

# orbex WEEKLY MARKETS REPORT



OVERWEEK  
BULLET POINTS



THE WEEK  
AHEAD



MARKETS  
PREVIEW



THE CHART OF  
THE WEEK



**ORBEX Research Department**

21<sup>st</sup> of November 2016, to 25<sup>th</sup> of November 2016

# OVERWEEK BULLET POINTS



Last Week: 14<sup>th</sup> of November 2016 to 18<sup>th</sup> of November 2016

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- Japan GDP q/q 0.5% vs. 0.2%
- Japan preliminary GDP price index y/y -0.1% vs. 0.3%
- UK Rightmove HPI m/m -1.1% vs. 0.9% previously
- BoJ Gov. Kuroda speech
- China industrial production y/y 6.1% vs. 6.2%
- China fixed asset investment ytd/y 8.3% vs. 8.2%
- China retail sales y/y 10.0% vs. 10.7%
- Japan revised industrial production m/m 0.6% vs. 0.0%
- Switzerland PPI m/m 0.1% vs. 0.2%
- Eurozone industrial production m/m -0.8% vs. -0.9%
- ECB president Draghi speech
- RBA releases monetary policy meeting minutes
- Germany preliminary GDP q/q 0.2% vs. 0.3%
- France final CPI m/m 0.0% vs. 0.0%
- UK CPI y/y 0.9% vs. 1.1%; core CPI y/y 1.2% vs. 1.4%
- UK PPI output m/m 0.6% vs. 0.3%; PPI input m/m 4.6% vs. 1.6%
- Eurozone flash GDP q/q 0.3% vs. 0.3%
- Germany ZEW economic sentiment 13.8 vs. 7.9
- Eurozone trade balance 24.9bn vs. 22.3bn
- US core retail sales m/m 0.8% vs. 0.5%; retail sales m/m 0.8% vs. 0.6%
- US Empire state manufacturing index 1.5 vs. -1.5
- FOMC Member Tarullo speech
- FOMC Member Fischer speech
- Australia wage price index q/q 0.4% vs. 0.5%
- FOMC Member Bullard speech
- UK average earnings index 3m/y 2.3% vs. 2.3%
- UK claimant count change 9.8k vs. 1.9k
- UK unemployment rate 4.8% vs. 4.9%
- Canada manufacturing sales m/m 0.3% vs. -0.2%
- US PPI m/m 0.0% vs. 0.3%; Core PPI m/m -0.2% vs. 0.2%
- US capacity utilization rate 75.3% vs. 75.5%
- US industrial production m/m 0.0% vs. 0.2%
- US crude oil inventories 5.3mn vs. 0.4mn
- Australia employment change 9.8k vs. 20.3k
- Australia unemployment rate 5.6% vs. 5.7%
- China FDI ytd/y 4.2% vs. 4.2% previously
- UK retail sales m/m 1.9% vs. 0.5%
- Eurozone final CPI y/y 0.5% vs. 0.4%; Core CPI y/y 0.8% vs. 0.8%
- ECB monetary policy meeting minutes released
- US building permits 1.23mn vs. 1.19mn

- US CPI m/m 0.4% vs. 0.4%; Core CPI m/m 0.1% vs. 0.2%
- Philly Fed manufacturing index 7.6 vs. 8.1
- US weekly unemployment claims 235k vs. 257k
- US housing starts 1.32mn vs. 1.16mn
- FOMC Member Dudley speech
- Fed Chair Yellen testifies
- BoC Review
- Germany PPI m/m 0.7% vs. 0.3%
- ECB President Draghi speech
- Eurozone current account 25.3bn vs. 31.3bn
- MPC Member Broadbent speech
- SNB Gov. board member Maechler speech
- FOMC Member Bullard speech
- Canada CPI m/m 0.2% vs. 0.2%; Core CPI m/m 0.2% vs. 0.3%

