

OIL SHOCK?

- [United States — I-Ran Straight Into Trouble](#) 2-4
- [Canada — Calendar Watching](#) 4-5
- [Asia-Pacific — Bad Timing](#) 5-6
- [Europe — Gauging The MPC's Bias](#) 6
- [Latin America — Disinflation](#) 7

FORECASTS & DATA

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

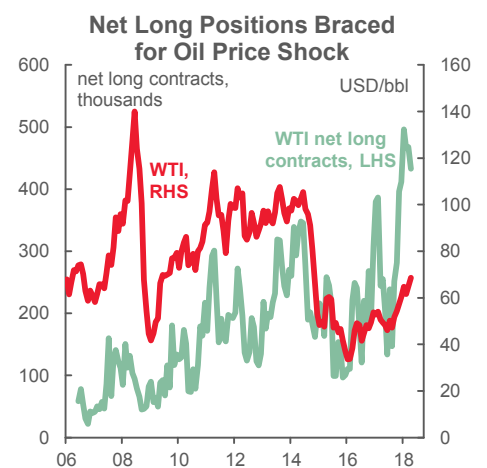
CONTACTS

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

Next Week's Risk Dashboard

- ▶ Iranian sanctions
- ▶ US CPI
- ▶ US-China tensions
- ▶ Chinese CPI, trade
- ▶ CBs: BoE, RBNZ, Negara, Philippines, Peru
- ▶ Fed-speak
- ▶ CDN jobs
- ▶ BoC communications
- ▶ CPI: LatAm, Sweden, Norway
- ▶ GDP: HK, Indonesia, Philippines
- ▶ Earnings

Chart of the Week



Sources: Scotiabank Economics, ICE, Bloomberg.

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

Oil Shock?

UNITED STATES — I-RAN STRAIGHT INTO TROUBLE

The Iran recertification decision and the blowback on it will combine with US-China trade tensions and another inflation update as the week's main market risks. Earnings season is winding down and Fed-speak should be concentrated into the start of the week.

The deadline for the US administration to recertify the lifting of sanctions on Iran in exchange for continued monitoring of its nuclear programs and reduction of uranium enrichment is next Saturday, May 12th. All indications point to President Trump abrogating the arrangement and reintroducing sanctions. Rhetoric has ramped up on both sides. Iran's Foreign Minister Mohammad Javad Zarif was hardly above it Trump's tweets when he recently remarked:

"Bluster or threats won't get the U.S. a new deal, particularly as it is not honouring the deal it has already made. If the U.S. continues to violate the agreement, or if it withdraws altogether, we will exercise our right to respond in a manner of our choosing. Let me make it absolutely clear once and for all, we will neither outsource our security, nor will we renegotiate or add on to a deal we have already implemented in good faith. The U.S. is well-advised to finally start honoring its commitments, or it, and only it, will have to accept responsibility for the consequences of not doing so."

As a consequence, Iran's currency, the rial, has been in freefall for some time as locals stock up on gold while inflation risk intensifies. Israel's shekel has also depreciated by about 7% so far this year versus the dollar. **At issue to world markets is the risk of a further energy shock and instability across the Middle East that may not stop at an oil shock.** WTI oil is already up by about US\$23 a barrel since the \$45 low point last June. As the cover chart depicts, net long speculative oil contract positions are elevated. Regular unleaded gasoline is up by 25% over the same period (65% since the low point in early 2016). This has eaten away an extra 1/2% of disposable incomes just since last summer. Some of this energy price hike already assumes a higher geopolitical risk premium. Could there be more to come?

Definitely. An awful lot is different today than when the UN's resolution 1696 applied sanctions against Iran in 2006. But the accompanying charts 1–7 illustrate what happened to markets even if they are to be taken with heavy caution this go around. Significantly due to Iranian exports being taken out and geopolitical tensions increasing, oil shot up from about US\$60 to US\$145. Uranium prices soared. The Fed's aggressive hiking cycle that took the target up by 425bps over 2004–2006 stopped dead in its tracks almost on the day of the sanctions but like all of the other charts I wouldn't for a second suggest that Iran was the only driver. Ten year and two year Treasury yields plateaued and then fell as the combined effects of Fed tightening and an oil shock contributed to magnifying the leverage problem that then viciously reversed. PCE and core PCE inflation peaked, moved sideways and then lower.

Some forms of leverage were obviously much greater back then and notably off balance sheet in shaky conduits to put it mildly, but overall global debt is larger today

Chart 1

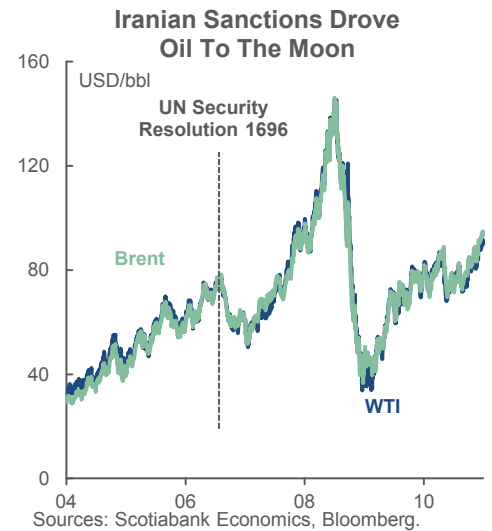
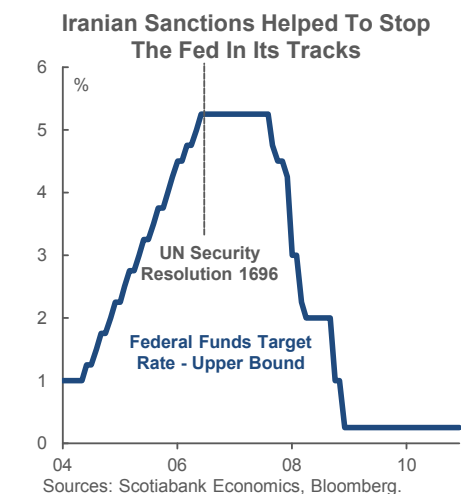


