Global Views

Weekly commentary on economic and financial market developments

January 4, 2013

2-11 Economics

A1-A11 Forecasts & Data

Global Views **is available on: www.scotiabank.com, Bloomberg at SCOE and Reuters at SM1C**

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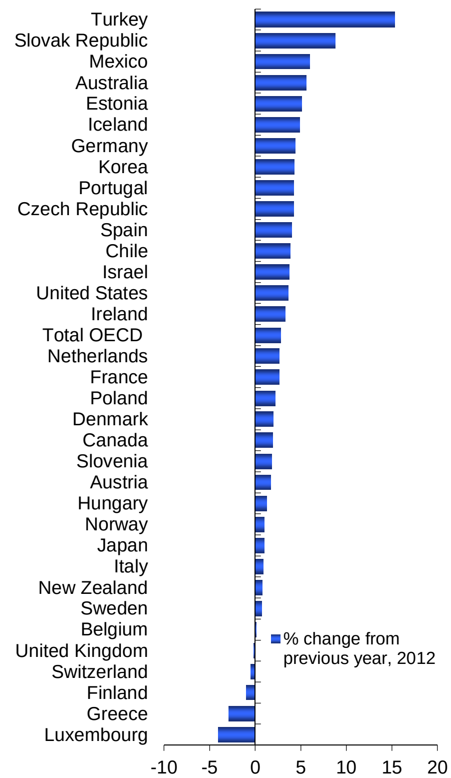
Global Trade, China, Fed Talk & European Central Banks Heat Up The New Year

- **Please see our full indicator, central bank, auction and event calendars on pp. A3-A7.**

Export Volumes of Goods & Services



Source: OECD, Scotiabank Economics.

US markets will be principally focused upon Fed speak next week, in the wake of minutes to the December 11th-12th FOMC meeting that caught markets off-guard on fears that stimulus would end sooner than anticipated. The FOMC minutes are stale, however, since even though the participants were reasonable in assuming that the full cliff effects would not hit at the start of the new year, they nonetheless did not anticipate a prolonged period of uncertainty with the likely imperative of spending cuts coupled to debt ceiling increases serving to guide a more protracted deficit struggle and potentially destabilizing period of uncertainty throughout Q1. Further, US 10s were trading at about 1.65% on the FOMC decision day and have since backed up; it is likely that the Fed would be somewhat more concerned about the influences upon housing stimulus if the rate structure were to be at further risk. When stale minutes are combined with continued slow progress on the jobs front that is keeping the unemployment rate well above the Fed's target, it is likely that the Fed will continue to lean on stimulus at least throughout 2013. The long line-up of Fed speakers may address the topic of timeliness insofar as the FOMC minutes are concerned, and that's probably the big US-centric risk of the week. Those speakers include San Francisco Fed President John Williams (nonvoting) who delivers a joint paper titled "Measuring The Effect of The Zero Lower Bound On Medium- And Longer-Term Interest Rates", Philadelphia Fed President Charles Plosser (alternate) who speaks on the Fed's Centenary, Vice Chairman Janet Yellen (always voting) who speaks on monetary policy after the crisis, Richmond Fed President Jeffrey Lacker (nonvoting) who tackles the economic outlook, Kansas City Fed President Esther George (voting) who also addresses the outlook, and ditto for St. Louis Fed President James Bullard (voting) and Minneapolis Fed President Narayana Kocherlakota (alternate). The only material data risk for the US is likely to take the form of Friday's trade figures that are expected to yield a moderately narrower deficit. Finally, the US auctions 3s, 10s, and 30s next week.

Asian markets may guide some of the global market tone primarily through a trio of Chinese data releases. New yuan loan growth has been waning over 2012H2, and next week's release could carry market influences if this continues in the final December print. We've made a point of noting that aggregate financing by Chinese companies hit a record high last year so that investors don't just look to domestic currency loans and instead consider the strength across the full suite of lending and capital market products. Second up will be Chinese trade figures. A general downward trend in export growth since 2010 has been a contributing factor behind a sharp decline in China's current account surplus as a share of GDP. Since last Fall, markets have oscillated between signs of a pick-up and more recent disappointment in the November figures. The risk here is that weak growth in the US and Eurozone will contrain upsides to Chinese exports, while the country continues to adjust to the substantial appreciation in the real effective exchange rate that has crimped export competitiveness. Lastly, Chinese CPI may face upside risks in the December release. Inflation has stabilized around a 2% reading over 2012H2 and suggests that inflation has bottomed. Consensus expects a marginal rise in next week's print. The Bank of Thailand, Bank Indonesia, and the Bank of Korea are expected to keep their policy rates on hold next week. Trade figures from India, Australia, Japan, New Zealand, Philippines, Malaysia and Taiwan will complement the Chinese trade figures in providing an overall assessment of export dynamics across the Asia-Pacific region especially when combined with the North American and European trade figures. Indian and Malaysian factory data coupled with Australian new home sales and retail sales will round out the regional hits.

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European markets are likely to be primarily focused upon the ECB and BoE decisions on Thursday. The ECB risk is that of a rate cut, but only a minority of three out of twenty-eight forecasters anticipate a cut. Consensus is unanimous that the BoE will leave its policy rate and asset purchase target unchanged. Data risk should be relatively light in Europe. Continuing along one of the week's main themes concerning global trade updates, each of Germany, the UK and France will provide updated perspectives on export and import growth. Perspectives upon the industrial complex through trade figures will be further enlightened by German factory orders, and industrial production in France, Germany and the UK. EC retail sales, unemployment, and confidence readings coupled with French CPI for inflation traders are also on the docket.

Canadian markets are unlikely to witness much action independent of the broad global tone next week. BoC Senior Deputy Governor and candidate for the top job Tiff Macklem speaks on Thursday about "Regearing Our Economic Growth." Only housing starts and international merchandise trade are on the docket. Housing permits were still strong up to the latest available October figures in terms of housing start volumes, but that doesn't mean these options to build will be exercised. The whole housing complex slowed fairly abruptly over 2012H2 and that would make it prudent to cool off new construction and avert the emergence of a greater inventory overhang, especially in terms of multiples that drove almost all of the rise in housing starts over recent years. The latest housing resale figures for December are thus far not encouraging for available major cities. Toronto sales were down 19.5% from the same month a year ago. All segments were lower: condos (-27%); semi-detached (-23.5%); townhomes (-13%); and detached (-13%). Thus, while condo sales were hit hardest, it's not just a condo story as rapid price gains over recent years have impaired affordability in other segments. The 416 and 905 areas are being hit equally hard in the detached and condo categories, while the 416 area is taking the decline in semis and townhomes harder. Prices are still higher in year-ago terms for all segments by 4-6%, except for about a 1% decline in condos, but prices lag volumes. Overall, this continues to fit the picture of a marked slowdown in sales from mid-year onward in the wake of tightened mortgage rules applied at structural peaks across virtually every measure of household sector activity. Vancouver's sales are fitting a comparable pattern and fell 31% y/y in December. For the full year, sales fell 22.7%. December's sales were 38% below the 10-year average for the month. Average prices fell 5.8% since the May peak to a still relatively lofty average of C$591k. Calgary remains a bright spot, however, where December sales were up 5.7% y/y while new listings were down 18% with prices up 8.6%. Next week's trade figures are expected to indicate a mild widening of the monthly trade deficit and register the eighth consecutive nominal trade deficit as Canada runs twin trade and fiscal deficits as the country's balance of payments position requires net funding from abroad. Indeed, in a broader sense, Canada has been running a current account deficit since 2009Q1 and as a share of GDP the deficit is the largest since the early 1990s and is a marked reversal from the 2000s. Lastly, Canada auctions $3.4 billion of 5 year notes on Wednesday.

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Outlook For The Euro Area In 2013

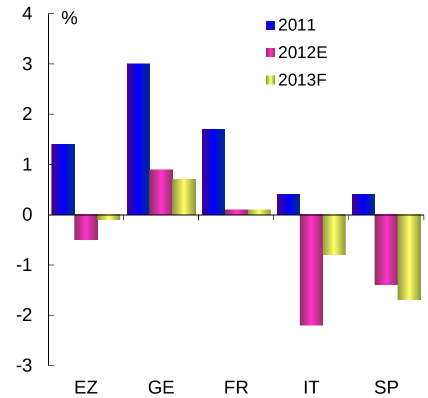
- **Low and divergent growth paths; gradual convergence and recovery toward year-end.**

Euro zone

Expected growth in 2013: -0.1%

Recessionary conditions will likely persist in the euro zone through the start of 2013 following a cyclical low-point in the fourth quarter of 2012. We anticipate continued progress on banking and, eventually, fiscal integration in the region, as well as advancements in domestic structural reforms, and external and fiscal rebalancing. A slow and gradual return to trend growth rates should begin by mid-year, backed by recuperating confidence in recognition of the progress already made — both on a region-wide, institutional level and by individual states — and by accelerating activity in emerging markets, particularly China, which will support global demand. The European Central Bank (ECB) will continue to act as a backstop during periods of heightened uncertainty.

Euro Area Growth



Source: IMF, Scotiabank Economics.

Recent months have seen a considerable easing in financial market tensions in Europe supported by global central bank action and most recently, an initial agreement on the US ‘fiscal cliff’. This has allowed sovereign bond yields in the most distressed euro area states to move lower. Nevertheless, periodic bouts of volatility can again be expected in 2013, stemming from political maneuvering and social unrest in Europe (amid austerity in the periphery and elections in Italy and Germany), in addition to developments in the US surrounding discussions on government spending cuts and borrowing limits.

Germany

Expected growth in 2013: +0.7%

Germany’s growth pace will continue to moderate in 2013, though it will outshine that of its peers. Most of the lost momentum will come from net exports, as import strength recovers while extra-EU export demand returns only slowly after a sharp slowdown in the fourth quarter of 2012. Meanwhile, consumer and investment spending will pick up modestly this year. Despite a recent cooling in the labour market, Germany’s employment situation remains enviable, with the unemployment rate at a post-unification low.

France

Expected growth in 2013: +0.1%

France is set for another difficult year in 2013, with rising unemployment and tax increases eating into household incomes, and fiscal consolidation exerting a strong drag (particularly if, as expected, the Hollande administration introduces an additional set of tightening measures so as to meet its 3% of GDP fiscal deficit target). With the IMF warning that France risks losing competitiveness relative to Italy and Spain (having already fallen well behind Germany), the government will seek to enact labour market reforms.

Italy

Expected growth in 2013: -0.8%

Of the largest euro area economies, Italy experienced the sharpest decline in activity in 2012 (of around 2.2%) following the political crisis of late-2011. The country now faces another round of political upheaval heading into the February general election, which is adversely affecting consumer and business confidence in the economy, and risks delaying the implementation of much-needed structural reforms.

