















**DUKASCOPY**  
RESEARCH PRODUCTS

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# Fundamental Analysis

## Major events this week (June 27– July 1)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
<b>MONDAY</b>							
06:00 am		EUR	Private Loans (YoY)	June	1.6%		1.5%
1:30 pm		USD	Goods Trade Balance	May	<b>-\$61.0B</b>	-\$59.5B	-\$58.0B
<b>TUESDAY</b>							
1:30 pm		USD	Final GDP	Quarter	<b>1.1%</b>	1.0%	0.8%
23:50 pm		JPY	Retail Trade (YoY)	May	<b>-1.9%</b>	-1.6%	-0.9%
<b>WEDNESDAY</b>							
09:00 am		EUR	Industrial Confidence	June	<b>-2.8</b>	-3.4	-3.7
1:30 pm		USD	Personal Spending (MoM)	June	0.4%	0.4%	1.1%
<b>THURSDAY</b>							
9:30 am		GBP	Final GDP	Quarter	0.4%	0.4%	0.4%
1:30 pm		CAD	GDP (MoM)	June	0.1%	0.1%	-0.2%
1:30 pm		USD	Unemployment Claims	June	268K	267K	259K
<b>FRIDAY</b>							
02:00 am		CNY	Manufacturing PMI	June			50.1
09:30 am		EUR	Manufacturing PMI	June			50.1
3:00 pm		USD	ISM Manufacturing PMI	June			51.3

## Key highlights of the week ended June 24

### Euro zone

Eurozone's manufacturing sector bounced surprisingly in June on slight support from the global economy, but the counter political uncertainty in the entire euro area has sparked more of a disappointment, driving down overall business growth in the economy. Market flash manufacturing Purchasing Managers' Index PMI rose to 52.6 in June, from 51.5 in May and well above market anticipation of 51.3. However, the Markit Composite PMI index, which combines the manufacturing and services sectors, edged lower to 52.8 from 53.1 in May. This is the worst reading since January 2015. The consensus analyst estimate was 53.1.

### US

On the second day of the Federal Reserve Governor's testimony on Wednesday, Janet Yellen stated that a number of risks for the US economy is still present, thus, the Fed is taking a cautious approach to the monetary policy and the interest rate hike this year in general. One of the mentioned risks was the remaining weakness in the labour market, with the bullish trend continuing to slow down, justifying the Fed's decision to postpone June's interest rate hike. Among other reasons mentioned, Janet Yellen said that business investment was low and the energy sector suffered from low oil prices for years. Nevertheless, the long-term expectations for the US economy remain advantageous, despite some arisen factors providing difficulties. Furthermore, the possible interest rate hike in July is now expected to be delayed by most economists, with the next probability shifting to September.

### UK

The Bank of England issued a fresh warning that uncertainty about the EU referendum next week threatens knocking Britain's economic growth, pushing the Pound dramatically lower, as well as presents the "largest immediate risk" for global financial markets. If Britons were to opt for exiting the world's largest trading bloc, the adverse effect could severely hamper the global economy, the BoE rate setters said. The officials again reiterated that Brexit could lead to inflation, which would increase largely on the back of a dramatic depreciation of the British currency, while the economic growth and labour market would suffer a blow from falling investments. The Pound has already dropped in the run-up to the vote as opinion polls have shown a lead for the leave vote. However, the central bank said it had contingency measures in place to deal with any fall-out from the referendum result, including the offer of more support to banks and partnerships with other central banks to keep financial stability.




*“The message from claims continues to be that the April and May payrolls data greatly exaggerated the extent to which the trend in employment growth is weakening”.*

**USD**

*-Jim O'Sullivan, High Frequency Economics*




	Impact
Jobless claims in U.S. increased by 10,000 last week to 268,000, but remain at low level	High

The number of Americans filing for unemployment benefits rose last week, but remained below a level associated with a healthy labour market. Jobless claims increased by 10,000 to 268,000 in the week ended June 25, a report from the Labour Department showed. Economists had expected jobless claims to edge up to 266,000 from the 259,000 originally reported for the previous week. Continuing claims decreased for the third week in the last four. Meanwhile, the Labour Department reported the less volatile four-week moving average came in at 266,760, unchanged from the previous week's revised average of 266,750. The report also showed that a reading on the number of people receiving ongoing unemployment assistance fell by 20,000 to 2.120 million in the week ended June 18th, which is lower than the 2.15 million print penciled in by forecasters.

Economists suggest this is a sign that the poor pace of jobs growth in April and May, which prevented the Federal Reserve from raising rates this month, was likely an aberration. It is unlikely for the labour market to slow down abruptly without a corresponding increase in layoffs, their reasoning goes. The next monthly employment report is scheduled for July 8.



FORECASTS		
1 MONTH	3 MONTHS	12 MONTH
	119	119
116	115	115
112		111
109	110	

 Trends*	Q3 16	Q4 16	Q1 16
MAX	126	140	130
75% percentile	116	119	119
Median	112	115	115
25% percentile	109	110	111
MIN	95	81	98

\* the data is based on international banks' forecasts

	30.06 open price	30.06 close price	% change
AUD/USD	0.7443	0.7442	+0.05%
USD/CHF	0.9791	0.9795	-0.45%
USD/JPY	102.91	102.91	-0.12%
NZD/USD	0.7108	0.7108	-0.26%



*"It has undertaken extensive contingency planning and is working closely with HM Treasury, other domestic authorities and overseas central banks. The Bank of England will take all necessary steps to meet its responsibilities for monetary and financial stability".*

**GBP**

*-Mark Carney, Bank of England*



	<b>Impact</b>
UK GDP holds steady at 0.4%; current account deficit close to a record high	High

UK economy slowed in the first quarter, dragged down by weaker business investment and a growing trade deficit. Meanwhile, the current account deficit narrowed less than expected at the start of this year. According to the Office for National Statistics, the third estimate of the UK's first quarter GDP showed that the economy expanded 0.4% on a quarter base, unrevised from the previous forecast. The following data is in line with economists' forecasts. Moreover the annual GDP growth was also unrevised to 2%, pushing the UK economy to reach 7% above its pre-crisis peak in the three months from January to March.

