

orbex WEEKLY MARKETS REPORT



OVERWEEK
BULLET POINTS



THE WEEK
AHEAD



MARKETS
PREVIEW



THE CHART OF
THE WEEK

orbex
Serving Traders Responsibly

ORBEX Research Department

24th of October 2016, to 28th of October 2016

OVERWEEK BULLET POINTS



Last Week: 17th of October 2016, to 21st of October 2016

- UK Right move HPI m/m 0.90% vs. 0.70% previously
- Japan revised industrial production m/m 1.30% vs. 1.50%
- Eurozone final CPI y/y 0.40% vs. 0.40%; final core CPI y/y 0.80% vs. 0.80%
- Canada foreign securities purchases 12.74bn vs. 6.24bn
- US Empire state manufacturing index -6.8 vs. 1.1
- US capacity utilization rate 75.4% vs. 75.6%
- MPC member Broadbent speech
- FOMC member Fischer speech
- ECB president Draghi speech
- New Zealand CPI q/q 0.20% vs. 0.00%
- RBA releases monetary policy meeting minutes
- Australia new motor vehicle sales m/m 2.50% vs. 0.0% previously
- China M2 money supply y/y 11.5% vs. 11.6%
- China new loans 1220bn vs. 1000bn
- UK CPI y/y 1.0% vs. 0.90%; Core CPI y/y 1.50% vs. 1.40%
- UK PPI input m/m 0.0% vs. 0.40%; PPI output m/m 0.20% vs. 0.20%
- Canada manufacturing sales m/m 0.90% vs. 0.30%
- US CPI m/m 0.30% vs. 0.30%; core CPI 0.10% vs. 0.20%
- US NAHB housing market index 63 vs. 64
- China GDP q/y 6.7% vs. 6.7%
- China industrial production y/y 6.1% vs. 6.4%
- China fixed asset investment ytd/y 8.2% vs. 8.2%
- China retail sales y/y 10.7% vs. 10.7%
- UK average earnings index 3m/y 2.3% vs. 2.3%
- UK claimant count change 0.7k vs. 3.4k
- UK unemployment rate 4.9% vs. 4.9%
- US building permits 1.23mn vs. 1.17mn
- US housing starts 1.05mn vs. 1.18mn
- BoC overnight rate 0.50% vs. 0.50%
- BoC monetary policy report
- US crude oil inventories -5.2mn vs. 2.2mn
- MPC Member Haldane speech
- FOMC member Dudley speech
- Australia employment change -9.8k vs. 15.2k
- Australia unemployment rate 5.6% vs. 5.7%
- Switzerland trade balance 4.37bn vs. 3.27bn
- Germany PPI m/m -0.2% vs. 0.30%
- Eurozone current account 29.7bn vs. 24.3bn
- UK retail sales m/m 0.0% vs. 0.30%
- ECB leaves minimum bid rate unchanged at 0.0%

- ECB press conference
- US Philly Fed manufacturing index 9.7 vs. 5.2
- US unemployment claims 260k vs. 251k
- FOMC member Dudley speech
- MPC Member Shafik speech
- US existing home sales 5.47mn vs. 5.36mn
- CB leading index m/m 0.2% vs. 0.2%
- BoJ Governor Kuroda speech
- New Zealand credit card spending y/y 8.2% vs. 2.0% previously
- UK public sector net borrowing 10.1bn vs. 8.6bn
- Canada core CPI m/m 0.2% vs. 0.2%; CPI m/m 0.1% vs. 0.2%
- Canada core retail sales m/m 0.0% vs. 0.4%; retail sales m/m -0.1% vs. 0.5%

