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RESEARCH PRODUCTS

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Fundamental Analysis

Major events this week (February 1-5)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
MONDAY							
1:00 am		CNY	Manufacturing PMI	January	49.4	49.6	49.7
9:30 am		GBP	Manufacturing PMI	January	52.9	51.8	51.9
		USD	ISM Manufacturing PMI	January	48.2	48.6	48.2
TUESDAY							
3:30 am		AUD	RBA Rate Statement				
9:30 am		GBP	Construction PMI	January	55.0	57.6	57.8
9:45 pm		NZD	Unemployment Rate	Quarter 4	5.3%	6.1%	6.0%
WEDNESDAY							
12:30 am		AUD	Building Approvals MoM	December	9.2%	4.8%	-12.4%
7:00 pm		GBP	Services PMI	January			55.5
1:15 pm		USD	ADP Non-Farm Employment Change	January			257K
THURSDAY							
12:00 pm		GBP	BOE Inflation Report				
12:00 pm		GBP	Monetary Policy Summary				
1:30 pm		USD	Unemployment Claims	January 30			278K
FRIDAY							
12:30 am		AUD	RBA Monetary Policy Statement				
1:30 pm		CAD	Unemployment Rate	January			7.1%
1:30 pm		USD	Non-Farm Employment Change	January			292K

Key highlights of the week ended January 30

Japan

The Bank of Japan surprised markets with a negative benchmark interest rate, a move aimed at boosting a faltering recovery in the world's third biggest economy in light of elevated volatility on financial markets and slowing global growth. In a 5-4 vote, the BoJ's policy makers decided to charge a 0.1% interest on current accounts that some commercial banks hold with it. The central bank hopes that the move will encourage banks to lend more and stimulate investment and growth. The BoJ said that it would divide bank's deposits into three tiers, with categories earning positive, zero and negative interest rates. The policy would continue as long as needed to achieve its inflation target. Meanwhile, the central bank pushed back its timeframe for reaching the goal from late 2016 to mid-2017. The BoJ kept its pledge to expand base money at an annual pace of 80 trillion yen through aggressive purchases of Japanese government bonds and risky assets conducted under its QQE programme.

US

In line with expectations, the Fed kept interest rates on hold and said that it was closely following global economic and financial developments. Nevertheless, the US central bank gave no hints that it was changing course on its rate-hiking path ahead. Fed policy makers still argued that the world's number one economy was on track for moderate growth and a stronger labour market even with gradual rate lifts. However, Fed officials acknowledged inflation was estimated to stay "low in the near term" due to the further drops in energy prices, while the US economy's growth slowed late last year. The Fed kept its belief that the ongoing declines in energy prices was transitional and would pass in the medium term. Yet, the central bank downgraded its view on household spending and business investment growth from "strong" to "moderate". The Fed hiked the federal funds rate in December for the first time in nine years and signalled it was determined to increase it by one percentage point in 2016. However, the actual path of rate hikes will depend on "the economic outlook as informed by incoming data".

UK

The UK economy gathered a little steam at the end of last year, thanks to a support of the services industry, while production and construction continued to drag the growth down. Britain's gross domestic product increased 0.5% in the December quarter from the preceding three-month period, when it rose 0.4%, according to the Office for National Statistics. On an annual basis, the UK economy expanded 1.9% in the final quarter of 2015 from a year earlier, compared with 2.1% in the third quarter and marking the smallest gain since early 2013. Services were again the main driver for growth. Accounting for 78.6% of Britain's economic output, the sector expanded 0.7% on the quarter and climbed 0.2% between October and November. The biggest contribution to growth in this sector came from business services and finance, which added to the output with 0.9 percentage points. At the same time, industrial production dropped 0.2%, with manufacturing unchanged and utilities and mines cutting output. Construction output declined 0.1%. Overall, the UK growth slowed to 2.2% in 2015 from 2.9% in 2014, the ONS added. The International Monetary Fund estimates that it will expand 2.2% this year.



“The eurozone’s manufacturing economy missed a beat at the start of the year. Growth of order books, exports and output all slowed”

- Chris Williamson, chief economist at survey compiler Markit

EUR

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news	Impact
Euro zone unemployment at 4-year low; factory prices continue to fall	High

The Euro zone’s unemployment rate dropped to the lowest level in almost four years in December. According to Eurostat, the number of unemployed declined 49,000 to a total of 16.75 million, pushing the region’s jobless rate to 10.4% from 10.5%, the lowest level since September 2011. The largest drop was registered in Spain, where the unemployment rate plunged from 23.6% to 20.8%, whereas in Finland the jobless rate rose the most, from 9.0% to 9.5%. In Germany, the region’s powerhouse, the unemployment rate declined to 20-year lows at 6.2% in January. The Euro zone’s unemployment reached the peak at 12.1% in March-May 2013, and the rate has been sliding since then. Despite the multi-year low, joblessness remains an acute problem, as it is still well above the 7.5% level seen before the global financial crisis.

