

Weekly commentary on economic and financial market developments

- Economics
 - Corporate Bond Research
 - Emerging Markets Strategy
 - Fixed Income Research
 - Fixed Income Strategy
 - Foreign Exchange Strategy
 - Portfolio Strategy
- [Contact Us](#)

Economics

- [Central Banks To Remain Dominant Market Influences](#)
Derek Holt
 - [Canadians Tack On More Debt](#)
Adrienne Warren
 - [U.S. Dollarization Dynamics](#)
Pablo Bréard
 - [ASEAN Regional Outlook](#)
Pablo Bréard and Tuuli McCully
 - [Chinese Banks Under Pressure](#)
Frances Donald

2-5

6

7-8

9-10

11

Emerging Markets Strategy

- [Five Things I Learned In Caracas](#)
Joe Kogan

12-14

Fixed Income Strategy

- [UK Budget Preview](#)
Alan Clarke

15-16

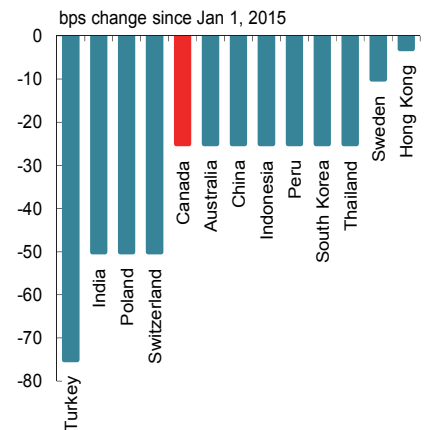
Please see the [Global Forecast Update, February 26, 2015](#), for our latest economic, interest and exchange rate and commodity price forecasts and the [Foreign Exchange Outlook, February 2015](#), for more detailed currency forecasts and commentary.

Forecasts & Data

- Key Data Preview A1-A2
- Key Indicators A3-A4
- Global Auctions Calendar A5-A6
- Events Calendar A7
- Global Central Bank Watch A8
- Latest Economic Statistics A9-A10
- Latest Financial Statistics A11
- Global Forecast Update Report

This Week's Featured Chart

Central Banks Easing Globally



Source: Scotiabank Economics, Bloomberg.

THE WEEK AHEAD

Derek Holt 416.863.7707
derek.holt@scotiabank.com

Central Banks To Remain Dominant Market Influences

- Please see our full indicator, central bank, auction and event calendars on pp. A3-A8.

United States — What Will The Fed Do?

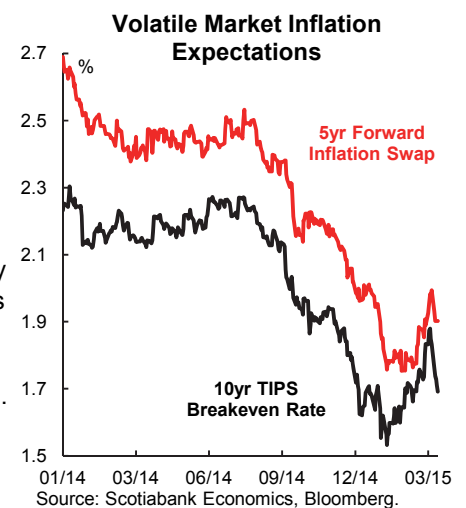
There are numerous possible twists the Federal Open Market Committee (FOMC) could introduce in next Wednesday's statement that will dominate the global calendar. It will be accompanied by a press conference and revised Summary of Economic Projections. On balance, we expect a marginally less accommodative tone but not all signals will point in this direction as the key will be to retain flexibility to begin raising interest rates at any point from June onward. **I do not expect any specific meeting to be teed up for lift-off just yet.** Watch for the following possibilities:

- Removal of 'patient' in favour of language that connotes flexibility to raise the federal funds target rate at any point from June onward.
- Possible downward revision to the unemployment rate forecast since at 5.5% in February the rate is getting closer to the Fed's 5.2-5.3% forecast range and job growth has exceeded expectations.
- Possible upward revision to GDP growth forecast for this year, as the FOMC range (2.6-3.0%) is currently somewhat low relative to the median forecast captured in the Bloomberg consensus (3%). As oil has pushed somewhat lower since the December forecasts, the FOMC could be somewhat more upbeat toward growth prospects.
- Downward revision to prior headline PCE inflation forecast of 1.0-1.6% in 2015 and perhaps to core PCE inflation (1.5-1.8%). Key will be whether next year's inflation forecasts remain unchanged as that would continue to signal that the FOMC is looking through transitory downward influences upon inflation readings. The statement language is likely to remain unchanged via "Inflation has declined further below the Committee's longer-run objective, largely reflecting decline in energy prices."
- It is unclear whether the FOMC acknowledges that market based inflation expectations have risen somewhat compared to when the FOMC expressed concern about them in the January statement. What complicates this is that market based measures of inflation expectations — like TIPS breakevens or the Fed's preferred measure of the five year forward inflation swap (chart 1) — have slipped somewhat of late even though they remain higher than at the time of the January meeting and they reflect liquidity and other premia beyond just inflation expectations.
- It is possible that the FOMC alters reference to international risks by somehow acknowledging policy easing across foreign central banks and an improvement in drivers of global growth while indirectly flagging mild concern over the USD. On this latter point, we continue to advise caution on what measure of the currency is used. DXY, Bloomberg's index, and EURUSD are all not the way the Federal Reserve considers currency risk. The inflation adjusted broad dollar index is the way the Fed looks at it and through to the end of this past February this monthly gauge was up by 10% since last summer. Federal Reserve staff research has argued there is a) a modest degree of pass-through into inflation readings via USD-motivated import price changes; and b) that the effects on the broad current account balance of the US economy are spread over about a four year period of time.

Next Week's Risk Dashboard

- ▶ Federal Reserve meeting
- ▶ ECB bond buying implementation
- ▶ Bank of Japan meeting
- ▶ Canadian inflation and retail sales
- ▶ Chinese property prices
- ▶ BoE and RBA minutes
- ▶ UK Budget

Chart 1



THE WEEK AHEAD

Derek Holt 416.863.7707
derek.holt@scotiabank.com

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- Recent softness in consumer spending will likely be looked through on account of weather effects.

In week-long meetings with US institutional accounts this past week, the area where I probably got the most pushback is in terms of expecting USD strength to persist. Some conditioned this around the belief that the Federal Reserve will raise rates later rather than sooner. It was also universally acknowledged as a very consensus belief and that all it takes is a mild surprise to the underlying drivers of the USD strength story to spark short covering on a variety of crosses. I think this risk is real. If, for instance, Eurozone sentiment is too bearish and growth and inflation both rebound on the back of lower oil, lower bond yields, and a depreciated euro, then the Euro could surprise higher again over the next year.

Other matters on the week's calendar will clearly take a back seat to the FOMC. Atlanta Fed President Dennis Lockhart (voting 2015) and Chicago Fed President Charles Evans (voting 2015) will both speak about monetary policy after the blackout period lifts. Evans will be dovish, but Lockhart is more of a moderate. Industrial production, housing starts and the Philadelphia Fed's regional manufacturing gauge are the only sources of possible data risk.

Canada — Will Core Inflation Soften Or Remain Under Upward Pressure?

Canadian markets will be primarily driven by what the FOMC does next week, but domestic data risk will also be elevated and mostly on Friday as less significant manufacturing and wholesale trade figures arrive before that.

Friday is when both CPI for February and retail sales figures for January will be released. **We're expecting continued downside risk to retail sales.** Retail sales abruptly softened in December and fell by about 2% m/m on headline and core sales ex-autos. What we don't know is whether this was just because holiday spending is being brought forward in recent years, or the sudden softening was due to the commodity price shock that hit from July onward. It's also possible that the sharp depreciation in the C\$ is raising the cost of imported consumer goods and imposing a back-door pay cut on consumers. For the immediate purpose of calling the January print, a decline in seasonally adjusted vehicle sales won't help.

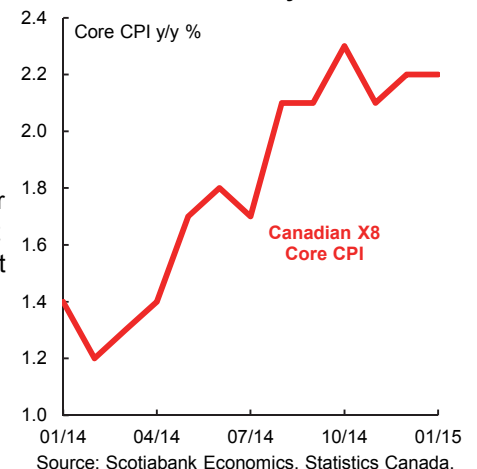
CPI inflation will throw off two competing interpretations but it's the year-ago headline and core rates that will matter most. Ignore the

seasonally unadjusted m/m reading that should get a sharp lift from gasoline prices and other seasonal items. The emphasis should be upon an expected further slip in year-ago readings to possibly sub-1% either already or over coming months. The key will be whether core inflation remains above 2% y/y going forward (it was 2.2% in January, chart 2). **The Bank of Canada believes that transitory factors have been putting upward pressure upon core CPI for some time, but it is not clear that the effects at work are temporary in light of the currency's ongoing depreciation.** Import price pass-through risk from currency movements matters much more in Canada than the US and it's plausible that core CPI will remain under steady pressure from a weakening currency this year and next.

In meetings with institutional accounts in the US this past week, every meeting started with a question or statement about front-end volatility and a focus upon understanding Bank of Canada communications. Not once, however, did I hear serious signs of a lack of confidence such as — at its extreme — unwillingness to participate in auctions of shorter dated Government of Canada securities or other issuers for fear of ongoing monetary policy uncertainty.

Chart 2

Transitory?



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Derek Holt 416.863.7707
derek.holt@scotiabank.com

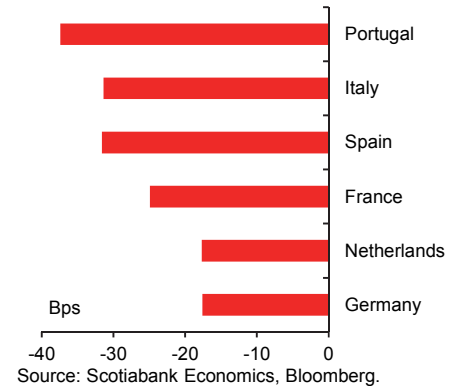
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Europe — ECB Implementation And UK Budget

European market risks will be focused upon implementation of ECB bond buying efforts and Federal Reserve spillover effects. Please see our London-based strategist/economist Alan Clarke's UK Budget preview in *Global Views*.

The major theme in Europe should continue to be the market effects of ECB bond buying. The parameters for the ECB's purchases caught markets by surprise: no one had anticipated that the ECB would authorize the purchase of bonds at yields as low as -20bps, and no one anticipated that the weighted average maturity of the ECB's purchases would be 9 years — a more aggressive average maturity for purchases than the Fed's maturity extension program and large scale asset purchases (respectively 'Operation Twist' and QE III) entailed. The result of aggressive ECB guidelines for asset purchases was a massive bid for longer-duration European securities, particularly securities at the 30-year point. As the chart to the right shows, yields fell by as many as 37bps during the past week in Portugal, and even by 17.5bps in Germany — a country where the 30-year was yielding less than 1% to start the week. This insatiable policy-conditioned European hunger for duration could continue to impact the market in the week ahead. Minor data risk will include Germany's ZEW investor sentiment, the UK unemployment rate, BoE minutes, and a rate decision in Turkey.

