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GLOBAL ECONOMICS

THE GLOBAL WEEK AHEAD

December 2, 2022

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What If We're Misjudging Job Markets?

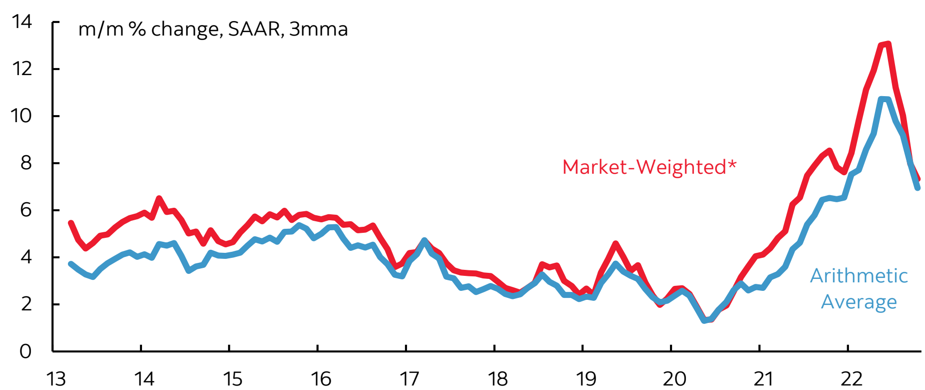
FORECASTS & DATA

Next Week's Risk Dashboard

- Tracking global progress toward lower inflation
- Should we rethink job market resilience?
- Stronger China Covid Zero pivot?
- Bank of Canada: 25 or 50 and the bias
- RBA likely to deliver another hike
- RBI expected to hike again
- Chile's central bank in a holding pattern
- Peru's central bank to hike again
- When Banco Central do Brasil may begin to ease
- Inflation: China, Philippines, Taiwan, Thailand...
- ...Brazil, Colombia, Chile, Mexico, Norway
- Other macro

Chart of the Week

Latam: Aggressive Tightening is Allowing Core Inflation to Ease



*GDP-weighted composite index comprised of Brazil, Chile, Colombia, Mexico, and Peru.
Sources: Scotiabank Economics, Haver Analytics.

Chart of the Week: Prepared by: Marc Ercolao, Economic Analyst.

December 2, 2022

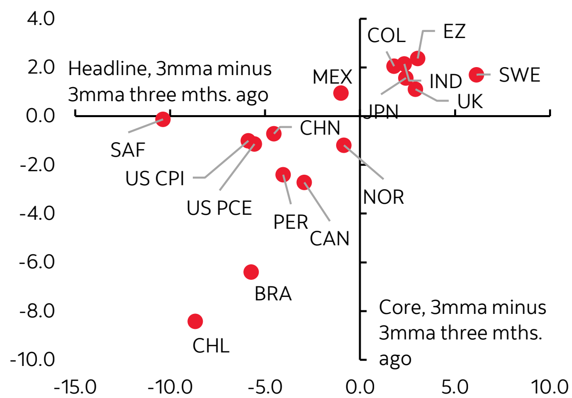
What If We're Misjudging Job Markets?

As if judging a potential inflection point in global inflationary pressures is not difficult enough, the added sensitivity to the 2023 outlook is how resilient job markets may or may not be to dramatic tightening of monetary policy. Assessing these dynamics will be front and center as several regional central banks deliver policy decisions over the coming week before the big boys and girls weigh in thereafter.

Global evidence of the former is mixed and at a nascent stage. Chart 1 is an attempt at presenting it across a variety of countries. The vertical axis plots the traditional core (CPI ex-food and energy) measure of inflation on a 3-month moving average basis over the prior three-month period to smooth enough of a time period to assess a potential shift. The horizontal axis does likewise for headline inflation. Seasonal adjustments have been applied where not done to the source data. Countries/regions in the lower left are seeing ebbing but still high inflation using both measures while countries/regions in the upper right are seeing no evidence on either measure. Some LatAm countries are seeing significant ebbing of inflationary pressures, but not all are.

Chart 1

Varying Progress Toward Lower Global Inflation*



*Measured in m/m % change, SAAR,
Sources: Scotiabank Economics, Haver Analytics.

Whether these nascent signs will build upon themselves and broaden depends upon many considerations but one of them is how resilient job markets and wage pressures prove to be into 2023. It's possible that the widespread narrative of pending doom for workers is exaggerated. Canada could be ground zero for this experiment as explained in this week's article.

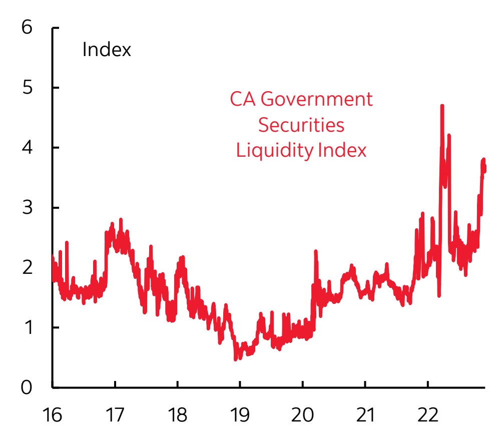
BANK OF CANADA—SLAM DUNK, IF ONLY IT WERE NOT THE BOC!

The Bank of Canada delivers a policy statement at 10amET on Wednesday. There will be no fresh forecasts or MPR with this one and no press conference. The BoC's newest Deputy Governor Sharon Kozicki will deliver the customary speech the day after non-MPR meetings.

