Weekly commentary on economic and financial market developments

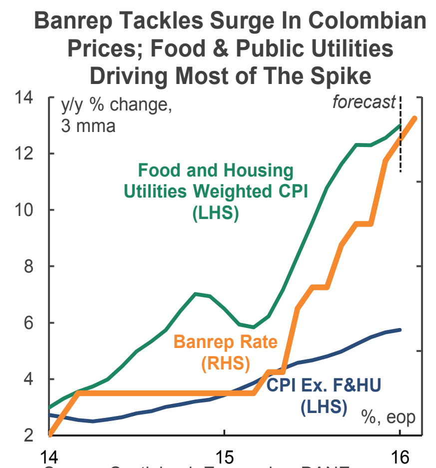
July 22, 2016

Economics

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



Source: Scotiabank Economics, DANE, Banco de la República.

Can The Fed Hike While Others Are Easing?

- **Please see our full indicator, central bank, auction and event calendars on pp. A3-A9.**

The core issue overhanging markets next week will be whether or not actions across key central banks risk conflicting with one another. Will the Bank of Japan add stimulus and perhaps finance fiscal efforts while the Fed reinforces rate hikes this year as per its pre-Brexit 'dot plot'? Or will the BoJ disappoint amidst the hype in not unprecedented fashion while the Fed hints at a changed world? The week could therefore be the first step along the path toward determining how the Fed can hike if influential central banks like the BoJ, ECB, BoE and others are adding stimulus, and through their actions thereby increasing the attractiveness of the carry trade into dollar-bloc assets and, in the process, driving continued appreciation in the broad US dollar index. We're skeptical and believe the Fed will err on the side of caution toward the USD and international risks for a significant period of time. To hike would represent another volatile shift by the Fed in what it chooses to emphasize meeting-to-meeting.

UNITED STATES — THE FED WILL LIKELY BUY TIME

Is an economy growing around 2.5% good enough for the Federal Reserve to contemplate the second rate hike of this cycle? Markets will hang on any potential signals to this effect as Q2 GDP growth and another Fed meeting dominate market attention.

Second quarter GDP accounts officially arrive after the FOMC statement. Like private forecasters, however, the Fed likely has a reasonable degree of comfort in the narrative surrounding a decent if unspectacular rebound in Q2 following the usual Q1 disappointment. Each of Bloomberg's consensus, the Atlanta Fed's 'nowcast' and our own estimate point to growth in the mid-two-handled zone.

The factors governing the FOMC outlook are, however, far more complex than just tracking the domestic economy. A statement-only effort by the Fed on July 27th will defer fresh forecasts and a press conference until September following the Fed's August vacation. Inflation remains beneath target as Governor Tarullo notes while questioning any need to rush policy tightening. The Brexit outcome connotes complex after-effects, as NY Fed President William Dudley has observed. It would seem to us that these two factors merit taking time to avoid an overly hasty interpretation of the ability of the global economy and markets to withstand US monetary policy tightening.

Among the complex considerations are rising duration and changed dynamics in global bond markets that connote greater potential for destabilizing market effects in the wake of a Fed hike (see pages 5-6 here for more on this). Further forecast easing of monetary policy at the BoJ, ECB, BoE and numerous other central banks such as the RBA and RBI pose the risk of another downward adjustment to foreign bond yields. This would alter the carry trade into dollar bloc assets and with it lift demand for Treasuries and the USD. Indeed, the broad dollar index has been rising for some time already (chart 1). USD strength could therefore do the Fed's policy tightening, independent of Fed hikes and driven by external developments. USD strength, in turn, could spark another round of disinflationary currency pass-through effects into US inflation readings while further dampening US export competitiveness. Should the Fed fan such effects through hints at rate hikes, then it risks overheating the dollar in destructive fashion.

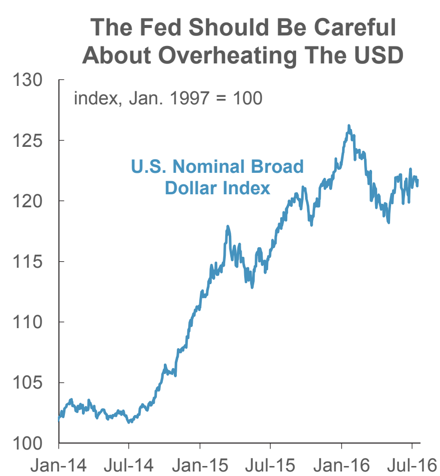
CONTACTS

Derek Holt
416.863.7707
Scotiabank Economics
derek.holt@scotiabank.com

Next Week's Risk Dashboard

- Bank of Japan
- Federal Reserve
- GDP: US, Canada, UK, France, Spain
- Japanese macro releases
- US, CDN earnings
- Chinese profits
- US Democratic National Convention

Chart 1



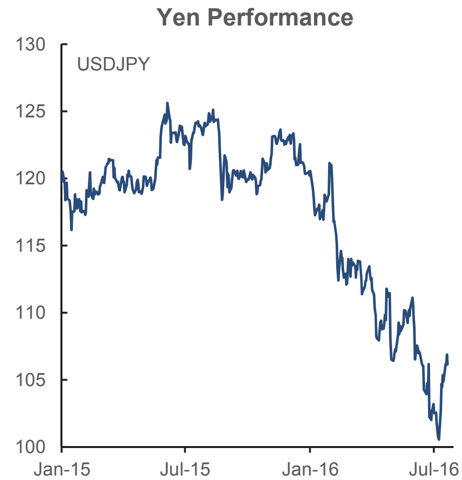
Source: Scotiabank Economics, U.S. Federal Reserve.

The week also brings out three additional considerations. One is less-significant macro reports that will include durable goods orders placed in June, consumer confidence in July, home prices in May, and new home sales during June. A second additional consideration will be earnings releases from almost 200 firms listed on the S&P500 as they broaden out further beyond the financials to include names like Apple, 3M, and Caterpillar. Lastly, the political shots will flow the other direction as the Democratic National Convention takes place over much of the week.

ASIA — WILL THE BoJ EASE?

Will the week end with the whirring sound of helicopter blades spinning over world markets? My visits to Asian clients in four countries this week encountered universal skepticism toward policy success in Japan. Nevertheless, a key risk is whether the Bank of Japan adds further stimulus and perhaps finances fiscal efforts at its upcoming meeting. Following the Upper House elections, Prime Minister Abe has a strengthened mandate and his administration and advisers have been dropping signals to expect further monetary and fiscal policy easing as soon as next week. Yen appreciation and mild deflation alongside weak growth are motivating factors (charts 2 and 3). The pending decisions may be incrementally informed by the release of fresh readings for Japanese household spending, the jobless rate, CPI, industrial production, retail sales, housing starts and vehicle production.

Chart 2

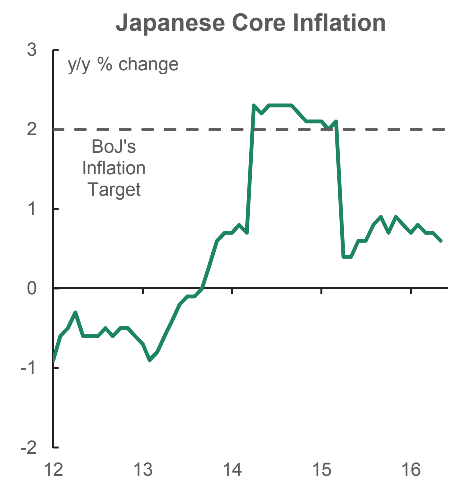


Source: Scotiabank Economics, Bloomberg.

