Global Views

Weekly commentary on economic and financial market developments

September 6, 2013

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Syria Paralyzes Washington On The Road To A Potential Policy Logjam

- **Please see our full indicator, central bank, auction and event calendars on pp. A2-A9.**

US markets will drive much of the global market tone and will be consumed by assessments of risks like Syria and the FOMC meeting the week after as the data flow will remain soft. Congress returns from recess on Monday, and the Senate will move toward a vote on taking action in Syria later in the day after a Senate committee recommended supporting limited intervention. That will be followed by an address by President Obama to the American people on the subject of Syria the next day. It is difficult to see an out for the administration considering the committed rhetorical path to date, and unlikely that the Senate and House will defy the President on a matter of foreign conflict. Uncertainty concerning the risk of spiraling developments by taking or not taking action is substantial in the face of a potential no-win situation. Because of this, Washington is entirely absorbed by the issue of Syria, and other matters important to financial markets are paying a price through a lack of attention. Chief among them is the need to extend at least a temporary funding arrangement following the expiration of the Continuing Resolution on September 30th. That will be quickly followed by the need to raise the debt ceiling before about mid-October which probably will require agreement on advancing the first fully approved federal budget in about a half decade. Lurking in the background is the equally contentious issue of nominating the next Federal Reserve Chairman as Ben Bernanke's second term is up on January 31, 2014, and then going through the confirmation hearing in the Senate. It is not clear to us who is the obvious front-runner, and more importantly, candidates other than Vice-Chairman Janet Yellen do not offer clarity over what they would do about QE and other Federal Reserve policies when put on the hot seat of having to forge a decision through FOMC consensus. The point here is, don't judge the individual's past views and behaviour until actually put in the position of leading a team. Nevertheless, all of this paints a picture of unhelpful, concentrated uncertainty that may only begin to be addressed sometime after mid-September assuming that a 'clean' and limited strike on Syria against objections from Syria's allies including Russia does not further escalate tensions. The timetable is therefore facing the risk of a logjam on very key policy developments and the risk that out of rushed arrangements may come policy missteps. The last word at the Fed goes to San Francisco Fed President John Williams on Monday before the Fed goes into its communications black-out that commences the Tuesday before the following week's FOMC meeting. The risk will remain that the Fed could indirectly issue guidance through chosen reporters. Throughout it all, data junkies will be on a forced diet, as retail sales are the only marquee release on tap. We expect a small gain in sales for the month of August because vehicle sales climbed 1.8% m/m but core sales excluding autos may post a smaller gain. The US conducts 10- and 30-year Treasury note reopenings on Wednesday and Thursday.

So what to make of developments going into the following week's FOMC meeting? I think the nonfarm payrolls report that disappointed expectations largely through material downward revisions raises the odds of tapering later than September in line with our longstanding December call. Part of the reasoning is that market froth has dissipated since May/June when the Fed commenced the tapering discussion and so they have room to take their time. This works against the argument that they should feel rushed and pressured to taper simply given expectations they may do so. Further, data on the interest-sensitive portions of the economy is beginning to react negatively to higher rates including new home sales, durables, and consumer spending and there is uncertainty over further lagged effects that would counsel watching the data unfold before acting hastily. Event risk that we have already flagged above is added reason to wait. Indeed, I believe there is a solid chance that the Federal Reserve may lower its unemployment rate threshold at the next FOMC meeting. Chairman Bernanke and others have pointed to a falling labour force participation rate that just fell again and how that is partly pushing the unemployment rate artificially lower. The Fed probably would not want to be handcuffed by a 6.5% unemployment rate threshold that is based upon a poor quality movement lower in the unemployment rate. They could move the target lower by a half to full point and flag revised views on the size of the potential labour force that could require a lower unemployment target as an offset. That could be one way of offsetting tapering risk whether they go this month or not. By tapering and then also lowering the target, the Fed may lend markets greater confidence over the ultimate size and duration of the program but only if the initial taper were small. At risk, however, is how the Fed manages the risk that markets may take this as a sign from the Fed that it is revising its estimates of spare capacity and signaling this through a smaller potential workforce. Bonds would take such a signal as a slight increase in the Fed's perceptions regarding eventual inflation risk further down the road.

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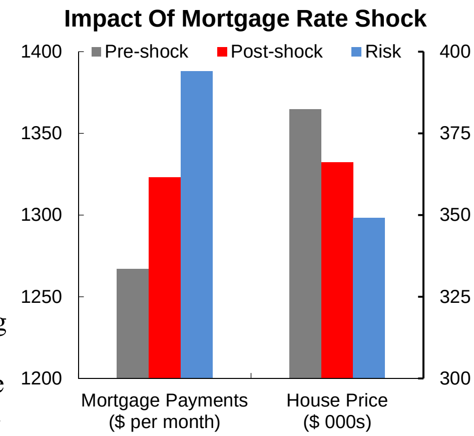

Source: Scotiabank Economics.

Canadian markets will play follow-the-leader next week with global eyes on Washington as argued above. That said, we'll get a few updates on the state of Canadian housing markets. Housing starts are expected to come in flat at a still-elevated level in the August print on Tuesday. A sharp decline in building permits two months before probably won't drag starts much lower because much of it occurred through lower permits for multiple unit buildings that usually entail longer construction periods. We'll nonetheless reassess our starts forecast when July permits data lands on Monday. New house prices and the Teranet repeat sales price gauge will also arrive. Both have been slightly softening on trend in year-ago terms. The question facing Canadian housing is whether recent resale strengths are sustainable, or temporarily brought forward and risking a later curtailment through the exercise of rate commitments that are being repriced higher. The chart shows mortgage payments and house prices under the pre-rate shock environment in the Spring versus the higher rate environment now versus the blue bar that captures what would happen if the full cost of funds shock were to be sustained across the industry and hence fully passed on. This payments shock is coinciding with a slowdown in job growth this year. Canada auctions 30-year real return bonds, and 2044 bonds next week.

Asia-Pacific markets will have a chance at influencing the global market tone when China releases key macroeconomic data over the course of the week, starting with trade figures this weekend. If export growth shows further signs of bottoming then this will likely be taken constructively by markets on the belief that the country has finished reining in an over-reporting bias in trade figures and that it is past the worst effects of the liquidity crunch imposed by the central bank. CPI inflation will be watched for further evidence of a slight upward bias that would be a concern to the People's Bank of China. Industrial production, retail sales, fixed asset investment, and company financing figures round out the hits in China's data download.

Australia is expected to regain jobs lost the prior month on a flat four-month trend for employment. Four central bank rate decisions will be delivered by Bank Indonesia, the RBNZ, the Bank of Korea and Bangko Sentral ng Pilipinas and none are expected to result in rate changes. Minutes to the September 5th Bank of Japan meeting will be parsed for signs of dialogue on the central bank's willingness to supply added stimulus to counter risks associated with Governor Kuroda's support for a sales tax increase. The minutes will follow the publication of revisions to Q2 GDP that are expected to carry the print higher to 1% from 0.6% initially. Lastly, at some point over the coming week, India will report trade figures for the month of August which will shed light upon how net exports are performing in the face of the rupee's steep decline. The effects are uncertain given improved export competitiveness versus greater import price pass-through effects, particularly for imported oil.

European markets are likely to take their cues from other regions next week in the absence of truly first-tier developments. That could change two weeks from now when Germans head to the polls, but for now, election observers will have an eye on Merkel's campaign trail that faces a high percentage of undecided voters and hence an unstable swing factor on election day, and also on Norway's parliamentary elections on Monday. The latter might matter if your focus is upon the country's large US$750 billion sovereign wealth fund since restructuring it is a possibility should the Conservative-led coalition behind the opposition's Erna Solberg win. That would be a significant shift for the country away from eight years of governance by a Labour-led coalition. Data flow will be light and includes the EC industrial production add-up, French industrial production and CPI, Italian GDP revisions and industrial production, and the UK unemployment rate. Keep an eye on BoE Governor Mark Carney's testimony to the UK Parliament's Treasury Committee on the August inflation report on Thursday as he is likely to be grilled on the very early BoE experiences with providing forward guidance. Major auctions will be focused upon Germany, Italy and the UK.

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Asia/Pacific Regional Outlook

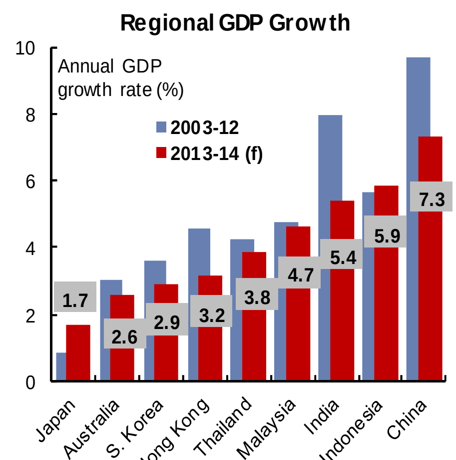
Adequate Preparedness to Weather External Shocks

The Asia/Pacific region is not immune to disruptive external market and policy developments affecting high-income and emerging-market economies alike. The escalation of geo-political and military tensions in the Middle East, the gradual unwinding of massive monetary stimulus by US monetary authorities, the asset reallocation shifts in global investment portfolios in favour of more established and developed asset classes, and volatile movements in sensitive energy commodity prices will keep regional leaders in the Asia/Pacific region in a decisive interventionist mode. With 42% of the world's international foreign exchange reserves, China (US$3.5 trillion) and Japan (US$1.2 trillion), will continue to act as major stabilizing forces in the presence of global systemic shocks.

Positive & Uneven Regional Economic Growth Outlook

The gradual normalization of international monetary conditions and asset price adjustments will place the Asia/Pacific region on a more sustainable growth path over the next 18 months. Nevertheless, growth dynamics will not be uniform across the region. At current growth rates, China will become the world's largest economy by 2017. Economic conditions in China play a key role in shaping the outlook for the region, as the economy's commercial ties have increased with almost every country in Asia/Pacific. The region's largest economies will display substantial growth differentials. Momentum will pick up in 2014 led by improving import demand in advanced economies. Accelerating economic growth in Japan can be sustained by the introduction of anti-deflation policies and potential structural reforms to be implemented by the newly established government as part of Prime Minister Shinzo Abe's third arrow of the economic revival plan.

China's economic expansion trajectory has shifted lower on a structural basis; however, the fears of a marked slowdown have subsided, with near-term potential growth rates stabilizing in the 7-7½% range. India has suffered from a substantial deceleration in economic activity on the grounds of severe macroeconomic imbalances that will not be quickly eliminated. South Korea has emerged as one of the most solid regional economies. Several Southeast Asian countries continue to enjoy the benefits of solid domestic demand growth (such as Thailand, Malaysia, and Hong Kong) that reflects favourable inflation environments, supportive labour market conditions, rising incomes, and pro-growth monetary policy.



