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Fundamental Analysis



Fundamental Analysis

Refers to the study of the core underlying elements that influence the economy

A method of study that attempts to predict price action and market trends by analyzing economic indicators



What Influences Prices?

Macroeconomic factors

Inflation, unemployment, and industrial production

Economic indicators are snippets of financial and economic data

Statistics that help observers monitor pulse of economy



Interest Rates

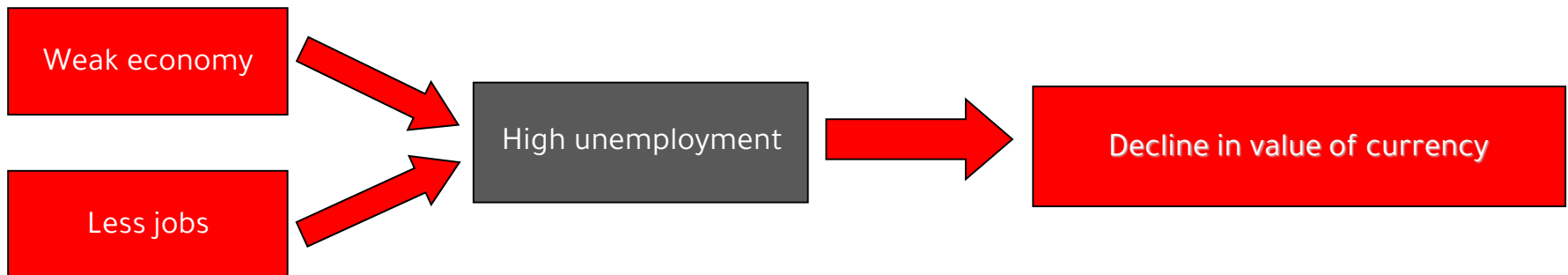
Each currency has an overnight lending rate attached to it determined by the country's central bank

Lower interest rates usually lead to depreciation in the value of the country's currency



Unemployment Rate

Key indicator of a country's economic strength

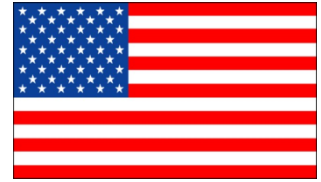


Geopolitical Events

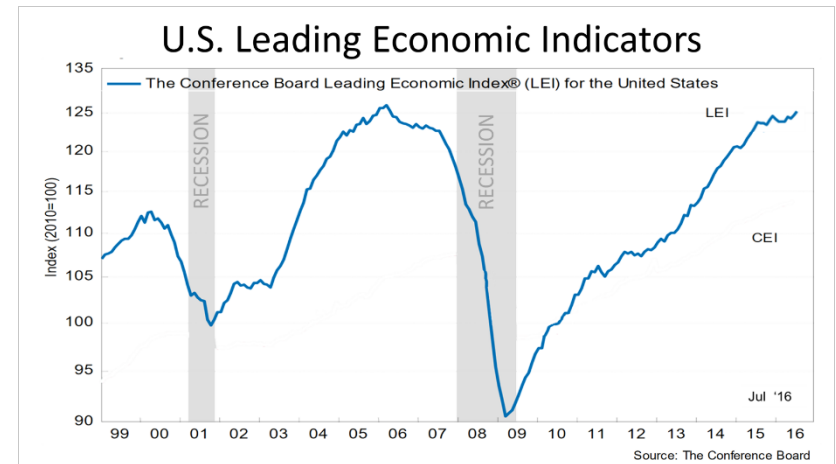
Events that affect not only the foreign exchange market, all other markets as well

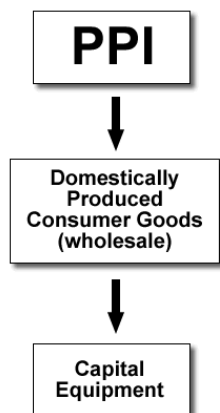


Leading U.S. Economic Indicators



- Producer Price Index (PPI)
- Purchasing Managers Index (PMI)
- Consumer Confidence
- Housing Starts
- New Home Sales
- Durable Goods



