Global Views

Weekly commentary on economic and financial market developments

November 29, 2013

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Aron Gampel (416) 866-6259
aron.gampel@scotiabank.com

Dithering Growth, Withering Inflation

Global growth is expected to build momentum gradually, with every region contributing to the improving prospects for 2014 and 2015. *Scotiabank Economics'* outlook for real activity, and the assumptions underpinning the forecast, have not fundamentally changed. However, the continuing unevenness of the economic reports from around the world highlights the persistent difficulty that many countries — both in the advanced and emerging market regions — are having in generating and sustaining traction. And at the same time, inflation pressures in more and more countries continue to moderate, presenting another set of challenges to government, businesses, and households alike.

The momentum of world trade appears to be picking up, but the most recent data for September doesn't fully take into account the economic and financial market turbulence over the summer and into the fall emanating from the 'budget-challenged' United States, or escalating geopolitical tensions surrounding the Syrian conflict. According to the *CPB Netherlands Bureau for Economic Policy Analysis*, world trade volumes grew by 0.8% in September from the previous month, essentially reversing the decline registered in August. While the volume of exports in the advanced economies was largely flat in the month, export volumes accelerated for the most part in emerging market economies, and import growth turned positive in both advanced and emerging market economies. The world's largest container shipping line has indicated that the demand for containers posted a 5% year-over-year advance in the third quarter, breaking free from a lacklustre performance that persisted through the first half of the year.

In the United States, there is still a lingering, albeit diminishing, impact on the economy from the 'tapering' talk over the summer and the partial federal government shutdown in the fall which combined to boost longer-term borrowing costs and undermine consumer and business confidence and spending. The rebound in housing activity lost considerable momentum as the sharp increase in mortgage costs and erosion in confidence dampened home sales and construction. Anecdotal evidence suggests that conditions in the housing sector have stabilized, but with borrowing costs down but still elevated relative to the lows in the spring, and many Americans focussed on the rollout of the Affordable Care Act, the revival in activity may be slow to build. There is also considerable volatility in the order books for U.S. durable goods. September's solid rebound was partially reversed in October, and was largely caused by the massive swings in monthly orders for commercial airplanes which remain a relative bright spot in manufacturing. Even so, outside of defense and aircraft sectors, the trend in orders has softened.

The re-emergence of negative growth in France has dulled the nascent recovery in the euro zone that is being led by Germany and the competitive realignment of producers in the periphery countries. The recovery in Japan is continuing, but there is concern that next year's consumption tax could short-circuit the rebound in consumer spending and dampen the gains associated with the export-led revival. Some emerging market and developing economies, China, India and Brazil for example, have introduced a number of structural reforms that will take time to fully implement. Canada and Australia are challenged by the slowdown in commodity and manufacturing activity, in addition to the reduced pace of domestic spending in response to waning pent-up demand and growing housing affordability issues. Both countries continue to be challenged by competitive issues associated with persistently strong foreign exchange rates in recent years, evidenced by increasing plant closures and layoffs, though recent currency weakness should provide some buffer going forward.

Yet, there are some indications that turnarounds are emerging. In the third quarter, Ireland posted its fastest employment growth since 2007, with the 3.2% year-over-year increase translating into a net gain of 58,000 workers. With the Irish economy moving back into positive growth territory, the authorities are planning to exit the bailout organized during the nation's financial and banking crisis during the Great Recession. Mexico's output advanced by a stronger-than-expected 1.3% year-over-year gain in the third quarter, while almost 144,000 workers were added to the country's labour rolls in October. China's real GDP posted a 7.8% year-over-year gain in the July-September period, a slight acceleration from the 7.5% yearly rise in the prior quarter. Most of China's high-frequency data reports for October — retail sales, industrial production and trade, for example — suggest that the forward momentum at the end of the third quarter is being sustained.

Not every economic indicator in the United States has been negatively affected by monetary and fiscal challenges over the summer and early fall. U.S. payrolls expanded by a better-than-expected 204,000 in October, with continuing job creation and income gains reinforcing the gradual upward trend in motor vehicle sales and production. As well, the number of loaded U.S. rail cars has increased in November by about 4% versus a year

Aron Gampel (416) 866-6259
aron.gampel@scotiabank.com

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earlier, after moving sideways since the spring. Increased auto production should bolster this trend, with the planned pick-up in assemblies for the current quarter expected to add just over half a percentage point to U.S. real GDP. In addition, the strong pace of oil production has begun to ramp up at an even faster rate in recent months, with the average gain from July to October up around 5½% from the prior four-month period.

Canada continues to show signs of piggybacking on the U.S. recovery. Exports of energy and non-energy products rebounded in both August and September, helping to reduce the nation's merchandise trade deficit and increase the large surplus with the United States. At the same time, the early-year slowdown in housing activity has given way to increased sales and construction activity following the adjustment to last year's regulatory changes to mortgage financing, while many Canadians took advantage of pre-arranged low-rate mortgage financing to beat the recent uptick in borrowing costs.

Nonetheless, the pace of growth internationally remains on the softer side. There is no shortage of hurdles that are preventing the global economy from re-establishing a stronger growth trajectory. In particular, Washington has to come up with a new budget deal to avoid another 'fiscal seizure' early in the new year, while the Federal Reserve must do its best during the inevitable tapering of its 'bond-buying' program to minimize the potential for another destabilizing bout of financial market turbulence alongside the expected upward trend in longer-term borrowing costs. Confidence is stimulus, and it is imperative that the private sector takes full advantage of the opportunities to improve competitiveness and expand operations.

One adjustment that *Scotiabank Economics* is making this month is to lower inflation forecasts in quite a few countries around the world. The moderation in price trends is especially visible in the advanced economies. The exception is Japan, where highly stimulative public policies alongside a much weaker yen are helping to reverse the country's deflationary tendencies, and enabling the country to post a marginal rise in inflation. But elsewhere, price pressures are moderating at both the higher and lower ends of the growth ladder. Even in the traditionally more inflation-prone countries like the United Kingdom, improving growth is being accompanied by decelerating prices that are running just above an annualized 2½% so far this year. In the more buoyant U.S. and German economies, inflation rates are slowly losing momentum, tracking around a 1½% annualized rate through the first ten months of 2013. Inflation trends are even lower through the rest of the euro zone and Canada where price pressures have slowed to roughly an annualized rate of 1½% and 1%, respectively.

There are a number of factors, both structural and cyclical, that should continue to reinforce the disinflationary trends. There is still too much excess capacity internationally that is reshaping productive capabilities. Corporate consolidation and plant closures are still visible signs of the excess supply in a demand-challenged world. Competitive realignments are forcing ongoing adjustments to labour costs, particularly in the highly indebted peripheral euro zone countries where there is no recourse to currency devaluation. Wage gains in many of the other advanced nations are less flexible on the downside because of the need to retain trained workers and fill skilled positions. The price of crude oil and many agricultural products has declined from recent highs, which along with persistently low short-term borrowing costs, is helping to reinforce the broad disinflationary trends. The retail sector is being pressured by the slower growth environment, and in some countries, households that have overextended their balance sheets. Seasonal discounting and incentives are needed to clear inventories of electronic equipment, and motor vehicles. And there is less inflation from a variety of other areas, such as health care in the United States and Canada.

However, inflation pressures remain much higher in the emerging markets economies where output growth generally remains stronger, or where structural deficiencies, excess credit creation, and chronic debt and currency losses have underpinned inflationary biases. So far this year, consumer price inflation in India, Turkey, Indonesia, Russia and Brazil is running at annualized rates of 10%, 8%, 7%, 7%, and 6% respectively. Additional policy adjustments will be needed to redress the domestic pressure points and avoid the competitive erosion and recourse to currency devaluations that could eventually slow their development.

Looking ahead, the diverging inflation trends between the advanced and emerging market economies should eventually stabilize and begin to reverse. Expectations for a gradual acceleration in price trends, particularly among the advanced economies, and a gradual but steady upturn in longer-term borrowing costs, are contingent upon a sustained strengthening in activity around the world.

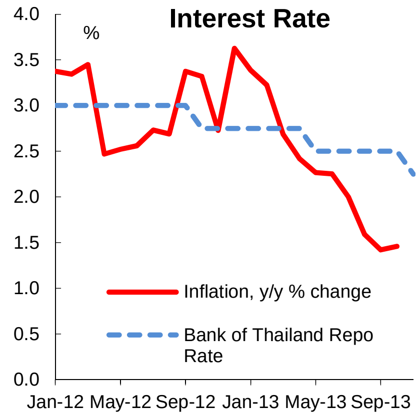
Tuuli McCully (416) 863-2859
tuuli.mccully@scotiabank.com

Monetary Easing In Thailand

- **The Bank of Thailand reduced the benchmark interest rate by 25 basis points to 2.25%.**

The Bank of Thailand's (BoT) surprise rate cut decision on November 27th reflects Thai monetary policymakers' increasing concerns regarding lackluster domestic economic performance and political uncertainty. With the rate reduction, the BoT joins many other central banks in providing additional monetary accommodation in response to a more sluggish pick-up in economic growth globally.

Inflation and Benchmark Interest Rate



Source: Bloomberg.

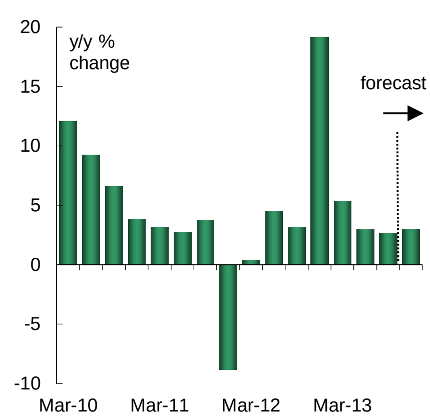
Thai monetary authorities highlight that the economy is expanding at a slower pace than previously assessed, and that downside risks to the outlook have increased. A subdued inflation outlook together with moderating household credit growth justify an injection of further monetary stimulus into the economy. The monetary easing cycle began in November 2011, with the previous benchmark interest rate cut taking place in May. Barring a further significant deterioration in domestic conditions, we do not anticipate any additional monetary stimulus.

In recent months, Thai monetary policymakers had expressed concerns regarding fast household credit growth and debt accumulation, and implied that further monetary policy accommodation was not appropriate as the existing policy stance was contributing to adjustments in credit growth towards a more sustainable level. Now, with private sector credit growth slowing to 12% y/y in the third quarter of the year from 16% a year earlier, the authorities evidently consider that there was enough room for further monetary loosening.

