

















DUKASCOPY
RESEARCH PRODUCTS

18/10/2016



Fundamental Analysis

Major events this week (October 17 - 21)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
MONDAY							
9:00 am		EUR	Consumer Price Index (YoY)	September	0.4%	0.4%	0.4%
13:15 pm		USD	Industrial Production (MoM)	September	0.1%	0.3%	-0.4%
22:45 pm		NZD	Consumer Price Index (YoY)	Quarter	0.2%	0.1%	0.4%
TUESDAY							
8:30 am		GBP	Consumer Price Index (YoY)	September		0.1%	0.3%
12:30 pm		CAD	Manufacturing Sales (MoM)	September			0.1%
12:30 pm		USD	Consumer Price Index (MoM)				0.2%
WEDNESDAY							
2:00 am		CNY	Gross Domestic Product (YoY) (Q3)	September			6.7%
12:30 pm		USD	Building Permits	September			1.14M
2:00 pm		CAD	Interest Rate Decision	September		0.2%	0.5%
THURSDAY							
00:30 am		AUD	Unemployment Rate	September			5.6%
8:30 am		GBP	Retail Sales (MoM)	September		0.3%	-0.2%
11:45 am		EUR	ECB Interest Rate Decision	September		-0.4%	-0.4%
12:30 pm		USD	Initial Jobless Claims	October			246K
FRIDAY							
12:30 pm		CAD	Core Consumer Price Index (MoM)	September			0.0%

Key highlights of the week ended October 14

US

On Wednesday the Fed released the minutes of its September meeting, once again refraining from raising interest rates. Several FOMC members expressed desire to raise rates, while others stated that a rate hike would be required 'relatively soon'. It was the first time in five years when more than two officials voted for an immediate rate hike. Some Fed policy makers still have concerns over the strength of the labor market and inflation, thus, more evidence of US economic growth is required. Inflation has been below the Fed's 2% target, namely at 1.7%, but it was still argued that the levels are quite close to expectations and there are few signs of inflationary pressures. Some argue that the Fed was somewhat hawkish, but these minutes had little impact on the markets, as they brought more uncertainty, not necessarily suggesting a rate hike will occur in December, despite Fed Chair Jannet Yellen and several other officials stating that they would raise rates by year's end if inflation and employment figures keep improving. Although there are two more Fed meetings scheduled in 2016, a move in November has been basically ruled out due to US presidential elections. According to CME Group's data, a December rate hike is currently seen with a probability of slightly more than 60%.

EU

Industry figures for the single currency area could bring third-quarter economic growth in the 19-country Euro zone. According to the data, the Eurozone's industrial production went up 1.6% in August following a revised 0.7% decrease during the previous month. Moreover, the increase outperformed expectations of a 1.4% rise and the annual advance of 1.8% was also above consensus forecasts. Although, the solid recovery has demonstrated German production for August with output rising 2.5% on a monthly pace, while new orders also strengthened and there was a robust recovery in exports.

China

According to the General Administration of Customs, China's trade balance weakened more than expected in September. Chinese trade surplus slipped to 278.4 billion yuan in September, comparing to 346 billion in August. Meanwhile, economists forecasted a fall to 300 billion yuan. Overall, China's September exports lost 10% from a year earlier, far worse than expected, while imports unexpectedly plunged after accelerating in August, hinting that signs of steadying in the world's second-largest economy may be short-lived. Also, the disappointing trade figures indicating to weaker demand both in China and abroad, and accelerated concerns over the latest depreciation in China's yuan currency, which managed to hit a fresh six-year low against a firming US dollar. Overall, data have highlighted growing imbalances in China's economy, with growth increasingly depended on government spending as private investment falls to record lows. Larger state firms are expanding, while smaller manufacturers, in turn, continue to struggle. Eventually, the economy appears to have stabilized during the first half of the year, growing at an annualized 6.7% pace during the first two quarters.




“With the latest increase in oil prices, negative base effects should start to disappear in the coming months, slightly pushing up headline inflation”.

