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RESEARCH PRODUCTS

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Fundamental Analysis

Major events this week (June 13-17)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
MONDAY							
02:00 am		CNY	Industrial Production (YoY) (May)	May	6.0%	5.9%	6.0%
TUESDAY							
8:30 am		GBP	Consumer Price Index (MoM)	May	0.3%	0.4%	0.3%
9:00 am		EUR	Industrial Production (MoM)	April	1.1%	0.7%	-0.8%
12:30 pm		USD	Retail Sales (MoM)	May	0.5%	0.3%	1.3%
WEDNESDAY							
n/a		JPY	BoJ Press Conference				
9:00 am		EUR	Trade Balance	April	28.0B	21.6B	22.3B
18:00 pm		USD	Fed Interest Rate Decision		0.5%	0.5%	0.5%
THURSDAY							
1:30 am		AUD	Unemployment Rate	May	5.7%	5.7%	5.7%
3:00 am		JPY	BoJ Interest Rate Decision		-0.1%	-0.1%	-0.1%
09:00 am		EUR	Consumer Price Index (MoM)	May			0%
12:30 pm		USD	Consumer price Index (MoM)	May			0.4%
FRIDAY							
12:30 pm		CAD	Consumer Price Index (MoM)	May			2.2%
15:00 pm		EUR	ECB President Draghi Speech				

Key highlights of the week ended June 3

Euro zone

For the previous month, Germany's trade balance advanced unexpectedly. According to the Federal Statistics office, Germany recorded a headline of 25.6bn euros for April from 21.8bn euros in April 2015. The seasonally-adjusted surplus increased to 24bn euros from a revised 23.7bn euros in May, compared with an expected decline for the month. Moreover, the adjusted surplus was at a record high and will resume supporting the single European currency. The overall German current account surplus expanded to 93.9 billion euros for the first quarter of 2016 from 79.8 billion euros the previous year despite a slight widening in the services deficit.

Meanwhile, analysts had expected Germany's trade balance to plunge to 23bn euros last month. Meanwhile, German exports went up by 3.8% in April compared to the same month a year ago, while imports remained nearly unchanged and as a result have led to a wider trade balance for Europe's most powerful economy.

US

According to the latest report, the US crude futures advanced for a third consecutive day on Wednesday, reaching new 2016 highs. The US benchmark posting a nearly 11-month closing record. On the New York Mercantile Exchange, West Texas Intermediate crude for July delivery added +0.62% and rose 87 cents, or 1.7%, to settle at \$51.23—showing the highest close for a nearby contract since July 15. Meanwhile, August Brent crude, increased 0.42% the global oil benchmark, reaching \$1.07, or 2.1%, to finish at \$52.51 a barrel on London's ICE Futures exchange, its highest close since October. According to the analysts, futures were affected in a positive way boosted by reports of another attack on oil facilities in Nigeria. They were also buoyed by data from an industry trade group, the American Petroleum Institute, which on Tuesday said that US crude inventories had fallen by 3.6 million barrels. Also, crude found support from continued supply disruptions, as well as China import data and a decline in crude inventories.

UK

Manufacturing production in the UK advanced further bolstering optimism about the domestic economy. UK manufacturing as well as industrial production data outperformed major economists' expectations in April being mainly influenced by the weaker cable due to upcoming Britain's EU referendum. According to the latest figures released by the Office of National Statistics, manufacturing production skyrocketed 2.3%, against March's 0.1%, and an expected growth of 0%. Industrial production, in turn, jumped by 2% in April, adding 0.3% from March, and far above the 0% reading expected. On a yearly pace, manufacturing production added 0.8%, showing much better results than a forecasts for a 1.5% decline as well as after a steep 1.9% drop in March. Concerning industrial production, this data demonstrated an increase of 2.0% following a gain of 0.3% in the preceding month and in line with forecasts.



“Information received since the Federal Open Market Committee (FOMC) met in April indicates that the pace of improvement in the labor market has slowed while growth in economic activity appears to have picked up.”

USD - US Federal Reserve



NEWS	Impact
FOMC turns more dovish on economy as interest rate hike delayed until better times	High

US Federal Reserve was forced to keep the target range for the Federal Funds rate flat at 0.25-0.50% after its June 14-15 meeting, owing to continuous risks to economic outlook and stagnating inflation expectations. Domestic data has been uneven recently, with mild payrolls report considered to be the key trigger for accepting the status-quo. All member of the Federal Open Market Committee (FOMC) voted for the decision, with Kansas City Fed President Esther George abandoning her hawkish call to raise the benchmark by 25 basis points. Janet Yellen, the Chair, agreed that there are some downside forces to interest rates that may be long-lasting. On the short-term basis, she admitted that the upcoming UK referendum on EU membership has weighed on the Fed's decision to postpone the upward revision to the Fed Funds target range.