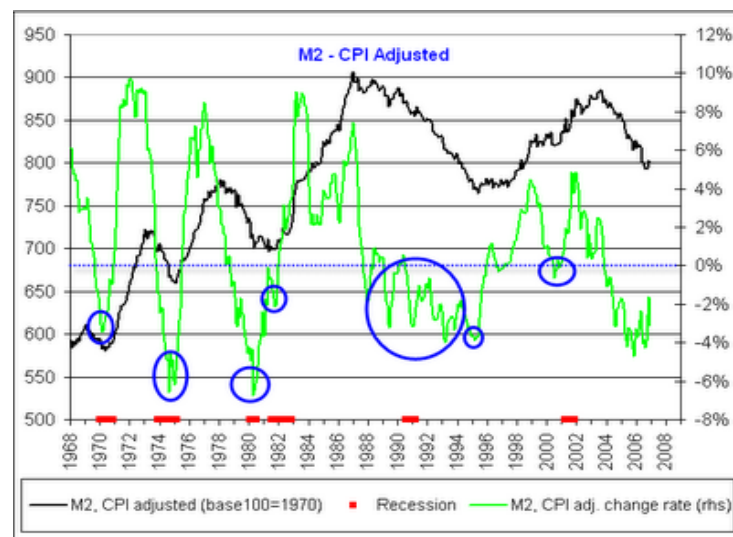


Producer Price Index (PPI)

Measure of price changes in the manufacturing sector

Measures average changes in selling prices received by domestic producers in the manufacturing, mining, agriculture, and electric utility industries

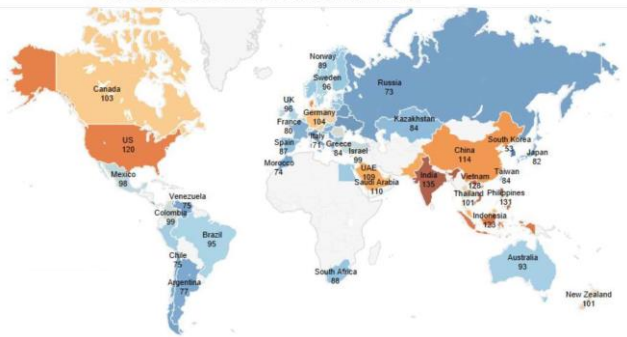
Core PPI is measured without the Energy Products due to their volatility



- Release date: Around the 11th of each month



GLOBAL CONSUMER CONFIDENCE INDEX,



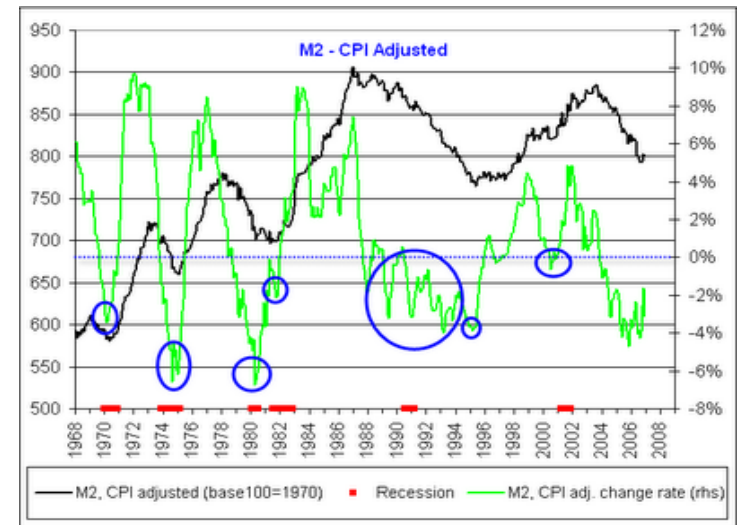
Consumer Confidence

Monthly survey of 5000 households

Reflects changes in consumption patterns

Index changes of at least five points are considered significant

The Federal Reserve pays close attention to Consumer Confidence when determining interest rates



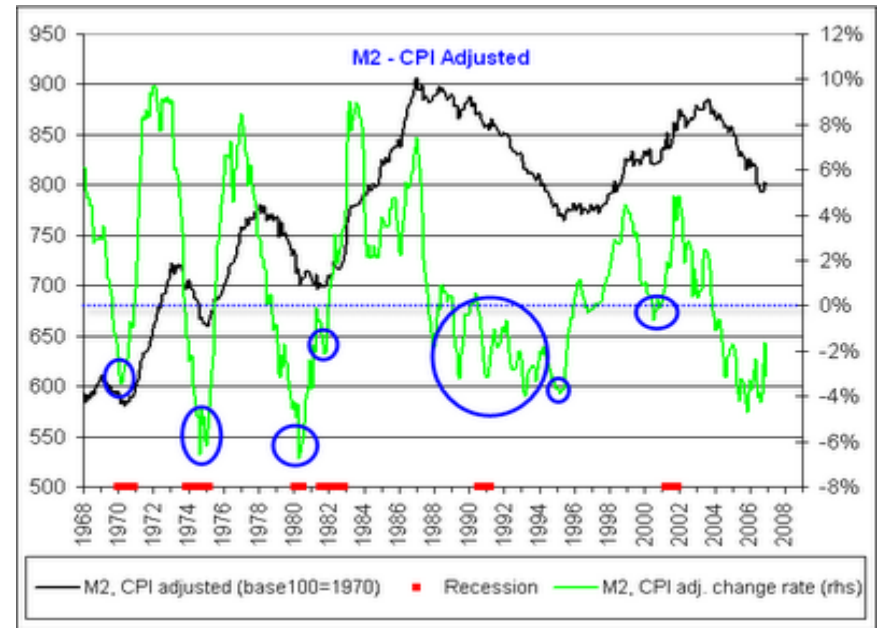
- Release date: 10:00 am EST on the last Tuesday of the month



