

orbex WEEKLY MARKETS REPORT



OVERWEEK
BULLET POINTS



THE WEEK
AHEAD



MARKETS
PREVIEW



THE CHART OF
THE WEEK



ORBEX Research Department

31st of October 2016, to 4th of November 2016

OVERWEEK BULLET POINTS



Last Week: 21st of October 2016, to 28th of October 2016

- Japan trade balance 0.35tn vs. 0.21tn
- Japan flash manufacturing PMI 51.7 vs. 50.6
- BoE Member Shafik speech
- France flash manufacturing PMI 51.3 vs. 50.2; flash services PMI 52.1 vs. 54.1
- German flash manufacturing PMI 55.1 vs. 54.3; flash services PMI 54.1 vs. 51.9
- Eurozone flash manufacturing PMI 53.3 vs. 52.7; flash services PMI 53.5 vs. 52.4
- UK CBI industrial order expectations -17 vs. -2
- Canada wholesale sales m/m 0.8% vs. 0.2%
- FOMC Member Dudley speech
- FOMC Member Bullard speech
- US flash manufacturing PMI 53.2 vs. 51.6
- SNB Chairman Jordan speech
- BoC Gov. Poloz speech
- Germany Ifo business climate 110.5 vs. 109.6
- US HPI m/m 0.7% vs. 0.5%
- US S&P/CS Composite 20 HPI y/y 5.1% vs. 5.1%
- US Richmond manufacturing index -4 vs. 5
- US CB consumer confidence 98.6 vs. 101.5
- US IBD/TIPP Economic optimism 51.3 vs. 47.6
- BoE Gov. Carney speech
- ECB President Draghi speech
- Japan SPPI y/y 0.3% vs. 0.2%
- Australia CPI q/q 0.7% vs. 0.5%; trimmed mean CPI q/q 0.4% vs. 0.4%
- German import prices m/m 0.1% vs. 0.1%
- Gfk German consumer climate 9.7 vs. 10.1
- Italy retail sales m/m -0.1% vs. 0.2%
- US Goods trade balance -56.1bn vs. -60.6bn
- US Preliminary wholesale inventories m/m 0.2% vs. 0.1%
- US Flash services PMI 54.8 vs. 52.4
- Crude oil inventories -0.6mn vs. 0.7mn
- NZD trade balance -1436mn vs. -1125mn
- Australia import prices q/q -1.0% vs. -0.7%
- Eurozone M3 money supply y/y 5.0% vs. 5.1%
- Eurozone private loans 1.8% vs. 1.9%
- UK preliminary GDP q/q 0.5% vs. 0.3%
- UK index of services 3m/3m 0.8% vs. 0.8%
- US core durable goods orders m/m 0.2% vs. 0.2%
- US durable goods orders m/m -0.1% vs. 0.1%
- US pending home sales m/m 1.5% vs. 1.2%

- US unemployment claims 258k vs. 261k
- Japan household spending y/y -2.1% vs. -2.6%
- Tokyo Core CPI y/y -0.4% vs. -0.5%; National core CPI y/y -0.5% vs. -0.5%
- BoJ Core CPI y/y 0.2% vs. 0.2%
- Japan unemployment rate 3.0% vs. 3.1%
- Australia HIA New home sales m/m 2.7% vs. 6.1% previously
- Australia PPI q/q 0.3% vs. 0.6%
- French preliminary GDP q/q 0.2% vs. 0.3%
- Germany preliminary GDP m/m 0.2% vs. 0.1%
- French consumer spending m/m -0.2% vs. 0.3%
- French preliminary CPI m/m 0.0% vs. 0.2%
- US advance GDP q/q 2.9% vs. 2.5%
- US advance GDP price index q/q 1.5% vs. 1.3%
- US employment cost index q/q 0.6% vs. 0.6%

