WEEKLY MARKET OUTLOOK

6 - 12 November 2017

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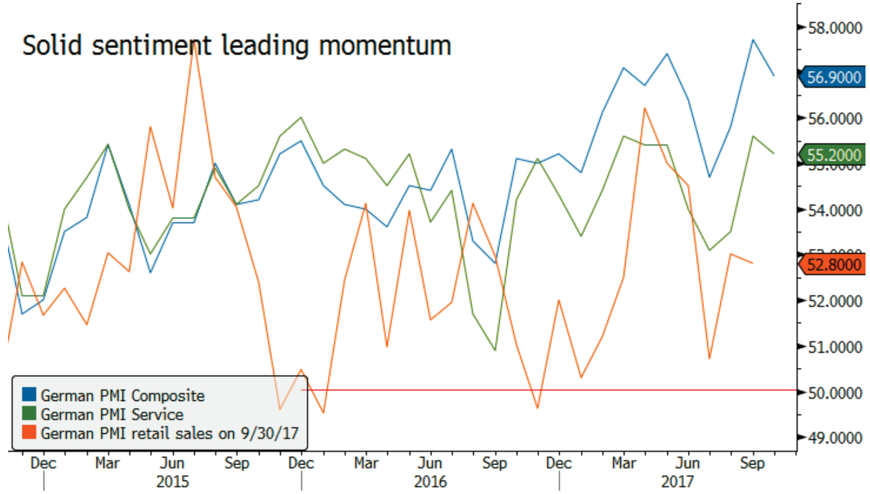
Swissquote Bank SA | Ch. de la Crétaux 33, CP 319 | CH-1196 Gland | Switzerland
Tel +41 22 999 94 11 | Fax +41 22 999 94 12 | forex.analysis@swissquote.ch | www.swissquote.com/fx

WEEKLY MARKET OUTLOOK - An Overview

Economics

EU solid growth momentum



This week, European economic data continued to surprise to the upside clearly indicating that the upswing experienced in the Euro zone is unlikely to decelerate near-term. Interestingly, the existing structural issues that have not been resolved have been covered up by the ECB's ultra-loose monetary and heavy asset purchase program. Also, rise of the European state via the support for Spain indicates deeper integration and less fragile outlook. Reflecting on the ECB recent dovish policy meeting, the central bank support of national economies is not likely to be removed anytime soon. With the power play of Merkel, Macron, Rajoy and Draghi the perceptions of a unified EU will keep the EU-skeptics sidelined. While a slightly stronger Euro will marginally drag on growth, with sentiments indicators elevated, the stronger economic momentum should dominate. We could argue that German is ideally positioned to benefit from the current environments. German current business climate and expectation continue to improve (PMI were elevated but stable in October).

German growth should hit 2.10% in 2018. EU annual GDP growth forecast for 2017 is expected to come in at 2.4% increased from 2.2% (expectations for 2018 has increased to 2.2%). While inflation is trending higher, the outlook looks subdued with core inflation falling back below 1%. Steady drop in unemployment will eventually put pressure on core inflation. But along side US policy hawks, inflation watchers might be waiting a long while for tighter labor markets to transform into inflation pressure. Most likely the ECB will be forced to scale back its asset purchases (stealth tightening) due to limitations in late 2018 before inflation challenges policy. US yields have stabilized providing an opportunity for the EURUSD to continue its upside momentum.

Economics

Uncertainties Weighting On The USD Vanish Slowly

For a third consecutive month, the NonFarm payrolls came in well under median forecast as the reading for October printed at 261k compared to 313k expected. On the bright side, the contraction of 33k in September was upwardly revised to an increase of 18k. Over the last three months, investors have been consistently over optimistic about the growth market, which casted a shadow over the potential future growth in the job market. It is time now to see this job growth translate into wage growth. Indeed, it is more than needed to see an improvement in inflation pressure as it would allow the Fed to pursue its tightening cycle smoothly.

The nomination of Jerome Powell as next Federal Reserve Chairman came as no surprise and went without any noticeable hiccups. The US dollar barely reacted to the news with the US Dollar Index staying within its weekly range, between 94.4 and 95. Donald Trump definitely made the choice of stability and continuity by choosing the New York republican Fed Governor. The fact that the USD edged slightly lower after the announcement suggested that investors discounted completely the risk that a more hawkish candidate would replace Yellen. Accordingly, US yields lost some ground following the announcement, especially on the long-end of the curve. The 10-year eased to 2.35%, while the 30-year returned to 2.83%.

Now that this decision is behind us, investors are almost exclusively focus on Trump's tax reform. The outcome is still quite uncertain as the last version contained a few surprises that could potentially trigger negative reactions from lawmakers, even among republicans. The tax plan development will be highly scrutinized by market participants as it could significantly dampen inflation expectation should it disapproved. The USD rose marginally ahead of the weekend last week, suggesting that investors are still quite optimist regarding the approval of the reform. We maintain our bullish on view on the greenback; however the USD will be increasingly sensitive to economic indicators as it could influence significantly the outcome of the December FOMC meeting. For now, the market is pricing a 97% chance of a rate hike in December.