Spain

Expected growth in 2013: -1.7%

Entering its fourth year of recession since the housing market collapsed in 2008, Spain faces a difficult period of public and private sector balance sheet repair in the years ahead. The external sector will provide the only offset to negative growth this year, as improved competitiveness lifts exports while imports continue to fall.

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Top Commodity 'Picks' for Investors in 2013 — Lumber & OSB

- **Prices for forest-products building materials surge in late 2012;**
- **A modest recovery in U.S. housing starts — set against rebounding demand in China — hit a wall of limited North American supply.**

OSB and Lumber were the 'Top' two performing commodities within the Scotiabank Commodity Price Index in 2012 (a trade-weighted U.S. dollar-based Index of 32 Canadian resource exports) and remain our 'Top picks' for investors in 2013 — likely to be reflected in a multiple-year expansion in corporate equity valuations. While the improvement will be most noticeable in B.C. & Alberta, where the industry still looms large, the economies of Ontario, Quebec and Saskatchewan will also benefit — as will Atlantic Canada.

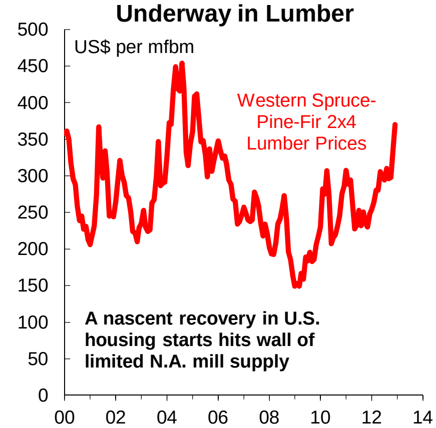
After a challenging environment since 2008 — linked to a prolonged and sharp downturn in U.S. housing — Lumber & OSB producers enjoyed a substantial recovery in earnings in 2012. Western Spruce-Pine-Fir 2x4 No.2 & Btr lumber prices in the B.C. Interior (the bellwether for North America) climbed from a mere US$230 per mfbm in November 2011 (below average mill cash costs) to US$338 in November 2012 and surged to US$388 in late December (yielding a 25% profit margin over Total Costs including depreciation and the 5% export charge on U.S. shipments). A modest recovery in U.S. housing starts in 2012 hit a wall of tight supply, given substantial mill closures since 2006 (an 11.5% capacity loss — the equivalent of 140 sawmills across the United States and Canada). Given the rebound in prices, under the terms of the Canada-U.S. Softwood Lumber Agreement, the export tax to the United States (which has varied from 5 to 15% for B.C. & Alberta producers, depending on price), will drop to zero in January — boosting the profit margin to 30%.

Western Spruce-Pine-Fir 2x4 lumber prices are expected to average at least US$340 in 2013 (seasonally higher late in the year) and US$375 in 2014, up from US$255 in 2011 and US$298 in 2012. As noted above, this price forecast is quickly being discounted, given the improvement in industry expectations and investor sentiment. (Lumber prices reached a high of US$454 in August 2004, as U.S. housing starts approached an annual peak of 2.07 million in 2005.)

Scotiabank Commodity Price Index

Source: Scotiabank Commodity Price Index, including Oil & Gas, Metals & Minerals, Forest Products and Agriculture.

Price Recovery Gets Underway in Lumber



Source: Scotiabank Commodity Price Index.

While U.S. financial institutions are still holding a large number of foreclosed homes off the market, the supply of existing homes for sale at 4.8 months in November approached normal levels (4.6 months from 2000-05). Average home prices (including condos) have increased by 9.1% yr/yr. As a result, U.S. housing starts rebounded to 861,000 units annualized (+22% yr/yr) in November, up from a mere 612,000 units in 2011. U.S. housing starts should rise to 950,000 units in 2013 and 1.100 million in 2014.

The improvement in U.S. residential construction is occurring in an environment of growing demand from China. B.C.'s exports of softwood lumber to China totaled more than 2.3 bn. bd. ft. in 2012 — equivalent to

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building 142,000 single-family homes in the United States. (Alberta also exports to China.) While export volumes edged down through late-summer 2012, China's demand picked up again in October alongside a recovery in China's home sales (+25% yr/yr in October & +32% in November). After being a drag on the economy in the second and third quarters, private-sector housing starts and floor space-under-construction turned positive in November, a key reason for the recent rebound in China's economy.

Commodity Price 'Sweepstakes'

Top Ten Performing Commodities in 2012* *(% price increase Dec 14' 11 to Dec 14' 12)*		'Picks' for 2013 *(yr end/ yr end)*
1) OSB	79.7%	
2) Lumber	47.8%	Lumber & OSB
3) Barley	34.5%	Palladium
4) Canola	21.2%	
5) Lead	13.6%	
6) Palladium	13.5%	**Mid-decade:**
7) Platinum	10.9%	Uranium
8) Copper	9.6%	Zinc
9) Zinc**	9.8%	
10) Silver	8.7%	

* 32 commodities covered in the Scotiabank Commodity Price Index plus palladium & platinum.
** Refined zinc; global zinc mine concentrates are currently in surplus.
Source: Scotiabank Commodity Price Index.

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Canada's Federal Major Transfers To The Provinces For Fiscal 2013-14

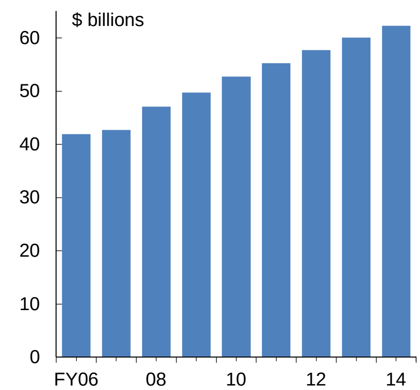
- **Ottawa maintains scheduled increases in its major transfers to the Provinces.**

As changes to Canada's federal major transfers to the Provinces and Territories for the period after fiscal 2013-14 (FY14) are discussed, Ottawa's release of the transfer details for FY14, the last fiscal year under the existing agreements, offers some interesting trends *(bottom table)*. For major transfers to the ten Provinces, the aggregate 3.5% (+$2.0 billion) increase for FY14, while substantial, is the smallest annual hike since FY07 *(top chart)* and compares to increases averaging 4.2% annually over the three years to FY13. On a per capita basis, the FY14 major transfers to the Provinces continue to show the steep tilt towards the smaller jurisdictions receiving Equalization *(bottom chart).*

Moderating the rise in Ottawa's major transfers in FY14 is the contraction in the *Total Transfer Protection (TTP)* to $56 million from an annual average of almost $720 million during the program's first three years. For each Province, TTP offers a potential top-up to ensure that its major transfers for the fiscal year do not total less than the sum of its major transfers the prior year.

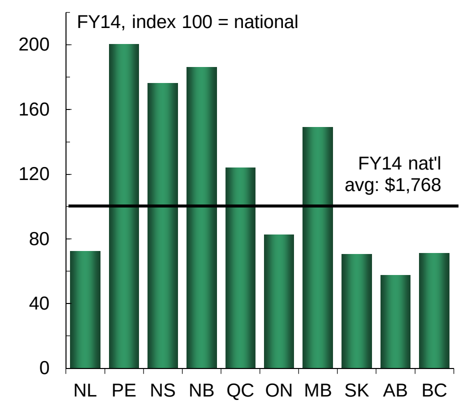
Some trends continue in FY14. Atlantic Canada's increase for the Canada Health and Social Transfers (CHT, CST) is less than the national average due to projected population growth for the region slower than Canada's and the per capita CHT/CST payment structure. A significant change in FY14 is Ontario's Equalization slipping lower, after a four-year surge from $347 million in FY10 to $3.26 billion in FY13. This surge in Equalization for Ontario dampened per capita Equalization transfers for the other recipient Provinces, reflecting the destabilizing influence of an expanding 'have-not' status for Canada's largest Province. For FY14, Ontario's per capita Equalization will be less than $250, and about $10 lower than the FY13 level. This per capita decline, though small, is sufficient to raise average per capita FY14 Equalization for the other recipient Provinces by more than 5%.

Federal Major Transfers to the Provinces and Territories: Total …



Source: Finance Canada.

… and Per Capita



Source: Finance Canada, Scotiabank Economics.

Canada's Federal Major Transfers to the Provinces, Fiscal 2013-14

$ millions except where noted

	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC	Prov. Total
Canada Health Transfer	476	129	833	664	7,114	11,981	1,121	978	2,633	4,261	30,190
% change	*3.9*	*5.7*	*4.8*	*4.9*	*5.5*	*6.0*	*5.8*	*5.8*	*7.7*	*6.6*	*6.0*
Canada Social Transfer	177	51	329	262	2,810	4,733	443	378	1,365	1,627	12,175
% change	*1.7*	*2.0*	*1.9*	*1.9*	*2.6*	*3.0*	*2.8*	*3.0*	*3.8*	*3.5*	*3.0*
Equalization	-	340	1,458	1,513	7,833	3,169	1,792	-	-	-	16,105
% change	-	*0.9*	*15.0*	*1.2*	*6.0*	*-2.8*	*7.2*	-	-	-	*4.4*
2005 Offshore Accord	-	-	335*	-	-	-	-	-	-	-	335
Total Transfer Protection	-	-	-	49	-	-	7	-	-	-	56
Total	**653**	**519**	**2,955**	**2,488**	**17,757**	**19,883**	**3,363**	**1,356**	**3,999**	**5,888**	**58,862**
% change	*3.3*	*2.1*	*4.0*	*0*	*3.0*	*3.8*	*0*	*5.0*	*6.4*	*5.7*	*3.5*
per capita ($)	*1,278*	*3,541*	*3,113*	*3,289*	*2,191*	*1,457*	*2,633*	*1,244*	*1,015*	*1,254*	*1,768 ***

* Includes Nova Scotia's cumulative Best-of-Guarantee payments. ** National average. Source: Finance Canada.

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US Agreement Sets Up Another Cliff

- **This assessment expands upon the note issued on January 1, 2013, shortly after the House vote, and summarizes the near term pros and cons for the economy and the remaining issues.**

The *American Taxpayer Relief Act of 2012*, spearheaded by Vice President Biden and Senate Minority Leader McConnell, is largely limited to the major tax relief expiring at the end of 2012. It will impair near-term growth through direct effects and added uncertainty, thereby making it difficult to achieve anything but a very tepid pace of economic growth in 2013H1.

Our 'pre-agreement' base forecast for the US economy assumes that additional fiscal restraint will result in a negative contribution to real GDP growth in 2013 of roughly one percentage point, ending as of fiscal 2013 a four-year string of federal deficits wider than $1 trillion. The fiscal restraint assumed is expected to constrain US real GDP growth in 2013 to about 2%, with the greatest growth challenge lying in 2013H1 before growth accelerates in 2014. Additional fiscal restraint is expected in fiscal 2014 and fiscal 2015, the price for gradually putting the US economy on a more sustainable footing.

