Global Views

Weekly commentary on economic and financial market developments

October 18, 2013

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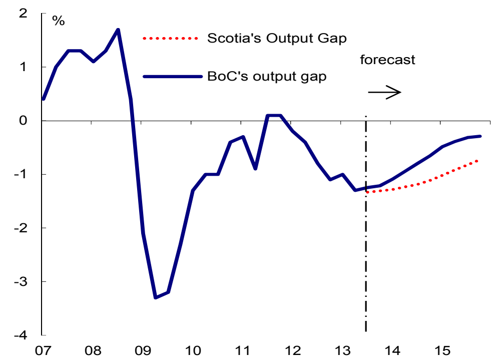
Nonfarm To Reignite The Fed Debate

- **Please see our full indicator, central bank, auction and event calendars on pp. A3-9.**

Canada — BoC Will Probably Go More Dovish

Canadian Output Gap to Persist Throughout 2015



Source: BoC, Statistics Canada, Scotiabank Economics

Canada will be focused upon the **Bank of Canada's interest rate statement and Monetary Policy Report**, both of which land on Wednesday. We think Bank of Canada Senior Deputy Governor Tiff Macklem provided an advanced understanding of the contents through his speech that was delivered on October 1st. We published a note about his speech's implications the day after (available here). At that time, Macklem made it clear that the BoC would be downgrading its forecast for growth over the second half of the year to the 2-2.5% range in Q3 (down from 3.8%) and 2-2.5% in Q4 (down from 2.5%). He also guided us to believe that the BoC was standing by its assumption that growth will strengthen next year, and that the BoC's assessment of potential growth (the economy's speed limit) was unchanged at about 2%. Combining these forms of guidance led us to argue that the BoC would have to delay the point at which it expects spare capacity to close off in the Canadian economy to beyond the end of 2015 which is more consistent with our longstanding view (see chart). By corollary, the BoC would probably push out the point at which it expects to return to its 2% inflation target. That, in turn, would support a prolonged Bank of Canada rate pause into late 2015 or perhaps 2016. What has happened since Macklem's speech on October 1st has not been terribly encouraging. The US partial government shutdown occurred after he spoke and this added to growth downsides over at least 2013H2. This may further motivate the BoC to revise US and Canadian growth even lower than what Macklem guided. The implications would clearly be dovish for the currency and Canadian rates.

Next week will also further inform our views on August GDP growth when **wholesale trade** (Monday) and **retail sales** (Tuesday) land. We're expecting modest gains in both indicators.

United States — All About Nonfarm And Earnings

US markets will begin a data deluge in the wake of the end to the partial government shutdown. **Nonfarm payrolls** are penned in for release on Tuesday, and consensus expects a rise of about 180,000 with most forecasters in the roughly 150k-200k range. The finance sector could well be a drag on job growth in light of fairly large layoffs in the mortgage servicing business. There is an argument for looking through a stronger-than-expected print by viewing it as stale data before a possible confidence shock to hiring unfolded through Washington's follies this month and the emergence of an agreement that only buys temporary respite from divisive negotiations.

We also **await publication release dates** for other delayed data like industrial production, retail sales, international trade, construction spending, housing starts, and wholesale trade. The delayed CPI report will be released on October 30th.

Beyond the delayed data, there will be plenty to chew on by way of **housing and business investment figures**. Home resales (Monday) are expected to begin weakening in lagged response to the mortgage rate shock that unfolded since Fed Chairman Ben Bernanke first referenced tapering in May. That's because there is a multi-month lag between signing a mortgage rate hold agreement, shopping for a home, and closing the purchase after which the sale gets recorded as a completed resale. New home sales (Thursday) have a somewhat quicker closing period on average and next week's September update will help us determine a trend following a gain in August that recouped about half of the drop in sales in July. Friday's durable goods orders are expected to post a solid advance on the heels of a gain in plane orders at Boeing. Flat vehicle orders were probably a somewhat offsetting weight against the total order book.

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The **Q3 earnings season** also continues next week with 146 firms on the S&P500 set to release with most landing over the middle three days of the week. Some of the key — often bellwether — names will include Caterpillar, AT&T, 3M, Coca-Cola, Dow Chemical, Ford, Xerox, Amazon, McDonald's, Netflix, Lockheed Martin, State Street, McGraw Hill, Delta, and Boeing.

The US **auctions 30 year TIPS** in a reopening of the issue on Thursday.

Europe — UK Economy In The Spotlight

The **UK economy** will be a key point of focus over the back half of the week. First up will be the publication of the minutes to the October 10th BoE Monetary Policy Committee meeting. We expect a more moderate tone than the somewhat less dovish minutes to the September 5th meeting. For one thing, the BoE met in the middle of the partial US government shutdown. That probably motivated the consensus to red flag a risk to US growth but also global financial markets. It also appears as though some of the momentum across economic indicators may have been lost over the past couple of months. That might not quite show up in Friday's Q3 UK GDP print which consensus expects to rise by 0.8% q/q at a non-annualized pace. That would be comparable to the prior quarter's 0.7% pace. In fact, most estimates sit between 0.7% and 1.0%, suggesting that there may be upside risk. Against all of this, Bank of England Governor Mark Carney will have the opportunity to update the BoE's bias when he speaks and conducts a press conference on Thursday to mark the 125th anniversary of *The Financial Times*.

European sentiment surveys will guide market attention and they are expected to consolidate some of the significant upward trend that emerged from the middle of 2012 onward. Key will be manufacturing and service sector purchasing managers' indices for Germany, France, and the European Community in aggregate. German business confidence in the form of the IFO survey is also expected to flatten out, but the risk with all of these surveys may be to the downside given tensions in Washington that gripped global attention. That said, sentiment surveys have generally been stronger than actual economic activity measures. With that in mind, we'll have an eye on Italian industrial orders and retail sales that have been in the doldrums.

Asia — China Data, Abenomics Evidence, And Cooler Australian Inflation

China will be the focal point across Asian markets next week, and may well influence the global market tone. One way it might do this is through the private sector version of the country's purchasing managers' index for the manufacturing sector (Wednesday). Consensus thinks the reading straddles the dividing line between expansion and contraction that signals stagnation. The country's property prices will also be updated for September (Monday), and are expected to continue to rise across virtually all cities. The People's Bank of China could well come under rising pressure to contain a still-strong credit and property price cycle that has run ahead of economic growth, with a keen eye on CPI inflation that has crossed 3% y/y.

Australia's CPI pressures are expected to ease when the Q3 figures arrive on Tuesday. Inflation should drop back below the 2% mark after having pressed beyond that since a year ago. This could have dovish implications for Australian rates on the heels of RBA Governor Stevens' recent comments: "I personally would continue to think that a lower currency than this would be helpful in rebalancing the growth sources of the economy. I'd prefer it to be lower than this, rather than higher."

Japan's export recovery has grabbed headlines as evidence of the powers of Abenomics, but almost all of the improvement has come through the dollar value of exports through higher prices fetched via yen depreciation, and not volumes. It's the latter that drives growth, however, and so we'll have an eye on Japan's trade figures on Sunday evening to see if this pattern persists. Thursday night's **Japanese CPI print** will further weigh on the Abenomics debate by way of sustained evidence in favour of ending deflation. We continue to caution that higher inflation is due solely to higher imported energy costs via yen depreciation, and higher electricity charges as a consequence to shutting down nuclear reactors. CPI ex-food and energy continues to decline. That translates into a relative price shock, not a generalized pick-up in prices, and the consequences could short-circuit the BoJ's efforts to sustainably hit its 2% target.

Regional trade figures will also be released for countries including Thailand, New Zealand, and Hong Kong.

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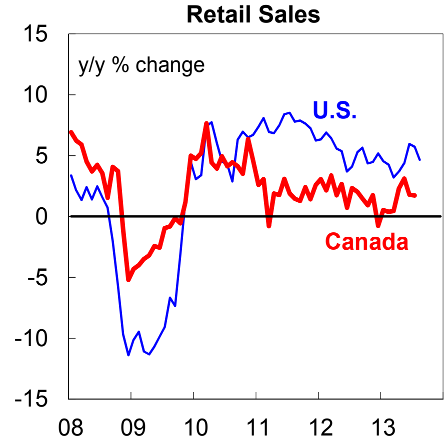
Canadian And U.S. Retail Outlook

Canadian Consumers Remain Constrained

Following last year's modest 2.5% gain, Canadian retail sales growth has remained lacklustre in 2013, advancing 2% year-to-date in July, as overstretched households continue to rein in borrowing and become more price-sensitive shoppers. With the household-debt-to-income ratio at record highs, the ability of consumers to drive broader economic growth in Canada appears limited.

So far this year, consumer credit is growing at the slowest pace in two decades and retail sales have lost momentum alongside modest growth in employment and incomes. Consumer spending was likely further dampened by the moderate pace of housing market activity and the 1.2% contraction in the number of Americans travelers — over 80% of non-resident visitors — to Canada through August. Meanwhile, despite the appreciation of the U.S. dollar, Canadians continued to travel south of the border, albeit at a more modest pace, with growth in same-day and overnight trips rising 2.1% year-to-date, from over 5% in 2012.



Source: The U.S. Census Bureau and Statistics Canada.

Looking ahead to 2014, growth in Canadian retail sales is expected to remain in the slow lane, amid softer domestic demand and higher borrowing costs, which will likely temper housing market activity and big-ticket purchases. Muted inflation, increased competition and a weaker Canadian dollar will likely cut further into profit margins, but will continue to support consumer purchasing power and could minimize the drag from cross-border shopping.

Retail Competition Continues To Heat Up In Canada

Despite the slowdown in Canadian household spending, America retailers, such as Target, Nordstrom and Marshalls, continue to look to Canada as an expansion market, attracted by its consistent sales growth, brand familiarity, healthy profit margins and availability of commercial real estate — mainly through acquisition of existing space. However, in an environment of slower economic growth, low inflation and value-driven consumers, Canada's retail market will be challenging for existing and new entrants.

The ability of domestic players to minimize market share erosion and sustain profit growth will depend on improving supply chain management, economies of scale and investment in online shopping platforms — which generally lags their U.S. counterparts. Nevertheless, given that cross-border shopping is a significant drain on the Canadian economy, some upside could come from less cross-border shopping with more U.S. products available in Canada and a weaker Canadian dollar.

American Consumers Unleash Pent-up Demand

Despite the rise in payroll taxes, personal income taxes and gas prices, U.S. retail sales have been relatively buoyant, up 4.5% this year through August, as consumers dipped into savings to maintain their purchasing power. Steady employment gains, modest income growth and improving housing market sentiment were also supportive. Gains have occurred across a variety of U.S. retail segments including motor vehicles & parts, building materials & garden equipment, and food & beverage stores as well as non-store retailers.

With American household finances in the best shape of the past decade, consumer confidence near a six-year high and rising home prices creating a positive wealth effect, retail sales are forecast to continue to gain momentum in 2014. However, downside risks remain prevalent, as higher borrowing costs could dampen growth in consumer lending and refinancing activity. Meanwhile, the Federal government's 11th hour resolution that restored Washington's spending authority and increased the debt ceiling is only temporary. Financial markets, businesses and consumers could face another round of U.S. political brinkmanship in early 2014, which will likely hold back confidence and hiring in the U.S. for the time being.

