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Global Views

Weekly commentary on economic and financial market developments

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Nonfarm Shocker And An ECB Rate Cut Hint Would Steal The Week's Show

- **Please see our full indicator, central bank, auction and event calendars on pp. A3-A10.**

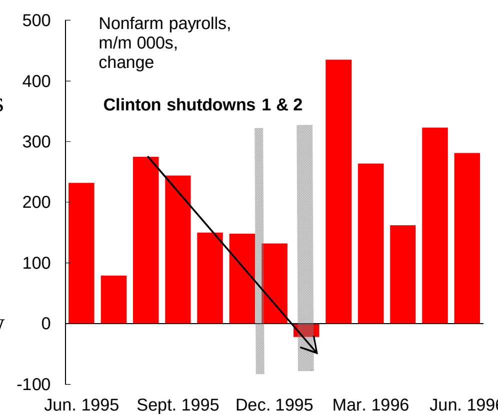
United States — Job Shocker On The Way?

Data risk will be very high next week not so much in terms of the volume of readings, but more in terms of their sheer weight. The readings on jobs, Q3 GDP growth, and income and spending should dramatically improve the Federal Reserve's ability to read the tea leaves on the path to the next FOMC meeting on December 18th. **I remain deeply skeptical that the Fed will have what it needs to taper along that time frame.** Part of the reason is that it's unlikely that the US will have a budget by the December 13th deadline for the first time in about five years. Rather, negotiations may drag out over the Christmas Congressional recess if there is one, and uncertainty will persist into the mid-January funding deadline and February 7th debt ceiling deadline unless the remote prospect of a 'grand bargain' surfaces. Another reason is that talk of a broad-based asset bubble is misplaced in light of multiple equity valuation metrics we maintain, the fixed income rates sell-off since May and house prices that, while recovering materially over the past year and a half, nevertheless remain 20% below their pre-crisis peak. The other part of the reason concerns the data flow.

Next Thursday's GDP print is expected to come in at 1.9% annualized growth. The range of most consensus opinions spreads from about 1.7% to 2.3% with some outliers in the sample stretching it further. If consensus is right, then **this would be a modest slowdown from the 2.5% pace in 2013Q2, and would keep growth on a lackluster year-long path** that has also included 0.1% in 2012Q4 and 1.1% in 2013Q1.

Friday's nonfarm payrolls print will be devised from a sample that was taken smack dab in the middle of the partial government shutdown. **We think the risk to nonfarm is to the downside of consensus which expects 125k. We think 80k, and don't rule out a negative reading.** We partly rely upon the Clinton-era shutdown experience in formulating this view (see chart). Either the consensus or our own view would be a further slowdown in job growth that is likely to play into delayed Fed tapering by late winter. Here is our fuller note on the topic, which is reprinted in this week's Global Views.

Jobs Quickly Deteriorated During The Clinton Shutdowns



Source: BLS, Scotiabank Economics.

A wave of other key releases will include expectations for a **soft consumer spending report on Friday** due to what we already know about the decline in retail sales for the same month of September. Inflation-adjusted retail sales fell 0.3% m/m, so consensus is hoping for greater resilience in services spending to keep growth in total consumption in the black. Factory orders, however, should be bullish in the wake of the large gain in durable goods orders (only nondurables are the missing link in the report) but recall that the durables gain was in aircraft orders as measures of business capital goods spending softened. ISM services and UofM confidence round out the hits.

Fed speak will shine throughout the week with Bernanke, Stein, Powell, Fisher, Rosengren, Lacker, Williams, Pianalto, and Lockhart all on tap plus whoever takes to the media in unscheduled appearances. Bond markets will have an eye on US Treasury quarterly borrowing estimates on Monday.

Equity investors will watch the **earnings season wind down** with about 130 firms on the S&P500 left to report, and 79 on tap for next week. Names will include Walt Disney, Molson Coors, Prudential, CBS, and Kellogg. This has generally been a decent earnings season with profits beating analysts' aggregate estimates by over 4%, as about three-quarters of firms are besting expectations. This is not the Fed driving equities; it's overwhelmingly due to earnings and we've grown a tad weary of multi-year calls for the earnings cycle to run out of gas in what should be a gradually firming economy over our forecast horizon following a near-term soft spot.

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Europe — ECB To Tee Up A Rate Cut & Strengthen Forward Guidance?

Can the ECB ignore the fact that its prime mandate of inflation stability is being sharply disappointed to the downside? We'll find out next Thursday when the ECB issues a rate decision and President Draghi hosts his press conference shortly thereafter. EC-wide CPI inflation for October came in at a paltry 0.7% y/y while core was 0.8% y/y. That's the weakest headline inflation reading since late 2009. This is consistent with a global move toward low inflation readings and explains part of why several central banks have turned more dovish — thus far with the significant exception of the ECB which, in my opinion, often lags behind through both the Trichet and Draghi eras. Expanded LTRO facilities may become an option as existing facilities need to be rolled over about a year from now, but more powerful near-term options might be strengthened forward guidance or a rate cut. **Scotiabank Economics and our European Fixed Income Strategists forecast a rate cut at the December 5th meeting, with the move being teed up next November 7th.**

The BoE meeting on Thursday is likely to be a much tamer affair by comparison with no expectations for changes to the official bank rate (0.5%) or the asset purchase target (£375 billion). Though UK data has been fairly solid, BoE officials have generally conditioned markets to believe that it's too early to reassess the forward rate guidance to keep the policy rate on hold until the end of 2016. Could they use the opportunity to reinforce their commitment to such guidance?

European data risk will also factor into market movements. Key will be German factory orders that might rebound from the prior month's weakness, while German industrial production is likely to renew softness following the large gain in September. German exports will close the week and key will be whether the 1% m/m gain in August is retained, or if Germany continues a volatile pattern of ups and downs. While we expect a non-event from the BoE, UK data risk will be worth watching and includes PMIs for the construction and service sectors, industrial production, trade, construction output, and the monthly estimate of GDP growth from the National Institute of Economic & Social Research. EC retail sales and French industrial production round out the hits.

Canada — Slowing Job Growth

The jobs print for October will dominate domestic market influences next week, but not until the end of the week. At an annualized year-to-date pace, Canada has only grown about 151,000 jobs this year which is the weakest pace of job creation in the post-recession period since 2009. That's not bad, but it's not great either. Canada front-loaded much of its job growth early on in the recovery, and for a time was among the fastest growing employment markets anywhere and right up there with China, Germany and South Korea. The economy will find support from ongoing job growth. **Since job growth only roughly matches labour force expansion, however, it's not strong enough to either drive the unemployment rate materially lower or to raise homeownership rates further from already record high levels.** Having said that, job growth volatility has been massive this year and that lessens our confidence in underlying trends. Outsized losses like 55,000 jobs lost in March have occurred in a year alongside May's 95,000 gain. Using the standard ten or eleven to one factor, that would be equivalent to US job market swings of between about minus a half million in one month to plus 1 million another. We really don't have a good explanation for this variability, but find it difficult to imagine that hiring intentions are so volatile. Instead, we continue to discount the particularly volatile and largely unpredictable monthly print and watch the smoothed trends in the lead-up to annual revisions in a few months.

Housing starts also land next Friday. For a time from the Spring of 2012 until early this year, starts were in correction mode and fell sharply from the temporary peak of 253,000 units in April 2012 to the trough of 161,000 units in January of this year. Resales followed a similar pattern, commencing their recovery this past Spring. Since January, however, new home building activity has trended higher again and to figures that have been in the 180-200k range ever since Spring. Much of the rise was concentrated between January and May,

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and since then starts appear to have gone largely sideways. **The plus is therefore that volumes of new construction remain elevated, but growth is gone.** I continue to think that resales and starts strengthened at the expense of coming quarters as prospective homebuyers triggered the option to purchase within mortgage rate commitments out of fears that the juicy contract rates would expire and reset higher during the period in which rates pushed higher.

Earnings season may be winding down in the US, but it will remain very active in Canada. 111 firms listed on the TSX will release next week, including names like Sun Life, Magna, Great-West Lifeco, BCE, Manulife, Brookfield, Air Canada, TransCanada Corp, Westjet, Cineplex, and Enbridge. The Canadian earnings season is thus far beating analysts' aggregated earnings expectations by almost 7% as about 60% of firms are beating. That said, just over half are disappointing revenue expectations and thus beating on earnings via operating leverage.

BoC Deputy Governor Lawrence Schembri speaks on Monday at a payments system conference. Canada auctions 5 year GoC bonds on Wednesday.

Asia — Chinese risks, more softness in EM, and a dovish RBA?

The monthly Chinese data download begins this week with data on trade and inflation for October due out. Consensus is looking for a moderate uptick in CPI to 3.3% y/y as prices for food and housing continue to ramp up. Whether this is just noise, or the effects of China's credit surge filtering into the economy (see chart) is anyone's guess. But **the possibility of an uptick in Chinese inflation is a key risk both to Chinese policy makers and markets.** Consensus is expecting Chinese exports to tilt into positive territory in October, hoping for a 1.3% y/y export number after a -0.3% m/m contraction in September. Strong South Korean trade numbers for October feed into this hope.

The EM data ledger poses some risk in the region, with Indonesian GDP figures for Q3 on November 6 shedding light on the extent to which the local currency sell-off hit growth via higher import costs that may have crowded out other domestic spending. Trade data out of Malaysia, Philippines CPI, and a rate statement from Bank Negara Malaysia round out the emerging Asia data calendar.

On the central bank front, the RBA is expected to hold its interest rate at 2.5% after Gov. Stevens implied that the RBA could pause for a while and assess how its rate cuts have impacted the economy. The risk here in our view is that the bank might sound more dovish than markets expect, however, as recent economic data have been nothing to write home about. The RBA will get data on retail sales and home prices ahead of its meeting, with numbers on trade and jobs due out later in the week. New Zealand will release jobs data as well.

Source: Bloomberg, China NBS, PBOC, Scotia Economics

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Cue The Strengthening Global Recovery, Again

Scotiabank Economics forecasts global growth to increase by an average of 3.4% in 2014, about ½ a percentage point better than the lacklustre gain estimated at 2.8% for this year, and the 3.1% advance posted in 2012. Looking further down the road, we expect worldwide output to increase by an average of 3.6% in 2015.

The strengthening in the pace of global economic activity is based on a lengthening list of growth-reinforcing factors, and is long overdue. The most important factor is the re-emergence of the United States as the growth leader in the high-income advanced world, and its potential to outperform expectations after a multi-year period of underperformance. We expect U.S. real GDP will increase 2.5% in 2014, following this year's estimated 1.6% gain, and advance a further 3.0% in 2015.

The U.S. economy will be driven by a revitalized consumer and increased housing activity. U.S. personal spending is poised to gain additional traction alongside an expected improving trend in employment creation and income gains. Household balance sheets have become more supportive, a function of the sizeable reduction in indebtedness from record levels, increased cash flows associated with accelerated refinancing activity afforded by lower interest rates in recent years, and the rise in net worth funded by higher asset prices including rising home values. Housing construction will increasingly benefit from the significant amount of pent-up demand built up over the past five years, and improving home-buying demographics that were constrained by weak labour markets and the lack of credit availability.

Over the next two years, U.S. government spending will transition from subtracting from growth to adding to growth. The sharp reduction in fiscal drag mirrors the significant improvement in U.S. government finances, with the federal deficit on track to decline to about US$600 billion in FY14 (roughly 3½% of GDP) and to around US$550 billion in FY15 (3.0% of GDP) in response to the combination of spending restraint, higher taxes, historically low interest rates, and continuing economic growth.

In addition, U.S. industrial activity and net exports will benefit from the competitive gains derived from wage containment, improved productivity, and a weakened currency over the past five years, as well as innovative products that run the gamut from transportation equipment to machinery and technology and services. The United States is already benefitting from the 'reshoring' trend that has witnessed repatriation of manufacturing activity to shorten and strengthen supply lines, and especially to lower-cost production sites in the southern states. The rapid expansion of tight oil and natural gas supplies is providing a short-term boost to development and output, and the long-term means to displace sizeable energy imports. Furthermore, businesses are expected to ramp up investments and expand capacity later in 2014 and well into 2015 as strengthening confidence and growth take hold, bolstered by balance sheets that are financially sound and long on cash.

U.S. borrowing costs are expected to remain at pro-growth levels through 2015, and supportive of expanding activity. With the interest-sensitive sectors of the U.S. economy pressured by the sharp back-up in longer-term bond yields and mortgage rates since last May, developments that were reinforced by the recent budget showdown, the Federal Reserve is unlikely to reduce its non-conventional monetary accommodation until stronger growth resumes and inflation turns higher. Tapering is likely to begin in March of 2014 at the earliest, pushing out any increase in the Fed funds rate until the fourth quarter of 2015. Bond yields are expected to maintain their pro-cyclical, albeit gradual upward bias over the next two years, but periods of consolidation are likely as the economy and policymakers adjust to the changing conditions.

