orbex WEEKLY MARKETS REPORT

OVERWEEK BULLET POINTS

THE WEEK AHEAD

MARKETS PREVIEW

THE CHART OF THE WEEK

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Serving Traders Responsibly

ORBEX Research Department

13th of June 2016, to 17th of June 2016

OVERWEEK BULLET POINTS

Last Week: 6th of June – 10th of June, 2016

- Australia MI inflation gauge m/m -0.20% vs. 0.10% previously
- ANZ job advertisements m/m 2.40% vs. -0.60% previously
- German factory orders m/m -2.0% vs. -0.40%
- Eurozone retail PMI 50.6 vs. 47.9 previously
- Eurozone Sentix investor confidence 9.9 vs. 7.10
- Fed Chair, Janet Yellen speaks
- RBA leaves cash rate unchanged at 1.75%
- German industrial production m/m 0.80% vs. 0.80%
- Eurozone final GDP q/q 0.60% vs. 0.50%
- US revised nonfarm productivity q/q -0.60 % vs. -0.60%
- US revised unit labor costs q/q 4.50% vs. 4.0%
- Canada Ivey PMI 49.4 vs. 54.2
- New Zealand manufacturing sales q/q -2.60% vs. -2.30% previously
- Japan GDP q/q 0.50% vs. 0.50%; GDP y/y 1.90% vs. 1.90%
- Japan nominal GDP q/q 0.60% vs. 0.60%
- Australia home loans m/m 1.70% vs. 2.50%
- China exports y/y -4.10% vs. -4.20%; imports y/y -0.40% vs. -6.80%
- China trade balance 49.80 billion vs. 55.60 billion
- Switzerland CPI m/m 0.10% vs. 0.20%; y/y -0.40% vs. -0.40%
- UK industrial production m/m 2.0% vs. 0.00%; y/y 1.60% vs. -0.40%
- UK manufacturing production m/m 2.30% vs. 0.0%; y/y 0.80% vs. -1.50%
- ECB's Nouy speech
- Canada housing starts 188.6 k vs. 190 k
- Canada building permits m/m -0.30% vs. 2.30%
- RBNZ holds OCR at 2.25%
- Japan core machinery orders m/m -11.0% vs. -3.20%
- Japan M3 money stock y/y 3.40% vs. 3.30%
- China CPI y/y 2.0% vs. 2.30%; PPI y/y -2.80% vs. -3.10%

- Switzerland Unemployment rate 3.50% vs. 3.50%
- German trade balance 24bn vs. 21.4bn
- ECB President Draghi speaks in Brussels
- UK Goods trade balance 10.52bn vs. -11.bn
- US weekly jobless claims 264k vs. 270k
- US wholesale inventories m/m 0.60% vs. 0.10%
- Canada new HPI y/y 2.10% vs. 2.10%; m/m 0.30% vs. 0.20%
- Japan tertiary industrial activity m/m 1.40% vs. 0.70%
- Germany final CPI m/m 0.30% vs. 0.30%
- German WPI m/m 0.90% vs. 0.20%
- Germany industrial production m/m 0.50% vs. 0.30%
- UK construction output m/m 2.50% vs. 1.50%
- Canada employment change 13.8k vs. 3.1k
- Canada unemployment rate 6.90% vs. 7.10%

