



















DUKASCOPY
RESEARCH PRODUCTS

01/06/2016



Fundamental Analysis

Major events this week (May 30—June 3)

| Day/Time (GMT) | Flag | Currency | Event | Period | Actual | Forecast | Previous |
|------------------|---|----------|--------------------------|-----------|--------|----------|----------|
| MONDAY | | | | | | | |
| Tentative |  | EUR | German Prelim CPI | April | 0.3% | 0.3% | -0.4% |
| 12:30 pm |  | CAD | Current Account (Q1) | Quarter 1 | -16.8B | -17.4B | -15.7B |
| TUESDAY | | | | | | | |
| 1:30 am |  | AUD | Building Approvals (MoM) | April | 3.0% | -3.1% | 2.9% |
| 6:00 am |  | EUR | Unemployment Rate | April | 10.2% | 10.2% | 10.2% |
| 12:30 pm |  | CAD | Canadian GDP (QoQ) | Quarter 1 | 2.4% | 2.9% | 0.5% |
| 2:00 pm |  | USD | Consumer Confidence | May | 92.6 | 96.1 | 94.7 |
| WEDNESDAY | | | | | | | |
| 1:30 am |  | AUD | Australian GDP (Q1) | Quarter 1 | 1.1% | 0.8% | 0.7% |
| 8:30 am |  | GBP | UK Manufacturing PMI | May | | 49.6 | 49.2 |
| 2:00 pm |  | USD | ISM Manufacturing PMI | May | | 50.6 | 50.8 |
| THURSDAY | | | | | | | |
| 1:30 am |  | AUD | Retail Sales (MoM) | April | | 0.3% | 0.4% |
| 1:30 am |  | AUD | Trade Balance | April | | -2.11B | -2.16B |
| 8:30 pm |  | GBP | Construction PMI | May | | 52.1 | 52.0 |
| 12:30 pm |  | USD | Initial Jobless Claims | May | | 271K | 268K |
| FRIDAY | | | | | | | |
| 8:30 am |  | GBP | Services PMI | May | | 52.3 | 52.3 |
| 12:30 pm |  | USD | Unemployment Rate | May | | 4.9% | 5.0% |
| 12:30 pm |  | USD | Nonfarm Payrolls | May | | 170K | 160K |

Key highlights of the week ended May 27

UK

Bank of England Governor Mark Carney defended the central bank's decision to highlight the risks of exiting the European Union, coming under renewed accusation from a lawmaker, who has been attacking Carney brutally on his role in the Brexit debate. Carney said the BoE sees Brexit as the biggest domestic risk to financial stability, and agreed that Brexit could cause the Pound to fall, creating an upside shock to inflation that would make it harder to keep interest rates low. The Governor said that if the UK stays in the EU, the next move in interest rates would probably be up. However, if Britons vote to leave the EU, there is a lower chance of a hike. Deputy Governor Ben Broadbent pointed out that the UK economy appears to have slowed quite sharply this year, while it is unclear how much of the slowdown was triggered by the Brexit concerns. Jacob Rees-Mogg, a eurosceptic lawmaker, who has previously blamed Carney of venturing into politics with his Brexit warnings and urged him to resign, kept up his criticism. At the same time Andrew Tyrie, chairman of the committee quizzing Carney and other BoE officials, said lawmakers would have criticized the Governor if he had stayed silent on Brexit.

Europe

An important economic indicator of the Euro zone's economic health dropped in May to its lowest level in 16 months despite the efforts of the ECB to boost growth and business activity in the region. The flash Eurozone PMI Composite Output Index indicated that business activity in the 19-country region slid to 52.9 in May from 53.0 in April, failing to meet analysts' expectations for an estimated 53.2. Moreover, a separate research of the bloc's factory arena showed the flash Manufacturing PMI was at 51.5 in May, compared to 51.7 seen in the previous month, while economic forecast was on 51.9. Meanwhile, conditions in the Euro zone services sector remained unchanged as the gauge came in at 53.1, the same as in April, while analysts expected a slight improvement to 53.3 in May. A level below 50.0 signals a drop from the previous month, while a level above signals an increase. Thus, the latest PMIs suggest that economic growth has slowed in the Euro area in the second quarter and that business activity remained subdued.

Japan

Japan's exports dropped in April at the quickest pace in three months as a stronger Yen and weakness in China and other emerging markets take their toll on the country's shipments, denting growth prospects for the current quarter. Overseas shipments plunged 10.1% in April from a year earlier, the Ministry of Finance said, while economists had predicted a 10.0% annual decline and following a 6.8% decrease in March. It was the seventh straight month of declines and the biggest since 12.9% in January, when Japanese shipments to Asia slowed sharply ahead of the Lunar New Year holidays. The drop was likely exaggerated by a fall in US-bound car exports due to supply-chain disruptions caused by last month's earthquakes in southern Japan, but a surging Yen and tepid global demand are clouding the outlook for the year.




“Despite the ECB embarking on a substantial round of easing, the fact that the Eurozone remains within deflation is a clear heads up that monetary policy alone cannot fix the problem of stagnant price growth”.

