Global Views

Weekly commentary on economic and financial market developments

September 20, 2013

Global Views **is available on: www.scotiabank.com, Bloomberg at SCOT and Reuters at SM1C**

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Political Risk Takes Over

- **Please see our full indicator, central bank, auction and event calendars on pp. A3-A8.**

Global politics steps to the forefront of near-term market concerns next week and thereafter. Chief among near-term developments will be the September 30th expiration of the Continuing Funding Resolution that funds the US government. Our operating assumption is that the threat of a partial government shut-down — which would be the first since 1995-96 under the Clinton administration — will be averted. The House Republicans are attempting to advance legislation that ties an extension in the CR's funding arrangements to attempts to claw back funding for Obamacare legislation. Such an effort would likely be defeated in the Senate as the Democrats hold the votes to strip away Obamacare defunding from the funding resolution itself and the White House has made it clear that it will use veto powers to avert the risk of defunding Obamacare anyway. That's not stopping the GOP from lengthening the list of over three dozen failed attempts to block Obamacare. The bigger battle then looms in the weeks ahead when Congress must vote to raise the debt ceiling before the Treasury runs out of money sometime between mid-October and early-November and this sets up a budget battle between the GOP and Democrats.

These fiscal policy risks are among the factors that made the Federal Reserve hesitant to taper asset purchases at this juncture, and it is entirely possible that clarity will not be reached until deep into October or perhaps early November with respect to the risks of further negative consequences for growth stemming from the agreed upon mixture of spending and revenue measures and the (unlikely) risk of default at the extreme. We will hear more from Federal Reserve speakers in the wake of the September 18th Statement as no fewer than nine FOMC members take to the podium including: NY Federal Reserve President William Dudley (voting); Atlanta Fed President Dennis Lockhart (nonvoting 2013, alternate 2014); Dallas Federal Reserve President Richard Fisher (nonvoting 2013, voting 2014), Cleveland Federal Reserve President Sandra Pianalto (alternate 2013, voting 2014 but retires early in the year), Kansas City President Esther George (voting 2013, nonvoting 2014, lone dissenter), Minneapolis Fed President Narayana Kocherlakota (alternate 2013, voting 2014), Chicago Fed President Charles Evans (voting 2013, alternate 2014), and Boston Fed President Eric Rosengren (voting 2013, nonvoting 2014).

US data risk will flare up on a few occasions over the week. A slew of updates on interest sensitive sectors will land throughout the week and they will be key because markets will be looking for whether weakness persists following deteriorations in their July readings that set Q3 data tracking off to a weak start. Recall that new home sales fell 13% in July over the prior month in seasonally adjusted terms. Consensus hopes for a modest gain in August, but it will be the smoothed trend over coming months that the Fed will be following after signaling that "the tightening of financial conditions observed in recent months, if sustained, could slow the pace of improvement in the economy and labor market." Further on the housing watch will be an update for pending home sales that have fallen slightly for two consecutive months with greater risk ahead as mortgage rate commitments are fully repriced. Also recall that core capital goods orders fell 3.3% m/m and shipments fell 1.5% in July which suggested that another interest sensitive part of the economy might also be reacting adversely to the rate shock that has been imposed since May. The headline for durable goods orders could well drop again because Boeing plane orders fell, but consensus is cautiously optimistic in hoping for a small gain in core capital goods orders as well as shipments that act as a better proxy for nearer-term business investment. Friday's consumer spending print is expected to follow retail sales higher, but the key will be what happens to inflation-adjusted spending after the flat print in July. After deflating the retail sales print for August by CPI, the volume of retail sales only grew 0.1% making it a close call as to whether total spending expanded during the month depending upon what happened to services.

Also watch for initial jobless claims to revert higher over the next two weeks as computer upgrade issues in California artificially pushed claims data lower of late and a claims backlog will be worked off over coming weeks. Minor revision risks are expected for the final kick at the Q2 GDP print. Lesser forms of data risk include S&P Case Shiller home prices that will be shooting for the eighteenth straight gain after rising by 19% since March of last year while remaining about 23% below the mid-2006 bubble-induced peak. This is one reason why household net worth is recovering, but the value of real estate holdings on household balance sheets still remains depressed as we await next week's Q2 update (see chart). The Richmond Fed manufacturing gauge and the Conference Board's consumer confidence print also lie on the agenda. Mortgage applications

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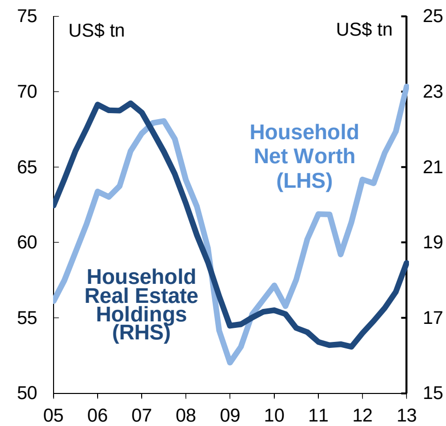
will be scrutinized for possible evidence of a trending bottom in purchase activity while refinancings will probably get a boost over the next couple of weeks in light of the post-Fed rates rally.

Asia-Pacific markets will have an eye on the latest round of manufacturing sector data out of China. The country's 'flash' or preliminary release of the private sector's purchasing managers' index will be released into the Monday market open and is expected to remain ever so slightly above the critical 50-line that divides expansion from contraction. Market concerns over China's economy abated as readings such as this indicator came in more positively compared to the contraction signals through the May-July period during which the People's Bank of China was imposing a liquidity shock in the context of over-leveraged balance sheets and frothy housing markets. China also releases year-to-date industrial profit figures on Thursday as the figures have been supportive of a better profit picture than last year.

Slow March Back



Source: U.S. Federal Reserve, Scotiabank Economics.

The Bank of Japan's goal of doubling the inflation target to 2% will be subject to its latest judgement on Thursday when CPI data lands. Thus far, our concern that the BoJ would be challenged to unleash generalized inflation is unfortunately panning out well. Headline CPI is up 0.8% y/y and went positive in June, but it did so as energy prices soared partly due to rising electricity charges but also higher imported energy prices due to earlier yen depreciation and higher global benchmark oil prices. This is a relative price shock that we continue to believe will crowd out pricing power in the rest of the CPI basket absent a pick-up in wage growth, and this poses a tight household budget constraint. The result on the first pass could well be the appearance of stepping toward achieving the 2% inflation target only for the second round effects of a relative energy price shock to feed offsetting deflationary or disinflationary consequences for the broader CPI basket. Trade figures for several countries such as New Zealand, Philippines, Thailand and Hong Kong round out the Asia-Pacific releases.

Europe will enter the week with a bang or a whimper depending upon the outcome of German federal elections on Sunday. The latest polls over recent days generally suggest it will be a very close call as to whether the AfD party will retain official party status and thus remain a viable coalition partner for German Chancellor Angela Merkel's CDU party and her CSU partner. Without it, the CDU/CSU coalition will struggle to have a large enough share of the popular vote to keep the SPD and Greens at bay. That, in turn, could result in any number of scenarios involving different coalition partners which may or may not retain Merkel as the leader.

European data risk will be focused upon the latest batch of sentiment PMI surveys. The pick-up in these sentiment surveys has generally outpaced much of the harder European data into Q3. It was the shift in readings like Germany's purchasing managers' index for the manufacturing sector from contraction as recently as June to expansion since then that significantly changed market opinions in favour of an improved Eurozone economy. Germany's IFO business confidence reading that will land on Tuesday (the day after all of the PMI and Eurozone confidence readings) has also greatly improved into this past Spring, but the expectations component has been trending fairly sideways since. Markets will therefore be sensitive to any signs that sentiment surveys are waning. German inflation figures have been hovering around the 1.5% range for months and expectations are no different for next week's print. Final Q2 GDP revisions for the UK and France, French and Italian consumer spending, UK services data and house prices, and the Spanish budget round out risks on the week.

Canada will play host to Japanese Prime Minister Shinzo Abe from Sunday through Tuesday. One of the main topics will be to advance discussions on the Trans-Pacific Partnership trade deal between twelve Pacific Rim economies. The rest of the week will be quiet on the domestic front until Friday's retail sales figures. Higher auto sales and gasoline prices might give a lift to the headline, and so might a restoration of more normal business activity following flooding in Alberta and Quebec's construction strike during the prior month. An argument against this is that the prior month's sales weakness was geographically focused upon Ontario that accounted for about 40% of the national sales drop in June even though sales also slipped in Quebec and Alberta. BoC Deputy Governor Lawrence Schembri speaks about "why we need the financial stability board" on Tuesday.

