














**DUKASCOPY**  
RESEARCH PRODUCTS

07/07/2016



# Fundamental Analysis

## Major events this week (July 4– 8)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
<b>MONDAY</b>							
02:30 am		AUD	Building Approvals (MoM)	June	-5.2%	-3.6%	3.3%
09:30 am		GBP	Construction PMI	July	46.0	50.6	51.2
<b>TUESDAY</b>							
02:30 am		AUD	Trade Balance	July	-2.22B	-1.72B	-1.58B
09:30 am		GBP	Services PMI	July	52.3	53.1	53.5
<b>WEDNESDAY</b>							
01:30 pm		CAD	Trade Balance	July	-3.3B	-2.7B	-2.9B
03:00 pm		USD	ISM Non-Manufacturing PMI	July	56.5	53.5	52.9
<b>THURSDAY</b>							
09:30 am		GBP	Manufacturing Production (MoM)	July		-1.4%	2.3%
01:30 am		USD	Unemployment Claims	July		272K	268K
<b>FRIDAY</b>							
09:30 am		GBP	Goods Trade Balance	July		-10.2B	-10.5B
01:30 pm		CAD	Unemployment Rate	July		7.0%	6.9%
01:30 am		USD	Unemployment Rate	July		4.8%	4.7%

## Key highlights of the week ended June 24

### Euro zone

According to the European Central Bank, during the previous month the Euro zone money supply growth rose in May as well as the annual increase in loans to households improved. The broad monetary aggregate M3 jumped 4.9% on a yearly pace, following a 4.6% rise seen in April. Moreover, it was expected to reach 4.8%. Also, it is worth to point out, that both announcements rose on a faster-than-expected rate. The annual growth rate of loans to households came in at 1.6% in May, compared with 1.5% in April. Another data revealed that the yearly advance in credit to general government reached up to 11.1% in May, from 10.3% in April. Furthermore, the expansion of credit to the private sector reached 1.3% compared to the 1.1% in April. However, loans to non-financial corporations went up 1.4% after climbing 1.2% in April. Meanwhile, the ECB has launched a raft of policy measures in order to get credit flowing.

### US

According to the official data, the US consumer spending and core PCE prices advanced in line with economists' expectations in May. The Commerce Department release indicates that personal spending went up by a seasonally adjusted 0.4% during the last month, while April's data, in turn, was revised up to 1.1% from a previously recorded jump of 1.0% that had already been its largest soar in seven years. Meanwhile, consumer spending is the single biggest source of US economic growth, which implies as much as two-thirds of economic activity. The increase in following data could be explained lifted demand for automobiles and other goods, however it is worth to point out, that fears Britain's will leave the European Union could damage confidence and force households to cut consumption. In the meantime, personal income went up 0.2%, below forecasts of 0.3% gain and compared to the 0.5% in the preceding month.

### UK

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.

### Japan

Japanese industrial production went down continuing its sixth consecutive month of decline in May, as factories were highly affected by weak international demand and recent earthquakes near the country's manufacturing centre. According to the data released by the Japanese Ministry of Economy, Trade and Industry, output dropped by 2.3%, highly below the expectations of a minor of 0.1% decrease. Meanwhile, previous data for output showed steep growth equalling 3.6% and 0.3% respectively in March and April. Compared to April, industrial production lost 2.3% after adding 0.5% the previous month.



*“While domestic orders dropped by 1.9% MoM, foreign orders increased by 1.4%, with continued strong demand from Eurozone peers. Demand from outside the Eurozone, however, remains weak”.*

**EUR** -Carsten Brzeski, ING Bank NV



	<b>Impact</b>
German factory orders unexpectedly failed to rise in May and remained unchanged	High

Factory orders in Germany posted no improvement in May when measured on a monthly seasonally adjusted basis. According to the latest report from the German statistical office Destatis, factory orders in the Euro zone's largest economy kept unchanged in the fifth month of 2016, when they fell a revised 1.9%. Economists had predicted a 1% rise in the data, which is typically volatile. On a yearly basis, the gauge decreased by 0.2% in the reported month, after posting a 0.4% decline in the previous month, measured on a non-seasonally adjusted basis. Markets had projected growth of 0.9% year-on-year in May. Meanwhile, according to the report, domestic orders decreased by 1.9%, while foreign orders increased by 1.4% on the previous month. New orders from the euro area were up 4.0% on the previous month, while new orders from other countries decreased by 0.3% compared to April 2016.

