

**CANADA SHINES AMIDST DISAPPOINTMENT ELSEWHERE**

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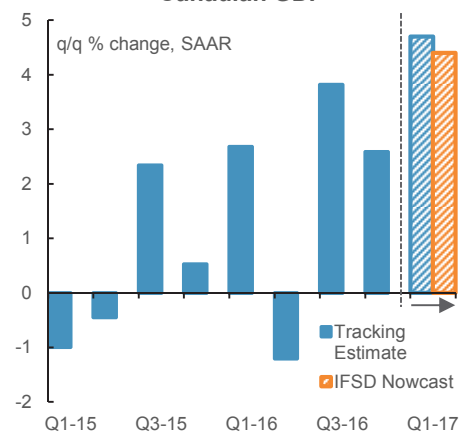
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**Next Week's Risk Dashboard**

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- ▶ Peru CPI
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**Chart of the Week**
**Canadian GDP**


Sources: Scotiabank Economics, Statistics Canada, IFSD.

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

## Canada Shines Amidst Disappointment Elsewhere

### UNITED STATES—WHAT LURKS AFTER MEMORIAL DAY?

While US markets will be closed to start the week, **top-tier data risk and the formal scheduling of former FBI Director James Comey’s hearing before the Senate Intelligence Committee will keep US developments in the global market spotlight** over the duration of the coming week.

A date has not yet been set for Comey’s public testimony after his scheduled appearance this past Wednesday before the House Intelligence Committee was postponed. All that is known at this point is that **the committee “will schedule the open hearing after Memorial Day”** ([here](#)). The hearing may be next week or later. It is important because the testimony may inform material additional risks to the new US administration’s policy agenda including tax reforms that markets have liberally priced.

Top-tier data risks will include the following:

**1. Nonfarm payrolls:** As the calendar flips over to June, May’s nonfarm payrolls land on Friday. Claims remain very low which signals subdued firings. I guesstimate that 190,000 jobs were created in May. The fact that March only saw 79,000 jobs created and April landed at 211k suggests little deferred hiring activity for a two-month average of only 145,000 jobs created. That sits toward the lower end of the rolling two-month average changes of recent years and may indicate a cooling pace of employment growth after a temporary acceleration. Nominal wage growth has also been cooling somewhat from a high of 2.9% y/y in December to 2.5% in April and exhibiting signs of a top over the past year or so. In inflation-adjusted terms, wages are flat and not conducive to accelerated spending growth (chart 1).

**2. ISM-manufacturing:** This metric has declined for the past two months as a sign that sentiment among purchasing managers may have peaked in February. Whether it will decline again isn’t clear. The best regional gauges for predicting ISM are the Philly Fed (which soared from 22 to 38.8) and the Richmond Fed (which tanked from 20 down to 1). I’m going with a flat ISM this time around.

**3. Consumer spending:** Whether or not the US economy is rebounding in Q2 over Q1’s miserly growth pace depends critically upon consumers. Tuesday’s consumer spending figures are expected to post a decent headline rise in keeping with the already known 0.4% m/m gain in retail sales for April. Around half of that, however, was likely due to higher prices given CPI. If real consumption only rose by about 0.2% m/m in April, then it would be a pretty lame start to Q2 that—barring revisions to prior months—would have tracking for consumption growth at a little over 1% in annualized terms assuming flat figures in May and June in order to focus upon the effects of the Q1 hand-off and the start of Q2 data. Cash is king in driving the US consumer and it’s difficult to get more bulled up on the sector with no real wage gains being reaped.

**4. The Fed’s preferred inflation measures:** Perhaps more important will be the price deflators for consumer spending in the same consumer spending report that arrives Tuesday. The headline PCE deflator and core deflator are the Fed’s preferred inflation gauges because they dynamically adjust weights for spending across products and channels as opposed to periodic adjustments to weights in CPI. This affords the better ability to control for substitution and income effects. Markets and Fed-watchers will be keenly paying attention to whether headline and core inflation continue to drift lower, or whether March was an aberration (chart 2). Consensus leans slightly toward the first interpretation. Recall that the Fed minutes

Chart 1

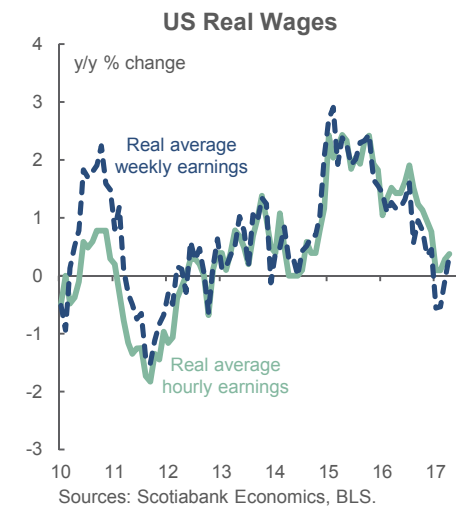


Chart 2



injected a note of caution by way of the uncertainty over whether a soft patch for growth and inflation is being driven by transitory factors or longer-lived influences (recap [here](#)).

**5. Consumer confidence:** The Conference Board's consumer confidence metric (Tuesday) slipped a touch in April, and May's reading will shed light on whether sentiment has topped—albeit at the highest levels since the year 2000. Why confidence is elevated but spending is so weak remains a conundrum perhaps partially explained by no inflation-adjusted wage gains. Another contributing factor may be consumer concerns over the economics concept of permanent income; tinkering with health benefits by reducing coverage and raising the number of uninsured individuals while ignoring unfunded social security obligations doesn't help consumers and positions confidence to be more vulnerable going forward. It remains important to downplay talk of unleashed animal spirits about to motivate a burst of pent-up consumer demand to the benefit of consumer stocks. Soaring confidence is usually a very late-cycle phenomenon that occurs after pent-up demand has been released, when unemployment is low and when stock prices are high. Ergo, parallels between 2000 and 2017.

