

Global Views

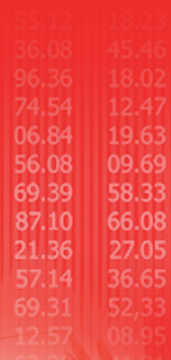
Weekly commentary on economic and financial market developments

January 24, 2014

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A Global Potpourri

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

US —Tapering Into Solid Growth

Significant developments will transpire across most major developed economies next week and against the backdrop of increasingly disconcerting developments within some emerging markets. **We think that Ben Bernanke's final meeting as Chairman of the Federal Reserve next Wednesday will result in a further \$10 billion reduction in asset purchases** per month split evenly between Treasuries and MBS. All but four shops out of 45 forecasters within the Bloomberg consensus expect a \$10 billion taper. **Additional Fed tapering is also likely to occur in the context of generally robust data next week.** That would continue to fit our bias in favour of a bear flattener unfolding over 2014-15 within the context of an improving economy. This two-day meeting ends Bernanke's term with a whimper in that only a statement will land with no accompanying Summary of Economic Projections or press conference until Janet Yellen's first policy decision as Chair on March 19th. We do not expect additional material policy shifts particularly with respect to forward guidance at this meeting.

The marquee release of the week will be Thursday's Q4 GDP print. The private sector came on much stronger in Q4 than we had anticipated and, as a result, the economy should be able to post over 3% growth on the heels of 4.1% growth in Q3. Wild cards are an expected inventory drag, and a hit on the government sector in the wake of the October shutdown. Among the keys here is the health of the US consumer. Total personal consumption is tracking at a 4% annualized gain in Q4 assuming that Friday's post-GDP personal spending figures for December are flat. That would be the strongest quarterly consumption gain since 2010Q4 even though consumers appeared to bring forward holiday spending to earlier in October and November partly because Thanksgiving weekend occurred later than usual. Net trade was also a significant bright spot as the monthly goods deficit improved by about 25% at an annualized rate with tracking through to November and significantly on the back of lower net oil imports as US production continues to displace foreign energy dependence at a far quicker pace than anyone had imagined.

Durable goods orders should grow respectably on Tuesday. Boeing aircraft orders leapt higher to 319 planes in December from 110 the month before and that should on its own add a significant lift to headline orders given a just under 10% weight on aerospace orders. The meatier question concerns what may have happened to core capital goods orders excluding defence and air as a guidepost to total business equipment spending. November's large 2.8% gain in shipments and 4.5% rise in core capital goods orders followed a weak trend and **might make a repeat large gain in business equipment spending difficult in December.**

Housing data will also be in the spotlight on Monday with new home sales and Thursday with pending home sales and both will be watched for potential turning points. After the massive 18% pop higher in new home sales in October, sales slipped a touch in November and we could be looking at a further moderation with revision risk. We continue to think the longer-run trend for new home sales over 2014-15 will be constructive. Indeed, for the quarter as a whole, new home sales are tracking 20% higher than in Q3 such that we expect residential investment to be another bright spot in next week's GDP release. Pending home sales are a bigger wild card but we'll be hoping that the signs of a bottoming in November may be the start of a turning point after a string of sharp declines that followed the rise in mortgage rates that followed taper talk that began last Spring.

Earnings season will continue, but soon you'll have two and a half weeks of Winter Olympics as a distraction to rival the earnings marathon. 130 firms listed on the S&P 500 release next week including diversified names like Caterpillar as a guide to big ticket equipment spending, Apple Inc., Pfizer, Ford, AT&T, Yahoo, Boeing, Dow Chemical, Facebook, Visa, Mastercard, ConocoPhillips, Colgate-Palmolive, Google, and 3M.

President Obama delivers his 5th State of the Union speech to Congress on Tuesday evening and the theme of income inequality is likely to be prevalent. As [this](#) series of articles expertly explains, income inequality is much more of a US challenge than it is elsewhere and not one that should be subject to simple solutions.

The US Treasury auctions 2s, 5s and 7s next week.

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Canada — Underperformance Intact

Canada might witness a soft monthly GDP print on Friday, but still be on track for a decent quarter. We think November GDP might post a small gain of 0.1-0.2% m/m, but even if it comes in flat the quarter could well be tracking around 2½ % annualized growth over the prior quarter. **That would continue the under-performance of the Canadian economy relative to the US** if Bloomberg consensus is on the mark for Q4 US growth of 3.3%. It would be the third consecutive quarter of underperformance vis-à-vis the US after Canada underperformed the US by 1.1 percentage points in 2012.

The monthly tracking for November GDP was not terribly inspiring. Bright spots included decent gains in the volume of retail sales (+0.8% m/m) and the volume of manufacturing shipments (+0.7% m/m). They don't necessarily translate well into GDP, and they weigh against other guideposts. Housing starts fell 3% in November, and home sales were flat which suggests housing and related ancillary services won't provide a lift. Total hours worked in the economy fell by 0.2% m/m which, given that GDP is hours worked times labour productivity, would suggest a contraction in the economy unless output rises per hour worked. Whole trade has a comparable 6% weight to that of the retail sector in GDP and the volume of wholesalers' sales was flat (-0.1%). While they don't factor directly into monthly GDP that is based on the income side of the picture, the volume of exports fell 0.4% and the volumes of imports slipped 0.2% which pointed toward a wider trade deficit as a sign of additional economic weakness. Wildcards include more difficult to observe service sectors, utilities, government, and natural resources but we expect modest trend growth on these combined categories.

Canada's earnings season will bring forward 13 firms listed on the TSX next week including names like Metro, CP, Potash Corp, CN Rail, Canadian Oil Sands and Brookfield.

Canada also auctions 2 year bonds on Wednesday. See our note in this week's *Global Views* for more on our thoughts as they relate to the front-end of the curve and timing a potential BoC rate cut.

Europe — UK GDP To Complicate BoE's Dilemma

When Q4 UK GDP lands on Tuesday, it could well reinforce relatively upbeat sentiment regarding the economy and further complicate the Bank of England's experiment in forward guidance. Bloomberg consensus expects a rise of 0.7% q/q non-annualized (2.8% annualized) which would make it the fourth consecutive quarterly expansion and within the same growth range that occurred over the prior two quarters. Four consecutive gains roughly in the 2-3% range on each annualized print would sharply distance the BoE from the decline over the prior four of five quarters.

Gilt watchers will also have an eye on **BoC Governor Carney's two appearances next week.** One will involve rubbing shoulders at Davos and the World Economic Forum on Saturday, and the other will be in Scotland on Wednesday. Recall that at the August BoE meeting, Governor Carney and the Monetary Policy Council introduced a promise not to raise rates until late 2016 on the conditional forecast that the unemployment rate would not approach a 7% target until then. The unemployment rate stood at 7.1% in 2013Q4 and probably sits lower than that now such that the rate lies on top of the target. That has massively shifted the debate toward managing exits much earlier than Carney had hoped and thus far the BoE is on track to be lumped in with the Riksbank and RBNZ when it comes to dubious success of long-term forward guidance experiments. We leave the BoC out of this comparison largely because its experiment that ended in 2010 was a far more limited experiment. Governor Carney appears to be increasingly distancing the BoE from the 7% target by emphasizing a broader array of indicators as opposed to "unnecessarily focusing on one indicator".

Yet more European sentiment readings will also be on market radar screens. Various Eurozone confidence prints arrive on Thursday, and Germany's IFO business expectations reading lands Monday. Sentiment readings continue to overstate the true pace of economic growth in Europe.

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Friday's French consumer spending may well soften after a strong pop higher in November, but **German data will matter more to markets next week**. That includes German retail sales on Monday, and both CPI and the unemployment rate on Thursday. **German CPI is expected to fall in January compared to December which will feed deflation concerns from an ECB standpoint**, while the year-ago reading remains in the 1½% range.

Will Spain deliver a more convincing end to the recession than the mild 0.1% q/q lift to GDP in Q3? We'll see on Thursday when the fourth quarter estimate arrives along with potential revisions.

Asia — Chinese Manufacturing, Abenomics Scorecard, And The RBI

Was China's recently disappointing manufacturing data just an aberration particularly driven by smaller producers? That question will be on market minds when the private sector version of the manufacturing sector's purchasing managers' index lands and when the state version arrives. The preliminary private sector version disappointed markets this past week but is often subject to revision, and more skewed toward smaller manufacturers in coastal manufacturing centres. The state's version is more reliant upon larger manufacturers and can often deviate significantly from the private PMI.

Central banks will be in the spotlight throughout the week including rate decisions by the RBI, RBNZ and Bank Negara Malaysia plus minutes to the BoJ's December meeting. **None of the central banks with decisions pending are expected to change their policy rates**. A committee at the Reserve Bank of India recently recommended that the RBI embrace a 4% CPI inflation target within an operating band of 2-6%. That would be a remarkable shift from the current 10% inflation rate and the committee recommended moving in this direction in staggered steps over coming years. Since the committee was set up by incoming Governor Raghuram Rajan, they recommendations are likely to be implemented and there may be further discussion of this next week.

Japan will be in the spotlight throughout the week as it releases the regular batch of monthly economic reports alongside minutes to the BoJ meeting in December (two meetings ago). Consensus generally expects an upbeat tone to much of the data with a solid projected gain in household spending, a decline in the jobless rate, and a jump in industrial production. We'll watch for further evidence that next week's inflation figures are being primarily driven upward via a relative price shock to imported energy costs motivated in part by BoJ-induced yen depreciation and higher electricity prices. If so, we'll remain concerned about the second round pass-through effects of higher staples prices upon consumer finances and pricing power in the rest of the economy. Finally, Japan's trade account has been unable to show trend gains in the volume of exports despite yen depreciation and so we'll watch that update also as part of the Abenomics scorecard.

Trade figures will also be released by a variety of southeast Asian economies, and the Philippines is expected to record slower growth in Q4 that would continue a decelerating trend since summer.

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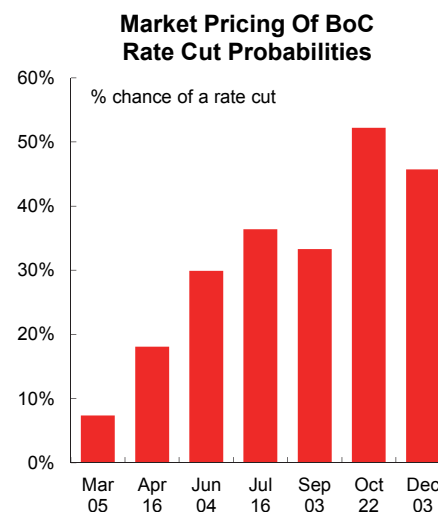
Timing The Risk Of A Bank Of Canada Rate Cut

- **We think markets may be off on their timing for a potential BoC rate cut, but that the bar for a cut remains fairly high.**

The Bank of Canada's signaled openness to rate cuts faces a high bar, though we think the market may be mistiming the probabilities.

