Global Views

Weekly commentary on economic and financial market developments

March 8, 2013

Derek Holt (416) 863-7707
derek.holt@scotiabank.com

Policy And Political Risks Front And Centre

- **Please see our full indicator, central bank, auction and event calendars on pp. A3-A10.**

Next week probably won't count as among the more active weeks for global markets in terms of the sheer volume of developments, but it could well materially advance debates over the near-term state of US fiscal policy, regulatory attitudes toward US bank capital management proposals, the US consumer, Italian politics, Chinese growth and monetary policy, and Canadian housing markets.

US markets will be primarily focused upon four things next week. Data risk takes up two of the entries on that list. February retail sales are expected to post about a half-point rise over the prior month and a slightly smaller rise excluding autos and gasoline. We already know the latter two components rose during the month, but a risk is whether lagged negative effects of January's tax hikes impact consumer spending amid conflicting reports from retailers. Higher gasoline prices are also expected to pump Friday's CPI print higher by 0.5% m/m such that this could be the strongest inflation print since late last summer. A much more moderate rise in core prices excluding food and energy is expected. The key issue in assessing inflation risks is whether any ongoing upward pressure upon food and energy prices will crowd out other types of spending as it has tended to do over the crisis phase, or whether improving job markets are relaxing household budget constraints such that higher commodity prices may not crowd out broader pricing power. We're sceptical that budget constraints are indeed rapidly improving, partly because we're not inclined as yet to view the pick-up in job growth of late as an all-clear sign. Markets have become accustomed to getting surprised to the upside on job prints over the winter only to lose momentum into the spring because of seasonal adjustment distortions over the post-crisis period. Behind retail sales and CPI lie third-order releases including an expected flattening in the Empire manufacturing gauge, a small recovery in industrial production from the prior month's softness, US jobless claims that are operating near the crisis-era lows witnessed in January, and the initial March print for the University of Michigan's consumer sentiment survey that may face upside risks to a flat consensus following a decent jobs print.

Third on the list of US market influences may be more intensified fiscal policy risks. On Tuesday, Chairman of the House Budget Committee Paul Ryan will introduce budget proposals, while Senate Budget Committee Chairman Patty Murray does likewise next week. The proposals are likely to remain at loggerheads on the spending versus revenue mixture on the desired path toward fiscal repair. The pressure remains focused upon averting the expiration of the continuing resolution that funds the government by month's end on the path to a budget agreement that passes the Senate and the House in time to result in the debt ceiling being lifted by late May. Finally, markets will also be sensitive to the Fed's Comprehensive Capital Analysis and Review next Thursday which will determine if banks are permitted to change dividend or capital management policies. The US Treasury also auctions 3s, 10s and 30s.

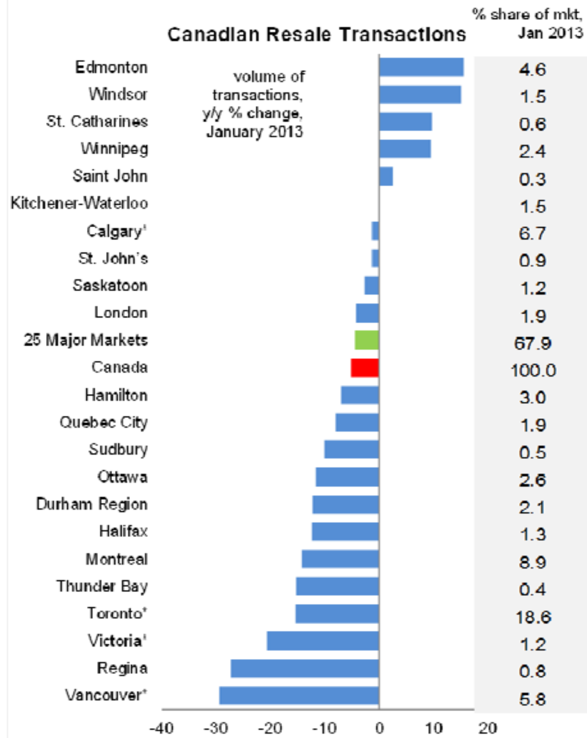
European markets may be principally focused upon Italian political risks. In the wake of Fitch's downgrade to BBB+ and negative outlook, Parliament reconvenes on Friday and may introduce a new election law that would lead to another election vote in the relatively near term. After abruptly selling off in the wake of the inconclusive election results, Italy's 10 year benchmark issue had rallied until Fitch's downgrade. This is likely to be on the list of topics faced by the EU Leaders Summit in Brussels at the end of the week. Norway's Norges Bank is expected to leave its deposit rate at 1.5% for a seventh consecutive meeting. European data risk should be fairly light for much of the week. German trade figures top the list of market risks and are expected to come in more positively than recent factory orders. Eurozone add-ups for industrial production (expected to slip) and CPI (expected to bounce higher) are largely factored into market assumptions. UK data on trade, industrial production, and the NIESR's monthly GDP estimate will add to the debate over next steps by the Bank of England in the wake of its decision to leave policy on hold.

Canadian markets will go along for the global ride next week, as there are no real domestic developments that are likely to impact markets. The 'March break' typically has no consistent and significant impact upon TSX trading volumes over recent years. That said, we'll be watching the home resale figures that land on

Derek Holt (416) 863-7707
derek.holt@scotiabank.com

… continued from previous page

Friday. Several local real estate boards have revised their figures, but not all, and none of them seasonally adjust their sales volumes so there is little guidance to provide with respect to the month-over-month national change. That's one reason why there is no meaningful consensus for the Canadian resale figures. It is also the case that, with the exception of Quebec, other real estate boards across the country can revise their monthly figures but this is not reported to the Canadian Real Estate Association such that revisions are never captured. In the case of the Toronto Real Estate Board, every month last year was subject to downward revisions of 2-3% compared to the original prints. That said, boards that have reported point to ongoing significant corrections on year-ago sales volumes with Vancouver down 29% y/y, Victoria 21% lower, Toronto down 15% y/y, and even Calgary starting to soften (-1.3% y/y). The country has baked in a roughly 2% decline in average annual house prices thus far based upon what we know of the January 2013 figures and the 2012 base effect on the heroic assumption that prices flat-line at January levels over the duration of the year. That's not likely, but our purpose is just to convey the tracking of the current softening in house prices. Indeed, the MLS average resale price is down about 5% at non-annualized rates as of January compared to last Spring's peak and is particularly concentrated upon Vancouver. The accompanying chart depicts the correction in resale volumes by city using February and January data depending upon what is available so far.



Source: CREA, QFREB, Scotiabank Economics. 'February data.

In a slow week, industrial capacity utilization will also be watched as a measure of spare capacity in the economy. At 80.9% in 2012Q3 it had leveled off from the prior quarter and remained several percentage points below the pre-crisis level. We're expecting weakness in the economy to keep it largely unchanged in Q4. Canada auctions 30 year bonds on Wednesday. There are no provincial budgets until Saskatchewan (March 20), New Brunswick & PEI (March 26), Nova Scotia (April 4), and Manitoba (April 16).

Asian markets will witness a series of regionally significant developments with probably little capacity for influencing the broad global tone. The greatest scope for influencing global markets stems from developments in China. Chinese weekend data for retail sales and industrial production is expected to post comparable 10.3% y/y and 15.2% y/y rates of growth respectively, and the figures rarely surprise. China's new yuan loans and aggregate financing figures often pose higher market risk. The bigger China risk could well come by mid-week at which point the People's Bank of China Governor Zhou Xiaochuan speaks on monetary policy in the wake of operations designed to withdraw near-term liquidity from markets and in the context of policy concerns regarding over-heating housing markets. Minutes to the Bank of Japan's February meeting are also on tap, while BoJ Governor-nominee Haruhiko Kuroda will be subject to parliamentary hearings into his nomination to replace Governor Shirakawa.

Other Asia-Pacific developments are expected to include a policy hold by the RBNZ which has kept its cash rate at 2.5% since March of 2011 after a reversed attempt at tightening policy. The Bank of Korea is also expected to hold its 7-day repo rate unchanged at 2.75% where it has remained since a mild easing campaign was halted in October. Trade figures in India, Malaysia and the Philippines will help round out our assessment of regional export strengths in the wake of upside surprises to China's exports and we'll be watching for evidence of whether a rising tide is lifting all boats. Job reports out of Australia and South Korea may also carry swing effects on the A$ and won.

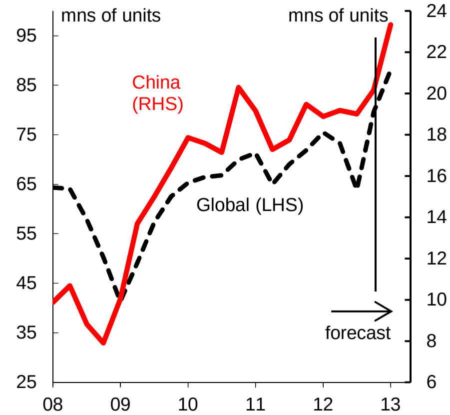
Carlos Gomes (416) 866-4735
carlos.gomes@scotiabank.com

Record Global Auto Sales & Production In Early 2013

- **Asia leads the way, improvement is broad based.**

Global vehicle sales shifted into high gear in the opening months of 2013, with purchases in January soaring 13% above a year ago — the strongest gain since early 2010 when the global economy was building momentum in the early stages of the current global economic expansion. China led the way with volumes soaring 49% y/y, but the improvement was broad-based with every region, excluding Western Europe, posting solid advances. Car sales across Asia jumped 30% y/y, including a 6% increase outside of China. Activity also picked up in South America, posting the second consecutive double-digit gain, as the government of Brazil announced that it will gradually phase in the re-introduction of its industrial products tax (IPI) during the first half of 2013. The IPI tax was temporarily reduced last year to revive floundering car sales.

Record Global Vehicle Production



Source: Scotiabank Economics.

Stronger-than-expected sales have coincided with sharp gains in global vehicle production, a development that will provide a welcome boost to global economic activity. In January, global vehicle production surged 15% above a year earlier — the strongest advance since mid-2010.

Asia also led the gains in vehicle production. However, it was Thailand, not China that posted the strongest improvement. Vehicle output in Thailand soared 68% above a year earlier in January, climbing to record highs alongside robust exports and strong domestic car sales. Nearly 60% of all vehicles produced in Thailand are geared to the domestic market, with the remaining 40% shipped overseas. Domestic car sales will continue to be supported by a government new car buyer rebate which has been extended to June 2013.

Automakers with operations in Thailand have invested in excess of US$1 billion in recent years to either expand capacity or re-tool for new models. The Thai Federation of Industries expects vehicle production to jump 43% y/y in the first quarter, while a government official recently stated that full-year 2013 vehicle assemblies could reach 2.8 million units, up from 2.4 million last year. This would enable car and truck production in Thailand to leapfrog past Canada in the 'top 10' global ranking in vehicle output this year. Record vehicle production in Thailand will provide a significant boost to economic growth, as the auto industry accounts for roughly 10% of overall economic activity, compared with an average of less than 3% for the G7 nations. Further gains lie ahead, with the Thailand Automotive Institute expecting production to surpass 3 million units by 2015.

In North America, automakers are also planning to lift production in coming months. During the second quarter, North American production is scheduled to jump above an annualized 16 million units for the first time since early 2007. This represents a significant ramp-up from the output level of recent months, and will add nearly half a percentage point to economic growth in the United States in the second quarter.

