

orbex WEEKLY MARKETS REPORT



OVERWEEK
BULLET POINTS



THE WEEK
AHEAD



MARKETS
PREVIEW



THE CHART OF
THE WEEK

OVERWEEK BULLET POINTS



11th of July 2016, to 15th of July 2016

- Japan core machinery orders m/m -1.40% vs. 3.10%
- Japan M2 money stock y/y 3.40% vs. 3.40%
- Australia home loans m/m -1.0% vs. -1.90%
- Japan preliminary machine tool orders y/y -19.90% vs. -24.70% previously
- Italy industrial production m/m -0.60% vs. 0.10%
- Eurogroup meetings
- Canada housing starts 218k vs. 192k
- FOMC Member George speech
- UK BRC retail sales monitor y/y -0.50% vs. 0.50% previously
- Japan PPI y/y -4.20% vs. -4.10%
- Australia NAB business confidence 6 vs. 3 previously
- FOMC Member Mester speech
- Japan tertiary industry activity m/m -0.70% vs. -0.70%
- Germany final CPI m/m 0.10% vs. 0.10%
- Germany wholesale price index m/m 0.60% vs. 0.30%
- BoE releases FPC meeting minutes
- China FDI ytd/y 5.10% vs. 3.80% previously
- BoE Gov. Carney speech
- US NFIB small business index 94.5 s. 94.1
- FOMC member Bullard speech
- US wholesale inventories 0.10% vs. 0.20%
- Australia Westpac consumer sentiment -3.0% vs. -1.0%
- Japan revised industrial production m/m -2.60% vs. -2.20%
- France final CPI m/m 0.10% vs. 0.20%
- China trade balance 311bn vs. 320bn

- China trade balance (USD) 48.1bn vs. 46.0bn
- Eurozone industrial production -1.20% vs. -0.80%
- BoC keeps monetary policy unchanged
- UK RICS house price balance 16% vs. 8%
- Australia MI inflation expectations 3.70% vs. 3.50% previously
- Australia employment change 7.9k vs. 10.1k
- Australia unemployment rate 5.80% vs. 5.80%
- Australia new motor vehicle sales m/m 3.10% vs. -1.0% previously
- Switzerland PPI m/m 0.10% vs. 0.20%
- BoE keeps interest rate unchanged at 0.50%
- Canada NHPI m/m 0.70% vs. 0.20%
- US PPI m/m 0.50% vs. 0.30%; core PPI m/m 0.40% vs. 0.10%
- US unemployment claims 254k vs. 263k
- China GDP ytd/y 6.70% vs. 6.60%
- China industrial production y/y 6.20% vs. 5.90%
- China fixed asset investment ytd/y 9.0% vs. 9.40%
- China retail sales y/y 10.60% vs. 9.90%
- UK construction output m//m -2.10% vs. -1.10%
- Eurozone final CPI y/y 0.10% vs. 0.10%; final core CPI 0.90% vs. 0.90%
- BoE Carney speech
- Canada manufacturing sales m/m -1.0% vs. 1.0% previously
- US CPI m/m 0.20% vs. 0.20%; Core CPI 0.20% vs. 0.20%
- US retail sales m/m 0.60% vs. 0.10%; core retail sales m/m 0.70% vs. 0.40%
- US empire state manufacturing index 0.6 vs. 5.1

THE WEEK AHEAD



18th of July 2016, to 22nd of July 2016

IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

Date	Time	Currency	Detail	Forecast	Previous
18-Jul	00:01	GBP	Rightmove HPI m/m		0.80%
	09:15	GBP	MPC Member Weale Speaks		
	Tentative	EUR	German Buba Monthly Report		
	15:00	USD	NAHB Housing Market Index	60	60
	15:30	AUD	CB Leading Index m/m		0.50%
19-Jul	02:30	AUD	Monetary Policy Meeting Minutes		
	09:30	GBP	CPI y/y	0.40%	0.30%
		GBP	PPI Input m/m	0.90%	2.60%
		GBP	RPI y/y	1.40%	1.40%
		GBP	Core CPI y/y	1.30%	1.20%
		GBP	PPI Output m/m	0.10%	0.10%
	10:00	EUR	German ZEW Economic Sentiment	8.2	19.2
		EUR	ZEW Economic Sentiment	12.3	20.2
	13:30	USD	Building Permits	1.15m	1.14M
		USD	Housing Starts	1.17M	1.16M
20-Jul	07:00	EUR	German PPI m/m	0.20%	0.40%
	09:00	EUR	Current Account	24.9B	36.2B
	09:30	GBP	Average Earnings Index 3m/y	2.30%	2.00%
		GBP	Claimant Count Change	4.1K	-0.4K
	GBP	Unemployment Rate	5.00%	5.00%	
	10:00	CHF	ZEW Economic Expectations		19.4
	15:00	EUR	Consumer Confidence	-8	-7
21-Jul	05:30	JPY	All Industries Activity m/m	-1.00%	1.30%
	07:00	CHF	Trade Balance	3.49B	3.78B
	09:30	GBP	Retail Sales m/m	-0.40%	0.90%
		GBP	Public Sector Net Borrowing	9.3B	9.1B
	12:45	EUR	Minimum Bid Rate	0.00%	0.00%
	13:30	CAD	Wholesale Sales m/m	0.30%	0.10%
		EUR	ECB Press Conference		
	USD	Philly Fed Manufacturing Index	5.1	4.7	
	USD	Unemployment Claims	271K	254K	
	14:00	USD	HPI m/m	0.40%	0.20%

