

orbex WEEKLY MARKETS REPORT



OVERWEEK
BULLET POINTS



THE WEEK
AHEAD



MARKETS
PREVIEW



THE CHART OF
THE WEEK

OVERWEEK BULLET POINTS



Last Week: 19th of September 2016, to 23rd of September 2016

- UK Rightmove HPI m/m 0.70% vs. -1.20% previously
- China new home prices 9.20% vs. 7.20% previously
- Eurozone current account 21.0bn vs. 27.2bn
- German Bundesbank releases monthly report
- NAHB housing market index 65 vs. 60
- Australia CB leading index m/m 0.40% vs. 0.30% previously
- RBA monetary policy minutes released
- Australia HPI q/q 2.0% vs. 3.10%
- Germany PPI m/m -0.10% vs. 0.10%
- US building permits 1.139mn vs. 1.164mn
- US housing starts 1.142mn vs. 1.119mn
- BoC Gov. Poloz speech
- New Zealand visitor arrivals m/m -1.90% vs. 2.80% previously
- Japan trade balance 0.41tn vs. 0.50tn
- Australia MI leading index m/m 0.0% vs. 0.10% previously
- New Zealand credit card spending y/y 1.90% vs. 5.60% previously
- BoJ policy rate -0.10% vs. -0.20%
- UK Public sector net borrowing 10.1bn vs. 10.5bn
- Canada wholesale sales m/m 0.30% vs. 0.30%
- Crude oil inventories -6.2mn vs. 3.2mn
- FOMC Fed funds rate 0.50% vs. 0.50%
- RBNZ OCR 2.0% vs. 2.0%
- RBA Gov. Lowe speech
- ECB LTRO 45.3bn vs. 399.3bn previously
- UK CBI industrial order expectations -5 vs. -5
- Norges Bank interest rate 0.50% vs. 0.50%
- US weekly unemployment claims 252k vs. 261k
- US HPI m/m 0.50% vs. 0.30%
- MPC Member Cunliffe speech
- US existing home sales 5.33mn vs. 5.45mn
- CB leading index m/m -0.20% vs. 0.0%
- Japan flash manufacturing PMI 50.3 vs. 49.3
- Japan all industries activity m/m 0.30% vs. 0.20%
- French flash manufacturing PMI 49.5 vs. 48.4; flash services PMI 54.1 vs. 52.0
- German flash manufacturing PMI 54.3 vs. 53.2; flash services PMI 50.6 vs. 52.2
- Eurozone flash manufacturing PMI 52.6 vs. 51.5; flash services PMI 51.2 vs. 52.8
- Canada Core CPI m/m 0.00% vs. 0.20%; CPI m/m -0.20% vs. 0.10%
- Canada core retail sales m/m -0.10% vs. 0.50%; retail sales m/m -0.10% vs. 0.20%

THE WEEK AHEAD



26th of September 2016, to 30th of September 2016

IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

Date	Time	Currency	Event	Forecast	Previous
26-Sep	09:00	EUR	German Ifo Business Climate	106.3	106.2
	10:30	CHF	SNB Chairman Jordan Speaks		
	15:00	EUR	ECB President Draghi Speaks		
		USD	New Home Sales	598K	654K
27-Sep	00:10	CAD	BOC Gov Poloz Speaks		
	09:00	EUR	M3 Money Supply y/y	4.90%	4.80%
	15:00	USD	CB Consumer Confidence	98.6	101.1
28-Sep	01:20	AUD	RBA Assist Gov Edey Speaks		
	08:00	CHF	KOF Economic Barometer	100.5	99.8
	13:30	USD	Core Durable Goods Orders m/m	-0.50%	1.30%
		USD	Durable Goods Orders m/m	-1.00%	4.40%
	15:10	USD	FOMC Member Bullard Speaks		
	15:30	USD	Crude Oil Inventories		-6.2M
29-Sep	00:15	USD	FOMC Member George Speaks		
	All Day	EUR	German Prelim CPI m/m	0.00%	0.00%
	07:35	JPY	BOJ Gov Kuroda Speaks		
	08:00	EUR	Spanish Flash CPI y/y	0.10%	-0.10%
	08:55	EUR	German Unemployment Change	-5K	-7K
	09:30	GBP	Net Lending to Individuals m/m	4.0B	3.8B
	13:30	USD	Final GDP q/q	1.30%	1.10%
		USD	Unemployment Claims	260K	252K
	15:00	USD	FOMC Member Powell Speaks		
		USD	Pending Home Sales m/m	-0.10%	1.30%
	21:00	USD	Fed Chair Yellen Speaks		
30-Sep	00:30	JPY	Household Spending y/y	-2.10%	-0.50%
		JPY	Tokyo Core CPI y/y	-0.40%	-0.40%
	01:00	NZD	ANZ Business Confidence		15.5
	02:45	CNY	Caixin Manufacturing PMI	50.1	50
	07:00	EUR	German Retail Sales m/m	-0.20%	1.70%
	09:30	GBP	Current Account	-30.5B	-32.6B
		GBP	Final GDP q/q	0.60%	0.60%
	10:00	EUR	CPI Flash Estimate y/y	0.40%	0.20%
		EUR	Core CPI Flash Estimate y/y	0.90%	0.80%
	13:30	CAD	GDP m/m		0.60%
		CAD	RMPI m/m		-2.70%

