

29/05/2017
















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Fundamental Analysis

Major events this week (May 29 - June 2)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
MONDAY							
01:00 pm		EUR	ECB President Draghi Speaks				
TUESDAY							
07:00 am		CHF	KOF Economic Barometer	May		106.2	106.0
02:00 pm		USD	CB Consumer Confidence	May		120.1	120.3
09:00 pm		NZD	RBNZ Financial Stability Report				
WEDNESDAY							
09:00 am		EUR	Core CPI Flash Estimate y/y	May		1.0%	1.2%
01:30 pm		CAD	GDP m/m	March		0.3%	0.0%
01:45 pm		USD	Chicago PMI	May		57.0	58.3
THURSDAY							
01:30 am		AUD	Retail Sales m/m	April		0.3%	-0.1%
08:30 am		GBP	Manufacturing PMI	May		56.5	57.3
12:15 pm		USD	ADP Non-Farm Employment Change	May		181K	177K
FRIDAY							
08:30 am		GBP	Construction PMI	May		52.7	53.1
12:30 pm		CAD	Trade Balance	April		0.0B	-0.1B
12:30 pm		USD	Non-Farm Employment Change	April		186K	211K

Key highlights of the week ended May 26

United Kingdom

On Monday, the British Prime Minister Theresa May had an interview with the BBC channel's Andrew Neil. The interviewer asked the UK Prime Minister why the Conservative Party included a social care cap in its campaign, while it refused to do so at the very beginning of the rally, but May said she was honest with the nation and just wanted to clarify what the Party put in its manifesto. During the interview, the British PM stated that people wanted to see the stronger economy that could pay for the National Health Service and the public services. The Office for National Statistics reported that the economy grew at a seasonally adjusted quarterly pace of 0.2% in the first quarter, the slowest pace of growth since the beginning of 2016, compared to an originally reported 0.3% expansion pace. Meanwhile, market analysts expected the March quarter's pace to remain unchanged.

Euro zone

The Munich-based Ifo Institute for Economic Research reported that its Business Climate Index climbed to 114.6 points in the reported month, following April's 113.0 and surpassing analysts' expectations for an increase to 113.1. That marked the strongest reading since 1991. May's jump was mainly driven by Emmanuel Macron's victory in the French 2017 Presidential Election, which boosted confidence across the Euro zone.

Canada

Statistics Canada reported that the value of Canadian wholesale trade climbed 0.9% in March, surpassing the C\$60B mark for the first time, up from the preceding month's upwardly revised gain of just 0.3%. Nevertheless, March's figure missed analysts' expectations, as they anticipated an increase of 1.1% during the reported month. As markets expected, the Bank of Canada left its monetary policy unchanged as its meeting on Wednesday, suggesting that economic growth will likely slow in the June quarter. In a dovish statement, the Bank expressed concerns over capacity utilisation and subdued growth, but noted strong consumer spending, the prosperous housing market and solid job growth. Nevertheless, policymakers voted to keep the benchmark Overnight Rate at a record low of 0.50%.

United States

The Department of Commerce reported on Tuesday that sales of new houses dropped 11.4% to a seasonally adjusted annualised pace of 569K units in April, following the prior month's upwardly revised pace of 642K units, the highest since October 2007, and falling behind expectations for a decrease to a 611K-unit pace. On an annual basis, new home sales were up 0.5% in April. The Energy Information Administration reported that US crude stockpiles fell 4.4M barrels in the week ended May 19, following the preceding week's decrease of 1.8M barrels and surpassing expectations for a 2.4M barrel decline. Thus, inventories hit 516.3M barrels, the lowest level since mid-February, suggesting that the OPEC production cut deal began working. The Labour Department reported that initial jobless claims rose 1K to 234K in the week ended May 19, following the preceding week's upwardly revised 233K. Meanwhile, market analysts anticipated an increase of 5K to 238K during the reported week. That marked the 116th of claims remaining below the 300K level, the longest stretch since 1973. The Commerce Department reported on Friday that Q1 GDP growth came in at a seasonally adjusted annualised pace of 1.2%, compared to an originally reported pace of 0.7%. Meanwhile, analysts expected the economy to expand 0.9% in the reported quarter. However, that was the worst performance over the past 12 months. A separate report released by the Commerce Department showed that new orders for US-manufactured durable goods dropped 0.7% last month, whereas orders for core durable goods fell 0.4%.




USD

"Economic indicators so far aren't entirely convincing on a second-quarter bounce in activity and show a U.S. economy struggling to surprise on the upside."

— Scott Anderson, Bank of the West












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	Impact
US economy expands 1.2% in March quarter; orders for US-manufactured durable goods fall in March	High

The US economy expanded at a stronger-than-initially-expected pace in the March quarter; however, an economic slowdown remained on the table in the second quarter. The Commerce Department reported on Friday that Q1 GDP growth came in at a seasonally adjusted annualised pace of 1.2%, compared to an originally reported pace of 0.7%. Meanwhile, analysts expected the economy to expand 0.9% in the reported quarter. However, that was the worst performance over the past 12 months. Back in the Q4 of 2016, the economy grew 2.1%. Analysts suggested that the Q1 slowdown was mainly driven by the US President Donald Trump's inability to boost economic growth as promised. Even though the Q1 figure was revised up sharply, weak retail sales, business investment, falls in investment inventories and an increase of the goods trade deficit destroyed hopes for a rebound in the Q2. A separate report released by the Commerce Department showed that new orders for US-manufactured durable goods dropped 0.7% last month, whereas orders for core durable goods fell 0.4%.



Major events previous week (May 22 - 26)

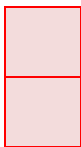
Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
MONDAY							
06:00 pm		GBP	Prime Minister May Speaks				
TUESDAY							
08:00 am		EUR	German Ifo Business Climate	May	114.6	113.1	112.9
12:30 pm		CAD	Wholesale Sales m/m	March	0.9%	1.1%	-0.2%
02:00 pm		USD	New Home Sales	April	569K	611K	621K
WEDNESDAY							
08:30 am		EUR	ECB President Draghi Speaks				
02:00 pm		CAD	BOC Rate Statement				
02:30 pm		USD	Crude Oil Inventories	Last week	-4.4M	-2.4M	-1.8M
THURSDAY							
02:00 am		NZD	Annual Budget Release				
08:30 am		GBP	Second Estimate GDP q/q	Q1 2017	0.2%	0.3%	0.3%
02:30 pm		USD	Unemployment Claims	Last week	234K	238K	233K
FRIDAY							
12:30 pm		USD	Prelim GDP q/q	April	1.2%	0.9%	0.7%

EXPLANATIONS

Chart

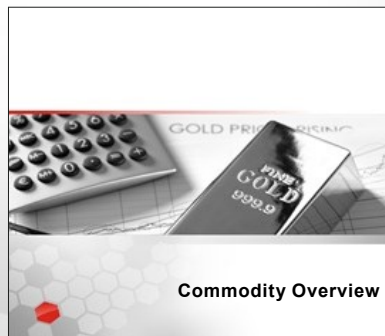
- **SMA (55)** – Simple Moving Average of 55 periods
- **SMA (200)** – Simple Moving Average of 200 periods

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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