- Carsten Brzeski, ING Germany

EUR




	Impact
Euro zone CPI remains unchanged at 0.4% YoY in September	High

Consumer prices held steady in the Euro zone last month, official figures revealed on Monday. According to Eurostat, the Consumer Price Index came in at 0.4% month-over-month in September, up from the 0.2% rise seen in August. On a yearly basis, the headline CPI came in at 0.4%, unchanged from the prior month and in line with analysts' expectations. The highest inflation annual rate of 1.8% was recorded in Belgium. Meanwhile, the greatest deflation was registered in Bulgaria, where consumer prices dropped 1.1% year-over-year in September. The so-called core CPI, which excludes food, energy, alcohol and tobacco, rose 0.5% month-over-month in September, following the preceding month's 0.3% increase. On an annual basis, core consumer prices advanced 0.8% in the reported month, meeting projections and the prior month's reading. The September growth in consumer prices was mainly supported by restaurants and cafes, rents and tobacco. Since 2013, the European Central Bank aims at inflation rates of below, but close to, 2% over the medium term.

After the release, the Euro rose 0.27% against the US Dollar to trade at \$1.0998, while Germany's DAX fell 0.44% to 10,533.44 and France's CAC 40 declined 0.34% to 4,456.52.



 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

	17.10 open price	17.10 close price	% change
EUR/USD	1.09685	1.0998	+0.27%
EUR/GBP	0.9025	0.90286	+0.04%
EUR/CHF	1.08648	1.08792	+0.13%
EUR/JPY	114.396	114.258	-0.12%



“The drag from falling energy investment has abated. That should allow overall business investment to resume modest growth in the year ahead. We’re still likely to see minimal gains in manufacturing output”.

USD - Ryan Wang, HSBC Securities USA Inc



	Impact
US industrial production grows at slightly slower pace than expected in September	High

Industrial production in the United States rose less than expected last month, suggesting the economy grew at a moderate annual pace in the Q3. The Federal Reserve revealed on Monday the country’s industrial output advanced 0.1% in September, compared to the preceding month’s downwardly revised fall of 0.5%, while market analysts anticipated a rebound of 0.3% in the reported period. On an annual basis, industrial production increased 1.8% in the Q3, marking the first quarterly rise since the Q3 of 2015. Manufacturing output as well as mining output rose 0.2% and 0.4% in September, respectively, while utilities output fell 1.0% in the same month.

The industrial sector was badly hurt by the strengthening US Dollar and surging price of oil between June 2014 and December 2015. Also, it was hampered by businesses’ efforts to reduce an inventory overhang. However, the recent stabilization of the US Dollar and oil prices suggest a significant rebound in industrial production. In addition, capacity utilization declined to 75.4% during the ninth month of the year, down from last month’s 75.5% reading, while economists anticipated a slight increase to 75.6% during the reported period.













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	17.10 open price	17.10 close price	% change
AUD/USD	0.76192	0.76286	+0.12%
USD/CHF	0.99022	0.98901	-0.12%
USD/JPY	104.336	103.874	-0.44%
NZD/USD	0.70928	0.71332	+0.57%

Major events previous week (October 10 - 14)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
MONDAY							
6:00 am		EUR	German Trade Balance	August	22.2B		19.4B
TUESDAY							
9:00 am		EUR	ZEW Survey Economic Sentiment	October	12.3		5.4
12:15 pm		CAD	Housing Starts (YoY)	September	221K		182.7K
WEDNESDAY							
9:00 am		EUR	Industrial Production (YoY)	August	1.8%		-0.5%
18:00 pm		USD	FOMC Minutes				
THURSDAY							
02:30 am		CNY	Trade Balance	September	278.4B		346.05B
06:00 am		EUR	EU Extraordinary Economic Summit				
12:30 pm		USD	Initial Jobless Claims	October	246K		249K
FRIDAY							
01:30 am		CNY	Consumer Price Index (YoY)	September	1.9%		1.3%
12:30 pm		USD	Retail Sales (MoM)	September	0.6%		-0.2%

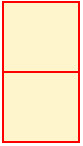
EXPLANATIONS

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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