Chart 2



Ch



and financial valuations are elevated. Evidence of cycle maturity today is comparable to the period in the aftermath of the 2006 sanctions. Iran may matter less to oil markets today than it did back then not least of which given the surge in world oil production that partly reflects the increase in US output. Indeed, higher oil prices this time could incite greater production by the US and Canada—among others—but with Russian sanctions in place, Venezuela a mess and tensions elsewhere. Returning to 2006-onward is unlikely, but the main point here is to remind the reader of the interconnectedness in the direction of changes across markets and to connect the dots on the potential direction of the relationships.

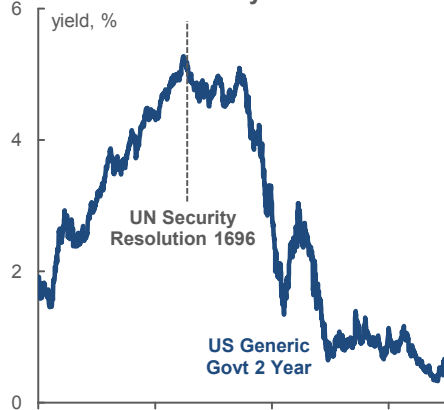
It is not just the direct US decision and the various forms that may take but also global compliance that will determine market directions. The Europeans have resisted thus far, but US could conceivably force the Europeans to go along if it reinstated the National Defense Authorization Act of 2012 that involved penalties on entities engaged in financial market transactions with Iran's central bank that essentially stopped oil exports.

The Iran recertification decision arrives just before Super 301 hearings on Chinese tariffs are supposed to start on May 15th.

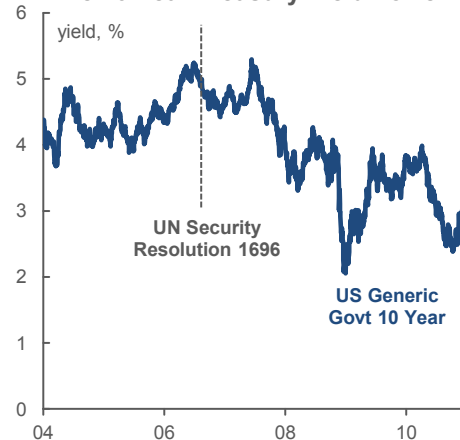
Therefore, next week's markets will also be sensitive to guidance provided by US and Chinese administration officials following meetings with a US delegation and how this informs possible next steps in trade disputes between the countries. Recall that Treasury Secretary Mnuchin, Commerce Secretary Ross, Trade Representative Lighthizer, economic adviser Kudlow and trade adviser Navarro plus their supporting entourage met with Chinese officials this past week.

CPI will be updated with the April reading on Thursday. An estimate in the 2.4% (unchanged) to 2.5% range would be reasonable and I'm leaning to some upside. Gasoline prices have climbed to their highest levels since 2014 and carry about a 4% weight in CPI. Even though gas price increases accelerated since April, they also did so last April as the summer driving season kicked off and so the year-ago comparisons won't shift as much as the month-ago price increases. Therefore, gasoline should add about ½% to year-ago headline CPI next week which would be similar to slightly more than the prior month. Base effects alone would mean cooler year-ago CPI inflation, but April usually brings price increases over the prior month in seasonally unadjusted terms. The problem is that March normally brings price increases as well, but month-ago CPI slipped 0.1% in March and it's possible that weather and other influences postponed price increases into April. Core CPI may also move a touch higher from the 2.1% reading in March as transitory downsides continue to lift and get rebased to the depths at this time last year.

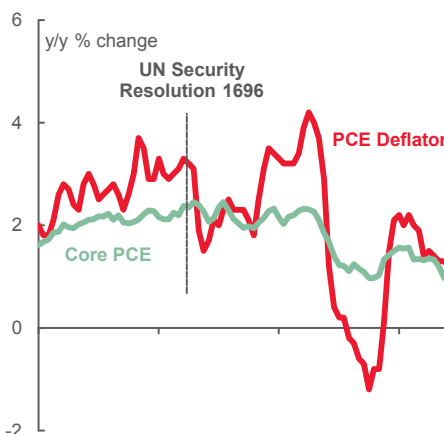
Fed-speak will bring five officials out on the speaker's circuit. Markets will be listening for their interpretations of the latest nonfarm jobs and wage figures plus further colour on possible outstanding issues stemming from the FOMC statement (recap

Chart 4
Iranian Sanction Helped To Drive Two Year Treasury Yield Lower


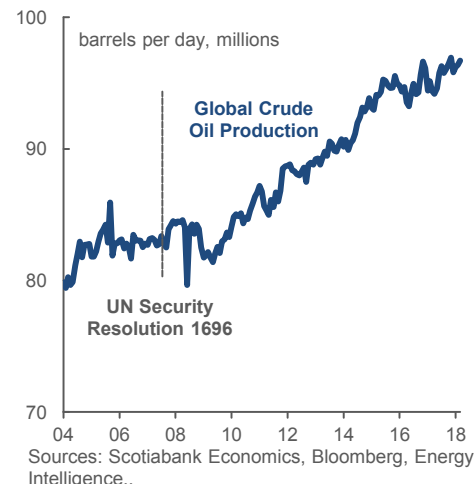
Sources: Scotiabank Economics, Bloomberg.