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Dominican Republic's Economic Outlook Improving In 2014

- **Government remains committed to fiscal consolidation.**

Dominican Republic's economic activity will continue to underperform in 2013 followed by a mild increase in 2014 supported by a better US outlook and less fiscal drag domestically. Although output growth accelerated in the second quarter of the year, fiscal consolidation undertaken since the end of 2012 has constrained government spending, while household consumption has been hampered by tax hikes and low job creation. Export growth will continue to contribute positively to economic activity, particularly with the increasing production of the Pueblo Viejo gold mine. Tourist arrivals have risen modestly through 2013; however, as the US recovery gains strength next year, the tourism sector — and remittances — will show a more evident pickup. After a 1.6% y/y expansion in the first half of the year, we anticipate real GDP to grow by 2½% this year overall and by 3½% in 2014.

Inflation will remain dependent on international food and oil prices as the nation is a net energy importer. The central bank is committed to the inflation-targeting regime adopted last year with an official range of 4-6%. Consumer prices peaked at 5.7% y/y in July, prompting the central bank to modify its monetary policy stance and increase the reference rate by 200 basis points to 6.25% in August. Authorities highlighted that the volatility in the foreign exchange market could jeopardize price stability despite the languid economic recovery. We expect inflation to remain around 4½% through 2014.

The current account deficit is expected to continue to narrow in the coming years, after reaching 6.8% of GDP in 2012. Import growth has moderated as a result of a weak local demand and relatively lower oil prices, while export gains have accelerated due to higher gold production. Additionally, tourism arrivals and remittances will continue to recover, helping the current account deficit to remain around 4% of GDP through the forecast horizon. The fiscal deficit will remain slightly above the 2013-14 budget projections of 2.8% of GDP; however, fiscal consolidation is underway. Lower government spending coupled with higher revenues (including the renegotiation of the Pueblo Viejo mine contract) will take the fiscal shortfall to around 3% of GDP in the 2013-14 period. However, as highlighted by the International Monetary Fund (IMF) in the most recent country assessment, transfers to the electricity sector will continue to weigh on public spending.

The managed floating currency regime adopted by the country's monetary authorities will remain in place for the foreseeable future. The Dominican peso (DOP) will continue to be subject to central bank intervention, investors' confidence with respect to fiscal consolidation, government debt issuance and monetary policy normalization in advanced economies. In July, the DOP accelerated its smooth depreciation trend against the US dollar (USD) (-6% year-to-date) prompting the central bank to intervene in the market to limit a significant build-up in inflationary pressures. We do not discard future involvement in the FX market, as the authorities have signaled their concerns regarding currency depreciation and its effect on inflation. We anticipate that USDDOP will close the year at 43 and maintain a smooth pace of depreciation of around 4.0% in 2014. Reflecting official intervention, net international reserves have decreased modestly in the last five months to US$3.3 billion in September.

Despite the austerity measures undertaken since the end of 2012, President Danilo Medina's political agenda has been supported by high public approval rates and a strong majority in the current legislature. However, mild economic growth with substantial fiscal constraints, a high dependence on the US economic outlook, pressures to suppress electricity subsidies and security issues will remain as the foremost challenges of the current administration. The international agenda will remain focused on tightening relations with Central and South America, while possible changes to the terms of the PetroCaribe program with Venezuela will be important for the government's oil bill.

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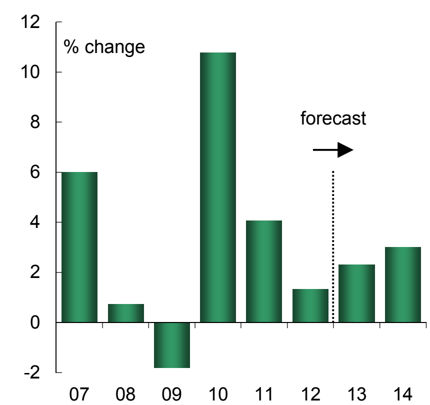
Taiwan — Economic Outlook 2014

- **Deepening regional integration is key for the export-oriented economy's prospects.**

The externally oriented Taiwanese economy faces challenges in establishing a robust economic recovery, with real GDP growth unlikely to reach the last decade's average pace of 4½% in the foreseeable future. Economic growth averaged 2.1% y/y in the first half of the year following a 1.3% gain in 2012. Momentum will likely pick up in the coming months, as implied by recuperating manufacturing sector sentiment, as well as gradually improving consumer confidence and employment conditions that should underpin household spending. We expect the nation's output to grow by around 2⅓% in 2013 followed by a modest improvement to 3% in 2014.

Real GDP Growth

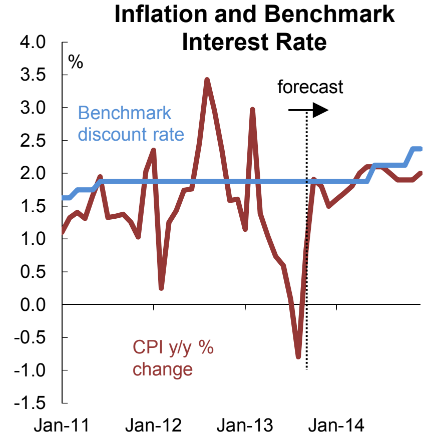


Source: Bloomberg, Scotiabank Economics.

The external sector remains highly relevant for Taiwan's outlook, with exports of goods and services equivalent to around 75% of GDP. So far, the export sector remains relatively sluggish with shipments abroad up by 1⅓% y/y in the first nine months of the year in US dollar terms; a pick-up in activity will likely materialize in 2014 along with a rebound in global demand. Commercial ties between Taiwan and the People's Republic of China will continue to deepen, with President Ma Ying-jeou focusing on expanding beneficial bilateral trade agreements; a services trade pact signed in June is awaiting parliamentary approval. Moreover, following a free-trade agreement with New Zealand in July — Taiwan's first such deal with a developed country — the nation will continue to expand its integration with other countries in the Asia/Pacific region; top Asian destinations (e.g. China, Japan, Singapore, etc.) account for nearly 60% of Taiwan's shipments abroad, with the share likely to grow in the coming years. Indeed, negotiations regarding an economic co-operation with Singapore are near completion. Taiwan is well positioned to benefit from deepening regional integration; the nation ranks 12th (out of 148) in the World Economic Forum's 2013-2014 Global Competitiveness Index. The report highlights the high capacity of Taiwanese businesses to innovate, the nation's efficient goods markets, and its world-class primary and higher education.

Taiwan's inflationary pressures will remain manageable through 2014. An implementation of an electricity price increase in October 2013 will be reflected in consumer prices, taking the headline rate from the September level of 0.8% y/y towards 1½% by the end of the year, with the inflation rate hovering near the 2% mark in 2014. The Taiwanese monetary policy stance will likely remain unchanged in the coming months as authorities consider the current policy stance to be conducive to maintaining price and financial stability and promoting economic growth over the forecast horizon. The benchmark discount rate has been held steady at 1.875% since June 2011. We expect that the policymakers will respond to rebounding economic activity and gradually accelerating inflation by adopting a measured monetary tightening bias in the second quarter of 2014. The New Taiwan dollar may continue to face increased volatility in the coming months reflecting changing market expectations for US Federal Reserve policy shifts. Nevertheless, Taiwanese policymakers are prepared to intervene if they assess that the currency market is unduly disrupted by irregular factors, such as sizable outflows of short-term capital. Regardless, we expect the currency to be less vulnerable than many of its regional peers thanks to the country's very strong external finances.

Inflation and Benchmark Interest Rate



Source: Bloomberg, Scotiabank Economics.

For further information regarding Taiwan's economic outlook, please refer to the *Taiwan Executive Briefing*, published on October 16th at www.scotiabank.com/economics.

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Russia — Economic Outlook 2014

- **Slower growth profile and shrinking external surpluses in store for commodity giant.**

The Russian economy is transitioning to a lower growth trajectory following an economic boom fuelled by rising commodity prices through most of the 2000's. Annual real GDP expansions averaged 6.2% in 2000-2012 (excluding the recession in 2009), while the potential growth rate is now estimated at 3%. We expect real GDP to expand by around 1.7% in 2013, followed by a 2.9% advance in 2014. Economic activity was weaker than expected in the first half of the year, constrained by softer external demand for commodities and sluggish domestic investment. Growth will accelerate in the coming quarters on the back of favourable base effects and a temporary boost from infrastructure spending ahead of the Sochi Winter Olympics. Over the longer-term, Russia faces unique demographic and structural challenges not affecting other large emerging markets. Fast-tracking privatization and pension reform, strengthening the judicial system and property rights, addressing infrastructure deficiencies, tackling corruption and diversifying the economy away from a dependence on natural resources will remain top priorities. Oil and gas shipments account for nearly two-thirds of exports.

The outlook for price stability is improving, though gradually. After accelerating sharply from mid-2012 (reaching a peak of 7.4% y/y in May of this year), the headline inflation rate has begun to move down toward the central bank's target range (5-6% for 2013). A good grain harvest this year and softer demand-side pressures will support the disinflation trend, partially offset by a weaker ruble and household tariff hikes next year. We expect the CPI to average around 6% y/y through end-2014. The central bank is now using the one-week auction rate, currently set at 5.50%, as the benchmark interest rate; we do not anticipate any changes to this rate over the near term. The monetary authorities plan to transition to an inflation-targeting and flexible exchange rate regime by 2015, and recently widened the trading band within which the RUB is allowed to fluctuate.

Russia's fiscal outlook remains firmly linked to commodity prices. With revenues constrained by the weaker growth environment, the general government budget balance will fall back into a deficit position equivalent to roughly 0.7% of GDP this year after registering a surplus of 0.4% in 2012. Government expenditures expanded rapidly through the boom years under President Putin, causing the non-oil fiscal deficit (estimated to measure 11% of GDP in 2013) to rise and bringing the crude oil price needed to balance the budget up above US$100/bbl. In 2012 the government introduced a fiscal rule whereby future government expenditures will be conditional on long-term average oil prices, so as to reduce the procyclicality of fiscal policy due to oil price volatility. The current account surplus, amounting to 3.7% of GDP in 2012, will narrow over the forecast horizon as strong import growth outpaces exports while the income and services deficits remain wide. Russia could face a twin deficit situation (in the current and fiscal accounts) as early as 2015.

Financial markets have differentiated emerging-market currencies on the basis of economic fundamentals. Thus, as a consequence of Russia's existing external account surpluses, large stock of foreign reserves and low public debt, the ruble (RUB) has outperformed many of its peers throughout the period of financial tightening and heightened volatility since May. Nevertheless, the currency is unlikely to strengthen materially over the forecast horizon given ongoing Middle-East tensions, a fading current account surplus, capital outflows and a subdued growth outlook.

