

# orbex WEEKLY MARKETS REPORT



OVERWEEK  
BULLET POINTS



THE WEEK  
AHEAD



MARKETS  
PREVIEW



THE CHART OF  
THE WEEK

# OVERWEEK BULLET POINTS



Last Week: 31<sup>st</sup> of October 2016 to 4<sup>th</sup> of November 2016

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- Australia private sector credit m/m 0.4% vs. 0.4%
- Japan housing starts y/y 10.0% vs. 5.3%
- German retail sales m/m -1.4% vs. 0.2%
- UK net lending to individuals m/m 4.7bn vs. 4.6bn
- UK M4 money supply m/m -0.4% vs. 0.6%
- Mortgage approvals 63k vs. 62k
- Eurozone CPI flash estimates y/y 0.5% vs. 0.5%; core CPI flash estimates y/y 0.8% vs. 0.8%
- Eurozone flash GDP q/q 0.3% vs. 0.3%
- Canada RMPI m/m -0.1% vs. 0.5%; IPPI m/m 0.4% vs. 0.4%
- US core PCE price index m/m 0.1% vs. 0.1%
- US personal spending m/m 0.5% vs. 0.5%
- US personal income m/m 0.3% vs. 0.3%
- US Chicago PMI 50.6 vs. 54.1
- Japan final manufacturing PMI 51.4 vs. 51.7
- China manufacturing PMI 51.2 vs. 50.4
- China non-manufacturing PMI 54.0 vs. 53.7 previously
- China Caixin manufacturing PMI 51.2 vs. 50.2
- BoJ releases outlook report
- BoJ keeps monetary policy unchanged
- RBA releases rate statement, policy unchanged
- Switzerland retail sales y/y -2.3% vs. -2.3%
- Switzerland manufacturing PMI 54.7 vs. 53.9
- UK manufacturing PMI 54.3 vs. 54.6
- Canada RBC manufacturing PMI 51.1 vs. 50.3 previously
- US final manufacturing PMI 53.4 vs. 53.3
- US ISM manufacturing PMI 51.9 vs. 51.8
- US construction spending -0.4% vs. 0.5%
- US ISM manufacturing prices 54.5 vs. 54.0
- New Zealand Employment change q/q 1/4% vs. 0.6%
- New Zealand unemployment rate 4.9% vs. 5.1%
- New Zealand labour cost index q/q 0.4% vs. 0.4%
- Australia building approvals m/m -8.7% vs. -2.8%
- New Zealand inflation expectations q/q 1.7% vs. 1.7%
- Japan consumer confidence 42.3 vs. 42.8
- France manufacturing PMI 51.8 vs. 51.3
- Germany manufacturing PMI 55.0 vs. 55.1
- Eurozone manufacturing PMI 53.5 vs. 55.3
- Germany unemployment change -13k vs. 0k
- UK construction PMI 52.6 vs. 51.9
- US ADP nonfarm employment change 147k vs. 166k

- US crude oil inventories 14.4mn vs. 1.6mn
- FOMC rate statement; interest rate unchanged
- Australia trade balance -1.23bn vs. -1.71bn
- New Zealand trade balance -1.23bn vs. -1.71bn
- China Caixin services PMI 52.4 vs. 52.5
- UK services PMI 54.5 vs. 52.5
- Eurozone unemployment rate 10.0% vs. 10.0%
- UK High court delivers verdict on EU membership ruling
- BoE releases inflation report
- BoE official bank rate 0.25% vs. 0.25%
- US weekly unemployment claims 265k vs. 257k
- US preliminary nonfarm productivity q/q 3.1% vs. 1.7%
- US preliminary unit labor costs q/q 0.3% vs. 1.6%
- US final services PMMI 54.8 vs. 56.2
- US ISM non-manufacturing PMI 54.8 vs. 54.8
- US factory orders m/m 0.3% vs. 0.2%
- RBA releases monetary policy statement
- Australia retail sales m/m 0.6% vs. 0.4%
- BoC Gov. Poloz speech
- France services PMI 51.4 vs. 52.1
- Germany services PMI 54.2 vs. 54.1
- Eurozone services PMI 52.8 vs. 53.5
- Eurozone PPI m/m 0.1% vs. 0.0%
- Canada employment change 43.9k vs. -10.0k
- Canada unemployment rate 7.0% vs. 7.0%
- Canada trade balance -4.1bn vs. -1.7bn
- US average hourly earnings m/m 0.4% vs. 0.3%
- US nonfarm employment change 161k vs. 174k
- US unemployment rate 4.9% vs. 4.9%
- US trade balance -36.4bn vs. -37.5bn
- Canada Ivey PMI 59.7 vs. 56.2

