

# orbex WEEKLY MARKETS REPORT



OVERWEEK  
BULLET POINTS



THE WEEK  
AHEAD



MARKETS  
PREVIEW



THE CHART OF  
THE WEEK

# OVERWEEK BULLET POINTS



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

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- Switzerland unemployment rate 3.30% vs. 3.40%
- Germany trade balance 22.2bn vs. 19.3bn
- Eurozone Sentix investor confidence 8.5 vs. 6.2
- Japan current account 1.98tn vs. 1.58tn
- Australia home loans m/m -3.0% vs. 1.30%
- Japan economy watchers sentiment 44.8bn vs. 45.9bn
- Germany ZEW economic sentiment 6.2 vs. 4.2
- Eurozone ZEW economic sentiment 12.3 vs. 6.3
- US NFIB small business index 94.1 vs. 95.2
- Canada housing starts 221k vs. 194k
- Japan core machinery orders m/m -2.20% vs. -4.40%
- France final CPI m/m -0.20% vs. -0.20%
- Eurozone industrial production m/m 1.60% vs. 1.40%
- FOMC Member Dudley speech
- FOMC Member George speech
- FOMC meeting minutes
- UK RICS House price balance 17% vs. 14%
- Japan bank lending y/y 2.20% vs. 2.0%
- Australia MI inflation expectations 3.70% vs. 3.30% previously
- China trade balance 278bn vs. 365bn
- China USD trade balance 42.0bn vs. 53.1bn
- German final CPI m/m 0.10% vs. 0.10%
- China FDI ytd/y 4.20% vs. 4.50% previously
- US unemployment claims 246k vs. 252k
- US import prices m/m 0.10% vs. 0.10%
- Japan PPI t/t -3.20% vs. -3.20%
- RBA releases financial stability review
- China CPI y/y 1.90% vs. 1.60%
- China PPI y/y 0.10% vs. -0.40%
- Switzerland PPI m/m 0.30% vs. 0.10%
- UK Construction output m/m -1.50% vs. 0.0%
- Eurozone trade balance 23.3bn vs. 20.5bn
- US Core retail sales m/m 0.50% vs. 0.40%; retail sales m/m 0.60% vs. 0.60%
- US PPI m/m 0.30% vs. 0.20%; Core PPI m/m 0.20% vs. 0.10%
- FOMC Member Rosengren speech
- BoE Gov. Carney speech
- US Prelim UoM Consumer sentiment 87.9 vs. 92.1
- US business inventories m/m 0.20% vs. 0.10%
- Fed Chair Yellen speech

# THE WEEK AHEAD



17<sup>th</sup> of October 2016, to 21<sup>st</sup> of October 2016

## IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

Date	Time	Currency	Event	Forecast	Previous
17-Oct	05:30	JPY	Revised Industrial Production m/m	1.50%	1.50%
	17th-19th	CNY	M2 Money Supply y/y	11.60%	11.40%
	17th-19th	CNY	New Loans	1000B	949B
	09:00	EUR	Italian Trade Balance	4.25B	7.80B
	10:00	EUR	Final CPI y/y	0.40%	0.40%
		EUR	Final Core CPI y/y	0.80%	0.80%
	13:30	CAD	Foreign Securities Purchases	6.24B	5.23B
		USD	Empire State Manufacturing Index	1.1	-2
	14:15	USD	Capacity Utilization Rate	75.60%	75.50%
		USD	Industrial Production m/m	0.30%	-0.40%
	14:30	GBP	CB Leading Index m/m		0.00%
	17:15	USD	FOMC Member Fischer Speaks		
	18:35	EUR	ECB President Draghi Speaks		
		EUR	German Buba President Weidmann Speaks		
	22:10	AUD	RBA Gov Lowe Speaks		
	22:45	NZD	CPI q/q	0.00%	0.40%
	18-Oct	01:30	AUD	Monetary Policy Meeting Minutes	
		AUD	New Motor Vehicle Sales m/m		0.10%
09:30		GBP	CPI y/y	0.90%	0.60%
		GBP	PPI Input m/m	0.40%	0.20%
		GBP	RPI y/y	2.00%	1.80%
		GBP	Core CPI y/y	1.40%	1.30%
		GBP	HPI y/y	7.90%	8.30%
		GBP	PPI Output m/m	0.20%	0.10%
13:30		CAD	Manufacturing Sales m/m	0.30%	0.10%
		USD	CPI m/m	0.30%	0.20%
		USD	Core CPI m/m	0.20%	0.30%
15:00		USD	NAHB Housing Market Index	64	65
19-Oct	00:30	AUD	MI Leading Index m/m		0.00%
	03:00	CNY	GDP q/y	6.70%	6.70%
		CNY	Industrial Production y/y	6.40%	6.30%
		CNY	Fixed Asset Investment ytd/y	8.20%	8.10%
		CNY	Retail Sales y/y	10.70%	10.60%
	05:30	JPY	All Industries Activity m/m	0.20%	0.30%
	09:30	GBP	Average Earnings Index 3m/y	2.30%	2.30%
		GBP	Claimant Count Change	3.4K	2.4K
		GBP	Unemployment Rate	4.90%	4.90%
	13:30	USD	Building Permits	1.17M	1.14M
		USD	Housing Starts	1.18M	1.14M
	15:00	CAD	BOC Monetary Policy Report		

