Global Views

Weekly commentary on economic and financial market developments

May 2, 2014

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Central Bank Week!

- **Please see our full indicator, central bank, auction and event calendars on pp. A3-A8.**

Europe — Will The ECB Act Or Just Talk?

Global central banks will be in the spotlight as the major risk over the week. No fewer than nine central banks issue policy decisions including the ECB, BoE, Norges Bank, and several regional central banks mostly across Asia-Pacific markets. Congressional testimony by Federal Reserve Chair Janet Yellen could also carry market risk. Potentially overshadowing all of this is rising tension in Ukraine and between Russia and the western NATO allies.

Will the ECB introduce new stimulus at next Thursday's meeting and the ensuing press conference by President Draghi? All but two within the Bloomberg consensus of 58 forecasters expect no change in the official policy rate. The odds of embracing QE have also pushed somewhat lower on the heels of the recent CPI print. The question, however, is whether the modest recent rise was enough to allay not only deflation fears but also concerns over operating at low rates of inflation for a prolonged period of time (see chart). If QE is pursued, then it may be more likely to be focused upon the asset-backed securities market. Ensuring homogeneous outcomes within heterogeneous European debt markets is a challenge for the ECB that operates within highly fragmented markets regardless of what type of asset purchase program may be pursued.

Is A Small Uptick Enough To Ward Off ECB Action?

Source: Eurostat, Bloomberg, Scotiabank Economics.

Data risk will take a back seat to central banks by way of shaping market risks, and will be focused upon updates to industrial output and trade across the eurozone. Key focal points will be exports and industrial production figures for March out of Germany and France. These are expected to be positive readings that reverse the downside to German exports in February, and add to evidence of rising business sector output in both countries. Italian industrial production is also expected to rise, but UK output is expected to face a tough time repeating the large gain in February. A bigger issue for the UK is whether April will continue the pattern of recently strong monthly GDP gains into Q2. The economy has been growing at the strongest pace since mid-2010 and feeding expectations that the BoE may be the first of the major central banks to begin tightening policy. The Norges Bank is also expected to leave its policy rate unchanged.

US — Shaking Off Winter's Trade Shocks

Scotiabank Economics has **revised higher our quarterly growth forecasts for the US economy** (see chart). After the sharp Q1 disappointment that we dismiss as attributable to temporary factors including weather effects, we've revised up our Q2 growth target to 4% from 3.5% on the assumption that a deeper temporary pit will give way to the release of more pent-up demand in Q2. That's likely across several parts of the US economy including consumer durables, trade following the difficulty in moving product to and from ports, and business investment. **We also expect the OECD to flag greater upside to US GDP growth** going forward following temporary Q1 weakness when it updates its global economic forecasts next week.

We'll start to get the first test of this forecast revision in Tuesday's trade figures. Recall that gross exports subtracted a full percentage point (-1.1%) from GDP growth in Q1 and gross imports added 0.2%. On net, trade subtracted 0.8 percentage points from GDP growth. We'll be expecting a trade rebound to end the quarter and this may well contribute to an upward revision to trade's pace of contraction and a concomitant **upward revision to Q1 GDP at the partial expense of Q2 growth.**

Lesser releases will include the April reading for ISM services, and Q1 productivity growth. The US economy experienced explosive productivity growth over the second half of last year by rising at a 3.5% annualized clip in Q3

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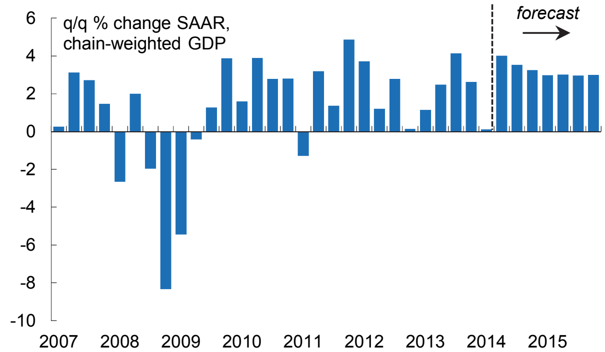
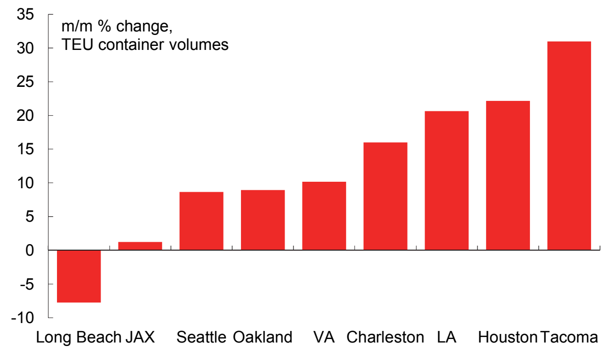
and 1.8% in Q4 for a second-half productivity gain of almost 3.5%. That pace of gain will probably stop dead in its tracks following weak output growth in Q1, but the following quarter should see a resumption of strong productivity growth.



Source: BEA, Scotiabank Economics.

Following the non-event that was the latest FOMC statement, Fed speak returns in full force next week. Key will be Chair Janet Yellen's testimony to the Joint Economic Committee. Recall that it was this event last year when former Chairman Ben Bernanke dropped the bomb on how he might reduce asset purchases later in the year. Fed communications then provided mixed tapering messages thereafter, even as the Fed went on to reduce purchases at the December meeting. Are we repeating the same pattern now but this time in terms of future rate increases? Recall that Yellen remarked at her March press conference that rate hikes could start within six months of ending the asset purchase program that many assume to end in October. Fed communications then tamped down such expectations. Clearly the scope for volatility exists into next week's testimony. Other Fed speakers on tap will include two Governors (Stein who is leaving, and Tarullo) and three regional Presidents (Evans, Bullard and Kocherlakota).

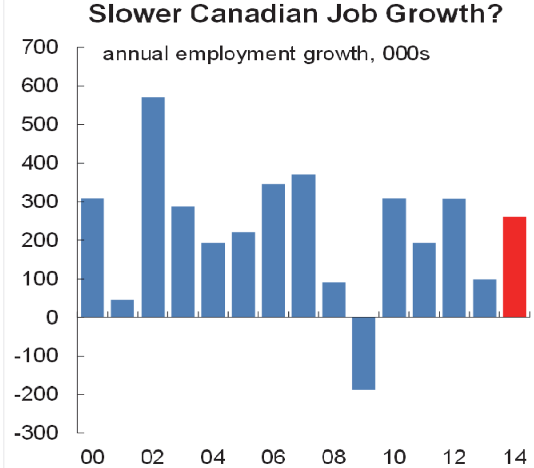


Source: Bloomberg, Scotiabank Economics.

The US also auctions 3s, 10s and 30s. This follows the US Treasury's announcement on April 30th that it will reduce the size of two- and three-year note auctions starting this quarter. Reduced additions to supply may be part of the reason for recent Treasury strength. Three-year note sales will drop by US$1 billion in each of the months of May, June and July and so will two-year note auctions, resulting in US$6 billion less Treasury issuance per quarter compared to the recent run rate. This is consistent with our longstanding argument that auction size reductions would have Treasury issuance tapering coinciding with tapered purchases by the Federal Reserve.

Canada — How Can Exports Not Rebound After The Q1 Disaster?

Three key Canadian indicators have offered highly mixed readings on the health of the Canadian economy so far this year, and the debate over the sustainability of those trends will be further informed by key releases next week. On the bullish side has been job growth which has sharply accelerated in 2014 based upon the full first quarter's pace at an annualized rate (see chart). This follows the weakest pace of job growth since the global financial crisis hit. **Such a job market performance lies at odds with underlying softness across a broad number of activity measures.**



Source: Statistics Canada, Scotiabank Economics.

On the bearish side has been a miserable Q1 for trade. As the accompanying chart depicts, Q1 was an absolute disaster for export and import growth. This is based upon the first two months of the quarter and therefore has yet to capture the strike effect at Vancouver's port that went on throughout March. Thus, **next week's March trade figures will likely only add to the**

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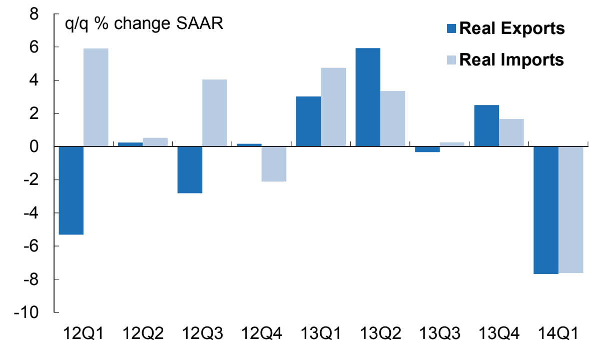
downsides and add to what was already tracking as the weakest quarter for the volume of exports since the recession.

A third issue to watch will be whether housing starts shake off possible weakness stemming from a colder and snowier winter than usual. Starts fell 5% in the first quarter over the last one after seasonal adjustments. It's not clear we'll see this effect in next week's figures. That's because the volume of residential building permits shrank at an annualized rate of about 40% in Q1 over Q4 after seasonal adjustments and split between a 10% drop in permits for single family homes and a 53% drop in permits for multiple housing units which doesn't suggest a near-term pick up in new housing starts.

Trade Still Disappointing To The BoC



Source: Statistics Canada, Scotiabank Economics.

Regional real estate boards will continue to release home resale figures next week. So far, we only have Vancouver's results and they gained 16% from last April while remaining 5% lower than the 10 year average for the month. Canada also auctions 5-year notes on Wednesday.

Asia-Pacific — Can China Continue To Claw Back Export Losses?

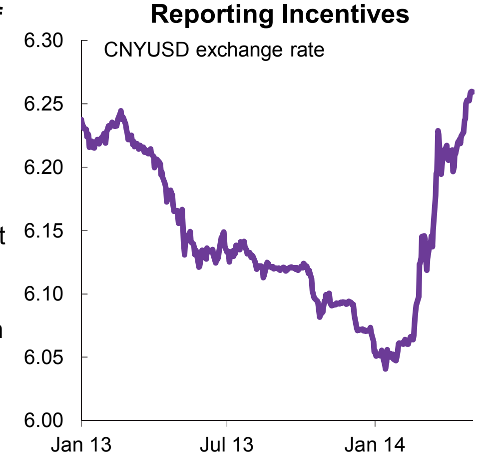
Each of the RBA, Bank Indonesia, Bank Negara, the Bank of Korea, and Bangko Sentral ng Pilipinas issue policy rate decisions next week but none are expected to adjust policy. This is the unanimous belief across consensus with the exception of a small tail risk for a hike in the Philippines and minority views split in both directions for Malaysia's central bank. Bank of Japan minutes to the April 7-8 meeting may further inform the debate over the criteria for expanding stimulus but the minutes are likely to be treated as stale since they precede the April 30th policy meeting that resulted in no policy changes.

Rebound From A False Drop?

Source: Bloomberg, National Bureau of Statistics of China, Scotiabank Economics.

Following encouraging export figures out of South Korea, **we'll be watching for more signs of a nascent recovery in Asian trading channels** when each of China, Australia, Malaysia, India, and the Philippines share updated export figures. **China's export figures are likely to continue along the path toward mending the steep rate of decline** that reached a peak in February when they unexpectedly fell by 18% y/y. The pace of contraction ebbed the following month, and should get closer to balance in the April figures. The prime issue continues to be partial misreporting due to the incentives to under-report as a means of hedging against the People's Bank of China's efforts to depreciate the yuan. As the yuan appreciated against the USD around this time last year the effects were to overstate true export growth, whereas the opposite is occurring more recently (see yuan chart). As such, we continue to view much of China's trade weakness as being overstated. A revised final print for the private sector's version of China's manufacturing PMI could also attract interest into the Monday market open, as could an expected dip in Chinese inflation after showing some promise of having previously carved out a bottom.

Yuan Moves Distorting Trade Reporting Incentives



Source: Bloomberg, Scotiabank Economics.

Other regionally significant releases will include Australian retail sales and jobs, Q1 GDP for Indonesia, New Zealand jobs, and Philippines CPI.

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Momentum Shifts

June marks the fifth anniversary of the global recovery. While this year and next are shaping up to deliver better growth performances, the rebound remains the slowest on record and prone to recurring weakness.

