

JACKSON HOLE, ETCETERA

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FORECASTS & DATA

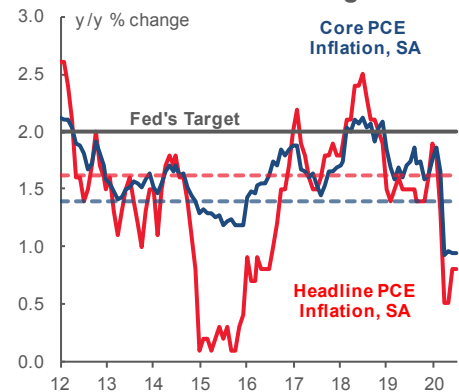
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CONTACTS

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

Next Week's Risk Dashboard

- Jackson Hole
- Fed's Powell
- BoC's Macklem
- BoE's Bailey
- GDP: Canada, US-r, German-r, Norway, Sweden, Switzerland
- Macro releases: US, Europe
- CBs: BoK
- Inflation: US, France, Japan, Brazil
- Canadian Tory leadership decision
- Canadian bank earnings

Chart of the Week
Will the Fed's Framework Review Address Inflation Targets?


Note: Dotted lines are the 2012 to present average.
 Sources: Scotiabank Economics, US BEA.

Chart of the Week: Prepared by: Evan Andrade,
 Economic Analyst.

Jackson Hole, Etcetera

When it comes to the week ahead, there will be Jackson Hole, and then everything else. In fact, it's a good reminder of why the Federal Reserve puts on this show at this time of year, given the relative paucity of other developments in late August.

JACKSON HOLE—NOT JUST POWELL

So let's start with the Kansas City Fed's annual symposium that they've been running since 1978 without interruption—and they're not about to rest on their laurels during the pandemic. This year's event will start on Thursday—the same day as Trump's coronation at the RNC—and continue into Friday. Past symposiums can be found [here](#). Granted, the symposium will be held virtually this year which impairs the more informal aspects of the gathering.

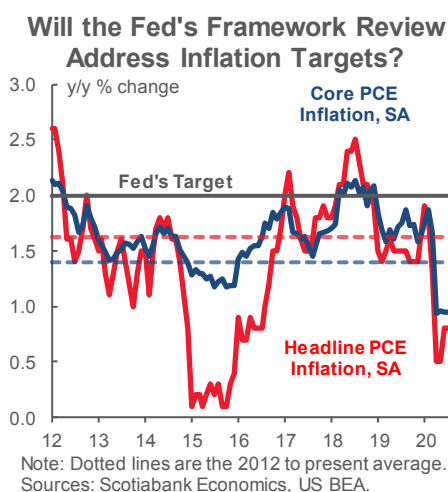
Nevertheless, there will still be a packed agenda including topics and participants that is to be released on Wednesday night at 8pmET. We've known the theme for some time now: **“Navigating the Decade Ahead: Implications for Monetary Policy.”** **This long run emphasis is likely to guide a principles and objectives based discussion across all participants.** The most widely watched session will likely be **Fed Chair Powell's address titled “Monetary Policy Framework Review” on Thursday at 9:10amET.** At issue is striking a balance between saying something meaningful about the review while probably not revealing all of the details just yet versus at the September FOMC meeting or subsequently. Here is a quick run-down of what we think we know about their review so far, that has been pieced together from meeting minutes over 2019–20 and comments by FOMC officials.

a) The July meeting minutes said that FOMC members wished to refine the Committee's Statement on Longer-Run Goals and Monetary Policy Strategy “in the near future.” At a minimum, we expect some discussion of what is being considered, but we might also hear more direct conclusions although this may be more likely in subsequent meetings. Powell said at his July press conference that the revised statement would ‘codify’ what the Fed is largely already doing. The last statement was issued in January 2019 ([here](#)). The main sensitivities include flexibility around the quantified targets, their measurement, tolerance for straying from the symmetrical 2% inflation target and tolerance for trading off goals when they are potentially at odds. A main point of sensitivity is potential alteration to the inflation language that would leave it more open to an averaging and overshooting approach in light of the years of undershooting (chart 1).

