

**STERILIZING FINANCIAL DEREGULATION**

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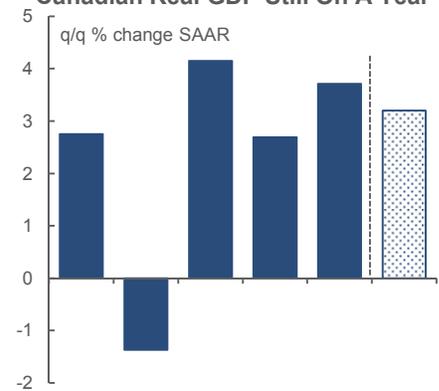
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**Next Week's Risk Dashboard**

- ▶ Jackson Hole aftermath
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- ▶ Eurozone CPI
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**Chart of the Week**

**Canadian Real GDP Still On A Tear**



Sources: Scotiabank Economics, Statistics Canada.

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

## Sterilizing Financial Deregulation

### UNITED STATES — BACK TO THE FUNDAMENTALS

**Top shelf domestic data risk is likely to dominate market influences over the coming week.** As this publication goes to print, Fed Chair Yellen has yet to speak at the Fed's annual Jackson Hole symposium but the market effects of anything she says are likely to have been mostly digested across western markets by the end of the week, leaving only Asian financial markets to play catch-up into the upcoming week. Congress comes back from recess after Labour Day.

**The Fed's annual Jackson Hole symposium starts tonight and goes through to Saturday.** The agenda will be available [here](#) at about 8pmET tonight (6pmMT) and with that we'll get more information on attendees and topics including sessions involving central bank officials and academics. Throughout today into the weekend there will be many interviews with central bank officials hitting the tapes so it's not just about the marquee events. This year's theme is "Fostering a Dynamic Global Economy." Yellen speaks tomorrow morning (Friday August 25th) at 10amET and then ECB President Mario Draghi speaks at 3pmET. Therefore western markets will incorporate their remarks before the close and Asia will lag into the Monday market open. I wouldn't rule out scope for market moving remarks from Draghi despite what the usual and often misleading anonymous ECB officials have previously suggested as elaborated upon in this past week's global week ahead.

As for Yellen's planned focus upon financial stability, it's not clear whether this will address monetary policy in a market moving fashion or that if she does whether she will sound dovish or hawkish. **My hunch is she will avoid rocking the boat and strike a fairly cautious tone but with a potential warning applied to the longer run.**

#### Scenario 1:

For instance, she may speak out against deregulating the financial sector against the Trump administration's plans and in line with Vice Chair Stanley Fischer's recent and strong remarks in the FT to this effect. Recall that Fischer stated that efforts to deregulate the financial sector would be "dangerous and extremely short-sighted" and "very, very dangerous" and went on to say that "One can understand the political dynamics of this thing, but one cannot understand why grown intelligent people reach the conclusion that [ed. one should] get rid of all the things you have put in place in the last 10 years." Finally, he observed "I am worried that the U.S. political system may be taking us in a direction that is very dangerous." He's hardly the only FOMC official to warn about deregulation, however, and another recent example came from the Dallas Fed President Rob Kaplan in the FT ([here](#)). She could emphasize progress to date (some measures are summarized in chart 1) and how unwise it may be to give all of that away. She could simply reinforce this view and leave it at that and Jackson Hole comes and goes with little fanfare.

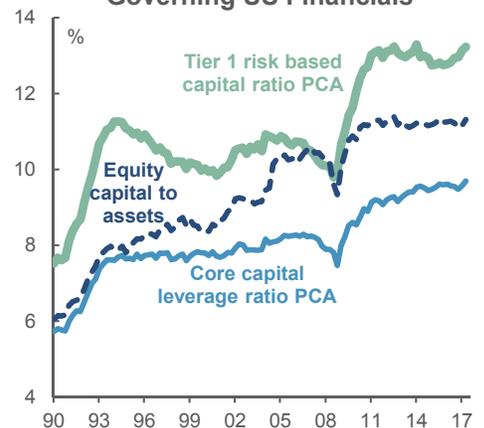
#### Scenario 2:

Yellen might also flag the risk that unleashing the financial sector through deregulation could imperil the Fed's dual mandate objectives by potentially overheating the economy late in the cycle and markets and run contrary to its go-gradual mantra. Winding the clock back to pre-2008 standards to one degree or another could invite greater monetary policy efforts to sterilize the outcome over time. In so doing, the Fed has many powerful policy levers to call upon.

For one thing, the Fed could scrap the go-gradual guidance on rates and in fairness did just that when it hiked by 400bps from late 2004 through to 2006. If anything it may be burned by the experience it didn't do enough back then and that 10 year Treasury yields rose by about a more modest 100bps over that period before collapsing.

For another, the Fed could also expedite plans to unwind the balance sheet and achieve a faster than presently guided pace of balance sheet normalization in such fashion as to restore a term premium in 10s and thereby remove the QE effect on yields faster than would otherwise be the case.

**Chart 1 Tightened Regulations Governing US Financials**



Sources: Scotiabank Economics, FDIC, Bloomberg.

The Fed could also lean against efforts in Congress to ease up on stress testing criteria if—and this is a big if—they ever see the light of day. Communication tools could still be relied upon to give the Fed's independent sense of capital adequacy, or perhaps a shadow assessment under the old rules could be maintained along with the new potential rules. The Fed also has many powers of moral suasion which loosely translated means making life more difficult for the financial sector as an offset to deregulation.

