

# orbex WEEKLY MARKETS REPORT



OVERWEEK  
BULLET POINTS



THE WEEK  
AHEAD



MARKETS  
PREVIEW



THE CHART OF  
THE WEEK

# OVERWEEK BULLET POINTS



12<sup>th</sup> of September 2016, to 16<sup>th</sup> of September 2016

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- Japan core machinery orders m/m 4.90% vs. -2.80%
- Japan PPI y/y -3.60% vs. -3.50%
- Italy quarterly unemployment rate 11.50% vs. 11.50%
- FOMC Member Brainard speech
- Japan BSI manufacturing index 2.9 vs. -6.5
- Australia NAB business confidence 6 vs. 4 previously
- China industrial production y/y 6.30% vs. 6.20%
- China fixed asset investment ytd/y 8.10% vs. 7.90%
- China retail sales y/y 10.60% vs. 10.20%
- Germany Final CPI m/m 0.0% vs. 0.0%
- German WPI m/m -0.70% vs. 0.10%
- Switzerland PPI m/m -0.30% vs. -0.20%
- Italy industrial production m/m 0.40% vs. 0.20%
- UK CPI y/y 0.60% vs. 0.70%; Core CPI y/y 1.30% vs. 1.40%
- UK PPI input m/m 0.20% vs. 0.60%; PPI output m/m 0.10% vs. 0.30%
- Germany ZEW economic sentiment 5.4 vs. 6.7
- Eurozone employment change q/q 0.40% vs. 0.20%
- ECB President Mario Draghi speaks
- New Zealand current account -0.95bn vs. -0.30bn
- New Zealand GDP q/q 0.90% vs. 1.10%
- Australia MI inflation expectations 3.30% vs. 3.50% previously
- Australia employment change -3.9k vs. 15.2k
- Australia unemployment rate 5.60% vs. 5.70%
- Australia new motor vehicle sales m/m 0.10% vs. -1.40% previously
- SNB Libor rate, -0.75% vs. -0.75%

- UK retail sales m/m -0.20% vs. -0.40%
- Eurozone final CPI y/y 0.20% vs. 0.20%; core CPI y/y 0.80% vs. 0.80%
- Eurozone trade balance 20.0bn vs. 22.1bn
- BoE leaves interest rate unchanged at 0.25%
- US core retail sales m/m -0.10% vs. 0.30%; retail sales m/m -0.30% vs. -0.10%
- US PPI m/m 0.0% vs. 0.10%; core PPI m/m 0.10% vs. 0.10%
- US unemployment claims 260k vs. 262k
- US current account -120bn vs. -120bn
- US empire state manufacturing index -2.0 vs. -0.9
- Canada manufacturing sales m/m 0.10% vs. 1.0%
- US CPI m/m 0.20% vs. 0.10%; Core CPI m/m 0.30% vs. 0.20%
- US CPI y/y 1.10% vs. 1.0%; Core CPI y/y 2.30% vs. 2.20%

# THE WEEK AHEAD



19<sup>th</sup> of September 2016, to 23<sup>rd</sup> of September 2016

## IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

Date	Time	Currency	Event	Forecast	Previous
20-Sep	2:30	AUD	Monetary Policy Meeting Minutes		
		AUD	HPI q/q	3.10%	-0.20%
	13:30	USD	Building Permits	1.17M	1.14M
		USD	Housing Starts	1.19M	1.21M
	17:45	CAD	BOC Gov Poloz Speaks		
21-Sep	01:30	AUD	Mid-Year Economic and Fiscal Outlook		
	Tentative	JPY	Monetary Policy Statement		
	Tentative	JPY	BOJ Press Conference		
	09:30	GBP	Public Sector Net Borrowing	10.5B	-1.5B
	13:30	CAD	Wholesale Sales m/m	0.30%	0.70%
	19:00	USD	FOMC Economic Projections		
		USD	FOMC Statement		
		USD	Federal Funds Rate	<0.50%	<0.50%
	19:30	USD	FOMC Press Conference		
	22:00	NZD	Official Cash Rate	2.00%	2.00%
		NZD	RBNZ Rate Statement		
22-Sep	13:30	USD	Unemployment Claims	261K	260K
	14:00	EUR	ECB President Draghi Speaks		
	14:30	GBP	MPC Member Cunliffe Speaks		
	15:00	USD	Existing Home Sales	5.45M	5.39M
23-Sep	08:00	EUR	French Flash Manufacturing PMI	48.4	48.3
		EUR	French Flash Services PMI	52	52.3
	08:30	EUR	German Flash Manufacturing PMI	53.2	53.6
		EUR	German Flash Services PMI	52.2	51.7
	09:00	EUR	Flash Manufacturing PMI	51.5	51.7
		EUR	Flash Services PMI	52.8	52.8
	13:30	CAD	Core CPI m/m	0.20%	0.00%
		CAD	Core Retail Sales m/m	0.50%	-0.80%
		CAD	CPI m/m	0.10%	-0.20%
	CAD	Retail Sales m/m	0.20%	-0.10%	

Time: GMT+1



# MARKETS PREVIEW

Last Week: 12<sup>th</sup> of September 2016, to 16<sup>th</sup> of September 2016

Last week was all about the upcoming BoJ and FOMC meetings. More importantly, it was the FOMC's decision that was seen shaping the markets. As volatility picked up over the week, the markets were seen pricing in an appropriate response from the Fed. Slew of weak economic indicators from the US continued to point to ongoing weakness in the economy which puts the Fed's decision as down to the wire.