Beyond the United States, other factors are also contributing to the renewed and stronger momentum internationally. Most of the euro zone members are exiting from a deep and protracted recession, reinforcing the export-led advances in Germany. Many nations, including most of the hardest-hit countries in the southern periphery, are experiencing a revival in external shipments that is overtaking continuing, albeit diminishing, austerity. This turnaround, underpinned by the significant improvement in internal competitiveness, should lift euro zone output growth to an average gain of 0.7% in 2014 and 1.3% in 2015.

The renewed home building surge in the United Kingdom, underpinned by government incentives and a longer commitment to low interest rates should witness output growth advancing by an average of 2.1% in 2014, followed by a more moderate increase of 1.3% in 2015 as the very accommodative policy initiatives are scaled back. Japan's economy has been posting relatively strong quarterly growth rates this year as households and businesses respond to the aggressive monetary and fiscal measures, and the weaker yen. We expect that the

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country's real GDP gain will average 2.0% this year — roughly double the average growth in the prior 13 years since 2000 — and post more moderate increases averaging 1.8% and 1.2% respectively in 2014 and 2015 as the effects of the stimulus are mitigated by rising consumption taxes.

The continuing momentum in China and throughout most emerging-market economies will help support global growth and keep most commodity prices at profitable levels. China's real GDP is forecast to expand by a better-than-expected and globe-leading 7.7% this year. Recent evidence suggests that Chinese officials have orchestrated a soft landing, with the economy responding positively to the stimulative fiscal measures introduced mid-year to combat the spillover effects from recurring bouts of global economic turbulence. China's purchasing managers are reporting that manufacturing activity has firmed up, while investment spending is still relatively strong, and consumers remain in a home and car buying mood. Even so, the country's policymakers have embarked on a multi-year program of structural and market-enhancing reforms aimed at boosting operational efficiencies, eliminating excess industrial capacity, managing credit, and implementing environmental remediation. These initiatives, in addition to the maturation of the country's development cycle, should result in output growth averaging 7.3% next year and 7.0% in 2015.

However, the global economy has had a difficult time regaining and sustaining stronger traction, even with unprecedented monetary accommodation and historically low borrowing costs among the advanced nations, and expanded government deficits internationally. Output growth has averaged just a mediocre 3% over the past five years of recession and recovery, in line with the average gain during the 1990s when the advanced nations were recovering from the deep recession and protracted recovery at the beginning of the decade, and the emerging-market economies were less robust. And if the expected advances in global real GDP do materialize (averaging roughly 3½% over next two years), the performance would still be well below the 4% *average* advance in the 2000-07 period that was characterized by generally solid output increases in the advanced nations, and significant economic gains in the emerging-market economies.

While we are optimistic that worldwide activity can regain somewhat stronger momentum, one must be cognizant of the repeated speed bumps that have continued to keep output in the slow lane of growth. For example, the expected U.S.-led global acceleration is starting from a reduced base. Growth in the second-half of this year has been lowered slightly again. This reflects the economic fallout on consumer and business spending from the lingering impact of tightened financial market conditions attributable to the 'tapering talk' over the summer, and more recently, the partial federal government shutdown. In the absence of a political compromise that breaks the gridlock by balancing shorter-term budgetary needs with longer-term entitlement reforms, confidence will remain on the softer side and planning hesitant as the United States moves toward the next expenditure and debt ceiling deadlines slated for early in the new year.

The nascent recovery in the euro zone also could falter if the expected upward trend in longer-term borrowing costs triggers renewed debt sustainability concerns, particularly in countries still experiencing austerity, deleveraging and chronic joblessness. Japan may not be able to sustain its renewed momentum if the scheduled consumption tax hikes dampen domestic spending, and energy shortages hinder the performance of its reviving export-focussed manufacturing sector. Many of the larger emerging-market nations may not be able to fully implement the structural reforms needed to rebalance their economies, either away from the over-reliance on investments and exports, or by developing much-needed social and/or physical infrastructure. China, in particular, could be challenged if its efforts to rein in excessive credit growth trigger a significant housing market correction.

In this environment, Canadian output is expected to advance by a moderate 2.2% in 2014, following this year's estimated 1.6% gain, and increase by a further 2.5% in 2015. Canada's broad mix of primary, agricultural, manufacturing and service-related exports will continue to benefit from the strengthening in U.S. activity, with earnings bolstered by a currency averaging US$0.93 next year and US$0.96 in 2015, and longer-term, increased regional diversification as the CETA trade agreement is phased in. While consumer spending in Canada will be constrained by the need to manage high levels of household debt, the diverging regional economic performances — especially in the stronger growth resource-producing regions — will keep overall personal spending on a positive trend, and underpin support for the housing market. Investment and manufacturing activity will get a lift from expanded infrastructure and government procurement initiatives.

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Improving US Outlook And Higher Risk Appetite To Test EUR Resilience

Global growth dynamics, central bank policy in major economies and domestic politics continue to be the most important market drivers of capital flows in foreign exchange markets. The world economy is gearing into an accelerating growth phase despite distracting media-sensitive events surrounding domestic political issues in the United States. Capital flow metrics indicate a renewed appetite for riskier assets both in well-established and developing markets. The resilience of the euro (EUR) and the structural shifts (painful for the young unemployed generation) taking place in Europe continue to be a topic of debate and dissent amongst market participants and global financial planners. Justified or not, the "tapering" rhetoric (i.e., gradual unwinding of the aggressive and unconventional US central bank intervention in US sovereign and MBS debt markets) continues to guide temporary investor sentiment. Nevertheless, the announcement of Janet Yellen as Federal Reserve (Fed) Chair has removed some uncertainty.

The NAFTA zone offers a promising outlook. Improving economic conditions in the United States are at the centre of this positive near-term outlook, yet the so-far largest world economy is not free of challenges regarding the steady recovery of the housing market and a lasting fiscal consolidation plan. We estimate a gradual improving of the US fiscal burden, accelerating housing market activity, stronger domestic demand and lower jobless rates through the end of 2015. We are of the view that the US dollar (USD) will strengthen broadly in 2014 as the Fed moves to first slow and eventually conclude its quantitative bond buying program.

Structural interdependence with the US will remain in place in Canada and will deepen in Mexico. Both economies should benefit from a better US macroeconomic outlook and a more dynamic regional trade and investment activity within the NAFTA zone. Looking ahead, however, we anticipate a modest adjustment in the Canadian dollar (CAD) and Mexican peso (MXN) nominal exchange rate vis-à-vis the US dollar (USD). For the CAD, the Bank of Canada's decision to remove its hawkish bias is an important one, particularly when juxtaposed against Fed policy. In addition, a growth outlook that is expected to underperform the US trajectory and sentiment should see the CAD weaken next year. We maintain an appreciating view for the USD against its major-peer and regional-peer groups. In Mexico's case, the MXN will remain sensitive to US monetary policy shifts and progress in advancing investor-sensitive reforms to fiscal and energy sector structures.

The European currency landscape continues to be shaped by the persistent strength of the EUR versus the USD, as well as against the Japanese yen (JPY), the Chinese yuan (CNY) and, more recently, the British pound (GBP). Global market participants are becoming more optimistic about a positive shift in European growth prospects as well as a steady improvement in systemic (bank and debt) risk indicators. Indeed, benchmark European equity market indices have shown a remarkable upside momentum since late June. The sustained rally in Spanish equity securities in all sectors since late June is worth mentioning, as it implies a remarkable improvement of investor's perception of financial sector risk in this country. The resilience of the EUR in 2013 was caused by a surprising improvement in the euro zone's growth outlook and rising confidence; while the European Central Bank failed to turn more dovish as the Fed pushed out tapering. Looking out to 2014, the EUR 's path is expected to soften. The combination of difficult banking union negotiations, a more dovish ECB, who is expected to warn over the disinflationary impact of a strong EUR, and a broadly stronger USD should weigh on the EUR. The path for the GBP is more optimistic than the EUR; but the GBP is also expected to lose ground against the USD as relative growth and monetary dynamic turn less favourable for the GBP. We expect the Swiss National Bank to maintain its EURCHF 1.20 floor.

The Asia/Pacific currency environment presents a clear divergence between the policy-guided gradual appreciation of the CNY and the softening potential of the JPY in the near term. We estimate that the positive domestic (combined fiscal and monetary stimuli) and external factors driving yen strength over the past few months will be reversed and that the Japanese currency will regain a weakening trajectory towards the 109 per USD rate by the end of 2014 as growth dynamics lose momentum and the Bank of Japan struggles in meeting its 2% inflation target. Meanwhile, the Chinese authorities will maintain a moderate currency

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alignment path. Looking ahead, rigorous intra-regional credit risk differentiation will continue into 2014; indeed, the South Korean Won (KRW) has steadily become the shining star in the region, with sharp currency gains since late June, firmly supported by a low-inflation accelerating growth path in the context of steady twin surplus (fiscal and current account) conditions.

The core group of emerging-market currencies are once again in demand, following the temporary abatement of financial market stress associated with uncertainties regarding the US debt-ceiling adjustments, leadership transition at the Federal Reserve (Fed) and the timing of the Fed's reduction in its holdings of US treasury debt assets. Within the non-China BRIC group, the Brazilian real (BRL), the Indian rupee (INR) and the Russian Ruble (RUB), have all recovered some of the lost value, yet they remain sensitive to sudden asset allocation shifts in capital flows in favour of established debt and equity securities markets.

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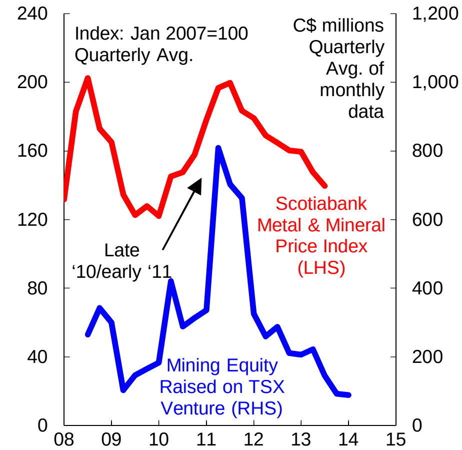
Equity Capital Availability Tightens For Junior Miners

'Equity capital raised' by junior mining companies on the TSX Venture plunged in 2012 and has moved even lower in 2013YTD — the result of 'investor risk aversion' linked to softer metal & mineral prices and a reluctance by 'junior' as well as 'senior mining companies' to access the public exchanges for capital, given low equity valuations. The TMX Market Intelligence Group indicates that 'equity capital raised' for mining companies on the TSX Venture has dropped from $5.9 bn in 2011 to a mere $2.0 bn annualized in 2013 (January-August) — one-third the level of two years ago.

Senior mining companies — especially gold producers, adjusting to prices at the US$1,200-1,350 mark instead of US$1,600 at the start of 2013 — have shifted focus from 'growing' production to boosting shareholder returns through cost cutting and more disciplined capital spending; their interest in 'asset acquisitions' from junior mining companies has declined. The plunge in the TSX-Gold Index this year at -40.2% YTD has far exceeded the drop in the actual gold price (-21%); senior producers need to demonstrate to investors that they can bring on stream new projects on time and on budget. The net result, junior mine finance is currently in near-crisis, with many small exploration companies now in survival mode, having limited working capital to maintain their TSX Venture listings.

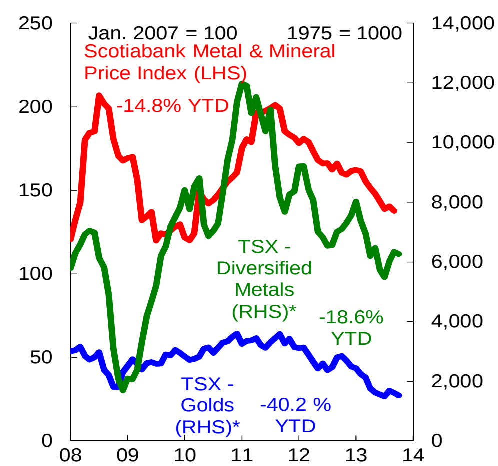
Traditionally, junior exploration companies have been important contributors to mineral exploration across Canada, finding and delineating deposits, before selling them to senior producers for development. **Junior mining and TSX Venture operations are at the 'heart & soul' of downtown Vancouver,** significantly impacting market conditions for office space. The mining industry directly accounts for 7.8% of 'goods production' within British Columbia's GDP (excluding any spin-off benefits), 4.5% of national goods output and just over 30% of Canada's net exports of all commodities & resource-based manufactured goods (the weight of Metals & Minerals within the Scotiabank Commodity Price Index). **The TSX Venture and the TSX are also an important source of capital and liquidity on the world stage; 57% of the world's publicly-traded mining companies are listed on the TSXV-TSX, including many Australian, Mexican, Chinese and African producers.**

Metal Prices vs. Equity Raised on TSX Venture



Source: Scotiabank Commodity Price Index, TMX Market Intelligence.

Metal Prices vs. Equity Valuations



* Data to November 1, 2013.
Source: Scotiabank Commodity Price Index.