Our house call is for a 50bps hike but I'll explain the uncertainty around this in a moment. There is added uncertainty around how the bias will be played. Markets are priced halfway between the two outcomes for this meeting and lean toward pricing a terminal rate that could be hit if they were to go 50 this time. Consensus is split down the middle but is also skewed by a couple of shops that submit multiple entries.

Chart 2

Canadian Bond Market Liquidity



Sources: Scotiabank Economics, Bloomberg.

Why? The Bank of Canada has surprised markets three times in seven meetings so far this year, sometimes more hawkishly so (July's 100bps) and sometimes more dovishly (January's whiff, October's 50 instead of 75). It is not a central bank—like the Fed—that puts a lot of stock into its communications leading up to decisions and that sees a need to avoid surprises on game day. Maybe that's because it's not the Fed by way of shouldering much less of a burden should it spark turmoil across global financial markets.

Frankly, my impression is that the BoC rather enjoys surprising markets at times. There is a cost to this approach in an environment of impaired liquidity in the government bond trading market (chart 2). The cost to surprises is to discourage participation in the local market by market participants who don't have confidence in the central bank's communications and demand a liquidity premium that passes on a higher cost to end borrowers like governments and others and especially to those trying to diversify their international borrowing plans. Global market participants don't spend much time on a country like Canada to begin with and to heap on volatility only complicates the challenge of seeking interest through international debt placements and broader appetite.

Uncertainty rests upon the fact that at the last decision on October 26th when fresh forecasts were presented Governor Macklem said:

> "We did 100, then we did 75, today we did 50. We have signalled very clearly rates will have to rise further. That could mean another big increase or more normal 25 point increases. It's going to depend upon how the effects of highest interest rates are flowing through to demand."

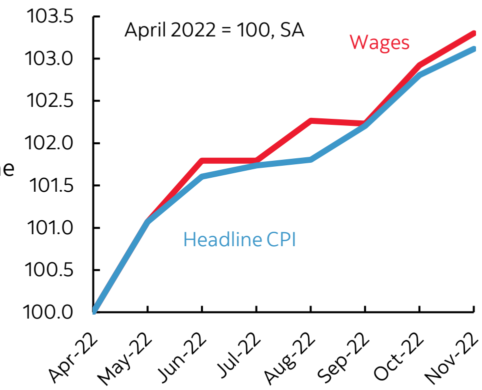
Ok, so what gives since then?

The Case for 50bps—Misjudging Labour Markets

Some key data have performed rather well. In favour of going another 50bps is that GDP growth almost doubled the BoC's Q3 forecast at 2.9%. Canada created 108,000 jobs in October which drove employment to a record high and then added 10k more for good measure in November. Real wage gains have been positive ever since Spring (chart 3) and outpaced the US in a tighter labour market. The economy remains well into excess aggregate demand conditions and supply chains have registered some progress but are still challenged. Inflation has been driven by a combination of supply chain effects across economies with some unique Canadian supply-side drivers (e.g. discouraging energy investment) plus overheated domestic demand through excessively easy monetary and fiscal policies.

Chart 3

Wage Growth is Now Exceeding Inflation in Canada



Sources: Scotiabank Economics, Statistics Canada.

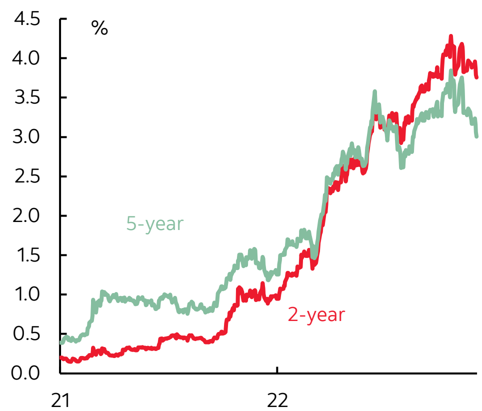
Further, we can't ignore job markets and how they might have changed in a way that could continue to support inflation. Forecasting inflation without paying heed to job markets, productivity and potential wage pressures is missing a large part of the picture. In fact, it's surprising that the job market is so strong this long after borrowing costs started to rise and that should motivate thinking about why to a little deeper extent. It may be understandable that jobs are not yet being lost in significant numbers, but why job growth has actually *accelerated* of late was unexpected by everyone.

A Possible New Theory of Job Market Resilience

On that note, while the Bank of Canada might have only finally gotten around to lifting off this past March, markets were not dithering around waiting for them to do so. Markets were leading the central bank as it was talking through rising inflation risk in 2021. The five-year Government of Canada bond yield began rising in 2021Q1. The two-year Government of Canada bond yield started aggressively rising about fourteen months ago and had risen by about a full percentage point by the time the BoC first hiked and is now a cumulative 3¼ percentage points higher. Why is the job market not yet cooling, let alone accelerating?

Chart 4

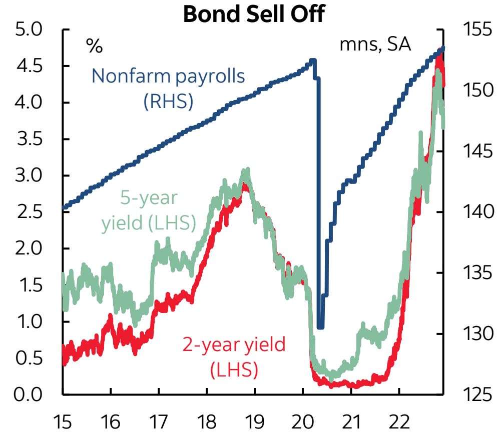
Job Growth Accelerates Despite Rising Rates



Sources: Scotiabank Economics, Bloomberg.

