

orbex WEEKLY MARKETS REPORT



OVERWEEK
BULLET POINTS



THE WEEK
AHEAD



MARKETS
PREVIEW



THE CHART OF
THE WEEK

OVERWEEK BULLET POINTS



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

- Japan trade balance 0.33 trillion vs. 0.24 trillion
- German Ifo business climate 108.3 vs. 107.7
- UK CBI industrial order expectations -4 vs. -6
- New Zealand trade balance 127mn vs. 128mn
- Japan SPPI y/y 0.20% vs. 0.10%
- UK BBA Mortgage Approvals 40.1k vs. 40.2k
- S&P/CS HPI 5.20% vs. 5.60%
- US flash services PMI 50.9 vs. 51.2
- CB consumer confidence 97.3 vs. 95.6
- US new home sales 592k vs. 560k
- Richmond manufacturing index 10 vs. -4
- Australia CPI q/q 0.40% vs. 0.40%; Trimmed mean CPI q/q 0.50% vs. 0.40%
- Switzerland UBS Consumption indicator 1.34 vs. 1.24 previously
- German import prices m/m 0.50% vs. 0.60%
- Germany Gfk consumer climate 10.0 vs. 9.9
- Eurozone M3 Money supply y/y 5.0% vs. 5.0%
- Eurozone private loans y/y 1.70% vs. 1.70%
- UK Preliminary GDP q/q 0.60% vs. 0.50%
- US core durable goods orders m/m -0.50% vs. 0.30%; durable goods orders m/m -4.0% vs. -1.10%
- US Pending home sales 0.20% vs. 1.90%
- Crude oil inventories 1.7mn vs. -2.1mn
- FOMC statement
- Fed funds rate unchanged
- Australia import prices q/q -1.0% vs. 1.60%; export prices q/q 1.40% vs. 2.90%
- UK Nationwide HPI m/m 0.50% vs. 0.20%; y/y 5.20% vs. 4.80%
- Sweden unemployment rate 7.60% vs. 7.90%
- Sweden retail sales m/m -0.60% vs. -0.10%; y/y 3.20% vs. 4.20%

- Germany unemployment rate 6.10% vs. 6.10%
- Eurozone economic confidence 104.6 vs. 103.5
- Germany CPI m/m 0.30% vs. 0.30%; y/y 0.40% vs. 0.40%
- US weekly jobless claims 266k vs. 262k
- New Zealand building consents 16.3% vs. 0.10% previously
- Japan household spending y/y -2.20% vs. -0.40%
- Japan Tokyo core CPI y/y -0.40% vs. -0.40%
- Japan unemployment rate 3.10% vs. 3.20%
- Japan retail sales y/y -1.40% vs. -1.20%
- Japan preliminary industrial production m/m 1.90% vs. 0.60%
- ANZ business confidence 16 vs. 20.2 previously
- Australia PPI q/q 0.10% vs. 0.20%
- Australia private sector credit m/m 0.20% vs. 0.50%
- BoJ Core CPI y/y 0.80% vs. 0.80%
- Japan housing starts y/y -2.50% vs. -2.80%
- French preliminary GDP q/q 0.0% vs. 0.20%
- Germany retail sales m/m -0.10% vs. 0.0%
- French consumer spending m/m -0.80% vs. 0.10%
- French preliminary CPI m/m -0.40% vs. -0.30%
- Switzerland KOF Economic Barometer 102.7 vs. 101.6
- Spain flash CPI y/y -0.60% vs. -0.50%
- Spain flash GDP q/q 0.70% vs. 0.70%
- UK net lending to individuals 5.2bn vs. 4.2bn
- Eurozone flash CPI estimate y/y 0.20% vs. 0.10%; Core CPI estimate y/y 0.90% vs. 0.90%
- Eurozone preliminary GDP q/q 0.30% vs. 0.30%
- Canada GDP m/m -0.60% vs. -0.50%
- US Advance GDP estimates q/q 1.20% vs. 2.60%
- US Advance GDP price index q/q 2.20% vs. 1.90%
- US employment cost index q/q 0.60% vs. 0.60%