The impact will be even greater in Mexico, with second-quarter assemblies scheduled to jump 9% above a year earlier to an annualized 3.1 million units. We estimate that this will add nearly a full percentage point to economic growth in Mexico in the April-June period — the largest contribution since the final months of 2009, when the global economic expansion was in its infancy.

Canadian auto production will be buoyed by increased assemblies of the RAV4 in Woodstock and the start-up of assemblies for the redesigned Chevrolet Impala, which begins in March at GM's Oshawa No.1 plant. However, even with this added production, the auto sector will add only an annualized 0.1% to Canadian economic growth in the second quarter, in line with the contribution in the current period, due to a flat-to-weaker performance in other segments.

John Bulmer (416) 866-4212
john.bulmer@scotiabank.com

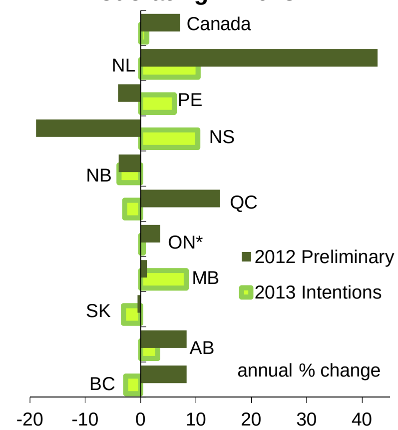
Canada's Business Investment Intentions Ease

Canada has benefited from a strong rebound in nominal public-sector, business and housing investment that has exceeded pre-recessionary peaks as of 2012, following the 12.2% decline in 2009. For 2013, Statistics Canada's *Survey* of *Public and Private Investment Intentions* indicates that planned capital spending remains high, but this year's 1.7% increase is the weakest rate of positive growth since 2000.[1] The public sector anticipates a 5.0% rise in investment, but residential construction is expected to be virtually flat, and business investment is projected to increase just 1.1%. Although actual investment may differ over the year, the factors that may have dampened intentions in late 2012, such as U.S. fiscal uncertainty and the lower price for Western Canadian oil, still persist.

For three provinces, Manitoba, Nova Scotia and Prince Edward Island, growth in business investment is expected to pick up this year, led by retail, utilities, and manufacturing investment. Projected investment growth for Newfoundland and Labrador is forecast to ease from the 2012 surge, but remains quite buoyant, due to utility and mining sector plans.

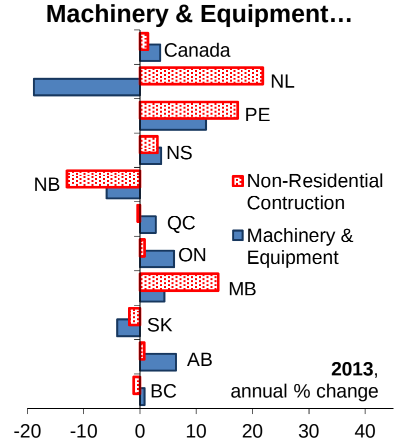
The *Survey* of intentions indicates that moderate business investment expenditure reductions will occur this year in New Brunswick after the Point Lepreau nuclear station refurbishment, Saskatchewan following a doubling of investment over a six-year period, British Columbia as capital plans in natural gas and mining ease, and Quebec after record mining investment in 2012. Ontario and Alberta stand out for slower, but still positive business investment. Ontario's modest gain in large part reflects increased machinery and equipment investment in the manufacturing sector as mining investment softens.

1. Business Investment: Moderating in 2013...



* Ontario business investment: +0.5% in 2013.

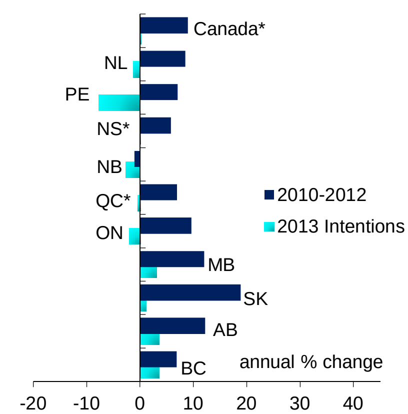
2. … with a Stronger Advance in Machinery & Equipment…



Public-sector investment is expected to contribute to growth in all but four provinces, with marked restraint in Nova Scotia and New Brunswick.

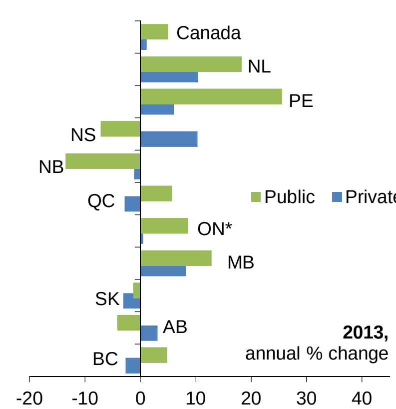
For 2013, the pace of intended residential construction is slowing across the country, as anticipated, following its strong rise of close to 30% since 2009. Other than Western Canada, actual expenditure declines are projected for this year.

4. Residential Construction Slows



* For 2013: Canada +0.2%, Quebec -0.4% and Nova Scotia effectively flat.

3. …Lagging Public-Sector Intentions



* Ontario business investment: +0.5% in 2013.

[1] Repair and maintenance data are not yet available for 2012 and 2013. The *Survey* was conducted between October 2012 and January 2013. Source: Statistics Canada, *Private and Public Investment in Canada, Intentions, 2013*, (61-205-X).

Sarah Howcroft (416) 862-3174
sarah.howcroft@scotiabank.com

Developing Europe & Africa: Regional Snapshot

Euro-related risks dominate near-term outlook in Developing Europe and Africa, though core countries are prepared to weather external shocks

Economic growth will remain muted throughout most of the Developing Europe and Africa region this year, following a sharp slowdown in economic activity in 2012. External uncertainties — linked to the European sovereign debt and financial crisis, fiscal concerns in the United States, commodity price swings and growth dynamics in Asia — continue to weigh on trade and confidence patterns, as well as foreign exchange and inflation trends across the region. Country-specific issues present further impediments to growth in certain economies, including industrial labour strife in South Africa, Middle-Eastern geopolitical tensions in Turkey and unpredictable fiscal and monetary policy-making in Hungary. Energy commodity prices remain crucial to the outlook for Russia, while prospects for the developing-market European Union (EU) members (Poland, Czech Republic and Hungary) depend heavily on the economic recovery in the euro area. Nonetheless, in general these economies should rebound swiftly over the medium term, outperforming their advanced-economy counterparts on the back of comparatively resilient domestic demand and fiscal strength. Policies in support of economic diversification — both in terms of industry and export markets — and privatization should further bolster individual country economic performances.

Improved sovereign debt profile and intra-regional credit differentiation; currency appreciation in sight

These six economies — which together account for approximately 6½% of world GDP in purchasing-power-parity terms — are gaining increasing prominence among global investors. Improving growth in the US and China, in the context of ultra-low interest rates and renewed central bank intervention in the advanced economies, will continue to sway foreign capital flows to high-yielding emerging economies in the coming years. As credit rating adjustments continue to lessen the distinction between developed and developing markets, credit differentiation within the emerging world is also underway. While Russia, Poland and the Czech Republic maintain sturdy investment-grade status, Hungary and South Africa have faced renewed investor criticism and downgrade rating activity. Turkey is on the cusp of investment grade, with additional upgrades likely forthcoming. Public debt levels are low; each of these economies maintains a debt-to-GDP ratio under the average EU level of 85%. Institutional strength is generally improving across the region; Poland and the Czech Republic stand out with exemplary policy frameworks. Continued exchange rate appreciation is anticipated, interrupted by periodic bouts of heightened risk aversion and capital flow volatility stemming from the euro crisis. High current account deficits in Turkey and South Africa (greater than 5% of GDP) underscore the vulnerability of those nations' currencies to swings in the global financial market climate as investors become more rigorous in assessing their emerging-market holdings.

Fiscal consolidation a key policy priority; gradual reductions in budget imbalances

Fiscal consolidation efforts have been stepped up in an attempt to bring budget deficits below 3% of GDP, thereby preserving normal EU funding streams. Currently, the three EU member states are subject to the union's disciplinary excessive deficit procedure (EDP). Elsewhere, fiscal policy is less counter-cyclical. The government deficits in Turkey and Russia are not expected to improve materially in the next few years. Russia's fiscal position, closely linked to oil prices, is eroding with the non-oil deficit hovering about 10% of GDP and the overall gap likely to close the year in negative territory. South Africa will maintain the highest budget gap of the group over the forecast horizon, yet we anticipate gradual improvements: the government aims to reduce the fiscal imbalance to 3.1% of GDP by 2015. Through a flexible credit line, the IMF continues to support fiscal consolidation and debt sustainability programs in Poland.

Sarah Howcroft (416) 862-3174
sarah.howcroft@scotiabank.com

… continued from previous page

Efficiency-boosting structural reforms needed to improve business environment and export competitiveness

As in many of the most debt-distressed European nations, structural reforms are much needed in the Developing Europe and Africa region. Of these six countries, South Africa alone ranks in the top quartile of the 185 countries surveyed in the World Bank's 2013 Ease of Doing Business report. Russia ranks particularly poorly along measures of business regulatory efficiency, in addition to public sector corruption as measured by Transparency International's Corruption Perceptions Index. In addition to addressing these concerns, Russia aims to reduce its excessive reliance on oil and gas exports, particularly in view of an impending fall in production levels. Chief concerns in South Africa are structural unemployment (the jobless rate is 25%) and low investment rates. Turkey continues to focus on rebalancing the economy from domestic to external demand and containing the growth rate of consumer credit. Necessary reforms in Poland, Hungary and the Czech Republic (many of which are already underway) mainly relate to increasing labour force participation and flexibility, boosting competition in product markets and improving pension and tax systems.

Financial sectors robust and generally well-positioned to face external instability

Banking sectors in the region are characterized by capital adequacy (well in excess of the Basel III requirement for minimum Tier 1 ratios of 6%) and low non-performing loans (with the exception of Hungary, where the non-performing loan ratio measures 16%). State-owned institutions continue to dominate the Russian financial sector; plans for privatization are in place but the process will take several years. The Polish, Czech and Hungarian banking sectors are largely foreign-owned, with many independent subsidiaries of European banks. The soundness of South Africa's financial sector remains intact.

Daniela Blancas (416) 862-3908
daniela.blancas@scotiabank.com

Venezuela´s Future After Chávez

- **Mr. Maduro likely to focus on solidifying his mandate.**

Venezuela is now entering a new chapter of its political history following the death of Hugo Chávez. As announced, Vice President Nicolás Maduro — designated by Chávez as his successor in December — will be the caretaker president until a new election is called. According to the Venezuelan Constitution, elections are to be called within 30 days after the president is deemed "permanently unavailable" to serve.

In our view, should the election take place in a month or two, the political landscape will not be altered to a great degree. Nevertheless, uncertainties about the interpretation of the law regarding the timeframe for elections have risen. It's clear that Mr. Maduro will be the PSUV (Partido Socialist Unido de Venezuela) candidate and the opposition will likely choose Henrique Capriles as their candidate, to run again for the presidency.

Mr. Capriles was elected governor of Miranda (one of the major states in Venezuela) after being defeated by President Chávez in October's presidential ballot. Additionally, the opposition weakened after losing other significant areas of the country to "chavistas" in the regional elections in early December; however, we still believe that Mr. Capriles remains the strongest candidate for the opposition (on the assumption that it decides to run as a coalition and remain united).