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Latin America's Macroeconomic Outlook 2013-14

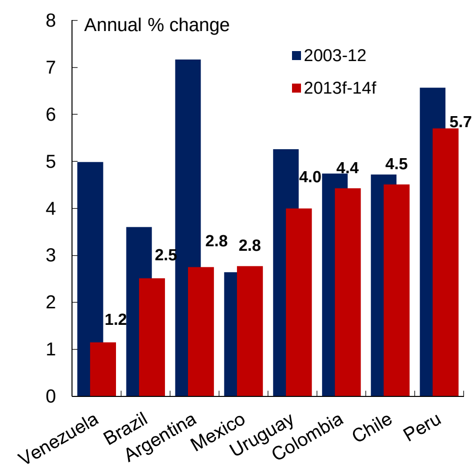
Challenging, Yet Improving, External Context

The Latin American region will benefit from the ongoing process of global economic rebalancing. The improving economic performance in the United States in the context of a more systemically sound financial sector combined with persistent high growth in China (yet at a somewhat milder rate of expansion), recuperating activity in Japan and the United Kingdom, and a nascent, yet timid, economic recovery in Europe are all factors that bode well for the region's growth prospects. Nevertheless, the process of interest rate normalization in the advanced economies, coupled with a shift in investors' preference for assets in more established securities markets, has instilled a higher dose of financial market volatility in most countries in the developing Americas that has yet to run its course. Overall, the core countries in Latin America are adequately prepared to weather an external financial shock caused by the inevitable unwinding of stimulus measures in developed countries.

Uneven Growth Dynamics

Economic activity across Latin America will remain uneven over the next 18 months after moderating in the first half of 2013. Peru and Chile will continue to outperform on the back of strong local demand, while Venezuela and Argentina will lag the regional average pace as a result of unconventional economic policies and high inflation. Brazil´s recovery remains dependent on fiscal stimulus amid growing social discontent and persistent devaluation pressures. In Mexico, after a year of mild economic activity due to the change in government, the economy will benefit from improving US conditions and ongoing domestic structural reforms. We expect the region overall output to expand by 3.0% in 2013 with growth accelerating to close to 4% in 2014.

Real GDP Growth

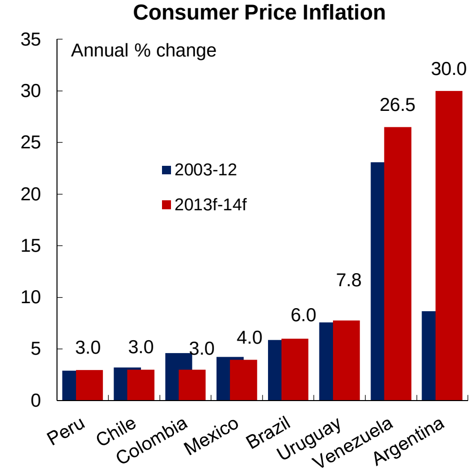


Source: Bloomberg, Scotiabank Economics.

Divergent Inflation And Monetary Outlook

There is no uniform trend in place with respect to monetary policy. Monetary conditions will remain loose in order to support growth in economies where inflation is well contained, including Chile, Colombia and Peru. Nevertheless, the region's two largest economies are heading in opposite directions. The Brazilian central bank will maintain an aggressive tightening bias, as inflation exacerbated by currency depreciation continues to threaten the economic recovery. Mexico's central bank recently resumed an easing cycle, which may continue in the coming months. This reflects concerns over the country's economic performance. Peruvian authorities are using reserve requirements to modify monetary conditions, while in Chile and Colombia the policy stance remains roughly neutral. Overall, credible monetary regimes will lead to a sustained improvement in inflation control over the next two years.

Consumer Price Inflation



Source: Bloomberg, Scotiabank Economics.

Disruptive Global Asset Allocation

Asset re-allocation away from emerging markets will continue as the US Federal Reserve normalizes its monetary conditions, paving the way for higher long-term interest rates. Shifts in

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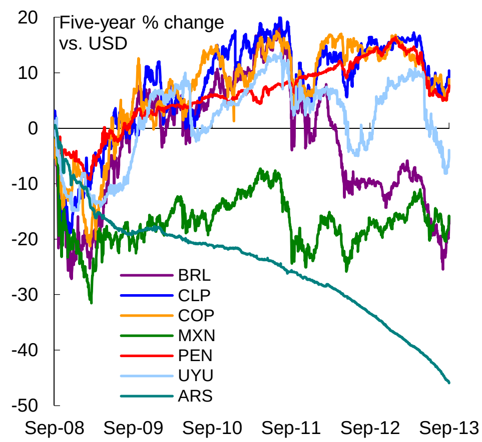
regional currencies will reflect a stronger US dollar (USD). However, solid macroeconomic fundamentals and central bank intervention through multiple mechanisms will shape the process of exchange rate adjustment. The Argentine peso and the Venezuelan bolivar will remain as the region's weakest currencies in the coming years, responding to foreign-currency shortages and disrupting capital controls. The Brazilian real will continue to weaken as a result of economic slowing and lower policy credibility. The Mexican peso will be shaped by structural reform achievements, developments in US financial markets and capital flows normalization.

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



Source: Bloomberg, Scotiabank Economics.

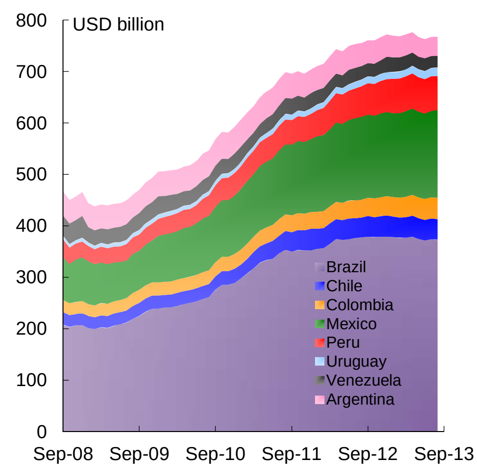
Deteriorating Current Account Balance

The region remains highly dependent on commodity prices. Mexico, Colombia and Venezuela are dependent on oil-related exports; therefore, they are more exposed to the US. Meanwhile, the economies of Peru and Chile, that rely heavily on metal prices and particularly on copper, are more connected with Chinese activity. Regional integration is supported by large-scale investment projects in key sectors that transcend political boundaries. Intra-regional trade has gained importance, particularly in the southern nations of the region. Current account deficits are expected to widen in the coming years, as a result of lower exports due to a still subdued — albeit recovering — external demand. Meanwhile, import growth will remain solid as domestic demand in many economies continues to be strong.

Improved Sovereign Credit Profile

Debt sustainability is not an area of concern in Latin America. Most countries in the region — with the exception of Venezuela and Argentina — continue to enjoy a manageable fiscal position with controlled external debts. Additionally, structural advances in domestic banking sectors through regulatory frameworks and competitive business environments have mitigated potential systemic risks allowing a healthy expansion of credit. These factors have prompted sovereign credit rating upgrades by the major rating agencies. Foreign direct investment remains solid, representing a significant source of inflows and job creation. The unwinding of global liquidity may trigger sudden and temporary financial market volatility. However, this will not neutralize the structural reforms implemented by selected countries. With US$800 billion in FX reserves and systemically sound domestic banking sectors, Latin America is well equipped to manage temporary shocks and market stress.

International FX Reserves



Source: Bloomberg, Scotiabank Economics.

Persistent Governance Challenges, Elections In Sight

Latin America continues to strengthen its institutional and regulatory framework. However, structural reforms and the fight against organized crime in Mexico; the peace process in Colombia, mining industry unrest in Peru, massive demonstrations and corruption scandals in Brazil, political uncertainty in Venezuela, and erratic policies in Argentina remain challenges for the corresponding administrations. Additionally, presidential elections in Chile (November 2013), Colombia (May 2014) and Brazil (October 2014) will also shape the policy environment over the next 12 months.

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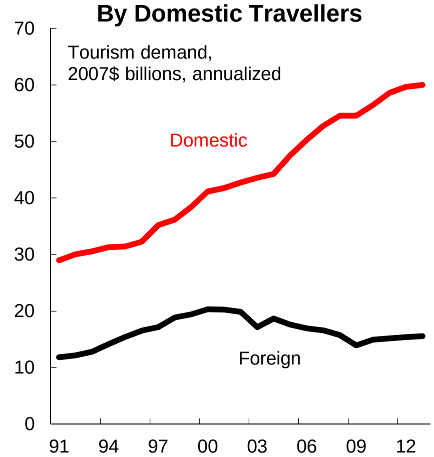
Slow-Go For Canada's Tourism Industry

- **Global economic uncertainty and frugal consumers and businesses are weighing heavily on Canadian tourism activity.**

Canada's tourism sector has shown a modest recovery since the 2009 recession downturn, but remains challenged by the relatively slow pace of global growth as well as increased spending restraint by Canadians. Tourism expenditures, adjusted for inflation, increased an average of 3% annually from 2010-2012, reflecting moderate spending increases by both Canadians and international visitors. Annualized growth has slowed to just 1% this year, as economic uncertainty weighs on the discretionary spending plans of households and businesses.

Tourism is a key sector of the Canadian economy, with expenditures nearing $82 billion last year. The sector directly accounts for roughly 615,000 jobs in Canada. Activity is dominated by leisure travel, though business travel also is an important contributor to industry growth, and generates significantly more revenue per trip.

