Global Views

February 20, 2015

Weekly commentary on economic and financial market developments

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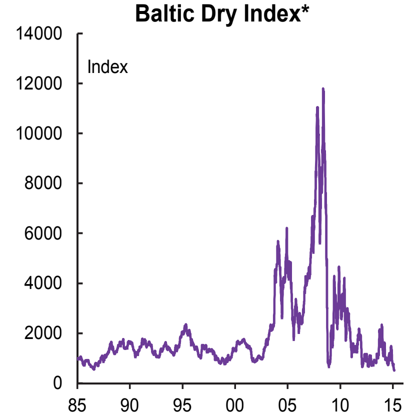
Please see the Global Forecast Update, February 3, 2015, for our latest economic, interest and exchange rate and commodity price forecasts and the Foreign Exchange Outlook, February 2015, for more detailed currency forecasts and commentary.

Forecasts & Data

This Week's Featured Chart

Baltic Dry Index*



*An index that measures the change in the cost of shipping raw materials.
Source: Bloomberg, Scotiabank Economics.

THE WEEK AHEAD

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Spotlight On Yellen As Greece Faces Its Funding Deadline

- **Please see our full indicator, central bank, auction and event calendars on pp. A3-A9.**

United States — How 'Patient' Will Congress Be With Yellen?

By far the largest risk facing US and perhaps global markets next week will be Federal Reserve Chair Janet Yellen's semi-annual monetary policy report and testimony. Starting at 10amET on both days, she will address and be grilled by the Senate Banking Panel on Tuesday and the House Financial Services Committee on Wednesday. Unlike the minutes to the January 28th FOMC meeting, Yellen's testimony will be informed by the strong January jobs report that was marked by 257,000 jobs having been created and 147,000 of upward revisions. Also since the January FOMC, markets have digested better-than-expected Eurozone GDP figures, and shown little obvious concern about global contagion risk stemming from developments in Greece. That said, even though the minutes may have been stale, they may have confused markets and Yellen has the opportunity to perhaps clarify things. **Indeed our biggest takeaway from the FOMC minutes was that the committee appears to be paralyzed by the issue of how to communicate the commencement and pace of rate hikes as opposed to telling us anything concrete about when hikes may commence** (go here). We therefore didn't quite see the minutes the way the markets did particularly in terms of our more ambiguous interpretation of "keeping the federal funds rate at its effective lower bound for a longer time." To us, it's a truism not to have hiked in January while subscribing to not hiking for a longer time. The question remains: longer than what? Longer than March or April? Most certainly. Longer than June? July? September? 2015? Re-write the dot plot and take hikes out of 2015? The minutes were poorly written and it's not clear that the Fed got the market reaction it may have wanted.

The first revisions to Q4 GDP growth will arrive on Friday and we expect them to take the headline growth rate a little lower from 2.6% to just above 2% which may be positive for Treasury prices but Yellen's testimony earlier in the week will be much more important in setting the overall week's market tone. That said, recall that GDP growth softened in Q4 versus the prior two quarters largely because of a large import leakage effect that drained 1.4 points off of headline GDP as import volumes grew at a rapid annualized pace of 8.9%. In other words, if headline GDP has to disappoint, it may as well be because of a surge in import volumes that leak out of the domestic economy but that may also reflect building strength that is pulling in more imports. The next major cause for revisions one way or the other will arrive on March 11th when the Census Bureau releases the Q4 services spending report. Recall that until these figures arrive, GDP largely guesses at what might have happened to key service spending categories.

CPI inflation figures for January arrive on Thursday after Yellen has spoken and thus may be lost in the shuffle. **We think the headline inflation rate will go to around 0% y/y and possibly a touch negative for the first time since November 2009.** That would be an instructive period for purposes of evaluating what may lie ahead, however, in that right after October 2009 CPI came in at -0.2% y/y in an uptrend from -2.1% in July of that year, November CPI rose to +1.8% y/y on the path toward fully shaking off the effects of lower oil prices. We're likely on the verge of something similar now with the first sharp up-turn in headline inflation possibly coming later this year. **If the Fed delays rate hikes until it sees this rapid and nearly immediate acceleration in inflation instead of acting pre-emptively then it risks falling behind markets that are more likely to be gradually more forward-looking over the course of the year compared to the present obsession with very near-term inflation readings.**

A grab bag of other macro releases will be focused upon housing and business investment. Home resales during January will land on Monday, new home sales will arrive on Wednesday, and volatile pending home sales arrive on Friday. Durable goods orders are on tap for Thursday and expected to come in firmer than the prior month's sharp drop. S&P/Case-Shiller house prices will be shooting for the sixth straight gain, and we'll see if rising gasoline prices dented consumer confidence or if solid job growth and lower borrowing costs prevailed when the Conference Board and University of Michigan measures are released.

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Fed-speak will be fairly light with Atlanta Fed President Dennis Lockhart (voting) speaking on the US outlook and Cleveland Fed President Loretta Mester (alternate) speaking on monetary policy. Note that the US Treasury auctions 2s, 5s and 7s.

Europe — Greece Vs. Germany

European markets will have the capacity to influence the global market tone on two main counts next week. One is the looming deadline for Greece's bail-out extension. Two will be the start of another round of inflation statistics in Germany, Italy and Spain. Consensus thinks the German inflation figures are carving out a bottom at -0.5% y/y now and Bloomberg consensus expects German CPI to rise by 0.7% y/y into year-end and 1.5% y/y by mid-2016, thus averting the latest bout of over-hyped deflation risk that is probably again misinterpreting a relative price shock (i.e., lower energy prices).

Greece's Master Financial Assistance Facility Agreement (aka the "bailout" program) expires next Friday in the absence of successful efforts to extend financing to the country. The inexperienced Greek government faces a need to compromise in the face of Germany's rejection of an attempt to extend the bailout by six months absent compliance with the criteria governing the assistance program such as structural and fiscal reforms. With S&P recently reaffirming what many think by this point that "a Greek exit from the Eurozone would have limited direct contagion risks for other sovereign ratings", it's fairly clear that the Greek government is being isolated. What Greece is discovering the painful way is that it does not have the bargaining chips it had a few years ago in a very different world marked by much more developed monetary policy infrastructure superimposed on the whole of the Eurozone by the ECB that smothers contagion risk possibilities. Fewer of Greece's bonds are held by the market versus institutions not subject to short-term mark-to-market pressures, and the governments across the EU are more concerned about what compromise with Greece would do by way of supporting anti-bailout leftist parties elsewhere including Spain and Portugal that face elections later this year. A binary outcome of exit or compromise looms over Greece.

German macro data will also include the IFO business confidence reading for February, Q4 GDP revisions and details, retail sales, and the unemployment rate for February. Also on tap will be possible revisions to Q4 UK GDP (none are expected, 0.5% q/q, 2.7% y/y), French consumer spending during January, Italian retail sales in December, and February CPI from Italy and Spain.

Canada — Two Weeks Until The Next Rate Cut?

Domestic risk will be focused upon three things next week: a speech by Bank of Canada Governor Stephen Poloz; earnings reports including from several of the large banks; and dovish CPI inflation figures.

Bank of Canada Governor Stephen Poloz returns to his alma mater — the University of Western Ontario — to deliver a speech on Tuesday. He will also hold a press conference. The risk is focused upon stronger guidance in favour of another rate cut in March but also longer-lived forward guidance with respect to what rate floor the Governor may have in mind and the length of the ensuing pause.

Poloz's speech topic will be "Lessons New and Old: Reinventing Central Banking". On the face of it, this doesn't tell us much by way of hints at the content. **Poloz's bias has been to add monetary stimulus as insurance in order to balance the "gradual and uncertain versus known and immediate" effects of developments such as the plunge in oil prices.** Although the oil price correction began last July, the BoC's emphasis has been upon adding stimulus without waiting for the data to evolve further, and to mop up if necessary later. The BoC is convinced that should it undershoot on rates, it has the tools to address potential inflation risks in future. That's true, but executing those tools successfully entails uncertainty and, in previous instances when inflation was allowed to run ahead, it was contained only through imposing considerable economic pain. I don't think that's the bigger risk this time around but it merits caution. With this in mind, our view remains that the BoC will cut its main policy rate by another 25bps on March 4th (our print forecast) and my personal view remains that

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there is a strong possibility of cutting back down to the 0.25% definition of the lower zero bound that the BoC employed in the depths of the global crisis.

Though cryptic, Poloz hinted at further action when he recently noted: "Markets presumably look at the oil-price shock itself and would ask themselves how's the economy performing? If they figure that out, then they would know what we might have to do." So what can we figure out? The results are somewhat mixed but generally with an underlying tone of weakness. Since the surprise January 21st rate cut, we've learned that the economy contracted in November, resource sector cap-ex reductions have accelerated, headline inflation fell from 2% y/y in November to 1.5% in December while core has been resilient, and home resales fell another 3.1% m/m in seasonally adjusted terms during January after falling by 5.8% in December. Upsides have included solid figures for retail sales, housing starts, exports and manufacturing sales that bounced back from November's drop. Several of the upside and downside performances reflect lagging indicators whereas the BoC's concern is skewed toward the evolution of downside risks over the rest of 2015-16. Some of the positive monthly readings — like trade and manufacturing — occurred in a generally soft Q4. As for jobs, recall that the 35k gain in January was heavily skewed toward part-time and self-employed categories as opposed to higher-paying full-time employment more likely to be accompanied by solid benefits.

