

CAPITAL MARKETS RESEARCH

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Canada & U.S.

Previews

Estimates for the week of January 10 – 14

Europe will be front and centre in market sights next week and we're nervous about the outcome, with rate announcements by the ECB and BoE coupled with key auction risk in peripheral and central economies and some key speeches/comments by Euro area officials. In fact, Europe will dominate the global news flow until late in the week when a pair of key US releases arrive that will hopefully end the week with reason for a bid to the risk trade.

Canada

Date	ET	Indicator	Period	BNS	Consensus	Latest
01/10	(08:30)	Building Permits (m/m)	Nov	0.5	0.8	-6.5
01/10		BoC Senior Loan Officer Survey (10:30)	4Q			
01/10		Bank of Canada's Cote speaks in Kingston, Ontario (12:50)				
01/11	(08:15)	Housing Starts (000s a.r.)	Dec	175.0	178.0	188.1
01/12	(08:30)	New Housing Price Index (m/m)	Nov	0.0	0.1	0.1
01/13	(08:30)	Merchandise Trade Balance (C\$ bn)	Nov	-2.2	-2.0	-1.7
01/14	(08:30)	New Motor Vehicle Sales (m/m)	Nov	0.0	--	-0.3

CANADA

Canada's release schedule will be fairly light next week. What are likely to get the most attention are the twin quarterly updates to the Bank of Canada's key surveys that are due out on Monday. How businesses are judging the **outlook for future sales and credit conditions** are important survey-based anecdotal factors that the BoC uses in assessing the strengths and weaknesses of the economy. The last Q3 Business Outlook Survey posted a mild improvement in expected future sales growth. This came after softer readings in prior quarters as the measure had sharply accelerated and peaked a year before that. The risk lies in business attitudes toward the competing implications of higher commodities and an elevated CAD, and the BoC will be sensitive to information it is gathering from the business community on the influences of CAD on their operations. On credit conditions, the last four quarterly Senior Loan Officer Surveys pointed toward gradual net easing of business lending conditions in Canada and that is consistent with recent evidence of resumed trend growth in core C\$ and FX business loans by Canadian banks.

Housing starts (Tuesday) are expected to take a step backward on a continued cooling path. After peaking at an annualized pace of 205,600 homes placed under construction in April, they cooled off to the 168,000 pace by October before jumping back upward again the next month. That upward spike occurred in both the singles and multiples segments. If we were to assume a flat December in order to focus upon what we know, then housing starts would be down 6% (non-annualized) and thus housing is likely to be a drag on overall economic growth in the fourth quarter. If we're right in our call for the December print, then the GDP drag will be marginally greater. This fits our view that Canadian housing markets are passing through cycle tops with a record home ownership rate (higher than the rate at which the US peaked several years ago), record high house prices by any measure and in most regions, and record levels of household leverage.

Canada's international trade deficit (Thursday) is expected to widen further in nominal terms. An upside risk is that commodity prices could lift the dollar value of exports. The headline reaction will immediately swing the focus

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toward the inflation adjusted figures that Scotia Economics thinks will have net trade contributing positively to 2010Q4 GDP growth. We think exports grew at about 6.5% in real terms, outpacing a rise in imports of 5.0%.

Canada sells 5 year notes on Wednesday.

Bank of Canada Deputy Governor Agathe Côté speaks to the Canadian Club of Kingston on Monday and the topic is “Household Finances and Economic Growth.” The topic has been a hot one, though the BoC has been clear in laying out its concerns to date so we doubt material additional market risk will result.