Russia's credit metrics have stabilized after a sharp deterioration around mid-year. The 10-year government bond yield is currently 4.0%, up from an average of 3.2% in the first half of the year, while the credit default swap rate is now 158 basis points (bps), up from 148 bps. Each of the foremost credit rating agencies maintains a "stable" outlook on the nation's long-term foreign-currency debt rating (S&P: "BBB", Moody's: "Baa1" and Fitch: "BBB"). Russia's low investment-grade status is underpinned by its strong sovereign balance sheet (with low public debt at 12% of GDP) and net external asset position, counterbalanced by its vulnerability to energy price movements, modest growth outlook and structural economic and institutional challenges.

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Venezuela: Has Anything Really Changed?

The following article was published on October 17, 2013.

To understand the stability of Venezuelan bond spreads over the long-term, we examine which fundamental indicators in Venezuela have deteriorated in recent years and which have stayed the same. Variables that had shown the largest problems before have worsened the most under President Maduro, while indicators most closely related to debt service capacity remain largely unchanged.

Judging by the long lines to buy basic consumer goods in Caracas, the economic situation in Venezuela continues to deteriorate. In any other country the problems would seem grave, but in Venezuela it makes sense to consider recent development in the context of problems that have existed for a long time, and to separate factors that affect daily life in Venezuela from those that affect the government's ability to pay the bonds.

In Figure 1, we show the trend in general macroeconomic indicators over time.

Figure 1. Macroeconomic variables that have deteriorated

	2009	2010	2011	2012	2013
CPI (y/y eop)	27%	27%	29%	20%	43%
Monetary base growth	17%	26%	40%	55%	63%
Ex-rate (official)	2.15	2.94	4.3	4.3	6.3
Ex-rate (market)	5.95	8.93	9.23	17.51	37.66
Non-oil exports share	5.30%	4.50%	3.90%	2.40%	2.00%
Consumer Shortage Index	13%	12%	13%	14%	20%
Additional Variables:					
Unemployment rate	6.60%	6.50%	6.50%	5.90%	7.60%
GDP growth	-3.20%	-1.50%	4.20%	5.60%	1.50%

Source: Global Source, Ministry of Finance, Central Bank. All data are for December or last available month in 2013.

The monetary problems are immediately obvious. Inflation has increased from 27% in 2009 to 43% in 2013, catching up with growth in the monetary base of 63%. The recent devaluation and the subsequent rise in wages agreed to by the government are the immediate cause. Increased capital controls make it impossible to know the true free-float exchange rate, but it lies somewhere between the 6.30 official rate and the 38 black market rate. The fact that the black-market rate has depreciated six-fold over the past four years, and four-times in the past year-and-a-half, indicates an obvious problem.

There is nothing new about these problems, however. For example, although the Central Bank's index of shortages increased from 14% a year ago to 20% now, it was also briefly at levels over 20% at the beginning of 2008. Moreover, those shortages are hardly surprising, since expropriations and price controls have decreased the incentives for private production while exchange rate controls have limited imports. Despite the obvious problems in economic policy, indicators for GDP growth and the unemployment rate are not so bad, thanks to the persistence of high oil prices.

Ever increasing government controls over the economy have not only created shortages of basic goods for consumers, but have shifted the focus of many workers and businesses from productive activities to the arbitrage of those controls. Our favorite statistic from this summer is that even though international flights from Venezuela were all sold out, planes departed with only 40% occupancy rates, presumably because the other 60% needed the airline tickets to access hard currency at preferential exchange rates that were supposed to be used for actual tourism.

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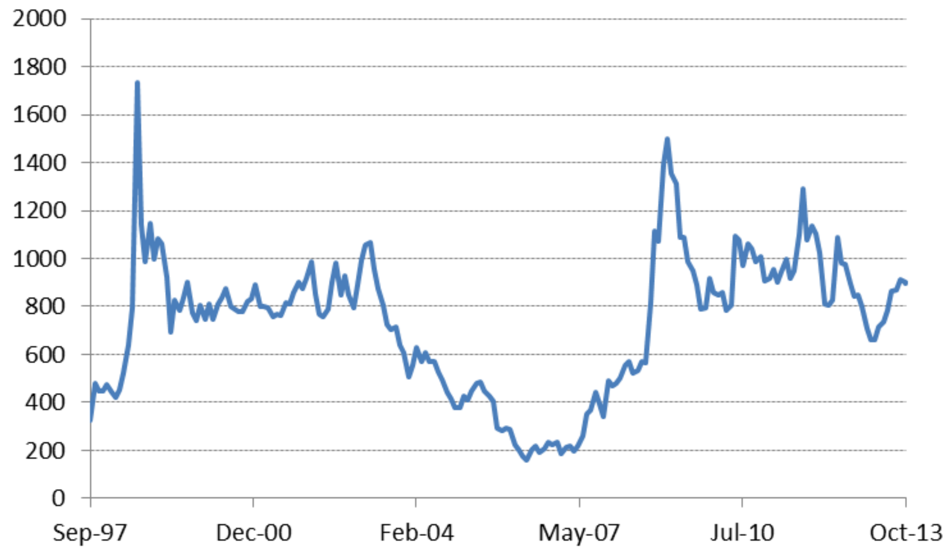
With the exception of bond market movements in the past month (Venezuela bonds sold off by about 100bp), markets generally shrug off these problems. The biggest cause of bond market volatility since 2009 was not economics but rather former President's Chavez's health. The spread on the bonds remains not only in the historical range relative to the past four years, but also, coincidentally, in the same range where it was trading ten years ago.

Figure 2. Spread on Venezuela 2027s since 1997



Source: Bloomberg

A part of the explanation lies in that the ultimate capacity to repay debt has not changed much; we had assumed as much, but were still surprised by the strength of the numbers. Most importantly, oil production has actually been rising, from 2.3mn bbd in 2009 to 2.8 today. That increase, and even larger gains in oil prices, have allowed oil exports to more than double. At least relative to other sectors of the Venezuelan economy, the oil industry continues to thrive. According to PDVSA data, investment in oil exploration and production remains large — $12bn USD in 2012, $17bn in 2013, and even larger amounts are planned for future years. Meanwhile, oil reserves have stabilized at around 300bn barrels.

Figure 3. Variables related to ability to pay

	2009	2010	2011	2012	2013
Crude Production (mn bbd)	2.3	2.3	2.4	2.8	2.8
Oil Exports ($bn)	33	41	60	76	74
Crude proven reserves (bn bl)	211	297	298	297	
External Debt – Total* ($bn)		76	93	95	90
External Debt Service (% exports)*		16.1	17.7	14.7	19
Foreign Reserves ($bn)	35	29	30	30	23

Source: Global Source, Ministry of Finance. All data are for December or, for 2013, last available month.

*External debt is sum of Government debt, PDVSA bonds and loans from China

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Surprisingly, total external debt levels, including PDVSA bonds and loans from China, have stabilized over the past few years, and debt service (interest and amortization) as a percentage of oil exports remains below 20% of cashed-in oil exports. In fact, total debt may have peaked in 2012 and is starting to decrease as loans from China amortize. Some of that stability may result from China's increased wariness of providing loans without guarantees that the money will be spent on oil exploration, as well as from the high cost of issuance in light of secondary market yields. Still, the government deserves significant credit for its restraint in issuing new external bonds, especially in light of the tremendous temptation to resolve shortages by issuing additional bonds to fund the exchange rate market. That restraint stands in contrast to radical policies on a variety of other fronts, demonstrating an aversion to too much hard currency debt.

One poorly performing variable with respect to capacity to pay debt is foreign reserves. Central bank reserves have only fallen moderately, despite the large transfers to national development funds, but many of these reserves are not liquid — much is held in physical gold in Venezuela, for example. Capital outflows, to the best we can measure them with balance of payment data, have not increased, demonstrating that exchange rate controls are at least effective at accomplishing one of their objectives.

While these data mostly indicate that capacity-to-pay has not deteriorated along with the rest of the economy, we see two ways that problems in the economy could affect debt-service going forwards. First, the deterioration in macro variables — higher shortages and higher inflation — coincides with President Maduro's rise to power. It may be that without Chavez, the administration is less able to implement and coordinate economic policy, and as a result, problems will continue to worsen. That deterioration could eventually lead to good news for markets in the form of a change in government, but would certainly create negative headlines in the near-term. Second, worsening problems could lead to more debt issuance in order to provide hard currency for importers. Nelson Merentes has been replaced as economic vice-president, but it remains unclear how policy will change as a result. We did see a $100mn auction this week to fund the import of Christmas purchases and other goods, but so far we see no evidence that the government will issue more debt than previously on an annual basis. Thus, while current problems add to uncertainty, so far there is little actual change.

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UK: Labour Report October

Square That Circle

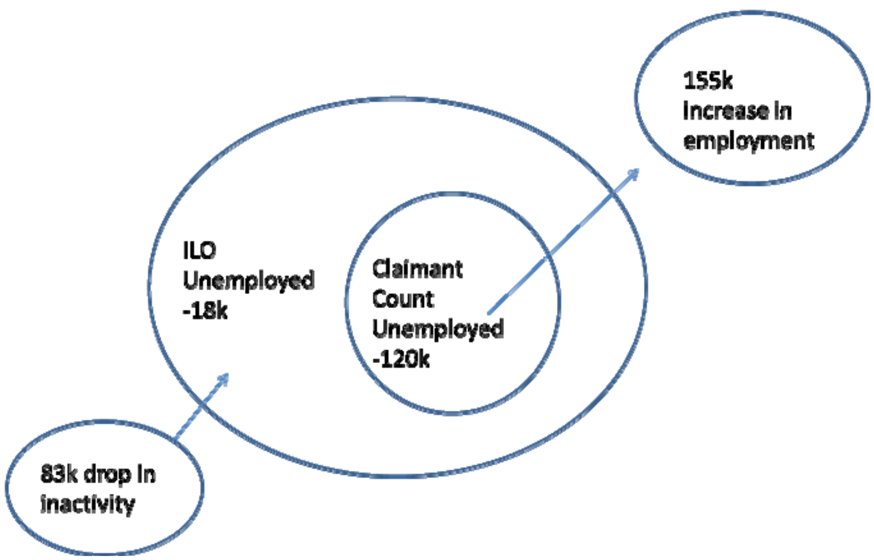
This week's UK labour report was very encouraging, but a tad puzzling at first glance. More specifically:

- Claimant count unemployment fell by almost 42k — much better than expected;
- Employment jumped by 155k in the last 3 months — better than expected.
- Yet the ILO measure of unemployment was only down by 18k.
- That left the unemployment rate steady at 7.7% — in line with expectations, but a little disappointing given a lot of people (ourselves included) had expected another tick downward to 7.6%.

This is the dilemma — claimant count fell by more in one month than the ILO fell in the last three months. Furthermore, claimant count unemployment fell by 120k in the last 3 months and is a sub-set of overall ILO unemployment (ILO unemployment is just under 3 million compared to around 1.4 million for the claimant count). Yet the ILO measure only fell by 18k in the last 3 months. How is that possible?

