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	05/07	13:00	U.S. to Sell 3-Year Notes
CA	05/08	12:00	5Y Auction Size
CA	05/08	12:00	5Y Auction Yield
CA	05/08	12:00	Canada to Sell 5 Year Bonds
US	05/08	13:00	U.S. to Sell 10-Year Notes
US	05/09	13:00	U.S. to Sell 30-Year Bonds

### EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
LN	05/06	07:00	Lithuania to Sell Bonds
AS	05/07	05:15	Austria to Sell 0% 2023 Bonds On May 7
AS	05/07	05:15	Austria to Sell 0.5% 2029 Bonds On May 7
GE	05/07	05:30	Germany to Sell I/L Bonds on May 7

### ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CH	05/06	02:00	Sichuan to Sell CNY 16.84 Bln 20Y Bonds
CH	05/06	02:00	Sichuan to Sell CNY 3.68 Bln 5Y Bonds
CH	05/06	02:00	Sichuan to Sell CNY 8.753 Bln 7Y Bonds
CH	05/06	02:00	Sichuan to Sell CNY 11.47 Bln 10Y Bonds
CH	05/06	02:00	Sichuan to Sell CNY 125 Mln 15Y Bonds
CH	05/06	02:00	Sichuan to Sell CNY 1Bln 30Y Bonds
SK	05/06	21:30	Korea to Sell KRW 850Bln 3-Year Bond
SK	05/06	21:30	Korea Central Bank to Sell KRW 300Bln 182-Days Bond
SK	05/06	22:30	Korea to Sell KRW 1Tln 3-Year Bond
SK	05/07	01:00	Korea Central Bank to Sell KRW 600Bln 91-Days Bond
SK	05/07	22:30	Korea to Sell KRW 1.8Tln 30-Year Bond
CH	05/07	22:35	China to Sell CNY48 Bln 7-Yr Upsized Bonds
CH	05/07	22:35	China to Sell CNY48 Bln 3-Yr Upsized Bonds
JN	05/07	23:35	Japan to Sell 10-Year Bonds
NZ	05/08	22:05	New Zealand To Sell NZD200 Mln 3% 2029 Bonds
BM	05/09	04:00	Brunei to Sell BND100Mln 3M Islamic Notes
JN	05/09	23:35	Japan to Sell CPI Linked 10-Year Bonds
TA	05/10	00:30	Taiwan to Sell TWD40 Bln 2-Yr NCD

Source: Bloomberg, Scotiabank Economics.

## Events for the week of May 6 – 10

### NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	05/06	09:30	Fed's Harker Speaks on the Economic Outlook
CA	05/06	13:45	Speech – Stephen S. Poloz, Governor
US	05/07	07:00	Fed's Kaplan Speaks in Beijing on Moderated Panel
US	05/09	09:45	Fed's Bostic Discusses Economic Outlook
US	05/09	13:15	Fed's Evans Speaks at Community Development Conference
US	05/10	10:00	Fed's Williams Speaks to Bronx Bankers Breakfast

### EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
SW	05/07	03:30	Riksbank Publishes Minutes of April 24 Meeting
SW	05/07	04:00	Swedish FSA Publishes Bank Mortgage Margin Report
UK	05/07	04:00	BOE's Cunliffe speaks in London.
SW	05/07	06:15	Riksbank's Ingves Gives Speech
UK	05/07	12:30	BOE's Haldane speaks in Sheffield.
UK	05/08	04:15	BOE's Ramsden speaks in London.
SW	05/08	08:40	Riksbank's af Jochnick Gives Speech
SW	05/09	02:00	Riksbank's af Jochnick Participates in Panel
NO	05/10	02:40	Norway Central Bank Deputy Governor Nicolaisen Speaks in Stord
SW	05/10	05:10	Riksbank's af Jochnick Gives Speech

### ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
NZ	05/05	22:00	Treasury Publishes Monthly Economic Indicators
AU	<b>05/07</b>	<b>00:30</b>	<b>RBA Cash Rate Target</b>
MA	<b>05/07</b>	<b>03:00</b>	<b>BNM Overnight Policy Rate</b>
JN	05/07	19:50	BOJ Minutes of March Policy Meeting
NZ	<b>05/07</b>	<b>22:00</b>	<b>RBNZ Official Cash Rate</b>
TH	05/08	03:05	<b>BoT Benchmark Interest Rate</b>
JN	05/08	21:10	BOJ Outright Bond Purchase 5~10 Years
PH	<b>05/09</b>	<b>04:00</b>	<b>BSP Overnight Borrowing Rate</b>
PH	05/09	04:00	BSP Standing Overnight Deposit Facility Rate
JN	05/09	19:50	BOJ Summary of Opinions
AU	05/09	21:30	RBA Statement on Monetary Policy

### LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
BZ	<b>05/08</b>		<b>Selic Rate</b>
CL	<b>05/09</b>	<b>18:00</b>	<b>Overnight Rate Target</b>
PE	<b>05/09</b>	<b>19:00</b>	<b>Reference Rate</b>

Source: Bloomberg, Scotiabank Economics.

