Weekly commentary on economic and financial market developments

July 15, 2016

Economics

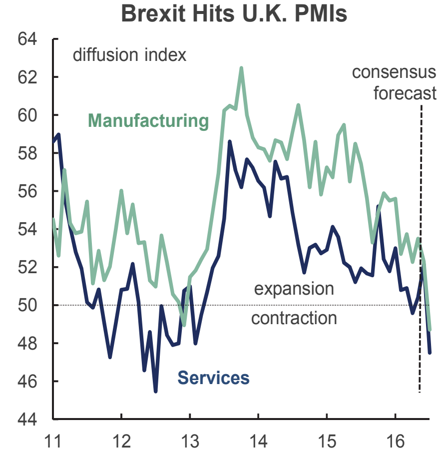
Fixed Income Strategy

Please see Scotiabank's Forecast Tables, July 6, 2016, for our latest economic, interest and exchange rate and commodity price forecasts.

FORECASTS & DATA

This Week's Featured Chart

Brexit Hits U.K. PMIs



Source: Scotiabank Economics, Markit, Bloomberg.

Will Earnings Trump Draghi?

- **Please see our full indicator, central bank, auction and event calendars on pp. A3-A8.**

UNITED STATES — QUIET FED, NOISY GOP

The Federal Reserve slips into communications black-out on Tuesday ahead of the following week's FOMC meeting. Markets have heard a great deal from the regional Presidents, but little from the top of the house including nothing whatsoever from Chair Yellen since the UK referendum as she withdrew from an ECB conference in the days afterward. That in itself is a clue that the Fed isn't exactly chomping at the bit to hike despite the more hawkish leanings of a minority of regional Presidents such as KC's George, Cleveland's Mester, and Philadelphia's Harker.

Earnings will be a major highlight of the coming week. In fact it's the first of three heavy weeks during the peak of the Q2 earnings season that brings out 96 reports, followed by 194 the week after and 114 the week after that before the momentum then wanes. Among the firms out next week are BoA, IBM, Yahoo and Netflix on Monday; Goldman Sachs, Microsoft, Johnson & Johnson and Lockheed Martin on Tuesday; Morgan Stanley, Intel, eBay, and Mattel on Wednesday; BoNYM, AT&T, Capital One, Visa, Starbucks, Amazon.com and GM on Thursday; and GE on Friday.

A rather amusing line-up of speakers at the **Republican National Convention** will nevertheless be a sideshow to the real thing to focus upon. The decision has been made to halt any movement toward preventing Donald Trump from winning the nomination at the convention. The remaining issue, however, will be to what extent the convention showcases internal divisions within the Republican party that remind Americans — and the world — of the party's conduct in driving government shutdowns and endless stalemates while determining whether the party is fit to govern. **A pyrrhic victory is therefore the risk.** Trump may become head of a party that either makes a serious effort toward uniting behind a divisive leader, or collapses inward upon itself in November.

Data risk will pose a third risk on the week, but it should be a fairly light one. Housing and manufacturing will be the focal points. Housing starts (Tuesday) and resales (Thursday) will both be updated with June estimates and little change is expected for either reading. The Philadelphia Fed's business outlook metric for July may begin to capture any post-Brexit influences and the Fed's recent Beige Book suggests downside risk given comments from within the Third District:

"Contacts reported that overall activity has climbed into slightly positive territory since the prior Beige Book period; however, reports of shipments and new orders remained slightly negative. Firms also reported that the number of employees and the average employee workweek continued to fall. Overall, contacts expressed somewhat lower expectations of growth during the next six months than during the last Beige Book period. The change in outlook was driven, in part, by lower percentages of firms expecting increases in shipments and new orders and higher percentages expecting a decrease in general activity than during the prior period. Expectations of future capital expenditures also fell, with fewer firms expecting increases and more expecting decreases."

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Next Week's Risk Dashboard

- ECB
- Eurozone sentiment surveys
- UK CPI
- Fed blackout
- GOP convention
- CDN retail sales, CPI
- US earnings
- US housing, manufacturing reports
- Chinese property prices
- Bank Indonesia

Chart 1

Source: Scotiabank Economics, Bloomberg.

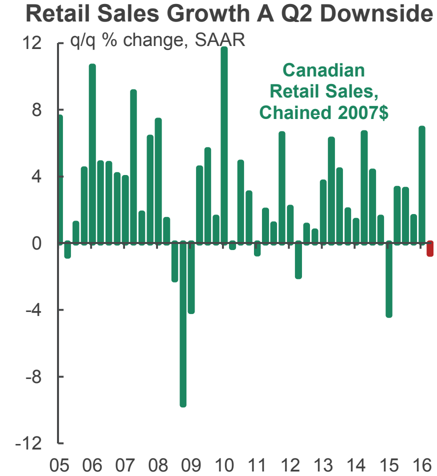
Finally, inflation trading markets will have an eye on Tuesday's $13 billion auction of ten year Treasury Inflation Protected Securities (here). Relative to our inflation forecasts, we believe markets are underpricing longer-term inflation risk (chart 1).

CANADA — ANOTHER DOWNSIDE RISK

Data risk at the end of the week will combine with a few earnings releases to influence potential domestic twists on the global market influences upon Canadian markets next week.

Friday's retail sales report for May will further inform growth-tracking risks across the broader economy. **The issue of how the consumer may add to downside risks to Q2 GDP growth wasn't addressed by the Bank of Canada in its latest Monetary Policy Report.** The report only vaguely flagged general household sector risks over time and escalated the warning about housing markets in Vancouver and Toronto while paying no heed to the durability of the consumer expansion at the start of the year. Nevertheless, it is among the factors pointing to near-term downside risk to growth that, like it or not, matters to markets. The volume of retail sales grew by about 7% in Q1 at a seasonally adjusted and annualized rate. Note that this was among the biggest outlier gains in years (chart 2); it was the fastest gain since early 2010 although three other quarters came close. Warmer and drier than usual winter weather may have played a factor. Retail sales volumes are tracking a slight contraction in Q2 with data up to April and that positions this component of consumer spending as having dropped out as a growth driver in Q2 on top of other downside pressures on growth that will in all likelihood result in a material contraction in Q2.

Chart 2



Source: Scotiabank Economics, Statistics Canada.

After the BoC's revised inflation forecast, next Friday's release for June matters only marginally at best. It will close out the second quarter with the reading for June, and pose minimal tracking risk to the BoC's forecasts. A little higher average energy prices and seasonal influences upon some core prices will no doubt spark monthly gyrations. The July MPR estimated Q2 inflation at 1.5% y/y with core at 2.0% with the expectation that core will remain around 2% throughout the BoC's forecast horizon as commodity base effects translate into higher inflation later in the year and into next year. This tracking risk will evolve gradually over time.

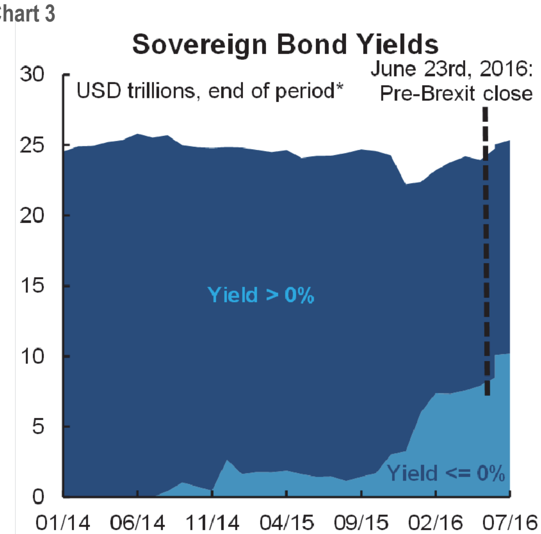
Twelve earnings reports arrive over the coming week including CP, Rogers, Encana, and West Fraser. Canada auctions 2 year bonds on Wednesday.

EUROPE — THE ECB AND BRITISH DYSFUNCTION

The vast majority of economists and traders do not expect the ECB to alter monetary policy at its meeting next Thursday. Unlike the Bank of England, it hasn't generally set up expectations for further policy easing — or at least not yet. One couldn't help observe the irony behind euro-skeptics in the UK who themselves sparked turmoil only to turn critical of the Bank of England's decision not to ease policy which may have saved their proverbial bacon. What temerity! The euro's mild depreciation versus the USD and most other currencies contrasts with its 8% appreciation versus pound sterling since the UK referendum. The ECB's prior stimulus announcements are still working their way through and inflation is stabilizing with upward pressure likely over the duration of the year into next year. The ECB has already played a significant role in driving global bond yields negative (charts 3, 4 and 5) and is faced with a shrinking pool of eligible bonds to purchase. Further, most of the heightened 'Brexit' uncertainty still lies ahead and the ECB may wish to evaluate how this risk unfolds further over time.