b) The revised Statement will be separate from discussion of potential policy tools in the recession playbook. That said, we've probably learned most of what we need to already. The FOMC views negative rates unfavourably. It has generally dismissed yield caps on longer term maturities and views yield caps or targets on shorter term maturities as unnecessary in the current environment. FOMC officials have appeared uncertain toward the best form of forward policy rate guidance, including condition-based, calendar-based or a hybrid form, but seem to generally prefer the flexibility surrounding condition-based guidance. FOMC participants have nevertheless also indicated that they feel that the ‘dot plot’ provides adequate guidance; it shows the Fed on hold throughout 2020–22 at a minimum. Emphasis is likely to remain on the flexibility of Large Scale Asset Purchase programs, other lending and liquidity programs and adjustments to the policy rate.

Jackson Hole won't all be about the Fed though. **Bank of Canada Governor Tiff Macklem** is of course very well known internationally, but he will make his first appearance at a global event since becoming Governor. Macklem will speak on a panel at 11:15amET on Thursday but the topic is likely to be announced in keeping with the BoC's policy of three days ahead, or perhaps in the event's agenda on Wednesday evening. With Brexit talks having largely disbanded, **Bank of England Governor Andrew Bailey** will be the main event next week for gilts and sterling. The fuller agenda will inform potential additional participants across global central banks including emerging markets.

Chart 1



ETCETERA

And then there is everything else which is actually comprised of a fairly short list of main entries.

1. In Canada, the Conservatives are expected to announce the winner of their leadership contest this weekend. Chart 2 shows the polling shares of the popular vote. The way the field gets whittled down and horses get traded in run-off votes can result in very different outcomes. A new leader will have to act quickly to communicate priorities and generate awareness on the path to the federal government's Throne Speech on September 23rd. That same week will bring Parliament back after Prime Minister Trudeau prorogued parliament this past week. A potential confidence vote may be held that faces modest risk of triggering an election. A Budget is likely to follow in the absence of an election.

2. Several countries release GDP reports. Canada does so on Friday and is expected to register a monthly gain of about 5 ½% m/m in June and a quarterly contraction toward the 40% annualized mark in Q2. The way Q2 exits combined with the quarterly math will bake in a rapid rebound in GDP during Q3. The US will take a second swing at estimating Q2 GDP on Thursday but we expect only minor potential revisions to the original estimate that contracted by -32.9% q/q at an annualized rate. Germany will also deliver a second estimate of GDP growth that was originally pegged at -10.1% non-annualized, but with details behind it this time. Norway (Tuesday), Switzerland (Thursday) and Sweden (Friday) also report.

3. Canadian banks release fiscal Q3 earnings reports for the quarter ended May–July. BNS (my employer) and BMO kick it off on Tuesday. RBC and National Bank follow the next day. CIBC and TD release on Thursday and Canadian Western Bank reports on Friday.

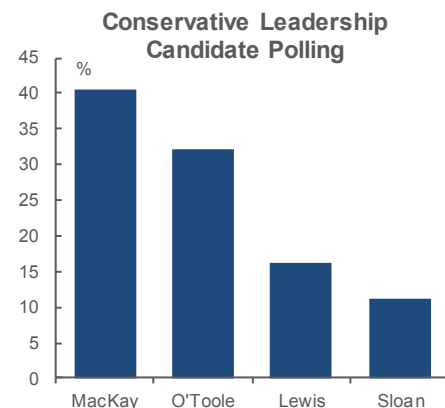
4. The Bank of Canada hosts another workshop on its 2021 renewal of the Monetary Policy Framework on Wednesday. Senior Deputy Governor Wilkins will provide opening remarks at 10amET. Like past events, the main message will likely continue to be around the margins of how the 2% targeting framework continues to be satisfactory. This event will follow an address by Deputy Governor Schembri on Tuesday when he will speak about “the difference between perceived and measured inflation” absent media availability.