The pro-deregulation camp that thinks this is a powerful quiver in the Trumponomics toolkit may therefore be implicitly fighting an independent Fed which is often a losing battle. Could Congress change the Fed's mandate and interfere with its independence in a broader sense? I'd assign fairly low risk to this in a process that would itself take years to unfold and bring out more forceful voices than arguably anything you've seen yet on health care reforms or tax policy. In any event, this Congress can't seem to get much of anything done so the assumption of an unchanged Fed mandate is probably realistic for years and one that any Fed Chair in future would have to abide by. Thus, whereas deregulation is touted as one of the Trumponomics ways of getting growth up to 3, 4, or a zillion percent depending upon the day, I counter that it is as flawed in its thinking as any of the other alleged ways of raising the economy's noninflationary speed limit in a free lunch sense. Some of the most aggressive voices across Wall Street and trading floors that are in favour of deregulation have never appeared to consider the prospects of offsetting actions by the Fed and how that would impact their businesses in ways that could be just as profound—if not more so. **On deregulation, it really is a case of being careful about what you ask for as the Fed will not soon forget 2008–09 and the desire to avoid ever repeating that disastrous episode and its aftermath.** If the Fed were not to exercise such powers or be limited in so doing, then risks associated with late cycle imbalances—and how they typically end—would rise substantially.

### Scenario 3:

If she addresses late cycle evidence of reach for yield pressures, inflated equity valuations and strains in some parts of the credit markets either in addition to or instead of focusing upon deregulation then it's not clear in which direction she will take things but my hunch is she will not sound terribly hawkish in doing so. If the Fed wanted to act hawkishly to counter such forces then it missed the boat long ago...again. Trying to catch up too late would risk inviting financial instability perhaps along the line of what the Fed did going into the global financial crisis when it hiked by 400bps from late 2004 through to 2006 albeit that longer rates were less affected and the Fed arguably quit too soon. Instead, accommodating potential downside risks to the economy and markets stemming from some forms of strains to financial stability might be her approach while attempting to strike a balanced tone to the dialogue.

**Overall, it would be unusual for the Fed to be sounding somewhat less hawkish if not more divided these days in the context of inflation uncertainties (recall [here](#)) given inflation developments only to turn around and spook markets with hawkish talk on financial stability considerations.** My expectation is that Yellen will showcase carefully reasoned thoughts, avoid rocking the boat too far in either direction, stick to the gradual policy guidance but pepper her address with words of warning more applied to the longer run.

On data risk, here's the run-down and note that the largest concentration of risk is back-end loaded on the week:

**Jobs:** Nonfarm payrolls for August land on Friday. They have risen by over 200k in five of the seven months to date and my guess is about 200k this time around. ADP private payrolls for August arrive on Wednesday but often shed misleading signals ahead of nonfarm so I wouldn't attach much significance to that report barring a very large surprise. Also watch wage growth figures; on base effects alone and assuming no month-ago wage gains, the year-ago rate of growth in average hourly earnings would drop to 2.4% y/y from 2.5%. However, if August averages a month-ago pace of wage increases in keeping with the August norm over recent years then it is possible to get a tiny year-ago acceleration in wage growth. And while markets often ignore this point in favour of focusing upon the precise estimate, recall just for the sake of it that the 90% confidence interval on a nonfarm payroll change estimate is +/- 120,000. For the sister household survey, the 90% confidence interval for the change in the number of unemployed individuals is about +/- 300,000. Oh, and the series can be heavily revised just to further restrain one's faith in data notwithstanding the trade of the minute.

**GDP:** The first revision (second print) for Q2 GDP growth on Wednesday should not be a major consideration. The original estimate of 2.6% is expected to remain largely intact.

**Consumers:** Total consumer spending should register a decent rise in Thursday's estimate for July. We already know that retail sales posted an upside surprise by doubling consensus expectations for a 0.3% m/m rise. More important for total consumption is

the retail sales control group which also bested expectations with a 0.6% m/m rise. After no income growth in June, we're expecting a modest pick-up in July.

**Inflation:** The Fed's preferred inflation gauges also arrive on Thursday along with the consumer spending and income figures. Given that CPI ticked up to 1.7% y/y but core CPI was unchanged at 1.7% y/y in the already known July figures, little change in the price deflators for total consumer spending is expected. CPI has been tracking a little higher than PCE inflation for some time, but the Fed prefers the PCE price deflators because they dynamically adjust the weights on what consumers spend their money on and where they spend it as a way of allowing for behavioural shifts through what economists refer to as income and substitution effects.

**ISM manufacturing:** The August reading lands Friday. The most correlated regional gauges are the Philly Fed and Richmond Fed metrics and they were relatively little changed in August. That might suggest limited scope for change in the ISM reading.

**A series of other consumer sector updates** over the course of the week will include repeat-sales home prices (June) and the Conference Board's consumer confidence metric for August on Tuesday, pending home sales for July on Thursday, and then construction spending for July and vehicle sales for August on Friday.

The US Treasury auctions 2s, 5s and 7s over the week.

### CANADA — DIG BENEATH THAT GDP HEADLINE

How the economy fared in June and how banks performed in the fiscal quarter that ended July 31<sup>st</sup> will offer limited market risk in the context of global events.