Over the week, data from the US included the producer price index which was unchanged in August and slightly below forecasts of 0.10%. PPI was unchanged on the year over year basis. There was a 0.40% decline in prices for final goods which was offset by a 0.10% increase in final demand services. Energy prices gained 0.80% while food prices fell 1.60%. Excluding food and energy, PPI rose 0.10%.

Retail sales were also weaker, falling 0.30% in August and missing estimates of a 0.10% decline. On a year over year basis, US retail sales are up 1.90%. Excluding autos, retail sales fell 0.10% in August below market estimates of a 0.20% increase. The decline in retail sales came about with a fall in autos, building materials and gas stations.

Friday's Consumer Price Index was the final piece to the puzzle. Beating estimates, headline



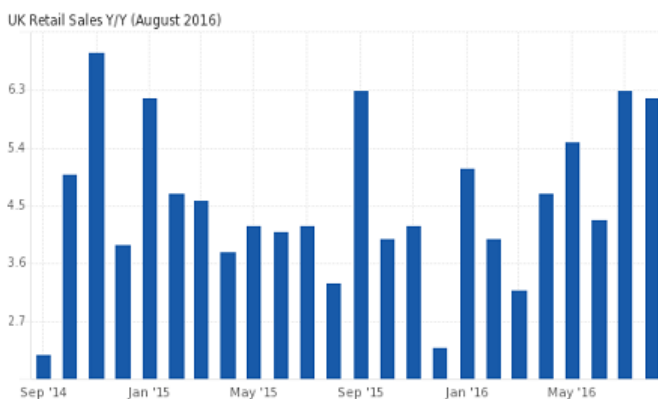
CPI and core CPI both edged higher in August, sending the yearly inflation to 1.10% on the headline and 2.30% on the core. The gains in the inflation data came amidst higher costs of shelter, medical care and apparel, which offset food and energy prices that decline. Still, investors remain cautious as the Fed's gauge of

inflation, the PCE remains at 0.80% in July, while the core PCE is up 1.60%.

In the UK, economic releases including the Bank of England's meeting was the main focus. While inflation remained broadly in line with expectations, initial reports showed prices were starting to rise as input costs showed a broad strength. Although August CPI figures showed a month over month increase of 0.60%, PPI input costs rose 0.80%.

Later in the week, monthly labor market data suggested a cooling down with the unemployment rate staying unchanged at 4.90%. But the claimant count change edged higher while while average earnings rose 2.10% excluding bonuses. This was slightly lower than July's 2.30% increase. An ONS statistician said, *"These figures show continued labor market improvement, with the employment rate remaining at a record high and inactivity at a new record low. The headline labor force survey and earnings data are for May to July, so cover one month since the result of the EU referendum became known."*

On Thursday, the retail sales figures also showed a pull back with retail sales falling 0.20% in August. Still, the markets cheered the print which was better than the forecasts of 0.50% decline.



The Bank of England's meeting followed later, and as widely expected there were no changes made to monetary policy. However, the central bank dropped a hint that it could cut rates in November if the economy shows signs of deteriorating. The minutes of the MPC

meeting said, *"The committee will assess that news, along with other forthcoming indicators, during its November forecast round. If, in light of that full updated assessment, the outlook at that time is judged to be broadly consistent with the August inflation report projections, a majority of members expect to support a further cut in Bank Rate to its effective lower bound at one of the MPC's forthcoming meetings during the course of the year. The MPC currently judges this bound to be close to, but a little above, zero."*

In other news, last week saw the release of the second quarter GDP data from New Zealand. The report showed that the New Zealand's economy grew at a pace of 0.90% in the three months ending June. It was below consensus of a 1.10% growth. First quarter GDP was revised higher to show a 0.90% quarterly growth. The biggest contributor to the GDP was from the construction sector which rose 5.0% in the quarter. The data saw muted response from the NZD

but the upbeat data despite being soft has fueled speculation that the RBNZ could hold off from lowering interest rates at the next meeting week.

In Australia, monthly labor market report showed that the unemployment rate fell to 5.60%, but the economy was seen losing jobs, albeit at a smaller pace. Still it was below market consensus with the participation rate also falling slightly.

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**Week Ahead:** 19<sup>th</sup> of September 2016, to 23<sup>rd</sup> of September 2016

**A**ll roads lead to the Bank of Japan and the Federal Reserve next week. Volatility is likely to be elevated heading into next week but the ranges that have been established since the past week looks imminent for a breakout.

The week starts off slow with Monday fairly quiet. On Wednesday, September 21, the Bank of Japan will be widely expected to announce further policy easing measures which could include a cut to the existing interest rate which stands at -0.10%, taking rates deeper to a negative 0.20% - 0.30%. However, with the Bank of Japan it all boils down to how the markets react and if the policy measures announced will be pleasing enough for investors.

