

orbex WEEKLY MARKETS REPORT



OVERWEEK
BULLET POINTS



THE WEEK
AHEAD



MARKETS
PREVIEW



THE CHART OF
THE WEEK

OVERWEEK BULLET POINTS



15th of August 2016, to 19th of August 2016

- Japan current account 1.65 trillion vs. 1.60 trillion
- BoJ Bank lending 2.10% vs. 2.0%
- Australia ANZ job advertising m/m -0.80% vs. 0.40% previously
- China trade balance 343bn vs. 313bn
- China-US denominated trade balance 52.3bn vs. 47.6bn
- Japan economy watchers sentiment 45.1 vs. 42.60
- German industrial production m/m 0.80% vs. 0.90%
- Switzerland CPI m/m -0.40% vs. -0.50%
- Sentix investor confidence 4.2 vs. 3.6
- Canada building permits m/m -5.50% vs. 2.70%
- UK, BRC retail sales monitor y/y 1.10% vs. -0.50% previously
- Japan M2 money stock y/y 3.30% vs. 3.30%
- Australia NAB business confidence 4 vs. 5 previously
- China CPI y/y 1.80% vs. 1.80%
- China PPI y/y -1.70% vs. -2.0%
- Switzerland Unemployment rate 3.30% vs. 3.30%
- German trade balance 21.7bn vs. 23.2bn
- Japan preliminary machine tool orders y/y -19.60% vs. -19.90% previously
- UK manufacturing production m/m -0.30% vs. 0.0%; industrial production m/m 0.10% vs. -0.10%
- UK goods trade balance -12.4bn vs. -9.6bn
- NIESR GDP estimate 0.30% vs. 0.60% previously
- US wholesale inventories m/m 0.30% vs. 0.0%
- Japan core machinery orders m/m 8.30% vs. 3.40%
- Japan PPI y/y -3.90% vs. -4.0%

- Australia Westpac consumer sentiment 2.0% vs. -3.0% previously
- Australia home loans m/m 1.20% vs. 2.40%
- RBA Gov. Stevens speech
- Japan tertiary industry activity m/m 0.80% vs. 0.30%
- French industrial production m/m -0.80% vs. 0.30%
- US crude oil inventories 1.10 million vs. -1.30 million
- RBNZ rate statement
- RBNZ official cash rate 2.00% vs. 2.00%
- UK RICS house price balance 5.0% vs. 19.0%
- Australia MI inflation expectations 3.50% vs. 3.70% previously
- RBNZ Gov. Wheeler speaks
- France final CPI m/m -0.40% vs. -0.40%
- Canada NHPI m/m 0.10% vs. 0.20%
- US weekly unemployment claims 266k vs. 270k
- US import prices m/m 0.10% vs. -0.20%
- New Zealand retail sales q/q 2.30% vs. 1.0%; core retail sales q/q 2.60% vs. 1.10%
- China industrial production y/y 6.0% vs. 6.20%
- China retail sales y/y 10.20% vs. 10.50%
- Germany preliminary GDP q/q 0.40% vs. 0.30%
- Germany final CPI m/m 0.30% vs. 0.30%
- Germany wholesale prices m/m 0.20% vs. 0.30%
- UK construction output m/m -0.90% vs. 0.90%
- Eurozone flash GDP q/q 0.30% vs. 0.30%
- Eurozone industrial production m/m 0.60% vs. 0.60%
- US core retail sales m/m -0.30% vs. 0.20%; US retail sales m/m 0.0% vs. 0.40%
- US PPI m/m -0.40% vs. 0.10%; Core PPI m/m -0.30% vs. 0.20%

