

# orbex WEEKLY MARKETS REPORT



OVERWEEK  
BULLET POINTS



THE WEEK  
AHEAD



MARKETS  
PREVIEW



THE CHART OF  
THE WEEK

# OVERWEEK BULLET POINTS



Last Week: 7<sup>th</sup> of November 2016 to 11<sup>th</sup> of November 2016

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- Japan average cash earnings y/y 0.2% vs. 0.2%
- Germany factory orders m/m -0.6% vs. 0.2%
- Switzerland foreign currency reserves 630bn vs. 628bn previously
- Switzerland CPI m/m 0.1% vs. 0.2%
- UK Halifax HPI m/m 1.4% vs. 0.3%
- Eurozone retail PMI 48.6 vs. 49.6 previously
- Eurozone Sentix investor confidence 13.1 vs. 8.7
- Eurozone retail sales m/m -0.2% vs. -0.3%
- US consumer credit 19.3bn vs. 17.6bn
- UK BRC retail sales monitor y/y 1.7% vs. 0.4% previously
- China trade balance 325bn vs. 366bn
- China trade balance (USD) 49.1bn vs. 51.9bn
- Japan leading indicators 100.5% vs. 100.5%
- Switzerland unemployment rate 3.3% vs. 3.3%
- Germany industrial production m/m -1.8% vs. -0.4%
- Germany trade balance 21.3bn vs. 23.4bn
- France trade balance -4.8bn vs. -4.1bn
- UK manufacturing production m/m 0.6% vs. 0.5%
- UK industrial production m/m -0.4% vs. 0.1%
- Canada housing starts 193k vs. 195k
- Canada building permits m/m -7.0% vs. -5.6%
- US Presidential elections
- MPC Member Haldane speech
- RBNZ OCR 1.75% vs. 1.75%
- RBNZ monetary policy statement
- Japan core machinery orders m/m -3.3% vs. -1.8%
- Japan M2 money stock y/y 3.7% vs. 3.6%
- Australia MI inflation expectations 3.2% vs. 3.7% previously
- RBNZ Gov. Wheeler speech
- Australia home loans m/m 1.6% vs. -1.5%
- Japan preliminary machine tool orders y/y -8.9% vs. -6.3%
- French industrial production m/m -1.1% vs. 0.3%
- French preliminary nonfarm payrolls q/q 0.3% vs. 0.2%
- Italy industrial production m/m -0.8% vs. -1.0%
- US weekly unemployment claims 254k vs. 267k
- FOMC Member Bullard speaks
- Japan Tertiary Industry activity m/m -0.1% vs. -0.2%
- Germany final CPI m/m 0.2% vs. 0.2%
- Germany WPI m/m 0.4% vs. 0.2%
- China new loans 651bn vs. 675bn

- UK construction output m/m 0.3% vs. 0.2%
- FOMC Member Fischer speech
- US Preliminary UoM consumer sentiment 91.6 vs. 87.4
- US Preliminary UoM inflation expectations 2.7% vs. 2.4% previously

