Global Views

Weekly commentary on economic and financial market developments

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Derek Holt (416) 863-7707
derek.holt@scotiabank.com

External Risks And Earnings To Spice Up A Quiet Week In North America

- **Please see our full indicator, central bank, auction and event calendars on pp. A3-A9.**

Asia-Pacific countries will play a significant role in shaping the global market tone over the next week as China and Japan jockey for position as global market influences alongside a number of regional central bank announcements. China kicks it off with CPI on Monday night eastern time. Consensus expects mild upward pressure upon inflation to the 2.5% mark from 2.1% previously. Inflation is behaving much better than in 2011 when it crossed 6%, but is unlikely to fall to the depths of temporary deflation in 2009 that prompted the introduction of major stimulus. Indeed, the pressures are pointed in the opposite direction as the People's Bank of China (PBoC) stamped out a seasonal surge in financing demands by banks in order to cool excesses in the credit and housing cycles. An update on aggregate financing issuance including short-term paper, new yuan loans and FX loans, bonds and equities will be instructive in this regard. While the numbers have been volatile, they remain trending around all-time record highs in 2013 off of the all-time record high for aggregate company financing in 2012. The trickle-down effect of this financing surge into markets like housing is where the concern lies by way of feeding greater imbalances in China's economy. Excesses in the credit cycle are also related to the export picture that will be updated next week. That's because of the practice that involved overstating trade growth in order to secure inflated trade receivables financing. As authorities move toward clamping down upon this practice, it has resulted in disappointing export growth figures. That's why the May tally for exports disappointed with only 1% y/y growth (consensus had been 7.4%) and why consensus is playing it safer now by expecting 4% y/y growth in the June figures. It is disturbing that Chinese authorities are restricting data availability during this transition point including the fact that the state's manufacturing purchasing managers' index recently omitted key components such as export and import variables and inventories. Equally disturbing has been the decision not to publish the latest PMI reading for China's steel sector. On the heels of widespread recognition of the extent to which China's trade figures have been unreliably reported, measures like this do not help China's reputation for offering poor data quality.

The Bank of Japan issues its next policy statement on Thursday. Governor Haruhiko Kuroda recently remarked before a group of Bank of Japan managers that he expects CPI inflation to gradually turn positive, that the BoJ's policies are having a positive impact upon the economy, and that the central bank will maintain an easing bias until its 2% inflation goal has been sustainably reached. The BoJ is expected to strengthen its reference to a recovery in next week's actions in a way that is intended to use communication tools to talk up the recovery. This is a trend in place across several central banks including what we think is the Federal Reserve's overly optimistic growth forecasts and its decision to flag reduced downside risks in a 180 reversal of prior guidance that it wanted to evaluate how the economy performed over the summer months partly due to uncertainty stemming from fiscal policy measures. In fairness, while mixed, recent Japanese economic indicators have offered enough cover for the central bank to point to more encouraging signs. One such piece of evidence that we dispute, however, concerns recent critically important CPI data itself. June's Tokyo CPI ended deflation for the wrong reason. Excluding food and energy, Tokyo CPI was still down 0.4% y/y such that it was gains in other prices that drove the headline to be flat. The most important 'other price' was a big 1.6% gain in the utilities category as Japan is paying more for electricity after shutting down nuclear generating stations and more for imported natural gas partly thanks to the depreciation in the yen. Utilities prices have risen sharply for the past three months and are up 8.6% y/y. As for the rest of the Tokyo CPI basket? Household goods prices fell 0.5% m/m, clothing and footwear prices were flat, medical cared slipped 0.1%, transport and communication prices fell 0.2%, education was flat, the entertainment category was down 0.7% and miscellaneous prices slipped 0.1%. In other words, deflation was still very much in evidence. If all that is happening is that Japan is paying more for electricity prices and imported energy while wage growth and other prices are soft, then Japan is experiencing a relative price shock and not a generalized end to deflation that would be premature to call in any event. A relative price shock that puts downward pressure upon real wages ultimately means a weakened consumer and a knock against Abenomics through the unintended consequences of perversely further crowding out pricing power for large swaths of the Japanese economy. This was one of our core arguments regarding what would happen in response to BoJ policies in our paper "Challenges Confronting The BoJ's Attempted Reflation" on April 12th.

Derek Holt (416) 863-7707
derek.holt@scotiabank.com

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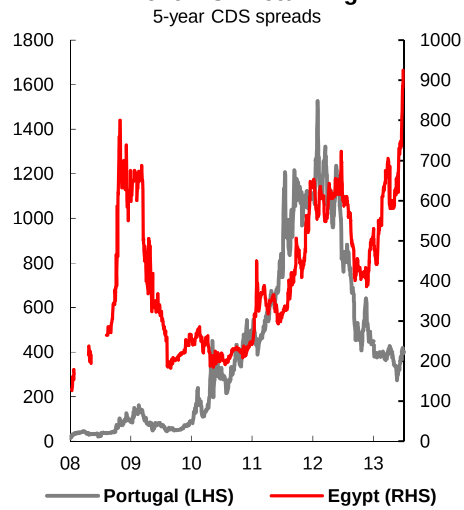
Central banks in Indonesia, South Korea, Thailand and Malaysia all release interest rate decisions next week. They are expected to hold policy at current rates except for an expected 25-50bps hike by Bank Indonesia. This expectation is driven by rising fuel price pressures and an effort to stem capital outflows. Australia will also release the June jobs report on Wednesday that is expected to remain soft like the May print following enormous volatility in the prior two months. Whether India's export growth remains on a falling trend that recently slipped below year-ago export levels will couple with trade data from the Philippines to round out an update on Asia's export prospects.

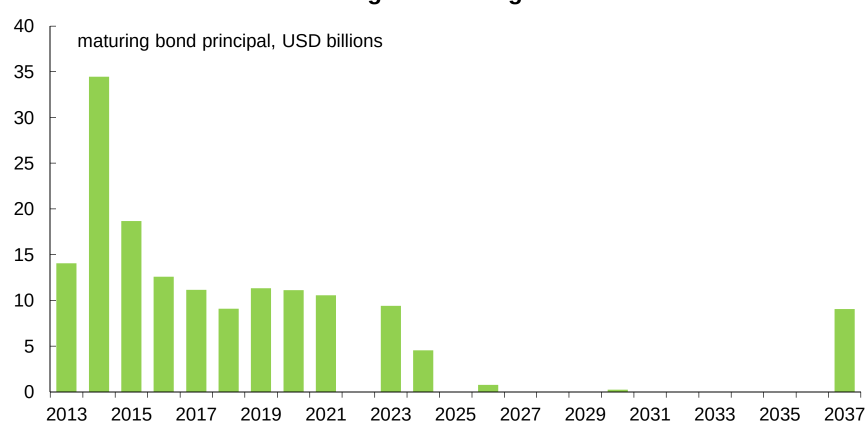
Event Risk Returning



Source: Bloomberg, Scotiabank Economics.

European risks will clearly be focused upon ongoing developments in Portugal and the spillover effects on other peripheral European economies. This is reflected in widening credit default swap spreads more noticeably in Egypt but with Portugal under rising pressure since May (see first chart), and 10 year bond yields that have risen by over 200bps since the lows in May. Portugal has US$14 billion in maturing debt over the remainder of the year, and US$35 billion next year (see second chart). The country's finances are on a slippery, unsustainable slope at current borrowing rates that range from about 5% for 2 year funds to 7.5% for 10 year money. Sustained rate pressures of this magnitude would put further upward pressure upon the nation's deficit, and thereby require either expedited austerity measures and/or an addition to the current €78 billion loan package from the Troika (EU, ECB and IMF). Additional austerity would be an exceptionally difficult political sell in light of the fact that what sparked the current escalation of the country's crisis was controversy surrounding measures introduced on May 3rd followed by divisions within government over next steps that ultimately led to the recent resignation of the Finance minister and the leader of the coalition CDS party. It is not clear how this crisis will evolve, but the issue will be the focus of Parliamentary debate on the state of the nation next Friday that could bring divisions to a head. The issue is also likely to be a focus topic at Monday's Euro-area finance ministers meeting in Brussels.

Portugal's Funding Risk



Source: Bloomberg, Scotiabank Economics.

European data risk will be subdued and focused upon industrial production figures from Germany, the UK, France and Italy. Germany and France will struggle to sustain the strong gains recorded in April that were not witnessed in the UK and Italy. German export growth was also out-sized in April and after following a longstanding erratic pattern we may not witness a repeat gain. The UK's National Institute of Economics And Social Research (NIESR) releases monthly GDP for June against the backdrop of accelerated growth over the prior two months that took the gilts curve and pound sterling away from so-called triple dip fears. French CPI inflation for June will round out the significant hits and is likely to remain around the 1% y/y mark on a decelerating trend since the end of 2011. Auction risk will be primarily focused upon Germany, Italy and the UK.

Derek Holt (416) 863-7707
derek.holt@scotiabank.com

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US markets will be focused upon the start of the Q2 earnings season and the Federal Reserve next week. Data risk will be light, while auctions will include $32 billion in 3s, a $21 billion 10 year note reopening and a $13 billion 30s reopening.

The US earnings season kicks off in traditional fashion with Alcoa reporting on Monday amid analyst expectations for cooler earnings per share. Momentum is then lost until Friday with only four firms releasing on Wednesday and one on Thursday (none of which are major market movers). Financials then heat things up again with JP Morgan and Wells Fargo releasing on Friday. How the rates sell-off since early May began to impact dealers will clearly be a major theme that carries into the following week when firms like Citigroup, Goldman, US Bancorp, BoNYM, BofA, and Morgan Stanley release.

The Federal Reserve will be in focus via Wednesday's publication of the minutes to the June 18th-19th FOMC meeting. The minutes will add further interpretative colour to the issue of whether the Fed intended to spark a significant rates sell-off or whether this was unintended. Post-FOMC speakers have tended to rationalize the market's response by increasing the emphasis upon bullish central tendency growth projections into next year and flagging excessive risk-taking in the lead-up to the statement and press conference. A hint to the effect that the backing up in base Treasury yields and spreads across high yield, investment grade and mortgage products was undesired may undermine the Fed's market stewardship. Here's a refresher on Chairman Bernanke's press conference. Bernanke will also speak at an NBER conference on Wednesday and the topic is "The First 100 Years Of The Federal Reserve: The Policy Record, Lessons Learned, and Prospects For The Future." It is at similar venues when the Chairman has taken the opportunity to emphasize how the Fed will not repeat the mistakes of the Great Depression. San Francisco Federal Reserve President John Williams (nonvoting 2013, alternate 2014) speaks on monetary policy on Friday, and that same day both St. Louis Fed President James Bullard (voting 2013, nonvoting 2014) and Philadelphia Fed President Charles Plosser (alternate 2013, voting 2014) round out Fed speak by participating in a panel at Jackson Hole, Wyoming. Note that this is not the annual Jackson Hole policy symposium which occurs at the end of August (one version of its history is here). Fed Governor Daniel Tarullo also testifies on regulation before the Senate Banking Committee.

