



DUKASCOPY
RESEARCH PRODUCTS

30/06/2016



Fundamental Analysis

Major events this week (June 27– July 1)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
MONDAY							
06:00 am		EUR	Private Loans (YoY)	June	1.6%		1.5%
1:30 pm		USD	Goods Trade Balance	May	-\$61.0B	-\$59.5B	-\$58.0B
TUESDAY							
1:30 pm		USD	Final GDP	Quarter	1.1%	1.0%	0.8%
23:50 pm		JPY	Retail Trade (YoY)	May	-1.9%	-1.6%	-0.9%
WEDNESDAY							
09:00 am		EUR	Industrial Confidence	June	-2.8	-3.4	-3.7
1:30 pm		USD	Personal Spending (MoM)	June	0.4%	0.4%	1.1%
THURSDAY							
9:30 am		GBP	Final GDP	Quarter			0.4%
1:30 pm		CAD	GDP (MoM)	June			-0.2%
1:30 pm		USD	Unemployment Claims	June			
FRIDAY							
02:00 am		CNY	Manufacturing PMI	June			50.1
09:30 am		EUR	Manufacturing PMI	June			50.1
3:00 pm		USD	ISM Manufacturing PMI	June			51.3

Key highlights of the week ended June 24

Euro zone

Eurozone's manufacturing sector bounced surprisingly in June on slight support from the global economy, but the counter political uncertainty in the entire euro area has sparked more of a disappointment, driving down overall business growth in the economy. Market flash manufacturing Purchasing Managers' Index PMI rose to 52.6 in June, from 51.5 in May and well above market anticipation of 51.3. However, the Markit Composite PMI index, which combines the manufacturing and services sectors, edged lower to 52.8 from 53.1 in May. This is the worst reading since January 2015. The consensus analyst estimate was 53.1.

US

On the second day of the Federal Reserve Governor's testimony on Wednesday, Janet Yellen stated that a number of risks for the US economy is still present, thus, the Fed is taking a cautious approach to the monetary policy and the interest rate hike this year in general. One of the mentioned risks was the remaining weakness in the labour market, with the bullish trend continuing to slow down, justifying the Fed's decision to postpone June's interest rate hike. Among other reasons mentioned, Janet Yellen said that business investment was low and the energy sector suffered from low oil prices for years. Nevertheless, the long-term expectations for the US economy remain advantageous, despite some arisen factors providing difficulties. Furthermore, the possible interest rate hike in July is now expected to be delayed by most economists, with the next probability shifting to September.

UK

The Bank of England issued a fresh warning that uncertainty about the EU referendum next week threatens knocking Britain's economic growth, pushing the Pound dramatically lower, as well as presents the "largest immediate risk" for global financial markets. If Britons were to opt for exiting the world's largest trading bloc, the adverse effect could severely hamper the global economy, the BoE rate setters said. The officials again reiterated that Brexit could lead to inflation, which would increase largely on the back of a dramatic depreciation of the British currency, while the economic growth and labour market would suffer a blow from falling investments. The Pound has already dropped in the run-up to the vote as opinion polls have shown a lead for the leave vote. However, the central bank said it had contingency measures in place to deal with any fall-out from the referendum result, including the offer of more support to banks and partnerships with other central banks to keep financial stability.



“Pressure on corporate profit margins will result in increasingly aggressive cost-cutting measures which will impinge on the pace of job growth, and thus the consumer is unlikely to be able to sustain a significant ‘engine of growth’ role for very much longer”.

USD

-MFR



	Impact
U.S. personal spending rises 0.4% in May, core PCE prices up 0.2%	High

According to the official data, the US consumer spending and core PCE prices advanced in line with economists’ expectations in May. The Commerce Department release indicates that personal spending went up by a seasonally adjusted 0.4% during the last month, while April’s data, in turn, was revised up to 1.1% from a previously recorded jump of 1.0% that had already been its largest soar in seven years. Meanwhile, consumer spending is the single biggest source of US economic growth, which implies as much as two-thirds of economic activity. The increase in following data could be explained lifted demand for automobiles and other goods, however it is worth to point out, that fears Britain's will leave the European Union could damage confidence and force households to cut consumption. In the meantime, personal income went up 0.2%, below forecasts of 0.3% gain and compared to the 0.5% in the preceding month.

Meanwhile, the Federal Reserve uses core PCE as a tool in order to determine whether to raise or lower interest rates, with the aim of preserving inflation at a rate of 2% or below. Currently, the US economy is rebounding from a dim start of the year, influenced by resurgence in consumer spending.



