



rallyacademy
OF TRADING

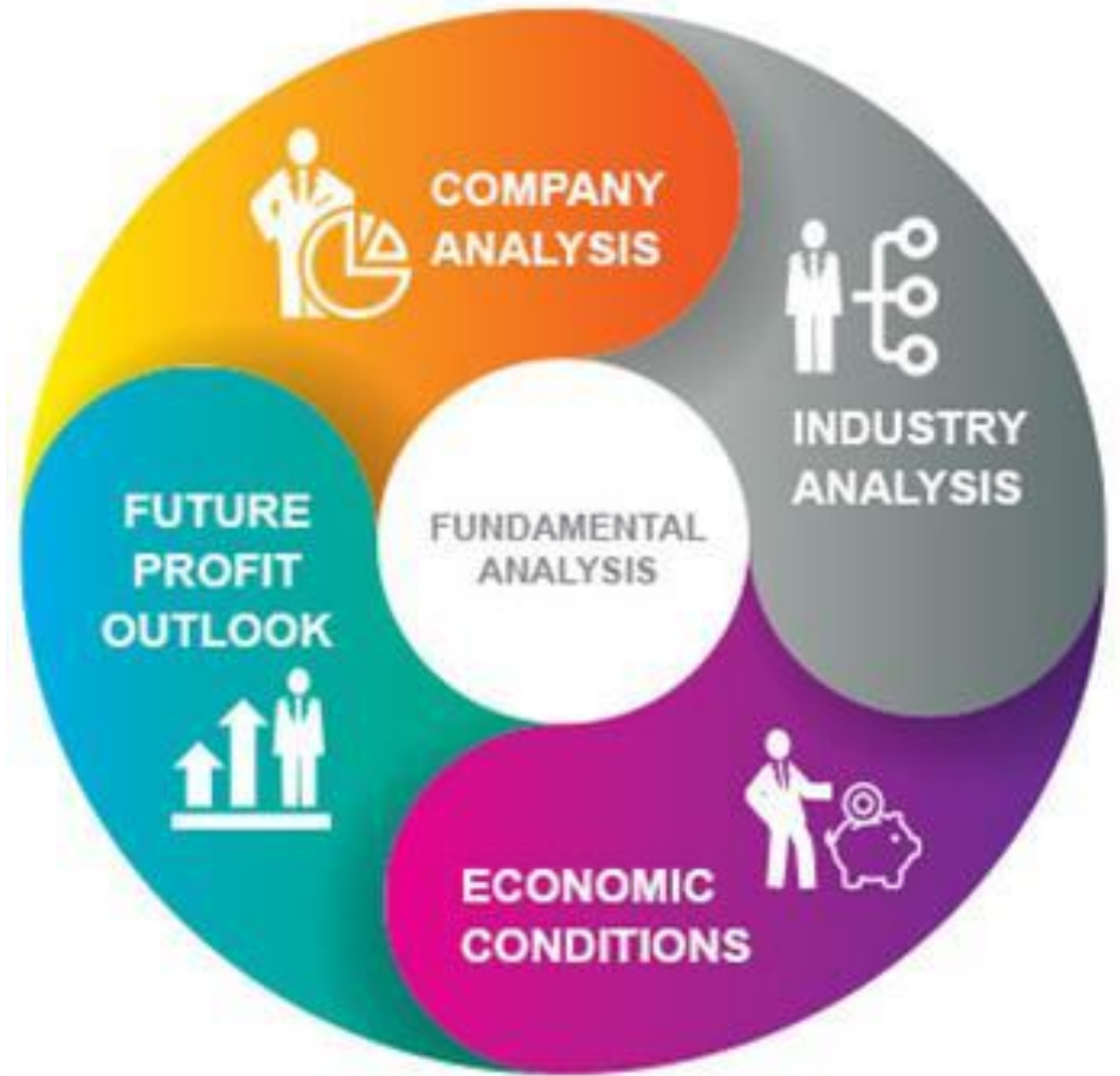
Classic Financial Trading Program

Module 4
Fundamental Analysis



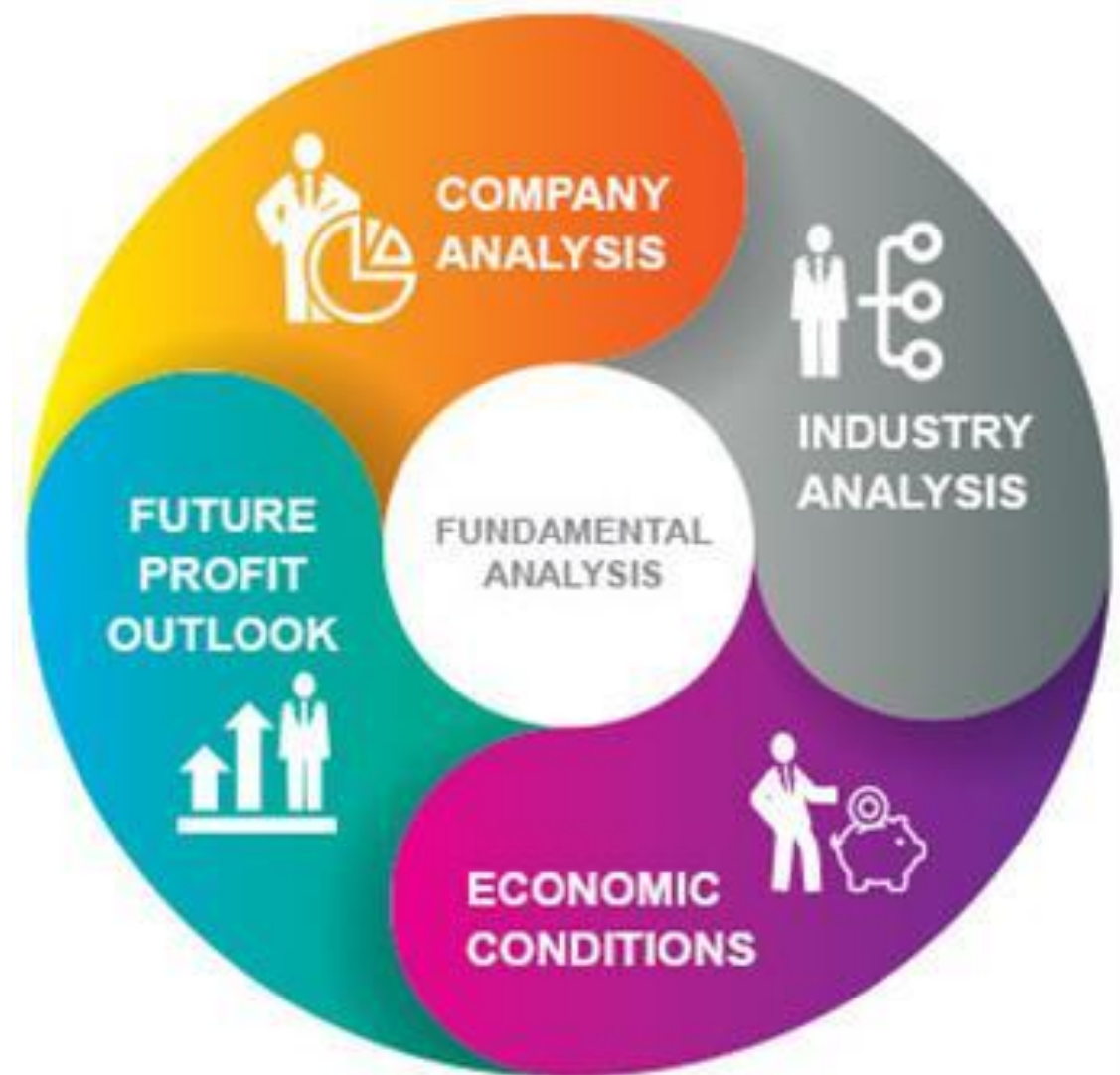
Introduction

The goal of a trader is to be able to know when the price of an instrument will appreciate or depreciate



Introduction

The forces that drive supply and demand around the world, are the underlining factors that influence price movement in the global financial market.



Definition

Fundamental analysis seek to understand the socio-economic factors causing supply and demand imbalance that affect price change in the market to predict future price movement.

Fundamental events could make a stock, currency, or a commodity go stronger or weaker.

