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*With thanks for research support from:  
 Marc Ercolao.*

#### Next Week's Risk Dashboard

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- BoE to hike again, guidance in play
- PBOC on cut watch
- BoJ grappling with high oil
- Brazil likely to hike again
- CBCT, Turkey, BI expected to hold
- Canadian inflation: time to get serious
- Jobs: UK, Australia, South Korea
- Awww, Russia might have to hike again

### Central Banks Likely to Put Inflation Ahead of War Concerns

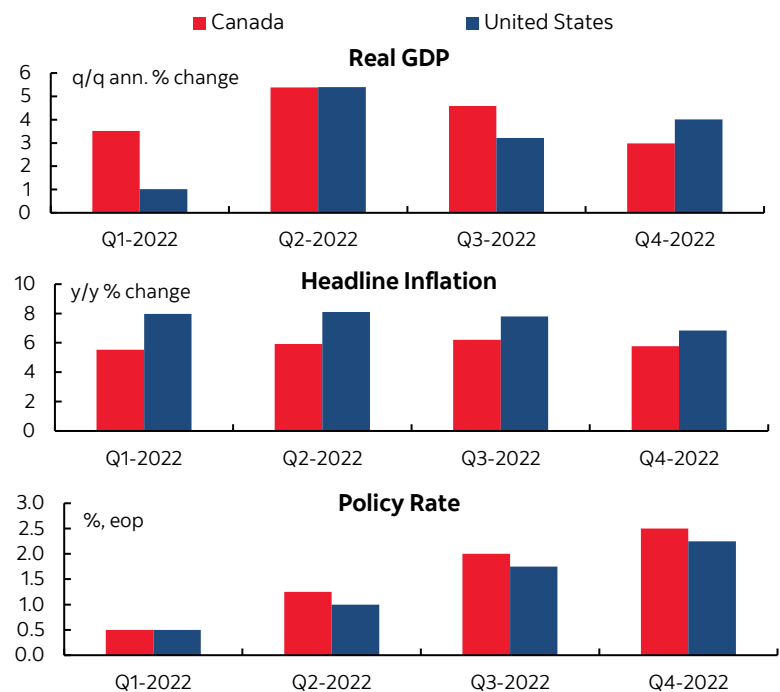
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#### Chart of the Week

### Canadian & US 2022 Outlook



Sources: Scotiabank Economics March 11, 2022 Forecast Tables.

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

## Central Banks Likely to Put Inflation Ahead of War Concerns

### FEDERAL RESERVE—A PARTIALLY SET TABLE

In some respects, the script has already been written for this week’s FOMC meeting. It could still, however, prove to be a rather impactful one to markets and with a probable hawkish slant. The two-day meeting starts Tuesday and ends Wednesday when the statement, Summary of Economic Projections, and dot plot will be delivered at 2pmET and followed by Chair Powell’s press conference.

The part of the punchline that seems to have been delivered in advance through Chair Powell’s still fresh semi-annual testimony before Congress on March 2<sup>nd</sup> – 3<sup>rd</sup> is as follows:

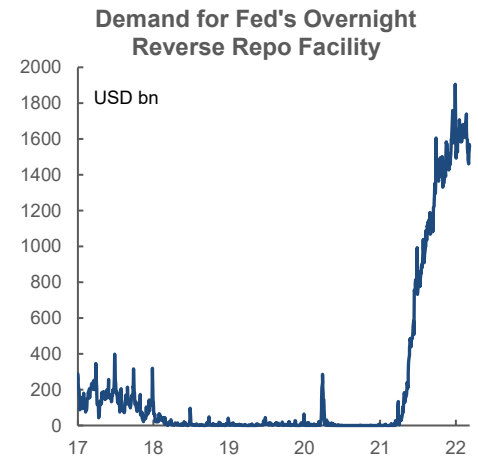
- they’ll hike 25bps at this meeting;
- they are open to 50bps moves if inflation surprises higher for longer, which implies some patience in evaluating the data versus a surprise jolt at this meeting;
- they plan a series of rate hikes;
- the war in Ukraine represents significant risk to the ultimate path which he noted will be with us for years and is among the arguments for “being nimble” and making necessary decisions along the way, which is experience talking;
- that they will further discuss but not finalize balance sheet plans at the March meeting and therefore won’t have a decision at the ready on reinvestment plans.

I’d also like to hear somewhat of a dialogue around the Fed’s thinking on how it can manage shock risk and the severity of the shock at hand.

On managing potential shock risk, the Fed tentatively believes it has the market infrastructure in place to manage shocks to dollar funding liquidity as an important source of support to global markets. It’s likely right in believing as much. This includes through its repo book that is holding steady (chart 1) and the standing repo facility plus a different relative rates corridor (chart 2) to more effectively manage relative short-term rates alongside dollar funding and liquidity challenges such as in the event of widespread Russian defaults or some other catalyst. Execution risk may well still matter, but in theory the Fed can reset the price of dollar funding higher while simultaneously maintaining adequate dollar liquidity around its target rate ranges. There may be lower execution risk surrounding the Fed’s response to crises this time because of the Standing Repo Facility that makes markets less vulnerable to guessing what liquidity actions will be announced by the NY Fed’s markets desk, such as amounts, pricing and duration of repo operations. Instead, more of that power is now placed directly into the hands of market participants. Market measures of funding stress tend to believe them so far (chart 3).

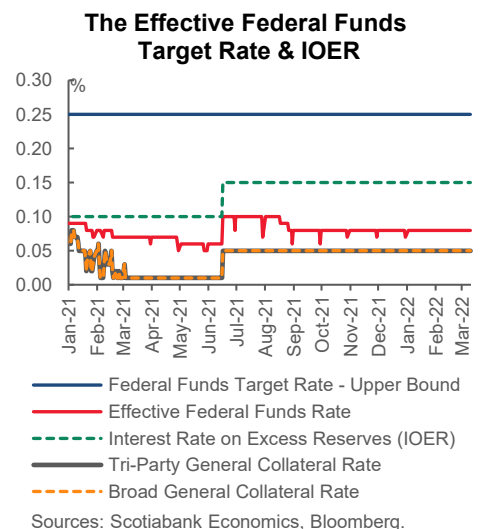
On the probability of sharper downside risk and whether by tightening policy the Fed is courting recession risk that some have recently played up, we need to consider a broad suite of evidence such as shown in charts 4–7 with NBER recessions denoted by grey bars. For instance, it would be super unusual and unprecedented to face recession given how deeply negative the real policy rate and real 10-year Treasury yield have become. It would also be unusual to face such risk given how lean inventory positions have become and the lack of clear evidence that household imbalances are becoming untenable. In fact, by multiple measures, household finances are the best ever which doesn’t mean that consumption growth won’t slow in the face of cost of living pressures but this does provide protection against severe downside risk compared to prior cycles.