Earnings releases will focus on the banks including BMO on Tuesday, RBC and National Bank on Wednesday, TD, CIBC and Laurentian on Thursday; BNS will release the following week. Cott, Magna International, Encana, Loblaw, Altagas, Canadian Tire, and Maple Leaf Foods will be among the nonbank earnings releases.

CPI for the month of January arrives on Thursday and **we expect a material decline in the headline rate of inflation accompanied by sticky core inflation.** A large 11% drop in gasoline prices during January over December will weigh on the headline inflation rate that we think could plunge to about 0.5% y/y from 1.5% the prior month. This could well be a temporary influence as gasoline prices across North America have trended higher into February. If — or more likely when — the negative terms of trade shock to the Canadian economy (i.e., drop in export prices such as oil, relative to import prices) has its effects as a disinflationary negative income shock that pulls down core CPI remains to be evaluated as the rest of 2015 evolves, and it is the risk to core inflation that counts more than the possibly fleeting effects on the energy component to headline inflation.

Asia-Pacific — Japanese Inflation To Lag Global Downdraft Until April

A monthly batch of Japanese macro reports and Chinese manufacturing data will be released next week but Asian markets won't lead the global market tone. One reason for that is because many of them will be closed for the Lunar New Year with China's stock exchanges shut from February 18th to February 24th (the Hang Seng reopens a day earlier). The other reason is that developments in the US and Europe will probably carry greater significance.

Japan's inflation figures are lagging the downdraft elsewhere in the world for two main reasons and will probably continue to do so when national CPI for January and Tokyo CPI for February arrive on Thursday. One reason is that the year-ago rate is still being influenced by the hike in the sales tax from 5% to 8% last April. Once we get April 2015 inflation figures, this effect will drop out and headline inflation should drop back down to sub-1% rates. A second reason is that the yen has been sharply depreciating since last August, though it has levelled off since about mid-November. The lagged effects of the move in USDJPY from about 101 to 119 are likely to lift import price pressures and transmission effects into CPI. These two effects are masking the influences of the drop in global energy prices. Japan will also update monthly figures for the jobless rate, industrial production, retail sales, household spending, vehicle production, and housing starts.

China's private sector version of the purchasing managers' index for the manufacturing sector arrives Wednesday but local markets will be shut for the New Year holiday. It is expected to continue to indicate a slight pace of contraction for the third straight month. Trade figures will also be released in New Zealand, the Philippines, and Thailand.

TRADE POLICY

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Canada-EU Free-Trade Agreement Opens Public Procurement Markets

- **The EU's relatively "open" procurement market provides potential benefits to Canada.**

As part of the Comprehensive Economic and Trade Agreement (CETA), Canada and the EU accomplished the ambitious objective of opening their public procurement markets on a reciprocal and preferential basis to competitive cross-border bidding. In effect, Canadian companies will be able to bid on most public contracts offered across EU jurisdictions, including the EU Commission, the EU Council and Parliament, the 28 member governments, and thousands of regional and local governments. While both sides maintained some restrictions by agreeing to thresholds for cross-border bids — and carved out exclusions for sectors such as health care, social services and regional development — the EU's public procurement market is large, around €2.7 trillion annually. A single electronic procurement portal, Tenders Electronic Daily (TED), will facilitate the transparent and cost-effective access of Canadian firms to EU procurement opportunities.

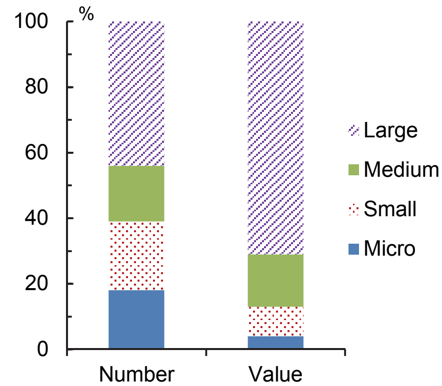
The existing structure of the EU's public procurement market suggests that significant opportunities exist for large companies as well as for small- and medium-sized enterprises (SMEs). In past years, the proportion of contracts awarded to SMEs has been consistently above 50% of the total. However, in value terms, large companies have accounted for about 70% of the public procurement market, leaving some 30% to SMEs (top chart).

A sectoral breakdown of the public procurement market shows that construction is the dominant sector in terms of value (middle chart), offering Canadian companies, including SMEs, opportunities in public infrastructure and the many related construction services, such as architecture, environmental services, site selection, and energy & sustainability management, among others. Opportunities also exist in the large business and other services sectors, which increasingly provide consulting services to all sectors of economic activity — an area of rapid growth in Canadian services exports. Smaller sectors, such as commodities & food, account for approximately 4% of EU procurement, but represent an opportunity amounting to billions of euros in an area of Canadian expertise.

Public procurement markets remain relatively closed

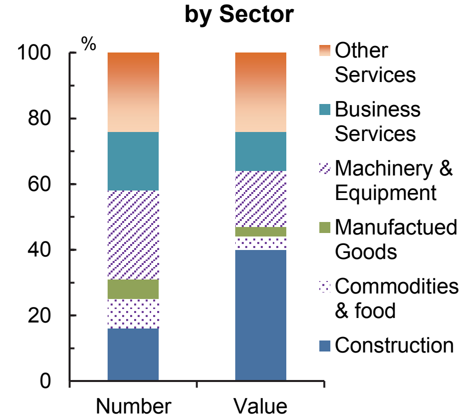
On a multilateral basis, public procurement remains relatively closed and the EU is no exception. This is illustrated in the bottom chart, which measures the EU's openness to imports from outside the EU for purposes of comparison with the US and Canada.[1] Historically, when multilateral liberalization was launched with the General Agreement on Tariffs and Trade (GATT) in 1947,

EU Public Procurement Contracts by Size of Firms



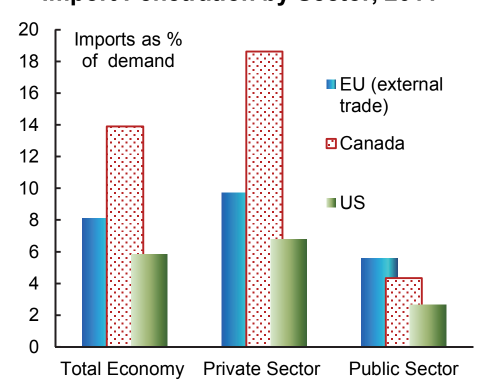
Source: The EU's Tenders Electronic Daily (TED) database.

EU Public Procurement Contracts by Sector



Source: The EU's Tenders Electronic Daily (TED) database.

Import Penetration by Sector, 2011*



Source: World Input Output Database (WIOD), Scotiabank Economics .
* Data on WIOD available up to 2011.

[1] Note that two measures of the EU's openness are presented. Chart 3 strips out internal trade within the EU single market, treating the EU market as a "domestic" market for purposes of comparison with the US and the Canadian domestic markets. However, table 1 (next page) includes imports among EU members in the calculations of EU openness.

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governments excluded public procurement. Subsequently, in the Tokyo and Uruguay rounds, participation in the Agreement on Government Procurement (GPA) remained optional. The reluctance to opening up public procurements markets stems from a number of factors, including the desire to protect domestic firms, keeping tax revenue at home, safeguarding national security, generating political support, as well as the pursuit of other non-economic objectives as defined by governments (e.g., opportunities for minority groups, regional development, etc.).

EU's growing preferential openness

At the same time, the objective to control spending and achieve a more efficient use of taxpayer money has led some governments to negotiate reciprocal access to cross-border procurement markets on a preferential basis to stimulate competition and optimize the use of cross-border expertise. The best example is the EU, where progress in opening public procurement markets among members of the single market illustrates the extent to which openness can be increased (side table). Most notable:

- The EU's 5.7% import penetration ratio for the public sector from outside the union (excluding internal trade) increases to 9.1% when imports among EU member states are counted (making the EU procurement market twice as open as Canada's and more than three times as open as the Unites States').
- Since openness is also a function of size, some of the smaller EU members show significantly higher import penetration ratios, while large EU economies, such as Germany and France, remain relatively closed.
- The public sectors of EU members remain relatively closed when compared to their private sectors.

Greater relative openness provides opportunity for Canada

An important aspect of Canada's recent trade strategy is to bring more competition and market forces to large international procurement markets through agreements such as CETA. Having gained preferential access to the EU's procurement market, Canadian firms are better positioned to compete on a level-playing-field for a market that has a relatively high (combined internal/external) import penetration rate. CETA also facilitates professional mobility and commercial presence in the EU — key factors allowing Canadian companies to compete more effectively. The 2008 labour mobility agreement between Quebec and France proves that stronger ties between the EU and Canada provide mutual benefits.