- Joshua Mahony, IG

EUR




| | |
|---|---------------|
|  | Impact |
| EU unemployment rate hits 7-year low; CPI contracts | High |

The jobless rate in the Euro zone remained at its lowest level since August 2011 in April, but was still higher than before the crisis. According to Eurostat, the unemployment rate in the 19-nation currency club was 10.2% in April, stable compared with March 2016, in line with market expectations and down from 11.0% in April 2015. This was the lowest rate recorded in the Euro zone since August 2011, when the currency bloc was mired in a debt crisis that raised questions over the future of the single currency bloc. The lowest unemployment rates were recorded in the Czech Republic - 4.1%, Germany - 4.2% and Malta - 4.3%, while the country with the highest unemployment rates was Greece - 24.2%, followed by Spain - 20.1%.

In addition, a separate report showed that the annual inflation rate in the Euro area remained in negative territory for the fourth consecutive month in May. Consumer prices in the 19-nation euro bloc trashed 0.1% on an annual and seasonally adjusted basis in the fifth month of the year, the highly anticipated headline CPI from Eurostat revealed, while market expectations had been for a 0.1% fall in May. Meanwhile, the core measure, which exclude alcohol, tobacco, food and energy, rose 0.8% on an annual and non-seasonally adjusted basis in May, in line with analysts expectations of an unchanged figure, after rising 0.7% in April.



|  Trends* | Q2 16 | Q3 16 | Q4 16 |
|---|-------|-------|-------|
| MAX | 127 | 130 | 140 |
| 75% percentile | 120 | 121 | 124 |
| Median | 115 | 116 | 119 |
| 25% percentile | 112 | 113 | 115 |
| MIN | 105 | 100 | 81 |

* the data is based on international banks' forecasts

| | 31.05 open price | 31.05 close price | % change |
|---------|------------------|-------------------|----------|
| AUD/USD | 1.1117 | 1.1138 | +0.19% |
| USD/CHF | 0.76077 | 0.7686 | +1.03% |
| USD/JPY | 1.10524 | 1.1065 | +0.11% |
| NZD/USD | 123.77 | 123.25 | -0.42% |



“Consumer confidence declined slightly in May, primarily due to consumers rating current conditions less favorably than in April. Thus, they continue to expect little change in economic activity in the months ahead”.

USD - Lynn Franco, The Conference Board Consumer Research Center



| | |
|---|---------------|
| | Impact |
| US consumer confidence unexpectedly fell in May | High |

In line with a drop noted in the preceding month, a report on consumer confidence released on Tuesday showed that the negative tendency is developing. According to the Conference Board, the confidence unexpectedly diminished further in May, slipping to its lowest level in six months, reaching 92.6 mark from a revised 94.7 in April. Such a release is well below the postrecession high of 103.8 set in the beginning of the pervious year. Meanwhile, majority of economists had expected the index to advance. Following data signalise that Americans continue to be cautious about the economy despite the seven years' recovery phase. However, their spending habits show that they are more upbeat than the confidence report suggests. In April, for example, consumer spending rose at the fastest rate since 2009. Also, consumers were relatively less optimistic about the short-term outlook, with the expectations index dipping to 79.0 in May from 79.7 in April. The proportion of consumers expecting business conditions to improve over the next six months increased from 13.8% to 15.1%.

Overall a strong dollar and poor global demand has hurt exports while upcoming Novembers' presidential election also is contributing to domestic economic uncertainty. Therefore, consumers remain cautious about the outlook for business and labor market conditions.



| Trends* | Q2 16 | Q3 16 | Q4 16 |
|----------------|-------|-------|-------|
| MAX | 137 | 140 | 151 |
| 75% percentile | 129 | 131 | 133 |
| Median | 125 | 127 | 129 |
| 25% percentile | 123 | 123 | 122 |
| MIN | 116 | 106 | 103 |

* the data is based on international banks' forecasts

| | 31.05 open price | 31.05 close price | % change |
|---------|------------------|-------------------|----------|
| AUD/JPY | 0.7183 | 0.7234 | +0.71% |
| AUD/USD | 0.9922 | 0.9939 | +0.17% |
| EUR/AUD | 111.12 | 110.73 | -0.35% |
| GBP/AUD | 0.6694 | 0.6763 | +1.03% |




"A fine quarter ended with a thud, as Canadian GDP got all its momentum from its first month, a signpost of a slowdown ahead".

- Avery Shenfeld, CIBC World Markets

CAD



| | |
|---|---------------|
|  | Impact |
| Canada's economy grew at 2.4% pace from January to March | High |


The Canadian economy narrowed in March for a second consecutive month as real gross domestic product grew at a slower-than-expected pace for the first three months of the year. According to Canada's Statistical Bureau the real GDP grew at an annual pace of 2.4% in the first quarter. But despite that growth, the economy contracted by 0.2% in March, following a 0.1% decline in February. Meanwhile, the following data proved to be weaker than majority of economists had expected. Canada is very unusual among major economies in producing monthly data with the economy inevitably subject to high volatility and potentially misleading data.

