A DECISIVE WEEK FOR BREXIT AND GLOBAL CENTRAL BANKS?

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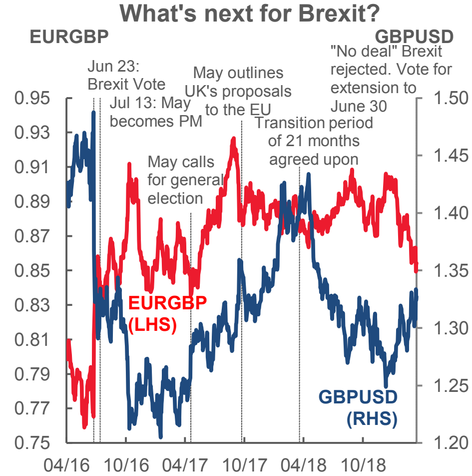
Next Week's Risk Dashboard

- Brexit deal vote #3
- EU Summit
- CBs: Fed, BoE, Norges, Russia, SNB...
- ...Brazil, BanRep...
- ...BoT, BI, BSP, CBCT
- CDN Federal budget
- Provincial budgets: QC, SK, NB
- Alberta election call?
- CPI: Canada, Japan, Malaysia
- Eurozone PMIs, ZEW
- US macro: Philly, home sales, factory orders
- CDN retail sales
- GDP: Chile, Argentina, NZ
- Australian jobs
- UK CPI, wages, retail
- Canada 2s auction
- US TIPS auction

Chart of the Week



Sources: Scotiabank Economics, Bloomberg.

Chart of the Week: Prepared by: Alena Bystrova, Research Analyst.

A Decisive Week For Brexit and Global Central Banks?

UNITED STATES—THE GREAT UNVEILING?

The Federal Reserve will be the main focal point when it issues a decision and broader communications on Wednesday. Macro data risks will be relatively minor. A very heavy global week ahead positions the Fed ahead of key Brexit developments.

Trying to find new ways to say they're not doing anything for a while, refreshing macro forecasts and presenting a new dot plot would be a tall enough order for the FOMC to deliver upon next Wednesday. **The added twist could come from more detailed guidance on balance sheet plans.**

Before turning to the balance sheet, core Fed expectations include repeated reference to "watching," "waiting," "patient," and "flexible" as the Fed evaluates what it has described as "crosscurrents and conflicting signals" in the global economy. They include matters like Brexit, US-China trade talks, the risk of auto tariffs, the outlook for the US budget, and funding matters tied into the debt ceiling among other factors beyond baseline global fundamentals. Reference to job gains as "strong" could be softened in the wake of February's payrolls disappointment, but it may be premature given the prior months' overshoot. Projected GDP growth is likely to be softened a touch at least in 2019 to acknowledge a weaker starting point and forecast uncertainty but there may be little need to materially alter inflation projections.

The Summary of Economic Projections of FOMC members is also likely to tamp down the dot plot somewhat but I would be surprised to see hikes entirely removed from the projection horizon. I expect the dot-plot to contradict market pricing in fed funds futures toward possible rate cuts. Instead of two hikes in 2019 as in the December dot plot, the FOMC median estimate may show one hike which is Scotia's house forecast for late this year, and then one more hike in 2020 as they currently show which is also our house forecast. After that, the dot plot may show the policy rate flat-lining around a 2.875% mid-point of the fed funds target range. It is also unlikely that the neutral policy rate over the long-run will be altered from 2.75% at present. **The main message should be that the Fed doesn't think it is done hiking but is nearing an end and is patient toward timing the next move.** To repeat, whatever they do precisely with the dots, I don't expect any median consensus forecast in favour of market pricing for policy easing.

The greater intrigue may surround whether the Fed does a deeper dive into its plans for the balance sheet. Recall that at the January 30th–31st meeting, the minutes (recap here) indicated the following:

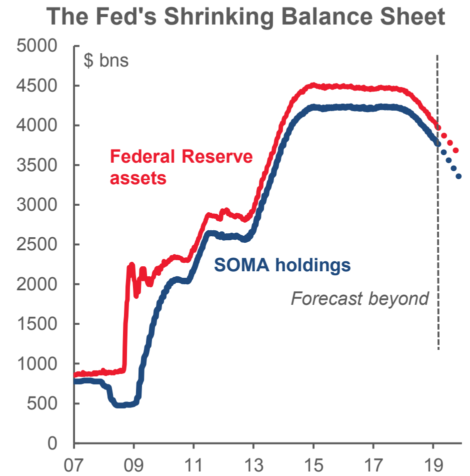
> "Almost all participants thought that it would be desirable to announce before too long a plan to stop reducing the Federal Reserve's asset holdings later this year."

Then more recently, Chair Powell stated:

> "We've worked out, I think, the framework of a plan that we hope to be able to announce soon, that will light the way all the way to the end of balance sheet normalization."

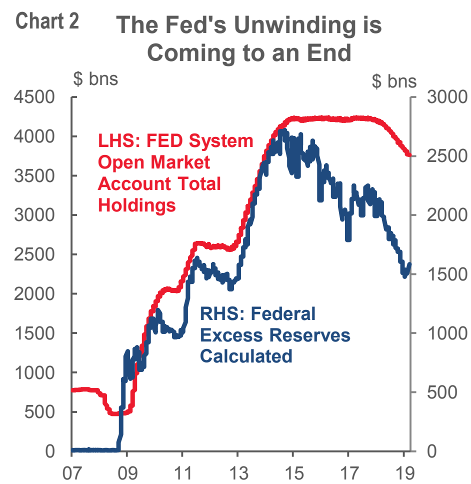
It is therefore feasible that the outlines of the revised balance sheet plans will be shared as soon as next week while reinforcing that the unwinding of the

Chart 1



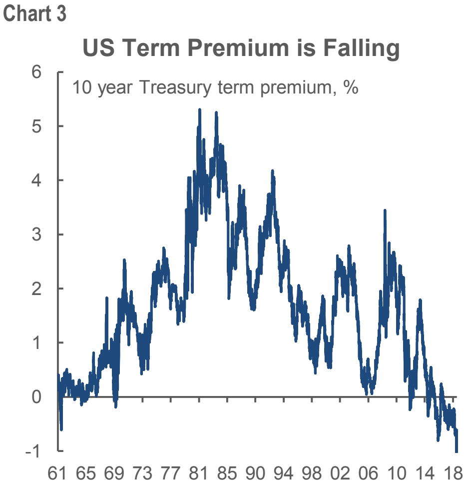
Sources: Scotiabank Economics.

