Global Views

Weekly commentary on economic and financial market developments

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Caveats To ECB Bond Buying

The ECB's sterilized 1-3 year conditional sovereign bond purchase proposal may offer little by way of a solution. Clearly, elements of the markets disagree, given an immediate positive response in the short-term. The market has repeatedly had this response to past policy offerings including the ECB's bond buying last year, but only in a fleeting sense. Is this time different? I don't think so, given the likely general equilibrium outcome as opposed to first-round effects. Accordingly, a few caveats now follow:

1. At Least No Yield Or Spread Caps

Let's start with a positive of sorts. One point of relief is that the ECB did not pursue yield or spread capping given concerns we outlined in our recent paper that reviewed the pros and cons. See "*ECB Yield Caps: Confusing Symptoms For Causes?," Global Views, August 31, 2012*.

2. Robbing Peter To Pay Paul

A first caveat, however, is that because the purchases are sterilized, they amount to the monetary policy equivalent of simultaneously sucking and blowing on markets. Withdrawing front-end market liquidity through sterilization could push very short-term borrowing costs higher, and thus negatively impact sovereigns and banks in this bucket. Could the ECB have offered 'unlimited' purchases without sterilizing? This is unlikely since at some point inflation risk would trump any perceived benefits.

3. Will The European Twist Be Any More Effective Than The Fed's Twist?

If purchasing in the 1-3 year sovereign space pushed those yields lower, there would be limited bootstrapping effects further up the curve.

As a consequence to point 2 and this last observation, this seems at best like a variant of the Fed's twist, but with a very short duration focus. We're fairly confident in saying that the benefits and costs to the Fed's two recent twist operations (three in its full history) netted out with little if any positive effect. The ECB's twist could simply kink the front end without necessarily solving anything, and with concomitant winners and losers.

4. Supply Begets Demand

What about the demand side? If the ECB is targeting 1-3 yrs, then offsetting this supply of funds could well be more demand in that bucket as issuers target this space relative to other segments of the curve. ECB buying and more sovereign issuance in the 1-3 year space in theory nets out to indeterminate effects on yields over time. The ECB's counter to this amounts to a whimsical hope that it won't occur through observation. This narrow focus for buying along a short portion of the curve may stick within the ECB's mandate, but has greater potential for distorting the curve and issuance behaviour via relative price adjustments than other central banks' bond buying programs. In other words, sovereigns could game the outcome, without even getting into moral hazard complications over the longer run.

An additional consequence entails noting that encouraging sovereign issuers to go short runs counter to the goal of lengthening debt maturities and perpetuates the focus on short issuance that was a contributing factor to the eurozone crisis in the first place. The ECB may well have ensured that a very short debt distribution structure will exist for much longer and with it the challenges in the eurozone.

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5. Private Credit Distortions

Further, this latest ECB effort could well relatively distort flows out of private and/or agency spread products that are not being targeted as the hot money follows the targeted classes relative to other classes of securities. The Fed learned this lesson when it first rolled out QE1 and bought only spread product, only to have to commence Treasury purchases later to control base yields. The ECB challenge will be the opposite.

6. Did The ECB Really Drop Seniority?

In one sense yes, but the ECB is essentially getting seniority to other longer-term bondholders by buying only shorter-term securities within its limitations. The ECB will face a higher likelihood of getting paid before other bondholders simply by virtue of the maturity that is being targeted.

7. Countries May Not Submit To The Troika

There is still a large stigma attached to bond purchases given that a country must submit a request for funding to the troika (ECB, EC and IMF) and accept the concomitant conditions. It seems to me that a country would only do that when truly desperate, and reluctantly so which then questions implementation risk. Thus, a loose-knit offer to purchase bonds may never result in one bond having been purchased and the pressures could well intensify.

8. Higher German Borrowing Costs

Targeted conditional bond buying by the ECB could distort flows away from the safe havens and toward the strained peripherals. Thus, higher German and French borrowing costs could be the cost to addressing stressed sovereigns and with negative consequences to core Europe.

9. Still Bullish?

As a final point, should you disagree and see this as the sustainable solution, whereas I think such sentiments are premature, then be careful about what you ask for. The global ramifications could well just export Europe's woes to become the problems of other countries. North American bond yields would lose some of their safe haven appeal as would bunds, and higher beta currencies like CAD could appreciate further via the risk-on trade. We've already seen some of that effect via the speculation before bond buying and immediately afterward. Higher borrowing costs for Canada (and the US) and CAD strength are not what the Canadian economy needs. This is given that Canadian growth is disappointing, inflation is under-shooting BoC targets, and housing and consumer markets are teetering at all-time highs across everything.

Overall, these nine caveats to the latest 'solution' are consistent with our longstanding thesis that Europe is looking for a free lunch in escaping its competitiveness woes where none exists. Competitive disequilibria across the eurozone economies cannot be papered over by pseudo sophist structures like the EFSF, ESM, LTRO, redemption fund proposals, or various ECB initiatives including the latest offering and more extreme initiatives like yield or spread capping. Over time, debt restructuring and further painful adjustment in economic variables like productivity, prices and wages remain necessary to address the root underlying problems.

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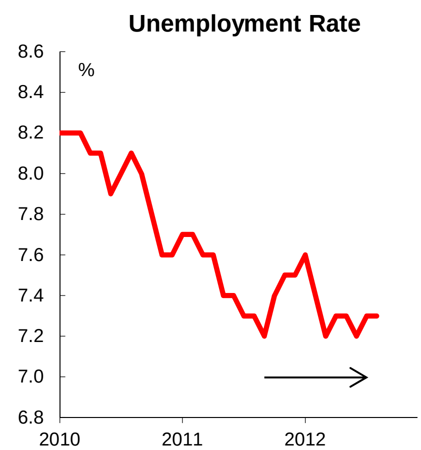
Canada's Job Market Is Slowing, Not Stalling

- **Notwithstanding some slowing in the pace of job growth this year, Canadian labour market conditions remain healthy and should sustain continued moderate consumer spending growth and housing activity.**

Private sector payroll gains have averaged roughly 10,000 per month over the past year, roughly one-half the pace of the prior 12 months. Over this period, the national unemployment rate has levelled out around 7¼%, ending the steady improvement of the prior year. The hiring slowdown, while sharpest in a few sectors such as trade and construction, is relatively widespread. The more moderate pace of job growth has in turn contributed to a cooling trend in consumer spending, most notably on durable goods, and housing activity.

Source: Statistics Canada, Scotia Economics

It is not surprising businesses are restraining their hiring plans in the face of weaker global growth and heightened uncertainty. We expect domestic output growth will continue to average a bit below 2% over the next several quarters, consistent with an annualized employment trend of about 1%. With Canada's labour force also increasing around 1% annually, the unemployment rate will likely remain stuck around current levels over the coming year.



Source: Statistics Canada, Scotia Economics

Looking beyond the headline numbers at a broad range of indicators, the Canadian labour market looks brighter. All of the new jobs created over the past year have been full-time positions, implying a continued high degree of confidence among firms over the medium-term outlook. Self-employment, typically a counter-cyclical indicator, has yet to turn up. Labour force participation rates are stable, suggesting those looking for work are not becoming discouraged. The average duration of unemployment, while still high, has been edging down. Meanwhile, average hourly earnings are accelerating at their fastest pace in over three years.

Forward-looking hiring intentions are mixed. The latest business surveys from the Bank of Canada and the Canadian Federation of Independent Business (CFIB) report strong hiring plans among small- and medium-sized firms (SMEs), but weaker intentions among larger firms. This may present an opportunity for smaller firms to take advantage of a less competitive hiring environment to address their persistent staffing challenges. (A shortage of qualified labour has been a growing concern of SMEs in recent years. In the August CFIB survey, skilled labour shortages matched insufficient domestic demand as the most significant business constraint facing SMEs). We will be keeping a close eye on the upcoming Q4 Manpower Employment Outlook Survey for a clearer picture of near-term corporate hiring plans.

The balance of risks to global growth remains tilted to the downside. Canadian businesses could pull back more sharply on hiring if global economic conditions deteriorate further, with larger negative repercussions for domestic retail and housing activity. For now, there is enough buoyancy in the Canadian labour market to sustain continued moderate consumer spending growth and housing demand, especially in the higher growth regions of the country that can expect relatively stronger employment and wage gains.

