

### MARKET FOCUS RETURNS TO EUROPE

- [Europe — Italians And Austrians Vote Ahead Of The ECB](#) 2
- [Canada — BoC Waiting For Inflation, Exports And Trump](#) 2-3
- [United States — The Calm Before The Hike](#) 3
- [Asia — Chinese, Indian Inflation On Opposite Paths](#) 3-4
- [Latin America — Driven By External Factors](#) 4

### FEATURE ARTICLES

- [Preview ECB December Meeting](#) 5  
*Frédéric Prêtet*
- [BoC Preview — Playing The Waiting Game](#) 6  
*Derek Holt*

### FORECASTS & DATA

- [Key Indicators](#) A1-A3
- [Global Auctions Calendar](#) A4
- [Events Calendar](#) A5
- [Global Central Bank Watch](#) A6

### CONTACTS

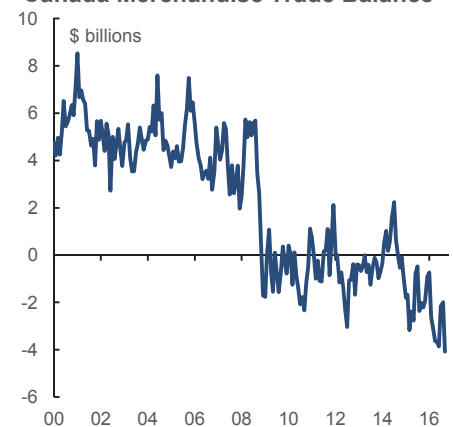
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### Next Week's Risk Dashboard

- ▶ ECB
- ▶ Italian referendum
- ▶ Austrian election
- ▶ China macro hits
- ▶ BoC
- ▶ RBA
- ▶ RBI
- ▶ CDN trade, housing
- ▶ Fed black-out
- ▶ US trade balance
- ▶ German industrial/export readings
- ▶ Australian Q3 GDP
- ▶ CPI: Chile, Colombia

### Chart of the Week

Canada Merchandise Trade Balance



Source: Scotiabank Economics, Statistics Canada.

Chart of the Week: Prepared by: Samantha Cameron, Research Assistant.

## Market Focus Returns To Europe

### EUROPE — ITALIANS AND AUSTRIANS VOTE AHEAD OF THE ECB

If you have felt that Europe has been relatively quiet for some time now, then **next week may offer a sharp reminder of the region's importance in driving the global market tone. An ECB policy decision, Italy's constitutional referendum, and Austria's second Presidential election this year will complement significant data** to lead most major geographic regions in driving the global market tone ahead of the Fed decision the following week.

I have invited Scotia's Paris-based Eurozone economist/strategist Frédéric Prêtet to share his expectations for next Thursday's **ECB meeting** on page 5. The ECB is unlikely to allow QE to expire in March of next year as currently planned, and may step in to calm markets should an adverse response to Italy's referendum ensue.

**On Sunday, December 4<sup>th</sup>, Italians decide whether to back Prime Minister Renzi's proposed constitutional reforms** including Senate amendments that would weaken its influence. This bill has been kicking around since 2014 but the issue has come to a head. The vote is about whether constitutional reforms can be enacted that may support Renzi's quest to more aggressively pursue legislative reforms that could propel faster growth over time. It is also another test of the disturbing rise of populism across the world. Renzi has said he will resign his post if Italians vote 'no' at which point President Sergio Mattarella would need to decide whether to accept the resignation, and if so, appoint an interim government on the path to elections. The fear is that this would only add more political risk to the future of the EU when Europe will already be embroiled in elections (Germany and France), the UK's Article 50 application to withdraw from the EU is pending, and there is the potential for various referenda and parliamentary votes. A 'no' vote could invigorate Beppe Grillo's political standing as the leader of the right wing Five Star Movement. The last poll before a pre-vote ban went into effect showed the 'no' camp ahead by five percentage points. While the short-term market response to a 'no' vote could be negative, some believe that a 'yes' vote would actually work to the benefit of the populist movements over time whereas a 'no' vote could enact electoral reform that could make a victory by populist elements more difficult in future.

**The broad forces re-shaping European politics may also arise in Austria this weekend.** After the country nullified the results of the Presidential election in May due to voting irregularities, Austrians will head back to the polls on Sunday. The choice is between a pro-EU candidate backed by the Green Party (Alexander Van der Bellen) and far right Freedom Party candidate Nobe Hofer. Hofer is running on a — you guessed it — anti-immigration platform that has become all too common with populist movements in the US, UK and Eurozone these days. The catalyst for immigration concerns in this case has been the massive influx of about 120,000 immigrants over the past year into a nation with a population of just under 9 million. Europe's open borders have concentrated much of the refugee inflow upon Austria and Germany as well as Sweden. The primary risk here is that the results could lead to parliamentary elections earlier than would otherwise be planned, and to the possibility of a referendum on the EU.