# THE WEEK AHEAD



21<sup>st</sup> of November 2016, to 25<sup>th</sup> of November 2016

## IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

Date	Time	Currency	Event	Forecast	Previous
21-Nov	04:30	JPY	All Industries Activity m/m	0.10%	0.20%
	16:00	EUR	ECB President Draghi Speaks		
22-Nov	Tentative	NZD	Core Retail Sales q/q	1.10%	2.60%
	Tentative	NZD	Retail Sales q/q	0.80%	2.30%
	07:00	CHF	Trade Balance	3.89B	4.37B
	07:45	AUD	RBA Assist Gov Kent Speaks		
	09:30	GBP	Public Sector Net Borrowing	5.9B	10.1B
	11:00	EUR	German Buba Monthly Report		
	13:30	CAD	Core Retail Sales m/m	0.60%	0.00%
		CAD	Retail Sales m/m	0.70%	-0.10%
	15:00	EUR	Consumer Confidence	-8	-8
		USD	Existing Home Sales	5.43M	5.47M
		USD	Richmond Manufacturing Index	1	-4
23-Nov	00:30	AUD	Construction Work Done q/q	-1.50%	-3.70%
	Tentative	NZD	PPI Input q/q		0.90%
	Tentative	NZD	PPI Output q/q		0.20%
	08:00	EUR	French Flash Manufacturing PMI	51.5	51.8
		EUR	French Flash Services PMI	52.1	51.4
	08:30	EUR	German Flash Manufacturing PMI	54.8	55
		EUR	German Flash Services PMI	54.1	54.2
	09:00	EUR	Flash Manufacturing PMI	53.2	53.5
		EUR	Flash Services PMI	53.1	52.8
	12:30	GBP	Autumn Forecast Statement		
	13:30	USD	Core Durable Goods Orders m/m	0.20%	0.10%
		USD	Unemployment Claims	241K	235K
		USD	Durable Goods Orders m/m	1.20%	-0.30%
	14:00	USD	HPI m/m	0.50%	0.70%
	14:45	USD	Flash Manufacturing PMI	53.6	53.4
	15:00	USD	New Home Sales	591K	593K
		USD	Revised UoM Consumer Sentiment	91.6	91.6
	USD	Revised UoM Inflation Expectations		2.70%	
	19:00	USD	FOMC Meeting Minutes		
24-Nov	00:30	JPY	Flash Manufacturing PMI	51.7	51.4
	07:00	EUR	German Final GDP q/q	0.20%	0.20%
	09:00	EUR	German Ifo Business Climate	110.6	110.5

	09:30	GBP	BBA Mortgage Approvals	38.8K	38.3K
	12:00	EUR	GfK German Consumer Climate	9.8	9.7
	17:15	CHF	Gov Board Member Zurbrugg Speaks		
	Tentative	NZD	Trade Balance	-950M	-1436M
	23:30	JPY	Tokyo Core CPI y/y	-0.40%	-0.40%
		JPY	National Core CPI y/y	-0.40%	-0.50%
	23:50	JPY	SPPI y/y	0.30%	0.30%
25-Nov	05:00	JPY	BOJ Core CPI y/y	0.30%	0.20%
	25th-29th	GBP	Nationwide HPI m/m		0.00%
	09:30	GBP	Second Estimate GDP q/q	0.50%	0.50%
		GBP	Prelim Business Investment q/q	-0.20%	1.00%
		GBP	Index of Services 3m/3m	0.80%	0.80%
	13:30	USD	Goods Trade Balance	-59.2B	-56.5B
		USD	Prelim Wholesale Inventories m/m	0.30%	0.20%
	14:45	USD	Flash Services PMI	54.9	54.8

Time: GMT+2



# MARKETS PREVIEW

Last Week: 14<sup>th</sup> of November 2016 to 18<sup>th</sup> of November 2016

*The markets carried on with the Trump rally being the main focus last week. The US dollar maintained strong gains as investors hope for the much anticipated stimulus plans from the Trump administration would lift inflation. On the other hand, economic data in the US also continued to post steady improvement with retail sales, inflation and weekly jobless claims all beating estimates.*

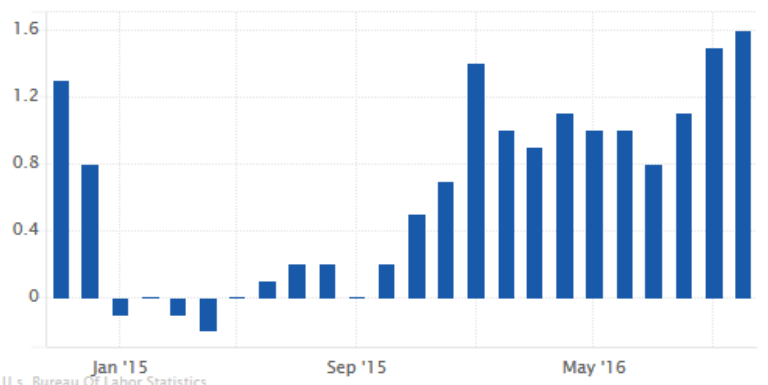
## Dollar gears up for a December rate hike

The US dollar extended its gains strongly this week, lifted by both expectations of fiscal stimulus spending under the new Trump administration and a stronger US economic outlook that has all but confirmed a rate hike at the next FOMC meeting December.

