

**YELLEN'S SWAN SONG**

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**Next Week's Risk Dashboard**

- ▶ CBs: FOMC, ECB, BoE...
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**Chart of the Week**

**Banxico to Overtake BCB?**

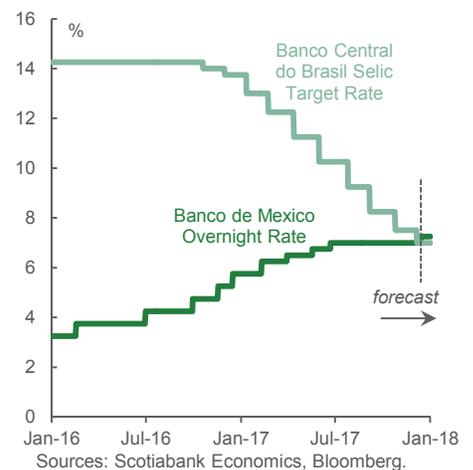


Chart of the Week: Prepared by: Raffi Ghazarian, Senior Research Analyst.

## Yellen's Swan Song

### UNITED STATES — THE FED WILL KICK OFF A RUSH OF GLOBAL CENTRAL BANK DECISIONS

**The Federal Reserve meeting on Wednesday and top tier data in the form of CPI and retail sales will combine with three policy risks over the coming week.** One is the never-ending tax policy dialogue with both chambers of Congress in conference hashing out a cohesive plan that settles sharp differences between the House and Senate versions of the Tax Cuts and Jobs Act. Two is geopolitical risk that has escalated largely as a product of actions taken by the US administration. Three is progress toward a spending and debt ceiling agreement by December 22<sup>nd</sup> that either extends funding on a temporary basis again or achieves a more durable solution. Why would the year end with anything less than the same sort of policy turmoil that has existed since the new year!

**The FOMC meeting on Tuesday into Wednesday** culminates in the policy statement at 2pmET along with the Summary of Economic Projections that includes the revised 'dot plot', followed by Chair Yellen's last full meeting press conference at the helm. **The first order of business is to congratulate Chair Yellen.** She deserved a second term after a fine performance and can go out with her head held high regarding the leadership she has provided. While she will be back to chair the January 31st 2018 meeting, that will be a statement only event, making this meeting her last command performance. Here's a rundown of core expectations:

#### 1. A 25bps hike in the Fed funds target range to 1.25–1.5%.

Every notable economics shop in the diluted sample of 83 voices captured within Bloomberg's consensus expects as much and markets are fully priced for it. Minutes to the November 1<sup>st</sup> meeting noted that "many" FOMC officials advocated a hike in the "near term" which was taken as strengthened guidance for a hike this month.

#### 2. 'Dot plot' revisions?

I would expect a path of not-forecast forecasts in the dots similar to the last projections in September when three hikes were built-in for 2018 leading to a neutral nominal policy rate of about 2¼%. First, with nascent signs of an up-tick in inflation and following two quarters of above-3% growth and stronger-than-expected payrolls, it would be unusual for the participants to suddenly back off. It may also be unusual to expect conviction on fiscal policy effects late in the cycle to draw out more hikes. Of course there is also the issue that at a point of leadership transition and ahead of a rotation of voting regional Fed Presidents, the FOMC consensus may leave any alteration of rate projections until incoming Chair Powell takes the helm. Polite professional deference could well avoid any upheavals to close out Yellen's term. Ditto for entertaining talk of a revised policy apparatus that would embrace some members' preferences (eg. Williams) to debate concepts like price level targeting. Also note that Stanley Fischer's dots will be removed this time, given his retirement. That may slightly skew the average projection but, for 2018, this isn't expected to alter the median estimate.

#### 3. Continued guidance that soft inflation is transitory.

Recent core PCE and core CPI readings provide early evidence of a turn higher (chart 1), so it would be unusual if the FOMC consensus changed its thinking at this point. Thus, the tone of the discussion at the prior meeting is likely to be preserved at this one. On that note, recall that the minutes to the November 1<sup>st</sup> meeting (recapped [here](#)) showcased some divisions on whether soft inflation is transitory or not but the central tendency thought was firmly in the transitory camp. Here we can recall the main passages from the minutes in this regard:

- *"Most participants continued to think that the cyclical pressures associated with a tightening labor market were likely to show through to higher inflation over the medium term."*

Chart 1



- *“Many participants judged that much of the recent softness in core inflation reflected temporary or idiosyncratic factors and that inflation would begin to rise once the influence of these factors began to wane.”*
- *“Some other participants were concerned about upside risks to inflation in an environment in which the economy had reached full employment and the labor market was projected to tighten further, or about still very accommodative financial conditions.”*
- *“Some members expressed concerns about the outlook for inflation expectations and inflation; they emphasized that, in considering the timing of further adjustments in the federal funds rate, they would be evaluating incoming information to assess the likelihood that recent low readings on inflation were transitory and that inflation was on a trajectory consistent with achieving the Committee’s 2 percent objective over the medium term.”*

#### 4. Small forecast revisions

A small upgrade to GDP forecasts particularly in 2018 is possible while leaving longer-run projections unchanged. By contrast, forecasts for core PCE inflation may be slightly lowered next year with the Fed currently a little above consensus and perhaps not comfortably so. Risks include whether unemployment rate projections are lowered in light of the fact that at 4.1% presently, the Fed is currently signalling no further expected progress over the next 2–3 years. I don’t expect material revisions keyed off potential tax reforms a) because they have yet to be passed, b) their composition and timing remains uncertain, and c) the effects are likely expected to be modest anyway.

#### 5. Press conference

Apart from likely kind words from the press during her final press conference after what I think was a very fine performance in office, Chair Yellen is likely to continue to note that the FOMC consensus thinks soft inflation is transitory and that it expects a modest impact from fiscal policy changes. That view is supported by slight improvement in inflation readings and somewhat improved odds of achieving tax reforms compared to the last meeting.