Data risk will be largely confined to the latest print for the University of Michigan's consumer sentiment survey on Friday amid consensus expectations it should post a mild improvement but against the risk that higher energy prices and borrowing costs could impair confidence with lagged effects over the summer. A Federal monthly budget update is likely to continue the pattern of a vastly better than expected deficit picture this year with year-to-date numbers presently tracking 27% lower than 2012YTD. Producer prices, wholesale sales, and regular weekly updates for jobless claims and mortgage applications round out the lesser hits.

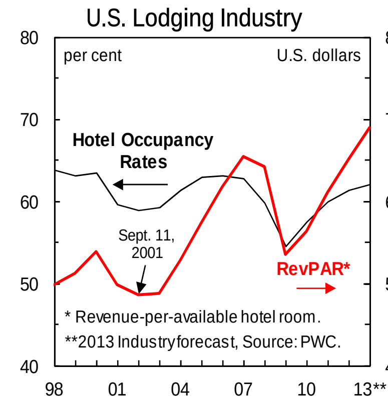
Canada's calendar is relatively light. The country's earnings calendar will be less of a factor and typically lags the US until releases heat up the week of July 25th. Housing starts for June on Tuesday might fall back from the prior month's 200k print as volatile multiples construction reverts lower. Recall that in the month of May, multis soared 22% over April and added almost 21,000 housing starts to the tally. Given multis are notoriously 'lumpy' data as large projects come on line, it's likely reasonable to expect a lower June print. Some of this rise in starts is going to unabsorbed inventory particularly in the condos space. We continue to caution toward weakness in housing starts over 2013H2 onward as the collapse in new home sales in Toronto is likely to give way to reduced construction activity in both the singles and multiples categories. Teranet house prices are likely to continue rising on seasonal influences with next week's June print given the typical pattern of gains peaking by early summer before this seasonally unadjusted measure begins to give way to lower prices come Fall. Canada auctions 5s on Wednesday. The Bank of Canada also releases its Q2 Senior Loan Officer survey of business lending conditions and the Business Outlook Survey on Monday. Prior reports showed continued easing of business lending terms but at a cooling pace, while businesses expect accelerated sales growth over the next year albeit within a volatile trend for the measure.

Erika Cain (416) 866-4205
erika.cain@scotiabank.com

The Global Hotel Industry Continues To Grow, Albeit At A More Modest Pace

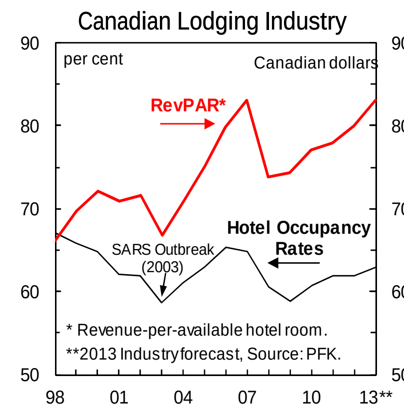
- **Despite domestic headwinds, hotel industry fundamentals remain strong in North America and in parts of Europe, while RevPAR growth is outperforming in the Middle East and Africa.**

Growth in the global tourism industry is expected to moderate to 1% y/y in 2013. Key factors dampening the outlook are ongoing weakness in Europe, exchange rate volatility due to unconventional monetary policies, and fiscal restraint and household deleveraging in many advanced economies. Despite the challenging global economic backdrop, an influx of tourist dollars through May has bolstered revenue gains in the global hotel industry, at a pace consistent with average revenue-per-available room (RevPAR) growth of roughly 3% y/y. Global hotel operators expect gains will improve in 2014, in an environment of stronger global activity, tight supply and rising demand in North America, and solid growth emanating from the Middle East, Africa and Latin America.



Source: STR and PWC.

Revenue growth for U.S. hotel operators will continue to expand in 2013, notwithstanding the dampening effect of fiscal restraint, higher payroll and income taxes. Demand for U.S. hotel accommodation will likely climb to a record high this year, driven by pent-up household demand, ongoing gains in corporate profitability and rising expenditures by international visitors. In an environment of limited supply growth, U.S. hotel occupancy rates are expected to advance to 62% in 2013, with RevPAR exceeding the 2007 peak *(top chart)*.



Source: HVS and PFK.

Meanwhile in Canada, as households and governments continue to pare down debt, domestic travel is expected to be less buoyant. However, rising business travel and growth in international tourist arrivals should provide some offset. Industry fundamentals will also be supported by only a 0.9% y/y rise in room supply, enabling improvements in occupancy rates to 63% and RevPAR to the pre-recession high of $83 in 2007 *(bottom chart)*. Canadian and U.S. hotel performance should accelerate in 2014, alongside stronger real GDP growth and gains in business/leisure travel demand outpacing supply.

European RevPAR growth has been flat in the first five months of the year and is expected to be held back through 2014 by ongoing domestic headwinds and low consumer and business confidence. However, hotel performance in many European cities has proven to be remarkably resilient and less tied to their national economy, due to their ability to attract international visitors. For 2013, RevPAR growth is expected to remain robust in St. Petersburg, Moscow and Paris, and healthy in Frankfurt, Berlin, Dublin and Edinburgh. Coming off the 2012 Olympic high, RevPAR is expected to decline in London hotels, as well as in Madrid, where occupancy rates and average daily room rates are below their ten-year average. Hotel operators in Zurich and Geneva should also experience negative RevPAR growth in 2013, alongside declining affordability and rising price competition in neighbouring cities.

RevPAR growth in Asia-Pacific has declined this year through May, largely reflecting weakness in Central and South Asia, where hotels in India are suffering from excess supply and in China as consumers rein in spending. Occupancy rates and RevPAR have also deteriorated in Seoul, likely the result of decreased affordability due to the appreciation of the South Korean won. Nevertheless, robust growth in Southeast Asia has provided some offset, while increased affordability and the depreciation in the yen bode well for hotel performance in Japan. RevPAR in the Middle East/Africa has outperformed all regions, rising 8% y/y ytd. Morocco led the way, while the ongoing recovery in Northern Africa and a pick-up in domestic business and leisure travel in the UAE also bolstered revenue growth.

After a relatively modest 2% rise in global hotel room capacity last year, growth is forecast to double through 2014, with roughly 500,000 new rooms in the active pipeline. The Middle East/Africa should lead the way, with double-digit growth through 2014. The expansion will follow in Central and South America, while growth will be more modest in capacity rich hotel markets in North America and Western Europe, as well as in parts of Asia-Pacific.

Daniela Blancas (416) 862-3908
daniela.blancas@scotiabank.com

Mexico's Economic Prospects Look Promising

Solid economic fundamentals with stable fiscal and current account balances

The country's macroeconomic landscape remains relatively strong despite the recent moderation in growth. Real GDP expanded by 0.8% y/y in the first-quarter, its slowest rate since 2009 (0.8% y/y) with the industrial sector's (particularly construction) deceleration weighing more heavily on GDP performance, while the services sector also moderated its pace (with calendar effects affecting the data). Public spending has been lower and some projects have been delayed as a result of the change in government; however, we expect spending to accelerate in the second half of the year. Additionally, the automotive segment (which accounts for 30% of non-oil exports) will continue to be solid with new investment plans already underway. As a result of weaker-than-initially anticipated first-quarter output we revised our 2013 growth forecast downwards from 3.4% to 3.0%. Nonetheless, in line with stronger US growth in 2014 and an accelerating local economy, we have increased our 2014 forecast from 4.0% to 4.2%.

Headline inflation exceeded the central bank's tolerance range (2-4%) for the fourth consecutive month in May (4.6% y/y) and although we expect consumer prices to decelerate somewhat, we maintain our view that inflation will continue to hover around the 4.0% mark in the coming months. After more than three years of monetary policy stability, the central bank reduced the reference rate by 50 basis points to 4.0% in early March, stating that this was not the start of an easing cycle, but a one-off structural move to adjust to the reduced inflation risks. We do not anticipate any more changes to the reference rate this year and now expect that the central bank will start raising the reference rate by the third-quarter of 2014, mirroring the Fed's stimulus withdrawal.

On the fiscal and current accounts, we expect that both will remain at manageable levels over the forecast horizon. The fiscal account, which is projected by the central bank to return to a balanced position in 2013 (excluding PEMEX investment) after four years of deficits, is relatively healthy. A possible reform on the fiscal side could lead to a higher diversification of revenue sources away from oil-linked exports and to an expansion of the tax base, which may strengthen the public finance profile in the coming years. The trade balance closed 2012 in positive territory for the first time in 15 years, reducing the current account deficit to 0.6% of GDP. We expect the external accounts to deteriorate marginally in the 2013/14 period, as a result of increasing local demand. The current account shortfall remains adequately financed by foreign capital inflows.

Higher volatility on Mexican financial markets

As a result of the shift in market expectations over US Federal Reserve policy, which has led to increases in the Treasury bond yield and the USD, both the five-year credit default swaps (CDS) in Mexico and the local 10-year bond yield increased recently, in line with other Latin America and emerging economies. The CDS rose from the 80 basis points (bps) mark in early May to 133 at the end of June, while the 10-year bond yield increased by 100 bps in the same period.

The Mexican peso (MXN) remains sensitive to shifting expectations regarding the US Federal Reserve's monetary policy, in line with all the emerging currencies. Since reaching its strongest level below the 12 mark against the US dollar (USD) in early May, the MXN has lost around 8.5% in almost two months. Solid local economic fundamentals, the ongoing recovery in the US, and an improved political scenario will support the MXN through the remainder of the year; however, we anticipate that the MXN's recovery will be slower than the recent depreciation.

Mexico's creditworthiness continues to improve. In early May, Fitch upgraded Mexico's long-term sovereign credit rating from "BBB" to "BBB+" stressing that structural reforms will improve growth potential by enhancing confidence and investment. Additionally, Standard & Poor's (S&P) revised Mexico's long-term credit rating outlook from "stable" to "positive", leaving the rating unchanged at "BBB".

Araceli Espinosa (5255) 9179-5237
araceli.espinosa@scotiabank.com

Joe Kogan (212) 225-6541
joe.kogan@scotiabank.com

Why Are Colombian TES Bonds Underperforming?

The following article was published on July 3, 2013.

Colombian banks have increased their exposure to government bonds over the past couple of years. We discuss the motivations for that increase as well as what banks might do next.

The size of bank holdings

Some market participants blame the positioning of local banks for a sell-off in Colombian local bonds that has exceeded those of Latin American peers. Government data as well as bank filings indeed confirm that exposure is significant and has increased in recent years. From 2011 to April 2013, banks increased their exposure by 11tn pesos, purchasing 59% of net issuance by the government. By the end of that period, banks held 28% of nominal fixed rate-debt outstanding, significantly more than the 5% held by foreign investors.

Why did banks buy so many bonds? The primary reason is benign. Bank balance sheets have grown dramatically. Considering that assets increased by a cumulative 47% over the last two and a half years, it may well be a good thing for the stability of the system that some of those assets went into bonds rather than loans. Nevertheless, bank investment patterns have changed as well, with public debt to assets for locally owned banks rising from 7% at the end of 2011 to 7.7% in 2012 and 8.4% by April 2013.

