

MAKING CANADA GREAT AGAIN

- [Canada — Slackers, Eh!??](#) 2-4
- [United States — Timely, Tradeable, and Overshooting](#) 4-5
- [Europe — Won't Get Fooled Again?](#) 5-6
- [Latin America — Different Types Of Pause](#) 6-7
- [Asia-Pacific — Something for Everyone](#) 7-8

FORECASTS & DATA

- [Key Indicators](#) A1-A2
- [Global Auctions Calendar](#) A3
- [Events Calendar](#) A4
- [Global Central Bank Watch](#) A5

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Next Week's Risk Dashboard

- ▶ CBs: RBA, RBNZ...
- ▶ ...Peru, Argentina...
- ▶ ...BoT, Philippines
- ▶ CDN jobs, wages, housing
- ▶ CPI: US, China...
- ▶ ...Mexico, Colombia, Brazil, Chile...
- ▶ ... Sweden, Norway, Taiwan
- ▶ GDP: UK, Japan, Philippines, Indonesia, HK
- ▶ China financing, trade, reserves
- ▶ NAFTA negotiations
- ▶ Eurozone macro
- ▶ Earnings

Chart of the Week

A Mild US Inflation Overshoot is Already Priced



Sources: Scotiabank Economics, Bloomberg.

Chart of the Week: Prepared by: Sam Fraser, Research Analyst.

Making Canada Great Again

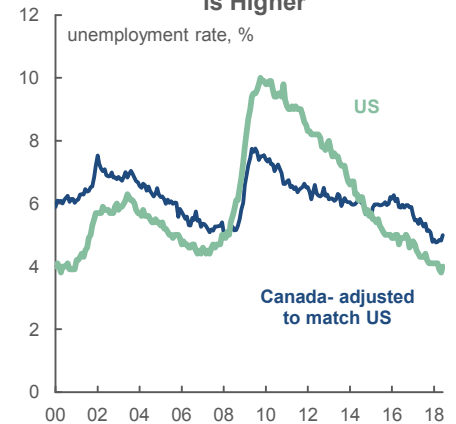
CANADA—SLACKERS, EH!??

A pair of macro reports and earnings risk that may reveal more about the state of the autos dialogue in NAFTA negotiations will be the key focal points over the coming week. I would expect Canada to rejoin NAFTA negotiations in the fairly near-term as the US and Mexico make traction on their particular issues and continue to believe the press is making a bigger deal out of Canada's absence in this past week's round than is sensible. Bank of Canada communications will be quiet until later in the month on the path to our expected hike on September 5th. Markets will be shut on Monday for civic or variously named other regional holidays.

Before turning to the macro calendar, it's worth noting two points regarding forecast risks. One is that **growth tracking is turning toward being materially higher than the Bank of Canada's quarterly forecasts**. Recall that the July MPR forecast 2.8% annualized GDP growth in Q2 and 1.5% in Q3 for an average of about 2.1%. That is at risk of being blown out of the water. Our 'nowcasting' for Q2 GDP growth was looking like about 3¼ per cent and our Q3 forecast was 2.2% *before* the June trade figures for an average of about 2.7%. That two quarter average is now looking like it sits north of 3%. That means the economy is moving further into excess aggregate demand than the BoC's July forecast anticipated although obviously with a lot of Q3 data ahead of us. This observation leads to the second point in that it reinforces **our revised forecast for the Bank of Canada to raise its policy rate at the September 5th meeting, then again in December, and twice more in 2019H1 leading to a 2.5% overnight rate by mid-year**. This is consistent with the narrative I've been advancing for some time, but subject to being further informed by the broad tone of indicator and event risk. Scotia's forecast is more aggressive than the economist consensus across all of these time horizons. It is also more aggressive than markets are pricing particularly in the earlier half of this forecast horizon. As argued in the trade flash ([here](#)), this partly reflects a synchronous acceleration of US and Canadian growth due to a combination of the acceleration of US GDP growth spilling over into Canada, idiosyncratic temporary factors, and longer-lived cyclical drivers that are self reinforcing such as through an upswing in the cap-ex cycle that is addressing capacity constraints and simultaneously unleashing faster export gains.

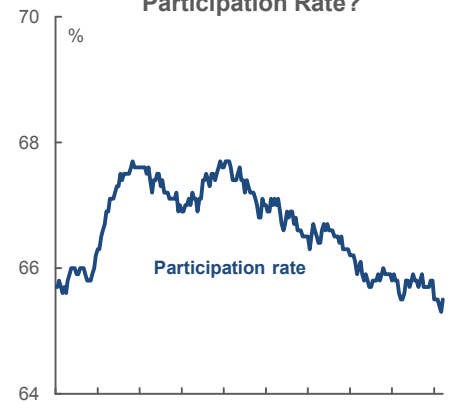
The main macro highlight of the week will be Friday's jobs report. I've pencilled in +20k for jobs and an unemployment rate that falls a touch to 5.9% on the assumption that the prior month's jump in the participation rate may not repeat. Nailing the monthly changes in a household survey with a ginormous 95% confidence interval of +/- 54,400 jobs applied to any one month's estimate is of tertiary importance to two other matters that I'll return to in a moment. Large deviations outside of this range are statistically improbable which heightens paying attention when they do happen. Much smaller differences between each economist's estimate within such a range are fully explained by the bounds of sampling variations rather than false portrayals of who was 'wrong' and who was 'right'. The currency may care for a flash moment or two, but most shouldn't and the BoC probably doesn't within reason. Unless one has a firm belief that there will be large outlier distortions in a particular month's report that few or no other economists are onto, then it's usually advisable to ignore differences across consensus readings and to take the individual month's job growth estimate with a mountain of salt. Instead, look to trend job growth and its composition, trend cumulative forecast hits and misses, and stylized depictions of the health of the overall labour market.

Chart 1 Canada's UR Adjusted to US is Higher



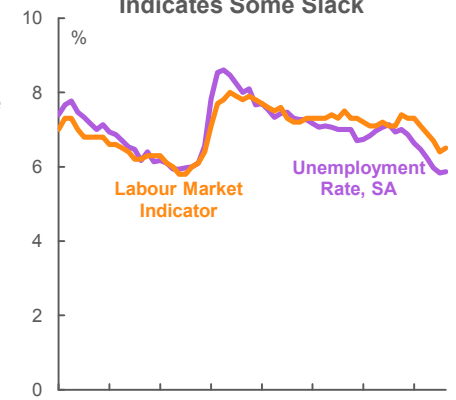
Sources: Scotiabank Economics, Statistics Canada, BLS, Haver Analytics.

Chart 2 Cycle Slack in the Participation Rate?



Sources: Scotiabank Economics, Statistics Canada.

Chart 3 Catch-All Labour Composite Indicates Some Slack



Sources: Scotiabank Economics, Statistics Canada.

To elaborate, one matter concerns whether headline job growth is a fair characterization of the overall health of Canadian labour markets so far this year.