In our opinion, it is highly probable that Mr. Maduro will be elected as president; however, the major uncertainty is in which direction he will guide his mandate. Initially, he will likely focus on consolidating his government under the "chavismo" ideology to avoid any potential conflict with the core "pro-Chávez" group, while building public support and maintaining policy continuity.

High indebtedness, rampant inflationary pressures, fiscal imbalances, weak institutions, an overvalued currency, and a decelerating economic performance will remain as the main areas of concern in the foreseeable future. In the near-to-medium term we do not anticipate any significant changes to economic policies or the institutional framework as a result of the change in leadership. Solid oil prices and ongoing agreements with China will continue to support existing policies; however, current imbalances would not be sustained under a different scenario.

Financial markets reacted somewhat negatively to Chávez's death, pricing in higher uncertainty over the policy future. Venezuelan five-year credit default swaps, a measure of the country's financial risk, widened to 680 basis points (bps) from below the 650-mark at the beginning of March, reaching the highest level since December. Additionally, the 10-year bond yield (government and Petróleos de Venezuela) increased by 70 bps on average. We anticipate that once the new government is elected, the risk premium will return to more moderate levels, just as happened after the October ballot.

We maintain our view than the economy will expand by a modest 2.0% in 2013-14 with inflation accelerating to the 25% y/y mark in the coming months (22.8% y/y in February). Additionally, government expenditure may increase, due to the elections. We continue to expect that the authorities will be forced to devalue the currency again by the end of this year or the beginning of next in order to address economic imbalances, particularly on the fiscal front.

Joe Kogan (212) 225-6541
joe.kogan@scotiabank.com

Can Argentina Pay More?

The following article was published on March 7, 2013.

We argue that neither the "Rights Upon Future Offers" clause nor fiscal considerations prevent Argentina from paying more to holdouts than they offered in previous exchanges. Instead, politics is the primary obstacle, and we do not know if the Court's implicit threats of a harsh ruling will overcome that.

Differing interpretations of Court order

Observers have presented broadly two interpretations of the Court's proposal so far. One view, as we explained in our note on March 1st, is that the Court is trying to find a compromise solution between requiring full and immediate payment, which would very likely cause another default, and the alternative of ruling against the holdouts. Another interpretation is that the Court just wants to get Argentina's low proposal on the record so that they can reject it, while making it clear that they have done everything possible to give Argentina a chance. It could be some of both. We think it is more the former than the latter because we sensed confusion from the judges during the hearing as to what Argentina was proposing. It makes sense to look for a compromise in the interests of all parties concerned since everyone loses in the event of another default, including the holdouts. That is true unless of course holdouts have purchased CDS in very large amounts, as some alleged in Court filings and proceedings.

Let us assume for the purposes of this article that the Court really wants to broker a compromise. News reports suggest that Argentina is preparing to offer a formula similar to that of the original exchanges, albeit perhaps without the GDP warrant. Considering that the language of the Court order does not seem to consider a haircut ("make current those debt obligations on the original bonds"), it makes sense that Argentina is investigating the Par bond option. It also makes sense that Argentina's initial bargaining position would be to repeat the previous exchange since they can support that with various calls to equity as well as to their obligations under the "Rights Upon Future Offers" clause. We doubt that the Court would accept a bond with a 2.5% coupon, however. The Court might be willing to use that as a starting point for negotiations. The key question, then, is will Argentina eventually budge and offer something more. There are three aspects to this question, legal, fiscal and political, and we consider each in turn:

Legal Aspects

Some investors are worried that the "Rights Upon Future Offers" clause does not allow Argentina to improve its offer, a limitation that the Argentine government itself likes to cite. This clause, found in Argentina's restructured international bonds, mandates that if Argentina offers better restructuring terms to holdout investors, it must also retroactively offer those same terms to participants in the 2005 and 2010 restructurings. Paying the holdouts in full, as they demand, would require essentially reversing the debt reduction accomplished through the restructuring eight years ago.

We do not believe that this clause will constrain Argentina's actions, as we pointed out in our November 6th report. First, it deals with cases where Argentina "voluntarily makes an offer," and paying holdout investors as a result of a court order would probably not be considered voluntary. Our interpretation here is consistent with the response provided by Argentina's counsel to the Court during the hearing last week. Blackman repeatedly said that Argentina would not "voluntarily comply," prompting confusion among the judges as to what that could mean. Second, as pointed out by academic Rodrigo Olivares-Caminal, the clause seems to intentionally omit the word "settlement." Thus, while a new "exchange offer" to holdouts would require that the same terms be offered to all bondholders, a "settlement" with hedge funds might not activate the same clause. Third, nothing happens if Argentina violates this clause. The only way that bondholders can enforce this clause against Argentina is by accelerating the bonds. Bondholders know that if they accelerate they will get nothing; thus, there are no incentives for bondholders to attempt to enforce this clause, and for this reason, we would never learn whether an involuntary settlement with bondholders even triggers this clause.

Joe Kogan (212) 225-6541
joe.kogan@scotiabank.com

… continued from previous page

Fiscal issues

The fiscal aspect can become important as well, since Argentina will not be willing to accept a very large increase in debt service. Plaintiffs claimed in November that $1.4bn is owed to them, based on a combination of principal and past-due interest. According to data from the Ministry of Finance as of mid-year 2012, holdouts overall have 6.4bn in principal and $4.7bn in past-due interest, for a total of 11.1bn. In other words, if Argentina offers something sufficiently better to plaintiffs, it might also end up paying almost eight times that to cover all of the bondholders. (That figure of eight times is an upper limit unlikely to be reached because in most restructurings some bonds are simply forgotten for a variety of reasons. We use it here as a conservative assumption to demonstrate our point.)

A potential initial proposal from Argentina would be a package of two bonds: a par bond to cover principal and a 2017 bond to cover PDI. We estimate that package would cost Argentina 72mn per year in new debt service to the plaintiffs and up to $570mn per year if applied to all holdouts. The Court would surely reject such a proposal. Suppose that the Court requests instead that the par bond pay a market interest rate of say 9%, rather than the 2.5% Argentina might propose. Then annual debt service costs rise to $125mn and $990mn, respectively, for plaintiffs and for all holdouts. That is not that much larger than Argentina's initial proposal. Projected debt service on current obligations for the next five years is around 13bn on average, and the hypothetical settlement above would increase debt service by only 8%. That increase in debt service represents only 0.2% of GDP. In short, a reasonable settlement covering all the remaining holdout debt would not break the bank.

Politics

Instead, we think it is politics rather than legal restrictions or fiscal costs that will prove to be the biggest obstacle. On one hand, President Fernandez has been outspoken about her refusal to pay more than was offered in the original exchange. She has many reasons not to like the holdouts investors, considering the trouble they have caused for her. For example, the seizure of the Argentina's Navy ship, likely an embarrassment to her on the world stage, was the 29th asset temporarily impounded by holdouts. She would prefer to pay them nothing, of course. On the other hand, she is proud of her husband's successful bond restructuring, and the government would like to continue servicing that debt.

Politicians do change their minds sometimes and one way to save face would be to increase the coupon on the par bond in lieu of including a GDP warrant in the restructuring, such that the government could argue that the sum of expected payments is the same. Whether the government is willing to do that remains to be seen, however. Press reports conflict on this. On one hand, the government says it will pay no more and no less than the original offer. On the other hand, the government is reportedly working hard on its proposal. If the government is going to offer the exact same thing as before, what are they working on?

Surely, President Fernandez would rather spend $990mn per year on anything but debt service. Nevertheless, the game may be reaching an end, and she also does not want a repeat of the 2002 default. Whether the Court's implied threat of requiring payment in full is enough to overcome politics and pride remains to be seen.

Alan Clarke (44 207) 826-5986
alan.clarke@scotiabank.com

BoE Decision March 2013

Unchanged BoE Decision

- The BoE announced no change in its asset purchase facility — in line with the consensus, though the market had braced for a move. Speculation had been building that there would be some sort of policy easing; hence the disappointment provoked an initial mild GBP appreciation and a small rise in gilt yields.

Not Now or Not Never?

- Having refrained from loosening monetary policy today, the key question is whether this is merely a delay or whether it is just not going to happen. The recent run of economic data have not been great, but nor have they been disastrous. Paul Fisher had justified his dissent at last month's meeting by noting that although deflation is no longer a risk and the current situation is no longer an emergency, his preference was for sustained moderate support. Clearly, not enough of his colleagues agreed.
- So what could change in the months ahead to tip the balance? Although we expect the trajectory of GDP growth (in year-over-year terms) to be upward sloping from here, this is largely due to base effects. Underneath the surface we expect the quarterly growth rate to be more subdued — not much above zero and actually weaker than during 2012. So from a growth perspective the case for policy ease will be maintained or even increase.
- The flipside is that we expect CPI inflation to continue accelerating, up to above the 3% letter-writing threshold and towards 3.5% y/y by mid-year. Although much of this can continue to be explained away by administered price hikes such as tuition fees, it will nonetheless become more difficult to justify further policy ease in an environment of yet another big inflation target overshoot.

Overall

- That is an unpleasant combination for the Bank. Clearly, the MPC minutes for this meeting will shed more light on the most likely outlook. But in the absence of that, our inclination would be that if the committee did not pull the trigger today, then it will only pull the trigger if euro zone panic returns in a big way, or once the new Governor arrives after July.
- Furthermore, the Maradona theory is doing exactly what Mervyn King wanted. In other words – tease the market into pricing in further policy easing, which spares the committee the bother of actually delivering more QE. In mid-February, the 10-year gilt yield peaked at around 2.2%. Post-MPC minutes, the yield stopped rising and as of the close yesterday is down by almost 25bp from that peak. In old money, that is equivalent to a 75bp Bank Rate cut (since a move in Bank Rate would typically move the 10-year yield by 1/3 as much). To be fair, the fall in yields is merely reversing the previous rise, so we are back to where we were in late-2012. There hasn't actually been any loosening — it has just undone the prior tightening.
- King is getting the market to do what he wanted — push yields and the pound back down — job done and no pressing urgency to actually deliver on the threat of more QE at this stage.

Frédéric Prêtet (00 33) 17037-7705
frederic.pretet@scotiabank.com

ECB Meeting: No Change Behind The Easing Bias

- **As expected, the ECB preserved the status quo. However, the ECB president recognised that the board discussed cutting rates.**
- **The growth forecast was cut slightly but the scenario of a gradual recovery has not been altered.**
- **The inflation forecasts remained broadly unchanged but the low projection for next year likely fuelled the debate on rates.**
- **The focus of the ECB seems to be more on the transmission of the accommodative stance of monetary policy rather than adjusting it further for the time being.**
- **While the market seems to think that the probability of a rate cut has diminished, the easing bias remains very much intact**

New Forecasts Further Downgrades…

As we suspected, the updated ECB macroeconomic forecasts for both growth and inflation have been downgraded further. For this year, the mid-point of the forecast range was pushed down to -0.5% y/y from -0.3% y/y previously. For 2014, it has been cut from 1.2% to 1.0%.

