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RESEARCH PRODUCTS

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# Fundamental Analysis

## Major events this week (January 16 - 20)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
<b>MONDAY</b>							
10:00 am		EUR	Trade Balance	November	22.7B	23.2B	19.9B
<b>TUESDAY</b>							
09:30 am		GBP	CPI y/y	December	1.6%	1.4%	1.2%
10:00 am		EUR	German ZEW Economic Sentiment	January	16.6	18.9	13.8
01:30 pm		USD	Empire State Manufacturing Index	December	6.5	8.1	9.0
<b>WEDNESDAY</b>							
09:30 am		GBP	Claimant Count Change	December	-10.1K	4.6K	1.3K
10:00 am		EUR	Final CPI y/y	December	1.1%	1.1%	1.1%
01:30 pm		USD	CPI m/m	December	0.3%	0.3%	0.2%
03:00 pm		CAD	BOC Overnight Rate		0.50%	0.50%	0.50%
<b>THURSDAY</b>							
01:30 pm		EUR	ECB Press Conference				
01:30 pm		USD	Building Permits	December		1.22M	1.20M
01:30 pm		CAD	Manufacturing Sales m/m	November		0.2%	-0.8%
<b>FRIDAY</b>							
09:30 am		GBP	Retail Sales m/m	December		-0.1%	0.2%
01:30 pm		CAD	CPI m/m	December			-0.4%
Tentative		USD	President-Elect Trump Speaks				

## Key highlights of the week ended January 13

### US

The US economy created less jobs than expected in the last month of 2016, disappointing markets. The US unemployment rate rose in line with analysts' expectations from 4.6% to 4.7%, while the participation rate climbed from 62.6% to 62.7%. The report also showed US nonfarm payrolls advanced 156,000, while markets anticipated a gain of 177,000, following the previous month's increase of 178,000. The number of job openings in the United States was little changed in November, according to the latest data released on Tuesday. The Bureau of Labor Statistics reported monthly job openings dropped to 5.52 million during the reported month, missing analysts expectations' of 5.59 million. The Labor Department reported that import prices climbed 0.4% in December, following the previous month's 0.2% decline. The increase was mainly driven by rising petroleum prices that jumped 7.9% during the reported period.

### UK

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. British industrial production posted the biggest monthly gain since March 2016, while manufacturing production rebounded from the preceding month's fall. According to the Office for National Statistics, UK manufacturing output rose 2.1% in November, following October's upwardly revised fall of 1.3%, the largest since 2012. This jump significantly exceeded analysts' expectations for a 0.8% rise in the reported month.

### Canada

Canadian economy created 53,700 new jobs in December, following the prior months' gain of 10,700 and surpassing the 5,000 decline forecast, official figures revealed on Friday. The data also showed the unemployment rate rose from 6.8% to 6.9% last month, in line with analysts' expectations as more people entered the labor market. 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. Canadian building permits dropped unexpectedly in November, official figures revealed on Tuesday. According to Statistics Canada, the value of building permits issued in the reported month fell 0.1%, following the preceding month's upwardly revised gain of 10.5%, revised from the originally reported increase of 8.7%, while market analysts anticipated a rise of 2.4% in November. Lower construction intentions for both single- and multi-family dwellings were mostly responsible for the reported decrease.



**"We suspect that the ECB will stress at its January policy meeting on Thursday that it is sticking to its current monetary policy course until it can be sure that the Eurozone is seeing a sustainable increase in Eurozone inflation to close to 2 per cent."**

**EUR**

**-Howard Archer, HIS Markit**



	<b>Impact</b>
Euro zone inflation rises 1.1% last month in line with forecasts	High

