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Global Views

Weekly commentary on economic and financial market developments

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Fed Guidance To Take A Back Seat To The Crimean Referendum?

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

Europe — Crimean Tensions To Escalate

This Sunday marks the date of the Crimean referendum on independence and with that will come a likely rapid pace of developments that could well escalate geopolitical tensions and put a dent in the risk trade in favour of safe havens like Treasuries, the USD, the yen, and gold. The Russian-satellite Crimean parliament has already voted to secede, with the referendum being the next step necessary to at least create the faux impression of a democratic process. Russians equaled 58% of the population of Crimea in the last 2001 Census and, while not an overwhelmingly dominant share, they are likely to carry a yes vote.

Aside from the large minority of non-Russian voters, whether that matters in a right to self-determination sense for the Russian population depends upon whether you view today's dominant Russian population in the broader context of centuries of history that forced this dominance upon Crimea. While these actions date back centuries in time, the 20th century experience continued the gradual takeover of Crimea by Russia. Indeed, the dominant Russian population exists today thanks partly to efforts to move Russians to Crimea and because of the decimation of the local Tatar population through policies pursued over centuries including by the Soviet Union. They included the starvations of 1921, the Soviet collectivization of 1928-29, and then Stalin's "Great Purge" when the remaining Tatar population was forcibly moved to Central Asia and many died of starvation. The Tatar population was reduced from as much as 90% of the population within some districts in Crimea on the eve of WWII to less than a quarter million Tatars in all of Crimea today and they are a vulnerable pro-Ukrainian minority group that faces the risk of a backlash in Crimea. Should a dominant Russian population be granted its wish to secede from Ukraine when judged in the context of such atrocities that forced this dominance? For further reading, I found this article to be insightful.

At issue is the legality of the likely yes vote. Crimea is a part of Ukraine under international law and therefore does not hold the legal authority to unilaterally secede even though it is a semi-autonomous republic. There are two broad reasons for this. One is that in order to change Ukraine's borders, a national referendum — not just one in Crimea — would be needed under international law. Second is that international law frowns upon foreign intervention in the quest for independence by a subset of a nation and Russian interference is plain as day.

Regardless, the yes vote will then likely trigger the Crimean Parliament to repeat its request to join Russia. Expect the Duma to support the quest, and then President Putin to decide. Upon accepting Crimea's request to join Russia, **how Ukraine responds and what the West does hold market tensions in the balance with events likely to unfold rapidly.** To that effect, President Obama's recent meeting with Ukrainian Prime Minister Yatsenyuk was a symbolic act of support backed by aid and a move toward sanctions.

This issue is likely to dominate the upcoming **European Council "Leaders Summit"** at the end of the week and swamp other items on the agenda other than advance preparation for the following week's EU-US Summit to be attended by President Obama that will probably reinforce the joint US-EU response to Russia.

Data risk will be primarily focused on Tuesday and Wednesday. Germany's ZEW investor expectations survey will be updated on Wednesday and is part of the trio of sentiment indicators that are closely watched (alongside PMIs and IFO business confidence). Eurozone trade and Italian industrial orders round out the Eurozone hits.

In the wake of Bank of England Governor Mark Carney's marathon parliamentary testimony including the Quarterly Inflation Report, we have **low expectations for anything material arising from Wednesday's minutes to the Monetary Policy Council's meeting on March 6th other than the possible risk of clearer dissent on issues such as the amount of spare capacity in the UK economy**. We already know of internal dissent surrounding the BoE's freshly introduced output gap and inflation forecasting framework that replaced reliance upon unemployment rate thresholds as Carney believes in a larger output gap estimate than some other MPC members. That will make the unemployment rate due out on the same day a little anticlimactic as the BoE policy framework has shifted away from relying on it. Alan Clarke — our UK fixed income strategist — and Mary Webb will tag team with views on the UK Budget due out the same day.

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US — Federal Reserve To Provide More Rate Guidance?

The Federal Reserve's second policy meeting of 2014 could be the second big show of the week on Wednesday. We will give a fuller FOMC preview in *Global Views*, but here is a summary of our expectations:

- The better-than-expected nonfarm payrolls print for February cemented **a further $10 billion reduction in bond purchases** that we think will be evenly split between Treasuries and agency MBS, if that wasn't already the case before nonfarm. A very high bar has been set against deviating from further 'tapering'.

- **The focus is likely to be upon how to change Fed funds target guidance.** FOMC officials like NY Fed President William Dudley have made it sound likely that this is the meeting to do so. This could include either altering the numerical policy thresholds such as lowering the unemployment rate above which the Fed is unlikely to raise rates with a lag. More likely than that, in our view, would be scrapping the explicit thresholds in favour of qualitative guidance that would be like a return to the Fed statements of old before the thresholds experiment was introduced, and/or altering and more explicitly emphasizing the Fed funds rate forecasts provided by FOMC officials as an anonymous scatterplot. Eventually the Fed is likely to put growing emphasis upon shifting communication toward increased reliance upon alternative rates including Interest on Excess Reserves (IOER). We think the Fed is unlikely to fundamentally alter its main message that rate hikes remain in sight next year at the earliest and will proceed at a measured pace.

- **Low likelihood of significant forecast revisions.** The December 2013 FOMC projections for growth, the unemployment rate and inflation are still generally tracking Bloomberg consensus, and FOMC officials have strongly stated a tendency to look through mixed but often soft readings in Q1 due to temporary effects like weather (and we think inventories). This implies no willingness to change full-year forecasts.

Well behind potential Fed implications to markets will be **modest data risk spread throughout the week**. Monday could see more encouraging industrial data including a return to output growth and an improved print in the Empire regional manufacturing survey. Monday might also see firmer homebuilder confidence following strong new home sales in January, but the impact of weather on model home foot traffic will be watched closely to see if the new home sales gain will be sustained into February. Tuesday's CPI print should keep inflation well below the Fed's 2% longer-run target and with limited effect on the 10 year TIPS reopening on Thursday, while that same day's housing starts might recover some of the prior month's weather-induced plunge. The same might be true of Thursday's home resales print and the weather-hit Philly Fed business outlook gauge.

Canada — Call Out The Crash Cart For CPI Again?

It may take until the end of the week to arrive, but Canadian CPI will be the marquee release of the week. **How low could Cdn CPI inflation go in the next print for February on March 21st? A year-ago headline inflation print under 1% is likely, and a half percentage point that turns into zero when the BoC's over-estimation bias is removed is entirely possible.** This is a key risk to near-term BoC pricing that we think isn't getting enough attention and that could make OIS cut pricing light at the moment and CAD too strong even as it re-tests late January lows against the USD. Tracking of the year-over-year headline CPI rise has only 0.36% y/y baked into February CPI so far based upon the eleven months up to January and starting with the high base effect of February 2012. For February to repeat January's 1.5% y/y headline rise, we'd therefore have to see a seasonally unadjusted gain of 1.2% m/m in February. That happened last February but mostly because of huge jumps in gasoline prices and curtailed auto rebates; we know we didn't have the same gas price hike this February and doubt that there will be another similar reversal of auto rebates. Before that, the last time we saw such a m/m gain (or greater) was way back in January 1991 so last February was clearly an outlier on the longer -run trend. For inflation to even hit 1% y/y in February, we'd need a pretty strong 0.7% m/m seasonally unadjusted rise in February's prices over January. That's not at all impossible, but would be a strong outlier along the more recent trend. The tobacco tax hike is likely to have a minor effect on February CPI as are natural gas price increases with regulatory changes lagging market rates. The tobacco tax hike will get captured in the sampling of food prices that occurs over the first three weeks of the month (many other prices are

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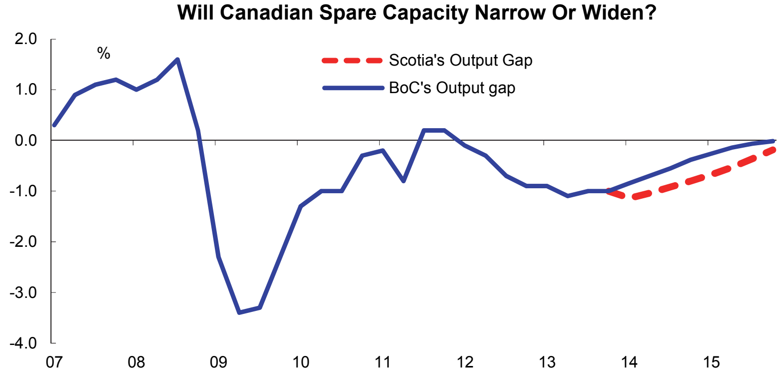
sampled over the first week), but we figure it will add under 0.1% m/m or so to February's CPI. Gasoline prices were up about 2% m/m in February with a 5% weight so that's another 0.1% addition to m/m CPI. Then the rest depends upon uncertain effects like CAD import pass-through and seasonal price increases in categories like clothing, recreation and reading, etc. Put another way, if all February does is repeat the average monthly CPI gain of 0.1% since the start of last year, then headline CPI will plunge down to 0.4% y/y. If CPI comes in at the high end of the past year's m/m experiences, then CPI will still drop to 0.6% y/y.

Will Canadian Spare Capacity Narrow Or Widen?



Source: Bank of Canada, Statistics Canada, Scotiabank Economics

Note that this is the last inflation print we'll get on the path to the next Bank of Canada Monetary Policy Report on April 16th. Very low inflation could be combined with the possibility that **the BoC might have to revise upward its estimate of spare capacity in the next MPR.** Indeed, if we're right in viewing downside to 2014Q1 GDP growth on weather and inventory effects, then progress in reducing the output gap is likely to be delayed yet again in comparison to the Bank of Canada's more upbeat near-term growth assumptions (see chart). We see a 1% output gap persisting through summer. That would continue the long pattern of pushed-out optimism on the output gap's closure and the return of inflation to the 2% target. **BoC Governor Poloz may take the opportunity to address this when he speaks on Tuesday.** The result could matter to Wednesday's 2 year GoC auction.

Lesser releases on the week will include home resales on Monday that are likely to jump in m/m seasonally adjusted terms to start the very earliest part of the key spring market that commences in February or March. Regional real estate boards — especially in Vancouver — have reported healthy figures on the heels of four consecutive monthly declines. This is where things get a tad complicated for the BoC in that sustained evidence of a strong spring housing market if accompanied by an acceleration in credit growth would act as dampeners on the inflation and output gap arguments given above. Also watch Tuesday's manufacturing print in the wake of the large 1.9% m/m drop in the volume of manufacturing sales in December that was partly due to bad weather including the worst snowstorm in a century in Calgary and the severe ice storm that hit eastern Canada on December 21-22. We expect a bounceback from such disruptions. The same recovery could occur in the volume of January's retail sales after they plunged 2.2% m/m in December — also likely on weather effects.

Asia-Pacific — Abenomics Still Getting A Failing Grade On Exports?

After leading the global market tone the prior week, Asia will shift to the backburner next week. The only stand-out release will be **Japanese exports that will be worth watching for two reasons**. One is whether they will confirm the bleak Chinese trade figures for the same month. China's trade figures reported a steep 18% y/y drop and within that, combined two-way trade with Japan swung from 10.6% y/y growth in January to a small drop of -0.7% y/y in February. This was among the contributors that dragged down the national trade totals for China and may have reflected a reversal of over-invoicing distortions in China (our bet), a partial effect from the Lunar new year that shifts around from year to year, or genuine weakness. If it's a reversal of over-invoicing, then Japan's trade figures should be less susceptible and that could be taken as evidence of a more resilient global trade picture than China's figures, especially after recently solid German export growth. The fact that the volume of Japanese exports continues to fail to gain traction is the second issue as it remains a black mark against Abenomics.

