


















DUKASCOPY
RESEARCH PRODUCTS

04/05/2016



Fundamental Analysis

Major events this week (May 2-6)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
MONDAY							
2:00 pm		EUR	ECB President Draghi Speaks				
2:00 pm		USD	ISM Manufacturing PMI	April	50.8	51.6	51.8
TUESDAY							
1:45 am		CNY	Caixin Manufacturing PMI	April	49.4	49.8	49.7
4:30 am		AUD	RBA Rate Statement				
8:30 pm		GBP	Manufacturing PMI	April	49.2	51.3	50.7
10:45 pm		NZD	Unemployment Rate	Quarter 1	5.7%	5.5%	5.4%
WEDNESDAY							
8:30 am		GBP	Construction PMI	April			54.2
12:15 pm		USD	ADP Non-Farm Employment Change	April			200K
12:30 pm		CAD	Trade Balance	March			-1.9B
THURSDAY							
1:30 am		AUD	Retail Sales MoM	March			0.0%
8:30 pm		GBP	Services PMI	April			53.7
12:30 pm		USD	Unemployment Claims	April 30			257K
FRIDAY							
1:30 am		AUD	RBA Monetary Policy Statement				
12:30 pm		CAD	Unemployment Rate	April			7.1%
12:30 pm		USD	Non-Farm Employment Change	April			215K

Key highlights of the week ended April 29

US

The Fed opted not to hike interest rates and remained ambiguous about raising rates in June amid moribund economy and weakening consumer spending. The US central bank proceeded with its plan to move cautiously on raising the benchmark federal-funds rate, which has been between 0.25% and 0.50% since December, when the Fed increased short-term rates after keeping them near zero since 2008. Policy makers pointed that the US economy is performing robustly in some respects, but continuing to falter in others. Household spending has diminished even though real income has increased and consumer sentiment remains high, while the labour market conditions have improved further. The Fed's caution underlines how policy makers still lack confidence they can move away from extraordinary easy-money policies without derailing the fragile US growth and knocking the global economy off balance. The seven weeks until the June meeting could help determine how many times, if any, the Fed will hike short-term interest rates this year.

Japan

The Bank of Japan kept its monetary policy unchanged and held off on expanding monetary stimulus, sending the Japanese Yen up and stocks down. The BoJ Governor Haruhiko Kuroda and his colleagues opted to take more time to assess the impact of negative interest rates. Policy makers left unchanged three key easing tools: the 80 trillion yen target for expanding the monetary base through government-bond purchases, the 0.1% negative rate on a portion of the cash banks park at the central bank, and a programme to buy riskier assets including stocks. Separately, they postponed the time frame for reaching a 2% inflation target, to sometime in fiscal 2017, for the fourth delay in about a year.

New Zealand

The Reserve Bank of New Zealand kept interest rates on hold, but said it may need to cut rates further as slowing global economic growth and a strong New Zealand Dollar prolong a period of tepid inflation. All bets are now on the RBNZ cutting the OCR to 2.0% in June. The RBNZ has already slashed the official cash rate five times in less than a year. The central bank is also concerned about the relative strength of the local currency, which is making exporters and import-exposed industries less competitive. The New Zealand Dollar advanced more than 1% following the central bank's decision.



“Two rate hikes are certainly possible. We have enough (Fed policy) meetings remaining but it depends entirely on how the economy evolves”

-Dennis Lockhart, Atlanta Fed President

USD



news	Impact
Brexit looms large; June is a “live meeting”, Lockhart says	High

Atlanta Federal Reserve President Dennis Lockhart said that the UK’s referendum on whether to leave the EU could “loom large” as the Fed weigh whether to hike interest rates at its next policy meeting. Lockhart underlined that Brexit could potentially lead to heightened global uncertainty. Yet, the policy maker added that the US economy could warrant a rate hike when the Federal Open Market Committee meets on June 14-15. Lockhart said the market seemed to be underestimating the odds of a rate lift in June. Investors currently only assign a 12% chance of such a move, according to pricing in interest rate futures contracts. Lockhart said two rate hikes this year are certainly possible. Lockhart is not a voting member of the Fed’s FOMC, but his view is seen as a bellwether for what the majority on the central bank is thinking.

Also, San Francisco Fed President John Williams said he is optimistic about the US economy and was giving little weight to the slowdown in first quarter gross domestic product. However, Williams added that he would support an interest rate hike in June as long as he sees sturdy progress on the economy, inflation and jobs. Fed officials left their target range for the benchmark policy rate steady at 0.25% to 0.5% when they met last week, saying that they will “closely monitor” the world situation.






