

### SOWING THE SEEDS OF AN AWKWARD 2017

- [United States — Did The Fed Do The Right Thing?](#) 2-3
- [Canada — A New, Entirely Unforecastable Batch Of Inflation Readings](#) 3-4
- [Asia — BoJ Hoping This Time It Works](#) 4-5
- [Latin America — Argentina's Quadruple Dip](#) 5-6
- [Europe — Is Riksbank Policy Success Durable?](#) 6

### FORECASTS & DATA

- [Key Indicators](#) A1-A2
- [Global Auctions Calendar](#) A3
- [Events Calendar](#) A4
- [Global Central Bank Watch](#) A5

### CONTACTS

**Derek Holt**  
416.863.7707  
Scotiabank Economics  
[derek.holt@scotiabank.com](mailto:derek.holt@scotiabank.com)

### Next Week's Risk Dashboard

- ▶ Second guessing the Fed
- ▶ US: housing, consumers, investment
- ▶ CDN GDP, retail sales...
- ▶ ...and new CPI measures
- ▶ BoJ
- ▶ 3 other Asian CBs
- ▶ Riksbank
- ▶ Chinese property prices
- ▶ RBA minutes
- ▶ NZ GDP
- ▶ European macro
- ▶ Argentina's Q3 GDP

### Chart of the Week

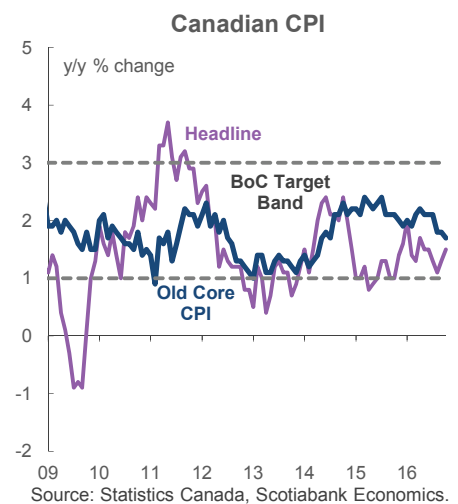


Chart of the Week: Prepared by: Samantha Cameron, Research Assistant.

## Sowing The Seeds Of An Awkward 2017

Most markets will spend the week digesting relatively minor developments that will be skewed toward updates on the fundamentals calendar and a few central bank decisions including the Bank of Japan, Riksbank, and some Asian regional central banks. The most important thing to debate into year-end and 2017 won't, however, speak to anything on the global calendar of releases, events or auctions. It speaks to the hand-offs to what lies ahead in 2017.

### UNITED STATES — DID THE FED DO THE RIGHT THING?

**A debate over whether the Fed did the right thing and what lies next is likely to be of greater consequence to markets than anything on the lightly populated domestic calendar** of releases and events next week and through the Christmas and New Year's period. There will still be some data gems that I'll come back to in a moment, but first it may be worth sharing an opinion on the issue posed at the start of this paragraph which is likely to be of greater effect over the upcoming week and well beyond.

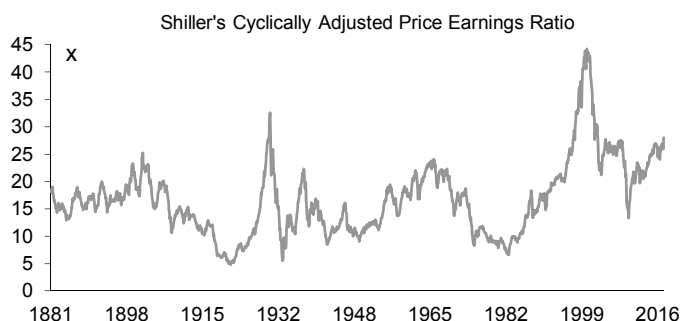
The Fed did indeed hike as expected by all, but the guidance was more hawkish than I, perhaps you, and apparently markets had expected (review [here](#)). The 'Trump trade' has continued unabated. Choosing the fork in the road toward capitulation is one option as a response to these developments, and sometimes that's the best choice; new information is obtained and lessons are learned to inform your next call. An alternate path makes more sense to me.

**I hope for the success of the Fed's decision, but believe the incoming Trump administration has over-promised what it can do for the US economy and will under-deliver while a more hawkish Fed — operating under the threats of the President-elect — raises the risks on the outlook.** Markets have pushed stock valuations to the upper end of the range of anything we've previously seen (charts 1, 2) on the apparent logic that *they* aren't over-valued for policy perfection but bonds are. 2017 is going to be a test of this argument as the pain from the consequences to what markets and the Fed have done becomes evident long before the uncertain benefits of fiscal and regulatory policy changes appear.