True, Canada is down 17,000 jobs so far this year in seasonally adjusted terms, but that's pretty much because of one bad month in January (-88k). Since the end of January, Canada has grown 71,000 jobs including the sizeable 32k gain in June. Further, the composition of changes in job growth reveals more encouraging details than the year-to-date headline number. Full-time jobs are up by 85k while part-time jobs are down by 102k. Manufacturing jobs are down 32k, but service sector jobs are up by 58k. Furthermore, remove self-employment from the total and Canada has grown jobs for five consecutive months; self-employment reflects many valuable and highly entrepreneurial jobs, but among the challenges is that it can be more subject to self-disclosure bias.

A second matter puts more emphasis upon the broad overall degree of slack in the labour market. Governor Poloz tends to downplay individual data points as the 'bumps and wiggles' and focuses more upon the implications for wage growth and broader inflation that partly stem from the degree of overall labour market slack. Poloz has tended to argue that there remains significant labour slack. There may be some, but it is important not to over-emphasize the amount of slack.

On the side of the debate that says there is some slack, one can point to chart 1 showing a slightly higher Canadian unemployment rate after adjusting to US concepts. Or chart 2 that shows the decline in the share of the population in the workforce that is one part due to demographics but also likely driven by the cycle and the attractiveness of wages currently on offer. Further, chart 3 compares the composite Labour Market Indicator that blends a variety of measures beyond just the unemployment rate against the unemployment rate. The LMI remains a touch higher than the UR and indicates some slack beyond what the UR measures. Chart 4 then kicks it up a notch to show a rising number of unfilled jobs that may exist for a variety of reasons from unattractive wages to skillset mismatches to regional immobility and hiring lags.

By contrast, chart 5 compares Canada to the US on an underemployment measure that combines unemployment with those who are working part-time for economic reasons but would rather have full-time employment, plus those who are discouraged workers. Canada's so-called 'R8' measure never soared as high as the US measure and is currently very close to the US measure. Furthermore, the Bank of Canada's Business Outlook Survey shows a rising share of businesses reporting labour shortages (chart 6) and a rising net balance of firms indicating cyclically high readings for the intensity of labour shortages that are acutely affecting their ability to meet an increase in demand (chart 7). Overall, there is probably slack left in the labour market, but a) don't underestimate it, and b) it may only respond to efforts by employers to raise their offer wages.

Chart 4

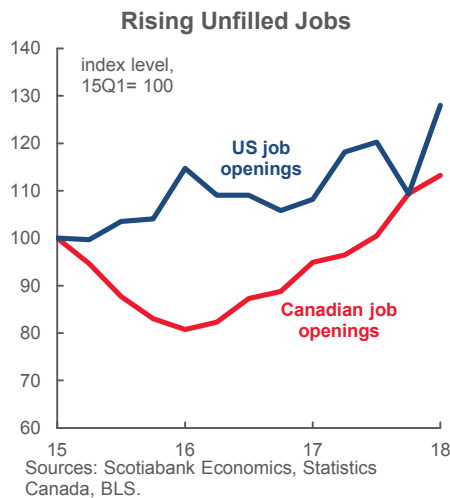


Chart 5

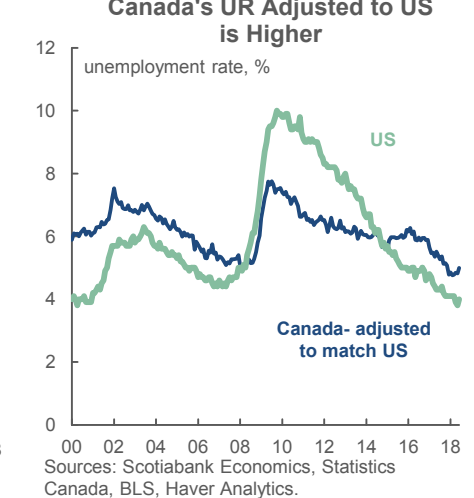


Chart 6

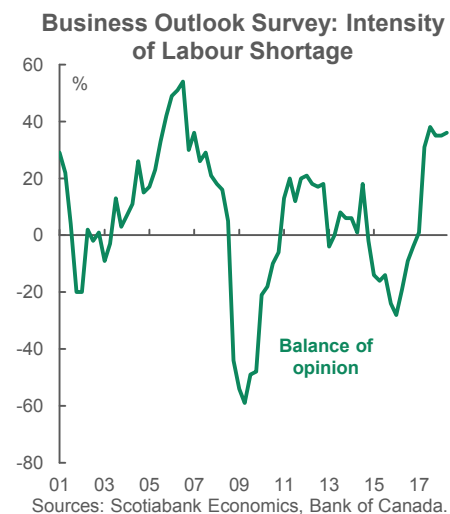
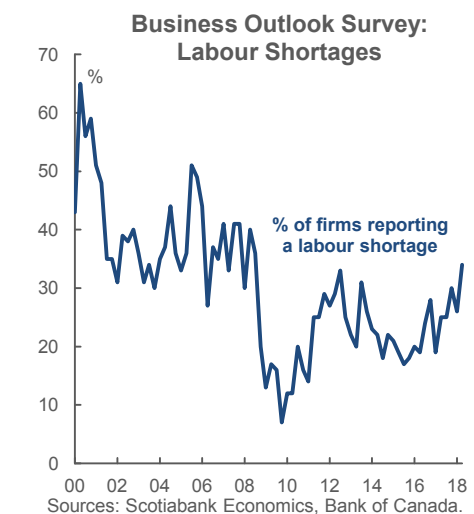


Chart 7



On wages, recent signals have been conflicting (chart 8). When households are asked in the Labour Force Survey, they respond by indicating wage growth is running at about a 3½% clip. When employers with payrolls are asked, they respond by indicating substantially cooler wage gains. This latter SEPH survey measure is used as the main input to wage growth as captured by productivity accounts and wage growth captured in national accounts for GDP growth etc. The BoC's relatively more recent research has emphasized a 'wage common' measure that puts dominant weights upon SEPH either directly or indirectly because it serves as input to two of the other three wage measures. I feel that overemphasizes SEPH wages and hence may exaggerate some spurious evidence in its favour. Further, LFS wage growth is fresher, and while it is rooted in 'softer' household survey data, it nevertheless does a better job at capturing small businesses than SEPH.

Canada also releases housing starts for July on Thursday. Recall that the June print was the fourth highest since before the GFC as 248k homes were placed under construction at a seasonally adjusted and annualized rate. **Can such a pace be sustained?** In the short-term it may, but there are bigger doubts over the longer term.

I've gone a little lower for the July estimate, but one thing that argues for sustained strength is that building permit volumes continue to rise. Although they lag a month behind starts, permit volumes were up 6.6% m/m in May and have climbed 23% since the recent low point last November. This suggests that building strength is not just a reflection of decisions made ages ago. Much of the recent strength has been on the multiples side which lags fresher cyclical developments given the length of time from project conception to shovels proverbially going into the ground. Nevertheless, the fact that permits are rising sharply very recently leans against the stale angle on the data.