Chart 2



Sources: Scotiabank Economics,, Bloomberg.

Chart 3



Sources: Scotiabank Economics, New York Federal Reserve.

balance sheet will be halted later in the year. The Fed may retain its optionality by not mentioning a specific date for ending unwinding which would be consistent with prior uses of "later this year" references such as in the initial stages of tapering asset purchases. Nevertheless, why declare that the framework has been broadly agreed upon only to keep it a mystery? Announce in March, implement as soon as September or possibly later.

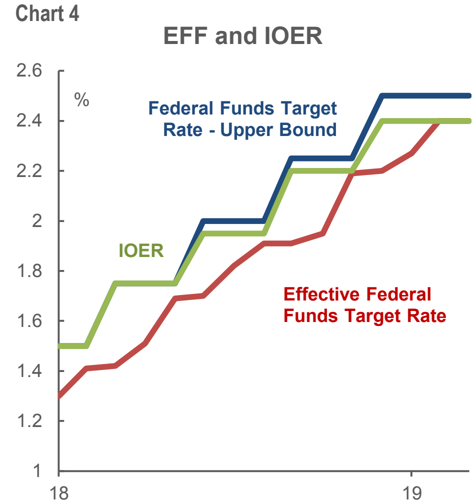
Why implement in September or possibly later? Powell's guidance has indicated two things. First, that he thinks the present US$4 trillion balance sheet is likely to settle in around 16–17% of GDP when reduction ends. At a projected roughly US$21.4 trillion US economy in nominal GDP terms this year using Scotiabank Economics' forecast, this target equates to **a balance sheet of around US$3½ trillion**. I figure the Fed would hit that level toward year-end at the present pace of run-off given the present caps on US$30 billion of reinvested Treasuries subjected to maturing flows and US$20 billion on MBS each month (chart 1).

Second, Powell has guided that the optimal level of reserves in the system is uncertain but that US$1 trillion plus a buffer is a "reasonable starting point." It is important to acknowledge that there is so much guesswork involved when estimating optimal reserves that padding guesstimates and not risking going too low is the order of the day; the Fed significantly relies upon surveys of US primary dealers including our answers. Chart 2 depicts the drawdown of reserves that banks hold at the Fed and the shrinking size of the Fed's System Open Market Account (SOMA) through which they directed purchases of Treasuries, agencies and mortgage bonds during QE1–3. From about US$1.6 trillion now, a continuation of the recent pace of unwinding could risk bringing reserves down toward the US$1 trillion level and hence back to 2010 levels into early 2020. **This removal of liquidity could be too rapid from the standpoint of the proper functioning of markets.** Stopping before year-end perhaps around September would be more consistent with Powell's guidance.

This action should not be taken as a negative signal toward the outlook so much as it is an indication that the Fed is highly uncertain about the optimal level of reserves and wishes to err on the side of overestimating them from a risk management standpoint. Shrinking the balance sheet by reinvesting less out of coupon and maturing flows from Treasuries and MBS drains reserves from the banking system. Draining reserves runs against the need for banks to hold high quality liquid assets including through but not limited to the impact of the Liquidity Coverage Ratio (LCR). **Draining reserves too far and too fast risks negative effects upon markets by motivating banks to substitute holdings away from other less liquid assets in order to maintain required liquid holdings, or to sell other assets to buy Treasuries that are also favoured by the LCR.** Hence the cross-asset class implications that highlight the interconnectedness of regulatory change with unwinding unconventional stimulus and how the effects can distort market appetite toward safe havens. **This mechanism can be destabilizing to markets and spark greater disturbances in short-term rates markets** even if the effects of unwinding the balance sheet are not showing up in a reversal of the Treasury term premium (chart 3). For a good discussion of how the Fed views related topics see the recent speech by Vice Chair Quarles here.

Amidst the uncertainty, **Powell could well wind up saying that they're not quite ready to announce a full balance sheet strategy next week because important details need to be worked out, but he could outline more of the parameters.** For instance, the Fed has long guided that ultimately they want the balance sheet to be mostly comprised of Treasuries but a) will they sell MBS holdings outright to get to this point and over what time frame, and b) will their holdings of Treasuries match the duration of outstanding securities or will they be skewed toward shorter or longer maturities? Recall minutes to the December FOMC meeting at which **'several' preferred shortening maturities of Treasuries being held** to "provide greater flexibility to lengthen maturity if warranted by an economic downturn." The prospect of a 'twist' of sorts to Treasury holdings could not only serve the purpose of being able to ramp up longer term Treasury holdings in the event of a future downside surprise to the economy, but also first serve the purpose of steepening the curve. Also recall that those same minutes noted that on managing the MBS portfolio over the longer run, 'several' suggested reducing agency MBS holdings "somewhat more quickly than the passive approach" by selling MBS "sometime after the size of the balance sheet had been normalized."

Chart 4



Sources: Scotiabank Economics, Bloomberg.

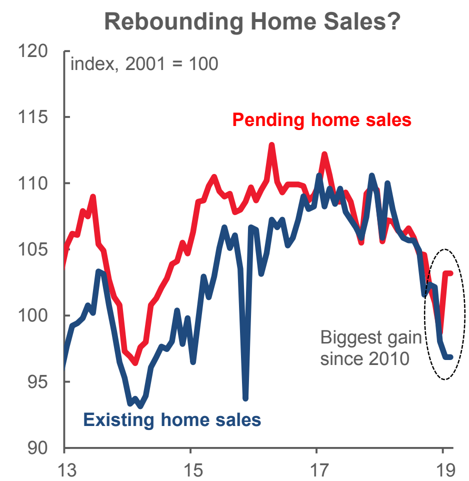
Finally, the Fed's revised plans may include discussion or possible roll-out of a **standing repo facility** designed to offer funds toward the purpose of controlling short-term market rates around the interest on excess reserves rate and its spread to fed funds given past pressures (chart 4). This would build upon efforts to contain potential upward pressure upon money market rates as excess reserves decline. Recall that the minutes to the December FOMC meeting indicated **there was a discussion about how to keep the effective fed funds rate within the FOMC's target range as reserves are drained** from the system beyond utilizing IOER cuts relative to the upper limit including adding new counterparties to the Open Market Desk's operations. On managing potential upward pressure upon money market rates as excess reserves decline, 'several' participants flagged using IOER technical adjustments, 'some' advocated slowing the pace of decline in reserves using standard open market operations, or ending portfolio redemptions at relatively high reserves. 'Several' participants were concerned that slowing redemptions "could be misinterpreted as a signal about the stance of monetary policy."