THE WEEK AHEAD



15th of August 2016, to 19th of August 2016

IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

Date	Time	Currency	Event	Forecast	Previous	
15-Aug	00:50	JPY	Prelim GDP q/q	0.20%	0.50%	
		JPY	Prelim GDP Price Index y/y	0.70%	0.90%	
	05:30	JPY	Revised Industrial Production m/m	1.90%	1.90%	
	08:15	CHF	PPI m/m	-0.20%	0.10%	
	13:30	USD	Empire State Manufacturing Index	2.1	0.6	
16-Aug	02:30	AUD	Monetary Policy Meeting Minutes			
		AUD	New Motor Vehicle Sales m/m		3.10%	
	09:30	GBP	CPI y/y	0.50%	0.50%	
		GBP	PPI Input m/m	0.60%	1.80%	
		GBP	RPI y/y	1.70%	1.60%	
		GBP	Core CPI y/y	1.30%	1.40%	
		GBP	HPI y/y	8.30%	8.10%	
		GBP	PPI Output m/m	0.30%	0.20%	
		10:00	EUR	German ZEW Economic Sentiment	2.1	-6.8
	EUR	ZEW Economic Sentiment	-6.3	-14.7		
	EUR	Trade Balance	23.2B	24.5B		
	13:30	CAD	Manufacturing Sales m/m	0.80%	-1.00%	
		USD	Building Permits	1.16M	1.15M	
	14:15	USD	CPI m/m	0.00%	0.20%	
		USD	Core CPI m/m	0.20%	0.20%	
		USD	Housing Starts	1.18M	1.19M	
		USD	Capacity Utilization Rate	75.70%	75.40%	
		USD	Industrial Production m/m	0.20%	0.60%	
		23:45	NZD	Employment Change q/q	0.60%	1.20%
			NZD	PPI Input q/q		-1.00%
NZD	Unemployment Rate		5.30%	5.70%		
NZD	PPI Output q/q			-0.20%		
17-Aug	02:30	AUD	Wage Price Index q/q	0.50%	0.40%	
	09:30	GBP	Average Earnings Index 3m/y	2.50%	2.30%	
		GBP	Claimant Count Change	5.2K	0.4K	
		GBP	Unemployment Rate	4.90%	4.90%	
	18:00	USD	FOMC Member Bullard Speaks			

	19:00	USD	FOMC Meeting Minutes		
18-Aug	00:50	JPY	Trade Balance	0.14T	0.33T
	02:30	AUD	Employment Change	10.2K	7.9K
		AUD	Unemployment Rate	5.80%	5.80%
	09:00	EUR	Current Account	27.3B	30.8B
	09:30	GBP	Retail Sales m/m	0.10%	-0.90%
	10:00	EUR	Final CPI y/y	0.20%	0.20%
		EUR	Final Core CPI y/y	0.90%	0.90%
	12:30	EUR	ECB Monetary Policy Meeting Accounts		
		USD	Philly Fed Manufacturing Index	1.4	-2.9
		USD	Unemployment Claims	269K	266K
	15:00	USD	CB Leading Index m/m	0.30%	0.30%
	15:05	USD	FOMC Member Dudley Speaks		
	19-Aug	05:30	JPY	All Industries Activity m/m	0.90%
07:00		EUR	German PPI m/m	0.10%	0.40%
09:30		GBP	Public Sector Net Borrowing	-2.3B	7.3B
13:30		CAD	Core CPI m/m	0.00%	0.00%
		CAD	Core Retail Sales m/m	0.40%	0.90%
		CAD	CPI m/m	0.00%	0.20%
		CAD	Retail Sales m/m	0.80%	0.20%

