

# orbex WEEKLY MARKETS REPORT



OVERWEEK  
BULLET POINTS



THE WEEK  
AHEAD



MARKETS  
PREVIEW



THE CHART OF  
THE WEEK

# OVERWEEK BULLET POINTS



22<sup>nd</sup> of August 2016, to 26<sup>th</sup> of August 2016

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- Canada wholesale trade 0.70% vs. 0.50%
- Japan flash manufacturing PMI 49.6 vs. 49.5
- BoJ Gov. Kuroda Speech
- Switzerland trade balance 2.93 billion vs. 3.79 billion
- French flash services PMI 52.0 vs. 50.6; flash manufacturing PMI 48.5 vs. 49.1
- Germany flash services PMI 53.3 vs. 54.3; flash manufacturing PMI 53.6 vs. 53.7
- Eurozone flash services PMI 53.1 vs. 53.0; flash manufacturing PMI 51.8 vs. 52.1
- US flash manufacturing PMI 52.1 vs. 53.1
- US new home sales 654k vs. 575k
- US Richmond manufacturing index -11 vs. 6
- Eurozone consumer confidence -9 vs. -8
- New Zealand trade balance -433mn vs. -320mn
- Australia construction work done q/q -3.70% vs. -1.90%
- Germany final GDP q/q 0.40% vs. 0.30%
- UK BBA Mortgage approvals 37.7k vs. 38.5k
- US HPI m/m 0.20% vs. 0.30%
- US existing home sales 5.39mn vs. 5.52mn
- US crude oil inventories 2.5mn vs. -0.50mn
- Japan SPPI y/y 0.40% vs. 0.10%
- German Ifo business climate 106.2 vs. 108.5
- Sweden unemployment rate 6.30% vs. 6.10%
- UK CBI realized sales 9 vs. -5
- US Core durable goods orders m/m 1.50% vs. 0.40%; durable goods orders 4.40% vs. 3.40%
- US weekly unemployment claims 261k vs. 265k

- US flash services PMI 50.9 vs. 51.9
- Tokyo Core CPI y/y -0.40% vs. -0.30%
- National Core CPI y/y -0.50% vs. -0.40%
- BoJ Core CPI y/y 0.50% vs. 0.70% previously
- Gfk German consumer climate 10.2 vs. 10.2
- Eurozone M3 Money supply y/y 4.80% vs. 5.0%; private loans y/y 1.80% vs. 1.80%
- UK second estimate GDP q/q 0.60%% vs. 0.60%
- UK preliminary business investment q/q 0.50%vs. -0.90%
- US preliminary GDP q/q 1.10% vs. 1.10%
- US goods trade balance -59.3bn vs. -62.3bn
- Fed chair Yellen speaks at Jackson Hole Symposium

# THE WEEK AHEAD



29<sup>th</sup> of August 2016, to 2<sup>nd</sup> of September 2016

## IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

Date	Time	Currency	Detail	Forecast	Previous
29-Aug	02:00	AUD	HIA New Home Sales m/m		8.20%
	13:30	USD	Core PCE Price Index m/m	0.10%	0.10%
		USD	Personal Spending m/m	0.30%	0.40%
		USD	Personal Income m/m	0.40%	0.20%
	23:45	NZD	Building Consents m/m		16.30%
30-Aug	00:30	JPY	Household Spending y/y	-1.30%	-2.20%
		JPY	Unemployment Rate	3.10%	3.10%
	00:50	JPY	Retail Sales y/y	-0.90%	-1.30%
	02:30	AUD	Building Approvals m/m	1.20%	-2.90%
	07:00	EUR	German Import Prices m/m	0.00%	0.50%
	All Day	EUR	German Prelim CPI m/m	0.10%	0.30%
	08:00	CHF	KOF Economic Barometer	103.1	102.7
		EUR	Spanish Flash CPI y/y	-0.50%	-0.60%
	09:30	GBP	Net Lending to Individuals m/m	4.9B	5.2B
		GBP	M4 Money Supply m/m	1.20%	1.10%
		GBP	Mortgage Approvals	63K	65K
	14:00	USD	S&P/CS Composite-20 HPI y/y	5.10%	5.20%
	15:00	USD	CB Consumer Confidence	97.2	97.3
31-Aug	00:05	GBP	GfK Consumer Confidence	-8	-12
	00:50	JPY	Prelim Industrial Production m/m	0.70%	2.30%
		NZD	ANZ Business Confidence		16
	02:30	AUD	Private Sector Credit m/m	0.40%	0.20%
	06:00	JPY	Housing Starts y/y	7.60%	-2.50%
		EUR	German Retail Sales m/m	0.50%	-0.10%
	07:45	EUR	French Consumer Spending m/m	0.30%	-0.80%
		EUR	French Prelim CPI m/m	0.40%	-0.40%
	08:55	EUR	German Unemployment Change	-2K	-7K
	10:00	EUR	CPI Flash Estimate y/y	0.30%	0.20%
		EUR	Core CPI Flash Estimate y/y	0.90%	0.90%
		EUR	Italian Prelim CPI m/m	0.10%	0.20%
		EUR	Unemployment Rate	10.00%	10.10%

