

# orbex WEEKLY MARKETS REPORT



OVERWEEK  
BULLET POINTS



THE WEEK  
AHEAD



MARKETS  
PREVIEW



THE CHART OF  
THE WEEK

# OVERWEEK BULLET POINTS



Last Week: 26<sup>th</sup> of September 2016, to 30<sup>th</sup> of September 2016

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- BoJ Gov. Kuroda speech
- German Ifo business climate 109.5 vs. 106.3
- SNB Chairman Jordan speech
- US new home sales 609k vs. 598k
- ECB president Draghi speech
- BoC Gov. Poloz speech
- Eurozone M3 money supply y/y 5.10% vs. 4.90%
- US CB consumer confidence 104.1 vs. 98.6
- US core durable goods orders m/m -0.40% s. -0.50%
- US durable goods orders m/m 0.0% vs. -1.0%
- ECB president Draghi speech
- Fed Chair Yellen testifies
- FOMC member Bullard speech
- US crude oil inventories -1.9mn vs. 2.4mn
- OPEC meetings
- FOMC member Mester speech
- FOMC member George speech
- Germany preliminary CPI m/m 0.10% vs. 0.0%
- Spain flash CPI y/y 0.30% vs. 0.10%
- German unemployment change 1k vs. -5k
- UK net lending to individuals m/m 4.5bn vs. 4.0bn
- US final GDP q/q 1.40% vs 1.30%
- US weekly unemployment claims 254k vs. 260k
- US pending home sales m/m -2.40% vs. -0.10%
- Fed Chair Yellen speech
- Japan household spending y/y -4.60% vs. -2.10%
- Tokyo Core CPI y/y -0.50% vs. -0.40%
- BoJ Gov. Kuroda speech
- China Caixin manufacturing PMI 50.1 vs. 50.1
- Germany retail sales m/m -0.40% vs. -0.20%
- UK current account -28.7bn vs. -30.5bn
- UK final GDP q/q 0.70% vs. 0.60%; y/y 2.10% vs. 2.20%
- UK index of services 3m/3m 0.60% vs. 0.30%
- UK revised business investment q/q 1.0% vs. 0.50%
- Eurozone Core CPI flash estimate y/y 0.80% vs. 0.90%; CPI y/y 0.40% vs. 0.40%
- Eurozone unemployment rate 10.10% vs. 10.0%
- Canada GDP m/m 0.50% vs. 0.30%
- US Core PCE price index m/m 0.20% vs. 0.20%
- US personal spending m/m 0.0% vs. 0.20%
- US personal income m/m 0.20% vs. 0.20%
- Chicago PMI 54.2 vs. 52.1

# THE WEEK AHEAD



3<sup>rd</sup> of October 2016, to 7<sup>th</sup> of October 2016

## IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

Date	Time	Currency	Event	Forecast	Previous
03-Oct	00:50	JPY	Tankan Manufacturing Index	7	6
		JPY	Tankan Non-Manufacturing Index	18	19
	01:30	JPY	Final Manufacturing PMI	50.3	50.3
	08:15	CHF	Retail Sales y/y	-1.60%	-2.20%
		EUR	Spanish Manufacturing PMI	51.6	51
	08:30	CHF	Manufacturing PMI	51.9	51
	08:45	EUR	Italian Manufacturing PMI	50.2	49.8
	08:50	EUR	French Final Manufacturing PMI	49.5	49.5
	08:55	EUR	German Final Manufacturing PMI	54.3	54.3
	09:00	EUR	Final Manufacturing PMI	52.6	52.6
	09:30	GBP	Manufacturing PMI	52.1	53.3
		GBP	FPC Meeting Minutes		
	14:30	CAD	RBC Manufacturing PMI	51.5	51.1
	14:45	USD	Final Manufacturing PMI	51.4	51.4
	15:00	USD	ISM Manufacturing PMI	50.4	49.4
		USD	Construction Spending m/m	0.30%	0.00%
			USD	ISM Manufacturing Prices	53.5
04-Oct	00:50	JPY	Monetary Base y/y	23.40%	24.20%
	01:30	AUD	Building Approvals m/m	-5.80%	11.30%
	02:30	NZD	RBNZ Gov Wheeler Speaks		
	04:30	AUD	Cash Rate	1.50%	1.50%
		AUD	RBA Rate Statement		
	06:00	JPY	Consumer Confidence	41.8	42
	09:30	GBP	Construction PMI	49.1	49.2
	10:00	EUR	PPI m/m	0.00%	0.10%
05-Oct	01:30	AUD	Retail Sales m/m	0.20%	0.00%
	08:50	EUR	French Final Services PMI	54.1	54.1
	08:55	EUR	German Final Services PMI	50.6	50.6
	09:00	EUR	Final Services PMI	52.1	52.1
	09:30	GBP	Services PMI	52.1	52.9
	10:00	EUR	Retail Sales m/m	-0.10%	1.10%
	13:15	USD	ADP Non-Farm Employment Change	166K	177K
	13:30	CAD	Trade Balance		-2.5B
		USD	Trade Balance	-41.1B	-39.5B
	14:45	USD	Final Services PMI	51.9	51.9