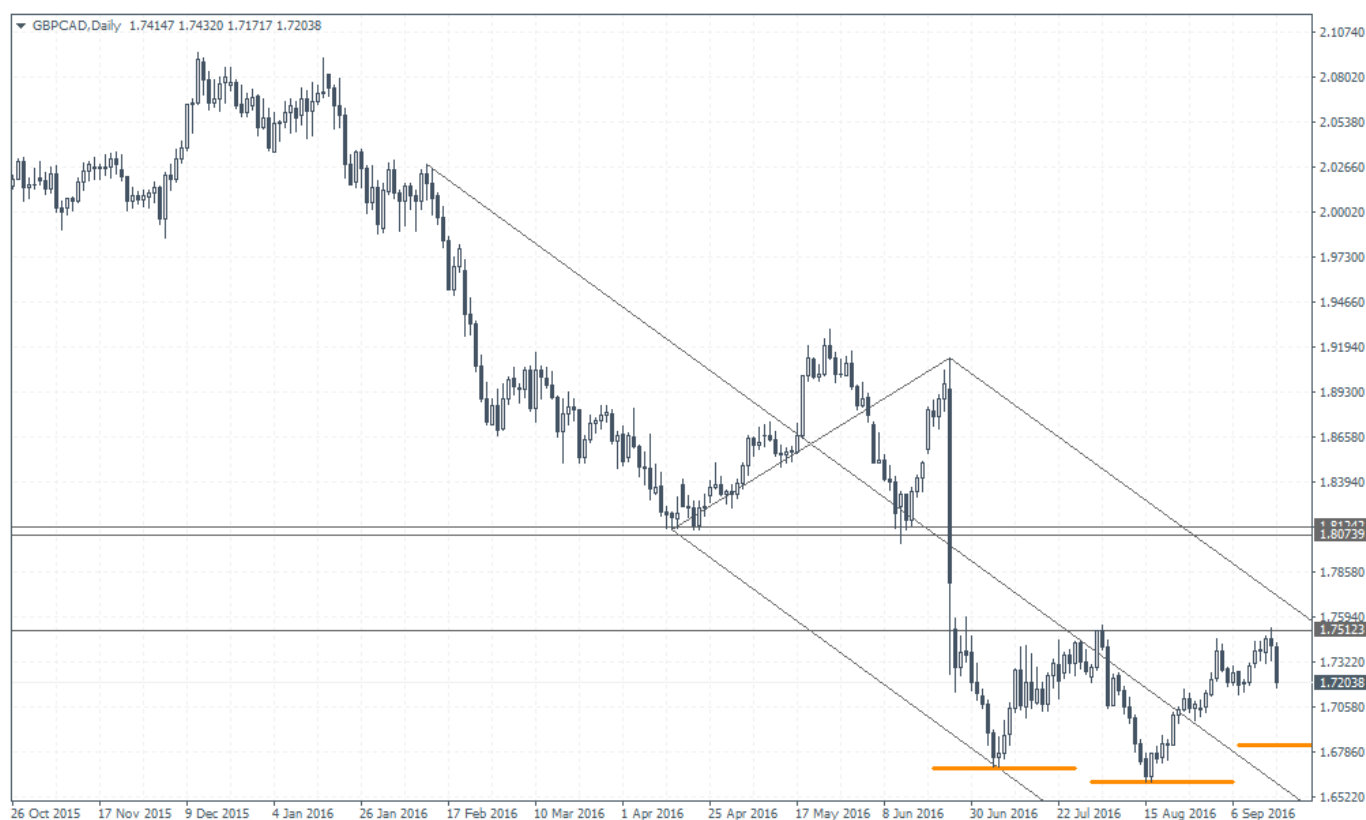
Later in the day, the FOMC meeting will be closely watched as markets remain on the edge. While many expect the Federal Reserve to leave interest rate unchanged at this meeting, there is scope for a potential surprise following the hawkish comments from a majority of Fed members. However, with last week's economic indicators pointing to worsening of sentiment, the scope for leaving rates unchanged remains the major consensus.

A few hours later, the RBNZ will also be coming out with its interest rate decision, but no changes are expected at this meeting. Since the previous RBNZ meeting which saw the central bank cut rates by 25bps, majority of economic indicators pointed to stability and were largely positive.

# TECHNICAL CORNER



GBPCAD has been consolidating near the lows of 1.75 with multiple attempts to breakout above 1.75 failing. However, price action is showing strong signs of a reversal that could take place with the inverse head and shoulders pattern taking shape. Currently, we see the left shoulder and the head being formed with prices seen pushing lower to form the right shoulder. A potential reversal near 1.6790 - 1.6800 could see GBPCAD move higher to retest the neckline resistance at 1.7512.



**GBPCAD (1.7203) – D1 Chart**

A breakout above this neckline resistance could push GBPCAD higher towards 1.8070 - 1.8100 which marks the measured move target of the inverse head and shoulders pattern.



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