The famous dot plot, which reveals individual members' perceptions of how interest rates are going to evolve in the future, showed that participants continue eyeing two interest rate hikes in 2016 and three in 2017. The terminal rate for the long run has shifted down to 3% from 3.3% in the March projection. The Fed estimates a 2% GDP growth every year during 2016-2018, also reflecting a moderate downward change in the outlook. Consumer prices, measured by the PCE Index, however, are forecasted to increase 1.4% this year. This indicates to an improvement from 1.2% seen three months ago.



Trends*	Q3 16	Q4 16	Q1 16
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

	15.06 open price	15.06 close price	% change
AUD/USD	0.7387	0.7358	-0.39%
USD/CHF	0.9633	0.9614	-0.20%
USD/JPY	106.11	106.01	-0.09%
NZD/USD	0.6993	0.7034	+0.59%



“More recent survey data suggest that employers' demand for staff has cooled in more recent months amid worries about Brexit and a slowing economy, suggesting the good news should be treated with some caution”
- Markit

GBP

	Impact
UK's unemployment rate falls to 5%; BoE to stay pat on	High

Unemployment in Britain declined to the lowest level since October 2005, indicating that the UK labour market has continued to tighten. The jobless rate slid to 5% in the three months through April, according to the Office for National Statistics. The decline came as a surprise to economists, who had predicted the reading to remain unchanged at 5.1%. Employment was strong in the reported period, surging by 55,000, with the employment rate remaining at a record high of 74.2%.

The claimant count rate was unchanged at 2.2% following a revision for April, the ONS reported. At the same time, wage growth, excluding bonuses, unexpectedly gathered pace in the three months to April to a 2.3%, from a revised 2.2% reported in March. When bonuses are included, the rate of pay growth also remained steady at 2% compared with economists' expectations for a decline to 1.6%. Wages, however, have remained significantly below the levels seen before the financial crisis. Low inflation has undermined earnings growth as it limits workers' bargaining power with employees. The pace of wage growth is unlikely unnerve the BoE's officials, who are predicted to keep the key rate at a record low 0.5% later in the day. They are watching closely the labour market for signs of tightening, which in turn could boost inflation.






“The main driver behind the GDP growth was construction, which rose 4.9%. This was the strongest quarterly growth for the industry since March 2014”

- Statistics New Zealand

NZD




	Impact
New Zealand's economy expands 0.7% in March quarter, driven by construction, healthcare	High

New Zealand's economy expanded at a faster pace than expected in the first quarter as healthcare made a surprisingly strong contribution to the nation's economic output, while construction continued to prop up the economy amid a housing boom. According to Statistics New Zealand, the South Pacific economy grew 0.7% in the three months to March, compared with economists' expectations for a 0.5% growth, but down from 0.9% in the final quarter of 2015. However, the economy expanded just 0.1% when population increases were accounted for. When measured on an annualized basis, growth accelerated from 2.3% in the December quarter to 2.8% last quarter.

New Zealand's housing shortage, ultra-low interest rates, and rapidly growing house prices have underpinned demand for construction activity over the last few years. Services increased 0.8% over the reported period, led by 2.7% surge in healthcare and residential care, as well as a rise in retail trade and accommodation. Offsetting these gains in production was a decrease in primary industry activity, which slipped 0.4% over the three-month period. Manufacturing also made a negative contribution to GDP, dropping 0.4% last quarter.



FORECASTS		
Q3 16	Q4 16	Q1 17
0.67	0.67	0.67
0.66		
	0.65	0.65
0.64		
	0.63	0.63

 Trends*	Q3 16	Q4 16	Q1 16
MAX	0.84	0.86	0.75
75% percentile	0.67	0.67	0.67
Median	0.66	0.65	0.65
25% percentile	0.64	0.63	0.63
MIN	0.55	0.55	0.50

* the data is based on international banks' forecasts

	15.06 open price	15.06 close price	% change
AUD/NZD	1.0466	1.0462	-0.04%
EUR/NZD	1.5946	1.5992	+0.29%
GBP/NZD	2.0186	2.0197	+0.05%
NZD/USD	0.6993	0.7034	+0.59%




“There is nothing in recent economic indicators that would lead the BOJ to change its economic outlook now”

- Mizuho Securities

JPY




 NEWS	Impact
BoJ keeps policy unchanged; economists see room for further easing	High

The Bank of Japan decided to keep interest rates and QQE settings unchanged in line with expectations, but economists see room for further easing in coming months amid sluggish global growth and anemic inflation. BoJ’s Governor Haruhiko Kuroda and his colleagues continue to gauge the economic effect of their unpopular negative-rate policy ahead of an election next month. BoJ Governor Haruhiko Kuroda's decision to keep policy settings unchanged comes just a week after data showed that Japan’s economy grew 0.5% in the first quarter, beating the initial reading of 0.4%. While the central bank maintained its upbeat view of the world’s third biggest economy, it revised downwards its outlook for consumer inflation to say prices were likely to decline slightly year-on-year or hover around flat for the time being.

