Global Views

Weekly commentary on economic and financial market developments

October 26, 2012

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

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Sometimes, A Short List Of Key Risks Isn't Possible

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

European markets face elevated risks surrounding developments in Spain next week. Q3 Spanish GDP is expected to post the fifth consecutive quarterly contraction amid no signs that the pace of contraction is ebbing. Indeed, more intensified fiscal drag could operate more significantly against economic growth in coming quarters. Spain releases its latest monthly year-to-date progress report on its deficit on Tuesday. Figures up to August showed a cumulative deficit that was tracking 24% higher than the deficit over the same period in the prior year. At 4.8% of GDP on a non-annualized year-to-date basis, Spain looks set to blow its fiscal target as growth and deficits deteriorate going forward. This is intensifying speculation that a Spanish aid package may be drawing nearer. A militant labour union is attempting to organize a general strike for Wednesday, but November 14th is likely to be the bigger and more paralyzing day as mainstream labour unions have joined in calling for a national strike at that time. Greece will also vault back into the headlines as Euro-area finance ministers hold a conference call on Wednesday to discuss Greek aid. It was recently revealed that Greece is estimated to need US$39 billion in additional aid through to 2016 on account of the fact that its recession has been deeper than expected and it will miss its budget targets that will be delayed by about two years. Elections in Sicily will be a test of anti-austerity voices ahead of national elections due by April. Auctions will be held in Italy, Germany, France and the UK. German data will also be a focal point during the week with CPI expected to come in flat, retail sales expected to rise and the unemployment rate expected to remain near a post-reunification low of about 6.8%. The Norges bank and Russia's central bank are expected to leave policy rates on hold. EC confidence measures, CPI and the unemployment rate round out the hits along with French consumer spending, UK consumer confidence and the manufacturing PMI, French consumer spending, and Italian CPI.

Asian markets will be mostly focused upon Japan. That's because the Bank of Japan is expected to add between ¥10-20 trillion in additional stimulus on Tuesday. Japan will also release updates for retail sales, the jobless rate, household spending, industrial production, and housing starts. The overall picture is unlikely to be encouraging as factory output is expected to drop sharply, housing starts are expected to slip, and so are retail sales. In the wake of a return to deflation, political pressure upon the Bank of Japan is intensifying and it will have most of the economic updates in hand before its rate announcement. Japan's Parliament will also begin a special session next week in the context of Prime Minister Yoshiko Noda's sinking popularity amid a rift over possible new elections being demanded by the opposition as Japan struggles to fund its budget following the Prime Minister's failed attempt to secure opposition support. Amid the brewing political crisis, Japan's Economy Minister Maehara noted that he will encourage powerful monetary easing by the Bank of Japan. China will also be a focal point on two counts. One is that the Standing Committee of China's National People's Congress conducts a four-day meeting to study delegate qualifications in advance of the November 8th Leadership transition. The Bo Xilai issue has been an ongoing distraction for policy makers, and he is expected to be formally expelled which would in turn clear the path for a trial. Also, China releases both the state's manufacturing PMI reading and the final print on the private sector's version on Wednesday in the wake of an initially encouraging improvement in the 'flash' private version based upon a partial sample. The Reserve Bank of India is expected to leave its policy rate on hold, but consensus believes that the reserve ratio will be cut for the first time since March. We will also receive updates on Asia's export picture from South Korea and Thailand.

Canadian markets could continue to witness volatility in CAD and the front end of the Canada curve next week and for domestic reasons in addition to an active global calendar. The fun starts again with Bank of Canada Governor Mark Carney testifying before the House of Commons Standing Committee on Finance with Senior Deputy Governor Tiff Macklem on Tuesday. They follow that up with a repeat performance before the Senate Standing Committee on Banking, Trade and Commerce the next day. Both events will include opening statements, no media, and probably some spirited grilling from elected and unelected members of government. The BoC is likely to be grilled over what were widely perceived to be heavily mixed and often confusing communications that sparked considerable volatility in Canadian markets. We interpreted the BoC's bias shift to be dovish from the beginning because the BoC pushed out closure of the output gap, delayed the forecast return

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to their 2% inflation target, and — critically — forecast a peak in the household debt to income within the BoC's 2012-14 forecast horizon. While the BoC didn't drop its rate guidance after failing to mention it in a critical speech just before the rate announcement, we think the BoC took one step toward turning more dovish and that it may well complete a 180 degree turn by the January MPR. I would expect the BoC to be asked to clarify how it foresees a peak in the debt-to-income ratio as this was the key nod in the bias shift. It isn't likely that the BoC is forecasting accelerated income growth given their broad macro picture. It's more likely that the BoC is signaling worry over household imbalances with housing resale markets turning sharply lower, and so much so that it could snuff out any growth in household credit. The key, however, was Carney's casual remark in the press conference following the Monetary Policy Report that "The case for adjustment has become less imminent" insofar as interest rates are concerned. We continue to forecast the BoC to remain on hold until 2014 and with the fat tail risk of waiting even longer. Canadian data risk will also be elevated next week. GDP for the month of August lands on Wednesday. Consensus expects a rise of 0.2% but estimates vary between 0% and 0.4%. Growth in wholesale trade, manufacturing sales, and housing starts were bright spots especially in terms of manufacturing, but retail sales disappointed, and cooling home resales could imply weakness in supporting activities. In addition, transitory factors like volatile industry shutdown effects have distorted the data throughout the summer months. Smoothing through it all, the BoC is forecasting Q3 GDP paltry growth of 1% and we are only slightly higher. Finally, the jobs report for September lands on Friday. After coming in very solidly over the past two months, some consolidation of the gains might be in order in no small part because it isn't clear to us why hiring accelerated in August and September amid soft overall economic growth and concern through Canadian supply chains ahead of the US fiscal cliff and other global event risk. The last report lacked some breadth which also concerned us, including a focus upon self-employed jobs and a narrow regional distribution of the gains. Earnings releases for companies listed on the TSX exchange will be back-end loaded on the week as two report on Monday, seven on Tuesday, 12 on Wednesday, 18 on Thursday and 15 on Friday. The releases will represent a broad cross section of industries and include, for example, West Fraser, Genworth, Bell Aliant, TransCanada Corp, Sherritt, Suncor, Maple Leaf Foods, Cott, Husky, Pengrowth, BCE, Barrick Gold, Brookfield, Cogeco, Magna, and SNC-Lavalin. The banks that determine much of the sentiment in the credit space are on an October 31st fiscal year-end and report at the end of November and into early December.

US markets face very high data risk as three marquee reports land throughout the week. First up will be consumer spending in September amid expectations it will follow a solid retail report higher but at the ongoing expense of the personal saving rate that is likely to fall toward the lowest levels of the past three years. The Fed's preferred price deflator for total consumer expenditures should remain around the soft 1½% range. Next up will be the ISM manufacturing report on Thursday amid expectations for a flat reading that would continue to signal a modest pace of expansion. Friday's jobs report will be the biggest out of all of them. We're expecting a little changed 100k print for nonfarm payrolls but more attention may be paid to what happens to the unemployment rate which is derived from the volatile household survey. We think it will spike higher by reversing the nearly 900,000 jobs that the household survey reported and correct lower at a faster pace than the large prior month gain in the size of the labour force. If so, that would make for an awkward backdrop into the following Tuesday's Presidential election. Four second-order reports are also due out next week. Consumer confidence is probably entering into a critical period over coming months that could result in headline risk rocking confidence. It's probably too early for that too occur, pending the outcome of the US Presidential elections and the fiscal cliff aftermath. The S&P Case Shiller house price index is expected to rise for the seventh consecutive month. That's a plus, but with prices running ahead of income and job growth, affordability has been getting squeezed from the best point on record last February to still-strong levels. ADP jobs and factory orders that are expected to follow the durable goods report higher round out the hits. Fed speak will be focused upon speeches by Dudley, Kocherlakota, Raskin, Lockhart, Rosengren, and Tarullo. Look for commentary that might tip off something more meaningful about the recent FOMC meeting than the statement itself that was almost entirely a repeat performance. Watch for comments related to discussions over Treasury purchases that we expect in December, and changed rate guidance language. Earnings will also continue to influence the equity tone with 10 S&P500 reports due on Monday, 33 on Tuesday, 30 on Wednesday, 33 on Thursday and 8 on Friday. Key examples include Loews, Pfizer, Avon, Ford, Pitney Bowes, Genworth, US Steel, Time Warner, Allstate, Starbucks, AIG, and Chevron.

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The Bank of Canada Turned More Dovish

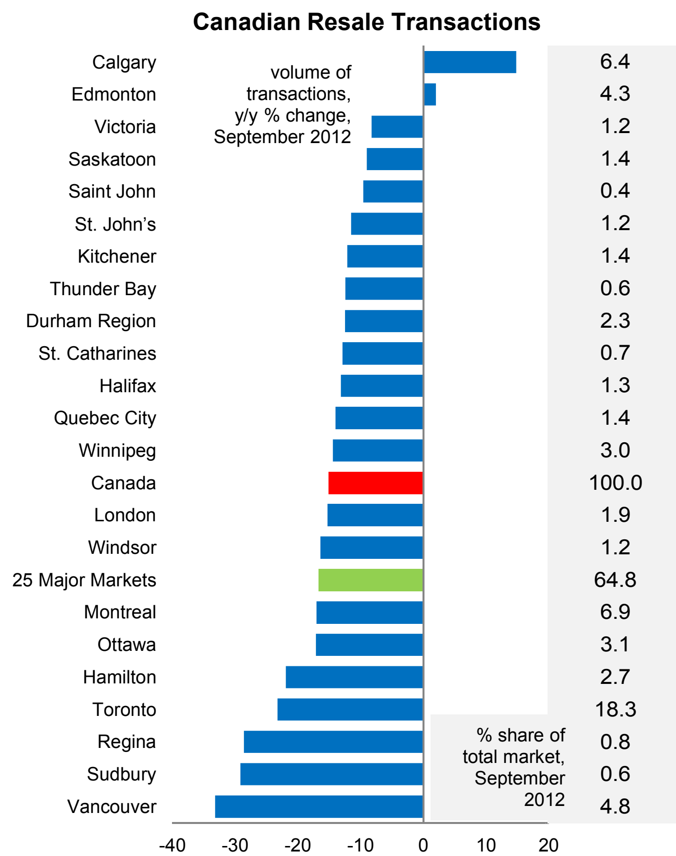
- **Our reading of a tumultuous two weeks for Canadian monetary policy is that the Bank of Canada turned more dovish as expected.**

There are four prime reasons why we interpreted this week's statement and Monetary Policy Report from the Bank of Canada to be a dovish turn by the central bank even before Governor Mark Carney finally clarified things in the press conference by noting that "the case for adjustment in interest rates has become less imminent." That was by far the clearest communication we have had from the BoC over the past two weeks.