**Data risk will be focused upon CPI on Wednesday before the Fed and retail sales the day after.** November CPI could get a gas price boost to headline but core is expected to remain stable at around 1.8% y/y. The core reading will inform the debate over whether inflation is turning higher following slight, nascent signs of this over the past couple of months including the Fed’s preferred PCE price deflator that gets updated on December 22 (chart 1 again).

As for retail sales, consensus expects a modest headline gain but that might be a tough target to defend. The report always includes an assessment of the critical Thanksgiving/Black Friday/Cyber Monday week but it would take a strong reading for core sales to drive a robust headline print. Auto sales fell by about 4% m/m from 18 million at an annualized rate in October to 17.35 million in November. That’s still elevated, but coming off the boil as post-hurricane replacement demand ebbs. Further, average regular unleaded gasoline prices rose by only 2% m/m and gas stations are about 8% of retail sales plus include gasoline volume effects and ancillary products and services.

Other data risk will be relatively minor and particularly focused upon the industrial sector. Industrial output will be shooting for a third consecutive gain after a brief summertime swoon (Friday). The NY Fed’s Empire manufacturing survey arrives the same day but rarely informs the path to ISM as opposed to the Richmond and Philly metrics. The week starts with the JOLTS survey that includes job vacancies that remain at their highest since data began in 2000 (Monday).

#### LATIN AMERICA — STILL DIVERGENT CENTRAL BANKS?

**Four central banks—one probably still in hike mode, the others possibly facing cut risk—will be the dominant influence upon local currencies and the broad regional rates complex over the coming week.**

**Banxico is expected to hike by 25bps next Thursday at 2pmET.** CPI inflation landed at 6.6% y/y which is essentially tied with August’s reading for the highest inflation rate since May 2001. Much but not all of a hike is priced in. A complicating factor is uncertainty well ahead of the Presidential election next July 1<sup>st</sup>. **A fresh poll put the PRI’s Jose Antonia Meade in third place with 16% support.** The poll was taken from December 1–4 after Meade resigned as Finance Minister to enter the race and so at

this still early stage it does not suggest that his entry is tilting the balance of opinion. Meade is a strong candidate but is less well known to many Mexicans. **The leftist candidate from the MORENA Party, Andres Manuel Lopez Obrador, is in first place at 31%.** National Action Party's Ricardo Anaya who heads a coalition of parties came in at 23%. The peso has been on a wild ride over the past two years and has recently started to depreciate again (chart 2). See Eduardo Suárez's write up on the Mexican election [here](#).

**There may be cut risk into the decision by Banco Central de Chile at 4pmET next Thursday.** That's because of a combination of inflation figures and central bank guidance. Chilean CPI inflation was unchanged at 1.9% y/y in November but core inflation (ex-food and energy) slipped a tick to 1.8%. Inflation remains below the bottom of the central bank's 3% +/- 1% target range. The policy rate has been held flat since May and no one within consensus presently expects a rate change next week. Having said that, the central bank just this past Monday noted "Downward deviations in short-term inflation should be monitored with special attention. Inflation convergence could be affected, in which case a more expansionary monetary policy would be required." Then inflation data arrived.

**There could also be cut risk into the rate decision by Banco Central de la Republica de Colombia next Thursday.** Inflation is hardly screaming for a cut. November's CPI reading climbed a tick to 4.1% y/y and core CPI did likewise to 4.8% which puts inflation by both readings slightly above the upper limit of the 3% +/-1% inflation target range. But that hasn't stopped the central bank from steadily cutting this year. Colombian Finance Minister Mauricio Cardenas—who is on the central bank's board—recently didn't deny risk of a cut but flagged that the easing cycle is approaching a limit: "The markets have expected the rate to reach 4.50%, and it is already at 4.75%, but it must be remembered that this has limits. It is not a process of prolonged reduction indefinitely in time. It will get to a moment where it can't be cut anymore." The central bank has been focused upon soft growth that, in Q3, was only 2% y/y and that was the best growth in six quarters.

Guess what? If you're good at spotting patterns, then you've probably guessed by now that **Banco Central de Reserva del Peru's rate decision a) will also be next Thursday, and b) also offers cut risk.** The central bank has eased four times this year including last month when the central bank eased following a weaker-than-expected CPI report. Well déjà vu, as November's CPI reading fell to 1.5% y/y from 2% the prior month and now sits at its lowest reading since May 2010. The central bank targets inflation of 2% +/-1% and its General Manager Renzo Rossini recently remarked that he expects inflation to rise to 2% in 2018 but that may well embed expectations of further easing to achieve this target.

**Regional data risk will play a far distant role to central banks but it will include three types of updates.** One is Argentina's updated CPI inflation rate that remains stratospheric at about 23% y/y in Buenos Aires which makes it little wonder why the central bank's 7-day repo reference rate is 28.75%. Nevertheless, inflation is actually low by the standards of the past decade and well below the peak of about double that just three years ago. I suppose you could say reforms are working in the right direction. Second will be industrial output estimates from Mexico and Colombia. Last will be retail sales estimates for Colombia and Brazil.