A revival of equity capital for junior miners will depend largely upon a cyclical rebound in metal & mineral prices and an improvement in investor sentiment for senior producers. While a strong pick-up in base metal prices could be several years away — given the wave of new mine capacity coming on stream in copper and nickel, after very limited expansion for five years — equity valuations have already dropped substantially (-18.6% YTD for TSX Diversified Metals) and largely discount this development. **M&A activity — financed by 'private equity' — is picking up, sensing that a bottom in equity valuations is close at hand, with the object of rolling out an IPO in about 4/5 years' time.** (Other financing avenues for juniors include 'streaming arrangements' and strategic equity investments in return for 'off-take agreements' to secure supply & price, though these alternatives are only available to companies with well-advanced projects.)

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LME copper prices have held up better-than-expected this year — at US$3.29 per pound on November 1, copper prices still yield a 35% profit margin over average world break-even costs (including depreciation), with only a moderate further decline expected in 2014-15. China's demand for refined copper has been quite strong in 2013 (up an estimated 9% for the year as a whole) — driven by high-speed railway investment and urban power transmission; China's GDP is on track to achieve growth of 7.7% (the same as 2012) and industrial production has advanced by 10.3% yr/yr in August & September. While global supply/demand conditions for copper have moved into 'surplus', with the ramp-up of new mine capability (+4.6% in 2013 and an estimated 5.8% in 2014), the resulting increase in inventories is 'tightly held' — either in bonded warehouses in China or in LME warehouses in Antwerp, Johor and New Orleans (attracted by upfront warehousing incentives).

Junior miners in Canada have also been rocked by two 'random events' — the fall-out on world uranium prices from the tragic tsunami and Fukushima-Daiichi nuclear power plant accident in Japan and the exit of Uralkali from the Belarusian Potash Company marketing arrangement. Spot uranium prices have dropped from US$66.50 per pound — just prior to the March 2011 Fukushima-Daiichi event to US$34.75 today — instead of soaring as would have been the case, given the need for low-cost, base-load electricity demand in rapidly growing 'emerging markets'; nuclear power emits virtually zero greenhouse gases. A gradual improvement in uranium prices is expected in 2014, as Japan's nuclear reactors begin to restart (all 50 are currently shut). The expiry of the U.S.-Russia HEU Agreement in late 2013 will also tighten supplies.

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US Jobs Shocker On The Way?

Next Friday's nonfarm payrolls print risks being a downside surprise to what consensus is forecasting because of the effects of the partial government shutdown. Consensus thinks nonfarm payrolls growth dropped to 125k in October which alone would be a material continued slowdown in hiring that has been ongoing throughout the year, but the risk is skewed toward an even weaker print while not ruling out a negative. Our guesstimate is 80k and so far we have been joined by ten other shops in the Bloomberg consensus who expect a sub-100 print and the nineteen of 39 forecasters who have gone at least somewhat below the median 125k call.

The only rough guide we have to go by in evaluating the effects of the government shutdown in October takes us back to the Clinton shutdowns of November 14th-19th 1995 and then again from December 16th 1995 to January 6th 1996. Job growth barely reacted in the November 1995 shutdown because it was so short — just six days — and because it occurred on the outer fringe of the nonfarm reference period which is the pay period that includes the twelfth of each month. The Dec'95-Jan'96 shutdown, however, was a bigger affair because it lasted for 22 days compared to last month's 16-day shutdown. That said, it overlapped much less significantly with the period over which the nonfarm sample was being conducted compared to this year's shutdown so the effects may be more likely to be captured when the data was being gathered.

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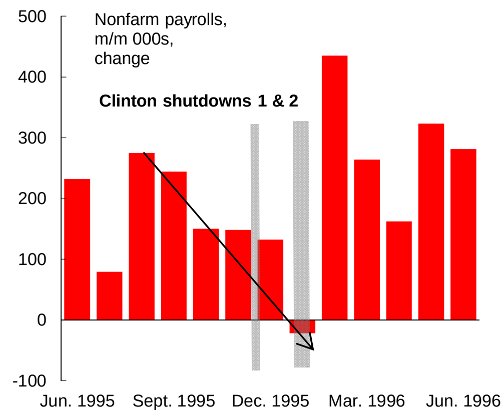

Source: BLS, Scotiabank Economics.

The job growth trend had sharply waned in the months prior to the shutdowns (much like this year), but then the bottom fell out in January '96 when the second and longest shutdown hit (see chart). About three-quarters of the small job loss in January 1996 was focused upon government, but it had not previously been hiring at a significant pace. The real swing factor was in the private sector that went from creating 129k jobs in December 1995 (and much more over the months before) to shedding 6k in January as hiring stopped. Job growth then super-accelerated during the following month of February '96 as pent-up hiring demand was unleashed mostly in the private sector as the shutdown became a thing of the past.

We doubt that we'll get the same post-shutdown hiring boom this time because nothing has been settled by way of further shutdown risks and ongoing fiscal policy uncertainty. With the staggered deadlines for budget negotiations, funding, and the debt ceiling, we'll likely have ongoing fiscal policy uncertainty well into the new year and that's likely to weigh upon hiring intentions for some time yet, particularly in the lead-up to Obamacare's maximum potential effects upon hiring intentions. A wide +/- 100k 90% confidence interval on nonfarm calls, difficulties with post-crisis seasonal adjustment factors, and possible revisions are among the risks to our call. That said, if our cautious job growth picture even comes close to fruition, then it is another reason why the Fed will find it extremely difficult to taper asset purchases until late winter at the earliest, in our view.

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Japan's Not Getting The Right Kind Of Inflation

- **Despite the recent increase in CPI, Japan is not seeing wages rise. This poses legitimate 'stagflation' risk for Japanese consumers over time.**

So far, Abenomics is resulting in the wrong kind of inflation in Japan. While CPI has increased since Japan's large QE program began, wages have stagnated. Much of the increase in Japanese CPI so far is attributable to rising energy prices (electricity and gasoline) — which are heavily influenced by the weak JPY. If wages do not rise, consumers will see a meaningful erosion of purchasing power, with effects for the broader economy.

Wage push inflation vs. cost push inflation

Economists break inflation into two types: wage push inflation (rising wages lift prices) and cost push inflation (higher prices for non-substitutable goods due to an exogenous factor). Wage inflation is viewed as the healthy kind of inflation associated with what the Bank of Japan has called "a virtuous cycle among production, income, and spending" (which it is trying to encourage in Japan). Cost push inflation in the absence of wage growth erodes consumer purchasing power — and is deflationary on the second order because it crowds out consumer spending on substitutable or discretionary purchases. The Bank of Japan is aware of this and twice in its recent economic outlook emphasized that close attention needs to be paid to wage growth.

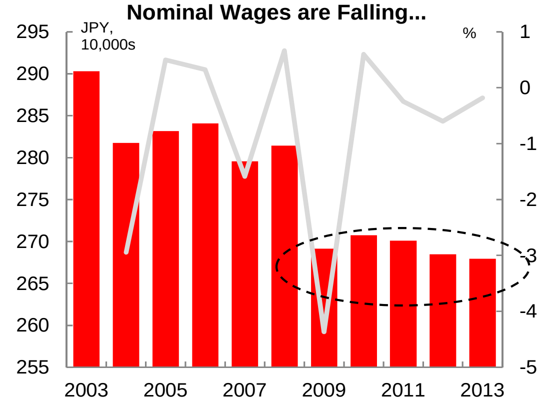
Japanese wages have not increased

Japanese wages, whether analyzed in nominal or real terms, are roughly flat this year (see charts). Through September, real wages are down by 0.3% compared to the first three quarters of 2012; nominal wages are lower by 0.2% y/y using the same metric. There has been a great deal of emphasis on the need for higher wages in Japan — but the gains are yet to materialize in any of the economic data.

Japanese prices are rising due to the weak JPY

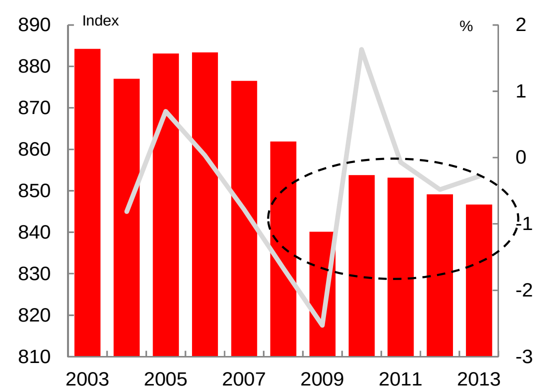
At the same time, in the past year, Japanese import prices have risen by a staggering 17.9% y/y even as global crude oil prices and broad commodity costs retrenched slightly (see chart). In other words, the weak JPY, and not international commodity prices, have caused import prices to sky-rocket — and wages are not keeping up. The higher import costs have only passed through to inflation sufficiently to lift headline CPI to the 1% y/y area. How much further will this process go ? Will Japanese companies pass off higher hauls from exports (also part of the currency adjustment process) into wages? How will Japanese consumers cope if higher import prices pass through aggressively into consumer costs (as is already happening with respect to consumer energy prices)? Will the BoJ try to weaken the JPY further to generate more inflation? As the BoJ says, this situation requires careful observation — and the early returns leave us worried about stagnant wages and eventual stagnation in consumer spending amidst rising inflation moving forward.

Hard to End Japanese Deflation When Nominal Wages are Falling...



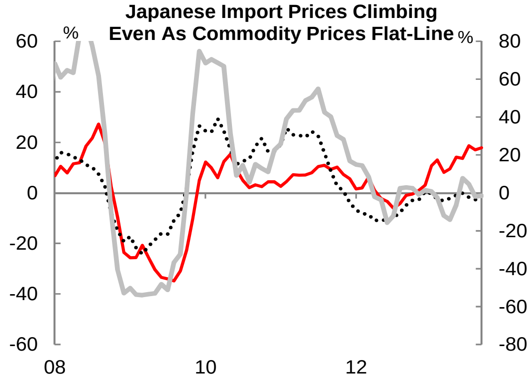
Source: Scotiabank Economics, Japan MHLW

...And Real Wages Remain in Free-Fall



Source: Scotiabank Economics, Japan MHLW

Japanese Import Prices Climbing Even As Commodity Prices Flat-Line



Source: CRB, BoJ, Scotiabank Economics

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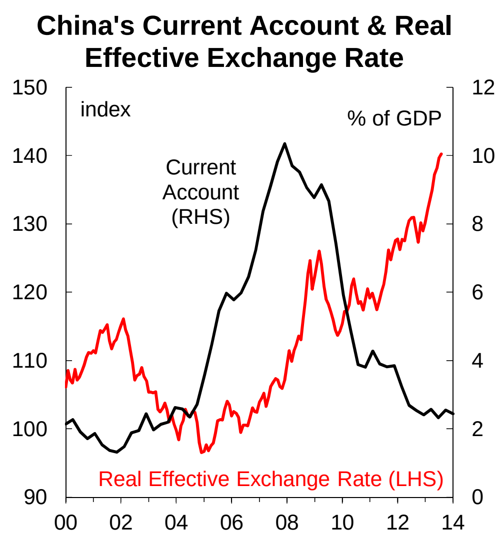
The US Assault On China's Yuan Continues To Be Misplaced

- **The US Treasury again asserted that the Chinese yuan is undervalued, but we continue to think they are not looking at the right measure. Indeed, China's export competitiveness has sharply waned and may erode further.**

The US Treasury has again claimed that the Chinese yuan is "significantly undervalued" but passed on explicitly labeling China as a currency manipulator which would have been highly contentious in an environment in which — rightly or wrongly — other countries question the intent of Federal Reserve policies. It did so by flagging the slow movement toward revaluing the yuan-dollar peg, and noting that China's current account surplus is the second largest in the world behind Germany.

Chart 1



Source: Bloomberg, Scotiabank Economics.

If the thinly veiled allegation that China is manipulating its currency to its export advantage is correct, then we continue to believe that the evidence suggests that China is doing so rather ineptly. This should be of considerable relief to the US economy as Chinese export competitiveness wanes while the propensity to import is being positively influenced by currency movements. This was always supposed to be among the mechanisms leading towards global rebalancing and the evidence suggests it is well underway. The interesting thing here is that market mechanisms both in terms of foreign exchange rates (USDEUR & JPYUSD to name two) and Chinese trade flows have been more important than arguably more political decisions surrounding the fixing of the USDCNY exchange rate.

Witness chart 1 which shows China's real effective exchange rate against a basket of global currencies. It has risen by a whopping 43% since 2005. Since that time, China's current account surplus has been slashed from 10.4% of GDP going into the last U.S. Presidential election to 2.4% now. This is a massive eight percentage point correction to depths last seen before 2005 after which China began profiting handsomely from the high-flying spending of American consumers.

As we've noted before, researchers at the Fed and the Peterson Institute argue that there is a two-year lag between this measure of currency movements and what that does to China's trade account. Continued currency appreciation points to continued declines in China's current account balance as the real effective exchange rate sits at its highest since 1989 and continues to rise according to the IMF's measure.