		CAD	BOC Rate Statement		
	15:30	CAD	Overnight Rate	0.50%	0.50%
	16:15	AUD	CB Leading Index m/m		0.40%
		CAD	BOC Press Conference		
20-Oct	00:45	USD	FOMC Member Dudley Speaks		
	01:30	AUD	Employment Change	15.2K	-3.9K
		AUD	Unemployment Rate	5.70%	5.60%
	07:00	CHF	Trade Balance	3.27B	3.02B
		EUR	German PPI m/m	0.30%	-0.10%
	09:00	EUR	Current Account	24.3B	21.0B
	09:30	GBP	Retail Sales m/m	0.30%	-0.20%
	Day 1	EUR	EU Economic Summit		
	12:45	EUR	Minimum Bid Rate	0.00%	0.00%
	13:30	EUR	ECB Press Conference		
		USD	Philly Fed Manufacturing Index	5.2	12.8
		USD	Unemployment Claims	251K	246K
	15:00	USD	Existing Home Sales	5.36M	5.33M
		USD	CB Leading Index m/m	0.20%	-0.20%
21-Oct	09:30	GBP	Public Sector Net Borrowing	8.6B	10.1B
	Day 2	EUR	EU Economic Summit		
	13:30	CAD	Core CPI m/m	0.20%	0.00%
		CAD	Core Retail Sales m/m	0.40%	-0.10%
		CAD	CPI m/m	0.20%	-0.20%
		CAD	Retail Sales m/m	0.50%	-0.10%
	15:00	EUR	Consumer Confidence	-8	-8
	15:15	USD	FOMC Member Tarullo Speaks		

Time: GMT+1



# MARKETS PREVIEW

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

*It was a slow week of sorts with US and Canadian markets closed on Monday. However, the markets got off a quick start after the second US presidential debate was held late on Sunday, Eastern Time. The markets gave Democratic candidate, Hillary Clinton another victory as Trump's campaign was seen losing steam into the crucial weeks leading to the US general elections. The British pound continued to remain under pressure but the sterling managed to post a rather modest recovery mid-week.*

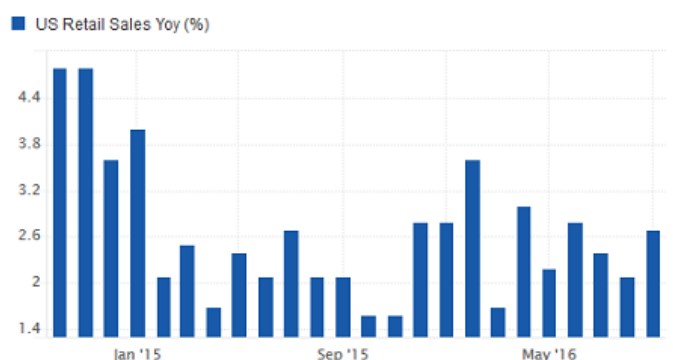
## GBP closes another week on a bearish note

The British pound resumed its declines this week after prices pulled back from lows of 1.2020 last week. The GBP managed to post a modest recovery after news reports showed that British PM Theresa May agreed to a Parliamentary vote on her Brexit terms. It was a stark reversal from her earlier stance of dealing with the Brexit terms on her own. The government was also hit by lawsuits with some alleging that May was **"engaging in a reckless political move that trampled upon centuries of legal precedent."**

In Scotland, there were also new developments as First minister; Nicola Sturgeon said that a draft independence referendum bill will be published this coming week. The news see's renewed threats for a breakup of the UK.

The weaker British pound has also seen a recover in the economy, largely to the export side but now inflationary pressures are likely to hit UK consumers. Last week a tussle between consumer brands, Unilever and Tesco on pricing of Marmite, one of the most widely used breakfast spreads in the UK.