**6. Miscellaneous: Vehicle sales** for May (Thursday) will inform a retail sales estimate for the month. **Pending home sales** for April (Wednesday) will inform perspectives on whether existing home sales are plateauing after they recently slipped. The **Chicago PMI** for May (Wednesday) will marginally inform ISM expectations a day ahead of time, but the already-known Philly Fed and Richmond Fed measures are the most useful gauges for such purposes. **Construction spending** in April (Thursday) is expected to rebound from a small dip in March that itself followed a very strong start to the year.

**Fed-speak** will be limited to two Governors and a pair of regional Fed Presidents on the docket. **Governor Powell** speaks on “normalization of monetary policy” on Thursday and **Governor Brainard** speaks on the economy and monetary policy on Tuesday. Dallas Fed President Kaplan (voting) speaks Wednesday and San Francisco Fed President Williams (alternate) speaks on Sunday and Wednesday. The ‘Beige book’ of regional economic conditions lands Wednesday afternoon. The Fed goes into communications blackout at midnight on Saturday June 3<sup>rd</sup> ahead of the June 14<sup>th</sup> FOMC statement. S&P/CaseShiller/Core Logic repeat sales home prices arrive on Tuesday and will be shooting for the 10<sup>th</sup> consecutive month-ago gain at a roughly 6% year-ago pace.

## CANADA—STRENGTHENING GROWTH, FALLING INFLATION

Out with the old, in with the new. Just as soon as GDP for March and the full first quarter gets released on Wednesday, tracking for Q2 GDP growth will commence on Friday when trade figures for April arrive to supplement very limited other data for April. **At issue will be betting on the durability of strong growth. While the very preliminary data is mixed, on balance it is so far looking tentatively feasible that decent growth will continue in Q2.**

**I estimate 0.4% m/m GDP growth in March and just under 5% growth in Q1 over Q4** at a seasonally adjusted and annualized rate. **If that happens—or anywhere close to it—then Canada will have led the world's advanced economies on growth to start 2017 albeit amidst frustrating evidence that hopes for a global acceleration are so far being dashed.** In non-annualized terms, March witnessed a 1.2% m/m rise in retail sales volumes, a 0.6% rise in wholesalers' volumes, a 1.1% advance in hours worked, a 19% rise in housing starts albeit skewed toward multiple housing units (+31%) with less value-added than singles (+2.7% m/m) and a small rise in manufacturing shipment volumes (+0.2%). A simple regression model spits out an estimate that rounds up to 0.4% m/m GDP growth. Tracking sources for other components and their jumping off points from February's performance suggest that, on net, there may be a little more upside than downside. Nine of 21 industrial sectors retreated in February including relatively large declines in categories like agriculture, arts and entertainment. If a solid rebound of 0.4% is registered for March, then based upon monthly GDP figures, Q1 probably grew by around 4.7% q/q at a seasonally adjusted and annualized rate. **It has been almost six years since the Canadian economy grew at an equal or greater quarter-ago pace** (5.7% in 2011Q3). A caution is that monthly GDP measures industrial GDP versus quarterly GDP estimates that are broken down by expenditure types; the two sources can be off in their tracking of quarterly GDP growth in either direction but usually not by enough to materially deny a strong outcome.

**Is strong growth sustainable?** A hint may arrive with April's trade figures on Friday. There may be downside risk to export volumes after a large 2½% m/m gain in March and we're expecting a decline. Export volumes during April would only have to give back 0.7% m/m of the 2.5% rise in March in order to result in no growth being tracked at this early stage in Q2.

The way a number of indicators left Q1 and have started to enter Q2 sets in place mixed momentum arguments that make it far too early to tell how Q2 will shape up which leaves the debate to being data-dependent.

- 1. Hours worked:** Based on figures up to April, we're tracking a strong 4.5% q/q annualized rise in hours worked. Since GDP equals hours worked times labour productivity, a strong rise in hours worked is a positive so far, contingent upon what happened to productivity which is where the other activity measures come in;
- 2. Housing starts:** Based on the Q1 average and April's 17% m/m decline that unwound much of the spike in March, we're tracking an annualized drop of 17% in Q2;
- 3. Retail sales:** Because they were up 1.2% m/m in March and entered Q2 on a high point, there is already 3.5% annualized growth built into the current quarter;
- 4. Manufacturing:** Shipment volumes, however, are tracking no growth in Q2 over Q1 and this is a relative weak spot at current tracking rates;
- 5. Momentum:** If March GDP performs as expected then the hand-off would bake-in about 1% GDP growth in Q2 assuming flat monthlies in order to focus solely upon momentum arguments.

By contrast to strong growth, inflation is going the other way. Core inflation measures continue to drift lower. On that note, **Canada auctions 30 year real return bonds** on Wednesday at noon. The market's expectations for long-run inflation derived from this bond have dropped quite sharply this year from a peak of about 1.8% in early January to about 1.6% now (chart 3). That's at the higher end compared to shorter-term measures like the 5 year inflation break-even that sits at 1.3% which is itself down by 20bps since early March.

**Will inflation rise as growth has closed the traditional output gap?** That's anything but clear. Over the full period since 1993 for which the common component measure of CPI is available, there is about a 50% correlation between the output gap lagged five quarters (which the BoC says is best) and common component CPI in year-ago terms. Over the post-recession period from 2010–2016, however, this correlation entirely disappeared. Domestic output gaps are hardly the only driver of inflation expectations and so it is therefore not necessarily the case that the market is underestimating inflation risk. Further, there are different measures of output gaps—the integrated framework measure still flags slack—and broader measures of slack. Output gaps are malleable concepts subject to often arbitrary modelling of the economy's speed limit while subject to quite large estimation ranges.

Bank earnings releases continue with BNS (my employer) releasing on Tuesday along with Laurentian Bank, followed by National Bank on Wednesday and Canadian Western Bank on Thursday.