# THE WEEK AHEAD



7<sup>th</sup> of November 2016, to 11<sup>th</sup> of November 2016

## IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

Date	Time	Currency	Event	Forecast	Previous
07-Nov	00:00	JPY	Average Cash Earnings y/y	0.20%	0.00%
	07:00	EUR	German Factory Orders m/m	0.20%	1.00%
	08:00	CHF	Foreign Currency Reserves		628B
	08:15	CHF	CPI m/m	0.20%	0.10%
	08:30	GBP	Halifax HPI m/m	0.30%	0.10%
	09:30	EUR	Sentix Investor Confidence	8.7	8.5
	10:00	EUR	Retail Sales m/m	-0.30%	-0.10%
	All Day	EUR	Eurogroup Meetings		
	20:00	USD	Consumer Credit m/m	17.6B	25.9B
08-Nov	Tentative	CNY	Trade Balance	366B	278B
	05:00	JPY	Leading Indicators	100.50%	100.90%
	06:45	CHF	Unemployment Rate	3.30%	3.30%
	07:00	EUR	German Industrial Production m/m	-0.40%	2.50%
		EUR	German Trade Balance	23.4B	22.2B
	09:30	EUR	French Trade Balance	-4.1B	-4.3B
		GBP	Manufacturing Production m/m	0.50%	0.20%
		GBP	Industrial Production m/m	0.10%	-0.40%
	11:00	USD	NFIB Small Business Index	94.6	94.1
	13:15	CAD	Housing Starts	195K	219K
	13:30	CAD	Building Permits m/m		10.40%
	All Day	USD	Presidential Election		
	All Day	USD	Congressional Elections		
			Gov Council Member Schembri		
	16:20	CAD	Speaks		
23:50	JPY	Current Account	1.98T	1.98T	
	JPY	Bank Lending y/y	2.20%	2.20%	
09-Nov	01:30	CNY	CPI y/y	2.10%	1.90%
		CNY	PPI y/y	0.90%	0.10%
	05:00	JPY	Economy Watchers Sentiment	44.4	44.8
	09:30	GBP	Goods Trade Balance	-11.3B	-12.1B
	10:00	EUR	EU Economic Forecasts		
	15:00	USD	Final Wholesale Inventories m/m	0.20%	0.20%
	15:30	USD	Crude Oil Inventories		14.4M
	20:00	NZD	Official Cash Rate	1.75%	2.00%
		NZD	RBNZ Rate Statement		
		NZD	RBNZ Monetary Policy Statement		
	21:00	NZD	RBNZ Press Conference		
	23:50	JPY	BOJ Summary of Opinions		
		JPY	Core Machinery Orders m/m	-1.80%	-2.20%
JPY		M2 Money Stock y/y	3.60%	3.60%	
10-Nov	00:30	AUD	Home Loans m/m	-1.50%	-3.00%
	Tentative	JPY	Prelim Machine Tool Orders y/y		-6.30%