Data risk is likely to be of third-order consequence to this picture, but not negligible. **Most of the data risk will be centred on Germany's industrial complex** as factory orders (Tuesday), industrial production (Wednesday) and exports (Friday) all gear up for October prints that will materially advance Q4 growth-tracking estimates at this early stage for available data. UK (Wednesday) and French (Friday) industrial production figures will round out a fuller perspective on European industry.

### CANADA — BOC WAITING FOR INFLATION, EXPORTS AND TRUMP

**The Bank of Canada decision on Wednesday will be the main game in town as Canadian markets will also be heavily driven by developments out of Europe on the path to the following week's expected Fed hike.**

Please see the Bank of Canada preview on page 6. In short, **we do not expect a rate change at this meeting** as the Bank of Canada awaits a) tracking evidence of its new preferred inflation gauges to be rolled out later in the month, b) evidence on the durability of recent export gains, and c) clarity on the new incoming US administration's trade policy specifically as applied to Canada.

In the meantime, lagging trade data for October will inform Q4 growth-tracking risks when it arrives on Tuesday. A sharp drop in the dollar value of imports is likely because of a one-off distortion introduced by the importation of a major component for an east coast energy project, but don't be fooled by the associated improvement in the trade balance. Export volumes were up by a low double digit percentage in Q3 over Q2 in seasonally adjusted and annualized terms. Because volumes dipped in September and also contributed to that month's deterioration in the trade deficit, the math heading into Q4 is already on weak footings with a contraction of just over 1% already in the cards before we start to get monthly Q4 data. The BoC appears confident that its heavily revised growth numbers for 2016H2 are on track with the forecasts issued in October, but **reality leaves a large question mark on the durability of export gains** into the fourth and final quarter of the year after what was the best quarter for export gains along a highly volatile path that has been marked by repeated many false starts (chart 1).

Housing starts will be updated with November figures on Friday, and Canada auctions 30 year real return bonds on Friday.

### UNITED STATES — THE CALM BEFORE THE HIKE

The week before the December FOMC meeting on the following Wednesday is expected to be fairly quiet on the domestic calendar. **Most developments in US markets are likely to be driven from abroad and particularly by Europe.**

**Fed speak** will be confined to Monday when NY Fed President Dudley, Chicago Fed President Evans (voting 2017) and St. Louis Fed President Bullard (voting 2016) all speak before the FOMC goes into black-out ahead of the following week's policy meeting.

**Data risk will be fairly light** after the deluge of the past week, and confined to just ISM-services for November on Monday, trade figures for October on Tuesday, factory orders for October on Tuesday, and the University of Michigan's consumer sentiment gauge metric for December on Friday that could follow the latest Conference Board metric higher.

**Out of these releases, the one I will be watching the most carefully into 2017 will be the trade figures.** On the back of the massive appreciation in the broad dollar index, a deterioration in export readings and a pick-up in import figures can be expected to drive a wider trade deficit into the upcoming new year (chart 2). The broad trade-weighted US dollar is at its highest level in about a decade and a half and portends a sharp widening of the trade deficit and — by corollary — greater indebtedness to foreign buyers of US securities like China and Japan as the US runs large trade and probably wider fiscal deficits.

### ASIA — CHINESE, INDIAN INFLATION ON OPPOSITE PATHS

Each of China, Australia and India will face potentially market-moving developments over the coming week but only **China may have the ability to influence the global market tone.**

**Australia's GDP growth rate** is expected to remain around the same half-percentage point range in Q3 over Q2 that it registered the prior quarter. The print nevertheless arrives *after* the Reserve Bank of Australia makes its latest rate decision. **Consensus expects the RBA to leave the cash target rate unchanged** at 1.5% on Monday evening eastern time.

Chart 1

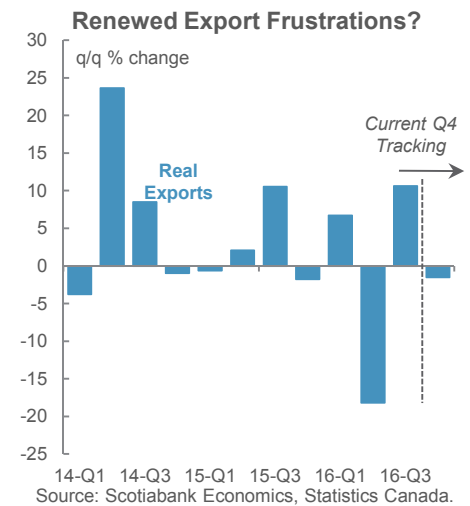
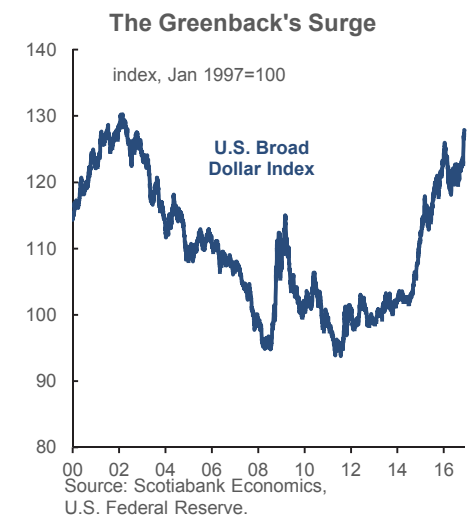