	13:15	USD	ADP Non-Farm Employment Change	173K	179K
	13:30	CAD	GDP m/m	0.50%	-0.60%
	14:45	USD	Chicago PMI	54.1	55.8
	15:00	USD	Pending Home Sales m/m	0.70%	0.20%
	23:45	NZD	Overseas Trade Index q/q	-1.40%	4.40%
01-Sep	00:50	JPY	Capital Spending q/y	5.60%	4.20%
	02:00	CNY	Manufacturing PMI	49.9	49.9
		CNY	Non-Manufacturing PMI		53.9
	02:30	AUD	Private Capital Expenditure q/q	-4.00%	-5.20%
		AUD	Retail Sales m/m	0.30%	0.10%
	02:45	CNY	Caixin Manufacturing PMI	50.1	50.6
	03:00	JPY	Final Manufacturing PMI	49.6	49.6
	08:15	CHF	Retail Sales y/y	-3.10%	-3.90%
		EUR	Spanish Manufacturing PMI	50.8	51
	08:30	CHF	Manufacturing PMI	50.5	50.1
	08:45	EUR	Italian Manufacturing PMI	51.3	51.2
	08:50	EUR	French Final Manufacturing PMI	48.5	48.5
	08:55	EUR	German Final Manufacturing PMI	53.6	53.6
	09:00	EUR	Final Manufacturing PMI	51.8	51.8
	09:30	GBP	Manufacturing PMI	49.1	48.2
	13:30	USD	Unemployment Claims	265K	261K
		USD	Revised Nonfarm Productivity q/q	-0.60%	-0.50%
		USD	Revised Unit Labor Costs q/q	2.00%	2.00%
	14:30	CAD	RBC Manufacturing PMI		51.9
	14:45	USD	Final Manufacturing PMI	52.1	52.1
	15:00	USD	ISM Manufacturing PMI	52	52.6
	USD	Construction Spending m/m	0.60%	-0.60%	
	USD	ISM Manufacturing Prices	54.5	55	
	All Day	USD	Total Vehicle Sales	17.2M	17.9M
02-Sep	00:50	JPY	Monetary Base y/y	23.10%	24.70%
	06:00	JPY	Consumer Confidence	41.6	41.3
	09:30	GBP	Construction PMI	46.6	45.9
	10:00	EUR	PPI m/m	0.10%	0.70%
	13:30	CAD	Trade Balance	-3.2B	-3.6B
		CAD	Labor Productivity q/q	0.20%	0.40%
		USD	Average Hourly Earnings m/m	0.20%	0.30%
		USD	Non-Farm Employment Change	186K	255K
		USD	Unemployment Rate	4.80%	4.90%
		USD	Trade Balance	-43.0B	-44.5B
	15:00	USD	Factory Orders m/m	2.10%	-1.50%

Time: GMT+1



# MARKETS PREVIEW

22<sup>nd</sup> of August 2016, to 26<sup>th</sup> of August 2016

Jackson Hole event and Janet Yellen's speech was the main dominating theme last week as economic data from the US overshadowed the quiet lull from Australia and New Zealand.