Among the possible forms of BoJ action are a blend of more of the same, or entering fully uncharted waters for central banks. More of the same could include accelerated purchases of exchange traded funds as a way of buying the stock market, a further negative rate cut, and perhaps emulating the ECB's program that allows banks more aggressive funding for lending. Uncharted waters would be entered if so-called 'helicopter money' is pursued by showering down upon consumers money printed for use at their discretion or with incentivizing strings attached to spend it given the concern they could just hoard the proceeds. Or the BoJ could directly buy "deficit bonds" issued by the government to fund deficit-financed spending. This option has been downplayed. Another option would be to buy so-called "construction bonds" issued to finance specific infrastructure projects which appears more likely.

All of these options carry controversial influences. Financing governments directly in the primary market would risk a further erosion of global central bank independence amidst questioned efficacy of the spending. Financing more infrastructure bonds belies the fact that Japan already has among the best infrastructure anywhere as witnessed upon many visits to clients in Tokyo including this past week. 'Helicopter money' must be exponentially grown from period to period to avoid renewed decline later and yet many have doubted the BoJ's consistency over the years. Further negative rate cuts could result in deeper criticism by banks by way of damage to the lending cycle. All of this while many question the ability of the central bank to continue bond purchases at the current rate in future without impairing bond market functioning. The global implications to next week's possible actions could incite further yen weakening and strength in the USD. There is a very high bar set against ultimate policy success.

Chart 3



Source: Scotiabank Economics, Bloomberg.

Among other Asian market considerations next week will be that Chinese industrial profit growth in June will inform the debate on risks to China's corporate debt markets. Australian CPI inflation in Q2, South Korean industrial production and Thai exports complete the calendar highlights.

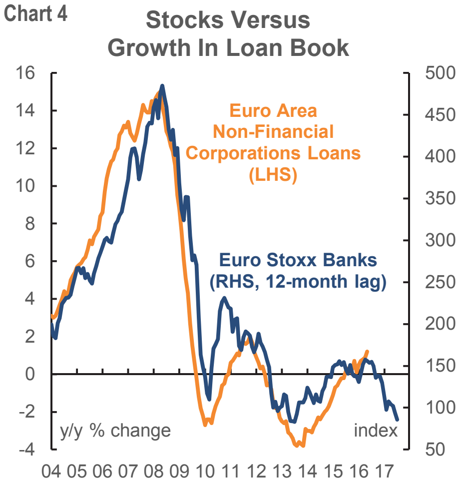
EUROPE — THE ECONOMY BEFORE BREXIT DOESN'T MATTER

Next week will be all about the economy-that-was in Europe before the 'leave' outcome of the UK referendum. The future faces downsides in the wake of the vote and so markets would intelligently look past the backward-looking readings.

Those readings will include Q2 GDP growth from the UK, France and Spain. French, German, Spanish and Italian CPI and the Eurozone add-up will marginally inform the inflation debate, again pre-Brexit. A round of monthly consumer spending reports from Germany, France and Spain will also arrive with readings that close out Q2.

And none of it matters. Europe faces yet another self-imposed downside risk to its economy both in the UK and Eurozone. It is painful to watch from across the pond as politics in the Eurozone and UK have for years derailed confidence in the outlook. Brexit's complex aftermath has on its list of effects a forecast UK recession this year, and essentially no UK growth next year. It is incorrect to argue that markets have healed post-Brexit when European banks' share prices are still sharply depressed since the 'leave' vote. As chart 4 demonstrates, the hit to share prices portends a lagged negative effect upon the lending cycle in the Eurozone which is one reason we have revised our Eurozone growth forecasts lower to at best a one-handled pace next year. ECB measures to address funding and liquidity matters count for little in the face of capital erosion. This leads us to ignore the recent ECB lending survey that predates the lagging negative shock to Eurozone bank lending — and hence economic growth — that probably lies ahead. European elections, additional possible referenda in several countries, and the need for several European parliaments to ratify any EU-UK agreements pose ongoing uncertainties. So does the outlook for lofty residential and commercial property prices amidst growing evidence of weakness. In this environment, the appetite for business investment in an economic region where the rules of commerce lie in doubt carries downside risk and with negative implications for growth in global trade given the tradeable nature of capital goods. And of course, a hit to European growth does not bode well for Chinese exports given the importance of this export destination.

Chart 4



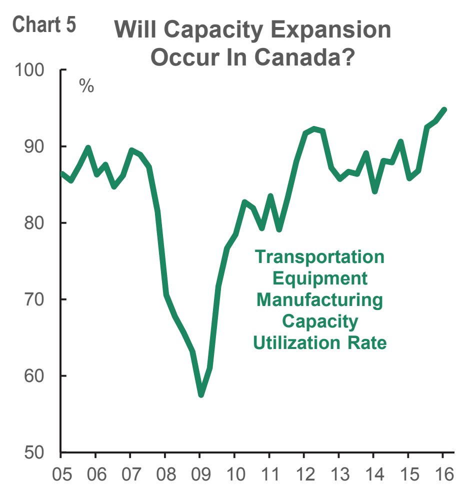
Source: Scotiabank Economics, Bloomberg, ECB.

CANADA — HAS THE WORST PASSED?

The worst of times for tracking growth in the Canadian economy should arrive next week in the form of GDP for the month of May. Or at least it's possible this will be the case for some time. GDP for May will be the reading that captures the effect of the wildfires that temporarily shut down a large portion of oil production in Alberta. Along with earnings reports, May GDP will offer a domestic angle to market risk, but with other more significant developments such as the Federal Reserve's statement and potential action from the Bank of Japan arguably being more important external considerations.

GDP is likely to register a sizeable downside hit. Recall that a pair of indicators offered fairly bleak assessments during the month of May. Manufacturing shipment volumes were down by 2.1% m/m and export volumes were down by 2.7%. The effects of production suspensions in Canada's energy sector due to wildfires in Alberta did not, however, carry as negative implications as could have been the case for the month because firms used inventories to bridge the shock while crude was exported to the U.S. for refining. Other offsetting positives during the month included a small gain in total hours worked that indicates continued gains in economy-wide production, and fairly flat housing starts at elevated levels.

Chart 5



Source: Scotiabank Economics, Statistics Canada.

That said, the weakness in non-resource exports has been an undeniable sore point for the Canadian economy and much weaker year-to-date than most, including the central bank, tended to expect following the easy gains in export volumes that have been booked since the global financial crisis. Pointing to those historical gains to predict the future would be unsatisfying to say the least. Legacy assets that already existed in Canada experienced a pick-up in capacity utilization as US demand came back on stream over recent years (chart 5). With key sectors like autos being at currently very elevated levels of capacity use, it is unlikely that large cap-ex spending to expand capacity will be placed in Canada with its greater competitiveness challenges than, say, Mexico. That makes us less upbeat on the export outlook than other voices in the debate. The issue then becomes whether an energy sector recovery from the wildfires into Q3 will be accompanied by a durable gain in non-resource exports to help insulate against downside risks to the household sector.

A Wider U.S. Federal Deficit

- **Federal revenue growth in fiscal 2016 almost pauses**

A significant backdrop to the two Party conventions is the wider U.S. federal deficit now expected for fiscal 2016 (FY16)[1]. After the federal budget gap narrowed from $1.4 trillion (9.8% of GDP) in FY09 to 2.5% of GDP in FY15, a partial retracement to 2.9% is now forecast for this fiscal year. With three months to go in FY16, the projected deficit is expected to be about $100 billion wider than the $438 billion shortfall reported in FY15, and this is before a timing adjustment that shifts approximately $40 billion of federal payments from the beginning of FY17 back to FY16, according to the Congressional Budget Office (CBO). Total expenditures this fiscal year are expected to advance by about 4.0%, while revenues edge only 1½% higher.

The surprise in FY16 has been the marked cooling in revenue growth. In part, this reflects the slower economic expansion early in calendar 2016, with the Office of Management and Budget now revising real GDP growth this year to 1.9% (in line with Scotiabank Economics' forecast), limiting the nominal GDP increase in 2016 to just over 3.0%. The administration's *Mid-Session Review* released last week still looks for output gains in 2017 and 2018 slightly higher than the projected long-run potential growth rate, though the latter is revised lower because of the more moderate productivity gains now anticipated. Income tax receipts this spring have been weighed down by lacklustre equity market returns and investment income in 2015 and the absolute declines in domestic profit since 2014.