### LATIN AMERICA—BRAZILIANS JUST CAN'T CATCH A BREAK

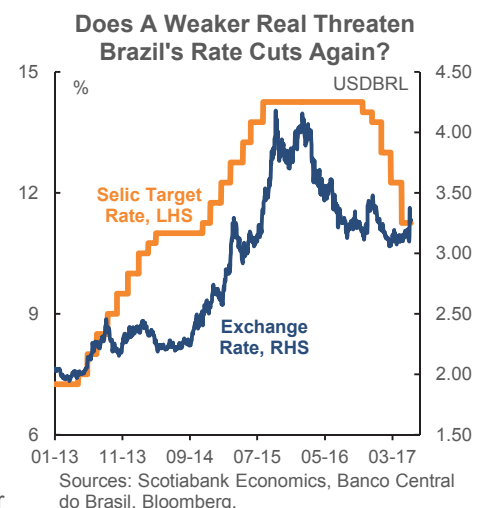
Brazilians just can't catch a break. Just as things were looking up by way of relative political stability following years of turmoil, inflationary pressures were easing, pension reforms were advancing, currency stability had returned for much of this year and monetary easing was in full flight, the wheels are at risk of falling off yet again. Corruption allegations against President Temer have given way to violent protests and complicated monetary policymaking. **Wednesday's policy decision by Banco Central do Brasil is a little less clear than it may have been before the corruption scandal surfaced.**

Will the central bank cut again by another 100 basis points as it did on April 12<sup>th</sup>? Or will it cut by less than markets may hope for in the face of this political crisis that has again weakened the currency and thus threatened to raise imported inflation all over again (chart 4)? The real's depreciation since the scandal broke has been fairly modest thus far

Chart 3



Chart 4



and nothing like the 85% depreciation versus the dollar from about mid-2014 to later in 2015. At this juncture it may therefore be possible that additional monetary easing is in sight but mindful toward currency risks as political risks are evaluated.

**Brazil's Q1 GDP will be released the very next day and will offer a bittersweet reminder of the path Brazil could have been on if only it could get a handle on political risks.** That's because consensus expects this to be the first positive growth reading in quarter-ago terms since 2014Q4, thereby potentially ending a two-year recession. Q2 growth tracking will be further informed by industrial production and export figures late in the week, but it's all perhaps moot at this point as backward-looking data gives way to fresh forward-looking risks.

**Peru's inflation reading for May will be the other highlight** across Latin American markets when it arrives on Thursday. Will May inflation follow up the April reading of 3.7% y/y with another decline, supporting Peru's hopes that the worst of the food price shock that was driven by flooding is now behind it? Even if so, inflation will remain above the central bank's 2% +/- 1% inflation target zone and yet it was the expectation that inflation may keep on easing and that waning growth needed a boost that contributed to a 25bps rate cut earlier this month.

Chile releases industrial production and retail sales on Tuesday and Friday respectively.

## EUROPE—TRANSITORY INFLATION PRESSURES?

Narrowly concentrated but impactful data risk will dominate handshakes and photo-ops in terms of Europe's potential influences upon the global market tone over the coming week.

Data risk will be focused upon three things:

**1. Eurozone and Russian Inflation:** German and Spanish (both Tuesday) and then the Eurozone composite, French and Italian (each on Wednesday) CPI readings for the month of April will be the week's premier releases. After March's acceleration in core Eurozone inflation to 1.2% y/y (chart 5) and headline CPI hit 1.9% y/y, markets will be watching for clearer signs of a trend. Much of the March headline reading was driven by year-ago energy price comparisons; ex-energy, CPI was up by only 1.3% y/y or six-tenths lower than headline CPI. Second, Easter came a little later than normal and that distorted year-ago comparisons on holiday package prices. Such transitory influences could give way to renewed downward pressure on CPI next week. Russia also updates CPI on Wednesday; declining inflation from a peak of about 17% y/y in early 2015 to less than one-quarter of that pace has afforded room for the central bank to ease monetary policy including a 50bps rate cut on April 28<sup>th</sup> that was twice consensus expectations.

**2. UK purchasing managers indices:** Thursday's PMI for the manufacturing sector and the next day's construction PMI will be the highlights of the week for gilts and pound sterling alongside a Moody's review of the UK's sovereign rating on Friday. Cooler Q1 GDP growth of just 0.2% q/q has been somewhat at odds with a stable construction PMI and a rising manufacturing PMI that, along with services, lifted the composite economy-wide PMI in April.

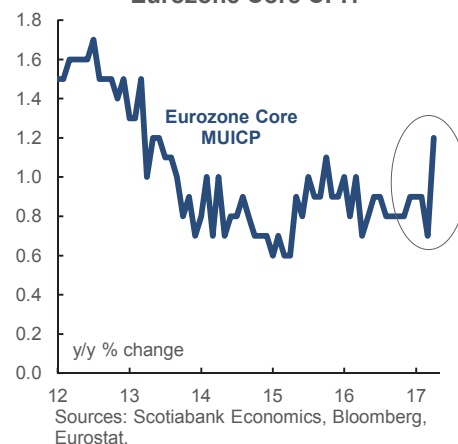
**3. Eurozone consumers:** French consumer spending (Tuesday), German retail sales (timing uncertain) and Spanish retail sales (Monday) will inform views on the health of Europe's consumer sector following a round of fairly soft readings that only had Eurozone-wide retail sales up 2.3% y/y in volume terms during March.

EC confidence readings on Tuesday and Q1 French GDP revisions will round out the releases.

The G7 meeting in Sicily concludes this Saturday and there will likely be a wrap-up statement issued. Such statements are often replete with platitudes and this time the tone could emphasize the importance of trade to world commerce.

Chart 5

### Temporary Spike In Eurozone Core CPI?



As part of its “Future of Europe Debates” ([here](#)) the European Union will release a reflection paper on deepening the Economic And Monetary Union (EMU). Launched in 1992 with euro bills and coins introduced in 2002, the experiment lives on despite endless forecasts of its demise principally from commentators across the anglo-American economies.

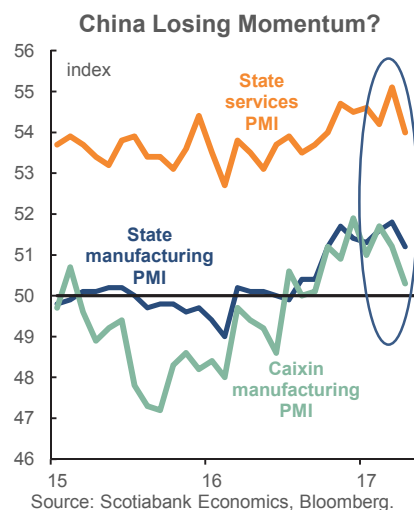
Another EU-China Summit (the 19<sup>th</sup>) will be held next Thursday and Friday with attendance by Chinese Premier Li Keqiang, EU President Donald Tusk and EC President Jean-Claude Juncker. Talks this time around will focus on trade, the environment and migration.

