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Fundamental Analysis

Major events this week (October 24 - 28)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
MONDAY							
8:00 am		EUR	Markit Manufacturing PMI	October	53.3	52.6	52.6
12:30 pm		CAD	Wholesale Sales (MoM)	October	0.8%	0.2%	0.3%
13:45 pm		USD	Markit Manufacturing PMI	October	53.2	51.6	51.5
TUESDAY							
8:00 am		EUR	German Ifo Business Climate	October			109.5
14:00 pm		USD	Consumer Confidence	October		101.5	104.1
14:35 pm		GBP	BoE Governor Carney Speaks				
WEDNESDAY							
12:30 am		AUD	Consumer Price Index (YoY) (Q3)	September			1%
14:30 pm		USD	Crude Oil Inventories	October			-5.2M
21:45 pm		NZD	Trade Balance	October			-1265M
THURSDAY							
8:30 am		GBP	Prelim GDP	Quarter		0.3%	0.7%
12:30 pm		USD	Unemployment Claims	October			260K
FRIDAY							
12:30 pm		USD	Gross Domestic Product	Quarter			1.4%

Key highlights of the week ended October 21

US

US consumer prices rose most since April last month, driven by a surge in gasoline and rental prices. On Tuesday, the US Department of Labor said its Consumer Price Index advanced 0.3% in September, following the preceding month's gain of 0.2% and meeting analysts' expectations. On an annual basis, the CPI climbed 1.5%, posting the biggest year-over-year rise since October 2014 and surpassing August's 1.1% increase. Meanwhile, the so-called core CPI, which excludes food and energy prices, rose 0.1% month-over-month and 2.2% year-over-year in the same month after climbing 0.3% on a monthly basis and 2.3% on a yearly basis in August. Notwithstanding, today's disappointing core CPI data is unlikely to change the prospect of a Fed rate hike in December. The September increase was mainly driven by higher gasoline prices that surged 5.8% after falling 0.9% in August. The price of food remained unchanged for the fifth consecutive month in September. As to the core CPI, owners' equivalent rent of primary residence advanced 0.4%, following the 0.3% rise in August, while medical care costs grew 0.2%, compared to the preceding month's 1.0% hike. Hospital services prices held steady in September, whereas prescription drug costs climbed 0.8%.

EU

The European Central Bank left interest rates on hold and kept its 1.74 trillion euro (\$1.95 trillion) asset buying scheme running in order to boost economic growth and inflation at its October monetary policy meeting on Thursday. As analysts predicted, the benchmark overnight deposit interest rate was left unchanged at -0.40%; however, the majority of them expect the Bank to announce an extension of asset purchases at the Governing Council meeting in December. Furthermore, the Central bank said it continues to expect the key interest rates to remain at present or even lower levels for an extended period of time, and well past the horizon of the net asset purchases. It also noted that the 80 billion euro asset purchase program is intended to run until March 2017, or beyond, if necessary to raise inflation. Back in September, inflation reached its highest level since 2014, albeit that level was just 0.4%, and according to the latest forecasts released by the ECB it is unlikely to hit its close to 2% target until the end of 2018 or early 2019. The ECB, in response to weak growth, low inflation and high unemployment, was forced to provide additional monetary stimulus, cutting interest rates into the negative territory and launching its QE program.

Canada


The Bank of Canada held its benchmark interest rate on hold but lowered its estimates for Canadian growth in 2016 and 2017 during the October policy meeting on Wednesday. The Central bank cut its 2016 GDP forecast to 1.1%, down from the 1.3% forecast posted three months ago, while the 2017 GDP forecast was revised down to 2.0% from 2.2% projected earlier. As analysts expected, the Bank kept its overnight rate at 0.5%. The key rate remained unchanged since July 2015, and analysts say it is unlikely to be raised until 2018. According to the latest projections, the Bank of Canada expects the economy to fully rebound in the middle of 2018. Moreover, the Bank said the Canadian government's recently announced changes to mortgage and tax regulations in the country's housing market are likely to restrain residential investment and dampen household vulnerabilities, lowering the 2018 real GDP level by 0.3%. In the past, the Canadian real estate market helped to offset low oil prices and boost economic growth.



"The eurozone economy showed renewed signs of life at the start of the fourth quarter, enjoying its strongest expansion so far this year with the promise of more to come".

EUR - Chris Williamson, IHS Markit

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	Impact
Euro zone manufacturing PMI 53.3 versus 52.6 forecast	High

Rising prices as well as strengthening employment outlook pushed the single currency area's two main economic sectors – services and manufacturing – flash purchasing managers' index to a 10-month high, influenced by strong growth in Germany. According to the data released, the flash Eurozone PMI manufacturing index strengthened to 53.3 for October from 52.6 the previous month. The following number was the strongest reading for 30 months and above expectations of a 52.7 reading. Moreover, the services-sector data also outperformed forecasts with an advance to a nine-month high at 53.5 from 52.2, while the composite output index strengthened to a ten-month high. The release followed strong PMIs from Germany and mixed data from France where the composite PMI declined as the services gauge went down. Overall, the figures marked an improvement from the September data, when Germany had been hit by services sector weakness and a French manufacturing downturn continued.