Inflationary pressures in Thailand are low, with the headline rate hovering at 1½% y/y in October, near the slowest pace in four years. We expect consumer price inflation to close the year at 1.6% y/y before picking up gradually towards 3% by the end of 2015, reflecting recovering domestic demand. Core inflation (at 0.7% y/y in October) remains at the lower end of the BoT's 0.5-3.0% target range.

Thailand's real GDP growth returned to positive territory in the July-September period (increasing by 1.3% q/q) following two quarters of contractions. Nevertheless, on a year-over-year basis expansion slowed to 2.7% y/y from 2.9% in the prior three months. We expect the Thai economy to continue to stabilize in the near term. While consumer confidence has weakened in recent months, rising incomes (resulting from tight domestic labour market conditions) combined with loose monetary conditions should offer a supportive base for domestic demand to recover. The BoT assesses that key downside risks to economic growth stem from a delay in fiscal disbursements — especially for infrastructure projects — as well as from fragile private confidence and increasing political uncertainty. We expect the export sector to recuperate in the near term as demand conditions in advanced economies pick up. Thai output will likely expand by 3½% this year, followed by an average gain of 4¼% in 2014-15.

Real GDP Growth



Source: Bloomberg, Scotiabank Economics.

Alan Clarke (44 207) 826-5986
alan.clarke@scotiabank.com

UK: Autumn Statement Preview

Some Good News at Last!

The Chancellor's Autumn Statement on 5 December comes at a time when things are falling into place. Growth is improving, inflation is falling back closer to target and government borrowing has fallen by more than expected. Hence the Autumn Statement will be an opportunity to boast that the Coalition's plan is on track and has proven the opposition wrong. It will be an opportunity to update the fiscal and macro projections. However, there is likely to be a highly political element to the statement — not least with regards to the treatment of green taxes on utility bills. Despite the improvement in the outlook, the Chancellor will reaffirm the government's commitment to the austerity programme and say that it is not appropriate to change course now that the outlook has brightened.

Green Taxes and the RPI

One of the most closely watched aspects of the Autumn statement will be green taxes within utility bills. Politically, the opposition leader, Ed Miliband, has thrown down the gauntlet to the coalition. Amid the latest round of near-10% utility bill increases, Miliband has pledged to freeze utility bills for two years if Labour wins the next election in 2015. Former Conservative Prime Minister John Major has also called for a windfall tax on energy profits. This provoked a kneejerk reaction from David Cameron who said that *"we also need to roll back the green charges"* but specific details have been held back until the Autumn Statement.

Green taxes account for around £115 in an average £1320 per year utility bill. Within that, there are two elements that look likely to be scrapped or watered down in the Autumn Statement. These are:

- The 'Warm Homes Discount' which accounts for £7-£15 in the average bill. This is used to reduce bills for the poorest households in society; and
- The Energy Companies Obligation (ECO). The latter accounts for £47-£60 on the average bill and compel power suppliers to pay for insulation and energy saving measures for people in low income areas and on disability benefit.

Speculation is that these measures will be scrapped and paid for out of general taxation instead. Energy providers would be expected to pass on the reduced green taxes by cutting their tariffs accordingly. Reports suggest that this would represent a reduction of up to £75 on the average bill (around a 5% reduction). However, that is likely to be towards the aggressive end of the spectrum.

The PM is trapped between a rock and a hard place. To do nothing in the face of sharply rising utility bills would be a big loss of face. The flipside is that the Government's coalition partners, the Lib Dems, are reluctant to abandon their commitment to the environment. In addition, reports this week also show that more than 25 Conservative MPs are opposed to ditching green policies.

The most recent reports on this issue have suggested that we may see a more gradual drip feed of green tax cuts. More specifically, the cost of the 'warm homes discount' could be removed from utility bills. In addition, the horizon over which the ECO is paid for could be extended to 2017 (currently the ECO is scheduled to run until 2015). That could mean that rather than a one-off drop in green taxes of a hefty £75, a string of smaller reductions could be implemented over the next year or so.

Politically, it would probably pay dividends for the government to prolong the period over which the cuts take place. If the cuts all come in one big lump immediately, then households will probably have forgotten all about them by the time of the mid-2015 general election.

Moreover, if the government uses up all of its ammunition now, what happens when it comes to next winter and the utility companies try to raise prices again? News this week that profits in the sector have risen fivefold since 2009 lends support to John Major's call for a profits windfall tax. Clearly two cold winters have contributed to

Alan Clarke (44 207) 826-5986
alan.clarke@scotiabank.com

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increased energy demand and flattered the profit numbers. Nonetheless, there is a growing political case for alleviating the squeeze on household incomes.

A windfall tax would potentially have longer lasting effects than cutting green taxes and represents a credible threat. It would imply that if the providers raise prices year after year in order to boost profit margins, then the government will claw those profits back and channel the proceeds back to green causes or the like.

The flipside is that a policy which discourages profitability would undermine the incentive to legitimately cut costs and waste. Furthermore, profits are necessary in order for the sector to invest in the future of the industry. There has been relatively little discussion of a windfall tax since John Major proposed it, so this is not looking like the most likely announcement.

Impact on the RPI

As things stand, the utility price hikes announced by the 'Big Six' energy providers represent an average increase of around 8%. That would increase the contribution to headline inflation to 0.4 percentage points — up fractionally compared with the past 12 months. If we do get the more extreme announcement of a one-off £75 drop in green taxes effective immediately, that could see the contribution to headline inflation slip to just 0.15% points.

Table 1: Likely Revisions to the DMO Financing Arithmetic

	Apr-13 2013-14	Dec-13 (Likely) 2013-14
CGNCR	113.9	88.9
Adj for NRAM & B&B	-2.9	-2.9
Redemptions	51.5	51.5
Financing for Reserves	6	6
Gilt 2ndary mkt purchases	0	0
Planned s. term financing adj	0	0
Gross Financing Requirement	168.5	143.5
Less:		
Contrib from NS&I	0	0
Net Financing Requirement	**168.5**	**143.5**
Financed by:		
Tbills (net stock change in financial year)	12.8	-12.2
Gilts	155.7	155.7
Short Conventionals	42.9	42.9
Med Conventionals	32.5	32.5
Long Conventionals	33.5	33.5
Index Linked	36.8	36.8
Mini tenders	10	10
Total Gilts	155.7	155.7
Total Financing	168.5	143.5
Tbill Stock In Market Hands	70	45
Ways and Means	0.4	0.4
DMO Net Cash Position	0.5	0.5

In terms of how the actual RPI inflation rate might look by February when the recent price hikes and potential green tax cuts are effective:

- If green taxes are cut by £75 immediately, our RPI forecast for February would be 3.1%y/y;
- If there is no cut in green taxes our RPI forecast for February would be 3.3% y/y; and
- If there is a partial drop in the ECO portion of green taxed (bills cut by 3%) our RPI forecast for February would be 3.2% y/y.

Updated Gilt Remit — Cash requirement running well ahead of schedule

Six months into the fiscal year, the public finances were running well ahead of schedule. Over that period, cumulatively the CGNCR was running at just under GBP40bn — compared to GBP52bn over the same period a year earlier. If, over the remainder of this financial year there was no change in the cash requirement each month compared with the same time a year earlier, that would take the full year CGNCR to GBP93bn. That is almost GBP20bn down on the GBP114bn assumed in the DMO remit from the time of the spring Budget.

The OBR has been at pains to stress that given the shift in the timing of various inflows and outflows during the year it is hazardous to assume that the better than expected performance will persist. Nonetheless, given the favourable macroeconomic environment and that this is being reflected in the borrowing data, it looks more likely than not that issuance will undershoot expectations.

Alan Clarke (44 207) 826-5986
alan.clarke@scotiabank.com

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Furthermore, there has also been a one-off 'windfall' that has improved the situation further. There was a substantial reduction in the cash requirement last month as a result of the sale of shares in Royal Mail and Lloyds as well as APF transfers. This saw the cash requirement down by GBP7.7bn compared with October a year earlier. In terms of the full year cash requirement that could mean a reduction in the financing requirement by as much as GBP35bn!

History Lessons

The December 2012 Autumn Statement also showed a sharp reduction in the financing requirement. At that time, the financing requirement was revised down by GBP15bn compared with the April-2012 DMO remit update. That reduction in the financing requirement was absorbed entirely through a reduction in T-bill supply rather than reducing gilt issuance. That would seem to be the most likely area for the DMO's remit to be tweaked this time around.

Having said that, the reduction in the financing requirement could be double what it was a year ago. The latest remit shows GBP13bn of T-bill issuance for fiscal 2013-14. If the there was a GBP35bn reduction in the financing requirement and it was entirely absorbed by net supply of T-bills, then it would imply that the outstanding supply of T-bills could be reduced by around GBP20bn. As a guide, the outstanding supply of T-bills was projected to fall by around GBP17bn at one point last year so it is not difficult to envisage another year where the supply is reduced. At the end of last year there were GBP57bn of T-bills outstanding in market hands, so there ample room to reduce this supply by a further GBP20bn. Prior to the crisis in 2008 there were less than GBP20bn of T-bills in circulation.

Clearly there is the risk that gilt issuance is reduced. However, it would seem more likely than not that T-bills take up the slack. With yields still very low and expected to head higher over the coming years, the opportunity for the Government to issue gilts at super-low levels of yields will not last forever. That is not to say that the gilt issuance outlook does not change. With public sector net borrowing excluding one-offs also proving lower than expected and the growth outlook firmer, it is reasonable for the indicative financing requirement for future years to be nudged lower. Cumulatively, we think it is reasonable for gilt issuance over the next 5 years to be pushed down by GBP40bn to GBP50bn. The news should be mildly bullish for gilts, but probably not mega-bullish. In fact, it could be bearish if the consensus assumes that the fall in the financing requirement will see a reduction in gilt issuance this year and is disappointed.

Updated Macro and Fiscal Projections

Table 2 shows the OBR's key macroeconomic and fiscal projections from the March 2013 Budget and how we expect them to evolve in the Autumn Statement. In particular, the GDP growth projection for 2013 should be pushed up by as much as a full percentage point to around 1.5% y/y given the better than expected performance since the spring.