THE WEEK AHEAD



31st of October 2016, to 4th of November 2016

IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

Date	Time	Currency	Event	Forecast	Previous	
31-Oct	00:50	JPY	Prelim Industrial Production m/m	0.90%	1.30%	
		JPY	Retail Sales y/y	-1.70%	-2.20%	
	01:30	AUD	Private Sector Credit m/m	0.40%	0.40%	
	06:00	JPY	Housing Starts y/y	5.30%	2.50%	
	08:00	EUR	German Retail Sales m/m	0.20%	-0.40%	
	10:30	GBP	Net Lending to Individuals m/m	4.6B	4.5B	
		GBP	M4 Money Supply m/m	0.60%	0.90%	
	11:00	GBP	Mortgage Approvals	62K	60K	
		EUR	CPI Flash Estimate y/y	0.50%	0.40%	
		EUR	Core CPI Flash Estimate y/y	0.80%	0.80%	
		EUR	Prelim Flash GDP q/q	0.30%	0.30%	
		EUR	Italian Prelim CPI m/m	0.20%	-0.20%	
		USD	Core PCE Price Index m/m	0.10%	0.20%	
		USD	Personal Spending m/m	0.50%	0.00%	
		USD	Personal Income m/m	0.30%	0.20%	
		14:45	USD	Chicago PMI	54.1	54.2
		23:30	AUD	AIG Manufacturing Index		49.8
	01-Nov	01:30	JPY	Final Manufacturing PMI	51.7	51.7
		02:00	CNY	Manufacturing PMI	50.3	50.4
			CNY	Non-Manufacturing PMI		53.7
02:45		CNY	Caixin Manufacturing PMI	50.2	50.1	
04:30		AUD	Cash Rate	1.50%	1.50%	
		AUD	RBA Rate Statement			
Tentative		JPY	BOJ Outlook Report			
Tentative		JPY	BOJ Policy Rate	-0.10%	-0.10%	
Tentative		JPY	Monetary Policy Statement			
Tentative		JPY	BOJ Press Conference			
09:15		CHF	Retail Sales y/y	-2.30%	-3.00%	
09:30		CHF	Manufacturing PMI	53.9	53.2	
10:30		GBP	Manufacturing PMI	54.6	55.4	
13:30		CAD	GDP m/m	0.20%	0.50%	
14:30		CAD	RBC Manufacturing PMI		50.3	
14:45		USD	Final Manufacturing PMI	53.3	53.2	
15:00		USD	ISM Manufacturing PMI	51.8	51.5	
		USD	Construction Spending m/m	0.50%	-0.70%	
		USD	IBD/TIPP Economic Optimism		51.3	
		USD	ISM Manufacturing Prices	54	53	
All Day		USD	Total Vehicle Sales	17.5M	17.8M	
17:00		CAD	BOC Gov Poloz Speaks			
22:45		NZD	Employment Change q/q	0.60%	2.40%	
	NZD	Unemployment Rate	5.10%	5.10%		
02-Nov	00:50	JPY	Monetary Base y/y	21.80%	22.70%	