Source: Bloomberg, Scotiabank Economics.

Eroding Creditworthiness in India & Japan

Sovereign debt sustainability is not an issue of material concern in most countries within the Asia/Pacific region, particularly as compared with many other emerging market peers. However, the overall fiscal situations in Japan and India have deteriorated, prompting all major international credit rating agencies to place these countries' ratings on review for a possible downgrade in the near term. In Japan's case, sovereign indebtedness has reached substantial levels, with the country's general government gross debt equivalent to 245% of GDP, the worst debt ratio amongst the world's ten largest economies. Given the nation's weak public finances, failure to restore long-term fiscal discipline would put negative pressure on Japan's sovereign credit ratings. The rest of the region counts on very manageable debt sustainability indicators and a stable rating outlook. Australia retains a solid AAA-rated status. Rising household debt burdens (Thailand, Malaysia, Australia), together with rapidly increasing home prices in some economies pose a risk of unsustainable economic imbalances that may require intensified intervention by local monetary authorities.

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Heightened Financial Market Stress & FX Realignment

The process of global financial market rebalancing currently underway, which has led to a material adjustment in regional floating currencies, has also prompted a rigorous assessment of fundamental strengths and weakness at the individual country level. Those highly indebted energy-importing economies with erratic policy frameworks and relatively large current account and fiscal imbalances have been major casualties of currency devaluation headwinds and downward adjustments in asset valuations. Heightened volatility in the Japanese yen coupled with a brief interruption of the government-administered appreciation trend of the Chinese yuan also triggered competitive currency realignments in selected countries.

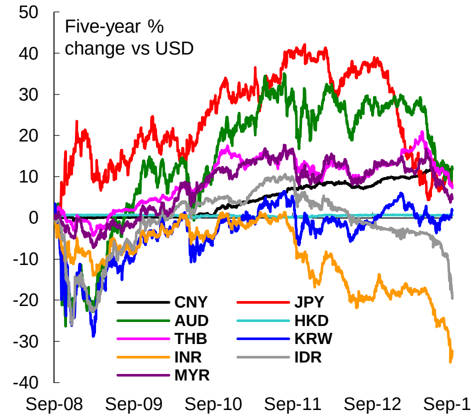
Looking ahead, fundamental drivers and swift intervention (including selective capital controls) will become the major factors shaping regional currencies. The inflation outlook is relatively stable (with mild price pressures through 2014) in most economies, though India continues to stand out with persistently high consumer price inflation. Those economies that display healthier economic fundamentals in terms of muted inflation, solid government finances and robust domestic demand growth (such as South Korea, Hong Kong, as well as Thailand and Malaysia) will be able to weather the emerging market turbulence without major difficulties.

Leadership Transition Influences Policy Environment

The change of government and central bank leadership transition has been completed in China and Japan. India, Indonesia and Australia will be facing elections in the months to come. The renewed tensions in the Middle East will also cause temporary diplomatic differences and political tension amongst selected countries, yet it will not derail the increasingly united integrationist front that is developing in the Asia/Pacific region. Governance challenges remain: border disputes between China and Japan, bilateral friction in the Korean peninsula linked to North Korea's nuclear programme, decisive intervention in currency markets, increased credit restrictions in China to prevent excess lending, and progress on Japan's structural reforms are key issues to be monitored on the governance front.

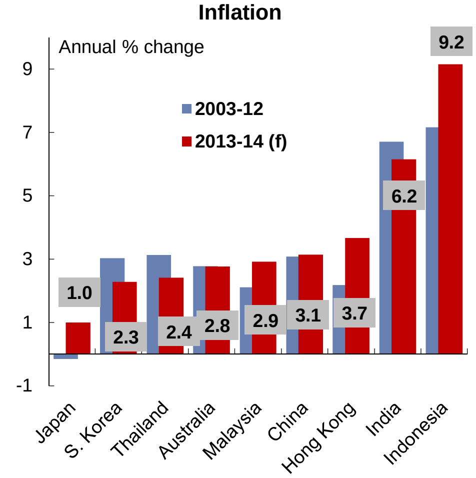
For further analysis on the economic outlook of the Asia/Pacific region, please refer to the *Asia/Pacific Regional Outlook* report, published on September 5th, 2013, at www.scotiabank.com/economics.

Currency Market Performance vs USD (September 2008 - September 2013)



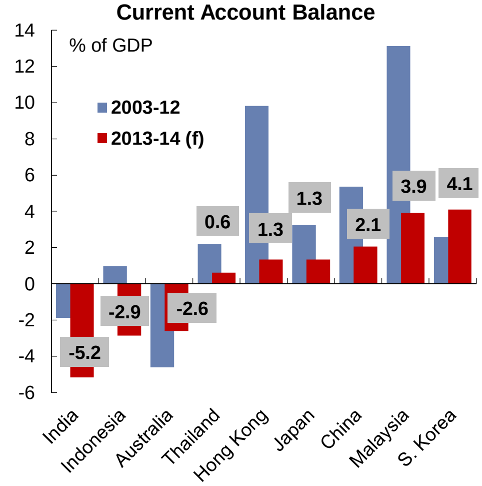
Source: Bloomberg.

Inflation



Source: Bloomberg, Scotiabank Economics.

Current Account Balance



Source: Bloomberg, Scotiabank Economics.

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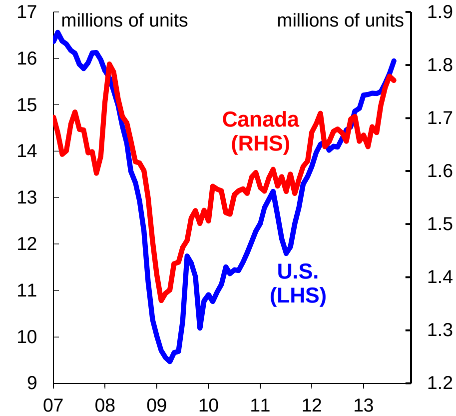
Record Auto Sales In Canada, While U.S. Volumes Return To Pre-Recession Levels

- **Solid sales gains and low inventories will boost North American vehicle production to a decade-high in the final months of 2013.**

U.S. auto sales surged 17% y/y last month, climbing to an annualized 16.1 million units, the highest level since late 2007 and a sharp advance from an average of 15.4 million units through July. The improvement was driven by robust replacement demand alongside high consumer confidence, ongoing improvement in the labour and housing markets, as well as rising household wealth — both house prices and equity markets have posted double-digit increases over the past year.

Auto Sales Recover to Pre-recession Levels



Source: Scotiabank Economics.

The gains were broad-based with most segments posting double-digit year-over-year gains. Small crossover utility vehicles led the way, with volumes surging 49% above a year earlier as consumers are increasingly attracted to the practicality and fuel-efficiency of these popular models. The soaring popularity of small crossovers lifted overall CUV sales in the United States to nearly 400,000 units last month — the highest level on record. CUVs became the largest segment of the U.S. auto market in 2009, overtaking mid-size cars, and their lead continues to widen significantly. In August, CUVs outsold mid-size cars by 35%, a sharp acceleration from a 13% outperformance during all of 2012.

Last month's better-than-expected results combined with low inventories prompted the industry to boost its fourth-quarter North American production 7% above a year earlier. **We estimate that vehicle assemblies in the United States, Canada and Mexico will jump to an annual rate of 16.8 million units in the final months of 2013, the highest level in more than a decade.** All of the increase is scheduled for the United States and Mexico, while Canadian assemblies are projected to ease through the end of 2013. Among the automakers, Ford will lead the way, mainly due to the company's recent hiring of 1,400 new employees in Flat Rock, Michigan to assemble the popular Fusion mid-size sedan.

Ongoing improvement in North American vehicle output is a promising sign for the overall economy, as the auto sector has been one of the leaders in the current economic expansion. The auto industry has contributed roughly 15% to overall economic growth in the United States since the current economic recovery began four years ago. This equates to roughly five times the industry's share of the overall U.S. economy.

Purchases also gained momentum in Canada last month, advancing 6% above a year earlier and setting a record for August. This represents the second consecutive month that sales have scaled new heights. We estimate that purchases climbed to an annualized 1.78 million units last month, up from an average of 1.73 million through July. In fact, passenger vehicle sales in Canada have been so strong since May that this represents the best four-month period on record.

The gains were broad-based, with seven manufacturers reporting double-digit increases, and several automakers posting record volumes. The robust performance partly reflects the popularity of new fuel-efficient crossover utility vehicles, as well as enhanced incentives. Many automakers re-introduced "0%" financing this summer, while Ford is offering "employee pricing" on its vehicles through the end of September. As in the United States, CUVs led the way in Canada last month. The new Ford Escape is the most popular CUV in Canada, garnering more than a 10% share of the segment.

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Bank Of England September Meeting: Unchanged Policy — No Full Statement

Unchanged Policy — No Full Statement

As expected, the BoE left policy unchanged at the September meeting. There had been a question mark over whether the Bank would issue a full statement — particularly in light of the rise in market interest rates since forward guidance was announced. In the event, no statement was issued. In some respects, to say nothing is telling us something. While the Bank's communications policy has stepped up since the new Governor came on board, the lack of statement today shows that the Bank is not going to be whipped around by short-term swings in the market. Higher market interest rates are probably an irritation, but not a game changer at this point.

Where would we be without forward guidance?

We believe that forward guidance should not just be judged by the movement in gilt yields and the market pricing in a rate hike sooner than end-2016 (as implied by the Bank's projections). With the composite PMI close to a record high, house price inflation on a rising trajectory and the prospect of a near 1% q/q growth rate during Q3 - it is natural for yields to have risen.

The point is, what is the counterfactual? In the past, a composite PMI reading like this would have provoked headlines that various economists have changed their Bank of England forecast and foresee a rate hike imminently or at least within the next 6 months. As things stand, the vast majority of economists still expect unchanged rates for around two years. If this is also a proxy for what the general public and businesses perceive to be the case, then forward guidance has achieved exactly what it set out to achieve. It is pretty irrelevant whether the forecasting community or forecasters agree with the Bank's late-2016 / early-2017 indication for the first hike. What matters is nobody is suggesting that hikes are coming any time soon.