Minutes to the RBA's meeting on March 3rd, Chinese property prices, and New Zealand's Q4 GDP round out the main Asian hits as the RBNZ tightens policy to cool a stronger economy.

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Canada's Housing Market Shaking Off The Winter Blues

- **Canadian home sales and construction rebound in February, suggesting a decent start to the spring sales season.**

Canada's housing market is showing resilience entering the traditionally busiest season of the year. Based on reports from 14 local real estate boards representing more than half of national activity, we estimate that sales, adjusted for seasonality, increased about 2-3% m/m (5% y/y) in February. This would mark the first m/m increase in sales in six months. Housing starts also exceeded expectations in February, rebounding to 192,100 annualized units.

Canadian Resale Housing Activity -- Sales

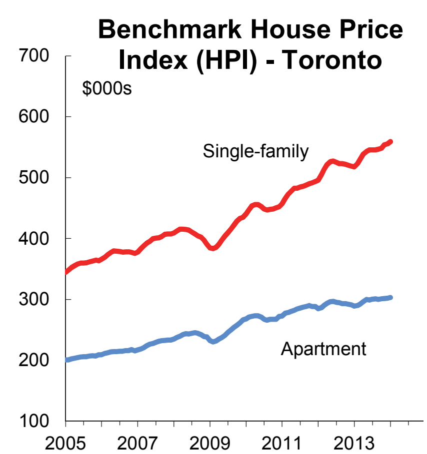
	Feb-13	Feb-14	y/y % change
Montreal	3,387	3,311	-2.2
Quebec City	619	662	6.9
Ottawa	903	870	-3.7
Toronto	5,613	5,731	2.1
Hamilton	956	949	-0.7
London	576	498	-13.5
Kitchener	449	431	-4.0
Winnipeg	698	680	-2.6
Saskatoon	365	393	7.7
Edmonton	1,062	1,122	5.6
Calgary	2,128	2,397	12.6
Fraser Valley	913	1,102	20.7
Vancouver	1,797	2,530	40.8
Victoria	394	412	4.6
Total	19,860	21,088	6.2

Source: Local real estate boards, Scotiabank Economics

The pickup in sales was most pronounced in Western Canada, including Calgary and Vancouver. Housing demand in Calgary is being fuelled by strong employment and population growth well above the national pace, while sales in Vancouver are recovering from weak conditions last year. Activity was generally more muted in Southern Ontario, suggesting the winter deep-freeze continued to deter buyers (see table).

Notwithstanding last month's pickup, overall sales and construction have eased back from the elevated pace of recent years. A combination of factors have contributed to the slowdown, including weaker job growth, and reduced housing affordability alongside high prices, stricter mortgage rules and modestly higher interest rates. A record high homeownership rate combined with a growing gap between the cost of owning versus renting also is dampening housing demand.

In a number of markets, including Toronto and Calgary, a lack of listings for single-family homes appears to be holding back sales. Sellers' conditions continue to dominate the undersupplied single-family market, lifting already high prices even higher. Buyers have more leverage in the more-amply supplied condominium market, notably in Toronto where prices are posting more moderate increases even amid strong demand. As a result, the price premium for a single-family home relative to a condominium continues to widen (see chart).



Source: CREA, Scotiabank Economics

The shortage of single-family homes for sale combined with strained affordability for first-time buyers will buoy resale condominium demand in the year ahead, though prices should be restrained by sizeable new inventory of recently completed units. (In contrast, sales of new condominiums, a large share of which are purchased by investors, are expected to be much softer.) Relatively tight market conditions could continue to pressure single-family home prices in many of Canada's largest urban centres.

Canada's housing market appears to be achieving a soft landing. Overall activity is settling down to more normal sustainable levels, with existing home sales tracking in line with historical averages, and new construction gradually moving down toward underlying demographic trends. We expect subdued job growth and housing affordability pressures will keep home sales and construction on a more moderate trajectory over the next several years. While most markets are fairly well balanced, relatively tight conditions in some segments (e.g. single-family homes) and regions (e.g. Alberta) could continue to put moderate upward pressure on average prices.

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FOMC Meeting Preview

- **Further tapering amidst continued faith in forecasts seems certain, while the Federal Reserve is likely to begin the process of revising forward rate guidance and shifting to a different policy rate.**

The Federal Reserve's second policy meeting of 2014 (and Janet Yellen's first as Chair) is scheduled to start on Tuesday and result in the statement, updated forecasts and Yellen's press conference on Wednesday. Key to a summary of our expectations is the likelihood that this meeting will be more about altering the way in which the Fed guides markets toward rate hike expectations.

1. Further Tapering

The better-than-expected nonfarm payrolls print for February cemented **a further $10 billion reduction in bond purchases** that we think will be evenly split between Treasuries and agency MBS, if that wasn't already the case before nonfarm. Communications from FOMC officials have set a very high bar against deviating from further 'tapering'. There are short-term risk factors to this view such as highly uncertain developments in Crimea, but barring much worse developments our base case is that we don't think this will cause the Fed to deviate from its plans at this juncture.

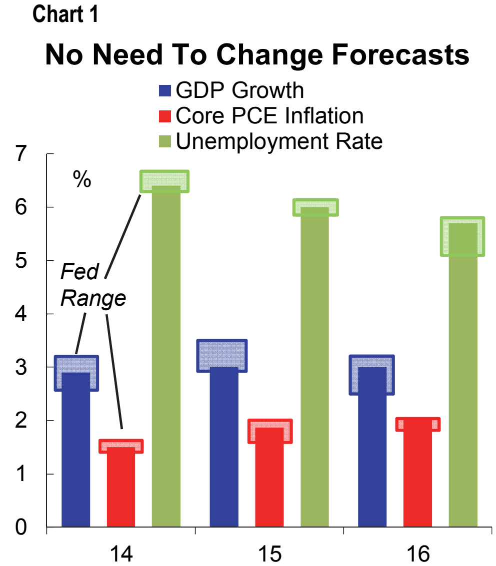
2. Revised Forward Rate Guidance

The focus is likely to be upon how to change Fed funds target rate guidance. FOMC officials like NY Fed President William Dudley have made it sound likely that this is the meeting to do so, and he said "This is probably a reasonable time to revamp…to take out that 6.5 percent threshold." With the unemployment rate presently at 6.7% and the Fed's preferred inflation gauge presently sitting at 1.2% y/y and well below the longer-run target of 2%, the numerical thresholds used as a guide to rate hike expectations have become less meaningful. One way of addressing this could be to simply alter the numerical policy thresholds such as lowering the unemployment rate above which the Fed is unlikely to raise rates with a lag. More likely than that in our view would be scrapping the explicit numerical thresholds in favour of qualitative guidance that would be like a return to the Fed statements of old before the thresholds experiment was introduced but supplemented with calendar-based guidance. A restraining factor preventing the Fed from fully relying upon a BoC-style output gap framework that has recently been taken to the BoE by Governor Carney is that the Fed has a dual mandate to achieve full employment and price stability and may find the broad output gap framework does not adequately speak to its full employment mandate. Perhaps the simplest approach would be to either alter or explicitly emphasize the Fed funds rate forecasts provided by FOMC officials as an anonymous scatterplot such as figure 2 here. Eventually the Fed is likely to put growing emphasis upon shifting communication toward increased reliance upon alternative rates including Interest on Excess Reserves (IOER). We think the Fed is unlikely to fundamentally alter its main message that rate hikes remain in sight by next year at the earliest at a measured pace.

3. No Need To Change Forecasts

There is a low likelihood of significant forecast revisions. The December 2013 FOMC projections for growth, the unemployment rate and inflation are still generally tracking the Bloomberg consensus (chart 1), and FOMC officials have strongly stated a tendency to look through mixed but often soft readings in Q1 due to temporary effects like weather (and we think inventories). This implies no willingness to change full-year forecasts. The risk here is that, should temporarily interrupted

Chart 1



Source: Federal Reserve, Bloomberg, Scotiabank Economics.

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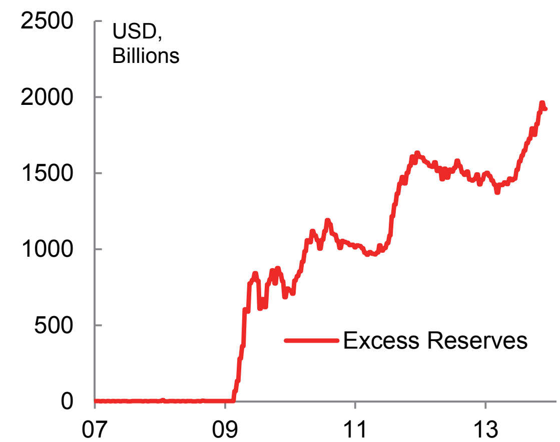
activity in Q1 not wind up simply being transferred into Q2, then the Federal Reserve may need to revisit its tendency to look through near-term softness. We think that's a low risk as we are also of the view that pent-up demand is likely to be unleashed into Q2.

4. Stronger Hint Of A Different Rate Target

The eventual normalization of monetary policy will require an increase in administered interest rates — but which ones? One of the paramount challenges confronting the Fed is that the Federal Funds rate is not an ideal tool for dealing with looming monetary policy issues. The Fed has controlled liquidity in U.S. markets by regulating the cost of borrowing (the Federal Funds rate) for decades. The Federal Funds rate was a good policy tool for a period when the principal monetary policy transmission mechanism was the borrowing of money by commercial banks from the Fed. That period is over. Regulating the cost of marginal borrowing by banks no longer seems like a good way to increase or diminish liquidity. In fact, banks have too much liquidity (chart 2). Indeed, to date this has been one reason why inflation has remained so low despite aggressive balance sheet expansion by the Federal Reserve as banks have put nearly every last nickel of such stimulus right back to the liability side of the Fed's balance sheet through excess reserves and thus not used the funds as fodder for traditional loans. Another reason is that Fed balance sheet expansion has simply filled the pit left behind by the implosion of the broader financial system in 2008-09 such that on net very broad measures of money supply have been flat for years (see chart 3). **Going forward, however, the principal policy issue for the Fed is ensuring that the abundance of reserves held at the Fed aren't transformed into too drastic a torrent of loans and a concomitant explosion of inflation.** We don't think we're there yet, however, and the Fed needs to be mindful of the two-tail risks associated with stepping back from monetary policy stimulus too quickly and too slowly.

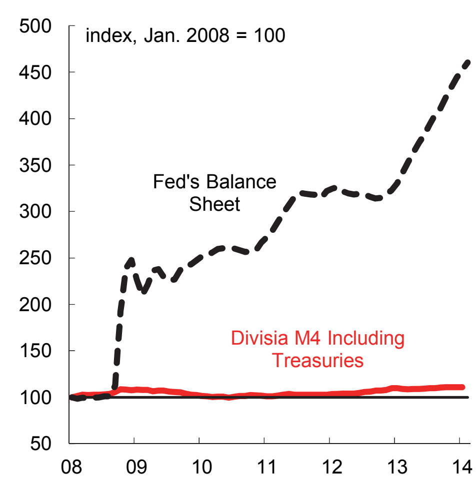
Chart 2 Fed: Liquidity is not an Issue



Source: Scotiabank Economics, Federal Reserve.

Chart 3

Fed's Balance Sheet Only Filling In Behind Broad Money Destruction



Source: Federal Reserve, The Center For Financial Stability, Scotiabank Economics.