We believe that the answer is greater participation — and this lends some support to the Bank's cautious assumption on the unemployment rate. More specifically:

- 120k fewer people are claiming benefits and that is not far off the reported 155k increase in employment. That makes sense.
- Those 120k or so fewer benefits claimants also drop out of the ILO definition of unemployed, but there has been an offsetting inflow of previously inactive workers who are now unemployed instead of inactive.



Inactivity fell by 83k in the last 3 months. Within that, there has been a miraculous 62k drop in the number of long-term sick. Has the NHS upped its game? Have the drug firms found a miracle cure for long-term sickness? No! The economy looks better and benefits are less attractive than they were, so 60k out of 2 million long-term sick have decided to go back to work.

Those 83k people don't immediately qualify for unemployment benefits, so don't get picked up by the claimant count measure of unemployment. But they do get captured by the broader, ILO definition, of unemployment.

Looked at another way, the ONS data show that there was a 66k drop in those who were inactive who reported that they 'did not want a job'. Clearly the numbers don't add up perfectly, but it's as good an explanation as any.

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The International Context

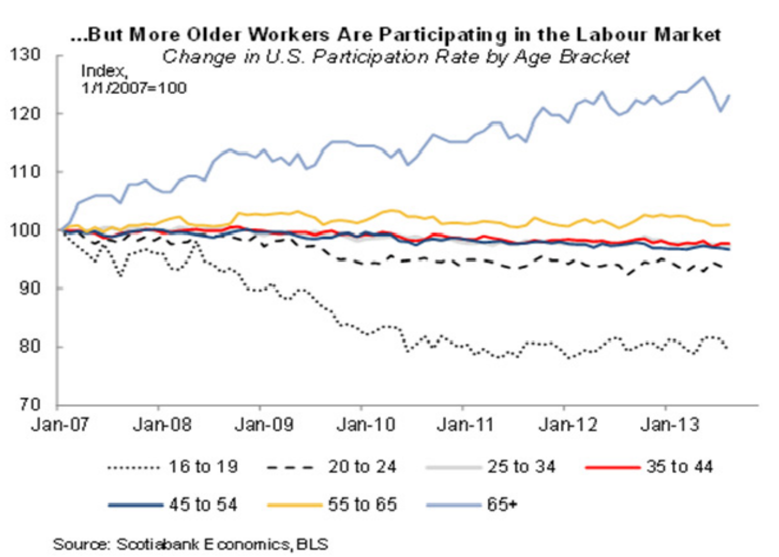
A larger point here is that the dynamics in the UK could well speak to what is likely to happen in other developed markets with low participation rates once job creation picks up. While it makes sense to say that some of the drop in participation rates across OECD countries is demographically rooted (i.e., older populations and therefore lower labour force participation), more of the decline in labour force participation is probably attributable to the weak labour demand and therefore generally discouraged workers.

For instance, in the US, where the participation rate has fallen to levels last seen in the 1970's, the decline is not attributable to aging of workers exclusively; while aging is playing a role as more workers shift into higher age brackets (which typically have lower participation rates — see table), older people are increasingly stating that they are labour force participants (i.e., participation rates for old people are going up — see chart). This makes sense in light of the massive destruction of wealth during the financial crisis and the needs of households to rebuild that wealth. The conclusion is that as labour markets pick up, even if the participation rate will naturally be lower than it used to be due to demographics, workers will return to the fold — and make progress on the unemployment rate more difficult than it has seemed at first. The UK looks to be offering an early exhibition of this process.

U.S. Workers are Getting Older…

Demographic	Average Participation Rate (2005-2013)	Percentage of Population (2007)	Percentage of Population (2013)
16 to 19	38.4%	7.3%	6.8%
20 to 24	72.9%	8.8%	9.0%
25 to 34	82.5%	17.1%	16.9%
35 to 44	83.4%	18.5%	16.1%
45 to 54	81.3%	18.8%	17.6%
55 to 65	64.2%	13.9%	15.9%
65+	16.9%	15.6%	17.7%

Source: Scotiabank Economics, BLS



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Latin America Week Ahead: For The Week Of October 21 - 25

With US fiscal uncertainty on standby due to the agreement reached by US legislators, market focus is back on the Fed/non-farm payrolls data, and when the tapering trigger will be pulled (the BLS published the calendar for its planned statistical releases — which contemplates publishing the delayed employment data on October 22). However, we also see room for some performance differentiation based on pure domestic drivers within LATAM. Our sense is there is a window for a risk asset rally to stretch from now until mid-December, but that performance will not be even within the region. In particular, although we see room for a broad LATAM FX rally, we expect BRL's upside to be somewhat limited relative to the other members of the LATAM FX5 basket, as the real's downside during the "risk-off stretch" was capped by the BCB's aggressive intervention. In terms of domestic drivers: 1) in Brazil we will be looking at the progress in the infrastructure projects, 2) in Chile the economic platforms of the different presidential candidates, 3) in Mexico the reform negotiations, 4) in Peru and Colombia the performance of growth, and how external demand is performing.

Week-ahead views:

Brazil: With the BCB's COPOM meeting minutes out, it will be interesting to see if the split between economists' and traders' expectations over the central bank's tightening pace converges in this week's weekly survey by the BCB. DI rates are pricing in that the tightening pace will see one more +50bps clip, while the latest analyst survey showed an expected slowdown to 25bps increments. Our base case is that the BCB will deliver 1 more 50bps hike, followed by a couple of 25bps increments. The outcome of the auction of Brazil's Libra field (expected to take place on the 21st), is likely to be followed due to the potential inflows based on the expected BRL15bn "bonus" to be paid by the winning group, and also due to the signal the auction could have for the government's broader infrastructure development agenda. According to Folha de Sao Paulo, there will be 2 major bidding groups: one comprised of Chinese SOCs, and another by Shell-Total.

Chile: The latest survey carried out by UDP confirmed a strong lead ahead of next month's elections for presidential candidate (and former President) Michelle Bachelet. The survey shows Bachelet enjoys 44% of voter intentions, while her closest contender, Evelyn Matthei stands almost 30 percentage points behind her with 14.3% of voter intentions. Despite concerns that have been raised about some economic changes suggested by Bachelet's team, the elections do not appear to have been a major factor for CLP, but we think it is relevant to watch for colour on economic platforms. Following last night's BCCh decision to cut the overnight rate 25bps, citing among other reasons the Fed's delayed tapering and the potential impact on exchange rates, our sense is that the central bank moved away from a clear easing bias to a more neutral/data-dependent stance. However, we did not perceive that the BCCh discounts further cuts. In terms of the decision's impact on CLP, we believe that the cut could have a short-term negative impact on the peso, but do not expect long-lasting effects.

Colombia: While the government has not clearly flagged discomfort with the peso's rebound (which we believe is partly the result of USD/COP still hovering in a 1872-1900 range), we don't discount the possibility that the government could begin to voice stronger discomfort if the cross starts moving towards 1850. In terms of data, this week's trade balance release should be seen as being among the key items for reading how much appetite for peso appreciation the government is likely to have. Later in the week, BanRep's MPC meeting could be one of the major channels for the central bank / FinMin to communicate their views on the currency to the market. Our sense is that BanRep is currently neutral in its bias, but it will be interesting to see how their reaction function is towards a potentially stronger peso, as well as the potential further delay of tapering.

Mexico: This looks set to be a very active week in Mexican markets. On the political front, the Tax portion of the economic package is expected to be sent to the Senate for discussion after its "approval deadline" in the Lower house on October 20th (although Congress is supposed to discuss the bill today). In addition, the ongoing debate / positioning on the key "energy reform" will likely continue to be tracked. On the data front, retail sales, Banamex's survey of economists, the trade balance and CPI are all scheduled for release and should all be market relevant. However, pre-October data may to some degree lose some of its relevance as the September hurricanes may be seen as a sort of "series trend break". In addition, Banxico is scheduled to hold its MPC meeting on Friday, for which we saw a rare "almost universal consensus" in the latest expectations survey for Banxico to cut the overnight rate by 25bps (however, most players believe Banxico will deliver a 25bps cut and then shift to a pause period).

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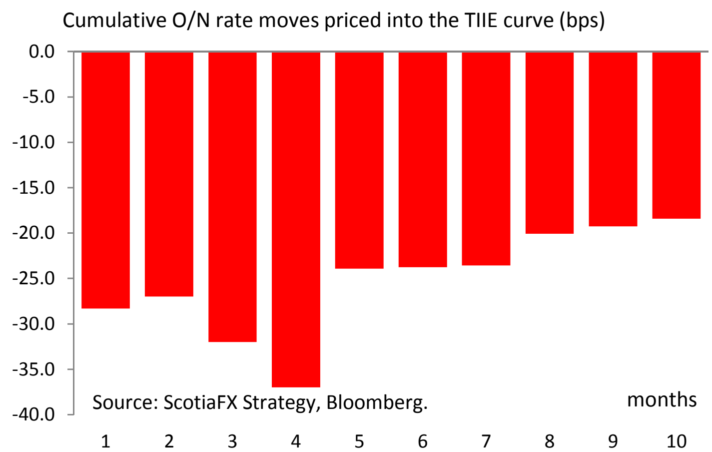
Our sense is that if there is a risk to the view of a 1-and-done 25bps cut, it is toward “looser policy”. In our view, the weakness in construction activity we have seen all year (which is likely due to a combination of the housing sector collapse, unfavourable base effects on public investment and a slow start of the government’s budget execution), along with the widespread damage to the country’s infrastructure caused by the dual storms / hurricanes that hit in September is likely to tip the balance of risks towards more aggressive easing. In particular, we don't discount either a 50bps cut next Friday, or twin 25bps cuts. We slightly lean towards the 50bps move as we see it as a potential way for Banxico to “provide a positive confidence shock” on the growth front.

Markets are starting to price in the possibility that Banxico could cut >25bps



Peru: With no tier-1 data releases expected next week, flows and global sentiment should be the main drivers for the sol. In our view, similar to what we see for BRL, we expect the fact that the sol’s downside was capped by intervention to somewhat limit rebound potential, but we still expect a broadly positive trend as we head into year-end. In terms of levels, we don't think 2.70 is an unreasonable target to set for USD/PEN as we head into year-end. In our view, part of the argument for a stronger sol is the relatively favourable Chinese data published overnight — which shows growth gained some momentum in Q3, accelerating to 7.8% y/y.

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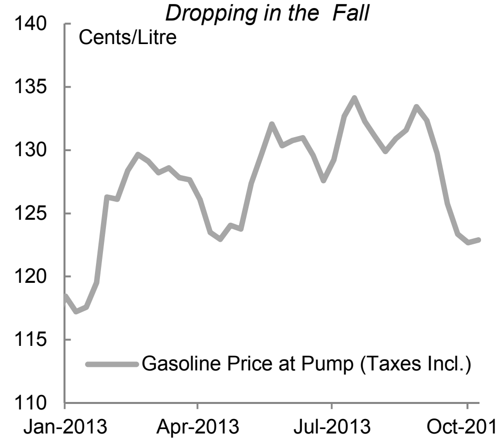
Key Data Preview

CANADA

We're not looking for fireworks when **retail sales** for August are released (Oct. 22). Most of the major leading indicators that we use to forecast the sub-components were fairly subdued on the month: gasoline pump prices were essentially flat (-0.7% m/m — see chart) as were vehicle sales at dealers (-0.6% m/m). (Note that sales at gas stations and car dealers exceed gasoline and new cars — both sell all sorts of other products as well.) Seasonally adjusted consumer prices were up by 0.1% m/m and the survey of large retailers showed strong gains (4.6% m/m using our seasonal adjustment), so there's some upward pressure there that leads us to anticipate a 0.2% m/m print. In terms of 'real' quarterly tracking, retail sales are looking quite soft for Q3, and were only pointing to a 0.7% q/q SAAR pace of growth after July. A 0.2% m/m gain in retail sales volumes in August would push the tracking to 1.3% q/q SAAR — better but by no means strong.