## CANADA — BUY, SELL OR HOLD?

**Bank of Canada communications will be the main focal point in Canadian markets next week alongside relatively minor data risk and an awkwardly timed auction.**

**BoC Governor Poloz speaks on Thursday in Toronto at the Canadian Club.** He speaks at about 12:40pm, but his remarks will hit the tapes at 12:25pmET. That's twenty-five minutes after the auction of two-year Government of Canada bonds. The Bank of

Chart 2

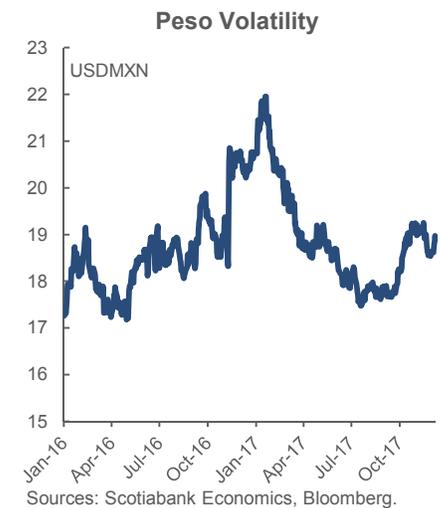
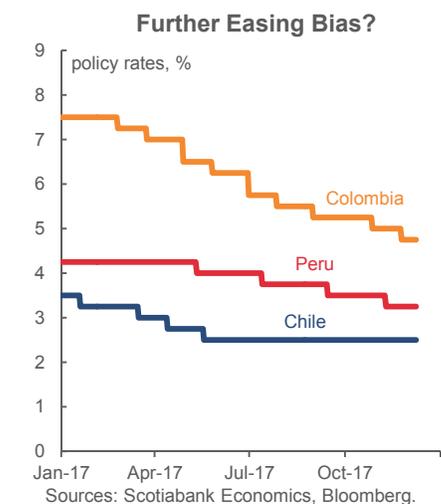


Chart 3



Canada set the quarterly bond auction schedule on September 21<sup>st</sup> and hence was the first to know the auction was coming at this time and day. Why schedule a speech by the Governor moments after everyone has expressed a view and taken positions on fair value for short-term rates? If smooth auctions for debt management purposes and proper market functioning are at all important, then a fix could be inserting a simple radio interview ahead of the auction that largely advances the message. As for the topic, it won't be known until Monday given the BoC's practice of disclosing topics just three days in advance in contrast, say, to the Fed that often discloses topics well in advance. **I would expect Poloz to generally stay on track with recent messaging provided in the latest BoC statement ([here](#)).**

**The main—but modest—data risk will be the next day's manufacturing report for October.** A decent sales gain is expected and, if it happens, this would be the third straight monthly gain. One driver could be that we already know exports were up by 2.7% m/m in value terms during October and key manufacturing-related categories participated in the upswing, like autos (+1.2%), electronics (+2.2%), industrial machinery (+2.5%), energy (+2.7%) and consumer goods (+1.5%). The export gain doesn't cement prospects for manufacturing sales since exports could have been partly driven by selling out of inventories and don't inform us about what might have happened to domestic sales. A broader driver of manufacturing sales is that new orders were up sharply in August and only gave some of that back in September.

The rest of the data focus will inform the housing debate but with little if any consequence to short-term market directions. The Teranet repeat-sales house price metric arrives Wednesday for November, Statistics Canada's new house price index for October arrives Thursday and existing home sales for November arrive on Friday. Seasonally adjusted home resales have risen for the past three months and so momentum is headed toward a quarterly gain in Q4 after two large double-digit percentage sales declines in Q2 and Q3. Toronto's prices are down in year-ago terms and will probably follow the pattern observed in Vancouver where prices are recovering from the immediate aftermath of the foreign buyers tax that is a transitory influence (chart 4).

**Canada's Finance Ministers meet on December 10–11.** Scotiabank's Mary Webb notes that among potential issues is Ottawa's proposed 50/50 split of its suggested excise tax of \$1.00/gram or 10% on all cannabis product sales (plus GST/HST), despite the Provinces' concern that they are assuming the majority of related expenses. At this meeting, each Province and Territory will receive its major federal transfer amounts (Equalization, Territorial Formula Financing, and the Canada Health & Social Transfers) for the upcoming fiscal 2018–19 (FY19) starting April 1, 2018. Discussions also will include proposed changes in the scheduled update of the Equalization formula for FY20.

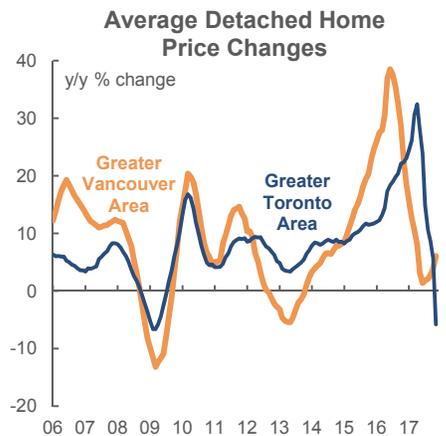
## ASIA — INFORMING KEY REGIONAL DEBATES

**Not to be outdone, Asia will deliver a pair of central bank decisions, and a series of high-profile economic reports across the region's major economies that will contribute important information at the margin to a number of key debates.**

**Will Bank Indonesia alter its monetary policy stance next Thursday?** After cutting by 25bps in each of August and September, the central bank shifted to the sidelines over the subsequent two decisions. Since then, however, two inflation reports edged lower and reversed an upward trend over the first half of the year. At 3.3% y/y, inflation is not breaching the bands of the 4% +/-1% target range, but the trend may motivate a debate over taking out insurance against further downside.