The area of the economy that has accounted for the bulk of the improvement has been household consumption. The OBR had assumed just 0.5% y/y growth this year. Our latest forecast assumes growth of around 2% y/y. With household real disposable income growth still negative, the OBR projection was perfectly reasonable at the time of the Budget. What came as a surprise was the boost to

Table 2: Likely Revisions to OBR Macro and Fiscal Projections

GDP % y/y	2012	2013	2014	2015	2016
Nov-13 Likely	0.1	1.5	2.5	2.7	2.7
OBR (Mar-13)	0.2	0.6	1.8	2.3	2.7
Change	*-0.1*	*0.9*	*0.7*	*0.4*	*0.0*
Consensus		1.4	2.2		

CPI% y/y	2012	2013	2014	2015	2016
Nov-13 Likely	2.8	2.6	2	2	2
OBR (Mar-13)	2.8	2.8	2.4	2.1	2.0
Change	*0.0*	*-0.2*	*-0.4*	*-0.1*	*0.0*
Consensus		2.7	2.5		

PSNBx Ex-Royal Mail GBP bn	2012-13	2013-14	2014-15	2015-16	2016-17
Nov-13 Likely	**109.0**	**95.0**	**88.0**	**77.0**	**55.0**
OBR (Mar-13)	114.5	107.7	97.3	87.1	60.8
Change	*-5.5*	*-12.7*	*-9.3*	*-10.1*	*-5.8*

Alan Clarke (44 207) 826-5986
alan.clarke@scotiabank.com

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sentiment and spending growth resulting from the Help to Buy Scheme. That is likely to be an enduring theme into next year. However, in the absence of business investment doing some of the heavy lifting, or wages accelerating so that household real disposable income growth recovers, it would be wrong to extrapolate the improving trend for growth much further into the future.

The revisions to the headline Public Sector Net Borrowing excluding financial sector interventions (PSNBx) are likely to grab the headlines. There had been considerable slippage since the coalition government first came to office. So it will be symbolic that at last the tide has turned and we are seeing revisions in the other direction. Seven months into the fiscal year the cumulative PSNBx has been GBP52.6bn. Over the same period a year ago (and excluding the distortion from the transfer payments from the Royal Mail Pension Programme) borrowing was around GBP70bn. That represents a near-GBP20bn improvement.

The commentary from the OBR suggests that there may have been some front-loading of good news and the favourable start to the year may be partly unwound. Given the typical trade-offs, the likely upward revision to GDP growth this year should have reduced the borrowing requirement by close to GBP7bn. So an improvement of GBP20bn is probably a touch ambitious. We look for somewhere between the two extremes.

Any other issues

With growth and government borrowing improving, there is less pressure than there has been for the Chancellor to alter course on austerity. The Chancellor is very unlikely to announce any big giveaways — especially since the 2015 general election is some way off. Nonetheless, if there is any tweaking to be done, the areas that are likely to attract interest are the help to buy scheme, tax on petrol, anything to do with pensions and the environment.

Camilla Sutton (416) 866-5470
camilla.sutton@scotiabank.com

Relative Central Bank Policy And Growth Likely To Drive USD Strength In 2014

The core drivers of FX remain relative central bank policy, the global growth outlook and politics. Entering December, the euro and Chinese yuan are the year-to-date outperformers, up 3% and 2% respectively; while most other currencies have depreciated against the USD in 2013.

Themes that are supporting a stronger USD include: 1) a strengthening US growth profile based on an easing in fiscal drag, a recovering real estate sector and improving consumption; 2) the nearing of a Fed decision to decrease (taper) its monthly bond purchases and eventually move towards completion; 3) bullish USD market sentiment and 4) the relative position of the US against the other major economies in terms of both central bank policy and the growth outlook. However, there are several offsetting factors, which are likely to limit USD strength: 1) as the Fed turns to tapering they are likely to push out the expectations for higher interest rates, helping to offset the impact of slowing monthly purchases; 2) a stronger USD is likely to weigh on US growth, placing a ceiling on appreciation; and 3) an anticipated slowing in Chinese FX reserve and USD accumulation as it embraces capital market reforms is likely to shift the buying pattern of US based assets.

At the same time, the global forces of disinflation have liberated global central banks to maintain current loose policy for longer and in some cases increase the aggressiveness. This is likely to have significant FX implications. However, there are several central banks that continue to worry about the financial stability risk of low interest rates, high household leverage and elevated housing prices. These are the central banks that are likely to hike rates sooner than the majors, with the most notable example being New Zealand.

For Canada, sentiment has shifted to a more negative currency outlook, a trend which is likely to continue into mid-2014. Low inflation combined with modest growth leaves the Bank of Canada in a position to sound increasingly dovish; however, lower interest rates in Canada are unlikely as record-high household debt is likely to limit any potential turn at the BoC.

Across Latin America, the core theme is likely to be a broadly stronger USD, driven by shifts at the Fed, the outlook for growth and sentiment. Domestically, a strengthening growth profile in Peru should support the PEN relative to the other Latin American currencies. Meanwhile the dovish turn at Chile's central bank is likely now over-priced by markets, allowing the CLP to gain against the USD but underperform the PEN.

In Europe, the ECB is expected to cut interest rates and increase its dovish tone, driving relative policy divergence between Europe and the US and a lower EUR. This is complicated by regional politics, which includes difficult negotiations around the banking union. In the UK, the outlook has materially brightened as data have improved more rapidly than expected. However, there is a lot of positive news priced in; and the risk is that the BoE remains dovish for long and that the growth profile remains fragile. The Swiss National Bank is expected to maintain the 1.20 EURCHF floor, in turn making USDCHF a play on the EUR. The NOK and SEK are both expected to outperform as the central banks shift to more hawkish tones late in 2014 and the fundamental backdrop continues to suggest the underlying economies are relatively strong.

The outlook for the Chinese yuan (CNY) has not shifted; we expect a slow measured pace of appreciation. However, the pace of reforms is increasing, a widening of the CNY trading band is likely approaching and importantly for the USD, the approach towards FX reserve accumulation is shifting as Chinese authorities move away from intervention; the combination of rising US yields and a stronger CNY will prove a political challenge. In Japan, we expect the Bank of Japan to struggle to meet its 2% inflation goal and to turn to more aggressive policy in 2014, driving USDJPY sustainably above 100 and closing the year at 109.

Developing Asian currencies face similar macro drivers, namely the FX impact of Fed policy, global growth dynamics and politics. However, on the domestic side the regional and competitive shifts of a weaker JPY profile and ongoing reforms in China are also likely to be important market dynamics in 2014 and 2015. As the Fed contemplates a slowing in its monthly bond purchases, emerging Asia is likely to react with relative outperformance by those currencies who are less vulnerable to capital outflows, even the more vulnerable (notably, the IDR and INR) are unlikely to react as violently as they did in the summer months.

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

Latin America Week Ahead: For The Week Of December 2 - 6

Over the week-end, we are scheduled to get the Chinese HSBC / Markit manufacturing PMI, but a large amount of other tier-1 data releases are scheduled to take place throughout the whole week, with US non-farm payrolls set to take centre stage. Uncertainty over Friday's employment numbers, and their implications for when the US is expected to start tapering will continue to broadly limit LATAM FX gains, but we see some room for differentiated performance based on country-specific factors, and our bias is to trade LATAM FX vs each other. Our current preferred currency in the region is MXN, where we see the structural reform story as a potential tailwind, and our preference is to cross it vs CLP or BRL.

Week-ahead views:

Brazil: Brazil's fiscal accounts once again disappointed, falling short of the expected BRL6bn-BRL10bn surplus that analysts looked for, and printing at BRL5.4bn. Today's figures for the broader definition of the public sector are likely to be closely monitored as markets try to assess the probability that credit ratings downgrades will materialize. In addition, following the changes to the text of the COPOM meeting's statement, which signaled the BCB "no longer has a bias", this week's IPCA inflation, industrial production, manufacturing and services PMIs will likely be watched for guidance on whether the BCB is slowing the pace of rate hikes, or stopping them altogether. In addition, and probably even more importantly, the **COPOM meeting's minutes are likely to be closely scrutinized for guidance over future SELIC rate moves. As we highlighted yesterday, our sense is that "neutral rates" lie somewhere in the 10.5% - 11.5% range**.

Chile: The importance of this week's release of the BCCh's MPC meeting minutes has been somewhat reduced by last week's interview where Governor Vergara signaled the central bank's bias is now neutral, but the importance of the minutes is not yet fully eliminated as we believe it is still worth watching whether further weakness in the economy, or additional surprises in DM central bank policy could once again shift the bias. Besides the minutes, we think it's worth watching the monthly economic activity index, Chilean vehicle sales and CPI. However, in our view, all these releases pale in comparison to the importance of tracking the ongoing presidential electoral race, which is scheduled to take place on December 15th, and where it will be important to watch for further indications of which of Candidate Bachelet's proposed changes are likely to be added to the Constitution if, as expected, she wins the second round.

Colombia: This week's main event will likely be the release of CPI and exports data, with CPI being relevant for gauging the likelihood of a shift back to a more dovish stance by BanRep. Exports data will be important for assessing whether a weaker COP has helped reduce the headwinds that Dutch Disease were causing to the Colombia economy, and whether we can expect the manufacturing sector's performance to improve. USD/COP is trading at 1910-1936, and our bias is to trade that range.

Mexico: Energy reform crunch-time:
Outside of the important economic releases scheduled for this week, which are dominated by US non-farm and GDP, the reform debate in Mexico will likely be an important source of direction for the peso. The vast majority of the information we have received over recent days suggests that the energy reform is likely to be approved shortly, and to include very important positive changes for Mexico's energy sector. In particular, we believe that power generation is very likely to be further opened up to the private sector, allowing private players to sell electricity into a still publicly run grid, which should both boost investment (and FDI) and reduce power costs for the private sector (which are currently ranked by the World Bank as the 133rd worst out of 188 countries). In addition, we believe that Pemex and CFE are both likely to receive much more operational autonomy. Regarding the upstream portion of the oil/gas sector, we believe that the reform will give the government the flexibility to establish contracts with private players which will include: profit sharing, production sharing and "licenses", which we anticipate will allow IOCs to "book reserves" — which we expect to also boost both FDI and the country's growth potential.

