

**A TIME TO MAKE ATONEMENT**

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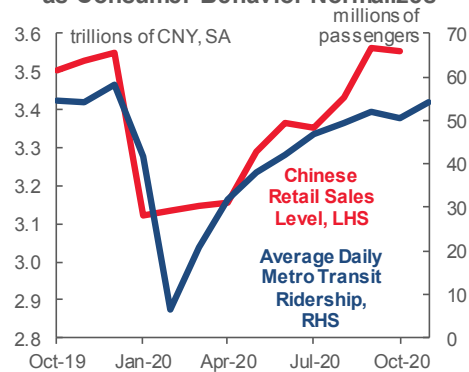
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**Next Week's Risk Dashboard**

- Brexit's final act?
- US funding & stimulus talks
- A Fed preview
- Other CBs: BoE, BoJ, SNB, Norges, Banxico...
- ...BanRep, BI, Philippines, CBCT, Russia
- PMIs: Eurozone, US, UK, Japan, Australia

**Chart of the Week**
**China's Retail Recovery Continues as Consumer Behavior Normalizes**


Note: Ridership average from 11 different cities  
 Sources: Scotiabank Economics, Weibo, Haver Analytics, China NBS.

Chart of the Week: Prepared by: Evan Andrade,  
 Economic Analyst.

## A Time to Make Atonement

The coming week will serve as another reminder of how global political leadership has offered a mixed set of influences upon the economy and markets over 2020. Exemplary work by governments and their (sort of) independent central banks to deliver major fiscal and monetary policy stimulus has helped to nudge economies and markets into recovery. They will gradually shift toward complicated and equally taxing matters governing how to ultimately transition away from such assistance, but we would all be in a worse state if not for their actions, hard work and devoted service.

This nevertheless followed a failure to enact pandemic planning measures after years of warnings by health policy experts and scientists. We've all no doubt filtered out bad things that might happen and failed to fully take preventative steps as it's a somewhat human thing to do. But steps taken toward sharply reducing hospital beds per capita and straining health sector funding across virtually all OECD economies for many years leading up to the pandemic while failing to make relatively token investments in stockpiles of emergency supplies such as vents and N95s probably made the pandemic even worse than it would have otherwise been. It's as if pandemic plans were drawn up and then promptly shipped off to archives never to see the light of day again. Thank you for the band-aid; not for the wound. Fortunately we have brilliant scientists to thank for developing vaccines that hold forth the best prospect of a sustainable recovery that would not have otherwise been possible. In my view, they are the true heroes in all of this.

That is, of course, unless we find other ways to ruin it all or at least make the path to full recovery take longer and proceed along a bumpier road. Enter the week ahead. Transition to the present and it's frankly astonishing to even remotely contemplate actions to destabilize the picture in the middle of the global second wave of COVID-19 cases. Great Britain crashing out of Europe? The US even talking of the risk of a government shutdown that would disrupt services into the holiday season? Yoo hoo, is that you Ebenezer? Toying with cutting off jobless benefits for millions of unemployed Americans and booting them from their homes come January 1<sup>st</sup> because of the inability to agree upon extending CARES Act stimulus while setting aside tangential political matters mostly attached to individual personalities? Toying with the public's confidence in democratic institutions? Or how about no one talking about unwinding the results of destructive trade wars over 2018–29. The age of policy via Twitter has been rather short on true states(wo)men. Forgive me for saying so, but quite frankly, every time I hear someone standing at a pulpit and admonishing the private sector on grounds of what's fair and inequality I can't quite help but point out that discrete and long lasting leaps toward regressive outcomes are often the by-product of repeated, costly policy failures. The way to fix that in future is less about how much is spent trying, and more about avoiding large and repeated policy mishaps. Maybe a little more effort in that regard will help understand why there is deep-rooted cynicism across today's electorates and present populist tendencies.

I'm cautiously if not perhaps hopelessly optimistic toward how this ultimately plays out over the coming week, but the damage is already being done. The destabilizing influences upon how businesses and households can plan through this environment are not helpful. Judging by the antics in major capitals like Washington and London, it would appear to an outsider from another universe as if there could not possibly be a major global pandemic that is still underway.

### 1. BREXIT—DOWN UNDER, INDEED

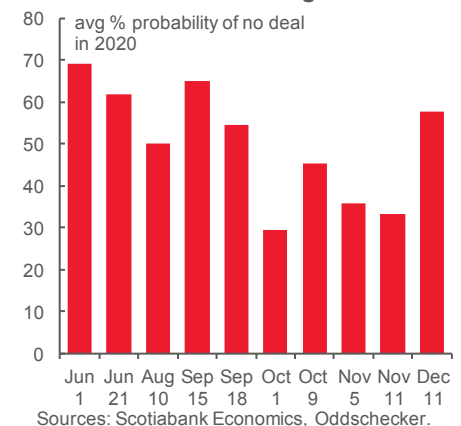
UK PM Johnson advised on Friday that a hard Brexit on January 1<sup>st</sup> is "very, very likely." He enters last ditch negotiations with EC President von der Leyen through Sunday that has been set as decision day.

It's quite dumfounding that in the midst of a pandemic, a once great Empire and still powerful nation would seriously court the prospect of entering 2021 sans trade agreements with its main trading partners in Europe and America. Bookies are wagering rising odds that it's over (chart 1). Truth is indeed stranger than fiction in our times as this remains a very real possibility.

