Weekly Data Watch

KOMBENCH RESEARCH

Monday, June 04, 2007

US dollar continued its gaining streak as the market saw a line of important data releases that confirmed persistent inflationary pressure, a firm labour market and improvement in the manufacturing sector. The slowdown in GDP was broadly overshadowed. Releases from UK and Euro zone failed to provide any momentum to the respective currencies while Japanese Yen gained little strength after a heavy fall in Chinese stock market but gave away to the firm stance of dollar.

USD

A downward revision to GDP pressured dollar however the NFP and ISM manufacturing index supported the greenback to close firmer for the week.

US dollar continued it strong stance from the start of the week as FOMC minutes also provided a support to the currency. Policy makers continued to consider inflation as the predominant concern and acknowledged the slowing pace of growth however remained optimistic over the future growth prospects and also considered the housing market adjustment to be on going. The release of GDP numbers could put some pressure on the greenback as it slumped to 0.6% for the first quarter mostly due to the impact of softer USD on imports and exports.

The effect was however offset by the NFP release that showed an increase by 157K and a steady unemployment rate at 4.5%. ISM manufacturing index also sustained its strength with a rise to 55 after last month's rise to 54.7. Annual core PCE sustained its yearly pace at 2% while monthly rate came down to 0.1%.. Consumer confidence rose to 108.0 in May from a revised 106.4 in April..

The combination of the releases showed that the growth is slowing but inflationary concerns continue to remain the focus.

Factory orders and ISM services index are awaited this week, the broad market action is however to come from ECB and BoE meets.

April Factory orders will be watched for any revision in the durable goods order while ISM manufacturing may see a small decline from its considerably firm level last month. Also the week will see April US International trade balance being released and it will be watched for any continuation in decline of imports.

However the market action is expected to come from the stance of ECB and BoE as the recent FOMC minutes showed that FED is still considering the inflation to be their prime concern.

EUR

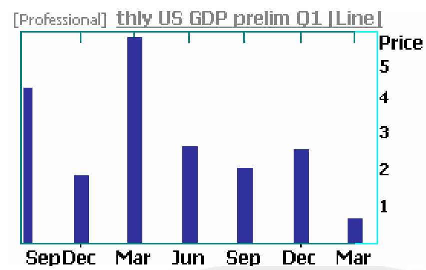
Euro experienced small gains due to weaker data and strength in USD.

Euro broadly struggled to find direction for the week but stayed under the weight of firm USD. German unemployment rate edged up to 9.2% from 9.1% and jobless claims rose by 3K. Euro zone PMIS also showed considerable declines while German retail sales showed a yearly drop of 0.6%. Euro zone CPI was unchanged to 1.9% while money supply reduced to 10.4%..

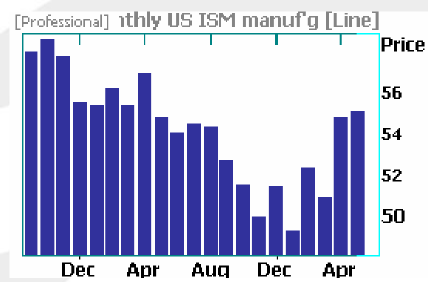
ECB rate hike a known deal, market to watch out for any indication over further rate hikes.

With Trichet mentioning and ECB officials reiterating the "strong vigilance" on and after the last policy meet, the June hike of 0.25 bps is widely expected. There has, however, been some evidence of a slowdown in the economy and speculation over a pause in tightening can increase if the ECB failed to sound hawkish this time.

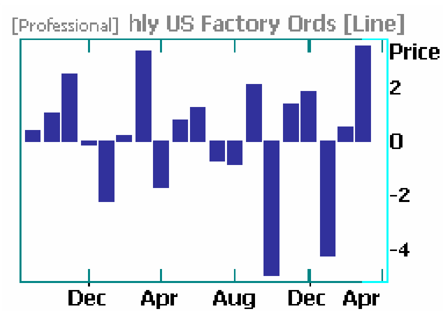
	EURUSD	GBPUSD	USDJPY
Pre close	1.3443	1.9835	121.78
High	1.3520	1.9898	122.13
Low	1.3391	1.9732	121.18
Close	1.3447	1.9822	122.07
% Chg	0.029%	-0.06%	0.24%



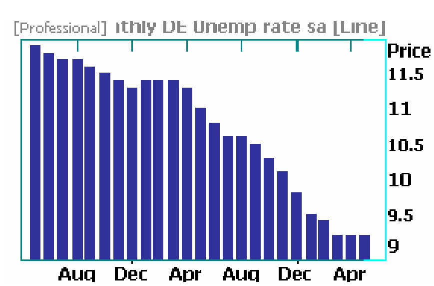
US GDP



US ISM MANUFACTURING INDEX



US FACTORY ORDERS



GERMAN UNEMPLOYMENT RATE

GBP

Sterling broadly under pressure of USD as no significant release from UK to give direction.