THE WEEK AHEAD



17th of October 2016, to 21st of October 2016

IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

Date	Time	Currency	Event	Forecast	Previous
24-Oct	00:50	JPY	Trade Balance	0.21T	0.41T
	01:30	JPY	Flash Manufacturing PMI	50.6	50.4
	07:30	GBP	MPC Member Shafik Speaks		
	08:00	EUR	French Flash Manufacturing PMI	50.2	49.7
		EUR	French Flash Services PMI	54.1	53.3
	08:30	EUR	German Flash Manufacturing PMI	54.3	54.3
		EUR	German Flash Services PMI	51.9	50.9
	09:00	EUR	Flash Manufacturing PMI	52.7	52.6
		EUR	Flash Services PMI	52.4	52.2
	11:00	EUR	German Buba Monthly Report		
	13:30	CAD	Wholesale Sales m/m	0.20%	0.30%
	14:00	CNY	CB Leading Index m/m		0.90%
		USD	FOMC Member Dudley Speaks		
	14:05	USD	FOMC Member Bullard Speaks		
	14:45	USD	Flash Manufacturing PMI	51.6	51.5
19:00	USD	FOMC Member Powell Speaks			
25-Oct	09:00	EUR	German Ifo Business Climate	109.6	109.5
	14:00	USD	HPI m/m	0.50%	0.50%
		USD	S&P/CS Composite-20 HPI y/y	5.10%	5.00%
	15:00	USD	CB Consumer Confidence	101.5	104.1
		USD	Richmond Manufacturing Index	-5	-8
	15:35	GBP	BOE Gov Carney Speaks		
16:30	EUR	ECB President Draghi Speaks			
26-Oct	00:50	JPY	SPPI y/y	0.20%	0.20%
	01:30	AUD	CPI q/q	0.50%	0.40%
		AUD	Trimmed Mean CPI q/q	0.40%	0.50%
	07:00	EUR	GfK German Consumer Climate	10.1	10
	08:00	EUR	German Import Prices m/m	0.10%	-0.20%
	13:30	USD	Goods Trade Balance	-60.6B	-59.2B
		USD	Prelim Wholesale Inventories m/m	0.10%	-0.20%
	14:45	USD	Flash Services PMI	52.4	52.3
	15:00	USD	New Home Sales	601K	609K
22:45	NZD	Trade Balance	-1125M	-1265M	
27-Oct	01:30	AUD	Import Prices q/q	-0.70%	-1.00%
	07:00	CHF	UBS Consumption Indicator		1.53
	09:00	EUR	M3 Money Supply y/y	5.10%	5.10%
		EUR	Private Loans y/y	1.90%	1.80%
	09:30	GBP	Prelim GDP q/q	0.30%	0.70%
		GBP	Index of Services 3m/3m	0.80%	0.60%
	13:30	USD	Core Durable Goods Orders m/m	0.20%	-0.20%
		USD	Unemployment Claims	261K	260K
	USD	Durable Goods Orders m/m	0.10%	0.10%	

	15:00	USD	Pending Home Sales m/m	1.20%	-2.40%
28-Oct	00:30	JPY	Household Spending y/y	-2.60%	-4.60%
		JPY	Tokyo Core CPI y/y	-0.50%	-0.50%
		JPY	National Core CPI y/y	-0.50%	-0.50%
		JPY	Unemployment Rate	3.10%	3.10%
	01:30	AUD	PPI q/q	0.60%	0.10%
	06:00	JPY	BOJ Core CPI y/y	0.30%	0.40%
	06:30	EUR	French Prelim GDP q/q	0.30%	-0.10%
	All Day	EUR	German Prelim CPI m/m	0.10%	0.10%
	07:45	EUR	French Consumer Spending m/m	0.30%	0.70%
		EUR	French Prelim CPI m/m	0.20%	-0.20%
		EUR	Spanish Flash CPI y/y	0.30%	0.20%
		EUR	Spanish Flash GDP q/q	0.70%	0.80%
		13:30	USD	Advance GDP q/q	2.50%
		USD	Advance GDP Price Index q/q	1.30%	2.30%
		USD	Employment Cost Index q/q	0.60%	0.60%
	15:00	USD	Revised UoM Consumer Sentiment	88.2	87.9