At the root of this belief is that the US economy is undergoing a large tightening of financial conditions that it is unlikely to be able to absorb at least in 2017. This is the present reality, well before any tax cut gets inked let alone spent, well ahead of any budget being passed to show how it will all be financed in the context of raising the debt ceiling, long before any shovels go in the ground, and longer yet before it begins to impact data on growth, jobs and wages.

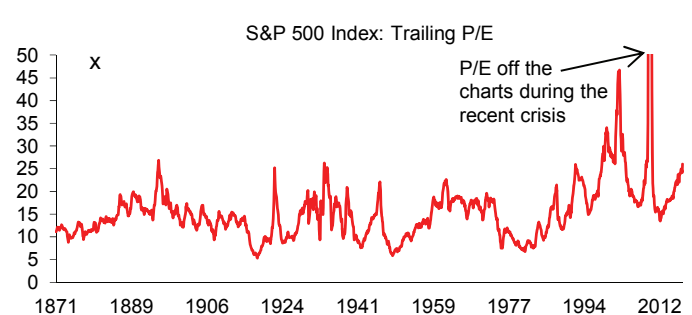
Those tightened financial conditions take the form of a simultaneous shock to the dollar, oil prices, and the bond market. The broad trade-weighted US dollar lies at a 14-year high and on par with the heights reached at the peak of the dot-com period before gravity took over. The big call to be made on the dollar is not the next few months or quarters, but whether it is over-valued in secular long-run fashion. Like back then, record current account deficits and capital account surpluses probably lie ahead for the US economy given the dollar movements lagged out in time since it began its upward tear a couple of years ago. The ten year Treasury yield has almost doubled since July to the highest in about a couple of years; the speed of ascent is the issue. The 30

Chart 1



Source: Shiller, Robert, "Irrational Exuberance," Princeton University Press, 2000, 2005, updated; Scotiabank Economics

Chart 2



Source: Shiller, Robert, "Irrational Exuberance," Princeton University Press, 2000, 2005, updated; Scotia Economics

year fixed mortgage rate is up by about 0.75% since the end of September and at its highest since mid-2015 and may face further upward lagging pressures if the bond market shock sticks. WTI oil is about 50% dearer than the low point toward the start of the year, and the net negative effects come via the US still being a net oil importer ([here](#)). Stocks are a plus, but housing and cash flow drivers matter by orders of magnitude more than stocks to mainstreet. All of this is occurring before any fiscal or regulatory policies get introduced, passed into legislation or impact the economy.

On that note, how fiscal policy translates into growth is much more uncertain than implied by markets and a lot of the commentary. For one, governments are asking us to believe in the upper end and hence most optimistic evidence on fiscal multiplier effects when the literature is much less certain ([here](#), for instance). For another, fiscal stimulus works less powerfully when applied at conditions of full employment which the US is very near to. If tax cuts are deficit-financed then the bond market will blow out further and sterilize the effects. If they are financed by expenditure cuts by a GOP that has shut down government because it wouldn't raise the debt ceiling and demanded budget cuts (think Cruz again), then the net impact on fiscal transfers to the household and business sectors is uncertain. Talk of being self-financing via Laffer curve dynamics whereby revenues go up when tax rates go down because of the unleashed tiger within consumers is, if you'll excuse me, laughable; if the concept exists at all (and empirical support is exceptionally weak) then it likely only exists at far more punitive rates of taxation than exist in the US, if even at that. Further, will consumers spend or save the tax proceeds? Lower energy prices haven't ignited a consumption boom in part because a) aging baby boomers are approaching retirement now by contrast to past cycles like the Reagan era; b) they have only just finally recouped the shock to average house prices and hence their prime retirement nest egg; c) the concept of job security has been utterly trashed in the minds of at least a generation or two; and d) the health of the US retirement income and savings system including massively unfunded social security obligations is in doubt. For more, I stand by [this](#) article that looks at the other pillars of 'Trumponomics'. Overstated, late, and at risk of being short-circuited by the very financial markets themselves.

**The more mundane issues next week will involve watching housing and consumer releases.** It's probably too soon to expect the spike in mortgage rates to impact housing data as the winter and into spring will be the greater test. Nevertheless, **existing home sales** (Wednesday) and **new home sales** (Thursday) will be monitored for evidence of housing resilience howsoever premature given the lags from shopping for a mortgage pre-approval to signing a sales contract. Wednesday's **durable goods orders** will likely drop significantly on headline as the prior month's airplane surge shakes out, but the focus will be on core capital goods orders. **Total consumer spending** (Thursday) will need a big pop in services spending to offset the already known weakness in retail sales growth during November, while the **Fed's preferred inflation reading** may tick higher for now until base effects of oil shake out and the dollar crimps import prices, especially ex-oil. That same day, we'll get the final round of **revisions for Q3 GDP** that incorporates services spending and most expect minor revisions.

