

**MANAGING MARKETS**

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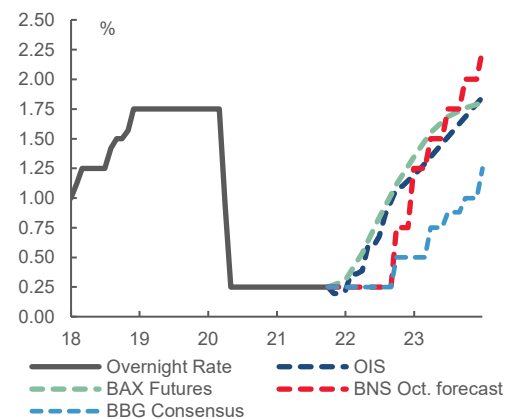
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**Next Week's Risk Dashboard**

- BoC preview
- ECB to push back?
- Is US consumer confidence a warning shot?
- Earnings fan out with big names
- CBs: Brazil, Colombia to hike, BoJ to snooze
- GDP: US, Canada, EZ, Mexico, Sweden, SK, Taiwan
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**Chart of the Week**
**Bank of Canada Policy Rate Projections**


Sources: Scotiabank Economics, Bloomberg.

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

## Managing Markets

### BANK OF CANADA—THE GOVERNOR’S BALANCING ACT

**The Bank of Canada fires off its full salvo of communication tools on Wednesday.** It starts with the statement at 10amET, the Monetary Policy Report including fresh forecasts and analysis at the same time, and then Governor Macklem’s press conference at 11amET for around an hour or so. In what may be a symbolic indication of the BoC’s thinking these days, they will return to holding an in-person lock-up for (vaccinated) journalists under embargo just like the good old times. Thanks, but I’ll watch from here!

Governing Council faces a delicate balancing act this time around. The Governor’s speech on September 9<sup>th</sup> ([here](#)) likely set up a move toward the reinvestment phase of the BoC’s quantitative easing program at this meeting. The result would reduce the C\$2 billion/week rate of purchases in the Government of Canada secondary bond market to about C\$1–1.5 billion/week spread in the primary and secondary markets. The intent is to target a roughly stable portfolio in the face of lumpy maturities that will have the bonds dropping off the balance sheet at a fairly rapid pace (chart 1). The reinvestment phase is loosely forecast to last through 2022 at a minimum and likely lasting through at least several of the first few rate hikes.

Which brings us to what to expect by way of policy rate guidance. The Governor is likely to walk a fine line between attempting to tamp down market pricing toward a rate hike as soon as March/April, versus remaining committed toward rate hikes later in 2022. That could present opportunity to fade market pricing for an early hike in terms of the risk-reward trade-off to what is priced. Our forecast is shown in chart 2 in relation to market proxies drawn from the bankers’ acceptance futures market and the OIS market and the consensus of other economists. We remain less aggressive than markets toward the starting point with a first rate hike still forecast only for next July, broadly in line with the priced path toward the end of 2022 into early 2023 and modestly higher than markets by the end of 2023. The consensus of economists is likely stale compared to our forecasts and poised for possible adjustment, but remains materially lower than our forecast.

Why would the Governor lean against an early hike? He’s likely to keep his options open, but to do so in nuanced fashion. The Governor has guided all along that he will not raise the policy rate until slack has been eliminated. That’s because the BoC holds its output gap framework nearer and dearer to its heart as a guide to expected sustainable future inflation than some other central banks. In the wake of the Q2 GDP disappointment, the mild negative revision to Q1 GDP and the need to lower their Q3 GDP forecast from 7.3% in the July MPR to several percentage points lower, the BoC would need to materially revise its potential GDP estimate lower to offset the implications for wider economic slack to this point than previously expected and yet the Governor lacked conviction toward this when he recently stated that there are good reasons to adjust estimates of potential GDP in both directions. It may punt material amounts of growth into future quarters and still indicate closure of spare capacity by 2022H2 which would be a signal to markets they are offside pricing for a hike by April.

Furthermore, the credibility of the BoC’s forward rate tool is at stake. The Governor needs to think ahead to the strategic implications into future shocks if he were to suddenly hike despite slack in the economy. Recall that one of the powerful ways in which monetary policy worked far better than the BoC imagined during the cycle was because households believed guidance that rates would be on hold for years. That guidance has already been brought forward materially to 2022H2. If the BoC violates its own guidance now, then perhaps no one will believe them in future downturns. If it hikes with slack still prevalent, it risks a dumpster fire around its whole exit framework with markets potentially seeing the BoC as spooked enough to bring forward even more aggressive rate hike pricing.