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

	29.06 open price	29.06 close price	% change
AUD/USD	0.7443	0.7442	+0.05%
USD/CHF	0.9791	0.9795	-0.45%
USD/JPY	102.91	102.91	-0.12%
NZD/USD	0.7108	0.7108	-0.26%



“The fundamentals remain. There’s still lots of demand, we’re not building enough homes. The question is who’s motivated to transact in the near term”.

-Richard Donnell

GBP



	Impact
UK mortgage approvals beat expectations in May; house prices extend steady advance	High

U.K. mortgage approvals rose and house prices continued their steady advance in the weeks before the country’s vote on its European Union membership. UK mortgage approvals for house purchases increased to 67,042 for May from 66,205 for April and were also higher than expected figure of around 65,000 for the month. Although the total was still below the six-month average of just over 70,500, the data will boost near-term confidence in the housing sector. Trends in approvals will now be watched very closely to assess the referendum economic impact.

The outlook for the housing market has altered in the past week after the U.K. voted to leave the EU. With uncertainty about the economy on the rise and the country possibly heading for a recession that could undermine property demand and halt price gains. Interest rates remain at very low levels with the effective rate on new mortgages at 2.41% for May, which was the lowest rate since the series started in 2004, and certainly those lowest rates for over 40 years. Thus, changes in the housing sector will have an important overall impact on the economic outlook and will be monitored closely over the next few months.



 Trends*	Q3 16	Q4 16	Q1 16
MAX	1.59	1.84	1.63
75% percentile	1.51	1.53	1.53
Median	1.46	1.49	1.49
25% percentile	1.42	1.45	1.43
MIN	1.35	1.23	1.23

* the data is based on international banks' forecasts

	29.06 open price	29.06 close price	% change
GBP/USD	1.3434	1.3436	-0.01%
EUR/GBP	0.8279	0.8279	+0.13%
GBP/CAD	1.7393	1.7392	-0.21%
GBP/JPY	138.27	138.29	+0.25%



“Sluggish activity adds another headwind to the Bank of Japan's efforts to lift price pressures, and we still expect policymakers to announce more monetary stimulus at next month's meeting”.

-Capital Economics

JPY



	Impact
Japan Annual Industrial Production falls more that forecast	High

Japanese industrial production went down continuing its sixth consecutive month of decline in May, as factories were highly affected by weak international demand and recent earthquakes near the country's manufacturing centre. According to the data released by the Japanese Ministry of Economy, Trade and Industry, output dropped by 2.3%, highly below the expectations of a minor of 0.1% decrease. Meanwhile, previous data for output showed steep growth equalling 3.6% and 0.3% respectively in March and April. Compared to April, industrial production lost 2.3% after adding 0.5% the previous month.

In the meantime, following data, namely weak reading on production, Wednesday's data on retail sales as well as weak export adds worries that Japan's recovery is rather gloomy despite steady rebound during the first quarter. Although Japanese Prime Minister Shinzo Abe has promised to introduce new package of stimulus this fall, some analysts are convinced that governmental support should come much sooner. Moreover, a growing numbers of economists believe that Japan's so-called "Abenomics" programme is relatively piecemeal to push the economy up.



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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

	29.06 open price	29.06 close price	% change
AUD/JPY	76.60	76.60	+0.05%
CAD/JPY	79.48	79.48	-0.45%
EUR/JPY	114.51	114.50	-0.12%
USD/JPY	102.91	102.91	-0.26%

Major events of the previous week (June 20-24)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
MONDAY							
06:00 am		EUR	German Producer Price Index (MoM)	May	0.4%	0.4%	0.1%
TUESDAY							
1:30 am		AUD	Monetary Policy Meeting Minutes				
10:00 am		EUR	German ZEW Economic Sentiment	June	19.2	5.1	6.4
3:00 pm		USD	Fed Chair Yellen Testifies				
WEDNESDAY							
1:30 pm		CAD	Core Retail Sales (MoM)	May	1.3%	0.7%	-0.3%
3:30 pm		USD	Crude Oil Inventories	June	-0.9M	-1.3M	-0.9M
THURSDAY							
24 h		GBP	EU Referendum				
08:00 am		EUR	Markit Manufacturing PMI	June	52.6	51.5	51.5
13:45 pm		USD	Markit Manufacturing PMI	June	51.4	50.8	50.7
FRIDAY							
09:00 pm		EUR	German IFO Business Climate	June	108.7	107.6	107.7
13:30 pm		USD	Core Durable Goods Orders (MoM)	May	-0.3%	0.0%	0.4%

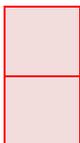
EXPLANATIONS

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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