

















DUKASCOPY
RESEARCH PRODUCTS

16/11/2015



Fundamental Analysis

Major events this week (November 16-22)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
MONDAY							
10:15 am		EUR	ECB President Draghi Speaks				
1:30 pm		CAD	Manufacturing Sales MoM	September			-0.2%
TUESDAY							
12:30am		AUD	Monetary Policy Meeting Minutes				
9:30 am		GBP	CPI YoY	October			-0.1%
10:00 am		EUR	German ZEW Economic Sentiment	November			1.9
1:30 pm		USD	CPI MoM	October			-0.2%
WEDNESDAY							
1:30 pm		USD	Building Permits	October			1.10M
7:00 pm		USD	FOMC Meeting Minutes				
THURSDAY							
Tentative		JPY	Monetary Policy Statement				
9:30 am		GBP	Retail Sales MoM	October			1.9%
1:30 pm		USD	Unemployment Claims	November 14			276K
FRIDAY							
8:00 am		EUR	ECB President Draghi Speaks				
1:30 pm		CAD	Core CPI m/m	October			0.2%
3:00 pm		CAD	Core Retail Sales m/m	September			0.0%

Key highlights of the week ended November 13

US

Fed officials supported a possible December interest rate hike with one key policy maker saying the risk of waiting too long was now in balance with the risk of moving too soon to raise rates. With a rate hike this year now seen as very likely, the focus is shifting towards the pace of lifts. St. Louis Fed President James Bullard said that the pace would depend on the state of the world's number one economy and should not be seen as a steady path higher. Bullard believed growth would be strong, and the jobless rate should slip into the 4% range. At the same time, a key ally of Fed Chair Janet Yellen, New York President William Dudley, said that he saw the pace of tightening to be quite gradual. With regards to the US inflation, consumer price growth was predicted to accelerate to 1.5%, from 1.3%, as pressures related to the strong Greenback and low energy prices subside, Fed Vice Chair Stanley Fischer said.

New Zealand

Low milk prices and Auckland's soaring housing market remained the key risks to the New Zealand's financial system, while the lower New Zealand Dollar is helping to cushion the nation's economy, the Reserve Bank of New Zealand said. The central bank reported that risks to financial stability increased since May due to build up in Auckland house prices relative to incomes, ongoing weakness in global dairy prices, as well as China's slowdown and its impact on commodity prices. Global dairy prices plunged more than 50% from a peak in early 2014 to mid-2015. Even though prices rebounded around 30% between August and September, they remain well below profitable levels for many New Zealand farmers.

UK

Andy Haldane, the Bank of England's chief economist, argued against an interest rate hike in the near future as wage growth fizzled and the outlook for the global economy remained uncertain. Haldane reiterated his view that the central bank's next move might be even a rate cut rather than lift as the UK economy appeared to be losing steam. Haldane, considered to be the most cautious policy maker when it comes to the timing of an interest rate hike, had previously warned that the global economy might be heading into a new crisis triggered by slower growth in emerging markets. The economist also talked about the structural changes within the British labour market and its effect on productivity, wage growth and the overall economy. The MPC was surprised about weak wage growth relative to the overall strength of the nation's economy and tightening labour market.



"In spite of recent headwinds from weaker export demand in emerging markets, Germany's economic growth continues to be supported by favourable labour market and financing conditions underpinning domestic demand"

- European Commission

EUR



European economies grow modestly in Q3

Impact

High

Slowdown in emerging markets, the Volkswagen scandal, as well as a migration crisis derailed the Euro zone's number one economy during the third quarter. After a promising and strong performance in the three months through June, the German economy weakened, with the nation's GDP increasing 0.3% during the third quarter, according to Destatis. Domestic consumption was the main driver of third quarter GDP growth. In annual and non-seasonal adjusted terms, the economy expanded 1.8%, in line with economists expectations. The European Commission predicts real GDP in Germany to increase by 1.7% in 2015 and 1.9% in 2016 and 2017.

Meanwhile, the French economy, the Euro zone's second biggest, performed better in the third quarter, according to preliminary data. France's economic output rose 0.3%, following a 0.0% growth in the second quarter. The household consumption was also the main driver behind the growth, as it increased 0.3% after stagnating in the preceding three-month period. In Italy, GDP continued to increase at a 0.2% quarterly pace, signalling that the process of implementing economic reforms should continue. On an annual basis, the Euro zone's third biggest economy grew 0.9% in the reported period, compared with the revised 0.6% growth in the previous quarter.