**Bank Indonesia may be more interesting as a test case of the risks facing bitcoin fans. And 'fans' is a deliberate choice of words since I can't by any stretch of imagination call these people investors.** Bank Indonesia just banned the digital currency as a medium of exchange and joined the list of countries tightening the restrictions, including China which has banned initial coin offerings by companies and banned it at banks. Policy risks may rise with Banxico's former Governor Agustin Carstens now running the central bank to central banks (the BIS) and declaring digital currencies and financial technology to be his top two interests while noting bitcoin "should at least raise some eyebrows." This remains among the risks facing fans of bitcoin, in that

Chart 4



Sources: Scotiabank Economics, The Canadian Real Estate Association, Toronto Real Estate Board, Real Estate Board of Greater Vancouver.

there is an unknown point at which central banks' interests in preserving monopoly issuance of local currencies (expressed in terms of concern over controlling monetary policy and risks to the financial system) join forces with regulators to clamp down. A speculative tax imposed upon currency conversion or when deposited into the financial system could abruptly cool bitcoin. Bitcoin is not a store of value. In some markets, it is likely being partly used for illicit purposes by sophisticated (and not so sophisticated) criminals which goes against decades of focus upon anti-money laundering and stemming financing of illegal activities. Bitcoin is a questionable (and temporary?) medium of exchange, offers no income stream, and is facing resistance among clearing houses toward development of a futures market starting next week that introduces more of a short side to the market. Hardly the stuff of patient value investors, but symptomatic of a whole lot of liquidity sloshing around the world, flattening yield curves under global chase for yield pressures, driving stocks sky high, restoring US house prices to record highs and taking many other markets along for the ride while some asset classes like oil remain more subdued.

**Bangko Sentral ng Pilipinas also delivers a rate decision next Thursday.** Inflation has trended upward from slightly sub-zero readings in mid-2015 to 3.3% y/y last month. The IMF has warned of overheating risks in the economy, and yet the inflation rate is within the 3% +/-1% target band. Governor Espenilla countered the IMF with a race car metaphor, noting how its engine can "get hot along the way" without necessarily overheating. That may be a bias signal that he won't do anything next week. Consensus points to Q1–Q2 facing the risk of tightening and ending 2018 with a cumulative half point hike. If growth keeps running at the Q3 pace of 6.9% y/y then hikes are not hard to envision.

**For China, the issue at hand in the near term is a series of routine data updates including a pending CPI reading this weekend.** Next Wednesday night (eastern time) brings out retail sales and industrial output that will likely be 10-handled and 6-handled, respectively, and in keeping with the trends. It's uncertain when we'll get money supply and aggregate financing/credit figures, but they should be out before week's end. We're in the dead zone for the financing figures with the year largely in the books and ahead of the seasonal surge in January when fresh lending quotas get pumped out and set the tone for the year. Despite all of the hype about tightening credit, authorities allowed higher total financing quotas than ever before at the start of this year and the full year's financing has been within the norm of the financing acceleration over the past decade (chart 5). Put actions over words when watching China.

**Japan updates its Tankan survey on Thursday night.** Will it continue to join the upward momentum in global manufacturing that the prior quarterly report for Q3 signalled (chart 6)? To repeat, there is nothing uniquely American going on in global manufacturing circles. Everyone is bringing it home in a synchronous global upswing that has been in place for generally the past couple of years.

**Was Australia's jobs slowdown in October (+3,700) an aberration?** After a string of strong gains this year, October's was a let-down but next Wednesday night's tally will inform a trend.

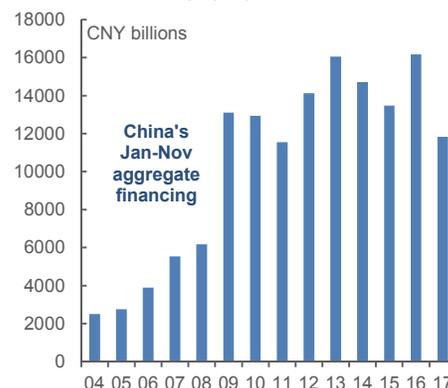
**India's inflation update for November will be worth a peek** on Tuesday morning. Consensus is expecting it to cross 4% y/y for the first time since October of last year before demonetization efforts kicked in and sapped pricing power. Is the worst of the disinflationary pressure reversing sustainably higher?

## EUROPE — APOCALYPSE AVERTED

**Four western European central banks ride into markets to issue policy decisions on Thursday but none of them are expected to alter their stances or offer meaningful market effects.** With the Brexit dialogue shifting to the longer tailed trade negotiations and shifting to the backburner for a time, much of the residual focus across European markets will be upon several economic reports.

Chart 5

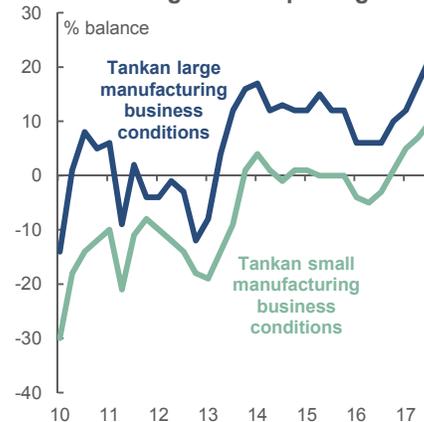
### You Say China's Cooling Credit Growth??



Sources: Scotiabank Economics, Bloomberg.

Chart 6

### Japanese Manufacturers Still Joining Global Upswing?



Sources: Scotiabank Economics, Bloomberg.

**The Bank of England is nearly universally expected by economists and traders alike to leave policy unchanged with Bank rate left at 0.5%.** Governor Carney has guided that a pair of rate hikes through to 2020 may be about the limit of the tightening cycle. More specifically, his exact quote about a month ago was: “We’ll see how the economy evolves. If it evolves broadly in line with our projections we would probably raise interest rates a couple of times over the next few years.” Tuesday’s CPI report may further inform policy risks but the expectation is for inflation to be topping out at about 3% and thereby averting the over-3 threshold that triggers some letter writing amid expectations for downward pressure on inflation in 2018. Topping inflation, by corollary, poses no pressure for a quick follow-up rate hike amidst ongoing Brexit negotiations.

**The ECB is also expected to jawbone while keeping policy measures intact.** The central bank is unlikely to be terribly exciting to watch for some time as it moves into extending bond purchases through to next September at a diminished pace while guiding that rate hikes would follow well after and likely reduce reinvestment well after that if it follows the Fed’s path of reinvesting until the rate normalization process is well underway.