**Still, it is not yet a certainty.** There is a small chance that the outcome won't be so blindingly stupid as to impose a trade shock on the UK economy with businesses and households reeling from second wave COVID-19 effects. As Irish PM Varadkar put it "It's

Chart 1

Average Odds Wagering "No" to a UK & EU Trade Deal Signed in 2020



very often the case that these deals are done at the last moment because everyone needs to be sure it was the best deal possible and there is nothing else left on the table.” Think, for example, of the CUSMA/USMCA NAFTA 2.0 negotiations that involved Canada drawing a line in the sand on multiple issues only for Trump to cave and a relatively favourable deal to be struck as opposed to giving notice that the US would walk away and inflict a self-imposed gunshot wound on its own economy. In a sense, Brexit may be no different from the kind of brinksmanship we’ve seen in other tense negotiations.

Nevertheless, to candy coat this hard exit risk, UK Prime Minister Johnson has advised that the most likely outcome stemming from talks this Sunday is that the so-called Australia model will govern EU-UK relations into the new year. This is a euphemism for a hard Brexit absent a deal without directly saying as much, as opposed to the so-called Canada model of an independent country with a more favourable trade agreement with the EU than that which would govern trade under WTO rules. The Australia model would involve the UK relationship with the EU reverting to WTO rules governing trade between the two powers including tariff schedules, regulations and quotas. Even Australia is trying to extricate itself from this arrangement with the EU by seeking an alternative bilateral deal! It is because of higher uncertainty and tariff schedules under the Australia model that sterling has been depreciating in anticipation of a terms of trade shock to the UK economy.

## **2. CENTRAL BANKS—IT ALL COMES DOWN TO WAM**

A slew of central banks will deliver policy decisions over the coming week, including a mixture of major and regional players. Most of them weigh-in a day or two following the Federal Reserve. That seems appropriate since, for the most part, what the Fed may do is where most of the global market risk may reside.

### **i) FOMC**

The Fed is certain to introduce new communication tools on Wednesday and will probably introduce forward guidance for its asset purchase program. What it might do with the scale and scope of its asset purchase program is more uncertain. The statement arrives at 2pmET on Wednesday followed by Chair Powell’s usual press conference starting a half hour later.

#### **Asset Purchase Program Guidance**

Minutes to the November 4<sup>th</sup>–5<sup>th</sup> FOMC meeting noted that “most participants” judged that guidance for asset purchases should be updated “at some point” which leaves it somewhat open to whether they will do so as soon as this coming meeting or into 2021.

Recall that, to date, purchase program guidance has stated that holdings of Treasuries and MBS will be increased “to sustain smooth market functioning and help foster accommodative financial conditions, thereby supporting the flow of credit to households and businesses.” With financial market conditions having healed rather robustly since earlier in the pandemic, this form of guidance has a bit of a stale feeling to it. This leaves markets debating the criteria that would be applied to decisions on how much longer to buy, under what conditions it may continue to do so, when it may begin to taper purchases, and ultimately when the program may be shut down and transitioned toward reinvesting coupon and maturing flows before ultimately unwinding. These are key considerations to market participants in that they inform expectations surrounding whether to follow the same exit playbook as the post-GFC period.

What form could such guidance take? In the same minutes, it was noted that most participants felt that qualitative outcome-based guidance that links purchases to economic conditions over time would be advisable. The purpose of doing so would probably be to clarify to markets the intent of guiding purchases until the path toward full employment and the inflation target is well underway as opposed to guidance to date that has been less explicitly linked to expected future economic conditions. What leans toward this change occurring now is that only “a few” participants thought it shouldn’t be made in the near-term given economic and market uncertainty.

#### **More Robust Communications**

At the November 5<sup>th</sup> press conference following that day’s FOMC statement, Chair Powell noted that the December meeting’s communications will change in two modest ways. One is that they will now release the whole Summary of Economic Projections

materials at the same time as the statement (2pmET) instead of three weeks later in the minutes. Second, they will add two new graphs that show how the balance of risks has changed by participant over time. That could offer useful information on the breadth of the policy bias and how it is shifting over time. When combined together, these added tools could give a better evolving sense of the confidence that FOMC officials have toward the outlook.

### Changing the Purchase Program

It is also possible that the FOMC decides to alter its purchase program in a more substantive and immediate way. The FOMC is unlikely to alter the total of Treasury and agency MBS purchases from the present US\$80 billion and US\$40 billion per month rates, but it could push out purchases further along the curve in such fashion as to alter the weighted average term to maturity of its holdings (WAM). Chart 2 shows the weighted average maturity of Treasury holdings at the Fed while chart 3 shows the distribution of purchases by maturity bucket this year. What may lessen pressure to act now is that the prior upward movement in, say, the 10 year Treasury yield has recently abated. The tone of public comments by FOMC officials also tends to lean against anything being done imminently.

For example, the minutes to the November meeting stated that “participants generally saw the current pace and composition as effective in fostering accommodative financial conditions” and “While participants judged that immediate adjustments to the pace and composition of asset purchases were not necessary, they recognized that circumstances could shift to warrant such adjustments.”