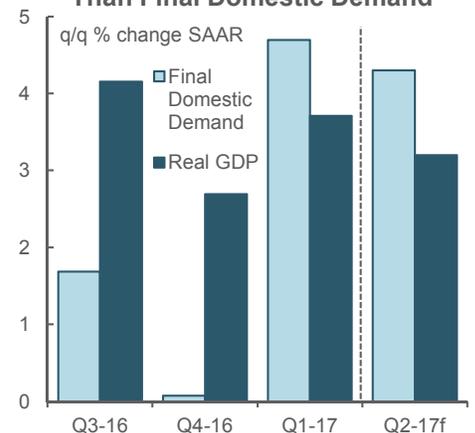
**The economy probably posted little if any growth during the month of June while putting in another solid overall quarter.** Growth of about 0.1% m/m in June and around 3 ½% for Q2 are reasonable estimates with almost all Q2 consensus guesstimates sitting in the 3–4% range. Consumers probably accounted for an estimated two-thirds of GDP growth in Q2. That said, there is wide scope for error in the Q2 GDP growth estimates and for not dissimilar reasons to why consensus was too low on Q4 GDP growth (2% expected, 2.6% actual) and too high on Q1 GDP growth (4.2% expected, 3.7% actual).

**To that effect, the reading to watch is probably not GDP but more about what economists call final domestic demand** which adds up consumption, housing investment, business investment and government spending. Think of it as a cleaner gauge of underlying momentum in the domestic economy that is not directly influenced by volatile swings in inventories and trade figures particularly on the import side since last year. Since the acceleration in GDP growth began in Q3 last year, final domestic demand growth has been a little less impressive over the full period although this year is witnessing strong gains (chart 2). **This measure should count for a lot in terms of assessing whether the underlying details behind the GDP print are better, worse or about the same as the headline itself and as such could influence the second trade in the market's initial glance at the figures.**

**The reason for homing in upon final domestic demand is that inventories and imports have been wreaking havoc with the GDP figures for several quarters now (chart 3).** Inventory accumulation added a weighted 3.5 percentage points to Q1 GDP growth of 3.7% for the biggest inventory contribution to broad growth in six years. We have assumed that about half of that inventory addition to growth reverses in Q2 as a downside risk to top-line GDP growth, but nailing inventory effects is an imprecise exercise to say the least so slap fairly wide brackets on the estimate.

Chart 2

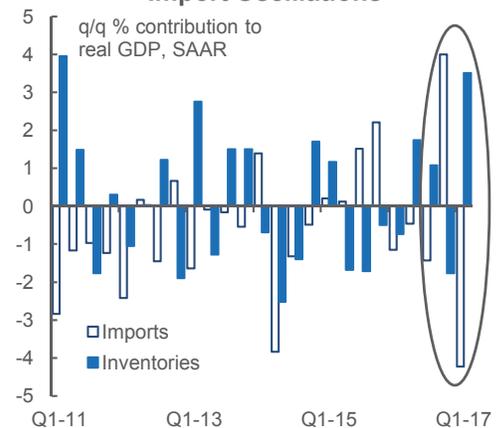
#### GDP Has Been On A Longer Tear Than Final Domestic Demand



Sources: Scotiabank Economics, Statistics Canada.

Chart 3

#### Wild Inventory And Import Oscillations



Sources: Scotiabank Economics, Statistics Canada.

What may offset at least some of this inventory drag, however, is an expected improvement in the 4.2 percentage point drag on Q1 GDP growth that was due to an import surge that, in short-term GDP accounting terms, leaks activity out of the economy. If that effect diminishes through lower imports (i.e., less leakage) then it could dominate an inventory drag effect but it is this balance of effects and the underlying drivers that matters. Here too, estimating import leakage effects is an imprecise exercise. Merchandise import volumes were up by about 12% in Q2 over Q1 in seasonally adjusted and annualized terms while export volumes were also up by a similar amount. Some of it has been purely driven by unusual one-off distortions, like the impact of importing a large module for Newfoundland's Hebron oil project from South Korea back in September and that shook out of the numbers in subsequent months and into Q4.

As for June GDP, it will be difficult to repeat large gains during May in the mining, quarrying and oil and gas extraction sector (+4.6% m/m), utilities (+1.4%) and manufacturing (+1.1%) but a large drop in the arts and media sector for the same month (-3.5%) is equally unlikely to be repeated as a downside risk. On net, growth likely comes out flat to a tiny gain based upon the net effects of the following inputs into a simple regression model:

- hours worked were up 0.4% m/m. Given that one GDP identity is hours worked times labour productivity defined as output per hour worked, a sizeable gain in hours worked would translate into a decent GDP gain as long as productivity didn't sag.
- retail sales volumes were up by 0.5% m/m;
- wholesale trade volumes fell by 0.7% m/m;
- housing starts rebounded by 9.5% m/m in June. However, all of the rise was in multiple housing units (+10.4% m/m) as single family homes fell 3.9% m/m. That means the headline starts gain won't translate as well into construction sector GDP given lower value-added associated with multiple housing unit structures and often longer construction periods as in the case of multi-storey condominiums.
- manufacturing sales volumes fell 1% m/m.