Import Penetration by Sector (%)*

	Public Sector	Private Sector	Total
EU Members (27) including intra-EU trade:			
Austria	12.4	28.2	19.9
Belgium	11.9	36.1	24.0
Bulgaria	12.4	24.5	19.1
Czech Rep	10.8	22.5	17.3
Cyprus	18.5	21.6	18.9
Denmark	8.2	28.5	18.6
Estonia	11.7	27.6	19.3
Finland	9.9	21.8	16.3
France	6.2	16.6	13.0
Germany	6.2	16.6	13.0
Greece	8.5	19.0	15.7
Hungary	22.6	37.8	25.6
Ireland	14.6	44.5	26.0
Italy	11.4	15.0	12.7
Latvia	14.4	20.8	16.6
Lithuania	12.3	32.2	22.4
Luxembourg	19.0	55.4	31.4
Malta	20.9	36.7	26.1
Netherlands	11.8	33.6	21.3
Poland	11.7	23.0	17.6
Portugal	7.6	19.4	15.3
Romania	12.4	18.8	15.5
Slovak Rep	16.5	31.4	22.1
Slovenia	12.2	28.7	20.7
Spain	9.5	15.6	12.9
Sweden	8.4	24.7	17.0
UK	10.3	18.2	14.1
EU-27	9.1	19.7	15.0
External Trade Comparison			
Canada	4.3	18.6	13.9
US	2.6	6.8	5.8
Japan	4.8	8.3	7.2
Mexico	7.4	18.7	14.9
EU (external)	5.7	9.7	8.1

Source: World Input Output Database, Scotiabank Economics.
*Ratios are for 2011, the latest input-output tables available.

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Latin America Week Ahead: For The Week Of February 23 - 27

Week-ahead highlights:

Next week still has China on holiday for the first half, but we do get the country's HSBC manufacturing PMI overnight on Tuesday, which is relevant for the more heavily commodity-linked FX in LATAM. In addition, we get a number of US activity indicators, and the important CPI data, which should continue to help shift the "Fed expectations" outlook. On the Fed front, we think this year the relationship between the Fed, and LATAM central bank policy will be very interesting to watch. Over the past few years (post-'09 crisis), we have seen the direction of policy in LATAM diverge, with most of the region's main central banks going through 2 tightening / easing cycles, while Banxico has been in sync with the Fed (easing or on pause, but not hiking). The interesting difference of the coming months is that the Fed seems set to start hiking rates. This will be the real test of how much policy independence LATAM has gained over the past few years. Our sense is that the Central Bank of Peru (BCRP) is currently still on an "easing bias", Colombia (BanRep) and Chile (BCCh) have signaled more neutral stances, while the Central Banks of Brazil (BCB) and Mexico (Banxico) are in "tightening mode". The key variable in our view will be capital flows, and how stable the capital inflows into Emerging Markets (EM) are.

There have been some encouraging signs regarding the development of EM investment, which suggest that the degree of vulnerability to capital flow reversals has declined (particularly in the more robust economies):

- The development of domestic investor pools (pioneered by Chile with the AFP model) should provide reassurance to foreign investors that there will be buyers for assets in difficult times (thus reducing the risk they will rush to the exit for fear the market will dry out). One clear example of this was the agreement Mexican pension funds reached to allocate their marginal inflows to local debt during the '09 crisis in order to stabilize the local market.
- Another interesting development is that even in the troubled credits, we have seen distressed investors getting involved, which should also help reassure investors that there will be a "bid" during tougher times, which should also reduce the risk of a rush to the exit.
- From the external front, the development of EM dedicated mandates has also served as a stabilizing factor, as these more dedicated investors are: 1) more likely to differentiate the good and the bad credits, 2) more used to the volatility and uneven liquidity in EM in times of stress, 3) more committed in the long term.
- In addition, there is some evidence that for some major global investors, the traditional lines between EMs and Developed Markets (DMs) are getting blurry (particularly among the more liquid / solid credits). This is evidenced by several factors, but includes:
    - ◊ It's only one data point, but it's a relevant one: The Norway Pension Fund Global's allocations included both Mexico and Brazil in their top 7 sovereign asset holdings in their latest filing, with 3 of the top-8 being EMs (in order from top to bottom the top-8 were: US, Japan, Germany, UK, Mexico, Italy, Brazil, Korea).
    - ◊ The inclusion of EMs into "DM indices". On this front, Mexico is included in both the WGBI and the Barclays developed market indices.
    - ◊ We believe that as more and more institutional investors spend longer trading EMs, we are also seeing EM investing more in terms of "relative value", which suggests EMs should "re-price" in line with the yield adjustment in the DMs, rather than see a complete reversal of capital flows.
- Finally, as the IIF noted in its "Capital Flows to Emerging Markets" report for 2015, recent inflows into LATAM seem to be more institutional, rather than retail flows (which they believe is the case given the divergence of the flow patterns in their own capital flows estimates vs those from EPFR), which we believe are "steadier".

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However, the real test for how steady the capital flows really are is likely to be the tightening of monetary policy by the Fed. On this front, the IIF estimated (the estimates are part of the IIF's "Capital Flows to Emerging Markets", from January 14, 2015):

- Years in which the Fed tightening kicks-off, tend to have 1 more currency crisis than usual.
- When the Fed is tightening in a period of high volatility, this is associated with 1-1.2 additional crises (although causality here is not clear).
- For every 300bps that the Fed funds rate is above its trend, there are an additional 0.3-0.75 EM crises — which the IIF interprets as serving to reduce the risk of EM crises during 2015.
- Based on its analysis, the IIF estimates suggest we will see 3-4 EMs go into "crisis mode" this year.

Bottom line: Our sense is that the adjustment we will see in LATAM rates will depend on a number of factors. At the short end, local conditions likely determine what a "neutral rate" is. However, the overnight is likely not independent from the Fed, with the potential link of the two interest rates likely being the exchange rate (i.e., if the local currency starts weakening vs the USD). For the longer end, we think the adjustments may overshoot, but will ultimately be in line with "fair value spreads" (i.e., the sum of FX premiums, credit risk premiums, and liquidity premiums). We believe one of the major factors that has led to this new development in how EM flows behave is that, over the past couple of decades, we have seen a shift in the nature of capital flows into EMs. Whereas "pre-Brady's" we used to see capital flowing into EMs in the form of direct lending, today's flows have a much larger share of "bond / equity" investments which lend themselves to a smoother/easier adjustment — let's not forget that "EM bond markets" are only a couple of decades old.

Week-ahead views:

Brazil (BRL): The next COPOM meeting and decision is not scheduled until March 12th, which means we still get one more IPCA inflation print before that (March 6th), taking some of the importance away from next week's IPCA. The market has fully moved towards the view that the BCB is set to accelerate the pace of its tightening cycle to a +50bps hike in the next meeting, and is pricing in an additional 80% chance of a second +50bps, a 100% chance of a +25bps after that, and about 50% chance of a final +25bps. However, it is also true that, over the past few months, these expectations have been continually adjusting upwards (including ours, although the BCB's economist survey consensus still looks for a top of the cycle at +12.75%), along with inflation expectations. In our view, two variables next week will be important to gauge the odds that the BCB decides to accelerate its hiking (and by how much): 1) the IPCA inflation trend (although as we mentioned earlier, we still get one more before the decision) and, 2) the fiscal numbers. This last point is relevant given what seem to be growing concerns that the 2015 fiscal adjustment targets will be very tough to achieve. The other important data we are set to get is current account figures.

Colombia (COP): This week we will receive consumer and industrial confidence data, which although not traditionally a tier-1 set of indicators, are still relevant in our view — given the current environment. Our sense is that Colombia's growth at the moment is holding up better than it can sustainably do, given the evolution of the external environment. Our sense is that there are three major reasons why Colombia is set to slow:

1. The decline in oil prices: which should affect investment, as well as exports.
2. The depreciation of the peso: which, in our view, will have a negative impact not only on exports, but we also expect the terms of trade deterioration to have an adverse income effect on consumers.
3. In addition, given the importance of the oil industry, and its recent growth, the services sector could also be hit.

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Over the recent weeks we have noted a shift in policymakers, who seem to be converging to this view, with Governor Uribe flagging that the decline in oil prices is likely to affect the country's potential growth, while the FinMin has also noted the risk that the oil price decline may require a greater-than-envisaged fiscal adjustment effort to stick with the target.