Chart 5
Iranian Sanctions Helped To Drive 10 Year Treasury Yield Lower


Sources: Scotiabank Economics, Bloomberg.

Chart 6
Inflation Turned Lower


Sources: Scotiabank Economics, Bloomberg.

Chart 7
The World Produces More Oil Now


Sources: Scotiabank Economics, Bloomberg, Energy Intelligence..

[here](#)) as clues to what to expect in the meeting minutes that get released on May 23rd. Five of the six appearances will be between Sunday night and Monday afternoon at a financial markets conference hosted by the Atlanta Fed. By chance or intent, they all speak before the Iranian issue comes to a head. Vice Chair Quarles kicks it off on Sunday evening (7pmET) and then hosts a Q&A session. At the same conference the next day, Atlanta Fed President Raphael Bostic (voting) will deliver opening remarks at 8:25amET. His colleagues Patrick Harker of the Philly Fed (nonvoting, 2pmET), Rob Kaplan of the Dallas Fed (nonvoting, 3:30pmET) and Charles Evans of the Chicago Fed (alternate, 3:30pmET) all speak over the course of the day. Bostic then delivers a speech on the outlook and monetary policy on Wednesday at 1:15pmET.

Producer prices for April (Wednesday) and the University of Michigan's consumer sentiment reading for May (Friday) are the only other entries on the release calendar.

Only 39 S&P500 firms release earnings and none are likely to be broad market movers.

The US Treasury auctions 3s, 10s and 30s next week.

CANADA — CALENDAR WATCHING

Jobs, wages, company earnings, new home construction and Bank of Canada communications will incrementally inform market conditions. **The focus is geared toward how all of this informs market risks on the path to the May 30th statement-only decision as the market probability of a hike has moved significantly higher of late (chart 8).**

Housing starts for April (Tuesday) are likely to hold north of 200,000 at an annualized and seasonally adjusted rate. That's still very strong; by way of comparison to the US, the tally would be over 2¼ million units compared to the reality of about 1.3 million at present. The cooling picture for existing home sales has not been mirrored by new home construction trends, albeit that growth in housing starts at elevated levels is hard to come by. While sales agents may be hitched to resales, other ancillary housing services and especially the trades are more hitched to conditions in the new build segment which is benefiting from fairly tight housing supply. Demographics remain favourable through higher immigration targets and in regions like Ontario that is benefitting from continued net interprovincial in-migration after many years of net departures (chart 9). Note that Alberta's net outflows are improving at BC's expense.

Then it's on to spinning the wheel for the Canadian jobs report on Friday. I'm guessing +25k. Consensus routinely underestimates job growth, so there is merit to having a forecast bias that averages to above the usual median estimate. Firms reported in the BoC's Business Outlook Survey that they were more upbeat toward future employment levels. Firms may also be restraining investment in part by employing more labour; in the face of NAFTA uncertainty, it may be easier to hire and fire than to roll-out and suspend costly new capital projects as a means of meeting incremental demand. If so, that comes at the expense of productivity in favour of accelerated wage growth. On wage growth itself, recall that the measure that will be updated next Friday is not the one the BoC cares about. It used to, until wage common was recently introduced as the preferred gauge. Wage common puts a trivial weight upon the wage measure drawn from the Labour Force Survey and a dominant weight upon an adjusted wage measure from the lagging SEPH survey. [This](#) piece by Scotia's Juan Manuel Herrera Betancourt is worth a look in terms of the recent wage dynamics.

BoC communications will probably represent little market risk over the coming week because of the sheer volume of recent communications and because of the topics. Under the present schedule—subject to possible additions including spontaneous remarks in the press—the main communications risk could be the speech on May 16th.

Chart 8 Decent Chance Of A Sooner BoC Hike

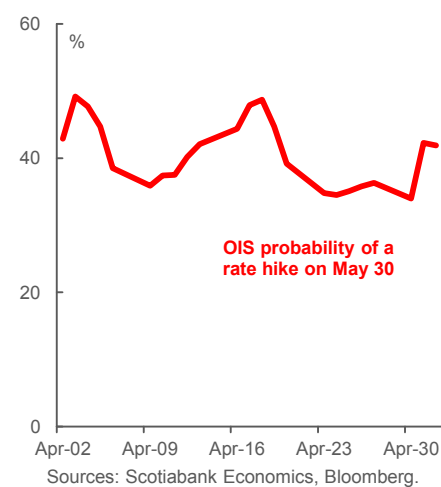
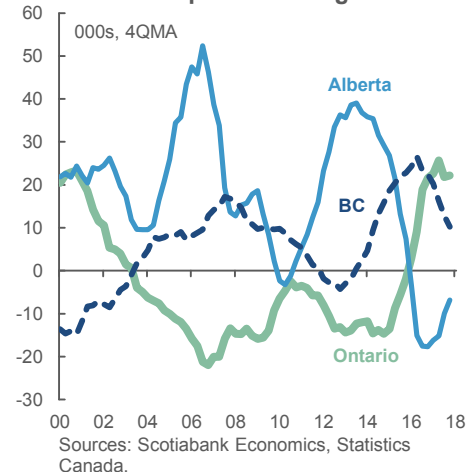


Chart 9 Net Interprovincial Migration



Here's a rundown of the communications calendar.