The BoJ kept its massive asset buying programme, pledging to increase base money at an annual pace of 80 trillion yen. It also left unchanged a 0.1% negative interest rate applied to some of the excess reserves financial institutions park with the central bank. The decision to leave the base money target unchanged was made by a 8-1 vote, while maintaining the 0.1% negative rate was agreed in a 7-2 vote. A possible vote by the UK to exit the European Union was the biggest near-term concern for BOJ officials.



FORECASTS		
1 MONTH	3 MONTHS	12 MONTH
	119	119
116	115	115
112		111
109	110	

 Trends*	Q3 16	Q4 16	Q1 16
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

	15.06 open price	15.06 close price	% change
AUD/JPY	78.864	78.497	-0.47%
CAD/JPY	83.894	82.768	-1.34%
EUR/JPY	118.92	119.37	+0.38%
USD/JPY	106.11	106.01	-0.09%




“Many export sectors are operating near their capacity limits, which augurs well for future investment and job creation”

- Stephen Poloz, Bank of Canada Governor

CAD




 NEWS	Impact
BoC's Poloz delivers optimistic view on economy	High

Bank of Canada Governor Stephen Poloz delivered a cautiously optimistic view on the nation's economy, saying the Canadian economy is making progress in adjusting to low oil prices and recovering from the global financial crisis. While the energy industry continues to falter, there are signs of resilience in non-energy exports, even though the data have been volatile in recent months. Moreover, the past depreciation of the Canadian currency is shoring up exports, including tourism, the Governor added. Governor Poloz also added Canadian households are remaining resilient, particularly outside resource-producing areas. Low interest rates and a strong job market have helped sustain consumer spending.

The BoC will update its forecasts next month in its monetary policy report, a package of forecasts that Poloz suggested could shift once again depending on the outcome of the upcoming referendum on whether the UK will exit the European Union. The federal Liberals have warned that a vote by Britain in favour of Brexit would be a negative for the Canadian economy. Market watchers say the central bank is likely to be reluctant to hike interest rates even amid heightened risks associated with housing and elevated household debt levels until there is evidence a recovery from the commodity-price drops can be sustained.


















 Trends*	Q3 16	Q4 16	Q1 16
MAX	1.40	1.45	1.50
75% percentile	1.35	1.34	1.35
Median	1.32	1.31	1.30
25% percentile	1.28	1.26	1.27
MIN	1.22	0.84	1.18

* the data is based on international banks' forecasts

	15.06 open price	15.06 close price	% change
AUD/CAD	0.9471	0.9564	+0.98%
CAD/CHF	0.7484	0.7446	-0.51%
EUR/CAD	1.44256	1.45384	+0.78%
USD/CAD	1.2872	1.2912	+0.31%

Major events of the previous week (June 7-10)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
MONDAY							
06:00 am		EUR	German Factory Orders MoM	April	-2.0%	-0.6%	2.6%
16:30 pm		US	Fed Chair Yellen Speaks				
TUESDAY							
4:30 am		AUD	RBA Rate Statement		1.75%	1.75%	1.75%
9:00 am		EUR	Gross Domestic Product (YoY) Q1	Quarter	1.7%	1.5%	1.5%
12:30 pm		USD	Revised Nonfarm Productivity Q1	Quarter	-0.6%	-0.6%	-1.0%
23:50 pm		JPY	Final GDP (QoQ) Q1	Quarter	0.5%	0.5%	0.4%
WEDNESDAY							
3:13 am		CNY	Trade Balance	May	\$49.90B	\$55.80B	\$45.56B
8:30 am		GBP	Manufacturing Production (MoM)	April	2.3%	0.0%	0.1%
3:00 pm		US	US Crude Oil Inventories	June	-3.226M	-3.500M	-1.366M
21:00 pm		NZD	RBNZ Rate Statement		2.25%	2.25%	2.25%
THURSDAY							
1:30 am		CNY	PPI YoY	May	-2.8%	-3.3%	-3.4%
06:00 pm		EUR	German Trade Balance	April	24.0B	23.0B	23.7B
12:30 pm		USD	Unemployment Claims	June 3	264K	270K	267K
FRIDAY							
13:30 pm		CAD	Unemployment Rate	May	6.9%	7.1%	7.1%
15:00 pm		USA	Prelim UoM Consumer Sentiment		94.3	94.1	94.7

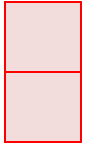
EXPLANATIONS

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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