Keeping Things in Context

We suspect that the minutes will ram home the message contained in Mark Carney's speech last week in Nottingham. More specifically:

> '*The upward move in market expectations of where Bank Rate will head in future could, at the margin, feed into the effective financial conditions facing the real economy. The MPC will be watching those conditions closely. If they tighten, and the recovery seems to be falling short of the strong growth we need, we will consider carefully whether, and how best, to stimulate the recovery further'.*

So, the key question is: what is the likely impact of the recent tightening in *'effective financial conditions'* that Carney referred to? Our LILI model (Leading Indicator for Leading Indicators) helps to address this. More specifically, it captures movements in market interest rates, movement in the exchange rate, equities, house prices, money supply growth, peripheral spreads etc. It correctly highlighted that various economic indicators would recover sharply in recent months. It also provides a gauge of how much conditions have tightened in the last month (Chart 1).

It shows that while conditions have become less accommodative, the model continues to reside in 'loose' territory. Previously conditions were 2 standard deviations looser than average, now they are 1.3 standard deviations looser than average. That is still consistent with a very healthy PMI reading in the mid-50s. Admittedly, that isn't the upper 50s that we are currently enjoying. But amid concerns of overheating and inflation, it is a healthy, happy in-between consistent with robust expansion.

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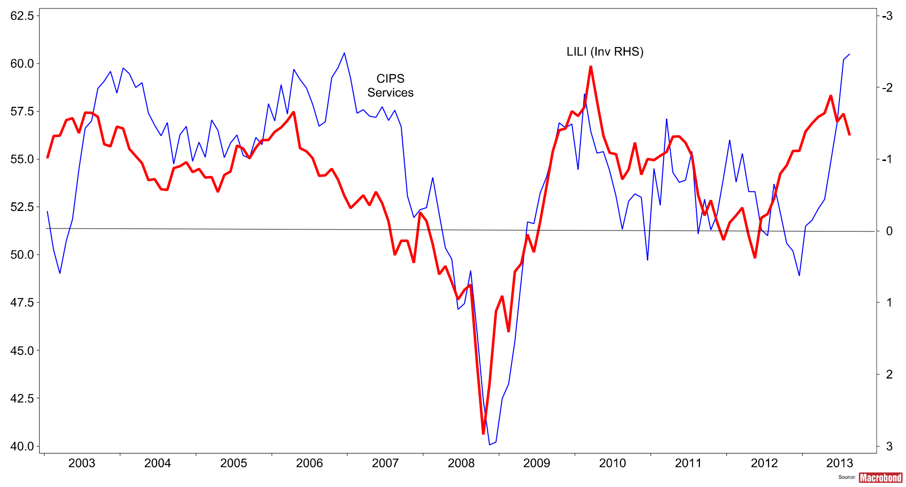
Chart 1: Composite CIPS vs LILI Model



Wait a Minute

In the absence of a statement today, all eyes will be on the minutes to be released on 18 September. Based on the thrust of the macro data over the last month, the MPC's tone should become less dovish. Upward surprises have significantly outweighed downward surprises and the Bank's growth outlook looks set to be beaten.

The only sticking point is whether the rise in market interest rates is sufficient to provoke a reaction from the doves. A dissent remains a risk, but probably a low one in the face of such buoyant macro data. A dissent and an overly dovish tone from the minutes would also leave the MPC open to criticism that it has taken its eye off of the inflation target and is instead targeting yields.

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Latin America Week Ahead: For The Week Of September 9 - 13

This will be an event-filled week-end / week, with a number of tier-1 global and local events kicked off by today's US non-farm payrolls release which we view as the key piece of data for determining the Fed's tapering timing. In addition, we are waiting for the G20 statements which, besides including talk about global economic/ financial risks, could also lead to further guidance over what major powers may do about the situation in Syria. Within LATAM, this looks set to be an active week for Andean central banks, with BanRep's publishing of its MPC meeting minutes, and the BCRP and BCCh MPC meetings also scheduled to take place. In addition, Sunday is a key date for Mexican politics, with AMLO's anti-reform protests scheduled to take place, followed by President Peña Nieto's presentation of the economic package / fiscal reform (see next page for a recap of what we see as key political dates for the fall congressional calendar). **The BIS published its Triennial Survey of the FX market, (we discuss the details on page 2 of this report)**.

Week-ahead views:

Brazil: We look for this week's retail sales data to shed some light on the endurance of Brazil's leveraged consumers, which is ultimately also a key ingredient for the performance of the country's manufacturing sector given Brazil's relatively closed economy and the importance of commodities in its exports. In addition, we are also set to receive the Brazilian monthly economic activity indicator. We are starting to see **some positive signs emerge from Brazil in the policy-making front**, with the government making some efforts to communicate it will adopt a more cautious fiscal stance going forward, while the BCB has also sought to reinforce its commitment to price stability. There remain **two fronts on which we believe further improvement is needed**: **fiscal transparency** (particularly regarding spending/lending by State Enterprises) and **FX** (more predictable policy objectives). In addition, we believe the **government also needs to communicate its views on the levels of consumer indebtedness**.

Chile: The **BCCh is scheduled to hold its MPC meeting**, where consensus is for the nominal target rate to be left unchanged), but some analysts look for a 25bps cut. Our sense is that either outcome can be justified, but we lean towards the side of caution (unchanged) given the looming Fed decision later this month. In addition **we expect Chinese industrial production data and the Chilean trade balance, both of which should be important CLP drivers**.

Colombia: This week's **BanRep monetary policy meeting minutes will be interesting to watch for guidance on what to expect from both monetary and FX policy later in the month**, particularly given the looming decision later this month on whether to extend the USD purchase program (our sense is that with USD/ COP trading around 1950, the likelihood of an extension is diminished). In addition, the peace talks remain an important "sidelines" issue to track in our view, both due to their recent "bumpiness" but also due to President Santos' recent plunge in popularity.

Mexico: Despite today's non-farm payrolls release being set to provide ample guidance for price action heading into next week, we think domestic developments over the weekend will be almost as important for MXN price action. In particular, President **Peña Nieto is set to present the country's fiscal bill this week-end which we see as a big source of uncertainty for local markets, as several of the potential taxes that have been discussed could have an impact on growth, inflation, and the Bolsa.** Even though the tax changes can be very positive for the country's long term (and its credit ratings), some may be headwinds in the short term to the degree to which higher taxes can lead to inflation and hurt growth (one potential solution is for the government to make the tax changes gradual).

Another major event taking place this week-end is the scheduled "anti-energy reform rally" being organized by AMLO and his Morena movement, which is expected to also incorporate some of the more radical organizations in the county (former Luz y Fuerza workers, the CNTE, etc.), leading to potential negative headlines. In terms of data, we are expecting the publication of industrial production for the start of Q3 to shed some light on whether to look for an improvement in economic performance for the second half of the year (our read on US manufacturing / auto sector data, as well as normalizing Mexican government spending is that this looks likely).

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Peru: The **BCRP is broadly expected to leave the reference rate unchanged in next week's decision**, and we don't expect the upcoming announcement to be as relevant a driver as other editions. More recently, the BCRP's actions have focused on stabilizing the sol, which we believe responds to the need to reduce volatility due to the still relatively high dollarization of the domestic financial sector (still over 30% according to BCRP data). In addition, **this week we are scheduled to get the Peruvian trade balance data release, which is relevant to watch due to the recent deterioration in the country's trade performance**, which is probably partly behind the weakening of the sol. On a separate note, FinMin Castilla said that the suspension of the mandatory contributions to the private pension system by "self-employed" workers is temporary (11 months), with the eventual contributions potentially rising gradually to 13% of income in 2017.

Thoughts on the BIS' triennial central bank survey on Foreign Exchange Turnover:
• The data from the **BIS shows "average volumes", which may be somewhat misleading, as the deviation of turnover volumes is likely quite different across currencies**, leading some "seemingly liquid currencies" on average, to be quite illiquid on some trading sessions. We believe publishing the standard deviation of the numbers would be useful. As an example within LATAM, we would expect CLP to lose a lower share of its liquidity on "poor liquidity days" than MXN given the net offshore creditor status of its pension funds, as discussed by the BIS in an earlier paper (located here).

• We found it interesting that **about 80% of the MXN turnover is done "offshore"** (the currency represented 2.5% of global turnover, but the country only 0.5% of global turnover).
• Most EMFX seemed to see a rise in their share of global FX turnover (page 10 of the BIS report).
• Given the data shows average volumes for April 2013, some of the data may not be representative of a "typical month" (i.e., MXN turnover may be overstated, as that month was close to the peak of the "Mexico moment talk").
• There appeared to be **no change in the top 7 currencies' rankings** (not surprising given the huge gap in turnover between the importance of these seven currencies and the rest), but we saw **substantial change in the pecking order of the rest**, likely due in part to the BIS's improved methodology for measuring the offshore market.

Recapping Mexico's fall / winter political calendar from our Daily on August 29th :
• **September 8th**: The government is set to present its economic package to Congress, which will include the tax reform. This is an important source of risk for local markets, as several of the items that local media has floated as possibilities have potential market repercussions, although there has not been official confirmation these items are planned (outside of references that "special tax regimes" will be targeted for elimination): 1) capital gains taxes (these could have an impact on local assets, and currency flows), 2) elimination of special tax regimes for corporates could have an impact on both growth, and local asset prices, 3) broadening VAT coverage to include the majority of food and medicines which could have an impact on inflation and growth.
• **September 8th:** Morena leader AMLO is planning to hold a "mega meeting" to voice his opposition to the government's reform agenda. Given the already complicated situation in Mexico City due to the CNTE protests, this date is one of the key "political event risk" dates for H2 in our view, as the CNTE has reportedly said it will oppose all the key reforms.
• **October 20th**: The Lower House must approve the Revenues Law, by which time we should have a good idea of what the tax reform's impact will be.
• **October 31st**: Barring disapproval from the President, we should know what the tax reform's final form will be… around this time, we could expect indications surrounding rating agencies' reactions. In addition, we expect the Energy Bill to be approved by (or around) this time, as some of the elements of the energy reform are linked to the tax bill.
• **November 15th**: The expenditure decree should be approved by the Lower House by this date (the Senate does not need to approve it).

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Monthly Strategy Update: Expect Tapering Volatility, S&P 500's Relative Advantages Waning

Overweight (OW); Market Weight (MW); Underweight (UW)

- **Asset Mix.** Portfolios should remain positioned for rising long-term yields and we believe a steepening yield curve supports an equity-over-bond bias. However, the upward adjustment in U.S. 10-Yr yields (+120 bp since May) could moderate through year-end (after tapering confirmed) and seasonality could be a near-term concern for equity sentiment. From a tactical/short term perspective, we are raising our recommended cash weighting up to 5% (from 3%) and reducing equities to 63% (from 65%). We are still carrying an equity OW stance, but are reducing the magnitude of our bullish equity view (S&P 500 exposure is cut 2%). Our recommended asset mix is now 63% equities (+3% versus benchmark); 32% bonds (-8% versus benchmark), and 5% cash (+5% versus benchmark).