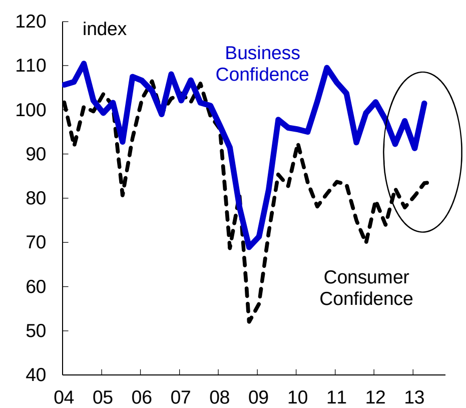
Canadian Tourism Demand Fuelled By Domestic Travellers



Source: Statistics Canada, Scotiabank Economics.

Canada's tourism industry has become increasingly dependent on domestic tourists for growth. Tourism spending by Canadians accounted for 80% of total expenditures last year, up from 68% a decade earlier. This shift reflects a steady, sharp decline in the number of U.S. visitors coming to Canada, as well as a leveling out in non-U.S. international arrivals. Factors contributing to the falloff include the significant appreciation in the Canadian dollar that has eroded price competitiveness, as well as the rapid growth in emerging markets as a tourist destination.

Canadian Business And Consumer Sentiment Slowly Picking Up



Source: Conference Board of Canada, Scotiabank Economics.

The slow, uneven pace of global activity will continue to constrain tourism demand, though the industry should eventually benefit from a stronger, more sustainable recovery. International visits will be bolstered by the revival in U.S. consumer spending, though persistently high unemployment in Europe, Canada's second largest tourist market, suggests arrivals from the region will remain moribund for the time being. Emerging market economies, despite slower growth, will remain a small but growing market for Canadian tourism.

Canadians' tighter travel budgets and a weaker Canadian dollar may provide some support to the domestic market by deferring more expensive overseas trips for cheaper vacations closer to home. Even so, moderate employment and wage gains will keep a rein on leisure travel outlays. Improving business sentiment and healthy corporate balance sheets are expected to support strengthening domestic business travel once the global recovery gains greater traction.

Canada's tourism industry faces significant medium- and longer-term challenges. There is a need to regain, or at least retain, a share of the fast-growing yet highly competitive international tourism market. The necessity of diversifying Canada's tourism base beyond domestic and traditional overseas markets is particularly important given the rising number of Canadians travelling abroad, a trend that is expected to continue as the large baby boom generation eases into retirement.

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Is Fed Tapering Bumped Into 2014?

- **It's entirely possible that the Federal Reserve will not reduce asset purchases this year and will allow QE3 to run longer than previously guided.**

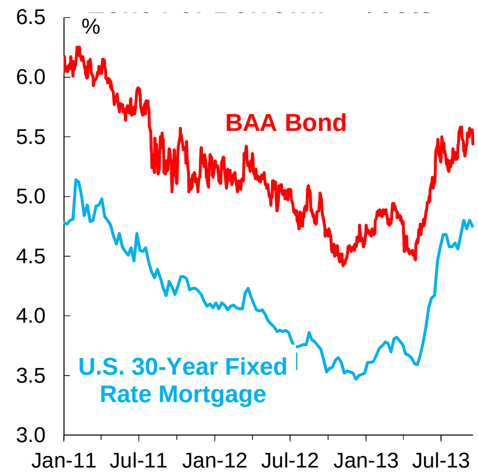
The Federal Reserve's policy statement and Chairman Bernanke's press conference this past week were about as dovish as one could have expected. Taken together they seriously raise the possibility that a reduction in asset purchases spread across Treasuries and MBS (so-called "tapering") is off the table for 2013 or will occur by December at the earliest which is our longstanding call. If the Fed is not at all convinced that it needs to taper now, then it is highly doubtful that it will have a change of heart just six weeks from now by the October 30th FOMC meeting since the data risks they flagged, combined with fiscal policy risks, will take longer than that to evaluate. The statement and press conference also call into question previous guidance regarding the projected expiration of QE3 by the middle of next year. On balance we are in agreement that this is the right thing to do at this juncture and the Fed generally met our off-consensus expectations. For a reminder of our fuller views, please go here.

So what did the Federal Reserve do apart from maintaining its MBS and Treasury purchases at an unchanged rate of $40 and $45 billion per month, respectively?

Markets Over-Shot The Fed's Yield Comfort Zone

Against confirming the rate selloff as expected by markets, the Fed tamped it down. Saying that "the tightening of financial conditions observed in recent months, if sustained, could slow the pace of improvement in the economy and labour market" is a nod that the Fed is worried about renewed downside risks even if risks compared to last Fall have improved to date. The FOMC is signaling that market rates lie outside of the Fed's comfort zone at this stage of the recovery and with notable event risks concentrated in the weeks and months ahead.

Markets Overshot Fed's Comfort Zone For Borrowing Costs



Source: MBA, Moody's Investors Service.

Doubt Over The Longevity Of The QE3 Program

Stating that "asset purchases are not on a preset course" renews the Fed's concerns about the durability of the expansion and codifies the conditionality of the program. Gone was explicit reference to how the QE3 program would expire by the middle of 2014 in favour of greater uncertainty. Tapering later rather than sooner could require the program to last for longer to avoid large reductions in asset purchases at the five FOMC meetings stretching between December and next June or unscheduled announcements between meetings.

Key in this regard is that a new Continuing Resolution has passed the House of Representatives and is likely to pass the Senate after probably being stripped of its features that would defund Obamacare. Even if the debt ceiling were to be raised in time (our assumption), it appears as if the next Continuing Resolution will expire in mid-December and thereby extend the risk of a partial government shut down depending upon the tone of the budget negotiations leading up to this. That could take the risks up to the eve of the December 18th FOMC meeting and make it difficult to consider tapering purchases until the new year.

Will Take Multiple Meetings To Evaluate

What also leads us to think tapering is off the table for the October 30th statement and will occur in December at the earliest is that the Fed says it will evaluate incoming data and assess a decrease in asset purchases "at its coming meetings," and will accordingly take its time and not be pushed into action by markets. This of course is at risk of major surprises such as earlier-than-expected and more long-lasting resolution of key fiscal policy risks, and strong data upsides. That avoids more imminent sounding calendar-specific guidance but still leaves markets vulnerable to a data — or policy — driven "October surprise".

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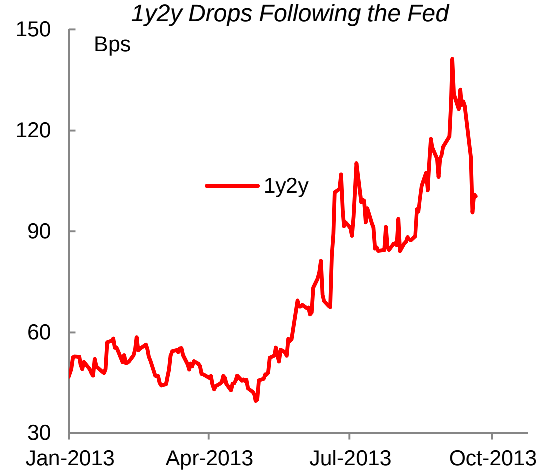
Strengthened Forward Guidance

Fed Fights Back

1y2y Drops Following the Fed



Source: Bloomberg, Scotiabank Economics

The Fed got somewhat more dovish with respect to its forward guidance for the path of the Fed Funds rate. The Chairman said at his press conference that the first interest rate hike possibly will not occur until the unemployment rate is considerably below 6.5% as the Fed will take into account a broad spectrum of employment-related metrics — which are improving more slowly than the unemployment rate. That's somewhat stronger than stating that an exceptionally low fed funds rate will exist "at least as long as the unemployment rate remains above 6-1/2 per cent" in the previous statement. Further on the forward guidance point, the average forecast provided by meeting participants for the Fed funds rate at the end of 2015 fell slightly to 1.25% vs. an average forecast of 1.33% at the June meeting. Ultimately, these changes don't have us expecting the Fed funds rate to move before mid-2015 — which is what the Fed had guided in the first place back when it was providing 'calendar' guidance and not 'data-dependent' guidance. Markets, however, had gotten ahead of this economic-fundamentals-based forecast, and by some measures were expecting a Fed funds rate hike much earlier, possibly next year. Bernanke's Fed fought back against early rate hike pressures this week as evidenced by a drop in implied market one-year rates two-years forward (see chart).

Downward Forecast Revisions

In sympathy with the more dovish interest rate hike guidance, the Fed knocked down its forecasts for various economic indicators. First, the Fed lowered the upper bound for its GDP growth forecasts for 2013 (now at 2.3%, down from 2.6% in June) and for 2014 (now at 3.1%, down from 3.5% in June). Second, the Fed now expects PCE inflation to max out at 1.8% y/y in 2014 vs. 2% in the June meeting.

The Fed's new forecasts make more sense to us — but may still be on the high side. Scotiabank Economics forecasts US growth of 1.6% this year and 2.6% next year. Bloomberg consensus forecasts US growth of 1.6% and 2.65% in 2013 and 2014 respectively. The Fed still expects to exceed 2% this year and to come in near 3% next year.