THE WEEK AHEAD



1st of August 2016, to 5th of August 2016

IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

Date	Time	Currency	Detail	Forecast	Previous
01-Aug	02:00	AUD	MI Inflation Gauge m/m		0.60%
		CNY	Manufacturing PMI	50.1	50
		CNY	Non-Manufacturing PMI		53.7
	02:15	USD	FOMC Member Dudley Speaks		
	02:45	CNY	Caixin Manufacturing PMI	48.8	48.6
	03:00	JPY	Final Manufacturing PMI	49	49
	08:15	EUR	Spanish Manufacturing PMI	51.6	52.2
	08:45	EUR	Italian Manufacturing PMI	52.5	53.5
	08:50	EUR	French Final Manufacturing PMI	48.6	48.6
	08:55	EUR	German Final Manufacturing PMI	53.7	53.7
	09:00	EUR	Final Manufacturing PMI	51.9	51.9
	09:30	GBP	Manufacturing PMI	49.1	49.1
	14:45	USD	Final Manufacturing PMI	52.9	52.9
	15:00	USD	ISM Manufacturing PMI	53.1	53.2
		USD	Construction Spending m/m	0.50%	-0.80%
		USD	ISM Manufacturing Prices	61	60.5
02-Aug	00:50	JPY	Monetary Base y/y	24.30%	25.40%
	02:30	AUD	Building Approvals m/m	0.90%	-5.20%
		AUD	Trade Balance	-2.00B	-2.22B
	04:00	NZD	Inflation Expectations q/q		1.60%
	05:30	AUD	Cash Rate	1.50%	1.75%
		AUD	RBA Rate Statement		
	06:00	JPY	Consumer Confidence	42.2	41.8
	08:15	CHF	Retail Sales y/y	-2.00%	-1.60%
	08:30	CHF	Manufacturing PMI	51.9	51.6
	09:30	GBP	Construction PMI	44.2	46
	10:00	EUR	PPI m/m	0.40%	0.60%
	13:30	USD	Core PCE Price Index m/m	0.10%	0.20%
		USD	Personal Spending m/m	0.30%	0.40%
		USD	Personal Income m/m	0.30%	0.20%
	23:45	NZD	Labor Cost Index q/q	0.40%	0.40%
03-Aug	00:50	JPY	Monetary Policy Meeting Minutes		

	02:45	CNY	Caixin Services PMI	52.9	52.7	
	08:15	EUR	Spanish Services PMI	55.1	56	
	08:45	EUR	Italian Services PMI	51.1	51.9	
	08:50	EUR	French Final Services PMI	50.3	50.3	
	08:55	EUR	German Final Services PMI	54.6	54.6	
	09:00	EUR	Final Services PMI	52.8	52.7	
	09:30	GBP	Services PMI	47.4	47.4	
	10:00	EUR	Retail Sales m/m	0.00%	0.40%	
	13:15	USD	ADP Non-Farm Employment Change	171K	172K	
	14:45	USD	Final Services PMI	51	50.9	
	15:00	USD	ISM Non-Manufacturing PMI	56	56.5	
04-Aug	02:30	AUD	Retail Sales m/m	0.30%	0.20%	
	09:00	EUR	ECB Economic Bulletin			
	12:00	GBP	BOE Inflation Report			
		GBP	MPC Official Bank Rate Votes	0-9-0	0-1-8	
		GBP	Monetary Policy Summary			
		GBP	Official Bank Rate	0.25%	0.50%	
		GBP	Asset Purchase Facility	375B	375B	
		GBP	MPC Asset Purchase Facility Votes	0-0-9	0-0-9	
		12:30	GBP	BOE Gov Carney Speaks		
		13:30	USD	Unemployment Claims	265K	266K
	15:00	USD	Factory Orders m/m	-1.80%	-1.00%	
05-Aug	01:00	JPY	Average Cash Earnings y/y	0.40%	-0.10%	
	02:30	AUD	RBA Monetary Policy Statement			
	06:00	JPY	Leading Indicators	99.60%	99.70%	
	07:00	EUR	German Factory Orders m/m	0.50%	0.00%	
	07:45	EUR	French Trade Balance	-3.9B	-2.8B	
	13:30	CAD	Employment Change	10.2K	-0.7K	
		CAD	Trade Balance	-2.6B	-3.3B	
		CAD	Unemployment Rate	6.90%	6.80%	
		USD	Average Hourly Earnings m/m	0.20%	0.10%	
		USD	Non-Farm Employment Change	180K	287K	
		USD	Unemployment Rate	4.80%	4.90%	
		USD	Trade Balance	-42.1B	-41.1B	
		15:00	CAD	Ivey PMI	51.9	51.7
		20:00	USD	Consumer Credit m/m	15.5B	18.6B

Time: GMT+1



MARKETS PREVIEW

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

Last week saw the FOMC and the BoJ monetary policy meetings which were the main focus of the markets. For the major part, it was the Bank of Japan's meeting that overshadowed the FOMC. With no press conference scheduled, the Federal Reserve was widely expected to leave the Fed funds rate unchanged. The FOMC held rates steady and the monetary policy statement did not offer any major surprises. The Fed said that "*near term risks to the economic outlook diminished*" but did not add any more hawkish language to its statement.