Analysis

Major fundamental events responsible for price change in the global financial market are categorized into four groups, namely: Economic News, Social News, Political News and Environmental News.

Depending on the country or economy where the news is coming from and its outcome, the effect of such news may impact positively or negatively on the currency of such economy, or country.



**Higher
Currency
Value**

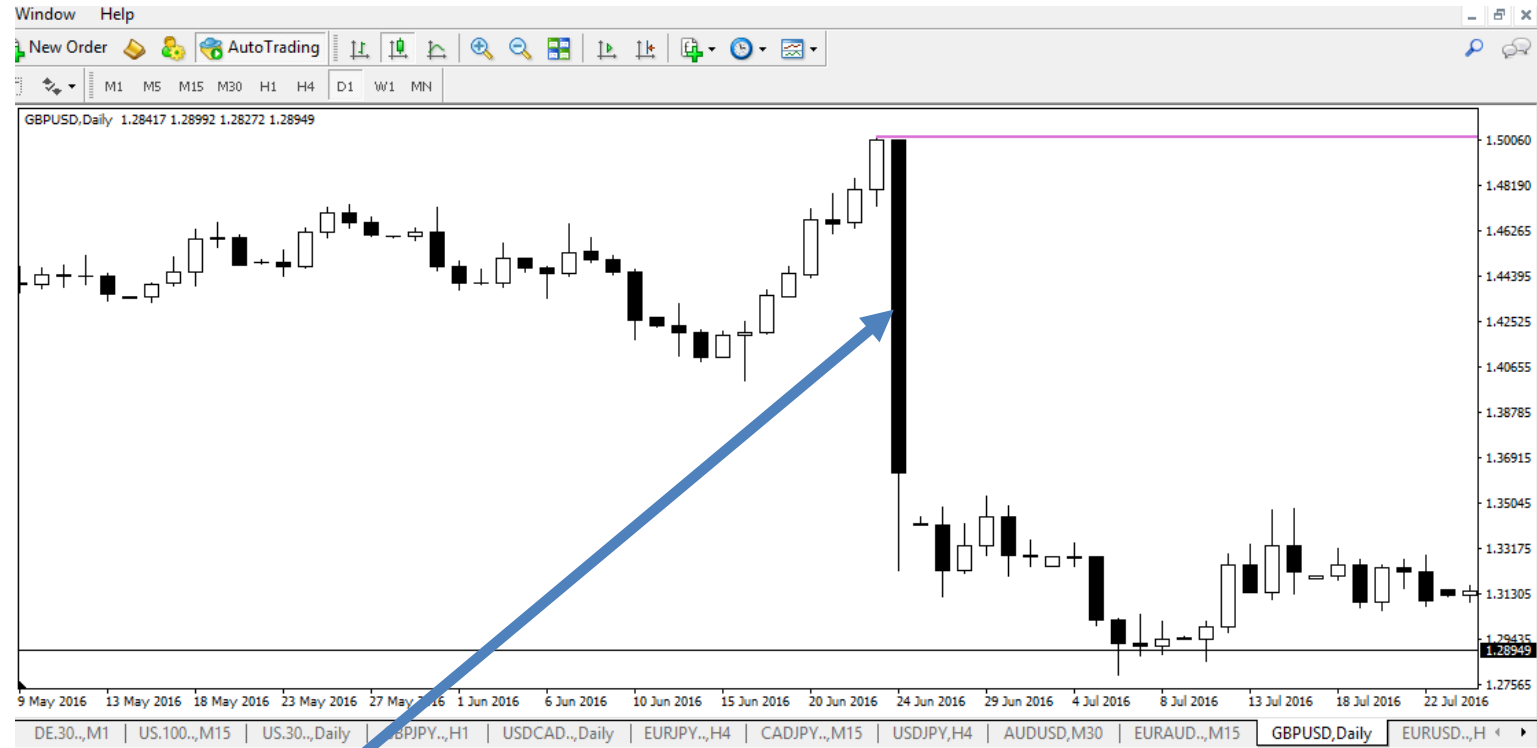


**Lower
Currency
Value**

Impact on Prices

Fundamental news, which could be of High, Medium or Low impact when released, could make a stock, currency, or a commodity go stronger or weaker.

