


















DUKASCOPY
RESEARCH PRODUCTS

02/10/2015



Fundamental Analysis

Major events this week (September 28-October 2)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
MONDAY							
12:30pm		USD	FOMC Member Dudley Speaks				
12:30pm		USD	Personal Spending	August	0.4%	0.3%	0.4%
2:00pm		USD	Pending Home Sales	August	-1.4%	0.4%	0.5%
TUESDAY							
12:00pm		EUR	German Prelim CPI	September	-0.2%	-0.1%	0.0%
12:30pm		USD	Goods Trade Balance	August	-67.2B	-57.3B	-59.1B
7:40pm		GBP	BoE Governor Carney Speaks				
1:30am		AUD	Building Approvals	August	-6.9%	-1.9%	7.9%
6:00am		EUR	German Retail Sales	August	-0.4%	0.3%	1.6%
8:30am		GBP	Current Account	Q2	-16.8B	-22.3B	-24.0B
12:15pm		USD	ADP Non-Farm Employment Change	September	200K	191K	186K
1:00am		CNY	Manufacturing PMI	September	49.8	49.7	49.7
8:30am		GBP	Manufacturing PMI	September	51.5	51.3	51.6
2:00pm		USD	ISM Manufacturing PMI	September	50.2	50.8	51.1
12:30pm		USD	Non-Farm Employment Change	September		202K	173K
12:30pm		USD	Unemployment Rate	September		5.1%	5.1%

Key highlights of the week ended September 25

US

The number of Americans seeking unemployment benefits rose slightly in the week to September 19, but remains consistent with a labour market that is steadily adding jobs. Initial jobless claims across the US advanced by 3,000 to a seasonally adjusted 267,000 in the reported period, while markets expected an increase to 272,000 claims. Meanwhile, another bunch of data from the US revealed that factories in the world's largest economy saw the first decline in orders for durable goods in three months. Orders for big-ticket items fell 2% in August, following the downwardly revised gain of 1.9% in the prior month. Bookings for core capital goods edged 0.2% lower on a monthly basis in August, missing the estimate for 0.4% rise. Meanwhile, Chairwoman of the Federal Reserve Janet Yellen spoke yesterday in Massachusetts. She admitted that the majority of FOMC members are favouring an increase of the Federal Funds rate this year.

Switzerland

The trade surplus in Switzerland contracted in August, as the strength of the Swiss Franc hit demand in the European Union and China. According to the FSO, Switzerland's trade balance amounted to 2.87 billion francs in the August, compared with a downwardly revised 3.58 billion francs registered in the previous month. However, the actual figure beat the market expectation of 2.75 billion francs surplus. The latest report also showed that real exports slipped by 2.4% on a monthly basis in the reported period after decreasing a revised 2.3% in July.

Japan

The Bank of Japan's minutes from the central bank's meeting on August 6 and 7 showed that the members of the monetary policy board maintained their optimistic views over the country's economic recovery, saying that the weakness in Japan's output and exports was temporary. As it was already announced earlier last week, the BoJ decided to keep its monetary policy unchanged and also maintained its inflation and economic growth outlook.

Europe

Manufacturing activity in Germany, the Euro zone's biggest economy, decreased the pace of growth for the month of September. Preliminary PMI indicator for the production sector of the economy came in at 52.5 points, down from 53.3 points in August. Moreover, it registered a miss from an average expectation, which amounted to 52.8 points. Despite that, activity remains in the expansion territory, being that the reading stays above the 50-point threshold, which divides expansion from contraction.

UK


The UK manufacturing sector growth stalled for the first time in more than two years, with a stronger Pound and weak exports weighing on the sector's margins and volumes. The monthly total order book balance from the CBI's industrial trends survey decreased to -7 in September, compared with -1 in August. The CBI said the slowdown in China and the ongoing lacklustre growth in the Euro zone, the top destination for the UK-made goods, had forced companies to freeze production.



"The pace of expansion in the Euro zone has been range-bound since the uplift following the start of QE earlier in the year, remaining disappointingly modest and even slipping to a five-month low in September."

EUR - Markit




	Impact
Factory activity across Euro area creeps slightly lower in September	High

Manufacturing in the 19-nation Euro zone continued to be in expansion territory in September, but growth slowed from previous months, adding to worries about the ability of the sector to generate more jobs and higher inflation. According to Markit survey, the final PMI measure for the Euro zone posted a 52 points in the reported month, slightly below August's reading of 52.3. The final gauge was in line with market expectations. The recent industry reports from the Euroland shows that despite unprecedented ECB stimulus and substantial currency depreciation, the manufacturing sector is failing to achieve significant growth momentum.

As for manufacturing sectors in the Euro area's biggest economies, all countries but France saw its pace of growth decelerating in September. The latest PMI for Germany fell to 52.3, down from August's reading of 53.3 points, while factory activity gauge in Italy declined to 52.7 points in September from the 53.8 points booked in the preceding month. Meanwhile, the PMI for the Spanish manufacturing sector dropped to 51.7, a 21-month low, slipping from last month's 53.2 points. Unlike these countries, the final manufacturing PMI in France improved in September, as the gauge advanced to 50.6 points, up from last month's figure of 48.3.



