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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			-0.3%
7:00 pm		USD	Unemployment Claims	November 21			272K
9:45 pm		NZD	Trade Balance	October			-1222M
<b>THURSDAY</b>							
12:30 am		AUD	Private Capital Expenditure QoQ	Quarter 3			-4.0%
11:30 pm			Tokyo Core CPI YoY	November			-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 public sector directly demands more goods and services to deal with the influx of refugees and the refugees themselves boost private demand as they also spend money in Germany. To sum up, the refugee influx has effects comparable to an unplanned economic stimulus program in the short run”*

- Stefan Kipar, economist at Bayerische Landesbank

**EUR**



	<b>Impact</b>
German economy to benefit from refugee crisis; Italian retail sales decline in September	High

While the European economy has been struggling to solve the refugee crisis, a number of economists expect that inflow of around 800,000 people into Germany will boost the Euro zone’s biggest economy. Experts estimate that asylum seekers will contribute to German economic output growth, adding 0.2% of GDP next year and calming Volkswagen’s diesel emission scandal, which is expected to lower GDP growth by 0.03% in 2016. The German government predicts the Euro zone’s star economy to expand by 1.8% in real terms in 2015 and 2016, with domestic demand being an important driver for growth.

Meanwhile, sales at Italian retailers dropped in September, according to ISTAT. Italian retail sales slid 0.1% in the reported month from August, whereas measured on an annual basis consumer spending at retailers rose 1.5%. The Euro zone’s third biggest economy seemed finally finding its way out of the woods, albeit at a slow pace. After years of stagnation, growth is back, with the Italian economy expanding in the first two quarters. The International Monetary Fund in October revised its forecasts for 2015 and 2016 by 0.1 percentage point, to 0.8% and 1.3% respectively.



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

	25.11 open price	25.11 close price	% change
EUR/USD	1.0643	1.0624	-0.18%
EUR/GBP	0.70561	0.70224	-0.48%
EUR/CHF	1.08215	1.08516	+0.28%
EUR/JPY	130.42	130.39	-0.02%



**“The trend in core capex orders is now clearly turning higher, following the collapse triggered by the rollover in oil companies' spending”**

- Ian Shepherdson, Pantheon Macroeconomics

**USD**



	<b>Impact</b>
US business spending gauge rises	High

Orders for long-lasting manufactured goods rose in October following two months of weakness, while a key category that tracks business investment plans surged the most in three months. Orders for durable goods soared 3% last month, according to the Commerce Department, driven by an increase in demand for commercial aircraft. A key category that serves as a proxy for business investment spending climbed 1.3% in October, the best result since July, suggesting that the worst of the drag from a strong Greenback and deep spending cuts by energy firms was over.

At the same time, the number of Americans applying for jobless benefits declined more than expected last week, indicating that labour market conditions continued to tighten. Initial claims for state unemployment benefits declined 12,000 to a seasonally adjusted 260,000 for the week ended November 21, the Labor Department said. The preceding week data was revised to show 1,000 more applications were received than reported initially. Claims have now remained below the 300,000 threshold for 38 straight weeks, the longest stretch in years, and stayed close to levels last seen in the early 1970s. Claims below this level are usually associated with a resilient jobs market.



Trends*	Q4 15	Q1 16	Q2 16
MAX	132	135	136
75% percentile	125	127	128
Median	123	125	125
25% percentile	121	122	123
MIN	86	110	112

\* the data is based on international banks' forecasts

	25.11 open price	25.11 close price	% change
AUD/USD	0.7257	0.7252	-0.07%
USD/CHF	1.0167	1.0218	+0.50%
USD/JPY	122.53	122.74	+0.17%
NZD/USD	0.6555	0.6578	+0.35%



**“Since 2010, no economy in the G-7 has grown faster than Britain”**

- George Osborne, Chancellor of the Exchequer

**GBP**



	<b>Impact</b>
UK economy to grow 2.4% this year and in 2016, Osborne says	High

Delivering the Autumn Statement and Spending Review, Chancellor George Osborne said the British economy is expected to expand by 2.4% this year. Moreover, growth for the next two years has also been revised up to 2.4% in 2016 and 2.5% in 2017. Osborne underlined the fact that since 2010 no economy in the G-7 group has expanded faster than the UK. Most importantly, the growth has been sustainable and has not been fuelled by an irresponsible banking boom. In his statement, the Chancellor said his economic plan for the next four years was about choosing priorities and insisted solving the "crisis" in home ownership is of a paramount importance. Osborne added that the four-year public spending plans were estimated to produce a surplus of 10.1 billion pounds by the end of the current parliament, which is more than he had projected in his budget speech in July.

This year, the Autumn Statement and the Spending Review are combined. The spending review shows how the British government will spend the 4 trillion pounds of taxpayers' money at its disposal. The Statement is one of the government's biannual updates to its plans for the UK economy.



FORECASTS		
Q4 15	Q1 16	Q2 16
		1.59
	1.58	
1.56		
1.54	1.54	1.54
1.51	1.51	1.51

Trends*	Q4 15	Q1 16	Q2 16
MAX	1.77	1.65	1.71
75% percentile	1.56	1.58	1.59
Median	1.54	1.54	1.54
25% percentile	1.51	1.51	1.51
MIN	1.34	1.41	1.37

\* the data is based on international banks' forecasts

	25.11 open price	25.11 close price	% change
<b>GBP/USD</b>	1.5084	1.5129	+0.30%
<b>EUR/GBP</b>	0.70561	0.70224	-0.48%
<b>GBP/CAD</b>	2.0071	2.0106	+0.17%
<b>GBP/JPY</b>	184.823	185.702	+0.48%



**“China is back as both our top export destination for goods, and our top source of imports”**  
- Nathan Penny, ASB rural economist

**NZD**



	<b>Impact</b>
New Zealand trade gap widens in October; China becomes NZ top export destination	High

New Zealand’s merchandise trade shortfall widened slightly last month from a year earlier, as a precipitous decline in value of overseas shipments of milk powder affected exports. The country logged a NZ\$3.24 billion deficit for the 12 months to October. The decline was led by a 29% decline in the value of milk powder exports as prices fell. Measured on a monthly basis, the trade gap narrowed from a revised NZ\$1.14 billion in September to NZ\$963 million, Statistics New Zealand reported. Exports dropped 4.5% year-on-year to NZ\$3.83 billion in October, driven by a 29% plunge in milk powder. Dairy exports overall plummeted 18% last month compared with October a year earlier. China outperformed Australia and became New Zealand’s top annual export destination in October. Goods exports to China increased 9.2% to \$678 million in October from the year earlier month, taking annual exports to the country to \$8.41 billion. At the same time, exports to Australia plunged 8% to \$754 million in the month, for an annual total of \$8.36 billion.

Meanwhile, imports dropped 2.2% to \$4.79 billion in October from the year earlier month, led by declines in petrol, avgas as well as capital goods.

















Trends*	Q4 15	Q1 16	Q2 16
MAX	0.82	0.78	0.82
75% percentile	0.65	0.64	0.65
Median	0.63	0.62	0.61
25% percentile	0.61	0.60	0.60
MIN	0.59	0.56	0.55

\* the data is based on international banks' forecasts

	25.11 open price	25.11 close price	% change
AUD/NZD	1.1068	1.1022	-0.42%
EUR/NZD	1.6236	1.6152	-0.52%
GBP/NZD	2.301	2.2998	-0.05%
NZD/USD	0.6555	0.6578	+0.35%

## 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%



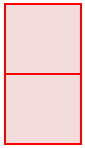
## EXPLANATIONS

### 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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