		USD	Core PCE Price Index m/m	0.20%	0.10%
		USD	Personal Spending m/m	0.20%	0.30%
	14:45	USD	Chicago PMI	52.1	51.5
	15:00	USD	Revised UoM Consumer Sentiment	90.1	89.8

Time: GMT+1



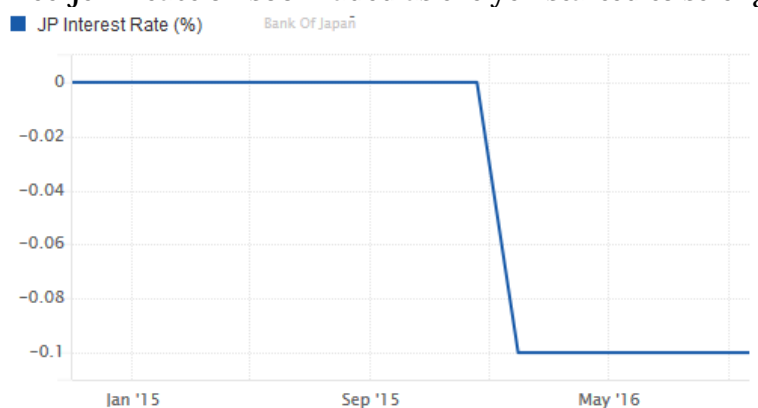
MARKETS PREVIEW

Last Week: 19th of September 2016, to 23rd of September 2016

Two major central bank decisions last week confirmed what the markets already knew. Interest rates are likely to remain low in the long term. The US Federal Reserve voted to keep the status quo, giving risk assets a breather while the BoJ was seen experimenting with a different approach to stoking inflation and economic growth.

Expectations in the run up to the Bank of Japan's decisions were somewhat tame in comparison to previous policy meetings. Still there was an expectation for lowering interest rates further. The Bank of Japan kept rates steady instead, at -0.10% but unveiled a new policy framework aimed at controlling the yield curve. By keeping short term interest rates at or near zero, the BoJ expects to control interest rate expectations in the long term. To manage this, the BoJ said that it would keep its monetary policy QQE purchases at the current level of 80 trillion yen.

The yen initially fell on the news as the Nikkei jumped led by banking stocks gaining. However, the knee-jerk reaction soon faded as the yen started to strengthen on lack of any further stimulus plans,



highlighting that the markets were not quite impressed with the BoJ again. The yen strengthened as much as 1% by the end of day with the Fed's decision to keep rates unchanged further adding to the yen's rally.

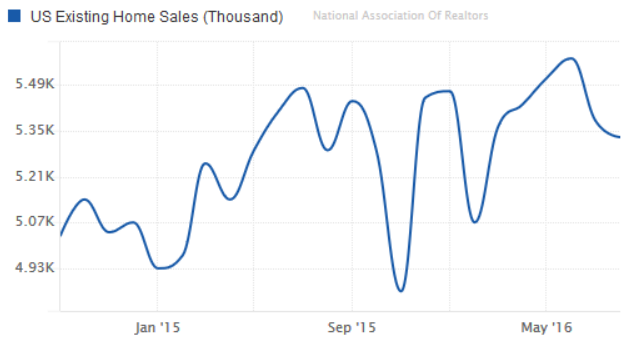
Talking about the BoJ's decision, analysts at Societe General had this to say. "The fall in USD/JPY and JPY crosses illustrates the market scepticism and is a repeat of the price action in January

when the BoJ cut interest rates to negative. The 8mth rally in the JPY shows no sign of abating as Fed rate expectations stay flat. A fall to 95 again looks more likely than a rebound to 105 in particular if Democrat candidate Clinton cannot distance herself in the polls from Republican candidate Trump before the election."