Many advanced countries are still being stressed by the lingering aftershocks from the financial crisis, most notably fiscal restraint in the public sector and balance sheet restructuring and debt reduction in the private sector, though the drag from these adjustments is lessening. Financial institutions are now operating in a tighter regulatory environment. Tapering in the United States has resulted in higher bond yields and longer-term mortgage rates which have dampened U.S. housing affordability, while a number of the more indebted emerging market countries had to implement tighter policy conditions to counter the resulting capital outflows and weaker currencies. Some emerging market nations have been implementing economic reforms which have taken a short-term toll on growth. More recently, many nations around the world have been temporarily affected by abnormal weather conditions this year, while uncertainty surrounding East versus West in the Ukraine has elevated geopolitical risk again.

Nevertheless, leading economic indicators — the high frequency Purchasing Managers' reports for manufacturing and services, as well as equity prices — point to improving conditions around the world. Global growth is projected to advance by 3.3% this year and by 3.6% in 2015. While the combined performance is roughly half a percentage point better than the estimated 3.0% gain in 2013, it is still considerably lower than the 4.8% average annual advance in the high growth period between 2003 and 2007. There are many factors providing support, including low borrowing costs; competitive readjustments to currencies, wages and productivity in a number of countries; government-sponsored infrastructure expenditures; the gradual release of pent-up consumer and business demand in those countries that have consistently underperformed; and the return to 'more normal' weather conditions and production and logistical trends.

Disinflation concerns have abated somewhat, though significant labour and industrial slack persists. The sizeable foreign exchange rate depreciations experienced by many countries since the Federal Reserve began to talk 'tapering' last summer have resulted in higher prices being passed through. Reduced subsidies and selected tax increases in a number of emerging market economies have boosted prices, while wage trends have been picking up in China. Rising food costs have also been a factor in response to drought conditions in many producing regions. Commodity prices have been fairly well contained in recent months, while oil and natural gas prices have edged somewhat higher in response to stronger demand and reduced inventories. Even so, the absence of any significant wage and price pressures should keep short-term borrowing costs at pro-growth levels well into 2015, and potentially even lower in the euro zone if the ECB is forced to address the emergence of deflationary conditions.

U.S. real GDP is expected to expand by 2.6% this year, a slower-than-expected advance due to severe winter weather that stalled growth in the January-March period. A return to stronger activity will be led by improving household spending, increased business investment, strengthening exports, elevated oil & gas development, and a reduced pace of government restraint, with the follow-through boosting real GDP growth in 2015 to 3.2%. Significant order backlogs for transportation equipment and housing-related materials will provide increased export opportunities for both its NAFTA partners, Canada and Mexico. A number of other countries in Latin America, like Colombia, and the Caribbean will also benefit from increasing American demand. Further progress in implementing structural reforms is helping to solidify domestic fundamentals and underpin activity in the mining-centric countries of Chile and Peru, though the international slowdown has resulted in cuts in production and inventories. Brazil will likely remain an underperformer as it grapples with chronic joblessness and under-investment, notwithstanding hosting this year's FIFA World Cup and increasing expenditures for the 2016 Summer Olympics.

The United Kingdom is set to become the G7 growth leader, led by the housing and construction boom in the London region, increased capital inflows, and stronger household spending. Most euro zone countries should post modest advances, piggybacking on Germany's stronger recovery and building upon the competitive revival in industrial activity and exports, tourism inflows, and a modest revival in domestic spending. Prospects in Eastern Europe have become more encouraging, as a number of countries have lowered their debt burdens and raised their domestic competitiveness. Even so, the uncertainty surrounding Ukraine has the potential to delay spending and defer investments in the region, including Russia.

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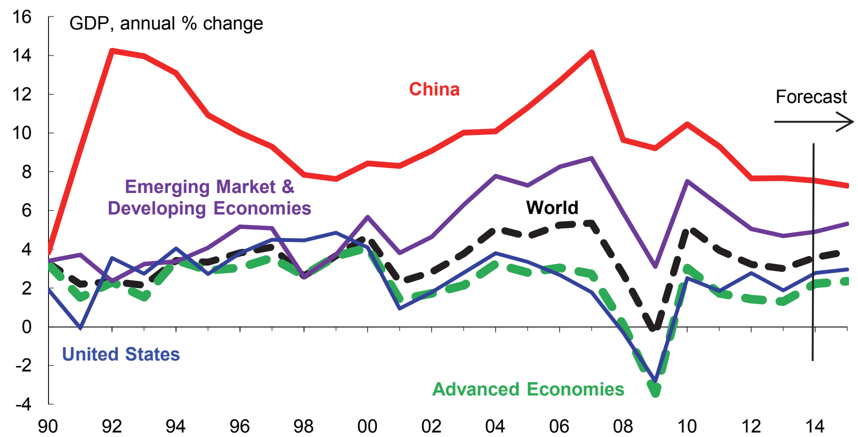
China remains the world's growth leader, though the pace of expansion continues to slow. Activity is being supported by ongoing job and consumer spending gains, and another round of government stimulus, this time geared to expanded railway investments and easier credit for rural borrowers. Increased investments are helping to revive the pace of activity in India, with confidence underpinned by renewed monetary stability, and expectations that a new government will introduce much-needed reforms to bolster growth and lower inflation. South Korea should get a performance lift from rising exports of autos and technology products. However, other countries in the region, Australia for example, are posting moderate growth. China's industrial slowdown is reducing the demand for a number of raw materials and products from its regional trading partners. Japan's stimulus-induced recovery is running into headwinds caused by the sharp rise in the recently introduced VAT tax this spring to help offset the fiscal deterioration, with another increase set for 2015.

China Slows, U.S. Advances



Source: IMF, Scotiabank Economics.

Although Asia-Pacific will remain the world's high-growth region, the global economic landscape is being reshaped by the diverging performance trends between the United States and China. The U.S. economy has the potential to generate much stronger and more sustained growth momentum, reminiscent of the 1990s when activity eventually revved up following the severe housing-related recession that was exacerbated by the collapse of the Savings & Loan industry. China's economy is in a growth deceleration phase, reinforced by the rebalancing that relies more on domestic consumption and private business and less on exports and government investments. This performance is also similar to the 1990s when China's economy was throttled back in response to a number of developments, including a second wave of economic liberalization policies that had resulted in much higher inflation, as well as domestic political and social unrest.

The growth gap between the United States and China will remain large, but will continue to converge since there is more upside potential for the U.S. economy, and more downside risk for the Chinese economy. U.S. growth will be bolstered by government expenditures that are swinging from contraction to net outlays. Consumer spending will accelerate further, supported by rising employment, incomes, and improved household net worth. Strong balance sheets should enable businesses to increase their productive investments to expand capacity and raise productivity. Housing activity should benefit increasingly from the rise in household formation and the significant pent-up demand in recent years for new and existing homes and increased renovation activity. However, the recent lull in housing expenditures highlights that affordability has been dampened by the roughly one percentage point rise in mortgage rates, and the 7% rise in home prices, over the past year.

China's slowdown reflects a number of factors. Demand for its exports has weakened alongside softer economic conditions around the world, and the loss of competitiveness associated with rising wages, and until recently, a stronger yuan. China's leadership has been implementing a number of reforms to reduce excess industrial capacity and financial leverage through cutbacks in local government infrastructure projects and the tightening in domestic credit conditions to limit the 'shadow banking system' and cool the real estate boom. Officials have also targeted corruption and pollution. While the compounding of the restraint could produce a period of greater-than-expected weakness, China has the fiscal, monetary and banking sector flexibility to reverse any protracted slump. The country's foreign exchange reserves stand at a record US$3.8 trillion. Moreover, China is supporting an urbanization trend that could put another 100 million households into cities by 2020, a plan that will underpin domestic spending and the demand for housing.

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Euro Strength Unchallenged; China FX Policy Shifts In Focus

The US dollar (USD), which has failed to rally broadly so far in 2014, seems to be disconnected from the improving fundamental momentum shaping the US economy. On a trade-weighted basis the US currency has encountered strong resistance to adopt a steady appreciating trend against its major currency peers, despite isolated bilateral gains versus select currencies. Official rhetoric by the US Federal Reserve (Fed) reaffirmed the authorities' commitment to a gradual unwinding of monetary stimulus through its paced reduction of large-scale asset purchases, stressing ongoing economic momentum. We do expect that US monetary policy will remain widely accommodating even after the Fed interrupts its unconventional asset-purchase programme. Nevertheless, economic activity data for the first quarter of the year showed significant weakness caused by extreme weather conditions. Following the meagre 0.1% q/q expansion in the first quarter on an annualized basis, we have adjusted our 2014 growth forecast to 2.6%. The strengthening of the S&P 500 equity index contrasts vividly with a stable, if not weakening, USD.

The Canadian dollar (CAD) is faced with improving data, but the recovery is still uneven and the central bank is likely to lag the US Federal Reserve with interest rate hikes, leaving the balance of risks still tilted towards CAD downside. It is worth highlighting that the Chilean peso (CLP) has behaved in similar fashion as the CAD, implying a growing alignment to North-American commodity-linked currencies. At the other extreme, the Brazilian real (BRL) has been trading with a positive tone since the beginning of the year, in defiance to those who advocate a prolonged bearish view for the Brazilian economy. We are of the view that, once the election-related uncertainties dissipate, the Brazilian economy will introduce the needed policy adjustments to regain a steady path of growth in the second half of the year. However, both the BRL and the Mexican peso will remain sensitive to supportive and/or disruptive developments in both the US and China.

The Ukraine-Russian conflict has taken centre stage in Europe. The Russian ruble (RUB) has been subject to a steady weakening phase over the past six months somewhat exacerbated by softening momentum in other core emerging-market assets in China and Brazil. Following a sharp move from 32 to 36 per USD, the RUB has found some relative stability of late, perhaps aided by a major deployment of reserve assets to mitigate a depreciating trend. Russian FX reserves have declined by US$40 billion over the past five months. The Ukraine-centered geopolitical uncertainties will not dissipate any time soon; however, Russia' current account surplus, still sizable FX reserves (US$485 billion), vast energy resources and interconnectedness with core European markets may help instill a sense of relative (perhaps temporary) stability up until elections in Ukraine are conducted on May 25th. The euro (EUR) remains remarkably strong (versus the USD), shrugging off the escalating geo-political tensions linked to Russia's annexation of the Crimean peninsula. EURUSD, which approached the 1.40 mark in mid-March, remains highly resilient to geo-political concerns, and defiant of the unfavourable growth and interest rate differentials as compared with the US outlook. The British pound (GBP) traded to 4½ year highs in April, supported by a relatively strong fundamental backdrop, the outlook for Bank of England policy and supportive capital inflows. At current levels, the GBP is priced to perfection.

China continues to dominate market sentiment in emerging-market currencies. The acute and directional shift in the value of the Chinese yuan (CNY) has prompted international analysts and global market participants to take a deeper look at China's exchange rate policy and outlook for the CNY. A unidirectional appreciating bias (against the USD) is no longer taken for granted, following the authorities' decision to allow its currency to trade within a wider intervention band. We continue to believe that, with almost US$4 trillion in international reserve assets, the Chinese government can target the USDCNY at leisure; however, it seems that the market test currently under implementation suggests that investors prefer a weaker yuan in the near term: the CNY has depreciated by 3.5% against the USD during the first four months of the year. Moreover, renewed CNY weakness is occurring amidst ongoing fragility in Chinese equity markets, as indicated by the 14% loss in the CSI300 index over the past five months. Therefore, we have adjusted our USDCNY accordingly, with potential downside risks in the months ahead. The Japanese yen (JPY) has maintained a stable trading range over the past few months, responding to typical safe-haven trading patterns in times of uncertainty. We expect the Bank of Japan to eventually turn towards further stimulus, driving USDJPY to 109 by year-end. Elsewhere in the emerging-market landscape, both the Indian rupee (INR) and the South Korean won (KRW) have maintained a steady recovery and appreciating trend, regaining investor-favourite status.

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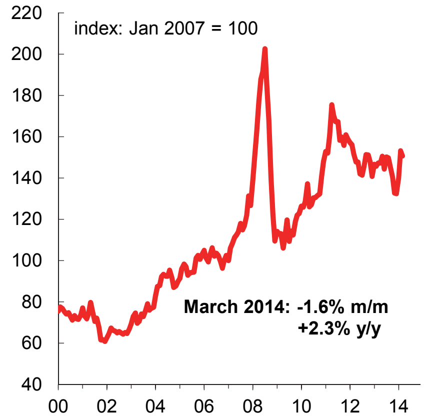
Scotiabank's Commodity Price Index Eases In March

- **U.S. delays Keystone XL Pipeline ruling — highlighting once more the 'critical' need for oil export pipeline development to the B.C. Coast & Atlantic Canada.**
- **Nickel prices surge alongside an Indonesian export ban & potential sanctions on Russia.**

After a strong start to 2014, Scotiabank's Commodity Price Index slipped by 1.6% m/m in March, but stayed 2.3% above a year earlier. The Oil & Gas Index led the decline (-5.5% m/m) — after surging in January and February — but remained 25.1% above a year earlier.