We'll Probably Know By Mid-Year

We still think Overnight Index Swap pricing is a bit light on June/ July BoC cut risks and relatively heavy on September/October cut risks. The accompanying chart shows market probabilities for rate cuts at each of the upcoming BoC meetings. As we go to print, markets are assigning about a 9% chance of a March cut, a 15% chance of a cut in April, a 20% chance of a June cut, a 39% chance of a cut in July, and a 42% chance in September. Then the odds take off. By October, the odds of a cut jump to 55% into a base case scenario for the markets. We think that by June or July we'll have a much firmer feel for whether the BoC is in cut mode after Spring housing data lands and CPI likely drifts lower yet over coming months after a temporary rise this month. The added wildcard is the speed of CAD depreciation.



Source: Bloomberg, Scotiabank Economics.

The Criteria For A Cut

We briefly summarize what we think are the main pre-conditions for a mid-year rate cut that as yet we are not prepared to call, even though we feel market pricing merits some further adjustment.

1. **The BoC needs to test its brought-forward theory of housing demand** by seeing a weak Spring housing market. We have long believed in the brought-forward risks, but it's a theory that needs hard data that we won't have for months yet — June at the earliest. Cutting before the Spring housing market data runs the risk of looking either brilliant if housing stumbles or mistimed and likely to draw political heat if housing rips. Conservative central bank cultures don't tend to like such politically charged binary risks.
2. At that point, **the BoC would need to see inflation stalled and hovering below its target.** Its revised forecast nevertheless anticipates a mild rise in headline inflation by mid-year followed by a further rise back to the 2% target by the end of 2015.
3. CAD depreciation is likely welcome at the BoC to a point, but **the BoC will probably be mindful of the risk that the currency will continue to freefall and potentially stoke inflation risk through import prices.** In other words, a further uncontrolled freefall in the currency would negate cut risk. Import prices are already rising as an upside risk to CPI, compared to a downside risk which is more retail price competition in some sectors combined with general global inflation weakness.
4. **The BoC would also need to see soft export data persisting.**
5. The BoC will also be mindful of the unfolding **risks across emerging markets and the potential commodity implications** such that its base case assumption of an improving global economy would perhaps also have to be disappointed.

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Colombia's Outlook Looks Brighter

- **Strengthening economic recovery, contained inflationary pressures and solid public finances set a positive tone for the country's outlook.**

The Colombian economy is on a recovery track following the weaker growth performance observed since mid-2012; however, signs have been mixed and uneven across sectors. Real GDP expanded by 5.1% y/y in the third quarter of 2013, improving significantly from the 3.3% rate averaged in the first half of the year. Construction and infrastructure were the main contributors to growth, while the industrial sector continues to lag. Both public spending and household consumption are gaining momentum, fuelling import demand. Meanwhile, export advance remains modest and below the import pace due to supply problems particularly in the mining sector. We maintain our view that the economy expanded by 4.2% in 2013 and will likely advance by 4.6% on average in 2014-15.

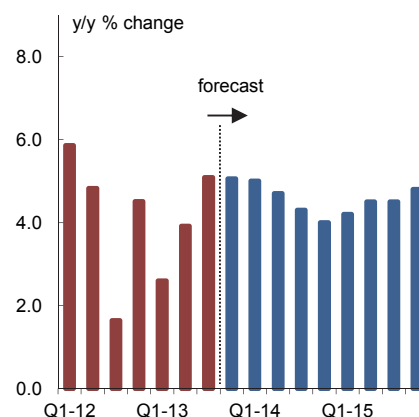
Inflation dynamics have improved significantly in recent years. Headline inflation remains close to the lower limit of the central bank's target range (2-4%), averaging 2% y/y in 2013, a record low for the country. In our view, inflation will accelerate to around 2.8% y/y by the end of 2014, responding to the rebound in economic activity. After cutting the reference rate by 200 bps over a 12-month period, the central bank has maintained the monetary rate at 3.25% since last March. We do not foresee any changes to the monetary stance in the coming quarters.

The government remains committed to fiscal consolidation, with the fiscal rule stipulating a decrease in the public deficit from 2.4% of GDP in 2012-13 to 1.0% by 2022. The central government shortfall is expected to be around 2.3% of GDP in 2014 and 2.2% in 2015. The fiscal reform approved in 2012 combined with the expected increase in oil production in the coming five years support a positive outlook for the country's fiscal balance. In line with this, in December, Fitch Ratings upgraded the country's long-term foreign-currency credit rating from "BBB-" to "BBB", changing the outlook from "positive" to "stable". The agency decided to upgrade the country's sovereign credit profile, in response to solid public finances, stronger economic resiliency in the face of external shocks and a positive outlook for growth. The upgrade followed a similar move by Standard & Poor's in April, revising the country's credit rating from "BBB-" to "BBB", leaving a "stable" outlook in place.

On the currency market, the value of the Colombian peso (COP) has been affected by intensive central bank intervention combined with modest economic growth, loose monetary policy and more recently, US dollar (USD) strength caused by the withdrawal of monetary stimulus by the US Federal Reserve. The currency lost close to 10% vis-à-vis the USD in 2013, reaching the 1,990 mark by mid-January 2014. The central bank is well positioned to support the currency, in case of heightened volatility in global financial markets. Foreign reserves are currently valued at US\$43.6 billion, which are complemented by a new two-year precautionary flexible credit line from the International Monetary Fund (approved in July) worth US\$5.8 billion.

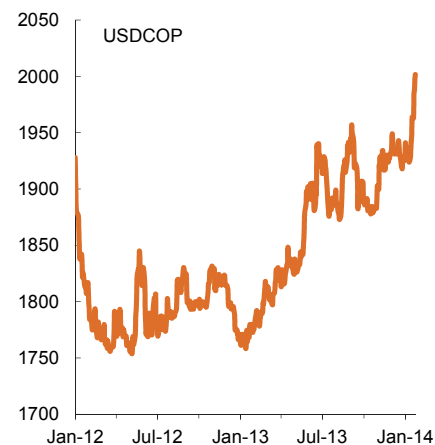
Presidential elections, scheduled for May 2014, will be the focus of the political environment in the first half of the year. By the end of 2013, President Juan Manuel Santos announced that he will be running for a second term, with peace negotiations with the Fuerzas Armadas Revolucionarias de Colombia (FARC) and economic stability taking centre stage of his campaign. We anticipate controlled market volatility stemming from the electoral process.

Colombian Real GDP



Source: Bloomberg, Scotiabank Economics.

Colombian Peso



Source: Thomson Reuters.

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China's Economic Momentum Remains Solid For The Time Being

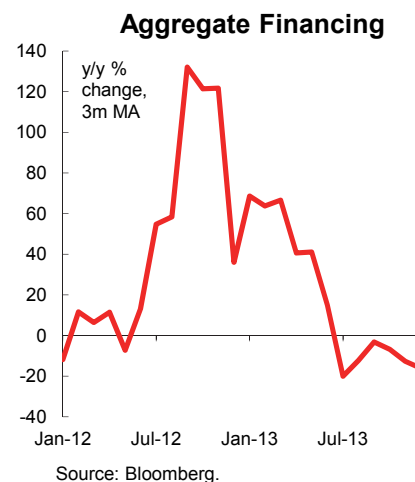
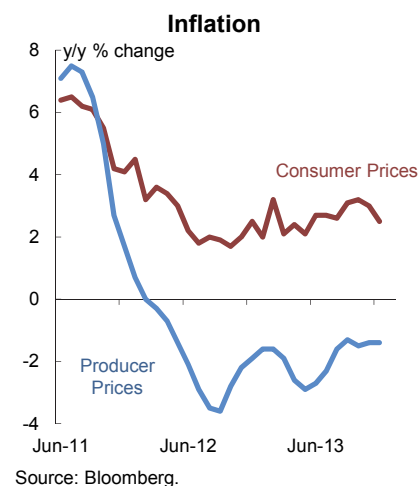
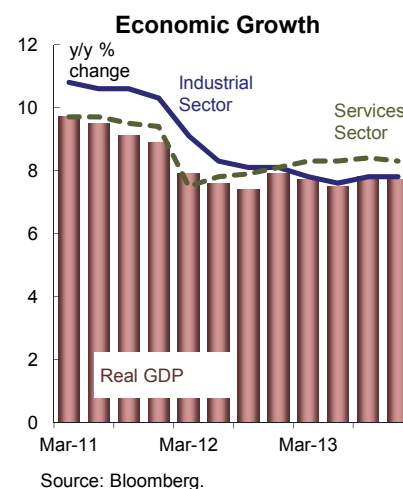
- **The economy's structural transition will result in a more sustainable growth model.**

China's economic activity remains robust, with real GDP expanding by 7.7% in 2013 as a whole, in line with the performance in 2012. Nevertheless, the nation's growth structure is changing, resulting in lower output gains in the coming years as the economy transitions to a new stage of development that relies more on productivity improvements than factor inputs. Indeed, rapid real GDP expansion in recent years has largely been supported by fixed capital investment and an increasing urban labour force.

Supporting the ongoing structural adjustment, the Communist Party's Third Plenum's economic reform plan, unveiled in November, showed determination by the country's authorities to increase the role of markets in resource allocation, which will lead to efficiency gains and a more sustainable growth model in the longer-term. Analogously, ongoing efforts by policymakers to rein in credit growth (aggregate financing contracted by 14% y/y in the May-December period, compared with an increase of 63% y/y in the first four months of 2013) are doing their part to re-align the economy by slowing investment gains. In this context, we expect China's pace of economic expansion to decelerate to around 7¼% y/y in 2014-15.

The services sector in China continues to increase in importance as a source of growth, now exceeding the industrial sector in size; it accounts for 46% of GDP compared with 44%, with agriculture representing the remaining 10% of the economy. Moreover, the services sector is also the economy's largest employer. At 8.3% y/y, the growth rate of services continued to surpass that of the industrial sector (7.8%) in the final quarter of 2013, and we expect this trend to become increasingly evident in the coming years as rising household incomes translate into a more domestically oriented economy.

The inflation outlook is manageable, with consumer prices increasing by 2.5% y/y at end-2013. While home prices and credit growth dynamics will be key factors influencing inflationary developments, persistent — though easing — producer price deflation due to industrial overcapacity should alleviate any concerns regarding significant upside pressure on prices. Headline inflation will likely remain below the 3½% mark through 2015. The People's Bank of China (PBoC) manages monetary conditions through a variety of instruments in order to maintain financial stability and the value of the Chinese yuan. It is tightening its monetary policy stance by withdrawing liquidity from the banking system, which has caused the one-month Shibor-rate to spike in end-December to a six-month high of 7.66%, and again in mid-January to 7.47%. China's financial system is gradually moving toward a more market-oriented framework, with the PBoC eliminating the floor for lending rates last July. Nevertheless, the fact that the ceiling on deposit rates has not yet been removed underpins continuing demand for alternative investments. We expect that the interest rate liberalization process will move ahead in the near term.