- **BoC Deputy Governor Tim Lane** speaks in Portugal on Monday as part of a panel at a think tank event in Switzerland that fashions itself to be a mini-Davos kind of shindig. [This](#) briefing book gives a sense of the range of topics under consideration at the annual forum; other than a token reference or two in the charts it doesn't acknowledge Canada. Enter Lane's task which may be to wave the flag on a panel that will be focused on the world outlook following the MPR's upbeat take that was reinforced by Governor Poloz's recent remarks.
- **We'll also hear from SDG Wilkins** on Friday who will speak about "Closing The Gap: How An Inclusive Economy Is A More Secure One" which would at best possibly contain a token reference to policy and markets.
- **The BoC's COO Filipe Dinis** speaks on Wednesday about "Strengthening Our Cyber Defenses" following Poloz's speech in December that flagged cyber risks. Dinis would not remark on monetary policy and is not a member of the Governing Council.
- **Deputy Governor Larry Schembri** speaks the following week on May 16th about "Reaching Our Potential: Challenges and Opportunities." As the topic indicates, the focus is likely to be upon the drivers and impediments to achieving faster long-run potential GDP growth aka the economy's equilibrium non-inflationary speed limit to growth. In connecting the timing of the speech to the BoC's data dependence, it's worth noting that it will follow updates for jobs, manufacturing, housing starts, existing home sales and retail sales while preceding CPI inflation on May 18th after which the domestic calendar goes quiet until decision day.
- The BoC then goes into communications blackout on May 23rd ahead of the May 30th statement.

Canada's earnings season continues to intensify as the US earnings season winds down. This will continue straight up to when the big banks begin releasing between May 23rd and May 30th. Ninety-eight firms listed on the TSX will whet the market's appetite next week with earnings due out from Home Capital, Magna, Thomson Reuters, RioCan, Power Corp, TELUS, WestJet, George Weston, several gold plays and TransAlta among others.

Canada holds a two year auction on Wednesday.

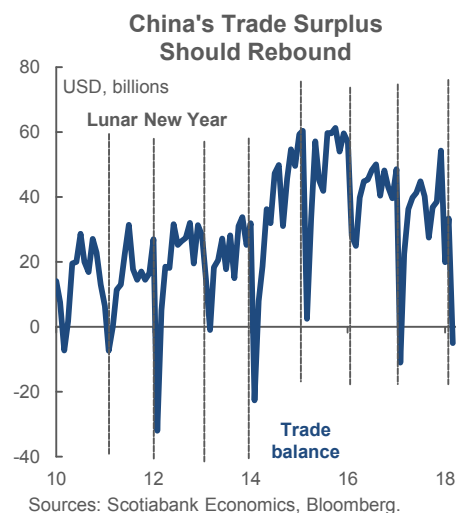
ASIA-PACIFIC — BAD TIMING

Global markets will be focused upon China's macro releases and the aforementioned China-US trade policy developments (see the US section). Regional markets will evaluate Q1 GDP growth reports and a trio of central bank decisions including a possible rate hike.

China will update trade figures for April toward the start of the week and just as a top US delegation has returned home. Regardless of the reasons, the optics to an expected return to sizeable monthly trade surpluses couldn't be plagued by worse timing. I see an opportunistic tweet about it in the near future! The reason for an expected rebound in the trade surplus is that the distortions caused by the shifting timing of the annual Lunar New Year holiday walloped the trade balance in March and drove it into deficit. This is a common occurrence each year (chart 10). Aren't there more sophisticated ways of making seasonal adjustments?! The return to more normal business conditions should ramp up the export engine.

China's CPI inflation rate has also been swung all over the map by the shifting holiday timing. CPI inflation jumped higher in February to 2.9% y/y largely because of the year-ago dip and influenced by holiday timing. China is coming off that crest on a combination of less holiday-induced price pressure and base effects. When the CPI figures land on Wednesday evening (ET), **producer prices will also arrive.** Producer prices soared over 2016 into 2017 as a reflection of the recovery in global commodities following the 2014–15 sell-off. Since the end of last year, the pace of producer price inflation has been ebbing.

Chart 10



China may also release aggregate financing either later next week or into the next week.

The RBNZ delivers a rate decision on Wednesday at 5pm (ET). No change is expected. In its last full Monetary Policy Statement ([here](#), p.10–11) the RBNZ’s published forecast for the official cash rate was for no change through to year-end and a very slight upward bias over 2019–2021. Nothing in the latest batch of wage growth and inflation estimates would influence this outlook to change. Inflation fell in Q1 but the RBNZ had anticipated the decline and expected it to be a transitory dip.

Bank Negara Malaysia is expected to leave its policy rate unchanged at 3.25% toward the end of next week. The central bank hiked by 25bps in January, but inflation has since dropped to 1.3% y/y.

Bangko Sentral ng Pilipinas may well raise its overnight borrowing rate next Thursday. Inflation just moved higher again and at 4.5% y/y it is running above the 2–4% target range. Governor Espenilla recently stated “Economic growth remains solid enough to absorb some policy tightening, if warranted” and warned of a willingness to take “immediate and appropriate” steps to address inflation and financial stability with an eye on financial sector reforms. The Philippines may be the second Asian economy to hike rates this year after Bank Negara Malaysia did so in January and against policy easing in China.

