

# FXDD this Week: Key Releases for the Week of July 13th to July 18th

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The week will be dominated by the release of **Consumer Price Index** data in a number of countries including New Zealand, the UK, the Eurozone and the United States.

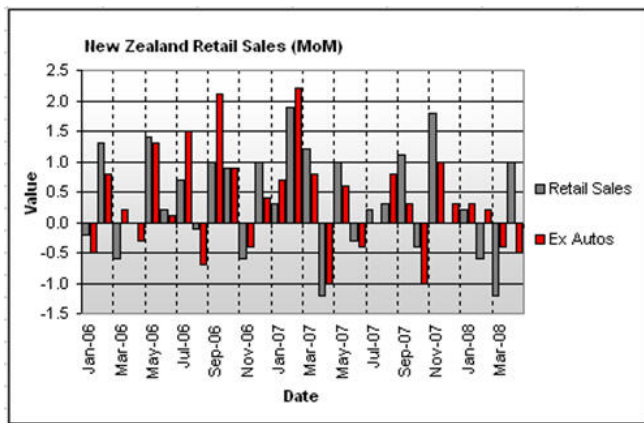
During the month, the price of the oil rose from around \$127 to \$140 which all but guarantees another sharp rise in the level of prices in all countries. Inflation globally is an oil and energy phenomenon. With global growth slowing, the increase is also becoming to be a restrictive influence on the economies of the world.

As a result, the expectation is the demand for energy will subside and that demand for other goods will also slow, containing price pressures – in time. Although this is the general expectation, it also is the reason the central bankers are on alert. Should growth levels pick up and signs of inflation in other areas rise, the worries would intensify and monetary action might need to be implemented to arrest the secondary price increases..

## Sunday Night's Key Releases

### 6:45 PM EDT: New Zealand Retail Sales for May

Estimate: +0.1% MoM and +0.5% for Ex-autos



In April the **New Zealand Retail Sales** came in at +1.0%. This was the first rise after 2 months of declines. The number was boosted by auto sales.

Ex gasoline, auto dealers and workshops the figure declined by -0.5%. This was the second straight monthly decline for this figure. Higher costs for food, gasoline and mortgages are slowing consumers discretionary spending. **This month the expectation is for a scant increase of 0.1% and for the ex auto figure to rebound by +0.5%.**

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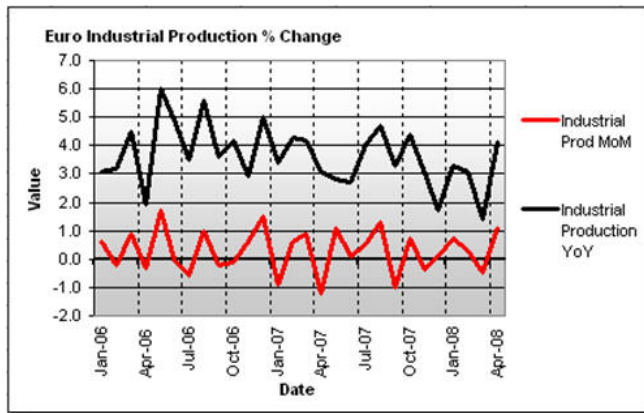
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## Monday's Key Releases

### 5:00 AM EDT, Eurozone Industrial Production for May,

Last month +0.9% MoM, +3.9% year on year



Last month **Eurozone Industrial Production** for the month of April rose unexpectedly by 0.9%. Increases in France and Italy offset weakness in Germany. However, the early Easter may have caused the boost in production in France and Italy as they added more working days. The year on year measure increased to +3.9%.

Despite the gains last month, the expectation is the gains will not be sustained as the strength in the Euro makes the price of Eurozone exports more expensive abroad, and the slowing of the global economies will also starts to take its toll on spending and production. .

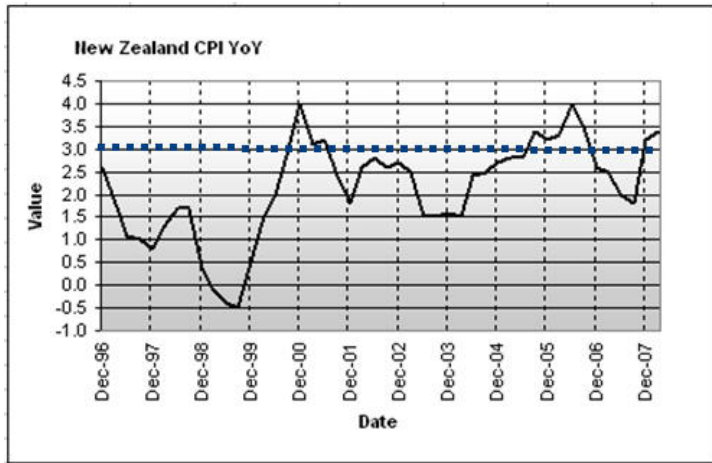
There is no estimate for the figures this month.