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Latin America Week Ahead: For The Week Of January 27 - 31

Colombia: FinMin Cardenas said he expects USD/COP to reach 2000 over coming days, but that even a move to 2,100 would not be considered a problem, but rather a positive for Colombia's agriculture and industrial sectors (which have arguably been suffering from Dutch Disease). Consistent with the message we have received from other BanRep board members, FinMin also suggested that he does not expect any further rate cuts from the central bank, despite low inflation — which seems to take away most of the uncertainty ahead of this week's BanRep MPC meeting.

Mexico: Yesterday, FinMin Videgaray said he sees no need to intervene in FX markets, despite the weakening peso. In our view, Mexico does not intervene in FX markets, unless the "price discovery mechanism is broken" which, among other thing, could be reflected in a "1-sided market". For now, we have seen no indications of that taking place, and expect intervention to remain off the table unless that changes (FinMin Videgaray and 2 undersecretaries from the Treasury are part of the Foreign Exchange Commission, as well as three Banxico board members, with the tie-breaker vote on the Commission's decisions going to the FinMin). [President Peña Nieto is expected to announce US\\$8bn of planned investments by Cisco, Pepsico and Nestle today](#), which are expected to be partly driven by the improving outlook for the Mexican economy. In addition, local newspaper [Milenio reported that the Audi plant in the country would add 20,000 jobs](#). We want to highlight one of the more balanced views on Mexico's structural reform process we have seen to date — sadly, it is only in Spanish ([also linked below](#)). The latest inflation print was "somewhat terrible" (and worse than the market expected), with headline inflation coming in at 4.63% , and could open the door for a more hawkish / cautious tone from Banxico next Friday (we are also scheduled to get monthly economic activity and the trade balance).

Peru: The Peruvian data pipeline is light this week, but our bias remains to be long PEN/COP, on the back of a more diversified Peruvian commodity export basket relative to Colombia's, the BCRP's support of the sol (while Colombian authorities have signaled tolerance of a weaker COP), and Peru's extremely solid external balance sheet.

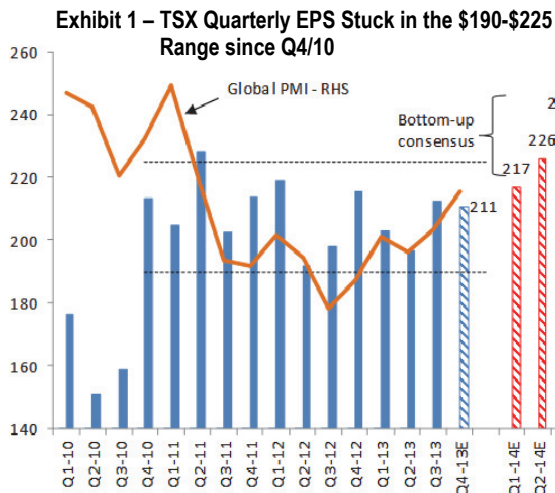
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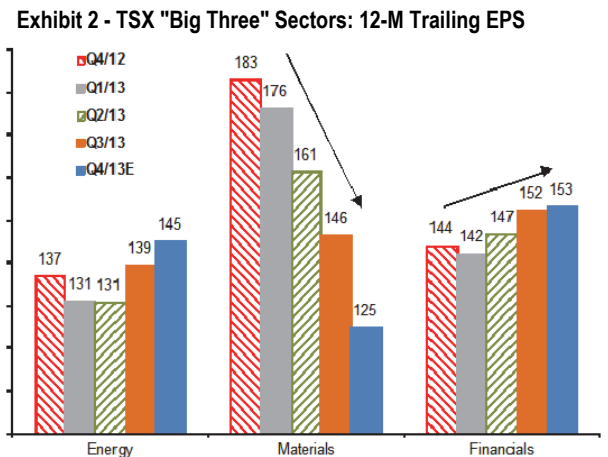
TSX Earnings Preview — Q4/13

The following article was published on January 23, 2014.

- Canadian quarterly earnings releases kick into high gear next week. In the U.S., over 15% of S&P 500 companies have reported Q4/13 earnings so far, and based on preliminary results, S&P 500 Q4 earnings are up 5% YOY (US\$28.25). However, the beat ratio stands at 61%, the lowest since Q4/11 (62%). We will provide an update on the S&P 500 Q4 earnings season when more companies have reported.
- **Expect a beat for TSX EPS in Q4.** In our opinion, accelerating global growth and low earnings expectations could set the stage for an earnings beat. Hence, TSX quarterly EPS could exceed consensus as Energy, Mining, and Gold beat forecasts.
- **Quarterly EPS still stuck in a range.** Although earnings could come in above estimates, TSX quarterly earnings should remain stuck in their three-year range (\$190-\$225) as weak commodity prices weigh on overall earnings. See Exhibit 1. The resource sector's contribution to TSX earnings has declined since peaking at close to 50% in Q4/11, but it still accounts for about a third of the total (Energy 22% and Materials 9%). Financials should contribute 44% of TSX Q4 earnings. With EPS growth in only two of the "Big Three" sectors (Exhibit 2), a significant breakout of their three-year range will remain challenging.
- TSX earnings should benefit from accelerating global growth and a lower Canadian dollar in 2014. We expect TSX earnings to expand 9% to \$900 in 2014 and +5.5% to \$950 in 2015. Our TSX EPS forecasts stand below current consensus of \$934 and \$1,036, respectively.



Source: Scotiabank GBM Portfolio Strategy, Bloomberg.



Source: Scotiabank GBM Portfolio Strategy, Bloomberg.

TSX Q4 Earnings en Route for a Beat

- As discussed in our "S&P 500 Q4 earnings preview" note last week, most U.S. and European macro-economic indicators have improved in Q4 relative to Q3. Firmer and broader global growth should help TSX earnings.
- **Canadian domestic picture is mixed.** Retail sales, housing starts, manufacturing new orders, and PMI data all slightly improved in Q4 relative to Q3. However, exports and employment trends have weakened in Q4. Financials earnings could benefit from rising equity markets and stronger M&A activity according Bloomberg data.
- **Weaker C\$ tailwinds.** The C\$ weakened modestly in Q4 versus Q3. The loonie averaged US\$0.953 in Q4 compared to US\$0.963 in Q3 and US\$1.00 in Q4/12. Since the start of 2014, the C\$ is down 4% (US\$0.905) versus the greenback. A depreciating currency will provide a boost to earnings and margins in coming quarters. From the 80s to the late 90s, the correlation between the Canadian dollar and TSX profit

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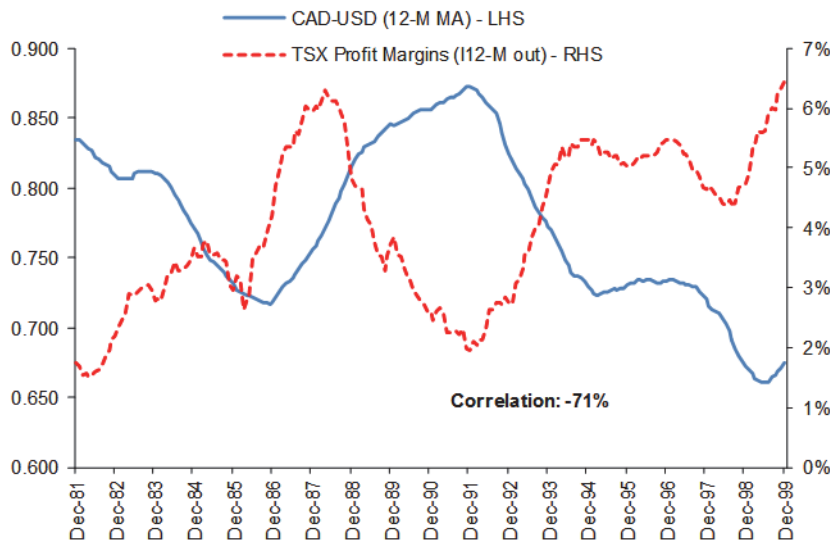
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margins (12-M out) was strongly negative (see Exhibit 3). The correlation turned positive with the start of the commodity bull market in the early 2000s.

- Pension plans contributions declining.** Strong equity gains and rising bond yields greatly enhanced Canadian pension plans funding status in 2013. According to Mercer, nearly 40% of Canadian pension plans are now fully funded versus only 6% at the beginning of 2013. With pension funding levels surging in 2013, lower plans contribution could have positive impact on earnings and cash flows, in our view.

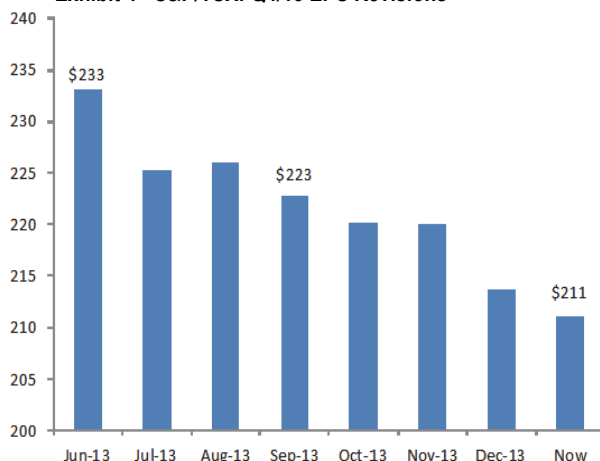
Exhibit 3 – C\$ & TSX Profit Margins: Negative Correlation from 1981-1999



Source: Scotiabank GBM Portfolio Strategy, Bloomberg.

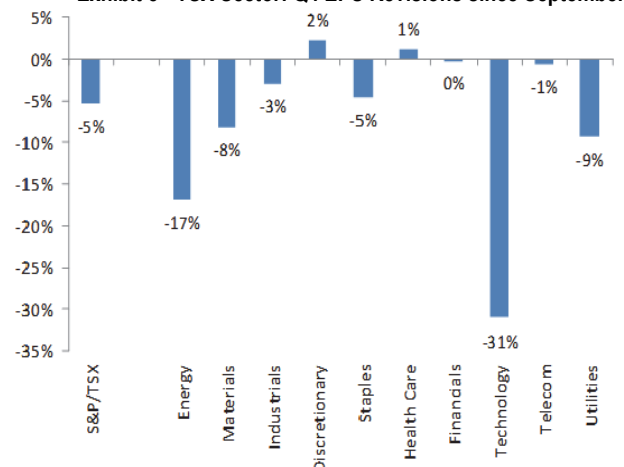
- Negative revisions set the bar lower for Q4.** TSX Q4 EPS forecasts have been cut 5.3% since September, declining from \$223 to \$211 currently. EPS forecasts have been lowered in most sectors, but Technology, Energy, and Utilities have suffered the steepest cuts (see Exhibits 4 and 5). Discretionary (+2%) and Health care (+1%) have enjoyed modest, but positive earnings revisions since September.