Chart 1



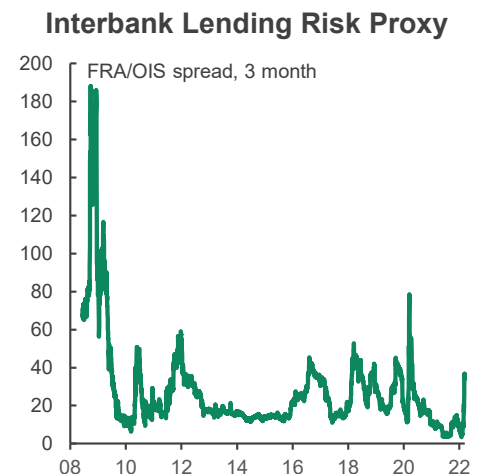
Sources: Scotiabank Economics, Bloomberg.

Chart 2



Sources: Scotiabank Economics, Bloomberg.

Chart 3



Sources: Scotiabank Economics, Bloomberg.

But we can't just leave it at that. There remain three major forms of uncertainty into the meeting.

1. The Dots: Way back in December, the median FOMC member's projection called for three rate hikes in 2022, three more in 2023 and two more in 2024 followed by a longer run equilibrium neutral rate estimate of 2½%. There was a wide dispersion around each of these estimates particularly over 2023–24 as shown in the original document ([here](#)). The median projections only began to anticipate rate hikes years down the road starting in December 2020 and have since been progressively brought forward and raised (chart 8). Markets will pay keen attention to how much higher they go and how much sooner. The common expectation is that the FOMC will tread carefully and maybe add a couple more hikes to this year, but the risk could very well slant toward both higher and earlier than previously anticipated.

2. Projections: The FOMC participants submit forecasts for GDP, inflation and unemployment rates on the Friday before the meeting and can revise as late as the end of the first day of the two-day meeting. For some time now there have been more and more FOMC members getting increasingly worried about upside risk to inflation (chart 9) and they are likely to further translate such concerns into a material upgrade of inflation forecasts at this meeting. Projections regarding how high and for how long on inflation plus how long and how durably they foresee lower unemployment will help to inform the committee's stance.

3. Press conference: Chair Powell has freer rein to guide the direction of risks on important matters such as pace and level of rate hikes over time, as well as revealing further colour on the committee's discussions around roll-off caps that would inform expectations for how quickly they may shrink the SOMA portfolio of Treasury and MBS holdings. To date he has said that the nature of the pandemic versus the aftermath of the Global Financial Crisis merits shrinking the balance sheet more rapidly. Watch for reference to how rapidly.

Chart 4

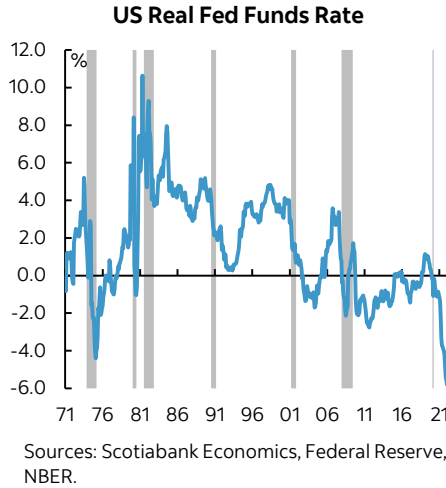


Chart 5

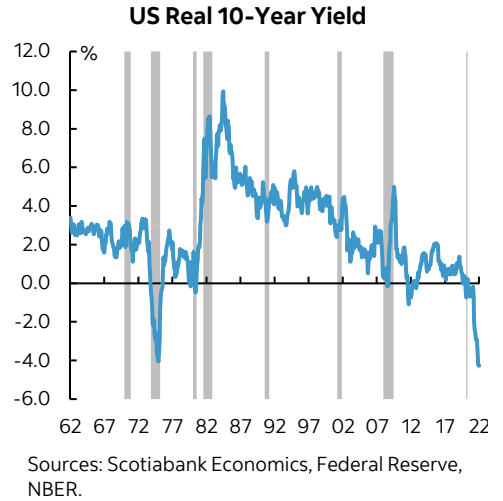


Chart 6

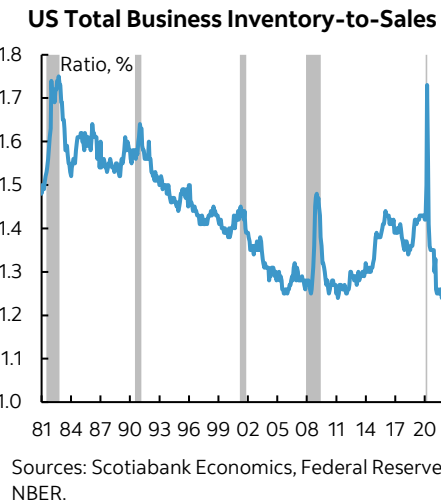


Chart 7

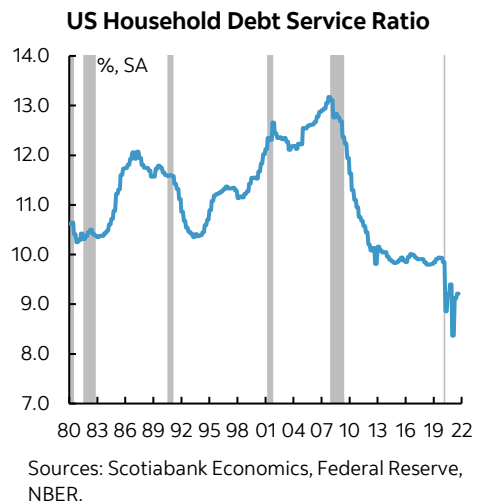


Chart 8

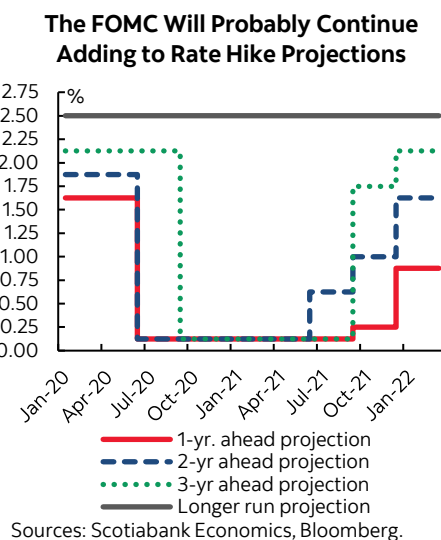
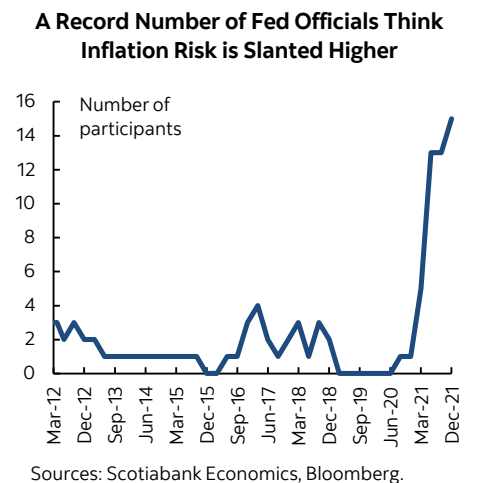


Chart 9



**OTHER CENTRAL BANKS—HIKES, HOLDS, MAYBES**

While the Federal Reserve will probably be the most impactful, several other central banks will deliver policy decisions in a mixture of hikes, holds and maybes. Here they are in chronological order.