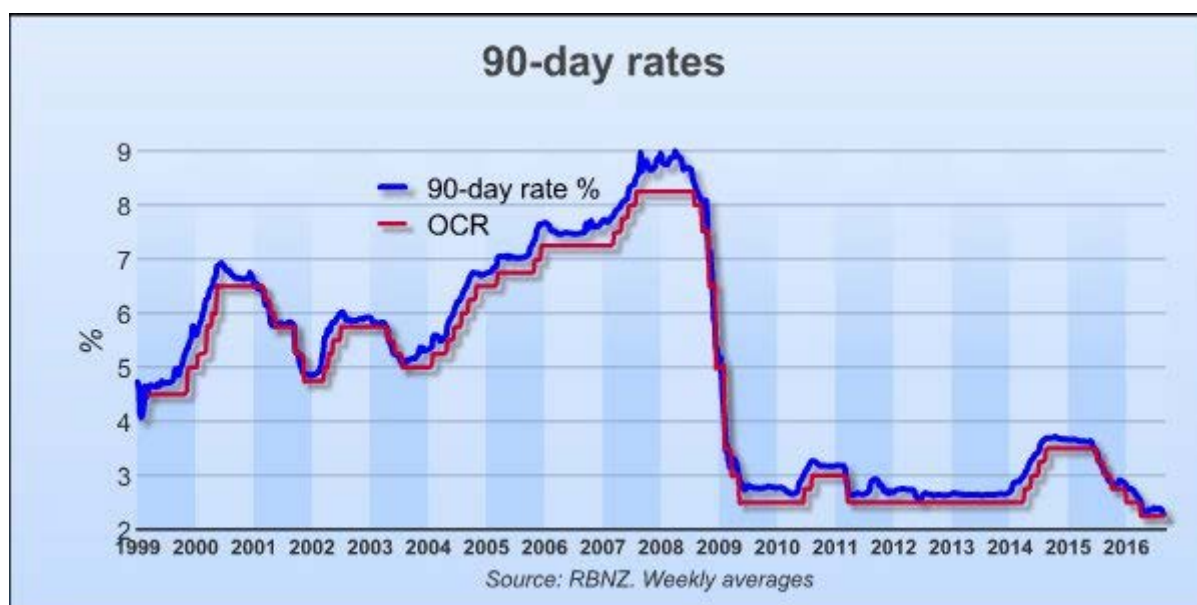
Time: GMT+1



MARKETS PREVIEW

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

In central bank news last week, the RBNZ monetary policy meeting was the main highlight of the week. After the unscheduled economic report released by the RBNZ in mid-July, the markets according to the OIS was seen pricing in a 25bps rate cut, although some expected the rate cut to be more stronger, anticipating a 50bps rate cut instead. The New Zealand dollar remained resilient and tested highs of 0.726 after the RBNZ rate cut on Wednesday but managed to close the day lower.

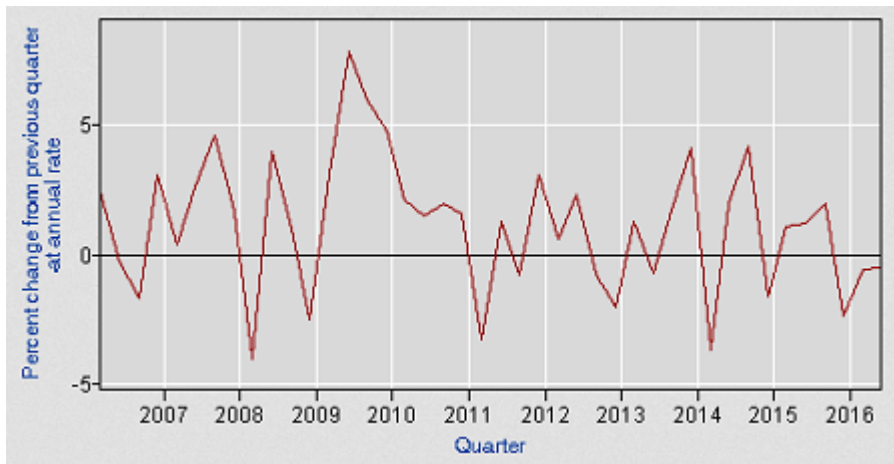


RBNZ – OCR Rate, 2.00%, August 2016

In the monetary policy statement, the RBNZ said *"Monetary policy will continue to be accommodative. Our current projections and assumptions indicate that further policy easing will be required to ensure that future inflation settles near the middle of the target range. We will continue to watch closely the emerging economic data."* The statement was as expected. The statement however pointed to the fact that the current rate cut cycle from the RBNZ was more based on low inflation expectations rather than the economy itself. The RBNZ expects inflation to rise to the lower band of its target at 1.0% by end of 2016.

