

A PIVOTAL PERIOD FOR FED LEADERSHIP

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Next Week's Risk Dashboard

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- ▶ China PMIs

Chart of the Week

Wage & Output Growth Coming Into Line?



Sources: Scotiabank Economics, Statistics Canada.

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

A Pivotal Period For Fed Leadership

CANADA — SO MUCH POTENTIAL

A likely dovish Bank of Canada speech and key back-end loaded data risk will provide plenty of marketainment over the coming week.

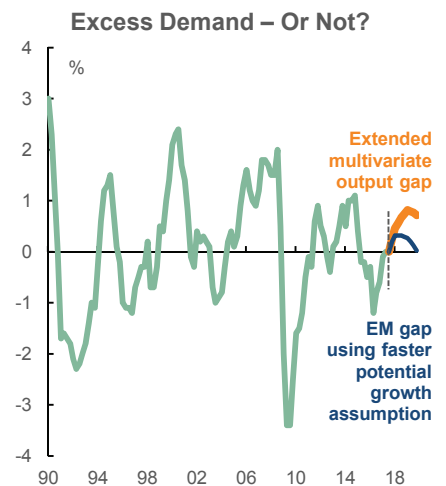
Bank of Canada Deputy Governor Sylvain Leduc speaks on Tuesday about “Firm creation and productivity in the Canadian economy.” Contents will hit the wires at 12:30pmET with the speech followed by audience Q&A but no press conference. **My guess is that the speech will fit a picture of gathering momentum to revise upward potential GDP growth (i.e., the economy’s noninflationary ‘speed limit’) in the October MPR in the wake of Governor Poloz’s comments on expanding investment and the implications for capacity constraints. In raising potential growth, the BoC could offset some of the impact of torrid actual GDP growth upon measures of disinflationary slack over the past year.** Such a tone would be consistent with the more cautious messaging from Governor Poloz this past week ([here](#)).

The topic of firm creation was the subject of a speech by Governor Poloz in April of last year ([here](#)). In that speech, Poloz flagged how closely he is watching firm creation figures given “a lot productivity growth comes not from existing firms, who tend to be incremental about it, but from new firms” and “an economy can reap the benefit over and over if there is a strong trend in new firm creation.” Poloz went on to explain that — particularly in the US—“I’d interpret the emergence of firm creation as a strong sign that growth had become self-sustaining.” Deputy Governor Tim Lane also broached the topic in his recent speech when he flagged the role of firm creation and restoring trade linkages in driving potential growth after years of business destruction: “That growth potential could be greater than we think—if businesses find new ways to engage with GVCs [ed. “global value chains”] and develop new products and processes to make them more productive and competitive.”

Indeed the BoC may have gone too far in revising potential growth lower in the April MPR to a 1.0–1.6% range this year and 1.1–1.7% next year but may use firm creation and productivity arguments as a form of partial cover for revising potential growth upward in next month’s forecasts. Yes, Virginia, output gap frameworks are as malleable as the underlying assumptions. If that happens, then it would be a relatively dovish signal that buys the BoC some time. In fact, it wouldn’t take much of an upward revision to potential growth to make a difference. As chart 1 demonstrates, a relatively marginal upward revision to potential growth of a few tenths per year throughout the forecast horizon would make the difference between slipping into marginal excess aggregate demand versus balanced supply and demand conditions expressed as a zero output gap. The two scenarios shown use Scotiabank Economics’ forecasts for actual GDP growth. The base case output gap uses the mid-point of the BoC’s current range of potential growth estimates while the alternative scenario raises the estimate for potential growth to 1.7% throughout 2018 and 2019 which adds four-tenths to potential growth in 2018 and two-tenths to 2019. Having said that, our base case output gap scenario already incorporates the assumption that the Bank of Canada will continue to tighten monetary policy at a gradual pace into next year and an upward revision to potential growth. **The bigger risk may well be if the BoC materially revises the level of potential GDP over history to account for how the economy has been able to generate relatively strong growth without stoking materially higher inflation risk to date.**

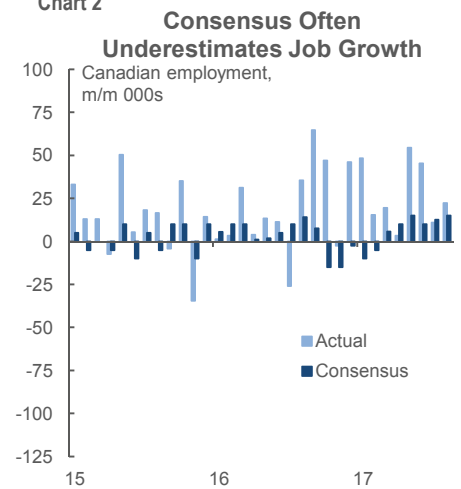
As for data risk, it will include monthly merchandise export and import figures for August on Thursday and then Friday’s Labour Force Survey for September. Canada might be due for some better trade figures. Export volumes slid for the prior

Chart 1



Source: Scotiabank Economics.