Chart 5

US Jobs Resisted the 2016–18 Bond Sell Off



Sources: Scotiabank Economics, Bloomberg.

One possibility is that companies are meeting the needs associated with gradually healing global supply chains that are making it possible to produce more by hiring more workers instead of adding capacity through long-tailed cap-ex commitments. To some extent this would be typical of Canada that is usually challenged in terms of labour productivity. Maybe there is added reason for emphasizing more of a tilt to the labour side of the capital:labour ratio now.

If that's the case, then job markets might prove to be more resilient than feared and so could wage growth especially in light of very different demographic drivers today. After all, there was no trend weakening in Canadian employment when 2- and 5-year GoC yields soared by hundreds of basis points over 2016–18 (chart 4). We saw the same thing happen in the US when payrolls kept marching higher despite the fact the US 2-year and 5-year Treasury yields soared by 200–250bps (chart 5) and didn't drop until the pandemic's random shock hit with full and sudden force. Employment proved to be resilient then in both countries, so why not now? Why are so many folks stridently applying dismissive filters to the pace of recent job gains they didn't anticipate and sounding so confident that the collapse lies near at hand? If that episode repeats, then we've got a totally different set of challenges via potentially sustained hot wage gains well in excess of sagging productivity and the BoC should be taking out more insurance against the risk of a wage-price spiral effect.

Another consideration in favour of hiking by 50bps is that reducing the size of the hike at this meeting would likely have markets thinking that the BoC is done, and this could drive a market reaction toward pricing rate cuts in 2023 that have to this point been priced out. That outcome was observed on the heels of Chair Powell's recent remarks that eased financial conditions despite not being done. 50bps would also get the BoC meaningfully into restrictive territory given its estimate of the longer-run nominal neutral rate of 2–3%.

The Case for 25bps—Because It's the BoC!

However, what may tilt the balance toward a 25bps hike is not only the downshifting pattern and intimation by the Governor—including through use of his body language in the press conference—that this could continue, but also two other key points.

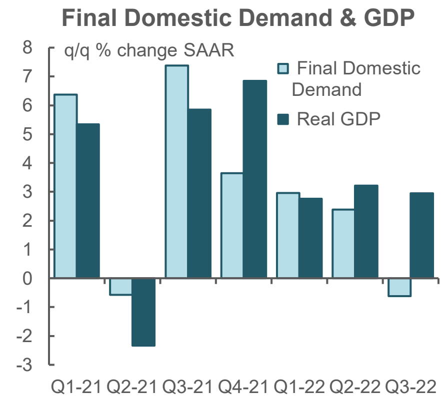
For one, the composition of GDP growth deteriorated in Q3. I don't think that growth driven by strong export-led contributions with significant assists from consumer spending on services and government spending that netted out to being double what the BoC expected should be sniffed at. But final domestic demand—consumer spending plus investment plus government spending—contracted a touch (chart 6). This could matter since the BoC specifically flagged how rates are affecting demand. Within this measure, total consumer spending shrank by about 1% q/q SAAR, housing investment contracted by 16% and government spending went up by about 4%.

Further, traditional core cpi inflation (ex-food and energy) has softened for three months and hence over a longer period than the one month weakening in the US that threw markets into a tizzy (chart 7). That said, Canadian core inflation by this measure is still trending above the BoC's 2% headline inflation target. The BoC could say that there are more so-called 'green shoots' that inflation is ebbing in Canada than the US. That could expose them to the risk of renewed acceleration.

Macklem could also suggest that the Canadian dollar is less of a worry to him than was the case when he first intensified his concerns as the USD took off and USDCAD climbed from 1.30 toward almost 1.40 over September into October. It has since fallen back into the middle of that range and thus the speed of change and passthrough risk into inflation may have stabilized.

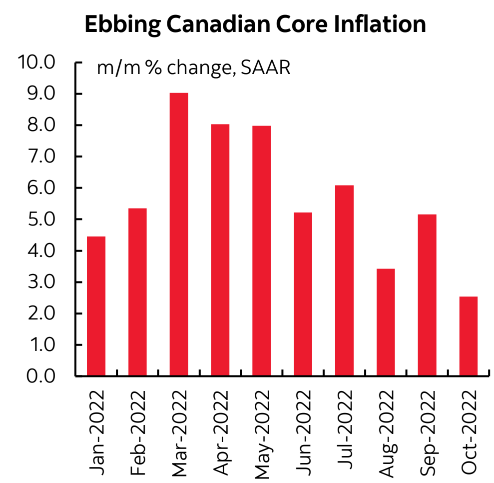
This last point remains to be tested. It's pretty naïve to assume that CAD is reflecting potential Fed-BoC policy rate differentials going forward. CAD has frustrated FX forecasters for a long time now in relation to traditional drivers like the expected Canada-US two-year rate differential and commodity prices. We'll see how it behaves as a) USD appetite evolves alongside risk appetite, b) the policy rate spread potentially widens further and c) as commodity prices evolve.

Chart 6



Sources: Scotiabank Economics, Statistics Canada.

Chart 7



Sources: Scotiabank Economics, Statistics Canada.

Done Already?

The BoC may be unlikely to signal the end of the rate cycle just yet. If the BoC did it in a statement-only affair then look to the final paragraph's mention of how "….the policy interest rate will need to rise further. Future rate increases will be influenced by our assessments of how tighter monetary policy is working to slow demand." They could strike that out entirely, or soften it say by inserting something akin to 'if required.'

