

IN CHINA AND CONGRESS WE TRUST?

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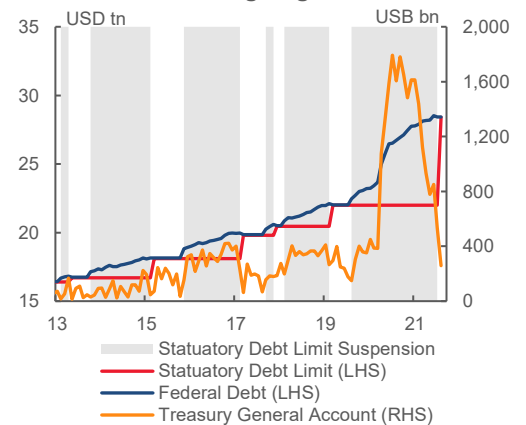
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Next Week's Risk Dashboard

- Evergrande
- US debt ceiling
- Choosing Merkel's successor
- CBs: Banxico, BanRep, BoT
- Powell, Yellen to testify
- PMIs: US, China, India, Mexico, Brazil
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Chart of the Week
US Running Against the Clock In Debt-Ceiling Negotiations


Sources: Scotiabank Economics, US Treasury.

Chart of the Week: Prepared by: Marc Ercolao, Economic Analyst.

In China and Congress We Trust?

Global markets are entering crunch time for two major risks overhanging markets. How they may evolve will involve placing markets at the mercy of China's leadership and the US Congress. Toss in uncertainty around who leads Germany post-Merkel, some central bank highlights, how much wind Eurozone CPI will put beneath the hawk's wings and several global macro readings and say good bye to September with some trepidation toward how it all hands off to October.

NOT LOOKING SO GRAND(E)

The week's dominant market risk may rest in the hands of Chinese authorities. Broad confidence across markets and Chinese savers in how Chinese authorities and company management handle the potential demise of China Evergrande Group could be key. The struggling property conglomerate remains the subject of speculation over the impact its troubles may have upon China's financial markets, banks, real estate markets and the potential for systemic risk to global markets.

At the point of distributing this publication, Evergrande had not yet made an US\$83.53 million payment on 8.25% US\$ bonds due in 2022. There is a 30-day grace period on such payments and so it is not in technical default on the issue. A further payment of US\$45.17 million is due on a 9.5% 2024 US\$ bond on Wednesday and there are multiple coupon payments due over coming weeks (chart 1).

Uncertainty around the risk of default will coincide with the transition to China's National Day on Friday that kicks off Golden Week during which Chinese markets will be shut until the following Thursday. The arrival of this holiday in the context of Evergrande's issues could either be fortuitous or calamitous. It could afford the opportunity to achieve a more durable solution with all the ducks lined up while domestic markets are shut and hence along the lines of banking holidays during global banking crises (this is not yet one in China). Or, it could have the opposite effect if position covering into holidays winds up fanning market risks with foreign markets left to react during the Chinese holiday and with Chinese markets playing catch-up upon return.

I don't know the answer to that especially given how complicated the issues would be within a western democracy, let alone China's unique system. With considerable trepidation, a few balanced thoughts are offered for your consideration.

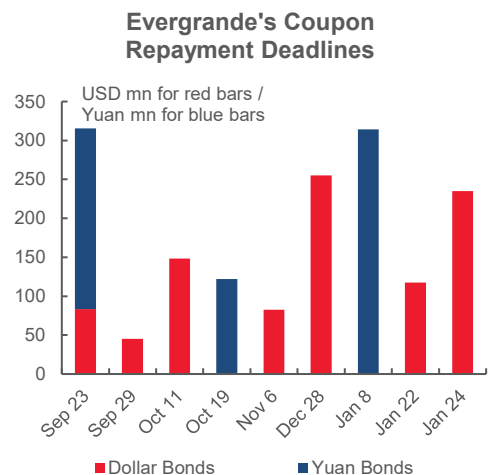
One argument for discounting Evergrande's issues with heavy debt and low liquidity is that its challenges are idiosyncratic and therefore they don't pose systemic risk. Other property developers in China have sounder finances and don't cross regulators' "red lines" on measures like debt growth, debt-to-assets, debt-to-equity and working capital. Evergrande's violation of those red lines is acute and unique to the firm.

This argument doesn't necessarily resonate so well with, oh, say, a Canadian economist who recalls what can happen when a large, concentrated property developer fails like in the early 1990s. Circumstances were different then in multiple respects, but the failure was in the context of growing weakness in global commercial real estate markets and the further weakness to come. Idiosyncratic stresses can still spark systemic risk particularly if mismanaged.

In addition to this example, whether because of poor judgement, weak controls, ill fortune and/or nefarious deeds, idiosyncratic problems at select Wall Street firms ultimately blew the GFC wide open. The Fed's role—and former Chair Bernanke's subsequent acknowledgement of mistakes—in allowing failure and the subsequent finger pointing that sparked a broad market run (versus physical runs on banks in the 1930s) must be acknowledged as a reminder of the present importance attached to how China's authorities respond. As President Xi Jinping seeks to alter past ways in which China has addressed such stresses, it's worth noting the fine line between imposing discipline as a means of reducing moral hazard versus courting disaster. Evergrande could be the litmus test of where this balance sits and hence inform the composition of near-term and longer-term risks.