A separate report showed prices at factory gates in the Euro bloc fell more than expected in December, underscoring challenges the European Central Bank face to bring inflation to the target. Producer prices declined by 0.8% on month in December after a 0.2% drop in the prior month, compared with a 0.6% decrease expected by economists. Measured on an annual basis, prices at factory gates plunged 3.0% in the reported month. ECB President Mario Draghi promised to increase inflation with a help of monetary policy tools that the central bank still has at its disposal.



Trends*	Q1 16	Q2 16	Q3 16
MAX	1.18	1.18	1.18
75% percentile	1.08	1.08	1.10
Median	1.05	1.05	1.05
25% percentile	1.03	1.01	1.02
MIN	0.99	0.95	0.95

* the data is based on international banks' forecasts

	02.02 open price	02.02 close price	% change
EUR/USD	1.0888	1.0919	+0.28%
EUR/GBP	0.75441	0.75775	+0.44%
EUR/CHF	1.11051	1.11224	+0.16%
EUR/JPY	131.74	131	-0.56%



"I am convinced that there is no limit to measures for monetary easing"

- Haruhiko Kuroda, Bank of Japan Governor

JPY

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news	Impact
BoJ ready to ease more	High

Bank of Japan Governor Haruhiko Kuroda said the BoJ has ample room to increase further monetary accommodation and is ready to cut interest rates deeper into negative territory. Even after launching what Kuroda described as "the most powerful monetary policy framework in the history of modern central banking," the Governor is prepared to deploy new tools to support the world's third biggest economy if existing tools appeared to be ineffective. The BoJ chief said although Japan's economy was recovering moderately, it was taking longer than expected to reach the 2% inflation target due to slumping energy costs. Kuroda added that the recent global markets rout and slowing emerging economies could undermined Japanese business sentiment and discourage firms from increasing wages. However, Kuroda remains optimistic on China's outlook, saying the world's second biggest economy was likely to ensure stable growth as policy makers have a lot of opportunities to provide additional fiscal and monetary stimulus measures.

The BoJ stunned global financial markets by following European counterparts, when it introduced negative interest rates on January 29. The central bank will charge a 0.1% interest on some of the excess reserves financial institutions park with the BoJ, while keeping its existing asset-buying programme unchanged



Trends*	Q1 16	Q2 16	Q3 16
MAX	130	132	135
75% percentile	127	127	128
Median	125	125	125
25% percentile	122	123	122
MIN	115	115	113

* the data is based on international banks' forecasts


	02.02 open price	02.02 close price	% change
AUD/JPY	86.056	84.44	-1.88%
CAD/JPY	86.745	85.358	-1.60%
EUR/JPY	131.74	131	-0.56%
USD/JPY	120.99	119.97	-0.84%



“UK construction firms struggled for momentum at the start of this year, with heightened economic uncertainty acting as a brake on new orders and contributing to one of the weakest rises in output levels since the summer of 2013”

- Tim Moore, Markit economist

GBP

	Impact
UK construction sector disappoints again; focus turns to services PMI and Super Thursday	High

Growth in the UK construction sector unexpectedly slowed in January to the weakest level in nine months following a short-lived recovery in December. The Markit/CIPS UK construction PMI fell to 55.0 from 57.8, against economists' forecast of 57.5. Housebuilding and commercial property work were the biggest drag on the headline indicator. Furthermore, optimism among construction companies fell to the lowest level since December 2014. Even though employment within the sector was sustained in January, it rose at the weakest pace for more than two years. Construction remains one of the most volatile components on the output side of the UK's gross domestic product. It was again among the downward drivers in the final quarter of 2015, when it dropped 0.1% from the third quarter. Overall Britain's economy grew 0.5% in the December quarter, up from the downwardly revised 0.4% in the preceding trimester. Services remained the biggest driver of the economy, accounting for 78% of GDP.

Investors' eyes now turn to the services PMI due Wednesday and “Super Thursday”, when the Bank of England announces its policy stance and publishes the Monetary Policy Committee minutes as well as quarterly Inflation Report forecasts.



* the data is based on international banks' forecasts

	02.02 open price	02.02 close price	% change
GBP/USD	1.4433	1.441	-0.16%
EUR/GBP	0.75441	0.75775	+0.44%
GBP/CAD	2.0132	2.0254	+0.61%
GBP/JPY	174.627	172.875	-1.00%




"It would be inappropriate to attempt to offset the low oil price effect through the OCR"

- Graeme Wheeler, RBNZ Governor

NZD

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	Impact
RBNZ cools OCR cut expectations	High

The Reserve Bank of New Zealand tried to cool expectations of further cut of the official cash rate in light of low inflation, which currently stays around zero, saying “it would be inappropriate to attempt to offset the low oil price effect through the OCR”. Instead, the central bank takes a longer term approach to inflation targeting. However, the RBNZ Governor Graeme Wheeler admitted that should concerns deepen around the global economy growth prospects and its effect on New Zealand, further policy easing may be needed over the coming year. Wheeler slashed the key interest rate four times last year to all-time low 2.5%. Nevertheless, inflation eased to 0.1% in the December quarter of 2015 as oil prices plunged. Wheeler, however, reiterated that it would take longer for consumer prices to return to the central bank’s 1%-3% target range than previously estimated.