This perspective feeds into a debate on China's growth drivers. Has Chinese manufacturing bottoming? Does manufacturing and trade-driven strength in GDP lie ahead over the forecast horizon? The latest private sector manufacturing PMI readings may be signaling a near-term bottom as the pace of contraction may be ebbing. The perspective we have offered, however, would counter this view over time by pointing to the continued worsening in China's trade competitiveness. Considerably stronger economic growth in key export markets including the eurozone and US is necessary to offset the decline in cost competitiveness, though we anticipate only a modest improvement in US growth next year and sub-1% Eurozone growth. If Chinese GDP growth accelerates going forward, it is more likely to require much faster rebalancing toward domestic growth. Offsetting this potential argument is that the credit and housing cycles are frothy and motivating tightened liquidity conditions imposed by the People's Bank of China to counteract inflated activity. **On net, these are among the reasons why Scotiabank Economics forecasts Chinese GDP growth to remain in the low 7-handled range over 2014-15.**

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ECB Meeting: When Doves Cry

Dovish Bias Strengthening Significantly

Inflation has fallen below the psychological 1% y/y threshold. Survey indicators have lost upward momentum and activity data have been mixed. Against this backdrop the case for an ECB rate cut has increased significantly. The key question is when? On balance we expect the ECB to leave rates on hold this week. Clearly there is the risk of a surprise move. However, we believe that it is more likely that the tone of the statement will turn more dovish and potentially include code language that lays the foundations for a December rate cut. More specifically

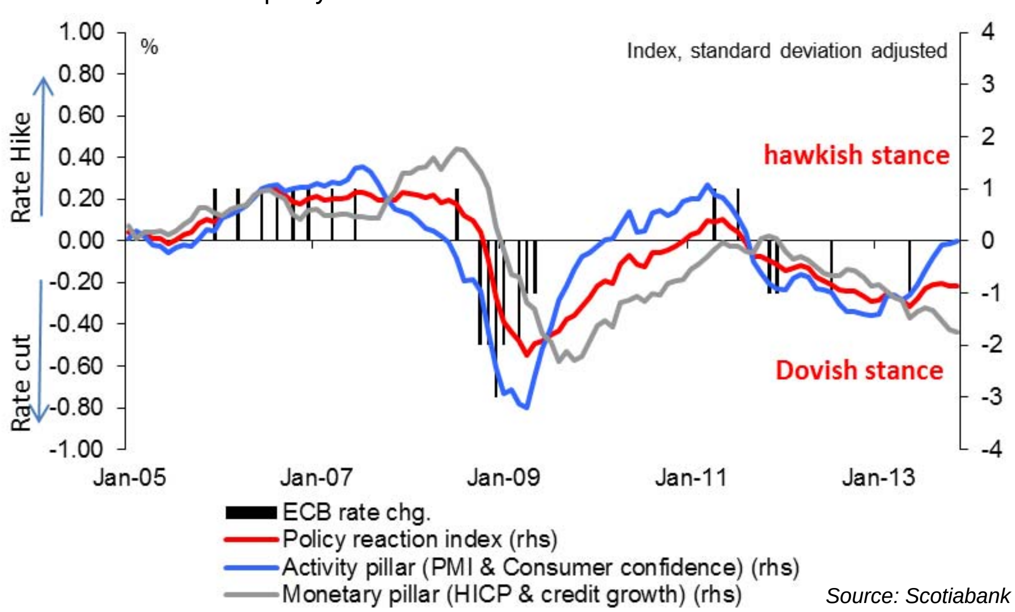
1) Recent leading economic data have been more mixed. While the ECB president is likely to repeat that the scenario of a gradual recovery remains on track, the latest business surveys have been less buoyant and somewhat divergent (the EU Commission survey rose, the PMI manufacturing was stable, and the German Ifo fell). This suggests that although eurozone GDP growth has been heading upwards and has turned positive — this could be as good as it gets and the recovery could have already reached a plateau.

2) The euro nominal effective exchange rate has broken above the highest level of the year so far. This may help to explain why the October business surveys lost upward momentum and could be hinting that we are reaching the “pain threshold”. Furthermore, we suspect that the October surveys did not fully capture the recent upward move on the euro, meaning that there is a good case for further downside in the November reports. The ECB has not made a habit of making kneejerk reactions to a single month’s figures, so it may wish to await the November surveys to confirm that October was not merely a pause for breathe.

3) While the ECB president is likely to repeat that “although not an explicit policy target, the exchange rate is important for growth and price stability”, we expect the ECB president to hint that further appreciation could alter the ECB’s risk assessment. Put another way, the new macroeconomic forecasts scheduled for release at the December meeting are likely to be revised lower — particularly for inflation. Back in February, this kind of wording was strong enough to dampen further euro appreciation. However, with inflation now below 1% y/y actions speak loader than words.

Based on our ECB policy reaction function model, the probability of policy easing is rising at a time when activity has improved (Chart 1).

Chart 1: ECB policy reaction index



Source: Scotiabank

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What sort of accommodation?

At this stage, we believe that an additional rate cut is more likely than an increase in liquidity through a new LTRO and would more easily gain a broad consensus inside the board. While we believe that the ECB president will no doubt announce, possibly as soon as this meeting or the December meeting at the latest, an extension of the main refinancing and of the three-month longer-term refinancing operations (MROs & LTROs) as fixed rate tender procedures with full allotment beyond July 2014, the last ECB survey further reduce the chance of a new 3-year LTRO for the time being.

Indeed, that survey showed a further reduction in the 'net tightening in credit standards' balances for both corporates and housing loans. Furthermore, the expectations balance points to more of the same over the next 3 months and could move into easing territory for the first time since the beginning of the crisis in 2008. This points to growing confidence that the transmission of the monetary policy could finally be improving and reduce the need for an LTRO.

Furthermore, the underlying details of the report attributed the residual tightness in credit conditions to the lack of confidence in the macroeconomic picture, rather than issues with banks' cost of funds and balance sheet constraints. In that case, additional liquidity will not change this picture much, but a rate cut could help.

Overall, a rate cut looks more likely than another LTRO. We now expect an ECB rate cut at the December meeting — teed up by code language at a dovish ECB press conference next week.

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EUR Is Vulnerable To Downside As ECB Likely To Turn Dovish

- **Scotiabank targets EUR to close 2013 at 1.31 and to close 2014 at 1.25.**

Entering November, EUR is up 3% year-to-date and is the best performing primary currency. The resilience of the currency has been on the back of several important themes: 1) relative central bank policy, including an expanding Fed balance sheet and a contracting ECB balance sheet; 2) an improvement in the European growth outlook while the US outlook has been weighed down by US Government gridlock; 3) the market's perception that Europe has emerged from crisis; 4) diverging confidence, with Europe's climbing and the United States' falling; and 5) flows back into EUR from both FX reserve and institutional managers. In addition, the focus has been heavily weighted to the USD side of the equation, with the market quick to look past the complications and hurdles still ahead for the European Monetary Union. From here, the EUR is poised to trend lower; we hold a year-end 2013 EUR target of 1.31 and a 2014 forecast of 1.25.

Entering the Friday trading day, the EUR had dropped 1.5% since the surprising release of soft inflation on Thursday. The ECB's mandate is price stability, a disinflationary environment combined with a strong EUR is a dangerous combination, introducing a Japan-like scenario where a country faces weak fundamentals but a strong currency. Through soft inflation, the ECB has been given the cover to reference the EUR in the context of price stability and we expect the central bank will turn far more dovish at its November 7th policy announcement and subsequently cut rates and/or announce a fresh LTRO at the December meeting (see Alan Clarke and Frédéric Prêtet's article).

This will be a significant shift from the ECB and stirs up memories of the February 2013 warning that an elevated EUR was a downside risk to inflation. At that time headline inflation was at 1.8% y/y (having trended lower since the September 2011 near-term peak of 3.0%); while core inflation was at 1.3% y/y and the EUR was trading at 1.34. Today, headline inflation is estimated at 0.7% y/y, while core is at 0.8% y/y (see chart 1) and the EUR is at 1.35. A more concerning combination than in February from the context of price stability.

After the ECB introduced the EUR as a downside inflation risk, EUR reacted falling to 1.2750 by March 27 (a 6% drop), see chart 2. The ECB meets on November 7th and we expect President Draghi to warn over the level of the EUR in the context of the risk it poses to price stability and that this risks a downward re-pricing of EUR. This is likely to be further complicated by difficult credit dynamics which have challenged the transmission mechanism of monetary policy.

CHART 1: EURZONE CPI TRENDS LOWER

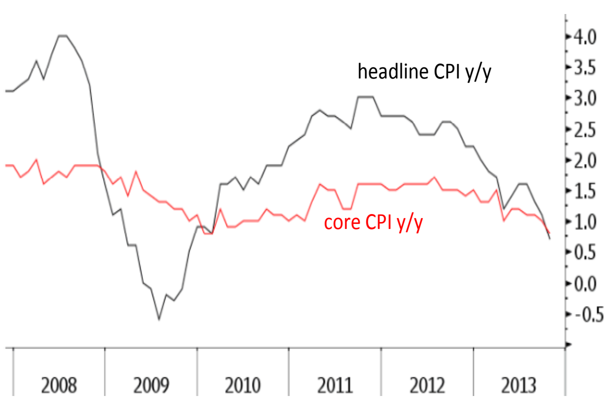

CHART 2: EUR AND THE ECB

Source: Bloomberg & Scotiabank FX Strategy

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Latin America Week Ahead: For The Week Of November 4 - 8

After the October 30th Fed FOMC meeting was perceived as "less dovish than expected" by the market, triggering a broad-based rally of the greenback, this week's non-farm payrolls will likely play an important role in determining whether the rally we expect LATAM FX to go through heading into year-end can materialize. For now, the timing of the start of the Fed's taper appears to be the major driver of LATAM FX performance, although we have also seen relatively important differentiation between regional FX performance due to country-specific fundamental factors, and central bank intervention (with Brazil being the heaviest intervener so far). Besides the US non-farm release, the pipeline of tier-1 regional data is relatively heavy, leaving lots of potential items to move markets in a differentiated manner.

Week-ahead views:

Brazil: A very weak fiscal number for September helped spur the BRL's poor performance on Thursday, as Fazenda reported that the primary deficit for the month was the largest deficit on record (BRL9bn), which could put reaching the objective of a 2.3% of GDP target into question (the target was already reduced from an earlier objective of 3.1% of GDP). In our view, part of the reason why fiscal indicators triggered investor concern is that rating agencies have already flagged the deteriorating fiscal position as a potential driver for ratings downgrades. Encouragingly, the government flagged it could unwind some of the fiscal stimulus it is giving the economy, suggesting it could eliminate the reduction on the IPI on automobiles (a tax break aimed at supporting the auto sector over the recent economic downturn). Heading into next week, we believe the BCB's weekly survey will remain an important item for the debate on how steep the rate hike cycle will be, while IPCA will also be tracked for the same reason. Our sense is that although the arguments for a weaker BRL keep piling up (ratings risks, CA deficit, slow economy, etc), the steep carry remains too much of a "counter-argument" to be long USD/BRL for the time being.

Chile: This week's release should be quite relevant for assessing the likelihood that the 75bps of rate cuts priced into the Camara swaps curve will materialize. Our initial bias is that the expected 75bps of cuts are somewhat on the "ambitious side", given we did not perceive that the dovishness of the latest statement from the central bank was materially higher than previous ones. However, this week's BCCh monetary policy minutes should be useful for assessing whether the bias shift within the central bank was that strong. In addition, the monthly economic activity index, CPI, and trade balance data should also be watched.

Colombia: Our sense is that USD/COP will continue to trade on a sideways pattern, with support at 1875 (followed by 1865), and resistance at 1920. In terms of major drivers, our sense is that exports data remains key for gauging appreciation appetite, while BanRep's MPC meeting minutes and CPI will be important for the outlook of rates (a pause is in the cards in our view)

Mexico: Further rate cuts appear to have been taken off the table by Banxico, which somewhat detracts from the importance of next week's Banamex survey of economists and CPI releases. The same story is true of Banxico's Q3 Inflation Report, and the minutes from the latest MPC meeting, but Governor Carstens did suggest there would be updates to the central bank's forecasts released along with the Quarterly. Outside of scheduled releases, now that the fiscal bill has been mostly approved (some minor issues are still pending), the impact of tough fiscal negotiations on the energy-reform-crucial PAN-PRI relationship will be closely assessed. Our bias is to sell USD/MXN on spikes towards 13.0, stop at 13.14, and targeting 12.67.

Peru: This week's BCRP MPC meeting is expected to continue to leave the reference rate unchanged, maintaining the pattern we've seen in place since the summer of 2011. Despite the economic slowdown, the central bank does not yet appear to believe easing through the policy rate is necessary, which is the view shared by the participants in the Bloomberg consensus. For now, the policy tweaking continues to take place through a combination of reserve requirement adjustment and FX intervention, as the central bank's focus has been to regulate liquidity and stabilize the sol.