Chart 1

#### Bank of Canada Bond Maturities

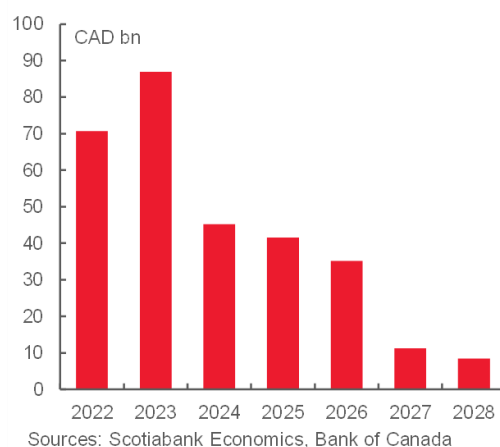
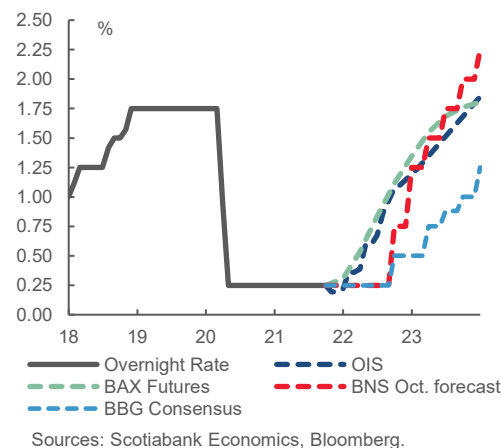


Chart 2

#### Bank of Canada Policy Rate Projections



Still, that hikes are coming seems inevitable. Canada is a world leader on vaccination rates and will become more so with the kids slated for vaccination likely toward year-end. Jobs have been fully recouped and perhaps the unemployment rate is already below estimates of structural unemployment amid nascent evidence of wage pressures. GDP is forecast to fully recover the pandemic hit by the end of this year. Mild further fiscal stimulus may be forthcoming in a combination of the Fall statement and the Winter budget. Canada is turning away from lockdowns toward alternative pandemic-management tools like vaccine passports, vaccine requirements and restricted entry. The country is also benefiting from a strong gain in the terms of trade.

Still, for an explicitly inflation-targeting central bank, it's the 2% that matter the most, so to speak. Rather, it's the BoC's 1–3% flexible inflation target range that is in focus. Back in July, the BoC forecast that inflation would rise to 3.5% y/y 2021Q4 and yet inflation will probably land around a percentage point higher. With our current forecasts of 2.9% y/y in 2022Q4 and 2.7% y/y in 2023Q4, we also think the BoC needs to raise its inflation forecast from 2% in 2022Q4 and 2.4% in 2023Q4, but it may be unlikely to go quite that high while burying its reaction function in the inflation profile.

The trillion-dollar question concerns when/if the BoC expects supply chain and reopening pressures on inflation to ebb, and when it forecasts capacity constraints to take over in setting a floor to inflation rates. The Governor is likely to re-emphasize his view that inflation will take a while longer to cool, but that supply chain and reopening effects (and idiosyncratic drivers in my opinion) will dissipate around a similar time frame to when a Phillips curve set of inflation drivers takes over in keeping the BoC sustainably on its inflation target. By the time it has that conviction, it's likely to be later than markets presently think.

If so, then the BoC is already in run hot mode, likely to stay there for a little while longer, but when it has greater confidence that more durable inflation drivers are ahead, it is likely to withdraw the punchbowl at a fairly rapid clip. Like potato chips, one or two rate hikes would leave any inflation-targeting central bank's hunger unsatiated. To be meaningful, the first stage of the hike cycle is likely to involve a rapid move off the lower bound through a meaningful number of initial hikes.

## OTHER CENTRAL BANKS—TESTING LAGARDE

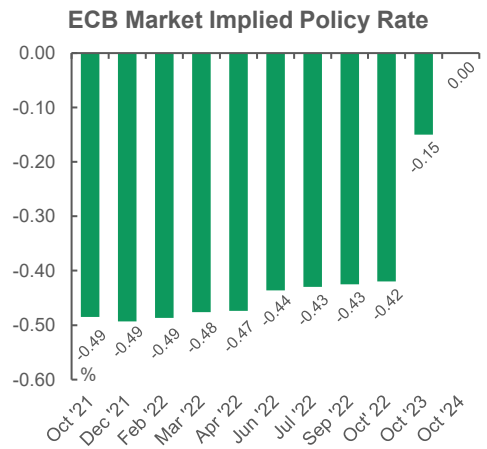
**The ECB decision on Thursday could be the most significant meeting to global markets.** It is fairly widely expected that President Lagarde will lead an effort to push back on pricing for hikes to the -0.5% deposit rate. At present, markets are pricing most of a 10bps hike by next summer, though a return to a zero rate is well down the road (chart 3). Expect lots of talk of base effects, transitory drivers and slack in terms of its inflation logic going forward.

**Brazil's central bank** is expected to hike its Selic rate from 6.25% by another 100–150bps on Wednesday. Inflation has climbed to 10.25% y/y which is the fastest pace since early 2016. Scotia expects the Selic rate to peak at just over 10% by the end of next year (chart 4).