## ASIA—CHINA’S SLOWING ECONOMY

While it’s all about data next week, some of it will clearly matter more than the rest. **At the top of the list will be evidence on whether China’s economy is truly losing momentum in 2017.**

To help inform this debate, however, the readings that will be relied upon are the same shaky purchasing managers’ indices that can be misleading signals in other parts of the world. The state and private versions have recently been signalling waning momentum right up to April (chart 6). The May readings for the state PMIs arrive on Tuesday evening eastern time, and the private manufacturing PMI that more heavily samples smaller manufacturers across coastal cities will land the night after. It must be noted that the PMI signals are risks to Q2-onward, whereas China’s officially reported growth rate of 6.9% y/y in Q1 was in line with the 6.7–6.8% readings of the prior five quarters. If China’s economy is slowing, then who precisely is accelerating in conformance with widespread belief that the global economy is performing at an improved growth clip in 2017? Not the US that posted a paltry 0.7% q/q annualized growth pace in Q1 and the key driver was no growth in consumer spending which is not where the usual seasonal adjustment problems can surface in the first quarter. Not the UK economy that also decelerated to just 0.7% q/q annualized growth in Q1. The Eurozone economy grew by 2.0% q/q annualized growth but this pace was unchanged from the Q4 growth rate and only marginally stronger than Q3. Canada, it seems, was a world-beater among advanced economies in terms of Q1 growth (we’ll find out for sure next week) and its growth rate was only rivalled by a few other countries mostly in southeast Asia including Indonesia, Philippines and Malaysia.

Chart 6



**Everything else will simply pale by comparison to China’s releases next week. Japan delivers its monthly data dump** for activity during April on Monday night (jobless rate, household spending, retail sales), Tuesday night (industrial production and housing starts) and Wednesday night (Q1 cap-ex spending). Expectations are for soft consumer data offset by strong industrial figures.

**India’s Q1 GDP growth rate** arrives Wednesday and it is expected to continue to cool from 8.6% y/y in 2016Q1 to a sub-7% print in 2017Q1. The impact of the demonetization efforts that ended the circulation of high-denomination Rs 500 and Rs 1,000 notes has been a significant culprit. Declaring null and void their use as legal tender was an effort to bring above-ground more of the economy and reduce counterfeit money in circulation and associated corruption while hopefully encouraging more of an evolution toward electronic banking and taxable activities. It has been fairly well understood that a consequence in the short-run was to reduce growth potential as a downpayment upon longer-run benefits.

CPI figures will arrive from South Korea, Indonesia and Thailand. Australia updates retail sales (Wednesday night eastern time) and new home sales (Thursday night). Thai exports, South Korean industrial production and South Korean Q1 GDP revisions are also on tap.

**Key Indicators for the week of May 29 – June 2**
**NORTH AMERICA**

| Country | Date  | Time  | Indicator                               | Period | BNS   | Consensus | Latest |
|---------|-------|-------|---|--------|-------|-----------|--------|
| CA      | 05/30 | 08:30 | Current Account (C\$ bn a.r.)           | 1Q     | --    | --        | -10.7  |
| CA      | 05/30 | 08:30 | IPPI (m/m)                              | Apr    | --    | --        | 0.8    |
| CA      | 05/30 | 08:30 | Raw Materials Price Index (m/m)         | Apr    | --    | --        | -1.6   |
| US      | 05/30 | 08:30 | PCE Deflator (m/m)                      | Apr    | 0.2   | 0.2       | -0.2   |
| US      | 05/30 | 08:30 | PCE Deflator (y/y)                      | Apr    | 1.7   | 1.7       | 1.8    |
| US      | 05/30 | 08:30 | PCE ex. Food & Energy (m/m)             | Apr    | 0.1   | 0.1       | -0.1   |
| US      | 05/30 | 08:30 | PCE ex. Food & Energy (y/y)             | Apr    | 1.5   | 1.5       | 1.6    |
| US      | 05/30 | 08:30 | Personal Spending (m/m)                 | Apr    | 0.4   | 0.4       | 0.0    |
| US      | 05/30 | 08:30 | Personal Income (m/m)                   | Apr    | 0.3   | 0.4       | 0.2    |
| US      | 05/30 | 09:00 | S&P/Case-Shiller Home Price Index (m/m) | Mar    | --    | 0.8       | 0.7    |
| US      | 05/30 | 09:00 | S&P/Case-Shiller Home Price Index (y/y) | Mar    | --    | --        | 5.9    |
| US      | 05/30 | 10:00 | Consumer Confidence Index               | May    | 118   | 119.9     | 120.3  |
| US      | 05/30 | 10:30 | Dallas Fed. Manufacturing Activity      | May    | --    | 15.0      | 16.8   |
| US      | 05/31 | 07:00 | MBA Mortgage Applications (w/w)         | MAY 26 | --    | --        | 4.4    |
| CA      | 05/31 | 08:30 | Real GDP (m/m)                          | Mar    | 0.4   | --        | 0.0    |
| CA      | 05/31 | 08:30 | Real GDP (q/q a.r.)                     | 1Q     | 4.7   | --        | 2.6    |
| US      | 05/31 | 09:45 | Chicago PMI                             | May    | --    | 57.0      | 58.3   |
| US      | 05/31 | 10:00 | Pending Home Sales (m/m)                | Apr    | --    | 1.0       | -0.8   |
| US      | 06/01 | 08:15 | ADP Employment Report (000s m/m)        | May    | 190   | 180       | 177    |
| US      | 06/01 | 08:30 | Initial Jobless Claims (000s)           | MAY 27 | 235   | 238       | 234    |
| US      | 06/01 | 08:30 | Continuing Claims (000s)                | MAY 20 | 1920  | 1925      | 1923   |
| US      | 06/01 | 08:30 | Productivity (q/q a.r.)                 | 1Q F   | -0.6  | -0.6      | -0.6   |
| US      | 06/01 | 08:30 | Unit Labor Costs (q/q a.r.)             | 1Q F   | --    | 3.0       | 3.0    |
| US      | 06/01 | 10:00 | Construction Spending (m/m)             | Apr    | --    | 0.5       | -0.2   |
| US      | 06/01 | 10:00 | ISM Manufacturing Index                 | May    | 55.0  | 54.8      | 54.8   |
| US      | 06/01 |       | Domestic Vehicle Sales (mn a.r.)        | May    | --    | 13.2      | 13.1   |
| US      | 06/01 |       | Total Vehicle Sales (mn a.r.)           | May    | 17.0  | 17.0      | 16.8   |
| CA      | 06/02 | 08:30 | Merchandise Trade Balance (C\$ bn)      | Apr    | 0.3   | --        | -0.1   |
| CA      | 06/02 | 08:30 | Productivity (q/q a.r.)                 | 1Q     | --    | --        | 0.4    |
| US      | 06/02 | 08:30 | Average Hourly Earnings (m/m)           | May    | 0.2   | 0.3       | 0.3    |
| US      | 06/02 | 08:30 | Average Hourly Earnings (y/y)           | May    | 2.6   | 2.7       | 2.5    |
| US      | 06/02 | 08:30 | Average Weekly Hours                    | May    | --    | 34.4      | 34.4   |
| US      | 06/02 | 08:30 | Nonfarm Employment Report (000s m/m)    | May    | 200   | 177.0     | 211.0  |
| US      | 06/02 | 08:30 | Trade Balance (US\$ bn)                 | Apr    | -44.2 | -44.0     | -43.7  |
| US      | 06/02 | 08:30 | Unemployment Rate (%)                   | May    | 4.4   | 4.4       | 4.4    |
| US      | 06/02 |       | Household Employment Report (000s m/m)  | May    | --    | --        | 156.0  |