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U.S. Manufacturing Softening … For Now

U.S. manufacturing data have taken a turn for the worse since May, after the sector was a solid contributor to growth coming out of the 2008-09 economic downturn, rising 5.7% in 2010 and 4.3% in 2011. The ISM manufacturing index declined to 49.6 in August, showing that the sector is contracting at the fastest rate since 2009. Production, sales and new orders were down, while the pace of inventory accumulation increased. Non-defense capital goods orders excluding aircraft declined by 3.4% in July — the 7th monthly decline in a row. August employment numbers confirm the weakness, with manufacturing losing another 15,000 jobs, while the Fed's Beige Book notes the sector as a key weakness. Industrial production was a bright spot in recent U.S. economic data released, but strength came from the defense and auto industries, while the rest of manufacturing was weak.

ISM Manufacturing Index for August Shows Slowing

	Monthly Level	Absolute Change
ISM Index	**49.6**	**-0.2**
Production	47.2	-4.1
New Orders	47.1	-0.9
Order Backlog	42.5	-0.5
Supplier deliveries	49.3	0.6
Inventories	53.0	4.0
Employment	51.6	-0.4
Prices	54.0	14.5
New Export Orders	47.0	0.5
Imports	49.0	-1.5

Source: Institute for Supply Management

Globally the trend is similar, with most countries, including the U.K., Germany and Japan, registering PMIs below 50 — generally indicating that manufacturing output is contracting. The eurozone PMI did tick-up slightly to 45.1 in August, but remains depressed and consistent with the ongoing recession. China's official PMI moved below 50 in August for the first time since 2011, and there is evidence of a sharp build-up of inventories. Weak global demand is translating into lower trade volumes, with China registering extremely slow export growth and Japan's trade balance moving into deficit.

The eurozone crisis continues to stifle confidence globally and dampen trade flows; however, the slowdown in U.S. manufacturing cannot be fully attributed to external conditions. U.S. exports increased 6% in the second quarter of 2012 and the trade deficit narrowed, helping net exports become a positive contributor to U.S. GDP.

U.S. manufacturing is also under pressure because of weak domestic demand dampened by ongoing consumer constraint and slowing business investment. The labour market remains soft, with only 96,000 jobs added in August, and the housing market remains depressed notwithstanding some signs of improvement. Business investment has also slowed, despite healthy corporate balance sheets — partially because of the weak external environment, but also due to domestic uncertainty caused by the looming 'fiscal cliff' and fall presidential election. In Q2, business investment grew by an annualized 4.2%, down from a rate of 7.5% in Q1 of 2012. Furthermore, with inventories at high levels, there will be a lag before production ramps up again, even if economic conditions improve.

However, over the medium-term, there are factors that could support the U.S. manufacturing sector. First, U.S. wage growth remains subdued, the labour market is flexible, and the southern U.S. is relatively less unionized, which in combination with rising wages in China, makes production in the U.S. more attractive. Second, the abundance of natural gas in the U.S. will help decrease energy input costs for the manufacturing sector and is already spurring expansion of the chemical industry. Third, the depreciation of the U.S. dollar makes U.S. exports more competitive. Fourth, a slow recovery of the housing market will create demand for construction-related products.

A revival in manufacturing will not solve the U.S. economic problems because the sector only constitutes 9% of non-farm employment. However, if it were to coincide with continued improvement in the housing market and a fiscal plan, the U.S. economy would be in a good position to add jobs and boost consumer spending.

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Draghi Gets The Upper Hand

- **As expected, the ECB announced details of the Outright Monetary Transaction programme (OMT), a vehicle which can buy government bonds on the secondary market.**
- **There was no precise objective announced in terms of the level of yields, spreads or size of outright purchases. Rather, the aim is a broader restoration of the efficiency of the transmission of monetary policy. So, the market will still have to wait for possible ECB intervention to have a more precise idea on this.**
- **Details of the announced measures suggest that despite recent opposition from the Bundesbank (which voted against the announced measures), Mr. Draghi has the upper hand and the final plan is likely to be close to the initial proposal that he had in mind.**
- **The ECB's growth projection was revised sharply down while inflation was revised up as we expected, but the prospect of an additional rate cut seems to be more limited now.**

Details show Draghi has the upper hand

Conditionality was the key word of the press conference and Mr. Draghi spent a lot of time deliberating on this.

"A necessary condition for Outright Monetary Transactions is strict and effective conditionality attached to an appropriate European Financial Stability Facility/European Stability Mechanism (EFSF/ESM) programme. Such programmes can take the form of a full EFSF/ESM macroeconomic adjustment programme or a precautionary programme (Enhanced Conditions Credit Line), provided that they include the possibility of EFSF/ESM primary market purchases. The involvement of the IMF shall also be sought for the design of the country-specific conditionality and the monitoring of such a programme."

There was a risk that the opposition expressed by the Bundesbank might push the ECB into adopting conditionality in addition to that linked to the EFSF. Based on past experience, the ECB has always been conscious that the determination of eurozone governments (and therefore the EFSF) to implement strict control has been…patchy. The call from Mr. Draghi that the IMF should be part of the process is a way to have an additional external and possibly more independent supervisor. However, it does not seem that the IMF involvement is an absolute precondition. So, we would say that the ECB is closely linked to the decision of the EFSF.

The objective itself: As expected, there were no announced yield caps or levels but a vague mention of restoring the effectiveness of the monetary transmission mechanism. It means that we will need to await any intervention by the ECB in order to have a more precise idea of this. In that sense, Mr. Draghi indicated that, compared to the previous bond buying program, this one will be much more transparent with regular release *("Publication of the average duration of Outright Monetary Transaction holdings and the breakdown by country will take place on a monthly basis").* All these elements should help to provide a better idea on where the ECB sees the appropriate level of yields rather than "irrational fears of a eurozone break-up".

The size: Unlimited. It is in line with a broad consensus view that in order to have maximum efficiency, there is need for unlimited firepower and the ECB president clearly pointed to this fact.

The maturity: 3 years — the maximum which could have been expected and in line with last LTRO. The flip-side of this is that government could be tempted to issue more on the three years and therefore creating a higher redemption risk on their debt further ahead.

Expected lifetime of the programme: There will be no limit; contrary to the temporary nature of the previous bond buying programmes. Mr. Draghi said that it makes the programme more effective and is linked to conditionality being respected and the target being reached at the end of the day.

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Seniority: There was a significant change compared to previous bond buying programmes. It is also a point which would add to the feeling that the ECB is monetising government debt. Mr Draghi argued that buying on the secondary market was not forbidden by the Treaty. There is a high chance that this answer will be challenged by the German contingent. This is an issue which could provoke some volatility and nervousness in the market.

Purchases will be sterilised: We would say, that this was a partial victory for Germany. There could be an argument that this sterilisation process could challenge the "unlimited" size of the programme. However, we do not think that it will be too difficult for the ECB to sterilise its intervention given that this action is taking place on a smaller segment of the government bond market (up to three years).

Sterilisation need not be a problem. The UK has pursued unsterilized purchases and that programme has not prevented renewed recession. Furthermore, sterilisation will look a lot like a reverse 'risk-off' trade. More specifically, market participants have dumped peripheral debt holdings in favour of safe-haven debt. The ECB will be doing the reverse — buying the unwanted peripheral debt and sterilise these by selling higher-quality paper.

Which issuers? It is now up to the governments to make the next move — not least Spain. Rajoy has just met with Mrs. Merkel expressing "respect" for the reform taken by the government. So, it means that there could be no additional conditionality added by the EFSF to Spain and the country will benefit from a precautionary programme (Enhanced Conditions Credit Line) and not the full EFSF/ESM macroeconomic adjustment programme which is harder for Mr. Rajoy to accept. So, the announcement of unlimited action by the ECB could quicken the prospect of seeing Spain asking for some support.

However, the program "*may also be considered for Member States currently under a macroeconomic adjustment programme when they will be regaining bond market access.*" So it is already possible that there will be unlimited support for Ireland and Portugal.