**Colombia's central bank** is also forecast to raise its policy rate by another 25bps on Friday and set up a further likely hike of the same magnitude at the December meeting. Though it is running at a fraction of Brazil's experience, inflation has climbed to 4.5% y/y with core at 3.0% which puts inflation above BanRep's target range for headline inflation at 3% +/- 1%. Scotia forecasts the policy rate to peak at about 5% (chart 5).

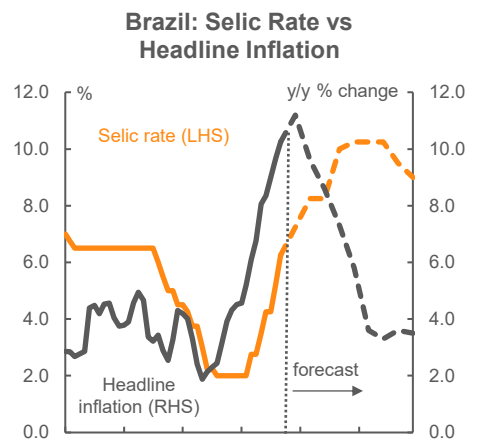
**The Bank of Japan** is very likely to do little to nothing whatsoever later in the week at Thursday's meeting.

Chart 3



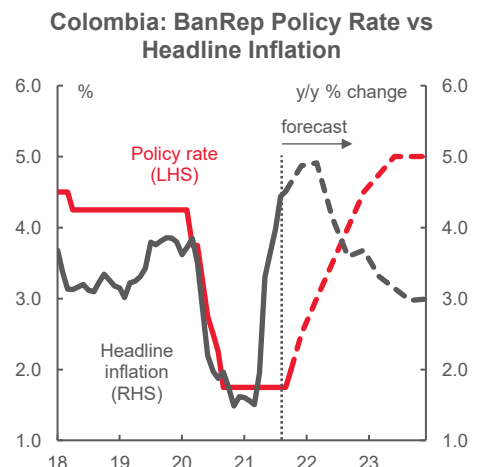
Sources: Scotiabank Economics, Bloomberg.

Chart 4



Sources: Scotiabank Economics, BCB, IBGE.

Chart 5



Sources: Scotiabank Economics, BanRep, DANE.

**EARNINGS—BIG NAME RISK**

Earnings season intensifies across multiple jurisdictions. I'll focus on the US and Canada.

**157 S&P500 firms release Q3 earnings in what could be among the most important weeks of the prolonged season** alongside the kick-off that was around financials. Breadth fans out into key names and segments whose surprises can impact multiple asset classes including names such as Facebook, Twitter, Alphabet, GM, Ford, eBay, Starbucks, Amazon, Merck, 3M, UPS, GE, Boeing, Caterpillar, Apple, Mastercard, Microsoft, Visa.

**North of the border brings out 36 Canadian earnings releases** by TSX-listed firms including names such as Shopify, Bombardier, Shaw, SNC, Fortis, West Fraser.

**MACRO REPORTS—WHAT IS US CONSUMER CONFIDENCE TELLING US?**

The round-up of global macro readings on tap for next week is skewed toward a collection of GDP and inflation figures from across multiple regions, and there may be intensified interest in US confidence figures this time.

US releases will be fairly light but a few will be worth watching:

- Consumer confidence:** The October reading from the Conference Board lands on Tuesday. It has been declining and this has sparked some concern over risks to the economic cycle (chart 6). Some, such as the authors of [this](#) paper, think its decline presages a US economic downturn. They point to how declines in the consumer expectations component predict downturns up to 1½ years in advance of their occurrence. They go on to argue that the decline in expectations suggests the US economy “is entering recession now even though employment and wage growth figures suggest otherwise.” Some of the media coverage left out the last bit! Having said that, it seems a stretch to me to argue that confidence gauges may be as useful now as the authors observe in the past. Developments during the pandemic have been highly distortionary. For instance, perhaps confidence overshot earlier this year when stimulus cheques were flying in multiple rounds and the decline of late is toward something that is still off the pandemic bottom but more realistic. Second, perhaps confidence is weak because of real and/or perceived inability to secure goods to buy amid damaged supply chains. Successive waves of COVID-19 infections could also be whipsawing confidence and lessening its reliability as a gauge of future economic activity. If COVID-19 cases wane, confidence could well recover and this gauge could be back to predicting an economic boom....
- GDP (Thursday):** the first estimate for US Q3 GDP growth arrives on Thursday. We're a touch above consensus at 3½% q/q annualized growth.
- Inflation (Friday):** The Fed's preferred PCE inflation gauges for September arrive on Friday. They should broadly follow CPI with an estimate headline increase of 0.4% m/m that would lift the year-over-year rate to 4.5% while core inflation rides at 0.2% m/m and increases a tick to 3.7% y/y.
- Income and spending (Friday):** Income growth probably faltered in September (0% m/m). The main estimated culprit is the elimination of the extra \$300/week of supplemental jobless benefits for the remaining (mostly red) states that had not already opted out of the supplemental payments. It's unclear if reduced supports will benefit job acceptance rates, but the experiment may have been interrupted by the Delta variant such that if cases continue to decline then it may become a purer experiment. Chart 7 shows estimated income gains over the duration of the year