5. US macro reports will also include consumer confidence for August (Tuesday). New home sales may struggle to continue growing after a 13.8% m/m rise in July and with mortgage purchase applications largely moving sideways over recent weeks (chart 3). Pending home sales face the same risk in July's estimate on Thursday following a large 16.6% gain on Thursday. The Fed's preferred PCE inflation gauges for July (Friday) may edge higher on gasoline prices and reopening effects especially since we already know what happened to CPI inflation. Durable goods orders for July on Wednesday may continue to showcase strength in the auto sector, but the greater uncertainty is focused upon core orders excluding defence and air. Thursday's weekly claims will also be closely watched following this past week's mild unexpected increase.

6. Only one central bank will deliver a policy decision. **The Bank of Korea** does so on Thursday and no changes are expected.

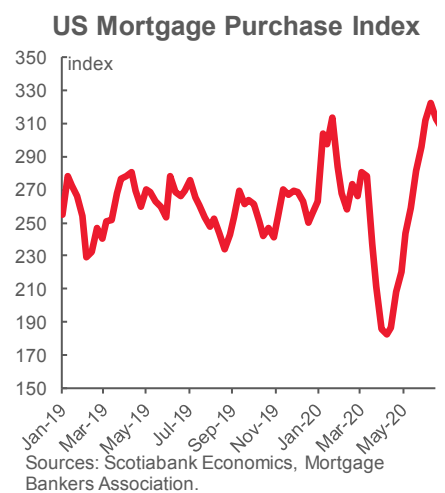
7. **Other global macro developments will focus upon Europe**, while the Latin American calendar will be largely empty for the coming week. Key among the European releases will be Germany's, including IFO business confidence for August as COVID-19 cases rise (Tuesday), and consumer confidence on Friday plus possibly retail sales as soon as next week. France gives the first peek at Eurozone inflation during August on Friday, the same day it reports consumer spending.

Chart 2



Note: Poll respondents were asked “which candidate would be your first choice?”
 Sources: Scotiabank Economics, Mainstreet Research.

Chart 3



Key Indicators for week of August 24 – 28
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>
MX	08/24	07:00	Bi-Weekly Core CPI (% change)	Aug 15	0.2	0.1	0.1
MX	08/24	07:00	Bi-Weekly CPI (% change)	Aug 15	0.3	0.2	0.1
US	08/25	09:00	S&P/Case-Shiller Home Price Index (m/m)	Jun	--	0.1	0.0
US	08/25	09:00	S&P/Case-Shiller Home Price Index (y/y)	Jun	--	3.6	3.7
US	08/25	10:00	Consumer Confidence Index	Aug	94.0	93.0	92.6
US	08/25	10:00	New Home Sales (000s a.r.)	Jul	780	783	776
US	08/25	10:00	Richmond Fed Manufacturing Index	Aug	0.5	10.0	10.0
MX	08/26	07:00	GDP (q/q)	2Q F	--	-17.4	-17.3
MX	08/26	07:00	GDP (y/y)	2Q F	-19.0	-18.9	-18.9
MX	08/26	07:00	Global Economic Indicator IGAE (y/y)	Jun	--	-13.6	-22.7
US	08/26	07:00	MBA Mortgage Applications (w/w)	Aug 21	--	--	6.8
US	08/26	08:30	Durable Goods Orders (m/m)	Jul P	5.0	4.4	7.6
US	08/26	08:30	Durable Goods Orders ex. Trans. (m/m)	Jul P	2.0	1.7	3.6
MX	08/27	07:00	Trade Balance (US\$ mn)	Jul	--	--	5547
CA	08/27	08:30	Current Account (C\$ bn a.r.)	2Q	--	-12.1	-11.1
US	08/27	08:30	GDP (q/q a.r.)	2Q S	-32.9	-32.5	-32.9
US	08/27	08:30	GDP Deflator (q/q a.r.)	2Q S	--	-1.8	-1.8
US	08/27	08:30	Initial Jobless Claims (000s)	Aug 22	1050	1000	1106
US	08/27	08:30	Continuing Claims (000s)	Aug 15	14300	--	14844
US	08/27	10:00	Pending Home Sales (m/m)	Jul	1.0	2.0	16.6
CA	08/28	08:30	Real GDP (m/m)	Jun	-5.0	5.3	4.5
CA	08/28	08:30	Real GDP (q/q a.r.)	2Q	-40.0	-40.0	-8.2
US	08/28	08:30	PCE Deflator (m/m)	Jul	0.5	0.4	0.4
US	08/28	08:30	PCE Deflator (y/y)	Jul	1.1	1.0	0.8
US	08/28	08:30	PCE ex. Food & Energy (m/m)	Jul	0.5	0.5	0.2
US	08/28	08:30	PCE ex. Food & Energy (y/y)	Jul	1.2	1.3	0.9
US	08/28	08:30	Personal Spending (m/m)	Jul	1.5	1.5	5.6
US	08/28	08:30	Personal Income (m/m)	Jul	-0.5	-0.4	-1.1
US	08/28	08:30	Wholesale Inventories (m/m)	Jul P	--	-0.9	-1.4
US	08/28	09:45	Chicago PMI	Aug	--	52.0	51.9
US	08/28	10:00	U. of Michigan Consumer Sentiment	Aug F	--	72.8	72.8

