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Forex Daily Analysis (2015.12.03) Source: Fxprimus Broker (Review and Forex Rebates Up to 85%)   **Upcoming indicators/events in the next 24 hours:**

- 09:30 - UK - Services PMI (Nov) - The market is looking for the PMI to hold steady at 55.0 vs 54.9 in the previous month. The Service sector is very important to the UK economy so the market will pay close attention to it. Expect GBP to react to any figure that diverges notably.

- 12:45 - Euro Zone - Interest Rate Decision (Dec) - The market looks for the Deposit Facility Rate to be cut to -0.30% from -0.20% and for the monthly bond purchases to be expanded and extended. Can ECB President Draghi top those expectations with any surprises? Tune into the press conference at 08:30 to hear! See Wednesday's Market Insight for details.

- 15:00 - USA - ISM Non-Manufacturing PMI (Nov) - The Institute of Supply Management (ISM) manufacturing PMI recently hit the lowest level since 2009. However, the Non-Manufacturing PMI, which comes out today, has been trending upwards. It doesn't get as much attention as the Manufacturing PMI, but it's quite important as the service sector is a much bigger part of the economy (albeit not as cyclical). The market expects a slight decline to 58.0 from 59.1. That would still signal a healthy service sector economy.

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- 15:00 - US - Fed Chair Janet Yellen appears before the Joint Congressional Economic Committee - Her comments are not likely to differ materially from her speechWednesday to the Economic Club of Washington, so she may have less market impact than usual. Fed Vice Chair Stanley Fischer speaks on Financial Stability and Shadow Banks at 18:10 at a conference in Washington.

Friday December 4th

- 00:30 - Australia - Retail Sales (MoM) (Oct) - As the foremost indicator of consumer spending and overall economic activity, this data will act as a barometer for the current health of the Australian economy. Current forecasts are looking for an increase of 0.4%, the same as in the previous two months. Expect AUD to react to any significant miss on this number.

Today's Market Insight: After ECB, next comes payrolls (and OPEC) Thursday the excitement is all in Europe; on Friday it will be in the US, when the US announces the monthly nonfarm payrolls number for November. The market is expecting an increase of 200k in NFP. This would be down from the (unusually high) 271k for October, but in line with the average increase over the last six months, which has been 215k. Expectations of a good number were bolstered on Wednesday, when the ADP employment report came out relatively strong at +271k, the highest it's been all year. That would

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imply an NFP number around the same level, although as the graph below shows there is considerable variability between the two - over the last two years, the difference has averaged 40k or 17% of the value of the NFP figure. In any event, I personally believe that the FOMC is intent on raising rates and will move on the 16th regardless of whether the NFP figure is above the crucial 200k level. Remember that when the figure came in surprisingly low in September, at least one FOMC member interpreted this as demonstrating not that the labor market was weakening, but on the contrary, that the labor market was tightening and that it was becoming difficult for employers to find workers! I therefore think that almost any number short of a disaster will cause investors to raise their estimates of the likelihood of a move (now estimated at 72% probability) and that should support the dollar. **Which currency should you used to position yourself for the payrolls?** The table below shows the average range for each currency since the beginning of 2012 as compared with the average range on payroll days. (All currencies are quoted against the dollar.) As you can see, MXN, ZAR and JPY exhibit the greatest increase in volatility, while CHF barely changes. Given the difference in spreads for these currencies, USD/JPY is probably the best choice to use. **Market reaction** The following graph shows the reaction of USD/JPY to the figure in the last six cases where the data beat estimates (first graph) or missed estimates (second graph) **The things to note are:**

1. USD/JPY rose in all cases when the figure beat estimates. Most of the movement was in the first 10 minutes. In one case (Dec 2014) there was some slight reversion after 10 minutes, and in another (Nov 2015) there was some reversion after 40 minutes, but generally speaking, the dollar held its gains.

2. On the other hand, when figure missed expectations, the market's reaction was more complex. USD/JPY actually rose in half the cases regardless! In the cases where USD/JPY fell, the move lasted 10-20 minutes before the pair levelled out.

The trend over the next several days is also variable. Over the last 18 months, the market reactionon Monday has unwound whatever the action was on Friday two-thirds of the time. Whether the action Monday reverses what happened on Friday doesn't seem to correlate with whether the figure beat or missed expectations. My view is that the figure almost doesn't matter. I think that barring a disaster, it will just confirm in people's minds that the Fed is likely to raise rates two weeks from now. In that case, it's likely to keep the dollar on a firming trend (depending of course on the ECB's action on Thursday). Thus I would not expect the move on Monday to reverse the Friday move, unless there are some technical barriers or a gap that has to be retraced. **www.fxprimus.com**