Holding 8% of assets in government bonds does not seem particularly high to us. In Mexico, Banamex and Bancomer held 27% and 26% of their assets in government debt at the end of 2012, prompting concerns that banks are not lending enough. The problem in Colombia, if anything, is that even though government bonds are a small part of bank balance sheets, banks nevertheless represent a large portion of the institutional investor base. Colombian banks currently hold 28% of government debt, whereas those ratios are only 6% and 5% in Mexico and Peru. Even before foreigners entered the bond markets in Mexico and Peru many years ago and displaced banks, bank holdings in those countries were not as high as those in Colombia today.

Reasons for the increase in holdings

We can think of three possible reasons for the bank's increase in exposure to TES. First, banks had a positive outlook on the fundamentals and technicals driving bond prices. Slowing economic growth and an inflation rate below target allowed the Central Bank to cut interest rates by 200bp, while the reduction in tax rates improved after-tax returns for some investors, especially foreigners. The banks' view turned out correct, at least until recently, in that the bond market rallied 400bp from the peak in early 2011; the problem, of course, is that the market has since given back 170bp.

Second, demand for credit has slowed over the past year, while the quality of bank portfolios as measured by NPLs has deteriorated slightly, such that banks may have decided to put some of their capital into debt for lack of other opportunities. For example, Bancolombia, the largest Colombian bank, has been reporting a net interest margin of around 7% for loans and 4% for debt investments. After we account for credit losses on those loans,[1] we are left with only a 1% difference between expected returns from giving loans and purchasing bonds. This point is important because the interest margin on loans is falling, while higher yields after the recent market sell-off may make bonds attractive again to banks.

Third, we wonder if some of the increase in bank TES holdings was actually the hedging of derivative exposure sold to foreign investors. Reported foreign exposure directly through bonds is only 5%, which seems too small to us, and it is likely the foreigners have a significant amount of additional exposure through derivatives. We know from public reports to regulators that holdings among foreign banks increased by 3tn COP since the start of 2011 and the average public debt holdings increased slightly from 14% to 15% of assets. BBVA had the largest increase, while HSBC saw a slight increase and Citibank a slight decrease. We would think that most foreign investor exposure would be through international banks. The fact that those banks hold more debt to assets than local banks suggests that some of their exposure may be hedging of foreign positions, though we can think of alternate explanations as well.

Araceli Espinosa (5255) 9179-5237
araceli.espinosa@scotiabank.com

Joe Kogan (212) 225-6541
joe.kogan@scotiabank.com

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What happens next?

Price volatility on 10Y Colombia bonds has increased by 80% over the past month. Anecdotally, banks have had problems with internal VAR limits and may have even sold some securities. Consider Bancolombia as an example to demonstrate the effect. Bancolombia recorded 600bn COP valuation gains on its investment securities in 2012. Based on that and the size of market movements we saw recently, we estimate that losses on those securities could almost wipe out typical net income from one quarter. Some banks have hedged their portfolios through the futures market or through forward sales but we doubt those hedges are sufficient to avoid losses.

Considering how much volatility has increased, it is easy to see that small sales will not help much in reducing VAR risk to previous levels. The magnitude of sales required to actually offset the increase in volatility seems impossible in light of the amounts involved, and if those sales occurred system-wide, they could actually make the problem worse for banks by increasing volatility further.

In response to market movements, the government has decreased the amount of TES auctions planned for this year by $1.5bn from a planned $23bn. We doubt that decrease can help the market much if banks indeed wanted to decrease their exposure. Remember that banks normally purchase more than half of net issuance. With some economists expecting the deficit to be worse than projected by the government and larger than allowed by the fiscal rule, the government may actually want to issue more rather than fewer bonds.

These numbers suggest a difficult situation but there is some good news as well. Local banks are generally less concerned about credit risk related to their own government's bonds than foreign banks are. Moreover, since the government needs the banks to buy issuance of its bonds, they shouldn't be too restrictive regarding risk limits. Considering the small role of foreigners in the bond markets and the fact that most of the country's banks are locally-owned, we would also think that the country should be less vulnerable to movements in US rates, such that banks would find the current levels attractive and maintain their exposure.

Endnotes:

[1] This is hard to measure given how fast the portfolio is growing. Past due loans plus charge-offs were 0.7% per quarter in 1Q13 while net provisions per year were 1.7% for 2012.

Eduardo Suárez (416) 945-4538
eduardo.suarez@scotiabank.com

Latin America Week Ahead: For The Week Of July 8 - 12

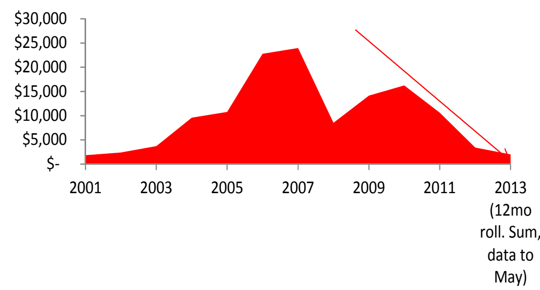
This is scheduled to be a busy week for central bank watchers, dominated by the publishing of the Fed's FOMC minutes on July 9th and the BoJ's monetary policy statement (on the 10th-11th), it also includes central bank meetings in Chile, Brazil, Peru and Mexico, while Colombia's BanRep is scheduled to release the minutes from its last meeting. We will be watching the tone of LATAM central bank statements for signs of how the shift in Fed tone has affected the stances of regional central banks. Although outside of Brazil, LATAM central banks are expected to remain on hold, the sharp moves we saw in domestic yield curves and currencies are likely to have impacted the outlook for regional monetary policy, and hence statements will be interesting to watch for signs of bias shifts.

Week-ahead views:

Brazil: Although weak economic growth continues to plague Brazil, the central bank has said that its primary focus is to contain inflationary pressures, with the >11% drop in the BRL (real) since the start of May potentially reinforcing concern on that front. S&P's negative comments on Brazil, highlighting that the protests could increase pressure on the fiscal stance, at the same time as efforts to spur private investment prove unsuccessful, reinforced what we see as investors' major concerns over the country, and also the latent threat that the country's ratings could be pressured to the downside (S&P was somewhat reassuring by stating it did not expect "quick action"). In this regard, Moody's provided more guidance on July 4, suggesting that a decision on the country's ratings outlook would likely be made by year-end. The government faces the complicated task of coping with sub-par growth and rising inflation. On the growth front, we see Brazil facing 3 major challenges: 1) consumer debt service as a share of disposable income remains very high at 21.5%, which limits the potential for domestic demand-driven growth, 2) the manufacturing sector remains burdened by a high "business cost environment" (the World Bank's *Doing Business Survey* ranks Brazil 130th, out of 185 countries), and 3) the country's significant infrastructure project push (which we see as a potential driver for growth, if it gets off the ground) faces a combination of high competition from other regional economies making similar pushes, and also faces "adverse country sentiment headwinds" (Brazil's 5yr CDS are trading at a 5-year wide of 65bps relative to regional peer Mexico). The BCB (central bank) is scheduled to hold its monetary policy meeting this week, where the market is looking for another +50bps SELIC rate hike to 8.5% (all the economists in the Bloomberg consensus look for a +50bps move, including our economics group).

Chile: Easing liquidity tightness in the Chinese financial system could be a positive for CLP (peso), as it may help alleviate potential headwinds for copper, as easier financial conditions should reduce growth risks. The reduction in these "copper price risks" could be supportive for CLP, but longer term, it is hard for us to see the peso enjoying the favourable terms of trade tail-winds it enjoyed over the past 10 years. In terms of data and events to watch for this week, the trade balance release should be watched, especially given the country's fading trade surplus (see chart). In addition, the BCCh (central bank) is holding its monetary policy meeting on Thursday, where the market looks for the nominal overnight rate to remain unchanged, but will likely be expecting colour regarding future monetary policy decisions, as consensus looks for the next move to be towards lower rates, but where the recent move in CLP, and the shifting outlook for US policy could be a factor.

Chilean trade balance (US$mn)



Source: Bloomberg, ScotiaFX Strategy.

Colombia: BanRep (central bank) is expected to publish the minutes from its latest monetary policy meeting this week but, given that no FX policy shift was apparently discussed, the minutes are slightly less relevant than usual for markets in our view (especially given the market now looks for rates to remain "on hold"). However, despite their reduced relevance, we will still look for signs of how the central bank sees the skew of risks for the

Eduardo Suárez (416) 945-4538
eduardo.suarez@scotiabank.com

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economy, and towards which direction policy may eventually shift as inflation remains at the bottom of the central bank's target, while growth indicators surprised to the upside. In addition, export data remains a relevant factor to watch in our view, as the government has signaled that an important motive for its FX intervention is concern over potential "Dutch Disease" (although the latest industrial production posted a strong +8.4% y/y rebound, which is mitigated by a sharp -11.5% y/y drop the previous month).

Mexico: This weekend's elections will likely be watched for signs of change in the attitude of the major political parties regarding structural reforms, as well as the "balance of political forces" (i.e., how unified parties will emerge behind their leaders). In particular, the PAN's (center right opposition party) membership / militancy appears divided at the moment, and how this weekend's results affect its leadership, and what stance party leaders take towards the Pact-for-Mexico (a multi-party pact to support an ambitious reform agenda) in the aftermath will be highly relevant for the outlook of reforms. In our view, the "constructive scenario" is that the PAN emerges with a leader who enjoys the wide support of the party (hard to call, but the rift currently looks deep), as the PRD (center left opposition party) has signaled its opposition to energy-related constitution amendments, which means a unified PAN is relevant. In our view, given the PAN's constituency, it should be in its best interest to support the reform, but it is still important that the party is united so consensus can be built in negotiations with the government. This week is also quite heavy in terms of domestic data, with the trade balance, gross fixed investment, manufacturing data, industrial production and AMIA auto sector data all worth watching. In addition, although Banxico (central bank) is widely expected to leave the overnight rate unchanged in Friday's decision (including by us), the market will likely look for signs on how the board weights the conflicting impacts of the weaker MXN (the peso), the steeper/wider yield curve and softening data on the monetary policy outlook.

Peru: The BCRP (central bank) is widely expected to leave the reference rate unchanged in Thursday's monetary policy meeting, despite an acceleration of June's inflation data (from 2.46% y/y in May to 2.77% y/y in June), and a strong growth rebound following the weak print we saw in March (the monthly economic activity indicator registered a +7.7% y/y expansion in April, following a deceleration to a sub-par +3.0% y/y print in March). Over recent months, the central bank has relied on reserve requirement adjustments to tweak policy, and the statement issued after the meeting will be watched for any signs that its strategy/bias has changed. On the data front, the trade balance data release on Wednesday will be relevant given it has remained in "deficit territory" for all of 2013, which could signal an erosion of the favourable terms of trade tailwinds that commodity producers have enjoyed since China entered the WTO in 2001.

