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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
<b>MONDAY</b>							
1:30 pm		CAD	Building Permits MoM	December	11.3%	5.6%	-19.9%
<b>TUESDAY</b>							
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
<b>WEDNESDAY</b>							
9:30 am		GBP	Manufacturing Production MoM	December	-0.2%	0.0%	-0.3%
3:00 pm		USD	Fed Chair Yellen Testifies				
<b>THURSDAY</b>							
1:30 pm		USD	Unemployment Claims	February 6			285K
10:30 pm		AUD	RBA Gov Stevens Speaks				
<b>FRIDAY</b>							
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.






*“Tumbling energy prices are expected to further stimulate private consumption and, with a delay, investment. As external trade is not expected to contribute positively, GDP growth is set to gain traction only slowly, reaching 1.3% in 2016 and 1.7% in 2017”*  
- European Commission

**EUR**




	<b>Impact</b>
French, Italian industrial output declines in December	High

Industrial production data from France and Italy disappointed. French industrial output dropped 1.6% in December, following a negative reading in November. Analysts, however, had expected a marginal increase of 0.1%. Moreover, manufacturing production declined 0.8% in December, whereas economists had predicted a 0.4% rise. In annual terms, French industrial output decreased 0.7%, compared with a 2.8% gain in November. Preliminary GDP data showed a stable growth in the final quarter of the year, while the Bank of France expects the Euro zone’s second biggest economy to accelerate the pace of growth in the first quarter of 2016. France’s economy expanded 0.2% on a quarterly basis in the three months through December, while on an annual basis GDP rose 1.3%.

Meanwhile, industrial production in Italy, the Euro zone’s third biggest, dipped 0.7% in December, following a negative reading in the preceding month. Analysts had anticipated the reading to pick up 0.2%. On an annual basis, output of Italian factories decreased 1.0% in the reported month, compared with a revised 1.1% gain in November. The Italian economy posted mixed data over the last two months, with both PMI macro indicators showing a weak performance, amid upbeat consumer inflation and an improving jobless rate.



 Trends*	Q1 16	Q2 16	Q3 16
MAX	1.18	1.18	1.18
75% percentile	1.08	1.08	1.10
Median	1.05	1.05	1.05
25% percentile	1.03	1.01	1.02
MIN	0.99	0.95	0.95

\* the data is based on international banks' forecasts

	10.02 open price	10.02 close price	% change
<b>EUR/USD</b>	1.1293	1.1292	-0.01%
<b>EUR/GBP</b>	0.78027	0.77753	-0.35%
<b>EUR/CHF</b>	1.09846	1.09924	+0.07%
<b>EUR/JPY</b>	130	128	-1.54%



*“There is always a risk of a recession...and global financial developments could produce a slowing in the economy”*

- Janet Yellen, Fed Chairwoman

**USD**



	<b>Impact</b>
US financial conditions, foreign economic developments to weigh on US economy, Yellen says	High

While addressing Congress, Fed Chair Janet Yellen said that the central bank is unlikely to reverse its plan to hike interest rates further this year. Yellen stressed that even after the December increase, the stance of monetary policy remains accommodative. The actual path of the federal funds rate will depend on incoming economic data, and policy makers regularly reassess what level of the federal funds rate is consistent with reaching and maintaining maximum employment and 2% inflation.

Yellen welcomed the progress the US economy made toward the central bank’s objective of maximum employment. However, Yellen highlighted that while labour market conditions improved substantially, there was still room for further sustainable improvement. With regards to inflation, the Fed Chair said even though inflation is expected to remain low in the near term, partly due to further declines in energy prices, the FOMC expects that inflation will climb to its 2% objective over the medium term. However, financial conditions in the US have recently become less supportive of growth. “These developments, if they prove persistent, could weigh on the outlook for economic activity and the labour market, although declines in longer-term interest rates and oil prices provide some offset. Foreign economic developments, in particular, pose risks to US economic growth.”



FORECASTS		
Q1 16	Q2 16	Q3 16
		128
127	127	
125	125	125
	123	
122		122

Trends*	Q1 16	Q2 16	Q3 16
MAX	130	132	135
75% percentile	127	127	128
Median	125	125	125
25% percentile	122	123	122
MIN	115	115	113

\* the data is based on international banks' forecasts

	10.02 open price	10.02 close price	% change
AUD/USD	0.707	0.7095	+0.35%
USD/CHF	0.9728	0.9737	+0.09%
USD/JPY	115.11	113.35	-1.53%
NZD/USD	0.6636	0.6686	+0.75%





**“This was the third successive month in which factory output had declined, leaving the size of the manufacturing [sector] unchanged in the fourth quarter compared to the third quarter”**

**GBP**

- Chris Williamson, chief economist at financial data provider Markit



	<b>Impact</b>
UK industrial production unexpectedly declines, as manufacturing drags down GDP	High

Britain’s industrial production dropped more than expected in the fourth quarter as the manufacturing sector continued to drag down the UK’s economy. Total production output declined 0.5% in the December quarter, compared with the three month-period ended September. Industrial production plunged 1.1% on month in December as warm winter weather forced a steep decrease in energy output and the low oil price hurt North Sea oil producers. It was pulled down by a 4% plunge in mining and quarrying sector. Manufacturing production, which accounts for around 10% of GDP, contracted 1.7% in 2015 compared with the previous year, remaining 6.5% below the total it reached before the 2008 crisis. Measured on a monthly basis, manufacturing output declined 0.2% in December, compared with analysts’ expectations for a 0.1% gain. According to the Office for National Statistics, total production for the whole of 2015 was 1% higher than in the preceding year.

Weak economic data have consistently urged investors to push back the date when they expect the Bank of England to begin hiking interest rates. Market derivative instruments now price in a lift as late as mid-2019. According to the preliminary data of UK gross domestic product, released in January, the UK economy grew 0.5% between October and December, faster than the third quarter's 0.4% rate of growth.


















Trends*	Q1 16	Q2 16	Q3 16
MAX	1.61	1.62	1.66
75% percentile	1.55	1.56	1.56
Median	1.51	1.51	1.52
25% percentile	1.49	1.48	1.47
MIN	1.41	1.28	1.25

\* the data is based on international banks' forecasts

	10.02 open price	10.02 close price	% change
<b>GBP/USD</b>	1.4472	1.4522	+0.35%
<b>EUR/GBP</b>	0.78027	0.77753	-0.35%
<b>GBP/CAD</b>	2.007	2.0225	+0.77%
<b>GBP/JPY</b>	166.581	164.611	-1.18%

## Major events this week (February 1-5)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
<b>MONDAY</b>							
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
<b>TUESDAY</b>							
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%
<b>WEDNESDAY</b>							
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
<b>THURSDAY</b>							
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
<b>FRIDAY</b>							
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



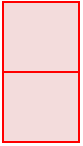
## EXPLANATIONS

### 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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