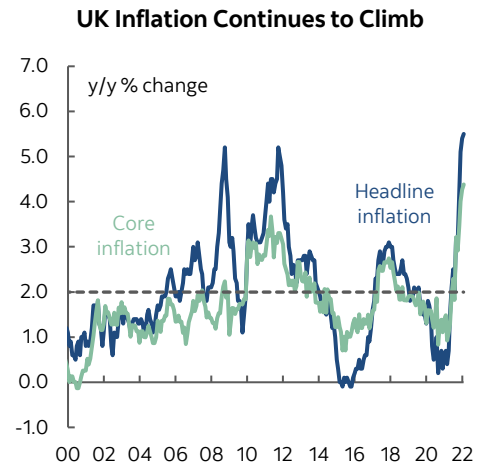
- **PBOC:** The People’s Bank of China sets its Medium-Term Lending Facility Rate on Monday evening eastern time. There is a fairly wide dispersion of opinion on this one. About 60% of consensus expects no change to the 2.85% rate, but the remainder expect a cut and probably one on the order of about 10bps. Mounting downside risks to China’s economy at very low inflation rates merit additional policy easing in my view.
- **Brazil:** Wednesday’s decision from Brazil’s central bank is expected to hike the Selic rate by another 100bps to 11.75% in the face of mounting inflation risk that could extend the hike cycle.
- **Central Bank of China Taiwan (CBCT):** No change in the benchmark rate of 1.125% is expected (Thursday).
- **Central Bank of Turkey:** No change is expected to the one-week repo rate of 14% (Thursday).
- **Bank Indonesia:** No change is expected to the 7-day reverse repo rate of 3.5% (Thursday).
- **Bank of England:** Thursday’s decision is expected to result in another 0.25% Bank Rate hike to 0.75%. We may see some more hawkish dissent in favour of a larger move. Guidance will be key as upward pressure upon inflation that is already exceeding targets (chart 10) will be weighed against uncertainty stemming from the impact of the war in Ukraine. That might be enough to tamp down reference to “some modest further tightening” being required given the BoE’s closer proximity to the war’s effects, but the BoE’s higher rate of core inflation (4.4% y/y) than the ECB’s, its continued rise, and the likelihood of further upward pressure have me thinking they’ll deliver a hawkish surprise to markets.
- **Bank of Japan:** The late-week decision is likely to reference downside risks given the country’s heavy dependence upon imported commodities and namely oil. An imported relative price shock is more likely to be viewed as disinflationary on second round effects than inflationary by the BoJ while it keeps policy instruments unchanged at this point.
- **Central Bank of Russia (CBR):** Consensus is somewhat divided toward the prospects of either holding the key rate at 20% or hiking it further on Friday and after the 10.5 percentage point hike following Russia’s invasion of Ukraine. Bad luck to them I say!

**CANADIAN INFLATION—TIME TO GET SERIOUS**

Canada updates inflation for February on Wednesday. It will probably be another hot one, but at the same time it will just be a warm-up act for what lies ahead.

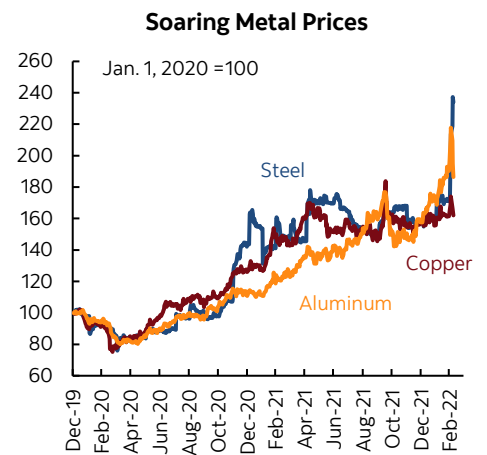
I’ve estimated CPI will rise by 1% m/m in seasonally unadjusted terms and that this should pop the year-over-year rate higher to about 5.7% (5.1% prior). Traditional core inflation measured as CPI ex-food and energy should hold steady at around 3½% y/y and modest further upward pressure upon central tendency measures is likely. If it were just up to base effects, then we would be expecting the inflation rate to pull back by about half a percentage point. It’s not and for a few reasons.

Chart 10



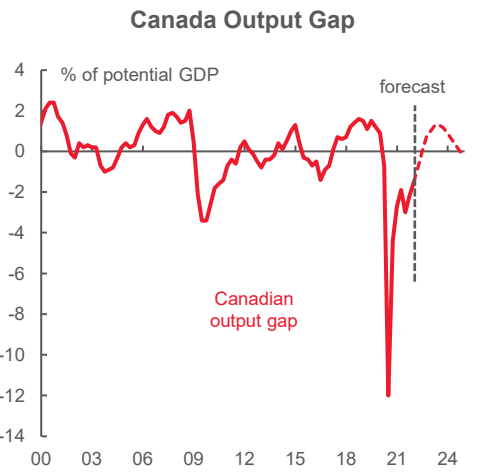
Sources: Scotiabank Economics, ONS.

Chart 11



Sources: Scotiabank Economics, Bloomberg.

Chart 12



Sources: Scotiabank Economics, Bank of Canada.

February is usually a strong seasonal up-month for prices. Further, higher gasoline prices should add about ¼% m/m in weighted terms and hold steady in terms of year-over-year weighted contributions; gasoline prices would have dragged inflation somewhat lower had it not been for upward pressure on commodities into 2022. A reopening effect may add to price pressures especially, well, when you create 337k jobs in one single month.