ECB Macroeconomic Projections

							2013 mid	2014 mid
ECB March forecast								
		2013			**2014**			
HICP	1.2	to	2	0.6	to	2.0	1.6	1.3
GDP	-0.9	to	-0.1	0.0	to	2.0	-0.5	1.0
ECB December forecast (Previous)								
HICP	1.1	to	2.1	0.6	to	2.2	1.6	1.4
GDP	-0.9	to	0.3	0.2	to	2.2	-0.3	1.2

Beyond this downward adjustment, Mr Draghi nonetheless suggested that the ECB's sentiment has not changed much. Indeed, he mentioned that the revisions are mainly the consequence of more negative base effects than previously assumed following the -0.6% q/q drop in Q4 GDP 2012. Matching this and next year's ECB forecasts implies a roughly zero growth dynamic in H1 and a trend of around +0.2% q/q in H2 and +0.3% q/q all along 2014. So, continued weakness this year will be followed by a gradual return towards potential growth sometime next year, although the ECB repeated that the risk to growth remains on the "downside".

Also, while hard data have failed to show any improvement so far and disappointing German manufacturing orders in January added to this point, the ECB president stuck to the improving trend in business confidence to illustrate this belief in the recovery process.

Regarding inflation, Mr Draghi suggested that the forecast is little changed and pointed to the fact that the risks are seen as broadly balanced. However, we would recognise that shifting the risk on inflation from a "balanced" to a "downside" assessment would have been a trigger to cut rates at this meeting.

So, compared to the potential impact of the strength of the euro on the macroeconomic scenario announced at the February meeting, it seems that it has been limited so far. This gives the impression that there could be a more relaxed attitude from the ECB regarding the trend of the euro. It is true that, since its peak at the end of January, the euro nominal effective exchange rate has moved down 2%-3%. However, Mr Draghi was keen to mention that it remains a key element which could alter the macroeconomic scenario, a way to avoid renewing appreciation and repeat that the ECB is not in a state of "benign neglect".

Frédéric Prêtet (00 33) 17037-7705
frederic.pretet@scotiabank.com

… continued from previous page

… keeping the monetary policy bias on the downside

While the downward adjustment on the macroeconomic forecast has not spilled over into rate cuts, the comments of the ECB president showed a dovish stance inside the board. Indeed, he recognised that there was a discussion about cutting rates which ultimately led to a consensus decision on the status quo. This reflects a much more dovish stance than suggested just two months ago when the decision on keeping rates unchanged was unanimous. Furthermore, while monetary policy is still characterized as "accommodative", the president repeated that this will be the case for "as long as needed" A new downward adjustment in the growth or inflation scenario could alter this position, justifying the need to readjust the monetary stance in order to keep it "accommodative", especially on the inflation side

Indeed, we suspect that the downward revision to next year's inflation projection to 1.3% was one of the elements of debate behind adjusting or not rates this time. It is clear that it could be considered as relatively low compared to the definition of price stability at "below, but close to, 2.0%". Also, we are getting closer to the 1% limit which, in the past, was seen by the ECB as marking the line with a scenario of a "heightening risk of deflation".

The ECB president thus failed to be clear enough regarding how this inflation forecast still matches the ECB's definition of price stability, preferring to focus on the inflation expectations at around 2% to justify the current status quo. Indeed, on the EMU inflation swaps market, 10Y Euro inflation swaps are trading around 2.0%. However, any downside surprise on inflation data in the coming months could be a trigger for cutting rates.

All in all, neither the recent appreciation of the euro nor the uncertainty regarding the impact of the Italian election have altered the ECB's central scenario significantly. It is in line with our scenario of a prolonged status quo. Indeed, the resilience of the financial market to the Italian crisis so far limits the risk of seeing business sentiment turning down once again. Also, we believe that beyond the first few months of this year, EMU inflation could prove stickier than expected by the ECB. So far, it seems that the ECB wants to focus on the transmission of its "accommodative" monetary policy to the real economy rather than adjusting rates lower. In particular the ECB showed its reluctance to cut the deposit rates below zero, pointing once again to "unchartered territory". While the market seems to think that the probability of a rate cut has diminished, with downside risk to growth and a 2-year inflation forecast closer to the 1% line, the easing bias remains very much intact.

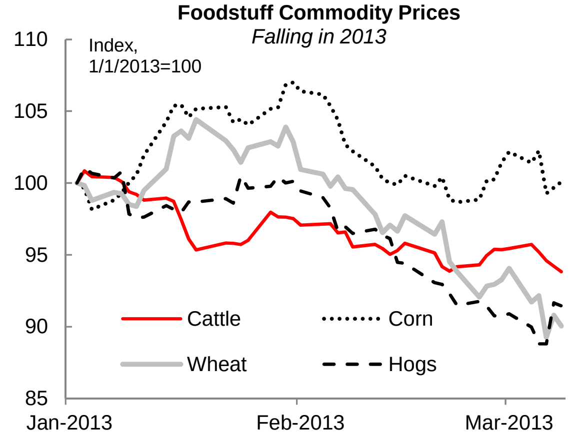
Derek Holt (416) 863-7707
derek.holt@scotiabank.com

Dov Zigler (416) 862-3080
dov.zigler@scotiabank.com

Key Data Preview

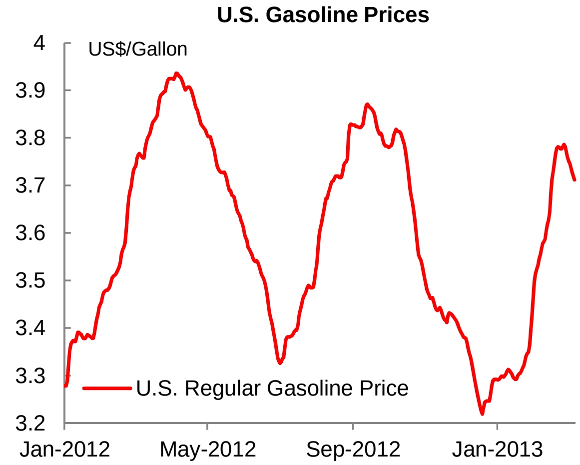
UNITED STATES

Scotiabank is expecting **CPI** (Mar. 15) to increase by a hefty 0.5% m/m in February on the basis of a surge in gasoline prices. Gasoline prices increased by 10% in February vs. January, and that alone should drive a considerable addition to the CPI index as gasoline prices make up a little more than 6% of the CPI basket. We don't expect pass-through from food price increases earlier in the year into CPI to play much of a role, and in fact see downside risk to our gasoline-driven 0.5% m/m seasonally adjusted CPI call if food prices follow the path of grain and meat prices lower (see chart). In terms of how that translates into the year-on-year not seasonally adjusted numbers, we're expecting that a not-seasonally-adjusted monthly print between 0.7% and 0.9% m/m will push CPI into the 1.9-2.1% range as a host of sub-components of CPI typically rise in February for seasonal and not fundamental reasons. Our base case is for year-on-year CPI to come in at 1.9% on headline and 2% on core.



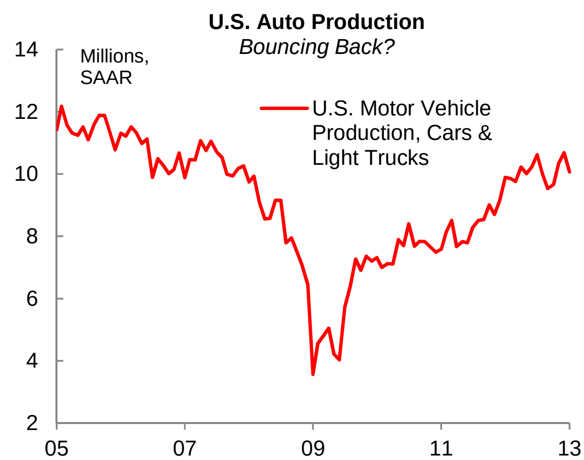
Source: Bloomberg, Scotiabank Economics

Gasoline prices will also have a significant effect on **retail sales** (Mar. 13), and are the main reason why we expect headline sales — which incorporate gasoline and auto sales — to increase by a robust 0.6% m/m. Car sales are an important contributor here too. Automotive sales increased on the margin in Feb., rising to 15.3m (annualized) from 15.2m in January. Generally speaking, car sales have roughly flat-lined since November which goes some ways towards explaining the fairly muted pace of retail sales. Thus far, the dreaded 'fiscal cliff'-inspired hit to retail sales has yet to materialize (and strong wage gains in February jobs numbers imply that an improving private sector economy could go some ways towards mitigating weakness in government spending). That doesn't mean that tax policy doesn't have any effect on the consumer however, and we'll be watching the core retail sales number (ex autos and gas) to measure the extent to which higher taxes have hampered private spending.



Source: Bloomberg, Scotiabank Economics

U.S. **industrial production** for February (Mar. 15) is the other big-ticket data point this week. We're looking for a fairly muted 0.2% m/m print on the basis of already high levels of auto production and fairly mixed numbers with respect to capital goods output (shipments were down in January and might take some time to catch up with rising orders in Feb.; exports of machinery in February weren't bad, however, at +1.6% m/m). We'll also be watching the key automotive production number to see if it is flat (in line with recent sales numbers) or rising in line with +1.5% m/m increase in automotive exports. The wild card here is how the winter storms impacted industrial production: did they disrupt production, or will higher heating usage (and therefore utilities output) make up for whatever aspects of the supply chain were thrown off?



Source: Federal Reserve, Scotiabank Economics

Daniela Blancas (416) 862-3908
daniela.blancas@scotiabank.com

Sarah Howcroft (416) 862-3174
sarah.howcroft@scotiabank.com

Tuuli McCully (416) 863-2859
tuuli.mccully@scotiabank.com

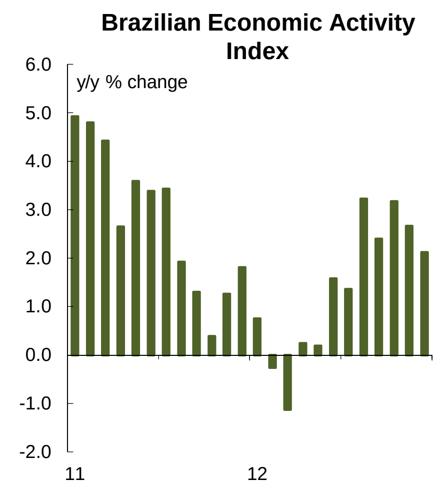
… continued from previous page

EUROPE

The Swiss National Bank (SNB) has relied on a minimum exchange rate set at EURCHF 1.20 as its primary policy tool to support growth and keep deflationary pressures at bay over the last 18 months. This policy has helped to cushion the Swiss economy against the spillover effects of the recession in the euro zone; real GDP advanced by 1% in 2012. Deflationary pressures persist, with the annual CPI dropping 0.3% y/y in February (the same pace as in January), but prices did rise in month-over-month terms for the first time since October. Upward pressure on the franc has moderated considerably since the start of 2013, and policy credibility is high. We do not anticipate any changes to SNB policy after the March 14th meeting, and we expect the currency floor to remain in place for the foreseeable future. Monetary authorities will also meet in Norway next Thursday, and we similarly foresee no policy changes. Inflation remains subdued in Norway (at 1.2% y/y in January, up from 1.1% in the prior month), but it is expected to pick up toward the 2.5% target given that the economy is currently operating above capacity. Mainland GDP (which excludes the oil and gas sector) grew by a robust 3.5% in 2012, the fastest expansion rate since 2007, as robust offshore investment made its way through the rest of the economy. The Norges Bank will likely leave the reference deposit rate unchanged at 1.50% for now, waiting for inflation to accelerate further before embarking on a tightening campaign toward the end of 2013 or early 2014.