1. Shifting Tone On Household Imbalances

We believe that the BoC is incrementally changing its bias toward the state of housing markets and household finances as the evidence of a significant correction gathers (chart 1). This view comes from piecing together several highly important remarks. Whereas the BoC used to emphasize the risk of growing imbalances through excessive strength in housing and household debt and more aggressively hold out the hawkish threat of tightened monetary policy, it has now injected much more uncertainty into its views by saying that the risks to household imbalances are "two-sided." This is a marked shift to the centre of the debate for the BoC. Monetary policy is "the last line of defence" against household excesses, but the BoC appears to be much less confident that it will ever have to use this tool. Witness the BoC's comment: "It is possible that the elevated level of household debt is beginning to induce a more cautious attitude among Canadian households." Carney also noted that there is a "slightly more vulnerable household sector." When referencing the impact of a tighter housing finance regime, Carney also says that the "cumulative effect of those measures has not fully been felt." That is a nod to concern over downside risks raised through pro-cyclical regulatory tightening in the form of stricter OSFI lending guidelines and oversight of lenders and mortgage insurers, Basel III, and the lagged effects of several rounds of tightened mortgage rules following the current government's easing in housing finance policy over 2006-07. It therefore left its household sector growth assumptions unchanged despite turning more bullish on global financial conditions, and the BoC is forecasting housing to be a drag on GDP growth. This is a significant change even though it took a while for the BoC to acknowledge a sharp deceleration in household credit growth to the weakest pace since the 1990s, and weaker yet for consumer loans excluding mortgages (charts 2-4, next page). Its base case is signalling that it is more weighted to downsides than previously since they view housing to be a drag on growth and the debt-to-income ratio to plateau within their forecast horizon.

Chart 1



Source: CREA, Scotia Economics.

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Thus, when the BoC remarked that it is watching "the evolution of imbalances in the household sector", we took it dovishly as a code phrase for watching developments in housing markets with a nervous eye. After previously hawkish commentary on the household debt-to-income ratio, the BoC was under no pressure to forecast a levelling off by stating that "the household debt burden is expected to rise further before stabilizing by the end of the projection horizon." Stating as much, however, was a very dovish signal since it likely implies that the BoC believes there will be a marked further deceleration in expected credit growth. The other possibility is that the BoC believes that income growth will accelerate sharply, but that was anything but evident in the MPR and the BoC's overall forecasts.

My bias is that the direction of risks will turn further toward downside risks as housing continues to correct and risks broadening out the influences on the economy. The next phase of risks could be for building resale inventories to result in lower housing starts as builders become increasingly reticent to continue adding new supply at the same pace, particularly as condo markets soften, and for sellers to potentially begin cutting list prices. This may make it considerably tougher to achieve the BoC's growth projections over the next year that are significantly higher than Scotia Economics' 2013 growth assumptions.

2. The Output Gap Will Take Longer To Close

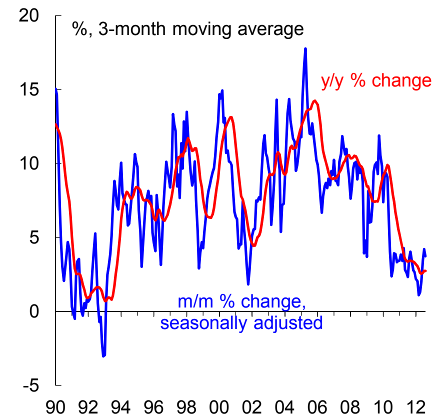
The BoC pushed outward the moment in time at which it believes that the output gap, or currently the net amount of spare capacity, will be closed off. Previously, the BoC intimated that closure of the output gap would occur "over the course of the next twelve months" from the September 5th time horizon when the last statement was issued which meant by 2013Q3. Now, it is saying that spare capacity will be closed off by the end of 2013, or one quarter later. That's a relatively minor shift, but a shift nonetheless. Because Scotia Economics is forecasting slower growth than the BoC, we continue to think the BoC is underestimating the amount of spare capacity in the Canadian economy (chart 5).

3. Low Inflation For Longer

The BoC pushed out its CPI forecast to hit its 2% target only by the end of 2013 and core CPI to return to the 2% target by the middle of 2013 "somewhat later than previously anticipated."

Chart 2

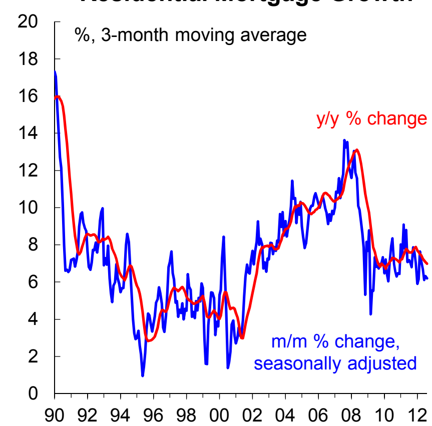
Consumer Loan Growth



Source: Bank of Canada, Scotia Economics.

Chart 3

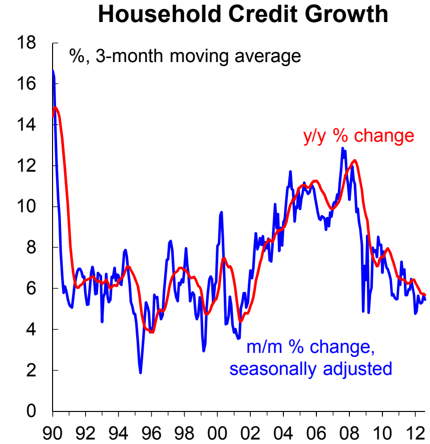
Residential Mortgage Growth



Source: Bank of Canada, Scotia Economics.

Chart 4

Household Credit Growth



Source: Bank of Canada, Scotia Economics.

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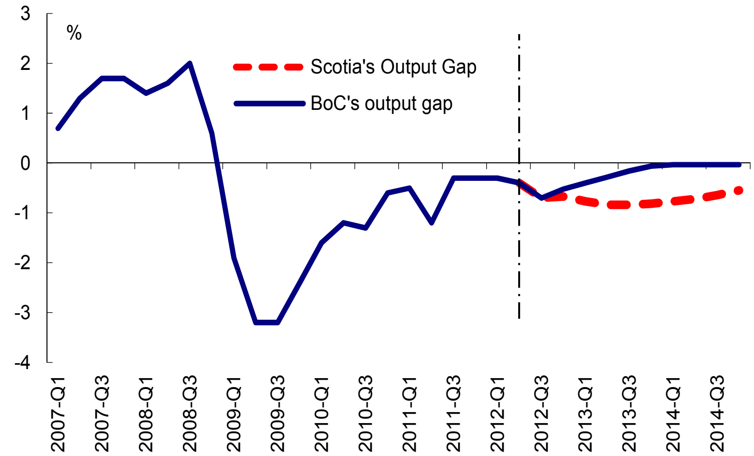
4. Changed Time Period For Rate Guidance

Instead of guiding us toward hitting CPI and hiking over the "medium term", the language has shifted to "over time" some modest withdrawal of monetary policy stimulus will likely be required. That's a vaguer reference in support of our view that rates are on hold into 2014. Overall, the BoC has taken a baby step toward joining the dovish tone across other global central banks and I can see further steps ahead on the path toward what may become a full 180 degree turn by the January MPR.

Chart 5

Will Canadian Spare Capacity Narrow Or Widen?



Source: Bank of Canada, Statistics Canada, Scotia Economics.

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Bank of Canada 'Haiku'

- **Interest rates and household debt to normalize. Not now, but eventually.**

Borrowing costs in Canada are historically low, and interest rate hikes are not 'imminent' according to the Governor of the Bank of Canada. Scotia Economics — consistently at the tail end of forecasts for the next overnight rate hike — had already pushed out its expectations beyond 2013 in the August 1, 2012 *Global Forecast Update*. The factors behind our decision reflected then, as well as now, the unprecedented and growth-dampening challenges confronting the Canadian economy, and the compromises that policymakers must make in this more globalized and interconnected world of trade, capital and currency flows.

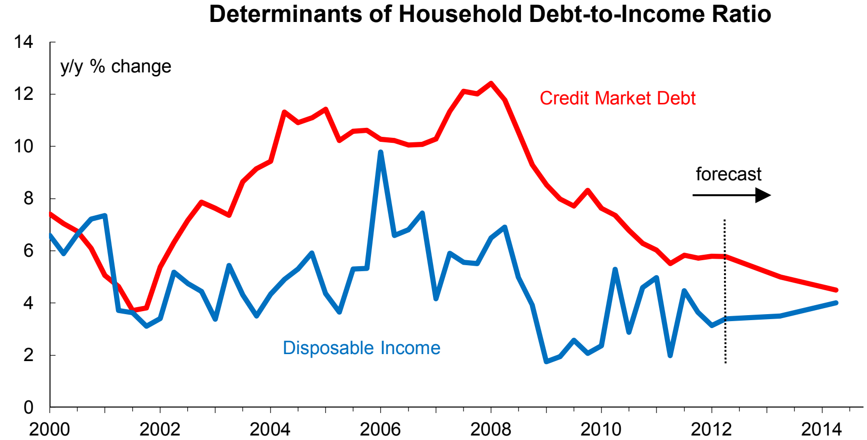
The risks to global growth are still on the downside, notwithstanding occasional data in virtually every region suggesting that the weakening trend in global activity may be close to bottoming out. Despite the confidence in the euro and the potential sovereign debt support provided by the ECB's OMT programme, a further deepening in the euro zone recession triggered by renewed sovereign debt and banking sector problems would aggravate contagion risks globally and push back rate tightening expectations in Canada. A significant reversal in commodity prices associated with a further and sustained weakening in the economic performance of many of the emerging market nations — the expected longer-term growth drivers internationally — would also reduce any rate tightening expectations in Canada. If U.S. policymakers manage to drive over the looming fiscal cliff, the inevitable recession south of the border would sideswipe Canada, and not only reduce any rate tightening expectations here at home, but pressure the central bank to reverse course and lower domestic interest rates.

Domestic monetary policy independence has been compromised by these international developments. Along with investment and safe-haven capital inflows, the currency has moved above parity, with the risk that widening short-term interest rate spreads off New York would further strengthen the Canadian dollar while additionally constraining the competitiveness of many U.S. export-sensitive firms. Domestic conditions, particularly as they pertain to inflated household debt, could justify higher rates, but even here the reversal underway in the previously hot Vancouver housing market, along with signs of cresting in Toronto, warrant a wait and see approach.

If we can avoid the wheels coming off the 'global economic wagon', then Canadian policymakers will be able to refocus on the domestic inflationary risks associated with a multi-year expansion supported by significant monetary accommodation. The continuing rise in Canadian household debt associated with the national housing boom will likely be the flashpoint, with the central bank eventually being forced to allow market forces — rising interest rates alongside high home prices — to influence consumer behaviour and restrain borrowing, and thereby limiting the fallout from a potentially unsustainable pace of debt accumulation.

In this environment, the normalization of short-term borrowing costs will come later rather than sooner, and probably in the first half of 2014 at the earliest. Rate increases will be prefaced with advance notice, and initially will be of smaller and potentially less frequent increases. In the meantime, policymakers will likely continue to resort to moral suasion, tighter mortgage

Determinants of Household Debt-to-Income Ratio



Source: Statistics Canada, Scotia Economics

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eligibility rules, increased regulatory oversight and tighter lending standards by financial institutions to 'walk the talk' on moderating household borrowing that continues to post new records.

The increased attention on the financial condition of households reflects the mortgage credit-fuelled rise in indebtedness. The ratio of Canadian household credit market debt to disposable income has climbed to a record 163.4% in the second quarter of 2012, with significant revisions providing an added boost by lifting the overall debt burden level by about 10 percentage points.

Although the pace of mortgage borrowing has slowed — in part a reflection of the caution induced by repeated debt warnings and slower economic growth, and more recently the toughened regulatory rules — overall financial conditions are supportive enough to continue to drive the ratio of household debt to disposable income still higher. Even under a scenario where Canadian output growth is expected to average a relatively moderate 2¼% over the next couple of years in response to less buoyant domestic demand and ongoing restraint on net exports in a shaky world economy, the ratio continues to climb to around 167% and post new records.

