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RESEARCH PRODUCTS

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# Fundamental Analysis

## Major events this week (November 23-27)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
<b>MONDAY</b>							
08:30 am		EUR	German Flash Manufacturing PMI	November	52.6	52.2	52.1
Tentative		USD	Fed Announcement				
<b>TUESDAY</b>							
9:00am		AUD	RBA Gov Stevens Speaks				
9:00 am		EUR	German Ifo Business Climate	November	109.0	108.3	108.2
1:30 pm		USD	Prelim GDP QoQ	Quarter 3	2.1%	2.0%	1.5%
<b>WEDNESDAY</b>							
1:30 pm		USD	Core Durable Goods Orders MoM	October			-0.3%
7:00 pm		USD	Unemployment Claims	November 21			272K
9:45 pm		NZD	Trade Balance	October			-1222M
<b>THURSDAY</b>							
12:30 am		AUD	Private Capital Expenditure QoQ	Quarter 3			-4.0%
11:30 pm			Tokyo Core CPI YoY	November			-0.2%
<b>FRIDAY</b>							
9:30 am		GBP	Second Estimate GDP QoQ				

## Key highlights of the week ended November 20

### Euro zone

The European Central Bank considered expanding its stimulus programme to support Euro zone's struggling economy at its last policy meeting. Moreover, the ECB admitted that the risk increased that the central bank would again miss its inflation target. Even though the ECB's measures proved to be effective, the central bank receives little help from outside as government reform efforts were disappointing and the European Commission investment programme lacked momentum. The minutes of the meeting showed that the threat of growth-sapping deflation has intensified since the ECB's projections in September and the central bank is predicting that the inflation rate will take longer to move back to its 2% goal. Thus, the ECB is left with two options: either to acknowledge that it is unable to fulfil its objective or to take more forceful action with a broader set of tools. The council members said they would re-examine the degree of policy accommodation at its December meeting.

### US

The minutes of the FOMC meeting in October reinforced the view that the Fed may finally hike interest rates as soon as next month, given job growth and inflation trends remain resilient and continue to improve. Yet, Fed officials remain divided, as some policy makers doubted that economic data available by the December meeting would warrant raising the target range for the federal funds rate. Markets seemed to be getting used to the idea of higher rates in the near future, as the US central bank has now warned about rate hikes so many times. While stocks usually tumble amid increase in rates, equities rose Wednesday, a sign that a rate hike is already priced into markets.

### Switzerland

The Swiss National Bank reiterated its view that the Swiss Franc is considerably overvalued, despite spending hundreds of billions of francs on interventions to push the nation's currency lower. A strong Franc is expected to further hit Swiss exporters, who have already been suffering. Earlier in the year the central bank surprisingly abandoned its ceiling on the Franc of 1.20 per Euro, triggering a massive turbulence in the global markets. Moreover, economists suppose that the SNB may intervene in the FX markets in order to limit the appreciation in the Franc in case the European Central Bank deploys further stimulus. Euro zone stimulus could further hamper efforts to keep the Swiss Franc at its current 1.08 franc level versus the Euro, and expectations for the Franc to strengthen against its key trading partners' currency increased.

### Japan

The Bank of Japan maintained its monetary policy, hoping that an economic recovery is around the corner despite soft domestic capital expenditure and uneasy global business conditions. As widely expected, the central bank reiterated its pledge to increase base money at an annual pace of 80 trillion yen through purchases of governments bonds and risky assets. The BoJ has kept monetary policy unchanged since expanding stimulus in October last year, even as falling oil prices and weak exports push Japan's inflation further away from its goal. The BoJ repeated its view that the world's third biggest economy continued to recover moderately, although production and exports have been hit hard by the slowdown in emerging markets. The central bank admitted that an annual change in the consumer inflation is likely to be around 0% for the time being, due to the effects of the energy prices drop.





**“Neither the VW emissions scandal, nor the refugee crisis, nor the attacks in Paris are scratching the mood of German companies”**

- Andreas Scheuerle, DekaBank economist

**EUR**



	<b>Impact</b>
German business more improves in November; Germany economy slows	High

German business morale improved in November, reaching the highest level since summer 2014. Ifo's business climate index rose to 109.0 from 108.2 in October, the strongest reading since June 2014. The current assessment sub-index, which measures the current conditions in the Euro zone's number one economy, climbed to 113.4 points, compared with the previous month's figure of 112.7 and beating market estimates of 112.4 points. The Ifo expectations index, showing firms' projections for the next six months, increased to 104.7, up from 103.9 in October.

The unexpectedly strong business climate reading by the Ifo economic institute came after the data showed the German economy slowed in the third quarter, as robust domestic consumption was offset by sluggish exports and slack corporate investment. Germany's third quarter GDP growth eased to 0.3% from 0.4% in the June quarter, according to the Federal Statistics Office. This translated into an annualized growth rate of 1.3%, the weakest rate since the third quarter last year. Private consumption rose 0.6% from the second quarter, while government consumption increased 1.3%. At the same time, exports climbed a modest 0.2%, whereas imports jumped 1.1%.