The probability of a further rate cut prospect seems reduced.
The ECB revised the mid-point of its growth estimate sharply lower to -0.4% in 2012 and 0.5% in 2013 from mid-points at -0.1% and 1.0%, respectively, in the June forecast. The 2013 forecast is in line with the consensus forecast. On the other hand, as we also expected, inflation for 2013 was significantly revised up from 1.6% to 1.9%.

ECB Macroeconomic Projections

	2012			2013			2012 mid	2013 mid
HICP	2.4	to	2.6	1.3	to	2.5	2.5	1.9
GDP	-0.6	to	-0.2	-0.4	to	1.4	-0.4	0.5
HICP	2.3	to	2.5	1.0	to	2.2	2.4	1.6
GDP	-0.5	to	0.3	0.0	to	2	-0.1	1.0

We thought that the magnitude of the downward revision to growth would have been sufficient to provoke a rate cut as soon as this meeting despite an expected upward revision to the inflation outlook. While it wasn't delivered, the door is not closed and the bias remains on the downside as the ECB president indicated that risks to growth remain on the downside while the risks to inflation remain balanced. However, the fact that the ECB president indicated that the July rate cut already took into account this deterioration in growth means that we will need to wait a little bit longer to have a further rate cut.

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Key Data Preview

CANADA

Housing starts for August will be released on September 11 and Scotia is anticipating a 200k print. The big picture issue is that housing starts have been strong all year even amidst other signs of softening in the Canadian housing sector. Scotia's 200k housing starts call is premised on building permit issuance having remained robust through the summer: 229k in July, 241k in June, 225k in May, etc. (the June number was the highest amount of permits issued since the summer of 2008). The rub is that the key component fuelling permit issuance is Toronto condo development — and that market has been cooling over the summer. According to data released by the Toronto Real Estate Board, sales and listings of Toronto condos were lower during August 2012 than during August 2011. Have home builders adjusted to the softening market conditions? Construction employment was weak during August (-44k nationally according to Statscan) and anecdotally, homebuilders are behaving more cautiously. That leads us to expect an eventual slow-down in condo starts as we head into the back end of 2012, even as permit issuance was quite high earlier in the year.

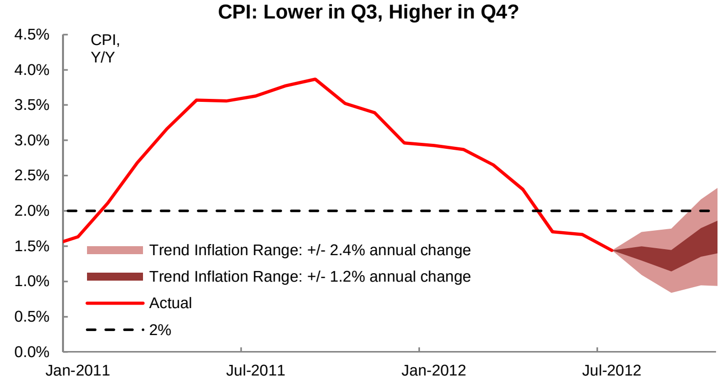
International trade numbers for July will be released on September 11, and Scotia is expecting that Canada will post a trade deficit of C$1bn. Before discussing Canada, it's worth mentioning that global trade has posted mixed results during July according to data released so far: European exports picked up a bit while the balance of Asian trading nations that have released July trade numbers have posted declines. We're expecting Canada to be on the improving side of the global export ledger largely due to higher prices for crude globally and particularly for Canadian distillates such as Western Canada Select (+14.6% m/m in terms of average price according to Bloomberg). Canada should also post a decent gain in exports of machinery and equipment, with new orders having come in fairly strong during June. A risk to Canada's export trade is that car and car part exports surged 13.9% m/m in June; a base-effect fall-off is quite likely and could mitigate strength in other sectors. CAD strengthened during July, which should be a net positive overall as Canada's import bill has lately exceeded export values.

The same logic that has us expecting better export numbers also leads us to anticipate a decent **manufacturing sales** number on September 14. Scotia's call is for a 0.6% m/m increase.

UNITED STATES

The marquee data release in the U.S. will be **CPI** for August (September 14). We're expecting a fairly strong 0.4% m/m print with higher fuel costs being the main catalyst (+7.8% m/m in August according to Bloomberg). Consensus is calling for an even higher monthly print probably on expectations that food prices will soar. The question is whether or not global commodity prices pass through rapidly or take time to work through the full supply chain. We haven't seen a strong pass-through from rising global foodstuff prices into retail food inflation so far this year, but… it could happen eventually. With respect to macroeconomic implications, price growth so far this year has been sufficiently low that it would take CPI growth of 0.9% m/m (NSA) to push year-on-year CPI to 2%. Our forecast has year-on-year CPI at 1.5%.

CPI: Lower in Q3, Higher in Q4?



Source: Scotia Economics, BLS

US retail sales (September 14) could offer a positive surprise for the second consecutive month after new vehicle sales increased by a strong 2.9% from July to August and gasoline prices increased by a solid 7.8%. The negative here is that trend retail sales were low, with the ICSC index marginally lower on the month. Scotia anticipates a +0.8% m/m print.

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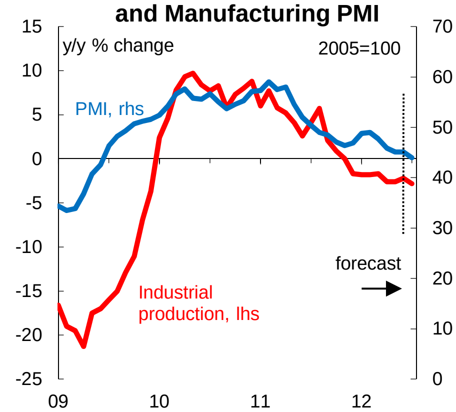
EUROPE

Following this week's estimates from Germany and Spain, industrial production (IP) figures for July will be reported for France, Italy and the euro area aggregate next week. We expect continued declines in the yearly growth rates, reflecting the region's intensifying economic downturn. The manufacturing purchasing managers' indexes (PMIs), which track the yearly IP series fairly closely (see chart), have remained in contractionary territory across the euro zone since late 2011 or early 2012, and actually worsened between June and July. Fading confidence and a resurgence in oil prices have dampened business investment and consumer spending. Moreover, external demand for European manufactured products has also ebbed as emerging and developed nations around the globe struggle with the process of deleveraging and the financial market spillovers from the euro crisis. We expect IP to fall 3.7% y/y in France, 11.5% in Italy, and 2.8% in the euro area, with the downward trend likely to continue in the months ahead.

Euro Zone Industrial Production and Manufacturing PMI

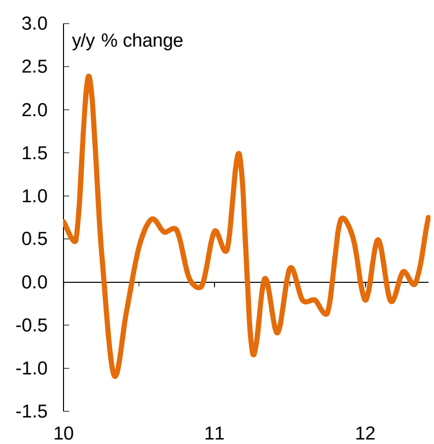


Source: Bloomberg, Scotia Economics.

LATIN AMERICA

After a very disappointing second-quarter GDP report, the monthly economic activity index in Brazil will regain the attention of investors, particularly after the slight improvement in June that could point to a possible economic rebound. The Brazilian economy expanded by a sluggish 0.5% y/y in the second quarter of the year, slightly below the 0.8% y/y rate registered in the previous quarter. However, industrial output maintained a positive rate of growth (on a monthly basis) for the second straight month in July, expanding by 0.3% against June. Additionally, retail sales showed a positive — albeit moderate — performance in June, suggesting that local consumption could be starting to recover. This has also been supported by government stimulus to the auto sector. We anticipate that the Brazilian economy will gradually improve in the second half of the year; nevertheless, we anticipate that investment, which is needed for a faster recovery, will remain relatively restrained.

Brazil's Economic Activity Index



Source: Thomson Reuters.

