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RESEARCH PRODUCTS

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# Fundamental Analysis

## Major events this week (November 23-27)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
<b>MONDAY</b>							
08:30 am		EUR	German Flash Manufacturing PMI	November	52.6	52.2	52.1
Tentative		USD	Fed Announcement				
<b>TUESDAY</b>							
9:00am		AUD	RBA Gov Stevens Speaks				
9:00 am		EUR	German Ifo Business Climate	November	109.0	108.3	108.2
1:30 pm		USD	Prelim GDP QoQ	Quarter 3	2.1%	2.0%	1.5%
<b>WEDNESDAY</b>							
1:30 pm		USD	Core Durable Goods Orders MoM	October	0.5%	0.5%	-0.3%
7:00 pm		USD	Unemployment Claims	November 21	260K	273K	272K
9:45 pm		NZD	Trade Balance	October	-963M	-1000M	-1140M
<b>THURSDAY</b>							
12:30 am		AUD	Private Capital Expenditure QoQ	Quarter 3	-9.2%	-2.8%	-4.4%
11:30 pm			Tokyo Core CPI YoY	November	0.0%	-0.1%	-0.2%
<b>FRIDAY</b>							
9:30 am		GBP	Second Estimate GDP QoQ				

## Key highlights of the week ended November 20

### **Euro zone**

The European Central Bank considered expanding its stimulus programme to support Euro zone's struggling economy at its last policy meeting. Moreover, the ECB admitted that the risk increased that the central bank would again miss its inflation target. Even though the ECB's measures proved to be effective, the central bank receives little help from outside as government reform efforts were disappointing and the European Commission investment programme lacked momentum. The minutes of the meeting showed that the threat of growth-sapping deflation has intensified since the ECB's projections in September and the central bank is predicting that the inflation rate will take longer to move back to its 2% goal. Thus, the ECB is left with two options: either to acknowledge that it is unable to fulfil its objective or to take more forceful action with a broader set of tools. The council members said they would re-examine the degree of policy accommodation at its December meeting.

### **US**

The minutes of the FOMC meeting in October reinforced the view that the Fed may finally hike interest rates as soon as next month, given job growth and inflation trends remain resilient and continue to improve. Yet, Fed officials remain divided, as some policy makers doubted that economic data available by the December meeting would warrant raising the target range for the federal funds rate. Markets seemed to be getting used to the idea of higher rates in the near future, as the US central bank has now warned about rate hikes so many times. While stocks usually tumble amid increase in rates, equities rose Wednesday, a sign that a rate hike is already priced into markets.

### **Switzerland**

The Swiss National Bank reiterated its view that the Swiss Franc is considerably overvalued, despite spending hundreds of billions of francs on interventions to push the nation's currency lower. A strong Franc is expected to further hit Swiss exporters, who have already been suffering. Earlier in the year the central bank surprisingly abandoned its ceiling on the Franc of 1.20 per Euro, triggering a massive turbulence in the global markets. Moreover, economists suppose that the SNB may intervene in the FX markets in order to limit the appreciation in the Franc in case the European Central Bank deploys further stimulus. Euro zone stimulus could further hamper efforts to keep the Swiss Franc at its current 1.08 franc level versus the Euro, and expectations for the Franc to strengthen against its key trading partners' currency increased.

### **Japan**

The Bank of Japan maintained its monetary policy, hoping that an economic recovery is around the corner despite soft domestic capital expenditure and uneasy global business conditions. As widely expected, the central bank reiterated its pledge to increase base money at an annual pace of 80 trillion yen through purchases of governments bonds and risky assets. The BoJ has kept monetary policy unchanged since expanding stimulus in October last year, even as falling oil prices and weak exports push Japan's inflation further away from its goal. The BoJ repeated its view that the world's third biggest economy continued to recover moderately, although production and exports have been hit hard by the slowdown in emerging markets. The central bank admitted that an annual change in the consumer inflation is likely to be around 0% for the time being, due to the effects of the energy prices drop.




*“The radical left-wing Podemos has dropped back considerably in the opinion polls. However, the question of whether a stable government can be found is still open.”*

- Commerzbank

EUR




	<b>Impact</b>
Spain's economy slows in Q3, but remains on track for best performance since 2007	High

Spain's economy slowed in the third quarter, but remained on track to enjoy the strongest growth since 2007. The Euro zone's fourth biggest economy moderated to 0.8% in the September quarter, according to INE, following the 1% growth in the preceding three-month period. The reading marked the ninth straight quarter of growth. The biggest driver of the quarterly growth was the investment, which climbed 1.1%, followed by a 1.0% increase in household consumption. Exports surged 2.8%, while imports advanced 4.0% quarter-on-quarter.

In the twelve months through September, GDP growth added 3.4%, compared with the second quarter's 3.1% expansion. Last year, the Spanish economy grew 1.4%, while this year the government is predicting a 3.3% GDP growth. Nevertheless, the economy is facing a number of headwinds. The jobless rate in Spain remains the highest in the currency bloc after Greece, while the European Commission warned that Spain is likely to fail to meet the agreed target to bring its budget deficit down to 4.2% of GDP from 5.8% of GDP last year. Moreover, Spaniards are heading to a December 20 general election, in which the current government of Prime Minister Mariano Rajoy is seeking for re-election.



