

06/06/2017
















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Fundamental Analysis

Tuesday, 06 June 2017
 07:30 GMT

Major events this week (June 5 - 9)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
MONDAY							
08:30 am		GBP	Services PMI	May	53.8	55.1	55.8
02:00 pm		USD	ISM Non-Manufacturing PMI	May	56.9	57.1	57.5
TUESDAY							
04:30 am		AUD	RBA Rate Statement				
07:00 am		CAD	Ivey PMI	May		62.0	62.4
Tentative		NZD	GDT Price Index				3.2%
WEDNESDAY							
01:30 am		AUD	GDP q/q	Q1 2017		0.2%	1.1%
02:30 pm		USD	Crude Oil Inventories	Last week			-6.4M
THURSDAY							
01:30 am		AUD	Trade Balance	April		1.91B	3.11B
All Day		GBP	Parliamentary Elections				
11:45 am		EUR	Minimum Bid Rate			0.00%	0.00%
12:30 pm		USD	Unemployment Claims	Last week		241K	248K
FRIDAY							
08:30 am		GBP	Manufacturing Production m/m	April		0.8%	-0.6%
12:30 pm		CAD	Employment Change	May		11.5K	3.2K

Key highlights of the week ended June 2

United Kingdom

Markit reported that its PMI for the British manufacturing sector came in at 56.7 points in May, the strongest since June 2014, down from the preceding month's 57.3. However, market analysts anticipated a bigger drop to 56.5 during the reported month. Furthermore, Markit noted that new order growth remained strong, whereas the pace of job creations hit its 35-month high in May. Markit/CIPS reported that its Purchasing Managers' Index for the UK construction sector came in at 56.0 in May, following the preceding month's 53.1. Meanwhile, market analysts anticipated a decline to 52.7 points during the reported month.

Canada

The Canadian economy performed better than expected during the March quarter amid strong consumer spending and business investment. Statistics Canada reported on Wednesday that the domestic economy expanded at an annualised pace of 3.7% in the Q2 of 2017, following the preceding quarter's upwardly revised rate of 2.7% but slightly missing expectations for a 3.9% growth pace. Statistics Canada reported on Friday that country's trade gap narrowed to C\$0.4B in April, following the previous month's deficit of C\$0.9B. Meanwhile, analysts anticipated a shortfall of just C\$70M.

United States

The US economy expanded at a stronger-than-initially-expected pace in the March quarter; however, an economic slowdown remained on the table in the second quarter. The Commerce Department reported on Friday that Q1 GDP growth came in at a seasonally adjusted annualised pace of 1.2%, compared to an originally reported pace of 0.7%. The Conference Board reported on Tuesday that its Consumer Confidence Index dropped to 117.9 points in the reported month, falling behind expectations for 120.1 points. Apart from that, April's reading was revised down to 119.4 from initially reported 120.3 points. The ADP National Employment Report revealed that the US private sector added 253K new jobs to the economy in May, compared to the preceding month's downwardly revised gain of 174K positions. Meanwhile, analysts expected private firms to create 181K new jobs during the reported month. The US Department of Labour reported on Friday that the US private sector added 138K new jobs to the economy in May, following the preceding month's downwardly revised reading of 174K and falling behind expectations for a 181K gain, while the ADP Report showed Thursday that private payrolls rose 253K in May.

Australia

The Australian Bureau of Statistics reported that new approvals climbed 4.4% to 17,414 on a seasonally adjusted basis in April, following the preceding month's upwardly revised fall of 10.3% and surpassing expectations for a 3.2% increase. Still, the number of building approvals was down 17.2% year-over-year, suggesting that the recent construction boom faded. The Australian Bureau of Statistics reported that retail sales climbed 1.0% in April on a seasonally adjusted basis, following the preceding month's downwardly revised drop of 0.2% and topping analysts' expectations for a 0.3% gain. April marked the first retail trade rise in the past four months.




GBP

"The pullback in the services PMI in May from April's four-month high is a setback to widespread hopes that the economy's slowdown in the first quarter will be fleeting."

— Samuel Tombs, Pantheon Macroeconomics.

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	Impact
British services activity falls in May amid pre-election jitters	High

British services activity fell more than expected last month amid the upcoming 2017 General Election, official figures revealed on Monday. Markit reported that its Purchasing Managers' Index for the UK services sector dropped to 53.8 points in May, following the preceding month's 55.8 and falling behind expectations for 55.1. The weaker-than-expected figure smashed analysts' hopes for the Q2 rebound, as services activity accounts for about 70% of the British economy. Moreover, Monday's PMI data offset the better-than-expected PMI for both construction and manufacturing sector released last week. Nevertheless, Markit reported that prices charged by services providers increased at the slowest pace since November, suggesting that inflation pressures began to wane. New orders grew at the slowest pace since February last month. Some companies blamed election jitters for their sluggish performance. Apart from that, the Society of Motor Manufacturers and Traders reported on Monday that demand for cars dropped 8.5% in May amid the upcoming June 8 Election.