- **Global Equity: EM vulnerable, S&P 500 leadership at risk.** EM remains vulnerable to a shift in Fed policy and we expect the DM group to sustain leadership. In our opinion, the rebound in Euro and Chinese data will challenge the S&P 500's outright MSCI World domination. The S&P 500 is still scoring well in our global tactical screens, but the OW signals peaked in Q2 and are currently losing momentum. Europe (more PMI and P/E upside) could upstage the S&P 500 (ISM is peaking; P/E closer to average). The impact on sector leadership could be that the focus on U.S. domestic cyclical segments (Financials and Discretionary) shifts towards more global cyclical sectors (Industrials, Base Metals, Energy).

- **TSX disconnects with EM, Outperforming so far in Q3.** The TSX is outperforming the MSCI World in Q3, which is a nice change from 1H/13. Canada has been scoring better relative to the MSCI AC World in our models, and we believe investors should be market weight (we upgraded Canada to MW in June). Among the lingering challenges to sustained TSX leadership, tapering could impart volatility to USD-sensitive assets, and TSX forward earnings estimates are still diverging with the S&P 500. We would look for a shift in the latter relationship before moving to an OW stance on the TSX. On the positive side, a rebound in China/Europe could support cyclical commodity sentiment, the lower CAD (-5.7% YTD versus the US$) should alleviate profit margins, and Financials earnings (banks and insurance) stand to benefit from the steeper yield curve.

Exhibit 1 - Scotiabank GBM Asset Mix – September 2013 Update

	Asset Mix		Change From
	Benchmark	Recommended	Last
Equities	**60%**	**63%**	**-2%**
Canada (TSX)	*5%*	*5%*	
U.S. (S&P 500)	*22%*	*25%*	*-2%*
MSCI EAFE	*18%*	*23%*	
(1.Japan, 2. Europe, 3. Australia)			
Far East ex-Japan	*10%*	*7%*	
LatAm	*5%*	*3%*	
Bonds	**40%**	**32%**	
Government	*30%*	*18%*	
Corporate	*10%*	*14%*	
Cash (91-D Tbills)	**0%**	**5%**	**+2%**

- **Tactical Quant Screens.** Canada has seen the most visible improvements in our screens since June (asset mix and global equity). The U.S. (negative momentum) and Canada (positive) are the only markets ranked OW (versus the MSCI World) in this month's update. The signal from Far East/EM-Asia is also improving on the

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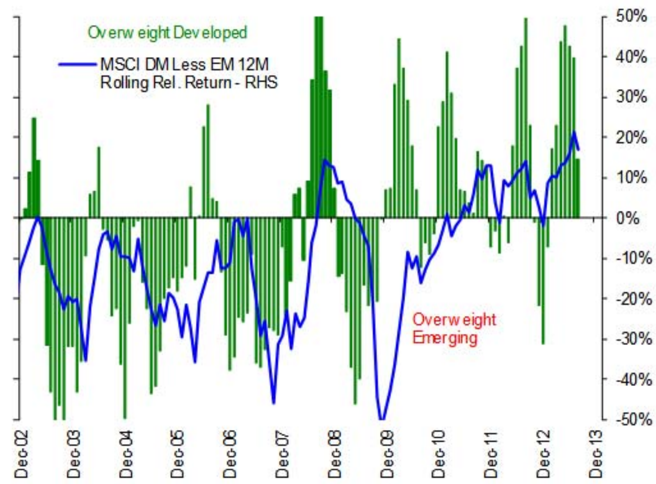
back of a pick-up in MSCI China fundamentals. Although the DM over EM indication has backed down to the lowest in six months (exhibit 2), we are not changing the core of our global equity recommendation yet. We have gone through other short-term EM head fakes since 2010. Still, we will monitor the ongoing shifts carefully as global leadership could change materially once markets price in the extent of the Federal Reserves' policy shift.

- **TSX Strategy.** In sync with our monthly tactical asset mix updates (more cash, lower S&P 500 weighting), we are raising cash in the Strategic Edge Portfolio (SEP; large cap model portfolio) and cutting our exposure to U.S. Financials and U.S. housing/ Discretionary. Within Materials, we are reducing our Fertilizer weighting and raising our base metals presence. Finally, we are lifting our TSX bank exposure. Our Canadian equity strategy focus is in Energy, Media, Autos, Life Insurance, and Asset Managers. The SEP is underweight interest-sensitive sectors and gold.

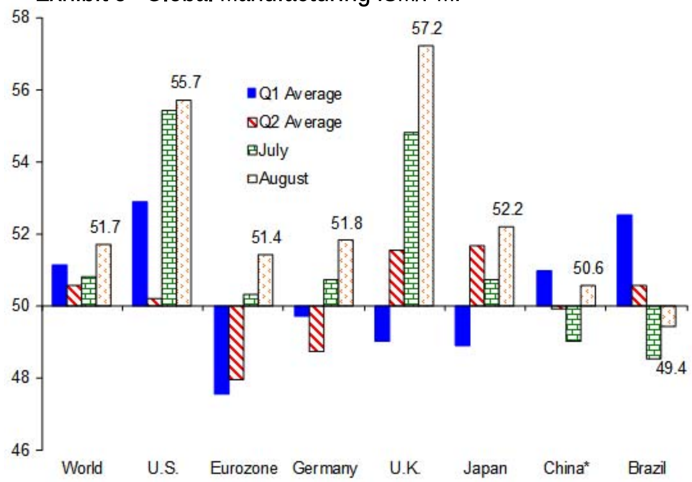
- **U.S. equity strategy.** As investors debate Fed tapering scenarios and bond yields migrate higher, we expect narrower equity gains with yield-sensitive areas lagging. We are still carrying a cyclicals over defensive stance, but we are gradually shifting our focus away from U.S.-centric cyclicals (Financials and Discretionary) towards global cyclicals (Energy, Materials, Industrials, Technology). Utilities, Telecom, and Staples are rated UW. See Exhibit 4 for the U.S. Sector Portfolio.

Exhibit 2 - Developed vs. Emerging Markets Barometer



Source: Scotiabank GBM Portfolio Strategy estimates, Bloomberg

Exhibit 3 - Global Manufacturing ISM/PMI



Source: Scotiabank GBM Portfolio Strategy, Bloomberg

Exhibit 4 - U.S. Sector Portfolio (as at August 30, 2013)

	Weighting (%)		Return (%)	September-13	Change
Sector	Portfolio	S&P 500	August	Recommendation	From Prior
Technology	19.1%	18.1%	-0.4%	1.0%	+1.0%
Materials	4.4%	3.4%	-0.8%	1.0%	+1.0%
Energy	11.6%	10.6%	-2.1%	1.0%	-
Industrials	10.8%	10.3%	-2.2%	0.5%	-
Discretionary	12.3%	12.3%	-2.8%	0.0%	-1.0%
Financials	16.4%	16.4%	-5.3%	0.0%	-1.0%
Health Care	13.4%	12.9%	-3.7%	0.5%	-
Staples	9.2%	10.2%	-4.8%	-1.0%	-
Utilities	1.7%	3.2%	-5.9%	-1.5%	-
Telecom	1.0%	2.5%	-6.5%	-1.5%	-
S&P 500			**-3.1%**		

Source: Scotiabank GBM Portfolio Strategy, Bloomberg.

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Key Data Preview

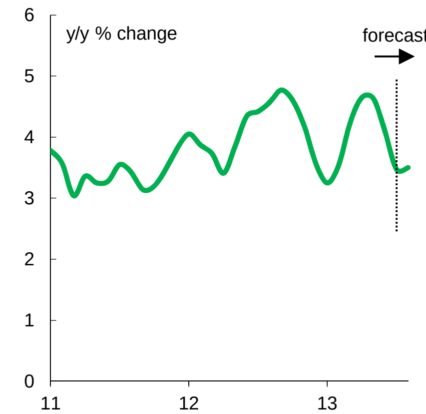
EUROPE

The UK labour report for July/August will be released next Wednesday. We expect the all-important ILO unemployment rate to show a slight dip to 7.7% for the three months through July. It is close to the rounding point between 7.7% and 7.8%, but on balance we believe that the risks are of a more buoyant reading. Survey indicators are flying, suggesting that the economy should be expanding by close to 1% q/q during Q3. The claimant count measure of unemployment (which is released one month ahead of the ILO data) has been on a steadily improving trend over the last 6 months. Given the relationship between the claimant count and the ILO data, we should see a healthy improvement in employment of around 75k in July, with unemployment down by 10-20k in August. Headline wage inflation has been whipped around in recent months by gyrations in bonus payments. This should come to an end this month as this effect drops out of the 3-month calculation. The average earnings ex-bonus measure has been steadier at close to 1% y/y for the last 6 months. For the time being, wage inflation is likely to remain flat given the balance between the supply of workers (unemployment) and the demand for workers (vacancies).

LATIN AMERICA

In line with the economic slowdown observed in the first half of the year in Mexico, headline inflation has decelerated significantly and has finally returned to within the central bank's tolerance range (2-4%). After peaking at 4.6% y/y in April, consumer price inflation slowed to 3.5% in July and we anticipate that the rate will remain close to that level in the coming months (August inflation report will be released on September 9th). Elevated inflation at the beginning of the year prevented the central bank from loosening monetary conditions further. After cutting the reference rate by 50 basis points (bps) in March, the authorities maintained a neutral stance until the beginning of September when they decided to cut the reference rate by another 25 bps to 3.75%. Core inflation remains around its historical low at 2.5% y/y, showing no pressures on the demand side.

Mexico CPI

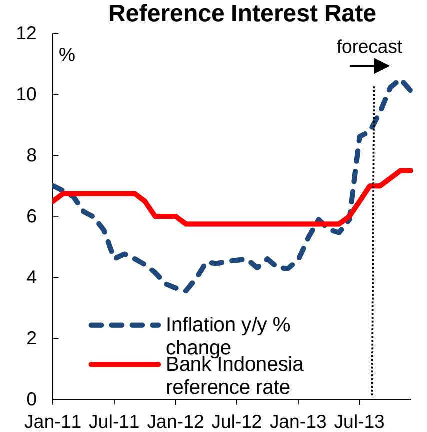


Source: Bloomberg, Scotiabank Economics.

