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RESEARCH PRODUCTS

11/05/2017



# Fundamental Analysis

## Major events this week (May 8 - 12)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
<b>MONDAY</b>							
06:00 am		EUR	Germany Factory Orders m/m	March	1.0%	0.7%	3.5%
07:30 am		GBP	Halifax HPI m/m	April	-0.1%	0.1%	0.0%
<b>TUESDAY</b>							
01:30 am		AUD	Retail Sales m/m	March	-0.1%	0.3%	-0.2%
12:30 pm		CAD	Building Permits m/m	March	-5.8%	4.2%	-2.8%
02:00 pm		USD	JOLTS Job Openings	March	5.74M	5.67M	5.68M
<b>WEDNESDAY</b>							
12:30 pm		USD	Import Prices m/m	April	0.5%	0.2%	0.1%
09:00 pm		NZD	RBNZ Rate Statement				
<b>THURSDAY</b>							
11:00 am		GBP	Monetary Policy Summary				
12:30 pm		USD	PPI m/m	April			-0.1%
<b>FRIDAY</b>							
12:30 pm		USD	CPI m/m	April			-0.3%

## Key highlights of the week ended May 5

### United Kingdom

Markit/CIPS reported on Tuesday that its Purchasing Managers' Index for the British manufacturing sector came in at 57.3 in April, following the preceding month's 54.2 and surpassing analysts' expectations for a decline to 54.0. British construction activity hit its four-month high last month, suggesting that the economy began a slow recovery after a sluggish start. Meanwhile, the PMI for the UK construction sector came in at 53.1 in April, up from the preceding month's 52.2, while analysts anticipated a slight decrease to 52.1 in the reported month. British services activity rose unexpectedly last month, suggesting that the economy recovered from a sluggish start. Markit/CIPS reported on Thursday that its PMI for the UK services sector came in at 55.8 in April, the second highest since mid-2015, following the preceding month's 55.0 and surpassing analysts' expectations for a decline to 54.6.

### United States

The Purchasing Managers' Index for the US manufacturing sector grew less than analysts estimated. According to the Institute for Supply Management, the PMI lost 2.4% compared to the previous month and tumbled to 54.8%, while experts anticipated only a slight decrease of 0.6%. As markets expected, the US Federal Reserve left its monetary policy unchanged at its meeting on Thursday. However, policymakers signalled that "the path of gradual tightening" remained in play despite an economic slowdown registered in the March quarter. The Department of Labour reported on Thursday that initial jobless claims fell to 238K in the week ending May 28, the lowest in 17 years, following the preceding week's 257K and topping expectations for a slight decrease to 246K. That marked the 113th week of claims remaining below the 300K level, the longest stretch since 1973. The Department of Labour reported that US firms added 211K jobs to the economy in April, following the preceding month's revised down increase of 79K jobs and surpassing analysts' expectations for a 194K gain. Data also showed that the unemployment rate fell to 4.4%, down from March's 4.5%, whereas markets anticipated an acceleration to 4.6%.

### Canada

Statistics Canada reported that the country's trade gap came in at C\$0.1B in March, down from the prior month's deficit of C\$1.1B. However, the reading missed expectations for a C\$0.3B trade surplus. Exports rose 3.8% to C\$46.98B, as export volumes and prices climbed 2.5% and 1.3%, respectively. Statistics Canada reported on Friday that the Canadian economy created 3.2K jobs in April, following the preceding month's climb of 19.4K and falling behind analysts' expectations for a 20.0K job gain. Meanwhile, the unemployment rate dropped to 6.5%, while analysts expected an unchanged reading of 6.7%.

### New Zealand

The New Zealand unemployment rate fell unexpectedly, official figures revealed on Tuesday. In the March quarter, the seasonally adjusted jobless rate dropped to 4.9%, while analysts expected only a minor change from 5.2% to 5.1%. New Zealand's long-term inflation expectations jumped above the RBNZ's target mid-point of 2% in the second quarter of 2017, the latest quarterly survey revealed on Friday. The report suggested the Reserve Bank of New Zealand's two-year inflation expectations soared to 2.2% in the Q2 from 1.92% in the previous quarter, while expectations tracked by the RBNZ's one-year-ahead measure failed to breach the central bank's 2% target, surging to 1.92% from 1.56% listed in the Q1 survey.