Two Factors That Moderated The Fed's Dovishness

One factor that moderated the dovish tone of the statement was that there was no change in the numerical policy thresholds as the Federal Reserve kept the unemployment rate and inflation rate targets unchanged. Further, we would have expected more caution regarding housing markets, but this was not evident. Indeed, the Fed repeated the line that "the housing sector has been strengthening." That may be because the Fed preferred to make a more general statement about rate risks, and is waiting to see further housing data before assessing a trend. That's fair, but we maintain the view that further erosion in housing data is likely over the duration of the year and that too is likely to add to the December or later tapering view.

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A (Partial) Defence Of Fed Communications

- **Fed policy shifts were telegraphed by the economy and markets.**

The Fed is under fire for allegedly poor communications. Here's the latest such example in the WSJ and the press is generally replete with shots being lobbed at the Fed by the street. We don't think that's the right approach. While the Fed might have been less clear than would have been ideal in the run-up to the September meeting, its policy is in line with its guidance, with economic fundamentals, and with what markets were doing beforehand.

Some Criticisms Are Valid….

Now, in fairness to the critics, it didn't help that the top of the Fed largely went radio silent since the July 31st meeting. The better part of two months sailed by with barely a whisper from Chairman Bernanke, Vice Chair Janet Yellen, the Governors, and NY Fed President William Dudley (who last delivered a speech in early July). This might have been an unfortunate result of the very public and drawn-out search for a new Chairman. Regardless, we were left with the regional Fed bank Presidents for guidance and even previously strong-minded individuals appeared more ambivalent. Furthermore, yes, the Fed did say for months that it might taper over the next few meetings, and did not. But that's where our sympathy for the charges stops.

...But Many Are Not

In defence of the Fed, point number one is that Chairman Bernanke was always saying they might taper 'later in the year'. Not only was the wording far short of certainty, he never strengthened that time frame by making it sound more imminent. When it got to be within weeks of the September 18th FOMC announcement and 'later in the year' was still being used and/or no communication update against this guidance was issued, we assumed that meant tapering would occur later than just a few weeks away! 'Later in the year' to us meant months, not weeks.

Second, go back to Bernanke's July 17th semi-annual testimony before the House Financial Services Committee. Bernanke said then that asset purchases "are by no means on a preset course" and went on to remark that "We're going to be responding to the data. If the data are stronger than we expect, we'll move more quickly" to taper and if the data "don't meet the kinds of expectations we have about where the economy's going, then we would delay that process or potentially increase purchases for a time." He provided that guidance on not being on a preset course long before this week, and the September statement codified it. Too many economists surprised us during the debate by unambiguously saying the data were getting better. They ignored the data that flagged early question marks on the economy's rate sensitivity: the drop in new home sales; falling mortgage purchase applications and refis coupled with waves of mortgage industry layoffs; a sharp drop in core capital goods orders; downward nonfarm payroll revisions; no growth in July's inflation-adjusted consumer spending; lost momentum in housing starts since the March peak; and undershooting trend inflation properly measured using the Fed's preferred PCE price deflator. They also too heavily discounted forward-looking concerns about how the economy would respond in lagged fashion to an ongoing rate and oil price shock. Could these all be temporary forms of weakness? Maybe. Should the Fed want to chance that it is wrong and taper amidst such question marks instead of giving it a bit more time to be sure of its story? Probably not.

Third, in that same testimony Bernanke went on to remark that QE3 would be around for longer than guided if "financial conditions — which have tightened recently — were judged to be insufficiently accommodative to allow us to attain our mandated objectives." It was clear that some of the backing-up in borrowing costs was unwanted at the Fed. On this count, markets simply got carried away and hit rates too hard. Markets forced the Fed to back away from tapering by taking the messaging too far in pricing. Would the Fed have tapered if US 10s were at 2.5%? Maybe. 2%? Probably. Pushing 3%? Probably not, and with higher oil prices added to the squeeze. There was always a logical limit to the extent to which the Fed would tolerate an abrupt rise in borrowing costs and the market exceeded that. Don't blame the Fed for the fact that markets overshot, threw the Fed off course, and needed to be tamed again.

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Fourth, again during that same testimony, Bernanke made it very clear that the Fed was watching fiscal policy risks by remarking that "the risks remain that tight federal fiscal policy will restrain economic growth over the next few quarters by more than we currently expect, or that the debate concerning other fiscal policy issues, such as the status of the debt ceiling, will evolve in a way that could hamper the recovery." What has happened since? Well it's September 20th and we still have no clear traction toward addressing the expiration of the Continuing Resolution on September 30th, there is no budget in sight, and the sides are digging in their heels ahead of when the debt ceiling becomes binding (somewhere between mid-October and mid-November). Bernanke's flagging of fiscal policy risks wasn't new on September 18th. It was well telegraphed two months before that and Washington failed to mitigate the risks over this period. It would have been a misstep, in my opinion, to have compounded tapering on top of fiscal policy risks. Imagine how the Fed might have appeared had it reduced the flow of new stimulus and then stumbled into a '95-96 government shutdown or dangerous brinksmanship with the debt ceiling. We don't think that will happen and we are cautiously assuming that cooler heads will prevail with Congressional mid-terms a little over a year from now, but what's the great emergency here that could not afford to wait it out and revisit after we hopefully have some further clarity on the issue?

Further on the fiscal policy question, the Fed had always guided that it expected peak fiscal drag from cutbacks in fiscal spending as well as higher taxes to hit the economy in Q2-Q3 of this year. It still doesn't have full economic data for Q3, and, with that in mind, is reticent to judge if the economy has weathered the conditions that QE3 was in part supposed to palliate. Chairman Bernanke said as much in his post-FOMC press conference when he commented that: "the extent of the effects of restrictive fiscal policies remains unclear". The Fed was never likely to scale back purchases amidst this uncertainty.

Ultimately, we have some sympathy for the Fed's cloudy crystal ball. Ours is cloudy too, has been dropped a few times, kicked around the trading floor on which we sit during lulls in the markets, and suffered the ignominious fate of having been spat up on by my two-year-old at home. Yes, the Fed is programmed to be overly optimistic on growth particularly in the second year of their forecasts and we've been more cautious in that regard. But guidance they provide one quarter is perfectly entitled to shift the next quarter if the facts change in ways that conform to its risks or in entirely unanticipated ways. The Fed therefore owes markets no obligation whatsoever to affirm exaggerated expectations. Sometimes good policy is to remind markets and economists of times when they're behaving badly.

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Switching From Global Tes To Colombian Utilities

The following article was published on September 13, 2013.

Yields on local currency bonds of the Colombian utilities EPM and Emgesa have increased by nearly 300bp in recent months. Much of that has occurred in line with the sell-off in emerging markets caused by concerns over QE tapering, but these bonds in particular may have been disproportionately affected. Consider that the differential relative to the offshore COP-denominated sovereign bonds (Colom 21s) has widened to 260bp, a record for the past twelve months, as well as a very high level in general in light of the history of these bonds since 2011.

Fundamentals have not changed substantially in either of these firms, with a slight worsening in EPM and a mild improvement at Emgesa. In the case of EPM, which reported on September 4th, 11% lower water levels caused greater purchases on the energy spot market in lieu of hydroelectric generation. As a result, Ebitda fell 5% relative to the previous quarter and 1% relative to the previous year, while leverage increased slightly to 2.13x from 1.96 in the previous quarter and 1.77 a year ago. In contrast, though dry conditions increased Emgesa's reliance on thermal generation and caused costs to rise, Emgesa's sales of electricity on the spot market — where prices had doubled — more than offset those increases. Emgesa's Ebitda rose by 8% and leverage fell from 1.9x to 1.8x. Emgesa was upgraded by Fitch and S&P in May such that its average rating is now slightly better than that of EPM. Markets have shrugged off these developments, with the bonds of both of these utilities continuing to trade close to flat relative to each other and demonstrating that it is not fundamentals that normally drive changes in market prices for these credits.

Instead, technicals are surely responsible for the dynamics in these bonds. We know from primary issuance data as well as the secondary market activity we see regularly on our trading desk that these utilities are purchased by a distinct set of investors, who in many cases use them as proxies for currency exposure. For example, Emgesa's 2011 issuance was distributed as 59% to Latin America, 29% to the US, and 12% to Europe. In contrast, local TES bonds are held almost entirely by Colombians while Global TES bonds are held abroad. Recent movements in local rates and in the currency can lead to volatile dynamics in the spread differential between the utilities and the Global TES, and it is hard to predict how long it will take for this differential to return to normal levels.

Nevertheless, from the perspective of a long-term investor, we think a switch from Global TES into COP-denominated utilities makes sense at current levels. From the fundamental perspective, these utilities are extremely stable with large enough margins to pay their debt even if the sovereign itself were to have problems (see our article, "Emgesa: Is it better than Colombia?" February 24, 2011). The market seems to agree with that. Latam utilities generally trade at spreads 100bp to 200bp higher than their underlying sovereign bonds. Even EPM's dollar bonds trade only around 150bp over Colombia's sovereign dollar bonds. Thus, the utilities represent an attractive way to get offshore COP exposure.