LATIN AMERICA

We anticipate that the monthly economic activity indicator for Brazil — to be released next week — will mimic the solid rebound in January's industrial production, giving more signs that the recovery is underway. After a disappointing recovery by the end of last year, recent indicators suggest that the Brazilian economy could have started a more solid rebound as it entered 2013. Industrial production expanded by 2.5% against December taking the annual rate to 5.6% in January, the strongest performance since February 2011. Additionally, the manufacturing PMI, although it decelerated in February, remains above the 50 mark, suggesting that the industry's rebound continues. We anticipate that the Brazilian economy may accelerate its recovery pace in the first half of the year, boosted by the government's stimulus plan implemented throughout 2012 and a weaker currency during most of 2012. Since the beginning of the year, the authorities have allowed the currency to resume its appreciation trend, letting it sway around the 1.95 mark vis-à-vis the US dollar.



Source: Thomson Reuters.

ASIA

Philippine monetary authorities will likely maintain an accommodative monetary stance in the near term with the benchmark overnight borrowing rate likely remaining at a record low of 3.5%. The next monetary policy meeting is scheduled for March 14th. The most recent interest rate cut occurred in October 2012, taking the cumulative reductions to 100 basis points since January 2012; we expect that the monetary easing cycle has now reached its bottom, with the central bank likely to adopt a gradual tightening bias in the final months of 2013 along with a pick-up in inflation and global growth prospects. The Philippine economic outlook remains favourable, with domestic demand — particularly household consumption — continuing to be the main economic driver. Private spending is underpinned by remittances that total close to US$2 billion a month. Even though the money sent home by overseas Filipinos is adversely impacted by the strength of the Philippine peso, we estimate that remittance inflows (to be released on March 15th) increased by close to 8% y/y in January.

Key Indicators for the week of March 11 - 15

North America

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
MX	03/11	10:00	Trade Balance (US$ mn)	Jan F	--	--	-2878.9
MX	03/12	10:00	Industrial Production (m/m)	Jan	--	-1.1	-2.1
MX	03/12	10:00	Industrial Production (y/y)	Jan	4.3	0.0	-1.2
US	03/12	14:00	Treasury Budget (US$ bn)	Feb	--	-220.0	2.9
US	03/13	07:00	MBA Mortgage Applications (w/w)	MAR 8	--	--	14.8
US	03/13	08:30	Export Prices (m/m)	Feb	--	0.5	0.6
US	03/13	08:30	Import Prices (m/m)	Feb	--	0.5	0.6
US	03/13	08:30	Retail Sales (m/m)	Feb	0.6	0.5	0.1
US	03/13	08:30	Retail Sales ex. Autos (m/m)	Feb	0.7	0.5	0.2
US	03/13	10:00	Business Inventories (m/m)	Jan	--	0.3	0.1
CA	03/14	08:30	Capacity Utilization (%)	4Q	--	80.7	80.9
CA	03/14	08:30	New Housing Price Index (m/m)	Jan	--	0.1	0.2
US	03/14	08:30	Initial Jobless Claims (000s)	MAR 9	345	350	340
US	03/14	08:30	Continuing Claims (000s)	MAR 3	3050	--	3094
US	03/14	08:30	Current Account (US$ bn)	4Q	--	-113.0	-107.5
US	03/14	08:30	PPI (m/m)	Feb	0.7	0.6	0.2
US	03/14	08:30	PPI ex. Food & Energy (m/m)	Feb	0.0	0.1	0.2
US	03/15	08:30	CPI (m/m)	Feb	0.5	0.5	0.0
US	03/15	08:30	CPI (y/y)	Feb	1.9	1.8	1.6
US	03/15	08:30	CPI ex. Food & Energy (m/m)	Feb	0.3	0.2	0.3
US	03/15	08:30	CPI ex. Food & Energy (y/y)	Feb	2.0	2.0	1.9
US	03/15	08:30	Empire State Manufacturing Index	Mar	--	8.5	10.0
CA	03/15	09:00	Existing Home Sales (m/m)	Feb	--	--	1.3
US	03/15	09:00	Total Net TIC Flows (US$ bn)	Jan	--	--	25.2
US	03/15	09:00	Net Long-term TIC Flows (US$ bn)	Jan	--	--	64.2
US	03/15	09:15	Capacity Utilization (%)	Feb	--	79.3	79.1
US	03/15	09:15	Industrial Production (m/m)	Feb	0.2	0.3	-0.1
US	03/15	09:55	U. of Michigan Consumer Sentiment	Mar P	78.0	77.7	77.6

Europe

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
GE	03/11	03:00	Current Account (€ bn)	Jan	--	10.5	17.3
GE	03/11	03:00	Trade Balance (€ bn)	Jan	--	13.9	12.0
FR	03/11	03:45	Industrial Production (m/m)	Jan	-0.8	-0.2	-0.1
FR	03/11	03:45	Manufacturing Production (m/m)	Jan	-1.0	-0.2	0.1
IT	03/11	05:00	Real GDP (q/q)	4Q F	-0.9	-0.9	-0.9
GR	03/11	06:59	Real GDP NSA (y/y)	4Q F	-6.0	-6.0	-6.0
SP	03/11	06:59	Budget Balance YTD (€ mn)	Jan	--	--	-40310
PO	03/11	07:00	Real GDP (q/q)	4Q F	-1.8	-1.8	-1.8
GE	03/12	03:00	CPI (y/y)	Feb F	1.5	1.5	1.5
GE	03/12	03:00	CPI - EU Harmonized (y/y)	Feb F	1.8	1.8	1.8
FR	03/12	03:45	Current Account (€ bn)	Jan	--	--	-3.6
UK	03/12	05:30	Industrial Production (m/m)	Jan	0.7	0.1	1.1
UK	03/12	05:30	Manufacturing Production (m/m)	Jan	0.0	0.0	1.6
UK	03/12	05:30	Visible Trade Balance (£ mn)	Jan	-8500	-8950	-8897
FR	03/13	02:30	Non-Farm Payrolls (q/q)	4Q F	-0.2	-0.2	-0.2
FR	03/13	03:45	CPI (y/y)	Feb	1.2	1.2	1.2
FR	03/13	03:45	CPI - EU Harmonized (m/m)	Feb	0.4	0.4	-0.6
FR	03/13	03:45	CPI - EU Harmonized (y/y)	Feb	1.3	1.3	1.4

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

Key Indicators for the week of March 11 - 15

Europe *(continued from previous page)*

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
SP	03/13	04:00	CPI (y/y)	Feb F	2.7	2.7	2.7
SP	03/13	04:00	CPI - EU Harmonized (y/y)	Feb F	2.8	2.8	2.8
EC	03/13	06:00	Industrial Production (m/m)	Jan	--	-0.1	0.7
SP	03/14	04:00	Real Retail Sales (y/y)	Jan	--	--	-10.2
SZ	03/14	04:30	**SNB Libor Target Rate (%)**	Mar 14	**0.00**	**0.00**	**0.00**
NO	03/14	05:00	**Norwegian Deposit Rates (%)**	Mar 14	**1.50**	**1.50**	**1.50**
EC	03/14	06:00	Employment (q/q)	4Q	--	--	-0.2
EC	03/15	06:00	CPI (m/m)	Feb	0.3	0.4	0.4
EC	03/15	06:00	CPI (y/y)	Feb	1.8	1.8	2.0
EC	03/15	06:00	Labour Costs (y/y)	4Q	--	--	2.0
RU	03/15	06:59	**Russia Refinancing Rate (%)**	Mar 15	**8.25**	**8.25**	**8.25**

Asia Pacific

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CH	03/09	00:30	Fixed Asset Investment YTD (y/y)	Feb	--	20.7	20.6
CH	03/09	00:30	Industrial Production (y/y)	Feb	10.5	10.3	10.3
CH	03/09	00:30	Retail Sales (y/y)	Feb	--	15.2	15.2
CH	03/10	06:59	New Yuan Loans (bn)	Feb	--	700.0	1070.0
JN	03/10	19:50	Machine Orders (m/m)	Jan	--	-1.7	2.8
JN	03/10	19:50	Japan Money Stock M2 (y/y)	Feb	--	2.70	2.70
JN	03/10	19:50	Japan Money Stock M3 (y/y)	Feb	--	2.3	2.3
MA	03/11	00:01	Industrial Production (y/y)	Jan	--	5.5	3.7
MA	03/11	00:01	Exports (y/y)	Jan	--	1.6	-5.8
MA	03/11	00:01	Imports (y/y)	Jan	--	2.6	-6.5
MA	03/11	00:01	Trade Balance (MYR bn)	Jan	--	8.4	8.2
JN	03/11	02:00	Machine Tool Orders (y/y)	Feb P	--	--	-26.4
IN	03/11	06:59	Exports (y/y)	Feb	--	--	0.80
IN	03/11	06:59	Imports (y/y)	Feb	--	--	6.10
NZ	03/11	06:59	REINZ House Sales (y/y)	Feb	--	--	21.1
NZ	03/11	06:59	REINZ Housing Price Index (m/m)	Feb	--	--	-1.0
JN	03/11	19:50	Tertiary Industry Index (m/m)	Jan	--	-0.2	1.4
PH	03/11	21:00	Exports (y/y)	Jan	--	6.1	16.5
JN	03/12	01:00	Consumer Confidence	Feb	--	43.0	43.3
IN	03/12	01:30	Industrial Production (y/y)	Jan	--	1.0	-0.6
IN	03/12	06:59	CPI (y/y)	Feb	--	10.6	10.8
PH	03/12	06:59	Budget Deficit/Surplus	Jan	--	--	-115.7
SK	03/12	19:00	Unemployment Rate (%)	Feb	3.2	3.2	3.2
AU	03/12	20:30	Home Loans (%)	Jan	--	0.5	-1.5
AU	03/12	20:30	Investment Lending (% change)	Jan	--	--	-2.4
PH	03/12	21:00	Unemployment Rate (%)	Jan	6.6	--	6.8
NZ	03/13	16:00	**RBNZ Official Cash Rate (%)**	Mar 14	**2.50**	**2.50**	**2.50**
AU	03/13	20:00	Consumer Inflation Expectation (%)	Mar	--	--	2.2
AU	03/13	20:30	Employment (000s)	Feb	--	10.0	10.4
AU	03/13	20:30	Unemployment Rate (%)	Feb	5.4	5.5	5.4
SK	03/13	21:00	**BoK Base Rate (%)**	Mar 14	**2.75**	**2.75**	**2.75**
JN	03/14	00:30	Capacity Utilization (m/m)	Jan F	2.9	--	2.9
JN	03/14	00:30	Industrial Production (m/m)	Jan F	1.0	--	1.0
JN	03/14	00:30	Industrial Production (y/y)	Jan F	-5.1	--	-5.1

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

Key Indicators for the week of March 11 - 15

Asia Pacific *(continued from previous page)*

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
IN	03/14	02:30	Monthly Wholesale Prices (y/y)	Feb	6.40	6.60	6.62
PH	03/14	04:00	**Overnight Borrowing Rate (%)**	Mar 14	**3.50**	**3.50**	**3.50**
HK	03/14	04:30	Industrial Production (y/y)	4Q	--	--	-0.1
CH	03/14	06:59	Actual FDI (y/y)	Feb	--	-4.8	-7.3
NZ	03/14	17:30	Business NZ PMI	Feb	--	--	55.2
NZ	03/14	20:00	ANZ Consumer Confidence Index	Mar	--	--	121.0
SI	03/14	22:00	Unemployment Rate (%)	4Q F	1.8	--	1.8
SI	03/15	01:00	Retail Sales (m/m)	Jan	--	2.3	-0.9
SI	03/15	01:00	Retail Sales (y/y)	Jan	--	2.0	-1.5
HK	03/15	06:59	**Composite Interest Rate (%)**	Feb	**--**	**--**	**0.28**
PH	03/15	06:59	Overseas Remittances (y/y)	Jan	8.0	10.1	9.7