Economics

Crude Oil Prices: World Bank Renewed Its Bullish Forecast

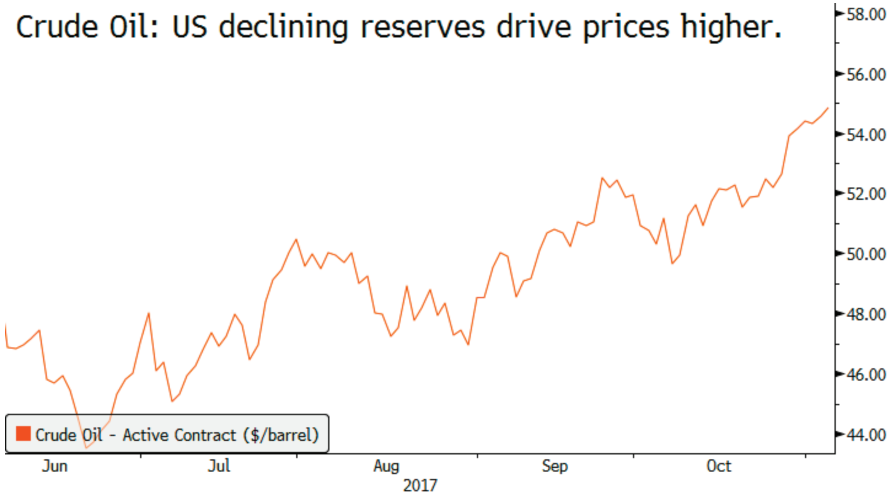
The WTI crude oil price has broken its resistance area around 53$. The commodity is now trading above $55. This increase appears after the World Bank, in its last report, is predicting an increase in price for 2018. The World Bank target is $56 for next year. In this report the Washington-based institution considers that the increase in demand as well as a decline the production volume will likely add upside pressures on the price.

It is worth noting that the forecast regarding oil prices are only slightly lower than the one made in April. Indeed the agreement between OPEC members may not be extended and the end of oversupply is likelier which increase upside risks in crude oil barrel valuation. If the OPEC agreement was abandoned, the impact on oil prices would definitely be significant. The World Bank also underlines risk that shale gas producers may also increase their production at current price levels.

Yet, at the moment, it is also worth noting that US reserves are declining. Inventories have decreased by more than 14% y/y which is also a reason why we see a strong surge in crude oil prices. Winter is also coming and the demand is set to increase.

For the time being, OPEC members have committed to their agreement at 120%, certainly in an effort to keep market shares against the US shale gas industry. We nonetheless consider that OPEC margin is getting thinner. Competition on oil prices are fierce and should still be at the advantage of the OPEC for some more time.

Oil market price is in backwardation now meaning that futures price for delivery is lower than spot prices. In other words there is real strong preference for the present as the supply is tightening. Another reason to be bullish on oil prices.



Themes Trading | Online Gaming

Much ground has been covered since the first video game consoles of the early 1970s, which offered only 2D games in black and white with no sound. Since then, the video games industry has grown exponentially as computer technology has advanced. Nowadays, blockbuster video games enjoy massive budgets, easily surpassing those of Hollywood movies: budgets in excess of $100 million are not uncommon. According to ESAF (the Entertainment Software Association Foundation), over the last five years total consumer spending on the video games industry in the US grew by an average of $1.38 billion a year to reach $30.4 billion in 2016. Video game content accounts for more than 80% of this amount, putting video game makers in a strong position to take advantage of this trend. Moreover, the fastest growth is in social network gaming, mobile apps and online gaming, which together account for over 65% of total revenue.

The video games industry is evolving faster than any other, constantly adapting to the latest technological breakthrough. The industry has already embarked on its latest transformation. However, it is not too late to be part of it. We built this theme with the aim of offering exposure to the entire video games market, from traditional physical media distribution and console builders to new market entrants. We have overweighted the fastest-growing part of the industry: companies active in

Online Gaming certificate is available on:

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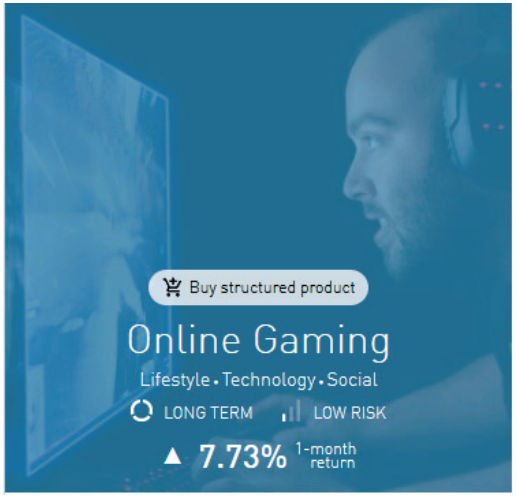

Since inception	▲ 101.95%
1-month return	7.73%
Return day	0.28%
Est. dividend yield	0.02%
Inception date	01/07/15

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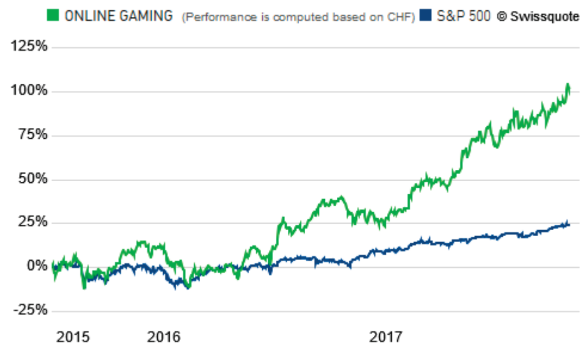

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