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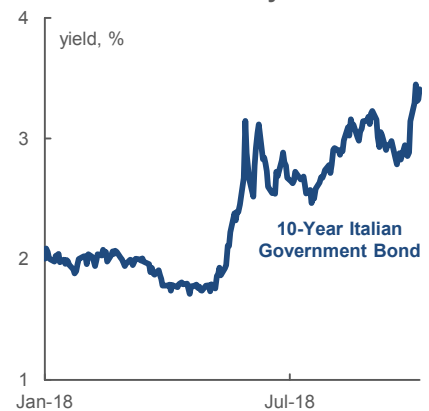
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**Next Week's Risk Dashboard**

- ▶ US earnings
- ▶ US CPI
- ▶ Brazil's election
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- ▶ China financing, trade
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- ▶ UK macro

**Chart of the Week**

**Political Drama in Italy to Continue?**



Sources: Scotiabank Economics, Bloomberg.

Chart of the Week: Prepared by: Sam Fraser, Research Analyst.

## Revise, Then Beat

### UNITED STATES—AN EARNINGS STORM BEFORE THE CALM?

Another CPI inflation report, the start of the Q3 earnings season and even more Fed-speak will be the coming week's main focal points.

Seven S&P500 firms will release earnings with a focus upon **the start of the financials season**. JPM, PNC Financial, Citi and Wells Fargo all release on Friday as teasers to the following week's earnings deluge. The kind of equity market volatility we've been seeing recently isn't terribly unusual at the start of an earnings season roughly demarcated by the vertical lines in chart 1 and when expectations and analysts' estimates are being revised and firmed up. If the usual pattern whereby earnings wind up beating expectations holds, then perhaps that will drive renewed stability as the full season is being digested. To that effect, witness chart 2. Ever since SOX and the aftermath of the dot-com bubble, analysts' estimates have been progressively beaten by more and more—perhaps due to a tendency to take an up-front bath in pre-season estimates. This is much more of a phenomenon in the US than in other markets and may reflect a more risk-averse analyst community over the past two decades.

**Headline CPI might decelerate further** on a year-ago basis but the focus will be upon core CPI ex-food and energy. Gasoline prices will be the prime factor that could knock some wind out of the headline's sails. A year ago, gasoline prices temporarily spiked higher in September over August and then moderated afterward. In year-ago terms, that means that gas prices went from a 17% y/y rise in August of this year to only a 5.6% y/y rise in September. Since gasoline carries about a 4.4% weight in CPI, that could singlehandedly knock a half percentage point off of the year-ago inflation rate. Markets will be much more sensitive to any evidence of further downside pressure upon core CPI after the surprise dip in the August reading to 2.2% from a post-GFC cycle peak of 2.4% the prior month. Producer prices are also on tap the day before CPI and will partly inform tariff effects given the figures push into September.

**The University of Michigan's consumer sentiment reading** for October closes off the release schedule on Friday. Note that replicating the upside seen in the recent Conference Board update of its consumer confidence metric isn't assured, not least because the two readings measure different factors and have been on different paths for some time.

**A wave of six regional Fed Presidents will take to the podium** over the course of the week as well as Governor Quarles who will speak late next Friday night. St. Louis Fed President Bullard speaks on Monday. Dallas Fed President Kaplan, Philly Fed President Harker and NY Fed President Williams (twice) all speak on Tuesday. Chicago Fed President Evans and Atlanta Fed President Bostic both speak on Wednesday and then again on Friday.

The US Treasury auctions 3s, 10s and 30s next week.