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Key Data Preview

CANADA

Retail sales were pretty weak in June (-0.6% m/m). We're looking for a bounceback in the 0.5% m/m neighborhood in July (Sept. 24) . Motor vehicle sales were strong, and the hypothesis that Alberta (-0.6% m/m in June) and Quebec (-1.5% m/m in June) ought to bounce back from the flooding and construction strike, respectively, could be constructive. Gasoline prices were flat on the month (+0.4% m/m) as were sales at large retailers.

UNITED STATES

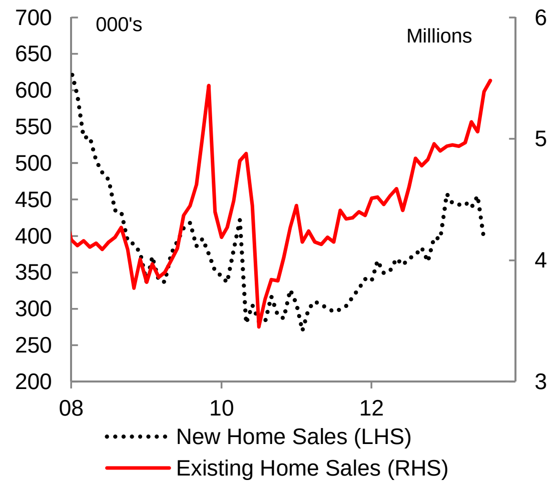
Durable goods (Sept. 25) are set to follow up July's weak performance (-7.3% m/m) with… another downer. Weak orders of new aircraft at Boeing on the month (16 vs. 90 in July) imply that durable goods orders ought to fall fairly substantially. We think that motor vehicle orders ought to have been solid, and that new orders ex-cars and other transportation products ought to be strong too (manufacturing surveys such as the ISM and regional Fed surveys were solid in August). Still, that won't be good enough to overcome the soft aerospace orders, and we're looking for a -0.5% m/m number overall.

New home sales (Sept. 25) will be of tremendous interest after existing home sales increased to a post-crisis high in August. The two typically move in lock-step (see chart), so the consensus expectation is that new home sales are likely to pick up speed. The key question in our view is whether or not the major drop-off in new home sale in July implies that home sales in general (both new and existing) are set to fall off due to higher mortgage interest rates and that new home sales simply fell first. Our call is for a small 2.8% m/m acceleration based on where some of the leading indicators are pointing, a gain that would still leave new home sales substantially below their July level.

Initial Jobless claims numbers have moved to post-crisis lows (and low levels even by pre-crisis levels — see chart) in recent weeks. The problem with those numbers is… that the Department of Labor, which provides the data, says to essentially ignore the figures because of computer glitches mainly in California that are depressing the quantity of registered claims. The distorted figures could well shake out this week bringing initial claims back to a more normal level as Californian claims come back to normal.

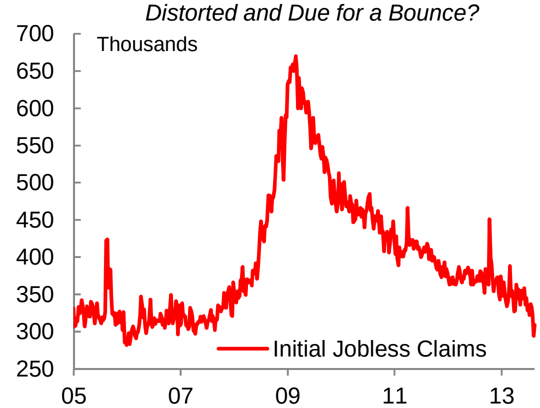
We're looking for a decent rise in **consumption** (0.4% m/m) on solid retail sales, and more importantly, an **income** gain of +0.5% m/m after aggregate wages were up by 0.6% m/m. It will be interesting to see what this does to the savings rate, which has risen (see chart).

U.S. Home Sales
New Home Sales Down, Existing Up?



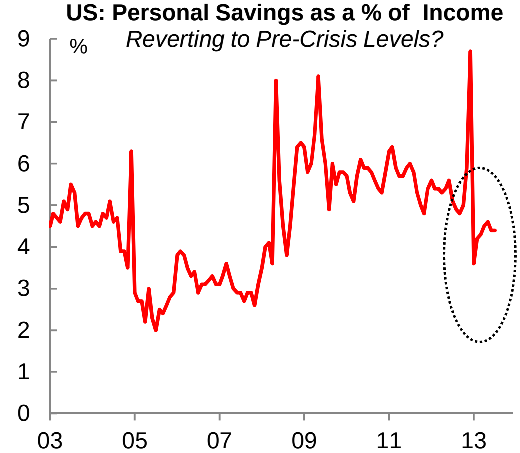
Source: Bloomberg, Scotiabank Economics

Initial Jobless Claims
Distorted and Due for a Bounce?



Source: DoL, Scotiabank Economics

US: Personal Savings as a % of Income



Source: BEA, Scotiabank Economics

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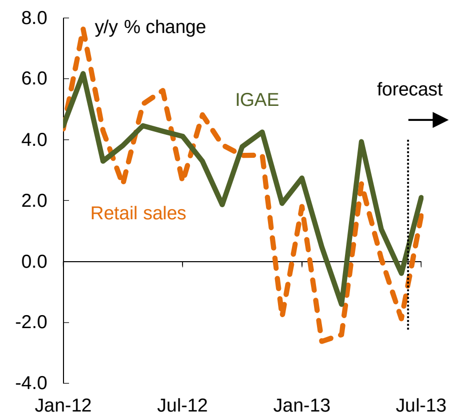
EUROPE

Euro zone and German HICP inflation (Harmonized Index of Consumer Prices) surprised on the downside in August, mainly reflecting the impact of a softer trend in the volatile energy and food components. Is there the possibility of some bounce-back in September? It is true that this month usually shows a strong seasonality effect with the end of the sales period. As a result, it carries a high potential for surprise. Regarding the German inflation number, we expect the HICP to stabilise on a year-over-year trend at 1.6%, but with a downward risk. Indeed, we cannot exclude the risk of another negative surprise in food prices as fresh food prices normalised on the back of better weather conditions. On core inflation on the other hand, prices in textile and household equipment proved to be softer than usual in August and there could be some slight catch-up in September. Finally, on energy, we would expect some rebound in view of the upward trend in oil prices. Weekly gasoline prices nonetheless suggested mixed diffusion with on one side higher diesel prices and on the other, softer gasoline prices. All in all, German fuel prices should still rise by between 0.5 and 1.0% m/m, which, given the base effects, would still push down slightly the yearly trend.

LATIN AMERICA

The Mexican economy continued its mild economic performance at the beginning of the third quarter. July retail sales and the global economic activity indicator (IGAE) will be released next week (September 23rd and 25th, respectively). Private consumption growth accelerated somewhat in the second quarter; however, it continued to underperform relative to last year (3.0% y/y in the first half of the year vs. 4.6% in 2012). Additionally, the industrial activity index posted its third month of annual contractions, worsening the sector's outlook. We anticipate that Mexican output will pick up in the second half of the year, although at a very slow pace. Government spending and household consumption will be key aspects of the economic recovery. We forecast that retail sales grew by 1.5% y/y in July and that IGAE expanded by 2.1% y/y in the same month.

Mexican Retail Sales and IGAE

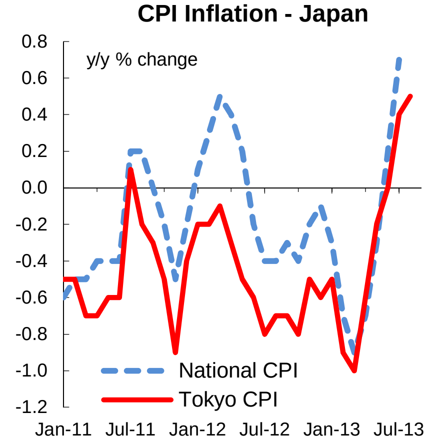


Source: Thomson Reuters, Scotiabank Economics.

ASIA

Japan will release inflation data on September 26th. We estimate that nationwide consumer prices increased by 0.2% m/m in August, which would translate into an annual gain of 0.8%. In July, prices rose by 0.7% y/y. Tokyo city-wide prices increased by 0.5% y/y in August (the capital's inflation data are published one month prior to the nationwide figures). Technically, deflation came to an end in mid-year; nevertheless, recent price gains have not been demand driven, highlighting Japanese policymakers' challenges in stimulating economic growth in a sustainable fashion and achieving the Bank of Japan's (BoJ) 2% inflation target. Instead, recent inflationary pressures have primarily reflected higher energy costs while other categories remain in deflationary territory. Significant yen depreciation combined with the BoJ's monetary stimulus efforts should translate into modest price gains in the coming quarters, though the nationwide inflation will likely remain below 1% y/y through the rest of the year.

CPI Inflation - Japan



Source: Bloomberg, Scotiabank Economics.