Several federal policy adjustments have added to FY16 revenues, such as the Federal Reserve remitting much of its surplus account to the Treasury under the *Fixing America's Surface Transportation Act.* At the same time, FY16 revenues have been eroded by legislation enacted last December making a range of tax credits permanent or extending them until later this decade. For example, accelerated depreciation for firms with eligible investments has been claimed by businesses this spring both retroactively for 2015 and for 2016, contributing to the 12½% y/y decline in corporate income tax receipts over the first three quarters of FY16.

For expenditures, legislation relaxes the sequester through FY17, raising the statutory limits on discretionary funding by $50 billion this fiscal year and $30 billion next. Further direction in the overall outlook and details of expenditures awaits the outcome of the November Presidential and Congressional elections. Near-term issues requiring attention include possible adjustments to Obamacare, with the CBO estimating $49 billion of health insurance subsidies for FY16 apart from the Medicaid expansion. To date, longer-term concerns, such as setting a more sustainable track for Social Security and Medicare sooner rather than later have not received particular attention in the election campaign. What is noteworthy is the upward shift in net interest expense. From $223 billion in FY15, net interest charges are expected to broach $300 billion over the next two years, despite the lower interest rates now expected in the aftermath of the United Kingdom's decision to leave the European Union.

[1] Fiscal 2016 for the U.S. federal government ends on September 30th, 2016. All data in US dollars.

CONTACTS

Mary Webb
416.866.4202
Scotiabank Economics
mary.webb@scotiabank.com

Chart 1

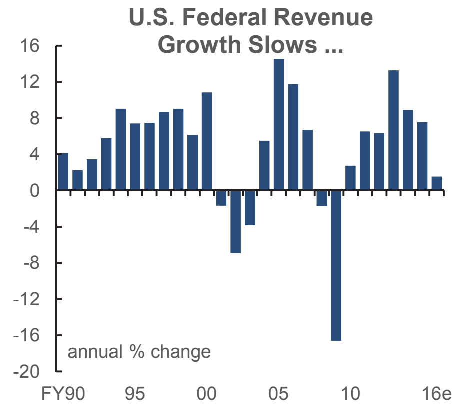


Chart 2

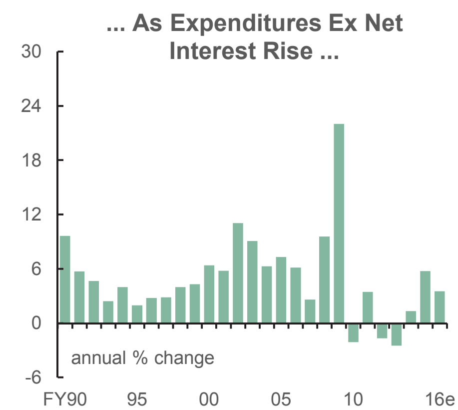
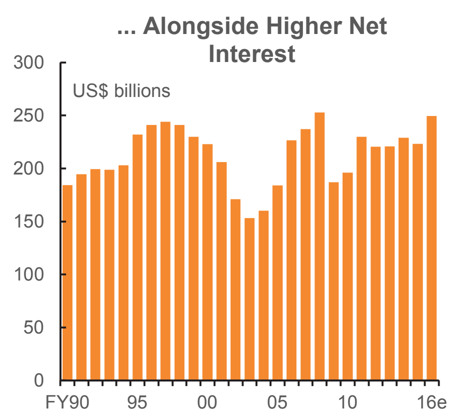


Chart 3



Source for charts: Office of Management and Budget; FY16 estimates: Scotiabank Economics.

Global Gaming Stabilizes After Macau Shakeup

Global gaming revenues will stabilize in 2016 after a sharp downturn in revenue last year. An anti-graft campaign and closer monitoring of 'VIPs' in the Chinese region of Macau sent gaming revenues plummeting by a third in 2015, to the lowest in 5 years. In Las Vegas, revenue has been stable at around US$6½bn for the last few years, and is on pace to match that in 2016 (chart 1). Economic conditions will remain supportive of gaming, with increases in travel volumes across Europe, the United States and the Asia-Pacific region through this year. China's economic slowdown is unlikely to weigh on outbound tourism expenditures, as the nation shifts to consumption-based growth as opposed to resource extraction and manufacturing.

Tourism expenditure in China skyrocketed nearly 30% in 2014, even as real GDP growth slowed from 7½% to 7%. A rapidly growing middle class and rising wages in China will boost gaming revenues in the region, and has spurred large casino developments and expansions in Vietnam, Malaysia and the Philippines, amongst others. Australia is also betting that rising tourism demand from emerging Asia will lead to increased domestic gaming revenue, and has allowed several billion dollars of investment in casino projects across the country. Output growth in advanced economies has been weak in recent years, and will continue to underperform alongside commodity price volatility and a structural slowdown in global trade. Nonetheless, household expenditures have remained resilient, and will continue to support travel and the gaming industry.

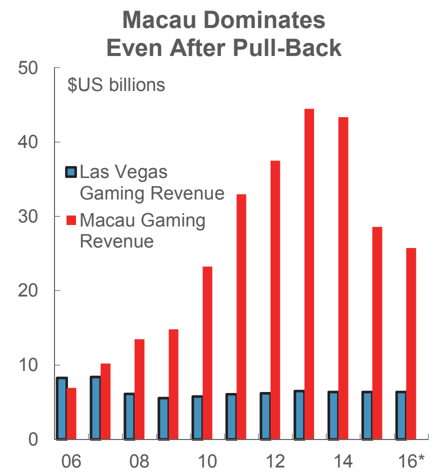
Most large casino operators have ties to Macau, and experienced around a 50% drop in return on assets and equity in 2015 as a result. Attempting to replicate the shift that has occurred in Las Vegas (chart 2), Macau casinos have been directed by the government to diversify their revenue streams. Gaming accounted for 93½% of total revenue in 2014, while the government's 'five-year plan' aims to reduce that to 90% by 2020. VIP gaming accounted for over 55% of Macau's gaming revenue last year, even though it is estimated that the VIP cohort consists of only 100,000 people, compared with the 30 million annual visitors to Macau. Evidenced by last year's decline, shifting government regulations and policy over gaming can have a huge effect on casino profitability, especially when directed at high-rollers. Diversification will add stability, but will likely come at the cost of lower revenue.

Legal online gaming is in its infancy, with only a handful of countries embracing the technology. It is difficult to gauge the size of the actual and potential market for online gaming, but the practice is becoming more widespread and accepted, especially in the United States. Several states have been working on legislation, including California, New York and Pennsylvania, with resolution (one way or the other) likely to occur over the next few years. Currently, legal online gaming accounts for around 3% of global gaming revenue, but will increase rapidly if populous states begin to legalize. Slot machines account for about half of gaming revenue at Nevada Casinos, compared with only 5% in Macau, where baccarat is the preferred game. With development in Macau outpacing Las Vegas, slot machine demand will not rise proportionally with new casino builds. Nonetheless, there will be substantial demand for new slot machines for new U.S. casino developments, and ongoing software support needed for existing machines.

