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RESEARCH PRODUCTS

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Fundamental Analysis

Major events this week (October 5-9)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
MONDAY							
8:30am		GBP	Services PMI	September	53.3	56.4	55.6
2:00pm		USD	ISM Non-Manufacturing PMI	September	56.9	58.0	59.0
TUESDAY							
3:30am		AUD	RBA Cash Rate		2.00%	2.00%	2.00%
6:00am		EUR	German Factory Orders m/m	August	-1.8%	0.5%	-2.2%
12:30pm		USD	Trade Balance	August	-48.3B	-42.2B	-41.8B
WEDNESDAY							
Tentative		JPY	BoJ Monetary Policy Statement				
8:30am		GBP	Manufacturing Production m/m	August	0.5%	0.4%	-0.7%
12:30pm		CAD	Building Permits m/m	August	-3.7%	0.5%	0.7%
2:00pm		GBP	NIESR GDP Estimate	3M-September	0.5%		0.5%
THURSDAY							
11:00am		GBP	BoE Official Bank Rate Votes		1-0-8	1-0-8	1-0-8
12:30pm		USD	Unemployment Claims	October 2	263K	274K	276K
6:00pm		USD	FOMC Meeting Minutes				
FRIDAY							
8:30am		GBP	Trade Balance	August		-10.0B	-11.1B
12:30pm		CAD	Employment Change	September			12.0K

Key highlights of the week ended October 2

US

The growth of the US economy in the second quarter of this year was notably quicker than markets had previously anticipated, the second upward revision in a row showed on Friday. According to the Commerce Department, the US gross domestic product rose at a 3.9% annual pace in the three months from April to June, up from a 3.7% advance reported last month, whereas experts forecasted the reading to stay unchanged. In the meantime, consumer spending, which accounts for more than two thirds of the US economic activity, was revised up to a 3.6% growth pace from the 3.1% rate reported in August, helped by cheap gasoline prices and relatively higher house prices, which boosted households' wealth.

Switzerland

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.

China

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.

Europe

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.

UK

According to the fresh survey published by the London-based Centre for Economics and Business Research (CEBR), the Bank of England is most likely going to keep the monetary policy unchanged for a longer period of time than it is currently anticipated. While some scenarios suggest that the regulator may hike the Official Bank Rate in February-March of next year, the new report assumes the real timing of policy normalisation is now moving closer to May or even August 2016. New estimates were significantly influenced by the decision of the Federal Reserve not to raise rates in September. On top of that, many experts assume the Bank of England will be ready to move only after the Fed.



“There was broad agreement that the overall economic situation in the Euro area had become more challenging since before the summer.”

- European Central Bank

EUR



	Impact
German trade surplus narrows as exports decline at fastest pace since 2009	High

The Euro zone's biggest economy booked a lower trade surplus in August, as exports plunged by their largest amount since the global financial crisis, in the latest sign that Germany is feeling the headwind from a slowdown in emerging markets. According to the data from the Federal Statistics Office, Germany's foreign trade, one of the components of the country's current account, generated a non-seasonally adjusted surplus of 15.3 billion euros in the reported period, up from the 25 billion euros registered in July. At the same time, country's exports dropped 5.2% month-on month, posting the steepest fall since January 2009. August's decline in exports followed a revised 2.2% growth in July, while economists anticipated a 0.9% decrease in the eighth month of the year. As for the import, it contracted by a monthly 3.1% to 78.2 billion euros in August.

In the meantime, the accounts of the ECB monetary policy meeting, which took place in Frankfurt on 2-3 September, revealed that that downside risks to inflation across the Euroland have intensified over the summer. However, it added that more time is needed to gauge the effect of financial market volatility and slower growth in China. At the same time, the ECB showed its willingness to increase its stimulus programmes, if needed, to address the risks of too low inflation.



FORECASTS		
Q3 15	Q4 15	Q1 16
1.1	1.1	1.09
1.08	1.07	1.05
1.05	1.04	1.03

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

	08.10 open price	08.10 close price	% change
EUR/USD	1.1237	1.1276	+0.35%
EUR/GBP	0.73362	0.73478	+0.16%
EUR/CHF	1.09401	1.08956	-0.41%
EUR/JPY	134.86	135.24	+0.28%



"The tone of these minutes increases the risk of a later liftoff."
- JPMorgan

USD



 NEWS	Impact
US jobless claims surprisingly drop to lowest since mid-July, Fed worries over global growth	High

The number of people who filed for unemployment assistance in the US declined more-than-expected in the week ended October 3, extending a run of applications near decade lows that shows dismissals remain in check. According to the Labour Department report, unemployment claims fell by 13,000 to 263,000 in the reported week, beating market estimates of 274,000 applications. Even though claims data tends to be uneven from week to week, the number of applications has generally been declining since 2009. Nevertheless, other measures of the labour market in the US suggest some cooling in recent months, as the recent NFP figures showed that employers added 142,000 jobs in September and 136,000 in August.

At the same time, the Federal Reserve released the minutes of its most recent meeting in September, when the policymakers decided to hold off on raising the Fed Funds rate. Minutes revealed that the FOMC members are mostly worried about low inflation outlook, while they admit the US has approached the full employment situation. Despite that, the majority of them noted that they are still on track of hiking in 2015, but recent weak jobs' report may postpone the decision to the next year.



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

	08.10 open price	08.10 close price	% change
AUD/USD	0.7208	0.726	+0.72%
USD/CHF	0.9736	0.9661	-0.77%
USD/JPY	120.01	119.93	-0.07%
NZD/USD	0.661	0.6667	+0.86%



"Although there remained a risk that emerging-market prospects might deteriorate further, there had so far been few signs of a material effect on business and consumer confidence in the advanced economies."

