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RESEARCH PRODUCTS

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Fundamental Analysis

Major events this week (December 5 - 9)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
MONDAY							
09:00 am		EUR	Final Services PMI	November	53.8	54.1	54.1
09:30 am		GBP	Services PMI	November	55.2	54.2	54.5
03:00 pm		USD	ISM Non-Manufacturing PMI	November	57.2	55.3	54.8
TUESDAY							
03:30 am		AUD	RBA Interest Rate Decision				1.5%
10:00 am		EUR	Gross Domestic Product	Quarter			0.3%
13:30 pm		CAD	Trade Balance				-4.1B
WEDNESDAY							
09:30 am		GBP	Manufacturing Production				0.6%
15:00 pm		CAD	BoC Rate Statement				
15:30 pm		USD	Crude Oil Inventories				-0.9M
THURSDAY							
13:30 pm		EUR	ECB Press Conference				
13:30 pm		USD	Unemployment Claims				268K
FRIDAY							
15:00 pm		USD	Prelim UoM Consumer Sentiment				93.8

Key highlights of the week ended December 2

Canada

Canada posted its strongest economic growth in more than 2 years in the third quarter, since a rebound in energy exports helped the economy to rebound strongly from a deep second-quarter contraction, which saw the economy recoil by a revised 1.3%. Meanwhile, the healthy rebound followed a second-quarter decline largely caused by oil-production shutdowns caused by Alberta wildfires and scheduled maintenance at oil sands facilities. Real gross domestic product advanced 0.9% in the third quarter, following a 0.3% decline in the second quarter. Growth in final domestic demand slipped to 0.2%. In the meantime, exports rose 2.2%, making up some ground lost in the second quarter (-3.9%). Growth was driven by a 6.1% increase in the energy sector, following a 5.1% drop in the second quarter as a result of the Fort McMurray wildfires. Exports of goods jumped 2.3%, while services advanced 1%.

US

The number of homes that went under contract inched higher in October, a sign the housing market could be plateauing in the final months of the year. The National Association of Realtors reported that its pending home sales index, which tracks contract signings for previously owned homes, edged up 0.1% from a downwardly revised September reading to a seasonally adjusted 110.0. Sales typically close within a month or two of signing. It is essential to note that while demand for housing is high, supply still continues to weaken across much of the nation and is well below 2015 levels. While homebuilders ramped up production in October, overall construction is still well below historical norms. Builders cite the high costs of land, labor and regulation as barriers to increased volume.

EU

Corporate lending in the Euro zone advanced at the fastest pace since June 2011 in October, while the total amount of currency in circulation fell, official figures showed on Monday. According to the European Central Bank, lending to firms rose 2.1% on a monthly basis in October, the fastest pace in more than five years, following the preceding month's gain of 2.0%. Lending to households climbed 1.8% on an annual basis in the same month, unchanged from the September reading, whereas market analysts anticipated a slight increase to 1.9%. A measure of the money supply in the region, known as M3, grew 4.4% year-over-year in October, down from the prior month's 5.1% and below the 5.0% increase market forecast. The Central bank's policymakers are widely expected to extend their quantitative easing program by six months at their next meeting on December 8. According to the OECD's latest forecasts published on Monday, the Euro zone is set to grow 1.7% in 2016 and 1.6% in 2017, both figures were revised up from the September estimates despite the post-Brexit uncertainties. Moreover, later on the same day, Mario Draghi said in his speech to the European Parliament that the economy managed to overcome major challenges caused by Britain's decision to leave the European Union.



"This last quarter is having the year finish up pretty strong".

- Anthony Nieves, ISM

USD



	Impact
Economic activity in US non-manufacturing sector smashes forecasts in November	High

The United States' services sector activity hit its one-year high last month, official figures revealed on Monday. The Institute of Supply Management reported its Non-Manufacturing Purchasing Managers' Index advanced to 57.2 in November from the previous month's 54.8 points. The November figure was the highest since October 2015 and marked the 82nd straight month of growth in the sector, while analysts anticipated the Index to come in at 55.3 in the reported month. Any reading above the 50 point level indicates expansion in the services sector, which accounts for more than two-thirds of the US economy. Furthermore, the Employment Index climbed to 58.2 from October's 53.1 points, showing that hiring rose at a much faster pace in November. The Non-Manufacturing Business Activity Index rose to 61.7 from 57.7 in October, while the New Orders Index dropped to 57.0 from 57.7 and the Prices Index came in at 56.3, losing 0.3 points during November. The majority of respondents expressed a positive view of the economy. Earlier, Markit's final Services PMI for the US came in at 54.6, slightly below the 54.8 point forecast. As a result, the EUR/USD was unchanged at 1.0728, while the GBP/USD fell to 1.2712 from 1.2716 from ahead of the release and the USD/JPY rose from 114.37 to 114.62.



Trends*	Q4 16	Q1 17	Q2 17
MAX	140	121	120
75% percentile	108	110	110
Median	105	105	107
25% percentile	102	101	101
MIN	81	95	92

* the data is based on international banks' forecasts

	05.12 open price	05.12 close price	% change
AUD/USD	0.74514	0.74704	+0.25%
USD/CHF	1.01101	1.00618	-0.48%
USD/JPY	113.301	113.847	+0.48%
NZD/USD	0.71331	0.71396	+0.09%



“The further upturn in the vast services sector shows that the pace of UK economic growth remains resiliently robust in the fourth quarter, despite ongoing uncertainty caused by Brexit”.