Canada Gasoline Prices:
Dropping in the Fall

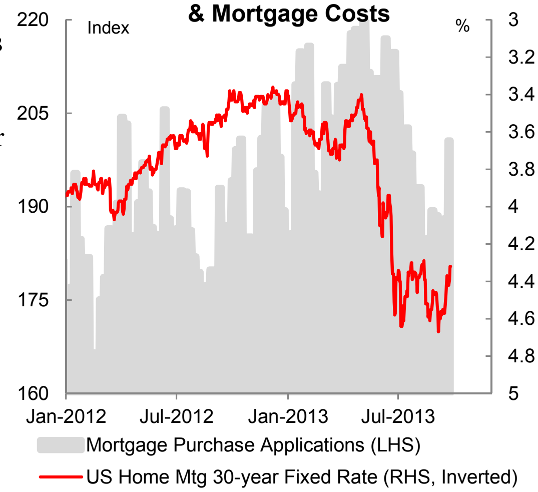


Source: Bloomberg, Scotiabank Economics

UNITED STATES

At the best of times, forecasting **U.S. nonfarm payrolls** (Oct. 22) is a difficult endeavour; U.S. jobs forecasting is even more difficult this time around as the single best leading indicator, namely jobless claims, was highly distorted by computer glitches in mid-September that caused the Department of Labor (which produces the numbers) to warn that the jobless claims figures shouldn't be used as a measure of the trend in U.S. jobs. With that in mind, we're flying somewhat blind into the September nonfarm payrolls report and have tempered where our jobless claims-fueled models would indicate that jobs ought to be, and are looking for a sub-200k print in the 180k neighbourhood.

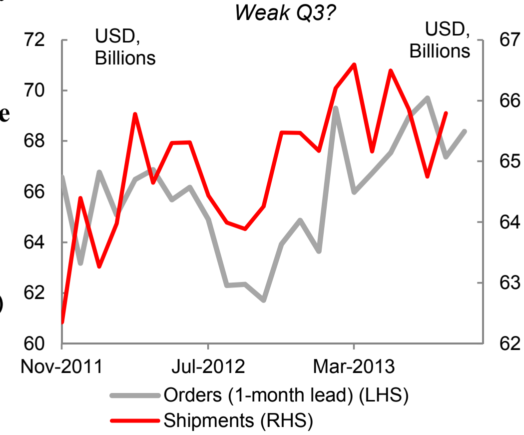
U.S. Mortgage Purchase Applications & Mortgage Costs



Source: Bloomberg, Bankrate.com, Scotiabank Economics

Existing home sales (Oct. 21) have managed to so far duck the spike in interest rates, and are currently sitting at a post-crisis high of 5.5m annualized sales. How long can this continue in an environment of rising interest rates and dropping mortgage applications (see chart)? The extent to which housing proves resilient or vulnerable to the higher interest rate environment is likely a major litmus test for the Fed's determination of what to do about its asset purchases. Between the weak mortgage purchase applications and a drop in pending home sales in August, we're anticipating a modest drop in sales to 5.4m in September. **New home sales** (Oct. 24) have slipped somewhat already (421k in August down from the 450k-460k range earlier in the year). Still, we're not certain that current levels can persist into September, and we're looking for a slight drop to 410k annualized new home sales.

US: Capital Goods Orders & Shipments
Weak Q3?



Source: US Census Bureau, Scotiabank Economics

Durable goods orders ought to bounce back in September (Oct. 25) on a surge in orders at Boeing (127 vs. 16 the month before). Leading metrics including the ISM manufacturing survey and the regional Fed surveys were strong on the month too. The one sore spot is vehicle orders, which we think were fairly flat on the month. The net leaves us looking for a 2.2% m/m number.

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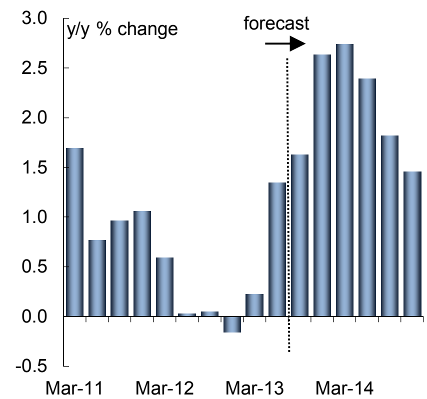
EUROPE

The advanced estimate of third-quarter GDP growth in the United Kingdom will be reported next Friday (October 25th). Anything can happen with UK GDP…and it usually does. The surge in survey-based indicators (namely, the purchasing managers' indices) since earlier in the year has been spectacular and taken, at face value, points to GDP expanding somewhere between 1% q/q and 1.5% q/q. However, the hard monthly data that feed directly into the quarterly GDP arithmetic have not been as upbeat. In particular, the first month of the quarter showed only pedestrian services output growth while industrial production has been mediocre. On the basis of these data, there is the case for aiming low — somewhere between 0.5% q/q and 1% q/q. However, there is a danger of extrapolating the tone of the data released early in the quarter. We are inclined to believe that the truth lies somewhere between the two extremes and a reading of around 0.9% q/q is the most likely outcome to follow the 0.7% gain of the second quarter. In year-over-year terms, this would mean an acceleration from 1.3% to 1.6%; our overall 2013 growth forecast is 1.5%.

Real GDP Growth - UK

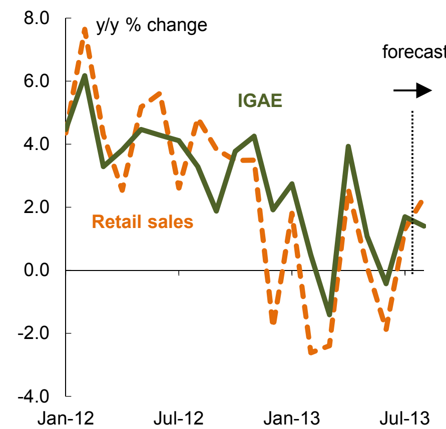


Source: Bloomberg, Scotiabank Economics.

LATIN AMERICA

After a poor performance in the first half of the year, signs of economic recovery in Mexico are expected to be confirmed with August data. Third-quarter leading indicators showed that output picked up in July, a trend that we anticipate to remain in place for August. July's Economic Activity Indicator (IGAE) expanded by 1.7% y/y, the second largest expansion in the last six months. Additionally, July's retail sales grew by 1.3% y/y after two consecutive months of weak activity. The retail sector has been underperforming throughout the year, with only three out of seven months showing positive gains above the 1.0% y/y mark. We anticipate that both retail sales and the IGAE will rebound slightly through the end of the year.

Mexican Retail Sales and IGAE

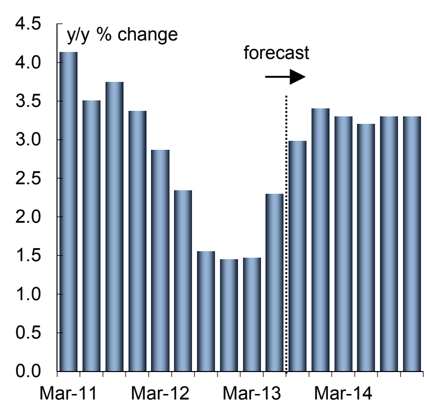


Source: Thomson Reuters, Scotiabank Economics.

ASIA

South Korean GDP data for the third quarter will be released on October 24th. We assess that the country's economic performance is picking up, partly owing to official fiscal and monetary stimulus measures. Real GDP likely expanded by 3.0% y/y (0.7% q/q) in the July-September period, following a 2.3% y/y (1.1% q/q) gain in the second quarter of the year. Recuperating consumer confidence underpins household spending, while improving forward-looking business indicators should translate into a pick-up in private-sector investment. External sector prospects are highly significant for South Korea as exports of goods and services are equivalent to over 50% of GDP; while net exports are contributing to growth, export performance remains relatively subdued for the time being. Nevertheless, stronger demand for South Korean goods will likely become more evident in 2014 as conditions in advanced economies improve. We expect the nation's output to grow by 2½% this year as a whole before picking up to 3¼% in 2014 on the back of an improvement in private consumption and stronger global demand conditions.

Real GDP Growth - South Korea



Source: Bloomberg, Scotiabank Economics.

Key Indicators for the week of October 21 – 25

North America

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	10/21	08:30	Wholesale Trade (m/m)	Aug	--	0.4	1.5
MX	10/21	09:00	Retail Sales (INEGI) (y/y)	Aug	2.2	1.5	1.3
US	10/21	10:00	Existing Home Sales (mn a.r.)	Sep	5.4	5.3	5.5
US	10/21	10:00	Existing Home Sales (m/m)	Sep	--	-3.3	1.7
US	OCT 21-25		Business Inventories (m/m)	Aug	--	0.3	0.4
US	OCT 21-25		Construction Spending (m/m)	Aug	--	0.4	0.6
US	OCT 21-25		Factory Orders (m/m)	Aug	--	0.3	-2.4
US	OCT 21-25		Total Net TIC Flows (US$ bn)	Aug	--	--	56.7
US	OCT 21-25		Net Long-term TIC Flows (US$ bn)	Aug	--	31.0	31.1
US	OCT 21-25		Housing Starts (000s a.r.)	Sep	--	910.0	891.0
US	OCT 21-25		Housing Starts (m/m)	Sep	--	2.1	0.9
US	OCT 21-25		Building Permits (000s a.r.)	Sep	--	935.0	926.0
US	OCT 21-25		Capacity Utilization (%)	Sep	--	78.0	77.8
US	OCT 21-25		Industrial Production (m/m)	Sep	--	0.4	0.4
US	OCT 21-25		Leading Indicators (m/m)	Sep	--	0.6	0.7
US	OCT 21-25		Retail Sales (m/m)	Sep	--	0.0	0.2
US	OCT 21-25		Retail Sales ex. Autos (m/m)	Sep	--	0.4	0.1
US	OCT 21-25		Trade Balance (US$ bn)	Aug	--	-39.5	-39.1
US	OCT 21-25		Treasury Budget (US$ bn)	Sep	--	65.0	-147.9
US	OCT 21-25		Wholesale Inventories (m/m)	Aug	--	0.3	0.1
US	10/22	08:30	Nonfarm Employment Report (000s m/m)	Sep	--	180.0	169.0
US	10/22	08:30	Household Employment Report (000s m/m)	Sep	--	--	-115.0
US	10/22	08:30	Unemployment Rate (%)	Sep	--	7.3	7.3
US	10/22	08:30	Average Hourly Earnings (m/m)	Sep	--	0.2	0.2
US	10/22	08:30	Average Weekly Hours	Sep	--	34.5	34.5
CA	10/22	08:30	Retail Sales (m/m)	Aug	0.2	0.4	0.6
CA	10/22	08:30	Retail Sales ex. Autos (m/m)	Aug	0.2	0.2	1.0
US	10/22	10:00	Richmond Fed Manufacturing Index	Oct	0.0	0.0	0.0
US	10/23	08:30	Export Prices (m/m)	Sep	--	--	-0.5
US	10/23	08:30	Import Prices (m/m)	Sep	--	0.2	0.0
CA	10/23	10:00	**BoC Interest Rate Announcement (%)**	Oct 23	**1.00**	**1.00**	**1.00**
US	10/24	08:30	Initial Jobless Claims (000s)	OCT 19	330	340	358
US	10/24	08:30	Continuing Claims (000s)	OCT 12	2850	2865	2859
MX	10/24	09:00	Bi-Weekly Core CPI (% change)	Oct 15	0.2	0.1	0.0
MX	10/24	09:00	Bi-Weekly CPI (% change)	Oct 15	0.5	0.3	0.0
MX	10/24	09:00	Global Economic Indicator IGAE (y/y)	Aug	1.4	1.8	1.7
US	10/24	10:00	New Home Sales (000s a.r.)	Sep	410.0	425.0	421.0
US	10/25	08:30	Durable Goods Orders (m/m)	Sep	2.2	2.0	0.1
US	10/25	08:30	Durable Goods Orders ex. Trans. (m/m)	Sep	0.5	0.5	-0.1
MX	10/25	09:00	Trade Balance (US$ mn)	Sep P	--	-900.0	-234.2
US	10/25	09:55	U. of Michigan Consumer Sentiment	Oct F	--	75.0	75.2
MX	10/25	10:00	**Overnight Rate (%)**	Oct 25	**3.50**	**3.50**	**3.75**

