Global Views

Weekly commentary on economic and financial market developments

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

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Fed To Bide Its Time, Allowing Markets To Focus On Data And Earnings

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

United States — Fed To Bide Its Time, Putting The Focus On Earnings And Data

This will be a very active week for US risks with the FOMC statement on Wednesday, a massive data dump, and key earnings releases. Because we think the Fed will be evaluating incoming data and will wish to get through deferred fiscal policy deadlines, **we think it will issue a maintenance statement and that should allow markets to focus upon incoming data and earnings.**

One possibility in the FOMC statement that will not be accompanied by forecast revisions or a press conference is that **the Fed could strengthen forward rate guidance** while leaving its bond purchase program unchanged at $85 billion amid no hints of tapering any time soon. This could include lowering the unemployment rate threshold at which a higher fed funds target rate would be considered. With the December 13th deadline for budget negotiations, the extension of funding for the US government until January 15th and the suspension of the debt ceiling until February 7th, the Fed will continue to caution on fiscal policy risks and may signal near-term growth downsides as a direct consequence of the government shutdown and the likely related confidence shock. No sooner will the ink be dry on the statement than three Fed speakers will take to the stage on Friday. They include St. Louis Fed President James Bullard (voting 2013, nonvoting 2014), Minneapolis Fed President Narayana Kocherlakota (alternate 2013, voting 2014) and Richmond Fed President Jeffrey Lacker (nonvoting 2013, alternate 2014).

Earnings season continues unabated, with 125 firms on the S&P500 set to release next week. Some of the names include Berkshire Hathaway, Starbucks, Mastercard, Exxon, Time Warner, GM, Visa, Kraft, Genworth, Pfizer, Loews, Apple, and Merck. **Clearly there is enough breadth across sectors to influence the broad equity market tone on the week.**

Data risk will be elevated throughout the week. On the plus side, a gain in delayed industrial production figures for September is expected, and we might witness the 19th consecutive monthly rise in house prices as measured by the S&P Case-Shiller repeat sales metric. US house prices are up 12.4% y/y, and are 21% higher than the March 2012 trough although they remain 21% lower than the 2006 peak. Put another way, about 40% of the drop in house prices since 2006 has been recouped so far and within just a year-and-a-half.

The list of downside risks to data is longer. The Conference Board's consumer confidence reading for October could well have weakened in response to Washington's brinksmanship. It appears to have plateaued over prior months, albeit at the highest levels since early 2008. Pending home sales may well drop for the fourth consecutive month in response to falling mortgage purchase applications that reflect the lagged impact of the rate shock since May. Because vehicle sales slipped in September, next week's retail sales report could be a soft headline. Vehicle sales for October will be watched to see if they continue to wind back the run-up that occurred over the summer in seasonally adjusted terms as sales strength might have been brought forward at the expense of the period we've recently entered. ISM manufacturing will close the week, and consensus thinks the headline will soften from the highest reading since the Spring of 2011 as purchasing managers became more cautious into the government shutdown during October. ADP will start the next round of labour data, and while expectations are for a disappointing range bound 160k print, its ability to track the first pass at private nonfarm payrolls is limited. That said, this will be the first glimpse at whether Washington's follies impacted hiring intentions. The next nonfarm payrolls report won't be until November 8th. Finally, CPI for September is expected to indicate still-moderate inflation pressures with headline perhaps slipping to the low 1% range. This lands the morning of the FOMC decision.

The **US auctions** 2s, 5s, and 7s next week.

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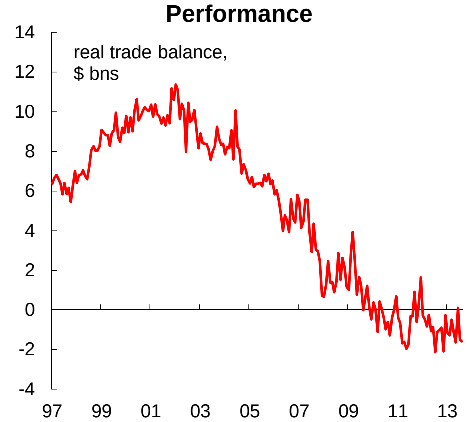
Canada — GDP and Corporate Earnings In The Spotlight

Canada will be focused upon monthly GDP figures for August and corporate earnings next week. **Fifty-two companies on the TSX release**, including names like West Fraser, Thomson Reuters, Genworth Canada, Canadian Oil Sands Ltd, Suncor, Maple Leaf Foods, Barrick Gold, Bell Aliant, Cott, Bombardier, Imperial Oil, and SNC-Lavalin.

Canada's Lacklustre Trade Performance



Source: Statistics Canada, Scotiabank Economics.

After the biggest monthly gain in GDP in over two years, we're expecting a repeat gain though at a softer pace. It was a strong month for job creation (+59k) and that grew total hours worked by 0.4% m/m which was restrained by virtue of the fact that most of the job growth was in the part-time category. Since GDP equals hours worked times labour productivity itself defined as output per hour worked, a solid rise in hours of employment should translate into a gain in GDP barring a sharp drop in productivity. Other indicators were mixed. Housing starts fell 6.6% m/m, but that was mostly in lower value-added multiples which will soften the possible construction drag on growth. Offsetting some of this is that home resales were up 2.8% and that may have contributed to gains in related support services like banking and professional services. The rise in resales occurred alongside a 0.2% m/m gain in the volume of retail sales, while wholesale sales volumes were up 0.3%. The one observeable knock against growth came through a 0.3% m/m drop in the volume of manufacturing shipments. That said, the country's trade deficit improved in volume terms as export volumes grew faster than import volumes. This may have been more of an aberration against a bleak trend than signs of a pick-up, as the trade deficit in volume terms remains deeply challenging (see chart). Wild cards to the growth picture included difficulty in observing output in the resource sector and broad parts of the services categories.

BoC Deputy Governor Agathe Côté speaks on Tuesday, though the topic was not known as we went to print.

Europe — Data Risk To Play Second Fiddle To Foreign Spillover Effects

Europe won't top the list of global market influences, but it will have **enough data gems to potentially influence domestic markets.** One key will be German retail sales for September. After falling in two of the past three months and four of the past seven, the German consumer is not at the leading edge of Germany's expanding economy. Another drop in September would not be a positive note on which to end Q3. In fact, this is part of the reason why we continue to think that **sentiment readings — like IFO business confidence, manufacturing PMIs and ZEW investor expectations — overstate strength in the actual activity measures.** Also watch German inflation on Wednesday as it has slipped over recent months and thus provided the ECB with some comfort regarding diminished inflation risk in the relatively most resilient major economy within the Eurozone.

Did Spain's recession end in Q3? It would take the first positive print in ten quarters to do so when Q3 GDP lands on Wednesday. The country has been inching closer and closer toward growth this year but the recovery phase is bound to remain weak in the context of very high unemployment and ongoing fiscal drag.

French consumers are in no better shape it seems, as spending has fallen in three of the past five months. A fourth time in September on Thursday would not be constructive insofar as Q3 growth is concerned.

UK risks will be centered upon Friday's manufacturing PMI. Markets will be sensitive toward the risk of a second decline off the highest readings in over two years back in August.

EC add-ups for economic confidence, the unemployment rate, and CPI round out the hits.

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Asia-Pacific — Eyes on China, Central Banks

Central bank decisions and Chinese manufacturing figures may impact the global market tone, while regional markets could well be impacted by second-tier data. The **Reserve Bank of India is expected to hike policy rates again,** as new RBI Governor Raghuram Rajan seeks to counter inflation risk. Rajan had noted in a speech on October 10th that India's growth swoon may be close to bottoming and attempted to talk up the nation's finances. We're less convinced, since at present current account deficits, the country would eat away at all of its foreign reserves within less than three years. Clearly, if India cannot turn around its export competitiveness, it may be pressured in this regard, and tightened central bank policy to counter inflation presents the offsetting risk of aggravating the country's balance of payments challenges by adding strength to the rupee.

The BoJ is likely to stay the course on monetary policy next week. That said, **we remain skeptical regarding the BoJ's efforts.** Nominal trade balances have improved partly via yen depreciation that lifts export receipts and flows through to higher profits for less import-intensive sectors of the economy, but trade volumes have not improved. Further, yen depreciation is imposing an imported energy price shock on consumers combined with higher electricity prices that crowd out pricing power elsewhere in the economy amid tight household budget constraints influenced by weak wage growth and constrained lending appetite. The Abenomics scorecard will also be updated next week through key releases for household spending, retail trade, industrial production, and housing starts. Also, the RBNZ is expected to leave policy unchanged.

China's private sector and state versions of the purchasing managers' index for the manufacturing sector will land on Halloween next Thursday as both are straddling the line just above the division between expansion and contraction. **As the PBoC renews its push toward tightened liquidity to counter a runaway house price and credit cycle, it's not clear to us that the tepid manufacturing recovery is necessarily on solid footings.**

Regional data releases will also include Australian new home sales, Indonesian CPI, South Korean industrial production and CPI, and trade figures across a number of economies.

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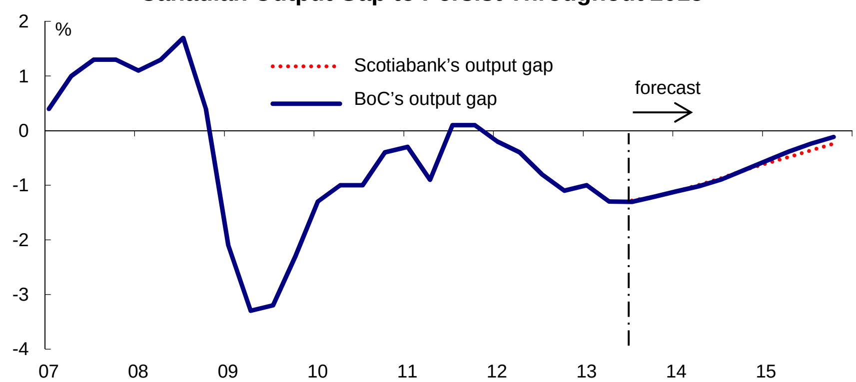
Bank Of Canada Courts Rate Cut Bets

- **By dropping its rate hike bias, the BoC has invited markets to potentially bet on rate cuts but the bar for delivering them remains very high.**

The Bank of Canada (BoC) decided to court rate cut bets in its October statement and MPR — even if we think there is an exceptionally high bar for delivering a cut to its policy rate. The statement jettisoned the nominal bias towards rate hikes that Governor Poloz inherited from Governor Carney (the bias had been severely watered down by this meeting in any event). To remove it makes an already dovish central bank even more dovish. It will naturally invite fast money to put on leveraged bets at the front-end in favour of a rate-cut bias, and the risk in a modestly sized market like Canada is pointed toward over-shooting on CAD weakness and front-end strength as 2s and 3s were fairly bid in the wake of the statement. More CAD weakness and a further front-end rally could be forthcoming.

