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RESEARCH PRODUCTS

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Fundamental Analysis

Major events this week (June 13-17)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
MONDAY							
02:00 am		CNY	Industrial Production (YoY) (May)	May	6.0%	5.9%	6.0%
TUESDAY							
8:30 am		GBP	Consumer Price Index (MoM)	May	0.3%	0.4%	0.3%
9:00 am		EUR	Industrial Production (MoM)	April	1.1%	0.7%	-0.8%
12:30 pm		USD	Retail Sales (MoM)	May	0.5%	0.3%	1.3%
WEDNESDAY							
n/a		JPY	BoJ Press Conference				
9:00 am		EUR	Trade Balance	April	28.0B	21.6B	22.3B
18:00 pm		USD	Fed Interest Rate Decision		0.5%	0.5%	0.5%
THURSDAY							
1:30 am		AUD	Unemployment Rate	May	5.7%	5.7%	5.7%
3:00 am		JPY	BoJ Interest Rate Decision		-0.1%	-0.1%	-0.1%
09:00 am		EUR	Consumer Price Index (MoM)	May	0.4%	0.3%	0%
12:30 pm		USD	Consumer price Index (MoM)	May	0.2%	0.3%	0.4%
FRIDAY							
12:30 pm		CAD	Consumer Price Index (MoM)	May			2.2%
15:00 pm		EUR	ECB President Draghi Speech				

Key highlights of the week ended June 3

Euro zone

For the previous month, Germany's trade balance advanced unexpectedly. According to the Federal Statistics office, Germany recorded a headline of 25.6bn euros for April from 21.8bn euros in April 2015. The seasonally-adjusted surplus increased to 24bn euros from a revised 23.7bn euros in May, compared with an expected decline for the month. Moreover, the adjusted surplus was at a record high and will resume supporting the single European currency. The overall German current account surplus expanded to 93.9 billion euros for the first quarter of 2016 from 79.8 billion euros the previous year despite a slight widening in the services deficit.

Meanwhile, analysts had expected Germany's trade balance to plunge to 23bn euros last month. Meanwhile, German exports went up by 3.8% in April compared to the same month a year ago, while imports remained nearly unchanged and as a result have led to a wider trade balance for Europe's most powerful economy.

US

According to the latest report, the US crude futures advanced for a third consecutive day on Wednesday, reaching new 2016 highs. The US benchmark posting a nearly 11-month closing record. On the New York Mercantile Exchange, West Texas Intermediate crude for July delivery added +0.62% and rose 87 cents, or 1.7%, to settle at \$51.23—showing the highest close for a nearby contract since July 15. Meanwhile, August Brent crude, increased 0.42% the global oil benchmark, reaching \$1.07, or 2.1%, to finish at \$52.51 a barrel on London's ICE Futures exchange, its highest close since October. According to the analysts, futures were affected in a positive way boosted by reports of another attack on oil facilities in Nigeria. They were also buoyed by data from an industry trade group, the American Petroleum Institute, which on Tuesday said that US crude inventories had fallen by 3.6 million barrels. Also, crude found support from continued supply disruptions, as well as China import data and a decline in crude inventories.


UK

Manufacturing production in the UK advanced further bolstering optimism about the domestic economy. UK manufacturing as well as industrial production data outperformed major economists' expectations in April being mainly influenced by the weaker cable due to upcoming Britain's EU referendum. According to the latest figures released by the Office of National Statistics, manufacturing production skyrocketed 2.3%, against March's 0.1%, and an expected growth of 0%. Industrial production, in turn, jumped by 2% in April, adding 0.3% from March, and far above the 0% reading expected. On a yearly pace, manufacturing production added 0.8%, showing much better results than a forecasts for a 1.5% decline as well as after a steep 1.9% drop in March. Concerning industrial production, this data demonstrated an increase of 2.0% following a gain of 0.3% in the preceding month and in line with forecasts.