There are growing signs that, after a good start to the year, Germany's economy will at best have achieved only modest growth in the second quarter. The sideways trend in manufacturing points to it too, making only slight advances in the coming quarters. Moreover, the British vote in June, in which the nation opted to quit the EU, could further weaken the German economy.



Trends*	Q3 16	Q4 16	Q1 16
MAX	1.40	1.45	1.50
75% percentile	1.35	1.34	1.35
Median	1.32	1.31	1.30
25% percentile	1.28	1.26	1.27
MIN	1.22	0.84	1.18

\* the data is based on international banks' forecasts


	07.07 open price	07.07 close price	% change
EUR/USD	1.11008	1.10947	-0.05%
EUR/GBP	0.85837	0.85641	-0.23%
EUR/CHF	1.08209	1.08121	-0.08%
EUR/JPY	112.421	112.009	-0.37%



**“There will be concerns that domestic political factors will also unsettle US companies ahead of the November elections with uncertainty a contributory factor to the dip in expectations seen in the June survey. The Federal Reserve will inevitably be very sensitive to US data releases in the short term”.**

*-Time Clayton, Economic Calendar*

**USD**

	Impact
ISM Non-Manufacturing PMI advance to 56.5	High


Good news from the American side, the services sector activity advanced during the previous month from lows where it had been settling during more than two years. Moreover, data managed to beat significantly consensus expectations. The ISM Non-Manufacturing PMI soared to 56.5 points, showing steep growth rather than mediocre growth. It is important to mention, that the May reading had been the weakest release since February 2014, while June’s number, in turn, was the highest since October 2015. Although, the employment component rose from 49.7 to 52.7 points, which is a good sign for the jobs report. The following rebound could imply a jump in jobs, which is highly desirable after May’s terrible report. In the meantime, the final June US PMI services-sector data slipped to 51.4 from the flash 51.3, however, markets were expecting a slightly bigger upward revision. The composite index was confirmed at 51.2 from 50.9 previously.

Overall strong doubts surrounding the economic performance will continue to persist, especially, taking into account weak business confidence, despite the ISM data, which was notably more encouraging with a significant monthly improvement in June.



**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

	07.07 open price	07.07 close price	% change
AUD/USD	0.75167	0.75151	-0.02%
USD/CHF	0.97454	0.97449	-0.01%
USD/JPY	101.299	100.942	-0.35%
NZD/USD	0.71292	0.71365	+0.10%





**“These are the two worst reading in at least 20 years for Canadian trade. Nothing is going right for the Canadian economy at the moment and USD/CAD is gunning for the session high of 1.3048 after the data”.**

*-Adam Button, Forexlive*

**CAD**



	<b>Impact</b>
Canadian trade balance -3.28B vs. -2.70B forecast	High

According to the figures released on Wednesday morning by Statistics Bureau, Canada’s trade data for May did not meet economists’ expectations showing a deficit of C\$3.28bn compared with an expected number equalling C\$2.6bn. The April deficit, in turn, was also revised sharply higher to C\$3.32bn versus the original C\$2.9bn. It is worth to point out, that the April and May deficits were the highest on record. Overall exports declined 0.7% on the month to C\$41.1bn with a 2.3% drop in volumes as well as there was a 3.4% annual plunge in export values. However, there was an advance in energy exports of 7.1% in June as crude oil prices rose sharply with oil exports being slightly higher. Exports went down in 7 out of 11 categories with lower shipments across most industrial sectors including industrial machinery exports, which slide by 4.9% on the month. Imports, in turn, lost 0.8% slipping to C\$44.4bn with a 0.9% drop in volumes, mainly due to a slide in aircraft imports.

In the meantime, the wider than forecasted trade deficit will tend to provoke a downward adjustment to GDP estimates as well as there will be important overall concerns surrounding the trade performance.















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	07.07 open price	07.07 close price	% change
AUD/CAD	0.9744	0.97364	-0.08%
CAD/CHF	0.85046	0.85596	+0.64%
EUR/CAD	1.43834	1.43806	-0.02%
USD/CAD	1.2961	1.29605	+0.00%

## Major events of the previous 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	50.0	50.0	50.1
09:30 am		EUR	Manufacturing PMI	June	<b>52.1</b>	50.2	50.1
3:00 pm		USD	ISM Manufacturing PMI	June	<b>53.2</b>	51.3	51.3

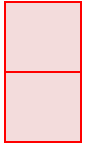
## EXPLANATIONS

### 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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