Chart 3
Europe's Hunger for Duration
 1-Week Declines in Select European
 30-year note yields



Asia — Not To Be Left Behind On Global Central Bank Communications

In Asia, data will be light and so should be central bank activity, with some notable exceptions. **The Bank of Japan's Monetary Policy Statement and Governor Kuroda's Press Conference will probably continue to convey a balanced outlook** despite some difficult data since the BoJ's last meeting on February 17th. It hasn't been a pretty picture over the past month: Q4 GDP was materially revised lower, imports fell precipitously, the trade deficit worsened, consumer spending weakened across every measure and industrial production disappointed. The slightly better news is that nominal wage growth improved (though real wages are still falling -1.5% y/y) and, while inflation hasn't accelerated, it hasn't weakened either. The BoJ has been trying to carefully walk the line between appearing optimistic about its policies (lest its credibility be undermined) while simultaneously saying it "won't hesitate" to adjust policy if necessary (lest the yen strengthen). The problem, as one BoJ official was reportedly quoted as saying last month, is that a weaker yen to bolster inflation at this point may very well be counterproductive. So, the BoJ now seems like it's waiting to see (i) if Prime Minister Abe can successfully bolster business confidence enough to generate sustained base wage pay increases and (ii) whether the weaker yen manages to sustainably generate trade activity. That trade data will be out Tuesday and, as always, we'll be emphasizing *volumes*, which have struggled to accelerate, as opposed to nominal headline growth. Minutes to the BoJ's February 17-18 meeting are due out at the end of the week, but these will probably be considered stale.

There is quite a bit of communication from the **Reserve Bank of Australia** (RBA) next week, including the minutes to the March meeting, the RBA's quarterly bulletin, and a speech from Governor Stevens. Minutes to the RBA's March 2nd meeting will hopefully shed additional light on why the RBA chose not to cut its 2.25% benchmark interest rate, as was expected. The policy statement came off dovish but flagged a) very accommodative global financial conditions and b) a fairly positive assessment of domestic growth described as 'moderate' despite weakness and risks emanating from China as core reasons for holding. The data subsequently released has seemed to support that view: household spending in Q4 grew by the most in three years and January retail sales were stronger by +0.4% on household goods and department stores. Still, markets continue to price in 37% odds of a cut at the April 7th meeting and this week may provide additional

THE WEEK AHEAD

Derek Holt 416.863.7707
derek.holt@scotiabank.com

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clues as to policy thinking. Notably, references to the AUD being too high, Chinese growth slowing more than expected, concerns about commodity pricing (i.e., iron ore) or an indication that policymakers are less concerned about housing (e.g., that macroprudential policies are targeting the problem) could increase the odds of cuts.

The key Asian data point is going to be **Chinese property prices**, and the growth/consumer/investment/financial implications that come with it. Prices were down -5.2% y/y in January and, given the pace of declines, the best we can hope for is probably a second derivative improvement. Other housing data isn't supportive of better prices either: February home sales dropped 16.3%YTD y/y, the biggest fall in three years, and sales revenue dropped 15.8% YTD y/y. To be fair, China's New Year festivities generally weigh against housing market activity: some cities actually registered zero sales last month. Plus, March is historically a great month for housing activity and well-timed with the PBOC's more recent cut to the lending rate. Still, it's difficult to be overly optimistic as neither the first cut to the lending rate in November nor the myriad of regulatory adjustments made since September have managed to revive housing yet. The challenge is instead a secular shift away from housing as a savings vehicle. For now, Chinese property's best hope is a cyclical bounce.

The **Bank of Indonesia** has an official meeting this week and no change is expected following February's unexpected cut.

CANADA

Adrienne Warren 416.866.4315
adrienne.warren@scotiabank.com

Canadians Tack On More Debt

- **Household balance sheet strength and low interest rates are still supportive.**

For many Canadians, the lure of historically low borrowing costs and aggressive retail incentives continue to outweigh any unease over persistently soft employment and income gains. Household demand for credit has picked up since mid-2014, fuelled by record auto sales, steady housing demand and rising home prices. Even so, overall credit growth remains relatively moderate, with residential mortgage credit up just over 5% y/y through December, and consumer credit advancing 3% y/y.

The combination of strengthening credit growth and moderate income gains pushed the ratio of household credit market debt to disposable income to a new high of 163.3% in the final quarter of 2014. We expect the debt-to-income ratio will edge higher in the near term, with credit demand still outpacing income growth of around 3½ y/y. While the trend in this bellwether ratio has moderated in recent years, high levels of debt leave Canadian households exposed to a sustained adverse income shock or a sharp rise in interest rates. The Bank of Canada has repeatedly warned of elevated consumer debt loads, along with imbalances in the housing market, as the key domestic risk to financial market stability.

Canadian household debt burdens are relatively high from an international perspective. High household debt relative to income mirrors the country's high homeownership rate, which at around 70% exceeds many advanced nations, including the United States and the United Kingdom. Contrary to frequent headlines, Canada's debt-to-income ratio is still more than 10 percentage points below the U.S. level at its peak in 2007, when measured on a comparable methodological basis.

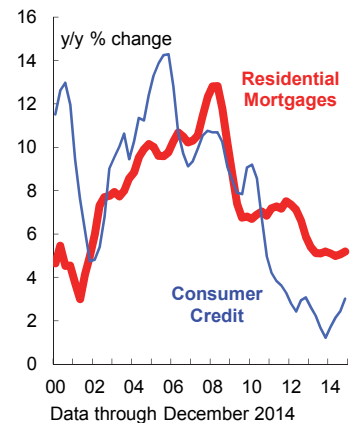
The BoC's unexpected January rate cut, prompted by concern over the negative impact of lower oil prices on domestic economic activity, has likely temporarily added to the incentive to take on more debt. Over the medium term, however, we expect cyclical and structural factors — including exhausted pent-up demand, strained housing affordability when interest rates inevitable move off current lows and less favourable demographics — will temper consumer spending, housing activity and lending growth.

Encouragingly, Canadians appear to be taking a more constructive approach to managing their debt loads. Many households are taking advantage of low interest rates to increase mortgage principal payments, rebuild home equity and consolidate higher rate revolving debt.

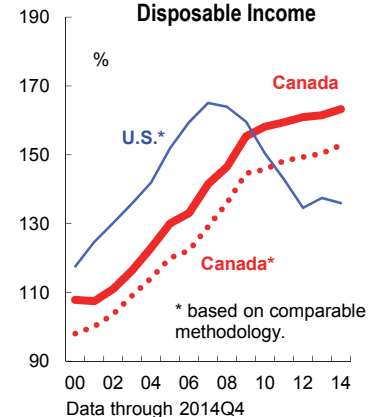
Canadian household finances overall remain in a comparatively healthy position. Households continue to have sizeable asset holdings behind their debts, and a high and rising level of net worth. The ratio of debt to net worth has trended lower in recent years, with the increase in borrowing offset by rising real estate and equity values. Real estate equity as a share of housing assets is in line with historical averages.

Meanwhile, measures of household stress remain low. Mortgage arrears and credit card delinquency rates are low and falling. The number of consumer bankruptcies last year fell to its lowest level in two decades.

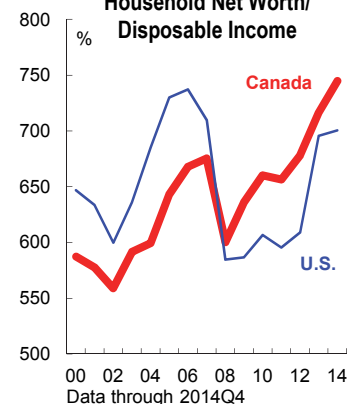
Canadian Household Credit



Household Credit Market Debt/ Disposable Income



Household Net Worth/ Disposable Income



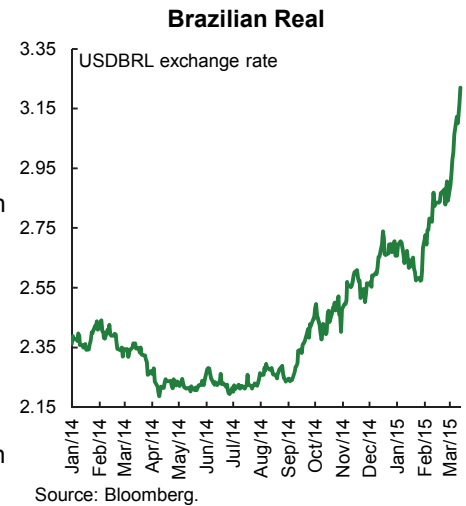
LATIN AMERICA

Pablo Bréard 416.862.3876
pablo.breard@scotiabank.com

U.S. Dollarization Dynamics

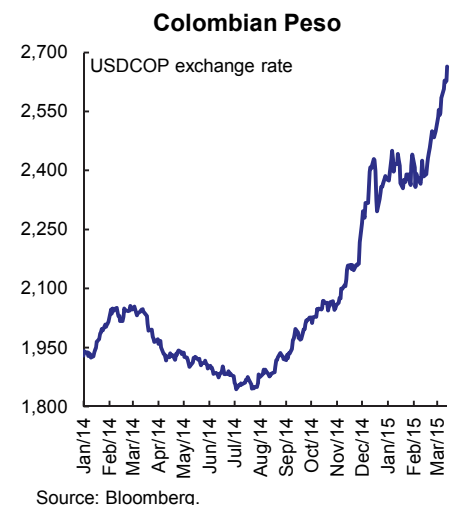
Brazilian Weakness Resurfaces | Rating Actions + US Monetary Policy Shifts in Focus

The Brazilian real (BRL) has been subject to a sharp devaluation since late January, which somewhat escalated over the past week. We strongly believe that exogenous factors connected with the unstoppable US dollar (USD) strengthening tone and the broad-based demand for the USD-denominated assets by global portfolio investors are the primary factors driving deeper BRL weakness in the near term, which edged the 3.23 per USD mark by the end of the week (see graph on USDBRL rate). We do not subscribe to the viewpoint that there is a widespread sell-off affecting emerging-market assets. In fact, a relatively stable trading range in other BRIC-bloc currencies (Chinese yuan, Russian ruble and Indian rupee) belittle the view that all emerging markets are on the defensive. The steady decline in gold prices (another safe-haven vehicle in times of market stress) points to still favourable risk appetite dynamics in select emerging-market assets. A key development to watch is the likelihood of a multiple-notch downgrade of Brazilian sovereign credit ratings in the coming months on the grounds of a sharp deterioration of fiscal conditions, persistently high inflation and prolonged recession. Moody's placed Brazilian ratings on "negative" outlook last September.

**Latin American (dis)orderly Currency Adjustments | Pacific Alliance Bloc in Context**

Mexico, accounting for 60% of the four-member Pacific Alliance GDP, appears to be a victim of negative overshooting forces. Fundamentally justified or not, the Mexican peso (MXN) has adopted a defensive tone and accelerated a depreciating trend versus the USD over the past 45 days, trading as weak as 15.7 per USD, before closing the week at 15.5. The fact that the two core Latin American currencies weakened in tandem whereas other top-tier emerging-market economies experienced a relatively better performance suggests that the negative momentum drivers seem to be linked to US market and economic dynamics rather than a systemic global shock. Particularly, the approaching normalization of US interest rate policy is the primary factor injecting this weakening trend in Mexican assets, as interest rate differentials in the more advanced financial markets redirect capital flows towards US\$-denominated debt and equity securities. Mexico has the privilege of hosting a large share of foreign capital allocated to MXN-denominated fixed-income markets, prompting market participants to speculate on potential risk of repatriation flows. In brief, Mexico is a North American investment story; as such, its financial markets will remain influenced by developments in the US. The likelihood of heightened financial market volatility associated to the beginning of the US Federal Reserve tightening cycle will keep the MXN on the defensive through the remainder of the first semester of the year. A pre-emptive hike of the policy-setting interest rate by the Mexican central bank (ahead of the Fed action) cannot be ruled out.