Europe

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
GE	10/21	02:00	Producer Prices (m/m)	Sep	--	0.1	-0.1
UK	10/22	04:30	PSNB ex. Interventions (£ bn)	Sep	--	11.3	13.2
TU	10/23	07:00	**Benchmark Repo Rate (%)**	Oct 23	**4.50**	**4.50**	**4.50**
EC	10/23	10:00	Consumer Confidence	Oct A	--	-14.5	-14.9

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

Key Indicators for the week of October 21 – 25

Europe *(continued from previous*

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
FR	10/24	03:00	Manufacturing PMI	Oct P	--	50.1	49.8
FR	10/24	03:00	Services PMI	Oct P	--	51.3	51.0
SP	10/24	03:00	Unemployment Rate (%)	3Q	--	26.1	26.3
GE	10/24	03:30	Manufacturing PMI	Oct A	--	51.4	51.1
GE	10/24	03:30	Services PMI	Oct A	--	53.7	53.7
SW	10/24	03:30	**Riksbank Interest Rate (%)**	Oct 24	**1.00**	**1.00**	**1.00**
EC	10/24	04:00	Composite PMI	Oct A	--	52.4	52.2
EC	10/24	04:00	Manufacturing PMI	Oct A	52.0	51.4	51.1
EC	10/24	04:00	Services PMI	Oct A	--	52.2	52.2
NO	10/24	04:00	**Norwegian Deposit Rates (%)**	Oct 24	**1.50**	**1.50**	**1.50**
FR	10/24	12:00	Total Jobseekers (000s)	Sep	3245.0	--	3235.7
FR	10/24	12:00	Jobseekers Net Change (000s)	Sep	10.0	--	-50.0
GE	10/25	04:00	IFO Business Climate Survey	Oct	108.2	108.0	107.7
GE	10/25	04:00	IFO Current Assessment Survey	Oct	112.0	111.4	111.4
GE	10/25	04:00	IFO Expectations Survey	Oct	104.5	104.5	104.2
UK	10/25	04:30	GDP (q/q)	3Q A	0.9	0.8	0.7
UK	10/25	04:30	Index of Services (m/m)	Aug	--	0.4	0.2

Asia Pacific

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
JN	10/20	19:50	Merchandise Trade Balance (¥ bn)	Sep	--	-918.6	-962.8
JN	10/20	19:50	Adjusted Merchandise Trade Balance (¥ bn)	Sep	--	-1127.4	-791.4
JN	10/20	19:50	Merchandise Trade Exports (y/y)	Sep	--	15.6	14.6
JN	10/20	19:50	Merchandise Trade Imports (y/y)	Sep	--	19.9	16.0
JN	10/21	00:30	All Industry Activity Index (m/m)	Aug	--	0.2	0.5
JN	10/21	01:00	Coincident Index CI	Aug F	107.6	--	107.6
JN	10/21	01:00	Leading Index CI	Aug F	106.5	--	106.5
JN	10/21	01:00	Supermarket Sales (y/y)	Sep	--	--	0.1
TA	10/21	04:00	Export Orders (y/y)	Sep	--	0.4	0.5
HK	10/21	04:30	CPI (y/y)	Sep	4.4	4.4	4.5
SK	10/21	07:59	Discount Store Sales (y/y)	Sep	--	--	-2.60
SK	10/21	07:59	Department Store Sales (y/y)	Sep	--	--	6.6
TA	10/21	20:30	Unemployment Rate (%)	Sep	4.2	4.2	4.2
AU	10/22	19:00	Conference Board Leading Index (%)	Aug	--	--	0.3
AU	10/22	20:30	Consumer Prices (y/y)	3Q	2.1	1.8	2.4
SI	10/23	01:00	CPI (y/y)	Sep	--	2.0	2.0
TA	10/23	04:00	Commercial Sales (y/y)	Sep	--	-0.7	-0.6
TA	10/23	04:00	Industrial Production (y/y)	Sep	--	0.1	-0.7
MA	10/23	05:00	CPI (y/y)	Sep	2.1	2.3	1.9
NZ	10/23	17:45	Trade Balance (NZD mn)	Sep	--	-680.0	-1190.9
NZ	10/23	17:45	Exports (NZD bn)	Sep	--	3.5	3.3
NZ	10/23	17:45	Imports (NZD bn)	Sep	--	4.1	4.5
CH	10/23	21:45	HSBC Flash China Manufacturing PMI	Oct	50.5	50.4	51.2
PH	10/24	04:00	**Overnight Borrowing Rate (%)**	Oct 24	**3.50**	**3.50**	**3.50**
HK	10/24	04:30	Exports (y/y)	Sep	--	-4.1	-1.3
HK	10/24	04:30	Imports (y/y)	Sep	--	-3.7	-0.2
HK	10/24	04:30	Trade Balance (HKD bn)	Sep	--	--	-39.6

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

Key Indicators for the week of October 21 – 25

Asia Pacific *(continued from previous page)*

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
TH	10/24	06:59	Customs Exports (y/y)	Sep	--	--	3.9
TH	10/24	06:59	Customs Imports (y/y)	Sep	--	--	-2.1
TH	10/24	06:59	Customs Trade Balance (US$ mn)	Sep	--	--	-94.7
SK	10/24	19:00	GDP (y/y)	3Q P	3.0	3.1	2.3
JN	10/24	19:30	National CPI (y/y)	Sep	0.9	0.9	0.9
JN	10/24	19:30	Tokyo CPI (y/y)	Oct	0.5	0.5	0.5
PH	10/24	21:00	Imports (y/y)	Aug	--	--	8.7
PH	10/24	21:00	Trade Balance (US$ mn)	Aug	--	--	-649.0
SI	10/25	01:00	Industrial Production (y/y)	Sep	--	5.2	3.5

Latin America

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CO	10/22	17:00	Trade Balance (US$ mn)	Aug	--	142.1	-221.0
BZ	10/24	07:00	Unemployment Rate (%)	Sep	--	5.4	5.3
CO	10/25	06:59	**Overnight Lending Rate (%)**	Oct 25	**3.25**	**3.25**	**3.25**
BZ	10/25	08:30	Current Account (US$ mn)	Sep	--	-2900.0	-5504.8

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

Global Auctions for the week of October 21 – 25

North America

Country	Date	Time	Event
US	10/21	11:00	U.S. Fed to Purchase USD3.00-4.00 Bln Notes
US	10/21	11:30	U.S. to Sell USD35 Bln 3-Month Bills
US	10/21	11:30	U.S. to Sell USD30 Bln 6-Month Bills
CA	10/22	10:30	Canada to Sell CAD5.1 Bln 98-Day Bills
CA	10/22	10:30	Canada to Sell CAD1.950 Bln 182-Day Bills
CA	10/22	10:30	Canada to Sell CAD1.950 Bln 364-Day Bills
US	10/22	11:00	U.S. Fed to Purchase USD1.25-1.75 Bln Notes
US	10/22	11:30	U.S. to Sell 4-Week Bills
US	10/23	11:00	U.S. Fed to Purchase USD2.75-3.50 Bln Notes
US	10/24	11:00	U.S. Fed to Purchase USD1.25-1.75 Bln Notes
US	10/24	13:00	U.S. to Sell USD7 Bln 30-Year TIPS Reopening

Europe

Country	Date	Time	Event
NE	10/21	04:30	Netherlands to Sell Up to EUR2 Bln 100-Day Bills
NE	10/21	04:30	Netherlands to Sell Up to EUR2 Bln 188-Day Bills
FR	10/21	08:50	France to Sell Bills
SP	10/22	04:30	Spain to Sell 3-Month and 9-Month Bills
SZ	10/22	05:30	Switzerland to Sell 91-Day Bills
SW	10/23	05:03	Sweden to Sell SEK10 Bln 82-Day Bills
GE	10/23	05:30	Germany to Sell EUR2 Bln 2.5% 2044 Bonds
UK	10/25	06:10	UK to Sell Bills

Asia Pacific

Country	Date	Time	Event
CH	10/20	23:00	China Muni Bond to Sell CNY22.1 Bln 5-Year Bonds
CH	10/21	02:00	Export-Import Bank of China to Sell CNY6 Bln 2-Year Bonds
CH	10/21	02:00	Export-Import Bank of China to Sell CNY6 Bln 5-Year Bonds
CH	10/21	23:00	China Development Bank to Sell CNY5 Bln 1-Year Bonds
CH	10/21	23:00	China Development Bank to Sell CNY5 Bln 3-Year Bonds
CH	10/21	23:00	China Development Bank to Sell CNY5Bln 5-Year Bonds
CH	10/21	23:00	China Development Bank to Sell CNY5 Bln 7-Year Bonds
CH	10/21	23:00	China Development Bank to Sell CNY4 Bln 10-Year Bonds
JN	10/21	23:45	Japan to Sell 20-Year Bonds
CH	10/22	23:00	China to Sell 10-Year Bonds
NZ	10/23	21:05	NZ Plans to Sell Nominal Bond
JN	10/23	23:35	Japan to Sell 3-Month Bill
AU	10/24	20:00	Australia Plans to Sell Indexed Linked Bonds

Source: Bloomberg, Scotiabank Economics.