For now, the agreement appears to be in line with our fiscal restraint assumption for 2013. The *Act* is, however, a partial solution, and it may set up a potentially bigger and riskier battle in 2013Q1 as the focus shifts toward pairing negotiated spending cuts with a necessary increase in the debt ceiling along virtually identical time horizons. The resulting spending restraint for 2013 could be greater than we have anticipated. Washington is now at its legislated borrowing limit, and the Treasury has said it will use extraordinary measures to postpone the ceiling's effective bite until February or perhaps March — just when this agreement's delay in automatic spending cuts expires. This period will result in prolonged uncertainty governing consumer spending, business investment, and market activity.

Uncertainty also remains on the tax side, in terms of the President's questionably timed reference to further reducing tax expenditures for high-income households that inevitably will conflict with the GOP's desire to have a broad re-writing of the tax system. A truly comprehensive corporate and personal tax reform package would be positive but, as the preceding debate over personal and corporate tax deductions has proven, scaling back entrenched tax deductions is controversial and will have a considerable impact on diverse sectors. Obama's remarks may add to the sentiment that this first agreement is a clear, overwhelming victory for the White House and a big defeat for the weakened Conservatives as tax revenues go up by an estimated $620 billion over ten years and yet spending is cut by only $15 billion, thus yielding little deficit improvement. An alternative perspective is that the House may now have far greater leverage to seek spending cuts over coming weeks thanks to the requirement to increase the debt ceiling.

The financial market implications may point to a near-term relief rally in equities, cheaper Treasuries, and a weaker USD driven by less risk aversion. Once reality sets in, and we begin to see the broadening impact of the deal on a variety of economic indicators and earnings reports, and negotiations transition towards the ceiling and spending cuts, market uncertainty is likely to negatively impact equities, keep Treasury yields later in Q1 well behaved in the 1.5-1.75% range, and result in renewed USD strength. Only after this period of uncertainty is the US economic outlook expected to improve late this year and into 2014 as GDP growth accelerates on weak 2013H1 base effects and bullish housing market prospects are increasingly unleashed.

What Will Hurt The Economy This Year

1. The 2% social security payroll tax cut to the workers' share is gone permanently. As a consequence, disposable income will decline in January and Q1. By how much? Probably about $125 billion in aggregate over 2013. At the individual and family level, it will amount to about $2,400 annually for those with earnings at the 2013 cap of $113,700 or more and just under half that for the average family. This measure is generally thought to knock about a half point off annual GDP growth and is likely to hit consumption in Q1-Q2. It never really achieved the desired positive impact upon

US Sovereign Ratings

Moody's	Aaa (-ve*)
S&P	AA+ (-ve*)
Fitch	Aaa (-ve*)

* Negative outlook as of January 4, 2013.

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job creation. While reversing this tax stimulus is also likely to weigh upon consumer confidence through assessments of present conditions when lower after-tax paycheques are realized, modest-income families should be somewhat encouraged that the Bush tax rate reductions are now permanent and the prior expansion of several tax credits focused on lower-income families is extended for a further half decade.

2. Upper income earners (individuals earning over $400k and joint filers over $450k) face a permanent hike in their marginal tax rate to 39.6% from 35%. President Obama has remarked that further reductions in tax expenditures for upper-income earners will be sought as part of additional negotiations in 2013 to reduce spending and raise revenues. Thus, we cannot yet evaluate the full tax implications for upper-income earners.

3. For the same definition of upper-income earners, taxes permanently rise on capital gains and dividends from 15% previously to 20%. For this same group, a new 3.8% Medicare contribution tax (as specified under the *Affordable Care Act*) as of January 1st raises the total investment income rate to 23.8%.

4. The top estate and gift tax rate will rise to 40% from 35% previously for assets above the exemption. The estate and gift tax exemptions will remain at $5 million per individual (not the $3.5 million at a 45% rate that the White House sought) and $10 million for a family estate. Annual indexation of the individual/family exemption thresholds is expected to raise them to $7.5 million and $15 million respectively by 2020.

5. For the sequester, the foregone savings of $24 billion from the two-month deferment will be made up from a $12 billion spending cut split between Defense and domestic programs and a $12 billion revenue hike from altering the rules for transferring from 401(k) plans to Roth accounts.

6. Tax refunds for early filers may be delayed several weeks, with guidance on the tax filing season expected shortly. That could push some household income realization back several weeks, distorting seasonal adjustment factors for personal income for early 2013. It may take until Q2 before we get cleaner data to evaluate trend consumer income growth. A small positive is that delayed tax refund pay-outs will give the Treasury a bit more flexibility with respect to the debt ceiling. It is unlikely, however, to push the debt ceiling timeframe beyond a March horizon.

7. Personal exemptions and itemized deductions will be capped for adjustable gross incomes of over $250k for individuals and over $300k for couples. Permanently restoring the Personal Exemption phase-out and the Pease provision after the late Donald Pease (Democrat) that limits itemized deductions is estimated to add just over 1% to the highest marginal tax rate.

8. 401(k) plans may be rolled into Roth IRA plans and hence taxes will have to be paid up-front on gains in the plan. The carrot is that pay-outs from Roth plans are not taxed. Roth plans offer no tax deductions on contributions but shelter investment income upon distribution. They contrast with 401(k) plans that offer deductions on contributions, but then tax investment income flows upon withdrawal. Washington's move therefore captures higher near-term tax revenues at the expense of longer-term tax revenues as baby boomers retire. It is likely a relatively short-sighted near-term revenue grab that fits the pattern of kicking the can down the road.

9. The agreement blocks the 0.5% cost-of-living pay increase for federal employees anticipated at the end of March, suggesting a pay freeze through fiscal 2013, with Congress yet to set the federal government's pay scale for 2013. Remuneration for Congressional members also is likely to be frozen.

What Will Help The Economy This Year

1. Those with up to $400k/$450k of individual/household income will have the reduced Bush era tax rates permanently extended. This is not added stimulus, but averts a tax hike for 99% of filers. Some may question

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whether permanent extensions represent good policy for a heavily indebted government running enormous long-term deficits and it may not be surprising to see 'permanent' being revisited in future.

2. The broadening of the Alternative Minimum Tax in 2013 will no longer occur. The AMT will be indexed annually on a permanent basis, removing the scramble to adjust the tax each year-end.

3. For those below the $400k/$450k individual/family income thresholds, the 15% tax rate on dividends and longer-term capital gains is unchanged, as is the zero rate applying to the lowest two brackets.

4. Depreciation incentives for businesses to write off up to 50% of equipment spending will be extended for another year, as will the Corporate Income Tax credit for research & experimentation and tax credits and incentives for renewable energy. These are pluses for business investment, but they require confidence for their effects to be unleashed and that isn't likely until later in the year. As well as personal income tax reform, a comprehensive corporate tax overhaul has been urged to support US competitiveness *(see chart)*.

5. Unemployment insurance benefits that were lengthened in the crisis will be extended for another year at a CBO estimated cost of $30 billion. We'll be having that portion of the debate again by late 2013. At nearly two years, the US offers jobless insurance as generous as the most liberal of European economies.

6. To assist low-income families, the expansion of the Earned Income Tax Credit and the Child Tax Credit in the 2009 stimulus legislation will be extended for five years, alongside the American Opportunity Tax Credit offering a tax credit of up to US$2,500 for college tuition. Also extended is the marriage penalty relief.

7. A scheduled 27% cut in physicians' reimbursement for their services to Medicare is blocked for 2013, following similar actions since 2003.

8. At least for now, the GOP fully backed away from efforts towards using chained CPI indexing of entitlement spending which would have represented cost savings to the government.

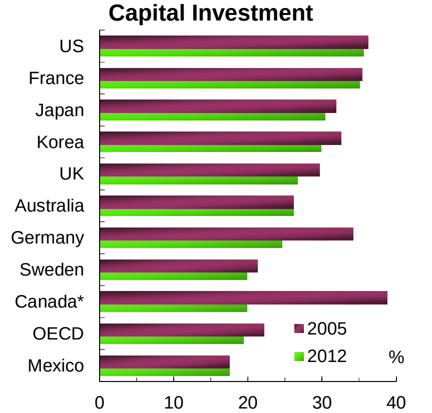
9. Existing federal farm subsidy programs will be extended through September 2013, including dairy subsidies to avoid substantial price hikes for milk.

What Remains To Be Addressed

There is no agreement on the debt ceiling which has been reached once again. A large risk facing the US economy is how $110 billion in spending cuts, now delayed by this agreement for two months, will be tied to an increase in the debt ceiling required by February or March after the Treasury takes extraordinary measures to postpone the ceiling's binding effects. Republicans are again stipulating that each dollar hike in the ceiling be matched by at least one dollar of expenditure cuts. Now reinforcing their expenditure reduction demands is their compromise in the agreement allowing higher taxes for top-bracket Americans. On balance, the agreement provides for a somewhat more progressive personal income tax structure.

Markets are expected to remain on edge for some time as this mini-deal fails to address the spending and borrowing sides of the picture. It may be that the GOP waved the white flag on the first leg of the negotiations, only to gain leverage in their quest for spending cuts by an administration that has thus far demonstrated that deficit reduction is just one of several priorities.

Marginal Effective Tax Rates on Capital Investment



* Canada's 2012 METR below 17%, but rises to 19.9% in 2014 as BC returns to a PST and federal accelerated depreciation on manufacturers'/ processors' M&E expires. Source: D. Chen, J. Mintz, The School of Public Policy, University of Calgary, September 2012.

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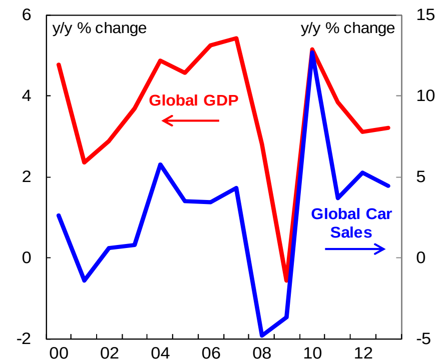
Record Global Car Sales For 2013

- **A reacceleration in China and strengthening U.S. replacement demand will drive gains.**

The cyclical recovery in global auto sales that began in mid-2009 remains intact. Gains have averaged 7% over the past three years, including a 13% surge in the first year of recovery. We expect a further 4% advance in 2013, driving global volumes to the fourth consecutive annual record. Global sales will be bolstered by strong employment growth in developing nations — 3.8% y/y in late 2012 — record low interest rates and the recent acceleration in the pace of monetary expansion around the globe.

