



WEEK AHEAD



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All trading involves risk. It is possible to lose all your capital.

Week ahead: March 19th -23rd

Fed's, RBNZ's and BoE's interest rate decisions, UK's, Japan's and Canada's inflation data for February and UK's and Australia's unemployment data as well as other releases of financial data in focus.

Next week's market movers

- The UK Inflation data for February are expected to move the market on Tuesday.
- Fed's and RBNZ's interest rate decisions are to be the epicenter of attention on Wednesday.
- The market is expected to shift its focus to BoE's interest rate decision on Thursday.
- While on Friday Japan's and Canada's inflation data are also set to get some attention.

In the coming week will be a number of important financial data releases, however our team has selected some, which it considers to be of the highest importance and could move the market more than others.

On Monday, no major events are expected.

On Tuesday, during the European morning, we get **UK's Inflation data for February**. The headline rate is forecasted to decelerate to +2.8% year on year (yoy) compared to previous reading of +3.0% yoy. Such a reading could ease the pressure on BoE about a rate hike somewhat, however it still is high above BoE's target of +2%. Please be advised that the Core CPI rate is also set to slow-down to +2.5% yoy compared to previous reading of +2.7% yoy, supporting the argument for inflationary pressures to have eased somewhat. The release gains on importance as it is being released two days ahead of the BoE's interest rate decision and could weaken the GBP.

Also on Tuesday, Germany's **ZEW economic sentiment** and ZEW current conditions indicators are to be released. Both indicators are expected to drop. Specifically, the economic sentiment indicator is set to drop to 13.0 compared to previous reading of 17.8 and the current conditions to drop to 90.0 compared to previous reading of 92.3. Should the actual data meet the forecast they could confirm a possible negative trend initiated last month in the indicators and could weaken the common currency.

On Wednesday, during the European morning we get **UK's employment data for January**. The unemployment rate is currently forecasted to remain unchanged at 4.4%, average earnings index plus bonus is expected to accelerate to +2.6% yoy compared to previous reading of +2.5% yoy, employment change to drop to +85K compared to previous reading of +88K.

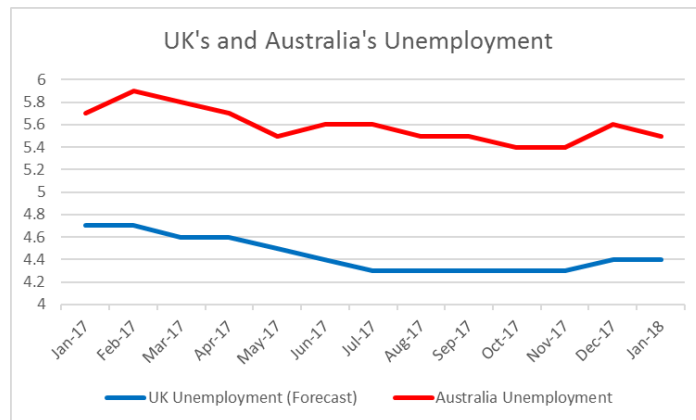
Overall, we see the case for a rather strong employment report indicative of a tight labour market, should the actual results meet the forecast. Should also the claimant count figure for February be lower than previous reading of -7.2K, it would strengthen the argument of a tight labour market.

The results could support the GBP, also gain on importance as they are to be released a day before the BoE interest rate decision and a rather tight labour market could positively contribute to UK's overall economic outlook.

Later in the US session we get the **FOMC's interest rate decision**. The FOMC is widely expected to increase interest rates by 25 basis points (bp), from current +1.50% to +1.75%. Feds Funds Futures (FFF) seem to imply currently a 100% probability that the bank will raise interest rates. That said, we would like to mention that currently we do not see the case made by various analysts for a rate hike of 50 bp. Hence, market focus may shift to the accompanying statement, the following press conference and the dot plot for further clues regarding the future rate hike path of three or four rate hikes in 2018. The markets may have a muted reaction as the interest rate decision is already widely expected, however it would be interesting to see if there will a change in the tone of the accompanying statement, as well as the following press conference led by Jerome Powell. More info should be available as Wednesday draws near. High volatility across US pairs could be expected not only upon the announcement, but throughout the press conference as well.