Trends*	Q4 15	Q1 16	Q2 16
MAX	1.38	1.21	1.24
75% percentile	1.13	1.11	1.12
Median	1.09	1.07	1.07
25% percentile	1.06	1.05	1.03
MIN	0.96	0.97	0.95

\* the data is based on international banks' forecasts

	24.11 open price	24.11 close price	% change
EUR/USD	1.0636	1.0643	+0.07%
EUR/GBP	0.70325	0.70562	+0.34%
EUR/CHF	1.08304	1.08215	-0.08%
EUR/JPY	130.66	130.42	-0.18%



**“You’re getting more growth in the third quarter and perhaps that could come at the expense of less growth in the next couple of quarters”**

*- Jim O’Sullivan, chief U.S. economist at High Frequency Economics*

**USD**



	<b>Impact</b>
US economy grows more than initially estimated	High

The world’s number one economy grew faster in the third quarter than originally estimated. Gross domestic product rose at a 2.1% annualized rate, compared with the initial reading of 1.5%, according to the Commerce Department. The consumer spending was the biggest contributor to growth as cheap gasoline and greater job security gave more confidence to spend. Household consumption, which makes up almost 70% of the economy, grew at a 3% annualized rate, slightly less than the previously estimated 3.2%. The final release of GDP data for the third quarter is scheduled for late December. Steady growth in the world’s largest economy helps to create jobs and push down the unemployment rate, which Fed policy makers are watching as a gauge of how much slack is left in the labour market. Fed officials are considering hiking the benchmark interest rate as soon as next month, if data continue to indicate that the US economy can weather tighter monetary policy.

Nevertheless, consumer confidence in the US economy weakened sharply in November as Americans became more concerned about the job market. According to the Conference Board, the index of consumer confidence plunged to 90.4 from a revised 99.1 last month, marking the second consecutive monthly drop and the lowest reading since September 2014.



Trends*	Q4 15	Q1 16	Q2 16
MAX	132	135	136
75% percentile	125	127	128
Median	123	125	125
25% percentile	121	122	123
MIN	86	110	112

\* the data is based on international banks’ forecasts

	24.11 open price	24.11 close price	% change
AUD/USD	0.7192	0.7257	+0.90%
USD/CHF	1.0181	1.0167	-0.14%
USD/JPY	122.84	122.53	-0.25%
NZD/USD	0.6521	0.6555	+0.52%





*“The question in my mind is when is the appropriate time for interest rates to increase in this economy”*

- Mark Carney, BoE Governor

**GBP**




	<b>Impact</b>
BoE in no hurry to hike interest rates	High

Testifying before a treasury select committee, Bank of England Governor Mark Carney reiterated that the current, record-low interest rates in Britain are likely to continue “for some time”, explicitly signalling that the central bank is in no hurry to raise rates. UK interest rates have remained at 0.5% since March 2009. Given the current weak pace of growth and persistently low inflation, most economists do not expect the BoE to hike rates until at least the second quarter of 2016. British consumer prices dropped by 0.1% in October, and are expected to stay close to zero for a few more months.

Following the dovish comments from Carney, BoE chief economist Andrew Haldane said the UK economy and inflation outlook are skewed downward amid external headwinds. Haldane said that the central bank should be even ready to slash interest rates if needed and a “third phase” of the global financial crisis, stemming from emerging markets, could have a prolonged impact on the global growth. Supporting this view, Kristin Forbes, a member of the rate-setting Monetary Policy Committee, said if there is any unexpected shock, she could consider further loosening of the policy.



FORECASTS		
Q4 15	Q1 16	Q2 16
		1.59
	1.58	
1.56		
1.54	1.54	1.54
1.51	1.51	1.51

 Trends*	Q4 15	Q1 16	Q2 16
MAX	1.77	1.65	1.71
75% percentile	1.56	1.58	1.59
Median	1.54	1.54	1.54
25% percentile	1.51	1.51	1.51
MIN	1.34	1.41	1.37

\* the data is based on international banks' forecasts

	24.11 open price	24.11 close price	% change
<b>GBP/USD</b>	1.5124	1.5084	-0.26%
<b>EUR/GBP</b>	0.70325	0.70562	+0.34%
<b>GBP/CAD</b>	2.0213	2.0072	-0.70%
<b>GBP/JPY</b>	185.776	184.823	-0.51%




**“Building (residential and commercial) hasn’t yet taken over from engineering in terms of total work, but it’s not far away”**

- Craig James, CommSec chief economist

**AUD**




	<b>Impact</b>
Australia’s construction activity deteriorates in Q3	High

Construction activity in Australia dropped at the fastest pace in almost four years last quarter after increasing for the first time in more than a year in the second quarter. The total value of construction activity, including building and engineering work, plunged by 3.6% to \$49.04 billion in the three months through September, compared with economists’ projections of a 2% decline. The main driver for the negative result was the precipitous drop in engineering work, including mines, roads and bridges, which plummeted 7.3% in the reported period. Measured on an annual basis, the amount of construction work done was down 3.7%. Over the past year engineering work plunged 11.7%, as mining investment wanes. The data signalled that there was still plenty of momentum in housing construction, yet the sharp decline in engineering work meant construction was a drag on the Australian economy growth last quarter.