CONTACTS

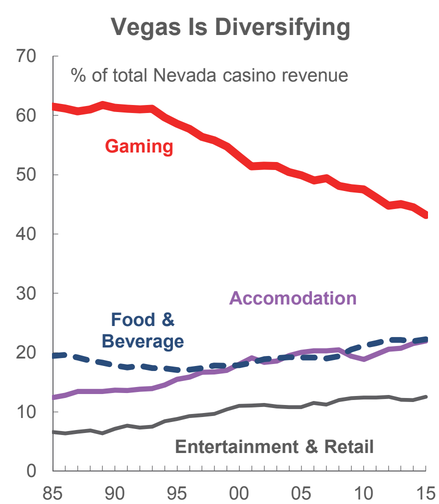
Neil Tisdall
416.866.6252
Scotiabank Economics
neil.tisdall@scotiabank.com

Chart 1



*year-to-date. Source: Las Vegas Convention and Visitor Authority, The Statistics and Census Service Macau SAR Government, Scotiabank Economics.

Chart 2



Source: UNLV Center For Gaming Research.

South Korea's Economic Outlook 2016-17

- **South Korea's outlook continues to be adversely affected by slower Chinese economic activity and muted world trade.**

Export-oriented South Korea is one of the most open economies among its peers in Asia. The country's export sector is very dependent on demand from China, which purchases over a quarter of South Korean shipments abroad. The country is also among the most exposed regional economies to the slowing investment growth in China. Moreover, increased competition from Chinese manufacturers will continue to create challenges for South Korean exporters. In the first half of 2016, the nation's exports were down by 10% y/y in US dollar terms.

In the challenging external environment, South Korean economic activity is primarily supported by domestic demand. Consumer spending is underpinned by authorities' fiscal and monetary stimulus measures, though a high household debt burden (approaching 90% of GDP) will restrain private consumption growth somewhat. Meanwhile, public outlays will provide vital support to the economy. South Korea will release preliminary estimates for Q2 real GDP on July 26th; we estimate that output expanded by 0.5% q/q (2.9% y/y) in the April-June period. South Korea's economic growth will likely average 2.7% y/y in 2016-17.

Expansionary fiscal policy and accommodative monetary conditions will play a key role in underpinning momentum as South Korean authorities have firm intentions to revive the economy. Indeed, the country's relatively healthy public finances will allow for further fiscal injections; according to International Monetary Fund's estimates, South Korea's fiscal surplus will average 0.2% of GDP in 2016-17 while public debt will hover at 37% of GDP. Following the UK's vote to leave the EU, the government announced that it will increase fiscal spending by more than KRW20 trillion — including a KRW 10 trillion supplementary budget — to support job creation and low income families affected by corporate restructuring measures.

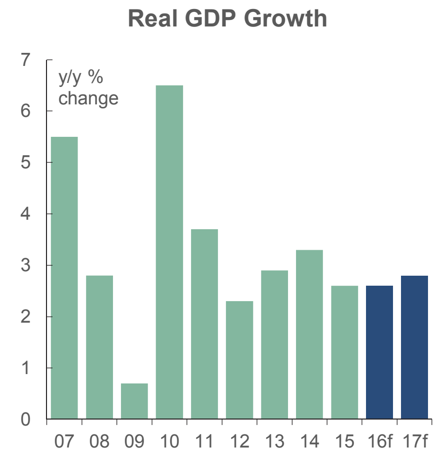
The Bank of Korea's (BoK) monetary policy will likely remain on hold in the near term, as authorities assess the impact of recent easing and monitor how global events unfold following the UK's vote to leave the European Union. While the BoK may consider further monetary stimulus should economic conditions turn worse, the BoK Governor Lee Ju-yeol has emphasized that accommodative monetary policy should not undermine financial stability. The benchmark seven-day repurchase rate was cut by 25 basis points to 1.25% in June on the back of the economy's lacklustre growth momentum and below-target inflation expectations. Inflation in South Korea remains muted with the headline rate at 0.8% y/y in June, well below the BoK's 2% inflation target for 2016-18. However, we assess that the inflation rate is currently near its low point and will start climbing gradually toward 1.2% y/y by the end of the year.

The South Korean won (KRW) will continue to reflect shifts in global investor sentiment given South Korea's economic openness within its peer group. In our view, portfolio inflows will support the KRW in the near term; however, market participants' expectations regarding monetary tightening in the US will likely put the KRW under modest weakening pressure against the US dollar (USD) toward the end of the year. We expect USDKRW to close 2016 at 1200.

CONTACTS

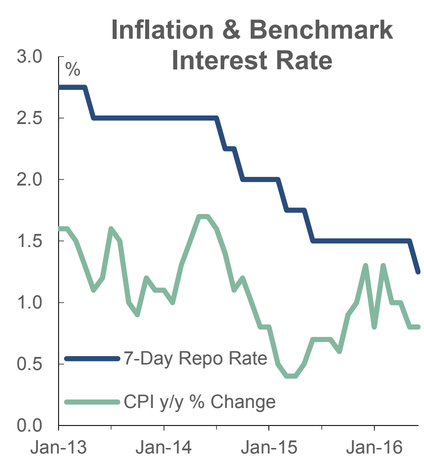
Tuuli McCully
65.6305.8313
Scotiabank Economics
tuuli.mccully@scotiabank.com

Chart 1



Source: Bloomberg, Scotiabank Economics.

Chart 2



Source: Bloomberg, Scotiabank Economics.

July 22, 2016

Key Data Preview

CANADA

We're anticipating a very steep decline in GDP in Canada for May, on the order of –0.8% m/m. The culprit is expected to be the wildfires in Alberta during May, which reduced national oil production by roughly 1 million barrels per day (bpd). We expect that the result should be 50-100bps of drag to monthly GDP from energy production alone. By way of comparison, in September 2015, when oil production fell by roughly 500,000 bpd, the energy sector dragged on GDP to the tune of 35bps and GDP came in at -0.5%, in line with the estimate implied by the chart to the right. One can't simply generalize the drop in energy sector activity from barrels per day of production, but they are rough guides. Note that coincident indicators for GDP ranging from real manufacturing sales to trade to retail sales have been on the soft side, and by themselves would indicate an essentially flat GDP number for May — so it is not just the energy sector that looks soft. In terms of positives on the month, housing starts were solid and hours worked were ok at +0.2% m/m.

UNITED STATES

The initial estimate of **GDP for Q2** should come in at a solid level, and we're projecting a +2.6% q/q annualized print with some upside potential. The principal driver of the economy during Q2 should be the consumer, and we project an increase in real consumer spending in the vicinity of 4% q/q saar (or higher) despite a soft rate of increase in auto sales (those were essentially flat on the quarter). Real exports (roughly +2% q/q saar) outstripped real imports (roughly +0.2% q/q saar) in the data released through May, which should also be modestly supportive of growth. Investment could be the weak part of the picture, but even here, the information isn't all negative. Shipments of nondefense goods ex-aerospace and defense came in at -1% q/q saar and residential construction spending was a soft -5% q/q saar, however nonresidential construction was a solid +4% q/q saar, which could mitigate the weakness in other avenues of investment somewhat. Inventories could provide some upside as well.

Durable goods orders for the month of June will in all likelihood reflect the decline in orders at Boeing to 12 orders from 125 in May. We think that the overall new orders number will come in at –1% but that the ex-transportation number might be somewhat better. As the chart to the right shows, new orders have improved in recent months as per the ISM metric as well as some other leading measures of industrial production.

CONTACTS

Dov Zigler
212.225.6631
Scotiabank Economics
dov.zigler@scotiabank.com

Chart 1

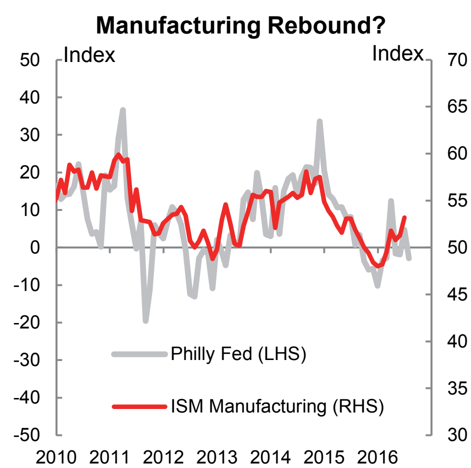
Sensitivity of Canadian GDP to Oil & Gas Extraction

Decline in Oil & Gas Extraction	Drag on Monthly GDP
-2.5%	-0.23%
-5.0%	-0.47%
-7.5%	-0.70%
-10.0%	-0.93%
-12.5%	-1.17%
-15.0%	-1.40%
-17.5%	-1.63%
-20.0%	-1.87%
-22.5%	-2.10%
-25.0%	-2.33%
-27.5%	-2.56%
-30.0%	-2.80%

Source: Scotiabank Economics, Statistics Canada

GDP references GDP at Basic Prices by Industry

Chart 2



Source: Scotiabank Economics, ISM, FRB.