However, business investment declined in the first quarter. Gross fixed capital investment plunged 0.1% during the first quarter, revised down from an earlier estimate of 0.5%. Meanwhile, several economists think that the PMI data for May suggests that the UK economic growth will decelerate further in Q2 to 0.2%. Financial markets have been in panic mode during the last few days as political infighting in Westminster, and uncertainty about Britain's future in Europe, have generated significant downward pressure on sentiment.



Trends*	Q3 16	Q4 16	Q1 16
MAX	1.59	1.84	1.63
75% percentile	1.51	1.53	1.53
Median	1.46	1.49	1.49
25% percentile	1.42	1.45	1.43
MIN	1.35	1.23	1.23

\* the data is based on international banks' forecasts

	30.06 open price	30.06 close price	% change
GBP/USD	1.3434	1.3436	-0.01%
EUR/GBP	0.8279	0.8279	+0.13%
GBP/CAD	1.7393	1.7392	-0.21%
GBP/JPY	138.27	138.29	+0.25%





*“Even with the current financial market backdrop, it will likely take a significant shock to get the BoC to move on policy, meaning this report should have little impact”.*

*-Benjamin Reitzes, BMO Capital Markets*

**CAD**



	<b>Impact</b>
Canada's GDP edges up for first time in two months, but headwinds threaten	<b>High</b>

The Canadian economy grew in line with expectations in April, as strength in manufacturing and utilities was tempered by a steep decline in nonconventional oil extraction. Canadian April's real GDP edged up 0.1% after contracting 0.2% and 0.1% in March and February, respectively, Statistics Canada reported. The freshly released figures matched analysts' expectations. Meanwhile, the economy grew 1.5% on an annual basis, slightly beating the market projection of 1.4%. Regardless, the modest gains met market expectations, economists warned that it was a temporary reprieve, as the impact of wildfires in Alberta weighed heavily on Q2.

Canada's monthly GDP figures were the last set of data released prior to the Bank of Canada's interest rate announcement in July. The main issue worrying economists are the effects of the Alberta wildfires on Q2 growth, as April's marginal recovery will not be enough to save Canada from an extremely weak Q2. However, economists remain confident that the BoC will stay the course and keep its monetary policy unchanged, arguing that a more shocking event is needed to trigger a change in the current 0.5% key interest rate.



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GBP/JPY	138.27	138.29	+0.25%



**“Short-term shocks from Brexit subsided for now but it's certain downside risks to the global economy have increased”.**

-SMBC Friend Securities

**JPY**



	<b>Impact</b>
Japanese Consumer Prices fall 0.4% in May	High

Japanese manufacturers' confidence deteriorated during the previous month while service-sector sentiment slowed down from three months ago due to weak consumption, confirming fears for a fragile economy affected by a strong yen and weak overseas demand. Another release confirmed that household spending dropped for the third month in a row in May, but Japanese bank sentiment reached its lowest point in 3 and a half years. Japan's consumer prices went down 0.4% in May from a year earlier for the third straight month mostly due to the lower crude oil prices, showing the biggest drop in more than three years. Meanwhile, the core consumer price index remained at 103.0 versus the 2010 base of 100.

In the meantime, economists are worried that Japanese economic outlook could worsen, which could spur the BOJ to act. Moreover, the stated above data did not reflect the effects of the UK Brexit referendum which was held during the previous week. The yen, in turn, has strengthened 3.2% after the UK vote, thus, making Japanese exports less competitive and attractive.














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Median	112	115	115
25% percentile	109	110	111
MIN	95	81	98

\* the data is based on international banks' forecasts

	30.06 open price	30.06 close price	% change
AUD/JPY	76.60	76.60	+0.05%
CAD/JPY	79.48	79.48	-0.45%
EUR/JPY	114.51	114.50	-0.12%
USD/JPY	102.91	102.91	-0.26%

## Major events of the previous week (June 20-24)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
<b>MONDAY</b>							
06:00 am		EUR	German Producer Price Index (MoM)	May	0.4%	0.4%	0.1%
<b>TUESDAY</b>							
1:30 am		AUD	Monetary Policy Meeting Minutes				
10:00 am		EUR	German ZEW Economic Sentiment	June	19.2	5.1	6.4
3:00 pm		USD	Fed Chair Yellen Testifies				
<b>WEDNESDAY</b>							
1:30 pm		CAD	Core Retail Sales (MoM)	May	1.3%	0.7%	-0.3%
3:30 pm		USD	Crude Oil Inventories	June	-0.9M	-1.3M	-0.9M
<b>THURSDAY</b>							
24 h		GBP	EU Referendum				
08:00 am		EUR	Markit Manufacturing PMI	June	52.6	51.5	51.5
13:45 pm		USD	Markit Manufacturing PMI	June	51.4	50.8	50.7
<b>FRIDAY</b>							
09:00 pm		EUR	German IFO Business Climate	June	108.7	107.6	107.7
13:30 pm		USD	Core Durable Goods Orders (MoM)	May	-0.3%	0.0%	0.4%



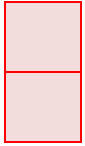
## EXPLANATIONS

### 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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