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RESEARCH PRODUCTS

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# Fundamental Analysis

## Major events this week (February 20 - 24)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
<b>MONDAY</b>							
01:30 pm		CAD	Wholesale Sales m/m	December	0.7%	0.4%	0.2%
<b>TUESDAY</b>							
09:00 am		EUR	Flash Services PMI	February	55.6	53.7	53.7
09:30 am		GBP	Public Sector Net Borrowing		-9.8B	-14.4B	6.4B
<b>WEDNESDAY</b>							
09:30 am		GBP	Second Estimate GDP q/q	Q4 2016	0.7%	0.6%	0.6%
01:30 pm		CAD	Core Retail Sales m/m	December	-0.3%	0.8%	0.1%
<b>THURSDAY</b>							
00:30 am		AUD	Private Capital Expenditure q/q	Q4 2016	-2.1%	-0.4%	-3.3%
01:30 pm		USD	Unemployment Claims	Last week	244K	242K	238K
<b>FRIDAY</b>							
01:30 pm		CAD	CPI m/m	January		0.3%	-0.2%
03:00 pm		USD	New Home Sales	January		575K	536K

## Key highlights of the week ended February 17

### US

The US Commerce Department reported its headline CPI climbed 0.6% month-over-month in January, while analysts expected the Index to remain unchanged from the prior month at 0.3%. Excluding volatile items, core consumer prices rose 0.3% last month, after growing 0.2% in December. The January inflation jump was mainly driven by higher gasoline, apparel and motor vehicles prices. In the meantime, the US Labour Department revealed the Producer Price Index advanced 0.6% in January, while market analysts expected the Index to remain unchanged from the previous month at 0.3%. That marked the largest gain since September 2012. Separately, the Philadelphia Federal Reserve said its Manufacturing Index jumped to 43.3 points in February, the highest level in 33 years, driven by a jump in new orders, which climbed to 38.0 from 26.00.

### Australia

The Australian labour market continued its uptrend for the fourth consecutive month, with employers adding more workers than expected over the month of January. The official figures released by the Australian Bureau of Statistics showed that the number of employees topped analysts' expectations for a 9.7K rise, inching up 13.5K compared to an upwardly revised 16.3K surge registered in the preceding month. In the meantime, the jobless rate came in at 5.7%, down from 5.8% in December, as the seasonally adjusted labour force participation rate fell to 64.6% from 64.7%, which resulted in total number of unemployed diving to 720.02K.

### Canada

Canadian manufacturing sales rose for the second consecutive month in December. According to Statistics Canada, sales advanced 2.3% on a monthly basis in December, the largest increase since 2015, following the preceding month's upwardly revised gain of 2.3% and surpassing analysts' expectations for an increase of 1.4%. In volume terms, manufacturing sales climbed 2.3% in the reported month, suggesting the Canadian economy performed well in the final quarter of 2016.

### United Kingdom

The number of Britons filing for unemployment benefits dropped markedly last month, while wage growth slowed in the Q4. The Office for National Statistics reported the number of claimants declined 42,400 to 787,400 in January, following the preceding month's upwardly revised fall of 20,500. In the meantime, including bonuses, average hourly earnings climbed 2.6% on an annual basis in the Q4 of 2016, while analysts expected an unchanged reading from the prior month, when the Average Earnings Index rose 2.8%.



*"The near-term outlook remains soft. There is no strong signal of a pick up in business investment. The first estimate for 2017/18 implies something close to flat relative to this year in terms of non-mining investment in nominal terms."*

**AUD**

- Michael Turner, RBC Capital Markets



	<b>Impact</b>
Australian private CAPEX drops more than expected in Q4	High

Australian business investment plunged more than anticipated in the final quarter of 2016, official data revealed on Wednesday. According to the Australian Bureau of Statistics, private capital expenditure dropped 2.1% to settle at \$27.4B in Q4 on a seasonally adjusted basis, whilst analysts predicted the data to post a moderate decline of 0.5% in the reported period. The reading followed an upwardly revised 3.3% contraction observed through July-September quarter and marked the fourth straight quarterly slide in business investment in Australian firms. CAPEX at services sector enjoyed a 1.8% rally over the final quarter of the previous year, being outperformed by a 3.2% increase in capital expenditure in manufacturing companies. Nevertheless, the positive impact of the latter two sectors was completely wiped out by a dramatic 9.3% plunge in mining CAPEX, which is now standing at the lowest mark in nearly eight years. Furthermore, building CAPEX also fell in the reported quarter, declining 4.1% to \$15.3B, compared to a 3.6% slump observed in the Q3. Overall, the ABS report suggested that the short-term outlook for the economy remains soft.