In the Eurozone data this week saw the flash PMI's from the manufacturing and services sector. The euro area composite PMI output index was estimated to have rise to 53.3 in August, up



from 53.2 in July. The flash PMI estimates has increased optimism that the eurozone's economic recovery remains on a steady course in the third quarter. The Eurozone composite PI index was only slightly higher than the yearly average with growth in the third quarter expected to remain at the same pace during the first quarter.

Manufacturing order book growth slowed along with a dip in business optimism in the services sector which led to a weaker pace of hiring. The data also showed that inflationary pressures also remained muted through the course. Based on the flash estimates, euro area GDP growth is expected to rise 0.30% on a quarterly basis in the third quarter, while the annualized GDP is expected to be steady at 1.20%.

At a regional level, the national PMI's showed that German and French pace of activity was returning back to moderate growth. Last week's GDP revisions confirmed that Germany's GDP grew at a pace of 0.40% in the second quarter, unchanged from the previous estimates, while French GDP was seen to be flat.

From Japan, flash manufacturing PMI estimates showed that the downturn in the sector was easing but employment in the sector was also seen to be falling steadily. Markit's flash manufacturing PMI for August showed that the sector continued its contraction into the sixth successive month. The Nikkei flash manufacturing PMI rose for a third successive month to

49.6 in August, up from 49.3 in July. Factory output recorded marginal growth but rising for the first time since February.

On Friday, latest inflation figures showed that Japan's CPI was in fact move opposite to the BoJ's 2.0% mandated target rate for inflation. On a yearly basis, the BoJ's Core CPI rose only 0.50%, lower than June's 0.70% increase which was revised from 0.80% underpinning that domestic inflation continues to slide.

From the US, although Janet Yellen's speech as Jackson Hole was the highlight this week, economic data was broadly positive. Existing home sales declined 3.2% in July to a 5.39 million annual rate, coming in below the consensus expected 5.51 million. Sales are down 1.6% versus

US Durable Goods orders (MoM): July 2016



a year ago. After four consecutive months of steady growth, existing home sales took a breather in July, as supply constraints and high prices continue to hamper buyers. Sales of previously owned homes fell 3.2% in July to a 5.39 million annual rate and are now down 1.6% from a year ago. In contrast, new

single-family home sales increased 12.4% in July to a 654,000 annual rate, easily beating the consensus expected pace of 580,000. Sales are up 31.3% from a year ago. Sales rose for the month to the fastest pace since 2007.

On Thursday, new orders for durable goods increased 4.4% in July (+4.1% including revisions to prior months). The consensus expected an increase of 3.4%. Orders excluding transportation rose 1.5% in July (+1.6% including revisions to prior months), easily beating the consensus expected increase of 0.4%. Orders are down 3.3% from a year ago while orders excluding transportation are down 0.6%. The rise in overall orders in July was led by aircraft and computers and electronic products. Despite the upbeat data, the US dollar was muted for the most part as interest rate expectations remained the core focus for investors over the week.

Friday's speech by Janet Yellen sent the markets volatile as expected. Yellen's initial comments sent the markets plunging briefly sending the US dollar higher but a quick recovery saw a few hours of volatile trading. In her speech, Ms. Yellen said that the Fed was getting closer to its mandate of full employment and price stability. She said that the case for rate hike had strengthened in recent months citing improved labor market reports and inflation.

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**Week Ahead:** 29<sup>th</sup> of August 2016, to 2<sup>nd</sup> of September 2016

**I**n a *post-Jackson Hole* world, the markets will be looking to next Friday's US jobs report. Economists expect the pace of jobs added in August to slip lower to show 186k jobs from that of July's 255k. However, the unemployment rate is expected to fall to 4.80% from 4.90%. Ahead of the report, the monthly ISM manufacturing data is expected to show a modest pullback in the index to 52.0 from July's 52.6. The economic data will garner more attention as the markets edge closer to the late September FOMC meeting. Based on how the data comes out in September, the case for or against a rate hike will be priced in accordingly.