In fact some viewed the Fed's statement as being dovish and the rate hike probability continues to price in only one rate hike in December by the Federal Reserve. The Fed said that the labor market had strengthened and that on balance, payrolls and other indicators in the labor market signaled an increase in the labor utilization over the previous months. This view was slightly hawkish compared to the June's statement which saw the Fed take a more cautious stand.

The Fed's next meeting is scheduled for in September and between now and then, the ongoing economic data is likely to play a key role in building expectations for another rate hike.

Last week also saw the advance GDP estimates for the second quarter. Data from the Commerce department showed that USD GDP increased slower than the expected 2.60% that was forecast. In the second quarter, economic activity in the US grew at a pace of 1.20%, just one percentage point higher from the first quarter. Adding to the GDP growth was consumer spending while inventories posted the biggest drag.



US GDP QoQ: 1.20% (Q2, 2016)

On Friday, the Bank of Japan's monetary policy meeting was the big event. In the run up to the BoJ's meeting, the yen crosses turned volatile in a week that saw various news sources first publishing reports that Japan was considering launching bonds with a 50-year maturity. The yen weakened on the news as some viewed this as a form of helicopter money. By Wednesday however, Japan's Prime minister, Shinzo Abe announced a ¥28 trillion spending plan, details of which are expected to be released next week on August 2nd.

At the meeting, the BoJ fell short of market expectations however. The BoJ only expanded its ETF purchases to 6 trillion from the current ¥3.3 trillion. The interest rate was left untouched at -0.10% while the BoJ's monetary base remained unchanged at ¥80 trillion. The yen strengthened on the news as speculators exited their short positions in the yen in hopes of expecting strong easing measures from the BoJ.

In the UK, this week saw the release of the preliminary estimates for the GDP growth during the second quarter. The data from the ONS showed that the UK's economic activity accelerated at a pace of 0.60% during the three months ending June, faster than Q1's GDP growth of 0.40%.



UK GDP QoQ – Q2 2016: 0.60%

On a year over year basis, UK's GDP grew 2.20%, up from 2.0% previously and beating estimates. Despite the upbeat GDP print, the pound shrugged off the news with traders turning their attention to the upcoming BoE meeting next week. During the week, BoE MPC member, Martin Weale surprised the markets with his dovish comments. Weale said that he favored monetary policy easing when the bank meets on August 4th. He said that his views shifted following the release of the business sentiment indicator in the UK which plummeted after the Brexit referendum vote.

Week Ahead: 1st of August 2016, to 5th of August 2016

The coming week promises to be filled with action as focus turns to the RBA which is due to meet on 02/08. Expectations call for a 25bps rate cut from the Reserve Bank of Australia. The dovish views took shape after last week's quarterly inflation report showed that Australia's consumer prices grew at a pace of 0.40% in the second quarter, while the RBA's trimmed mean CPI edged 0.50% higher, beating estimates by a small margin. Still, many believe that the weak inflation data, since January this year could keep the RBA on the rate cut cycle. Interestingly, the August RBA meeting will be the last policy meeting for Governor Stevens and therefore chances for a rate cut remain dim, exposing AUDUSD to the upside. Bill Evans, chief economist at Westpac said, *"We think the Board will decide to cut rates by a further 0.25%, although the call will be very close and a "hold" decision would not be a complete surprise. In my experience when conditions are this close the better approach is to forecast what you see to be the best policy and that is another cut."*

Later in the week, on Thursday, the Bank of England will be holding its monetary policy meeting. Expectations call for an expansion to the BoE's asset purchase program which currently remains at £350 billion. After failing to act in July and following the dovish comments from other BoE members such as Andrew Haldane, chief economist and the more recent dovish shift from Martin Weale, the prospects for policy easing ride high. It will also be a busy week for the pound as the Markit PMI surveys will be released. Previously published estimates point to a slump in both the manufacturing and services PMI.

In the US, July payrolls report will be closely monitored with expectations showing a moderation in jobs. For July, the median forecasts point to 181k jobs, considerably lower from June's 287k jobs. The unemployment rate is expected to slide back to 4.80% in July, while average hourly earnings is expected to rise 0.20% on a month over month basis in July, while rising 2.60%, at the same pace as the month before.

TECHNICAL CORNER



WTI Crude oil prices have been posting a steady decline over the past few weeks and the monthly price action shows a bearish reversal. On the smaller time frames, we expect a near term retracement to the current declines. The Crude oil futures for September delivery (CL_6U) has managed to bounce off the support zone at 41 - 40.50. Using the Stochastics oscillator, we find it to be a hidden bearish divergence and therefore expect a near term weakness. However, oil prices are likely to stay limited in their declines near the 41 - 40.50 support level.



CL_6U (41.44) – H1 Chart

Look for a bounce off this support zone and a potential breakout from the falling price channel. To the upside, targets are at 42.50 and 44.50.

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