As the accompanying chart illustrates, the gradual slowing in the pace of household debt accumulation accompanied by moderate gains in disposable income is only sufficient to slow and eventually stabilize the ratio at a high level. For the ratio to reverse course and decline, a meaningful economic correction, highlighted by a jump in the jobless rate of roughly 3 percentage points, would be needed to increase the vulnerability of households sufficiently to trigger a major pullback in spending, housing activity, and prices.

Higher short-term interest rates are still part of the Bank of Canada's medium-term outlook for the Canadian economy, a point reiterated in both this week's rate setting announcement and accompanying *Monetary Policy Report.* Canadian households with debt-heavy balance sheets should be alert to the inevitability of rising borrowing costs as this cycle matures.

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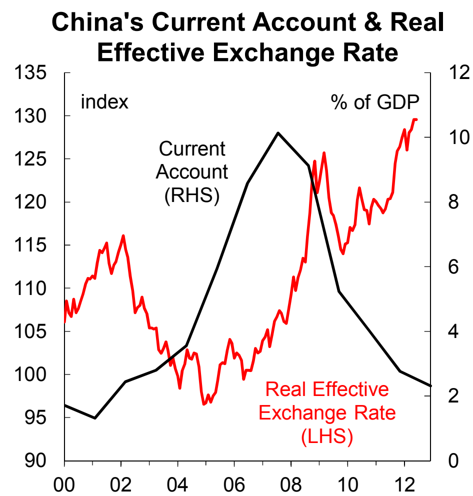
China's "Currency Manipulation"?

- **GOP Presidential candidate Mitt Romney asserts that China is manipulating its currency to its advantage. We disagree, and argue that ongoing rapid appreciation in a proper definition of its currency will continue to impair China's trade competitiveness.**

US Presidential candidate Mitt Romney reiterated this past week that he would label China a currency manipulator if elected. If he's right and China is manipulating its currency, then the evidence suggests that China is doing so rather ineptly. This should be of considerable relief to the US economy as Chinese export competitiveness wanes while the propensity to import is being positively influenced by currency movements. This was always supposed to be among the mechanisms leading towards global rebalancing and the evidence suggests it is well underway via market mechanisms absent political maneuvers.

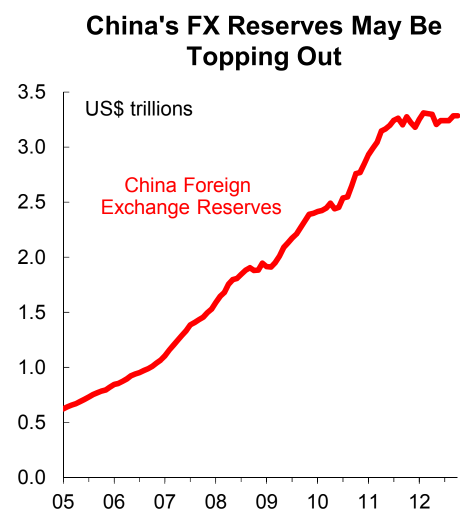
Chart 1



Source: IMF, Scotia Economics.

Witness chart 1 which shows China's real effective exchange rate against a basket of global currencies. It has risen by 34% since 2005. Since that time, China's current account surplus has been slashed from about 10% of GDP going into the last U.S. Presidential election to 2.8% last year. One might quip that "the last election just called and wants its policy issue back." As we've noted before, researchers at the Fed and the Peterson Institute argue that there is a two-year lag between this measure of currency movements and what that does to China's trade account. Continued currency appreciation points to continued declines in China's current account balance as the real effective exchange rate sits at its highest since 1989 and continues to rise according to the IMF's measure.

Chart 2



Source: Scotia Economics, Bloomberg.

This balance of payments connection helps to explain why China's foreign exchange reserves stopped growing over the past couple of years as the country witnessed a slowing in the rate of growth in net export currency receipts.

This perspective feeds into a debate on China's growth drivers. Is Chinese manufacturing bottoming? Does manufacturing and trade-driven strength in GDP lie ahead over the forecast horizon? The latest private sector manufacturing PMI reading may be signaling a near-term bottom as the pace of contraction may be ebbing while new orders put in their strongest performance in about six months. The perspective we have offered, however, would counter this view over time by pointing to the continued worsening in China's trade competitiveness. Stronger economic growth in key export markets including the eurozone and US is necessary to offset the decline in cost competitiveness and this isn't looking likely with the fiscal cliff and recent eurozone PMIs. If Chinese GDP growth accelerates going forward, it is more likely to require much faster rebalancing toward domestic growth.

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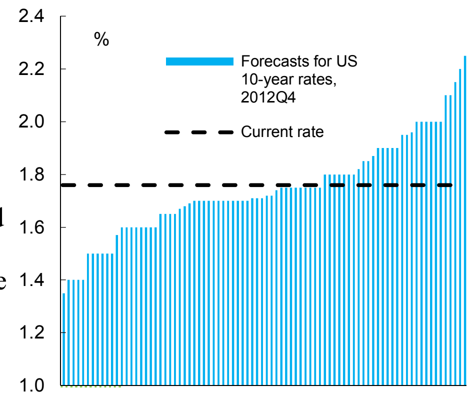
A US Treasury Rally Into Year-End?

- **There is a fairly solid case that further near-term value resides in US Treasuries.**

Chart 1

Most Expect A Treasury Rally



Source: Bloomberg, Scotia Economics.

We are expecting a rally in US Treasuries into calendar year-end 2012 and have been sharing this view with clients for some time now. Markets have gone the other way of late with yields on 10s resting near the 1.80 range. Before delving into reasons for our view, it is worth pointing out that we are hardly outliers within the forecast community. Depending upon your bias, this may either mean that many of us will be wrong together, or that there is strength in numbers to support the call. We'll leave that to you to decide, but the evidence lies in chart 1 which plots forecasts from individual economists within the Bloomberg consensus for year-end yields on 10 year Treasuries. A shortfall to this chart is that it plots forecasts on the exact day of December 31st which is a largely futile exercise within very wide trading intervals for bonds, currencies and everything else; it's better to emphasize ranges and broad directions that we think merit a Treasury bias over coming weeks and months. That said, Bloomberg's mid-October consensus has 62 shops out of 85 (or about three-quarters) expecting US 10 year yields to push lower from present levels to the end of 2012. Within that consensus, the low is 1.35%, and twelve see 10s at under 1.6% by year-end which is my bias. The low was 1.39% on July 24th of this year.

1. The Fiscal Cliff

Our primary reason relates to the fiscal cliff. I can see a safe haven bid into Treasuries as the cliff goes to the very last possible minute and heightens market concerns. The past market concern that the USD and Treasuries would pay a stiff price going into the debt ceiling debate simply did not pan out. I think we collectively learned something there. One interpretation is that Treasuries serve a very different role as a global safe haven instrument compared to any other bonds whether or not we like the very odd incentive signal that this has provided Washington in recent years. True, if this were any other country, one would sell the currency and local debt on fiscal and political stewardship concerns, but the sheer size of the Treasury market and its role as the base vehicle in global funding, liquidity, and leveraged vehicles like repos makes it very different. It is difficult to conceive an alternate investment of sufficient size and liquidity amid heightened concerns over growth and fiscal uncertainty in the world's biggest economy, and one would likely be throwing all caution to the wind in buying equities, commodities and credit through such a period in my opinion. There also exists a shortage of alternative safe havens relative to US Treasuries as markets are unlikely to find sufficient amounts of bunds, gilts, JGBs and Canadas to displace Treasuries.

2. The Fed

We think the Fed is likely to buy Treasuries at the December meeting. Primary dealers in the US are unanimous on this. Yes, we could all be wrong, but the argument is that once the twist expires and in the context of the very aggressive September and October FOMC statements, the Fed is likely to shift toward Treasury buying to anchor yields instead of just buying credit (MBS).

3. Global Event Risk

There exists a panoply of other forms of global event headline risk into year-end and early 2013 as summarized in the accompanying table (next page). One example is regional elections in Catalonia that will intensify concerns about revenue sharing and hence the quality of Spanish bonds. Another is that there are two more EU Summits that are likely to further the disappointment in Europe. Also consider China's leadership transition and the risk that ensuing policy speeches could further mute stimulus expectations in keeping with PBoC comments of late.

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4. Very weak US growth.

Scotia Economics is forecasting 1.7% GDP growth for Q4 and 1.9% for all of 2013. Markets won't think about stronger growth beyond that time frame until it is much closer at hand.

5. Still soft inflation risk

Scotia Economics thinks headline CPI inflation will average 2% in 2012Q4 and stay roughly there in early 2013 largely on year-ago base effects. Such is the time frame that Treasury markets are likely to be most focused upon. That would leave us with unchanged inflation readings from the most recent print for September which itself is up from a trough of 1.4% in July. Thus, inflation risk may be priced into bonds if we're right on muted inflation risk going forward. Indeed, 10-year TIPS breakevens have risen to 2.5% now from 2.1% just a few months ago. Also, the Fed's preferred 5-year forward breakeven rate has risen by 30-40bps from a couple of months ago and is at its highest since mid-2011 (chart 2). This also provides supporting evidence that markets have not waited for forecasts from economists to bid inflation risk higher. Also consider that the connection between inflation risk and nominal Treasury bond yields is typically broken in a safe haven rally that compresses real yields to low, indeed more negative levels. In other words, toss an inflation forecast aside during a safe haven rally.

Global Events

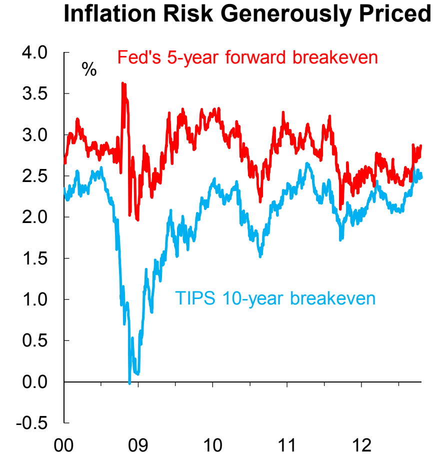
Spain	
30-Oct	Spanish budget balance YTD
30-Oct	Q3 Spanish GDP
Nov 3-4	G20 Finance Ministers and Central Bankers meet in Mexico
8-Nov	ECB meeting
14-Nov	Spanish General Strike
25-Nov	Regional election in Catalonia
November	Initial but now unlikely target for commencing ESM bank bail-out
Nov 22-23	EU Leaders Summit in Brussels
27-Nov	Spanish budget balance YTD
6-Dec	ECB meeting
Dec 13-14	EU Leaders Summit in Brussels
20-Dec	Spanish budget balance YTD
U.S.	
26-Oct	Q3 GDP
2-Nov	Nonfarm
6-Nov	Election
13-Nov	Congressional Session Begins (so-called "lame duck" session)
7-Dec	Nonfarm
12-Dec	FOMC including projections
14-Dec	Congress To Adjourn
31-Dec	Fiscal cliff part 1 hits - Bush tax cuts
4-Jan	Fiscal cliff part 2 hits
4-Jan	Congress Begins 114th Session
China	
8-Nov	Leadership change at Communist Party Congress

Source: Scotia Economics

6. Rumoured foreign central bank buying

For some time now there have been rumours that the Bank of Japan may increase a stimulus program that incorporates purchases of foreign securities perhaps including US Treasuries. Next week's policy meeting is expected to give rise to some form of additional stimulus that may or may not include buying of foreign securities. One policy aim to doing so would be to debase the exceptionally strong yen. This would leave Japanese money supply unchanged but raise global money supply if the mechanism indeed turns out to be one of yen selling to purchase USD. As an interesting policy anecdote, note that the Bank of Japan recently held its first ever English language briefings for the foreign press which intensified speculation that its next round of stimulus may have an international component.