Chart 2



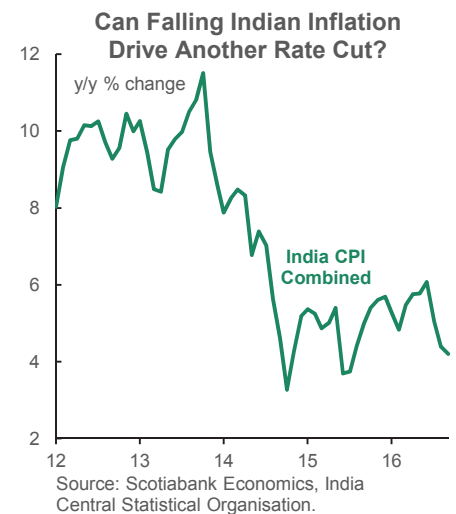
**The more interesting decision may be made by the Reserve Bank of India** on Wednesday morning (ET). Recall that the RBI had cut 25bps to 6.25% on October 4<sup>th</sup>. Since then, CPI inflation declined again to 4.2% y/y in October. That's the slowest pace of inflation since August of last year (chart 3). It lies well within the 2-6% inflation target range and nearly on top of the 4% mid-point target that the central bank has set as an annual policy goal through to 2021. The central bank also has its hands full with the demonetization flap that has caused queues and cash shortages across the economy in its effort to crack down on illegal trade and push toward electronic means of payment.

**China's potential market influences will come in the form of several data releases.** First will be the private sector version of the purchasing managers' index for the service sector and — after the prior release of the manufacturing PMI — the broad economy-wide composite PMI reading. This will further inform growth tracking into the Monday Asian market open, and on the path to export figures for November and CPI figures for the same month with CPI inflation expected to continue tracking marginally higher at over 2% y/y. Foreign direct investment and aggregate financing figures may also be updated. Taiwan and Philippines will also release CPI as further input into Asian inflation-tracking efforts.

### LATIN AMERICA — DRIVEN BY EXTERNAL FACTORS

Latin American markets will probably be driven by external factors over the coming week as domestic developments are expected to be on the rather light side. CPI figures for November will be updated in Colombia (Monday) and Chile (Wednesday).

Chart 3



## Feature Article

### Preview ECB December Meeting

We expect the European Central Bank (ECB) to announce measures to prolong its asset purchase program of €80bn per month for at least 6 months beyond its current end date of March 2017 following the ECB's next meeting on December 8<sup>th</sup>. This decision will be taken despite the fact that, for the first time in many quarters, the Eurozone growth scenario could be slightly revised up in the ECB staff's December macroeconomic projections report. Indeed, the lack of any clear improvement in core inflation and the risk of a premature retightening in financial conditions following the recent rise in interest rates would, in our view, be strong arguments behind this decision.

#### UPWARD BIAS TO DECEMBER MACROECONOMIC FORECASTS

Eurozone business and consumer surveys have sharply recovered in recent months, strengthening the case for a decent acceleration in real GDP growth at the turn of the year. Meanwhile, inflation has started to gradually pick up and, in view of the rise in energy prices, could reach close to 1.5% y/y at the beginning of next year. So, the "reflation" scenario expected by the ECB seems to be on track. The only weak point, however, comes from the lack of improvement in core inflation (excluding food and energy), which has remained stuck at a low level of 0.8% y/y. Nevertheless, for the first time in many quarters, the bias on the macroeconomic scenario could slightly shift on the upside.

**Growth:** Despite the adverse impact of higher interest rates and higher oil prices on households' purchasing power, signs of strengthening global demand as seen by the sharp rise in the global PMI manufacturing index and the positive impact of a weaker EUR suggest that Eurozone real GDP growth could be upwardly revised to around 1.7% y/y over the medium term.

**Inflation:** Higher oil prices also strengthen the case for stronger-than-expected Eurozone inflation next year. Beyond this, however, weak developments in core inflation could force the ECB to remain cautious. As is traditionally the case, the ECB will nonetheless deliver or communicate an inflation forecast that moves back towards the ECB's price target of "below but close to 2.0%" over a 2–3 year horizon.

#### PROLONGING QE THROUGH TECHNICAL ADJUSTMENTS

Despite this improving macroeconomic outlook, "a sustained adjustment in the path of inflation" is far from guaranteed given the poor performance of Eurozone core inflation. Also, downside risks could still prevail in view of the possibility of a premature retightening in financial conditions and various political risks. So, the ECB will likely take the option to continue offering ample liquidity for a prolonged period, likely for six additional months. However, the improving macroeconomic picture does not call for strong action by the ECB, but rather points to the need for technical adjustments to the ECB's current asset purchase program.

