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Fundamental Analysis

Major events this week (January 2 - 6)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
MONDAY							
08:30 am		GBP	Halifax HPI m/m	December	1.7%	0.3%	0.6%
03:30 pm		CAD	BOC Business Outlook Survey				
TUESDAY							
01:30 pm		CAD	Building Permits m/m	November		2.4%	8.7%
03:00 pm		USD	JOLTS Job Openings	December		5.59M	5.53M
WEDNESDAY							
09:30 am		GBP	Manufacturing Production m/m	December		0.6%	-0.9%
03:30 pm		USD	Crude Oil Inventories	Last week			-7.1M
THURSDAY							
01:30 pm		CAD	NHPI m/m	November		0.3%	0.4%
01:30 pm		USD	Unemployment Claims	Last week		265K	235K
FRIDAY							
09:30 am		GBP	BOE Credit Conditions Survey				10.7K
01:30 pm		USD	Retail Sales m/m	December		0.5%	0.1%

Key highlights of the week ended January 6

European Union

Manufacturing activity in the Euro zone rose markedly in the last month of 2016, a private survey showed on Monday. IHS Markit reported its final Purchasing Managers' Index for the region's manufacturing sector advanced to 54.9 points in December, unchanged from the preliminary reading and up from November's 53.7. Moreover, consumer prices increased rapidly in the Euro zone last month, official figures revealed on Wednesday. According to Eurostat, the Consumer Price Index came in at 1.1% year-over-year in December, after rising 0.6% in the preceding month. This was the strongest rate since 2013 and the first time the index remained above 1.0% for over 36 months. The Core CPI, which kept the overall inflation rate lower in 2016, advanced from 0.8% to 0.9% and topped economists' expectations for an unchanged reading.

US

Growth in the US economy's manufacturing sector improved more than expected last month, official figures revealed on Tuesday. The Institute of Supply Management reported its Purchasing Managers' Index advanced to 54.7 in December, surpassing analysts' expectations for 53.7 points. Meanwhile, the number of Americans filing for first-time unemployment benefits declined to a eight-week low, official figures revealed on Thursday. However, the following drop in claims was almost certainly exaggerated due to the Christmas holiday. According to the US Department of Labor, national jobless claims declined 28,000, to 235,000, during the week ending December 30, reaching their lowest level since the middle of November. Even though initial jobless claims reached their eight-week lows, the economy created just 156,000 new jobs during December, down from November's revised gain of 204,000 and below analysts' forecasts. Meanwhile, the unemployment advanced to 4.7% in December from November's 4.6%, however, the rise was mainly driven by the fact that more people entered the labour market during the reported period.

UK


Manufacturing activity in the United Kingdom climbed to 56.1 in December, compared to the preceding month's 53.6. That was the highest reading in 30 months. Market analysts anticipated a slight decrease to 53.3 during the reported period amid the country's decision to leave the European Union. Furthermore, UK construction activity advanced at the fastest pace in nine months in December, supported by a rise in house building, a survey revealed on Wednesday. Markit/CIPS said its Construction PMI for Britain increased unexpectedly to 54.2 points during the reported period. This was its highest rate since March, while market analysts anticipated expected the Index to remain unchanged at the preceding month's reading of 52.8. The latest surveys for the construction and manufacturing industries suggest that the British economy gained momentum by the end of 2016.



"Slower economic growth, pressure on employment and a squeeze on spending power, together with affordability constraints, are expected to reduce housing demand during 2017".

GBP -Martin Ellis, Halifax



	Impact
UK house prices jump 1.7% last month	High

British house prices climbed for the second consecutive month in December, driven by a shortage of affordable homes. According to the UK's biggest lender, Halifax, the House Price Index grew 1.7% to £222,484 month-over-month in December, surpassing the 0.3% rise forecast, up from November's upwardly revised gain of 0.6%. This was the fourth straight monthly increase and the largest gain since March 2016.

Meanwhile, in the three month period ended December 2016, house prices advanced 6.5% year-over-year after climbing 6.0% in the three months to November. The house price inflation rate climbed 2.5% and 6.5% quarter-over-quarter and year-over-year in the Q4, respectively. The average house price jumped around £4,000 last month, the fastest increase since the Brexit vote.

Separately, Nationwide reported earlier that capital home prices rose at a slower pace than an average rise in the UK, for the first time in 8 years. However, house prices advanced 4.5% on annual basis, at the same rate as in 2015. Analysts suggest that the UK housing market growth is expected to slow 1-4% during 2017.





"Firms are much more optimistic about the future. The balance of opinion on future sales improved again, and now exceeds the historic average".

-Brian DePratto, TD Bank

CAD












	Impact
Canadian business sentiment improves on positive outlook for US economy	High

Strong US economic growth is likely to boost Canadian business activity in the upcoming months, according to the Bank of Canada's Business Outlook Survey released on Monday. The indicator of current sales growth remained nearly unchanged, while the indicator of expected sales growth climbed from 13% to 26% in the last quarter, the strongest rate since the end of 2014. In the meantime, companies pointed to a fading pressure of low oil prices and improving export prospects amid an optimistic outlook on the US economy. Currently, Canada sends about three-quarters of its exports to the neighbouring country. Moreover, investment intentions advanced to the highest level in two years, whereas the indicator of employment intentions climbed from 30% to 38% in the preceding survey. The number of employers reporting labour shortages reached the highest level since 2013. However, the figure remained well below its pre-financial crisis levels.

Furthermore, the majority of respondents see the inflation rate would fluctuate between 1% and 3%, below the Bank of Canada's target of 2%. Some companies suggested that inflation would remain weak amid low commodity prices and sluggish economic growth.



Major events previous week (January 2 - 6)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
MONDAY							
09:00 pm		EUR	Markit Manufacturing PMI	December	54.9	54.9	54.9
TUESDAY							
09:30 am		GBP	Manufacturing PMI	December	56.1	53.3	53.4
15:00 pm		USD	ISM Manufacturing PMI	December	54.7	53.7	53.2
WEDNESDAY							
09:30 am		GBP	Construction PMI	December	54.2	52.8	52.8
10:00 am		EUR	CPI Flash Estimate	December	1.1%	1.0%	0.6%
THURSDAY							
09:30 am		GBP	Services PMI	December	56.2	54.8	55.2
13:30 pm		USD	Unemployment Claims	December	235K	262K	265K
FRIDAY							
13:30 pm		CAD	Employment Change	December	53.7K	-5.1K	10.7K
13:30 pm		USD	Unemployment Rate	December	4.7%	4.7%	4.6%

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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