Chart 2
Inflation Risk Generously Priced



Source: Bloomberg, Scotia Economics.

7. Crowding Out

Finally, we offer chart 3 (next page) which continues to depict a very subdued pace of economy-wide borrowing across all sectors of the US economy including households, nonfinancial firms, financials, governments, and the rest of the world's

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borrowing in the US. Because economy-wide credit growth continues to be exceptionally weak, there is little competition for capital that would risk elevated Treasury issuance crowding out private borrowers in such a manner as to put upward pressure on the overall term structure of interest rates.

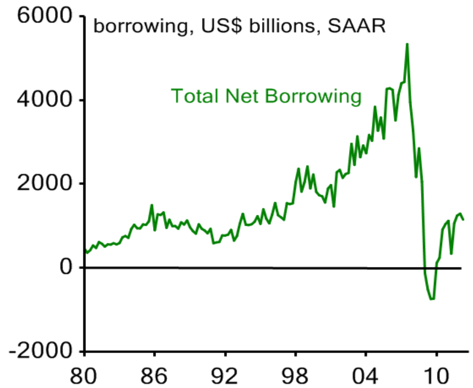
There are indeed risks to our view and we end on them for your consideration.

First, it's a bit of a different global backdrop today than it was last year during the US debt ceiling divide. China was in the earlier days of hard landing concerns whereas today the Shanghai composite has done much of its correction and nascent signs of a bottoming in Chinese growth may be emerging. Further, compared to the summer of 2011, there are somewhat greater signs of progress in Europe. These global factors may be expected to result in a lessened bid into Treasuries. Our bias, however, is that the factors we have cited above will overwhelm this argument — and that we're not even convinced there is any room for optimism toward Europe in the relative near-term. Additionally, China's leadership transition in a few weeks is unlikely to boldly embrace aggressive stimulus.

Second, it is not clear that the Fed buys more Treasuries and the amount is uncertain. We've laid out a case for doing so, but a risk to this is that if there is a strong safe-haven flow into Treasuries then the Fed might not feel the need to push Treasury yields lower yet. This is a chicken and egg argument, however since, either way, low Treasury yields arise. A counter-risk to this view is that perhaps the Fed would still buy Treasuries and/or ramp up credit buying in an effort to achieve the exact opposite effect. Think back to QE2 when Treasury buying initially pushed yields lower, but Chairman Bernanke argued that the program worked because it ultimately pushed Treasury yields higher and encouraged investors into the risk trade. On the issue of how much, we think the Fed buys toward the lower end of Treasury purchase estimates at $20 billion a month as a cautious first step and a minimum amount to make it worth bothering. Many others think the amount will be much higher and may have to fully replace the roughly double that figure that is currently going into purchases in the belly of the curve through operation twist.

Chart 3

Treasuries Not Crowding Out Private Borrowers



Source: Federal Reserve Flow of Funds Accounts, Scotia Economics

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Saskatchewan's "Plan for Growth"

- **The long-term *Plan* includes assessing future savings options for its resource receipts.**

Saskatchewan this month released a plan for the future that in some instances looks out to 2020 and beyond. While longer-term forecasts and policy targets are inherently fraught with uncertainty, this document offers some key insights and lays out benchmarks that both the Province and the public should bear in mind going forward. In the relatively unusual situation of having preserved the fiscal repair achieved over the past half decade and looking forward to significant growth prospects, a primary purpose of Saskatchewan's *Plan* is to maintain the Province's focus and discipline.

Driving many of the *Plan's* policy recommendations is the target of doubling the province's export sales by 2020, relying upon its agri-food sector and its range of other major resource-based industries with the upswing in the latter over the past decade. Acknowledging volatility in commodity demand and supply, Saskatchewan aims not to diversify away from resource-based activity, but instead to broaden its resource markets and expand the industry growth based upon its resources. For example, in agriculture (which still accounted for 31% of the province's international export receipts over the past five years), cereal grains remain important, but also key is building upon its prominence in products such as lentils and canola oil. With a commitment to competitive taxes, royalties, stumpage fees and regulations, Saskatchewan has announced a cut in its general corporate income tax (CIT) rate from 12% to 10% over the next three years, starting with this spring's *Budget (top chart)*. Given Saskatchewan's decision not to shift from its Provincial Sales Tax to a value-added Harmonized Sales Tax, this CIT reduction plus a plan for non-refundable tax credits to encourage manufacturing and processing investments will help to lower its marginal effective tax rate on new capital.

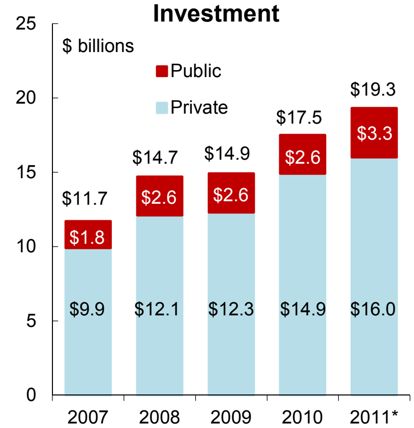
To address its sizeable infrastructure requirements *(middle chart)*, the Province is creating a new corporation, *SaskBuilds,* to propel change in project financing, design and delivery, including public-private partnerships. The 2020 population target set at 1.2 million appears reasonable, assuming continued emphasis on international in-migration *(bottom chart)*. In part, mitigating anticipated labour shortages depends upon Saskatchewan's success in closing existing gaps in First Nations' education and employment outcomes.

Facilitated by the surge in global resource prices since 2000, the Province's fiscal repair will support its growth targets, and the government remains committed to the expenditure management required to retain black ink. Saskatchewan will likely outperform its goal of halving its debt (General Revenue Fund basis) by 2017 from the 2007 level, given the 44% decrease already accomplished. Importantly, after this debt is retired, the *Plan* proposes a *Saskatchewan Heritage Initiative* to explore how to best utilize its non-renewable resource receipts, looking to Norway's Government Pension Fund (formerly The Petroleum Fund of Norway) as one example.

General Corporate Income Tax Rates

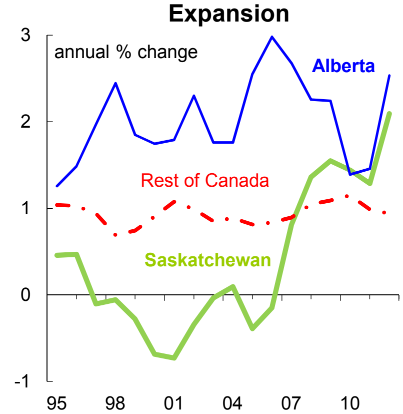
Source: Provincial documents; KPMG.

Saskatchewan's Capital Investment



* Preliminary estimates. Source: Statistics Canada, Saskatchewan Finance.

Saskatchewan's Population Expansion



Source: Statistics Canada.

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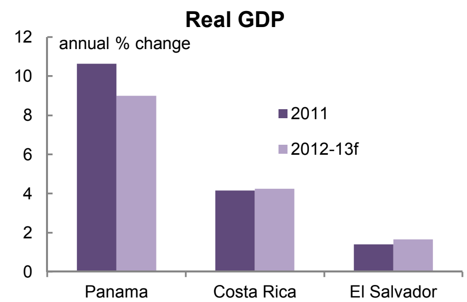
Divergent Economic Growth Dynamics In Core Central America

Economic performance across Central America continues to be uneven. On one side, countries such as Costa Rica and Panama have been outperforming in the first half of the year, while growth rates in El Salvador and Belize continue to lag behind. Fiscal positions, investment competitiveness, economic ties with the US, investment uncertainties linked to escalating crime, and election-linked policies are some of the key factors leading to growth divergence in Central America.



Source: Bloomberg, Scotia Economics.

After increasing by 10.6% in 2011, Panama continues to lead the region's GDP growth charts, expanding by 10.6% y/y in the second quarter of 2012 as a result of an aggressive public sector infrastructure investment program and canal expansion activity. The project has caused significant spillover effects, positively impacting income levels, job creation and local consumption. The continued large-scale projects aimed at developing Panama as a regional logistics centre, together with an improvement of free-trade zone activity, and a systemically sound financial sector are all key factors supporting the country's economic outlook in the next two years. We anticipate an average real GDP expansion rate of 9% in the 2012-13 period.

The Costa Rican economy continues to show strength, though with signs of a modest deceleration in recent months. The country's economic performance is closely linked to the US economic cycle and remains highly vulnerable to a fragile and uneven recovery in external demand. Free trade agreements with Central America and Asia, an optimistic business climate, a dynamic high-tech sector and a strong business services industry will offset sluggish government spending and slower external demand and tourism activity. In the first half of the year, real GDP grew by 5.5% y/y, strongly above the 3.5% growth rate registered in the first half of 2011. As a result of solid domestic demand, fairly firm exports, higher investments in some key sectors and a stable inflation rate, we have revised our GDP forecast upwards from 4.2% to 4.5% for 2012 and from 3.8% to 4.0% for 2013.

After witnessing the lowest rate of real GDP growth in Central America in 2011 (1.4%), El Salvador's economic outlook appears to be stable but not promising for the 2012-13 period. In the first half of 2012, real GDP expanded by 1.4% y/y, 0.3 percentage points below the growth rate in the first half of 2011. A deceleration in the construction, transport, industry and mining sectors offset the positive effect from agriculture and retail and wholesale trade. Investment remains weak as a result of elevated local crime rates, weak institutions and high bureaucracy. We anticipate a mild recovery in the foreseeable future, expecting El Salvador to expand by 1.5% y/y in 2012 and by 1.8% in 2013.

One of the main reasons for different economic perspectives in Central America is the countries' institutional frameworks and attractiveness to foreign investments. The Global Economic Forum recently released the Global Competitiveness Report 2012-2013, showing significant differences between the fast-growing countries and the underperformers. Compared with the previous report, Panama advanced nine levels in the Latin American ranking, standing at the 40th position, the highest in Central America. Costa Rica moved up by four steps to the 57th place while Nicaragua won 7 places but remains at the lowest level among Central American countries. On the negative side, Honduras's and El Salvador's competitiveness declined by four and ten positions, respectively.

Uneven economic performances will continue in the coming years in Central America. Strengthening institutional framework, reducing US dependency, managing the effects of dollarized economies and vulnerability to international shocks, mitigating the crime and reducing fiscal imbalances are imperative to gain a more attractive position in international markets.

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Forget The Next BoE Governor — Who Is Going To Replace The BoE?

Since the start of the 2008-09 recession, the issuance of UK government bonds has exploded. Prior to the crisis, gilt issuance was between GBP50bn and GBP80bn per year. At the worst of the crisis, the volume of gilt issuance trebled. With the supply of UK government bonds going through the roof, the price *should* have tumbled (and yields surged).

However, other things were not equal — and there was a substantial increase in demand. The biggest contributor to the rise in demand was the Bank of England through its asset purchase facility. Since early 2009, the UK treasury has issued around GBP650bn of gilts. Of those, there have been around GBP530bn of conventional gilts issued. Over the same period, the Bank of England has purchased GBP375bn of conventional gilts — roughly 70% of what the government has issued. This meant that the market only had to absorb around GBP50bn of gilts per year — similar to the volume it had to absorb prior to the credit crunch.

