

# orbex WEEKLY MARKETS REPORT



OVERWEEK  
BULLET POINTS



THE WEEK  
AHEAD



MARKETS  
PREVIEW



THE CHART OF  
THE WEEK

# OVERWEEK BULLET POINTS



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

---

- Japan tankan manufacturing index 6 vs. 7; non-manufacturing index 18 vs. 18
- Japan final manufacturing PMI 50.4 vs. 50.3
- Switzerland retail sales y/y -3.0% vs. -1.60%
- Spain manufacturing PMI 52.3 vs. 51.6
- Switzerland manufacturing PMI 53.2 vs. 51.9
- Italy manufacturing PMI 51.0 vs. 50.2
- French manufacturing PMI 49.7 vs. 49.5
- Germany manufacturing PMI 54.3 vs. 54.3
- Eurozone final manufacturing PMI 52.6 vs. 52.6
- UK manufacturing PMI 55.4 vs. 52.1
- Canada manufacturing PMI 50.3 vs. 51.5
- US final manufacturing PMI 51.5 vs. 51.4
- US ISM manufacturing PMI 51.5 vs. 50.4
- US construction spending m/m -0.70% vs. 0.30%
- US ISM manufacturing prices 53.0 vs. 53.5
- Japan monetary base y/y 22.70% vs. 23.4%
- Australia building approvals m/m -1.80% vs. -5.80%
- RBA leaves cash rate unchanged at 1.50%
- Japan consumer confidence 43.0 vs. 41.8
- UK construction PMI 52.3 vs. 49.1
- Eurozone PPI m/m -0.20% vs. 0.0%
- Australia retail sales m/m 0.40% vs. 0.20%
- Spain services PMI 54.7 vs. 54.8
- Italy services PMI 50.7 vs. 52.1
- France services PMI 53.3 vs. 54.1
- Germany services PMI 50.9 vs. 50.6
- Eurozone services PMI 52.2 vs. 52.1
- UK services PMI 52.6 vs. 52.1
- Eurozone retail sales m/m -0.10% vs. -0.10%
- ADP non-farm employment change 154k vs. 166k
- Canada trade balance -1.9bn vs. -2.5bn
- US trade balance -40.7bn vs. -41.1bn
- US final services PMI 52.3 vs. 51.9
- US ISM non-manufacturing PMI 57.1 vs. 53.1
- US factory orders m/m 0.20% vs. -0.40%
- US Crude oil inventories -3mn vs. 1.1mn
- Australia trade balance -2.01bn vs. -2.32bn
- Germany factory orders m/m 1.0% vs. 0.30%
- Switzerland CPI m/m 0.10% vs. 0.20%
- Eurozone retail PMI 49.6 vs. 51.0 previously
- UK housing equity withdrawal 1/1 -12.6bn vs. -5.4bn

- ECB releases monetary policy meeting accounts
- Canada building permits m/m 10.40% vs. 1.10%
- US weekly unemployment claims 249k vs. 255k
- Japan average cash earnings y/y -0.10% vs. 0.50%
- Germany industrial production m/m 2.50% vs. 1.10%
- French industrial production m/m 2.10% vs. 0.70%
- UK manufacturing production m/m 0.20% vs. 0.40%
- UK industrial production m/m -0.40% vs. 0.10%
- Canada employment change 67.2k vs. 8.5k
- Canada unemployment rate 7.0% vs. 7.0%
- US average hourly earnings m/m 0.20% vs. 0.20%
- US nonfarm employment change 156k vs. 171k
- US unemployment rate 5.0% vs. 4.90%
- Canada Ivey PMI 58.4 vs. 53.0
- FOMC member Mester speech
- FOMC member Fischer speech