 Trends*	Q3 15	Q4 15	Q1 16
MAX	1.19	1.38	1.21
75% percentile	1.10	1.10	1.09
Median	1.08	1.07	1.05
25% percentile	1.05	1.04	1.03
MIN	0.90	0.96	0.96

* the data is based on international banks' forecasts

	01.10 open price	01.10 close price	% change
EUR/USD	1.1177	1.1195	+0.16%
EUR/GBP	0.73877	0.73984	+0.14%
EUR/CHF	1.08793	1.09406	+0.56%
EUR/JPY	133.99	134.24	+0.19%




"The manufacturing sector is slowing towards contraction and the primary cause is a drop in global demand."

- Investment Technology Group

USD




	Impact
US jobless claims rise, manufacturing sector nears stagnation	High

The number of Americans who applied for the US unemployment benefits rose by 10K to 277K in the week ended September 26, but initial claims remain extremely low in a sign of steady improvement of the labour market. The figure missed market expectations, as it anticipated the reading of total 273K claims. Overall, jobless claims in the US are hovering near historically low levels despite headwinds from slowing emerging economies, as employers retain staff amid solid domestic demand. Meanwhile, in annual terms the number of people continuing to receive jobless benefits dropped by 53,000 to 2.19 million.

Meanwhile, activity in the manufacturing sector of the world's biggest economy slumped to its lowest level since May 2013 and is approaching a contraction territory. The PMI indicator released by the Institute for Supply Management slid for a fourth consecutive month to reach 50.2 points in September, down from 51.1 in August. Analysts estimated a downward change to 50.6 points only. Among factors weighing on activity in the industry, analysts mention strong US Dollar, fears over slowdown in China and turbulent equity markets, while falling oil prices dragged lower growth in extraction sector.



FORECASTS		
Q3 15	Q4 15	Q1 16
		129
	128	127
126		
125	125	125
	124	
123		

 Trends*	Q3 15	Q4 15	Q1 16
MAX	130	135	135
75% percentile	126	128	129
Median	125	125	127
25% percentile	123	124	125
MIN	117	86	115

* the data is based on international banks' forecasts

	01.10 open price	01.10 close price	% change
AUD/USD	0.7018	0.703	+0.17%
USD/CHF	0.9733	0.9772	+0.40%
USD/JPY	119.88	119.93	+0.04%
NZD/USD	0.6399	0.6399	0.00%




"The rate of economic expansion dipped slightly in the three months to September following a near record-breaking previous month, but growth is still strong."

- Confederation of British Industries (CBI)

GBP




	Impact
UK manufacturing PMI tumbles to three-month low	High

The British seasonally adjusted Purchasing Managers' Index, which is set to measure business activity in the country's manufacturing sector, dropped slightly to a three-month low of 51.5 at the end of the third quarter. The final gauge was slightly above market forecasts of 51.3 points and below last month's 51.6 points. This implies that the sector has been growing, as any reading above the threshold of 50 points demonstrates an increase in manufacturing activity.

In the meantime, manufacturing output in the UK grew at the fastest rate in half a year in September, however, still well below the numbers recorded in the opening quarter. Simultaneously, growth in new orders fell to the weakest pace in a year. As a result of all that, enterprises reduced the number of their employees for the first time in two and a half years. With respect to input prices, they continued to decline in September amid lower raw materials prices and particularly crude oil and oil-related costs. Selling prices also tumbled for the first time in three months in September.



 Trends*	Q3 15	Q4 15	Q1 16
MAX	1.61	1.77	1.69
75% percentile	1.56	1.57	1.58
Median	1.54	1.54	1.55
25% percentile	1.52	1.51	1.51
MIN	1.45	1.34	1.43

* the data is based on international banks' forecasts

	01.10 open price	01.10 close price	% change
GBP/USD	1.5128	1.5131	+0.02%
EUR/GBP	0.73877	0.73984	+0.14%
GBP/CAD	2.014	2.0075	-0.32%
GBP/JPY	181.348	181.458	+0.06%



"The downturn of Swiss industry is thus continuing, and the price and margin pressure in particular appear to be too great."

- Credit Suisse

CHF

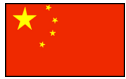


	Impact
Switzerland's manufacturing sector in contraction in September, retail sales decline	High

Swiss manufacturing activity decreased in September, just after its recent recovery in August, while retail sales in the Alpine economy dropped unexpectedly in August. The country's Purchasing Managers' Index dropped by 2.7 to seasonally-adjusted 49.5 points down from August's reading of 52.2. The figure was below the expected 51.8 points and also below the 50-points threshold, meaning that the sector is experiencing a contraction where it has been for most of 2015. At the same time, the output gauge plummeted to 49.1 points in September, down from 62.4 points in the prior month. As to the Purchase Price Index, it slid to 35.1 points in September down from August's 36.1 points.