**June GDP will also be important for one other reason: it will further inform momentum arguments affecting the early outlook for Q3 GDP growth.** If June comes in roughly flat then, combined with the hand-off from Q2, we might be left tracking GDP growth of under 1% in Q3. That would be based strictly upon momentum and pending actual data in Q3 that is presently very limited. Barring strong monthly numbers over Q3, however, at least a temporary setback to growth may be in the cards in Q3.

**Bank earnings season continues** with BNS (my employer), Laurentian and BMO all reporting on Tuesday, National Bank reporting on Wednesday, and lastly TD and Canadian Western Bank on Thursday.

Canada conducts a 2 year bond auction on Wednesday.

## **LATIN AMERICA — MORE RATE CUTS IN COLOMBIA**

**Colombia's central bank decision, Brazilian GDP growth and Peruvian inflation will be the main events in terms of domestic risks in addition to external influences.**

**Banco Central de la Republica de Colombia is expected to cut its minimum repo rate by 25bps again next Thursday.** That would bring cumulative easing to 250bps since an aggressive easing campaign began at the end of last year. It would also mean that the policy rate would sit only about 75bps above where it started at 4.5% before the central bank started to aggressively tighten monetary policy in September 2015. BanRep's co-director Jose Antonio Ocampo recently issued dovish remarks such as "The space to cut the policy rate depends on two factors, which for me are demand and output, which continue to be weak, and the fall in the core inflation rate" plus "I think that monetary policy still remains contractionary. Now we aren't very far from a neutral rate, we are very close."

**Peru issues a CPI update** for August on Friday. Inflation pressures have abated since flooding effects on food prices dissipated. CPI inflation peaked at 4% y/y in March and sat at 2.85% y/y as of July. Consensus expects inflation to pull back to end 2017 at

about 2½% y/y and that the central bank will have one more rate cut up its sleeve before year-end or early next year.

**Brazil issues Q2 GDP growth on Friday.** After a solid Q1 growth print of 1% q/q (non-annualized) that followed eight consecutive quarterly declines, growth is likely to almost vapourize again (chart 4).

Sundry other data risks will include Chilean industrial output (Wednesday) and retail sales (Friday) for July plus Brazilian trade figures for August on Friday.

### EUROPE — POST-DRAGHI INFLATION WATCH

While western markets will have largely digested ECB President Mario Draghi's speech at the Fed's annual Jackson Hole Symposium by the Friday market close, Asian markets may react in lagged fashion into the Monday market open. **In fairly short order, market attention will then turn toward another batch of Eurozone inflation data as well as updates on Eurozone consumer spending and limited UK data risk.** Ongoing headline and poll risk may also continue to operate upon Italian and peripheral spreads in relation to Italy's election in early 2018 and former premier Silvio Berlusconi's potential return and his loose proposal to introduce a parallel currency to the euro for funding government. Bond markets have been acting to sterilize any impression that currency risk is on the rise.

**The Eurozone CPI add-up for August arrives on Thursday** along with country reports from France and Italy following the CPI updates from Germany and Spain the day before. Recall that Eurozone inflation had been falling from a peak of 2% y/y in February to 1.3% in June and stabilized the following month. **Core inflation, however, has been gently trending a little higher.** From a recent low of 0.7% y/y in March, core inflation has trended higher to 1.2% y/y in July. Thus the broad inflation readings have been somewhat mixed but also better than at any other point since early 2013 (chart 5). Continued progress in core inflation readings will be needed to give the ECB any confidence to reduce the pace of bond purchases any time soon.

**Eurozone consumers will also be a focal point** with French consumer spending due for a July update on Tuesday, German retail sales volumes for July due out some time next week, and Spanish retail sales for July released on Thursday. France is expected to leave its initial Q2 GDP growth print of 0.5% intact when revisions are released on Tuesday.

**Pound sterling and gilts face moderate risk from another batch of purchasing managers' indices for the month of August.** The manufacturing PMI is due out on Friday and then the rest of the PMIs for construction, services and the broad composite PMI are released the following week. The UK manufacturing PMI has been stuck in a largely directionless, volatile 54–56 range since late last summer.

### ASIA — NOT TO BE OUTDONE BY OTHER REGIONS

**Asian markets will be the source of one central bank decision and plenty of data risk of potential significance to global and regional markets.** Asian markets will get their first chance to react to anything that is said at the Fed's Jackson Hole symposium into the Monday market open including potential remarks from BoJ Governor Kuroda who has been a dependable participant in past symposiums.

**Chinese macro updates may figure into the global risk trade.** China updates industrial profits for the month of July this weekend before the focus shifts to purchasing managers' indices as a growth signal. The state's purchasing managers' indices for the manufacturing and non-manufacturing sectors during the month of August are due Wednesday night eastern time and then the