## Global Central Bank Watch

### NORTH AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Canada – Overnight Target Rate	1.75	May 29, 2019	1.75	1.75
Federal Reserve – Federal Funds Target Rate	2.50	June 19, 2019	2.50	2.50
Banco de México – Overnight Rate	8.25	May 16, 2019	8.25	8.25

### EUROPE

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	0.00	June 6, 2019	0.00	0.00
Bank of England – Bank Rate	0.75	June 20, 2019	0.75	0.75
Swiss National Bank – Libor Target Rate	-0.75	June 13, 2019	-0.75	-0.75
Central Bank of Russia – One-Week Auction Rate	7.75	June 14, 2019	7.75	7.75
Sweden Riksbank – Repo Rate	-0.25	July 3, 2019	-0.25	-0.25
Norges Bank – Deposit Rate	1.00	May 9, 2019	1.00	1.00
Central Bank of Turkey – Benchmark Repo Rate	24.00	June 12, 2019	24.00	23.75

**Norges Bank:** While a hold is expected, markets will watch for hawkish guidance toward a rate hike later this year in the wake of another stronger-than-expected report on core inflation.

### ASIA PACIFIC

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Policy Rate	-0.10	June 20, 2019	-0.10	--
Reserve Bank of Australia – Cash Target Rate	1.50	May 7, 2019	1.50	1.50
Reserve Bank of New Zealand – Cash Rate	1.75	May 7, 2019	1.75	1.75
People's Bank of China – Lending Rate	4.35	TBA	--	--
Reserve Bank of India – Repo Rate	6.00	June 6, 2019	6.00	6.00
Bank of Korea – Bank Rate	1.75	May 31, 2019	1.75	1.75
Bank of Thailand – Repo Rate	1.75	May 8, 2019	1.75	1.75
Bank Negara Malaysia – Overnight Policy Rate	3.25	May 7, 2019	3.25	3.25
Bank Indonesia – 7-Day Reverse Repo Rate	6.00	May 16, 2019	6.00	6.00
Central Bank of Philippines – Overnight Borrowing Rate	4.75	May 9, 2019	4.50	4.50

**Reserve Bank of Australia (RBA):** We expect the RBA to leave the benchmark interest rate unchanged at the current level of 1.50% on May 7, despite some speculation of a rate cut. The RBA has identified two requirements that would need to be met for a rate cut to be an appropriate policy step: 1) persistently low inflation and 2) rising unemployment. Given that we expect inflation to gradually trend higher over the coming quarters and that the labour market remains strong, we assess that rate cut expectations are premature. **Reserve Bank of New Zealand (RBNZ):** We expect the RBNZ to leave the Official Cash Rate unchanged at 1.75% following the May 8 meeting. Nevertheless, the central bank has lately become more dovish, implying that monetary easing measures are in sight. At end-March, the RBNZ stated that "given the weaker global economic outlook and reduced momentum in domestic spending, the more likely direction of our next OCR move is down." **The Bank of Thailand (BoT):** Thai monetary authorities will likely keep the benchmark interest rate unchanged at 1.75% following the May 8 policy meeting. The BoT is expected to stay in wait-and-see mode over the coming months in order to assess the direction of the economy. While inflation has been trending higher in recent months, it remains at a manageable level of 1.2% y/y. **Bank Negara Malaysia (BNM):** We expect the Overnight Policy Rate to be left unchanged at 3.25% on May 7, as the central bank assesses the health of domestic and global economic growth momentum. The BNM has adopted a more dovish bias recently, recognizing that the Malaysian economy faces various downside risks. Moreover, inflation remains low, at 0.2% y/y in March, yet we expect it to rebound in H2 2019. **Bangko Sentral ng Pilipinas (BSP):** Inflation in the Philippines has been decelerating in recent months, responding to the BSP's monetary tightening in 2018. In March, headline prices rose by 3.3% y/y compared with a 6.7% rate six months earlier. With inflation now in the BSP's target range of 2-4% y/y, the benchmark interest rate will likely be lowered by 25 bps to 4.5% following the May 9 policy meeting. However, we do not expect a commencement of an aggressive monetary easing phase, as the period of low inflation may turn out to be fairly short-lived.

### LATIN AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	6.50	May 8, 2019	6.50	6.50
Banco Central de Chile – Overnight Rate	3.00	May 9, 2019	3.00	3.00
Banco de la República de Colombia – Lending Rate	4.25	June 21, 2019	4.25	4.25
Banco Central de Reserva del Perú – Reference Rate	2.75	May 9, 2019	2.75	3.00

**BCB, Chile, Peru:** None of the three central banks are expected to alter policy stances by contrast to possible developments across the Asia Pacific region. In fact, central banks throughout the Americas are holding off on easing including the recently somewhat more hawkish sounding Fed and Bank of Canada. With inflation in the realm of target zones, our team of crack economists based throughout Latin America thinks Banco Central do Brasil will hold at 6.5% on Wednesday (Eduardo Suarez), and then Chile (Benjamin Sierra) and Peru (Guillermo Arbe) will both follow up with holds at 3% and 2.75% respectively the following day.

### AFRICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	6.75	May 23, 2019	6.75	6.75

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

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