The need to constrain liquidity moving forward will ultimately impel the Fed to rely on policy tools that are better suited to attracting excess reserves — and keeping them stuck at the Fed or draining them from the financial system. We think that the reverse repo tool and the interest paid on reserves (IOER) will probably form the backbone of this policy approach. The Fed has been testing its reverse repo facility for years and will likely step up these tests in the months and quarters to come. Discussion of these activities has increased in recent months and got additional attention in the most recent FOMC meeting minutes. It could get further airtime in Chair Yellen's press conference as the Fed begins the difficult task of communicating what these tools are, why they should work, and why they need to be used to regulate monetary policy as opposed to the Federal Funds rate. Communications about the tools that will be used to tighten policy becomes more important as tightening approaches.

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The Canada-South Korea Free Trade Agreement

- **Canada gains an important Asian beachhead.**

Ottawa continues to make good on its plan to diversify trade and increase market access for Canadian exporters. Negotiations surrounding the Canada-South Korea Free Trade Agreement (CKFTA) have concluded on the heels of the recently announced Comprehensive Economic and Trade Agreement (CETA) with the 28-country European Union.

Bilateral Trade Flows - Top 5 Products

Rank (2013):		$CAD millions	% share of total
Canadian Exports to South Korea:		**2013**	
1	Coal	1,072	31.2
2	Pulp	273	7.9
3	Copper, Nickel, Lead & Zinc Ores	268	7.8
4	Aluminum	144	4.2
5	Material Equipment	133	3.9
	Total Exports	3,438	100.0
Canadian Imports From South Korea:		**2013**	
1	Automobiles	2,298	31.3
2	Communication Equipment	759	10.3
3	Semiconductors	746	10.2
4	Iron and Steel	279	3.8
5	Construction Machinery	156	2.1
	Total Imports	7,339	100.0

Source: Industry Canada, Scotiabank Economics

CKFTA marks Canada's first trade agreement with an Asian market, and covers essentially all aspects of Canada-South Korea trade, including goods and services, investment, non-tariff barriers, government procurement, environment cooperation, and labour movement.

CKFTA is expected to create thousands of jobs and yield measureable economic benefits across Canada. South Korea will become a strategic base for Canadian businesses to expand economic and trade ties with the faster-growing Asia-Pacific region as a whole, bolstered in part by bilateral investment and easier movement of professionals between the two countries. Canadian consumers will also benefit from a greater variety of goods at lower prices, while businesses will gain access to South Korea's central government procurement activity — approximately $105 billion in 2012. An important feature of the agreement is to level the playing field for Canadian companies competing with other trading partners who already have an FTA with Korea, including the U.S. and the European Union — which has contributed to fierce competitive pressures and a loss of market share for Canadian producers. Since the implementation of the U.S.-Korea and EU-Korea FTAs, Canadian exports to South Korea have averaged declines of roughly 17% per year, leading to a 2½-fold increase in Canada's bilateral trade deficit to $3.9 billion.

Once the agreement comes into force, South Korea will remove duties immediately on 81.9% of its tariffs (76.4% in Canada), with 98.2% of duties eliminated upon CKFTA's full implementation (97.8% in Canada), which for some sectors could take up to 15 years. This is advantageous for Canada, given that average tariffs are roughly three times higher in South Korea (13.3%) versus Canada (4.3%). Ottawa also negotiated provisions to maintain the Investment Canada Act — allowing it to screen takeovers by state-owned foreign firms — and leave Canada's supply-management system unaffected.

Benefits By Sector:

Industrial goods — In 2013, Canadian exports of industrial goods to South Korea totalled nearly $2.5 billion, accounting for over 70% of total exports, led by coal. Once the CKFTA comes into force, 95% of South Korea's tariffs on industrial products will be duty-free, following a further 4.2% reduction within five years until reaching 99.3% over ten years. This will make Canadian exports more price competitive, providing opportunities for manufacture's across the country. Canada's 6.1% duty on South Korean automotive imports will be phased out over two years, which some industry sources have deemed too rapid to safeguard domestic manufacturers. Ottawa believes CKFTA offers adequate protection for the Canadian industry, as it includes a fast 177-day resolution for any automotive disputes.

Agricultural and food products — CKFTA offers new opportunities for agriculture and value-added food products. Canada is among the world's largest exporters of agriculture and food products, accounting for roughly 15% of Canadian exports to South Korea — despite tariff rates averaging 52.7%. Over the next 15 years, CKFTA will eliminate duties on 86.8% of agricultural tariffs, benefiting producers of beef, pork, canola and grains across all provinces. The agreement will not affect Canada's supply management system, though Canadian producers of dairy, poultry and eggs will not gain any additional access in South Korea.

South Korea imported approximately $1.5 billion of fish and seafood in 2012. Canadian fish and seafood exports account for nearly 3%, facing average tariffs of 16½%, with some products as high as 47%. The Canadian industry

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has significant capacity to export more products to South Korea, which is expected to occur under CKFTA. Five years after the agreement's entry into force, nearly 70% of South Korea's tariffs on fish and seafood products will be removed, with the remaining duties eliminated by year 12, benefiting Canadians from coast to coast to coast.

Wood and forestry products — Canada is also one of the world's largest exporters of wood and forestry products at $29.5 billion in 2013. South Korea is Canada's fourth largest consumer of wood and forestry products, with exports valued at $493 million last year. However, this represents only a fraction of its demand estimated at approximately $6.3 billion in 2012. Once CKFTA is implemented, over 57% of tariffs for wood and forest products will be duty-free, while a further 13.1% will be phased out within three years. Duties on remaining products will be eliminated within 10 years. As a result, Canadian wood and forestry products will become more competitively priced, yielding opportunities for producers in B.C., Ontario, Quebec and Alberta.

Services — With Canada's service sector accounting for over 70% of real GDP and employing three-quarters of its working age population, Canada's ability to export advanced business and professional services is critical going forward. Canada currently exports over $750 million of services to South Korea. Under CKFTA, greater transparency, increased market access and enhanced temporary entry commitments for business visitors - the most ambitious South Korea has ever signed in an FTA — provide much potential for growth.

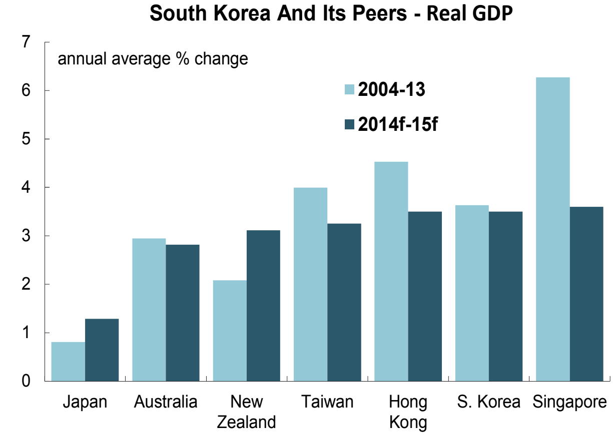
Investment — In 2012, South Korea invested over $327 billion abroad, $5.8 billion in Canada, while Canadian direct investment in Korea reached $569 million. Despite having a deep-rooted investment relationship, bilateral investment flows between the two countries have ample scope to grow. CKFTA will facilitate this, as its investment chapter sets out predictable and transparent rules providing a more secure investment environment, while ensuring Canadian investors can compete on an equal footing in South Korea with, for example, investors from the U.S. and EU. Sectors that stand to benefit include automotive parts, financial services, telecommunications, and transportation.

South Korea's Favourable Economic Outlook & Solid Fundamentals Bodes Well For Canada

Over the past thirty years, South Korea's economic growth has averaged a very strong 6.4%. CKFTA will grant Canadian businesses, investors and workers preferential access to this dynamic market — the fourth largest in Asia, with a population of 50 million — while also serving as a gateway and strategic base for Canadian firms to expand trade ties and supply chain integration across the lucrative Asia-Pacific region.

South Korea is a natural partner for Canada's first trade agreement in Asia. South Korea's economy is performing well with household consumption, investment, and net exports underpinning activity. We expect the economy to grow by 3½% on average in 2014-15. Sound consumer confidence — currently near the highest level in three years — is translating into solid household spending, while exports continue to recuperate gradually. External sector prospects are highly significant as exports of goods and services are equivalent to over 50% of GDP. South Korea's public sector finances remain among the healthiest of the advanced countries, with fiscal surpluses recorded since 2010. Sound public finances are accompanied by a robust external position, with the current account surplus likely to average 5% of GDP in 2014-15.

South Korea And Its Peers - Real GDP



Source: Bloomberg, Scotiabank Economics.

In addition to healthy economic fundamentals, South Korea's favourable business environment is attractive for Canadian companies. The nation ranks 7th out of 188 countries (and ahead of Canada's 19th spot) in the World Bank Group's *Doing Business* report, highlighting that South Korea's regulatory environment is conducive to doing business. The World Economic Forum's Global Competitiveness Report, in which Korea ranks 25th out of 148 countries, highlights the nation's excellent infrastructure, educational systems, a high degree of technological adoption, and relatively strong business sophistication. These strengths contribute to South Korea's notable capacity for innovation.

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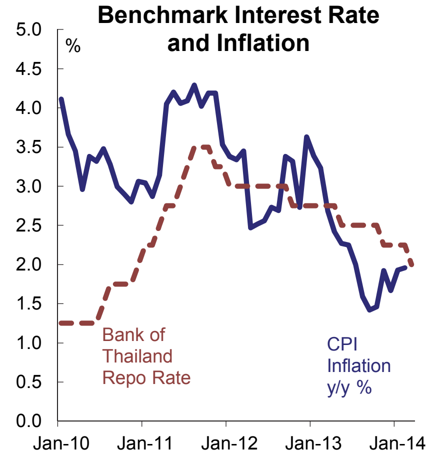
Monetary Easing In Thailand

- **The Bank of Thailand cut the benchmark interest rate by 25 basis points to 2.0% on March 12th, 2014.**

Thailand's prolonged political turmoil, which began in November 2013, was the key driver behind the Bank of Thailand's (BoT) decision to provide further stimulus to the economy. Indeed, monetary authorities assess that downside risks to economic growth have increased because of the situation. The decision was not unanimous, however, since three out of seven policymakers voted in favour of keeping the benchmark rate unchanged. They argued that the BoT's monetary policy stance was already accommodative enough given that the main risk factors are not financial in nature. At 2.0%, the benchmark interest rate is now at its lowest level in three years. The cut follows a similar move in November that took place at the beginning of the political unrest. We do not foresee any further rate reductions in the coming months, barring a major escalation in the political situation.

The social and political turmoil continues with no signs of imminent resolution. The opposition is aiming to force Prime Minister Yingluck Shinawatra to resign, and to replace the democratically elected government with an unelected group. As protesters disrupted voting at some polling stations during the February 2nd general elections, the ballot was unable to fill a required quorum of seats in the lower house. The opposition's request to null the election was turned down by the Constitutional Court; accordingly, by-elections continue to fill the vacant seats. Allegations of negligence by Prime Minister Yingluck Shinawatra regarding the country's rice-subsidy scheme may lead to her removal from office.



Source: Bloomberg.

Inflation remains relatively subdued despite the fact that the headline rate picked up slightly to 2.0% y/y in February from 1.7% at the end of 2013. We expect inflation to hover near 2½% y/y through 2015. Meanwhile, core inflation — at 1.2% y/y in February — remains comfortably within the BoT's 0.5-3.0% target range.