# THE WEEK AHEAD



14<sup>th</sup> of November 2016, to 18<sup>th</sup> of November 2016

## IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

Date	Time	Currency	Event	Forecast	Previous	
14-Nov	02:00	CNY	Industrial Production y/y	6.20%	6.10%	
		CNY	Fixed Asset Investment ytd/y	8.20%	8.20%	
		CNY	Retail Sales y/y	10.70%	10.70%	
	04:30	JPY	Revised Industrial Production m/m	0.00%	0.00%	
	08:15	CHF	PPI m/m	0.20%	0.30%	
	10:00	EUR	Industrial Production m/m	-0.90%	1.60%	
	15:00	EUR	ECB President Draghi Speaks			
	21:45	NZD	Retail Sales q/q	0.80%	2.30%	
		NZD	Core Retail Sales q/q	1.10%	2.60%	
	15-Nov	00:30	AUD	Monetary Policy Meeting Minutes		
07:00		EUR	German Prelim GDP q/q	0.30%	0.40%	
07:45		EUR	French Final CPI m/m	0.00%	0.00%	
08:15		AUD	RBA Gov Lowe Speaks			
09:00		EUR	Italian Prelim GDP q/q	0.20%	0.00%	
09:30		GBP	CPI y/y	1.10%	1.00%	
		GBP	PPI Input m/m	1.60%	0.00%	
		GBP	RPI y/y	2.30%	2.00%	
		GBP	Core CPI y/y	1.40%	1.50%	
		GBP	HPI y/y	8.10%	8.40%	
		GBP	PPI Output m/m	0.30%	0.20%	
		10:00	EUR	Flash GDP q/q	0.30%	0.30%
			EUR	German ZEW Economic Sentiment	7.9	6.2
		EUR	Trade Balance	22.3B	23.3B	
		EUR	ZEW Economic Sentiment	14.3	12.3	
13:30		GBP	Inflation Report Hearings			
		USD	Core Retail Sales m/m	0.50%	0.50%	
		USD	Retail Sales m/m	0.60%	0.60%	
		USD	Empire State Manufacturing Index	-1.5	-6.8	
		USD	Import Prices m/m	0.40%	0.10%	
		15:00	USD	Business Inventories m/m	0.20%	0.20%
		23:30	AUD	MI Leading Index m/m		0.10%
16-Nov		00:30	AUD	Wage Price Index q/q	0.50%	0.50%
	08:00	USD	FOMC Member Bullard Speaks			
	09:30	GBP	Average Earnings Index 3m/y	2.30%	2.30%	
		GBP	Claimant Count Change	1.9K	0.7K	
	GBP	Unemployment Rate	4.90%	4.90%		
	10:00	CHF	ZEW Economic Expectations		5.2	
	13:30	CAD	Manufacturing Sales m/m	-0.20%	0.90%	
		USD	PPI m/m	0.30%	0.30%	
	14:15	USD	Core PPI m/m	0.20%	0.20%	
		USD	Capacity Utilization Rate	75.50%	75.40%	

	14:30	USD	Industrial Production m/m	0.20%	0.10%	
	21:45	GBP	CB Leading Index m/m		0.00%	
		NZD	PPI Input q/q		0.90%	
		NZD	PPI Output q/q		0.20%	
17-Nov	00:30	AUD	Employment Change	20.3K	-9.8K	
		AUD	Unemployment Rate	5.70%	5.60%	
	09:00	EUR	Italian Trade Balance	2.85B	2.52B	
	09:30	GBP	Retail Sales m/m	0.50%	0.00%	
	10:00	EUR	Final CPI y/y	0.40%	0.40%	
		EUR	Final Core CPI y/y	0.80%	0.80%	
	12:30	EUR	ECB Monetary Policy Meeting Accounts			
		USD	Building Permits	1.19M	1.23M	
		USD	CPI m/m	0.40%	0.30%	
		USD	Core CPI m/m	0.20%	0.10%	
		USD	Philly Fed Manufacturing Index	8.1	9.7	
		USD	Unemployment Claims	257K	254K	
		USD	Housing Starts	1.16M	1.05M	
		15:00	USD	Fed Chair Yellen Testifies		
		15:30	CAD	BOC Review		
	17:00	CHF	Gov Board Member Maechler Speaks			
18-Nov	07:00	EUR	German PPI m/m	0.30%	-0.20%	
	08:00	EUR	ECB President Draghi Speaks			
	09:00	EUR	Current Account	31.3B	29.7B	
	10:30	CHF	Gov Board Member Maechler Speaks			
		EUR	German Buba President Weidmann Speaks			
		USD	FOMC Member Bullard Speaks			
	13:30	CAD	Core CPI m/m	0.30%	0.20%	
		CAD	CPI m/m	0.20%	0.10%	
	14:30	USD	FOMC Member George Speaks			
	15:00	USD	CB Leading Index m/m	0.10%	0.20%	

