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RESEARCH PRODUCTS

07/06/2016

Fundamental Analysis

Tuesday, June 07, 2016
08:30 GMT

Major events this week (June 7-10)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
MONDAY							
06:00 am		EUR	German Factory Orders MoM	April	-2.0%		2.6%
16:30 pm		US	Fed Chair Yellen Speaks				
TUESDAY							
4:30 am		AUD	RBA Rate Statement				1.75%
9:00 am		EUR	Gross Domestic Product (YoY) Q1	Quarter			1.5%
12:30 pm		USD	Revised Nonfarm Productivity Q1	Quarter			-1.0%
23:50 pm		JPY	Final GDP (QoQ) Q1	Quarter			0.4%
WEDNESDAY							
		CNY	Trade Balance	May			298B
8:30 am		GBP	Manufacturing Production (MoM)	April			0.1%
3:00 pm		US	US Crude Oil Inventories	June			
21:00 pm		NZD	RBNZ Rate Statement				
THURSDAY							
1:30 am		CNY	PPI YoY	May			-3.4%
06:00 pm		EUR	German Trade Balance	April			23.6B
12:30 pm		USD	Unemployment Claims	June 3			267K
FRIDAY							
1:30 pm		GBP	Trade Balance	April			-3.11B
13:30 pm		CAD	Unemployment Rate	May			7.1%

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Key highlights of the week ended June 3

Euro zone

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.

Australia

Australia's economic growth boomed past expectations in the first quarter with the annual pace speeding to its fastest in three years, a result that could keep the central bank on hold at its policy meeting next week. Gross domestic product grew a seasonally adjusted 1.1% in the three months to the end of March, exceeding market expectations for a 0.8% gain in the first quarter, due to a strong pick-up in resources and services exports. On an annual basis, GDP grew 3.1%, above economists' consensus estimate for 2.8% growth and defying fears that Australia would be hit by slowing growth in China, its biggest trading partner. According to the Australian Bureau of Statistics, the major drivers of growth during the quarter came from exports and household final consumption expenditure, which contributed 1.0 and 0.5 percentage points respectively. Combined with a marginal fall in imports, net exports contribute a whopping 1.1 percentage points to growth during the quarter. These gains were partially offset by weaker public gross fixed capital formation, which shaved 0.4 percentage points from the number.

UK

Industry data showed that manufacturing activity in the United Kingdom narrowly expanded in May, slightly beating analysts' expectations for it to remain in contraction for a second month. In a report, market research group Markit stated that UK manufacturing PMI increased to a seasonally adjusted 50.1 last month from a reading of 49.4 in April, which had been the first contraction in three years and was revised up from an initial figure of 49.2, while analysts forecasted the index to advance to 49.6 in May.

US

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.

"Solid development at home will have a hard time compensating for weak exports".
- Dirk Schlotböller, German Chambers of Commerce and Industry

EUR

news	Impact
German Factory orders dropped significantly –2.0% vs. –0.6% exp.	High

German factory orders have declined significantly, as demand for investment goods from outside the Euro zone slumped in April, strengthening worries about stagnation in the German industry. According to the latest release of the Economy Ministry in Berlin, the data dropped 2% from the prior month, when it rose to a revised 2.6%. The reading, which is usually volatile, is incomparable to economists' predictions for a decline of 0.5%. Moreover, orders slid 0.5% from a year earlier. On a yearly period, the index also went down, losing 0.5% against forecast of 0.6% of expansion. Overall, following decrease was provoked by a 4.3% drop in foreign orders, primarily from outside the 19-nations' region, while domestic orders increased by 1.3%. Meanwhile, within foreign demand, new orders from the Euro area surged 2.5% for the previous month, while new orders from other countries slipped 8.3%. Orders for intermediate goods, in turn, added 4.8%, while the manufacturers of capital goods showed a monthly fall of 6.1%. For consumer goods, a decrease in new orders of 1% was registered.

In the meantime, the Bundesbank last week cut its forecast for German growth in 2016 and 2017, simultaneously affirming a robust economic trend as well as strengthening labor market conditions.