Another argument is that China's banking system is sufficiently well capitalized to handle risks. China's banking system has a Tier One Capital Ratio of almost 12% and it has been trending higher over about the past decade. This is higher than it was in the US banking system into the GFC, but not that much higher (chart 2). In any event, a liquidity event is not necessarily well informed by capital ratio positions.

Chart 1



A further point is that most of the exposure to Evergrande sits at Chinese banks that hold about one-quarter of Evergrande's debt. The largest Chinese banks may be better situated than smaller banks' exposures, and banking systems elsewhere—particularly in the US and Europe—have much more limited exposures. Still, most of the savings of Chinese households remain tied up in China's financial system and hence lack diversification. It is their confidence that is acutely important and the Chinese leadership has not always understood this point in timely fashion.

Ultimately it will come down to how the authorities manage Evergrande's problems and what impact this may have upon Chinese confidence. Continuing to flood the system with liquidity as the PBOC has been doing (chart 3) will be among the important tools to be relied upon. Learning from the Fed and former Chair Bernanke's admission that in hindsight it didn't do enough in the early days of the crisis may be important. Standing ready to employ other tools—perhaps preceding decisions on the future of the firm—and setting a limit to imposing discipline against moral hazard risks will be key.

Whatever the outcome, the main point here is to be on guard. Markets shouldn't have carte blanche faith in a system that has had crisis points such as around the time of the Chinese stock market bubble in 2015–16, or the banking liquidity crisis a couple of years before that. The rigid nature of its system and limits on convertibility have sparked prior rushes to the exits by Chinese savers and markets. China should learn from the mistakes that others made at potential crisis inflection points.

US DEBT CEILING—MISMATCHED INCENTIVES

Well, here we are again. The world is watching partisan dysfunction unfold in the US Congress as negotiations over how to keep the government open and avert potential disruption to markets go down to the wire again. What else is new. Most seasoned political observers tend to simply shrug and say that's the way Washington rolls and in the end after considerable drama it tends to get the job done. There is very low risk of default but non-negligible risk of at least a temporary government shutdown should a funding arrangement not be in place before the end of the week.

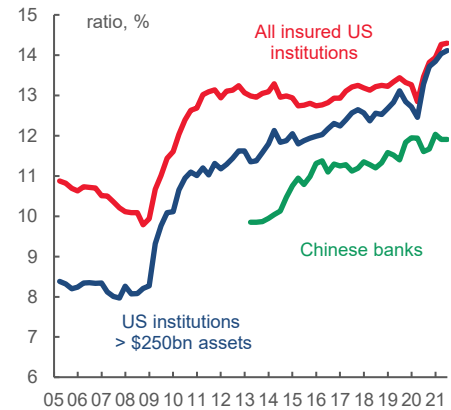
Most countries tend not to consider gambling with how to fund basic government operations and it's unthinkable across advanced societies in the modern era to court even the slightest risk of default. Most countries let voters choose the administration and let the administration come up with a budget proposal that then needs to be passed by a majority of votes in its legislature.

Not the US. A budget exercise is a mere formality. Off-budget bills frequently push the budget margins often by trillions of dollars over time. Concepts like the Byrd amendment and budget reconciliation then enter the picture. Can't reach a bipartisan agreement? Use the ace in the hole and go it alone; the GOP would prefer that so as to try to deny the Dems the opportunity of reaping the benefits to economic growth into the mid-terms and to distance themselves from heavy spending after having taken their turn. Sundry appropriations bills then have to release funding to government departments. If that's not enough, then every so often there is a tussle over raising the debt ceiling against the sum total of allowed public debt, a concept that has become abused versus its original motives to help fund the war efforts through WWI and WWII.

A lot is resting on this in such fashion as to potentially fill an entire publication on its own. Everything from the future of a US\$1 trillion infrastructure deal, a US\$3.5 trillion package of social spending and targeted tax measures, appropriating funds to keep

Chart 2

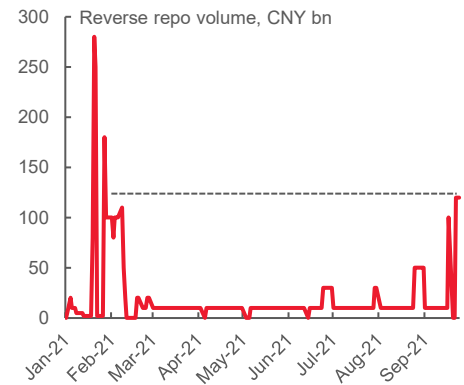
Tier 1 Risk Based Capital Ratios



Sources: Scotiabank Economics, Bloomberg.

Chart 3

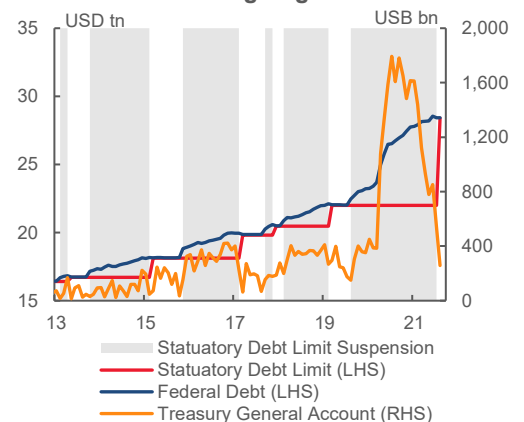
PBoC Ups Liquidity Injections to Support the Economy



Sources: Scotiabank Economics, Bloomberg.