Thailand's economic outlook is weakening given persisting social and political unrest that is eroding consumer and business confidence, and adversely affecting the prospects of the vital tourism industry. Real GDP growth slowed to 0.6% y/y in the final quarter of 2013 from 2.7% in the July-September period, taking the output expansion to 2.8% in 2013 as a whole. While net exports supported economic activity, private consumption and investment contracted substantially. We expect the weak performance to be maintained in the first quarter of 2014 before momentum starts to gain traction; Thailand's real GDP gains will likely average 4% in 2014-15.

With almost 27 million visitors annually, the tourism sector is a major economic driver; tourism receipts amount to around US$40 billion annually, equivalent to 10% of the country's annual output. Partly reflecting the political turmoil, growth in arrivals slowed to 11% y/y in the final quarter of 2013 compared with annual gains in excess of 20% during the first three quarters of the year. Private sector credit continues to grow robustly, by 11% y/y in the fourth quarter of 2013, though some moderation has taken place over the past year. The most significant slowdown was evident in lending to consumers, which eased to 13% y/y in the final months of 2013 from 22% a year earlier.

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Pricing Mexico's 100 Year GBP Bond

The following article was published on March 12, 2014.

Mexico picked the right market for its second 100-year bond issue, which was announced this morning. The UK has the longest-dated Treasury curve in the G7 and a pension fund system comfortable buying such long-dated issues. The UK government bond market even prices the benefits of convexity somewhat correctly — the 10/30 slope was negative prior to 2009 and the 30/50 slope is slightly negative now.

In our article, "How to Price a 100 Year Bond," we explained how to price such a long-dated bond from a theoretical perspective, espousing the benefits of the huge convexity of the 100-Year USD Mexico bond issued three years ago:

First, one has to estimate where a hypothetical Treasury of that maturity would trade. Some investors are tempted to project such a yield based on the upwards slope of the US Treasury curve. Contrary to many investors' expectations, extending to very long maturities results in a large increase in convexity but only a moderate increase in duration, such that fair pricing requires a lower yield on a 100-year Treasury than a 30-year Treasury.

Second, one must estimate the required 100Y spread to compensate for default risk. Notice that the spread curve for Mexico USD bonds is steep in the middle of the curve but flat in the 20Y to 30Y segment. Theoretically, we would expect the spread curve to be negatively sloped in the 30Y to 100Y segment. If Mexico does not default in any of the next 30 years, it should be less likely to default in later years. (We think that is true for countries, but not for corporates.)

Both of these two considerations imply a lower yield on a Mexico 100-year bond than say a 30Y bond. Yet, the market in the US never priced it that way. In fact, when it was issued, that 100Y bond traded at a yield differential of 60-70bp above the Mexico 30Y bond. That differential tightened in 2011, but has since widened to around 70bp-80bp. Why does the market ignore the benefits of convexity? The potential reasons include restrictions on long maturities among investors and the expectation among many investors that interest rates are much more likely to go up then go down, such that the theoretical benefits of convexity are difficult to realize in the near-term.

The longest-dated Mexico GBP bond until today was a 10Y bond with a spread of around 105bp, which is quite similar to the spread on USD bonds of the same maturity. In other words, those two investor bases seem to price Mexico risk similarly. The 2068 UK Gilt is trading at 3.4% and Mexico 30Y spreads are around 150bp. Thus, convexity considerations imply a theoretical fair yield significantly below 5%.

In practice, rather than rewarding convexity, the market is likely to penalize the long-maturity. The USD 100Y Mexico bond is trading at 5.89% today, and we would expect the GBP version to issue slightly inside of that yield, thanks to a UK to US 30Y Treasury differential of 20bp and an investor base more comfortable with longer-dated paper.

For comparison, the A+-rated Electricite de France (Ticker EDF), issued a 100-year GBP bond in January. That bond is trading at 5.14%, a yield that is around 45bp higher than the company's 30-year bond and 170bp higher than the company's 9 year issue. These numbers suggest the Mexico yield should be above 5.5%.

We believe that the Mexico 100-year bond will have value, and for investors worried about the longer duration, we would recommend lowering duration in other instruments in order to make room for this theoretically-cheap instrument.

For more information, contact the author directly to see: "How to price a 100 year bond," Scotia Capital, October 8, 2010.

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UK Budget Preview

Overview

It is almost one year until the next General Election, which will be held on 7 May 2015. The public finances are improving and the Office of Budget Responsibility's (OBR) updated projections may even suggest a slightly better-than-expected picture for government borrowing. However, the budget deficit is still very large and the level of debt relative to GDP is high and rising. Hence this Budget, to be released on 19 March, is a balancing act for the Chancellor — preparing the ground for the next election with some sweeteners, set against the need to remain prudent and finishing the job that he has started.

As has been the case for the last few Budgets, there isn't much wiggle room for the Chancellor. However, that didn't stop him pulling a rabbit out of his hat and hitting a home run last year with the Help-to-Buy Scheme. In our view that was a game changer last year and turned what could have been a bad year for growth into a very good one (and the momentum is still with us). We doubt that there will be such a dramatic policy initiative this time around; rather some micro measures that get the election campaign off to a reasonable start and maintain the broad thrust of the deficit reduction plan.

Economic Projections

Love it or hate it, the Help-to-Buy scheme helped to propel UK economic growth towards the top of the developed world rankings last year — having been threatened with near stagnation. Business and consumer confidence rebounded in the immediate aftermath of the scheme, unemployment has fallen and the momentum looks set to be maintained for the foreseeable future. Clearly other influences were at work such as the passing of storm clouds over continental Europe. However, with consumer spending accounting for 2/3 of GDP, getting households to spend when disposable income growth was non-existent was probably the most important influence last year.

By way of illustration, the turnaround in the UK outlook saw the Chancellor upgrade his 2013 GDP forecast made last March from 0.6% y/y to 1.4% y/y by December's Autumn Statement and that is looking to have been around ½% too conservative still! Clearly 2013 is backward looking — but there should be plenty more good news for the growth outlook in this Budget.

Table 1: Evolution in OBR GDP Projection

				Current Forecast		
	Budget 2013	Autumn Statement 2013	Budget 2014 (Likely)	BoE	Scotiabank	Consensus
2013	0.6	1.4	1.9	2.0	1.9	1.9
2014	1.8	2.4	3-3.5	3.4	2.5	2.7
2015	2.3	2.2	2.2	2.7	1.8	2.4

Table 1 shows the evolution of the OBR's growth projection and the likely updated figures in this Budget. In particular, this time a year ago the OBR projected 1.8% y/y growth for 2014. That was upgraded to 2.4% y/y by the time of the December Autumn Statement. The Bank of England's latest GDP projection assumes 3.4% y/y growth this year. That is at the high end of the consensus, which is currently around 2.7% y/y. We believe a reasonable assumption would be that the OBR pushes its forecast up to around 3% y/y.

In the context of the public finances, if the OBR projection matches the BoE (i.e., it is revised up by a full percentage point) that would reduce the government borrowing projection by around GBP8.3bn in fiscal 2014-15 and GBP3.3bn in 2015-16. That suggests that there is some wiggle room for the Chancellor to provide

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some sweeteners in terms of discretionary policy decisions. The danger is that if there are giveaways in this Budget and growth subsequently disappoints, then this would be embarrassing in the late stages of the election campaign and constrain any last-minute election sweeteners.

With regards to inflation, CPI inflation has surprised pretty much everyone on the downside since the autumn. However, since UK inflation-linked bonds pay out based on the RPI — and the RPI-CPI gap has widened somewhat — the OBR's RPI projection is largely on track. Hence there should not be any ramifications from this for the public finances.

Updated Borrowing Projections

On balance we suspect that the Chancellor will spend part of the windfall from the improved growth outlook, and 'bank' the rest. In other words, the borrowing estimate over the coming years will probably fall by around GBP2bn per year while the Chancellor will deliver 'sweeteners' to the tune of GBP2bn per year.

Table 2: Likely Evolution in OBR Borrowing Projections

PSNBx Ex-Royal Mail & Asset Purchase Facility (GBP bn)						
	2013-14	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**
OBR (Mar-14) Guess	**-109**	**-94**	**-76.5**	**-49**	**-21.5**	**4.0**
OBR (Dec-13)	-111.3	-96.0	-78.7	-51.1	-23.4	2.1
Change	*2.3*	*2.0*	*2.2*	*2.1*	*1.9*	*1.9*

Key Discretionary Measures

As ever, we are likely to get more clues of the likely policy decisions as the Budget speech gets closer. For now, the early speculation has included the following:

- **Personal Income Tax Allowance**

The original coalition agreement between the Conservatives and Liberal Democrats aspired to raising the personal income tax allowance to GBP10k (from GBP6,475 in 2010) over the course of the parliament. The threshold will reach GBP10k next month, but there has been speculation that this Budget could announce a further increase. The suggestions have been that the threshold will rise to GBP10,500 or GBP10,750 from next April — just ahead of the next election. One alternative to this has been to tweak national insurance. However, my feeling is that if this is a strategy to win votes, Joe Public will understand what a move in the income tax allowance means more than changes in national insurance which is a bit more alien to most people. Another alternative is to address the 'squeezed middle' by raising the threshold for the 40% income tax band.

- **Housing**

There have been calls to end the Help-to-Buy scheme early in light of the scare stories that the housing market is overheating. We have our doubts that this will happen. In particular, while Help-to-Buy has been a catalyst for buoyancy in the wider housing market, there is a good chance that much of the recent buoyancy has been a reflection of pent-up demand (as the peripheral crisis dissuaded potential buyers). That sugar rush is likely to become exhausted of its own accord at some point. Indeed, the latest RICS survey is already showing some loss of altitude, particularly in London. Completely removing the support of Help-to-Buy could be an unwelcome setback for housing and undo much of the feel-good factor of the last year. At a push the government might reduce the upper limit of the scheme (such that it only applies to properties up to GBP400k rather than GBP600k) in order to limit its use in the hotspots of London and the South East.

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More broadly, there have been some suggestions that stamp duty (particularly on lower-priced properties) could be modified to ease the burden of transaction costs involved in buying and selling a home. The appreciation in house prices coupled with more transactions have been a boost to the Treasury's coffers. The question is whether the Chancellor banks the windfall or gives something back. This revenue stream is not particularly large (around 1.5% of total receipts) so the Chancellor could win a lot of popularity at very little cost.

Meanwhile the upper end of the price spectrum has attracted attention. Overseas cash buyers have been blamed for snapping up properties and leaving them vacant — pricing locals out of the market. The Liberal Democrat side of the coalition would argue that this favours their call for a mansion tax. However, that would not be popular with Conservative voters. In particular in extreme cases it could be a tax on low-income retirees whose housing assets have appreciated over time. In some cases this could be seen as forcing people to sell their family homes.

Alternative policies have included a tax on vacant properties. However that would presumably be very easy to sidestep. The alternative is new higher end council tax bands.

- **Thinking outside the box**

The Chancellor has up to an hour to fill with his speech. Updated projections and discussion of the housing market or the income tax threshold will only fill up so much time. Presumably there is a cocktail of micro measures that will be used as a space-filler. As last year's Budget demonstrated, we should expect the unexpected. One suggestion is the so called 'Ann Summers tax cut'. Jaqueline Gold, the Chief Executive of Ann Summers, recently suggested that it should be possible to deduct the cost of childcare from personal tax bills. In turn that would remove one barrier from female workers returning to work after childbirth. There are several studies that show that productivity and profitability is higher where there is a greater proportion of female workers. This would be a win-win policy for Osborne. It would be an attempt to address the productivity shortfall in the UK and it would play to potential female voters ahead of the next election. Restricting the scheme to modest income households could also limit the cost of the scheme.