Colombia is another major casualty of the US-inspired sell off momentum suffered by the financially integrated currencies in Latin America. Given its relatively higher dependence on energy market conditions and the ensuing deterioration in public sector finance, the Colombian peso (COP) will retain a weakening bias in the coming months that has yet to find evidence of technical support. The COP traded as low as 2,660 per USD at the end of the week, representing 31% currency devaluation over the past nine months (please see graph on COP per USD over the past 12 months). Looking ahead,



LATIN AMERICA

Pablo Bréard 416.862.3876
pablo.breard@scotiabank.com

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we anticipate a gradual recovery of crude oil prices, a positive development for the Colombian export sector. Nevertheless, in the meantime, the increasing share of Colombian debt assets in global fixed-income indices may expose the COP to another phase of exchange rate volatility before the end of the year.

Finally, market sentiment in both Peru and Chile have been adversely affected by the combination of US dollarization trends, decelerating economic activity at home and negative terms of trade shocks. Particularly, several investment plans in both the energy and mining sector have been delayed due to price correction dynamics under way as well as policy-related political uncertainties. Key to these two economies is the economic growth outlook for China, as a major factor of demand for both metal and energy commodities. Although most of the downward price correction has been attributed to supply-side factors, demand-side considerations are also gaining weight in the current process of commodity price rebalancing. Looking ahead, we anticipate that both the Chilean peso (CLP) and the Peruvian sol (PEN) will be subject to further defensive trading, with investors eagerly anticipating a potential move by the US Federal reserve in the coming months. The CLP touched the 640 per USD mark by the end of this week; the estimate that the CLP will close the year in the 625-630 range. As for the Peruvian currency, the PEN will maintain a gradual weakening phase and close the year close to 3.20 per USD, slightly weaker than the current 3.1 rate.

ASIA

Pablo Bréard 416.862.3876
pablo.breard@scotiabank.com

Tuuli McCully 416.863.2859
tuuli.mccully@scotiabank.com

ASEAN Regional Outlook

The economic growth outlook in the ASEAN is improving

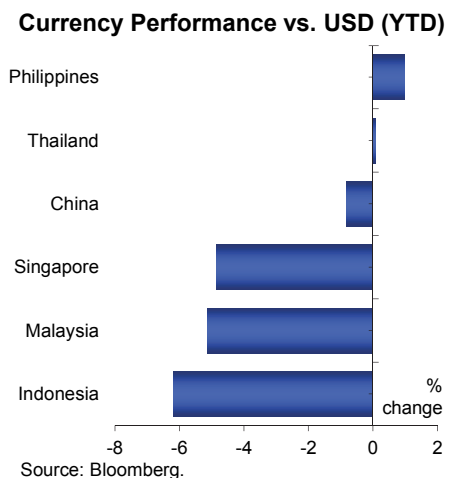
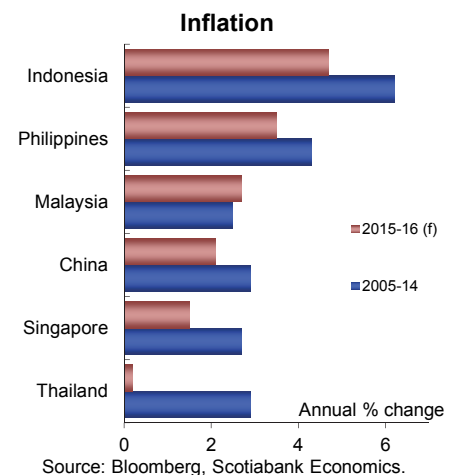
Economic prospects of the 10 countries belonging to the Association of Southeast Asian Nations (ASEAN) are encouraging. The region is set to become a major global economic force; it has a combined GDP of US\$6.3 trillion in purchasing power parity (PPP) terms (US\$2.5 trillion in nominal terms) and accounts for 6.0% of the world economy (3.2% in nominal terms). Output expansion in the ASEAN region is set to average 5.3% in 2015-16, up from 4.6% in 2014, thereby comparing favourably with the global advance of 3.3%. The gradual deceleration trend affecting the Chinese economy may prompt a rebalancing of growth strategies through the remainder of the decade. In recent years, rapid disposable income gains and relatively healthy government finances have allowed the ASEAN region to maintain momentum despite only gradually recuperating demand from advanced economies. Among the core countries within the bloc (aka ASEAN-5; Indonesia, Thailand, Malaysia, Singapore, and the Philippines), the Philippines will be the outperformer, supported by strong domestic demand; meanwhile, Singapore continues to record more modest real GDP gains due to the economy's advanced state of development that relies substantially on innovation as a driver of productivity and growth.

The net-oil importing ASEAN-5 benefits from low international oil prices

Lower oil prices have resulted in a significant easing in inflation across the region, allowing regional central banks to either adopt a monetary easing bias (Indonesia, Thailand, and Singapore) or take a break in their monetary normalization process (Malaysia and the Philippines). Furthermore, lower fuel costs have enabled authorities to reform fuel subsidy schemes (Malaysia and Indonesia), which will result in improved public finances and sovereign creditworthiness. The ASEAN-5 produced 2.1 million barrels of petroleum per day (mbpd) in 2013, while its demand stood at 5.2 mbpd, depending on imports for 60% of its oil needs. However, the region possesses substantial refining capacity, which increases source flexibility. Malaysia is the only net-oil exporter within the bloc.

The region is well-positioned for the process of global financial market rebalancing

The process of global financial market rebalancing amid changing market expectations for US Federal Reserve monetary policy has prompted a thorough assessment of fundamental strengths and weaknesses at the individual country level. This is reflected in foreign exchange markets with the Philippine peso being the regional outperformer (up 1.0% vis-à-vis the US dollar year-to-date), while the Indonesian rupiah is the laggard (6.2% weaker against the USD year-to-date). Most ASEAN-5 nations are well positioned to face the period of adjustment as they enjoy strong fundamentals: solid



ASIA

Pablo Bréard 416.862.3876
pablo.breard@scotiabank.com

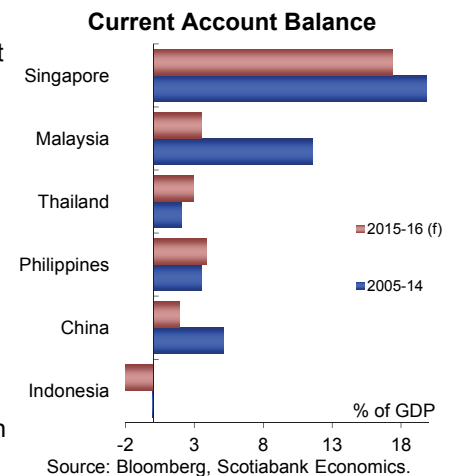
Tuuli McCully 416.863.2859
tuuli.mccully@scotiabank.com

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economic growth, sound external positions, low government debt levels, and manageable fiscal accounts. All five countries are rated in the investment-grade category. By far, Singapore is leading the rating charts with a solid AAA-category standing by all international credit agencies, while the agencies have a differing view regarding Malaysia's sovereign credit risk. Debt ratios indicate an upward, yet manageable, trend in Malaysia and Thailand. The export-led development strategy adopted by most countries in the ASEAN-5 group has led to positive current account balances in virtually all countries with the exception of Indonesia, which is poised to record a deficit equivalent to around 2% of GDP over the next two years.

Divergent level of development poses a challenge for regional integration

The establishment of the ASEAN Economic Community will deepen the region's economic integration, resulting in stronger intraregional trade dynamics. It will make the export-oriented countries less dependent on demand from advanced economies and China in the medium-to-long term, as well as more attractive as a destination for foreign direct investment (FDI). One of the major challenges for progress on this front is the countries' diversity in terms of their level of development. Among the ASEAN-5, Singapore enjoys very high standards of living and is a regional hub of multinational corporations, while the Philippines is still decades away from an advanced economy status; Malaysia is on track to join Singapore in the high-income category by 2020. The ASEAN group is committed to structural transformation on multiple fronts including the development of solid democratic institutions, the deregulation of key sectors of the economy, the development of basic infrastructure, the orderly management and resolution of potential geo-political conflicts and border disputes, as well as the gradual liberalization of financial services and non-bank financial markets. Nevertheless, the ASEAN-5 countries still present a divergent approach to structural reforms that varies from one country to another.



The Chinese economic outlook continues to shape regional dynamics

The leading role of China in driving global trade and manufacturing has deepened bilateral ties with most countries in the ASEAN group. China receives only 12% of total ASEAN-5 exports as the bulk of external sales target advanced economies. While China's relatively strong economic growth will continue to support ASEAN-5 exports, the country's focus on moving toward production of higher value-added goods is bound to change trade-linkages. This transition will benefit the ASEAN bloc as most of its members remain attractive alternatives to China for low-cost manufacturing. FDI flows in selected sectors are also contributing to a more integrated region, while China's role continues to dominate. Among emerging economies globally, China is the largest source of FDI flows, accounting for around 30% of total outward investments from emerging market economies. Asian countries are the largest recipient of these flows, receiving roughly 60% of China's investments in emerging economies.

For further information on the economic outlook of the ASEAN-5 countries, please refer to the [Core ASEAN Regional Outlook](#) report, published on March 13th, 2015.

CHINESE MONETARY POLICY

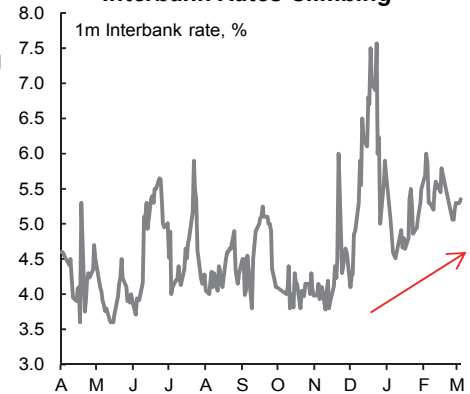
Frances Donald 416.862.3080
frances.donald@scotiabank.com

Chinese Banks Under Pressure

- The pressures on Chinese banks are growing despite easier monetary policy.

Financial pressures continue to build in China despite easier monetary policy that has included two cuts to deposit and lending rates, the effective widening of the deposit base, a cut to the reserve requirement ratio (RRR) and a cut in the Standing Lending Facility's rate, all since November. Yet, nominal interbank rates are still climbing (chart 1) and China's swap curve has now inverted for the first time since the June 2013 cash crush. Plus, as the PBOC recently emphasized, weaker inflation is accelerating real rates despite slowing growth. In our view, these pressures are suggestive of further policy action from the PBOC which could take the form of additional RRR cuts and/or cheaper and more available short-term liquidity, particularly targeted towards smaller banks. Critically, these policy actions will not necessarily be directed — or even likely successful — at reviving growth, but would instead be aimed at maintaining financial stability during this necessary period of financial reform. Here are the key issues hampering Chinese banks right now:

Chart 1
Chinese Banks Under Pressure
Interbank Rates Climbing



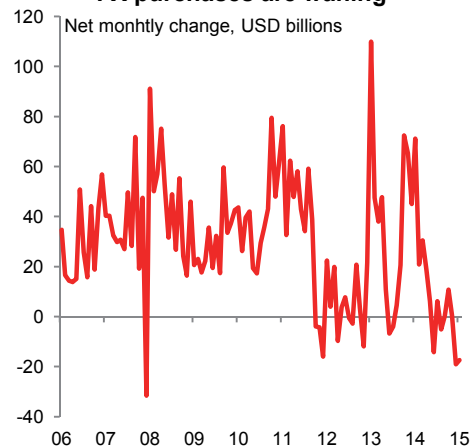
Source: Scotiabank Economics, Bloomberg.