Canadian natural gas export prices unwound, as spring weather approached, after spiking at the New Brunswick/Maine border, with volumes bound for tight markets in the U.S. Northeast. Light and heavy oil prices at Edmonton also receded, though the decline was modest. Western Canadian Select heavy oil (WCS) dropped from US$81.54 per barrel in February to US$79.54 in March, as the discount off WTI widened slightly to US$20.97. WCS prices stayed just above that level in April, with stronger WTI oil prices at US$102 offsetting a wider WCS discount of US$22.47.

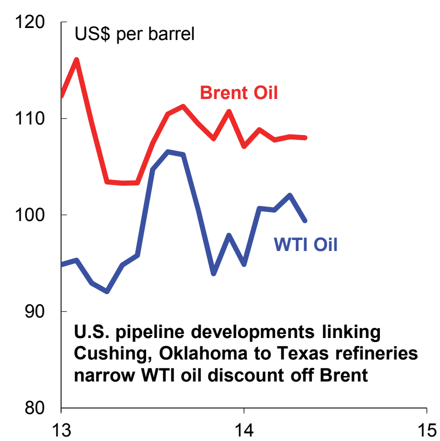
Scotiabank Commodity Price Index



A trade-weighted U.S. dollar-based index of key Canadian exports: Oil & Gas, Metals & Minerals, Forest Products and Agricultural prices.

Oil & gas equity valuations have recently strengthened, with the S&P TSX Oil & Gas Exploration & Production Index climbing 18.5% YTD and 5.5% in the past month. Stronger equity valuations reflect four developments:

WTI vs. Brent Oil Prices



Data to May 2, 2014.

1) WTI oil prices have moved up closer to international levels, as measured by Brent, benefitting the Canadian 'oil patch'. Start-up of TransCanada's Gulf Coast project (the former southern leg of the Keystone XL Pipeline) and expansion of the Seaway Pipeline have drained high oil inventories at the Cushing, Oklahoma hub (the pricing point for the NYMEX contract), pushing up WTI oil prices;

2) despite a further delay to a Presidential ruling on the Keystone XL Pipeline (from Alberta to Steele City, Nebraska), U.S. institutional investors are increasingly comfortable that Alberta heavy oil will find its way to Texas refineries via rail & barge. However, we note that inventories of 'light' oil have been shifted to the US Gulf Coast and are now at record highs. While 'Light, Louisiana Sweet' oil prices are holding up well, the U.S. crude oil export ban and limited USGC refinery capability to lift petroleum product exports further — in an environment of rapidly rising U.S. 'light, tight' oil production — will eventually pose a risk for light crude oil prices across North America; building additional export pipeline capability to 'tidewater' to tap the Asia/Pacific markets remains critical for Western Canada's light oil as well as heavy oil producers;

3) a slightly higher 'geopolitical risk premium' in world oil prices due to Russian-Ukraine tensions, though we doubt actual oil & gas-related sanctions will be imposed on Russia; and

4) optimism for a strong pick-up in U.S. growth in the second quarter.

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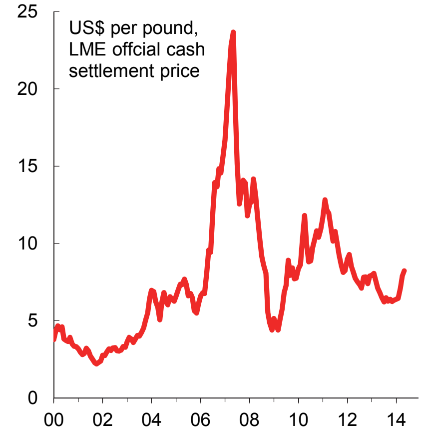
Indonesian Export Ban Boosts Nickel Prices



Data to May 2, 2014.

Turning to metals, market conditions have been mixed, with the Scotiabank Metal & Mineral sub-index slipping 0.7% m/m in March and remaining 16.3% below a year ago. However, LME nickel prices soared to US$8.41 per pound on April 28 — more than a 14-month high — and well above a mere US$6.30 at the start of this year. Indonesia placed a ban on the export of all unprocessed nickel-containing ores on January 12, 2014 — a ban which looks likely to continue. China smelts Indonesian ore into nickel-pig-iron (NPI), in turn used to manufacture stainless steel. While China had stockpiled Indonesian ore last year, anticipating a potential ban, these stocks will likely be worked down by next Fall, with global supplies becoming quite tight. Indonesian ore accounted for 28% of world mined nickel supplies last year, with Indonesia the top producer.

The net result, we have revised up the price forecast for nickel to at least US$7.90 per pound for 2014 and US$9.50 in 2015 (possibly as high as US$10.50.) Though Sudbury mines were still profitable at the weaker prices of early 2014, this development is welcome news. Canada is the world's fifth largest nickel producer, centred in the Vale and Glencore/Xstrata operations in Sudbury, Vale in Thompson, Manitoba, the Glencore/Xstrata Raglan mine in northern Quebec and the Vale Voisey's Bay mine in Labrador).

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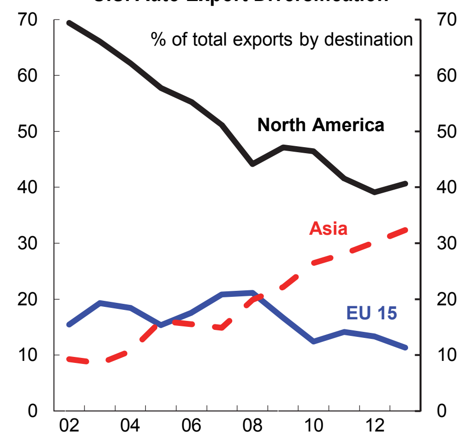
Geographic Diversification Is Crucial For Auto Exporters

- **Canada lags the diversification trend.**

Most industrialized auto-producing countries have significantly shifted their exports of motor vehicles over the past decade to meet rapidly growing demand in Asia and other developing markets. Canada is the exception, and is the only global "top 10" vehicle manufacturer that continues to rely almost exclusively on one market for its auto exports. All other major vehicle producers have become geographically diversified, or in the case of emerging markets such as China, assemble cars and trucks mainly for their domestic market.

U.S. Auto Export Diversification



Source: ITC, Scotiabank Economics.

Canada remains the second-largest vehicle exporter to the United States, after Japan, and exports more than 2 million vehicles annually to its NAFTA partner, but shipments outside of North America are virtually non-existent. In contrast, both the United States and Mexico have significantly boosted their exports outside of North America over the past decade. U.S. vehicle exports outside of NAFTA now exceed one million units per annum and account for 10% of overall U.S. production, quadruple the level of a decade ago. Export growth outside of North America has been even stronger for Mexico and totals 20% of vehicle assemblies.

Major European and Asian vehicle producers have also significantly increased their intercontinental exports. Shipments from industrialized auto-producing nations to other continents have increased by 6.2% per annum over the past decade, more than a percentage point faster than exports to the "home region". Recent Free Trade Agreements with the European Union and South Korea provide Canada with the potential for much-needed exports outside of North America, especially since sales in the region have been growing at a slower pace than the global total. North America now accounts for only 22% of global car and truck sales, down from 35% a decade ago.

In contrast to Canada, export-intensities for the other industrialized major auto-exporting nations average around 50% of domestic production, with half of all exports destined to other continents. While the export concentration is higher for most Western European nations, the European Union (EU 15) now absorbs only 40% of Germany's auto exports, down from 55% a decade ago. Meanwhile, one-quarter of Germany's exports are now destined to Asia and nearly 20% are exported to North America. The trend is similar for the industrialized Asian vehicle-producing nations, with only one-quarter of exports from Japan and South Korea remaining in Asia (including the Middle East).

China is the fastest growing market for German luxury brands, with auto exports to China surging sevenfold over the past decade and now account for nearly 40% of overall German vehicle shipments to Asia, double the share of a decade ago. U.S. automakers are also making solid gains in China and the wealthy markets of the Middle East. For example, Saudi Arabia is the fifth-largest market for vehicles assembled in the United States and the United Arab Emirates is the sixth. Exports to both markets are concentrated in large luxury cars and SUVs, due to low gasoline prices and a large number of high-net-worth households in both countries.

In contrast to industrialized auto-producing nations, emerging vehicle manufacturers — China, Brazil and India — have a much greater focus on their domestic market. China exports less than 5% of the vehicles it produces. Export intensities are somewhat higher for Brazil and India, but represent less than 20% of domestic output. Furthermore, the emerging vehicle-producing nations also tend to be more geographically diversified than Canada. Only 35% of all vehicles exported from China and India remain in Asia. In the case of Brazil, 75% of its exports are destined to its MERCUSOR neighbours — Argentina, Paraguay, Uruguay and Venezuela.

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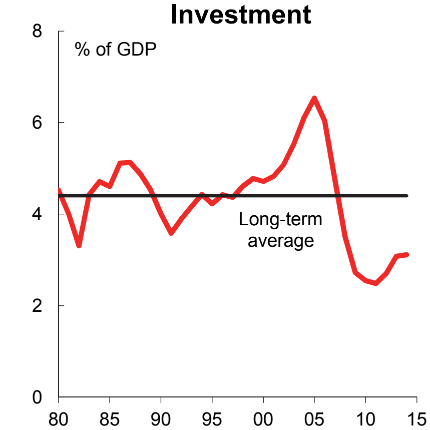
A Lagging U.S. Housing Recovery

- **A number of factors — from harsh winter temperatures to lower affordability — have combined to slow the U.S. housing recovery. Nonetheless, we expect sales and construction to grind higher this year, supported by improving job markets, firmer wage gains and some easing in lending conditions.**

From a cyclical perspective, the U.S. housing recovery has considerable room to run. Even with the gradual pickup in sales and construction over the past several years, residential investment as a share of GDP, at 3%, is still roughly 1½ percentage points below its long-term average (chart 1). Housing starts are running about 30% below annual replacement levels of around 1.4 million units. New and existing home sales also remain below historical norms.

Chart 1 - U.S. Residential Investment

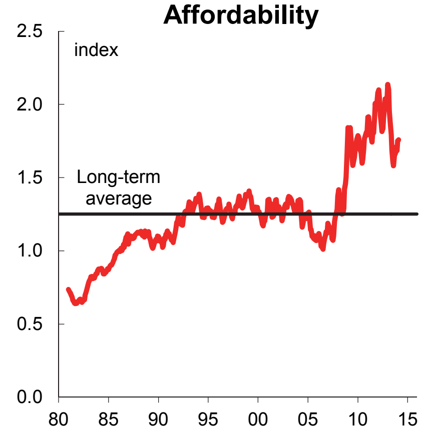


Source: BEA, Scotiabank Economics

U.S. housing sector fundamentals are on a much stronger footing. Mortgage delinquency and foreclosure rates are at multi-year lows. Distressed home sales are down sharply, accounting for just 15% of purchases compared with one-third of transactions in 2011. The number of homeowners with negative equity has dropped from 25% in 2010 to 13% at the end of 2013.

Yet the recovery continues to struggle to regain sustained traction, beyond the adverse effects of inhospitable winter weather. Softening investor sentiment alongside a shrinking pool of heavily discounted distressed properties has contributed to the slower momentum. According to NAR's latest *Home Buyers Survey*, investment home sales dropped 9% last year, to 20% of total sales from 24% in 2012 and 27% in 2011.

Chart 2 - U.S. Housing Affordability



Source: NAR, Scotiabank Economics

The bigger challenge is the still low participation of first-time buyers, a cohort highly sensitive to home prices and interest rates. First-time buyers currently account for about 30% of resale home purchases, well below their typical 40% share. The roughly 15% increase in average home prices in the past two years combined with a nearly 100 bp increase in mortgage rates have significantly raised monthly carrying costs, even if affordability remains good from a historical perspective (chart 2).

Sustaining the recent improvement in U.S. hiring trends is a crucial precondition to a stronger housing recovery. Notwithstanding recent job gains, the employment rate in the key 25-34 year-old home-buying demographic remains about 4 percentage points below its pre-recession level. Tight credit conditions, weak wage growth and high student debt loads have further raised the homeownership bar.

A lack of affordable inventory, especially in the lower-priced segments, also is holding back activity. This shortage may persist in the near-term, with new home construction increasingly geared to the higher end of the market — the average square footage of newly built single-family homes jumped to a record over 2,600 last year. The average new home garners a record 35% price premium over a resale home.