Mexico (MXN): This week we will get two particularly important pieces of information for defining monetary policy. The first one is the release of retail sales for December, where the ANTAD data suggests December was still somewhat of a weak month, with same store sales for January being +1.3% in the month (although consensus still looks for +1.9%, from +1.2% in November). However, one factor that may somewhat detract from the importance of retail sales for December, is that the same store sales data for January painted a much better picture, printing at +5.5% y/y. One potential explanation, is that in January we start getting favourable base effects from the tax changes implemented in 2014. The second important piece of information we are set to receive is CPI, where we will look for whether the favourable pattern in inflation remains in place. However, as we have said before, despite these two domestic factors being important, we believe that the main driver for Mexican monetary policy at the moment is the "relative monetary conditions to the US" which Governor Carstens has repeatedly flagged, as we believe policymaking is focused on cementing the picture of prudent management ahead of potential disruptions in the global economy (and particularly in EMs).

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Key Data Preview

CANADA

We're anticipating a major move lower in **Canadian CPI** for January on the decline in gasoline prices. Canadian dollar gasoline prices fell by 10.8% m/m in January (the cheaper C$ meant that oil prices fell less in Canada than in the U.S.) which should alone drag on inflation. Add to that seasonal weakness in clothing and recreation prices and a -0.4% m/m not seasonally adjusted drop in CPI (or even perhaps more) isn't beyond the realm of the possible. Much as in the U.S., even with a major decline in headline CPI, we still expect core to be fairly solid at +2.0% y/y (0.0% m/m). The critical questions for Canada are a) the extent to which the softer C$ will stoke import price pass-through when it comes to non-oil commodities, and b) the extent to which the drop in oil prices will cause other prices to fall. On balance, the currency decline should mitigate only a small amount of the commodity price drop induced CPI sluggishness this time around.

UNITED STATES

U.S. inflation could well hit zero y/y in January, an eye-popping print if there ever was one. Of course, this wouldn't mean that the U.S. is experiencing what we think of when we consider deflation (i.e., a uniform drop in the price level) — rather, it would mean that the U.S. is experiencing a major decline in headline CPI due to the precipitous fall in oil prices. Gasoline pump prices fell by 15.8% m/m from December to January according to Bloomberg, a massive drop that, of course, weighs on headline CPI. Other factors look soft too, including agricultural commodity prices, down by 5.7% m/m, and natural gas spot prices, down by 13.4% m/m. We expect that core CPI, on the other hand, will slip moderately to 1.5% y/y as, aside from a likely decline in travel prices due to the drop in jet fuel costs, services prices have generally been trending at 2% y/y or greater levels.

Durable goods orders for January are likely to show some improvement from a soft December — but not a whole lot. December new orders slipped to a large extent due to a massive decline in nondefense aircraft orders (-55%) and in defense aircraft (-19.9% m/m). We're expecting a solid bounce in both, but there are some cautionary notes when it comes to non-defense aircraft. Boeing only recorded 5 new aircraft orders on the month down from 174 in December. This doesn't mean that the numbers will in fact follow that break-down and slip further, but the point is that the bounce from December may under-whelm. The entire December print was on the weak side, with other categories including computers and machinery soft, and coincident indicators such as the ISM manufacturing survey showed a slowdown in January — little encouragement there. Overall we expect a soft bounce in ex-transportation orders (+0.6% m/m) to go with a modest +1% bounce in headline orders.

GDP revisions could well show a modest downgrade to **Q4 GDP** on the order of a couple tenths of a percentage point, but we're not particularly pessimistic. Trade data for December released since the first cut at GDP reflected the same type of soft numbers that were baked into the initial Q4 estimate in the first place, so we're not particularly concerned on that front. There is some potential for inventory adjustments though, and an adjustment to some of the consumer figures which lead us to anticipate a modest downward revision to 2.3% m/m.

Existing home sales and new home sales figures should show fairly flat numbers in January. Mortgage purchase applications picked up in early January in seasonally adjusted terms, but January marks the seasonal low in non-adjusted terms and may not translate into a whole lot more home buying. Other leading indicators including pending home sales, which track existing home sales, were on the soft side in December (-3.7% m/m) while the index that tracks traffic of prospective buyers through new homes was elevated in level terms but didn't show momentum, which it needs in order to mark progress as the index compiles responses to a survey asking if there was less or more traffic through model homes in a given month. We're anticipating a 5 million print on existing home sales and a 470,000 print on new home sales.

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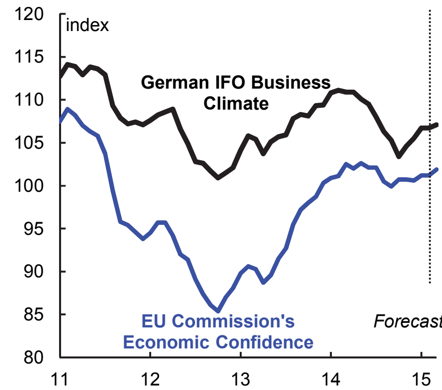
EUROPE

It'll be a busy week in Europe, with business surveys, inflation, job numbers and GDP figures to be released. Incoming economic data are expected to be broadly positive and in line with the strengthening euro zone growth dynamic seen over the past few months. On Monday, the German IFO Business Climate Survey will be released for February and should continue to rise to 107.1 in line with the improvement witnessed in Germany's ZEW economic sentiment index, composite PMIs, factory orders and fourth-quarter growth. The EU Commission's Economic Confidence metric will follow on the 26th and should also rise to 101.9 in February, underpinned by the ongoing recovery in business and consumer sentiment — buoyed by lower energy prices, the weaker euro and the European Central Bank's (ECB) landmark decision to launch a quantitative easing program. Meanwhile, job reports will be published in France and Germany on February 25th and 26th, respectively. Labour market conditions in Germany remain very healthy and we expect to see a further reduction in unemployment in February, though labour dynamics in France should remain on the softer side. Preliminary inflation data for Germany, Italy, and Spain will follow later in the week. Headline inflation is expected to remain in negative territory through most of 2015, however, the recent rise in Brent oil prices and favourable base effects from food could provide some support. As a result, we anticipate a small improvement in inflation to -0.4% y/y in German and -0.5% y/y in Italy.

Euro Zone Recovery Gaining Momentum

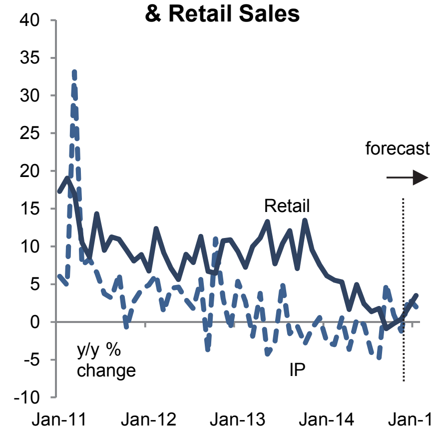


Source: EU Commission, IFO Institute, Scotiabank Economics

LATIN AMERICA

Chile will release its January industrial production and retail sales figures on February 27th. We expect industrial activity to remain soft, likely coming in at around 2% y/y on the back of low commodity prices — particularly copper — that have yet to show signs of a solid floor. Retail sales are expected to come in at around 3.5% y/y. While these numbers are soft relative to historical averages, they represent improvements over recent results: industrial production reached an over four-year low of -4.8% y/y in August 2014 and retail sales bottomed out at -0.9% in September 2014.

Chilean Industrial Production & Retail Sales

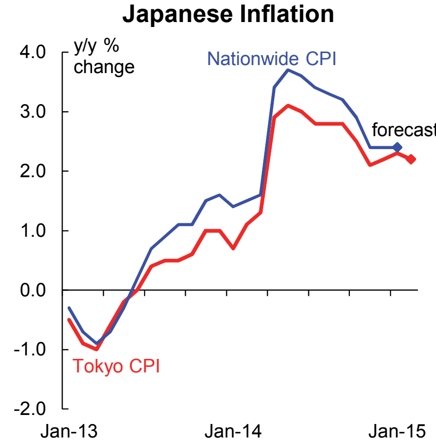


Source: Bloomberg, Scotiabank Economics.

ASIA

Japan will release inflation data on February 26th; the nationwide consumer price index will cover the month of January while the Tokyo index is for February. We estimate that national headline inflation was 2.4% y/y (-0.2% m/m) in January, unchanged from the month before, while inflation in Tokyo likely ticked slightly lower in February, to 2.2% y/y from 2.3% in January. Japan's headline inflation will likely remain elevated for a few more months until the April 2014 consumption tax rate hike falls out of the index. The Bank of Japan (BoJ) closely monitors core inflation that excludes fresh food and the impact of the tax increase; the central bank estimates that currently core inflation is hovering around 0.5% y/y, falling significantly short of the BoJ's 2% inflation target. Indeed, we assess that the achievement of the target remains at risk for an extended period of time given low global energy prices and the Japanese economy's lacklustre performance. The country's real GDP growth was zero in 2014.

Japanese Inflation



Source: Bloomberg, Scotiabank Economics.