The PBOC's asymmetric deposit and lending rate cuts, coupled with the raising of the deposit ceiling, are pressuring bank net interest margins (NIMs). As we first wrote about [here](#), Chinese banks tend to lend closer to the upper limit of the PBOC-determined deposit ceiling than the nominal rate. In Nov., the 25bps cut to deposits combined with the lifting of the ceiling from 1.1x to 1.2x left deposit rates effectively unchanged at 3.3%. In Feb, the deposit rate was cut again by 25bps while the ceiling was lifted to 1.3x, leaving the effective deposit rate at 3.25%. As a result, lending rates have been cut by a total of 65bp since Nov., while the effective deposit rate has fallen by only 5bps. Bank NIMs have therefore compressed from 270bps to 230bps in Nov. to 210bps at end-Feb. This week, PBOC Governor Xiaochuan said the deposit ceiling would likely be fully eliminated by end-2015, implying more gradual increases in the deposit ceiling in advance of final removal are coming. That will likely keep deposit rates elevated (and NIMs under pressure) as banks compete for depositors. Significant nominal rate cuts could help to mitigate, but probably won't eliminate the problem.

Banks are losing depositors, and lower rates exacerbate the issue. PBOC data showed that between Jan and Nov, deposits were 23% lower y/y. In part, this is a structural issue related to the search for yield and new investment opportunities, like the [revitalized](#) equity market. Yet, other issues like the Sept. banning of "illicit" deposit-gathering practices (i.e. gifts, rebates) have also hurt. The coming implementation of deposit insurance (expected in H1 2015) will probably also hamper deposits as the regulatory shift, counterintuitively, contributes to **heightened risk-aversion**. Whereas previously, all banking products carried the government's implicit guarantees, deposit insurance is a formal shift towards guaranteeing some but not all investments. Note that the **deposit insurance premium** cost will also weigh on bank profits. A **slower growth profile** isn't helping bank risk appetite either and is already being reflected in (i) rising non-performing loans, (ii) increasing [reports](#) of defaulting corporate bonds, and (iii) steep y/y declines in industrial company profits, though any cyclical bounce in the near-term could help soften these concerns somewhat.

Finally, accelerating capital outflows — a function of declining property prices, a crackdown on alternative investment products, slower growth and expectations of RMB depreciation — are reducing liquidity (chart 2). Lower rates will probably exacerbate outflows and the liquidity shortage adds additional pressure for RRR cuts as an offset.

Chart 2
FX purchases are waning



Source: Scotiabank Economics, Bloomberg

Joe Kogan 212.225.6541
joe.kogan@scotiabank.com

Five Things I Learned In Caracas

The following article was published on March 5, 2015.

During our meetings in Venezuela last week, we were impressed by the local awareness of the legal consequences of default, as well as by the long-run potential for growth in the oil industry. While the numbers do not easily add up to fund both imports and debt service out of oil revenue at current prices, we think that hard currency is still used quite inefficiently, with significant room for a reduction in import needs in the long-run.

1. Everyone knows the costs of default.

There are few precedents on the consequences of a default by a large oil-exporting sovereign. We don't know which specific legal strategies would be employed by creditors, how Venezuela might defend itself or try to evade those creditors, and how US courts would weigh private claims against Venezuela's sovereign immunity (see our article, "The Venezuelan Endgame," April 29, 2010, for a brief history of such legal tactics in previous defaults.) Nevertheless, there is an overwhelming consensus among the local business and financial community that a default would be costly and even counter-productive to hard currency inflows because it would disrupt PDVSA operations. It is these costs rather than high holdings of government bonds by local investors that were the most frequently cited justification for the government's apparently strong willingness-to-pay. In fact, the government has always employed US-based counsel, who may have advised it with regards to these risks years ago.

Why is the government so concerned about these particular legal risks? Partly, it is because the consequences are largely unknown. This uncertainty stands in contrast to the consequences of opposition protests, expropriations, and food shortages, all of which the government can manage. In addition, the government seems to have more respect for the financial sector than other sectors of the economy based on some of its actions thus far. To our surprise, some companies still report access to foreign lines of credit, and local banks continue to work with foreign counterparts; a default could disrupt these transactions. Foreign oil companies differ with regards to their knowledge and concern about continued debt payments; it is not clear to what extent a default would affect new investment, but the government must certainly consider those consequences as well.

Bond markets are pricing a 99% probability of default in eight years and a \$25 recovery value. While we think the probability of a restructuring is high, it may not be the absolute certainty suggested by bond markets. Moreover, a market friendly restructuring may be more probable than the outright repudiation implied by market prices.

2. People are not going hungry.

Newspaper photos of long lines outside of supermarkets and empty shelves earlier this year presented a dire situation, one that suggested both the impossibility of paying the debt and the unsustainability of current government policies. We visited a couple of stores to see the situation for ourselves. The situation was better than we expected, though admittedly, we were only able to visit the stores in the better neighborhoods of Caracas for security reasons. All shelves were stocked with a large variety of products and did not at first glance seem any different from stores in other Latin American countries. Prices seemed cheap to us, assuming dollars converted at the Simadi rate, but were expensive to many Venezuelans who relied on fixed local salaries.

A closer look revealed that some basic products, such as milk, toilet paper, and cooking oil, were missing. These are the necessities for which the government sets fixed prices in contrast to the 30% maximum profit margins applicable to discretionary purchases. In order to maintain the appearance of abundance and avoid the scrutiny of government inspectors, stores must fill shelves normally taken up by these basic goods with other groceries. Many of these core products can no longer be produced profitably domestically; instead, only those firms able to access hard currency at preferential exchange rates are able to import these products for

Joe Kogan 212.225.6541
joe.kogan@scotiabank.com

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sale, with the unintended consequence that price controls are actually shifting consumption from domestic producers to foreign producers and creating shortages.

We saw one line form inside the supermarket at around 5:45pm. Apparently, the store had just received a shipment of some basic good that employees were about to bring out, and people were lining up to purchase their allotted portion. We asked one person on line what product they were going to bring out, but he didn't know. That experience certainly supports the claims of some, including the government, that the people standing in line are mostly those who seek to resell products in the black market. For example, powdered milk can be purchased on the black market for three times its official price.

Opinion polls have shown that food shortages and food prices are perceived to be the largest problems affecting the country. The government thereby faces a difficult trade-off. It could easily eliminate food shortages by raising prices. Or, in order to keep political support among the lower class, it can maintain prices at artificially low levels, but then deal with the resulting shortages, lines, and the proliferation of the black market. So far, it is maintaining a middle ground with different policies for different products.

3. Exchange rates are the root of the problem.

Burdensome regulations, expropriations, and price controls would create difficulties for most any business. Nevertheless, it is the FX system that has the most immediate effect. In order to meet government price requirements, which until recently were all set based on an estimate of costs at official exchange rates, firms can only function if they can access hard currency at those same exchange rates. Until 2013, many firms operated with credit from their long time suppliers. Most of this supplier credit has since evaporated, as the government refused to approve hard currency for the payment of arrears to suppliers, which are now estimated at an accumulated total of \$15bn.

Many transactions now require prepayment, making timely access to preferential exchange rates even more critical. At the same time, government provision of hard currency has become increasingly unpredictable, such that imports that are initially approved may not be allocated the dollars 60 days later. Both the importing company, and its local bank, must now maintain an entire department to process the paperwork and permissions required for each transaction.

These problems could easily be solved. While unifying exchange rates may be out of the question, at least creating one free floating exchange rate would alleviate problems for producers of non-essential items. So far, it does not seem that Simadi will be that system. All transactions greater than \$3,000 USD must be pre-approved by the Central Bank. Even when a bank manages to match a buyer and a seller of hard currency at a certain exchange rate, transactions deemed "too large" or at the "wrong" exchange rate are routinely denied.

4. Hard currency is still used inefficiently.

The economy's reliance on imported goods and services represents the largest draw on hard currency inflows; it is the need to continue to fund these imports that, in many economist calculations, leads to a default in the next couple of years. We addressed the issue from a quantitative perspective in our article, "What does Venezuela really need to import," (January 5, 2015), arguing that the fact that imports increased four-fold in the last ten years suggests that high import requirements are a relatively new phenomenon that can eventually reverse, if the government makes the right economic reforms.

The anecdotal evidence we collected confirmed this hypothesis. Preferential exchange rates are assigned in a haphazard fashion. Basic staples receive them, but so do some gourmet items. The auto industry for many years was fueled by such preferential rates; one cannot help but notice the inordinate number of large SUVs in Caracas, for example. Venezuelans travelling to Cuba on vacation can receive \$2,500 per person; a family of four would likely earn enough hard currency from vacationing that they would not need to work for the rest of the year.

Joe Kogan 212.225.6541
joe.kogan@scotiabank.com

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Economists, when evaluating import needs, tend to make broad assumptions about how much imports can be reduced — around 30% is a commonly used figure. Yet, we have seen no systematic analysis of this phenomenon. We suspect the amount of potential reductions is larger in the long-run.

5. Oil exploration continues.

Despite the deterioration in many economic sectors, oil production has remained surprisingly stable for the past several years at 2.8mbd. Some multinationals left in 2007 when the government sought to renegotiate terms, but many others agreed to the government's new mixed enterprise structure, such that there are currently 42 joint-ventures operating in the oil industry. These foreign partners have reportedly committed to provide about \$14bn in new financing going forwards, albeit many of those commitments occurred before the collapse of global oil prices. It is not so much the high tax rates that deter additional investment, but rather uncertainty about the rules of the game going forward. Oil companies, like other multinationals operating in Venezuela, may be unable to access foreign exchange to pay dividends, and conversely, may be forced to purchase bolivars at official exchange rates to pay labor costs, making these costs prohibitive. The government is working with the oil companies to address some of the more acute problems. Additionally, oil companies worry that the funds they intend for JV oil exploration will be spent inefficiently, a problem that is particularly relevant today when the government is scrambling for hard currency to meet import and debt service needs.

The fact that some oil exploration continues even under a difficult macroeconomic environment suggests that opportunities here are huge, with relatively shallow oil reserves and low uncertainty about where the oil is. A popular saying is, "In Venezuela, the risk is above the ground." This bodes well for the future of the industry, and subsequently for the long-run value of bondholders' claims.

Additional articles about Venezuela

- "What does Venezuela really need to import?" Scotiabank, January 5, 2015.
- "What is the Venezuela curve pricing?" Scotiabank, December 17, 2014
- "Update on Venezuelan ICSID cases," Scotiabank, December 9, 2014.
- "Venezuela's Recovery Value," Scotiabank, November 7, 2014.
- "Bondholder's Guide to Venezuelan ICSID Cases," Scotiabank, August 28, 2014.
- "Where does Venezuelan oil money go?" Scotiabank, March 21, 2014.
- "Venezuela: has anything really changed?" Scotiabank, October 17, 2013.
- "The Venezuelan Endgame," Scotia Capital, April 29, 2010.
- "Legal differences between sovereigns and quasi-sovereigns," Joe Kogan and Andrés Pardo, *EM Playbook*, Lehman Brothers, February 28, 2008.

Alan Clarke 44.207.826.5986
alan.clarke@scotiabank.com

UK Budget Preview

Overview

The backdrop for George Osborne couldn't be much better going into the final Budget before the General Election. The Chancellor will be able to push up the forecast for GDP growth, push the inflation forecast lower and, as a consequence of both, revise down the government borrowing estimate. With the Conservative party's rating in opinion polls on an improving trend, the Chancellor is likely to make the most of the situation and deliver some politically motivated sweeteners. Nonetheless, there will have to be some restraint on the political giveaways since the Chancellor will emphasise that the job of narrowing the budget deficit is far from complete.

Macroeconomic Forecast Update

- The Office for Budget Responsibility (OBR) growth estimate for 2015 is likely to be pushed up from 2.4% y/y as of November's Autumn Statement, up to around 2¾% y/y. Part of the upward revision is the counterpart to the downward revisions to 2014 growth by the Office for National Statistics. Nonetheless, 2014 is in the past, and we doubt that will get a mention.
- The main reason for the upward revision to the 2015 GDP growth forecast is the drop in the price of oil, which in turn has pushed inflation lower and has given the UK consumer a windfall. The UK's main trading partner, the Eurozone, is also likely to benefit. Hence the OBR will probably become a little more upbeat with regards to exports.