Chart 4

US Running Against the Clock In Debt-Ceiling Negotiations



Sources: Scotiabank Economics, US Treasury.

the government open past Thursday and then moving on to raising or suspending the US\$28.4 trillion debt ceiling (chart 4) by enough to get past next year's mid-terms and avoid risk of technical default hangs in the balance. There are multiple scenarios for how this gets done next week and over subsequent weeks before time runs out on the ability to avert default against a hard lending cap sometime in October or maybe by November.

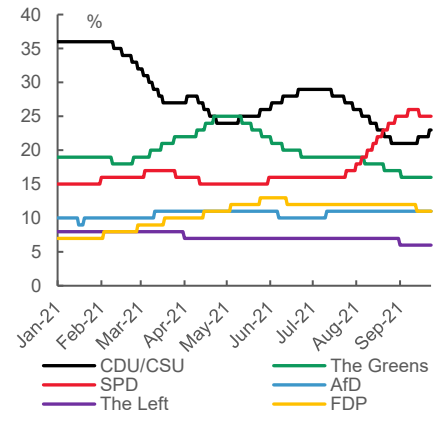
BUNDS AND MERKEL'S SUCCESSOR

German Chancellor Angela Merkel announced in 2018 that she wouldn't seek another term in office and this Sunday's election will choose her successor. In a sense, it will be like the recent Canadian election in that voting during a pandemic with significant numbers of mail-in ballots may not yield broad results right away (through they did in Canada's case). We certainly won't find out Merkel's successor right away.

Merkel's party—the Christian Democratic Union—chose Armin Laschet to take over leadership. He will go up against Olaf Scholz who leads the Social Democratic Party that has been at times an awkward coalition partner to the CDU. Less likely outcomes would see the Green Party's Annalena Baerbock bounce toward victory with even lower odds likely attached to the Free Democratic Party or far right Alternative for Germany party winning. The greatest number of seats could be won by either the CDU or SDP (chart 5).

Chart 5

German Election Polls



Sources: Scotiabank Economics, The Economist.

While the composition of the Bundestag may be determined before markets open on Monday unless it's a tight outcome that comes down to counting mail-ins, we may not know Merkel's successor for quite some time. The need to form a coalition government and pick who will be the face of it could be a protracted contest well after voting has completed. Like the Canadian election, at stake is the size and scope of potential fiscal policy actions and how that could influence supply of bunds—not to mention the challenge of filling Merkel's shoes as not only a capable domestic leader but also a European and global stateswoman.

CENTRAL BANKS—HIKERS AND HOT SEATS

Across major global central banks, the dominant focus is likely to be upon the PBOC's actions in the aforementioned Evergrande context. We'll hear from others, but their incremental impact upon market tone is likely to be fairly low. Three regional central banks will deliver decisions including two in Latin America and one in Asia.

The ECB holds its annual ECB Forum on Central Banking online on Tuesday and Wednesday. The agenda is [here](#). It's her show, so ECB President Lagarde will kick it off with introductory remarks at about 8amET on Tuesday. She will also participate in a moderated policy panel starting at 11:45amET on Wednesday alongside other heavy hitters including Fed Chair Powell, BoE Governor Bailey and BoJ Governor Kuroda.

Chair Powell is likely to need throat lozenges by week's end. His appearance at the ECB conference will be bookended by testimonials before Congress. On Tuesday at 10amET he will join Treasury Secretary Yellen to provide CARES Act testimony before the Senate Banking Committee. They press rewind and do it over again before the House Financial Services Committee on Thursday at the same time.

Powell could face aggressive questioning on several fronts. A recap of the decisions that were made at the recent FOMC meeting is available [here](#). Strong questioning around internal compliance matters is very likely from both sides of the political spectrum in light of the controversy surrounding the trading activities of the Presidents of the Boston and Dallas district banks. Why annual disclosures were not further explored by the Board, whether any compliance line was crossed and whether poor judgement was demonstrated independent of compliance violations will be hot button issues.

Powell is likely to be grilled about inflation and his complete 180° turn from arguing it was purely base effect driven earlier in the year toward now saying the price stability part of the Fed's dual mandate has been met amid concern toward supply chain risks. He may also be questioned about an apparent shift in thinking on how monetary policy should manage inclusive growth; until not long ago, Chair Powell was delivering speeches that implied the Fed wouldn't tighten until it had a fully inclusive labour market rebound whereas his latest press conference (rightly) downplayed the ability of monetary policy to affect such outcomes and emphasized an upbeat posture toward nearer term job markets. Whether the Fed Chair was too sanguine toward Evergrande's

risks may be probed further alongside his views on the debt ceiling and funding. Powell ducked such questions before the press this past week, but whether he gets away with that before Congress may be a different matter and not just because Chair Bernanke made it clear in July 2013 he wouldn't taper if deep uncertainty around fiscal policy was hanging in the air.

