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RESEARCH PRODUCTS

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# Fundamental Analysis

## Major events this week (November 16-22)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
<b>MONDAY</b>							
10:15 am		EUR	ECB President Draghi Speaks				
1:30 pm		CAD	Manufacturing Sales MoM	September	-1.5%	0.3%	-0.6%
<b>TUESDAY</b>							
12:30am		AUD	Monetary Policy Meeting Minutes				
9:30 am		GBP	CPI YoY	October	-0.1%	-0.1%	-0.1%
10:00 am		EUR	German ZEW Economic Sentiment	November	10.4	6.7	1.9
1:30 pm		USD	CPI MoM	October	0.2%	0.2%	-0.2%
<b>WEDNESDAY</b>							
1:30 pm		USD	Building Permits	October	1.15M	1.15M	1.11M
7:00 pm		USD	FOMC Meeting Minutes				
<b>THURSDAY</b>							
Tentative		JPY	Monetary Policy Statement				
9:30 am		GBP	Retail Sales MoM	October			1.9%
1:30 pm		USD	Unemployment Claims	November 14			276K
<b>FRIDAY</b>							
8:00 am		EUR	ECB President Draghi Speaks				
1:30 pm		CAD	Core CPI m/m	October			0.2%
3:00 pm		CAD	Core Retail Sales m/m	September			0.0%

## Key highlights of the week ended November 13

### US

Fed officials supported a possible December interest rate hike with one key policy maker saying the risk of waiting too long was now in balance with the risk of moving too soon to raise rates. With a rate hike this year now seen as very likely, the focus is shifting towards the pace of lifts. St. Louis Fed President James Bullard said that the pace would depend on the state of the world's number one economy and should not be seen as a steady path higher. Bullard believed growth would be strong, and the jobless rate should slip into the 4% range. At the same time, a key ally of Fed Chair Janet Yellen, New York President William Dudley, said that he saw the pace of tightening to be quite gradual. With regards to the US inflation, consumer price growth was predicted to accelerate to 1.5%, from 1.3%, as pressures related to the strong Greenback and low energy prices subside, Fed Vice Chair Stanley Fischer said.

### New Zealand

Low milk prices and Auckland's soaring housing market remained the key risks to the New Zealand's financial system, while the lower New Zealand Dollar is helping to cushion the nation's economy, the Reserve Bank of New Zealand said. The central bank reported that risks to financial stability increased since May due to build up in Auckland house prices relative to incomes, ongoing weakness in global dairy prices, as well as China's slowdown and its impact on commodity prices. Global dairy prices plunged more than 50% from a peak in early 2014 to mid-2015. Even though prices rebounded around 30% between August and September, they remain well below profitable levels for many New Zealand farmers.

### UK

Andy Haldane, the Bank of England's chief economist, argued against an interest rate hike in the near future as wage growth fizzled and the outlook for the global economy remained uncertain. Haldane reiterated his view that the central bank's next move might be even a rate cut rather than lift as the UK economy appeared to be losing steam. Haldane, considered to be the most cautious policy maker when it comes to the timing of an interest rate hike, had previously warned that the global economy might be heading into a new crisis triggered by slower growth in emerging markets. The economist also talked about the structural changes within the British labour market and its effect on productivity, wage growth and the overall economy. The MPC was surprised about weak wage growth relative to the overall strength of the nation's economy and tightening labour market.




*“Most participants anticipated that, based on their assessment of the current economic situation and their outlook for economic activity, the labor market, and inflation, these conditions could well be met by the time of the next meeting”*

**USD**


- FOMC



	Impact
Fed's December rate hike firmly on table, minutes show	High

The minutes of the FOMC meeting in October reinforced the view that the Fed may finally hike interest rates as soon as next month, given job growth and inflation trends remain resilient and continue to improve. Yet, Fed officials remain divided, as some policy makers doubted that economic data available by the December meeting would warrant raising the target range for the federal funds rate. Markets seemed to be getting used to the idea of higher rates in the near future, as the US central bank has now warned about rate hikes so many times. While stocks usually tumble amid increase in rates, equities rose Wednesday, a sign that a rate hike is already priced into markets. Meanwhile, US housing starts dropped to the lowest level in seven months in October, while a surge in building permits signalled the housing market remained on firm footing. Groundbreaking plunged 11% to a seasonally adjusted annual pace of 1.06 million units, according to the Commerce Department. Moreover, September's figure was revised down to a 1.19 million unit pace, down from 1.21 million units. Nevertheless, October marked the seventh consecutive month that starts remained above 1 million units, the longest such streak since 2007. Housing has contributed to economic output growth in each of the last six quarters and is absorbing some of the slack from a sluggish manufacturing sector. Meanwhile, building permits soared 4.1% to a **1.15 million unit rate in October.**