The Reserve Bank of Australia might add further stimulus by slashing interest rates again if the nation’s economy starts deteriorating. However, recent strength in business conditions and robust employment growth suggest that the central bank may remain in a wait-and-see mode for some time.



 Trends*	Q4 15	Q1 16	Q2 16
MAX	1.03	0.86	0.88
75% percentile	0.72	0.71	0.71
Median	0.70	0.69	0.69
25% percentile	0.69	0.68	0.67
MIN	0.66	0.64	0.62

\* the data is based on international banks’ forecasts

	24.11 open price	24.11 close price	% change
<b>AUD/JPY</b>	88.346	88.91	+0.64%
<b>AUD/USD</b>	0.7192	0.7257	+0.90%
<b>EUR/AUD</b>	1.47894	1.46689	-0.81%
<b>GBP/AUD</b>	2.1029	2.0788	-1.15%





*“A few members added that the projected delay in the timing of reaching 2 percent had also been partly attributable to a somewhat slow improvement in the output gap”*

- Bank of Japan

**JPY**



	<b>Impact</b>
Japan's economy to continue recovering moderately, BoJ minutes show	High

Minutes of the latest Bank of Japan meeting showed that officials reiterated the view that the world's third biggest economy continued to recover moderately, despite exports and production remaining more or less flat due to the effects of the slowdown in emerging markets. On the domestic side, the central bank saw private consumption staying resilient and labour market conditions continuing to improve steadily. With regards to inflation, some members of the BoJ's policy board assumed that an output gap was one reason Japan's economy was taking longer to meet inflation targets, highlighting a lingering worry that the delay in reaching the 2% inflation target meant that QE had been ineffective. At the meeting on October 30, the BoJ pushed back the timing of hitting its 2% goal by six months to the second half of fiscal 2016 due to weak oil prices.

Policy makers predicted that domestic demand was likely to follow an uptrend and exports were likely to start increasing moderately on the back of recovery in emerging economies. Thus, the Japanese economy was seen growing at a pace above its potential from fiscal 2015 through fiscal 2016.



FORECASTS		
Q4 15	Q1 16	Q2 16
137		137
	136	
134	134	134
132		
	131	131















Trends*	Q4 15	Q1 16	Q2 16
MAX	157	157	162
75% percentile	137	136	137
Median	134	134	134
25% percentile	132	131	131
MIN	115	121	121

\* the data is based on international banks' forecasts

	24.11 open price	24.11 close price	% change
AUD/JPY	88.346	88.91	+0.64%
CAD/JPY	91.91	92.087	+0.19%
EUR/JPY	130.66	130.42	-0.18%
USD/JPY	122.84	122.53	-0.25%



## Major events this week (November 16-22)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
<b>MONDAY</b>							
10:15 am		EUR	ECB President Draghi Speaks				
1:30 pm		CAD	Manufacturing Sales MoM	September	-1.5%	0.3%	-0.6%
<b>TUESDAY</b>							
12:30am		AUD	Monetary Policy Meeting Minutes				
9:30 am		GBP	CPI YoY	October	-0.1%	-0.1%	-0.1%
10:00 am		EUR	German ZEW Economic Sentiment	November	10.4	6.7	1.9
1:30 pm		USD	CPI MoM	October	0.2%	0.2%	-0.2%
<b>WEDNESDAY</b>							
1:30 pm		USD	Building Permits	October	1.15M	1.15M	1.11M
7:00 pm		USD	FOMC Meeting Minutes				
<b>THURSDAY</b>							
Tentative		JPY	Monetary Policy Statement				
9:30 am		GBP	Retail Sales MoM	October	-0.6%	-0.4%	1.7%
1:30 pm		USD	Unemployment Claims	November 14	271K	272K	276K
<b>FRIDAY</b>							
8:00 am		EUR	ECB President Draghi Speaks				
1:30 pm		CAD	Core CPI m/m	October	0.3%	0.2%	0.2%
3:00 pm		CAD	Core Retail Sales m/m	September	-0.5%	-0.3%	0.0%

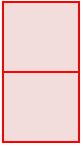
## EXPLANATIONS

### 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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