Global Economic Growth Drives Car Sales



Rapid sales gains in emerging markets will lead the way in 2013, while ongoing replacement demand in the United States will provide valuable support. Passenger vehicle purchases in the United States are expected to climb to a full-year total of 15 million units in 2013 — the highest level since 2007, as households and businesses continue to replace their aging vehicles whose average age now exceeds a record 11 years.

Car sales in Canada are expected to edge up to 1.69 million units in 2013 — the second-highest level on record and up from 1.68 million this year. Ongoing employment gains — especially in Western Canada — will support the market, but slowing housing activity will dampen consumer confidence and household wealth, limiting the improvement.

In contrast, Western Europe remains the weak link. Volumes across Western Europe slumped to a 19-year low in 2012, undercut by plunging sales in the debt-ridden Mediterranean nations. However, purchases are likely to begin stabilizing in the core countries of northern Europe in coming months, with car sales across Western Europe expected to remain unchanged at 11.7 million units in 2013.

China is the key driver of global car sales, accounting for nearly 60% of the increase in world volumes over the past decade. Sales gains in China will accelerate in 2013, as economic growth in the most populous nation bottomed in the third quarter, and has gained momentum through the final months of 2012. China now accounts for nearly 20% of global car sales (one-quarter of global volumes if trucks are included). We expect an improving economic performance to lead to a double-digit increase in car sales in 2013, up from a 7% advance last year. Increasing urbanization, rising incomes and low vehicle penetration rates will continue to drive rapid gains auto sales over the next decade. Urban per capita income continued to advance by 12.5% y/y in the first half of 2012 — in line with the average of the past decade. Planned assembly expansion could enable China to produce 40 million cars and trucks by 2015 — double last year's 19.5 million units.

Automakers also continue to increase their presence in Brazil, with investment of US$19 bn scheduled through 2017. Roughly US$5.2 bn is earmarked for new assembly plants, with the remainder destined for expansion of existing facilities. Car sales in Brazil will benefit from an acceleration in the pace of economic growth to 3.5% in 2013 — more than triple this year's advance — largely due to infrastructure developments ahead of the FIFA World Cup in 2014 and the Summer Olympics in 2016.

Russia and Japan were key auto industry growth markets in 2012, with volumes in both nations posting double-digit increases. Much of the strength was provided by government incentives to purchase new vehicles. However, these subsidies have expired in both nations leading to a low-single digit advance in Russia over the coming year and declining volumes in Japan. Car sales in India are projected to advance a moderate 5% in 2013, a gain in line with this year's increase.

Please refer to the *Global Auto Report*, December 27, 2012 for a more in-depth analysis of the outlook for international auto sales.

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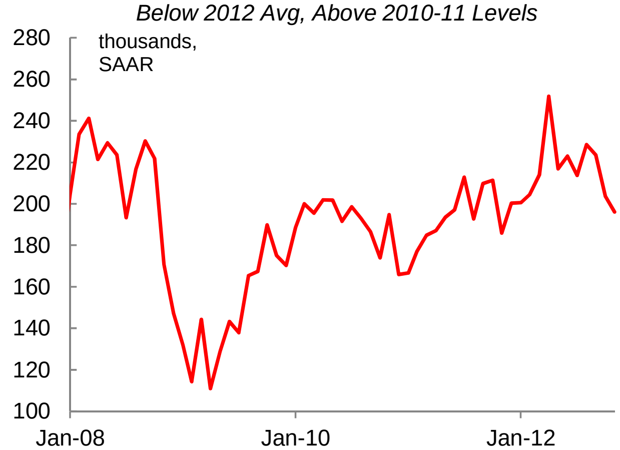
Key Data Preview

CANADA

Are Canadian **housing starts** data (January 9) adequately reflecting the sluggish existing home sales numbers that are coming out of Canada's major real estate markets? Scotiabank is looking for a 195k print, essentially unchanged from November. While Toronto and Vancouver have both experienced a deteriorating pace of home sales into year-end (Toronto -19.5% y/y in Dec., Vancouver -31% y/y), housing starts remained at a fairly elevated 196k level in November. There is a sense in which 196k represents a marked pull-back (it's the lowest level seen through the first 11 months of 2012), however, it's also at the upper end of the range for 2010-2011 (see chart). The spike in building permits in October to 225k (up from 210k in September) deterred us from making a call for a sharp cool-down in housing starts as we have learned not to underestimate Canadian builders during the housing boom of the past three years. Nonetheless, the weaker fundamental numbers from the real estate market lead us to expect the possibility of a rapid drop-off in housing starts during 2013.

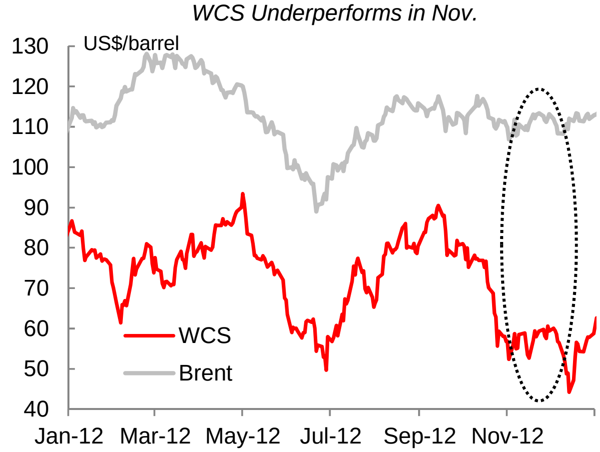
Canada Housing Starts
Below 2012 Avg, Above 2010-11 Levels



Source: CMHC, Scotiabank Economics

Scotiabank is expecting a widening of the **Canadian trade** deficit in November to -C$750m from -C$175m in October (January11). We do not expect the factors that supported the October balance (causing the deficit to decline from -C$1bn in September and -C$2.7bn in July) to support trade in November. The October numbers benefited from higher crude oil export prices and a decline in overall imports. On the export side of the picture, the price of Canadian crude distillates fell by large amounts, with the price of Western Canada Select crude on a per-barrel basis averaging C$57.50 in November compared to C$71.30 in October. On the plus side, Canada should benefit from decent exports of motor vehicles, aircraft, and general machinery and equipment. Imports face the twofold challenge of: a) overcoming a weaker Canadian dollar, which should in-and-of-itself raise the import bill, and b) likely rebounds in some of the categories that saw weakness in October, including food, metals, cars and car parts, and basic industrial products. Rising imports and lower prices for Canada's largest category of exports are not a good combination for the trade balance.

Brent vs. Western Canada Select Crude
WCS Underperforms in Nov.



Source: Bloomberg, Scotiabank Economics

UNITED STATES

U.S. **trade** numbers for November are due out on January 11, and Scotiabank is anticipating that the trade deficit will narrow to -US$40.5bn. There are a variety of factors that ought to support the narrowing of the trade deficit in November: a) Brent crude prices were down moderately in November over October and Canadian crude prices fell by even more, so the cost of U.S. crude imports ought to fall, b) The DXY index was roughly 1% higher, and as the U.S. runs a trade deficit, a stronger dollar is supportive of a lower deficit in the short run as the import bill should fall by more than the haul from exports, c) shipments of autos and capital goods were both strong, which should add to exports as well. The one weak spot is that foodstuff commodity prices fell. In terms of larger trends, decreasing volumes of crude oil imports and rising exports of refined product are having a major impact on the U.S. trade situation — as well as the outlook moving forward. Currently the U.S. is tracking at the lowest volume of crude imports in close to two decades.

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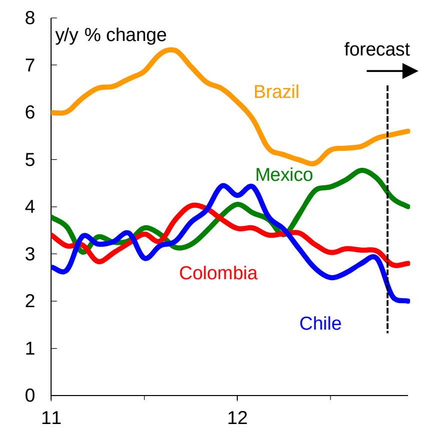
EUROPE

Are hard data in Germany about to turn? German manufacturing orders jumped up 3.9% m/m in October. While it is true that this rise followed sharp declines in both August & September, it nonetheless raised hope that a turnaround in output growth could be forthcoming. Orders data can be very volatile on a month-on-month basis and after a strong rise, some payback would normally be expected. However, the further increases in the December Ifo "orders in the month" index and especially in the "export expectations" component are encouraging and suggest that the underlying trend is now turning upward. As a result, we look for orders to contract by only 0.5% m/m in November, which would mean a 0.6% y/y rise after a more than 7% y/y drop at the beginning of the summer. Turning to industrial production, after a sharp 2.6% m/m drop in October, the data appear to have undershot in view of the signs of a turnaround in orders. As a result, some catch-up in November appears likely with an expected gain of 1.2% m/m. While this would not be strong enough to save fourth-quarter GDP from a contraction (the carry-over in the first two months of Q4 will be still 2.8% lower than in Q3), this upturn could begin to change the dynamic as we will enter into the first quarter of 2013.

LATIN AMERICA

December's inflation report in Mexico, Brazil, Colombia and Chile will be released next week. Inflation performance continues to be uneven across these countries. In Brazil, after an aggressive easing cycle, headline inflation rebounded from a low of 4.9% y/y in June to 5.5% y/y in November. We estimate that Brazilian inflation closed the year 2012 at 5.6% y/y. Due to economic moderation in Colombia headline inflation eased in November, reaching the lowest level (2.8% y/y) since the second quarter of 2011. Accordingly, we now expect headline inflation reached 2¾% y/y in December. Chile has maintained the lowest inflation rate among its regional peers since the second quarter of the year, reaching the lower end of the central bank's tolerance range of 3% +/- 1%. We expect inflation to have remained close to the 2.0% y/y mark in December. After reaching 4.8% y/y in September, headline inflation in Mexico has decelerated considerably, and we expect it to have returned to the upper limit of the central bank's tolerance range in December. We maintain our view that inflation will continue to moderate through 2013.

Inflation in Latin America

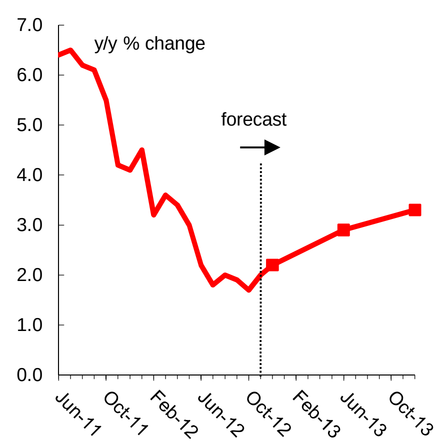


Source: Bloomberg, Scotiabank Economics.