With the Bank of England's asset purchase facility at or close to an end, this poses a serious question for the market: Who on earth is going to absorb around GBP150bn of gilts per year once the BoE decides to stop buying?

The Bank of England aside, demand for UK government bonds enjoyed a significant boost on two fronts since the supply of UK government bonds exploded. Firstly, the near 25% plunge in the value of the GBP exchange rate made gilts substantially more attractive to overseas investors. We suspect that this goes a long way towards explaining why the overseas sector has more than doubled its holdings of gilts since 2008. The effect was likely to have been reinforced more recently when the UK gained safe-haven status amid the eurozone debt crisis. To a slightly lesser extent, the steepening in the yield curve is likely to have attracted domestic insurance and pension fund investors.

So where do we go from here? It would be incredibly surprising for the GBP to repeat anything close to the 20-25% dive from late 2008. More likely is the GBP appreciates a little — which could dampen overseas appetite for gilts. Furthermore, the slope of the yield curve is incredibly steep and unlikely to steepen much further. In fact, there is a bigger risk of flattening, which could dampen domestic investor appetite for gilts.

We would be wary of pushing the panic button and suggesting that the BoE could exacerbate the problem by unwinding its holdings of gilts any time soon. We believe that the Bank of England is years away from tightening monetary policy. It has always said that it will raise Bank Rate first and consider unwinding QE later.

Nonetheless, once it becomes clear that QE has come to an end, the investor community could begin to worry about the volume of gilts that the market will have to absorb. Ultimately we believe that this highlights upside risks to gilt yields over the coming year — if not in outright terms, then at the very least relative to bunds.

In one respect, this could be the answer that we are looking for. The bank and building society sector has also increased its holdings of gilts over the last 3 years — largely for regulatory reasons. These institutions have had to hold more substantial reserves of liquid assets — helping to explain why their holdings of gilts has more than doubled over the last 4 years to around GBP115bn. However, we believe that the bank and building society sector have been underweight gilts of late — particularly during the period when gilt yields up to 5 years fell below 0.5%. Since these institutions were able to earn 0.5% on cash deposits held at the Bank of England, their appetite for gilts has waned.

In recent weeks, gilt yields have rebounded and currently reside closer to 1% (up to 5 year maturities). This move, plus any push higher in yields should incentivise the bank and building society sector to take cash out of reserve at the BoE and into slightly higher-yielding gilts. The danger is that although these bonds yield more than the reserve rate — there is the risk of capital depreciation.

As a guide, reserves at the Bank of England stand at GBP275bn. Pre-QE the level of reserves stood at GBP50bn. Not all of that is likely to be related to banks and building societies parking cash with the BoE, but it does nonetheless highlight the potential for some appetite for gilts should yields rise, particularly at the front end of the curve.

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Key Data Preview

CANADA

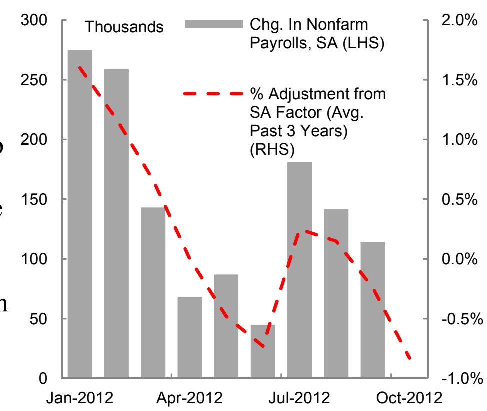
GDP for August will be released on October 31st and Scotia is anticipating a decent gain of 0.3% m/m. Most data came in fairly strong in August: Wholesale trade was up (+0.5% m/m in volume terms), manufacturing sales volumes were up by a very strong 1.8%, and although housing starts were quite a bit higher too (229k in August vs. 214k in July), we're not sure how much that will support the construction side of GDP as the volumes have generally been condo units which, as a rule of thumb, contribute less to output. The headwinds look to be on the consumer side of the economy. Retail sales volumes were down by 0.3% m/m and imports were lower by 2.2% m/m. As well, weak home resales could imply a cooling off in a variety of sectors including the very large Finance, insurance, real estate sector (21% weighting in July GDP) implying further weakness in domestic demand - one of the BoC's core concerns in the back half of 2012.

Employment numbers for October will be released on November 2nd and our call is for a fairly typical +15k jobs outcome in a month without much in the way of special factors or hand-offs from prior months to shape our view. Things to watch for include the risk that last month's surge in the amount of workers who identify themselves as self-employed (+33.8k) proves transient. Another concern is that the participation rate at 66.8% in September could fall back to the 66.5-66.6% level seen in July and August thus bumping the unemployment rate down by a tenth of a percentage point in the absence of any real change in the national employment situation. The bigger picture is that the relationship between employment and GDP growth known as Okun's Law seems to be coming apart again and we do not expect that job growth can indefinitely outpace economic growth.

UNITED STATES

October **jobs data** (November 2nd) will be the marquee release this week, landing four days before the U.S. elections. Scotia is looking for the net change in payrolls of 100k, essentially unchanged from the 114k gain in September. This is admittedly a tougher month than usual to call due to initial jobless claims data having been heavily distorted through the first part of October (the Department of Labor attributed the erratic numbers to seasonality) and therefore offering very little in the way of guidance for October nonfarm payrolls numbers. For the record, the average during the first three weeks of October was 367k vs. 377k during the first three weeks of September. As October is a 'seasonal adjustment down' month for non-farm payrolls, directionally we're left expecting a slight correction downwards from last month's levels (see chart).

US: SA Factors & Nonfarm Payrolls



Source: Scotia Economics, BLS

The **unemployment rate** is another matter. The unemployment rate improved to 7.8% in September from 8.1% in August on the strength of an increase of 873k jobs, the largest single month gain since the household survey found that 901k new jobs were added in January 2003. While we don't at all buy the claims that the number was 'cooked', we do know that the household survey is incredibly volatile in its monthly readings — but corrects over time to more-or-less resemble the pace of hiring seen from the establishment survey from which the nonfarm payrolls number is taken. The implication is that a reversion to the trend pace of job growth in non-farm payrolls, which has run in the 140k-170k range for the past year, will happen eventually. If it happens this month, it could cause the unemployment rate to push higher just days ahead of the election.

Data on US **consumption and expenditure** as well as the **PCE deflator** are due out on October 29. Scotia is anticipating a decent gain in consumption (+0.7% m/m) that outstrips a solid increase in incomes (+0.4% m/m) resulting in a further deterioration of the savings rate. The wildcard here is that retail sales were extremely strong (+1.1% m/m on headline) which explains our bias towards a high consumption print.

Strong **auto sales** have been one of the positive stories through 2012 and we're expecting the acceleration in sales to continue, with sales increasing to 15million SAAR when the number is released on November 1.

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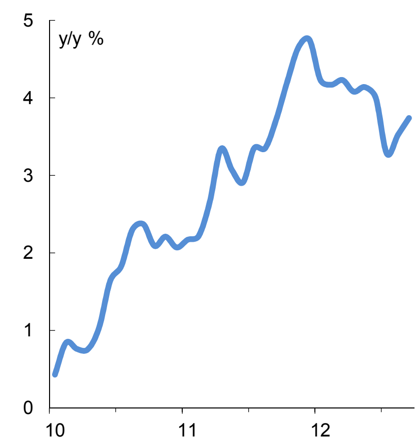
LATIN AMERICA

Although monetary conditions remain unchanged in Peru, headline inflation has been persistently above the official target range (1-3%) for almost a year and a half. The authorities have argued that inflationary pressures are temporary as inflation excluding energy and food prices remains within the tolerance range (2.14% y/y in September). Food prices have been increasing as a result of adverse local weather conditions, causing headline consumer prices to rebound from 3.3% y/y in July to 3.7% in September. We anticipate that inflation will remain above the upper limit of the target range in the coming months; however, the combination of a solid economic performance, the currency strengthening at a faster-than-anticipated pace and the monetary policy lagging effect on prices will allow the central bank to remain on the sidelines, leaving the reference rate unchanged.

Peruvian Headline Inflation

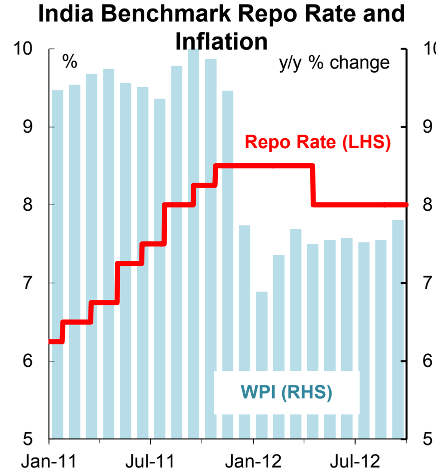


Source: Thomson Reuters.

ASIA

Inflation dynamics will be the cornerstone of the Reserve Bank of India's (RBI) monetary policy decision, scheduled for October 30th. Wholesale price inflation accelerated to 7.8% y/y in September from 7.6% y/y the month before as prices increased by 1.1% during the month. Price pressures will likely continue to build-up in the coming months, reflecting the inflationary impacts of the delayed monsoon and increased fuel prices following recent cuts in subsidies. High inflation combined with India's current account and fiscal deficits has restricted the central bank's ability to implement considerable monetary policy measures in recent months to counter subdued economic conditions. Therefore, we expect that the RBI will maintain the benchmark repo rate unchanged at 8.0% next week. Nevertheless, with some promising economic reforms underway, the monetary authorities may be able to start entertaining an idea of a modest rate reduction towards the end of this year.

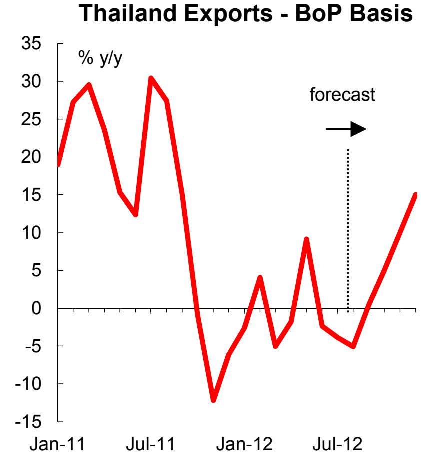
India Benchmark Repo Rate and Inflation



Source: Bloomberg.

Thailand will release September data for exports on a balance of payments basis on October 31st. A good gauge for the forthcoming figures is the Customs Department's assessment of last month's exports, released on October 24th, which showed that Thailand's shipments abroad expanded by 0.2% y/y, the first increase in four months. With China being Thailand's main export destination — accounting for 11% of the nation's total shipments — a modest pick-up in China's economic momentum will be positively reflected in Thailand's export sector performance. Extensive flooding in late-2011 that caused disruptions to Thailand's manufacturing supply chains and affected regional automobile production negatively affected Thai exports last year; due to the base effects, the country's shipments abroad will likely show strong annual increases in the coming months.

Thailand Exports - BoP Basis



Source: Bloomberg, Scotia Economics.