Exhibit 4 - S&P/TSX: Q4/13 EPS Revisions



Source: Scotiabank GBM Portfolio Strategy, Bloomberg.

Exhibit 5 - TSX Sector: Q4 EPS Revisions since September



Source: Scotiabank GBM Portfolio Strategy, Bloomberg.

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Q4 Highlights

- **TSX Q4 EPS is expected to hit \$211** (Bloomberg bottom-up figures), which is suggesting an annual run-rate of \$844. Q4 earnings should be down 1% sequentially and off 2% YOY. See Exhibit 6.
- **Trailing EPS.** TSX EPS should close out 2013 at \$823, slightly lower than the \$825 level hit in 2012. TSX trailing earnings have been hovering in the \$810-\$830 range since Q2/12. Since the end of the global recession in 2009, TSX trailing EPS has rebounded 41% from their trough level hit in Q3/09 (\$584) compared to a 171% recovery for S&P 500 earnings.
- **Sectors.** Health Care (+69% YOY), Energy (+18%), and Industrials (+9%) should post the strongest earnings growth in Q4. Financials Q4 EPS should be up 2% YOY, while profitability is expected to decline in three sectors (Materials -45%, Technology -24%, and Utilities -1%). From an industry perspective, Gold and mining Q4 EPS should drop 55% YOY and 31%, respectively. Within Financials, Banks Q4 EPS (fiscal Q1) should rise 3%, while Insurance quarterly earnings should drop 11% from last year's level (mostly due to MFC).
- **Revenues.** TSX top-line is expected to grow 7% YOY in Q4, accelerating from the 5% pace registered in Q3. On a trailing basis, TSX revenues should expand just over 2% in Q4 from flat in Q3.
- **Mid-caps earnings still expanding strongly.** Smaller caps within the TSX Composite index should once again deliver superior earnings and top-line growth relative to their mega cap counterparts (TSX 60). TSX Completion Q4 EPS should grow 7% YOY while TSX 60 Q4 EPS is expected to drop 5% YOY. Although the smaller caps should post firmer EPS growth in Q4, their contribution to TSX total earnings stands at 21% vs. 79% for TSX 60 companies.

Exhibit 6 - S&P/TSX Q4 Earnings Preview (Bottom-up figures)

	\$	Q4/13 E		Contribution to Earnings	Sector Weighting	Top-line (YOY%)	Profit Margin (%)
		QOQ	YOY				
S&P/TSX	211	-1%	-2%	100%	0%	7%	10%
Energy	37	-11%	18%	22%	24%	14%	9%
Materials	26	-3%	-45%	9%	13%	-5%	11%
<i>Divers. Mining</i>	71	0%	-31%	1%	2%	-2%	9%
<i>Gold</i>	20	-5%	-55%	4%	6%	-13%	13%
Industrials	27	4%	9%	8%	8%	15%	7%
Discretionary	23	5%	5%	5%	5%	12%	6%
Staples	36	-13%	0%	3%	3%	15%	3%
Health Care	25	32%	69%	2%	3%	40%	10%
Financials	41	3%	2%	44%	34%	-11%	18%
<i>Banks</i>	52	3%	3%	30%	22%	5%	27%
<i>Insurance</i>	22	36%	-11%	7%	7%	-11%	8%
Technology	1	38%	-24%	0%	2%	-20%	3%
Telecom	17	-15%	0%	6%	5%	10%	10%
Utilities	24	69%	-1%	1%	2%	49%	5%
TSX 60	13	-4%	-5%	79%	n/a	8%	12%
TSX Completion	12	12%	7%	21%	n/a	11%	6%

Source: Scotiabank GBM Portfolio Strategy, Bloomberg.

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Key Data Preview

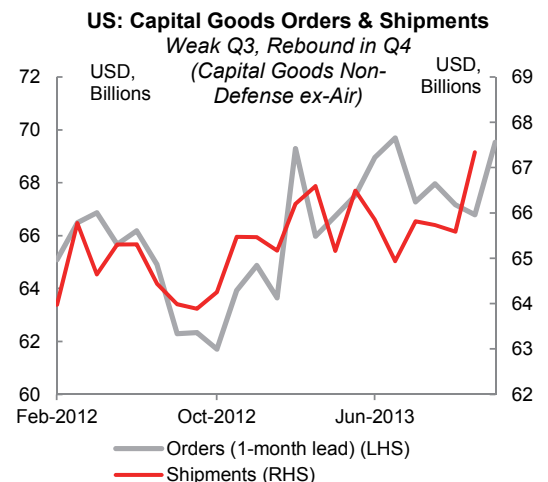
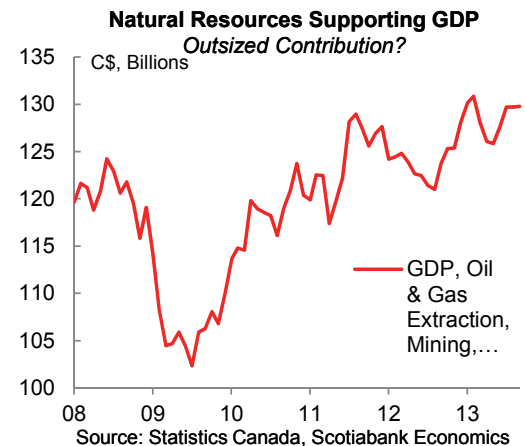
CANADA

GDP for November is due out on January 31, and we're looking for a solid print on the order of 0.2% m/m. Two core components of the Canadian economy were quite strong on the month, namely manufacturing (manufacturing sales volumes were higher by 0.7% m/m) and retail (retail sales volumes were up by 0.8% m/m). The rest of the economy looked fairly weak though, with aggregate hours worked declining (-0.25% m/m) and export volumes in the natural resources sector looking soft (energy products, -1.6% m/m; metals -0.3% m/m). The net has us expecting moderate growth that rounds up to 0.2% m/m — which would leave GDP looking quite strong on the quarter, on the order of 3% q/q SAAR or higher from an industry perspective (assuming a soft print in December).

UNITED STATES

It surprises us to be writing this, but we're anticipating a fairly strong number when U.S. GDP for Q4 comes out (January 30), on the order of 3% q/q SAAR. Pretty much every part of the economy looks strong — except for inventories and government spending. How strong? U.S. real exports are tracking at a 13.6% q/q SAAR pace and imports are tracking for a flat quarter. Personal consumption expenditure is tracking for a 3.9% q/q SAAR gain. Shipments of non-defense capital goods other than aircraft look strong (+7.7% q/q SAAR — although December durable goods orders will clarify the picture further on Tuesday). Residential construction spending is tracking higher by 19% q/q SAAR, non-residential construction by 7% q/q SAAR. The big question marks are: a) the extent to which the inventory build lags Q3's record number (inventory contribution to GDP depends on the change in the size of the inventory build), and b) the extent of 'fiscal drag' imposed by the government shutdown. We're expecting those two factors to cumulatively shave between one and two percent from GDP. The extent of the impact from those two factors is the wild card.

Durable goods orders for December, which land on January 28, two days prior to the GDP print, look like they should pick up quite smartly. We're looking for a 2.5% m/m number on a massive surge in orders of aircraft at Boeing to 319 vs. 110 in November. Aside from aircraft orders, assemblies of motor vehicles were strong on the month (+1.7% m/m) which points to decent strength in the order book as well because much auto manufacturing is of the 'just in time' variety.



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EUROPE

The first estimate of fourth-quarter real GDP growth will be released in the UK on January 28th, and we expect a 0.8% q/q gain, in line with the pace of the previous two quarters. This will bring the expansion for 2013 as a whole to 1.9%. Very strong survey indicators would suggest a heftier performance in the range of 1% q/q; however, aside from robust labour market data, evidence from the real economy does not corroborate such an outcome. More specifically, the monthly construction figure dived by 4% m/m in November, while the monthly services index posted a meagre 0.1% m/m advance during October, in stark contrast to the services sector PMI that reached a record high in the same month.

Spain will also release the official preliminary GDP report for the fourth quarter next week (January 30th), after the Bank of Spain reported its estimate of 0.3% q/q this week. We concur with this assessment, meaning that the economy shrunk by 1.2% last year overall. With exports driving the recovery while domestic activity remains weak, we expect sustained, though subdued, growth momentum in the coming quarters, with a likely advance of 0.6% in 2014.

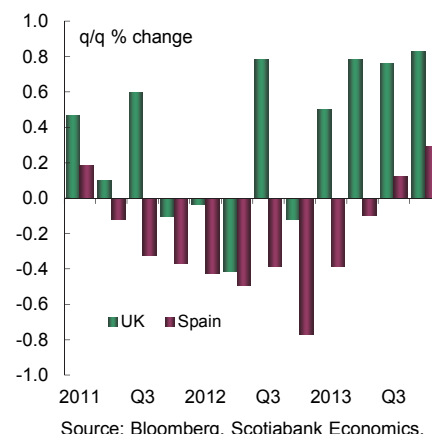
LATIN AMERICA

Mexican economic activity decelerated in 2013; however, in our view, output growth has started to recover although at a very moderate pace. The November global economic activity index (IGAE) will be released on January 27th and we anticipate a rebound of 2% y/y, the second strongest performance in seven months. The “Buen Fin” weekend sale (similar to Black Friday in the US) took place in mid-November, which will impact the data. Retail sales for that same month increased by 1.9% y/y and by 3.1% on a monthly basis, both above market expectations, with clothing and department store sales contributing to the advance. Nevertheless, the industrial activity has failed to pick up significantly, although it has recovered some ground on a monthly basis. In line with this, the IGAE has been expanding by a mild 1.1% y/y on average in the second half of 2013, fuelling some concerns about the strength of the recovery.

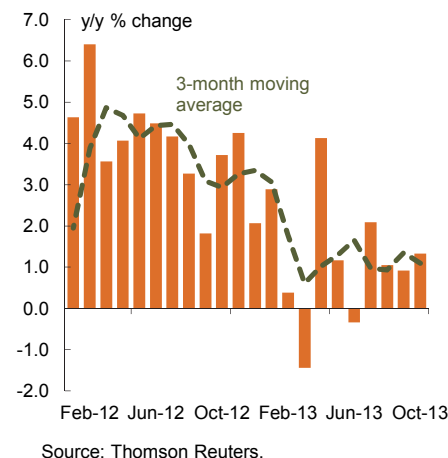
ASIA

The Philippines will release fourth-quarter GDP data on January 29th. We estimate that output growth slowed significantly, to around 6.0% y/y from 7.0% in the July-September period, taking the economic expansion to 7.1% for 2013 as a whole. One of the key reasons for the weak performance is Typhoon Haiyan that caused widespread destruction to agriculture and infrastructure in November, particularly in the Leyte and Samar islands. Nevertheless, the forthcoming rebuilding phase will provide a boost to the country’s real GDP growth, particularly during the first half of 2014. We expect the Philippine economy to expand by around 6½% annually in 2014-15.