## FOMC meeting minutes showed divided consensus



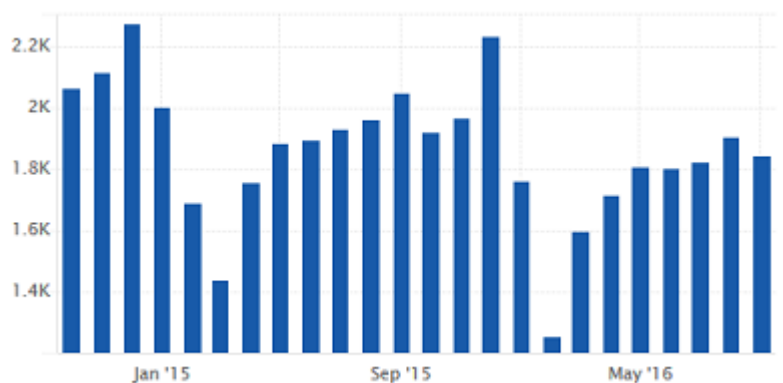
This week saw the release of the Fed's meeting minutes from the September 20 - 21 monetary policy meeting. The minutes showed that the case for a rate hike or to keep rates unchanged at the September meeting was evenly balanced.

However, with many members agreeing that a rate hike is appropriate, the markets are now widely expecting another rate hike from the Federal Reserve in December, nearly a year after the Fed hiked interest rate for the first time in a decade.

The CME Futures' Fed funds tool was also seen rising to 60% by Friday afternoon, indicating that the market expectations is in line with the Fed's outlook on rates.

In economic news, US import prices data saw a modest increase in September. The report from the US labor department showed that import prices rose 0.10% in September after falling 0.20% in August. The increase in import prices came on higher fueled imports which jumped 1.10% in September. Export prices rose 0.30% during the same period showing a recovery from the 0.80% decline in the previous month. On Friday, producer prices index increased 0.30% in September, compared to a month ago, rising above estimates of 0.20%. On a year over year basis, US PPI is up 0.70%, marking the largest increase since December 2014. Friday also saw the release of US retail sales which showed a 0.60% increase in September compared to a month ago, matching economist estimates. September's rebound in retail sales came after the 0.20% decline in August.

### China's Producer Prices rise for the first time in nearly 5 years



China's inflation at factory gate or Producer price index grew 0.10% in September, according to official data released on Friday. The increase in PPI marked the first positive increase in PPI in nearly 5-years. Over the past few months, China's PPI was seen to be improving moderately.

inflation rising more than expected at 1.90% on the year. Analysts were expecting to see CPI to rise 1.60% on the year.

Consumer prices were also upbeat with official data showing the headline

Alex Wong, director of asset management at Ample Capital said, ***"The PPI actually had been improving for quite a while and this time it turned positive. That showed the capacity consolidation has been doing some progress. So I think that will be helpful at least for the manufacturing sectors."***

The positive data came just a day before when export data from China sent the markets briefly lower. Data showed that exports fell 5.60% on an annualized basis, marking the first drop since February when exports fell 20.6%. Imports for September grew at a modest pace of only 2.20%, which was lower than 10.80% growth in August on the basis of local currency.

**Week Ahead:** 17<sup>th</sup> of October 2016, to 21<sup>st</sup> of October 2016

*The week ahead will see central bank meetings from the Bank of Canada and the ECB. No policy changes are expected at both the meetings this week. In the US, traders will be looking to the inflation data coming up on Friday while Australia and the UK brace for the September jobs report.*

The third and final presidential debate will be held on October 19<sup>th</sup> at University of Nevada, Las Vegas which will see Trump and Clinton face off for the last time before the general elections in November. With Trump failing to score a victory in the first two debates, the pressure is on Trump at a debate which will see key issues such as immigration and economy being the main talking points.

The ECB's monetary policy meeting will be in focus as the central bank meets on Thursday. Ahead of the meeting, Eurozone final inflation figures will be released on Monday with forecasts showing a confirmation that headline inflation rose 0.40% and 0.80% on the core, on a year over year basis. No policy changes are expected on the October 20th meeting but questions on potential QE tapering and prospects on QE easing will be likely raised during the press conference. The meeting could however risk an upside move in EURUSD which has been trending weaker last week breaking out from its range above \$1.1200 to falling to lows below \$1.1000.

The week will be busy for the Canadian dollar which will see the release of retail sales, inflation and the Bank of Canada monetary policy meeting. The BoC is expected to leave interest rate unchanged at 0.50% at this week's meeting, but could keep a dovish tone. However, recent upbeat economic data is likely to see a more guarded response from the BoC. Inflation data this week is expected to show consumer prices rising 0.20% on the month, following a 0.20% decline previously. Core retail sales are also expected to pick up, rising 0.20% following a flat print previously. Retail sales numbers are poised to show a strong rebound with core retail sales expected to rise 0.40% while headline retail sales is forecast to rise 0.50% on a month over month basis.