Key Indicators for the week of February 23 – 27

North America

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
MX	02/23	09:00	Retail Sales (INEGI) (y/y)	Dec	--	3.1	1.2
US	02/23	10:00	Existing Home Sales (mn a.r.)	Jan	5.0	5.0	5.0
US	02/23	10:00	Existing Home Sales (m/m)	Jan	--	-1.8	2.4
US	02/23	10:30	Dallas Fed. Manufacturing Activity	Feb	--	-2.5	-4.4
MX	02/24	09:00	Bi-Weekly Core CPI (% change)	Feb 15	--	0.1	0.1
MX	02/24	09:00	Bi-Weekly CPI (% change)	Feb 15	--	0.1	0.1
US	02/24	09:00	S&P/Case-Shiller Home Price Index (m/m)	Dec	0.5	0.6	0.7
US	02/24	09:00	S&P/Case-Shiller Home Price Index (y/y)	Dec	--	4.3	4.3
US	02/24	10:00	Consumer Confidence Index	Feb	100.0	99.5	102.9
US	02/24	10:00	Richmond Fed Manufacturing Index	Feb	8.0	6.0	6.0
US	02/25	07:00	MBA Mortgage Applications (w/w)	FEB 20	--	--	-13.2
US	02/25	10:00	New Home Sales (000s a.r.)	Jan	470.0	470.0	481.0
CA	02/26	08:30	Core X8 CPI (m/m)	Jan	0.0	0.1	-0.3
CA	02/26	08:30	Core X8 CPI (y/y)	Jan	2.0	2.1	2.2
CA	02/26	08:30	CPI, All items (m/m)	Jan	-0.4	-0.4	-0.7
CA	02/26	08:30	CPI, All items (y/y)	Jan	0.7	0.7	1.5
CA	02/26	08:30	CPI, All items (index)	Jan	--	--	124.5
CA	02/26	08:30	CPI SA, All items (m/m)	Jan	--	--	-0.1
CA	02/26	08:30	Core CPI SA, All items (m/m)	Jan	--	--	0.2
US	02/26	08:30	CPI (m/m)	Jan	-0.5	-0.6	-0.3
US	02/26	08:30	CPI (y/y)	Jan	0.0	-0.1	0.8
US	02/26	08:30	CPI (index)	Jan	--	233.6	234.8
US	02/26	08:30	CPI ex. Food & Energy (m/m)	Jan	0.1	0.1	0.1
US	02/26	08:30	CPI ex. Food & Energy (y/y)	Jan	1.5	1.6	1.6
US	02/26	08:30	Durable Goods Orders (m/m)	Jan	1.0	1.7	-3.3
US	02/26	08:30	Durable Goods Orders ex. Trans. (m/m)	Jan	0.6	0.5	-0.8
US	02/26	08:30	Initial Jobless Claims (000s)	FEB 21	295	290	283
US	02/26	08:30	Continuing Claims (000s)	FEB 14	2360	2390	2425
MX	02/26	09:00	Trade Balance (US$ mn)	Jan	--	-3151	253.7
US	02/27	08:30	GDP (q/q a.r.)	4Q S	2.3	2.1	2.6
US	02/27	08:30	GDP Deflator (q/q a.r.)	4Q S	--	0.0	0.0
MX	02/27	09:00	Unemployment Rate (%)	Jan	--	4.5	3.8
US	02/27	09:45	Chicago PMI	Feb	--	58.0	59.4
US	02/27	10:00	Pending Home Sales (m/m)	Jan	--	2.0	-3.7
US	02/27	10:00	U. of Michigan Consumer Sentiment	Feb F	94.0	94.0	93.6

Europe

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
GE	02/23	04:00	IFO Business Climate Survey	Feb	107.1	107.7	106.7
GE	02/23	04:00	IFO Current Assessment Survey	Feb	102.0	112.5	111.7
GE	02/23	04:00	IFO Expectations Survey	Feb	102.5	103.0	102.0
GE	02/24	02:00	Real GDP (q/q)	4Q F	0.7	0.7	0.7
EC	02/24	05:00	CPI (m/m)	Jan	-1.6	-1.6	-1.6
EC	02/24	05:00	CPI (y/y)	Jan F	-0.6	-0.6	-0.6
EC	02/24	05:00	Euro zone Core CPI Estimate (y/y)	Jan F	0.6	0.6	0.6
TU	02/24	07:00	**Benchmark Repo Rate (%)**	**Feb 24**	**7.25**	**7.50**	**7.75**
HU	02/24	08:00	**Base Rate (%)**	**Feb 24**	**2.10**	**2.10**	**2.10**
FR	02/25	12:00	Total Jobseekers (000s)	Jan	3516.0	3503.4	3496.4
FR	02/25	12:00	Jobseekers Net Change (000s)	Jan	20.0	8.0	8.1

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

Key Indicators for the week of February 23 – 27

Europe *(continued from previous page)*

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
GE	02/26	02:00	GfK Consumer Confidence Survey	Mar	9.5	9.5	9.3
SP	02/26	03:00	Real GDP (q/q)	4Q F	0.7	0.7	0.7
GE	02/26	03:55	Unemployment (000s)	Feb	-20.0	-10.0	-9.0
GE	02/26	03:55	Unemployment Rate (%)	Feb	6.5	6.5	6.5
UK	02/26	04:30	Business Investment (q/q)	4Q P	--	--	-1.4
UK	02/26	04:30	GDP (q/q)	4Q P	0.5	0.5	0.5
UK	02/26	04:30	Index of Services (m/m)	Dec	--	0.4	0.1
EC	02/26	05:00	Business Climate Indicator	Feb	--	0.2	0.2
EC	02/26	05:00	Economic Confidence	Feb	101.9	102.0	101.2
EC	02/26	05:00	Industrial Confidence	Feb	-4.2	-4.5	-5.0
UK	02/26	19:05	GfK Consumer Confidence Survey	Feb	--	2.0	1.0
FR	02/27	02:45	Consumer Spending (m/m)	Jan	-0.5	-0.2	1.5
FR	02/27	02:45	Producer Prices (m/m)	Jan	--	--	-0.9
SP	02/27	03:00	CPI (y/y)	Feb P	--	-1.5	0.0
SP	02/27	03:00	CPI - EU Harmonized (y/y)	Feb P	--	-1.5	-1.5
SW	02/27	03:30	GDP (y/y)	4Q	--	1.5	2.1
PD	02/27	04:00	GDP (y/y)	4Q F	--	--	3.0
SP	02/27	04:00	Current Account (€ bn)	Dec	--	--	1.7
GR	02/27	05:00	Real GDP NSA (y/y)	4Q F	--	--	1.5
IT	02/27	05:00	CPI (m/m)	Feb P	--	0.1	-0.4
IT	02/27	05:00	CPI (y/y)	Feb P	--	-0.5	-0.6
IT	02/27	05:00	CPI - EU Harmonized (m/m)	Feb P	--	-0.3	-2.5
PO	02/27	06:00	Real GDP (q/q)	4Q F	--	0.5	0.5
GE	02/27	08:00	CPI (m/m)	Feb P	0.5	0.6	-1.1
GE	02/27	08:00	CPI (y/y)	Feb P	-0.4	-0.3	-0.4
GE	02/27	08:00	CPI - EU Harmonized (m/m)	Feb P	0.6	0.6	-1.3
GE	02/27	08:00	CPI - EU Harmonized (y/y)	Feb P	-0.4	-0.5	-0.5

Asia Pacific

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
JN	02/23	00:00	Supermarket Sales (y/y)	Jan	--	--	-1.8
SI	02/23	00:00	CPI (y/y)	Jan	-0.4	-0.3	-0.2
HK	02/23	03:30	CPI (y/y)	Jan	4.3	4.4	4.9
PH	02/23	20:00	Imports (y/y)	Dec	--	--	-10.8
PH	02/23	20:00	Trade Balance (US$ mn)	Dec	--	--	272.0
HK	**02/23**		**Composite Interest Rate (%)**	**Jan**	**0.39**	**--**	**0.39**
SK	02/23		Department Store Sales (y/y)	Jan	--	--	-0.9
TH	02/23		Customs Exports (y/y)	Jan	--	2.4	1.9
TH	02/23		Customs Imports (y/y)	Jan	--	-11.9	-8.7
TH	02/23		Customs Trade Balance (US$ mn)	Jan	--	200.0	1588.7
SK	02/24	16:00	Consumer Confidence Index	Feb	--	--	102.0
AU	02/24	19:30	Wage Cost Index (q/q)	4Q	--	0.6	0.6
CH	02/24	20:45	HSBC Flash China Manufacturing PMI	Feb P	--	49.5	49.7
CH	02/24	20:45	HSBC Manufacturing PMI	Feb P	--	49.5	49.7
VN	02/24		CPI (y/y)	Feb	1.2	--	0.9
NZ	02/25	16:45	Trade Balance (NZD mn)	Jan	--	-158.0	-159.3
NZ	02/25	16:45	Exports (NZD bn)	Jan	--	3.7	4.4
NZ	02/25	16:45	Imports (NZD bn)	Jan	--	3.9	4.6
AU	02/25	19:30	Private Capital Expenditure	4Q	--	-1.6	0.2
TA	02/25	19:30	Unemployment Rate (%)	Jan	3.8	--	3.8
HK	02/25		Annual GDP	2014	2.2	--	2.9
HK	02/25		Real GDP (y/y)	4Q	1.8	1.6	2.7