What leans against signalling they are done are ongoing inflation risks in an economy with excess aggregate demand and an overly tight job market generating accelerating wage pressures. The lack of a full suite of communication tools could also impair the flexibility to call it quits. Perhaps that signal comes in Governor Macklem's annual holiday speech the following Monday, or perhaps it waits until they go through their next full forecasting exercise into the January MPR meeting. One caution in this regard is that the Governor's holiday speech last year pivoted on inflation, only to be followed by passing on a priced rate hike in January and so his guidance is subject to change.

OTHER CENTRAL BANKS

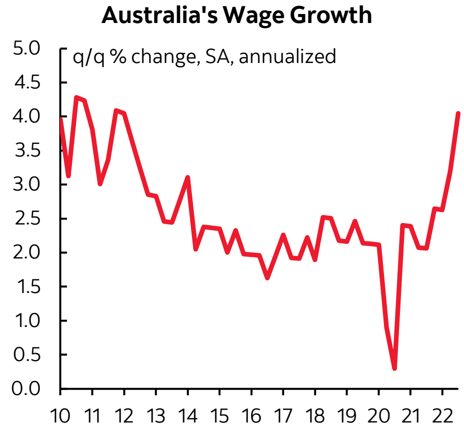
Being regional central bank week there will be five other central bank decisions on tap. More will be written about them in higher frequency notes throughout the week but here are brief expectations.

RBA—25 OR NOTHING

Almost all of consensus expects a 25bps rate hike on Monday night (eastern time). Markets are less certain and have about half of a quarter-point rise priced and another half point of rate hikes priced over 2023H1. The RBA downshifted the pace of rate increases to 25bps at the

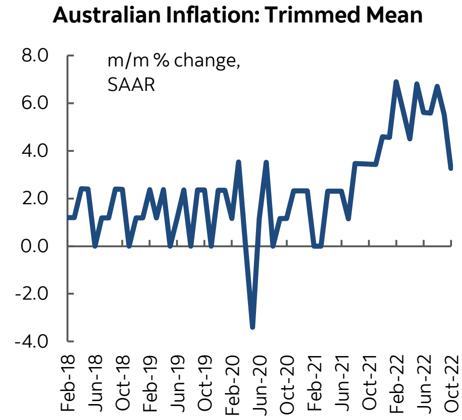
October meeting when consensus expected 50bps. Tail risks are more skewed toward passing rather than upshifting the pace again. Wage pressures have intensified (chart 8), but the RBA may take comfort in preliminary evidence that a central tendency measure of inflation has begun to ebb (chart 9).

Chart 8



Sources: Scotiabank Economics, Australian Bureau of Statistics.

Chart 9



Sources: Scotiabank Economics, Australian Bureau of Statistics.

RBI—LESSENING STABILITY CONCERNS?

The Reserve Bank of India is expected to raise its repo rate by 35bps into Wednesday local time. The cumulative increase would amount to 225bps since hikes began in May. Headline inflation ebbed in October to 6.8% y/y but core inflation is sticky at around 6¼% y/y. The lagging inflationary effects of the rupee's weakness are probably still ahead given the nearly 10% depreciation to the dollar this year, but we could hear incrementally less concern toward the stability risks as the rupee has appreciated somewhat over the past month and as the Fed nears the likely end of its hiking cycle that is priced to happen into early next year.

BANCO CENTRAL DO BRASIL—WHEN TO EASE

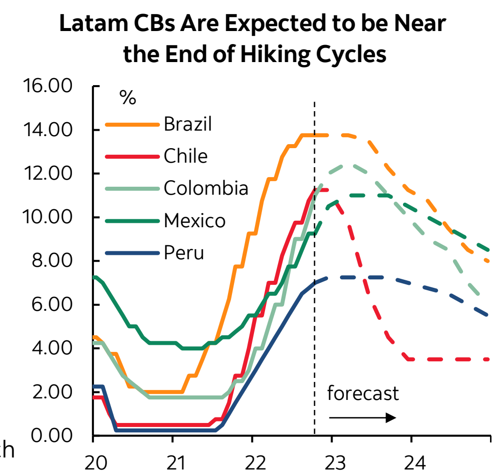
LatAm central banks are collectively approaching the ends of their hiking cycles amid expectations for policy easing ahead (chart 10). As charts 11–15 demonstrate, however, evidence of plateauing inflation is uneven across the region.

Among the ones that have already stopped in Brazil's central bank. Consensus unanimously expects Brazil's central bank to hold its Selic rate at 13.75% again on Wednesday. Inflation has been falling back since June in year-over-year terms but also as the pace of month-over-month gains has ebbed compared to 2021 and earlier this year. The recent reacceleration is unlikely to motivate concern given it is only one month of evidence.

BANCO CENTRAL DE CHILE—HOLDING PATTERN

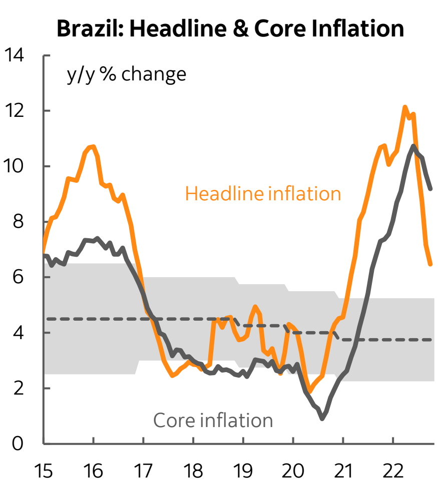
Chile's central bank is also unanimously expected to hold its policy rate unchanged at 11.25% on Tuesday. We think the meeting on October 12th marked the last of the tightening episodes. Watch for guidance that would inform when to expect policy easing that we expect to begin by 2023Q2 although it may be too soon to have strong confidence pending further evidence on inflation that has recently begun to ebb.

