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

"Foreign Exchange management"

Part V (lecture 11)

"Foreign exchange forcasting"

Fundamental Analysis

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Foreign exchange forcasting - 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 forcasting

Economics Statistics:

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

Typical Released Time	*Period Covered*
03:30 PM *First Friday of the month*	*Prior Month*

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Economics Statistics

1) Unemployment:

- Employment Decrease
- Unemployment increase

U.S. Dollar will depreciate

- Employment Increase
- Unemployment Decrease

U.S. Dollar will appreciate

Foreign exchange forcasting

Economics Statistics:

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

Typical Released Time	*Period Covered*
03:30 PM *About the 20th day of the month*	*Prior Quarter*

- GDP Decrease → U.S. Dollar will depreciate

- GDP Increase → U.S. Dollar will appreciate

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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.

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Economics Statistics:

4) Retail Sales:

Typical Released Time	*Period Covered*
03:30 PM *Mid of the month*	*Prior Quarter*

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

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

Foreign exchange forcasting

Economics Statistics:

5) Car and Truck Sales

Typical Released Time	*Period Covered*
Between the first and third day of the new month	*Prior Month*

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

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

Foreign exchange forcasting

Economics Statistics:

6) Personal Income and Consumption

Typical Released Time	*Period Covered*
03:30 PM *About the 10th day of the month*	*Prior Month*

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

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

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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.

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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 forcasting

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 trillion in imports - $1 trillion in exports = $500 billion trade deficit

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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.

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Economics Statistics:

7) International Trade of Goods and Services

Typical Released Time	*Period Covered*
03:30 PM *Third week of the month*	*Prior two month*

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

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