The PRD announced yesterday it plans to withdraw from the "Pact for Mexico" due to its opposition to the content of the energy / political reforms (and the PAN — PRI negotiating the energy reform without PRD participation)**.** Despite the PRD's withdrawal from the Pact, the Political reform is potentially set to be voted at the commission level today, and could be approved by Tuesday. Among the changes contemplated are: legislator

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

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reelection (2 periods for Senators, 3 periods for Congressmen), establishing a new federal electoral authority, increasing transparency and accountability for political parties' spending, and granting autonomy to the Procuraduría General de la República (the Attorney General's Office). The approval of these changes is expected to open the way for the energy reform. **In our view, the PRD's aversion to the energy reform is a further signal that the reform will be strong, as the party was opposed to constitutional changes in Articles 27 and 28, as well as increasing private sector participation in the sector.** However, the PRD's announcement that it will not support the Pact is also irrelevant for the energy reform's approval in our view, given the party had long signaled it opposed constitutional changes. In terms of its impact for the negotiations of future reforms in Congress, we believe the impact is mixed: on one hand, it removes some of the potential "dilution" of market-oriented reforms that the party's more left leaning bias has led to. On the other, it also means that the three parties are no longer accountable for failing to deliver the promised reforms (but this is not terribly important in our view, as the constitutional changes for the more important reforms from an economic standpoint are likely to be completed when/if the energy reform is approved — which we expect by the end of 2013).

In our view, once the energy reform is approved (if it is — which we expect) we believe the changes are likely to be enough to tip the balance for at least two of the ratings agencies to upgrade Mexico by the end of Q1 (we see Moody's and S&P as most likely), while we don't discard an upgrade by the third major agency by the end of next summer (Fitch). **If the energy reform materializes as we anticipate, it would arguably be one of the top four positive economic shocks the country has had since the 1980s** (the others being NAFTA, Banxico's independence and the creation of the domestic pension system, in our view). Like those reforms, we expect the impact of the current set of reforms (energy, telecoms, labour, financial and education) to be felt gradually, but nonetheless to be positive game changers (i.e., we believe that the establishment of the pension system in 1997 plus the credibility derived from Banxico's independence in 1993 were among the factors that allowed the government to develop a liquid local yield curve in the early 2000s, which is now one of the factors that anchors Mexico's economic resilience, which in turn was also a critical change which allowed the development of a domestic corporate debt market, and a mortgage market by providing a benchmark.)

In the recently released *Selected Issues* paper and the IMF's Article IV consultation , the **IMF estimates that reforms will boost potential growth from current 3% - 3.25% to 3.5% - 4.0%, with the risks to this estimate being to the upside** (which we also agree with). Regarding the impact of the structural reforms on the balance of payments, the IMF expects structural reforms to generate "*a surge in foreign direct investment and imports followed by an expansion of exports*", which we agree with. The **IMF estimates that FDI will increase from less than 1% of GDP, to 1.5% - 2% of GDP by 2015-16, and projects that instead of having a balanced oil trade balance by 2018, the energy reform will instead lead to a +0.8% of GDP oil trade surplus**. In turn, these flows are expected to lead to an increase in FX reserves to US$223bn, which the IMF anticipates will lead the reserve to portfolio investment coverage ratio to remain constant at current levels.

In terms of market performance, we perceive that the broad investor base is justifiably bullish Mexico, based on the combination of improving US economic prospects and country-specific structural reform dynamics. However, even this positive sentiment will likely not be enough to fully shield local markets from potential tapering-driven headwinds. Accordingly, **our bias for trading Mexico is to hedge for that risk through either: crossing MXN with BRL and/or CLP in FX markets, or through receiving local rates vs US payer positions in the case of FI markets**.

Peru: This looks set to be another relatively uneventful week on the data front, leaving the sol to trade at the mercy of global sentiment and BCRP intervention. For now, the currency has literally been trading sideways, moving in a very narrow 2.8043– 2.7956 range, and it's hard to think of a release that has more potential to change that than next Friday's non-farm. We think it's worth highlighting a very interesting article published by the FT, where it discusses some of the reasons that are potentially behind Peru's strong growth and middle class development (see "Peru's middle class prospers from investment led growth"), which could include strong investment in both physical and human capital. On a separate note, after not having a full board since 2011 at the BCRP, Governor Velarde said he is hopeful that Congress has now reached an agreement over the selection of the three missing members of the central bank's directory.

Global Views

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

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

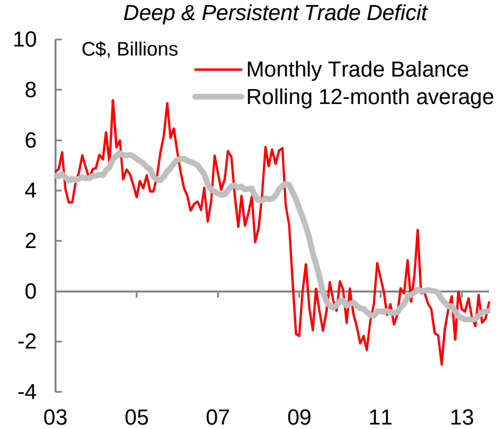
Key Data Preview

CANADA

Canadian **jobs data** for November land on December 6 and we're looking for a fairly run-of-the-mill 15k jobs number. There are no major trends or leading indicators to go off of here: in October, private sector jobs were quite weak (-22k) while the public sector added 47k jobs. We expect both of those trends to reverse, but how much so? The private sector has posted a meagre showing thus far this year, only adding a cumulative 108k jobs in 2013 (i.e., 10.8k per month). The 126.3k jobs that the economy has cumulatively added this year (public sector jobs have fallen by 17.5k; a 35.7k increase in the self-employed has made up the difference) is also pretty weak by recent standards, and fairly soft economic outcomes, even after factoring Q3's GDP number, leave us expecting a mixed performance moving forward.

Trade data have been weak this year — indeed, Canada has moved from posting trade surpluses to deficits that are persistent and wide for much of the past two years. The accumulated 12-month trade deficit has been as bad (or worse) than was seen even in the wake of the financial crisis (see chart). We're expecting more softness in the October numbers (Dec. 4), with the nominal trade deficit widening to C$ 1bn, in line with the recent average, on a steep drop in Western Select Crude oil prices (-11% m/m) and an essentially flat C$ - but one which had been trending lower for months, the lagged effects of which ought to have increased import costs.

Canada Trade in Goods
Deep & Persistent Trade Deficit



Source: Statistics Canada, Scotiabank Economics

UNITED STATES

U.S. **payrolls** picked up in October, increasing by a surprisingly strong 204k. The question is: can the momentum be sustained in the November numbers (Dec. 6)? We don't think so, and we're looking for a 125k number on headline nonfarm payrolls as we think that a confidence shock delivered by the government shutdown combined with general pessimism regarding the retail sector (as signaled by weak guidance from a variety of large retailers) points to subdued hiring on the month. The good news is that initial jobless claims indicate that firing cooled down on the month; however, low initial jobless claims have not been resulting in the extent of net payroll changes that would be expected under normal conditions. Less firing has not begat more net hiring — implying a very stagnant labour market.

We're looking for the **trade** deficit (Dec. 4) to narrow marginally to USD 40bn in October from a deficit of USD 41.8bn in September. Why do we expect a narrowing? After all, most of the leading metrics are negative: the USD weakened (the DXY fell by 1.7%); agricultural commodity prices are another weak spot (the CRB foodstuffs index fell by 2.6%). On the plus side, Brent crude prices fell on the month (-1.9%), but lower Brent crude prices are often accompanied by higher volumes of imports. The only reason that we're not anticipating a large increase in the trade deficit in light of these factors is a call based on mean reversion: exports have fallen by a cumulative 1.2% since June, dropping each month. Imports have increased by 2.9% over the same period of time. The trend might be one's friend, but it can't continue indefinitely. Something's got to give.

The **ISM manufacturing** index for November (Dec. 2) could well reflect the drop in momentum in some of the regional Fed surveys, with an emphasis on the softening in the Philly Fed Survey. We're not sure what manufacturers have to be encouraged about as weak durable goods orders and shipments should not be a cause for enthusiasm — and regional manufacturing surveys have reflected that reality ahead of the November ISM. We also expect lagged confidence effects from the government shut-down.

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

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

Tuuli McCully (416) 863-2859
tuuli.mccully@scotiabank.com

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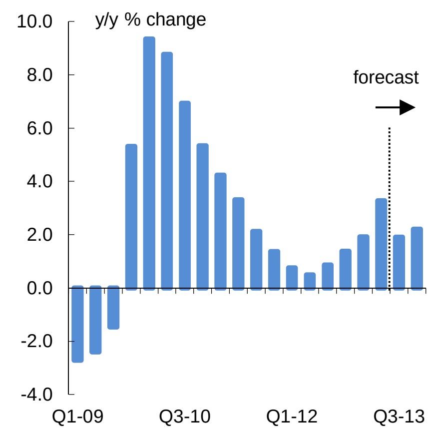
EUROPE

The European Central Bank (ECB) will meet next Thursday, December 5th. Following the November interest rate cut (the main refinancing rate was reduced to 0.25% in response to a sudden drop in inflation), we do not foresee any additional policy action at this time. Nevertheless, despite an uptick in inflation in November, from 0.7% y/y to 0.9% according to the flash estimate (and from 0.8% to 1.0% in the core rate), the ECB's updated December macroeconomic projections are expected to show a softer medium-term inflation profile, and this combined with a still fragile economic outlook will keep the tone at the press conference firmly on the dovish side. Given that the latest bounce in inflation is largely due to base effect from energy prices and Germany-specific service sector prices, and as the euro remains elevated above US$1.35, the internal debate among ECB members surrounding the merits of alternative forms of monetary easing, which has been reflected in recent speeches and media interactions, will likely remain vigorous over the coming months. Indeed, should the midpoint of the ECB's expected average inflation range for 2014 fall below 1% y/y or if the GDP growth forecasts are also lowered in the December projections, this would provide a strong signal that further policy accommodation is forthcoming. Our base case envisions another reduction in the main refinancing rate to effectively zero in the first quarter of 2014 alongside a cut in the deposit rate to below zero (-0.1%).

LATIN AMERICA

Brazilian third-quarter real GDP data will be released on December 3rd. Based on the central bank's economic activity index, output contracted once again in monthly terms in September, taking the third-quarter average rate to -0.1% m/m. Additionally, industrial production expanded by a mild 0.8% y/y in the July-September period, moderating from the previous three-month average. In light of these numbers, we anticipate that real GDP expanded by 1.9% y/y in the third quarter of the year, decelerating from a previous expansion rate of 3.3% in the second quarter. We are of the view that economic activity remained subdued and the pick-up will likely be slower than initially anticipated, putting more pressure on policymakers. The central bank recently increased the reference rate for the sixth consecutive time by 50 basis points to 10%, responding to persistently high inflation. We expect the central bank to moderate the pace of the tightening cycle in the coming months in light of the poor performance of the economy.

