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Fundamental Analysis

Major events this week (October 5-9)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
MONDAY							
8:30am		GBP	Services PMI	September	53.3	56.4	55.6
2:00pm		USD	ISM Non-Manufacturing PMI	September	56.9	58.0	59.0
TUESDAY							
3:30am		AUD	RBA Cash Rate		2.00%	2.00%	2.00%
6:00am		EUR	German Factory Orders m/m	August	-1.8%	0.5%	-2.2%
12:30pm		USD	Trade Balance	August	-48.3B	-42.2B	-41.8B
WEDNESDAY							
Tentative		JPY	BoJ Monetary Policy Statement				
8:30am		GBP	Manufacturing Production m/m	August	0.5%	0.4%	-0.7%
12:30pm		CAD	Building Permits m/m	August	-3.7%	0.5%	0.7%
2:00pm		GBP	NIESR GDP Estimate	3M-September	0.5%		0.5%
THURSDAY							
11:00am		GBP	BoE Official Bank Rate Votes			1-0-8	1-0-8
12:30pm		USD	Unemployment Claims	October 2		274K	277K
6:00pm		USD	FOMC Meeting Minutes				
FRIDAY							
8:30am		GBP	Trade Balance	August		-10.0B	-11.1B
12:30pm		CAD	Employment Change	September			12.0K

Key highlights of the week ended October 2

US

The growth of the US economy in the second quarter of this year was notably quicker than markets had previously anticipated, the second upward revision in a row showed on Friday. According to the Commerce Department, the US gross domestic product rose at a 3.9% annual pace in the three months from April to June, up from a 3.7% advance reported last month, whereas experts forecasted the reading to stay unchanged. In the meantime, consumer spending, which accounts for more than two thirds of the US economic activity, was revised up to a 3.6% growth pace from the 3.1% rate reported in August, helped by cheap gasoline prices and relatively higher house prices, which boosted households' wealth.

Switzerland

Swiss manufacturing activity decreased in September, just after its recent recovery in August, while retail sales in the Alpine economy dropped unexpectedly in August. The country's Purchasing Managers' Index dropped by 2.7 to seasonally-adjusted 49.5 points down from August's reading of 52.2. The figure was below the expected 51.8 points and also below the 50-points threshold, meaning that the sector is experiencing a contraction where it has been for most of 2015.

China

Activity in China's all-important manufacturing sector continued to shrink during September, but at a slightly softer pace, as was revealed by two separate industry reports. The government's official gauge of factory activity improved, with the manufacturing index rising to 49.8 points in the reported month, up from August's three-year low of 49.7. Nevertheless, PMI measure stayed below the 50 level, marking two straight months of decline. At the same time, markets expected the index to remain at 49.7 in September.

Europe

Manufacturing in the 19-nation Euro zone continued to be in expansion territory in September, but growth slowed from previous months, adding to worries about the ability of the sector to generate more jobs and higher inflation. According to Markit survey, the final PMI measure for the Euro zone posted a 52 points in the reported month, slightly below August's reading of 52.3. The final gauge was in line with market expectations.

UK

According to the fresh survey published by the London-based Centre for Economics and Business Research (CEBR), the Bank of England is most likely going to keep the monetary policy unchanged for a longer period of time than it is currently anticipated. While some scenarios suggest that the regulator may hike the Official Bank Rate in February-March of next year, the new report assumes the real timing of policy normalisation is now moving closer to May or even August 2016. New estimates were significantly influenced by the decision of the Federal Reserve not to raise rates in September. On top of that, many experts assume the Bank of England will be ready to move only after the Fed.



"The German industry is still struggling to gain momentum. The August drop marked the first decline for two consecutive months since the beginning of the year. A clear sign for caution."

EUR - ING



news	Impact
German industrial output falls in August, French trade gap narrows	High

German industrial production unexpectedly declined in August, signalling that Europe's largest economy is feeling the effects of weaker demand from emerging markets. According to Destatis, production in the Euro area's powerhouse dropped by 1.2% in the reported period, following a revised 1.2% growth in July. Analysts expected a reading to gain 0.2% in August. On an annual basis, industrial output rose 2.3% in the given month, compared to a revised 0.8% increase in the prior month, while markets projected a 3.3% growth. The recent report also revealed that Germany is currently grappling with a slowdown in China and other emerging markets, as factory orders from countries outside the 19-nation Euro region fell more than 13% in July and August combined. Therefore, Germany's production focus is shifting to strengthening domestic spending. Meanwhile, industrial sector in Spain expanded at a slower pace in August after a significant gain seen in the previous month. Industrial output in the Euro zone's fourth largest economy showed a 2.7% year-on-year rise during August, compared to the previous month's 5.2% reading. In the meantime, France's external trade deficit narrowed in August, as imports fell at a faster rate than exports. According to the French Customs, the deficit shrank to 2.975 billion euros in August from 5.283 billion euros in the same month last year.





"The UK manufacturing sector remained sluggish at the end of the third quarter, stunned by a triple combination of a sharp slowdown in consumer spending, weak business investment and stagnating export order inflows."

- Markit

GBP

news	Impact
UK factories recover, driven by car production	High

Both manufacturing production and the overall industrial output in the UK increased comfortably above expectations in August, driven by a surge in oil and gas extraction, as well as by a rebound in car production. The factory output rose to a six-month high of 0.5% on a monthly basis in August, up from a revised decline of 0.7% a month before, while markets expected to see a 0.4% gain. However, the output in the sector fell 0.8% when compared with the same month a year ago. The primary upward driver for a monthly growth in the sector was a notable increase in car production after an earlier summer shutdown in July. That, in turn, helped to push the overall transport equipment segment up to a rise of 4.6% in August.