Fiscal Update

With two months of data for the current fiscal year still remaining, the PSNB (Public Sector Net Borrowing) is on track to meet, or even slightly undershoot, the forecast from November 2014. Furthermore, the drop in the price of oil which will boost growth and hold down inflation should provide a further boost to the public finances for future years. More specifically:

- For 2014-15, the PSNB estimate from the Autumn Statement was GBP91.3bn. The latest data for January included the cash inflows that are typically associated with the Self-Assessment deadline. Crucially, since the deadline fell on a Saturday (31st January), the cash flows associated with those filing their tax returns at the very last minute will not be reflected until the February data are released. Provisional data seen by the OBR suggest that a windfall is also likely in February. Hence we expect the OBR to nudge down its full-year PSNB estimate from GBP91.3bn to GBP90bn.
- The OBR is likely to revise up its GDP growth projections for future years by between ¼ and ½% per year. Applying the Treasury's ready reckoner to this would suggest a reduction in the borrowing estimate of up to GBP5bn per year.
- The drop in inflation is also likely to represent a boost to the public finances. This can be seen via debt interest payments and other government outlays linked to inflation. There is a risk of double counting given that it is low inflation that is likely to be the main boost to GDP growth. Nonetheless, lower inflation was a key boost to the public finances at the time of the Autumn Statement last November at which point the price of crude oil was still around US\$80 per barrel. With Brent now a further US\$20 per barrel lower, there is likely to be a further windfall. As a guide, our own forecast for RPI inflation in 2015 is a full percentage point lower than the latest OBR projection. That represents a saving of almost GBP4bn on inflation linked gilt interest over the coming year.

Gilt Issuance Update

The latest Debt Management Office remit pointed to a full year 2014-15 CGNCR (Central Government Net Cash Requirement) of GBP102.3bn. With 10 months of data confirmed and 2 months remaining, the CGNCR looks set to undershoot that projection by as much as GBP10bn. In combination with the likely improvement in the fiscal arithmetic on fundamental grounds, notwithstanding some pre-election giveaways, this should lead to lower future gilt issuance than previously assumed.

Alan Clarke 44.207.826.5986
alan.clarke@scotiabank.com

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A best case scenario for gilt issuance would assume that:

- The Central Government Net Cash Requirement (CGNCR) forecast for 2014-15 is undershot by GBP10bn (i.e. overfunded) leading to a reduction in the following year's cash requirement;
- The PSNB is reduced for future years owing to the stronger macroeconomic outlook by around GBP5-8bn — although more likely the lower end of the range given the prospect of pre-election giveaways.
- That could reduce the 2015-16 CGNCR by as much as GBP15bn down to just GBP80bn...
- ...and a financing requirement of GBP155bn.
- With T-bills typically accounting for GBP10-15bn, that could leave gilt issuance at around GBP140bn — around half of which represents gilt redemptions.
- Future years will probably also benefit from the stronger macroeconomic backdrop, though to a lesser extent.

We doubt that the revisions will be as aggressive as this 'best case' scenario. Nonetheless, the emphasis is lower issuance. Our best guess is around GBP 145bn gilt issuance.

Discretionary Measures

This Budget is as much a party political broadcast as it is a Budget statement. There are less than 2 months until the General Election and opinion polls suggest that the opposition Labour party will gain more seats than the Conservatives. Hence the Chancellor will have to balance announcing pre-election sweeteners with the Government's message of prudence and that there is still a long way to go to eradicate the budget deficit.

Recent form has been for the key discretionary measures to be drip fed into the media over the week leading up to the Budget speech. Hence we should know over the weekend. For now, the key measures that have been speculated include:

- A further increase in the threshold above which income tax is levied — towards GBP11,000 per year;
- Explicit help for extraction activities given the sharp drop in the price of oil which has already threatened job losses;
- A 'google' tax aimed particularly at internet companies accused of moving profits out of the UK into lower taxed economies;
- Reduction in alcohol duty;
- Raising the threshold above which the 40% income tax threshold is levied.

There had been speculation about a reduction in national insurance, financed by another raid on pensioners. However, the rise in the income tax threshold seems to have replaced that. It would be political suicide ahead of the election to consider raising tax on road fuel.

Osborne's tried and tested Budget delivery strategy has been to leave the best until last. As such, we are expecting the Chancellor to pull a rabbit out of his hat at the very end of his speech — ending with a bang rather than a whimper. Recent speeches have shown that almost anything is possible on this front. Moving VAT is expensive (a reduction to 17.5% would cost the Chancellor around GBP12bn per year) hence is very unlikely to happen. Meanwhile, a 1p cut in the basic rate of income tax would cost close to GBP4bn per year, so is more plausible — albeit not something that has been mentioned elsewhere.

Frances Donald 416.862.3080
frances.donald@scotiabank.com

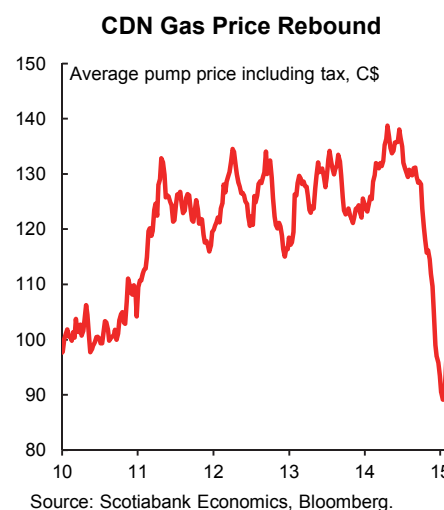
Derek Holt 416.863.7707
derek.holt@scotiabank.com

Dov Zigler 212.225.6631
dov.zigler@scotiabank.com

Key Data Preview

CANADA

Canadian CPI figures for February should show a rebound from January's -0.2% m/m drop, and we're anticipating a very healthy +0.8% m/m surge. Part of this is simply the seasonal turn in inflation numbers that happens every February as the most volatile categories (clothing, reading, education, and recreation) tend to post very large seasonal increases on the month. Indeed, we're expecting that clothing prices could be higher by as much as 3% m/m and recreation costs higher by 1.5% m/m — and still fall within seasonal norms. Energy prices also bounced on the month, with gasoline costs higher by 7.5% m/m according to Bloomberg as a mix of a rebound in commodity prices and a big swing in the C\$ combined to raise costs. The latter factor will also be supporting overall CPI as the weaker loonie could well bleed into both headline and core inflation over time. All-in though, we're anticipating February CPI to hit 1% y/y while core CPI holds at 2.1% y/y — high by global standards — on a +0.5% m/m bump largely driven by seasonals.



Retail sales for January, on the other hand, should come in on the soft side, and we're looking for a -0.2% m/m number. Our logic is that oil prices were down quite considerably on the month, contributing to the aforementioned -0.2% m/m decline in CPI; as well, vehicle sales data for January showed a drop to 1.8m annualized vs. 1.93m annualized to end Q4 2014. In terms of consumer fundamentals, jobs numbers for January were mixed with a drop in salaried employment being mitigated by an uptick in the self-employed — not a recipe for wage gains and higher spending. Base effects however are a positive after a large -2% m/m decline in retail sales in December, and we're expecting a flat number ex-vehicles mainly due to that mean-reversion argument.

Manufacturing sales for January should be weak, although there are some mitigating factors that could prevent a big decline. We're anticipating a -0.2% m/m drop after trade figures for January showed a mixed picture. Exports of finished metals fell in January by 8.6% m/m and chemical exports fell by 1.8% m/m, but exports of cars were solid (+3.1% m/m for motor vehicles and parts), aircraft were stronger (+8% m/m), and industrial machinery exports were a plus too (+0.9% m/m). New orders rebounded in December too at +1.5% m/m, however the overall trend in new orders remains soft.

UNITED STATES

Housing starts should drop moderately in February on a mix of factors: a) there does seem to have been a reduction in economic activity on the month surrounding cold weather as seen in the soft February retail sales figures — and in line with much colder-than-usual national temperatures judged by heating degree days as well as by the severity of population-weighted storm activity, and b) recent strength in housing starts should be chewing through the backlog of permits. Our call is for a still-solid 1 million annualized number down from 1,065,000 in January.

Industrial production data for February should show a decent bounce and we're looking for a +0.3% m/m number. The positive fundamentals include the fact that vehicle production is running well under recent highs and utilities output should spike on the colder-than-expected weather. On the other side of the ledger, the vehicle production surge that we're expecting doesn't seem likely to happen until late Q1 into Q2 as vehicle sales have been a bit soft in recent months and inventories have been building up. The oil production boom should also be fueling a surge in refining volumes — another plus.

Erika Cain 416.866.4205
erika.cain@scotiabank.com

Rory Johnston 416.862.3908
rory.johnston@scotiabank.com

Neil Shankar 416.866.6781
neil.shankar@scotiabank.com

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EUROPE

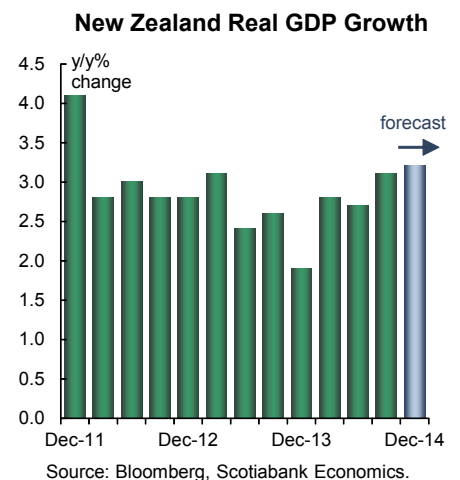
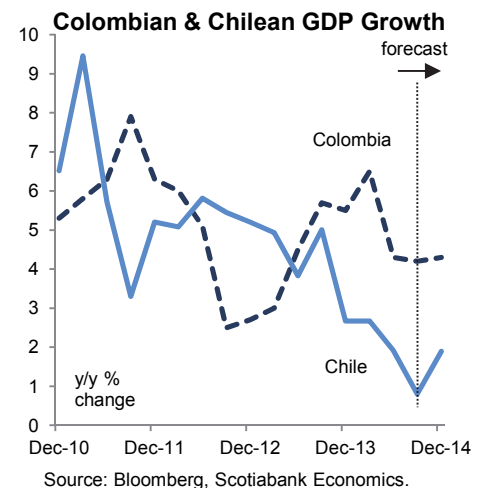
It will be a busy week in Brussels, with **European Finance Ministers scheduled to meet on March 16th, followed by the European Leaders summit on March 19th-20th**. After the recent decision by the U.S. and EU to extend sanctions for another six months (until September 2015) on individuals and companies for their involvement in the Ukraine crisis, the issue of whether to prolong economic sanctions on Russia adopted last July — targeting its financial, defense and energy sectors — will surely be a hot topic at these meetings. However, EU leaders are unlikely to reach an agreement on this matter any time soon, with the majority of EU member states in favour of postponing the discussion until closer to July when the economic sanctions are set to expire. This reflects the fact that sanctions on Russia could have adverse consequences for European companies and the broader economy, due to the threat of counter-sanctions. Furthermore, governments want to see if the February 15th Minsk cease-fire agreement leads to any meaningful resolution and military de-escalation. However, there are several countries, including Germany, that are pushing for an earlier decision to extend the sanctions through end-2015 in an effort to tie them to Russia's obligations under the Minsk deals. Germany has threatened further sanctions against Russia if Moscow fails to keep up its end of the deal. Given the lack of consensus, any decisions on Russian economic sanctions will likely have to wait until the next EU summit in June.

LATIN AMERICA

Both Colombia and Chile will release fourth quarter 2014 GDP results on March 17th and 18th, respectively. In Colombia, we expect that the economy expanded by 4.3% y/y in the final three months of 2014 (up slightly from 4.2% in the third quarter) despite oil price-related headwinds, with strong domestic demand continuing to fuel growth. In Chile, the economy likely grew by 1.9% y/y in the final quarter of 2014 (up from 0.8% in the July-September period). Chilean industry is still suffering from the effects of low metals prices, particularly in the copper market, which are depressing the value of the country's mining output.