Key Indicators for the week of September 10 - 14

North America

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
MX	09/10	09:00	Trade Balance (US$ mn)	Jul F	--	--	-426.9
US	09/10	15:00	Consumer Credit ($ bn m/m)	Jul	9.0	9.6	6.5
CA	09/11	08:15	Housing Starts (000s a.r.)	Aug	200.0	201.0	208.5
CA	09/11	08:30	Merchandise Trade Balance (C$ bn)	Jul	-1.0	-1.5	-1.8
US	09/11	08:30	Trade Balance ($ bn)	Jul	-43.2	-44.3	-42.9
MX	09/11	09:00	Industrial Production (m/m)	Jul	--	0.2	1.3
MX	09/11	09:00	Industrial Production (y/y)	Jul	3.5	3.8	3.7
US	09/12	07:00	MBA Mortgage Applications (w/w)	SEP 7	--	--	-2.5
US	09/12	08:30	Export Prices (m/m)	Aug	--	1.4	-0.6
US	09/12	08:30	Import Prices (m/m)	Aug	--	1.4	-0.6
US	09/12	10:00	Wholesale Inventories (m/m)	Jul	0.2	0.3	-0.2
CA	09/13	08:30	Capacity Utilization (%)	2Q	--	81.0	80.7
CA	09/13	08:30	New Housing Price Index (m/m)	Jul	--	0.1	0.2
US	09/13	08:30	Initial Jobless Claims (000s)	SEP 8	370	370	365
US	09/13	08:30	Continuing Claims (000s)	SEP 1	3312	3307	3322
US	09/13	08:30	PPI (m/m)	Aug	1.0	1.2	0.3
US	09/13	08:30	PPI ex. Food & Energy (m/m)	Aug	0.2	0.2	0.4
US	09/13	12:30	**FOMC Interest Rate Meeting (%)**	Sep 13	**0.25**	**0.25**	**0.25**
US	09/13	14:00	Treasury Budget ($ bn)	Aug	--	-155.0	-69.6
CA	09/14	08:30	Manufacturing Shipments (m/m)	Jul	0.6	0.6	-0.4
US	09/14	08:30	CPI (m/m)	Aug	0.4	0.6	0.0
US	09/14	08:30	CPI (y/y)	Aug	1.5	1.7	1.4
US	09/14	08:30	CPI ex. Food & Energy (m/m)	Aug	0.2	0.2	0.1
US	09/14	08:30	CPI ex. Food & Energy (y/y)	Aug	2.0	2.0	2.1
US	09/14	08:30	Retail Sales (m/m)	Aug	0.8	0.7	0.8
US	09/14	08:30	Retail Sales ex. Autos (m/m)	Aug	0.6	0.6	0.8
US	09/14	09:15	Capacity Utilization (%)	Aug	--	79.3	79.3
US	09/14	09:15	Industrial Production (m/m)	Aug	0.1	0.0	0.7
US	09/14	09:55	U. of Michigan Consumer Sentiment	Sep P	74.5	74.0	74.3
US	09/14	10:00	Business Inventories (m/m)	Jul	0.3	0.3	0.1

Europe

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
FR	09/10	02:45	Industrial Production (y/y)	Jul	-3.7	-3.7	-2.3
FR	09/10	02:45	Manufacturing Production (m/m)	Jul	-0.6	-0.5	0.1
FR	09/11	01:30	Non-Farm Payrolls (q/q)	2Q F	--	-0.1	-0.1
UK	09/11	04:30	Visible Trade Balance (£ mn)	Jul	-9000	-9000	-10119
FR	09/12	01:30	CPI (y/y)	Aug	2.1	2.0	1.9
FR	09/12	01:30	CPI - EU Harmonized (m/m)	Aug	0.3	0.6	-0.5
FR	09/12	01:30	CPI - EU Harmonized (y/y)	Aug	2.0	2.3	2.2
GE	09/12	02:00	CPI (y/y)	Aug F	2.0	2.0	2.0
GE	09/12	02:00	CPI - EU Harmonized (m/m)	Aug F	0.3	0.3	0.3
GE	09/12	02:00	CPI - EU Harmonized (y/y)	Aug F	2.2	2.2	2.2
FR	09/12	02:45	Current Account (€ bn)	Jul	--	--	-4.9
SP	09/12	03:00	CPI (y/y)	Aug F	2.7	2.7	2.7
SP	09/12	03:00	CPI - EU Harmonized (m/m)	Aug	0.5	0.5	-0.9
SP	09/12	03:00	CPI - EU Harmonized (y/y)	Aug F	2.7	2.7	2.7
IT	09/12	04:00	Industrial Production (y/y)	Jul	-11.5	-7.6	-8.2
UK	09/12	04:30	Average Weekly Earnings (3-month, y/y)	Jul	1.4	1.6	1.6
UK	09/12	04:30	Employment Change (3M/3M, 000s)	Jul	175	169	201
UK	09/12	04:30	Jobless Claims Change (000s)	Aug	-5.0	0.0	-5.9
UK	09/12	04:30	ILO Unemployment Rate (%)	Jul	8.0	8.0	8.0

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

Key Indicators for the week of September 10 - 14

Europe *(continued from previous page)*

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
EC	09/12	05:00	Industrial Production (y/y)	Jul	-2.8	-3.3	-2.2
SZ	09/13	03:30	**SNB Libor Target Rate (%)**	Sep 13	**0.00**	**0.00**	**0.00**
IT	09/13	04:00	CPI (y/y)	Aug F	3.2	3.2	3.2
IT	09/13	04:00	CPI - EU Harmonized (m/m)	Aug F	0.2	0.2	0.2
IT	09/13	04:00	CPI - EU Harmonized (y/y)	Aug F	3.5	3.5	3.5
EC	09/13	05:00	Labour Costs (y/y)	2Q	--	1.6	2.0
RU	09/13	07:59	**Russia Refinancing Rate (%)**	Sep 13	**8.00**	**8.00**	**8.00**
EC	09/14	05:00	CPI (m/m)	Aug	0.4	0.4	-0.5
EC	09/14	05:00	CPI (y/y)	Aug	2.6	2.6	2.4
EC	09/14	05:00	Employment (q/q)	2Q	--	--	-0.2
IT	09/14	05:00	Current Account (€ mn)	Jul	--	--	1029.0

Asia Pacific

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CH	09/08	21:30	CPI (y/y)	Aug	--	2.0	1.8
CH	09/08	21:30	PPI (y/y)	Aug	--	-3.2	-2.9
CH	09/09	01:30	Fixed Asset Investment YTD (y/y)	Aug	--	20.4	20.4
CH	09/09	01:30	Industrial Production (y/y)	Aug	--	9.0	9.2
CH	09/09	01:30	Retail Sales (%)	Aug	--	13.2	13.1
JN	09/09	19:50	Bank Lending (y/y)	Aug	--	--	0.7
JN	09/09	19:50	Current Account (¥ bn)	Jul	--	485.6	433.3
JN	09/09	19:50	GDP (q/q)	2Q F	0.3	0.3	0.3
JN	09/09	19:50	GDP Deflator (y/y)	2Q F	--	-1.1	-1.1
JN	09/09	19:50	Trade Balance - BOP Basis (¥ bn)	Jul	--	-439.5	112.0
AU	09/09	21:30	Home Loans (%)	Jul	--	0.0	1.3
JN	09/10	01:00	Consumer Confidence	Aug	--	39.4	39.7
JN	09/10	02:00	Eco Watchers Survey (current)	Aug	--	43.4	44.2
JN	09/10	02:00	Eco Watchers Survey (outlook)	Aug	--	44.4	44.9
CH	09/10	06:59	Trade Balance (US$ bn)	Aug	--	19.5	25.2
PH	09/10	21:00	Exports (y/y)	Jul	--	-2.0	4.3
JN	09/11	02:00	Machine Tool Orders (y/y)	Aug P	--	--	-6.7
CH	09/11	07:59	New Yuan Loans (bn)	Aug	--	600.0	540.1
JN	09/11	19:50	Machine Orders (m/m)	Jul	--	2.0	5.6
JN	09/11	19:50	Tertiary Industry Index (m/m)	Jul	--	-0.5	0.1
NZ	09/12	07:59	REINZ Housing Price Index (m/m)	Aug	--	--	-0.7
NZ	09/12	17:00	**RBNZ Official Cash Rate (%)**	Sep 13	**2.50**	**2.50**	**2.50**
SK	09/12	21:00	**BoK Base Rate (%)**	Sep 13	**2.75**	**2.75**	**3.00**
PH	09/13	04:00	**Overnight Borrowing Rate (%)**	Sep 13	**--**	**3.75**	**3.75**
ID	09/13	07:59	**BI Reference Interest Rate (%)**	Sep 13	**5.75**	**5.75**	**5.75**
JN	09/14	00:30	Capacity Utilization (m/m)	Jul F	--	--	-2.3
JN	09/14	00:30	Industrial Production (m/m)	Jul F	--	--	-1.2
IN	09/14	02:30	Monthly Wholesale Prices (y/y)	Aug	--	7.0	6.9
CH	09/14	07:59	Actual FDI (y/y)	Aug	--	-5.8	-8.7