It is clear that the recent rise in yields has made the job easier for the ECB to prolong QE, giving it around 4 to 6 extra months to buy German bonds according to our view. Beyond this, we think the ECB could be tempted to increase the upper threshold of high-rated government bonds that it can buy from 33% to 50%. Buying bonds with yields below the ECB's deposit rate of -0.4% could also be an option. On the other hand, changing the capital key could, in our view, be too extreme for most of the ECB board.

Furthermore, additional actions could come through prolonging the TLTRO as it is seen as a useful tool to provide liquidity to the banking sectors. New measures to prolong QE are also expected to come with some changes in collateral rules in order to ease the pressures on the repo market for German bonds. This would, nonetheless, require the Bundesbank to adopt a more flexible approach. Also, easing political risk would be a useful development to ease market's quest for safe-haven German bonds on the repo market.

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Table 1: Potential Change In December Forecast

Growth				
GDP % y/y	2016	2017	2018	2019
<b>ECB (September)</b>	<b>1.7</b>	<b>1.6</b>	<b>1.6</b>	
Base effect/Global growth	0.0	0.1	0.1	0.1
Interest rates	0.0	-0.1	-0.2	-0.2
Oil prices	0.0	-0.1	0.0	0.0
EUR	0.0	0.1	0.1	0.1
<b>Potential forecast</b>	<b>1.7</b>	<b>1.6/1.7</b>	<b>1.6/1.7</b>	<b>1.6/1.7</b>

Inflation				
HICP % y/y	2016	2017	2018	2019
<b>ECB (September)</b>	<b>0.2</b>	<b>1.2</b>	<b>1.6</b>	
Output Gap	0.0	0.0	0.0	0.1
Interest rates	0.0	0.0	-0.1	-0.1
Oil prices	0.0	0.2	0.0	0.0
EUR	0.0	0.1	0.1	0.1
<b>Potential forecast</b>	<b>0.2</b>	<b>1.3/1.4</b>	<b>1.6/1.7</b>	<b>1.7/1.8</b>

## Feature Article

### Playing The Waiting Game

The Bank of Canada is expected to maintain its overnight rate at 0.5% on Wednesday in what is likely to be a low-risk placeholder on the calendar. It will be a statement-only affair at 10amET sans press conference and forecasts. The next full-fledged meeting with fresh forecasts will be on January 20th.

The central bank has communicated somewhat erratically of late but has probably committed itself to a prolonged pause as new information is digested. In the October press conference, Governor Poloz surprised markets by stating that the Governing Council had "actively" considered a rate cut. One might have thought that the US election reinforced this bias, but it was not repeated in recent communications that had Poloz stating "We only incorporate actually announced policy changes, and there haven't been any of those." The reticence to be as clear on the bias in the October statement — as opposed to the press conference — and in more recent communications probably means markets shouldn't expect a clear bias from the pending update.

So what evidence is the BoC waiting on to further inform a likely long-pause bias?

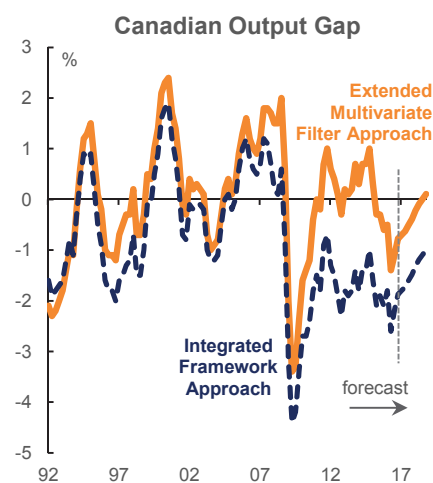
1. **Core inflation:** They shifted to a new batch of three preferred measures in the five-year renewal of the inflation targeting regime and none of them will be published by StatsCan until the CPI report later this month. The last update that was provided by the BoC was in August and back then the common-component CPI registered at +1.6% y/y.
2. **US trade policy.** The uncertainty over NAFTA and the broader global rules of trade needs to be clarified by the US administration among others.
3. **Evidence on investment intentions.** Is uncertainty over NAFTA causing boardrooms to postpone or scale back investment plans? The first sign may come with the BoC's next quarterly Business Outlook Survey that arrives before the next policy decision in January and that will capture a post-US election sample period.
4. **The Fed's dots — and its actions.** There is a limit to the extent to which the BoC can fall behind the Fed in raising rates and that limit is expressed through avoiding a tailspin by USDCAD that would court imported inflation and a national pay-cut. Recall that the BoC began shifting its message when USDCAD crossed the mid-1.30s and then moved north of 1.40 earlier in the year.
5. **Stimulus effects:** We're largely still waiting to see if child benefits, higher immigration, infrastructure plans and tax cuts for lower- and middle-class earners are working to stimulate the economy. Thus far the evidence has been rather deficient.
6. **Are tighter mortgage rules working to dampen housing demand?** Perhaps in Vancouver, but not yet elsewhere, especially Toronto. Tightened mortgage rules probably don't lessen rate sensitivity on the mortgage book, in my opinion.