ASIA

Indonesian monetary authorities will meet on September 12th. We expect that the benchmark interest rate will be kept unchanged at 7.0% before monetary tightening resumes in the final quarter of the year. The most recent rate increase (of 50 basis points) took place following an additional policy meeting on August 29th. That meeting was held in response to mounting pressures on the Indonesian rupiah that reflect increasing global economic uncertainty, higher inflation expectations, and weaker perceptions on the country's current account sustainability. Indeed, monetary tightening is necessary for guiding annual inflation back towards its target range of 3½-5½%. Consumer price inflation jumped to 8.8% y/y in August from around 5.5% in the first half of the year, reflecting the administration's decision in June to cut fuel subsidies substantially. We expect annual inflation to close the year near the 10% y/y mark before subsiding to around 8⅓% in 2014. Moreover, tighter monetary policy will help limit capital outflows, and stabilize the country's current account deficit and the rupiah, which has lost around 13% vis-à-vis the US dollar since May. Therefore, the central bank will likely continue to raise interest rates in the

Indonesia - Inflation and Reference Interest Rate



Source: Bloomberg, Scotiabank Economics.

Key Indicators for the week of September 9 - 13

North America

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	09/09	08:30	Building Permits (m/m)	Jul	--	3.5	-10.3
MX	09/09	09:00	Consumer Prices (m/m)	Aug	0.3	0.3	0.0
MX	09/09	09:00	Consumer Prices (y/y)	Aug	3.5	3.5	3.5
MX	09/09	09:00	Consumer Prices Core (m/m)	Aug	0.1	0.1	0.0
US	09/09	15:00	Consumer Credit (US$ bn m/m)	Jul	--	12.7	13.8
CA	09/10	08:15	Housing Starts (000s a.r.)	Aug	185.0	190.0	192.8
US	09/11	07:00	MBA Mortgage Applications (w/w)	SEP 6	--	--	1.3
MX	09/11	09:00	Industrial Production (m/m)	Jul	--	0.4	-0.1
MX	09/11	09:00	Industrial Production (y/y)	Jul	0.9	-1.1	-2.7
US	09/11	10:00	Wholesale Inventories (m/m)	Jul	--	0.3	-0.2
CA	09/12	08:30	New Housing Price Index (m/m)	Jul	--	0.1	0.2
US	09/12	08:30	Export Prices (m/m)	Aug	--	0.5	0.2
US	09/12	08:30	Import Prices (m/m)	Aug	--	0.5	0.2
US	09/12	08:30	Initial Jobless Claims (000s)	SEP 7	--	330	323
US	09/12	08:30	Continuing Claims (000s)	AUG 31	--	2976	2951
CA	09/12	09:00	Teranet - National Bank HPI (y/y)	Aug	--	--	1.9
US	09/12	14:00	Treasury Budget (US$ bn)	Aug	--	-160.0	-97.6
CA	09/13	08:30	Capacity Utilization (%)	2Q	--	80.6	81.1
US	09/13	08:30	PPI (m/m)	Aug	0.2	0.2	0.0
US	09/13	08:30	PPI ex. Food & Energy (m/m)	Aug	0.0	0.1	0.1
US	09/13	08:30	Retail Sales (m/m)	Aug	0.5	0.4	0.2
US	09/13	08:30	Retail Sales ex. Autos (m/m)	Aug	0.3	0.3	0.5
US	09/13	09:55	U. of Michigan Consumer Sentiment	Sep P	81.5	82.1	82.1
US	09/13	10:00	Business Inventories (m/m)	Jul	--	0.3	0.0

Europe

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
FR	09/10	02:45	Industrial Production (m/m)	Jul	--	0.5	-1.4
FR	09/10	02:45	Industrial Production (y/y)	Jul	--	-0.4	-0.2
FR	09/10	02:45	Manufacturing Production (m/m)	Jul	--	0.7	-0.4
TU	09/10	03:00	Real GDP (y/y)	2Q	3.1	3.5	3.0
IT	09/10	04:00	Real GDP (q/q)	2Q F	-0.2	-0.2	-0.2
GE	09/11	02:00	CPI (y/y)	Aug F	1.5	1.5	1.5
GE	09/11	02:00	CPI - EU Harmonized (y/y)	Aug F	1.6	1.6	1.6
FR	09/11	02:45	Current Account (€ bn)	Jul	--	--	-1.4
UK	09/11	04:30	Average Weekly Earnings (3-month, y/y)	Jul	--	1.3	2.1
UK	09/11	04:30	Employment Change (3M/3M, 000s)	Jul	75.0	55.0	69.0
UK	09/11	04:30	Jobless Claims Change (000s)	Aug	-15.0	-21.0	-29.2
UK	09/11	04:30	ILO Unemployment Rate (%)	Jul	7.7	7.8	7.8
FR	09/12	02:45	CPI (y/y)	Aug	--	0.9	1.1
FR	09/12	02:45	CPI - EU Harmonized (m/m)	Aug	--	0.5	-0.3
FR	09/12	02:45	CPI - EU Harmonized (y/y)	Aug	--	1.0	1.2
SP	09/12	03:00	CPI (y/y)	Aug F	1.5	1.5	1.5
SP	09/12	03:00	CPI - EU Harmonized (y/y)	Aug F	1.6	1.6	1.6
IT	09/12	04:00	Industrial Production (y/y)	Jul	--	-2.7	-2.1
EC	09/12	05:00	Industrial Production (m/m)	Jul	--	-0.2	0.7
EC	09/12	05:00	Industrial Production (y/y)	Jul	--	-0.2	0.3
IT	09/12	05:00	CPI - EU Harmonized (y/y)	Aug F	--	1.2	1.2
SW	09/13	03:30	GDP (y/y)	2Q F	0.6	0.6	0.6
RU	09/13	07:59	**Russia Refinancing Rate (%)**	Sep 13	**8.25**	**8.25**	**8.25**

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

Key Indicators for the week of September 9 - 13

Asia Pacific

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CH	09/08	06:59	Exports (y/y)	Aug	--	5.5	5.1
CH	09/08	06:59	Imports (y/y)	Aug	--	11.3	10.9
CH	09/08	06:59	Trade Balance (USD bn)	Aug	--	20.0	17.8
NZ	09/08	18:45	Manufacturing Activity	2Q	--	--	0.2
JN	09/08	19:50	Bank Lending (y/y)	Aug	--	--	2.0
JN	09/08	19:50	Current Account (¥ bn)	Jul	--	507.6	336.3
JN	09/08	19:50	GDP (q/q)	2Q F	0.6	1.0	0.6
JN	09/08	19:50	GDP Deflator (y/y)	2Q F	-0.3	-0.3	-0.3
JN	09/08	19:50	Trade Balance - BOP Basis (¥ bn)	Jul	--	-871.7	-139.2
NZ	09/08	20:00	QV House Prices (y/y)	Aug	--	--	8.1
AU	09/08	21:30	Home Loans (%)	Jul	--	2.0	2.7
AU	09/08	21:30	Investment Lending (% change)	Jul	--	--	-0.5
CH	09/08	21:30	CPI (y/y)	Aug	2.6	2.6	2.7
CH	09/08	21:30	PPI (y/y)	Aug	--	-1.7	-2.3
JN	09/09	01:00	Consumer Confidence	Aug	--	44.0	43.6
TA	09/09	04:00	Exports (y/y)	Aug	--	3.9	1.6
TA	09/09	04:00	Imports (y/y)	Aug	--	2.5	-7.6
TA	09/09	04:00	Trade Balance (US$ bn)	Aug	--	3.6	3.2
JN	09/09	06:59	Eco Watchers Survey (current)	Aug	--	53.5	52.3
JN	09/09	06:59	Eco Watchers Survey (outlook)	Aug	--	--	53.6
CH	09/09	07:59	Aggregate Financing (CNY bn)	Aug	--	950.0	808.8
CH	09/09	07:59	New Yuan Loans (bn)	Aug	--	730.0	699.9
JN	09/09	19:50	Tertiary Industry Index (m/m)	Jul	--	-0.5	-0.3
JN	09/09	19:50	Japan Money Stock M2 (y/y)	Aug	--	3.8	3.7
JN	09/09	19:50	Japan Money Stock M3 (y/y)	Aug	--	3.0	3.0
AU	09/09	21:00	Consumer Inflation Expectation (%)	Sep	--	--	2.3
PH	09/09	21:00	Exports (y/y)	Jul	--	-0.8	4.1
PH	09/09	21:00	Unemployment Rate (%)	Jul	7.5	--	7.5
CH	09/10	01:30	Fixed Asset Investment YTD (y/y)	Aug	--	20.2	20.1
CH	09/10	01:30	Industrial Production (y/y)	Aug	--	9.9	9.7
CH	09/10	01:30	Retail Sales (y/y)	Aug	--	13.3	13.2
IN	09/10	06:59	Exports (y/y)	Aug	--	--	11.6
IN	09/10	06:59	Imports (y/y)	Aug	--	--	-6.2
SK	09/10	19:00	Unemployment Rate (%)	Aug	3.2	3.2	3.2
MA	09/11	00:01	Industrial Production (y/y)	Jul	--	4.8	3.3
NZ	09/11	17:00	**RBNZ Official Cash Rate (%)**	Sep 12	**2.50**	**2.50**	**2.50**
JN	09/11	19:50	Machine Orders (m/m)	Jul	--	2.4	-2.7
SK	09/11	21:00	**BoK Base Rate (%)**	Sep 12	**2.50**	**2.50**	**2.50**
AU	09/11	21:30	Employment (000s)	Aug	--	10.0	-10.2
AU	09/11	21:30	Unemployment Rate (%)	Aug	5.7	5.8	5.7
PH	09/12	04:00	**Overnight Borrowing Rate (%)**	Sep 12	**3.50**	**3.50**	**3.50**
HK	09/12	04:30	Industrial Production (y/y)	2Q	--	--	0.5
ID	09/12	07:59	**BI Reference Interest Rate (%)**	Sep 12	**7.00**	**7.00**	**7.00**
IN	09/12	08:00	CPI (y/y)	Aug	9.5	9.5	9.6
IN	09/12	08:00	Industrial Production (y/y)	Jul	--	-1.0	-2.2
NZ	09/12	21:00	ANZ Consumer Confidence Index	Sep	--	--	123.0
SI	09/12	22:00	Unemployment Rate (%)	2Q F	2.1	--	2.1
JN	09/13	00:30	Capacity Utilization (m/m)	Jul	--	--	-2.3
JN	09/13	00:30	Industrial Production (y/y)	Jul F	1.6	--	1.6
SI	09/13	01:00	Retail Sales (y/y)	Jul	--	-1.5	-4.0