 Trends*	Q4 15	Q1 16	Q2 16
MAX	1.38	1.21	1.24
75% percentile	1.13	1.11	1.12
Median	1.09	1.07	1.07
25% percentile	1.06	1.05	1.03
MIN	0.96	0.97	0.95

\* the data is based on international banks' forecasts

	26.11 open price	26.11 close price	% change
EUR/USD	1.0624	1.061	-0.13%
EUR/GBP	0.70224	0.70258	+0.05%
EUR/CHF	1.08516	1.08619	+0.09%
EUR/JPY	130.39	130.05	-0.26%




*“Job offers are surging but the average sum each employee is earning isn't rising much. That's why household income isn't increasing and consumption remains weak”*

- Taro Saito, senior economist at NLI Research Institute

JPY




	<b>Impact</b>
Japan posts disappointing economic data	High

Japan's consumer price inflation eased for the third month in a row, while household spending also dropped, putting greater pressure on the Bank of Japan to boost inflation expectations, while the world's third biggest economy is in recession. The disappointing data came despite signs that Japan's labour market remained tight, with the jobless rate at a two-decade low of 3.1%, compared with 3.4% in September. Inflation slid further away from the central bank's 2% goal in October, with the BoJ's preferred gauge, CPI that excludes fresh fruit and energy prices, climbing 0.7% last month following September's 0.9% growth. The national core CPI, which strips out only fruit prices, dropped at a steady pace of 0.1% year-on-year in October. At the same time household spending declined 2.4% last month from a year earlier, against economists' expectations for a 0.1% gain, while disposable income decreased 0.3%.

Earlier this month, official figures showed that Japan's gross domestic product shrank 0.2% in the September quarter, or an annualised contraction of 0.8%, marking the second consecutive quarterly decline. Yet, many BoJ officials are reluctant to expand an already unprecedented massive stimulus programme unless sluggishness in foreign demand persists long enough to dent affect business confidence.



 Trends*	Q4 15	Q1 16	Q2 16
MAX	157	157	162
75% percentile	137	136	137
Median	134	134	134
25% percentile	132	131	131
MIN	115	121	121

\* the data is based on international banks' forecasts

	26.11 open price	26.11 close price	% change
AUD/JPY	89.008	88.569	-0.49%
CAD/JPY	92.362	92.206	-0.17%
EUR/JPY	130.39	130.05	-0.26%
USD/JPY	122.74	122.57	-0.14%



*"You are likely to see some downwards revisions to GDP. Weakness is across the board, in services and capex. Total planned spending looks largely unchanged since the last time. So these are still pretty soft numbers all around."*

AUD

- Su-Lin Ong, RBC Capital Markets



	<b>Impact</b>
Australia's private capex falls sharply in September quarter	High

Private capital expenditure in Australia dropped sharply in the third quarter, driven by renewed weakness in mining investment. Australian firms held back on investing in new capital in the three months through September, signalling business confidence is still weak amid Australia's economic transition away from mining-driven growth. Private capex plummeted a seasonally adjusted 9.2% quarter-on-quarter, marking the biggest decline in more than 15 years, the Australia Bureau of Statistics said. The sharp fall in the July-September period followed the 4.4% decrease in the preceding quarter. Economists, however, had expected a milder decline of 2.8% in the reported period. Mining expenditure plunged 10.4% over the quarter, with spending on buildings and structures tumbling 10.5% and spending on plant and machinery down 9.7%. The fourth estimate for 2015-2016 private capex spending came in at \$120.35 billion, revised up from the third estimate of \$114.81 billion.

Reserve Bank of Australia Governor Glenn Stevens admitted that the slowdown in mining investment is only about half way through its cycle, and did not expect an immediate recovery in non-mining investment ahead for Australia.

















Trends*	Q4 15	Q1 16	Q2 16
MAX	1.03	0.86	0.88
75% percentile	0.72	0.71	0.71
Median	0.70	0.69	0.69
25% percentile	0.69	0.68	0.67
MIN	0.66	0.64	0.62

\* the data is based on international banks' forecasts

	26.11 open price	26.11 close price	% change
AUD/JPY	89.008	88.569	-0.49%
AUD/USD	0.7252	0.7225	-0.37%
EUR/AUD	1.46509	1.46836	+0.22%
GBP/AUD	2.0862	2.0899	+0.18%

## Major events this week (November 16-22)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
<b>MONDAY</b>							
10:15 am		EUR	ECB President Draghi Speaks				
1:30 pm		CAD	Manufacturing Sales MoM	September	-1.5%	0.3%	-0.6%
<b>TUESDAY</b>							
12:30am		AUD	Monetary Policy Meeting Minutes				
9:30 am		GBP	CPI YoY	October	-0.1%	-0.1%	-0.1%
10:00 am		EUR	German ZEW Economic Sentiment	November	10.4	6.7	1.9
1:30 pm		USD	CPI MoM	October	0.2%	0.2%	-0.2%
<b>WEDNESDAY</b>							
1:30 pm		USD	Building Permits	October	1.15M	1.15M	1.11M
7:00 pm		USD	FOMC Meeting Minutes				
<b>THURSDAY</b>							
Tentative		JPY	Monetary Policy Statement				
9:30 am		GBP	Retail Sales MoM	October	-0.6%	-0.4%	1.7%
1:30 pm		USD	Unemployment Claims	November 14	271K	272K	276K
<b>FRIDAY</b>							
8:00 am		EUR	ECB President Draghi Speaks				
1:30 pm		CAD	Core CPI m/m	October	0.3%	0.2%	0.2%
3:00 pm		CAD	Core Retail Sales m/m	September	-0.5%	-0.3%	0.0%

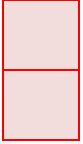
## EXPLANATIONS

### 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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