Chart 10



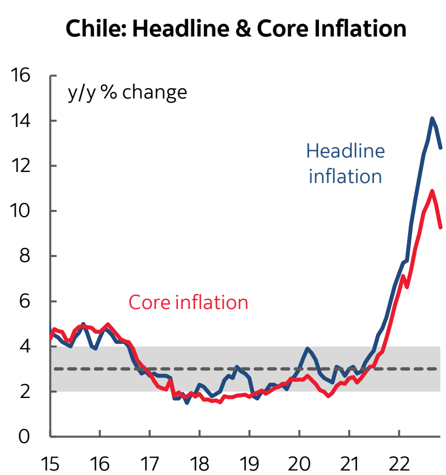
Sources: Scotiabank Economics, Haver Analytics.

Chart 11



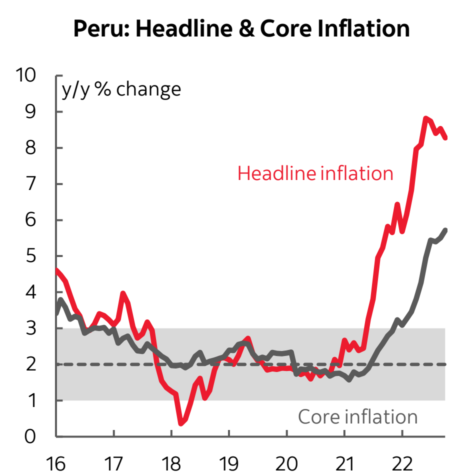
Sources: Scotiabank Economics, IBGE.

Chart 12



Sources: Scotiabank Economics, INE.

Chart 13

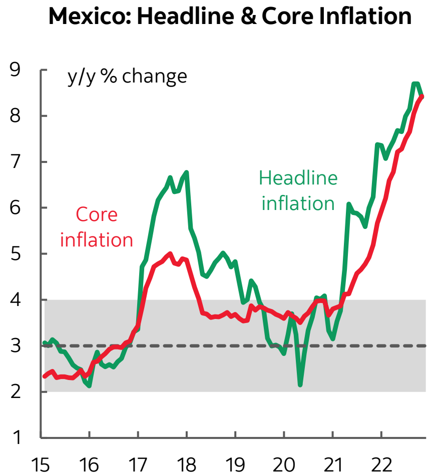


Sources: Scotiabank Economics, BCRP, INEI.

BANCO CENTRAL DE RESERVA DEL PERÚ— CURRENCY RELIEF

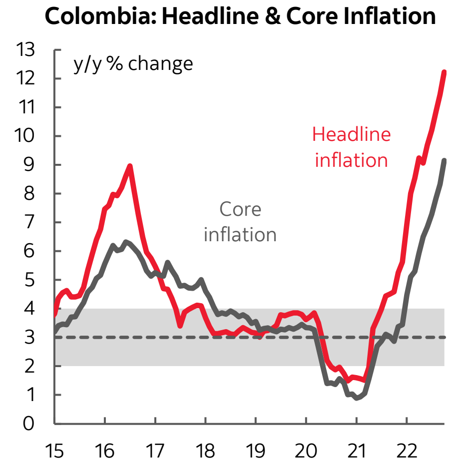
Another quarter-point hike could be offered on Wednesday that would take the policy rate up by a cumulative 7.25 percentage points since tightening began in August of last year. Inflation is not yet turning materially lower in either y/y terms (8 ½%) or month-over-month as the latest month landed at +0.5% m/m. The central bank might be more encouraged by the currency's strengthening to the USD since the end of October that has reversed some of the depreciation since mid-year. That stabilization mitigates passthrough risk into import prices and domestic inflation.

Chart 14



Sources: Scotiabank Economics, INEGI.

Chart 15



Sources: Scotiabank Economics, DANE.

CHINA'S POLICY BIAS

The rest of the line-up of global indicators will be fairly light this week and I'll write more about them during the coming week.

A key focus across regional markets will be a wave of inflation reports and with a particular emphasis upon developments in China. China updates CPI for November on Thursday and it is expected to pull back to beneath 2% y/y after peaking at 2.8% back in September. Core inflation has remained weak at about ½% y/y and so the PBoC looked through the earlier run-up in headline price pressures. Its focus is now turning toward supporting growth into 2023 and it may have more flexibility to do so as the Fed's policy rate cycle peaks. Also watch for Chinese exports early in the week and perhaps updated aggregate financing.

Further to this point is that markets will be sensitive to the annual meeting of the Politburo that leads China's policy bias. The date is uncertain but watch for further indications toward softening Covid Zero language alongside warning potential protesters. One of the bigger potential upsides to commodity-driven economies into 2023 could be if China is indeed fundamentally pivoting away from Covid Zero which remains uncertain in terms of magnitude and timing.

Other inflation updates will arrive in Colombia, the Philippines and Thailand (Monday), Taiwan (Tuesday), Mexico (Thursday) and both Brazil and Norway (Friday).

US releases will be light and include a mild rise in factory orders in October (Monday), probably softening of the ISM-services gauge (Monday), a wider trade deficit that tacks the services surplus onto the already known widening of the goods deficit (Tuesday), mild producer price inflation (Friday) and the University of Michigan's consumer sentiment reading for December that might face downside mitigated by lower gasoline prices and higher equity prices (Friday).

