

orbex WEEKLY MARKETS REPORT



OVERWEEK
BULLET POINTS



THE WEEK
AHEAD



MARKETS
PREVIEW



THE CHART OF
THE WEEK



ORBEX Research Department

28th of November 2016, to 2nd of December 2016

OVERWEEK BULLET POINTS



Last Week: 21st of November 2016 to 25th of November 2016

- New Zealand credit card spending y/y 10.2% vs. 8.5% previously
- Japan all industries activity m/m 0.2% vs. 0.1%
- Canada wholesale sales m/m -1.2% vs. 0.3%
- China CB leading index m/m 0.8% vs. 1.2% previously
- Australia CB leading index m/m 0.5% vs. 0.0% previously
- ECB president Draghi speech
- MPC member Haldane speech
- China trade balance 2.68bn vs. 3.89bn
- UK Public sector net borrowing 4.3bn vs. 5.9bn
- Canada core retail sales m/m 0.0% vs. 0.6%; retail sales m/m 0.6% vs. 0.7%
- US Richmond manufacturing index 4 vs. 1
- Eurozone consumer confidence -6 vs. -8
- US existing home sales 5.60mn vs. 5.43mn
- Australia construction work done q/q -4.9% vs. -1.5%
- French flash manufacturing PMI 51.5 vs. 51.5; flash services PMI 52.6 vs. 52.1
- Germany flash manufacturing PMI 54.4 vs. 54.8; flash services PMI 55.0 vs. 54.1
- Eurozone flash manufacturing PMI 53.7 vs. 53.2; flash services PMI 54.1 vs. 53.1
- MPC Member Forbes speech
- UK releases Autumn forecast statement
- US durable goods orders m/m 4.8% vs. 1.2%; core durable goods orders m/m 1.0% vs. 0.2%
- US weekly unemployment claims 251k vs. 241k
- US Durable goods orders m/m 4.8% vs. 1.2%; core durable goods orders m/m 1.0% vs. 0.2%
- US HPI m/m 0.6% vs. 0.5%
- US flash manufacturing PMI 53.9 vs. 53.6
- US new home sales 563k vs. 591k
- US revised UoM Consumer sentiment 93.8 vs. 91.6
- US revised UoM Inflation expectations 2.4% vs. 2.7% previously
- US Crude oil inventories -1.3mn vs. 0.3mn
- FOMC meeting minutes released
- Japan flash manufacturing PMI 51.1 vs. 51.7
- Germany final GDP q/q 0.2% vs. 0.2%
- German Ifo business climate 110.4 vs. 110.6
- SNB Board member Zurbrugg speech
- New Zealand trade balance -846mn vs. -950mn
- Tokyo core CPI y/y -0.4% vs. -0.4%
- Japan national core CPI y/y -0.4% vs. -0.4%
- BoJ Core CPI y/y 0.3% vs. 0.3%
- UK GDP q/q 0.5% vs. 0.5%
- UK preliminary business investment q/q 0.9% vs. -0.2%
- UK index of services 3m/3m 0.8% vs. 0.8%

- Italy retail sales m/m -0.6% vs. 0.0%
- UK CBI realized sales 26 vs. 12
- US Goods trade balance -62.0bn vs. -59.2bn
- US preliminary wholesale inventories m/m -0.4% vs. 0.3%
- US Flash services PMI 54.7 vs. 54.9