Housing Starts

Measures the No. of residential units on which construction has begun each month

Slowing home sales can be a leading indicator of a coming recession



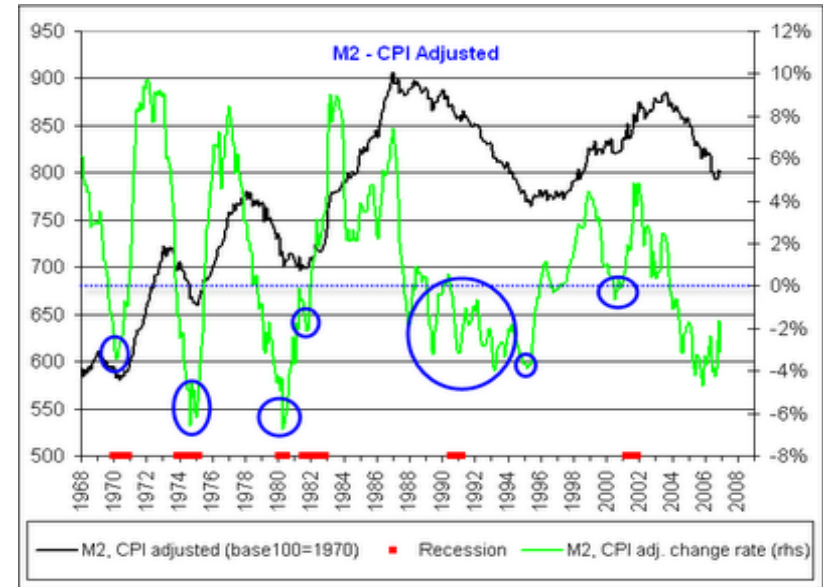
- Release date: Around the 16th of the month



Durable Goods

Durable Goods Orders measure new orders placed with domestic manufacturers for immediate and future delivery of factory hard goods

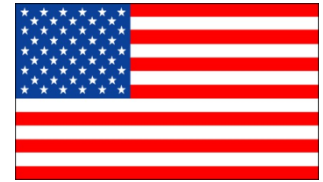
Orders are believed to be a leading indicator of activity in the manufacturing sector because manufacturers need orders before increasing production



- Release date: Around the 26th of each month



Lagging U.S. Economic Indicators



Gross Domestic Product (GDP)

Institute for Supply Management Manufacturing Survey (ISM)

Consumer Price Index (CPI)