The UK has cherry-picked various things from Canada: a Central Bank Governor, austerity focused on spending cuts rather than tax hikes, etc. Indeed, Canada already allows for a portion of childcare costs to be deducted from personal income tax bills. If it is good enough for Canada, it's good enough for the UK!

Other initiatives might involve encouraging stronger export growth or business investment. The latter is currently growing at around 8.5% y/y which is good. However, there is a lot of lost ground to make up for so any support for this would be welcome but not as urgent as it was previously.

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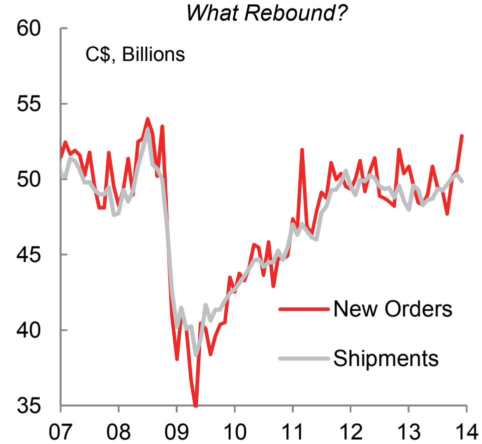
Key Data Preview

CANADA

Inflation numbers for February should show a drop-off in year-on-year CPI to 0.8% y/y on a monthly increase of 0.5% m/m. The strong monthly number will largely be attributable to seasonal factors: a variety of CPI sub-indices (NSA) typically rebound from discounting in February including clothing prices and reading, education and recreation costs. A large cut in auto-rebates in February 2013 also drove prices higher last February. Idiosyncratic factors to watch for include the bump in natural gas commodity costs which could translate into a bump in natural gas energy prices and a seasonal bump in gasoline prices (+2.5% m/m in Feb. vs. Jan. on average). A hike in tobacco taxes could also be good for a 10bps increase in CPI. Despite the factors pointing to a solid rise in monthly inflation, the year-on-year pace of CPI growth is so weak that a 0.7% m/m print would be required to get inflation up to 1% y/y. In short, the downside to inflation that the BoC is concerned about is alive and well, and should shine through in February.

Weather is a major concern when it comes to **manufacturing sales** for January, leading us to expect a 0.5% m/m bounce-back from a very soft December (-0.9% m/m). The fundamental factors are very mixed. On the negative side of the ledger, exports of automotive products (-11% m/m), machinery and equipment (-2.1% m/m), chemicals (-3% m/m), and fabricated metals (-2% m/m) were all very weak. On the plus side, new orders were fairly strong in December and may be building up some momentum after a very soft spell in the late summer. As well, a big decline in aerospace sales (~ -20% m/m in December) could well reverse itself. The bottom line is that trade data, which may have been distorted by weather, looks messy; new orders look better. Expectations for January should be tempered but the outlook moving forward is somewhat stronger.

Canadian Manufacturing Sales & Orders
What Rebound?



Source: Statistics Canada, Scotiabank Economics

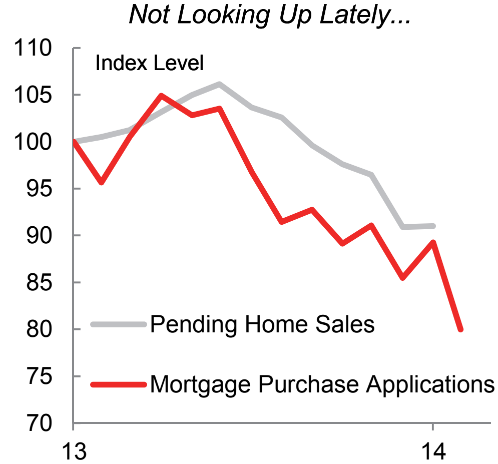
Retail sales for January also raise some questions about the weather. On the plus side, gasoline prices increased mildly (+0.8% m/m on average) and overall consumer prices increased on the month in seasonally adjusted terms (+0.2% m/m) which could point to upside. Sales of new cars were also up moderately after a very weak December. Conversely, the weather was extraordinarily bad in January throughout North America, and we saw tremendous volatility in U.S. data on the month. Will there be more of the same in Canada? We're looking for a moderate 0.4% m/m print on the view that weather could impede sales to some extent.

UNITED STATES

US inflation data will likely see a mild increase on the monthly spike in natural gas prices as well as seasonal swings in gasoline prices. We're looking for a 0.2% m/m seasonally adjusted number resulting in a 1.2% y/y pace of inflation — not robust by any means.

U.S. **housing data** include existing home sales as well as housing starts. We're looking for a modest leveling off in existing home sales to an annualized 4.6 million as pending home sales have fallen fairly reliably since peaking out in mid-2013 (see chart). On the housing starts front, a leveling off in building permits in November/December points to the possibility of weakness although the cumulative quantity of building permits in the hopper implies that the residential construction revival of 2013 could well continue into 2014. We're looking for a 900,000 SAAR print.

Housing Leading Indicators
Not Looking Up Lately...



Source: MBA, NAR, Scotiabank Economics

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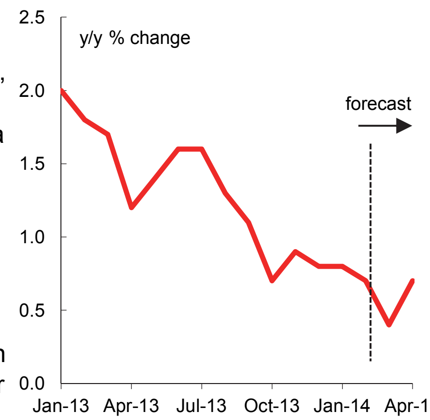
EUROPE

Given the softer-than-expected February inflation data out of France, as well as the downward revision to the Italian print, the final figure on euro zone inflation is likely to be revised down from 0.8% y/y to 0.7%. Details of the report are expected to broadly confirm the flash estimate, showing that both energy and food prices contributed to a more muted inflation trend in February. On the other side, core inflation witnessed a reacceleration from 0.8% to 1.0% y/y and it should be confirmed around this level, although we cannot exclude the risk of a possible downward revision to 0.9% in view of the softer-than-expected inflation data in most euro area countries. In any case, the uptick in core inflation may well be reversed in the March report as higher French core inflation in February mainly reflected the impact of a changing seasonality pattern, with the prospect of a strong downward payback in March. This downward swing will add to the adverse impact of the later Easter timing this year as compared to 2013 (expected to depress the March inflation figure, followed by a rebound in April), which will also weigh down the core inflation trend in most euro zone countries. The stable flash euro zone inflation estimate and rise in core inflation were two key factors which reduced market expectations for further easing action from the European Central Bank at the last meeting. So, any downward revision to one or both of these components will refuel speculation of additional stimulus in the months ahead.

Euro Area Inflation



Source: Bloomberg, Scotiabank Economics.

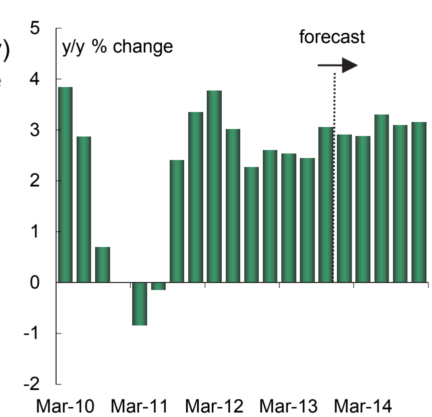
LATIN AMERICA

Chilean fourth-quarter real GDP growth will be released next week on March 18th. The economy's momentum has been decelerating since the second half of 2013, intensifying its pace after October. The Economic Activity Index (IMACEC) shows a significant slowdown in the final quarter of the year, expanding on average by only 2.7% y/y (compared with 4.7% in the previous quarter). In our view, Chilean output advanced by 2.5% y/y in the October-December period, taking the 2013 average growth rate to 4.0%. Responding to the low level of economic activity and the relatively stable inflation performance, the central bank eased monetary conditions for the second consecutive month in March, reducing the reference rate by 25 basis points to 4.0%. We expect the economic growth rate to rebound slightly to around 4.1% in 2014 as a whole.

ASIA/PACIFIC

New Zealand will release fourth-quarter GDP data on March 19th. We estimate that the country's output maintained solid momentum, expanding by 1.0% q/q (2.9% y/y), compared with a 1.1% q/q (3.1% y/y) gain in the July-September period. Such a performance would translate into a 2.7% real GDP advance in 2013 as a whole. The economy is underpinned by robust household spending and investment growth. Buoyant consumer confidence and improving labour market conditions are behind healthy retail sales figures, indicating sustained momentum in the near term. The unemployment rate declined to 6.0% in the fourth quarter of 2013 from a recent peak of 7.2% in 2012. Moreover, the commodity-producing economy (particularly dairy, meat, and wood products) continues to enjoy favourable terms of trade; accordingly, it will greatly benefit from the expected upturn in the global growth and trade cycles. We expect New Zealand's real GDP growth to average 3% through 2015.

New Zealand Real GDP



Source: Bloomberg, Scotiabank Economics.

Key Indicators for the week of March 17 – 21

North America

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	03/17	08:30	International Securities Transactions (C$ bn)	Jan	--	--	-4.3
US	03/17	08:30	Empire State Manufacturing Index	Mar	--	6.5	4.5
CA	03/17	09:00	Existing Home Sales (m/m)	Feb	--	--	-3.3
US	03/17	09:00	Total Net TIC Flows (US$ bn)	Jan	--	--	-119.6
US	03/17	09:00	Net Long-term TIC Flows (US$ bn)	Jan	--	30.0	-45.9
US	03/17	09:15	Industrial Production (m/m)	Feb	0.3	0.2	-0.3
US	03/17	09:15	Capacity Utilization (%)	Feb	--	78.6	78.5
US	03/17	10:00	NAHB Housing Market Index	Mar	--	50.0	46.0
CA	03/18	08:30	Manufacturing Shipments (m/m)	Jan	0.5	0.6	-0.9
US	03/18	08:30	CPI (m/m)	Feb	0.2	0.1	0.1
US	03/18	08:30	CPI (y/y)	Feb	1.2	1.2	1.6
US	03/18	08:30	CPI ex. Food & Energy (m/m)	Feb	0.2	0.1	0.1
US	03/18	08:30	CPI ex. Food & Energy (y/y)	Feb	--	1.6	1.6
US	03/18	08:30	Housing Starts (m/m)	Feb	--	3.9	-16.0
US	03/18	08:30	Housing Starts (000s a.r.)	Feb	900	914	880
US	03/18	08:30	Building Permits (000s a.r.)	Feb	--	960	945
US	03/19	07:00	MBA Mortgage Applications (w/w)	MAR 14	--	--	-2.1
CA	03/19	08:30	Wholesale Trade (m/m)	Jan	--	1.0	-1.4
US	03/19	08:30	Current Account (US$ bn)	4Q	--	-87.5	-94.8
US	03/19	14:00	**FOMC Interest Rate Meeting (%)**	**Mar 19**	**0.25**	**0.25**	**0.25**
US	03/20	08:30	Initial Jobless Claims (000s)	MAR 15	320	323	315
US	03/20	08:30	Continuing Claims (000s)	MAR 8	2925	2880	2855
US	03/20	10:00	Existing Home Sales (mn a.r.)	Feb	4.60	4.62	4.62
US	03/20	10:00	Existing Home Sales (m/m)	Feb	--	0.0	-5.1
US	03/20	10:00	Leading Indicators (m/m)	Feb	--	0.2	0.3
US	03/20	10:00	Philadelphia Fed Index	Mar	3.0	4.0	-6.3
CA	03/21	08:30	CPI, All items (m/m)	Feb	0.5	0.6	0.3
CA	03/21	08:30	CPI, All items (y/y)	Feb	0.8	0.9	1.5
CA	03/21	08:30	Core X8 CPI (m/m)	Feb	0.6	0.5	0.2
CA	03/21	08:30	Core X8 CPI (y/y)	Feb	1.2	1.1	1.4
CA	03/21	08:30	CPI SA, All items (m/m)	Feb	--	0.2	0.2
CA	03/21	08:30	Core CPI SA, All items (m/m)	Feb	--	--	0.2
CA	03/21	08:30	Retail Sales (m/m)	Jan	0.4	0.7	-1.8
CA	03/21	08:30	Retail Sales ex. Autos (m/m)	Jan	0.4	0.7	-1.4
MX	03/21	10:00	Retail Sales (INEGI) (y/y)	Jan	--	0.9	2.2
MX	03/21	11:00	**Overnight Rate (%)**	**Mar 21**	**3.50**	**3.50**	**3.50**

