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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	55.6	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			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%, which 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.



“Most worrying of all from a policy maker’s perspective is the intensification of deflationary pressures”
- Chris Williamson, chief economist at survey compiler Markit

EUR




	Impact
Euro zone retail sales increase; producers cut prices	High

Businesses in the Euro zone began the year on a firmer footing than first estimated. Markit’s final composite PMI rose to 53.6 in January, compared with the flash reading of 53.5 but weaker than December’s 54.3. The final gauge measuring business activity in the services sector was in line with the flash estimate at 53.6, but down from 54.2 recorded in December. Nevertheless, the headline index has remained above the important 50 mark for 31 straight months. The data is consistent with economic growth of 0.4% in the first quarter of 2016, despite the financial markets rout and concerns about the economy of China. Yet, the composite report continued to point to divergences in the 19-nation economy, with Spain and Germany driving growth. France surprised to the downside, with the index at just 50.2, while growth in Italy also slowed. Furthermore, the Euro area’s manufacturing and services sectors cut prices at the fastest pace in almost a year in January, intensifying concerns about weak inflation in the region.

A separate report showed retail sales in the Euro bloc increased for the first time in four months in December. Sales at European retailers climbed by an expected 0.3% in the reported month from November, and by 1.4% from December 2014. The data indicated that the boost to households’ disposable income from lower oil prices continued to support their spending, a key driver of the recovery over the past year.



 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

	03.02 open price	03.02 close price	% change
EUR/USD	1.0919	1.1105	+1.70%
EUR/GBP	0.75774	0.76041	+0.35%
EUR/CHF	1.11224	1.11539	+0.28%
EUR/JPY	131	130.93	-0.05%




“The slowdown in the services sector indicators may go a long way in fanning fears of a more pronounced slowdown to U.S. growth momentum heading into 2016”

- Gennadiy Goldberg, an economist at TD Securities

USD




	Impact
US labour market continues to strengthen, services sector falters	High

Even though the private sector hiring rose at a slower pace, the US private companies continued to add a robust number of jobs to the economy in January. Employers created 205,000 jobs last month compared with 267,000 in December, according to ADP Research Institute. Economists, however, had predicted a 195,000 advance. The data came ahead of the government’s more comprehensive report on Friday. Economists predict that the report will show employers added 200,000 jobs and the jobless rate remained at 5.0%. Robust hiring numbers contrast with weak data on the overall economy, which grew at just a 0.7% annual rate in the final quarter of last year. Economists foresee growth figures will improve in the current quarter. The world’s number one economy has been hit hard by a strong US Dollar, weakening global demand and an inventory de-stocking, which have pressured manufacturing and export industries.

A separate report showed business activity in the dominant services sector slowed to the lowest level in almost two years in January, suggesting the economic growth faltered at the start of the first quarter. According to the Institute of Supply Management, the index of non-manufacturing activity dropped to 53.5 last month, the lowest level since February 2014, down from 55.8 in December.



 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

	03.02 open price	03.02 close price	% change
AUD/USD	0.7039	0.7169	+1.85%
USD/CHF	1.0187	1.0043	-1.41%
USD/JPY	119.97	117.9	-1.73%
NZD/USD	0.6515	0.6667	+2.33%



“Worries about a Chinese ‘hard landing’, financial market jitters, higher interest rates in the US, more austerity at home and the possibility of ‘Brexit’ and EU tensions have collectively pushed the business mood in the dominant service sector to its darkest for three years”

- Chris Williamson, the chief economist at Markit

GBP



	Impact
UK services sector continues to grow, but remains below 3-year average trend rate	High

The British dominant services sector continued to expand in January, albeit concerns about financial market turbulence and the possibility of “Brexit” pushed business morale to the lowest level in three years. The Markit/CIPS services PMI climbed to 55.6 last month, up from 55.5 in December, beating expectations for a decline to 55.3. Nevertheless, the reading remained below its average of 57.2 recorded in the three previous years. The survey’s findings were mixed, as new business rose at the fastest pace since July, whereas output growth was weaker compared with the three-year average trend rate and the mood among companies was gloomy. The data came ahead of the Bank of England’s “Super Thursday”, when the central bank will reveal its latest interest rate decision, monetary policy stance as well as the Inflation Report. The overwhelming majority of economists expect the central bank to remain pat, while traders on money markets pushed back their expectations to early 2018.

The UK’s economy, which relied on the services sector to boost growth at the end of last year, is likely to grow 0.6% in the first quarter of 2016, gathering a bit of speed from estimated growth of 0.5% in the December quarter. The National Institute of Economic and Social Research forecast the economy to grow by 2.3% this year.



Trends*	Q1 16	Q2 16	Q3 16
MAX	1.61	1.62	1.66
75% percentile	1.55	1.56	1.56
Median	1.51	1.51	1.52
25% percentile	1.49	1.48	1.47
MIN	1.41	1.28	1.25

* the data is based on international banks' forecasts

	03.02 open price	03.02 close price	% change
GBP/USD	1.441	1.4603	+1.34%
EUR/GBP	0.75774	0.76041	+0.35%
GBP/CAD	2.0254	2.0125	-0.64%
GBP/JPY	172.875	172.178	-0.40%



“Overall, the fast development of the services sector has to a large extent offset the impact of weakening manufacturing, indicating a better economic structure”

- He Fan, chief economist at Caixin Insight Group

CNY



	Impact
China's services sector continues to strengthen	High

Activity in China's services sector rose to the highest level in six months in January, underscoring a growing divergence with the manufacturing sector that continues to falter and indicating that the government's measures is working in some parts of the economy. The Caixin China services PMI climbed to 52.4 in January, up from 50.2 in the preceding month. A reading above the key 50-mark threshold shows expansions, while below indicates contraction. The expansion was underpinned by inflows of new business accelerating to their strongest in three months, according to the report. The pace of job creation at service providers quickened to a six-month high, with some firms planning company expansion. The report showed service providers were generally optimistic about business in the coming year, with the overall degree of positive sentiment rose to its highest level since July 2015. China's service sector has been one of the few bright spots in the economy, helping to offset a sharp slowdown in traditional manufacturing industries. In 2015, services accounted for 50.4% of China's gross domestic economy, up from 48.1% in 2014. China's official nonmanufacturing purchasing managers' index, which includes the construction sector, slid to 53.5 in January from 54.4 in December, according to data from the National Bureau of Statistics. The Caixin China Composite PMI, which covers both manufacturing and services, edged up to 50.1 in January from 49.4 in December, signalling a stabilization of business activity.
















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

	03.02 open price	03.02 close price	% change
AUD/JPY	84.44	84.521	+0.10%
AUD/USD	0.7039	0.7169	+1.85%
EUR/AUD	1.55131	1.54915	-0.14%
GBP/AUD	2.0473	2.0371	-0.50%

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%

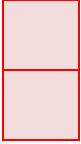
EXPLANATIONS

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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