There were fewer releases from UK for sterling to look at while the currency lost momentum it gained after the last week's release of BoE minutes. The housing data recorded a slowdown in mortgage approvals to 107K in the latest week from 113K the previous month, the lowest reading of the year.

BoE expected to hold the rate steady at this meet, their outlook for possibility of further hike to be eyed.

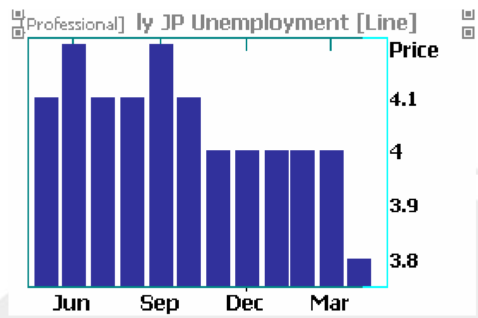
Minutes of the last meet showed a unanimous decision in MPC to hike the interest rate and that provided a lift to sterling. While the market is widely expecting a no change in interest rate this time, the hawkish stance of the policy makers and their inclination to consider a 50 bps hike in the last meet can keep an expectation of a surprise alive. However the committee has decided to consider the incoming data for making a decision of a further rise and that seems meeting the wide expectation.

JPY

Failed to rebound after the Chinese market decline and improved unemployment rate and household spending.

Yen gained some grounds after a release showed that May unemployment rate fell to 3.8% from 4.0% and the household spending data was firm with a 1.1% annual increase. Also the slump in Chinese stock market after the authorities tripled the stamp tax on stocks raised expectations of carry trade unwinding wave to give good strength to the currency. However both of these events could not get yen out of the shadow of a firm US dollar.

This week the details of the teleconference among the US, European and Japanese Central bankers to discuss the monetary policy issues could also act as some catalyst for the market.



JAPAN UNEMPLOYMENT RATE

Weekly Economic releases

Date	Time	Event	Expected	Previous
6/3	11:30	ECB's Papademos speaks on the natural rate of unemployment	-	-
6/3	13:45	ECB's Weber speaks at the Kiel Institute UK the World Economy	-	-
6/3	14:45	ECB's Ordonez speaks at the Kiel Institute UK the World Economy	-	-
6/3	15:15	ECB's Papademos and Weber at discussion on effectiveness of monetary policy	-	-
6/3	23:01	UK, BRC retail sales UK May	-	2.4
6/3	23:50	Japan, Business capex (MOF) UK Q1	9.6	16.8
6/3	23:50	Japan, Monetary base UK May	-	-12.2
6/4	09:00	ECB's Trichet speaks on "Policies that Sustain Prosperity and Promote Inclusion"	-	-
6/4	09:00	Eurozone, Producer prices yy UK Apr	2.3	2.7
6/4	09:00	Eurozone, Producer prices mm UK Apr	0.3	0.3
6/4	12:00	ECB's Draghi gives speech at Argentina's central bank seminar	-	-
6/4	14:45	ECB's Wellink and Liikanen take part at Argentina's central bank seminar	-	-
6/4	-	UK, HalifaxHousePrices 3mly UK May	10.8	10.9
6/4	-	UK, Halifax house prices mm UK May	0.5	1.1
6/4	-	OECD presents survey of Italy	-	-
6/4	14:00	US, Durable goods orders, R UK Apr	0.6	0.6
6/4	14:00	US, Nondef cap gd ex-air Rev UK Apr	-	1.2
6/4	14:00	US, Durable Gds ex-trans rev UK Apr	-	1.5
6/4	14:00	US, Factory orders UK Apr	0.7	3.1
6/4	14:00	US, Durables ex-defense, rev UK Apr	-	0.6
6/5	07:55	Germany, NTC Services PMI UK May	57.9	57.8
6/5	08:00	Eurozone, RBS/NTC Services PMI UK May	57.1	57
6/5	08:00	Eurozone, RBS/NTC-composite PMI UK May	-	56.9
6/5	09:00	Eurozone, Retail sales mm UK Apr	0.5	0.5

