


















DUKASCOPY
RESEARCH PRODUCTS

06/05/2016



Fundamental Analysis

Major events this week (May 2-6)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
MONDAY							
2:00 pm		EUR	ECB President Draghi Speaks				
2:00 pm		USD	ISM Manufacturing PMI	April	50.8	51.6	51.8
TUESDAY							
1:45 am		CNY	Caixin Manufacturing PMI	April	49.4	49.8	49.7
4:30 am		AUD	RBA Rate Statement				
8:30 pm		GBP	Manufacturing PMI	April	49.2	51.3	50.7
10:45 pm		NZD	Unemployment Rate	Quarter 1	5.7%	5.5%	5.4%
WEDNESDAY							
8:30 am		GBP	Construction PMI	April	52.0	54.1	54.2
12:15 pm		USD	ADP Non-Farm Employment Change	April	156K	205K	194K
12:30 pm		CAD	Trade Balance	March	-3.4B	-1.2B	-2.5B
THURSDAY							
1:30 am		AUD	Retail Sales MoM	March	0.4%	0.3%	0.1%
8:30 pm		GBP	Services PMI	April	52.3	53.6	53.7
12:30 pm		USD	Unemployment Claims	April 30	274K	261K	257K
FRIDAY							
1:30 am		AUD	RBA Monetary Policy Statement				
12:30 pm		CAD	Unemployment Rate	April			7.1%
12:30 pm		USD	Non-Farm Employment Change	April			215K

Key highlights of the week ended April 29

US

The Fed opted not to hike interest rates and remained ambiguous about raising rates in June amid moribund economy and weakening consumer spending. The US central bank proceeded with its plan to move cautiously on raising the benchmark federal-funds rate, which has been between 0.25% and 0.50% since December, when the Fed increased short-term rates after keeping them near zero since 2008. Policy makers pointed that the US economy is performing robustly in some respects, but continuing to falter in others. Household spending has diminished even though real income has increased and consumer sentiment remains high, while the labour market conditions have improved further. The Fed's caution underlines how policy makers still lack confidence they can move away from extraordinary easy-money policies without derailing the fragile US growth and knocking the global economy off balance. The seven weeks until the June meeting could help determine how many times, if any, the Fed will hike short-term interest rates this year.

Japan

The Bank of Japan kept its monetary policy unchanged and held off on expanding monetary stimulus, sending the Japanese Yen up and stocks down. The BoJ Governor Haruhiko Kuroda and his colleagues opted to take more time to assess the impact of negative interest rates. Policy makers left unchanged three key easing tools: the 80 trillion yen target for expanding the monetary base through government-bond purchases, the 0.1% negative rate on a portion of the cash banks park at the central bank, and a programme to buy riskier assets including stocks. Separately, they postponed the time frame for reaching a 2% inflation target, to sometime in fiscal 2017, for the fourth delay in about a year.

New Zealand

The Reserve Bank of New Zealand kept interest rates on hold, but said it may need to cut rates further as slowing global economic growth and a strong New Zealand Dollar prolong a period of tepid inflation. All bets are now on the RBNZ cutting the OCR to 2.0% in June. The RBNZ has already slashed the official cash rate five times in less than a year. The central bank is also concerned about the relative strength of the local currency, which is making exporters and import-exposed industries less competitive. The New Zealand Dollar advanced more than 1% following the central bank's decision.



"The job market appears to have stumbled in April"
-Moody's Analytics Inc

USD



news	Impact
US jobless claims rise more than expected last week	High

The number of Americans applying for unemployment benefits increased more than expected last week, recording the biggest gain in more than a year, but the underlying trend still continued to indicate a strengthening labour market. Initial claims for jobless benefits rose by 17,000 to a seasonally adjusted 274,000 in the week ended April 30, according to the Labor Department. Despite the higher-than-expected rise, claims are still near historically low levels. Claims hit a four-decade low of 248,000 in the week ended April 16 week, the lowest level since 1973. Last week was also the 61st straight week that initial claims were below 300,000, extending the longest streak since 1973 amid steady job growth. The four-week moving average of claims, considered a better gauge of labour market trends as it smoothes out week-to-week volatility, increased 2,000 to 258,000 last week.

The Labor Department is expected to report later in the day that nonfarm payrolls advanced by 202,000 jobs in April following a gain of 215,000 in March. The unemployment rate is seen to remain unchanged at 5.0% and average hourly earnings are predicted climbing 0.3% for a second consecutive month. The job market has continued to improve this year, averaging monthly nonfarm payroll gains of 209,000 despite weak first-quarter growth of just 0.5%. Workforce participation is on the rise and the unemployment rate in March was 5%.





"The deterioration in April pushes the surveys into territory which has in the past seen the Bank of England start to worry about the need to revive growth"

- Markit

GBP

news	Impact
UK services sector faces worst month of growth in 3 years	High

Britain's services sector faced its worst month of growth in more than three years in April, indicating a further slowdown in total GDP growth in the short term ahead of the EU referendum. The Markit/CIPS PMI measure of business activity in Britain's services sector, which accounts for 79% of the UK's GDP, dropped further to 52.3 last month, reaching the lowest level since February 2013, down from 53.7 recorded in March, and below the estimate of 53.5.

