

**Syrian Private University**  
الجامعة السورية الخاصة  
**Faculty of Business Administration**  
كلية إدارة الأعمال

**“Foreign Exchange management”**  
Part V ( lecture 11)  
**“Foreign exchange forecasting”**  
Fundamental Analysis

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# Foreign exchange forecasting - Introduction

## fundamental analysis

- ✓ FOREX Fundamental Analysis

### The Economics Indicators

#### □ *Analyzing the data:*

- ✓ Evaluating data changes (over time, compared to the market participant forecast, relative to the business cycle, compared to previous periods average, normal range).
- ✓ Assessing whether the data change is significant or not.

# Foreign exchange forecasting

## Economics Statistics:

- 1) Unemployment: is the percentage of the unemployed people to the total labor force in the economy.

<i>Typical Released Time</i>	<i>Period Covered</i>
<i>03:30 PM</i> <i>First Friday of the month</i>	<i>Prior Month</i>

# Foreign exchange forecasting

## Economics Statistics

### 1) Unemployment:

*- Employment Decrease*  
*- Unemployment increase* → *U.S. Dollar will depreciate*

*- Employment Increase*  
*- Unemployment Decrease* → *U.S. Dollar will appreciate*

# Foreign exchange forecasting

## Economics Statistics:

- 2) Gross Domestic Product (GDP): Amount of goods and services produced over a period.

<i>Typical Released Time</i>	<i>Period Covered</i>
<i>03:30 PM</i> <i>About the 20<sup>th</sup> day of the month</i>	<i>Prior Quarter</i>

- *GDP Decrease* → *U.S. Dollar will depreciate*

- *GDP Increase* → *U.S. Dollar will appreciate*

## Foreign exchange forecasting

### Economics Statistics:

#### 3) Consumer Price Index (CPI):

- ✓ It is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care.
- ✓ It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them.
- ✓ It is used for identifying periods of inflation.

# Foreign exchange forecasting

## Economics Statistics:

### 4) Retail Sales:

<i>Typical Released Time</i>	<i>Period Covered</i>
<i>03:30 PM</i> <i>Mid of the month</i>	<i>Prior Quarter</i>

*- Retail Sales Decrease* → *U.S. Dollar will depreciate*

*- Retail Sales Increase* → *U.S. Dollar will appreciate*

# Foreign exchange forecasting

## Economics Statistics:

### 5) Car and Truck Sales

<i>Typical Released Time</i>	<i>Period Covered</i>
<i>Between the first and third day of the new month</i>	<i>Prior Month</i>

- *Car & Truck Sales Decrease* → *U.S. Dollar will depreciate*

- *Car & Truck Sales Increase* → *U.S. Dollar will appreciate*



# Foreign exchange forecasting

## Economics Statistics:

### 6) Personal Income and Consumption

<i>Typical Released Time</i>	<i>Period Covered</i>
<i>03:30 PM</i> <i>About the 10<sup>th</sup> day of the month</i>	<i>Prior Month</i>

*- Income & Consumption Decrease → U.S. Dollar will depreciate*

*- Income & Consumption Increase → U.S. Dollar will appreciate*

# Foreign exchange forecasting

## Economics Statistics:

### 7) International Trade of Goods and Services

- ✓ The balance of trade is the difference between the value of a country's imports and exports for a given period.
- ✓ The balance of trade is the largest component of a country's balance of payments.
- ✓ Economists use the BOT to measure the relative strength of a country's economy.
- ✓ The balance of trade is also referred to as the trade balance or the international trade balance.

## Foreign exchange forecasting

### Economics Statistics:

#### 7) International Trade of Goods and Services

- ✓ A country that imports more goods and services than it exports in terms of value has a trade deficit. Conversely, a country that exports more goods and services than it imports has a trade surplus.
- ✓ The formula for calculating the BOT can be simplified as the total value of imports minus the total value of exports.

## Foreign exchange forecasting

### Economics Statistics:

#### 7) International Trade of Goods and Services

- ✓ For example, if the United States imported \$1.5 trillion in goods and services in 2017, but exported only \$1 trillion in goods and services to other countries,
- ✓ then the United States had a trade balance of -\$500 billion, or a \$500 billion trade deficit.
- ✓  $\$1.5 \text{ trillion in imports} - \$1 \text{ trillion in exports} = \$500 \text{ billion trade deficit}$

# Foreign exchange forecasting

## Economics Statistics:

### 7) International Trade of Goods and Services

- ✓ In effect, a country with a large trade deficit borrows money to pay for its goods and services, while a country with a large trade surplus lends money to deficit countries.
- ✓ There are countries where it is almost certain that a trade deficit will occur.
- ✓ For example, the United States has had a trade deficit since 1976 because of its dependency on oil imports and consumer products. Conversely, China, a country that produces and exports many of the world's consumable goods, has recorded a trade surplus since 1995.

# Foreign exchange forecasting

## Economics Statistics:

### 7) International Trade of Goods and Services

<i>Typical Released Time</i>	<i>Period Covered</i>
<i>03:30 PM</i> <i>Third week of the month</i>	<i>Prior two month</i>

- *Trade Balance Deficit Increase* → *U.S. Dollar will depreciate*

- *Trade Balance Surplus Increase* → *U.S. Dollar will appreciate*