THE WEEK AHEAD

13th of June 2016, to 17th of June 2016

IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

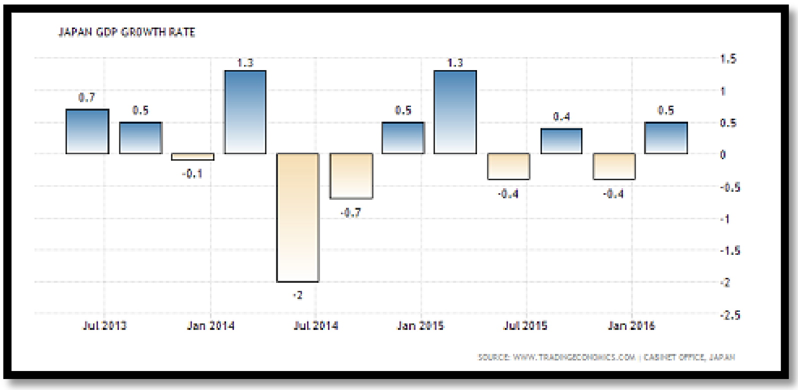
Time	Currency	Event	Forecast	Previous
		13-Jun		
3:00	CNY	Industrial Production y/y	6.10%	6.00%
		14-Jun		
09:30	GBP	CPI y/y	0.40%	0.30%
13:30	USD	Core Retail Sales m/m	0.40%	0.80%
	USD	Retail Sales m/m	0.40%	1.30%
		15-Jun		
09:30	GBP	Average Earnings Index 3m/y	1.70%	2.00%
	GBP	Claimant Count Change	0.1K	-2.4K
13:30	CAD	Manufacturing Sales m/m		-0.90%
	USD	PPI m/m	0.30%	0.20%
Tentative	NZD	GDT Price Index		3.40%
19:00	USD	FOMC Economic Projections		
	USD	FOMC Statement		
	USD	Federal Funds Rate	<0.50%	<0.50%
19:30	USD	FOMC Press Conference		
23:45	NZD	GDP q/q	0.50%	0.90%
		16-Jun		
00:55	CAD	BOC Gov Poloz Speaks		
02:30	AUD	Employment Change	15.1K	10.8K
	AUD	Unemployment Rate	5.70%	5.70%
Tentative	JPY	Monetary Policy Statement		
Tentative	JPY	BOJ Press Conference		
08:30	CHF	Libor Rate	-0.75%	-0.75%
	CHF	SNB Monetary Policy Assessment		
	CHF	SNB Press Conference		
09:30	GBP	Retail Sales m/m	0.20%	1.30%
12:00	GBP	MPC Official Bank Rate Votes	0-0-9	0-0-9
	GBP	Monetary Policy Summary		
	GBP	Official Bank Rate	0.50%	0.50%
13:30	USD	CPI m/m	0.30%	0.40%

	USD	Core CPI m/m	0.20%	0.20%
	USD	Philly Fed Manufacturing Index	1.1	-1.8
	USD	Unemployment Claims	267K	264K
17-Jun				
13:30	CAD	Core CPI m/m		0.20%
	USD	Building Permits	1.15M	1.12M
16:00	EUR	ECB President Draghi Speaks		

Time: GMT+1

Last saw the RBA and the RBNZ convene for their monthly monetary policy meetings. Both the central banks left interest rates unchanged at 1.75% and 2.25% respectively. Striking a similar tone, both the central banks focused on the domestic growth and sounded slightly worried on inflation expectations. While the AUD failed to capitalize on the gains, falling back by Friday's session, NZD continued to push higher posting a new 1-year high above $0.71.

The Japan GDP numbers for the first quarter of 2016 were revised higher, broadly due to the leap year effect. However, the Q1 GDP numbers, which showed the Japanese economy expanding at a pace of 0.50% on a quarter of quarter basis came after the fourth quarter 2015 GDP contracted by 0.30%. On a year over year basis, Japan's GDP was logged at 1.90%, up from the 1.10% declines posted in the fourth quarter. However, analysts estimate that this short term pick up GDP is likely to be short lived with the fundamentals remaining the same on subdued wage growth and lack of inflation. Analysts estimate that excluding the leap year effect which added an extra day in February, Japan's GDP would have actually expanded only around 0.20%. Capex remained weak even with the revised numbers, falling 0.70% against previous estimates of 1.40% while private consumption was up 0.60% from 0.50% previous estimates.

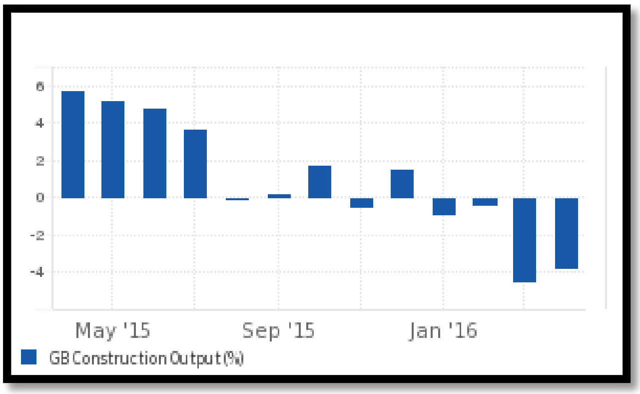


Over the week, Eurozone GDP numbers for the first quarter was also released and was revised higher from the previous estimates of 0.50% to 0.60%, bringing the Eurozone's annualized GDP to a revised 1.70% from 1.50%.