Time: GMT+1



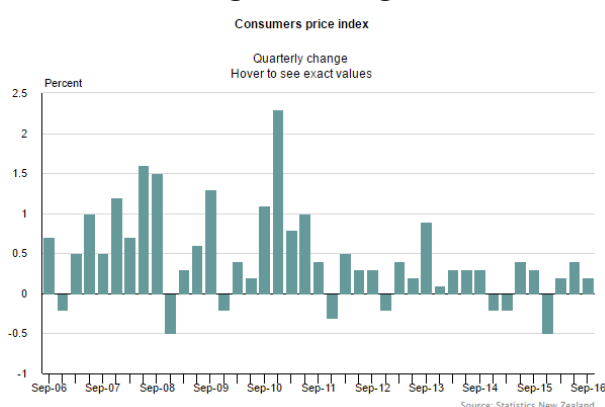
MARKETS PREVIEW

Last Week: 17th of October 2016, to 21st of October 2016

Central bank meetings this week saw both the Bank of Canada and the ECB holding rates steady without anything much to offer in terms of forward guidance. For its part, the BoC's monetary policy statement was more dovish than expected sparking a decline in the Canadian dollar. On the economic front, data from the UK saw the unemployment rate steady at 4.9% while the average earnings index was steady at 2.3%, matching expectations. Retail sales however stayed flat in September. In the US, inflation grew 0.3% as expected but core inflation rose only 0.1% less than the forecasts of 0.2%. Housing data was also mixed over the week with building permits rising 1.23mn while housing starts rose only 1.05 million missing forecasts of 1.18mn.

New Zealand inflation in third quarter picks up

Consumer prices in New Zealand rose at a pace of 0.20% in the quarter ending September, pushing the annual inflation rate down to 0.20%, from 0.40% in Q2. The results were in line with median estimates although a bit higher than the RBNZ's forecasts. Soft petrol prices and transport costs were offset by increase in housing and construction. Construction costs rose 2.0% in the quarter. Despite the better than expected inflation data, it is unlikely to change the RBNZ's next policy decision which is due in November.



ANZ senior economist Philip Borkin said the main surprise was the quarter's stronger tradable prices, but it remained to be seen whether it was a turning point. **"Whatever the case, base effects should mean that Q3 marks the low for annual headline inflation. The result will not stand in the way of the Reserve Bank cutting the**

OCR again next month, but it raised the question of whether there will be additional easing beyond that," Borkin said.

Many analysts expect the RBNZ to deliver a 25bps rate cut. Later in the week, New Zealand's global dairy trade index data showed an increase of 1.40% on the headline index. However, it was a mixed result for most of the products. Milk products rose 2.90%. The higher GDT was attributed to Fonterra's announcement that it would be reducing the amount of products on offer due to wet weather in recent weeks.

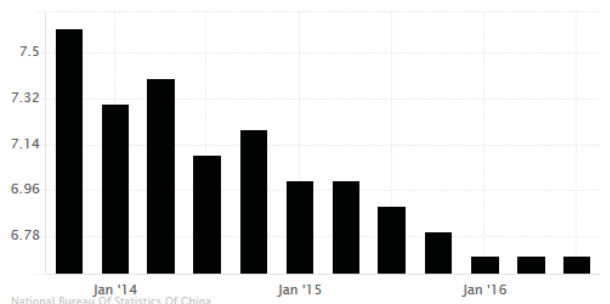
China's GDP growth recorded at 6.70%

Economic growth in China was seen to be stable in the third quarter, rising at a pace of 6.70% on an annualized basis. It was lower than the full year growth target of 7.0%. On a quarterly basis, China's GDP was seen rising at a pace of 1.80%.

Most of the gains came from the services sector which recorded the fastest pace of expansion in the nine months this year to expand at a rate of 7.60%.

The third quarter GDP numbers underlined China's shift to a consumer oriented economy which also saw retail sales accelerating at a pace of 10.6% while industrial production rose by a modest 6.10%. In the public sector, investment spending continued to increase as fixed-asset investment rose 8.2% from January through September.

■ CN GDP Annual Growth Rate (%)



Julian Evans-Pritchard of Capital Economics said on the data that **"Economic activity seems to be holding up reasonably well, with few signs that a renewed slowdown is just around the corner."** Despite the fairly modest data, analysts caution that growth could slow next year citing the recent surge in growth was on

account of a surge in bank lending and real estate prices, both of which remain key risks which officials are expected to rein in.

