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RESEARCH PRODUCTS

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Fundamental Analysis

Major events this week (August 15-19)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
MONDAY							
04:30 am		JPY	Industrial Production (MoM)	June	2.3%		1.9%
TUESDAY							
8:30 am		GBP	Consumer Price Index (YoY)	July	0.6%	0.5%	0.5%
9:00 am		EUR	Trade Balance	June	29.2B		24.5B
12:30 pm		USD	Consumer Price Index (YoY)	July	0.8%	0.9%	1.0%
22:45 pm		NZD	Unemployment Rate	Quarter	5.1%	5.3%	5.2%
WEDNESDAY							
		USD	FOMC Minutes				
23:50 pm		JPY	Merchandise Trade Balance	July	317.6B	142B	335B
THURSDAY							
1:30 am		AUD	Unemployment Rate	July	5.7%	5.8%	5.8%
08:30 am		GBP	Retail Sales (MoM)	July	1.5%	0.4%	-0.9%
09:00 am		EUR	Consumer Price Index (MoM)	July	-0.6%	-0.5%	0.2%
12:30 am		USD	Initial Jobless Claims	August 12	262K	265K	266K
FRIDAY							
6:00 am		EUR	German Producer Price Index (MoM)	July			0.4%
12:30 pm		CAD	Consumer Price Index (MoM)	July			0.2%

Key highlights of the week ended August 12

New Zealand

On Wednesday, at the conclusion of RBNZ August monetary meeting the Reserve Bank of New Zealand cut interest rates by 25 basis points, taking the deep of a record-low rate equalling 2%. The decision made by Reserve Bank of New Zealand met market expectations by delivering a rate cut and hinted that more monetary policy easing might be added in future. Nevertheless, some economists still were expecting RBNZ to cut harder, with the Kiwi dollar going down as soon as the decision was announced. Moreover, according to the RBNZ, the annual inflation rate is expected to begin recovering during the last quarter of this year. Also, the RBNZ pointed out, that firm actions could be started until early 2017, hinting the central bank will wait at least some time in order to reassess the necessity of another cut. The officials said the buoyant housing market resumes to pose financial stability risks and promised to consult on stronger macro measures. It is worth to point out, the RBNZ has another challenge alike as the Australia's RBA in lowering interest rates - managing the rising risks of a housing bubble.

Australia

Before retiring in September, the Reserve Bank governor, Glenn Stevens has admitted the RBA faces a difficult job due to necessity to balance between various risks as well as that it could undershoot its inflation target if that is the "least bad option". Also, Mr Stevens defended his and the bank's record for the past decade of keeping inflation within the 2-3% target range on average, as well as maintaining strong economic development and unemployment rate between 5-6%. Mr Stevens outlined that the RBA's 2-3% inflation target was no longer valid, by giving deflationary pressures locally and in the global economy. Meanwhile, the RBA last week forecasted inflation will remain below the target till the end of its forecast horizon in December 2018. Moreover, some economists insists the target needs to be lowered, as there are growing risks associated with lowering interest rates too far to seek a high inflation outcome. For example, a surge in already high house prices.

China

According to the National Bureau of Statistics, China's producer deflation slipped to its weakest mark in nearly two years in July, showing a pure positive sign of improving economic situation in the world's second largest economy. Chinese inflation also weakened further during the previous month, adding to the central bank's recent intentions for more "innovative" monetary policies that highlight liquidity as opposed to further rate cuts. In the meantime, the producer price index, declined fell 1.7% on a yearly basis in August, less than the 2% drop forecasted by economists as well as significantly improved than the 2.6% plunge in June. The reasons for that could be a rebound in commodity prices, which in turn reduced deflationary pressure. The People's Bank of China targets annual inflation at 3%.

UK


The number of jobless people actively searching for a job in Canada jumped in the seventh month of the year, official data from Statistics Canada revealed on Friday. According to the report, the Canadian economy lost 31,200 jobs in July, following a loss of 700 positions in the preceding month, while market analysts expected the economy to add 10,200 jobs in the reported month. Furthermore, the headline unemployment rate increased to 6.9% in the same month, compared to June's jobless rate of 6.8%.