	01:30	AUD	Building Approvals m/m	-2.80%	-1.80%
	03:00	NZD	Inflation Expectations q/q		1.70%
	06:00	JPY	Consumer Confidence	42.8	43
	08:00	GBP	Nationwide HPI m/m	0.20%	0.30%
	09:15	EUR	Spanish Manufacturing PMI	52.7	52.3
	09:45	EUR	Italian Manufacturing PMI	51.5	51
	09:50	EUR	French Final Manufacturing PMI	51.3	51.3
	09:55	EUR	German Unemployment Change	0K	1K
		EUR	German Final Manufacturing PMI	55.1	55.1
	10:00	EUR	Final Manufacturing PMI	55.3	53.3
	10:30	GBP	Construction PMI	51.9	52.3
	13:15	USD	ADP Non-Farm Employment Change	166K	154K
	18:30	CAD	Gov Council Member Wilkins Speaks		
	19:00	USD	FOMC Statement		
		USD	Federal Funds Rate	<0.50%	<0.50%
	23:30	AUD	AIG Services Index		48.9
03-Nov	01:30	AUD	Trade Balance	-1.71B	-2.01B
	02:45	CNY	Caixin Services PMI	52.5	52
	09:00	EUR	Spanish Unemployment Change	77.3K	22.8K
	10:00	EUR	ECB Economic Bulletin		
	10:30	GBP	Services PMI	52.5	52.6
	11:00	EUR	Unemployment Rate	10.00%	10.10%
	13:00	GBP	BOE Inflation Report		
		GBP	MPC Official Bank Rate Votes	0-0-9	0-0-9
		GBP	Monetary Policy Summary		
		GBP	Official Bank Rate	0.25%	0.25%
		GBP	Asset Purchase Facility	435B	435B
		GBP	MPC Asset Purchase Facility Votes	0-0-9	0-0-9
	13:30	USD	Unemployment Claims		258K
		USD	Prelim Nonfarm Productivity q/q	1.70%	-0.60%
		USD	Prelim Unit Labor Costs q/q	1.60%	4.30%
	14:45	USD	Final Services PMI	54.8	54.8
	15:00	USD	ISM Non-Manufacturing PMI	56.2	57.1
		USD	Factory Orders m/m	0.20%	0.20%
04-Nov	01:30	AUD	RBA Monetary Policy Statement		
		AUD	Retail Sales m/m	0.40%	0.40%
	01:35	CAD	BOC Gov Poloz Speaks		
	09:15	EUR	Spanish Services PMI	55.2	54.7
	09:45	EUR	Italian Services PMI	51.6	50.7
	09:50	EUR	French Final Services PMI	52.1	52.1
	09:55	EUR	German Final Services PMI	54.1	54.1
	10:00	EUR	Final Services PMI	53.5	53.5
	11:00	EUR	PPI m/m	0.00%	-0.20%
	13:30	CAD	Employment Change	-10.0K	67.2K
		CAD	Unemployment Rate	7.00%	7.00%
		CAD	Trade Balance	-1.7B	-1.9B
		USD	Average Hourly Earnings m/m	0.30%	0.20%
		USD	Non-Farm Employment Change	175K	156K
		USD	Unemployment Rate	4.90%	5.00%
		USD	Trade Balance	-39.2B	-40.7B
	15:00	CAD	Ivey PMI		58.4
	15:45	GBP	MPC Member Forbes Speaks		
	21:00	USD	FOMC Member Fischer Speaks		

Time: GMT+1



MARKETS PREVIEW

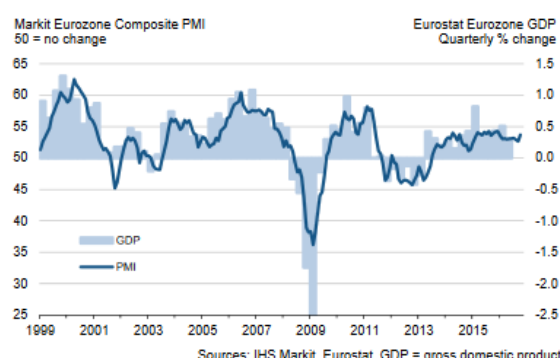
Last Week: 21st of October 2016, to 28th of October 2016

GDP numbers and some central bank meetings were the focus this week for traders. In the UK, preliminary GDP reports showed that the UK's economy grew better than expected in the quarter after the Brexit referendum. While in the US, the third quarter GDP advanced 2.9%, more than the median forecasts of 2.5%. Among the central bank decisions last week, Norges Bank and the Riksbank both left interest rates unchanged.

Eurozone Composite PMI's hit a 10-month high

Markit Eurozone flash PMI for October released last week showed an increase in the index which rose from September reading of 52.6 to register 53.7 in October. It was the highest on record this year with expansion led by Germany's growth which gained significant momentum. In contrast however, growth in France was seen slowing with output across other Eurozone regions coming out low but better than the 21-month low registered in September.

Markit Eurozone PMI and GDP

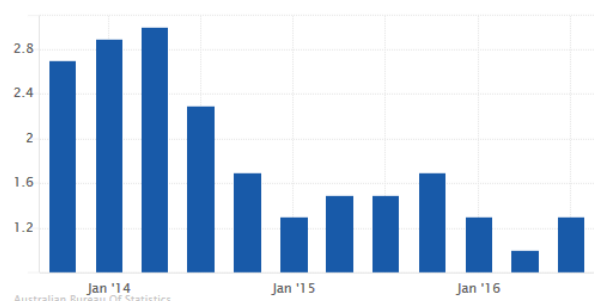


Services PMI in euro area touched a 9-month high to 53.5 extending from September's 52.2 while manufacturing PMI touched a 30-month high of 53.3.