ASIA

China will release December consumer and producer price inflation data on January 10th. We estimate that headline consumer price inflation closed the year 2012 at 2.2% y/y, following a 2.0% y/y gain the month before. Inflation in China will likely accelerate moderately over the next two years on the back of improving overall economic outlook, reaching 3.3% y/y by the end of 2013 and around 4% by end-2014. Nevertheless, persistent deflationary pressures further up the distribution chain alleviate any concerns regarding significant upside pressures on prices. Indeed, producer prices declined by 2.2% y/y in November and only a slightly smaller drop of 1.8% y/y is estimated to have taken place in December. In recent months, the People's Bank of China (PBoC) has taken a break from easing monetary conditions, leaving the benchmark 1-year lending rate at its current level of 6.0%. In fact, we expect that the PBoC's policy rate has reached its cyclical bottom, with monetary tightening in sight in the first quarter of 2014.

Consumer Price Inflation - China



Source: Bloomberg, Scotiabank Economics.

Key Indicators for the week of January 7 - 11

North America

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	01/08	15:00	Consumer Credit ($ bn m/m)	Nov	12.5	13.3	14.2
CA	01/09	08:15	Housing Starts (000s a.r.)	Dec	195.0	195.0	196.1
MX	01/09	09:00	Consumer Prices (m/m)	Dec	0.68	0.4	0.7
MX	01/09	09:00	Consumer Prices (y/y)	Dec	4.0	--	4.2
MX	01/09	09:00	Consumer Prices Core (m/m)	Dec	0.55	0.2	0.1
MX	01/09	09:00	Trade Balance (US$ mn)	Nov F	--	--	-1272.7
US	01/10	07:00	MBA Mortgage Applications (w/w)	JAN 5	--	--	-10.4
CA	01/10	08:30	Building Permits (m/m)	Nov	--	--	15.0
CA	01/10	08:30	New Housing Price Index (m/m)	Nov	--	--	0.2
US	01/10	08:30	Continuing Claims (000s)	DEC 29	--	--	3245
US	01/10	08:30	Initial Jobless Claims (000s)	JAN 5	--	365	372
MX	01/10	09:00	Global Economic Indicator IGAE (y/y)	Oct	3.1	3.9	1.3
US	01/10	10:00	Wholesale Inventories (m/m)	Nov	--	0.3	0.6
CA	01/11	08:30	Merchandise Trade Balance (C$ bn)	Nov	-0.75	-0.7	-0.2
US	01/11	08:30	Export Prices (m/m)	Dec	--	0.1	-0.9
US	01/11	08:30	Import Prices (m/m)	Dec	--	0.1	-0.9
US	01/11	08:30	Trade Balance ($ bn)	Nov	-40.5	-41.3	-42.2
MX	01/11	09:00	Industrial Production (y/y)	Nov	3.5	3.3	3.6
US	01/11	14:00	Treasury Budget ($ bn)	Dec	--	-22.5	-172.1

Europe

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
EC	01/07	05:00	PPI (m/m)	Nov	--	-0.2	0.1
GE	01/08	02:00	Current Account (€ bn)	Nov	--	16.0	13.6
GE	01/08	02:00	Trade Balance (€ bn)	Nov	--	15.4	15.8
FR	01/08	02:45	Trade Balance (€ mn)	Nov	--	-4800	-4685
EC	01/08	05:00	Business Climate Indicator	Dec	--	-1.1	-1.2
EC	01/08	05:00	Consumer Confidence	Dec F	-26.6	-26.6	-26.6
EC	01/08	05:00	Economic Confidence	Dec	--	86.3	85.7
EC	01/08	05:00	Industrial Confidence	Dec	-14.0	-14.5	-15.1
EC	01/08	05:00	Retail Trade (m/m)	Nov	--	0.3	-1.2
EC	01/08	05:00	Unemployment Rate (%)	Nov	11.8	11.8	11.7
GE	01/08	06:00	Factory Orders (m/m)	Nov	-0.5	-1.5	3.9
UK	01/09	04:30	Visible Trade Balance (£ mn)	Nov	-9000	-9000	-9539
GE	01/09	06:00	Industrial Production (m/m)	Nov	1.2	1.0	-2.6
RU	01/09	06:59	**Russia Refinancing Rate (%)**	**Jan 9**	**8.25**	**8.25**	**8.25**
FR	01/10	02:45	CPI (y/y)	Dec	1.4	1.3	1.4
FR	01/10	02:45	CPI - EU Harmonized (m/m)	Dec	0.4	0.4	-0.2
FR	01/10	02:45	CPI - EU Harmonized (y/y)	Dec	1.6	1.5	1.6
FR	01/10	02:45	Industrial Production (m/m)	Nov	0.0	0.1	-0.7
FR	01/10	02:45	Industrial Production (y/y)	Nov	-4.0	-4.0	-3.6
FR	01/10	02:45	Manufacturing Production (m/m)	Nov	--	-0.2	-0.9
UK	01/10	07:00	BoE Asset Purchase Target (£ bn)	Jan	375	375	375
UK	01/10	07:00	**BoE Policy Announcement (%)**	**Jan 10**	**0.50**	**0.50**	**0.50**
EC	01/10	07:45	**ECB Announces Interest Rates (%)**	**Jan 10**	**0.75**	**0.75**	**0.75**
FR	01/11	02:45	Central Government Balance (€ bn)	Nov	--	--	-94.6
FR	01/11	02:45	Current Account (€ bn)	Nov	--	--	-2.8
SP	01/11	03:00	Industrial Output NSA (y/y)	Nov	--	--	0.6
UK	01/11	04:30	Industrial Production (m/m)	Nov	0.8	0.8	-0.8
UK	01/11	04:30	Manufacturing Production (m/m)	Nov	0.0	0.5	-1.3

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

Key Indicators for the week of January 7 - 11

Asia Pacific

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
JN	01/06	18:50	Monetary Base (y/y)	Dec	--	--	5.0
TA	01/06	19:30	CPI (y/y)	Dec	--	1.4	1.6
JN	01/07	00:00	Vehicle Sales (y/y)	Dec	--	--	-3.3
TA	01/07	03:00	Exports (y/y)	Dec	--	4.5	0.9
TA	01/07	03:00	Imports (y/y)	Dec	--	3.0	0.1
SI	01/07	04:00	Foreign Reserves (US$ mn)	Dec	--	--	255768.6
TA	01/07	03:00	Trade Balance (US$ bn)	Dec	--	2.9	3.4
AU	01/07	19:30	Trade Balance (AUD mn)	Nov	--	-2300.0	-2088.0
AU	01/08	00:30	Foreign Reserves (AUD bn)	Nov	--	--	46.2
SK	01/08	18:00	Unemployment Rate (%)	Dec	3.0	3.0	3.0
AU	01/08	19:00	HIA New Home Sales (m/m)	Nov	--	--	3.4
AU	01/08	19:30	Retail Sales (m/m)	Nov	--	0.3	0.0
MA	01/08	23:01	Exports (y/y)	Nov	--	2.9	-3.3
MA	01/08	23:01	Imports (y/y)	Nov	--	3.8	5.7
MA	01/08	23:01	Trade Balance (MYR bn)	Nov	--	9.2	9.6
TH	01/09	02:30	**BoT Repo Rate (%)**	**Jan 9**	**2.75**	**2.75**	**2.75**
NZ	01/09	16:45	Trade Balance (NZD mn)	Nov	--	-670.0	-718.0
NZ	01/09	16:45	Exports (NZD bn)	Nov	--	3.6	3464.0
NZ	01/09	16:45	Imports (NZD bn)	Nov	--	4.2	4182.5
JN	01/09	18:50	Official Reserve Assets (US$ bn)	Dec	--	--	1270.9
AU	01/09	19:30	Building Approvals (m/m)	Nov	--	3.0	-7.6
PH	01/09	20:00	Exports (y/y)	Nov	--	19.6	6.1
TH	01/09	22:30	Consumer Confidence Economic	Dec	--	--	69.4
MA	01/09	23:01	Industrial Production (y/y)	Nov	--	5.5	5.8
JN	01/10		Coincident Index CI	Nov P	--	--	90.7
JN	01/10		Leading Index CI	Nov P	--	--	92.8
JN	01/10		New Composite Leading Economic Index	Nov P	--	--	92.8
CH	01/10	06:59	Foreign Reserves (US$ bn)	Dec	--	3317.0	3285.1
CH	01/10	06:59	New Yuan Loans (bn)	Dec	--	550.0	522.9
CH	01/10	06:59	Exports (y/y)	Dec	--	5.0	2.9
CH	01/10	06:59	Imports (y/y)	Dec	--	3.3	0.0
CH	01/10	06:59	Trade Balance (US$ bn)	Dec	--	20.1	19.6
ID	01/10	06:59	**BI Reference Interest Rate (%)**	**Jan 10**	**5.75**	**--**	**5.75**
IN	01/10	06:59	Exports (y/y)	Dec	--	--	-4.2
IN	01/10	06:59	Imports (y/y)	Dec	--	--	6.4
JN	01/10	18:50	Bank Lending (y/y)	Dec	--	--	1.0
JN	01/10	18:50	Current Account (¥ bn)	Nov	--	-30.1	376.9
JN	01/10	18:50	Trade Balance - BOP Basis (¥ bn)	Nov	--	-831.0	-450.3
SK	01/10	20:00	**BoK Base Rate (%)**	**Jan 11**	**2.75**	**2.75**	**2.75**
CH	01/10	20:30	CPI (y/y)	Dec	2.2	2.3	2.0
CH	01/10	20:30	PPI (y/y)	Dec	-1.8	-1.8	-2.2
JN	01/11	07:59	Eco Watchers Survey (current)	Dec	--	--	40.0
JN	01/11	07:59	Eco Watchers Survey (outlook)	Dec	--	--	41.9

Latin America

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CO	01/05	12:00	Consumer Price Index (m/m)	Dec	--	0.3	-0.1
CO	01/05	12:00	Consumer Price Index (y/y)	Dec	2.8	2.6	2.8
CL	01/07	06:30	Economic Activity Index SA (m/m)	Nov	--	0.4	-0.5
CL	01/07	06:30	Economic Activity Index NSA (y/y)	Nov	--	5.2	6.7
CL	01/08	06:00	CPI (m/m)	Dec	--	0.1	-0.5
CL	01/08	06:00	CPI (y/y)	Dec	2.1	1.5	2.1
BZ	01/09	07:59	Economic Activity Index SA (m/m)	Nov	--	--	0.4
BZ	01/09	07:59	Economic Activity Index NSA (y/y)	Nov	--	--	5.0
BZ	01/10	06:00	IBGE Inflation IPCA (m/m)	Dec	--	0.7	0.6
BZ	01/10	06:00	IBGE Inflation IPCA (y/y)	Dec	5.6	5.8	5.5
PE	01/10	06:59	Trade Balance (PEN mn)	Nov	--	--	148.0
PE	01/10	18:00	**Reference Rate (%)**	**Jan**	**4.25**	**4.25**	**4.25**