The closing of the output gap was pushed out to late 2015 and forecast dynamics performed largely as we had expected (see our earlier note here). The BoC now expects the output gap to close by the end of 2015, inflation to take longer to get back up to the 2% target than previously forecast (end of 2015 now), and it revised its growth forecasts materially lower. It also took down its potential growth assumptions (or the speed limit of the economy) due to lower labour productivity growth than expected and broader reasons explained in a focus box in the full MPR. In fact, the BoC's view on the output gap is now somewhat eerily aligned with Scotiabank Economics' for the first time since I can remember offhand. Our revised outlook for the output gap using the BoC's lowered potential growth assumptions and our own actual GDP growth forecast matches the BoC's output gap using their potential and actual growth assumptions (see chart). We agree that spare capacity is with us throughout the 2013-15 forecast horizon **but continue to tilt the balance of risks toward closing spare capacity later than forecast (i.e., into 2016) rather than sooner**.

Canadian Output Gap to Persist Throughout 2015



Source: BoC, Statistics Canada, Scotiabank Economics

This is all very consistent with our view that the BoC is on hold into late 2015 or possibly 2016 and hence much later than consensus which is still tracking late 2014. Consensus will be revising their forecasts after this, but the market is voting. **We think the BoC will resist cutting the overnight rate,** but will welcome the rally. The BoC put it well in flagging risks of a rate cut when it noted in the final paragraph that it is more concerned about persistent downsides to inflation, but cognizant of the risks of "exacerbating already-elevated household imbalances." If household imbalances pose a material drag over time, prolonged easy money will be required in Canada.

So what is the BoC's overall intent? **Clearly the BoC wants a weaker CAD** to address frustration over the lack of steady traction on the exports picture and Canada's loss of export competitiveness. **The BoC is also taking steps to counter the fixed rate shock on the economy** — and is succeeding somewhat as is evident from the curve's response. Ultimately, we continue to think that the Bank of Canada is at or near the limits of central bank independence since raising the spread over fed funds target when the Fed is on a prolonged hold would light up CAD at an inopportune moment when the BoC is hoping for greater momentum in exports.

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Fed Tapering: Another Reason For A Dovish BoC

- **Through adverse effects on the Canadian economy, Fed tapering would delay rate hikes by the BoC while potential resulting CAD depreciation would not be unwelcome.**

While there is a sound macroeconomic case for a prolonged BoC hold especially in the wake of this week's BoC statement, a reinforcing factor concerns the effects of eventual tapering of Fed bond purchases probably by late winter. To us, that means both central banks start hiking their policy rates by late 2015 or perhaps later. This view contrasts with the consensus opinion that is still counting on a Fed tapering decision to give the Bank of Canada the green light to hike borrowing costs ahead of the Fed.

Fed Taper Effects On Canada

Generally, we think that Fed tapering would hit the Canadian economy harder than the US economy, requiring prolonged monetary policy accommodation in Canada, for the following reasons:

- First, tapering would put **upward pressure upon global fixed rates at a time when the mature Canadian household cycle doesn't need a rate shock.** The US might be able to afford higher fixed rates as it unleashes pent-up demand in the household sector, but Canada cannot.

- Second, tapering would probably pull capital into the US and raise the cost of company financing on the margin in such a fashion as to **restrain the already disappointing investment cycle.**

- Third, **Fed tapering could weaken commodity prices** in favour of USD-oriented flows and thus further restrain Canadian growth and investment.

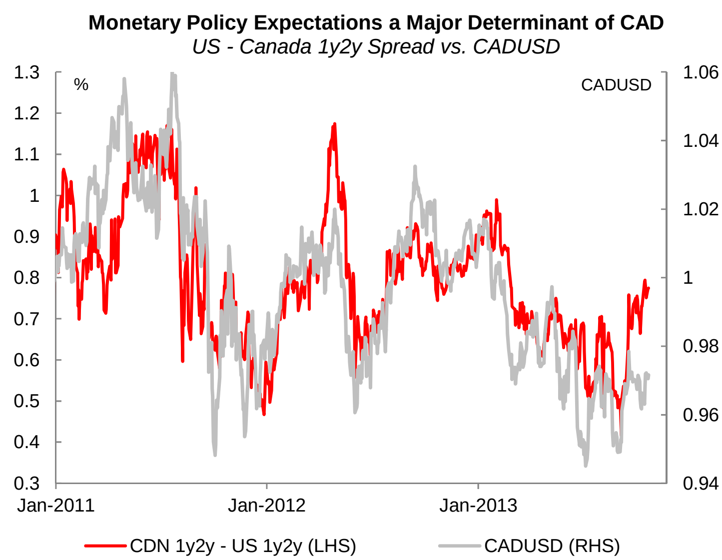
- Fourth, while Fed tapering presumably requires improving US economic fundamentals, **the economic improvement in the US may well continue to fail to trickle over into Canada** by virtue of the fact that Canada has lost so much export competitiveness over time.

CAD Depreciation Would Not Be Unwelcome To The BoC

The second argument is that if Fed tapering prompted a stronger USD and by corollary weaker CAD, it's not at all clear that this would be unwelcome to the BoC as it expresses frustration over export growth. Thus, the consensus assumption that the BoC would hike its policy rate spread over the US when CAD provides room for doing so seems off-base to us.

This argument also boils down to what rate spread consistently matters most for USDCAD. As chart 1 demonstrates, the post-crisis QE2-onward environment provides the best correlations between USDCAD and short -rate spreads in the two countries versus a longer-term bond yield spread. The implication is that Fed tapering further up the curve would have a less powerful depreciating influence upon CAD than the

Chart 1



Source: Bloomberg, Scotiabank Economics

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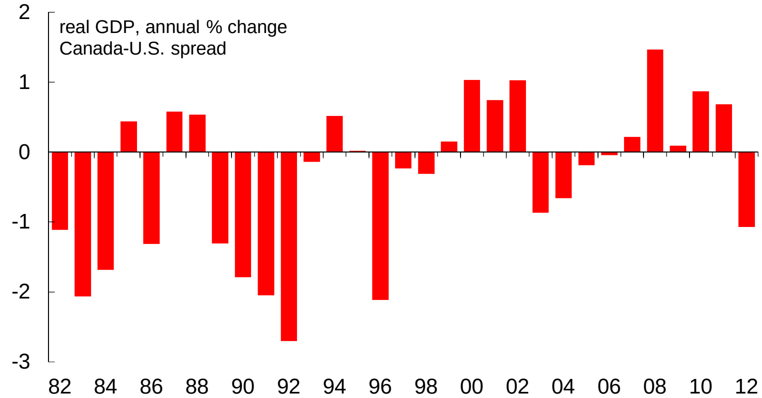
appreciating effects of policy rate increases and the BoC must be cognizant of this.

In all, we continue to forecast underperformance of Canadian economic growth relative to the US, and Fed tapering will not help in this regard. Canadian GDP growth underperformed the US by about a percentage point last year, has underperformed the US in seventeen of the past 31 years since 1982 and has done so by between about 1-3% in ten of those years (chart 2). Canada underperformance is therefore hardly unprecedented and is more likely going forward.

Chart 2

Significant Deviations Are Hardly Unprecedented



Source: Statistics Canada, BEA, BLS, Scotiabank Economics

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Canadian Governments' Deficit Reduction Path

- **Since the recession, numerous *Budget* adjustments, but fiscal repair still a priority.**

Canada's federal government announced this week a final $18.9 billion deficit for fiscal 2012-13 (FY13), just 1% of GDP and $7.4 billion narrower than FY12 *(see table below)*. This FY13 result sets the stage for Ottawa to substantially outperform on its FY14 forecast of an $18.7 billion shortfall and, barring unexpected setbacks, facilitates the government's goal of regaining black ink in FY16. Nevertheless, Ottawa's proposed balanced budget legislation requiring surpluses during normal economic periods still poses a steep challenge over the next 1½ decades as Canada's baby boom generation retires.

For the Provinces to date, FY13 marks an improvement of just over $4.0 billion in their reported aggregate shortfall. Their $13.7 billion combined FY13 deficit, representing 0.8% of GDP, reflects final results from seven of the ten provincial governments, with spring estimates used for the other three. If the FY13 provincial aggregate is adjusted to include a more broadly defined surplus of $37 million for Saskatchewan and Alberta's $2.8 billion budget gap before a compensating transfer from its Sustainability Fund, provincial red ink for FY13 totals $16½ billion, or 0.9% of GDP.

Apart from Ontario's substantial outperformance last year, underpinned by one-time revenue gains and expenditure savings, a number of Provinces struggled during FY13 to limit their variance from *Budget* as provincial revenue growth slowed to less than 2.0%. Federal transfers across the Provinces in FY13 declined for the second year in a row as some federal programs expired and Ottawa unwound its stimulus package. For the resource-rich Provinces, FY13 resource receipts slid by more than 25% from FY12.

For FY14, the Provinces' *Budget* estimates and subsequent updates indicate a slightly narrower shortfall of just over $13 billion (0.7% of GDP). The stronger but still moderate revenue growth of 3½% projected by the Provinces for FY14 will continue to curtail program spending increases. Canada's real GDP growth for calendar 2013 is expected to advance just 1.6%, alongside a rise in the GDP deflator of less than 1½%.

Adjustments are expected in the provincial mid-year updates to be released over the next two months. Alberta's Q1 update indicated an improved FY14 operating balance in a range of -$500 million to +$250 million, but this revision is before estimates of the Province's flood-related expenses and Ottawa's revenue assistance. Quebec, grappling with soft output growth this year and a wider-than-expected Q1 budget shortfall, outlined a new *Economic Policy* providing $2 billion through 2017.