Vincent Delisle (514) 287-3628
vincent.delisle@scotiabank.com

Strategic Edge Quarterly — Summer 2013

Use Summer Volatility to Lower Cash, Raise Equities in Q3

Asset Mix & Global Equity Strategy. Our 2013 strategy game plan remains unchanged: we are positioned for rising bond yields and a stronger US$ with an equity focus on developed markets (DM). From a tactical standpoint, we orchestrated a defensive shift in our recommended asset mix in March, lowering equities to neutral, raising cash, and widening the U.S./EAFE over EM/TSX preference. Entering Q3, we are reallocating a portion of our OW cash into equities (U.S. and EAFE up-still OW; TSX up to MW). In addition, we believe the upward normalization in bond yields will continue and we expect negative fixed income returns over the next 12-18 months. Scotia Economics is forecasting U.S 10-Yr Yields to increase above 3.25% in 2014 (now at 2.5%). Admittedly, financial markets should remain volatile as the transition towards QE tapering nurtures uncertainty, but we would use summer volatility to deploy cash. We recommend raising equity exposure as we anticipate positive equity returns heading into the official start of Fed tightening (1H/15 at the earliest). Twelve months before the start of Fed rate hikes, S&P 500 average returns hover around 20% with the worst cycle at +8.3% in 1994. Our recommended asset mix is now 65% equities (+5% versus Q2); 32% bonds (-2% versus Q2); 3% cash (-3% versus Q2). See exhibit 1. Ongoing policy shifts should continue to benefit the S&P 500/EAFE over EM/Latam/Canada.

Tactical signals. Our quant screens continue to highlight the growing divergence between the U.S. and Canadian asset mix situation. We have been getting constant S&P 500 over Bonds signals since 2009 whereas the TSX versus Bond indication has been neutral/ underweight in recent months. From a global standpoint, the DM overweight/EM underweight signal has been near constant since 2010. Our quant signals for EM (Latam and Asia) are still UW and we continue to believe the Latam/EM group is vulnerable to a shift in Fed policy.

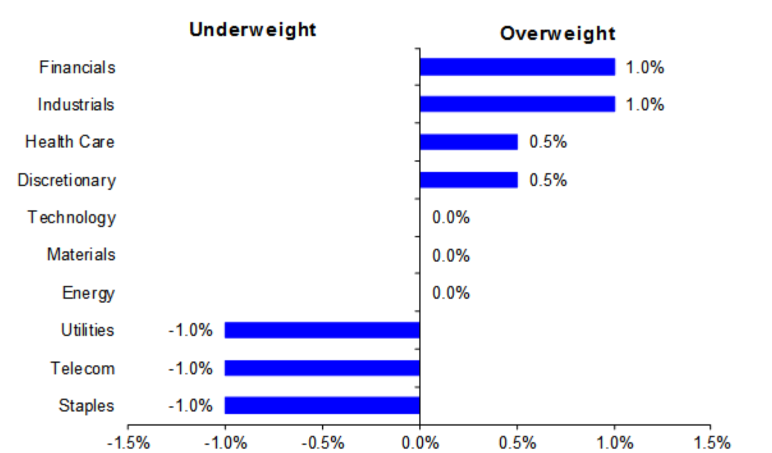
U.S. Strategy. As investors debate Fed tapering scenarios, we expect summer volatility, a short-term pause in the S&P 500 rally, and narrower equity gains with yield-sensitive areas lagging. Discretionaries and Financials have posted superior earnings revisions in 1H/13 and we expect this trend to continue. In terms of S&P 500 sector strategy, we are carrying OW positions in Financials, Discretionary, Industrials, Healthcare, and Energy; Materials and Technology are rated MW; Utilities, Telecom, and Staples UW. See Exhibit 2.

Exhibit 1: Recommended Asset Mix – Summer 2013

	Asset Mix		Change From	Expected Total Return
	Benchmark	Recommended	Last	Next 12-M
Equities	**60%**	**65%**	**+5%**	**7%**
Canada (TSX)	*5%*	*5%*	*+1%*	
U.S. (S&P 500)	*22%*	*27%*	*+3%*	
MSCI EAFE	*18%*	*23%*	*+1%*	
(1.Japan, 2. Europe, 3. Australia)				
Far East ex-Japan	*10%*	*7%*		
LatAm	*5%*	*3%*		
Bonds	**40%**	**32%**	**-2%**	**-4%**
Government	*30%*	*18%*	*-2%*	*-5%*
Corporate	*10%*	*14%*		*-1%*
Cash (91-D Tbills)	**0%**	**3%**	**-3%**	**1%**

Source: Scotiabank GBM Portfolio Strategy estimates.

Exhibit 2: S&P 500 Sector Allocation – Summer 2013



Source: Scotiabank GBM Portfolio Strategy.

Vincent Delisle (514) 287-3628
vincent.delisle@scotiabank.com

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TSX Strategy. In Canada, we prefer Energy to Mining in a rising US$ environment prompted by tapering possibilities (higher yields backed by stronger U.S. data) and disappointing momentum in China (slower growth, no easing in sight). Within TSX Financials, Lifecos and Asset managers remain the focus as near term challenges weigh on REITs (rising yields) and Banks (housing). We are OW Discretionary (autos, media) and Staples; MW Technology and Industrials; UW REITs, Telecom, and Utilities.

Revised Earnings & Targets. We are raising our S&P 500 EPS estimates to US$108 for 2013 (up from US$105) and US$115 for 2014 (up from US$112). For the 2013-2014 forecast period, we are looking for 18% earnings growth for the S&P 500. Our 12-18 month S&P 500 target moves up to 1,700 (was 1,550). Our TSX earnings forecasts are now set at $825 for 2013 (down from $875) and $925 for 2014 (down from $950). We are looking for earnings growth of 12% over the 2013-2014 forecast period. Our 12-18 month TSX target remains unchanged at 12,800. LatAm targets are revised lower to 44,000 (Bolsa), 50,000 (Bovespa), and 4,150 (IPSA). In USD, we expect the S&P 500 to outperform the Americas. See Exhibit 3.

Exhibit 3: Financial Forecasts

Forecasts	2010	2011	2012	2013E	2014E
		Equity			
S&P/TSX	13,443	11,955	12,434	12,800	
EPS	673	833	818	825 ↓	925 ↓
S&P 500	1,258	1,258	1,426	1,700 ↑	
EPS	84	96	99	108 ↑	115 ↑
Mexico Bolsa	38,551	37,078	43,706	44,000 ↓	
Brazil Bovespa	69,305	56,754	60,952	50,000 ↓	
Chile IPSA	4,928	4,178	4,301	4,150 ↓	

Source: Scotiabank GBM Portfolio Strategy; Bloomberg, S&P, CPMS.

Derek Holt (416) 863-7707
derek.holt@scotiabank.com

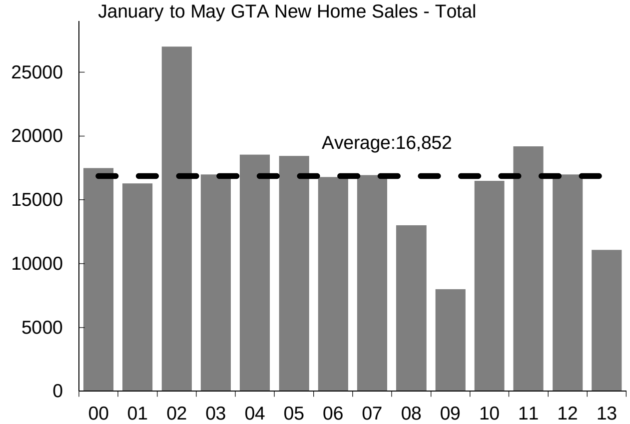
Dov Zigler (416) 862-3080
dov.zigler@scotiabank.com

Key Data Preview

CANADA

Our forecast is for a fairly muted 180k print for June **housing starts** (July 9). Our forecast is premised on our view that the 200k housing starts print in May was driven by a brief construction boom after a colder-than-expected start to the spring building season. We think that either in June or July the level of starts will cool down in line with the drop-off in housing activity, including new home sales that are tracking at very low levels in Toronto — the only market in which we can clearly observe new home sales (see chart). The risks here are: a) that housing starts take longer to adjust back down, b) that home builders are over-optimistically plowing ahead with projects, a concern that is fueled by strong building permits numbers from April (the last period for which data is available as we go to print), and c) that volatility in the multiples category swings the number wildly—in either direction.

Falling Sales of New Homes In Toronto Not Just About Condos

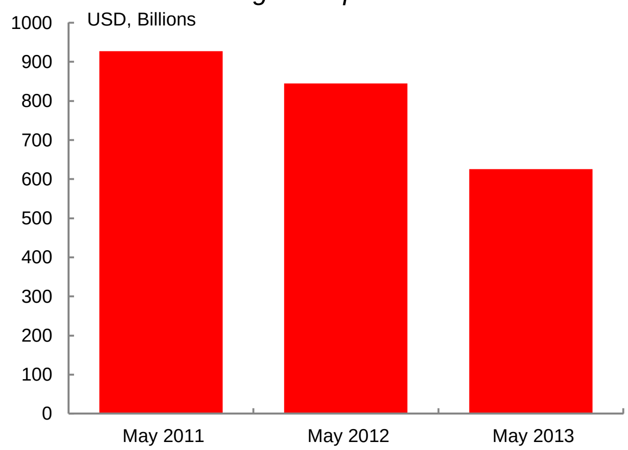


Source: Realnet, Scotiabank Economics

UNITED STATES

The **monthly budget statement** for the June period is due on July 11. Through May, the deficit stood at USD -625bn vs. -844bn in May 2012 — i.e. it was smaller by 27% (see chart). Assisting substantial improvement in the budget deficit will be higher payouts from the GSEs in the final months of the U.S. government's fiscal year (year-end is Sept. 30). The sequester could reduce outlays somewhat moving forward too. The risk here is that strong tax revenues have driven much of this year's progress — will they continue? Either way, as we wrote with Mary Webb in our note "Treasury Supply Tapering Offsets Fed Tapering," the implications of the better budget deficit would extend to fixed income markets, where lower issuance of Treasuries could be a significant theme over into FY2014.

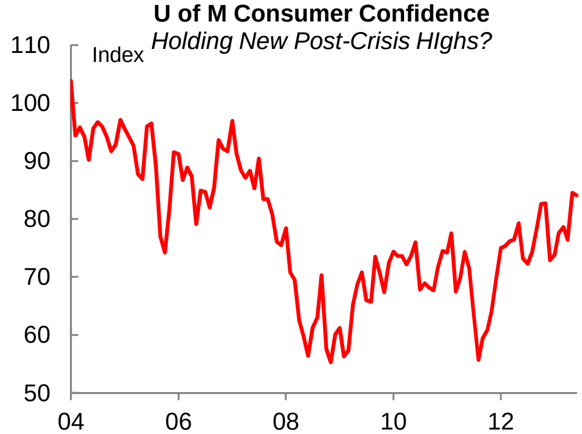
U.S. Budget Defict, YTD:
Tracking for Improvement



Source: Scotiabank Economics, Bloomberg

The **University of Michigan consumer confidence** metric is the other relevant number due out this week (July 12), and we're looking for a flattish print of 84 (vs. 84.1 in June). The argument is that while there are a few data points that would imply stronger consumer sentiment — in particular the bounce in stocks during the last week of June and still-elevated general equity market levels — we think that the rate shock and associated higher mortgage costs combined with what was still a fairly mixed labor market should prevent the U of M survey from picking up in a meaningful fashion. Note that the U of M consumer confidence index stands at a post-crisis high at the moment (see chart).