**EUROPE**

| Country | Date          | Time  | Indicator                     | Period | BNS   | Consensus | Latest |
|---------|---------------|-------|-------------------------------|--------|-------|-----------|--------|
| GE      | MAY 27-JUN 03 |       | Retail Sales (m/m)            | Apr    | --    | --        | 0.1    |
| UK      | MAY 28-JUN 03 |       | Nationwide House Prices (m/m) | May    | 0.2   | --        | -0.4   |
| SP      | 05/29         | 03:00 | Real Retail Sales (y/y)       | Apr    | --    | --        | 2.6    |
| FR      | 05/30         | 02:45 | Consumer Spending (m/m)       | Apr    | 0.3   | --        | -0.4   |
| FR      | 05/30         | 02:45 | GDP (q/q)                     | 1Q P   | 0.3   | 0.3       | 0.3    |
| SP      | 05/30         | 03:00 | CPI (m/m)                     | May P  | --    | --        | 1.0    |
| SP      | 05/30         | 03:00 | CPI (y/y)                     | May P  | --    | --        | 2.6    |
| SP      | 05/30         | 03:00 | CPI - EU Harmonized (m/m)     | May P  | 0.1   | --        | 0.9    |
| SP      | 05/30         | 03:00 | CPI - EU Harmonized (y/y)     | May P  | 2.1   | --        | 2.6    |
| SW      | 05/30         | 03:30 | GDP (y/y)                     | 1Q     | --    | --        | 2.3    |
| EC      | 05/30         | 05:00 | Business Climate Indicator    | May    | --    | --        | 1.1    |
| EC      | 05/30         | 05:00 | Consumer Confidence           | May F  | -3.3  | --        | -3.3   |
| EC      | 05/30         | 05:00 | Economic Confidence           | May    | 110.1 | --        | 109.6  |
| EC      | 05/30         | 05:00 | Industrial Confidence         | May    | 3.5   | --        | 2.6    |
| GE      | 05/30         | 08:00 | CPI (m/m)                     | May P  | 0.0   | --        | 0.0    |
| GE      | 05/30         | 08:00 | CPI (y/y)                     | May P  | 1.6   | --        | 2.0    |
| GE      | 05/30         | 08:00 | CPI - EU Harmonized (m/m)     | May P  | 0.0   | --        | 0.0    |
| GE      | 05/30         | 08:00 | CPI - EU Harmonized (y/y)     | May P  | 1.5   | --        | 2.0    |

