

orbex WEEKLY MARKETS REPORT



OVERWEEK
BULLET POINTS



THE WEEK
AHEAD



MARKETS
PREVIEW



THE CHART OF
THE WEEK

OVERWEEK BULLET POINTS



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

- China manufacturing PMI 49.9 vs. 50.0
- China non-manufacturing PMI 53.9 vs. 53.7 previously
- China Caixin manufacturing PMI 50.6 vs. 48.7
- Japan manufacturing PMI 49.3 vs. 49.0 previously
- Spain manufacturing PMI 51.0 vs. 51.6
- Italy manufacturing PMI 51.2 vs. 52.5
- France manufacturing PMI 48.6 vs. 48.6
- Germany manufacturing PMI 53.8 vs. 53.7
- Eurozone manufacturing PMI 52.0 vs. 51.9
- UK manufacturing PMI 48.2 vs. 49.1
- US (Markit) manufacturing PMI 52.9 vs. 52.9
- ISM manufacturing PMI 52.6 vs. 53.1
- ISM prices paid 55.0 vs. 60.9
- US construction spending m/m -0.60% vs. 0.40%
- Japan monetary base y/y 24.70% vs. 24.30%
- Australia building approvals m/m -2.90% vs. 0.90%
- Australia trade balance -3.20bn vs. -2bn
- New Zealand inflation expectations q/q 1.70% vs. 1.60%
- RBA cuts cash rate to 1.50%
- Japan consumer confidence 41.3 vs. 42.2
- Australia commodity prices y/y -2.0% vs. -10.0% previously
- Switzerland retail sales y/y -3.90% vs. -2.0%
- Switzerland manufacturing PMI 50.1 vs. 51.90
- UK construction PMI 45.9 vs. 44.2
- Eurozone PPI m/m 0.70% vs. 0.40%; y/y -3.10% vs. -3.40%

- PCE Price index core m/m 0.10% vs. 0.20%; y/y 1.60% vs. 1.60%
- PCE price index y/y 0.90% vs. 0.90%
- Personal income m/m 0.20% vs. 0.30%
- Personal spending m/m 0.40% vs. 0.30%
- UK BRC Shop price index y/y -1.60% vs. -2.0% previously
- Australia AIG services index 53.9 vs. 51.3 previously
- BoJ releases monetary policy meeting minutes
- New Zealand ANZ commodity prices m/m 2.0% vs. 3.70% previously
- China Caixin services PMI 51.7 vs. 52.9
- Spain services PMI 54.1 vs. 55.1
- Italy services PMI 52.1 vs. 51.1
- France services PMI 50.5 vs. 50.3
- Germany final services PMI 54.4 vs. 54.6
- Eurozone final services PMI 52.9 vs. 52.8
- UK services PMI 47.4 vs. 47.4
- Eurozone retail sales m/m 0.0% vs. 0.0%
- US ADP Nonfarm employment change 179k vs. 171k
- US final services PMI 51.4 vs. 51.0
- ISM non-manufacturing PMI 55.5 vs. 56.0
- Crude oil inventories 1.4mn vs. -1.6mn
- Australia retail sales m/m 0.10% vs. 0.30%
- Bank of England cuts interest rates to 0.25%
- BoE expands asset purchases to 435bn
- BoE Gov. Carney speech
- US initial jobless claims 269k vs. 266k
- US factory orders -1.50% vs. -1.80%
- Japan average cash earnings y/y 1.30% vs. 0.40%
- RBA releases statement on monetary policy
- Japan leading indicators 98.40% vs. 99.60%
- Germany factory orders m/m -0.40% vs. 0.50%

- France trade balance -3.4bn vs. -3.9bn
- Swiss foreign currency reserves 615bn vs. 609bn previously
- Italy industrial production m/m -0.40% vs. 0.30%
- Canada employment change -31.2k vs. 9.0k
- Canada unemployment rate 6.90% vs. 6.90%
- US nonfarm payrolls 255k vs. 181k
- US unemployment rate 4.90% vs. 4.80%
- Average hourly earnings 0.30% vs. 0.20%