In the eurozone, flash inflation data will be the main theme next week. Headline inflation in the eurozone is expected to rise 0.30%, while core CPI is expected to remain unchanged at 0.90%, same as the previous month. This week's inflation data will be the final economic releases ahead of the ECB's meeting on September 8<sup>th</sup>.

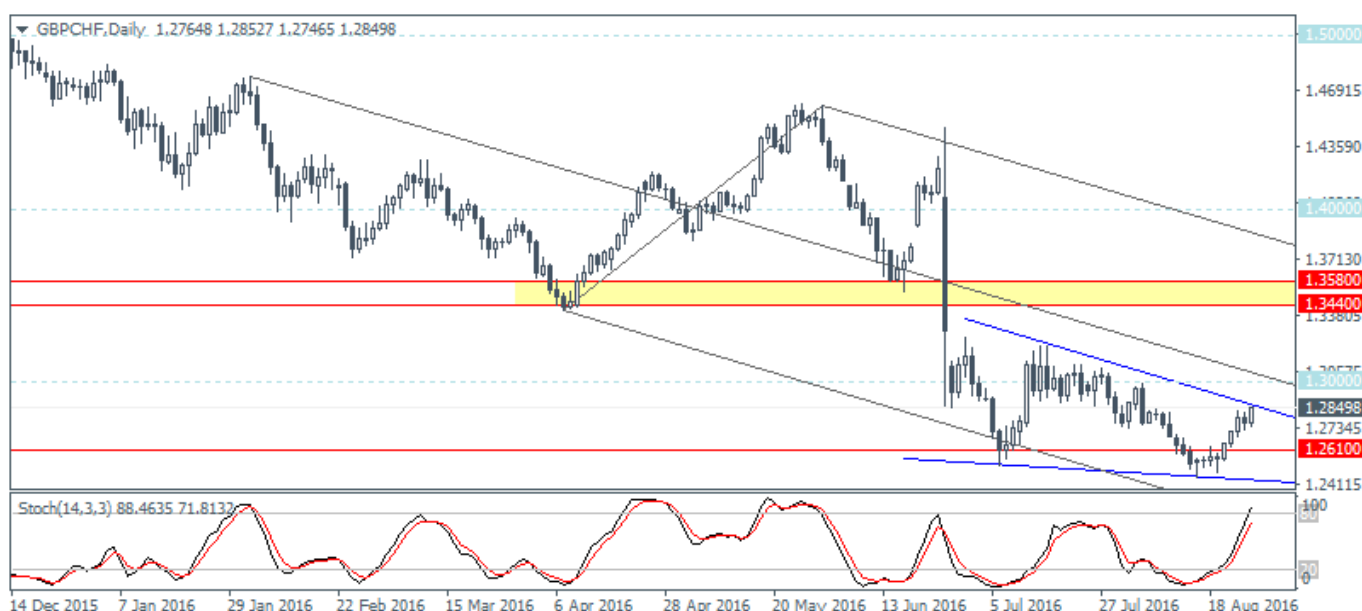
The UK markets will see a short trading week with Monday closed on account of bank holiday. On Thursday and Friday the August manufacturing and construction PMI numbers will be released by Markit and forecasts point to a recovery in the index which fell after the Brexit referendum. A match on the estimates will continue to point to the fact that Brexit fears were probably over-rated.

From the UK, the week ahead is quiet with only Friday's GDP numbers likely to play an impact. Forecasts show no change to the Q2 GDP growth rate in the UK which is reported at 0.60% according to the preliminary estimates.





GBPCHF is trading within the descending wedge pattern which comes after strong declines. The consolidation near the lows of 1.2610 signals a potential upside breakout. Resistance at 1.3000 remains a key level of interest. With prices trading inside the falling median line and the Stochastics currently in the oversold area, GBPCHF could see a near term decline back to 1.26100. Long positions back to this support level could offer a good risk/reward trade set up for an upside move to 1.3000 followed by 1.34400.



**GBPCHF (1.2849) – D1 Chart, Falling Wedge**

In the event that GBPCHF fails to hold out near the 1.2610 support further downside could be expected on a break below the previous lows established at 1.2450 - 1.2500. Watch the Stochastics for a bullish divergence on a dip back to 1.2610 for a confirmation for long positions.

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