Chris Williamson from IHS Markit commented on the report saying, **"October's PMI is consistent with a quarterly GDP growth rate of 0.4%, led by a 0.5% pace of expansion in Germany. Modest growth of 0.2 - 0.3% is being signaled for France but there are various indicators which suggest that France will enjoy a stronger growth in coming months, including a marked build-up of uncompleted work."**

Australia Q2 CPI rises more than expected

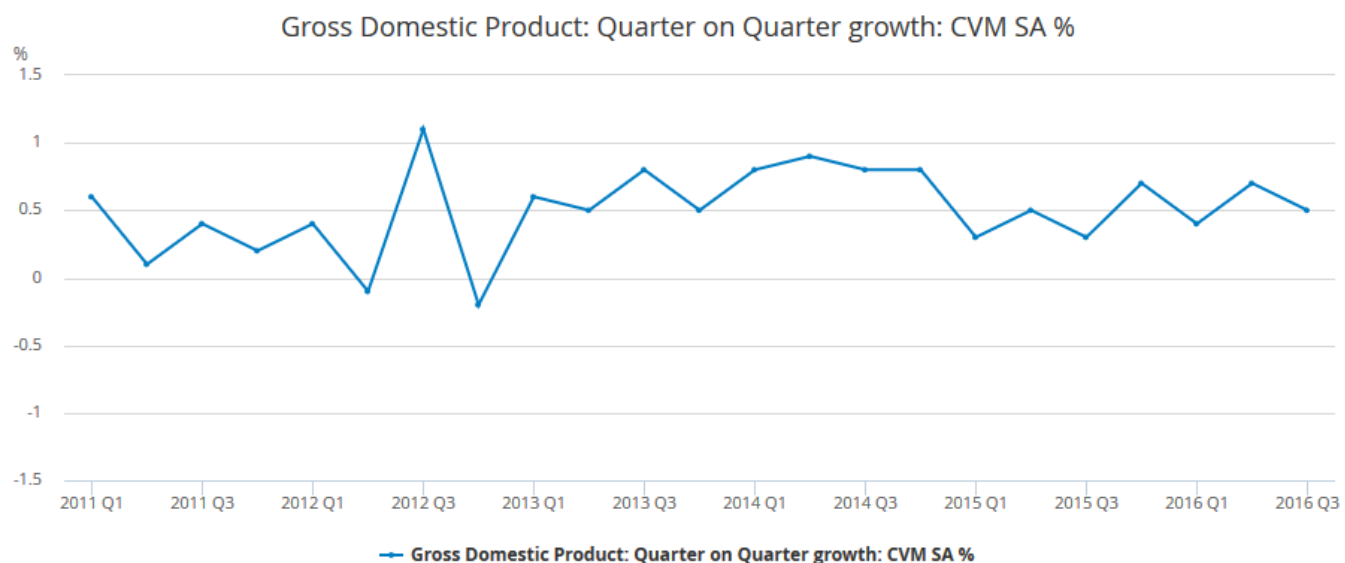
Giving some breathing space for the RBA, latest inflation figures from Australia came out better than expected. Official data from the Australia Bureau of statistics showed that inflation in the quarter ending September rose 0.70% for the quarter. The advance in the quarterly CPI was higher than the previous quarter's 0.4% reported CPI and beat estimates of 0.5%.



On a yearly basis, Australia's inflation was seen rising 1.3%. The Australia Bureau of Statistics said that the most significant price increase in the quarter came from fruit (19.5%), vegetables (5.9%), electricity (5.4%) and tobacco (2.3%). The price increase in these sectors were offset by falling prices in communication (-2.3%) and fuel prices (-2.9%). The statistics bureau said that the increase in fruit and vegetable prices was due to adverse weather conditions which impacted the supply chain.

Tradable inflation influenced by global factors and accounts for 40% of the CPI basket increased by one percent for the quarter.

UK GDP tops estimates in Q3 2016



Surprising economists and analysts, the third quarter GDP in the UK maintained the healthy pace of growth. Official records from the ONS showed that the economy advanced 0.5% in the third quarter, more than the forecasted 0.3% growth. Still, the pace of growth was slower in comparison to 0.7% growth seen in the second quarter.

But considering that the data period covers one full month after the Brexit vote, the GDP numbers were seen as a positive. On a yearly basis, UK's GDP advanced 2.3% compared to estimates of 2.1%. The ONS data showed that the pattern of growth remained unaffected by the EU referendum and the strong position of the services sector offset declines in other industrial groups. Construction was the weakest, falling 1.4% while services grew 0.8% followed by 0.7% in agriculture.