Chart 2



Sources: Scotiabank Economics, Bloomberg.

two months which in turn followed a three month tear. Falling export prices added to the export woes and dragged down the value of exports by about 5% in each of the past two months. If exports put in a better month, it might not have a big swing effect on the trade balance, however, since imports are also likely to have a better month than the 6% m/m slide in their value during July.

And on the jobs report, recall this is a volatile household survey with few if any leading indicators going into the figures. Wild recent gyrations in full-time (down 88k in August) and part-time (up 110k in August) jobs have netted out to solid trend growth in total job gains. Having said that, **the fairly persistent pattern is for consensus to underestimate job growth more often than not (chart 2).**

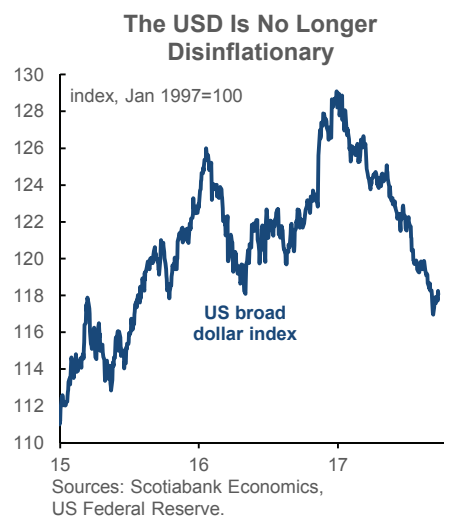
Canada holds a 5 year auction on Wednesday as per the BoC's auction schedule that has one more 5s auction this year and eleven bond auctions in total through to year-end ([here](#)).

UNITED STATES — THE FED SWEEPSTAKES

First-tier data risk and the ongoing debate over potential tax reforms will combine with more Fed-speak over the coming week. The broad tone is likely to be a dovish combination of bad data, less conviction by FOMC officials in the wake of another soft inflation report and uncertainty over the prospects of achieving priced-in tax reforms.

There is a good case for how coming Fed-speak won't be of the sort that markets really need to hear. Chair Yellen will speak on Wednesday, but only to deliver opening remarks at a community banking conference. Governor Powell will speak on Tuesday and Thursday about regulatory reforms and then Treasury markets. NY Fed President Bill Dudley speaks on Friday about the monetary policy outlook. Regional Presidents Kaplan (Monday), Williams, Harker and George (Thursday), and then Bostic, Kaplan and Bullard (Friday) are all on tap for the coming week. Overall, Fed officials might repeat views like how [this](#) piece by Fed staff economists guides expectations for a long-term reduction of the term premium largely by assuming a multi-year uninterrupted steady-state set of conditions for the economy and markets and evaluates the impact of Fed SOMA reductions independent of developments across other QE central banks. The more neutral-hawkish among them may also revisit guidance on exchange rate effects on inflation in [this](#) speech delivered by retiring Vice Chair Stanley Fischer just two years ago as a strong argument for how one should look through falling core PCE inflation this year and toward higher inflation numbers next year given how massive the movements in the broad dollar index have been and how the USD is still at about its weakest since the Spring of 2016 (chart 3).

Chart 3



I would also keep an eye on Moody's US sovereign debt decision next Friday likely after markets shut and what guidance they may provide on broad fiscal parameters they are watching at a sensitive point in the debate over potential tax reforms to which I'd assign a one-in-three chance of some degree of success at this point.

What markets need to hear, however, sits inside the heads of rumoured candidates to be Fed Chair with President Trump guiding that a decision will be made within two to three weeks. Other than Chair Yellen's candidacy for a second term, Governor Powell's candidacy as a neutral-dovish moderate who is willing to be "patient" in light of soft inflation data and John Taylor's well known, hawkish and rules-based approach to monetary policy that perhaps rules him out as a serious contender, the views of former Fed Governor Kevin Warsh may require updating beyond his address last month at the BIS ([here](#)) and former BB&T chief executive John Allison is largely a complete unknown to markets. Other later innings candidates may also be revealed in addition to lingering prospects like Gary Cohn and Glenn Hubbard. **Part of a fair and democratic process for such a key role is for markets to have a full sense of where all of the candidates stand in their current policy beliefs.** As an example of how much is at stake, when it was disclosed that Warsh met with President Trump and Treasury Secretary Mnuchin on Friday, the USD immediately appreciated and Treasury yields spiked because of Warsh's past opposition to QE policies.