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

**Key Indicators for the week of May 29 – June 2**
**EUROPE (continued from previous page)**

| Country | Date  | Time  | Indicator                         | Period | BNS   | Consensus | Latest |
|---------|-------|-------|-----------------------------------|--------|-------|-----------|--------|
| UK      | 05/30 | 19:01 | GfK Consumer Confidence Survey    | May    | -8    | --        | -7     |
| SP      | 05/30 |       | Budget Balance YTD (€ mn)         | Apr    | --    | --        | -5659  |
| FR      | 05/31 | 02:45 | CPI (m/m)                         | May P  | 0.1   | --        | 0.1    |
| FR      | 05/31 | 02:45 | CPI (y/y)                         | May P  | 0.8   | --        | 1.2    |
| FR      | 05/31 | 02:45 | CPI - EU Harmonized (m/m)         | May P  | 0.1   | --        | 0.1    |
| FR      | 05/31 | 02:45 | CPI - EU Harmonized (y/y)         | May P  | 1.0   | --        | 1.4    |
| FR      | 05/31 | 02:45 | Producer Prices (m/m)             | Apr    | --    | --        | -0.5   |
| GE      | 05/31 | 03:55 | Unemployment (000s)               | May    | -15.0 | --        | -15.0  |
| GE      | 05/31 | 03:55 | Unemployment Rate (%)             | May    | 5.8   | --        | 5.8    |
| PD      | 05/31 | 04:00 | GDP (y/y)                         | 1Q F   | --    | --        | 4.00   |
| SP      | 05/31 | 04:00 | Current Account (€ bn)            | Mar    | --    | --        | -0.2   |
| UK      | 05/31 | 04:30 | Net Consumer Credit (£ bn)        | Apr    | --    | 1.6       | 1.6    |
| EC      | 05/31 | 05:00 | Euro zone CPI Estimate (y/y)      | May    | 1.5   | --        | 1.9    |
| EC      | 05/31 | 05:00 | Euro zone Core CPI Estimate (y/y) | May A  | 1.0   | --        | 1.2    |
| EC      | 05/31 | 05:00 | Unemployment Rate (%)             | Apr    | 9.5   | --        | 9.5    |
| IT      | 05/31 | 05:00 | CPI (m/m)                         | May P  | --    | --        | 0.4    |
| IT      | 05/31 | 05:00 | CPI (y/y)                         | May P  | --    | --        | 1.9    |
| IT      | 05/31 | 05:00 | CPI - EU Harmonized (m/m)         | May P  | 0.0   | --        | 0.8    |
| IT      | 05/31 | 05:00 | CPI - EU Harmonized (y/y)         | May P  | 1.6   | --        | 2.0    |
| PO      | 05/31 | 06:00 | Real GDP (q/q)                    | 1Q F   | --    | --        | 1.00   |
| SZ      | 06/01 | 01:45 | GDP (y/y)                         | 1Q     | --    | --        | 0.6    |
| IT      | 06/01 | 03:45 | Manufacturing PMI                 | May    | 56.0  | --        | 56.2   |
| IT      | 06/01 | 04:00 | Real GDP (q/q)                    | 1Q F   | --    | --        | 0.2    |
| UK      | 06/01 | 04:30 | Manufacturing PMI                 | May    | 57.3  | 56.1      | 57.3   |
| IT      | 06/01 |       | Budget Balance (€ bn)             | May    | --    | --        | -5.2   |
| IT      | 06/01 |       | Budget Balance YTD (€ bn)         | May    | --    | --        | -34.5  |
| UK      | 06/02 | 04:30 | PMI Construction                  | May    | 53.5  | 52.7      | 53.1   |
| EC      | 06/02 | 05:00 | PPI (m/m)                         | Apr    | --    | --        | -0.3   |
| GR      | 06/02 | 05:00 | Real GDP NSA (y/y)                | 1Q F   | --    | --        | -0.3   |

**ASIA-PACIFIC**

| Country | Date      | Time  | Indicator                          | Period | BNS  | Consensus | Latest |
|---------|-----------|-------|------------------------------------|--------|------|-----------|--------|
| JN      | 05/29     | 19:30 | Household Spending (y/y)           | Apr    | --   | -0.7      | -1.3   |
| JN      | 05/29     | 19:30 | Jobless Rate (%)                   | Apr    | 2.8  | 2.8       | 2.8    |
| JN      | 05/29     | 19:50 | Large Retailers' Sales (y/y)       | Apr    | --   | 0.1       | -0.8   |
| JN      | 05/29     | 19:50 | Retail Trade (y/y)                 | Apr    | --   | 2.2       | 2.1    |
| AU      | 05/29     | 21:30 | Building Approvals (m/m)           | Apr    | --   | --        | -13.4  |
| SK      | 05/30     | 17:00 | Business Survey- Manufacturing     | Jun    | --   | --        | 84.0   |
| SK      | 05/30     | 17:00 | Business Survey- Non-Manufacturing | Jun    | --   | --        | 78.0   |
| SK      | 05/30     | 19:00 | Industrial Production (y/y)        | Apr    | --   | 6.0       | 3.0    |
| SK      | 05/30     | 19:00 | Cyclical Leading Index Change      | Apr    | --   | --        | -0.1   |
| JN      | 05/30     | 19:50 | Industrial Production (y/y)        | Apr P  | --   | 6.3       | 3.5    |
| CH      | 05/30     | 21:00 | Manufacturing PMI                  | May    | 51.0 | 51.0      | 51.2   |
| CH      | 05/30     | 21:00 | Non-manufacturing PMI              | May    | --   | --        | 54.0   |
| AU      | 05/30     | 21:30 | Private Sector Credit (y/y)        | Apr    | --   | --        | 5.0    |
| PH      | MAY 30-31 |       | Bank Lending (y/y)                 | Apr    | --   | --        | 18.4   |
| JN      | 05/31     | 00:00 | Vehicle Production (y/y)           | Apr    | --   | --        | 4.7    |
| JN      | 05/31     | 01:00 | Housing Starts (y/y)               | Apr    | --   | -1.6      | 0.2    |
| JN      | 05/31     | 01:00 | Construction Orders (y/y)          | Apr    | --   | --        | 1.1    |
| TH      | 05/31     | 03:30 | Exports (y/y)                      | Apr    | --   | --        | 10.8   |
| TH      | 05/31     | 03:30 | Imports (y/y)                      | Apr    | --   | --        | 22.4   |
| TH      | 05/31     | 03:30 | Trade Balance (US\$ mn)            | Apr    | --   | --        | 2909   |
| TH      | 05/31     | 03:30 | Current Account Balance (US\$ mn)  | Apr    | --   | 1010      | 2576   |
| IN      | 05/31     | 07:00 | Fiscal Deficit (INR Crore)         | Mar    | --   | --        | 41422  |
| IN      | 05/31     | 08:00 | Real GDP (y/y)                     | 1Q     | 7.1  | --        | 7.0    |
| NZ      | 05/31     | 13:00 | QV House Prices (y/y)              | May    | --   | --        | 11.1   |
| NZ      | 05/31     | 18:45 | Terms of Trade Index (q/q)         | 1Q     | --   | --        | 5.7    |