EUROPE

On Friday, Eurozone Inflation and GDP data will be released. The flash HICP is expected to move slightly up in July to 0.2% y/y from 0.1%. Energy prices could be slightly down m/m, around -0.5%, on the back of falling fuel prices alongside stable electricity and gas tariffs, thus steady at around -6.4% y/y. Food prices could accelerate, to 1.1%/1.2% from 0.9% y/y, due to a low June 2015 reading and the risk of higher prices following adverse weather in May/June. Core CPI is expected to remain rangy at 0.8%/0.9%; though the traditional holiday and discount prices seasons could cause some price volatility. Preliminary Q2 GDP data should show the recovery entering a soft spot. After a stronger than expected Q1, softer growth is not unexpected and is part of the ECB's baseline scenario.

LATIN AMERICA

Mexico will publish May retail sales data on Monday. We forecast Mexican sales to come in between 5-6% y/y, slowing down relative to April's 10.7% y/y reading – a 12-year high. The surge in April was likely due to large purchases in anticipation of Mother's Day on May 10th, with sizeable gains in department stores during the last weekend of April. As such, we expect May figures to show a sharp correction back to trend, though maintaining a solid pace of growth thanks to increased remittances and a robust labour market. On Tuesday, unemployment is forecast to tick up by a decimal point to 4.1% in June, though continuing on a downward, albeit tamer, trend. Finally, on Friday, we forecast Q2 GDP data to show a significant moderation in economic growth, at 2.2% y/y from 2.6% y/y in Q1. In the second quarter, the Mexican economy struggled with a weak industrial sector — mainly due to a steep slowdown in vehicle manufacturing — and depressed investment, primarily in non-residential construction and machinery and equipment expenditure. In addition, a softening in private consumption, which has supported growth in recent quarters, will likely not provide as large of a boost this time around. Looking ahead, public spending cuts, a more restrictive monetary policy stance by Banxico, and a vulnerable export sector could lead to even weaker investment and, possibly, a reversal in household expenditure if a deterioration in job markets takes place.

ASIA

The Bank of Japan (BoJ) will hold a monetary policy meeting on July 28-29th, and we expect the central bank to add monetary stimulus to the economy. A fresh round of easing may take the policy rate deeper into negative territory from the current level of -0.1%, yet this option is highly criticized. Japanese monetary authorities might also introduce targeted measures for financial institutions to encourage bank lending, or increase and broaden its QE program's eligible assets to include purchases of investment-grade non-financial corporate, similar to the ECB. However, further expansion of QE may not be the most effective tool to stimulate the economy due to the BoJ's sizable government bond purchases since the start of the program in April 2013; at present, the central bank holds over 30% of outstanding government debt securities. Accordingly, more innovative policy measures are possible, including a form of "helicopter money". One example of such would a government issuance of non-marketable perpetual bonds for direct purchase by the BoJ. Nevertheless, BoJ Governor Kuroda has stated that "helicopter money" is not an option.

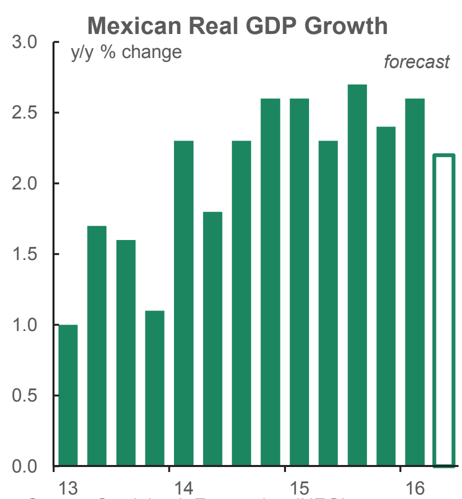
CONTACTS

Juan Manuel Herrera
416.862.3174
Scotiabank Economics
juanmanuel.herrera@scotiabank.com

Tuuli McCully
65.6305.8313
Scotiabank Economics
tuuli.mccully@scotiabank.com

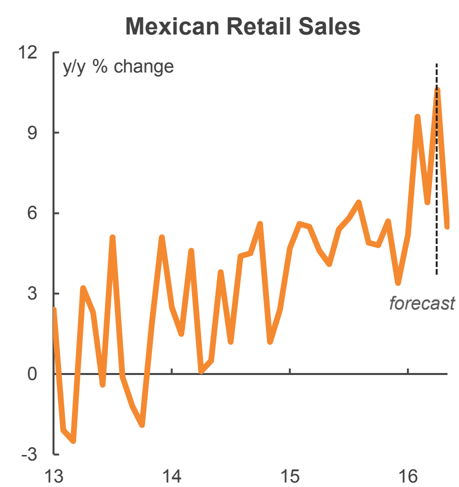
Frédéric Prêtet
33.1.703.77705
Fixed Income Strategy
frederic.pretet@scotiabank.com

Chart 1



Source: Scotiabank Economics. INEGI.

Chart 2



Source: Scotiabank Economics, INEGI.

Key Indicators for the week of July 25 – 29

NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
MX	07/25	09:00	Retail Sales (INEGI) (y/y)	May	5.5	--	10.6
US	07/25	10:30	Dallas Fed. Manufacturing Activity	Jul	--	-8.0	-18.3
MX	07/26	09:00	Global Economic Indicator IGAE (y/y)	May	2.1	--	3.0
MX	07/26	09:00	Trade Balance (US$ mn)	Jun	-230	--	-527
US	07/26	09:00	S&P/Case-Shiller Home Price Index (m/m)	May	0.2	0.1	0.5
US	07/26	09:00	S&P/Case-Shiller Home Price Index (y/y)	May	--	5.4	5.4
US	07/26	10:00	Consumer Confidence Index	Jul	97.0	95.5	98.0
US	07/26	10:00	New Home Sales (000s a.r.)	Jun	565.0	558.0	551.0
US	07/26	10:00	Richmond Fed Manufacturing Index	Jul	--	-2.0	-7.0
US	07/27	07:00	MBA Mortgage Applications (w/w)	JUL 22	--	--	-1.3
US	07/27	08:30	Durable Goods Orders (m/m)	Jun P	-1.0	-1.3	-2.3
US	07/27	08:30	Durable Goods Orders ex. Trans. (m/m)	Jun P	0.5	0.3	-0.3
MX	07/27	09:00	Unemployment Rate (%)	Jun	4.1	--	4.0
US	07/27	10:00	Pending Home Sales (m/m)	Jun	--	1.8	-3.7
US	07/27	14:00	**FOMC Interest Rate Meeting (%)**	**Jul 27**	**0.50**	**0.50**	**0.50**
US	07/28	08:30	Initial Jobless Claims (000s)	JUL 23	270	264	253
US	07/28	08:30	Continuing Claims (000s)	JUL 16	2120	--	2128
CA	07/29	08:30	IPPI (m/m)	Jun	--	--	1.1
CA	07/29	08:30	Raw Materials Price Index (m/m)	Jun	--	--	6.7
CA	07/29	08:30	Real GDP (m/m)	May	-0.8	-0.5	0.1
US	07/29	08:30	Employment Cost Index (q/q)	2Q	--	0.6	0.6
US	07/29	08:30	GDP (q/q a.r.)	2Q A	2.6	2.6	1.1
US	07/29	08:30	GDP Deflator (q/q a.r.)	2Q A	--	1.9	0.4
MX	07/29	09:00	GDP (q/q)	2Q P	--	--	0.8
MX	07/29	09:00	GDP (y/y)	2Q P	2.2	--	2.6
US	07/29	09:45	Chicago PMI	Jul	--	54.2	56.8
US	07/29	10:00	U. of Michigan Consumer Sentiment	Jul F	91.0	90.1	89.5