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**6:45 PM EDT: New Zealand Consumer Price Index QoQ for the 2<sup>nd</sup> quarter and year on year.**  
Estimate +1.4% QoQ and +3.8% year on year



The **New Zealand Consumer Price Index** is a quarterly release. Last quarter the release rose by 0.7% and the year on year measure increased by 3.4%. **For the 2<sup>nd</sup> quarter the expectation is for a rise of 1.4% and for the year on year measure to rise to 3.8%.**

The Reserve Bank of New Zealand monetary policy agreement requires the Reserve Bank of New Zealand to “keep future CPI inflation outcomes between 1 per cent and 3 per cent on average over the medium term”. However, there are situations when the price target can rise above the level and be acceptable.

As per the Policy Target Agreement, this can occur when there are “**shifts in the aggregate price level as a result of exceptional movements in the prices of commodities traded in world markets**, changes in indirect taxes, significant government policy changes that directly affect prices, or a natural disaster affecting a major part of the economy”.

The higher inflation as a result of the surge in the energy markets would come under this caveat. As a result, the Central Bank is allowed to focus on inflation expectations over the vaguely defined “medium term”. With consumer demand slowing and interest rates at record levels, the expectation from the central bank is for an easing of inflation pressures once energy prices stabilize and/or come down.

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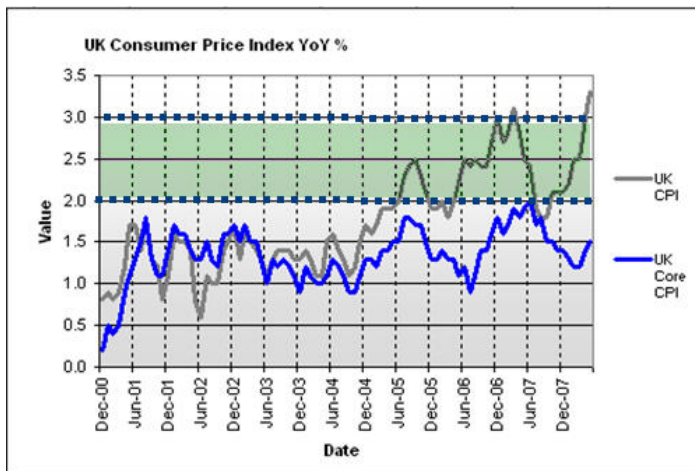
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## Tuesday's Key Releases

### 4:30 AM EDT, UK Consumer Price Index and Core CPI for June

Estimate: +0.4% MoM, +3.6% year on year. The Core CPI is expected to rise to 1.6% from 1.5% last month



The story in the UK is the same. The **Consumer Price Index** rose above the upper band of the banks target range of 3.0% last month. The rate was reported at 3.3%. The move above the level required a formal letter to the Chancellor of the Exchequer Alastair Darling from the Bank of England's Mervyn King explaining the breach. The conclusion from the officials was that tightening would do more harm than good to a weakening economy. In addition, the thought was the inflation pressures would subside when the energy prices stabilize.

**This month the expectation is for an increase of 0.4% month on month and for the year on year measure to rise to 3.6%. The core measure which is a reflection of price pressures ex food and energy is expected to rise to 1.6% from 1.5% last month.** The core measure is in the middle of a 1 to 2 percent range that has prevailed since 2001.

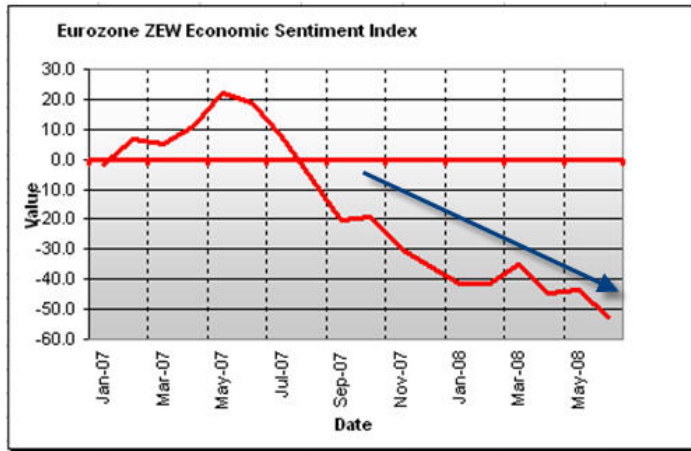
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## **5:00 AM EDT, Eurozone Zew Economic Sentiment for July**