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



## Key Indicators for the week of May 29 – June 2

### ASIA-PACIFIC (continued from previous page)

| Country | Date          | Time  | Indicator                         | Period | BNS  | Consensus | Latest |
|---------|---------------|-------|-----------------------------------|--------|------|-----------|--------|
| SK      | 05/31         | 19:00 | CPI (y/y)                         | May    | 2.0  | 2.0       | 1.9    |
| SK      | 05/31         | 19:00 | Core CPI (y/y)                    | May    | --   | --        | 1.3    |
| JN      | 05/31         | 19:50 | Capital Spending (y/y)            | 1Q     | --   | 3.8       | 3.8    |
| SK      | 05/31         | 20:00 | Exports (y/y)                     | May    | --   | 19.1      | 24.2   |
| SK      | 05/31         | 20:00 | Imports (y/y)                     | May    | --   | 13.8      | 16.6   |
| SK      | 05/31         | 20:00 | Trade Balance (US\$ mn)           | May    | --   | 8560      | 13300  |
| JN      | 05/31         | 20:30 | Markit/JMMA Manufacturing PMI     | May F  | 52   | --        | 52.0   |
| AU      | 05/31         | 21:30 | Retail Sales (m/m)                | Apr    | --   | --        | -0.1   |
| AU      | 05/31         | 21:30 | Private Capital Expenditure       | 1Q     | --   | --        | -2.1   |
| CH      | 05/31         | 21:45 | Caixin China Manufacturing PMI    | May    | 50.1 | 50.2      | 50.3   |
| TH      | 05/31         | 23:30 | CPI (y/y)                         | May    | 0.3  | 0.2       | 0.4    |
| TH      | 05/31         | 23:30 | Core CPI (y/y)                    | May    | --   | 0.5       | 0.5    |
| TH      | 05/31         | 23:30 | Consumer Confidence Economic      | May    | --   | --        | 65.4   |
| JN      | MAY 31-JUN 07 |       | Official Reserve Assets (US\$ bn) | May    | --   | --        | 1242   |
| JN      | 06/01         | 01:00 | Vehicle Sales (y/y)               | May    | --   | --        | 5.4    |
| TH      | 06/01         | 03:30 | Business Sentiment Index          | May    | --   | --        | 49.6   |
| HK      | 06/01         | 04:30 | Retail Sales - Volume (y/y)       | Apr    | --   | --        | 2.7    |
| SK      | 06/01         | 19:00 | GDP (y/y)                         | 1Q F   | 2.8  | --        | 2.7    |
| JN      | 06/01         | 19:50 | Monetary Base (y/y)               | May    | --   | --        | 19.8   |
| AU      | 06/01         | 21:00 | HIA New Home Sales (m/m)          | Apr    | --   | --        | -1.1   |
| ID      | 06/02         | 00:00 | CPI (y/y)                         | May    | 4.1  | --        | 4.2    |
| ID      | 06/02         | 00:00 | Core CPI (y/y)                    | May    | --   | --        | 3.3    |
| JN      | 06/02         | 01:00 | Consumer Confidence               | May    | --   | 43.5      | 43.2   |
| SI      | 06/02         | 09:00 | Purchasing Managers Index         | May    | --   | --        | 51.1   |

### LATIN AMERICA

| Country | Date  | Time  | Indicator                               | Period        | BNS  | Consensus    | Latest       |
|---------|-------|-------|---|---------------|------|--------------|--------------|
| CL      | 05/30 | 09:00 | Industrial Production (y/y)             | Apr           | --   | --           | 1.9          |
| CL      | 05/31 | 09:00 | Unemployment Rate (%)                   | Apr           | --   | --           | 6.6          |
| CO      | 05/31 | 11:00 | Urban Unemployment Rate (%)             | Apr           | --   | 9.6          | 10.6         |
| BZ      | 05/31 |       | <b>SELIC Target Rate (%)</b>            | <b>May 31</b> | --   | <b>10.25</b> | <b>11.25</b> |
| PE      | 06/01 | 01:00 | Consumer Price Index (m/m)              | May           | -0.1 | --           | -0.3         |
| PE      | 06/01 | 01:00 | Consumer Price Index (y/y)              | May           | 3.4  | --           | 3.7          |
| BZ      | 06/01 | 08:00 | GDP (IBGE) (q/q)                        | 1Q            | --   | 1.0          | -0.9         |
| BZ      | 06/01 | 08:00 | GDP (IBGE) (y/y)                        | 1Q            | --   | -0.1         | -2.5         |
| BZ      | 06/01 | 08:00 | PMI Manufacturing Index                 | May           | --   | --           | 50.1         |
| BZ      | 06/01 |       | Trade Balance (FOB) - Monthly (US\$ mn) | May           | --   | --           | 6969         |
| BZ      | 06/02 | 08:00 | Industrial Production SA (m/m)          | Apr           | --   | --           | -1.8         |
| BZ      | 06/02 | 08:00 | Industrial Production (y/y)             | Apr           | --   | --           | 1.1          |
| CL      | 06/02 | 09:00 | Retail Sales (y/y)                      | Apr           | --   | --           | 4.9          |

**Global Auctions for the week of May 29 – June 2****NORTH AMERICA**

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Event</u>                             |
|----------------|-------------|-------------|--|
| CA             | 05/31       | 12:00       | Canada to Sell 30-Year Real Return Bonds |

**EUROPE**

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Event</u>                             |
|----------------|-------------|-------------|--|
| IT             | 05/30       | 05:00       | Italy to Sell Bonds                      |
| SW             | 05/31       | 05:03       | Sweden to Sell Bonds                     |
| NO             | 05/31       | 05:05       | Norway to Sell Bonds                     |
| SP             | 06/01       | 04:30       | Spain to Sell Bonds                      |
| FR             | 06/01       | 04:50       | France to Sell Bonds                     |
| UK             | 06/01       | 05:30       | U.K. to Sell GBP2.5 Bln 1.25% 2027 Bonds |

**ASIA-PACIFIC**

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Event</u>                      |
|----------------|-------------|-------------|-----------------------------------|
| AU             | 05/29       | 21:00       | Australia Plans to Sell I/L Bonds |
| JN             | 05/29       | 23:45       | Japan to Sell 2-Year Bonds        |
| JN             | 05/31       | 23:45       | Japan to Sell 10-Year Bonds       |

**LATIN AMERICA**

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Event</u>             |
|----------------|-------------|-------------|--------------------------|
| BZ             | 05/30       | 11:00       | Brazil to Sell I/L Bonds |

## Events for the week of May 29 – June 2

### NORTH AMERICA

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Event</u>                             |
|----------------|-------------|-------------|--|
| US             | 05/28       | 18:15       | Fed's Williams Speaks in Singapore       |
| US             | 05/31       | 08:00       | Fed's Kaplan Speaks in New York          |
| US             | 05/31       | 14:00       | U.S. Federal Reserve Releases Beige Book |
| US             | 05/31       | 20:10       | Fed's Williams Speaks in Seoul           |
| MX             | 06/01       | 10:00       | Central Bank Monetary Policy Minutes     |