The Provinces' Budget Balances*

$ millions unless otherwise noted

	FY10			FY11			FY12			FY13			FY14f			% of GDP				
	2010 *Bud.Rev*	Final	Ch.	2011 *Bud.Rev*	Final	$ Ch.	2011 *Budget*	2012 Final	$ Ch.	2012 *Budget*	Final	$ Ch.	2013 *Budget*	Rev.	$ Ch.	FY10	FY11	FY12	FY13	FY14f
NL	-295	-33	262	485	594	109	59	883	824	-258	-431	-173	-564	n.a.	-	-0.1	2.1	2.6	-1.3	-1.6
PE	-84	-74	10	-54	-63	-9	-42	-78	-36	-70	-69	1	-59	n.a.	-	-1.5	-1.2	-1.5	-1.3	-1.0
NS	-488	-269	219	447	585	138	-390	-259	131	-211	-302	-91 *	16	18	2	-0.8	1.6	-0.7	-0.8	0.0
NB	-743	-696	47	-740	-618	122	-449	-245	204	-183	-508	-325 *	-479	-500	-21	-2.4	-2.0	-0.8	-1.6	-1.5
QC	-4,257	-3,174	1,083	-4,200	-3,150	1,050	-3,800	-2,628	1,172	-1,500	-1,500	0	0	n.a.	-	-1.0	-1.0	-0.8	-0.4	0
ON	-21,330	-19,262	2,068	-16,686	-14,011	2,675	-16,316	-12,969	3,347	-14,820	-9,220	5,600 *	-11,743	-11,743	0	-3.2	-2.2	-2.0	-1.4	-1.7
MB	-555	-185	370	-467	-181	286	-438	-1,001	-563	-460	-580	-120 *	-518	n.a.	-	-0.4	-0.3	-1.8	-1.0	-0.9
SK	425	425	-1	20	48	28	383	352	-30	47	58	11 *	32	17	-16	0.7	0.1	0.5	0.1	0.02
AB	0	0	0	0	0	0	0	0	0	0	0	0 *	0	0	0	0	0	0	0	0
BC	-2,775	-1,810	965	-1,265	-241	1,024	-925	-1,814	-889	-968	-1,146	-178 *	197	136	-61	-0.9	-0.1	-0.8	-0.5	0.1
All Prov.	**-30,102**	**-25,078**	**5,024**	**-22,460**	**-17,037**	**5,423**	**-21,918**	**-17,760**	**4,158**	**-18,423**	**-13,698**	**4,724**	**-13,117**	**-13,213**	**-96**	**-1.6**	**-1.0**	**-1.0**	**-0.8**	**-0.7**
Federal	**-53,800**	**-55,598**	**-1,798**	**-36,200**	**-33,372**	**2,828**	**-32,300**	**-26,279**	**6,021**	**-21,100**	**-18,929**	**2,171 ***	**-18,700**	**-13,500**	**5,200**	**-3.5**	**-2.0**	**-1.5**	**-1.0**	**-0.7**

* As reported by the Provinces. Ontario's FY13 Budget estimate includes April 2012 changes. Source: *Budgets;* Statistics Canada; nominal GDP and federal deficit forecasts: Scotiabank Economics.

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Canadian Households Scaling Back Renovation Plans

- **Cautious consumers and a steadier housing market are weighing on Canada's renovation sector.**

Adjusted for inflation, Canadian households increased their outlays on residential alternations and improvements by a modest 1½% y/y in the first half of 2013. Retail purchases of related goods are likewise restrained, with sales of hardware and home renovation products up less than 2% year-to-date through August (chart 1). The sector's relatively sluggish growth in recent years is in sharp contrast to the renovation boom of 2000-2007 (chart 2).

The slowdown in renovation activity is consistent with the relatively flat pace of home sales since 2008 (chart 3). Households typically incur their largest renovation expenditures in the first year following the purchase of a resale home (and then make further smaller outlays when preparing to sell).

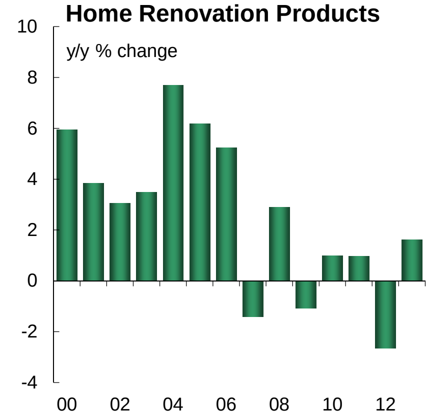
The reduced demand for renovations also mirrors the return to a more balanced housing market and more modest home price appreciation. Persistently tight sellers' market conditions over the 2000-2007 period made renovating an attractive option over moving. At the same time, rapidly rising home prices bolstered household wealth and facilitated home equity withdrawal.

The outlook for the sector remains constrained. We expect home sales will edge lower over the coming year as tighter mortgage conditions, high prices and the potential for a further albeit modest rise in interest rates crimp affordability, especially for first-time buyers. Meanwhile, a growing inventory of new homes and condos in many cities provides the option of buying new over upgrading. More generally, slowing employment and wage growth is contributing to a more cautious trend in discretionary household spending.

Even so, several factors should maintain modest growth in renovation outlays, which are typically less volatile than home sales and new construction. Canada's housing stock has expanded by more than 15% (or by about 2 million units) over the past decade, mirroring strong growth in household formation. A record high homeownership rate of almost 70% is supportive of renovation spending, with owners more likely to undertake upgrades compared with renters and landlords. An aging population and government rebates should continue to support demand for accessibility- and energy efficiency-related upgrades and retrofits.

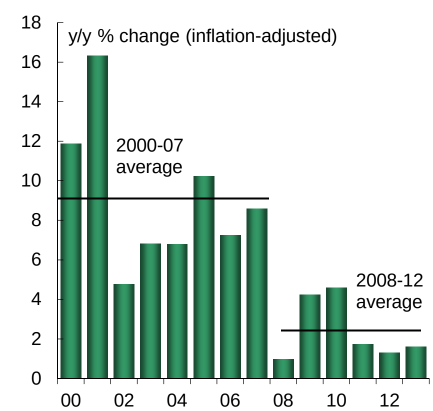
Overall, we anticipate relatively steady 2% growth in inflation-adjusted renovation expenditures this year and next. Budget-conscious households are likely to favour smaller projects over major remodelling. Regionally, Alberta's renovation market should outperform, underpinned by rising home sales, relatively stronger employment and wage gains, rapid population growth, and repair and reconstruction work related to last summer's floods.

Chart 1 - Retail Sales of Hardware & Home Renovation Products



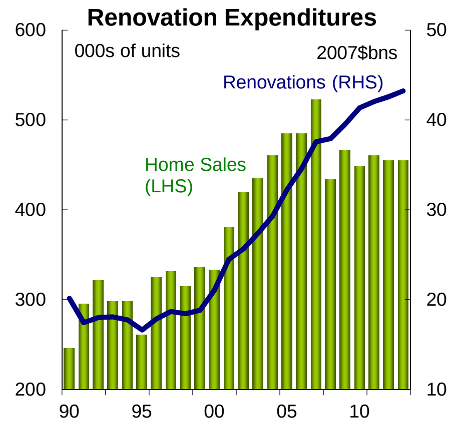
Source: Statistics Canada, Scotiabank Economics

Chart 2 - Renovation Expenditures



Source: Statistics Canada, Scotiabank Economics

Chart 3 - Home Sales and Renovation Expenditures



Source: Statistics Canada, CREA, Scotiabank Economics

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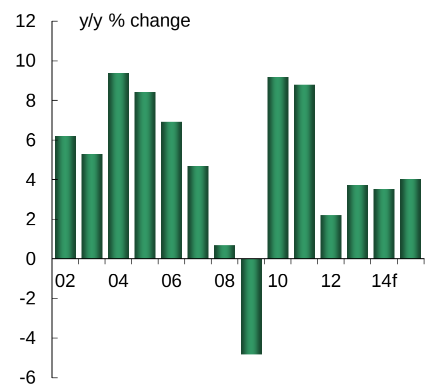
Turkey — Economic Outlook 2014

- **Medium-term growth and fiscal outlook sound, but structural vulnerabilities remain.**

Turkey's US$822 billion economy (the seventh-largest emerging market in purchasing power parity terms) will register a relatively robust economic performance in 2013-14 on the back of recuperating domestic demand and strong pre-election government spending, which have offset the drag from deteriorated net exports. We foresee real GDP growth of 3⅔% in 2013-14, up from 2.2% in 2012. Subsequently, the economy is well positioned to assume a more balanced growth trajectory in the range of 4-4.5% annually (relative to the pre- and post-global crisis years of 7% average expansion rates). In the context of adverse macroeconomic conditions in the European Union (EU) and a still-high energy import bill, Turkish authorities have engineered a soft-landing for the economy as it transitions from a credit-fuelled domestic demand engine to a more externally-oriented, diversified and resilient growth structure.

Real GDP Growth



Source: Bloomberg, Scotiabank Economics.

Inflationary pressures are moderating, albeit slowly. The central bank assesses that headline inflation, at 7.9% y/y in September, will fall over the coming months, while core price indicators will remain elevated on the back of currency volatility. After reducing the benchmark one-week repo rate by 125 bps to 4.50% from last December through mid-2013, monetary authorities are now reluctant to tighten conditions, despite high domestic credit growth (around 30% y/y), above-target inflation and a still wide current account deficit. The central bank will continue to use ad hoc tightening measures as needed to secure lira and price stability while the economic recovery gains traction.

The fiscal environment is favourable; the current administration reduced the budget deficit from 5.6% of GDP in 2009 to 0.7% in 2011, though it has since widened modestly (to an expected 2⅓% this year). Gross public debt will continue to drift lower, averaging around 35% of GDP through 2015 (down from 78% in 2001). As part of its medium-term fiscal plan the government aims to accelerate its privatization program; however, fiscal gains will likely be tempered by pre-election government spending (local, presidential and parliamentary elections are scheduled for 2014-15). In its latest country assessment, the IMF urged a tightening of both fiscal and monetary policy, namely reduced public expenditures and benchmark interest rate increases, in order to mitigate the potential impact of external financing shocks.

The current account deficit, estimated at over 7% of GDP, remains a glaring structural weakness that reflects an immense trade deficit. The gap is exacerbated by the nation's low domestic savings rate, high unit labour costs and strong reliance on imported energy. Nonetheless, there has been a notable reduction in the size of the shortfall from the 10% of GDP level recorded in 2011.

The outlook for the Turkish lira (TRY) is relatively stable; however, the currency will be subject to bouts of heightened financial market volatility over the next 12 months as the US Federal Reserve (Fed) embarks on a path of monetary stimulus withdrawal. The currency has recovered roughly 5% versus the US dollar (USD) since reaching a record low in September at the height of market speculation regarding possible tapering of asset purchases by the Fed. The TRY's retracement has been aided by Turkish central bank intervention in the foreign exchange market and indications from major global central banks that interest rate normalization is still a long way off. Nevertheless, investors remain honed in on Turkey's unresolved macroeconomic vulnerabilities, including the large current account deficit and dependence on volatile portfolio inflows.