Earnings season will heat up with eighty-two TSX-listed firms releasing over the coming week. Our equity analysts will have their hands full. To macro watchers, I would expect some emphasis upon auto sector risks in NAFTA negotiations and more globally. Guidance and management discussion from Magna, Linamar and Martinrea will be carefully monitored if it reveals much beyond the limited information that is publicly available from the NAFTA negotiators. Other names will include Manulife, Sun Life, Quebecor and Cineplex.

Scheduled Bank of Canada communications will be quiet for the next two weeks, but will heat up the following week.

Senior Deputy Governor Wilkins appears on a panel on August 20th at the annual meeting of the Central Bank Research Association in Frankfurt. It is probably a low risk event that is not expected to be focused upon the economic and monetary policy outlook. The 105 minute IMF panel session is entitled "Financial Conditions, Financial Vulnerability, and Stabilization Policies" and she will share the stage with an IMF official and an ECB research official.

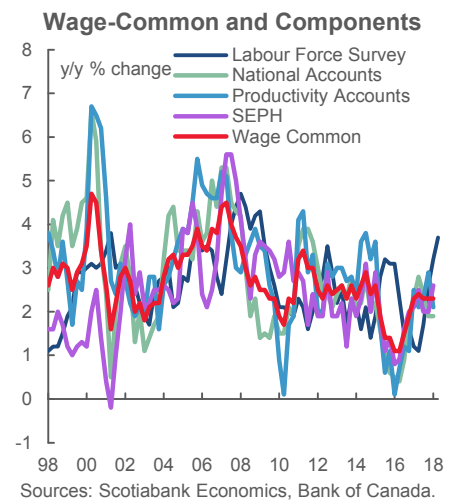
Governor Poloz then speaks on a panel at the Federal Reserve's annual Jackson Hole Symposium on August 25th. The panel session's topic and the broader Jackson Hole agenda are not expected until the evening of Thursday August 23rd. Poloz will speak just eleven days ahead of the September 5th meeting and while he typically avoids firm guidance, markets may be sensitive to the broad nature of his remarks.

UNITED STATES—TIMELY, TRADEABLE, AND OVERSHOOTING

This should be a relatively light week for US market risks. Congress is on recess. The Federal Reserve is slipping into a hush period between an uneventful recent policy statement ([here](#)) and its annual Jackson Hole Symposium over August 23–25. NAFTA negotiations are ongoing and we're in a perpetual if not monotonous state of monitoring progress. That puts pretty much all of the week's calendar emphasis upon one single data point at the end of the week.

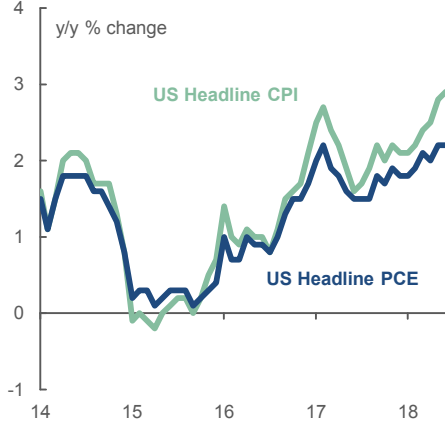
CPI for July arrives on Friday following the same month's producer prices the day before. That will also feed into determining July's inflation-adjusted wage growth that will also be released on Friday. I'm figuring that headline CPI will rise a tick to 3% y/y for the strongest reading since the end of 2011, but largely for base effect and gas price reasons. Core CPI is likely to stay at 2.3% which is only the highest since the start of 2017. Once again, breadth will be a key issue and it hasn't been terribly impressive.

Chart 8



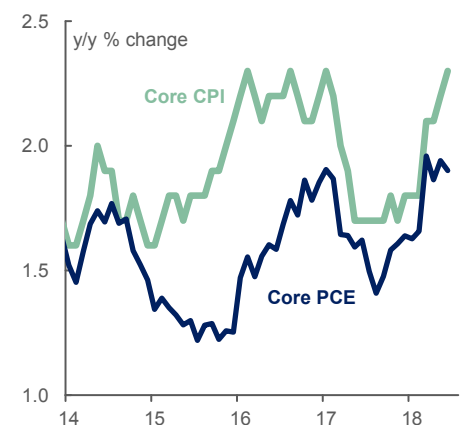
CPI matters to inflation linked bonds that are priced off the benchmark and it is a more timely measure, but for policy purposes CPI has been overestimating inflation compared to the Fed's preferred yardsticks (charts 9, 10). That's true both in terms of headline (CPI 2.8% y/y, PCE 2.2%) and core inflation ex-food and energy (CPI 2.2%, PCE 1.9%). The Fed prefers the price deflators for total consumption that adjust spending weights more dynamically as consumers shift the composition of what they buy (e.g. steak versus ground beef) and where they buy it (discount stores versus luxury retailers) whereas CPI only does that every couple of years. The PCE gauge also captures spending done on behalf of consumers by

**Chart 9
US CPI is Overshooting the Fed's Preferred Measure...**



Sources: Scotiabank Economics, Bloomberg.

**Chart 10
...And the Same Goes for Core Inflation**



Sources: Scotiabank Economics, Bloomberg.

governments and employers versus CPI that just captures spending done directly by consumers. This can matter a lot in categories such as those affected by health care for instance. Further, PCE is derived from business surveys whereas CPI is derived from household surveys; that may make PCE a somewhat more reliable measure. There are also other differences such as the exact formulas used in their calculations. The monthly break down of the differences is available [here](#) if interested.

Forty-four firms listed on the S&P500 release earnings including Walt Disney in what is a generally lower risk week for macro earnings surprises.

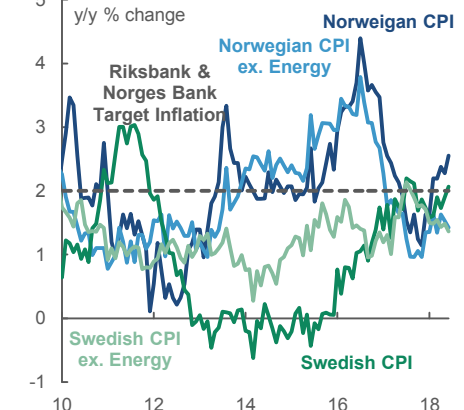
EUROPE—WON'T GET FOOLED AGAIN?

Ahhh, Europe in August. The streets may be filled with tourists, but the weekly calendars of market-impactful developments can be somewhat of a bust. **Next week offers scorecard updates on inflation reports that may incrementally inform future policy risks at Norges Bank and Sweden's Riksbank, UK GDP growth and inputs to Q2/Q3 Eurozone growth tracking.** All of these are likely to be of purely local market significance. Matters that could affect the global market tone would have to be derived from further developments in US-EU trade relations that have moved into a relatively tranquil environment at least for now.