ASIA

New Zealand will release fourth quarter GDP data on March 18th (EST). We estimate that expenditure-based real GDP expanded by 3.3% y/y following a 3.1% increase in the third quarter of 2014, taking economic growth to 3.0% y/y for 2014 as a whole. Economic momentum in New Zealand continues to be supported by strong domestic dynamics driven by robust net immigration, which has resulted in the strongest annual population gains in more than 10 years. We expect domestic demand to continue to rise and construction activity to remain elevated through 2016 translating to a heated real estate market; indeed, residential housing prices continue to face strong gains, rising by 6.1% y/y in February. We believe that the gradual economic slowdown in China (New Zealand's second largest export destination) along with a heated real estate market, particularly true in the country's larger cities, will remain the key risks to New Zealand's economic outlook. Nevertheless, we expect real GDP growth to remain relatively strong averaging 2.7% annually in 2015-16.



Key Indicators for the week of March 16 – 20

North America



Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	03/16	08:30	International Securities Transactions (C\$ bn)	Jan	--	--	-13.5
US	03/16	08:30	Empire State Manufacturing Index	Mar	--	8.0	7.8
US	03/16	09:15	Capacity Utilization (%)	Feb	--	79.5	79.4
US	03/16	09:15	Industrial Production (m/m)	Feb	0.3	0.2	0.2
US	03/16	10:00	NAHB Housing Market Index	Mar	--	57.0	55.0
US	03/16	16:00	Total Net TIC Flows (US\$ bn)	Jan	--	--	-174.8
US	03/16	16:00	Net Long-term TIC Flows (US\$ bn)	Jan	--	--	35.4
CA	03/17	08:30	Manufacturing Shipments (m/m)	Jan	-0.2	-1.2	1.7
US	03/17	08:30	Building Permits (000s a.r.)	Feb	--	1065	1060
US	03/17	08:30	Housing Starts (000s a.r.)	Feb	1000	1050	1065
US	03/17	08:30	Housing Starts (m/m)	Feb	--	-1.4	-2.0
US	03/18	07:00	MBA Mortgage Applications (w/w)	MAR 13	--	--	-1.3
CA	03/18	08:30	Wholesale Trade (m/m)	Jan	-1.5	--	2.5
US	03/18	14:00	FOMC Interest Rate Meeting (%)	Mar 18	0.25	0.25	0.25
US	03/19	08:30	Continuing Claims (000s)	MAR 7	2400	2400	2418
US	03/19	08:30	Initial Jobless Claims (000s)	MAR 14	290	293	289
US	03/19	08:30	Current Account (US\$ bn)	4Q	--	-104.1	-100.3
US	03/19	10:00	Leading Indicators (m/m)	Feb	--	0.2	0.2
US	03/19	10:00	Philadelphia Fed Index	Mar	5.0	7.5	5.2
CA	03/20	08:30	Core X8 CPI (m/m)	Feb	0.5	0.5	0.2
CA	03/20	08:30	Core X8 CPI (y/y)	Feb	2.1	2.1	2.2
CA	03/20	08:30	CPI, All items (m/m)	Feb	0.8	0.7	-0.2
CA	03/20	08:30	CPI, All items (y/y)	Feb	1.0	0.9	1.0
CA	03/20	08:30	CPI, All items (index)	Feb	--	--	124.3
CA	03/20	08:30	CPI SA, All items (m/m)	Feb	--	--	-0.2
CA	03/20	08:30	Core CPI SA, All items (m/m)	Feb	--	--	0.2
CA	03/20	08:30	Retail Sales (m/m)	Jan	-0.2	-0.5	-2.0
CA	03/20	08:30	Retail Sales ex. Autos (m/m)	Jan	0.0	0.0	-2.3
MX	03/20	10:00	Retail Sales (INEGI) (y/y)	Jan	--	2.6	2.4

Europe



Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
EC	03/17	06:00	CPI (m/m)	Feb	0.6	0.6	0.6
EC	03/17	06:00	CPI (y/y)	Feb F	-0.3	-0.3	-0.3
EC	03/17	06:00	Employment (q/q)	4Q	--	--	0.7
EC	03/17	06:00	Euro zone Core CPI Estimate (y/y)	Feb F	0.6	0.6	0.6
EC	03/17	06:00	ZEW Survey (Economic Sentiment)	Mar	--	--	52.7
GE	03/17	06:00	ZEW Survey (Current Situation)	Mar	--	52.0	45.5
GE	03/17	06:00	ZEW Survey (Economic Sentiment)	Mar	57.0	59.4	53.0
TU	03/17	08:00	Benchmark Repo Rate (%)	Mar 17	7.50	7.50	7.50
UK	03/18	05:30	Average Weekly Earnings (3-month, y/y)	Jan	--	2.2	2.1
UK	03/18	05:30	Employment Change (3M/3M, 000s)	Jan	--	130.0	103.0
UK	03/18	05:30	Jobless Claims Change (000s)	Feb	--	-30.0	-38.6
UK	03/18	05:30	ILO Unemployment Rate (%)	Jan	--	5.6	5.7
EC	03/18	06:00	Trade Balance (€ mn)	Jan	--	15.0	24.3
NO	03/19	05:00	Norwegian Deposit Rates (%)	Mar 19	1.00	1.00	1.25
EC	03/19	06:00	Labour Costs (y/y)	4Q	--	--	1.3
GE	03/20	03:00	Producer Prices (m/m)	Feb	--	0.2	-0.6
EC	03/20	05:00	Current Account (€ bn)	Jan	--	--	17.8
UK	03/20	05:30	PSNB ex. Interventions (£ bn)	Feb	--	8.4	-8.8
UK	03/20	05:30	Public Finances (PSNCR) (£ bn)	Feb	--	--	-18.9
UK	03/20	05:30	Public Sector Net Borrowing (£ bn)	Feb	--	7.7	-9.4
IT	03/20	06:00	Current Account (€ mn)	Jan	--	--	5177.3

Forecasts at time of publication.

Source: Bloomberg, Scotiabank Economics.

Key Indicators for the week of March 16 – 20

Asia Pacific

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CH	MAR 13-18		Actual FDI (y/y)	Feb	--	--	29.4
AU	03/15	20:30	New Motor Vehicle Sales (m/m)	Feb	--	--	-1.5
PH	MAR 15-16		Overseas Remittances (y/y)	Jan	--	7.0	6.6
IN	03/16	02:30	Monthly Wholesale Prices (y/y)	Feb	--	-0.8	-0.4
SI	03/16	20:30	Exports (y/y)	Feb	--	-0.4	4.3
ID	MAR 16-17		BI Reference Interest Rate (%)	Mar 17	7.50	7.50	7.50
JN	MAR 16-17		BoJ Monetary Base Target (¥ tn)	Mar 17	80.0	80.0	80.0
JN	03/17	01:00	Coincident Index CI	Jan F	113.0	--	113.0
JN	03/17	01:00	Leading Index CI	Jan F	105.1	--	105.1
HK	03/17	04:30	Unemployment Rate (%)	Feb	3.3	3.3	3.3
SK	03/17	19:00	Unemployment Rate (%)	Feb	3.5	3.5	3.4
JN	03/17	19:50	Merchandise Trade Balance (¥ bn)	Feb	--	-1000.8	-1179.1
JN	03/17	19:50	Adjusted Merchandise Trade Balance (¥ bn)	Feb	--	-1231.4	-406.1
JN	03/17	19:50	Merchandise Trade Exports (y/y)	Feb	--	0.3	17.0
JN	03/17	19:50	Merchandise Trade Imports (y/y)	Feb	--	3.1	-9.0
MA	03/18	00:00	CPI (y/y)	Feb	0.8	0.2	1.0
JN	03/18	02:00	Machine Tool Orders (y/y)	Feb F	28.9	--	28.9
SK	03/18	17:00	PPI (y/y)	Feb	--	--	-3.6
NZ	03/18	17:45	GDP (y/y)	4Q	3.3	--	3.1
HK	MAR 18-19		Composite Interest Rate (%)	Feb	--	--	0.36
PH	MAR 18-19		Balance of Payments (US\$ mn)	Feb	--	--	136.0
JN	03/19	00:30	All Industry Activity Index (m/m)	Jan	--	1.9	-0.3
JN	03/19	01:30	Nationwide Department Store Sales (y/y)	Feb	--	--	-2.8
NZ	03/19	20:00	ANZ Consumer Confidence Index	Mar	--	--	124.0
TA	03/20	04:00	Export Orders (y/y)	Feb	--	--	8.1
HK	03/20	04:30	CPI (y/y)	Feb	3.8	4.2	4.1

Latin America

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
BZ	03/16	07:30	Economic Activity Index NSA (y/y)	Jan	--	-1.4	0.7
CO	03/17	12:00	GDP (y/y)	4Q	4.3	4.0	4.2
CL	03/18	07:30	GDP (y/y)	4Q	1.9	1.9	0.8
CL	03/19	17:00	Nominal Overnight Rate Target (%)	Mar 19	3.00	3.00	3.00
CO	03/20	17:00	Trade Balance (US\$ mn)	Jan	--	-2186.0	-1452.7
CO	03/20		Overnight Lending Rate (%)	Mar 20	4.50	4.50	4.50

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

Global Auctions for the week of March 16 – 20

North America

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	03/16	11:30	U.S. to Sell 3-Month Bills
US	03/16	11:30	U.S. to Sell 6-Month Bills
US	03/17	11:30	U.S. to Sell 4-Week Bills
US	03/19	13:00	U.S. to Sell 10-Year TIPS Reopening

Europe

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
NO	03/16	06:00	Norway to Sell Bills
NO	03/16	06:00	Norway to Hold Bond Repurchase
NE	03/16	06:00	Netherlands to Sell Up to EUR2 Bln 72-Day Bills
NE	03/16	07:00	Netherlands to Sell Up to EUR2 Bln 166-Day Bills
FR	03/16	09:50	France to Sell Bills
SP	03/17	05:30	Spain to Sell 3 Month Bills
SP	03/17	05:30	Spain to Sell 9 Month Bills
EC	03/17	06:10	ECB Main Refinancing Operation Result
SZ	03/17	06:15	Switzerland to Sell 91-Day Bills
GR	03/18	06:00	Greece to Sell 13-Week Bills
SW	03/18	06:03	Sweden to Sell SEK5 Bln 89-Day Bills
SW	03/18	06:03	Sweden to Sell SEK12.5 Bln 180-Day Bills
GE	03/18	06:30	Germany to Sell EUR4 Bln 0.5% 2025 Bonds
PO	03/18	06:30	Portugal Sells Bills
FR	03/19	05:50	France to Sell I/L Bonds
SW	03/19	06:03	Sweden to Sell I/L Bonds
EC	03/19	06:10	ECB Third Targeted Long-Term Refinancing Operation Result
UK	03/19	06:30	U.K. to Sell GBP2.75 Bln 2% 2025 Bonds
IR	03/19	06:30	Ireland to Sell Bills
IR	03/19	06:30	Ireland to Sell Treasury Bills
UK	03/20	07:00	U.K. to Sell 1-Month Bills
UK	03/20	07:00	U.K. to Sell 3-Month Bills
UK	03/20	07:00	U.K. to Sell 6-Month Bills

Asia Pacific

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
AU	03/17	20:00	Australia Plans to Sell AUD700 Mln 2026 Bonds
CH	03/17	23:00	China to Sell 7-Year Bonds
JN	03/17	23:35	Japan to Sell 1-Year Bill
JN	03/17	23:45	Japan to Sell 20-Year Bonds
JN	03/18	23:35	Japan to Sell 3-Month Bill
AU	03/19	20:00	Australia Plans to Sell AUD700 Mln 2018 Bonds

Latin America

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
BZ	03/19	11:15	Brazil to Sell Bills due 10/01/2015 - LTN
BZ	03/19	11:15	Brazil to Sell Bills due 07/01/2017 - LTN
BZ	03/19	11:15	Brazil to Sell Bills due 01/01/2019 - LTN
BZ	03/19	11:15	Brazil to Sell Fixed-rate bonds due 1/1/2021 - NTN-F
BZ	03/19	11:15	Brazil to Sell Fixed-rate bonds due 1/1/2025 - NTN-F

Source: Bloomberg, Scotiabank Economics.