Canada also updates trade figures for October (Tuesday), the Ivey PMI for November (Thursday) and capacity utilization in Q3 (Friday).

Australia's economy probably continued to grow at a healthy clip in Q3 (Tuesday night ET). Consensus expects 0.6% q/q SA growth.

Light European releases include German factory orders during October (Tuesday) and industrial production the next day.

Purchasing managers indices will be updated by Italy, India, and Brazil on Monday.

December 2, 2022

Key Indicators for the week of December 5 – 9

NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	12-05	08:30	Building Permits (m/m)	Oct	--	7.9	-17.5
US	12-05	10:00	Durable Goods Orders (m/m)	Oct F	--	1.0	1.0
US	12-05	10:00	Durable Goods Orders ex. Trans. (m/m)	Oct F	--	0.5	0.5
US	12-05	10:00	Factory Orders (m/m)	Oct	0.6	0.7	0.3
US	12-05	10:00	ISM Non-Manufacturing Composite	Nov	53.3	53.5	54.4
CA	12-06	08:30	Merchandise Trade Balance (C$ bn)	Oct	--	0.9	1.1
US	12-06	08:30	Trade Balance (US$ bn)	Oct	-79.0	-79.9	-73.3
US	12-07	07:00	MBA Mortgage Applications (w/w)	Dec 2	--	--	-0.8
US	12-07	08:30	Productivity (q/q a.r.)	3Q F	--	0.5	0.3
US	12-07	08:30	Unit Labor Costs (q/q a.r.)	3Q F	--	3.2	3.5
CA	**12-07**	**10:00**	**BoC Interest Rate Announcement (%)**	**Dec 7**	**4.25**	**4.00**	**3.75**
US	12-07	15:00	Consumer Credit (US$ bn m/m)	Oct	--	26.8	25.0
MX	12-08	07:00	Bi-Weekly Core CPI (% change)	Nov 30	--	0.1	0.3
MX	12-08	07:00	Bi-Weekly CPI (% change)	Nov 30	--	0.1	0.6
MX	12-08	07:00	Consumer Prices (m/m)	Nov	--	0.7	0.6
MX	12-08	07:00	Consumer Prices (y/y)	Nov	--	8.0	8.4
MX	12-08	07:00	Consumer Prices Core (m/m)	Nov	--	0.5	0.6
US	12-08	08:30	Initial Jobless Claims (000s)	Dec 3	230	230	225
US	12-08	08:30	Continuing Claims (000s)	Nov 26	1,615	1,615	1,608
CA	12-09	08:30	Capacity Utilization (%)	3Q	--	82.2	83.8
US	12-09	08:30	PPI (m/m)	Nov	0.2	0.2	0.2
US	12-09	08:30	PPI ex. Food & Energy (m/m)	Nov	0.2	0.2	0.0
US	12-09	10:00	U. of Michigan Consumer Sentiment	Dec P	56.5	56.8	56.8

EUROPE

Country	Date	Time	Indicator	Period	Consensus	Latest
IT	12-05	03:45	Services PMI	Nov	47.5	46.4
FR	12-05	03:50	Services PMI	Nov F	49.4	49.4
GE	12-05	03:55	Services PMI	Nov F	46.4	46.4
EC	12-05	04:00	Composite PMI	Nov F	47.8	47.8
EC	12-05	04:00	Services PMI	Nov F	48.6	48.6
UK	12-05	04:30	Official Reserves Changes (US$ bn)	Nov	--	-779
UK	12-05	04:30	Services PMI	Nov F	48.8	48.8
EC	12-05	05:00	Retail Trade (m/m)	Oct	-1.7	0.4
GE	12-06	02:00	Factory Orders (m/m)	Oct	0.1	-4.0
UK	12-06	04:30	PMI Construction	Nov	52.0	53.2
GE	12-07	02:00	Industrial Production (m/m)	Oct	-0.6	0.6
FR	12-07	02:45	Current Account (€ bn)	Oct	--	-7,336
FR	12-07	02:45	Trade Balance (€ mn)	Oct	-15,971	-17,487
EC	12-07	05:00	Employment (q/q)	3Q F	--	0.2
EC	12-07	05:00	GDP (q/q)	3Q F	0.2	0.2
GR	12-07	05:00	Real GDP NSA (y/y)	3Q	--	7.8
SP	12-09	03:00	Industrial Output NSA (y/y)	Oct	--	3.3

