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RESEARCH PRODUCTS

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Fundamental Analysis

Major events this week (February 8-12)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
MONDAY							
1:30 pm		CAD	Building Permits MoM	December			-19.6%
TUESDAY							
12:30 am		AUD	NAB Business Confidence	January			3
9:30 am		GBP	Trade Balance	December			-10.6B
3:00 pm		USD	JOLTS Job Openings	December			5.3M
WEDNESDAY							
9:30 am		GBP	Manufacturing Production MoM	December			-0.4%
3:00 pm		USD	Fed Chair Yellen Testifies				
THURSDAY							
1:30 pm		USD	Unemployment Claims	February 6			285K
10:30 pm		AUD	RBA Gov Stevens Speaks				
FRIDAY							
7:00 am		EUR	German Prelim GDP QoQ	Quarter 4			0.3%
1:30 pm		USD	Retail Sales MoM	January			-0.1%
3:00 pm		USD	Prelim UoM Consumer Sentiment	February			92.0

Key highlights of the week ended February 5

ECB

The ECB President Mario Draghi voiced another strong hint that the bank is ready to act decisively to combat weak inflation. Draghi said that even though inflation is low globally, it would not stop the central bank from adding stimulus to the Euro zone if necessity arises. Moreover, the risk of acting too late is greater than that of acting too early as a wait-and-see mode could result in a lasting loss of confidence. The ECB is currently reviewing its monetary policy actions and policy makers will decide on March 10 whether the current plan of negative interest rates and a 1.5 trillion-euro QE programme yield fruit. Meanwhile, the latest data showed consumer prices in the Euro area climbed an annual 0.4% in January and the rate is likely to turn negative in coming months. The reading has been below 1% for more than two years. While Euro zone's unemployment dropped to the lowest level in four years in December, the region's manufacturing and services industries lowered prices at the quickest pace in almost a year in January, underscoring challenges for the ECB to bring inflation to the targeted level.

UK

The BoE revised its economic growth forecasts due to a gloomier global outlook. Moreover, the lone policy maker who had voted for a rate hike in recent months unexpectedly changed his mind. The BoE's Monetary Policy Committee voted 9-0-0 to keep rates on hold at a record-low 0.5%, where they have stayed for almost seven years. The central bank said sharp plunge in oil prices and equities, and significant risks in emerging economies, weighed on the global outlook, though sturdy domestic demand should ensure the UK growth still remained near its long-run average. The BoE forecast the UK's economy would grow 2.2% this year and 2.3% in 2017, down from 2.5% and 2.6% in predicted in November and barely changed from 2015, when growth disappointed expectations. On top of that, the February Inflation Report lowered the short-term inflation outlook, with CPI at around 0.82% and 1.91% by the end of 2016 and 2017 respectively. The BoE expects inflation to exceed the 2% goal during the first quarter of 2018 for the first time.

Australia

The RBA voiced a cautious optimism on the domestic economy in its quarterly update on monetary policy in light of global financial turmoil. However, the central bank reiterated that despite local optimism, uncertainty about China's growth prospects and the management of its economic slowdown remain a major global headwind. The RBA was confident that robust demand for jobs would persist despite slowdown in the mining sector and rising global market volatility. Furthermore, the bank admitted that the transition out of the mining boom was starting to take hold. The RBA made no significant changes to its prediction for GDP growth from its November statement, expecting the domestic economy to grow at an average pace of 2.5% in 2016 and 3% in 2017. However, the central bank predicted a persistent decline in the unemployment rate, whereas back in November the RBA said it expected the jobless rate to hold between 6.0%-6.25% over the next 12 months. Meanwhile, the official rate for December dropped to 5.8% after peaking at 6.3% during 2015.




"Domestic demand in the German economy is very stable, and we have increasing capacity utilization, so nominally everything is right for a pickup in investment"

- Jens Kramer, an economist at NordLB

EUR




	Impact
German factory orders fall in December; France's trade gap narrows	High

German factory orders declined more than expected in December amid a weak demand at home and in other Euro zone countries. According to the Economy Ministry, orders decreased 0.7% in the reported month from November, when they climbed 1.5%. Domestic orders declined 2.5%, while demand from the Euro zone countries plunged 6.9%. At the same time, orders from outside the Euro bloc jumped 5.5%. The government recently downgraded its growth outlook for the German economy to 1.7% this year from 1.8% due to concerns about weakening growth abroad and global political tensions. In 2015, the Euro zone's biggest economy expanded 1.7%.

At the same time, in the Euro area's second biggest economy trade deficit declined last year to the lowest level since 2009 mainly due to cheaper oil imports. With oil and other natural resource imports accounting for about 75% of France's shortfall, the trade gap contracted to 45.67 billion euros last year, down from 58.3 billion in 2014. Supported by a weaker Euro, exports surged 4.3% with aircraft and car sales particularly robust, while imports increased only 1.2% amid low energy prices. Separately, the Bank of France reported that the current account balance showed a deficit of 700 million euros in December following a 1.5 billion shortfall in November.