U of M Consumer Confidence
Holding New Post-Crisis HIghs?



Source: U of M, Scotiabank Economics

Daniela Blancas (416) 862-3908
daniela.blancas@scotiabank.com

Sarah Howcroft (416) 862-3174
sarah.howcroft@scotiabank.com

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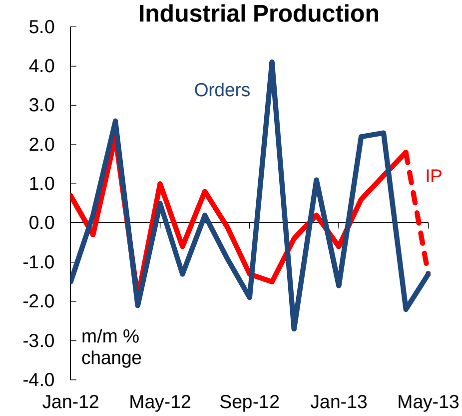
EUROPE

After this week's factory orders report (which showed a 1.3% m/m decline in May), German industrial production figures will be released on July 8th. Industrial output showed solid expansions in each of the last three months with an average increase of 1.2% m/m, far surpassing expectations for little to no gains. The April estimate, showing a 1.8% m/m gain (the largest in over a year), was largely due to a construction rebound after a long winter which dampened activity. Some payback in the May figures is thus likely. Industrial production has yet to show any real impact from the deterioration in survey indicators earlier in the year, including the German and euro zone PMIs, Ifo and ZEW indexes, and the Chinese PMI and US ISM. Moreover, the sharp 2.2% m/m fall in factory orders in April (which was much worse than expected), should also show up in the output figures. Therefore, we expect to see a 1.3% m/m contraction in IP in May. This would nonetheless leave the average second-quarter figure to date above that of the January-March period, indicating that the economy should see a slight pickup in GDP growth from the 0.1% q/q pace registered in the first quarter.

German Factory Orders and Industrial Production

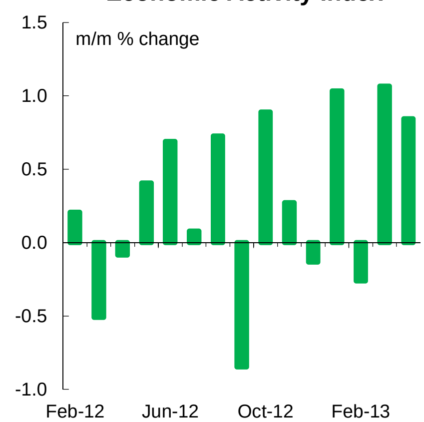


Source: Bloomberg, Scotiabank Economics.

LATIN AMERICA

After a poor performance in the first quarter of the year, the Brazilian economy continues to show mixed signs. The central bank's economic index (IBC) and retail sales will be released next week. The IBC increased for the second consecutive month in April, expanding by 0.8% m/m; however it failed to maintain the previous month's rate of expansion. A similar moderation was observed in industrial production and retail sales between April and March. Recently, the central bank modified its 2013 growth forecast from 3.1% to 2.7% and raised the inflation forecast from 5.7% y/y to the upper limit of the tolerance range, 6.0% y/y. We maintain our view that the economy will gain strength in the second half of the year, boosted by government stimulus and monetary policy easing undertaken last year (currently the central bank maintains a tightening bias) that could enhance household consumption. The industrial sector and exports will also take advantage of the weaker Brazilian real against the US dollar. Nonetheless, inflationary pressures in Brazil together with social unrest will weigh on the economy's performance.

Economic Activity Index



Source: Banco Central do Brasil, Scotiabank Economics.

Key Indicators for the week of July 8 - 12

North America

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	07/08	08:30	Building Permits (m/m)	May	--	-5.0	10.5
CA	07/08	10:30	BoC Senior Loan Officer Survey	2Q	--	-5.0	-5.8
CA	07/08	10:30	Business Outlook Future Sales	2Q	--	30.0	24.0
US	07/08	15:00	Consumer Credit (US$ bn m/m)	May	12.5	12.5	11.1
CA	07/09	08:15	Housing Starts (000s a.r.)	Jun	180.0	188.0	200.2
MX	07/09	09:00	Consumer Prices (m/m)	Jun	--	0.1	-0.3
MX	07/09	09:00	Consumer Prices (y/y)	Jun	--	4.2	4.6
MX	07/09	09:00	Consumer Prices Core (m/m)	Jun	--	0.2	0.2
US	07/10	07:00	MBA Mortgage Applications (w/w)	JUL 5	--	--	-11.7
US	07/10	08:30	Continuing Claims (000s)	JUN 28	3000	2952	2933
US	07/10	08:30	Initial Jobless Claims (000s)	JUL 5	340	337	343
MX	07/10	09:00	Trade Balance (US$ mn)	May F	--	-308.8	-469.9
US	07/10	10:00	Wholesale Inventories (m/m)	May	--	0.3	0.2
CA	07/11	08:30	New Housing Price Index (m/m)	May	--	0.2	0.2
US	07/11	08:30	Export Prices (m/m)	Jun	--	0.0	-0.6
US	07/11	08:30	Import Prices (m/m)	Jun	--	0.0	-0.6
US	07/11	14:00	Treasury Budget (US$ bn)	Jun	--	40.0	-138.7
US	07/12	08:30	PPI (m/m)	Jun	0.4	0.5	0.5
US	07/12	08:30	PPI ex. Food & Energy (m/m)	Jun	--	0.1	0.1
CA	07/12	09:00	Teranet - National Bank HPI (y/y)	Jun	--	--	2.0
MX	07/12	09:00	Industrial Production (m/m)	May	--	--	-1.7
MX	07/12	09:00	Industrial Production (y/y)	May	--	0.6	3.3
US	07/12	09:55	U. of Michigan Consumer Sentiment	Jul P	84.0	85.0	84.1
MX	07/12	10:00	**Overnight Rate (%)**	**Jul 12**	**4.00**	**4.00**	**4.00**

Europe

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
GE	07/08	02:00	Current Account (€ bn)	May	--	14.8	17.6
GE	07/08	02:00	Trade Balance (€ bn)	May	--	17.8	18.1
GE	07/08	06:00	Industrial Production (m/m)	May	-1.3	-0.5	1.8
FR	07/09	02:45	Central Government Balance (€ bn)	May	--	--	-66.8
UK	07/09	04:30	Industrial Production (m/m)	May	0.1	0.2	0.1
UK	07/09	04:30	Manufacturing Production (m/m)	May	0.2	0.4	-0.2
UK	07/09	04:30	Visible Trade Balance (£ mn)	May	-8500.0	-8485.0	-8224.0
GE	07/10	02:00	CPI (y/y)	Jun F	1.8	1.8	1.8
GE	07/10	02:00	CPI - EU Harmonized (y/y)	Jun F	1.9	1.9	1.9
FR	07/10	02:45	Current Account (€ bn)	May	--	--	-2.8
FR	07/10	02:45	Industrial Production (m/m)	May	-1.2	-0.8	2.2
FR	07/10	02:45	Industrial Production (y/y)	May	-0.6	-0.1	-0.5
FR	07/10	02:45	Manufacturing Production (m/m)	May	--	-0.8	2.6
IT	07/10	04:00	Industrial Production (y/y)	May	--	--	-4.6
FR	07/11	02:45	CPI (y/y)	Jun	1.0	0.9	0.8
FR	07/11	02:45	CPI - EU Harmonized (m/m)	Jun	0.1	0.2	0.1
FR	07/11	02:45	CPI - EU Harmonized (y/y)	Jun	0.9	1.0	0.9
SP	07/12	03:00	CPI (y/y)	Jun F	2.1	2.1	2.1
SP	07/12	03:00	CPI - EU Harmonized (y/y)	Jun F	2.2	2.2	2.2
IT	07/12	04:00	CPI - EU Harmonized (y/y)	Jun F	1.4	1.4	1.4
EC	07/12	05:00	Industrial Production (m/m)	May	--	-0.3	0.4
EC	07/12	05:00	Industrial Production (y/y)	May	--	-1.4	-0.6

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

Key Indicators for the week of July 8 - 12

Asia Pacific

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
JN	07/07	19:50	Bank Lending (y/y)	Jun	--	--	1.8
JN	07/07	19:50	Current Account (¥ bn)	May	--	600.0	750.0
JN	07/07	19:50	Trade Balance - BOP Basis (¥ bn)	May	--	-902.1	-818.8
AU	07/07	21:30	ANZ Job Advertisements (m/m)	Jun	--	--	-2.4
TA	07/08	04:00	Exports (y/y)	Jun	--	1.1	0.9
TA	07/08	04:00	Imports (y/y)	Jun	--	-1.7	-8.0
TA	07/08	04:00	Trade Balance (US$ bn)	Jun	--	3.2	4.5
SI	07/08	05:00	Foreign Reserves (US$ mn)	Jun	--	--	258377.9
JN	07/08	06:59	Eco Watchers Survey (current)	Jun	--	55.5	55.7
JN	07/08	06:59	Eco Watchers Survey (outlook)	Jun	--	--	56.2
SI	07/08	07:59	Real GDP (y/y)	2Q A	--	1.9	0.2
SI	07/08	07:59	GDP Annualized (y/y)	2Q A	--	8.4	1.8
SI	07/08	07:59	GDP (q/q)	2Q A	--	1.9	0.2
JN	07/08	19:50	Japan Money Stock M2 (y/y)	Jun	--	3.40	3.40
JN	07/08	19:50	Japan Money Stock M3 (y/y)	Jun	--	2.9	2.8
NZ	07/08	20:00	QV House Prices (y/y)	Jun	--	--	7.1
CH	07/08	21:30	CPI (y/y)	Jun	--	2.5	2.1
CH	07/08	21:30	PPI (y/y)	Jun	--	-2.6	-2.9
JN	07/09	02:00	Machine Tool Orders (y/y)	Jun P	--	--	-7.4
SK	07/09	19:00	Unemployment Rate (%)	Jun	--	3.2	3.2
JN	07/09	19:50	Tertiary Industry Index (m/m)	May	--	0.8	0.0
PH	07/09	21:00	Exports (y/y)	May	--	--	-12.8
JN	07/10	01:00	Consumer Confidence	Jun	--	--	45.7
TH	07/10	03:30	**BoT Repo Rate (%)**	**Jul 10**	**2.50**	**2.50**	**2.50**
CH	07/10	06:59	Aggregate Financing (CNY bn)	Jun	--	1400.0	1185.6
CH	07/10	06:59	Foreign Reserves (US$ bn)	Jun	--	3485.0	3442.7
CH	07/10	06:59	New Yuan Loans (bn)	Jun	--	800.0	667.4
CH	07/10	06:59	Exports (y/y)	Jun	--	3.9	1.0
CH	07/10	06:59	Imports (y/y)	Jun	--	6.2	-0.3
CH	07/10	06:59	Trade Balance (USD bn)	Jun	--	27.8	20.4
IN	07/10	06:59	Exports (y/y)	Jun	--	--	-1.10
IN	07/10	06:59	Imports (y/y)	Jun	--	--	6.99
NZ	07/10	18:30	Business NZ PMI	Jun	--	--	59.2
JN	07/10	19:50	Machine Orders (m/m)	May	--	1.7	-8.8
AU	07/10	21:00	Consumer Inflation Expectation (%)	Jul	--	--	2.3
SK	07/10	21:00	**BoK Base Rate (%)**	**Jul 11**	**2.50**	**2.50**	**2.50**
AU	07/10	21:30	Employment (000s)	Jun	--	0.0	1.1
AU	07/10	21:30	Unemployment Rate (%)	Jun	--	5.6	5.5
MA	07/11	00:01	Industrial Production (y/y)	May	--	2.0	4.7
MA	07/11	06:00	**Overnight Rate (%)**	**Jul 11**	**3.00**	**3.00**	**3.00**
ID	07/11	06:59	**BI Reference Interest Rate (%)**	**Jul 11**	**6.25**	**6.25**	**6.00**
JN	07/11	07:59	**BoJ Target Rate (%)**	**Jul 11**	**0.10**	**--**	**0.10**
AU	07/11	21:30	Home Loans (%)	May	--	2.2	0.8
AU	07/11	21:30	Investment Lending (% change)	May	--	--	1.1
JN	07/12	00:30	Capacity Utilization (m/m)	May F	--	--	1.6
JN	07/12	00:30	Industrial Production (m/m)	May F	--	--	2.0
IN	07/12	01:30	Industrial Production (y/y)	May	--	--	2.3
IN	07/12	06:59	CPI (y/y)	Jun	--	--	9.3

