

orbex WEEKLY MARKETS REPORT



OVERWEEK
BULLET POINTS



THE WEEK
AHEAD



MARKETS
PREVIEW



THE CHART OF
THE WEEK

OVERWEEK BULLET POINTS



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

- New Zealand CPI q/q 0.40% vs. 0.50%
- UK Rightmove HPI m/m -0.90% vs. 0.80% previously
- MPC Member Weale Speech
- Canada foreign securities purchases 14.73bn vs. 15.39bn
- US NAHB housing market index 59 vs. 60
- Australia CB leading index 0.10% vs. 0.50% previously
- RBA releases monetary policy meeting minutes
- UK CPI y/y 0.50% vs. 0.40%; Core CPI y/y 1.40% vs. 1.30%
- UK PPI input m/m 1.80% vs. 0.90%; PPI output y/y 0.20% vs. 0.10%
- Germany ZEW economic sentiment -6.8 vs. 8.2
- Eurozone ZEW economic sentiment -14.7 vs. 12.3
- US building permits m/m 1.50% vs. 1.20%
- US housing starts m/m 4.80% vs. 0.10%
- MPC Member Broadbent speech
- Australia MI leading index m/m -0.20% vs. 0.20% previously
- Germany PPI m/m 0.40% vs. 0.20%
- Eurozone current account 30.8bn vs. 24.9bn
- UK average earnings index 3m/y 2.30% vs. 2.30%
- UK claimant count change 0.4k vs. 4.1k
- UK unemployment rate 4.90% vs. 5.0%
- Switzerland ZEW economic expectations 5.9 vs. 19.4 previously
- Eurozone consumer confidence -8 vs. -8
- US crude oil inventories -2.3mn vs. -1.3mn
- Australia NAB quarterly business confidence 2 vs. 4 previously
- New Zealand Credit card spending y/y 4.10% vs. 6.0% previously

- Japan all industries activity m/m -1.0% vs. -1.0%
- Switzerland trade balance 3.55 billion vs. 3.49 billion
- UK retail sales m/m -0.90% vs. -0.40%
- UK public sector net borrowing 7.3 billion vs. 9.3 billion
- Canada wholesale sales m/m 1.80% vs. 0.20%
- ECB holds press conference
- Philly Fed manufacturing index -2.9 vs. 5.1
- US weekly unemployment claims 253k vs. 260k
- Japan flash manufacturing PMI 49.0 vs. 48.3
- French flash manufacturing PMI 48.6 vs. 48.1
- French flash services PMI 50.3 vs. 49.6
- Germany flash manufacturing PMI 53.7 vs. 53.6
- Germany flash services PMI 54.6 vs. 53.3
- Eurozone flash manufacturing PMI 51.9 vs. 52.1
- Eurozone flash services PMI 52.7 vs. 52.3
- UK flash manufacturing PMI 49.1 vs. 47.8
- UK flash services PMI 47.4 vs. 48.9
- Canada Core CPI m/m 0.0% vs. 0.0%; CPI m/m 0.20% vs. 0.20%
- Canada retail sales m/m 0.20% vs. 0.0%; core retail sales m/m 0.90% vs. 0.30%

THE WEEK AHEAD



25th of July 2016, to 29th of July 2016

IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

Date	Time	Currency	Event	Forecast	Previous
25-Jul	0:50	JPY	Trade Balance	0.24T	0.27T
	09:00	EUR	German Ifo Business Climate	107.7	108.7
	23:45	NZD	Trade Balance	128M	358M
26-Jul	00:50	JPY	SPPI y/y	0.10%	0.20%
		USD	S&P/CS Composite-20 HPI y/y	5.60%	5.40%
	14:45	USD	Flash Services PMI	51.2	51.4
	15:00	USD	CB Consumer Confidence	95.6	98
		USD	New Home Sales	560K	551K
		USD	Richmond Manufacturing Index	-4	-7
27-Jul	02:30	AUD	CPI q/q	0.40%	-0.20%
		AUD	Trimmed Mean CPI q/q	0.40%	0.20%
	09:00	EUR	German Import Prices m/m	0.60%	0.90%
		EUR	GfK German Consumer Climate	9.9	10.1
	09:30	EUR	M3 Money Supply y/y	5.00%	4.90%
		EUR	Private Loans y/y	1.70%	1.60%
	13:30	GBP	Prelim GDP q/q	0.50%	0.40%
		GBP	Index of Services 3m/3m	0.30%	0.50%
	15:00	USD	Core Durable Goods Orders m/m	0.30%	-0.30%
		USD	Durable Goods Orders m/m	-1.10%	-2.30%
	19:00	USD	Pending Home Sales m/m	1.90%	-3.70%
	28-Jul	02:30	AUD	Import Prices q/q	1.60%
07:00		GBP	Nationwide HPI m/m	0.00%	0.20%
All Day		EUR	German Prelim CPI m/m	0.20%	0.10%
	08:55	EUR	German Unemployment Change	-3K	-6K
	13:30	USD	Unemployment Claims	261K	253K
	23:45	NZD	Building Consents m/m		-0.90%
29-Jul	00:05	GBP	GfK Consumer Confidence	-7	-9
	00:30	JPY	Household Spending y/y	-0.40%	-1.10%
		JPY	Tokyo Core CPI y/y	-0.40%	-0.50%

