

















DUKASCOPY
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%	-0.8%
12:30pm		CAD	Building Permits m/m	August			-0.6%
2:00pm		GBP	NIESR GDP Estimate	3M-September			0.5%
THURSDAY							
11:00am		GBP	BoE Official Bank Rate Votes			1-0-8	1-0-8
12:30pm		USD	Unemployment Claims	October 2		274K	277K
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.




“The decline in orders from abroad paints a dim picture. But we expect the Chinese economy to stabilise, which could feed through to German industry.”

- VP Bank

EUR



 NEWS	Impact
German factory orders sink in August; September retail sales grow in Euro zone	High


Industrial orders in Germany unexpectedly dropped in August, fuelling fears that Europe’s largest economy is being hit by slowing global growth. Orders, adjusted for seasonal swings and inflation, dropped 1.8% on a monthly basis in the given period, following a revised decrease of 2.2% in July. The reported number missed market expectations of a 0.5% increase in August. On a yearly basis, the gauge advanced 1.9% in the reported month, after posting a revised 1.3% fall in the previous month. At the same time, the market consensus projected an increase of 5.6% year-on-year in August. The recent data enhances a picture of waning demand from abroad, especially China and other emerging markets. That suggests the strong German exports, which supported growth in the first half, could lose momentum. Meanwhile, August factory orders don’t yet reflect the impact of Volkswagen’s cheating on the US emissions tests revealed in September.

In the meantime, the latest Euro zone’s retail PMI data showed a fifth straight monthly increase in sales in September, with the rate of growth picking up slightly from that seen in August. The retail PMI measure reached 51.9 points in September, up from 51.4 in the preceding month.



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

	06.10 open price	06.10 close price	% change
EUR/USD	1.1188	1.1272	+0.75%
EUR/GBP	0.7387	0.74035	+0.22%
EUR/CHF	1.09127	1.08985	-0.13%
EUR/JPY	134.77	135.52	+0.56%




“There is a double whammy here - one of the strong Dollar, and it is happening in an environment where global demand is weak.”

- TD Securities

USD




	Impact
US international trade gap expands in August, Fed's Williams sees rate hike this year	High

The US trade deficit widened in August by the most in five months, as imports picked up and weaker overseas growth limited sales to customers abroad. According to Commerce Department, the gap increased 15.6% year-on-year to \$48.3 billion in the reported month, following a revised \$41.8 billion in July. Meanwhile, imports rose 1.2% in August to \$233.4 billion from \$230.6 billion in the prior month. At the same time, US exports decreased 2% to \$185.1 billion in August. The widening trade gap with other nations revealed the US economy's vulnerabilities to a strong Dollar and weak demand in foreign markets, which could impose further caution on the Federal Reserve's plans to hike interest rates.

At the same time, Federal Reserve Bank of San Francisco President John Williams expects the regulator to start normalising monetary policy in 2015, despite weak job growth numbers observed earlier last week. However, he declined to comment, whether a hike will already occur in October or the Fed will wait for two more months. Williams noted that by adding 150,000 jobs every month over the medium term, the US would eventually reach the unemployment rate of 3% in the long run. He underlined that it is normal to estimate further payroll gains of less than 200,000 per month.



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

	06.10 open price	06.10 close price	% change
AUD/USD	0.7083	0.7166	+1.17%
USD/CHF	0.9756	0.9668	-0.90%
USD/JPY	120.46	120.23	-0.19%
NZD/USD	0.649	0.6544	+0.83%



“Increasing demand is combining with very low supply to drive robust underlying house price growth.”
- Halifax

GBP



	Impact
UK house prices dip in September, says Halifax	High

British house prices dropped the most in more than a year on a monthly basis in September. According to Halifax survey, the average cost of a home declined 0.9% from the previous month, compare to a 2.7% surge in August, while market expected prices to rise by a monthly 0.1%. Nevertheless, the mortgage lender noted in the statement that monthly changes are volatile and strengthening demand for homes in the UK means the dip may be temporary. From a year earlier, house prices advanced 8.5% in September, down from 9% in the prior month.

Meanwhile, the Halifax also added that housing demand in the UK has been strengthening recently, underpinned by economic growth, rising real earnings and very low mortgage rates. Therefore, there is little reason to expect any fundamental shift in the key market drivers over the coming months. At the same time, the Halifax survey contrasted with another measure of British house prices, compiled by rival mortgage lender Nationwide, which found prices rose more quickly in September than in August.