Chart 13

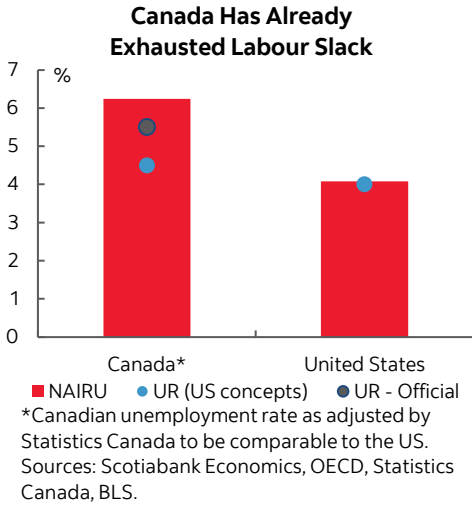


Chart 14



Chart 15

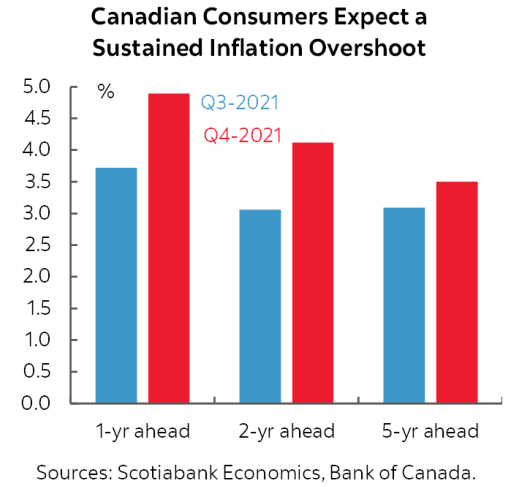


Chart 16

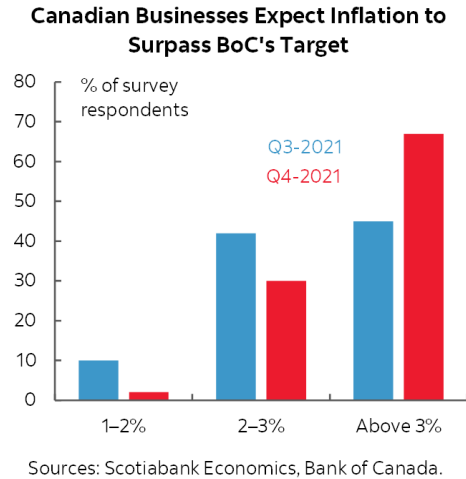


Chart 17

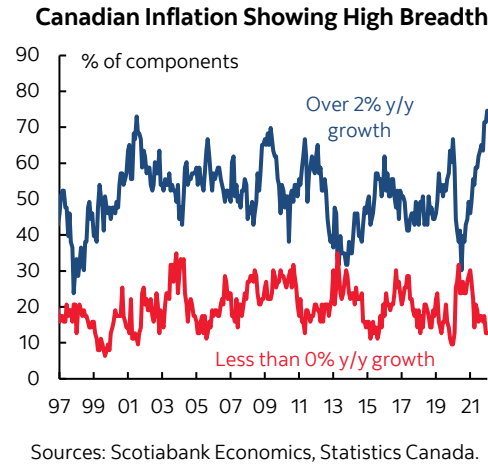


Chart 18

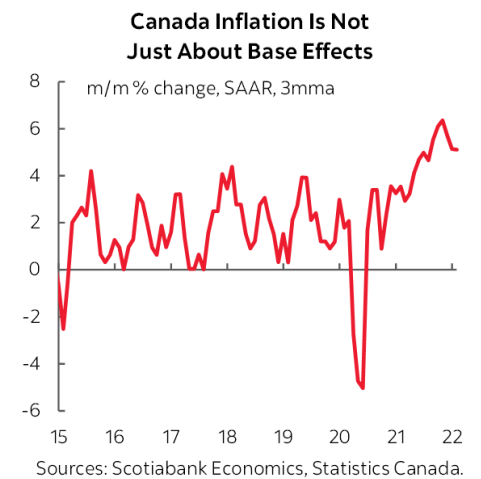


Chart 19

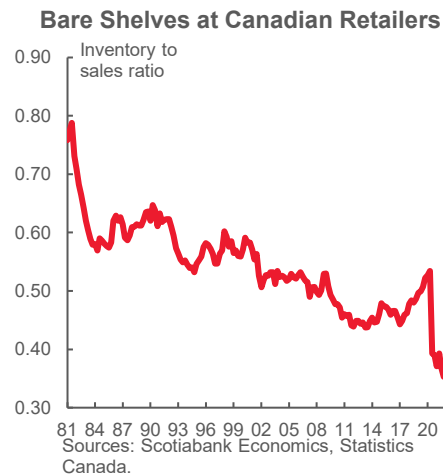


Chart 20

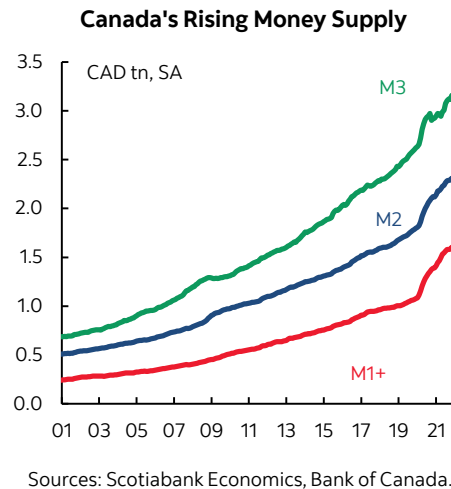
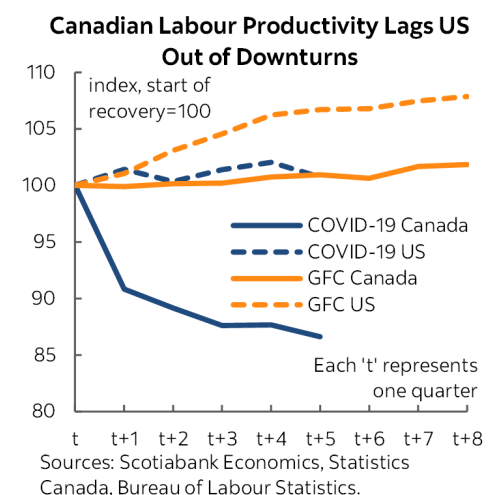


Chart 21



It's the path forward that has us more concerned. If oil prices remain at similar levels for longer than the period since early December, then the BoC's rule of thumb that assumes a 10% rise in oil prices adds ~0.3 ppts to year-over-year CPI inflation would have energy lifting CPI by around two percentage points later this year given the magnitude of the changes in WTI plus the spread compression in Western Canadian Select relative to WTI. CAD weakness may bolster upside risk. A panoply of soaring non-energy commodity prices will add to pass-through price pressures (chart 11). Canada is venturing into the realm of excess aggregate demand (chart 12). Canada's unemployment rate is beneath estimates of the noninflationary level of unemployment that is usually deemed to be structurally higher than in the United States (chart 13). Measures of inflation expectations are taking off including market gauges (chart 14) and survey gauges that were last updated in January and pending April updates that will sample household and business expectations over the period from mid-February to early March when commodities were taking off (charts 15, 16).

Further, the breadth of price gains is historically very high (chart 17). Inflation is being sustainably driven by serial shocks and structural pressures as opposed to silly talk of base effects (chart 18). Inventories are at bare bones levels (chart 19). Productivity growth is entirely absent so far this cycle (chart 20). Money supply has exploded (chart 21). We also have high confidence that official statistics understate true inflation and hence make it farcical to claim that Canada is managing inflation better than others around the world; one example is the Canada cooks the figures by excluding some of the hottest items (chart 22).

At risk is the further unmooring of inflation expectations. That puts the country into uncharted waters in its roughly thirty-year history of inflation targeting. While economists endlessly debate how much of inflation is due to supply-side versus demand-side versus idiosyncratic factors, perhaps more sensible folks on mainstreet and in markets could no longer care less. They are driving extrapolative expectations for further inflation. Adaptive expectations are in the driver's seat. That is the alarm bell to central bankers in that it's the clearest evidence to date of a credibility problem.