Chart 4

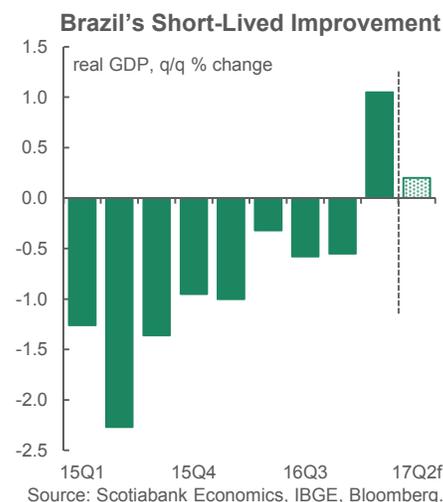
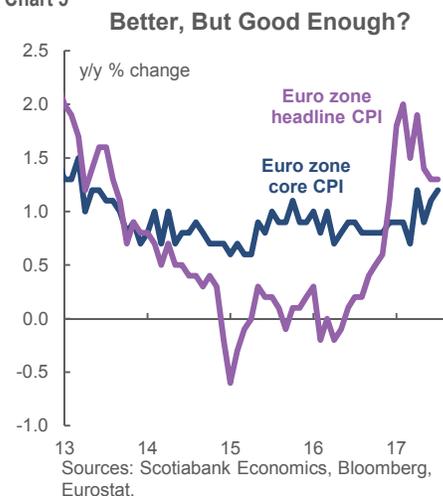


Chart 5



private manufacturing PMI is due Thursday night. China's manufacturing sector has been posting marginal growth with PMI readings just one point above the 50 mark that is the dividing line between expansion and contraction. The larger services sector has been registering faster but reasonably stable growth this year.

Is India's economy still decelerating? We'll find out with Q2 growth on Thursday. Recall that Q1 GDP growth landed at 6.1% which was down from the year-ago peak of 9.1% and hence part of the reason for policy easing by the Reserve Bank of India. A marginal improvement is expected in the second quarter growth reading.

Japan conducts its monthly data dump over the course of the week. The jobless rate and household spending kick it off on Monday night (eastern time). Retail sales follow the next night. Industrial production on Wednesday night and then housing starts for July, vehicle sales for August and capital spending for Q2 the following night will complete the updates.

Thai CPI (Thursday night ET) is expected to remain just above zero in the August reading with core running around ½%. Soft inflation and currency strength that prompted the central bank to caution that it will "closely monitor developments in the foreign exchange market" mean continued monetary policy accommodation.

Expectations for policy changes by the Bank of Korea are pretty low until at least well into 2018. Thus next Thursday's policy meeting may offer thin gruel to markets. Another CPI inflation update is also due out Thursday evening eastern time. At 2.2% y/y in July, CPI inflation has been roughly in line with the central bank's 2% inflation target for 2016–18 but moderate growth of 2.7% y/y and geopolitical risks on its front doorstep are among the cautions.

**Key Indicators for the week of August 28 – September 1**
**NORTH AMERICA**

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	08/28	08:30	Wholesale Inventories (m/m)	Jul P	--	0.3	0.7
MX	08/28	09:00	Trade Balance (US\$ mn)	Jul	--	--	61.5
US	08/28	10:30	Dallas Fed. Manufacturing Activity	Aug	--	--	16.8
CA	08/29	08:30	IPPI (m/m)	Jul	--	--	-1.0
CA	08/29	08:30	Raw Materials Price Index (m/m)	Jul	--	--	-3.7
US	08/29	09:00	S&P/Case-Shiller Home Price Index (m/m)	Jun	--	--	0.1
US	08/29	09:00	S&P/Case-Shiller Home Price Index (y/y)	Jun	--	--	5.7
US	08/29	10:00	Consumer Confidence Index	Aug	120.5	120.0	121.1
US	08/30	07:00	MBA Mortgage Applications (w/w)	AUG 25	--	--	-0.5
US	08/30	08:15	ADP Employment Report (000s m/m)	Aug	190.0	180.0	177.7
CA	08/30	08:30	Current Account (C\$ bn a.r.)	2Q	--	--	-14.1
US	08/30	08:30	GDP (q/q a.r.)	2Q S	2.7	2.7	2.6
US	08/30	08:30	GDP Deflator (q/q a.r.)	2Q S	--	1.0	1.0
CA	08/31	08:30	Real GDP (m/m)	Jun	0.1	0.1	0.6
CA	08/31	08:30	Real GDP (q/q a.r.)	2Q	3.2	3.1	3.7
US	08/31	08:30	Initial Jobless Claims (000s)	AUG 26	235	--	234
US	08/31	08:30	Continuing Claims (000s)	AUG 19	1960	--	1954
US	08/31	08:30	PCE Deflator (m/m)	Jul	0.1	0.1	0.0
US	08/31	08:30	PCE Deflator (y/y)	Jul	1.4	1.4	1.4
US	08/31	08:30	PCE ex. Food & Energy (m/m)	Jul	0.1	0.1	0.1
US	08/31	08:30	PCE ex. Food & Energy (y/y)	Jul	1.5	1.5	1.5
US	08/31	08:30	Personal Spending (m/m)	Jul	0.4	0.4	0.1
US	08/31	08:30	Personal Income (m/m)	Jul	0.2	0.3	0.0
US	08/31	09:45	Chicago PMI	Aug	--	58.3	58.9
US	08/31	10:00	Pending Home Sales (m/m)	Jul	0.5	0.7	1.5
US	09/01	08:30	Nonfarm Employment Report (000s m/m)	Aug	200.0	180.0	209.0
US	09/01	08:30	Unemployment Rate (%)	Aug	4.3	4.3	4.3
US	09/01	08:30	Average Hourly Earnings (m/m)	Aug	0.2	0.2	0.3
US	09/01	08:30	Average Hourly Earnings (y/y)	Aug	2.6	2.6	2.5
US	09/01	08:30	Average Weekly Hours	Aug	--	34.5	34.5
US	09/01	10:00	Construction Spending (m/m)	Jul	0.7	0.5	-1.3
US	09/01	10:00	ISM Manufacturing Index	Aug	56.0	56.5	56.3
US	09/01	10:00	U. of Michigan Consumer Sentiment	Aug F	--	97.3	97.6
US	09/01		Domestic Vehicle Sales (mn a.r.)	Aug	--	13.0	13.0
US	09/01		Household Employment Report (000s m/m)	Aug	--	--	345.0
US	09/01		Total Vehicle Sales (mn a.r.)	Aug	16.7	16.6	16.7