FOMC guidance since the publication of the minutes has also not conveyed much of a sense of urgency. Chair Powell passed on opportunities to materially broach the topic in his quarterly CARES Act testimony before Congress on December 1<sup>st</sup> and 2<sup>nd</sup>. St. Louis Fed President Bullard (nonvoting 2020) remarked that “I do think we have a robust program in place right now and I don’t see any reason to change it.” NY Fed President Williams commented that financial conditions “are quite favourable.” Perhaps most telling of all were comments by Dallas Fed President Kaplan (voting 2020) on December 2<sup>nd</sup>:

“When you have this kind of situation, where you’ve got a three- to six-month issue, but over the horizon we expect strong growth—I think dealing with that may be more suited to fiscal policy. I don’t know that increasing the size or extending maturities of our bond purchases would help address the situation I’m concerned about in the next three to six months. I would not want to do that at this point. I’ll go into the December meeting with an open mind but I think we’ve got very accommodative financial conditions.”

### ii) Other central banks

On Thursday and Friday, no fewer than nine other central banks will weigh in with updated assessments. **The Bank of England is not expected to alter its asset purchase target of £875B or 0.1% Bank Rate but obviously the state of Brexit negotiations this weekend and the outcome into the new year and how markets take it may be impactful to its assessments.**

Banxico, the Swiss National Bank, Norges Bank, Bangko Sentral ng Pilipinas and Taiwan’s central bank are not expected to alter policy on Thursday. The Bank of Japan is also expected to stay on hold along with BanRep. Russia’s central bank is expected to hold at 4.25% on Friday with a minority expecting a cut.

Chart 2

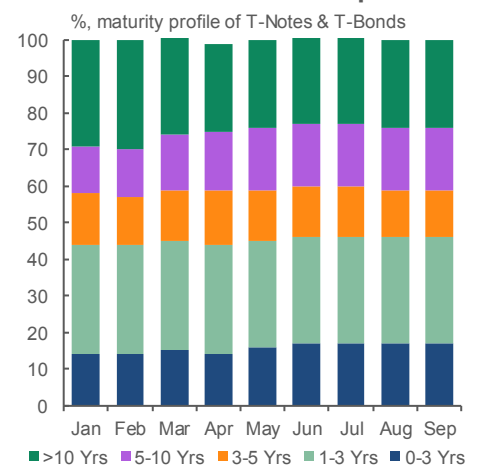
#### Average Maturity of Treasury Notes & Bonds Held by the Fed



Sources: Scotiabank Economics, NY Federal Reserve.

Chart 3

#### Increased Fed Treasury Purchases Hasn’t Altered SOMA Composition



Sources: Scotiabank Economics, NY Federal Reserve.

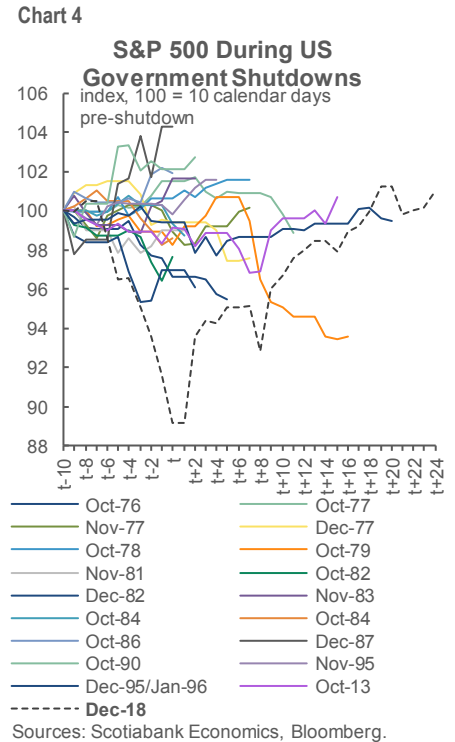
### 3. DOES A SCORNED TRUMP UP THE RISKS TO US STIMULUS & FUNDING TALKS?

Little progress was made this past week toward an omnibus funding bill and stimulus package. The companion efforts will continue over the coming week.

As this past week came to a close, the Senate followed the House of Representatives in passing a one-week Continuing Resolution to fund government agencies until Friday December 18<sup>th</sup>. The Senate also passed a defence spending bill by a veto-proof margin against President Trump's wishes. Trump had opposed the bill because it proposed renaming military bases presently named after Confederate leaders and because he wanted to use the bill to seek vengeance against social media companies.

With Trump having lost this battle to Congress, it's unclear whether the odds of obtaining his signature may be jeopardized on an omnibus funding bill to keep the government open past this coming Friday and a stimulus package to extend CARES Act measures that would otherwise expire on December 31<sup>st</sup>—like jobless benefit enhancements and an eviction moratorium. There is enough scope for disagreement on a stimulus package between GOP members and Democrats with major bones of contention including liability protection for companies against COVID-19 suits that the Republicans wish to include but the Democrats oppose, as well as aid to states that the Democrats are seeking. Then layer onto that risk the President's personality on his way out the door.

As argued in last week's *Global Week Ahead* ([here](#)), shutdowns normally illicit a minimal impact on the economy and markets. This one remains different given Trump's proclivity toward tearing the house down in the pursuit of his own single-issue aims as he did with the late 2018–19 record-long government shutdown over funding for the Mexican border wall. That period coincided with a significant hit to equities, albeit in the context of multiple other developments (chart 4).