Also note that a 5 year TIPS reopening occurs on Thursday.

### CANADA — A NEW, ENTIRELY UNFORECASTABLE BATCH OF INFLATION READINGS

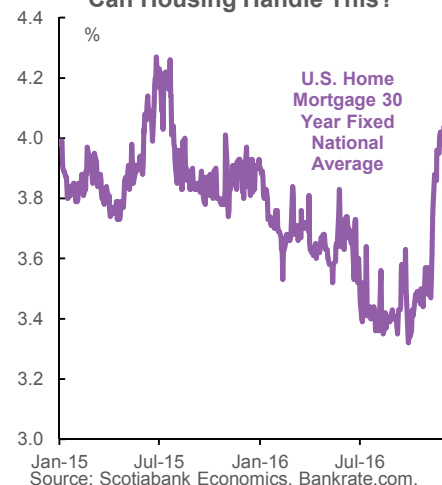
Canada will be focused upon domestic fundamentals with the scope to incrementally impact the market tone imported from developments abroad and namely the US.

Four releases will be scrutinized for growth and inflation signals:

- **Retail sales:** October's release lands on Thursday amidst expectations that auto sales may lead to a softer headline figure than sales ex-autos. This core measure of sales ex-autos could benefit from higher child benefits payments, a soft prior month that saw no growth, and gasoline prices. Child benefits remain an under-appreciated influence along the lines of the impact of the Tax-Free Savings Account in the sense that it is the gift that keeps on giving. The stimulus builds over time and becomes

Chart 3

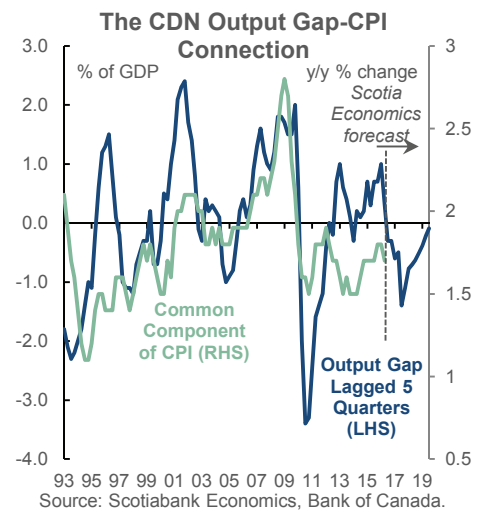
#### Can Housing Handle This?



more noticeable each month and hence more likely to be partially spent. For a household with under \$200k in annual income and one or more children under 17 (or 6, given tiered payments), an extra roughly \$4k of child benefit payments is received per year, tax free, and indexed starting in 2020. In the six months since the cheques began being sent out or direct-deposited in late July, \$2k per child shows up perhaps unexpectedly in bank accounts. In a year, it's \$4k, in two years, it's \$8k, and double all the numbers for two kids, etc. I find it implausible that at least some of this will not be spent, or factored into credit applications as probably among the most reliable forms of income as an offset to tightened mortgage rules, or squirrelled away in RSPs to leverage up the impact according to one's tax bracket. Presumably financial institutions from lenders to wealth managers are having this dialogue.

- **GDP:** The October release is expected to register little to no growth in month-ago terms. The hand-off from Q3 has just over 1% annualized growth baked into Q4 before we begin to get the GDP data. We'll firm up a call after retail and wholesale trade data arrives next week.
- **CPI:** A small month-ago drop in all-in CPI prices and a small dip in year-ago headline inflation to about 1.4% y/y is expected. The big issue here, however, is that this will be the first time that Statistics Canada releases monthly data on the Bank of Canada's new preferred measures of core CPI. The old measure that excluded the more volatile items is now toast. The new measures attempt to correlate better with the output gap. The most preferred of all — the common component CPI — was estimated to be the lowest inflation measure in previous BoC research, and offers a better-than-average but still only a moderate long-run correlation with the output gap and a poor correlation since the Great Financial Crisis (chart 4). None of these new measures will be forecast by the community of economists, at least for now, and quite possibly forever, and will involve communications challenges for the BoC.

Chart 4



Canada auctions 2 year GoCs on Wednesday.

### ASIA — BOJ HOPING THIS TIME IT WORKS

Four Asian central banks make policy decisions over the coming week but none is expected to alter course. The Bank of Japan meeting leads the way — viewed through the lens of potential effects on global markets — while the others are of regional significance.