Given these considerations, it probably makes sense for the BoC to keep its powder dry for now as another cut would put housing policies at odds with each other and a hike is not in the cards amidst such questions. The BoC's forecast for spare capacity to close by mid-2018 may be optimistic (it usually says the gap will shut within its forecast horizon). Both of its gap measures are unlikely to close until well beyond then (chart 1).

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Chart 1



Source: Scotiabank Economics, Bank of Canada.



## Key Indicators for the week of December 5 – 9

### NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	12/05	10:00	ISM Non-Manufacturing Composite	Nov	55.0	55.1	54.8
CA	12/06	08:30	Merchandise Trade Balance (C\$ bn)	Oct	-2.0	--	-4.1
US	12/06	08:30	Productivity (q/q a.r.)	3Q F	--	3.2	3.1
US	12/06	08:30	Trade Balance (US\$ bn)	Oct	-39.0	-40.0	-36.4
US	12/06	08:30	Unit Labor Costs (q/q a.r.)	3Q F	--	0.3	0.3
US	12/06	10:00	Durable Goods Orders (m/m)	Oct F	--	--	4.8
US	12/06	10:00	Durable Goods Orders ex. Trans. (m/m)	Oct F	--	--	1.0
US	12/06	10:00	Factory Orders (m/m)	Oct	2.0	2.4	0.3
US	12/06	10:00	IBD/TIPP Economic Optimism Index	Dec	--	--	51.4
US	12/07	07:00	MBA Mortgage Applications (w/w)	DEC 2	--	--	5.5
CA	12/07	10:00	<b>BoC Interest Rate Announcement (%)</b>	<b>Dec 7</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>
US	12/07	10:00	JOLTS Job Openings (000s)	Oct	--	--	5486
US	12/07	15:00	Consumer Credit (US\$ bn m/m)	Oct	--	15.3	19.3
CA	12/08	08:15	Housing Starts (000s a.r.)	Nov	190.0	--	192.9
CA	12/08	08:30	Building Permits (m/m)	Oct	--	--	-7.0
CA	12/08	08:30	Capacity Utilization (%)	3Q	--	--	80.0
CA	12/08	08:30	New Housing Price Index (m/m)	Oct	--	--	0.2
US	12/08	08:30	Initial Jobless Claims (000s)	DEC 3	260.0	253.0	251.0
US	12/08	08:30	Continuing Claims (000s)	NOV 26	2040	2033	2043
MX	12/08	09:00	Bi-Weekly Core CPI (% change)	Nov 30	0.1	--	0.2
MX	12/08	09:00	Bi-Weekly CPI (% change)	Nov 30	0.4	--	0.8
MX	12/08	09:00	Consumer Prices (m/m)	Nov	0.9	--	0.6
MX	12/08	09:00	Consumer Prices (y/y)	Nov	3.5	--	3.1
MX	12/08	09:00	Consumer Prices Core (m/m)	Nov	0.3	--	0.3
US	12/09	10:00	U. of Michigan Consumer Sentiment	Dec P	--	--	93.8
US	12/09	10:00	Wholesale Inventories (m/m)	Oct F	--	--	-0.4

### EUROPE

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
SP	12/05	03:00	Industrial Output NSA (y/y)	Oct	--	--	1.2
IT	12/05	03:45	Services PMI	Nov	52.5	--	51.0
FR	12/05	03:50	Services PMI	Nov F	52.6	--	52.6
GE	12/05	03:55	Services PMI	Nov F	55.0	--	55.0
EC	12/05	04:00	Composite PMI	Nov F	54.1	--	54.1
EC	12/05	04:00	Services PMI	Nov F	54.1	--	54.1
UK	12/05	04:30	Official Reserves Changes (US\$ bn)	Nov	--	--	-1156.0
UK	12/05	04:30	Services PMI	Nov	--	--	54.5
EC	12/05	05:00	Retail Trade (m/m)	Oct	--	--	-0.2
GE	12/06	02:00	Factory Orders (m/m)	Oct	2.0	--	-0.6
HU	12/06	03:00	GDP (y/y)	3Q F	--	--	2.0
EC	12/06	05:00	GDP (q/q)	3Q F	0.3	--	0.3
GE	12/07	02:00	Industrial Production (m/m)	Oct	0.9	--	-1.8
FR	12/07	02:45	Current Account (€ bn)	Oct	--	--	-3.4
FR	12/07	02:45	Trade Balance (€ mn)	Oct	--	--	-4769.0
UK	12/07	03:30	Halifax House Price (3 month, y/y)	Nov	--	--	5.2
IT	12/07	04:00	Unemployment Rate (%)	3Q	--	--	11.5
UK	12/07	04:30	Industrial Production (m/m)	Oct	--	--	-0.4
UK	12/07	04:30	Manufacturing Production (m/m)	Oct	--	--	0.6
FR	12/08	01:30	Non-Farm Payrolls (q/q)	3Q F	--	--	0.3
EC	12/08	07:45	<b>ECB Main Refinancing Rate (%)</b>	<b>Dec 8</b>	<b>0.00</b>	--	<b>0.00</b>
GE	12/09	02:00	Current Account (€ bn)	Oct	--	--	24.2
GE	12/09	02:00	Trade Balance (€ bn)	Oct	--	--	24.2
FR	12/09	02:45	Central Government Balance (€ bn)	Oct	--	--	-83.0
FR	12/09	02:45	Industrial Production (m/m)	Oct	1.0	--	-1.1
FR	12/09	02:45	Industrial Production (y/y)	Oct	-0.6	--	-1.1
FR	12/09	02:45	Manufacturing Production (m/m)	Oct	0.9	--	-1.1
UK	12/09	04:30	Visible Trade Balance (£ mn)	Oct	--	--	-12698