Key Indicators for the week of September 23 - 27

North America

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
MX	09/23	09:00	Retail Sales (INEGI) (y/y)	Jul	1.5	0.5	-1.9
CA	09/24	08:30	Retail Sales (m/m)	Jul	0.5	0.6	-0.6
CA	09/24	08:30	Retail Sales ex. Autos (m/m)	Jul	0.3	0.6	-0.8
MX	09/24	09:00	Bi-Weekly Core CPI (% change)	Sep 15	--	0.2	0.0
MX	09/24	09:00	Bi-Weekly CPI (% change)	Sep 15	--	0.2	0.1
US	09/24	09:00	S&P/Case-Shiller Home Price Index (m/m)	Jul	0.5	0.8	0.9
US	09/24	10:00	Consumer Confidence Index	Sep	82.0	80.0	81.5
US	09/24	10:00	Richmond Fed Manufacturing Index	Sep	--	11.0	14.0
US	09/25	07:00	MBA Mortgage Applications (w/w)	SEP 20	--	--	11.2
US	09/25	08:30	Durable Goods Orders (m/m)	Aug	-0.5	0.0	-7.4
US	09/25	08:30	Durable Goods Orders ex. Trans. (m/m)	Aug	1.0	1.2	-0.8
MX	09/25	09:00	Global Economic Indicator IGAE (y/y)	Jul	2.1	1.3	-0.4
US	09/25	10:00	New Home Sales (000s a.r.)	Aug	405	421	394
US	09/26	08:30	Initial Jobless Claims (000s)	SEP 21	315	325	309
US	09/26	08:30	Continuing Claims (000s)	SEP 14	2850	2820	2787
US	09/26	08:30	GDP (q/q a.r.)	2Q T	2.5	2.6	2.5
US	09/26	08:30	GDP Deflator (q/q a.r.)	2Q T	--	0.8	0.8
MX	09/26	09:00	Trade Balance (US$ mn)	Aug P	--	--	-1439.6
US	09/26	10:00	Pending Home Sales (m/m)	Aug	--	-1.0	-1.3
US	09/27	08:30	PCE Deflator (m/m)	Aug	0.1	0.1	0.1
US	09/27	08:30	PCE Deflator (y/y)	Aug	1.2	1.2	1.4
US	09/27	08:30	PCE ex. Food & Energy (m/m)	Aug	--	0.1	0.1
US	09/27	08:30	PCE ex. Food & Energy (y/y)	Aug	--	1.3	1.2
US	09/27	08:30	Personal Spending (m/m)	Aug	0.4	0.3	0.1
US	09/27	08:30	Personal Income (m/m)	Aug	0.5	0.4	0.1
US	09/27	09:55	U. of Michigan Consumer Sentiment	Sep F	78.0	78.0	76.8

Europe

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
FR	09/23	03:00	Manufacturing PMI	Sep P	50.0	50.1	49.7
FR	09/23	03:00	Services PMI	Sep P	49.5	49.6	48.9
GE	09/23	03:30	Manufacturing PMI	Sep A	52.2	52.2	51.8
GE	09/23	03:30	Services PMI	Sep A	53.1	53.0	52.8
EC	09/23	04:00	Composite PMI	Sep A	51.8	51.8	51.5
EC	09/23	04:00	Manufacturing PMI	Sep A	51.8	51.7	51.4
EC	09/23	04:00	Services PMI	Sep A	51.2	51.0	50.7
GE	09/24	04:00	IFO Business Climate Survey	Sep	108.5	108.0	107.5
GE	09/24	04:00	IFO Current Assessment Survey	Sep	112.8	112.5	112.0
GE	09/24	04:00	IFO Expectations Survey	Sep	104.2	104.0	103.3
SP	09/24	06:59	Budget Balance YTD (€ mn)	Aug	--	--	-45130
HU	09/24	08:00	**Base Rate (%)**	Sep 24	**3.60**	**3.60**	**3.80**
GE	09/25	02:00	GfK Consumer Confidence Survey	Oct	--	7.0	6.9
FR	09/25	12:00	Jobseekers Net Change (000s)	Aug	--	10.0	6.3
UK	09/26	04:30	Current Account (£ bn)	2Q	--	-11.0	-14.5
UK	09/26	04:30	GDP (q/q)	2Q F	0.7	0.7	0.7
FR	09/27	02:45	Consumer Spending (m/m)	Aug	--	-0.4	-0.8
FR	09/27	02:45	GDP (q/q)	2Q F	0.5	0.5	0.5
SP	09/27	03:00	CPI (y/y)	Sep P	--	0.9	1.5
SP	09/27	03:00	CPI - EU Harmonized (y/y)	Sep P	1.5	0.9	1.6
SP	09/27	03:00	Real Retail Sales (y/y)	Aug	--	--	-2.0

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

Key Indicators for the week of September 23 - 27

Europe *(continued from previous page)*

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
UK	09/27	04:30	Index of Services (m/m)	Jul	--	0.5	0.0
EC	09/27	05:00	Business Climate Indicator	Sep	--	-0.1	-0.2
EC	09/27	05:00	Economic Confidence	Sep	--	96.0	95.2
EC	09/27	05:00	Industrial Confidence	Sep	--	-7.0	-7.9
UK	09/27	07:59	Nationwide House Prices (m/m)	Sep	--	0.5	0.6
GE	09/27	08:00	CPI (y/y)	Sep P	1.5	1.5	1.5
GE	09/27	08:00	CPI - EU Harmonized (m/m)	Sep P	0.0	0.0	0.0
GE	09/27	08:00	CPI - EU Harmonized (y/y)	Sep P	1.6	1.6	1.6

Asia Pacific

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
TA	09/22	20:30	Unemployment Rate (%)	Aug	4.2	4.2	4.2
CH	09/22	21:45	HSBC Flash China Manufacturing PMI	Sep	50.8	50.9	50.1
SI	09/23	01:00	CPI (y/y)	Aug	1.9	2.0	1.9
HK	09/23	04:30	CPI (y/y)	Aug	--	4.4	6.9
JN	09/24	01:00	Supermarket Sales (y/y)	Aug	--	--	-0.5
HK	09/24	04:30	Bal of Paymts - Current A/C (HKD bns)	2Q	--	--	-1.3
SK	09/24	07:59	Discount Store Sales (y/y)	Aug	--	--	-4.90
SK	09/24	07:59	Department Store Sales (y/y)	Aug	--	--	-2.1
NZ	09/24	18:45	Trade Balance (NZD mn)	Aug	--	-700.0	-773.9
NZ	09/24	18:45	Exports (NZD bn)	Aug	--	3.5	3.8
NZ	09/24	18:45	Imports (NZD bn)	Aug	--	4.3	4.6
PH	09/24	21:00	Imports (y/y)	Jul	--	--	-4.8
PH	09/24	21:00	Trade Balance (US$ mn)	Jul	--	--	-370.0
JN	09/25	02:00	Machine Tool Orders (y/y)	Aug F	-1.8	--	-1.8
TA	09/25	04:00	Export Orders (y/y)	Aug	--	1.5	0.5
TH	09/25	06:59	Customs Exports (y/y)	Aug	--	0.1	-1.5
TH	09/25	06:59	Customs Imports (y/y)	Aug	--	4.4	1.1
TH	09/25	06:59	Customs Trade Balance (US$ mn)	Aug	--	-2343	-2280
SK	09/25	17:00	Consumer Confidence Index	Sep	--	--	105.0
SI	09/26	01:00	Industrial Production (y/y)	Aug	--	5.2	2.7
TA	09/26	04:00	Commercial Sales (y/y)	Aug	--	0.1	-0.7
TA	09/26	04:00	Industrial Production (y/y)	Aug	--	2.0	2.1
HK	09/26	04:30	Exports (y/y)	Aug	--	4.2	10.6
HK	09/26	04:30	Imports (y/y)	Aug	--	3.5	8.3
HK	09/26	04:30	Trade Balance (HKD bn)	Aug	--	-39.0	-37.2
TA	09/26	05:00	**Benchmark Interest Rate**	Sep 26	**1.88**	**1.88**	**1.88**
SK	09/26	19:00	Current Account (US$ mn)	Aug	--	--	6771.2
JN	09/26	19:30	National CPI (y/y)	Aug	0.8	0.8	0.7
JN	09/26	19:30	Tokyo CPI (y/y)	Sep	--	0.5	0.5
CH	09/26	21:30	Industrial Profits YTD (y/y)	Aug	--	--	11.1
TA	09/27	04:00	Leading Index (m/m)	Aug	--	--	0.0
TA	09/27	04:00	Coincident Index (m/m)	Aug	--	--	0.2

Latin America

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CO	09/23	17:00	Trade Balance (US$ mn)	Jul	--	314.0	717.8
BZ	09/24	09:30	Current Account (US$ mn)	Aug	--	-5100	-9018
BZ	09/26	08:00	Unemployment Rate (%)	Aug	--	5.6	5.6
CO	09/27	06:59	**Overnight Lending Rate (%)**	Sep 27	**3.25**	**3.25**	**3.25**