### LATIN AMERICA—STILL HEALING

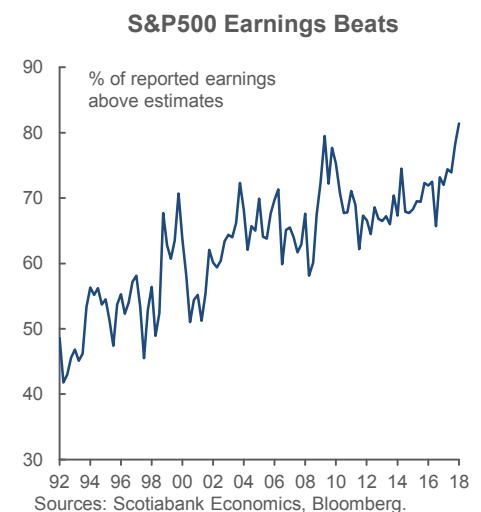
**Brazil's presidential election, Peru's central bank decision and Chilean inflation will be next week's focal points.**

**Brazilians vote in the first-round Presidential election on Sunday, October 7<sup>th</sup> and the aftermath could influence the real at the start of the trading week.** The final round of voting will be on October 28<sup>th</sup>. Years of political turmoil are driving a total lack

Chart 1



Chart 2



of overall conviction toward who may be the best to lead the country. In all, there is a baker's dozen of candidates. Opinion polls put Jair Bolsonaro in the lead (chart 3). Bolsonaro has army roots and represents the right which may be perceived as more market friendly. His divisive influences across a broad cross-section of debates contributed to the fact that he is still recovering from a stabbing at a rally on September 7<sup>th</sup> that almost killed him. The recent history of jailed leaders and the 'car wash' scandal are feeding voter rage in favour of even more unorthodox candidates as the country seeks to heal the turmoil of its recent political past.

**Chilean inflation for September will be released on Monday.** The highest reading since 2016H1 may lie in store. If it crosses 3% y/y as widely expected, then it will be pushing into the upper half of Banco Central de Chile's target range. Key will be the extent to which core inflation—last set at 1.9 y/y in August—remains better behaved.

**Banco Central de Reserva del Peru is widely expected to keep its policy reference rate unchanged** at 2.75% on Thursday. It has been on hold since March when an almost year-long easing campaign dropped the rate by 200bps. Inflation is running at about 1.3% y/y and hence well within the 1–3% inflation target range.

### CANADA—PASS THE LEFTOVERS

Canadian markets start off the week shut on Monday for the Thanksgiving holiday. Indeed, the rest of the week will also be pretty calm.

**What little there is on the docket will be focused upon housing.** New homes under construction might remain above 200k for the eighth time in nine months when starts get released on Tuesday. The number of dwelling units given construction permits has been generally trending higher since mid-2016 and the pattern has persisted into this year.

A pair of house price measures will also be updated including new home prices for August on Thursday and Teranet repeat sales prices during September on Friday. Both measures have markedly decelerated this year (chart 4) but they are posting small gains on a seasonally adjusted month-ago basis which may indicate that the worst adjustment to factors like B20 mortgage guidance is working its way through.

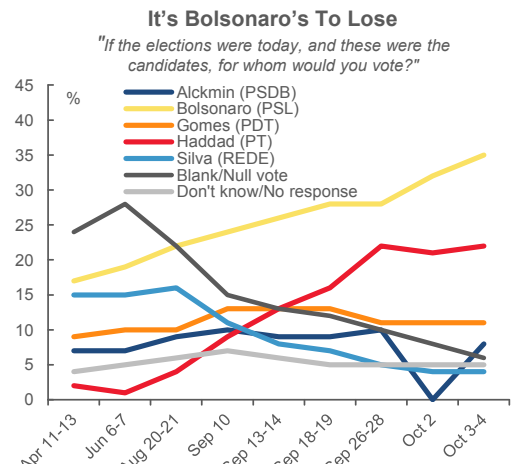
Canada auctions C\$3 billion of two year bonds on Wednesday.

### ASIA-PACIFIC—TWO OUT OF THREE

The degree to which India continues to face inflationary pressure stemming in part from currency weakness may continue to inform EM risks. When combined with significant Chinese macro releases, market developments in two of Asia's three largest economies will be significantly advanced.