**With the ECB in a holding pattern, its cousins will probably do likewise.** Norges Bank and the Swiss National Bank are expected to hold policy on Thursday. The former will be guided by still-soft inflation that, at a little over 1% y/y on headline and core, remains well below the 2½% target.

**Russia’s central bank is universally expected to cut its policy rate on Friday.** The catalyst is that at 2.5% y/y in November, inflation is considerably below the 4% inflation target and more so on core inflation that is running at 2.3%. Headline inflation, in fact, is running at its lowest since the 3.6% trough in April 2012 which, in turn, was the weakest in records back to 1992 (chart 7). Some of the drivers of soft inflation are thought to be transitory, but the magnitude of the downside and the risk it has not bottomed yet are driving the central bank toward taking out further policy insurance. Since a peak three years ago, a quarter point cut next week would bring cumulative easing to nine percentage points’ worth of rate cuts.

Turkey’s central bank weighs in on Thursday but it is not expected to alter its key policy rates.

**Data risk will also be a factor.** Another batch of **purchasing managers’ indices** arrives for the Eurozone economies on Thursday and the key is whether momentum toward higher manufacturing, service and composite readings is being maintained as a hand-off into the new year. UK retail sales (Thursday), German ZEW investor confidence (Tuesday) and Eurozone add-ups for industrial output and trade round out the release schedule.

Chart 7  
**Dropping Russian Inflation To Prompt Further Easing**



**Key Indicators for the week of December 11 – 15**
**NORTH AMERICA**

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	12/11	10:00	JOLTS Job Openings (000s)	Oct	--	6100.0	6093.0
US	12/12	08:30	PPI (m/m)	Nov	0.3	0.3	0.4
US	12/12	08:30	PPI ex. Food & Energy (m/m)	Nov	0.2	0.2	0.4
MX	12/12	09:00	Industrial Production (m/m)	Oct	--	0.7	-0.4
MX	12/12	09:00	Industrial Production (y/y)	Oct	--	0.6	-1.2
US	12/12	14:00	Treasury Budget (US\$ bn)	Nov	--	-134.5	-63.2
US	12/13	07:00	MBA Mortgage Applications (w/w)	DEC 8	--	--	4.7
CA	12/13	08:30	Teranet - National Bank HPI (y/y)	Nov	--	--	10.0
US	12/13	08:30	CPI (m/m)	Nov	0.3	0.4	0.1
US	12/13	08:30	CPI (y/y)	Nov	2.2	2.2	2.0
US	12/13	08:30	CPI (index)	Nov	--	246.8	246.7
US	12/13	08:30	CPI ex. Food & Energy (m/m)	Nov	0.2	0.2	0.2
US	12/13	08:30	CPI ex. Food & Energy (y/y)	Nov	1.8	1.8	1.8
US	12/13	14:00	<b>FOMC Interest Rate Meeting (%)</b>	<b>Dec 13</b>	<b>1.50</b>	<b>1.50</b>	<b>1.25</b>
CA	12/14	08:30	New Housing Price Index (m/m)	Oct	--	0.2	0.2
US	12/14	08:30	Export Prices (m/m)	Nov	--	0.7	0.2
US	12/14	08:30	Import Prices (m/m)	Nov	--	0.7	0.2
US	12/14	08:30	Initial Jobless Claims (000s)	DEC 9	235	239	236
US	12/14	08:30	Continuing Claims (000s)	DEC 2	1900	1905	1908
US	12/14	08:30	Retail Sales (m/m)	Nov	0.2	0.3	0.2
US	12/14	08:30	Retail Sales ex. Autos (m/m)	Nov	0.5	0.7	0.1
US	12/14	10:00	Business Inventories (m/m)	Oct	--	-0.1	0.0
MX	12/14	14:00	<b>Overnight Rate (%)</b>	<b>Dec 14</b>	<b>7.25</b>	<b>7.25</b>	<b>7.00</b>
CA	12/15	08:30	Manufacturing Shipments (m/m)	Oct	1.0	0.9	0.5
US	12/15	08:30	Empire State Manufacturing Index	Dec	--	18.3	19.4
CA	12/15	09:00	Existing Home Sales (m/m)	Nov	--	--	0.9
US	12/15	09:15	Capacity Utilization (%)	Nov	--	77.2	77.0
US	12/15	09:15	Industrial Production (m/m)	Nov	0.1	0.3	0.9
US	12/15	16:00	Total Net TIC Flows (US\$ bn)	Oct	--	--	-51.3
US	12/15	16:00	Net Long-term TIC Flows (US\$ bn)	Oct	--	--	80.9

**EUROPE**

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
UK	12/12	04:30	CPI (m/m)	Nov	--	0.2	0.1
UK	12/12	04:30	CPI (y/y)	Nov	--	3.0	3.0
UK	12/12	04:30	PPI Input (m/m)	Nov	--	1.5	1.0
UK	12/12	04:30	PPI Output (m/m)	Nov	--	0.3	0.2
UK	12/12	04:30	RPI (m/m)	Nov	--	0.3	0.1
UK	12/12	04:30	RPI (y/y)	Nov	--	4.0	4.0
EC	12/12	05:00	ZEW Survey (Economic Sentiment)	Dec	--	--	30.9
GE	12/12	05:00	ZEW Survey (Current Situation)	Dec	--	88.7	88.8
GE	12/12	05:00	ZEW Survey (Economic Sentiment)	Dec	--	18.0	18.7
RU	DEC 12-13		Real GDP (y/y)	3Q P	--	1.8	1.8
GE	12/13	02:00	CPI (m/m)	Nov F	--	0.3	0.3
GE	12/13	02:00	CPI (y/y)	Nov F	--	1.8	1.8
GE	12/13	02:00	CPI - EU Harmonized (m/m)	Nov F	--	0.3	0.3
GE	12/13	02:00	CPI - EU Harmonized (y/y)	Nov F	--	1.8	1.8
IT	12/13	04:00	Industrial Production (m/m)	Oct	--	0.6	-1.3
UK	12/13	04:30	Average Weekly Earnings (3-month, y/y)	Oct	--	2.5	2.2
UK	12/13	04:30	Employment Change (3M/3M, 000s)	Oct	--	-48.0	-14.0
UK	12/13	04:30	Jobless Claims Change (000s)	Nov	--	--	1.1
UK	12/13	04:30	ILO Unemployment Rate (%)	Oct	--	4.2	4.3
EC	12/13	05:00	Employment (q/q)	3Q	--	--	0.4
EC	12/13	05:00	Industrial Production (m/m)	Oct	--	0.1	0.0
EC	12/13	05:00	Industrial Production (y/y)	Oct	--	3.3	3.3