Volatile policy is perhaps not unexpected given the moving co-dependent parts of the picture. Carney's political bosses changed guard just before the BoE

Chart 3



Source: Scotiabank Economics, Bloomberg.
*Includes bonds listed in Bloomberg's Global Developed Sovereign Bond Index.

meeting as newly minted Prime Minister Theresa May was appointed much earlier than expected, immediately replaced the Chancellor of the Exchequer and appointed the highly divisive Boris Johnson to a key post. May stated 'Brexit means Brexit' in a clear nod to moving forward toward year-end with an Article 50 application to withdraw from the EU. All the signs are therefore pro-Brexit from the 'new' Conservative government. It is possible that the BoE's Monetary Policy Council felt that greater effort toward offering a package of forecasts — due to be updated at the August meeting — and a more thorough framework of reasoning would be necessary in the context of such moving parts. Notwithstanding whether Carney provided misleading guidance or markets went too far in interpreting his guidance that was not as time-specific as markets assumed, waiting three weeks until the next meeting to assess easing possibilities carries inconsequential ramifications for the economic or market outlook in what is a needlessly emotional debate.

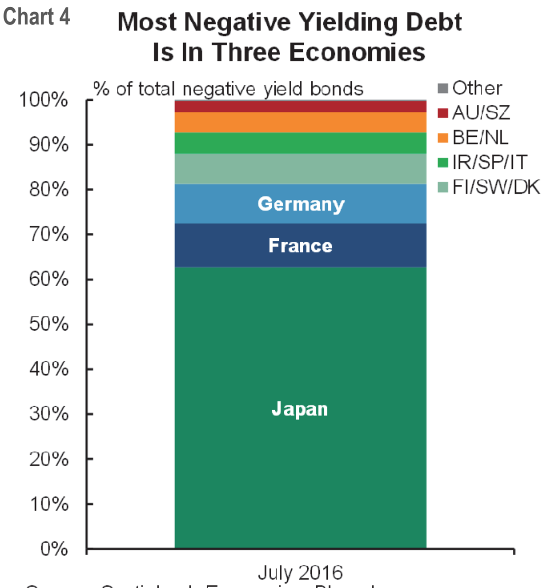
UK data flow next week may be mostly irrelevant as it focuses upon the pre-Brexit world that was, but **expectations for slightly firming CPI inflation in Tuesday's release won't help the case for BoE cuts.** Retail sales and the unemployment rate are also due for updates.

Across the Eurozone, **the ZEW investor sentiment survey is likely to signal more unease** notwithstanding the significant rebound in markets following the initial response to the UK referendum. **Eurozone purchasing managers' indices** for July get rolled out and may begin to show a softening bias, but **it will be the August Eurozone PMIs and August UK PMI that will be watched much more closely** in the wake of the 'flash' UK PMI estimate for July.

ASIA — OBSERVER STATUS

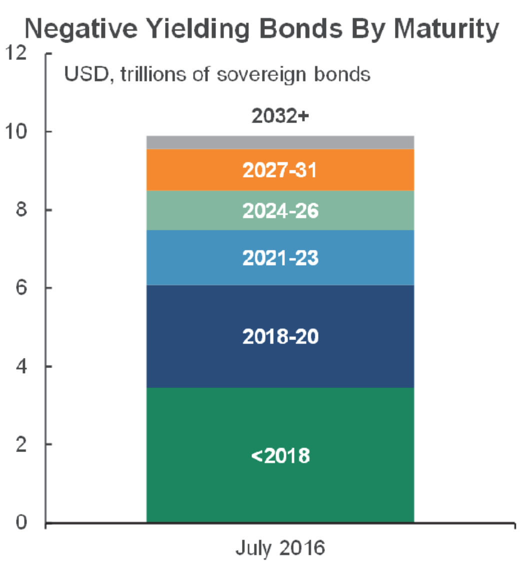
Asian markets should be on the sidelines watching turmoil in Europe and firming bets ahead of the Bank of Japan's meeting on July 29th. A small minority of economists expect Bank Indonesia to cut its reference rate on Thursday. Minutes to the RBA's meeting on July 5th, Chinese property prices, and New Zealand's Q2 CPI print will offer modest incremental insight.

Chart 4



Source: Scotiabank Economics, Bloomberg.

Chart 5



Source: Scotiabank Economics, Bloomberg.

Negative Rates Have Increased Bond Market Risk

The global move toward negative or very low bond yields and concomitant shifts in the composition of maturities and coupon structures have escalated risk to the bond market. They have done so by sharply magnifying the scope for capital losses for a given change in yields.

MEASURING THE NEGATIVE YIELDING MARKET

The magnitude of the shift toward negative yielding bonds is undeniable. Chart 1 shows the total amount outstanding relative to positive yielding bonds. Negative yielding bonds encompass about 40% of the global sovereign bond market across developed countries. Chart 2 shows the regional breakdown and vividly portrays the majority of negative yielding debt as residing in a handful of large economies - like Japan (which is by far the biggest negative yielding market), Germany, and France. Chart 3 shows the maturity breakdown and how much of the negative yielding debt is of shorter-term maturities. This makes sense given that central bank actions toward inducing negative yield have more powerful effects across the front-end of debt curves. In addition to these tallies would be sub-sovereign and some corporate debt at negative yields but the focus here is upon the sovereign debt market.

BOND MARKET RISK HAS RISEN

Chart 4 shows the rise in modified duration over the period in which negative rate policies accelerated. This is a measure of how bond prices would change in response to a modest rise in market yields. Because this is a nonlinear relationship when rates change materially, bond investors also consider convexity, which measures how fast the rate of change in bond prices is rising for larger swings in rates. As coupons have moved lower, convexity has risen. Higher convexity implies less sensitivity of the change in bond prices to changing yields.

All considered, these measures of bond market risk have escalated as central banks have become more aggressive with unconventional policy tools. The scope and risk for large swings in volatile bond markets to occur has increased. This may be an added reason to demand compensation elsewhere including on equity earning yields.

LOW MAY BEGET LOW FOR A LONG TIME

It should also be a consideration for the Fed when contemplating further rate increases with which the bond market may have greater difficulty than even last December when the Fed first hiked. In some sense, you could quip that low rate policies make it difficult to move away from them if central bankers are concerned about sudden shifts in market sentiment and concomitant financial market volatility. Given the Fed's proven sensitivity to market disturbances, we believe this to be a reasonable consideration.

In the meantime, North America is nicely situated to capture search-for-yield demand as Treasuries and Canadas offer superior yield and high liquidity. That is, of course, in a relatively stable bond market.

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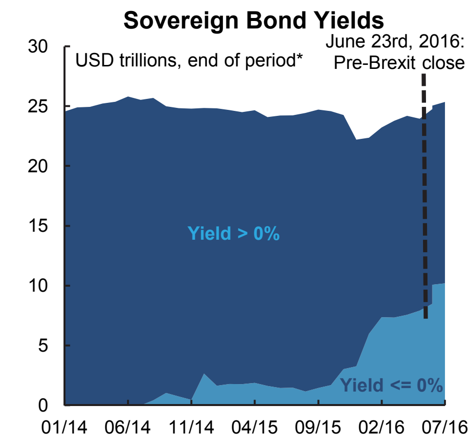
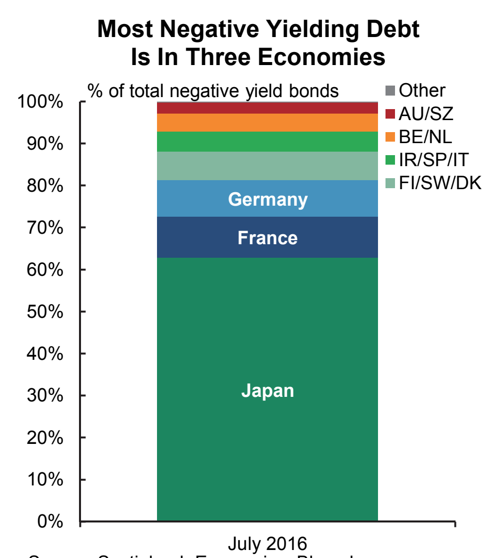
Chart 1



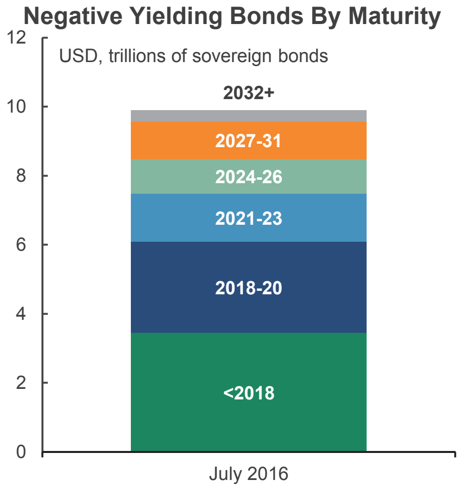
Source: Scotiabank Economics, Bloomberg.
*Includes bonds listed in Bloomberg's Global Developed Sovereign Bond Index.