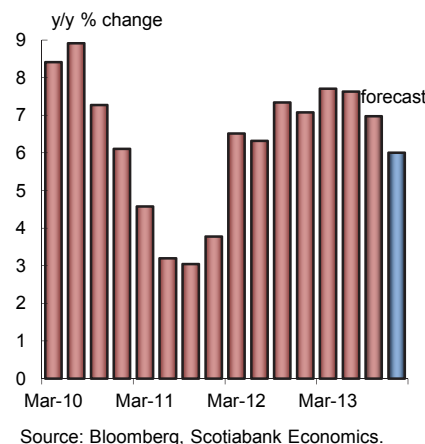
Real GDP Growth



Mexico's Economic Activity Index



Real GDP Growth - The Philippines



Key Indicators for the week of January 27 – 31

North America



Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
MX	01/27	09:00	Global Economic Indicator IGAE (y/y)	Nov	2.0	--	1.3
MX	01/27	09:00	Trade Balance (US\$ mn)	Dec P	--	--	339.1
US	01/27	10:00	New Home Sales (000s a.r.)	Dec	455	455	464
US	01/27	10:30	Dallas Fed. Manufacturing Activity	Jan	--	3.2	3.1
US	01/28	08:30	Durable Goods Orders (m/m)	Dec	2.5	1.8	3.4
US	01/28	08:30	Durable Goods Orders ex. Trans. (m/m)	Dec	0.4	0.6	1.2
US	01/28	09:00	S&P/Case-Shiller Home Price Index (m/m)	Nov	0.8	0.8	1.1
US	01/28	09:00	S&P/Case-Shiller Home Price Index (y/y)	Nov	13.7	13.7	13.6
US	01/28	10:00	Consumer Confidence Index	Jan	77.0	78.0	78.1
US	01/28	10:00	Richmond Fed Manufacturing Index	Jan	10.0	13.0	13.0
US	01/29	07:00	MBA Mortgage Applications (w/w)	JAN 24	--	--	4.7
US	01/29	14:00	FOMC Interest Rate Meeting (%)	Jan 29	0.25	0.25	0.25
US	01/30	08:30	Continuing Claims (000s)	JAN 18	2950	3000	3056
US	01/30	08:30	Initial Jobless Claims (000s)	JAN 25	330	330	326
US	01/30	08:30	GDP (q/q a.r.)	4Q A	3.0	3.2	4.1
US	01/30	08:30	GDP Deflator (q/q a.r.)	4Q A	--	1.2	2.0
US	01/30	10:00	Pending Home Sales (m/m)	Dec	--	-0.1	0.2
CA	01/31	08:30	Real GDP (m/m)	Nov	0.2	0.2	0.3
US	01/31	08:30	Employment Cost Index (q/q)	4Q	--	0.4	0.4
US	01/31	08:30	PCE Deflator (m/m)	Dec	0.2	0.2	0.0
US	01/31	08:30	PCE Deflator (y/y)	Dec	--	1.1	0.9
US	01/31	08:30	PCE ex. Food & Energy (m/m)	Dec	0.2	0.1	0.1
US	01/31	08:30	PCE ex. Food & Energy (y/y)	Dec	--	1.2	1.1
US	01/31	08:30	Personal Spending (m/m)	Dec	0.2	0.2	0.5
US	01/31	08:30	Personal Income (m/m)	Dec	0.0	0.2	0.2
US	01/31	09:45	Chicago PMI	Jan	58.0	59.0	60.8
US	01/31	09:55	U. of Michigan Consumer Sentiment	Jan F	80.4	81.0	80.4
MX	01/31	10:00	Overnight Rate (%)	Jan 31	3.50	3.50	3.50

Europe



Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
GE	01/27	04:00	IFO Business Climate Survey	Jan	110.0	110.0	109.5
GE	01/27	04:00	IFO Current Assessment Survey	Jan	112.0	112.4	111.6
GE	01/27	04:00	IFO Expectations Survey	Jan	108.0	108.0	107.4
GE	01/27	06:59	Retail Sales (m/m)	Dec	--	0.2	0.8
UK	01/27	07:59	Nationwide House Prices (m/m)	Jan	1.0	0.6	1.4
FR	01/27	12:00	Total Jobseekers (000s)	Dec	--	3296.1	3293.0
FR	01/27	12:00	Jobseekers Net Change (000s)	Dec	--	1.1	17.8
UK	01/28	04:30	GDP (q/q)	4Q A	0.8	0.7	0.8
UK	01/28	04:30	Index of Services (m/m)	Nov	--	0.3	0.1
GE	01/29	02:00	GfK Consumer Confidence Survey	Feb	--	7.6	7.6
SP	01/29	03:00	Real Retail Sales (y/y)	Dec	--	--	2.0
SP	01/30	03:00	Real GDP (q/q)	4Q P	0.3	0.3	0.1
GE	01/30	03:55	Unemployment Rate (%)	Jan	--	6.9	6.9
EC	01/30	05:00	Business Climate Indicator	Jan	--	0.4	0.3
EC	01/30	05:00	Economic Confidence	Jan	--	101.0	100.0
EC	01/30	05:00	Industrial Confidence	Jan	--	-2.9	-3.4

Forecasts at time of publication.

Source: Bloomberg, Scotiabank Economics.

Key Indicators for the week of January 27 – 31

Europe (continued from previous page)

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
GE	01/30	08:00	CPI (y/y)	Jan P	--	1.5	1.4
GE	01/30	08:00	CPI - EU Harmonized (m/m)	Jan P	-0.4	-0.6	0.5
GE	01/30	08:00	CPI - EU Harmonized (y/y)	Jan P	1.5	1.3	1.2
UK	01/30	19:05	GfK Consumer Confidence Survey	Jan	-12.0	-12.0	-13.0
FR	01/31	02:45	Consumer Spending (m/m)	Dec	--	-0.3	1.4
SP	01/31	03:00	CPI (y/y)	Jan P	--	0.3	0.3
SP	01/31	03:00	CPI - EU Harmonized (y/y)	Jan P	0.4	0.3	0.3
EC	01/31	05:00	Euro zone CPI Estimate (y/y)	Jan	0.9	0.9	0.8
EC	01/31	05:00	Unemployment Rate (%)	Dec	12.1	12.1	12.1
SP	01/31	07:59	Current Account (€ bn)	Nov	--	--	1.7

Asia Pacific

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
SK	01/26	16:00	Consumer Confidence Index	Jan	--	--	107.0
JN	01/26	18:50	Merchandise Trade Balance (¥ bn)	Dec	--	-1239.9	-1294.1
JN	01/26	18:50	Adjusted Merchandise Trade Balance (¥ bn)	Dec	--	-1335.1	-1346.3
JN	01/26	18:50	Merchandise Trade Exports (y/y)	Dec	--	18.0	18.4
JN	01/26	18:50	Merchandise Trade Imports (y/y)	Dec	--	26.2	21.1
TA	01/27	03:00	Leading Index (m/m)	Dec	--	--	0.3
TA	01/27	03:00	Coincident Index (m/m)	Dec	--	--	0.2
HK	01/27	03:30	Exports (y/y)	Dec	--	3.6	5.8
HK	01/27	03:30	Imports (y/y)	Dec	--	3.0	5.2
HK	01/27	03:30	Trade Balance (HKD bn)	Dec	--	-46.8	-44.6
TH	01/27	06:59	Customs Exports (y/y)	Dec	--	1.8	-4.1
TH	01/27	06:59	Customs Imports (y/y)	Dec	--	-7.0	-8.6
TH	01/27	06:59	Customs Trade Balance (US\$ mn)	Dec	--	-736.0	-557.0
SK	01/27	16:00	Business Survey- Manufacturing	Feb	--	--	79.0
SK	01/27	16:00	Business Survey- Non-Manufacturing	Feb	--	--	70.0
AU	01/27	18:00	Conference Board Leading Index (%)	Nov	--	--	0.5
TA	01/27	19:30	Real GDP (y/y)	4Q P	--	2.2	1.7
CH	01/27	20:30	Industrial Profits YTD (y/y)	Dec	--	--	13.2
IN	01/28	00:30	Repo Rate (%)	Jan 28	7.75	7.75	7.75
IN	01/28	00:30	Reverse Repo Rate (%)	Jan 28	6.75	6.75	6.75
IN	01/28	00:30	Cash Reserve Ratio (%)	Jan 28	4.00	4.00	4.00
SK	01/28	18:00	Current Account (US\$ mn)	Dec	--	--	6033.3
SK	01/28	18:00	Industrial Production (y/y)	Dec	--	-1.1	-1.3
SK	01/28	18:00	Cyclical Leading Index Change	Dec	--	--	0.2
SI	01/28	21:00	Unemployment Rate (%)	4Q P	1.8	1.8	1.8
MA	01/29	05:00	Overnight Rate (%)	Jan 29	3.00	3.00	3.00
CH	01/29	06:59	Leading Index	Dec	--	--	99.6
NZ	01/29	15:00	RBNZ Official Cash Rate (%)	Jan 30	2.50	2.50	2.50
JN	01/29	18:50	Large Retailers' Sales (y/y)	Dec	--	0.7	0.6
JN	01/29	18:50	Retail Trade (y/y)	Dec	--	3.9	4.1
AU	01/29	19:00	HIA New Home Sales (m/m)	Dec	--	--	7.5
CH	01/29	20:45	HSBC Manufacturing PMI	Jan	--	49.6	50.5
PH	01/29	21:00	Real GDP (y/y)	4Q	6.0	6.0	7.0
PH	01/29	21:00	Annual GDP (y/y)	2013	7.1	7.0	6.8

Forecasts at time of publication.

Source: Bloomberg, Scotiabank Economics.