Key Indicators for the week of October 29 - November 2

North America

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	10/29	08:30	PCE Deflator (m/m)	Sep	0.4	0.4	0.4
US	10/29	08:30	PCE Deflator (y/y)	Sep	1.6	1.6	1.5
US	10/29	08:30	PCE ex. Food & Energy (m/m)	Sep	0.1	0.1	0.1
US	10/29	08:30	PCE ex. Food & Energy (y/y)	Sep	1.7	1.7	1.6
US	10/29	08:30	Personal Spending (m/m)	Sep	0.7	0.6	0.5
US	10/29	08:30	Personal Income (m/m)	Sep	0.4	0.4	0.1
US	10/29	10:30	Dallas Fed. Manufacturing Activity	Oct	--	0.0	-0.9
CA	10/30	08:30	IPPI (m/m)	Sep	--	0.1	-0.1
CA	10/30	08:30	Raw Materials Price Index (m/m)	Sep	--	1.0	3.4
US	10/30	09:00	S&P/Case-Shiller Home Price Index (m/m)	Aug	0.4	0.6	0.4
US	10/30	09:00	S&P/Case-Shiller Home Price Index (y/y)	Aug	1.9	1.9	1.2
US	10/30	10:00	Consumer Confidence Index	Oct	73.0	72.0	70.3
US	10/31	07:00	MBA Mortgage Applications (w/w)	OCT 26	--	--	-12.0
US	10/31	08:15	ADP Employment Report (000s m/m)	Oct	140	138	162
CA	10/31	08:30	Real GDP (m/m)	Aug	0.3	0.2	0.2
US	10/31	09:45	Chicago PMI	Oct	--	51.4	49.7
US	11/01	08:30	Continuing Claims (000s)	OCT 20	3270	3252	3254
US	11/01	08:30	Initial Jobless Claims (000s)	OCT 27	370	370	369
US	11/01	10:00	Construction Spending (m/m)	Sep	0.5	0.7	-0.6
US	11/01	10:00	ISM Manufacturing Index	Oct	52.5	51.0	51.5
US	11/01	17:00	Domestic Vehicle Sales (mn a.r.)	Oct	11.7	11.5	11.5
US	11/01	17:00	Total Vehicle Sales (mn a.r.)	Oct	15.0	15.0	14.9
CA	11/02	08:30	Employment (000s m/m)	Oct	15.0	7.5	52.1
CA	11/02	08:30	Unemployment Rate (%)	Oct	7.4	7.4	7.4
US	11/02	08:30	Nonfarm Employment Report (000s m/m)	Oct	100	120	114
US	11/02	08:30	Household Employment Report (000s m/m)	Oct	--	--	873
US	11/02	08:30	Unemployment Rate (%)	Oct	7.9	7.9	7.8
US	11/02	10:00	Factory Orders (m/m)	Sep	4.6	4.5	-5.2

Europe

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
SP	10/29	04:00	Real Retail Sales (y/y)	Sep	--	--	-2.1
UK	10/29	06:59	Nationwide House Prices (m/m)	Oct	0.0	0.1	-0.4
GE	10/29	09:00	CPI (m/m)	Oct P	-0.1	0.0	0.0
GE	10/29	09:00	CPI (y/y)	Oct P	1.9	1.9	2.0
GE	10/29	09:00	CPI - EU Harmonized (m/m)	Oct P	-0.1	0.0	0.0
GE	10/29	09:00	CPI - EU Harmonized (y/y)	Oct P	2.0	2.0	2.1
SP	10/30	03:00	CPI (y/y)	Oct P	--	3.6	3.4
SP	10/30	03:00	CPI - EU Harmonized (y/y)	Oct P	3.3	3.6	3.5
SP	10/30	04:00	Real GDP (q/q)	3Q P	--	-0.4	-0.4
GE	10/30	04:55	Unemployment (000s)	Oct	15	10	9
GE	10/30	04:55	Unemployment Rate (%)	Oct	6.9	6.9	6.8
EC	10/30	06:00	Business Climate Indicator	Oct	--	-1.4	-1.3
EC	10/30	06:00	Economic Confidence	Oct	--	84.4	85.0
EC	10/30	06:00	Industrial Confidence	Oct	--	-17.0	-16.1
GE	10/30	06:59	Retail Sales (m/m)	Sep	--	0.3	0.1
SP	10/30	06:59	Budget Balance YTD (€ mn)	Sep	--	--	-50130
HU	10/30	09:00	**Base Rate (%)**	Oct 30	**6.25**	**6.25**	**6.50**
UK	10/30	20:01	GfK Consumer Confidence	Oct	-27.0	-28.0	-28.0
FR	10/31	03:45	Consumer Spending (m/m)	Sep	0.2	0.2	-0.8
FR	10/31	03:45	Producer Prices (m/m)	Sep	--	0.2	1.2
EC	10/31	06:00	Euro zone CPI Estimate (y/y)	Oct	2.5	2.5	2.7
EC	10/31	06:00	Unemployment Rate (%)	Sep	--	11.5	11.4
IT	10/31	06:00	CPI (m/m)	Oct P	--	0.3	0.0
IT	10/31	06:00	CPI (y/y)	Oct P	--	3.0	3.2
IT	10/31	06:00	CPI - EU Harmonized (m/m)	Oct P	0.3	0.6	2.1
IT	10/31	06:00	CPI - EU Harmonized (y/y)	Oct P	2.8	3.1	3.4
SP	10/31	06:59	Current Account (€ bn)	Aug	--	--	0.5
NO	10/31	09:00	**Norwegian Deposit Rates (%)**	Oct 31	**1.50**	**1.50**	**1.50**

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

Key Indicators for the week of October 29 - November 2

Europe *(continued from previous page)*

UK	11/01	05:30	Manufacturing PMI	Oct	49.0	48.0	48.4
RU	11/01	07:59	**Russia Refinancing Rate (%)**	Nov 1	**8.25**	**8.25**	**8.25**
IT	11/02	04:45	Manufacturing PMI	Oct	--	45.3	45.7
UK	11/02	05:30	PMI Construction	Oct	--	49.0	49.5
IT	11/02	14:00	Budget Balance (€ bn)	Oct	--	--	-11.4
IT	11/02	14:00	Budget Balance YTD (€ bn)	Oct	--	--	-45.5

Asia Pacific

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
JN	10/28	19:50	Large Retailers' Sales (y/y)	Sep	--	-1.2	-0.9
JN	10/28	19:50	Retail Trade (m/m)	Sep	--	-1.5	1.5
JN	10/28	19:50	Retail Trade (y/y)	Sep	--	1.0	1.7
JN	10/29	19:30	Household Spending (y/y)	Sep	--	0.8	1.8
JN	10/29	19:30	Jobless Rate (%)	Sep	4.2	4.2	4.2
JN	10/29	19:50	Industrial Production (m/m)	Sep P	--	-3.1	-1.6
IN	10/30	01:30	**Repo Rate (%)**	Oct 30	**8.00**	**8.00**	**8.00**
IN	10/30	01:30	Reverse Repo Rate (%)	Oct 30	7.00	7.0	7.0
IN	10/30	01:30	Cash Reserve Ratio (%)	Oct 30	--	4.3	4.5
JN	10/30	06:59	**BoJ Target Rate (%)**	Oct 30	**0.10**	**0.10**	**0.10**
AU	10/30	20:30	Building Approvals (m/m)	Sep	--	1.0	6.4
JN	10/31	01:00	Housing Starts (y/y)	Sep	--	17.0	-5.5
TH	10/31	03:30	Exports (y/y)	Sep	0.5	--	-5.1
TH	10/31	03:30	Imports (y/y)	Sep	--	--	-11.0
TH	10/31	03:30	Trade Balance (US$ mn)	Sep	--	--	1541
SK	10/31	20:00	Exports (y/y)	Oct	0.0	-0.5	-2.0
SK	10/31	20:00	Imports (y/y)	Oct	--	0.8	-6.1
SK	10/31	20:00	Trade Balance (US$ mn)	Oct	--	3425	3065
CH	10/31	21:00	Manufacturing PMI	Oct	50.0	50.3	49.8
ID	10/31	23:00	Imports (y/y)	Sep	--	-5.2	-8.0
ID	11/01	00:00	Exports (y/y)	Sep	--	-13.6	-24.3
ID	11/01	00:00	Trade Balance (US$ mn)	Sep	--	390.0	248.5
JN	11/01	01:00	Vehicle Sales (y/y)	Oct	--	--	-8.1
JN	11/01	07:59	Official Reserve Assets (US$ bn)	Oct	--	--	1277
JN	11/01	19:50	Monetary Base (y/y)	Oct	--	--	9.0

Latin America

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CL	10/30	08:00	Industrial Production (y/y)	Sep	--	3.0	3.6
CL	10/30	08:00	Retail Sales (y/y)	Sep	--	9.2	11.3
CL	10/31	08:00	Unemployment Rate (%)	Sep	--	6.4	6.4
CO	10/31	12:00	Urban Unemployment Rate (%)	Sep	--	10.2	10.5
BZ	11/01	07:00	Industrial Production SA (m/m)	Sep	--	-0.5	1.5
BZ	11/01	07:00	Industrial Production (y/y)	Sep	--	-2.2	-2.0
PE	11/01	07:00	Consumer Price Index (m/m)	Oct	--	--	0.5
PE	11/01	07:00	Consumer Price Index (y/y)	Oct	--	--	3.7
BZ	11/01	08:00	PMI Manufacturing Index	Oct	--	--	49.8
BZ	11/01	13:00	Trade Balance (FOB) - Monthly (US$ mn)	Oct	--	2057	2557

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

Global Auctions for the week of October 29 - November 2

North America

Country	Date	Time	Event
US	10/29	11:00	U.S. Fed to Sell USD7.00-8.00 Bln Notes
US	10/29	11:30	U.S. to Sell 3-Month Bills
US	10/29	11:30	U.S. to Sell 6-Month Bills
US	10/30	11:00	U.S. Fed to Purchase USD1.75-2.25 Bln Notes
US	10/30	11:30	U.S. to Sell 4-Week Bills
US	10/31	11:00	U.S. Fed to Purchase USD4.25-5.25 Bln Notes

Europe

Country	Date	Time	Event
DE	10/29	05:20	Denmark to Buy Back Bonds
IT	10/29	06:00	Italy to Sell Bills
GE	10/29	06:30	Germany to Sell EU3 Bln 12-Mth Bills
BE	10/29	07:00	Belgium to Sell 4% 2032 Bonds on Oct. 29
FR	10/29	10:00	France to Sell Bills (BTF)
DE	10/30	05:30	Denmark to Sell Bills
IT	10/30	06:00	Italy to Sell Bonds/Floating/Zero Coupon
SZ	10/30	06:30	Switzerland to Sell 3-Month Bills
UK	10/30	06:30	U.K. to Sell GBP1.5 Bln 4.75% 2015 Bonds
SW	10/31	06:03	Sweden to Sell Bonds
SW	10/31	06:03	Sweden to Sell Bonds
GE	10/31	06:30	Germany to Sell Add'l EU2 Bln 30-Year Notes
FR	11/01	06:00	France to Sell Bonds (OAT)
SW	11/01	06:03	Sweden to Sell I/L Bonds
SW	11/01	06:03	Sweden to Sell Inflation-Linked Bonds
UK	11/01	06:30	U.K. to Sell 0.75% I/L 2047 Gilt
UK	11/01	06:30	U.K. to Sell GBP900 Mln 0.75% I/L 2047 Bonds

Asia Pacific

Country	Date	Time	Event
JN	10/31	23:35	Japan to Sell 3-Month Bills
JN	10/31	23:45	Japan to Sell 10-Year Bonds

Source: Bloomberg, Scotiabank Economics.