Macro data risk will be minimal around the week's main event which is the FOMC.

- **Factory orders (Tuesday):** January's reading should benefit from the better-than-expected durable goods report that posted a mild gain in new orders. What happened to nondurable goods orders will be the new information.
- **Philly Fed Business Outlook Survey (Thursday):** The March reading will be closely watched for stabilization after a sharp drop in February. It's a highly volatile measure but, along with the Richmond Fed measure and other regional gauges, serves as an advance indicator for the next ISM-manufacturing report on April 1st.
- **Existing home sales (Friday):** They've been declining by about a cumulative half million lower homes sold according to recent annualized volumes from the elevated levels of a year ago. A sign of stability, however, may be that pending home sales jumped higher by 4.6% m/m in January for the biggest jump since October 2010. They are decently correlated with completed resales because of the 30–90 day lag between inking home sales and closing the transactions (chart 5).

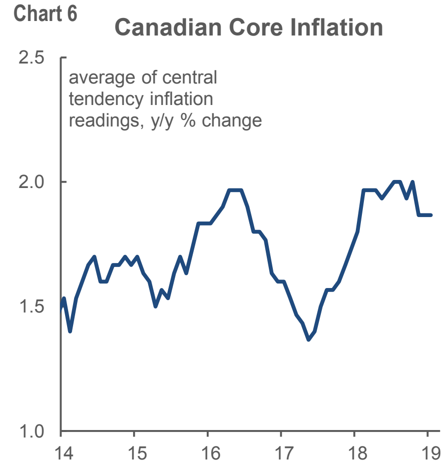
The US Treasury auctions 10 year TIPS in a reopening on Thursday.

Chart 5



Sources: Scotiabank Economics.

Chart 6



Sources: Scotiabank Economics, Statistics Canada.

CANADA—PRE-ELECTION PUMP PRIMING?

Canada watchers won't suffer from boredom over the next week. Macro risk will be comprised of top-shelf releases at the end of the week. The Federal budget and budgets from three provincial governments could combine with a potential provincial election-call in Alberta to round out developments. The Trudeau government will announce a cabinet shuffle on Monday. In the midst of it all, market appetite toward the outlook will be tested by a bond auction. **My hunch is that the week may end somewhat more positively for the Bank of Canada if: a) stimulus is added; b) CPI begins to bottom if not edge upward; and c) cautious optimism toward retail sales is well founded.**

Friday's CPI figures for February might begin the slow crawl back from the sharp deceleration in headline CPI that has been observed since a peak of 3% y/y last July. At a minimum I would look for stability around the 1.4% mark set in January. There is good reason to think there might be upside to that, and I've gone with 1.5% as my estimate. However, a shift in year-ago base effects would on its own suggest softer inflation down to a sub-1% reading. The uncertainty is mostly focused upon how much of a rise in February prices over January will occur compared to what is normally a strong month for seasonal price increases in February each year. By estimating seasonally unadjusted prices climbed by 0.6% m/m in February, I figure the year-ago rate will rise to about 1.5%. In going with 0.6%, I've assumed two things. One is that gasoline prices will be less of a drag on the month-ago CPI than they've been over the past four months. Second is that an abnormally soft month for seasonal price gains in January adds upside to February. Regardless, as usual, the thing that will matter the most—beyond pricing for real return bonds—will be the core measures that have been resilient to date (chart 6), but may be vulnerable to the slack created by recent shocks to growth although this would be a fairly rapid response to the changes in slack.

Then spin the wheel for retail sales during January (also Friday). I've cautiously gone with a small rise in headline sales and sales ex-autos but it's rarely with much conviction. Gasoline prices fell in January over the prior month but at a lessened pace than previous months. We figure seasonally adjusted auto sales climbed at the best pace in three months, but translating this into how StatsCan captures the influences is enshrouded by uncertainty. Key will be retail sales volumes that have exhibited relatively little growth since June, although December ended the year with a touch more optimism. Canada also updates wholesale trade during January on Thursday.

As for the Federal budget and how it feeds into the BoC, we're expecting a stimulus focus for four simple reasons: soft Q4 GDP and soft tracking for Q1 GDP that provides cover for doing something; home resales have been much softer of late; it's an election year with the incumbent government down in the polls; and there has been a big upside revenue surprise during the FY18–19 year. If you're BoC Governor Poloz, then you wait until after the Budget to incorporate any effects on projections. Fiscal stimulus could well help return the BoC to tightening at year-end assuming the economy rebounds from Q2 onward and market stability is protected through various geopolitical risks as we anticipate.

I've asked Rebekah Young to share her thoughts on the Federal Budget that will arrive on Tuesday at 4pm and her comments follow. The government is on track to achieve substantially lower deficits than predicted in the Fall Economic Update on the back of exceptional revenue growth. They head into the budget with a likely fiscal windfall of approximately $10B this fiscal year and $7B in FY20. However we expect the final budgetary balance will be less owing to weaker growth and new budget spending. While our preference would be to bank the savings for the next downturn, the budget will likely target voters' pocketbooks in light of the current political challenges facing the Trudeau government.

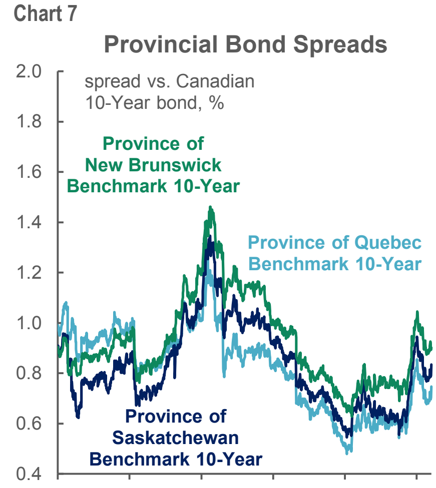
The budget will contain a little bit for everyone: Minister Morneau has already signalled new housing affordability measures targeting millennials, up-skilling support for older workers, prescription relief for seniors, along with tax rebates for electric vehicles for the environmentally-conscious as per Minister McKenna's announcement this week. With the exception of the skills measure, these will do little for growth. Other more speculative measures include boosting child benefits or tax credits that would provide quick cash infusions to households and could potentially boost female labour force participation. If they are going to spend—as we think they will—the bulk of it would be best targeted at boosting Canada's waning growth potential.