Thursday is also expected to bring a pair of LatAm central bank hikes and at the exact same time of 2pmET no less! In alphabetical order, Colombia's BanRep is expected to hike by 25bps to 2%. Mexico's Banxico is also expected to hike by 25bps to 4.75%. Both central banks' policy rates and inflation rates including forecasts are shown in charts 6 & 7). Banxico commenced a hiking cycle with the shock hike in June and next week could make it three in a row. The cycle started with Deputy Governor Heath arguing that inflation was underestimated ("screwed up" as he put it) and that "perhaps we have a problem that's a bit more structural that we need to focus on." Since then, we've seen inflation pull off a peak of 5.8% y/y to 5.6% in August while remaining well above the 3% +/- 1% target range, but core inflation has continued to climb to 4.8% y/y. Our Mexico City economists expect the overnight rate to climb to 5% by the December 16th meeting on the path to a 6% peak over the first half of next year.

Unlike Banxico, BanRep's expected 25bps hike to 2% would be the first of the cycle. Like Banxico, however, the catalyst is upward pressure on inflation. Core inflation sits at 3.1% y/y and headline inflation of 4.4% remains above the upper band of BanRep's 3% +/-1% target range.

No policy change is expected to be delivered by the Bank of Thailand on Wednesday.

GLOBAL MACRO REPORTS

Purchasing managers' indices from China and the US will be closely followed. China's state version of the composite PMI (Wednesday night ET) is expected to rebound as services move marginally out of contraction. The US ISM manufacturing gauge (Friday) could face upside risk from the prior month's strong growth signals if the gains in regional surveys like the Philly and Empire measures are any indication.

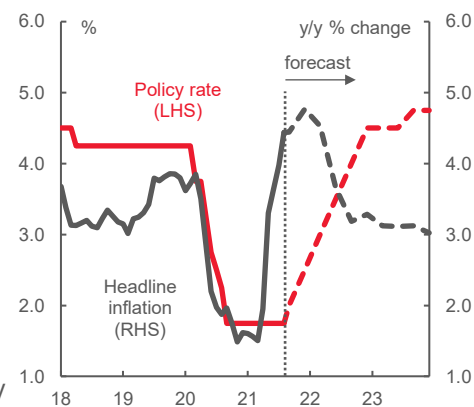
Canadian markets will be quiet for most of the week and then bonds will shut on Thursday for the first ever National Day for Truth and Reconciliation. The stock market will remain open. Then Canadian GDP lands for July with preliminary August guidance. StatCan had guided -0.4% m/m in its 'flash' guidance on August 31st. There has been limited new information since then. July housing starts fell by 3.3% m/m, but we don't know what construction figures were being assumed. August data has included a 0.1% m/m rise in hours worked, a 0.5% 'flash' estimate for manufacturing sales and a 3.9% m/m drop in housing starts.

The other main US releases will include the following:

- Durable goods orders during August (Monday): Supply chain issues and capacity constraints will probably continue to feed gains in core capital goods orders excluding defence and air. Boeing's mild pick-up in plane orders in August compared to July could add to the gain in total durable goods orders.
- The Conference Board's consumer confidence for September (Tuesday): Will it stabilize after dropping in August? Part of the uncertainty surrounds what happened to hiring and we won't learn that until payrolls arrive but watch the jobs availability and inflation signals.
- Inflation, spending and incomes during August (Friday): July registered a strong gain in income growth as the Biden administration's child benefit cheques began arriving. The cheques will continue to arrive but the impact on income growth should subside while nevertheless driving strong trend growth. That's one reason why consumption is expected to grow at an accelerated pace as the already known strong gain in the retail sales control group (+2.5% m/m) is likely to be moderated by

Chart 6

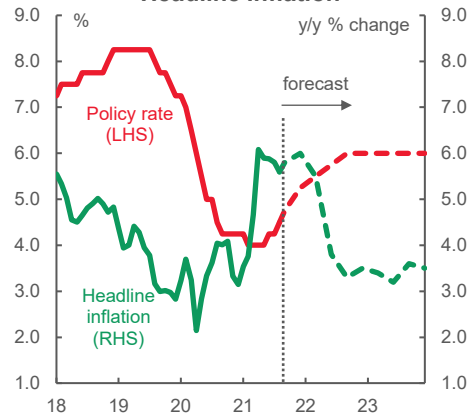
Colombia: BanRep Policy Rate vs Headline Inflation



Sources: Scotiabank Economics, BanRep, DANE.

Chart 7

Mexico: Overnight Rate vs Headline Inflation



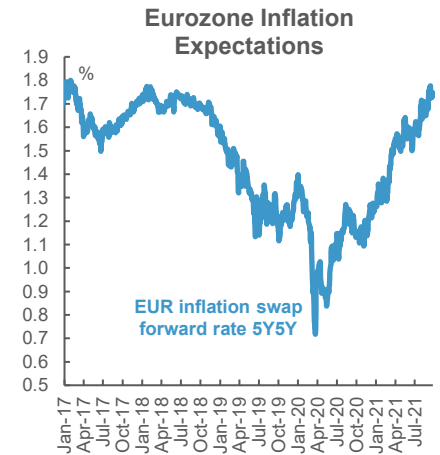
Sources: Scotiabank Economics, Banxico, INEGI.

services consumption due to the rise of the Delta variant. The Delta variant might also see the Fed's preferred inflation gauge moderate in line with the already known CPI figures for August.