But the issue at hand is whether Kevin Warsh circa 2017–18 is the same as Kevin Warsh circa 2010–11 when he wrote a strong rebuke of Fed policy under Chairman Bernanke in [this](#) op-ed before resigning not long afterward. There is a strong case to be made for how he might not be, notwithstanding his criticisms of the role of policy makers in the markets in his BIS piece. I've

always had a lot of time for his bias that, as he put it “The Federal Reserve is not a repair shop for broken fiscal, trade or regulatory policies” and how it should not have stood so resolutely in the way of deleveraging so as to put the pressure on other policymakers versus giving them an out through low interest rates that rob from peter to pay paul. QE1 made sense in countering market failure but the US became a heavily interventionist state via QE and subsidies galore after that. But that was then and this is now; would Warsh still offer the same arguments now and, if so, do they matter as much? Opinions change with the times often for good reason. Would Warsh advocate applying blanket fiscal and regulatory solutions to growth this late in the cycle or would he be more concerned about overheating risks now than six years ago? Would he insist on more of the policies being supply-side oriented (eg. infrastructure, deregulation) and less on demand-side stimulus amid his late-cycle concerns (like personal tax cuts)? Would Warsh advocate yet tighter monetary policy than currently guided by FOMC officials? Perhaps, but there is a good case for how the balance of opinion at the Fed has stolen his thunder in this regard. More importantly, how does he really truly differ from Chair Yellen who also leans toward gradually tighter monetary policy, has set the Fed in motion to shrink the balance sheet and advocates productivity-friendly policies to stoke long-run growth? Warsh’s style definitely appears to differ noticeably from Chair Yellen’s measured remarks and notoriously careful meeting preparation.

In a somewhat more pedestrian sense, markets may nevertheless be more fixated upon data risks in the short-term and next week offers several gems. Given that all of this data covers the August–September period when the powerful storms hit, there is scope for broad-based but transitory disappointment in a round of data that should be largely ignored. Key will be Friday’s **nonfarm payrolls** report for September that will likely be a weather report in that Hurricane Andrew and then Irma will likely grind job growth to a halt. Workers may not get displaced from payrolls by weather events, but new job growth usually grinds lower when businesses and lives are so heavily disrupted by such events. When Hurricane Katrina struck in 2005, for instance, nonfarm payrolls slowed from 196k in August to just 67k in September. This time could well be worse, but equally transitory while hours worked will probably undergo a harsher hit.

Ahead of nonfarm will come ISM-manufacturing and construction spending on Monday, vehicle sales on Tuesday, ADP and ISM-services on Wednesday, trade on Thursday and factory orders after nonfarm on Friday.

EUROPE — A HIGH BAR TO BE BLOWN OFF BOE HIKE PLAN

There should be very limited new information out of Europe over the coming week. Relatively minor data updates will stand in contrast to grander developments elsewhere.

Russia updates CPI inflation for September by mid-week and that may drive further anticipation of additional rate cuts to be delivered by the Bank of Russia. At 3.3% y/y in August, CPI inflation is running at its lowest over at least the 2000s and it could tick lower next week and therefore remain well under the 4% target (chart 4). That’s down from an inflation peak of 17.5% y/y in March 2015. Core inflation is expected to dip beneath 3% to its lowest of the 2000s. Bygones be bygones in Russian monetary policy and so the policy rate has been cut in half compared to the peak in late 2014 while consensus expects further rate reductions.

UK purchasing managers’ indices will be updated with September readings for the manufacturing PMI on Monday, the construction PMI on Tuesday and then the services and composite PMIs on Wednesday. The composite PMI has been moving sideways over recent months as the manufacturing PMI’s acceleration was offset by the others. Will they matter to the Bank of England? Governor Carney recently offered a clue to the effect that there is a high bar set for data to knock the BoE off- course of its plan to raise rates as soon as the November 2nd meeting. Following soft services data, he came out and reinforced hike expectations by stating: “If the economy continues on this track it’s been on—and all indications are that it is—then in the relatively near term, you could expect interest rates to increase.”

The Eurozone retail sales add-up on Wednesday will probably come in soft following weakness in Germany and France with Italy due out by Friday. German factory orders are poised for a rebound after a soft performance in July, and French trade rounds out the hits on Friday.

Chart 4



ASIA — RBA, RBI, PMI AND CPI

Three things may matter across Asian markets over the coming week. One will be a pair of rate decisions by the RBA and the RBI. Two will be a wave of inflation updates. Three will be Chinese PMIs.

Key China data arrives into this weekend that could influence the Monday market open on October 2nd. China releases the state's versions of purchasing managers' indices for the manufacturing and services sector at 9pmET on Friday September 29th and the private version of the manufacturing PMI will be released 45 minutes later.

The Reserve Bank of Australia issues a policy decision Tuesday night and no one is expecting a change to the 1.5% cash target rate while OIS markets assign just shy of 100% odds to no move.

The Reserve Bank of India is expected to hold policy with small cut risk in the minority of opinions. The RBI cut its main policy rate by 25bps in August with a neutral policy bias. A consideration behind the cut was to shore up investment in a sagging economy still dealing with demonetization efforts. It also noted that "Some of the upside risks to inflation have either reduced or not materialized. Consequently, some space has opened up for monetary policy accommodation, given the dynamics of the output gap." Since then, however, inflation moved higher to 3.4% y/y and thus well inside the 4% +/-2% inflation target zone.

CPI updates will arrive from Thailand, Taiwan, Indonesia and Philippines. Australia also updates new home sales, trade and retail sales while Japan issues the Q3 Tankan report on Monday.

LATIN AMERICA — LOOKING THROUGH INFLATION RISKS

The main focus across Latin American markets will be upon a series of inflation reports across multiple countries. The reports will be split between two countries with below-target inflation, one of which is still falling, and two countries with upward pressure upon inflation readings that are already threatening inflation targets to the upside (chart 5).