Meanwhile, weakness in the retail and manufacturing sectors had already been marked by weak monthly data, but will still be an important concern for the Bank of Canada. Taking into account strong damage from the Alberta wildfires as well as oil-production disruption, there will be even more pressure on the non-oil economy to support the economy as a whole thus pushing the bank to consider additional stimulus if there is no evidence of improvement within the next few months.



FORECASTS

| | Q2 16 | Q3 16 | Q4 16 |
|--|-------|-------|-------|
| | | | |
| | 1.37 | 1.37 | 1.37 |
| | 1.34 | 1.34 | |
| | 1.31 | | 1.33 |
| | | 1.3 | |
| | | | 1.29 |

|  Trends* | Q2 16 | Q3 16 | Q4 16 |
|---|-------|-------|-------|
| MAX | 137 | 140 | 151 |
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| 25% percentile | 123 | 123 | 122 |
| MIN | 116 | 106 | 103 |

* the data is based on international banks' forecasts

| | 31.05 open price | 31.05 close price | % change |
|---------|------------------|-------------------|----------|
| AUD/JPY | 0.9373 | 0.947 | +1.03% |
| CAD/JPY | 0.7604 | 0.7591 | -0.17% |
| EUR/JPY | 1.45341 | 1.45749 | +0.28% |
| USD/JPY | 1.3049 | 1.3093 | +0.34% |



“The economy will wane again in the summer, and that will be a key test for the PBOC -- can it maintain stable policy and focus on supply-side management”.

-Tao Dong

CNY



| | |
|--|---------------|
| | Impact |
| China's official manufacturing PMI remains unchanged at 50.1 | High |

China's official factory gauge stayed above the dividing line that signals improving conditions for a third month. The manufacturing purchasing managers index remained at 50.1 in May, barely above the 50-mark that separates expansion in activity from contraction on a monthly basis, matching April's level and compared with economists' median estimate of 50. Meanwhile, a similar survey showed activity in China's services sector continued to expand but at a slower pace, with the official reading at 53.1 in May versus 53.5 in April. Numbers above 50 indicate improving conditions. Despite activity in China's manufacturing sector unexpectedly expanded for the third straight month in May, growth still remains weak, suggesting the world's second-largest economy is still struggling to regain traction.

Meanwhile, manufacturing data showed that measures of output and purchases quantity rose, with small and medium-sized enterprises picking up. For the services gauge, declines in input prices and business activity expectations weighed on the index. Moreover, a separate PMI reading from Caixin Media and Markit Economics fell to 49.2 in May, matching economists' estimates and down from 49.4 in April. The lack of any pick-up in external trade underscores the economy's reliance on domestic industries.















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| Median | 125 | 127 | 129 |
| 25% percentile | 123 | 123 | 122 |
| MIN | 116 | 106 | 103 |

* the data is based on international banks' forecasts

| | 31.05 open price | 31.05 close price | % change |
|----------------|------------------|-------------------|----------|
| AUD/JPY | 1.0709 | 1.0729 | +0.19% |
| AUD/USD | 1.6574 | 1.6639 | +0.39% |
| EUR/AUD | 2.1794 | 2.1871 | +0.35% |
| GBP/AUD | 0.6694 | 0.6763 | +1.03% |

Major events of the previous week (May 23-27)

| Day/Time (GMT) | Flag | Currency | Event | Period | Actual | Forecast | Previous |
|------------------|---|----------|---------------------------------|-----------|--------|----------|----------|
| MONDAY | | | | | | | |
| 7:30 am |  | EUR | German Flash Manufacturing PMI | May | 52.4 | 52.1 | 51.8 |
| 8:00 am |  | EUR | Flash Manufacturing PMI | May | 51.5 | 51.9 | 51.7 |
| TUESDAY | | | | | | | |
| 3:05 am |  | AUD | RBA Gov Stevens Speaks | | | | |
| 9:00 am |  | EUR | German ZEW Economic Sentiment | May | 6.4 | 12.1 | 11.2 |
| 2:00 pm |  | USD | New Home Sales | April | 619K | 521K | 531K |
| 10:45 pm |  | NZD | Trade Balance | April | 292M | 40M | 189M |
| WEDNESDAY | | | | | | | |
| 8:00 am |  | EUR | German Ifo Business Climate | May | 107.7 | 106.9 | 106.7 |
| 2:00 pm |  | CAD | BOC Rate Statement | | | | |
| THURSDAY | | | | | | | |
| 1:30 am |  | AUD | Private Capital Expenditure QoQ | Quarter 1 | -5.2% | -3.2% | 1.8% |
| 8:30 am |  | GBP | Second Estimate GDP QoQ | Quarter 1 | 0.4% | 0.4% | 0.4% |
| 12:30 pm |  | USD | Core Durable Goods Orders MoM | April | 0.4% | 0.3% | -0.1% |
| FRIDAY | | | | | | | |
| 12:30 pm |  | USD | Prelim GDP QoQ | | | | 0.5% |

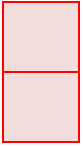
EXPLANATIONS

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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