 Trends*	Q4 15	Q1 16	Q2 16
MAX	1.38	1.21	1.24
75% percentile	1.13	1.11	1.12
Median	1.09	1.07	1.07
25% percentile	1.06	1.05	1.03
MIN	0.96	0.97	0.95

\* the data is based on international banks' forecasts

	18.11 open price	18.11 close price	% change
AUD/USD	0.7111	0.7111	0.00%
USD/CHF	1.0147	1.0198	+0.50%
USD/JPY	123.45	123.64	+0.15%
NZD/USD	0.6471	0.6472	+0.02%



*"Japan's economy has continued to recover moderately, although exports and production have been affected by the slowdown in emerging economies"*

- Bank of Japan

**JPY**



	<b>Impact</b>
BoJ keeps its monetary policy unchanged, saying economic recovery is around corner	High

The Bank of Japan maintained its monetary policy, hoping that an economic recovery is around the corner despite soft domestic capital expenditure and uneasy global business conditions. As widely expected, the central bank reiterated its pledge to increase base money at an annual pace of 80 trillion yen through purchases of governments bonds and risky assets. The BoJ has kept monetary policy unchanged since expanding stimulus in October last year, even as falling oil prices and weak exports push Japan's inflation further away from its goal. The BoJ repeated its view that the world's third biggest economy continued to recover moderately, although production and exports have been hit hard by the slowdown in emerging markets. The central bank admitted that an annual change in the consumer inflation is likely to be around 0% for the time being, due to the effects of the energy prices drop.

The BoJ sees risks to Japan's economic outlook stemming from developments in the emerging and commodity-exporting economies, the debt problem and the pace of economic activity and prices in Europe, as well as the recovery in the US economy.



Trends*	Q4 15	Q1 16	Q2 16
MAX	157	157	162
75% percentile	137	136	137
Median	134	134	134
25% percentile	132	131	131
MIN	115	121	121

\* the data is based on international banks' forecasts

	18.11 open price	18.11 close price	% change
AUD/JPY	87.794	87.912	+0.13%
CAD/JPY	92.666	92.935	+0.29%
EUR/JPY	131.38	131.78	+0.30%
USD/JPY	123.45	123.64	+0.15%



*“With negative interest rates is oriented towards the current situation with the still significantly overvalued franc”*

- Swiss National Bank

**CHF**



	<b>Impact</b>
SNB reiterates Franc is considerably overvalued; may intervene in FX markets	High

The Swiss National Bank reiterated its view that the Swiss Franc is considerably overvalued, despite spending hundreds of billions of francs on interventions to push the nation’s currency lower. A strong Franc is expected to further hit Swiss exporters, who have already been suffering. Earlier in the year the central bank surprisingly abandoned its ceiling on the Franc of 1.20 per Euro, triggering a massive turbulence in the global markets. Moreover, economists suppose that the SNB may intervene in the FX markets in order to limit the appreciation in the Franc in case the European Central Bank deploys further stimulus. Euro zone stimulus could further hamper efforts to keep the Swiss Franc at its current 1.08 franc level versus the Euro, and expectations for the Franc to strengthen against its key trading partners' currency increased.

Meanwhile, confidence among Swiss businesses in the nation’s economy slid from the highest level in 18 months in October, signalling that investors expect no change in factors weighing against growth. The Swiss ZEW investor sentiment index dropped for 18.3 points to 0 in the current month. Moreover, assessment of current conditions worsened.



Trends*	Q4 15	Q1 16	Q2 16
MAX	1.16	1.14	1.15
75% percentile	1.02	1.04	1.05
Median	1.00	1.00	1.02
25% percentile	0.98	0.99	0.98
MIN	0.90	0.88	0.88

\* the data is based on international banks' forecasts

	18.11 open price	18.11 close price	% change
AUD/CHF	0.7217	0.7252	+0.48%
EUR/CHF	1.07992	1.087	+0.66%
GBP/CHF	1.5436	1.5539	+0.67%
USD/CHF	1.0147	1.0198	+0.50%



*“People have been pushing the US dollar higher all through this week, especially against the euro and kiwi, pretty much holding their positions going into the minutes”*

