














DUKASCOPY
RESEARCH PRODUCTS

09/02/2016



Fundamental Analysis

Major events this week (February 8-12)

| Day/Time (GMT) | Flag | Currency | Event | Period | Actual | Forecast | Previous |
|------------------|---|----------|-------------------------------|------------|--------|----------|----------|
| MONDAY | | | | | | | |
| 1:30 pm |  | CAD | Building Permits MoM | December | 11.3% | 5.6% | -19.9% |
| TUESDAY | | | | | | | |
| 12:30 am |  | AUD | NAB Business Confidence | January | | | 3 |
| 9:30 am |  | GBP | Trade Balance | December | | | -10.6B |
| 3:00 pm |  | USD | JOLTS Job Openings | December | | | 5.3M |
| WEDNESDAY | | | | | | | |
| 9:30 am |  | GBP | Manufacturing Production MoM | December | | | -0.4% |
| 3:00 pm |  | USD | Fed Chair Yellen Testifies | | | | |
| THURSDAY | | | | | | | |
| 1:30 pm |  | USD | Unemployment Claims | February 6 | | | 285K |
| 10:30 pm |  | AUD | RBA Gov Stevens Speaks | | | | |
| FRIDAY | | | | | | | |
| 7:00 am |  | EUR | German Prelim GDP QoQ | Quarter 4 | | | 0.3% |
| 1:30 pm |  | USD | Retail Sales MoM | January | | | -0.1% |
| 3:00 pm |  | USD | Prelim UoM Consumer Sentiment | February | | | 92.0 |

Key highlights of the week ended February 5

ECB

The ECB President Mario Draghi voiced another strong hint that the bank is ready to act decisively to combat weak inflation. Draghi said that even though inflation is low globally, it would not stop the central bank from adding stimulus to the Euro zone if necessity arises. Moreover, the risk of acting too late is greater than that of acting too early as a wait-and-see mode could result in a lasting loss of confidence. The ECB is currently reviewing its monetary policy actions and policy makers will decide on March 10 whether the current plan of negative interest rates and a 1.5 trillion-euro QE programme yield fruit. Meanwhile, the latest data showed consumer prices in the Euro area climbed an annual 0.4% in January and the rate is likely to turn negative in coming months. The reading has been below 1% for more than two years. While Euro zone's unemployment dropped to the lowest level in four years in December, the region's manufacturing and services industries lowered prices at the quickest pace in almost a year in January, underscoring challenges for the ECB to bring inflation to the targeted level.

UK

The BoE revised its economic growth forecasts due to a gloomier global outlook. Moreover, the lone policy maker who had voted for a rate hike in recent months unexpectedly changed his mind. The BoE's Monetary Policy Committee voted 9-0-0 to keep rates on hold at a record-low 0.5%, where they have stayed for almost seven years. The central bank said sharp plunge in oil prices and equities, and significant risks in emerging economies, weighed on the global outlook, though sturdy domestic demand should ensure the UK growth still remained near its long-run average. The BoE forecast the UK's economy would grow 2.2% this year and 2.3% in 2017, down from 2.5% and 2.6% in predicted in November and barely changed from 2015, when growth disappointed expectations. On top of that, the February Inflation Report lowered the short-term inflation outlook, with CPI at around 0.82% and 1.91% by the end of 2016 and 2017 respectively. The BoE expects inflation to exceed the 2% goal during the first quarter of 2018 for the first time.

Australia

The RBA voiced a cautious optimism on the domestic economy in its quarterly update on monetary policy in light of global financial turmoil. However, the central bank reiterated that despite local optimism, uncertainty about China's growth prospects and the management of its economic slowdown remain a major global headwind. The RBA was confident that robust demand for jobs would persist despite slowdown in the mining sector and rising global market volatility. Furthermore, the bank admitted that the transition out of the mining boom was starting to take hold. The RBA made no significant changes to its prediction for GDP growth from its November statement, expecting the domestic economy to grow at an average pace of 2.5% in 2016 and 3% in 2017. However, the central bank predicted a persistent decline in the unemployment rate, whereas back in November the RBA said it expected the jobless rate to hold between 6.0%-6.25% over the next 12 months. Meanwhile, the official rate for December dropped to 5.8% after peaking at 6.3% during 2015.