So we have to ask, are you an inflation-targeting central bank? Or an inflationist? If it's the former, then perhaps step up and prove it at the April meeting.

**MACRO READINGS—REGIONAL INFLUENCES**

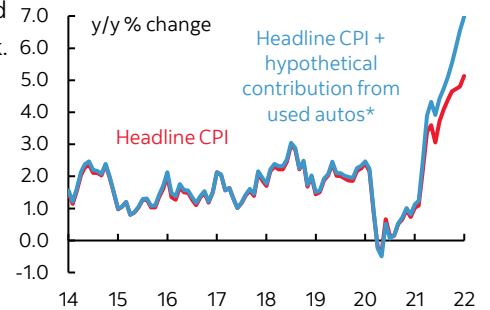
There are no knock-out releases on tap across global markets, but several readings could be impactful to local markets.

For starters, a round of employment figures land next week with UK and South Korean jobs leading on Tuesday followed by the Aussies on Wednesday.

Flash UK payroll data published by the Office for National Statistics in advance of Labour Force Survey data pointed to a reading of +108k jobs in January—December's gain was revised down to a gain of +131k from the original +184k reading (chart 23). The unemployment rate for the three-month rolling period ending January is expected to fall a tenth of a percent from 4.1% to 4.0% which sits just shy of the pre-pandemic unemployment rate. Despite total employment growth having slowed a touch in recent months (chart 24), the labour market is still showing signs of tightness with job vacancies notching record highs.

Chart 22

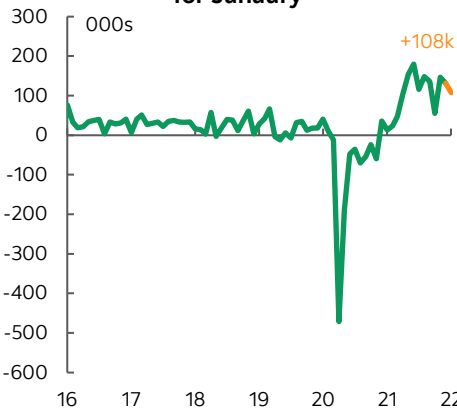
**Canadian CPI: Can Used Autos Continue to be Ignored?**



\*Contribution to CPI assumes weighting equal to US CPI used vehicle weighting.  
Sources: Scotiabank Economics, Statistics Canada, Canadian Black Book, BLS.

Chart 23

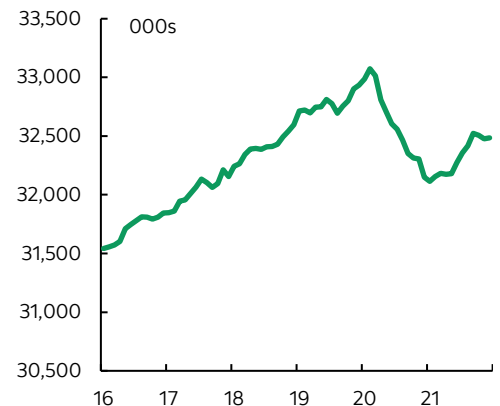
**UK Payroll Flash Estimate for January**



Sources: Scotiabank Economics, UK ONS.

Chart 24

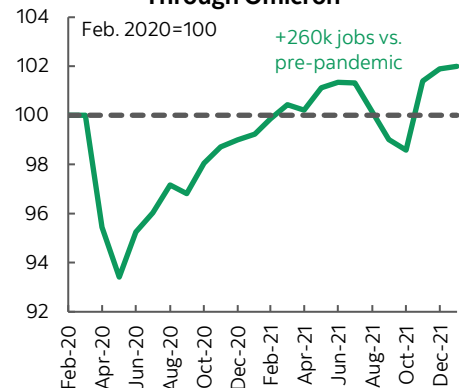
**UK Total Employment**



Sources: Scotiabank Economics, UK ONS.

Chart 25

**Australian Jobs: Stable Through Omicron**



Sources: Scotiabank Economics, Australian Bureau of Statistics.



March 11, 2022

Australia's labour market more than weathered the omicron storm with a net gain of +13k jobs in January (chart 25), while already overshooting heading into the wave. As expected, the hit came in the form of a temporary blow to hours worked, which should more than recover in the coming months. Continuing job gains are expected for February and we could see the unemployment rate continue its descent to 4.1%, well below pre-pandemic levels.

South Korea, unlike many of its Western counterparts, has not yet seen the peak of its omicron-driven wave, with much of the acceleration happening in the month of February. It's not inconceivable to see job readings take a temporary hit followed by a strong rebound in following months. Labour participation is recovering well, and net positive job gains have occurred over the last 12-months (chart 26). The unemployment rate is expected to remain steady at 3.6%.

While the FOMC will dominate, other US macro reports will fill in tracking of household and industrial sector activities. Tuesday brings producer prices for February that will provide a first glimpse at how market pressures are impacting margins, as well as the Empire manufacturing survey that starts another round of monthly manufacturing reports. On Wednesday, retail sales face downside risk in the wake of the strong gains in January when sales advanced by 3.8% m/m. Housing starts should rebound in February's report (Thursday) when we'll also get expected growth in industrial production to go alongside the Philly Fed's manufacturing gauge. Friday closes out with existing home sales that will probably face downside risk given softness in pending home sales.

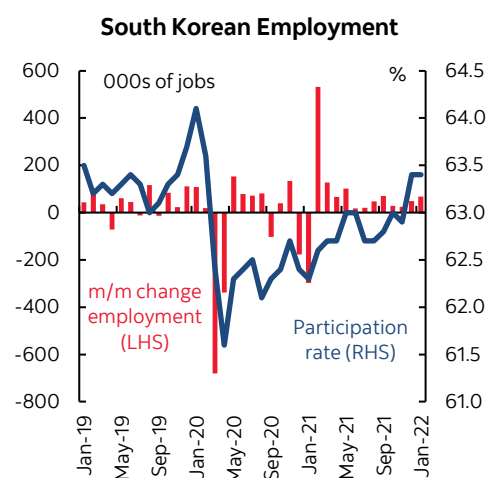
Beyond CPI, Canada only updates housing starts for February (Tuesday), manufacturing conditions in January (Tuesday) and retail sales during January plus likely tentative guidance for February's sales (Friday).

Other than Brazil's central bank, data risk should be fairly light across LatAm markets. Chile's Q4 GDP growth rate is expected to be ~13% y/y as the initial strong rebound in 2021 off of the weakness in 2020 gradually ebbs (Friday).

Across Asia-Pacific markets, China will release monthly gauges for February on Monday including retail sales, industrial production and the jobless rate. India's inflation rate in February (Monday) is expected to hold steady at 6% y/y. New Zealand's economy is expected to rebound in Q4 from the impact of prior restrictions and post solid growth of over 3% q/q SA non-annualized (Wednesday). Japan updates CPI for February on Thursday with small increases to what are still likely to be sub-1% y/y readings in headline and core measures.