### 4. PMIS TO INFORM Q4/Q1 TRANSITION

A wave of purchasing managers' indices start up anew over the coming week. The December readings will further inform Q4 GDP growth-tracking, but also how economies are transitioning into 2021. Charts 5–9 show the recent connections between PMIs and GDP growth and where they are pointing into Q4.

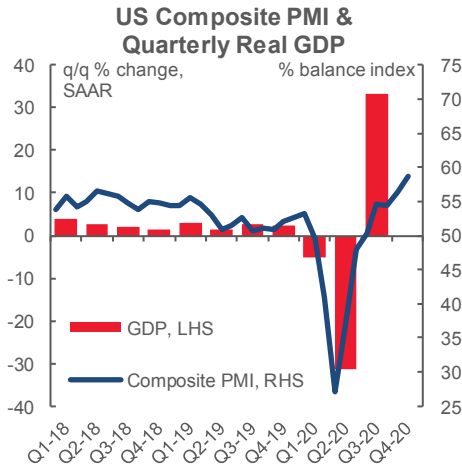
Japan kicks it off on Sunday night eastern time with the Q4 Tankan survey before the Jibun gauges arrive on Tuesday.

Australia reports PMIs on Tuesday evening (eastern time).

US releases will include the Empire regional manufacturing report on Tuesday, Markit's manufacturing and services PMIs on Wednesday, and the Philly Fed's regional gauge on Thursday. The Empire and Philly measures will begin to indicate where the next ISM-manufacturing reading could go when it gets updated on January 5<sup>th</sup>.

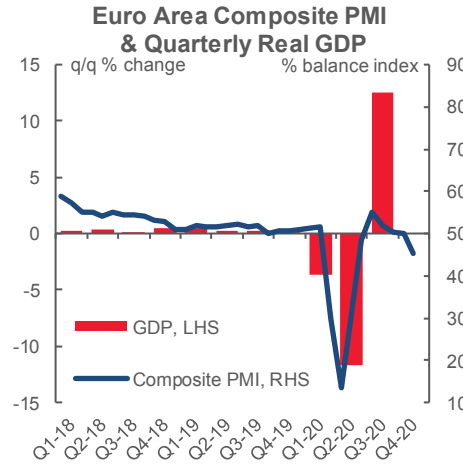
UK and Eurozone PMIs arrive on Wednesday. The German IFO business confidence measure will also be updated on Friday.

Chart 5



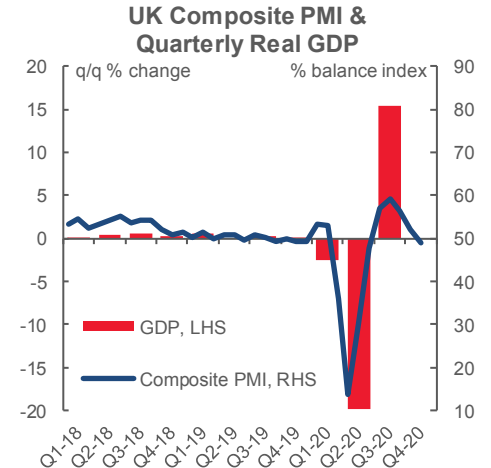
Sources: Scotiabank Economics, IHS Markit, Bloomberg.

Chart 6



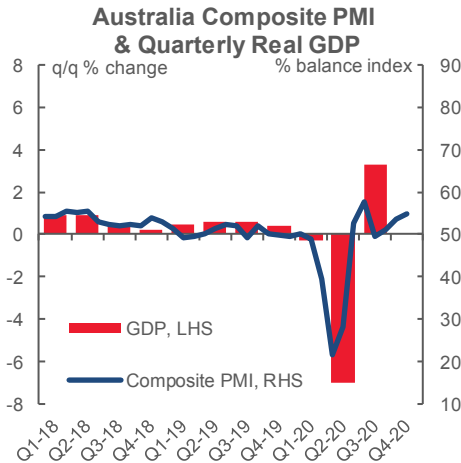
Sources: Scotiabank Economics, IHS Markit, Bloomberg.

Chart 7



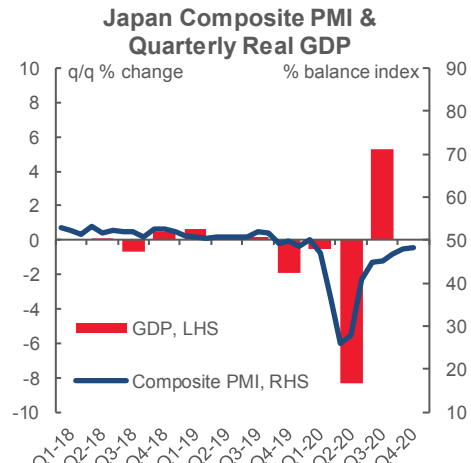
Sources: Scotiabank Economics, IHS Markit, Bloomberg.

Chart 8



Sources: Scotiabank Economics, IHS Markit, Bloomberg.

Chart 9



Sources: Scotiabank Economics, IHS Markit, Bloomberg.

