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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
<b>MONDAY</b>							
1:30 pm		CAD	Building Permits MoM	December	11.3%	5.6%	-19.9%
<b>TUESDAY</b>							
12:30 am		AUD	NAB Business Confidence	January	2		2
9:30 am		GBP	Trade Balance	December	-9.9B	-10.4B	-11.5B
3:00 pm		USD	JOLTS Job Openings	December	5.61M	5.41M	5.35M
<b>WEDNESDAY</b>							
9:30 am		GBP	Manufacturing Production MoM	December			-0.4%
3:00 pm		USD	Fed Chair Yellen Testifies				
<b>THURSDAY</b>							
1:30 pm		USD	Unemployment Claims	February 6			285K
10:30 pm		AUD	RBA Gov Stevens Speaks				
<b>FRIDAY</b>							
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.





**“After today's reports, the risk is skewed downward and even stagnation cannot be ruled out”**  
- Greg Fuzesi, an economist at J.P. Morgan

## EUR

news	Impact
German industrial production slides in December; exports and imports decline	High

German industrial production unexpectedly dropped for a second consecutive month in December, while exports and imports also declined, indicating that the Euro zone's number one economy ended last year on a weak footing. German industrial production fell 1.2% in December from the preceding month, a sign that the German economy is feeling the effects of a deteriorating global outlook. The retreat came at a time when record-low jobless rate and low fuel costs encouraged consumer spending, but slowing growth in China and emerging economies are offsetting those positive trends.

Separate report from the Federal Statistics Office showed that seasonally-adjusted exports dropped 1.6% in December, while imports declined 1.6%, narrowing the nation's trade surplus to 18.8 billion euros. For 2015, Germany logged a new record trade surplus of 247.8 billion euros, up from 213.6 billion euros in the preceding year. The German government trimmed its economic growth outlook for 2016 to 1.7% in January, down from an earlier estimate of 1.8%. Moreover, a slowdown in global demand might trigger another revision. However, strong domestic consumption is expected to drive the Europe's biggest economy this year.





*"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 Behraves, chief economist at IHS

## USD



news	Impact
US job openings increase in December	High

The number of job openings in the US surged more than expected in December, adding to signs that the labour market continues to improve. According to the Labor Department, US companies advertised 4.9% more jobs in the reported month, totalling 5.6 million, the most since July. The JOLTS report is among the data closely watched by the Fed officials. The increase raised the job openings rate to 3.8% from 3.6% in November. At the same time the hiring rate remained unchanged at 3.7%, indicating that employers faced challenges to find qualified workers for vacant positions. A total of 3.1 million Americans quit their jobs in December, the highest number since 2006, pushing the quits rate, a measure of confidence in the jobs market, to 2.1%, the highest level since 2008. The report came ahead of Fed Chair Janet Yellen testimony to Congress later in the day. A number of disappointing economic reports, plunging oil prices and a stock market sell-off have fuelled doubts as to whether the Fed would raise interest rates this year.

However, the data last week showed the US unemployment rate declined to 4.9% in January, down from 5.0%. 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. As the unemployment rate remains low, many economists expect Americans to see paychecks increase.







*"Following on from a somewhat disappointing Christmas period for retailers, the new year kicked off to a strong start"*

- Helen Dickinson, chief executive of the BRC

## GBP

news	Impact
UK retail sales rise more than expected in January; trade gap widens	High

The UK retail spending growth hit the highest level in four month in January, as consumers bought more big-ticket items like furniture. The British Retail Consortium reported retail sales values jumped 3.3% last month compared with a year ago, up from a 1.0% gain in December. Furniture and home appliances were the top performers, while discounts in the New Year sales boosted clothing and footwear sales. The report added to signs that Britons continued to spend freely, despite a gloomier global economic outlook. The Bank of England revised down its short-term outlook for both inflation and economic growth, referring to external and domestic headwinds as well as low price pressures and the major factors weighing down on the UK economy and production.

A separate report showed Britain's trade deficit widened in the final quarter of 2015 amid global market turmoil and a slowdown in emerging markets that hurt British exports. The gap between exports and imports increased from 8.6 billion pounds in the September quarter to 10.4 billion pounds, sparking concerns that UK's worsening trading position would be a drag on the economy's growth this year. Moreover, the UK's goods trade shortfall with the rest of the world widened by 1.9 billion pounds to a record high of 125 billion pounds in 2015. However, 2015 saw a record surplus in the UK's dominant services sector of 90 billion pounds.





**AUD** *"While financial market volatility might be on the minds of many businesses, the fact that actual business conditions are holding up across the economy, particularly the non-mining states, does suggest that that's giving businesses some reassurance at the moment"*

- Rikki Polygenis, NAB's head of Australian economics



news	Impact
Australia's business confidence remains unchanged in January; consumer mood improves	High

Australia's business confidence held up in light of the ongoing turmoil on financial markets around the world. According to NAB's monthly business survey, business confidence remained unchanged at 2 last month, with the measure being choppy last year, partly due to volatility on money markets and concerns about China's economic growth. However, business conditions deteriorated, with the corresponding gauge falling to 5 in January from a revised 6 in the prior month, but the measure remained comfortably above its long-term average of 1. While low interest rates continues to support the domestic economy in a period of transition away from a commodities boom, general business sentiment has also improved since Prime Minister Malcolm Turnbull assumed the leadership last September.

At the same time, Australian consumer confidence rebounded this month, a sign domestic demand will continue to shore up the economy this year. The Westpac Consumer Sentiment Index soared 4.2% from 97.3 last month to 101.3 in February, the highest reading since November. The report also showed that that people's assessment of their family finances over the next year was also strong, up by 3.8% for the month. Low inflation and interest rates are likely to contribute to improvement of consumer moods.


















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

	09.02 open price	09.02 close price	% change
AUD/JPY	82.1	81.379	-0.88%
AUD/USD	0.7087	0.707	-0.24%
EUR/AUD	1.57931	1.5972	+1.13%
GBP/AUD	2.0363	2.0465	+0.50%



## Major events this week (February 1-5)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
<b>MONDAY</b>							
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
<b>TUESDAY</b>							
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%
<b>WEDNESDAY</b>							
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
<b>THURSDAY</b>							
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
<b>FRIDAY</b>							
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%

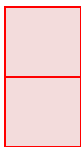
## EXPLANATIONS

### 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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