Europe

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
EC	03/17	06:00	CPI (m/m)	Feb	0.3	0.4	0.4
EC	03/17	06:00	CPI (y/y)	Feb F	0.7	0.8	0.8
EC	03/18	06:00	Trade Balance (€ mn)	Jan	--	--	13922.3
EC	03/18	06:00	ZEW Survey (Economic Sentiment)	Mar	--	--	68.5
GE	03/18	06:00	ZEW Survey (Current Situation)	Mar	--	52.0	50.0
GE	03/18	06:00	ZEW Survey (Economic Sentiment)	Mar	53.0	52.0	55.7
TU	03/18	08:00	**Benchmark Repo Rate (%)**	**Mar 18**	**10.00**	**10.00**	**10.00**
FR	03/19	03:45	Current Account (€ bn)	Jan	--	--	-1.2
UK	03/19	05:30	Average Weekly Earnings (3-month, y/y)	Jan	1.3	1.3	1.1
UK	03/19	05:30	Employment Change (3M/3M, 000s)	Jan	100.0	110.0	193.0
UK	03/19	05:30	Jobless Claims Change (000s)	Feb	-25.0	-25.0	-27.6
UK	03/19	05:30	ILO Unemployment Rate (%)	Jan	7.1	7.2	7.2
EC	03/19	06:00	Labour Costs (y/y)	4Q	--	--	1.0
GE	03/20	03:00	Producer Prices (m/m)	Feb	--	0.1	-0.1
SZ	03/20	04:30	**SNB Libor Target Rate (%)**	**Mar 20**	**0.00**	**0.00**	**0.00**
IT	03/20	06:00	Current Account (€ mn)	Jan	--	--	1848
EC	03/21	05:00	Current Account (€ bn)	Jan	--	--	21.3
UK	03/21	05:30	PSNB ex. Interventions (£ bn)	Feb	-5.3	8.6	-4.7
EC	03/21	11:00	Consumer Confidence	Mar A	-13.0	-12.3	-12.7

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

Key Indicators for the week of March 17 – 21

Asia Pacific

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
AU	03/16	20:30	New Motor Vehicle Sales (m/m)	Feb	--	--	-3.5
SI	03/16	20:30	Exports (y/y)	Feb	--	7.6	-3.3
HK	03/17	04:30	Unemployment Rate (%)	Feb	3.1	3.1	3.1
PH	03/17		Overseas Remittances (y/y)	Jan	--	9.4	9.1
JN	03/18	02:00	Machine Tool Orders (y/y)	Feb F	26	--	26.0
SK	03/18	17:00	PPI (y/y)	Feb	--	--	-0.3
JN	03/18	19:50	Merchandise Trade Balance (¥ bn)	Feb	--	-600.9	-2791.7
JN	03/18	19:50	Adjusted Merchandise Trade Balance (¥ bn)	Feb	--	-893.6	-1818.8
JN	03/18	19:50	Merchandise Trade Exports (y/y)	Feb	--	12.4	9.5
JN	03/18	19:50	Merchandise Trade Imports (y/y)	Feb	--	7.3	25.1
JN	03/19	00:30	All Industry Activity Index (m/m)	Jan	--	1.2	-0.1
JN	03/19	01:00	Coincident Index CI	Jan F	115	--	114.8
JN	03/19	01:00	Leading Index CI	Jan F	112	--	112.2
JN	03/19	01:30	Nationwide Department Store Sales (y/y)	Feb	--	--	2.9
HK	03/19		Composite Interest Rate (%)	Feb	--	--	0.4
PH	03/19		Balance of Payments (US$ mn)	Feb	--	--	-4480
NZ	03/19	17:45	GDP (y/y)	4Q	2.9	3.1	3.5
TA	03/20	04:00	Export Orders (y/y)	Feb	--	10.5	-2.8
HK	03/20	04:30	CPI (y/y)	Feb	--	3.7	4.6
NZ	03/20	17:00	ANZ Job Ads (m/m)	Feb	--	--	2.8
AU	03/20	19:00	Conference Board Leading Index (%)	Jan	--	--	0.8
NZ	03/20	20:00	ANZ Consumer Confidence Index	Mar	--	--	133.0
MA	03/21	05:00	CPI (y/y)	Feb	3.4	3.4	3.4
HK	03/21		BoP Current Account (HK$ bns)	4Q	--	--	31.8

Latin America

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CO	03/17	17:00	Industrial Production (y/y)	Jan	--	1.2	1.5
CO	03/17	17:00	Retail Sales (y/y)	Jan	--	6.1	4.1
CL	03/18	07:30	GDP (q/q)	4Q	--	0.4	1.3
CL	03/18	07:30	GDP (y/y)	4Q	2.5	2.9	4.7
CO	03/20	12:00	GDP (y/y)	4Q	4.7	4.6	5.1
CO	03/21		**Overnight Lending Rate (%)**	**Mar 21**	**3.25**	**3.25**	**3.25**

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

Global Auctions for the week of March 17 – 21

North America

Country	Date	Time	Event
US	03/17	11:00	U.S. Fed to Purchase USD2.25-2.75 Bln Notes
US	03/17	11:30	U.S. to Sell USD25 Bln 3-Month Bills
US	03/17	11:30	U.S. to Sell USD23 Bln 6-Month Bills
US	03/18	11:00	U.S. Fed to Purchase USD1.00-1.25 Bln Notes
US	03/18	11:30	U.S. to Sell 4-Week Bills
CA	03/19	12:00	Canada to Sell 2-Year Bonds
US	03/20	11:00	U.S. Fed to Purchase USD2.25-2.75 Bln Notes
US	03/20	13:00	U.S. to Sell USD13 Bln 10-Year TIPS Reopening
US	03/21	11:00	U.S. Fed to Purchase USD1.00-1.25 Bln Notes

Europe

Country	Date	Time	Event
NE	03/17	07:00	Netherlands to Sell Up to EUR2 Bln 195-Day Bills
NE	03/17	07:00	Netherlands to Sell Up to EUR2 Bln 103-Day Bills
DE	03/18	05:30	Denmark to Sell 4% 2019 Bonds
SP	03/18	05:30	Spain to Sell 3-Month and 9-Month Bills
DE	03/18	05:30	Denmark to Sell 0.1% I/L Bonds
GE	03/19	06:30	Germany to Sell EUR4 Bln 1.75% 2024 Bonds
PO	03/19	06:30	Portugal to Sell 182-Day Bills
PO	03/19	06:30	Portugal to Sell 364-Day Bills
SP	03/20	05:30	Spain to Sell Bonds
SW	03/20	06:03	Sweden to Sell SEK500 Mln 4% I/L 2020 Bonds
SW	03/20	06:03	Sweden to Sell SEK500 Mln 1% I/L 2025 Bonds
FR	03/20	06:50	France to Sell I/L Bonds

Asia Pacific

Country	Date	Time	Event
CH	03/17	02:00	Agricul Dev Bank China To Sell CNY4 bln 10-Year Bond
CH	03/17	02:00	Agricul Dev Bank China To Sell CNY6 bln 5-Year Bond
CH	03/17	02:00	Agricul Dev Bank of China To Sell CNY6 billion 3-yr Bond
JN	03/17	23:35	Japan to Sell 1-Year Bill
JN	03/17	23:45	Japan to Sell 20-Year Bonds
CH	03/18	23:00	China to Sell 10-Year Bonds
JN	03/18	23:35	Japan to Sell 3-Month Bill
JN	03/19	23:35	Japan to Sell 2-Month Bill

Source: Bloomberg, Scotiabank Economics.

Events for the week of March 17 – 21

North America

Country	Date	Time	Event
CA	03/18	11:55	Bank of Canada Governor Poloz Speaks in Halifax
US	03/18	18:30	Former U.S. Secretary of State Clinton Speaks in Montreal
US	MAR 18-19		**Federal Reserve FOMC Meeting**
US	03/19	14:00	**FOMC Rate Decision**
US	03/19	14:30	Fed's Yellen Holds Press Conference in Washington
US	03/20	16:00	Fed Releases Dodd-Frank Act Supervisory Stress Test Results
MX	03/21	11:00	**Overnight Rate**
US	03/21	11:45	Fed's Bullard Speaks on Brookings Panel on Nominal GDP
US	03/21	13:45	Fed's Fisher Speaks on Forward Guidance in London
US	03/21	16:30	Fed's Kocherlakota Speaks on Monetary Policy in Washington
US	03/21	18:30	Fed's Stein Speaks on Monetary Policy in Washington
US	03/21		U.S. Sovereign Debt Rating Published by Fitch

Europe

Country	Date	Time	Event
EC	03/17	04:30	EU Foreign Ministers Hold Meeting in Brussels
UK	03/17	05:30	BOE's Cunliffe Speaks at Chatham House, London
EC	03/17	11:00	ECB's Weidmann Speaks in Kiel, Germany
GE	03/17	13:15	Merkel, Renzi Hold German-Italian Cabinet Talks in Berlin
EC	03/17		EU's Ashton Chairs Iran Nuclear Talks in Vienna
EC	03/18	05:00	EU General Affairs Ministers Hold Meeting in Brussels
GE	03/18	05:00	German Top Court Issues Final Ruling in ESM Case
EC	03/18	06:00	ECB's Nouy Testifies in Brussels
TU	03/18	08:00	**Benchmark Repurchase Rate**
UK	03/18	13:45	BOE's Carney Delivers Mais Lecture in London
UK	03/19	08:30	U.K. Chancellor Osborne Announces Budget to Parliament
SZ	03/19	13:45	SNB President Jordan Participates in Panel Discussion in Bern
SZ	03/20	04:30	**SNB 3-Month Libor Target Rate**
EC	03/20	11:00	ECB's Lautenschlaeger on Panel in Dusseldorf
EC	MAR 20-21		EU Leaders Hold Summit in Brussels

Asia Pacific

Country	Date	Time	Event
AU	MAR 14-15		Australian State Elections in South Australia and Tasmania
AU	MAR 14-15		Australia Holds State Elections in Tasmania
VN	MAR 15-19		Vietnam President Sang Visits Japan
AU	03/17	20:30	RBA Minutes of March Meeting
AU	03/18	12:00	Australian Commissioner to Canada Hand Speaks at Empire Club
JN	03/18	22:10	BOJ Board Member Kiuchi Speaks in Shiga
JN	MAR 18-19		BoJ Policy Board Member Sato Speaks at Japan Society
JN	03/19	01:00	BoJ Governor Kuroda Speaks at IIMA Panel Discussion
AU	03/19	20:30	RBA FX Transactions Market
JN	03/20	03:15	BoJ Governor Kuroda Speaks at JCCI

Latin America

Country	Date	Time	Event
BZ	03/18	10:00	Brazilian Central Bank President Tombini Testifies to Senate
CO	03/21		**Overnight Lending Rate**

Source: Bloomberg, Scotiabank Economics.