# THE WEEK AHEAD



10<sup>th</sup> of October 2016, to 14<sup>th</sup> of October 2016

## IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

Date	Time	Currency	Event	Forecast	Previous
10-Oct	06:45	CHF	Unemployment Rate	3.40%	3.40%
	07:00	EUR	German Trade Balance	19.3B	19.4B
	10th-16th	CNY	M2 Money Supply y/y	11.60%	11.40%
	10th-16th	CNY	New Loans	1000B	949B
	09:00	EUR	Italian Industrial Production m/m	-0.20%	0.40%
	09:30	EUR	Sentix Investor Confidence	6.2	5.6
11-Oct	00:50	JPY	Current Account	1.58T	1.45T
		AUD	Home Loans m/m	-1.30%	-4.20%
	06:00	JPY	Economy Watchers Sentiment	45.9	45.6
	10:00	EUR	German ZEW Economic Sentiment	4.2	0.5
		EUR	ZEW Economic Sentiment	6.3	5.4
	13:15	CAD	Housing Starts	194K	182K
12-Oct	00:50	JPY	Core Machinery Orders m/m	-4.40%	4.90%
	07:00	EUR	German WPI m/m	0.30%	-0.70%
		JPY	Prelim Machine Tool Orders y/y		-8.40%
	07:45	EUR	French Final CPI m/m	-0.20%	-0.20%
	10:00	CHF	ZEW Economic Expectations		2.7
		EUR	Industrial Production m/m	1.40%	-1.10%
	13:00	USD	FOMC Member Dudley Speaks		
19:00	USD	FOMC Meeting Minutes			
13-Oct	00:50	JPY	Bank Lending y/y	2.00%	2.00%
	Tentative	CNY	Trade Balance	365B	346B
	Tentative	CNY	USD-Denominated Trade Balance	53.1B	52.1B
	05:30	JPY	Tertiary Industry Activity m/m	-0.20%	0.30%
	07:00	EUR	German Final CPI m/m	0.10%	0.10%
	13:30	CAD	NHPI m/m	0.30%	0.40%
		USD	Unemployment Claims	252K	249K
	USD	Import Prices m/m	0.10%	-0.20%	
14-Oct	00:50	JPY	M2 Money Stock y/y	3.40%	3.30%
		JPY	PPI y/y	-3.20%	-3.60%
	01:30	AUD	RBA Financial Stability Review		
	02:30	CNY	CPI y/y	1.60%	1.30%
		CNY	PPI y/y	-0.40%	-0.80%
	14th-18th	CNY	Foreign Direct Investment ytd/y		4.50%
	08:15	CHF	PPI m/m	0.10%	-0.30%
		GBP	Construction Output m/m	0.00%	0.00%
	10:00	EUR	Trade Balance	20.5B	20.0B
	13:30	USD	Core Retail Sales m/m	0.40%	-0.10%
		USD	PPI m/m	0.20%	0.00%
		USD	Retail Sales m/m	0.60%	-0.30%
		USD	Core PPI m/m	0.10%	0.10%
	USD	FOMC Member Rosengren Speaks			

	15:00	USD	Prelim UoM Consumer Sentiment	92.1	91.2
		USD	Business Inventories m/m	0.10%	0.00%
		USD	Prelim UoM Inflation Expectations		2.40%
	18:30	USD	Fed Chair Yellen Speaks		

Time: GMT+1

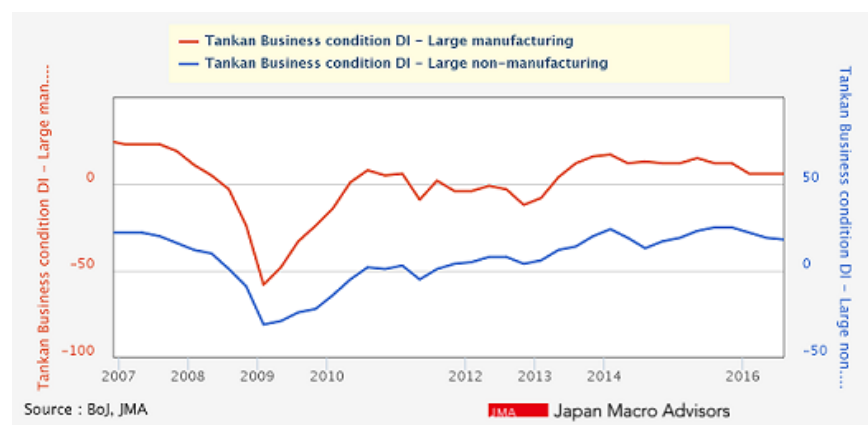


# MARKETS PREVIEW

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

The British pound stole the headlines last week after Prime Minister, Theresa May announced that her government would invoke Article 50 by March 2017. The news sent the GBP lower during the week with Friday seeing a mini-flash crash sending GBPUSD to three decade lows. In the US, economic data was broadly positive but for Friday's payrolls report which showed that US unemployment rate rising to 5.0%.

## Japan Tankan Surveys stable, but weak



The week kicked with Japan's Tankan surveys released on Monday. The surveys showed that business conditions remained fairly stable despite forecasts of a stronger yen. The BoJ's Tankan survey forecasts the yen at 107.92 to the dollar, slightly lower than 111.41Yen forecasts made in June.

The index of conditions for manufacturers was at 6, one point short of expectations and same as

in the second quarter. The index of conditions for non-manufacturers fell to 19 in Q3, one point higher from the June quarter's reading of 18. Business conditions also showed an improvement in the small and medium sized enterprises.

For the fiscal year ending March 2017, large businesses forecast a 6.30% increase in capital expenditure while small businesses expected a 9 percent drop. The yen was however relatively weaker this week. After posting an 8 day winning streak, USDJPY was seen pulling back from the 104.00 resistance level.

## Reserve Bank of Australia keeps rates steady



The Reserve Bank of Australia met last week. In the first meeting with the new RBA Governor, Philip Lowe, the central bank held interest rate at 1.50%, unchanged.

The RBA's rate decision was widely expected and the statement said that the Australian economy **"is continuing to grow at a moderate rate."** The statement reflected the RBA's patience in

dealing with low inflation rates, stating **"given very subdued growth in labour costs and very low cost pressures elsewhere in the world, this is expected to remain the case for some time."**

Retail sales numbers were also released last week with the data from the Australian Bureau of Statistics showing that retail sales rose 0.40% in August. The increase in spending was driven by higher household income and lower unemployment rate. The increase in retail sales in August was the first biggest gain nearly seven months and offered some respite for the RBA.

