

A BUMPY RIDE TO THE US MIDTERM ELECTIONS

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CONTACTS

Derek Holt, VP & Head of Capital Markets Economics
416.863.7707
Scotiabank Economics
derek.holt@scotiabank.com

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Chart of the Week

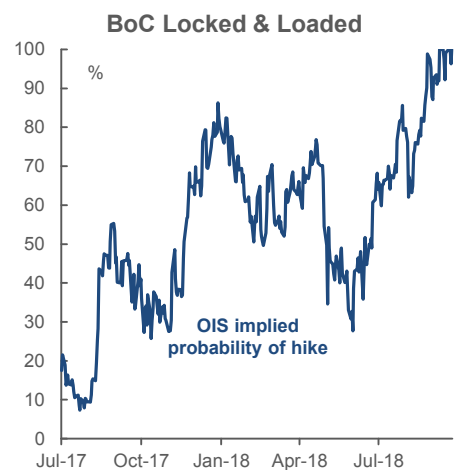


Chart of the Week: Prepared by: Yukiko Kitayama, Analyst, Summer Intern.

A Bumpy Ride To The US Midterm Elections

CANADA—VEILED INTENTIONS

The Bank of Canada is forecast to raise its policy rate by 25bps to 1.75% on Wednesday next week as the marquee event. Minor data risk and some earnings risk will be more distant considerations.

The 10amET statement will be accompanied by the quarterly Monetary Policy Report and then followed by a press conference at 11:15amET. Here is a summary of key expectations and points of discussion. The overall thrust of the arguments is that a hike is already largely priced while Governor Poloz will probably continue to rely upon data-dependent tracking of generally upbeat forecasts to do most of the work in terms of guiding markets over time while avoiding any overt signals that would bring forward rate pricing to any greater degree than is presently priced.

Gradual?

The statement is likely to retain reference to “we will continue to take a gradual approach” to rate hikes. There is little to be gained by removing it at this point and, in any event, it’s already a more hawkish signal than the tepid pace of two hikes so far this year that has been uber-gradual. Nevertheless, those on the Governing Council that supported its removal in the discussion at the last meeting may have more conviction now. The removal of ‘gradual’ may still be a modest risk into the statement especially if the BoC wishes to signal an expedited pace of rate increases in order to make up for prior hesitations that were partly fed by greater NAFTA uncertainty.

Hike bias?

Guidance that “higher interest rates will be warranted to achieve the inflation target” is also likely to be retained as is the data-dependency angle that will avoid any direct future rate guidance. One might expect language either written or in the press conference to the effect that forecast conviction has strengthened given developments like USMCA.

Q3 Growth

Near-term growth forecasts may be revised upward. In the very near-term, Q3 GDP was forecast by the BoC to equal 1.5% q/q SAAR which is below the Bloomberg consensus estimate of 2.3% and our own 2.0% forecast. Out of eighteen consensus contributors, 13 are at 2% or greater. The BoC had already indicated a bias toward looking through Q3 when it said in its September statement that growth would “slow temporarily...mainly because of further fluctuations in energy production and exports.” It may have gone a little too far on some of the drivers such as Syncrude’s challenges.

Longer-Run Growth

Longer-run growth forecasts may be revised upward, but if so, then not by much. The BoC’s 2018–2020 forecast for Canadian growth of 2.0%, 2.2% and 1.9% in the July MPR was already similar to consensus and similar to Scotia’s at present. Having said that, if the BoC was of this view in July, then the incremental forecast risk could be somewhat more encouraged by the announcement of a new LNG terminal in Kitimat, BC with construction effects likely to impact broad nationwide GDP by a couple of tenths into 2020.

NAFTA Judgement

They might also begin to shave some negative forecast judgement on NAFTA trade policy risks, but it may be too soon for this. At a minimum, it would be hard not to sound a bit more optimistic on trade policy risks compared to prior communications. Governor Poloz has tended to say that he will only lift negative judgement as the data supports doing so. One piece of such data may have been the rebound in cap-ex investment intentions in the latest BoC Business Outlook Survey (recap [here](#)) that indicated optimism even before the USMCA deal was struck on September 30th.

Output gap

The BoC's two measures of the output gap averaged out to be essentially shut in Q2 of this year. They probably moved roughly sideways in Q3. It's likely that the BoC's forecasts will continue to show actual GDP growth outpacing potential GDP growth so as to drive the economy into a state of mild excess demand throughout the forecast horizon. That would be partly constructive to the inflation outlook.

Inflation

Inflation came in marginally higher than the BoC anticipated at 2.7% y/y for Q3 overall even though it ended the quarter on a soft note. A solid case can be made for how the next inflation print in October could well revert considerably higher again ([here](#)) which would suggest the BoC should not over-react to the drop in September versus treating it as volatile. It's unlikely that the BoC will revise its July inflation projections over 2018–2020 any lower than the 2.4%, 2.2% and 2.1% pace they had in July, especially if—at the margin—pressure upon the output gap framework is projected to be at least as significant as in July. Always remember that this inflation projection is derived from an outlook that embeds a masked rate bias that is never revealed by the BoC and so a necessary policy rate path is implied in order to keep inflation toward target.