Global Central Bank Watch

North America

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Canada – Overnight Target Rate	1.00	April 16, 2014	1.00	--
Federal Reserve – Federal Funds Target Rate	0.25	March 19, 2014	0.25	0.25
Banco de México – Overnight Rate	3.50	March 21, 2014	3.50	3.50

Fed: We expect the FOMC statement on March 19 to involve a USD10bn reduction in asset purchases and to reword the Fed's forward rate guidance while maintaining its gist – that rates are on hold at least until H2 2015. For a full write-up of our views, see the FOMC preview on p.6. **BoC:** CPI for February will likely fall below 1% y/y, renewing concerns that the BoC is undershooting on its inflation target and putting pressure on C$ interest rates and therefore CAD. Governor Poloz speaks on 'Redefining the Limits to Growth' on Mar. 18. In our view, the central bank of **Mexico** will keep the reference rate unchanged at 3.50% at the coming meeting on March 21st, responding to the subdued economic performance and temporary factors impacting inflation. After peaking in January at 4.5% y/y, headline inflation decelerated to 4.2% in February, failing to reveal any secondary effects from the tax increases approved last year. Although the central bank has turned slightly more "hawkish" in recent months, the authorities have stated that consumer price gains should return to within the target range (2-4%) in the near term.

Europe

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	0.25	April 3, 2014	0.25	--
Bank of England – Bank Rate	0.50	April 10, 2014	0.50	0.50
Swiss National Bank – Libor Target Rate	0.00	March 20, 2014	0.00	0.00
Central Bank of Russia – One-Week Auction Rate	7.00	April 25, 2014	7.00	--
Hungarian National Bank – Base Rate	2.70	March 25, 2014	2.70	2.60
Central Bank of the Republic of Turkey – 1 Wk Repo Rate	10.00	March 18, 2014	10.00	10.00
Sweden Riksbank – Repo Rate	0.75	April 9, 2014	0.75	--
Norges Bank – Deposit Rate	1.50	March 27, 2014	1.50	--

The central bank of **Turkey** is again expected to leave interest rates unchanged when it meets next Tuesday, March 18th. The bank has stated that a strong, frontloaded tightening stance – implemented at the emergency meeting held in late January – will be maintained until the inflation outlook improves materially, and that the action already taken is judged to be sufficient to anchor inflation expectations. Headline inflation has been boosted in recent months by currency depreciation and higher food price inflation; the headline index gained 7.9% y/y in February, well above the 5% official target pace. The Turkish lira continues to exhibit substantial volatility, though it remains safely off its January low of around 2.34 per US dollar. The **Swiss** National Bank will also leave policy conditions unchanged next week (March 20th), with fairly resilient economic conditions offset by lingering deflationary pressures (the CPI dropped 0.1% y/y in February after a 0.1% gain in the prior month). The minimum exchange rate policy, set at 1.20 francs per euro, will likely remain in place through the remainder of 2014.

Asia Pacific

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Reserve Bank of Australia – Cash Target Rate	2.50	March 31, 2014	2.50	--
Reserve Bank of New Zealand – Cash Rate	2.75	April 23, 2014	2.75	--
People's Bank of China – Lending Rate	6.00	TBA	--	--
Reserve Bank of India – Repo Rate	8.00	April 1, 2014	8.00	--
Bank of Korea – Bank Rate	2.50	April 9, 2014	2.50	--
Bank of Thailand – Repo Rate	2.00	April 23, 2014	2.00	--
Bank Indonesia – Reference Interest Rate	7.50	April 8, 2014	7.50	--

Latin America

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	10.75	April 2, 2014	10.75	--
Banco Central de Chile – Overnight Rate	4.00	April 17, 2014	4.00	--
Banco de la República de Colombia – Lending Rate	3.25	March 21, 2014	3.25	3.25
Banco Central de Reserva del Perú – Reference Rate	4.00	April 10, 2014	4.00	4.00

Despite the change in monetary conditions in other economies in Latin America (Brazil, Chile and Peru), the **Colombian** authorities have kept the reference rate at 3.25% since March 2013, when it was lowered by 25 basis points. Annual inflation recorded its lowest average in 2013 at around 2% y/y and has since accelerated to 2.3% in February. However, it remains close to the lower limit of the official target range of 2-4%. Economic activity continues to rebound after decelerating in 2012-13. As a result, we do not anticipate any changes to monetary conditions until the second half of 2014.

Africa

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	5.50	March 27, 2014	5.50	--

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

Forecasts as at February 28, 2014*	2000-12	2013e	2014f	2015f	2000-12	2013e	2014f	2015f
Output and Inflation (annual % change)		Real GDP				Consumer Prices[2]		
World[1]	3.7	2.9	3.4	3.6				
Canada	2.2	2.0	2.2	2.5	2.1	0.9	1.2	1.9
United States	1.9	1.9	2.8	3.0	2.5	1.5	1.6	1.9
Mexico	2.4	1.1	2.7	3.7	4.7	4.0	4.2	4.0
United Kingdom	1.7	1.9	2.5	1.8	2.3	2.0	2.1	2.4
Euro Zone	1.3	-0.4	1.0	1.3	2.1	0.8	1.1	1.3
Japan	0.9	1.6	1.4	1.2	-0.3	1.6	1.5	2.1
Australia	3.1	2.4	2.7	2.9	3.0	2.7	3.0	2.9
China	9.3	7.7	7.3	7.0	2.4	2.5	2.8	3.5
India	7.2	4.7	5.2	5.7	6.7	6.2	6.6	6.3
South Korea	4.3	2.8	3.4	3.5	3.1	1.1	2.2	2.5
Thailand	4.2	2.8	3.5	4.5	2.7	1.7	2.5	2.8
Brazil	3.4	2.3	2.0	2.5	6.5	6.0	6.0	5.5
Chile	4.5	4.0	4.1	4.5	2.9	3.0	3.1	3.0
Peru	5.7	5.1	5.4	5.6	2.6	2.9	3.0	2.5

Central Bank Rates (%, end of period)	13Q4	14Q1f	14Q2f	14Q3f	14Q4f	15Q1f	15Q2f	15Q3f
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	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Bank of England	0.50	0.50	0.50	0.50	0.50	0.75	1.00	1.25
Swiss National Bank	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Reserve Bank of Australia	2.50	2.50	2.50	2.50	2.75	3.00	3.25	3.50
Exchange Rates (end of period)								
Canadian Dollar (USDCAD)	1.06	1.13	1.15	1.12	1.11	1.10	1.10	1.10
Canadian Dollar (CADUSD)	0.94	0.88	0.87	0.89	0.90	0.91	0.91	0.91
Euro (EURUSD)	1.37	1.40	1.37	1.33	1.30	1.28	1.26	1.25
Sterling (GBPUSD)	1.66	1.65	1.66	1.65	1.64	1.64	1.63	1.61
Yen (USDJPY)	105	102	104	107	109	110	111	112
Australian Dollar (AUDUSD)	0.89	0.87	0.86	0.88	0.88	0.89	0.89	0.89
Chinese Yuan (USDCNY)	6.1	6.1	6.1	6.0	6.0	5.9	5.9	5.9
Mexican Peso (USDMXN)	13.0	13.5	13.1	13.2	13.4	13.4	13.4	13.5
Brazilian Real (USDBRL)	2.36	2.55	2.40	2.45	2.50	2.52	2.55	2.55

Commodities (annual average)	2000-12	2013	2014f	2015f
WTI Oil (US$/bbl)	60	98	95	92
Brent Oil (US$/bbl)	62	109	108	108
Nymex Natural Gas (US$/mmbtu)	5.45	3.73	5.20	4.75
Copper (US$/lb)	2.22	3.32	3.18	3.10
Zinc (US$/lb)	0.78	0.87	0.98	1.40
Nickel (US$/lb)	7.64	6.80	6.90	8.00
Gold, London PM Fix (US$/oz)	745	1,410	1,320	1,375
Pulp (US$/tonne)	730	941	985	985
Newsprint (US$/tonne)	585	608	616	635
Lumber (US$/mfbm)	274	356	390	400

[1] World GDP for 2003-12 are IMF PPP estimates; 2013-15f are Scotiabank Economics' estimates based on a 2012 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' report for additional forecasts & commentary.

North America

Canada	2013	13Q3	13Q4	Latest	
Real GDP (annual rates)	2.0	2.7	2.9		
Current Acc. Bal. (C$B, ar)	-60.7	-59.2	-64.0		
Merch. Trade Bal. (C$B, ar)	-7.4	-5.1	-10.6	-2.1	(Jan)
Industrial Production	0.4	0.8	0.5	2.3	(Jan)
Housing Starts (000s)	187	195	195	192	(Feb)
Employment	1.3	1.3	1.0	0.5	(Feb)
Unemployment Rate (%)	7.1	7.1	7.0	7.0	(Feb)
Retail Sales	2.5	3.2	3.1	3.4	(Dec)
Auto Sales (000s)	1745	1786	1760	1660	(Dec)
CPI	0.9	1.1	0.9	1.5	(Jan)
IPPI	0.4	0.8	0.5	-2.3	(Jan)
Pre-tax Corp. Profits	-2.6	1.2	2.9		

United States	2013	13Q3	13Q4	Latest	
Real GDP (annual rates)	1.9	4.1	2.4		
Current Acc. Bal. (US$B, ar)		-379			
Merch. Trade Bal. (US$B, ar)	-704	-714	-687	-712	(Jan)
Industrial Production	2.6	2.4	3.4	3.2	(Jan)
Housing Starts (millions)	0.93	0.88	1.02	0.88	(Jan)
Employment	1.7	1.8	1.8	1.5	(Feb)
Unemployment Rate (%)	7.4	7.2	7.0	6.7	(Feb)
Retail Sales	4.4	4.7	3.8	1.3	(Feb)
Auto Sales (millions)	15.5	15.7	15.6	15.3	(Feb)
CPI	1.5	1.6	1.2	1.6	(Jan)
PPI	1.2	1.2	0.8	1.3	(Feb)
Pre-tax Corp. Profits		3.5			

Mexico	2013	13Q3	13Q4	Latest	
Real GDP	1.1	1.4	0.7		
Current Acc. Bal. (US$B, ar)	-22.3	-22.5	-18.6		
Merch. Trade Bal. (US$B, ar)	-1.0	-4.1	7.4	-38.3	(Jan)
Industrial Production	-0.7	-0.5	-0.4	0.7	(Jan)
CPI	3.8	3.4	3.7	4.2	(Feb)

Europe

Euro Zone	2013	13Q3	13Q4	Latest	
Real GDP	-0.4	-0.3	0.5		
Current Acc. Bal. (US$B, ar)	288	259	474	547	(Dec)
Merch. Trade Bal. (US$B, ar)	230.3	209.1	283.3	229.2	(Dec)
Industrial Production	-0.7	-1.1	1.5	1.6	(Jan)
Unemployment Rate (%)	12.0	12.1	12.0	12.0	(Jan)
CPI	1.4	1.3	0.8	0.8	(Jan)