Events for the week of March 16 – 20

North America



<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	03/18	14:00	FOMC Rate Decision
US	03/18	14:30	Federal Reserve Board Chair Janet Yellen holds a news conference
US	03/19	10:00	Fed's Tarullo Testifies to Senate Banking Committee
US	03/20	10:20	Fed's Lockhart Speaks on Monetary Policy in Athens, Georgia
US	03/20	11:30	Fed's Evans Speaks on Monetary Policy in Washington

Europe



<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
EC	03/16	05:00	EU Foreign Ministers Hold Meeting in Brussels
PO	03/16	10:00	ECB's Costa Speaks at Seminar in Lisbon About New Banknote
EC	03/16	11:00	EU's Juncker in Governance Debate at Sofitel in Brussels
EC	03/16	14:45	ECB President Mario Draghi Speaks in Frankfurt
EC	03/16	15:10	ECB Executive Board member Lautenschlaeger Speaks in Frankfurt
EC	03/16		EU Hosts Meeting of Germany, France, U.K With Iran in Brussels
EC	MAR 16-17		German, Chinese Finance Officials Meet in Berlin
EC	03/17	05:00	EU General Affairs Ministers Hold Meeting in Brussels
EC	03/17	06:00	Merkel, ECB's Draghi Meet at Chancellery in Berlin
EC	03/17	06:45	ECB Executive Board member Peter Praet Speaks in Frankfurt
TU	03/17	08:00	Benchmark Repurchase Rate
EC	03/17	08:40	ECB's SSM Chair Daniele Nouy Speaks in Frankfurt
EC	03/18	05:15	ECB Executive Board member Benoit Coeure Speaks in Frankfurt
UK	03/18	05:30	Bank of England Minutes
EC	03/18	06:00	ECB President Draghi Speaks at Premises Inauguration
EC	03/19	04:30	EU's Juncker, Tusk Meet Labor, Employer Representatives
EC	03/19	05:00	ECB Publishes Economic Bulletin
SZ	03/19	05:00	SNB President Thomas Jordan Speaks in Zurich
NO	03/19	05:30	Norway Central Bank Holds Rate Decision Press Conference
EC	03/19	07:00	EU Liberal Leaders Hold Pre-Summit Meeting
EC	03/19	07:30	EU Conservatives Hold Pre-Summit Meeting
EC	03/19	11:00	EU Leaders Start Summit in Brussels
PO	03/20		Portugal Sovereign Debt Rating Published by S&P
TU	03/20		Turkey Sovereign Debt Rating Published by Fitch

Source: Bloomberg, Scotiabank Economics.

Events for the week of March 16 – 20

Asia Pacific

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CH	MAR 02-14		China Holds Annual People's Political Conference
CH	MAR 04-14		Premier Li Keqiang to Speak at National People's Congress
AU	03/15	18:00	RBA Assistant Governor Debelle Speech
CH	03/15	23:00	Premier Keqiang to Give his Annual Press Conference
AU	03/16	20:30	RBA March Meeting Minutes
JN	03/16	23:00	Bank of Japan Policy Statement/Kuroda Press Conference
JN	03/16	00:00	BOJ Annual Rise in Monetary Base
ID	03/16	00:00	Bank Indonesia Reference Rate
EC	MAR 16-17		German, Chinese Finance Officials Meet in Berlin
AU	03/18	20:30	RBA FX Transactions Market
AU	03/18	20:30	RBA Bulletin
HK	03/18	00:00	Composite Interest Rate
JN	03/19	19:50	Bank of Japan Feb. 17-18 meeting minutes
AU	03/19	22:10	RBA Governor Stevens Speech in Melbourne
JN	03/19	23:35	BoJ Kuroda to Give Speech
WW	03/19		China and Japan to Hold First Security Talks in Four Years

Latin America

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
BZ	03/17	09:30	Nelson Barbosa testifies to Senate economic commission
CL	03/19	17:00	Overnight Rate Target
CO	03/20		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	0.75	April 15, 2015	0.75	--
Federal Reserve – Federal Funds Target Rate	0.25	March 18, 2015	0.25	0.25
Banco de México – Overnight Rate	3.00	March 26, 2015	3.00	--

The unquestionable main event is the **Fed's** policy statement and press conference on Wednesday. The key focus will be whether the word 'patient' is dropped from the statement, as expected, keeping the door open for a potential June interest rate hike. Following the end of the communications blackout, regional Fed presidents Lockhart (voting) and Evans (voting) speak on Friday and take questions. Data is light with only industrial production, housing starts, and the Philly Fed Business Outlook Survey as material releases. It's quiet over at the **BoC** with no speeches on tap. The key focus will be the Feb. inflation and Jan. retail sales numbers released on Friday, with some secondary focus on manufacturing sales and wholesale trade earlier in the week.

Europe

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	0.05	April 15, 2015	0.05	--
Bank of England – Bank Rate	0.50	April 9, 2015	0.50	0.50
Swiss National Bank – Libor Target Rate	-0.75	TBA	-0.75	--
Central Bank of Russia – One-Week Auction Rate	14.00	April 30, 2015	14.00	--
Hungarian National Bank – Base Rate	2.10	March 24, 2015	2.10	1.90
Central Bank of the Republic of Turkey – 1 Wk Repo Rate	7.50	March 17, 2015	7.50	7.50
Sweden Riksbank – Repo Rate	-0.10	April 29, 2015	-0.10	--
Norges Bank – Deposit Rate	1.25	March 19, 2015	1.00	1.00

The Central Bank of the Republic of Turkey (CBRT) will meet and announce a monetary policy decision on March 17th. We expect the CBRT will keep its one-week repo rate at 7.5%, against a backdrop of inflation above the 5% medium-term target and sharp currency weakness underpinned by eroding confidence in monetary independence. After months of significant political pressure and aggressive attacks on the CBRT's monetary policy stance, the Turkish President has decided to back off the CBRT in an attempt to restore economic confidence and currency stability. Amid prospects of US monetary tightening and rising inflation at 7.6% y/y in February from 7.2% in the prior month, we expect the CBRT will remain on hold until currency stability leads to more favourable inflationary dynamics. In line with aggressive monetary easing across Europe, **the Norwegian Central Bank** is expected to announce a 25 basis point interest rate cut on March 19th, bringing its deposit rate to 1%.

Asia Pacific

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Reserve Bank of Australia – Cash Target Rate	2.25	April 7, 2015	2.00	2.25
Reserve Bank of New Zealand – Cash Rate	3.50	April 29, 2015	3.50	3.50
People's Bank of China – Lending Rate	5.35	TBA	--	--
Reserve Bank of India – Repo Rate	7.50	April 7, 2015	7.50	--
Bank of Korea – Bank Rate	1.75	April 9, 2015	1.75	--
Bank of Thailand – Repo Rate	1.75	April 29, 2015	1.75	2.00
Bank Indonesia – Reference Interest Rate	7.50	March 17, 2015	7.50	7.50

Inflationary pressures in **Indonesia** have eased, with the consumer price index rising by 6.3% y/y in February compared with an increase of 8.4% y/y in December. In February, Bank Indonesia lowered the benchmark interest rate by 25 basis points to 7.50%, thereby reversing the rate increase implemented in November 2014. Although we forecast inflation to continue to decelerate in the coming months, the key rate remains well above the central bank's official target of 4% ±1%. Accordingly, we expect Bank Indonesia will likely maintain the benchmark interest rate at 7.5% following next week's monetary policy meeting.

Latin America

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	12.75	April 29, 2015	12.75	--
Banco Central de Chile – Overnight Rate	3.00	March 19, 2015	3.00	3.00
Banco de la República de Colombia – Lending Rate	4.50	March 20, 2015	4.50	4.50
Banco Central de Reserva del Perú – Reference Rate	3.25	April 9, 2015	3.00	3.25

We expect monetary authorities in both **Chile** and **Colombia** to keep rates steady at 3.00% and 4.50% after meetings scheduled for March 19th and 20th, respectively. Both countries are dealing with the economic fallout of low commodity prices (copper in Chile and oil in Colombia) and have been easing rates in order to stimulate economic activity. However, annual inflation remained above both countries' 2-4% target bands in February, with both countries registering 4.4% y/y price expansion.



Africa


Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	5.75	March 26, 2015	5.75	--

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



Economic Statistics



North America



Canada 					United States 				
	2014	14Q3	14Q4	Latest		2014	14Q3	14Q4	Latest
Real GDP (annual rates)	2.5	3.2	2.4		Real GDP (annual rates)	2.4	5.0	2.2	
Current Acc. Bal. (C\$B, ar)	-43.5	-38.4	-55.7		Current Acc. Bal. (US\$B, ar)		-401		
Merch. Trade Bal. (C\$B, ar)	4.4	10.6	-9.0	-29.4 (Jan)	Merch. Trade Bal. (US\$B, ar)	-736	-724	-741	-740 (Jan)
Industrial Production	2.5	2.7	1.4	-2.2 (Jan)	Industrial Production	4.1	4.3	4.5	4.5 (Jan)
Housing Starts (000s)	189	199	184	156 (Feb)	Housing Starts (millions)	1.00	1.03	1.06	1.07 (Jan)
Employment	0.6	0.5	0.7	0.7 (Feb)	Employment	1.9	2.0	2.2	2.4 (Feb)
Unemployment Rate (%)	6.9	7.0	6.7	6.8 (Feb)	Unemployment Rate (%)	6.2	6.1	5.7	5.5 (Feb)
Retail Sales	4.6	4.8	4.4	4.0 (Dec)	Retail Sales	3.8	4.3	3.7	1.0 (Feb)
Auto Sales (000s)	1849	1946	1914	1944 (Jan)	Auto Sales (millions)	16.4	16.7	16.7	16.2 (Feb)
CPI	1.9	2.1	1.9	1.0 (Jan)	CPI	1.6	1.8	1.2	-0.1 (Jan)
IPPI	2.5	2.7	1.4	2.2 (Jan)	PPI	1.9	2.5	0.8	-3.4 (Feb)
Pre-tax Corp. Profits	9.0	10.0	6.7		Pre-tax Corp. Profits		10.0		

Mexico 				
	2014	14Q3	14Q4	Latest
Real GDP	2.1	2.2	2.6	
Current Acc. Bal. (US\$B, ar)	-26.5	-11.1	-21.2	
Merch. Trade Bal. (US\$B, ar)	-2.4	-6.1	-2.7	-39.0 (Jan)
Industrial Production	1.9	2.0	2.4	0.3 (Jan)
CPI	4.0	4.1	4.2	3.0 (Feb)

Europe

Euro Zone 					Germany 				
	2014	14Q3	14Q4	Latest		2014	14Q3	14Q4	Latest
Real GDP	0.9	1.0	1.0		Real GDP	1.6	1.2	1.5	
Current Acc. Bal. (US\$B, ar)	313	383	427	432 (Dec)	Current Acc. Bal. (US\$B, ar)	215.7	324.0	302.0	234.3 (Jan)
Merch. Trade Bal. (US\$B, ar)	320.9	329.8	367.8	372.5 (Dec)	Merch. Trade Bal. (US\$B, ar)	306.6	317.5	311.1	279.3 (Jan)
Industrial Production	0.7	0.5	0.2	1.2 (Jan)	Industrial Production	1.5	0.3	0.5	0.8 (Jan)
Unemployment Rate (%)	11.6	11.5	11.4	11.2 (Jan)	Unemployment Rate (%)	6.7	6.7	6.6	6.5 (Feb)
CPI	0.4	0.4	0.2	-0.6 (Jan)	CPI	0.9	0.8	0.5	0.1 (Feb)