The effect of High or Medium impact news could last for minutes, hours, days, weeks, or months, depending on its significance. Also, the effect of such news could result in trend continuity or reversal on our charts.



A political event, called referendum, was held on Thursday 23 June, 2016, to decide whether the UK should **leave** or **remain** in the European Union. **Leave** won by 51.9% to 48.1%. The next day, GBP fell 1780 pips against USD.

Economic Calendar

Global traders use Economic Calendar to track Fundamental Events on the GFM. They will check the calendar for date and time of a specific event and pay close attention to the announcement because of the high probability that it will affect the direction of price in the market. Top websites where you can get the calendar includes, but not limited to the following websites listed on the right, here. Let us take a closer look at www.forexfactory.com on the next page and carefully analyze the event of a particular day...

www.forexfactory.com/calendar

www.cnn.com/money

www.bloomberg.com

www.investing.com

www.reuters.com

Economic Calendar

Date	12:06pm	Currency	Impact		Detail	Actual	Forecast	Previous
Wed Nov 23	All Day	JPY		Bank Holiday				
	1:30am	AUD		Construction Work Done q/q		-4.9%	-1.5%	-3.1%
	9:00am	EUR		French Flash Manufacturing PMI		51.5	51.5	51.8
		EUR		French Flash Services PMI		52.6	52.1	51.4
	9:30am	EUR		German Flash Manufacturing PMI		54.4	54.8	55.0
		EUR		German Flash Services PMI		55.0	54.1	54.2
	10:00am	EUR		Flash Manufacturing PMI		53.7	53.2	53.5
		EUR		Flash Services PMI		54.1	53.1	52.8
		GBP		MPC Member Forbes Speaks				
	11:35am	EUR		German 10-y Bond Auction		0.21 2.0		0.12 1.5
	1:30pm	GBP		Autumn Forecast Statement				
	2:30pm	USD		Core Durable Goods Orders m/m		1.0%	0.2%	0.1%
		USD		Unemployment Claims		251K	241K	233K

Specs		@ Forex Factory
Source	Department of Labor (latest release)	
Measures	The number of individuals who filed for unemployment insurance for the first time during the past week;	
Usual Effect	Actual < Forecast = Good for currency;	
Frequency	Released weekly, 5 days after the week ends;	
Next Release	Dec 1, 2016	
FF Notes	This is the nation's earliest economic data. The market impact fluctuates from week to week - there tends to be more focus on the release when traders need to diagnose recent developments, or when the reading is at extremes;	
Why Traders Care	Although it's generally viewed as a lagging indicator, the number of unemployed people is an important signal of overall economic health because consumer spending is highly correlated with labor-market conditions. Unemployment is also a major consideration for those steering the country's monetary policy;	
Also Called	Jobless Claims, Initial Claims;	

History	Actual	Forecast	Previous
Nov 17, 2016	235K	257K	254K
Nov 10, 2016	254K	267K	265K
Nov 3, 2016	265K	257K	258K
Oct 27, 2016	258K	261K	261K
Oct 20, 2016	260K	251K	247K
More			
Graph			

Related Stories	
	U.S. Jobless Claims Rebound After Plunging to Four-Decade... From bloomberg.com 45 hr ago
	US Unemployment Insurance Weekly Claims From dol.gov 45 hr ago 3 comments
	3 Numbers: October rebound likely for US durable goods... From tradingfloor.com Nov 23, 2016
	Forex Weekly Outlook November 21-25 From forexcrunch.com Nov 19, 2016

Reading News or Event Data from Calendar

← → ↻ <https://www.forexfactory.com> ☆

FOREX FACTORY Forums Trades News Calendar Market Brokers Shegzz Logout 12:56pm Search

10,058 Traders
1,155 Members
18 High Impact
116 w/ Trade Explorers
10 w/ Posted Systems

EUR/USD Bid: 1.16911 Chart: Last 6 hr Pip Chg: 6 hr -2

GBP/USD 1.30290 1

USD/JPY 111.445 -22

USD/CHF 0.96964 -12

USD/CAD 1.29257 -2

AUD/USD 0.72987 17

NZD/USD 0.66640 13

GBP/JPY 145.201 -28

Aug 17, 2018 Up Next Filter

Date	Time	Currency	Impact	Detail	Actual	Forecast	Previous	Graph
Fri Aug 17	12:34am	AUD	🔴	RBA Gov Lowe Speaks				
	8:30am	AUD	🟡	RBA Assist Gov Ellis Speaks				
	9:00am	EUR	🟡	Current Account	23.5B	23.2B	24.4B	
	10:00am	EUR	🟡	Final CPI y/y	2.1%	2.1%	2.1%	
		EUR	🟡	Final Core CPI y/y	1.1%	1.1%	1.1%	
	1:30pm	CAD	🔴	CPI m/m	0.5%	0.1%	0.1%	
		CAD	🟡	Common CPI y/y	1.9%		1.9%	
		CAD	🟡	Foreign Securities Purchases	11.55B	4.91B	3.01B	
		CAD	🟡	Median CPI y/y	2.0%		2.0%	
		CAD	🟡	Trimmed CPI y/y	2.1%		2.0%	
	1:32pm	CAD	🟡	Core CPI m/m	0.2%		0.1%	
	2:00pm	USD	🟡	Prelim UoM Consumer Sentiment	95.3	98.1	97.9	
		USD	🟡	CB Leading Index m/m	0.6%	0.4%	0.5%	
		USD	🟡	Prelim UoM Inflation Expectations	2.9%		2.9%	

↓ More

Event Date

Event Time

Event from
Canada

Impact

Event Result

News Impact

On the calendar, events are classified into three major groups, denoted by three envelope colors:

High impact: marked with red colour envelopes

Medium impact: marked with brown colour envelopes

Low impact: marked with yellow colour envelopes

You should pay attention to the high impact events especially, and disregard low impact events. You can use the filter feature on the calendar to remove low impact events...