Germany	2013	13Q3	13Q4	Latest	
Real GDP	0.5	0.6	1.4		
Current Acc. Bal. (US$B, ar)	273.9	239.8	342.5	265.3	(Jan)
Merch. Trade Bal. (US$B, ar)	265.7	261.6	288.0	281.1	(Jan)
Industrial Production	0.0	-0.1	2.9	5.0	(Jan)
Unemployment Rate (%)	6.9	6.8	6.9	6.8	(Feb)
CPI	1.5	1.6	1.3	1.2	(Feb)

France	2013	13Q3	13Q4	Latest	
Real GDP	0.3	0.3	0.8		
Current Acc. Bal. (US$B, ar)	-44.1	-49.7	-41.2	-6.1	(Dec)
Merch. Trade Bal. (US$B, ar)	-46.8	-49.1	-46.4	-50.5	(Jan)
Industrial Production	-0.5	-1.3	0.5	-0.1	(Jan)
Unemployment Rate (%)	10.8	10.9	10.8	10.9	(Jan)
CPI	0.9	0.9	0.6	0.9	(Feb)

United Kingdom	2013	13Q3	13Q4	Latest	
Real GDP	1.8	1.9	2.7		
Current Acc. Bal. (US$B, ar)		-167.6			
Merch. Trade Bal. (US$B, ar)	-168.5	-184.2	-172.8	-193.6	(Jan)
Industrial Production	-0.3	-0.4	2.3	2.9	(Jan)
Unemployment Rate (%)		7.6		7.2	(Nov)
CPI	2.6	2.7	2.1	1.8	(Jan)

Italy	2013	13Q3	13Q4	Latest	
Real GDP	-1.8	-1.9	-0.9		
Current Acc. Bal. (US$B, ar)	16.2	28.5	47.0	30.4	(Dec)
Merch. Trade Bal. (US$B, ar)	40.3	41.4	58.6	59.4	(Dec)
Industrial Production	-2.9	-3.7	0.0	0.3	(Jan)
CPI	1.2	1.0	0.6	0.5	(Feb)

Russia	2013	13Q3	13Q4	Latest	
Real GDP		1.2			
Current Acc. Bal. (US$B, ar)	33.0	0.6	4.7		
Merch. Trade Bal. (US$B, ar)	14.9	14.4	15.0	18.9	(Jan)
Industrial Production	0.4	0.6	1.4	-0.2	(Jan)
CPI	6.8	6.4	6.4	6.2	(Feb)

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

Source: Bloomberg, Global Insight, Scotiabank Economics.

Asia Pacific

Australia	2013	13Q3	13Q4	Latest
Real GDP	2.4	2.4	2.8	
Current Acc. Bal. (US$B, ar)	-44.0	-54.9	-41.6	
Merch. Trade Bal. (US$B, ar)	20.2	12.6	20.8	8.3 (Jan)
Industrial Production	3.6	2.1	2.8	
Unemployment Rate (%)	5.7	5.7	5.8	6.0 (Feb)
CPI	2.4	2.2	2.7	

Japan	2013	13Q3	13Q4	Latest
Real GDP	1.5	2.4	2.5	
Current Acc. Bal. (US$B, ar)	34.3	54.5	-53.6	-183.5 (Jan)
Merch. Trade Bal. (US$B, ar)	-117.3	-119.2	-152.1	-210.0 (Jan)
Industrial Production	-0.6	1.9	5.7	10.4 (Jan)
Unemployment Rate (%)	4.0	4.0	3.9	3.7 (Jan)
CPI	0.4	0.9	1.4	1.4 (Jan)

South Korea	2013	13Q3	13Q4	Latest
Real GDP	2.8	3.3	3.9	
Current Acc. Bal. (US$B, ar)	70.7	75.9	87.8	43.3 (Jan)
Merch. Trade Bal. (US$B, ar)	44.1	43.1	53.2	11.1 (Feb)
Industrial Production	0.2	1.0	0.7	1.6 (Jan)
CPI	1.3	1.4	1.1	1.0 (Feb)

China	2013	13Q3	13Q4	Latest
Real GDP	7.7	7.8	7.7	
Current Acc. Bal. (US$B, ar)	188.6			
Merch. Trade Bal. (US$B, ar)	259.2	244.2	360.3	-275.9 (Feb)
Industrial Production	9.7	10.2	9.7	9.7 (Dec)
CPI	2.5	3.1	2.5	2.5 (Jan)

Thailand	2013	13Q3	13Q4	Latest
Real GDP	2.9	2.7	0.6	
Current Acc. Bal. (US$B, ar)	-2.8	-0.9	5.2	
Merch. Trade Bal. (US$B, ar)	0.5	1.7	1.3	-0.7 (Jan)
Industrial Production	-3.0	-3.9	-6.7	-6.6 (Jan)
CPI	2.2	1.7	1.7	2.0 (Feb)

India	2013	13Q3	13Q4	Latest
Real GDP	4.6	4.8	4.7	
Current Acc. Bal. (US$B, ar)	-49.3	-5.2	-4.2	
Merch. Trade Bal. (US$B, ar)	-12.9	-9.8	-10.2	-8.1 (Feb)
Industrial Production	0.6	1.9	-0.9	0.1 (Jan)
WPI	6.3	6.6	7.1	4.7 (Feb)

Indonesia	2013	13Q3	13Q4	Latest
Real GDP	5.8	5.6	5.7	
Current Acc. Bal. (US$B, ar)	-28.5	-8.5	-4.0	
Merch. Trade Bal. (US$B, ar)	-0.3	-1.0	0.8	-0.4 (Jan)
Industrial Production	5.8	7.2	0.9	0.9 (Jan)
CPI	6.4	8.0	8.0	7.7 (Feb)

Latin America

Brazil	2013	13Q3	13Q4	Latest
Real GDP	2.1	1.9	1.7	
Current Acc. Bal. (US$B, ar)	-81.4	-68.5	-83.8	
Merch. Trade Bal. (US$B, ar)	2.6	5.9	16.7	-25.5 (Feb)
Industrial Production	1.4	0.5	0.1	-3.1 (Jan)
CPI	6.2	6.1	5.8	5.7 (Feb)

Chile	2013	13Q3	13Q4	Latest
Real GDP		4.7		
Current Acc. Bal. (US$B, ar)		-13.8		
Merch. Trade Bal. (US$B, ar)	9.0	-1.8	2.4	14.8 (Feb)
Industrial Production	3.0	4.9	2.5	-1.7 (Jan)
CPI	1.9	2.2	2.3	3.2 (Feb)

Peru	2013	13Q3	13Q4	Latest
Real GDP	2.2	4.5	5.1	
Current Acc. Bal. (US$B, ar)	-10.2	-2.5	-2.2	
Merch. Trade Bal. (US$B, ar)	0.0	0.1	0.1	-0.7 (Jan)
Unemployment Rate (%)	5.9	5.8	5.8	6.4 (Jan)
CPI	2.8	3.1	2.9	3.8 (Feb)

Colombia	2013	13Q3	13Q4	Latest
Real GDP		5.1		
Current Acc. Bal. (US$B, ar)		-3.6		
Merch. Trade Bal. (US$B, ar)	0.2	0.0	0.1	0.2 (Jan)
Industrial Production	-1.9	-1.5	0.3	1.5 (Dec)
CPI	2.0	2.3	1.8	2.3 (Feb)

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

Source: Bloomberg, Global Insight, Scotiabank Economics.

Interest Rates (%, end of period)

Canada	13Q3	13Q4	Mar/07	Mar/14*	United States	13Q3	13Q4	Mar/07	Mar/14*
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	0.97	0.92	0.83	0.82	3-mo. T-bill	0.01	0.07	0.05	0.04
10-yr Gov't Bond	2.54	2.76	2.52	2.38	10-yr Gov't Bond	2.61	3.03	2.79	2.64
30-yr Gov't Bond	3.07	3.23	3.04	2.92	30-yr Gov't Bond	3.68	3.97	3.72	3.58
Prime	3.00	3.00	3.00	3.00	Prime	3.25	3.25	3.25	3.25
FX Reserves (US$B)	71.3	71.8	72.7	(Jan)	FX Reserves (US$B)	136.7	133.5	133.4	(Jan)
Germany					**France**				
3-mo. Interbank	0.15	0.24	0.24	0.26	3-mo. T-bill	0.06	0.15	0.19	0.18
10-yr Gov't Bond	1.78	1.93	1.65	1.54	10-yr Gov't Bond	2.32	2.56	2.22	2.12
FX Reserves (US$B)	65.7	67.4	66.9	(Jan)	FX Reserves (US$B)	54.6	50.8	54.5	(Jan)
Euro Zone					**United Kingdom**				
Refinancing Rate	0.50	0.25	0.25	0.25	Repo Rate	0.50	0.50	0.50	0.50
Overnight Rate	0.18	0.45	0.16	0.17	3-mo. T-bill	0.40	0.40	0.39	0.38
FX Reserves (US$B)	332.5	331.2	337.9	(Jan)	10-yr Gov't Bond	2.72	3.02	2.79	2.66
					FX Reserves (US$B)	93.3	92.4	92.6	(Jan)
Japan					**Australia**				
Discount Rate	0.30	0.30	0.30	0.30	Cash Rate	2.50	2.50	2.50	2.50
3-mo. Libor	0.09	0.09	0.08	0.08	10-yr Gov't Bond	3.81	4.24	4.17	4.04
10-yr Gov't Bond	0.69	0.74	0.63	0.63	FX Reserves (US$B)	45.9	49.7	43.4	(Jan)
FX Reserves (US$B)	1240.8	1237.2	1246.2	(Jan)					

Exchange Rates (end of period)

USDCAD	1.03	1.06	1.11	1.11	¥/US$	98.27	105.31	103.28	101.44
CADUSD	0.97	0.94	0.90	0.90	US¢/Australian$	0.93	0.89	0.91	0.90
GBPUSD	1.619	1.656	1.671	1.662	Chinese Yuan/US$	6.12	6.05	6.13	6.15
EURUSD	1.353	1.374	1.388	1.392	South Korean Won/US$	1075	1050	1061	1073
JPYEUR	0.75	0.69	0.70	0.71	Mexican Peso/US$	13.091	13.037	13.187	13.237
USDCHF	0.90	0.89	0.88	0.87	Brazilian Real/US$	2.217	2.362	2.341	2.363

Equity Markets (index, end of period)

United States (DJIA)	15130	16577	16453	16131	U.K. (FT100)	6462	6749	6713	6535
United States (S&P500)	1682	1848	1878	1850	Germany (Dax)	8594	9552	9351	9026
Canada (S&P/TSX)	12787	13622	14299	14266	France (CAC40)	4143	4296	4366	4210
Mexico (IPC)	40185	42727	38913	37867	Japan (Nikkei)	14456	16291	15274	14328
Brazil (Bovespa)	52338	51507	46244	45394	Hong Kong (Hang Seng)	22860	23306	22660	21539
Italy (BCI)	950	1041	1136	1136	South Korea (Composite)	1997	2011	1975	1920

Commodity Prices (end of period)

Pulp (US$/tonne)	945	990	1010	1010	Copper (US$/lb)	3.31	3.35	3.14	2.94
Newsprint (US$/tonne)	605	605	605	605	Zinc (US$/lb)	0.85	0.95	0.95	0.90
Lumber (US$/mfbm)	359	372	363	368	Gold (US$/oz)	1326.50	1204.50	1335.25	1368.75
WTI Oil (US$/bbl)	102.33	98.42	102.58	98.85	Silver (US$/oz)	21.68	19.50	21.38	21.36
Natural Gas (US$/mmbtu)	3.56	4.23	4.62	4.41	CRB (index)	285.54	280.17	307.19	302.83

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

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