Time: GMT+2



# MARKETS PREVIEW

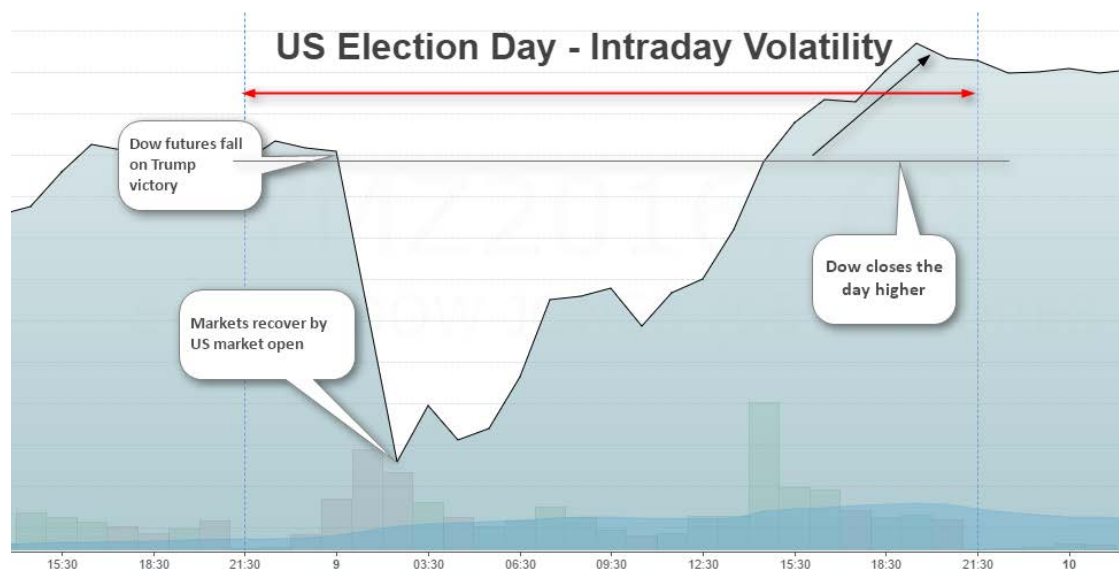
Last Week: 7<sup>th</sup> of November 2016 to 11<sup>th</sup> of November 2016

*It was a volatile week in the markets with the risks of the US presidential elections spreading across the globe. As the Republican candidate, Donald Trump clinched a surprise victory, the global equity markets plunged on the new found uncertainty, only to recover on the same day to close in the green. Other equities followed suite and by Thursday, the equity markets bounced back sharply. Economic data last week was on the backburner with the world closely following the US presidential elections.*

## The US elects its 45<sup>th</sup> President

Last week, the United States of America elected its 45th president. Republican nominee, Donald J. Trump emerged victorious after months of tough campaigning which kept the markets on the edge. In the race to 270 electoral seats, Trump won by a clean majority handing back power to the Republicans after nearly 8 years of Democratic party's reign. The Republicans also won a clear mandate in both the senate and the congress.

Following the release of the election results, the markets plunged due to the hard line stance taken by Trump during the campaigning days. However, in his victory speech, Trump sounded more sober and composed; reassuring that he would unify a divided nation. The reassuring words by President elect Trump was later followed up by a speech from Hillary Clinton and of course a statement by the incumbent, Barrack Obama who extended support to Trump.



**Dow Jones Futures (YMZ6) – Intraday market volatility explained**

The markets took cues from the speeches and soon started to climb back. While the Dow Jones industrials fell close to 900 points or about 5% but soon posted a strong reversal, rising over 1000 points or 6.42% from the lows. On a daily basis, the Dow futures closed with 1.25% gains on the day.

It was nearly the same story across most equity markets and risk off assets such as gold and yen, both of which fell sharply after rising nearly 4% on the day. ***"The market has started realizing there is a positive scenario: Trump may be able to implement fiscal stimulus measures he has been talking about,"*** said Athanasios Vamvakidis, from Bank of America Merrill Lynch.

## RBNZ cuts OCR by 25bps as expected

A few hours after the US presidential election results, the Reserve Bank of New Zealand convened for its scheduled monetary policy meeting. As widely expected, the central bank cut the Overnight Cash Rate (OCR) by 25bps, bringing interest rates to 1.75% from 2.0% previously.



The RBNZ, in its statement shifted to a neutral bias on further policy action. While previous RBNZ statements were accompanied by signals of further rate cuts, in the November meeting statement, this was skipped. The statement read, ***"Our current projections and assumptions indicate that policy settings, including today's easing, will see growth strong enough to have inflation settle near the middle of the target range."***

However, the RBNZ said that following the outcome of the US elections, it was willing to take further action. The RBNZ statement said, ***"Numerous uncertainties remain, particularly in respect of the international outlook, and policy may need to adjust accordingly."***

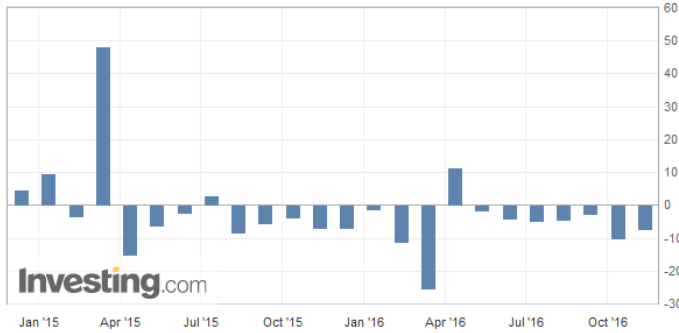
The RBNZ's OCR track was seen at 1.7%, and the markets expect to see no further rate cuts in the near term. On inflation, the central bank was optimistic as it said that headline inflation could rise back to the 1% - 3% band by the next quarter but cautioned that inflation may not rise to 2% by at least 2018. The central bank maintained its forecasts on GDP growth and said that growth was required to support inflation.