Latin America

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
PE	09/11	06:59	Trade Balance (PEN mn)	Jul	--	344.0	441.7
BZ	09/12	07:59	Economic Activity Index SA (m/m)	Jul	--	0.3	0.8
BZ	09/12	07:59	Economic Activity Index NSA (y/y)	Jul	--	2.1	1.0
BZ	09/13	08:00	Retail Sales (m/m)	Jul	--	1.1	1.5
BZ	09/13	08:00	Retail Sales (y/y)	Jul	--	7.0	9.5
CL	09/13	17:00	**Nominal Overnight Rate Target (%)**	Sep 13	**5.00**	**5.00**	**5.00**
CO	09/13	17:00	Trade Balance (US$ mn)	Jul	--	127.6	-190.9

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

Global Auctions for the week of September 10 - 14

North America

Country	Date	Time	Event
US	09/10	11:00	U.S. Fed to Purchase USD1.00-1.50 Bln Notes
US	09/10	11:30	U.S. to Sell USD32 Bln 3-Month Bills
US	09/10	11:30	U.S. to Sell USD28 Bln 6-Month Bills
CA	09/11	10:30	Canada to Sell CAD10.1 Bln 98-Day Bills
CA	09/11	10:30	Canada to Sell CAD3.7 Bln 168-Day Bills
CA	09/11	10:30	Canada to Sell CAD3.7 Bln 350-Day Bills
US	09/11	11:00	U.S. Fed to Purchase USD1.50-2.00 Bln Notes
US	09/11	11:30	U.S. to Sell 4-Week Bills
US	09/11	13:00	U.S. to Sell USD32 Bln 3-Year Notes
US	09/12	11:00	U.S. Fed to Sell USD7.00-8.00 Bln Notes
CA	09/12	12:00	Canada to Sell 30-Year Real Return Bonds
US	09/12	13:00	U.S. to Sell USD21 Bln 10-Year Notes Reopening
US	09/13	13:00	U.S. to Sell USD13 Bln 30-Year Bonds Reopening
US	09/14	11:00	U.S. Fed to Purchase USD1.50-2.00 Bln Notes

Europe

Country	Date	Time	Event
GE	09/10	05:30	Germany to Sell EU4 Bln 6-Mth Bills
FR	09/10	09:00	France to Sell Bills (BTF)
NE	09/11	04:00	Netherlands to Sell Bonds
GR	09/11	05:00	Greece to Sell Bills
SZ	09/11	05:30	Switzerland to Sell 3-Month Bills
UK	09/11	05:30	U.K. to Sell GBP1.25 Bln 0.75% I/L 2034 Bonds
IT	09/12	05:00	Italy to Sell Bills
SW	09/12	05:03	Sweden to Sell Bills
SZ	09/12	05:30	Switzerland to Sell Bonds
GE	09/12	05:30	Germany to Sell EU5 Bln 5-Year Notes
IT	09/13	05:00	Italy to Sell Bonds/Floating/Zero Coupon
UK	09/13	05:30	U.K. to Sell GBP3.5 Bln 1.75% 2022 Bonds
BE	09/14	06:00	Belgium to Sell Bonds (OLO ORI)

Source: Bloomberg, Scotia Economics.

Global Auctions for the week of September 10 - 14

Asia Pacific

Country	Date	Time	Event
CH	09/10	23:00	China Development Bank to Sell CNY6 Bln 1-Year Bonds
CH	09/10	23:00	China Development Bank to Sell CNY6 Bln 3-Year Bonds
CH	09/10	23:00	China Development Bank to Sell CNY6 Bln 5-Year Bonds
CH	09/10	23:00	China Development Bank to Sell CNY6 Bln 7-Year Bonds
CH	09/10	23:00	China Development Bank to Sell CNY6 Bln 10-Year Bonds
JN	09/10	23:45	Japan to Sell 5-Year Bonds
AU	09/11	21:00	Australia Plans to Sell A$500 Mln 5.25% Bonds Due 2019
CH	09/11	23:00	China to Sell CNY30 Bln 3-Year Bonds
AU	09/12	20:30	Australia Plans to Sell A$500 Mln Bills Maturing Dec. 2012
AU	09/12	20:30	Australia Plans to Sell A$500 Mln Bills Maturing Jan. 2013
JN	09/12	23:35	Japan to Sell 3-Month Bills
JN	09/12	23:45	Japan to Sell 20-Year Bonds
AU	09/13	21:00	Australia Plans to Sell A$500 Mln 4.75% Bonds Due 2016
NZ	09/13	22:30	New Zealand Plans to Sell Bonds

Latin America

Country	Date	Time	Event
BZ	09/11	11:00	Brazil to Sell I/L Bonds due 8/15/2016 - NTN-B
BZ	09/11	11:00	Brazil to Sell I/L Bonds due 8/15/2018 - NTN-B
BZ	09/11	11:00	Brazil to Sell I/L Bonds due 8/15/2022 - NTN-B
BZ	09/11	11:00	Brazil to Sell I/L Bonds due 8/15/2030 - NTN-B
BZ	09/11	11:00	Brazil to Sell I/L Bonds due 8/15/2040 - NTN-B
BZ	09/11	11:00	Brazil to Sell I/L Bonds due 8/15/2050 - NTN-B
BZ	09/13	10:00	Brazil to Sell Bills due 10/1/2013 - LTN
BZ	09/13	10:00	Brazil to Sell Bills due 7/1/2014 - LTN
BZ	09/13	10:00	Brazil to Sell Bills due 1/1/2016 - LTN

Source: Bloomberg, Scotia Economics.

Events for the week of September 10 - 14

North America

Country	Date	Time	Event
US	09/13	09:30	World Bank Releases Global Financial Report on Role of State
US	09/13	14:00	FOMC to Release Projections of Economy and Fed Funds Rate
US	09/13	14:15	Fed's Bernanke Holds Press Conference
US	SEP 13-14		Federal Reserve's Symposium on Stress Testing Models

Europe

Country	Date	Time	Event
EC	SEP 7-8		EU Foreign Ministers Meet in Cyprus
EC	SEP 7-9		EU's Van Rompuy, Rehn, Almunia at Conference in Cernobbio
EC	09/08	03:00	EU's Van Rompuy, Rehn Speak at Conference
IR	09/08	07:15	BOE's Dale Speaks at Conference in Dublin
EC	09/08	10:00	EU's Van Rompuy Meets Italy's Monti in Cernobbio, Italy
EC	09/09	11:00	EU's Van Rompuy Speaks in Sarajevo
UK	09/09		BOE Governor King Meets With Central Bankers to Discuss Libor
PO	09/10	06:00	Portugal Reports International Trade Figures for July
PO	09/10	06:00	Portugal Releases Construction Output and Employment Report
PO	09/10	06:00	Portugal Releases Services Sales, Employment Report
GE	09/10	06:00	Public Hearing in Parliament on Financial Oversight Bill
PO	09/10		Bank of Portugal Releases Data on Banks
SP	09/11	03:00	Finnish PM Katainen Visits Madrid
EC	09/11	12:00	ECB's Asmussen Speaks in Frankfurt
EC	09/12	03:00	European Union to Offer Banking Union Plans
EC	09/12	03:00	EU's Barroso Gives State of Union Address
FI	09/12	03:30	ECB's Erkki Liikanen Speaks on Monetary Policy in Helsinki
GE	09/12		Germany's Constitutional Court Rules on Euro Bailout Fund
EC	09/13	04:00	ECB Publishes Sept. Monthly Report
IT	09/13	05:00	Bank of Italy Releases July Public Finance Supplement
FR	09/13	05:00	French President Francois Hollande to Speak at LH Forum
GE	09/13	11:00	Merkel Gives Speech to German Skilled Trades Group
EC	09/14	06:30	EU-27 Finance Ministers, Central Bankers Meet in Cyprus
GR	09/14		Greece to Propose Budget Cuts to Receive Bailout Funds
EC	SEP 14-15		Euro-Area Finance Ministers Meet in Cyprus