THE WEEK AHEAD



28th of November 2016, to 2nd of December 2016

IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

Date	Time	Currency	Event	Forecast	Previous	
28-Nov	9:00	EUR	M3 Money Supply y/y	5.00%	5.00%	
		EUR	Private Loans y/y	1.90%	1.80%	
	14:00	EUR	ECB President Draghi Speaks			
	23:30	JPY	Household Spending y/y	-1.00%	-2.10%	
		JPY	Unemployment Rate	3.00%	3.00%	
		JPY	Retail Sales y/y	-1.50%	-1.70%	
29-Nov	01:00	CAD	BOC Gov Poloz Speaks			
	07:00	EUR	German Import Prices m/m	0.60%	0.10%	
	All Day	EUR	German Prelim CPI m/m	0.10%	0.20%	
	07:45	EUR	French Consumer Spending m/m	0.20%	-0.20%	
	08:00	EUR	Spanish Flash CPI y/y	0.50%	0.70%	
	09:30	GBP	Net Lending to Individuals m/m	4.8B	4.7B	
		GBP	M4 Money Supply m/m	0.20%	-0.40%	
		GBP	Mortgage Approvals	66K	63K	
	13:30	CAD	Current Account	-16.4B	-19.9B	
		USD	Prelim GDP q/q	3.00%	2.90%	
		USD	Prelim GDP Price Index q/q	1.50%	1.50%	
	14:00	USD	S&P/CS Composite-20 HPI y/y	5.30%	5.10%	
	14:15	USD	FOMC Member Dudley Speaks			
	15:00	USD	CB Consumer Confidence	101.3	98.6	
	17:40	USD	FOMC Member Powell Speaks			
	20:00	NZD	RBNZ Financial Stability Report			
	23:50	JPY	Prelim Industrial Production m/m	0.20%	0.60%	
	30-Nov	00:00	AUD	HIA New Home Sales m/m		2.70%
			NZD	ANZ Business Confidence		24.5
00:10		NZD	RBNZ Gov Wheeler Speaks			
		AUD	Building Approvals m/m	2.20%	-8.70%	
00:30		AUD	Private Sector Credit m/m	0.40%	0.40%	
		JPY	Housing Starts y/y	11.50%	10.00%	
05:00		EUR	German Retail Sales m/m	1.00%	-1.40%	
		GBP	Bank Stress Test Results			
		GBP	BOE Financial Stability Report			
		GBP	FPC Statement			
07:45		EUR	French Prelim CPI m/m	-0.10%	0.00%	
08:00		CHF	KOF Economic Barometer	104.3	104.7	
08:55		EUR	German Unemployment Change	-6K	-13K	
All Day		ALL	OPEC Meetings			
10:00		EUR	CPI Flash Estimate y/y	0.60%	0.50%	
		EUR	Core CPI Flash Estimate y/y	0.80%	0.80%	
		EUR	Italian Prelim CPI m/m	-0.20%	-0.10%	
12:30		EUR	ECB President Draghi Speaks			