United States

Date	ET	Indicator	Period	BNS	Consensus	Latest
01/10		Fed's Lockhart Speaks on U.S. Economic Outlook in Atlanta (12:45)				
01/11	(07:45)	ICSC Chain Store Sales - Weekly (w/w)	Jan. 08	--	--	0.4
01/11	(10:00)	IBD/TIPP Economic Optimism Index	Jan	--	46.9	45.8
01/11	(10:00)	Wholesale Inventories (m/m)	Nov	--	1.0	1.9
01/11		Fed's Plosser Speaks on Economic Outlook in Philadelphia (08:30)				
01/11		Fed's Kocherlakota Speaks in Wisconsin (14:00)				
01/12	(07:00)	MBA Mortgage Applications (w/w)	Jan. 07	--	--	2.3
01/12	(08:30)	Import Prices (m/m)	Dec	--	1.2	1.3
01/12	(08:30)	Export Prices (m/m)	Dec	--	--	1.5
01/12	(14:00)	Treasury Budget (\$ bn)	Dec	--	-83.5	-91.4
01/12		Fed's Fisher Speaks in New York on Monetary Policy (13:00)				
01/12		Fed Releases Beige Book Economic Survey (14:00)				
01/13	(08:30)	Initial Jobless Claims (000s)	Jan. 08	420	406	409
01/13	(08:30)	Continuing Claims (mn)	Jan. 01	4.08	4.09	4.10
01/13	(08:30)	Trade Balance (\$ bn)	Nov	-42.0	-41.0	-38.7
01/13	(08:30)	PPI (m/m)	Dec	1.0	0.8	0.8
01/13	(08:30)	PPI ex. Food & Energy (m/m)	Dec	0.2	0.2	0.3
01/13		Bernanke Speaks at FDIC Panel on Small Business Lending (13:00)				
01/14	(08:30)	Retail Sales (m/m)	Dec	0.9	0.8	0.8
01/14	(08:30)	Retail Sales ex. Autos (m/m)	Dec	0.8	0.7	1.2
01/14	(08:30)	CPI (m/m)	Dec	0.3	0.4	0.1
01/14	(08:30)	CPI (y/y)	Dec	1.3	1.3	1.1
01/14	(08:30)	CPI ex. Food & Energy (m/m)	Dec	0.1	0.1	0.1
01/14	(08:30)	CPI ex. Food & Energy (y/y)	Dec	0.8	0.8	0.8
01/14	(09:15)	Industrial Production (m/m)	Dec	0.4	0.5	0.4
01/14	(09:15)	Capacity Utilization (%)	Dec	75.6	75.6	75.2
01/14	(09:55)	U. of Michigan Consumer Sentiment	Jan-P	76.0	75.5	74.5
01/14	(10:00)	Business Inventories (m/m)	Nov	--	0.7	0.7
01/14		Richmond Fed's Lacker Speaks on U.S. Outlook in Richmond (12:45)				
01/14		Fed's Rosengren Speaks in Mashantucket, Connecticut (13:15)				

UNITED STATES

US data risk will be elevated again, but not until late in the week. The two marquee releases both land on Friday, but should offer reason for a bid to the risk trade in isolation of other factors. Gains in chain store sales and auto sales are suggesting a solid **retail sales** print for December. Higher commodity prices could exert greater upward pressure upon headline **CPI** than core-CPI ex-food and energy, and we're expecting a tame core measure that reflects the absence of material pricing power in the US economy.

Key Fed speeches continue next week. Of the speeches listed in the accompanying table, voting members include Fisher and Plosser, while alternate members include Lockhart, Kocherlakota and Lacker.

Weekly initial jobless claims (Thursday) could also attract some attention. We've gone a touch higher than consensus with our guess in expecting a rise in claims because we think a blizzard effect to the downside was likely buried in the numbers covering the final week of December, but that this will reverse early in the new year in a release of pent-up claims.

The US auctions 3s, 5s, 10s and 30s with the latter two being re-openings (see auction calendar for dates).

INTERNATIONAL

Next Thursday offers the greatest data release risk in European markets via rate announcements by the **ECB** and **Bank of England**. Clearly they're not going anywhere on rates or purchase programs. But Trichet's recent comments reinforcing his unwillingness during his final year at the helm to bail out countries with poorly managed fiscal positions will make markets sensitive to the ensuing ECB press conference especially in the context of elevated auction risk (see below).