On the economic front, data this week included US retail sales for October which rose 0.8% on the month, beating expectations of a 0.6% increase. Previous months' retail sales numbers were also revised, which combined pushed the yearly retail sales figure to 4.3% from a year ago. Excluding autos, retail sales increased 0.8%, rising above the median estimates of 0.5% on a month over month basis while the annual core retail sales rose 4.4%.

Industrial production data was unchanged during the month, coming in below the market expectations and rising just 0.2% in October. Utility output was down 2.6% while mining increased 2.1%. Manufacturing sector increased 0.2% in October while auto production was seen rising 0.8% and non-manufacturing increased 0.2%. Overall, the capacity utilization rate fell to 75.3% in October down from 75.4% in September. Producer prices were also largely unchanged during the month missing estimates of 0.3% increase while rising 0.9% on a year over year basis.

Consumer prices were however strong, rising 0.4% in October, extending the 0.3% gains recorded previously. Most of the gains in consumer price index came on account of a strong increase in gas prices which rose 7% on a month over month basis. Excluding food and energy, core CPI increased 0.1%, for the second consecutive month.

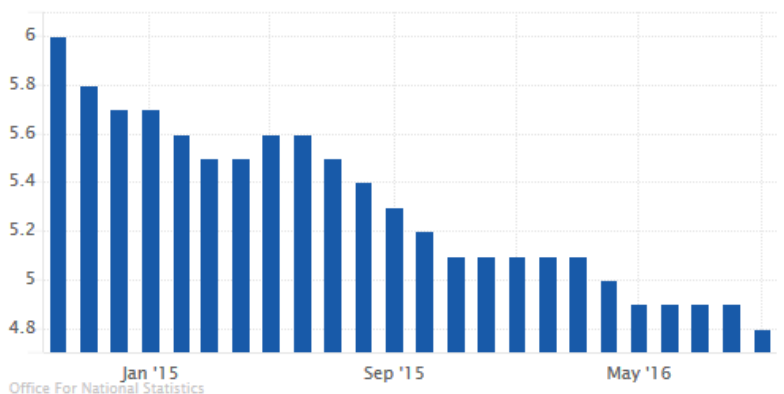


On Thursday, Fed Chair, Janet Yellen testified to the Joint Economic Committee in Washington. In her prepared remarks, Ms Yellen said that interest rates could

rise as early as next month. It as first public speaking engagement after the US election results and the Fed chair remained upbeat on the economy.

**"The evidence we've seen since we met in November is consistent with our expectation of strengthening growth and an improving labor market," Ms. Yellen said. "I do think the economy is making very good progress toward our goals."**

## UK unemployment rate hits a 11-year low



The UK jobs market was strong in the three months ending September but concerns that the June referendum vote would weaken business confidence and thus result in slower pace of hiring still looms. Official data from the ONS released last week shows that number of people without a job fell 37k from the second quarter, which pushed the unemployment rate to 4.8%, the lowest level since the third quarter of 2005. The

unemployment rate at 4.8% was stronger than what many expected. ONS said that the employment rate was at a record high of 74.5%.

The claimant count change, which is a measure of joblessness, rose in October by 9,800 which was the third straight month of increase. Wages picked up slightly, rising 2.4% on a year over year basis excluding bonuses in the three months to August.

David Freeman, a statistician at ONS said **"The referendum outcome and subsequent devaluation of sterling has had little impact so far on the number of EU workers in the UK labour force."**

Earlier in the week, UK's inflation grew at a slower pace than expected in October. According to official sources, the headline inflation increased only 0.9% in the month of October, which was below the median forecasts of 1.10% and slower than the 1% increase registered in September. ONS said that factory gate prices and cost of raw materials however increased at a faster pace in October.

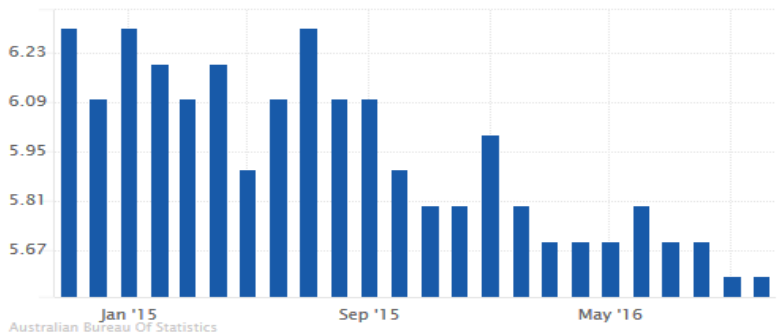
Price of goods leaving factories rose 2.1% which was the fastest increase since April 2012, while costs for raw materials jumped 4.6% on the month in October. **"After initially pushing up the prices of raw materials, the recent fall in the value of the pound is now starting to boost the price of goods leaving factories as well,"** ONS statistician Mike Prestwood said.