The **European Central Bank** started purchasing corporate sector bonds since June 8th. The CSPP or Corporate Sector Purchase Program was initially announced on the March 2016 ECB policy meeting. While it is unclear on the amount of bonds that the central bank will purchase, the ECB said that it would be publishing a weekly list of corporate bond purchases starting July. The move is being seen as the ECB's QE policy to stoke inflation, but many disagree noting that the corporate sector bond purchases were a move to cap the widening spreads between government bonds. On Thursday, ECB President, Mario Draghi spoke in Brussels and reiterated the central bank's commitment to achieving its inflation target but urged government leaders to unite as well to support inflation.

Fed Chair, Janet Yellen took the stage on Tuesday, speaking at the World Affairs Council of Philadelphia. Her speech was closely watched as investors expected to hear forward guidance from the Fed chair going into the coming week's FOMC meeting. However, Ms. Yellen stuck to the familiar narrative and remained broadly optimistic on the growth prospects in the US.

In the UK, economic data this week was broadly supportive of the Pound sterling, but the GBP failed to capitalize on its gains. While the sterling gapped lower on Monday, the currency managed to retrace its gains against the greenback the next day. New opinion polls released over the weekend saw the Brexit's Leave camp gaining ground, which attributed to the GBP's initial declines. On the economic front, data from the UK over the week saw industrial production rising the most on a month over month basis. A similar trend was also seen on construction output and manfuacturing production as well.



Construction activity expanded for the first time in four months, rising 2.50% in April. Industrial production rose 2.0% on the month while manufacturing production edged higher, rising 2.30% on a month over month basis. On a yearly basis, both industrial and manufacturing production managed to edge higher. Most of the gains came with the pharmaceutical and drugs manufacturing sector rising 8.6% on the month. Transportation equipment increased 4.70% primarily with cars for domestic use increasing. Electricity and gas sectors combined gained 3.90%. The data was the first positive print after Markit surveys showed a slowdown in the industrial and manufacturing sectors.

Week Ahead: 13th of June 2016, to 17th of June 2016

The coming week is likely to see a lot of market volatility with the central bank meetings, where the Federal Reserve and the BoJ will steal the spotlight. The Bank of England and the Swiss National Bank will also meeting over the week, but no changes to monetary policy is expected as far as the BoE and the SNB are concerned.

The FOMC meeting concludes on Wednesday with the central bank releasing its staff economic projections and monetary policy decision. The markets are ruling out a rate hike at this week's meeting, but the Fed could keep the door open for a rate hike in either July or September. While inflation data might be overshadowed by the FOMC meeting, the retail sales and industrial production data will be more likely to be scrutinized.

The Bank of Japan will be meeting just a few hours after the FOMC meeting. Expectations are divided at this meeting, but the BoJ could cut interest rates by another 10 - 20 basis points. Given the announcement in the sales tax hike delay, some economists expect that this would buy time for the BoJ. However, a surprise policy action could perhaps stem the JPY's appreciation.

Additionally, US retail sales numbers, industrial production and inflation data will be released, while the UK data will be dominated by the monthly inflation figures. Over the weekend fresh Brexit opinion polls are expected to be released, which could add significant volatility when the markets open on Monday.

TECHNICAL CORNER

USDJPY reversed most of its gains over the four consecutive weeks of rally and fell back to the support at 106.90 - 105.415, marking the upper and lower bound range on the weekly chart. The fact that USDJPY has not made a lower low here, is indicative of a possible move to the upside. There is also a falling wedge pattern that has been forming since August last year. A break out from the falling wedge could see USDJPY embark on a long term corrective rally.

USDJPY (106.90) – Weekly Chart

Resistance near 116.145 - 117.40 marks the ideal retracement to the upside. The upside move is likely to evolve over a period of weeks, unless the Bank of Japan's policy actions sends the yen weaker. To the downside, 105.415 is the main support level and the line in the sand. A weekly break below this level could signal further weakness in USDJPY which could see the declines extend towards 104.00.

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