Customizing the Calendar

Click to change time




Scanner

Shegzz Logout 10:58am Search

Live About Settings

	EUR/USD	GBP/USD	USD/JPY	USD/CHF	USD/CAD	AUD/USD	NZD/USD	GBP/JPY
Bid	1.11319	1.29714	110.017	0.96957	1.30715	0.69000	0.66220	142.705
Chart: Last 6 hr								
Pip Chg: 6 hr	-4	-19	-6	-15	14	1	-3	-28
% Chg: 24 hr	0.15%	-0.01%	0.15%	-0.33%	0.10%	-0.07%	-0.16%	0.15%

Today: Jan 14 Up Next Filter

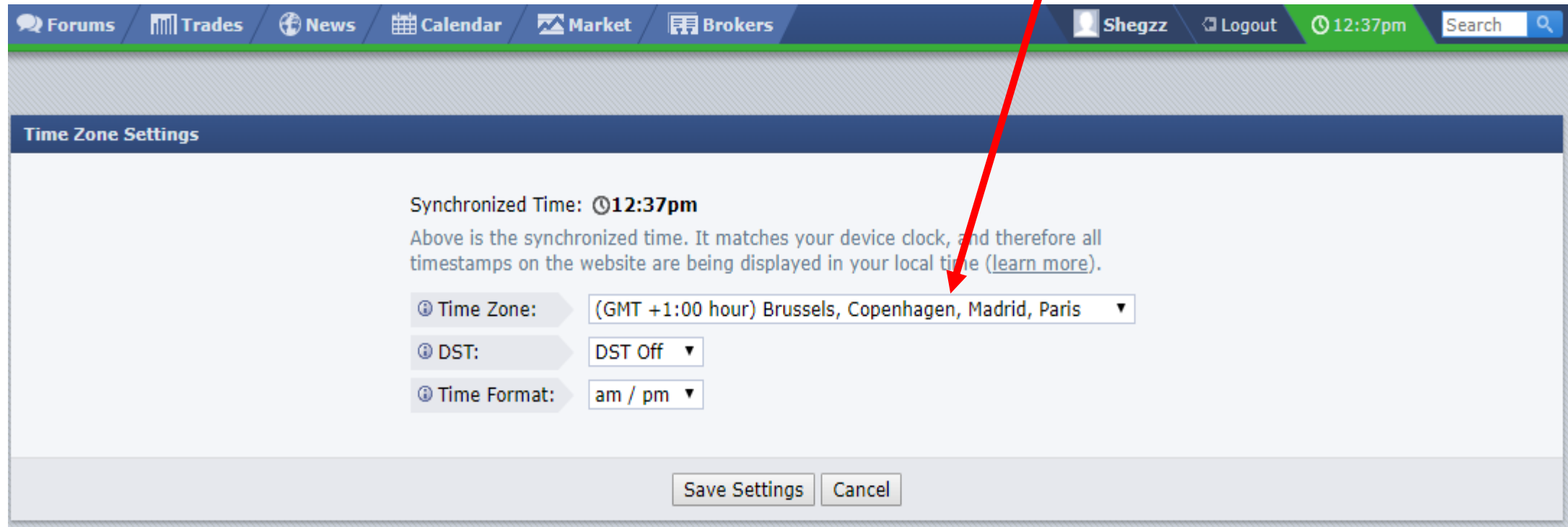
Date	Time	Currency	Impact	Detail	Actual	Forecast	Previous	Graph
Tue Jan 14	12:50am	JPY	Bank Lending y/y		1.8%	2.1%	2.1%	
		JPY	Current Account		1.79T	1.78T	1.73T	
	4:24am	CNY	USD-Denominated Trade Balance		46.8B	45.8B	38.7B	
	4:25am	CNY	Trade Balance		329B	315B	274B	
	6:00am	JPY	Economy Watchers Sentiment		39.8	40.9	39.4	
	12:00pm	USD	NFIB Small Business Index			104.9	104.7	
	2:30pm	USD	CPI m/m			0.2%	0.3%	
		USD	Core CPI m/m			0.2%	0.2%	
	3:00pm	USD	FOMC Member Williams Speaks					
	Tentative	USD	IBD/TIPP Economic Optimism			57.3	57.0	
10:45pm	NZD	FPI m/m				-0.7%		

More

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Customizing the Calendar

Click to change time zone



Time Zone Settings

Synchronized Time: 12:37pm

Above is the synchronized time. It matches your device clock, and therefore all timestamps on the website are being displayed in your local time ([learn more](#)).