Brazil's inflation rate will be updated with a September reading on Friday. It was 2.5% y/y in August and still falling from a peak of 10.7% y/y in January of 2016. The inflation rate is below the lower bound of the present 4.5% +/- 1.5% inflation target range and pushing the lower bound of the recently lowered longer-run target ranges of 4.25% +/- 1.5% by 2019 and 4% +/- 1.5% by 2020.

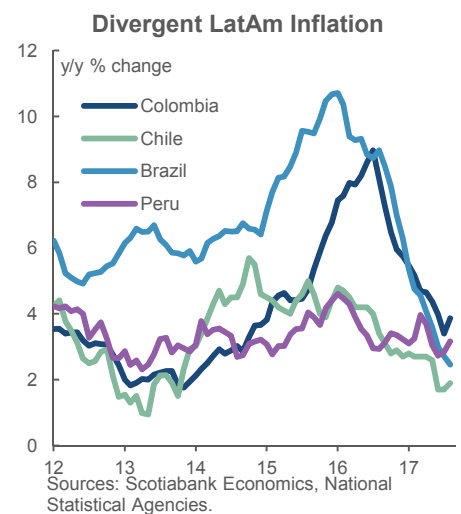
Inflation is expected to bottom later this year into early next year as further central bank easing lowers the selic rate to a seven-handle in 2018 from 8.25% at present and from a peak of 14.25%. Aggressive monetary easing since late last year has lowered the policy rate by six percentage points and unwound much of the tightening that had been in place from 2013–2015.

At 1.9% y/y in August, **Chile's inflation reading** sits at roughly the mid-point of the 3% +/-1% policy band targeted by Banco Central de Chile. The September reading on Friday is expected to be relatively stable after it ticked higher in August. The central bank eased by 100bps earlier this year to a 2.5% policy rate but has left policy unchanged since May. Since then it has guided to look through an inflation soft-patch by stating "that is almost totally due to changes in the most volatile prices."

Colombia also steps up with a CPI update for September on Thursday. At 3.9% y/y in August and the first rise in the inflation rate since July of last year, inflation is threatening the upper end of the 3% +/- 1% target range. Despite relatively high inflation, the central bank has been easing monetary policy right up to the August 31st decision to cut the lending rate by 25bps to 5.25%.

Peru's inflation rate for September will be updated at the start of the week. At 3.2% y/y in August, it has climbed for the past two months to the highest reading since April when flooding effects were dissipating. Banco Central de Reserva del Peru's inflation target range is 2% +/-1%. Despite relatively elevated inflation, the central bank cut its policy rate in September. In so doing, the central bank was more focused upon growth risks as it dismissed temporary influences upon inflation such as higher food prices and water utility rates.

Chart 5



Key Indicators for the week of October 2 – 6
NORTH 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> |
|----------------|-------------|-------------|--|---------------|------------|------------------|---------------|
| US | 10/02 | 10:00 | Construction Spending (m/m) | Aug | 0.2 | 0.4 | -0.6 |
| US | 10/02 | 10:00 | ISM Manufacturing Index | Sep | 58.0 | 58.0 | 58.8 |
| US | 10/03 | | Domestic Vehicle Sales (mn a.r.) | Sep | -- | 12.7 | 12.5 |
| US | 10/03 | | Total Vehicle Sales (mn a.r.) | Sep | 16.6 | 16.7 | 16.0 |
| US | 10/04 | 07:00 | MBA Mortgage Applications (w/w) | SEP 29 | -- | -- | -0.5 |
| US | 10/04 | 08:15 | ADP Employment Report (000s m/m) | Sep | 100.0 | 140.0 | 236.6 |
| US | 10/04 | 10:00 | ISM Non-Manufacturing Composite | Sep | 55.0 | 55.5 | 55.3 |
| CA | 10/05 | 08:30 | Merchandise Trade Balance (C\$ bn) | Aug | -2.6 | -- | -3.0 |
| US | 10/05 | 08:30 | Trade Balance (US\$ bn) | Aug | -44.1 | -42.8 | -43.7 |
| US | 10/05 | 08:30 | Initial Jobless Claims (000s) | SEP 30 | 270 | 265 | 272 |
| US | 10/05 | 08:30 | Continuing Claims (000s) | SEP 23 | -- | 1950 | 1934 |
| US | 10/05 | 10:00 | Factory Orders (m/m) | Aug | 1.2 | 0.9 | -3.3 |
| CA | 10/06 | 08:30 | Employment (000s m/m) | Sep | 20.0 | -- | 22.2 |
| CA | 10/06 | 08:30 | Unemployment Rate (%) | Sep | 6.1 | -- | 6.2 |
| US | 10/06 | 08:30 | Nonfarm Employment Report (000s m/m) | Sep | 60.0 | 75.0 | 156.0 |
| US | 10/06 | 08:30 | Unemployment Rate (%) | Sep | 4.5 | 4.4 | 4.4 |
| US | 10/06 | 08:30 | Household Employment Report (000s m/m) | Sep | -- | -- | -74.0 |
| US | 10/06 | 08:30 | Average Hourly Earnings (m/m) | Sep | -- | 0.3 | 0.1 |
| US | 10/06 | 08:30 | Average Hourly Earnings (y/y) | Sep | -- | 2.6 | 2.5 |
| US | 10/06 | 08:30 | Average Weekly Hours | Sep | -- | 34.4 | 34.4 |
| US | 10/06 | 15:00 | Consumer Credit (US\$ bn m/m) | Aug | -- | 15.5 | 18.5 |