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

Key Indicators for the week of February 23 – 27

Asia Pacific *(continued from previous page)*

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
SI	02/26	00:00	Industrial Production (y/y)	Jan	--	1.9	-1.9
TA	02/26	03:20	Current Account Balance (US$ mn)	4Q	--	--	15799
HK	02/26	03:30	Exports (y/y)	Jan	--	2.2	0.6
HK	02/26	03:30	Imports (y/y)	Jan	--	4.0	1.9
HK	02/26	03:30	Trade Balance (HKD bn)	Jan	--	-31.8	-59.3
SK	02/26	16:00	Business Survey- Manufacturing	Mar	--	--	73.0
SK	02/26	16:00	Business Survey- Non-Manufacturing	Mar	--	--	70.0
JN	02/26	18:30	Household Spending (y/y)	Jan	--	-4.1	-3.4
JN	02/26	18:30	Jobless Rate (%)	Jan	3.4	3.4	3.4
JN	02/26	18:30	National CPI (y/y)	Jan	2.4	2.4	2.4
JN	02/26	18:30	Tokyo CPI (y/y)	Feb	2.2	2.2	2.3
JN	02/26	18:50	Large Retailers' Sales (y/y)	Jan	--	-0.2	0.1
JN	02/26	18:50	Retail Trade (y/y)	Jan	--	-1.2	0.1
JN	02/26	18:50	Industrial Production (y/y)	Jan P	--	-3.2	0.1
AU	02/26	19:30	Private Sector Credit (y/y)	Jan	--	6.0	5.9
JN	02/26	23:00	Vehicle Production (y/y)	Jan	--	--	-2.5
JN	02/27	00:00	Housing Starts (y/y)	Jan	--	-11.5	-14.7
JN	02/27	00:00	Construction Orders (y/y)	Jan	--	--	7.5
TH	02/27	02:30	Exports (y/y)	Jan	--	--	2.3
TH	02/27	02:30	Imports (y/y)	Jan	--	--	-7.9
TH	02/27	02:30	Trade Balance (US$ mn)	Jan	--	--	3640
TH	02/27	02:30	Current Account Balance (US$ mn)	Jan	--	2775	5523
TH	02/27	02:30	Business Sentiment Index	Jan	--	--	49.0

Latin America

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
BZ	02/24	08:30	Current Account (US$ mn)	Jan	--	-10300	-10317
BZ	02/26	07:00	Unemployment Rate (%)	Jan	--	4.8	4.3
CL	02/27	07:00	Industrial Production (y/y)	Jan	2.0	1.9	3.1
CL	02/27	07:00	Retail Sales (y/y)	Jan	3.5	--	1.90
CL	02/27	07:00	Unemployment Rate (%)	Jan	--	6.2	6.0
CO	02/27	11:00	Urban Unemployment Rate (%)	Jan	--	11.8	9.3

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

Global Auctions for the week of February 23 – 27

North America

Country	Date	Time	Event
US	02/23	11:30	U.S. to Sell USD26 Bln 3-Month Bills
US	02/23	11:30	U.S. to Sell USD26 Bln 6-Month Bills
CA	02/24	10:30	Canada to Sell CAD3.975 Bln 98-Day Bills
CA	02/24	10:30	Canada to Sell CAD1.575 Bln 168-Day Bills
CA	02/24	10:30	Canada to Sell CAD1.575 Bln 350-Day Bills
US	02/24	11:30	U.S. to Sell 4-Week Bills
US	02/24	13:00	U.S. to Sell USD26 Bln 2-Year Notes
US	02/25	11:30	U.S. to Sell USD13 Bln 2-Year Floating Rate Notes Reopening
US	02/25	13:00	U.S. to Sell USD35 Bln 5-Year Notes
US	02/26	13:00	U.S. to Sell USD29 Bln 7-Year Notes

Europe

Country	Date	Time	Event
GE	02/23	05:30	Germany to Sell EUR1.5 Bln 364-Day Bills
FR	02/23	08:50	France to Sell Bills
SP	02/24	04:30	Spain to Sell 3 Month Bills
SP	02/24	04:30	Spain to Sell 9 Month Bills
IT	02/24	05:00	Italy to Sell Up to EUR3 Bln Zero 2017 Bonds
IT	02/24	05:00	Italy to Sell Up to EUR1 Bln 3.1% I/L 2026 Bonds
EC	02/24	05:10	ECB Main Refinancing Operation Result
SZ	02/24	05:15	Switzerland to Sell 91-Day Bills
IT	02/25	05:00	Italy to Sell Bills
SW	02/25	05:03	Sweden to Sell SEK1.75 Bln 4.25% 2019 Bonds
SW	02/25	05:03	Sweden to Sell SEK1.75 Bln 3.5% 2022 Bonds
EC	02/25	05:10	ECB Long-Term Refinancing Operation Result
GE	02/25	05:30	Germany to Sell EUR4 Bln 0% 2020 Bonds
DE	02/26	04:30	Denmark to Sell Bills
IT	02/26	05:00	Italy to Sell Bonds
MB	02/27	05:00	Malta to Sell 91-Day Bills
MB	02/27	05:00	Malta to Sell 182-Day Bills
UK	02/27	06:00	U.K. to Sell 1-Month Bills
UK	02/27	06:00	U.K. to Sell 3-Month Bills
UK	02/27	06:00	U.K. to Sell 6-Month Bills

Source: Bloomberg, Scotiabank Economics.

Global Auctions for the week of February 23 – 27

Asia Pacific

Country	Date	Time	Event
AU	02/23	19:00	Australia Plans to Sell AUD200 Mln 1% 2018 Bonds
JN	02/23	22:45	Japan to Sell 40-Year Bonds
AU	02/24	19:00	Australia Plans to Sell AUD700 Mln 2.75% 2024 Bonds
CH	02/24	22:00	China to Sell 7-Year Bonds
AU	02/25	18:30	Australia Plans to Sell AUD1 Bln 105-Day Bills
JN	02/25	22:35	Japan to Sell 3-Month Bill
JN	02/25	22:45	Japan to Sell 2-Year Bonds
AU	02/26	19:00	Australia Plans to Sell AUD700 Mln 2.75% 2019 Bonds

Latin America

Country	Date	Time	Event
BZ	02/24	10:15	Brazil to Sell I/L Bonds due 5/15/2019
BZ	02/24	10:15	Brazil to Sell I/L Bonds due 5/15/2023
BZ	02/24	10:15	Brazil to Sell I/L Bonds due 5/15/2035
BZ	02/24	10:15	Brazil to Sell I/L Bonds due 5/15/2055
BZ	02/26	10:15	Brazil to Sell Bills due 04/01/2016
BZ	02/26	10:15	Brazil to Sell Bills due 07/01/2017
BZ	02/26	10:15	Brazil to Sell Bills due 01/01/2019

Source: Bloomberg, Scotiabank Economics.

Events for the week of February 23 – 27

North America

Country	Date	Time	Event
US	02/24	10:00	Fed Chair Yellen Testifies to Senate Bank Panel in Washington
CA	02/24	13:45	Bank of Canada Governor Poloz Speaks in London, Ontario
US	02/25	10:00	Fed Chair Yellen Testifies to House Financial Services Committee
GE	02/26	13:00	Fed's Lockhart Speaks on U.S. Outlook At Banking Conference
US	02/26	13:00	EPA Budget - House Hearing, Appropriations Committee
US	02/27	00:00	Fed's Mester and Dudley Speak to Monetary Policy Forum in New York
EC	02/27	13:30	ECB's Constancio Speaks in New York
EC	02/27	13:30	Fed's Fischer Speaks to Monetary Policy Forum in New York

Europe

Country	Date	Time	Event
EC	02/23	08:45	ECB's Mersch Speaks in London
UK	02/24	05:30	Carney, BOE MPC Members Testify to Commons Treasury Committee
TU	02/24	07:00	**Benchmark Repurchase Rate**
HU	02/24	08:00	**Central Bank Rate Decision**
EC	02/24	09:00	ECB President Draghi Speaks in Frankfurt
SW	02/25	03:30	Riksbank publishes minutes from Feb. 2 policy meeting
EC	02/25	11:30	ECB's Draghi Testifies to European Parliament in Brussels
PO	02/25		Portugal Releases Year-to-Date Budget Report
SW	02/26	03:00	Riksbank holds government bond bid procedure no. 1
SP	02/26	13:30	Bank of Spain's Linde Speaks in Madrid
EC	02/27	13:30	ECB's Constancio Speaks in New York
EC	02/27		EU-Brazil Summit in Brussels
EC	02/27		EU to Issue Reports on France, Italy, Belgium
GE	02/27		Germany Sovereign Debt May Be Published by Moody's