ECB holds policy steady, offers no clue on QE

The European Central bank kept its key policy rates unchanged for a fifth consecutive month while retaining its asset purchases without offering further clues. The markets were a bit disappointed as Draghi made it clear that there was no discussion on QE tapering or extending QE purchases beyond the March 2017 deadline. The ECB's governing council, presided by Mario Draghi saw the refi rates unchanged at zero percent with the deposit rates maintained at -0.4 percent and the marginal lending facility, unchanged at 0.25 percent. All three rates were last cut in the March meeting.

The ECB's statement said, **"The Governing Council continues to expect the key ECB interest rates to remain at present or lower** levels for an extended period of time, and well past the horizon of the net asset purchases."

The central bank also affirmed its commitment to QE by retaining the monthly asset purchases to the tune of 80 billion euro and is expected to run its course until the end of March 2017 or beyond if necessary.

The markets were understably nervous into the ECB's meeting and press conference. The euro initially spiked briefly above \$1.10 on the news that there was no QE tapering discussed. However, price soon settled into range giving up its previous gains as EURUSD fell sharply to lows below \$1.0900

Week Ahead: 24th of October 2016, to 28th of October 2016

The week ahead is relatively quiet with preliminary PMI numbers coming up over the week. In the UK, the Bank of England's inflation report hearings will be under way while Australia awaits the third quarter inflation numbers which is likely to be a key data point ahead of the RBA's meeting in November. In the US, all eyes turn to the upcoming preliminary GDP release for the third quarter.

A quiet week for the US dollar slowly gathers pace from Thursday as the durable goods orders for September will be released. Economists expect the headline durable goods orders to rise 0.10%

following a 0.10% revised print for August, while the core durable goods orders are expected to rise 0.20% during the report month, reversing the 0.20% declines previously. The stage is later set for the preliminary GDP print for the third quarter. Expectations show that economists forecast a 2.5% increase in GDP during the third quarter. A match on the estimates could confirm a pick up in activity in the US economy during the third quarter and could keep rate hike speculation alive into the December meeting.

Some Fed member speeches are also scheduled over the week which is will be last ahead of the blackout period that starts from October 25 before the November FOMC meeting. Markets currently price in a 20% chance for a rate hike in November which comes just one week before the US general elections.

In the eurozone, economic data is limited to flash PMI numbers from Germany and France. French preliminary GDP numbers will be released this week as well while from Germany, the Ifo business climate reading will be released.

The UK will also be seeing its first estimates of the third quarter GDP. Currently, the markets are expecting a print of 0.30% in the third quarter, which is almost half of the GDP growth of 0.70% recorded in the third quarter. The scope for an upside surprise cannot be ruled out however given the rebound in the manufacturing sector in the months after the June referendum verdict.

Australia's inflation figures will be released this week with the third quarter CPI expected to rise 0.50%, while the trimmed mean CPI is expected to rise 0.40%. Both the expectations are nearly in line with the CPI increase from the previous quarter.

From the Nordics, Sweden's Riksbank rate decision will be coming up. The past year saw the central bank staying optimistic on inflation trends. However the focus has shifted to contain the downside pressure in inflation. Expectations call for a rate cut from the Riksbank this week around 10 - 20 bps bring interest rates even lower. There is also scope that the central bank will announce further QE expansion by another 30 billion SEK.

TECHNICAL CORNER



AUDNZD – Weekly Chart (Evolving Inverse Head and Shoulders pattern)

AUDNZD has been struggling to breakout above the resistance level of 1.0731 - 1.0668 with prices posting a reversal this week and forming an inside bar as a result. The pressure is to the downside in AUDNZD which could see prices fall to 1.03280 region. A decline to this level could mark the completion of the right shoulder of the inverse head and shoulders pattern. To the upside, price could target the neckline resistance level once again followed by a measured move towards 1.1338 - 1.1198.



AUDNZD (1.0612) – Weekly Chart

The catalyst to the downside could come from next week's CPI data from Australia for the third quarter. Expectations are bullish which could mean that the markets are pricing in an upside surprise. Also with the RBA governor recently ruling rate cuts, a miss on the estimates could signal a strong downside surprise.

The inverse head and shoulders pattern could be invalidated if prices break below the low of the inverse head near 1.0235 or if prices reverse and break above the resistance of 1.0731 – 1.0668 without forming the right shoulder.

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