Time Zone: (GMT +1:00 hour) Brussels, Copenhagen, Madrid, Paris ▼

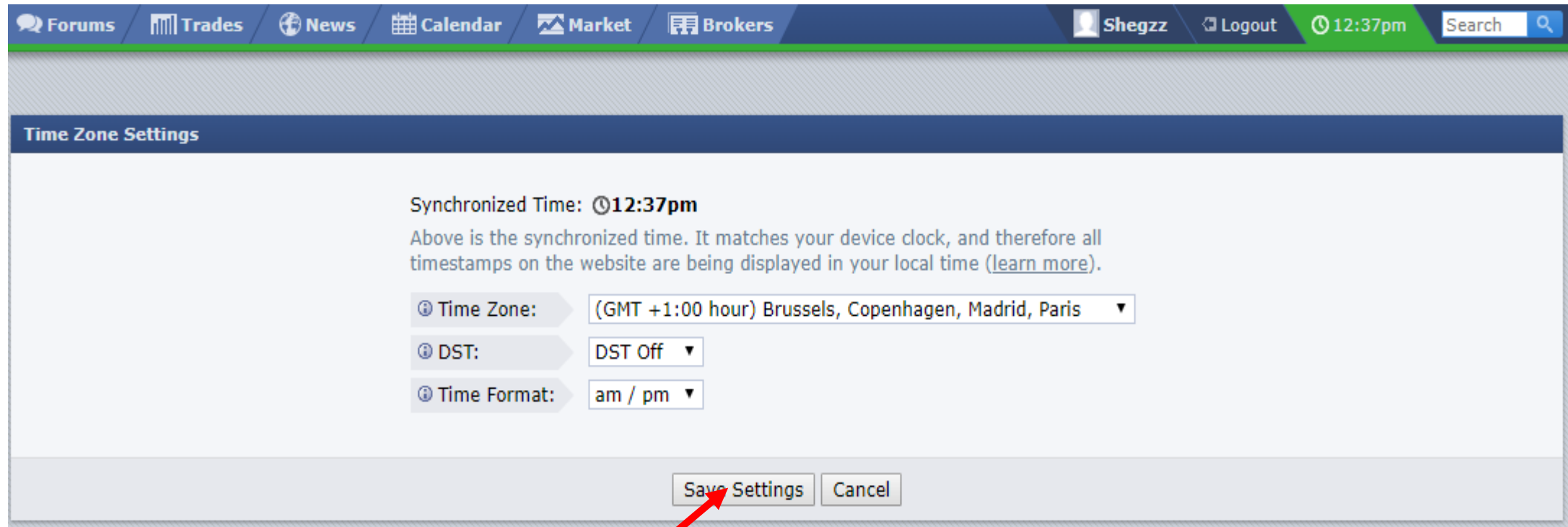
DST: DST Off ▼

Time Format: am / pm ▼

Save Settings Cancel

For traders in Nigeria, ensure you select GMT+1 time zone. Select different time zone to your location if you are trading outside Nigeria.

Customizing the Calendar



Time Zone Settings

Synchronized Time: 12:37pm

Above is the synchronized time. It matches your device clock, and therefore all timestamps on the website are being displayed in your local time ([learn more](#)).