	15:00	USD	ISM Non-Manufacturing PMI	53.1	51.4
		USD	Factory Orders m/m	-0.40%	1.90%
06-Oct	01:30	AUD	Trade Balance	-2.32B	-2.41B
	07:00	EUR	German Factory Orders m/m	0.30%	0.20%
	08:15	CHF	CPI m/m	0.20%	-0.10%
	09:10	EUR	Retail PMI		51
	09:30	GBP	Housing Equity Withdrawal q/q	-5.4B	-4.9B
	12:30	EUR	ECB Monetary Policy Meeting Accounts		
	13:30	CAD	Building Permits m/m		0.80%
			USD	Unemployment Claims	255K
07-Oct	01:00	JPY	Average Cash Earnings y/y	0.50%	1.20%
	06:00	JPY	Leading Indicators	101.70%	100.00%
	07:00	EUR	German Industrial Production m/m	1.10%	-1.50%
		EUR	French Industrial Production m/m	0.70%	-0.60%
		EUR	French Trade Balance	-4.3B	-4.5B
	09:30	GBP	Manufacturing Production m/m	0.40%	-0.90%
		GBP	Goods Trade Balance	-11.1B	-11.8B
		GBP	Industrial Production m/m	0.10%	0.10%
	13:30	CAD	Employment Change		26.2K
		CAD	Unemployment Rate		7.00%
		USD	Average Hourly Earnings m/m	0.20%	0.10%
		USD	Non-Farm Employment Change	171K	151K
		USD	Unemployment Rate	4.90%	4.90%
	15:00	CAD	Ivey PMI		52.3
		USD	Wholesale Inventories m/m	-0.10%	0.00%
	Day 1	ALL	IMF Meetings		
		USD	FOMC Member Fischer Speaks		
	17:45	USD	FOMC Member Mester Speaks		
	20:00	USD	FOMC Member George Speaks		
		USD	Consumer Credit m/m	16.8B	17.7B
	USD	FOMC Member Brainard Speaks			

Time: GMT+1



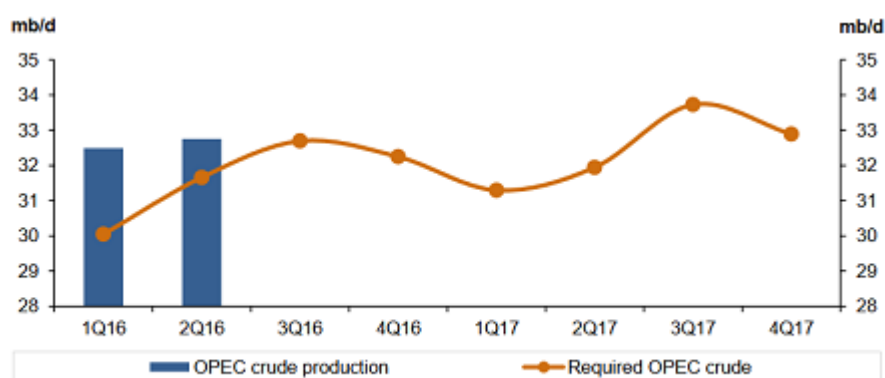
# MARKETS PREVIEW

Last Week: 26<sup>th</sup> of September 2016, to 30<sup>th</sup> of September 2016

*OPEC members and Russia strike a deal on the sidelines of the EIA oil summit in Algiers, taking the markets by surprise. Despite initial hint that a deal was closer, hopes were dashed ahead of the meeting as Iran was seen rejecting Saudi's offer to limit production. However, by Wednesday, Iran's oil minister reported that a production limit deal was reached, sending oil prices higher.*

It was all about OPEC this week as oil prices surged on the surprising development. OPEC and Russia agreed on the sidelines of the Algiers summit and decided to limit oil production to the tune of nearly 700,000 barrels per day. Following the announced, WTI crude and Brent both rose sharply by Wednesday's close. The deal was the first agreement reached by OPEC since 2008 to limit output.