"There is rising uncertainty about the global economy, the oil and gas industry, retail sector and the EU referendum. With this backdrop unlikely to change in the coming months, the second quarter is likely to remain a bleak landscape for industry"

GBP

- Markit




	Impact
RBA unexpectedly cuts OCR amid slowing inflation	High

The UK manufacturing sector encountered a surprise contraction in April that reflected in the PMI, as it entered negative territory for the first time in 4 years, plummeting under the 50 point mark to show 49.2 points. The indicator missed the initial investor forecast of 51.2 and fuelled concerns by showing a drop in comparison to March. Worries about industry health were amplified by the Markit Economics claim that output in the manufacturing sector is shrinking in a scale of 1% per quarter, and around 20 000 jobs have already been lost in the last three months. Uncertainty over the outcome of the EU referendum can spawn further effects on Britain's currency and economy. While recent polls have indicated a positive trend in regard to remaining part of the EU, both global and domestic organizations warn that a vote in favour of Brexit can potentially prompt an economic downturn and imbalances. A combination of uncertainty generating factors both domestically and globally are likely to contribute to a slowdown for the industry in the second quarter.

The UK economy has been experiencing a slowdown as first-quarter data showed economic growth of just 0.4%, with the service, industrial and manufacturing sectors correspondingly displaying signs of weakness. The same trend applied for exports as market conditions weakened.



 Trends*	Q2 16	Q3 16	Q4 16
MAX	1.57	1.59	1.84
75% percentile	1.46	1.49	1.51
Median	1.43	1.45	1.47
25% percentile	1.40	1.42	1.44
MIN	1.35	1.29	1.23

* the data is based on international banks' forecasts


	03.05 open price	03.05 close price	% change
GBP/USD	1.4673	1.4535	-0.94%
EUR/GBP	0.78611	0.79099	+0.62%
GBP/CAD	1.8385	1.8495	+0.60%
GBP/JPY	156.14	154.97	-0.75%



"The lift in the quarter was entirely the result of strong participation, which is an encouraging sign"
- ANZ

NZD




	Impact
New Zealand unemployment increases amid rise in labour participation	High

New Zealand's first quarter employment data showed unemployment rose as the participation and employment rate also increased. The unemployment rate ticked higher to 5.7% in the reported period, from a revised 5.4% the prior quarter and above the forecast of 5.5%. Despite the increase in unemployment, the data suggested the economy was performing well. The participation rate advanced to 69.0% while employment rose 1.2%. However, of those entering the labour force 10,000 failed to find jobs, while the remaining 28,000 were employed. The cost of labour index rose 1.8% on an annualized basis in the March quarter, up from 1.6% in the three months through December. From the fourth quarter to the first quarter, labour cost grew 0.4%, in line with the prior quarter. In the March quarter, New Zealand's inflation climbed 0.4% on year, meaning real wages are still growing at a strong pace, which is likely to continue to boost consumption. The RBNZ is expecting annual inflation at 1.1% by end-2016, down from the forecast of 1.6% made at its December policy review, and just inside its 1% to 3% target range.

Meanwhile, New Zealand house prices continued to rise at a solid pace in April with low interest rates supporting demand for housing. Residential property prices rose 12% year-on-year in New Zealand last month.









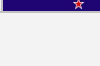






 Trends*	Q2 16	Q3 16	Q4 16
MAX	0.82	0.84	0.86
75% percentile	0.68	0.67	0.68
Median	0.65	0.64	0.64
25% percentile	0.63	0.62	0.61
MIN	0.55	0.55	0.52

* the data is based on international banks' forecasts

	03.05 open price	03.05 close price	% change
AUD/NZD	1.092	1.0824	-0.88%
EUR/NZD	1.6431	1.6629	+1.21%
GBP/NZD	2.0902	2.1023	+0.58%
NZD/USD	0.702	0.6914	-1.51%

Major events this week (April 25-29)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
MONDAY							
8:00 am		EUR	German Ifo Business Climate	April	106.6	107.1	106.7
2:00 pm		USD	New Home Sales	March	511K	521K	519K
TUESDAY							
12:30 pm		USD	Core Durable Goods Orders m/m	March	-0.2%	0.6%	-1.3%
12:55 pm		CAD	BOC Gov Poloz Speaks				
2:00 pm		USD	CB Consumer Confidence	April	94.2	95.8	96.1
WEDNESDAY							
1:30 am		AUD	CPI QoQ	Quarter 1	-0.2%	0.3%	0.4%
8:30 am		GBP	Prelim GDP QoQ	Quarter 1	0.4%	0.4%	0.6%
6:00 pm		USD	FOMC Statement				
9:00 pm		NZD	RBNZ Rate Statement				
THURSDAY							
Tentative		JPY	Monetary Policy Statement				
12:30 pm		USD	Advance GDP QoQ	Quarter 1	0.5%	0.7%	1.4%
FRIDAY							
9:00 am		EUR	CPI Flash Estimate YoY	April	-0.2%	-0.1%	0.0%
12:30 pm		CAD	GDP MoM	February	-0.1%	-0.1%	0.6%

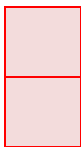
EXPLANATIONS

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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