The markets currently expect to see another rate cut coming from the RBNZ, as early as October. On Thursday, the retail sales data from New Zealand showed that retail spending jumped in the second quarter, with 2.30% gains in sales volume. It was one of the strongest quarterly gains since 2006 and beat estimates of a 1.10% market consensus. Core retail sales also beat estimates of 1.10%, rising 2.60% in the second quarter.

In Europe, the markets were quiet for the most part of the week. French inflation data showed a contraction with CPI falling 0.40% in July. However, on Friday Germany's inflation data showed a surprise increase. Germany consumer price index rose to the third straight month to 0.40%, from 0.30% seen previously. The annual inflation rate was the highest on record for this year. German economic growth data showed a slower than expected increase. In the second quarter, German GDP increased 0.40% on a quarterly basis. It was slower than the first quarter's GDP growth rate of 0.70%.



It was a bad week for the US as economic data remained weak. US nonfarm productivity in the second quarter of this year fell 0.50%, indicating that there were no wage price pressures. On a year over year basis, US nonfarm productivity was

down 0.40% compared to a year ago.

Inflation adjusted compensation in the nonfarm sector measured on an hourly basis fell at an annual rate of 1.10% in the second quarter, but it was still slightly higher, 0.60% compared to a year ago. Unit labor costs increased 2.0% in the second quarter.

On Friday, US retail sales remained unchanged in July compared to a month ago despite a strong rise in auto sales which incidentally managed to offset the declines in other categories. The July retail sales report showed the US economy hitting off the third quarter on a softer note with the declines coming on lower gasoline prices.

The week ahead will see more economic data from the US which includes consumer inflation and industrial production data, which could show whether US manufacturers were able to pull out from the slump. Last week saw a series of economic reports coming in weaker than expected. Most importantly, Friday's retail sales numbers saw the US dollar fall on a weaker than expected gain as consumer spending was the sole driver of consumption for the US GDP which has already remained near lows in terms of growth. US CPI is expected to show a slight decline, forecast of 0.10% in both the headline and core CPI readings, which could further impact market sentiment on the US dollar.

The FOMC meeting on Wednesday will offer investors an opportunity to see 'behind the scenes' on the Fed's deliberations during the July FOMC meeting.

In the Eurozone economic data is quiet with Tuesday's ZEW expectations due to show a recovery. The ECB's monetary policy meeting accounts will be covering the July ECB meeting, but the report is unlikely to spring any new surprises or shed light on the technicalities facing the ECB's QE purchases.

Japan's second quarter GDP report will be coming out this week which is expected to show a significant slowdown in growth after a strong performance in the first quarter.

Data from the UK will see the July retail sales report which will be the first hard data on how consumer spending was impacted after the Brexit vote. A decline in consumer confidence has put the expectations for retail sales to the downside. Inflation data will also be watched although it is still too early to estimate the impact the depreciation of the GBP has had on consumer prices.

TECHNICAL CORNER



WTI Crude oil posted steady gains, closing the week near \$44.69. We expect further upside to Oil prices with the potential to test the \$46.00 handle in the near term. However, price action is ripe for a pullback and we expect to see oil prices dip towards \$43.00 to establish support ahead of posting further gains. This view is validated by the hidden bearish divergence on the H4 chart. Immediate support is seen at \$44.00 and a break below this level could see Oil prices fall to \$43.00..



Oil Chart (44.69) – H4 Chart

Long positions could be taken near \$43.00 handle with a view to targeting the \$46.00 resistance level that was previously tested in late July this year.

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