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RESEARCH PRODUCTS

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# Fundamental Analysis

## Major events this week (October 5-9)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
<b>MONDAY</b>							
8:30am		GBP	Services PMI	September		56.4	55.6
2:00pm		USD	ISM Non-Manufacturing PMI	September		58.0	59.0
<b>TUESDAY</b>							
3:30am		AUD	RBA Cash Rate			2.00%	2.00%
6:00am		EUR	German Factory Orders m/m	August		0.5%	-1.4%
12:30pm		USD	Trade Balance	August		-42.2B	-41.9B
<b>WEDNESDAY</b>							
Tentative		JPY	BoJ Monetary Policy Statement				
8:30am		GBP	Manufacturing Production m/m	August		0.5%	-0.8%
12:30pm		CAD	Building Permits m/m	August			-0.6%
2:00pm		GBP	NIESR GDP Estimate	3M-September			0.5%
<b>THURSDAY</b>							
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				
<b>FRIDAY</b>							
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 progress achieved over the past three years to stabilize and strengthen the Euro area is real. Growth is returning. The way forward is well identified. And we will not rest until our monetary union is complete."*

**EUR** - Mario Draghi, ECB President



NEWS	Impact
Spain's jobless increases in September, Draghi says growth is returning in Europe	High

The number of registered unemployed in Spain advanced again in September, following the first rise in seven months in August. According to the latest Employment Ministry figures, the number of jobless Spaniards increased by 26,100 during the reported period, after a rise of 21,700 in the preceding month. At the same time, market consensus bet that 21,700 unemployed workers would be added to the official count in September. All of the growth in number of unemployed people came from the service sector, where 43,155 workers officially lost their jobs. Meanwhile, the jobless rate in Spain remains at 22%, despite the fall in unemployment numbers seen overall this year, and it continues to be the second highest one in the European Union, giving up the negative lead only to Greece.

In the meantime, the ECB President Mario Draghi in his speech at the Atlantic Council's Global Citizen Award said that economic growth is returning to Europe, after the region failed to make a major contribution to the global expansion in the past seven or eight years. Draghi also added that the further Euro integration is necessary to extract all the economies of scale and scope that the union brings.



FORECASTS		
Q3 15	Q4 15	Q1 16
1.1	1.1	1.09
1.08	1.07	1.05
1.05	1.04	1.03

Trends*	Q3 15	Q4 15	Q1 16
MAX	1.19	1.38	1.21
75% percentile	1.10	1.10	1.09
Median	1.08	1.07	1.05
25% percentile	1.05	1.04	1.03
MIN	0.90	0.96	0.96

\* the data is based on international banks' forecasts

	02.10 open price	02.10 close price	% change
EUR/USD	1.1195	1.1216	+0.19%
EUR/GBP	0.73984	0.73821	-0.22%
EUR/CHF	1.09406	1.09005	-0.37%
EUR/JPY	134.24	134.46	+0.16%



*"This is a little more evidence that things are perhaps stepping down a bit. A lot of global hopes were pinned on the U.S. outperforming, so this may reverberate around the world as policy makers look to the U.S."*

**USD** - JPMorgan Chase



news	Impact
US job growth cools significantly in September, factory orders plunge	High

The US economy posted another month of weak job growth in September, raising new doubts the economy may not be strong enough for the Federal Reserve to raise interest rates by the end of this year. According to the Labour Department, payrolls outside the farming industry added 142,000 last month and August growth figures were revised sharply lower to only 136,000, instead of the initially reported 173,000. July's increase the US hiring was also revised down to 223,000 from the previously reported 245,000. Generally, over the past three months, payrolls grew just 167,000, which is the weakest print since the period of December 2013 to February 2014. Meanwhile, the unemployment rate remained at a seven-year low of 5.1% in the ninth month of the year after falling from 5.2% in August.

Meanwhile, orders for goods produced by American factories tanked by 1.7% in August, following just a slight rise of 0.2% in the preceding month. Analysts estimated a decline of 0.9%. It was the steepest slide since December of the previous year, when orders dipped by 3.7%. A drop was led by falling demand for commercial airplanes and weakness the specific category, which measures business investment spending.