USD

"Overall, business conditions the past month were flat as compared with several months of growth. While levels haven't decreased, it may be that overall conditions have reached a high watermark."

— Retail Trade

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	Impact
US services activity slows in May but remains in good shape	High

Business activity in the US non-manufacturing sector fell last month but remained in the expansion territory for the 89th straight month. The Institute for Supply Management reported on Monday that its PMI for the US services sector dropped to 56.9 in May from the prior month's 57.5, whereas analysts anticipated a slighter decrease to 57.1 points during the reported month. The ISM said that 17 non-manufacturing industries reported growth last month. The New Orders Index fell to 57.7 from April's 63.2, whereas the Prices Index declined to 49.2 in May from 57.6, marking the first drop in 13 months. Meanwhile, the Employment Index surged to 57.8 from the preceding month's 51.4, surprising markets after the weak NFP Report released last week. Analysts said that growth in the non-manufacturing sector remained solid despite May's drop, as the growth rate and the Employment Index remained high. Moreover, 15 industries reported employment growth, while just one posted an employment fall. The following employment figures suggested that weak slow job creation in the private sector would be temporary.






"They are going to overlook the slowdown in GDP as a temporary blip. We think they will remain on hold until they see any signs of a pick up in the labour market."

AUD

— Tapas Strickland, National Australia Bank














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	Impact
RBA leaves rates unchanged, sounding optimistic	High

As markets expected, the Reserve Bank of Australia kept interest rates and its policy unchanged at its meeting on Tuesday but expressed optimism over the economic outlook for Australia despite acknowledging an economic slowdown during the latest quarter. The RBA left rates at a record low of 1.50% for the 10th month. The Bank pointed to rebounding iron ore and coal prices, the country's main exporting goods, improved mining investment and a house building boom. Following these optimistic comments, the Aussie hit its 10-day high of 0.7500 against the Greenback. Policymakers also said that the upcoming GDP figures would show growth was slower in the March quarter. Analysts suggested that the Bank would likely remain on hold until it sees a rebound in the labour market, as the RBA stated that the situation in the job market was "mixed", with high underemployment and low hours worked offsetting employment growth. According to market forecasts, the Australian economy grew 0.2% in the first quarter, compared to the preceding quarter's expansion of 1.1%.



Major events previous week (May 29 - June 2)

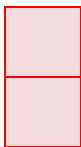
Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
MONDAY							
01:00 pm		EUR	ECB President Draghi Speaks				
TUESDAY							
01:30 am		AUD	Building Approvals m/m	April	4.4%	3.2%	-10.3%
07:00 am		CHF	KOF Economic Barometer	May	101.6	106.2	106.3
02:00 pm		USD	CB Consumer Confidence	May	117.9	120.1	119.4
09:00 pm		NZD	RBNZ Financial Stability Report				
WEDNESDAY							
09:00 am		EUR	Core CPI Flash Estimate y/y	May	0.9%	1.0%	1.2%
01:30 pm		CAD	GDP m/m	March	0.5%	0.3%	0.0%
THURSDAY							
01:30 am		AUD	Retail Sales m/m	April	1.0%	0.3%	-0.2%
08:30 am		GBP	Manufacturing PMI	May	56.7	56.5	57.3
12:15 pm		USD	ADP Non-Farm Employment Change	May	253K	181K	174K
FRIDAY							
08:30 am		GBP	Construction PMI	May	56.0	52.7	53.1
12:30 pm		CAD	Trade Balance	April	-0.4B	0.0B	-0.9B
12:30 pm		USD	Non-Farm Employment Change	April	138K	186K	211K

EXPLANATIONS

Chart

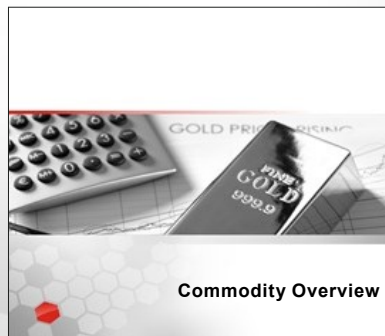
- **SMA (55)** – Simple Moving Average of 55 periods
- **SMA (200)** – Simple Moving Average of 200 periods

Third Quartile – separates 25% of the highest forecasts



Second Quartile – the median price based on the projections of the industry

First Quartile – separates 25% of the lowest forecasts



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