“We expect inflation to move higher in the coming months, especially as last year’s energy price falls drop out of the annual comparison, but it is likely to remain well below the ECB’s 2 percent target ceiling for some time. Overall, owing to a weak first half, we expect headline inflation to average only 0.3 percent this year, rising to 1.5 percent in 2017.” - Lloyds Bank


EUR

	Impact
Eurozone May CPI 0.4% MoM	High

The final estimate of the single European region inflation in May showed that consumer prices plunged 0.1% on a yearly pace in May, having slowed its pace of decrease after April’s steep drop of 0.2%. Meanwhile, this was the second consecutive decline in prices. From April to May period, the CPI, in turn, added at a pace of 0.4%, quicker than the 0.3% forecasted. The final data was in line with flash estimate released on May 31. The core CPI data was at an annualized growth rate of 0.8%, hire compared to the April reading of 0.7%. On a monthly pace, core CPI added 0.2% versus the 0% increase in April. In the meantime, the EU’s statistics agency highlighted that restaurants, rents and tobacco prices push inflation higher while fuel, heating oil and gas, in contrast, had the negative impact.

The negative interest rate within the Euro zone region has failed to preserve hopes of inflation, despite President Mario Draghi statements that he and other senior bank officials are convinced that the measures are working. It is worth to point out, that inflation has remained in negative territory during the first half of 2015, but after rising in the second half of the year, it has weakened again in 2016.



 Trends*	Q3 16	Q4 16	Q1 16
MAX	136	149	144
75% percentile	128	130	130
Median	124	125	126
25% percentile	123	122	122
MIN	106	103	97

* the data is based on international banks' forecasts

	16.06 open price	16.06 close price	% change
EUR/USD	1.126	1.1292	+0.28%
EUR/GBP	0.79274	0.79033	-0.30%
EUR/CHF	1.08254	1.08319	+0.06%
EUR/JPY	119.37	117.04	-1.95%




“The economy is generating enough heat to produce some inflation, even if the Fed has worries about the long-term trend for economic growth being too weak to lift interest rates much higher for now”.

- MUFG Union Bank

USD



 NEWS	Impact
US Consumer Price Index rose 0.2% in May vs. 0.3% increase expected	High


The US consumer prices softened in the previous month, but still posted increases in housing and healthcare costs thus supporting inflation, which could still allow Federal Reserve to raise interest rates during the current year. According to the Labour Department release made on Thursday, consumer price index advanced 0.2% in May after rising 0.4% in April. Meanwhile, on a yearly pace, the CPI added 1.0% after accelerating 1.1% in April. Economists, in turn, predicted the CPI to gain 0.3% last month and advance 1.1% from a year ago. The overall increase in consumer prices could be explained by higher gasoline prices as well as rising rents. The so-called core CPI, which do not include food and energy costs, in turn, went up 0.2% in line with April data. That took the year-on-year core CPI rise to 2.2% from 2.1% in April.

In the meantime, another report released in the same day posted an advance in the number of Americans applying for unemployment benefits last week. Moreover, the trend remains to be consistent implying a healthy labour market. The following data came a day after the Fed lowered its assessment of the jobs market and suggested a lower probability of interest rate hikes. The Fed has a 2% inflation target and tracks an inflation measure which is currently at 1.6%.



FORECASTS

	Q3 16	Q4 16	Q1 17
		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

	16.06 open price	16.06 close price	% change
AUD/USD	0.7407	0.7363	-0.59%
USD/CHF	0.9614	0.965	+0.37%
USD/JPY	106.01	104.26	-1.65%
NZD/USD	0.7034	0.7045	+0.16%




“The outcome of the referendum continued to be the largest immediate risk facing UK financial markets, and possibly global financial markets”

- Bank of England

GBP




	Impact
BoE issues fresh warning on Brexit effect on economy	High

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.

BoE officials remained unanimous on the policy stance as an elevated level of volatility continues to undermine the recent macro data. Policy makers kept the benchmark interest rate at its record low of 0.5%.