There are still a lot of details to emerge such as how much each country will cap its production. The follow through from Algiers is expected to be formalized at the next general body OPEC meeting in November in Vienna.



Source: OPEC Secretariat.

Members of the oil group are currently looking at putting a production limit between 32.5 - 30.0 million barrels a day, according to media reports. In the latest oil report released by OPEC, data showed that OPEC's production stood at 33.24 million barrels.

Phil Flynn, market analyst at Price Futures Group said, "OPEC has agreed to a cap production closer to levels they had back a few months ago. That means we will see cuts by Saudi Arabia and Russia, and Iran and Libya and Nigeria will be allowed to increase output,"

Further adding to the bullish news on Oil, the EIA's weekly crude oil inventory report showed a fourth consecutive week of declines in inventory, although the pace of draw downs were seen moderating. Still, the declining inventory report along with OPEC's news helped to support oil prices this week.

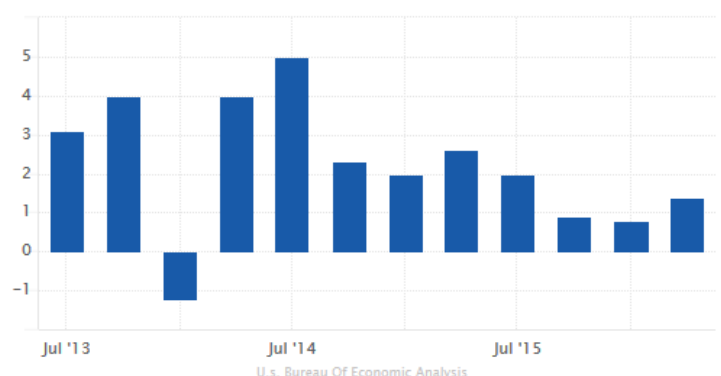
Equity markets rose on the news, lifting global indices while also commodity linked currencies and especially currencies such as the Canadian dollar and the Norwegian kroner were seen posting strong gains this week.

In the US, economic data this week included the US durable goods orders. Data showed that news orders for durable goods were unchanged in August, following a 0.70% declines previously. The markets were expecting durable goods orders to fall 1.50% in August. Excluding transportation,

durable goods fell 0.50% on the month, or about 1.30% lower from a year ago with the core durable goods orders down 1.10%.

The biggest declines came from lower orders for commercial aircraft and electrical equipment, appliances and components with gains from defense aircraft and motor vehicles rising. Data this week also included regional manufacturing index data. The Richmond Fed index covering the mid-Atlantic manufacturing sentiment rose to -8 in September from -11 in August. Although regional fed gauges were mixed, the broader outlook points to a positive print in the ISM due next week.

On the housing front, new home sales fell 7.60% in August to an annual rate of 609,000. However on a year over year basis, new home sales are up 20.60%. The monthly supply of new home rose to 4.6 in August from 4.2 in June due to slower pace of sales and an increase in inventory.



On Thursday, the second quarter GDP growth was revised higher to an annual rate of 1.40% compared to previous estimates of 1.10%. It was higher than the median estimates of 1.30% increase. The biggest upward revisions were seen in business investments, inventories and net exports while the largest positive contribution to real GDP came from consumer spending which continues to drive growth.

The GDP price index was unchanged at 2.30% on an annual basis while nominal GDP which includes real GDP and inflation rose 3.70% in the second quarter of this year. Compared to a year ago, nominal GDP rose 2.50%.

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**Week Ahead:** 3<sup>rd</sup> of October 2016, to 7<sup>th</sup> of October 2016

*The week ahead marks a busy week with a new month kicking off. On the agenda will be the RBA's interest rate decision as well as the all important US ISM manufacturing PMI and Friday's jobs report. With the Fed seen pushing rate hikes to the later part this year, economic data this week could continue shape the probability of a Fed rate hike in December.*

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The week ahead will see the markets focus on the economic indicators for September. In the US, the ISM manufacturing and non-manufacturing PMI's alongside the Friday's jobs report will be key. With the September FOMC meeting now a thing of the past, market participants will be looking at how the US economy fared, especially in light of weaker headline prints in the US economy.

The September ISM manufacturing survey report will be coming out on Monday and expectations are for a headline print above 50, after the index fell to 49.4 in August which was the weakest level seen this year since January. A move back above 50 could see some concerns of a slowdown ease. Later in the week, the non-manufacturing ISM survey, which was also weaker in August at 51.4 is expected to post a modest rebound.