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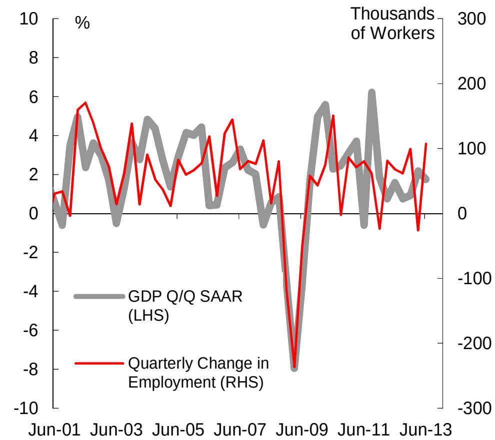
Key Data Preview

CANADA

We expect Canadian **jobs** growth to be fairly weak at 5k in October (November 8), reflecting some pay-back from the anomalies registered in September. What anomalies? Canadian jobs have been extraordinarily volatile (and for that matter hard to interpret) of late. Witness the jobs data from September: the economy added a moderate 12k jobs, but that masked a very large 73.6k gain in private sector jobs, a drop in the ranks of the self-employed of 45k, and a 16k drop in public sector employees. We think that the drop in the self-employed reflected a move into salaried jobs that won't be repeated in October. We're expecting the unemployment rate to hold steady at 7%.

Canadian Jobs:
Okun's Law Applies Here Too

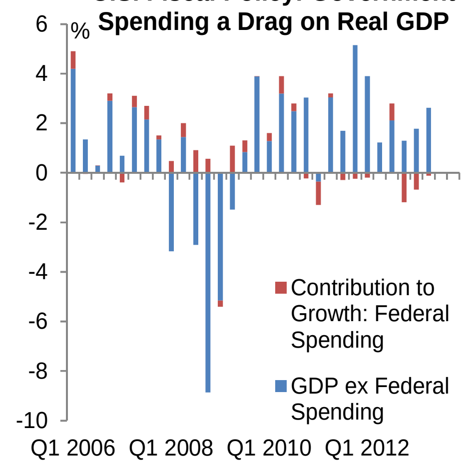


Source: Scotiabank Economics, Statistics Canada

UNITED STATES

We're looking for **GDP** growth of 2% q/q at an annualized rate when the first look at Q3 is released on November 7. We're anticipating the main drivers to be trade (exports were up by 3.8% q/q, imports were flat) and solid investment in both residential and non-residential structures (+13.5% q/q and +9.8% q/q respectively). What about fiscal drag? At this point, we think that fiscal drag will mainly show up in the form of weak consumption as higher taxes look to have slowed down consumer spending. Still, although consumption was fairly soft, it won't impede growth (+1.6% q/q). We don't expect government spending (or lack thereof) to drag on growth in Q3 (that will have to wait until Q4 when the shutdown gets factored in). Investment in capital goods equipment will likely be fairly weak, but again, should only drag on growth moderately. The bigger picture is that growth in 2013 will be averaging just a shade under 2% q/q if we get a 2% number for Q3. While that's fairly weak, it's nowhere near the worst-case scenarios of 'fiscal cliff'-induced economic trauma that had been keeping markets up at night to start 2013.

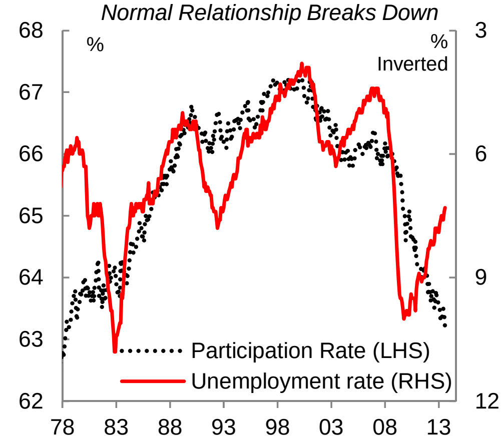
U.S. Fiscal Policy: Government Spending a Drag on Real GDP



Source: Scotiabank Economics, BEA

Jobs for October (November 8) are somewhat of a wild-card. We're looking for a weak 80k print on the basis of our analysis of the past experience of the U.S. economy as it has contended with government shutdowns. When the U.S. government shut down in 1995-96, non-farm payrolls were soft during the month when the government was closed for a bit less than a week (148k in Nov. 1995 vs. an average of 223k during the preceding quarter) and extraordinarily weak during the month in which the longer three-week shutdown took place (-22k in Jan. 1996). There is still fairly limited guidance from the initial jobless claims data, as the distortions seen in September continued and then sharply reversed. With respect to the unemployment rate, the erosion of the participation rate has driven unemployment to low levels. We're expecting stability here and forecasting a 7.3% unemployment rate.

Unemployment Rate & Participation Rate
Normal Relationship Breaks Down



Source: BLS, Scotiabank Economics

Our outlook for U.S. **personal consumption and expenditure** (November 8) in September is somewhat less than enthusiastic. We're looking for consumption of 0.2% m/m matching income of 0.2% m/m, as retail sales data were soft (-0.1% m/m) and income growth was soft too (+0.1% m/m).

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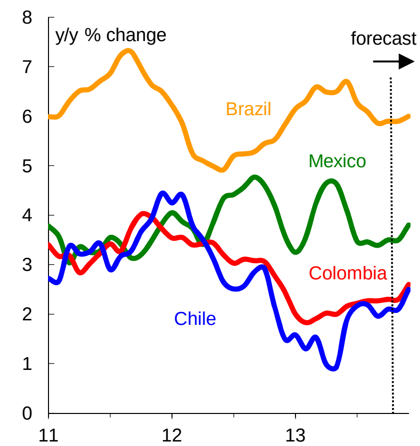
EUROPE

The UK will release industrial sector data for September on November 6th. The ONS has released the July and August monthly data as well as the Q3 quarterly average for IP and construction (contained within the preliminary Q3 GDP data release). As such we have a pretty good idea of what happened during September. It isn't always perfect, but it is a good start. Based on this approach, industrial production should rise by around 0.8% m/m, underpinned by a 1.2% m/m rise in manufacturing. An expansion of that pace is perfectly reasonable given the elevated level of the PMI manufacturing survey. Indeed, if there is going to be a surprise, we think it is more likely to be on the upside than the downside. Similarly, the 2.5% q/q pace of expansion in construction during Q3 mathematically implies a 1.5% m/m rise in construction during the final month of Q3. Again, given the stellar pace of activity in the sector due to the 'Help to Buy' scheme, a rapid pace of expansion is perfectly reasonable.

LATIN AMERICA

Amid monetary policy divergence, October inflation in Chile, Colombia, Brazil and Mexico will be released next week. We anticipate that inflation will increase slightly by year-end in all these economies. In Chile and Colombia, headline inflation rates registered levels below the official target ranges; however, inflation has bounced back gradually in recent months, but remains below the target mid-point of 3.0% y/y. The Chilean central bank has recently entered an easing cycle, and although we do not anticipate aggressive cuts, authorities may reduce the rate at least one more time by year-end. Colombian authorities continue to maintain a neutral monetary policy stance, leaving the reference rate unchanged at 3.25% since March. In Mexico, consumer prices have stabilized around the 3.5% y/y level, leaving the central bank some room to maneuver and ease monetary conditions. Brazil remains as the only country among the major regional economies to maintain a tightening policy bias, hiking the reference rate by a total of 225 basis points in the past six months, as headline inflation remains close to the upper limit of the central bank's tolerance range of 2.5-6.5%.

Inflation in Latin America

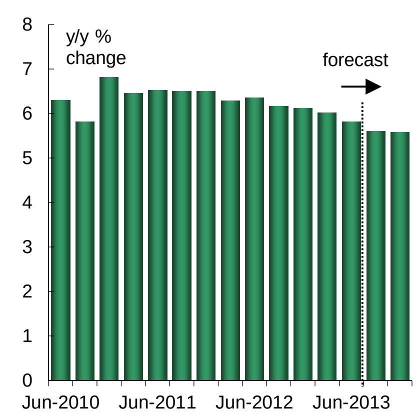


Source: Bloomberg, Scotiabank Economics.

ASIA

Indonesian third quarter real GDP data will be released on November 5th. We estimate that output grew by 5.6% y/y following a 5.8% gain in the April-June period. The economy will likely expand by around 5¾% this year as a whole. Tighter monetary conditions will adversely impact private consumption and investment growth, which are the country's main engines of economic expansion as the external sector continues to suffer from weak global demand conditions. Government spending will provide a boost to activity on the back of pre-election outlays (general elections will be held in April 2014, followed by a presidential vote in mid-year). As Japan is Indonesia's main export destination (purchasing 16% of Indonesia's total shipments abroad), the sustainability of its economic recovery is highly relevant for Indonesia's growth profile. We expect Indonesian real GDP expansion to average close to 6% in 2014-15.

Real GDP Growth - Indonesia



Source: Bloomberg, Scotiabank Economics.

Key Indicators for the week of November 4 – 8

North America

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	11/04	10:00	Factory Orders (m/m)	Sep	2.0	1.8	-2.4
US	11/05	10:00	IBD/TIPP Economic Optimism Index	Nov	--	41.8	38.4
US	11/05	10:00	ISM Non-Manufacturing Composite	Oct	52.0	54.0	54.4
US	11/06	07:00	MBA Mortgage Applications (w/w)	NOV 1	--	--	6.4
CA	11/06	08:30	Building Permits (m/m)	Sep	--	7.0	-21.2
US	11/06	10:00	Leading Indicators (m/m)	Sep	--	0.6	0.7
US	11/07	08:30	Continuing Claims (000s)	OCT 26	2890	2886	2881
US	11/07	08:30	Initial Jobless Claims (000s)	NOV 2	340	335	340
US	11/07	08:30	GDP (q/q a.r.)	3Q A	2.0	1.9	2.5
US	11/07	08:30	GDP Deflator (q/q a.r.)	3Q A	--	1.3	0.6
MX	11/07	09:00	Consumer Prices (m/m)	Oct	0.6	0.5	0.4
MX	11/07	09:00	Consumer Prices (y/y)	Oct	3.5	3.3	3.4
MX	11/07	09:00	Consumer Prices Core (m/m)	Oct	--	0.2	0.3
US	11/07	15:00	Consumer Credit (US$ bn m/m)	Sep	--	12.3	13.6
CA	11/08	08:15	Housing Starts (000s a.r.)	Oct	185.0	195.0	193.6
CA	11/08	08:30	Employment (000s m/m)	Oct	5.0	12.0	11.9
CA	11/08	08:30	Unemployment Rate (%)	Oct	7.0	7.0	6.9
US	11/08	08:30	Average Hourly Earnings (m/m)	Oct	--	0.2	0.1
US	11/08	08:30	Average Weekly Hours	Oct	--	34.5	34.5
US	11/08	08:30	Nonfarm Employment Report (000s m/m)	Oct	80.0	125.0	148.0
US	11/08	08:30	Household Employment Report (000s m/m)	Oct	--	--	133.0
US	11/08	08:30	Unemployment Rate (%)	Oct	7.3	7.3	7.2
US	11/08	08:30	PCE Deflator (m/m)	Sep	0.1	0.1	0.1
US	11/08	08:30	PCE Deflator (y/y)	Sep	1.1	1.0	1.2
US	11/08	08:30	PCE ex. Food & Energy (m/m)	Sep	0.1	0.1	0.2
US	11/08	08:30	PCE ex. Food & Energy (y/y)	Sep	--	1.3	1.2
US	11/08	08:30	Personal Spending (m/m)	Sep	0.2	0.2	0.3
US	11/08	08:30	Personal Income (m/m)	Sep	0.2	0.3	0.4
US	11/08	09:55	U. of Michigan Consumer Sentiment	Nov P	74.5	74.5	73.2

Europe

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
IT	11/04	03:45	Manufacturing PMI	Oct	--	51.0	50.8
FR	11/04	03:50	Manufacturing PMI	Oct F	49.4	49.4	49.4
GE	11/04	03:55	Manufacturing PMI	Oct F	51.5	51.5	51.5
EC	11/04	04:00	Manufacturing PMI	Oct F	51.3	51.3	51.3
UK	11/04	04:30	PMI Construction	Oct	--	58.7	58.9
IT	11/04	07:59	Budget Balance (€ bn)	Oct	--	--	-15.5
UK	11/04	07:59	Halifax House Price (3 month, y/y)	Oct	--	7.0	6.2
UK	11/05	04:30	Official Reserves (£ bn)	Oct	--	--	-188.0
UK	11/05	04:30	Services PMI	Oct	--	60.0	60.3
EC	11/05	05:00	PPI (m/m)	Sep	--	0.2	0.0
IT	11/06	03:45	Services PMI	Oct	--	51.2	52.7
FR	11/06	03:50	Services PMI	Oct F	50.2	50.2	50.2
GE	11/06	03:55	Services PMI	Oct F	52.3	52.3	52.3
EC	11/06	04:00	Composite PMI	Oct F	51.5	51.5	51.5
EC	11/06	04:00	Services PMI	Oct F	50.9	50.9	50.9
UK	11/06	04:30	Industrial Production (m/m)	Sep	0.8	0.6	-1.1
UK	11/06	04:30	Manufacturing Production (m/m)	Sep	1.2	1.1	-1.2
EC	11/06	05:00	Retail Trade (m/m)	Sep	--	-0.4	0.7
GE	11/06	06:00	Factory Orders (m/m)	Sep	--	0.5	-0.3