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

Key Indicators for the week of September 9 - 13

Latin America

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
PE	09/10	06:59	Trade Balance (USD mn)	Jul	--	--	-77.8
BZ	09/12	08:00	Retail Sales (m/m)	Jul	--	0.1	0.5
BZ	09/12	08:00	Retail Sales (y/y)	Jul	--	2.6	1.7
CL	09/12	17:00	**Nominal Overnight Rate Target (%)**	Sep 12	**5.00**	**5.00**	**5.00**
PE	09/12	19:00	**Reference Rate (%)**	Sep	**4.25**	**4.25**	**4.25**
BZ	09/13	07:59	Economic Activity Index SA (m/m)	Jul	--	-0.7	1.1
BZ	09/13	07:59	Economic Activity Index NSA (y/y)	Jul	--	2.7	2.4

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

Global Auctions for the week of September 9 - 13

North America

Country	Date	Time	Event
US	09/09	11:00	U.S. Fed to Purchase USD1.25-1.75 Bln Notes
US	09/09	11:30	U.S. to Sell 3-Month Bills
US	09/09	11:30	U.S. to Sell 6-Month Bills
CA	09/10	10:30	Canada to Sell CAD6.675 Bln 98-Day Bills
CA	09/10	10:30	Canada to Sell CAD2.475 Bln 168-Day Bills
CA	09/10	10:30	Canada to Sell CAD2.475 Bln 350-Day Bills
US	09/10	11:00	U.S. Fed to Purchase USD1.00-1.50 Bln Notes
US	09/10	11:30	U.S. to Sell 4-Week Bills
US	09/10	13:00	U.S. to Sell 3-Year Notes
US	09/11	11:00	U.S. Fed to Purchase USD1.25-1.75 Bln Notes
CA	09/11	12:00	Canada to Sell 30 Year Real Return Bonds
CA	09/11	12:00	Canada to Sell CAD400 Mln 1.5% I/L 2044 Bonds on Sept. 11
US	09/11	13:00	U.S. to Sell 10-Year Notes Reopening
US	09/12	11:00	U.S. Fed to Purchase USD2.75-3.50 Bln Notes
US	09/12	13:00	U.S. to Sell 30-Year Bonds Reopening
US	09/13	11:00	U.S. Fed to Purchase USD3.00-4.00 Bln Notes

Europe

Country	Date	Time	Event
GE	09/09	05:30	Germany to Sell EUR3 Bln 182-Day Bills
FR	09/09	08:50	France to Sell Bills (BTF)
NE	09/10	04:00	Netherlands to Sell 10-Year Bonds
UK	09/10	05:30	U.K. to Sell GBP2.75 Bln 3.25% 2044 Bonds
GE	09/10	05:30	Germany to Sell EUR1 Bln 0.1% I/L 2023 Bonds
IT	09/11	05:00	Italy to Sell 12-Month Bills
SZ	09/11	05:30	Switzerland to Sell Bonds
GE	09/11	05:30	Germany to Sell EUR5 Bln 2023 Bonds
IT	09/12	05:00	Italy to Sell 3-Year Bonds
SW	09/12	05:03	Sweden to Sell SEK1 Bln 0.5% I/L 2017 Bonds
UK	09/12	05:30	U.K. to Sell GBP3.75 Bln 2.25% 2023 Bonds
BE	09/13	06:00	Belgium to Sell Bonds (OLO ORI)
UK	09/13	06:10	UK to Sell Bills

Source: Bloomberg, Scotiabank Economics.

Global Auctions for the week of September 9 - 13

Asia Pacific

Country	Date	Time	Event
AU	09/09	21:00	Australia Plans to Sell Inflation Linked Bonds
CH	09/09	23:00	China to Sell 3-Year Savings Bonds
CH	09/09	23:00	China to Sell 5-Year Savings Bonds
JN	09/09	23:45	Japan to Sell 30-Year Bonds
NZ	09/10	22:15	Local Government Funding Agency Bond Auction
CH	09/10	23:00	China to Sell CNY30 Bln 7-Year Bonds
JN	09/11	23:35	Japan to Sell 3-Month Bill
JN	09/11	23:45	Japan to Sell 5-Year Bonds

Latin America

Country	Date	Time	Event
BZ	09/10	13:30	Brazil to Sell I/L Bonds due 8/15/2018 - NTN-B
BZ	09/10	13:30	Brazil to Sell I/L Bonds due 8/15/2022 - NTN-B
BZ	09/10	13:30	Brazil to Sell I/L Bonds due 8/15/2030 - NTN-B
BZ	09/10	13:30	Brazil to Sell I/L Bonds due 8/15/2040 - NTN-B
BZ	09/10	13:30	Brazil to Sell I/L Bonds due 8/15/2050 - NTN-B
CO	09/11	11:30	3Y Fixed Yield
CO	09/11	11:30	3Y Fixed Total Bids
CO	09/11	11:30	3Y Fixed Amount Sold
CO	09/11	11:30	3Y Fixed Bid/Cover Ratio
CO	09/11	11:30	5Y Fixed Yield
CO	09/11	11:30	5Y Fixed Bid/Cover Ratio
CO	09/11	11:30	5Y Fixed Total Bids
CO	09/11	11:30	5Y Fixed Amount Sold
CO	09/11	11:30	10Y Fixed Yield
CO	09/11	11:30	10Y Fixed Bid/Cover Ratio
CO	09/11	11:30	10Y Fixed Total Bids
CO	09/11	11:30	10Y Fixed Amount Sold
CO	09/11	11:30	15Y Fixed Yield
CO	09/11	11:30	15Y Fixed Bid/Cover Ratio
CO	09/11	11:30	15Y Fixed Total Bids
CO	09/11	11:30	15Y Fixed Amount Sold
BZ	09/12	11:00	Brazil to Sell Bills due 10/01/2014 - LTN
BZ	09/12	11:00	Brazil to Sell Bills due 07/01/2015 - LTN
BZ	09/12	11:00	Brazil to Sell Bills due 1/1/2017 - LTN
BZ	09/12	11:00	Brazil to Sell Floating-rate Notes due 3/1/2019 - LFT

Source: Bloomberg, Scotiabank Economics.

Events for the week of September 9 - 13

North America

Country	Date	Time	Event
US	09/09	11:00	Fed's Williams to Speak at NABE in San Francisco
US	09/09		U.S. Congress Returns From Summer Recess

Europe

Country	Date	Time	Event
EC	09/07	03:00	EU's Almunia Attends Conference in Cernobbio, Italy
GE	09/07	05:00	Steinbrück campaign event in Erfurt
GE	09/07	07:00	Merkel Holds Campaign Rally in Oranienburg
EC	09/07		EU's Van Rompuy Speaks in Cernobbio, Italy
GE	09/07		Steinbrück campaign event in Trier
IT	SEP 7-8		Letta Attends Abrosetti Workshop in Cernobbio, Italy
IT	09/08	02:30	Finance Minister Saccomanni Attends Ambrosetti Workshop
GE	09/08	05:00	Merkel Holds Campaign Rally in Düsseldorf
GE	09/09	11:00	Steinbrück campaign event in Würzburg
EC	09/09	13:00	Italy's Letta Speaks at Bruegel in Brussels
GE	09/09	14:15	Merkel Answers Voter Questions at Town Hall Event on ARD TV
NO	09/09		Norway Holds Parliamentary Elections
GE	09/09		Steinbrück campaign event in Berlin
IT	09/09		Italian Senate Committee Discuss Berlusconi Expulsion
EC	SEP 9-12		European Parliament Plenary Session
GE	09/10	10:30	Merkel Holds Campaign Rally in Rust
GE	09/10	11:00	Steinbrück campaign event in Ulm
GE	09/10	12:00	Germany's Schaeuble Speaks at CDU Election Event, Villingen
GE	09/10	13:00	Merkel Holds Campaign Rally in Saarbrücken
GE	09/10	14:00	Germany's Schaeuble Speaks at CDU Election Event, Rottweil
PO	09/10		Bank of Portugal Releases Data on Banks
EC	09/11	03:00	EU's Barroso Gives State-of-Union Speech to Parliament
SP	09/11	04:00	Catalonia Region Holds Vote on Independence
EC	09/11	06:00	EU to Adopt Telecom-Market Proposals in Brussels
IT	09/11	06:00	Finance Minister Saccomanni Attends Confindustria Seminar
GE	09/11	09:00	Schaeuble Speaks at CDU Election Event, Moenchengladbach
GE	09/11	11:00	Merkel Holds Campaign Rally in Miesbach
GE	09/11	12:00	Germany's Schaeuble Speaks at CDU Campaign Rally, Geldern
EC	09/11	13:00	ECB's Asmussen Speaks in Berlin
GE	09/11	13:30	Merkel Holds Campaign Rally in Würzburg
GE	09/11	14:15	Steinbrueck Faces Voter Questions at Town Hall Event on ARD TV
EC	09/12	03:00	Bundesbank's Lautenschlaeger Speaks in Paris
PO	09/12	04:30	Finance Minister, Economy Minister Attend Conference in Sintra
UK	09/12	05:00	BOE's Carney, Fisher, Miles and McCafferty Speak in London
EC	09/12	07:40	ECB's Draghi Speaks in Latvia
GE	09/12	11:00	Merkel to Headline CDU Campaign Rally in Koblenz
GE	09/12	11:00	Merkel Holds Campaign Rally in Koblenz
GE	09/12	12:00	German Free Democrats Hold Party Congress in Mainz
GE	09/12	12:30	Steinbrück campaign event in München
GE	09/12	13:00	Merkel Holds Campaign Rally in Neuss
SP	09/13	04:00	BOS Data on Spain Public Debt (2Q)
EC	09/13	09:00	Euro-Area Finance Ministers Meet in Vilnius. Lithuania
GE	09/13	11:00	Merkel Holds Campaign Rally in Osnabrück
GE	09/13	13:30	Merkel Holds Campaign Rally in Wuppertal
RU	09/13		**Refinancing Rate**
RU	09/13		Overnight Deposit Rate
RU	09/13		Overnight Auction-Based Repo
UK	09/13		Last Day of Commons Session Before Conference Recess

Source: Bloomberg, Scotiabank Economics.