Chart 6

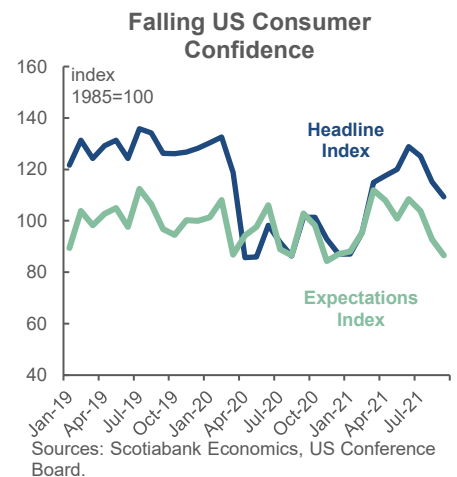
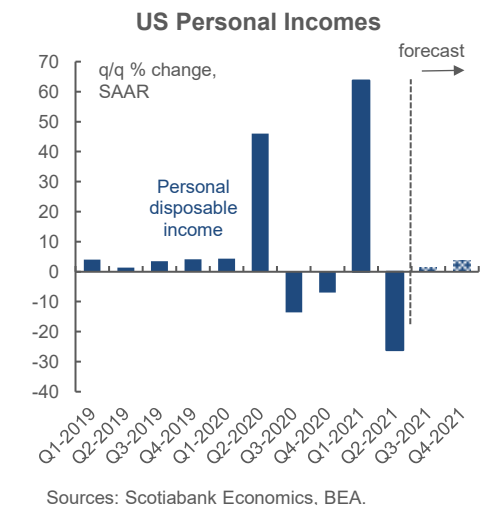


Chart 7



with the caveat that wild stimulus-fed swings have seriously swamped the y-axis! Spending probably grew at a healthy clip given the known gain in retail sales plus estimated growth in services spending.

- **Durables (Wednesday):** Durable goods orders probably fell by ~1½ % m/m in September in part based on steep declines in aircraft orders and ongoing challenges in the auto sector. Core orders (ex defense and aircraft) are estimated to have risen for a seventh consecutive month.

The US will also update new home sales for September (Tuesday) that should get a lift from a rise in model home foot traffic, the Richmond Fed's manufacturing gauge (Tuesday), pending home sales (Thursday) and the advance merchandise trade balance for September (Wednesday).

**Canada updates GDP for the month of August and provides tentative guidance for September.** August GDP was previously guided to rise by 0.7% m/m. Apart from details and possible revisions to the August guidance, the new information is likely to be more concentrated upon September GDP. We know that hours worked were up by 1.1% m/m which is a strong positive for GDP defined as an identity that multiplies hours worked by labour productivity that is in turn defined as output per hour worked. As far as activity readings that could inform productivity, we need value added by sector and can only point to a limited subset of readings for a general flavour of what happened to GDP growth. Those readings are heavily skewed toward the goods sector of the economy and include a 4.5% m/m drop in housing starts, flash guidance for a 1.9% m/m drop in the value of retail sales, a 3.2% m/m drop in the value of manufacturing shipments, and a 0.9% m/m rise in home resales that could lift some of the ancillary services. Still, there is limited ability to track large parts of the service sector which could support the gain in hours worked and jobs to the benefit of the September GDP estimate.

**Mexico's economic growth probably cooled in Q3**, which we will find out about when Q3 GDP arrives on Friday. After solid non-annualized growth of 1.5% q/q in Q2 for the fourth straight quarter, growth is expected to largely stall out in Q3 but the trend amid choppy data is what counts.

**Eurozone CPI for October** is forecast to rise by about ½% m/m that would take the year-over-year rate up toward 3 ¾%, while core inflation is estimated to stay just under 2% y/y. Year-ago base effects are contributing to peak core inflation pressures now through to December before the year-over-year rate is likely to decelerate again into the new year. Germany and Spain update inflation the day before, while France and Italy update on Friday.

**The first estimate for Eurozone Q3 GDP growth** arrives on Friday. Growth is expected to be just over 2% q/q at a seasonally adjusted but non-annualized pace as the economy continues to rebound from the mild contractions over 2020Q4–2021Q1. Sweden also updates Q3 GDP on Thursday which is expected to rise by about ¾% q/q non-annualized.

**Q3 inflation figures from Australia** (Wednesday) are expected to maintain persistent pressure despite expected deceleration in year-over-year headline inflation. Central tendency estimates including trimmed mean and weighted median CPI are expected to rise by ½% q/q non-annualized and lift the year-over-year rates closer to the bottom end of the RBA's 2–3% target range for headline inflation that is expected to pull back closer to 3%.