The higher-end of the U.S. housing market is outperforming, with wealth gains from rising home and equity values disproportionately benefitting high-net worth households. U.S. vacation home sales jumped 30% last year, though they remain well below the 2006 peak. Home sales over the $1 million mark have risen 8% in the past year, in contrast to flat or lower sales volumes in all other price categories.

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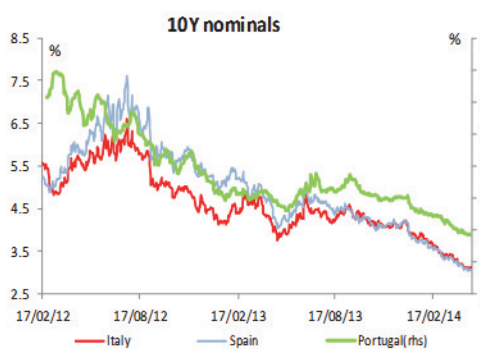
ECB Meeting Preview — Stick To The Script

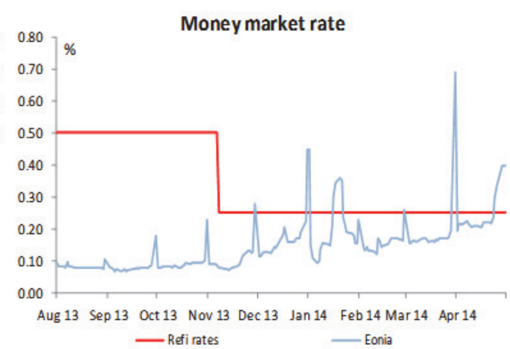
- *ECB president Draghi 24/04/2014: "We have also further simplified our reaction function by laying out some contingencies that would warrant a monetary policy reaction. These are"*
  - ***first**, an unwarranted tightening of monetary policy stance (from developments in short-term money markets, global bond markets or foreign exchange markets) that could be tackled through more conventional measures.*
  - ***Second**, a further impairment in the transmission of our stance, in particular via the bank lending channel, for which a targeted LTRO or an ABS purchase programme might be the right response.*
  - ***Third,** a worsening of the medium-term outlook for inflation, which would warrant a more broad-based asset purchase programme".*

Reducing expectations for the May meeting

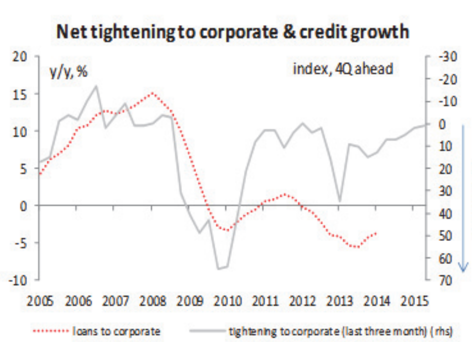
- On the basis of this declaration, we would say that the prospect for additional actions at the May meeting has clearly reduced over the past month.

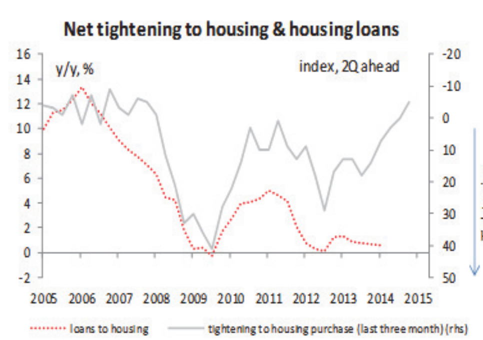
- **On the first point:** there has not been "unwarranted" tightening monetary policy. The euro nominal effective exchange rate has roughly stabilised while the rally on the bond market (especially peripherals) has continued. The only point of concern comes from money market rates with the eonia printing at around 0.4% that is well above the refi rate at 0.25%. However, the volatility of the eonia at the turn of the month is always difficult to address.





- **On the second point:** March credit and money growth data continued to show very poor developments. This adds to the view that the transmission of the monetary policy remains impaired. However, the April ECB lending survey sent an encouraging signal. Banks' loans to enterprises showed net tightening easing slightly to 1% from 2% and with expectations in the next three months for a net easing of -5%. In the meantime, for housing loans, we now see net easing (from 0% to -5%). So, these dynamics will encourage the ECB's feeling that the contraction/or low credit growth seen in the March data would be about to turn up.





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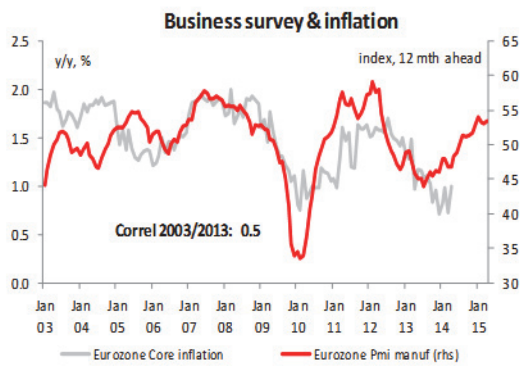
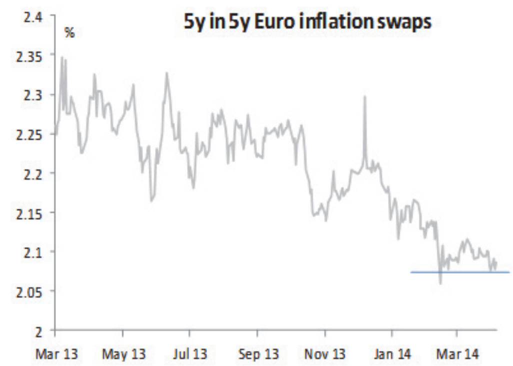
- **On the third point:** April Eurozone flash HICP recovered from its low point of 0.5% in March to 0.7% y/y. More importantly for the ECB, core inflation also recovered from its historical low at 0.7% to 1.0% y/y. In the meantime, there has not been any strong disanchoring of inflation expectations. On the euro inflation swaps market, 5Y in 5Y inflation swaps have stabilised at around 2.10%. This is key because, as long as inflation expectations remain anchored, the ECB believes that the inflation cycle will converge toward the growth recovery cycle. In this regards, first data on Q1 GDP as well as the surprising rebound in April Eurozone PMIs and the German Ifo add to the view that this recovery remains on track, meaning that there is no demand shock in the pipeline.

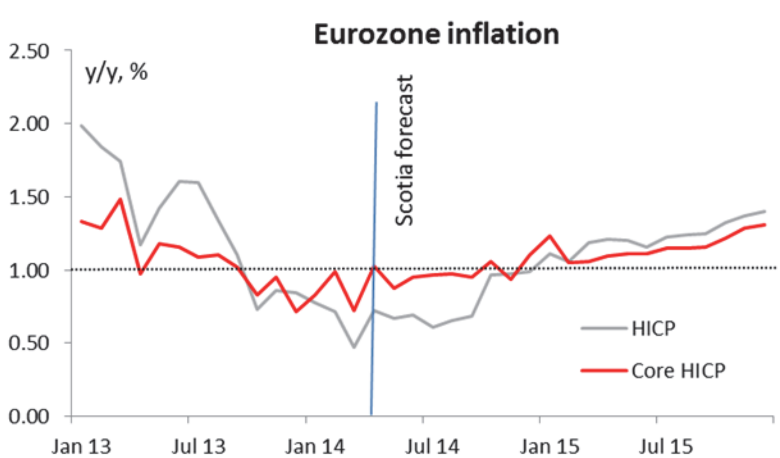




What lies ahead?

- Our scenario remains for a prolonged status quo but we highlight that the probability for action from the ECB remains considerable. Indeed, inflation remains uncomfortably low while the recovery scenario is still fragile. So, there is always more probability to face downside than upside surprises with any new adverse shocks creating very worrying developments.

- Our scenario indeed validates the view that inflation will roughly stabilise in the coming four to five months at around 0.7% y/y, before accelerating toward 1.0% y/y in the final quarter of the year on the back of favourable base effects in both food and energy prices in particular. So, we do not anticipate the rate falling back below the March 0.5% y/y line which could trigger some action. On the growth side, we look for the ECB's loose monetary policy to gradually diffuse into economic activity as suggested by the last ECB lending survey, which also reported for the first time a pick in demand for credit from both corporates and households.



- However, beyond possible external global growth and geopolitical shocks, this scenario could be put in question by two factors which could trigger ECB action:

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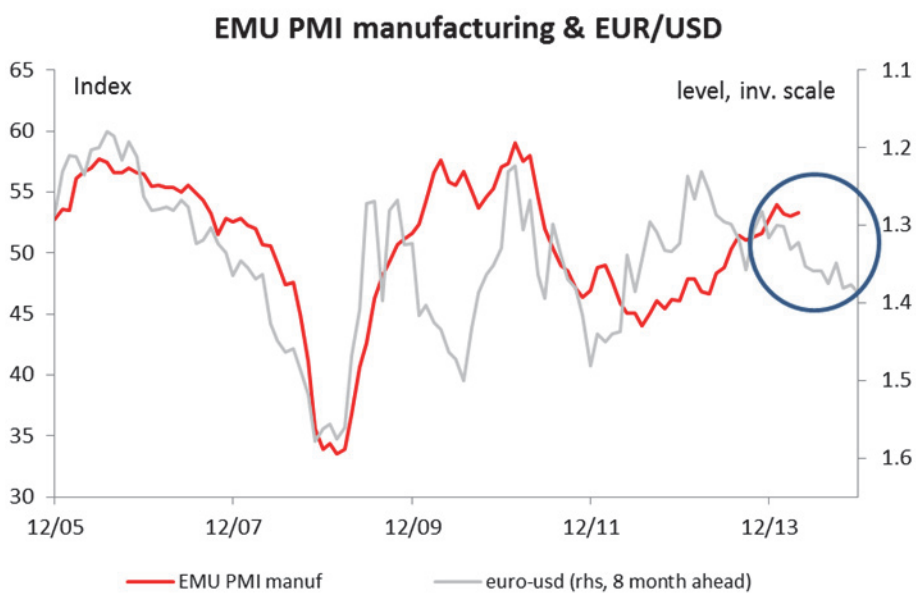
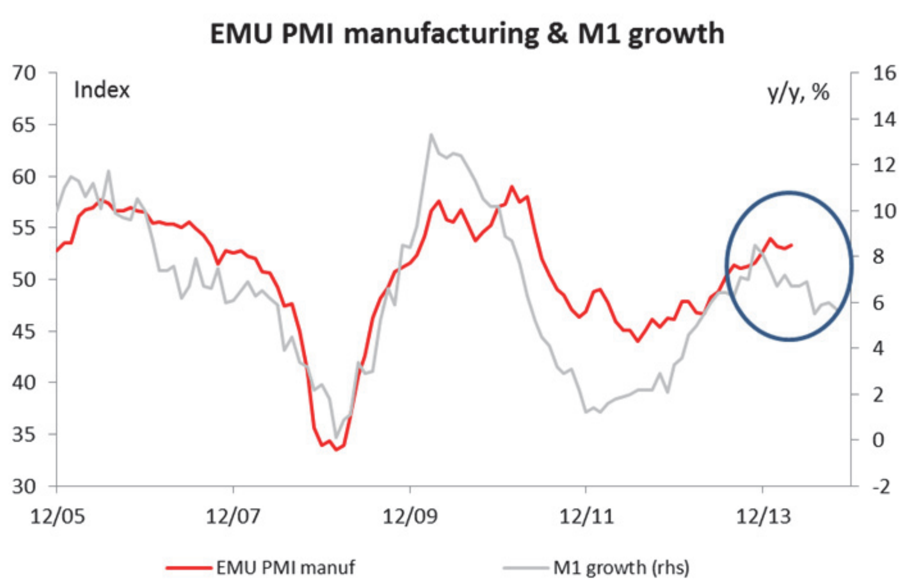
- The lagging impact of the past appreciation of the euro. The April rebound in eurozone PMIs has reduced this risk somewhat by suggesting that it could have been more than offset by strengthening demand possibly in the peripheral countries. However, it remains in our view a very high risk with the necessity for the ECB to cap any appreciation. In this context, breaking above the 1.40 level vs. the USD would likely trigger some action. Given current high expectations from the market for the ECB's June meeting, the risk of an adverse reaction in the euro in the case of a status quo could be the trigger for the ECB to act. In view of Draghi's speech, it keeps alive the possibility of rate cuts at this meeting.



- A more prolonged impairment in the transmission of the monetary policy. In view of the last ECB survey, we suspect that the central bank is ready to wait few more months to see improving money supply and credit growth. If not, then point #2 of Draghi's framework will be activated and we suspect that the ECB would like to wait to have a full view on the Eurozone banking system at the end of the AQR to implement an LTRO or ABS programme if needed.