In any case, the government will stick to its downward debt-to-GDP anchor (forecast at 30.9% for 2018/19), which will contain any additional spending. The spending magnitude implied by the windfall would not significantly change the outlook, but would modestly reinforce the case for a rate hike later this calendar year. See our recent take on the upcoming federal budget here.

Please also see our Canada-US rates strategist Roger Quick's piece titled *Canada Budget and Bond Issuance Scenarios.*

I've asked Marc Desormeaux to share his thoughts on some provincial developments over the next week and they follow. Note chart 7 that depicts provincial bond spreads going into the budgets. In the Coalition Avenir Quebec's maiden budget on Thursday, look for a fiscal windfall to be directed towards pocketbook relief beyond that unveiled in the December 2018 Fall Statement. From April to November 2018, revenues in *La Belle Province* were 7.3% higher than the same period a year earlier, a rate nearly twice the full FY19 projection of 3.8% growth. Relative to the December projection, some $3.6B would be added to Provincial coffers if the current pace of revenue gains, spending and debt repayment continues; softer-than-anticipated economic growth from January to March 2019 will likely leave a slightly smaller, but still sizeable fiscal cushion. We also await news of plans to expand pre-school programming

Chart 7



Source: Scotiabank Economics, Bloomberg.

to all four-year-olds in Quebec, a pledge to which the Government remains committed, and new data on non-resident homeownership.

Two other Provinces release their fiscal blueprints next week as well. **On Tuesday, New Brunswick's budget** will likely feature new support for business competitiveness, with black ink and a downward path for net debt expected throughout the forecast horizon after laws to that effect were restored in December. **Saskatchewan has stated that it will table a balanced FY20 budget, on schedule, the following day;** program spending restraint is expected to underpin a small surplus, following unsuccessful attempts to reduce wages by 3.5% across the public sector and given the present uncertainty with respect to non-renewable resource revenues.

Finally, eyes will be on Alberta's Speech from the Throne on Monday. There is speculation whether it will trigger an election. With Premier Notley down in the polls, this could have important implications for the Province's approach to addressing oil egress capacity issues with the conservatives pledging to take a far more aggressive approach. See our recent assessment of the Province's current fiscal challenges here.

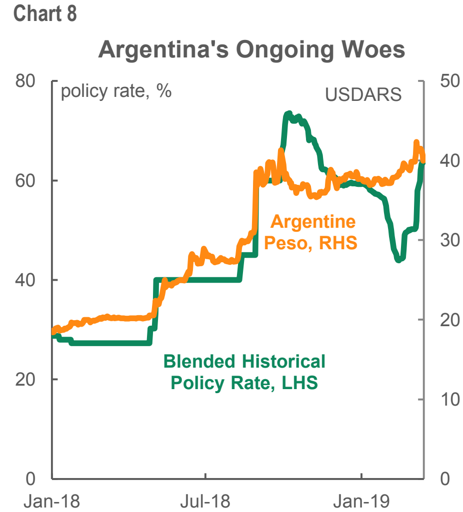
Amidst the flurry of activity will be a two year Canada bond auction on Wednesday. It may provide a test of market appetite in the wake of material new information in the Budget and how developments may influence BoC expectations albeit ahead of what could be a key CPI update.

LATIN AMERICA—CRY FOR ME

Banco Central do Brasil is expected to keep its policy rate unchanged at 6.5% on Wednesday. The central bank has been on hold for a year now since ending its easing cycle. Inflation landed at 3.9% y/y in February. That is beneath the mid-point of the central bank's 3–6% inflation target range, affording the central bank the option of maintaining policy stimulus to nurture growth. Governor Goldfajn held his last meeting on February 5th as incoming Governor Roberto Campos Neto now takes the reins.

BanRep is also universally expected to keep its policy rate unchanged at 4.25% on Friday where it has remained since last May. **Colombian CPI inflation came in a little softer than expected during February.** At 3.0% y/y (3.15% prior), inflation is smack in the middle of BanRep's 2–4% inflation target range**. The report mildly reinforced Governor Echavarria's remarks on February 15th that disagreed with market pricing for rate hikes.**

Chart 8



Sources: Scotiabank Economics, Bloomberg.

A pair of Q4 GDP reports will also be on tap with one from Chile on Monday and the other from Argentina on Thursday. Chile's economy is expected to post renewed acceleration with potentially the fastest quarter-ago growth since the start of 2018 and the year-ago growth rate crossing back above 3% after a brief dip in Q3. **Argentina remains mired in recession and it's not getting any better.** To counter renewed peso depreciation, short-term rates are back on an upswing with more crippling effects upon growth anticipated (chart 8).

EUROPE—MAY DAY!

While the dominant focus will be upon what fate holds in store for the UK in what could finally be a decisive week for Brexit, four central bank decisions and top-shelf data risk will also be carefully watched by markets.

UK PM May's *European Union (Withdrawal) Act* will be put back to Parliament for a third crack at it next Wednesday. Below are the potential paths that may ensue. In my opinion, the most likely outcome with what we know now is a very long extension but that's anything but assured.

1. Seek extension to June 30th if they pass May's agreement. Then it's up to the EU-27 who must unanimously support such an extension absent a single vote in protest.

2. Or, if the House rejects May's deal a third time next week which is very possible, then it's up to the EU-27 to decide what to do. Technically they could say March 29th remains a firm hard Brexit deadline if they are unconvinced the UK knows what it wants by way of next steps. Or they could provide an extension of an entirely unpredictable length. Michel Barnier, the EU's Brexit negotiator, supports a long extension. But do Macron, the Dutch PM et al? It only takes one spoiler.

Recall the margins of defeat for each of the first two times May's deal has come up and observe that Labour is still saying they want a public vote and an alternative path (i.e., not sounding supportive of May's third attempt). The DUP is unlikely to support it again given the border issue, and the purist hard Brexit types within the Conservative party remain highly questionable.