EUROPE

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Indicator</u> | <u>Period</u> | <u>BNS</u> | <u>Consensus</u> | <u>Latest</u> |
|----------------|-------------|-------------|-------------------------------------|---------------|------------|------------------|---------------|
| IT | 10/02 | 03:45 | Manufacturing PMI | Sep | -- | 56.8 | 56.3 |
| FR | 10/02 | 03:50 | Manufacturing PMI | Sep F | -- | 56.0 | 56.0 |
| GE | 10/02 | 03:55 | Manufacturing PMI | Sep F | -- | 60.6 | 60.6 |
| EC | 10/02 | 04:00 | Manufacturing PMI | Sep F | -- | 58.2 | 58.2 |
| UK | 10/02 | 04:30 | Manufacturing PMI | Sep | -- | 56.2 | 56.9 |
| EC | 10/02 | 05:00 | Unemployment Rate (%) | Aug | -- | 9.0 | 9.1 |
| IT | 10/02 | | Budget Balance (€ bn) | Sep | -- | -- | -1.0 |
| IT | 10/02 | | Budget Balance YTD (€ bn) | Sep | -- | -- | -40.0 |
| RU | OCT 2-3 | | Real GDP (y/y) | 2Q F | -- | 2.50 | 2.50 |
| UK | 10/03 | 04:30 | PMI Construction | Sep | -- | 51.1 | 51.1 |
| EC | 10/03 | 05:00 | PPI (m/m) | Aug | -- | 0.1 | 0.0 |
| IT | 10/04 | 03:45 | Services PMI | Sep | -- | 55.0 | 55.1 |
| FR | 10/04 | 03:50 | Services PMI | Sep F | -- | 57.1 | 57.1 |
| GE | 10/04 | 03:55 | Services PMI | Sep F | -- | 55.6 | 55.6 |
| EC | 10/04 | 04:00 | Composite PMI | Sep F | -- | 56.7 | 56.7 |
| EC | 10/04 | 04:00 | Services PMI | Sep F | -- | 55.6 | 55.6 |
| UK | 10/04 | 04:30 | Official Reserves Changes (US\$ bn) | Sep | -- | -- | 1603 |
| UK | 10/04 | 04:30 | Services PMI | Sep | -- | 53.2 | 53.2 |
| EC | 10/04 | 05:00 | Retail Trade (m/m) | Aug | -- | 0.3 | -0.3 |
| GE | 10/06 | 02:00 | Factory Orders (m/m) | Aug | -- | 0.7 | -0.7 |
| FR | 10/06 | 02:45 | Central Government Balance (€ bn) | Aug | -- | -- | -83.8 |
| FR | 10/06 | 02:45 | Current Account (€ bn) | Aug | -- | -- | -4.2 |
| FR | 10/06 | 02:45 | Trade Balance (€ mn) | Aug | -- | -5400 | -5968 |
| SP | 10/06 | 03:00 | Industrial Output NSA (y/y) | Aug | -- | -- | 2.0 |
| UK | 10/06 | 03:30 | Halifax House Price (3 month, y/y) | Sep | -- | 3.6 | 2.6 |