GBP - Chris Williamson, Markit/CIPS



	Impact
British services sector activity surprises markets in November	High

Growth in the largest sector of the British economy accelerated at the fastest pace since January last month, although managers' view of the economy's long-term prospects deteriorated significantly, a private survey revealed on Monday. The Markit/CIPS Services Purchasing Managers' Index advanced to 55.2 in November, following the preceding month's reading of 54.5, while market analysts anticipated a slight fall to 54.2 points. However, business sentiment was at its lowest since July in the reported month and the second-lowest since December 2012 amid the steep drop in the value of the British Pound and uncertainty over the outcome of the withdrawal negotiations between the UK and EU. Despite the fall in the manufacturing growth rate reported last week by Markit, the economy is still expected to maintain the last quarter's 0.5% growth pace in the Q4. Back in November, the Bank of England revised up its 2016 Q4 economic growth forecast to 0.4% but added that annual growth would fall to 1.4% in 2017 from 2.2% in 2016, mainly driven by higher inflation. According to the Central bank, inflation will climb to 2.7% next year from 0.9% in the latest data. Nevertheless, analysts state the BoE is unlikely to raise interest rates in the near future.



Trends*	Q4 16	Q1 17	Q2 17
MAX	1.84	1.55	1.45
75% percentile	1.32	1.31	1.31
Median	1.29	1.28	1.28
25% percentile	1.25	1.25	1.25
MIN	1.17	1.12	1.07

* the data is based on international banks' forecasts

	05.12 open price	05.12 close price	% change
GBP/USD	1.26732	1.27308	+0.45%
EUR/GBP	0.84014	0.84517	+0.80%
GBP/CAD	1.68486	1.68939	+0.27%
GBP/JPY	1.26732	1.27308	+0.45%



“The composite PMI was revised down slightly but it’s still consistent with a pickup in euro zone GDP growth which is quite positive”.

- Stephen Brown, Capital Economics

EUR



	Impact
Euro zone business growth hits 11-month high in November	High

Business activity in the Euro zone hit its highest level this year last month, official data showed on Monday. According to Markit, the final Composite Purchasing Managers’ Index came in at 53.9 in November, slightly below the preliminary reading of 54.1 but up from the previous month’s final 53.3 points. The November figure marked the best reading since December 2015, with Ireland and Spain posting the strongest rates of increase and Germany contributing the greatest to the last month’s expansion. In the meantime, the final Services PMI reported by Markit came in at 53.8 in November, following the flash estimate of 54.1 points. The Index remained above the 50 point level for the 40th straight month. The New Orders Index for the services industry climbed to 53.5 in the same month from 52.6 registered in October, while the Composite Output Price Index increase to 50.6 from the prior month’s 50.0 points, the highest since August 2011. As to the region’s manufacturing production, growth in the Euro zone’s manufacturing sector slowed slightly from the preceding month. Still, manufacturing activity expanded at a slightly faster pace than services business activity. The latest PMI surveys suggest the economy is growing at an annualized pace of 0.4% in the Q4.

















Trends*	Q4 16	Q1 17	Q2 17
MAX	1.43	1.19	1.20
75% percentile	1.11	1.12	1.13
Median	1.09	1.09	1.09
25% percentile	1.07	1.07	1.06
MIN	0.97	0.96	0.95

* the data is based on international banks’ forecasts

	05.12 open price	05.12 close price	% change
EUR/USD	1.06668	1.07642	+0.90%
EUR/GBP	0.84014	0.84517	+0.60%
EUR/CHF	1.07588	1.08293	+0.65%
EUR/JPY	120.747	122.538	+1.46%

Major events previous week (November 28 - December 5)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
MONDAY							
14:00 pm		EUR	ECB President Draghi Speech				
23:50 pm		JPY	Retail Trade (YoY)	October	-0.1%	-1.2%	-1.9%
TUESDAY							
13:30 pm		USD	Prelim Gross Domestic Product	Quarter	3.2%	3.0%	2.9%
23:50 pm		JPY	Industrial Production (MoM)	October	0.1%	0.6%	0.2%
WEDNESDAY							
07:00 am		GBP	Bank Stress Test Results				
10:00 am		EUR	Consumer Price Index (YoY)	November	0.6%	0.6%	0.5%
13:15 pm		USD	ADP Non-Farm Employment Change	November	216K	165K	147K
13:30 pm		CAD	Gross Domestic Product	September	0.3%	0.1%	0.2%
THURSDAY							
09:30 am		GBP	Manufacturing PMI	November	53.4		54.3
15:30 pm		USD	Unemployment Claims	November	268K	253K	251K
FRIDAY							
12:30 am		AUD	Retail Sales (MoM)	October	0.5%	0.3%	0.6%
09:30 am		GBP	Construction PMI	November	52.8	52.3	52.6
13:30 pm		CAD	Employment Change	October	10.7K		43.9K
13:30 pm		USD	Unemployment Rate	November	4.6%		4.9%

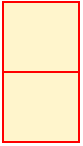
EXPLANATIONS

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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