US economy advances 2.9% in Q3, 2016

The third quarter GDP data released on Friday showed a solid headline figure. Official data showed that the US economy advanced 2.9% in the three months ending September, beating the median forecasts of 2.5%. This was higher than the second quarter's 1.4% growth and was the strongest quarterly growth in nearly two years.

However, despite the solid headline print, on closer observation data showed that consumer spending was relatively weaker slowing to 2.1% at an annual rate. This was almost half of the 4.3% consumer spending registered in the second quarter.

Durable goods spending remained strong but services spending growth and non-durable goods slowed at the fastest rate since the 2007 recession. Personal consumption expenditures was seen adding just 1.47 percentage points to the third quarter GDP. The US housing sector also posed a drag on growth during the quarter. Residential fixed investment fell for a second consecutive quarter, falling at an annual rate of 6.2% in the third quarter and 7.7% from the second quarter.

Week Ahead: 31st of October 2016, to 4th of November 2016

The week will be busy although Monday starts off slow. With the new month around the corner, fresh economic data will be the key driver this week. The Reserve Bank of Australia, the Federal Reserve and the Bank of England policy meetings will be under scrutiny while the October ISM manufacturing and payrolls report will be the key data drivers for the markets.

In the US, the **FOMC policy meeting** will be the main event to look forward to. No changes are expected to interest rates at this week's meeting in consideration of the US elections due just a week away. The market probability of a rate hike this week is just 17% but there could be some dissenters in the meeting. The FOMC's statement will be the main release of importance as the markets look for the Fed language that will signal a potential rate hike in December. The Fed funds futures markets are assigning more than 70% chance for a December rate hike.

The monthly **nonfarm payrolls** report will also be a crucial data point this week. The markets expect to see a headline print of 175k jobs being added in October, which follows 156k jobs from September. The data for September could also see some revisions. The US unemployment rate is expected to fall back to 4.90% after rising surprisingly to 5.0% in September. On the earnings front, market estimates a 2.6% year over year growth on average earnings this week. Other data from the US includes the ISM manufacturing PMI.

In the Eurozone, the economic data is relatively quiet. **Q3 GDP** numbers will be coming out earlier in the week for the third quarter with the latest GDP numbers from France and Spain showing a 0.2% and 0.7% increase adding to the upside. Economists are expecting the Eurozone GDP to rise around 0.3% for the third quarter which could keep the annual GDP rate around 1.5% for the region.

The **Bank of England's monetary policy meeting** will also be another factor for the markets. The BoE is expected to keep interest rates unchanged after the preliminary GDP data which showed a 0.5% growth being somewhat reassuring for policy makers. Besides the BoE meeting, Markit PMI's will be out this week and could see some slowdown in the services and manufacturing sector.

The **Bank of Japan's meeting** this week could be overshadowed by the BoE and the FOMC. No changes are expected from the Bank of Japan which could be a non-event considering that it was only a month ago that the BoJ unveiled new policy frameworks. However, last week's inflation report from Japan was weak with the Tokyo CPI falling 0.5% while the BoJ's core CPI rose at a slow pace of just 0.2% from the month before. The Bank of Japan could be seen holding policy steady but could signal that the options for further easing remains on the table.

TECHNICAL CORNER



XAUUSD – Daily Chart (Bias is to the upside)

Gold prices have posted a modest rebound since the past week after prices fell to 1250 support sharply. In the near term, price could remain range bound but supported but 1250, which puts the upside bias for gold to retest the 1300 level to establish resistance.

Next week will be a important week for gold prices as the FOMC monetary policy decision will be a key catalyst for gold prices with the Fed very likely to signal rate hikes for December. This could potentially be a bearish scenario for gold prices. However, the downside remains limited as the US general elections are not just a week away which could keep gold prices relatively volatile..



XAUUSD (10612) – Daily Chart

In the near term, gold prices could be seen coming under pressure but the downside could now be limited to 1257.80 - 1250.00 support zone. As long as this support holds out, gold prices could be seen targeting 1300.00. Alternately, a break down below 1257.80 - 1250 could expose further weakness in gold which could slide towards 1200 psychological support level.

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