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

Global Auctions for the week of January 7 - 11

North America

Country	Date	Time	Event
US	01/07	11:00	U.S. Fed To Purchase USD1.25-1.75 Bln Notes
US	01/07	11:30	U.S. to Sell USD32 Bln 3-Month Bills
US	01/07	11:30	U.S. to Sell USD28 Bln 6-Month Bills
US	01/08	11:00	U.S. Fed To Purchase USD3.00-3.75 Bln Notes
US	01/08	11:30	U.S. to Sell USD25 Bln 52-Week Bills
US	01/08	13:00	U.S. to Sell USD32 Bln 3-Year Notes
US	01/09	11:00	U.S. Fed To Purchase USD1.25-1.75 Bln Notes
US	01/09	13:00	U.S. to Sell USD21 Bln 10-Year Notes Reopening
US	01/10	11:00	U.S. Fed To Purchase USD2.75-3.50 Bln Notes
US	01/10	13:00	U.S. to Sell USD13 Bln 30-Year Bonds Reopening
US	01/11	11:00	U.S. Fed To Purchase USD4.75-5.75 Bln Notes

Europe

Country	Date	Time	Event
GE	01/07	05:30	Germany to Sell EU4 Bln 6-Mth Bills
NE	01/07	05:30	Netherlands to Sell Up to EUR3 Bln 78-Day Bills
NE	01/07	05:30	Netherlands to Sell Up to EUR2 Bln 355-Day Bills
FR	01/07	08:50	France to Sell Bills
NE	01/08	04:00	Netherlands to Sell Up to EUR3.5 Bln 0% 2016 Bonds
GR	01/08	05:00	Greece to Sell Bills
AS	01/08	05:00	Austria to Sell 3.8% 2062 Bonds
AS	01/08	05:00	Austria to Sell 3.4% 2022 Bonds
UK	01/08	05:30	U.K. to Sell GBP1.5 Bln 4.75% 2030 Bonds
SZ	01/08	05:30	Switzerland to Sell 12-Month Bills
BE	01/08	05:30	Belgium to Sell Bills
SW	01/09	05:03	Sweden to Sell SEK3.5 Bln 1.5% 2023 Bonds on Jan. 9
SZ	01/09	05:30	Switzerland to Sell Bonds
GE	01/09	05:30	Germany to Sell EU5 Bln 5-Year Notes
SP	01/10	04:30	Spain to Sell 2.75% 2015 Bonds
SP	01/10	04:30	Spain to Sell 4.5% 2018 Bonds
SP	01/10	04:30	Spain to Sell 5.9% 2026 Bonds
IT	01/10	05:00	Italy to Sell 3-Mont and 12-Month Bills
IT	01/11	05:00	Italy to Sell 3-Year Bonds
BE	01/11	06:00	Belgium to Sell Bonds
UK	01/11	06:10	UK to Sell Bills

Asia Pacific

Country	Date	Time	Event
JN	01/07	22:35	Japan to Sell 3-Month Bills
JN	01/07	22:45	Japan to Sell 10-Year Bonds
CH	01/08	22:00	China to Sell 5-Year Bonds
AU	01/09	18:30	Australia Plans to Sell Bills
JN	01/09	22:35	Japan to Sell 3-Month Bills
JN	01/09	22:45	Japan to Sell 30-Year Bonds
JN	01/10	22:35	Japan to Sell 6-Month Bills

Latin America

Country	Date	Time	Event
BZ	01/08	10:00	Brazil to Sell I/L Bonds due 8/15/2018
BZ	01/08	10:00	Brazil to Sell I/L Bonds due 8/15/2022
BZ	01/08	10:00	Brazil to Sell I/L Bonds due 8/15/2030
BZ	01/08	10:00	Brazil to Sell I/L Bonds due 8/15/2040
BZ	01/08	10:00	Brazil to Sell I/L Bonds due 8/15/2050
BZ	01/10	08:30	Brazil to Sell Bills due 4/1/2014
BZ	01/10	08:30	Brazil to Sell Bills due 4/1/2015
BZ	01/10	08:30	Brazil to Sell Bills due 7/1/2016
BZ	01/10	08:30	Brazil to Sell Floating-rate Notes due 09/01/2018

Source: Bloomberg, Scotiabank Economics.

Events for the week of January 7 - 11

North America

Country	Date	Time	Event
US	01/05	11:00	Fed's Williams Delivers Paper in San Diego
US	01/05	13:15	Fed's Plosser Speaks on Fed's Centenary in San Diego
US	01/05	13:15	Fed's Yellen on Monetary Policy Panel in San Diego Event
CA	01/06		Canada Economic Action Plan Definitions Come into Effect
US	01/08	15:00	Fed's Lacker Speaks on Economic Outlook in Columbia, SC
US	01/10	13:10	Fed's George Speaks on Economic Outlook in Kansas City
US	01/10	14:00	Fed's Bullard Speaks on Economy in Madison, Wisconsin
CA	01/10	16:00	Bank of Canada Senior Deputy Governor Macklem Speaks
US	01/10	20:00	Fed's Kocherlakota Speaks in Town Hall Meeting in Minneapolis
US	01/11	09:30	Fed's Plosser Speaks on Economic Outlook in Somerset, NJ

Europe

Country	Date	Time	Event
GE	01/05	06:00	Merkel Holds Press Conference with McAllister, Wilhelmshaven
GE	01/05	09:00	Merkel Speaks at State Election Rally, Braunschweig
PO	01/07	04:30	EU's Barroso Speaks at Conference in Lisbon
UK	01/07		Commons Reconvenes After Christmas Recess
GE	07-09 JAN		Ireland's Kenny at CSU Annual Congress: Wildbad Kreuth
SW	01/08	03:30	Sveriges Riksbank Releases Monetary Policy Minutes
IT	01/08	05:00	Bank of Italy to Release Balance-Sheet Aggregates for Dec.
PO	01/08		Bank of Portugal Releases Winter Economic Bulletin
EC	01/08		EU's Rehn at Economic Summit in Berlin
IT	01/09	15:00	Monti, MEP Goulard to Present Book in Rome
EC	01/09		EU's Van Rompuy Meets Irish Officials in Dublin
RU	09-15 JAN		**Russia Refinancing Rate**
GE	01/10	04:00	Bundesbank's Weidmann at Federal President's Event in Berlin
UK	01/10	07:00	Bank of England Monetary Policy Committee Decision
UK	01/10	07:00	**BOE ANNOUNCES RATES**
UK	01/10	07:00	BOE Asset Purchase Target
EC	01/10	07:45	**ECB Announces Interest Rates**
EC	01/10	07:45	ECB Deposit Facility Rate
EC	01/10	08:30	ECB'S Draghi Holds Press Conference After Rate Decision
EC	01/10	12:00	ECB's Asmussen speaks in Berlin
GE	01/10	12:20	Merkel Attends Trade Chamber Event in Baden-Wuerttemberg
EC	01/10		EU's Barroso, Ireland's Kenny Brief Press in Dublin
EC	01/11	02:00	EU's Rehn Speaks at Brussels Think Tank
GE	01/11	06:00	Merkel Attends EPP Leaders' Meeting in Limassol, Cyprus
GE	01/11	13:30	Schaeuble Holds Speech on EU Integration in Heidelberg
EC	01/11		EU's Almunia Speaks at King's College London

Asia Pacific

Country	Date	Time	Event
US	01/07		Afghan President Karzai Meets with U.S. President Obama
NZ	01/08	16:45	Statistics New Zealand on New Dwelling Approvals
HK	08-09 JAN		Hong Kong Lawmakers Call Motion to Investigate Chief Executive
TH	01/09	02:30	**Benchmark Interest Rate**
NZ	01/09	16:45	Statistics New Zealand on Merchandise Trade
NZ	01/09	18:00	Quotable Value NZ House Price Inflation Report (TBC)
NZ	01/09	19:00	ANZ Commodity Price Index
ID	09-10 JAN		**Bank Indonesia Reference Rate**
SK	01/10	20:00	**South Korea 7-Day Repo Rate**

Latin America

Country	Date	Time	Event
BZ	01/07	05:30	Central Bank Weekly Economists Survey
PE	01/10	18:00	**Reference Rate**

Source: Bloomberg, Scotiabank Economics.

Global Central Bank Watch

North America

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Canada – Overnight Target Rate	1.00	January 23, 2013	1.00	--
Federal Reserve – Federal Funds Target Rate	0.25	January 30, 2013	0.25	--
Banco de México – Overnight Rate	4.50	January 18, 2013	4.50	--

Fed: We expect the Fed to continue with its current pace of asset purchases (US$85/bn per month) through 2013, although the minutes from the Dec. FOMC meeting add uncertainty to our view as they reported an FOMC split between concluding the purchases mid-year and continuing the purchase to year-end or beyond (note that the minutes are somewhat stale as they fail to account for fiscal policy developments – including budget negotiations that will drag through Q1). We view the Fed's employment and inflation thresholds as consistent with the Fed's earlier date-based guidance. While the FOMC has said that it will not follow the thresholds "mechanically," that does not mean that markets will not view them as such, adding volatility to fixed income markets. BoC: We continue to expect the BoC to remain on hold into 2014, with limited domestic capacity pressure as reflected by November's 0.8% y/y CPI print, a widening output gap, and weak housing markets. We see risks of a longer pause contingent on the trajectory of the economy and global monetary policy conditions. We expect that the transition from Governor Carney to a new Governor will be smooth, and that markets will continue to anticipate interest rate policy stability during the leadership change.

Europe

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	0.75	January 10, 2013	0.75	0.75
Bank of England – Bank Rate	0.50	January 10, 2013	0.50	0.50
Swiss National Bank – Libor Target Rate	0.00	March 14, 2013	0.00	--
Central Bank of Russia – Refinancing Rate	8.25	January 9, 2013	8.25	8.25
Hungarian National Bank – Base Rate	5.75	January 29, 2013	5.75	5.50
Central Bank of the Republic of Turkey – 1 Wk Repo Rate	5.50	January 22, 2013	5.50	--
Sweden Riksbank – Repo Rate	1.00	February 13, 2013	1.00	--
Norges Bank – Deposit Rate	1.50	March 14, 2013	1.50	--

Expectations for an imminent interest rate cut were fuelled after last month's European Central Bank (ECB) meeting, when President Draghi confirmed that there had been wide discussion among the Governing Council on this issue. Nevertheless, we expect the ECB to hold the main refinancing rate at 0.75% when it meets next week, as financial market conditions (i.e., bond yields and equities) and business confidence (i.e., Ifo and ZEW surveys) continue to improve, while inflation remains above 2% y/y (at 2.2% in December according to the flash estimate). Likewise, we see no changes from the Bank of England (BoE) next week. The BoE's latest credit conditions survey noted a significant increase in the availability of private sector credit, hinting at the nascent success of the bank's joint Funding for Lending scheme with the Treasury. Finally, we expect the Russian central bank to leave the benchmark refinancing rate at 8.25% after its next meeting scheduled for January 9th, with inflation remaining elevated (at 6.6% y/y in December) while industrial activity continues to moderate.