**Key Indicators for week of October 25 – 29**
**NORTH AMERICA**

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
MX	10/25	07:00	Global Economic Indicator IGAE (y/y)	Aug	--	6.3	7.1
MX	10/25	07:00	Unemployment Rate (%)	Sep	--	--	4.3
US	10/25	10:30	Dallas Fed. Manufacturing Activity	Oct	--	6.2	4.6
US	10/26	09:00	S&P/Case-Shiller Home Price Index (m/m)	Aug	1.5	1.5	1.6
US	10/26	09:00	S&P/Case-Shiller Home Price Index (y/y)	Aug	20.0	20.0	20.0
US	10/26	10:00	Consumer Confidence Index	Oct	108.0	108.5	109.3
US	10/26	10:00	New Home Sales (000s a.r.)	Sep	755	756.5	740.0
US	10/26	10:00	Richmond Fed Manufacturing Index	Oct	--	5.0	-3.0
MX	10/27	07:00	Trade Balance (US\$ mn)	Sep	--	-2,114	-3,902
US	10/27	07:00	MBA Mortgage Applications (w/w)	Oct 22	--	--	-6.3
US	10/27	08:30	Durable Goods Orders (m/m)	Sep P	-1.5	-1.0	1.8
US	10/27	08:30	Durable Goods Orders ex. Trans. (m/m)	Sep P	0.3	0.4	0.3
US	10/27	08:30	Wholesale Inventories (m/m)	Sep P	--	1.0	1.2
<b>CA</b>	<b>10/27</b>	<b>10:00</b>	<b>BoC Interest Rate Announcement (%)</b>	<b>Oct 27</b>	<b>0.25</b>	<b>0.25</b>	<b>0.25</b>
US	10/28	08:30	GDP (q/q a.r.)	3Q A	3.5	2.6	6.7
US	10/28	08:30	GDP Deflator (q/q a.r.)	3Q A	--	5.3	6.1
US	10/28	08:30	Initial Jobless Claims (000s)	Oct 23	295	292	290
US	10/28	08:30	Continuing Claims (000s)	Oct 16	2,350	2,420	2,481
US	10/28	10:00	Pending Home Sales (m/m)	Sep	0.0	0.8	8.1
MX	10/29	07:00	GDP (q/q)	3Q P	--	0.1	1.5
MX	10/29	07:00	GDP (y/y)	3Q P	--	6.2	19.6
CA	10/29	08:30	IPPI (m/m)	Sep	--	--	-0.3
CA	10/29	08:30	Raw Materials Price Index (m/m)	Sep	--	--	-2.4
CA	10/29	08:30	Real GDP (m/m)	Aug	0.7	0.7	-0.1
US	10/29	08:30	Employment Cost Index (q/q)	3Q	--	0.9	0.7
US	10/29	08:30	PCE Deflator (m/m)	Sep	0.4	0.3	0.4
US	10/29	08:30	PCE Deflator (y/y)	Sep	4.5	4.4	4.3
US	10/29	08:30	PCE ex. Food & Energy (m/m)	Sep	0.2	0.2	0.3
US	10/29	08:30	PCE ex. Food & Energy (y/y)	Sep	3.7	3.7	3.6
US	10/29	08:30	Personal Spending (m/m)	Sep	0.6	0.5	0.8
US	10/29	08:30	Personal Income (m/m)	Sep	0.0	-0.2	0.2
US	10/29	09:45	Chicago PMI	Oct	--	64.0	64.7
US	10/29	10:00	U. of Michigan Consumer Sentiment	Oct F	--	71.4	71.4

**EUROPE**

Country	Date	Time	Indicator	Period	Consensus	Latest
GE	10/25	04:00	IFO Business Climate Survey	Oct	98.0	98.8
GE	10/25	04:00	IFO Current Assessment Survey	Oct	99.4	100.4
GE	10/25	04:00	IFO Expectations Survey	Oct	96.6	97.3
GE	10/27	02:00	GfK Consumer Confidence Survey	Nov	-0.5	0.3
FR	10/27	02:45	Producer Prices (m/m)	Sep	--	1.0
GE	10/27	02:00	Retail Sales (m/m)	Sep	0.5	1.2
SP	10/28	03:00	CPI (m/m)	Oct P	1.0	0.8
SP	10/28	03:00	CPI (y/y)	Oct P	4.4	4.0
SP	10/28	03:00	CPI - EU Harmonized (m/m)	Oct P	0.9	1.1
SP	10/28	03:00	CPI - EU Harmonized (y/y)	Oct P	4.6	4.0
SP	10/28	03:00	Unemployment Rate (%)	3Q	14.2	15.3
GE	10/28	03:55	Unemployment (000s)	Oct	-20.0	-30.0
GE	10/28	03:55	Unemployment Rate (%)	Oct	5.4	5.5
EC	10/28	05:00	Economic Confidence	Oct	116.8	117.8
EC	10/28	05:00	Industrial Confidence	Oct	13.0	14.1
<b>EC</b>	<b>10/28</b>	<b>07:45</b>	<b>ECB Main Refinancing Rate (%)</b>	<b>Oct 28</b>	<b>0.00</b>	<b>0.00</b>
GE	10/28	08:00	CPI (m/m)	Oct P	0.4	0.0
GE	10/28	08:00	CPI (y/y)	Oct P	4.4	4.1
GE	10/28	08:00	CPI - EU Harmonized (m/m)	Oct P	0.4	0.3
GE	10/28	08:00	CPI - EU Harmonized (y/y)	Oct P	4.5	4.1

Forecasts at time of publication.