Brazilian Real GDP

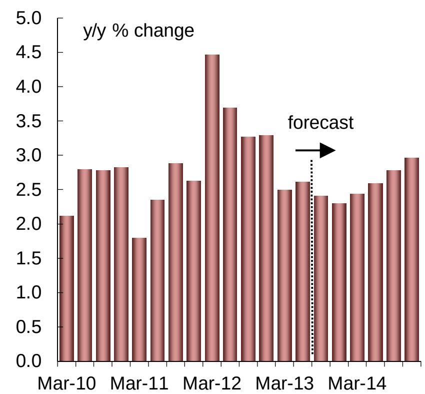


Source: Bloomberg, Scotiabank Economics.

ASIA/PACIFIC

Australia will release third-quarter real GDP data on December 3rd. The Australian economy is impacted by various opposing forces: mining investment is declining substantially, yet business conditions and confidence are improving, though this is yet to be reflected in payroll gains and investment. While the country's monetary authorities assess that the Australian dollar remains "uncomfortably high", exports are performing strongly due to increasing mining capacity following project completions. A soft labour market is slowing the household spending recovery, though the housing market continues to strengthen. Against this backdrop, we estimate that real GDP increased by 0.6% q/q in the third quarter, in line with performance in the April-June period. In year-over-year terms, output likely expanded by 2.4%, compared with a 2.6% gain in the second quarter. The Australian economy is set to advance by 2.4% in 2013 as a whole, followed by an average gain of 2¾% in 2014-15.

Australia - Real GDP Growth



Source: Bloomberg, Scotiabank Economics.

Key Indicators for the week of December 2 – 6

North America

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	12/02	10:00	Construction Spending (m/m)	Oct	0.5	0.4	0.6
US	12/02	10:00	ISM Manufacturing Index	Nov	54.0	55.0	56.4
US	12/03	10:00	IBD/TIPP Economic Optimism Index	Dec	--	43.0	41.4
US	12/03	17:00	Domestic Vehicle Sales (mn a.r.)	Nov	12.5	12.0	11.7
US	12/03	17:00	Total Vehicle Sales (mn a.r.)	Nov	15.9	15.8	15.2
US	12/04	07:00	MBA Mortgage Applications (w/w)	NOV 29	--	--	-0.3
US	12/04	08:15	ADP Employment Report (000s m/m)	Nov	125.0	167.5	130.4
CA	12/04	08:30	Merchandise Trade Balance (C$ bn)	Oct	-1.0	-0.7	-0.4
US	12/04	08:30	Continuing Claims (000s)	NOV 22	2800	--	2776
US	12/04	08:30	Initial Jobless Claims (000s)	NOV 29	330	325	316
US	12/04	08:30	Trade Balance (US$ bn)	Oct	-40.0	-40.2	-41.8
CA	12/04	10:00	**BoC Interest Rate Announcement (%)**	**Dec 4**	**1.00**	**1.00**	**1.00**
US	12/04	10:00	ISM Non-Manufacturing Composite	Nov	54.0	55.1	55.4
US	12/04	10:00	New Home Sales (000s a.r.)	Oct	415	430.0	421.0
CA	12/05	08:30	Building Permits (m/m)	Oct	--	1.0	1.7
US	12/05	08:30	GDP (q/q a.r.)	3Q S	3.0	3.1	2.8
US	12/05	08:30	GDP Deflator (q/q a.r.)	3Q S	--	1.9	1.9
US	12/05	10:00	Factory Orders (m/m)	Oct	-1.1	-1.0	1.7
CA	12/06	08:30	Employment (000s m/m)	Nov	15.0	12.5	13.2
CA	12/06	08:30	Productivity (q/q a.r.)	3Q	--	0.3	0.5
CA	12/06	08:30	Unemployment Rate (%)	Nov	6.9	7.0	6.9
US	12/06	08:30	Average Hourly Earnings (m/m)	Nov	--	0.2	0.1
US	12/06	08:30	Average Weekly Hours	Nov	--	34.5	34.4
US	12/06	08:30	Nonfarm Employment Report (000s m/m)	Nov	125.0	183.0	204.0
US	12/06	08:30	Household Employment Report (000s m/m)	Nov	--	--	-735.0
US	12/06	08:30	PCE Deflator (m/m)	Oct	0.0	0.0	0.1
US	12/06	08:30	PCE Deflator (y/y)	Oct	0.7	0.7	0.9
US	12/06	08:30	PCE ex. Food & Energy (m/m)	Oct	--	0.1	0.1
US	12/06	08:30	PCE ex. Food & Energy (y/y)	Oct	--	1.1	1.2
US	12/06	08:30	Personal Spending (m/m)	Oct	0.3	0.2	0.2
US	12/06	08:30	Personal Income (m/m)	Oct	0.3	0.3	0.5
US	12/06	08:30	Unemployment Rate (%)	Nov	7.3	7.2	7.3
MX	12/06	10:00	**Overnight Rate (%)**	**Dec 6**	**3.50**	**3.50**	**3.50**
US	12/06	15:00	Consumer Credit (US$ bn m/m)	Oct	17.0	14.5	13.7

Europe

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
IT	12/02	03:45	Manufacturing PMI	Nov	--	50.8	50.7
FR	12/02	03:50	Manufacturing PMI	Nov F	47.8	47.8	47.8
GE	12/02	03:55	Manufacturing PMI	Nov F	52.5	52.5	52.5
EC	12/02	04:00	Manufacturing PMI	Nov F	51.5	51.5	51.5
UK	12/02	04:30	Manufacturing PMI	Nov	56.0	56.1	56.0
IT	12/02	06:59	Budget Balance (€ bn)	Nov	--	--	-11.5
UK	12/02	07:59	Halifax House Price (3 month, y/y)	Nov	7.3	7.3	6.9
UK	12/03	04:30	PMI Construction	Nov	60.0	59.0	59.4
EC	12/03	05:00	PPI (m/m)	Oct	--	-0.2	0.1
HU	12/04	03:00	GDP (y/y)	3Q F	1.7	--	1.7
IT	12/04	03:45	Services PMI	Nov	--	50.4	50.5
FR	12/04	03:50	Services PMI	Nov F	48.8	48.8	48.8
GE	12/04	03:55	Services PMI	Nov F	54.5	54.5	54.5

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

Key Indicators for the week of December 2 – 6

Europe *(continued from previous page)*

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
EC	12/04	04:00	Composite PMI	Nov F	51.5	51.5	51.5
EC	12/04	04:00	Services PMI	Nov F	50.9	50.9	50.9
UK	12/04	04:30	Official Reserves (£ bn)	Nov	--	--	-208.0
UK	12/04	04:30	Services PMI	Nov	61.0	62.0	62.5
EC	12/04	05:00	GDP (q/q)	3Q P	0.1	0.1	0.1
EC	12/04	05:00	Retail Trade (m/m)	Oct	--	0.1	-0.6
SP	12/05	03:00	Industrial Output NSA (y/y)	Oct	--	--	3.5
NO	12/05	04:00	**Norwegian Deposit Rates (%)**	**Dec 5**	**1.50**	**1.50**	**1.50**
UK	12/05	07:00	BoE Asset Purchase Target (£ bn)	Dec	375.0	375.0	375.0
UK	12/05	07:00	**BoE Policy Announcement (%)**	**Dec 5**	**0.50**	**0.50**	**0.50**
EC	12/05	07:45	**ECB Announces Interest Rates (%)**	**Dec 5**	**0.25**	**0.25**	**0.25**
FR	12/06	02:45	Central Government Balance (€ bn)	Oct	--	--	-80.8
FR	12/06	02:45	Trade Balance (€ mn)	Oct	--	-5400.0	-5824.0
GE	12/06	06:00	Factory Orders (m/m)	Oct	0.0	-1.0	3.3

Asia Pacific

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
SK	11/30	19:00	Exports (y/y)	Nov	--	3.0	7.2
SK	11/30	19:00	Imports (y/y)	Nov	--	4.4	5.2
SK	11/30	19:00	Trade Balance (US$ mn)	Nov	--	4550.0	4878.0
CH	11/30	20:00	Manufacturing PMI	Nov	51.1	51.1	51.4
NZ	12/01	16:45	Terms of Trade Index (q/q)	3Q	--	2.9	4.9
SK	12/01	18:00	CPI (y/y)	Nov	0.9	1.0	0.7
SK	12/01	18:00	Core CPI (y/y)	Nov	--	--	1.6
JN	12/01	18:50	Capital Spending (y/y)	3Q	--	2.8	0.0
AU	12/01	19:30	Building Approvals (m/m)	Oct	--	-5.0	14.4
CH	12/01	20:45	HSBC Manufacturing PMI	Nov	--	50.5	50.9
ID	12/01	23:00	Exports (y/y)	Oct	--	-2.6	-6.9
ID	12/01	23:00	Imports (y/y)	Oct	--	-8.5	0.8
ID	12/01	23:00	Trade Balance (US$ mn)	Oct	--	-775.0	-657.2
ID	12/01	23:00	CPI (y/y)	Nov	8.6	8.5	8.3
ID	12/01	23:00	Core CPI (y/y)	Nov	--	4.8	4.7
JN	12/02	00:00	Vehicle Sales (y/y)	Nov	--	--	17.3
ID	12/02	06:59	Consumer Confidence Index	Nov	--	--	109.5
JN	12/02	07:59	Official Reserve Assets (US$ bn)	Nov	--	--	1276.8
TH	12/02	07:59	CPI (y/y)	Nov	1.8	1.8	1.5
TH	12/02	07:59	Core CPI (y/y)	Nov	--	0.8	0.7
JN	12/02	18:50	Monetary Base (y/y)	Nov	--	--	45.8
AU	12/02	19:30	Current Account (AUD bn)	3Q	--	-11.0	-9.4
AU	12/02	19:30	Retail Sales (m/m)	Oct	--	0.4	0.8
AU	12/02	19:30	Australia Net Exports of GDP	3Q	--	0.4	0.0
CH	12/02	20:00	Non-manufacturing PMI	Nov	--	--	56.3
AU	12/02	22:30	**RBA Cash Target Rate (%)**	**Dec 3**	**2.50**	**2.50**	**2.50**
SI	12/03	08:30	Purchasing Managers Index	Nov	--	51.4	51.2
AU	12/03	19:30	GDP (y/y)	3Q	2.4	2.5	2.6
CH	12/03	20:45	HSBC Services PMI	Nov	--	--	52.6
HK	12/03	21:30	Purchasing Managers Index	Nov	--	--	50.1
SK	12/04	18:00	GDP (y/y)	3Q F	3.3	--	3.3
AU	12/04	19:30	Trade Balance (AUD mn)	Oct	--	-375.0	-284.0
TA	12/04	19:30	CPI (y/y)	Nov	--	1.0	0.6