A round of Q1 GDP reports will be released by Indonesia, Philippines and Hong Kong. Japanese real wage growth in March also arrives on Tuesday; **real wages have been falling so far this year as a further driver of caution at the Bank of Japan.**

EUROPE — GAUGING THE MPC’S BIAS

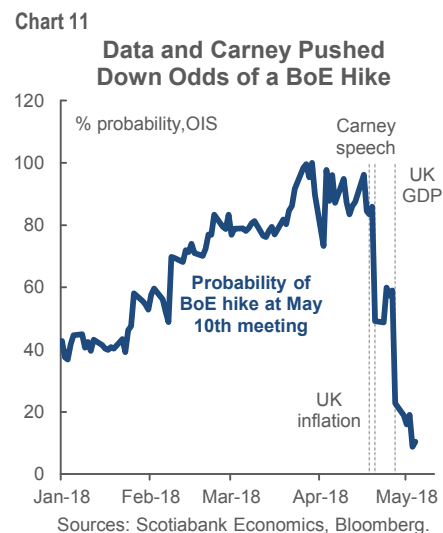
The Bank of England will probably be the main point of emphasis over the coming week that starts with a bank holiday in the UK which is well timed in order to rest up for the show that lies ahead. Further developments in US-EU tariff tensions may be of greater significance to global markets but a June 1st deadline for possibly applying US steel and aluminum tariffs could push to the limit of the deadline. A few inflation updates may also inform regional dynamics.

As chart 11 demonstrates, **data and comments from BoE Governor Mark Carney dramatically altered the market probability of a hike next Thursday** and did so over just the past couple of weeks or so. Carney was right to have changed his guidance indicating that there are ‘other meetings’ later on; it’s a central banker’s prerogative to change as the facts themselves change rather than blindly staying on course with stale guidance that would have him being criticized even more so. Our London-based UK economist/strategist Alan Clarke has been on the ball catching the rising probability of a hike before others and then the further reduction of the probability ahead of many. He thinks the BoE delivers a ‘hawkish hold’ on Thursday. There remains the slim chance of a hike but it’s unlikely. Clarke expects downward revisions to the BoE’s growth and inflation projections

Norway updates CPI on Wednesday. Headline inflation is expected to drift a little further above the 2% target while underlying inflation drifts a little higher but remains well below 2%. The figures would probably only reinforce Norges Bank’s recent guidance that rate hikes could begin “after summer”.

Sweden also updates inflation on Wednesday and it may go in the opposite direction to Norway’s. Inflation is expected to pull back from the 1.9% y/y rate in March partly on shifting base effects. That could also be true of underlying inflation that was 2% in March. Nevertheless, underlying inflation is close to the Riksbank’s 2% goal and currency depreciation could juice it higher going forward but something Governor Ingves appears to be looking through as he has said “there is not that much” indication the krona could further depreciate.

Nowcasting exercises for Q2 European GDP growth will be marginally informed by industrial production updates from the UK, Germany, France and Italy plus trade figures from Germany and the UK.



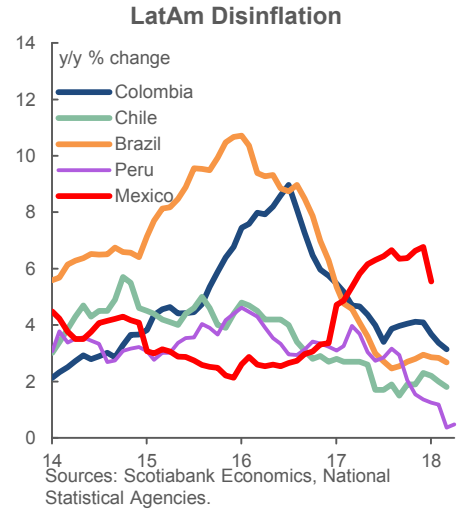
LATIN AMERICA — DISINFLATION

Inflation—or more like the lack of it—is set for a round of updates and one central bank will weigh in with its updated views. That is, after Americans make a bigger deal of the Cinco de Mayo (“Fifth of May”) celebration than most Mexicans will this weekend.

Each of Colombia (this weekend), Mexico (Monday), Chile (Tuesday) and Brazil (Thursday) weigh in with inflation readings for April. With the possible exception of Brazil that has been stabilizing for some time, all of the countries are expected to see further downside pressure on their inflation prints that would extend recent trends (chart 12). Brazil’s inflation, however, has stabilized and may rise a touch due to regulated price increases while underlying inflation remains soft.

Peru’s central bank is expected to stay on hold at a reference rate of 2.75% next Thursday. Peru’s inflation was updated earlier and ticked gently higher to ½% y/y. Peru’s inflation rate is expected to rise by just above 2% by year-end and the central bank has indicated it is looking through the transitory downsides.