Sources: Bloomberg, Scotiabank Economics.

**Key Indicators for week of October 25 – 29**
**EUROPE (continued from previous page)**

Country	Date	Time	Indicator	Period	Consensus	Latest
FR	10/29	01:30	Consumer Spending (m/m)	Sep	0.4	1.0
FR	10/29	01:30	GDP (q/q)	3Q P	2.3	1.1
FR	10/29	02:45	CPI (m/m)	Oct P	0.3	-0.2
FR	10/29	02:45	CPI (y/y)	Oct P	2.5	2.2
FR	10/29	02:45	CPI - EU Harmonized (m/m)	Oct P	0.3	-0.2
FR	10/29	02:45	CPI - EU Harmonized (y/y)	Oct P	3.1	2.7
SP	10/29	03:00	Real GDP (q/q)	3Q P	2.8	1.1
SP	10/29	03:00	Real Retail Sales (y/y)	Sep	--	-0.1
GE	10/29	04:00	Real GDP (q/q)	3Q P	2.1	1.6
IT	10/29	04:00	Real GDP (q/q)	3Q P	1.9	2.7
SP	10/29	04:00	Current Account (€ bn)	Aug	--	2.5
PO	10/29	04:30	Real GDP (q/q)	3Q P	1.60	4.90
UK	10/29	04:30	Net Consumer Credit (£ bn)	Sep	0.5	0.4
EC	10/29	05:00	Euro zone CPI Estimate (y/y)	Oct	3.7	3.4
EC	10/29	05:00	GDP (q/q)	3Q A	2.1	2.1
IT	10/29	05:00	CPI (m/m)	Oct P	0.4	-0.2
IT	10/29	05:00	CPI (y/y)	Oct P	2.9	2.5
IT	10/29	05:00	CPI - EU Harmonized (m/m)	Oct P	0.8	1.3
IT	10/29	05:00	CPI - EU Harmonized (y/y)	Oct P	3.2	2.9

**ASIA-PACIFIC**

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
JN	10/25	01:00	Coincident Index CI	Aug F	--	--	91.5
JN	10/25	01:00	Leading Index CI	Aug F	--	--	101.8
SI	10/25	01:00	CPI (y/y)	Sep	2.3	2	2.4
JN	10/25	01:30	Nationwide Department Store Sales (y/y)	Sep	--	--	-11.7
MA	10/25	03:00	Foreign Reserves (US\$ bn)	Oct 15	--	--	115.2
TA	10/25	04:00	Industrial Production (y/y)	Sep	--	11.9	13.7
SK	10/25	19:00	GDP (y/y)	3Q P	4.5	4.3	6.0
SK	10/25		Department Store Sales (y/y)	Sep	--	--	13.0
SI	10/26	01:00	Industrial Production (y/y)	Sep	--	-1.2	11.2
HK	10/26	04:30	Exports (y/y)	Sep	--	--	25.9
HK	10/26	04:30	Imports (y/y)	Sep	--	--	28.1
HK	10/26	04:30	Trade Balance (HKD bn)	Sep	--	--	-26.3
SK	10/26	17:00	Consumer Confidence Index	Oct	--	--	103.8
NZ	10/26	17:45	Trade Balance (NZD mn)	Sep	--	--	-2,144
NZ	10/26	17:45	Exports (NZD bn)	Sep	--	--	4,351
NZ	10/26	17:45	Imports (NZD bn)	Sep	--	--	6,495
AU	10/26	20:30	Consumer Prices (y/y)	3Q	3.1	3.1	3.8
CH	10/26	21:30	Industrial Profits YTD (y/y)	Sep	--	--	10.1
JN	10/27	19:50	Large Retailers' Sales (y/y)	Sep	--	-3.2	-4.7
JN	10/27	19:50	Retail Trade (y/y)	Sep	--	-2.3	-3.2
MA	10/28	00:00	Exports (y/y)	Sep	--	8.7	18.4
MA	10/28	00:00	Imports (y/y)	Sep	--	11.9	12.5
MA	10/28	00:00	Trade Balance (MYR bn)	Sep	--	22.6	21.4
NZ	10/28	17:00	ANZ Consumer Confidence Index	Oct	--	--	104.5
SK	10/28	17:00	Business Survey- Manufacturing	Nov	--	--	93.0
SK	10/28	17:00	Business Survey- Non-Manufacturing	Nov	--	--	81.0
SK	10/28	19:00	Industrial Production (y/y)	Sep	--	0.5	9.6
SK	10/28	19:00	Cyclical Leading Index Change	Sep	--	--	-0.3
JN	10/28	19:30	Jobless Rate (%)	Sep	--	2.8	2.8
JN	10/28	19:30	Tokyo CPI (y/y)	Oct	--	0.4	0.3
JN	10/28	19:50	Industrial Production (y/y)	Sep P	--	0.4	8.8
AU	10/28	20:30	Retail Sales (m/m)	Sep	--	0.3	-1.7
AU	10/28	20:30	Private Sector Credit (y/y)	Sep	--	5.0	4.7
AU	10/28	20:30	Producer Price Index (y/y)	3Q	--	--	2.2

