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RESEARCH PRODUCTS

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# Fundamental Analysis

## Major events this week (February 20 - 24)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
<b>MONDAY</b>							
01:30 pm		CAD	Wholesale Sales m/m	December	0.7%	0.4%	0.2%
<b>TUESDAY</b>							
09:00 am		EUR	Flash Services PMI	February	55.6	53.7	53.7
09:30 am		GBP	Public Sector Net Borrowing		-9.8B	-14.4B	6.4B
<b>WEDNESDAY</b>							
09:30 am		GBP	Second Estimate GDP q/q	Q4 2016		0.6%	0.6%
01:30 pm		CAD	Core Retail Sales m/m	December		0.8%	0.1%
<b>THURSDAY</b>							
01:30 pm		USD	Unemployment Claims	Last week		242K	239K
04:00 pm		USD	Crude Oil Inventories	Last week			9.5M
<b>FRIDAY</b>							
01:30 pm		CAD	CPI m/m	January		0.3%	-0.2%
03:00 pm		USD	New Home Sales	January		575K	536K

## Key highlights of the week ended February 17

### US

The US Commerce Department reported its headline CPI climbed 0.6% month-over-month in January, while analysts expected the Index to remain unchanged from the prior month at 0.3%. Excluding volatile items, core consumer prices rose 0.3% last month, after growing 0.2% in December. The January inflation jump was mainly driven by higher gasoline, apparel and motor vehicles prices. In the meantime, the US Labour Department revealed the Producer Price Index advanced 0.6% in January, while market analysts expected the Index to remain unchanged from the previous month at 0.3%. That marked the largest gain since September 2012. Separately, the Philadelphia Federal Reserve said its Manufacturing Index jumped to 43.3 points in February, the highest level in 33 years, driven by a jump in new orders, which climbed to 38.0 from 26.00.

### Australia

The Australian labour market continued its uptrend for the fourth consecutive month, with employers adding more workers than expected over the month of January. The official figures released by the Australian Bureau of Statistics showed that the number of employees topped analysts' expectations for a 9.7K rise, inching up 13.5K compared to an upwardly revised 16.3K surge registered in the preceding month. In the meantime, the jobless rate came in at 5.7%, down from 5.8% in December, as the seasonally adjusted labour force participation rate fell to 64.6% from 64.7%, which resulted in total number of unemployed diving to 720.02K.

### Canada

Canadian manufacturing sales rose for the second consecutive month in December. According to Statistics Canada, sales advanced 2.3% on a monthly basis in December, the largest increase since 2015, following the preceding month's upwardly revised gain of 2.3% and surpassing analysts' expectations for an increase of 1.4%. In volume terms, manufacturing sales climbed 2.3% in the reported month, suggesting the Canadian economy performed well in the final quarter of 2016.

### United Kingdom

The number of Britons filing for unemployment benefits dropped markedly last month, while wage growth slowed in the Q4. The Office for National Statistics reported the number of claimants declined 42,400 to 787,400 in January, following the preceding month's upwardly revised fall of 20,500. In the meantime, including bonuses, average hourly earnings climbed 2.6% on an annual basis in the Q4 of 2016, while analysts expected an unchanged reading from the prior month, when the Average Earnings Index rose 2.8%.



*“The eurozone economy moved up a gear in February. The rise in the flash PMI to its highest since April 2011 means that GDP growth of 0.6% could be seen in the first quarter if this pace of expansion is sustained into March.”*

**EUR**

- Chris Williamson, IHS Markit



	<b>Impact</b>
Euro zone flash PMI jumps to 56.0 in February	High

Data released on Tuesday showed economic activity in the Euro zone perked up over the month of February, nearing a six-year high. The Markit flash PMI for the shared currency area hit the highest level in 70 months, surging to 56.0 in February from 54.4 registered in the preceding month and beating analysts' expectations for a 54.3 reading. Sufficient growth was registered in both services and manufacturing, with expansion in the latter sector outpacing services growth rate. More specifically, the manufacturing PMI climbed to 55.5 over the course of February compared with the previously reported 55.2, while experts penciled in a reading of 55.0. For the services industry, the purchasing managers' index rose to 55.6, up from 53.7 observed in January. The gain came in ahead of market expectations for the index to stay unchanged from the previous month.