Asia Pacific

Country	Date	Time	Event
IN	SEP 7-9		Indian Minister for External Affairs Visits Pakistan
JN	SEP 10-12		OECD's Asian Seminar on Financial Literacy and Inclusion
IN	09/12	07:00	182 Day T-Bill Cutoff Yield
IN	09/12	07:00	91 Day T-Bill Cutoff Yield
NZ	09/12	17:00	Reserve Bank of New Zealand Monetary Policy Statement
AU	09/12	21:30	Reserve Bank Board - Bulletin - September Quarter
ID	SEP 12-13		Bank Indonesia Reference Rate
NZ	09/13	23:00	Foreign Holdings of New Zealand Government Bonds

Latin America

Country	Date	Time	Event
CL	09/11	08:30	Central Bank Economist Survey
CL	09/13	17:00	Nominal Overnight Rate Target

Source: Bloomberg, Scotia 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	October 23, 2012	1.00	--
Federal Reserve – Federal Funds Target Rate	0.25	September 13, 2012	0.25	0.25
Banco de México – Overnight Rate	4.50	October 26, 2012	4.50	--

US: The FOMC issues an interest rate decision and statement as well as full economic projections on September 13. Will the FOMC announce QE3? The odds increased when non-farm payrolls for August came in at 96k and July payrolls were revised from 163k to 141k. With GDP trending below 2% growth and payroll growth stalled since March, the Fed's criteria for further easing have likely been met. We think that there are even stronger odds that the Fed will extend its 'forward interest rate guidance.' BoC: The BoC left interest rates unchanged at its Sept. 5 meeting. Of note, Governor Carney said in a speech on Sept. 7 that "the Bank does take the exchange rate into account in setting policy. The persistent strength of the dollar has been one of the reasons why monetary policy has been exceptionally accommodative for so long."

Europe

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	0.75	October 4, 2012	0.50	--
Bank of England – Bank Rate	0.50	October 4, 2012	0.50	0.50
Swiss National Bank – Libor Target Rate	0.00	September 13, 2012	0.00	0.00
Central Bank of Russia – Refinancing Rate	8.00	September 13, 2012	8.00	8.00
Hungarian National Bank – Base Rate	6.75	September 25, 2012	6.75	6.75
Central Bank of the Republic of Turkey – 1 Wk Repo Rate	5.75	September 18, 2012	5.75	--
Sweden Riksbank – Repo Rate	1.25	October 25, 2012	1.50	--
Norges Bank – Deposit Rate	1.50	October 31, 2012	1.50	--

In addition to leaving the LIBOR target range unchanged at 0-0.25%, the Swiss National Bank (SNB) is expected to maintain the level of the minimum exchange rate at 1.20 francs per euro after the next policy-setting meeting on Thursday. Swiss monetary authorities have voiced concern over the increasing risks to financial stability from the overheating domestic property market, stemming from an environment of ultra-low interest rates and slowing growth (GDP unexpectedly contracted 0.1% q/q in the second quarter). The franc is still considered overvalued and harmful to exporters, but a move to raise the floor at this point, given the implications for the SNB's ballooning balance sheet, could threaten the financial market credibility of the exchange rate policy. The Russian central bank will likely leave the policy rate unchanged at 8.0% after the meeting on September 13th. Headline inflation has received a boost from administered price increases and drought-related food supply disruptions, picking up to 5.9% y/y in August from 3.6% in May. However, these effects are considered temporary, and underlying price pressures are low on account of the moderation in growth conditions both domestically and internationally.

Asia Pacific

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Target Rate	0.10	September 19, 2012	0.10	--
Reserve Bank of Australia – Cash Target Rate	3.50	October 2, 2012	3.50	--
Reserve Bank of New Zealand – Cash Rate	2.50	September 12, 2012	2.50	2.50
People's Bank of China – Lending Rate	6.00	TBA	--	--
Reserve Bank of India – Repo Rate	8.00	September 17, 2012	8.00	--
Bank of Korea – Bank Rate	3.00	September 12, 2012	2.75	2.75
Bank of Thailand – Repo Rate	3.00	October 17, 2012	3.00	--
Bank Indonesia – Reference Interest Rate	5.75	September 13, 2012	5.75	5.75

The Reserve Bank of New Zealand (RBNZ) will likely maintain a neutral monetary policy stance, leaving its reference rate on hold at 2.5% for the 18th straight month. In the second quarter, headline inflation reached its lowest rate (1.0% y/y) in 12 years and the economy began to show some optimistic -albeit modest- signs of a recovery. We do not anticipate any changes in the monetary policy stance for the remainder of the year. We anticipate that the Bank of Korea will cut the reference rate by 25 basis points to 2.75%. After surprisingly cutting the reference rate in July (and leaving it unchanged in August), we expect the central bank to resume its dovish tone and reduce the interest rate as a response to a continued weak economic environment, both locally and externally.

Latin America

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	7.50	October 10, 2012	7.25	7.50
Banco Central de Chile – Overnight Rate	5.00	September 13, 2012	5.00	5.00
Banco de la República de Colombia – Lending Rate	4.75	September 28, 2012	4.50	--
Banco Central de Reserva del Perú – Reference Rate	4.25	October 11, 2012	4.25	4.25

We anticipate that the central bank of Chile will maintain the reference rate unchanged at 5.0%. Chilean inflation remains below the mid-point of the central bank's target range and economic activity continues to show a solid performance. Inflation reached 2.6% y/y in August, slightly above the 2.5% rate of July. In spite of the economic deceleration in most major economies, Chile's output expanded by 5.3% y/y in August, slightly below the pace of the last two months, but still positive in monthly terms.

Africa

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	5.00	September 20, 2012	5.00	--

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

Forecasts as at August 30, 2012*	2000-10	2011	2012f	2013f	2000-10	2011	2012f	2013f
Output and Inflation (annual % change)	Real GDP				Consumer Prices[2]			
World[1]	3.7	4.0	3.1	3.4				
Canada	2.2	2.4	1.9	1.8	2.1	2.9	1.7	2.0
United States	1.8	1.8	2.2	1.9	2.5	3.1	2.0	2.2
Mexico	2.1	4.2	3.9	3.6	4.9	3.8	4.2	4.0
United Kingdom	2.0	0.7	-0.4	1.2	2.1	4.2	2.2	3.0
Euro Zone	1.4	1.5	-0.7	0.2	2.1	2.7	1.9	1.9
Japan	0.9	-0.7	2.3	1.5	-0.3	-0.2	0.1	0.3
Australia	3.1	2.1	3.2	3.1	3.1	3.1	2.3	2.8
China	9.4	9.3	7.8	8.2	2.3	4.1	4.0	4.4
India	7.5	10.0	6.0	6.3	6.4	7.7	6.5	6.8
South Korea	4.6	3.6	3.0	3.8	3.1	4.8	3.3	3.0
Thailand	4.4	0.1	5.0	4.0	2.7	3.5	3.0	2.8
Brazil	3.7	2.7	2.0	4.0	6.6	6.5	5.0	5.5
Chile	4.6	6.1	5.2	5.2	3.4	4.4	2.1	2.9
Peru	5.5	7.0	6.3	5.6	2.4	4.7	3.0	3.0