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- To conclude, the odds for additional action from the ECB remain low for the May meeting. The only point of immediate stress at this meeting could come from the recent development in the money market. This could be quickly addressed by ending the sterilisation of the SMP program.

- Otherwise, the June meeting remains a key one. While the ECB will likely confirm its growth scenario, it will be forced to once again lower its inflation expectations for this year from 1.0% to around 0.8% y/y. Could this be the trigger for action? We do not think so as the downward revision will be mainly related to food price softness and in this context, the 2015 and 2016 inflation forecasts could remain unchanged. However, at this stage, given market expectations for this meeting, maintaining the status quo creates the risk of pushing the euro higher. This could force the ECB to act on rates although we think the central bank will again opt for strong dovish wording. Beyond this, a full QE programme seems a very low probability while a targeted LTRO or ABS purchase is a possibility, but likely after the AQR and only in case there are no signs of improving credit growth by then.

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UK Bank Of England Preview

- The Bank of England Monetary Policy Committee (MPC) meeting on Thursday, May 8th is likely to see no change in policy.
- It will be accompanied by the updated *Inflation Report* projections and the following week's press conference will give us vital clues about how the MPC's stance is evolving.
- The tone of the latest MPC minutes provided hints that some members might be moving towards dissenting on the hawkish side later in the year.
- The Bank's economic forecasts should be very little changed from last time:
    - Growth was a touch weaker than the Bank forecast during Q1 (0.8% q/q vs its expectation of 1.0% q/q). However the Bank will assume that there will be upward revisions further down the road.
    - The inflation profile is likely to be very little changed from last time; the 2-year ahead projection is likely to be around 1.8-1.9% y/y.
- Largely speaking this is the sort of 'boring' monetary policy environment that former BoE governor, Mervyn King would have longed for:
    - Growth is about right; not too hot, not too cold;
    - Inflation is close enough to target (1.6% y/y — a small margin below target);
    - Unemployment is falling; and
    - Wage inflation is recovering towards a more normal pace.
- Nonetheless, there is still plenty of scope for a rigorous debate at this meeting and those over the rest of the year.
    - **The housing market:** London is showing near-20% y/y house price inflation and the UK as a whole is seeing close to 10% house price inflation.
    - There are a number of reasons why the MPC might be prepared to tolerate the situation:
        - The Financial Policy Committee (FPC) is charged with overseeing risks to financial stability.
        - Linked to that, the Bank should only be concerned if the buoyancy of the housing market is being fuelled by excessive lending practices which put the financial system at risk. With new lending criteria (the Mortgage Market Review — MMR) coming into effect, there are mechanisms designed to moderate these risks.
        - UK house price inflation excluding London is far less elevated. London is in a world of its own. Overseas cash buyers (from Asia, Russia, and the Middle East) have contributed to the buoyancy of prices in the capital. Bank Rate hikes, FPC action and BoE Rate hikes probably won't impact this portion of the market.
        - Household real disposable income has only just turned positive. Up until now the buoyancy of the housing market has helped to get the recovery back on track. The recovery could be put at risk if any action is taken that causes the housing market to stall and extinguish the feel-good factor before the more fundamental drivers of spending (i.e., real incomes) have got back up to speed.

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- **If you can't hike in this environment, when can you?** If all the BoE cared about was the 2% inflation target, then there is good reason to keep the Bank Rate on hold for some time to come. Inflation is a fair margin below target and likely to stay below target for around another 18 months.

- However, the experience of the last few years has shown that the MPC has had to exercise judgement in these situations. GDP growth is above trend, unemployment is falling fast, and house price inflation is elevated. Monetary policy is in emergency mode, but there is no longer a major emergency.

- The Bank doesn't need to raise the Bank Rate to cool off the economy. Rather, it does need to think about normalising the policy rate in order to recharge its monetary policy ammunition. It should also consider taking out some insurance against the dangers of keeping policy excessively accommodative for longer than necessary.

Overall, there is a lot to talk about at this MPC meeting, but it is very unlikely to result in any imminent action. While the Governor could easily justify signalling no change in policy for a considerable period, our sense is that the Bank is gradually creeping towards the point at which it will begin to withdraw policy accommodation. We believe that two influences will either speed up or slow down that process. Firstly, if the acceleration in wage inflation steps up a gear, then the first hike will probably arrive sooner — potentially before the end of this year. The flipside is that if CPI inflation has not bottomed out and falls to 1.5% y/y or lower, then we doubt that the first hike will arrive before late-2015.

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Key Data Preview

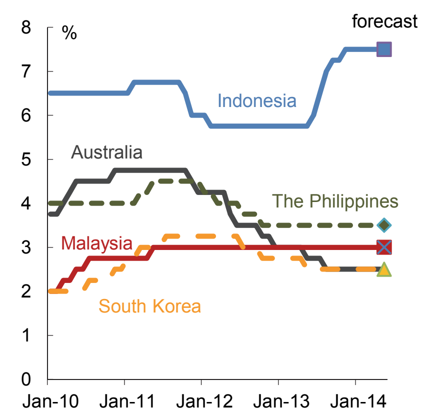
LATIN AMERICA

Latin American economic data releases will be dominated by inflation reports in the following core countries: Colombia (May 5th), Chile (May 8th) and Brazil (May 9th). The inflation pattern widely differs between **Brazil** and the rest of the South American economies. Structural rigidities and indexation practices embodied in labour and tax frameworks are the major impediments to lower inflation in the hemisphere's second largest economy; the latest survey conducted by the central bank calls for a 6% y/y rate for the market-benchmark IPCA inflation index in the coming 12 months, yet monthly readings are still above that mark, and inflation will likely close the year at 6.5%. The central bank stresses that the services component (35% of the IPCA index) is the area showing the highest price pressures of late, hovering above the 8% mark. We are of the view that inflation will regain a downward trajectory by the end of the current year into 2015. In **Chile**, the central bank has stressed in its latest official communique its bias towards an accommodating policy stance to foster economic growth while maintaining a firm commitment towards a 3% inflation rate over a 24-month horizon. We estimate consumer price inflation will close the year at 3.5% y/y. Finally, price stability remains the norm in **Colombia** with a headline inflation rate relatively well anchored within the official target range of 3% +/- 1% (2.5% y/y in March 2014).

ASIA/PACIFIC

Various central banks in the Asia/Pacific region will hold monetary policy meetings next week. **Australian** authorities will convene on May 6th. We expect the benchmark cash target rate to be kept unchanged at 2.50%, as the Reserve Bank of Australia (RBA) considers the current accommodative policy stance to be appropriate for maintaining price stability and fostering sustainable economic growth. The policy rate was cut by 225 basis points (bps) between November 2011 and August 2013. Consumer price inflation continues to pick up, yet it still remains within the RBA's official inflation target of 2-3% y/y. Price gains reached 2.9% y/y in the first quarter of 2014 compared with a 2.7% gain at the end of 2013. We expect the Australian economy to expand by 2.7% this year, followed by a modest pick-up to 2.9% in 2015.

Monetary Policy Rates In Asia/Pacific



Source: Bloomberg, Scotiabank Economics.

Philippine, Malaysian, South Korean and Indonesian monetary authorities will meet on May 8th. In **the Philippines**, monetary authorities are maintaining an accommodative policy stance with the benchmark overnight borrowing rate at a record low of 3.5%. The most recent rate reduction occurred in October 2012. The central bank is becoming somewhat more hawkish; we expect policymakers to adopt a gradual tightening bias in the second half of the year. The **Malaysian** central bank will likely keep the overnight policy rate unchanged at 3.0% next week; the most recent shift was an increase in May 2011. Healthy domestic demand and an improving external environment will likely trigger a moderate monetary tightening bias in the second half of 2014. **South Korean** inflation remains low with consumer prices increasing by 1.3% y/y in March, recording a modest pick-up from the 1.0% gain a month earlier. A negative output gap plays a key role in the inflation and monetary policy outlook: the Bank of Korea's policymakers assess that while the gap is narrowing, it will be maintained "for the time being". We expect prices to climb gradually in the coming months, with inflation closing the year slightly above 2% y/y. The central bank's monetary policy stance will likely remain accommodative in the near term, with the benchmark rate set at 2.50%; we anticipate a gradual normalization of monetary conditions to begin in the final months of 2014. In **Indonesia**, tight monetary conditions will be maintained in the coming quarters due to persistent inflationary pressures, and in order to limit capital flow volatility related to the country's wide current account deficit. The reference rate was raised by 175 bps between June and November 2013 to the current level of 7.50%. We do not anticipate any further tightening, as inflation has started to ease, reaching 7.3% y/y in April compared with a 8.2% gain in January. Regardless, annual inflation will likely continue to exceed the central bank's target corridors, which are set at 3½-5½% for 2014 and 3-5% for 2015.

Key Indicators for the week of May 5 – 9

North America

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	05/05	10:00	ISM Non-Manufacturing Composite	Apr	54.5	54.0	53.1
CA	05/06	08:30	Merchandise Trade Balance (C$ bn)	Mar	0.2	0.5	0.3
US	05/06	08:30	Trade Balance (US$ bn)	Mar	-40.0	-40.4	-42.3
US	05/06	10:00	IBD/TIPP Economic Optimism Index	May	--	47.5	48.0
US	05/07	07:00	MBA Mortgage Applications (w/w)	MAY 2	--	--	-5.9
CA	05/07	08:30	Building Permits (m/m)	Mar	--	4.0	-11.6
US	05/07	08:30	Productivity (q/q a.r.)	1Q P	--	-0.6	1.8
US	05/07	08:30	Unit Labor Costs (q/q a.r.)	1Q P	--	2.3	-0.1
US	05/07	15:00	Consumer Credit (US$ bn m/m)	Mar	--	15.3	16.5
CA	05/08	08:15	Housing Starts (000s a.r.)	Apr	170.0	175.0	156.8
CA	05/08	08:30	New Housing Price Index (m/m)	Mar	--	--	0.2
US	05/08	08:30	Continuing Claims (000s)	APR 26	2760	2750	2771
US	05/08	08:30	Initial Jobless Claims (000s)	MAY 3	320	326	344
MX	05/08	09:00	Bi-Weekly Core CPI (% change)	Apr 30	--	0.1	0.3
MX	05/08	09:00	Bi-Weekly CPI (% change)	Apr 30	--	0.1	-0.2
MX	05/08	09:00	Consumer Prices (m/m)	Apr	--	-0.1	0.3
MX	05/08	09:00	Consumer Prices (y/y)	Apr	--	3.6	3.8
MX	05/08	09:00	Consumer Prices Core (m/m)	Apr	--	0.4	0.2
CA	05/09	08:30	Employment (000s m/m)	Apr	10.0	20.0	42.9
CA	05/09	08:30	Unemployment Rate (%)	Apr	6.9	6.9	6.9
US	05/09	10:00	Wholesale Inventories (m/m)	Mar	--	0.5	0.5

Europe

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
EC	05/05	05:00	PPI (m/m)	Mar	--	-0.2	-0.2
UK	05/05		Halifax House Price (3 month, y/y)	Apr	9.0	9.1	8.7
IT	05/06	03:45	Services PMI	Apr	--	--	49.5
FR	05/06	03:50	Services PMI	Apr F	50.3	50.3	50.3
GE	05/06	03:55	Services PMI	Apr F	55.0	55.0	55.0
EC	05/06	04:00	Composite PMI	Apr F	54.0	54.0	54.0
EC	05/06	04:00	Services PMI	Apr F	53.1	53.1	53.1
UK	05/06	04:30	Official Reserves (£ bn)	Apr	--	--	-660.0
UK	05/06	04:30	Services PMI	Apr	57.0	57.8	57.6
EC	05/06	05:00	Retail Trade (m/m)	Mar	--	-0.2	0.4
GE	05/07	02:00	Factory Orders (m/m)	Mar	-0.5	0.3	0.6
FR	05/07	02:45	Industrial Production (m/m)	Mar	-0.1	0.3	0.1
FR	05/07	02:45	Manufacturing Production (m/m)	Mar	-0.3	0.1	0.3
FR	05/07	02:45	Trade Balance (€ mn)	Mar	--	-4649.5	-3368.0
GE	05/08	02:00	Industrial Production (m/m)	Mar	--	0.2	0.4
SP	05/08	03:00	Industrial Output NSA (y/y)	Mar	--	2.0	3.1
NO	05/08	04:00	**Norwegian Deposit Rates (%)**	**May 8**	**1.50**	**1.50**	**1.50**
UK	05/08	07:00	BoE Asset Purchase Target (£ bn)	May	375.0	375.0	375.0
UK	05/08	07:00	**BoE Policy Announcement (%)**	**May 8**	**0.50**	**0.50**	**0.50**
EC	05/08	07:45	**ECB Announces Interest Rates (%)**	**May 8**	**0.25**	**0.25**	**0.25**
GE	05/09	02:00	Current Account (€ bn)	Mar	--	14.8	13.9
GE	05/09	02:00	Trade Balance (€ bn)	Mar	--	17.4	16.3
FR	05/09	02:45	Central Government Balance (€ bn)	Mar	--	--	-25.7
IT	05/09	04:00	Industrial Production (m/m)	Mar	--	0.4	-0.5
UK	05/09	04:30	Industrial Production (m/m)	Mar	-0.2	-0.2	0.9
UK	05/09	04:30	Manufacturing Production (m/m)	Mar	0.3	0.3	1.0
UK	05/09	04:30	Visible Trade Balance (£ mn)	Mar	-9000	-9000	-9094