Industrial Production

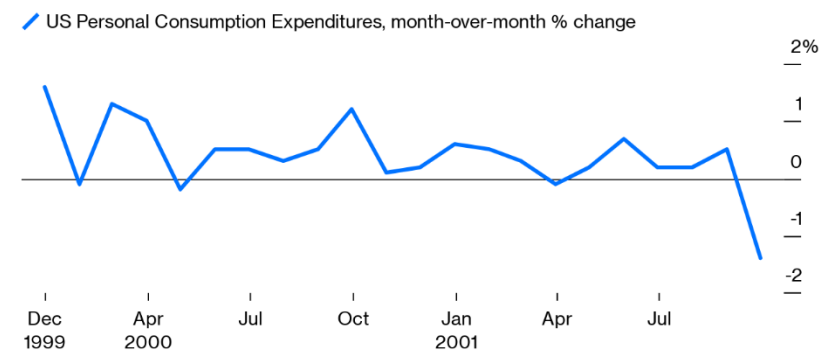
Household Survey

Initial Jobless Claims

Non-farm Payrolls

Retail Sales

Lagging Indicator



Source: Bloomberg, U.S. Bureau of Economic Analysis

BloombergOpinion

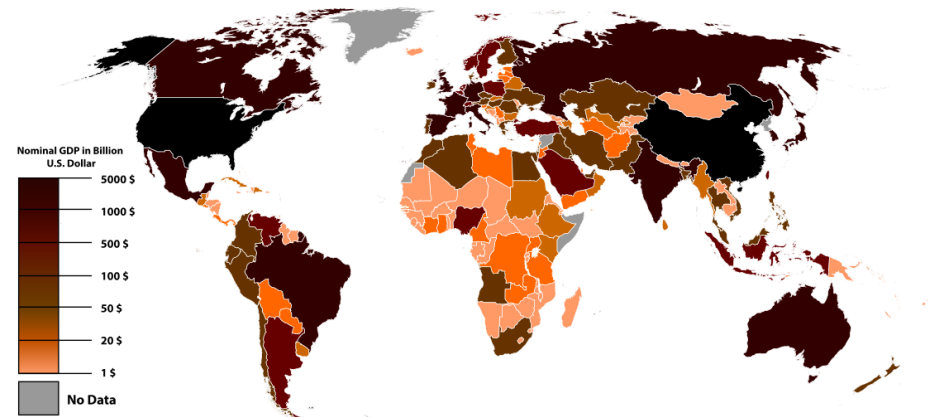


Gross Domestic Product

GDP indicates the pace at which a country's economy is growing (or shrinking)

The sum of all goods and services produced either by domestic or foreign companies

Considered the broadest indicator of economic output and growth



- Release date: Last day of the quarter at 8:30 am EST



Industrial Production

It is a chain-weighted measure of the change in the production of the nation's factories, mines and utilities

Measure of industrial capacity and available resources among factories, utilities and mines are being used

Industrial production index

Change from previous year, seasonally adjusted



Source: Federal Reserve via FRED

- Release date : Around the 15th of each month



Initial Jobless Claims

- Reflects the number of claims filed for state unemployment benefits in the previous week
- Increases reflect slowing job growth, decreases reflect accelerating growth

Weekly initial unemployment claims in 2020

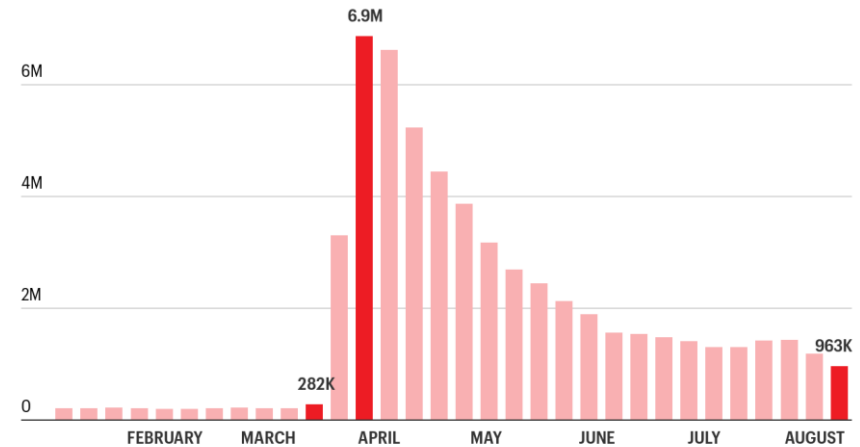


CHART: LANCE LAMBERT • SOURCE: U.S. DEPARTMENT OF LABOR

FORTUNE

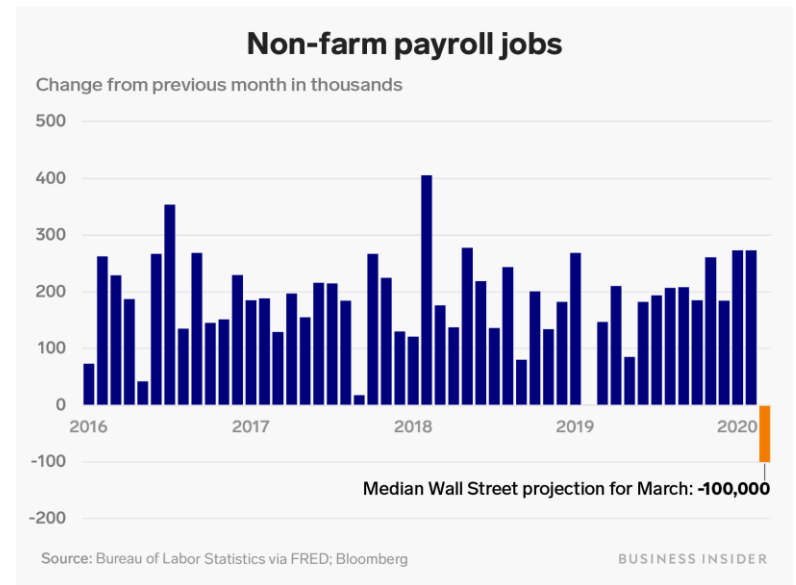
- Release time: 8:30 am EST every Thursday