Two smaller European countries with independent central banks update CPI inflation (chart 11). Sweden's inflation rate (Friday) has been breaching the Riksbank's inflation target of 2% in terms of headline inflation but not a narrower perspective on core inflation that strips out energy prices. Excluding energy, Sweden's underlying inflation has been running at only about 1.2% y/y. **Norway's headline inflation rate** (Friday) is even higher than Sweden's at 2.6% y/y and also breaching Norges Bank's 2% target, but underlying inflation excluding energy of 1.1% y/y is similarly cool to Sweden's rate. Neither country would appear to be facing the sort of inflation pressure that ups the pressure on central banks to tighten policy. **The Riksbank is particularly engaged in a public difference of opinions** across members of the Executive Board that is informing consensus forecast risks of a hike by year end. That may not materialize if Governor Stefan Ingves gets the final say while convincing his colleagues. Recall that he said the following in minutes to the July meeting:

"Target achievement has been good in recent times, but in order for inflation to continue to develop in line with the target, further support is needed from an expansionary monetary policy for a while longer. In my view, changing monetary policy in a less expansionary direction at this stage is associated with risks and may lead to setbacks regarding the development of inflation. My opinion is that international risks are also on the downside."

**Chart 11
Norges Bank & Riksbank Facing Soft Core Inflation**



Sources: Scotiabank Economics, Statistics Norway, Statistics Sweden.

I would think that the Governor is more likely to carry the day, underlying inflation ex-energy is likely to stay subdued, and the Riksbank may have a more stubborn reaction function this time around. Recall that it prematurely raised its policy rate by 175bps from mid-2010 to late 2011 only to have to cut it to new lows and expand nonconventional policy over the ensuing four and a half years. That premature episode sparked a heated domestic debate that was fanned by foreign critics and the Riksbank is probably likely to have a very bar set against ever repeating that episode.

UK GDP growth is likely to land around 0.3–0.4% q/q on Friday. The same day fills in an important missing part of the puzzle by way of services data. That would still leave growth tracking just north of 1% y/y and back at soft trend growth that was last seen in 2016H1. Back then, the UK economy was already experiencing softer growth before the Brexit vote motivated currency depreciation. If the implications of currency weakness for growth and inflation have now worked their way through, then we're now settling in upon a path of soft trend growth that is probably at best around estimates of the noninflationary speed limit.

Industrial production will be updated for the month of June in Germany (Tuesday), Spain (Wednesday), the UK (Friday), and France (Friday). Of all of these countries, Germany is the most likely to experience a drop but largely due to the out-sized gain of 2.6% m/m the prior month. Germany (Tuesday) and the UK (Friday) will also update **trade figures** for June.

LATIN AMERICA—DIFFERENT TYPES OF PAUSE

A pair of regional central banks is likely to remain on hold for very different reasons over the coming week, while another batch of CPI inflation figures informs policy risks elsewhere across the biggest economies. NAFTA headlines remain an ongoing risk. To this latter point, one of my favourite charts on the immigration issue that so concerns the Trump administration is chart 12. Unauthorized immigrants from Mexico in the United States have been on the decline throughout the past 10+ years while it has been flat to rising from other countries. The US recession, global financial crisis and soft growth through much of the aftermath explain somewhat less of a pull effect. Improved longer run growth prospects in Mexico thanks significantly to NAFTA explain less of a push effect. It almost feels like the US administration is acting as if this is 2007 and putting downward progress in this trend line in jeopardy. Mind you, you could say the same about the US fixation upon China's current account surplus as a share of Chinese GDP that also peaked at just over 10% in 2007 and has since fallen to about one-tenth of that. Timing's everything to markets, but little to nothing in politics I guess.

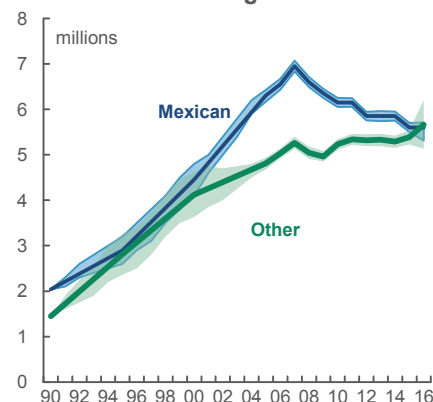
Banca Central de Reserva del Peru is not expected to change its policy reference rate of 2.75% next Thursday night eastern time, but the dialogue on the composition of risks to the outlook will be closely watched. That's because several within consensus expect it to begin

tightening monetary policy as soon as late this year while Scotiabank's Lima-based Guillermo Arbe is among the voices saying a rate hike won't occur until early 2019. How the central bank is reading the tea leaves may inform forecast risks. Inflation has climbed to 1.6% y/y from 0.4% y/y in March but still remains shy of the 2% target mid-point of a 1–3% policy band. Inflation is nevertheless expected to cross the 2% target later in the year. Growth has also been improving. The catch is that a substantial portion of this growth improvement has been derived from the sharp rise in copper prices from about October 2016 until recently. Over roughly the past couple of months, however, copper prices on the London Mercantile Exchange have dropped by about 15% as many commodities have suffered from US-China trade tensions or possibly indirect hits to complementary demand stemming from steel and aluminum tariffs. Scotia's Rory Johnston expects this softness to be transitory with prices firming into 2019.

Banco Central de la Republica Argentina is also expected to hold its policy rate, but for entirely different reasons. It has been held at 40% since early May following a 12.75 percentage point increase in three steps and all in the first week of May. That was to defend the peso that was depreciating from about 27½ to the USD up until late April and was in danger of a total freefall before rates soared. The peso has still depreciated to about 27½ now. Inflation has risen to just shy of 30% y/y in June. After growth had been improving to about 3½% y/y as recently as 2018Q1, it is likely in the process of cratering again over the duration of this year and into early 2019. Inflation is expected to remain high and with it the reference rate at least until modest easing may begin later this year.

Chart 12

Unauthorized Immigrants in the US



*Shading indicates low and high points of the estimated 90% confidence interval. Sources: Scotiabank Economics, Pew Research Center.

CPI inflation reports arrive in Colombia (Monday), Brazil and Chile (Wednesday), and Mexico (Thursday). All four countries have experienced stabilized or increased inflation rates of late with Brazil witnessing the strongest pick-up although largely as a transitory function of a transportation strike (chart 13). Two of them (Chile and Colombia) are well within their 3% +/-1% target bands, Brazil is well within its 3–6% inflation target rate and Mexico is the one outlier that continues to experience inflation above the upper limit of the 2–4% range. Upward inflation momentum is really only evidence in Brazil recently while Mexican inflation continues to decline.

Meeting minutes that provide accounts of Brazil’s COPOM recent meeting (Tuesday) and BanRep’s recent policy meeting (Friday) will further inform the policy narrative after they both held their policy rates this past week.

ASIA-PACIFIC—SOMETHING FOR EVERYONE

Four regional central banks, a batch of second quarter GDP growth estimates, a handful of inflation reports and possibly financing figures from China are all on tap for the coming week. When combined with a potential further escalation of US-China trade tensions, the week will offer plenty of developments of interest to global and regional markets.

