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RESEARCH PRODUCTS

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# Fundamental Analysis

## Major events this week (October 24 - 28)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
<b>MONDAY</b>							
8:00 am		EUR	Markit Manufacturing PMI	October		52.6	52.6
12:30 pm		CAD	Wholesale Sales (MoM)	October		0.2%	0.3%
13:45 pm		USD	Markit Manufacturing PMI	October			51.5
<b>TUESDAY</b>							
8:00 am		EUR	German Ifo Business Climate	October			109.5
14:00 pm		USD	Consumer Confidence	October		101.5	104.1
14:35 pm		GBP	BoE Governor Carney Speaks				
<b>WEDNESDAY</b>							
12:30 am		AUD	Consumer Price Index (YoY) (Q3)	September			1%
14:30 pm		USD	Crude Oil Inventories	October			-5.2M
21:45 pm		NZD	Trade Balance	October			-1265M
<b>THURSDAY</b>							
8:30 am		GBP	Prelim GDP	Quarter		0.3%	0.7%
12:30 pm		USD	Unemployment Claims	October			260K
<b>FRIDAY</b>							
12:30 pm		USD	Gross Domestic Product	Quarter			1.4%

## Key highlights of the week ended October 21

### US

US consumer prices rose most since April last month, driven by a surge in gasoline and rental prices. On Tuesday, the US Department of Labor said its Consumer Price Index advanced 0.3% in September, following the preceding month's gain of 0.2% and meeting analysts' expectations. On an annual basis, the CPI climbed 1.5%, posting the biggest year-over-year rise since October 2014 and surpassing August's 1.1% increase. Meanwhile, the so-called core CPI, which excludes food and energy prices, rose 0.1% month-over-month and 2.2% year-over-year in the same month after climbing 0.3% on a monthly basis and 2.3% on a yearly basis in August. Notwithstanding, today's disappointing core CPI data is unlikely to change the prospect of a Fed rate hike in December. The September increase was mainly driven by higher gasoline prices that surged 5.8% after falling 0.9% in August. The price of food remained unchanged for the fifth consecutive month in September. As to the core CPI, owners' equivalent rent of primary residence advanced 0.4%, following the 0.3% rise in August, while medical care costs grew 0.2%, compared to the preceding month's 1.0% hike. Hospital services prices held steady in September, whereas prescription drug costs climbed 0.8%.

### EU

The European Central Bank left interest rates on hold and kept its 1.74 trillion euro (\$1.95 trillion) asset buying scheme running in order to boost economic growth and inflation at its October monetary policy meeting on Thursday. As analysts predicted, the benchmark overnight deposit interest rate was left unchanged at -0.40%; however, the majority of them expect the Bank to announce an extension of asset purchases at the Governing Council meeting in December. Furthermore, the Central bank said it continues to expect the key interest rates to remain at present or even lower levels for an extended period of time, and well past the horizon of the net asset purchases. It also noted that the 80 billion euro asset purchase program is intended to run until March 2017, or beyond, if necessary to raise inflation. Back in September, inflation reached its highest level since 2014, albeit that level was just 0.4%, and according to the latest forecasts released by the ECB it is unlikely to hit its close to 2% target until the end of 2018 or early 2019. The ECB, in response to weak growth, low inflation and high unemployment, was forced to provide additional monetary stimulus, cutting interest rates into the negative territory and launching its QE program.

### Canada

The Bank of Canada held its benchmark interest rate on hold but lowered its estimates for Canadian growth in 2016 and 2017 during the October policy meeting on Wednesday. The Central bank cut its 2016 GDP forecast to 1.1%, down from the 1.3% forecast posted three months ago, while the 2017 GDP forecast was revised down to 2.0% from 2.2% projected earlier. As analysts expected, the Bank kept its overnight rate at 0.5%. The key rate remained unchanged since July 2015, and analysts say it is unlikely to be raised until 2018. According to the latest projections, the Bank of Canada expects the economy to fully rebound in the middle of 2018. Moreover, the Bank said the Canadian government's recently announced changes to mortgage and tax regulations in the country's housing market are likely to restrain residential investment and dampen household vulnerabilities, lowering the 2018 real GDP level by 0.3%. In the past, the Canadian real estate market helped to offset low oil prices and boost economic growth.