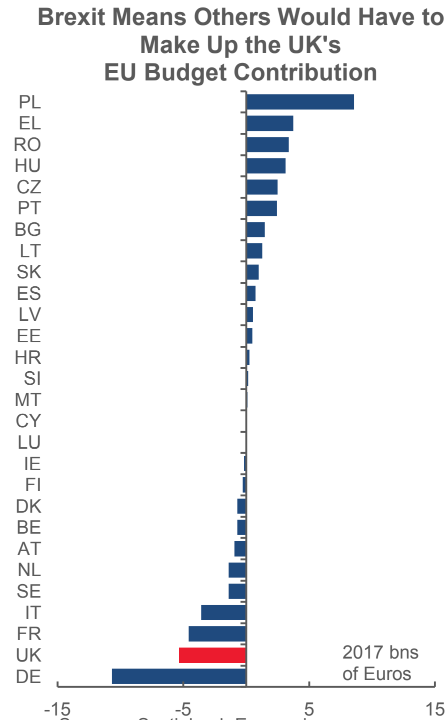
- Rejection #1 on January 15th: 432–202
- Rejection #2 on March 12th: 391–242

Finally, note the budgetary incentives that exist on both sides as rooted in their contributions to the EU's budget (chart 9). If there is a hard Brexit, then the UK would stop contributing to the EU budget after this month. If the deal passes and there is an extension to June 30th then the UK would stop contributing come July. A prolonged extension following a failed agreement would be positive to the budgets of the other EU member states. I'm not sure how much of an inducement that is at the individual state level to extend as long as possible as Barnier advocates given the division of the UK's contribution across the 27 weighted to their contributions.

Talk about bad timing. Bank of England Governor Carney faces the unfortunate task of weighing in with a policy decision and guidance on the very day of the EU Summit. If Parliament passes PM May's European Union (Withdrawal) Act the day before then it would still be up to the EU-27 to decide whether to grant an extension to the Article 50 March 29th deadline to the end of June. If Parliament fails to pass the breakup deal, then it's up to the EU to decide whether to grant a deadline extension, under what conditions, and for how long. Nothing about the present and backward fundamentals is likely to influence the BoE in the face of such risk.

There will also be significant UK data risk beforehand, but it could amount to nothing more than scorekeeping to pass the time ahead of the bigger show. CPI during February arrives on Wednesday and it is likely to remain stable around 1.8% y/y for headline and 1.9% for core. **Wage growth** will be updated for the month of January the day before CPI and excluding bonuses it has been running at its hottest since November 2008. Finally, retail sales for February lands on EU Summit day amid expectations for some payback to the strong rise posted the prior month.

Chart 9



Sources: Scotiabank Economics, European Commission.

Three other central banks will weigh in with their decisions as follows.

- **Norges Bank:** Consensus is nearly unanimous toward another rate hike next week that would lift the deposit rate to 1% following the earlier hike in September. **Amidst the global wave of sudden dovishness into the new year, at least one central bank faces the opposite problem.** Norway's underlying inflation rate unexpectedly shot higher to 2.6% y/y last month (2.1% consensus, 2.1% prior). Headline inflation eased by less than expected to 3% y/y (3.1% prior, 2.8% consensus). Underlying inflation has been trending higher ever since a trough of 0.9% y/y in August 2017 and has more than doubled since mid-2018. Currency softness has motivated some of this. **Norges Bank guided in December that after having raised its policy rate for the first time in September that it was "most likely" to raise again in March.**
- **Russia:** No change is expected to the 7.75% policy rate but with hike risk. First Deputy Governor Ksenia Yudaeva recently noted that the central bank is evaluating whether hikes to date have been adequate to contain inflationary pressure and noted that the answer is "not obvious."

- **Swiss National Bank:** No change to policy rates is anticipated particularly in the wake of the ECB's more dovish stance recently that introduced a fresh round of TLTROs.

Survey-based evidence of growth conditions into March will be the final act on the week, but it may be too late to matter by the time it arrives on Friday if Brexit and the EU Summit don't go well. Germany and the EU update the **ZEW investor confidence** metric on Tuesday. March readings for **purchasing managers' indices** arrive Friday and will inform stability arguments. See charts 10 and 11 for depictions of the recent global PMIs.

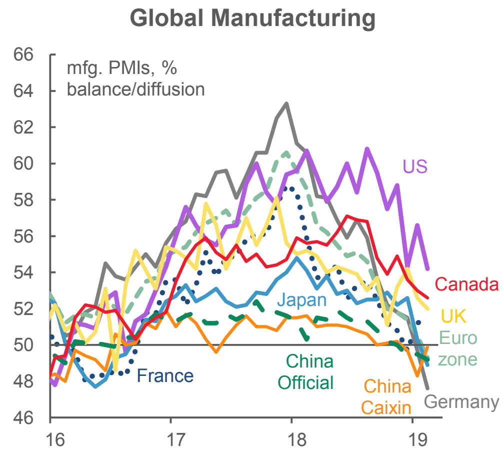
ASIA-PACIFIC—OBSERVER STATUS

Barring sudden announced progress toward setting a date for a summit between US President Trump and Chinese President Xi Jinping, Asian markets should be primarily focused upon developments abroad with regional market risks along the way. **Four central banks will issue policy decisions and several macro releases are on tap.**

Each of Bank Indonesia, Bangko Sentral ng Pilipinas, the Central Bank of China Taiwan and the Bank of Thailand will deliver policy decisions but none of them are expected to change their policy rates. The RBA issues minutes to its March 4th meeting at the start of the week.

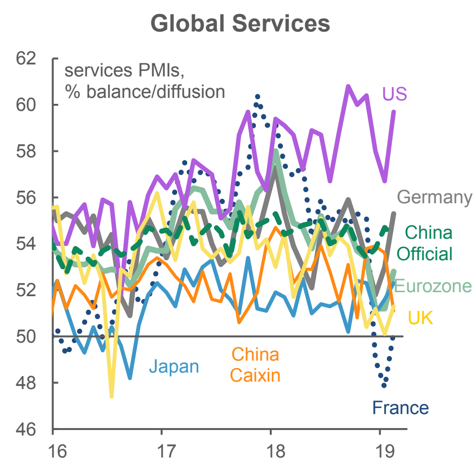
The main macro releases will include Australian job growth during February (Wednesday) that will shoot for a seventh straight gain, still very low Japanese CPI inflation during February (Thursday), Japanese trade during February (Monday), Malaysian CPI during February (Wednesday) and New Zealand's GDP growth in Q4 that should accelerate.

Chart 10



Sources: Scotiabank Economics, Markit, Bloomberg, ISM.

Chart 11



Sources: Scotiabank Economics, Markit, Bloomberg, ISM.