Of the four central banks that make policy decisions, only one is expected to tighten policy. **Bangko Sentral ng Pilipinas is expected to raise its overnight borrowing rate by 25bps** to 3.5% on Thursday. Consensus is a little divided on the call, but probably shouldn’t be. A catalyst to expecting a rate hike is that inflation is expected to rise above the 5.2% y/y pace set in June when July figures arrive at the start of the week. That is significantly overshooting the central bank’s 2–4% target range and leading other countries with pending rate decisions (chart 14). Currency depreciation, prior oil price increases and increased taxes offer a blend of transitory and perhaps longer-lived influences on inflation that have motivated 50bps in rate hikes thus far. Next Wednesday evening (eastern time) will also bring out Q2 GDP growth that is expected to remain around the 6¼% y/y pace, thus providing a solid growth backdrop against which to raise interest rates. In a recent speech, Governor Espenilla repeated the same “we are ready” guidance on policy actions that he used before raising interest rates in June.

None of the rest of the central banks is expected to alter policy next week, but guidance on the policy bias will inform consensus beliefs on timing rate hikes.

- **The RBA is first out of the gates on Tuesday and is expected to hold its cash target rate at 1.5%** in the wake of a soft Q2 inflation report. Australian headline (2.1% y/y), trimmed mean (1.9%) and weighted median (1.9%) inflation measures all remain toward or below the bottom end of the RBA’s 2–3% inflation target range.
- **The Bank of Thailand is next up on Wednesday and is expected to hold its policy rate at 1.5%.** CPI inflation came in at 1.5% y/y in July and is therefore still tracking toward the bottom end of the 1–4% inflation target range.
- **The RBNZ is next late in the day on Wednesday eastern time, and it is expected to stand pat at 1.75%.** Inflation was running at 1.5% y/y in Q2 and hence in the bottom half of the 1–3% policy target range.

Possibly late next week or by the middle of the following week, markets will get a better chance to evaluate the extent to which China’s efforts to ease up on tightened macroprudential and credit controls is affecting overall financing growth. As shown in charts 15 and 16, recall that the year-to-date financing figures over the first half of the year have been robust compared to other first halves in prior years. New yuan loan growth is setting a record this year and total bank and shadow

Chart 13 LatAm Inflation

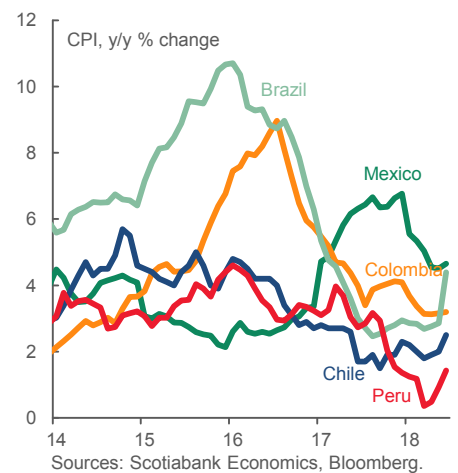
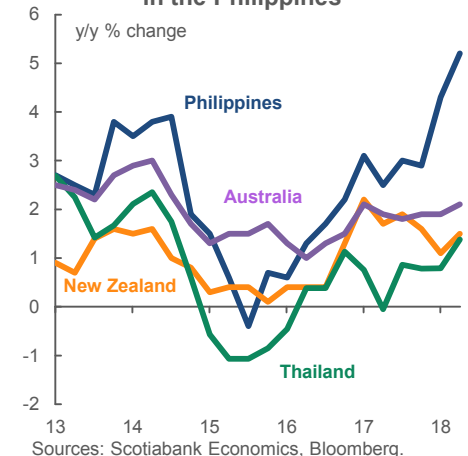


Chart 14

Inflation Only Supports Rate Hikes in the Philippines



financing is registering the fifth highest year-to-date tally on record. Financing is being redirected back toward the banking system that is more manageable in a regulatory sense, but that has still translated into solid overall financing activity. The extent of the cooler aggregate financing expansion this year compared to last year is a) compared to a record year, b) still cyclically strong, and c) vulnerable to further improvement as China opens the taps on stimulus.

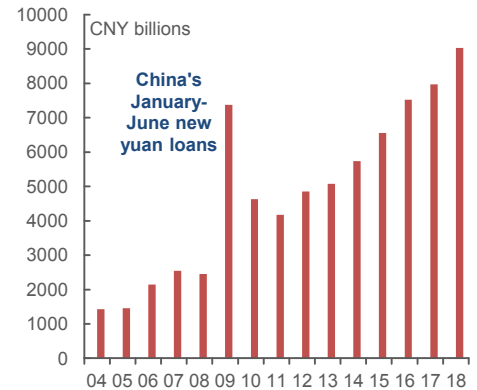
China also updates three other macro reports over the coming week. Foreign reserves are due out early next week and are expected to remain around US\$3.1 trillion. **Export growth** is due out around the same time and at issue is whether growth can remain in low double digits in year-ago USD percentage terms because of solid growth abroad, or whether the July figures will offer a first glimpse at the impact of US tariffs. **CPI** then arrives on Wednesday night eastern time and is expected to hold around the 2% y/y mark.

Japan updates Q2 GDP growth on Thursday evening. After dipping by 0.2% q/q in Q1, we should see just enough of a bounce back to avert the messiness that would be associated with meeting the traditional definition of a recession at least by the back-to-back quarterly decline convention.

Other releases will include **Indonesian GDP** growth that will start the week with another expected 5% y/y result. **Hong Kong's economy** may marginally decelerate when Q2 GDP arrives on Friday but growth is expected to remain just beyond 4% y/y. **Taiwan's inflation rate** is expected to come in around 1½% y/y with core inflation remaining at a slightly more subdued pace.

Chart 15

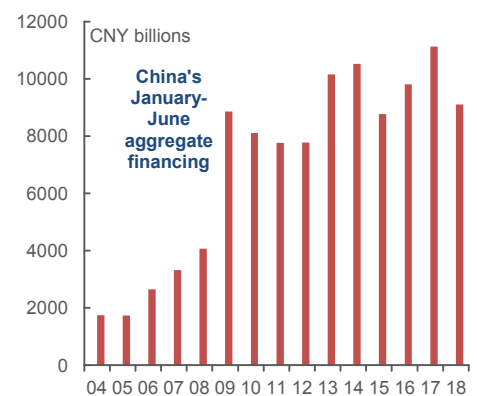
China's New Yuan Loan Growth Is At A Record High



Sources: Scotiabank Economics, Bloomberg.

Chart 16

China's Aggregate Financing Remains Strong



Sources: Scotiabank Economics, Bloomberg.