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

Key Indicators for the week of July 8 - 12

Latin America

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
PE	07/10	06:59	Trade Balance (PEN mn)	May	--	-250.0	-378.4
BZ	07/10	07:59	**SELIC Target Rate (%)**	**Jul 10**	**8.50**	**8.50**	**8.00**
BZ	07/11	08:00	Retail Sales (m/m)	May	--	-0.4	0.5
BZ	07/11	08:00	Retail Sales (y/y)	May	--	3.0	1.6
CL	07/11	18:00	**Nominal Overnight Rate Target (%)**	**Jul 11**	**5.00**	**5.00**	**5.00**
PE	07/11	19:00	**Reference Rate (%)**	**Jul**	**4.25**	**4.25**	**4.25**
BZ	07/12	07:59	Economic Activity Index SA (m/m)	May	--	-1.2	0.8
BZ	07/12	07:59	Economic Activity Index NSA (y/y)	May	--	2.7	7.3

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

Global Auctions for the week of July 8 - 12

North America

Country	Date	Time	Event
US	07/08	11:00	U.S. Fed to Purchase USD1.25-1.75 Bln Notes
US	07/08	11:30	U.S. to Sell USD30 Bln 3-Month Bills
US	07/08	11:30	U.S. to Sell USD25 Bln 6-Month Bills
US	07/09	11:00	U.S. Fed to Purchase USD2.75-3.50 Bln Notes
US	07/09	11:30	U.S. to Sell 4-Week Bills
MX	07/09	12:30	20Y Fixed Yield
US	07/09	13:00	U.S. to Sell USD32 Bln 3-Year Notes
US	07/10	11:00	U.S. Fed to Purchase USD3.00-3.75 Bln Notes
CA	07/10	12:00	Canada to Sell 5 Year Notes
US	07/10	13:00	U.S. to Sell USD21 Bln 10-Year Notes Reopening
US	07/11	11:00	U.S. Fed to Purchase USD1.00-1.50 Bln Notes
US	07/11	13:00	U.S. to Sell USD 13 Bln 30-Year Bonds Reopening
US	07/12	11:00	U.S. Fed to Purchase USD1.25-1.75 Bln Notes

Europe

Country	Date	Time	Event
GE	07/08	05:30	Germany to Sell EUR4 Bln 189-Day Bills
FR	07/08	08:50	France to Sell Bills
NE	07/09	04:00	Netherlands to Sell Up to EUR2.5 Bln 1.75% 2023 Bonds
SZ	07/09	05:30	Switzerland to Sell 364-Day Bills
UK	07/09	05:30	U.K. to Sell GBP1.4 Bln 0.125% I/L 2029 Bonds
NO	07/09	06:00	Norway to Sell NOK4 Bln 3.75% 2021 Bonds
IT	07/10	05:00	Italy to Sell 3-Month and 12-Month Bills
SZ	07/10	05:30	Switzerland to Sell Bonds
GE	07/10	05:30	Germany to Sell EUR5 Bln 0% 2015 Bonds
IT	07/11	05:00	Italy to Sell 3-Year Bonds
UK	07/11	05:30	U.K. to Sell GBP2.5 Bln 3.25% 2044 Bonds
BE	07/12	06:00	Belgium to Sell Bonds (OLO ORI)
UK	07/12	06:10	UK to Sell Bills

Asia Pacific

Country	Date	Time	Event
JN	07/07	23:35	Japan to Sell 6-Month Bill
CH	07/08	23:00	China Development Bank to Sell CNY5 Bln 1-year Floater
CH	07/08	23:00	China Development Bank to Sell CNY5 Bln 3-Year Floater
CH	07/08	23:00	China Development Bank to Sell CNY5 Bln 5-Year Floater
CH	07/08	23:00	China Development Bank to Sell CNY5 Bln 7-year Floater
JN	07/09	04:00	Japan Auction for Enhanced-Liquidity
CH	07/09	23:00	China to Sell 7-Year Bonds
CH	07/09	23:00	China to Sell 3-Year Savings Bonds
CH	07/09	23:00	China to Sell 5-Year Savings Bonds
JN	07/09	23:35	Japan to Sell 3-Month Bill

Latin America

Country	Date	Time	Event
BZ	07/11	11:00	Brazil to Sell Bills due 04/01/2014
BZ	07/11	11:00	Brazil to Sell Bills due 07/1/2015
BZ	07/11	11:00	Brazil to Sell Bills due 01/1/2017

Source: Bloomberg, Scotiabank Economics.

Events for the week of July 8 - 12

North America

Country	Date	Time	Event
US	07/09		International Monetary Fund Releases Global Economic Forecasts
US	07/10	16:10	Fed's Bernanke Speaks on Economic Policy in Boston
US	07/10		The Federal Open Market Committee (FOMC) minutes
US	07/11	11:00	Fed's Tarullo Testifies on Regulation to Senate Banking
MX	07/12	10:00	**Overnight Rate**
US	07/12	17:15	Fed's Williams Presents a Monetary Policy Paper in Vancouver
US	07/12		Fed's Plosser and Bullard Speak in Jackson Hole, Wyoming

Europe

Country	Date	Time	Event
GE	07/06	05:30	Merkel Speech in Bad Salzuflen at NRW Congress of CDU
SP	07/07	06:00	Prime Minister Rajoy speaks at party research institute
EC	07/07		ECB's Weidmann, Coeure, IMF's Lagarde Speak in Aix en Provence
AS	07/08	04:00	ECB's Nowotny Presents Financial Stability Report in Vienna
SP	07/08	04:00	Saenz, De Guindos Speak on Outlook for Spanish Society
GE	07/08	07:30	Merkel Attends General Electric Co. Ground-Breaking in Berlin
EC	07/08	09:00	Euro-Area Finance Ministers Meet in Brussels
EC	07/08	09:00	ECB's Draghi speaks in Brussels
PO	07/08	10:30	Portuguese President to Meet Greens, Communist Party
EC	07/09	03:00	EU-27 Finance Ministers Meet in Brussels
SP	07/09	03:00	Spain Foreign Minister Speaks at Event in Madrid
PO	07/09	04:00	Portugal's Coelho Attends Event on Corporate Governance
SP	07/09	04:00	BOS Governor Speaks at Event in Madrid
GE	07/09	09:00	Merkel Speech in Bad Staffelstein at Conclave of CSU Allies
EC	07/09	10:00	ECB's Asmussen speaks in London
PO	07/09		Bank of Portugal Releases Data on Banks
EC	07/09		EU Finance Ministers Set the Lat-Euro Conversion Rate
SP	07/10	04:00	Budget Minister Montoro Speaks Near Madrid
IT	07/10	04:00	Italy Banking Association Holds Annual Meeting
IT	07/10	05:00	Bank of Italy Releases Money and Banking Monthly Report
EC	07/10	05:00	Turkey's Simsek Holds Press Conference in Brussels
IT	07/10	09:00	Prime Minister Letta Speaks in Parliament During Question Time
EC	07/10	10:00	ECB's Asmussen speaks in Skopje, Macedonia
EC	07/11	02:45	ECB's Coeure speaks in Paris
SP	07/11	04:00	Deputy Minister For Social Security Speaks on Entrepreneurship
EC	07/11	04:00	ECB's Weidmann speaks in Munich
EC	07/11		European Commission Banking Structure Reform Comment Deadline
PO	07/12	04:00	ECB's Costa Speaks at Financial Education Conference in Lisbon
PO	07/12	04:30	Portugal's Parliament Debates State of Nation
EC	07/12	06:00	ECB Announces 3-Year LTRO Repayment
GE	07/12	08:00	Merkel Hosts Slovenia's Bratusek for Talks in Berlin

Source: Bloomberg, Scotiabank Economics.

Events for the week of July 8 - 12

Asia Pacific

Country	Date	Time	Event
CH	09-11 JUL		2nd Beijing Macao Co-operation and Exchange Symposium
TH	07/10	03:30	**Benchmark Interest Rate**
IN	07/10	07:00	91 Day T-Bill Cutoff Yield
IN	07/10	07:00	364 Day T-Bill Cutoff Yield
SK	07/10	21:00	**South Korea 7-Day Repo Rate**
ID	10-11 JUL		**Bank Indonesia Reference Rate**
US	10-11 JUL		U.S.'s Lew and Kerry Meet with Chinese Officials
JN	10-11 JUL		**BOJ Target Rate**
JN	10-11 JUL		BOJ 2014 Monetary Base Target
JN	07/11	02:30	Kuroda Holds Post-Meeting Press Conference
MA	07/11	06:00	**Overnight Rate**
JN	11-12 JUL		Bank of Japan's Monthly Economic Report for July

Latin America

Country	Date	Time	Event
CO	07/08	01:00	Latin American Reserve Fund (FLAR) meets in Cartagena
BZ	07/10		**SELIC Target - Central Bank**
CL	07/11	18:00	**Nominal Overnight Rate Target**
PE	07/11	19:00	**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	July 17, 2013	1.00	--
Federal Reserve – Federal Funds Target Rate	0.25	July 31, 2013	0.25	--
Banco de México – Overnight Rate	4.00	July 12, 2013	4.00	4.00

Fed: In the wake of strong non-farm payrolls (and revisions) that left U.S. jobs tracking near 200k no matter how one looks at things, market sentiment is shifting towards the view of an early Fed taper. We think that a data dependent Fed is going to want more data yet to assess this picture, and won't feel a rush to taper with inflation undershooting, downside risks to growth via the sequester, and 'reach-for-yield' pressures that are now less significant than in May. BoC: In light of very soft CPI and soft trend employment growth, we expect the BoC to maintain its focus upon the risks as a result of undershooting the 2% inflation target, resulting in a slightly more dovish turn when it issues the July 17th rate statement. Banxico: Although headline inflation remains above the central bank's tolerance range and economic activity started the second quarter on a soft note, we do not anticipate any changes to the Mexican monetary policy rate, currently at 4.0%. Nonetheless, we anticipate that the statement will include comments regarding the recent depreciation of the Mexican peso and the shift in US Fed expectations. We maintain our view that the reference rate will remain unchanged for the remainder of the year.