## Key Indicators for week of December 14 – 18

### NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	12/15	08:15	Housing Starts (000s a.r.)	Nov	220	--	214.9
CA	12/15	08:30	Manufacturing Shipments (m/m)	Oct	0.6	--	1.5
US	12/15	08:30	Empire State Manufacturing Index	Dec	--	6.9	6.3
US	12/15	08:30	Export Prices (m/m)	Nov	--	0.3	0.2
US	12/15	08:30	Import Prices (m/m)	Nov	--	0.3	-0.1
CA	12/15	09:00	Existing Home Sales (m/m)	Nov	--	--	-0.7
US	12/15	09:15	Capacity Utilization (%)	Nov	--	73.0	72.8
US	12/15	09:15	Industrial Production (m/m)	Nov	0.2	0.3	1.1
US	12/15	16:00	Total Net TIC Flows (US\$ bn)	Oct	--	--	-79.9
US	12/15	16:00	Net Long-term TIC Flows (US\$ bn)	Oct	--	--	108.9
US	12/16	07:00	MBA Mortgage Applications (w/w)	Dec 11	--	--	-1.2
CA	12/16	08:30	Core CPI - Common (y/y)	Nov	1.5	--	1.6
CA	12/16	08:30	Core CPI - Median (y/y)	Nov	1.9	--	1.9
CA	12/16	08:30	Core CPI - Trim (y/y)	Nov	1.7	--	1.8
CA	12/16	08:30	CPI, All items (m/m)	Nov	-0.3	--	0.4
CA	12/16	08:30	CPI, All items (y/y)	Nov	0.5	--	0.7
CA	12/16	08:30	CPI, All items (index)	Nov	--	--	137.5
CA	12/16	08:30	International Securities Transactions (C\$ bn)	Oct	--	--	4.5
CA	12/16	08:30	Wholesale Trade (m/m)	Oct	--	--	0.9
US	12/16	08:30	Retail Sales (m/m)	Nov	-0.2	-0.3	0.3
US	12/16	08:30	Retail Sales ex. Autos (m/m)	Nov	0.2	0.1	0.2
US	12/16	09:45	Markit US Manufacturing PMI	Dec P	--	56.0	56.7
US	12/16	09:45	Markit US Services PMI	Dec P	--	55.8	58.4
US	12/16	09:45	Markit US Composite PMI	Dec P	--	--	58.6
US	12/16	10:00	Business Inventories (m/m)	Oct	--	0.6	0.7
US	12/16	10:00	NAHB Housing Market Index	Dec	--	88.0	90.0
<b>US</b>	<b>12/16</b>	<b>14:00</b>	<b>FOMC Interest Rate Meeting (%)</b>	<b>Dec 16</b>	<b>0.25</b>	<b>0.25</b>	<b>0.25</b>
CA	12/17	08:30	Teranet - National Bank HPI (y/y)	Nov	--	--	8.1
US	12/17	08:30	Building Permits (000s a.r.)	Nov	--	1550	1544
US	12/17	08:30	Housing Starts (000s a.r.)	Nov	1515	1530	1530
US	12/17	08:30	Housing Starts (m/m)	Nov	-1.0	0.0	4.9
US	12/17	08:30	Initial Jobless Claims (000s)	Dec 12	800	800	853
US	12/17	08:30	Continuing Claims (000s)	Dec 5	5.7	--	5757
US	12/17	08:30	Philadelphia Fed Index	Dec	--	18.8	26.3
<b>MX</b>	<b>12/17</b>	<b>14:00</b>	<b>Overnight Rate (%)</b>	<b>Dec 17</b>	<b>4.25</b>	<b>4.25</b>	<b>4.25</b>
CA	12/18	08:30	Retail Sales (m/m)	Oct	0.2	--	1.1
CA	12/18	08:30	Retail Sales ex. Autos (m/m)	Oct	0.1	--	1.0
US	12/18	08:30	Current Account (US\$ bn)	3Q	--	-190.0	-170.5
US	12/18	10:00	Leading Indicators (m/m)	Nov	--	0.4	0.7

### EUROPE

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
EC	12/14	05:00	Industrial Production (m/m)	Oct	--	1.9	-0.4
EC	12/14	05:00	Industrial Production (y/y)	Oct	--	-4.2	-6.8
UK	12/15	02:00	Average Weekly Earnings (3-month, y/y)	Oct	--	2.2	1.3
UK	12/15	02:00	Employment Change (3M/3M, 000s)	Oct	--	-250.0	-164.0
UK	12/15	02:00	Jobless Claims Change (000s)	Nov	--	--	-29.8
UK	12/15	02:00	ILO Unemployment Rate (%)	Oct	--	5.1	4.8