Key Indicators for the week of August 6 – 10
NORTH AMERICA

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Indicator</u> | <u>Period</u> | <u>BNS</u> | <u>Consensus</u> | <u>Latest</u> |
|----------------|-------------|-------------|---------------------------------|---------------|------------|------------------|---------------|
| US | 08/07 | 10:00 | JOLTS Job Openings (000s) | Jun | -- | -- | 6638 |
| US | 08/07 | 15:00 | Consumer Credit (US\$ bn m/m) | Jun | -- | 15.5 | 24.6 |
| US | 08/08 | 07:00 | MBA Mortgage Applications (w/w) | AUG 3 | -- | -- | -2.6 |
| CA | 08/08 | 08:30 | Building Permits (m/m) | Jun | -- | -- | 4.7 |
| CA | 08/09 | 08:15 | Housing Starts (000s a.r.) | Jul | 220 | -- | 248 |
| CA | 08/09 | 08:30 | New Housing Price Index (m/m) | Jun | -- | -- | 0.0 |
| US | 08/09 | 08:30 | Initial Jobless Claims (000s) | AUG 4 | 220 | 220 | 218 |
| US | 08/09 | 08:30 | Continuing Claims (000s) | JUL 28 | 1750 | -- | 1724 |
| US | 08/09 | 08:30 | PPI (m/m) | Jul | 0.2 | 0.2 | 0.3 |
| US | 08/09 | 08:30 | PPI ex. Food & Energy (m/m) | Jul | 0.2 | 0.3 | 0.3 |
| MX | 08/09 | 09:00 | Bi-Weekly Core CPI (% change) | Jul 31 | -- | 0.1 | 0.2 |
| MX | 08/09 | 09:00 | Bi-Weekly CPI (% change) | Jul 31 | -- | 0.2 | 0.3 |
| MX | 08/09 | 09:00 | Consumer Prices (m/m) | Jul | -- | 0.5 | 0.4 |
| MX | 08/09 | 09:00 | Consumer Prices (y/y) | Jul | -- | 4.8 | 4.7 |
| MX | 08/09 | 09:00 | Consumer Prices Core (m/m) | Jul | -- | 0.3 | 0.2 |
| US | 08/09 | 10:00 | Wholesale Inventories (m/m) | Jun F | -- | 0.0 | 0.0 |
| CA | 08/10 | 08:30 | Employment (000s m/m) | Jul | 20 | -- | 31.8 |
| CA | 08/10 | 08:30 | Unemployment Rate (%) | Jul | 5.9 | -- | 6.0 |
| US | 08/10 | 08:30 | CPI (m/m) | Jul | 0.2 | 0.2 | 0.1 |
| US | 08/10 | 08:30 | CPI (y/y) | Jul | 3.0 | 3.0 | 2.9 |
| US | 08/10 | 08:30 | CPI (index) | Jul | -- | 251.9 | 252.0 |
| US | 08/10 | 08:30 | CPI ex. Food & Energy (m/m) | Jul | 0.2 | 0.2 | 0.2 |
| US | 08/10 | 08:30 | CPI ex. Food & Energy (y/y) | Jul | 2.3 | 2.3 | 2.3 |
| MX | 08/10 | 09:00 | Industrial Production (m/m) | Jun | -- | -0.2 | 0.1 |
| MX | 08/10 | 09:00 | Industrial Production (y/y) | Jun | -- | 0.4 | 0.3 |
| US | 08/10 | 14:00 | Treasury Budget (US\$ bn) | Jul | -- | -- | -74.9 |

EUROPE

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Indicator</u> | <u>Period</u> | <u>BNS</u> | <u>Consensus</u> | <u>Latest</u> |
|----------------|-------------|-------------|------------------------------------|---------------|------------|------------------|---------------|
| GE | 08/06 | 02:00 | Factory Orders (m/m) | Jun | -- | -0.5 | 2.6 |
| GE | 08/07 | 02:00 | Current Account (€ bn) | Jun | -- | 21.2 | 12.6 |
| GE | 08/07 | 02:00 | Industrial Production (m/m) | Jun | -- | -0.5 | 2.6 |
| GE | 08/07 | 02:00 | Trade Balance (€ bn) | Jun | -- | 20.8 | 19.6 |
| FR | 08/07 | 02:45 | Current Account (€ bn) | Jun | -- | -- | -2917 |
| FR | 08/07 | 02:45 | Trade Balance (€ mn) | Jun | -- | -5600 | -6005 |
| UK | 08/07 | 03:30 | Halifax House Price (3 month, y/y) | Jul | -- | 2.6 | 1.8 |
| SP | 08/08 | 03:00 | Industrial Output NSA (y/y) | Jun | -- | -- | 1.6 |
| FR | 08/10 | 02:45 | Industrial Production (m/m) | Jun | -- | 0.5 | -0.2 |
| FR | 08/10 | 02:45 | Industrial Production (y/y) | Jun | -- | 1.5 | -0.9 |
| FR | 08/10 | 02:45 | Manufacturing Production (m/m) | Jun | -- | 0.5 | -0.6 |
| UK | 08/10 | 04:30 | Business Investment (q/q) | 2Q P | -- | 0.2 | -0.4 |
| UK | 08/10 | 04:30 | GDP (q/q) | 2Q P | -- | 0.4 | 0.2 |
| UK | 08/10 | 04:30 | Index of Services (m/m) | Jun | -- | 0.2 | 0.3 |
| UK | 08/10 | 04:30 | Industrial Production (m/m) | Jun | -- | 0.4 | -0.4 |
| UK | 08/10 | 04:30 | Manufacturing Production (m/m) | Jun | -- | 0.3 | 0.4 |
| UK | 08/10 | 04:30 | Visible Trade Balance (£ mn) | Jun | -- | -11900 | -12362 |
| RU | AUG 10-13 | | Real GDP (y/y) | 2Q A | -- | 1.9 | 1.3 |

ASIA-PACIFIC

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Indicator</u> | <u>Period</u> | <u>BNS</u> | <u>Consensus</u> | <u>Latest</u> |
|----------------|-------------|-------------|------------------------------|---------------|------------|------------------|---------------|
| AU | 08/05 | 21:30 | ANZ Job Advertisements (m/m) | Jul | -- | -- | -1.7 |
| ID | AUG 5-6 | | Real GDP (y/y) | 2Q | 5.2 | 5.1 | 5.1 |
| ID | AUG 5-6 | | Consumer Confidence Index | Jul | -- | -- | 128.1 |
| JN | 08/06 | 19:30 | Household Spending (y/y) | Jun | -- | -1.3 | -3.9 |
| PH | 08/06 | 21:00 | CPI (y/y) | Jul | 5.5 | 5.5 | 5.2 |
| CH | AUG 6-7 | | Foreign Reserves (US\$ bn) | Jul | 3100 | 3107 | 3112 |
| AU | 08/07 | 00:30 | RBA Cash Target Rate (%) | Aug 7 | 1.50 | 1.50 | 1.50 |