Time Zone: (GMT +1:00 hour) Brussels, Copenhagen, Madrid, Paris ▼

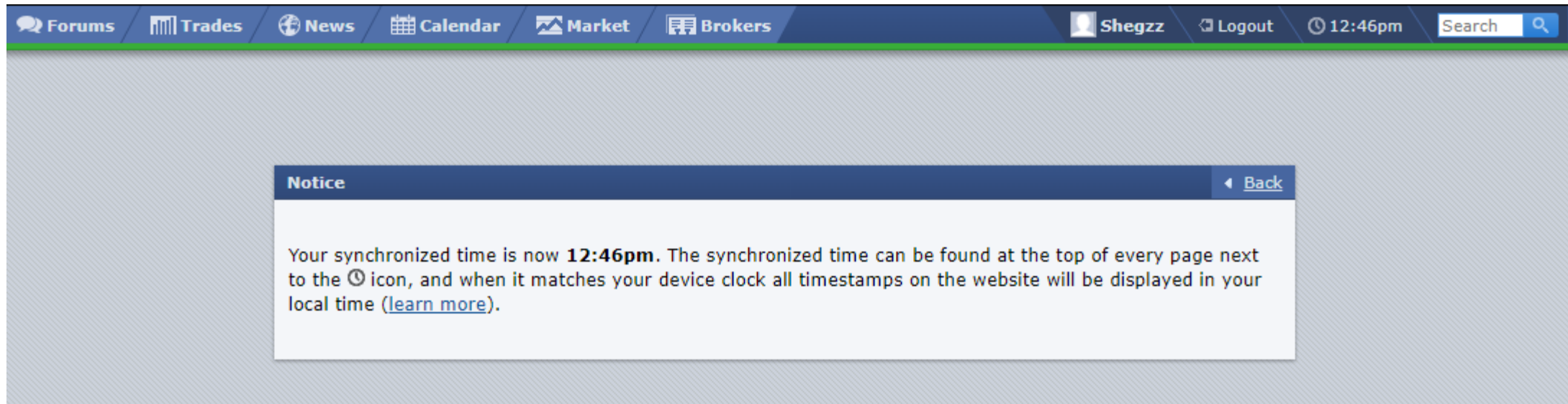
DST: DST Off ▼

Time Format: am / pm ▼

Save Settings Cancel

Switch DST off and then, click on Save Settings when you are done

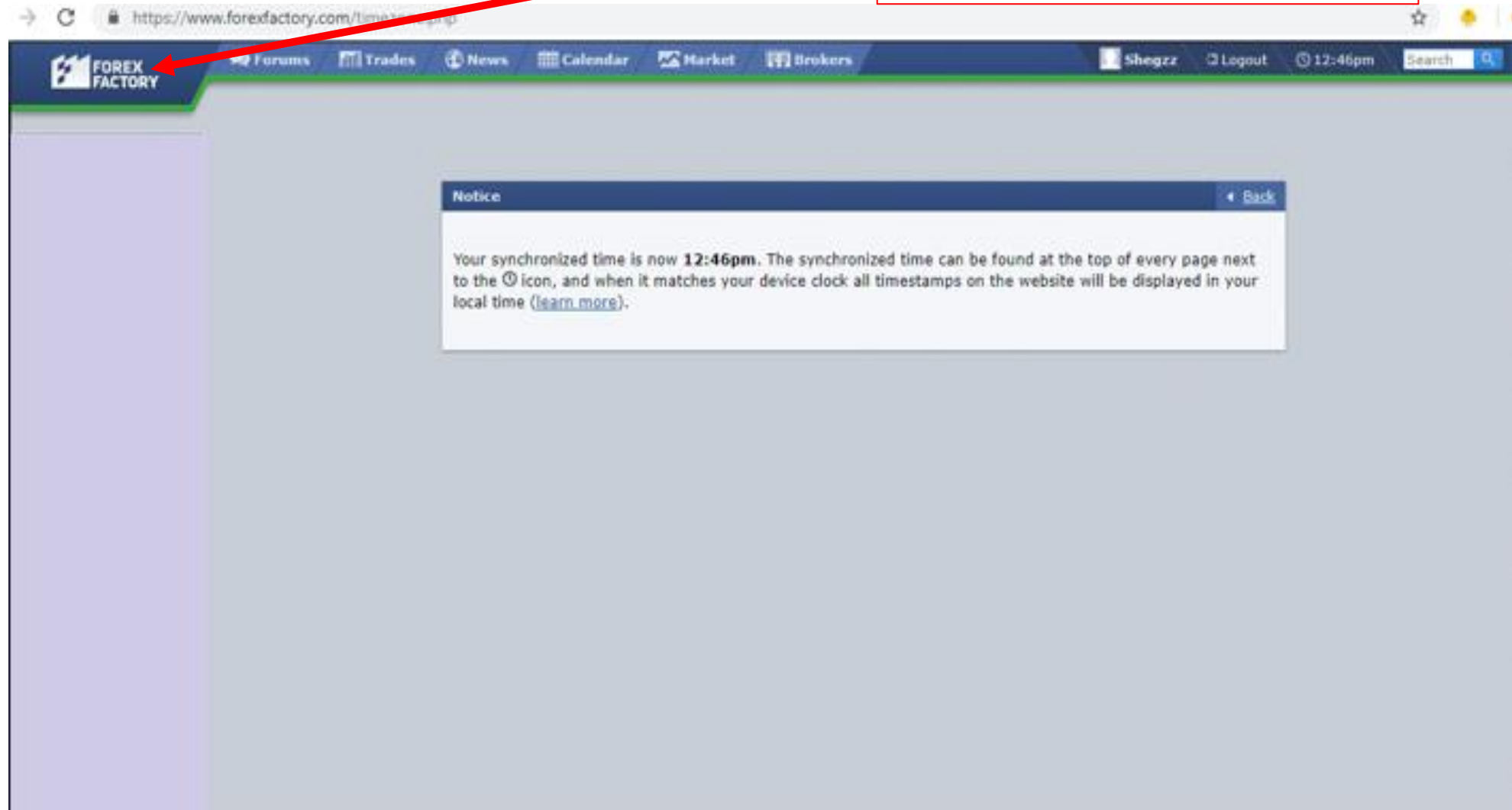
Customizing the Calendar



Your synchronized time will be the same as that on your device- phone or computer!

Customizing the Calendar

Click on the home icon as shown to go back to the website's calendar page...













Customizing the Calendar

Click on the filter icon to
disable low impact events...

Scanner

EUR/USD 1.11319 -4 0.15%
GBP/USD 1.29714 -19 -0.01%
USD/JPY 110.017 -6 0.15%
USD/CHF 0.96957 -15 -0.33%
USD/CAD 1.30715 14 0.10%
AUD/USD 0.69000 1 -0.07%
NZD/USD 0.66220 -3 -0.16%
GBP/JPY 142.705 -28 0.15%

Today: Jan 14

Date	11:00am	Currency	Impact	Detail	Actual	Forecast	Previous	Graph
Tue Jan 14	12:50am	JPY	🏠	Bank Lending y/y	1.8%	2.1%	2.1%	
		JPY	🏠	Current Account	1.79T	1.78T	1.73T	
	4:24am	CNY	🏠	USD-Denominated Trade Balance	46.8B	45.8B	38.7B	
	4:25am	CNY	🏠	Trade Balance	329B	315B	274B	
	6:00am	JPY	🏠	Economy Watchers Sentiment	39.8	40.9	39.4	
	▶12:00pm	USD	🏠	NFIB Small Business Index		104.9	104.7	
	2:30pm	USD	🔥	CPI m/m		0.2%	0.3%	
		USD	🔥	Core CPI m/m		0.2%	0.2%	
	3:00pm	USD	🏠	FOMC Member Williams Speaks				
	Tentative	USD	🏠	IBD/TIPP Economic Optimism		57.3	57.0	
10:45pm	NZD	🏠	FPI m/m			-0.7%		

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Stream

Customizing the Calendar

Click to uncheck the yellow folder box...

Forex Factory

forexfactory.com





Forex Factory

Forums Trades News Calendar Market Brokers

Shegzz Logout 10:50am Search

Today: Oct 8 Up Next Filter

Expected Impact (all, none)

☒  ☒  ☒  ☒ 
























Event Types (all, none)

☒ Growth ☒ Housing
☒ Inflation ☒ Consumer Surveys
☒ Employment ☒ Business Surveys
☒ Central Bank ☒ Speeches
☒ Bonds ☒ Misc

Currencies (all, none)

☒ AUD
☒ CAD
☒ CHF
☒ CNY
☒ EUR
☒ GBP
☒ JPY
☒ NZD
☒ USD

Apply Filter Cancel

Date	10:51am	Currency	Impact	Detail	Actual	Forecast	Previous	Graph
Tue Oct 8	12:30am	JPY		Average Cash Earnings y/y	-0.2%	-0.2%	-1.0% 	
		JPY		Household Spending y/y	1.0%	0.9%	0.8%	
	12:53am	JPY		Current Account	1.72T	1.68T	1.65T	
	1:30am	AUD		NAB Business Confidence	0		1	
		AUD		ANZ Job Advertisements m/m	0.3%		-2.6% 	
	2:45am	CNY		Caixin Services PMI	51.3	52.1	52.1	
	5:10am	GBP		BOE Gov Carney Speaks				
	6:02am	JPY		Economy Watchers Sentiment	46.7	43.4	42.8	
	6:45am	CHF		Unemployment Rate	2.3%	2.1%	2.3%	
	7:00am	EUR		German Industrial Production m/m	0.3%	-0.2%	-0.4% 	

https://www.forexfactory.com

11:24 AM


Customizing the Calendar

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Today: Jan 14								Up Next	
Date	11:03am	Currency	Impact		Detail	Actual	Forecast	Previous	Graph
Tue Jan 14	4:24am	CNY	🏭	USD-Denominated Trade Balance	📁	46.8B	45.8B	38.7B	📊
	4:25am	CNY	🏭	Trade Balance	📁	329B	315B	274B	📊
	▶ 2:30pm	USD	🔴	CPI m/m	📁		0.2%	0.3%	📊
		USD	🔴	Core CPI m/m	📁		0.2%	0.2%	📊
⬇ More									

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 leads | [Trading Discussion](#) | 6 replies
[hellsbells replied 1 min ago](#)  Hey Oldtraderman I sincerely respect your knowledgeable di

 [I will code your EAs and Indicators for no charge](#)
 leads | [Platform Tech](#) | 32,063 replies
[admir replied 4 min ago](#)  the previous post did not fit all the files.