	13:15	USD	ADP Non-Farm Employment Change	161K	147K
	13:30	CAD	GDP m/m	0.10%	0.20%
		CAD	RMPI m/m	3.20%	-0.10%
		CAD	IPPI m/m	0.70%	0.40%
		USD	Core PCE Price Index m/m	0.10%	0.10%
		USD	Personal Spending m/m	0.50%	0.50%
		USD	Personal Income m/m	0.40%	0.30%
	14:45	USD	Chicago PMI	52.1	50.6
	15:00	USD	Pending Home Sales m/m	0.30%	1.50%
	16:45	USD	FOMC Member Powell Speaks		
	21:45	NZD	Overseas Trade Index q/q	0.10%	-2.10%
	23:50	JPY	Capital Spending q/y	-0.40%	3.10%
01-Dec	00:30	AUD	Private Capital Expenditure q/q	-2.80%	-5.40%
		JPY	Final Manufacturing PMI	51.1	51.1
	01:00	CNY	Manufacturing PMI	51	51.2
		CNY	Non-Manufacturing PMI		54
	01:45	CNY	Caixin Manufacturing PMI	50.9	51.2
	05:30	AUD	Commodity Prices y/y		16.00%
	08:15	CHF	Retail Sales y/y	-2.00%	-2.30%
		EUR	Spanish Manufacturing PMI	53.7	53.3
	08:30	CHF	Manufacturing PMI	54.5	54.7
	08:45	EUR	Italian Manufacturing PMI	51.4	50.9
	08:50	EUR	French Final Manufacturing PMI	51.5	51.5
	08:55	EUR	German Final Manufacturing PMI	54.4	54.4
	09:00	EUR	Final Manufacturing PMI	53.7	53.7
		EUR	Italian Monthly Unemployment Rate	11.60%	11.70%
	09:30	GBP	Manufacturing PMI	54.4	54.3
	10:00	EUR	Unemployment Rate	10.00%	10.00%
	13:30	USD	Unemployment Claims	252K	251K
	14:30	CAD	RBC Manufacturing PMI		51.1
	14:45	USD	Final Manufacturing PMI	53.9	53.9
	15:00	USD	ISM Manufacturing PMI	52.1	51.9
		USD	Construction Spending m/m	0.60%	-0.40%
		USD	ISM Manufacturing Prices	52	54.5
	All Day	USD	Total Vehicle Sales		18.3M
	23:50	JPY	Monetary Base y/y	23.20%	22.10%
02-Dec	00:30	AUD	Retail Sales m/m	0.30%	0.60%
	06:45	CHF	GDP q/q	0.30%	0.60%
	08:00	EUR	Spanish Unemployment Change	-25.8K	44.7K
	09:30	GBP	Construction PMI	52.3	52.6
	10:00	EUR	PPI m/m	0.40%	0.10%
	13:30	CAD	Employment Change	0.1K	43.9K
		CAD	Unemployment Rate	7.00%	7.00%
		CAD	Labor Productivity q/q	1.10%	-0.30%
		USD	Average Hourly Earnings m/m	0.20%	0.40%
		USD	Non-Farm Employment Change	165K	161K
		USD	Unemployment Rate	4.90%	4.90%
	13:45	USD	FOMC Member Brainard Speaks		
	18:00	USD	FOMC Member Tarullo Speaks		

Time: GMT+2



MARKETS PREVIEW

Last Week: 21st of November 2016 to 25th of November 2016

The dollar posted strong advances last week despite a short trading week. The US markets were closed on Thursday on account of Thanksgiving holiday and Friday saw thin trading volumes. The dollar maintained gains despite this pushing higher on Thursday. Last week the FOMC minutes showed that the Fed was closer to hike rates in December while durable goods orders posted a third straight month of increases.

New Zealand Q3 retail sales soft in September

Retail spending in New Zealand pushed higher during the three months ending September. Headline retail sales increased 0.9% while core retail sales increased 0.3% during the report period. This was a soft print in comparison to the second quarter data which showed the headline retail sales rise 2.2% while core retail sales increased 2.5%. On a year over year basis, retail sales figures are up a solid 5.3%.



Driving retail sales was increase in vehicle and fuel categories and excluding these volatile components, retail spending was seen rising by a modest 0.3% while pushing the annual core retail sales to 5.2% from a year ago.

Consumer spending was seen supported by low interest rates and higher tourist arrivals. Still, retail price inflation stayed low although showing signs of a moderate increase.

In actual terms, the value of total retail sales was \$20.1 billion in the September 2016 quarter, up 4.7 percent (\$900 million) from the September 2015 quarter.

November Fed minutes ascertain December rate hike

The Fed's meeting minutes released last week showed that the general view among policy makers was to hike rates soon, indicating that the fed funds rates will rise by 25 basis points when the FOMC meets next in December. The November Fed minutes release was a stale report with a lag of three weeks. Between then, the US has seen a significant shift, from electing a new president which has turned the tide for inflation.

"Most participants expressed a view that it could well become appropriate to raise the target range for the federal funds rate relatively soon, so long as incoming data provided some further evidence of continued progress toward the Committee's objectives," the minutes showed. The market reaction to the FOMC minutes was also muted with the 10-year Treasury yield unchanged near 2.36%.