Consumer prices in the Euro zone climbed to a 38-Month high in December in line with analysts' expectations, official figures revealed on Wednesday. According to Eurostat, the CPI came in at an annualized rate of 1.1%, up from a 0.6% rise in November, and a 0.2% increase registered in the same period year ago. That was the highest reading since October 2013. On a yearly basis, the so-called core CPI, which excludes food, energy, alcohol and tobacco prices, came in at 0.9%, up from the prior month' 0.8%, while underlying prices advanced 0.4%. Data also showed, the main driver of inflation rise were energy prices, which advanced 2.6% year-over-year in December, up from a 1.1% slump in the past month. In the meantime, non-energy goods prices remained low, falling to 0.3% from 0.5% in annual terms. Nevertheless, the service sector CPI edged fractionally higher to 1.3% from 1.1% in November. In addition, a report showed the inflation rate advanced amid higher prices of transport, vegetables and heating oil, which added 0.21%, 0.07% and 0.05% to the headline figure, respectively.

In the short term consumer prices are likely to fall in January due to seasonal factors. However, the inflation rate is expected to climb significantly above 1.5% going further.



Trends*	Q1 17	Q2 17	Q3 17
MAX	1.19	1.18	1.22
75% percentile	1.07	1.08	1.10
Median	1.05	1.04	1.05
25% percentile	1.03	1.02	1.01
MIN	0.98	0.95	0.90

\* the data is based on international banks' forecasts

	19.01 open price	19.01 close price	% change
EUR/USD	1.06283	1.06425	+0.13%
EUR/GBP	0.86663	0.86723	+0.07%
EUR/CHF	1.07064	1.07174	+0.10%
EUR/JPY	121.809	122.125	+0.26%



*“With employment levels still close to record levels and unemployment continuing to fall, the latest indicators confirm that the UK jobs market remains a major bright spot for the UK economy”.*

**GDP** -Suren Thiru, British Chambers of Commerce



	<b>Impact</b>
UK unemployment claims drop unexpectedly last month while average earnings rise 2.8%	High

The unemployment rate in Britain held steady last month, while the number of unemployment benefit claims declined, surpassing analysts' expectations. Official data published by the Office for National Statistics on Wednesday showed claims for unemployment aid dropped 10,000 in December, while economists anticipated a gain of 2,500. Though the number of female claimants was 600 higher than men. The November rate was revised down to 1,300 from the originally reported 2,400. Meanwhile, the unemployment rate remained unchanged at its 11-year low of 4.8%, matching market forecasts. However, the number of employed people dropped 52,000 to 1.6 million in the three month period to November, the lowest level since 2006. The ONS also reported the Average Earnings Index increased 2.8% year-over-year. The reading slightly topped economists' expectations for an increase of 2.6%. Excluding bonuses, earnings advanced 2.7%, the largest gain since mid-2015.

The earnings figure is closely followed by the Bank of England since the Brexit vote. According to the latest inflation forecasts, the current average earnings growth is unlikely to significantly boost inflation, though the weakening labour market is likely to cut consumer spending, harming the economy's growth outlook.



FORECASTS		
1 MONTH	3 MONTHS	12 MONTH
		1.28
1.25	1.26	1.24
1.22	1.22	1.18
1.2	1.2	

Trends*	Q1 17	Q2 17	Q3 17
MAX	1.84	1.32	1.62
75% percentile	1.25	1.26	1.28
Median	1.22	1.22	1.24
25% percentile	1.20	1.20	1.18
MIN	1.07	1.03	1.02

\* the data is based on international banks' forecasts

	19.01 open price	19.01 close price	% change
GBP/USD	1.2404	1.23212	-0.67%
EUR/GBP	0.86245	0.86654	+0.47%
GBP/CAD	1.61748	1.61118	-0.39%
GBP/JPY	139.676	139.699	+0.02%



*“The overall narrative is, inflation is accelerating. We’re seeing broad-based, modest increases in prices. The Fed is going to be pleased with these numbers”.*

*-Tom Simons, Jefferies LLC*

**USD**



	<b>Impact</b>
US consumer prices rise 0.3% in December; Industrial production rebounds sharply last month	High