GBP - MPC Meeting Minutes



	Impact
BoE keeps rates steady, remains dovish on inflation outlook	High

The Monetary Policy Committee of the BoE voted 8-1 to keep rates at a record-low 0.5% in October, with Ian McCafferty maintaining his call for an increase. The MPC minutes also revealed a relatively soft central bank's outlook for inflation in the UK, suggesting that the rate hike would be postponed at least to the next year. The BoE said that cost pressures in Britain's labour market were rising too slowly for inflation to return to its 2% target, especially given the past strength of the Sterling. However, even though, the inflation fell back to zero in August in the UK, the policymakers are confident that robust domestic growth and the fading effect of last year's slump in oil prices would cause it to bounce back towards its projected target next year. Overall, the BoE forecasted that inflation would stay below 1% until spring 2016.

Meanwhile, The MPC made its decision amid mounting signs that British economy is starting to lose momentum after 10 consecutive quarters of solid expansion. The recent official report showed services in the UK grew at the weakest pace in more than two years, underscoring the case for keeping rates unchanged. According to the minutes, the BoE officials project the GDP to expand 0.6% in the third quarter of 2015.



 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

	08.10 open price	08.10 close price	% change
GBP/USD	1.5319	1.5348	+0.19%
EUR/GBP	0.73362	0.73478	+0.16%
GBP/CAD	2.0002	1.998	-0.11%
GBP/JPY	183.836	184.078	+0.13%



“Due to the restrained economic dynamic the labour market is likely to be weakened in the coming quarters.”

- State Secretariat for Economic Affairs (SECO)

CHF



	Impact
Swiss jobless rate remains flat in September	High

The unemployment rate in Switzerland remained almost unchanged in the ninth month of the year, the most recent official statistics revealed yesterday. Measured on a monthly basis, the jobless rate held steady at 3.2% and, thus, remained equal to the 3.2% recorded in the preceding month and was in line with analysts' forecasts. In the same month a year ago, however, the rate was 3%. The seasonally adjusted jobless rate stepped up to 3.4% on month in September from 3.3% booked in August. This figure was also in line with economists' expectations of 3.4%.

According to the State Secretariat for Economic Affairs, the seasonally adjusted unemployment rate has been experiencing an upward trend since spring 2015 and this tendency is believed to continue into the upcoming year. The youth jobless rate, that concerns people aged between 15 and 24 years, rose to 3.7% from 3.6%. The figure accounted for 3.5% last year. The biggest increase of unemployment was witnessed in the 25-49 age group, where the number of jobless workers rose by 900 persons, whereas the number of unemployed above the age of 50 stepped up by additional 300 persons.



 Trends*	Q3 15	Q4 15	Q1 16
MAX	1.09	1.16	1.14
75% percentile	1.00	1.03	1.04
Median	0.99	1.01	1.01
25% percentile	0.96	0.98	0.98
MIN	0.92	0.90	0.88

* the data is based on international banks' forecasts

	08.10 open price	08.10 close price	% change
AUD/CHF	0.7018	0.7013	-0.07%
EUR/CHF	1.09401	1.08956	-0.41%
GBP/CHF	1.4915	1.4827	-0.59%
USD/CHF	0.9736	0.9661	-0.77%



“Our house view is the BOJ will ease policy in January, but the chances have risen that the BOJ will move later this month. There will also be talk about a new fiscal stimulus package.”

JPY - Mizuho Research Institute



	Impact
Japan machinery orders unexpectedly drop in August, while current account surplus widens on weaker Yen	High

A rebound in capital expenditure in Japan was proved elusive, as machine orders fell at their fastest pace since 2014 in the eighth month of the year, undermining the BoJ optimism. Core machinery orders, a leading indicator of corporate capital investment, slumped 5.7% on a monthly basis in August, following a 3.6% decline in the prior month. The market consensus expected the reading to post a 3.2% gain in the reported period. The data followed the BoJ survey, which indicated a growth in business investment for the current fiscal year, despite continued uncertainty over the global economy and sluggish growth in household spending in Japan.

In the meantime, Japan posted its largest current account surplus for the month of August in eight years, as crude prices pushed down the value of oil imports and the weaker Yen boosted income from overseas investments, despite continuing trade deficits. The current account surplus stood at 1.65 trillion yen in the reported month, up sharply from 249.4 billion yen in August last year, while the median forecast of economists was for 1.2211 trillion yen. The weakened Yen also helped to attract foreign visitors to Japan, lifting the travel balance to a surplus of 78.2 billion yens.



 Trends*	Q3 15	Q4 15	Q1 16
MAX	150	157	157
75% percentile	137	137	138
Median	134	134	134
25% percentile	132	131	130
MIN	123	115	117

* the data is based on international banks' forecasts

	08.10 open price	08.10 close price	% change
AUD/JPY	86.501	87.062	+0.65%
CAD/JPY	91.913	92.142	+0.25%
EUR/JPY	134.86	135.24	+0.28%
USD/JPY	120.01	119.93	-0.07%

Major events last 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				
WEDNESDAY							
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
THURSDAY							
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
FRIDAY							
12:30pm		USD	Non-Farm Employment Change	September	142K	201K	136K
12:30pm		USD	Unemployment Rate	September	5.1%	5.1%	5.1%

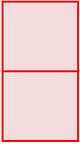
EXPLANATIONS

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.