Chart 12



Key Indicators for the week of May 7 – 11

NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	05/07	15:00	Consumer Credit (US\$ bn m/m)	Mar	--	16.0	10.6
CA	05/08	08:15	Housing Starts (000s a.r.)	Apr	210.0	220.0	225.2
US	05/08	10:00	JOLTS Job Openings (000s)	Mar	--	6100	6052
US	05/09	07:00	MBA Mortgage Applications (w/w)	MAY 4	--	--	-2.5
CA	05/09	08:30	Building Permits (m/m)	Mar	--	--	-2.6
US	05/09	08:30	PPI (m/m)	Apr	0.2	0.2	0.3
US	05/09	08:30	PPI ex. Food & Energy (m/m)	Apr	0.2	0.2	0.3
MX	05/09	09:00	Bi-Weekly Core CPI (% change)	Apr 30	--	--	0.1
MX	05/09	09:00	Bi-Weekly CPI (% change)	Apr 30	--	--	-0.4
MX	05/09	09:00	Consumer Prices (m/m)	Apr	--	--	0.3
MX	05/09	09:00	Consumer Prices (y/y)	Apr	--	--	5.0
MX	05/09	09:00	Consumer Prices Core (m/m)	Apr	--	--	0.3
US	05/09	10:00	Wholesale Inventories (m/m)	Mar F	--	0.6	0.5
CA	05/10	08:30	New Housing Price Index (m/m)	Mar	--	0.0	-0.2
US	05/10	08:30	CPI (m/m)	Apr	0.3	0.3	-0.1
US	05/10	08:30	CPI (y/y)	Apr	2.5	2.5	2.4
US	05/10	08:30	CPI (index)	Apr	--	251	250
US	05/10	08:30	CPI ex. Food & Energy (m/m)	Apr	0.2	0.2	0.2
US	05/10	08:30	CPI ex. Food & Energy (y/y)	Apr	2.2	2.2	2.1
US	05/10	08:30	Initial Jobless Claims (000s)	MAY 5	215	220	211
US	05/10	08:30	Continuing Claims (000s)	APR 28	1800	1800	1756
US	05/10	14:00	Treasury Budget (US\$ bn)	Apr	--	--	-209
CA	05/11	08:30	Employment (000s m/m)	Apr	25.0	19.3	32.3
CA	05/11	08:30	Unemployment Rate (%)	Apr	5.8	5.8	5.8
US	05/11	08:30	Export Prices (m/m)	Apr	--	0.5	0.0
US	05/11	08:30	Import Prices (m/m)	Apr	--	0.5	0.0
MX	05/11	09:00	Industrial Production (m/m)	Mar	--	--	0.4
MX	05/11	09:00	Industrial Production (y/y)	Mar	--	--	0.7
US	05/11	10:00	U. of Michigan Consumer Sentiment	May P	98.0	98.4	98.8

EUROPE

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
GE	05/07	02:00	Factory Orders (m/m)	Mar	--	0.5	0.3
GE	05/08	02:00	Current Account (€ bn)	Mar	--	27.0	20.7
GE	05/08	02:00	Industrial Production (m/m)	Mar	--	0.8	-1.6
GE	05/08	02:00	Trade Balance (€ bn)	Mar	--	22.5	18.5
UK	05/08	03:30	Halifax House Price (3 month, y/y)	Apr	3.0	3.2	2.7
FR	05/09	02:45	Industrial Production (m/m)	Mar	--	0.4	1.2
FR	05/09	02:45	Industrial Production (y/y)	Mar	--	2.8	4.0
FR	05/09	02:45	Manufacturing Production (m/m)	Mar	--	0.9	-0.6
SP	05/09	03:00	Industrial Output NSA (y/y)	Mar	--	3.0	3.1
IT	05/10	04:00	Industrial Production (m/m)	Mar	--	0.4	-0.5
UK	05/10	04:30	Industrial Production (m/m)	Mar	0.1	0.2	0.1
UK	05/10	04:30	Manufacturing Production (m/m)	Mar	-0.2	-0.2	-0.2
UK	05/10	04:30	Visible Trade Balance (£ mn)	Mar	-12	-11300	-10203
UK	05/10	07:00	BoE Asset Purchase Target (£ bn)	May	435	435	435
UK	05/10	07:00	BoE Policy Announcement (%)	May 10	0.50	0.50	0.50
SP	05/11	03:00	CPI (m/m)	Apr F	--	0.8	0.8
SP	05/11	03:00	CPI (y/y)	Apr F	--	1.1	1.1
SP	05/11	03:00	CPI - EU Harmonized (m/m)	Apr F	--	0.8	0.8
SP	05/11	03:00	CPI - EU Harmonized (y/y)	Apr F	--	1.1	1.1