Asia Pacific

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Target Rate	0.10	January 22, 2013	0.10	--
Reserve Bank of Australia – Cash Target Rate	3.00	February 4, 2013	3.00	3.00
Reserve Bank of New Zealand – Cash Rate	2.50	January 30, 2013	2.50	2.50
People's Bank of China – Lending Rate	6.00	TBA	--	--
Reserve Bank of India – Repo Rate	8.00	January 29, 2013	8.00	--
Bank of Korea – Bank Rate	2.75	January 10, 2013	2.75	2.75
Bank of Thailand – Repo Rate	2.75	January 9, 2013	2.75	2.75
Bank Indonesia – Reference Interest Rate	5.75	January 10, 2013	5.75	--

South Korean, Thai, and Indonesian monetary authorities will meet next week, and each will likely keep monetary conditions unchanged as the easing cycle in all three economies has reached a bottom. We expect that the Bank of Korea, the Bank of Thailand, and Bank Indonesia will begin to normalize monetary conditions in the third quarter of the year.

Latin America

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	7.25	January 16, 2013	7.25	7.25
Banco Central de Chile – Overnight Rate	5.00	January 17, 2013	5.00	5.00
Banco de la República de Colombia – Lending Rate	4.25	January 25, 2013	4.25	--
Banco Central de Reserva del Perú – Reference Rate	4.25	January 10, 2013	4.25	4.25

We maintain our view that the central bank of Peru will keep the reference rate unchanged at 4.25% for the 20th consecutive month at the next monetary policy meeting scheduled for January 10th. Headline inflation has cooled down significantly, decelerating from 3.25% y/y in October to 2.7% in December, returning to the central bank's 1-3% tolerance range. The authorities have maintained a neutral monetary policy stance stating that inflation moderated - due to the temporary effect of external shocks - and that the economy is growing at close to its potential rate.

Africa

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	5.00	January 24, 2013	5.00	--

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

Forecasts as at December 20, 2012*	2000-11	2012f	2013f	2014f	2000-11	2012f	2013f	2014f
Output and Inflation (annual % change)		Real GDP				Consumer Prices[2]		
World[1]	3.7	3.1	3.2	3.8				
Canada	2.2	2.0	1.7	2.3	2.1	1.6	1.9	2.1
United States	1.8	2.2	2.0	2.5	2.5	2.1	2.2	2.2
Mexico	2.2	4.0	3.6	3.9	4.8	4.0	4.0	3.8
United Kingdom	1.9	0.0	1.3	1.5	2.3	2.8	2.6	2.5
Euro Zone	1.4	-0.5	-0.1	1.0	2.1	2.2	2.0	1.7
Japan	0.8	2.1	0.8	1.2	-0.3	0.0	0.3	0.6
Australia	3.0	3.5	2.6	3.1	3.1	2.5	2.8	3.0
China	9.4	7.7	8.0	8.3	2.4	2.2	3.3	3.9
India	7.3	5.5	6.0	6.5	6.6	7.3	7.0	6.1
South Korea	4.5	2.2	3.0	3.5	3.2	1.7	2.8	3.0
Thailand	4.0	5.5	4.0	4.2	2.7	3.2	3.1	3.3
Brazil	3.6	1.0	3.5	4.0	6.6	5.5	5.8	5.0
Chile	4.8	5.4	5.0	5.4	3.5	2.1	3.2	3.0
Peru	5.6	6.3	6.0	5.5	2.6	3.3	3.0	3.0

Central Bank Rates (%, end of period)	12Q4f	13Q1f	13Q2f	13Q3f	13Q4f	14Q1f	14Q2f	14Q3f
Bank of Canada	1.00	1.00	1.00	1.00	1.00	1.25	1.50	1.75
Federal Reserve	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
European Central Bank	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Bank of England	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Swiss National Bank	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bank of Japan	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Reserve Bank of Australia	3.00	3.00	3.00	3.00	3.25	3.25	3.50	3.50
Exchange Rates (end of period)								
Canadian Dollar (USDCAD)	0.97	0.97	0.97	0.96	0.96	0.95	0.95	0.94
Canadian Dollar (CADUSD)	1.03	1.03	1.03	1.04	1.04	1.05	1.05	1.06
Euro (EURUSD)	1.33	1.30	1.29	1.28	1.27	1.26	1.26	1.25
Sterling (GBPUSD)	1.63	1.62	1.63	1.64	1.64	1.65	1.65	1.66
Yen (USDJPY)	84	85	87	89	90	90	91	91
Australian Dollar (AUDUSD)	1.05	1.05	1.06	1.07	1.08	1.08	1.09	1.09
Chinese Yuan (USDCNY)	6.3	6.3	6.2	6.2	6.1	6.1	6.1	6.1
Mexican Peso (USDMXN)	12.8	12.9	12.8	13.0	13.2	13.0	12.8	12.9
Brazilian Real (USDBRL)	2.06	2.11	2.12	2.15	2.15	2.15	2.18	2.20

Commodities (annual average)	2000-11	2012f	2013f	2014f
WTI Oil (US$/bbl)	57	94	94	96
Brent Oil (US$/bbl)	58	112	112	112
Nymex Natural Gas (US$/mmbtu)	5.67	2.85	3.75	4.00
Copper (US$/lb)	2.10	3.62	3.50	3.30
Zinc (US$/lb)	0.77	0.88	1.01	1.20
Nickel (US$/lb)	7.62	7.95	8.10	8.00
Gold, London PM Fix (US$/oz)	668	1,670	1,750	1,700
Pulp (US$/tonne)	718	872	875	950
Newsprint (US$/tonne)	581	640	630	660
Lumber (US$/mfbm)	272	298	340	375

[1] World GDP for 2000-11 are IMF PPP estimates; 2012-14f are Scotiabank Economics' estimates based on a 2011 PPP-weighted sample of 38 countries.

[2] CPI for Canada and the United States are annual averages. For other countries, CPI are year-end rates.

* See Scotiabank Economics 'Global Forecast Update' (http://www.gbm.scotiabank.com/English/bns_econ/forecast.pdf) for additional forecasts & commentary.

North America

Canada	2011	12Q2	12Q3	Latest	
Real GDP (annual rates)	2.6	1.7	0.6		
Current Acc. Bal. (C$B, ar)	-52.3	-73.5	-75.6		
Merch. Trade Bal. (C$B, ar)	0.9	-14.1	-19.6	-2.0	(Oct)
Industrial Production	3.5	2.4	-0.2	-1.3	(Oct)
Housing Starts (000s)	193	231	222	196	(Nov)
Employment	1.6	1.2	1.0	1.8	(Dec)
Unemployment Rate (%)	7.5	7.3	7.3	7.1	(Dec)
Retail Sales	4.1	2.6	2.5	1.7	(Oct)
Auto Sales (000s)	1589	1670	1662	1722	(Oct)
CPI	2.9	1.6	1.2	0.8	(Nov)
IPPI	4.6	0.7	0.0	0.5	(Nov)
Pre-tax Corp. Profits	15.4	0.4			

United States	2011	12Q2	12Q3	Latest	
Real GDP (annual rates)	1.8	1.3	3.1		
Current Acc. Bal. (US$B, ar)	-466	-472	-430		
Merch. Trade Bal. (US$B, ar)	-738	-743	-696	-710	(Oct)
Industrial Production	4.1	4.9	3.4	2.4	(Nov)
Housing Starts (millions)	0.61	0.74	0.77	0.86	(Nov)
Employment	1.1	1.3	1.4	1.4	(Dec)
Unemployment Rate (%)	8.9	8.2	8.0	7.8	(Dec)
Retail Sales	8.3	4.3	4.6	3.4	(Nov)
Auto Sales (millions)	12.7	14.1	14.5	15.5	(Nov)
CPI	3.2	1.9	1.7	1.8	(Nov)
PPI	6.0	1.1	1.5	1.5	(Nov)
Pre-tax Corp. Profits	2.1	14.6	19.3		

Mexico					
Real GDP	3.9	4.4	3.3		
Current Acc. Bal. (US$B, ar)	-9.2	3.6	-14.6		
Merch. Trade Bal. (US$B, ar)	-1.5	6.1	-4.7	-15.3	(Nov)
Industrial Production	4.0	4.1	3.6	3.6	(Oct)
CPI	3.4	3.9	4.6	4.2	(Nov)

Europe

Euro Zone	2011	12Q2	12Q3	Latest	
Real GDP	1.5	-0.5	-0.6		
Current Acc. Bal. (US$B, ar)	17	84	138	113	(Oct)
Merch. Trade Bal. (US$B, ar)	12.8	131.6	108.6	128.4	(Oct)
Industrial Production	3.4	-2.3	-2.4	-3.9	(Oct)
Unemployment Rate (%)	10.1	11.2	11.5	11.7	(Oct)
CPI	2.7	2.5	2.5	4.7	(Nov)

Germany	2011	12Q2	12Q3	Latest	
Real GDP	3.1	1.0	0.9		
Current Acc. Bal. (US$B, ar)	203.6	192.1	208.7	212.1	(Oct)
Merch. Trade Bal. (US$B, ar)	217.0	245.1	255.9	235.7	(Oct)
Industrial Production	8.0	-0.2	-1.1	-3.6	(Oct)
Unemployment Rate (%)	7.1	6.8	6.8	6.9	(Dec)
CPI	2.3	1.9	1.9	2.1	(Dec)

France					
Real GDP	1.7	0.1	0.0		
Current Acc. Bal. (US$B, ar)	-54.5	-90.2	-40.0	-104.9	(Oct)
Merch. Trade Bal. (US$B, ar)	-53.0	-57.5	-47.1	-43.3	(Oct)
Industrial Production	1.7	-2.0	-2.2	-3.6	(Oct)
Unemployment Rate (%)	9.6	10.2	10.6	10.7	(Oct)
CPI	2.1	2.0	2.0	3.5	(Nov)

United Kingdom					
Real GDP	0.9	-0.3	0.0		
Current Acc. Bal. (US$B, ar)	-32.7	-106.3	-100.9		
Merch. Trade Bal. (US$B, ar)	-160.7	-176.7	-162.1	-184.1	(Oct)
Industrial Production	-0.7	-2.7	-1.8	-3.0	(Oct)
Unemployment Rate (%)	8.1	8.1	7.8	7.8	(Sep)
CPI	4.5	2.7	2.4	6.5	(Nov)

Italy					
Real GDP	0.6	-2.3	-2.4		
Current Acc. Bal. (US$B, ar)	-67.4	-4.3	-8.8	-3.8	(Oct)
Merch. Trade Bal. (US$B, ar)	-35.5	17.0	23.0	38.2	(Oct)
Industrial Production	0.2	-7.5	-6.2	-5.9	(Oct)
CPI	2.8	3.3	3.2	5.5	(Nov)

Russia					
Real GDP	4.3	4.0	2.9		
Current Acc. Bal. (US$B, ar)	98.8	21.2	6.7		
Merch. Trade Bal. (US$B, ar)	16.5	16.6	12.8	14.5	(Oct)
Industrial Production	4.8	2.3	2.5	1.9	(Nov)
CPI	8.4	3.8	6.0	6.6	(Dec)

All data expressed as year-over-year % change unless otherwise noted.