		JPY	National Core CPI y/y	-0.40%	-0.40%
		JPY	Unemployment Rate	3.20%	3.20%
	00:50	JPY	Retail Sales y/y	-1.20%	-2.10%
		JPY	Prelim Industrial Production m/m	0.60%	-2.60%
	02:00	NZD	ANZ Business Confidence		20.2
	02:30	AUD	PPI q/q	0.20%	-0.20%
		AUD	Private Sector Credit m/m	0.50%	0.40%
	Tentative	JPY	Monetary Policy Statement		
	06:00	JPY	BOJ Outlook Report		
		JPY	BOJ Core CPI y/y	0.70%	0.80%
		JPY	Housing Starts y/y	-2.80%	9.80%
	06:30	EUR	French Prelim GDP q/q	0.20%	0.60%
	07:00	EUR	German Retail Sales m/m	0.00%	0.90%
	Tentative	JPY	BOJ Press Conference		
	07:45	EUR	French Consumer Spending m/m	0.10%	-0.70%
		EUR	French Prelim CPI m/m	-0.30%	0.10%
	08:00	CHF	KOF Economic Barometer	101.6	102.4
		EUR	Spanish Flash CPI y/y	-0.50%	-0.80%
		EUR	Spanish Flash GDP q/q	0.70%	0.80%
	09:30	GBP	Net Lending to Individuals m/m	4.2B	4.3B
		GBP	M4 Money Supply m/m	0.40%	1.20%
		GBP	Mortgage Approvals	66K	67K
	10:00	EUR	CPI Flash Estimate y/y	0.10%	0.10%
		EUR	Core CPI Flash Estimate y/y	0.90%	0.90%
		EUR	Prelim Flash GDP q/q	0.30%	0.60%
		EUR	Italian Prelim CPI m/m	0.00%	0.10%
		EUR	Unemployment Rate	10.10%	10.10%
	13:30	CAD	GDP m/m	-0.50%	0.10%
		CAD	RMPI m/m	3.20%	6.70%
		CAD	IPPI m/m	1.50%	1.10%
		USD	Advance GDP q/q	2.60%	1.10%
		USD	Advance GDP Price Index q/q	1.90%	0.40%
		USD	Employment Cost Index q/q	0.60%	0.60%
	14:45	USD	Chicago PMI	54.3	56.8
	15:00	USD	Revised UoM Consumer Sentiment	90.2	89.5
		USD	Revised UoM Inflation Expectations		2.80%
	21:00	EUR	EBA Bank Stress Test Results		

Time: GMT+1



MARKETS PREVIEW

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

The markets were flat this week despite a few headwinds to risk off rally. On Monday, the markets opened following the weekend developments in Turkey after a failed military coup sent the markets weaker last Friday. With the situation coming under control, the risk on rally emerged rather quickly.

The week was mostly about the speculative rally in the USDJPY which touched 107 highs as Japanese media reported that the BoJ was looking at adding another 20 trillion yen in easing when it meets next week. The strong rally that persisted in USDJPY since early July however stalled after on Thursday, BoJ's Kuroda told in a BBC interview that the central bank was not considering any form of helicopter money. The dollar slipped on the news with USDJPY closing the day lower at 105.81.

The European Central Bank's monetary policy meeting this week saw no major changes to the key interest rates. The ECB signaled that it was willing to wait for more data to assess the economic situation in the eurozone after the Brexit vote. Striking a similar tone to that of the Bank of England, the ECB President, Mario Draghi said on Thursday that policy makers were open to but not committed to additional stimulus measures when the central bank meets next in September. Draghi however acknowledged that the Brexit vote added headwinds to the eurozone economic recovery. In his previous speeches, Draghi said that the Brexit vote could risk as much as shaving 0.5 percent points off the GDP growth in the eurozone over the next three years.

Setting the bar high for September's policy meeting, the ECB will be releasing new forecasts for growth and inflation giving more clarity and guidance on how to steer monetary policy.

In the UK, BoE members were speaking over the week. BoE's Kristin Forbes was hawkish in an interview with the Daily Telegraph, where she said that the BoE should wait to get hard data to better understand the impact of Brexit on different sectors of the economy. *"Why not wait to get*

hard data, better understand the impact on different segments of the economy, and then carefully calibrate any monetary response to maximize the effectiveness and minimize the negative side effects?" Kristin Forbes said.

She also cautioned that there were risks of looser monetary policy noting that inflation remained on track to reach the 2.0% target rate.

BoE's Martin Weale, in a speech reiterated the views noting that, *"For there to be a case for easing policy I will need to expect weakness in output to be large enough more than to compensate for any overshoot in inflation on the assumption that policy is unchanged in the near term."*

Taking a dovish view was Andrew Haldane, the chief economist for the BoE. He said that QE was necessary, noting that the BoE should increase its QE by August. *"By promptly I mean next month, when the precise size and extent of the necessary stimulus measures can be determined as part of the August Inflation Report round,"* Haldane said.