Events for the week of October 21 – 25

North America

Country	Date	Time	Event
CA	OCT 11-21		Alberta Energy Minister Hughes Travels to Asia
CA	10/21	11:30	Port Authority Chairman McQueen Speaks at Board of Trade
CA	10/21	12:00	Canadian Minister Lebel Speaks at MCFR
CA	10/21	17:30	Former Privy Council Clerk Cappe Speaks on Public Policy
CA	10/23	10:00	**Bank of Canada Interest Rate Announcement**
CA	10/24	11:00	Ottawa Economic Outlook at Chamber of Commerce
MX	10/25	10:00	**Overnight Rate**
US	10/25	12:00	Former NYC Mayor Giuliani Speaks at Montreal Metropolitan CoC

Europe

Country	Date	Time	Event
PO	OCT 18-19		Portuguese President, Prime Minister Attend Summit in Panama
EC	10/19	11:00	EU's Olli Rehn Speaks in Lappeenranta, Finland
EC	10/19	11:30	EU's Barroso, Myanmar's Suu Kyi Hold Press Conference
SW	10/20	06:00	Swedish Prime Minister Fredrik Reinfeldt speech
GE	10/20	13:00	EU Commission's Barroso Co-Opens World Health Summit in Berlin
GE	10/20		Germany SPD Holds National Convention in Berlin
RU	OCT 20-21		World Economic Forum Moscow Meeting
IT	10/21	03:00	EU Commissioner Kroes, Italy PM Letta at Rome Conference
EC	10/21	03:00	ECB's Coeure speaks in Paris
IT	10/21	03:00	Letta Speaks at Employer Lobby's Digital Agenda Conference
AS	10/21	05:30	ECB's Nowotny, Rimsevics speak in Vienna
EC	10/21	06:00	Bundesbank publishes monthly report
EC	10/21	07:15	EU's Jones Speaks on Enlargement at CEPS in Brussels
SP	10/21		Spanish Central Bank Governor Linde Speaks at OMFIF Roundtable
EC	10/21		EU Foreign Ministers Hold Meeting in Luxembourg
EC	OCT 21-22		ECB, Bank of France Hold Joint Conference
UK	10/22	04:00	BOE's Bean Speaks at SBE Annual Conference
EC	10/22	04:00	EU General Affairs Ministers Hold Meeting in Luxembourg
PO	10/22	04:00	Portugal Vice-Premier, Espirito Santo CEO Speak at Conference
GE	10/22		New German Parliament Holds First Meeting
EC	OCT 22-23		NATO Defense Ministers Hold Meeting in Brussels
IT	10/23	03:00	Berlusconi Hearing in Naples on Senator Bribery Charges
UK	10/23	04:30	Bank of England Releases Monetary Policy Committee Minutes
TU	10/23	07:00	**Benchmark Repurchase Rate**
SP	10/23	13:30	BOS Governor Luis Maria Linde in Palma Mallorca
SW	10/24	03:30	**Riksbank Interest Rate**
EC	10/24	03:30	EU's Van Rompuy, Barroso Meet Labor, Employer Leaders
NO	10/24	04:00	Norges Bank Hold Press Conference on Rate Decision
NO	10/24	04:00	**Norges Bank Releases Interest Rate Decision**
SW	10/24	05:00	Riksbank's Ingves Holds Press Conference After Rate Decision
EC	10/24	11:00	EU Leaders Start Two-Day Summit in Brussels
UK	10/24	12:45	BOE's Carney Speaks at Event in London
PO	10/24		Portugal Releases Year-to-Date Budget Report
NO	10/25	04:00	Norway's Wealth Fund Presents Third-Quarter Report
EC	10/25	04:00	EU Leaders Conclude Two-Day Summit in Brussels
PO	10/25	10:00	Portugal's Moedas Speaks at Conference on 2014 Budget
EC	10/25	13:00	ECB's Asmussen speaks in Milan

Source: Bloomberg, Scotiabank Economics.

Events for the week of October 21 – 25

Asia Pacific

Country	Date	Time	Event
AU	OCT 14-23		Australian Governor-General Bryce Visits China
CH	OCT 19-23		China Vice Premier Zhang Visits Singapore
IN	OCT 19-24		Indian Prime Minister Singh Visits Russia, China
JN	10/20	20:30	Bank of Japan Governor Kuroda Speaks in Tokyo
CH	OCT 20-25		China NPC Standing Committee Session on Consumer Rights
FI	10/23	09:00	S. Korea's Chung Hong Won Meets Finland's Katainen in Helsinki
AU	10/23	23:00	RBA's Lowe Speaks in Melbourne
PH	10/24	04:00	**BSP Overnight Borrowing Rate**
MA	OCT 24-25		Malaysia Budget

Latin America

Country	Date	Time	Event
PN	OCT 18-19		Ibero-American Heads Of State Summit
CO	10/25		**Overnight Lending 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	1.00
Federal Reserve – Federal Funds Target Rate	0.25	October 30, 2013	0.25	--
Banco de México – Overnight Rate	3.75	October 25, 2013	3.50	3.50

BoC: We expect a more dovish BoC to emerge from the October 23 statement and MPR. This will come through downward revisions to 2013H2 growth and the likelihood that the return to full capacity and the 2% inflation target may be pushed out beyond the end of 2015. Fed: With nonfarm payrolls for September due out on Oct. 22nd, we'll have a major monetary policy event (now that the Fed has pinned so much on 'data dependency'). With the U.S. fiscal issues now likely to drag on through year-end, we see the possibility that the Fed's tapering decision might be deferred even further than our prior January call. Banxico: As a result of weak economic activity and headline inflation around 3.5% y/y in the last three months (the core component remains close to 2.5% y/y), the central bank of Mexico will likely continue to ease monetary conditions. We anticipate that Banxico will cut the reference rate by 25 basis points to 3.50% at the next meeting on October 25th.

Europe

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	0.50	November 7, 2013	0.50	--
Bank of England – Bank Rate	0.50	November 7, 2013	0.50	0.50
Swiss National Bank – Libor Target Rate	0.00	December 12, 2013	0.00	--
Central Bank of Russia – One-Week Auction Rate	5.50	November 8, 2013	5.50	--
Hungarian National Bank – Base Rate	3.60	October 29, 2013	3.60	3.40
Central Bank of the Republic of Turkey – 1 Wk Repo Rate	4.50	October 23, 2013	4.50	4.50
Sweden Riksbank – Repo Rate	1.00	October 24, 2013	1.00	1.00
Norges Bank – Deposit Rate	1.50	October 24, 2013	1.50	1.50

We do not anticipate any policy adjustments by the Turkish central bank next week. The lira has partially recouped its losses vis-à-vis the US dollar since May, helped in part by central bank intervention in the FX market. Although the IMF has urged authorities to raise the benchmark interest rates in their latest country assessment in view of above-target inflation, high credit growth and external imbalances, recent economic data (including slightly lower inflation and a drop in the monthly current account deficit) are unlikely to change the bank's policy stance at this time. The Swedish and Norwegian central banks are also expected to leave monetary conditions unchanged next week. In both economies, high household indebtedness (a result of prolonged low interest rates) has become a chief concern for authorities, while economic activity continues to be weighed down by weak European demand for exports. Monetary policy normalization will likely commence in the latter half of 2014.

Asia Pacific

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Target Rate	0.10	October 31, 2013	0.10	--
Reserve Bank of Australia – Cash Target Rate	2.50	November 4, 2013	2.50	--
Reserve Bank of New Zealand – Cash Rate	2.50	October 30, 2013	2.50	2.50
People's Bank of China – Lending Rate	6.00	TBA	--	--
Reserve Bank of India – Repo Rate	7.50	October 29, 2013	7.50	--
Bank of Korea – Bank Rate	2.50	November 13, 2013	2.50	--
Bank of Thailand – Repo Rate	2.50	November 27, 2013	2.50	--
Bank Indonesia – Reference Interest Rate	7.25	November 12, 2013	7.25	--

Latin America

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	9.50	November 27, 2013	9.50	--
Banco Central de Chile – Overnight Rate	4.75	November 19, 2013	4.75	--
Banco de la República de Colombia – Lending Rate	3.25	October 25, 2013	3.25	3.25
Banco Central de Reserva del Perú – Reference Rate	4.25	November 7, 2013	4.25	4.25

We anticipate that the central bank of Colombia will maintain the reference rate unchanged at 3.25% at the next meeting scheduled for October 25th, for the seventh consecutive month. Colombia's output growth has stabilized and shows signs of recovery after the moderation registered at the end of 2012 and first quarter of 2013. Although inflation has been accelerating, it remains close to the lower limit of the central bank's tolerance range of 2-4%.

Africa

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

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

Forecasts as at October 1, 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	2.8	3.5				
Canada	2.2	1.7	1.6	2.3	2.1	1.5	1.2	1.8
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	0.2	1.5	2.1	2.3	2.7	2.5	2.2
Euro Zone	1.4	-0.6	-0.5	0.7	2.1	2.2	1.2	1.6
Japan	0.8	2.0	2.0	1.8	-0.3	-0.1	0.9	1.5
Australia	3.0	3.7	2.4	2.7	3.1	2.2	2.5	3.0
China	9.4	7.7	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	6.1	6.5
South Korea	4.5	2.0	2.5	3.2	3.2	1.4	1.5	2.8
Thailand	4.0	6.5	3.7	4.0	2.6	3.6	1.7	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	1.03	1.06	1.07	1.07	1.06
Canadian Dollar (CADUSD)	1.01	0.98	0.95	0.97	0.94	0.93	0.93	0.94
Euro (EURUSD)	1.32	1.28	1.30	1.35	1.31	1.29	1.27	1.25
Sterling (GBPUSD)	1.63	1.52	1.52	1.62	1.55	1.53	1.51	1.50
Yen (USDJPY)	87	94	99	98	103	105	107	109
Australian Dollar (AUDUSD)	1.04	1.04	0.91	0.93	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	13.1	13.1	13.0	12.9	12.8
Brazilian Real (USDBRL)	2.05	2.02	2.23	2.22	2.30	2.32	2.35	2.38

Commodities (annual average)	2000-11	2012	2013f	2014f
WTI Oil (US$/bbl)	57	94	100	102
Brent Oil (US$/bbl)	58	112	109	109
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$/lb)	0.77	0.88	0.88	1.05
Nickel (US$/lb)	7.62	7.95	6.95	7.75
Gold, London PM Fix (US$/oz)	668	1,670	1,420	1,325
Pulp (US$/tonne)	718	872	930	900
Newsprint (US$/tonne)	581	640	608	630
Lumber (US$/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	-7.3	-10.6	-15.7	(Aug)
Industrial Production	0.9	0.4	-0.2	0.5	(Jul)
Housing Starts (000s)	215	175	190	194	(Sep)
Employment	1.2	1.7	1.2	1.2	(Sep)
Unemployment Rate (%)	7.3	7.1	7.1	6.9	(Sep)
Retail Sales	2.5	1.0	2.7	3.0	(Jul)
Auto Sales (000s)	1673	1680	1755	1721	(Jul)
CPI	1.5	0.9	0.8	1.1	(Sep)
IPPI	0.6	0.8	0.2	-1.7	(Aug)
Pre-tax Corp. Profits	-4.9	-10.5	-7.9		

