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FUNDAMENTAL ANALYSIS

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EUR

"The most important element to overcome this crisis is a very trusted and able new Italian government"
- Ewald Nowotny, ECB policymaker

news	Impact
Italy senate approved austerity measures on Friday; Mario Monti is likely to lead the government	High

Italy's Senate passed austerity measures to reduce budget deficit on Friday in an effort to restore investor confidence and clear the way for a new interim government that may be headed by Mario Monti, a former European Union Competition Commissioner.

"The most important element to overcome this crisis is a very trusted and able new Italian government that can really fulfill the structural changes that are needed," ECB policymaker Ewald Nowotny told Reuters in Beijing.


"It's clear that only a comprehensive and wide-ranging package of reforms can kick-start Italian growth again," EU Economic and Monetary Affairs Commissioner Olli Rehn said Thursday. "The first and foremost thing for Italy is to restore political stability and capacity of decision making" as well as "firm and determined action" on fiscal targets.





USD

"Overall, it is still likely that real consumer expenditures will not be strong enough during the year ahead"
- Richard Curtin, Director of the Reuters/University of Michigan Surveys

 news	Impact
U.S. consumer confidence increased to highest level in five months	High

U.S. consumer confidence advanced to highest level in five months as consumers became more optimistic on the outlook of the country's economy, said the Thomson Reuters/University of Michigan on Friday. An index of sentiment rose to 64.2 points in November from 60.9 points in October.

"Overall, it is still likely that real consumer expenditures will not be strong enough during the year ahead to enable the higher rates of economic growth needed to offset the negative grip of income and job stagnation on consumer spending," survey director Richard Curtin said in a statement. "Although improved, a renewed downturn in the economy still has an uncomfortably high probability of occurring."


"At some point consumers have to step back and see that the labor market is holding up, the unemployment rate is coming down, home prices are maybe starting to stabilize, and they're going to have to reassess why they're so depressed," said Carl Riccadonna, senior U.S. economist at Deutsche Bank Securities Inc., before the report.





GBP

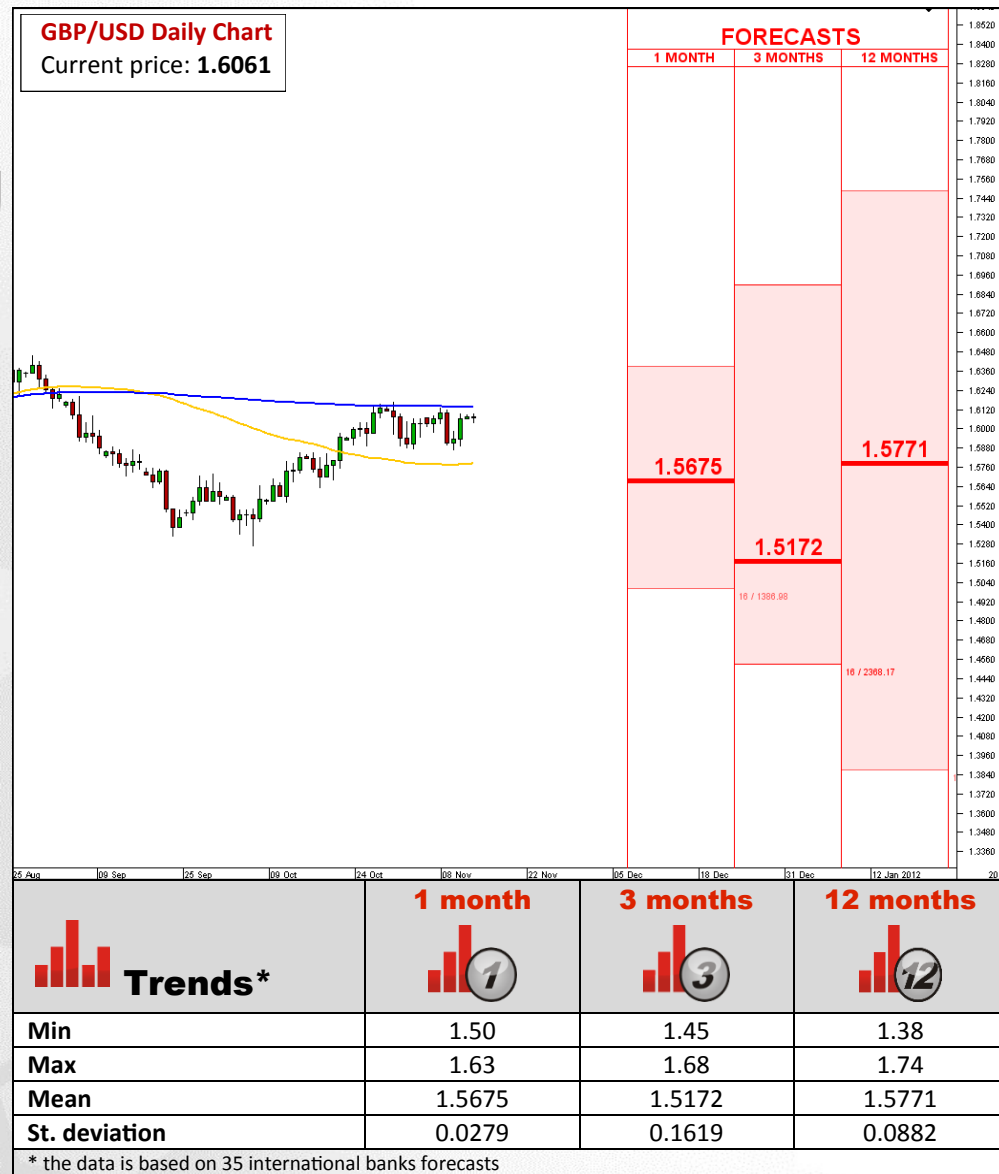
"October's producer prices figures are likely to mark the start of a major downward trend in input price inflation"
- Samuel Tombs, an economist at Capital Economics