Key Indicators for the week of March 18 – 22

NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	03/18	08:30	International Securities Transactions (C$ bn)	Jan	--	--	-19.0
US	03/18	10:00	NAHB Housing Market Index	Mar	--	63.0	62.0
US	03/19	10:00	Factory Orders (m/m)	Jan	0.3	0.2	0.1
US	03/20	07:00	MBA Mortgage Applications (w/w)	MAR 15	--	--	2.3
US	03/20	14:00	**FOMC Interest Rate Meeting (%)**	**Mar 20**	**2.50**	**2.50**	**2.50**
CA	03/21	08:30	Wholesale Trade (m/m)	Jan	--	0.7	0.3
US	03/21	08:30	Initial Jobless Claims (000s)	MAR 16	230	225	229
US	03/21	08:30	Continuing Claims (000s)	MAR 9	1775	1758	1776
US	03/21	08:30	Philadelphia Fed Index	Mar	3.0	6.0	-4.1
CA	03/22	08:30	Core CPI - Common (y/y)	Feb	--	1.8	1.9
CA	03/22	08:30	Core CPI - Median (y/y)	Feb	--	1.8	1.8
CA	03/22	08:30	Core CPI - Trim (y/y)	Feb	--	1.8	1.9
CA	03/22	08:30	CPI, All items (m/m)	Feb	0.6	0.6	0.1
CA	03/22	08:30	CPI, All items (y/y)	Feb	1.5	1.4	1.4
CA	03/22	08:30	CPI, All items (index)	Feb	--	134.4	133.6
CA	03/22	08:30	Retail Sales (m/m)	Jan	0.4	0.4	-0.1
CA	03/22	08:30	Retail Sales ex. Autos (m/m)	Jan	0.1	0.2	-0.5
MX	03/22	10:00	Bi-Weekly Core CPI (% change)	Mar 15	0.2	--	0.2
MX	03/22	10:00	Bi-Weekly CPI (% change)	Mar 15	0.2	--	0.1
US	03/22	10:00	Existing Home Sales (mn a.r.)	Feb	5.2	5.1	4.9
US	03/22	10:00	Existing Home Sales (m/m)	Feb	5.3	3.2	-1.2
US	03/22	10:00	Wholesale Inventories (m/m)	Jan	--	0.0	1.1
US	03/22	14:00	Treasury Budget (US$ bn)	Feb	--	-227.5	8.7

EUROPE

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
EC	03/18	06:00	Trade Balance (€ mn)	Jan	--	--	16990.7
UK	03/19	05:30	Average Weekly Earnings (3-month, y/y)	Jan	--	3.2	3.4
UK	03/19	05:30	Employment Change (3M/3M, 000s)	Jan	--	120.0	167.0
UK	03/19	05:30	Jobless Claims Change (000s)	Feb	--	--	14.2
UK	03/19	05:30	ILO Unemployment Rate (%)	Jan	--	4.0	4.0
EC	03/19	06:00	Labour Costs (y/y)	4Q	--	--	2.5
EC	03/19	06:00	ZEW Survey (Economic Sentiment)	Mar	--	--	-16.6
GE	03/19	06:00	ZEW Survey (Current Situation)	Mar	--	13.0	15.0
GE	03/19	06:00	ZEW Survey (Economic Sentiment)	Mar	--	-11.0	-13.4
GE	03/20	03:00	Producer Prices (m/m)	Feb	--	0.2	0.4
UK	03/20	05:30	CPI (m/m)	Feb	--	0.4	-0.8
UK	03/20	05:30	CPI (y/y)	Feb	--	1.8	1.8
UK	03/20	05:30	PPI Input (m/m)	Feb	--	0.6	-0.1
UK	03/20	05:30	PPI Output (m/m)	Feb	--	0.1	0.0
UK	03/20	05:30	RPI (m/m)	Feb	--	0.7	-0.9
UK	03/20	05:30	RPI (y/y)	Feb	--	2.5	2.5
SZ	03/21	04:30	**Switzerland National Bank Libor Target (%)**	**Mar 21**	**-0.75**	**-0.75**	**-0.75**
NO	03/21	05:00	**Norwegian Deposit Rates (%)**	**Mar 21**	**1.00**	**1.00**	**0.75**
UK	03/21	05:30	PSNB ex. Interventions (£ bn)	Feb	--	0.6	-14.9
UK	03/21	05:30	Public Finances (PSNCR) (£ bn)	Feb	--	--	-25.4
UK	03/21	05:30	Public Sector Net Borrowing (£ bn)	Feb	--	-0.6	0.0
UK	03/21	05:30	Retail Sales ex. Auto Fuel (m/m)	Feb	--	-0.4	1.2
UK	03/21	05:30	Retail Sales with Auto Fuel (m/m)	Feb	--	-0.4	1.0
UK	03/21	08:00	BoE Asset Purchase Target (£ bn)	Mar	--	435.0	435.0
UK	03/21	08:00	**BoE Policy Announcement (%)**	**Mar 21**	**0.75**	**0.75**	**0.75**
EC	03/21	11:00	Consumer Confidence	Mar A	--	-7.1	-7.4
FR	03/22	04:15	Manufacturing PMI	Mar P	--	51.3	51.5
FR	03/22	04:15	Services PMI	Mar P	--	50.6	50.2
GE	03/22	04:30	Manufacturing PMI	Mar P	--	48.0	47.6
GE	03/22	04:30	Services PMI	Mar P	--	54.8	55.3

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

Key Indicators for the week of March 18 – 22

EUROPE *(continued from previous page)*

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
EC	03/22	05:00	Current Account (€ bn)	Jan	--	--	16.2
EC	03/22	05:00	Composite PMI	Mar P	--	52.0	51.9
EC	03/22	05:00	Manufacturing PMI	Mar P	--	49.5	49.3
EC	03/22	05:00	Services PMI	Mar P	--	52.7	52.8
IT	03/22	05:00	Current Account (€ mn)	Jan	--	--	4211.2
RU	03/22	06:30	**One-Week Auction Rate (%)**	**Mar 22**	**7.75**	**7.75**	**7.75**

