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RESEARCH PRODUCTS

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Fundamental Analysis

Major events this week (February 22-26)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
MONDAY							
9:00 am		EUR	Flash Manufacturing PMI	February	51.0	52.1	52.3
9:00 am		EUR	Flash Services PMI	February	53.0	53.4	53.6
TUESDAY							
9:00 am		EUR	German Ifo Business Climate	February	105.7	107.0	107.3
11:15 am		CHF	SNB Chairman Jordan Speaks				
3:00 pm		USD	CB Consumer Confidence	February	92.2	97.4	98.1
WEDNESDAY							
11:00 am		GBP	CBI Realized Sales	February			16
3:00 pm		USD	New Home Sales	January			544K
THURSDAY							
12:30 am		AUD	Private Capital Expenditure QoQ	Quarter 4			-9.2%
9:30 am		GBP	Second Estimate GDP QoQ	Quarter 4			0.5%
1:30 pm		USD	Core Durable Goods Orders MoM	January			-1.2%
11:30 pm		JPY	Tokyo Core CPI YoY	February			-0.1%
FRIDAY							
All Day		EUR	German Prelim CPI MoM	February			-0.8%
1:30 pm		USD	Prelim GDP QoQ	Quarter 4			0.7%

Key highlights of the week ended February 19

US

Policy makers of the FOMC saw growing uncertainty over the outlook for inflation and growth, according to minutes of the January meeting, when the key lending rate was kept unchanged. US rate setters left the target range for federal funds rate on hold at 0.25% to 0.5%, after lifting it from near-zero in December. Many analysts are predicting further increases this year. While most of policy makers stuck to the expectation of 2% inflation over the medium-term, a number of members "viewed the outlook for inflation as somewhat more uncertain or saw the risks as being to the downside". However, the available data were not sufficient to assess the balance of risks to the economic outlook. Given the elevated risks, both external and domestic, some members wanted to see an evidence of inflation moving back to the 2% target before they were willing to consider further rate increases.

UK

Britain's inflation climbed to the highest level in a year in January as an increase in alcohol and clothing prices pushed up the cost of living. The annual consumer price index rose to 0.3% in January, up from 0.2% in the prior month. Alcohol and tobacco were the main contributors to the increase as they jumped 1.3% compared with January 2015. The ONS reported that inflation also rose as fuel and food prices declined less than they did a year ago. Core inflation, which strips out volatile components such as energy and food, slowed to 1.2%. Inflation is predicted to edge up slowly this year, as the impact of global oil plunge drops out of the headline rate. However, the Bank of England expects the price growth to remain below its 2% target until 2018. The central bank predicts consumer prices to rise to 0.5% by the summer.

Euro zone

The ECB President Mario Draghi said the central bank "is ready to do its part" in March if the financial market volatility or the pass-through effect of low oil prices reduces inflation expectations. Draghi also added that fiscal policies including public investment and lower taxation should put the Euro area's economy on a firmer ground. ECB President welcomed improvements in the banking sector, saying that Euro bloc's banks have significantly strengthened their capital positions. However, Draghi acknowledged that some parts of the banking sector still faced a number of challenges, including "uncertainty about litigation and restructuring costs in a number of banks working through a stock legacy assets. Last week saw renewed market volatility, particularly on Euro zone bank shares, which Draghi said was due to slowing growth in emerging markets and falling commodity prices, as well as anticipation that new financial regulations and lower interest rates would drag down bank profits.



“Global events have finally reached German companies' boardrooms”

- Carsten Brseski, chief economist at ING-DiBa

EUR



	Impact
German business confidence falls again in February	High

German business confidence declined for a third consecutive month in February, as the outlook among manufacturing companies plummeted at the sharpest pace since shortly after the Lehman Brothers bankruptcy in 2008. According to Ifo economic institute, the business climate index declined to 105.7 in February, down from 107.3 a month earlier. China's slowing growth is hurting global trade and hurting German exporters, with net trade dragging on economic growth last quarter. Business expectations declined sharply to 98.8 from 102.3 in January, while current conditions climbed to 112.9 from 112.5 last month.