Events for the week of September 9 - 13

Asia Pacific

Country	Date	Time	Event
AU	SEP 6-7		Australian Federal Election
JN	SEP 8-9		Japan Economy Minister Amari Speaks at Mizuho Conference
JN	09/09	19:50	Bank of Japan August 7-8 meeting minutes
CH	SEP 9-11		Euromoney Latin America China Investors Forum
NZ	09/10	18:15	Finance Minister English to Speak at Conference
JN	09/10	21:30	BOJ Board Member Ishida Speech & Press Conference
CH	SEP 10-13		World Economic Forum Meeting of the New Champions
JN	SEP 10-11		Bank of Japan Policy Board Member Ishida Speaks in Aomori
CH	09/11	05:00	Chinese Premier Li Speaks at World Economic Forum Meeting
NZ	09/11	17:00	**RBNZ Official Cash Rate**
NZ	09/11	17:00	Reserve Bank of New Zealand Monetary Policy Statement
NZ	09/11	17:05	RBNZ Governor Graeme Wheeler News Conference
SK	09/11	21:00	**BoK 7-Day Repo Rate**
CH	SEP 11-12		Euromoney China Forum
ID	SEP 11-12		**Bank Indonesia Reference Rate**
PH	09/12	04:00	**BSP Overnight Borrowing Rate**
SK	SEP 12-13		Euromoney Latin America Korea Investors Forum

Latin America

Country	Date	Time	Event
CL	09/12	17:00	**Overnight Rate Target**
PE	09/12	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	October 23, 2013	1.00	--
Federal Reserve – Federal Funds Target Rate	0.25	September 18, 2013	0.25	--
Banco de México – Overnight Rate	3.75	October 25, 2013	3.75	--

Does a surprisingly strong August jobs report (+59,200) change anything for the **Bank of Canada**? While positive, it still leaves behind a soft year-to-date picture with 2013 on track toward being the weakest year for job growth in the recovery thus far. Canada front loaded its gains early in the recovery compared to the US, and is losing trend jobs momentum. That combines with rising fixed borrowing costs for businesses and households to add to growth uncertainties. **The Federal Reserve** goes into communications blackout on Tuesday ahead of the following week's meeting, but the recent jobs disappointment adds conviction to our longstanding view that the Fed will delay tapering until later in the year.

Europe

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	0.50	October 2, 2013	0.50	--
Bank of England – Bank Rate	0.50	October 10, 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	September 13, 2013	8.25	8.25
Hungarian National Bank – Base Rate	3.80	September 24, 2013	3.60	3.70
Central Bank of the Republic of Turkey – 1 Wk Repo Rate	4.50	September 17, 2013	4.50	--
Sweden Riksbank – Repo Rate	1.00	October 24, 2013	1.00	--
Norges Bank – Deposit Rate	1.50	September 19, 2013	1.50	--

The Russian monetary authorities maintain scope for policy accommodation should economic indicators continue to point lower; however, we do not anticipate any changes to the benchmark refinancing rate after next week's meeting. The economy's performance in the second quarter was weaker than initially estimated by the government, with output advancing only 1.2% y/y, and the official growth forecast for 2013 has accordingly been cut from 2.4% to 1.8%. The recent trend of disinflation stalled in August, with the annual inflation rate remaining flat at 6.5% y/y. Nevertheless, further moderation is still likely in the months ahead, and if and when the headline rate falls close enough to the 5-6% target range, the central bank will become more willing to lower key interest rates.

Asia Pacific

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Target Rate	0.10	October 4, 2013	0.10	--
Reserve Bank of Australia – Cash Target Rate	2.50	October 1, 2013	2.50	2.50
Reserve Bank of New Zealand – Cash Rate	2.50	September 11, 2013	2.50	2.50
People's Bank of China – Lending Rate	6.00	TBA	--	--
Reserve Bank of India – Repo Rate	7.25	September 20, 2013	7.25	--
Bank of Korea – Bank Rate	2.50	September 11, 2013	2.50	2.50
Bank of Thailand – Repo Rate	2.50	October 16, 2013	2.50	--
Bank Indonesia – Reference Interest Rate	7.00	September 12, 2013	7.00	7.00

Monetary authorities of the Reserve Bank of New Zealand (RBNZ) and the Bank of Korea (BoK) will meet on September 11th; we do not foresee any changes to the monetary policy stance in either of these countries. At the RBNZ's most recent meeting in July, policymakers noted that they expect to keep the benchmark rate at the current level of 2.50% through the end of the year. The BoK's authorities will allow previous monetary and fiscal stimulus measures to filter through the economy. The most recent benchmark interest rate cut took place in May. Policymakers assess that a negative output gap will be maintained in the domestic economy "for a considerable time going forward"; therefore, we do not expect any tightening in monetary conditions before the second half of 2014. For insights regarding Bank Indonesia's monetary policy, please refer to the Asian Key Data Preview on page A2.

Latin America

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	9.00	October 9, 2013	9.50	--
Banco Central de Chile – Overnight Rate	5.00	September 12, 2013	5.00	5.00
Banco de la República de Colombia – Lending Rate	3.25	September 27, 2013	3.25	--
Banco Central de Reserva del Perú – Reference Rate	4.25	September 12, 2013	4.25	4.25

We do not anticipate any changes to the respective monetary reference rates in Chile and Peru. In Peru, despite the recent acceleration of inflation, the central bank cut the reserve requirements in both local and foreign currency last month, in an attempt to "offer more funding capacities in local currency and an organized performance of credit". We maintain our view that the Peruvian central bank will continue to use alternative tools to modify monetary conditions without having to move the reference rate. The Chilean authorities maintain a neutral-to-slightly-dovish monetary stance, with headline inflation finally returning to the tolerance range of 2-4% in August (2.2% y/y). In our view, the central bank will leave the reference rate unchanged at 5.00% for the remainder of the year; however, chances for a cut are rising.

Africa

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	5.00	September 19, 2013	5.00	--

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

Forecasts as at August 29, 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	3.2	2.8	3.4				
Canada	2.2	1.7	1.7	2.3	2.1	1.5	1.2	1.9
United States	1.9	2.8	1.6	2.6	2.5	2.1	1.6	2.1
Mexico	2.3	3.8	1.9	3.7	4.8	3.6	4.0	4.0
United Kingdom	1.9	0.1	1.3	1.8	2.3	2.7	2.6	2.2
Euro Zone	1.4	-0.5	-0.5	0.6	2.1	2.2	1.5	1.6
Japan	0.8	2.0	1.7	1.7	-0.3	-0.1	0.7	1.2
Australia	3.0	3.6	2.4	2.7	3.1	2.2	2.5	3.0
China	9.4	7.8	7.3	7.3	2.4	2.5	3.0	3.3
India	7.4	5.1	5.0	5.8	6.6	7.3	5.8	6.5
South Korea	4.5	2.0	2.5	3.2	3.2	1.4	1.9	2.9
Thailand	4.0	6.5	3.7	4.0	2.6	3.6	2.1	3.0
Brazil	3.6	0.9	2.3	2.8	6.6	5.8	6.0	6.0
Chile	4.4	5.6	4.6	4.4	3.4	1.5	2.7	3.3
Peru	5.6	6.3	5.7	5.7	2.6	2.6	2.9	3.0
Central Bank Rates (%, end of period)	**12Q4**	**13Q1**	**13Q2**	**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)								
Canadian Dollar (USDCAD)	0.99	1.02	1.05	1.07	1.08	1.07	1.07	1.06
Canadian Dollar (CADUSD)	1.01	0.98	0.95	0.93	0.93	0.93	0.93	0.94
Euro (EURUSD)	1.32	1.28	1.30	1.30	1.25	1.25	1.24	1.24
Sterling (GBPUSD)	1.63	1.52	1.52	1.50	1.45	1.45	1.45	1.44
Yen (USDJPY)	87	94	99	103	105	106	107	109
Australian Dollar (AUDUSD)	1.04	1.04	0.91	0.88	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	12.9	12.9	13.1	13.0	12.9	12.8
Brazilian Real (USDBRL)	2.05	2.02	2.23	2.35	2.30	2.32	2.35	2.38
Commodities (annual average)	**2000-11**	**2012**	**2013f**	**2014f**				
WTI Oil (US$/bbl)	57	94	99	102				
Brent Oil (US$/bbl)	58	112	108	108				
Nymex Natural Gas (US$/mmbtu)	5.67	2.83	3.75	4.00				
Copper (US$/lb)	2.10	3.61	3.30	3.10				
Zinc (US$/lb)	0.77	0.88	0.88	1.10				
Nickel (US$/lb)	7.62	7.95	7.00	8.00				
Gold, London PM Fix (US$/oz)	668	1,670	1,395	1,250				
Pulp (US$/tonne)	718	872	925	870				
Newsprint (US$/tonne)	581	640	609	635				
Lumber (US$/mfbm)	272	299	350	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	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	-7.4	-11.6	-11.2	(Jul)
Industrial Production	1.0	0.6	-0.2	-0.5	(Jun)
Housing Starts (000s)	215	175	190	193	(Jul)
Employment	1.2	1.7	1.2	1.5	(Aug)
Unemployment Rate (%)	7.3	7.1	7.1	7.1	(Aug)
Retail Sales	2.5	1.0	2.7	3.1	(Jun)
Auto Sales (000s)	1673	1683	1753	1718	(Jun)
CPI	1.5	0.9	0.8	1.3	(Jul)
IPPI	0.6	0.7	0.2	-1.4	(Jul)
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$B, ar)	-440	-425			
Merch. Trade Bal. (US$B, ar)	-741	-718	-703	-703	(Jul)
Industrial Production	3.6	2.4	1.9	1.4	(Jul)
Housing Starts (millions)	0.78	0.96	0.87	0.90	(Jul)
Employment	1.7	1.6	1.6	1.7	(Aug)
Unemployment Rate (%)	8.1	7.7	7.6	7.3	(Aug)
Retail Sales	5.0	3.9	4.7	5.6	(Jul)
Auto Sales (millions)	14.4	15.3	15.5	16.0	(Aug)
CPI	2.1	1.7	1.4	2.0	(Jul)
PPI	1.9	1.5	1.6	2.1	(Jul)
Pre-tax Corp. Profits	18.5	1.4	4.1		

Mexico	2012	13Q1	13Q2	Latest	
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	-17.2	(Jul)
Industrial Production	2.8	-1.7	-0.6	-2.7	(Jun)
CPI	4.1	3.7	4.5	3.5	(Jul)

Europe

Euro Zone	2012	13Q1	13Q2	Latest	
Real GDP	-0.6	-1.0	-0.5		
Current Acc. Bal. (US$B, ar)	157	172	272	414	(Jun)
Merch. Trade Bal. (US$B, ar)	127.1	171.6	272.6	294.0	(Jun)
Industrial Production	-2.3	-2.3	-0.5	0.3	(Jun)
Unemployment Rate (%)	11.3	12.0	12.1	12.1	(Jul)
CPI	2.5	1.9	1.4	1.6	(Jul)

