












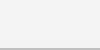
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RESEARCH PRODUCTS

17/07/2017



Fundamental Analysis

Major events this week (July 10 - 14)

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



USD

"The weak trajectory of consumer spending at the end of second quarter adds some challenges to the third-quarter consumption outlook, which reinforces our view that growth will step down modestly in the current quarter."

— Michael Feroli, JPMorgan



	Impact
US consumer prices unchanged in June; retail sales decrease	High










Consumer prices in the United States were flat, while retail sales dropped for the second consecutive month in June. The Labour Department reported on Friday that its CPI registered an unchanged reading in the observed month, missing market expectations for a 0.1% rise, as the cost of mobile services and gasoline declining. On a yearly basis, the index surged 1.6% in June, continuing to ease from February's 2.7%, when it showed the strongest gain in five years. Furthermore, the so-called core inflation rose by the same margin of 0.1% for the third straight month. Meanwhile, the country's retail sales registered a 0.2% drop in the reported month, affected by declines in receipts at supermarkets, clothing stores and service stations. Data showed the largest monthly fall of 1.3% in gas station sales. Overall, economists suggested that the weaker-than-expected reports are set to diminish expectations for the Fed to raise interest rates for the third time this year, with inflation being the main uncertainty factor to define the course of further monetary policy changes.



* the data is based on international banks' forecasts

	14.07 open price	14.07 close price	% change
AUD/USD	0.7731	0.7831	1.28%
USD/CHF	0.9674	0.9635	-0.40%
USD/JPY	113.3	112.53	-0.68%
NZD/USD	0.7322	0.7347	0.34%

Major events previous week (July 10 - 14)

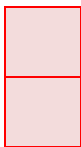
Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
MONDAY							
08:30 am		EUR	Sentix Investor Confidence	July	28.3	28.1	28.4
TUESDAY							
01:30 am		AUD	NAB Business Conditions	June	15		11
12:15 pm		CAD	Housing Starts	June	213K	200K	195K
02:00 pm		USD	JOLTS Job Openings	May	5.67M	5.98M	5.97M
WEDNESDAY							
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				
THURSDAY							
12:15 pm		USD	PPI m/m	June	0.1%	0.0%	0.0%
FRIDAY							
12:30 pm		USD	CPI m/m	June	0.0%	0.1%	-0.1%

EXPLANATIONS

Chart

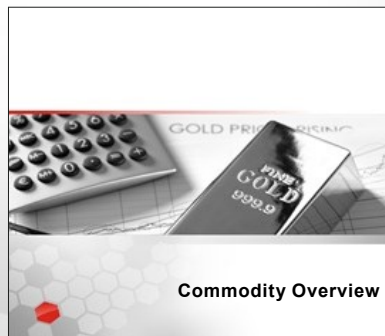
- **SMA (55)** – Simple Moving Average of 55 periods
- **SMA (200)** – Simple Moving Average of 200 periods

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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