



# WEEK AHEAD



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

## Week ahead: April 16<sup>th</sup>-20<sup>th</sup>

The BoC interest rate decision, China's, Eurozone's, UK's, New Zealand's, Japan's and Canada's inflation data as well as UK's and Australia's employment data and other financial data of the next week in focus.

### Next week's market movers

- UK employment data for February as well as China's GDP growth rate and RBA's meeting minutes could grab the markets attention on Tuesday.
- UK inflation data for March and BoC's interest rate decision could move the market on Wednesday.
- On Thursday the market is expected to shift its focus south east to New Zealand's inflation data and Australia's Employment data for March.
- Last but not least, on Friday, Japan's and Canada's inflation data could be the markets center of discussion.

The coming week is expected to keep the market busy, as a number of financial data releases are due out and could move the market.

**On Monday**, during the North American session we get the US Retail Sales growth rate for March. The rate is forecasted to accelerate and switch signs reaching +0.3% month on month (mom) compared to previous reading of -0.1% mom.

Should the actual results meet the forecast we could see the greenback strengthening as the acceleration of the indicator could imply that consumers place their trust to the US economy and are willing and able to spend more.

**On Tuesday**, during the Asian morning the minutes of the last meeting of the RBA will be released. Just a small recap in the last meeting, RBA left the cash rate unchanged at +1.5% and the decision was accompanied by a rather dovish statement. The statement contained a remark for the inflation rate to remain low as well as comments about household spending being a source of uncertainty. The minutes are expected to shed light as to the banks intentions and especially as to which factors could change the dovish outlook. Overall any hawkish comments could awake a buying interest for AUD, while should there be a large majority sharing the dovish outlook the content of the minutes could weaken the AUD.

Later in the Asian morning, we get China's GDP growth rate for quarter 1 of 2017. The rate is forecasted to remain unchanged at +6.8% year on year (yoy) and to tick down to +1.5% quarter on quarter (qoq) from previous reading of +1.6% qoq. If the forecasts are realized, we could see the Aussie and the Kiwi weakening somewhat, however the market's reaction could be slightly muted.

At the same time we also get China's industrial production growth rate for March. The rate is forecasted to slow down and reach +6.2% yoy compared to previous reading of +7.2% yoy. Should the actual results meet the forecast we could see AUD and NZD weakening as such a slowdown could imply less imports from Australia and New Zealand.

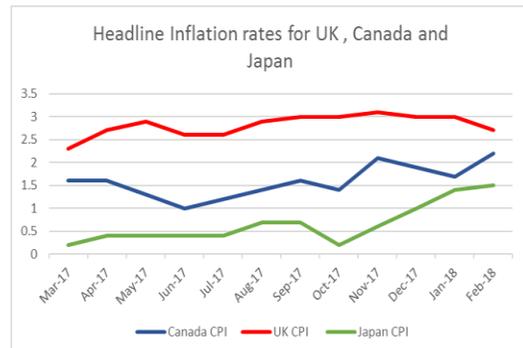
In the European morning we get UK's employment data for February. The average earnings (+Bonus) growth rate is forecasted to decelerate to +2.6% compared to previous reading of 2.8%, the unemployment rate is forecasted to tick up to 4.4% compared to previous reading of 4.3% while there is no forecast for the Employment Change as these lines are written. Should there be a lower reading than 168K and presuming that the forecasts meet the actual results the pound could weaken. Main reason cited is that despite the report being one of a rather tight labor market, the dropping of the indicators does not pass unnoticed, especially the average earnings growth rate.

Later in the European morning, we get Germany's ZEW economic sentiment indicator for April. The indicator is forecasted to switch signs dropping as low as -1.6 compared to previous reading of 5.1. Should the actual results meet the forecast we could see the EUR weakening as reduced confidence indicated by the drop and switch of signs could have a wider impact on the Eurozone.

**On Wednesday**, during the Asian morning we get Japan's Trade Balance figures for March. The forecast is of a 498.3B surplus (increased compared to previous reading of 3.4B) while the exports growth rate is forecasted to have accelerated to 4.7% compared to previous reading of 1.8%. Should the actual results meet the forecast we could see the JPY strengthening.

In the European session we get UK's inflation data for March. The core CPI rate is forecasted to tick up to +2.5% yoy compared to previous reading of +2.4% yoy, while the headline CPI rate is expected to tick up to +2.8% yoy compared to previous reading of +2.7% yoy.

Both rates could support the GBP should the actual results meet the forecast as inflationary pressures pave the way for a rate hike in May which already widely anticipated.



In the North American session, BoC's interest rate decision is to be released. The bank has currently an interest rate at +1.25% and is expected to remain on hold. The argument for the bank to remain on hold is strengthened by CAD OIS which imply currently, a probability for the bank to remain on hold of 74.85% while there is also a probability of 25.15% for a 25 basis points rate hike. On the other hand, please be advised that the headline inflation rate is currently at +2.2% yoy, which is the highest level for the past three years, while the Core BoC CPI rate is at +1.5% yoy. Currently, we share the view that the bank will remain on hold, hence the market's attention may turn to the accompanying statement. We could see a rather neutral to dovish statement as Governor Poloz made some rather dovish comments on the 15<sup>th</sup> of March about the prospects of Canada's economy.

**On Thursday**, during the Asian morning we get New Zealand's CPI rate for quarter 1. The rate is forecasted to accelerate and reach +1.9% yoy compared to previous reading of +1.6% yoy.

Should the actual results meet the forecast we could see the NZD strengthening as inflationary pressures could be on the rise for the RBNZ.

Also in the Asian morning we get Australia's employment data for March. The employment change is forecasted to rise and reach +20.0K compared to previous reading of +17.5K while the unemployment rate is forecasted to tick down to 5.5% compared to previous reading of +5.6%. Should the actual results meet the forecast, the report would be showing a tightening labour market which could support the AUD.

**On Friday**, during the Asian morning we get Japan's inflation data for March. The headline CPI rate's latest reading was of +1.5% yoy while the Core CPI rate is forecasted to tick down to +0.9% yoy (compared to previous reading of +1.0% yoy). Should there be a deceleration of the headline CPI rate as well, we could see the JPY weakening as the arguments for a continuing of the ultra-light monetary policy by BoJ could strengthen. Please be advised that as the core CPI rate is forecasted to drop the risks linked to the headline CPI rate could be tilted to the downside.

During the North American session we get Canada's Inflation data for March. The headline rate is forecasted to decelerate and reach +2.0% yoy compared to previous reading of +2.2% yoy while there is no forecast for the Core BoC CPI rate (last reading at +1.5% yoy). Should the actual results meet the forecast for the headline CPI rate and there be a deceleration for the Core BoC CPI rate we could see the CAD weakening.

Last but not least we get Eurozone's preliminary Consumer Confidence indicator for April. The indicator is forecasted to drop and switch signs reaching -0.3 compared to previous reading of +0.1. If the forecast is realized we could see the EUR weakening.

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