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RESEARCH PRODUCTS

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# Fundamental Analysis

## Major events this week (July 10 - 14)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
<b>MONDAY</b>							
09:00 am		EUR	Final CPI y/y	June	1.3%	1.3%	1.3%
10:45 pm		NZD	CPI q/q	Q2	0.0%	0.2%	1.0%
<b>TUESDAY</b>							
08:30 am		GBP	CPI y/y	June		2.9%	2.9%
09:00 am		EUR	German ZEW Economic Sentiment	July		17.6	18.6
<b>WEDNESDAY</b>							
12:30 pm		CAD	Manufacturing Sales m/m	May		0.8%	1.1%
12:30 pm		USD	Building Permits	June		1.20M	1.17M
<b>THURSDAY</b>							
Tentative		JPY	Monetary Policy Statement				
01:30 am		AUD	Employment Change	June			
08:30 am		GBP	Retail Sales m/m	June		0.3%	-1.2%
<b>FRIDAY</b>							
12:30 pm		CAD	CPI m/m	June		0.0%	0.1%

## Key highlights of the week ended July 14

### Canada

At the latest policy meeting, the Bank of Canada decided to raise its overnight rate target by 0.25% to 0.75% for the first time since 2010, satisfying economists' expectations. In light of a shift in rhetoric from the central bank, which turned to be a lot more hawkish over the prior month, and generally more optimistic economic data, policymakers judged that a rate increase was appropriate at this point in time. The BoC's statement revealed that a substantial amount of economic slack "has been absorbed", while the output gap is set to narrow significantly by the end of the year, as opposed to the previous estimates for the output gap to close in the H1 of 2018. Moreover, the GDP outlook for 2018 has brightened up, as the BoC revised upwards its growth forecast to 2.0% from 1.9%, with exports set to make a larger contribution to the GDP over the observed period. Apart from that, despite inflation still remaining below the target, the BoC said it could be caused by temporary factors, which makes the central bank sure inflation rate is capable of meeting the target by the end of H1 of 2018.

### United States

On Wednesday, the Chair of the US Federal Reserve Janet Yellen testified on the Semi-annual Monetary Policy Report before the House Financial Services Committee in Washington DC. In the prepared testimony, Yellen said that the country's economy was strong enough for the central bank to continue to increase interest rates and start winding down its massive balance sheet as soon as this year. Furthermore, in what might appear to be her last public appearance before the Congress, the Fed Chair highlighted the fact that despite the economy expanding at a slowly (but steady) pace, it continued to add jobs and benefit from stable household consumption and business investment, while more favourable conditions overseas continued to support the domestic economy. Ms. Yellen also noted that in the wake of the current estimates, the federal funds rate might not even need to increase all that much further in order to reach the neutral level that would neither encourage nor discourage the economic activity at home. Separate report from the Labour Department showed on Thursday that the US Producer Price Index for final demand nudged up 0.1% in June on the back of sustained increases in services cost that managed to offset plunging energy prices. The gain came in as a surprise, as the vast majority of analysts had predicted the index to stay unchanged, and suggested that a recent moderation in inflation was likely temporary. In 12 months through June, the PPI advanced 2.0%, down 0.4% from May's reading, as the energy-led spike was dropped out of the calculation.

### United Kingdom

The unemployment rate in Britain declined unexpectedly, while the jobless claimant count was little changed, missing analysts' expectations. The official report by the Office for National Statistics published on Wednesday showed that claims for unemployment aid rose just 6K in May, following the prior month's upwardly revised 7.5K, while economists anticipated a gain of 10K. The UK unemployment rate declined to 4.5% in the May quarter, reaching its lowest level since 1975. Meanwhile, the ONS stated that the Average Earnings Index remained flat at 1.8% year-over-year in May, matching market forecasts and following previous month's 2.1% rise. Excluding bonuses, earnings advanced more than expected to 2% in March-May period, up from 1.7% registered in April. However, real earnings dropped 0.5%, as consumer prices rose at a faster pace than Britons' pay. Inflation was at 2.9% in the reported month, showing the fastest pace of growth in about four years. Experts suggest that the Brexit impact on the economy is set to be even more explicit in the coming years.