Nonfarm Payrolls

The most closely followed economic statistic

Provides the most concrete evidence of whether the US is creating jobs



- Release date: First Friday of each month at 8:30 am EST



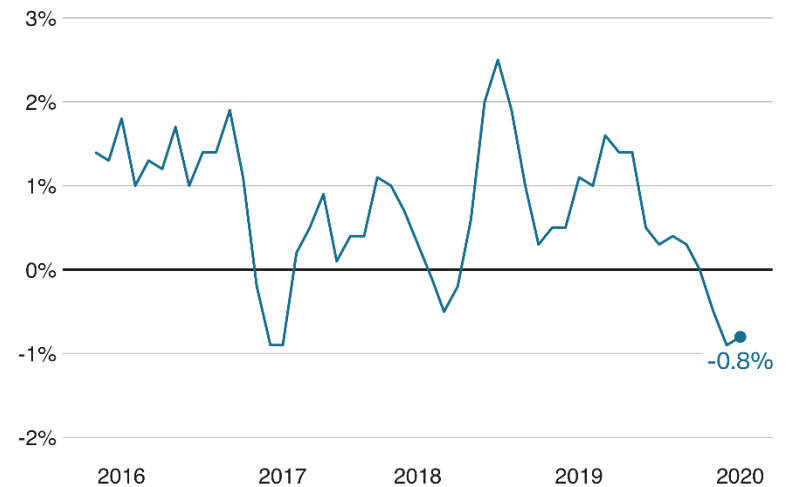
Retail Sales

Measure of the total receipts of retail stores from samples representing all sizes and kinds of business in retail trade throughout the nation

It is the timeliest indicator of broad consumer spending patterns

Retail sales

3-months on 3-month % change, seasonally adjusted



Source: Office for National Statistics

BBC

- Release Date: Around the 13th of the month



Major International Economic Indicators



- German Industrial Production
- German IFO Business Survey
- German Consumer Price Index
- Japan Industrial Production
- Japan's Tankan Survey

The Biggest Economies in the World

Countries with the biggest GDPs (in trillion U.S. dollars) and their growth outlooks

■ 2019 GDP ● Projected 2020 GDP growth

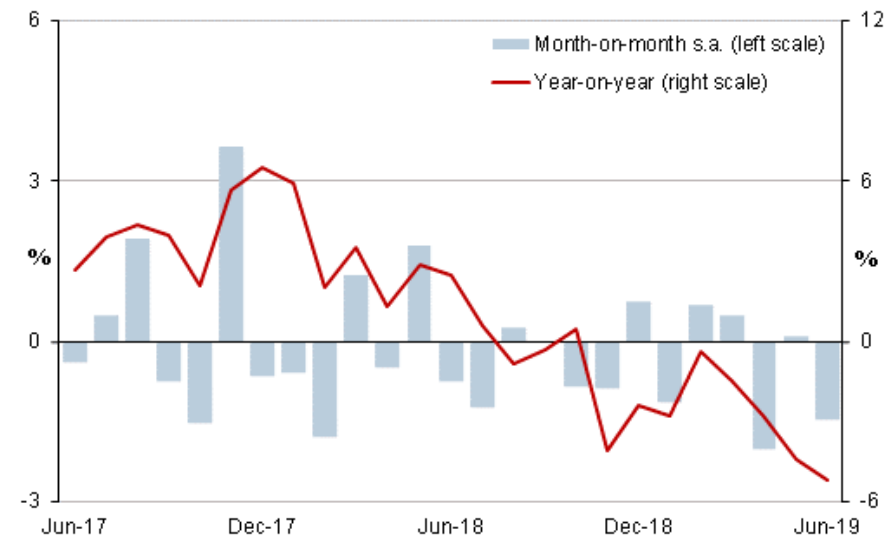


German Industrial Production



Reflects industrial output of Europe's largest economy, important leading indicator of Europe's economic well being

It is of highest importance



- Released on a monthly basis during the second week of the month



German Consumer Price Index (CPI)



Provides an assessment of the current and upcoming economic climate

Derived from the feedback of over 7,000 German Business Leaders

The German Consumer Price Index influences the European economy and also the policies of the European Central Bank (ECB)



- Release date: Around the 25th of each month