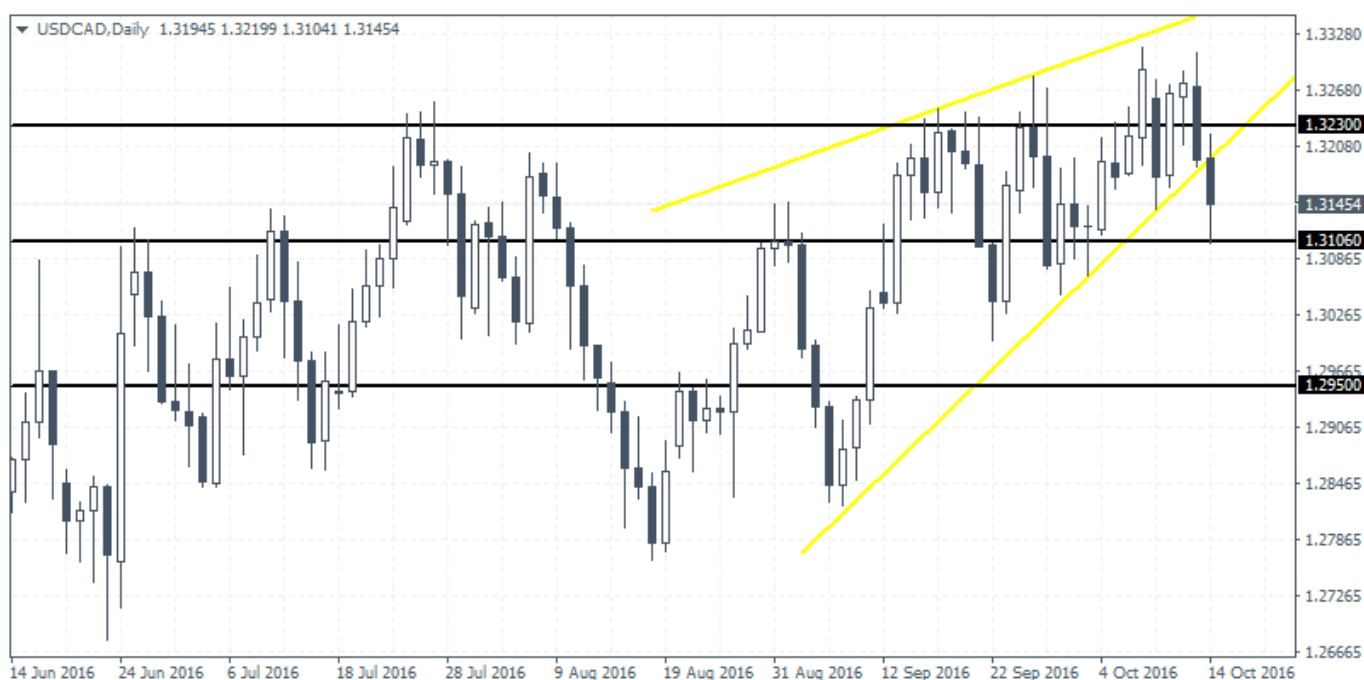
From the US, economic data will include September's inflation report and industrial production numbers from August. The CPI data, due out on Tuesday is expected to show continued improvement in the outlook which could eventually boost the case for a Fed rate hike in December. Industrial production numbers, due on Monday is also expected to rebound after a brief spell of weakness in August. The bullish view is supported by a rebound in the ISM manufacturing index which suggested a near term improvement in sentiment.

# TECHNICAL CORNER



USDCAD – Daily Chart (Biased to the short side)

**USDCAD** closed the week with an inside bar which comes within a tight upward move over the previous weeks. With prices rallying to highs close to 1.3000, Friday's price action showed a breakout from the rising wedge pattern. We could therefore expect to see a near term decline to the downside. While USDCAD managed to briefly test the initial support at 1.3106, we expect to see a near term retracement back to 1.3230 level where resistance is very likely to be established and also marking a retest of the breakout level..



**USDCAD (1.3145) – D1 Chart**

Watch for a potential rebound in prices towards 1.3230 over the next week with a potential reversal candlestick pattern near 1.3230 confirming the move to the downside. Prices will be testing the support level of 1.3106 once again and a breach of this support could send USDCAD lower towards 1.2950 support, which will mark a near term completion of the retracement to the downside.



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