Other European macro reports will include ZEW investor confidence as the first of the month's fresh batch of sentiment gauges before PMIs and IFO business confidence measures. Swedish inflation (Monday) is expected to come under further upward pressure toward 4% y/y with underlying inflation excluding energy climbing to 3% y/y.

Chart 26



## Key Indicators for the week of March 14 – 18

## NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	03/15	08:15	Housing Starts (000s a.r.)	Feb	220	240.0	230.8
CA	03/15	08:30	Manufacturing Shipments (m/m)	Jan	1.4	0.7	0.7
US	03/15	08:30	Empire State Manufacturing Index	Mar	--	7.0	3.1
US	03/15	08:30	PPI (m/m)	Feb	1.0	0.9	1.0
US	03/15	08:30	PPI ex. Food & Energy (m/m)	Feb	0.7	0.6	0.8
CA	03/15	09:00	Existing Home Sales (m/m)	Feb	--	--	1.0
US	03/15	16:00	Total Net TIC Flows (US\$ bn)	Jan	--	--	-52.4
US	03/15	16:00	Net Long-term TIC Flows (US\$ bn)	Jan	--	--	114.5
US	03/16	07:00	MBA Mortgage Applications (w/w)	Mar 11	--	--	8.5
CA	03/16	08:30	Core CPI - Common (y/y)	Feb	--	2.4	2.3
CA	03/16	08:30	Core CPI - Median (y/y)	Feb	--	3.4	3.3
CA	03/16	08:30	Core CPI - Trim (y/y)	Feb	--	4.1	4.0
CA	03/16	08:30	CPI, All items (m/m)	Feb	1.0	0.9	0.9
CA	03/16	08:30	CPI, All items (y/y)	Feb	5.7	5.5	5.1
CA	03/16	08:30	CPI, All items (index)	Feb	--	146.7	145.3
CA	03/16	08:30	Wholesale Trade (m/m)	Jan	4.0	3.5	0.6
US	03/16	08:30	Export Prices (m/m)	Feb	--	1.2	2.9
US	03/16	08:30	Import Prices (m/m)	Feb	--	1.6	2.0
US	03/16	08:30	Retail Sales (m/m)	Feb	0.2	0.4	3.8
US	03/16	08:30	Retail Sales ex. Autos (m/m)	Feb	0.6	0.9	3.3
US	03/16	10:00	Business Inventories (m/m)	Jan	--	1.1	2.1
US	03/16	10:00	NAHB Housing Market Index	Mar	--	81.0	82.0
<b>US</b>	<b>03/16</b>	<b>14:00</b>	<b>FOMC Interest Rate Meeting (%)</b>	<b>Mar 16</b>	<b>0.50</b>	<b>0.50</b>	<b>0.25</b>
CA	03/17	08:30	Teranet - National Bank HPI (y/y)	Feb	--	--	16.6
US	03/17	08:30	Building Permits (000s a.r.)	Feb	--	1,850	1,895
US	03/17	08:30	Housing Starts (000s a.r.)	Feb	1,710	1,700	1,638
US	03/17	08:30	Housing Starts (m/m)	Feb	4.4	3.8	-4.1
US	03/17	08:30	Initial Jobless Claims (000s)	Mar 12	220	221	227
US	03/17	08:30	Continuing Claims (000s)	Mar 5	1,480	--	1,494
US	03/17	08:30	Philadelphia Fed Index	Mar	--	15.0	16.0
US	03/17	09:15	Capacity Utilization (%)	Feb	77.8	77.8	77.6
US	03/17	09:15	Industrial Production (m/m)	Feb	0.3	0.5	1.4
CA	03/18	08:30	International Securities Transactions (C\$ bn)	Jan	--	--	37.6
CA	03/18	08:30	Retail Sales (m/m)	Jan	2.4	2.4	0.8
CA	03/18	08:30	Retail Sales ex. Autos (m/m)	Jan	--	2.2	-2.5
US	03/18	10:00	Existing Home Sales (mn a.r.)	Feb	6.0	6.1	6.5
US	03/18	10:00	Existing Home Sales (m/m)	Feb	-7.7	-6.2	6.7
US	03/18	10:00	Leading Indicators (m/m)	Feb	--	0.3	-0.3

## EUROPE

Country	Date	Time	Indicator	Period	Consensus	Latest
FR	03/14	03:45	Current Account (€ bn)	Jan	--	-7,056
FR	03/14	03:45	Trade Balance (€ mn)	Jan	-9,672	-11,321
SP	03/14	04:00	Real Retail Sales (y/y)	Jan	--	-3.3
UK	03/15	03:00	Average Weekly Earnings (3-month, y/y)	Jan	4.6	4.3
UK	03/15	03:00	Employment Change (3M/3M, 000s)	Jan	23.0	-38.0
UK	03/15	03:00	Jobless Claims Change (000s)	Feb	--	-31.9
UK	03/15	03:00	ILO Unemployment Rate (%)	Jan	4.0	4.1
FR	03/15	03:45	CPI (m/m)	Feb F	0.7	0.7
FR	03/15	03:45	CPI (y/y)	Feb F	3.6	3.6
FR	03/15	03:45	CPI - EU Harmonized (m/m)	Feb F	0.8	0.8
FR	03/15	03:45	CPI - EU Harmonized (y/y)	Feb F	4.1	4.1
GE	03/15	04:05	Current Account (€ bn)	Jan	--	18.5
EC	03/15	06:00	Industrial Production (m/m)	Jan	0.1	1.2
EC	03/15	06:00	Industrial Production (y/y)	Jan	-0.5	1.6
EC	03/15	06:00	ZEW Survey (Economic Sentiment)	Mar	--	48.6

Forecasts at time of publication.

Sources: Bloomberg, Scotiabank Economics.



## Key Indicators for the week of March 14 – 18

## EUROPE (continued from previous page)

Country	Date	Time	Indicator	Period	Consensus	Latest
GE	03/15	06:00	ZEW Survey (Current Situation)	Mar	-22.0	-8.1
GE	03/15	06:00	ZEW Survey (Economic Sentiment)	Mar	2.5	54.3
IT	03/16	05:00	CPI - EU Harmonized (y/y)	Feb F	6.2	6.2
EC	03/17	06:00	CPI (m/m)	Feb F	0.9	0.9
EC	03/17	06:00	CPI (y/y)	Feb F	5.8	5.8
EC	03/17	06:00	Euro zone Core CPI Estimate (y/y)	Feb F	2.7	0.0
<b>TU</b>	<b>03/17</b>	<b>07:00</b>	<b>Benchmark Repo Rate (%)</b>	<b>Mar 17</b>	<b>14.00</b>	<b>14.00</b>
<b>UK</b>	<b>03/17</b>	<b>08:00</b>	<b>BoE Policy Announcement (%)</b>	<b>Mar 17</b>	<b>0.75</b>	<b>0.50</b>
EC	03/18	06:00	Labour Costs (y/y)	4Q	--	2.5
EC	03/18	06:00	Trade Balance (€ mn)	Jan	--	-4570.1
<b>RU</b>	<b>03/18</b>	<b>06:30</b>	<b>One-Week Auction Rate (%)</b>	<b>Mar 18</b>	<b>20.00</b>	<b>20.00</b>