Key Indicators for the week of May 7 – 11

ASIA-PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
AU	05/06	21:30	ANZ Job Advertisements (m/m)	Apr	--	--	0.0
CH	MAY 6-7		Foreign Reserves (US\$ bn)	Apr	--	3131	3143
ID	MAY 6-7		Real GDP (y/y)	1Q	5.2	5.2	5.2
AU	05/07	02:30	Foreign Reserves (AUD bn)	Apr	--	--	76.6
MA	05/07	03:00	Foreign Reserves (US\$ bn)	Apr 30	--	--	110
TA	05/07	04:00	Exports (y/y)	Apr	--	13.5	16.7
TA	05/07	04:00	Imports (y/y)	Apr	--	7.6	10.4
TA	05/07	04:00	Trade Balance (US\$ bn)	Apr	--	4.3	6.0
SI	05/07	05:00	Foreign Reserves (US\$ mn)	Apr	--	--	286963
JN	05/07	19:30	Household Spending (y/y)	Mar	--	1.1	0.1
AU	05/07	21:30	Retail Sales (m/m)	Mar	--	0.2	0.6
CH	MAY 7-8		Exports (y/y)	Apr	--	7.0	-2.7
CH	MAY 7-8		Imports (y/y)	Apr	--	16.0	14.4
CH	MAY 7-8		Trade Balance (USD bn)	Apr	--	27.5	-5.0
TA	05/08	04:00	CPI (y/y)	Apr	2.0	1.8	1.6
JN	05/08	19:50	Official Reserve Assets (US\$ bn)	Apr	--	--	1268
PH	05/08	21:00	Exports (y/y)	Mar	--	2.0	-1.8
PH	05/08	21:00	Imports (y/y)	Mar	--	3.7	18.6
PH	05/08	21:00	Trade Balance (US\$ mn)	Mar	--	-2488	-3065
JN	05/09	01:00	Coincident Index CI	Mar P	--	116	116
JN	05/09	01:00	Leading Index CI	Mar P	--	105	106
NZ	05/09	17:00	RBNZ Official Cash Rate (%)	May 10	1.75	1.75	1.75
JN	05/09	19:50	Bank Lending (y/y)	Apr	--	1.9	2.0
JN	05/09	19:50	Current Account (¥ bn)	Mar	--	2929	2076
JN	05/09	19:50	Trade Balance - BOP Basis (¥ bn)	Mar	--	1017	189
CH	05/09	21:30	CPI (y/y)	Apr	2.0	1.9	2.1
CH	05/09	21:30	PPI (y/y)	Apr	--	3.4	3.1
PH	05/09	22:00	Real GDP (y/y)	1Q	6.6	6.8	6.5
CH	MAY 9-15		Aggregate Financing (CNY bn)	Apr	--	1325	1332
CH	MAY 9-15		New Yuan Loans (bn)	Apr	--	1100	1120
MA	05/10	00:00	Industrial Production (y/y)	Mar	--	3.5	3.0
MA	05/10	03:00	Overnight Rate (%)	May 10	3.25	3.25	3.25
PH	05/10	04:00	Overnight Borrowing Rate (%)	May 10	3.25	3.25	3.00
NZ	05/10	18:30	Business NZ PMI	Apr	--	--	52.2
JN	05/10	19:50	Japan Money Stock M2 (y/y)	Apr	--	3.2	3.2
JN	05/10	19:50	Japan Money Stock M3 (y/y)	Apr	--	2.8	2.8
AU	05/10	21:30	Home Loans (%)	Mar	--	-2.0	-0.2
AU	05/10	21:30	Investment Lending (% change)	Mar	--	--	0.5
ID	MAY 10-11		Current Account Balance (US\$ mn)	1Q	--	--	-5761
SI	05/11	01:00	Retail Sales (y/y)	Mar	--	1.5	8.6
HK	05/11	04:30	Real GDP (y/y)	1Q	3.5	3.3	3.4
IN	05/11	08:00	Industrial Production (y/y)	Mar	--	--	7.1

LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CO	05/05	13:00	Consumer Price Index (m/m)	Apr	--	0.3	0.2
CO	05/05	13:00	Consumer Price Index (y/y)	Apr	--	3.0	3.1
CL	05/07	07:30	Economic Activity Index SA (m/m)	Mar	--	-0.1	0.9
CL	05/07	07:30	Economic Activity Index NSA (y/y)	Mar	--	4.1	4.0
CL	05/08	07:00	CPI (m/m)	Apr	--	0.1	0.2
CL	05/08	07:00	CPI (y/y)	Apr	--	1.7	1.8
BZ	05/10	08:00	IBGE Inflation IPCA (m/m)	Apr	--	0.3	0.1
BZ	05/10	08:00	IBGE Inflation IPCA (y/y)	Apr	--	2.8	2.7
PE	05/10	19:00	Reference Rate (%)	May 10	2.75	2.75	2.75
PE	MAY 10-15		Trade Balance (USD mn)	Mar	400.0	--	445.3
BZ	05/11	08:00	Retail Sales (m/m)	Mar	--	0.2	-0.2
BZ	05/11	08:00	Retail Sales (y/y)	Mar	--	5.3	1.3
CO	05/11	11:00	Retail Sales (y/y)	Mar	--	--	5.0
CO	05/11	11:00	Trade Balance (US\$ mn)	Mar	--	--	-548.4

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

Global Auctions for the week of May 7 – 11

NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	05/08	13:00	U.S. to Sell USD31 Bln 3-Year Notes
CA	05/09	12:00	Canada to Sell CAD3 Bln 1.75% 2020 Bonds
US	05/09	13:00	U.S. to Sell USD25 Bln 10-Year Notes
US	05/10	13:00	U.S. to Sell USD17 Bln 30-Year Notes

EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
NE	05/08	05:00	Netherlands to Sell Up to EUR2.5 Bln 0.75% 2028 Bonds
AS	05/08	05:15	Austria to Sell 1.5% 2047 Bonds
AS	05/08	05:15	Austria to Sell 0.75% 2028 Bonds
GE	05/08	05:30	Germany to Sell EUR250 Mln 0.1% I/L 2046 Bonds
GE	05/08	05:30	Germany to Sell EUR500 Mln 0.5% I/L 2030 Bonds
SZ	05/09	05:15	Switzerland to Sell Bonds
GE	05/09	05:30	Germany to Sell EUR1.5 Bln 1.25% 2048 Bonds
UK	05/09	05:30	U.K. to Sell 2.75 Billion Pounds of 1.625% 2028 Bonds
PO	05/09	05:30	Portugal to Sell 4.95% 2023 Bonds
PO	05/09	05:30	Portugal to Sell 2.125% 2028 Bonds
IR	05/10	05:30	Ireland to Sell Bonds
IT	05/11	05:00	Italy to Sell Bonds

ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
AU	05/07	21:00	Australia To Sell AUD150 Mln 2.5% 2030 Bonds
CH	05/07	21:30	Shaanxi to Sell Bonds
CH	05/07	22:30	Shaanxi to Sell Bonds
JN	05/07	23:35	10Y Bond Amount Sold
JN	05/07	23:35	10Y Bond Average Yield
JN	05/07	23:35	Japan to Sell 10-Year Bonds
CH	05/08	22:35	China to Sell CNY29 Bln 2-Yr Upsized Bonds
CH	05/08	22:35	China to Sell CNY41 Bln 5-Yr Upsized Bonds