THE WEEK AHEAD



8th of August 2016, to 12th of August 2016

IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

Date	Time	Currency	Event	Forecast	Previous
08-Aug	0:50	JPY	Current Account	1.60T	1.41T
		JPY	BOJ Summary of Opinions		
	Tentative	JPY	Bank Lending y/y		2.00%
		CNY	Trade Balance	313B	311B
	Tentative	CNY	USD-Denominated Trade Balance	47.6B	48.1B
	06:00	JPY	Economy Watchers Sentiment	42.6	41.2
	07:00	EUR	German Industrial Production m/m	0.90%	-1.30%
	08:15	CHF	CPI m/m	-0.50%	0.10%
	09:30	EUR	Sentix Investor Confidence	3.6	1.7
	13:30	CAD	Building Permits m/m	2.70%	-1.90%
15:00	USD	Labor Market Conditions Index m/m		-1.9	
09-Aug	00:50	JPY	M2 Money Stock y/y	3.30%	3.40%
		CNY	CPI y/y	1.70%	1.90%
		CNY	PPI y/y	-2.00%	-2.60%
	06:45	CHF	Unemployment Rate	3.30%	3.30%
	07:00	EUR	German Trade Balance	23.2B	22.2B
		JPY	Prelim Machine Tool Orders y/y		-19.90%
	09:30	GBP	Manufacturing Production m/m	0.00%	-0.50%
		GBP	Goods Trade Balance	-9.6B	-9.9B
		GBP	Industrial Production m/m	-0.10%	-0.50%
	11:00	USD	NFIB Small Business Index	94.5	94.5
	13:15	CAD	Housing Starts	196K	218K
	13:30	USD	Prelim Nonfarm Productivity q/q	0.50%	-0.60%
		USD	Prelim Unit Labor Costs q/q	1.80%	4.50%
	15:00	GBP	NIESR GDP Estimate		0.60%
USD		IBD/TIPP Economic Optimism	46.2	45.5	
USD		Wholesale Inventories m/m	0.00%	0.10%	
10-Aug	00:50	JPY	Core Machinery Orders m/m	3.40%	-1.40%
		JPY	PPI y/y	-4.00%	-4.20%
	02:30	AUD	Home Loans m/m	2.40%	-1.00%
	04:05	AUD	RBA Gov Stevens Speaks		
	05:30	JPY	Tertiary Industry Activity m/m	0.30%	-0.70%

	07:45	EUR	French Industrial Production m/m	0.30%	-0.50%
	22:00	NZD	Official Cash Rate	2.00%	2.25%
		NZD	RBNZ Rate Statement		
		NZD	RBNZ Monetary Policy Statement		
	22:05	NZD	RBNZ Press Conference		
11-Aug	02:00	AUD	MI Inflation Expectations		3.70%
	07:45	EUR	French Final CPI m/m	-0.40%	-0.40%
	11th-16th	CNY	M2 Money Supply y/y	11.10%	11.80%
	11th-16th	CNY	New Loans	900B	1380B
	13:30	CAD	NHPI m/m	0.20%	0.70%
		USD	Unemployment Claims	272K	269K
		USD	Import Prices m/m	-0.20%	0.20%
	23:30	NZD	Business NZ Manufacturing Index		57.7
	23:45	NZD	Retail Sales q/q	1.00%	0.80%
		NZD	Core Retail Sales q/q	1.10%	1.00%
12-Aug	03:00	CNY	Industrial Production y/y	6.20%	6.20%
		CNY	Fixed Asset Investment ytd/y	8.90%	9.00%
		CNY	Retail Sales y/y	10.50%	10.60%
	07:00	EUR	German Prelim GDP q/q	0.30%	0.70%
		EUR	German Final CPI m/m	0.30%	0.30%
		EUR	German WPI m/m	0.30%	0.60%
	07:45	EUR	French Prelim Non-Farm Payrolls q/q	0.20%	0.30%
	09:00	EUR	Italian Prelim GDP q/q	0.20%	0.30%
	09:30	GBP	Construction Output m/m	0.90%	-2.10%
	10:00	EUR	Flash GDP q/q	0.30%	0.30%
		EUR	Industrial Production m/m	0.60%	-1.20%
	13:30	USD	Core Retail Sales m/m	0.20%	0.70%
		USD	PPI m/m	0.10%	0.50%
		USD	Retail Sales m/m	0.40%	0.60%
		USD	Core PPI m/m	0.20%	0.40%
	15:00	USD	Prelim UoM Consumer Sentiment	91.5	90
		USD	Business Inventories m/m	0.10%	0.20%
		USD	Prelim UoM Inflation Expectations		2.70%

Time: GMT+1

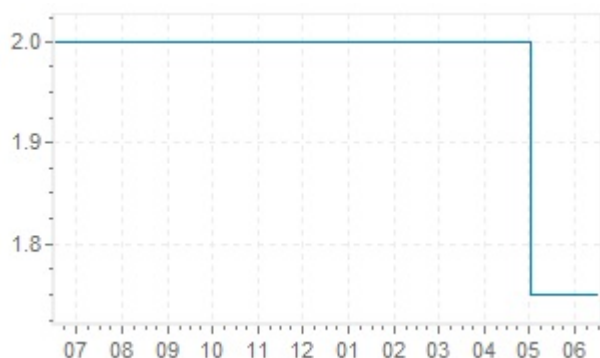


MARKETS PREVIEW

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

Central bank monetary policy decisions were the key events that highlighted the week. The RBA lowered interest rates by 25bps at its meeting earlier in the week as anticipated. Later on Friday, the central bank updated its statement on monetary policy where the bank left its outlook on economic growth unchanged.