"The current upswing will continue in 2016 and gain slightly more momentum due to higher fiscal spending from governments, to finance expenses from the refugee crisis, and slightly higher global demand"

- Johannes Mayr, head of economic research at BayernLB

EUR

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| | |
|---|--------|
|  | Impact |
| Euro zone investor sentiment index continues to decline; ECB to boost QE | High |

The Euro zone investor sentiment index declined for a second month in a row to the lowest level since early 2015, as prospects for the US economy deteriorated and the German economy cooled. Sentix's economic sentiment index for the Euro zone dropped from +9.6 points for November to +6.0 in December, the lowest since April. At the same time, the expectations index plunged to 1.5, down from 6.3 a month earlier, the lowest level since November 2014. Investor confidence in Germany, the Euro zone's number one economy, hit its weakest point since November 2014, with the corresponding gauge falling to 14.5 in February from 18.1 a month earlier. The expectations index plunged to -2.6 in the current month down from 1.8 and the current situation index retreated from 35.6 in January to 33.

Meanwhile, the ECB's Executive Board member Benoit Coeure said another boost to QE programme is possible and policy makers are now discussing about which assets and what amount should be purchased ahead of the March meeting. The ECB's measures are working, but the central bank is ready to deploy more stimulus to get inflation to the targeted level. Coeure also added that the current period of ultra-low interest rates will last as long as needed, saying the ECB did not work under market pressure.



* the data is based on international banks' forecasts



"The fact that payroll gains fell back to earth is not necessarily a bad sign. Most indications are that the job market in the U.S. is on solid footing and improving"

- Nariman Behravesh, chief economist at IHS

USD

| news | Impact |
|-----------------------------------|--------|
| US labour market cools in January | High |

The US labour market started the year on a weaker footing, the Fed's comprehensive measure showed. The Labor Market Conditions Index dropped to 0.4 points in January after a revised 2.3 points in December, reaching the lowest reading since April 2015. The indicator averaged 1.9 points in all of last year, compared with 5.2 points in 2014. The January labour market report confirmed a slowdown in job creation after a rapid growth late in 2015 amid unusually warm weather. Rising wages and the unemployment rate at an eight-year low signalled the labour market recovery remains strong. Non-farm payrolls rose by 151,000 jobs last month, missing expectations for a 190,000 gain and following 292,000 new jobs created in December. Yet, it appeared to be enough to push the US jobless rate to 4.9%, down from 5.0%, the Labor Department reported. In January, all the employment gains were in the private sector, which added 158,000 jobs. The services sector dominated the payrolls increase last month, with 118,000 jobs created. In addition to that, average weekly earnings increased 12 cents an hour or 0.5% on a monthly basis, translating into a 2.5% annualized gain. Until recently, wage growth has been the one factor missing from America's recovery from the recession. As the unemployment rate remains low, many economists expect Americans to see paychecks increase. Fed Chair Janet Yellen is due to reveal a detailed assessment of economic trends this week when she delivers the semi-annual monetary policy report to Congress.






"The weakness in exports seen in the latter half of 2015 is likely to remain"

- Yuichiro Nagai, an economist at Barclays Securities Japan Ltd

JPY

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|---|--------|
|  | Impact |
| Japan's 2015 current account surplus surges six-fold amid cheap oil | High |

Japan logged an 18th current account surplus in a row amid a plunge in crude oil imports and a travel surplus due to the Japanese Yen's depreciation. In the final month of 2015, Japan reported a current account surplus of 960.7 billion yen, compared with 225.9 billion yen a year earlier, according to the Finance Ministry. Trade exports increased 5.5% to 6.247 trillion yen, while imports dropped 2.2% to 6.059 trillion yen. In 2015, the nation's current account surplus surged more than six fold from the previous year to 16.64 trillion yen, with imports slumping 10.3%, while exports rose 1.5%.

Japan has been relying heavily on energy imports since the March 2011 Fukushima nuclear catastrophe, with most of the country's commercial reactors remaining shut down. Oil prices are likely to continue to be a major driver influencing Japan's trade balance, as exports are predicted to remain weak this year. The average crude oil imports plummeted 41% as average oil prices almost halved to \$55 per barrel in 2015. In addition to that, a record travel surplus of 1.12 trillion lifted the current account balance, as the Yen's weakness attracted foreign visitors to Japan. The number of foreign tourists visiting Japan surged 47.1% in 2015 from a year earlier to a record 19.74 million. The Japanese Yen lost 14.5% versus the US Dollar from the previous year to trade at 121.09.



| Trends* | Q1 16 | Q2 16 | Q3 16 |
|----------------|-------|-------|-------|
| MAX | 145 | 150 | 148 |
| 75% percentile | 134 | 135 | 136 |
| Median | 131 | 131 | 131 |
| 25% percentile | 129 | 127 | 128 |
| MIN | 121 | 117 | 117 |

* the data is based on international banks' forecasts

| | 08.02 open price | 08.02 close price | % change |
|---------|------------------|-------------------|----------|
| AUD/JPY | 82.727 | 82.1 | -0.76% |
| CAD/JPY | 84.15 | 83.184 | -1.15% |
| EUR/JPY | 130.42 | 129.67 | -0.58% |
| USD/JPY | 116.97 | 115.85 | -0.96% |