### EUROPE

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Event</u>   |
|----------------|-------------|-------------|--|
| AS             | 05/29       | 03:15       | ECB's Nowotny speaks at Austrian Central Bank Conference       |
| GE             | 05/29       | 04:00       | MI5 Chief Andrew Parker Attends German Symposium on ISIS       |
| FI             | 05/30       | 06:15       | ECB's Liikanen speaks at Austrian Central Bank Conference      |
| AS             | 05/30       | 06:15       | ECB's Liikanen Speaks at Conference in Vienna                  |
| SW             | 05/31       | 02:00       | Swedish FSA Stability Report                                   |
| IT             | 05/31       | 04:00       | Governor Visco Speaks at Bank of Italy Holds Annual Meeting    |
| EC             | 05/31       |             | EU to Publish Reflection Paper on Completing EMU in Brussels   |
| GE             | 05/31       | 00:00       | China's Transportation Minister Attends Meeting in Leipzig     |
| EC             | 06/01       | 03:15       | ECB's Villeroy Speaks at Brussels Economic Forum in Brussels   |
| EC             | 06/01       | 05:00       | EU's Dombrovskis Speaks at Brussels Economic Forum             |
| EC             | 06/01       | 08:00       | EU's Moscovici Speaks at Brussels Economic Forum in Brussels   |
| EC             | 06/01       | 08:00       | Italy's Padoan on Panel at Brussels Economic Forum in Brussels |
| EC             | 06/01       |             | China's Li Meets With EU's Tusk, Juncker in Brussels           |
| EC             | 06/01       | 00:00       | EU-China Summit in Brussels June 1-2                           |
| IR             | 06/02       |             | Ireland Sovereign Debt to be rated by S&P                      |
| UK             | 06/02       |             | United Kingdom Sovereign Debt to be rated by Moody's           |

### ASIA-PACIFIC

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Event</u>                              |
|----------------|-------------|-------------|---|
| JN             | 05/27       | 02:50       | BOJ Kuroda speaks in Waseda Univ          |
| NZ             | 05/30       | 17:00       | RBNZ Publishes Financial Stability Report |
| JN             | 05/31       | 21:30       | BOJ Harada speaks in Gifu                 |

### LATIN AMERICA

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Event</u> |
|----------------|-------------|-------------|--------------|
| BZ             | 05/31       |             | Selic Rate   |

## Global Central Bank Watch

### NORTH AMERICA

| <u>Rate</u>                                 | <u>Current Rate</u> | <u>Next Meeting</u> | <u>Scotia's Forecasts</u> | <u>Consensus Forecasts</u> |
|---|---------------------|---------------------|---------------------------|----------------------------|
| Bank of Canada – Overnight Target Rate      | 0.50                | July 12, 2017       | 0.50                      | 0.50                       |
| Federal Reserve – Federal Funds Target Rate | 1.00                | June 15, 2017       | 1.25                      | 1.25                       |
| Banco de México – Overnight Rate            | 6.75                | June 23, 2017       | 6.75                      | --                         |

### 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                | June 8, 2017        | 0.00                      | --                         |
| Bank of England – Bank Rate                    | 0.25                | June 15, 2017       | 0.25                      | --                         |
| Swiss National Bank – Libor Target Rate        | -0.75               | June 15, 2017       | -0.75                     | --                         |
| Central Bank of Russia – One-Week Auction Rate | 9.25                | June 16, 2017       | 9.25                      | --                         |
| Sweden Riksbank – Repo Rate                    | -0.50               | July 4, 2017        | -0.50                     | --                         |
| Norges Bank – Deposit Rate                     | 0.50                | June 22, 2017       | 0.50                      | --                         |

### 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               | June 16, 2017       | -0.10                     | --                         |
| Reserve Bank of Australia – Cash Target Rate           | 1.50                | June 6, 2017        | 1.50                      | 1.50                       |
| Reserve Bank of New Zealand – Cash Rate                | 1.75                | June 22, 2017       | 1.75                      | 1.75                       |
| People's Bank of China – Lending Rate                  | 4.35                | TBA                 | --                        | --                         |
| Reserve Bank of India – Repo Rate                      | 6.25                | June 7, 2017        | 6.25                      | --                         |
| Bank of Korea – Bank Rate                              | 1.25                | July 13, 2017       | 1.25                      | --                         |
| Bank of Thailand – Repo Rate                           | 1.50                | July 5, 2017        | 1.50                      | 1.50                       |
| Bank Negara Malaysia – Overnight Policy Rate           | 3.00                | July 13, 2017       | 3.00                      | 3.00                       |
| Central Bank of Philippines – Overnight Borrowing Rate | 3.00                | June 22, 2017       | 3.00                      | --                         |
| Bank Indonesia – 7-Day Reverse Repo Rate               | 4.75                | June 15, 2017       | 4.75                      | --                         |

### 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               | 11.25               | May 31, 2017        | 10.50                     | --                         |
| Banco Central de Chile – Overnight Rate            | 2.50                | June 16, 2017       | 2.75                      | --                         |
| Banco de la República de Colombia – Lending Rate   | 6.50                | June 30, 2017       | 6.50                      | 6.25                       |
| Banco Central de Reserva del Perú – Reference Rate | 4.00                | June 9, 2017        | 4.00                      | --                         |

**Banco Central do Brasil:** A rate cut is expected on Tuesday but consensus is divided on the magnitude. After slashing by 100bps at the previous meeting on April 12th, a more moderate rate reduction is possible this time. Scotia's call is for a 75bps cut while future cuts will depend upon how the real continues to react to an unfolding political crisis and the concomitant implications for imported inflation.

### AFRICA

| <u>Rate</u>                            | <u>Current Rate</u> | <u>Next Meeting</u> | <u>Scotia's Forecasts</u> | <u>Consensus Forecasts</u> |
|--|---------------------|---------------------|---------------------------|----------------------------|
| South African Reserve Bank – Repo Rate | 7.00                | July 20, 2017       | 7.00                      | --                         |

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