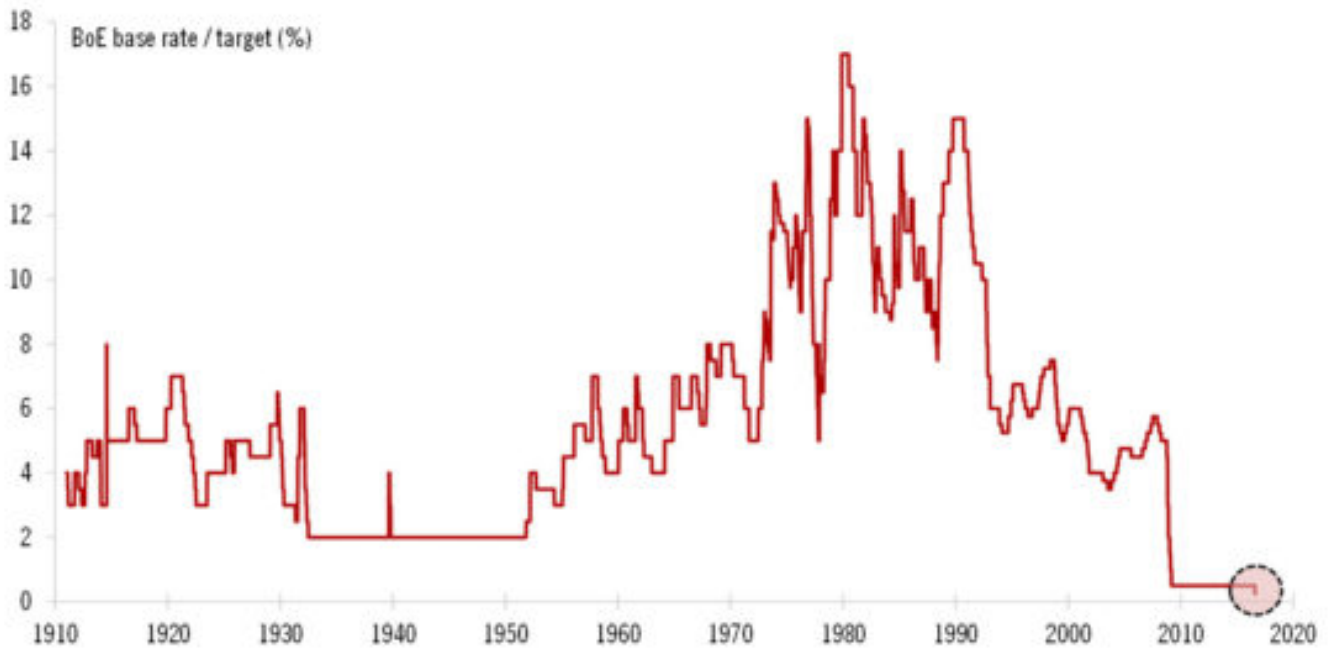
The RBA's statement read, *"There has been very little change to the outlook for economic activity since the previous Statement. GDP growth is expected to be around 2½–3½ per cent over 2016, before increasing to around 3–4 per cent by 2018, which is above estimates of potential growth in the Australian economy."*



On inflation, the central bank remained of the view that inflation would remain around the current levels in the near term. Australia's consumer price index fell to 1.0% in the second quarter at an annualized pace and was the slowest year over year growth in 17 years. The Australian dollar was quite resilient this week

despite the rate cuts. Traders attributed this to the fact that the Friday's *Statement on Monetary Policy* did not have any references to the exchange rate.

On Thursday, the Bank of England delivered on its expectations. The central bank cut interest rates to new lows of 0.25% and also expanded its QE purchases to 475 billion, an increase of 60 billion. Following the Brexit verdict UK's economic sentiment deteriorated with the all sector PMI falling below contraction. It is expected to shave off at least 0.40% from the GDP with the UK bracing for a contraction in the economy in the third quarter.