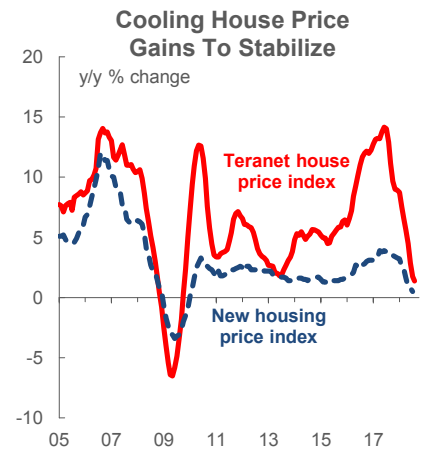
**China will release macro reports and may release financing figures over the coming week. Foreign reserves** are expected to hold around US\$3.1 trillion in this weekend's September update. **China's service and composite private purchasing managers' indices** are also due into the Monday market open and will be parsed for back-up evidence of the slight cooling in the state's manufacturing PMIs that was offset by the improved service sector reading. **Trade figures** for September are due toward the end of the week and the September hits will inform

Chart 3



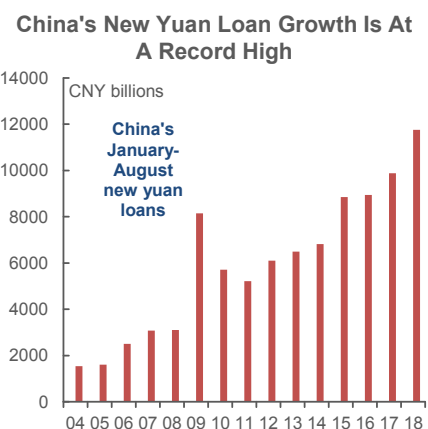
Source: Americas Society/Council of the Americas.

Chart 4



Sources: Scotiabank Economics, Statistics Canada, Teranet & National Bank.

Chart 5



Sources: Scotiabank Economics, Bloomberg.

reactions to tariffs, though it may still be early to expect such influences given supply chain lags. **Financing figures** that cover traditional local currency loans and shadow financing products are due out for September either next week or early the following week. Recall that the year-to-date financing figures have been rather strong again this year with new yuan loan originations setting yet another annual growth record. (chart 5).

**Will India's CPI report for September vindicate the Reserve Bank's recent hawkish hold?** Inflation has ebbed somewhat from nearly 5% y/y just a few months ago to 3.7% and hence well within the 4% +/-2% inflation target range. The median forecaster in Bloomberg's consensus poll expects more of the same over the duration of the year before a mild acceleration into next year that the RBI would have its sights set upon. This forecast bias is sensitive to further risk of depreciation in the rupee given the decade-long and recently accelerating pattern of depreciation relative to the USD (chart 6).

### EUROPE—NO FREE LUNCH

**Italian politics and fiscal policy risks are likely to continue to impact markets over the coming week while most of the central bank focused developments will be in the UK.**

**Italy's Parliamentary Budget Office weighs in on the 2019 budget proposals this Monday as part of the ongoing tensions that will carry through the upcoming week.** The latest proposals have included an increased structural deficit from under 1% this fiscal year to 1.7% of GDP on a sustained basis over each of 2019–2021. A budget must be formally sent to the European Commission by October 15<sup>th</sup> for its review and approval before later passage in Italy's parliament. The cumulative effect of Italy's budgetary tensions has driven the 10 year Italian government bond yield up by about 170bps since May and over half a percentage point just over the past week (chart 7). Populist pump-priming has indeed come at a price.