**Nothing is expected from the Bank of Japan for at least two reasons, but the story could easily evolve negatively over our forecast horizon.** One reason is that the effects of the global bond sell-off have not impacted Japanese yields in any appreciable sense. That's because the BoJ shifted to a yield target of around 0% on 10 year government bonds complemented by bond purchases, and markets have not really tested this line in the sand. The yield on 10 year JGBs presently stands at about 0.08% and, while having risen from about -8 basis points before the US election to +8bps now, it is not appreciably different from the zero mark. Secondly, the Federal Reserve is doing the BoJ's work for it via the sharp depreciation in the yen versus the dollar (chart 5). Yen depreciation improves the foreign earnings of Japanese corporations after translation back into yen and buoys the stock market while also raising import costs and hence directionally adding to prospects for the BoJ to get closer to its inflation goals. That's on the first round effects. Even the first round effects, however, are dubious in nature; an example is that stock prices are a nominal variable not controlled for simple price effects on profits as opposed to sustained improvements in sales volumes.

Chart 5



The second round effects of yen depreciation — which has been tried many times previously — are potentially very different. Absent a pick-up in wage growth in Japan or improved access to credit, Japanese households could well do what they've tended to do in past rounds of imported inflation: spend more on what they have to including imported energy and food prices, and less on everything else to balance their budget constraints. First round inflationary effects given way to second round disinflation or deflation. This process may be further exacerbated this time around given rising oil prices since the start of the year and given Japan's dependence upon imported oil; yen depreciation magnifies the impact of higher oil prices to raise a significant energy price shock against growth. Furthermore, yen depreciation has never done anything sustainably positive to Japanese export growth and Monday's updated trade figures for November are expected to reinforce this understanding.

**Ergo, yen depreciation ultimately backfires and has never proven itself to be a sustainable strategy.** This was the argument advanced from the early days of Abenomics ([here](#)). Governor Kuroda's term is up in April 2018 — soon after Fed Chair Yellen's current term expires after January 2018 — and therefore the timing could work such that, if he leaves, he may well do so just as Japan is falling back into yet another bout of disinflation and with an economy-wide debt-to-GDP ratio of over 250%. **Think twice about discounting risks to Japan's economy and how they could return to impact the global outlook.**

**Bank of Thailand is also expected to keep policy unchanged mid-week.** Governor Veerathai Santiprabhob has made it clear that the policy repo rate of 1.5% needs to be kept unchanged in case the global economy takes a turn for the worse or translates poorly into risks facing Thailand next year particularly via trade policy. He has specifically stated the following: "Global risks are more of a concern. If there are any major adverse incidents occurring, the policy space will help us get through that."

**Bangko Sentral ng Pilipinas should follow up with a hold of its own** on Thursday, leaving the overnight borrowing rate at 3%. Consensus expects rate hikes next year as inflation upsides come from higher oil prices and peso depreciation plus the application of fiscal policy to an economy that is growing at just over 7% y/y. Again, an economy thought to be applying fiscal stimulus at the wrong time.

**Central Bank of China Taiwan** is expected to hold its policy rate at 1.375%. It halted rate cuts at the September meeting as growth stabilized in part on the impact of iPhone 7 sales on exports. Consensus expects rates to be on hold over the next year with cut risk.

**Chinese property prices** will be updated with November figures that will be watched for evidence of tightened macroprudential rules applied to housing markets. **The Reserve Bank of Australia releases minutes** to the December 5th meeting when the cash target rate was held constant at 1.5% and flagged some concerns about an appreciating A\$ that could "complicate" the outlook. Since then, the A\$ has depreciated by about a penny versus the USD which itself has been broadly stronger, and yet the A\$ has appreciated against the yen (2%), euro (just under 2%) and pound sterling (just under 1%). Also note that **New Zealand releases Q3 GDP figures** that are expected to signal ongoing strength with growth accelerating to around the 3½% y/y mark from the low 2% range about a year ago.

## LATIN AMERICA — ARGENTINA'S QUADRUPLE DIP

**The dominant issue to be settled next week across LatAm markets is whether Argentina's recession is getting worse or stabilizing with a way out in sight.** The country releases Q3 GDP figures after three quarterly contractions that are leading the country toward an expected 2% annualized decline in overall output. This is the fourth time just since the global financial crisis that Argentina's economy has contracted (chart 6). Consensus thinks next year will be better with growth of 3.1% led by consumer spending and government. Consensus may be copying guidance provided earlier by Argentina's President Mauricio Macri in the wake of introducing a new budget. Yet two things may be of concern. One is that the second half of the year shows no signs of a promised turnaround. Second is that Macri's own guidance has more recently joked about the challenges facing his year-old government: "If you want to see a magician, go and see Copperfield" in reference to David Copperfield.