Meanwhile, a recent report showed that a decline in participation rate and a steep fall in the number of people unemployed in the fourth quarter brought the nation’s jobless rate to the lowest level in more than six years, whereas economists had predicted a slight increase in the unemployment rate. The gauge dropped 0.7 percentage points to 5.3% in the reported period, the lowest since the March quarter 2009. Participation rate slid 0.3 percentage points to 68.4%, while 16,000 fewer people became unemployed.



Trends*	Q1 16	Q2 16	Q3 16
MAX	0.78	0.82	0.84
75% percentile	0.65	0.65	0.65
Median	0.63	0.62	0.62
25% percentile	0.62	0.61	0.60
MIN	0.58	0.55	0.55

* the data is based on international banks' forecasts

	02.02 open price	02.02 close price	% change
AUD/NZD	1.0862	1.0804	-0.53%
EUR/NZD	1.663	1.6761	+0.79%
GBP/NZD	2.2045	2.2119	+0.34%
NZD/USD	0.6548	0.6515	-0.50%



"While stronger volumes growth contributed to an improvement in export values in the second half of the year, ongoing price pressures continue to weigh heavily on exporter revenue growth"

- Stephen Walters, chief economist at JPMorgan

AUD



	Impact
Australia's trade gap widens; building approvals rebound	High

Australia's trade deficit widened in December to an eight-month high, as mining exports declined sharply, suggesting net exports are likely to make a negative contribution to GDP in the fourth quarter. Australia posted a seasonally adjusted trade gap of A\$3.54 billion in December, compared with a shortfall of A\$2.73 billion in the prior month, according to the Australia Bureau of Statistics. Exports plunged 5% in December, led by falling agricultural and iron-ore shipments, while imports slipped 1%. Australia's trade accounts have been suffering from falling prices for major exports like iron ore and coal, with a downturn in China's economy hitting hard.

A separate report showed the number of Australian home building permits rebounded in December. Consents surged 9.2% on month in December, overshooting economists' expectations twofold. Despite recent signs of loss of momentum in the housing sector, 2015 was a year of robust housing construction, contributing strongly to growth. However, the outlook for 2016 is less optimistic, with residential investment and construction to falter a little following strong few years. Some economists predict the slowdown will eventually bring the RBA off the side-lines with at least two rate cuts by the end of the year. Market participants are now pricing in a 36% probability of an interest rate cut by April, with the bets on a rate cut by July surging to 76%.
















Trends*	Q1 16	Q2 16	Q3 16
MAX	0.80	0.79	0.81
75% percentile	0.71	0.71	0.71
Median	0.69	0.68	0.68
25% percentile	0.68	0.67	0.66
MIN	0.64	0.64	0.61

* the data is based on international banks' forecasts

	02.02 open price	02.02 close price	% change
AUD/JPY	86.056	84.44	-1.88%
AUD/USD	0.7114	0.7039	-1.05%
EUR/AUD	1.53076	1.55131	+1.34%
GBP/AUD	2.0293	2.0473	+0.89%

Major events of the previous week (January 25-29)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
MONDAY							
9:00 am		EUR	German Ifo Business Climate	January	107.3	108.5	108.7
TUESDAY							
3:00 pm		USD	CB Consumer Confidence	January	98.1	96.6	96.5
WEDNESDAY							
12:30 am		AUD	CPI QoQ	Quarter 4	0.4%	0.3%	0.5%
7:00 pm		USD	Federal Funds Rate		<0.50%	<0.50%	<0.50%
8:00 pm		NZD	Official Cash Rate		2.50%	2.50%	2.50%
THURSDAY							
9:30 am		GBP	Prelim GDP QoQ	Quarter 4	0.5%	0.5%	0.4%
1:30 pm		USD	Core Durable Goods Orders MoM	December	-1.2%	0.0%	-0.1%
1:30 pm		USD	Unemployment Claims	January 23	278K	281K	293K
11:30 pm		JPY	Tokyo Core CPI YoY	January	-0.1%	0.1%	0.1%
FRIDAY							
Tentative		JPY	Monetary Policy Statement				
10:00 am		EUR	CPI Flash Estimate YoY	January	0.4%	0.4%	0.2%
1:30 pm		CAD	GDP MoM	November	0.3%	0.3%	0.0%
1:30 pm		USD	Advance GDP QoQ	Quarter 4	0.7%	0.8%	2.0%

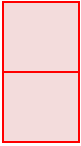
EXPLANATIONS

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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