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

Key Indicators for the week of November 4 – 8

Europe *(continued from previous page)*

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
SP	11/07	03:00	Industrial Output NSA (y/y)	Sep	--	--	-4.0
GE	11/07	06:00	Industrial Production (m/m)	Sep	--	0.0	1.4
UK	11/07	07:00	BoE Asset Purchase Target (£ bn)	Nov	--	375.0	375.0
UK	**11/07**	**07:00**	**BoE Policy Announcement (%)**	**Nov 7**	**0.50**	**0.50**	**0.50**
EC	**11/07**	**07:45**	**ECB Announces Interest Rates (%)**	**Nov 7**	**0.50**	**0.50**	**0.50**
GE	11/08	02:00	Current Account (€ bn)	Sep	--	15.0	9.4
GE	11/08	02:00	Trade Balance (€ bn)	Sep	--	15.4	13.1
FR	11/08	02:45	Central Government Balance (€ bn)	Sep	--	--	-93.6
FR	11/08	02:45	Current Account (€ bn)	Sep	--	--	-3.1
FR	11/08	02:45	Industrial Production (m/m)	Sep	--	0.2	0.2
FR	11/08	02:45	Manufacturing Production (m/m)	Sep	--	0.4	0.3
FR	11/08	02:45	Trade Balance (€ mn)	Sep	--	-4750.0	-4907.0
RU	**11/08**	**04:30**	**One-Week Auction Rate (%)**	**Nov 8**	**5.50**	**5.50**	**5.50**
UK	11/08	04:30	Visible Trade Balance (£ mn)	Sep	--	-9200.0	-9625.0

Asia Pacific

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CH	11/02	21:00	Non-manufacturing PMI	Oct	--	--	55.4
AU	11/03	19:30	House Price Index (y/y)	3Q	--	7.6	5.1
AU	11/03	19:30	Retail Sales (m/m)	Sep	--	0.4	0.4
JN	11/04	18:50	Monetary Base (y/y)	Oct	--	--	46.1
TA	11/04	19:30	CPI (y/y)	Oct	--	1.1	0.8
PH	11/04	20:00	CPI (y/y)	Oct	3.0	3.2	2.7
PH	11/04	20:00	Core CPI (y/y)	Oct	--	2.4	2.3
PH	11/04	20:00	GDP (m/m)	Oct	--	0.4	0.6
CH	11/04	20:45	HSBC Services PMI	Oct	--	--	52.4
HK	11/04	21:30	Purchasing Managers Index	Oct	--	--	50.0
AU	**11/04**	**22:30**	**RBA Cash Target Rate (%)**	**Nov 5**	**2.50**	**2.50**	**2.50**
SI	11/05	08:30	Purchasing Managers Index	Oct	--	50.5	50.5
NZ	11/05	16:45	Unemployment Rate (%)	3Q	6.3	6.2	6.4
NZ	11/05	16:45	Employment Change (y/y)	3Q	--	1.6	0.7
AU	11/05	19:30	Trade Balance (AUD mn)	Sep	--	-500.0	-815.0
ID	11/05	23:00	Real GDP (y/y)	3Q	5.6	5.7	5.8
AU	11/06	19:30	Employment (000s)	Oct	--	10.0	9.1
AU	11/06	19:30	Unemployment Rate (%)	Oct	5.6	5.7	5.6
TH	11/06	22:30	Consumer Confidence Economic	Oct	--	--	67.9
JN	11/07	00:00	Coincident Index CI	Sep P	--	108.3	107.6
JN	11/07	00:00	Leading Index CI	Sep P	--	109.4	106.8
TA	11/07	03:00	Exports (y/y)	Oct	--	-1.0	-7.0
TA	11/07	03:00	Imports (y/y)	Oct	--	0.2	-0.7
TA	11/07	03:00	Trade Balance (US$ bn)	Oct	--	3.2	2.4
MA	**11/07**	**05:00**	**Overnight Rate (%)**	**Nov 7**	**3.00**	**3.00**	**3.00**
MA	11/07	23:01	Exports (y/y)	Sep	--	3.8	12.4
MA	11/07	23:01	Imports (y/y)	Sep	--	4.6	14.1
MA	11/07	23:01	Trade Balance (MYR bn)	Sep	--	6.0	7.1
CH	11/08	06:59	Exports (y/y)	Oct	--	1.3	-0.3
CH	11/08	06:59	Imports (y/y)	Oct	--	7.4	7.4
CH	11/08	06:59	Trade Balance (USD bn)	Oct	--	23.5	15.2
CH	11/08	20:30	CPI (y/y)	Oct	3.3	3.3	3.1
CH	11/08	20:30	PPI (y/y)	Oct	--	-1.4	-1.3

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

Key Indicators for the week of November 4 – 8

Latin America

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CL	11/05	06:30	Economic Activity Index SA (m/m)	Sep	--	--	0.7
CL	11/05	06:30	Economic Activity Index NSA (y/y)	Sep	--	4.2	4.1
CO	11/05	19:00	Consumer Price Index (m/m)	Oct	--	0.1	0.3
CO	11/05	19:00	Consumer Price Index (y/y)	Oct	2.3	2.2	2.3
BZ	11/07	06:00	IBGE Inflation IPCA (m/m)	Oct	--	0.6	0.4
BZ	11/07	06:00	IBGE Inflation IPCA (y/y)	Oct	5.9	5.9	5.9
PE	**11/07**	**18:00**	**Reference Rate (%)**	**Nov**	**4.25**	**4.25**	**4.25**
CL	11/08	05:00	CPI (y/y)	Oct	2.1	1.7	2.0
CL	11/08	06:00	CPI (m/m)	Oct	--	0.1	0.5

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

Global Auctions for the week of November 4 – 8

North America

Country	Date	Time	Event
US	11/04	11:30	U.S. to Sell 3-Month Bills
US	11/04	11:30	U.S. to Sell 6-Month Bills
US	11/05	11:30	U.S. to Sell 4-Week Bills
MX	11/05	12:30	1M T-Bill Yield
MX	11/05	12:30	1M T-Bill Bid/Cover Ratio
MX	11/05	12:30	1M T-Bill Amount Sold
MX	11/05	12:30	3M T-Bill Yield
MX	11/05	12:30	3M T-Bill Bid/Cover Ratio
MX	11/05	12:30	3M T-Bill Amount Sold
MX	11/05	12:30	6M T-Bill Yield
MX	11/05	12:30	6M T-Bill Bid/Cover Ratio
MX	11/05	12:30	6M T-Bill Amount Sold
MX	11/05	12:30	5Y Fixed Yield
MX	11/05	12:30	10Y I/L Yield
CA	11/06	12:00	Canada to Sell 5-Year Bonds

Europe

Country	Date	Time	Event
FR	11/04	08:50	France to Sell Up to EUR3.9 Bln 84-Day Bills
FR	11/04	08:50	France to Sell Up to EUR1.7 Bln 161-Day Bills
FR	11/04	08:50	France to Sell Up to EUR1.6 Bln 343-Day Bills
AS	11/05	05:15	Austria to Sell 1.15% 2018 Bonds
AS	11/05	05:15	Austria to Sell 3.65% 2022 Bonds
SZ	11/05	05:30	Switzerland to Sell 91-Day Bills
UK	11/05	05:30	U.K. to Sell GBP1.25 Bln 0.25% I/L 2052 Bonds
GE	11/06	05:30	Germany to Sell EUR4 Bln 1% 2018 Bonds
SP	11/07	04:30	Spain to Sell 3.75% 2018 Bonds
SP	11/07	04:30	Spain to Sell 4.4% 2023 Bonds
SP	11/07	04:30	Spain to Sell 5.9% 2026 Bonds
FR	11/07	04:50	France to Sell 2.25% 2024 Bonds
FR	11/07	04:50	France to Sell 3.25% 2045 Bonds
SW	11/07	05:03	Sweden to Sell SEK1 Bln 0.25% I/L 2022 Bonds
BE	11/08	06:00	Belgium to Sell Bonds
IC	11/08	06:00	Iceland to Sell Bonds
UK	11/08	06:10	UK to Sell Bills

Source: Bloomberg, Scotiabank Economics.

Global Auctions for the week of November 4 – 8

Asia Pacific

Country	Date	Time	Event
NZ	11/05	20:15	Local Government Funding Agency Bond Auction
CH	11/05	22:00	China to Sell 5-Year Bonds
JN	11/05	22:35	Japan to Sell 6-Month Bill
JN	11/05	22:45	Japan to Sell 10-Year Bonds
NZ	11/06	20:05	NZ Plans to Sell Inflation-indexed Bond
JN	11/06	22:35	Japan to Sell 3-Month Bill

Latin America

Country	Date	Time	Event
CL	11/05	11:00	1M Bill Yield
CO	11/06	10:30	3Y UVR I/L Yield
CO	11/06	10:30	3Y UVR I/L Bid/Cover Ratio
CO	11/06	10:30	3Y UVR I/L Total Peso Bids
CO	11/06	10:30	3Y UVR I/L Amount Pesos Sold
CO	11/06	10:30	7Y UVR I/L Yield
CO	11/06	10:30	7Y UVR I/L Bid/Cover Ratio
CO	11/06	10:30	7Y UVR I/L Total Peso Bids
CO	11/06	10:30	7Y UVR I/L Amount Pesos Sold
CO	11/06	10:30	20Y UVR I/L Yield
CO	11/06	10:30	20Y UVR I/L Bid/Cover Ratio
CO	11/06	10:30	20Y UVR I/L Total Peso Bids
CO	11/06	10:30	20Y UVR I/L Amount Pesos Sold
CL	11/06	11:00	1M Bill Yield
BZ	11/07	08:00	Brazil to Sell Bills due 10/1/2014 - LTN
BZ	11/07	08:00	Brazil to Sell Bills due 7/1/2015 - LTN
BZ	11/07	08:00	Brazil to Sell Bills due 7/1/2017 - LTN
BZ	11/07	11:00	Brazil to Sell Fixed-rate bonds due 1/1/2019 - NTN-F
BZ	11/07	11:00	Brazil to Sell Fixed-rate bonds due 1/1/2023 - NTN-F
CL	11/07	11:00	1M Bill Yield

Source: Bloomberg, Scotiabank Economics.

Events for the week of November 4 – 8

North America

Country	Date	Time	Event
US	11/04	11:20	Fed's Powell Speaks in San Francisco
CA	11/04	13:10	Bank of Canada Deputy Governor Schembri Speaks at CD Howe
US	11/04	15:00	U.S. Treasury Annouces Quarterly Borrowing Estimates
US	11/04	16:00	Fed's Rosengren Speaks on Economy in Boston
US	11/05	13:15	Fed's Lacker Speaks on Labor Market in North Carolina
US	11/05	17:00	Fed's Williams to Speak to Reporters in San Francisco
US	11/05		United States Election Day
CA	11/05		Alberta, British Colombia Premiers Hold Meeting
US	11/06	08:30	U.S. Treasury Announces Quarterly Refunding
US	11/06	13:10	Fed's Pianalto Speaks on Housing and Economy in Columbus, Ohio
US	11/08	12:00	Fed's Lockhart Speaks on the Economy in Oxford, Mississippi
US	11/08	15:30	Bernanke, Fischer, Summers Speak on Financial Crises at IMF
US	11/08	16:00	Fed's Williams Speaks on Monetary Policy in Los Angeles

Europe

Country	Date	Time	Event
EC	11/04	03:00	ECB's Constancio Speaks in Frankfurt
EC	11/04	04:00	EU's Van Rompuy Speaks at Peace Symposium in Brussels
EC	11/04	06:30	ECB's Asmussen Speaks in Berlin
EC	11/04	12:00	EU's Barnier, Italy's Monti Speak at Conference in Brussels
IT	11/04	13:00	Fin Minister Saccomanni Speaks at London School of Economics
EC	11/04		EU's Barroso Speaks at European Culture Forum in Brussels
EC	11/05	03:00	ECB's Constancio Speaks in Madrid
EC	11/05	05:00	EU Resumes Turkey's Entry Talks at Meeting in Brussels
EC	11/05	05:00	EU Issues Autumn Economic Forecasts
GE	11/05	06:00	Merkel's CDU/CSU Holds Coalition Talks With SPD
EC	11/05	08:30	Van Rompuy Speaks to Parliament About EU Summit Outcome
EC	11/05	08:30	ECB President Draghi Speaks in Frankfurt
SW	11/05	09:00	Asmussen, Borg, Danske Bank CEO Speak at Stockholm Conference
EC	11/05		EU's Barroso Speaks in Frankfurt
EC	11/06	03:15	Bundesbank's Lautenschlaeger Speaks in Mainz, Germany
SW	11/06	03:30	Riksbank Minutes from Rate Meeting Released
NO	11/06	04:30	Norway's FSA Presents Report on Financial Developments
EC	11/07	03:45	EU's Van Rompuy Meets Georgia's Saakashvili in Brussels
GE	11/07	06:00	Merkel's CDU/CSU Holds Coalition Talks With SPD
UK	**11/07**	**07:00**	**Bank of England Bank Rate**
UK	11/07	07:00	BOE Asset Purchase Target
EC	**11/07**	**07:45**	**ECB Announces Interest Rates**
EC	11/07	07:45	ECB Deposit Facility Rate
EC	11/07	08:30	ECB'S Draghi Holds Press Conference After Rate Decision
EC	11/07	08:30	EU's Van Rompuy Speaks at Senior Citizens Conference
EC	11/07	10:00	EU Parliament's Bowles Speaks at Conference in Brussels
EC	11/07	14:00	ECB's Draghi speaks at conference in Hamburg
EC	11/07	14:00	EU's Van Rompuy Speaks at Kristallnacht Ceremony in Brussels
EC	11/07		EU's Barnier Speaks at State of Union Conference in Brussels
RU	11/08	04:30	**One-Week Auction Rate**
IT	11/08	05:00	Bank of Italy Report on Balance-Sheet Aggregates
EC	11/08	09:00	ECB's Mersch Speaks in Athens
SZ	11/08	10:15	SNB's Danthine speaks at German banking conference in Berlin
SZ	11/08	12:15	European Commission President J.M. Barroso speaks in Zurich
EC	11/08		EU, Korean Leaders Hold Summit in Brussels
EC	11/08		EU's Barnier Meets Political Leaders in Cyprus

Source: Bloomberg, Scotiabank Economics.