	07:45	EUR	French Industrial Production m/m	0.30%	2.10%
		EUR	French Prelim Non-Farm Payrolls q/q	0.20%	0.20%
	10th-16th	CNY	M2 Money Supply y/y	11.40%	11.50%
	10th-16th	CNY	New Loans	675B	1220B
	09:00	EUR	Italian Industrial Production m/m	-1.00%	1.70%
	13:30	CAD	NHPI m/m	0.20%	0.20%
		USD	Unemployment Claims	267K	265K
	14:15	USD	FOMC Member Bullard Speaks		
	21:30	NZD	Business NZ Manufacturing Index		57.7
	21:45	NZD	FPI m/m		-0.90%
	23:50	JPY	PPI y/y	-2.60%	-3.20%
11-Nov	01:00	AUD	RBA Assist Gov Debelle Speaks		
	04:30	JPY	Tertiary Industry Activity m/m	-0.20%	0.00%
	07:00	EUR	German Final CPI m/m	0.20%	0.20%
		EUR	German WPI m/m	0.20%	0.40%
	09:30	GBP	Construction Output m/m	0.20%	-1.50%
	14:00	USD	FOMC Member Fischer Speaks		
	15:00	USD	Prelim UoM Consumer Sentiment	87.4	87.2
		USD	Prelim UoM Inflation Expectations		2.40%
	15:50	CAD	BOC Gov Poloz Speaks		

Time: GMT+2



# MARKETS PREVIEW

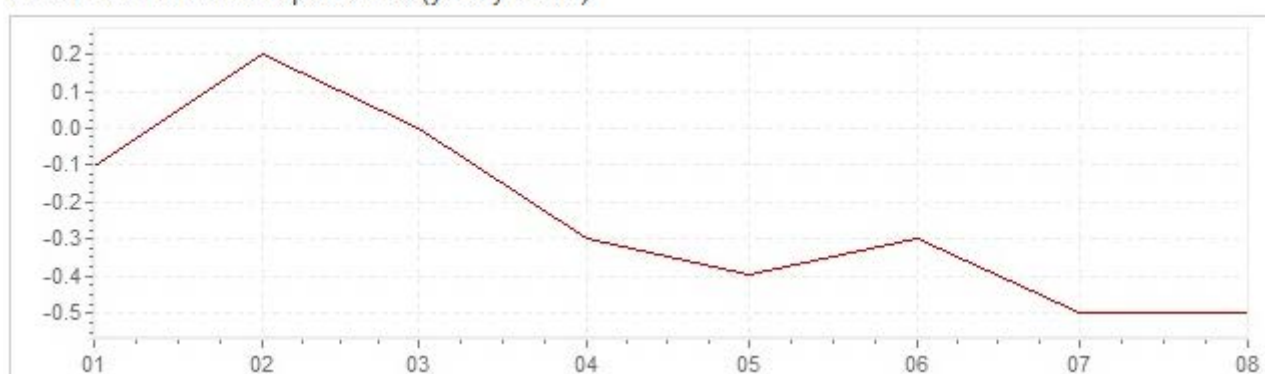
Last Week: 31<sup>st</sup> of October 2016 to 4<sup>th</sup> of November 2016

*Investors were on the edge last week with important central bank meetings scheduled against the broader backdrop of the upcoming US general elections. The markets were mixed as the US dollar posted strong declines early part of the week. The FOMC meeting saw rates being left unchanged as expected but hinting at a December rate hike. The BoJ, RBA and the BoE meetings saw no changes to monetary policy last week. On the political developments regarding Brexit, BoE Governor Carney affirmed his commitment to serve as the governor until 2019 while a UK high court ruled that the Brexit referendum should be put to a parliamentary vote.*

## BoJ and RBA keep monetary policy unchanged

The Bank of Japan's meeting on Tuesday saw the benchmark rates being left unchanged at -0.10%. The central bank refrained from making any policy tweaks at its meeting this week. The central bank however said that it will not reach the 2% inflation target before the end of Kuroda's term as governor. In the new economic forecasts, the BoJ said that it expects inflation to rise to 2% **"around fiscal 2018."**

Chart - CPI inflation Japan 2016 (yearly basis)



Japan CPI 2016 y/y: -0.27%

Latest inflation figures from Japan showed that consumer prices fell into negative territory at -0.27% in October.