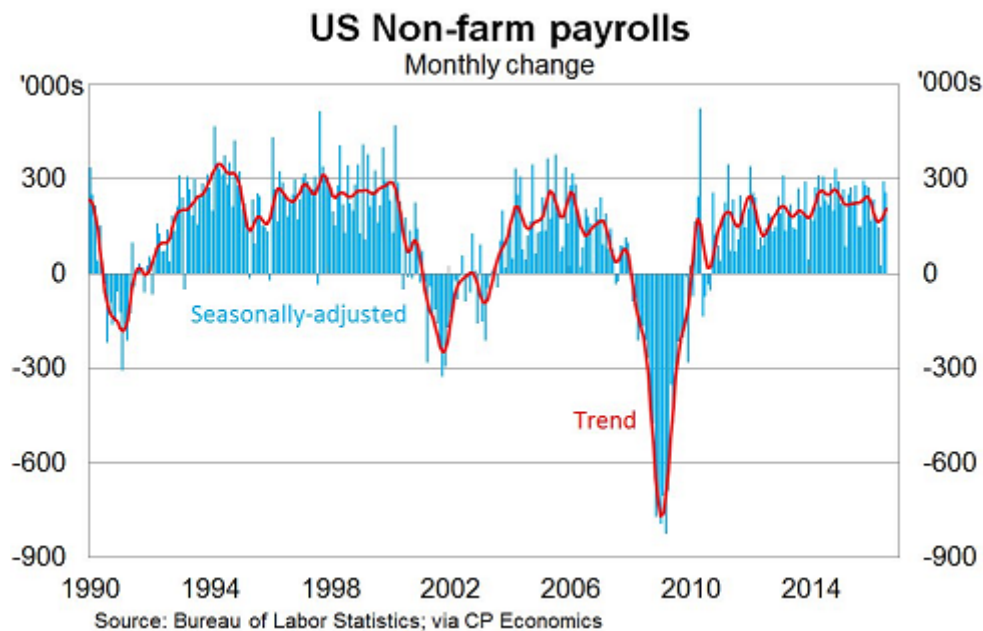


Source: Pictet WM – AA&MR, BoE, Bloomberg

Bank of England – base rate: 0.25%

The central bank also launched a new term funding scheme aimed at banks to offer the rate cut benefits to households and businesses. The Bank of England will also be purchasing corporate sector debt but noted that only companies that have a material impact on the UK's economy would be considered. The corporate bond purchases are expected to start in September. Following the BoE's announcement, the sterling fell over 1% but still remained above the Brexit lows. BoE Governor Carney, at a press conference later said that the central bank still had room to expand its asset purchase program but said that he does not favor negative interest rates.

In the US, after a weak set of economic reports, the Friday's NFP saw another estimate beating print. The data from the Bureau of Labor Statistics showed that the US economy added 255k jobs in July while June's payroll revisions saw 18k additional jobs being added for the month of May and June, more than what was previously estimated.



July US Nonfarm Payrolls: 255k

The US unemployment rate stayed steady at 4.90%, although forecasts were for a dip to 4.80%. The positive print, at the very least gives the Fed's some breathing room and could potentially increase expectations for a rate hike down the line.

Week Ahead: 8th of August 2016, to 12th of August 2016

The week ahead will be marked by industrial production numbers coming out giving a glimpse into the global trends in the sector. China will take the spotlight this week as market speculation expects the PBoC to boost stimulus. However, this view needs to be taken with a pinch of salt as the central bank suggested that it was fairly comfortable with the pace of growth, leaving the PBoC to stay on the sidelines. Economic from China will include the industrial production and retail sales numbers. Inflation print will be coming out on Tuesday.

In the UK, manufacturing and industrial production will be the main focus and could potentially drive the GBP weaker on a soft print. Last week's manufacturing PMI showed a sharp contraction which could be reflected in the manufacturing production data this week. Some estimates point to a 6.10% growth in industrial production in the UK as of July, but forecasts point to a decrease to below 6.0%.

In the Eurozone, national data will be in focus as GDP numbers roll out. Last week, Eurostat announced a slowdown in the GDP growth after starting the year on a strong footing at 0.60% in the first three months of the year. Eurostat estimates that GDP would now grow at pace of 0.30%.

The economic calendar for the US looks soft heading into the week. While the Fed has kept its options open for a rate hike later this year, retail sales and consumer sentiment data will be key for policy markets to assess trends in consumer spending, which has so far been the biggest contributor to the GDP.

The RBNZ will be the next central bank on tap next week, due to meet on Wednesday, August 10th. The RBNZ is slated to cut the OCR by 25bps at its meeting this week following weak inflation readings and an even weaker inflation outlook. The NZDUSD has been resilient so far indicating that the markets are pricing in the expectation for a 25bps rate cut already, leaving the RBNZ's statement on forward guidance likely to be decisive in determining the near term direction in the New Zealand dollar.

TECHNICAL CORNER



A few weeks ago AUDNZD technical outlook, we mentioned about potential long positions near 1.045. Last week, AUDNZD fell to the lows of 1.04493 and formed a doji reversal candlestick, which was followed by three consecutive days of bullish price action. With AUDNZD clearing the support at 1.0582 - 1.0533, we can now expect to see a near term rally in AUDNZD. To the upside, the resistance at 1.1039 is the most likely target, while to the downside the recently cleared support at 1.05330 is likely to maintain a support for prices.



AUDNZD (1.06757) – Daily Chart

Long positions can be taken off the current levels or at any dips in this new rally with stops coming at the doji low of 1.04493. The long trades can be closed out with partial profits near 1.081 followed by 1.0390.

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