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

**Key Indicators for the week of December 11 – 15**
**EUROPE (continued from previous page)**

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
FR	12/14	02:45	CPI (m/m)	Nov F	--	0.1	0.1
FR	12/14	02:45	CPI (y/y)	Nov F	--	1.2	1.2
FR	12/14	02:45	CPI - EU Harmonized (m/m)	Nov F	--	0.1	0.1
FR	12/14	02:45	CPI - EU Harmonized (y/y)	Nov F	--	1.3	1.3
FR	12/14	03:00	Manufacturing PMI	Dec P	--	57.2	57.7
FR	12/14	03:00	Services PMI	Dec P	--	59.9	60.4
SP	12/14	03:00	CPI (m/m)	Nov F	--	0.4	0.4
SP	12/14	03:00	CPI (y/y)	Nov F	--	1.6	1.6
SP	12/14	03:00	CPI - EU Harmonized (m/m)	Nov F	--	0.3	0.3
SP	12/14	03:00	CPI - EU Harmonized (y/y)	Nov F	--	1.7	1.7
GE	12/14	03:30	Manufacturing PMI	Dec P	--	62.0	62.5
GE	12/14	03:30	Services PMI	Dec P	--	54.6	54.3
EC	12/14	04:00	Composite PMI	Dec P	--	57.2	57.5
EC	12/14	04:00	Manufacturing PMI	Dec P	--	59.7	60.1
EC	12/14	04:00	Services PMI	Dec P	--	56.0	56.2
IT	12/14	04:00	CPI - EU Harmonized (y/y)	Nov F	--	1.1	1.1
NO	12/14	04:00	<b>Norwegian Deposit Rates (%)</b>	<b>Dec 14</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>
UK	12/14	04:30	Retail Sales ex. Auto Fuel (m/m)	Nov	--	0.4	0.1
UK	12/14	04:30	Retail Sales with Auto Fuel (m/m)	Nov	--	0.4	0.3
TU	12/14	06:00	<b>Benchmark Repo Rate (%)</b>	<b>Dec 14</b>	--	<b>8.00</b>	<b>8.00</b>
UK	12/14	07:00	BoE Asset Purchase Target (£ bn)	Dec	--	435.0	435.0
UK	12/14	07:00	<b>BoE Policy Announcement (%)</b>	<b>Dec 14</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>
EC	12/14	07:45	<b>ECB Main Refinancing Rate (%)</b>	<b>Dec 14</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
EC	12/15	05:00	Trade Balance (€ mn)	Oct	--	--	26364.9
RU	12/15	05:30	<b>One-Week Auction Rate (%)</b>	<b>Dec 15</b>	<b>8.00</b>	<b>8.00</b>	<b>8.25</b>
IR	12/15	06:00	Real GDP (q/q)	3Q	--	--	1.4

**ASIA-PACIFIC**

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CH	DEC 9-15		Aggregate Financing (CNY bn)	Nov	--	1250.0	1038.7
CH	DEC 9-15		New Yuan Loans (bn)	Nov	--	800.0	663.2
JN	12/10	18:50	Japan Money Stock M2 (y/y)	Nov	--	4.1	4.1
JN	12/10	18:50	Japan Money Stock M3 (y/y)	Nov	--	3.5	3.5
AU	DEC 10-14		HIA New Home Sales (m/m)	Oct	--	--	-6.1
IN	DEC 10-29		Current Account Balance	3Q	--	-8.0	-14.3
JN	12/11	01:00	Machine Tool Orders (y/y)	Nov P	--	--	49.8
AU	12/11	19:30	House Price Index (y/y)	3Q	--	8.8	10.2
PH	12/11	20:00	Exports (y/y)	Oct	--	6.8	4.3
PH	12/11	20:00	Imports (y/y)	Oct	--	6.2	1.7
PH	12/11	20:00	Trade Balance (US\$ mn)	Oct	--	-2322.0	-1915.0
PH	12/11	20:00	Unemployment Rate (%)	Oct	5.6	--	5.6
MA	12/11	23:00	Industrial Production (y/y)	Oct	--	4.0	4.7
JN	12/11	23:30	Tertiary Industry Index (m/m)	Oct	--	0.2	-0.2
SI	12/12	00:00	Retail Sales (y/y)	Oct	--	--	-0.5
IN	12/12	07:00	CPI (y/y)	Nov	4.1	4.3	3.6
IN	12/12	07:00	Industrial Production (y/y)	Oct	--	2.8	3.8
SK	12/12	18:00	Unemployment Rate (%)	Nov	3.6	--	3.6
JN	12/12	18:50	Machine Orders (m/m)	Oct	--	2.7	-8.1
AU	12/13	19:30	Employment (000s)	Nov	--	19.0	3.7
AU	12/13	19:30	Unemployment Rate (%)	Nov	5.4	5.4	5.4
JN	12/13	19:30	Markit/JMMA Manufacturing PMI	Dec P	--	--	53.6
CH	12/13	21:00	Fixed Asset Investment YTD (y/y)	Nov	7.1	7.2	7.3
CH	12/13	21:00	Industrial Production (y/y)	Nov	6.0	6.2	6.2
CH	12/13	21:00	Retail Sales (y/y)	Nov	10.3	10.3	10.0
JN	12/13	23:30	Capacity Utilization (m/m)	Oct	--	--	-1.6
JN	12/13	23:30	Industrial Production (y/y)	Oct F	5.9	--	5.9
ID	DEC 13-14		<b>BI 7-Day Reverse Repo Rate (%)</b>	<b>Dec 14</b>	<b>4.25</b>	<b>4.25</b>	<b>4.25</b>