**NZD**

- Raiko Shareef, currency strategist at Bank of New Zealand



	<b>Impact</b>
New Zealand producer prices climb at solid pace, led by dairy and meat prices rise	High

New Zealand producer prices increased at a solid pace in the third quarter, driven by a rise in dairy and meat prices as the weakness in the New Zealand Dollar boosted export prices, signalling inflationary pressures may be picking up. Producer prices climbed for the first time in over a year, with the output PPI, which tracks the change in prices of goods leaving the factory gate, surging 1.3% in the three-month period ended September. The increase followed a 0.2% decline in the preceding quarter, Statistics New Zealand said. Economists, however, had predicted a modest 0.2% increase in the reported period. At the same time, the input PPI, which measure the change in production costs, advanced 1.6% in the third quarter, after decreasing 0.3% in the June quarter. Statistics New Zealand said that the depreciation of the Kiwi Dollar influenced PPI prices.

The increase in producer prices last quarter indicates inflationary pressures are starting to build again, which will come as a relief to the Reserve Bank of New Zealand. Consumer prices showed little growth over the last two years as the nation’s economy started to lose steam in 2014 and global oil prices plunged sharply in mid-2014. The consumer inflation has not reached the RBNZ’s 2% target midpoint in four years, despite three interest rate cuts since June.
















Trends*	Q4 15	Q1 16	Q2 16
MAX	0.82	0.78	0.82
75% percentile	0.65	0.64	0.65
Median	0.63	0.62	0.61
25% percentile	0.61	0.60	0.60
MIN	0.59	0.56	0.55

\* the data is based on international banks' forecasts

	18.11 open price	18.11 close price	% change
<b>AUD/NZD</b>	1.0989	1.0986	-0.03%
<b>EUR/NZD</b>	1.6446	1.647	+0.15%
<b>GBP/NZD</b>	2.3509	2.3541	+0.14%
<b>NZD/USD</b>	0.6471	0.6472	+0.02%

## Major events of the previous week (November 9-13)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
<b>MONDAY</b>							
All Day		EUR	Eurogroup Meetings				
<b>TUESDAY</b>							
12:30am		AUD	NAB Business Confidence	October	2		5
1:30 am		CNY	CPI YoY	October	1.3%		1.6%
9:00 am		GBP	Inflation Report Hearings				
8:00 pm		NZD	RBNZ Financial Stability Report				
<b>WEDNESDAY</b>							
5:30am		CNY	Industrial Production YoY	October	5.6%	5.8%	5.7%
9:30 am		GBP	Average Earnings Index 3m/y	September	3.0%	3.2%	3.0%
1:15 pm		EUR	ECB President Draghi Speaks				
<b>THURSDAY</b>							
12:00 pm		AUD	Unemployment Rate	October	5.9%	6.2%	6.2%
12:30 pm		USD	Unemployment Claims	November 7	276K	270K	276K
<b>FRIDAY</b>							
7:00 am		EUR	German Prelim GDP QoQ	Quarter 3	0.3%	0.3%	0.4%
1:30 pm		USD	Retail Sales m/m	October	0.1%	0.3%	0.0%
3:00 pm		USD	Prelim UoM Consumer Sentiment	November	93.1	91.3	90.0



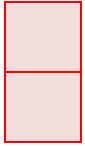
## EXPLANATIONS

### Chart

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

### Forecasts

*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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The trade surplus in Switzerland contracted in August, as the strength of the Swiss Franc hit demand in the European Union and China. According to the FSO, Switzerland's trade balance amounted to 2.87 billion francs in the August, compared with a downwardly revised 3.58 billion francs registered in the previous month. However, the actual figure beat the market expectation of 2.75 billion francs surplus. The latest report also showed that real exports slipped by 2.4% on a monthly basis in the reported period after decreasing a revised 2.3% in July. Year-on-year, exports decreased by real 2.1% in August but slower than the 4.9% decline seen in July. Similarly, real imports declined 4% versus a 1.8% drop a month ago. On an annual basis, imports slid 7.4%, reversing July's 1.7% increase.

Meanwhile, the Swiss foreign trade remains under the pressure due to the strengthening Franc and the recent SNB's monetary changes. The appreciation in the Swiss Franc from mid-January has been reflected in sharp declines in both export and import prices. In the meantime, the SNB kept its benchmark rate on hold last week at a record low of -0.75% and revised its inflation expectations downward, as a result of the drop in oil prices.