Chart 2



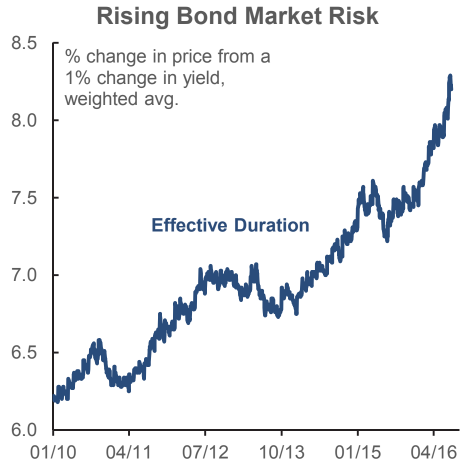
Source: Scotiabank Economics, Bloomberg.

Chart 3



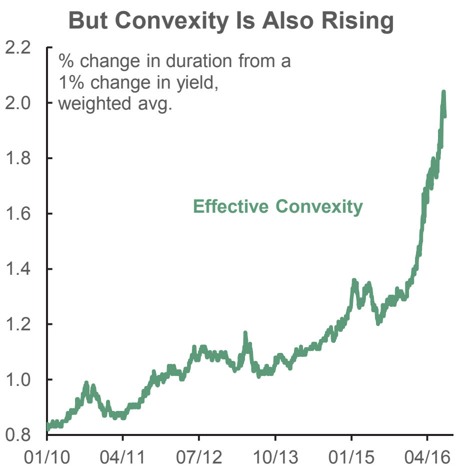
Source: Scotiabank Economics, Bloomberg.

Chart 4



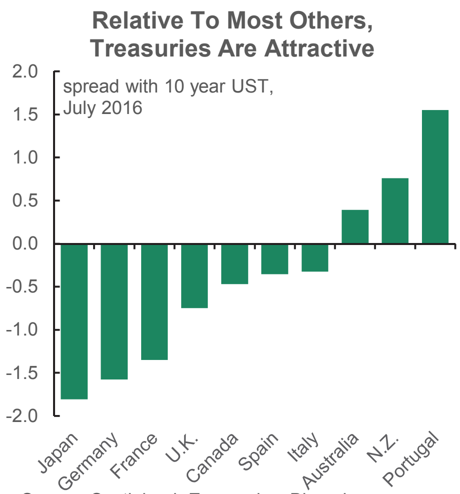
Source: Scotiabank Economics,
Bloomberg Sovereign Global Developed Index.

Chart 5



Source: Scotiabank Economics,
Bloomberg Sovereign Global Developed Index.

Chart 6



Source: Scotiabank Economics, Bloomberg.

Another Solid Year For Hotels Likely In 2016

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The hospitality industry will likely have another strong year in 2016 with broad support from robust tourism demand, continued global economic growth of around 3% per year, and favourable demographics in emerging markets. Global travel volumes are forecast to grow at around 4% this year, the slowest gain since the recession, but in line with the long-term average.

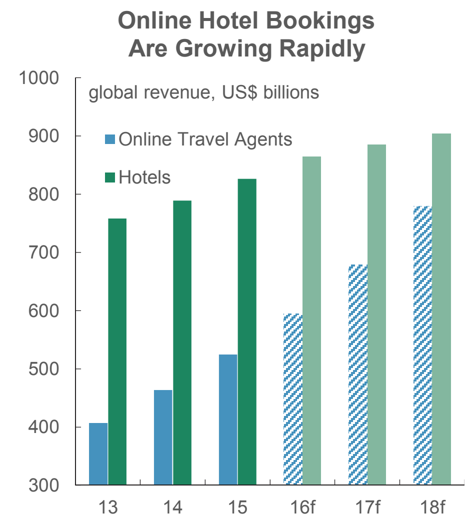
A relatively soft euro allowed European hotels to outperform in 2015, with a healthy 7.1% increase in revenue per available room (RevPAR) and a 1.5% increase in occupancy rates. Terrorist attacks in France and Belgium dented local hotel performance in 2015 and early 2016, but only temporarily, as the European Cup soccer tournament in France this summer will likely reverse the trend in occupancy rates and revenue. France remains the world's most popular tourist destination. Arrivals increased 1% in 2015, with hotels in the south outpacing Paris in RevPAR and occupancy rates. A strong U.S. dollar limited gains stateside, but results remain solid, with RevPAR advancing 6% and occupancy rates increasing by 1% in 2015. Through May 2016, U.S. RevPAR is up 3%.

Despite generally positive results in 2015 and a bright travel outlook, there are threats to the hospitality sector, particularly from online travel agents (OTAs) which have been eroding revenue and profit at hotels. Growth in OTAs has been rapid. In 2013, OTA revenue was around $400bn, and is projected to reach nearly $600bn this year (compared with the anticipated revenue for the global hotel industry, of around $850bn). OTAs are also highly concentrated, with two major parent companies and their affiliates accounting for 75% of bookings in the U.S. and 60% of bookings in Europe. As these companies capture market share, they gain greater control over the commissions they are able to charge. Typical fees range from 15-30% (and have been on the rise), with OTAs having greater leverage over smaller chains with lower advertising and tech budgets.

The future of premium commissions levied by OTAs is uncertain, as regulators and hotel operators have begun to push back on onerous fees and anticompetitive behaviour such as price discrimination and 'best price guarantees' (where OTAs won't allow a hotel to join their network if they offer customers better or equal rates through direct booking). In the U.S., the American Hotel & Lodging Association has lobbied and advertised against third party websites for hotel bookings, while the European Commission is investigating OTA practices in France, Italy, the U.K. and Sweden. The largest hotel chains have started to eschew contracts with OTAs that involve best rate guarantees, and are adding sweeteners such as free Wi-Fi, room upgrades, and free meals alongside discounts for direct booking.

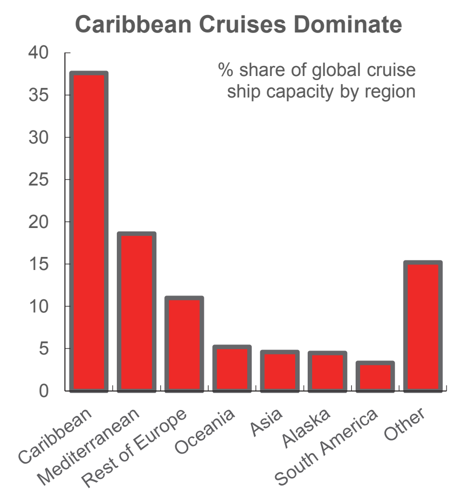
Last year cruise lines had their best financial results since 2008 thanks to rising travel volumes, improved fuel efficiency on new vessels, and a sharp drop in fuel prices, which fell 40% in 2015. Fuel prices have rebounded through the first half of the year, but are still well below 2013 levels. With U.S.-Cuban diplomatic tensions thawing, Cuba is set to be the next Caribbean cruise destination, with regular voyages expected to start imminently. Travel to Cuba will be a novelty for many Americans and will likely command premium pricing in the beginning, providing an immediate benefit for cruise lines that are able to secure Havana as a destination.

Chart 1



Source: IBIS World, Scotiabank Economics.

Chart 2



Source: Cruise Lines International Association, Scotiabank Economics

The ECB To Give A Rendezvous For September

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No change in the ECB monetary policy is forecasted for this meeting. While in June, the ECB identified Brexit as a "*significant, although difficult to anticipate, negative spillovers to the euro area*", the central bank will need some time to assess its potential impact. Recent comments from ECB members have already suggested that the September 8th meeting could be the right timing and we thus expect the ECB president to validate this schedule, raising speculation for further actions after the summer break.

HEARING ON THE POTENTIAL IMPACT OF THE BREXIT

Further monetary stimulus by the ECB will, in our view, depend on three issues, being growth, bank sector performance and credit conditions. The July meeting could give some flavour on how the ECB is concerned about each of them:

- **1) The expected impact on growth.** In this regard, the September meeting will see the release of the new macroeconomic forecasts. A few weeks ago, the ECB president indicated that Brexit could have a negative impact on Eurozone growth of around 0.5% over the coming three years. It will be interesting to hear the ECB's views on how quickly this could materialize and the consequence on medium-term inflation. While the elasticity between GDP growth and inflation is not stable over time, past ECB studies suggested that a 1% drop in Eurozone GDP growth over a three year horizon could lower inflation by around 0.7%. Will the ECB use this elasticity? If that is the case, there is the risk that 2018 inflation forecast be lowered from 1.6% to 1.2%/1.3%. This would clearly be seen as worrying for the central bank.