Events for the week of October 29 - November 2

North America

Country	Date	Time	Event
US	10/29	15:00	U.S. Treasury Issues Quarterly Borrowing Estimate
US	10/30	12:30	Fed's Dudley to Speak on Economic Conditions in Connecticut
US	10/30	20:00	Fed's Kocherlakota Speaks at Town Hall Forum in Minnesota
US	10/31	09:00	U.S. Treasury Makes Quarterly Refunding Announcement
US	10/31	12:45	Fed's Williams Speaks on Monetary Policy in New York
US	11/01	12:30	Fed's Lockhart Speaks on Economy in Chattanooga, Tennessee
US	11/01	17:00	Fed's Rosengren Speaks on Economic Outlook in Massachusetts
US	11/02	14:25	Fed's Williams Speaks on the Economy in Salt Lake City

Europe

Country	Date	Time	Event
EC	10/29	10:30	ECB Calls for Bids in 7-Day Main Refinancing Tender
EC	10/29	10:30	ECB Announces Bond Purchases
UK	10/29	12:30	Kay Testifies to U.K. Parliamentary Banking Standards Panel
GE	10/29	13:00	Former ECB President Trichet Speech on Bank's Crisis Policy
GE	10/29	13:00	Merkel Addresses CDU Rally in Schwerin
IT	10/30	03:00	Italy Finance Minister Grilli at Euromoney Conference in Milan
IT	10/30	04:00	Monti, Passera, Visco Attend World Economic Forum Rome Event
GE	10/30	04:00	Schaeuble, Steinbrueck, Schroeder, Schmidt at Euro Event
GE	10/30	04:55	October Unemployment Data Released by Federal Labor Agency
GE	10/30	06:00	Merkel Speaks in Halle at Franckesche Stiftungen
EC	10/30	06:15	ECB Announces Allotment in 7-Day Main Refinancing Tender
EC	10/30	08:00	ECB Announces Allotment in 7-Day Term Deposits
HU	10/30	09:00	**Base Rate (%)**
EC	10/30	10:30	ECB Calls for Bids in 3-Month Tender
FI	10/30	11:00	Nordic Region's Prime Ministers Meet in Helsinki
EC	10/31	04:00	ECB Calls for Bids in 7-Day Dollar Tender
UK	10/31	05:30	Taylor Testifies to U.K. Parliamentary Banking Standards Panel
EC	10/31	06:15	ECB Announces Allotment in 3-Month Tender
UK	10/31	08:00	Prime Minister's Question Time in House of Commons
NO	10/31	09:00	**Norwegian Deposit Rates (%)**
UK	10/31	10:15	U.K. HMRC Officials Testify to Treasury Panel
EC	10/31		Euro-Area Finance Ministers to Discuss Greek Rescue
PO	10/31		Bank of Portugal Publishes Bank Survey on Credit Market
RU	11/01	07:59	**Russia Refinancing Rate (%)**

Asia Pacific

Country	Date	Time	Event
JN	OCT 28-29		Japanese Parliament Holds Special Session
JN	OCT 29-30		Bank of Japan Policy Makers Meeting
JN	OCT 29-30		**BOJ Target Rate**
IN	10/30	01:30	**Reverse Repo Rate**
IN	10/30	01:30	India REPO Cutoff Yld
IN	10/30	01:30	Cash Reserve Ratio
AU	10/30	03:00	RBA's Lowe Speaks at Fixed-Income Conference in Sydney
NZ	10/30	17:45	Statistics New Zealand on New Dwelling Approvals
IN	10/31	07:00	364 Day T-Bill Cutoff Yield
IN	10/31	07:00	91 Day T-Bill Cutoff Yield
AU	11/01	01:30	RBA Commodity Index SDR YoY%
NZ	11/01	20:00	ANZ Commodity Price Index

Latin America

Country	Date	Time	Event
CL	10/27	23:00	Chile Holds Municipal Elections Nationwide

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	December 4, 2012	1.00	--
Federal Reserve – Federal Funds Target Rate	0.25	December 12, 2012	0.25	--
Banco de México – Overnight Rate	4.50	November 30, 2012	4.50	--

BoC: A volatile week for the BoC left Scotia's view on the trajectory of BoC policy unchanged. In Governor Carney's words, "the case for adjustment of [interest] rates has become less imminent." We continue to expect the BoC to remain on hold into 2014 H1. The MPR downgraded the BoC's expectations for Q3 2012 GDP and pushed out its projection for the closure of the output gap to the end of 2013. Fed: The FOMC issued a maintenance statement that was nearly identical to its September release. We expect Treasury buying to be announced at the December meeting and for the Fed funds target guidance to remain unchanged.

Europe

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	0.75	November 8, 2012	0.75	--
Bank of England – Bank Rate	0.50	November 8, 2012	0.50	0.50
Swiss National Bank – Libor Target Rate	0.00	December 13, 2012	0.00	--
Central Bank of Russia – Refinancing Rate	8.25	November 9, 2012	8.25	8.25
Hungarian National Bank – Base Rate	6.50	October 30, 2012	6.25	6.25
Central Bank of the Republic of Turkey – 1 Wk Repo Rate	5.75	November 20, 2012	5.75	--
Sweden Riksbank – Repo Rate	1.25	December 18, 2012	1.25	--
Norges Bank – Deposit Rate	1.50	October 31, 2012	1.50	1.50

Hungarian monetary authorities will likely continue to ease monetary conditions for the third consecutive month on October 30th, cutting the benchmark base rate by 25 basis points to 6.25%. While inflation is on the rise, monetary authorities assess that weak domestic demand and improved perceptions of risks associated with the Hungarian economy warrant looser monetary conditions.

Asia Pacific

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Target Rate	0.10	October 30, 2012	0.10	0.10
Reserve Bank of Australia – Cash Target Rate	3.25	November 5, 2012	3.25	3.00
Reserve Bank of New Zealand – Cash Rate	2.50	December 5, 2012	2.50	--
People's Bank of China – Lending Rate	6.00	TBA	--	--
Reserve Bank of India – Repo Rate	8.00	October 30, 2012	8.00	8.00
Bank of Korea – Bank Rate	2.75	November 8, 2012	2.75	--
Bank of Thailand – Repo Rate	2.75	November 28, 2012	2.75	--
Bank Indonesia – Reference Interest Rate	5.75	November 8, 2012	5.75	5.75

We expect the Bank of Japan (BoJ) to consider further monetary stimulus measures at the next policy meeting on October 30th as Japan's economic conditions remain weak and deflationary pressures persist. The BoJ will likely add another ¥10 trillion to its asset purchase program, raising its total size to ¥90 trillion. We expect the Reserve Bank of India to keep monetary conditions unchanged on October 30th; for more detailed analysis on Indian monetary policy, please refer to the Key Data Preview on page A2 of this publication.

Latin America

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	7.25	November 28, 2012	7.25	--
Banco Central de Chile – Overnight Rate	5.00	November 13, 2012	5.00	--
Banco de la República de Colombia – Lending Rate	4.75	November 23, 2012	4.50	--
Banco Central de Reserva del Perú – Reference Rate	4.25	November 8, 2012	4.25	--

Africa

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	5.00	November 22, 2012	5.00	--

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

Forecasts as at September 27, 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	3.3				
Canada	2.2	2.4	1.9	1.8	2.1	2.9	1.7	2.0
United States	1.8	1.8	2.1	1.9	2.5	3.1	2.1	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	-0.3	1.2	2.1	4.2	2.3	3.0
Euro Zone	1.4	1.5	-0.7	0.2	2.1	2.7	2.4	2.0
Japan	0.9	-0.7	2.3	1.5	-0.3	-0.2	0.1	0.1
Australia	3.1	2.1	3.2	3.1	3.1	3.1	2.6	2.8
China	9.4	9.3	7.8	8.2	2.3	4.1	2.7	3.5
India	7.5	10.0	5.7	6.3	6.4	7.7	8.0	7.0
South Korea	4.6	3.6	2.8	3.5	3.1	4.8	2.2	3.0
Thailand	4.4	0.1	5.0	4.0	2.7	3.5	3.3	3.6
Brazil	3.7	2.7	1.7	3.8	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	5.7	2.4	4.7	3.0	3.0
Central Bank Rates (%, end of period)	**12Q1**	**12Q2**	**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	0.75	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	3.75	3.50	3.50	3.25	3.25	3.25	3.50	3.50
Exchange Rates (end of period)								
Canadian Dollar (USDCAD)	1.00	1.02	0.98	0.96	0.96	0.96	0.97	0.97
Canadian Dollar (CADUSD)	1.00	0.98	1.02	1.04	1.04	1.04	1.03	1.03
Euro (EURUSD)	1.33	1.27	1.29	1.26	1.24	1.23	1.22	1.21
Sterling (GBPUSD)	1.60	1.57	1.62	1.62	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	1.04	1.04	1.05	1.05	1.06	1.06
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	12.9	12.8	12.9	12.8	12.9	13.2
Brazilian Real (USDBRL)	1.83	2.01	2.03	1.99	1.98	1.95	1.90	1.86

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	3.50
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$/oz)	586	1,569	1,690	1,800
Pulp (US$/tonne)	694	977	880	900
Newsprint (US$/tonne)	575	640	640	660
Lumber (US$/mfbm)	273	255	285	315

[1] World GDP for 2000-10 are IMF PPP estimates; 2011-13f are Scotiabank 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 Scotiabank 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)	2.6	1.8	1.9		
Current Acc. Bal. (C$B, ar)	-52.3	-59.8	-73.5		
Merch. Trade Bal. (C$B, ar)	0.9	1.3	-14.9	-12.7	(Aug)
Industrial Production	3.5	0.9	2.6	1.9	(Jul)
Housing Starts (000s)	193	206	231	225	(Sep)
Employment	1.6	0.9	1.2	1.1	(Sep)
Unemployment Rate (%)	7.5	7.4	7.3	7.4	(Sep)
Retail Sales	4.1	4.3	2.6	2.7	(Aug)
Auto Sales (000s)	1589	1702	1671	1690	(Aug)
CPI	2.9	2.3	1.6	1.2	(Sep)
IPPI	4.6	1.8	0.6	0.3	(Aug)
Pre-tax Corp. Profits	15.4	4.2	0.4		

United States	2011	12Q1	12Q2	Latest	
Real GDP (annual rates)	1.8	2.0	1.3	2.0	(Q3-A)
Current Acc. Bal. (US$B, ar)	-466	-534	-470		
Merch. Trade Bal. (US$B, ar)	-738	-777	-743	-712	(Aug)
Industrial Production	4.1	4.0	4.9	3.1	(Sep)
Housing Starts (millions)	0.61	0.71	0.74	0.87	(Sep)
Employment	1.1	1.6	1.3	1.4	(Sep)
Unemployment Rate (%)	9.0	8.3	8.2	7.8	(Sep)
Retail Sales	8.3	6.4	4.3	5.3	(Sep)
Auto Sales (millions)	12.7	14.1	14.1	14.9	(Sep)
CPI	3.2	2.8	1.9	2.0	(Sep)
PPI	6.0	3.4	1.1	2.1	(Sep)
Pre-tax Corp. Profits	2.1	18.0	14.6		

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	2.8	(Sep)
Industrial Production	4.0	4.4	3.7	3.6	(Aug)
CPI	3.4	3.9	3.9	4.8	(Sep)