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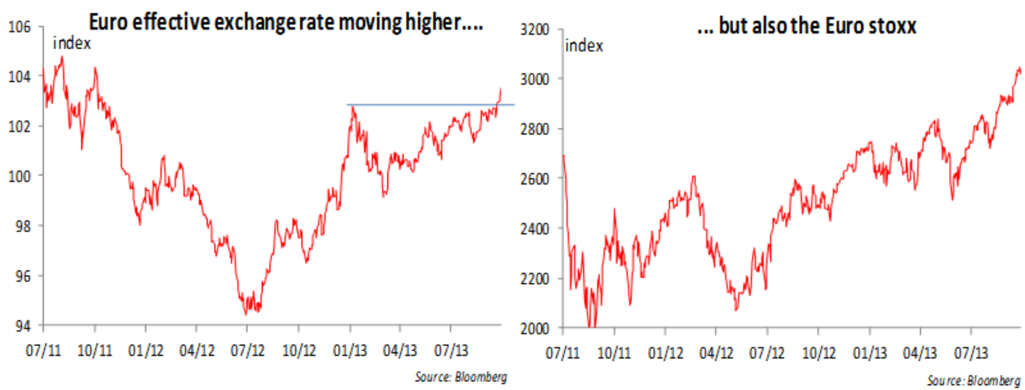
ECB Lending Survey To Rule Out Another LTRO?

- The ECB will release next week (Wednesday) the October lending survey. This could prove sensitive for expectations on the management of the monetary policy, either from the angle of a potential rate cut or a new LTRO.

Looking for near-term potential rate cut

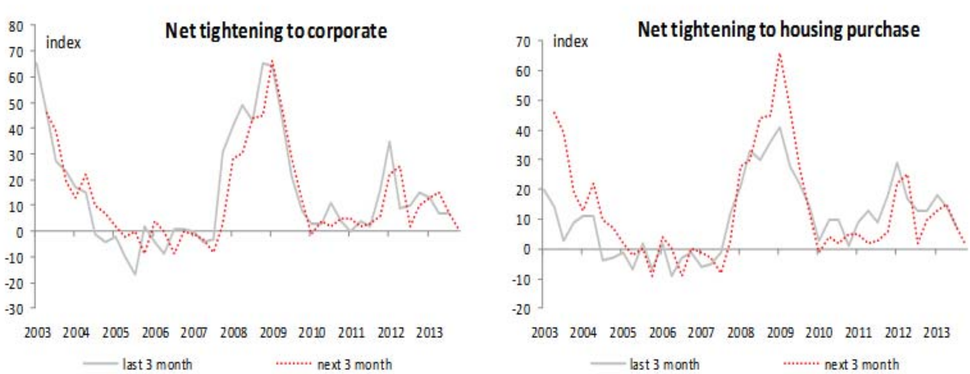
- From the angle of a potential rate cut, it will have to do a lot with the dynamics in financial conditions in the EMU area. On this side, there are indeed conflicting signals. On the negative side, pointing to a tightening in financial conditions, there is in particular the adverse impact of the rise of the euro. Also, real yields showed signs of shifting higher as the sharp slowdown in EMU inflation in recent months has not been offset by an equivalent drop in nominal yields. On the positive side, we have seen rising equity markets. However, with around 80% of the financing of euro corporates being achieved through bank loans, the trend in bank lending conditions is also an important factor to assess how global EMU financial conditions have moved. This explains why the coming lending survey will be closely watched.

Chart 1: Conflicting signals in EMU financial conditions: Euro vs. equities!



- In the July ECB lending survey, the net tightening of credit standards remained unchanged for loans to enterprises at 7% and continued to decline for housing loans to 7% from 14%. At this time, for the third quarter of 2013, the banks participating in the survey expected a further decrease in the net tightening of credit standards for both corporate and housing loans to respectively 1% and 4%. So, the outcome of the coming survey will be watched under these expectations and any signs of retightening or the lack of any real improvement would indeed be disappointing. At a time when the message sent by recent business surveys have been rather mixed (little improvement in the PMIs and softer German Ifo), this will add renewing pressure on the ECB to favour further accommodation in EMU financial conditions through in particular interest rate cuts.

Chart 2: Towards further improvement in lending conditions?



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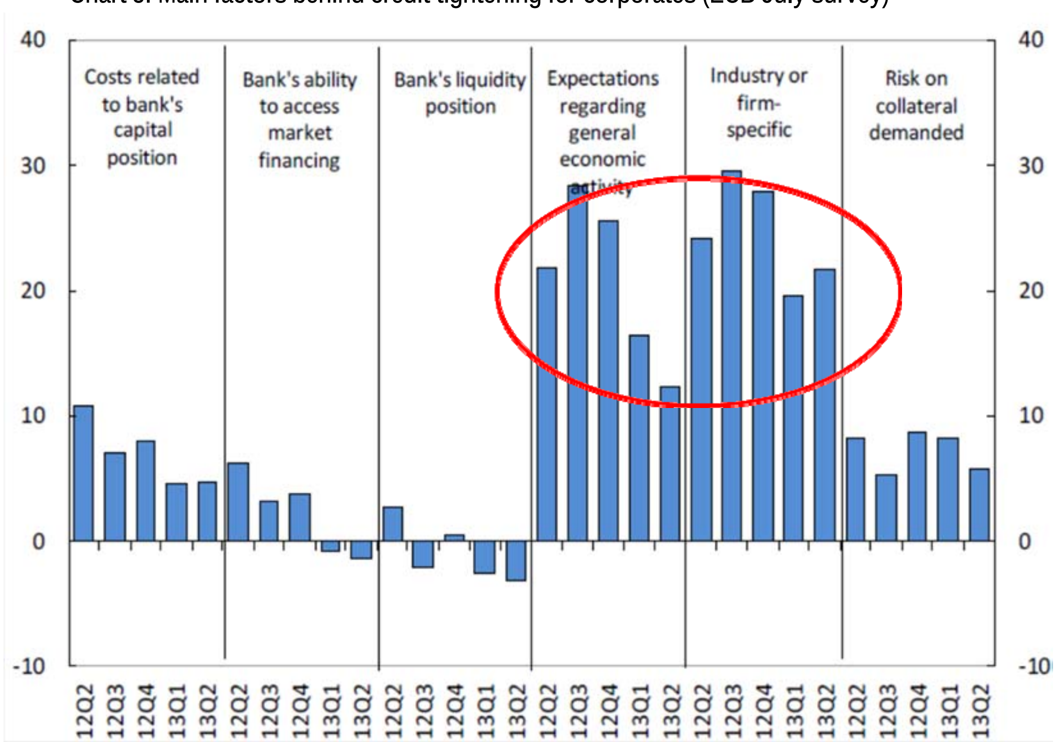
Any chance of a new LTRO?

- Beyond the headline data on this ECB bank lending survey, details will also be worth watching to assess the potential for a new 3-year LTRO in the near term. Since the ECB president indicated that this option remains on the table, speculation has been mounting for a possible announcement before the end of the year. While we believe that the ECB president will no doubt announce an extension of the main refinancing and of the three-month longer-term refinancing operations (MROs & LTROs) as fixed rate tender procedures with full allotment beyond July 2014, we see little chance of a new 3-year LTRO for the time being. Indeed, the ECB president appears to link the option to either renewing financial stress linked to the AQR program or higher trends in money markets. So far, renewing tensions on both these issues have been limited. However, this coming survey could change this assessment through, in particular, any indications of renewing tension in banks' financing/liquidity conditions.

- In the July survey, the on-going tightening in bank's credit conditions had more to do with high risk aversion linked to either "expectations on the general economic activity" or "industry or firm specific" rather than "banks' liquidity position", "banks' ability to access market financing" or "cost related to banks' capital position". As a result, there is little that the ECB can do about it. Unless there are renewing tensions in these latest factors in the coming survey on the back of, for example, potential nervousness ahead of the ECB's AQR, there will be little incentive for a new LTRO.

Chart 3: Main factors behind credit tightening for corporates (ECB July survey)



- Another option for a new LTRO in the short term would be to help unlock poor credit growth and divergent credit conditions between euro zone countries. As a result, there is also speculation that offering additional liquidity under specific conditionality (such as an Funding for Lending style program) would be effective. While this scheme has worked well in the UK and sounds attractive in principle, the ECB seems so far reluctant to embark on a programme of providing liquidity to finance potential "unprofitable investments/

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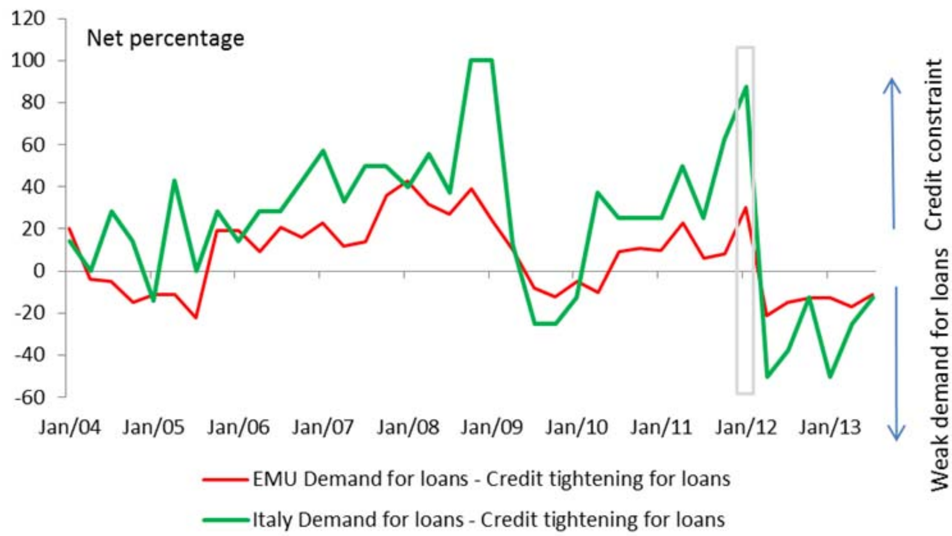
companies". While the ECB president has regularly mentioned in press conferences that weak credit growth reflects both demand and supply factors, it seems that there is a tendency inside the board to believe that "*clearly, demand factors are important"* (ECB press conference, 02/10/13). In that case, the ECB and a new LTRO would have little traction. The latest ECB lending surveys have added to this feeling. Indeed, compared to late 2011/ early 2012 when the 3-year LTROs were introduced, it seems that demand rather credit constraints could be the main factor behind weak credit growth. Indeed, while net tightening credit conditions have eased over the past year and half, demand for loans has fallen significantly. As a result, the gap between these two indices suggests that, compared to early 2012, weak credit growth could have more to do with demand rather than supply side factors. It is true for the EMU as a whole but also for a more peripheral country like Italy.

Chart 4: Assessing supply/demand constraints on corporate credit growth!



- If the October ECB lending survey continues to reflect this pattern, there will be also little incentive for the ECB to activate a new LTRO to re-boost the credit growth dynamic.