- **2) The risk of fragmentation in the banking sector.** It is worth noticing that swings in equity markets since the referendum have been mainly driven by the volatility in bank shares. This raises the risks of a retightening in credit conditions in countries where the banking sector is the weakest, meaning in peripherals countries where banks are still dealing with a high burden of bad loans. While the ECB will likely look to the upcoming ECB lending survey (to be released on Tuesday) to assess this risk, this survey will not yet really capture the potential impact of Brexit. So, before drawing any strong conclusions, the ECB president is likely to point to the need to wait for 1) the conclusions of the new stress test to be released at the end of the month and 2) any political move to deal with the recapitalization of the Italian banking sector in particular. On this last point, it would be interesting to hear the ECB's position on the flexibility around "state aid". Recent comments from the ECB vice-president would suggest adopting a pragmatic approach as "*The present situation, after a new round of reduced stock prices following Brexit, deserves a deep reflection about the offsetting of some market failures with a small public support to markedly improve the stability of some banking sectors.*"

- **3) The risk of retightening in financial conditions.** This point was one of the key elements behind the ECB's decision to add more stimulus during the spring. At this stage, however, retightening in financial conditions appears to have been avoided. While medium term inflation expectations have moved down, it has not pushed real yields higher. Meanwhile, the ECB's corporate bonds program has avoided a spike in credit spreads while equity markets have recovered some ground after a sharp initial negative reaction. Finally, the euro nominal exchange rate has remained roughly stable. So, while the ECB president will likely repeat the willingness of the central banks to act on any sign of worsening financial conditions, this factor does not seem to be strong enough to trigger further stimulus for the time being.

ADDRESSING THE ECB'S ROOM TO MANOEUVRE

This meeting will also help to assess how the ECB is seeing its room of manoeuvre to provide additional stimulus under QE or through other options. While the ECB president is unlikely to give very clear clues on this, we would asses that, depending on how strong the concerns are on each of the three above-mentioned factors, speculation could swing.

- **In case of strong concerns on point 1),** the option to find some adjustments to prolong the current QE could be favoured. In this case, we think cutting the deposit rate further or adjusting the capital key could be the easiest and the quickest to be put in place. While a further drop in the deposit rate could damage banking sector profitability, the ECB could choose to adopt a multi-tiered deposit rate system. On the capital key, one of the possibilities for the ECB could be to use "a mini OMT". Following the recent ruling from the German constitutional court, which judged the OMT in line with the ECB mandate, there could be more leeway from the ECB on this front, focussing on shorter maturities (up to 4Y/5Y) in order to limit the credit risk.

- **In case of strong concerns on point 1) & 2),** there will be the need for the ECB to both act on prolonging the current QE program but also targeting the banking sector. Possible options could be to buy bank loans or to broaden the scope of the ECB's QE on the ABS program. So far, the ECB only buys securities above a certain threshold. However, the impact has been relatively muted with the amount bough each month just around €1/€1.5bn. Both options could offer support to the banking sector as well as some leeway to prolong the QE program at a time when the possibility of buying German bonds is becoming more and more scare as yields are falling. However, as the regulations have moved from a "bail out" to a "bail in" process to solve future banking crisis, central bank intervention could thus be seen as backing off. So, all the comments at this meeting on the potential flexibility on the regulation will be worth hearing.

- **In case of strong concerns on point 1), 2) & 3),** this will be seen as a major downside risk to the Eurozone reflation scenario. Then, the ECB could be tempted to add new instruments. This could refuel the debate on "helicopter money" although, at this stage, this policy tool looks premature.

Another Shock To France … And Europe

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The new terrorist attack on the French Riviera during Bastille Day is another shock for France but also for Europe with potential three impacts

On growth: At a time when there is renewed uncertainty on the Eurozone growth recovery following Brexit, this attack adds to potential downside risks. While Brexit could impact the investment side (which we will track through upcoming business survey results), terrorist attacks usually impact the consumer. As such, France is likely to experience a double shock on both the supply and the demand side of the economy. However, it is worth keeping in mind that following the previous terrorist attack last November, French households proved surprisingly resilient. While household spending plunged in November, the downturn was rather short lived and registered a strong recovery in the following months. In fact, French consumer spending was a major driver of the recovery in Q1. While this resilience is once again tested, it is likely that economists will be cautious in revising down their forecast for French GDP growth for the time being. Also, the short term reaction of financial markets could be muted. Last November, French OAT curve flattened with yields rallying by 3 to 4 bps from the 10Y and beyond.

On budget balances: Following the November attack, the French government indicated that it was time to move from the Stability Pact to the Security Pact in Europe. The French government announced extra spending in security estimated at around 0.2% of GDP. This dynamic is likely to continue and to increase. As a result, the capacity for France to reach a budget deficit below 3.0% of GDP next year could be more challenging at a time when the impact of Brexit is also uncertain. However, it is likely that extra spending by governments will be mimicked across Europe. In this environment, it might be difficult for governments to agree on any fines to Spain and Portugal and there will likely be more complacency across Europe on potential budget deficit targets misses.

On politics: Brexit increased the risk of fragmentation inside Europe and could support rising nationalism and populism, although the last election in Spain showed an initial set back from Populist Party Podemos. However, the latest terrorist attack in the French Riviera will likely be described by populism parties as a “failure” of Europe. The political calendar in Europe is rather heavy in the months to come, starting with the Italian referendum on the constitution this autumn and then major elections next year in the Netherlands, France and Germany. In the case of France, this could strengthen the position of the extreme right party Front National, which accounts for around 25% in the poll (28% of the vote at the first round of the last regional elections last December). Overall, it is an additional ingredient to increase market volatility ahead of each political election.

Table 1: Political agenda in Europe

	Date	Elections
Italy	Oct-16	Constitutional referendum*
Netherland	Mar-17	Parliamentary election
France	May-17	Presidential election
	Jun-17	Parliamentary election
Germany	Sep-17	Parliamentary election
Czech Republic	Oct-17	Parliamentary election

Source: Scotiabank

* PM Renzi indicated that he could resign in case of a "No" vote in the referendum

Key Data Preview

CANADA

Canadian **retail sales** surged in April by +0.9% m/m, and we're expecting trend reversion in May which pulls retail sales down to -0.2% m/m, still pointing to an ok rate of consumer spending growth in Q2. The coincident indicators for Canadian retail sales are fairly thin, but for what it's worth, they point to a soft number. Vehicle sales slipped to 1.88m annualized vs. 2.03m annualized in April, while gasoline prices edged up by 4.7% m/m, plausibly mitigating the decline. The biggest factor impacting our forecast is our assumption about trend retail sales. It seems unlikely that retail sales are in fact running at the 4.6% y/y pace registered in April, or for that matter the 2.9% y/y pace that retail sales volumes notched in April. Note that the strong trend retail sales number was not that great in month-on-month terms (retail sales in constant dollar terms were up by a scant +0.1% m/m).

Canadian **inflation** numbers are likely to register a +0.3% m/m print for June on headline leading to a slight uptick in year-on-year inflation to +1.6%. The main factor here is the price of gasoline, which was up solidly in June and should lift overall CPI. Core inflation is another matter, however. It has been edging lower throughout the year mainly as the impact of C$ depreciation on clothing prices fades. There is still some residual currency pass-through visible in inflation, particularly in the elevated prints being notched in the reading, recreation, and education sector. However, all-in-all, services CPI is now down to +1.9% y/y (as of May), and we can easily envision core CPI slipping to 2% y/y when the June inflation figures land.

UNITED STATES

A quiet U.S. data calendar next week features mostly data on the housing sector. U.S. **housing starts** for June will likely come in a shade above where they were in May, and we're forecasting a 1.175m annualized number. Building permits have been strong and momentum in the housing sector has been solid in terms of prices and transaction volumes, leading us to expect continued momentum in housing starts. In terms of existing home sales, the aforementioned coincident indicators, as well as the rate of mortgage applications and pending home sales, have been solid and shown acceleration overall. We expect existing home sales to print at a relatively flat 5.5m annualized — which would mark a second consecutive month at what amounts to a post-crisis high.

The **Philly Fed survey** will also be released for July. As the chart to the right shows, the ISM Manufacturing Index, though it has not exactly been strong, has been outpacing the Philly Fed index. We are curious as to where the two will meet (i.e. if the Philly Fed survey will hold or accelerate, or if the ISM survey will cool). Either way, they are fairly close to one another, and neither one is pointing to a particularly robust set of outcomes in the manufacturing sector.

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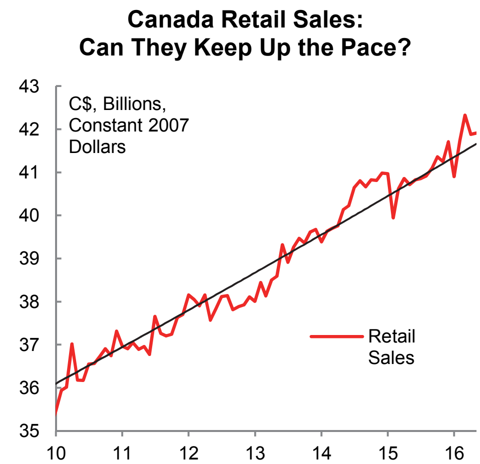
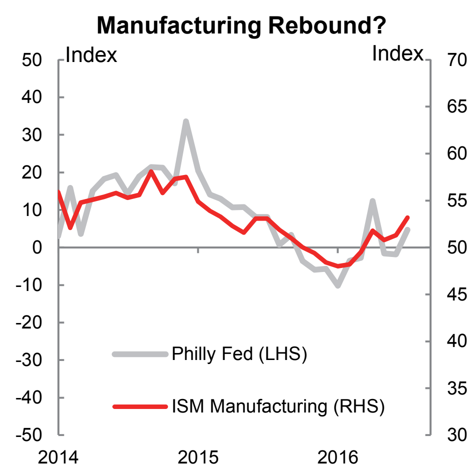
Chart 1



Source: Scotiabank Economics, Statistics Canada

Chart 2



Source: Scotiabank Economics, ISM, FRB.