Oil Discounts

I don't think the BoC will be overly concerned about the WTI-WCS oil price spread. Or at least I feel more strongly that it shouldn't be. In theory, one could argue that the BoC turned dovish in the aftermath of the commodity meltdown in 2014–15 and so it may do so again given the negative implications for the country's terms of trade, domestic incomes and trickle-down effects upon consumption, business investment and government spending.

Dare one say this time is different? It probably is. For one thing, the drivers are different; in 2014–15, WTI oil sold off on global concerns whereas—at roughly US\$70 a barrel—it has retained the lion's share of the run-up since the low point in early 2016. This time, the Canadian oil price discount is being driven by idiosyncratic and probably temporary drivers. An infrastructure shortfall has plagued the ability to move rising production to the end markets and this has caused inventory excesses through the effects of bottlenecks at key distribution points such as Cushing, Oklahoma. As transportation by rail is set to soon rise to around 300,000bpd (see last week's GWA) and as line 3 and the Keystone XL leg of the Keystone pipeline become operational by 2020–2021, the bottlenecks should gradually ease. With that, the discount suffered by Canadian oil—and oil across the US Bakken Permian basin—may begin to narrow quite substantially. Indeed, as chart 1 demonstrates, the effects may already be underway. Also note that upon conversion to CAD from US dollars, the Western Canada Select oil price has performed somewhat better than the USD oil prices over the past year up to the present.

Rotation of Growth Drivers

The BoC is likely to repeat reference to how “the rotation of demand towards business investment and exports is proceeding.” That is a sign that they feel more comfortable hiking in the face of housing and consumer risks with something else stepping up to the plate to drive growth.

Chart 1



Chart 2

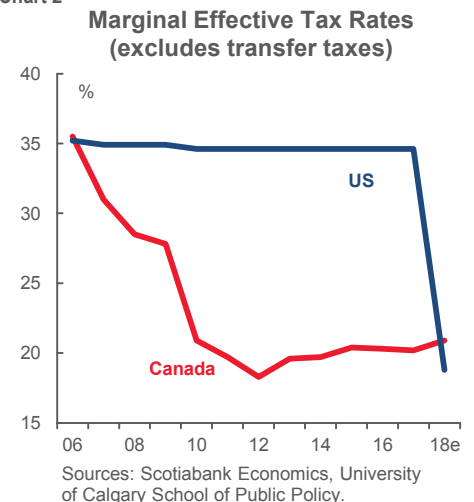
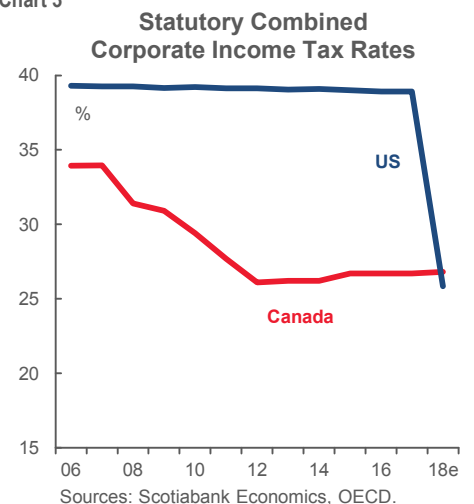


Chart 3



Fiscal Policy

Governor Poloz has tended to say that he won't incorporate potential new information into a forecast until it becomes fact. Finance Minister Morneau's remarks this week that guided investors to expect some form of addressing the tax competitiveness of investment in Canada relative to the US is therefore unlikely to factor into the Governor's thinking at this point. It is reasonable for private market participants to do so as the potential for limited fiscal stimulus and less trade-related policy risk are both positive factors to consider going forward.

On Minister Morneau's policy hints this past week, consider charts 2 and 3. The US Tax Cuts and Jobs Act (TCJA) that was introduced at the start of this year closed the gap on statutory and marginal effective tax rates. On METRs, the US is marginally below Canada now, though not enormously so. Addressing this involves a complicated set of influences and questions. Is it the right point in the cycle to try to stimulate investment demand, or will the BoC, CAD and bond yields sterilize the effects at the point of full employment somewhat like that which is occurring in the US? Will investment drive higher on its own, given capacity constraints, improved trade policy risks and factors like technological obsolescence? Has a relative tax advantage in Canada over much of the past decade until this year worked to the benefit of the overall capital stock to GDP ratios when comparing Canada to the US? Or are other considerations far more dominant to tax policy drivers of investment decisions? Is there merit to keeping some fiscal powder dry in anticipation of future challenges or should the rotation of the sources of growth toward investment be further facilitated in the context of housing and consumer risks?

For more on our Bank of Canada forecasts go [here](#).

Data risk will be relatively minor with just wholesale trade during August scheduled for release on Monday. This will be the last piece of the August GDP puzzle that itself arrives on Halloween. Modest growth of about 0.1% m/m is being tracked but a gain in hours worked is being met by general softness in a number of activity readings.