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Latin America Week Ahead: For The Week Of October 28 - November 1

This week's Fed FOMC meeting is likely to take centre stage in global markets, with China's PMI also being worth watching, particularly for the more commodity-linked LATAM FX. Scotiabank Economics expects the Fed to signal it is bidding its time to assess the state of the economy, with some risk that forward guidance will be strengthened (one option would be to lower the unemployment threshold at which rates would be hiked), while QE is left unchanged.

Week-ahead views:

Brazil: The DI rates are now fully pricing in a 50bps hike in the upcoming COPOM meeting, and roughly 30bps for the first meeting of 2014 (so over 50% chance that the rate hike pace will slow). However, economist surveys have been a bit more cautious, and in this week's BCB survey it will be interesting to see if economists and traders have had some convergence. Based on the latest statement and COPOM meeting minutes, our bias is that the BCB's 50bps hike pace is likely to remain in place for at least one more meeting. Besides the weekly survey, we believe industrial production & trade balance data are both worth watching, as our sense is that both of these variables are important for the outlook of the BCB's intervention program. Our take is that the intervention program was introduced to reverse some of the pain that a weakening BRL was causing in the corporate sector (i.e., Petrobras and the airline industry, as well as potentially other sectors in the economy which had USD debt / costs, and BRL revenues), as well as potential FX-inflation pass-through, which limited the government's appetite for a weaker BRL. Our sense is that the cap for BRL strength upside is given by the competitiveness of the manufacturing sector, adding importance to the release of the trade balance and industrial production data on Friday. Foreign participation in Brazilian domestic debt reached a new high in September, rising to 17.22%, likely at least partly resulting from relatively high yields and the support the government is giving the currency. According to O'Globo, the latest Ibope poll suggests President Rouseff would likely be re-elected in the first round in next year's election.

Chile: This is going to be another short week in Chile, with both Thursday and Friday being holidays. However, we are also scheduled to get some important data releases, which will be interesting to watch for clues about the future path of monetary policy (we will wait for more guidance from the minutes, but the statement from the meeting in which the cut was announced, sounded more neutral). In particular, we believe it will be important to focus on the manufacturing index for signs that the sector is starting to recover, and on retail sales and unemployment which have both been fairly resilient and appeared to be among the indicators which kept the BCCh's hand from pulling the "rate cut trigger" before its latest meeting (the resilience of domestic demand was seen as the risk to cutting in our view). Another key question is whether the upcoming presidential elections will pop up on the radar as we enter "election month". Our sense is that they probably will not become as major a driver given recent surveys do not suggest that former President Bachelet is likely to get a constitution-changing majority in the legislative, which limits the potential for some form of "regime change". However, we still think election surveys are worth tracking.

Colombia: BanRep is widely expected to leave the overnight lending rate unchanged in today's monetary policy meeting, with all 30 economists surveyed by Bloomberg looking for an unchanged stance. We perceive that policymakers are generally comfortable with current interest settings, but believe that comfort over the exchange rate could start falling if USD/COP dips below 1850. We believe that trade data and industrial production are currently the most "policy relevant" among economic activity metrics, but nonetheless believe this week's unemployment should be watched for signs that domestic economic drivers will remain strong (the market expects a slight dip in unemployment from 10.3% to 10.0%).

Mexico: Heading into today's monetary policy decision, the TIIE interest rate swaps market was pricing slightly higher than 50/50 odds of a 25bps or 50bps rate cut, while most analysts expected Banxico to cut the overnight rate by 25bps (including our economics team, but we were slightly biased towards a -50bps cut). The central bank delivered the anticipated quarter percentage point analysts looked for. However, somewhat more surprisingly the central bank also seemed to close the door on further easing, with the statement suggesting that

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the reason for the end of the easing cycle could be a measure to compensate for potentially loosening fiscal policy (based on the government's fiscal proposal. Due to the central bank's decision to "shut the door on further easing", MXN rallied 0.8% on Friday, but in our view, the potential carry-over for Banxico's decision into next week is limited, as markets will likely be focused on the Fed's FOMC meeting. October 31 is the formal deadline for Mexico's Senate to approve the 2014 revenues bill, after which we could see focus on the political / energy bills resurface (the lower house still has to approve the expenditure decree, but that portion of the economic package does not need senate approval). Our base case is that both bills should be approved by mid-December.

Peru: Thursday's message by BCRP Governor Velarde remained relatively unchanged in our view, with the governor signaling that further policy adjustments would likely take the form of changes to reserve requirements (which has been the "*modus operandi*" for some time, as the reference rate has remained unchanged since the summer of 2011). However, Governor Velarde also said that bank liquidity is strong (which could mean that reserve requirement cuts are not a given). In Velarde's view, the Peruvian economy's performance has touched bottom, which could signal a move towards a more neutral stance. In this regard, next week's Peruvian CPI data release will be important to watch for signs regarding future policy direction, although we don't expect any major surprises either on the policy or data side. Our local FX desk is biased to sell USD/PEN around 2.7650.

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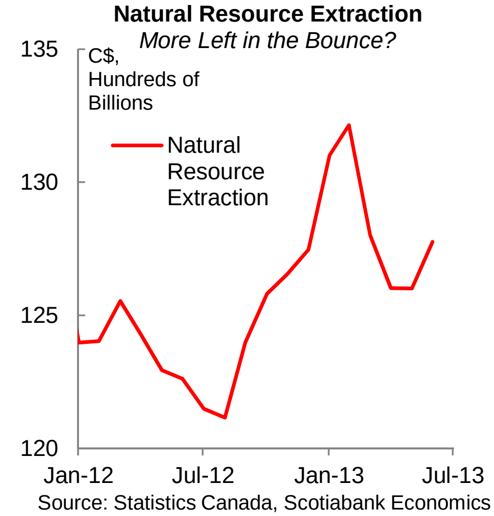
Key Data Preview

CANADA

Our projection is for the August **GDP** number to come in at 0.1% m/m (Oct. 31). Our forecast is based on decent outcomes in terms of wholesale trade volumes (+0.3% m/m) and retail (+0.2% m/m) that play off against weak manufacturing (-0.3% m/m) and soft housing starts. There were a number of other positives including hours worked (+0.4% m/m) and aspects of the trade data that reflected moderate strength (both exports and imports were up strongly). Whether or not the natural resources sector retraces after July's +1.4% m/m print (see chart) is a wildcard. Looking ahead, a 0.1% m/m GDP number for September would leave the quarter tracking for a sub-2% q/q gain, in line with our forecast for Q3.

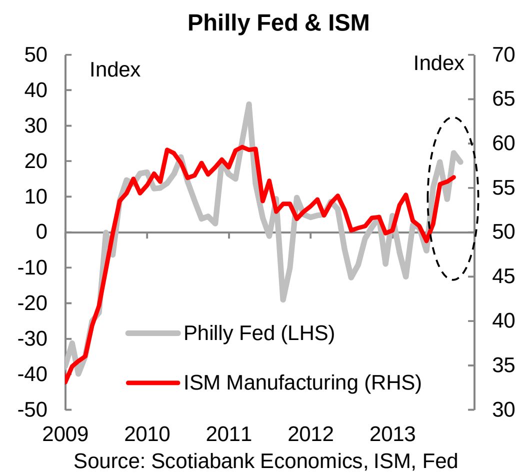


Source: Statistics Canada, Scotiabank Economics

UNITED STATES

Industrial production (Oct. 28) numbers for September should tick higher by 0.2% m/m with decent prints on manufacturing surveys implying strength while weak automotive sales and a slowdown in the production schedule pose a headwind.

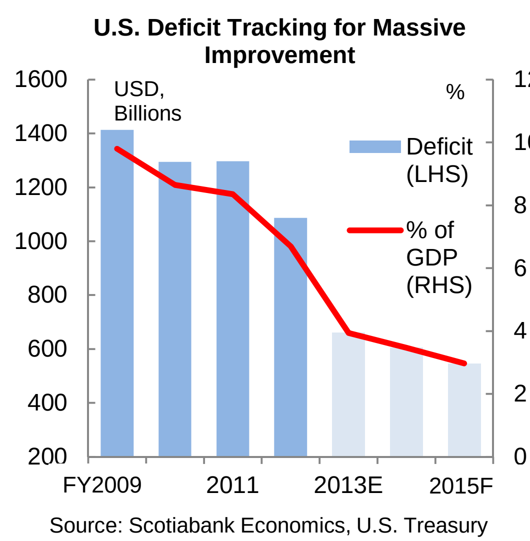
We're looking for the **ISM survey** for October to have dropped slightly to a reading of 55 (vs. 56.2 in September) as purchasing manager confidence may have softened surrounding the October government shutdown. The confidence metrics that we've seen for October ranging from the Philadelphia Fed index to consumer confidence figures have on balance been flat to negative pointing to a softer ISM (see chart).



Source: Scotiabank Economics, ISM, Fed

Retail sales for September (Oct. 29) could well come in flat or even negative as the ICSC sales index fell, retail gasoline prices fell, and car sales fell. Our forecast is for a 0% m/m print with downside risks.

We're looking for a modest uptick in **September CPI** (Oct. 30) of +0.1% m/m, with the year-on-year index coming in at 1.2% y/y. Our outlook is premised on a divergence between gasoline prices at the pump (-1.5% m/m) and natural gas costs (+5.6% m/m) that is essentially a wash. Foodstuff commodity prices were a modest positive (+0.8% m/m) but that does not necessarily pass through to retail costs. The flat monthly not-seasonally-adjusted number that we're looking for is mitigated by the positive boost that seasonal adjustment will lend to the monthly print.



Source: Scotiabank Economics, U.S. Treasury

While there is a considerable range of forecasts for the final **U.S. federal deficit** for fiscal 2013 (Oct. 28), we think it is likely to be at least US$400 billion narrower than the fiscal 2012 shortfall of US$1.09 trillion, (4% of GDP vs. 6.7% of GDP in fiscal 2012 — see chart). The double-digit surge in revenues over the past year plus an actual decline in spending have been the key catalysts.

