


















DUKASCOPY
RESEARCH PRODUCTS

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Fundamental Analysis

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			7.1%
1:30 pm		USD	Non-Farm Employment Change	January			292K

Key highlights of the week ended January 30

Japan

The Bank of Japan surprised markets with a negative benchmark interest rate, a move aimed at boosting a faltering recovery in the world's third biggest economy in light of elevated volatility on financial markets and slowing global growth. In a 5-4 vote, the BoJ's policy makers decided to charge a 0.1% interest on current accounts that some commercial banks hold with it. The central bank hopes that the move will encourage banks to lend more and stimulate investment and growth. The BoJ said that it would divide bank's deposits into three tiers, with categories earning positive, zero and negative interest rates. The policy would continue as long as needed to achieve its inflation target. Meanwhile, the central bank pushed back its timeframe for reaching the goal from late 2016 to mid-2017. The BoJ kept its pledge to expand base money at an annual pace of 80 trillion yen through aggressive purchases of Japanese government bonds and risky assets conducted under its QQE programme.

US

In line with expectations, the Fed kept interest rates on hold and said that it was closely following global economic and financial developments. Nevertheless, the US central bank gave no hints that it was changing course on its rate-hiking path ahead. Fed policy makers still argued that the world's number one economy was on track for moderate growth and a stronger labour market even with gradual rate lifts. However, Fed officials acknowledged inflation was estimated to stay "low in the near term" due to the further drops in energy prices, while the US economy's growth slowed late last year. The Fed kept its belief that the ongoing declines in energy prices was transitional and would pass in the medium term. Yet, the central bank downgraded its view on household spending and business investment growth from "strong" to "moderate". The Fed hiked the federal funds rate in December for the first time in nine years and signalled it was determined to increase it by one percentage point in 2016. However, the actual path of rate hikes will depend on "the economic outlook as informed by incoming data".

UK

The UK economy gathered a little steam at the end of last year, thanks to a support of the services industry, while production and construction continued to drag the growth down. Britain's gross domestic product increased 0.5% in the December quarter from the preceding three-month period, when it rose 0.4%, according to the Office for National Statistics. On an annual basis, the UK economy expanded 1.9% in the final quarter of 2015 from a year earlier, compared with 2.1% in the third quarter and marking the smallest gain since early 2013. Services were again the main driver for growth. Accounting for 78.6% of Britain's economic output, the sector expanded 0.7% on the quarter and climbed 0.2% between October and November. The biggest contribution to growth in this sector came from business services and finance, which added to the output with 0.9 percentage points. At the same time, industrial production dropped 0.2%, with manufacturing unchanged and utilities and mines cutting output. Construction output declined 0.1%. Overall, the UK growth slowed to 2.2% in 2015 from 2.9% in 2014, the ONS added. The International Monetary Fund estimates that it will expand 2.2% this year.



“What matters is that central banks act within their mandates to fulfill their mandates”

- Mario Draghi, ECB President

EUR

news	Impact
ECB ready to act regardless of weak global inflation	High

The European Central Bank 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.

Draghi said Japan's experience showed how global monetary policy makers could underpin inflation if they were fully committed to doing so.





"The slowdown in the services sector indicators may go a long way in fanning fears of a more pronounced slowdown to U.S. growth momentum heading into 2016"

- Gennadiy Goldberg, an economist at TD Securities

USD

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news	Impact
US jobless claims rise more than expected; productivity falls	High

The number of Americans applying for unemployment benefits increased more than expected last week, signalling some loss of momentum in the labour market due to a steep economic slowdown and stock market rout. Initial claims for state unemployment benefits surged 8,000 to a seasonally adjusted 285,000 for the week ended January 30, the Labor Department reported. The prior week's claims were revised to show 1,000 fewer applications received than previously reported. Despite the increase last week, claims remained below 300,000, a level associated with strong labour market conditions, for the 48th straight week. That is the longest run since the early 1970s. The four-week moving average of claims, considered a better measure of labour market trends as it strips out week-to-week volatility, rose 2,000 to 284,750 last week. The data came ahead of the government's more comprehensive report on Friday. Economists predict that the report will show employers added 200,000 jobs and the jobless rate remained at 5.0%.

Meanwhile, productivity of US employees declined at the sharpest pace in almost two years toward the end of last year. Output per hour fell at an annualized rate of 3% in the fourth quarter, compared to a 2% plunge expected by the markets, and following a 2.1% increase in the third trimester.





"Global growth has fallen back further over the past three months as emerging economies have generally continued to slow and as the US economy has grown less than expected"

- Bank of England

GBP

news	Impact
BoE turns unanimous on rate decision	High

The Bank of England 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 had voted 9-0 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.

Discussing monetary policy tools the central bank has at its disposal, the BoE Governor Mark Carney said that interest rates were not at the lower bound, meaning they could be cut further. However, Carney highlighted that policy makers did not consider negative rates, as monetary policy was pointing in a different direction. Currently the market participants are pricing the first interest rate increase at the turn of 2017-2018.



* the data is based on international banks' forecasts

	04.02 open price	04.02 close price	% change
GBP/USD	1.4603	1.4589	-0.10%
EUR/GBP	0.76041	0.76828	+1.03%
GBP/CAD	2.0125	2.0068	-0.28%
GBP/JPY	172.181	170.375	-1.05%



"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

The Reserve Bank of Australia 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.

In addition, the RBA repeated the easing bias included in the recent interest rate decision when the cash rate was left unchanged at all-time low of 2%. Australia's inflation was seen to remain persistently low, providing the central bank with a greater scope for easier policy.
















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%

Major events of the previous week (January 25-29)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
MONDAY							
9:00 am		EUR	German Ifo Business Climate	January	107.3	108.5	108.7
TUESDAY							
3:00 pm		USD	CB Consumer Confidence	January	98.1	96.6	96.5
WEDNESDAY							
12:30 am		AUD	CPI QoQ	Quarter 4	0.4%	0.3%	0.5%
7:00 pm		USD	Federal Funds Rate		<0.50%	<0.50%	<0.50%
8:00 pm		NZD	Official Cash Rate		2.50%	2.50%	2.50%
THURSDAY							
9:30 am		GBP	Prelim GDP QoQ	Quarter 4	0.5%	0.5%	0.4%
1:30 pm		USD	Core Durable Goods Orders MoM	December	-1.2%	0.0%	-0.1%
1:30 pm		USD	Unemployment Claims	January 23	278K	281K	293K
11:30 pm		JPY	Tokyo Core CPI YoY	January	-0.1%	0.1%	0.1%
FRIDAY							
Tentative		JPY	Monetary Policy Statement				
10:00 am		EUR	CPI Flash Estimate YoY	January	0.4%	0.4%	0.2%
1:30 pm		CAD	GDP MoM	November	0.3%	0.3%	0.0%
1:30 pm		USD	Advance GDP QoQ	Quarter 4	0.7%	0.8%	2.0%

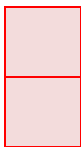
EXPLANATIONS

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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