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	08/25	02:00	Real GDP (q/q)	2Q F	--	-10.1	-10.1
GE	08/25	04:00	IFO Business Climate Survey	Aug	--	92.4	90.5
GE	08/25	04:00	IFO Current Assessment Survey	Aug	--	86.9	84.5
GE	08/25	04:00	IFO Expectations Survey	Aug	--	98.0	97.0
SZ	08/27	01:45	GDP (y/y)	2Q	--	-10.2	-1.3
GE	08/27	03:00	Retail Sales (m/m)	Jul	--	1.3	-2.0
GE	08/28	02:00	GfK Consumer Confidence Survey	Sep	--	0.9	-0.3
FR	08/28	02:45	Consumer Spending (m/m)	Jul	--	1.1	9.0
FR	08/28	02:45	CPI (m/m)	Aug P	--	-0.2	0.4
FR	08/28	02:45	CPI (y/y)	Aug P	--	0.1	0.8
FR	08/28	02:45	CPI - EU Harmonized (m/m)	Aug P	--	-0.2	0.4
FR	08/28	02:45	CPI - EU Harmonized (y/y)	Aug P	--	0.2	0.9
FR	08/28	02:45	GDP (q/q)	2Q F	--	-13.8	-13.8
FR	08/28	02:45	Producer Prices (m/m)	Jul	--	--	0.7
SP	08/28	03:00	Real Retail Sales (y/y)	Jul	--	--	-3.3
SW	08/28	03:30	GDP (y/y)	2Q	--	-8.2	0.4
UK	08/28	04:00	Nationwide House Prices (m/m)	Aug	--	0.6	1.7
EC	08/28	05:00	Economic Confidence	Aug	--	85.0	82.3
EC	08/28	05:00	Industrial Confidence	Aug	--	-13.3	-16.2