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

**Key Indicators for week of October 25 – 29**
**ASIA-PACIFIC (continued from previous page)**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Indicator</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>
JN	10/28	20:00	BoJ Policy Rate (%)	Oct 28	-0.10	-0.10	-0.10
SI	10/28		Unemployment Rate (%)	3Q	--	--	2.8
JN	10/29	01:00	Consumer Confidence	Oct	--	40.9	37.8
JN	10/29	01:00	Housing Starts (y/y)	Sep	--	8.0	7.5
TH	10/29	03:00	Current Account Balance (US\$ mn)	Sep	--	--	-2,536
TH	10/29	03:30	Exports (y/y)	Sep	--	--	8.2
TH	10/29	03:30	Imports (y/y)	Sep	--	--	39.6
TH	10/29	03:30	Trade Balance (US\$ mn)	Sep	--	--	1,895
TA	10/29	04:00	Real GDP (y/y)	3Q A	4.5	4.1	7.4
IN	10/29	06:30	Fiscal Deficit (INR Crore)	Sep	--	--	146,866

**LATIN AMERICA**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Indicator</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>
BZ	10/26	08:00	IBGE Inflation IPCA-15 (m/m)	Oct	--	0.9	1.1
BZ	10/26	08:00	IBGE Inflation IPCA-15 (y/y)	Oct	--	10.1	10.1
BZ	10/27	17:30	SELIC Target Rate (%)	Oct 27	7.25	7.25	6.25
CL	10/29	08:00	Industrial Production (y/y)	Sep	--	--	10.6
CL	10/29	08:00	Retail Sales (y/y)	Sep	14.0	--	25.1
CL	10/29	08:00	Unemployment Rate (%)	Sep	--	--	8.5
CO	10/29	11:00	Urban Unemployment Rate (%)	Sep	--	--	14.2
CO	10/29	14:00	Overnight Lending Rate (%)	Oct 29	2.25	2.25	2.00



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**Global Auctions for week October 25 – 29****NORTH AMERICA**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	10/26	13:00	U.S. To Sell 2-Year Notes
US	10/27	13:00	U.S. To Sell 5-Year Notes
US	10/28	13:00	U.S. To Sell 7-Year Notes

**EUROPE**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
EC	10/25	06:30	EU to Sell Bonds
NE	10/26	04:00	Netherlands to Sell Up to 2.5B Euros of 0% 2031 Bonds
IT	10/26	05:00	Italy to Sell Bonds
UK	10/26	05:00	U.K. to Sell 0.375% 2026 Bonds
GE	10/26	05:30	Germany to Sell EU3 Billion of 0% 2028 Bonds
GE	10/27	06:30	Germany to Sell EU2 Billion of 0% 2036 Bonds
IT	10/28	05:00	Italy Sells Bonds

**ASIA-PACIFIC**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
JN	10/25	04:00	Japan Auction for Enhanced-Liquidity
CH	10/26	23:00	China Plans to Sell 1-Yr Bond
CH	10/26	23:00	China Plans to Sell 10-Yr Upsize Bond
JN	10/26	23:35	2Y Note Amount Sold
JN	10/26	23:35	2Y Note Tail Yield
JN	10/26	23:35	2Y Note Average Yield
JN	10/26	23:35	2Y Note Bid/Cover Ratio
JN	10/26	23:35	Japan to Sell 2-Year Bonds
JN	10/28	23:30	3M Discount Bill Amount Sold
JN	10/28	23:30	3M Discount Bill Average Yield
JN	10/28	23:30	3M Discount Bill Bid/Cover Ratio
JN	10/28	23:30	Japan to Sell 3-Month Bills

**LATIN AMERICA**

No Scheduled Auctions.