In the meantime, market reaction was limited with the Euro only marginally stronger and still blocked below 1.0900 level.






"So now we know why the BOC considered easing. Economic growth in the third quarter doesn't look as good as expected, inflation is below target and it's unclear where an acceleration would come from".

CAD

- Greg Anderson, Bank of Montreal



	Impact
Canadian wholesale trade grows faster than expected in August	High

Canadian wholesale sales rose in August for a fifth consecutive month, fresh figures showed on Monday. According to Statistics Canada, the value of Canadian wholesale trade increased 0.8% month-over-month in August, compared to the preceding month's downwardly revised gain of just 0.1%, while market analysts anticipated a slight acceleration to 0.2% during the reported period. Sales advanced in five out of the seven subsectors, accounting for 80% of the wholesale trade total level. Sales in the miscellaneous subsector grew 3.9% on higher sales of agricultural supplies, which increased 11.8% in the eight month of the year due to higher exports of the wide variety of chemical products used in agriculture, such as pesticides and fertilizers. Furthermore, sales of machinery, equipment and supplies jumped 1.3% in August, driven by larger shipments of farm, lawn and garden equipment. Overall, wholesale sales rose in eight out of the ten regions. Sales also grew in energy-producing Alberta that was severely hit by wildfires in May, which forced a drastic cut to oil sands production. After the release, the Canadian Dollar rose slightly against other major currencies, trading at 1.3348 against its US counterpart, 1.4544 against the Euro, 1.0175 against the Aussie and 77.88 against the Japanese Yen.






"Manufacturing showed further signs of pulling out of the malaise seen earlier in the year, starting the fourth quarter on a solid footing".

- Chris Williamson, Markit

USD

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	Impact
US Flash Manufacturing PMI comes in at 53.2 in October	High

Activity in the US manufacturing sector expanded more than expected last month, according to a private survey published on Monday. The Market Research Group said that its Preliminary Manufacturing Purchasing Manager's Index for the United States jumped to 53.2 in October, following the preceding month's final reading of 51.5 and surpassing the 51.6 market forecast. Any reading above 50 points indicates an expansion and is based on a survey of manufacturers across the country. US manufacturers recorded strongest upturn in business conditions for 12 months in October, while both output and new order growth touched their one-year peaks last month. The US manufacturing sector was hit severely by the US Dollar's sharp appreciation and weak global economic growth. Back in September, the PMI rebounded from a contractionary reading of 49.4, the first drop below the 50 point-level since February. Furthermore, some respondents mentioned there was a rise in international and domestic sales.

After the release, the US Dollar rose slightly against other major currencies, trading at 1.0890 against the Euro, 1.2233 against the British Pound and 104.08 against the Japanese Yen.



Major events previous week (October 17 - 21)

Day/Time (GMT)	Flag	Currency	Event	Period	Actual	Forecast	Previous
MONDAY							
9:00 am		EUR	Consumer Price Index (YoY)	September	0.4%	0.4%	0.4%
13:15 pm		USD	Industrial Production (MoM)	September	0.1%	0.3%	-0.4%
22:45 pm		NZD	Consumer Price Index (YoY)	Quarter	0.2%	0.1%	0.4%
TUESDAY							
8:30 am		GBP	Consumer Price Index (YoY)	September	1.0%	0.9%	0.6%
12:30 pm		CAD	Manufacturing Sales (MoM)	September	0.9%	0.3%	0.1%
12:30 pm		USD	Consumer Price Index (MoM)	September	0.3%	0.3%	0.2%
WEDNESDAY							
2:00 am		CNY	Gross Domestic Product (YoY) (Q3)	September	6.7%	6.7%	6.7%
12:30 pm		USD	Building Permits	September	1.23M	1.17M	1.15M
2:00 pm		CAD	Interest Rate Decision	September	0.5%	0.5%	0.5%
THURSDAY							
00:30 am		AUD	Unemployment Rate	September	5.6%	5.7%	5.6%
8:30 am		GBP	Retail Sales (MoM)	September	0.0%	0.4%	-0.2%
11:45 am		EUR	ECB Interest Rate Decision	September	-0.4%	-0.4%	-0.4%
12:30 pm		USD	Initial Jobless Claims	October	260K	251K	246K
FRIDAY							
12:30 pm		CAD	Core Consumer Price Index (MoM)	September	0.2%	0.2%	0.0%

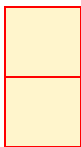
EXPLANATIONS

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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