Events for the week of November 4 – 8

Asia Pacific

Country	Date	Time	Event
PK	**11/02**		**SBP Benchmark Interest Rate**
NZ	11/03	20:00	Treasury Publishes Monthly Economic Indicators
SK	11/03		South Korea, U.S. Trade Officials Meet on Gaeseong FTA
PH	11/03		IFSB Conference on Islamic Finance in Asia
AU	**11/04**	**22:30**	**RBA Cash Rate Target**
JN	11/05	00:30	BOJ Governor Kuroda Speaks to Business Leaders in Osaka
JN	11/05	02:45	BOJ Governor Kuroda Holds Press Conference in Osaka
JN	11/05	18:50	Bank of Japan October 3-4 meeting minutes
UK	11/05		South Korean President Park Makes State Visit to U.K.
MA	**11/07**	**05:00**	**BNM Overnight Policy Rate**
JN	11/07	12:00	Japan's Ambassador Okuda Speaks in Ottawa
NZ	11/07	16:00	N.Z. Government 3-Month Financial Statements
AU	11/07	19:30	RBA Statement on Monetary Policy
IN	11/07		World Economic Forum India Retreat
EC	11/07		South Korean President Park Meets EU Officials in Brussels

Latin America

Country	Date	Time	Event
BZ	11/04	13:30	Brazil's Central Bank's Tombini Speaks at Financial Conference
BZ	11/06	12:30	Brazilian Central Bank Releases Regional Report
PE	**11/07**	**18:00**	**Reference Rate**

Source: 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	1.00	December 4, 2013	1.00	--
Federal Reserve – Federal Funds Target Rate	0.25	December 18, 2013	0.25	--
Banco de México – Overnight Rate	3.50	December 6, 2013	3.50	--

BoC: The Bank of Canada became substantially more dovish at its October meeting by: a) removing its nominal bias toward rate hikes from the statement, and b) pushing out the date at which it expects the output gap to close to late 2015 (vs. mid-2015 previously). Fed: We expect the Fed to continue its USD85bn/month asset purchase program until the March meeting with a possibility that the program will continue at its current pace for even longer. Jobs data this week pose a risk as markets digest the first-round effects of the government shutdown on the labour market.

Europe

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	0.50	November 7, 2013	0.50	0.50
Bank of England – Bank Rate	0.50	November 7, 2013	0.50	0.50
Swiss National Bank – Libor Target Rate	0.00	December 12, 2013	0.00	--
Central Bank of Russia – One-Week Auction Rate	5.50	November 8, 2013	5.50	5.50
Hungarian National Bank – Base Rate	3.40	November 26, 2013	3.40	--
Central Bank of the Republic of Turkey – 1 Wk Repo Rate	4.50	November 19, 2013	4.50	--
Sweden Riksbank – Repo Rate	1.00	December 17, 2013	1.00	--
Norges Bank – Deposit Rate	1.50	December 5, 2013	1.50	--

The dampening effect of persistent euro strength over the last year on inflationary pressures in the currency union has become particularly evident and is expected to be met with policy action by the European Central Bank (ECB) in the near term. Although we do not anticipate an interest rate cut next week, the likelihood for such a move at the December meeting is high. For further analysis, please see “ECB Meeting: When Doves Cry” by Alan Clarke and Frédéric Prêtet earlier in this publication. The Bank of England also meets next week and no policy changes are expected as growth conditions continue to improve alongside slowing inflation. Finally, Russian monetary authorities are also likely to leave monetary conditions unchanged next week. Although economic activity has weakened markedly in 2013, inflation will likely continue to exceed the central bank’s targets through 2014.

Asia Pacific

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Target Rate	0.10	November 21, 2013	0.10	--
Reserve Bank of Australia – Cash Target Rate	2.50	November 4, 2013	2.50	2.50
Reserve Bank of New Zealand – Cash Rate	2.50	December 11, 2013	2.50	--
People's Bank of China – Lending Rate	6.00	TBA	--	--
Reserve Bank of India – Repo Rate	7.75	December 18, 2013	8.00	--
Bank of Korea – Bank Rate	2.50	November 13, 2013	2.50	--
Bank of Thailand – Repo Rate	2.50	November 27, 2013	2.50	--
Bank Indonesia – Reference Interest Rate	7.25	November 12, 2013	7.50	--

Australian monetary authorities will meet next week. Following the most recent policy meeting in October, the Reserve Bank of Australia highlighted that it would “neither close off the possibility of reducing rates further nor signal an imminent intention to reduce them”. The benchmark cash rate was cut by 25 basis points to 2.50% in August. Barring a significant deterioration in domestic conditions, we assess that the easing cycle has now reached its bottom. The inflation outlook remains manageable, with consumer prices increasing by 2.2% y/y in the third quarter, thereby remaining within the central bank’s 2-3% target range.

Latin America

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	9.50	November 27, 2013	10.00	--
Banco Central de Chile – Overnight Rate	4.75	November 19, 2013	4.50	--
Banco de la República de Colombia – Lending Rate	3.25	November 29, 2013	3.25	3.25
Banco Central de Reserva del Perú – Reference Rate	4.25	November 7, 2013	4.25	4.25

The monetary policy reference rate in Peru will likely remain unchanged at 4.25% in the foreseeable future. However, authorities have been adjusting the reserve requirements in both local and foreign currency to control monetary conditions. Headline inflation remains close to the upper limit of the central bank’s 1-3% official range, while economic activity has moderated somewhat in recent months. Nonetheless, the central bank has lowered the reserve requirements in the past four months, a trend that we expect to continue.

Africa

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	5.00	November 21, 2013	5.00	--

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

Forecasts as at October 31, 2013*	2000-12	2013e	2014f	2015f	2000-12	2013e	2014f	2015f
Output and Inflation (annual % change)		Real GDP				Consumer Prices[2]		
World[1]	3.7	2.8	3.4	3.6				
Canada	2.2	1.6	2.2	2.5	2.1	1.1	1.7	2.0
United States	1.9	1.6	2.5	3.0	2.5	1.6	1.9	2.1
Mexico	2.4	1.2	3.3	3.7	4.7	3.8	3.9	4.0
United Kingdom	1.7	1.5	2.1	1.3	2.3	2.5	2.3	2.4
Euro Zone	1.3	-0.5	0.7	1.3	2.1	0.9	1.5	1.5
Japan	0.9	2.0	1.8	1.2	-0.3	1.0	1.5	2.1
Australia	3.1	2.4	2.7	2.9	3.0	2.5	3.0	2.9
China	9.3	7.7	7.3	7.0	2.4	3.0	3.3	3.9
India	7.2	4.5	5.2	5.7	6.7	6.8	7.1	6.7
South Korea	4.3	2.7	3.3	3.5	3.1	1.5	2.8	3.0
Thailand	4.2	3.7	4.0	4.5	2.7	1.7	3.0	2.9
Brazil	3.4	2.3	2.8	3.4	6.5	6.0	5.7	5.8
Chile	4.5	4.4	4.2	4.7	3.2	2.7	3.3	3.0
Peru	5.7	5.7	5.7	6.3	2.6	2.9	3.0	2.5

Central Bank Rates (%, end of period)	13Q4f	14Q1f	14Q2f	14Q3f	14Q4f	15Q1f	15Q2f	15Q3f
Bank of Canada	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Federal Reserve	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
European Central Bank	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Bank of England	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Swiss National Bank	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bank of Japan	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Reserve Bank of Australia	2.50	2.50	2.50	2.50	2.75	3.00	3.25	3.50
Exchange Rates (end of period)								
Canadian Dollar (USDCAD)	1.06	1.07	1.08	1.07	1.06	1.06	1.05	1.04
Canadian Dollar (CADUSD)	0.94	0.93	0.93	0.93	0.94	0.94	0.95	0.96
Euro (EURUSD)	1.31	1.30	1.29	1.27	1.25	1.25	1.24	1.24
Sterling (GBPUSD)	1.59	1.58	1.57	1.56	1.55	1.55	1.54	1.53
Yen (USDJPY)	101	102	104	107	109	110	111	112
Australian Dollar (AUDUSD)	0.93	0.90	0.91	0.92	0.93	0.93	0.94	0.94
Chinese Yuan (USDCNY)	6.1	6.1	6.1	6.1	6.0	5.9	5.9	5.9
Mexican Peso (USDMXN)	13.2	13.2	13.1	13.2	13.4	13.4	13.4	13.5
Brazilian Real (USDBRL)	2.20	2.15	2.20	2.25	2.30	2.28	2.25	2.23

Commodities (annual average)	2000-12	2013e	2014f	2015f
WTI Oil (US$/bbl)	60	99	97	93
Brent Oil (US$/bbl)	62	109	108	108
Nymex Natural Gas (US$/mmbtu)	5.45	3.70	3.75	4.00
Copper (US$/lb)	2.22	3.30	3.10	3.00
Zinc (US$/lb)	0.78	0.88	1.00	1.40
Nickel (US$/lb)	7.64	6.95	7.75	7.60
Gold, London PM Fix (US$/oz)	745	1,410	1,350	1,400
Pulp (US$/tonne)	730	936	915	915
Newsprint (US$/tonne)	585	608	630	665
Lumber (US$/mfbm)	274	350	390	400

[1] World GDP for 2003-12 are IMF PPP estimates; 2013-15f are Scotiabank Economics' estimates based on a 2012 PPP-weighted sample of 38 countries.
[2] CPI for Canada and the United States are annual averages. For other countries, CPI are year-end rates.

* See Scotiabank Economics 'Global Forecast Update' (http://www.gbm.scotiabank.com/English/bns_econ/forecast.pdf) for additional forecasts & commentary.