Trends*	Q1 16	Q2 16	Q3 16
MAX	0.78	0.82	0.84
75% percentile	0.65	0.65	0.65
Median	0.63	0.62	0.62
25% percentile	0.62	0.61	0.60
MIN	0.58	0.55	0.55

* the data is based on international banks' forecasts

	06.06 open price	06.06 close price	% change
EUR/USD	1.1151	1.1367	+1.94%
EUR/GBP	0.78247	0.78619	+0.48%
EUR/CHF	1.10825	1.10201	-0.56%
EUR/JPY	121.05	122.12	+0.88%

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USD

"The news from the labor market over the past year has been generally good, the unemployment rate declining below 5 percent, rising household incomes, and tentative signs of faster wage growth. At the same time, recent signs of a slowdown in job creation bear close watching ".

- Janet Yellen, Federal Reserve Chairwoman

news	Impact
US Labour market conditions index –4.8 vs. –0.8	High

According to the latest release, the US labour market conditions index (LMCI) showed a 4.8 decline for the previous month, taking into account a revised 3.4 drop also for May. The following data confirms the fifth successive decrease simultaneously is maintaining a very disappointing trend seen for a whole 2016 year. The freshly release data could provoke fresh doubts whether the Federal Reserve will be able to raise interest rates in the near future even despite the purely negative Friday's employment data. Moreover, following the declines in the previous two months, the overall down-trend has spurred and this is the longest pace below the zero level since the 2007/08 financial crash. There is an important risk that it impossible for companies to find suitable staff, especially as delivery backlogs and longer delivery times has been significant features in recent PMI data which suggests capacity constraints.

Also, On Monday the Federal Reserve Chair Janet Yellen held a speech and drop a hint that interest rate raise still could be possible since positive economic releases have outweighed the negative. Meanwhile, in case if the US economy gives further indications in the upcoming month that it is slowing, any expectations about possible monetary rate increase will disappear.

Trends*	Q1 16	Q2 16	Q3 16
MAX	0.80	0.79	0.81
75% percentile	0.71	0.71	0.71
Median	0.69	0.68	0.68
25% percentile	0.68	0.67	0.66
MIN	0.64	0.64	0.61

* the data is based on international banks' forecasts

	06.06 open price	06.06 close price	% change
AUD/USD	0.7352	0.7366	+0.19%
USD/CHF	0.9769	0.9706	-0.64%
USD/JPY	106.44	107.56	+1.05%
NZD/USD	0.6939	0.6923	-0.23%

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"We expect the RBA to ease again with inflation likely to remain below the target band for some time"
-ANZ

AUD

news	Impact
Number of Australian job advertisements rise 2.4% in May	High

Advertised Australian job openings grew in May, suggesting labour demand continues to show resilience amid shaky economic settings. Job ads were 2.4% higher in May than a month earlier, ANZ's Job Advertisement Series reported, following a revised 0.6% decline in April. Newspaper listings tumbled 12.6% over the month, while internet job ads were up 2.6%. The data series captures job ads from Australia's state capitals and comes a week ahead of Australia's official employment statistics for May. In April, the Australian economy added a net 10,800 jobs, helping to keep the unemployment rate at a two-and-a-half-year low of 5.7%. Labour demand moderated significantly in early 2016, after Australia recorded the biggest annual gain in jobs since 2006 last year.

Meanwhile, a separate report showed that Australian consumer prices fell in May, according to a monthly gauge, adding to concerns over the soft state of Australia's inflation. Consumer prices fell 0.2% month-on-month in Australia in May, according to the TD Securities-Melbourne Institute Inflation Gauge, following a 0.1% increase in April and no change in March. The annual change in inflation, according to the gauge, slowed from 1.5% to just 1.0%, the weakest since the series began almost a decade ago.

Trends*	Q1 16	Q2 16	Q3 16
MAX	1.42	1.41	1.43
75% percentile	1.37	1.37	1.36
Median	1.35	1.35	1.34
25% percentile	1.31	1.31	1.30
MIN	1.25	1.10	1.20

* the data is based on international banks' forecasts

	06.06 open price	06.06 close price	% change
AUD/CAD	78.45	79.234	+1.00%
CAD/CHF	0.7352	0.7366	+0.19%
EUR/CAD	1.54382	1.54176	-0.13%
USD/CAD	1.9757	1.9605	-0.77%

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Major events of the previous 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	53.5	52.3	52.3
12:30 pm		USD	Unemployment Rate	May	4.7%	4.9%	5.0%
12:30 pm		USD	Nonfarm Payrolls	May	38K	170K	160K

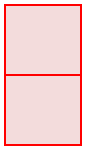
EXPLANATIONS

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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