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

Key Indicators for week of August 24 – 28
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>
NZ	08/23	18:45	Retail Sales Ex Inflation (q/q)	2Q	--	-15.0	-0.7
TH	08/23	23:30	Customs Exports (y/y)	Jul	--	-18.7	-23.2
TH	08/23	23:30	Customs Imports (y/y)	Jul	--	-21.6	-18.1
TH	08/23	23:30	Customs Trade Balance (US\$ mn)	Jul	--	1088	1610
SI	08/24	01:00	CPI (y/y)	Jul	-0.3	-0.6	-0.5
TA	08/24	04:00	Industrial Production (y/y)	Jul	--	3.5	7.3
TA	08/24	04:00	Unemployment Rate (%)	Jul	3.9	4.0	4.0
SK	08/24	17:00	Consumer Confidence Index	Aug	--	--	84.2
PH	08/24	21:00	Budget Deficit/Surplus (PHP bn)	Jul	--	--	1.8
SK	08/25	17:00	Business Survey- Manufacturing	Sep	--	--	57.0
SK	08/25	17:00	Business Survey- Non-Manufacturing	Sep	--	--	60.0
NZ	08/25	18:45	Trade Balance (NZD mn)	Jul	--	285	426
NZ	08/25	18:45	Exports (NZD bn)	Jul	--	5	5070
NZ	08/25	18:45	Imports (NZD bn)	Jul	--	5	4644
SI	08/26	01:00	Industrial Production (y/y)	Jul	--	-6.9	-6.7
HK	08/26	04:30	Exports (y/y)	Jul	--	-3.9	-1.3
HK	08/26	04:30	Imports (y/y)	Jul	--	-6.3	-7.1
HK	08/26	04:30	Trade Balance (HKD bn)	Jul	--	-21.7	-33.3
SK	08/26	20:00	BoK Base Rate (%)	Aug 27	0.50	0.50	0.50
AU	08/26	21:30	Private Capital Expenditure	2Q	--	-8.2	-1.6
CH	08/26	21:30	Industrial Profits YTD (y/y)	Jul	--	--	11.5
VN	08/26	22:00	CPI (y/y)	Aug	--	--	3.4
VN	08/26	22:00	Industrial Production (y/y)	Aug	--	--	1.1
JN	08/27	00:30	All Industry Activity Index (m/m)	Jun	--	6.3	-3.5
JN	08/27	02:00	Machine Tool Orders (y/y)	Jul F	--	--	-31.1
NZ	08/27	18:00	ANZ Consumer Confidence Index	Aug	--	--	104.3
JN	08/27	19:30	Tokyo CPI (y/y)	Aug	--	0.6	0.6
PH	08/27	21:00	Bank Lending (y/y)	Jul	--	--	8.1
MA	08/28	00:00	Exports (y/y)	Jul	--	-1.7	8.8
MA	08/28	00:00	Imports (y/y)	Jul	--	-2.7	-5.6
MA	08/28	00:00	Trade Balance (MYR bn)	Jul	--	15.1	20.9

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	08/25	08:00	IBGE Inflation IPCA-15 (m/m)	Aug	--	0.3	0.3
BZ	08/25	08:00	IBGE Inflation IPCA-15 (y/y)	Aug	2.4	2.3	2.1
BZ	08/25	08:30	Current Account (US\$ mn)	Jul	--	800	2235
CL	08/28	09:00	Unemployment Rate (%)	Jul	--	--	12.2
PE	08/28	10:00	GDP (y/y)	2Q	--	--	-3.4

Global Auctions for week of August 24 – 28

NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	08/25	11:30	U.S. To Sell 2-Year Notes
US	08/26	11:30	U.S. To Sell 2-Year FRN Reopening
US	08/26	11:30	U.S. To Sell 5-Year Notes
CA	08/26	12:00	Canada to Sell 10-Year Bonds
US	08/27	11:30	U.S. To Sell 7-Year Notes
CA	08/27	12:00	Canada to Sell 2 Year Bonds

EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
BE	08/24	05:30	Belgium to Sell Bonds
UK	08/25	05:00	U.K. to Sell 3 Billion Pounds of 0.125% 2026 Bonds
GE	08/25	05:30	Germany to Sell 6 Billion Euros of 2022 Bonds
UK	08/25	06:30	U.K. to Sell 1.25 Billion Pounds of 1.625% 2054 Bonds
NO	08/26	05:00	Norway to Sell Bonds
IT	08/26	05:00	Italy to Sell Bonds
SW	08/26	05:00	Sweden to Sell Bonds
UK	08/26	05:00	U.K. to Sell 0.375% 2030 Bonds
GE	08/26	05:30	Germany to Sell 3.5 Billion Euros of 0% 2035 Bonds
IT	08/28	05:00	Italy to Sell 10-Year Bonds

ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
SK	08/23	21:30	Korea to Sell KRW 350 Bln 20-Year Bond
SK	08/23	22:30	Korea to Sell KRW 550 Bln 20-Year Bond
CH	08/23	22:30	Beijing to Sell 3, 5, 7, 10, & 15 Year Bonds
JN	08/24	23:35	Japan to Sell 20-Year Bonds
PH	08/25	01:00	Philippines to Sell PHP30 Bln 20-Year Bonds
NZ	08/26	22:05	New Zealand To Sell Bonds
JN	08/26	23:35	Japan to Sell 2-Year Bonds

Sources: Bloomberg, Scotiabank Economics.