Estimate: There is no current estimate. However, last month the Index declined to -52.7



The **ZEW Economic Sentiment index** reflects the difference between the share of investors that are optimistic and the share of investors that are pessimistic. Last month the index declined to -52.7. This is the lowest level in more than 15 years. Higher inflation and slower growth have soured the mood of investors. **With the economic backdrop remaining weak, the sentiment should remain depressed again this month.**

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## **8:30 AM EDT, US Retail Sales for June**

Estimate: +0.4% MoM versus +1.0% last month, Ex Autos +1.0% versus +1.2% last month



Last month **Retail Sales** rose by 1.0% for the headline number and by a higher 1.2% ex Autos. This was twice as much as expectation and largely reflected the surge in sales as a result of the tax rebate checks. It was the third straight month that sales rose by more than 0.4%. The ex auto sales have showed a higher sale pace with sales gains of 0.8%, 1.0% and 1.2% in the last three months. **This month the expectation is for the headline release to show a rise of 0.4% and for the ex-auto sector to rise by 1.0%.**

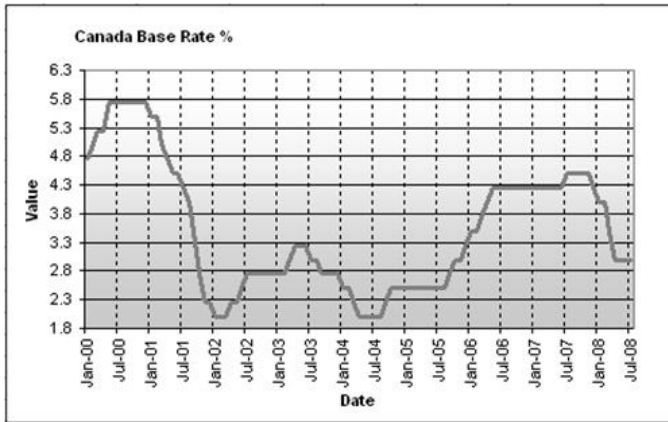
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## **9:00 AM EDT, Bank of Canada Rate Statement for July**

Estimate: No Change in Policy with the rate remaining at 3.0%



The **Bank of Canada** will conduct their regular monetary policy meeting and release a statement on the interest rates. Last month, the central bank surprised the market and kept rates steady at 3.0%. A 25 basis point cut was largely expected. The bank cited that the balance of risks “for inflation in Canada has shifted slightly to the upside.” However, they also commented that the “risk remains that the potential growth will be weaker than assumed”. The combination led to keeping rates steady. The bank has lowered rates from 4.5% to 3.0% since December 2007.

The CPI inflation target rate is currently at 2.2%, while the core measure of the CPI is at 1.5%. This is comfortably within the target range of 1 to 3 percent. **This month the expectation is for the policy to once again remain steady at 3.0%.**

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## Wednesday’s Key Releases

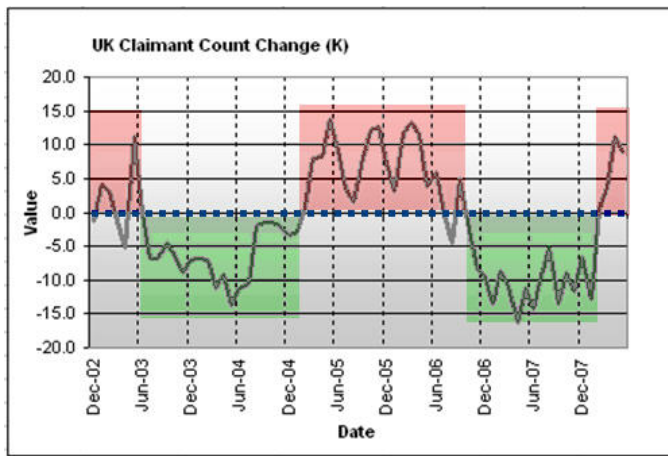
### 4:30 AM EDT, UK Unemployment Statistics for June

UK Jobless Benefits: Estimate +10,000 versus +9,000 last month

Unemployment Rate: 5.3% versus 5.3 % last month

Average Earnings Including Bonuses: +3.7% year on year versus 3.8% last month

Average Earning ex Bonuses: +3.9% versus +3.9%



**Last month the number of people claiming jobless benefits rose by 9,000 to 819,000.** This was the highest level on unemployment claims in 7 months. The labor market is weakening as the economy slows due to higher inflation, a credit market which is tightening and a housing market which is under pressure. Last week, the Halifax Building Society announced that house prices have declined by 6.1% which is the sharpest fall since 1993. **This month the expectation is for the number of people claiming jobless benefits to rise once again by 10,000.** In addition the Unemployment rate is expected to remain steady at 5.3% and Average Earnings is to remain steady versus last month.