## ASIA-PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
IN	03/14	02:30	Monthly Wholesale Prices (y/y)	Feb	--	12.1	13.0
HK	03/14	04:30	Industrial Production (y/y)	4Q	--	--	7.8
IN	03/14	08:00	CPI (y/y)	Feb	6.2	6.00	6.01
AU	03/14	20:30	House Price Index (y/y)	4Q	--	21.9	21.7
CH	03/14	22:00	Fixed Asset Investment YTD (y/y)	Feb	--	5.0	4.9
PH	03/14		Overseas Remittances (y/y)	Jan	--	4.0	3.3
ID	03/15	00:00	Exports (y/y)	Feb	--	40.5	25.3
ID	03/15	00:00	Imports (y/y)	Feb	--	42.2	36.8
ID	03/15	00:00	Trade Balance (US\$ mn)	Feb	--	2100.0	930.0
IN	03/15	07:30	Exports (y/y)	Feb	--	--	25.3
IN	03/15	07:30	Imports (y/y)	Feb	--	--	23.5
SK	03/15	19:00	Unemployment Rate (%)	Feb	3.6	3.6	3.6
JN	03/15	19:50	Merchandise Trade Balance (¥ bn)	Feb	--	-124	-2,193
JN	03/15	19:50	Adjusted Merchandise Trade Balance (¥ bn)	Feb	--	-390	-933
JN	03/15	19:50	Merchandise Trade Exports (y/y)	Feb	--	20.6	9.6
JN	03/15	19:50	Merchandise Trade Imports (y/y)	Feb	--	27.2	38.7
JN	03/16	00:30	Capacity Utilization (m/m)	Jan	--	--	-0.4
JN	03/16	00:30	Industrial Production (y/y)	Jan F	--	--	-0.9
NZ	03/16	17:45	GDP (y/y)	4Q	3.0	3.2	-0.3
JN	03/16	19:50	Machine Orders (m/m)	Jan	--	-2.0	3.6
AU	03/16	20:30	Employment (000s)	Feb	--	40.0	12.9
AU	03/16	20:30	Unemployment Rate (%)	Feb	4.2	4.1	4.2
SI	03/16	20:30	Exports (y/y)	Feb	--	16.9	17.6
JN	03/16		Nationwide Department Store Sales (y/y)	Feb	--	--	15.6
<b>ID</b>	<b>03/17</b>	<b>03:20</b>	<b>BI 7-Day Reverse Repo Rate (%)</b>	<b>Mar 17</b>	<b>3.50</b>	<b>3.50</b>	<b>3.50</b>
HK	03/17	04:30	Unemployment Rate (%)	Feb	--	4.3	3.9
JN	03/17	19:30	National CPI (y/y)	Feb	0.8	0.9	0.5
PH	03/17	21:00	Unemployment Rate (%)	Jan	--	--	6.6
<b>TA</b>	<b>03/17</b>		<b>Benchmark Interest Rate</b>	<b>Mar 17</b>	<b>1.125</b>	<b>1.125</b>	<b>1.125</b>
MA	03/18	00:00	Exports (y/y)	Feb	--	23.4	23.5
MA	03/18	00:00	Imports (y/y)	Feb	--	25.5	26.4
MA	03/18	00:00	Trade Balance (MYR bn)	Feb	--	20.5	18.4
JN	03/18	00:30	Tertiary Industry Index (m/m)	Jan	--	-1.0	0.4
<b>JN</b>	<b>03/18</b>	<b>21:00</b>	<b>BoJ Policy Rate (%)</b>	<b>Mar 18</b>	<b>-0.10</b>	<b>-0.10</b>	<b>-0.10</b>

Forecasts at time of publication.

Sources: Bloomberg, Scotiabank Economics.

## Key Indicators for the week of March 14 – 18

## 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>
PE	03/15	10:00	Economic Activity Index NSA (y/y)	Jan	1.8	--	1.7
PE	03/15	10:00	Unemployment Rate (%)	Feb	8.4	--	8.6
CO	03/15	11:00	Retail Sales (y/y)	Jan	15.2	--	15.9
<b>BZ</b>	<b>03/16</b>	<b>17:30</b>	<b>SELIC Target Rate (%)</b>	<b>Mar 16</b>	<b>11.50</b>	<b>11.75</b>	<b>10.75</b>
BZ	03/17	08:00	Economic Activity Index SA (m/m)	Jan	--	--	0.3
BZ	03/17	08:00	Economic Activity Index NSA (y/y)	Jan	--	--	1.3
CL	03/18	07:30	GDP (q/q)	4Q	--	--	4.9
CL	03/18	07:30	GDP (y/y)	4Q	13.0	--	17.2
CO	03/18	11:00	Trade Balance (US\$ mn)	Jan	--	--	-1,268

Forecasts at time of publication.

Sources: Bloomberg, Scotiabank Economics.

**Global Auctions for the week of March 14 – 18****NORTH AMERICA**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CA	03/17	12:00	Canada to Sell 3 Year Bonds
CA	03/14	12:00	Canada to Sell 10 Year Bonds

**EUROPE**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
DE	03/16	05:15	Denmark to Sell Bonds
NO	03/16	06:00	Norway to Sell Bonds
GE	03/16	06:30	Germany to sell 4 Billion Euros of 2032 Bonds
SP	03/17	05:30	Spain to Sell Bonds
FR	03/17	05:50	France to Sell Bonds
IC	03/18	07:30	Iceland to Sell Bonds
GE	03/15	06:30	Germany to Sell EU5.5 Billion of 2024 Bonds
FI	03/15	07:00	Finland to Sell Up to 1.5 Bln EUR Bonds

**ASIA-PACIFIC**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CH	03/15	23:00	China Plans to Sell CNY 2-Yrs Bond
CH	03/15	23:00	China Plans to Sell CNY 5-Yrs Upsize Bond

**LATIN AMERICA**

No Scheduled Auctions.