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

Key Indicators for the week of August 6 – 10

ASIA-PACIFIC (continued from previous page)

| Country | Date | Time | Indicator | Period | BNS | Consensus | Latest |
|---------|----------|-------|-------------------------------------|--------------|-------------|-------------|-------------|
| JN | 08/07 | 01:00 | Coincident Index CI | Jun P | -- | 116.2 | 116.8 |
| JN | 08/07 | 01:00 | Leading Index CI | Jun P | -- | 105.3 | 106.9 |
| AU | 08/07 | 02:30 | Foreign Reserves (AUD bn) | Jul | -- | -- | 75.8 |
| MA | 08/07 | 03:00 | Foreign Reserves (US\$ bn) | Jul 31 | -- | -- | 104.6 |
| TA | 08/07 | 04:00 | CPI (y/y) | Jul | 1.4 | 1.5 | 1.3 |
| TA | 08/07 | 04:00 | Exports (y/y) | Jul | -- | 5.6 | 9.4 |
| TA | 08/07 | 04:00 | Imports (y/y) | Jul | -- | 8.3 | 15.4 |
| TA | 08/07 | 04:00 | Trade Balance (US\$ bn) | Jul | -- | 5.2 | 5.2 |
| SI | 08/07 | 05:00 | Foreign Reserves (US\$ mn) | Jul | -- | -- | 288044 |
| JN | 08/07 | 19:50 | Bank Lending (y/y) | Jul | -- | -- | 2.2 |
| JN | 08/07 | 19:50 | Current Account (¥ bn) | Jun | -- | 1222 | 1938 |
| JN | 08/07 | 19:50 | Trade Balance - BOP Basis (¥ bn) | Jun | -- | 822 | -304 |
| PH | 08/07 | 21:00 | Exports (y/y) | Jun | -- | 3.1 | 4.6 |
| PH | 08/07 | 21:00 | Imports (y/y) | Jun | -- | 18.6 | 11.4 |
| PH | 08/07 | 21:00 | Trade Balance (US\$ mn) | Jun | -- | -3018 | -3700 |
| AU | 08/07 | 21:30 | Home Loans (%) | Jun | -- | 0.0 | 1.1 |
| AU | 08/07 | 21:30 | Investment Lending (% change) | Jun | -- | -- | -0.1 |
| CH | AUG 7-8 | | Exports (y/y) | Jul | -- | 10.0 | 11.2 |
| CH | AUG 7-8 | | Imports (y/y) | Jul | -- | 17.0 | 14.1 |
| CH | AUG 7-8 | | Trade Balance (USD bn) | Jul | -- | 39.1 | 41.5 |
| TH | 08/08 | 03:05 | BoT Repo Rate (%) | Aug 8 | 1.50 | 1.50 | 1.50 |
| NZ | 08/08 | 17:00 | RBNZ Official Cash Rate (%) | Aug 9 | 1.75 | 1.75 | 1.75 |
| JN | 08/08 | 19:50 | Machine Orders (m/m) | Jun | -- | -0.8 | -3.7 |
| JN | 08/08 | 19:50 | Japan Money Stock M2 (y/y) | Jul | -- | 3.10 | 3.20 |
| JN | 08/08 | 19:50 | Japan Money Stock M3 (y/y) | Jul | -- | 2.7 | 2.7 |
| CH | 08/08 | 21:30 | CPI (y/y) | Jul | 1.9 | 2.0 | 1.9 |
| CH | 08/08 | 21:30 | PPI (y/y) | Jul | -- | 4.5 | 4.7 |
| PH | 08/08 | 22:00 | Real GDP (y/y) | 2Q | 6.7 | 6.7 | 6.8 |
| JN | 08/09 | 02:00 | Machine Tool Orders (y/y) | Jul P | -- | -- | 11.4 |
| PH | 08/09 | 04:00 | Overnight Borrowing Rate (%) | Aug 9 | 3.75 | 4.00 | 3.50 |
| NZ | 08/09 | 18:30 | Business NZ PMI | Jul | -- | -- | 52.8 |
| JN | 08/09 | 19:50 | GDP (q/q) | 2Q P | 0.40 | 0.30 | -0.20 |
| JN | 08/09 | 19:50 | GDP Deflator (y/y) | 2Q P | -- | -0.2 | 0.5 |
| CH | AUG 9-15 | | Aggregate Financing (CNY bn) | Jul | 900 | 1100 | 1180 |
| CH | AUG 9-15 | | New Yuan Loans (bn) | Jul | 1300 | 1200 | 1840 |
| ID | AUG 9-10 | | Current Account Balance (US\$ mn) | 2Q | -- | -- | -5542 |
| MA | 08/10 | 00:00 | Industrial Production (y/y) | Jun | -- | 4.0 | 1.5 |
| JN | 08/10 | 00:30 | Tertiary Industry Index (m/m) | Jun | -- | -0.3 | 0.1 |
| SI | 08/10 | 01:00 | Retail Sales (y/y) | Jun | -- | -- | 0.1 |
| HK | 08/10 | 04:30 | Real GDP (y/y) | 2Q | 3.9 | 4.1 | 4.7 |
| IN | 08/10 | 08:00 | Industrial Production (y/y) | Jun | -- | -- | 3.2 |

LATIN AMERICA

| Country | Date | Time | Indicator | Period | BNS | Consensus | Latest |
|---------|-------|-------|-----------------------------------|--------------|-------------|-------------|-------------|
| CO | 08/04 | 13:00 | Consumer Price Index (m/m) | Jul | -- | 0.1 | 0.2 |
| CO | 08/04 | 13:00 | Consumer Price Index (y/y) | Jul | -- | 3.4 | 3.2 |
| CL | 08/06 | 08:30 | Economic Activity Index SA (m/m) | Jun | -- | 0.2 | 0.7 |
| CL | 08/06 | 08:30 | Economic Activity Index NSA (y/y) | Jun | -- | 5.3 | 4.9 |
| BZ | 08/08 | 08:00 | IBGE Inflation IPCA (m/m) | Jul | -- | 0.3 | 1.3 |
| BZ | 08/08 | 08:00 | IBGE Inflation IPCA (y/y) | Jul | -- | 4.4 | 4.4 |
| CL | 08/08 | 08:00 | CPI (m/m) | Jul | -- | 0.3 | 0.1 |
| CL | 08/08 | 08:00 | CPI (y/y) | Jul | -- | 2.7 | 2.5 |
| PE | 08/09 | 19:00 | Reference Rate (%) | Aug 9 | 2.75 | 2.75 | 2.75 |
| BZ | 08/10 | 08:00 | Retail Sales (m/m) | Jun | -- | 0.1 | -0.6 |
| BZ | 08/10 | 08:00 | Retail Sales (y/y) | Jun | -- | 2.5 | 2.7 |
| PE | 08/10 | | Trade Balance (USD mn) | Jun | -- | -- | 411 |

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

Global Auctions for the week of August 6 – 10

NORTH AMERICA

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Event</u> |
|----------------|-------------|-------------|--|
| US | 08/07 | 13:00 | U.S. to Sell USD34 Bln 3-Year Notes |
| CA | 08/08 | 12:00 | Canada to Sell CAD3 Bln 1.75% 2020 Bonds |
| CA | 08/08 | 12:00 | Canada to Sell CAD3 Bln 2% 2020 Bonds |
| US | 08/08 | 13:00 | U.S. to Sell USD26 Bln 10-Year Notes |
| US | 08/09 | 13:00 | U.S. to Sell USD18 Bln 30-Year Bonds |

EUROPE

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Event</u> |
|----------------|-------------|-------------|--|
| UK | 08/08 | 05:30 | U.K. to Sell 2.5 Billion Pounds of 1.625% 2028 Bonds |

ASIA-PACIFIC

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Event</u> |
|----------------|-------------|-------------|--|
| CH | 08/06 | 02:00 | Shandong to Sell Bonds |
| CH | 08/06 | 21:30 | Jilin to Sell Bonds |
| CH | 08/06 | 21:30 | Jilin to Sell Bonds |
| JN | 08/06 | 23:35 | Japan to Sell CPI-Linked 10-Year Bond |
| CH | 08/07 | 22:35 | China to Sell Bonds |
| JN | 08/08 | 23:35 | Japan to Sell 30-Year Bond |
| CH | 08/09 | 21:30 | Henan to Sell Bonds |
| JN | 08/09 | 23:35 | Japan to Sell 30-Year Bond |
| AU | 08/09 | 21:00 | Australia To Sell AUD1000 Mln 2.25% 2022 Bonds |
| NZ | 08/09 | 22:05 | New Zealand To Sell NZD250 Mln 3% 2029 Bonds |

Source: Bloomberg, Scotiabank Economics.