The Reserve Bank of Australia was also seen holding rates steady at 1.55% which was widely expected. In its official statement, the RBA said, **"Over the next year, the economy is forecast to grow at close to its potential rate, before gradually strengthening. Inflation is expected to pick up gradually over the next two years."**

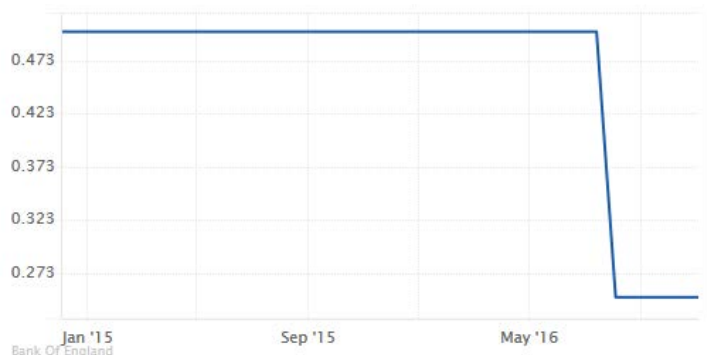
## Fed keeps rates steady, hints at December hike

The Federal Reserve's meeting last week saw the Federal Open Market Committee (FOMC) keeping the fed funds rate on hold at 0.50%. In this meeting, there were only two dissenters who felt that a 25bps rate hike was required.

The Fed, in its statement upgraded the assessment of the US economy on aspects of inflation and gave further hints of a potential rate hike in December, noting in its statement that the case for a rate hike **"has continued to strengthen,"** and that it was waiting for **"some"** evidence of progress towards its goals. The Fed funds markets have so far assigned a 70% probability for a December rate hike, broadly unchanged from before the meeting.

## GBP bounces back on Carney's term, BoE decision and High court ruling

It was a busy week for the British pound which managed to bounce back this week. A slurry of economic data alongside political developments managed to keep the British pound well supported.

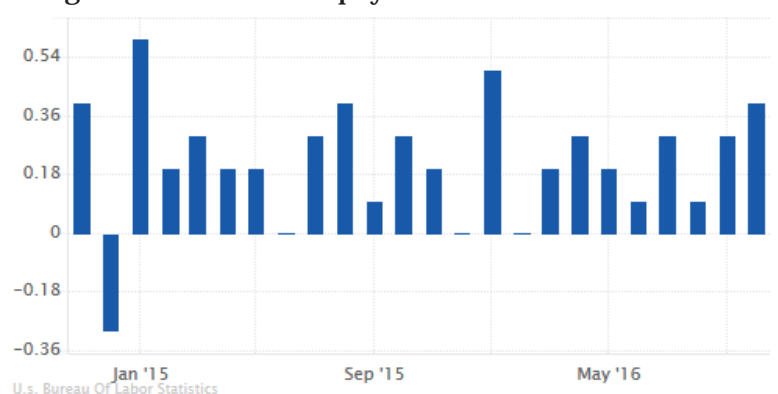


Earlier in the week, the BoE Governor reaffirmed his commitment to stay on as the governor for his initially agreed 5-year term extending it to 2019, one year more than what was agreed. The announcement put to rest all speculation of a premature exit by the BoE governor.

On the economic front, the manufacturing, services and construction PMI data for October showed a relatively healthy growth, although manufacturing turned out to be the weakest, but still faring better. The British pound did not react much to the news as politics continued to trump economics. A surprise high court ruling by a UK court sparked a modest GBP rally. According to the ruling, the government must now put the Article 50 to a parliamentary vote, which is seen as a set back for the government. Later in the day, the BoE signaled that in light of the current increase in inflation the central bank could see a rate hike but noted that the risks were equally balanced.

## US October payrolls: 161k vs. 174k; Unemployment Rate: 5.0% vs. 4.9%

The much anticipated payrolls data for October showed that the labour market continued to strengthened. Nonfarm payrolls rose 161k on a seasonally adjusted basis in October from the previous month.