## Events for the week of March 14 – 18

## NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
<b>US</b>	<b>03/16</b>	<b>14:00</b>	<b>FOMC Rate Decision (Upper Bound)</b>
US	03/16	14:00	FOMC Rate Decision (Lower Bound)
US	03/16	14:30	Fed Chair Holds Press Conference Following FOMC Meeting
US	03/16	14:00	FOMC Concludes Two-Day Meeting

## EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
<b>UK</b>	<b>03/17</b>	<b>08:00</b>	<b>Bank of England Bank Rate</b>
<b>TU</b>	<b>03/17</b>	<b>07:00</b>	<b>One-Week Repo Rate</b>
<b>RU</b>	<b>03/18</b>	<b>06:30</b>	<b>Key Rate</b>
EC	03/15/22-03/25/22		OECD Publishes Interim Economic Outlook
EC	03/17	05:30	ECB's Lagarde Speaks in Frankfurt
EC	03/17	06:15	ECB's Lane Speaks in Frankfurt
EC	03/17	08:45	ECB's Schnabel Speaks in Frankfurt
EC	03/17	10:30	ECB's Visco Speaks in Frankfurt

## ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
<b>TA</b>	<b>03/16/22-03/17/22</b>		<b>CBC Benchmark Interest Rate</b>
<b>ID</b>	<b>03/17</b>	<b>03:20</b>	<b>Bank Indonesia 7D Reverse Repo</b>
<b>JN</b>	<b>03/17/22-03/18/22</b>		<b>BOJ Policy Balance Rate</b>
AU	03/14	20:30	RBA-Minutes
SK	03/14/22-03/15/22		BOK Minutes of Feb. Policy Meeting

## LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
<b>BZ</b>	<b>03/16</b>	<b>17:30</b>	<b>Selic Rate</b>
CO	03/13		Congressional elections and primaries

## Global Central Bank Watch

## NORTH AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Canada – Overnight Target Rate	0.50	April 13, 2022	1.00	0.75
Federal Reserve – Federal Funds Target Rate	0.25	March 16, 2022	0.50	0.50
Banco de México – Overnight Rate	6.00	March 24, 2022	6.50	6.25

**Federal Reserve:** Wednesday's full suite of FOMC communications is expected to commence lift-off with a quarter-point rate hike to 0.5%. Chair Powell has indicated support for possible 50 points moves in future conditional upon inflation data that he wants to observe over time. Watch for guidance on pace and size of future rate adjustments both in terms of the revised dot plot and Chair Powell's guidance. Further discussion of balance sheet plans including roll-off caps is expected and while no decisions are likely, we may get firmer guidance.

## EUROPE

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	0.00	April 14, 2022	0.00	0.00
European Central Bank – Marginal Lending Facility Rate	0.25	April 14, 2022	0.25	0.25
European Central Bank – Deposit Facility Rate	-0.50	April 14, 2022	-0.50	-0.50
Bank of England – Bank Rate	0.50	March 17, 2022	0.75	0.75
Swiss National Bank – Libor Target Rate	-0.75	March 24, 2022	-0.75	-0.75
Central Bank of Russia – One-Week Auction Rate	20.00	March 18, 2022	20.00	20.00
Sweden Riksbank – Repo Rate	0.00	April 28, 2022	0.00	0.00
Norges Bank – Deposit Rate	0.50	March 24, 2022	0.75	0.75
Central Bank of Turkey – Benchmark Repo Rate	14.00	March 17, 2022	14.00	14.00

**Bank of England (BoE):** A 25bps hike of the Bank Rate to 0.75% is expected at next week's meeting. The prospect of further inflation pressures on the back of banning Russian oil imports is likely to outweigh the risk of short-term growth impacts. A handful of MPC members have already voiced the importance of quicker rate hikes, while markets are pricing 100bps of increases by June—implying two 25s and a 50 somewhere in the mix. **Central Bank of Russia (CBR):** The bank rate was hiked from 9.50% to 20.00% on Feb. 28 in an emergency move to counter risks of the rapid RUB depreciation and soaring inflation. Their hands are tied—they won't be able to do much to counter the incoming inflation shock. Pre-war inflation was on the verge of peaking at sub-10% y/y, but Russian prices will likely pull a 2014-2015 and head north of 15% y/y with upside risk. The host of sanctions targeted at the freezing of the CBR's FX reserves also impedes their ability to stabilize conditions. **Central Bank of Turkey (CBRT):** With inflation ripping past 50% y/y in March, it's hard to justify holding the current policy rate at 14.00%, but that's likely what will take place at next week's meeting. For the time being, using the policy rate as a lever to control economic conditions is off the table and alternative measures will likely be needed as a placeholder. Real rates are deeply negative and the recent depreciation of the Lira will continue to add to inflation via pass-through effects.

## ASIA PACIFIC

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Policy Rate	-0.10	March 18, 2022	-0.10	-0.10
Reserve Bank of Australia – Cash Target Rate	0.10	April 5, 2022	0.10	0.10
Reserve Bank of New Zealand – Cash Rate	1.00	April 12, 2022	1.25	1.50
People's Bank of China – 1-Year Loan Prime Rate	3.70	March 20, 2022	3.60	3.70
Reserve Bank of India – Repo Rate	4.00	April 8, 2022	4.00	4.00
Bank of Korea – Bank Rate	1.25	April 14, 2022	1.50	1.50
Bank of Thailand – Repo Rate	0.50	March 30, 2022	0.50	0.50
Bank Negara Malaysia – Overnight Policy Rate	1.75	May 11, 2022	1.75	1.75
Bank Indonesia – 7-Day Reverse Repo Rate	3.50	March 17, 2022	3.50	3.50
Central Bank of Philippines – Overnight Borrowing Rate	2.00	March 24, 2022	2.00	2.00

**Bank of Japan (BoJ):** Japanese monetary authorities will be making a policy decision on March 18. We expect the policy rate to remain at -0.10% and the 10-year yield target at 0.0%. Japan is a major oil importer and hence will be impacted by surging oil prices; this cost-push inflation could dampen Japan's growth outlook. While Japan's inflation is set to accelerate in the near-term, we do not expect the BoJ to react to it; the central bank will likely maintain ultra-accommodative policy in the foreseeable future. **Bank Indonesia (BI):** Indonesian policymakers will be making a monetary policy decision on March 17, and we expect the benchmark interest rate to remain on hold to support the country's economic recovery. Although economic growth in Q4 2021 exceeded expectations (increasing by 5.0% y/y), COVID-19 vaccinations have yet to reach a significant proportion of the population, which could hamper Indonesia's recovery. In addition, inflation (at 2.1% y/y in February) remains at the lower bound of BI's target range of 2%-4%, reducing the need for BI to tighten its policy in the short term.

## LATIN AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	10.75	March 16, 2022	11.50	11.75
Banco Central de Chile – Overnight Rate	5.50	March 29, 2022	7.00	7.00
Banco de la República de Colombia – Lending Rate	4.00	March 31, 2022	5.25	5.00
Banco Central de Reserva del Perú – Reference Rate	3.50	April 7, 2022	4.00	4.00

**Banco Central do Brasil (BCB):** Most expect the Selic rate to be raised by at least 100bps to 11.75% at next week's meeting. The BCB hiked the Selic rate by 150 bps to 10.75% from 9.25% at the February meeting, which was in line with Copom's reference scenario. A potential hurdle for the BCB is rising global energy prices that can continue to stoke inflation at a time when the BCB's tightening cycle was signalled to be nearing its end.

## AFRICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	4.00	March 24, 2022	4.25	4.25

Forecasts at time of publication.

Sources: Bloomberg, Scotiabank Economics.

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