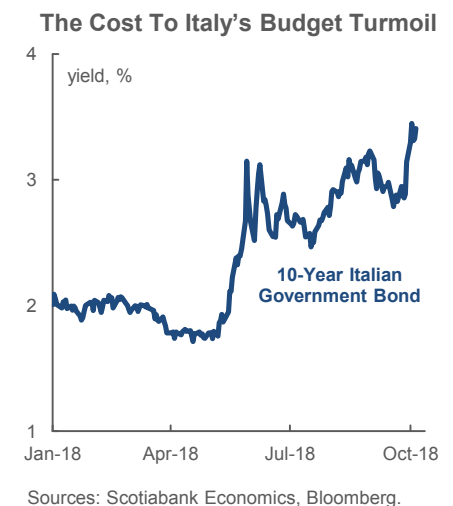
**The Bank of England updates its two main surveys** of credit conditions and bank liabilities on Thursday; August reports for trade, industrial output and services are released on Wednesday.

**Norway's CPI update** on Wednesday may not further drive nearer term policy rate pressures in the wake of the hike by Norges Bank on September 20<sup>th</sup>. Then again, markets will be carefully watching for evidence of further acceleration in underlying CPI inflation after the spikes of the past two months. Most economists think the pressures will abate in the near-term.

Chart 6



Chart 7



**Key Indicators for the week of October 8 – 12**
**NORTH 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>
CA	10/09	08:15	Housing Starts (000s a.r.)	Sep	210	--	201.0
MX	10/09	09:00	Bi-Weekly Core CPI (% change)	Sep 30	0.2	0.1	0.2
MX	10/09	09:00	Bi-Weekly CPI (% change)	Sep 30	0.2	0.1	0.2
MX	10/09	09:00	Consumer Prices (m/m)	Sep	0.5	0.4	0.6
MX	10/09	09:00	Consumer Prices (y/y)	Sep	5.1	5.0	4.9
MX	10/09	09:00	Consumer Prices Core (m/m)	Sep	0.3	0.3	0.3
US	10/10	07:00	MBA Mortgage Applications (w/w)	OCT 5	--	--	0.0
CA	10/10	08:30	Building Permits (m/m)	Aug	--	--	-0.1
US	10/10	08:30	PPI (m/m)	Sep	0.2	0.2	-0.1
US	10/10	08:30	PPI ex. Food & Energy (m/m)	Sep	0.2	0.2	-0.1
US	10/10	10:00	Wholesale Inventories (m/m)	Aug F	--	--	0.8
CA	10/11	08:30	New Housing Price Index (m/m)	Aug	--	--	0.1
US	10/11	08:30	CPI (m/m)	Sep	0.2	0.2	0.2
US	10/11	08:30	CPI (y/y)	Sep	2.4	2.4	2.7
US	10/11	08:30	CPI (index)	Sep	--	252.7	252.1
US	10/11	08:30	CPI ex. Food & Energy (m/m)	Sep	0.2	0.2	0.1
US	10/11	08:30	CPI ex. Food & Energy (y/y)	Sep	2.3	2.3	2.2
US	10/11	08:30	Initial Jobless Claims (000s)	OCT 6	205	210	207
US	10/11	08:30	Continuing Claims (000s)	SEP 29	1660	--	1650
US	10/11	14:00	Treasury Budget (US\$ bn)	Sep	--	--	-214.1
CA	10/12	08:30	Teranet - National Bank HPI (y/y)	Sep	--	--	1.4
US	10/12	08:30	Export Prices (m/m)	Sep	--	0.3	-0.6
US	10/12	08:30	Import Prices (m/m)	Sep	--	0.3	-0.6
MX	10/12	09:00	Industrial Production (y/y)	Aug	-0.4	--	1.4
US	10/12	10:00	U. of Michigan Consumer Sentiment	Oct P	100.5	100.8	100.1