ASIA-PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
JN	03/17	19:50	Merchandise Trade Balance (¥ bn)	Feb	--	305.1	-1415.6
JN	03/17	19:50	Adjusted Merchandise Trade Balance (¥ bn)	Feb	--	86.0	-370.0
JN	03/17	19:50	Merchandise Trade Exports (y/y)	Feb	--	-0.6	-8.4
JN	03/17	19:50	Merchandise Trade Imports (y/y)	Feb	--	-6.4	-0.8
SI	03/17	20:30	Exports (y/y)	Feb	--	-1.6	-10.1
PH	MAR 17-18		Budget Deficit/Surplus (PHP bn)	Jan	--	--	-81.0
JN	03/18	00:30	Capacity Utilization (m/m)	Jan	--	--	-1.9
JN	03/18	00:30	Industrial Production (y/y)	Jan F	--	--	0.0
AU	03/18	20:30	House Price Index (y/y)	4Q	--	-5.0	-1.9
PH	MAR 18-19		Balance of Payments (US$ mn)	Feb	--	--	2704.0
HK	03/19	04:30	Unemployment Rate (%)	Feb	2.8	2.8	2.8
SK	03/19	17:00	PPI (y/y)	Feb	--	--	0.2
MA	03/20	00:00	CPI (y/y)	Feb	-0.5	-0.4	-0.7
JN	03/20	02:00	Machine Tool Orders (y/y)	Feb F	--	--	-29.3
TH	03/20	03:05	**BoT Repo Rate (%)**	**Mar 20**	**1.75**	**1.75**	**1.75**
TA	03/20	04:00	Export Orders (y/y)	Feb	--	-5.9	-6.0
NZ	03/20	17:45	GDP (y/y)	4Q	2.7	2.5	2.6
AU	03/20	20:30	Employment (000s)	Feb	10.0	15.0	39.1
AU	03/20	20:30	Unemployment Rate (%)	Feb	5.0	5.0	5.0
ID	MAR 20-21		**BI 7-Day Reverse Repo Rate (%)**	**Mar 21**	**6.00**	**6.00**	**6.00**
TH	MAR 20-21		Customs Exports (y/y)	Feb	--	1.1	-5.7
TH	MAR 20-21		Customs Imports (y/y)	Feb	--	4.1	14.0
TH	MAR 20-21		Customs Trade Balance (US$ mn)	Feb	--	-103.8	-4032
TA	03/21	04:00	Benchmark Interest Rate	Mar 21	1.38	1.38	1.38
PH	03/21	04:00	**Overnight Borrowing Rate (%)**	**Mar 21**	**4.75**	**4.75**	**4.75**
HK	03/21	04:30	CPI (y/y)	Feb	1.4	2.0	2.4
JN	03/21	19:30	National CPI (y/y)	Feb	0.1	0.3	0.2
JN	03/21	20:30	Markit/JMMA Manufacturing PMI	Mar P	--	--	48.9
JN	03/22	01:00	Coincident Index CI	Jan F	97.9	--	97.9
JN	03/22	01:00	Leading Index CI	Jan F	95.9	--	95.9
JN	03/22	01:00	Supermarket Sales (y/y)	Feb	--	--	-3.4
JN	03/22	01:30	Nationwide Department Store Sales (y/y)	Feb	--	--	-2.9
TA	03/22	04:00	Unemployment Rate (%)	Feb	3.7	3.7	3.7
HK	03/22	04:30	BoP Current Account (HK$ bns)	4Q	--	--	48.0

LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CL	03/18	07:30	GDP (q/q)	4Q	--	--	0.3
CL	03/18	07:30	GDP (y/y)	4Q	3.3	--	2.8
BZ	03/18		Economic Activity Index SA (m/m)	Jan	--	-0.2	0.2
BZ	03/18		Economic Activity Index NSA (y/y)	Jan	--	0.3	0.2
CO	03/20	11:00	Trade Balance (US$ mn)	Jan	--	--	-586.9
BZ	03/20		**SELIC Target Rate (%)**	**Mar 20**	**6.50**	**6.50**	**6.50**
CO	03/22		**Overnight Lending Rate (%)**	**Mar 22**	**4.25**	**4.25**	**4.25**

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

Global Auctions for the week of March 18 – 22

NORTH AMERICA

Country	Date	Time	Event
CA	03/21	12:00	Canada to Sell 2 Year Bonds
US	03/21	13:00	U.S. to Sell 10-Year TIPS Reopening

EUROPE

Country	Date	Time	Event
BE	03/18	06:30	Belgium to Sell Bonds
BE	03/18	07:00	Belgium Bond Auction
DE	03/20	05:30	Denmark to Sell Bonds
GE	03/20	06:30	Germany to Sell Bonds
SW	03/21	06:00	Sweden to Sell I/L Bonds
IC	03/22	07:30	Iceland to Sell Bonds

ASIA-PACIFIC

Country	Date	Time	Event
SK	03/17	21:30	Korea Central Bank to Sell KRW 300Bln 182-Days Bond
SK	03/17	22:30	Korea to Sell KRW 1.75Tln 10-Year Bond
SK	03/18	01:00	Korea Central Bank to Sell KRW 600Bln 91-Days Bond
CH	03/18	21:30	Dalian to Sell CNY200 Mln 7Y Bonds
CH	03/18	22:30	Tianjin to Sell Bonds
JN	03/18	23:30	1Y Note Amount Sold
JN	03/18	23:35	Japan to Sell 20-Year Bonds
TA	03/19	00:30	Taiwan to Sell TWD20 Bln 5-Yr Bonds
CH	03/19	02:00	Yunnan to Sell Bonds
SK	03/19	21:30	Korea Central Bank to Sell KRW 2.7Tln 2-Year Bond
CH	03/19	23:00	China Plans to Sell 1-Year Upsized Government Bond
CH	03/19	23:00	China Plans to Sell 10-Year Upsized Government Bond
TH	03/19	23:00	Thailand to Sell THB13 Bln Bonds Due 2038
CH	03/20	02:00	Jiangxi to Sell Bonds
NZ	03/20	21:05	New Zealand To Sell NZD200 Mln 2.75% 2037 Bonds
CH	03/20	21:30	Hunan to Sell Bonds
TH	03/20	23:00	Bk of Thailand to Sell THB35 Bln Bonds Due 2022
CH	03/21	02:00	Guizhou to Sell Bonds
CH	03/22	04:00	Ningxia to Sell Bonds

Source: Bloomberg, Scotiabank Economics.