 [Daily Trading Ideas...](#)
 leads | [Interactive Trading](#) | 42,869 replies

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[Higher bund yields don't mean higher euro](#)
From [think.ing.com](#) | 29 min ago




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From [hantecfx.com](#) | 1 hr 19 min ago



[UK Johnson: Very Likely We Get A Comprehensive Trade Deal With The EU By Y](#)
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[French Le Maire: Will Be Holding Talks With US Tsy Sec About Digital Tax](#)
 From [@LiveSquawk](#) | 2 hr 15 min ago

Trading Fundamental Events: Practical Example

At the exact time when the event is released, switch to your chart and place a trade based on the result of the event.

For example, if you wish to trade CPI data for Canada on a particular day, open any chart on currencies pairing with CAD, such as USDCAD, GBPCAD, EURCAD, AUDCAD, CADJPY, CADCHF etc

If the data beat forecast by some margin, it means it is good for the Canadian Economy, therefore the currency of the country will appreciate against it's pair.

Trading Fundamental Events: Practical Example

On your chart, you will place a buy trade on CAD against it's pair

On instrument such as CADJPY and CADCHF, where CAD is the base currency, you will place a buy trade

On instruments such as USDCAD, GBPCAD, EURCAD, AUDCAD, where CAD is the quote currency, you will place a sell trade

Trading Fundamental Events: Practical Example

Case Study

Recent data as seen on FF

Instrument in focus: Any

Recent release date: Most recent

Two things we need to do

First. We will look at economic calendar on www.forexfactory.com
And take note of the time for the event...

Second. On our trading platform, we will open any currency pair
with the currency we wish to trade.

**We will now look at some
Fundamental Events
influencing price of
instruments in the Global
Financial Market**

Fundamental Events

Consumer Price Index, CPI

Published Monthly, the Consumer Price Index is the timely indicator of Inflation. It measures the cost of goods and services, and gives us an objective handle on how fast prices are rising or falling. When CPI is within target or forecast levels, it is considered normal or even desirable. CPI affects monetary policy decisions directly hence it's report has a significant impact on prices.

Date	7:52am	Currency	Impact	Detail	Actual	Forecast	Previous	Graph
Fri Aug 17	12:34am	AUD		RBA Gov Lowe Speaks				
	8:30am	AUD		RBA Assist Gov Ellis Speaks				
	9:00am	EUR		Current Account	23.5B	23.2B	24.4B	
	10:00am	EUR		Final CPI y/y	2.1%	2.1%	2.1%	
		EUR		Final Core CPI y/y	1.1%	1.1%	1.1%	
	1:30pm	CAD		CPI m/m	0.5%	0.1%	0.1%	
		CAD		Common CPI y/y	1.9%		1.9%	
		CAD		Foreign Securities Purchases	11.55B	4.91B	3.01B	
		CAD		Median CPI y/y	2.0%		2.0%	
		CAD		Trimmed CPI y/y	2.1%		2.0%	
	1:32pm	CAD		Core CPI m/m	0.2%		0.1%	

Here is an calendar showing CPI data released for Canada on a particular date. Take note of the *Previous*, *Forecast* and *Actual* results? Can you see the *Actual* result beat *Forecast* by a wide margin? This shows the CPI data is good, thus, a **healthy** Canadian Economy. You can then place a Buy Trade on Canadian Dollar. You will place Buy Order on pairs such as CADJPY, CADCHF and a Sell Order on pairs such as USDCAD, GBPCAD, EURCAD, AUDCAD, NZDCAD...

Fundamental Events

Official Bank Rates

Central Banks around the world and especially of the major economies such as Federal Reserve, ECB, BOC, BOE, BOJ, RBA and RBNZ will release minutes of meetings deciding on Bank Rates from time to time. Official Bank Rate is the rate at which depository institutions lend balances held at the Central Bank to other depository institutions overnight. Take a look at the picture below. Can you see the official rate of some major economies? Bank Rate is a major economic decision and may impact positively or negatively on an economy depending on who governs or decides on it.

















	GBP		MPC Official Bank Rate Votes		9-0-0	7-0-2	3-0-6	
	GBP		Monetary Policy Summary					
	GBP		Official Bank Rate		0.75%	0.75%	0.50%	
7:00pm	USD		FOMC Statement					
	USD		Federal Funds Rate		<2.00%	<2.00%	<2.00%	
5:30am	AUD		RBA Rate Statement					
	AUD		Cash Rate		1.50%	1.50%	1.50%	
10:00pm	NZD		Official Cash Rate		1.75%	1.75%	1.75%	
	NZD		RBNZ Monetary Policy Statement					
	NZD		RBNZ Rate Statement					

Fundamental Events

Gross Domestic Product, GDP

Published Quarterly, the Gross Domestic Product is the widest measure of the overall health of the economy. It is defined as change in the inflation-adjusted value of all goods and services produced by the economy. GDP is the best measure used to confirm whether an economy is expanding (economic growth) or contracting (recession). The technical definition of a Recession is two consecutive quarters of negative GDP.

















Recession ends as soon as we see a quarter of positive GDP. You will place a buy or a sell trade on the currency of an economy, depending on the GDP data result. If the actual result is better than the forecast, buy the currency, otherwise, sell the currency.

9:30am	GBP		GDP m/m		0.1%	0.2%	0.3%	
	GBP		Manufacturing Production m/m		0.4%	0.3%	0.6% 	
	GBP		Prelim GDP q/q		0.4%	0.4%	0.2% 	
	GBP		Goods Trade Balance		-11.4B	-12.0B	-12.5B 	
	GBP		Prelim Business Investment q/q		0.5%	0.3%	-0.4% 	
	USD		Prelim GDP q/q			4.0%	4.1%	
	USD		Prelim GDP Price Index q/q			3.0%	3.0%	

Fundamental Events

Press Statements...

Press releases such as FOMC Meeting Minutes, Federal Reserve Chairman's speech, ECB President speech, RBA Chairman's speech, BOE Governor speech, BOC Governor speech, BOJ Governor speech, RBNZ Governor speech, etc, are important fundamental events that can sway price of an instruments such as a currency pair. This is because such statements usually bothers monetary policies. You can take advantage of such press releases and study their contents before taking a major trade decisions. It is important that a trader studies the personality of whoever presides over Central Banks of the major economies and be able to distinguish a dovish statement from a hawkish one.