“Interest rates affect all parts of the economy and are too blunt an instrument to address an imbalance in just one part of the economy - household credit”

- Timothy Lane, Bank of Canada Deputy Governor

CAD

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| news | Impact |
|--|--------|
| Canada's housing sector posts mixed results; interest rates cannot alone support economy, BoC says | High |

Canada's building permits jumped more than expected in December, boosted by increased construction intentions for multi-family homes. According to Statistics Canada, the total value of building permits issued by Canada's municipalities in December surged 11.3% to C\$6.92 billion, whereas analysts had projected a 6.2% rise. However, November's figure was downwardly revised to 19.9% from 19.6%. Measured on an annual basis, permits issued dropped 1.6%. Residential building permits soared 16.3% as plans to build multi-family dwellings such as apartments and condominiums advanced 39.1%. On the other hand, other residential data disappointed. Canada's housing starts dropped for a second month in a row in January, led by weakness in provinces, which got hurt by declining oil prices and rising unemployment rates. The seasonally adjusted annual rate of housing starts dropped to 165,861 units from the downwardly revised 172,533 in December, whereas analysts were projected to see 185,000 starts.

Meanwhile, the Bank of Canada said that its benchmark interest rate should not be considered the primary tool responsible for supporting Canada's financial system. Other regulatory measures are required to help keep financial stability and address any emerging vulnerabilities.


















| 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

| | 08.02 open price | 08.02 close price | % change |
|---------|------------------|-------------------|----------|
| AUD/CAD | 0.9825 | 0.987 | +0.46% |
| CAD/CHF | 0.7123 | 0.7087 | -0.51% |
| EUR/CAD | 1.55095 | 1.5588 | +0.51% |
| USD/CAD | 1.3903 | 1.3927 | +0.17% |

Major events this week (February 1-5)

| Day/Time (GMT) | Flag | Currency | Event | Period | Actual | Forecast | Previous |
|------------------|---|----------|--------------------------------|------------|--------|----------|----------|
| MONDAY | | | | | | | |
| 1:00 am |  | CNY | Manufacturing PMI | January | 49.4 | 49.6 | 49.7 |
| 9:30 am |  | GBP | Manufacturing PMI | January | 52.9 | 51.8 | 51.9 |
| |  | USD | ISM Manufacturing PMI | January | 48.2 | 48.6 | 48.2 |
| TUESDAY | | | | | | | |
| 3:30 am |  | AUD | RBA Rate Statement | | | | |
| 9:30 am |  | GBP | Construction PMI | January | 55.0 | 57.6 | 57.8 |
| 9:45 pm |  | NZD | Unemployment Rate | Quarter 4 | 5.3% | 6.1% | 6.0% |
| WEDNESDAY | | | | | | | |
| 12:30 am |  | AUD | Building Approvals MoM | December | 9.2% | 4.8% | -12.4% |
| 7:00 pm |  | GBP | Services PMI | January | 55.6 | 55.4 | 55.5 |
| 1:15 pm |  | USD | ADP Non-Farm Employment Change | January | 205K | 193K | 267K |
| THURSDAY | | | | | | | |
| 12:00 pm |  | GBP | BOE Inflation Report | | | | |
| 12:00 pm |  | GBP | Monetary Policy Summary | | | | |
| 1:30 pm |  | USD | Unemployment Claims | January 30 | 285K | 279K | 277K |
| FRIDAY | | | | | | | |
| 12:30 am |  | AUD | RBA Monetary Policy Statement | | | | |
| 1:30 pm |  | CAD | Unemployment Rate | January | 7.2% | 7.1% | 7.1% |
| 1:30 pm |  | USD | Non-Farm Employment Change | January | 151K | 189K | 262K |

Tuesday, February 09, 2016
08:30 GMT



"There has been a noticeable improvement in labour market conditions that was not anticipated at the time of the previous statement"


- Reserve Bank of Australia

AUD

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| | |
|---|--------|
|  | Impact |
| RBA cautiously optimistic on Australia's economy | High |



|  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

| | 04.02 open price | 04.02 close price | % change |
|---------|------------------|-------------------|----------|
| AUD/JPY | 84.521 | 84.087 | -0.51% |
| AUD/USD | 0.7169 | 0.7201 | +0.45% |
| EUR/AUD | 1.54915 | 1.55662 | +0.48% |
| GBP/AUD | 2.037 | 2.0262 | -0.53% |

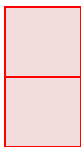
EXPLANATIONS

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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