Key Indicators for the week of January 27 – 31

Asia Pacific (continued from previous page)

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
NZ	01/30	16:45	Trade Balance (NZD mn)	Dec	--	500.0	183.2
NZ	01/30	16:45	Exports (NZD bn)	Dec	--	4.6	4.5
NZ	01/30	16:45	Imports (NZD bn)	Dec	--	4.0	4.3
JN	01/30	18:15	Markit/JMMA Manufacturing PMI	Jan	--	--	55.2
JN	01/30	18:30	Household Spending (y/y)	Dec	--	1.2	0.2
JN	01/30	18:30	Jobless Rate (%)	Dec	3.9	3.9	4.0
JN	01/30	18:30	National CPI (y/y)	Dec	1.4	1.5	1.5
JN	01/30	18:30	Tokyo CPI (y/y)	Jan	0.8	0.8	0.9
JN	01/30	18:50	Industrial Production (y/y)	Dec P	--	7.3	4.8
AU	01/30	19:30	Private Sector Credit (y/y)	Dec	--	3.7	3.8
JN	01/30	23:00	Vehicle Production (y/y)	Dec	--	--	10.2
JN	01/31	00:00	Housing Starts (y/y)	Dec	--	13.7	14.1
JN	01/31	00:00	Construction Orders (y/y)	Dec	--	--	2.2
TH	01/31	02:30	Exports (y/y)	Dec	--	--	-4.0
TH	01/31	02:30	Imports (y/y)	Dec	--	--	-9.3
TH	01/31	02:30	Trade Balance (US\$ mn)	Dec	--	--	1514.0
TH	01/31	02:30	Current Account Balance (US\$ mn)	Dec	--	1463.0	2294.0
TH	01/31	02:30	Business Sentiment Index	Dec	--	--	46.9
SK	01/31	19:00	Exports (y/y)	Jan	--	3.8	7.0
SK	01/31	19:00	Imports (y/y)	Jan	--	-1.6	3.0
SK	01/31	19:00	Trade Balance (US\$ mn)	Jan	--	1625.0	3647.0
CH	01/31	20:00	Manufacturing PMI	Jan	--	50.4	51.0
ID	01/31	23:00	Core CPI (y/y)	Jan	--	--	5.0

Latin America

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
BZ	01/30	06:00	Unemployment Rate (%)	Dec	--	4.4	4.6
CL	01/30	07:00	Industrial Production (y/y)	Dec	--	--	-1.2
CL	01/30	07:00	Retail Sales (y/y)	Dec	--	--	9.19
CO	01/31	06:59	Overnight Lending Rate (%)	Jan 31	3.25	3.25	3.25
CL	01/31	07:00	Unemployment Rate (%)	Dec	--	5.7	5.7
CO	01/31	11:00	Urban Unemployment Rate (%)	Dec	--	9.3	9.3

Forecasts at time of publication.

Source: Bloomberg, Scotiabank Economics.

Global Auctions for the week of January 27 – 31

North America



<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	01/27	11:00	U.S. Fed to Purchase USD1.00-1.50 Bln Notes
US	01/27	11:30	3M High Yield Rate
US	01/27	11:30	3M Direct Accepted %
US	01/27	11:30	3M Bid/Cover Ratio
US	01/27	11:30	3M Indirect Accepted %
US	01/27	11:30	6M Direct Accepted %
US	01/27	11:30	6M Indirect Accepted %
US	01/27	11:30	6M High Yield Rate
US	01/27	11:30	6M Bid/Cover Ratio
US	01/27	11:30	U.S. to Sell 3-Month Bills
US	01/27	11:30	U.S. to Sell 6-Month Bills
CA	01/28	10:30	Canada to Sell CAD5.325 Bln 98-Day Bills
CA	01/28	10:30	Canada to Sell CAD2.025 Bln 168-Day Bills
CA	01/28	10:30	Canada to Sell CAD2.025 Bln 350-Day Bills
US	01/28	11:00	U.S. Fed to Purchase USD2.25-3.00 Bln Notes
US	01/28	11:30	4W Direct Accepted %
US	01/28	11:30	4W Indirect Accepted %
US	01/28	11:30	4W Bid/Cover Ratio
US	01/28	11:30	4W High Yield Rate
US	01/28	11:30	U.S. to Sell 4-Week Bills
US	01/28	13:00	2Y Direct Accepted %
US	01/28	13:00	2Y Indirect Accepted %
US	01/28	13:00	2Y Bid/Cover Ratio
US	01/28	13:00	2Y High Yield Rate
US	01/28	13:00	U.S. to Sell 2-Year Notes
CA	01/29	12:00	Canada to Sell 2-Year Bonds
CA	01/29	12:00	2Y Auction Size
CA	01/29	12:00	2Y Auction Yield
US	01/29	13:00	U.S. to Sell 2-Year Floating Rate Notes
US	01/30	11:00	U.S. Fed to Purchase USD1.00-1.50 Bln Notes
US	01/30	13:00	5Y Direct Accepted %
US	01/30	13:00	5Y Indirect Accepted %
US	01/30	13:00	5Y Bid/Cover Ratio
US	01/30	13:00	5Y High Yield Rate
US	01/30	13:00	7Y Direct Accepted %
US	01/30	13:00	7Y Indirect Accepted %
US	01/30	13:00	7Y Bid/Cover Ratio
US	01/30	13:00	7Y High Yield Rate
US	01/30	13:00	U.S. to Sell 5-Year Notes
US	01/30	13:00	U.S. to Sell 7-Year Notes
US	01/31	11:00	U.S. Fed to Purchase USD3.75-4.75 Bln Notes

Source: Bloomberg, Scotiabank Economics.

Global Auctions for the week of January 27 – 31

Europe



<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
GE	01/27	05:30	Germany to Sell EUR2 Bln 364-Day Bills
FR	01/27	08:50	France to Sell Bills
NE	01/28	04:30	Netherlands to Sell 4% 2016 Bonds
SP	01/28	04:30	Spain to Sell 3-Month and 9-Month Bills
NE	01/28	04:30	Netherlands to Sell 4% 2037 Bonds
IT	01/28	05:00	Italy to Sell Up to EUR2.5 Bln Zero 2015 Bonds
IT	01/28	05:00	Italy to Sell Up to EUR1.25 Bln 1.7% I/L 2018 Bonds
NO	01/28	06:00	Norway to Sell NOK2 Bln 4.25% 2017 Bonds
EC	01/28	07:00	ECB Open Market Operation Result
EC	01/28	09:30	ECB Main Refinancing Operation Result
IT	01/29	05:00	Italy to Sell 181-Day Bills
SW	01/29	05:03	Sweden to Sell SEK3.5 Bln 2.5% 2025 Bonds
GE	01/29	05:30	Germany to Sell EUR5 Bln 2024 Bonds
EC	01/29	09:30	ECB Long-Term Refinancing Operation Result
IT	01/30	05:00	Italy to Sell 5-Year and 10-Year Bonds

Asia Pacific



<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CH	01/26	22:00	Export-Import Bank of China to Sell CNY7 Bln 3-Year Bond
CH	01/26	22:00	Export-Import Bank of China to Sell CNY6 Bln 5-Year Bond
CH	01/26	22:00	Export-Import Bank of China to Sell CNY5 Bln 2-Year Bond
JN	01/28	03:00	Japan Auction for Enhanced-Liquidity
JN	01/29	22:35	Japan to Sell 3-Month Bill
JN	01/29	22:45	Japan to Sell 2-Year Bonds

Source: Bloomberg, Scotiabank Economics.

Events for the week of January 27 – 31

North America 

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	01/28	21:00	Obama Delivers Annual State of the Union Address to Congress
US	01/28		Federal Reserve FOMC Meeting
US	01/29	14:00	FOMC Rate Decision
US	01/30	09:30	Hearing to lift ban on US crude oil exports
CA	01/31	09:00	Canada-Russia Arctic & North Cooperation Forum
MX	01/31	10:00	Overnight Rate

Europe 

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
EC	01/25	08:00	ECB's Draghi, BOE's Carney, BOJ's Kuroda on Panel in Davos
EC	01/25	13:30	EU's Van Rompuy Gives Speech at Warsaw Business Conference
GE	01/25		Alternative for Germany Party Convention
GE	01/26	05:00	SPD Congress on EU Parliament Election, New Year Agenda
AS	01/27	03:30	ECB's Nowotny, EBRD's Zettelmeyer Present EBRD Report
SP	01/27	04:00	Economy Minister in Brussels for Euro Group Jan 27-28
EC	01/27	07:30	NATO's Rasmussen Holds Press Conference
EC	01/27	09:00	Eurogroup Meets in Brussels
EC	01/27	13:00	Schaeuble, Guindos, Borg Speak in Brussels
EC	01/27	13:00	ECB's Weidmann Speaks in Stuttgart
PO	01/27	00:00	Portuguese Finance Minister Attends Eurogroup, Ecofin Meetings
FR	01/27	00:00	French President Hollande Visits Turkey
EC	01/28	02:00	Lagarde Launches IMF Book in Brussels With Schaeuble, Guindos
EC	01/28	03:00	Ecofin in Brussels
EC	01/28	07:30	Putin Meets Barroso, Van Rompuy at Summit in Brussels
EC	01/28	10:00	Spain's Guindos Testifies Before EU Parliament in Brussels
PO	01/28	12:30	Portugal's Lima Travels to Paris to Seek Investment in Country
IT	01/29	03:00	Letta Meets Barroso in Brussels
SP	01/29	04:00	EC to Release Final Report Fifth Review on Spain Banks
HU	01/29	06:30	Hungarian Central Bank President Matolcsy Speaks
UK	01/29	07:15	Carney Speaks at Event in Scotland
GE	01/30	07:00	German Finance Minister Schaeuble Speaks in Schwaebisch Hall
SZ	01/31	03:00	Swiss National Bank Releases 4Q 2013 Currency Allocation
SP	01/31	03:00	Spain's PP Holds Party Conference in Valladolid
SZ	01/31	06:00	Italian Finance Minister Saccomanni Briefs Press in Bern

Source: Bloomberg, Scotiabank Economics.