4:00pm	USD		FOMC Member Quarles Speaks	
8:00pm	CAD		BOC Gov Poloz Speaks	
11:00pm	AUD		RBA Gov Lowe Speaks	
7:29am	JPY		BOJ Press Conference	
1:30pm	EUR		ECB Press Conference	
2:30am	AUD		Monetary Policy Meeting Minutes	
9:00am	GBP		BOE Gov Carney Speaks	
2:00pm	EUR		ECB President Draghi Speaks	

Fundamental Events

Producer Price Index, PPI

Survey showing change in the price of finished goods and services sold by producers.

Services PMI

Survey of purchasing managers in the Services Industry which asks respondents to rate the relative level of business conditions including employment, production, new orders, prices, supplier deliveries, and inventories.

Manufacturing PMI

Survey of purchasing managers in the Manufacturing Industry which asks respondents to rate the relative level of business conditions including employment, production, new orders, prices, supplier deliveries, and inventories.

Fundamental Events

Crude Oil Inventory

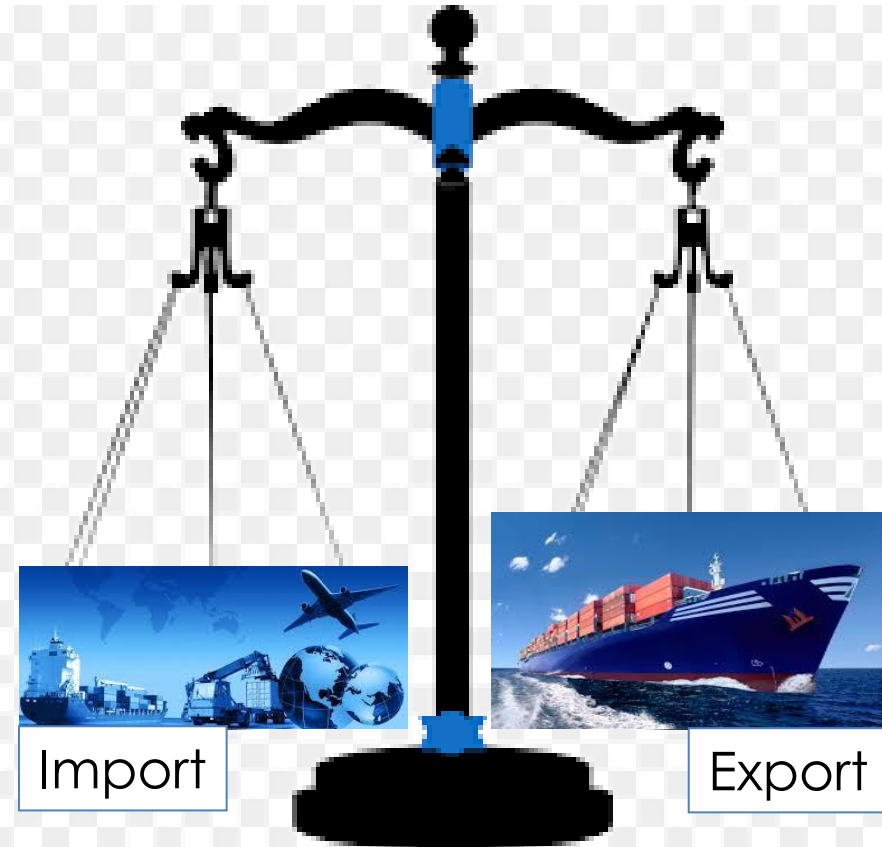
Published weekly, this Energy Information Administration report measures the change in the number of barrels of crude oil held in inventory by commercial firms during the past week. While this is a US indicator, it most affects the CAD due to Canada's sizable energy sector. It's the primary gauge of supply and demand imbalances in the crude oil market, which can lead to changes in production levels and price volatility globally.



Fundamental Events

Trade Balance

Difference in value between imported and exported goods during the reported month. Also called Net Import, a positive number indicates that more goods were exported than imported. Export demand and currency demand are directly linked because foreigners must buy the domestic currency to pay for the nation's exports. Export demand also impacts productions and prices of good and services of domestic manufacturers. In Canada for example, about 75% of the nations energy exports are purchased by the US, so a positive trade balance will impact positively on CAD



Fundamental Events

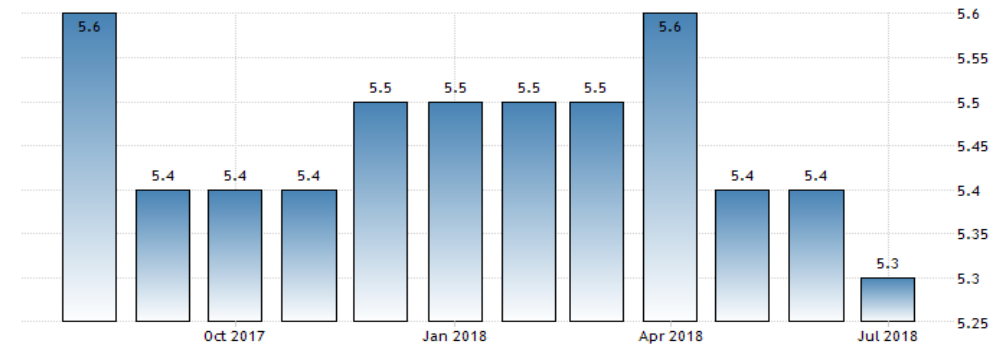
Non-Farm Payroll and other Employment Data

Job creation is an important leading indicator of consumer spending, which accounts for a majority of overall economic activity. The NFP in the USA for example, which measures change in the number of employed people during the previous month, excluding the farming industry, is one of the most significant fundamental event in the GFM. Other Employment data around developed economies that we can take advantage of includes Employment Rate, Employment Change, etc.

NFP
NONFARM PAYROLLS



AUSTRALIA UNEMPLOYMENT RATE



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Questions?