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

**Key Indicators for week of December 14 – 18**
**EUROPE (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>
FR	12/15	02:45	CPI (m/m)	Nov F	--	0.2	0.2
FR	12/15	02:45	CPI (y/y)	Nov F	--	0.2	0.2
FR	12/15	02:45	CPI - EU Harmonized (m/m)	Nov F	--	0.2	0.2
FR	12/15	02:45	CPI - EU Harmonized (y/y)	Nov F	--	0.2	0.2
IT	12/15	04:00	CPI - EU Harmonized (y/y)	Nov F	--	-0.3	-0.3
UK	12/16	02:00	CPI (m/m)	Nov	--	0.1	0.0
UK	12/16	02:00	CPI (y/y)	Nov	--	0.6	0.7
UK	12/16	02:00	RPI (m/m)	Nov	--	0.2	0.0
UK	12/16	02:00	RPI (y/y)	Nov	--	1.3	1.3
FR	12/16	03:15	Manufacturing PMI	Dec P	--	50.1	49.6
FR	12/16	03:15	Services PMI	Dec P	--	40.0	38.8
GE	12/16	03:30	Manufacturing PMI	Dec P	--	56.5	57.8
GE	12/16	03:30	Services PMI	Dec P	--	44.0	46.0
EC	12/16	04:00	Composite PMI	Dec P	--	45.5	45.3
EC	12/16	04:00	Manufacturing PMI	Dec P	--	53.0	0.1
EC	12/16	04:00	Services PMI	Dec P	--	41.8	41.7
UK	12/16	04:30	Manufacturing PMI	Dec P	--	55.7	55.6
UK	12/16	04:30	Services PMI	Dec P	--	50.5	47.6
EC	12/16	05:00	Labour Costs (y/y)	3Q	--	--	4.2
EC	12/16	05:00	Trade Balance (€ mn)	Oct	--	--	24811.6
<b>NO</b>	<b>12/17</b>	<b>04:00</b>	<b>Norwegian Deposit Rates (%)</b>	<b>Dec 17</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
EC	12/17	05:00	CPI (m/m)	Nov F	--	-0.3	-0.3
EC	12/17	05:00	CPI (y/y)	Nov F	--	-0.3	-0.3
EC	12/17	05:00	Euro zone Core CPI Estimate (y/y)	Nov F	--	0.2	0.2
UK	12/17	07:00	BoE Asset Purchase Target (£ bn)	Dec	--	875	875
<b>UK</b>	<b>12/17</b>	<b>07:00</b>	<b>BoE Policy Announcement (%)</b>	<b>Dec 17</b>	<b>0.10</b>	<b>0.10</b>	<b>0.10</b>
UK	12/17	19:01	GfK Consumer Confidence Survey	Dec	--	-30.0	-33.0
GE	12/18	02:00	Producer Prices (m/m)	Nov	--	0.1	0.1
UK	12/18	02:00	Retail Sales ex. Auto Fuel (m/m)	Nov	--	-4.0	1.3
UK	12/18	02:00	Retail Sales with Auto Fuel (m/m)	Nov	--	-4.2	1.2
EC	12/18	04:00	Current Account (€ bn)	Oct	--	--	25.2
GE	12/18	04:00	Ifo Business Climate Survey	Dec	--	90.0	90.7
GE	12/18	04:00	Ifo Current Assessment Survey	Dec	--	89.0	90.0
GE	12/18	04:00	Ifo Expectations Survey	Dec	--	92.5	91.5
IT	12/18	04:30	Current Account (€ mn)	Oct	--	--	7642
<b>RU</b>	<b>12/18</b>	<b>05:30</b>	<b>One-Week Auction Rate (%)</b>	<b>Dec 18</b>	<b>4.25</b>	<b>4.25</b>	<b>4.25</b>

**ASIA-PACIFIC**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Indicator</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>
JN	12/13	18:50	Tankan All Industries Index	4Q	--	0.1	1.4
JN	12/13	18:50	Tankan Manufacturing Index	4Q	--	-15.0	-27.0
JN	12/13	18:50	Tankan Non-Manufacturing Index	4Q	--	-7.0	-12.0
JN	12/13	23:30	Capacity Utilization (m/m)	Oct	--	--	6.4
JN	12/13	23:30	Tertiary Industry Index (m/m)	Oct	--	1.2	1.8
JN	12/13	23:30	Industrial Production (y/y)	Oct F	--	--	-3.2
IN	12/14	01:30	Monthly Wholesale Prices (y/y)	Nov	--	1.7	1.5
HK	12/14	03:30	Industrial Production (y/y)	3Q	--	--	-5.1
IN	12/14	07:00	CPI (y/y)	Nov	7.20	7.20	7.61
PH	12/14	20:00	Overseas Remittances (y/y)	Oct	--	-0.5	9.3

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



## Key Indicators for week of December 14 – 18

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

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CH	12/14	21:00	Fixed Asset Investment YTD (y/y)	Nov	2.5	2.6	1.8
CH	12/14	21:00	Industrial Production (y/y)	Nov	7.0	7.0	6.9
CH	12/14	21:00	Retail Sales (y/y)	Nov	5.0	5.0	4.3
IN	12/14	22:30	Exports (y/y)	Nov	--	--	-5.1
IN	12/14	22:30	Imports (y/y)	Nov	--	--	-11.5
ID	12/14	23:00	Exports (y/y)	Nov	--	3.2	-3.3
ID	12/14	23:00	Imports (y/y)	Nov	--	-24.3	-26.9
ID	12/14	23:00	Trade Balance (US\$ mn)	Nov	--	2848	3607
SK	12/15	18:00	Unemployment Rate (%)	Nov	--	4.3	4.2
JN	12/15	18:50	Merchandise Trade Balance (¥ bn)	Nov	--	522.5	871.7
JN	12/15	18:50	Adjusted Merchandise Trade Balance (¥ bn)	Nov	--	545.7	314.3
JN	12/15	18:50	Merchandise Trade Exports (y/y)	Nov	--	0.6	-0.2
JN	12/15	18:50	Merchandise Trade Imports (y/y)	Nov	--	-9.0	-13.3
JN	12/15	19:30	Markit/JMMA Manufacturing PMI	Dec P	--	--	49.0
NZ	12/16	16:45	GDP (y/y)	3Q	-4.5	-1.7	-12.4
AU	12/16	19:30	Employment (000s)	Nov	--	40.0	178.8
AU	12/16	19:30	Unemployment Rate (%)	Nov	--	7.0	7.0
SI	12/16	19:30	Exports (y/y)	Nov	--	-0.6	-3.1
TA	12/16	20:00	Benchmark Interest Rate (%)	Dec 17	1.125	1.125	1.125
ID	12/17	02:20	BI 7-Day Reverse Repo Rate (%)	Dec 17	3.75	3.75	3.75
PH	12/17	03:00	Overnight Borrowing Rate (%)	Dec 17	2.00	2.00	2.00
HK	12/17	03:30	Unemployment Rate (%)	Nov	--	6.5	6.4
NZ	12/17	16:00	ANZ Consumer Confidence Index	Dec	--	--	106.9
NZ	12/17	16:45	Trade Balance (NZD mn)	Nov	--	254.5	-500.7
NZ	12/17	16:45	Exports (NZD bn)	Nov	--	5	4784
NZ	12/17	16:45	Imports (NZD bn)	Nov	--	5	5285
JN	12/17	18:30	National CPI (y/y)	Nov	--	-0.8	-0.4
JN	12/17	19:00	BoJ Policy Rate (%)	Dec 18	-0.10	--	-0.10

### LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
BZ	12/14	07:00	Economic Activity Index SA (m/m)	Oct	--	0.8	1.3
BZ	12/14	07:00	Economic Activity Index NSA (y/y)	Oct	-1.4	-2.1	-0.8
CO	12/14	10:00	Retail Sales (y/y)	Oct	3.0	--	-0.8
PE	12/15	10:00	Economic Activity Index NSA (y/y)	Oct	-5.5	--	-7.0
PE	12/15	10:00	Unemployment Rate (%)	Nov	--	--	16.4
BZ	12/18	07:30	Current Account (US\$ mn)	Nov	--	1000	1473
CO	12/18	09:00	Overnight Lending Rate (%)	Dec 18	1.75	1.75	1.75
CO	12/18	10:00	Trade Balance (US\$ mn)	Oct	--	--	-771.4

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

**Global Auctions for week of December 14 – 18****NORTH AMERICA**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CA	12/17	12:00	Canada to Sell 30-Year Bonds

**EUROPE**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
SW	12/16	05:00	Sweden to Sell Bonds
IC	12/18	06:30	Iceland to Sell Bonds

**ASIA-PACIFIC**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CH	12/13	20:30	Shanghai to Sell CNY4.69 Bln 10-Year Bonds
SK	12/13	21:30	South Korea to Sell 1.35 Trillion Won 10-Year Bonds
PH	12/15	00:30	Philippines to Sell PHP 30Bln 7-Year Bonds
CH	12/15	01:00	Guangxi to Sell CNY2.5 Bln 5-Year Bonds
SK	12/15	20:30	Bank of Korea to Sell 2 Trillion Won 2-Year Bonds
CH	12/15	22:00	China Plans to sell 1 & 10 Year Upsized Government Bonds
TH	12/15	22:00	Thailand to Sell Bonds
TA	12/15	23:30	Taiwan to Sell TWD 40Bln 2-Year NCD
CH	12/17	22:00	China Plans to Sell 50-Year Upsized Government Bond
TH	12/17	22:00	Thailand to Sell Bonds

## Events for week of December 14 – 18

### NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	12/14		Electoral College Votes
CA	12/15	14:30	Bank of Canada's Macklem Gives Speech
<b>US</b>	<b>12/16</b>	<b>14:00</b>	<b>FOMC Rate Decision</b>
US	12/16	14:30	Powell Holds Post-FOMC Meeting Press Conference
<b>MX</b>	<b>12/17</b>	<b>14:00</b>	<b>Overnight Rate</b>

### EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
FI	12/15	04:00	ECB's Rehn Speaks at Press Conference on Finnish Outlook
SW	12/16	04:00	Riksbank's Jansson Gives Speech
<b>SZ</b>	<b>12/17</b>	<b>03:30</b>	<b>SNB Policy &amp; Sight Deposit Interest Rate</b>
<b>NO</b>	<b>12/17</b>	<b>04:00</b>	<b>Norges Bank Deposit Rates</b>
<b>UK</b>	<b>12/17</b>	<b>07:00</b>	<b>Bank of England Bank Rate</b>
RU	12/18	05:30	Key Rate

### ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
AU	12/14	19:00	RBA's Kearns Gives Speech
AU	12/14	19:30	RBA Minutes of Dec. Policy Meeting
NZ	12/15	19:00	New Zealand Half-Year Fiscal & Economic Update
AU	12/16	19:30	RBA FX Transactions
<b>TA</b>	<b>12/16</b>	<b>20:00</b>	<b>CBC Benchmark Interest Rate</b>
<b>ID</b>	<b>12/17</b>	<b>02:20</b>	<b>Bank Indonesia 7-Day Reverse Repo</b>
<b>PH</b>	<b>12/17</b>	<b>03:00</b>	<b>BSP Overnight Borrowing &amp; Standing Overnight Deposit Facility Rate</b>
<b>JN</b>	<b>12/17</b>	<b>19:00</b>	<b>BOJ Policy Balance Rate &amp; 10-Year Yield Target</b>

### LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
BZ	12/15	06:00	Central Bank Meeting Minutes
<b>CO</b>	<b>12/18</b>	<b>09:00</b>	<b>Overnight Lending Rate</b>

Sources: Bloomberg, Scotiabank Economics.