“With Brexit uncertainty weighing on exports and industrial weakness, it seems that the consumer has to carry a lot of the weight of the euro zone expansion on its shoulders”.
- Bert Colijn, ING

EUR




	Impact
Euro zone inflation rises slightly year-on-year in July	High

Consumer prices in the Euro zone rose slightly on an annual basis in July, official data showed on Thursday. According to final estimates from Eurostat, the Consumer Price Index (CPI) in the region grew 0.2% year-over-year on a non-seasonally adjusted basis last month, up from the 0.1% hike seen in the preceding month and in line with analysts' expectations. On a monthly basis, consumer prices in the 19-nation currency bloc fell 0.6% in July, following the previous month's 0.2% gain and falling behind the 0.4% drop forecast. Meanwhile, so-called core inflation, excluding alcohol, tobacco, food and energy, jumped 0.9% on a yearly basis in the same month, unchanged from last month's reading and in line with market expectations. Energy prices fell 6.7% on an annual basis and 1.0% on a monthly basis, whereas prices for services, the largest component of the bloc's economy, increased 1.2% year-over-year. Back in June, the annual rate of inflation in the Euro zone rose 0.1% for the first time since January.

In December 2015, the Euro zone fell into deflation for the first time since October 2009, forcing the European Central Bank (ECB) to launch its massive quantitative easing programme. The main objective of the central bank's monetary policy is to reach price stability across the region. The ECB strives for an inflation rate of below, but close to, 2% over the medium term. June



 Trends*	Q3 16	Q4 16	Q1 17
MAX	1.18	1.43	1.20
75% percentile	1.14	1.14	1.14
Median	1.10	1.10	1.10
25% percentile	1.08	1.07	1.07
MIN	0.99	0.95	0.95

* the data is based on international banks' forecasts

	18.08 open price	18.08 close price	% change
EUR/USD	1.12889	1.13539	+0.57%
EUR/GBP	0.86582	0.86151	-0.50%
EUR/CHF	1.08598	1.08338	-0.24%
EUR/JPY	113.154	113.374	+0.19%




"Claims continue to outperform. Employers are reluctant to lay people off. It's consistent with firmer household spending".

- Mike Englund, Action Economics LLC

USD




	Impact
Initial jobless claims fall unexpectedly; Factory activity rebounds in Philadelphia region	High

Initial jobless claims posted a surprise fall, fresh data revealed on Thursday. According to the Department of Labor, the number of Americans filing for unemployment benefits dropped to 262,000 in the week ended August 13, following the preceding week's reading of 266,000, whereas market analysts pencilled in a slight increase to 269,000 in the reported period. Four weeks ago, claims hit the 43-year low of 248,000 touched in mid-April. Last week's data marked the 76th consecutive week of initial jobless claims below the 300,000 level, the longest streak since 1973. Meanwhile, the four-week moving average, considered a better measure of labour market trends, jumped 2,500 to 265,250 in the week ending August 13. Other data released on Thursday showed an unexpectedly large improvement of business activity in the US mid-Atlantic region. According to the Philadelphia Federal Reserve's survey, the manufacturing activity index rose to 2.0 points in August, after dropping 2.9 in the preceding month, while economic desks anticipated an increase to 1.2 in the reported month. Furthermore, the survey's six-month outlook indicator grew to 45.8 in August from last month's 33.7, posting the highest reading since January 2015. The survey tracks business activity in eastern Pennsylvania, southern New Jersey, and Delaware. The Philly Fed index is seen as one of the first monthly indicators of the health of the US economy.