**EUROPE**

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
GE	AUG 27-SEP 3		Retail Sales (m/m)	Jul	--	--	1.4
GE	08/29	02:00	GfK Consumer Confidence Survey	Sep	--	--	10.8
UK	08/29	02:00	Nationwide House Prices (m/m)	Aug	--	--	0.3
FR	08/29	02:45	Consumer Spending (m/m)	Jul	--	--	-0.8
FR	08/29	02:45	GDP (q/q)	2Q P	--	0.5	0.5
SP	08/30	03:00	CPI (m/m)	Aug P	--	--	-0.7
SP	08/30	03:00	CPI (y/y)	Aug P	--	--	1.5
SP	08/30	03:00	CPI - EU Harmonized (m/m)	Aug P	--	--	-1.2
SP	08/30	03:00	CPI - EU Harmonized (y/y)	Aug P	--	--	1.7
UK	08/30	04:30	Net Consumer Credit (£ bn)	Jul	--	--	1.5
EC	08/30	05:00	Business Climate Indicator	Aug	--	--	1.1
EC	08/30	05:00	Economic Confidence	Aug	--	--	111.2
EC	08/30	05:00	Industrial Confidence	Aug	--	--	4.5
GE	08/30	08:00	CPI (m/m)	Aug P	--	--	0.4
GE	08/30	08:00	CPI (y/y)	Aug P	--	--	1.7
GE	08/30	08:00	CPI - EU Harmonized (m/m)	Aug P	--	--	0.4
GE	08/30	08:00	CPI - EU Harmonized (y/y)	Aug P	--	--	1.5
UK	08/30	19:01	GfK Consumer Confidence Survey	Aug	--	-13.0	-12.0

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

## Key Indicators for the week of August 28 – September 1

### EUROPE (continued from previous page)

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
FR	08/31	02:45	CPI (m/m)	Aug P	--	--	-0.3
FR	08/31	02:45	CPI (y/y)	Aug P	--	--	0.7
FR	08/31	02:45	CPI - EU Harmonized (m/m)	Aug P	--	--	-0.4
FR	08/31	02:45	CPI - EU Harmonized (y/y)	Aug P	--	--	0.8
FR	08/31	02:45	Producer Prices (m/m)	Jul	--	--	-0.4
SP	08/31	03:00	Current Account (€ bn)	Jun	--	--	2.6
SP	08/31	03:00	Real Retail Sales (y/y)	Jul	--	--	2.8
GE	08/31	03:55	Unemployment (000s)	Aug	--	--	-8.0
GE	08/31	03:55	Unemployment Rate (%)	Aug	--	--	5.7
PD	08/31	04:00	GDP (y/y)	2Q F	--	--	3.9
EC	08/31	05:00	Euro zone CPI Estimate (y/y)	Aug	--	--	1.3
EC	08/31	05:00	Euro zone Core CPI Estimate (y/y)	Aug A	--	--	1.2
EC	08/31	05:00	Unemployment Rate (%)	Jul	--	--	9.1
IT	08/31	05:00	CPI (m/m)	Aug P	--	--	0.1
IT	08/31	05:00	CPI (y/y)	Aug P	--	--	1.1
IT	08/31	05:00	CPI - EU Harmonized (m/m)	Aug P	--	--	-1.9
IT	08/31	05:00	CPI - EU Harmonized (y/y)	Aug P	--	--	1.2
PO	08/31	06:00	Real GDP (q/q)	2Q F	--	--	0.2
IT	09/01	03:45	Manufacturing PMI	Aug	--	--	55.1
IT	09/01	04:00	Real GDP (q/q)	2Q F	--	--	0.4
UK	09/01	04:30	Manufacturing PMI	Aug	--	55.0	55.1
GR	09/01	05:00	Real GDP NSA (y/y)	2Q F	--	--	0.8
IT	09/01		Budget Balance (€ bn)	Aug	--	--	11.2
IT	09/01		Budget Balance YTD (€ bn)	Aug	--	--	-39.0