Separately, Germany and France released their business activity figures, with the composite PMIs in the abovementioned countries jumping to 56.2 and 56.1 respectively. Elsewhere in the common currency area, economic activity growth rate peaked to a 14-month high.



Trends*	Q1 17	Q2 17	Q3 17
MAX	1.19	1.18	1.22
75% percentile	1.07	1.08	1.10
Median	1.05	1.04	1.05
25% percentile	1.03	1.02	1.01
MIN	0.98	0.95	0.90

\* the data is based on international banks' forecasts

	21.02 open price	21.02 close price	% change
EUR/USD	1.0615	1.0545	-0.66%
EUR/GBP	0.8515	0.8455	-0.71%
EUR/CHF	1.0644	1.0638	-0.06%
EUR/JPY	120.08	119.8	-0.23%



*“The weak result was mainly due to a change in the way that the ONS measures corporation tax revenue.”*  
- Scott Bowman, Capital Economics

**GBP**



	<b>Impact</b>
UK posts highest budget surplus since 2000	High

Britain’s public sector budget surplus expanded less than expected in January, official figures revealed on Tuesday. According to the Office for National Statistics, the UK public sector’s net borrowing, which excludes state-owned banks, registered a budget surplus increase to £9.4B in the first month of 2017, the highest figure since 2000, compared to the £9.1B a year ago. Nonetheless, the January surplus growth was worse than analysts' expectations for a £14.7B hike. Moreover, borrowing requirements for the first 10 months of 2016-2017 fiscal year decreased to £49.3B from £62.9B. That was the lowest 10-month budget deficit in nearly nine years. Furthermore, the ONS said net debt rose to 85.3% of GDP from 83.4% recorded in the preceding year. Due to certain changes in methodology of the latest data release, the report also revealed there was a £2.1B transfer from the BoE Asset Purchase Facility Fund. Overall, the confidence in the near-term budget outlook is likely to appreciate due to solid revenue growth.

Separately, the BoE Governor Mark Carney, speaking on the February inflation report, pointed out that inflation is entirely affected by the currency, while rates are set to rise more quickly than expected.














Trends*	Q1 17	Q2 17	Q3 17
MAX	1.84	1.32	1.62
75% percentile	1.25	1.26	1.28
Median	1.22	1.22	1.24
25% percentile	1.20	1.20	1.18
MIN	1.07	1.03	1.02

\* the data is based on international banks' forecasts

	21.02 open price	21.02 close price	% change
GBP/USD	1.2466	1.2472	0.05%
EUR/GBP	0.8515	0.8455	-0.71%
GBP/CAD	1.6332	1.6386	0.33%
GBP/JPY	141.01	141.7	0.49%

## Major events previous week (February 13 - 17)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
<b>MONDAY</b>							
00:00 am		JPY	Preliminary GDP q/q	Q4 2016	0.2%	0.3%	0.3%
<b>TUESDAY</b>							
07:00 am		EUR	German Preliminary GDP q/q	Q4 2016	0.4%	0.5%	0.2%
09:30 am		GBP	CPI y/y	January	1.8%	1.9%	1.6%
01:30 pm		USD	PPI m/m	January	0.6%	0.3%	0.3%
<b>WEDNESDAY</b>							
09:30 am		GBP	Claimant Count Change	January	-42.4K	1.1K	-20.5K
01:30 pm		CAD	Manufacturing Sales m/m	December	2.3%	1.4%	2.3%
01:30 pm		USD	CPI m/m	January	0.6%	0.3%	0.3%
<b>THURSDAY</b>							
00:30 am		AUD	Employment Change	January	13.5K	9.7K	16.3K
01:30 pm		USD	Building Permits	January	1.29M	1.23M	1.23M
<b>FRIDAY</b>							
09:30 am		GBP	Retail Sales m/m	January	-0.3%	1.0%	-1.9%
01:30 pm		CAD	Foreign Securities Purchases	December	10.23B	11.59B	7.24B



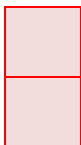
## EXPLANATIONS

### 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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