EUROPE

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
GE	07/25	04:00	IFO Business Climate Survey	Jul	107.8	107.6	108.7
GE	07/25	04:00	IFO Current Assessment Survey	Jul	104.0	114.0	114.5
GE	07/25	04:00	IFO Expectations Survey	Jul	101.7	101.7	103.1
HU	07/26	08:00	Base Rate (%)	Jul 26	--	0.9	0.9
FR	07/26	12:00	Total Jobseekers (000s)	Jun	3515.0	3513.0	3520.3
FR	07/26	12:00	Jobseekers Net Change (000s)	Jun	-5.0	-7.0	9.2
SP	07/26		Budget Balance YTD (€ mn)	Jun	--	--	-23300
GE	07/27	02:00	GfK Consumer Confidence Survey	Aug	--	9.9	10.1
FR	07/27	02:45	Producer Prices (m/m)	Jun	--	--	0.3
SP	07/27	03:00	Real Retail Sales (y/y)	Jun	--	--	2.8
UK	07/27	04:30	GDP (q/q)	2Q A	--	0.5	0.4
UK	07/27	04:30	Index of Services (m/m)	May	--	0.1	0.6
GE	JUL 28-AUG 3		Retail Sales (m/m)	Jun	--	0.3	0.7
SP	07/28	03:00	Unemployment Rate (%)	2Q	--	20.4	21.0
GE	07/28	03:55	Unemployment (000s)	Jul	-10.0	-4.0	-6.0
GE	07/28	03:55	Unemployment Rate (%)	Jul	6.1	6.1	6.1
EC	07/28	05:00	Business Climate Indicator	Jul	--	0.2	0.2
EC	07/28	05:00	Economic Confidence	Jul	104.0	103.5	104.4
EC	07/28	05:00	Industrial Confidence	Jul	-3.3	-3.4	-2.8
GE	07/28	08:00	CPI (m/m)	Jul P	0.3	0.2	0.1
GE	07/28	08:00	CPI (y/y)	Jul P	0.4	0.3	0.3
GE	07/28	08:00	CPI - EU Harmonized (m/m)	Jul P	0.3	0.3	0.1
GE	07/28	08:00	CPI - EU Harmonized (y/y)	Jul P	0.2	0.3	0.2
UK	07/28	19:05	GfK Consumer Confidence Survey	Jul	--	-8.0	-1.0
UK	JUL 28-AUG 3		Nationwide House Prices (m/m)	Jul	--	0.0	0.2

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

Key Indicators for the week of July 25 – 29

EUROPE *(continued from previous page)*

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
FR	07/29	01:30	GDP (q/q)	2Q A	0.2	0.2	0.6
FR	07/29	02:45	Consumer Spending (m/m)	Jun	--	0.1	-0.7
FR	07/29	02:45	CPI (m/m)	Jul P	-0.3	-0.4	0.1
FR	07/29	02:45	CPI (y/y)	Jul P	0.3	0.3	0.2
FR	07/29	02:45	CPI - EU Harmonized (m/m)	Jul P	-0.3	-0.4	0.1
FR	07/29	02:45	CPI - EU Harmonized (y/y)	Jul P	0.4	0.4	0.3
SP	07/29	03:00	CPI (m/m)	Jul P	--	-0.9	0.5
SP	07/29	03:00	CPI (y/y)	Jul P	--	-0.5	-0.8
SP	07/29	03:00	CPI - EU Harmonized (m/m)	Jul P	--	-1.5	0.4
SP	07/29	03:00	CPI - EU Harmonized (y/y)	Jul P	--	-0.8	-0.9
SP	07/29	03:00	Real GDP (q/q)	2Q P	0.6	0.7	0.8
SW	07/29	03:30	GDP (y/y)	2Q P	--	3.6	4.2
SP	07/29	04:00	Current Account (€ bn)	May	--	--	2.6
UK	07/29	04:30	Net Consumer Credit (£ bn)	Jun	--	1.4	1.5
EC	07/29	05:00	Euro zone CPI Estimate (y/y)	Jul	0.2	0.1	0.1
EC	07/29	05:00	Euro zone Core CPI Estimate (y/y)	Jul A	0.9	0.8	0.9
EC	07/29	05:00	GDP (q/q)	2Q A	0.3	0.3	0.6
EC	07/29	05:00	Unemployment Rate (%)	Jun	10.1	10.1	10.1
IT	07/29	05:00	CPI (m/m)	Jul P	--	0.0	0.1
IT	07/29	05:00	CPI (y/y)	Jul P	--	-0.3	-0.4
IT	07/29	05:00	CPI - EU Harmonized (m/m)	Jul P	--	-1.9	0.2
IT	07/29	05:00	CPI - EU Harmonized (y/y)	Jul P	--	-0.2	-0.2
RU	07/29	06:30	**One-Week Auction Rate (%)**	**Jul 29**	**--**	**10.50**	**10.50**

ASIA-PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
VN	JUL 23-24		CPI (y/y)	Jul	--	2.6	2.4
JN	07/24	19:50	Merchandise Trade Balance (¥ bn)	Jun	--	474.4	-40.6
JN	07/24	19:50	Adjusted Merchandise Trade Balance (¥ bn)	Jun	--	244.2	269.8
JN	07/24	19:50	Merchandise Trade Exports (y/y)	Jun	--	-11.3	-11.3
JN	07/24	19:50	Merchandise Trade Imports (y/y)	Jun	--	-20.0	-13.8
SK	JUL 24-29		Department Store Sales (y/y)	Jun	--	--	-2.7
JN	07/25	01:00	Coincident Index CI	May F	110.5	--	110.5
JN	07/25	01:00	Leading Index CI	May F	100.0	--	100.0
SI	07/25	01:00	CPI (y/y)	Jun	--	-1.1	-1.6
NZ	07/25	18:45	Trade Balance (NZD mn)	Jun	--	127.0	358.3
NZ	07/25	18:45	Exports (NZD bn)	Jun	--	4.2	4.6
NZ	07/25	18:45	Imports (NZD bn)	Jun	--	4.1	4.2
SK	07/25	19:00	GDP (q/q)	2Q P	0.5	0.6	0.5
SK	07/25	19:00	GDP (y/y)	2Q P	2.9	3.0	2.8
PH	07/25	21:00	Imports (y/y)	May	--	28.4	29.2
PH	07/25	21:00	Trade Balance (US$ mn)	May	--	-1331	-2275
SI	07/26	01:00	Industrial Production (y/y)	Jun	--	0.4	0.9
HK	07/26	04:30	Exports (y/y)	Jun	--	-1.1	-0.1
HK	07/26	04:30	Imports (y/y)	Jun	--	-4.5	-4.3
HK	07/26	04:30	Trade Balance (HKD bn)	Jun	--	-22.9	-26.2
SK	07/26	17:00	Consumer Confidence Index	Jul	--	--	99.0
AU	07/26	21:30	Consumer Prices (y/y)	2Q	1.1	1.1	1.3
CH	07/26	21:30	Industrial Profits YTD (y/y)	Jun	--	--	3.7