**EUR**

**""There is simply not enough (or any) evidence that inflation is picking up and so a change to the inflation risk assessment by the ECB cannot be justified."**

— Richard McGuire, Rabobank.



	<b>Impact</b>
Euro zone inflation confirmed at 1.3% in June	High

Consumer inflation in the Euro zone rose in line with analysts' forecasts last month, official figures revealed on Monday. Eurostat reported that its Final Consumer Price Index came in at 1.3% in June, matching the flash estimate and falling down from 1.4% registered in preceding month. Meanwhile, the so-called core inflation rate rose 1.1% on an annual basis, following May's 0.9% increase. Moreover, the services sector inflation increased 1.6%, compared to 1.1% seen in the same month a year ago. Back in June, the ECB President Mario Draghi announced that consumer prices' growth was affected by temporary factors, such as after-effects of energy and commodity price shocks. However, after strong Euro zone's economic recovery at the beginning of the year, any further weakness in inflation is likely to diminish expectations for the ECB to remove accommodation. Despite recent figures being almost sufficient to encourage policy tightening, the European Central Bank is expected to be cautious over monetary stimulus withdrawal. Economists anticipate no changes in key interest rates until inflation reaches the 2% target.



 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

	17.07 open price	17.07 close price	% change
EUR/USD	1.1474	1.1478	0.03%
EUR/GBP	0.8759	0.8793	0.39%
EUR/CHF	1.1049	1.1051	0.02%
EUR/JPY	129.04	129.27	0.18%



**"Household basics like rent, food, and electricity all hit consumers' pockets harder this quarter."**  
— Jason Attewell, Statistics NZ

**NZD**



	<b>Impact</b>
New Zealand's inflation flat in Q2	High

Inflation in New Zealand hampered unexpectedly in the second quarter, suggesting that declining oil prices were restraining cost pressures throughout the country's economy. Statistics New Zealand reported on Monday that its Consumer Price Index was flat on a seasonally adjusted basis in the June quarter, following a 1% rise in the Q1 and falling behind expectations for a 0.2% increase. The largest upward contribution was provided by higher food prices with 0.7% jump pushed by vegetable prices. Meanwhile, the largest fall was registered in transport prices, which were down 1.3% amid lower prices of petrol and seasonally cheaper domestic airfares and car rentals. On an annual basis, the most of downward pressure came from lower telecommunication services prices and cheaper equipment. In regional terms, Auckland registered the highest increase of 3.0% in the reported quarter. The Reserve Bank of New Zealand previously signalled that it was set to keep its interest rates at a record low of 1.75% until late 2019, but recent data fuelled expectations for a rate hike by mid-2018.



 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

	17.07 open price	17.07 close price	% change
AUD/NZD	1.0657	1.0658	0.01%
EUR/NZD	1.5605	1.5686	0.52%
GBP/NZD	1.7833	1.784	0.04%
NZD/USD	0.7344	0.7319	-0.34%

## Major events previous week (July 10 - 14)

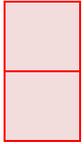
Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
<b>MONDAY</b>							
08:30 am		EUR	Sentix Investor Confidence	July	28.3	28.1	28.4
<b>TUESDAY</b>							
01:30 am		AUD	NAB Business Conditions	June	15		11
12:15 pm		CAD	Housing Starts	June	213K	200K	195K
02:00 pm		USD	JOLTS Job Openings	May	5.67M	5.98M	5.97M
<b>WEDNESDAY</b>							
08:30 am		GBP	Claimant Count Change	June	6.0K	10.5K	7.3K
02:00 pm		CAD	BOC Rate Statement				
02:00 pm		USD	Fed Chair Yellen Testifies				
<b>THURSDAY</b>							
12:15 pm		USD	PPI m/m	June	0.1%	0.0%	0.0%
<b>FRIDAY</b>							
12:30 pm		USD	CPI m/m	June	0.0%	0.1%	-0.1%

## 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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