**USD**

**"In April, higher prices for nonfuel industrial supplies and materials; foods, feeds, and beverages; and each of the major finished goods categories all contributed to the overall rise in nonfuel prices."**

— US Bureau of Labour Statistics



	<b>Impact</b>
US import prices surge 0.5% in April	Medium

The US Import Price Index managed to post a larger-than-expected gain over the course of April, official data revealed on Wednesday. The US Bureau of Labour Statistics reported that the price index for US imports tacked on 0.5% in April, following the upwardly revised 0.1% uptick registered in the preceding month and beating analysts' expectations for a 0.2% increase. April's surge was mainly driven by higher fuel prices, which rose 1.6% over the month of April, following a 0.9% drop observed in March. A 1.6% hike in prices for petroleum and a 4% advance in natural gas prices appeared to be the main contributors to the increase in fuel prices. In the meantime, the price index for imports excluding fuel rose 0.3% in April, following an increase of 0.2% posted in the previous month. As reported by the US BLS, higher prices for food and beverages, industrial supplies and materials as well as an uptick in feeds managed to bolster the overall acceleration in nonfuel prices. Over the year, prices for US imports soared 4.1% in April, while export prices inched 3% higher over the same period.



FORECASTS		
Q1 17	Q2 17	Q3 17
	118	118
116		115
114	114	
		110
110	109	

Trends*	Q1 17	Q2 17	Q3 17
MAX	122	122	125
75% percentile	116	118	118
Median	114	114	115
25% percentile	110	109	110
MIN	98	100	100

\* the data is based on international banks' forecasts


	10.05 open price	10.05 close price	% change
AUD/USD	0.7344	0.7367	0.31%
USD/CHF	1.0074	1.0089	0.15%
USD/JPY	113.98	114.28	0.26%
NZD/USD	0.6896	0.6944	0.69%



**NZD**


*"...the growth outlook remains positive, supported by on-going accommodative monetary policy, strong population growth, and high levels of household spending and construction activity."*  
— Reserve Bank of New Zealand



	<b>Impact</b>
RBNZ holds benchmark rate at record low of 1.75%	High

Yet again, the Reserve Bank of New Zealand left its monetary policy unchanged at its May meeting on Wednesday in support of inflation and steady economic growth. The Monetary Policy Committee voted to hold the official cash rate at a record low of 1.75%, where it has stood since November last year, satisfying market analysts who are eyeing a gradual tightening beginning not earlier than at the start of 2018. In the May statement, the RBNZ highlighted that the monetary policy is likely to remain accommodative until late 2019, however, economists worldwide argued that this would be difficult to justify, as inflation continues to spike up. The CPI was up 2.2% in the Q1 of 2017, much higher than the 1.5% projected by the Central Bank. Since 2011, it was the first time when the RBNZ has reached the mid-point of its inflation target range of 1-3%. Meanwhile, data released last week suggested long-run inflation expectations across the business sector also inched higher in the first quarter. Overall, the RBNZ Governor Graeme Wheeler remained upbeat on the country's economic outlook, though still warned that major challenges remain in place.
















 Trends*	Q1 17	Q2 17	Q3 17
MAX	0.77	0.77	0.78
75% percentile	0.71	0.70	0.71
Median	0.69	0.69	0.68
25% percentile	0.68	0.67	0.66
MIN	0.63	0.61	0.59

\* the data is based on international banks' forecasts

	10.05 open price	10.05 close price	% change
AUD/NZD	1.0649	1.0618	-0.29%
EUR/NZD	1.5769	1.5662	-0.68%
GBP/NZD	1.8757	1.8634	-0.66%
NZD/USD	0.6896	0.6944	0.69%

## Major events previous week (May 8 - 12)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
<b>MONDAY</b>							
02:00 pm		USD	ISM Manufacturing PMI	April	54.8	56.6	57.2
<b>TUESDAY</b>							
04:30 am		AUD	RBA Rate Statement				
08:30 am		GBP	Manufacturing PMI	April	57.3	54.0	54.2
10:45 pm		NZD	Unemployment Rate	Q1 2017	4.9%	5.1%	5.2%
<b>WEDNESDAY</b>							
08:30 am		GBP	Construction PMI	April	53.1	52.1	52.2
12:15 pm		USD	ADP Non-Farm Employment Change	April	177K	178K	255K
<b>THURSDAY</b>							
01:30 am		AUD	Trade Balance	March	3.11B	3.33B	3.66B
08:30 am		GBP	Services PMI	April	55.8	54.6	55.0
12:30 pm		CAD	Trade Balance	March	-0.1B	0.3B	-1.0B
12:30 pm		USD	Unemployment Claims	Last week	238K	246K	257K
<b>FRIDAY</b>							
03:00 am		NZD	Inflation Expectations q/q	Q2 2017	2.2%		1.9%
12:30 pm		CAD	Employment Change	April	3.2K	20.0K	19.4K
12:30 pm		USD	Non-Farm Employment Change	April	211K	194K	79K

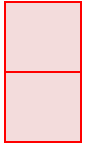


## EXPLANATIONS

### Chart

- **SMA (55)** – Simple Moving Average of 55 periods
- **SMA (200)** – Simple Moving Average of 200 periods

*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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