	15:00	USD	Existing Home Sales	5.48M	5.53M
		USD	CB Leading Index m/m	0.20%	-0.20%
22-Jul	03:00	JPY	Flash Manufacturing PMI	48.3	48.1
	08:00	EUR	French Flash Manufacturing PMI	48.1	48.3
		EUR	French Flash Services PMI	49.6	49.9
	08:30	EUR	German Flash Manufacturing PMI	53.6	54.5
		EUR	German Flash Services PMI	53.3	53.7
	09:00	EUR	Flash Manufacturing PMI	52.1	52.8
		EUR	Flash Services PMI	52.3	52.8
	10:00	EUR	Italian Retail Sales m/m	0.20%	0.10%
	13:30	CAD	Core CPI m/m	0.20%	0.30%
		CAD	Core Retail Sales m/m	0.20%	1.30%
		CAD	CPI m/m	0.50%	0.40%
		CAD	Retail Sales m/m	0.00%	0.90%
	14:45	USD	Flash Manufacturing PMI	51.9	51.3

Time: GMT+1



MARKETS PREVIEW

11th of July 2016, to 15th of July 2016

The markets were all about the UK last week as investors braced up for the BoE's meeting on Thursday. Following Mark Carney's comments previously about having to cut interest rates and potentially expand monetary policy, investors were expected the central bank to move this week. However, the BoE surprised the markets by keeping rates unchanged. In its monetary policy statement, the BoE said that following the assessment of the economic data after the Brexit vote, the central bank would be better equipped to make a decision on monetary policy. The central bank noted that further QE easing as well as rate cuts were likely in the August meeting.

The sterling gained on the news as the BoE kept rates steady at 0.50%. On the political front, the markets also saw more clarity in UK politics as the conservative party elected Theresa May as the new Prime Minister in the UK. Upon her appointment, the new PM reshuffled her cabinet including replace George Osborne with Philip Hammond as the new Chancellor of the Exchequer.



Bank of England Interest Rate – 0.50% (July 2016)

The week also saw the yen easing back across the board following the weekend elections in Japan. Prime Minister Shinzo Abe's Liberal Democratic Party won a majority to the upper house in what was seen as an endorsement to Abenomics. Following the victory, Abe pledged support for more fiscal stimulus which led to the yen falling as investors started to bet on BoJ easing when it meets later in July. Rumors grew following a visit by ex-Fed president Ben Bernanke to

Japan. However, BoJ officials brushed aside the visit but said that they had consulted with Bernanke on monetary policy. While officials dismissed the prospects of *helicopter money*, the cabinet secretary said that there could be a new bold economic stimulus plans underway.

Data from the US this week was limited to Thursday and Friday. US producer price index surged 0.50% on a month over month basis in June, while the core PPI increased 0.40% beating expectations of a 0.20% and 0.10% increase. Headline producer price index is seen running at 0.30%, while excluding food and energy, PPI accelerated 1.30% on a year over year basis.

The data was followed up by Friday's inflation report which showed a more modest print. Both the headline and core CPI inched higher 0.20% on a month over month basis. The headline CPI was however soft, rising 1.0% on a year over year basis, less than expected 1.10%. Core inflation on the other hand surged 2.30%, above estimates of a 2.20% increase.



US CPI y/y 1.0% (June 2016)

US retail sales also continued to grow at a healthy pace. The headline retail sales number increased 0.60% on a month over month basis in June, beating estimates of a 0.10% increase, while retail sales excluding auto jumped 0.70%, more than the 0.40% expected increase.

Week Ahead: 18th of July 2016, to 22nd of July 2016

The week ahead is expected to a quiet one for the US dollar. Focus will be on the ECB next week and the Eurozone and UK in general. The impact of Brexit is likely to be more visible in the economic data this week as the euro area flash PMI's on Friday will be coming out. Expectations are for a noticeable decline with the composite PMI expected to fall from 53.1 in June. Manufacturing and services PMI will also be released which is expected to be weaker.

The ECB's meeting on Thursday is expected to see no major changes to monetary policy. But markets expect to see the ECB tweak its QE parameters. It is widely speculated that given the current basis for the QE, the ECB will run out eligible bonds by end of the year.

In the UK, inflation data and retail sales numbers are expected to be released over the week followed by the monthly jobs report. However, the data is unlikely to see much reaction from the sterling which is likely to focus on speeches from BoE's members over the week.

TECHNICAL CORNER



AUDNZD has turned bullish last week following a prolonged decline since early May. Prices posted a strong reversal off 1.035 to close at 1.06345 on Friday. On the daily chart we can see price clearing the major support/resistance level at 1.0582 - 1.0530. Any dips are likely to be limited to this support zone, with the possibility of a slide back to 1.045 after we notice a hidden bearish divergence on the chart.



AUDNZD (1.0634) – D1 Chart

In the near term, while AUDNZD could risk a pullback to 1.045, the longer term view remains to the upside. The next main resistance is seen at 1.1039 - 1.1098. This level acted briefly as a resistance before prices broke down. A retest back to this previously established support level could complete a retest of resistance. To the downside, a breakdown below 1.045 could keep AUDNZD range bound with further declines expected only on a breakdown below 1.0345.

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