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

Key Indicators for the week of December 5 – 9

ASIA PACIFIC

Country	Date	Time	Indicator	Period	Consensus	Latest
AU	12-04	19:30	ANZ Job Advertisements (m/m)	Nov	--	-0.5
HK	12-04	19:30	Purchasing Managers Index	Nov	--	49.3
CH	12-04	20:45	Caixin Services PMI	Nov	48.0	48.4
TH	12-04	21:00	Consumer Confidence Economic	Nov	--	40.0
SI	12-05	00:00	Retail Sales (m/m)	Oct	--	3.3
SI	12-05	00:00	Retail Sales (y/y)	Oct	10.7	11.2
JN	12-05	18:30	Household Spending (y/y)	Oct	0.9	2.3
AU	12-05	19:30	Current Account (AUD bn)	3Q	6	18,324
AU	12-05	19:30	Australia Net Exports of GDP	3Q	-0.5	1.0
PH	12-05	20:00	CPI (y/y)	Nov	7.8	7.7
AU	**12-05**	**22:30**	**RBA Cash Target Rate (%)**	**Dec 6**	**3.10**	**2.85**
TA	12-06	03:00	CPI (y/y)	Nov	2.5	2.7
AU	12-06	19:30	GDP (q/q)	3Q	0.6	0.9
AU	12-06	19:30	GDP (y/y)	3Q	6.2	3.6
PH	12-06	20:00	Unemployment Rate (%)	Oct	--	5.0
TH	12-06	22:30	CPI (y/y)	Nov	5.9	6.0
TH	12-06	22:30	CPI (m/m)	Nov	0.2	0.3
TH	12-06	22:30	Core CPI (y/y)	Nov	3.2	3.2
IN	12-06	23:30	Repo Rate (%)	Dec 7	6.25	5.90
IN	12-06	23:30	Cash Reserve Ratio (%)	Dec 7	4.50	4.50
JN	12-07	00:00	Coincident Index CI	Oct P	100.5	101.4
JN	12-07	00:00	Leading Index CI	Oct P	98.3	97.5
JN	12-07	00:00	New Composite Leading Economic Index	Oct P	98.3	97.5
AU	12-07	00:30	Foreign Reserves (AUD bn)	Nov	--	86.3
MA	12-07	02:00	Foreign Reserves (US$ bn)	Nov 30	--	107.5
TA	12-07	03:00	Exports (y/y)	Nov	-6.8	-0.5
TA	12-07	03:00	Imports (y/y)	Nov	-1.0	8.2
TA	12-07	03:00	Trade Balance (US$ bn)	Nov	3.3	3.0
SI	12-07	04:00	Foreign Reserves (US$ mn)	Nov	--	282,284
JN	12-07	18:50	Bank Lending (y/y)	Nov	--	2.7
JN	12-07	18:50	Current Account (¥ bn)	Oct	625	909
JN	12-07	18:50	GDP (q/q)	3Q F	-0.3	-0.3
JN	12-07	18:50	GDP Deflator (y/y)	3Q F	-0.5	-0.5
JN	12-07	18:50	Trade Balance - BOP Basis (¥ bn)	Oct	-1,821	-1,760
AU	12-07	19:30	Trade Balance (AUD mn)	Oct	12,100	-265
CH	12-07	20:00	Foreign Reserves (US$ bn)	Nov	3,100	3,052
CH	12-07	20:00	Exports (y/y)	Nov	-4.4	-0.3
CH	12-07	20:00	Imports (y/y)	Nov	-7.1	-0.7
CH	12-07	20:00	Trade Balance (USD bn)	Nov	79.1	85.2
NZ	12-08	16:45	Manufacturing Activity	3Q	--	-3.8
SK	12-08	18:00	Current Account (US$ mn)	Oct	--	1,611
JN	12-08	18:50	Japan Money Stock M2 (y/y)	Nov	3.0	3.1
JN	12-08	18:50	Japan Money Stock M3 (y/y)	Nov	2.6	2.6
CH	12-08	20:30	CPI (y/y)	Nov	1.6	2.1
CH	12-08	20:30	PPI (y/y)	Nov	-1.5	-1.3
ID	12-08	21:00	Consumer Confidence Index	Nov	--	120.3
CH	12-09	20:00	New Yuan Loans (bn)	Nov	1330.0	615.2

LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CO	12-05	06:00	Consumer Price Index (m/m)	Nov	--	0.6	0.7
CO	12-05	06:00	Consumer Price Index (y/y)	Nov	--	12.4	12.2
CL	**12-06**	**16:00**	**Nominal Overnight Rate Target (%)**	**Dec 6**	**--**	**11.25**	**11.25**
BZ	**12-07**	**16:30**	**SELIC Target Rate (%)**	**Dec 7**	**--**	**13.75**	**13.75**
PE	**12-07**	**18:00**	**Reference Rate (%)**	**Dec 7**	**7.50**	**7.50**	**7.25**
BZ	12-08	07:00	Retail Sales (m/m)	Oct	--	--	1.1
BZ	12-08	07:00	Retail Sales (y/y)	Oct	--	--	3.2
BZ	12-09	07:00	IBGE Inflation IPCA (m/m)	Nov	--	0.6	0.6
BZ	12-09	07:00	IBGE Inflation IPCA (y/y)	Nov	--	6.1	6.5

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

Global Auctions for the week of December 5 – 9

NORTH AMERICA

No Scheduled Auctions.

EUROPE

Country	Date	Time	Event
UK	12-06	05:00	U.K. to Sell 4⅛% 2027 Bonds
GE	12-06	05:30	Germany to Sell EU5 Billion of 2.2% 2024 Bonds
UK	12-06	06:30	U.K. to Sell 1.1⅛% 2039 Bonds
DE	12-07	04:15	Denmark to Sell Bonds
NO	12-07	05:00	Norway to Sell Bonds

ASIA PACIFIC

Country	Date	Time	Event
JN	12-05	22:35	Japan to Sell 30-Year Bonds
CH	12-06	21:35	China Plans to Sell CNY 1Y Upsized Bond
CH	12-06	21:35	China Plans to Sell CNY 5Y Upsized Bond
JN	12-07	22:35	Japan to Sell 5-Year Bonds

LATIN AMERICA

No Scheduled Auctions.

Sources: Bloomberg, Scotiabank Economics.

