














DUKASCOPY
RESEARCH PRODUCTS

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Fundamental Analysis

Major events this week (December 12 - 16)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
MONDAY							
04:30 pm		JPY	Tertiary Industry Index (MoM)	October	0.2%		-0.3%
TUESDAY							
09:30 am		GBP	Consumer Price Index (YoY)		1.2%		0.9%
10:00 am		EUR	Employment Change (YoY)	Quarter	1.2%		1.4%
13:30 pm		USD	Import Price Index (YoY)	November	-0.3%	0.0%	0.5%
WEDNESDAY							
13:30 pm		USD	Core Retail Sales (MoM)	November			0.8%
THURSDAY							
12:30 pm		AUD	Employment Change	November			9.8K
12:00 pm		GBP	Retail Sales (MoM)	November			1.9%
13:30 pm		CAD	Manufacturing Sales	October			0.3%
13:30 pm		USD	Consumer Price Index (MoM)	November			0.4%
FRIDAY							
10:00 am		EUR	Core Consumer Price Index (MoM)	November			0.8%
13:30 pm		USD	Building Permits				1.23M

Key highlights of the week ended December 9

UK

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.

US

The US unemployment rate fell to a nine-year low in November, adding to expectations that US interest rates will rise later this month. Figures from the Labor Department showed the US economy created 178,000 jobs in November, while the jobless rate fell to 4.6% from 4.9% in October. The first employment report since voters went to the polls last month shows an economy in strong shape as President-elect Donald Trump prepares to take office. The unemployment rate fell to levels not seen since August 2007, before a bubble in the U.S. housing market began to burst. The fall was driven partly by the creation of new jobs and partly by people retiring and otherwise leaving the labor force. In addition, average hourly earnings in the US fell more-than-expected last month touching a seasonally adjusted -0.1%, from 0.4% in the preceding month. The data release comes ahead of the Fed's meeting, when the central bank is expected to announce its first interest rate increase in a year.

EU

The Euro zone's bond markets tumbled shortly, while the Euro moved markedly higher after the European Central Bank signalled on Thursday that it would begin to cut back the stimulus program starting from April 2017. The ECB said it would lower its 80 billion euros monthly asset purchases to 60 million euros but prolong the QE asset buys until December next year., pointing to low inflation that, according to the latest forecasts, was projected to achieve only 1.7% in 2019. In the meantime, market analysts expected the Central bank to leave its asset purchases at the current levels for 6 more months. The Bank bought 1.4 billion euros in bonds since the start of the QE program. The ECB kept its inflation forecast unchanged at 0.2% for 2016 but revised it slightly up to 1.3% and 1.5% for 2017 and 2018, respectively. The Bank also left its benchmark and deposit rate at 0.0% and -0.4% , respectively, in line with economists' expectations. Overall, the Euro zone's recovery remained solid despite Britain's decision to leave the European Union and Donald Trump's surprise victory in the US presidential elections. After the announcement, the Euro initially jumped to 1.0875 against the US Dollar but failed to hold the momentum, falling back to 1.0753.



“Higher inflation means the pound in your pocket won’t stretch as far and many will be thinking how they can make their money work harder”.

- Tom Stevenson, Fidelity International

GBP



	Impact
UK inflation reaches two-year high	High

According to the Office for National Statistics, the UK’s cost of living went up to 1.2% in November, showing the highest level in more than two years. Analysts had expected the rate to climb to 1.1%. The ONS said the biggest factor pushing inflation up last month was a rise in clothing prices, which increased by 1.6% between October and November this year, compared with a fall of 0.1% between the same two months a year ago. Moreover, motor fuels and a 'variety of recreational and cultural goods and services', including hotel and restaurant charges, were also the main contributors to November's increased rate as well as the fall in the value of the pound since the Brexit vote also is fueling a rise in the cost of living. Overall, a basket of goods and services that cost £100 in November 2015 would have cost £101.20 last month.

In the meantime, the Bank of England expects prices to keep rising in the coming months, as last year's harsh decline in the oil price falls out of the headline rate and the impact of the decline in the pound continues to feed through to consumer costs. As the result the value of the pound against the dollar and euro in early trading advanced.