Chart 6 **Argentina's Quadruple Dip**



There will be few other developments across LatAm markets other than the ever-present risk of trade policy guidance from the new incoming US administration. Trade figures will be updated by Argentina and Colombia, and Mexico will offer a retail sales estimate for October.

## EUROPE — IS RIKSBANK POLICY SUCCESS DURABLE?

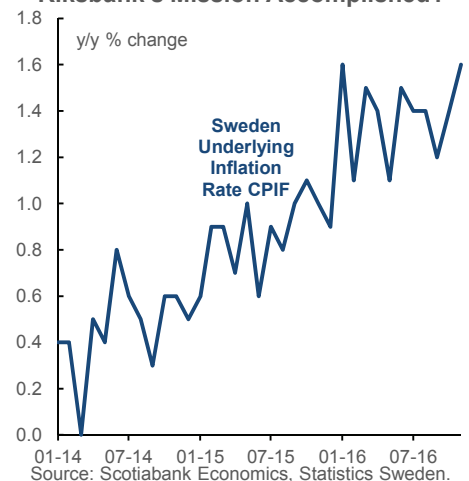
The obsession of our times that has us waiting with bated breath ahead of the never-ending pronouncements of central bankers will continue next week. **Sweden's Riksbank issues a policy decision on Wednesday that may be somewhat more interesting to markets than a fairly mundane set of data updates.**

Sweden's central bank is expected to keep its policy rate on hold at -0.5%. Higher recent inflation figures suggest a policy hold. Underlying inflation has risen from 0% y/y at the low in March 2014 to 1.6% y/y in the latest print. The depreciation of the Swedish krona this year also counsels a policy hold. The currency has been among the worst performers anywhere and this courts imported inflation risks that are contributing to the rising inflation readings (chart 7). The krona is about 7% weaker versus the euro this year, 11% down against the USD, and lower against most major currencies except for pound sterling (Brexit) and the Mexican peso (US election and longstanding challenges to the domestic economy). **The dominant debate overhanging the outlook for the Riksbank is whether the central bank extends its bond buying program after the ECB did likewise.** Traction on inflation coupled with currency weakness in 2016 may counsel otherwise. The durability of inflation upsides due to currency weakening may come to lean in favour of not permanently leaving the debate behind.

Among the data hits, I would watch Germany's IFO survey of business confidence (Monday) and a monthly services update from the UK. Releases of less consequence to markets will include French consumer spending on Friday, Italian retail sales and industrial readings on Thursday, and Q3 UK GDP revisions.

Chart 7

### Riksbank's Mission Accomplished?



**Key Indicators for the week of December 19 – 23**
**NORTH AMERICA**

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	12/20	08:30	Wholesale Trade (m/m)	Oct	--	--	-1.2
MX	12/20	09:00	Retail Sales (INEGI) (y/y)	Oct	3.4	--	8.1
US	12/21	07:00	MBA Mortgage Applications (w/w)	DEC 16	--	--	-0.7
US	12/21	10:00	Existing Home Sales (mn a.r.)	Nov	5.5	5.5	5.6
US	12/21	10:00	Existing Home Sales (m/m)	Nov	-1.8	-1.8	2.0
CA	12/22	08:30	CPI, All items (m/m)	Nov	-0.2	--	0.2
CA	12/22	08:30	CPI, All items (y/y)	Nov	1.4	--	1.5
CA	12/22	08:30	CPI, All items (index)	Nov	--	--	129.1
CA	12/22	08:30	CPI SA, All items (m/m)	Nov	--	--	0.2
CA	12/22	08:30	Retail Sales (m/m)	Oct	0.3	--	0.6
CA	12/22	08:30	Retail Sales ex. Autos (m/m)	Oct	0.7	--	0.0
US	12/22	08:30	Durable Goods Orders (m/m)	Nov P	-4.0	-3.8	4.6
US	12/22	08:30	Durable Goods Orders ex. Trans. (m/m)	Nov P	0.2	0.4	0.8
US	12/22	08:30	GDP (q/q a.r.)	3Q T	3.2	3.3	3.2
US	12/22	08:30	GDP Deflator (q/q a.r.)	3Q T	--	--	1.4
US	12/22	08:30	Initial Jobless Claims (000s)	DEC 17	255	255	258
US	12/22	08:30	Continuing Claims (000s)	DEC 10	2010	2005	2005
MX	12/22	09:00	Bi-Weekly Core CPI (% change)	Dec 15	0.3	--	-0.1
MX	12/22	09:00	Bi-Weekly CPI (% change)	Dec 15	0.3	--	0.0
MX	12/22	09:00	Global Economic Indicator IGAE (y/y)	Oct	1.7	--	1.6
US	12/22	10:00	Leading Indicators (m/m)	Nov	--	0.2	0.1
US	12/22	10:00	PCE Deflator (m/m)	Nov	0.2	0.2	0.2
US	12/22	10:00	PCE Deflator (y/y)	Nov	1.5	--	1.4
US	12/22	10:00	PCE ex. Food & Energy (m/m)	Nov	0.1	0.1	0.1
US	12/22	10:00	PCE ex. Food & Energy (y/y)	Nov	1.8	1.7	1.7
US	12/22	10:00	Personal Spending (m/m)	Nov	0.3	0.5	0.3
US	12/22	10:00	Personal Income (m/m)	Nov	0.2	0.3	0.6
CA	12/23	08:30	Real GDP (m/m)	Oct	0.1	--	0.3
MX	12/23	09:00	Trade Balance (US\$ mn)	Nov	-263.4	--	-899.5
MX	12/23	09:00	Unemployment Rate (%)	Nov	3.7	--	3.7
US	12/23	10:00	New Home Sales (000s a.r.)	Nov	570.0	575.0	563.0
US	12/23	10:00	U. of Michigan Consumer Sentiment	Dec F	--	98.2	98.0