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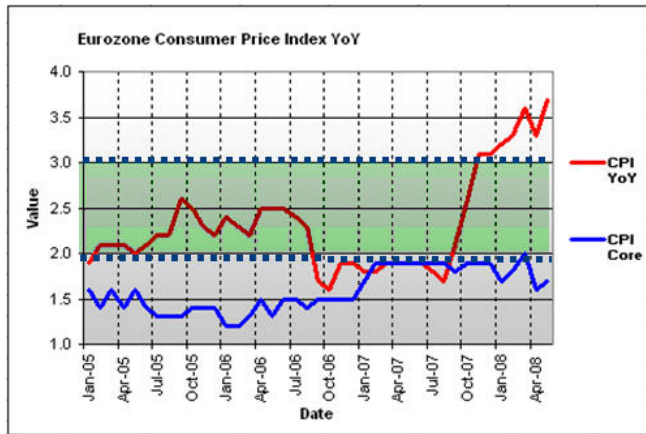
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## 5:00 AM EDT, Eurozone Consumer Price Index for June

CPI: 4.0% year on year versus 3.7% last month. Core last month came in at +1.7%

CPI: +0.5% month on month versus +0.6 last month



Last month the **Eurozone Consumer Price index** rose to 3.7% from 3.3% the month before. The month on month on month measure showed an increase of 0.6%. The Core Level of Inflation meanwhile showed a small rise to 1.7% from 1.6% year on year. The core level has remained in a 1.5% to 2.0% range since January 2007. The headline figure put the inflation rate well above the ECB upper target rate of 3.0%. This prompted the central bank to raise rates by 25 basis points to 4.25%.

**This month the Flash estimate for CPI, released on June 30th, rose to 4.0% as a result of the higher price of energy. This measure tracks the official CPI release very closely. The expectation is for the CPI to rise to 4.0% which would correspond to an increase of 0.5% for the month.**

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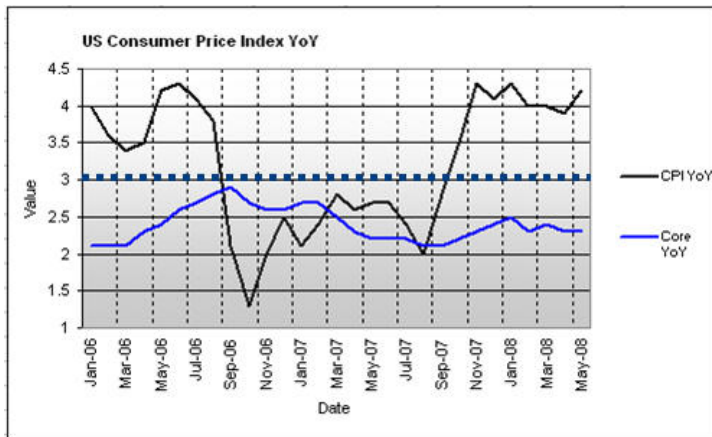
## **8:30: AM EDT, US Consumer Price Index for June**

CPI: Estimate: +0.7% MoM versus +0.6% last month

CPI Core: Estimate +0.2% versus +0.2% last month

CPI year on year: Estimate +4.5% versus +4.2% last month

CPI Core year on year: Estimate +2.3% versus +2.3% last month



Last month the headline **Consumer Price Index** rose by 0.6% while the core measure ex food and energy increased by 0.2%. The year on year measures showed an increase to 4.2% from 3.9% while the core measure came in at 2.3% unchanged from the month before.

Although the headline level has surged higher, the core measure has been ranging between 2.0% and 2.5% since April of 2007.

This month the expectation is for another large gain of 0.7% for the month and 4.5% for the year on year measure. The core measures are expected to show a more modest rise of 0.2% MoM gain, while the year on year core measure is expected to remain at 2.3%.

The FOMC is more concerned about growth. However, a surprise increase in the core measures would be worrying as the thought is monetary policy is expansionary at the current 2.0% target rate.