Auction risk will be elevated next week, and primarily focused upon Europe (see the attached auctions calendar). Key days will be Wednesday and Thursday when Portugal and Spain tap bond markets following renewed concern over haircuts that senior bond holders may face. Peripheral bond yields have risen sharply into the new year and are testing their pre-Christmas highs again, so the Iberian auctions carry the potential to make it or break it for the risk trades on the week. The majors are also set to auction bonds including Germany, the UK, Canada and the United States.

Event risk is also concentrated upon Europe as per the attached events calendar. Reports on Spanish and Portuguese banks, speeches by German Chancellor Angela Merkel, an Italian ruling on Prime Minister Berlusconi's temporary immunity case, an EU growth survey to guide national budgets, and other EU developments will be in the spotlight.

The release schedule is second tier in nature with the focus being upon **European industrial production** figures and **German CPI**.

The Asian release schedule is light next week, but a **Chinese government auction** on Tuesday evening (ET) will be closely watched as past auctions have not always resulted in full allotments being sold.

Europe

Date	ET	Indicator	Period	BNS	Consensus	Latest
01/10	(02:45)	FR Industrial Production (m/m)	Nov	--	1.0	-0.8
01/10	(02:45)	FR Manufacturing Production (m/m)	Nov	--	0.8	-0.8
01/12	(02:45)	FR Current Account (EUR bn)	Nov	--	--	-2.5
01/12	(04:00)	IT Industrial Production (y/y)	Nov	--	4.40	2.90
01/12	(04:30)	UK Visible Trade Balance (GBP bn)	Nov	--	-4.8	-5.0
01/12	(05:00)	EC Industrial Production (m/m)	Nov	--	0.5	0.6
01/13	(n/a)	UK NIESR GDP Estimate (q/q)	Dec	--	--	0.6
01/13	(01:30)	FR CPI - EU Harmonized (m/m)	Dec	--	0.4	0.1
01/13	(01:30)	FR CPI (m/m)	Dec	--	0.4	0.1
01/13	(04:30)	UK Industrial Production (m/m)	Nov	--	0.5	-0.2
01/13	(04:30)	UK Manufacturing Production (m/m)	Nov	--	0.4	0.6
01/13	(07:00)	UK BoE Policy Announcement (%)	Jan	0.50	0.50	0.50
01/13	(07:00)	UK BoE Asset Purchase Target (GBP bn)	Jan	200	200	200
01/13	(07:45)	ECB Announces Interest Rates (%)		1.00	1.00	1.00
01/13		Trichet Speaks at ECB Monthly News Conference (08:30)				
01/14	(02:00)	GE CPI (m/m)	Dec	--	--	1.0
01/14	(02:00)	GE CPI - EU Harmonized (m/m)	Dec	--	--	1.2
01/14	(04:30)	UK PPI Output (m/m)	Dec	--	0.4	0.3
01/14	(04:30)	UK PPI Input (m/m)	Dec	--	1.7	0.9
01/14	(05:00)	EC Trade Balance (EUR bn)	Nov	--	1.7	3.6
01/14	(05:00)	EC CPI (m/m)	Dec	--	0.6	0.1
01/14	(05:00)	EC CPI (y/y)	Dec	--	2.2	--

Asia/Oceania

<u>Date</u>	<u>ET</u>	<u>Indicator</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>
01/10	(n/a)	CH Foreign Reserves (US\$ bn)	Nov	--	2760	2648
01/10	(19:16)	JN Foreign Reserves (US\$ bn)	Nov	--	--	1101
01/10	(19:30)	AU Trade Balance (AUD bn)	Dec	--	--	2.6
01/11	(n/a)	JN New Composite Leading Economic Index	Nov	--	100.9	97.7
01/11	(n/a)	JN Coincident Index CI (index)	Nov	--	102.2	100.8
01/11	(18:50)	JN Bank Lending (y/y)	Dec	--	-1.4	-2.0
01/11	(18:50)	JN Current Account (YEN bn)	Nov	--	973	1436
01/11	(18:50)	JN Trade Balance (YEN bn)	Nov	--	298	913
01/11	(19:30)	AU Home Loans (%)	Nov	--	--	1.9
01/12	(n/a)	JN Eco Watchers Survey (current)	Dec	--	--	43.6
01/12	(n/a)	JN Eco Watchers Survey (outlook)	Dec	--	--	41.4
01/12	(18:50)	JN Machine Orders (m/m)	Nov	--	2.0	-1.4
01/12	(19:30)	AU Employment (000s)	Dec	--	25.0	54.6
01/12	(19:30)	AU Unemployment Rate (%)	Dec	--	5.1	5.2
01/13	(01:00)	JN Machine Tool Orders (y/y)	Dec	--	--	104.2