EUROPE

Business surveys and the European Central Bank's (ECB) monetary policy meeting will dominate the economic calendar in Europe this week. The results of the German Zew for July will be released on July 19th followed by PMIs for the Eurozone, Germany, and France on July 22nd. The German Zew is expected to drop sharply mirroring the volatility in financial markets brought on by the Brexit vote, while Eurozone PMIs are forecast to remain roughly stable with potential weakness in German manufacturing tilting risks to the downside. The ECB will also announce a monetary policy decision on Thursday June 21st, which will be watched closely by financial market participants. We do not expect the ECB to unveil any new stimulus measures, however, slower growth prospects and weaker medium-term inflation expectations due to Brexit jitters could prompt the ECB to act in September when it releases its new macroeconomic projections.

LATIN AMERICA

Next week's release calendar in Latin America is relatively light. Colombia will publish trade balance and imports figures for May on Monday. Previously published exports data for the month shows that Colombian exports have decreased in year-on-year terms for twenty consecutive months. This has resulted in a 60% contraction in the country's outgoing trade since its peak in early-2012. With mining, oil and gas exports accounting for almost three quarters of total exports in 2012, Colombia has been hard hit by the steep drop in oil prices beginning two years ago. Indeed, the sector now 'only' represents around half of year-to-date exports. On a positive note however, exports are up over 40% from the January 2016 bottom and look set to provide some relief to the country's large current account deficit (-5.3% of GDP in 16Q1). Colombia's trade balance is forecast to shrink to under a billion dollars for the first time since September 2014.

ASIA-PACIFIC

New Zealand will release second quarter inflation data on July 18th. We expect the headline inflation rate to pick up to 0.5% y/y from 0.4% in the first quarter of 2016. Nevertheless, inflation will remain well below the Reserve Bank of New Zealand's (RBNZ) medium-term target of 1-3% y/y, reflecting low energy and other imports prices. In our assessment, subdued inflation dynamics will allow for more accommodative monetary conditions over the coming months. Indeed, following the most recent monetary policy meeting in June, Governor Graeme Wheeler noted that further monetary policy easing may be necessary in order to ensure that future average inflation will settle near the middle of the inflation target range. The official cash rate is currently set at 2.25%. The RBNZ will release an assessment of New Zealand's economy on July 21st, which will likely provide us with some guidance regarding future monetary policy direction. The next benchmark interest rate decision will be announced on August 11th.

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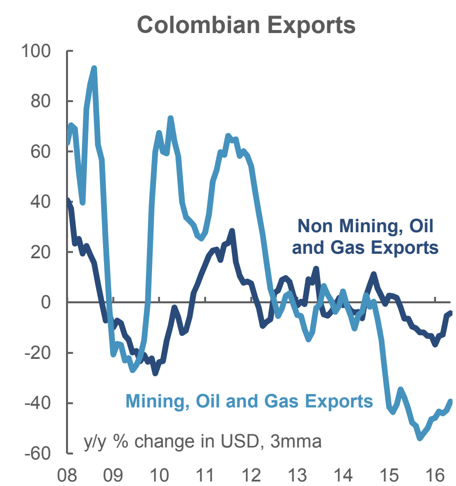
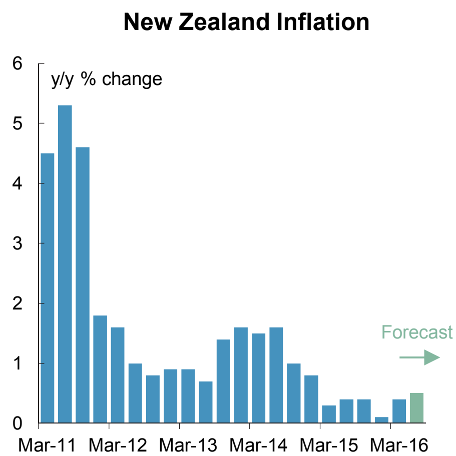
Chart 1



Source: Scotiabank Economics, DANE.

Chart 2



Source: Bloomberg, Scotiabank Economics.

Key Indicators for the week of July 18 – 22

NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	07/18	08:30	International Securities Transactions (C$ bn)	May	--	--	15.5
US	07/18	10:00	NAHB Housing Market Index	Jul	--	60.0	60.0
US	07/18	16:00	Total Net TIC Flows (US$ bn)	May	--	--	80.4
US	07/18	16:00	Net Long-term TIC Flows (US$ bn)	May	--	--	-79.6
US	07/19	08:30	Building Permits (000s a.r.)	Jun	--	1150	1136
US	07/19	08:30	Housing Starts (000s a.r.)	Jun	1175	1170	1164
US	07/19	08:30	Housing Starts (m/m)	Jun	--	0.5	-0.3
US	07/20	07:00	MBA Mortgage Applications (w/w)	JUL 15	--	--	7.2
CA	07/21	08:30	Wholesale Trade (m/m)	May	0.2	--	0.1
US	07/21	08:30	Initial Jobless Claims (000s)	JUL 16	265	270	254
US	07/21	08:30	Continuing Claims (000s)	JUL 9	2145	--	2149
US	07/21	08:30	Philadelphia Fed Index	Jul	7.5	5.0	4.7
US	07/21	10:00	Existing Home Sales (mn a.r.)	Jun	5.5	5.5	5.5
US	07/21	10:00	Existing Home Sales (m/m)	Jun	--	-1.2	1.8
US	07/21	10:00	Leading Indicators (m/m)	Jun	--	0.2	-0.2
CA	07/22	08:30	CPI, All items (m/m)	Jun	0.3	0.5	0.4
CA	07/22	08:30	CPI, All items (y/y)	Jun	1.6	1.7	1.5
CA	07/22	08:30	Core X8 CPI (m/m)	Jun	-0.1	0.2	0.3
CA	07/22	08:30	Core X8 CPI (y/y)	Jun	2.0	2.0	2.1
CA	07/22	08:30	CPI, All items (index)	Jun	--	128.9	128.8
CA	07/22	08:30	CPI SA, All items (m/m)	Jun	--	--	0.2
CA	07/22	08:30	Core CPI SA, All items (m/m)	Jun	--	--	0.2
CA	07/22	08:30	Retail Sales (m/m)	May	-0.2	0.0	0.9
CA	07/22	08:30	Retail Sales ex. Autos (m/m)	May	0.0	0.2	1.3
MX	07/22	09:00	Bi-Weekly Core CPI (% change)	Jul 15	--	0.1	0.1
MX	07/22	09:00	Bi-Weekly CPI (% change)	Jul 15	--	0.2	0.0

EUROPE

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
UK	07/19	04:30	CPI (m/m)	Jun	0.2	0.2	0.2
UK	07/19	04:30	CPI (y/y)	Jun	0.4	0.4	0.3
UK	07/19	04:30	PPI Input (m/m)	Jun	--	1.1	2.6
UK	07/19	04:30	PPI Output (m/m)	Jun	--	0.2	0.1
UK	07/19	04:30	RPI (m/m)	Jun	0.3	0.2	0.3
UK	07/19	04:30	RPI (y/y)	Jun	1.5	1.5	1.4
EC	07/19	05:00	ZEW Survey (Economic Sentiment)	Jul	--	--	20.2
GE	07/19	05:00	ZEW Survey (Current Situation)	Jul	--	51.5	54.5
GE	07/19	05:00	ZEW Survey (Economic Sentiment)	Jul	13.0	9.0	19.2
GE	07/20	02:00	Producer Prices (m/m)	Jun	--	0.2	0.4
EC	07/20	04:00	Current Account (€ bn)	May	--	--	36.2
IT	07/20	04:30	Current Account (€ mn)	May	--	--	4655.4
UK	07/20	04:30	Average Weekly Earnings (3-month, y/y)	May	--	2.3	2.0
UK	07/20	04:30	Employment Change (3M/3M, 000s)	May	--	71.0	55.0
UK	07/20	04:30	Jobless Claims Change (000s)	Jun	--	3.0	-0.4
UK	07/20	04:30	ILO Unemployment Rate (%)	May	--	5.0	5.0
EC	07/20	10:00	Consumer Confidence	Jul A	-7.5	-8.0	-7.3