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

Key Indicators for the week of July 25 – 29

ASIA-PACIFIC *(continued from previous page)*

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
SI	07/27	22:30	Unemployment Rate (%)	2Q P	1.9	2.0	1.9
TH	07/27		Customs Exports (y/y)	Jun	--	-2.6	-4.4
TH	07/27		Customs Imports (y/y)	Jun	--	-10.2	0.5
TH	07/27		Customs Trade Balance (US$ mn)	Jun	--	1504.0	1540.0
SK	07/28	17:00	Business Survey- Manufacturing	Aug	--	--	72.0
SK	07/28	17:00	Business Survey- Non-Manufacturing	Aug	--	--	72.0
SK	07/28	19:00	Industrial Production (y/y)	Jun	--	0.2	4.3
SK	07/28	19:00	Cyclical Leading Index Change	Jun	--	--	0.0
JN	07/28	19:30	Household Spending (y/y)	Jun	--	-0.5	-1.1
JN	07/28	19:30	Jobless Rate (%)	Jun	3.2	3.2	3.2
JN	07/28	19:30	National CPI (y/y)	Jun	-0.4	-0.4	-0.4
JN	07/28	19:30	Tokyo CPI (y/y)	Jul	--	-0.5	-0.5
JN	07/28	19:50	Large Retailers' Sales (y/y)	Jun	--	-1.1	-2.2
JN	07/28	19:50	Retail Trade (y/y)	Jun	--	-1.3	-2.1
JN	07/28	19:50	Industrial Production (y/y)	Jun P	--	-3.0	-0.4
TA	07/28	20:30	Real GDP (y/y)	2Q P	--	0.7	-0.7
AU	07/28	21:30	Private Sector Credit (y/y)	Jun	--	6.5	6.5
AU	07/28	21:30	Producer Price Index (y/y)	2Q	--	--	1.2
JN	JUL 28-29		BoJ Monetary Base Target (¥ tn)	Jul 29	90.0	--	80.0
JN	JUL 28-29		**BoJ Policy Rate (%)**	**Jul 29**	**-0.20**	**--**	**-0.10**
PH	JUL 28-29		Bank Lending (y/y)	Jun	--	--	16.6
JN	07/29		Vehicle Production (y/y)	Jun	--	--	1.7
JN	07/29	01:00	Housing Starts (y/y)	Jun	--	-2.9	9.8
JN	07/29	01:00	Construction Orders (y/y)	Jun	--	--	34.5
TH	07/29	03:30	Exports (y/y)	Jun	--	--	-3.7
TH	07/29	03:30	Imports (y/y)	Jun	--	--	-0.2
TH	07/29	03:30	Trade Balance (US$ mn)	Jun	--	--	3506.0
TH	07/29	03:30	Current Account Balance (US$ mn)	Jun	--	3250.0	2234.0
IN	07/29	07:00	Fiscal Deficit (INR Crore)	Jun	--	--	91660

LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
BZ	07/26	09:30	Current Account (US$ mn)	Jun	--	--	1200.3
CL	07/29	09:00	Manufacturing Production (y/y)	Jun	-1.6	0.0	2.1
CL	07/29	09:00	Retail Sales (y/y)	Jun	3.1	2.9	0.6
CL	07/29	09:00	Unemployment Rate (%)	Jun	7.0	6.9	6.8
CO	07/29	11:00	Urban Unemployment Rate (%)	Jun	9.4	9.3	9.0
CO	07/29		**Overnight Lending Rate (%)**	**Jul 29**	**7.75**	**7.75**	**7.50**

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

Global Auctions for the week of July 25 – 29

NORTH AMERICA

Country	Date	Time	Event
US	07/25	11:30	U.S. to Sell USD37 Bln 3-Month Bills
US	07/25	11:30	U.S. to Sell USD32 Bln 6-Month Bills
US	07/25	13:00	U.S. to Sell USD26 Bln 2-Year Notes
CA	07/26	10:30	Canada to Sell CAD2.5 Bln 182-Day Bills
CA	07/26	10:30	Canada to Sell CAD2.5 Bln 364-Day Bills
CA	07/26	10:40	Canada to Sell CAD6.5 Bln 98-Day Bills
US	07/26	11:30	U.S. to Sell 4-Week Bills
US	07/26	13:00	U.S. to Sell USD34 Bln 5-Year Notes
CA	07/27	12:00	Canada to Sell CAD3 Bln 1% 2027 Bonds
US	07/28	11:30	U.S. to Sell USD15 Bln 2-Year Floating Rate Notes
CA	07/28	12:00	Canada to Sell 10-Year Bonds
US	07/28	13:00	U.S. to Sell USD28 Bln 7-Year Notes

EUROPE

Country	Date	Time	Event
GE	07/25	05:30	Germany to Sell EUR1.5 Bln 364-Day Bills
FR	07/25	08:50	France to Sell Up to EUR3.6 Bln 84-Day Bills
FR	07/25	08:50	France to Sell Up to EUR1 Bln 147-Day Bills
FR	07/25	08:50	France to Sell Up to EUR1.2 Bln 357-Day Bills
IT	07/26	05:00	Italy to Sell Up to EUR1 Bln 0.1% I/L 2022 Bonds
IT	07/26	05:00	Italy to Sell Up to EUR2.5 Bln Zero 2018 Bonds
MB	07/26	05:00	Malta to Sell 28-Day Bills
MB	07/26	05:00	Malta to Sell 91-Day Bills
SZ	07/26	05:15	Switzerland to Sell 91-Day Bills
EC	07/26	06:30	ESM to Sell Up to EUR1 Bln 0.125% 2024 Bonds
IT	07/27	05:00	Italy to Sell Bills
GE	07/27	05:30	Germany to Sell EUR1 Bln 2.5% 2046 Bonds
IT	07/28	05:00	Italy to Sell Bonds
UK	07/29	06:00	U.K. to Sell GBP500 Mln 29-Day Bills
UK	07/29	06:00	U.K. to Sell GBP2.5 Bln 91-Day Bills
UK	07/29	06:00	U.K. to Sell GBP3 Bln 182-Day Bills

Source: Bloomberg, Scotiabank Economics.

Global Auctions for the week of July 25 – 29

ASIA-PACIFIC

Country	Date	Time	Event
AU	07/24	21:00	Australia Plans to Sell AUD1 Bln 5.5% 2023 Bonds
CH	07/25	02:00	Agricultural Development Bank to Sell Bonds
JN	07/25	23:45	Japan to Sell 40-Year Bonds
CH	07/26	02:00	Heilongjiang to Sell General Bonds
CH	07/26	03:00	Heilongjiang to Sell Special Bonds
CH	07/26	23:00	China to Sell CNY33 Bln 3-Year Bonds
AU	07/27	20:30	Australia Plans to Sell AUD500 Mln 133-Day Bills
NZ	07/27	22:05	New Zealand Plans to Sell NZD150 Mln 3.5% 2033 Bonds
JN	07/27	23:35	Japan to Sell 3-Month Bills
JN	07/27	23:45	Japan to Sell 2-Year Bonds
AU	07/28	21:00	Australia Plans to Sell AUD900 Mln 4.25% 2026 Bonds
CH	07/28	21:20	Jiangsu to Sell General Bonds
CH	07/28	22:20	Jiangsu to Sell Special Bonds
CH	07/29	02:00	Jilin to Sell General Bonds
CH	07/29	03:00	Jilin to Sell Special Bonds

LATIN AMERICA

Country	Date	Time	Event
BZ	07/28	11:00	Brazil to Sell Fixed Rate Bonds - 01/01/2023
BZ	07/28	11:00	Brazil to Sell Fixed Rate Bonds - 01/01/2027
BZ	07/28	11:00	Brazil to Sell Bills LTN - 10/01/2016
BZ	07/28	11:00	Brazil to Sell Bills LTN - 04/01/2018
BZ	07/28	11:00	Brazil to Sell Bills LTN - 01/01/2020

Source: Bloomberg, Scotiabank Economics.