FORECASTS		
Q3 16	Q4 16	Q1 17
	119	119
116	115	115
112		111
109	110	

 Trends*	Q3 16	Q4 16	Q1 17
MAX	126	140	130
75% percentile	116	119	119
Median	112	115	115
25% percentile	109	110	111
MIN	95	81	98

* the data is based on international banks' forecasts

	18.08 open price	18.08 close price	% change
AUD/USD	0.76543	0.76847	+0.40%
USD/CHF	0.96186	0.95422	-0.80%
USD/JPY	100.269	99.878	-0.39%
NZD/USD	0.72492	0.72843	+0.48%



"Consumer spending habits have not fallen as sharply following the referendum as had been forecast by some. That being the case, retailers will be hoping that the current good weather holds, and that the feel-good factor being created by the Olympics translates to further spending on food and drink and Games-related merchandise".

- Paul Morales, Lloyds Bank Commercial Banking

GBP

	Impact
UK retail sales post surprise rise in July	High


Britain's retail sales rose more than expected last month, fresh data from the UK Office for National Statistics revealed on Thursday. The volume of sales increased 1.4% on a monthly seasonally adjusted basis in July, compared to the 0.9% fall seen in the previous month, while markets anticipated an increase of 0.1% in the reported month. Year-over-year, retail sales jumped 5.9% in the same month, following June's 4.3% rise and surpassing the 4.1% market forecast. Excluding auto fuel, retail sales grew 1.5% month-over-month in July, up from the 0.9% drop registered in June, whereas economic desks pencilled in a slight increase of 0.1%. On a yearly basis, core retail sales advanced 5.4% in the seventh month of the year, after rising just 3.9% in the preceding month, while analysts expected UK core retail sales to climb 3.6% in July. All sectors posted sales growth in July; however, the majority of the sales growth came from non-food stores rather than supermarkets.

The data covered the four-week period from July 3 to 30 after the United Kingdom voted to leave the European Union; however, analysts suggest that the reaction of the economy may be delayed by a couple of months. Moreover, they assume that the sales growth was driven mainly by the weaker Pound. Following the release, the British Pound jumped 0.4% against the US Dollar and 0.2% against the Euro.



FORECASTS













	Q3 16	Q4 16	Q1 17
		1.53	1.53
1.51		1.49	1.49
1.46		1.45	1.43
1.42			

 Trends*	Q3 16	Q4 16	Q1 17
MAX	1.59	1.84	1.63
75% percentile	1.51	1.53	1.53
Median	1.46	1.49	1.49
25% percentile	1.42	1.45	1.43
MIN	1.35	1.23	1.23

* the data is based on international banks' forecasts

	18.08 open price	18.08 close price	% change
GBP/USD	1.30396	1.31645	+0.95%
EUR/GBP	0.86582	0.86151	-0.50%
GBP/CAD	1.67477	1.68275	+0.47%
GBP/JPY	130.73	131.485	+0.57%

Major events of the previous week (August 8-12)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
MONDAY							
Tentative		CNY	Trade Balance	August	343B	313B	311B
12:30 pm		CAD	Building Permits (MoM)	August	-5.5%	2.1%	-1.9%
TUESDAY							
1:30 am		CNY	CPI (YoY)	August	1.8%	1.8%	1.9%
8:30 am		GBP	Manufacturing Production (MoM)	August	-0.3%	-0.2%	-0.6%
WEDNESDAY							
3:05 am		AUD	RBA Gov Stevens Speaks				
2:30 pm		USD	Crude Oil Inventories	August	1.055M		1.4M
9:00 pm		NZD	Cash Rate	August	2.00%	2.00%	2.25%
THURSDAY							
12:30 pm		USD	Unemployment Claims	August	266K	265K	269K
10:45pm		NZD	Retail Sales (QoQ)	August	2.3%	1.0%	0.8%
FRIDAY							
2:00 am		CNY	Industrial Production (YoY)	August	6.1%	6.2%	6.2%
6:00 am		EUR	German GDP (QoQ)	August	0.4%	0.2%	0.7%
12:30 am		USD	Retail Sales (MoM)	August	0.0%	0.4%	0.8%

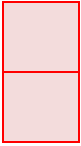
EXPLANATIONS

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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