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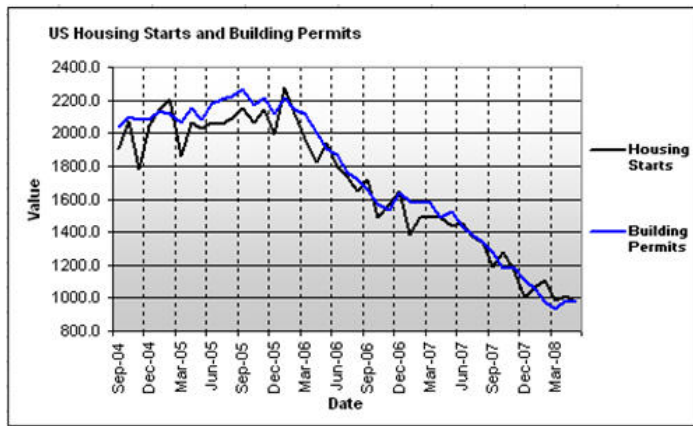
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## Thursday's Key Releases

### **8:30 AM EDT, US Housing Starts for the month of May**

Housing Starts: Estimate 965,000 versus 975,000 last month

Building Permits: Estimate 970,000 versus 978,000 last month



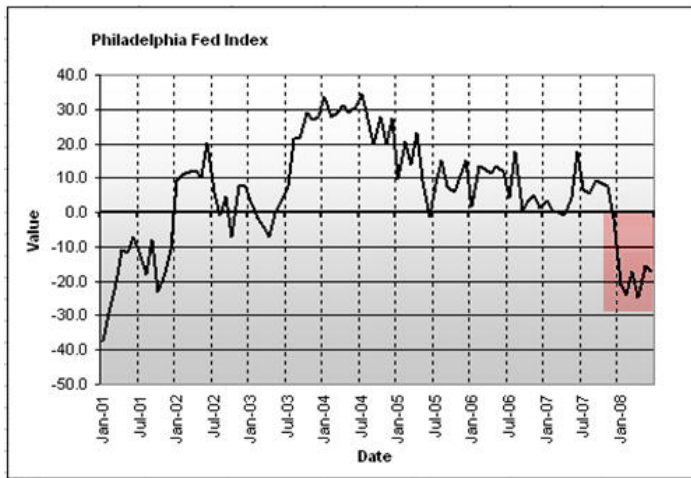
Last month the **US Housing Starts** declined to the lowest annualized pace in at least 17 years. The number of Housing Starts fell to 975,000 down from 1,008,000 the previous month. In addition Building Permits also declined to 978,000 from 982,000 the month before. This month the expectation is for the measures to show additional declines as the level of foreclosures and existing supply of unsold homes on the market, limit the amount of new starts. **The Housing Starts are expected to decline to 965,000 units while the Building Permits are expected to fall to 970,000.**

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**10:00 AM EDT, Philadelphia Fed Manufacturing Index for July**  
Estimate: -15.2 versus -17.1 last month



The **Philadelphia Fed Index** is the first of the 4 major regional indices (with the Empire State, Richmond and Chicago being the others) and as such, is often used as a proxy for the current health of the manufacturing economy. Last month the index declined greater than expectations to -17.1 from -15.6 the month before. The low point was -24.9 in April. **This month the expectation is for a decline of -15.2.** The index has been negative indicating contraction since December 2007.

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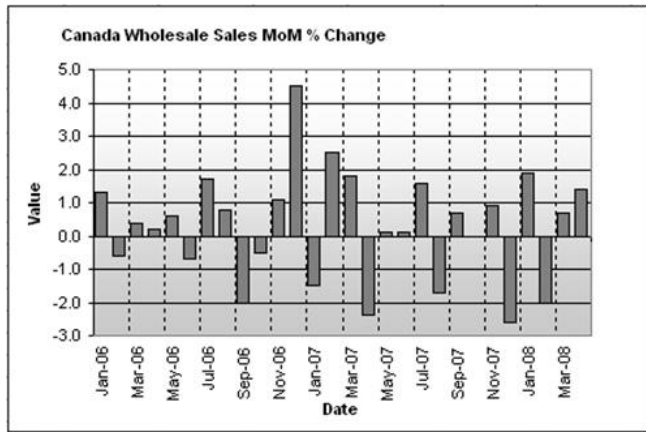
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## Friday's Key Releases

### **8:30 AM EDT, Canada Wholesale Sales for the month of May**

Estimate: +0.5% versus +1.4% last month



Last month **Canada's Wholesale Sales** rose by 1.4%. This was higher than expectations and was attributed to increases in the sales of electronics and pharmaceuticals. Electronics alone increased by 7.2% on the month. The expected aggregate gain was expected to be +0.8%. **This month the expectation is for a slowing to +0.5%. This would be the 3<sup>rd</sup> gain in a row for the statistic.**

Have a great weekend and hope all have a profitable week trading next week.

- Greg Michalowski, FXDD Chief Foreign Exchange and Economic Analyst