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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	50.1	49.6	49.2
2:00 pm		USD	ISM Manufacturing PMI	May	51.3	50.6	50.8
THURSDAY							
1:30 am		AUD	Retail Sales (MoM)	April	0.2%	0.3%	0.4%
1:30 am		AUD	Trade Balance	April	-1.58B	-2.11B	-2.16B
8:30 pm		GBP	Construction PMI	May	51.2	52.1	52.0
12:30 pm		USD	Initial Jobless Claims	May	267K	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.




EUR

"Economic recovery in the euro area continues to be dampened by subdued growth prospects and a sluggish pace of implementation of structural reforms. Additional stimulus is expected from the monetary policy measures still to be implemented and will contribute to further rebalancing the risk to the outlook for growth".

- Mario Draghi, ECB President



	Impact
ECB Keeps Interest Rates Unchanged	High

The European Central Bank revealed no surprises regarding interest rate decision as all three main interest rates left on hold, in line with majority of economists' expectations. The central bank's main interest rate, remains at a record low of 0%, while the deposit rate, in turn, will stay at minus 0.4%, indicating that commercial banks continue to pay to park funds with the central bank overnight. The market posted minimal reaction to the following news and was mostly concentrated on President Draghi's press conference. During the ECB President press conference it was revealed that there is willingness to take further action if inflation doesn't pick up decisively, however the need for patience is necessary as previously announced stimulus measures take effect. Also, it was stressed out that Central bank would start its corporate bond purchase programme on June 8 and would conduct its first operation in its new series of targeted loans on June 22.

Meanwhile, despite a recent increase in oil prices, the ECB's economists revealed positive inflation forecast for this year, as well as left their projections for next year and 2018 unchanged, an indication that further stimulus measures may be needed if policy makers are to meet their inflation target of just under 2%.





"Job growth continues to be substantially faster than the underlying growth of the labor force, so the labor market continues to tighten".

- Jerome Powell, Fed governor

USD



news	Impact
US unemployment claims unexpectedly fall to five-week low	High

According to the latest Labour Department release, the number of Americans applying for unemployment benefits unexpectedly dropped last week to a five week low, pointing to a tightening jobs market. The data for the previous week showed that 267,000 individuals filed new jobless claims. The following data revealed a decline of 1,000 claims from the prior week's level of 268,000. Moreover, the streak of initial jobless claims below 300k resumes a 64 consecutive weeks' period, thus showing the longest since 1973. Moreover, the data was better than the consensus estimate of 270k new claims. Continuing jobless claims, in turn, for the week ended May 21 went up to 2.172 million from 2.160 million in the preceding week. Moreover, the previous week's figure was revised down from 2.163 million. Economists had expected continuing claims to decline further reaching the 2.150 million mark. Overall, a Labour Department analyst revealed that there were no special factors which have led to the following last week's claims data. However, claims for Tennessee, Virginia, Wyoming, Puerto Rico and Hawaii were estimated because of the Memorial Day holiday. Also it could be added, that last week's claims report has no impact on the employment report for May, which is scheduled to be published today.






"Heightened uncertainty and subdued general economic conditions in turn contributed to the first outright fall in new work received by construction firms for just over three years".

GBP - David Morrison, SpreadCo



	Impact
U.K. construction PMI unexpectedly falls	High

UK construction sector activity in May unexpectedly fell with output growth easing to its weakest for almost three years with new orders contracting for the first time in three years. In a report, market research firm Markit and the Chartered Institute of Purchasing & Supply stated that UK construction PMI index was weaker than expected at 51.2 from 52.0 the previous month and compared with expectations of 51.9 for the month. Construction makes up 6% of Britain's economy, though it accounts for a disproportionate amount of volatility in official gross domestic product data. In addition, the new orders component fell especially sharply, dropping to 48.1 from 50.1, its first time since April 2013 below the 50-mark that separates growth from contraction and the lowest index reading since March 2013.

Uncertainty surrounding the June referendum was again cited as a key factor in restraining activity with over 30% of companies stating that there was a significant negative impact. Civil engineering the worst performing category for the second month running with the residential and commercial sectors also recording activity close to three-year lows. More positively, the employment index remained in positive territory and jobs increased at the fastest pace since January. There was a further deterioration in supplier performance, which continues to suggest capacity constraints, while input prices continued to increase.





"Overall, these data provide some tentative reasons to believe that GDP growth in the second quarter is unlikely to be anywhere near as good as the 1.1 per cent quarterly rise in the first".

-Paul Dales, Capital Economics

AUD

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news	Impact
Australian retail sales rise 0.2% in April, less-than-expected	High

Australian retail sales rose modestly in April, led by strength in cafes, department stores and clothing. In a report, Australian Bureau of Statistics stated that Australian retail sales rose to a seasonally adjusted 0.2%, as soft consumer demand, a warm autumn and aggressive discounting took their toll after a relatively strong March. The growth rate compares with a 0.4% increase for March, and fell short of economists' forecasts of 0.3% this time. The Australian Bureau of Statistics reported that turnover at cafes, restaurants and takeaway stores led the way with a 1% increase, followed by clothing, footwear and accessories, with 0.5% growth. However the situation with food retailers, such as supermarkets, appeared to be bad, as sales in this segment were down 0.3% for the month.

Meanwhile, a separate research showed that Australia's trade balance rose more-than-expected last month. Australia's trade balance increased to a seasonally adjusted -\$1.579 billion, against market expectations of a -\$2.11 billion print. That is a fall of \$392 million, 20%, from the March deficit of -\$1.971 billion whose figure was revised up from -\$2.163 billion. Moreover, data showed that exports have risen by 1% and imports have declined by 1%. This is good news that backs up the strong GDP data released yesterday, but yet is a trend that needs to pick up pace if it is to counteract the loss of the mining industry all together.



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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