FORECASTS		
Q3 15	Q4 15	Q1 16
		129
	128	127
126		
125	125	125
	124	
123		

Trends*	Q3 15	Q4 15	Q1 16
MAX	130	135	135
75% percentile	126	128	129
Median	125	125	127
25% percentile	123	124	125
MIN	117	86	115

\* the data is based on international banks' forecasts

	02.10 open price	02.10 close price	% change
AUD/USD	0.703	0.7045	+0.21%
USD/CHF	0.9772	0.9715	-0.58%
USD/JPY	119.93	119.91	-0.02%
NZD/USD	0.6399	0.6431	+0.50%



**“Construction firms enjoyed a strong finish to the third quarter of 2015, as a sustained rebound in new development projects continued to have an impact on the ground.”**

**GBP** - Markit



	<b>Impact</b>
UK construction output rises at fastest pace in a year	High

Performance in the UK construction sector improved further in September, as job creation advanced to a three-month high and residential building surged the most in twelve month. At the same time, the growth in builder’s activity was also boosted by the improving UK economy and record-low interest rates. The Markit Economics reported that their headline gauge for the construction sector rose to 59.9 points in September, up from 57.3 in August. The PMI measure even outshined market expectations of 57.5 points. Another figure mentioned in Markit’s report showed that index for residential building increased to 62.1 in September, following the reading of 59 points in the prior month. The recent data added to evidence of strengthening in the real-estate market in the UK, after house prices reached record highs and mortgage lending surged. However, even though construction companies indicated that number of new projects rose at a robust pace in September, it appeared that the latest increase was the slowest in five months and much weaker than the post crisis peaks recorded in 2013 and 2014. Meanwhile, the latest survey highlighted the least marked deterioration in supplier performance for almost five years, which some firms linked to greater stocks at vendors. September data also pointed to softer cost pressures in construction sector, with the rate of input price inflation easing to a five-month low.



Trends*	Q3 15	Q4 15	Q1 16
MAX	1.61	1.77	1.69
75% percentile	1.56	1.57	1.58
Median	1.54	1.54	1.55
25% percentile	1.52	1.51	1.51
MIN	1.45	1.34	1.43

\* the data is based on international banks' forecasts

	02.10 open price	02.10 close price	% change
<b>GBP/USD</b>	1.5131	1.5185	+0.36%
<b>EUR/GBP</b>	0.73984	0.73821	-0.22%
<b>GBP/CAD</b>	2.0075	1.9959	-0.58%
<b>GBP/JPY</b>	181.458	182.113	+0.36%




*“Averaging through last month's dip, today's result suggests retail sales continuing the pace of growth they have seen since the beginning of the year.”*

- National Australia Bank

**AUD**




	<b>Impact</b>
Australian retail sales advanced 0.4% in August	High

After a decline in July, Australian retail sales jumped up again, the Australian Bureau of Statistics reported on Friday. More precisely, the total value of retail sales gained a seasonally adjusted 0.4% on a monthly basis in August 2015, following a fall of 0.1% in July. The August figure was in line with analysts' forecasts. The total retail spending in the eighth month of the year accounted for A\$24.4 billion, up from July's A\$24.3 billion. According to ABS, the sector that has contributed the most to the growth in retail spending was food retailing, which rose by 0.6%. Other retailing, along with department store sales, was up 1.3%, while household goods retailing registered an increase of 0.2%. In contrast to that, clothing, footwear, and personal accessory retailing dropped 1.4%, whereas cafes, restaurants, and takeaway food services slid 0.3%.

On a regional basis, retail sales were led by New South Wales and Victoria, with a rise of 0.4% and 0.3%, respectively. In Western Australia sales stepped up by 0.2%, while both in Tasmania and the Australian Capital Territory they were up by 0.1%. As regards Queensland and South Australia, these regions remained more or less unchanged, whereas the Northern Territory posted a fall of 0.1%.


















FORECASTS		
Q3 15	Q4 15	Q1 16
0.74	0.74	
0.73		0.73
0.72	0.72	
		0.71
	0.7	0.7

 Trends*	Q3 15	Q4 15	Q1 16
MAX	0.85	1.03	0.86
75% percentile	0.74	0.74	0.73
Median	0.73	0.72	0.71
25% percentile	0.72	0.70	0.70
MIN	0.68	0.65	0.65

\* the data is based on international banks' forecasts

	02.10 open price	02.10 close price	% change
<b>AUD/JPY</b>	84.295	84.526	+0.27%
<b>AUD/USD</b>	0.703	0.7045	+0.21%
<b>EUR/AUD</b>	1.59269	1.59557	+0.18%
<b>GBP/AUD</b>	2.1524	2.1576	+0.24%

## Major events last week (September 28-October 2)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
<b>MONDAY</b>							
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%
<b>TUESDAY</b>							
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				
<b>WEDNESDAY</b>							
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
<b>THURSDAY</b>							
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
<b>FRIDAY</b>							
12:30pm		USD	Non-Farm Employment Change	September	142K	201K	136K
12:30pm		USD	Unemployment Rate	September	5.1%	5.1%	5.1%



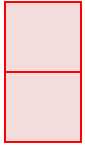
## EXPLANATIONS

### 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.