	Impact
Producer inflation eased in October	High

U.K. producer prices declined to the lowest level in five months in October, the Office for National Statistics announced on Friday. Producer inflation eased on lower raw material costs and faltering global demand.

"October's producer prices figures are likely to mark the start of a major downward trend in input price inflation and also underline the competitive pressures bearing down on manufacturers' pricing power," said Samuel Tombs, an economist at Capital Economics.

"Lags between producer and consumer price inflation are quite long, so lower producer price index figures will not ease the pressure on households' spending power just yet. Nonetheless, today's figures strengthen the MPC's argument that consumer price inflation will fall back to below the 2% inflation target in time," added Mr. Tombs.





CHF

"In the eyes of financial markets, Mario Monti seems to be the best possible choice at present"

- Alessandro Fezzi, senior market analyst at LGT Capital Management

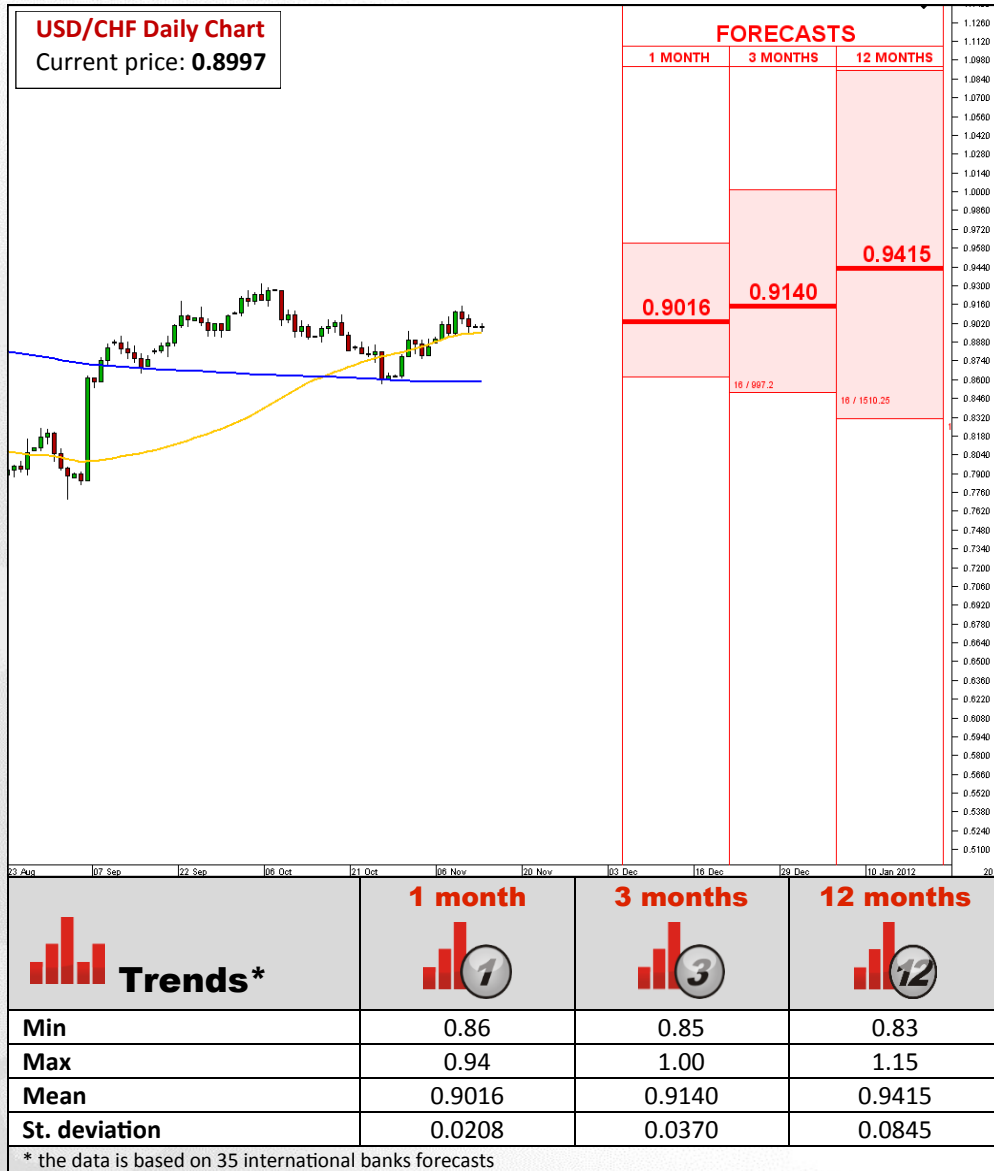


news	Impact
Swiss stocks edged higher on Friday	Medium

Swiss stocks gained, after Italy approved austerity measures on Friday. The Swiss blue-chip index SMI, a measure of the largest and most actively traded companies, advanced 1.50%, or 83.25 points, to 5,649.03. The broader Swiss Performance Index rose 1.53%, or 77.67 points, to 5,146.15.

"In the eyes of financial markets, Mario Monti seems to be the best possible choice at present," said Alessandro Fezzi, senior market analyst at LGT Capital Management in Pfaffikon, Switzerland. "He might even win back market confidence. Even so, the success of the painful reforms is by no means guaranteed and financial markets will soon test the new government."


"The SNB has achieved a lot of success," Marc Chandler, chief currency strategist at Brown Brothers Harriman & Co. in New York, said. "They are using strategic ambiguity now. They are keeping the market guessing about a potential higher ceiling and that's doing the heavy lifting for them."





JPY