"As policymakers, we must always be vigilant to events unfolding differently than we expect and we must be ready to act accordingly"

- Stanley Fischer, Fed Vice Chairman

USD



news	Impact
US retail sales rise less than expected in October	High

US retail sales rose less than expected in October due to a surprise decrease in automobile purchases, signalling Americans remained cautious about opening their wallets despite robust job growth and accelerating wages. Consumer spending at retail stores and restaurants climbed just 0.1% from the preceding month to a seasonally adjusted \$447.3 billion in October, according to the Commerce Department. Economists, however, had predicted a 0.3% increase after a zero growth in September. The October increase was largely driven by sales at non-store retailers, including online shopping, which increased 1.4% last month. Yet, that was barely enough to compensate for a 0.5% drop in auto sales and motor vehicle parts, along with sluggish sales at gasoline stations. At the same time, core retail sales edged up 0.1% in the reported month.

The US economic growth slowed to a 1.5% annual pace in the third quarter as businesses struggled with an inventory glut and energy companies continued to cut back spending in response to lower oil prices. The retail sales data signalled the economy got off to a pretty slow start to the final trimester, which is something Fed officials will have to consider when they ponder whether to hike rates at their December 15-16 meeting.





"This report shows the increasing risk that Japan's economy will continue its lackluster performance"
- Atsushi Takeda, an economist at Itochu Corp.

JPY



news	Impact
Haldane against interest rate hike in near term as UK economy loses momentum	High

The Japanese economy slipped back into recession in the third quarter as uncertainty surrounding the overseas outlook undermined business investment, putting policy makers under increasing pressure to deploy new stimulus measures to prop up a fragile recovery the world's third biggest economy. Japan's gross domestic product dropped an annualized 0.8% in the three months ended September 30, after a revised 0.7% decline in the second quarter. Economists, however, had predicted a milder 0.2% decrease of the nation's economic output. On a quarter-on-quarter basis, the economy contracted 0.2% in the July-September period. The economy slid into its second recession since Prime Minister Shinzo Abe took office in December 2012.

Private consumption, which makes up around 60% of the economy, gained 0.5% from the preceding quarter, while capital expenditure dropped 1.3%, marking a second consecutive quarter of drops. External demand added 0.1 percentage point to GDP growth, whereas domestic demand shaved 0.3 point off growth. The dismal data would be of little surprise to the BoJ, which had factored in the recession and predict growth to rebound in the coming quarters.





NZD

"However, whether or not the RBNZ will eventually cut the OCR below 2.5% depends on a couple of things. First, that inflation pressures do indeed turn out to be weaker than the RBNZ is currently envisaging. And the other is whether the RBNZ comes to that realization soon enough to warrant doing something about it"

- Jane Turner, ASB senior economist
















news	Impact
New Zealand consumer spending rebounds strongly in Q3	High

Consumer spending in New Zealand rebounded strongly in the third quarter, powered by robust sales of cars and auto parts. Retail sales volumes rose 1.6% on a quarterly basis in the July-September period, the Statistics New Zealand reported, beating market consensus for a 1.4% gain and compared with a lacklustre 0.1% rise in the June quarter. The value of retail sales rose 1.4% in the measured period, following a 0.3% increase in the second quarter. Motor vehicle and parts retailing reported the largest volume gain in the third quarter, advancing 5.0%. Meanwhile, core retails sales, which strip out the fuel and auto industries, climbed at a pace of 1.0% last quarter. Out of 15 retail industries monitored, 10 reported higher sales volumes. Electrical and electronic goods was another sector that showed a robust performance in the three months ended September 30, rising 6.6%.

The sharp increase in spending came after the Reserve Bank of New Zealand cut interest rates three times between June and September in an attempt to boost demand. The official cash rate was lowered from 3.5% to 2.75% over the three months, but was remained on hold since then as confidence strengthened again. The market is currently pricing in a 40% chance of another 25 basis point rate cut at the RBNZ's December 10 meeting.



Major events of the previous week (November 9-13)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
MONDAY							
All Day		EUR	Eurogroup Meetings				
TUESDAY							
12:30am		AUD	NAB Business Confidence	October	2		5
1:30 am		CNY	CPI YoY	October	1.3%		1.6%
9:00 am		GBP	Inflation Report Hearings				
8:00 pm		NZD	RBNZ Financial Stability Report				
WEDNESDAY							
5:30am		CNY	Industrial Production YoY	October	5.6%	5.8%	5.7%
9:30 am		GBP	Average Earnings Index 3m/y	September	3.0%	3.2%	3.0%
1:15 pm		EUR	ECB President Draghi Speaks				
THURSDAY							
12:00 pm		AUD	Unemployment Rate	October	5.9%	6.2%	6.2%
12:30 pm		USD	Unemployment Claims	November 7	276K	270K	276K
FRIDAY							
7:00 am		EUR	German Prelim GDP QoQ	Quarter 3	0.3%	0.3%	0.4%
1:30 pm		USD	Retail Sales m/m	October	0.1%	0.3%	0.0%
3:00 pm		USD	Prelim UoM Consumer Sentiment	November	93.1	91.3	90.0

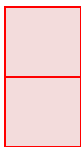
EXPLANATIONS

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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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.