### ASIA-PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CH	08/26	21:30	Industrial Profits YTD (y/y)	Jul	--	--	19.1
SK	AUG 27-31		Discount Store Sales (y/y)	Jul	--	--	1.6
SK	AUG 27-31		Department Store Sales (y/y)	Jul	--	--	-1.9
SK	08/28	17:00	Business Survey- Manufacturing	Sep	--	--	78.0
SK	08/28	17:00	Business Survey- Non-Manufacturing	Sep	--	--	77.0
JN	08/28	19:30	Household Spending (y/y)	Jul	--	0.6	2.3
JN	08/28	19:30	Jobless Rate (%)	Jul	2.8	2.8	2.8
HK	08/29	04:30	Retail Sales - Value (y/y)	Jul	--	1.0	0.1
HK	08/29	04:30	Retail Sales - Volume (y/y)	Jul	--	--	0.4
JN	08/29	19:50	Large Retailers' Sales (y/y)	Jul	--	0.0	0.2
JN	08/29	19:50	Retail Trade (y/y)	Jul	--	1.2	2.2
AU	08/29	21:30	Building Approvals (m/m)	Jul	--	--	10.9
SK	08/30	19:00	Industrial Production (y/y)	Jul	--	--	-0.3
SK	08/30	19:00	Cyclical Leading Index Change	Jul	--	--	0.3
JN	08/30	19:50	Industrial Production (y/y)	Jul P	--	5.1	5.5
AU	08/30	21:00	HIA New Home Sales (m/m)	Jul	--	--	-6.9
CH	08/30	21:00	Manufacturing PMI	Aug	51.4	51.2	51.4
CH	08/30	21:00	Non-manufacturing PMI	Aug	--	--	54.5
AU	08/30	21:30	Private Capital Expenditure	2Q	--	--	0.3
AU	08/30	21:30	Private Sector Credit (y/y)	Jul	--	--	5.4
HK	AUG 30-31		Govt Monthly Budget Surp/Def (HKD bn)	Jul	--	--	40.1
PH	AUG 30-31		Bank Lending (y/y)	Jul	--	--	18.3
SK	AUG 30-31		BoK Base Rate (%)	Aug 31	1.25	--	1.25

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

**Key Indicators for the week of August 28 – September 1**
**ASIA-PACIFIC (continued from previous page)**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Indicator</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>
JN	08/31		Vehicle Production (y/y)	Jul	--	--	6.9
JN	08/31	01:00	Housing Starts (y/y)	Jul	--	-0.2	1.7
JN	08/31	01:00	Construction Orders (y/y)	Jul	--	--	2.3
TH	08/31	03:30	Exports (y/y)	Jul	--	--	7.6
TH	08/31	03:30	Imports (y/y)	Jul	--	--	12.8
TH	08/31	03:30	Trade Balance (US\$ mn)	Jul	--	--	2941
TH	08/31	03:30	Current Account Balance (US\$ mn)	Jul	--	--	4283
IN	08/31	07:00	Fiscal Deficit (INR Crore)	Jul	--	--	68324
IN	08/31	08:00	Real GDP (y/y)	2Q	7.0	--	6.1
NZ	08/31	13:00	QV House Prices (y/y)	Aug	--	--	6.4
NZ	08/31	18:45	Terms of Trade Index (q/q)	2Q	--	--	5.1
SK	08/31	19:00	CPI (y/y)	Aug	2.3	--	2.2
SK	08/31	19:00	Core CPI (y/y)	Aug	--	--	1.8
SK	08/31	19:00	GDP (q/q)	2Q F	0.6	--	0.6
SK	08/31	19:00	GDP (y/y)	2Q F	2.7	--	2.7
JN	08/31	19:50	Capital Spending (y/y)	2Q	--	8.3	4.5
SK	08/31	20:00	Exports (y/y)	Aug	--	--	19.5
SK	08/31	20:00	Imports (y/y)	Aug	--	--	14.5
SK	08/31	20:00	Trade Balance (US\$ mn)	Aug	--	--	10646
CH	08/31	21:45	Caixin China Manufacturing PMI	Aug	51.0	51.0	51.1
TH	08/31	23:30	CPI (y/y)	Aug	0.0	--	0.2
TH	08/31	23:30	Core CPI (y/y)	Aug	--	--	0.5
JN	AUG 31-SEP 7		Official Reserve Assets (US\$ bn)	Aug	--	--	1260.0
JN	09/01	01:00	Consumer Confidence	Aug	--	--	43.8
JN	09/01	01:00	Vehicle Sales (y/y)	Aug	--	--	-1.1
TH	09/01	03:30	Business Sentiment Index	Aug	--	--	50.3

**LATIN AMERICA**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Indicator</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>
CL	08/30	08:00	Industrial Production (y/y)	Jul	2.3	--	0.9
CL	08/31	08:00	Unemployment Rate (%)	Jul	7.2	--	7.0
CO	08/31	11:00	Urban Unemployment Rate (%)	Jul	--	10.6	10.8
CO	08/31		<b>Overnight Lending Rate (%)</b>	<b>Aug 31</b>	<b>5.50</b>	<b>5.25</b>	<b>5.50</b>
PE	09/01	01:00	Consumer Price Index (m/m)	Aug	0.6	--	0.2
PE	09/01	01:00	Consumer Price Index (y/y)	Aug	3.1	--	2.9
BZ	09/01	08:00	GDP (IBGE) (q/q)	2Q	0.2	0.2	1.1
BZ	09/01	08:00	GDP (IBGE) (y/y)	2Q	0.2	0.2	-0.4
BZ	09/01	08:00	PMI Manufacturing Index	Aug	--	--	50.0
CL	09/01	08:00	Retail Sales (y/y)	Jul	5.8	--	4.2
BZ	09/01		Trade Balance (FOB) - Monthly (US\$ mn)	Aug	--	--	6298