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

Key Indicators for the week of May 5 – 9

Asia Pacific

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
TA	05/04	20:30	CPI (y/y)	Apr	1.6	1.5	1.6
AU	05/04	21:30	Building Approvals (m/m)	Mar	--	1.5	-5.0
CH	05/04	21:45	HSBC Flash China Manufacturing PMI	Apr F	48.4	48.4	48.3
SI	05/05	09:30	Purchasing Managers Index	Apr	--	51.0	50.8
PH	05/05	21:00	CPI (y/y)	Apr	4.1	4.1	3.9
PH	05/05	21:00	Core CPI (y/y)	Apr	--	3.0	2.8
AU	05/05	21:30	Trade Balance (AUD mn)	Mar	--	1000.0	1200.0
ID	05/05		Real GDP (y/y)	1Q	5.6	5.6	5.7
AU	05/06	00:30	**RBA Cash Target Rate (%)**	**May 6**	**2.50**	**2.50**	**2.50**
NZ	05/06	18:45	Unemployment Rate (%)	1Q	5.8	5.8	6.0
NZ	05/06	18:45	Employment Change (y/y)	1Q	--	3.4	3.0
AU	05/06	21:30	Retail Sales (m/m)	Mar	--	0.4	0.2
CH	05/06	21:45	HSBC Services PMI	Apr	--	--	51.9
HK	05/06	22:30	Purchasing Managers Index	Apr	--	--	49.9
MA	05/07	00:01	Exports (y/y)	Mar	--	9.9	12.3
MA	05/07	00:01	Imports (y/y)	Mar	--	6.1	9.5
MA	05/07	00:01	Trade Balance (MYR bn)	Mar	--	7.5	10.4
TA	05/07	04:00	Exports (y/y)	Apr	--	5.5	2.0
TA	05/07	04:00	Imports (y/y)	Apr	--	7.3	7.5
TA	05/07	04:00	Trade Balance (US$ bn)	Apr	--	1.7	2.0
AU	05/07	21:30	Employment (000s)	Apr	--	9.5	18.1
AU	05/07	21:30	Unemployment Rate (%)	Apr	5.8	5.9	5.8
TH	05/07	23:30	Consumer Confidence Economic	Apr	--	--	58.7
PH	05/08	04:00	**Overnight Borrowing Rate (%)**	**May 8**	**3.50**	**3.50**	**3.50**
MA	05/08	06:00	**Overnight Rate (%)**	**May 8**	**3.00**	**3.00**	**3.00**
PH	05/08	21:00	Exports (y/y)	Mar	--	10.2	24.4
SK	05/08	21:00	**BoK Base Rate (%)**	**May 9**	**2.50**	**2.50**	**2.50**
CH	05/08	21:30	CPI (y/y)	Apr	2.2	2.1	2.4
CH	05/08	21:30	PPI (y/y)	Apr	-1.9	-1.8	-2.3
CH	05/08		Exports (y/y)	Apr	--	-3.5	-6.6
CH	05/08		Imports (y/y)	Apr	--	-2.3	-11.3
CH	05/08		Trade Balance (USD bn)	Apr	--	18.8	7.7
ID	05/08		**BI Reference Interest Rate (%)**	**May 8**	**7.50**	**7.50**	**7.50**
NZ	05/08		QV House Prices (y/y)	Apr	--	--	8.8
JN	05/09	01:00	Coincident Index CI	Mar P	--	114.0	113.0
JN	05/09	01:00	Leading Index CI	Mar P	--	106.7	108.9
AU	05/09	21:00	Consumer Inflation Expectation (%)	May	--	--	2.4
ID	05/09		Current Account Balance (US$ mn)	1Q	--	--	-4018.0
IN	05/09		Exports (y/y)	Apr	--	--	-3.15
IN	05/09		Imports (y/y)	Apr	--	--	-2.11

Latin America

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CL	05/05	08:30	Economic Activity Index NSA (y/y)	Mar	--	2.8	2.9
CO	05/05	20:00	Consumer Price Index (y/y)	Apr	--	2.6	2.5
BZ	05/07	08:00	Industrial Production (y/y)	Mar	--	-2.2	5.0
CL	05/08	08:00	CPI (y/y)	Apr	--	3.9	3.5
PE	05/08	19:00	**Reference Rate (%)**	**May**	**--**	**4.00**	**4.00**
BZ	05/09	08:00	IBGE Inflation IPCA (y/y)	Apr	--	6.4	6.2
PE	05/09		Trade Balance (USD mn)	Mar	--	--	113.9

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

Global Auctions for the week of May 5 – 9

North America

Country	Date	Time	Event
US	05/05	11:30	U.S. to Sell 3-Month Bills
US	05/05	11:30	U.S. to Sell 6-Month Bills
CA	05/06	10:30	Canada to Sell CAD6.675 Bln 98-Day Bills
CA	05/06	10:30	Canada to Sell CAD2.475 Bln 182-Day Bills
CA	05/06	10:30	Canada to Sell CAD2.475 Bln 364-Day Bills
US	05/06	11:30	U.S. to Sell 4-Week Bills
US	05/06	13:00	U.S. to Sell 3-Year Notes
CA	05/07	12:00	Canada to Sell 5-Year Bonds
US	05/07	13:00	U.S. to Sell 10-Year Notes
US	05/08	13:00	U.S. to Sell 30-Year Bonds

Europe

Country	Date	Time	Event
NE	05/05	06:00	Netherlands to Sell 3-Month Bills
NE	05/05	06:00	Netherlands to Sell 6-Month Bills
DE	05/06	04:30	Denmark to Sell 4% 2019 Bonds
DE	05/06	04:30	Denmark to Sell 0.1% I/L 2023 Bonds
AS	05/06	05:15	Austria to Sell 2.4% 2034 Bonds
AS	05/06	05:15	Austria to Sell 1.15% 2018 Bonds
SW	05/07	05:03	Sweden to Sell Bonds
UK	05/07	05:30	U.K. to Sell GBP1.2 Bln 0.125% I/L 2044 Bonds
GE	05/07	05:30	Germany to Sell EUR5 Bln 2019 Bonds
SP	05/08	04:30	Spain to Sell 2.1% 2017 Bonds
SP	05/08	04:30	Spain to Sell 5.15% 2028 Bonds
SP	05/08	04:30	Spain to Sell 4% 2020 Bonds
IR	05/08	05:30	Ireland to Sell Bonds
IC	05/09	06:00	Iceland to Sell Bonds

Source: Bloomberg, Scotiabank Economics.

Global Auctions for the week of May 5 – 9

Asia Pacific

Country	Date	Time	Event
CH	05/04	23:00	China Development Bank to Sell CNY6Bln 1 Year Bond
CH	05/06	23:00	China to Sell 3-Year Bonds
CH	05/06	23:00	China to Sell 28 billion yuan 3-Year Bond
AU	05/07	20:30	Australia Plans to Sell Treasury Notes
NZ	05/07	22:05	New Zealand Plans to Sell NZD200 Mln Index Linked Bonds
JN	05/07	23:35	Japan to Sell 3-Month Bill
JN	05/07	23:45	Japan to Sell 10-Year Bonds
JN	05/08	23:35	Japan to Sell 6-Month Bill
CH	05/09	23:00	China to Sell 3-Year Saving Bonds
CH	05/09	23:00	China to Sell 5-Year Saving Bonds

Latin America

Country	Date	Time	Event
BZ	05/06	11:00	Brazil to Sell I/L Bonds due 5/15/2019 - NTN-B
BZ	05/06	11:00	Brazil to Sell I/L Bonds due 5/15/2023 - NTN-B
BZ	05/06	11:00	Brazil to Sell I/L Bonds due 8/15/2030 - NTN-B
BZ	05/06	11:00	Brazil to Sell I/L Bonds due 8/15/2040 - NTN-B
BZ	05/06	11:00	Brazil to Sell I/L Bonds due 8/15/2050 - NTN-B
CL	05/06	12:00	1M Bill Yield
CO	05/07	11:30	5Y UVR I/L Yield
CO	05/07	11:30	5Y UVR I/L Total Peso Bids
CO	05/07	11:30	5Y UVR I/L Amount Pesos Sold
CO	05/07	11:30	5Y UVR I/L Bid/Cover Ratio
CO	05/07	11:30	7Y UVR I/L Yield
CO	05/07	11:30	7Y UVR I/L Total Peso Bids
CO	05/07	11:30	7Y UVR I/L Amount Pesos Sold
CO	05/07	11:30	7Y UVR I/L Bid/Cover Ratio
CO	05/07	11:30	20Y UVR I/L Yield
CO	05/07	11:30	20Y UVR I/L Total Peso Bids
CO	05/07	11:30	20Y UVR I/L Amount Pesos Sold
CO	05/07	11:30	20Y UVR I/L Bid/Cover Ratio
CL	05/07	12:00	1M Bill Yield
BZ	05/08	11:00	Brazil to Sell Bills due 4/1/2015 - LTN
BZ	05/08	11:00	Brazil to Sell Bills due 4/1/2016 - LTN
BZ	05/08	11:00	Brazil to Sell Bills due 1/1/2018 - LTN
BZ	05/08	11:00	Brazil to Sell Floating-rate Notes due 3/1/2020 - LFT

Source: Bloomberg, Scotiabank Economics.

Events for the week of May 5 – 9

North America

Country	Date	Time	Event
CA	05/05	12:00	Canadian Minister Sorenson Speaks at C.D. Howe
US	05/06		Fed's Stein Speaks on the Economy in New York
US	05/06		Indiana Holds Primary Elections
US	05/06		North Carolina Holds Primary Elections
US	05/06		Ohio Holds Primary Elections
US	05/07	10:00	Fed's Yellen Testifies to Joint Economic Committee
US	05/08	09:25	Fed's Evans Speaks at Bank Regulation Conference in Chicago
US	05/08	09:30	Fed's Tarullo Speaks at Bank Regulation Conference in Chicago
US	05/08	14:00	Fed's Bullard Gives Welcome at Household Finance Conference
US	05/09		Fed's Kocherlakota Speaks in St. Paul, MN

Europe

Country	Date	Time	Event
EC	05/05	05:00	EU Publishes Spring Economic Forecasts in Brussels
PO	05/05	07:30	Portuguese Economy Minister Speaks at Lunch Debate
EC	05/05	08:00	Euro-Area Finance Ministers Meet in Brussels
GE	05/05	10:30	Merkel Gives EU Election Campaign Speech in Ingolstadt
EC	05/05	12:00	ECB's Mersch Speaks in Luxembourg
EC	05/06	03:00	EU Finance Ministers Meet in Brussels
FR	05/06	05:00	OECD publishes Global Economic Outlook
PO	05/06		Bank of Portugal Releases Annual Accounts
EC	05/07	04:30	Van Rompuy, Barroso Meet Japan's Abe in Brussels
SP	05/07	07:45	Spain Economy Minister Speaks in Madrid
IT	05/07		Renzi, Barroso, Soros Speak in Florence Conference
NO	05/08	04:00	**Deposit Rates**
HU	05/08	04:00	Hungary Premier Orban Meets German Chancellor Merkel in Berlin
IT	05/08	05:00	Bank of Italy Report on Balance-Sheet Aggregates
UK	05/08	07:00	**Bank of England Bank Rate**
UK	05/08	07:00	BOE Asset Purchase Target
EC	05/08	07:45	**ECB Announces Interest Rates**
EC	05/08	07:45	ECB Marginal Lending Facility
EC	05/08	07:45	ECB Deposit Facility Rate
EC	05/08	08:30	ECB'S Draghi Holds Press Conference After Rate Decision
GE	05/08		Merkel, Schaeuble Attend Europe Conference, Berlin
SZ	05/08		SNB's Danthine Speaks in Lausanne
PO	05/09	05:00	Portuguese Prime Minister Speaks at Debate in Parliament
PO	05/09		Portugal Sovereign Debt Rating Published by S&P & Moody's
GE	05/09		Merkel, Hollande to Meet on Baltic Coast for Talks

Source: Bloomberg, Scotiabank Economics.