On the exchange rate, the RBNZ cautioned that the strong NZD was dampening the tradables inflation maintaining that a weaker exchange rate was required.

## China's inflation edges higher, but trade data stays weak

Consumer prices in China rose 2.1% on the year in October, according to data from the National Bureau of Statistics. The headline CPI increase was in line with market expectations and rose from 1.9% in September. On a month over month basis, inflation was down 0.1% after rising 0.7% previously.

China's producer prices index, which has been steadily increasing over the past months maintained its momentum. PPI rose to annual 1.2%, beating estimates of 0.9% and jumped from 0.1% in September.



However, trade data from China continued to stay weak. Exports fell more than expected in October, declining 7.3% from a year ago which was more than the expected 6 percent decline. Still, October's decline in exports were better off than September's decline of 10%.

Import was also weak, falling 1.4% annually which was bigger than the expected 1% decline, but better than September's decline of 1.9%. The trade surplus rose to \$49.1 billion in October, up from \$41.99 billion previously..

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**Week Ahead:** 14<sup>th</sup> of November 2016, to 18<sup>th</sup> of November 2016

*With the elections now a done deal the markets will be looking to fresh set of economic data for the week ahead. However, the market uncertainty could persist. Inflation data from the eurozone, US, UK and Canada will be on the tap while Japan and Eurozone will be coming out with GDP estimates for the third quarter.*

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Economic data will take precedence this coming week in what could shape future expectations of interest rates. **US consumer price index** data will be the main figure to watch this week as markets expect inflation to continue to rise.

In September, US CPI was registered at 0.3% while the annual inflation rate rose to 1.5%. A further increase could see the annual inflation rate rise to as much as 1.6% marking the highest inflation print since October of 2014. This should potentially reinforce expectations of a Fed rate hike for December, which initially slipped after the Trump victory but the markets managed to re-price the rate hike prospects.

Besides the CPI data, retail sales and industrial production numbers will also be coming out this week. Consumer spending is expected to have accelerated in October and could keep the US dollar supported in the near term.

From the **Eurozone, CPI and GDP numbers** will be pivotal to the markets. While no change to inflation is expected, GDP estimates from Eurozone, France, Germany and Italy will be released over the week. German GDP numbers are expected to come out weak, with Q3 GDP expected to have increased only 0.3%, down from 0.4% in Q2. Last week's economic data from Germany for the month of September came out weak supporting this view.



On Monday, **ECB President Mario Draghi** will be speaking and could see some volatility for the euro. Other speeches over the week include **Fed Chair Janet Yellen's speech** on Friday, where she is expected to testify to congress. Other Fed member speeches include St. Louis Fed president James Bullard.

This week, **New Zealand and Australia** will also be releasing the retail sales numbers and employment numbers respectively which could keep the commodity linked currencies susceptible. In particular, Australia's labour market data will be in focus after last month (September) the unemployment rate fell to 5.6%, marking a 3-year low.

Focus will once again turn to the UK where inflation figures will be reported. **Inflation** rose to 1% in September and is expected to maintain the upward pressure. **UK's retail sales** and monthly jobs report makes up for the other data over the week. While the GBP got a boost by the Trump victory, the economic data could see some downside risks emerge.

# TECHNICAL CORNER



USDJPY – Weekly Chart (Expect a correction)

**USDJPY** rallied to a 15-week high last week, closing out on Friday at 106.68. The yen, although came under pressure initially, soon recovered as the US election led uncertainty saw the dollar rally leading to a weaker yen. Price action in USDJPY has been subdued near the 100 levels for the most part in the past few months and the current price action could see some near term strength in the dollar against the yen.

Next week, while US data such as CPI, retail sales gain importance, the Q3 GDP data will be released which is expected to show another quarter of positive GDP growth, which should see the yen weaken further.



USDJPY (106.68) – Weekly Chart

On the weekly chart, we notice a strong hidden bearish divergence as price is seen approaching the resistance level of 106.90 - 105.40 region. The hidden bearish divergence points to a potential decline in the near term which could see price slide back to the 102 - 103 level of support. Therefore look for potential reversal on the daily chart time frame which will signal this correction.

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