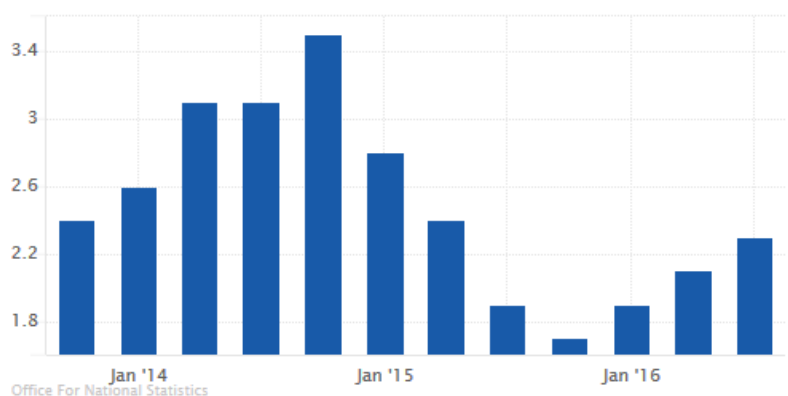
"The Fed has their sights set on a December hike and these minutes just confirm that. But the dust has settled from the election now and there's not been the kind of negative market reaction that would warrant the Fed waiting any longer," Luke Bartholomew, a fixed-income portfolio manager said.



US Durable Goods Orders: 4.8%, October 2016

On the economic front, data this week saw the US durable goods orders rise for the fourth consecutive month in October. Data from Commerce Department showed that headline durable goods orders rose 4.8% in October. However, despite the increase, new orders were seen weaker, down 0.2% from a year ago. Non-defense capital goods which exclude aircrafts rose 0.4% on new orders in the category but was down 4% on the year. The durable goods orders got the big boost mostly on civilian and defense aircraft orders which jumped 94.1% and 33.1% respectively.

UK announces spending plans. Q3 GDP unchanged



Philip Hammond, the finance minister of the UK gave his first detailed budget statement to the parliament last week since taking office in July. In his budget presentation, the Office for Budget Responsibility cut the forecast for economic growth over the next two years. According to the OBR, GDP is expected to grow only 1.4% in 2017, a big revision from previously estimated 2.2% while expecting growth to rise to 1.8% in 2018.

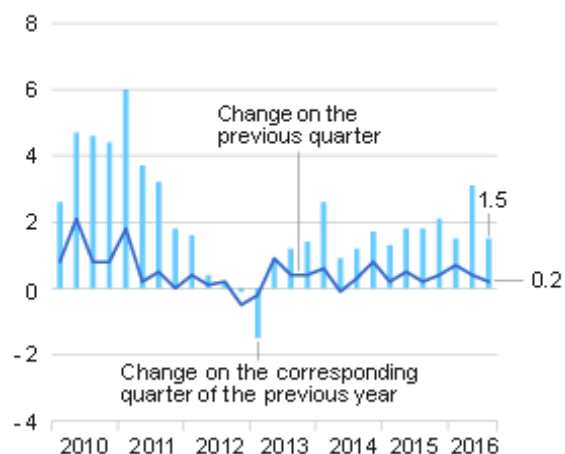
Hammond also announced new borrowing plans, to the tune of 122 billion pounds over a five year period. He also abandoned plans for reaching a budget surplus set forth by the previous government. According to the new spending plans, the government is looking at a deficit of 22 billion in 2019/2020 with the debt as GDP expected to rise from the current 84% to 90%. The spending plans are expected to create a buffer after the UK cuts ties with the EU and plans include housing and lowering the tax threshold while increasing the national minimum wage as well.

UK gilts fell on the news while the British pound closed higher on the day.

On Friday, the third quarter GDP data was unrevised at 0.5% on a quarter over quarter basis, while the annual GDP rate was confirmed at 2.3%. The data also showed that business investment in the UK rose 0.9% in the three months after the Brexit vote. Most of the GDP growth came from household and government spending and trade.

German GDP growth slows in Q3, 2016

Gross domestic product
price-adjusted in %



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The pace of economic activity in Eurozone's largest economy grew at a slower than anticipated pace. Data from Destatis confirmed that the gross domestic product increased at a pace of 0.2% in the three months ending September and rose 0.8% on an annualized basis. The data matched the initial estimates released a week ago.