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

Global Auctions for the week of September 23 - 27

North America

Country	Date	Time	Event
US	09/23	11:00	U.S. Fed to Purchase USD3.00-4.00 Bln Notes
US	09/23	11:30	U.S. to Sell USD30 Bln 3-Month Bills
US	09/23	11:30	U.S. to Sell USD25 Bln 6-Month Bills
US	09/24	11:00	U.S. Fed to Purchase USD1.25-1.75 Bln Notes
US	09/24	11:30	U.S. to Sell 4-Week Bills
MX	09/24	12:30	3Y Fixed Yield
MX	09/24	12:30	3Y I/L Yield
MX	09/24	12:30	1M T-Bill Yield
MX	09/24	12:30	1M T-Bill Bid/Cover Ratio
MX	09/24	12:30	1M T-Bill Amount Sold
MX	09/24	12:30	3M T-Bill Yield
MX	09/24	12:30	3M T-Bill Bid/Cover Ratio
MX	09/24	12:30	3M T-Bill Amount Sold
MX	09/24	12:30	6M T-Bill Yield
MX	09/24	12:30	6M T-Bill Bid/Cover Ratio
MX	09/24	12:30	6M T-Bill Amount Sold
US	09/24	13:00	U.S. to Sell USD33 Bln 2-Year Notes
US	09/25	11:00	U.S. Fed to Purchase USD2.75-3.50 Bln Notes
US	09/25	13:00	U.S. to Sell USD35 Bln 5-Year Notes
US	09/26	11:00	U.S. Fed to Purchase USD1.25-1.75 Bln Notes
US	09/26	13:00	U.S. to Sell USD29 Bln 7-Year Notes
US	09/27	11:00	U.S. Fed to Purchase USD4.75-5.75 Bln Notes

Europe

Country	Date	Time	Event
GE	09/23	05:30	Germany to Sell EUR3 Bln 364-Day Bills
FR	09/23	08:50	France to Sell Bills (BTF)
SP	09/24	04:30	Spain to Sell 3-Month and 9-Month Bills
NE	09/24	04:30	Netherlands to Sell Up to EUR3 Bln 0% 2016 Bonds
NO	09/24	05:00	Norway to Sell NOK3 Bln 4.25% 2017 Bonds on Sept. 24
SZ	09/24	05:30	Switzerland to Sell 92-Day Bills
IT	09/25	05:00	Italy to Sell I/L Bonds
SW	09/25	05:03	Sweden to Sell SEK5 Bln 82-Day Bills
SW	09/25	05:03	Sweden to Sell SEK10 Bln 173-Day Bills
IT	09/26	05:00	Italy to Sell 6-Month Bills
SW	09/26	05:03	Sweden to Sell SEK1 Bln 0.5% I/L 2017 Bonds
IT	09/27	05:00	Italy to Sell 5-Year and 10-Year Bonds
UK	09/27	06:10	UK to Sell Bills

Asia Pacific

Country	Date	Time	Event
AU	09/23	21:00	Australia Plans to Sell Inflation Linked Bonds
JN	09/25	04:00	Japan Auction for Enhanced-Liquidity
JN	09/25	23:35	Japan to Sell 3-Month Bill
JN	09/26	23:45	Japan to Sell 2-Year Bonds

Source: Bloomberg, Scotiabank Economics.

Events for the week of September 23 - 27

North America

Country	Date	Time	Event
US	09/23	09:20	Fed's Lockhart to Speak in New York
US	09/23	09:30	Fed's Dudley to Speak to Fordham Wall Street Council
CA	09/23	11:30	Ontario Premier Wynne Speaks at Canadian Club
US	09/23	13:30	Fed's Fisher Speaks in San Antonio, TX
US	09/24	09:30	Fed's Pianalto Speaks on Payment Systems in Chicago
CA	09/24	11:45	Alberta Finance Minister Horner Speaks at Economic Club
US	09/24	13:00	Fed's George Delivers Introductory Remarks in Chicago
US	09/24		Obama to Address the United Nations General Assembly
US	09/26	12:15	Fed's Kocherlakota Speaks in Houghton, MI
US	09/26	21:15	Fed's George Speaks on Economy in Denver
US	09/27	05:45	Fed's Evans Speaks on Economy and Monetary Policy in Oslo
US	09/27	08:30	Fed's Rosengren to Give Opening Remarks at Conference in NY
US	09/27	10:15	Fed's Evans Discusses Economy on Panel in Oslo
CA	09/27	12:00	Alberta Finance Minister Horner Speaks at CANY
US	09/27	14:00	Fed's Dudley to Speak on the Economy in Syracuse, NY

Europe

Country	Date	Time	Event
GE	09/21	04:00	Merkel Holds Campaign Rally in Berlin
GE	09/21	05:00	Steinbrück campaign event in Frankfurt/Main
GE	09/21	09:00	Merkel Holds Campaign Rally in Stralsund
GE	09/22		**Germany Holds Federal Elections**
UK	SEP 22-25		Labour Party Conference in Brighton
EC	09/23	09:00	ECB's Draghi Speaks at European Parliament in Brussels
IT	09/23	10:00	Letta Meets Canadian PM Harper in Ottawa
SZ	09/23	11:15	SNB President Speaks at KOF/ETH
IT	09/23	17:00	Letta Attends Obama Reception in New York
EC	09/24	04:00	ECB's Nowotny Speaks on "The Future of Monetary Policy?"
PO	09/24	06:00	OECD Chief Economist Padoan to Speak at Conference in Lisbon
EC	09/24	07:00	ECB's Constancio Speaks in Madrid
EC	09/24	07:30	ECB's Coeure, Liikanen, Speak at Bank of Finland
HU	09/24	08:00	**Central Bank Rate Decision**
UK	09/24	08:45	Bank of England Deputy Governor Paul Tucker Speaks in London
IT	09/24	09:00	Letta Speaks at Conferences in New York
EC	09/24	12:30	ECB's Mersch Speaks in Vienna
UK	09/24	13:00	Bank of England Deputy Governor Charlie Bean Speaks in London
PO	09/24		Portugal Releases Year-to-Date Budget Report
UK	09/25	04:30	BOE Publishes Financial Policy Committee Meeting Statement
EC	09/25	08:00	ECB's Asmussen Speaks in Frankfurt
EC	09/25	11:00	ECB's Weidmann Speaks in Dusseldorf
EC	09/26	04:00	ECB Releases M3, Private Sector Loan data for Aug.
EC	09/26	04:30	ECB's Asmussen Speaks in Berlin
EC	09/26	07:30	Bundesbank's Nagel speaks in Frankfurt
SZ	09/26	09:00	SNB Quarterly Bulletin
EC	09/26	09:20	ECB's Yves Mersch Speaks in Frankfurt
IT	09/26	10:00	Letta Speaks at Columbia University in New York
EC	09/26	10:00	EBA's Andrea Enria Speaks in Frankfurt
EC	09/26	10:10	ECB's Constancio Speaks in Frankfurt

Source: Bloomberg, Scotiabank Economics.

Events for the week of September 23 - 27

Europe *(continued from previous page)*

Country	Date	Time	Event
IT	09/26	12:00	Letta Speaks at Expo 2015 Event in New York
EC	09/26	13:30	Bundesbank's Sabine Lautenschlaeger Speaks in Frankfurt
EC	09/26	18:15	ECB's Coeure Speaks in New York
EC	09/27	05:00	ECB President Mario Draghi Speaks in Milan
SP	09/27	08:00	Rajoy Sends Spain's 2014 Budget to Cabinet for Approval
IT	09/27		Bank of Italy Governor, ECB Council's Visco Speaks in Milan

Asia Pacific

Country	Date	Time	Event
SI	SEP 20-21		Myanmar Opposition Leader Suu Kyi Speaks in Singapore
CH	09/21	22:00	Chinese Court Announces Verdit of Bo Xilai Trial
JN	SEP 22-24		Japan's Prime Minister Abe Visits Canada
CH	SEP 23-26		13th China International Steel & Raw Materials Conference
AU	09/24	21:30	RBA Financial Stability Review
CH	SEP 24-25		Chinese Embassy Head of Public Planning Yang Speaks at OMFIF
SK	SEP 25-26		Economist South Korea Bellwether Conference
TA	09/26	05:00	CBC Benchmark Interest Rate
EC	09/26	09:30	RBI Governor Raghuram Rajan Speaks in Frankfurt
NZ	09/26	23:00	RBNZ Publishes Monthly Assessment of Currency Flows

Latin America

Country	Date	Time	Event
BZ	09/23	11:00	Brazilian Central Bank President Holds Conference Call
CO	09/27		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	--
Federal Reserve – Federal Funds Target Rate	0.25	October 30, 2013	0.25	--
Banco de México – Overnight Rate	3.75	October 25, 2013	3.75	--

Fed: At the September FOMC meeting, the Fed did not reduce its asset purchases and announced that reductions in the future would be contingent on: a) economic data, and b) the outcomes of fiscal policy negotiations. As we don't expect major changes in either the status of the fiscal policy negotiations or economic data prior to the October meeting, our expectation is that tapering will occur either in December or January. For more on our views, see our article "Is Fed Tapering Bumped into 2014?"