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

	13.12 open price	13.12 close price	% change
GBP/USD	1.26733	1.26556	-0.14%
EUR/GBP	0.83845	0.8391	+0.08%
GBP/CAD	1.66348	1.66142	-0.12%
GBP/JPY	145.76	145.753	+0.00%



“On balance, this survey and others suggest that the German economy is faring well for now. But we doubt that recent strong rates of growth, which have owed much to the effects of falling inflation on consumer spending, will be sustained”.

EUR

- Jennifer McKeown, Capital Economics



	Impact
Euro zone employment grows 0.2% in Q3; German investor morale holds steady in December	High

The Euro zone’s employment growth slowed in the September quarter, official figures revealed on Tuesday. According to flash figures published by Eurostat, the number of employed persons climbed 0.2% in the Q3, down from the preceding quarter’s gain of 0.4%, whereas economists expected an increase of 0.3%. However, there were 153.4 million employed in the region, the highest level since the Q4 of 2008. On a yearly basis, employment growth increased 1.2% in three months to September, following the prior quarter’s 1.3% rise.

Other data released on the same day showed German economic sentiment remained unchanged in December amid the looming banking crisis in Italy and upcoming elections in the Euro zone’s largest economies. The Mannheim-based ZEW Institute’s Economic Sentiment Index came in at 13.8, unchanged from November, while market analysts anticipated a slight acceleration to 14.2. In addition, the figure was below its log-term average of 24.0 points. Meanwhile, the Current Conditions Index advanced to 63.5 in December, indicating positive trends within the German economy, whereas markets expected the Index to hold steady at 58.8 in the reported month.



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

	13.12 open price	13.12 close price	% change
EUR/USD	1.06338	1.06239	-0.09%
EUR/GBP	0.83845	0.8391	+0.08%
EUR/CHF	1.07772	1.07491	-0.26%
EUR/JPY	122.304	122.373	+0.06%



“We maintain our view that import prices will gradually move away from deflation territory in the coming months, following improving global commodity prices and the gradual waning of the effect of a stronger dollar”.

USD

- Blerina Uruci, Barclays



	Impact
US import prices drop 0.3% in November in line with forecasts	High

US import prices dropped markedly last month after two consecutive monthly gains, amid the lower cost of imported petroleum and stronger US Dollar. According to the US Department of Labor, import prices fell 0.3% in November, the biggest decline since February, following the previous month’s downwardly revised gain of 0.4% and meeting analysts’ expectations. On an annual basis, import prices decreased 0.1%, the smallest fall since July 2014, compared to October’s drop of 0.3%. Last month’s drop in import prices is unlikely to impact expectations that the Fed will raise rates at the end of its two-day policy meeting on Wednesday this week. The Greenback’s surge and a plunge in oil prices between June 2014 and December 2015 dampened import price inflation. Imported petroleum prices declined 4.7% in November, the biggest drop since February, following the prior month’s increase of 7.3% and offsetting a 10.6% rise in the price of imported natural gas. Excluding petroleum, import prices held steady last month, compared to October’s 0.1% decline. The report also showed that export prices fell 0.1% in the same month, after climbing 0.2% in October. Year-over-year, they dropped 0.3% in November, the smallest decrease since August 2014, after dipping 1.0% on the same basis in October.















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

	13.12 open price	13.12 close price	% change
AUD/USD	0.74956	0.74994	+0.05%
USD/CHF	1.01334	1.01158	-0.17%
USD/JPY	115.011	115.178	+0.14%
NZD/USD	0.71863	0.72016	+0.21%

Major events previous 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%	1.5%	1.5%
10:00 am		EUR	Gross Domestic Product	Quarter	0.3%	0.3%	0.3%
13:30 pm		CAD	Trade Balance	October	-1.13B		-4.1B
WEDNESDAY							
09:30 am		GBP	Manufacturing Production	November	-0.9%	0.5%	0.6%
15:00 pm		CAD	BoC Rate Statement				
15:30 pm		USD	Crude Oil Inventories		-2.4M	-1.4M	-0.9M
THURSDAY							
13:30 pm		EUR	ECB Press Conference				
13:30 pm		USD	Unemployment Claims		258K		268K
FRIDAY							
15:00 pm		USD	Prelim UoM Consumer Sentiment	December	98.0	94.3	93.8

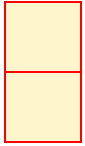
EXPLANATIONS

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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