"In Japan, you have a series of very poor earnings and downward revisions due to a strong yen and Thai floods"
- Mattia Ciancaleoni, director of equity sales at Citigroup

	Impact
Japanese stocks closed mixed on Friday	Medium

Japanese stocks closed mixed on Friday amid uncertainty over the economic situation in Europe and weaker than expected earnings from local corporations. The Nikkei 225 advanced 0.16%, or 13.67 points, to 8,514.47, while the broader Topix erased 0.16%, or 1.17 points, to 729.13.

"In Japan, you have a series of very poor earnings and downward revisions due to a strong yen and Thai floods," said Mattia Ciancaleoni, director of equity sales at Citigroup Global Markets Japan Inc. "There's uncertainty over demand after the European Commission downgraded the outlook for Europe's growth and the U.S. doesn't seem to be taking much of the slack."

"The U.S. economy has significantly improved with increasing positive economic data," said Stan Shamu, a strategist at IG Markets in Melbourne. "Some companies with established earnings will get a bit of traction from investors who are looking into gaining a bit of value."



EXPLANATIONS

Chart

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

Max – the highest projection set by the industry sentiment



Mean – the average price based on the projections
of the industry sentiment

Min – the lowest projection set by the industry sentiment

Price projections

- Min – the lowest forecast among 35 international banks;
- Max – the highest forecast among 35 international banks;
- Mean – the average price based on the projections made by 35 international banks;
- St. Deviation – the standard deviation based on the forecasts made by 35 international banks.

Table terms

- Time – the exact time of the economic data release;
- Impact – the expected market impact caused by the economic events;
- Actual – the latest data officially announced by the relevant authority;
- Forecast – the consensus of the predictions made by polled economists and analysts;
- Previous – the previous actual data released.

Disclaimer

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