Kate Hickie from Capital Economics said, ***"Looking ahead, while low income growth has weighed more heavily on retail sales recently, with consumer confidence remaining decent and the interest rate cut in August providing a boost to disposable incomes, we doubt that sales will weaken significantly from here."***

### **British pound hit as PM May announces date for triggering Article 50**

The British pound was under pressure this week as the cable broke through the June 23 Brexit lows to post a fresh 31-year low at \$1.20 briefly on Friday morning. The GBP was under pressure for the most part of last week. British Prime Minister, Theresa May announced that her government will invoke Article 50 before March 2017, setting the timeline for negotiation its way out of the EU.

Following her comments, EU leaders took a hard stance with comments from both German and French leaders, Merkel and Hollande who stated that the UK will not get any special treatment. Although the pound sterling remained weak, it was Friday's 4 percent drop during the Asian session that sent the GBP to lows of \$1.1992 before managing to recover by the European open.

### **US unemployment rate rises to 5.0%, payrolls rise less than expected**



Friday's payrolls report presented a mixed bag. While the US economy added 156k jobs in September the unemployment rose to 5.0%, snapping out from a three month steady pace of 4.90%. Wage growth was also slower than expected, rising only 0.20% during the month. However, past revisions to

August and July showed the economy adding 167k jobs in August and 252k jobs in July which was lower than the 275k that was initially reported.

Friday's payrolls report was the first disappointment in what would have otherwise been a week of positive data. Both the ISM surveys showed a strong rebound with manufacturing index rising to 51.5 and non-manufacturing index hitting a high of 57.3

---

**Week Ahead:** 10<sup>th</sup> of October 2016, to 14<sup>th</sup> of October 2016

*The week ahead is relatively quiet as far as economic data is concerned. However, the Brexit and also the second US presidential debate will be the key themes that could shape the markets next week. And to top it off, the FOMC meeting minutes will likely reveal how close the Fed was to hiking rates in September.*

US presidential candidates, Hillary Clinton (D) and Donald Trump (R) will be back for a second round of the presidential debate. Scheduled for Sunday night (Eastern Standard time) the debate changes format to a town hall meeting. Both the candidates will be fielding questions from participants with half the time dedicated to carefully selected topics by the moderator.

The first presidential debate went down with a whimper, although the markets were jittery heading into the event. With Trump's lackluster performance, the writing was clear as USDMXN turned volatile, clearing giving a victory to Democratic candidate, Hillary Clinton.

On the economic front, the September FOMC meeting minutes will be released this week. Although the Fed had held interest rates steady, it signaled intentions to hike rates at least one more time before the end of the year. September's FOMC meeting was also marked by three dissenters who voted for a rate hike of 25bps.

The focus of the meeting minutes will therefore be as to how close the Fed got to hiking rates and could also provide more clarity as to what indicators to look for to ascertain the case for a rate hike.

Fed Chair, Janet Yellen will also be speaking this coming week, which is an added event risk.

Data from Europe is quiet with only the German ZEW economic sentiment due for release on Tuesday. For the remainder of the week, regional inflation figures from Germany and France make up for the data. Also on tap is China's inflation numbers which will be coming out on Friday.



# TECHNICAL CORNER



XAUUSD – Daily Chart (Biased to the long side)

**XAUUSD** prices fell sharply last week losing over \$50 for the week following the large descending triangle pattern that was formed. The declines saw gold prices testing \$1250 support on Friday. The sharp fall in gold prices took many by surprise but the technical pattern of the descending triangle showed the potential downside risk. With prices now reaching the minimum measured target of \$1250, gold price could likely rebound in the coming week.



## XAUUSD (1256.06) – D1 Chart

Of importance is the Friday's doji close on gold near the support level of 1250. This is an important trend exhaustion pattern which comes after strong declines and therefore its significance increases when near the current support of \$1250. As long as the doji low is not breached, we can expect a rebound in gold prices back to the broken support level of 1310 – 1300. A rally to this level will mark a retest of this broken support that could now turn to resistance. Look for a bullish session on Monday or Tuesday to trade gold to the long side, targeting \$1300. The bullish bias remains invalidated if gold prices fall below \$1250.00

# DISCLAIMER

The information contained in this publication is produced by ORBEX LTD and not intended as an offer or solicitation for the purchase or sale of any financial instrument. Any opinion offered herein reflects ORBEX LTD current judgment and may change without notice. This message is for information purposes only and is not intended as an offer, recommendation or solicitation to buy or sell, nor is it an official confirmation of terms. No representation or warranty is made that this information is complete or accurate. Any views or opinions expressed do not necessarily represent those ORBEX LTD. This email and the information it contains may be confidential, proprietary or legally privileged. If you receive this message in error, please notify the sender and delete it from your system. You must not, directly or indirectly, use, disclose, distribute, copy or store this message or any part of it if you are not the intended recipient. Unless otherwise stated, any pricing information given in this email is indicative only, is subject to changes and does not constitute an offer to deal at any price quoted.