BoC: Despite recent commentary from the BoC to the effect that a rebound in investment and exports might be just around the corner, we continue to expect the BoC to keep rates on hold through mid-2015, in line with the BoC's current guidance on the closing of the output gap.

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	December 12, 2013	0.00	--
Central Bank of Russia – Refinancing Rate	8.25	October 14, 2013	8.25	--
Hungarian National Bank – Base Rate	3.80	September 24, 2013	3.60	3.60
Central Bank of the Republic of Turkey – 1 Wk Repo Rate	4.50	October 23, 2013	4.50	--
Sweden Riksbank – Repo Rate	1.00	October 24, 2013	1.00	--
Norges Bank – Deposit Rate	1.50	October 24, 2013	1.50	--

The Hungarian National Bank will likely continue its monetary loosening campaign in the months ahead. Following remarks from the central bank governor in July that the pace of easing would be relaxed, last month's meeting came with a reduction in the benchmark rate of 20 basis points (bps), rather than the usual 25 bps. Given that inflation reached a record-low 1.3% y/y in August and the currency shows no imminent threat to price stability, we expect the bank to follow up with another 20 bps cut at next week's meeting.

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	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	7.25	--
Bank of Korea – Bank Rate	2.50	October 9, 2013	2.50	--
Bank of Thailand – Repo Rate	2.50	October 16, 2013	2.50	--
Bank Indonesia – Reference Interest Rate	7.25	October 8, 2013	7.25	--

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	October 17, 2013	5.00	--
Banco de la República de Colombia – Lending Rate	3.25	September 27, 2013	3.25	3.25
Banco Central de Reserva del Perú – Reference Rate	4.25	October 10, 2013	4.25	4.25

With second-quarter real GDP growth in Colombia accelerating to 4.2% y/y (from 2.8% in the first quarter) and inflation gradually increasing to the mid-point of the central bank's tolerance range, we do not foresee any monetary policy actions for the remainder of the year. After the easing cycle that brought the reference rate down by 200 basis points in eight months, the rate has been held at 3.25% since March.

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 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	180	(Aug)
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	1680	1755	1721	(Jul)
CPI	1.5	0.9	0.8	1.1	(Aug)
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$B, ar)	-440	-420	-396		
Merch. Trade Bal. (US$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	16.0	(Aug)
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	4.1		

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	-17.3	(Jul)
Industrial Production	2.8	-1.7	-0.4	-0.5	(Jul)
CPI	4.1	3.7	4.5	3.5	(Aug)

Europe

Euro Zone	2012	13Q1	13Q2	Latest	
Real GDP	-0.6	-1.0	-0.5		
Current Acc. Bal. (US$B, ar)	157	172	281	417	(Jul)
Merch. Trade Bal. (US$B, ar)	127.1	171.6	275.5	321.0	(Jul)
Industrial Production	-2.3	-2.3	-1.1	-2.7	(Jul)
Unemployment Rate (%)	11.3	12.0	12.1	12.1	(Jul)
CPI	2.5	1.9	1.4	1.3	(Aug)

Germany	2012	13Q1	13Q2	Latest	
Real GDP	0.9	-0.3	0.5		
Current Acc. Bal. (US$B, ar)	238.8	237.7	240.0	224.7	(Jul)
Merch. Trade Bal. (US$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					
Real GDP	0.0	-0.5	0.3		
Current Acc. Bal. (US$B, ar)	-57.3	-65.6	-48.7	-25.0	(Jul)
Merch. Trade Bal. (US$B, ar)	-52.0	-47.6	-44.6	-46.9	(Jul)
Industrial Production	-2.5	-2.3	0.2	-1.8	(Jul)
Unemployment Rate (%)	10.3	10.8	10.9	11.0	(Jul)
CPI	2.0	1.1	0.8	0.9	(Aug)

United Kingdom					
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	7.7	(Jun)
CPI	2.8	2.8	2.7	2.7	(Aug)

Italy					
Real GDP	-2.4	-2.4	-2.1		
Current Acc. Bal. (US$B, ar)	-11.3	-31.0	29.0	93.0	(Jul)
Merch. Trade Bal. (US$B, ar)	13.8	14.1	50.0	93.4	(Jul)
Industrial Production	-6.3	-4.3	-3.7	-4.4	(Jul)
CPI	3.1	1.9	1.2	1.0	(Aug)

Russia					
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	13.3	(Jul)
Industrial Production	-5.3	-0.1	0.3	0.1	(Aug)
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	33.2	3.4 (Jul)
Industrial Production	3.8	3.4	3.9	
Unemployment Rate (%)	5.2	5.5	5.6	5.8 (Aug)
CPI	1.8	2.5	2.4	

Japan	2012	13Q1	13Q2	Latest
Real GDP	2.0	0.1	1.3	
Current Acc. Bal. (US$B, ar)	60.4	66.4	65.9	69.5 (Jul)
Merch. Trade Bal. (US$B, ar)	-86.0	-115.7	-86.7	-97.0 (Aug)
Industrial Production	0.2	-6.5	-3.1	0.4 (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	22.6	57.3	58.2 (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	342.2 (Aug)
Industrial Production	10.3	8.9	8.9	10.4 (Aug)
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$B, ar)	0.2	1.3	-5.1	
Merch. Trade Bal. (US$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)	-16.2	-15.1	-16.9	-10.9 (Aug)
Industrial Production	0.7	2.2	-1.1	2.6 (Jul)
WPI	7.5	6.7	4.8	6.1 (Aug)

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	6.1	3.2 (Jul)
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	-6.3 (Aug)
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	4.5	5.6	
Current Acc. Bal. (US$B, ar)	-7.1	-2.7		
Merch. Trade Bal. (US$B, ar)	0.5	0.1	-0.2	-0.5 (Jul)
Unemployment Rate (%)	7.0	6.3	5.7	5.6 (Aug)
CPI	3.7	2.6	2.5	3.3 (Aug)

Colombia	2012	13Q1	13Q2	Latest
Real GDP	4.2	2.7	4.2	
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	Sep/13	Sep/20*	United States	13Q1	13Q2	Sep/13	Sep/20*
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	0.99	3-mo. T-bill	0.07	0.03	0.01	0.01
10-yr Gov't Bond	1.87	2.44	2.76	2.72	10-yr Gov't Bond	1.85	2.49	2.88	2.75
30-yr Gov't Bond	2.50	2.90	3.25	3.23	30-yr Gov't Bond	3.10	3.50	3.83	3.78
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	0.14	3-mo. T-bill	0.01	0.03	0.08	0.06
10-yr Gov't Bond	1.29	1.73	1.98	1.95	10-yr Gov't Bond	2.03	2.35	2.54	2.46
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	0.07	0.08	3-mo. T-bill	0.39	0.39	0.40	0.40
FX Reserves (US$B)	326.6	324.9	325.9	(Jul)	10-yr Gov't Bond	1.77	2.44	2.91	2.94
					FX Reserves (US$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	4.09	3.94
10-yr Gov't Bond	0.55	0.85	0.73	0.70	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	1.04	1.03	¥/US$	94.22	99.14	99.38	99.61
CADUSD	0.98	0.95	0.97	0.97	US¢/Australian$	1.04	0.91	0.92	0.94
GBPUSD	1.520	1.521	1.588	1.601	Chinese Yuan/US$	6.21	6.14	6.12	6.12
EURUSD	1.282	1.301	1.329	1.351	South Korean Won/US$	1111	1142	1087	1075
JPYEUR	0.83	0.78	0.76	0.74	Mexican Peso/US$	12.331	12.931	13.042	12.774
USDCHF	0.95	0.95	0.93	0.91	Brazilian Real/US$	2.022	2.232	2.280	2.208

Equity Markets (index, end of period)

United States (DJIA)	14579	14910	15376	15617	U.K. (FT100)	6412	6215	6584	6610
United States (S&P500)	1569	1606	1688	1722	Germany (Dax)	7795	7959	8509	8673
Canada (S&P/TSX)	12750	12129	12723	12890	France (CAC40)	3731	3739	4115	4204
Mexico (IPC)	44077	40623	41122	41509	Japan (Nikkei)	12398	13677	14405	14742
Brazil (Bovespa)	56352	47457	53798	54599	Hong Kong (Hang Seng)	22300	20803	22915	23503
Italy (BCI)	851	849	958	983	South Korea (Composite)	2005	1863	1994	2006

Commodity Prices (end of period)

Pulp (US$/tonne)	900	950	950	950	Copper (US$/lb)	3.44	3.06	3.19	3.31
Newsprint (US$/tonne)	610	605	605	605	Zinc (US$/lb)	0.85	0.83	0.83	0.84
Lumber (US$/mfbm)	408	292	392	351	Gold (US$/oz)	1598.25	1192.00	1318.50	1349.25
WTI Oil (US$/bbl)	97.23	96.56	108.21	105.36	Silver (US$/oz)	28.64	18.86	21.72	22.74
Natural Gas (US$/mmbtu)	4.02	3.57	3.68	3.67	CRB (index)	296.39	275.62	291.02	288.28

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

Emerging Markets Strategy

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