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

Key Indicators for the week of October 2 – 6

ASIA-PACIFIC

| Country | Date | Time | Indicator | Period | BNS | Consensus | Latest |
|---------|---------|-------|-----------------------------------|--------------|-------------|-------------|-------------|
| SK | 09/30 | 20:00 | Exports (y/y) | Sep | -- | 25.0 | 17.4 |
| SK | 09/30 | 20:00 | Imports (y/y) | Sep | -- | 20.6 | 14.2 |
| SK | 09/30 | 20:00 | Trade Balance (US\$ mn) | Sep | -- | 10015 | 7013 |
| JN | 10/01 | 19:50 | Tankan All Industries Index | 3Q | -- | 8.4 | 8.0 |
| JN | 10/01 | 19:50 | Tankan Manufacturing Index | 3Q | -- | 18.0 | 17.0 |
| JN | 10/01 | 19:50 | Tankan Non-Manufacturing Index | 3Q | -- | 24.0 | 23.0 |
| JN | 10/01 | 20:30 | Markit/JMMA Manufacturing PMI | Sep F | 52.6 | -- | 52.6 |
| TH | 10/01 | 23:30 | CPI (y/y) | Sep | 0.4 | 0.5 | 0.3 |
| TH | 10/01 | 23:30 | Core CPI (y/y) | Sep | -- | 0.5 | 0.5 |
| JN | OCT 1-6 | | Official Reserve Assets (US\$ bn) | Sep | -- | -- | 1268 |
| SI | OCT 1-9 | | Foreign Reserves (US\$ mn) | Sep | -- | -- | 273115 |
| ID | 10/02 | 00:00 | CPI (y/y) | Sep | 3.7 | 3.7 | 3.8 |
| ID | 10/02 | 00:00 | Core CPI (y/y) | Sep | -- | 2.9 | 3.0 |
| JN | 10/02 | 01:00 | Vehicle Sales (y/y) | Sep | -- | -- | 4.7 |
| TH | 10/02 | 03:30 | Business Sentiment Index | Sep | -- | -- | 50.7 |
| SI | 10/02 | 09:00 | Purchasing Managers Index | Sep | -- | -- | 51.8 |
| JN | 10/02 | 19:50 | Monetary Base (y/y) | Sep | -- | 16.3 | 16.3 |
| AU | 10/02 | 20:00 | HIA New Home Sales (m/m) | Aug | -- | -- | -3.7 |
| AU | 10/02 | 20:30 | Building Approvals (m/m) | Aug | -- | 1.0 | -1.7 |
| AU | 10/02 | 20:30 | ANZ Job Advertisements (m/m) | Sep | -- | -- | 2.0 |
| AU | 10/02 | 23:30 | RBA Cash Target Rate (%) | Oct 3 | 1.50 | 1.50 | 1.50 |
| JN | 10/03 | 01:00 | Consumer Confidence | Sep | -- | 43.5 | 43.3 |
| HK | 10/03 | 04:30 | Retail Sales - Volume (y/y) | Aug | -- | 5.5 | 4.6 |
| NZ | 10/03 | 12:00 | QV House Prices (y/y) | Sep | -- | -- | 4.8 |
| IN | 10/04 | 05:00 | Repo Rate (%) | Oct 4 | 6.00 | 6.00 | 6.00 |
| IN | 10/04 | 05:00 | Reverse Repo Rate (%) | Oct 4 | 5.75 | 5.75 | 5.75 |
| IN | 10/04 | 05:00 | Cash Reserve Ratio (%) | Oct 4 | 4.00 | 4.00 | 4.00 |
| AU | 10/04 | 20:30 | Retail Sales (m/m) | Aug | -- | 0.3 | 0.0 |
| AU | 10/04 | 20:30 | Trade Balance (AUD mn) | Aug | -- | 870.0 | 460.0 |
| PH | 10/04 | 21:00 | CPI (y/y) | Sep | 3.1 | 3.2 | 3.1 |
| PH | 10/04 | 21:00 | Core CPI (y/y) | Sep | -- | 3.1 | 3.0 |
| TH | 10/04 | 23:30 | Consumer Confidence Economic | Sep | -- | -- | 62.4 |
| ID | OCT 4-5 | | Consumer Confidence Index | Sep | -- | -- | 121.9 |
| HK | 10/05 | 20:30 | Purchasing Managers Index | Sep | -- | -- | 49.7 |
| MA | 10/06 | 00:00 | Exports (y/y) | Aug | -- | 23.6 | 30.9 |
| MA | 10/06 | 00:00 | Imports (y/y) | Aug | -- | 20.8 | 21.8 |
| MA | 10/06 | 00:00 | Trade Balance (MYR bn) | Aug | -- | 9.2 | 8.0 |
| JN | 10/06 | 01:00 | Coincident Index CI | Aug P | -- | 117.5 | 115.7 |
| JN | 10/06 | 01:00 | Leading Index CI | Aug P | -- | 107.2 | 105.2 |
| MA | 10/06 | 03:00 | Foreign Reserves (US\$ bn) | Sep 29 | -- | -- | 100.8 |
| TA | 10/06 | 04:00 | CPI (y/y) | Sep | 0.8 | 0.9 | 1.0 |

LATIN AMERICA

| Country | Date | Time | Indicator | Period | BNS | Consensus | Latest |
|---------|-------|-------|---|--------|-----|-----------|--------|
| PE | 10/01 | 01:00 | Consumer Price Index (m/m) | Sep | 0.2 | 0.0 | 0.7 |
| PE | 10/01 | 01:00 | Consumer Price Index (y/y) | Sep | 3.2 | 3.0 | 3.2 |
| BZ | 10/02 | 08:00 | PMI Manufacturing Index | Sep | -- | -- | 50.9 |
| BZ | 10/02 | 14:00 | Trade Balance (FOB) - Monthly (US\$ mn) | Sep | -- | 5050 | 5599 |
| BZ | 10/03 | 08:00 | Industrial Production SA (m/m) | Aug | -- | 0.4 | 0.8 |
| BZ | 10/03 | 08:00 | Industrial Production (y/y) | Aug | -- | 5.1 | 2.5 |
| CL | 10/03 | 08:00 | Retail Sales (y/y) | Aug | -- | -- | 4.2 |
| CL | 10/05 | 07:30 | Economic Activity Index SA (m/m) | Aug | -- | -- | 0.9 |
| CL | 10/05 | 07:30 | Economic Activity Index NSA (y/y) | Aug | -- | -- | 2.8 |
| CO | 10/05 | 20:00 | Consumer Price Index (m/m) | Sep | -- | 0.2 | 0.1 |
| CO | 10/05 | 20:00 | Consumer Price Index (y/y) | Sep | -- | 4.1 | 3.9 |
| CL | 10/06 | 07:00 | CPI (m/m) | Sep | -- | 0.3 | 0.2 |
| CL | 10/06 | 07:00 | CPI (y/y) | Sep | -- | 1.9 | 1.9 |
| BZ | 10/06 | 08:00 | IBGE Inflation IPCA (m/m) | Sep | -- | 0.1 | 0.2 |
| BZ | 10/06 | 08:00 | IBGE Inflation IPCA (y/y) | Sep | -- | 2.5 | 2.5 |

