

29/08/2016


















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# Fundamental Analysis

## Major events this week (August 22-26)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
<b>MONDAY</b>							
11:30 pm		USD	Personal Spending YoY	August		0.3%	0.4%
11:30 pm		JPY	Household Spending YoY	August		-1.3%	-2.2%
<b>TUESDAY</b>							
1:30 am		AUD	Building Approvals MoM	August		1.2%	-2.9%
12:30 pm		CAD	Current Account	August			-16.8B
2:00 pm		USD	CB Consumer Confidence	August		97.2	97.3
<b>WEDNESDAY</b>							
12:15 pm		USD	ADP Non-Farm Employment Change	August		173K	179K
12:30 pm		CAD	GDP MoM	August		0.5%	-0.6%
2:30 pm		USD	Crude Oil Inventories	August			2.5M
<b>THURSDAY</b>							
1:00 am		CNY	Manufacturing PMI	August		49.9	49.9
8:30 am		AUD	Retail Sales MoM	August		0.3%	0.1%
12:30 pm		GBP	Manufacturing PMI	August		49.1	48.2
2:00 pm		USD	ISM Manufacturing PMI	August		52.0	52.6
<b>FRIDAY</b>							
8:30 am		GBP	Construction PMI	August		46.6	45.9
12:30 pm		CAD	Trade Balance	August		-3.2B	-3.6B
12:30 pm		USD	Unemployment Rate	August		4.8%	4.9%

## Key highlights of the week ended August 19

### Euro Zone

The Eurozone's economic powerhouse has confirmed an economic deceleration in the second quarter of 2016, the second reading of the gross domestic product showed. The growth rate of gross domestic product reached 0.4% or an annualized rate of 1.7% during the second quarter of 2016, confirming the preliminary estimate published by German statistical authority Destatis earlier this August. It marks a significant slowdown from the first quarter, when the economy expanded at a quarterly clip of 0.7%, as the mild winter weather propelled construction. The outcome is in line with an earlier GDP flash estimate. Meanwhile, the continent's traditional exporting powerhouse saw outbound shipments rise 1.2 per cent in the second quarter, with imports slipping 0.1 per cent. Overall, net trade was the biggest single contributor to economic growth, adding 0.6 percentage points to GDP. In addition, domestic consumption, which has been powering the economy for the last 18 months, added 0.2 percentage points, while investment contributed negatively, deducting 0.4 percentage points from the GDP numbers.

### US

Existing home sales in the United States dropped more than expected last month after rising for four consecutive months, official figures revealed on Wednesday. According to the National Association of Realtors, sales fell 3.2% to a seasonally adjusted annual rate of 5.39 million units in July, compared to the preceding month's reading of 5.57 million, whereas market analysts anticipated a 0.3% decline to 5.52 million in the reported month. US home resales were 1.6% lower than a year earlier. Nevertheless, analysts view the drop in existing home sales as temporary and expect these sales to pick up soon. Home resales declined in the Northeast, the South and the Midwest; however, jumped 2.5% in the West. Meanwhile, the number of unsold homes on the market increased 0.9% in the seventh month of the year, whereas supply fell 5.8% and the median house price advanced 5.3% year-over-year to \$244,100. Other data released by the Energy Information Administration on Wednesday showed a surprise increase in US crude oil inventories. According to the report, US crude stockpiles added 2.5 million barrels in the week ended August 19, following the 2.5% drop seen in the previous seven weeks and surpassing the 0.5 million-barrel fall forecast. After the release, Brent oil declined 1.5% and WTI dropped 1.8%, both trading below the \$50 level.

### New Zealand


The RBNZ signalled that it will need to cut the cash rate at least once more to get inflation back to the target range, but emphasized the limited impact monetary policy can have in such unusual global economic circumstances. The Reserve Bank of New Zealand's current forecasts for the economy imply 35 basis points of more easing, but emerging data would determine if more or less stimulus than this will be required. Governor Graeme Wheeler says that their present judgement is that the current interest rate track, involving an expected 35 basis points of further interest rate cuts, balances a number of risks weighing on the economy while generating an increase in CPI inflation back towards the midpoint of the 1% to 3% target range.