Events for the week of August 6 – 10**NORTH AMERICA**

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Event</u> |
|----------------|-------------|-------------|--|
| US | 08/07 | | Kansas state primary |
| US | 08/07 | | Michigan state primary |
| US | 08/07 | | Missouri state primary |
| US | 08/07 | | Washington state primary |
| US | 08/08 | 08:45 | Fed's Barkin Speaks in Roanoke, Virginia |

ASIA-PACIFIC

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Event</u> |
|----------------|-------------|-------------|--|
| AU | 08/07 | 00:30 | RBA Cash Rate Target |
| JN | 08/07 | 19:50 | BOJ Summary of Opinions |
| AU | 08/07 | 23:05 | RBA Governor Lowe Speech in Sydney |
| TH | 08/08 | 03:05 | BoT Benchmark Interest Rate |
| NZ | 08/08 | 17:00 | RBNZ Official Cash Rate |
| PH | 08/09 | 04:00 | BSP Overnight Borrowing Rate |
| PH | 08/09 | 04:00 | BSP Standing Overnight Deposit Facility Rate |
| AU | 08/09 | 21:30 | RBA Statement on Monetary Policy |

LATIN AMERICA

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Event</u> |
|----------------|-------------|-------------|----------------------------------|
| CL | 08/08 | 08:30 | Central Bank Meeting Minutes |
| PE | 08/09 | 19:00 | Reference Rate |
| CO | 08/10 | 14:00 | Colombia Monetary Policy Minutes |

Source: 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 | 1.50 | September 5, 2018 | 1.50 | 1.50 |
| Federal Reserve – Federal Funds Target Rate | 2.00 | September 26, 2018 | 2.00 | 2.25 |
| Banco de México – Overnight Rate | 7.75 | October 4, 2018 | 7.75 | 7.75 |

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 | September 13, 2018 | 0.00 | 0.00 |
| Bank of England – Bank Rate | 0.75 | September 13, 2018 | 0.75 | 0.75 |
| Swiss National Bank – Libor Target Rate | -0.75 | September 20, 2018 | -0.75 | -0.75 |
| Central Bank of Russia – One-Week Auction Rate | 7.25 | September 14, 2018 | 7.25 | 7.25 |
| Sweden Riksbank – Repo Rate | -0.50 | September 6, 2018 | -0.50 | -0.50 |
| Norges Bank – Deposit Rate | 0.50 | August 16, 2018 | 0.50 | 0.75 |
| Central Bank of Turkey – Benchmark Repo Rate | 17.75 | September 13, 2018 | 17.75 | 18.50 |

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 | September 19, 2018 | -0.10 | -0.10 |
| Reserve Bank of Australia – Cash Target Rate | 1.50 | August 7, 2018 | 1.50 | 1.50 |
| Reserve Bank of New Zealand – Cash Rate | 1.75 | August 8, 2018 | 1.75 | 1.75 |
| People's Bank of China – Lending Rate | 4.35 | TBA | -- | 4.35 |
| Reserve Bank of India – Repo Rate | 6.50 | October 4, 2018 | 6.50 | 6.50 |
| Bank of Korea – Bank Rate | 1.50 | August 31, 2018 | 1.75 | 1.75 |
| Bank of Thailand – Repo Rate | 1.50 | August 8, 2018 | 1.50 | 1.50 |
| Bank Negara Malaysia – Overnight Policy Rate | 3.25 | September 5, 2018 | 3.25 | 3.25 |
| Bank Indonesia – 7-Day Reverse Repo Rate | 5.25 | August 15, 2018 | 5.50 | 5.25 |
| Central Bank of Philippines – Overnight Borrowing Rate | 3.50 | August 9, 2018 | 3.75 | 4.00 |

The Reserve Bank of Australia (RBA) will hold a monetary policy meeting on August 7. We do not expect any changes to the benchmark interest rate in the near term. Nevertheless, if wage gains pick up over the coming months, the RBA may start considering monetary policy normalization at the end of this year. Inflation, at 2.1% y/y in Q2 2018, is finally within the RBA's target of 2-3%. **The Bank of Thailand (BoT)** will hold a monetary policy meeting on August 8. We expect the central bank to leave the benchmark interest rate at 1.50%. We believe that the BoT's monetary policy stance will remain unchanged through the rest of the year given that Thailand's inflation remains contained at 1.5% y/y in July. Monetary authorities of **the Reserve Bank of New Zealand (RBNZ)** will meet on August 9. We expect the central bank to leave the policy rate unchanged at 1.75% well into 2019. Headline inflation, at 1.5% y/y in Q2 2018 continues to hover at the lower end of the RBNZ's 1-3% target; the RBNZ has noted that weak inflation "necessitates supportive monetary policy for some time to come". **Bangko Sentral ng Pilipinas:** a 25bps rate hike is expected. Inflation is overshooting the central bank's target range against a solid growth back drop. Governor Espenilla recently repeated "we are ready" guidance that he used before the prior hike in June.

LATIN AMERICA

| <u>Rate</u> | <u>Current Rate</u> | <u>Next Meeting</u> | <u>Scotia's Forecasts</u> | <u>Consensus Forecasts</u> |
|--|---------------------|---------------------|---------------------------|----------------------------|
| Banco Central do Brasil – Selic Rate | 6.50 | September 19, 2018 | 6.50 | 6.50 |
| Banco Central de Chile – Overnight Rate | 2.50 | September 4, 2018 | 2.50 | 2.50 |
| Banco de la República de Colombia – Lending Rate | 4.25 | September 28, 2018 | 4.25 | 4.25 |
| Banco Central de Reserva del Perú – Reference Rate | 2.75 | August 9, 2018 | 2.75 | 2.75 |

Banco Central de Reserva del Peru is not expected to change its policy reference rate of 2.75% next Thursday night eastern time, but the dialogue on the composition of risks to the outlook will be closely watched. Inflation is rising back toward target and growth has been improving, but a sharp drop in copper prices since June may inform a cautious bias.

AFRICA

| <u>Rate</u> | <u>Current Rate</u> | <u>Next Meeting</u> | <u>Scotia's Forecasts</u> | <u>Consensus Forecasts</u> |
|--|---------------------|---------------------|---------------------------|----------------------------|
| South African Reserve Bank – Repo Rate | 6.50 | September 20, 2018 | 6.50 | 6.50 |

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

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