In the US, economic data over the week saw the housing starts and building permits data, besides the existing home sales numbers. The data was largely factored around the housing markets and reflected upbeat sentiment in the property markets. Housing starts grew at a pace of 4.80% in June following a downward revised 1.70% decline in May. Building permits gained 1.50% in June, after May's 0.50% revised print. Existing home sales also rose 1.10% in June, but May saw a revised print of 1.50%.

Week Ahead: 25th of July 2016, to 29th of July 2016

The focus next week will be on the FOMC and the Bank of Japan. The FOMC meeting on July 25 - 26 will culminate in the FOMC monetary policy statement. Expectations that the Fed will keep rates unchanged at next week's meeting run high. Following the recent upbeat economic data and a better than expected jobs report in June, the Fed's statement could be hawkish which could keep the dollar supported to the upside.

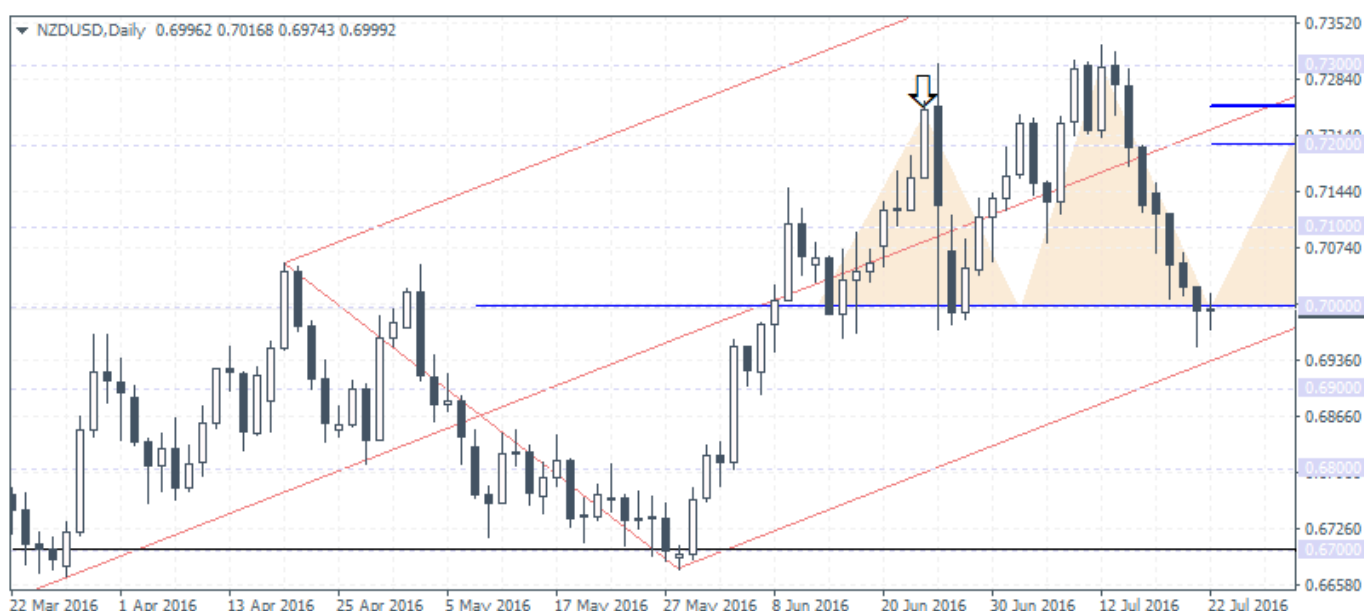
On the economic front, US data will include durable goods orders for June and on Friday; the first estimates for the Q2 GDP will be released. The data is expected to show that the US GDP advanced 2.60%, following a 1.10% increase in Q1. A beat on the estimates could potentially cement the Fed's hawkish view and bring forward the Fed rate hike expectations to September.

The Bank of Japan's monetary policy meeting on Friday will be closely watched as investors remain mixed on the policy response from the BoJ. With speculation mounting that the BoJ could expand monetary stimulus by another 20 trillion Yen, the USDJPY has been rising steadily over the past several weeks. However, investors are unsure on how the BoJ meeting will play out. Falling short of expectations could send the USDJPY sharply lower with the potential to falling back to 102 – 100Yen levels. Japan's inflation data will also be released on Friday and the BoJ's measure of inflation is expected to show another month of a weaker pace of increase in consumer prices.

TECHNICAL CORNER



NZDUSD closed Friday near 0.70, in what seems like a strong support level of an evolving head and shoulders pattern. A bullish follow through from here could see NZDUSD retrace its gains back to 0.72 - 0.725 level. The rally, which could see a lower high being made could potentially form the right shoulder ahead of what could be a strong week of declines into the RBNZ's August monetary policy meeting. Potential short opportunities near 0.72 - 0.725 for a move back to the neckline support at 0.70 and eventually to 0.67 offers a fairly strong risk reward. The bias remains invalidated if prices manage to close above 0.730.



NZDUSD (0.699) – D1 Chart

With the RBNZ meeting looming, expectations are high for the central bank to cut interest rates, which supports the bearish view in this aspect.

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