Latin America

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
PE	03/11	06:59	Trade Balance (PEN mn)	Jan	--	--	679.4
BZ	03/13	07:59	Economic Activity Index SA (m/m)	Jan	--	0.7	0.3
BZ	03/13	07:59	Economic Activity Index NSA (y/y)	Jan	--	4.5	1.2
BZ	03/14	08:00	Retail Sales (m/m)	Jan	--	0.2	-0.5
BZ	03/14	08:00	Retail Sales (y/y)	Jan	--	5.4	5.0
CL	03/14	18:00	**Nominal Overnight Rate Target (%)**	Mar 14	**5.00**	**5.00**	**5.00**
PE	03/15	06:59	Economic Activity Index NSA (y/y)	Jan	--	--	4.3
PE	03/15	06:59	Unemployment Rate (%)	Feb	--	--	6.1

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

Global Auctions for the week of March 11 - 15

North America

Country	Date	Time	Event
US	03/11	11:00	U.S. Fed to Purchase USD1.25-1.75 Bln Notes
US	03/11	11:30	U.S. to Sell USD35 Bln 3-Month Bills
US	03/11	11:30	U.S. to Sell USD30 Bln 6-Month Bills
US	03/12	11:00	U.S. Fed to Purchase USD1.00-1.50 Bln Notes
US	03/12	11:30	U.S. to Sell 4-Week Bills
US	03/12	13:00	U.S. to Sell USD32 Bln 3-Year Notes
US	03/13	11:00	U.S. Fed to Purchase USD1.25-1.75 Bln Notes
CA	03/13	12:00	Canada to Sell 30 Year Bonds
US	03/13	13:00	U.S. to Sell USD21 Bln 10-Year Notes Reopening
US	03/14	11:00	U.S. Fed to Purchase USD2.75-3.50 Bln Notes
US	03/14	13:00	U.S. to Sell USD13 Bln 30-Year Bonds Reopening
US	03/15	11:00	U.S. Fed to Purchase USD4.75-5.75 Bln Notes

Europe

Country	Date	Time	Event
GE	03/11	06:30	Germany to Sell EU4 Bln 6-Mth Bills
FR	03/11	09:50	France to Sell Bills (BTF)
NE	03/12	05:00	Netherlands to Sell Up to EUR3.5 Bln 0% 2016 Bonds
SP	03/12	05:30	Spain to Sell 6-Month and 12-Month Bills
IT	03/12	06:00	Italy to Sell EUR7.75 Bln 365-Day Bills
IT	03/12	06:00	Italy to Sell 3-Month Bills
SZ	03/12	06:30	Switzerland to Sell 3-Month Bills
GE	03/12	06:30	Germany to Sell Add'l EU1 Bln 0.1% I/L 2023 Bonds
IT	03/13	06:00	Italy to Sell 3-Year Bonds
SW	03/13	06:03	Sweden to Sell Bonds/Sweden to Sell Bills
UK	03/13	06:30	U.K. to Sell GBP1.5 Bln 3.75% 2052 Bonds
GE	03/13	06:30	Germany to Sell Add'l EU5 Bln 2-Year Notes
SZ	03/13	06:30	Switzerland to Sell Bonds
GE	03/13	06:35	2Y Note Low Bid
IC	03/13	07:00	Iceland to Sell Bills
SW	03/14	06:03	Sweden to Sell SEK1 Bln 0.25% I/L 2022 Bonds
SW	03/14	06:03	Sweden to Sell Inflation-Linked Bonds
UK	03/15	07:10	UK to Sell Bills

Source: Bloomberg, Scotiabank Economics.

Global Auctions for the week of March 11 - 15

Asia Pacific

Country	Date	Time	Event
CH	03/09	22:00	China to Sell 3-Year Bonds
CH	03/09	22:00	China to Sell 5-Year Bonds
JN	03/11	23:45	Japan to Sell 5-Year Bonds
CH	03/12	23:00	China to Sell 7-Year Bonds
JN	03/13	23:35	Japan to Sell 3-Month Bills
JN	03/13	23:45	Japan to Sell 20-Year Bonds
NZ	03/14	21:05	New Zealand Plans to Sell Bonds
JN	03/14	23:35	Japan to Sell 1-Year Bills

Latin America

Country	Date	Time	Event
BZ	03/12	12:00	Brazil to Sell I/L Bonds due 8/15/2018 - NTN-B
BZ	03/12	12:00	Brazil to Sell I/L Bonds due 8/15/2022 - NTN-B
BZ	03/12	12:00	Brazil to Sell I/L Bonds due 8/15/2030 - NTN-B
BZ	03/12	12:00	Brazil to Sell I/L Bonds due 8/15/2040 - NTN-B
BZ	03/12	12:00	Brazil to Sell I/L Bonds due 8/15/2050 - NTN-B
BZ	03/14	10:30	Brazil to Sell Bills due 10/1/2013 - LTN
BZ	03/14	10:30	Brazil to Sell Bills due 04/1/2015 - LTN
BZ	03/14	10:30	Brazil to Sell Bills due 07/1/2016 - LTN
BZ	03/14	10:30	Brazil to Sell Floating-rate Notes due 09/1/2018 - LFT

Source: Bloomberg, Scotiabank Economics.

Events for the week of March 11 - 15

North America

Country	Date	Time	Event
US	03/12	12:30	IMF Deputy Managing Director Min Zhu to Speak at JHU SAIS
US	03/14	09:00	Fed's Raskin Gives Welcoming remarks in Washington
US	03/14	16:30	Fe Releases Comprehensive Capital Analysis and Review
US	03/15	09:30	Fed's Fisher Speaks on Too Big To Fail in National Harbor, MD
US	03/15		S&P Index Quarterly Review Become Effective

Europe

Country	Date	Time	Event
UK	MAR 8-10		Liberal Democrat Spring Conference in Brighton
GE	MAR 9-10		Merkel's FDP Coalition Partner Holds Party Congress in Berlin
EC	03/11	05:00	ECB's Constancio Speaks in London
PO	03/11	07:00	Portugal Reports Fourth-Quarter GDP Figures
GE	03/11	08:00	Deutsche Bank's Fitschen, Schaeuble at Parliament Bank Meeting
EC	03/11	12:00	EU General Affairs Ministers Hold Meeting in Brussels
EC	03/11		EU Plenary Session of European Supervisory Authorities
EC	03/11		EU Foreign Ministers Hold Meeting in Brussels
EC	03/12	06:00	Bundesbank Presents Annual Report for 2012
PO	03/12	07:00	Portugal Reports International Trade Figures for January
PO	03/12	07:00	Portugal Releases Construction Output and Employment Report
FI	03/12	11:30	ECB's Liikanen Speaks on the ECB & Banking Union in Helsinki
PO	03/12		Bank of Portugal Releases Data on Banks
SP	03/13	04:00	Spain's Rajoy, Other Ministers Speak in Parliament
SW	03/13	05:00	Swedish FSA Report on Banks' Lending, Deposits in 4Q
EC	03/13	05:00	ECB's Weidmann Speaks in Cologne
GE	03/13	06:00	AmCham Germany Presents Study on Business Outlook
PO	03/13	11:00	Portuguese Prime Minister Attends Debate in Parliament
UK	03/13		U.K.'s Hague Meets Russian Foreign, Defense Ministers
SZ	03/14	04:30	**SNB 3-Month Libor Target Rate**
NO	03/14	05:00	**Norwegian Deposit Rates**
FI	03/14	05:00	ECB's Liikanen Speaks at Bank of Finland Briefing in Helsinki
EC	03/14	08:00	EPP Leaders Hold Pre-Summit Meeting in Brussels
GE	03/14	10:00	Steinmeier, Schroeder Speak on Agenda 2010 in Berlin
FR	03/14	12:30	French Prime Minister Ayrault Speaks at Empire Club
EC	MAR 14-15		EU Leaders Hold Summit in Brussels
IT	03/15	05:30	Bank of Italy Releases Jan. Public Finance Supplement
EC	03/15	07:00	ECB Announces 3-Year LTRO Repayment
EC	03/15	10:30	EU's Rehn Speaks at GMF Conference in Brussels
EC	03/15	12:15	EU's Van Rompuy Speaks at GMF Conference
EC	03/15	13:30	France's Fabius Speaks at GMF Conference in Brussels
RU	03/15		**Russia Refinancing Rate**
RU	03/15		Overnight Deposit Rate
RU	03/15		Overnight Auction-Based Repo
IT	03/15		Italian Parliament Reconvenes
EC	MAR 15-17		German Marshall Fund Holds The Brusssel Forum

Source: Bloomberg, Scotiabank Economics.

Events for the week of March 11 - 15

Asia Pacific

Country	Date	Time	Event
TH	MAR 2-14		Thailand Hosts CITES Conference of the Parties
SI	MAR 4-13		16th Round of Trans-Pacific Partnership Negotiations
IN	MAR 9-12		The Growth Net Event in India
JN	MAR 10-11		Parliament holds hearing for BOJ Governor nominee Kuroda
JN	MAR 10-11		Bank of Japan Board Member Ishida Speaks
JN	03/11	11:00	BOJ Minutes for February Meeting
NZ	03/12	08:00	NZIER Shadow Board Publishes RBNZ Outlook
IN	03/12	10:30	RBI Governor Duvvuri Subbarao Delivers Lecture in London
CH	MAR 12-13		China Central Bank Governor Zhou Xiaochuan to hold briefing
IN	03/13	09:30	Reserve Bank of India Governor Subbarao Speaks in London
NZ	03/13	16:00	RBNZ Official Cash Rate
NZ	03/13	16:00	RBNZ Monetary Policy Statement
NZ	03/13	16:05	RBNZ Governor News Conference
SK	03/13	21:00	South Korea 7-Day Repo Rate
SI	03/13	21:15	Tharman Shanmugaratnam Delivers Speech in Singapore
AU	03/14	03:00	RBA's Kent Speaks at Builders' Event in Sydney
PH	03/14	04:00	Overnight Borrowing Rate

Latin America

Country	Date	Time	Event
CL	03/14	18:00	Nominal Overnight Rate Target

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	April 17, 2013	1.00	--
Federal Reserve – Federal Funds Target Rate	0.25	March 20, 2013	0.25	--
Banco de México – Overnight Rate	4.00	April 26, 2013	4.00	--

BoC: We continue to expect the BoC to remain on hold through 2014, and note that the most recent BoC rate statement continued to dampen expectations of eventual rate hikes by emphasizing that "the considerable monetary policy stimulus currently in place will likely remain appropriate for a period of time" and adding the caveat that withdrawal of stimulus will only "likely" be required afterwards. The statement also implied that the economy will have spare capacity for longer than implied in the Q1 MPR – which saw spare capacity into H2 2014. Fed: We do not expect a major change in the March 20th statement. While we continue to expect roughly US$1tn in QE3 asset purchases as our base case, strong non-farm payrolls prints at the current clip (the average was 205k from Nov. through Feb.) would likely cause the Fed to temper the pace of bond-buying.