Last but not least on Wednesday, we get **RBNZ's interest rate decision**. The bank is expected to remain on hold at +1.75%. NZD overnight indexed swaps (OIS) seem to imply a probability for the bank to remain on hold by 99.29%. Again the market's focus may shift to the accompanying statement in order to shed more light as for the banks view on New Zealand's economic outlook and future intentions. Currently, we do not see the case for the bank to hike rates at least until the end of 2018. A possible dovish tone in the accompanying statement could weaken the NZD.

On Thursday, during the Asian morning we get **Australia's employment data** for February. The unemployment rate is currently forecasted to remain unchanged at 5.5% and the employment change is forecasted to increase to 20.0K compared to previous reading of 16.0K. Should the actual data meet the forecast AUD could strengthen as the employment data is indicative of a rather tightening labour market.



During the European session we get Germany's Ifo Business Climate and Current Conditions indicators. Both indicators are forecasted to drop. Specifically the business climate indicator to 114.7 from previous reading of 115.4 and the current conditions indicator to 125.7 from previous reading of 126.3.

Should the actual figures meet the forecasts, we could see the Euro weakening as the results may act as a further confirmation of Tuesdays ZEW economic indicators which have similar tendencies.

Later on, we get **Bank of England's interest rate decision**. The bank is forecasted to remain on hold at +0.50%. GBP OIS imply a probability of 92.46% for the bank to remain on hold and a

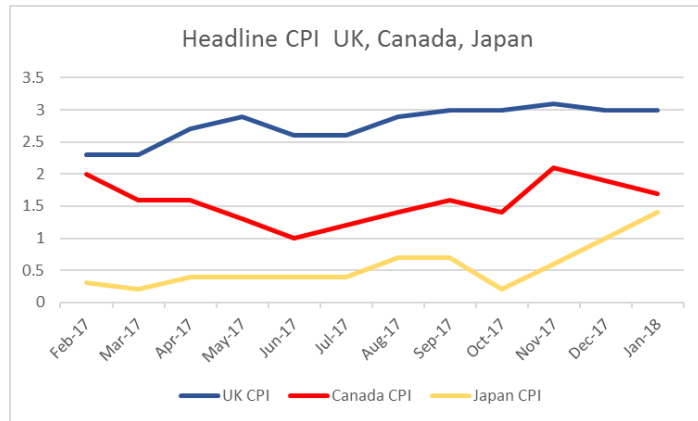
7.54% for a rate hike. Should the decision be to remain on hold, the market focus will probably shift to the accompanying minutes and the actual votes in favor to remain on hold. Should the accompanying statement include increased uncertainty deriving from Brexit or a gloomier economic outlook for UK's economy, GBP could weaken.

On Friday, during the Asian morning we get **Japan's inflation data** for February. The core CPI rate is forecasted to accelerate to +1.0% yoy while the headline CPI rate's last reading was at +1.4% yoy.

Should there be a reading equal or higher than +1.4% yoy for the headline rate and the actual rate of the core CPI meet the forecast, we could see the yen strengthening as the market may interpret it as a confirmation of BoJ's policy. Currently we see the risks for the headline rate tilted to the upside as a possible acceleration of the core CPI rate could be indicative of the underlying inflationary pressures.

Later on, we get **Canada's inflation data** for February. The headline CPI rate is currently forecasted to decelerate to +1.4% yoy compared to previous rate of +1.7% yoy while the core CPI's last reading was +1.2% yoy.

Should the actual data of the headline CPI meet the forecast and the core CPI rate have a reading equal or lower than +1.2% yoy it could be the case that the Canadian Dollar could weaken.



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