Events for the week of May 7 – 11

NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	05/06	19:00	Fed's Quarles Speaks at Atlanta Fed's Financial Conference
CA	05/07	04:00	Bank of Canada Deputy Governor Speaks at Event in Portugal
US	05/07	08:25	Fed's Bostic Makes Welcome at Financial Markets Conference
US	05/07	14:00	Fed's Barkin Speaks in Moderated Q&A at GMU
CA	05/07	15:00	Bank of Canada's Tim Lane Speaks on a Panel in Portugal
US	05/07	15:30	Fed's Kaplan Speaks on Panel at Financial Conference
US	05/07	15:30	Fed's Evans Speaks At Atlanta Fed Financial Markets Conference
US	05/08	03:15	Fed's Powell to Speak at SNB/IMF Event in Zurich
US	05/08		Indiana state primary
US	05/08		North Carolina state primary
US	05/08		Ohio state primary
US	05/08		West Virginia state primary
US	05/08		President Donald Trump's Schedule
US	05/09	13:15	Fed's Bostic Speaks on Economic Outlook and Monetary Policy
CA	05/09	17:15	Bank of Canada's Filipe Dinis Speaks on Cyber Security
CA	05/11	09:00	Bank of Canada's Wilkins Speaks at Women's Forum Canada

EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
SW	05/07	05:30	Riksbank's af Jochnick Gives Speech
SW	05/08	03:30	Riksbank Minutes
SW	05/08	04:30	Riksbank Deputy Governor Jansson Gives Speech
FI	05/08	10:00	ECB's Liikanen Speaks on Central Banks Post-Financial Crisis
GE	05/10	05:15	Macron, Merkel Speak at European Prize Ceremony in Aachen
UK	05/10	07:00	Bank of England Bank Rate
UK	05/10	07:00	Bank of England Inflation Report

ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
JN	05/06	19:50	BOJ Minutes of Policy Meeting
AU	05/07	19:00	RBA's Boge Gives Speech in Sydney
NZ	05/09	17:00	RBNZ Official Cash Rate
JN	05/09	19:50	BOJ Summary of Opinions
NZ	05/09	20:00	Finance Minister Pre-Budget Speech
NZ	05/09	21:10	RBNZ's Orr at Parliament Select Committee on MPS
MA	05/09		Malaysian general election
MA	05/10	03:00	BNM Overnight Policy Rate
PH	05/10	04:00	BSP Overnight Borrowing Rate
PH	05/10	04:00	BSP Standing Overnight Deposit Facility Rate

LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
PE	05/10	19:00	Reference Rate

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	1.25	May 30, 2018	1.25	n/a
Federal Reserve – Federal Funds Target Rate	1.75	June 13, 2018	2.00	2.00
Banco de México – Overnight Rate	7.50	May 17, 2018	7.50	7.50

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	June 14, 2018	0.00	0.00
Bank of England – Bank Rate	0.50	May 10, 2018	0.50	0.50
Swiss National Bank – Libor Target Rate	-0.75	June 21, 2018	-0.75	-0.75
Central Bank of Russia – One-Week Auction Rate	7.25	June 15, 2018	7.25	--
Sweden Riksbank – Repo Rate	-0.50	July 3, 2018	-0.50	-0.50
Norges Bank – Deposit Rate	0.50	June 21, 2018	0.50	0.50
Central Bank of Turkey – Benchmark Repo Rate	8.00	June 7, 2018	8.00	--

Bank of England: No rate change is expected but Scotia's Alan Clarke wouldn't be surprised to see a 'hawkish hold' on the bias. Inflation and GDP growth recently surprised lower and Governor Carney's "other meetings" reference to the rest of the year recently all but eliminated market pricing for a near-term hike.

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	June 15, 2018	-0.10	-0.10
Reserve Bank of Australia – Cash Target Rate	1.50	June 5, 2018	1.50	1.50
Reserve Bank of New Zealand – Cash Rate	1.75	May 9, 2018	1.75	1.75
People's Bank of China – Lending Rate	4.35	TBA	--	--
Reserve Bank of India – Repo Rate	6.00	June 6, 2018	6.00	--
Bank of Korea – Bank Rate	1.50	May 24, 2018	1.50	--
Bank of Thailand – Repo Rate	1.50	May 16, 2018	1.50	1.50
Bank Negara Malaysia – Overnight Policy Rate	3.25	May 10, 2018	3.25	3.25
Bank Indonesia – 7-Day Reverse Repo Rate	4.25	May 17, 2018	4.25	--

Monetary authorities of the **Reserve Bank of New Zealand (RBNZ)** will meet on May 10. New Zealand's headline inflation eased to 1.1% y/y in Q1 2018 from 1.6% y/y in Q4 2017, approaching the lower boundary of the RBNZ's 1-3% inflation target. Accordingly, we do not expect any changes to the monetary policy stance. The Malaysian central bank, **Bank Negara Malaysia (BNM)**, will also hold a policy meeting on March 10. The BNM increased the Overnight Policy Rate by 25 bps to 3.25% in January, marking the first hike since July 2014. We expect the BNM to proceed cautiously with further monetary tightening, leaving the policy on hold in the near term.

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	May 16, 2018	6.50	--
Banco Central de Chile – Overnight Rate	2.50	June 13, 2018	2.50	--
Banco de la República de Colombia – Lending Rate	4.25	June 29, 2018	4.25	--
Banco Central de Reserva del Perú – Reference Rate	2.75	May 10, 2018	2.75	2.75

Banco Central de Reserva del Perú: No rate change is expected with inflation at ½% y/y notwithstanding that the central bank has guided it is looking through the softness.

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	May 24, 2018	6.50	--

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

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