*“So now we know why the BOC considered easing. Economic growth in the third quarter doesn't look as good as expected, inflation is below target and it's unclear where an acceleration would come from”.*

**CAD** - Greg Anderson, Bank of Montreal



NEWS	Impact
Canadian inflation remains weak in September; Retail sales show no signs of rebound in August	High

Consumer prices in Canada grew less than expected last month amid lower fuel prices and milder increases in food prices, official data showed on Friday. According to Statistics Canada, the headline Consumer Price Index rose 0.1% month-over-month in September, surpassing August's drop of 0.2% but falling behind the 0.2% gain forecast. On an annual basis, consumer prices advanced 1.3% in September, missing the 1.5% rise forecast. Meanwhile, the so-called core CPI, which excludes some volatile price items, increased 0.2% in the same month, up from August's 0.0% reading and in line with analysts' expectations. On a yearly basis, core inflation, a closely watched indicator by the Bank of Canada, held steady at 1.8%, as projected. The drop in annual headline inflation was driven by a 3.2% decline in gasoline prices and sluggish food prices, which rose just 0.1%. Separately, Statistics Canada announced retail sales fell 0.1% in August, following July's revised 0.2% drop, while analysts anticipated a 0.5% increase. Moreover, core retail sales came in at 0.0%, compared to the preceding month's downwardly revised decline of 0.2%; however, markets projected a 0.4% sales increase in August. Analysts widely expect that the Canadian economy rebounded in the Q3, following the Alberta wildfires.

















Trends*	Q4 16	Q1 17	Q2 17
MAX	1.40	1.40	1.45
75% percentile	1.34	1.33	1.35
Median	1.31	1.31	1.30
25% percentile	1.28	1.28	1.27
MIN	0.84	1.20	1.17

\* the data is based on international banks' forecasts

	21.10 open price	21.10 close price	% change
AUD/CAD	1.00805	1.01389	+0.58%
CAD/CHF	0.75023	0.74527	-0.67%
EUR/CAD	1.44577	1.45064	+0.34%
USD/CAD	1.32298	1.33319	+0.77%

## Major events previous week (October 17 - 21)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
<b>MONDAY</b>							
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%
<b>TUESDAY</b>							
8:30 am		GBP	Consumer Price Index (YoY)	September	1.0%	0.9%	0.6%
12:30 pm		CAD	Manufacturing Sales (MoM)	September	0.9%	0.3%	0.1%
12:30 pm		USD	Consumer Price Index (MoM)	September	0.3%	0.3%	0.2%
<b>WEDNESDAY</b>							
2:00 am		CNY	Gross Domestic Product (YoY) (Q3)	September	6.7%	6.7%	6.7%
12:30 pm		USD	Building Permits	September	1.23M	1.17M	1.15M
2:00 pm		CAD	Interest Rate Decision	September	0.5%	0.5%	0.5%
<b>THURSDAY</b>							
00:30 am		AUD	Unemployment Rate	September	5.6%	5.7%	5.6%
8:30 am		GBP	Retail Sales (MoM)	September	0.0%	0.4%	-0.2%
11:45 am		EUR	ECB Interest Rate Decision	September	-0.4%	-0.4%	-0.4%
12:30 pm		USD	Initial Jobless Claims	October	260K	251K	246K
<b>FRIDAY</b>							
12:30 pm		CAD	Core Consumer Price Index (MoM)	September	0.2%	0.2%	0.0%

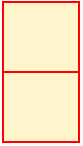
## EXPLANATIONS

### 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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