Canada's Q3 earnings season intensifies next week. Thirty-one TSX-listed firms will release including names like West Fraser, CN, Goldcorp, Agnico Eagle Mines, Barrick Gold, Shopify and Precision Drilling.

UNITED STATES—V, U OR L?

The ongoing earnings season will combine with the first swing at a Q3 GDP growth estimate as the two dominant influences upon the US markets. Durable goods orders will also figure into the same debate as GDP by way of evidence over whether the v-shaped acceleration in overall growth and investment activity is going to continue or turn to a shallower path or possibly flatten out entirely.

Before turning to the formal calendar, it's the informal one that may continue to feed high market volatility. Migrant caravans. Talk of US national security adviser John Bolton going to Russia in an attempt to tear up the 1987 Intermediate-Range Nuclear Forces Treaty. What to do or not to do with MBS. Charges that the Mueller investigation is beginning to roll out. All of these are example of how the path to the US mid-term elections on November 6th will continue to drive and react to geopolitical headline risks in such fashion as to counsel caution and emphasize volatility trades.

Scotia Economics forecasts Friday's Q3 GDP growth rate to come in at 3.2% at a seasonally adjusted and annualized pace. Most estimates within Bloomberg's consensus fall within about a one percentage point range from about 2¾% to 3¾%. The Atlanta Fed's 'nowcast' sits at 3.8%, the New York Fed's nowcast is 2¼% and the St. Louis Fed's nowcast lies at 4½%. Friday's release is likely to combine with Q2 growth of 4.2% to establish cycle highs. There have been four quarters of growth over 4% in the post-GFC world, as well as two others that came very close to 4%. Over the post-Global Financial Crisis era, there were five episodes when growth of at least 3% was immediately followed by another quarter of at least 3% growth. What we are observing in the US economy over the past couple of quarters is therefore not unprecedented in the post-crisis period. It remains unwise to assume that the Trump administration is achieving three or four percent growth on a sustained basis. A combination of deferred consumption from Q1 into Q2 due to weather effects and transitory fiscal stimulus effects timed for the mid-terms have led to a growth overshoot for now.

The main macro release will be Thursday's durable goods orders for September. A drop in orders of Boeing aircraft (99 in August, 65 in September) may help to drive the reading lower but more important will be what happens to core orders ex-aircraft and parts. Recall that core orders fell in August for the first time in five months. One of the key debates overhanging the US outlook is whether or not the v-shaped pattern in the core durables order book has run its course (chart 4). Capacity constraints, a strong USD that cheapens the cost of imported equipment and accelerated write-offs lean toward ongoing growth. So might small business capital expenditure plans (chart 5). Headwinds include a) the possibility that the energy capex rebound from the depths of the oil price drop is maturing, b) trade policy uncertainty that numerous businesses have cited as an impediment to investing, and c) late cycle concerns.

New home sales during September (Wednesday), the Fed's Beige Book of regional conditions (Wednesday), pending home resales during September (Thursday) and the Richmond Fed's regional manufacturing gauge (Tuesday) round out the release schedule.

Earnings risk continues, but so far the broad tone of the earnings season has been positive. Almost 90% of the firms that have released thus far have beaten analysts' earnings expectations and about 70% have beaten revenue expectations. Next week, 156 S&P500 firms will release including names like McDonald's, 3M, Lockheed Martin, Caterpillar, Capital One, Equifax, Boeing, AT&T, UPS, Visa, Microsoft, Ford, Merck, American Airlines, Twitter, Alphabet, Intel and Amazon.

What may also be worth watching

ASIA-PACIFIC—WILL BANK INDONESIA HIT PAUSE?

The path to US mid-term elections may also be the sleeper risk for Asian markets if it conjures up more US-China tensions. Otherwise, Asian markets should only have relatively modest sources of local market risk to address.

Bank Indonesia has been on an almost uninterrupted path of monetary tightening since April, but will it pause in its decision early in the week? Most within consensus think so. The 7-day reverse repo rate has climbed by 150bps so far since April. Inflation slipped in September to 2.8% y/y and has been within a 2½% to 3% range throughout this year which is undershooting the 3½% +/- 1% inflation target range. The prime motivating factor behind rate hikes has been financial stability concerns due to the depreciation of the rupiah and the knock-on effects upon imported inflation risk. The rupiah has depreciated from about 13,300 to one USD dollar back in January to about 15,200 today and it has continued to depreciate into October.

South Korea's economy might have accelerated in Q3 and we'll find out when GDP accounts are released at mid-week. Growth could well reach back toward 1% q/q in seasonally adjusted non-annualized terms. That would be constructive, but how much slack exists in South Korea's economy is subject to considerable uncertainty. Chart 6 depicts three measures. Our Asia economist Tuuli McCully leans toward the interpretation that there is a modest amount of slack left.