North America

Canada	2012	13Q1	13Q2	Latest	
Real GDP (annual rates)	1.7	2.2	1.7		
Current Acc. Bal. (C$B, ar)	-62.2	-53.8	-58.3		
Merch. Trade Bal. (C$B, ar)	-12.0	-7.3	-10.6	-15.7	(Aug)
Industrial Production	0.9	0.5	0.0	1.9	(Aug)
Housing Starts (000s)	215	175	190	194	(Sep)
Employment	1.2	1.7	1.2	1.2	(Sep)
Unemployment Rate (%)	7.3	7.1	7.1	6.9	(Sep)
Retail Sales	2.5	1.0	2.7	2.7	(Aug)
Auto Sales (000s)	1673	1681	1744	1803	(Aug)
CPI	1.5	0.9	0.8	1.1	(Sep)
IPPI	0.6	0.8	0.2	-1.0	(Sep)
Pre-tax Corp. Profits	-4.9	-10.5	-7.9		

United States	2012	13Q1	13Q2	Latest	
Real GDP (annual rates)	2.8	1.1	2.5		
Current Acc. Bal. (US$B, ar)	-440	-420	-396		
Merch. Trade Bal. (US$B, ar)	-741	-718	-703	-699	(Aug)
Industrial Production	3.6	2.4	2.1	3.0	(Sep)
Housing Starts (millions)	0.78	0.96	0.87	0.89	(Aug)
Employment	1.7	1.6	1.6	1.7	(Sep)
Unemployment Rate (%)	8.1	7.7	7.6	7.2	(Sep)
Retail Sales	5.0	3.9	4.7	3.1	(Sep)
Auto Sales (millions)	14.4	15.3	15.5	15.2	(Sep)
CPI	2.1	1.7	1.4	1.2	(Sep)
PPI	1.9	1.5	1.5	0.3	(Sep)
Pre-tax Corp. Profits	18.5	1.4	3.7		

Mexico					
Real GDP	3.8	0.6	1.5		
Current Acc. Bal. (US$B, ar)	-14.2	-21.3	-24.0		
Merch. Trade Bal. (US$B, ar)	0.0	-4.1	-3.4	7.9	(Sep)
Industrial Production	2.8	-1.7	-0.4	-0.7	(Aug)
CPI	4.1	3.7	4.5	3.4	(Sep)

Europe

Euro Zone	2012	13Q1	13Q2	Latest	
Real GDP	-0.6	-1.2	-0.6		
Current Acc. Bal. (US$B, ar)	162	130	276	191	(Aug)
Merch. Trade Bal. (US$B, ar)	122.0	162.1	272.2	131.9	(Aug)
Industrial Production	-2.4	-2.3	-1.0	-1.4	(Aug)
Unemployment Rate (%)	11.3	12.0	12.1	12.2	(Sep)
CPI	2.5	1.9	1.4	1.1	(Sep)

Germany	2012	13Q1	13Q2	Latest	
Real GDP	0.9	-0.3	0.5		
Current Acc. Bal. (US$B, ar)	238.8	237.7	240.0	149.6	(Aug)
Merch. Trade Bal. (US$B, ar)	243.2	264.8	248.7	252.8	(Aug)
Industrial Production	-0.4	-2.4	-0.7	0.1	(Aug)
Unemployment Rate (%)	6.8	6.9	6.8	6.9	(Oct)
CPI	2.0	1.5	1.5	1.2	(Oct)

France					
Real GDP	0.0	-0.5	0.4		
Current Acc. Bal. (US$B, ar)	-57.3	-65.7	-36.2	-50.7	(Aug)
Merch. Trade Bal. (US$B, ar)	-52.2	-47.5	-44.0	-44.2	(Aug)
Industrial Production	-2.5	-2.4	0.1	-2.9	(Aug)
Unemployment Rate (%)	10.3	10.8	10.8	11.1	(Sep)
CPI	2.0	1.1	0.8	0.9	(Sep)

United Kingdom					
Real GDP	0.1	0.2	1.3		
Current Acc. Bal. (US$B, ar)	-94.8	-149.2	-75.0		
Merch. Trade Bal. (US$B, ar)	-172.4	-162.2	-155.4	-178.9	(Aug)
Industrial Production	-2.5	-2.5	-0.7	-1.4	(Aug)
Unemployment Rate (%)	8.0	7.8	7.8	7.7	(Jul)
CPI	2.8	2.8	2.7	2.7	(Sep)

Italy					
Real GDP	-2.6	-2.5	-2.2		
Current Acc. Bal. (US$B, ar)	-8.1	-31.0	20.2	6.8	(Aug)
Merch. Trade Bal. (US$B, ar)	13.8	14.1	50.0	15.3	(Aug)
Industrial Production	-6.3	-4.3	-3.7	-5.1	(Aug)
CPI	3.1	1.9	1.2	0.8	(Sep)

Russia					
Real GDP	3.4	1.6	1.2		
Current Acc. Bal. (US$B, ar)	74.8	25.0	3.4		
Merch. Trade Bal. (US$B, ar)	16.0	16.1	14.2	13.8	(Aug)
Industrial Production	-5.3	-0.1	0.3	0.3	(Sep)
CPI	5.1	7.1	7.2	6.1	(Sep)

All data expressed as year-over-year % change unless otherwise noted.

Source: Bloomberg, Global Insight, Scotiabank Economics.

Asia Pacific

Australia	2012	13Q1	13Q2	Latest	
Real GDP	3.7	2.5	2.6		
Current Acc. Bal. (US$B, ar)	-56.8	-40.4	-21.7		
Merch. Trade Bal. (US$B, ar)	5.9	14.3	33.0	22.4	(Aug)
Industrial Production	3.8	3.4	3.9		
Unemployment Rate (%)	5.2	5.5	5.6	5.6	(Sep)
CPI	1.8	2.5	2.4		

Japan	2012	13Q1	13Q2	Latest	
Real GDP	2.0	0.1	1.3		
Current Acc. Bal. (US$B, ar)	60.4	66.4	70.0	19.8	(Aug)
Merch. Trade Bal. (US$B, ar)	-85.8	-115.4	-88.1	-132.0	(Sep)
Industrial Production	0.2	-6.5	-3.1	4.8	(Sep)
Unemployment Rate (%)	4.4	4.2	4.0	4.0	(Sep)
CPI	0.0	-0.6	-0.3	1.0	(Sep)

South Korea	2012	13Q1	13Q2	Latest	
Real GDP	2.0	1.5	2.3		
Current Acc. Bal. (US$B, ar)	43.1	39.9	79.2	78.9	(Sep)
Merch. Trade Bal. (US$B, ar)	28.3	22.7	57.3	58.8	(Oct)
Industrial Production	1.2	-0.8	-1.7	0.2	(Sep)
CPI	2.2	1.4	1.1	0.7	(Oct)

China	2012	13Q1	13Q2	Latest	
Real GDP	10.4	7.7	7.5		
Current Acc. Bal. (US$B, ar)	290.0				
Merch. Trade Bal. (US$B, ar)	230.7	168.0	263.5	182.6	(Sep)
Industrial Production	10.3	8.9	8.9	10.2	(Sep)
CPI	2.5	2.1	2.7	3.1	(Sep)

Thailand	2012	13Q1	13Q2	Latest	
Real GDP	6.5	5.4	2.8		
Current Acc. Bal. (US$B, ar)	-1.5	1.5	-6.7		
Merch. Trade Bal. (US$B, ar)	0.5	-0.1	-0.2	2.6	(Sep)
Industrial Production	2.1	3.7	-5.1	-3.4	(Sep)
CPI	3.0	3.1	2.3	1.5	(Oct)

India	2012	13Q1	13Q2	Latest	
Real GDP	5.1	4.8	4.4		
Current Acc. Bal. (US$B, ar)	-91.5	-18.1	-21.8		
Merch. Trade Bal. (US$B, ar)	-16.2	-15.1	-17.2	-6.8	(Sep)
Industrial Production	0.7	2.2	-1.0	0.6	(Aug)
WPI	7.5	6.7	4.8	6.5	(Sep)

Indonesia	2012	13Q1	13Q2	Latest	
Real GDP	6.2	6.0	5.8		
Current Acc. Bal. (US$B, ar)	-24.4	-5.8	-9.8		
Merch. Trade Bal. (US$B, ar)	-0.1	-0.1	-1.0	-0.7	(Sep)
Industrial Production	4.1	9.0	7.1	12.4	(Aug)
CPI	4.3	5.3	5.6	8.3	(Oct)

Latin America

Brazil	2012	13Q1	13Q2	Latest	
Real GDP	0.8	1.8	3.2		
Current Acc. Bal. (US$B, ar)	-54.2	-99.1	-74.2		
Merch. Trade Bal. (US$B, ar)	19.4	-20.6	8.3	25.8	(Sep)
Industrial Production	-2.7	1.4	3.3	0.9	(Sep)
CPI	5.4	6.4	6.6	5.9	(Sep)

Chile	2012	13Q1	13Q2	Latest	
Real GDP	5.6	4.5	4.1		
Current Acc. Bal. (US$B, ar)	-0.1	-7.4	-6.5		
Merch. Trade Bal. (US$B, ar)	12.4	2.5	4.9	-2.6	(Sep)
Industrial Production	2.8	3.3	1.4	2.9	(Sep)
CPI	3.0	1.5	1.3	2.0	(Sep)

Peru	2012	13Q1	13Q2	Latest	
Real GDP	9.2	4.5	5.6		
Current Acc. Bal. (US$B, ar)	-7.1	-2.7	-3.1		
Merch. Trade Bal. (US$B, ar)	0.5	0.1	-0.1	0.1	(Aug)
Unemployment Rate (%)	7.0	6.3	5.7	5.9	(Sep)
CPI	3.7	2.6	2.5	3.0	(Oct)

Colombia	2012	13Q1	13Q2	Latest	
Real GDP	4.2	2.7	4.2		
Current Acc. Bal. (US$B, ar)	-12.2	-3.2	-2.7		
Merch. Trade Bal. (US$B, ar)	0.4	0.2	0.4	0.2	(Aug)
Industrial Production	-0.1	-6.2	-0.1	-3.9	(Aug)
CPI	3.2	1.9	2.1	2.3	(Sep)

All data expressed as year-over-year % change unless otherwise noted.

Source: Bloomberg, Global Insight, Scotiabank Economics.

Interest Rates (%, end of period)

Canada	13Q2	13Q3	Oct/25	Nov/01*	United States	13Q2	13Q3	Oct/25	Nov/01*
BoC Overnight Rate	1.00	1.00	1.00	1.00	Fed Funds Target Rate	0.25	0.25	0.25	0.25
3-mo. T-bill	1.02	0.97	0.91	0.91	3-mo. T-bill	0.03	0.01	0.03	0.04
10-yr Gov't Bond	2.44	2.54	2.42	2.47	10-yr Gov't Bond	2.49	2.61	2.51	2.60
30-yr Gov't Bond	2.90	3.07	3.03	3.05	30-yr Gov't Bond	3.50	3.68	3.60	3.67
Prime	3.00	3.00	3.00	3.00	Prime	3.25	3.25	3.25	3.25
FX Reserves (US$B)	68.8	71.3	71.3	(Sep)	FX Reserves (US$B)	134.7	136.7	136.7	(Sep)
Germany					**France**				
3-mo. Interbank	0.14	0.15	0.17	0.18	3-mo. T-bill	0.03	0.06	0.05	0.06
10-yr Gov't Bond	1.73	1.78	1.76	1.69	10-yr Gov't Bond	2.35	2.32	2.25	2.16
FX Reserves (US$B)	66.1	65.7	65.7	(Sep)	FX Reserves (US$B)	51.4	54.6	54.6	(Sep)
Euro Zone					**United Kingdom**				
Refinancing Rate	0.50	0.50	0.50	0.50	Repo Rate	0.50	0.50	0.50	0.50
Overnight Rate	0.21	0.18	0.10	0.23	3-mo. T-bill	0.39	0.40	0.40	0.40
FX Reserves (US$B)	324.9	332.5	332.5	(Sep)	10-yr Gov't Bond	2.44	2.72	2.61	2.64
					FX Reserves (US$B)	90.2	93.3	93.3	(Sep)
Japan					**Australia**				
Discount Rate	0.30	0.30	0.30	0.30	Cash Rate	2.75	2.50	2.50	2.50
3-mo. Libor	0.09	0.09	0.08	0.08	10-yr Gov't Bond	3.76	3.81	3.97	4.07
10-yr Gov't Bond	0.85	0.69	0.62	0.60	FX Reserves (US$B)	45.0	45.9	45.9	(Sep)
FX Reserves (US$B)	1209.4	1240.8	1240.8	(Sep)					

Exchange Rates (end of period)

USDCAD	1.05	1.03	1.04	1.05	¥/US$	99.14	98.27	97.42	98.80
CADUSD	0.95	0.97	0.96	0.96	US¢/Australian$	0.91	0.93	0.96	0.94
GBPUSD	1.521	1.619	1.617	1.594	Chinese Yuan/US$	6.14	6.12	6.08	6.10
EURUSD	1.301	1.353	1.380	1.349	South Korean Won/US$	1142	1075	1062	1061
JPYEUR	0.78	0.75	0.74	0.75	Mexican Peso/US$	12.931	13.091	12.881	13.076
USDCHF	0.95	0.90	0.89	0.91	Brazilian Real/US$	2.232	2.217	2.187	2.252

Equity Markets (index, end of period)

United States (DJIA)	14910	15130	15570	15597	U.K. (FT100)	6215	6462	6721	6737
United States (S&P500)	1606	1682	1760	1759	Germany (Dax)	7959	8594	8986	9027
Canada (S&P/TSX)	12129	12787	13399	13378	France (CAC40)	3739	4143	4272	4295
Mexico (IPC)	40623	40185	40672	41069	Japan (Nikkei)	13677	14456	14088	14202
Brazil (Bovespa)	47457	52338	54154	54018	Hong Kong (Hang Seng)	20803	22860	22698	23250
Italy (BCI)	849	950	1029	1047	South Korea (Composite)	1863	1997	2034	2039

Commodity Prices (end of period)

Pulp (US$/tonne)	950	945	945	945	Copper (US$/lb)	3.06	3.31	3.23	3.29
Newsprint (US$/tonne)	605	605	605	605	Zinc (US$/lb)	0.83	0.85	0.86	0.87
Lumber (US$/mfbm)	292	359	366	381	Gold (US$/oz)	1192.00	1326.50	1347.75	1324.00
WTI Oil (US$/bbl)	96.56	102.33	97.85	95.08	Silver (US$/oz)	18.86	21.68	22.35	21.75
Natural Gas (US$/mmbtu)	3.57	3.56	3.71	3.52	CRB (index)	275.62	285.54	282.56	275.61

** Latest observation taken at time of writing.*
Source: Bloomberg, Scotiabank Economics.

Fixed Income Strategy (London)

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Foreign Exchange Strategy

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Scotiabank Economics

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