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

Key Indicators for the week of July 18 – 22

EUROPE *(continued from previous page)*

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
UK	07/21	04:30	PSNB ex. Interventions (£ bn)	Jun	--	9.5	9.7
UK	07/21	04:30	Public Finances (PSNCR) (£ bn)	Jun	--	--	3.4
UK	07/21	04:30	Public Sector Net Borrowing (£ bn)	Jun	--	9.3	9.1
UK	07/21	04:30	Retail Sales ex. Auto Fuel (m/m)	Jun	--	-0.6	1.0
UK	07/21	04:30	Retail Sales with Auto Fuel (m/m)	Jun	--	-0.5	0.9
EC	07/21	07:45	**ECB Main Refinancing Rate (%)**	**Jul 21**	**0.00**	**0.00**	**0.00**
FR	07/22	03:00	Manufacturing PMI	Jul P	--	48.0	48.3
FR	07/22	03:00	Services PMI	Jul P	--	49.5	49.9
GE	07/22	03:30	Manufacturing PMI	Jul P	--	53.4	54.5
GE	07/22	03:30	Services PMI	Jul P	--	53.3	53.7
EC	07/22	04:00	Composite PMI	Jul P	53.1	52.6	53.1
EC	07/22	04:00	Manufacturing PMI	Jul P	52.5	52.0	52.8
EC	07/22	04:00	Services PMI	Jul P	53.2	52.3	52.8

ASIA-PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
HK	JUL 16-19		Composite Interest Rate (%)	Jun	--	--	0.3
NZ	07/17	18:45	Consumer Prices (q/q)	2Q	0.5	0.5	0.2
NZ	07/17	18:45	Consumer Prices (y/y)	2Q	0.5	0.5	0.4
SI	07/17	20:30	Exports (y/y)	Jun	--	-2.1	11.6
SK	07/18	17:00	PPI (y/y)	Jun	--	--	-3.1
PH	JUL 18-19		Balance of Payments (US$ mn)	Jun	--	--	241.0
HK	07/19	04:30	Unemployment Rate (%)	Jun	3.4	3.5	3.4
MA	07/20	00:00	CPI (y/y)	Jun	1.7	1.8	2.0
JN	07/20	01:30	Nationwide Department Store Sales (y/y)	Jun	--	--	-5.1
TA	07/20	04:00	Export Orders (y/y)	Jun	--	-5.1	-5.8
ID	JUL 20-21		**BI 7-Day Reverse Repo Rate (%)**	**Jul 21**	**5.25**	**5.25**	**5.25**
JN	07/21	01:00	Supermarket Sales (y/y)	Jun	--	--	-1.3
JN	07/21	00:30	All Industry Activity Index (m/m)	May	--	-1.1	1.3
JN	07/21	02:00	Machine Tool Orders (y/y)	Jun F	--	--	-19.9
HK	07/21	04:30	CPI (y/y)	Jun	2.5	2.6	2.6
TA	07/21	20:30	Unemployment Rate (%)	Jun	4.0	4.0	4.0
JN	07/21	22:00	Markit/JMMA Manufacturing PMI	Jul P	--	--	48.1
TA	07/22	04:00	Industrial Production (y/y)	Jun	--	0.4	1.9

LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CO	07/18	15:00	Trade Balance (US$ mn)	May	--	-858.6	-1117.5
BZ	07/20		**SELIC Target Rate (%)**	**Jul 20**	**14.25**	**14.25**	**14.25**

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

Global Auctions for the week of July 18 – 22

NORTH AMERICA

Country	Date	Time	Event
US	07/18	11:30	U.S. to Sell 3-Month Bills
US	07/18	11:30	U.S. to Sell 6-Month Bills
US	07/19	11:30	U.S. to Sell 52-Week Bills
US	07/19	11:30	U.S. to Sell 4-Week Bills
CA	07/20	12:00	Canada to Sell 2-Year Bonds
US	07/21	13:00	U.S. to Sell 10-Year TIPS

EUROPE

Country	Date	Time	Event
BE	07/18	05:30	Belgium to Sell 1% 2026 Bonds
NE	07/18	05:30	Netherlands to Sell Up to EUR2 Bln 72-Day Bills
BE	07/18	05:30	Belgium to Sell 1% 2031 Bonds
BE	07/18	05:30	Belgium to Sell 1.9% 2038 Bonds
BE	07/18	05:30	Belgium to Sell 1.6% 2047 Bonds
NE	07/18	05:30	Netherlands to Sell Up to EUR2 Bln 163-Day Bills
FR	07/18	08:50	France to Sell Bills
SP	07/19	04:30	Spain to Sell Bills
MB	07/19	05:00	Malta to Sell 91-Day Bills
MB	07/19	05:00	Malta to Sell 182-Day Bills
SZ	07/19	05:15	Switzerland to Sell 91-Day Bills
GE	07/20	05:30	Germany to Sell EUR5 Bln 2021 Bonds
UK	07/20	05:30	U.K. to Sell GBP1.5 Bln 4.25% 2039 Bonds
PO	07/20	05:30	Portugal to Sell 6 month Bills
PO	07/20	05:30	Portugal to Sell 12 month Bills
SP	07/21	04:30	Spain to Sell Bonds
FR	07/21	04:50	France to Sell Bonds
FR	07/21	05:50	France to Sell I/L Bonds
UK	07/22	06:00	U.K. to Sell Bills

Source: Bloomberg, Scotiabank Economics.

Global Auctions for the week of July 18 – 22

ASIA-PACIFIC

Country	Date	Time	Event
CH	07/18	02:00	Guangdong to Sell General Bonds
CH	07/18	03:00	Guangdong to Sell Special Bonds
NZ	07/18	22:05	New Zealand Plans to Sell Bills
CH	07/19	02:00	Guizhou to Sell General Bonds
CH	07/19	03:00	Guizhou to Sell Special Bonds
AU	07/19	21:00	Australia Plans to Sell Bonds
CH	07/19	22:35	China to Sell CNY33 Bln 7-Yr Upsized Bonds
JN	07/19	23:45	Japan to Sell 20-Year Bonds
AU	07/20	20:30	Australia Plans to Sell Bills
NZ	07/20	22:05	New Zealand Plans to Sell NZD150 Mln 2.75% 2025 Bonds
JN	07/20	23:35	Japan to Sell 3-Month Bills
AU	07/21	21:00	Australia Plans to Sell Bonds
CH	07/21	23:00	China Plans to Sell 30-Year Upsized Bonds
CH	07/22	02:00	Shanghai to Sell Bonds
JN	07/22	04:00	Japan Auction for Enhanced-Liquidity

LATIN AMERICA

Country	Date	Time	Event
BZ	07/19	11:00	Brazil to Sell I/L Bonds - 05/15/2021
BZ	07/19	11:00	Brazil to Sell I/L Bonds - 08/15/2026
BZ	07/19	11:00	Brazil to Sell I/L Bonds - 05/15/2035
BZ	07/19	11:00	Brazil to Sell I/L Bonds - 05/15/2055
BZ	07/21	11:00	Brazil to Sell LFT - 09/01/2022
BZ	07/21	11:00	Brazil to Sell Bills LTN - 10/01/2017
BZ	07/21	11:00	Brazil to Sell Bills LTN - 10/01/2018
BZ	07/21	11:00	Brazil to Sell Bills LTN - 07/01/2020

Source: Bloomberg, Scotiabank Economics.

Events for the week of July 18 – 22

NORTH AMERICA

Country	Date	Time	Event
US	JUL 18-21		Republican National Convention
CA	07/21	07:30	Ontario Finance Minister Speaks in Burlington

EUROPE

Country	Date	Time	Event
UK	07/18	04:15	BOE's Weale speaks in London Brexit Impact on Monetary Policy
SP	07/18	05:00	Bank of Spain Governor Linde Speaks in Almeria
FR	07/18	09:00	Bank of France's Villeroy speaks at FinTech conference
SW	07/19	03:30	Riksbank Minutes from Monetary Policy Meeting Published
EC	07/21	07:45	**ECB Main Refinancing Rate**
EC	07/21	07:45	ECB Deposit Facility Rate
EC	07/21	07:45	ECB Marginal Lending Facility
FR	07/22	04:00	French Court to Rule Whether Lagarde Must Stand Trial July 22
IT	07/22	18:00	Italian Premier Renzi at Democratic Party assembly

ASIA-PACIFIC

Country	Date	Time	Event
HK	JUL 16-19		**Composite Interest Rate**
AU	07/18	21:30	RBA July Meeting Minutes
NZ	07/20	17:00	RBNZ Publishes Assessment of Economy
AU	07/20	21:30	RBA FX Transactions Market
ID	JUL 20-21		**Bank Indonesia Reference Rate**
ID	JUL 20-21		**Bank Indonesia 7D Reverse Repo**

LATIN AMERICA

Country	Date	Time	Event
BZ	07/20		**Selic 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	0.50	September 7, 2016	0.50	0.50
Federal Reserve – Federal Funds Target Rate	0.50	July 27, 2016	0.50	0.50
Banco de México – Overnight Rate	4.25	August 11, 2016	4.25	--

Fed: Fed watchers will not have a whole lot to look at during the week of July 17 with the Fed in a communications blackout starting on July 19 ahead of the July 27 FOMC meeting and nothing on the Fed speaking calendar over the weekend. The economic data calendar is also fairly quiet in the U.S. this week with little by way of economic data releases due out. **BoC**: Following the release of the July MPR on July 13, which modestly downgraded the BoC's economic growth forecasts and pushed out the date for closure of the output gap, the BoC, understandably, doesn't have any speaking engagements for senior officials planned during the week of July 17. Economic data on CPI and retail sales will, however, be released.