**EUROPE**

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
GE	12/19	04:00	IFO Business Climate Survey	Dec	110.0	--	110.4
GE	12/19	04:00	IFO Current Assessment Survey	Dec	115.1	--	115.6
GE	12/19	04:00	IFO Expectations Survey	Dec	105.0	--	105.5
EC	12/19	05:00	Labour Costs (y/y)	3Q	--	--	1.0
GE	12/20	02:00	Producer Prices (m/m)	Nov	--	--	0.7
EC	12/20	04:00	Current Account (€ bn)	Oct	--	--	25.3
IT	12/20	04:30	Current Account (€ mn)	Oct	--	--	2810
TU	12/20	06:00	<b>Benchmark Repo Rate (%)</b>	<b>Dec 20</b>	--	--	<b>8.00</b>
SP	12/20		Budget Balance YTD (€ mn)	Nov	--	--	-21660
FR	12/21	02:45	Producer Prices (m/m)	Nov	--	--	0.8
SW	12/21	03:30	<b>Riksbank Interest Rate (%)</b>	<b>Dec 21</b>	<b>-0.50</b>	--	<b>-0.50</b>
UK	12/21	04:30	PSNB ex. Interventions (£ bn)	Nov	--	--	4.8
UK	12/21	04:30	Public Finances (PSNCR) (£ bn)	Nov	--	--	-3.4
UK	12/21	04:30	Public Sector Net Borrowing (£ bn)	Nov	--	--	4.3
EC	12/21	10:00	Consumer Confidence	Dec A	-6.1	--	-6.1
UK	12/21	19:01	GfK Consumer Confidence Survey	Dec	--	--	-8.0
GE	12/23	02:00	GfK Consumer Confidence Survey	Jan	--	--	9.8
FR	12/23	02:45	Consumer Spending (m/m)	Nov	0.1	--	0.9
FR	12/23	02:45	GDP (q/q)	3Q F	0.2	--	0.2
UK	12/23	04:30	Business Investment (q/q)	3Q F	--	--	0.9
UK	12/23	04:30	Current Account (£ bn)	3Q	--	--	-28.7
UK	12/23	04:30	GDP (q/q)	3Q F	--	--	0.5
UK	12/23	04:30	Index of Services (m/m)	Oct	--	--	0.2