Europe

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	0.50	August 1, 2013	0.50	--
Bank of England – Bank Rate	0.50	August 1, 2013	0.50	0.50
Swiss National Bank – Libor Target Rate	0.00	September 19, 2013	0.00	--
Central Bank of Russia – Refinancing Rate	8.25	July 12, 2013	8.25	--
Hungarian National Bank – Base Rate	4.25	July 23, 2013	4.25	4.00
Central Bank of the Republic of Turkey – 1 Wk Repo Rate	4.50	July 23, 2013	4.50	--
Sweden Riksbank – Repo Rate	1.00	September 5, 2013	1.00	--
Norges Bank – Deposit Rate	1.50	September 19, 2013	1.50	--

The Russian central bank will adopt a slightly more dovish tone starting with next week's meeting – the first for the new governor, a former economic advisor to President Putin – we do not expect any policy rate adjustments at this time. Inflation eased in June, from a 21-month high of 7.4% y/y to 6.9%, and economic conditions remain on the weaker side. However, the ruble continues to slide (touching a one-year low against the US dollar this week), which may affect inflation expectations and will thus likely keep the monetary authorities on alert.

Asia Pacific

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Target Rate	0.10	July 11, 2013	0.10	--
Reserve Bank of Australia – Cash Target Rate	2.75	August 6, 2013	2.75	2.63
Reserve Bank of New Zealand – Cash Rate	2.50	July 24, 2013	2.50	--
People's Bank of China – Lending Rate	6.00	TBA	--	--
Reserve Bank of India – Repo Rate	7.25	July 30, 2013	7.00	--
Bank of Korea – Bank Rate	2.50	July 10, 2013	2.50	2.50
Bank of Thailand – Repo Rate	2.50	July 10, 2013	2.50	2.50
Bank Indonesia – Reference Interest Rate	6.00	July 11, 2013	6.25	6.25

After rate cuts of 25 basis points by both the South Korean and Thai monetary authorities in May, we do not foresee any additional policy easing by either central bank in the months ahead. Indonesia has embarked on a monetary tightening course amidst robust economic growth and a higher inflation trajectory. Bank Indonesia will continue to raise interest rates gradually in the coming months, with the next rate hike likely to occur next week (July 11th). We do not anticipate any policy changes from the Bank of Japan after the next meeting on July 11th.

Latin America

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	8.00	July 10, 2013	8.50	8.50
Banco Central de Chile – Overnight Rate	5.00	July 11, 2013	5.00	5.00
Banco de la República de Colombia – Lending Rate	3.25	July 26, 2013	3.25	--
Banco Central de Reserva del Perú – Reference Rate	4.25	July 11, 2013	4.25	4.25

Although economic conditions in Brazil are slightly improving, headline inflation remains high, hovering around the upper limit of the central bank's target range (4.5-6.5% y/y). As a result, we expect monetary authorities to hike the reference SELIC rate by 50 basis points to 8.5% at the next meeting scheduled for July 10th. We do not anticipate any changes to the monetary policy rates in Peru and Chile (both decisions to take place on July 11th), leaving the reference rates at 4.25% and 5.0%, respectively. The central bank of Chile is more likely to follow a dovish tone - as a result of weaker economic activity and low inflationary pressures - while the Peruvian central bank will maintain its neutral tone.

Africa

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	5.00	July 18, 2013	5.00	5.00

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

Forecasts as at June 27, 2013*	2000-11	2012	2013f	2014f	2000-11	2012	2013f	2014f
Output and Inflation (annual % change)		Real GDP				Consumer Prices[2]		
World[1]	3.7	3.1	3.0	3.6				
Canada	2.2	1.7	1.6	2.2	2.1	1.5	1.1	1.8
United States	1.8	2.2	1.8	2.6	2.5	2.1	1.5	2.0
Mexico	2.2	3.9	3.0	4.2	4.8	3.6	4.1	4.0
United Kingdom	1.9	0.3	0.8	1.1	2.3	2.7	2.5	2.4
Euro Zone	1.4	-0.5	-0.7	0.5	2.1	2.2	1.4	1.6
Japan	0.8	1.9	1.4	1.5	-0.3	-0.1	0.7	1.2
Australia	3.0	3.6	2.5	3.0	3.1	2.2	2.5	3.0
China	9.4	7.8	7.8	7.8	2.4	2.5	3.3	3.9
India	7.4	5.1	5.5	6.0	6.6	7.3	5.6	6.5
South Korea	4.5	2.0	2.4	3.3	3.2	1.4	2.1	2.9
Thailand	4.0	6.5	4.5	4.2	2.6	3.6	2.5	3.2
Brazil	3.6	0.9	3.0	3.5	6.6	5.8	5.8	6.0
Chile	4.4	5.6	4.9	5.0	3.4	1.5	2.6	3.3
Peru	5.6	6.3	5.9	6.1	2.6	2.6	2.9	3.0

Central Bank Rates (%, end of period)	12Q4	13Q1	13Q2e	13Q3f	13Q4f	14Q1f	14Q2f	14Q3f
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	0.75	0.75	0.50	0.50	0.50	0.50	0.50	0.50
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	3.00	3.00	2.75	2.50	2.50	2.50	2.75	2.75

Exchange Rates (end of period)	12Q4	13Q1	13Q2e	13Q3f	13Q4f	14Q1f	14Q2f	14Q3f
Canadian Dollar (USDCAD)	0.99	1.02	1.05	1.07	1.06	1.05	1.04	1.02
Canadian Dollar (CADUSD)	1.01	0.98	0.95	0.93	0.94	0.95	0.96	0.98
Euro (EURUSD)	1.32	1.28	1.30	1.26	1.25	1.25	1.24	1.24
Sterling (GBPUSD)	1.63	1.52	1.52	1.47	1.45	1.45	1.45	1.44
Yen (USDJPY)	87	94	98	104	105	106	107	109
Australian Dollar (AUDUSD)	1.04	1.04	0.93	0.92	0.90	0.90	0.91	0.92
Chinese Yuan (USDCNY)	6.2	6.2	6.1	6.1	6.1	6.1	6.1	6.1
Mexican Peso (USDMXN)	12.9	12.3	13.1	12.6	12.6	12.7	12.5	12.6
Brazilian Real (USDBRL)	2.05	2.02	2.19	2.15	2.10	2.10	2.10	2.15

Commodities (annual average)	2000-11	2012	2013f	2014f
WTI Oil (US$/bbl)	57	94	95	98
Brent Oil (US$/bbl)	58	112	106	108
Nymex Natural Gas (US$/mmbtu)	5.67	2.83	4.00	4.50
Copper (US$/lb)	2.10	3.61	3.27	3.15
Zinc (US$/lb)	0.77	0.88	0.88	1.10
Nickel (US$/lb)	7.62	7.95	7.00	8.15
Gold, London PM Fix (US$/oz)	668	1,670	1,400	1,200
Pulp (US$/tonne)	718	872	925	870
Newsprint (US$/tonne)	581	640	615	645
Lumber (US$/mfbm)	272	299	340	390

[1] World GDP for 2000-11 are IMF PPP estimates; 2012-14f are Scotiabank Economics' estimates based on a 2011 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	12Q4	13Q1	Latest	
Real GDP (annual rates)	1.7	0.9	2.5		
Current Acc. Bal. (C$B, ar)	-62.2	-58.5	-56.3		
Merch. Trade Bal. (C$B, ar)	-12.0	-8.6	-6.9	-3.6	(May)
Industrial Production	0.9	-0.6	0.8	0.6	(Apr)
Housing Starts (000s)	215	202	174	200	(May)
Employment	1.2	1.6	1.7	1.3	(Jun)
Unemployment Rate (%)	7.3	7.2	7.1	7.1	(Jun)
Retail Sales	2.5	1.0	0.9	1.5	(Apr)
Auto Sales (000s)	1673	1665	1680	1731	(Apr)
CPI	1.5	0.9	0.9	0.7	(May)
IPPI	0.6	-0.1	0.7	0.0	(May)
Pre-tax Corp. Profits	-4.9	-12.9	-10.6		

United States	2012	12Q4	13Q1	Latest	
Real GDP (annual rates)	2.2	0.4	1.8		
Current Acc. Bal. (US$B, ar)	-440	-409	-425		
Merch. Trade Bal. (US$B, ar)	-741	-730	-717	-761	(May)
Industrial Production	3.6	2.8	2.4	1.5	(May)
Housing Starts (millions)	0.78	0.90	0.96	0.91	(May)
Employment	1.7	1.6	1.6	1.7	(Jun)
Unemployment Rate (%)	8.1	7.8	7.7	7.6	(Jun)
Retail Sales	5.1	4.5	3.9	4.3	(May)
Auto Sales (millions)	14.4	15.0	15.3	15.9	(Jun)
CPI	2.1	1.9	1.7	1.4	(May)
PPI	1.9	1.7	1.4	1.7	(May)
Pre-tax Corp. Profits	16.6	14.7	2.9		

Mexico	2012	12Q4	13Q1	Latest	
Real GDP	3.9	3.2	0.8		
Current Acc. Bal. (US$B, ar)	-11.4	-28.1	-22.1		
Merch. Trade Bal. (US$B, ar)	0.0	-7.7	-4.1	-5.6	(May)
Industrial Production	3.6	1.8	-1.4	3.3	(Apr)
CPI	4.1	4.1	3.7	4.6	(May)

Europe

Euro Zone	2012	12Q4	13Q1	Latest	
Real GDP	-0.6	-0.9	-1.2		
Current Acc. Bal. (US$B, ar)	149	309	163	240	(Apr)
Merch. Trade Bal. (US$B, ar)	129.3	196.6	179.1	264.3	(Apr)
Industrial Production	-2.4	-3.1	-2.4	-0.6	(Apr)
Unemployment Rate (%)	11.3	11.8	12.0	12.1	(May)
CPI	2.5	2.3	1.9	3.9	(May)

Germany	2012	12Q4	13Q1	Latest	
Real GDP	0.9	0.3	-0.3		
Current Acc. Bal. (US$B, ar)	238.6	278.0	237.7	274.3	(Apr)
Merch. Trade Bal. (US$B, ar)	243.2	243.3	270.1	275.0	(Apr)
Industrial Production	-0.4	-2.4	-2.2	1.0	(Apr)
Unemployment Rate (%)	6.8	6.9	6.9	6.8	(Jun)
CPI	2.0	2.0	1.5	1.8	(Jun)

