

WEEK AHEAD

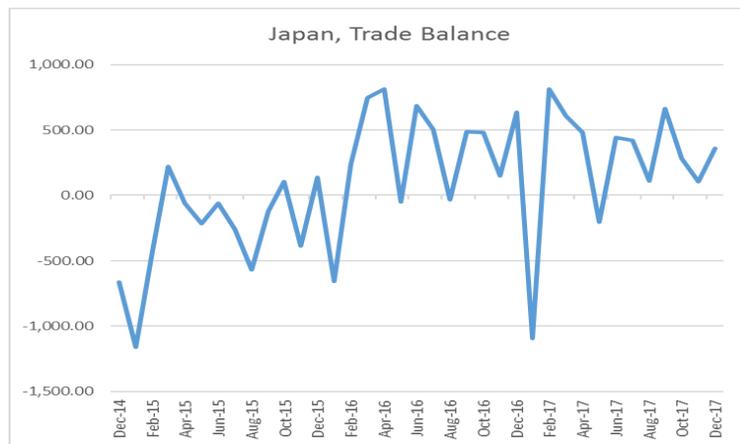
Week ahead: February 19th-25th

Japan's inflation data and trade balance, Germany's ZEW and Ifo reports, UK's employment data, Sweden's CPI rate as well as Canada's core CPI rate in focus.

Next week's market movers

- Japans Core CPI rate and Trade Balance are expected to draw some focus.
- Attention will be given also to UK's employment data, as well as the German ZEV and Ifo reports
- On Friday, focus is expected to shift to Canada's inflation data and especially the Core CPI rate.

On Monday, during the Asian morning, Japans Trade Balance figures for January are to be released. Market's interest may focus on the Trade Balance Surplus figure as well as the growth rate of exports. The trade balance figure is forecasted to drop and turn to a deficit of -1 Trillion JPY from previous surplus reading of 359 Billion JPY. Exports growth is forecasted to accelerate to +10.3% year on year (yoy), compared to previous reading of +9.3% yoy.



The substantial drop and switch of signs could have an adverse effect on the JPY, and overshadow any positive news stemming from the exports acceleration. However, please be advised that the same effect (ie. Japan Trade Balance dropping to a deficit), occurs almost every January, so the market may be prepared for the sign of the Trade Balance figure.

On Tuesday, during the European morning, the Swedish CPI rate for January is to be released. The indicator is forecasted to accelerate to +1.8% yoy compared to previous reading of +1.7% yoy.

Should the actual results meet the forecast, SEK could strengthen, as the inflation rate increases. Please also note, that SEK may prove to be quite sensitive after Wednesday's Riksbank's decision to remain on hold.

Later on, Germany's ZEW economic sentiment report for February is to be released. The indicator is forecasted to drop to 15.5 from previous reading of 20.4.

Such a marked decrease could influence the direction of the EUR negatively. The indicator could prove of importance given that the Ifo Business climate report is to be released on Thursday.

On Wednesday, during the European morning, UK's employment data for December are to be released. The ILO Unemployment rate is forecasted to remain unchanged at 4.3% compared to previous reading, average earnings growth also to remain unchanged at 2.5% compared to previous reading and employment change to increase to 180K compared to previous reading of 102K.

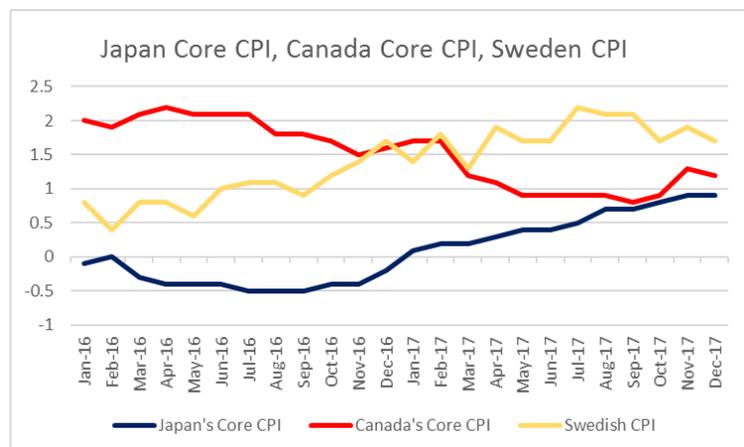
The data could support the GBP as they are indicative of a rather tight labour market and especially the increase of the employment change figure could generate a positive sentiment for the pound.

On Thursday, during the European morning, the Ifo Business Climate for February is to be released. The indicator is forecasted to drop to 117.0 from previous reading of 117.6.

Given that the ZEW economic sentiment indicator is also forecasted to drop and should the actual indicator meet the forecasts it could be the case that the EUR may weaken somewhat.

On Friday, during the Asian morning, Japan's Core CPI rate is due out. The rate is forecasted to slow down to +0.8% yoy compared to previous reading of +0.9% yoy.

JPY could weaken as the rate decrease could be perceived as inflationary pressures may be in retreat. Especially should also the headline CPI rate bear a reading equal or lesser than of +1.0% (which is the previous reading), the effect could magnify.



Later on during the European morning, the final German GDP growth rate for quarter 4 will be released. The rate is forecasted to decelerate to +0.6% quarter on quarter (qoq) compared to previous reading of +0.8% qoq.

The drop could be somewhat of a surprise, as the market may already have reacted to the preliminary rate release and the EUR could weaken somewhat.

Last but not least, Canada's Core CPI rate for January will be released. The rate's last reading was at +1.2% yoy.

As no forecast has been released yet, any acceleration of the rate could be perceived as a positive reading for the CAD as it could imply that inflationary pressures remain in place.

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