Events for the week of May 5 – 9

Asia Pacific

Country	Date	Time	Event
CH	05/03		China Premier Keqiang Visits Africa
SP	05/04	04:00	Spain PM Meets Japan PM in Santiago de Compostela
NZ	05/04	22:00	Treasury Publishes Monthly Economic Indicators
PO	05/04		Singapore President Tony Tan Visits Portugal
AU	05/06	00:30	**RBA Cash Rate Target**
FR	05/06	05:00	OECD publishes Global Economic Outlook
JN	05/06	19:50	Bank of Japan April 7-8 meeting minutes
EC	05/07	04:30	Van Rompuy, Barroso Meet Japan's Abe in Brussels
ID	05/07	00:00	**Bank Indonesia Reference Rate**
NZ	05/08	03:30	Finance Minister English to Speak at INFINZ Awards Dinner
PH	05/08	04:00	**BSP Overnight Borrowing Rate**
MA	05/08	06:00	**BNM Overnight Policy Rate**
NZ	05/08	18:00	N.Z. Government 9-Month Financial Statements
SK	05/08	21:00	**BoK 7-Day Repo Rate**
AU	05/08	21:30	RBA Statement on Monetary Policy
AU	05/08		RBA's Debelle Speaks in Sydney

Latin America

Country	Date	Time	Event
PE	05/08	19:00	**Reference Rate**

Source: 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	1.00	June 4, 2014	1.00	--
Federal Reserve – Federal Funds Target Rate	0.25	June 18, 2014	0.25	0.25
Banco de México – Overnight Rate	3.50	June 6, 2014	3.50	--

Fed: Fully in line with our expectations, the Federal Reserve hinted at more optimism while setting aside the Q1 GDP print as a weather report and otherwise stuck to script in a recent maintenance statement. We continue to forecast the bond purchase program to end by October or earlier, and for the first hike in the fed funds target to arrive by 2015Q2. Markets are likely to more aggressively pressure Fed guidance in a more bullish growth environment over the rest of the year. A key risk may be next week's testimony before Congress by Fed Chair Janet Yellen.
BoC: Expected weakness in March trade figures is expected to add to BoC frustrations regarding the lack of progress toward generating export growth and keep policy defensively positioned.

Europe

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	0.25	May 8, 2014	0.25	0.25
Bank of England – Bank Rate	0.50	May 8, 2014	0.50	0.50
Swiss National Bank – Libor Target Rate	0.00	June 19, 2014	0.00	--
Central Bank of Russia – One-Week Auction Rate	7.50	June 16, 2014	7.00	--
Hungarian National Bank – Base Rate	2.50	May 27, 2014	2.50	--
Central Bank of the Republic of Turkey – 1 Wk Repo Rate	10.00	May 22, 2014	10.00	--
Sweden Riksbank – Repo Rate	0.75	July 3, 2014	0.75	--
Norges Bank – Deposit Rate	1.50	May 8, 2014	1.50	1.50

The rise in the headline and core euro area inflation rates in April off of their March lows has reduced the urgency for immediate action by the **European Central Bank** (ECB) and we do not anticipate any policy changes at the meeting next Thursday. The risk of protracted low inflation endures, however, in view of persistent euro strength and still weak credit and money supply growth. Though our base case remains for unchanged (refinancing and deposit) interest rates through the remainder of the year, we note the considerable possibility of a rate cut should the euro strengthen from current levels. For further insight, please see "ECB Preview" by Frédéric Prêtet earlier in this publication. The **Bank of England** will also stand pat next week, with a solid recovery and low inflation warranting an unchanged Base Rate for the time being. Alan Clarke provides a fuller discussion earlier in the publication. Finally, **Norway's** monetary authorities will likely also leave policy conditions unchanged next week. External and domestic economic developments since the last meeting have unfolded largely as projected. Core and headline inflation moved in opposite directions in March, though both remain within range of the 2.5% target. The reference interest rate has been kept at 1.50% since March 2012; a series of gradual rate hikes is expected to commence in mid-2015.

Asia Pacific

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Reserve Bank of Australia – Cash Target Rate	2.50	May 6, 2014	2.50	2.50
Reserve Bank of New Zealand – Cash Rate	3.00	June 11, 2014	3.00	--
People's Bank of China – Lending Rate	6.00	TBA	--	--
Reserve Bank of India – Repo Rate	8.00	June 3, 2014	8.00	--
Bank of Korea – Bank Rate	2.50	May 8, 2014	2.50	2.50
Bank of Thailand – Repo Rate	2.00	June 18, 2014	2.00	--
Bank Indonesia – Reference Interest Rate	7.50	May 8, 2014	7.50	7.50

There will be multiple central bank meetings in Asia/Pacific next week, with **Australian**, **Philippine**, **Malaysian**, **South Korean**, and **Indonesian** monetary authorities making monetary policy decisions. For insights regarding the likely outcomes, please refer to the Asia/Pacific Key Data Preview on page A2.

Latin America

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	11.00	May 28, 2014	11.00	--
Banco Central de Chile – Overnight Rate	4.00	May 15, 2014	4.00	--
Banco de la República de Colombia – Lending Rate	3.50	May 30, 2014	3.25	3.25
Banco Central de Reserva del Perú – Reference Rate	4.00	May 8, 2014	4.00	4.00

On May 8th, the **central bank of Peru** will hold its regular monetary policy meeting. We do not anticipate any change to the policy-setting rate, maintained at 4% since November 2013. Last week, the central bank revised real GDP growth projections for 2014 downwards to 5.5% while upgrading the output growth estimate to 6.7% for 2015. The monetary institution stressed that gross fixed investment will remain elevated while demand from China remains the country's major risk factor to the growth outlook.

Africa

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	5.50	May 22, 2014	5.50	--

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

Forecasts as at May 1, 2014*	2000-12	2013	2014f	2015f	2000-12	2013	2014f	2015f
Output and Inflation (annual % change)		Real GDP				Consumer Prices[2]		
World[1]	3.7	3.0	3.3	3.6				
Canada	2.2	2.0	2.2	2.5	2.1	0.9	1.7	1.8
United States	1.9	1.9	2.6	3.2	2.5	1.5	1.7	1.9
Mexico	2.4	1.1	2.7	3.7	4.7	4.0	4.2	4.0
United Kingdom	1.7	1.8	2.8	2.1	2.3	2.0	1.7	1.9
Euro Zone	1.3	-0.4	1.1	1.4	2.1	0.8	1.0	1.3
Japan	0.9	1.5	1.4	1.2	-0.3	1.6	2.3	1.9
Australia	3.1	2.4	2.7	2.9	3.0	2.7	2.9	2.9
China	9.3	7.7	7.3	7.0	2.4	2.5	2.8	3.5
India	7.2	4.6	5.2	5.7	6.7	6.4	5.5	6.5
South Korea	4.2	3.0	3.6	3.2	3.1	1.1	2.2	2.5
Thailand	4.2	2.8	2.5	4.0	2.7	1.7	2.5	2.8
Brazil	3.4	2.3	2.0	2.5	6.5	5.9	6.0	5.5
Chile	4.5	4.1	3.6	4.3	2.9	2.9	3.5	3.1
Peru	5.5	5.6	5.3	5.6	2.6	2.9	3.0	2.5

Central Bank Rates (%, end of period)	13Q4	14Q1f	14Q2f	14Q3f	14Q4f	15Q1f	15Q2f	15Q3f
Bank of Canada	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Federal Reserve	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.75
European Central Bank	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Bank of England	0.50	0.50	0.50	0.50	0.50	0.75	1.00	1.25
Swiss National Bank	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Reserve Bank of Australia	2.50	2.50	2.50	2.50	2.75	3.00	3.25	3.50
Exchange Rates (end of period)								
Canadian Dollar (USDCAD)	1.06	1.11	1.10	1.11	1.12	1.14	1.14	1.12
Canadian Dollar (CADUSD)	0.94	0.90	0.91	0.90	0.89	0.88	0.88	0.89
Euro (EURUSD)	1.37	1.38	1.37	1.33	1.30	1.28	1.26	1.25
Sterling (GBPUSD)	1.66	1.67	1.70	1.68	1.67	1.65	1.63	1.61
Yen (USDJPY)	105	103	104	107	109	110	111	112
Australian Dollar (AUDUSD)	0.89	0.93	0.93	0.94	0.92	0.89	0.89	0.89
Chinese Yuan (USDCNY)	6.1	6.2	6.2	6.2	6.1	6.1	6.0	6.0
Mexican Peso (USDMXN)	13.0	13.1	13.1	13.2	13.4	13.5	13.5	13.5
Brazilian Real (USDBRL)	2.36	2.27	2.38	2.40	2.45	2.48	2.48	2.50

Commodities (annual average)	2000-12	2013	2014f	2015f
WTI Oil (US$/bbl)	60	98	99	92
Brent Oil (US$/bbl)	62	109	108	106
Nymex Natural Gas (US$/mmbtu)	5.45	3.73	5.20	4.75
Copper (US$/lb)	2.22	3.32	3.08	3.00
Zinc (US$/lb)	0.78	0.87	0.95	1.25
Nickel (US$/lb)	7.64	6.80	7.90	9.50
Gold, London PM Fix (US$/oz)	745	1,410	1,335	1,375
Pulp (US$/tonne)	730	941	985	985
Newsprint (US$/tonne)	585	608	607	630
Lumber (US$/mfbm)	274	356	385	400

[1] World GDP for 2003-12 are IMF PPP estimates; 2013-15f are Scotiabank Economics' estimates based on a 2012 PPP-weighted sample of 38 countries.

[2] CPI for Canada and the United States are annual averages. For other countries, CPI are year-end rates.

* See Scotiabank Economics 'Global Forecast Update' report for additional forecasts & commentary.

North America

Canada	2013	13Q3	13Q4	Latest	
Real GDP (annual rates)	2.0	2.7	2.9		
Current Acc. Bal. (C$B, ar)	-60.7	-59.2	-64.0		
Merch. Trade Bal. (C$B, ar)	-6.8	-5.3	-9.0	3.5	(Feb)
Industrial Production	0.4	0.8	0.5	2.7	(Mar)
Housing Starts (000s)	188	194	194	157	(Mar)
Employment	1.3	1.3	1.0	1.2	(Mar)
Unemployment Rate (%)	7.1	7.1	7.0	6.9	(Mar)
Retail Sales	3.2	4.3	4.0	3.7	(Feb)
Auto Sales (000s)	1745	1785	1757	1661	(Feb)
CPI	0.9	1.1	0.9	1.5	(Mar)
IPPI	0.4	0.8	0.5	-2.7	(Mar)
Pre-tax Corp. Profits	-2.6	1.2	2.9		

United States	2013	13Q3	13Q4	Latest	
Real GDP (annual rates)	1.9	4.1	2.6	0.1	(Q1-A)
Current Acc. Bal. (US$B, ar)	-379	-385	-324		
Merch. Trade Bal. (US$B, ar)	-704	-714	-687	-741	(Feb)
Industrial Production	2.9	2.6	3.4	4.1	(Mar)
Housing Starts (millions)	0.93	0.88	1.01	0.95	(Mar)
Employment	1.7	1.8	1.8	1.7	(Apr)
Unemployment Rate (%)	7.4	7.2	7.0	6.3	(Apr)
Retail Sales	4.4	4.7	3.8	3.6	(Mar)
Auto Sales (millions)	15.5	15.7	15.6	16.3	(Mar)
CPI	1.5	1.6	1.2	1.5	(Mar)
PPI	1.2	1.2	0.8	1.7	(Mar)
Pre-tax Corp. Profits	3.4	3.5	4.8		

Mexico	2013	13Q3	13Q4	Latest	
Real GDP	1.1	1.4	0.7		
Current Acc. Bal. (US$B, ar)	-22.3	-22.5	-18.6		
Merch. Trade Bal. (US$B, ar)	-1.0	-4.1	7.4	12.3	(Mar)
Industrial Production	-0.7	-0.5	-0.4	0.7	(Feb)
CPI	3.8	3.4	3.7	3.8	(Mar)

Europe

Euro Zone	2013	13Q3	13Q4	Latest	
Real GDP	-0.4	-0.3	0.5		
Current Acc. Bal. (US$B, ar)	288	259	474	227	(Feb)
Merch. Trade Bal. (US$B, ar)	230.3	209.1	283.3	258.3	(Feb)
Industrial Production	-0.7	-1.1	1.5	1.8	(Feb)
Unemployment Rate (%)	11.9	11.9	11.9	11.8	(Mar)
CPI	1.4	1.3	0.8	0.5	(Mar)