The decline in growth came on a drop in exports and weaker than expected investments in machinery and equipment. The pace of growth in GDP was the lowest growth rate in a year. German statistics agency, Destatis said that there was a 1.0% increase on a quarterly basis in public sector consumption but household consumption increased only 0.4%.

Construction investment managed to snap back in the third quarter but investment in plant and machinery fell 0.6% on the quarter, pushing the annual rate to a 2.3% decline. Exports were down 0.4% on a quarterly basis.

In a separate report, the German Ifo business climate data showed that investors remained optimistic despite the US election outcome. ***"The German economy seems to be unfazed by the election of Donald Trump as U.S. President,"*** said Ifo President Clemens Fuest. The Ifo business climate index stood at 110.4 points in November, while October figure was revised down from 110.5. According to the report, German companies reported that they were satisfied with the current business situation but trimmed the outlook over the coming six months.

Week Ahead: 28th of November 2016, to 2nd of December 2016

The week ahead will be busy as a new trading month starts mid-week. However, the November 30th OPEC meeting will be keeping oil traders on the edge as a production cut could see short term gains in crude oil prices. Towards the latter part of the week, the final set of economic data from the US will be released which will most likely confirm the December rate hike from the Fed.

After agreeing to limit production in a bid to stabilize oil prices, **OPEC leaders will be meeting in Vienna this week on November 30th** in all likelihood to formalize the agreement. In

September, OPEC leaders agreed on the sidelines of the Algiers oil summit to limit production around 32 million bpd. Still, there are many questions as to whether Iran will participate in the production cuts. Russia for its part has been vocal in suggesting that it will commit to any production cut deal from OPEC. Nothing is set in stone and there is a chance that OPEC leaders will fail to agree. Oil prices could therefore turn volatile this week.

In the US, the markets will be looking to a busy week starting Thursday with the **ISM manufacturing PMI and Friday's payrolls report** gaining attention. As the data points will be the last set before the December 13 - 14 FOMC meeting, the markets will be looking to fine tune their expectations. The US unemployment rate is tipped to fall further to 4.8%, hitting the Fed's NAIRU estimate while the average hourly earnings is expected to remain steady at a 7-year high.

In Europe, the final inflation figures before the ECB's December meeting will be coming out this week. Latest euro area flash inflation figures will be coming out on Wednesday ahead of the figures from Germany. Expectations are strong that **inflation will continue to strengthen, rising to 0.7%** on a year over year basis in November, up from 0.5% in October.

Over the weekend on Sunday, Italy will be holding its referendum on December 4th which will be the main event risk. The expectations that **Renzi's referendum** will be rejected by the electorate takes high probability which could lead to further instability in the country as snap elections are likely to be called if the Italian voters reject the constitutional reforms. Gold prices could be seen influenced by the vote as it could potentially embolden more euro-skeptic parties in the euro area, or so goes the thinking.

TECHNICAL CORNER



EURGBP likely to rebound off support (0.8367)

Few weeks ago, in the weekly technical corner we outlined the potential downtrend that could take place in **EURGBP**. Price action has posted a steady decline after breaking down the support at 0.8893. The declines are now expected to continue towards 0.8368 where the next major support sits. Following the decline to this support, EURGBP could be looking to post a retracement in the short term.

Following a retest to the support at 0.8386, EURGBP should be looking to retest to 0.8728 region, which will potentially be forming a head and shoulders pattern.



EURGBP (0.8491) – Weekly Chart

Therefore, look for EURGBP to begin a moderate correction off 0.8368 support back to 0.8728 region and look for a correction on the daily chart near this level. Forming a reversal near 0.8728, EURGBP could be shaping up for a head and shoulders pattern with the neckline support at 0.8368 likely to be breached. This will extend the downside targets in EURGBP towards 0.8118 - 0.8062 region followed by an eventual decline to 0.7760.

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