 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

	05.02 open price	05.02 close price	% change
EUR/USD	1.1209	1.1158	-0.45%
EUR/GBP	0.76828	0.76895	+0.09%
EUR/CHF	1.11313	1.1047	-0.76%
EUR/JPY	130.88	130.41	-0.36%



"The fact that payroll gains fell back to earth is not necessarily a bad sign. Most indications are that the job market in the U.S. is on solid footing and improving"

- Nariman Behravesh, chief economist at IHS

USD

news	Impact
US job creation slows; unemployment rate falls to 4.9% in January	High

The US economy created fewer jobs in January than expected, but rising wages and the unemployment rate at an eight-year low signalled the labour market recovery remains strong. Non-farm payrolls rose by 151,000 jobs last month, missing expectations for a 190,000 gain and following 292,000 new jobs created in December. Yet, it appeared to be enough to push the US jobless rate to 4.9%, down from 5.0%, the Labor Department reported. In January, all the employment gains were in the private sector, which added 158,000 jobs. The services sector dominated the payrolls increase last month, with 118,000 jobs created. The labour participation rate rose to 62.7%, near four-decades low. Fed Chairwoman Janet Yellen said the US economy needs to create just under 100,000 jobs a month to keep up with growth in the working age population. The data came on heels of a private sector report, which showed 205,000 jobs were created in January.

In addition to that, average weekly earnings increased 12 cents an hour or 0.5% on a monthly basis, translating into a 2.5% annualized gain. Until recently, wage growth has been the one factor missing from America's recovery from the recession. As the unemployment rate remains low, many economists expect Americans to see paychecks increase.





"Canada's job prospects are only just catching up to the malaise in the rest of the economy"

- Avery Shenfeld, chief economist at CIBC World Markets

CAD



	Impact
Canada unemployment rate at 2-year high amid high job loss	High

Canada's unemployment rate rose to the highest level since December 2013, as the economy lost jobs in the agriculture and manufacturing sectors. The number of jobs declined 5,700 and the unemployment rate climbed to 7.2%, up from 7.1%, according to Statistics Canada. In contrast, economists had predicted a 6,000 gain and an unchanged unemployment rate. The labour market has lost momentum over the last year as crude oil prices around \$30 a barrel trigger layoffs. Unemployment has climbed from 6.6% in January 2015, and most economists say the recovery from the commodities slump will take several years to unfold.

A separate report showed Canada's merchandise trade gap shrank in December as the value of car and light truck exports increased to the highest in more than a decade, a sign Loonie's weakness is boosting a long-awaited recovery. Canada's trade deficit unexpectedly contracted to C\$585 million in December from C\$1.59 billion in November as exports surged by a healthy 3.9%. At the same time, imports climbed 1.6% after three consecutive monthly decreases. Exports to the US, which accounts for 74.8% of Canada's global total in December, increased 2.9% while imports grew 1.3%. As a result, Canada's trade surplus with the neighbour swelled to C\$3.19 billion from C\$2.63 billion in November.


















Trends*	Q1 16	Q2 16	Q3 16
MAX	1.42	1.41	1.43
75% percentile	1.37	1.37	1.36
Median	1.35	1.35	1.34
25% percentile	1.31	1.31	1.30
MIN	1.25	1.10	1.20

* the data is based on international banks' forecasts

	05.02 open price	05.02 close price	% change
AUD/CAD	0.9903	0.9831	-0.73%
CAD/CHF	0.7225	0.7124	-1.40%
EUR/CAD	1.54161	1.55295	+0.74%
USD/CAD	1.3754	1.3917	+1.19%

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	55.6	55.4	55.5
1:15 pm		USD	ADP Non-Farm Employment Change	January	205K	193K	267K
THURSDAY							
12:00 pm		GBP	BOE Inflation Report				
12:00 pm		GBP	Monetary Policy Summary				
1:30 pm		USD	Unemployment Claims	January 30	285K	279K	277K
FRIDAY							
12:30 am		AUD	RBA Monetary Policy Statement				
1:30 pm		CAD	Unemployment Rate	January	7.2%	7.1%	7.1%
1:30 pm		USD	Non-Farm Employment Change	January	151K	189K	262K



"There has been a noticeable improvement in labour market conditions that was not anticipated at the time of the previous statement"


- Reserve Bank of Australia

AUD

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	Impact
RBA cautiously optimistic on Australia's economy	High



 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

	04.02 open price	04.02 close price	% change
AUD/JPY	84.521	84.087	-0.51%
AUD/USD	0.7169	0.7201	+0.45%
EUR/AUD	1.54915	1.55662	+0.48%
GBP/AUD	2.037	2.0262	-0.53%

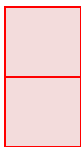
EXPLANATIONS

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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