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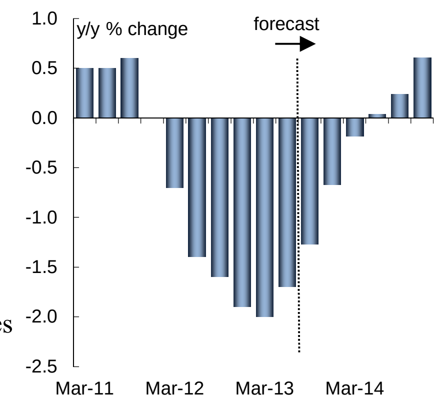
EUROPE

The preliminary estimate of third-quarter Spanish real GDP will be reported on October 30th. We anticipate that the Spanish economy is on its way out of recession (in q/q terms, output contracted in nine consecutive quarters through Q2 of this year). However, we have stopped short of projecting a positive growth print; we expect a flat result in q/q terms, which translates to -1.3% y/y. Spain's improving performance has been driven primarily by strengthening net exports (as lower unit labour costs have boosted the competitiveness of exports), as well as a pick-up in tourism activity, lower inflation and a stabilization in the unemployment rate (though the youth jobless rate continues to tick up, reaching a record-high 56% in August). A broad recuperation in sentiment across the euro zone has also been beneficial for the outlook; however, the recent setback in the PMIs indicates that fourth-quarter prospects are not particularly robust. Domestic demand is set to remain weak over the next year as household, corporate and fiscal deleveraging continues, so the economy will remain reliant on recuperating foreign demand to drive what will likely be a very tepid recovery in 2014.

Real GDP Growth - Spain

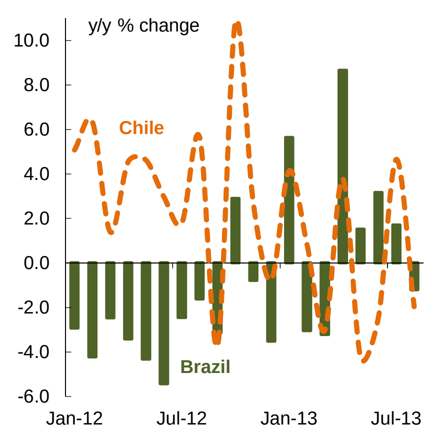


Source: Bloomberg, Scotiabank Economics.

LATIN AMERICA

Amid concerns over Latin America's third-quarter economic growth, September's industrial production (IP) data in Chile and Brazil will be released next week (October 29th and November 1st, respectively). Industrial activity across the region has remained restrained in 2013, with fragile signs of recovery. Nonetheless, we anticipate that industrial output will gradually pick up in the coming two quarters. Chilean manufacturing production contracted by 2% y/y in August, reducing the year-to-date average from +0.5% in July to +0.2% (significantly lower than the 4% rate observed last year in the same period). Additionally, economic activity as a whole has lost momentum, expanding by only 4.4% on average so far this year, 1.3 percentage points below the 2012 rate. As a result, the Chilean central bank cut the reference rate by 25 basis points to 4.75% at its most recent meeting. In Brazil, after showing signs of recovery in the second quarter, IP seems to be losing pace. IP contracted by 1.2% y/y in August, the first negative performance since March, which reduced the three-month moving average from 2.1% y/y in July to 1.2% in August.

Chilean and Brazilian IP

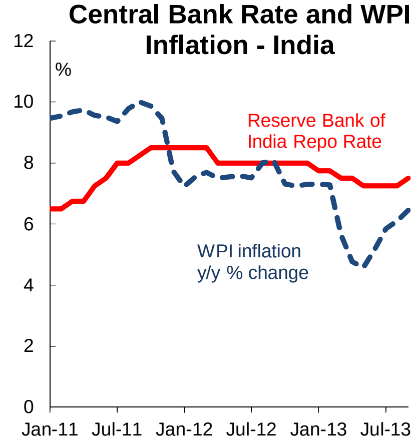


Source: Bloomberg.

ASIA

The Reserve Bank of India (RBI) will meet on October 29th. A challenging economic environment prevails in India. After easing monetary policy in the first half of the year to support economic growth, market uncertainty related to the US Fed's monetary policy direction forced the RBI to change its focus to supporting the depreciating Indian rupee (INR). In September, the RBI raised the benchmark repo rate by 25 basis points to 7.50%. Given the recent stabilization of the INR, the RBI simultaneously took steps to ease liquidity conditions in the banking system, thereby beginning to withdraw the exceptional measures implemented in July to stem the depreciation of the currency. Given the fragile economic growth outlook, we expect the policy rate to be kept unchanged next week before tightening resumes in the final months of the year. Inflation has started to reaccelerate, with wholesale price inflation reaching 6.5% y/y in September. We estimate that inflation will close the year around 6¾% y/y.

Central Bank Rate and WPI Inflation - India



Source: Bloomberg, Scotiabank Economics.

Key Indicators for the week of October 28 – November 1

North America

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	10/28	07:59	Treasury Budget (US$ bn)	Sep	--	67.0	-147.9
US	10/28	09:15	Capacity Utilization (%)	Sep	--	78.0	77.8
US	10/28	09:15	Industrial Production (m/m)	Sep	0.2	0.4	0.4
US	10/28	10:00	Pending Home Sales (m/m)	Sep	0.0	0.0	-1.6
US	10/28	10:30	Dallas Fed. Manufacturing Activity	Oct	--	--	12.8
CA	10/29	08:30	IPPI (m/m)	Sep	--	0.1	0.2
CA	10/29	08:30	Raw Materials Price Index (m/m)	Sep	--	-0.5	0.9
US	10/29	08:30	PPI (m/m)	Sep	0.2	0.2	0.3
US	10/29	08:30	PPI ex. Food & Energy (m/m)	Sep	0.1	0.1	0.0
US	10/29	08:30	Retail Sales (m/m)	Sep	0.0	0.0	0.2
US	10/29	08:30	Retail Sales ex. Autos (m/m)	Sep	0.2	0.4	0.1
US	10/29	09:00	S&P/Case-Shiller Home Price Index (m/m)	Aug	0.3	0.5	0.6
US	10/29	10:00	Business Inventories (m/m)	Aug	--	0.3	0.4
US	10/29	10:00	Consumer Confidence Index	Oct	73.0	75.0	79.7
US	10/30	07:00	MBA Mortgage Applications (w/w)	OCT 25	--	--	-0.6
US	10/30	08:15	ADP Employment Report (000s m/m)	Oct	150.0	147.5	166.1
US	10/30	08:30	CPI (m/m)	Sep	0.1	0.2	0.1
US	10/30	08:30	CPI (y/y)	Sep	1.2	1.2	1.5
US	10/30	08:30	CPI ex. Food & Energy (m/m)	Sep	0.2	0.2	0.1
US	10/30	08:30	CPI ex. Food & Energy (y/y)	Sep	1.8	1.8	1.8
US	10/30	14:00	**FOMC Interest Rate Meeting (%)**	**Oct 30**	**0.25**	**--**	**0.25**
CA	10/31	08:30	Real GDP (m/m)	Aug	0.1	0.2	0.6
US	10/31	08:30	Continuing Claims (000s)	OCT 19	2900	--	2874
US	10/31	08:30	Initial Jobless Claims (000s)	OCT 26	340	--	350
US	10/31	09:45	Chicago PMI	Oct	--	55.0	55.7
US	11/01	10:00	ISM Manufacturing Index	Oct	55.0	55.1	56.2
US	11/01	17:00	Domestic Vehicle Sales (mn a.r.)	Oct	11.8	11.7	11.7
US	11/01	17:00	Total Vehicle Sales (mn a.r.)	Oct	15.4	15.4	15.2

Europe

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
GE	10/27	06:59	Retail Sales (m/m)	Sep	--	0.4	-0.2
UK	10/28	07:59	Nationwide House Prices (m/m)	Oct	--	0.7	0.9
GE	10/29	03:00	GfK Consumer Confidence Survey	Nov	7.1	7.2	7.1
SP	10/29	04:00	Real Retail Sales (y/y)	Sep	--	--	-4.2
SP	10/29	06:59	Budget Balance YTD (€ mn)	Sep	--	--	-47580.0
HU	10/29	09:00	**Base Rate (%)**	Oct 29	**3.40**	**3.40**	**3.60**
SP	10/30	04:00	CPI (y/y)	Oct P	--	0.3	0.3
SP	10/30	04:00	CPI - EU Harmonized (y/y)	Oct P	0.5	0.4	0.5
SP	10/30	04:00	Real GDP (q/q)	3Q P	0.0	0.1	-0.1
GE	10/30	04:55	Unemployment (000s)	Oct	5.0	0.0	25.0
GE	10/30	04:55	Unemployment Rate (%)	Oct	6.9	6.9	6.9
EC	10/30	06:00	Business Climate Indicator	Oct	--	-0.2	-0.2
EC	10/30	06:00	Economic Confidence	Oct	--	97.2	96.9
EC	10/30	06:00	Industrial Confidence	Oct	-6.0	-6.5	-6.7
GE	10/30	09:00	CPI (y/y)	Oct P	1.3	1.4	1.4
GE	10/30	09:00	CPI - EU Harmonized (m/m)	Oct P	0.0	0.0	0.0
GE	10/30	09:00	CPI - EU Harmonized (y/y)	Oct P	1.5	1.5	1.6
UK	10/30	20:05	GfK Consumer Confidence Survey	Oct	--	-8.0	-10.0

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

Key Indicators for the week of October 28 – November 1

Europe *(continued from previous*

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
FR	10/31	03:45	Consumer Spending (m/m)	Sep	--	0.3	-0.4
EC	10/31	06:00	Euro zone CPI Estimate (y/y)	Oct	1.1	1.1	1.1
EC	10/31	06:00	Unemployment Rate (%)	Sep	12.0	12.0	12.0
IT	10/31	06:00	CPI (y/y)	Oct P	--	1.2	0.9
IT	10/31	06:00	CPI - EU Harmonized (m/m)	Oct P	0.4	0.5	1.8
IT	10/31	06:00	CPI - EU Harmonized (y/y)	Oct P	1.1	1.2	0.9
SP	10/31	06:59	Current Account (€ bn)	Aug	--	--	1.6
UK	11/01	05:30	Manufacturing PMI	Oct	--	56.4	56.7