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

Key Indicators for the week of December 2 – 6

Asia Pacific *(continued from previous page)*

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
PH	12/04	20:00	CPI (y/y)	Nov	3.4	3.5	2.9
PH	12/04	20:00	Core CPI (y/y)	Nov	--	--	2.5
MA	12/05	23:01	Exports (y/y)	Oct	--	6.0	5.6
MA	12/05	23:01	Imports (y/y)	Oct	--	6.3	2.8
MA	12/05	23:01	Trade Balance (MYR bn)	Oct	--	9.3	8.7
JN	12/06	00:00	Coincident Index CI	Oct P	--	109.9	108.4
JN	12/06	00:00	Leading Index CI	Oct P	--	109.8	109.2
AU	12/06	00:30	Foreign Reserves (AUD bn)	Nov	--	--	57.2

Latin America

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
PE	12/01	06:59	Consumer Price Index (m/m)	Nov	--	-0.1	0.0
PE	12/01	06:59	Consumer Price Index (y/y)	Nov	2.9	3.0	3.0
BZ	12/02	07:00	PMI Manufacturing Index	Nov	--	--	50.2
BZ	12/02	12:00	Trade Balance (FOB) - Monthly (US$ mn)	Nov	--	500.0	-224.0
BZ	12/03	06:00	GDP (IBGE) (q/q)	3Q	--	-0.3	1.5
BZ	12/03	06:00	GDP (IBGE) (y/y)	3Q	1.9	2.4	3.3
BZ	12/04	06:00	Industrial Production SA (m/m)	Oct	--	-0.2	0.7
BZ	12/04	06:00	Industrial Production (y/y)	Oct	--	0.4	2.0
CL	12/05	06:30	Economic Activity Index SA (m/m)	Oct	--	--	-0.8
CL	12/05	06:30	Economic Activity Index NSA (y/y)	Oct	--	3.6	4.3
CO	12/05	19:00	Consumer Price Index (m/m)	Nov	--	0.1	-0.3
CO	12/05	19:00	Consumer Price Index (y/y)	Nov	2.2	2.1	1.8
CL	12/06	05:00	CPI (y/y)	Nov	2.0	2.1	1.5
BZ	12/06	06:00	IBGE Inflation IPCA (m/m)	Nov	--	0.6	0.6
BZ	12/06	06:00	IBGE Inflation IPCA (y/y)	Nov	5.8	5.8	5.8
CL	12/06	06:00	CPI (m/m)	Nov	--	0.1	0.1

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

Global Auctions for the week of December 2 – 6

North America

Country	Date	Time	Event
US	12/02	11:00	U.S. Fed to Purchase USD1.25-1.75 Bln Notes
US	12/02	11:30	U.S. to Sell USD32 Bln 3-Month Bills
US	12/02	11:30	U.S. to Sell USD27 Bln 6-Month Bills
CA	12/03	10:30	Canada to Sell CAD5.1 Bln 98-Day Bills
CA	12/03	10:30	Canada to Sell CAD1.950 Bln 168-Day Bills
CA	12/03	10:30	Canada to Sell CAD1.950 Bln 350-Day Bills
US	12/03	11:00	U.S. Fed to Purchase USD0.75-1.00 Bln Notes
US	12/03	11:30	U.S. to Sell 4-Week Bills
US	12/03	14:00	U.S. Fed to Purchase USD3.00-4.00 Bln Notes
US	12/04	11:00	U.S. Fed to Purchase USD2.75-3.50 Bln Notes
US	12/05	11:00	U.S. Fed to Purchase USD1.25-1.75 Bln Notes
US	12/06	11:00	U.S. Fed to Purchase USD4.25-5.25 Bln Notes

Europe

Country	Date	Time	Event
NE	12/02	04:30	Netherlands to Sell Up to EUR2 Bln 86-Day Bills
NE	12/02	04:30	Netherlands to Sell Up to EUR2 Bln 177-Day Bills
FR	12/02	08:50	France to Sell Bills
BE	12/03	05:30	Belgium to Sell 3-Month Bills
BE	12/03	05:30	Belgium to Sell 6-Month Bills
UK	12/03	05:30	U.K. to Sell GBP1.25 Bln 5% 2025 Bonds
GE	12/04	05:30	Germany to Sell EUR4 Bln 1% 2018 Bonds
SW	12/05	04:03	Sweden to Sell I/L Bonds
SP	12/05	04:30	Spain to Sell Bonds
FR	12/06	04:50	France to Sell Bonds
IC	12/06	06:00	Iceland to Sell Bonds
UK	12/06	06:10	UK to Sell Bills

Asia Pacific

Country	Date	Time	Event
CH	12/02	02:00	Agricul Dev Bank China to Sell CNY5 Bln 5-Year Bonds
CH	12/02	02:00	Agricul Dev Bank China to Sell CNY5Bln 3-Year Bonds
CH	12/02	02:00	Agricul Dev Bank of China to Sell CNY5Bln 2-Year Bonds
JN	12/03	03:00	Japan Auction for Enhanced-Liquidity
CH	12/03	22:00	China to Sell 5-Year Bonds
NZ	12/04	20:05	NZ Plans to Sell Inflation-indexed Bond
JN	12/04	22:35	Japan to Sell 3-Month Bill
JN	12/04	22:45	Japan to Sell 10-Year Bonds
JN	12/05	22:35	Japan to Sell 6-Month Bill

Source: Bloomberg, Scotiabank Economics.

Events for the week of December 2 – 6

North America

Country	Date	Time	Event
US	12/02	08:30	Fed's Bernanke Greets Students at College Fed Challenge
US	12/02	19:00	Fed's Potter to Speak to Money Marketers in New York
CA	12/04	**10:00**	**Bank of Canada Rate Decision**
US	12/04	10:00	U.S. House Ways and Means Hearing on Obamacare Rollout
US	12/04	14:00	U.S. Federal Reserve Releases Beige Book
US	12/05	08:15	Fed's Lockhart Speaks on economy in Fort Lauderdale, Florida
US	12/05	12:15	Fed's Fisher Speaks on the Economy in College Station, Texas
MX	**12/06**	**10:00**	**Overnight Rate**
US	12/06	10:15	Fed's Plosser, Greenspan Speak at Philadelphia Fed Conference
CA	12/06	11:30	Alberta Premier Redford Speaks at CCBC Business Luncheon
US	12/06	15:00	Fed's Evans to Speak in Chicago

Europe

Country	Date	Time	Event
EC	12/02	03:30	ECB's Constancio, Honohan Speak at Dublin Banking Conference
GE	12/03	00:00	Transparency International Releases 2013 Corruption Index
SW	12/03	04:00	Swedish Finance Minister Anders Borg speech
EC	12/03	04:00	EU's Rehn Speaks at Lisbon Council Think Tank in Brussels
UK	12/03	04:30	BOE Publishes Record of Financial Policy Committee
SW	12/03	06:10	Riksbank Deputy Governor Per Jansson speech
SW	12/03	10:20	Riksbank's Per Jansson participates in panel debate
EC	12/03	00:00	NATO Foreign Ministers Hold Meeting in Brussels
PO	12/04		EU, IMF Start 10th Review of Portuguese Aid Program
NO	**12/05**	**04:00**	**Deposit Rates**
NO	12/05	04:00	Norges Bank Hold Press Conference on Rate Decision
UK	**12/05**	**07:00**	**Bank of England Monetary Policy Committee Decision**
UK	12/05	07:00	BOE Asset Purchase Target
EC	12/05	07:15	EU's Almunia speaks about banking union in Dublin
EC	**12/05**	**07:45**	**ECB Announces Interest Rates**
EC	12/05	07:45	ECB Deposit Facility Rate
EC	12/05	08:30	ECB'S Draghi Holds Press Conference After Rate Decision
UK	12/05		Chancellor of the Exchequer Osborne Announces Fiscal Forecasts
UK	12/05		U.K. Chancellor Osborne Makes Autumn Statement in Commons
IT	12/06	05:00	Bank of Italy Report on Balance-Sheet Aggregates
NO	12/06	07:20	Norges Bank Gov. Olsen speaks in Oslo
EC	12/06	08:20	ECB's Asmussen Speaks in Berlin

Asia Pacific

Country	Date	Time	Event
HK	11/30	02:00	Steering Committee on Population Policy Public Forum
NZ	12/01	20:00	Treasury Publishes Monthly Economic Indicators
AU	12/02	00:30	Commodity Index YoY
AU	**12/02**	**22:30**	**RBA Cash Rate Target**
JN	12/03	20:30	BOJ Board Member Sato Speech & Press Conference in Hokkaido
NZ	12/05	16:00	N.Z. Government 4-Month Financial Statements
JN	12/06	21:00	BOJ Governor Kuroda Speech

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	1.00
Federal Reserve – Federal Funds Target Rate	0.25	December 18, 2013	0.25	--
Banco de México – Overnight Rate	3.50	December 6, 2013	3.50	3.50

BoC: We do not expect material changes to the Bank of Canada's policy stance at its meeting on December 4. After having removed its nominal bias toward eventual rate hikes from its statement in October, we anticipate a continuation of the dovish tone that the BoC struck, with an emphasis on concerns regarding very low inflation. **Fed:** Jobs data for November on Dec. 6 will be of substantial importance for the monetary policy outlook. We think that the Fed would look through even moderate strength in the jobs data. The emphasis is on: a) questions regarding the 'impulse' of GDP growth in Q4 due to the large inventory gain in Q3, b) concerns over fiscal policy, and c) very low inflation. Although an upside surprise on jobs growth would add to bearishness in the Treasury complex, we're pessimistic about November jobs as we think that the lagged effects of the government shut-down and weak holiday retail expectations weighed on hiring. **Banxico:** After reducing the reference rate three times this year by a total of 100 basis points, the central bank of Mexico will likely leave the reference rate unchanged at 3.50% at the last meeting of the year on December 6th. The authorities have eased monetary conditions in response to a weak economic performance while inflation remains close to the 3.50% y/y mark; however, the central bank stated in their last announcement that no additional rate cuts were foreseen. We anticipate that the authorities may start hiking rates in the second half of 2014.