## Australia unemployment rate steady at 5.6% in October

Australia's unemployment rate in October was recorded at a seasonally adjusted basis to 5.6%, according to data released by the Australia Bureau of Statistics on Thursday. It was better than the expectations of 5.7% from September. The Australian economy was seen adding 9,800 jobs in

October, to 11,938k but missed expectations of a 15k increase for the month. The economy lost 9,800 jobs in September.

Full time employment increased 41.5k to 8,126k while part-time employment decreased to 31,700. The job participation rate was steady at 64.4%, below expectations of 64.6%.



Annette Beacher, chief Asia-Pacific strategist at TD Securities Singapore said that **"The market's initial reaction was the response to the full-time employment jump. However, this was short-lived as this report's underbelly is ridiculously soft"** noting that the Australian dollar gave up its initial

gains after the jobs report was released.

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**Week Ahead:** 21<sup>st</sup> of November 2016, to 25<sup>th</sup> of November 2016

*The markets open to a new week where most the economic calendar is dominated by second-tier data. In the US, it will be a short week as the markets are closed on Thursday on account of Thanksgiving holiday and Friday session being closed early. FOMC meeting minutes, US durable goods orders remain the key data points of focus next week in the US, while the UK is set to report revised GDP figures for the second quarter.*

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The euro looks to a quiet start next week with not much of economic data to go by. After last week's inflation and GDP report, the week ahead in the eurozone will focus on flash manufacturing and services **PMI numbers from IHS Markit**. No major changes are expected with the flash PMI's expected to move within a few points of change from October.

In Germany, the **Ifo business climate** is expected to show a modest pullback after rising to yearly highs previously. The euro is therefore likely to be susceptible to technical trading with no major economic data coming out of the eurozone.

In the US, the November's **FOMC meeting minutes** will be released on Wednesday. However, after many Fed members spoke last week after the US election week, not much of information is likely to come by with the markets already pricing in a strong chance for a rate hike in December.

Hawkish comments from most Fed officials, including the Fed Chair Janet Yellen has all but confirmed a rate hike in December. Inflation expectations have also increased strongly on the back of fiscal stimulus spending plans under the new Trump administration. Given the above, unless the November jobs report comes out disappointing the likelihood for a rate hike remains strong.

**US durable goods orders** for October will be released this week and the data is expected to show a rebound following a modest print a month ago.



In Japan, fresh **monthly inflation figures** will be coming out on Friday. The Tokyo core CPI is expected to show a 0.4% decline in consumer prices on a year over year basis, falling from the 0.4% decline seen in September. The BoJ's measure of core inflation is forecast to rise 0.3% after rising by a modest 0.2% on a year over year basis just a month ago..

The **UK's second revised GDP** estimates for the third quarter will be released on Friday by ONS. Economists expect the GDP growth rate to remain unchanged at 0.5% on a quarter over quarter basis, rising at the same pace as initially reported. Following robust consumer spending and unemployment rate hitting new lows, the UK is set to see growth rising at a better than expected pace despite voting to leave the EU.

# TECHNICAL CORNER



Gold prices could retest \$1280 - \$1300

**Gold** prices have been on a prolonged decline, and the losses extended after the US November 8 election outcome. Gold prices fell to a fresh 5-month low last week, flirting close to the \$1200 psychological support level. However the strong declines are likely to show a moderation as the current downtrend starts to show signs of exhaustion, especially near the support level.

On the daily chart, the support is seen at 1207 which has managed to hold during the past two attempts. If the current retest manages to hold above the \$1200 handle, gold prices could be in for a correction in the near term. Look for a modest correction that could push gold prices back to the \$1280 - \$1300 region.



**XAUUSD (1208.85) – Daily Chart**

An expected move such as this could potentially mark the head and shoulders pattern with the neckline support at 1207, while the right shoulder could be formed at 1280 - 1300. Buying gold at the current levels could be risk as the trade bias is firstly counter trend and secondly there is a risk of price spiking lower to \$1200 an ounce in the near term, unless there is a strong momentum led rally that can help to push gold prices higher. Therefore, keep an eye out on the chart as gold prices could start to bounce back higher, while monitoring the \$1280 - \$1300 region for a potential reversal.

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