Europe

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	0.75	April 4, 2013	0.75	--
Bank of England – Bank Rate	0.50	April 4, 2013	0.50	0.50
Swiss National Bank – Libor Target Rate	0.00	March 14, 2013	0.00	0.00
Central Bank of Russia – Refinancing Rate	8.25	March 15, 2013	8.25	8.25
Hungarian National Bank – Base Rate	5.25	March 26, 2013	5.25	5.00
Central Bank of the Republic of Turkey – 1 Wk Repo Rate	5.50	March 26, 2013	5.50	--
Sweden Riksbank – Repo Rate	1.00	April 17, 2013	1.00	--
Norges Bank – Deposit Rate	1.50	March 14, 2013	1.50	1.50

The Russia central bank is expected to leave the benchmark refinancing rate unchanged after its policy-setting meeting next week, as still-subdued economic conditions outweigh concerns of elevated inflation. Consumer price inflation accelerated to 7.3% y/y in February (an 18-month high) on the back of increases in food and transport costs. Meanwhile, industrial production contracted by 0.8% y/y in January (the first negative reading since October 2009). For an analysis of the upcoming monetary policy meetings in Switzerland and Norway, please see the European Key Data Preview on page A2.

Asia Pacific

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Target Rate	0.10	April 4, 2013	0.10	--
Reserve Bank of Australia – Cash Target Rate	3.00	April 1, 2013	3.00	3.00
Reserve Bank of New Zealand – Cash Rate	2.50	March 13, 2013	2.50	2.50
People's Bank of China – Lending Rate	6.00	TBA	--	--
Reserve Bank of India – Repo Rate	7.75	March 19, 2013	7.50	--
Bank of Korea – Bank Rate	2.75	March 13, 2013	2.75	2.75
Bank of Thailand – Repo Rate	2.75	April 3, 2013	2.75	--
Bank Indonesia – Reference Interest Rate	5.75	April 11, 2013	5.75	--

The next scheduled monetary policy meetings of the Reserve Bank of New Zealand and the Bank of Korea will be held on March 13th. Muted inflationary pressures and gradually improving growth outlooks in New Zealand and South Korea will allow the benchmark interest rates to remain unchanged at their current levels in the coming months, at 2.50%, and 2.75%, respectively.

Latin America

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	7.25	April 17, 2013	7.25	--
Banco Central de Chile – Overnight Rate	5.00	March 14, 2013	5.00	5.00
Banco de la República de Colombia – Lending Rate	3.75	March 22, 2013	3.75	3.75
Banco Central de Reserva del Perú – Reference Rate	4.25	April 11, 2013	4.25	4.25

We do not anticipate any changes to the monetary policy stance in Chile, with the central bank maintaining a neutral bias and leaving the reference rate unchanged at 5.0%, where it has been since the first quarter of 2012. Inflation has remained below the central bank's tolerance range of 2-4% since December and, with the economy expanding at around 6½% y/y at the beginning of the year, the output gap remains closed. This could start putting modest pressure on prices in the coming months.

Africa

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	5.00	March 20, 2013	5.00	5.00

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

Forecasts as at February 28, 2013*	2000-11	2012e	2013f	2014f	2000-11	2012e	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	1.8	1.7	2.4	2.1	1.5	1.1	2.0
United States	1.8	2.2	2.0	2.7	2.5	2.1	1.9	2.1
Mexico	2.2	4.0	3.6	3.9	4.8	3.6	3.8	3.8
United Kingdom	1.9	0.2	0.9	1.4	2.3	2.7	2.9	2.4
Euro Zone	1.4	-0.5	-0.3	1.0	2.1	2.2	1.7	1.7
Japan	0.8	1.9	0.8	1.4	-0.3	-0.1	0.7	0.9
Australia	3.0	3.5	2.6	3.1	3.1	2.2	2.8	3.0
China	9.4	7.8	8.1	8.3	2.4	2.5	3.3	3.9
India	7.4	5.1	6.0	6.5	6.6	7.2	7.0	6.1
South Korea	4.5	2.0	2.8	3.5	3.2	1.4	2.7	3.0
Thailand	4.0	6.5	4.5	4.2	2.6	3.6	3.1	3.3
Brazil	3.6	1.0	3.3	4.0	6.6	5.8	5.8	5.5
Chile	4.8	5.6	5.0	5.5	3.4	1.5	3.1	3.3
Peru	5.6	6.3	6.0	5.5	2.6	2.6	3.0	3.0
Central Bank Rates (%, end of period)	**12Q4**	**13Q1f**	**13Q2f**	**13Q3f**	**13Q4f**	**14Q1f**	**14Q2f**	**14Q3f**
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	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)	0.99	1.04	1.04	1.02	1.01	1.01	1.00	1.00
Canadian Dollar (CADUSD)	1.01	0.96	0.96	0.98	0.99	0.99	1.00	1.00
Euro (EURUSD)	1.32	1.30	1.29	1.28	1.27	1.26	1.26	1.25
Sterling (GBPUSD)	1.63	1.51	1.49	1.47	1.45	1.45	1.45	1.44
Yen (USDJPY)	87	92	93	94	95	95	96	97
Australian Dollar (AUDUSD)	1.04	1.02	1.02	1.04	1.04	1.06	1.06	1.08
Chinese Yuan (USDCNY)	6.2	6.2	6.2	6.2	6.1	6.1	6.1	6.1
Mexican Peso (USDMXN)	12.9	12.9	12.7	12.8	12.9	13.0	12.9	12.9
Brazilian Real (USDBRL)	2.05	1.96	1.98	2.01	2.00	2.00	1.98	1.98
Commodities (annual average)	**2000-11**	**2012**	**2013f**	**2014f**				
WTI Oil (US$/bbl)	57	94	94	96				
Brent Oil (US$/bbl)	58	112	112	112				
Nymex Natural Gas (US$/mmbtu)	5.67	2.83	3.75	4.00				
Copper (US$/lb)	2.10	3.61	3.54	3.15				
Zinc (US$/lb)	0.77	0.88	1.00	1.15				
Nickel (US$/lb)	7.62	7.95	8.25	8.50				
Gold, London PM Fix (US$/oz)	668	1,670	1,690	1,650				
Pulp (US$/tonne)	718	872	910	950				
Newsprint (US$/tonne)	581	640	625	660				
Lumber (US$/mfbm)	272	298	360	400				

[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	2012	12Q3	12Q4	Latest	
Real GDP (annual rates)	1.8	0.7	0.6		
Current Acc. Bal. (C$B, ar)	-66.9	-72.2	-69.0		
Merch. Trade Bal. (C$B, ar)	-12.1	-20.3	-10.6	-2.8	(Jan)
Industrial Production	1.2	0.5	-0.4	-1.5	(Dec)
Housing Starts (000s)	215	222	202	181	(Feb)
Employment	1.2	1.0	1.6	2.0	(Feb)
Unemployment Rate (%)	7.3	7.3	7.2	7.0	(Feb)
Retail Sales	2.5	2.5	0.7	-0.7	(Dec)
Auto Sales (000s)	1670	1654	1660	1567	(Dec)
CPI	1.5	1.2	0.9	0.5	(Jan)
IPPI	0.6	0.0	-0.1	0.2	(Jan)
Pre-tax Corp. Profits	-2.7	-3.6	-9.1		

Mexico					
Real GDP	3.9	3.2	3.2		
Current Acc. Bal. (US$B, ar)	-9.2	-3.8	-26.0		
Merch. Trade Bal. (US$B, ar)	0.2	-4.7	-7.8	-34.5	(Jan)
Industrial Production	3.6	3.6	1.8	-1.1	(Dec)
CPI	4.1	4.6	4.1	3.6	(Feb)

United States	2012	12Q3	12Q4	Latest	
Real GDP (annual rates)	2.2	3.1	0.1		
Current Acc. Bal. (US$B, ar)		-430			
Merch. Trade Bal. (US$B, ar)	-735	-697	-722	-741	(Jan)
Industrial Production	3.7	3.5	2.6	2.4	(Jan)
Housing Starts (millions)	0.78	0.77	0.90	0.89	(Jan)
Employment	1.7	1.7	1.6	1.5	(Feb)
Unemployment Rate (%)	8.1	8.0	7.8	7.7	(Feb)
Retail Sales	4.8	4.6	4.0	4.1	(Jan)
Auto Sales (millions)	14.4	14.5	15.0	15.3	(Feb)
CPI	2.1	1.7	1.9	1.6	(Jan)
PPI	1.9	1.5	1.7	1.4	(Jan)
Pre-tax Corp. Profits		19.3			

Europe

Euro Zone	2012	12Q3	12Q4	Latest	
Real GDP	-0.5	-0.6	-0.9		
Current Acc. Bal. (US$B, ar)	142	205	309	426	(Dec)
Merch. Trade Bal. (US$B, ar)	133.9	152.9	219.0	205.0	(Dec)
Industrial Production	-2.3	-2.4	-3.2	-2.3	(Dec)
Unemployment Rate (%)	11.3	11.4	11.7	11.9	(Jan)
CPI	2.5	2.5	2.3	2.0	(Jan)

France					
Real GDP	0.0	0.0	-0.3		
Current Acc. Bal. (US$B, ar)	-63.0	-40.0	-70.7	-41.7	(Dec)
Merch. Trade Bal. (US$B, ar)	-52.4	-51.0	-46.6	-52.9	(Jan)
Industrial Production	-2.2	-2.0	-3.1	-2.1	(Dec)
Unemployment Rate (%)	10.2	10.3	10.4	10.6	(Jan)
CPI	2.0	2.0	1.5	1.2	(Jan)

Italy					
Real GDP	-2.2	-2.4	-2.7		
Current Acc. Bal. (US$B, ar)	-12.6	4.3	17.1	37.2	(Dec)
Merch. Trade Bal. (US$B, ar)	13.9	23.0	36.0	34.0	(Dec)
Industrial Production	-6.5	-6.3	-6.7	-7.0	(Dec)
CPI	3.1	3.2	2.5	2.2	(Jan)

Germany	2012	12Q3	12Q4	Latest	
Real GDP	0.9	0.9	0.4		
Current Acc. Bal. (US$B, ar)	214.8	208.7	242.5	273.0	(Dec)
Merch. Trade Bal. (US$B, ar)	243.2	255.4	245.5	267.6	(Dec)
Industrial Production	-0.4	-0.7	-2.1	-1.3	(Jan)
Unemployment Rate (%)	6.8	6.8	6.9	6.9	(Feb)
CPI	2.0	2.0	2.0	1.5	(Feb)

United Kingdom					
Real GDP	0.2	0.2	0.3		
Current Acc. Bal. (US$B, ar)		-100.9			
Merch. Trade Bal. (US$B, ar)	-169.1	-164.8	-175.4	-172.4	(Dec)
Industrial Production	-2.4	-1.7	-2.3	-1.7	(Dec)
Unemployment Rate (%)		7.8		7.8	(Nov)
CPI	2.8	2.4	2.7	2.7	(Jan)

Russia					
Real GDP		2.9			
Current Acc. Bal. (US$B, ar)	81.2	6.7	17.3		
Merch. Trade Bal. (US$B, ar)	16.2	12.8	15.7	17.1	(Dec)
Industrial Production	-5.3	2.5	1.7	-0.8	(Jan)
CPI	5.1	6.0	6.5	7.1	(Jan)

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

Source: Bloomberg, Global Insight, Scotiabank Economics.