*“Looking ahead, growth looks set to slow significantly in the second half of the year as uncertainty related to the Brexit vote takes its toll. The monthly output indices suggested that activity fell in May and rose only slightly in June, with almost all of the second quarter’s growth coming in April”.*

*- Scott Bowman, Capital Economics*

**EUR**

	Impact
UK economy beats forecasts with 0.6% growth in Q2	High

The UK economy grew more than expected in the Q2, despite the country’s decision to leave the European Union, official data showed on Friday. According to the Office for National Statistics (ONS), the UK GDP advanced 0.6% during the reported period, compared to the preceding quarter’s 0.5% rise. On an annual basis, GDP expanded 2.2% in the Q2 of 2016. Both reading came in line with analysts’ expectations. The data also showed that services and production jumped 0.5% and 2.1%, respectively in the Q2. In Contrast, construction dropped 0.4%, whereas agriculture fell 1.0%. Furthermore, household consumption increased 0.9% over the Q2, rising for 6 consecutive quarters. Year-over-year, household consumption climbed 3.0% in the reported quarter. Government spending declined 0.2% on a quarterly basis, but increased 0.8% on a yearly basis. Investment was the largest component of Britain’s GDP in the Q2, growing 1.4% quarter-over-quarter and 0.9% year-over-year.

Despite promising UK retail sales figures and the lowest unemployment rate since June 2008, the Brexit vote negatively affected business and consumer confidence, as the manufacturing activity gauge fell to the lowest level since 2013 and the services activity dropped to its lowest level since 2009.

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*"The only real area of strength was consumer spending. The general view is that things are going to pick up in the third quarter".*

- David Sloan, 4cast Inc.

## USD















	Impact
US economy expands 1.1% in Q2; Trade gap narrows more than expected in July	High

The US economy expanded less than initially estimated in the Q2 of 2016, fresh data revealed on Friday. According to the second estimate released by the Commerce Department, the US GDP grew 1.1% over the Q2, whereas the first estimate suggested that the economy rose 1.2% in the reported quarter; however, the reading came in line with market forecasts. The US economy grew 0.8% in the Q1 and 1.0% in the first half of 2016. The downward revision was mainly driven by higher imports and weak spending by state and local governments. Meanwhile, Personal consumption growth was revised up to 4.4% from 4.2% reported earlier, the fastest pace since the Q4 of 2014. The data showed that corporate profits dropped 1.2% in the Q2, following the 3.4% gain seen in the Q1. Core personal consumption expenditures, which exclude volatile food and energy prices, rose to 1.8% from 1.7%. Separate data released by the Commerce Department showed the US trade deficit fell to a seasonally adjusted \$59.3 billion last month, compared to June's \$64.5 billion gap, whereas market analysts anticipated a slight drop to \$62.3 billion in July. Exports jumped \$2.9 billion, while imports declined \$2.4 billion. Wholesale inventories rose 0.2% month-over-month and 0.3% year-over-year. Retail inventories fell 0.4% on a monthly basis, but increased 4.2% on an annual basis.





## Major events previous week (August 22-26)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
<b>MONDAY</b>							
12:30 pm		CAD	Wholesale Sales (MoM)	August	0.7%	0.5%	1.8%
<b>TUESDAY</b>							
4:00 am		JPY	Bank of Japan Governor Kuroda Speech				
8:00 am		EUR	Markit Services PMI	August	53.1	53.0	52.9
14:00 pm		USD	New Home Sales	August	654K	575K	592K
22:45 pm		NZD	Trade Balance	August	-433M	-320M	127M
<b>WEDNESDAY</b>							
8:00 am		EUR	German Gross Domestic Product (Q2)	Quarter	0.4%	0.3%	0.4%
14:30 pm		USD	Crude Oil Inventories	August	2.5M	-0.5M	-2.5M
<b>THURSDAY</b>							
08:00 am		EUR	German IFO Business Climate	August	106.2	108.5	108.5
12:30 pm		USD	Initial Jobless Claims	August 12	261K	265K	262K
11:30 pm		JPY	Tokyo Core Consumer Price Index (YoY)	August	-0.4%	-0.3%	-0.4%
<b>FRIDAY</b>							
8:30 am		GBP	Second Estimate GDP (Q2)	Quarter	0.6%	0.6%	0.6%
12:30 pm		USD	Prelim Gross Domestic Product (Q2)	Quarter	1.1%	1.1%	1.2%

## 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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