## Global Auctions for the week of August 28 – September 1

### NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	08/28	11:30	U.S. to Sell USD26 Bln 2-Year Notes
US	08/28	13:00	U.S. to Sell USD34 Bln 5-Year Notes
US	08/29	12:00	Canada to Sell CAD750 Mln 2.75% 2064 Bonds
US	08/29	13:00	U.S. to Sell USD28 Bln 7-Year Notes
CA	08/30	12:00	Canada to Sell CAD3.9 Bln 1.25% 2019 Bonds

### EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
IT	08/28	05:00	Italy to Sell Up to EUR2 Bln Zero 2019 Bonds
GE	08/29	05:30	Germany to Sell EUR5 Bln 2019 Bonds
IT	08/30	05:00	Italy to Sell Bonds
NO	08/30	05:05	Norway to Sell Bonds
SW	08/31	05:00	Sweden to Sell SEK375 Mln 0.125% I/L 2026 Bonds
SW	08/31	05:03	Sweden to Sell SEK375 Mln 1% I/L 2025 Bonds

### ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
JN	08/30	23:45	Japan to Sell 2-Year Bonds
CH	08/31	03:00	Anhui to Sell CNY8.71455 Bln 5Y Bonds
CH	08/31	03:00	Anhui to Sell CNY8 Bln 7Y Bonds

### LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
BZ	08/31	11:00	Brazil to Sell Fixed Rate Bonds - 01/01/2023
BZ	08/31	11:00	Brazil to Sell Fixed Rate Bonds - 01/01/2027

## Events for the week of August 28 – September 1

### NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	08/30	09:15	Fed's Powell Speaks at Large-Bank Directors Conference

### EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
GE	08/27	07:00	Schaeuble Speaks at Government's Open Doors Day, Berlin
GE	08/28	06:00	Merkel Meets Macron, Gentiloni and Rajoy in Paris
SW	AUG 30-31		U.K. Prime Minister May Visits Japan
SW	08/31	06:00	Swedish Debt Office Head Gives Speech
AS	08/31	08:20	Bundesbank's Dombret and Austria's Schelling in Alpbach
AS	09/01	02:30	ECB's Nowotny in Panel Discussion in Alpbach, Austria
SW	09/01		Sweden Sovereign Debt to be rated by S&P
PO	09/01		Portugal Sovereign Debt to be rated by Moody's
GE	09/01		Germany Sovereign Debt to be rated by Fitch
EC	09/01		EU's Barnier, Moscovici Attend Ambrosetti Forum in Cernobbio

### ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
JN	08/30	21:30	BOJ Masai speaks in Matsuyama
AU	08/30	23:00	RBA's Harris Panel Participation at Conference
SK	AUG 30-31		<b>BoK 7-Day Repo Rate</b>

### LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CO	08/31		<b>Overnight Lending Rate</b>

## 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	0.75	September 6, 2017	0.75	0.75
Federal Reserve – Federal Funds Target Rate	1.25	September 20, 2017	1.25	1.25
Banco de México – Overnight Rate	7.00	September 28, 2017	7.00	--

### 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	September 7, 2017	0.00	--
Bank of England – Bank Rate	0.25	September 14, 2017	0.25	--
Swiss National Bank – Libor Target Rate	-0.75	September 14, 2017	-0.75	--
Central Bank of Russia – One-Week Auction Rate	9.00	September 15, 2017	9.00	--
Sweden Riksbank – Repo Rate	-0.50	September 7, 2017	-0.50	--
Norges Bank – Deposit Rate	0.50	September 21, 2017	0.50	--
Central Bank of Turkey – Benchmark Repo Rate	8.00	September 14, 2017	--	--

### 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	September 21, 2017	-0.10	--
Reserve Bank of Australia – Cash Target Rate	1.50	September 5, 2017	1.50	1.50
Reserve Bank of New Zealand – Cash Rate	1.75	September 27, 2017	1.75	1.75
People's Bank of China – Lending Rate	4.35	TBA	--	--
Reserve Bank of India – Repo Rate	6.00	October 4, 2017	6.00	--
Bank of Korea – Bank Rate	1.25	August 31, 2017	1.25	--
Bank of Thailand – Repo Rate	1.50	September 27, 2017	1.50	1.50
Bank Negara Malaysia – Overnight Policy Rate	3.00	September 7, 2017	3.00	3.00
Bank Indonesia – 7-Day Reverse Repo Rate	4.50	September 22, 2017	4.50	--

**Bank of Korea (BoK):** South Korean monetary authorities will make a policy decision on August 31. We expect the BoK to leave the benchmark Bank Rate at the current level of 1.25%. We maintain our long-held view that a cautious monetary tightening phase will likely commence in the second quarter of 2018. Inflation remains contained: the headline inflation rate has been hovering near 2% y/y so far this year (2.2% y/y in July), while core inflation remains below the 2.0% mark (1.8% y/y in July).

### 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	9.25	September 6, 2017	9.25	--
Banco Central de Chile – Overnight Rate	2.50	September 14, 2017	2.50	--
Banco de la República de Colombia – Lending Rate	5.50	August 31, 2017	5.50	5.25
Banco Central de Reserva del Perú – Reference Rate	3.75	September 14, 2017	3.75	--

**Banco Central de la Republica de Colombia** is expected by consensus to cut its minimum repo rate by 25bps again next Thursday. Recently dovish remarks from BanRep's co-director Jose Antonio Ocampo reinforce such expectations.

### AFRICA

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
South African Reserve Bank – Repo Rate	6.75	September 21, 2017	6.75	--

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