Hawks will likely circle above the ECB building in Frankfurt on Friday when the Eurozone inflation add-up lands. Previews will be offered by releases from Spain (Wednesday), Germany, France and Italy (Thursday). Core is expected to rise above 3% y/y for the first time since October 2008. Base effects are a considerable part of it all and will continue to drive the year-over-year rate higher until at least year-end. The rise cannot be dismissed as simply driven by soft starting points for year-ago prices, however, as monthly gains have also been sizeable. The full recovery in market-measures of inflation expectations has been among the concerns of some of the ECB's more hawkish voices (chart 8).

PMIs are also due out in Mexico (Friday), Brazil (Friday) and with Japan's Q3 Tankan report adding to growth sentiment signals on Thursday.

Chart 8



Sources: Scotiabank Economics, Bloomberg.

Key Indicators for week of September 27 – October 1
NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
MX	09/27	07:00	Global Economic Indicator IGAE (y/y)	Jul	--	--	13.3
MX	09/27	07:00	Trade Balance (US\$ mn)	Aug	--	--	-4,063
US	09/27	08:30	Durable Goods Orders (m/m)	Aug P	0.7	0.6	-0.1
US	09/27	08:30	Durable Goods Orders ex. Trans. (m/m)	Aug P	0.5	0.5	0.8
US	09/27	10:30	Dallas Fed. Manufacturing Activity	Sep	--	11.0	9.0
MX	09/28	07:00	Unemployment Rate (%)	Aug	--	--	4.4
US	09/28	08:30	Wholesale Inventories (m/m)	Aug P	--	--	0.6
US	09/28	09:00	S&P/Case-Shiller Home Price Index (m/m)	Jul	1.6	1.6	1.8
US	09/28	09:00	S&P/Case-Shiller Home Price Index (y/y)	Jul	20.0	20.2	19.1
US	09/28	10:00	Consumer Confidence Index	Sep	114	114.6	113.8
US	09/28	10:00	Richmond Fed Manufacturing Index	Sep	--	--	9.0
US	09/29	07:00	MBA Mortgage Applications (w/w)	Sep 24	--	--	4.9
CA	09/29	08:30	IPPI (m/m)	Aug	--	--	-0.4
CA	09/29	08:30	Raw Materials Price Index (m/m)	Aug	--	--	2.2
US	09/29	10:00	Pending Home Sales (m/m)	Aug	--	1.0	-1.8
US	09/30	08:30	GDP (q/q a.r.)	2Q T	6.7	6.7	6.6
US	09/30	08:30	GDP Deflator (q/q a.r.)	2Q T	--	6.1	6.1
US	09/30	08:30	Initial Jobless Claims (000s)	Sep 25	340	--	351
US	09/30	08:30	Continuing Claims (000s)	Sep 18	2,800	--	2,845
US	09/30	09:45	Chicago PMI	Sep	--	65.2	66.8
MX	09/30	14:00	Overnight Rate (%)	Sep 30	4.75	4.75	4.50
CA	10/01	08:30	Real GDP (m/m)	Jul	-0.3	--	0.7
US	10/01	08:30	PCE Deflator (m/m)	Aug	0.3	0.3	0.4
US	10/01	08:30	PCE Deflator (y/y)	Aug	4.2	--	4.2
US	10/01	08:30	PCE ex. Food & Energy (m/m)	Aug	0.1	0.2	0.3
US	10/01	08:30	PCE ex. Food & Energy (y/y)	Aug	3.4	3.6	3.6
US	10/01	08:30	Personal Spending (m/m)	Aug	0.8	0.7	0.3
US	10/01	08:30	Personal Income (m/m)	Aug	0.1	0.2	1.1
US	10/01	10:00	Construction Spending (m/m)	Aug	0.2	0.3	0.3
US	10/01	10:00	ISM Manufacturing Index	Sep	60.0	59.5	59.9
US	10/01	10:00	U. of Michigan Consumer Sentiment	Sep F	--	71.0	71.0
US	10/01		Total Vehicle Sales (mn a.r.)	Sep	--	13.4	13.1

EUROPE

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
GE	09/28	02:00	GfK Consumer Confidence Survey	Oct	--	-1.6	-1.2
UK	09/28		Nationwide House Prices (m/m)	Sep	--	0.6	2.1
SP	09/29	03:00	CPI (m/m)	Sep P	--	0.4	0.5
SP	09/29	03:00	CPI (y/y)	Sep P	--	3.5	3.3
SP	09/29	03:00	CPI - EU Harmonized (m/m)	Sep P	--	0.8	0.4
SP	09/29	03:00	CPI - EU Harmonized (y/y)	Sep P	--	3.6	3.3
UK	09/29	04:30	Net Consumer Credit (£ bn)	Aug	--	0.3	0.0
EC	09/29	05:00	Economic Confidence	Sep	--	116.9	117.5
EC	09/29	05:00	Industrial Confidence	Sep	--	12.5	13.7
UK	09/30	02:00	Business Investment (q/q)	2Q F	--	2.4	2.4
UK	09/30	02:00	Current Account (£ bn)	2Q	--	-16.6	-12.8
UK	09/30	02:00	GDP (q/q)	2Q F	--	4.8	4.8
FR	09/30	02:45	Consumer Spending (m/m)	Aug	--	-0.8	-2.2
FR	09/30	02:45	CPI (m/m)	Sep P	--	-0.2	0.6
FR	09/30	02:45	CPI (y/y)	Sep P	--	2.2	1.9
FR	09/30	02:45	CPI - EU Harmonized (m/m)	Sep P	--	-0.1	0.7
FR	09/30	02:45	CPI - EU Harmonized (y/y)	Sep P	--	2.8	2.4
FR	09/30	02:45	Producer Prices (m/m)	Aug	--	--	1.3