Asia Pacific

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CH	10/26	21:30	Industrial Profits YTD (y/y)	Sep	--	--	12.8
SK	10/27	17:00	Consumer Confidence Index	Oct	--	--	102.0
TA	10/28	04:00	Leading Index (m/m)	Sep	--	--	0.2
TA	10/28	04:00	Coincident Index (m/m)	Sep	--	--	-0.1
CH	10/28	07:59	Leading Index	Sep	--	--	99.9
SK	10/28	07:59	Department Store Sales (y/y)	Sep	--	--	6.6
SK	10/28	19:00	Current Account (US$ mn)	Sep	--	--	5735.4
JN	10/28	19:30	Household Spending (y/y)	Sep	--	0.5	-1.6
JN	10/28	19:30	Jobless Rate (%)	Sep	4.0	4.0	4.1
JN	10/28	19:50	Large Retailers' Sales (y/y)	Sep	--	0.7	-0.1
JN	10/28	19:50	Retail Trade (y/y)	Sep	--	1.8	1.1
IN	10/29	01:30	**Repo Rate (%)**	**Oct 29**	**7.50**	**7.75**	**7.50**
IN	10/29	01:30	Reverse Repo Rate (%)	Oct 29	6.50	6.75	6.50
IN	10/29	01:30	Cash Reserve Ratio (%)	Oct 29	4.00	4.00	4.00
SK	10/29	17:00	Business Survey- Manufacturing	Nov	--	--	82.0
SK	10/29	17:00	Business Survey- Non-Manufacturing	Nov	--	--	72.0
SK	10/29	19:00	Industrial Production (y/y)	Sep	--	1.5	3.3
SK	10/29	19:00	Cyclical Leading Index Change	Sep	--	--	0.3
JN	10/29	19:50	Industrial Production (y/y)	Sep P	--	5.6	-0.4
JN	10/30	00:00	Vehicle Production (y/y)	Sep	--	--	-7.6
NZ	10/30	16:00	**RBNZ Official Cash Rate (%)**	**Oct 31**	**2.50**	**2.50**	**2.50**
JN	10/30	19:15	Markit/JMMA Manufacturing PMI	Oct	--	--	52.5
AU	10/30	20:00	HIA New Home Sales (m/m)	Sep	--	--	3.4
AU	10/30	20:30	Building Approvals (m/m)	Sep	--	2.8	-4.7
AU	10/30	20:30	Private Sector Credit (y/y)	Sep	--	3.4	3.4
TA	10/30	20:30	Real GDP (y/y)	3Q P	--	2.5	2.5
SI	10/30	22:00	Unemployment Rate (%)	3Q P	2.1	2.1	2.1
JN	10/31	01:00	Housing Starts (y/y)	Sep	--	12.4	8.8
JN	10/31	01:00	Construction Orders (y/y)	Sep	--	--	21.4
TH	10/31	03:30	Exports (y/y)	Sep	--	--	2.5
TH	10/31	03:30	Imports (y/y)	Sep	--	--	-2.5
TH	10/31	03:30	Trade Balance (US$ mn)	Sep	--	--	2214.0
TH	10/31	03:30	Current Account Balance (US$ mn)	Sep	--	--	1285.0
TH	10/31	03:30	Business Sentiment Index	Sep	--	--	47.5
HK	10/31	04:30	Retail Sales - Volume (y/y)	Sep	--	7.9	7.2
JN	10/31	07:59	**BoJ Target Rate (%)**	**Oct 31**	**0.10**	**--**	**0.10**
SK	10/31	19:00	CPI (y/y)	Oct	0.9	1.0	0.8
SK	10/31	19:00	Core CPI (y/y)	Oct	--	--	1.6

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

Key Indicators for the week of October 28 – November 1

Asia Pacific *(continued from previous page)*

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
SK	10/31	20:00	Exports (y/y)	Oct	--	3.0	-1.5
SK	10/31	20:00	Imports (y/y)	Oct	--	1.9	-3.6
SK	10/31	20:00	Trade Balance (US$ mn)	Oct	--	4348.0	3681.0
AU	10/31	20:30	Producer Price Index (y/y)	3Q	--	--	1.2
CH	10/31	21:00	Manufacturing PMI	Oct	--	51.1	51.1
CH	10/31	21:45	HSBC Manufacturing PMI	Oct	--	50.7	50.2
ID	11/01	00:00	Exports (y/y)	Sep	--	-5.5	-6.3
ID	11/01	00:00	Imports (y/y)	Sep	--	-4.5	-5.7
ID	11/01	00:00	Trade Balance (US$ mn)	Sep	--	-47.5	132.4
ID	11/01	00:00	CPI (y/y)	Oct	8.8	8.5	8.4
ID	11/01	00:00	Core CPI (y/y)	Oct	--	4.9	4.7
JN	11/01	01:00	Vehicle Sales (y/y)	Oct	--	--	12.4
ID	11/01	06:59	Consumer Confidence Index	Oct	--	--	107.1
JN	11/01	07:59	Official Reserve Assets (US$ bn)	Oct	--	--	1273.5
TH	11/01	07:59	CPI (y/y)	Oct	1.5	1.5	1.4
TH	11/01	07:59	Core CPI (y/y)	Oct	--	0.8	0.6

Latin America

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CL	10/29	08:00	Industrial Production (y/y)	Sep	--	2.3	-2.0
CL	10/29	08:00	Retail Sales (y/y)	Sep	--	10	12
CL	10/30	08:00	Unemployment Rate (%)	Sep	--	5.8	5.7
CO	10/31	12:00	Urban Unemployment Rate (%)	Sep	--	10.0	10.3
PE	11/01	06:59	Consumer Price Index (m/m)	Oct	--	0.0	0.1
PE	11/01	06:59	Consumer Price Index (y/y)	Oct	--	3.0	2.8
BZ	11/01	07:00	Industrial Production SA (m/m)	Sep	--	1.2	0.0
BZ	11/01	07:00	Industrial Production (y/y)	Sep	--	3.0	-1.2
BZ	11/01	13:00	Trade Balance (FOB) - Monthly (US$ mn)	Oct	--	1529.0	2147.0

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

Global Auctions for the week of October 28 – November 1

North America

Country	Date	Time	Event
US	10/28	11:00	U.S. Fed to Purchase USD4.25-5.25 Bln Notes
US	10/28	11:30	U.S. to Sell 3-Month Bills
US	10/28	11:30	U.S. to Sell 6-Month Bills
US	10/28	13:00	U.S. to Sell 2-Year Notes
US	10/29	11:00	U.S. Fed to Purchase USD1.25-1.75 Bln Notes
US	10/29	11:30	U.S. to Sell 4-Week Bills
US	10/29	13:00	U.S. to Sell 5-Year Notes
US	10/30	13:00	U.S. to Sell 7-Year Notes
US	10/31	11:00	U.S. Fed to Purchase USD0.75-1.00 Bln Notes

Europe

Country	Date	Time	Event
IT	10/28	06:00	Italy to Sell Up to EUR2.25 Bln Zero 2015 Bonds
GE	10/28	06:30	Germany to Sell EUR3 Bln 364-Day Bills
BE	10/28	07:00	Belgium to Sell Bonds
IT	10/28	07:00	Italy to Sell Up to EUR750 Mln 2.6% I/L 2023 Bonds
FR	10/28	09:50	France to Sell Bills
IT	10/29	06:00	Italy to Sell EUR8 Bln 181-Day Bills
SZ	10/29	06:30	Switzerland to Sell 91-Day Bills
NO	10/29	07:00	Norway to Sell NOK2 Bln 2% 2023 Bonds
FI	10/29	07:00	Finland to Sell 1.125% 2018 Bonds
FI	10/29	07:00	Finland to Sell 2.625% 2042 Bonds
IT	10/30	06:00	Italy to Sell 5-Year and 10-Year Bonds
SW	10/30	06:03	Sweden to Sell SEK3.5 Bln 4.25% 2019 Bonds
GE	10/30	06:30	Germany to Sell EUR4 Bln 2% 2023 Bonds
UK	11/01	07:10	UK to Sell Bills

Asia Pacific

Country	Date	Time	Event
AU	10/28	20:00	Australia Plans to Sell Inflation Linked Bonds
JN	10/28	23:45	Japan to Sell 2-Year Bonds
CH	10/29	23:00	China to Sell 1-Year Bonds
JN	10/29	23:35	Japan to Sell 3-Month Bill
JN	11/01	04:00	Japan Auction for Enhanced-Liquidity

Latin America

Country	Date	Time	Event
BZ	10/31	09:00	Brazil to Sell Bills due 4/1/2014 - LTN
BZ	10/31	09:00	Brazil to Sell Bills due 7/1/2015 - LTN
BZ	10/31	09:00	Brazil to Sell Bills due 7/1/2017 - LTN

Source: Bloomberg, Scotiabank Economics.

Events for the week of October 28 – November 1

North America

Country	Date	Time	Event
CA	10/28	11:30	CWTA President Lord Speaks at Board of Trade
US	10/28	11:30	U.S. FCC Open Commission Meeting
US	10/28	11:45	Former Fed Governor Speaks at Economic Club of Canada
CA	10/29	13:40	Bank of Canada Deputy Governor Cote Speaks in Winnipeg
CA	10/29	17:00	Canada 2020 Conference on Canada-China Relationship
US	10/29	00:00	Federal Reserve FOMC Meeting
US	10/30	11:45	U.S. Governor Bush Speaks at Canadian Economic Club
US	10/30	14:00	**FOMC Rate Decision**
US	10/31	09:00	Treasury Sec Lew speaks at Inestment conference in Washington
CA	10/31	00:00	Canadian Conservative Party's National Convention
US	11/01	09:10	Fed's Bullard Speaks on Monetary Policy in St. Louis
US	11/01	11:15	Fed's Kocherlakota Speaks on Health in St. Paul, Minnesota
US	11/01	12:00	Fed's Lacker Speaks to Global Group in Philadelphia
CA	11/01	12:00	Quebec Finance Minister Marceau Speaks at C.D. Howe

Europe

Country	Date	Time	Event
IT	10/26	03:30	Letta Speaks at Conference at Sorbonne in Paris
SP	10/28	04:00	Spain's Guindos Meets Euro group's Dijsselbloem in Madrid
EC	10/28	06:40	Bundesbank's Lautenschlaeger speaks in Frankfurt
SP	10/28	07:30	Bank of Spain Governor Linde Speaks in Jerez
SP	10/28	08:15	Bank of Spain Deputy Governor Speaks in Oviedo
IR	10/28		Ireland's Finance Minister Noonan Meets With IMF
SO	10/29	05:00	French President Hollande Visits Slovakia
HU	10/29	09:00	**Central Bank Rate Decision**
EC	10/29	13:00	ECB's Nowotny Speaks in Panel Discussion in Vienna
SP	10/29		Spain Central, Regional, Social Security Budget Data Released
UK	10/29		The Economist Infrastructure Summit
EC	10/30	04:05	ECB's Constancio Speaks in Brussels
PO	10/30	06:30	ECB's Costa Speaks at OMFIF Event in London
GE	10/30	07:00	Merkel's CDU/CSU Holds Coalition Talks With SPD
UK	10/30	07:45	Dutch Premier Rutte Speaks in London
EC	10/30	14:00	ECB's Weidmann speaks in Darmstadt
EC	10/30	15:00	ECB's Asmussen Speaks in Stuttgart, Germany
PO	10/30		Bank of Portugal Releases Bank Lending Survey
IT	10/30		BOI's Visco, Finance Minister Saccomanni At Rome Event
SZ	10/31	02:30	SNB Third-Quarter Results
SZ	10/31	04:00	Swiss National Bank Releases 3Q Currency Holdings
NO	10/31	07:30	Nordic Finance Ministers Hold Press Conference in Oslo
GE	10/31	14:30	IMF Deputy Head Lipton Speaks on Germany in Berlin
NO	10/31		Norges Bank's Olsen Speaks in Trondheim
EC	10/31		Eurogroup's Dijsselbloem to Travel to Latvia
SP	11/01	05:00	IMF Spain Full Bank Report Expected Early November
NO	11/01		Norges Bank Dep. Gov Qvigstad speaks in Gjoevik

Source: Bloomberg, Scotiabank Economics.