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

Global Auctions for the week of October 2 – 6

NORTH AMERICA

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Event</u> |
|----------------|-------------|-------------|-----------------------------|
| CA | 10/04 | 12:00 | Canada to Sell 5-Year Bonds |

EUROPE

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Event</u> |
|----------------|-------------|-------------|--|
| DE | 10/04 | 04:30 | Denmark to Sell Bonds |
| SW | 10/04 | 05:03 | Sweden to Sell Bonds |
| SW | 10/04 | 05:03 | Sweden to Sell SEK1 Bln 2.25% 2032 Bonds |
| SW | 10/04 | 05:03 | Sweden to Sell SEK1.5 Bln 1% 2026 Bonds |
| GE | 10/04 | 05:30 | Germany to Sell EUR3 Bln 0.5% 2027 Bonds |
| SP | 10/05 | 04:45 | Spain to Sell 0.45% 2022 Bonds |
| SP | 10/05 | 04:45 | Spain to Sell 6% 2029 Bonds |
| SP | 10/05 | 04:45 | Spain to Sell 1.8% I/L 2024 Bonds |
| FR | 10/05 | 04:50 | France to Sell 1% 2025 Bonds |
| FR | 10/05 | 04:50 | France to Sell 0.75% 2028 Bonds |
| UK | 10/05 | 05:30 | U.K. to Sell 0.75% 2023 Bonds |
| IC | 10/06 | 06:30 | Iceland to Sell Bonds |

ASIA-PACIFIC

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Event</u> |
|----------------|-------------|-------------|---|
| JN | 10/02 | 23:45 | Japan to Sell 10-Year Bonds |
| AU | 10/03 | 20:00 | Australia Plans to Sell AUD700 Mln 4.75% 2027 Bonds |
| JN | 10/04 | 23:45 | Japan to Sell CPI Linked 10-Year Bonds |
| AU | 10/05 | 20:00 | Australia Plans to Sell AUD700 Mln 2.25% 2028 Bonds |

LATIN AMERICA

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Event</u> |
|----------------|-------------|-------------|---------------------------------------|
| BZ | 10/03 | 11:00 | Brazil to Sell I/L Bonds - 08/15/2022 |
| BZ | 10/03 | 11:00 | Brazil to Sell I/L Bonds - 08/15/2026 |
| BZ | 10/03 | 11:00 | Brazil to Sell I/L Bonds - 05/15/2035 |
| BZ | 10/03 | 11:00 | Brazil to Sell I/L Bonds - 05/15/2055 |
| BZ | 10/05 | 11:00 | Brazil to Sell LFT - 09/01/2023 |

Source: Bloomberg, Scotiabank Economics.

Events for the week of October 2 – 6

NORTH AMERICA

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Event</u> |
|----------------|-------------|-------------|---|
| US | 10/02 | 14:00 | Fed's Kaplan Speaks in El Paso |
| US | 10/03 | 08:30 | Fed's Powell Discussed Regulatory Reform |
| US | 10/03 | 08:30 | Fed's Powell Discusses Regulatory Reform |
| CA | 10/03 | 12:30 | Bank of Canada Deputy Leduc speaks in Sherbrooke, Quebec |
| US | 10/04 | 15:15 | Yellen Gives Welcoming Remarks at Community Banking Event |
| US | 10/05 | 09:10 | Fed's Powell Speaks on Treasury Markets and the TMPG |
| US | 10/05 | 09:15 | Fed's Williams Speaks at Community Banking Conference |
| US | 10/05 | 10:00 | Fed's Harker Speaks at Workforce Conference |
| US | 10/05 | 16:30 | Fed's George Speaks at Workforce Conference |
| US | 10/06 | 09:15 | Fed's Bostic Speaks at Workforce Conference |
| US | 10/06 | 12:15 | Fed's Dudley to Speak on Monetary Policy |
| US | 10/06 | 12:45 | Fed's Kaplan Speaks at Workforce Conference |
| US | 10/06 | 13:00 | Fed's Bullard Speaks on Economy in St. Louis |
| US | 10/06 | | United States Sovereign Debt to be rated by Moody's |