Asia Pacific

Australia	2012	12Q3	12Q4	Latest
Real GDP	3.6	3.1	3.1	
Current Acc. Bal. (US$B, ar)	-56.4	-68.1	-64.7	
Merch. Trade Bal. (US$B, ar)	6.3	1.6	-5.8	-9.0 (Jan)
Industrial Production	4.0	4.3	4.8	
Unemployment Rate (%)	5.2	5.3	5.3	5.4 (Jan)
CPI	1.8	2.0	2.2	

Japan	2012	12Q3	12Q4	Latest
Real GDP	2.0	0.4	0.4	
Current Acc. Bal. (US$B, ar)	58.9	82.4	-4.5	-49.1 (Jan)
Merch. Trade Bal. (US$B, ar)	-86.1	-97.0	-112.0	-91.4 (Jan)
Industrial Production	-1.0	-4.6	-6.7	-6.5 (Jan)
Unemployment Rate (%)	4.4	4.3	4.2	4.2 (Jan)
CPI	0.0	-0.4	-0.2	-0.3 (Jan)

South Korea	2012	12Q3	12Q4	Latest
Real GDP	2.0	1.5	1.5	
Current Acc. Bal. (US$B, ar)	43.1	58.2	59.3	27.0 (Jan)
Merch. Trade Bal. (US$B, ar)	28.3	29.9	39.8	24.7 (Feb)
Industrial Production	1.2	-1.6	1.9	0.3 (Jan)
CPI	2.2	1.6	1.7	1.4 (Feb)

China	2012	12Q3	12Q4	Latest
Real GDP	10.4	7.4	7.9	
Current Acc. Bal. (US$B, ar)	290.0			
Merch. Trade Bal. (US$B, ar)	230.7	316.5	332.0	349.8 (Jan)
Industrial Production	10.3	9.2	10.3	10.3 (Dec)
CPI	2.5	1.9	2.5	2.0 (Jan)

Thailand	2012	12Q3	12Q4	Latest
Real GDP	6.4	3.1	18.9	
Current Acc. Bal. (US$B, ar)	2.7	2.7	0.9	
Merch. Trade Bal. (US$B, ar)	0.7	1.7	0.3	-2.8 (Jan)
Industrial Production	2.3	-9.9	42.7	9.0 (Jan)
CPI	3.0	2.9	3.2	3.2 (Feb)

India	2012	12Q3	12Q4	Latest
Real GDP	5.1	5.3	4.5	
Current Acc. Bal. (US$B, ar)		-22.3		
Merch. Trade Bal. (US$B, ar)	-16.5	-16.9	-19.6	-20.0 (Jan)
Industrial Production	0.7	0.4	2.1	-0.6 (Dec)
WPI	7.5	7.9	7.3	6.6 (Jan)

Indonesia	2012	12Q3	12Q4	Latest
Real GDP	6.2	6.2	6.1	
Current Acc. Bal. (US$B, ar)	-24.2	-5.3	-7.8	
Merch. Trade Bal. (US$B, ar)	-0.1	0.2	-0.9	-0.2 (Jan)
Industrial Production	4.1	-0.4	11.0	11.0 (Dec)
CPI	4.3	4.5	4.4	5.3 (Feb)

Latin America

Brazil	2012	12Q3	12Q4	Latest
Real GDP	0.8	0.8	1.1	
Current Acc. Bal. (US$B, ar)	-54.2	-35.6	-80.4	
Merch. Trade Bal. (US$B, ar)	19.4	34.6	14.9	-15.3 (Feb)
Industrial Production	-2.7	-2.1	-0.2	3.4 (Jan)
CPI	5.4	5.2	5.6	6.3 (Feb)

Chile	2012	12Q3	12Q4	Latest
Real GDP		5.7		
Current Acc. Bal. (US$B, ar)		-19.1		
Merch. Trade Bal. (US$B, ar)	12.7	-7.1	6.6	0.8 (Feb)
Industrial Production	3.6	1.5	4.1	4.3 (Jan)
CPI	3.0	2.6	2.2	1.3 (Feb)

Peru	2012	12Q3	12Q4	Latest
Real GDP		6.5		
Current Acc. Bal. (US$B, ar)		-2.8		
Merch. Trade Bal. (US$B, ar)	0.4	0.3	0.4	0.7 (Dec)
Unemployment Rate (%)	7.0	6.5	5.9	6.1 (Jan)
CPI	3.7	3.5	2.8	2.5 (Feb)

Colombia	2012	12Q3	12Q4	Latest
Real GDP		2.1		
Current Acc. Bal. (US$B, ar)		-3.6		
Merch. Trade Bal. (US$B, ar)	0.2	0.0	0.2	0.7 (Dec)
Industrial Production		-0.4		-3.0 (Dec)
CPI	3.2	3.1	2.8	2.0 (Jan)

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	Mar/01	Mar/08*	United States	12Q3	12Q4	Mar/01	Mar/08*
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	0.95	0.95	3-mo. T-bill	0.09	0.04	0.10	0.09
10-yr Gov't Bond	1.73	1.80	1.80	1.93	10-yr Gov't Bond	1.63	1.76	1.84	2.05
30-yr Gov't Bond	2.32	2.37	2.50	2.61	30-yr Gov't Bond	2.82	2.95	3.05	3.25
Prime	3.00	3.00	3.00	3.00	Prime	3.25	3.25	3.25	3.25
FX Reserves (US$B)	67.9	68.4	68.7	(Jan)	FX Reserves (US$B)	142.0	139.1	140.9	(Jan)
Germany					**France**				
3-mo. Interbank	0.11	0.10	0.13	0.13	3-mo. T-bill	0.00	-0.01	0.01	0.02
10-yr Gov't Bond	1.44	1.32	1.41	1.52	10-yr Gov't Bond	2.18	2.00	2.11	2.12
FX Reserves (US$B)	68.5	67.4	68.0	(Jan)	FX Reserves (US$B)	50.9	54.2	58.0	(Jan)
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	0.06	0.06	3-mo. T-bill	0.35	0.36	0.38	0.37
FX Reserves (US$B)	332.8	332.5	337.6	(Jan)	10-yr Gov't Bond	1.73	1.83	1.87	2.05
					FX Reserves (US$B)	87.9	88.6	90.1	(Jan)
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	0.10	0.10	10-yr Gov't Bond	2.99	3.27	3.34	3.55
10-yr Gov't Bond	0.78	0.79	0.66	0.65	FX Reserves (US$B)	42.4	44.9	44.0	(Jan)
FX Reserves (US$B)	1233.3	1227.2	1226.3	(Jan)					

Exchange Rates (end of period)

USDCAD	0.98	0.99	1.03	1.03	¥/US$	77.96	86.75	93.59	96.18
CADUSD	1.02	1.01	0.97	0.97	US¢/Australian$	1.04	1.04	1.02	1.02
GBPUSD	1.617	1.626	1.504	1.494	Chinese Yuan/US$	6.28	6.23	6.22	6.22
EURUSD	1.286	1.319	1.302	1.299	South Korean Won/US$	1111	1064	1085	1090
JPYEUR	1.00	0.87	0.82	0.80	Mexican Peso/US$	12.859	12.853	12.758	12.671
USDCHF	0.94	0.92	0.94	0.95	Brazilian Real/US$	2.026	2.052	1.980	1.949

Equity Markets (index, end of period)

United States (DJIA)	13437	13104	14090	14366	U.K. (FT100)	5742	5898	6379	6468
United States (S&P500)	1441	1426	1518	1546	Germany (Dax)	7216	7612	7708	7971
Canada (S&P/TSX)	12317	12434	12773	12806	France (CAC40)	3355	3641	3700	3828
Mexico (IPC)	40867	43706	43996	43861	Japan (Nikkei)	8870	10395	11606	12284
Brazil (Bovespa)	59176	60952	56884	58648	Hong Kong (Hang Seng)	20840	22657	22880	23092
Italy (BCI)	825	873	853	868	South Korea (Composite)	1996	1997	2026	2006

Commodity Prices (end of period)

Pulp (US$/tonne)	830	870	890	890	Copper (US$/lb)	3.75	3.59	3.46	3.51
Newsprint (US$/tonne)	640	640	625	625	Zinc (US$/lb)	0.95	0.92	0.91	0.89
Lumber (US$/mfbm)	300	388	390	400	Gold (US$/oz)	1776.00	1657.50	1582.25	1581.75
WTI Oil (US$/bbl)	92.19	91.82	90.68	91.32	Silver (US$/oz)	34.65	29.95	28.01	28.78
Natural Gas (US$/mmbtu)	3.32	3.35	3.46	3.61	CRB (index)	309.30	295.01	290.36	293.67

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

Emerging Markets Strategy

www.gbm.scotiabank.com

The fixed income strategy reports contained herein have been prepared for Institutional Investors by Fixed Income Strategists of Scotia Capital (USA) Inc. (“SCUSA”) and may include contributions by strategists who are employees of affiliates of SCUSA. Fixed Income Strategists are employees of SCUSA’s Fixed Income Credit Sales & Trading Desk and support the trading desk through the preparation of market commentary, including specific trading ideas, and other materials, both written and verbal, which may or may not be made publicly available, and which may or may not be made publicly available at the same time it is made available to the Fixed Income Credit Sales & Trading Desk. Fixed Income Strategists are not research analysts, and this report was not reviewed by the Research Departments of SCUSA. Fixed Income Strategist publications are not research reports and the views expressed by Fixed Income Strategists in this and other reports may differ from the views expressed by other departments, including the Research Department, of SCUSA. The securities laws and regulations and the policies of SCUSA that are applicable to Research Analysts may not be applicable to Fixed Income Strategists.

These reports are provided to you for informational purposes only. Prices shown in this publication are indicative and SCUSA is not offering to buy or sell, or soliciting offers to buy or sell any financial instrument. SCUSA may engage in transactions in a manner inconsistent with the views discussed herein. SCUSA may have positions, or be in the process of acquiring or disposing of positions, referred to in this publication. Other than the disclosures related to SCUSA, the information contained in this publication has been obtained from sources that SCUSA knows to be reliable, however we do not represent or warrant that such information is accurate and complete. The views expressed herein are the views of the Fixed Income Strategists of SCUSA and are subject to change, and SCUSA has no obligation to update its opinions or information in this publication. SCUSA and any of its officers, directors and employees, including any persons involved in the preparation or issuance of this document, may from time to time act as managers, co-managers or underwriters of a public offering or act as principals or agents, deal in, own or act as market makers or advisors, brokers or commercial and/or investment bankers in relation to the securities or related derivatives which are the subject of this publication.

Neither SCUSA nor any of its officers, directors, partners, employees or affiliates accepts any liability for any direct or consequential loss arising from this publication or its contents. The securities discussed in this publication may not be suitable for all investors. SCUSA recommends that investors independently evaluate each issuer and security discussed in this publication, and consult with any advisors they deem necessary prior to making any investment.

Fixed Income Strategy (London)

www.gbm.scotiabank.com

Fixed Income Strategy (Paris)

Scotiabank Economics

Scotia Plaza 40 King Street West, 63rd Floor
Toronto, Ontario Canada M5H 1H1
Tel: (416) 866-6253 Fax: (416) 866-2829
Email: scotia.economics@scotiabank.com

For general and publication-related inquiries, contact us by telephone, email and/or fax.