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

	06.10 open price	06.10 close price	% change
GBP/USD	1.5146	1.5227	+0.53%
EUR/GBP	0.7387	0.74035	+0.22%
GBP/CAD	1.9818	1.9847	+0.15%
GBP/JPY	182.445	183.072	+0.34%



"On a volume basis, the trade report remains a disappointment but the deterioration isn't as dramatic as the headline would suggest."

- Desjardins Capital Markets

CAD



	Impact
Canada trade deficit widens as exports contracts most since 2012	High

Canada's trade balance with the rest of the world deteriorated in August, as a decline in commodity prices fuelled a steep drop in exports. The official report revealed the gap of C\$2.53 billion in the reported period, while market consensus bet on C\$1.17 billion trade deficit. July's trade data was revised, and now it indicates the trade deficit in the month was C\$817 million. The larger gap was mainly caused by a drop in Canadian exports, which declined 3.6% to C\$43.95 in August, indicating the largest one-month fall in over three years. In the meantime, imports rose 0.2% to C\$46.49 billion, as prices rose 0.3% and volumes fell 0.1%.

Additionally, activity in all sectors of the Canadian economy slowed down in September, the Ivey survey revealed on Tuesday. The PMI indicator, which is calculated by surveying 175 purchasing managers from all sectors of economic activity, declined from August's 58 points to just 53.7 points last month. The indicator came in worse than estimated as analysts suggested that a decline would push the PMI down to only 54.1 points. Canada has been recently suffering from low oil prices, which dragged the pace of economic expansion lower and resulted in the recession during the first two quarters of this year.



FORECASTS		
Q3 15	Q4 15	Q1 16
		1.35
	1.34	
1.33	1.32	1.32
1.3		
1.28	1.28	1.28

Trends*	Q3 15	Q4 15	Q1 16
MAX	1.37	1.40	1.41
75% percentile	1.33	1.34	1.35
Median	1.30	1.32	1.32
25% percentile	1.28	1.28	1.28
MIN	1.18	0.88	1.10

* the data is based on international banks' forecasts

	06.10 open price	06.10 close price	% change
AUD/CAD	0.9269	0.934	+0.77%
CAD/CHF	0.7456	0.7418	-0.51%
EUR/CAD	1.46405	1.4692	+0.35%
USD/CAD	1.3086	1.3034	-0.40%



"In such circumstances, monetary policy needs to be accommodative. Low interest rates are acting to support borrowing and spending."

- Reserve Bank of Australia

AUD



	Impact
RBA keeps official cash rate on hold at 2.0%, pointing to increased uncertainty	High

The Reserve Bank of Australia kept the official cash rate unchanged at a record low for a fifth month in a row, pointing to increased uncertainty surrounding the global economic outlook due to slowdown in China and east Asia. The Board decided to leave the cash rate at 2.0%. The central bank said that a moderate expansion continued in Australia, even though growth had been somewhat below longer-term averages for some time. Yet, economic expansion was accompanied with stronger growth of employment and a stable rate of joblessness over the past year. The RBA admitted that the nation's economy was set to operate with a degree of spare capacity for some time yet, with domestic inflationary pressures subdued. Inflation was estimated to remain consistent with the target over the next one to two years, even with a lower exchange rate. Most economists expected the RBA to remain on hold well into next year, while markets are pricing in a 65% chance of a cut below the current 2%, taking the interest rate to a new record low of 1.5%. Meanwhile, Australia's trade deficit widened in August to A\$3.1 billion, compared with a forecast for a deficit of A\$2.4 billion. Total exports came in at A\$26.5 billion, while and total imports at A\$29.6 billion.


















Trends*	Q3 15	Q4 15	Q1 16
MAX	0.85	1.03	0.86
75% percentile	0.74	0.74	0.73
Median	0.73	0.72	0.71
25% percentile	0.72	0.70	0.70
MIN	0.68	0.65	0.65

* the data is based on international banks' forecasts

	06.10 open price	06.10 close price	% change
AUD/JPY	85.319	86.147	+0.97%
AUD/USD	0.7083	0.7166	+1.17%
EUR/AUD	1.5795	1.57309	-0.41%
GBP/AUD	2.1382	2.125	-0.62%

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				
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	142K	201K	136K
12:30pm		USD	Unemployment Rate	September	5.1%	5.1%	5.1%

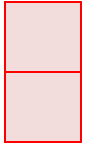
EXPLANATIONS

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.