EUROPE

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Event</u> |
|----------------|--------------|-------------|---|
| IT | SEP 30-OCT 1 | | G7 Labor Ministers Meet in Italy |
| PO | 10/01 | | Portugal Holds Local Elections |
| UK | OCT 1-4 | | U.K. Conservative Party Conference in Manchester |
| SW | 10/02 | 10:00 | EU's Oettinger Holds Press Conference in Stockholm |
| SW | 10/03 | 02:30 | Swedish FSA Head Speaks in Stockholm |
| UK | 10/03 | 04:30 | Record of the Financial Policy Committee's September meeting |
| SW | 10/03 | 05:30 | Riksbank Governor Ingves Gives Speech |
| EC | 10/05 | 04:30 | ECB's Praet chairs a panel with Liikanen, Jazbec in Frankfurt |
| EC | 10/05 | 07:30 | ECB account of the monetary policy meeting |
| EC | 10/05 | 08:15 | ECB's Coeure is chairing a panel in Frankfurt |
| UK | 10/05 | 12:00 | BOE's McCafferty Speaks in London |
| UK | 10/05 | 13:30 | BOE's Haldane Speaks in London |
| UK | 10/06 | 08:00 | BOE's Haldane Speak at Event in London |
| FR | 10/06 | 09:30 | ECB's de Galhau, Nowotny Speak in Vienna |
| FR | 10/06 | | France Sovereign Debt to be rated by S&P |
| IT | 10/06 | | Italy Sovereign Debt to be rated by Moody's |
| SP | 10/06 | | Spain Sovereign Debt to be rated by DBRS |

ASIA-PACIFIC

| <u>Country</u> | <u>Date</u> | <u>Time</u> | <u>Event</u> |
|----------------|-------------|-------------|------------------------|
| AU | 10/02 | 23:30 | RBA Cash Rate Target |
| IN | 10/04 | 05:00 | RBI Repurchase Rate |
| IN | 10/04 | 05:00 | RBI Reverse Repo Rate |
| IN | 10/04 | 05:00 | RBI Cash Reserve Ratio |

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 | 1.00 | October 25, 2017 | 1.00 | 1.00 |
| Federal Reserve – Federal Funds Target Rate | 1.25 | November 1, 2017 | 1.25 | 1.25 |
| Banco de México – Overnight Rate | 7.00 | November 9, 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 | October 26, 2017 | 0.00 | -- |
| Bank of England – Bank Rate | 0.25 | November 2, 2017 | 0.25 | -- |
| Swiss National Bank – Libor Target Rate | -0.75 | December 14, 2017 | -0.75 | -- |
| Central Bank of Russia – One-Week Auction Rate | 8.50 | October 27, 2017 | 8.50 | -- |
| Sweden Riksbank – Repo Rate | -0.50 | October 26, 2017 | -0.50 | -- |
| Norges Bank – Deposit Rate | 0.50 | October 26, 2017 | 0.50 | -- |
| Central Bank of Turkey – Benchmark Repo Rate | 8.00 | October 26, 2017 | 8.00 | -- |

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 | October 31, 2017 | -0.10 | -- |
| Reserve Bank of Australia – Cash Target Rate | 1.50 | October 2, 2017 | 1.50 | 1.50 |
| Reserve Bank of New Zealand – Cash Rate | 1.75 | November 8, 2017 | 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 | 6.00 |
| Bank of Korea – Bank Rate | 1.25 | October 19, 2017 | 1.25 | -- |
| Bank of Thailand – Repo Rate | 1.50 | November 8, 2017 | 1.50 | 1.50 |
| Bank Negara Malaysia – Overnight Policy Rate | 3.00 | November 9, 2017 | 3.00 | 3.00 |
| Bank Indonesia – 7-Day Reverse Repo Rate | 4.25 | October 19, 2017 | 4.25 | -- |

The Reserve Bank of Australia (RBA) will hold a monetary policy meeting on October 3; we do not expect any changes to the benchmark interest rate. The RBA will likely maintain accommodative monetary conditions over the coming quarters in order to support domestic demand as Australia's inflationary pressures remain contained. **The Reserve Bank of India (RBI)** will hold a monetary policy meeting on October 4. Weak economic growth has likely increased pressure on the RBI to ease monetary conditions further. Nevertheless, we expect the monetary policy stance to remain unchanged given that the government may adopt a looser fiscal stance. On various occasions the RBI has highlighted that potential fiscal slippage is one of the key risks to India's inflation outlook. Inflation—at 3.4% y/y in August—has already started to accelerate after reaching its low point of 1.5% y/y in June. Moreover, further benchmark interest rate reductions would likely have only a minimal impact on stimulating the economy given persistently abundant liquidity in India's banking system.

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 | 8.25 | October 25, 2017 | 8.00 | -- |
| Banco Central de Chile – Overnight Rate | 2.50 | October 19, 2017 | 2.50 | -- |
| Banco de la República de Colombia – Lending Rate | 5.25 | October 27, 2017 | 5.25 | -- |
| Banco Central de Reserva del Perú – Reference Rate | 3.50 | October 12, 2017 | 3.50 | -- |

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 | November 23, 2017 | 6.75 | -- |

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