The employment report for September is due to be released on Friday and will be the first of the three jobs report ahead of the December FOMC meeting. A continued job growth could see the

expectations of a December rate hike on the table. In August, nonfarm payrolls rose 151k, which was softer than expected, however potential revisions to the August data could be seen as bullish for the US dollar. The US unemployment rate is expected to remain steady at 4.90%, which remains just above the Fed's 4.80% estimates. Average hourly earnings which grew at a pace of 2.40% in August could also be seen higher in September according to some estimates.

In the UK focus turns to September PMI's from manufacturing, services and construction sectors. Market participants will be looking at whether the forward looking indicators will be able to continue to maintain the upward growth. The Bank of England will be closely watching the PMI numbers as the central bank signaled that it will decide in November whether to cut interest rates further. In the Euro area, the week is relatively quiet with the final PMI numbers due for September.

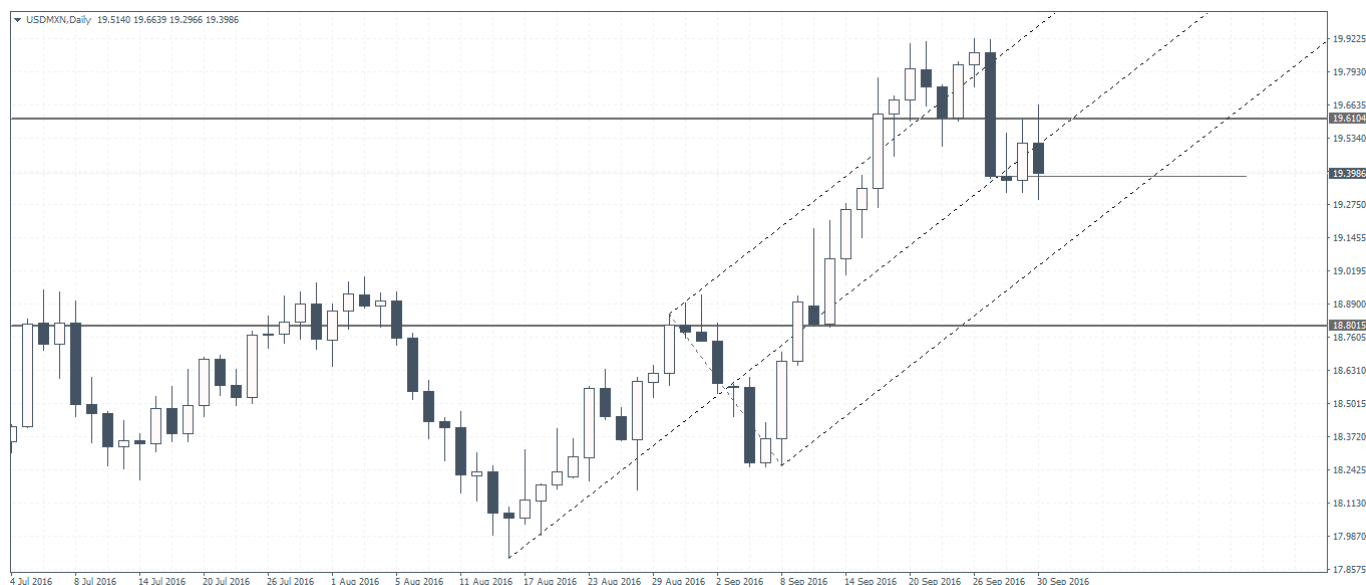
The RBA's interest rate decision is coming up next week. Economists expect to see no changes to the RBA interest rate which currently stands at 1.50%. The monetary policy meeting is the first under the new RBA Governor, Dr. Philip Lowe. At its last meeting minutes, the RBA said that the central bank was looking at a period of stability to interest rates. With the third quarter GDP and inflation reports coming out later in the month, the RBA is therefore expected to hold rates steady this week.

# TECHNICAL CORNER



USDMXN – Daily Chart (Biased to the short side)

**USDMXN** shot to the spotlight last week after the first presidential debate. While the Mexican peso posted strong gains earlier last week, prices posted a modest reversal later in the week and after the Mexican central bank hiked interest rates by 50bps, **USDMXN** was seen forming an outside bar. The retest to the previous minor support at 19.61 indicates further downside in store..



## USDMXN (19.398) – D1 Chart

19.385 remains the support to watch to the downside as a break down below this support could see prices fall towards 18.80 which was a resistance level that was broken earlier in September but hasn't been tested yet. The bearish bias is invalidated shoulders prices rally back above 19.61, in which case further gains could be expected. This week's data is busy for the US economy and therefore, expect to see some volatility in USDMXN.



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