France 					United Kingdom 				
	2014	14Q3	14Q4	Latest		2014	14Q3	14Q4	Latest
Real GDP	0.4	0.4	0.2		Real GDP	2.6	2.5	2.7	
Current Acc. Bal. (US\$B, ar)		9.5		-16.6 (Nov)	Current Acc. Bal. (US\$B, ar)		-108.0		
Merch. Trade Bal. (US\$B, ar)	-39.9	-43.7	-33.9	-38.5 (Jan)	Merch. Trade Bal. (US\$B, ar)	-197.1	-210.4	-184.5	-152.8 (Jan)
Industrial Production	-1.0	-0.2	-1.5	0.6 (Jan)	Industrial Production	1.6	1.2	1.1	1.2 (Jan)
Unemployment Rate (%)	10.2	10.3	10.3	10.2 (Jan)	Unemployment Rate (%)		6.0		5.7 (Nov)
CPI	0.5	0.4	0.3	-0.3 (Feb)	CPI	1.5	1.5	0.9	0.3 (Jan)








Italy 					Russia 				
	2014	14Q3	14Q4	Latest		2014	14Q3	14Q4	Latest
Real GDP	-0.4	-0.5	-0.5		Real GDP		0.7		
Current Acc. Bal. (US\$B, ar)	29.6	41.8	55.4	62.1 (Dec)	Current Acc. Bal. (US\$B, ar)	42.7	6.4	10.5	
Merch. Trade Bal. (US\$B, ar)	56.7	58.9	73.3	84.9 (Dec)	Merch. Trade Bal. (US\$B, ar)	15.7	15.1	13.5	15.0 (Jan)
Industrial Production	-0.7	-1.2	-1.6	-2.4 (Jan)	Industrial Production	-1.6	1.4	2.1	0.9 (Jan)
CPI	0.2	0.0	0.1	-0.3 (Feb)	CPI	7.8	7.7	9.6	16.7 (Feb)

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





Source: Bloomberg, Global Insight, Scotiabank Economics.

Economic Statistics

Asia Pacific

Australia 					Japan 				
	2014	14Q3	14Q4	Latest		2014	14Q3	14Q4	Latest
Real GDP	2.7	2.7	2.5		Real GDP	-0.1	-1.4	-0.7	
Current Acc. Bal. (US\$B, ar)	-40.3	-54.1	-39.1		Current Acc. Bal. (US\$B, ar)	24.6	63.5	52.0	6.2 (Jan)
Merch. Trade Bal. (US\$B, ar)	12.6	2.6	5.1	-5.4 (Jan)	Merch. Trade Bal. (US\$B, ar)	-121.6	-111.4	-80.7	-41.2 (Jan)
Industrial Production	4.2	4.1	3.3		Industrial Production	2.1	-1.1	-1.2	-1.4 (Jan)
Unemployment Rate (%)	6.1	6.1	6.2	6.3 (Feb)	Unemployment Rate (%)	3.6	3.6	3.5	3.6 (Jan)
CPI	2.5	2.3	1.7		CPI	2.7	3.3	2.5	2.4 (Jan)
South Korea 					China 				
Real GDP	3.3	3.2	2.7		Real GDP	7.4	7.3	7.3	
Current Acc. Bal. (US\$B, ar)	89.2	90.3	108.9	83.3 (Jan)	Current Acc. Bal. (US\$B, ar)	213.8			
Merch. Trade Bal. (US\$B, ar)	47.5	35.8	74.7	91.9 (Feb)	Merch. Trade Bal. (US\$B, ar)	382.5	513.3	599.6	727.4 (Feb)
Industrial Production	0.5	1.1	-1.7	-3.5 (Jan)	Industrial Production	7.9	8.0	7.9	7.9 (Dec)
CPI	1.3	1.4	1.0	0.5 (Feb)	CPI	1.5	1.6	1.5	0.8 (Jan)
Thailand 					India 				
Real GDP	0.7	0.6	2.3		Real GDP	6.9	7.8	7.5	
Current Acc. Bal. (US\$B, ar)	14.2	-0.5	9.8		Current Acc. Bal. (US\$B, ar)	-27.3	-10.1	-8.2	
Merch. Trade Bal. (US\$B, ar)	2.0	1.6	2.5	1.4 (Jan)	Merch. Trade Bal. (US\$B, ar)	-11.5	-12.4	-13.2	-6.8 (Feb)
Industrial Production	-4.6	-3.8	-2.1	-0.8 (Jan)	Industrial Production	1.7	1.3	1.5	2.6 (Jan)
CPI	1.9	2.0	1.1	-0.5 (Feb)	WPI	3.8	3.9	0.5	-0.4 (Jan)
Indonesia 									
Real GDP	5.0	4.9	5.0						
Current Acc. Bal. (US\$B, ar)	-26.2	-7.0	-6.2						
Merch. Trade Bal. (US\$B, ar)	-0.2	-0.2	-0.1	0.7 (Jan)					
Industrial Production	4.6	5.8	4.8	5.0 (Jan)					
CPI	6.4	4.4	6.5	6.3 (Feb)					

Latin America









Brazil 					Chile 				
	2014	14Q3	14Q4	Latest		2014	14Q3	14Q4	Latest
Real GDP		-0.1			Real GDP		0.8		
Current Acc. Bal. (US\$B, ar)	-91.3	-77.6	-111.4		Current Acc. Bal. (US\$B, ar)		-6.7		
Merch. Trade Bal. (US\$B, ar)	-3.9	7.2	-12.9	-34.1 (Feb)	Merch. Trade Bal. (US\$B, ar)	6.7	4.8	9.1	9.0 (Feb)
Industrial Production	-3.1	-3.8	-4.1	-4.7 (Jan)	Industrial Production	0.4	-0.9	-1.0	5.8 (Jan)
CPI	6.3	6.6	6.5	7.7 (Feb)	CPI	4.4	4.7	5.3	4.4 (Feb)
Peru 					Colombia 				
Real GDP		1.8			Real GDP		4.2		
Current Acc. Bal. (US\$B, ar)	-8.2	-1.6	-1.5		Current Acc. Bal. (US\$B, ar)		-5.0		
Merch. Trade Bal. (US\$B, ar)	-0.2	-0.1	-0.1	-0.5 (Jan)	Merch. Trade Bal. (US\$B, ar)	-0.5	-0.4	-1.4	-1.5 (Dec)
Unemployment Rate (%)	6.0	5.7	5.6	6.4 (Jan)	Industrial Production	1.3	1.2	0.3	2.1 (Dec)
CPI	3.2	2.9	3.2	2.8 (Feb)	CPI	2.9	2.9	3.5	4.4 (Feb)

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

Source: Bloomberg, Global Insight, Scotiabank Economics.

Financial Statistics

Interest Rates (% , end of period)

	14Q3	14Q4	Mar/06	Mar/13*		14Q3	14Q4	Mar/06	Mar/13*
Canada 					United States 				
BoC Overnight Rate	1.00	1.00	0.75	0.75	Fed Funds Target Rate	0.25	0.25	0.25	0.25
3-mo. T-bill	0.92	0.92	0.60	0.54	3-mo. T-bill	0.02	0.04	0.01	0.02
10-yr Gov't Bond	2.15	1.79	1.61	1.46	10-yr Gov't Bond	2.49	2.17	2.24	2.09
30-yr Gov't Bond	2.67	2.34	2.23	2.10	30-yr Gov't Bond	3.20	2.75	2.84	2.67
Prime	3.00	3.00	2.85	2.85	Prime	3.25	3.25	3.25	3.25
FX Reserves (US\$B)	73.6	74.6	74.7	(Jan)	FX Reserves (US\$B)	126.0	119.0	115.6	(Jan)
Germany 					France 				
3-mo. Interbank	0.04	0.02	0.03	-0.03	3-mo. T-bill	-0.03	-0.05	-0.12	-0.16
10-yr Gov't Bond	0.95	0.54	0.39	0.26	10-yr Gov't Bond	1.29	0.83	0.69	0.50
FX Reserves (US\$B)	65.1	62.3	62.3	(Jan)	FX Reserves (US\$B)	50.6	49.5	49.1	(Jan)
Euro Zone 					United Kingdom 				
Refinancing Rate	0.05	0.05	0.05	0.05	Repo Rate	0.50	0.50	0.50	0.50
Overnight Rate	0.20	0.14	-0.06	-0.06	3-mo. T-bill	0.51	0.44	0.44	0.45
FX Reserves (US\$B)	329.4	327.7	329.0	(Jan)	10-yr Gov't Bond	2.43	1.76	1.95	1.69
Japan 					FX Reserves (US\$B)	94.4	95.7	98.7	(Jan)
Discount Rate	0.30	0.30	0.30	0.30	Australia 				
3-mo. Libor	0.05	0.05	0.03	0.04	Cash Rate	2.50	2.50	2.25	2.25
10-yr Gov't Bond	0.53	0.33	0.40	0.41	10-yr Gov't Bond	3.48	2.74	2.64	2.55
FX Reserves (US\$B)	1234.4	1231.0	1230.1	(Jan)	FX Reserves (US\$B)	50.1	50.8	50.8	(Dec)

Exchange Rates (end of period)

USDCAD	1.12	1.16	1.26	1.28	¥/US\$	109.65	119.78	120.83	121.19
CADUSD	0.89	0.86	0.79	0.78	US¢/Australian\$	0.87	0.82	0.77	0.76
GBPUSD	1.621	1.558	1.504	1.474	Chinese Yuan/US\$	6.14	6.21	6.26	6.26
EURUSD	1.263	1.210	1.084	1.050	South Korean Won/US\$	1055	1091	1099	1129
JPYEUR	0.72	0.69	0.76	0.79	Mexican Peso/US\$	13.429	14.752	15.499	15.523
USDCHF	0.96	0.99	0.99	1.01	Brazilian Real/US\$	2.447	2.658	3.064	3.271

Equity Markets (index, end of period)

United States (DJIA)	17043	17823	17857	17630	U.K. (FT100)	6623	6566	6912	6736
United States (S&P500)	1972	2059	2071	2042	Germany (Dax)	9474	9806	11551	11861
Canada (S&P/TSX)	14961	14632	14953	14626	France (CAC40)	4416	4273	4964	5006
Mexico (IPC)	44986	43146	43281	43843	Japan (Nikkei)	16174	17451	18971	19254
Brazil (Bovespa)	54116	50007	49981	48087	Hong Kong (Hang Seng)	22933	23605	24164	23823
Italy (BCI)	1119	1038	1232	1252	South Korea (Composite)	2020	1916	2013	1986

Commodity Prices (end of period)

Pulp (US\$/tonne)	1030	1020	995	995	Copper (US\$/lb)	3.06	2.88	2.64	2.66
Newsprint (US\$/tonne)	605	595	580	580	Zinc (US\$/lb)	1.04	0.98	0.90	0.91
Lumber (US\$/mfbm)	340	340	295	282	Gold (US\$/oz)	1216.50	1206.00	1175.75	1152.00
WTI Oil (US\$/bbl)	91.16	53.27	49.61	45.38	Silver (US\$/oz)	17.11	15.97	15.99	15.50
Natural Gas (US\$/mmbtu)	4.12	2.89	2.84	2.70	CRB (index)	278.55	229.96	220.14	211.28

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

Emerging Markets Strategy

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Scotiabank Economics

Scotia Plaza 40 King Street West, 63rd Floor
Toronto, Ontario Canada M5H 1H1
Tel: 416.866.6253 Fax: 416.866.2829
Email: scotia.economics@scotiabank.com

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