France	2012	12Q4	13Q1	Latest	
Real GDP	0.0	-0.3	-0.4		
Current Acc. Bal. (US$B, ar)	-60.2	-58.0	-79.3	-64.5	(Apr)
Merch. Trade Bal. (US$B, ar)	-51.9	-48.0	-48.0	-55.6	(May)
Industrial Production	-2.3	-3.4	-2.9	-0.5	(Apr)
Unemployment Rate (%)	10.3	10.6	10.8	10.9	(May)
CPI	2.0	1.5	1.1	2.7	(May)

United Kingdom	2012	12Q4	13Q1	Latest	
Real GDP	0.2	0.0	0.3		
Current Acc. Bal. (US$B, ar)	-93.8	-81.4	-97.5		
Merch. Trade Bal. (US$B, ar)	-168.6	-174.3	-164.4	-151.0	(Apr)
Industrial Production	-2.4	-2.6	-2.3	-0.6	(Apr)
Unemployment Rate (%)	8.0	7.8	7.8	7.8	(Mar)
CPI	2.8	2.7	2.8	5.6	(May)

Italy	2012	12Q4	13Q1	Latest	
Real GDP	-2.4	-2.8	-2.4		
Current Acc. Bal. (US$B, ar)	-11.3	25.2	-20.2	13.3	(Apr)
Merch. Trade Bal. (US$B, ar)	13.8	35.7	14.1	29.8	(Apr)
Industrial Production	-6.3	-6.6	-4.4	-4.3	(Apr)
CPI	3.1	2.5	1.9	4.3	(May)

Russia	2012	12Q4	13Q1	Latest	
Real GDP	3.4	2.1			
Current Acc. Bal. (US$B, ar)	74.8	12.8			
Merch. Trade Bal. (US$B, ar)	16.0	15.2	16.2	14.2	(Apr)
Industrial Production	-5.3	1.7	-0.1	-1.4	(May)
CPI	5.1	6.5	7.1	6.9	(Jun)

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

Source: Bloomberg, Global Insight, Scotiabank Economics.

Asia Pacific

Australia	2012	12Q4	13Q1	Latest
Real GDP	3.6	3.2	2.5	
Current Acc. Bal. (US$B, ar)	-56.9	-67.6	-38.9	
Merch. Trade Bal. (US$B, ar)	5.9	-7.3	14.3	31.5 (May)
Industrial Production	3.8	3.7	3.6	
Unemployment Rate (%)	5.2	5.4	5.5	5.5 (May)
CPI	1.8	2.2	2.5	

Japan	2012	12Q4	13Q1	Latest
Real GDP	1.9	0.4	0.2	
Current Acc. Bal. (US$B, ar)	60.4	1.4	63.8	92.1 (Apr)
Merch. Trade Bal. (US$B, ar)	-85.8	-106.9	-116.2	-97.5 (May)
Industrial Production	0.2	-6.3	-6.5	0.3 (May)
Unemployment Rate (%)	4.4	4.2	4.2	4.1 (May)
CPI	0.0	-0.2	-0.6	0.1 (May)

South Korea	2012	12Q4	13Q1	Latest
Real GDP	2.0	1.5	1.5	
Current Acc. Bal. (US$B, ar)	43.1	59.3	39.9	103.7 (May)
Merch. Trade Bal. (US$B, ar)	28.3	39.8	22.9	66.2 (Jun)
Industrial Production	1.2	1.9	-0.8	-2.9 (May)
CPI	2.2	1.7	1.4	1.0 (Jun)

China	2012	12Q4	13Q1	Latest
Real GDP	10.4	7.9		
Current Acc. Bal. (US$B, ar)	290.0			
Merch. Trade Bal. (US$B, ar)	230.7	332.0	169.2	245.1 (May)
Industrial Production	8.9	8.9	9.3	9.2 (Apr)
CPI	2.5	2.5	2.1	2.1 (May)

Thailand	2012	12Q4	13Q1	Latest
Real GDP	6.5	19.1		
Current Acc. Bal. (US$B, ar)	2.7	0.9	1.3	
Merch. Trade Bal. (US$B, ar)	0.7	0.3	-0.1	0.5 (May)
Industrial Production	2.3	42.6	3.9	-8.3 (May)
CPI	3.0	3.2	3.1	2.3 (Jun)

India	2012	12Q4	13Q1	Latest
Real GDP	5.1	4.7		
Current Acc. Bal. (US$B, ar)	-91.5	-31.9		
Merch. Trade Bal. (US$B, ar)	-16.3	-19.1	-14.8	-20.1 (May)
Industrial Production	0.7	2.1	2.1	2.3 (Apr)
WPI	7.5	7.3	6.7	4.7 (May)

Indonesia	2012	12Q4	13Q1	Latest
Real GDP	6.2	6.1		
Current Acc. Bal. (US$B, ar)	-24.1	-7.6		
Merch. Trade Bal. (US$B, ar)	-0.1	-0.9	-0.1	-0.6 (May)
Industrial Production	4.1	11.0	8.9	10.4 (Mar)
CPI	4.3	4.4	5.3	5.9 (Jun)

Latin America

Brazil	2012	12Q4	13Q1	Latest
Real GDP	0.8	1.1	1.8	
Current Acc. Bal. (US$B, ar)	-54.2	-80.4	-99.4	
Merch. Trade Bal. (US$B, ar)	19.5	14.9	-20.6	28.7 (Jun)
Industrial Production	-2.7	-0.5	1.2	-2.6 (May)
CPI	5.4	5.6	6.4	6.7 (Jun)

Chile	2012	12Q4	13Q1	Latest
Real GDP	5.6	5.7	4.1	
Current Acc. Bal. (US$B, ar)	0.1	-11.5	-6.8	
Merch. Trade Bal. (US$B, ar)	12.4	3.8	3.2	7.7 (May)
Industrial Production	2.9	1.4	3.3	0.2 (May)
CPI	3.0	2.2	1.5	0.9 (May)

Peru	2012	12Q4	13Q1	Latest
Real GDP	9.2	5.9		
Current Acc. Bal. (US$B, ar)	-7.1	-1.9		
Merch. Trade Bal. (US$B, ar)	0.5	0.5	0.0	-0.4 (Apr)
Unemployment Rate (%)	7.0	5.9	6.3	5.7 (May)
CPI	3.7	2.8	2.6	2.8 (Jun)

Colombia	2012	12Q4	13Q1	Latest
Real GDP	4.0	3.1		
Current Acc. Bal. (US$B, ar)	-11.9	-3.3		
Merch. Trade Bal. (US$B, ar)	0.4	0.4	0.2	0.0 (Apr)
Industrial Production	0.0	-1.9	-6.3	8.4 (Apr)
CPI	3.2	2.8	1.9	2.0 (May)

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

Source: Bloomberg, Global Insight, Scotiabank Economics.

Interest Rates (%, end of period)

Canada	13Q1	13Q2	Jun/28	Jul/05*	United States	13Q1	13Q2	Jun/28	Jul/05*
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	0.98	1.02	1.02	1.03	3-mo. T-bill	0.07	0.03	0.03	0.04
10-yr Gov't Bond	1.87	2.44	2.44	2.55	10-yr Gov't Bond	1.85	2.49	2.49	2.70
30-yr Gov't Bond	2.50	2.90	2.90	2.97	30-yr Gov't Bond	3.10	3.50	3.50	3.66
Prime	3.00	3.00	3.00	3.00	Prime	3.25	3.25	3.25	3.25
FX Reserves (US$B)	70.0		70.6	(May)	FX Reserves (US$B)	135.2		133.0	(May)
Germany					**France**				
3-mo. Interbank	0.11	0.14	0.14	0.17	3-mo. T-bill	0.01	0.03	0.03	0.02
10-yr Gov't Bond	1.29	1.73	1.73	1.72	10-yr Gov't Bond	2.03	2.35	2.35	2.30
FX Reserves (US$B)	66.6		66.2	(May)	FX Reserves (US$B)	52.6		51.7	(May)
Euro Zone					**United Kingdom**				
Refinancing Rate	0.75	0.50	0.50	0.50	Repo Rate	0.50	0.50	0.50	0.50
Overnight Rate	0.11	0.21	0.21	0.09	3-mo. T-bill	0.39	0.39	0.39	0.38
FX Reserves (US$B)	326.7		324.6	(May)	10-yr Gov't Bond	1.77	2.44	2.44	2.49
					FX Reserves (US$B)	88.4		89.0	(May)
Japan					**Australia**				
Discount Rate	0.30	0.30	0.30	0.30	Cash Rate	3.00	2.75	2.75	2.75
3-mo. Libor	0.10	0.09	0.09	0.09	10-yr Gov't Bond	3.41	3.76	3.76	3.82
10-yr Gov't Bond	0.55	0.85	0.85	0.86	FX Reserves (US$B)	46.7		46.3	(May)
FX Reserves (US$B)	1215.0		1215.9	(May)					

Exchange Rates (end of period)

USDCAD	1.02	1.05	1.05	1.06	¥/US$	94.22	99.14	99.14	100.94
CADUSD	0.98	0.95	0.95	0.95	US¢/Australian$	1.04	0.91	0.91	0.91
GBPUSD	1.520	1.521	1.521	1.491	Chinese Yuan/US$	6.21	6.14	6.14	6.13
EURUSD	1.282	1.301	1.301	1.283	South Korean Won/US$	1111	1142	1142	1143
JPYEUR	0.83	0.78	0.78	0.77	Mexican Peso/US$	12.331	12.931	12.931	13.033
USDCHF	0.95	0.95	0.95	0.96	Brazilian Real/US$	2.022	2.232	2.232	2.264

Equity Markets (index, end of period)

United States (DJIA)	14579	14910	14910	15070	U.K. (FT100)	6412	6215	6215	6376
United States (S&P500)	1569	1606	1606	1619	Germany (Dax)	7795	7959	7959	7806
Canada (S&P/TSX)	12750	12129	12129	12101	France (CAC40)	3731	3739	3739	3754
Mexico (IPC)	44077	40623	40623	40511	Japan (Nikkei)	12398	13677	13677	14310
Brazil (Bovespa)	56352	47457	47457	44710	Hong Kong (Hang Seng)	22300	20803	20803	20855
Italy (BCI)	851	849	849	871	South Korea (Composite)	2005	1863	1863	1833

Commodity Prices (end of period)

Pulp (US$/tonne)	900	930	930	930	Copper (US$/lb)	3.44	3.06	3.06	3.09
Newsprint (US$/tonne)	610	605	605	605	Zinc (US$/lb)	0.85	0.83	0.83	0.82
Lumber (US$/mfbm)	408	292	292	N/A	Gold (US$/oz)	1598.25	1192.00	1192.00	1212.75
WTI Oil (US$/bbl)	97.23	96.56	96.56	102.73	Silver (US$/oz)	28.64	18.86	18.86	19.32
Natural Gas (US$/mmbtu)	4.02	3.57	3.57	3.58	CRB (index)	296.39	275.62	275.62	280.74

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

Emerging Markets Strategy

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Foreign Exchange Strategy

Portfolio Strategy

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Scotiabank Economics

Scotia Plaza 40 King Street West, 63rd Floor
Toronto, Ontario Canada M5H 1H1
Tel: (416) 866-6253 Fax: (416) 866-2829
Email: scotia.economics@scotiabank.com

For general and publication-related inquiries, contact us by telephone, email and/or fax.