September's payrolls were revised to show a gain of 191k while the unemployment rate was back at 4.9% after rising to 5.0% in September. Average hourly earnings was the big surprise, rising 0.40% on a month over month basis pushing average earnings to 2.8%, the highest since 2009.

In other data releases, the ISM index of manufacturing and non-manufacturing PMI was mixed. While manufacturing PMI managed to rise to 51.9, slightly higher than the median forecasts, the non-manufacturing (NMI) PMI was weaker, falling to 54.8. The headline print missed estimates of an increase to 56.2 and was down from 57.1 from the previous month.

The US trade deficit data released on Friday showed the trade gap narrowing to its smallest size since February of 2015. According to official data, the US registered a trade deficit of \$36.44 billion for the month, smaller than the median forecasts of \$37 billion. US exports rose 0.6% marking the highest level since July 2015 while imports declined 1.3% during September.

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**Week Ahead:** 7<sup>th</sup> of November 2016, to 11<sup>th</sup> of November 2016

*All eyes turn to the US this week with the US elections kicking off on November 8th. Opinion polls put Clinton and Trump on a close neck to neck race making the outcome of the elections, unpredictable. Understandably, the US dollar and equity markets have been trending lower for most part of last week due to the uncertainty. A Trump victory is being widely seen as further worsening risk appetite which could hit the global markets.*

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The **US general elections** will overshadow whatever economic data is on the tap during the early part of the week. The US elections are scheduled on November 8th with the winner likely to be announced by as early as November 9th. The repercussions of the outcome of the elections is however likely to be widespread and not just limited to Tuesday and Wednesday.

A risk off sentiment is very likely to prevail in the markets in the run up to the D-Day and could last for a few days. While many expect the Democratic candidate, Hillary Clinton to win the elections, the fact that Trump made his intentions clear that he could challenge the outcome is likely to weigh on the markets.

On the economic front, China will be reporting its **trade and inflation figures**. Foreign exchange reserves from China are expected to fall further by an average of 3,132 billion. Import and export data is also due this week. Median consensus estimates show exports to contract by a further 6% and imports by 2% respectively on a year over year basis.

On the inflation front, headline CPI is expected to pick up in September on a year over year basis.

In the **eurozone, the economic data is relegated to second tier data**. German retail sales and manufacturing numbers are due this week with retail sales expected to contract while manufacturing orders are tipped to have increased. The decline in recent car production in the region is likely to see industrial production numbers coming out weaker as well. The European Commission is also expected to release its autumn forecasts on Wednesday.

The Reserve Bank of New Zealand will be holding its monetary policy meeting on Wednesday where the central bank is widely expected to cut the OCR by another 25bps, bringing the key interest rate to 1.75%. Economic data from New Zealand so far has been limited to the labour markets which showed a strong rebound bringing the New Zealand unemployment rate to lows seen since December 2008.

However, inflation continues to remain weak and linger below the mid-point of 2%, putting the RBNZ in a dovish mode. Besides the risk of the RBNZ interest rate decision, the risk off sentiment could also be weighing on the NZD this week.



# TECHNICAL CORNER



XAUUSD – Daily Chart (Bias is to the upside)

**EURGBP** closed the week on a bearish note following last week's inside bar formation. The overall outlook for EURGBP is one that is bearish following the shooting star candlestick pattern that was formed few weeks ago. Short term support is seen at 0.8894, and a break down of price below this support could signal further weakness in the euro against the British pound.

In the near term, watch for a breakout from the current support to ascertain the decline towards 0.8118 - 0.8063 ahead of a short term retest back to 0.8894 to establish resistance. This rebound could confirm the longer term declines towards the support level mentioned.



**EURGBP (0.8899) – Daily Chart**

The EURGBP continues to remain under pressure with the Brexit uncertainty likely to keep the currency pair volatile. Later down the line in December, the ECB is expected to decide on the course of its QE decision which could also impact the EURGBP currency pair.

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