Events for the week of December 5 – 9

NORTH AMERICA

Country	Date	Time	Event
CA	**12-07**	**10:00**	**Bank of Canada Rate Decision**

EUROPE

Country	Date	Time	Event
EC	12-04	20:45	ECB's Lagarde Speaks
EC	12-08	07:00	ECB's Lagarde Speaks
SZ	12-08	09:30	SNB's Maechler on Virtual ESRB Panel

ASIA PACIFIC

Country	Date	Time	Event
AU	**12-05**	**22:30**	**RBA Cash Rate Target**
JN	12-06	20:30	BOJ Board Nakamura Speech in Nagano
IN	**12-06**	**23:30**	**RBI Repurchase Rate**
IN	**12-06**	**23:30**	**RBI Cash Reserve Ratio**

LATIN AMERICA

Country	Date	Time	Event
CL	**12-06**	**16:00**	**Overnight Rate Target**
BZ	**12-07**	**16:30**	**Selic Rate**
PE	**12-07**	**18:00**	**Reference Rate**

Sources: 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	3.75	December 7, 2022	4.25	4.25
Federal Reserve – Federal Funds Target Rate	4.00	December 14, 2022	4.50	4.50
Banco de México – Overnight Rate	10.00	December 15, 2022	10.50	10.50

Bank of Canada (BoC): Wednesday brings out a statement-only affair sans forecasts or MPR and will be followed by a speech the next day that is to be delivered by one of the Deputy Governors. We expect a hike of 50bps that is not a slam dunk, and with risk of retaining guidance that rates will have to keep moving higher.

EUROPE

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	2.00	December 15, 2022	2.50	2.50
European Central Bank – Marginal Lending Facility Rate	2.25	December 15, 2022	2.75	2.75
European Central Bank – Deposit Facility Rate	1.50	December 15, 2022	2.00	2.00
Bank of England – Bank Rate	3.00	December 15, 2022	3.50	3.50
Swiss National Bank – Sight Deposit Rate	0.50	December 15, 2022	1.25	1.25
Central Bank of Russia – One-Week Auction Rate	7.50	December 16, 2022	7.50	7.50
Sweden Riksbank – Repo Rate	2.50	February 9, 2023	2.75	2.75
Norges Bank – Deposit Rate	2.50	December 15, 2022	2.75	2.75
Central Bank of Turkey – Benchmark Repo Rate	9.00	December 22, 2022	9.00	9.00

ASIA PACIFIC

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Policy Rate	-0.10	December 20, 2022	-0.10	-0.10
Reserve Bank of Australia – Cash Rate Target	2.85	December 5, 2022	3.10	3.10
Reserve Bank of New Zealand – Cash Rate	4.25	February 21, 2023	4.50	4.50
People's Bank of China – 1-Year Loan Prime Rate	3.65	December 19, 2022	3.65	3.65
Reserve Bank of India – Repo Rate	5.90	December 6, 2022	6.25	6.25
Bank of Korea – Base Rate	3.25	January 13, 2023	3.50	3.50
Bank of Thailand – Repo Rate	1.25	January 25, 2023	1.50	1.50
Bank Negara Malaysia – Overnight Policy Rate	2.75	TBA	2.75	2.75
Bank Indonesia – 7-Day Reverse Repo Rate	5.25	December 22, 2022	5.25	5.25
Central Bank of Philippines – Overnight Borrowing Rate	5.00	December 15, 2022	5.50	5.50

Reserve Bank of Australia (RBA): The RBA will deliver a policy decision on Monday and it is expected to raise the target rate by another 25 bps to 3.10%. Q3 wage data came in a tick hotter than expectations 1.0% q/q (0.9% consensus), continuing a trend of upward wage pressures, which may reinforce inflation risks. Market pricing suggests a terminal rate of ~3.60% which implies another 50 bps of tightening should 25 bps be added next week. **Reserve Bank of India (RBI):** The RBI last met at the end of September when they hiked the repo rate 50 bps to 5.90%. Since then, risks are tilted to the upside even as the RBI nears the end of it's hiking cycle. Most estimates expect 35 more bps of tightening next week, bringing the repo rate to 6.25%. The two inflation prints since September's meeting did not show convincing price deceleration, especially in the core component, which accelerated both months and now sits at 6.5% m/m SAAR.

LATIN AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	13.75	December 7, 2022	13.75	13.75
Banco Central de Chile – Overnight Rate	11.25	December 6, 2022	11.25	11.25
Banco de la República de Colombia – Lending Rate	11.00	December 16, 2022	12.00	12.00
Banco Central de Reserva del Perú – Reference Rate	7.25	December 7, 2022	7.50	7.50

Banco Central do Brasil (BCB): It is widely expected that the BCB will leave the Selic rate on hold for a third consecutive meeting at 13.75%. This meeting will be the first since Jair Bolsonaro lost the national election and recent demands for a vote challenge may lead to political uncertainty. There are mixed views around when the BCB may start to unwind policy rate tightening—most estimates are in the Q2/Q3-2023 range—but in the short term, inflation still remains high despite headline and core measures in a downtrend. **Banco Central de Chile (BCCh):** The previous monetary policy meeting in October more than likely marked the end of the tightening cycle—the overnight rate has been hiked by a cumulative 1,075 bps since mid-2021. A hold at 11.25% is expected next week with focus already shifting towards the timing of rate cuts. Our estimate aligns with the central bank's most recent forecasts of policy rate cuts by Q2-2023. However, more evidence of durable price deceleration is needed as headline and core inflation sit well above the 3 +/- 1% target. **Banco Central de Reserva del Perú (BCRP):** The BCRP will likely raise the reference rate by 25 bps at Wednesday's meeting to 7.50%. Inflation has only shown modest signs of decelerating and domestic activity remains robust, albeit slowdown is expected in Q4.

AFRICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	7.00	TBA	7.00	7.00

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