Global Auctions for the week of January 10-14

North America

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	1/10/2011	11:00	U.S. Fed to Purchase USD7-9 Bln Notes/Bonds
US	1/10/2011	11:30	U.S. to Sell 3-Month Bills
US	1/10/2011	11:30	U.S. to Sell 6-Month Bills
US	1/11/2011	11:00	U.S. Fed to Purchase USD7-9 Bln Notes/Bonds
US	1/11/2011	11:30	U.S. to Sell 4-Week Bills
US	1/11/2011	11:30	U.S. to Sell 52-Week Bills
US	1/11/2011	13:00	U.S. to Sell 3-Year Notes
CA	1/12/2011	12:00	Canada to Sell 5-Year Notes
US	1/12/2011	13:00	U.S. to Sell 10-Year Notes Reopening
US	1/13/2011	13:00	U.S. to Sell 30-Year Bonds Reopening

Europe

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
GE	1/10/2011	05:15	Germany to Sell EU5 Bln 6-Mth Bills (BUBILL-DE0001115772)
FR	1/10/2011	09:00	France to Sell Bills (BTF)
NE	1/11/2011	04:00	Netherlands to Sell Up to EUR3.5 Bln 1% 2014 Bonds
DE	1/11/2011	04:15	Denmark to Sell Up to DKK5 Bln 3% 2021 Bonds
IT	1/11/2011	05:00	Italy to Sell EUR7 Bln 367-Day Bills
SZ	1/11/2011	05:30	Switzerland to Sell 12-Month Bills (CH0036178967)
UK	1/11/2011	05:30	U.K. to Sell GBP900 Mln 1.25% v/L 2032 Bonds
GE	1/12/2011	05:15	Germany to Sell EU6 Bln 5-Year Notes (OBL-DE0001141596)
SZ	1/12/2011	05:30	Switzerland to Sell Bonds
SW	1/12/2011	06:00	Sweden to Sell SEK2 Bln 5% 2020 Bonds
CZ	1/12/2011	06:00	Czech Rep. to Sell CZK7 Bln Floating Rate Bonds Due Oct. 2016
PD	1/12/2011	06:00	Poland to Sell Up to PLN3 Bln Bonds
SP	1/13/2011	04:30	Spain to Sell 3.25% 2016 Bonds
IT	1/13/2011	05:00	Italy to Sell 3% 2015 Bonds
IT	1/13/2011	05:00	Italy to Sell 4.5% 2026 Bonds
RU	1/13/2011	06:00	Russia to Sell Up to RUB500 Bln OBR Notes; series #17
UK	1/14/2011	06:10	U.K. to Sell Bills