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

## Key Indicators for the week December 19 – 23

### ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Indicator</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>
JN	12/18	18:50	Merchandise Trade Balance (¥ bn)	Nov	--	--	496.0
JN	12/18	18:50	Adjusted Merchandise Trade Balance (¥ bn)	Nov	--	--	474.3
JN	12/18	18:50	Merchandise Trade Exports (y/y)	Nov	--	--	-10.3
JN	12/18	18:50	Merchandise Trade Imports (y/y)	Nov	--	--	-16.5
HK	DEC 18-19		Composite Interest Rate (%)	Nov	--	--	0.3
HK	12/19	03:30	Unemployment Rate (%)	Nov	3.4	--	3.4
SK	12/19	16:00	PPI (y/y)	Nov	--	--	-0.2
PH	12/19		Balance of Payments (US\$ mn)	Nov	--	--	-183.0
JN	DEC 19-20		<b>BoJ Policy Rate (%)</b>	<b>Dec 20</b>	<b>-0.10</b>	--	<b>-0.10</b>
JN	12/20	00:30	Nationwide Department Store Sales (y/y)	Nov	--	--	-3.9
TA	12/20	03:00	Export Orders (y/y)	Nov	--	--	0.3
HK	12/20	03:30	CPI (y/y)	Nov	1.2	--	1.2
HK	12/20	03:30	BoP Current Account (HK\$ bns)	3Q	--	--	14.8
NZ	12/20	16:45	Trade Balance (NZD mn)	Nov	--	--	-846.0
NZ	12/20	16:45	Exports (NZD bn)	Nov	--	--	3.9
NZ	12/20	16:45	Imports (NZD bn)	Nov	--	--	4.7
MA	12/20	23:00	CPI (y/y)	Nov	1.1	--	1.4
JN	12/20	23:30	All Industry Activity Index (m/m)	Oct	--	--	0.2
JN	12/21		Supermarket Sales (y/y)	Nov	--	--	0.6
TH	12/21	02:00	<b>BoT Repo Rate (%)</b>	<b>Dec 21</b>	<b>1.50</b>	--	<b>1.50</b>
NZ	12/21	16:45	GDP (q/q)	3Q	--	--	0.9
NZ	12/21	16:45	GDP (y/y)	3Q	--	--	3.6
TA	12/21	19:30	Unemployment Rate (%)	Nov	3.9	--	3.9
MA	12/22	02:00	Foreign Reserves (US\$ bn)	Dec 15	--	--	96.4
PH	12/22	03:00	<b>Overnight Borrowing Rate (%)</b>	<b>Dec 22</b>	<b>3.00</b>	--	<b>3.00</b>
TA	12/22		<b>Benchmark Interest Rate</b>	<b>Dec 22</b>	<b>1.375</b>	--	<b>1.375</b>
SI	12/23		CPI (m/m)	Nov	0.0	--	-0.3
SI	12/23		CPI (y/y)	Nov	--	--	-0.1
SI	12/23		Industrial Production (m/m)	Nov	--	--	-0.1
SI	12/23		Industrial Production (y/y)	Nov	--	--	1.2
TA	12/23	03:00	Industrial Production (y/y)	Nov	--	--	3.7

### LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Indicator</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>
CO	12/19	10:00	Trade Balance (US\$ mn)	Oct	--	--	-1065.4
BZ	12/20	07:30	Current Account (US\$ mn)	Nov	--	--	-3339.5



**Global Auctions for the week of December 19 – 23****NORTH AMERICA**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CA	12/21	12:00	Canada to Sell 2-Year Bonds
US	12/22	13:00	U.S. to Sell 5-Year TIPS Reopening

**ASIA-PACIFIC**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CH	12/20	22:00	China Plans to Sell 3-Year Upsized Bonds
CH	12/20	22:00	China Plans to Sell 7-Year Upsized Bonds

**Events for the week of December 19 – 23****EUROPE**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
TU	12/20	06:00	<b>Benchmark Repurchase Rate</b>
TU	12/20	06:00	Overnight Lending Rate
TU	12/20	06:00	Overnight Borrowing Rate
SW	12/21	03:30	<b>Riksbank Rate Decision, Monetary Policy Report</b>

**ASIA-PACIFIC**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
HK	DEC 18-19		Composite Interest Rate
AU	12/19	19:30	RBA Dec. Meeting Minutes
JN	12/19	00:00	<b>BOJ Policy Rate</b>
JN	12/20	01:30	BOJ governor press conference
TH	12/21	02:00	<b>BoT Benchmark Interest Rate</b>
TA	DEC 21-22		<b>CBC Benchmark Interest Rate</b>
PH	12/22	03:00	BSP Overnight Borrowing Rate
PH	12/22	03:00	BSP Standing Overnight Deposit Facility Rate

## Global Central Bank Watch

### NORTH AMERICA

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
Bank of Canada – Overnight Target Rate	0.50	January 18, 2017	0.50	0.50
Federal Reserve – Federal Funds Target Rate	0.75	February 1, 2017	0.75	0.75
Banco de México – Overnight Rate	5.75	February 9, 2017	5.75	--

**Bank of Canada:** Statistics Canada begins to release series tracking the Bank of Canada's new preferred gauges of core inflation. The most preferred among them is the common component CPI metric. Economists will be left forecasting headline CPI and the old measure of core CPI with little to no ability to forecast the new measures.