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

Key Indicators for week of September 27 – October 1
EUROPE (continued from previous page)

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
SP	09/30	03:00	Real Retail Sales (y/y)	Aug	--	--	0.1
GE	09/30	03:55	Unemployment (000s)	Sep	--	-30.0	-0.1
GE	09/30	03:55	Unemployment Rate (%)	Sep	--	5.5	5.5
SP	09/30	04:00	Current Account (€ bn)	Jul	--	--	0.3
EC	09/30	05:00	Unemployment Rate (%)	Aug	--	7.5	7.6
IT	09/30	05:00	CPI (m/m)	Sep P	--	-0.3	0.4
IT	09/30	05:00	CPI (y/y)	Sep P	--	2.3	2.0
IT	09/30	05:00	CPI - EU Harmonized (m/m)	Sep P	--	1.7	0.2
IT	09/30	05:00	CPI - EU Harmonized (y/y)	Sep P	--	2.9	2.5
GE	09/30	08:00	CPI (m/m)	Sep P	--	0.1	0.0
GE	09/30	08:00	CPI (y/y)	Sep P	--	4.2	3.9
GE	09/30	08:00	CPI - EU Harmonized (m/m)	Sep P	--	0.1	0.1
GE	09/30	08:00	CPI - EU Harmonized (y/y)	Sep P	--	3.9	3.4
GE	09/27	02:00	Retail Sales (m/m)	Aug	--	1.5	-4.5
FR	10/01	02:45	Central Government Balance (€ bn)	Aug	--	--	-166.6
IT	10/01	03:45	Manufacturing PMI	Sep	--	59.5	60.9
EC	10/01	05:00	CPI (m/m)	Sep P	--	0.5	0.4
EC	10/01	05:00	Euro zone CPI Estimate (y/y)	Sep	--	3.3	3.0
EC	10/01	05:00	Euro zone Core CPI Estimate (y/y)	Sep P	--	1.8	1.6
RU	10/01	12:00	Real GDP (y/y)	2Q F	--	--	10.50
IT	10/01		Budget Balance (€ bn)	Sep	--	--	9.1
IT	10/01		Budget Balance YTD (€ bn)	Sep	--	--	0.0

ASIA-PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
JN	09/27	01:00	Coincident Index CI	Jul F	--	--	94.6
JN	09/27	01:00	Leading Index CI	Jul F	--	--	104.6
TA	09/27	04:00	Industrial Production (y/y)	Aug	--	12.5	13.9
SK	09/27	17:00	Consumer Confidence Index	Sep	--	--	102.5
AU	09/27	21:30	Retail Sales (m/m)	Aug	--	-2.5	-2.7
CH	09/27	21:30	Industrial Profits YTD (y/y)	Aug	--	--	16.4
SK	09/27		Department Store Sales (y/y)	Aug	--	--	7.8
MA	09/28	00:00	Exports (y/y)	Aug	--	10.0	5.0
MA	09/28	00:00	Imports (y/y)	Aug	--	26.1	24.1
MA	09/28	00:00	Trade Balance (MYR bn)	Aug	--	10.2	13.7
HK	09/30	04:30	Govt Monthly Budget Surp/Def (HKD bn)	Aug	--	--	-26.7
HK	09/28	04:30	Exports (y/y)	Aug	--	--	26.9
HK	09/28	04:30	Imports (y/y)	Aug	--	--	26.1
HK	09/28	04:30	Trade Balance (HKD bn)	Aug	--	--	-35.0
TH	09/29	03:05	BoT Repo Rate (%)	Sep 29	0.50	0.50	0.50
SK	09/29	17:00	Business Survey- Manufacturing	Oct	--	--	96.0
SK	09/29	17:00	Business Survey- Non-Manufacturing	Oct	--	--	81.0
SK	09/29	19:00	Industrial Production (y/y)	Aug	--	8.0	7.9
SK	09/29	19:00	Cyclical Leading Index Change	Aug	--	--	-0.2
JN	09/29	19:50	Industrial Production (m/m)	Aug P	--	-0.5	-1.5
JN	09/29	19:50	Large Retailers' Sales (y/y)	Aug	--	-2.1	1.3
JN	09/29	19:50	Retail Trade (y/y)	Aug	--	-1.3	2.4
JN	09/29	19:50	Industrial Production (y/y)	Aug P	--	12.1	11.6
CH	09/29	21:00	Manufacturing PMI	Sep	50.3	50.2	50.1
CH	09/29	21:00	Non-manufacturing PMI	Sep	--	50.8	47.5
PH	09/29	21:00	Unemployment Rate (%)	Aug	--	--	6.9
AU	09/29	21:30	Building Approvals (m/m)	Aug	--	-5.0	-8.6
AU	09/29	21:30	Private Sector Credit (y/y)	Aug	--	4.6	4.1
CH	09/29	21:45	Caixin Manufacturing PMI	Sep	50.0	49.5	49.2
JN	09/30	01:00	Housing Starts (y/y)	Aug	--	9.5	9.9