Events for the week of January 27 – 31

Asia Pacific

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
HK	01/25	02:00	Steering Committee on Population Policy Public Forum
HK	01/25	02:00	Hong Kong Public Policy Forum on Population
EC	01/25	08:00	ECB's Draghi, BOE's Carney, BOJ's Kuroda on Panel in Davos
JN	01/26	18:50	Bank of Japan December 19-20 meeting minutes
US	01/27		Pakistan-U.S. Strategic Dialogue in Washington
IN	01/28	00:30	RBI Cash Reserve Ratio
IN	01/28	00:30	RBI Repurchase Rate
IN	01/28	00:30	RBI Reverse Repo Rate
NZ	01/28	21:00	RBNZ Publishes Data on Low-Deposit Home Lending
NZ	01/28		Finance Minister English at Select Committee
MA	01/29	05:00	BNM Overnight Policy Rate
NZ	01/29	15:00	RBNZ Official Cash Rate
NZ	01/29	21:00	RBNZ Publishes Monthly Assessment of Currency Flows
NZ	01/30	18:00	RBNZ Governor Wheeler Speaks in Christchurch

Latin America

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CL	01/27		International Court of Justice Ruling on Chile, Peru Maritime
CO	01/31		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	March 5, 2014	1.00	--
Federal Reserve – Federal Funds Target Rate	0.25	January 29, 2014	0.25	0.25
Banco de México – Overnight Rate	3.50	January 31, 2014	3.50	3.50

Fed: With the FOMC meeting on the 29th, we anticipate that the Fed will continue with its tapering of asset purchases at a USD10bn/meeting pace, with decent economic growth numbers playing off against some softness in the December jobs report – on balance leaving the Fed disposed to stick to its tapering plan. Note that this is Chairman Bernanke's final FOMC meeting at the helm. **BoC:** With the BoC officially having introduced an agnostic attitude towards the trajectory of the Overnight Rate into its statement – and therefore an openness to considering a reduction of the Overnight Rate – we expect markets to continue to put pressure on the front end of the yield curve in Canada as well as the C\$. **Banxico:** In our view, the central bank of Mexico (Banxico) will maintain the reference rate unchanged at 3.50% throughout the first half of the year. Banxico eased monetary conditions - reducing the rate by 50 basis points - at the end of last year, while headline inflation remained within the official range (2-4%). Inflation accelerated to 4% y/y in December and will likely increase further as a result of the hike in taxes derived from the fiscal reform. However, Banxico has stated that the effect will prove to be temporary, which in our view reflects a stable monetary policy stance.

Europe

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	0.25	February 6, 2014	0.25	--
Bank of England – Bank Rate	0.50	February 6, 2014	0.50	0.50
Swiss National Bank – Libor Target Rate	0.00	March 20, 2014	0.00	--
Central Bank of Russia – One-Week Auction Rate	5.50	February 14, 2014	5.50	--
Hungarian National Bank – Base Rate	2.85	February 18, 2014	2.75	--
Central Bank of the Republic of Turkey – 1 Wk Repo Rate	4.50	February 18, 2014	4.50	--
Sweden Riksbank – Repo Rate	0.75	February 13, 2014	0.75	--
Norges Bank – Deposit Rate	1.50	March 27, 2014	1.50	--

Asia Pacific

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Reserve Bank of Australia – Cash Target Rate	2.50	February 3, 2014	2.50	2.50
Reserve Bank of New Zealand – Cash Rate	2.50	January 29, 2014	2.50	2.50
People's Bank of China – Lending Rate	6.00	TBA	--	--
Reserve Bank of India – Repo Rate	7.75	January 28, 2014	7.75	7.75
Bank of Korea – Bank Rate	2.50	February 12, 2014	2.50	--
Bank of Thailand – Repo Rate	2.25	March 12, 2014	2.00	--
Bank Indonesia – Reference Interest Rate	7.50	February 13, 2014	7.50	--

The Reserve Bank of New Zealand (RBNZ) signaled an impending tightening of monetary policy at its last meeting on December 12th, noting that the official cash rate will be increased as needed to anchor future inflation. While we expect the RBNZ to be among the first central banks within developed economies to tighten monetary conditions, we do not expect the hike to take place as early as next week. Wholesale price inflation in **India** eased significantly in December to 6.2% y/y from 7.5% a month earlier. This will give the Reserve Bank of India some breathing room, allowing it to leave the repo rate unchanged at 7.75% next week.

Latin America

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	10.50	February 26, 2014	11.00	--
Banco Central de Chile – Overnight Rate	4.50	February 18, 2014	4.50	--
Banco de la República de Colombia – Lending Rate	3.25	January 31, 2014	3.25	3.25
Banco Central de Reserva del Perú – Reference Rate	4.00	February 13, 2014	4.00	4.00















The central bank of Colombia will likely maintain the reference rate unchanged at 3.25%, where it has been for the last ten months. Inflation remains at the lower end of the authority's tolerance range of 2-4%, while the economic recovery is gaining speed. We expect inflation to accelerate to around the 3% y/y mark by the end of 2014, without representing a significant threat to price stability.

Africa

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	5.00	January 29, 2014	5.00	5.00

The South African Reserve Bank will likely leave monetary conditions unchanged after the meeting on January 29th. The benchmark repurchase rate has been kept at 5% since July 2012, as still high inflation – close to the upper limit of the bank's 3-6% target range – and severe currency depreciation – the rand has lost 23% versus the US dollar since the start of 2013 – have offset concerns about softer economic growth.

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



Forecasts as at January 6, 2014*	2000-12	2013e	2014f	2015f	2000-12	2013e	2014f	2015f
Output and Inflation (annual % change)	Real GDP				Consumer Prices²			
World ¹	3.7	2.9	3.5	3.6				
 Canada	2.2	1.8	2.4	2.5	2.1	1.0	1.3	1.8
 United States	1.9	1.8	2.7	3.0	2.5	1.5	1.5	1.9
 Mexico	2.4	1.3	3.3	3.7	4.7	3.9	4.3	4.0
 United Kingdom	1.7	1.9	2.5	1.7	2.3	2.0	2.2	2.4
 Euro Zone	1.3	-0.5	0.8	1.3	2.1	0.9	1.2	1.4
 Japan	0.9	1.8	1.8	1.2	-0.3	1.4	1.5	2.1
 Australia	3.1	2.4	2.7	2.9	3.0	2.5	3.0	2.9
 China	9.3	7.7	7.3	7.0	2.4	3.0	3.3	3.9
 India	7.2	4.5	5.2	5.7	6.7	7.3	7.2	6.7
 South Korea	4.3	2.7	3.3	3.5	3.1	1.1	2.2	2.5
 Thailand	4.2	3.2	4.0	4.5	2.7	1.7	2.5	2.9
 Brazil	3.4	2.3	2.8	3.4	6.5	6.0	5.7	5.8
 Chile	4.5	4.4	4.4	4.7	3.2	2.5	3.0	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	0.00	0.00	0.00	0.00	0.00	0.00	0.00
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	1.07	1.08	1.07	1.07	1.06	1.06	1.06
Canadian Dollar (CADUSD)	0.94	0.93	0.93	0.93	0.93	0.94	0.94	0.94
Euro (EURUSD)	1.37	1.33	1.30	1.27	1.25	1.25	1.24	1.24
Sterling (GBPUSD)	1.66	1.63	1.61	1.60	1.59	1.58	1.57	1.56
Yen (USDJPY)	105	102	104	107	109	110	111	112
Australian Dollar (AUDUSD)	0.89	0.87	0.88	0.89	0.90	0.90	0.90	0.90
Chinese Yuan (USDCNY)	6.1	6.0	6.0	6.0	6.0	5.9	5.9	5.9
Mexican Peso (USDMXN)	13.0	13.2	13.1	13.2	13.4	13.4	13.4	13.5
Brazilian Real (USDBRL)	2.36	2.38	2.40	2.45	2.50	2.50	2.45	2.45
Commodities (annual average)	2000-12	2013	2014f	2015f				
WTI Oil (US\$/bbl)	60	98	92	90				
Brent Oil (US\$/bbl)	62	109	108	108				
Nymex Natural Gas (US\$/mmbtu)	5.45	3.73	3.85	4.00				
Copper (US\$/lb)	2.22	3.32	3.15	3.05				
Zinc (US\$/lb)	0.78	0.87	0.98	1.40				
Nickel (US\$/lb)	7.64	6.81	7.25	7.60				
Gold, London PM Fix (US\$/oz)	745	1,411	1,270	1,375				
Pulp (US\$/tonne)	730	941	970	970				
Newsprint (US\$/tonne)	585	608	615	650				
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' (http://www.gbm.scotiabank.com/English/bns_econ/forecast.pdf) for additional forecasts & commentary.



North America



Canada 					United States 				
	2012	13Q2	13Q3	Latest		2012	13Q2	13Q3	Latest
Real GDP (annual rates)	1.7	1.6	2.7		Real GDP (annual rates)	2.8	2.5	4.1	
Current Acc. Bal. (C\$B, ar)	-62.2	-63.7	-61.9		Current Acc. Bal. (US\$B, ar)	-440	-386	-379	
Merch. Trade Bal. (C\$B, ar)	-12.0	-10.7	-10.2	-11.3 (Nov)	Merch. Trade Bal. (US\$B, ar)	-741	-703	-715	-647 (Nov)
Industrial Production	1.1	-0.1	0.9	0.3 (Nov)	Industrial Production	3.6	2.1	2.4	3.7 (Dec)
Housing Starts (000s)	215	190	195	188 (Dec)	Housing Starts (millions)	0.78	0.87	0.88	1.00 (Dec)
Employment	1.2	1.2	1.3	0.6 (Dec)	Employment	1.7	1.6	1.7	1.6 (Dec)
Unemployment Rate (%)	7.3	7.1	7.1	7.2 (Dec)	Unemployment Rate (%)	8.1	7.5	7.2	6.7 (Dec)
Retail Sales	2.5	2.7	3.2	3.1 (Nov)	Retail Sales	5.1	4.7	4.7	4.0 (Dec)
Auto Sales (000s)	1673	1744	1777	1708 (Nov)	Auto Sales (millions)	14.4	15.5	15.7	15.3 (Dec)
CPI	1.5	0.8	1.1	1.2 (Dec)	CPI	2.1	1.4	1.6	1.5 (Dec)
IPPI	1.1	-0.1	0.9	-0.3 (Nov)	PPI	1.9	1.5	1.2	1.2 (Dec)
Pre-tax Corp. Profits	-4.9	-8.2	-1.1		Pre-tax Corp. Profits	18.5	3.7	3.5	

Mexico 				
	2012	13Q2	13Q3	Latest
Real GDP	3.9	1.6	1.3	
Current Acc. Bal. (US\$B, ar)	-14.6	-19.9	-21.8	
Merch. Trade Bal. (US\$B, ar)	0.0	-3.4	-4.1	4.1 (Nov)
Industrial Production	2.6	-0.3	-0.5	-1.4 (Nov)
CPI	4.1	4.5	3.4	4.0 (Dec)

Europe

Euro Zone 					Germany 				
	2012	13Q2	13Q3	Latest		2012	13Q2	13Q3	Latest
Real GDP	-0.6	-0.6	-0.3		Real GDP	0.9	0.5	0.6	
Current Acc. Bal. (US\$B, ar)	162	293	259	443 (Nov)	Current Acc. Bal. (US\$B, ar)	240.8	240.3	235.2	350.3 (Nov)
Merch. Trade Bal. (US\$B, ar)	122.0	267.9	209.1	304.2 (Nov)	Merch. Trade Bal. (US\$B, ar)	245.1	249.6	262.4	288.9 (Nov)
Industrial Production	-2.5	-0.9	-1.1	-0.5 (Nov)	Industrial Production	-0.4	-0.5	-0.1	1.9 (Nov)
Unemployment Rate (%)	11.3	12.0	12.1	12.1 (Nov)	Unemployment Rate (%)	6.8	6.9	6.8	6.9 (Dec)
CPI	2.5	1.4	1.3	0.9 (Dec)	CPI	2.0	1.5	1.6	1.4 (Dec)