China only releases industrial profits for September at the very tail end of next week and after the close of markets. On a cumulative year-to-date basis that controls

Chart 4 Can a V-Shaped Investment Recovery Persist?

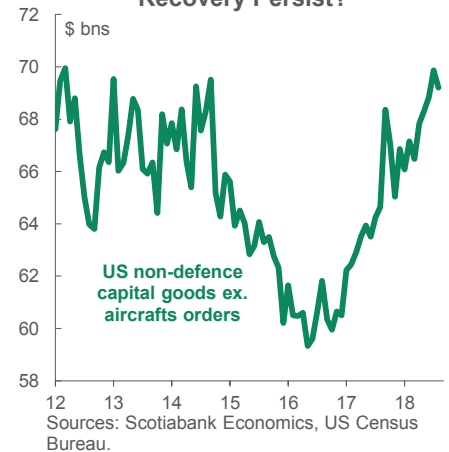


Chart 5 Small Businesses' Investment Plans

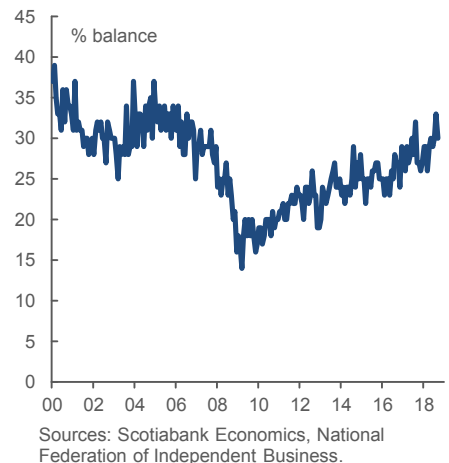
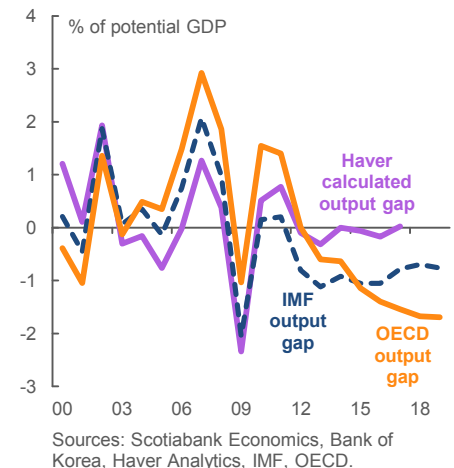


Chart 6 South Korean Slack?



against considerations such as volatility around the Lunar New Year, profit growth has been running at a healthy clip of 16%.

A pair of inflation reports will come from Japan and Malaysia. Tokyo CPI for October arrives on Thursday and it always precedes the national report for the same period by a full month. National CPI won't arrive until November 21st. Core Tokyo CPI is expected to remain around 1% y/y with headline inflation slightly above but still well under the BoJ's 2% target. **Malaysian CPI** arrives the day before Japan's reading, and it will be much weaker. Malaysian inflation is running close to 0% y/y for the weakest reading since early 2015 and before that since 2009. That's a major reason why Bank Negara hiked once in January and not since even though the ringgit has depreciated by about 8% to the USD since April.

LATIN AMERICA—NOT SO FAST, MAYBE

Volatile headlines that inform US-Mexico risks on the path to the US mid-term elections on November 6th have recently resurfaced and may continue to dominate regional markets alongside the potential for global spillover effects. Follow-through on President Trump's open musings about sending the military to close the border with Mexico in order to prevent illegal immigration sparked a great deal of volatility in Mexican assets that also affected Canada as markets conjured up fresh NAFTA 2.0 / USMCA implementation concerns.

Colombia's central bank decision will be the only other notable development on tap. Banco de la República Colombia (BanRep) is expected to leave its overnight lending rate unchanged at 4¼% at the end of the week. Colombia's core CPI inflation rate continues to drift lower; it hit 3.7% y/y in September which is well under the 6.3% peak in mid-2016 and back to the weakest inflation rate since mid-2015. Inflation is within Banrep's 2–4% inflation target range (chart 7). Governor Echavarria recently remarked that markets have been overpricing the rate outlook over the coming year. He did, however, add a caveat in that this depends upon whether the Colombian peso remains stable; it has depreciated by about 15% versus the USD since April in the environment of broad USD strength.

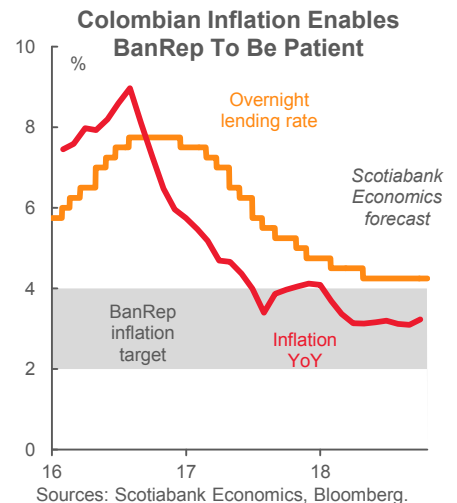
EUROPE—PLEASE SHOW YOURSELF THE WAY OUT

Three central banks will issue policy decisions, led by the ECB, but building tensions between Italy and the EU over Italy's budget proposals could dominate monetary policy and macro data influences upon markets over the coming week. So might any possible confirmation of indications that **UK PM May could soften her stance on the Irish border in Brexit talks** with the EU at the risk of alienating Brexit hardliners within her cabinet and, with that, risking her own future.