### EUROPE

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
European Central Bank – Refinancing Rate	0.00	January 19, 2017	0.00	--
Bank of England – Bank Rate	0.25	February 2, 2017	0.25	--
Swiss National Bank – Libor Target Rate	-0.75	March 16, 2017	-0.75	--
Central Bank of Russia – One-Week Auction Rate	10.00	February 3, 2017	10.00	10.00
Sweden Riksbank – Repo Rate	-0.50	December 21, 2016	-0.50	--
Norges Bank – Deposit Rate	0.50	March 16, 2017	0.50	--

**Riksbank:** Sweden's central bank is expected to keep its policy rate on hold at -0.5%. Higher recent inflation figures suggest a policy hold. The dominant debate is whether the central bank extends its bond buying program after the ECB did likewise. Traction on inflation and currency weakness in 2016 may counsel otherwise.

### ASIA PACIFIC

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
Bank of Japan – Policy Rate	-0.10	December 20, 2016	-0.10	-0.10
Reserve Bank of Australia – Cash Target Rate	1.50	February 6, 2017	1.50	1.50
Reserve Bank of New Zealand – Cash Rate	1.75	February 8, 2017	1.75	1.75
People's Bank of China – Lending Rate	4.35	TBA	--	--
Reserve Bank of India – Repo Rate	6.25	February 8, 2017	6.00	--
Bank of Korea – Bank Rate	1.25	TBA	1.25	--
Bank of Thailand – Repo Rate	1.50	December 21, 2016	1.50	1.50
Bank Indonesia – 7-Day Reverse Repo Rate	4.75	TBA	4.75	--

The **Bank of Japan** (BoJ) will hold the next monetary policy meeting on December 19th-20th. We expect the central bank to leave its monetary policy stance unchanged, given the Japanese yen's recent weakness and the fact that the BoJ has limited room for further easing. The **Bank of Thailand's** policymakers will meet on December 21st. We expect that they will leave the benchmark interest rate unchanged at 1.50% over the coming quarters, barring any unforeseen economic shocks.

### LATIN AMERICA

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
Banco Central do Brasil – Selic Rate	13.75	January 11, 2017	13.75	--
Banco Central de Chile – Overnight Rate	3.50	January 19, 2017	3.50	--
Banco de la República de Colombia – Lending Rate	7.75	TBA	7.75	7.75
Banco Central de Reserva del Perú – Reference Rate	4.25	TBA	4.25	--

### AFRICA

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

This report has been prepared by Scotiabank Economics as a resource for the clients of Scotiabank. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness. Neither Scotiabank nor any of its officers, directors, partners, employees or affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

These reports are provided to you for informational purposes only. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instrument, nor shall this report be construed as an opinion as to whether you should enter into any swap or trading strategy involving a swap or any other transaction. The information contained in this report is not intended to be, and does not constitute, a recommendation of a swap or trading strategy involving a swap within the meaning of U.S. Commodity Futures Trading Commission Regulation 23.434 and Appendix A thereto. This material is not intended to be individually tailored to your needs or characteristics and should not be viewed as a “call to action” or suggestion that you enter into a swap or trading strategy involving a swap or any other transaction. Scotiabank may engage in transactions in a manner inconsistent with the views discussed this report and may have positions, or be in the process of acquiring or disposing of positions, referred to in this report.

Scotiabank, its affiliates and any of their respective officers, directors and employees may from time to time take positions in currencies, act as managers, co-managers or underwriters of a public offering or act as principals or agents, deal in, own or act as market makers or advisors, brokers or commercial and/or investment bankers in relation to securities or related derivatives. As a result of these actions, Scotiabank may receive remuneration. All Scotiabank products and services are subject to the terms of applicable agreements and local regulations. Officers, directors and employees of Scotiabank and its affiliates may serve as directors of corporations.

Any securities discussed in this report may not be suitable for all investors. Scotiabank recommends that investors independently evaluate any issuer and security discussed in this report, and consult with any advisors they deem necessary prior to making any investment.

**This report and all information, opinions and conclusions contained in it are protected by copyright. This information may not be reproduced without the prior express written consent of Scotiabank.**

™ Trademark of The Bank of Nova Scotia. Used under license, where applicable.

Scotiabank, together with “Global Banking and Markets”, is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including, Scotiabanc Inc.; Citadel Hill Advisors L.L.C.; The Bank of Nova Scotia Trust Company of New York; Scotiabank Europe plc; Scotiabank (Ireland) Limited; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Scotia Inverlat Casa de Bolsa S.A. de C.V., Scotia Inverlat Derivados S.A. de C.V. – all members of the Scotiabank group and authorized users of the Scotiabank mark. The Bank of Nova Scotia is incorporated in Canada with limited liability and is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia is authorised by the UK Prudential Regulation Authority and is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia's regulation by the UK Prudential Regulation Authority are available from us on request. Scotiabank Europe plc is authorised by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority.

Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V., and Scotia Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities.

Not all products and services are offered in all jurisdictions. Services described are available in jurisdictions where permitted by law.