The existing pressure on the Swiss manufacturing sector is likely to persist, as the appreciating Franc puts more pressure on manufacturer's profitability, thus forcing companies to raise prices and cut costs, in order to mitigate losses. Meanwhile, the country's retail sales surprisingly slipped in August by 0.3% on an annual basis. This figure did not match analysts' forecasts, as they projected an increase of 0.3% after July's 0.1% growth.





“The industry has reached a crucial stage in its structural transformation. Tepid demand is a main factor behind the oversupply of manufacturing and why it has not recovered.”

CNY - Caixin-Markit survey



	Impact
Manufacturing in China remains in contraction mode	High

Activity in China’s all-important manufacturing sector continued to shrink during September, but at a slightly softer pace, as was revealed by two separate industry reports. The government’s official gauge of factory activity improved, with the manufacturing index rising to 49.8 points in the reported month, up from August's three-year low of 49.7. Nevertheless, PMI measure stayed below the 50 level, marking two straight months of decline. At the same time, markets expected the index to remain at 49.7 in September. The second contraction in a row in the manufacturing sector is prompting fresh calls for China’s government to add more stimulus, as the economy continues to display signs of weakness.

In the meantime, a private survey by Caixin revealed that their industry index fell to a fresh six-and-a-half year low of 47.2 in September, ticking down from reading of 47.3 in the prior month. However, the final reading improved slightly, compared with an earlier flash estimate of 47. Unlike the government's gauge, which concentrates on large firms, Caixin's survey focuses on smaller and medium-sized companies. Meanwhile, a decline in manufacturing activity in China comes amid a broader economic slowdown, led by downturn in the property market.


















Trends*	Q3 15	Q4 15	Q1 16
MAX	0.77	0.82	0.78
75% percentile	0.68	0.67	0.67
Median	0.65	0.65	0.64
25% percentile	0.64	0.63	0.62
MIN	0.62	0.60	0.58

* the data is based on international banks' forecasts

	01.10 open price	01.10 close price	% change
AUD/NZD	1.0965	1.0987	+0.20%
EUR/NZD	1.7467	1.7496	+0.17%
GBP/NZD	2.3646	2.3651	+0.02%
NZD/USD	0.6399	0.6399	0.00%

Major events last week (September 21-25)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
MONDAY							
2:00 pm		USD	Existing Home Sales	August	5.31M	5.50M	5.58M
6:45 pm		CAD	BOC Gov Poloz Speaks				
TUESDAY							
3:30am		AUD	HPI q/q	Q2	4.7%	2.5%	1.6%
8:00am		CHF	Trade Balance	August	2.87B	2.77B	3.58B
10:30am		GBP	Public Sector Net Borrowing	August	11.3B	8.7B	-0.1B
WEDNESDAY							
3:45am		CNY	Caixin Flash Manufacturing PMI	September	47.0	47.6	47.3
9:30am		EUR	German Flash Manufacturing PMI	September	52.5	52.8	53.3
2:30pm		CAD	Core Retail Sales m/m	July	0.0%	0.4%	0.5%
6:30pm		USD	FOMC Member Lockhart Speaks				
THURSDAY							
12:45am		NZD	Trade Balance	August	-1035M	-875M	-726M
11:15am		EUR	Targeted LTRO		15.5B	50.3B	73.8B
2:30pm		USD	Core Durable Goods Orders m/m	August	0.0%	0.2%	0.4%
11:00pm		USD	Fed Chair Yellen Speaks				
FRIDAY							
1:30am		JPY	Tokyo Core CPI y/y	September	-0.2%	-0.2%	-0.1%
10:00am		EUR	M3 Money Supply y/y	August	4.8%	5.4%	5.3%

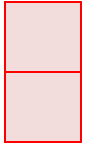
EXPLANATIONS

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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The trade surplus in Switzerland contracted in August, as the strength of the Swiss Franc hit demand in the European Union and China. According to the FSO, Switzerland's trade balance amounted to 2.87 billion francs in the August, compared with a downwardly revised 3.58 billion francs registered in the previous month. However, the actual figure beat the market expectation of 2.75 billion francs surplus. The latest report also showed that real exports slipped by 2.4% on a monthly basis in the reported period after decreasing a revised 2.3% in July. Year-on-year, exports decreased by real 2.1% in August but slower than the 4.9% decline seen in July. Similarly, real imports declined 4% versus a 1.8% drop a month ago. On an annual basis, imports slid 7.4%, reversing July's 1.7% increase.

Meanwhile, the Swiss foreign trade remains under the pressure due to the strengthening Franc and the recent SNB's monetary changes. The appreciation in the Swiss Franc from mid-January has been reflected in sharp declines in both export and import prices. In the meantime, the SNB kept its benchmark rate on hold last week at a record low of -0.75% and revised its inflation expectations downward, as a result of the drop in oil prices.