More expensive gasoline and rental accommodation boosted US consumer inflation last month, official figures showed on Wednesday. The Department of Labour reported its Consumer Price Index advanced 0.3% month-over-month in December, following the previous month’s 0.2% gain. On a yearly basis, the headline CPI climbed 2.1%, the largest annual increase since June 2014, after rising 1.7% in November. Both readings came in line with analysts’ expectations. Meanwhile, core consumer prices remained unchanged in December from the prior month, climbing 0.2%. Year-over-year, the core CPI grew 2.2%, compared to November’s 2.1% rise. However, the Fed’s preferred inflation measure, the core PCE, remained below the Central bank’s 2% target at 1.6% in December. Last month’s acceleration of headline inflation was mainly driven by higher prices of gasoline and rental accommodation that jumped 3.0% and 0.3%, respectively. Separately, the Federal Reserve said industrial production rose 0.8% last month, compared to November’s downwardly revised fall of 0.7%. The figure came in line with economists’ projections. The Utilities Index contributed most to the December increase, posting a 6.6% monthly rise. The Capacity Utilization Rate climbed 0.6% to 75.5% from November’s downwardly revised 74.9%.





**“Prospective protectionist trade measures in the United States would have material consequences for Canadian investment and exports”.**

**-Bank of Canada**

**CAD**



	<b>Impact</b>
Bank of Canada leaves interest rates on hold at 0.50%	High

As markets expected, the Bank of Canada left its benchmark overnight rate on hold at its January policy meeting on Thursday, where it has been since the middle of 2015. The Central Bank suggested that the economy is likely to get a hit from the President-elect Donald Trump’s protectionist policies. However, the BoC said that the value of any potential damage arising from Trump’s administration cannot be reasonably estimated at this time. The decision to keep the key interest rate at 0.50% was driven by high uncertainty surrounding Trump’s presidency. The biggest concern about Trump from an economic point of view is whether he will introduce high customs duties and review the North American Free Trade Agreement or not, as the US is the main trading partner of Canada. Nevertheless, the US President-elect’s intention to cut the corporate and personal income tax will probably benefit the Canadian economy.

In addition, the Bank of Canada upgraded its economic growth projections for the upcoming years. According to the Bank’s forecasts, the Canadian economy is likely to expand 2.1% in both 2017 and 2018.













FORECASTS		
1 MONTH	3 MONTHS	12 MONTH
		1.4
	1.38	
1.37		
	1.36	1.36
1.35		
	1.32	
		1.31

Trends*	Q1 17	Q2 17	Q3 17
MAX	1.42	1.45	1.45
75% percentile	1.37	1.38	1.40
Median	1.35	1.36	1.36
25% percentile	1.32	1.32	1.31
MIN	0.84	1.22	1.20

\* the data is based on international banks’ forecasts

	19.01 open price	19.01 close price	% change
AUD/CAD	1.10606	1.10895	+0.26%
CAD/CHF	0.83477	0.84349	+1.03%
EUR/CAD	1.09378	1.09262	-0.11%
USD/CAD	115.76	115.85	+0.08%

## Major events previous week (January 2 - 6)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
<b>MONDAY</b>							
08:30 am		GBP	Halifax HPI m/m	December	1.7%	0.3%	0.6%
03:30 pm		CAD	BOC Business Outlook Survey				
<b>TUESDAY</b>							
01:30 pm		CAD	Building Permits m/m	November	-0.1%	2.4%	8.7%
03:00 pm		USD	JOLTS Job Openings	December	5.52M	5.59M	5.45M
<b>WEDNESDAY</b>							
09:30 am		GBP	Manufacturing Production m/m	December	1.3%	0.6%	-1.0%
03:30 pm		USD	Crude Oil Inventories	Last week	4.1M	0.9M	-7.1M
<b>THURSDAY</b>							
01:30 pm		CAD	NHPI m/m	November	0.2%	0.3%	0.4%
01:30 pm		USD	Unemployment Claims	Last week	247K	265K	237K
<b>FRIDAY</b>							
09:30 am		GBP	BOE Credit Conditions Survey				
01:30 pm		USD	Retail Sales m/m	December	0.6%	0.5%	0.2%



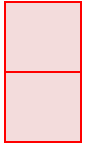
## EXPLANATIONS

### 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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