Date	Time*	Event	Expected	Previous
6/5	09:00	Eurozone, Retail sales yy UK Apr	2	2.6
6/5	07:50	France, NTC/CDAF Services PMI UK May	58.8	58.7
6/5	-	G8 Africa business UKum; Presidents of Uganda, Zambia & Senegal speak	-	-
6/5	08:30	UK, CIPS/NTC Services PMI UK May	57	57.2
6/5	15:00	Fed's Warsh speaks on "Financial Markets" European Economics and Financial Centre Seminar	-	-
6/5	12:55	US, Redbook mm	-	2.2
6/5	12:55	US, Redbook yy	-	2.4
6/5	14:00	US, ISM non-manufacturing UK May	55.3	56
6/5	16:30	Treasury's Paulson delivers remarks on U.S.-China economic relationship	-	-
6/5	21:00	US, ABC/Wash Post index	-	-13
6/6	-	ECB Governing Council meeting, followed by interest rate announcement, News conf follows	-	-
6/6	10:00	Germany, Industrial Orders m/m UK Apr	-1	2.4
6/6	16:30	ECB's Weber speaks at Deutsche Bundesbank-Federal Reserve Bank of Cleveland conf.	-	-
6/6	-	BoE Monetary Policy Committee meeting	-	-
6/6	05:00	Japan, Coincident indicator UK Apr	-	10
6/6	05:00	Japan, leading indicator UK Apr	-	36.4
6/6	23:50	Japan, UKeign reserves, $ UK May	-	915.62
6/6	23:50	Japan, UKeign Bond Investment	-	-445.5
6/6	11:00	US, Mortgage market: change	-	-7.3
6/6	11:00	US, Refinancing: change	-	-13
6/6	11:00	US, MBA Purchase: change	-	-2.5
6/6	11:30	US, Challenger layoffs UK May	-	70.672
6/6	12:30	US, Productivity, revised Q1	1.1	1.7
6/6	12:30	US, Labor costs, Rev Q1	1.2	0.6
6/6	13:50	Fed's Lacker speaks on "The Inflation Outlook"	-	-
6/7	11:00	BoE announces interest rate decision	-	-
6/7	11:00	UK, BoE rate decision UK Jun	5.5	5.5
6/7	23:50	Japan, Bank lending UK May	-	1
6/7	23:50	Japan, Machinery orders UK Apr	4.5	-4.5
6/7	23:50	Japan, Money supply (M2+CD) UK May	1.2	1.1
6/7	12:30	US, jobless contin claims	2.5	2.472
6/7	12:30	US, Initial claims	310	310
6/7	12:30	US, Jobless claims 4-wk avg	-	304.5
6/7	14:00	US, Wholesale inventories UK Apr	0.3	0.3
6/7	14:00	US, Wholesale sales UK Apr	-	1.8
6/7	19:00	US, Consumer credit mm, $ UK Apr	6	13.46
6/8	06:00	Germany, Exports mm sa UK Apr	1.3	-1.4
6/8	06:00	Germany, Imports mm sa UK Apr	1.8	-3
6/8	06:00	Germany, Trade balance, EUR, sa UK Apr	15.4	15.5
6/8	10:00	Germany, Industrial output mm UK Apr	0.6	-0.1
6/8	08:30	UK, Industrial output mm UK Apr	0.2	0.3
6/8	08:30	UK, Manufacturing output yy UK Apr	UK	1.4
6/8	08:30	UK, Industrial output yy UK Apr	UK	0.6
6/8	08:30	UK, Manufacturing output mm UK Apr	UK	0.2
6/8	05:00	Japan, Economy watchers poll UK May	Japan	-
6/8	12:30	US, International trade, $ UK Apr	US	-63.5

*** GMT** *(Source: Reuters)*

CONTACT

Phone +971 4 2832183 | **Fax +971 4 2832185** | **Email info@kombench.com** | **Website www.kombench.com**