Events for the week of October 28 – November 1

Asia Pacific

Country	Date	Time	Event
SA	10/26	00:00	BRICS Cooperatives Meeting
JN	10/27	02:30	BOJ Deputy Governor Iwata Speech
SK	10/27	00:00	Bank of Korea Governor Kim Speaks at Watchers Group Meeting
AU	10/28	18:30	RBA's Stevens Comments at Citi Conference
IN	10/29	01:30	RBI Cash Reserve Ratio
IN	10/29	01:30	**RBI Repurchase Rate**
IN	10/29	01:30	RBI Reverse Repo Rate
NZ	10/29	22:00	RBNZ Publishes Monthly Assessment of Currency Flows
CA	10/30	12:00	Canadian Ambassador Saint-Jacques Speaks at CCBC
NZ	10/30	16:00	**RBNZ Official Cash Rate**
JN	10/30	00:00	**BOJ Target Rate**
JN	10/30	00:00	BOJ 2014 Monetary Base Target
AU	11/01	01:30	Commodity Index YoY

Latin America

Country	Date	Time	Event
SA	10/26		BRICS Cooperatives Meeting
JN	10/27		Japan-Colombia Economic Partnership Agreement Negotiations

Source: Bloomberg, Scotiabank Economics.

Global Central Bank Watch

North America

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Canada – Overnight Target Rate	1.00	December 4, 2013	1.00	--
Federal Reserve – Federal Funds Target Rate	0.25	October 30, 2013	0.25	--
Banco de México – Overnight Rate	3.50	December 6, 2013	3.50	--

Fed: We expect largely a maintenance statement from the Fed on Oct. 30. The risk is that the Fed might augment or alter its forward rate guidance in a manner that makes its implications more accommodative (e.g. by lowering the threshold unemployment rate). **BoC**: At its Oct. 23rd meeting, the BoC removed its rate hike guidance from the statement and pushed out its forecast for the output gap closing such that it is now essentially in line with Scotiabank's forecast. Markets are now repricing interest rates in line with the BoC's guidance of a very prolonged hold on the overnight rate.

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	5.50
Hungarian National Bank – Base Rate	3.60	October 29, 2013	3.40	3.40
Central Bank of the Republic of Turkey – 1 Wk Repo Rate	4.50	November 19, 2013	4.50	--
Sweden Riksbank – Repo Rate	1.00	December 17, 2013	1.00	--
Norges Bank – Deposit Rate	1.50	December 5, 2013	1.50	--

We anticipate a continuation of the monetary easing campaign in Hungary next week, with another 20 basis point (bps) reduction to bring the policy rate to 3.40%. All of the council members of the central bank supported a rate cut last month and the minutes from the meeting indicated that further easing would follow if the outlook for inflation and growth and the risk environment remained unchanged. Inflation remained subdued in September, at 1.4% y/y, while credit default swap rates continued to drift lower and the currency strengthened modestly in recent weeks.

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	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	7.75
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	--

BoJ: Policymakers at the Bank of Japan will likely remain in wait-and-see mode on October 31st to continue to assess the effectiveness of the monetary stimulus measures implemented earlier this year. In our view, there is potential for further monetary easing in the first half of 2014 if the forthcoming sales tax increase leads to a stalling of the ongoing economic recovery. **RBNZ:** We do not foresee any changes to the current monetary policy stance of the Reserve Bank of New Zealand on October 30th. At the most recent meeting in September, policymakers noted that an increase in the benchmark interest rate will likely be required next year. **RBI:** For insights regarding the monetary policy decision of the Reserve Bank of India on October 29th, please refer to the Asian Key Data Preview on page A2.

Latin America

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	9.50	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	November 29, 2013	3.25	3.25
Banco Central de Reserva del Perú – Reference Rate	4.25	November 7, 2013	4.25	4.25

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	2.7	(Aug)
Auto Sales (000s)	1673	1681	1744	1803	(Aug)
CPI	1.5	0.9	0.8	1.1	(Sep)
IPPI	0.6	0.8	0.2	-1.7	(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	-699	(Aug)
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	(Sep)
Unemployment Rate (%)	8.1	7.7	7.6	7.2	(Sep)
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	7.9	(Sep)
Industrial Production	2.8	-1.7	-0.4	-0.7	(Aug)
CPI	4.1	3.7	4.5	3.4	(Sep)

Europe

Euro Zone	2012	13Q1	13Q2	Latest	
Real GDP	-0.6	-1.2	-0.6		
Current Acc. Bal. (US$B, ar)	162	130	276	191	(Aug)
Merch. Trade Bal. (US$B, ar)	122.0	162.1	272.2	131.9	(Aug)
Industrial Production	-2.4	-2.3	-1.0	-1.4	(Aug)
Unemployment Rate (%)	11.3	12.0	12.0	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	264.8	248.7	252.8	(Aug)
Industrial Production	-0.4	-2.4	-0.7	0.1	(Aug)
Unemployment Rate (%)	6.8	6.9	6.8	6.9	(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$B, ar)	-8.1	-31.0	20.2	6.8	(Aug)
Merch. Trade Bal. (US$B, ar)	13.8	14.1	50.0	15.3	(Aug)
Industrial Production	-6.3	-4.3	-3.7	-5.1	(Aug)
CPI	3.1	1.9	1.2	0.8	(Sep)

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

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

Source: Bloomberg, Global Insight, Scotiabank Economics.

Asia Pacific

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

Japan	2012	13Q1	13Q2	Latest	
Real GDP	2.0	0.1	1.3		
Current Acc. Bal. (US$B, ar)	60.4	66.4	70.0	19.8	(Aug)
Merch. Trade Bal. (US$B, ar)	-85.8	-115.4	-88.1	-132.0	(Sep)
Industrial Production	0.2	-6.5	-3.1	0.9	(Aug)
Unemployment Rate (%)	4.4	4.2	4.0	4.1	(Aug)
CPI	0.0	-0.6	-0.3	1.0	(Sep)

South Korea	2012	13Q1	13Q2	Latest	
Real GDP	2.0	1.5	2.3		
Current Acc. Bal. (US$B, ar)	43.1	39.9	79.2	68.8	(Aug)
Merch. Trade Bal. (US$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	168.0	263.5	182.6	(Sep)
Industrial Production	10.3	8.9	8.9	10.2	(Sep)
CPI	2.5	2.1	2.7	3.1	(Sep)

Thailand	2012	13Q1	13Q2	Latest	
Real GDP	6.5	5.4	2.8		
Current Acc. Bal. (US$B, ar)	-1.5	1.5	-6.7		
Merch. Trade Bal. (US$B, ar)	0.5	-0.1	-0.2	2.2	(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$B, ar)	-54.2	-99.1	-74.2		
Merch. Trade Bal. (US$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	(Aug)
Industrial Production	-0.1	-6.2	-0.1	-3.9	(Aug)
CPI	3.2	1.9	2.1	2.3	(Sep)

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

Source: Bloomberg, Global Insight, Scotiabank Economics.

Interest Rates (%, end of period)

Canada	13Q2	13Q3	Oct/18	Oct/25*	United States	13Q2	13Q3	Oct/18	Oct/25*
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	0.92	0.91	3-mo. T-bill	0.03	0.01	0.02	0.03
10-yr Gov't Bond	2.44	2.54	2.53	2.41	10-yr Gov't Bond	2.49	2.61	2.58	2.50
30-yr Gov't Bond	2.90	3.07	3.10	3.02	30-yr Gov't Bond	3.50	3.68	3.64	3.59
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	0.16	0.18	3-mo. T-bill	0.03	0.06	0.05	0.05
10-yr Gov't Bond	1.73	1.78	1.83	1.75	10-yr Gov't Bond	2.35	2.32	2.35	2.25
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	0.10	3-mo. T-bill	0.39	0.40	0.41	0.40
FX Reserves (US$B)	324.9		327.8	(Aug)	10-yr Gov't Bond	2.44	2.72	2.72	2.61
					FX Reserves (US$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	4.12	3.97
10-yr Gov't Bond	0.85	0.69	0.62	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	1.04	¥/US$	99.14	98.27	97.72	97.35
CADUSD	0.95	0.97	0.97	0.96	US¢/Australian$	0.91	0.93	0.97	0.96
GBPUSD	1.521	1.619	1.617	1.617	Chinese Yuan/US$	6.14	6.12	6.10	6.08
EURUSD	1.301	1.353	1.369	1.380	South Korean Won/US$	1142	1075	1061	1062
JPYEUR	0.78	0.75	0.75	0.74	Mexican Peso/US$	12.931	13.091	12.858	12.839
USDCHF	0.95	0.90	0.90	0.89	Brazilian Real/US$	2.232	2.217	2.170	2.185

Equity Markets (index, end of period)

United States (DJIA)	14910	15130	15400	15522	U.K. (FT100)	6215	6462	6623	6715
United States (S&P500)	1606	1682	1745	1754	Germany (Dax)	7959	8594	8865	8976
Canada (S&P/TSX)	12129	12787	13136	13337	France (CAC40)	3739	4143	4286	4261
Mexico (IPC)	40623	40185	40413	39922	Japan (Nikkei)	13677	14456	14562	14088
Brazil (Bovespa)	47457	52338	55378	54512	Hong Kong (Hang Seng)	20803	22860	23340	22698
Italy (BCI)	849	950	1041	1033	South Korea (Composite)	1863	1997	2052	2034

Commodity Prices (end of period)

Pulp (US$/tonne)	950	945	945	945	Copper (US$/lb)	3.06	3.31	3.28	3.23
Newsprint (US$/tonne)	605	605	605	605	Zinc (US$/lb)	0.83	0.85	0.87	0.86
Lumber (US$/mfbm)	292	359	363	366	Gold (US$/oz)	1192.00	1326.50	1316.50	1347.75
WTI Oil (US$/bbl)	96.56	102.33	100.81	97.55	Silver (US$/oz)	18.86	21.68	21.87	22.35
Natural Gas (US$/mmbtu)	3.57	3.56	3.76	3.67	CRB (index)	275.62	285.54	286.92	282.26

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

Fixed Income Strategy (London)

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Foreign Exchange Strategy

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