United States	2012	13Q1	13Q2	Latest	
Real GDP (annual rates)	2.8	1.1	2.5		
Current Acc. Bal. (US$B, ar)	-440	-420	-396		
Merch. Trade Bal. (US$B, ar)	-741	-718	-703	-703	(Jul)
Industrial Production	3.6	2.4	2.0	2.5	(Aug)
Housing Starts (millions)	0.78	0.96	0.87	0.89	(Aug)
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	4.8	(Aug)
Auto Sales (millions)	14.4	15.3	15.5	15.2	(Sep)
CPI	2.1	1.7	1.4	1.5	(Aug)
PPI	1.9	1.5	1.6	1.4	(Aug)
Pre-tax Corp. Profits	18.5	1.4	3.7		

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

Europe

Euro Zone	2012	13Q1	13Q2	Latest	
Real GDP	-0.6	-1.2	-0.6		
Current Acc. Bal. (US$B, ar)	157	130	276	191	(Aug)
Merch. Trade Bal. (US$B, ar)	127.1	162.1	272.2	131.9	(Aug)
Industrial Production	-2.4	-2.3	-1.0	-1.4	(Aug)
Unemployment Rate (%)	11.3	12.0	12.0	12.0	(Aug)
CPI	2.5	1.9	1.4	1.1	(Sep)

Germany	2012	13Q1	13Q2	Latest	
Real GDP	0.9	-0.3	0.5		
Current Acc. Bal. (US$B, ar)	238.8	237.7	240.0	149.6	(Aug)
Merch. Trade Bal. (US$B, ar)	243.2	264.5	248.4	249.2	(Aug)
Industrial Production	-0.4	-2.4	-0.7	0.1	(Aug)
Unemployment Rate (%)	6.8	6.9	6.8	6.9	(Sep)
CPI	2.0	1.5	1.5	1.4	(Sep)

France					
Real GDP	0.0	-0.5	0.4		
Current Acc. Bal. (US$B, ar)	-57.3	-65.7	-36.2	-50.7	(Aug)
Merch. Trade Bal. (US$B, ar)	-52.2	-47.5	-44.0	-44.2	(Aug)
Industrial Production	-2.5	-2.4	0.1	-2.9	(Aug)
Unemployment Rate (%)	10.3	10.8	10.8	11.0	(Aug)
CPI	2.0	1.1	0.8	0.9	(Sep)

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

Italy					
Real GDP	-2.6	-2.5	-2.2		
Current Acc. Bal. (US$B, ar)	-11.3	-31.0	29.0	6.8	(Aug)
Merch. Trade Bal. (US$B, ar)	13.8	14.1	50.0	15.3	(Aug)
Industrial Production	-6.3	-4.3	-3.7	-5.1	(Aug)
CPI	3.1	1.9	1.2	0.8	(Sep)

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

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

Source: Bloomberg, Global Insight, Scotiabank Economics.

Asia Pacific

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

Japan	2012	13Q1	13Q2	Latest	
Real GDP	2.0	0.1	1.3		
Current Acc. Bal. (US$B, ar)	60.4	66.4	70.0	19.8	(Aug)
Merch. Trade Bal. (US$B, ar)	-86.0	-115.7	-86.7	-97.0	(Aug)
Industrial Production	0.2	-6.5	-3.1	0.9	(Aug)
Unemployment Rate (%)	4.4	4.2	4.0	4.1	(Aug)
CPI	0.0	-0.6	-0.3	0.9	(Aug)

South Korea	2012	13Q1	13Q2	Latest	
Real GDP	2.0	1.5	2.3		
Current Acc. Bal. (US$B, ar)	43.1	39.9	79.2	68.8	(Aug)
Merch. Trade Bal. (US$B, ar)	28.3	22.7	57.3	44.2	(Sep)
Industrial Production	1.2	-0.8	-1.7	3.7	(Aug)
CPI	2.2	1.4	1.1	0.8	(Sep)

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	168.1	263.5	182.5	(Sep)
Industrial Production	10.3	8.9	8.9	10.2	(Sep)
CPI	2.5	2.1	2.7	2.6	(Aug)

Thailand	2012	13Q1	13Q2	Latest	
Real GDP	6.5	5.4	2.8		
Current Acc. Bal. (US$B, ar)	-1.5	1.5	-6.7		
Merch. Trade Bal. (US$B, ar)	0.5	-0.1	-0.2	2.2	(Aug)
Industrial Production	2.1	3.7	-5.1	-2.1	(Aug)
CPI	3.0	3.1	2.3	1.4	(Sep)

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

Indonesia	2012	13Q1	13Q2	Latest	
Real GDP	6.2	6.0	5.8		
Current Acc. Bal. (US$B, ar)	-24.4	-5.8	-9.8		
Merch. Trade Bal. (US$B, ar)	-0.1	-0.1	-1.0	0.1	(Aug)
Industrial Production	4.1	9.0	6.1	3.2	(Jul)
CPI	4.3	5.3	5.6	8.4	(Sep)

Latin America

Brazil	2012	13Q1	13Q2	Latest	
Real GDP	0.8	1.8	3.2		
Current Acc. Bal. (US$B, ar)	-54.2	-99.2	-74.5		
Merch. Trade Bal. (US$B, ar)	19.4	-20.6	8.3	25.8	(Sep)
Industrial Production	-2.7	1.3	3.3	-0.7	(Aug)
CPI	5.4	6.4	6.6	5.9	(Sep)

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

Peru	2012	13Q1	13Q2	Latest	
Real GDP	9.2	4.5	5.6		
Current Acc. Bal. (US$B, ar)	-7.1	-2.7	-3.1		
Merch. Trade Bal. (US$B, ar)	0.5	0.1	-0.1	0.1	(Aug)
Unemployment Rate (%)	7.0	6.3	5.7	5.9	(Sep)
CPI	3.7	2.6	2.5	2.8	(Sep)

Colombia	2012	13Q1	13Q2	Latest	
Real GDP	4.2	2.7	4.2		
Current Acc. Bal. (US$B, ar)	-12.2	-3.2	-2.7		
Merch. Trade Bal. (US$B, ar)	0.4	0.2	0.4	-0.2	(Jul)
Industrial Production	0.1	-6.6	-0.2	0.2	(Jul)
CPI	3.2	1.9	2.1	2.3	(Sep)

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

Source: Bloomberg, Global Insight, Scotiabank Economics.

Interest Rates (%, end of period)

Canada	13Q2	13Q3	Oct/11	Oct/18*	United States	13Q2	13Q3	Oct/11	Oct/18*
BoC Overnight Rate	1.00	1.00	1.00	1.00	Fed Funds Target Rate	0.25	0.25	0.25	0.25
3-mo. T-bill	1.02	0.97	0.91	0.92	3-mo. T-bill	0.03	0.01	0.06	0.04
10-yr Gov't Bond	2.44	2.54	2.60	2.53	10-yr Gov't Bond	2.49	2.61	2.69	2.58
30-yr Gov't Bond	2.90	3.07	3.15	3.09	30-yr Gov't Bond	3.50	3.68	3.75	3.64
Prime	3.00	3.00	3.00	3.00	Prime	3.25	3.25	3.25	3.25
FX Reserves (US$B)	68.8		69.8	(Aug)	FX Reserves (US$B)	134.7		134.7	(Aug)
Germany					**France**				
3-mo. Interbank	0.14	0.15	0.18	0.18	3-mo. T-bill	0.03	0.06	0.06	0.05
10-yr Gov't Bond	1.73	1.78	1.86	1.83	10-yr Gov't Bond	2.35	2.32	2.38	2.35
FX Reserves (US$B)	66.1		65.9	(Aug)	FX Reserves (US$B)	51.4		52.4	(Aug)
Euro Zone					**United Kingdom**				
Refinancing Rate	0.50	0.50	0.50	0.50	Repo Rate	0.50	0.50	0.50	0.50
Overnight Rate	0.21	0.18	0.09	0.09	3-mo. T-bill	0.39	0.40	0.40	0.40
FX Reserves (US$B)	324.9		327.8	(Aug)	10-yr Gov't Bond	2.44	2.72	2.74	2.71
					FX Reserves (US$B)	90.2		90.8	(Aug)
Japan					**Australia**				
Discount Rate	0.30	0.30	0.30	0.30	Cash Rate	2.75	2.50	2.50	2.50
3-mo. Libor	0.09	0.09	0.08	0.08	10-yr Gov't Bond	3.76	3.81	4.13	4.12
10-yr Gov't Bond	0.85	0.69	0.66	0.62	FX Reserves (US$B)	45.0		46.3	(Aug)
FX Reserves (US$B)	1209.4		1219.9	(Aug)					

Exchange Rates (end of period)

USDCAD	1.05	1.03	1.03	1.03	¥/US$	99.14	98.27	98.58	97.70
CADUSD	0.95	0.97	0.97	0.97	US¢/Australian$	0.91	0.93	0.95	0.97
GBPUSD	1.521	1.619	1.596	1.619	Chinese Yuan/US$	6.14	6.12	6.12	6.10
EURUSD	1.301	1.353	1.354	1.369	South Korean Won/US$	1142	1075	1071	1061
JPYEUR	0.78	0.75	0.75	0.75	Mexican Peso/US$	12.931	13.091	12.993	12.810
USDCHF	0.95	0.90	0.91	0.90	Brazilian Real/US$	2.232	2.217	2.176	2.165

Equity Markets (index, end of period)

United States (DJIA)	14910	15130	15237	15330	U.K. (FT100)	6215	6462	6487	6613
United States (S&P500)	1606	1682	1703	1739	Germany (Dax)	7959	8594	8725	8838
Canada (S&P/TSX)	12129	12787	12892	13106	France (CAC40)	3739	4143	4220	4270
Mexico (IPC)	40623	40185	40975	40528	Japan (Nikkei)	13677	14456	14405	14562
Brazil (Bovespa)	47457	52338	53150	55632	Hong Kong (Hang Seng)	20803	22860	23218	23340
Italy (BCI)	849	950	1022	1037	South Korea (Composite)	1863	1997	2025	2052

Commodity Prices (end of period)

Pulp (US$/tonne)	950	945	945	945	Copper (US$/lb)	3.06	3.31	3.23	3.28
Newsprint (US$/tonne)	605	605	605	605	Zinc (US$/lb)	0.83	0.85	0.85	0.87
Lumber (US$/mfbm)	292	359	355	363	Gold (US$/oz)	1192.00	1326.50	1265.50	1316.50
WTI Oil (US$/bbl)	96.56	102.33	102.02	101.10	Silver (US$/oz)	18.86	21.68	21.52	21.87
Natural Gas (US$/mmbtu)	3.57	3.56	3.78	3.71	CRB (index)	275.62	285.54	286.61	286.54

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

Emerging Markets Strategy

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