Germany	2012	13Q1	13Q2	Latest	
Real GDP	0.9	-0.3	0.5		
Current Acc. Bal. (US$B, ar)	238.8	237.7	239.9	224.5	(Jul)
Merch. Trade Bal. (US$B, ar)	243.2	266.4	250.7	227.6	(Jul)
Industrial Production	-0.4	-2.4	-0.8	-2.3	(Jul)
Unemployment Rate (%)	6.8	6.9	6.8	6.8	(Aug)
CPI	2.0	1.5	1.5	1.5	(Aug)

France	2012	13Q1	13Q2	Latest	
Real GDP	0.0	-0.5	0.3		
Current Acc. Bal. (US$B, ar)	-57.3	-65.6	-48.7	66.6	(Jun)
Merch. Trade Bal. (US$B, ar)	-52.0	-47.6	-44.6	-46.9	(Jul)
Industrial Production	-2.5	-2.3	0.2	-0.2	(Jun)
Unemployment Rate (%)	10.3	10.8	10.9	11.0	(Jul)
CPI	2.0	1.1	0.8	1.1	(Jul)

United Kingdom	2012	13Q1	13Q2	Latest	
Real GDP	0.2	0.3	1.5		
Current Acc. Bal. (US$B, ar)	-93.8	-97.5			
Merch. Trade Bal. (US$B, ar)	-172.4	-162.2	-155.4	-179.6	(Jul)
Industrial Production	-2.4	-2.6	-0.8	-1.5	(Jul)
Unemployment Rate (%)	8.0	7.8		7.8	(May)
CPI	2.8	2.8	2.7	2.7	(Jul)

Italy	2012	13Q1	13Q2	Latest	
Real GDP	-2.4	-2.3	-2.0		
Current Acc. Bal. (US$B, ar)	-11.3	-31.0	26.2	51.8	(Jun)
Merch. Trade Bal. (US$B, ar)	13.8	14.1	50.0	57.3	(Jun)
Industrial Production	-6.4	-4.2	-3.7	-2.6	(Jun)
CPI	3.1	1.9	1.2	1.1	(Jul)

Russia	2012	13Q1	13Q2	Latest	
Real GDP	3.4	1.6	1.2		
Current Acc. Bal. (US$B, ar)	74.8	25.1	6.9		
Merch. Trade Bal. (US$B, ar)	16.0	16.2	14.3	13.6	(Jun)
Industrial Production	-5.3	-0.1	0.3	-0.7	(Jul)
CPI	5.1	7.1	7.2	6.5	(Aug)

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	33.1	3.4 (Jul)
Industrial Production	3.8	3.4	3.9	
Unemployment Rate (%)	5.2	5.5	5.6	5.7 (Jul)
CPI	1.8	2.5	2.4	

Japan	2012	13Q1	13Q2	Latest
Real GDP	2.0	0.1	0.9	
Current Acc. Bal. (US$B, ar)	60.4	66.4	65.9	41.4 (Jun)
Merch. Trade Bal. (US$B, ar)	-85.9	-115.3	-89.1	-113.6 (Jul)
Industrial Production	0.2	-6.5	-3.1	0.2 (Jul)
Unemployment Rate (%)	4.4	4.2	4.0	3.8 (Jul)
CPI	0.0	-0.6	-0.3	0.7 (Jul)

South Korea	2012	13Q1	13Q2	Latest
Real GDP	2.0	1.5	2.3	
Current Acc. Bal. (US$B, ar)	43.1	39.9	79.2	81.3 (Jul)
Merch. Trade Bal. (US$B, ar)	28.3	22.7	57.1	59.0 (Aug)
Industrial Production	1.2	-0.8	-1.8	-0.6 (Jul)
CPI	2.2	1.4	1.1	1.3 (Aug)

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	168.4	263.2	213.8 (Jul)
Industrial Production	10.3	8.9	8.9	9.7 (Jul)
CPI	2.5	2.1	2.7	2.7 (Jul)

Thailand	2012	13Q1	13Q2	Latest
Real GDP	6.5	5.4	2.8	
Current Acc. Bal. (US$B, ar)	0.2	1.3	-5.1	
Merch. Trade Bal. (US$B, ar)	0.5	-0.1	-0.2	0.3 (Jul)
Industrial Production	2.1	3.7	-5.1	-5.8 (Jul)
CPI	3.0	3.1	2.3	1.6 (Aug)

India	2012	13Q1	13Q2	Latest
Real GDP	5.1	4.8	4.4	
Current Acc. Bal. (US$B, ar)	-91.5	-18.1		
Merch. Trade Bal. (US$B, ar)	-16.3	-15.1	-16.9	-12.3 (Jul)
Industrial Production	0.7	2.2	-1.1	-2.2 (Jun)
WPI	7.5	6.7	4.7	5.8 (Jul)

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	-2.3 (Jul)
Industrial Production	4.1	9.0	6.6	3.4 (Jun)
CPI	4.3	5.3	5.6	8.8 (Aug)

Latin America

Brazil	2012	13Q1	13Q2	Latest
Real GDP	0.8	1.8	3.2	
Current Acc. Bal. (US$B, ar)	-54.2	-99.2	-74.6	
Merch. Trade Bal. (US$B, ar)	19.4	-20.6	8.3	14.7 (Aug)
Industrial Production	-2.7	1.3	3.3	1.1 (Jul)
CPI	5.4	6.4	6.6	6.1 (Aug)

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	-3.0 (Jul)
Industrial Production	2.9	3.3	1.4	9.5 (Jul)
CPI	3.0	1.5	1.3	2.2 (Aug)

Peru	2012	13Q1	13Q2	Latest
Real GDP	9.2	4.8		
Current Acc. Bal. (US$B, ar)	-7.1	-2.7		
Merch. Trade Bal. (US$B, ar)	0.5	0.1	-0.2	-0.1 (Jun)
Unemployment Rate (%)	7.0	6.3	5.7	6.0 (Jul)
CPI	3.7	2.6	2.5	3.3 (Aug)

Colombia	2012	13Q1	13Q2	Latest
Real GDP	4.0	2.8		
Current Acc. Bal. (US$B, ar)	-11.9	-3.0		
Merch. Trade Bal. (US$B, ar)	0.4	0.2	0.4	0.7 (Jun)
Industrial Production	0.1	-6.6	-0.2	-5.5 (Jun)
CPI	3.2	1.9	2.1	2.3 (Aug)

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	Aug/30	Sep/06*	United States	13Q1	13Q2	Aug/30	Sep/06*
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	0.99	1.00	3-mo. T-bill	0.07	0.03	0.02	0.02
10-yr Gov't Bond	1.87	2.44	2.62	2.75	10-yr Gov't Bond	1.85	2.49	2.78	2.90
30-yr Gov't Bond	2.50	2.90	3.07	3.22	30-yr Gov't Bond	3.10	3.50	3.70	3.83
Prime	3.00	3.00	3.00	3.00	Prime	3.25	3.25	3.25	3.25
FX Reserves (US$B)	70.0	68.8	69.6	(Jul)	FX Reserves (US$B)	135.2	134.7	136.5	(Jul)
Germany					**France**				
3-mo. Interbank	0.11	0.14	0.14	0.18	3-mo. T-bill	0.01	0.03	0.07	0.08
10-yr Gov't Bond	1.29	1.73	1.86	1.96	10-yr Gov't Bond	2.03	2.35	2.47	2.55
FX Reserves (US$B)	66.6	66.1	65.4	(Jul)	FX Reserves (US$B)	52.6	51.4	51.8	(Jul)
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	0.11	0.07	3-mo. T-bill	0.39	0.39	0.39	0.38
FX Reserves (US$B)	326.6	324.9	325.9	(Jul)	10-yr Gov't Bond	1.77	2.44	2.77	2.93
					FX Reserves (US$B)	88.4	90.2	91.7	(Jul)
Japan					**Australia**				
Discount Rate	0.30	0.30	0.30	0.30	Cash Rate	3.00	2.75	2.50	2.50
3-mo. Libor	0.10	0.09	0.09	0.09	10-yr Gov't Bond	3.41	3.76	3.90	4.14
10-yr Gov't Bond	0.55	0.85	0.72	0.78	FX Reserves (US$B)	46.7	45.0	46.9	(Jul)
FX Reserves (US$B)	1215.0	1209.4	1221.7	(Jul)					

Exchange Rates (end of period)

USDCAD	1.02	1.05	1.05	1.04	¥/US$	94.22	99.14	98.17	98.96
CADUSD	0.98	0.95	0.95	0.96	US¢/Australian$	1.04	0.91	0.89	0.92
GBPUSD	1.520	1.521	1.550	1.562	Chinese Yuan/US$	6.21	6.14	6.12	6.12
EURUSD	1.282	1.301	1.322	1.316	South Korean Won/US$	1111	1142	1110	1093
JPYEUR	0.83	0.78	0.77	0.77	Mexican Peso/US$	12.331	12.931	13.380	13.241
USDCHF	0.95	0.95	0.93	0.94	Brazilian Real/US$	2.022	2.232	2.386	2.302

Equity Markets (index, end of period)

United States (DJIA)	14579	14910	14810	14907	U.K. (FT100)	6412	6215	6413	6530
United States (S&P500)	1569	1606	1633	1651	Germany (Dax)	7795	7959	8103	8234
Canada (S&P/TSX)	12750	12129	12654	12818	France (CAC40)	3731	3739	3934	4022
Mexico (IPC)	44077	40623	39484	39907	Japan (Nikkei)	12398	13677	13389	13861
Brazil (Bovespa)	56352	47457	50012	52969	Hong Kong (Hang Seng)	22300	20803	21731	22621
Italy (BCI)	851	849	922	924	South Korea (Composite)	2005	1863	1926	1955

Commodity Prices (end of period)

Pulp (US$/tonne)	900	950	950	950	Copper (US$/lb)	3.44	3.06	3.22	3.25
Newsprint (US$/tonne)	610	605	605	605	Zinc (US$/lb)	0.85	0.83	0.85	0.85
Lumber (US$/mfbm)	408	292	328	335	Gold (US$/oz)	1598.25	1192.00	1394.75	1387.00
WTI Oil (US$/bbl)	97.23	96.56	107.65	110.07	Silver (US$/oz)	28.64	18.86	23.64	23.05
Natural Gas (US$/mmbtu)	4.02	3.57	3.58	3.55	CRB (index)	296.39	275.62	291.16	292.51

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

Fixed Income Strategy (London)

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