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

**Key Indicators for the week December 5 – 9**
**ASIA-PACIFIC**

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
AU	12/04	19:30	ANZ Job Advertisements (m/m)	Nov	--	--	1.0
HK	12/04	19:30	Purchasing Managers Index	Nov	--	--	48.2
CH	12/04	20:45	Caixin China Composite PMI	Nov	--	--	52.9
CH	12/04	20:45	Caixin China Services PMI	Nov	--	--	52.4
IN	DEC 4-30		Current Account Balance	3Q	--	--	-0.28
JN	12/05	00:00	Consumer Confidence	Nov	--	--	42.3
AU	12/05	19:30	Current Account (AUD bn)	3Q	--	--	-15.5
AU	12/05	19:30	Australia Net Exports of GDP	3Q	--	--	-0.2
TA	12/05	19:30	CPI (y/y)	Nov	1.8	--	1.7
PH	12/05	20:00	CPI (y/y)	Nov	2.2	--	2.3
PH	12/05	20:00	Core CPI (y/y)	Nov	--	--	2.3
AU	12/05	22:30	<b>RBA Cash Target Rate (%)</b>	<b>Dec 6</b>	<b>1.50</b>	<b>1.50</b>	<b>1.50</b>
ID	DEC 5-6		Consumer Confidence Index	Nov	--	--	116.8
NZ	12/06	16:45	Manufacturing Activity	3Q	--	--	2.2
AU	12/06	19:30	GDP (y/y)	3Q	2.7	--	3.3
MA	12/06	23:00	Exports (y/y)	Oct	--	--	-3.0
MA	12/06	23:00	Imports (y/y)	Oct	--	--	-0.1
MA	12/06	23:00	Trade Balance (MYR bn)	Oct	--	--	7.6
CH	DEC 6-7		Foreign Reserves (US\$ bn)	Nov	3100	3102	3121
JN	12/07	00:00	Coincident Index CI	Oct P	--	--	112.7
JN	12/07	00:00	Leading Index CI	Oct P	--	--	100.3
AU	12/07	00:30	Foreign Reserves (AUD bn)	Nov	--	--	64.9
MA	12/07	02:00	Foreign Reserves (US\$ bn)	Nov 30	--	--	98.3
TA	12/07	03:00	Exports (y/y)	Nov	--	--	9.4
TA	12/07	03:00	Imports (y/y)	Nov	--	--	19.5
TA	12/07	03:00	Trade Balance (US\$ bn)	Nov	--	--	4.4
IN	12/07	04:00	<b>Repo Rate (%)</b>	<b>Dec 7</b>	<b>6.25</b>	--	<b>6.25</b>
IN	12/07	04:00	<b>Reverse Repo Rate (%)</b>	<b>Dec 7</b>	<b>5.75</b>	--	<b>5.75</b>
IN	12/07	04:00	<b>Cash Reserve Ratio (%)</b>	<b>Dec 7</b>	<b>4.00</b>	--	<b>4.00</b>
SI	12/07	04:00	Foreign Reserves (US\$ mn)	Nov	--	--	251364
JN	12/07	18:50	Bank Lending (y/y)	Nov	--	--	2.4
JN	12/07	18:50	Current Account (¥ bn)	Oct	--	--	1821
JN	12/07	18:50	GDP (q/q)	3Q F	0.5	--	0.5
JN	12/07	18:50	GDP Deflator (y/y)	3Q F	-0.1	--	-0.1
JN	12/07	18:50	Trade Balance - BOP Basis (¥ bn)	Oct	--	--	642.4
AU	12/07	19:30	Trade Balance (AUD mn)	Oct	--	--	-1227
CH	DEC 7-8		Exports (y/y)	Nov	--	-6.6	-7.3
CH	DEC 7-8		Imports (y/y)	Nov	--	-1.9	-1.4
CH	DEC 7-8		Trade Balance (USD bn)	Nov	--	47.0	49.1
JN	DEC 7-8		Eco Watchers Survey (current)	Nov	--	--	46.2
JN	DEC 7-8		Eco Watchers Survey (outlook)	Nov	--	--	49.0
JN	12/08	18:50	Japan Money Stock M2 (y/y)	Nov	--	--	3.7
JN	12/08	18:50	Japan Money Stock M3 (y/y)	Nov	--	--	3.2
AU	12/08	19:30	Home Loans (%)	Oct	--	--	1.6
AU	12/08	19:30	Investment Lending (% change)	Oct	--	--	4.6
PH	12/08	20:00	Exports (y/y)	Oct	--	--	5.1
PH	12/08	20:00	Imports (y/y)	Oct	--	--	13.5
PH	12/08	20:00	Trade Balance (US\$ mn)	Oct	--	--	-1890
CH	12/08	20:30	CPI (y/y)	Nov	2.2	2.2	2.1
CH	12/08	20:30	PPI (y/y)	Nov	--	2.1	1.2
MA	12/08	23:00	Industrial Production (y/y)	Oct	--	--	3.2
IN	DEC 8-15		Exports (y/y)	Nov	--	--	9.6
IN	DEC 8-15		Imports (y/y)	Nov	--	--	8.1