France 					United Kingdom 				
	2012	13Q2	13Q3	Latest		2012	13Q2	13Q3	Latest
Real GDP	0.0	0.5	0.2		Real GDP	0.3	2.0	1.9	
Current Acc. Bal. (US\$B, ar)	-57.3	-19.9	-49.7	-61.3 (Nov)	Current Acc. Bal. (US\$B, ar)	-92.7	-35.3	-167.6	
Merch. Trade Bal. (US\$B, ar)	-52.9	-43.2	-48.6	-50.5 (Nov)	Merch. Trade Bal. (US\$B, ar)	-172.4	-155.9	-182.6	-182.1 (Nov)
Industrial Production	-2.5	0.6	-1.5	-1.4 (Nov)	Industrial Production	-2.5	-0.5	-0.1	-1.4 (Nov)
Unemployment Rate (%)	10.2	10.8	10.9	10.8 (Nov)	Unemployment Rate (%)	8.0	7.8	7.6	7.1 (Oct)
CPI	2.0	0.8	0.9	0.7 (Dec)	CPI	2.8	2.7	2.7	2.0 (Dec)

Italy 					Russia 				
	2012	13Q2	13Q3	Latest		2012	13Q2	13Q3	Latest
Real GDP	-2.6	-2.2	-1.8		Real GDP	3.4	1.2	1.2	
Current Acc. Bal. (US\$B, ar)	-8.1	20.2	32.8	45.8 (Nov)	Current Acc. Bal. (US\$B, ar)	74.8	3.4	0.6	
Merch. Trade Bal. (US\$B, ar)	12.4	49.4	41.4	50.0 (Nov)	Merch. Trade Bal. (US\$B, ar)	16.0	14.2	14.4	16.6 (Nov)
Industrial Production	-6.4	-3.5	-3.8	-7.0 (Nov)	Industrial Production	-5.3	0.3	-0.1	0.8 (Dec)
CPI	3.1	1.2	1.0	0.6 (Dec)	CPI	5.1	7.2	6.4	6.5 (Dec)





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

Source: Bloomberg, Global Insight, Scotiabank Economics.

Asia Pacific

Australia 					Japan 				
	2012	13Q2	13Q3	Latest		2012	13Q2	13Q3	Latest
Real GDP	3.6	2.4	2.3		Real GDP	1.4	1.3	2.4	
Current Acc. Bal. (US\$B, ar)	-64.1	-31.9	-52.8		Current Acc. Bal. (US\$B, ar)	60.4	70.0	54.5	-71.1 (Nov)
Merch. Trade Bal. (US\$B, ar)	5.9	32.4	12.5	6.5 (Nov)	Merch. Trade Bal. (US\$B, ar)	-85.8	-89.1	-117.9	-161.5 (Nov)
Industrial Production	4.8	5.0	2.7		Industrial Production	0.2	-3.1	1.9	-1.9 (Nov)
Unemployment Rate (%)	5.2	5.6	5.7	5.8 (Dec)	Unemployment Rate (%)	4.4	4.0	4.0	4.0 (Nov)
CPI	1.8	2.4	2.2		CPI	0.0	-0.3	0.9	1.4 (Nov)
South Korea 					China 				
Real GDP	2.0	2.3	3.3		Real GDP	10.4	7.5	7.8	
Current Acc. Bal. (US\$B, ar)	48.1	79.2	75.9	72.4 (Nov)	Current Acc. Bal. (US\$B, ar)	193.1			
Merch. Trade Bal. (US\$B, ar)	28.3	57.6	43.1	43.8 (Dec)	Merch. Trade Bal. (US\$B, ar)	230.7	264.5	244.4	307.7 (Dec)
Industrial Production	1.2	-1.7	1.0	-1.0 (Nov)	Industrial Production	10.3	8.9	10.2	9.7 (Dec)
CPI	2.2	1.2	1.4	1.1 (Dec)	CPI	2.5	2.7	3.1	2.5 (Dec)
Thailand 					India 				
Real GDP	6.5	2.9	2.7		Real GDP	5.1	4.4	4.8	
Current Acc. Bal. (US\$B, ar)	-1.5	-7.2	-0.9		Current Acc. Bal. (US\$B, ar)	-91.5	-21.8	-5.2	
Merch. Trade Bal. (US\$B, ar)	0.5	-0.3	1.7	1.5 (Nov)	Merch. Trade Bal. (US\$B, ar)	-16.0	-16.7	-9.9	-10.1 (Dec)
Industrial Production	2.1	-5.1	-3.8	-9.4 (Nov)	Industrial Production	0.7	-1.0	1.7	-2.1 (Nov)
CPI	3.0	2.3	1.7	1.7 (Dec)	WPI	7.5	4.8	6.6	6.2 (Dec)
Indonesia 									
Real GDP	6.2	5.8	5.6						
Current Acc. Bal. (US\$B, ar)	-24.4	-10.0	-8.4						
Merch. Trade Bal. (US\$B, ar)	-0.1	-1.0	-1.0	0.8 (Nov)					
Industrial Production	4.1	6.8	7.1	-1.9 (Nov)					
CPI	4.3	5.6	8.6	8.4 (Dec)					









Latin America

Brazil 					Chile 				
	2012	13Q2	13Q3	Latest		2012	13Q2	13Q3	Latest
Real GDP	0.9	3.1	1.9		Real GDP	5.6	4.0	4.7	
Current Acc. Bal. (US\$B, ar)	-54.2	-74.2	-68.5		Current Acc. Bal. (US\$B, ar)	0.0	-6.8	-13.8	
Merch. Trade Bal. (US\$B, ar)	19.4	8.3	5.9	31.8 (Dec)	Merch. Trade Bal. (US\$B, ar)	12.4	5.4	-1.8	1.8 (Dec)
Industrial Production	-2.7	3.1	0.4	0.3 (Nov)	Industrial Production	2.9	1.4	4.9	3.2 (Nov)
CPI	5.4	6.6	6.1	5.9 (Dec)	CPI	3.0	1.3	2.1	3.0 (Dec)
Peru 					Colombia 				
Real GDP	9.2	5.6	4.4		Real GDP	4.2	3.9	5.1	
Current Acc. Bal. (US\$B, ar)	-7.1	-3.1			Current Acc. Bal. (US\$B, ar)	-12.1	-2.5	-3.6	
Merch. Trade Bal. (US\$B, ar)	0.5	-0.1	0.1	-0.2 (Nov)	Merch. Trade Bal. (US\$B, ar)	0.4	0.4	0.0	0.1 (Nov)
Unemployment Rate (%)	7.0	5.7	5.8	5.7 (Dec)	Industrial Production	-0.3	0.0	-1.6	-0.6 (Nov)
CPI	3.7	2.5	3.1	2.9 (Dec)	CPI	3.2	2.1	2.3	1.9 (Dec)

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

Source: Bloomberg, Global Insight, Scotiabank Economics.

Interest Rates (% , end of period)

	13Q3	13Q4	Jan/17	Jan/24*		13Q3	13Q4	Jan/17	Jan/24*
Canada 					United States 				
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	0.89	0.90	3-mo. T-bill	0.01	0.07	0.03	0.04
10-yr Gov't Bond	2.54	2.76	2.51	2.39	10-yr Gov't Bond	2.61	3.03	2.82	2.72
30-yr Gov't Bond	3.07	3.23	3.07	2.97	30-yr Gov't Bond	3.68	3.97	3.75	3.65
Prime	3.00	3.00	3.00	3.00	Prime	3.25	3.25	3.25	3.25
FX Reserves (US\$B)	71.3		71.9	(Nov)	FX Reserves (US\$B)	136.7		134.1	(Nov)
Germany 					France 				
3-mo. Interbank	0.15	0.24	0.27	0.26	3-mo. T-bill	0.06	0.15	0.14	0.16
10-yr Gov't Bond	1.78	1.93	1.75	1.66	10-yr Gov't Bond	2.32	2.56	2.41	2.38
FX Reserves (US\$B)	65.7		65.8	(Nov)	FX Reserves (US\$B)	54.6		51.7	(Nov)
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	0.34	0.21	3-mo. T-bill	0.40	0.40	0.40	0.40
FX Reserves (US\$B)	332.5		329.8	(Nov)	10-yr Gov't Bond	2.72	3.02	2.83	2.77
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	4.10	4.05
10-yr Gov't Bond	0.69	0.74	0.67	0.63	FX Reserves (US\$B)	45.9		51.4	(Nov)
FX Reserves (US\$B)	1240.8		1244.5	(Nov)					

Exchange Rates (end of period)

USDCAD	1.03	1.06	1.10	1.11	¥/US\$	98.27	105.31	104.32	102.27
CADUSD	0.97	0.94	0.91	0.90	US\$/Australian\$	0.93	0.89	0.88	0.87
GBPUSD	1.619	1.656	1.642	1.650	Chinese Yuan/US\$	6.12	6.05	6.05	6.05
EURUSD	1.353	1.374	1.354	1.368	South Korean Won/US\$	1075	1050	1060	1080
JPYEUR	0.75	0.69	0.71	0.71	Mexican Peso/US\$	13.091	13.037	13.246	13.486
USDCHF	0.90	0.89	0.91	0.89	Brazilian Real/US\$	2.217	2.362	2.343	2.402

Equity Markets (index, end of period)

United States (DJIA)	15130	16577	16459	16018	U.K. (FT100)	6462	6749	6829	6665
United States (S&P500)	1682	1848	1839	1802	Germany (Dax)	8594	9552	9743	9403
Canada (S&P/TSX)	12787	13622	13888	13719	France (CAC40)	4143	4296	4328	4167
Mexico (IPC)	40185	42727	41911	40887	Japan (Nikkei)	14456	16291	15734	15392
Brazil (Bovespa)	52338	51507	49182	47626	Hong Kong (Hang Seng)	22860	23306	23133	22450
Italy (BCI)	950	1041	1087	1090	South Korea (Composite)	1997	2011	1944	1941

Commodity Prices (end of period)

Pulp (US\$/tonne)	945	990	990	990	Copper (US\$/lb)	3.31	3.35	3.35	3.28
Newsprint (US\$/tonne)	605	605	605	605	Zinc (US\$/lb)	0.85	0.95	0.94	0.92
Lumber (US\$/mfbm)	359	372	376	376	Gold (US\$/oz)	1326.50	1204.50	1250.00	1267.00
WTI Oil (US\$/bbl)	102.33	98.42	94.37	96.74	Silver (US\$/oz)	21.68	19.50	20.01	20.19
Natural Gas (US\$/mmbtu)	3.56	4.23	4.33	5.00	CRB (index)	285.54	280.17	278.41	281.65

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

Foreign Exchange Strategy

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