## Events for week of October 25 – 29

### NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CA	10/27	10:00	Bank of Canada Rate Decision

### EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
UK	10/24	15:00	BOE's Catherine Mann on a panel at China Finance Forum
UK	10/25	09:00	BOE's Tenreyro speaks
EC	10/26	11:45	ECB's Villeroy speaks in Paris
<b>EC</b>	<b>10/28</b>	<b>07:45</b>	<b>ECB Main Refinancing Rate</b>
EC	10/28	07:45	ECB Marginal Lending Facility
EC	10/28	07:45	ECB Deposit Facility Rate
EC	10/28	08:30	ECB President Christine Lagarde Holds Press Conference

### ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
JN	10/27/21-10/28/21		BOJ Policy Balance Rate
JN	10/27/21-10/28/21		BOJ 10-Yr Yield Target

### LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
BZ	10/27	17:30	Selic Rate
CO	10/29	14:00	Overnight Lending 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	October 27, 2021	0.25	0.25
Federal Reserve – Federal Funds Target Rate	0.25	November 3, 2021	0.25	0.25
Banco de México – Overnight Rate	4.75	November 11, 2021	5.00	5.25

**Bank of Canada (BoC):** The BoC is expected to embrace the reinvestment phase of its quantitative easing program which will keep it about eight months ahead of the Federal Reserve in shutting down the more expansionary phase of its bond purchase program. In nuanced fashion, it is likely to push back on pricing for an early rate hike by April while staying on course with guidance toward rate hikes commencing over 2022H2.

### EUROPE

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
European Central Bank – Refinancing Rate	0.00	October 28, 2021	0.00	0.00
European Central Bank – Marginal Lending Facility Rate	0.25	October 28, 2021	0.25	0.25
European Central Bank – Deposit Facility Rate	-0.50	October 28, 2021	-0.50	-0.50
Bank of England – Bank Rate	0.10	November 4, 2021	0.10	0.10
Swiss National Bank – Libor Target Rate	-0.75	November 4, 2021	-0.75	-0.75
Central Bank of Russia – One-Week Auction Rate	7.50	December 17, 2021	7.50	7.50
Sweden Riksbank – Repo Rate	0.00	November 25, 2021	0.00	0.00
Norges Bank – Deposit Rate	0.25	November 4, 2021	0.50	0.50
Central Bank of Turkey – Benchmark Repo Rate	16.00	November 18, 2021	16.00	16.00

**European Central Bank (ECB):** Surging energy prices will continue to put pressure on short-term inflation readings, but the ECB will likely look through it. No policy rate changes are expected at next week's meeting, but expect communications around asset purchases in advanced of the December meeting where final decisions will be made.

### ASIA PACIFIC

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
Bank of Japan – Policy Rate	-0.10	October 28, 2021	-0.10	-0.10
Reserve Bank of Australia – Cash Target Rate	0.10	November 1, 2021	0.10	0.10
Reserve Bank of New Zealand – Cash Rate	0.50	November 23, 2021	0.75	0.75
People's Bank of China – 1-Year Loan Prime Rate	3.85	November 21, 2021	3.85	3.85
Reserve Bank of India – Repo Rate	4.00	December 7, 2021	4.00	4.00
Bank of Korea – Bank Rate	0.75	November 25, 2021	1.00	1.00
Bank of Thailand – Repo Rate	0.50	November 10, 2021	0.50	0.50
Bank Negara Malaysia – Overnight Policy Rate	1.75	November 3, 2021	1.75	1.75
Bank Indonesia – 7-Day Reverse Repo Rate	3.50	November 18, 2021	3.50	3.50
Central Bank of Philippines – Overnight Borrowing Rate	2.00	November 18, 2021	2.00	2.00

**Bank of Japan (BoJ):** Japanese monetary authorities will hold a policy meeting on October 28. The BoJ will likely maintain its ultra-loose monetary policy stance for an extended period, well past other major central banks' monetary normalization timelines. Inflation remains muted with the headline rate expected to close 2021 at 0.5% y/y. We expect inflation to remain well below the BoJ's 2% inflation target through 2023.

### LATIN AMERICA

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
Banco Central do Brasil – Selic Rate	6.25	October 27, 2021	7.25	7.50
Banco Central de Chile – Overnight Rate	2.75	December 14, 2021	3.75	3.75
Banco de la República de Colombia – Lending Rate	2.00	October 29, 2021	2.25	2.25
Banco Central de Reserva del Perú – Reference Rate	1.50	November 11, 2021	1.50	1.50

**Banco Central do Brasil (BCB):** The BCB is expected to deliver another 100 bps hike on Oct 27, raising the Selic rate to 7.25%. Our rate path falls in line with the central bank's baseline scenario, which has rates rising to 8.25% by year-end. BCB's focus survey revealed expected inflation of 8.3% for 2021, 4.1% for 2022, and 3.25% for 2023, indicating a large upfront spike and gradual return to target over the policy horizon.

**Banco de la República de Colombia (BanRep):** After kicking off its rate hiking cycle last month, the monetary policy committee is expected to mimic that move with another 25 bps hike next week that would bring the lending rate to 2.25%. September's inflation print came in line with consensus and the inflation expectations survey showed that core inflation expectations are still well anchored. We still believe that the hiking cycle will likely be gradual and, by end-2022, we anticipate the monetary policy rate to close at 4.50%.

### 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	November 18, 2021	3.50	3.50

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

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