**EUROPE**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Indicator</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>
GE	10/08	02:00	Industrial Production (m/m)	Aug	0.3	0.3	-1.1
GE	10/09	02:00	Current Account (€ bn)	Aug	--	16.3	15.3
GE	10/09	02:00	Trade Balance (€ bn)	Aug	16.1	16.3	16.5
FR	10/10	02:45	Industrial Production (m/m)	Aug	0.1	0.4	0.7
FR	10/10	02:45	Industrial Production (y/y)	Aug	1.4	1.5	1.8
FR	10/10	02:45	Manufacturing Production (m/m)	Aug	--	--	0.5
IT	10/10	04:00	Industrial Production (m/m)	Aug	0.7	0.8	-1.8
UK	10/10	04:30	Index of Services (m/m)	Aug	0.1	0.1	0.3
UK	10/10	04:30	Industrial Production (m/m)	Aug	0.1	0.1	0.1
UK	10/10	04:30	Manufacturing Production (m/m)	Aug	--	0.1	-0.2
UK	10/10	04:30	Visible Trade Balance (£ mn)	Aug	-10500	-10900	-9973
FR	10/11	02:45	CPI (m/m)	Sep F	--	-0.2	-0.2
FR	10/11	02:45	CPI (y/y)	Sep F	--	2.2	2.2
FR	10/11	02:45	CPI - EU Harmonized (m/m)	Sep F	--	-0.2	-0.2
FR	10/11	02:45	CPI - EU Harmonized (y/y)	Sep F	--	2.5	2.5
SP	10/11	03:00	CPI (m/m)	Sep F	--	0.2	0.2
SP	10/11	03:00	CPI (y/y)	Sep F	--	2.2	2.2
SP	10/11	03:00	CPI - EU Harmonized (m/m)	Sep F	--	0.6	0.6
SP	10/11	03:00	CPI - EU Harmonized (y/y)	Sep F	--	2.2	2.2
GE	10/12	02:00	CPI (m/m)	Sep F	--	0.4	0.4
GE	10/12	02:00	CPI (y/y)	Sep F	--	2.3	0.0
GE	10/12	02:00	CPI - EU Harmonized (m/m)	Sep F	--	0.4	0.4
GE	10/12	02:00	CPI - EU Harmonized (y/y)	Sep F	--	2.2	2.2
EC	10/12	05:00	Industrial Production (m/m)	Aug	0.3	0.3	-0.8
EC	10/12	05:00	Industrial Production (y/y)	Aug	--	-0.3	-0.1

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

## Key Indicators for the week of October 8 – 12

### ASIA-PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
SI	10/06		Foreign Reserves (US\$ mn)	Sep	--	--	289479.8
AU	10/07	20:30	ANZ Job Advertisements (m/m)	Sep	--	--	-0.6
CH	10/07	21:45	HSBC Services PMI	Sep	--	51.4	51.5
CH	10/07		Foreign Reserves (US\$ bn)	Sep	3105	3105.0	3109.7
AU	10/08	01:30	Foreign Reserves (AUD bn)	Sep	--	--	71.0
TA	10/08	04:00	Exports (y/y)	Sep	--	--	1.9
TA	10/08	04:00	Imports (y/y)	Sep	--	--	7.9
TA	10/08	04:00	Trade Balance (US\$ bn)	Sep	--	--	4.5
JN	10/08	19:50	Current Account (¥ bn)	Aug	--	1889.6	2009.7
JN	10/08	19:50	Trade Balance - BOP Basis (¥ bn)	Aug	--	-208.0	-1.0
SI	10/08		Real GDP (y/y)	3Q A	2.8	2.6	3.9
JN	10/09	19:50	Machine Orders (m/m)	Aug	--	-3.7	11.0
PH	10/09	21:00	Exports (y/y)	Aug	--	4.6	0.3
PH	10/09	21:00	Imports (y/y)	Aug	--	18.1	31.6
PH	10/09	21:00	Trade Balance (US\$ mn)	Aug	--	-3675.0	-3546.0
JN	10/10	02:00	Machine Tool Orders (y/y)	Sep P	--	--	5.1
SK	10/10	19:00	Current Account (US\$ mn)	Aug	--	--	8757.8
JN	10/10	19:50	Bank Lending (y/y)	Sep	--	--	2.2
CH	10/10		New Yuan Loans (bn)	Sep	1350	1340.0	1280.0
MA	10/11	00:00	Industrial Production (y/y)	Aug	--	2.5	2.6
NZ	10/11	17:30	Business NZ PMI	Sep	--	--	52.0
SK	10/11	19:00	Unemployment Rate (%)	Sep	4.3	4.1	4.2
JN	10/11	19:50	Japan Money Stock M2 (y/y)	Sep	--	2.9	2.9
JN	10/11	19:50	Japan Money Stock M3 (y/y)	Sep	--	2.5	2.5
AU	10/11	20:30	Home Loans (%)	Aug	--	-1.0	0.4
AU	10/11	20:30	Investment Lending (% change)	Aug	--	--	-1.3
JN	10/12	00:30	Tertiary Industry Index (m/m)	Aug	--	0.3	0.1
SI	10/12	01:00	Retail Sales (y/y)	Aug	--	-1.5	-2.6
IN	10/12	08:00	CPI (y/y)	Sep	4.00	--	3.69
IN	10/12	08:00	Industrial Production (y/y)	Aug	--	--	6.60
CH	10/12		Exports (y/y)	Sep	--	8.7	9.8
CH	10/12		Imports (y/y)	Sep	--	14.5	19.9
CH	10/12		Trade Balance (USD bn)	Sep	--	24.6	27.9

### LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CL	10/08	07:00	CPI (m/m)	Sep	0.4	0.5	0.2
CL	10/08	07:00	CPI (y/y)	Sep	3.2	3.3	2.6
BZ	10/11	08:00	Retail Sales (m/m)	Aug	--	--	-0.5
BZ	10/11	08:00	Retail Sales (y/y)	Aug	--	--	-1.0
PE	10/11	19:00	Reference Rate (%)	Oct 11	2.75	2.75	2.75

## Global Auctions for the week of October 8 – 12

### NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	10/10	11:30	U.S. to Sell USD36 Bln 3-Year Notes
CA	10/10	12:00	Canada to Sell CAD3 Bln 2% 2020 Bonds
US	10/10	13:00	U.S. to Sell USD23 Bln 10-Year Notes Reopening
US	10/11	13:00	U.S. to Sell USD15 Bln 30-Year Bonds Reopening

### EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
NE	10/09	05:30	Netherlands to Sell Up to 1B Euros of 2.75% 2047 Bonds On
GE	10/09	05:30	Germany to Sell EUR500 Mln 0.1% I/L 2026 Bonds
SZ	10/10	05:15	Switzerland to Sell Bonds
GE	10/10	05:30	Germany to Sell EUR3 Bln 0.25% 2028 Bonds
PO	10/10	05:30	Portugal to Sell 2.125% 2028 Bonds
IT	10/11	05:00	Italy to Sell Bonds
SW	10/11	05:03	Sweden to Sell 500 Million Kronor of 0.125% 2032 Linkers

### ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
AU	10/07	20:00	Australia To Sell AUD500 Mln 2.75% 2028 Bonds
CH	10/08	21:30	Ningxia to Sell Bonds
AU	10/09	20:00	Australia To Sell AUD1000 Mln 2.5% 2030 Bonds
CH	10/09	21:30	Ningxia to Sell Bonds
CH	10/09	22:35	China To Sell CNY39 Bln 3-Yr Bonds
CH	10/09	22:35	China to Sell CNY39 Bln 7-Yr Upsized Bonds
NZ	10/10	21:05	New Zealand To Sell NZD250 Mln 3% 2029 Bonds
JN	10/10	23:35	Japan to Sell 30-Year Bond
CH	10/11	02:00	Tianjin to Sell Bonds

Source: Bloomberg, Scotiabank Economics.