Source: Bloomberg and Scotia Capital Economics

Global Auctions for the week of January 10-14

Asia/Oceania

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
PH	1/10/2011		Philippines to Sell PHP 1 Bln 91D T-bills
PH	1/10/2011		Philippines to Sell PHP 3.5 Bln 182D T-bills
PH	1/10/2011		Philippines to Sell PHP 4 Bln 364D T-bills
TH	1/10/2011	22:00	Bank of Thailand to Sell THB25 Bln 28D Bills
TH	1/10/2011	22:00	Bank of Thailand to Sell THB22 Bln 95D Bills
TH	1/10/2011	22:00	Bank of Thailand to Sell THB15 Bln 182D Bills
HK	1/10/2011	22:30	Hong Kong to Sell HKD9 Bln 182-Day Bills H1155
HK	1/10/2011	22:30	Hong Kong to Sell HKD27.262 Bln 91-Day Bills Q1102
JN	1/11/2011	03:00	Japan Auction for Enhanced-Liquidity
CH	1/11/2011	22:00	China Government Bond to Sell 1 Year Bond
TH	1/11/2011	22:00	Thailand to Sell THB6 Bln Bonds due 2025 (LB25DA)
JN	1/11/2011	22:35	Japan to Sell 3-Month Bills
MA	1/11/2011	23:00	Bank Negara to Sell MYR1.5 Bln 91-Day Islamic Notes (04/11)
MA	1/11/2011	23:00	Bank Negara to Sell MYR1 Bln 364-Day Notes (74/10)
MA	1/11/2011	23:00	Bank Negara to Sell MYR2.5 Bln 177-Day Notes (52/10)
IN	1/12/2011	06:30	India to Sell INR 40Bln 91-Day Bills
IN	1/12/2011	06:30	India to Sell INR 10Bln 364-Day Bills
NZ	1/12/2011	20:30	New Zealand Plans to Sell Government Bonds
JN	1/12/2011	22:45	Japan to Sell 30-Year Bond
IN	10-14 JAN		India to sell INR 40-50Bln 5-9Year Bonds
IN	10-14 JAN		India to sell INR 40-50Bln 10-14Year Bonds
IN	10-14 JAN		India to sell INR 20-30Bln 20 & above Year Bonds

Market Events for the week of January 10-14

North America

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CA	1/10/2011	10:30	Bank of Canada Business Outlook and Loan Officers Surveys
US	1/10/2011	12:40	Fed's Lockhart Speaks on U.S. Economic Outlook in Atlanta
CA	1/10/2011	12:50	Bank of Canada's Cote speaks in Kingston, Ontario
US	1/11/2011	08:30	Fed's Plosser Speaks on Economic Outlook in Philadelphia
US	1/12/2011	14:00	Fed Releases Beige Book Economic Survey
US	1/13/2011	13:00	Bernanke Speaks at FDIC Panel on Small Business Lending
US	1/14/2011	12:45	Richmond Fed's Lacker Speaks on U.S. Outlook in Richmond
US	1/14/2011	13:15	Fed's Rosengren Speaks in Mashantucket, Connecticut

Source: Bloomberg and Scotia Capital Economics

Market Events for the week of January 10-14

Europe

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
PO	1/10/2011		Bank of Portugal Releases Data on Banks
GE	1/10/2011	11:00	Merkel Briefs Press in Malta With Prime Minister Gonzi
PO	1/11/2011	04:00	Finance Minister Speaks in Parliament
IT	1/11/2011		Constitutional Court Rules on Berlusconi's Temporary Immunity
GE	1/11/2011	07:30	Merkel Briefs Press in Cyprus With President Christofias
EC	1/12/2011	03:00	EU's Rehn, Regling, Portugal's Dos Santos Speak at Conference
EC	1/12/2011	04:00	German law professor on euro bailout German legal challenge
EC	1/12/2011	06:00	EU Publishes Growth Survey to Guide National Budgets
LX	1/12/2011	18:00	Belgacom, Sabam Argue In File-Sharing EU Court Case
EC	1/13/2011	04:30	OECD's Padoan, EU's Buti Speak at Brussels Think Tank
EC	1/13/2011	07:15	EU's Van Rompuy Gives Speech in London
SP	1/13/2011	18:00	Bank of Spain Publishes Data on Spanish Banks' ECB Borrowings
EC	1/14/2011		EU General Affairs Ministers Meet in Budapest

Asia/Oceania

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
TH	1/12/2011	02:30	Benchmark Interest Rate
SK	1/12/2011	20:00	South Korea 7-Day Repo Rate

Source: Bloomberg and Scotia Capital Economics