Central Bank Rates (%, end of period)	12Q1	12Q2f	12Q3f	12Q4f	13Q1f	13Q2f	13Q3f	13Q4f
Bank of Canada	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Federal Reserve	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
European Central Bank	1.00	1.00	0.50	0.50	0.50	0.50	0.50	0.50
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	3.75	3.50	3.25	3.25	3.25	3.25	3.50	3.50
Exchange Rates (end of period)								
Canadian Dollar (USDCAD)	1.00	1.02	1.02	0.99	0.98	0.97	0.97	0.97
Canadian Dollar (CADUSD)	1.00	0.98	0.98	1.01	1.02	1.03	1.03	1.03
Euro (EURUSD)	1.33	1.27	1.21	1.23	1.22	1.22	1.21	1.21
Sterling (GBPUSD)	1.60	1.57	1.55	1.59	1.62	1.63	1.64	1.64
Yen (USDJPY)	83	80	78	80	84	85	86	87
Australian Dollar (AUDUSD)	1.03	1.02	1.02	1.02	1.04	1.04	1.05	1.05
Chinese Yuan (USDCNY)	6.3	6.4	6.3	6.3	6.3	6.2	6.2	6.1
Mexican Peso (USDMXN)	12.8	13.4	13.3	13.1	13.2	13.1	13.2	13.4
Brazilian Real (USDBRL)	1.83	2.01	2.02	1.95	1.92	1.87	1.88	1.90

Commodities (annual average)	2000-10	2011	2012f	2013f
WTI Oil (US$/bbl)	54	95	95	100
Brent Oil (US$/bbl)	52	112	112	112
Nymex Natural Gas (US$/mmbtu)	5.81	4.03	2.75	3.00
Copper (US$/lb)	1.93	4.00	3.65	3.45
Zinc (US$/lb)	0.75	0.99	0.89	1.02
Nickel (US$/lb)	7.36	10.38	7.85	7.80
Gold, London PM Fix (US$/oz)	586	1,569	1,665	1,650
Pulp (US$/tonne)	694	977	880	900
Newsprint (US$/tonne)	575	640	640	660
Lumber (US$/mfbm)	273	255	280	315

[1] World GDP for 2000-10 are IMF PPP estimates; 2011-13f are Scotia Economics' estimates based on a 2010 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 Scotia Economics 'Global Forecast Update' (http://www.gbm.scotiabank.com/English/bns_econ/forecast.pdf) for additional forecasts & commentary.

North America

Canada	2011	12Q1	12Q2	Latest	
Real GDP (annual rates)	2.4	1.8	1.8		
Current Acc. Bal. (C$B, ar)	-48.4	-40.6	-64.1		
Merch. Trade Bal. (C$B, ar)	2.3	8.7	-13.2	-21.7	(Jun)
Industrial Production	3.5	1.0	2.9	3.5	(Jun)
Housing Starts (000s)	193	206	230	209	(Jul)
Employment	1.6	0.9	1.2	1.0	(Aug)
Unemployment Rate (%)	7.5	7.4	7.3	7.3	(Aug)
Retail Sales	4.1	4.3	2.6	1.7	(Jun)
Auto Sales (000s)	1589	1702	1672	1689	(Jun)
CPI	2.9	2.3	1.6	1.3	(Jul)
IPPI	4.6	1.8	0.6	-0.3	(Jul)
Pre-tax Corp. Profits	15.4	4.2	0.4		

United States	2011	12Q1	12Q2	Latest	
Real GDP (annual rates)	1.8	2.0	1.7		
Current Acc. Bal. (US$B, ar)	-466	-549			
Merch. Trade Bal. (US$B, ar)	-738	-778	-743	-690	(Jun)
Industrial Production	4.1	4.0	4.9	4.1	(Jul)
Housing Starts (millions)	0.61	0.71	0.74	0.75	(Jul)
Employment	1.1	1.6	1.3	1.4	(Aug)
Unemployment Rate (%)	9.0	8.3	8.2	8.1	(Aug)
Retail Sales	8.3	6.4	4.3	3.7	(Jul)
Auto Sales (millions)	12.7	14.1	14.1	14.5	(Aug)
CPI	3.2	2.8	1.9	1.4	(Jul)
PPI	6.0	3.4	1.1	0.5	(Jul)
Pre-tax Corp. Profits	2.1	18.0	14.0		

Mexico					
Real GDP	3.9	4.5	4.1		
Current Acc. Bal. (US$B, ar)	-11.1	4.7	1.8		
Merch. Trade Bal. (US$B, ar)	-1.5	7.1	6.1	-5.1	(Jul)
Industrial Production	4.0	4.4	3.6	3.7	(Jun)
CPI	3.4	3.9	3.9	4.6	(Aug)

Europe

Euro Zone	2011	12Q1	12Q2	Latest	
Real GDP	1.4	-0.1	-0.5		
Current Acc. Bal. (US$B, ar)	-3	-32	71	236	(Jun)
Merch. Trade Bal. (US$B, ar)	6.9	28.0	128.8	213.7	(Jun)
Industrial Production	3.5	-1.6	-2.4	-2.1	(Jun)
Unemployment Rate (%)	10.1	10.8	11.2	11.3	(Jul)
CPI	2.7	2.7	2.5	2.4	(Jul)

Germany	2011	12Q1	12Q2	Latest	
Real GDP	3.1	1.2	1.0		
Current Acc. Bal. (US$B, ar)	202.6	215.8	182.0	188.7	(Jul)
Merch. Trade Bal. (US$B, ar)	216.2	223.3	245.3	237.3	(Jul)
Industrial Production	8.0	0.7	-0.3	-1.4	(Jul)
Unemployment Rate (%)	7.1	6.8	6.8	6.8	(Aug)
CPI	2.3	2.2	1.9	2.0	(Aug)

France					
Real GDP	1.7	0.3	0.3		
Current Acc. Bal. (US$B, ar)	-54.5	-50.6	-77.0	-51.5	(Jun)
Merch. Trade Bal. (US$B, ar)	-51.9	-54.4	-55.8	-41.7	(Jul)
Industrial Production	2.0	-1.7	-1.9	-2.3	(Jun)
Unemployment Rate (%)	9.6	10.0	10.1	10.3	(Jul)
CPI	2.1	2.3	2.0	1.9	(Jul)

United Kingdom					
Real GDP	0.8	-0.2	-0.5		
Current Acc. Bal. (US$B, ar)	-46.5	-76.4			
Merch. Trade Bal. (US$B, ar)	-160.9	-157.5	-179.1	-189.0	(Jun)
Industrial Production	-0.7	-2.8	-2.5	-0.8	(Jul)
Unemployment Rate (%)	8.1	8.2		8.0	(May)
CPI	4.5	3.5	2.7	2.6	(Jul)

Italy					
Real GDP	0.5	-1.4	-2.5		
Current Acc. Bal. (US$B, ar)	-0.07	-0.07	-0.01	0.02	(Jun)
Merch. Trade Bal. (US$B, ar)	-34.2	-17.5	16.7	37.8	(Jun)
Industrial Production	0.2	-5.5	-7.9	-7.9	(Jun)
CPI	2.8	3.4	3.3	3.1	(Jul)

Russia					
Real GDP	4.3	4.9	4.0		
Current Acc. Bal. (US$B, ar)	98.8	39.3	19.2		
Merch. Trade Bal. (US$B, ar)	16.5	19.7	16.7	14.0	(Jun)
Industrial Production	4.8	4.1	2.3	3.4	(Jul)
CPI	8.4	3.9	3.8	5.9	(Aug)

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

Source: Bloomberg, Global Insight, Scotia Economics.

Asia Pacific

Australia	2011	12Q1	12Q2	Latest
Real GDP	2.1	4.4	3.7	
Current Acc. Bal. (US$B, ar)	-33.1	-61.6	-32.9	
Merch. Trade Bal. (US$B, ar)	35.7	1.4	28.4	19.7 (Jul)
Industrial Production	-1.2	3.9	0.5	
Unemployment Rate (%)	5.1	5.2	5.1	5.1 (Aug)
CPI	3.4	1.6	1.2	

Japan	2011	12Q1	12Q2	Latest
Real GDP	-0.7	2.8	3.6	
Current Acc. Bal. (US$B, ar)	119.2	101.1	49.0	65.6 (Jun)
Merch. Trade Bal. (US$B, ar)	-33.3	-72.6	-71.0	-49.5 (Jul)
Industrial Production	-2.3	2.7	5.1	-2.5 (Jul)
Unemployment Rate (%)	4.6	4.5	4.4	4.3 (Jul)
CPI	-0.3	0.3	0.2	-0.4 (Jul)