## Global Central Bank Watch

### NORTH AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Canada – Overnight Target Rate	0.25	January 20, 2021	0.25	0.25
Federal Reserve – Federal Funds Target Rate	0.25	December 16, 2020	0.25	0.25
Banco de México – Overnight Rate	4.25	December 17, 2020	4.25	4.25

**Federal Reserve:** No change will be made to the Federal Funds Target range. This meeting will assess how to adapt the asset purchase program to deteriorating conditions and the near-term outlook. The policy rate will not move until inflation is sustainably and symmetrically at two percent. This is not expected until at least 2023. See the text for our expectations on guidance, communications, and purchase program changes.

**Banco de México (Banxico):** No change is expected for the Overnight Policy Rate — which sits at 4.25%. Previous votes were not unanimous, and we will pay attention to how this vote is split across the five board members.

### EUROPE

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	0.00	January 21, 2021	0.00	0.00
European Central Bank – Marginal Lending Facility Rate	0.25	January 21, 2021	0.25	0.25
European Central Bank – Deposit Facility Rate	-0.50	January 21, 2021	-0.50	-0.50
Bank of England – Bank Rate	0.10	December 17, 2020	0.10	0.10
Swiss National Bank – Libor Target Rate	-0.75	TBA	-0.75	-0.75
Central Bank of Russia – One-Week Auction Rate	4.25	December 18, 2020	4.25	4.25
Sweden Riksbank – Repo Rate	0.00	February 10, 2021	0.00	0.00
Norges Bank – Deposit Rate	0.00	December 17, 2020	0.00	0.00
Central Bank of Turkey – Benchmark Repo Rate	15.00	December 24, 2020	15.00	15.25

**Central Bank of Russia:** We expect the Central Bank of Russia to keep its Key Rate at 4.25% in the final meeting of the year. Governor Nabiullina has stressed that the bank is assessing all information carefully before deciding to use the bank's remaining policy room. While the easing constraints of a depreciating ruble have subsided, her cautious tone suggests the bank will wait until it has more data. The bank is assessing the effects that a second wave of infections is having on inflation.

**Bank of England (BoE):** There is no change expected to the BoE's policy rate. With inflation below 1%, the bank is currently assessing the feasibility of implementing negative rates. There is no change expected to the size of the asset purchase programme either. However, Brexit developments will impact their assessment of the outlook right up to the announcement.

**Norges Bank:** Underlying inflation surprised to the downside in November, falling five tenths to 2.9% y/y. Norges Bank is likely to look past this print and continue guiding a zero percent policy rate until 2022 as it supports the recovery of the real economy.

### ASIA PACIFIC

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Policy Rate	-0.10	December 18, 2020	-0.10	-0.10
Reserve Bank of Australia – Cash Target Rate	0.10	February 1, 2021	0.10	0.10
Reserve Bank of New Zealand – Cash Rate	0.25	February 23, 2021	0.25	0.00
People's Bank of China – 1-Year Loan Prime Rate	3.85	December 20, 2020	3.85	3.85
Reserve Bank of India – Repo Rate	4.00	February 5, 2021	3.50	4.00
Bank of Korea – Bank Rate	0.50	January 15, 2021	0.50	0.50
Bank of Thailand – Repo Rate	0.50	December 23, 2020	0.50	0.50
Bank Negara Malaysia – Overnight Policy Rate	1.75	January 20, 2021	1.75	1.75
Bank Indonesia – 7-Day Reverse Repo Rate	3.75	December 17, 2020	3.75	3.75
Central Bank of Philippines – Overnight Borrowing Rate	2.00	December 17, 2020	2.00	2.00

**Bank of Japan (BoJ):** The BoJ's monetary policymakers will meet on December 18. The central bank's stance will stay highly growth-supportive for an extended period. The BoJ maintains a dovish bias and stands ready to support the economy further if needed; it has pointed out that it expects short- and long-term policy interest rates to remain at their present or lower level for the time being. Nevertheless, we do not expect material changes to the policy parameters over the near term; instead, the BoJ will likely focus on monitoring the economic impact of the additional fiscal stimulus package that was approved on December 8.

**Bank Indonesia (BI):** Indonesian monetary authorities will make a policy decision on December 17. Following a 25 bps cut to the benchmark 7-day reverse repo rate at the November meeting, monetary conditions are expected to remain unchanged this month. Given low inflation (1.6% y/y in November), BI has room to stimulate the economy further in early 2021, if needed.

**Bangko Sentral ng Pilipinas (BSP):** We expect the BSP to leave the Overnight Borrowing Rate unchanged at 2.00% following the December 17 monetary policy meeting. The benchmark rate was cut by 25 bps in November to underpin the economy's recovery.

### LATIN AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	2.00	January 20, 2021	2.00	2.00
Banco Central de Chile – Overnight Rate	0.50	January 27, 2021	0.50	0.50
Banco de la República de Colombia – Lending Rate	1.75	December 18, 2020	1.75	1.75
Banco Central de Reserva del Perú – Reference Rate	0.25	January 14, 2021	0.25	0.25

**Banco de la República de Colombia (BanRep):** Our team in Colombia expects BanRep keep their Overnight Lending Rate at 1.75% until at least the second half of 2021.

### AFRICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	3.50	January 21, 2021	3.50	3.50

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

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