Germany	2013	13Q3	13Q4	Latest	
Real GDP	0.5	0.6	1.4		
Current Acc. Bal. (US$B, ar)	273.9	239.8	342.4	227.5	(Feb)
Merch. Trade Bal. (US$B, ar)	265.7	262.0	288.6	256.2	(Feb)
Industrial Production	0.0	-0.1	3.0	4.8	(Feb)
Unemployment Rate (%)	6.9	6.8	6.9	6.7	(Apr)
CPI	1.5	1.6	1.3	1.3	(Apr)

France	2013	13Q3	13Q4	Latest	
Real GDP	0.3	0.3	0.8		
Current Acc. Bal. (US$B, ar)	-36.6	-47.9	-13.1	-68.3	(Feb)
Merch. Trade Bal. (US$B, ar)	-46.7	-48.7	-46.2	-29.6	(Feb)
Industrial Production	-0.5	-1.4	0.6	-0.8	(Feb)
Unemployment Rate (%)	10.3	10.3	10.2	10.4	(Mar)
CPI	0.9	0.9	0.6	0.6	(Mar)

United Kingdom	2013	13Q3	13Q4	Latest	
Real GDP	1.7	1.8	2.7		
Current Acc. Bal. (US$B, ar)	-111.5	-160.5	-138.5		
Merch. Trade Bal. (US$B, ar)	-168.5	-184.2	-172.8	-180.5	(Feb)
Industrial Production	-0.3	-0.4	2.3	2.7	(Feb)
Unemployment Rate (%)	7.6	7.6	7.2	6.9	(Jan)
CPI	2.6	2.7	2.1	1.6	(Mar)

Italy	2013	13Q3	13Q4	Latest	
Real GDP	-1.8	-1.9	-0.9		
Current Acc. Bal. (US$B, ar)	21.1	32.1	58.4	4.9	(Feb)
Merch. Trade Bal. (US$B, ar)	40.3	41.4	58.6	43.0	(Feb)
Industrial Production	-3.1	-3.6	-0.4	0.1	(Feb)
CPI	1.2	1.0	0.6	0.3	(Mar)

Russia	2013	13Q3	13Q4	Latest	
Real GDP	1.3	1.3	2.0		
Current Acc. Bal. (US$B, ar)	32.8	-1.5	8.9		
Merch. Trade Bal. (US$B, ar)	15.0	14.3	15.7	12.4	(Feb)
Industrial Production	0.4	0.6	1.4	1.4	(Mar)
CPI	6.8	6.4	6.4	6.9	(Mar)

All data expressed as year-over-year % change unless otherwise noted.

Source: Bloomberg, Global Insight, Scotiabank Economics.

Asia Pacific

Australia	2013	13Q3	13Q4	Latest	
Real GDP	2.4	2.4	2.8		
Current Acc. Bal. (US$B, ar)	-44.0	-54.9	-41.6		
Merch. Trade Bal. (US$B, ar)	20.1	12.7	20.5	29.0	(Feb)
Industrial Production	3.6	2.1	2.8		
Unemployment Rate (%)	5.7	5.7	5.8	5.8	(Mar)
CPI	2.4	2.2	2.7		

Japan	2013	13Q3	13Q4	Latest	
Real GDP	1.5	2.4	2.5		
Current Acc. Bal. (US$B, ar)	33.6	54.5	-56.5	72.0	(Feb)
Merch. Trade Bal. (US$B, ar)	-116.9	-120.4	-150.0	-201.1	(Mar)
Industrial Production	-0.6	2.0	5.8	7.0	(Mar)
Unemployment Rate (%)	4.0	4.0	3.9	3.6	(Mar)
CPI	0.4	0.9	1.4	1.6	(Mar)

South Korea	2013	13Q3	13Q4	Latest	
Real GDP	3.0	3.4	3.7		
Current Acc. Bal. (US$B, ar)	79.9	95.1	99.4	88.2	(Mar)
Merch. Trade Bal. (US$B, ar)	44.0	43.0	53.2	53.6	(Apr)
Industrial Production	0.2	1.0	0.6	2.8	(Mar)
CPI	1.3	1.4	1.1	1.5	(Apr)

China	2013	13Q3	13Q4	Latest	
Real GDP	7.7	7.8	7.7	7.4	(Q1)
Current Acc. Bal. (US$B, ar)	182.8				
Merch. Trade Bal. (US$B, ar)	259.2	244.2	360.3	92.4	(Mar)
Industrial Production	9.7	10.2	9.7	8.8	(Mar)
CPI	2.5	3.1	2.5	2.4	(Mar)

Thailand	2013	13Q3	13Q4	Latest	
Real GDP	2.9	2.7	0.6		
Current Acc. Bal. (US$B, ar)	-2.8	0.4	3.0		
Merch. Trade Bal. (US$B, ar)	0.5	1.7	1.3	3.5	(Mar)
Industrial Production	-3.1	-3.9	-6.7	-10.6	(Mar)
CPI	2.2	1.7	1.7	2.4	(Apr)

India	2013	13Q3	13Q4	Latest	
Real GDP	4.6	4.8	4.7		
Current Acc. Bal. (US$B, ar)	-49.3	-5.2	-4.2		
Merch. Trade Bal. (US$B, ar)	-12.9	-9.8	-10.2	-10.5	(Mar)
Industrial Production	0.6	1.9	-0.9	-1.9	(Feb)
WPI	6.3	6.6	7.1	5.7	(Mar)

Indonesia	2013	13Q3	13Q4	Latest	
Real GDP	5.8	5.6	5.7		
Current Acc. Bal. (US$B, ar)	-28.5	-8.5	-4.0		
Merch. Trade Bal. (US$B, ar)	-0.3	-1.0	0.8	0.7	(Mar)
Industrial Production	5.8	7.2	0.9	0.9	(Jan)
CPI	6.4	8.0	8.0	7.3	(Apr)

Latin America

Brazil	2013	13Q3	13Q4	Latest	
Real GDP	2.1	1.9	1.7		
Current Acc. Bal. (US$B, ar)	-81.1	-68.2	-83.3		
Merch. Trade Bal. (US$B, ar)	2.6	5.9	16.7	1.3	(Mar)
Industrial Production	1.3	0.5	0.2	1.6	(Feb)
CPI	6.2	6.1	5.8	6.2	(Mar)

Chile	2013	13Q3	13Q4	Latest	
Real GDP	4.1	5.0	2.7		
Current Acc. Bal. (US$B, ar)	-4.3	-13.7	-9.7		
Merch. Trade Bal. (US$B, ar)	8.0	-2.0	3.1	20.4	(Mar)
Industrial Production	3.0	4.9	2.5	1.0	(Mar)
CPI	1.9	2.2	2.3	3.5	(Mar)

Peru	2013	13Q3	13Q4	Latest	
Real GDP	2.2	4.5	5.1		
Current Acc. Bal. (US$B, ar)	-10.2	-2.5	-2.2		
Merch. Trade Bal. (US$B, ar)	0.1	0.1	0.2	0.1	(Feb)
Unemployment Rate (%)	5.9	5.8	5.8	6.9	(Mar)
CPI	2.8	3.1	2.9	3.5	(Apr)

Colombia	2013	13Q3	13Q4	Latest	
Real GDP	4.3	5.4	4.9		
Current Acc. Bal. (US$B, ar)	-12.7	-3.8	-3.4		
Merch. Trade Bal. (US$B, ar)	0.2	0.0	0.1	-0.5	(Feb)
Industrial Production	-1.7	-1.3	0.3	2.8	(Feb)
CPI	2.0	2.3	1.8	2.5	(Mar)

All data expressed as year-over-year % change unless otherwise noted.

Source: Bloomberg, Global Insight, Scotiabank Economics.

Interest Rates (%, end of period)

Canada	13Q4	14Q1	Apr/25	May/02*	United States	13Q4	14Q1	Apr/25	May/02*
BoC Overnight Rate	1.00	1.00	1.00	1.00	Fed Funds Target Rate	0.25	0.25	0.25	0.25
3-mo. T-bill	0.92	0.89	0.95	0.95	3-mo. T-bill	0.07	0.03	0.01	0.02
10-yr Gov't Bond	2.76	2.46	2.41	2.37	10-yr Gov't Bond	3.03	2.72	2.66	2.60
30-yr Gov't Bond	3.23	2.96	2.93	2.91	30-yr Gov't Bond	3.97	3.56	3.44	3.38
Prime	3.00	3.00	3.00	3.00	Prime	3.25	3.25	3.25	3.25
FX Reserves (US$B)	71.8		77.0	(Feb)	FX Reserves (US$B)	133.5	133.2	133.2	(Mar)
Germany					**France**				
3-mo. Interbank	0.24	0.27	0.32	0.30	3-mo. T-bill	0.15	0.19	0.18	0.19
10-yr Gov't Bond	1.93	1.57	1.48	1.45	10-yr Gov't Bond	2.56	2.08	1.97	1.93
FX Reserves (US$B)	67.4	66.8	66.8	(Mar)	FX Reserves (US$B)	50.8	53.1	53.1	(Mar)
Euro Zone					**United Kingdom**				
Refinancing Rate	0.25	0.25	0.25	0.25	Repo Rate	0.50	0.50	0.50	0.50
Overnight Rate	0.45	0.69	0.33	0.40	3-mo. T-bill	0.40	0.39	0.38	0.38
FX Reserves (US$B)	331.0	338.2	338.2	(Mar)	10-yr Gov't Bond	3.02	2.74	2.64	2.64
					FX Reserves (US$B)	92.4	97.3	97.3	(Mar)
Japan					**Australia**				
Discount Rate	0.30	0.30	0.30	0.30	Cash Rate	2.50	2.50	2.50	2.50
3-mo. Libor	0.09	0.07	0.07	0.07	10-yr Gov't Bond	4.24	4.08	3.94	3.91
10-yr Gov't Bond	0.74	0.64	0.62	0.61	FX Reserves (US$B)	49.7	54.1	54.1	(Mar)
FX Reserves (US$B)	1237.2	1247.5	1247.5	(Mar)					

Exchange Rates (end of period)

USDCAD	1.06	1.11	1.10	1.10	¥/US$	105.31	103.23	102.16	102.29
CADUSD	0.94	0.91	0.91	0.91	US¢/Australian$	0.89	0.93	0.93	0.93
GBPUSD	1.656	1.666	1.680	1.687	Chinese Yuan/US$	6.05	6.22	6.25	6.26
EURUSD	1.374	1.377	1.383	1.387	South Korean Won/US$	1050	1065	1041	1030
JPYEUR	0.69	0.70	0.71	0.70	Mexican Peso/US$	13.037	13.058	13.134	13.022
USDCHF	0.89	0.88	0.88	0.88	Brazilian Real/US$	2.362	2.272	2.244	2.223

Equity Markets (index, end of period)

United States (DJIA)	16577	16458	16361	16539	U.K. (FT100)	6749	6598	6686	6818
United States (S&P500)	1848	1872	1863	1883	Germany (Dax)	9552	9556	9402	9557
Canada (S&P/TSX)	13622	14335	14534	14730	France (CAC40)	4296	4392	4444	4457
Mexico (IPC)	42727	40462	40198	40911	Japan (Nikkei)	16291	14828	14429	14458
Brazil (Bovespa)	51507	50415	51399	52427	Hong Kong (Hang Seng)	23306	22151	22224	22261
Italy (BCI)	1041	1181	1176	1187	South Korea (Composite)	2011	1986	1972	1959

Commodity Prices (end of period)

Pulp (US$/tonne)	990	1030	1030	1030	Copper (US$/lb)	3.35	3.01	3.08	3.04
Newsprint (US$/tonne)	605	605	605	605	Zinc (US$/lb)	0.95	0.90	0.94	0.91
Lumber (US$/mfbm)	372	354	337	342	Gold (US$/oz)	1204.50	1291.75	1301.25	1281.25
WTI Oil (US$/bbl)	98.42	101.58	100.60	99.81	Silver (US$/oz)	19.50	19.97	19.66	19.17
Natural Gas (US$/mmbtu)	4.23	4.37	4.65	4.70	CRB (index)	280.17	304.67	310.69	307.34

** Latest observation taken at time of writing.*
Source: Bloomberg, Scotiabank Economics.

Fixed Income Strategy (London)

www.gbm.scotiabank.com

Fixed Income Strategy (Paris)

Scotiabank Economics

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