Events for week of August 24 – 28**NORTH AMERICA**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	08/24-08/27		Republican National Convention in Charlotte, NC
US	08/25	15:25	Fed's Daly Takes Part in a Panel on Inequity and Covid-19
MX	08/27	10:00	Central Bank of Mexico's Monetary Policy Minutes
US	08/27-08/28		Kansas City Fed Holds Annual Policy Symposium

EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
SW	08/23	09:00	Sweden PM Stefan Lofven Gives Annual Summer Speech
EC	08/26	07:30	ECB Board Member Isabel Schnabel Speaks at EEA Congress
UK	08/26	12:00	BOE's Haldane speaks in Edinburgh.
UK	08/28	09:05	BOE Governor Bailey speaks.

ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
SK	08/26	22:00	BoK 7-Day Repo Rate

Sources: Bloomberg, Scotiabank Economics.

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	0.25	September 9, 2020	0.25	0.25
Federal Reserve – Federal Funds Target Rate	0.25	September 16, 2020	0.25	0.25
Banco de México – Overnight Rate	4.50	September 24, 2020	4.50	4.50

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	September 10, 2020	0.00	0.00
European Central Bank – Marginal Lending Facility Rate	0.25	September 10, 2020	0.25	0.25
European Central Bank – Deposit Facility Rate	-0.50	September 10, 2020	-0.50	-0.50
Bank of England – Bank Rate	0.10	September 17, 2020	0.10	0.10
Swiss National Bank – Libor Target Rate	-0.75	TBA	-0.75	-0.75
Central Bank of Russia – One-Week Auction Rate	4.25	September 18, 2020	4.00	4.00
Sweden Riksbank – Repo Rate	0.00	September 22, 2020	0.00	0.00
Norges Bank – Deposit Rate	0.00	September 24, 2020	0.00	0.00
Central Bank of Turkey – Benchmark Repo Rate	8.25	September 24, 2020	8.25	8.25

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	September 17, 2020	-0.10	-0.10
Reserve Bank of Australia – Cash Target Rate	0.25	September 1, 2020	0.25	0.25
Reserve Bank of New Zealand – Cash Rate	0.25	September 22, 2020	0.25	0.25
People's Bank of China – 1-Year Loan Prime Rate	3.85	September 20, 2020	3.85	3.85
Reserve Bank of India – Repo Rate	4.00	October 1, 2020	4.00	3.75
Bank of Korea – Bank Rate	0.50	August 27, 2020	0.50	0.50
Bank of Thailand – Repo Rate	0.50	September 23, 2020	0.50	0.50
Bank Negara Malaysia – Overnight Policy Rate	1.75	September 10, 2020	1.75	1.50
Bank Indonesia – 7-Day Reverse Repo Rate	4.00	September 17, 2020	4.00	4.00
Central Bank of Philippines – Overnight Borrowing Rate	2.25	October 1, 2020	2.25	2.25

Bank of Korea (BoK): Korean monetary policymakers will make an interest rate announcement on August 27. We do not expect any changes to the benchmark interest rate, which currently stands at 0.50%. The most recent rate cut took place following the May 28 policy meeting. Nevertheless, should the economic recovery come to a halt, the BoK could opt to use unconventional policy tools, such as quantitative easing, to keep long-term interest rates low. Since March, the central bank has been buying government bonds through open market operations to improve liquidity in the financial system.

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	2.00	September 16, 2020	1.75	2.00
Banco Central de Chile – Overnight Rate	0.50	September 1, 2020	0.25	0.50
Banco de la República de Colombia – Lending Rate	2.25	August 31, 2020	2.00	2.00
Banco Central de Reserva del Perú – Reference Rate	0.25	September 10, 2020	0.25	0.25

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	3.50	September 17, 2020	3.50	3.50

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

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