FORECASTS		
Q3 16	Q4 16	Q1 17
	1.53	1.53
1.51		
	1.49	1.49
1.46		
	1.45	
1.42		1.43

 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

	16.06 open price	16.06 close price	% change
GBP/USD	1.4204	1.4203	-0.01%
EUR/GBP	0.79274	0.79033	-0.30%
GBP/CAD	1.834	1.8418	+0.43%
GBP/JPY	150.587	148.081	-1.66%




“The latest labour force release shows continued growth in trend part-time employment with decreases in full-time employment. This is the 11th consecutive month with part-time employment increases, and fourth consecutive month with full-time employment decreases”

AUD

- ABS




	Impact
Australian employment increased 17,900 in May; unemployment at 5.7%	High

According to the report issued by the Australian Bureau of Statistics, the Australian employment change advanced in May, outperforming economists' expectations. Employment change went up to a seasonally adjusted 17.9K, up from the 10.8K recorded in the previous month. The outstanding release came after analysts had been forecasting Australian employment change to increase 15.0K in May. Concerning the market expectations, the unemployment rate in Australia remained unchanged at 5.7% during the last month, having recorded the same data in April.

The following data signals that record-low interest rates proved to be highly useful, reviving industries like construction, tourism and education that is helping Australia to absorb unemployed miners as a resource boom is starting to show downward tendency. Still, the outlook for business investment remains doubtful due to the gloomy projections over China, Australia's biggest trading partner. Meanwhile, the economy expanded 3.1% at an annual pace in the first quarter while the unemployment was below its mean over the previous two decades. Meanwhile, the Aussie is trading near 74 US cents after having lost 68 cents in January and risen to 78 cents in the intervening period.


















 Trends*	Q3 16	Q4 16	Q1 16
MAX	0.81	0.83	0.80
75% percentile	0.73	0.74	0.75
Median	0.72	0.72	0.72
25% percentile	0.70	0.70	0.70
MIN	0.65	0.62	0.58

* the data is based on international banks' forecasts

	16.06 open price	16.06 close price	% change
AUD/JPY	78.527	76.769	-2.24%
AUD/USD	0.7407	0.7363	-0.59%
EUR/AUD	1.51997	1.52448	+0.30%
GBP/AUD	1.9175	1.9291	+0.60%

Major events of the previous week (June 7-10)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
MONDAY							
06:00 am		EUR	German Factory Orders MoM	April	-2.0%	-0.6%	2.6%
16:30 pm		US	Fed Chair Yellen Speaks				
TUESDAY							
4:30 am		AUD	RBA Rate Statement		1.75%	1.75%	1.75%
9:00 am		EUR	Gross Domestic Product (YoY) Q1	Quarter	1.7%	1.5%	1.5%
12:30 pm		USD	Revised Nonfarm Productivity Q1	Quarter	-0.6%	-0.6%	-1.0%
23:50 pm		JPY	Final GDP (QoQ) Q1	Quarter	0.5%	0.5%	0.4%
WEDNESDAY							
3:13 am		CNY	Trade Balance	May	\$49.90B	\$55.80B	\$45.56B
8:30 am		GBP	Manufacturing Production (MoM)	April	2.3%	0.0%	0.1%
3:00 pm		US	US Crude Oil Inventories	June	-3.226M	-3.500M	-1.366M
21:00 pm		NZD	RBNZ Rate Statement		2.25%	2.25%	2.25%
THURSDAY							
1:30 am		CNY	PPI YoY	May	-2.8%	-3.3%	-3.4%
06:00 pm		EUR	German Trade Balance	April	24.0B	23.0B	23.7B
12:30 pm		USD	Unemployment Claims	June 3	264K	270K	267K
FRIDAY							
13:30 pm		CAD	Unemployment Rate	May	6.9%	7.1%	7.1%
15:00 pm		USA	Prelim UoM Consumer Sentiment		94.3	94.1	94.7

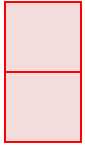
EXPLANATIONS

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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