Events for the week of July 25 – 29

NORTH AMERICA

Country	Date	Time	Event
US	JUL 25-28		Democratic National Convention
US	07/27	14:00	**FOMC Rate Decision**
CA	JUL 27-29		World Energy Forum 2016
US	07/29	09:30	Fed's Williams Discusses Policy Toolkit in Boston
US	07/29	13:00	Fed's Kaplan Speaks in Q&A in Albuquerque

EUROPE

Country	Date	Time	Event
EC	07/24		ECB's Draghi participates in G20
EC	07/28	14:00	ECB's Coeure speaks at Yale Forum on financial crisis management
RU	07/29	06:30	**Key Rate**
SP	07/29		Spain Sovereign Debt to Be Rated by Fitch
GE	07/29		Germany Sovereign Debt to Be Rated by DBRS
SW	07/29		EBA publishes bank stress test results for Sweden
NO	07/29		EBA publishes stress test results for Norway's DNB Bank

ASIA-PACIFIC

Country	Date	Time	Event
NZ	07/25	03:30	RBNZ Governor Wheeler Speaks in Auckland (Not Public)
JN	JUL 28-29		BOJ Annual Rise in Monetary Base
JN	JUL 28-29		BOJ Basic Balance Rate
JN	JUL 28-29		BOJ Macro Add-On Balance Rate
JN	JUL 28-29		**BOJ Policy Rate**

LATIN AMERICA

Country	Date	Time	Event
CO	07/29		**Overnight Lending Rate**

Source: Bloomberg, Scotiabank Economics.

Global Central Bank Watch

NORTH AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Canada – Overnight Target Rate	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: We are not expecting a change in monetary policy rates from the FOMC when the July 27 monetary policy statement is released. Key factors to watch out for in the statement will be potential discussion of the U.S. dollar and the manner in which the FOMC is taking the global monetary policy situation into account. For our complete thoughts, please see the Week Ahead column at the front of Global Views. **BoC:** A quiet week for BoC watchers will suddenly pick up on Friday with the release of GDP for May. The key monetary policy question that will be addressed in the May GDP print concerns the extent of the impact on the economy from the Alberta fires. Of course, the BoC has communicated that it expects a strong bounce in economic growth in Q3 (no matter what happens in Q2), and thus the monetary policy implications of the drop in GDP due to the fires won't be certain until the impulse of the response can be gauged.

EUROPE

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	0.00	September 8, 2016	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	--

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	August 19, 2016	5.00	--

Global investors will focus their attention on the highly anticipated monetary policy meeting by the Bank of Japan on July 28-29th. For insights regarding expected policy measures, please refer to Asian Key Data Preview on page A2.

LATIN AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	14.25	August 31, 2016	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	7.75	7.75
Banco Central de Reserva del Perú – Reference Rate	4.25	August 11, 2016	4.25	--

We expect **Banco de la República de Colombia** to once again increase its policy lending rate by 25 bps at its meeting next Friday, totalling a 325 bps hiking cycle that began in October 2015. Inflation continues to surge at an annual pace of 8.6% in June, mainly driven by increases in food (14.3% y/y) and housing utilities (12.5% y/y).

AFRICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	7.00	September 22, 2016	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	3.6	(May)
Auto Sales (000s)	1897	1948	1991	1860	(May)
CPI	1.1	1.3	1.5	1.5	(Jun)
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	1.19	(Jun)
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					
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$B, ar)	366	465	267	209	(May)
Merch. Trade Bal. (US$B, ar)	393.1	433.6	358.5	422.8	(May)
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	262.6	285.4	(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					
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					
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	4.9	(Apr)
CPI	0.0	0.1	0.3	0.5	(Jun)

Italy					
Real GDP	0.6	1.1	1.0		
Current Acc. Bal. (US$B, ar)	36.0	60.8	19.7	38.3	(May)
Merch. Trade Bal. (US$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					
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$B, ar)	135.5	113.6	206.9	198.9	(May)
Merch. Trade Bal. (US$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	7.0	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	1.9	(Jun)

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	2.6	(May)
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	-0.7	(May)
Industrial Production	0.9	3.3	5.4	4.5	(May)
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/15	Jul/22*	United States	16Q1	16Q2	Jul/15	Jul/22*
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	0.46	0.51	3-mo. T-bill	0.20	0.26	0.30	0.31
10-yr Gov't Bond	1.23	1.06	1.08	1.10	10-yr Gov't Bond	1.77	1.47	1.55	1.57
30-yr Gov't Bond	2.01	1.72	1.71	1.74	30-yr Gov't Bond	2.61	2.28	2.27	2.29
Prime	2.70	2.70	2.70	2.70	Prime	3.50	3.50	3.50	3.50
FX Reserves (US$B)	82.2		84.3	(May)	FX Reserves (US$B)	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	-0.59	-0.57
10-yr Gov't Bond	0.15	-0.13	0.01	-0.03	10-yr Gov't Bond	0.49	0.18	0.23	0.21
FX Reserves (US$B)	60.8		62.2	(May)	FX Reserves (US$B)	57.2		56.4	(May)
Euro Zone					**United Kingdom**				
Refinancing Rate	0.00	0.00	0.00	0.00	Repo Rate	0.50	0.50	0.50	0.50
Overnight Rate	-0.30	-0.29	-0.33	-0.33	3-mo. T-bill	0.48	0.45	0.40	0.40
FX Reserves (US$B)	340.7		341.0	(May)	10-yr Gov't Bond	1.42	0.87	0.83	0.80
					FX Reserves (US$B)	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	-0.11	-0.09	10-yr Gov't Bond	2.49	1.98	1.97	1.91
10-yr Gov't Bond	-0.03	-0.22	-0.23	-0.22	FX Reserves (US$B)	46.1		54.9	(May)
FX Reserves (US$B)	1231.6		1224.1	(May)					

Exchange Rates (end of period)

USDCAD	1.30	1.29	1.30	1.32	¥/US$	112.57	103.20	104.88	106.24
CADUSD	0.77	0.77	0.77	0.76	US¢/Australian$	0.77	0.75	0.76	0.74
GBPUSD	1.436	1.331	1.319	1.309	Chinese Yuan/US$	6.45	6.65	6.69	6.68
EURUSD	1.138	1.111	1.104	1.098	South Korean Won/US$	1143	1152	1134	1134
JPYEUR	0.78	0.87	0.86	0.86	Mexican Peso/US$	17.279	18.280	18.605	18.609
USDCHF	0.96	0.98	0.98	0.99	Brazilian Real/US$	3.592	3.213	3.280	3.291

Equity Markets (index, end of period)

United States (DJIA)	17685	17930	18517	18510	U.K. (FT100)	6175	6504	6669	6730
United States (S&P500)	2060	2099	2162	2169	Germany (Dax)	9966	9680	10067	10147
Canada (S&P/TSX)	13494	14065	14482	14576	France (CAC40)	4385	4237	4373	4379
Mexico (IPC)	45881	45966	46713	47478	Japan (Nikkei)	16759	15576	16498	16627
Brazil (Bovespa)	50055	51527	55578	56734	Hong Kong (Hang Seng)	20777	20794	21659	21964
Italy (BCI)	1056	949	986	989	South Korea (Composite)	1996	1970	2017	2010

Commodity Prices (end of period)

Pulp (US$/tonne)	950	1000	1000	1000	Copper (US$/lb)	2.20	2.19	2.24	2.25
Newsprint (US$/tonne)	545	560	560	560	Zinc (US$/lb)	0.81	0.95	1.01	1.03
Lumber (US$/mfbm)	303	316	324	329	Gold (US$/oz)	1237.00	1320.75	1327.00	1320.75
WTI Oil (US$/bbl)	38.34	48.33	45.95	44.13	Silver (US$/oz)	15.38	18.36	20.14	19.70
Natural Gas (US$/mmbtu)	1.96	2.92	2.76	2.77	CRB (index)	170.52	192.57	188.86	182.01

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

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.

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.