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RESEARCH PRODUCTS

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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	2		2
9:30 am		GBP	Trade Balance	December	-9.9B	-10.4B	-11.5B
3:00 pm		USD	JOLTS Job Openings	December	5.61M	5.41M	5.35M
WEDNESDAY							
9:30 am		GBP	Manufacturing Production MoM	December	-0.2%	0.0%	-0.3%
3:00 pm		USD	Fed Chair Yellen Testifies				
THURSDAY							
1:30 pm		USD	Unemployment Claims	February 6	269K	287K	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.




"We are watching developments very carefully. I would say there is always some chance of a recession in any year. But the evidence suggests that expansions don't die of old age."

- Janet Yellen, Fed Chairwoman

USD



	Impact
Fed studies negative rate possibility; unemployment claims decline	High

During the second-day testimony to Congress Fed Chairwoman Janet Yellen stressed that the US central bank was not on a "pre-set" path to normalize the monetary policy amid deteriorating meltdown in global equity markets. As recessions fears build in the US, Yellen did not excluded a "chance" of a downturn ahead. She also said that the Fed is studying whether negative interest rates would help in case conditions worsen further. The Fed had considered negative interest rates in 2010, but decided to refrain. The head of the world's most influential central bank admitted that a weakened global economy and a sharp drop in stock markets was tightening financial conditions quicker than the Fed estimated. Yet, Yellen warned against making hasty conclusions about the extent of threat from overseas to the US economy.

However, Yellen still expected the Fed to gradually hike interest rates this year given resilient US labour market and steady economic growth. The recent report released by the Labor Department revealed that the number of Americans applying for unemployment benefits dropped more than expected last week. Initial claims for jobless benefits dropped 16,000 to a seasonally adjusted 269,000 for the week ended February 6, whereas economists had predicted 281,000 applications. The four-week moving average of claims fell 3,500 to 281,250 last week.





"It's, I think, pretty unlikely we're going to be raising rates any time soon"
- Glenn Stevens, RBA Governor

AUD



	Impact
RBA to keep rates unchanged throughout 2016	High

Testifying before the House of Representatives Economics Committee, RBA Governor Glenn Stevens said that the Australian economy continued to grow at a sub-trend pace, but a weaker Aussie Dollar and easy monetary policy is supporting growth. Stevens stressed that further easing is possible if inflation slows and global headwinds threaten Australia's growth trajectory. The central bank head estimated that inflation is unlikely to cause near-term issues over the next two years though, partly due to the weakening Australian Dollar, which was tracking falling commodity prices. Like most other central banks, the RBA noted the elevated risks associated with recent market volatility.

The RBA cut the official cash rate two times last year in an attempt to cushion Australia's post-mining boom economy, helping to push exchange rate lower amid the commodity downturn. Stevens confirmed that rates are likely to remain steady for most or all of 2016. With regards to China, Australia's key trading partner, Stevens said that the world's second largest economy is growing weaker than its officials want and that "some observers" have expressed concern. Stevens believes that a portion of international pessimism is overdone. China has faced capital outflows and has been the driver for market turbulence, which the RBA thinks is due to policy uncertainty.


















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

	11.02 open price	11.02 close price	% change
AUD/JPY	80.408	79.922	-0.60%
AUD/USD	0.7095	0.7109	+0.20%
EUR/AUD	1.59144	1.59283	+0.09%
GBP/AUD	2.0467	2.0365	-0.50%

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

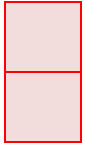
EXPLANATIONS

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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