Europe

Euro Zone	2011	12Q1	12Q2	Latest	
Real GDP	1.5	-0.1	-0.5		
Current Acc. Bal. (US$B, ar)	-3	-24	84	107	(Aug)
Merch. Trade Bal. (US$B, ar)	6.9	33.0	131.6	66.1	(Aug)
Industrial Production	3.5	-1.6	-2.2	-2.3	(Aug)
Unemployment Rate (%)	10.1	10.8	11.2	11.4	(Aug)
CPI	2.7	2.7	2.5	2.6	(Sep)

Germany	2011	12Q1	12Q2	Latest	
Real GDP	3.1	1.2	1.0		
Current Acc. Bal. (US$B, ar)	202.6	215.8	192.1	165.8	(Aug)
Merch. Trade Bal. (US$B, ar)	216.1	225.6	246.0	272.6	(Aug)
Industrial Production	8.0	0.7	-0.1	-1.4	(Aug)
Unemployment Rate (%)	7.1	6.8	6.8	6.8	(Sep)
CPI	2.3	2.2	1.9	2.0	(Sep)

France					
Real GDP	1.7	0.4	0.3		
Current Acc. Bal. (US$B, ar)	-54.5	-51.1	-81.3	-56.1	(Aug)
Merch. Trade Bal. (US$B, ar)	-52.6	-54.6	-57.3	-51.2	(Aug)
Industrial Production	2.0	-1.8	-1.9	-0.9	(Aug)
Unemployment Rate (%)	9.7	10.0	10.3	10.6	(Aug)
CPI	2.1	2.3	2.0	1.9	(Sep)

United Kingdom					
Real GDP	0.9	-0.1	-0.5		
Current Acc. Bal. (US$B, ar)	-46.4	-100.3	-128.6		
Merch. Trade Bal. (US$B, ar)	-160.3	-159.8	-177.6	-185.6	(Aug)
Industrial Production	-0.7	-2.8	-2.5	-1.1	(Aug)
Unemployment Rate (%)	8.1	8.2	8.1	7.9	(Jul)
CPI	4.5	3.5	2.7	2.2	(Sep)

Italy					
Real GDP	0.6	-1.4	-2.6		
Current Acc. Bal. (US$B, ar)	-0.07	-0.07	0.00	-0.04	(Aug)
Merch. Trade Bal. (US$B, ar)	-34.2	-17.5	16.7	-8.9	(Aug)
Industrial Production	0.2	-5.3	-7.5	-6.4	(Aug)
CPI	2.8	3.4	3.3	3.2	(Sep)

Russia					
Real GDP	4.3	4.9	4.0		
Current Acc. Bal. (US$B, ar)	98.8	40.4	21.2		
Merch. Trade Bal. (US$B, ar)	16.5	19.7	16.7	12.6	(Aug)
Industrial Production	4.8	4.1	2.3	2.0	(Sep)
CPI	8.4	3.9	3.8	6.6	(Sep)

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

Source: Bloomberg, Global Insight, Scotiabank 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	28.0	-5.4	(Aug)
Industrial Production	-1.2	3.9	0.5		
Unemployment Rate (%)	5.1	5.2	5.1	5.4	(Sep)
CPI	3.3	1.6	1.2		

Japan	2011	12Q1	12Q2	Latest	
Real GDP	-0.7	2.8	3.3		
Current Acc. Bal. (US$B, ar)	119.2	101.1	56.8	69.4	(Aug)
Merch. Trade Bal. (US$B, ar)	-33.0	-71.6	-75.0	-150.5	(Sep)
Industrial Production	-2.3	2.7	5.1	-4.7	(Aug)
Unemployment Rate (%)	4.6	4.5	4.4	4.2	(Aug)
CPI	-0.3	0.3	0.2	-0.3	(Sep)

South Korea	2011	12Q1	12Q2	Latest	
Real GDP	3.6	2.8	2.3		
Current Acc. Bal. (US$B, ar)	26.5	10.2	44.8	28.3	(Aug)
Merch. Trade Bal. (US$B, ar)	30.8	5.3	38.1	36.8	(Sep)
Industrial Production	6.9	2.9	2.4	0.1	(Aug)
CPI	4.0	3.0	2.4	2.0	(Sep)

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	1.3	274.2	332.0	(Sep)
Industrial Production	12.8	11.9	9.5	9.2	(Sep)
CPI	4.1	3.6	2.2	1.9	(Sep)

Thailand	2011	12Q1	12Q2	Latest	
Real GDP	0.1	0.4	4.2		
Current Acc. Bal. (US$B, ar)	5.9	1.4	-2.4		
Merch. Trade Bal. (US$B, ar)	1.4	0.4	0.5	1.5	(Aug)
Industrial Production	-9.4	-7.1	-1.5	-11.0	(Aug)
CPI	3.8	3.4	2.5	3.4	(Sep)

India	2011	12Q1	12Q2	Latest	
Real GDP	7.5	5.3	5.5		
Current Acc. Bal. (US$B, ar)	-62.8	-21.7	-16.4		
Merch. Trade Bal. (US$B, ar)	-13.5	-15.7	-13.7	-18.1	(Sep)
Industrial Production	4.8	0.6	-0.2	2.7	(Aug)
WPI	9.5	7.3	7.5	7.8	(Sep)

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	(Aug)
Industrial Production	4.1	5.4	3.3	3.6	(Aug)
CPI	5.4	3.7	4.5	4.3	(Sep)

Latin America

Brazil	2011	12Q1	12Q2	Latest	
Real GDP	2.5	0.6	0.4		
Current Acc. Bal. (US$B, ar)	-52.5	-48.2	-52.7		
Merch. Trade Bal. (US$B, ar)	29.8	9.7	18.5	30.7	(Sep)
Industrial Production	0.4	-3.5	-4.4	-2.0	(Aug)
CPI	6.6	5.8	5.0	5.3	(Sep)

Chile	2011	12Q1	12Q2	Latest	
Real GDP	6.0	5.3	5.5		
Current Acc. Bal. (US$B, ar)	-0.3	-0.5	-9.8		
Merch. Trade Bal. (US$B, ar)	10.0	10.2	5.1	-0.4	(Sep)
Industrial Production	6.9	3.9	2.8	3.6	(Aug)
CPI	3.3	4.1	3.1	2.8	(Sep)

Peru	2011	12Q1	12Q2	Latest	
Real GDP	6.9	6.0			
Current Acc. Bal. (US$B, ar)	-3.3	-0.9	-2.2		
Merch. Trade Bal. (US$B, ar)	0.9	0.8	0.2	0.0	(Aug)
Unemployment Rate (%)	7.7	8.3	7.2	6.6	(Sep)
CPI	3.4	4.2	4.1	3.7	(Sep)

Colombia	2011	12Q1	12Q2	Latest	
Real GDP	5.9	4.7	4.9		
Current Acc. Bal. (US$B, ar)	-10.0	-1.6	-3.2		
Merch. Trade Bal. (US$B, ar)	0.4	0.7	0.2	-0.3	(Aug)
Industrial Production	5.0	1.8	-0.1	1.5	(Jul)
CPI	3.4	3.5	3.4	3.1	(Sep)

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

Source: Bloomberg, Global Insight, Scotiabank Economics.

Interest Rates (%, end of period)

Canada	12Q2	12Q3	Oct/19	Oct/26*	United States	12Q2	12Q3	Oct/19	Oct/26*
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	0.88	0.98	0.97	1.00	3-mo. T-bill	0.08	0.09	0.09	0.11
10-yr Gov't Bond	1.74	1.73	1.85	1.86	10-yr Gov't Bond	1.64	1.63	1.76	1.76
30-yr Gov't Bond	2.33	2.32	2.43	2.43	30-yr Gov't Bond	2.75	2.82	2.93	2.93
Prime	3.00	3.00	3.00	3.00	Prime	3.25	3.25	3.25	3.25
FX Reserves (US$B)	66.0	67.9	67.9	(Sep)	FX Reserves (US$B)	138.8	142.0	142.0	(Sep)
Germany					**France**				
3-mo. Interbank	0.53	0.11	0.14	0.16	3-mo. T-bill	0.04	0.00	-0.02	-0.02
10-yr Gov't Bond	1.58	1.44	1.59	1.54	10-yr Gov't Bond	2.69	2.18	2.21	2.25
FX Reserves (US$B)	68.2	68.5	68.5	(Sep)	FX Reserves (US$B)	49.6	50.9	50.9	(Sep)
Euro Zone					**United Kingdom**				
Refinancing Rate	1.00	0.75	0.75	0.75	Repo Rate	0.50	0.50	0.50	0.50
Overnight Rate	0.38	0.11	0.10	0.09	3-mo. T-bill	0.37	0.35	0.34	0.34
FX Reserves (US$B)	328.7	332.8	332.8	(Sep)	10-yr Gov't Bond	1.73	1.73	1.88	1.86
					FX Reserves (US$B)	84.4	87.9	87.9	(Sep)
Japan					**Australia**				
Discount Rate	0.30	0.30	0.30	0.30	Cash Rate	3.50	3.50	3.25	3.25
3-mo. Libor	0.13	0.13	0.13	0.13	10-yr Gov't Bond	3.04	2.99	3.18	3.24
10-yr Gov't Bond	0.84	0.78	0.79	0.77	FX Reserves (US$B)	44.1	42.4	42.4	(Sep)
FX Reserves (US$B)	1231.2	1233.3	1233.3	(Sep)					

Exchange Rates (end of period)

USDCAD	1.02	0.98	0.99	1.00	¥/US$	79.79	77.94	79.32	79.61
CADUSD	0.98	1.02	1.01	1.00	US¢/Australian$	1.02	1.04	1.03	1.04
GBPUSD	1.571	1.617	1.601	1.609	Chinese Yuan/US$	6.36	6.29	6.25	6.25
EURUSD	1.267	1.286	1.302	1.293	South Korean Won/US$	1141	1113	1105	1097
JPYEUR	0.99	1.00	0.97	0.97	Mexican Peso/US$	13.363	12.859	12.885	13.012
USDCHF	0.95	0.94	0.93	0.94	Brazilian Real/US$	2.012	2.028	2.028	2.026

Equity Markets (index, end of period)

United States (DJIA)	12880	13437	13344	13074	U.K. (FT100)	5571	5742	5896	5801
United States (S&P500)	1362	1441	1433	1407	Germany (Dax)	6416	7216	7381	7217
Canada (S&P/TSX)	11597	12317	12416	12300	France (CAC40)	3197	3355	3505	3427
Mexico (IPC)	40200	40867	42387	41851	Japan (Nikkei)	9007	8870	9003	8933
Brazil (Bovespa)	54355	59176	58922	57334	Hong Kong (Hang Seng)	19441	20840	21552	21546
Italy (BCI)	761	825	855	841	South Korea (Composite)	1854	1996	1944	1891

Commodity Prices (end of period)

Pulp (US$/tonne)	900	830	830	830	Copper (US$/lb)	3.45	3.75	3.68	3.52
Newsprint (US$/tonne)	640	640	640	640	Zinc (US$/lb)	0.84	0.95	0.85	0.81
Lumber (US$/mfbm)	283	285	302	313	Gold (US$/oz)	1598.50	1776.00	1737.00	1716.00
WTI Oil (US$/bbl)	84.96	92.19	90.05	85.81	Silver (US$/oz)	27.08	34.65	32.33	31.67
Natural Gas (US$/mmbtu)	2.82	3.32	3.62	3.37	CRB (index)	284.19	309.30	306.05	297.74

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

Fixed Income Strategy (London)

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