The UK economy expanded by 0.4% in the first three months of the year, compared with the 0.6% growth in the final quarter of 2015. Recent surveys for the manufacturing and construction sectors for April suggested growth has since continued to slow, as businesses and consumers hold back amid concerns over the outcome of the referendum on June 23. The UK manufacturing sector encountered a surprise contraction in April that reflected in the PMI, as it entered negative territory for the first time in 4 years, plummeting under the 50 point mark to show 49.2 points. At the same time the UK's construction output rose at the slowest pace in nearly three years in April, with the PMI gauge of business activity within Britain's construction sector falling to 52 last month from 54.2 in March

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"The Bank of Canada projects growth of 2.8% during the first quarter of the year, but warns that the Q1 boost is likely temporary, with much softer gains estimated for the second quarter"

- Brown Brothers Harriman & Co

CAD



	Impact
Canada's building permits decline in March	High

Canada's building permits declined in March due to fewer planned projects in western Alberta, particularly within the commercial sector. According to Statistics Canada, the value of building permits issued by municipalities in March plunged 7% to \$6.9 billion. The drop followed a revised 15.3% surge in February. The data was worse than the 4.4% decrease predicted by economists. The value of permits issued in Alberta, dramatically hit by a plunge in crude prices, dived by 41.3%. This followed a 43.3% surge in February on the back of a big commercial project in the city of Edmonton.

Canada's exports fell sharply in March and the country's trade deficit with the rest of the world widened to a record level, fuelling doubts on the strength of the recovery in the resource-reliant economy. Canada posted a record trade deficit of C\$3.41 billion in March, Statistics Canada reported, whereas expectations were for a smaller C\$1.4 billion trade deficit. Exports dropped 4.8% following a dramatic 6.6% decline in the preceding month. In the meantime, imports fell 2.4% to C\$44.4 billion in March, with volumes edging down 0.3% and prices declining 2.1%. The Bank of Canada projects growth of 2.8% during the first quarter of the year, but warns that the Q1 boost is likely temporary, with much softer gains estimated for the second quarter.






"The substantial exchange rate depreciation over recent years is expected to continue to place some upward pressure on inflation for a time"

- Reserve Bank of Australia

AUD




	Impact
RBA downgrades sharply its inflation forecast	High

The Reserve Bank of Australia revised sharply downwards its inflation forecasts after slashing interest rates just days earlier due to weak first-quarter inflation data. Nevertheless, the central bank said that the Australian Dollar's sharp depreciation over the last few years is expected to continue to put upward pressure on prices. The central bank cut the official cash rate by 25 basis points to 1.75%, after keeping rates on hold for a year. The decision came after the Australian Bureau of Statistics released quarterly CPI data, showing headline inflation plunged from 1.7% in the final quarter of 2015 to 1.3% last quarter. Australia's weak inflation environment could see the RBA taking interest rates even lower if the central bank's weak underlying CPI outlook materializes.

The RBA downgraded its inflation forecasts, from expecting underlying inflation to remain within the target range, albeit at the lower end until the fourth quarter of 2016, to now anticipating 1-2% underlying CPI inflation for the year ending December 2016, and 1.5-2.5% inflation for the rest of the forecast period. While the RBA's inflation forecasts were significantly lower than the previous estimated, the bank's economic growth outlook was largely unchanged. In the short term, the RBA predicts slightly stronger growth of around 3%, but left its longer-term GDP forecasts intact at 2.5-3.5%.
















 Trends*	Q2 16	Q3 16	Q4 16
MAX	0.79	0.81	0.83
75% percentile	0.75	0.74	0.74
Median	0.73	0.72	0.72
25% percentile	0.70	0.69	0.70
MIN	0.65	0.64	0.62

* the data is based on international banks' forecasts

	05.05 open price	05.05 close price	% change
AUD/JPY	79.789	80.076	+0.36%
AUD/USD	0.7457	0.7465	+0.11%
EUR/AUD	1.54049	1.5277	-0.83%
GBP/AUD	1.9441	1.9403	-0.20%

Major events this week (April 25-29)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
MONDAY							
8:00 am		EUR	German Ifo Business Climate	April	106.6	107.1	106.7
2:00 pm		USD	New Home Sales	March	511K	521K	519K
TUESDAY							
12:30 pm		USD	Core Durable Goods Orders m/m	March	-0.2%	0.6%	-1.3%
12:55 pm		CAD	BOC Gov Poloz Speaks				
2:00 pm		USD	CB Consumer Confidence	April	94.2	95.8	96.1
WEDNESDAY							
1:30 am		AUD	CPI QoQ	Quarter 1	-0.2%	0.3%	0.4%
8:30 am		GBP	Prelim GDP QoQ	Quarter 1	0.4%	0.4%	0.6%
6:00 pm		USD	FOMC Statement				
9:00 pm		NZD	RBNZ Rate Statement				
THURSDAY							
Tentative		JPY	Monetary Policy Statement				
12:30 pm		USD	Advance GDP QoQ	Quarter 1	0.5%	0.7%	1.4%
FRIDAY							
9:00 am		EUR	CPI Flash Estimate YoY	April	-0.2%	-0.1%	0.0%
12:30 pm		CAD	GDP MoM	February	-0.1%	-0.1%	0.6%

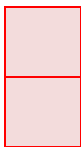
EXPLANATIONS

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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