The ECB is expected to leave all of its policy variables intact on Thursday. In June, the ECB laid out its plans to cut in half its bond purchases after September to €15 billion per month until year-end, after which the purchases would stop. Just as the US Federal Reserve has hit maximum run-off of its reinvestment reduction plans, the ECB is moving closer to flat-lining its balance sheet. The ECB has guided that its policy interest rates would remain unchanged "through the summer of 2019 and in any case for as long as necessary." Developments since such guidance was provided have not counselled any material risk of acting sooner. Among those developments have been persistent uncertainty over Brexit negotiations, rising tensions over Italy's fiscal policy proposals, US protectionism (especially applied to China), and core CPI inflation that remains stuck at sub-1% y/y levels and hence about half of the under-2% target. President Draghi's post-statement press conference is likely to repeat unwillingness to act as a backstop to Italy's fiscal policy gamble.

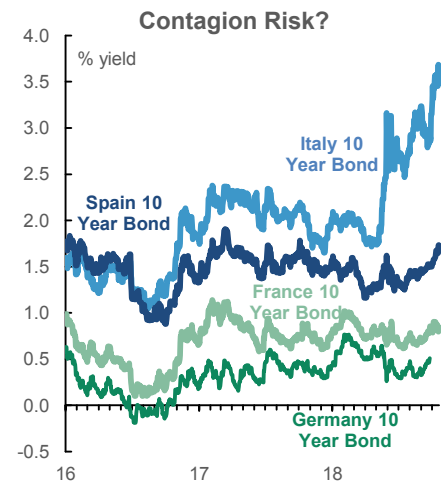
The Riksbank is expected to keep Swedish monetary policy unchanged on Wednesday. Key will be guidance to further inform expectations for a rate hike at the December meeting. **Norges Bank is also expected to leave its deposit rate unchanged** at 0.75% on Thursday; a hike last month makes it too soon for a follow-up but a rate hike is expected early in the new year.

Chart 7



Italy's fiscal struggles may intensify next week and with possible implications beyond European markets. Italy has until Monday to respond to EU criticism of how its structural budget deficit plans were “unprecedented” and the “obvious significant deviation” from EU fiscal rules. The EU will issue an opinion the next day that may reject the Italian budget and request alterations. Moody's cut Italy's debt rating late on Friday and S&P is scheduled to review Italy's credit ratings before the end of this month. Italian spreads narrowed on Friday after an EU official seemed to hold out an olive branch. Nevertheless, Italy's rising bond yields (chart 8) have put at risk bond market developments elsewhere within the Eurozone including the risk of contagion effects that have also, for example, dragged the yield on Spanish 10s higher.

Macro data risk will be concentrated around the middle of the week. Eurozone purchasing managers indices for October (Wednesday) and German IFO business and GfK consumer confidence (both Thursday) are all due for updates. The survey-based evidence will further inform Q4 growth tracking risks.

Chart 8


Source: Scotiabank Economics, Bloomberg.

Key Indicators for the week of October 22 – 26
NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Indicator</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>
CA	10/22	08:30	Wholesale Trade (m/m)	Aug	--	-0.2	1.5
MX	10/23	09:00	Global Economic Indicator IGAE (y/y)	Aug	1.9	--	3.3
US	10/23	10:00	Richmond Fed Manufacturing Index	Oct	--	24.0	29.0
US	10/24	07:00	MBA Mortgage Applications (w/w)	OCT 19	--	--	-7.1
MX	10/24	09:00	Bi-Weekly CPI (% change)	Oct 15	0.6	--	0.1
MX	10/24	09:00	Bi-Weekly Core CPI (% change)	Oct 15	0.1	--	0.2
MX	10/24	09:00	Unemployment Rate (%)	Sep	3.6	--	3.5
CA	10/24	10:00	BoC Interest Rate Announcement (%)	Oct 24	1.75	1.75	1.50
US	10/24	10:00	New Home Sales (000s a.r.)	Sep	615.0	625.0	629.0
US	10/25	08:30	Durable Goods Orders (m/m)	Sep P	-1.0	-1.5	4.4
US	10/25	08:30	Durable Goods Orders ex. Trans. (m/m)	Sep P	0.3	0.4	0.0
US	10/25	08:30	Initial Jobless Claims (000s)	OCT 20	215	213	210
US	10/25	08:30	Continuing Claims (000s)	OCT 13	1660	1660	1640
US	10/25	08:30	Wholesale Inventories (m/m)	Sep P	--	0.5	1.0
MX	10/25	09:00	Retail Sales (INEGI) (y/y)	Aug	4.0	--	4.2
US	10/25	10:00	Pending Home Sales (m/m)	Sep	0.0	0.0	-1.8
US	10/26	08:30	GDP (q/q a.r.)	3Q A	3.2	3.3	4.2
US	10/26	08:30	GDP Deflator (q/q a.r.)	3Q A	--	2.1	3.0
MX	10/26	09:00	Trade Balance (US\$ mn)	Sep	-1926.0	--	-2590.5
US	10/26	10:00	U. of Michigan Consumer Sentiment	Oct F	--	99.0	99.0

EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Indicator</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>
GE	10/23	02:00	Producer Prices (m/m)	Sep	--	0.3	0.3
EC	10/23	10:00	Consumer Confidence	Oct A	--	-3.2	-2.9
FR	10/24	03:15	Manufacturing PMI	Oct P	--	52.4	52.5
FR	10/24	03:15	Services PMI	Oct P	--	54.7	54.8
GE	10/24	03:30	Manufacturing PMI	Oct P	--	53.5	53.7
GE	10/24	03:30	Services PMI	Oct P	--	55.5	55.9
SW	10/24	03:30	Riksbank Interest Rate (%)	Oct 24	-0.50	-0.50	-0.50
EC	10/24	04:00	Composite PMI	Oct P	--	53.9	54.1
EC	10/24	04:00	Manufacturing PMI	Oct P	--	53.0	53.2
EC	10/24	04:00	Services PMI	Oct P	--	54.5	54.7
GE	10/25	02:00	GfK Consumer Confidence Survey	Nov	--	10.5	10.6
SP	10/25	03:00	Unemployment Rate (%)	3Q	--	14.9	15.3
GE	10/25	04:00	IFO Business Climate Survey	Oct	--	103.1	103.7
GE	10/25	04:00	IFO Current Assessment Survey	Oct	--	106.0	106.4
GE	10/25	04:00	IFO Expectations Survey	Oct	--	100.4	101.0
NO	10/25	04:00	Norwegian Deposit Rates (%)	Oct 25	0.75	0.75	0.75
TU	10/25	07:00	Benchmark Repo Rate (%)	Oct 25	24.00	24.00	24.00
EC	10/25	07:45	ECB Main Refinancing Rate (%)	Oct 25	0.00	0.00	0.00
FR	10/26	02:45	Producer Prices (m/m)	Sep	--	--	0.2
RU	10/26	06:30	One-Week Auction Rate (%)	Oct 26	7.50	7.50	7.50

Key Indicators for the week of October 22 – 26
ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Indicator</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>
TH	10/21	23:30	Customs Exports (y/y)	Sep	--	5.3	6.7
TH	10/21	23:30	Customs Imports (y/y)	Sep	--	14.3	22.8
TH	10/21	23:30	Customs Trade Balance (US\$ mn)	Sep	--	1831.5	-588.1
PH	OCT 21-22		Budget Deficit/Surplus (PHP bn)	Sep	--	--	-2.6
JN	10/22	00:30	All Industry Activity Index (m/m)	Aug	--	0.4	0.0
TA	10/22	04:00	Export Orders (y/y)	Sep	--	5.6	7.1
TA	10/22	04:00	Unemployment Rate (%)	Sep	3.7	3.7	3.7
SK	10/22	17:00	PPI (y/y)	Sep	--	--	3.0
ID	OCT 22-23		BI 7-Day Reverse Repo Rate (%)	Oct 23	5.75	5.75	5.75
JN	10/23	01:00	Supermarket Sales (y/y)	Sep	--	--	0.1
SI	10/23	01:00	CPI (y/y)	Sep	0.7	0.8	0.7
JN	10/23	01:30	Nationwide Department Store Sales (y/y)	Sep	--	--	-0.2
JN	10/23	02:00	Machine Tool Orders (y/y)	Sep F	--	--	2.8
TA	10/23	04:00	Industrial Production (y/y)	Sep	--	1.6	1.3
HK	10/23	04:30	CPI (y/y)	Sep	2.7	--	2.3
JN	10/23	19:30	Markit/JMMA Manufacturing PMI	Oct P	--	--	52.5
SI	OCT 23-30		Unemployment Rate (%)	3Q	2.1	2.1	2.1
MA	10/24	00:00	CPI (y/y)	Sep	--	0.8	0.2
JN	10/24	01:00	Coincident Index CI	Aug F	--	--	117.5
JN	10/24	01:00	Leading Index CI	Aug F	--	--	104.4
NZ	10/24	17:45	Trade Balance (NZD mn)	Sep	--	-1365.0	-1483.7
NZ	10/24	17:45	Exports (NZD bn)	Sep	--	4.2	4.1
NZ	10/24	17:45	Imports (NZD bn)	Sep	--	5.6	5.5
SK	10/24	19:00	GDP (y/y)	3Q P	2.4	2.2	2.8
VN	OCT 24-31		CPI (y/y)	Oct	--	3.9	4.0
VN	OCT 24-31		Exports (y/y)	Oct	--	14.7	15.4
VN	OCT 24-31		Imports (y/y)	Oct	--	11.9	11.8
VN	OCT 24-31		Industrial Production (y/y)	Oct	--	--	9.1
HK	10/25	04:30	Exports (y/y)	Sep	--	--	13.1
HK	10/25	04:30	Imports (y/y)	Sep	--	--	16.4
HK	10/25	04:30	Trade Balance (HKD bn)	Sep	--	--	-52.1
SK	10/25	17:00	Consumer Confidence Index	Oct	--	--	101.7
JN	10/25	19:30	Tokyo CPI (y/y)	Oct	--	1.5	1.2
SI	10/26	01:00	Industrial Production (y/y)	Sep	--	3.5	3.3
CH	10/26	21:30	Industrial Profits YTD (y/y)	Sep	--	--	9.2

LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Indicator</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>
BZ	10/23	07:00	IBGE Inflation IPCA-15 (m/m)	Oct	--	0.7	0.1
BZ	10/23	07:00	IBGE Inflation IPCA-15 (y/y)	Oct	--	4.6	4.3
BZ	10/25	08:30	Current Account (US\$ mn)	Sep	--	--	-717.2
CO	10/26		Overnight Lending Rate (%)	Oct 26	4.25	4.25	4.25

Global Auctions for the week of October 22 – 26

NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	10/23	13:00	U.S. to Sell USD38 Bln 2-Year Notes
US	10/24	11:30	U.S. to Sell USD19 Bln 2-Year Floating Rate Notes
US	10/24	13:00	U.S. to Sell USD39 Bln 5-Year Notes
US	10/25	13:00	U.S. to Sell USD31 Bln 7-Year Notes

EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
NE	10/23	04:00	Netherlands to Sell Bonds
UK	10/23	05:30	U.K. to sell 0½% Index-linked Treasury Gilt 2028
DE	10/24	04:30	Denmark to Sell Bonds
GE	10/24	05:30	Germany to Sell EUR3 Bln 0% 2023 Bonds
SW	10/25	05:00	Sweden to Sell 500 Million Kronor of 0.125% 2027 Linkers
IT	10/26	05:00	Italy to Sell Zero Bonds
IT	10/26	05:00	Italy to Sell I/L Bonds

ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
AU	10/21	20:00	Australia To Sell AUD500 Mln 2.25% 2022 Bonds
CH	10/22	21:30	Heilongjiang to Sell Bonds
CH	10/22	22:30	Inner Mongolia to Sell Bonds
AU	10/23	20:00	Australia To Sell AUD1 Bln 2.5% 2030 Bonds
CH	10/23	21:30	Jilin to Sell Bonds
CH	10/23	22:30	Jilin to Sell Bonds
CH	10/23	23:00	China to Sell CNY39 Bln 1-Yr Upsized Bonds
CH	10/23	23:00	China to Sell CNY39 Bln 10-Yr Upsized Bonds
CH	10/24	02:00	Shandong to Sell Bonds
NZ	10/24	21:05	New Zealand To Sell NZD150 Mln 2.75% 2025 Bonds
CH	10/24	21:30	Sichuan to Sell Bonds
CH	10/24	22:30	Sichuan to Sell Bonds
JN	10/24	23:35	Japan to Sell 2-Year Bond
CH	10/25	21:30	Qingdao to Sell Bonds
CH	10/26	02:00	Guizhou to Sell Bonds

Source: Bloomberg, Scotiabank Economics.

Events for the week of October 22 – 26

NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	10/20	12:00	Fed's Bostic Speaks in Atlanta
US	10/23	09:30	Fed's Kashkari Speaks at Early Childhood Development Event
US	10/23	13:30	Fed's Bostic Speaks on Economy and Monetary Policy
US	10/23	14:15	Fed's Kaplan Speaks at Economic Development Event in Texas
US	10/23	20:00	Fed's George Takes Part in Payment System Conference in Sydney
CA	10/24	10:00	Bank of Canada Rate Decision
US	10/24	13:00	Atlanta Fed's Bostic Speaks at Energy Summit in Baton Rouge
US	10/24	13:10	Fed's Mester Speaks at Forecasters Club in New York
US	10/24	14:00	U.S. Federal Reserve Releases Beige Book
US	10/24	19:00	Fed's Brainard Speaks at Event on Economic/Financial Literacy
US	10/25	12:15	Fed Vice Chairman Clarida Speaks on Economic Outlook
US	10/25	21:00	Fed's Mester Speaks to Money Marketeters in New York

EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
UK	10/23	06:30	BOE Chief Economist Haldane Speaks in Paris
UK	10/23	11:20	Carney Speaks at a Conference in Toronto
SW	10/24	03:30	Riksbank Interest Rate
SW	10/24	05:00	Riksbank's Ingves Holds Press Conference
NO	10/25	04:00	Deposit Rates
TU	10/25	07:00	One-Week Repo Rate
SW	10/25	07:00	Riksbank's Ingves Gives Speech in Abo
EC	10/25	07:45	ECB Main Refinancing Rate
EC	10/25	07:45	ECB Marginal Lending Facility
EC	10/25	07:45	ECB Deposit Facility Rate
NO	10/26	03:35	Norges Bank Deputy Governors Speak in Sandefjord
EC	10/26	04:00	ECB Survey of Professional Forecasters
RU	10/26	06:30	Key Rate
EC	10/26	10:00	ECB President Draghi Speaks in Brussels
EC	10/26	10:15	ECB Executive Board Member Coeure Speaks in Paris
GE	10/26		Germany Sovereign Debt to be rated by S&P
UK	10/26		United Kingdom Sovereign Debt to be rated by S&P
IT	10/26		Italy Sovereign Debt to be rated by S&P
FR	10/26		France Sovereign Debt to Be Rated by Moody's
UK	10/26		United Kingdom Sovereign Debt to be rated by Fitch

ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
JN	10/20	02:50	BOJ Amamiya makes a speech in Nagoya
AU	10/21	21:00	Remarks by RBA's Debelle in Sydney
AU	10/22	18:35	Remarks by RBA's Debelle in Sydney
AU	10/22	23:00	RBA's Bullock speaks on panel in Sydney
ID	OCT 22-23		Bank Indonesia 7D Reverse Repo
AU	10/23	00:30	RBA's Debelle speaks on panel in Sydney

LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CO	10/26		Overnight Lending Rate

Global Central Bank Watch

NORTH AMERICA

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
Bank of Canada – Overnight Target Rate	1.50	October 24, 2018	1.75	1.75
Federal Reserve – Federal Funds Target Rate	2.25	November 8, 2018	2.25	2.25
Banco de México – Overnight Rate	7.75	November 15, 2018	8.00	7.75

Bank of Canada: A 25bps hike is expected on Wednesday. Reference to 'gradual' rate hikes is likely to be retained. Stronger conviction toward a rate hike path is expected to be signalled through forecast revisions and broad guidance.

EUROPE

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
European Central Bank – Refinancing Rate	0.00	October 25, 2018	0.00	0.00
Bank of England – Bank Rate	0.75	November 1, 2018	0.75	0.75
Swiss National Bank – Libor Target Rate	-0.75	December 13, 2018	-0.75	-0.75
Central Bank of Russia – One-Week Auction Rate	7.50	October 26, 2018	7.50	7.50
Sweden Riksbank – Repo Rate	-0.50	October 24, 2018	-0.50	-0.50
Norges Bank – Deposit Rate	0.75	October 25, 2018	0.75	0.75
Central Bank of Turkey – Benchmark Repo Rate	24.00	October 25, 2018	24.00	24.00

ECB: No changes to policy variables or major guidance is expected. Discussion is expected to be focused upon risks such as continued soft inflation, Italian fiscal policy, Brexit negotiations and global trade protectionism.

Riksbank: No policy rate change is expected, but guidance may further inform expectations for a hike at the December meeting.

Norges Bank: No policy rate change is expected until early next year.

ASIA PACIFIC

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
Bank of Japan – Policy Rate	-0.10	October 31, 2018	-0.10	-0.10
Reserve Bank of Australia – Cash Target Rate	1.50	November 5, 2018	1.50	1.50
Reserve Bank of New Zealand – Cash Rate	1.75	November 7, 2018	1.75	1.75
People's Bank of China – Lending Rate	4.35	TBA	--	4.35
Reserve Bank of India – Repo Rate	6.50	December 5, 2018	6.75	6.75
Bank of Korea – Bank Rate	1.50	November 30, 2018	1.75	1.50
Bank of Thailand – Repo Rate	1.50	November 14, 2018	1.50	1.50
Bank Negara Malaysia – Overnight Policy Rate	3.25	November 8, 2018	3.25	3.25
Bank Indonesia – 7-Day Reverse Repo Rate	5.75	October 23, 2018	5.75	6.00
Central Bank of Philippines – Overnight Borrowing Rate	4.50	November 15, 2018	4.75	4.75

Bank Indonesia will make a monetary policy decision on October 23. We expect Indonesian policymakers to take a break from monetary tightening on the back of recent stabilization of the Indonesian rupiah and decelerating inflation. Consumer prices increased by 2.9% y/y in September compared with a 3.2% gain a month earlier.

LATIN AMERICA

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
Banco Central do Brasil – Selic Rate	6.50	October 31, 2018	7.00	6.75
Banco Central de Chile – Overnight Rate	2.75	December 4, 2018	2.75	2.75
Banco de la República de Colombia – Lending Rate	4.25	October 26, 2018	4.25	4.25
Banco Central de Reserva del Perú – Reference Rate	2.75	November 8, 2018	2.75	2.75

BanRep: No policy rate change is expected at the end of the week. Core inflation continues to drift lower and Governor Echavarria recently guided that markets have been overpricing the rate outlook over the coming year.

AFRICA

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
South African Reserve Bank – Repo Rate	6.50	November 22, 2018	6.50	6.50

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

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