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

**Key Indicators for the week of December 11 – 15**
**ASIA-PACIFIC (continued from previous page)**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Indicator</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>
IN	12/14	01:30	Monthly Wholesale Prices (y/y)	Nov	--	3.8	3.6
PH	12/14	03:00	<b>Overnight Borrowing Rate (%)</b>	<b>Dec 14</b>	<b>3.00</b>	<b>3.00</b>	<b>3.00</b>
HK	12/14	03:30	Industrial Production (y/y)	3Q	--	--	0.4
NZ	12/14	16:30	Business NZ PMI	Nov	--	--	57.2
JN	12/14	18:50	Tankan All Industries Index	4Q	--	7.5	7.7
JN	12/14	18:50	Tankan Manufacturing Index	4Q	--	24.0	22.0
JN	12/14	18:50	Tankan Non-Manufacturing Index	4Q	--	24.0	23.0
ID	12/14	21:00	Exports (y/y)	Nov	--	13.9	18.4
ID	12/14	21:00	Imports (y/y)	Nov	--	12.3	23.3
ID	12/14	21:00	Trade Balance (US\$ mn)	Nov	--	800.0	895.0
JN	DEC 14-20		Nationwide Department Store Sales (y/y)	Nov	--	--	-1.8
PH	DEC 14-15		Overseas Remittances (y/y)	Oct	--	9.2	-8.3

**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>
BZ	12/13	06:00	Retail Sales (m/m)	Oct	--	0.2	0.5
BZ	12/13	06:00	Retail Sales (y/y)	Oct	--	5.2	6.4
CL	12/14	16:00	<b>Nominal Overnight Rate Target (%)</b>	<b>Dec 14</b>	<b>2.50</b>	<b>2.50</b>	<b>2.50</b>
PE	12/14	18:00	<b>Reference Rate (%)</b>	<b>Dec 14</b>	<b>3.25</b>	<b>3.25</b>	<b>3.25</b>
CO	12/14		<b>Overnight Lending Rate (%)</b>	<b>Dec 14</b>	<b>4.50</b>	<b>4.75</b>	<b>4.75</b>
CO	12/15	10:00	Retail Sales (y/y)	Oct	--	1.6	1.4
PE	12/15		Economic Activity Index NSA (y/y)	Oct	--	3.1	3.2
PE	12/15		Unemployment Rate (%)	Nov	--	5.8	6.2

## Global Auctions for the week of December 11 – 15

### NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	12/11	11:30	U.S. to Sell 3-Year Notes
US	12/11	13:00	U.S. to Sell 10-Year Notes Reopening
US	12/12	13:00	U.S. to Sell 30-Year Bonds Reopening
CA	12/14	10:30	Canada to Sell CAD3.6 Bln 1.25% 2020 Bonds
CA	12/14	12:00	Canada to Sell 2-Year Bonds

### EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
GE	12/12	05:30	Germany to Sell EUR3 Bln 0% 2019 Bonds
GE	12/12	05:35	2Y Note Average Yield
SW	12/13	05:03	Sweden to Sell Bln 0.75% 2028 Bonds
SW	12/13	05:03	10Y Bond Amount Sold
SZ	12/13	05:15	Switzerland to Sell Bonds on Dec. 13
UK	12/13	05:30	U.K. to Sell 2036 Bonds
SP	12/14	04:30	Spain to Sell 0.05% 2021 Bonds

### ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
AU	12/10	19:00	Australia To Sell Bonds
CH	12/10	20:30	Qingdao to Sell 5Y Bonds
CH	12/11	00:00	Shenzhen to Sell 5Y Bonds
CH	12/11	01:00	Henan to Sell 3-Yr Bonds
AU	12/11	19:00	Australia To Sell 1.25% 2040 Bonds
JN	12/11	22:45	Japan to Sell 5-Year Bonds
AU	12/12	19:00	Australia To Sell 2.25% 2022 Bonds
CH	12/12	21:35	China to Sell CNY26 Bln 5-Yr Upsized Bonds
JN	12/13	22:45	Japan to Sell 20-Year Bonds
NZ	12/14	20:05	New Zealand Plans to Sell NZD200 Mln 2.75% 2025 Bonds
CH	12/14	21:35	China to Sell CNY28 Bln 30-Yr Upsized Bonds

### LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
BZ	12/12	09:00	Brazil to Sell I/L Bonds - 08/15/2022
BZ	12/12	09:00	Brazil to Sell I/L Bonds - 08/15/2026
BZ	12/12	09:00	Brazil to Sell I/L Bonds - 05/15/2035
BZ	12/12	09:00	Brazil to Sell I/L Bonds - 05/15/2055
BZ	12/14	09:00	Brazil to Sell Fixed Rate Bonds - 01/01/2023
BZ	12/14	09:00	Brazil to Sell Fixed Rate Bonds - 01/01/2027

Source: Bloomberg, Scotiabank Economics.