Europe

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	0.25	December 5, 2013	0.25	0.25
Bank of England – Bank Rate	0.50	December 5, 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	December 13, 2013	5.50	5.50
Hungarian National Bank – Base Rate	3.20	December 17, 2013	3.20	3.00
Central Bank of the Republic of Turkey – 1 Wk Repo Rate	4.50	December 17, 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	1.50

The Bank of England (BoE) will likely maintain an unchanged policy stance at its next meeting on December 5th. The minutes from the last meeting showed that the Monetary Policy Committee is in wait-and-see mode, paying particular attention to trends in business investment, wage inflation and productivity in addition to the unemployment rate. Nevertheless, positive labour market developments have altered market expectations for the start of the BoE's eventual withdrawal of monetary stimulus. Despite a lower inflation trajectory, we now expect the central bank's first interest rate hike to come around the third quarter of 2015. The Norges Bank will also meet next Thursday and will likewise leave monetary conditions unchanged. The Norwegian authorities have clearly communicated that the key policy rate is expected to remain at the current low level (1.5%) until mid-2014. Real GDP growth was roughly in line with expectations in the third quarter, while inflationary dynamics remain manageable. Please see the European Key Data Preview on page A2 for a discussion of European Central Bank activity.

Asia Pacific

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Target Rate	--	December 20, 2013	--	--
Reserve Bank of Australia – Cash Target Rate	2.50	December 2, 2013	2.50	2.50
Reserve Bank of New Zealand – Cash Rate	2.50	December 11, 2013	2.50	--
People's Bank of China – Lending Rate	6.00	TBA	--	--
Reserve Bank of India – Repo Rate	7.75	December 18, 2013	8.00	--
Bank of Korea – Bank Rate	2.50	December 11, 2013	2.50	--
Bank of Thailand – Repo Rate	2.25	January 22, 2014	2.25	--
Bank Indonesia – Reference Interest Rate	7.50	December 12, 2013	7.50	--

Monetary authorities of the Reserve Bank of Australia (RBA) will meet next week. Following the November 5th policy meeting, the RBA stated that it would not close off the possibility of reducing rates further should the economic recovery require further support. At the same time, however, the RBA highlighted that a "substantial degree of policy stimulus" had been implemented, and its potential effects on the economy require continuous vigilance. The benchmark cash rate is at 2.50%, with the most recent reduction having taken place in August. Barring a significant deterioration in domestic conditions, we assess that the easing cycle has now reached its bottom.

Latin America

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	10.00	January 15, 2014	10.25	--
Banco Central de Chile – Overnight Rate	4.50	December 12, 2013	4.50	--
Banco de la República de Colombia – Lending Rate	3.25	December 20, 2013	3.25	3.25
Banco Central de Reserva del Perú – Reference Rate	4.00	December 12, 2013	4.00	4.25

Africa

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	5.00	January 29, 2014	5.00	--

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

Forecasts as at November 29, 2013*	2000-12	2013e	2014f	2015f	2000-12	2013e	2014f	2015f
Output and Inflation (annual % change)		Real GDP				Consumer Prices[2]		
World[1]	3.7	2.9	3.5	3.6				
Canada	2.2	1.7	2.2	2.5	2.1	1.0	1.3	1.8
United States	1.9	1.6	2.5	3.0	2.5	1.5	1.6	1.9
Mexico	2.4	1.3	3.3	3.7	4.7	3.9	4.3	4.0
United Kingdom	1.7	1.5	2.5	1.7	2.3	2.0	2.2	2.4
Euro Zone	1.3	-0.5	0.8	1.3	2.1	0.8	1.2	1.4
Japan	0.9	1.9	1.8	1.2	-0.3	1.0	1.5	2.1
Australia	3.1	2.4	2.7	2.9	3.0	2.5	3.0	2.9
China	9.3	7.7	7.3	7.0	2.4	3.0	3.3	3.9
India	7.2	4.5	5.2	5.7	6.7	6.8	7.1	6.7
South Korea	4.3	2.7	3.3	3.5	3.1	1.0	2.2	2.5
Thailand	4.2	3.5	4.0	4.5	2.7	1.6	2.5	2.9
Brazil	3.4	2.3	2.8	3.4	6.5	6.0	5.7	5.8
Chile	4.5	4.4	4.4	4.7	3.2	2.5	3.0	3.0
Peru	5.7	5.1	5.4	5.6	2.6	2.9	3.0	2.5

Central Bank Rates (%, end of period)	13Q4f	14Q1f	14Q2f	14Q3f	14Q4f	15Q1f	15Q2f	15Q3f
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	0.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bank of England	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.75
Swiss National Bank	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Reserve Bank of Australia	2.50	2.50	2.50	2.50	2.75	3.00	3.25	3.50
Exchange Rates (end of period)								
Canadian Dollar (USDCAD)	1.06	1.07	1.08	1.07	1.06	1.06	1.05	1.04
Canadian Dollar (CADUSD)	0.94	0.93	0.93	0.93	0.94	0.94	0.95	0.96
Euro (EURUSD)	1.31	1.30	1.29	1.27	1.25	1.25	1.24	1.24
Sterling (GBPUSD)	1.60	1.60	1.59	1.58	1.57	1.55	1.54	1.53
Yen (USDJPY)	101	102	104	107	109	110	111	112
Australian Dollar (AUDUSD)	0.89	0.87	0.90	0.90	0.93	0.93	0.94	0.94
Chinese Yuan (USDCNY)	6.1	6.1	6.1	6.1	6.0	5.9	5.9	5.9
Mexican Peso (USDMXN)	13.2	13.2	13.1	13.2	13.4	13.4	13.4	13.5
Brazilian Real (USDBRL)	2.25	2.25	2.28	2.29	2.30	2.28	2.25	2.23

Commodities (annual average)	2000-12	2013e	2014f	2015f
WTI Oil (US$/bbl)	60	98	92	90
Brent Oil (US$/bbl)	62	109	108	108
Nymex Natural Gas (US$/mmbtu)	5.45	3.70	3.75	4.00
Copper (US$/lb)	2.22	3.30	3.10	3.00
Zinc (US$/lb)	0.78	0.87	0.97	1.40
Nickel (US$/lb)	7.64	6.95	7.25	7.60
Gold, London PM Fix (US$/oz)	745	1,410	1,270	1,375
Pulp (US$/tonne)	730	936	940	970
Newsprint (US$/tonne)	585	608	615	650
Lumber (US$/mfbm)	274	356	390	400

[1] World GDP for 2003-12 are IMF PPP estimates; 2013-15f are Scotiabank Economics' estimates based on a 2012 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	13Q2	13Q3	Latest	
Real GDP (annual rates)	1.7	1.6	2.7		
Current Acc. Bal. (C$B, ar)	-62.2	-63.7	-61.9		
Merch. Trade Bal. (C$B, ar)	-12.0	-10.2	-11.0	-5.2	(Sep)
Industrial Production	0.9	0.1	1.9	3.2	(Sep)
Housing Starts (000s)	215	190	193	198	(Oct)
Employment	1.2	1.2	1.3	1.1	(Oct)
Unemployment Rate (%)	7.3	7.1	7.1	6.9	(Oct)
Retail Sales	2.5	2.7	3.1	3.6	(Sep)
Auto Sales (000s)	1673	1745	1776	1775	(Sep)
CPI	1.5	0.8	1.1	0.7	(Oct)
IPPI	0.6	0.3	1.3	-0.8	(Oct)
Pre-tax Corp. Profits	-4.9	-8.2	-1.1		

United States	2012	13Q2	13Q3	Latest	
Real GDP (annual rates)	2.8	2.5	2.8		
Current Acc. Bal. (US$B, ar)	-440	-396			
Merch. Trade Bal. (US$B, ar)	-741	-703	-711	-735	(Sep)
Industrial Production	3.6	2.1	2.4	3.3	(Oct)
Housing Starts (millions)	0.78	0.87		0.88	(Aug)
Employment	1.7	1.6	1.7	1.7	(Oct)
Unemployment Rate (%)	8.1	7.6	7.3	7.3	(Oct)
Retail Sales	5.1	4.7	4.7	3.9	(Oct)
Auto Sales (millions)	14.4	15.5	15.7	15.2	(Oct)
CPI	2.1	1.4	1.6	1.0	(Oct)
PPI	1.9	1.5	1.3	0.3	(Oct)
Pre-tax Corp. Profits	18.5	3.7			

Mexico					
Real GDP	3.9	1.6	1.3		
Current Acc. Bal. (US$B, ar)	-14.6	-19.9	-21.8		
Merch. Trade Bal. (US$B, ar)	0.0	-3.4	-4.1	-1.5	(Oct)
Industrial Production	2.6	-0.3	-0.6	-1.6	(Sep)
CPI	4.1	4.5	3.4	3.4	(Oct)

Europe

Euro Zone	2012	13Q2	13Q3	Latest	
Real GDP	-0.6	-0.6	-0.4		
Current Acc. Bal. (US$B, ar)	162	276	279	225	(Sep)
Merch. Trade Bal. (US$B, ar)	122.0	272.2	220.6	219.2	(Sep)
Industrial Production	-2.4	-0.7	-0.9	0.3	(Sep)
Unemployment Rate (%)	11.3	12.1	12.1	12.1	(Oct)
CPI	2.5	1.4	1.3	0.7	(Oct)

Germany	2012	13Q2	13Q3	Latest	
Real GDP	0.9	0.4	0.5		
Current Acc. Bal. (US$B, ar)	240.8	240.3	233.2	314.7	(Sep)
Merch. Trade Bal. (US$B, ar)	245.1	249.5	262.4	299.7	(Sep)
Industrial Production	-0.4	-0.1	0.2	0.9	(Sep)
Unemployment Rate (%)	6.8	6.8	6.8	6.9	(Nov)
CPI	2.0	1.5	1.6	3.1	(Nov)

France					
Real GDP	0.0	0.5	0.2		
Current Acc. Bal. (US$B, ar)	-57.3	-36.2	-49.6	-73.2	(Sep)
Merch. Trade Bal. (US$B, ar)	-52.3	-43.7	-48.6	-52.4	(Sep)
Industrial Production	-2.5	0.7	-1.4	-0.9	(Sep)
Unemployment Rate (%)	10.3	10.8	11.0	10.9	(Oct)
CPI	2.0	0.8	0.9	0.6	(Oct)

United Kingdom					
Real GDP	0.1	1.3	1.5		
Current Acc. Bal. (US$B, ar)	-94.8	-75.0			
Merch. Trade Bal. (US$B, ar)	-172.4	-155.4	-180.4	-186.9	(Sep)
Industrial Production	-2.5	-0.7	-0.1	2.2	(Sep)
Unemployment Rate (%)	8.0	7.8		7.6	(Aug)
CPI	2.8	2.7	2.7	2.2	(Oct)

Italy					
Real GDP	-2.6	-2.2	-1.9		
Current Acc. Bal. (US$B, ar)	-8.1	20.2	35.8	3.6	(Sep)
Merch. Trade Bal. (US$B, ar)	12.4	50.0	41.2	12.7	(Sep)
Industrial Production	-6.3	-3.7	-4.2	-3.4	(Sep)
CPI	3.1	1.2	1.0	0.7	(Oct)

Russia					
Real GDP	3.4	1.2	1.2		
Current Acc. Bal. (US$B, ar)	74.8	3.4	1.1		
Merch. Trade Bal. (US$B, ar)	16.0	14.2	14.3	15.7	(Sep)
Industrial Production	-5.3	0.3	-0.1	-0.1	(Oct)
CPI	5.1	7.2	6.4	6.3	(Oct)

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

Source: Bloomberg, Global Insight, Scotiabank Economics.