German exports decreased 0.6% in the final quarter of 2015, the Federal Statistics Office reported. Capital investment climbed 1.5% and government spending rose 1%, leading the 0.3% growth of gross domestic product. Measured on an annual basis, the Euro zone's number one economy expanded 1.3% during the quarter, while for the whole 2015, economic output increased 1.7%. Deteriorating prospects for the world's economy and volatile financial markets threaten to undermine growth in the German economy. Destatis reported that public consumption in Germany climbed 1% in the fourth quarter from the previous period, while private consumption inched up 0.2% over the reported period, supported by a robust labour market and increasing wages.



 Trends*	Q1 16	Q2 16	Q3 16
MAX	1.18	1.18	1.18
75% percentile	1.08	1.08	1.10
Median	1.05	1.05	1.05
25% percentile	1.03	1.01	1.02
MIN	0.99	0.95	0.95

* the data is based on international banks' forecasts

	23.02 open price	23.02 close price	% change
EUR/USD	1.103	1.102	-0.09%
EUR/GBP	0.77943	0.7859	+0.83%
EUR/CHF	1.10242	1.09243	-0.91%
EUR/JPY	124.52	123.54	-0.79%



“Consumers’ short-term outlook grew more pessimistic, with consumers expressing greater apprehension about business conditions, their personal financial situation, and to a lesser degree, labor market prospects”

USD

- Lynn Franco, director of economic indicators at the Conference Board



	Impact
Consumer confidence declines, US home resales surge	High

Consumer confidence declined in February as households grew more worried about the outlook for the economy and jobs, sending their inflation outlook to the lowest level in nine years. The Conference Board’s sentiment index dropped to 92.2 this month, hitting the weakest since July, down from a revised 97.8 in January. The gauge measuring current conditions slid to 112.1, compared with 116.6 in January. The share of people saying that jobs were plentiful slipped to 22.1% from 23%, while the proportion of Americans viewing business conditions as unfavourable climbed to 19.8% from 18.8%. The measure of consumer expectations for the next six months slumped to 78.9, the lowest level since February 2014, from 85.3 in a month earlier. Respondents’ inflation expectations over the next 12 months fell to 4.7%, the lowest since February 2007, from 4.8%.

A separate report showed US home resales unexpectedly increased in January, hitting the highest level in six months, adding to signs that the world’s number one economy remains on firmer footing despite slowing global growth and tightening financial market conditions. According to the National Association of Realtors, existing home sales climbed 0.4% to an annual rate of 5.47 million units, while January’s figure was also the second highest since 2007. US home resales were up 11% from a year ago, the largest annual gain since July 2013.



FORECASTS		
Q1 16	Q2 16	Q3 16
		128
127	127	
125	125	125
	123	
122		122

 Trends*	Q1 16	Q2 16	Q3 16
MAX	130	132	135
75% percentile	127	127	128
Median	125	125	125
25% percentile	122	123	122
MIN	115	115	113

* the data is based on international banks’ forecasts

	23.02 open price	23.02 close price	% change
AUD/USD	0.7227	0.7202	-0.35%
USD/CHF	0.9997	0.9913	-0.84%
USD/JPY	112.92	112.1	-0.73%
NZD/USD	0.6699	0.6643	-0.84%



"I would expect the economy to warrant a path for Bank Rate that increases more quickly than that implied by the market yield curve used to condition in the February Inflation Report forecast"

- Minouche Shafik, BoE Deputy Governor

GBP



	Impact
BoE makes no judgement on UK referendum outcome; rates may increase more quickly than expected	High

While speaking in Britain's Parliament, BoE Governor Mark Carney said that the central bank makes no judgement on potential outcome of the UK's referendum on its EU membership, but noted moves in the Sterling since the date of the vote was announced. Carney took an opportunity to highlight that the BoE is not interested, nor intended to introduce negative interest rates.

With traders already pushing back bets on the timing of a Bank of England interest rate increase, the prospects on the UK exiting the European Union, world's largest single market, is fuelling further uncertainty. Even though the timing of the first move remains highly uncertain, the next move will likely be an increase, BoE Deputy Governor Minouche Shafik said. Shafik also noted that once the uncertainty about the internal inflationary pressures dissipate, the interest rate may increase faster than the markets expect at the moment. Shafik reiterated that significantly low inflationary pressures stem primarily from external developments such as cheap oil and the weakening of global demand. With regards to wages and their impact on inflation, Shafik said that if the labour market continues to tighten, she expects "wage growth will ultimately pick up to levels more consistent with inflation being at target.