Trends*	Q1 17	Q2 17	Q3 17
MAX	0.80	0.81	0.82
75% percentile	0.74	0.74	0.75
Median	0.73	0.72	0.72
25% percentile	0.71	0.71	0.70
MIN	0.68	0.63	0.60

\* the data is based on international banks' forecasts

	23.02 open price	23.02 close price	% change
AUD/JPY	87.28	86.88	-0.46%
AUD/USD	0.7708	0.7714	0.08%
EUR/AUD	1.3709	1.3719	0.07%
GBP/AUD	1.6165	1.627	0.65%



*"The pattern (in jobless claims) is consistent with the trend in employment growth remaining strong — more than strong enough to keep the unemployment rate trending down."*

**USD** - Jim O'Sullivan, High Frequency Economics



	<b>Impact</b>
US jobless claims climb 6,000 last week	High

The number of Americans filing for unemployment benefits increased slightly more than expected last week, though the four-week average dropped 4,000 to 241,000, weakest level since 1973, official figures revealed on Thursday. Last week's results were driven by growing economy and tight labour market, which is likely to prompt companies to retain experienced workers, supporting wage growth. According to the US Department of Labour, national jobless claims rose 6,000 to 244,000 during the week ended February 17 from the preceding week's upwardly revised 238,000. Meanwhile, economists anticipated an acceleration to 242,000 during the reported period. Filings have been holding below 300,000 for 103 straight weeks, showing healthy signs of the US job market. In the meantime, continuing claims fell 17,000 to 2.06 million during the week ended February 11, while their four-week moving average dropped 10,750. Overall, the Federal Reserve is widely expected to increase interest rates fairly soon, with labour market and inflation data set to reveal better performance. The last time the Fed raised its benchmark overnight rate was in December last year, when the rate was increased from 0.5% to 0.75%.














FORECASTS		
Q1 17	Q2 17	Q3 17
	118	118
116		115
114	114	
110		110
	109	

Trends*	Q1 17	Q2 17	Q3 17
MAX	122	122	125
75% percentile	116	118	118
Median	114	114	115
25% percentile	110	109	110
MIN	98	100	100

\* the data is based on international banks' forecasts

	23.02 open price	23.02 close price	% change
AUD/USD	0.7708	0.7714	0.08%
USD/CHF	1.0097	1.0064	-0.33%
USD/JPY	113.08	112.74	-0.30%
NZD/USD	0.7195	0.7228	0.46%

## Major events previous week (February 13 - 17)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
<b>MONDAY</b>							
00:00 am		JPY	Preliminary GDP q/q	Q4 2016	0.2%	0.3%	0.3%
<b>TUESDAY</b>							
07:00 am		EUR	German Preliminary GDP q/q	Q4 2016	0.4%	0.5%	0.2%
09:30 am		GBP	CPI y/y	January	1.8%	1.9%	1.6%
01:30 pm		USD	PPI m/m	January	0.6%	0.3%	0.3%
<b>WEDNESDAY</b>							
09:30 am		GBP	Claimant Count Change	January	-42.4K	1.1K	-20.5K
01:30 pm		CAD	Manufacturing Sales m/m	December	2.3%	1.4%	2.3%
01:30 pm		USD	CPI m/m	January	0.6%	0.3%	0.3%
<b>THURSDAY</b>							
00:30 am		AUD	Employment Change	January	13.5K	9.7K	16.3K
01:30 pm		USD	Building Permits	January	1.29M	1.23M	1.23M
<b>FRIDAY</b>							
09:30 am		GBP	Retail Sales m/m	January	-0.3%	1.0%	-1.9%
01:30 pm		CAD	Foreign Securities Purchases	December	10.23B	11.59B	7.24B

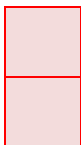
## EXPLANATIONS

### 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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