EUROPE

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	0.00	July 21, 2016	0.00	0.00
Bank of England – Bank Rate	0.50	August 4, 2016	0.50	--
Swiss National Bank – Libor Target Rate	-0.75	September 15, 2016	-0.75	--
Central Bank of Russia – One-Week Auction Rate	10.50	July 29, 2016	10.50	10.50
Sweden Riksbank – Repo Rate	-0.50	September 7, 2016	-0.50	--
Norges Bank – Deposit Rate	0.50	September 22, 2016	0.50	--

Monetary policymakers at the **European Central Bank (ECB)** will meet for a scheduled policy meeting Thursday, July 21st. The ECB is expected to keep benchmark interest rates unchanged and not announce any changes to its unconventional monetary policy measures. Slower growth and disinflationary pressures alongside Brexit jitters may prompt the ECB to act at its September meeting.

ASIA PACIFIC

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Policy Rate	-0.10	July 29, 2016	-0.20	--
Reserve Bank of Australia – Cash Target Rate	1.75	August 2, 2016	1.75	1.50
Reserve Bank of New Zealand – Cash Rate	2.25	August 10, 2016	2.00	2.00
People's Bank of China – Lending Rate	4.35	TBA	--	--
Reserve Bank of India – Repo Rate	6.50	August 9, 2016	6.25	--
Bank of Korea – Bank Rate	1.25	August 11, 2016	1.25	--
Bank of Thailand – Repo Rate	1.50	August 3, 2016	1.50	1.50
Bank Indonesia – 7-Day Reverse Repo Rate	5.25	July 21, 2016	5.25	5.25

We do not expect **Bank Indonesia** to lower interest rates on July 21st. On August 19th, the 7-day reverse repo rate — currently at 5.25% — will replace the 12-month reference rate — now 6.50% — as the Bank Indonesia's benchmark interest rate and further monetary easing will likely occur then. Nevertheless, we highlight that the likelihood of earlier action has increased following the UK's vote to leave the European Union and the Malaysian central bank's July 13th pre-emptive decision to add monetary stimulus to the economy.

LATIN AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	14.25	July 20, 2016	14.25	14.25
Banco Central de Chile – Overnight Rate	3.50	August 11, 2016	3.50	--
Banco de la República de Colombia – Lending Rate	7.50	July 29, 2016	7.50	--
Banco Central de Reserva del Perú – Reference Rate	4.25	August 11, 2016	4.25	--

Banco Central do Brasil meets on Wednesday. We expect the bank's Selic Rate to remain steady at 14.25%. Brazilian inflation decreased from close to 11% y/y in January to under 9% in June as the Brazilian Real has appreciated by 22% since the beginning of the year after losing a third of its value in 2015. This will be the BCB's new president Ilan Goldfajn's first rate-setting meeting at the helm of the bank following his appointment by interim Brazilian president Michel Temer.

AFRICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	7.00	July 21, 2016	7.00	7.00

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

Economic Statistics

NORTH AMERICA

Canada	2015	15Q4	16Q1	Latest	
Real GDP (annual rates)	1.1	0.5	2.4		
Current Acc. Bal. (C$B, ar)	-62.6	-62.8	-67.1		
Merch. Trade Bal. (C$B, ar)	-22.5	-20.1	-25.4	-39.3	(May)
Industrial Production	-0.8	0.1	-0.5	-1.1	(May)
Housing Starts (000s)	194	194	198	218	(Jun)
Employment	0.8	0.8	0.7	0.5	(Jun)
Unemployment Rate (%)	6.9	7.0	7.2	6.8	(Jun)
Retail Sales	1.7	2.2	5.5	4.6	(Apr)
Auto Sales (000s)	1897	1947	1992	2018	(Apr)
CPI	1.1	1.3	1.5	1.5	(May)
IPPI	-0.8	0.1	-0.5	1.1	(May)
Pre-tax Corp. Profits	-15.8	-19.6	-9.1		

United States	2015	15Q4	16Q1	Latest	
Real GDP (annual rates)	2.4	1.4	1.1		
Current Acc. Bal. (US$B, ar)	-463	-454	-499		
Merch. Trade Bal. (US$B, ar)	-763	-754	-746	-747	(May)
Industrial Production	0.3	-1.7	-1.9	-0.4	(Jun)
Housing Starts (millions)	1.11	1.13	1.15	1.16	(May)
Employment	2.1	2.0	1.9	1.8	(Jun)
Unemployment Rate (%)	5.3	5.0	4.9	4.9	(Jun)
Retail Sales	1.6	1.4	2.2	2.4	(Jun)
Auto Sales (millions)	17.3	17.8	17.1	16.6	(Jun)
CPI	0.1	0.5	1.1	1.0	(Jun)
PPI	-3.3	-3.4	-1.7	-2.0	(Jun)
Pre-tax Corp. Profits	3.3	-2.9	-1.9		

Mexico	2015	15Q4	16Q1	Latest	
Real GDP	2.5	2.4	2.6		
Current Acc. Bal. (US$B, ar)	-31.9	-29.1	-28.0		
Merch. Trade Bal. (US$B, ar)	-14.6	-15.1	-15.9	-6.3	(May)
Industrial Production	0.9	0.2	0.4	0.4	(May)
CPI	2.7	2.3	2.7	2.5	(Jun)

EUROPE

Euro Zone	2015	15Q4	16Q1	Latest	
Real GDP	1.3	1.4	1.3		
Current Acc. Bal. (US$B, ar)	366	465	267	463	(Apr)
Merch. Trade Bal. (US$B, ar)	393.1	433.6	358.5	441.5	(Apr)
Industrial Production	1.5	1.3	1.4	-0.9	(May)
Unemployment Rate (%)	10.9	10.5	10.4	10.2	(Apr)
CPI	0.0	0.2	0.0	0.1	(Jun)

Germany	2015	15Q4	16Q1	Latest	
Real GDP	1.4	1.3	1.6		
Current Acc. Bal. (US$B, ar)	256.1	279.9	326.7	237.8	(May)
Merch. Trade Bal. (US$B, ar)	274.7	270.9	263.3	285.0	(May)
Industrial Production	0.5	-0.3	1.6	0.9	(May)
Unemployment Rate (%)	6.4	6.3	6.2	6.1	(Jun)
CPI	0.2	0.3	0.3	0.3	(Jun)

France	2015	15Q4	16Q1	Latest	
Real GDP	1.2	1.3	1.3		
Current Acc. Bal. (US$B, ar)	-4.8	-0.4	-23.9	-56.5	(May)
Merch. Trade Bal. (US$B, ar)	-41.1	-47.7	-47.7	-30.1	(May)
Industrial Production	1.7	2.3	0.4	1.8	(May)
Unemployment Rate (%)	10.4	10.2	10.1	9.9	(May)
CPI	0.0	0.1	0.0	0.2	(Jun)

United Kingdom	2015	15Q4	16Q1	Latest	
Real GDP	2.2	1.8	2.0		
Current Acc. Bal. (US$B, ar)	-100.3	-135.9	-130.4		
Merch. Trade Bal. (US$B, ar)	-193.1	-209.0	-196.3	-172.2	(May)
Industrial Production	1.3	0.9	0.3	3.2	(May)
Unemployment Rate (%)	5.4	5.1	5.1	5.0	(Mar)
CPI	0.0	0.1	0.3	0.2	(May)

Italy	2015	15Q4	16Q1	Latest	
Real GDP	0.6	1.1	1.0		
Current Acc. Bal. (US$B, ar)	36.0	60.8	19.7	55.9	(Apr)
Merch. Trade Bal. (US$B, ar)	49.8	66.7	40.5	68.3	(May)
Industrial Production	1.0	1.4	1.6	0.7	(May)
CPI	0.0	0.2	-0.1	-0.4	(Jun)

Russia	2015	15Q4	16Q1	Latest	
Real GDP		-3.8			
Current Acc. Bal. (US$B, ar)	69.0	14.6			
Merch. Trade Bal. (US$B, ar)	12.4	10.1	7.5	7.5	(May)
Industrial Production	-3.7	-3.9	-0.7	1.7	(Jun)
CPI	15.5	14.5	8.3	7.5	(Jun)

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

Source: Bloomberg, IHS Global, Scotiabank Economics.