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

Key Indicators for week of September 27 – October 1

ASIA-PACIFIC (continued from previous page)

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
TH	09/30	03:00	Current Account Balance (US\$ mn)	Aug	--	--	-680
TH	09/30	03:30	Exports (y/y)	Aug	--	--	21.7
TH	09/30	03:30	Imports (y/y)	Aug	--	--	36.6
TH	09/30	03:30	Trade Balance (US\$ mn)	Aug	--	--	3,361
HK	09/30	04:30	Retail Sales - Value (y/y)	Aug	--	--	2.9
HK	09/30	04:30	Retail Sales - Volume (y/y)	Aug	--	--	0.9
IN	09/30	06:30	Fiscal Deficit (INR Crore)	Aug	--	--	46,898
NZ	09/30	17:00	ANZ Consumer Confidence Index	Sep	--	--	109.6
JN	09/30	19:30	Jobless Rate (%)	Aug	--	2.9	2.8
JN	09/30	19:50	Tankan All Industries Index	3Q	--	9.3	9.6
JN	09/30	19:50	Tankan Manufacturing Index	3Q	--	13.0	14.0
JN	09/30	19:50	Tankan Non-Manufacturing Index	3Q	--	0.0	1.0
SK	09/30	20:00	Exports (y/y)	Sep	--	10.8	34.8
SK	09/30	20:00	Imports (y/y)	Sep	--	26.8	44.0
SK	09/30	20:00	Trade Balance (US\$ mn)	Sep	--	3,650	1,646
IN	09/30		Current Account Balance	2Q	--	2.00	-8.14
ID	10/01	00:00	CPI (y/y)	Sep	1.6	1.7	1.6
ID	10/01	00:00	Core CPI (y/y)	Sep	--	1.3	1.3
JN	10/01	01:00	Consumer Confidence	Sep	--	38.0	36.7
JN	10/01	01:00	Vehicle Sales (y/y)	Sep	--	--	4.4
TH	10/01	03:30	Business Sentiment Index	Sep	--	--	40.0

LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CL	09/30	08:00	Industrial Production (y/y)	Aug	--	--	11.0
CL	09/30	08:00	Retail Sales (y/y)	Aug	45.0	--	62.2
CL	09/30	08:00	Unemployment Rate (%)	Aug	8.3	--	8.9
CO	09/30	11:00	Urban Unemployment Rate (%)	Aug	--	--	15.0
CO	09/30	14:00	Overnight Lending Rate (%)	Sep 30	2.00	2.00	1.75
PE	10/01	01:00	Consumer Price Index (m/m)	Sep	0.3	0.3	1.0
PE	10/01	01:00	Consumer Price Index (y/y)	Sep	5.2	--	5.0
CL	10/01	07:30	Economic Activity Index NSA (y/y)	Aug	17.5	--	18.1
BZ	10/01	09:00	PMI Manufacturing Index	Sep	--	--	53.6
BZ	10/01	14:00	Trade Balance (FOB) - Monthly (US\$ mn)	Sep	--	5,100	7,665

Global Auctions for week September 27 – October 1**NORTH AMERICA**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	09/27	11:30	U.S. To Sell 2-Year Notes
US	09/27	13:00	U.S. To Sell 5-Year Notes
US	09/28	13:00	U.S. To Sell 7-Year Notes

EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
BE	09/27	06:00	Belgium to Sell Bonds
NE	09/28	04:00	Netherlands to Sell Bonds
UK	09/28	05:00	U.K. to Sell 2 Billion Pounds of 1.25% 2051 Bonds
IT	09/29	05:00	Italy to Sell Bonds
NO	09/29	05:00	Norway to Sell Bonds
GE	09/29	05:30	Germany to Sell EUR 4 Bln of 0% 2031 Bonds

ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
JN	09/27	23:35	Japan to Sell 40-Year Bonds
JN	09/29	23:35	Japan to Sell 2-Year Bonds

LATIN AMERICA

No Scheduled Auctions.

Events for week of September 27 – October 1

NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	09/25	07:00	Fed's Williams Delivers Policy Paper at SNB Conference
US	09/27	08:00	Fed's Evans Speaks at Annual NABE Conference
US	09/27	09:00	Fed's Williams Makes Opening Remarks at Conference on...
US	09/27	12:00	Fed's Williams Discusses the Economic Outlook
US	09/27	12:15	Fed's Brainard Speaks at Annual NABE Conference
US	09/28	09:00	Fed's Evans Makes Welcome Remarks at Payments Conference
US	09/28	15:00	Fed's Bostic Discusses the Economic Outlook
US	09/28	19:00	Fed's Bullard Discusses U.S. Economy and Monetary Policy
US	09/29	14:00	Fed's Bostic Gives Remarks at Chicago Fed Payments...
US	09/30	10:00	Fed's Williams Discusses the Fed's Pandemic Response
US	09/30	11:00	Fed's Bostic Discusses Economic Mobility
US	09/30	12:30	Fed's Evans Discusses Economic Outlook
US	09/30	13:05	Fed's Bullard Makes Opening Remarks at Book Launch
MX	09/30	14:00	Overnight Rate
US	09/30	15:30	Fed's Harker Discusses Sustainable Assets and Financial...
US	10/01	11:00	Fed's Harker Discusses the Economic Outlook
US	10/01	13:00	Fed's Mester Discusses Inflation and Employment

EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
GE	09/26		German federal election
SW	09/27	03:00	Riksbank's Ohlsson speech
UK	09/27	14:00	BOE Governor Bailey speak to economists
SW	09/28	03:00	Riksbank's Breman Gives Speech on Macro Environment
EC	09/28	08:00	Lagarde Opens ECB Forum on Central Banking
EC	09/28	08:30	Guindos Chairs Session at ECB Forum
UK	09/28	08:50	BOE's Catherine L Mann speaks on panel
EC	09/28	09:45	Panetta Chairs Session at ECB Forum
SW	09/28	10:00	Riksbank's Ingves Gives Speech on Economic Outlook
EC	09/28	11:00	Schnabel Chairs Session at ECB Forum
EC	09/29	08:00	Guindos Chairs Session at ECB Forum
EC	09/29	09:15	Elderson Chairs Session at ECB Forum
EC	09/29	10:30	Lane Chairs Session at ECB Forum
EC	09/29	11:45	Bailey, Kuroda, Lagarde, Powell on ECB Forum Panel
UK	09/29	11:45	BOE's Bailey speaks on ECB panel
SW	09/30	03:30	Riksbank Publishes Minutes From Sept. 20 Meeting
EC	10/01	11:30	ECB's Schnabel Speaks at Fed Conference

ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
JN	09/27	19:50	BOJ Minutes of July Meeting
TH	09/29	03:05	BoT Benchmark Interest Rate
JN	09/30	03:10	BOJ Kuroda Speech at the JASDA conference
JN	09/30	19:50	BOJ Summary of Opinions

LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CO	09/30	14:00	Overnight Lending Rate

Sources: Bloomberg, Scotiabank Economics.

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	0.25	October 27, 2021	0.25	0.25
Federal Reserve – Federal Funds Target Rate	0.25	November 3, 2021	0.25	0.25
Banco de México – Overnight Rate	4.50	September 30, 2021	4.75	4.75

Banco de México (Banxico): Our economists in Mexico City expect another 25 bps hike of the overnight rate to 4.75%, which would mark a third consecutive rate hike in the tightening cycle. We forecast inflation to remain elevated for the remainder of 2021, ending the year at 6.0% y/y, well above the central bank's 3.0 +/-1 % target. This will likely push Banxico to hike 25 bps in each of the remaining policy meetings to close the year at 5.25%, with an expected terminal rate of 6.0% by H2-2022.

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 28, 2021	0.00	0.00
European Central Bank – Marginal Lending Facility Rate	0.25	October 28, 2021	0.25	0.25
European Central Bank – Deposit Facility Rate	-0.50	October 28, 2021	-0.50	-0.50
Bank of England – Bank Rate	0.10	November 4, 2021	0.10	0.10
Swiss National Bank – Libor Target Rate	-0.75	November 4, 2021	-0.75	-0.75
Central Bank of Russia – One-Week Auction Rate	6.75	October 22, 2021	7.00	7.00
Sweden Riksbank – Repo Rate	0.00	November 25, 2021	0.00	0.00
Norges Bank – Deposit Rate	0.25	November 4, 2021	0.25	0.25
Central Bank of Turkey – Benchmark Repo Rate	18.00	October 21, 2021	18.00	18.00

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 28, 2021	-0.10	-0.10
Reserve Bank of Australia – Cash Target Rate	0.10	October 4, 2021	0.10	0.10
Reserve Bank of New Zealand – Cash Rate	0.25	October 5, 2021	0.50	0.75
People's Bank of China – 1-Year Loan Prime Rate	3.85	October 19, 2021	3.85	3.85
Reserve Bank of India – Repo Rate	4.00	October 8, 2021	4.00	4.00
Bank of Korea – Bank Rate	0.75	October 12, 2021	0.75	1.00
Bank of Thailand – Repo Rate	0.50	September 29, 2021	0.50	0.50
Bank Negara Malaysia – Overnight Policy Rate	1.75	November 3, 2021	1.75	1.75
Bank Indonesia – 7-Day Reverse Repo Rate	3.50	October 21, 2021	3.50	3.50
Central Bank of Philippines – Overnight Borrowing Rate	2.00	November 18, 2021	2.00	2.00

Bank of Thailand (BoT): The BoT will make a monetary policy announcement on September 29; we expect the central bank to leave the benchmark interest rate unchanged at 0.50%. Maintained accommodative monetary conditions are needed in Thailand as the country continues to fight a high number of COVID-19 infections. Meanwhile, inflation is non-existent with the headline CPI unchanged in year-over-year terms in August.

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	6.25	October 27, 2021	6.25	6.25
Banco Central de Chile – Overnight Rate	1.50	October 13, 2021	2.00	2.00
Banco de la República de Colombia – Lending Rate	1.75	September 30, 2021	2.00	2.00
Banco Central de Reserva del Perú – Reference Rate	1.00	October 7, 2021	1.25	1.00

Banco de la República de Colombia (BanRep): A 25 bps hike of the policy rate to 2.00% is the likely outcome at the September 30 monetary policy meeting. The current inflation spike is being perceived as temporary, expected to remain in the 4–5% range until April 2022 followed by a gradual decrease back to the bank's 3% target. We think this announcement will be followed by subsequent 25 bps hikes at each of the upcoming meetings.

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	3.50	November 18, 2021	3.50	3.50

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

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