HSBC analysts said that the cocktail of easing measures from the BoJ underwhelmed the markets but the overall tone was that of an indifferent yen rather than exhibiting weakness. "The question now will gravitate once again towards the likelihood of success for Abenomics. If it looks increasingly like a failed experiment with inflation moving back to where we started, perhaps the JPY should too," the research note concluded.

A few hours after the BoJ's decision, the Fed's FOMC was in focus. The markets were well positioned into the event as gold prices which initially dipped managed to post a strong recovery and was seen trading firm into the Fed's event. The Fed, kept the interest rate unchanged at 0.50%, although there were three members who dissented at the meeting, voting in favor of a quarter point increase in the fed funds rate.

The Fed's statement was also hawkish noting that it was appropriate to hike interest rates soon,



indicating that the Fed could be looking at the December meeting. The Fed also released its updated forecasts on growth and inflation, which was broadly unchanged from the June's projections.

The dot plot, which shows the Fed member's expectations on interest rates showed only two rate hikes for 2017, while showing one rate hike for the remainder of 2016. With the next Fed meeting scheduled for November 1st and 2nd, the markets

are already discounting any news of a Fed rate hike considering the meeting's proximity to the US general elections which is a week after the Fed's meeting.

The US dollar fell on the Fed's decision to hold rate steady giving most of its peers a chance to play catch up. Economic data from the US this week, besides the Fed's rate hike decision was on the housing front. Earlier in the week building permits and housing starts data fell more than expected and on Thursday, existing home sales also increased less than expected.

Among other central bank decisions last week, the RBNZ was seen holding the OCR steady at 2.0% as widely expected. The central bank was seen struggling to keep the exchange rate lower while economic data showed a broad improvement suggesting a period of stability in interest rates. The RBNZ however made it clear that further rate cuts were needed. Despite the easing bias being maintained, the NZD managed to gain on the day.

In Europe, Norges Bank was also seen hold interest rates steady at 0.50%. The central bank also sounded neutral signaling that policy easing bias was nearing its end while noting that rates are likely to stand steady at 0.50% to the end of this year. The decision saw the Norwegian krone surging on the day, making strong gains against the euro in particular.

Week Ahead: 19th of September 2016, to 23rd of September 2016

The week ahead is relatively quiet as far as economic releases are concerned. But filling this void is a week full of important central banker speeches and a bit of economic data from the US. After last week's central bank decisions saw interest rates being unchanged across the board, the week ahead is quieter with no major impactful economic releases.

Many Fed members will be hitting the wires next week which could see the dollar react to the comments. In the US, durable goods orders will be coming up on Wednesday followed by Friday's final GDP revision for the second quarter. Market consensus expects to see the second quarter GDP being revised higher to 1.20%, from previous estimates of 1.10% on an annualized basis. The quarter over quarter growth is expected to stay unchanged at 2.30%. Other data worth bearing in mind include the Personal Consumption expenditure and durable goods orders where the headline print is expected to show a 1.50% decline in August. Fed's Bullard and Janet Yellen are among a few important central bankers that will be speaking over the week.

For the Oil markets, the upcoming Oil forum summit in Algiers due from September 26 - 28 will be the highlight of the week. OPEC members and Russia will be participating in information meetings on the sidelines of the summit. If recent comments are to be believed, the member nations are striving hard to reach an agreement to freeze output production, which could be bullish for Oil prices in the near term.

In the Euro area, ECB President Draghi will be testifying to the European Parliament Committee on Economic and Monetary Affairs on Monday. His speech could likely spark some volatility in the euro currency crosses. For the most part next week, data is fairly limited. September CPI flash estimates will be released which is expected to show an increase in both headline and core inflation. A positive beat on the flash estimates could spell some optimism that prices could finally rise. Although considering that this is still a preliminary estimate, the reaction could be a guarded response.

TECHNICAL CORNER



GBPCHF – Daily Chart (Biased to the long side)

Despite the strong declines in the British pound, **GBPCHF** price action remains favorable to the long side offering a good risk reward set up. Following the breakout from the falling wedge pattern, GBPCHF posted a strong rally but soon reversed near the resistance level of 1.3000. This led to a new leg in declines with price seen testing the previous lows near 1.2522. A reversal at this level could potentially spark a new leg in the rally with GBPCHF attempting to test 1.3000 resistance once again and eventually rising above the resistance to challenge the major level at 1.3440.



GBPCHF (1.2573) – D1 Chart

To the downside, GBPCHF should be posting a reversal near 1.2522. In the event that prices close below 1.2424 on a daily basis, further weakness could be expected in the currency. Look for potential reversal patterns such as doji or an inside bar near the current lows for indications of a reversal to the upside.

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