At the same time, the overall industrial production in the United Kingdom advanced 1% on a month-on-month basis, and was driven mainly by a significant increase in oil and gas extraction from the North Sea, rising by 8.7% in August. In the prior month the industrial output contracted 0.3%. Nevertheless, despite an advance in August, the manufacturing sector remains one of the most volatile in the UK, while producers continue to struggle with softer global markets and strong exchange rate of the Sterling.





"Lower commodity prices weigh on the outlook through reduced disposable income and a decline in resource-related investment. The latter has been particularly sharply felt in Canada, where growth is now projected to be about 1% in 2015."

- IMF

CAD



news	Impact
Canadian building permits declined in August	High

The number of construction plans in Canada decreased in August, with the unexpected drop in the total value of building permits. As was reported by the Statistics Canada, the number of permits fell for the first time in three months in August, with both residential and non-residential construction intentions declining. At the same time, according to the report, builders in Canada took out C\$7.5 billion worth of permits during the given period, down by 3.7% from July. Meanwhile, the prior month's drop of 0.6% was revised to a 0.7% gain. The reading missed market expectations of a 0.3% advance. Vancouver appeared to be a leading city in a decline of permits, as those decreased by 26.1% on a monthly basis in August. However, the city's total value of permits remained 52.3% greater than in the same month a year ago.

Meanwhile, Canada's most populated province of Ontario grabbed the biggest gains both in residential and non-residential sectors, as Toronto, country's biggest city, showed a 50.3% rise in permits compared to the preceding month, while on a yearly basis permits increased by 146% in August. In the meantime, Canadian economists have been keeping a close eye on the domestic housing situation, monitoring for signs of possible overheating, especially in light of rising household debt levels.





"Japan's economy continues to recover moderately although exports and production have been affected by the slowdown in emerging economies."

- Bank of Japan

JPY

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news	Impact
BOJ keeps monetary policy unchanged	High

As was broadly expected, the Bank of Japan made the decision to keep its monetary policy unchanged in spite of growing concerns over economy and inflation that is clearly below the bank's target rate of 2%. The Central Bank's Policy Board made up its mind to hold the yearly asset purchases, which is the primary tool for beating deflation and generating inflation, at 80 trillion yen. The BoJ Governor Haruhiko Kuroda stated that the Bank is going to steadily implement its Qualitative and Quantitative Easing programmes, in order to reach the inflation target of 2% as soon as possible. In addition to that, the Governor noted that the BoJ will take into consideration all existing threats to the Japanese economy and optimize its monetary program in an appropriate way.

The country's economy experienced a contraction between April and June and some market experts anticipate another slowdown during the period of July-September due to decreasing global demand and weak consumption. Core consumer prices tumbled in the eight month of the year to post the first yearly fall since the BoJ's deployment of its massive stimulus programme more than two years ago. This in turn started raising doubts, whether intensive money printing alone can speed up inflation to 2%.



Major events last week (September 28-October 2)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
MONDAY							
12:30pm		USD	FOMC Member Dudley Speaks				
12:30pm		USD	Personal Spending	August	0.4%	0.3%	0.4%
2:00pm		USD	Pending Home Sales	August	-1.4%	0.4%	0.5%
TUESDAY							
12:00pm		EUR	German Prelim CPI	September	-0.2%	-0.1%	0.0%
12:30pm		USD	Goods Trade Balance	August	-67.2B	-57.3B	-59.1B
7:40pm		GBP	BoE Governor Carney Speaks				
1:30am		AUD	Building Approvals	August	-6.9%	-1.9%	7.9%
6:00am		EUR	German Retail Sales	August	-0.4%	0.3%	1.6%
8:30am		GBP	Current Account	Q2	-16.8B	-22.3B	-24.0B
12:15pm		USD	ADP Non-Farm Employment Change	September	200K	191K	186K
1:00am		CNY	Manufacturing PMI	September	49.8	49.7	49.7
8:30am		GBP	Manufacturing PMI	September	51.5	51.3	51.6
2:00pm		USD	ISM Manufacturing PMI	September	50.2	50.8	51.1
12:30pm		USD	Non-Farm Employment Change	September	142K	201K	136K
12:30pm		USD	Unemployment Rate	September	5.1%	5.1%	5.1%

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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The trade surplus in Switzerland contracted in August, as the strength of the Swiss Franc hit demand in the European Union and China. According to the FSO, Switzerland's trade balance amounted to 2.87 billion francs in the August, compared with a downwardly revised 3.58 billion francs registered in the previous month. However, the actual figure beat the market expectation of 2.75 billion francs surplus. The latest report also showed that real exports slipped by 2.4% on a monthly basis in the reported period after decreasing a revised 2.3% in July. Year-on-year, exports decreased by real 2.1% in August but slower than the 4.9% decline seen in July. Similarly, real imports declined 4% versus a 1.8% drop a month ago. On an annual basis, imports slid 7.4%, reversing July's 1.7% increase.

Meanwhile, the Swiss foreign trade remains under the pressure due to the strengthening Franc and the recent SNB's monetary changes. The appreciation in the Swiss Franc from mid-January has been reflected in sharp declines in both export and import prices. In the meantime, the SNB kept its benchmark rate on hold last week at a record low of -0.75% and revised its inflation expectations downward, as a result of the drop in oil prices.