Source: Bloomberg, Global Insight, Scotiabank Economics.

Asia Pacific

Australia	2011	12Q2	12Q3	Latest	
Real GDP	2.4	3.8	3.1		
Current Acc. Bal. (US$B, ar)	-33.9	-34.5	-66.1		
Merch. Trade Bal. (US$B, ar)	35.7	27.7	3.0	-14.7	(Oct)
Industrial Production	-0.8	2.7	4.3		
Unemployment Rate (%)	5.1	5.1	5.3	5.2	(Nov)
CPI	3.3	1.2	2.0		

Japan	2011	12Q2	12Q3	Latest	
Real GDP	-0.5	4.0	0.5		
Current Acc. Bal. (US$B, ar)	119.2	56.8	80.5	57.3	(Oct)
Merch. Trade Bal. (US$B, ar)	-33.9	-63.3	-96.8	-128.9	(Nov)
Industrial Production	-2.3	5.1	-4.6	-10.2	(Nov)
Unemployment Rate (%)	4.6	4.4	4.2	4.1	(Nov)
CPI	-0.3	0.2	-0.4	-0.4	(Nov)

South Korea	2011	12Q2	12Q3	Latest	
Real GDP	3.6	2.3	1.5		
Current Acc. Bal. (US$B, ar)	26.1	44.8	58.2	82.5	(Nov)
Merch. Trade Bal. (US$B, ar)	30.8	38.9	30.2	24.3	(Dec)
Industrial Production	6.9	2.4	-0.1	3.0	(Nov)
CPI	4.0	2.4	1.6	1.4	(Dec)

China	2011	12Q2	12Q3	Latest	
Real GDP	10.4	7.6	7.4		
Current Acc. Bal. (US$B, ar)	201.7				
Merch. Trade Bal. (US$B, ar)	155.0	273.6	316.6	235.6	(Nov)
Industrial Production	12.8	9.5	9.2	10.1	(Nov)
CPI	4.1	2.2	1.9	2.0	(Nov)

Thailand	2011	12Q2	12Q3	Latest	
Real GDP	0.1	4.4	3.0		
Current Acc. Bal. (US$B, ar)	5.9	-2.3	2.7		
Merch. Trade Bal. (US$B, ar)	1.4	0.5	1.7	0.6	(Nov)
Industrial Production	-9.3	-1.6	-10.8	83.6	(Nov)
CPI	3.8	2.5	2.9	3.6	(Dec)

India	2011	12Q2	12Q3	Latest	
Real GDP	7.5	5.5	5.3		
Current Acc. Bal. (US$B, ar)	-62.5	-16.4	-22.3		
Merch. Trade Bal. (US$B, ar)	-13.4	-13.7	-16.4	-19.3	(Nov)
Industrial Production	4.8	-0.3	0.5	8.2	(Oct)
WPI	9.5	7.5	7.9	7.2	(Nov)

Indonesia	2011	12Q2	12Q3	Latest	
Real GDP	6.5	6.4	6.2		
Current Acc. Bal. (US$B, ar)	1.7	-7.7	-5.3		
Merch. Trade Bal. (US$B, ar)	2.2	-0.8	0.2	-0.5	(Nov)
Industrial Production	4.1	2.2	2.9	8.9	(Oct)
CPI	5.4	4.5	4.5	4.3	(Dec)

Latin America

Brazil	2011	12Q2	12Q3	Latest	
Real GDP	2.5	0.4	0.8		
Current Acc. Bal. (US$B, ar)	-52.5	-52.7	-35.5		
Merch. Trade Bal. (US$B, ar)	29.8	18.5	34.6	27.0	(Dec)
Industrial Production	0.4	-4.3	-2.3	-2.3	(Nov)
CPI	6.6	5.0	5.2	11.8	(Nov)

Chile	2011	12Q2	12Q3	Latest	
Real GDP	6.0	5.7	5.7		
Current Acc. Bal. (US$B, ar)	-0.3	-7.0	-19.1		
Merch. Trade Bal. (US$B, ar)	10.0	6.7	-7.1	6.7	(Nov)
Industrial Production	6.9	2.8	0.8	0.8	(Nov)
CPI	3.3	3.1	2.6	2.1	(Nov)

Peru	2011	12Q2	12Q3	Latest	
Real GDP	6.9	6.3	6.5		
Current Acc. Bal. (US$B, ar)	-3.3	-2.2			
Merch. Trade Bal. (US$B, ar)	0.9	0.2	0.3	0.1	(Oct)
Unemployment Rate (%)	7.7	7.2	6.5	5.9	(Nov)
CPI	3.4	4.1	3.5	2.6	(Dec)

Colombia	2011	12Q2	12Q3	Latest	
Real GDP	5.9	4.9	2.1		
Current Acc. Bal. (US$B, ar)	-10.0	-3.3	-3.6		
Merch. Trade Bal. (US$B, ar)	0.4	0.2	0.0	0.0	(Oct)
Industrial Production	5.1	0.3	-0.3	-1.3	(Sep)
CPI	3.4	3.4	3.1	2.8	(Nov)

All data expressed as year-over-year % change unless otherwise noted.

Source: Bloomberg, Global Insight, Scotiabank Economics.

Interest Rates (%, end of period)

Canada	12Q3	12Q4	Dec/28	Jan/04*	United States	12Q3	12Q4	Dec/28	Jan/04*
BoC Overnight Rate	1.00	1.00	1.00	1.00	Fed Funds Target Rate	0.25	0.25	0.25	0.25
3-mo. T-bill	0.98	0.93	0.93	0.92	3-mo. T-bill	0.09	0.04	0.03	0.07
10-yr Gov't Bond	1.73	1.80	1.77	1.96	10-yr Gov't Bond	1.63	1.76	1.70	1.94
30-yr Gov't Bond	2.32	2.37	2.34	2.51	30-yr Gov't Bond	2.82	2.95	2.87	3.14
Prime	3.00	3.00	3.00	3.00	Prime	3.25	3.25	3.25	3.25
FX Reserves (US$B)	66.0	67.9	67.9	(Oct)	FX Reserves (US$B)	138.8	142.0	141.2	(Oct)
Germany					**France**				
3-mo. Interbank	0.11	0.10	0.09	0.10	3-mo. T-bill	0.00	-0.01	0.03	0.00
10-yr Gov't Bond	1.44	1.32	1.31	1.55	10-yr Gov't Bond	2.18	2.00	2.00	2.14
FX Reserves (US$B)	68.2	68.5	68.5	(Oct)	FX Reserves (US$B)	49.6	50.9	52.4	(Oct)
Euro Zone					**United Kingdom**				
Refinancing Rate	0.75	0.75	0.75	0.75	Repo Rate	0.50	0.50	0.50	0.50
Overnight Rate	0.11	0.13	0.08	0.07	3-mo. T-bill	0.35	0.36	0.36	0.36
FX Reserves (US$B)	328.7	332.8	334.0	(Oct)	10-yr Gov't Bond	1.73	1.83	1.82	2.13
					FX Reserves (US$B)	84.4	87.9	89.5	(Oct)
Japan					**Australia**				
Discount Rate	0.30	0.30	0.30	0.30	Cash Rate	3.50	3.00	3.00	3.00
3-mo. Libor	0.13	0.11	0.11	0.11	10-yr Gov't Bond	2.99	3.27	3.32	3.44
10-yr Gov't Bond	0.78	0.79	0.79	0.83	FX Reserves (US$B)	44.1	42.4	46.9	(Oct)
FX Reserves (US$B)	1231.2	1233.3	1231.8	(Oct)					

Exchange Rates (end of period)

USDCAD	0.98	0.99	1.00	0.99	¥/US$	77.96	86.75	85.96	88.23
CADUSD	1.02	1.01	1.00	1.01	US¢/Australian$	1.04	1.04	1.04	1.04
GBPUSD	1.617	1.626	1.615	1.604	Chinese Yuan/US$	6.28	6.23	6.23	6.23
EURUSD	1.286	1.319	1.322	1.305	South Korean Won/US$	1111	1064	1071	1064
JPYEUR	1.00	0.87	0.88	0.87	Mexican Peso/US$	12.859	12.853	13.025	12.763
USDCHF	0.94	0.92	0.91	0.93	Brazilian Real/US$	2.026	2.052	2.048	2.036

Equity Markets (index, end of period)

United States (DJIA)	13437	13104	12938	13399	U.K. (FT100)	5742	5898	5925	6081
United States (S&P500)	1441	1426	1402	1462	Germany (Dax)	7216	7612	7612	7770
Canada (S&P/TSX)	12317	12434	12316	12478	France (CAC40)	3355	3641	3620	3723
Mexico (IPC)	40867	43706	43722	44453	Japan (Nikkei)	8870	10395	10395	10688
Brazil (Bovespa)	59176	60952	60952	62636	Hong Kong (Hang Seng)	20840	22657	22667	23331
Italy (BCI)	825	873	873	899	South Korea (Composite)	1996	1997	1997	2012

Commodity Prices (end of period)

Pulp (US$/tonne)	830	870	870	870	Copper (US$/lb)	3.75	3.59	3.57	3.64
Newsprint (US$/tonne)	640	640	640	640	Zinc (US$/lb)	0.95	0.92	0.93	0.92
Lumber (US$/mfbm)	285	388	388	388	Gold (US$/oz)	1776.00	1657.50	1657.50	1648.00
WTI Oil (US$/bbl)	92.19	91.82	90.80	92.65	Silver (US$/oz)	34.65	29.95	30.15	29.32
Natural Gas (US$/mmbtu)	3.32	3.35	3.47	3.25	CRB (index)	309.30	295.01	294.78	295.65

** Latest observation taken at time of writing.*
Source: Bloomberg, Scotiabank Economics.

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