## Events for the week of October 8 – 12

### NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	10/08	05:30	Fed's Bullard Speaking in Singapore
US	10/09	10:35	Fed's Williams, Indonesia Cen. Bank's Warjiyo speak to press
US	10/09	13:00	Fed's Harker Speaks on Importance of Education to the Economy
US	10/09	21:15	Fed's Williams Speaks on Recent Monetary Policy Developments
US	10/10	18:00	Fed's Bostic Speaks on Economic Outlook
US	10/12	09:30	Fed's Evans Takes Part in Moderated Discussion on Economy
US	10/12	12:30	Fed's Bostic Discusses Recruitment, Economics & Public Policy
US	10/12	22:30	Fed's Quarles Speaks at IIF Event in Bali
US	10/12		United States of America Sovereign Debt to Be Rated by Moody's

### EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
NO	10/08	02:00	Norway Releases 2019 Budget Forecasts
IT	10/08	09:00	Parliamentary Budget Office Head Speaks to Lawmakers on Budget
SW	10/09	03:00	Riksbank's Skingsley Speaks in Stockholm
SW	10/09	04:45	Riksbank's Ingves Gives Speech in Bangkok
EC	10/09	09:30	ECB's Francois Villeroy de Galhau speaks in Paris
SW	10/10		Riksbank's Ohlsson Gives Speech
PO	10/12		Portugal Sovereign Debt to Be Rated by Moody's

### ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
NZ	10/08	20:00	N.Z. Government 12-Month Financial Statements
SW	10/09	04:45	Riksbank's Ingves Gives Speech in Bangkok
AU	10/10	18:30	RBA's Ellis gives speech in Melbourne

### LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
BZ	10/07		Presidential -- First Round
PE	10/11	19:00	<b>Reference Rate</b>



## 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	1.50	October 24, 2018	1.75	1.75
Federal Reserve – Federal Funds Target Rate	2.25	November 9, 2018	2.25	2.25
Banco de México – Overnight Rate	7.75	November 16, 2018	8.00	7.75

### 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	October 25, 2018	0.00	0.00
Bank of England – Bank Rate	0.75	November 1, 2018	0.75	0.75
Swiss National Bank – Libor Target Rate	-0.75	December 13, 2018	-0.75	-0.75
Central Bank of Russia – One-Week Auction Rate	7.50	October 26, 2018	7.50	n/a
Sweden Riksbank – Repo Rate	-0.50	October 24, 2018	-0.50	-0.25
Norges Bank – Deposit Rate	0.75	October 25, 2018	0.75	0.75
Central Bank of Turkey – Benchmark Repo Rate	24.00	October 25, 2018	24.00	na

### 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	October 31, 2018	-0.10	-0.10
Reserve Bank of Australia – Cash Target Rate	1.50	November 6, 2018	1.50	1.50
Reserve Bank of New Zealand – Cash Rate	1.75	November 8, 2018	1.75	1.75
People's Bank of China – Lending Rate	4.35	TBA	--	4.35
Reserve Bank of India – Repo Rate	6.50	December 5, 2018	6.75	6.75
Bank of Korea – Bank Rate	1.50	October 18, 2018	1.75	1.75
Bank of Thailand – Repo Rate	1.50	November 14, 2018	1.50	1.50
Bank Negara Malaysia – Overnight Policy Rate	3.25	November 8, 2018	3.25	3.25
Bank Indonesia – 7-Day Reverse Repo Rate	5.75	October 23, 2018	6.00	6.00
Central Bank of Philippines – Overnight Borrowing Rate	4.50	November 15, 2018	4.75	4.25

### 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	6.50	October 31, 2018	7.00	6.75
Banco Central de Chile – Overnight Rate	2.50	October 19, 2018	2.50	2.75
Banco de la República de Colombia – Lending Rate	4.25	October 26, 2018	4.25	4.25
Banco Central de Reserva del Perú – Reference Rate	2.75	October 12, 2018	2.75	2.75

**Banco Central de Reserva del Perú:** No rate change is expected on Friday. Inflation is running at 1.3% y/y which remains toward the lower bound of the 1-3% inflation target range.

### 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	6.50	November 22, 2018	6.50	6.75

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