South Korea	2011	12Q1	12Q2	Latest
Real GDP	3.6	2.8	2.3	
Current Acc. Bal. (US$B, ar)	26.5	10.2	44.8	73.2 (Jul)
Merch. Trade Bal. (US$B, ar)	30.8	5.7	37.4	24.5 (Aug)
Industrial Production	6.9	2.9	2.3	0.1 (Jul)
CPI	4.0	3.0	2.4	1.2 (Aug)

China	2011	12Q1	12Q2	Latest
Real GDP	10.4	8.1	7.6	
Current Acc. Bal. (US$B, ar)	201.7			
Merch. Trade Bal. (US$B, ar)	155.0	1.7	274.1	301.8 (Jul)
Industrial Production	12.8	11.9	9.5	9.2 (Jul)
CPI	4.1	3.6	2.2	1.8 (Jul)

Thailand	2011	12Q1	12Q2	Latest
Real GDP	0.1	0.4	4.2	
Current Acc. Bal. (US$B, ar)	5.3	0.6	-2.5	
Merch. Trade Bal. (US$B, ar)	1.4	0.4	0.5	0.5 (Jul)
Industrial Production	-9.5	-7.1	-1.5	-5.9 (Jul)
CPI	3.8	3.4	2.5	2.7 (Aug)

India	2011	12Q1	12Q2	Latest
Real GDP	7.5	5.3	5.5	
Current Acc. Bal. (US$B, ar)	-62.8	-21.7		
Merch. Trade Bal. (US$B, ar)	-13.4	-15.9	-13.4	-15.5 (Jul)
Industrial Production	4.8	0.6	-0.1	-1.8 (Jun)
WPI	9.5	7.3	7.4	6.9 (Jul)

Indonesia	2011	12Q1	12Q2	Latest
Real GDP	6.5	6.3	6.4	
Current Acc. Bal. (US$B, ar)	1.7	-3.2	-6.9	
Merch. Trade Bal. (US$B, ar)	2.2	0.9	-0.8	-0.2 (Jul)
Industrial Production	4.1	5.4		3.0 (May)
CPI	5.4	3.7	4.5	4.6 (Aug)

Latin America

Brazil	2011	12Q1	12Q2	Latest
Real GDP	2.5	0.6	0.4	
Current Acc. Bal. (US$B, ar)	-52.5	-48.3	-53.1	
Merch. Trade Bal. (US$B, ar)	29.8	9.8	18.6	38.7 (Aug)
Industrial Production	0.4	-3.5	-4.5	-4.3 (Jul)
CPI	6.6	5.8	5.0	5.2 (Aug)

Chile	2011	12Q1	12Q2	Latest
Real GDP	6.0	5.3	5.5	
Current Acc. Bal. (US$B, ar)	0.0	-0.5	-9.8	
Merch. Trade Bal. (US$B, ar)	10.0	10.2	5.1	-10.1 (Aug)
Industrial Production	6.9	3.9	2.8	0.6 (Jul)
CPI	3.3	4.1	3.1	2.6 (Aug)

Peru	2011	12Q1	12Q2	Latest
Real GDP	6.9	6.0		
Current Acc. Bal. (US$B, ar)	-3.3	-1.0		
Merch. Trade Bal. (US$B, ar)	0.9	0.8	0.2	0.4 (Jun)
Unemployment Rate (%)	7.7	8.3	7.2	6.2 (Jul)
CPI	3.4	4.2	4.1	3.5 (Aug)

Colombia	2011	12Q1	12Q2	Latest
Real GDP	5.9	4.7		
Current Acc. Bal. (US$B, ar)	-10.0	-1.8		
Merch. Trade Bal. (US$B, ar)	0.4	0.7	0.2	-0.2 (Jun)
Industrial Production	4.8	1.9	-0.1	2.8 (Jun)
CPI	3.4	3.5	3.4	3.1 (Aug)

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

Source: Bloomberg, Global Insight, Scotia Economics.

Interest Rates (%, end of period)

Canada	12Q1	12Q2	Aug/31	Sep/07*
BoC Overnight Rate	1.00	1.00	1.00	1.00
3-mo. T-bill	0.91	0.88	1.03	1.02
10-yr Gov't Bond	2.11	1.74	1.77	1.81
30-yr Gov't Bond	2.66	2.33	2.34	2.40
Prime	3.00	3.00	3.00	3.00
FX Reserves (US$B)	69.2	66.0	66.1	(Jul)
Germany				
3-mo. Interbank	0.71	0.53	0.11	0.11
10-yr Gov't Bond	1.79	1.58	1.33	1.52
FX Reserves (US$B)	67.9	68.2	67.8	(Jul)
Euro Zone				
Refinancing Rate	1.00	1.00	0.75	0.75
Overnight Rate	0.39	0.38	0.11	0.11
FX Reserves (US$B)	319.8	328.7	327.9	(Jul)
Japan				
Discount Rate	0.30	0.30	0.30	0.30
3-mo. Libor	0.13	0.13	0.13	0.13
10-yr Gov't Bond	0.99	0.84	0.80	0.82
FX Reserves (US$B)	1247.8	1231.2	1232.8	(Jul)

United States	12Q1	12Q2	Aug/31	Sep/07*
Fed Funds Target Rate	0.25	0.25	0.25	0.25
3-mo. T-bill	0.07	0.08	0.07	0.10
10-yr Gov't Bond	2.21	1.64	1.55	1.62
30-yr Gov't Bond	3.34	2.75	2.67	2.77
Prime	3.25	3.25	3.25	3.25
FX Reserves (US$B)	138.0	138.8	138.3	(Jul)
France				
3-mo. T-bill	0.07	0.04	0.00	0.00
10-yr Gov't Bond	2.89	2.69	2.16	2.21
FX Reserves (US$B)	49.2	49.6	50.1	(Jul)
United Kingdom				
Repo Rate	0.50	0.50	0.50	0.50
3-mo. T-bill	0.37	0.37	0.34	0.35
10-yr Gov't Bond	2.20	1.73	1.46	1.69
FX Reserves (US$B)	82.4	84.4	86.0	(Jul)
Australia				
Cash Rate	4.25	3.50	3.50	3.50
10-yr Gov't Bond	3.98	3.04	3.09	3.20
FX Reserves (US$B)	47.7	44.1	45.1	(Jul)

Exchange Rates (end of period)

USDCAD	1.00	1.02	0.99	0.98
CADUSD	1.00	0.98	1.01	1.02
GBPUSD	1.601	1.571	1.587	1.602
EURUSD	1.334	1.267	1.258	1.279
JPYEUR	0.91	0.99	1.01	1.00
USDCHF	0.90	0.95	0.95	0.95
¥/US$	82.87	79.79	78.39	78.14
US¢/Australian$	1.03	1.02	1.03	1.04
Chinese Yuan/US$	6.29	6.36	6.35	6.34
South Korean Won/US$	1132	1141	1134	1129
Mexican Peso/US$	12.811	13.363	13.190	13.001
Brazilian Real/US$	1.827	2.012	2.027	2.031

Equity Markets (index, end of period)

United States (DJIA)	13212	12880	13091	13279
United States (S&P500)	1408	1362	1407	1436
Canada (S&P/TSX)	12392	11597	11949	12213
Mexico (IPC)	39521	40200	39422	40147
Brazil (Bovespa)	64511	54355	57061	58321
Italy (BCI)	859	761	816	836
U.K. (FT100)	5768	5571	5711	5790
Germany (Dax)	6947	6416	6971	7219
France (CAC40)	3424	3197	3413	3520
Japan (Nikkei)	10084	9007	8840	8872
Hong Kong (Hang Seng)	20556	19441	19483	19802
South Korea (Composite)	2014	1854	1905	1930

Commodity Prices (end of period)

Pulp (US$/tonne)	870	900	880	880
Newsprint (US$/tonne)	640	640	640	640
Lumber (US$/mfbm)	279	283	312	308
WTI Oil (US$/bbl)	103.02	84.96	96.47	95.80
Natural Gas (US$/mmbtu)	2.13	2.82	2.80	2.69
Copper (US$/lb)	3.85	3.45	3.44	3.56
Zinc (US$/lb)	0.91	0.84	0.82	0.87
Gold (US$/oz)	1662.50	1598.50	1648.50	1728.00
Silver (US$/oz)	32.43	27.08	30.52	32.22
CRB (index)	308.46	284.19	309.59	310.25

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

Fixed Income Strategy (London)

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