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



## Key Indicators for the week December 5 – 9

### LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Indicator</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>
CL	12/05	06:30	Economic Activity Index SA (m/m)	Oct	--	--	0.2
CL	12/05	06:30	Economic Activity Index NSA (y/y)	Oct	-0.7	1.4	1.4
CO	12/05	19:00	Consumer Price Index (m/m)	Nov	--	0.1	-0.1
CO	12/05	19:00	Consumer Price Index (y/y)	Nov	--	5.9	6.5
CL	12/07	06:00	CPI (m/m)	Nov	0.1	--	0.2
CL	12/07	06:00	CPI (y/y)	Nov	3.0	--	2.8
BZ	12/09	06:00	IBGE Inflation IPCA (m/m)	Nov	--	--	0.3
BZ	12/09	06:00	IBGE Inflation IPCA (y/y)	Nov	--	--	7.9
PE	DEC 9-12		Trade Balance (USD mn)	Oct	0.1	--	-0.7

## Global Auctions for the week of December 5 – 9

### NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CA	12/08	12:00	Canada to Sell 30-Year Real Return Bonds

### EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
NO	12/05	06:00	Norway Bond Auction Announcement
UK	12/06	05:30	U.K. to Sell GBP2.5 Bln 1.5% 2026 Bonds
NO	12/07	05:05	Norway to Sell Bonds
NO	12/07	05:05	Norway Bond Auction
GE	12/07	05:30	Germany to Sell EUR3 Bln 0% 2018 Bonds
UK	12/07	05:30	U.K. to Sell GBP2.25 Bln 1.5% 2047 Bonds
SW	12/08	05:03	Sweden to Sell I/L Bonds

### ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CH	12/05	20:20	Inner Mongolia to Sell General Bonds
CH	12/05	21:20	Inner Mongolia to Sell 5-Yr Special Bonds
JN	12/06	03:00	Japan Auction for Enhanced-Liquidity
CH	12/06	22:00	China Plans to Sell Upsized Bonds
JN	12/07	22:45	Japan to Sell 30-Year Bonds
NZ	12/08	20:05	New Zealand Plans to Sell NZD100 Mln 2.5% 2035 I/L Bonds

### LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
BZ	12/06	09:00	Brazil to Sell I/L Bonds
BZ	12/08	09:00	Brazil to Sell LFT

## Events for the week of December 5 – 9

### NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	12/03	09:30	Fed's Dudley Speaks on Financial Regulation in New York
US	12/05	08:30	Fed's Dudley Speaks on Economy and Policy in New York
US	12/05	09:25	Fed's Evans Speaks on Economy and Policy in Chicago
US	12/05	14:05	Fed's Bullard to Speak on U.S. Economic Outlook In Arizona
CA	12/07	10:00	<b>Bank of Canada Rate Decision</b>
US	12/08	09:30	Securities and Exchange Commission Meeting
CA	12/08		Morneau and Poloz Announce Woman for New Bank Note

### EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
IT	12/03	18:00	Italian Referendum on Constitutional Reform
AS	12/04		Austria Repeats Nullified Presidential Election
IT	12/04		Italy Votes on Constitutional Referendum
IT	12/05	04:00	Istat Releases the Monthly Economic Note
EC	12/05	04:00	Euro-Area Finance Ministers Meet in Brussels
UK	12/05	09:50	Bank of England Bond Buying Operation
EC	12/05		EU Energy Ministers Meet in Brussels
EC	12/06	03:00	EU Finance Ministers Meet in Brussels
SW	12/06	04:45	Riksbank's Floden Speaks in Stockholm
UK	12/06	09:50	Bank of England Bond Buying Operation
EC	12/06		NATO Foreign Ministers Meet in Brussels on Dec. 6-7
SW	12/07	02:00	Riksbank's Jansson to Give Speech
SW	12/07	03:30	Nobel Prize Press Conference
SW	12/07	04:00	Swedish Public Employment Service Releases New Forecast
IT	12/07	05:00	Bank of Italy Report on Balance-Sheet Aggregates
SW	12/07	08:00	Swedish Financial Stability Council Meeting
UK	12/07	09:50	Bank of England Bond Buying Operation
EC	12/08	07:45	<b>ECB Main Refinancing Rate</b>
EC	12/08	07:45	<b>ECB Deposit Facility Rate</b>
EC	12/08	07:45	<b>ECB Marginal Lending Facility</b>
EC	12/08		EU Justice Ministers Meet in Brussels
EC	12/09	03:00	ECB's Smets Speaks at Banking Conference in Brussels
EC	12/09	04:45	EU's Juncker Speaks at EU Conference in Maastricht
FR	12/09		France Sovereign Debt to Be Rated by Fitch
UK	12/09		United Kingdom Sovereign Debt to Be Rated by Fitch
EC	12/09		ESM Sovereign Debt to Be Rated by Fitch
EC	12/09		EFSF Sovereign Debt to Be Rated by Fitch

### ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
MA	NOV 28-DEC 3		UMNO General Assembly
UZ	DEC 3-4		Uzbekistan holds presidential election
NZ	12/04	20:00	Treasury Publishes Monthly Economic Indicators
JN	12/04	22:45	BOJ Kuroda speaks at Europlace in Tokyo
NZ	12/05	16:00	N.Z. Government 4-Month Financial Statements
AU	12/05	22:30	<b>RBA Cash Rate Target</b>
JN	12/06	20:30	BOJ Iwata makes a speech in Nagasaki
IN	12/07	04:00	<b>RBI Repurchase Rate</b>
IN	12/07	04:00	<b>RBI Reverse Repo Rate</b>
IN	12/07	04:00	<b>RBI Cash Reserve Ratio</b>
NZ	12/07	19:30	Half-Year Economic and Fiscal Update

### LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CO	12/09	13:00	Colombia Monetary Policy Minutes

Source: Bloomberg, Scotiabank Economics.

## Global Central Bank Watch

### NORTH AMERICA

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
Bank of Canada – Overnight Target Rate	0.50	December 7, 2016	0.50	0.50
Federal Reserve – Federal Funds Target Rate	0.50	December 14, 2016	0.75	0.75
Banco de México – Overnight Rate	5.25	December 15, 2016	5.75	--

**Bank of Canada:** We expect a continued rate pause at 0.5%. Please see the preview on page 6.

### EUROPE

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
European Central Bank – Refinancing Rate	0.00	December 8, 2016	0.00	--
Bank of England – Bank Rate	0.25	December 15, 2016	0.25	--
Swiss National Bank – Libor Target Rate	-0.75	December 15, 2016	-0.75	--
Central Bank of Russia – One-Week Auction Rate	10.00	December 16, 2016	10.00	--
Hungarian National Bank – Base Rate	0.90	December 20, 2016	2.10	--
Central Bank of the Republic of Turkey – 1 Wk Repo Rate	8.00	December 20, 2016	7.50	--
Sweden Riksbank – Repo Rate	-0.50	December 21, 2016	-0.50	--
Norges Bank – Deposit Rate	0.50	December 15, 2016	0.50	--

**ECB:** Please see Frédéric Prêtet's preview on page 5.

### ASIA PACIFIC

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
Bank of Japan – Policy Rate	-0.10	December 20, 2016	-0.10	--
Reserve Bank of Australia – Cash Target Rate	1.50	December 5, 2016	1.50	1.50
Reserve Bank of New Zealand – Cash Rate	1.75	February 8, 2017	1.75	1.75
People's Bank of China – Lending Rate	4.35	TBA	--	--
Reserve Bank of India – Repo Rate	6.25	December 7, 2016	6.25	--
Bank of Korea – Bank Rate	1.25	December 15, 2016	1.25	--
Bank of Thailand – Repo Rate	1.50	December 21, 2016	1.50	1.50
Bank Indonesia – 7-Day Reverse Repo Rate	4.75	December 14, 2016	4.75	--

The **Reserve Bank of Australia** (RBA) and the Reserve **Bank of India** (RBI) will hold monetary policy meetings on December 6th and 7th (local time). We expect the RBA to leave the benchmark interest rate unchanged at 1.50%. Nevertheless, should prospects for employment and household spending weaken over the coming months, we assess that the RBA may lower the benchmark rate one more time in the first half of 2017. The probability of an imminent rate cut by the RBI has increased somewhat; nevertheless, we expect the RBI to wait until early 2017 before it eases monetary conditions further.

### LATIN AMERICA

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
Banco Central do Brasil – Selic Rate	14.00	January 11, 2017	13.75	13.75
Banco Central de Chile – Overnight Rate	3.50	December 13, 2016	3.50	--
Banco de la República de Colombia – Lending Rate	7.75	December 16, 2016	7.75	7.75
Banco Central de Reserva del Perú – Reference Rate	4.25	December 15, 2016	4.25	--

### AFRICA

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
South African Reserve Bank – Repo Rate	7.00	January 24, 2017	7.00	--

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

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