Asia Pacific

Australia	2012	13Q2	13Q3	Latest
Real GDP	3.7	2.6		
Current Acc. Bal. (US$B, ar)	-56.8	-21.7		
Merch. Trade Bal. (US$B, ar)	5.9	32.8	14.1	19.8 (Sep)
Industrial Production	3.8	3.9		
Unemployment Rate (%)	5.2	5.6	5.7	5.7 (Oct)
CPI	1.8	2.4	2.2	

Japan	2012	13Q2	13Q3	Latest
Real GDP	1.9	1.2	2.6	
Current Acc. Bal. (US$B, ar)	60.4	70.0	53.4	71.0 (Sep)
Merch. Trade Bal. (US$B, ar)	-85.8	-88.6	-117.6	-131.5 (Oct)
Industrial Production	0.2	-3.1	1.9	4.8 (Oct)
Unemployment Rate (%)	4.4	4.0	4.0	4.0 (Oct)
CPI	0.0	-0.3	0.9	1.1 (Oct)

South Korea	2012	13Q2	13Q3	Latest
Real GDP	2.0	2.3	3.3	
Current Acc. Bal. (US$B, ar)	48.1	79.2	75.9	114.1 (Oct)
Merch. Trade Bal. (US$B, ar)	28.5	57.4	43.4	58.5 (Oct)
Industrial Production	1.2	-1.7	1.0	0.8 (Oct)
CPI	2.2	1.1	1.2	0.7 (Oct)

China	2012	13Q2	13Q3	Latest
Real GDP	10.4	7.5	7.8	
Current Acc. Bal. (US$B, ar)	193.1			
Merch. Trade Bal. (US$B, ar)	230.7	263.5	246.0	373.3 (Oct)
Industrial Production	10.3	8.9	10.2	10.3 (Oct)
CPI	2.5	2.7	3.1	3.2 (Oct)

Thailand	2012	13Q2	13Q3	Latest
Real GDP	6.5	2.9	2.7	
Current Acc. Bal. (US$B, ar)	-1.5	-6.7	-0.9	
Merch. Trade Bal. (US$B, ar)	0.5	-0.2	1.7	0.3 (Oct)
Industrial Production	2.1	-5.1	-3.9	-3.2 (Oct)
CPI	3.0	2.3	1.7	1.5 (Oct)

India	2012	13Q2	13Q3	Latest
Real GDP	5.1	4.4	4.8	
Current Acc. Bal. (US$B, ar)	-91.5	-21.8		
Merch. Trade Bal. (US$B, ar)	-16.1	-16.8	-10.1	-10.6 (Oct)
Industrial Production	0.7	-1.0	1.7	2.0 (Sep)
WPI	7.5	4.8	6.4	7.0 (Oct)

Indonesia	2012	13Q2	13Q3	Latest
Real GDP	6.2	5.8	5.6	
Current Acc. Bal. (US$B, ar)	-24.4	-10.0	-8.4	
Merch. Trade Bal. (US$B, ar)	-0.1	-1.0	-1.0	-0.7 (Sep)
Industrial Production	4.1	7.1		12.4 (Aug)
CPI	4.3	5.6	8.6	8.3 (Oct)

Latin America

Brazil	2012	13Q2	13Q3	Latest
Real GDP	0.8	3.2		
Current Acc. Bal. (US$B, ar)	-54.2	-74.2	-68.4	
Merch. Trade Bal. (US$B, ar)	19.4	8.3	5.9	-2.7 (Oct)
Industrial Production	-2.7	3.3	0.3	0.9 (Sep)
CPI	5.4	6.6	6.1	5.8 (Oct)

Chile	2012	13Q2	13Q3	Latest
Real GDP	5.6	4.0	4.7	
Current Acc. Bal. (US$B, ar)	-0.1	-6.8	-13.8	
Merch. Trade Bal. (US$B, ar)	12.4	5.4	-1.8	2.9 (Oct)
Industrial Production	2.8	1.4	4.9	2.1 (Oct)
CPI	3.0	1.3	2.1	1.5 (Oct)

Peru	2012	13Q2	13Q3	Latest
Real GDP	9.2	5.6	4.4	
Current Acc. Bal. (US$B, ar)	-7.1	-3.1		
Merch. Trade Bal. (US$B, ar)	0.5	-0.1	-0.1	0.0 (Sep)
Unemployment Rate (%)	7.0	5.7	5.8	5.8 (Oct)
CPI	3.7	2.5	3.1	3.0 (Oct)

Colombia	2012	13Q2	13Q3	Latest
Real GDP	4.2	4.2		
Current Acc. Bal. (US$B, ar)	-12.2	-2.7		
Merch. Trade Bal. (US$B, ar)	0.4	0.4	0.0	-0.1 (Sep)
Industrial Production	-0.1	-0.2	-1.9	-1.8 (Sep)
CPI	3.2	2.1	2.3	1.8 (Oct)

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	Nov/22	Nov/29*	United States	13Q2	13Q3	Nov/22	Nov/29*
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	0.94	0.94	3-mo. T-bill	0.03	0.01	0.07	0.07
10-yr Gov't Bond	2.44	2.54	2.57	2.57	10-yr Gov't Bond	2.49	2.61	2.71	2.71
30-yr Gov't Bond	2.90	3.07	3.13	3.13	30-yr Gov't Bond	3.50	3.68	3.80	3.80
Prime	3.00	3.00	3.00	3.00	Prime	3.25	3.25	3.25	3.25
FX Reserves (US$B)	68.8	71.3	71.4	(Oct)	FX Reserves (US$B)	134.7	136.7	136.4	(Oct)
Germany					**France**				
3-mo. Interbank	0.14	0.15	0.16	0.16	3-mo. T-bill	0.03	0.06	0.06	0.06
10-yr Gov't Bond	1.73	1.78	1.71	1.71	10-yr Gov't Bond	2.35	2.32	2.19	2.19
FX Reserves (US$B)	66.1	65.7	65.6	(Oct)	FX Reserves (US$B)	51.4	54.6	53.2	(Oct)
Euro Zone					**United Kingdom**				
Refinancing Rate	0.50	0.50	0.25	0.25	Repo Rate	0.50	0.50	0.50	0.50
Overnight Rate	0.21	0.18	0.08	0.08	3-mo. T-bill	0.39	0.40	0.40	0.40
FX Reserves (US$B)	324.9	332.5	332.1	(Oct)	10-yr Gov't Bond	2.44	2.72	2.75	2.75
					FX Reserves (US$B)	90.2	93.3	93.8	(Oct)
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	4.20	4.20
10-yr Gov't Bond	0.85	0.69	0.63	0.63	FX Reserves (US$B)	45.0	45.9	50.8	(Oct)
FX Reserves (US$B)	1209.4	1240.8	1244.3	(Oct)					

Exchange Rates (end of period)

USDCAD	1.05	1.03	1.05	1.05	¥/US$	99.14	98.27	100.23	100.23
CADUSD	0.95	0.97	0.96	0.96	US¢/Australian$	0.91	0.93	0.94	0.94
GBPUSD	1.521	1.619	1.610	1.610	Chinese Yuan/US$	6.14	6.12	6.09	6.09
EURUSD	1.301	1.353	1.348	1.348	South Korean Won/US$	1142	1075	1064	1064
JPYEUR	0.78	0.75	0.74	0.74	Mexican Peso/US$	12.931	13.091	12.954	12.954
USDCHF	0.95	0.90	0.92	0.92	Brazilian Real/US$	2.232	2.217	2.314	2.314

Equity Markets (index, end of period)

United States (DJIA)	14910	15130	15919	15919	U.K. (FT100)	6215	6462	6694	6694
United States (S&P500)	1606	1682	1794	1794	Germany (Dax)	7959	8594	9173	9173
Canada (S&P/TSX)	12129	12787	13466	13466	France (CAC40)	3739	4143	4292	4292
Mexico (IPC)	40623	40185	40918	40918	Japan (Nikkei)	13677	14456	15166	15166
Brazil (Bovespa)	47457	52338	53452	53452	Hong Kong (Hang Seng)	20803	22860	23032	23032
Italy (BCI)	849	950	1023	1023	South Korea (Composite)	1863	1997	2006	2006

Commodity Prices (end of period)

Pulp (US$/tonne)	950	945	970	970	Copper (US$/lb)	3.06	3.31	3.16	3.16
Newsprint (US$/tonne)	605	605	605	605	Zinc (US$/lb)	0.83	0.85	0.84	0.84
Lumber (US$/mfbm)	292	359	382	n/a	Gold (US$/oz)	1192.00	1326.50	1287.25	1287.25
WTI Oil (US$/bbl)	96.56	102.33	93.70	93.70	Silver (US$/oz)	18.86	21.68	20.64	20.64
Natural Gas (US$/mmbtu)	3.57	3.56	3.63	3.63	CRB (index)	275.62	285.54	274.39	274.39

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

Fixed Income Strategy (London)

www.gbm.scotiabank.com

Fixed Income Strategy (Paris)

Foreign Exchange Strategy

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Scotiabank Economics

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

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