


















DUKASCOPY
RESEARCH PRODUCTS

03/05/2016



Fundamental Analysis

Major events this week (May 2-6)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
MONDAY							
2:00 pm		EUR	ECB President Draghi Speaks				
2:00 pm		USD	ISM Manufacturing PMI	April	50.8	51.6	51.8
TUESDAY							
1:45 am		CNY	Caixin Manufacturing PMI	April	49.4	49.8	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%
WEDNESDAY							
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
THURSDAY							
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
FRIDAY							
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.



“But they [low interest rates] are not the problem. They are the symptom of an underlying problem”

- Mario Draghi, ECB President

EUR

	Impact
Draghi defends negative interest rate policy; manufacturing sector continues to improve	High

ECB President Mario Draghi responded to critics from German Finance Minister Wolfgang Schauble that negative interest rates hurt savers and weighing on the banking sector. Draghi said that low interest rates are not harmless but they are only the symptom, not the cause of an underlying problem, adding that there was no alternative for now.

Meanwhile, the Euro zone's manufacturing sector expanded in April, recording a marginal improvement from the March reading. The manufacturing PMI in the Euro bloc ticked up to 51.7 points in the reported month, up from 51.6 points and compared with the preliminary reading of 51.5, according to Markit. Factory activity in the Euro area's powerhouse, Germany, revealed a fresh upside trend in April. Germany's final manufacturing PMI increased to 51.8 points during April, advancing from the previous final March reading of 50.7. Last week's GDP data showed 0.6% growth of the Euro zone's economy in the first quarter of 2016, compared with last quarter's 0.3%. On an annual basis the economy expanded 1.6%, in line with the previous number and beating the 1.4% estimate. Despite positive GDP numbers, Euro zone policy makers should be alert, as the CPI estimates showed the single currency area sliding further into deflation territory, as the estimated CPI dropped from -0.1% to -0.2% on an annual basis.

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

-RBC Capital Markets LLC

USD



news	Impact
US manufacturing sector grows at a moderate pace	High

The US manufacturing sector expanded at a more moderate pace in April, partly due to a slowdown in new orders, but an increase in export orders to the highest level in more than a year offered hope for the sector. The Institute for Supply Management reported its index of factory activity slid to 50.8 last month, down from 51.8 in March. Despite the decline, April marked the second consecutive month of expansion and was the second highest reading in the last eight months. The US manufacturing sector has been struggling due to a strong US Dollar and moribund global demand. In addition to that, lower oil prices have derailed manufacturers tied to the energy industry.

Separately, the Commerce Department reported construction spending rose 0.3% in March to its highest level since October 2007, following an upwardly revised 1.0% gain in February. The US economic growth slowed to a 0.5% annualized rate in the first three months of the year. The revised February construction spending figures appeared to be much higher those used in the advance first-quarter GDP estimate. Economists predict GDP growth for the first three months of the year will be revised up to a 0.7% rate. Given a fairly strong labour market, which is anticipated to underpin tepid consumer spending, economists expect gross domestic product growth to rebound in the second quarter.





"Inflation has been quite low for some time and recent data were unexpectedly low"

- Glenn Stevens, RBA Governor

AUD



news	Impact
RBA unexpectedly cuts OCR amid slowing inflation	High

The Reserve Bank of Australia surprised economists by slashing interest rates to a new historic low in a bid to reignite inflationary pressures. The central bank cut the official cash rate by 25 basis points to 1.75%, after keeping rates on hold for a year. The decision came after the Australian Bureau of Statistics released quarterly CPI data, showing headline inflation plunged from 1.7% in the final quarter of 2015 to 1.3% last quarter. Worrisome though, was that all three gauges of underlying inflation came in below the RBA's 2-3% target range in the reported period, with two of the three core measures hitting their record low. RBA Governor Glenn Stevens also added that softening conditions in what was an overheated housing market allowed the central bank to cut without fear of fuelling unsustainable price growth.

While Australia's inflation outlook appears to be darkening, the country's broader economic health have been steadily improving for some time. The economy is continuing to rebalance following the mining investment boom, according to the RBA's cash rate statement. Low interest rates have been supporting demand and the lower exchange rate overall has helped the traded sector. Yet, Stevens reiterated the Australian Dollar's strength "could complicate" the necessary adjustment in the economy. The Aussie has gained around 12% against the US Dollar since mid January, further dampening the inflation outlook and hurting exporters.



Trends*	Q2 16	Q3 16	Q4 16
MAX	0.79	0.81	0.83
75% percentile	0.75	0.74	0.74
Median	0.73	0.72	0.72
25% percentile	0.70	0.69	0.70
MIN	0.65	0.64	0.62

* the data is based on international banks' forecasts

	02.05 open price	02.05 close price	% change
AUD/JPY	80.86	81.564	+0.87%
AUD/USD	0.7606	0.7667	+0.80%
EUR/AUD	1.50552	1.50436	-0.08%
GBP/AUD	1.9212	1.9139	-0.38%




"The fluctuations indicate the economy lacks a solid foundation for recovery and is still in the process of bottoming out. The government needs to keep a close watch on the risk of a further economic downturn"

- Caixin Insight Group

CNY











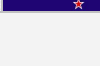




	Impact
China Caixin manufacturing gauge slides further into contraction	High

Activity in China's manufacturing sector unexpectedly dropped further in April, fuelling doubts about whether Beijing's stimulus measures can sustain growth in the world's second-largest economy. The Caixin Manufacturing Purchasing Managers' Index slipped to 49.4 in April from 49.7 in March. This was the 14th month the index remained below 50, signalling contraction. 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. Despite the weaker data, economists argue Beijing is unlikely to ease monetary policy in the near term given concerns over rising corporate-debt levels and because the official PMI remains in expansionary territory. Corporate debt is now around 160% of gross domestic product, up from 98% in 2008, according to estimates by Standard & Poor's Financial Services.

Beijing's recent attempts to boost the economy, including strong credit expansion and a front-loading of 2016 infrastructure budgets early this year, first-quarter growth to 6.7% in line with the government's 6.5-7.0% 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
MONDAY							
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
TUESDAY							
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
WEDNESDAY							
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				
THURSDAY							
Tentative		JPY	Monetary Policy Statement				
12:30 pm		USD	Advance GDP QoQ	Quarter 1	0.5%	0.7%	1.4%
FRIDAY							
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%

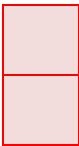
EXPLANATIONS

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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