Events for the week of March 18 – 22

NORTH AMERICA

Country	Date	Time	Event
US	03/20	14:00	**FOMC Rate Decision**

EUROPE

Country	Date	Time	Event
SW	03/19	09:00	Riksbank's Skingsley Gives Speech
SW	03/20	05:00	Swedish PM in Open EU Committee Hearing
SZ	03/21	04:30	**SNB Sight Deposit Interest Rate**
SZ	03/21	04:30	**SNB 3-Month Libor Target Range**
NO	03/21	05:00	**Deposit Rates**
EC	03/21	05:00	ECB Publishes Economic Bulletin
NO	03/21	05:30	Norges Bank Holds Press Conference After Rate Decision
UK	03/21	08:00	**Bank of England Bank Rate**
PO	03/22	05:30	ESM's Regling, Centeno Speak at Conference on Europe in Lisbon
RU	03/22	06:30	**Key Rate**

ASIA-PACIFIC

Country	Date	Time	Event
AU	03/18	18:00	RBA's Kent gives speech in Sydney
AU	03/18	20:30	RBA Minutes of March Policy Meeting
JN	03/19	19:50	BOJ Minutes of January Policy Meeting
AU	03/19	20:00	RBA's Bullock gives speech in Perth
JN	03/19	21:10	BOJ Outright Bond Purchase 5~10 Years
TH	03/20	03:05	**BoT Benchmark Interest Rate**
ID	MAR 20-21		**Bank Indonesia 7D Reverse Repo**
PH	03/21	04:00	**BSP Overnight Borrowing Rate**
PH	03/21	04:00	**BSP Standing Overnight Deposit Facility Rate**

LATIN AMERICA

Country	Date	Time	Event
BZ	03/20		**Selic Rate**
CO	03/22		**Overnight Lending Rate**

Source: Bloomberg, Scotiabank Economics.

Global Central Bank Watch

NORTH AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Canada – Overnight Target Rate	1.75	April 24, 2019	1.75	1.75
Federal Reserve – Federal Funds Target Rate	2.50	March 20, 2019	2.50	2.50
Banco de México – Overnight Rate	8.25	March 28, 2019	8.25	8.25

Federal Reserve: Wednesday's meeting could well present a revised dot plot that pushes back against rate cut pricing, unveils a revised balance sheet strategy and pads required reserves to provide cover for a later year rate hike. See the *Fed Preview: The Great Unveiling?*

EUROPE

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	0.00	April 10, 2019	0.00	0.00
Bank of England – Bank Rate	0.75	March 21, 2019	0.75	0.75
Swiss National Bank – Libor Target Rate	-0.75	March 21, 2019	-0.75	-0.75
Central Bank of Russia – One-Week Auction Rate	7.75	March 22, 2019	7.75	7.75
Sweden Riksbank – Repo Rate	-0.25	April 25, 2019	-0.25	-0.25
Norges Bank – Deposit Rate	0.75	March 21, 2019	1.00	1.00
Central Bank of Turkey – Benchmark Repo Rate	24.00	April 25, 2019	24.00	24.00

Bank of England: Talk about bad timing. Governor Carney faces the unfortunate task of weighing in on policy on the very day of the EU Summit. If Parliament passes PM May's European Union (Withdrawal) Act the day before then it would still be up to the EU-27 to decide whether to grant an extension to the Article 50 March 29th deadline to the end of June. If Parliament fails to pass the breakup deal, then it's up to the EU to decide whether to grant a deadline extension, under what conditions, and for how long. Nothing about the present and backward fundamentals is likely to influence the BoE in the face of such risk.
Norges Bank: Consensus is nearly unanimous toward another rate hike next week that would lift the deposit rate to 1% following the earlier hike in September.
Russia: No change is expected to the 7.75% policy rate but with hike risk. First Deputy Governor Ksenia Yudaeva recently noted that the central bank is evaluating whether hikes to date have been adequate to contain inflationary pressure and noted that the answer is "not obvious."
Swiss National Bank: No change to policy rates is anticipated particularly in the wake of the ECB's more dovish stance recently that introduced a fresh round of TLTROs.

ASIA PACIFIC

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Policy Rate	-0.10	April 25, 2019	-0.10	0.00
Reserve Bank of Australia – Cash Target Rate	1.50	April 1, 2019	1.50	1.50
Reserve Bank of New Zealand – Cash Rate	1.75	March 26, 2019	1.75	1.75
People's Bank of China – Lending Rate	4.35	TBA	--	4.30
Reserve Bank of India – Repo Rate	6.25	April 4, 2019	6.25	6.25
Bank of Korea – Bank Rate	1.75	April 18, 2019	1.75	0.00
Bank of Thailand – Repo Rate	1.75	March 20, 2019	1.75	1.75
Bank Negara Malaysia – Overnight Policy Rate	3.25	May 7, 2019	3.25	3.25
Bank Indonesia – 7-Day Reverse Repo Rate	6.00	March 21, 2019	6.00	6.00
Central Bank of Philippines – Overnight Borrowing Rate	4.75	March 21, 2019	4.75	4.75

The Bank of Thailand (BoT): Thai monetary authorities will likely keep the benchmark interest rate unchanged at 1.75% following the March 20 policy meeting. Given that the BoT raised the rate by 25 bps in December, the central bank will likely stay in wait-and-see mode over the coming months in order to assess the impact of the December hike. **Bank Indonesia (BI)**: Indonesian monetary authorities will make a policy decision on March 21. We expect the BI to continue its wait-and-see stance over the coming months as it assesses the direction of monetary policy in other economies, notably in the US. Inflation remains contained, at 2.6% y/y in February. **Bangko Sentral ng Pilipinas (BSP)**: We expect the BSP to maintain its current monetary policy stance following the March 21 meeting. Inflation continues to weaken, reaching 3.8% y/y in February, allowing the central bank to start considering monetary policy loosening over the coming months.

LATIN AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	6.50	March 20, 2019	6.50	6.50
Banco Central de Chile – Overnight Rate	3.00	March 29, 2019	3.00	3.00
Banco de la República de Colombia – Lending Rate	4.25	March 22, 2019	4.25	4.25
Banco Central de Reserva del Perú – Reference Rate	2.75	April 11, 2019	2.75	2.75

Banco Central do Brasil: No change to the 6.5% Selic rate is expected with inflation beneath the mid-point of the central bank's 3-6% inflation target range. This will be the new Governor Roberta Campos Neto's first decision.
BanRep: No change is expected to the 4.5% policy rate with inflation in the middle of the central bank's target range.

AFRICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	6.75	March 28, 2019	6.75	6.75

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