Economic Statistics

ASIA-PACIFIC

Australia	2015	15Q4	16Q1	Latest	
Real GDP	2.5	2.9	3.1		
Current Acc. Bal. (US$B, ar)	-58.9	-69.8	-57.0		
Merch. Trade Bal. (US$B, ar)	-12.9	-23.1	-13.9	3.4	(May)
Industrial Production	1.6	2.0	4.8		
Unemployment Rate (%)	6.1	5.8	5.8	5.8	(Jun)
CPI	1.5	1.7	1.3		

Japan	2015	15Q4	16Q1	Latest	
Real GDP	0.6	0.8	0.0		
Current Acc. Bal. (US$B, ar)	136.5	113.6	206.9	198.9	(May)
Merch. Trade Bal. (US$B, ar)	-23.1	0.6	18.6	29.7	(May)
Industrial Production	-1.2	-1.1	-3.2	-3.0	(May)
Unemployment Rate (%)	3.4	3.3	3.2	3.2	(May)
CPI	0.8	0.3	0.1	0.2	(May)

South Korea	2015	15Q4	16Q1	Latest	
Real GDP	2.6	3.1	2.8		
Current Acc. Bal. (US$B, ar)	105.9	105.6	96.3	124.3	(May)
Merch. Trade Bal. (US$B, ar)	90.3	95.0	87.9	138.0	(Jun)
Industrial Production	-0.9	0.0	-0.2	2.8	(May)
CPI	0.7	1.1	1.0	0.8	(Jun)

China	2015	15Q4	16Q1	Latest	
Real GDP	6.9	6.8	6.7		
Current Acc. Bal. (US$B, ar)	330.6				
Merch. Trade Bal. (US$B, ar)	593.9	699.6	493.0	577.3	(Jun)
Industrial Production	5.9	5.9	6.8	6.2	(Jun)
CPI	1.6	1.6	2.3	2.0	(May)

Thailand	2015	15Q4	16Q1	Latest	
Real GDP	2.8	2.8			
Current Acc. Bal. (US$B, ar)	31.7	10.3	16.6		
Merch. Trade Bal. (US$B, ar)	2.9	3.2	4.4	3.5	(May)
Industrial Production	0.4	0.3	-1.0	0.0	(Jun)
CPI	-0.9	-0.9	-0.5	0.4	(Jun)

India	2015	15Q4	16Q1	Latest	
Real GDP	6.9	6.9			
Current Acc. Bal. (US$B, ar)	-22.4	-7.1			
Merch. Trade Bal. (US$B, ar)	-10.5	-10.5	-6.2	-8.1	(Jun)
Industrial Production	3.2	1.7	0.2	1.2	(May)
WPI	-2.7	-2.3	-0.8	1.6	(Jun)

Indonesia	2015	15Q4	16Q1	Latest	
Real GDP	4.8	5.0			
Current Acc. Bal. (US$B, ar)	-17.7	-5.1			
Merch. Trade Bal. (US$B, ar)	0.6	0.1	0.6	0.9	(Jun)
Industrial Production	4.8	4.8	4.4	7.5	(May)
CPI	6.4	4.8	4.3	3.5	(Jun)

LATIN AMERICA

Brazil	2015	15Q4	16Q1	Latest	
Real GDP	-3.8	-5.9	-5.4		
Current Acc. Bal. (US$B, ar)	-59.3	-38.3	-30.5		
Merch. Trade Bal. (US$B, ar)	19.7	37.7	33.5	47.7	(Jun)
Industrial Production	-8.2	-11.8	-11.6	-13.1	(May)
CPI	9.0	10.4	10.1	8.8	(Jun)

Chile	2015	15Q4	16Q1	Latest	
Real GDP	2.1	1.3	2.0		
Current Acc. Bal. (US$B, ar)	-15.9	-8.3	2.1		
Merch. Trade Bal. (US$B, ar)	-3.0	0.3	8.4	-0.4	(Jun)
Industrial Production	-0.3	-1.0	-0.8	-2.0	(May)
CPI	4.3	4.1	4.6	4.2	(Jun)

Peru	2015	15Q4	16Q1	Latest	
Real GDP	3.3	4.7			
Current Acc. Bal. (US$B, ar)	-8.4	-1.5			
Merch. Trade Bal. (US$B, ar)	-0.2	0.0	-0.2	0.0	(May)
Unemployment Rate (%)	6.4	5.8	6.9	7.0	(Jun)
CPI	3.5	4.1	4.5	3.3	(Jun)

Colombia	2015	15Q4	16Q1	Latest	
Real GDP	3.1	3.4			
Current Acc. Bal. (US$B, ar)	-18.8	-4.1			
Merch. Trade Bal. (US$B, ar)	-1.3	-1.6	-1.2	-1.1	(Apr)
Industrial Production	0.8	3.2	5.5	8.4	(Apr)
CPI	5.0	6.4	7.7	8.6	(Jun)

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

Source: Bloomberg, IHS Global, Scotiabank Economics.

Financial Statistics

Interest Rates (%, end of period)

Canada	16Q1	16Q2	Jul/08	Jul/15*	United States	16Q1	16Q2	Jul/08	Jul/15*
BoC Overnight Rate	0.50	0.50	0.50	0.50	Fed Funds Target Rate	0.50	0.50	0.50	0.50
3-mo. T-bill	0.45	0.49	0.48	0.46	3-mo. T-bill	0.20	0.26	0.27	0.31
10-yr Gov't Bond	1.23	1.06	0.96	1.11	10-yr Gov't Bond	1.77	1.47	1.36	1.59
30-yr Gov't Bond	2.01	1.72	1.55	1.73	30-yr Gov't Bond	2.61	2.28	2.10	2.29
Prime	2.70	2.70	2.70	2.70	Prime	3.50	3.50	3.50	3.50
FX Reserves (US$B)	79.7	82.2	84.3	(May)	FX Reserves (US$B)	106.5	108.7	108.1	(May)
Germany					**France**				
3-mo. Interbank	-0.24	-0.27	-0.28	-0.28	3-mo. T-bill	-0.42	-0.57	-0.58	-0.59
10-yr Gov't Bond	0.15	-0.13	-0.19	0.01	10-yr Gov't Bond	0.49	0.18	0.10	0.23
FX Reserves (US$B)	58.5	60.8	62.2	(May)	FX Reserves (US$B)	55.2	57.2	56.4	(May)
Euro Zone					**United Kingdom**				
Refinancing Rate	0.05	0.00	0.00	0.00	Repo Rate	0.50	0.50	0.50	0.50
Overnight Rate	-0.30	-0.29	-0.32	-0.33	3-mo. T-bill	0.48	0.45	0.31	0.28
FX Reserves (US$B)	333.9	340.7	341.0	(May)	10-yr Gov't Bond	1.42	0.87	0.74	0.83
					FX Reserves (US$B)	119.0	125.2	126.6	(May)
Japan					**Australia**				
Discount Rate	0.30	0.30	0.30	0.30	Cash Rate	2.00	1.75	1.75	1.75
3-mo. Libor	-0.07	-0.08	-0.10	-0.11	10-yr Gov't Bond	2.49	1.98	1.88	1.97
10-yr Gov't Bond	-0.03	-0.22	-0.28	-0.23	FX Reserves (US$B)	46.5	46.1	54.9	(May)
FX Reserves (US$B)	1207.0	1231.6	1224.1	(May)					

Exchange Rates (end of period)

USDCAD	1.30	1.29	1.30	1.30	¥/US$	112.57	103.20	100.54	105.33
CADUSD	0.77	0.77	0.77	0.77	US¢/Australian$	0.77	0.75	0.76	0.76
GBPUSD	1.436	1.331	1.295	1.315	Chinese Yuan/US$	6.45	6.65	6.69	6.69
EURUSD	1.138	1.111	1.105	1.106	South Korean Won/US$	1143	1152	1162	1134
JPYEUR	0.78	0.87	0.90	0.86	Mexican Peso/US$	17.279	18.280	18.505	18.525
USDCHF	0.96	0.98	0.98	0.98	Brazilian Real/US$	3.592	3.213	3.300	3.273

Equity Markets (index, end of period)

United States (DJIA)	17685	17930	18147	18495	U.K. (FT100)	6175	6504	6591	6669
United States (S&P500)	2060	2099	2130	2159	Germany (Dax)	9966	9680	9630	10067
Canada (S&P/TSX)	13494	14065	14260	14504	France (CAC40)	4385	4237	4191	4373
Mexico (IPC)	45881	45966	45744	46645	Japan (Nikkei)	16759	15576	15107	16498
Brazil (Bovespa)	50055	51527	53141	55290	Hong Kong (Hang Seng)	20777	20794	20564	21659
Italy (BCI)	1056	949	940	986	South Korea (Composite)	1996	1970	1963	2017

Commodity Prices (end of period)

Pulp (US$/tonne)	950	1000	1000	1000	Copper (US$/lb)	2.20	2.19	2.14	2.24
Newsprint (US$/tonne)	545	560	560	560	Zinc (US$/lb)	0.81	0.95	0.96	1.01
Lumber (US$/mfbm)	303	316	320	324	Gold (US$/oz)	1237.00	1320.75	1354.25	1327.00
WTI Oil (US$/bbl)	38.34	48.33	45.41	45.86	Silver (US$/oz)	15.38	18.36	19.72	20.14
Natural Gas (US$/mmbtu)	1.96	2.92	2.80	2.76	CRB (index)	170.52	192.57	187.17	189.35

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

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