Asia Pacific

Country	Date	Time	Event
JN	02/22	18:50	Bank of Japan Jan. 20-21 meeting minutes
HK	FEB 22-23		**Composite Interest Rate**
IN	FEB 22-MAR 20		India Finance Minister Jaitley Presents 2016 Budget
SI	02/23	00:30	Singapore Budget FY2015
NZ	02/25	18:45	Finance Min English speaks at Finance 2015
JN	02/25	20:30	BOJ's Ishida speaks in Yokohama
NZ	02/25	21:00	RBNZ Reports Net Currency Sales

Latin America

Country	Date	Time	Event
CL	02/27	07:30	Central Bank Meeting Minutes
EC	02/27		EU-Brazil Summit in Brussels

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	March 4, 2015	0.50	0.50
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	--

Fed: The prime focus this week will be Chair Yellen's testimony in front of the Senate Banking Panel and House Financial Services Committee on Tues/Wed: markets will be completely zeroed in on clues to the first Fed hike. On Thursday, CPI Inflation figures for January will be released and are expected to be negative y/y while Friday's first revision to Q4 GDP could be revised lower. Fed-speak will be light with only regional Fed Presidents Lockhart (voting) on Thurs. and Mester (alternate) on Friday. **BoC** Governor Poloz will speak on Tuesday and also hold a press conference, titled "Lessons New and Old: Reinventing Central Banking". On Thursday, January CPI is due and should see a material decline in the headline figure on the back of lower gasoline prices.

Europe

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	0.05	March 5, 2015	0.05	--
Bank of England – Bank Rate	0.50	March 5, 2015	0.50	0.50
Swiss National Bank – Libor Target Rate	-0.75	March 19, 2015	-0.75	--
Central Bank of Russia – One-Week Auction Rate	15.00	March 13, 2015	15.00	--
Hungarian National Bank – Base Rate	2.10	February 24, 2015	2.10	2.10
Central Bank of the Republic of Turkey – 1 Wk Repo Rate	7.75	February 24, 2015	7.25	7.50
Sweden Riksbank – Repo Rate	-0.10	April 29, 2015	-0.10	--
Norges Bank – Deposit Rate	1.25	March 19, 2015	1.25	--

The Central Bank of the Republic of Turkey (CBRT) will meet and announce a monetary policy decision on February 24th. Following last month's 50 basis point (bps) cut, the CBRT will likely announce another 50 bps reduction to interest rates, bringing its benchmark one-week repo rate to 7.25%. Inflationary pressures in Turkey continue to ease to 7.2% y/y in January from 8.2% in December. The CBRT will likely suggest that inflation dynamics are supportive of further monetary easing. However, price growth is still well above the CBRT's medium-term target of 5% and government pressure to support growth remains high, which will continue to hurt CBRT credibility and exert pressure on the currency. **The Central Bank of Hungary** will also announce a monetary policy decision on February 24th. We don't expect any new developments to come from this meeting.

Asia Pacific

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Reserve Bank of Australia – Cash Target Rate	2.25	March 2, 2015	2.25	2.25
Reserve Bank of New Zealand – Cash Rate	3.50	March 11, 2015	3.50	3.50
People's Bank of China – Lending Rate	5.60	TBA	--	--
Reserve Bank of India – Repo Rate	7.75	April 7, 2015	7.50	--
Bank of Korea – Bank Rate	2.00	March 12, 2015	2.00	--
Bank of Thailand – Repo Rate	2.00	March 11, 2015	2.00	2.00
Bank Indonesia – Reference Interest Rate	7.50	March 17, 2015	7.50	--

Latin America

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	12.25	March 4, 2015	12.25	--
Banco Central de Chile – Overnight Rate	3.00	March 19, 2015	3.00	--
Banco de la República de Colombia – Lending Rate	4.50	March 20, 2015	4.50	--
Banco Central de Reserva del Perú – Reference Rate	3.25	March 12, 2015	3.25	3.25

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	2014	14Q3	14Q4	Latest	
Real GDP (annual rates)		2.8			
Current Acc. Bal. (C$B, ar)		-33.6			
Merch. Trade Bal. (C$B, ar)	5.2	11.3	-6.3	-7.8	(Dec)
Industrial Production	2.5	2.7	1.3	-0.5	(Dec)
Housing Starts (000s)	189	199	184	187	(Jan)
Employment	0.6	0.5	0.7	0.8	(Jan)
Unemployment Rate (%)	6.9	7.0	6.7	6.6	(Jan)
Retail Sales	4.6	4.8	4.4	4.0	(Dec)
Auto Sales (000s)	1849	1947	1916	1947	(Dec)
CPI	1.9	2.1	1.9	1.5	(Dec)
IPPI	2.5	2.7	1.3	0.5	(Dec)
Pre-tax Corp. Profits		10.3			

United States	2014	14Q3	14Q4	Latest	
Real GDP (annual rates)	2.4	5.0	2.6		
Current Acc. Bal. (US$B, ar)		-401			
Merch. Trade Bal. (US$B, ar)	-737	-724	-745	-792	(Dec)
Industrial Production	4.1	4.3	4.5	4.5	(Jan)
Housing Starts (millions)	1.00	1.03	1.06	1.07	(Jan)
Employment	1.9	2.0	2.2	2.4	(Jan)
Unemployment Rate (%)	6.2	6.1	5.7	5.7	(Jan)
Retail Sales	3.8	4.3	3.7	2.4	(Jan)
Auto Sales (millions)	16.4	16.7	16.7	16.6	(Jan)
CPI	1.6	1.8	1.2	0.8	(Dec)
PPI	1.9	2.5	0.8	-3.1	(Jan)
Pre-tax Corp. Profits		10.0			

Mexico	2014	14Q3	14Q4	Latest	
Real GDP	2.1	2.2	2.6		
Current Acc. Bal. (US$B, ar)		-10.8			
Merch. Trade Bal. (US$B, ar)	-2.4	-6.1	-2.7	3.0	(Dec)
Industrial Production	1.9	2.0	2.4	3.0	(Dec)
CPI	4.0	4.1	4.2	3.1	(Jan)

Europe

Euro Zone	2014	14Q3	14Q4	Latest	
Real GDP		0.8			
Current Acc. Bal. (US$B, ar)	313	383	427	432	(Dec)
Merch. Trade Bal. (US$B, ar)	320.9	329.8	367.8	372.5	(Dec)
Industrial Production	0.6	0.5	-0.1	-0.2	(Dec)
Unemployment Rate (%)	11.6	11.5	11.5	11.4	(Dec)
CPI	0.4	0.4	0.2	-0.2	(Dec)

Germany	2014	14Q3	14Q4	Latest	
Real GDP	1.6	1.2	1.5		
Current Acc. Bal. (US$B, ar)	215.3	308.9	289.2	374.2	(Dec)
Merch. Trade Bal. (US$B, ar)	306.9	320.3	314.5	326.0	(Dec)
Industrial Production	1.4	0.3	0.2	-0.4	(Dec)
Unemployment Rate (%)	6.7	6.7	6.6	6.5	(Jan)
CPI	0.9	0.8	0.5	-0.4	(Jan)

France	2014	14Q3	14Q4	Latest	
Real GDP	0.4	0.4	0.2		
Current Acc. Bal. (US$B, ar)		9.5		-16.6	(Nov)
Merch. Trade Bal. (US$B, ar)	-40.1	-43.7	-34.3	-33.5	(Dec)
Industrial Production	-1.1	-0.3	-1.3	-0.1	(Dec)
Unemployment Rate (%)	10.2	10.3	10.3	10.3	(Dec)
CPI	0.5	0.4	0.3	-0.4	(Jan)

United Kingdom	2014	14Q3	14Q4	Latest	
Real GDP	2.6	2.6	2.7		
Current Acc. Bal. (US$B, ar)		-108.0			
Merch. Trade Bal. (US$B, ar)	-197.6	-211.1	-186.3	-190.6	(Dec)
Industrial Production	1.4	1.0	0.8	0.5	(Dec)
Unemployment Rate (%)		6.0		5.7	(Nov)
CPI	1.5	1.5	0.9	0.3	(Jan)

Italy	2014	14Q3	14Q4	Latest	
Real GDP	-0.4	-0.4	-0.3		
Current Acc. Bal. (US$B, ar)	24.7	41.8	35.8	41.8	(Nov)
Merch. Trade Bal. (US$B, ar)	56.7	58.9	73.4	85.2	(Dec)
Industrial Production	-0.7	-1.1	-1.6	-0.2	(Dec)
CPI	0.2	0.0	0.1	-0.7	(Jan)

Russia	2014	14Q3	14Q4	Latest	
Real GDP		0.7			
Current Acc. Bal. (US$B, ar)	42.7	6.4	10.5		
Merch. Trade Bal. (US$B, ar)	15.7	15.1	13.5	12.9	(Dec)
Industrial Production	-1.6	1.4	2.1	0.9	(Jan)
CPI	7.8	7.7	9.6	15.0	(Jan)

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

Source: Bloomberg, Global Insight, Scotiabank Economics.