## Events for the week of December 11 – 15

### NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	12/12	09:00	The Federal Open Market Committee (FOMC) holds a closed meeting
US	12/13	14:00	<b>FOMC Rate Decision</b>
US	12/13	14:30	Yellen Holds Press Conference Following FOMC Meeting
CA	12/14	12:25	Bank of Canada's Poloz Speech to Canadian Club of Toronto
MX	12/14	14:00	<b>Overnight Rate</b>
MX	12/14		2018 Election internal party campaigns begin

### EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
AS	12/11	04:00	ECB's Nowotny Presents Austria Financial Stability Report
SZ	12/14	03:30	<b>SNB Sight Deposit Interest Rate</b>
SZ	12/14	03:30	<b>SNB 3-Month Libor Target Range</b>
NO	12/14	04:00	<b>Deposit Rates</b>
TU	12/14	06:00	<b>Benchmark Repurchase Rate</b>
TU	12/14	06:00	<b>Overnight Lending Rate</b>
TU	12/14	06:00	<b>Late Liquidity Lending Rate</b>
UK	12/14	07:00	<b>Bank of England Bank Rate</b>
EC	12/14	07:45	<b>ECB Main Refinancing Rate</b>
EC	12/14	08:30	ECB President Draghi holds news conference in Frankfurt
AS	12/15	04:00	ECB's Nowotny Presents Austrian GDP Outlook
RU	12/15	05:30	<b>Key Rate</b>
RU	12/15	07:00	Bank of Russia Governor Nabiullina holds news conference
UK	12/15	08:15	BOE's Haldane speaks in Palmero
EC	12/15	22:15	ECB's Coeure speaks in Bangkok
IR	12/15		Ireland Sovereign Debt to be rated by Fitch
PO	12/15		Portugal Sovereign Debt to be rated by Fitch
UK	12/15		United Kingdom Sovereign Debt to be rated by DBRS

### ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CH	12/09	00:00	PBOC Deputy Governor Yi Gang to speak at Peking University
NZ	12/10	14:00	NZ Finance Minister Roberston speaks
AU	12/12	17:15	RBA Governor Lowe Gives Speech in Sydney
AU	12/12	19:00	RBA's Kent Gives Speech in Sydney
AU	12/12	21:00	RBA's Richard Participates in Panel in Sydney
JN	12/13	04:00	BOJ Kuroda makes a brief speech at Economists' Gathering
ID	12/13	00:00	<b>Bank Indonesia 7D Reverse Repo</b>
PH	12/14	03:00	<b>BSP Overnight Borrowing Rate</b>
PH	12/14	03:00	<b>BSP Standing Overnight Deposit Facility Rate</b>
EC	12/15	22:15	ECB's Coeure speaks in Bangkok

### LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CL	12/14	16:00	<b>Overnight Rate Target</b>
PE	12/14	18:00	<b>Reference Rate</b>
CO	12/14		<b>Overnight Lending Rate</b>

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	1.00	January 17, 2018	1.00	1.25
Federal Reserve – Federal Funds Target Rate	1.25	December 13, 2017	1.50	1.50
Banco de México – Overnight Rate	7.00	December 14, 2017	7.25	7.25

**Federal Reserve:** A 25bps rate hike is expected along with similar 'gradual' guidance regarding future hikes. Core forecasts are likely to remain largely intact with possible modest changes to growth and inflation. See the body of the report for more detail. **Banxico:** Another 25bps hike is expected in keeping with continued upward pressure upon inflation readings.

### 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 14, 2017	0.00	0.00
Bank of England – Bank Rate	0.50	December 14, 2017	0.50	0.50
Swiss National Bank – Libor Target Rate	-0.75	December 14, 2017	-0.75	--
Central Bank of Russia – One-Week Auction Rate	8.25	December 15, 2017	8.00	8.00
Sweden Riksbank – Repo Rate	-0.50	December 20, 2017	-0.50	--
Norges Bank – Deposit Rate	0.50	December 14, 2017	0.50	0.50
Central Bank of Turkey – Benchmark Repo Rate	8.00	December 14, 2017	8.00	8.00

Of the six central banks that weigh in with decisions next week, none except for Russia's are expected to alter policy or deliver material alterations in policy guidance. **Russia** is expected to cut its policy rate in the face of low and falling inflation readings.

### 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 21, 2017	-0.10	--
Reserve Bank of Australia – Cash Target Rate	1.50	February 5, 2018	1.50	1.50
Reserve Bank of New Zealand – Cash Rate	1.75	February 7, 2018	1.75	1.75
People's Bank of China – Lending Rate	4.35	TBA	--	--
Reserve Bank of India – Repo Rate	6.00	February 7, 2018	6.00	--
Bank of Korea – Bank Rate	1.50	TBA	1.50	--
Bank of Thailand – Repo Rate	1.50	December 20, 2017	1.50	--
Bank Negara Malaysia – Overnight Policy Rate	3.00	January 25, 2018	3.25	--
Bank Indonesia – 7-Day Reverse Repo Rate	4.25	December 14, 2017	4.25	4.25

**Bank Indonesia** will hold a monetary policy meeting on December 14. Indonesian monetary policymakers will likely maintain status quo over the coming months, given that they assess the current monetary policy stance to be adequate to maintaining inflation within its target and the country's current account deficit manageable.

### 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	7.00	February 7, 2018	7.00	--
Banco Central de Chile – Overnight Rate	2.50	December 14, 2017	2.50	2.50
Banco de la República de Colombia – Lending Rate	4.75	December 14, 2017	4.50	4.75
Banco Central de Reserva del Perú – Reference Rate	3.25	December 14, 2017	3.25	3.25

**Colombia's** central bank is expected to cut its policy rate while **Peru** faces cut risk to our forecast hold. Scotiabank is in line with consensus on **Chile's** central bank by way of an expected hold.

### 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	6.75	January 18, 2018	6.75	--

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

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