Trends*	Q1 16	Q2 16	Q3 16
MAX	1.61	1.62	1.66
75% percentile	1.55	1.56	1.56
Median	1.51	1.51	1.52
25% percentile	1.49	1.48	1.47
MIN	1.41	1.28	1.25

* the data is based on international banks' forecasts

	23.02 open price	23.02 close price	% change
GBP/USD	1.415	1.4022	-0.90%
EUR/GBP	0.77943	0.7859	+0.83%
GBP/CAD	1.9395	1.9341	-0.28%
GBP/JPY	159.755	157.191	-1.60%



“The Swiss franc remains considerably overvalued against the euro in real terms”

- Thomas Jordan, Swiss National Bank President

CHF



	Impact
Monetary policy toolkit is limited: Franc remains overvalue, Jordan says	High

While several central bankers are keen to highlight that stimulus that monetary policy can provide are limitless, Swiss National Bank President Thomas Jordan disagrees with this view. Mr. Jordan stressed that unconventional measures cannot be used endlessly to achieve desirable monetary conditions. Central banks cannot cut interest rates infinitely without risking fuelling a flight to cash. Mr. Jordan added that policy makers should continuously assess the effects of their monetary policies, which are likely to weaken over time. If instruments are no longer providing the desired effect, monetary policy should be reconsidered. Mr. Jordan concluded that monetary policy cannot cushion the fallout of every negative development in the world’s economy or international financial markets. Mr. Jordan reiterated that the Swiss Franc remains overvalued to the Euro, adding that the SNB stands ready to intervene on the forex market if needed, as the strong Franc continued to hurt Swiss exporters and retailers.

Mr. Jordan admitted that the ECB’s decisions were of “utmost interest” to the SNB as they strongly affect Switzerland. The ECB is expected to reduce its –0.30% deposit rate when it meets on March 10. If the move results in a significant weakening of the Euro, the SNB could come under pressure to cut its own –0.75% deposit rate in an attempt to weaken the Franc.



FORECASTS		
Q1 16	Q2 16	Q3 16
	1.08	1.08
1.05		1.05
1.03	1.04	
	1.01	
1		1

Trends*	Q1 16	Q2 16	Q3 16
MAX	1.15	1.18	1.23
75% percentile	1.05	1.08	1.08
Median	1.03	1.04	1.05
25% percentile	1.00	1.01	1.00
MIN	0.83	0.82	0.81

* the data is based on international banks’ forecasts

	23.02 open price	23.02 close price	% change
AUD/CHF	0.7224	0.714	-1.16%
EUR/CHF	1.10242	1.09243	-0.91%
GBP/CHF	1.4147	1.3899	-1.75%
USD/CHF	0.9997	0.9913	-0.84%

Major events this week (February 15-20)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
MONDAY							
Tentative		CNY	Trade Balance	January	406B	389B	382B
2:00 pm		EUR	ECB President Draghi Speaks				
9:45 pm		NZD	Retail Sales QoQ	Quarter 4	1.2%	1.4%	1.6%
TUESDAY							
12:30 am		AUD	Monetary Policy Meeting Minutes				
9:30 am		GBP	CPI YoY	January	0.3%	0.3%	0.2%
10:00 am		EUR	German ZEW Economic Sentiment	February	1.0	0.1	10.2
1:30 pm		CAD	Manufacturing Sales MoM	December	1.2%	0.9%	1.2%
WEDNESDAY							
9:30 am		GBP	Average Earnings Index 3m/y	December	1.9%	1.9%	2.1%
7:00 pm		USD	FOMC Meeting Minutes				
THURSDAY							
12:30 am		AUD	Unemployment Rate	January	6.0%	5.8%	5.8%
1:30 pm		USD	Unemployment Claims	February 13	262K	275K	269K
FRIDAY							
9:30 am		GBP	Retail Sales MoM	January	2.3%	0.8%	-1.4%
1:30 pm		CAD	Core CPI MoM	January	0.3%	0.2%	-0.4%
1:30 pm		USD	Core CPI MoM	January	0.3%	0.2%	0.1%

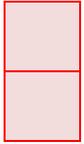
EXPLANATIONS

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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