Economic Statistics

Asia Pacific

Australia	2014	14Q3	14Q4	Latest
Real GDP		2.7		
Current Acc. Bal. (US$B, ar)		-55.9		
Merch. Trade Bal. (US$B, ar)	13.4	2.6	8.1	31.3 (Dec)
Industrial Production		3.8		
Unemployment Rate (%)	6.1	6.1	6.2	6.4 (Jan)
CPI	2.5	2.3	1.7	

Japan	2014	14Q3	14Q4	Latest
Real GDP	0.0	-1.3	-0.4	
Current Acc. Bal. (US$B, ar)	24.6	63.5	52.0	18.8 (Dec)
Merch. Trade Bal. (US$B, ar)	-121.6	-111.4	-80.7	-41.2 (Jan)
Industrial Production	2.1	-1.1	-1.2	-1.3 (Dec)
Unemployment Rate (%)	3.6	3.6	3.5	3.4 (Dec)
CPI	2.7	3.3	2.5	2.4 (Dec)

South Korea	2014	14Q3	14Q4	Latest
Real GDP	3.3	3.2	2.7	
Current Acc. Bal. (US$B, ar)	89.4	90.3	109.7	86.7 (Dec)
Merch. Trade Bal. (US$B, ar)	47.2	35.7	73.4	64.8 (Jan)
Industrial Production	0.4	1.1	-2.0	-1.2 (Dec)
CPI	1.3	1.4	1.0	0.8 (Jan)

China	2014	14Q3	14Q4	Latest
Real GDP	7.4	7.3	7.3	
Current Acc. Bal. (US$B, ar)	213.8			
Merch. Trade Bal. (US$B, ar)	382.5	513.3	599.6	720.4 (Jan)
Industrial Production	7.9	8.0	7.9	7.9 (Dec)
CPI	1.5	1.6	1.5	0.8 (Jan)

Thailand	2014	14Q3	14Q4	Latest
Real GDP	0.7	0.6	2.3	
Current Acc. Bal. (US$B, ar)	14.2	-0.5	9.8	
Merch. Trade Bal. (US$B, ar)	2.0	1.6	2.5	3.6 (Dec)
Industrial Production	-4.6	-3.8	-2.2	-1.5 (Dec)
CPI	1.9	2.0	1.1	-0.4 (Jan)

India	2014	14Q3	14Q4	Latest
Real GDP	6.9	8.2	7.5	
Current Acc. Bal. (US$B, ar)		-10.1		
Merch. Trade Bal. (US$B, ar)	-11.5	-12.4	-13.2	-8.3 (Jan)
Industrial Production	1.4	1.3	0.5	1.7 (Dec)
WPI	3.8	3.9	0.5	-0.4 (Jan)

Indonesia	2014	14Q3	14Q4	Latest
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		5.8		7.8 (Nov)
CPI	6.4	4.4	6.5	7.0 (Jan)

Latin America

Brazil	2014	14Q3	14Q4	Latest
Real GDP		-0.1		
Current Acc. Bal. (US$B, ar)	-90.9	-77.9	-111.4	
Merch. Trade Bal. (US$B, ar)	-3.9	7.2	-12.9	-38.1 (Jan)
Industrial Production	-3.1	-3.8	-4.0	-4.4 (Dec)
CPI	6.3	6.6	6.5	7.1 (Jan)

Chile	2014	14Q3	14Q4	Latest
Real GDP		0.8		
Current Acc. Bal. (US$B, ar)		-6.7		
Merch. Trade Bal. (US$B, ar)	6.7	4.8	9.1	16.5 (Jan)
Industrial Production	0.4	-0.9	-1.0	0.8 (Dec)
CPI	4.4	4.7	5.3	4.5 (Jan)

Peru	2014	14Q3	14Q4	Latest
Real GDP		1.8		
Current Acc. Bal. (US$B, ar)		-2.3		
Merch. Trade Bal. (US$B, ar)	-0.2	-0.1	-0.1	0.1 (Dec)
Unemployment Rate (%)	6.0	5.7	5.6	6.4 (Jan)
CPI	3.2	2.9	3.2	3.1 (Jan)

Colombia	2014	14Q3	14Q4	Latest
Real GDP		4.2		
Current Acc. Bal. (US$B, ar)		-5.0		
Merch. Trade Bal. (US$B, ar)	-0.5	-0.4	-1.4	-1.5 (Dec)
Industrial Production	1.3	1.2	0.3	2.1 (Dec)
CPI	2.9	2.9	3.5	3.8 (Jan)

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

Source: Bloomberg, Global Insight, Scotiabank Economics.

Financial Statistics

Interest Rates (%, end of period)

Canada	14Q3	14Q4	Feb/13	Feb/20*	United States	14Q3	14Q4	Feb/13	Feb/20*
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	0.52	0.48	3-mo. T-bill	0.02	0.04	0.01	0.02
10-yr Gov't Bond	2.15	1.79	1.43	1.40	10-yr Gov't Bond	2.49	2.17	2.05	2.07
30-yr Gov't Bond	2.67	2.34	2.07	2.06	30-yr Gov't Bond	3.20	2.75	2.65	2.69
Prime	3.00	3.00	2.85	2.85	Prime	3.25	3.25	3.25	3.25
FX Reserves (US$B)	73.6	74.6	74.6	(Dec)	FX Reserves (US$B)	126.0	119.0	119.0	(Dec)
Germany					**France**				
3-mo. Interbank	0.04	0.02	-0.01	-0.01	3-mo. T-bill	-0.03	-0.05	-0.12	-0.11
10-yr Gov't Bond	0.95	0.54	0.34	0.37	10-yr Gov't Bond	1.29	0.83	0.65	0.69
FX Reserves (US$B)	65.1	62.3	62.3	(Dec)	FX Reserves (US$B)	50.6	49.5	49.5	(Dec)
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	-0.05	-0.04	3-mo. T-bill	0.51	0.44	0.43	0.44
FX Reserves (US$B)	329.4	327.6	327.6	(Dec)	10-yr Gov't Bond	2.43	1.76	1.68	1.78
					FX Reserves (US$B)	94.4	95.7	95.7	(Dec)
Japan					**Australia**				
Discount Rate	0.30	0.30	0.30	0.30	Cash Rate	2.50	2.50	2.25	2.25
3-mo. Libor	0.05	0.05	0.04	0.03	10-yr Gov't Bond	3.48	2.74	2.50	2.57
10-yr Gov't Bond	0.53	0.33	0.42	0.39	FX Reserves (US$B)	50.1	50.8	50.8	(Dec)
FX Reserves (US$B)	1234.4	1231.0	1231.0	(Dec)					

Exchange Rates (end of period)

USDCAD	1.12	1.16	1.24	1.25	¥/US$	109.65	119.78	118.75	118.68
CADUSD	0.89	0.86	0.80	0.80	US¢/Australian$	0.87	0.82	0.78	0.78
GBPUSD	1.621	1.558	1.540	1.538	Chinese Yuan/US$	6.14	6.21	6.24	6.26
EURUSD	1.263	1.210	1.139	1.136	South Korean Won/US$	1055	1091	1097	1112
JPYEUR	0.72	0.69	0.74	0.74	Mexican Peso/US$	13.429	14.752	14.885	15.067
USDCHF	0.96	0.99	0.93	0.94	Brazilian Real/US$	2.447	2.658	2.835	2.876

Equity Markets (index, end of period)

United States (DJIA)	17043	17823	18019	17992	U.K. (FT100)	6623	6566	6874	6909
United States (S&P500)	1972	2059	2097	2094	Germany (Dax)	9474	9806	10963	11026
Canada (S&P/TSX)	14961	14632	15265	15168	France (CAC40)	4416	4273	4759	4817
Mexico (IPC)	44986	43146	43072	43192	Japan (Nikkei)	16174	17451	17913	18332
Brazil (Bovespa)	54116	50007	50636	50763	Hong Kong (Hang Seng)	22933	23605	24683	24832
Italy (BCI)	1119	1038	1161	1184	South Korea (Composite)	2020	1916	1958	1961

Commodity Prices (end of period)

Pulp (US$/tonne)	1030	1020	1010	1010	Copper (US$/lb)	3.06	2.88	2.60	2.59
Newsprint (US$/tonne)	605	595	590	590	Zinc (US$/lb)	1.04	0.98	0.98	0.93
Lumber (US$/mfbm)	340	340	319	313	Gold (US$/oz)	1216.50	1206.00	1232.50	1208.25
WTI Oil (US$/bbl)	91.16	53.27	52.78	51.07	Silver (US$/oz)	17.11	15.97	16.86	16.34
Natural Gas (US$/mmbtu)	4.12	2.89	2.80	2.96	CRB (index)	278.55	229.96	229.19	226.44

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

Foreign Exchange Strategy

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