


















**DUKASCOPY**  
RESEARCH PRODUCTS

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# Fundamental Analysis

## Major events this week (May 2-6)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
<b>MONDAY</b>							
2:00 pm		EUR	ECB President Draghi Speaks				
2:00 pm		USD	ISM Manufacturing PMI	April			51.8
<b>TUESDAY</b>							
1:45 am		CNY	Caixin Manufacturing PMI	April			49.7
4:30 am		AUD	RBA Rate Statement				
8:30 pm		GBP	Manufacturing PMI	April			51.0
10:45 pm		NZD	Unemployment Rate	Quarter 1			5.3%
<b>WEDNESDAY</b>							
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
<b>THURSDAY</b>							
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
<b>FRIDAY</b>							
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.




*"Meanwhile, generally improved job markets across the euro zone are supportive to consumer spending along with the boost to purchasing power coming from negligible deflation/inflation"*

- IHS Global Insight

**EUR**

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	Impact
Euro zone economy grows strongly, whereas inflation slides further into negative zone	High

The Euro zone posted mixed fundamentals with the economy growing strongly and unemployment falling slightly while consumer prices dropped yet again into deflation territory. The flash estimate for Euro zone gross domestic product rose 0.6% in the first quarter from the previous quarter, compared with expectations for growth of 0.4%, according to Eurostat. On an annual basis, Euro zone's economic activity expanded 1.6% in the first quarter, the same as in the quarter to December, while analysts had forecast a rise of 1.4%. Meanwhile, unemployment in the Euro zone for March declined slightly to 10.2%, the lowest rate recorded in the region since August 2011, from 10.4% in the previous month.

However, annual inflation rate in the Euro area remained in negative territory for the third consecutive month in April. The latest flash estimate showed that consumer prices slid 0.2% in April, from a flat reading of 0.0% in March. On an annual basis, core inflation, which strips out volatile components including oil and food, climbed 0.8% in April, down from the 1.0% gain reported in March. The data came after the European Central Bank deployed further stimulus measures in March in an attempt to underpin growth and inflation, which is currently a way off from the bank's target of below, but close to, 2%.





**"The first quarter is going to be the worst quarter for consumption for all of 2016"**

-RBC Capital Markets LLC

## USD

news	Impact
US inflation slows in March	High

The Fed's favourite inflation barometer slowed in March, falling from one-and-a-half-year peak, while consumer spending ebbed. The price index for personal consumption expenditures excluding food and energy ticked up 0.1% in March, following a revised 0.2% gain. The rate of inflation over the past 12 months slid to 1.6%. In the previous two months, the core deflator was growing 1.7% year-on-year, the quickest pace since mid-2014. Inflation is being restrained by a strong Dollar and cheaper energy. A tightening labour market also failed to generate strong wage gains, contributing to moderate consumption growth. In March, consumer spending, which accounts for more than two-thirds of US economic activity, ticked up 0.1% after an upwardly revised 0.2% gain in February. Consumer spending is expected to pick up momentum as wages steadily rise. Personal income increased 0.4% in March after nudging up 0.1% in February.

Meanwhile, confidence among America's shoppers worsened for the fourth consecutive month in April. The Thomson Reuters/University of Michigan preliminary consumer confidence index decreased to 89.0 points in April, down from the final 91.0 reported in March, when it had dropped to a fresh five-month low. The current economic conditions sub-index improved to 106.7, while the indicator tracking future expectations declined 4.8 points to 77.6 during the reported month.






*"It's only a tiny dip after a huge gain, but February GDP is the first hint that the big momentum seen in the last three months is likely to fade in upcoming reports"*

- CIBC World Markets

## CAD



	Impact
Canada's economy shrinks in February	High

Canada's economy contracted for the first time in five months in February, as the manufacturing, mining and energy sectors all shrank. Canada's gross domestic product edged down 0.1% to 1.67 trillion Canadian dollars in February after advancing 0.6% in January, Statistics Canada reported. The wholesale trade, which dropped 1.8% in the reported month was the biggest contributor to the overall decline in February economic output. The manufacturing sector, which policy makers expect to benefit from the relatively weaker Canadian Dollar and US economic growth, decreased 0.8% in February, led by a steep fall in transportation equipment. It was the sector's first decline in four months. After dropping sharply in 2015 and early 2016, the Canadian Dollar has regained some of its strength recently and is now trading at close to 80 US cents.

Even with the monthly decline, first-quarter GDP growth is likely come in at 3.4%, which would be the most since 2014. Meanwhile, on an annual basis, the Canadian economy grew 1.5%. Canada's liberal government, led by Prime Minister Justin Trudeau, said it will increase infrastructure spending and introduce new tax measures, which it projects should increase economic growth by 0.5% in the 2016-2017 fiscal year, and by 1% the following year. Bank of Canada Governor Stephen Poloz called those estimates feasible.






*"Factory investment still declined while overall investment was recovering, which will rein in further expansion of production"*

- National Bureau of Statistics

**CNY**
















	<b>Impact</b>
China's manufacturing growth slows in April	High

Activity in China's manufacturing sector increased for the second month in a row in April, but only marginally, fuelling doubts about the sustainability of a recent pick-up in the world's second-largest economy. According to the National Bureau of Statistics, the official Purchasing Managers' Index climbed to 50.1 in April, easing from March's 50.2 and slightly above the 50-point mark that separates expansion in activity from contraction. A sub-index measuring new factory orders decreased to 51.0 from 51.4 in March, while the production sub-index dropped slightly to 52.2 from 52.3 in March. China's factories continued to lay off workers, with staff cuts quickening from the previous month. The official PMI survey has shown persistent declines in employment for the last 3-1/2 years. China's official nonmanufacturing PMI also dropped to 53.5 from 53.8 in March. The unexpected, if modest, decline in activity suggested that government efforts to support growth by expanding credit are having a short-lived effect.

The first quarter of 2016 saw economic growth of 6.7%, coming in line with the government's 6.5-7% target range for 2016. Economists expect that the trend will continue to slow to 6.5% in 2016 and 6.2% in 2017-2018.



## Major events this week (April 25-29)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
<b>MONDAY</b>							
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
<b>TUESDAY</b>							
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
<b>WEDNESDAY</b>							
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				
<b>THURSDAY</b>							
Tentative		JPY	Monetary Policy Statement				
12:30 pm		USD	Advance GDP QoQ	Quarter 1	0.5%	0.7%	1.4%
<b>FRIDAY</b>							
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%

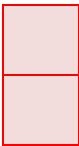
## EXPLANATIONS

### 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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