orbex WEEKLY MARKETS REPORT

OVERWEEK BULLET POINTS

THE WEEK AHEAD

MARKETS PREVIEW

THE CHART OF THE WEEK

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Serving Traders Responsibly

ORBEX Research Department

5th of December 2016, to 9th of December 2016

OVERWEEK BULLET POINTS

Last Week: 28th of November 2016 to 2nd of December 2016

- Eurozone M3 money supply y/y 4.4% vs. 5.0%
- Eurozone private loans y/y 1.8% vs. 1.9%
- ECB Draghi speech
- Japan household spending y/y -0.4% vs. -1.0%
- Japan unemployment rate 3.0% vs. 3.0%
- Japan retail sales y/y -0.10% vs. -1.5%
- Australia HIA new home sales m/m -8.5% vs. 2.7% previously
- BoC Gov. Poloz speech
- Germany import prices m/m 0.9% vs. 0.6%
- Germany preliminary CPI m/m 0.1% vs. 0.1%
- French consumer spending m/m 0.9% vs. 0.2%
- Spain flash CPI y/y 0.7% vs. 0.5%
- UK net lending to individuals m/m 4.9bn vs. 4.8bn
- UK M4 money supply m/m 1.1% vs. 0.2%
- UK mortgage approvals 68k vs. 66k
- FOMC Member Dudley speech
- Canada current account -18.3bn vs. -16.4bn
- US preliminary GDP q/q 3.2% vs. 3.0%
- US preliminary GDP price index q/q 1.4% vs. 1.5%
- US S&P/CS housing price index 5.1% vs. 5.3%
- US CB consumer confidence 107.1 vs. 101.3
- FOMC Mmber Powll speech
- RBNZ releases Financial stability report
- RBNZ Gov. Wheeler speech
- UK Gfk consumer confidence -8 vs. -4
- Japan preliminary industrial production m/m 0.1% vs. 0.2%
- New Zealand ANZ business confidence 20.5 vs. 24.5 previously
- Australia building approvals m/m -12.6% vs. 2.2%
- Australia private sector credit m/m 0.5% vs. 0.4%
- Japan housing starts y/y 13.7% vs. 11.5%
- Australia private sector credit m/m 0.5% vs. 0.4%
- Japan housing starts y/y 13.7% vs. 11.5%
- Germany retail sales m/m 2.4% vs. 1.0%
- UK releases Bank stress tests
- French preliminary CPI m/m 0.0% vs. -0.10%
- Swiss KOF Economic barometer 102.2 vs. 104.3
- German unemployment change -5k vs. -6k
- Eurozone CPI flash estimate y/y 0.6% vs. 0.6%; Core CPI flash estimate y/y 0.8% vs. 0.8%
- Italy preliminary CPI m/m -0.1% vs. -0.2%
- ECB President Draghi speech

- US ADP private payrolls 216k vs. 161k
- Canada GDP m/m 0.3% vs. 0.1%
- Canada RMPI m/m 3.3% vs. 3.2%; IPPI m/m 0.7% vs. 0.7%
- US Core PCE price index m/m 0.1% vs. 0.1%
- US personal spending m/m 0.3% vs. 0.5%
- US personal income m/m 0.6% vs. 0.4%
- US Chicago PMI 57.6 vs. 52.1
- US pending home sales m/m 0.1% vs. 0.3%
- US Crude oil inventories -0.9mn vs. 0.7mn
- New Zealand overseas trade index q/q -1.8% vs. 0.1%
- Australia AIG manufacturing index 54.2 vs. 50.9 previously
- Australia private capital expenditure q/q -4.0% vs. -2.8%
- Japan final manufacturing PMI 51.3 vs. 51.1
- China manufacturing PMI 51.7 vs. 51.0
- China Non-manufacturing PMI 54.7 vs. 54.0
- China Caixin manufacturing PMI 50.9 vs. 50.9
- UK nationwide HPI m/m 0.1% vs. 0.2%
- Switzerland retail sales y/y -0.5% vs. -2.0%
- Eurozone Spain manufacturing PMI 54.5 vs. 53.7
- Switzerland manufacturing PMI 56.6 vs. 54.5
- Italy manufacturing PMI 52.2 vs. 51.4
- French final manufacturing PMI 51.7 vs. 51.5
- Germany final manufacturing PMI 54.3 vs. 54.4
- Eurozone final manufacturing PMI 53.7 vs. 53.7
- UK manufacturing PMI 53.4 vs. 54.4
- Eurozone unemployment rate 9.8% vs. 10.0%
- Weekly U.S. Unemployment claims 268k vs. 252k
- Canada RBC manufacturing PMI 51.5 vs. 51.1 previously
- US Final manufacturing PMI 54.1 vs. 53.9
- ISM manufacturing PMI 53.2 vs. 52.1
- U.S. construction spending m/m 0.5% vs. 0.6%
- ISM manufacturing prices 54.5 vs. 52.0
- Australia retail sales m/m 0.5% vs. 0.3%
- Switzerland GDP q/q 0.0% vs. 0.3%
- UK construction PMI 52.8 vs. 52.3
- Eurozone PPI m/m 0.8% vs. 0.4%
- Canada employment change 10.7k vs. -16.5k
- Canada unemployment rate 6.8% vs. 7.0%
- Canada labor productivity q/q 1.2% vs. 1.1%
- U.S. Average hourly earnings m/m -0.1% vs. 0.2%
- U.S. non-farm payrolls 178k vs. 177k
- U.S. unemployment rate 4.6% vs. 4.9%
- FOMC Member Brainard speech
- FOMC Members Tarullo speech

THE WEEK AHEAD

5th of December 2016, to 9th of December 2016

IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

Date	Time	Currency	Event	Forecast	Previous
05-Dec	00:00	AUD	MI Inflation Gauge m/m		0.20%
		NZD	ANZ Commodity Prices m/m		0.70%
	00:30	AUD	Company Operating Profits q/q	3.10%	6.90%
		AUD	ANZ Job Advertisements m/m		1.00%
	01:45	CNY	Caixin Services PMI	52.7	52.4
	05:00	JPY	Consumer Confidence	43.8	42.3
	08:15	EUR	Spanish Services PMI	55.1	54.6
	08:45	EUR	Italian Services PMI	51.4	51
	08:50	EUR	French Final Services PMI	52.6	52.6
	08:55	EUR	German Final Services PMI	55	55
	09:00	EUR	Final Services PMI	54.1	54.1
	09:30	EUR	Sentix Investor Confidence	14.7	13.1
		GBP	Services PMI	54.2	54.5
	10:00	EUR	Retail Sales m/m	0.90%	-0.20%
	All Day	EUR	Eurogroup Meetings		
	13:30	USD	FOMC Member Dudley Speaks		
	14:45	USD	Final Services PMI	54.9	54.7
	15:00	USD	ISM Non-Manufacturing PMI	55.3	54.8
	19:05	USD	FOMC Member Bullard Speaks		
06-Dec	00:00	JPY	Average Cash Earnings y/y	0.20%	0.00%
	00:30	AUD	Current Account	-13.6B	-15.5B
	03:30	AUD	Cash Rate	1.50%	1.50%
		AUD	RBA Rate Statement		
	07:00	EUR	German Factory Orders m/m	0.60%	-0.60%
	08:15	CHF	CPI m/m	-0.10%	0.10%
	09:30	GBP	FPC Meeting Minutes		
	10:00	EUR	Revised GDP q/q	0.30%	0.30%
	All Day	EUR	ECOFIN Meetings		
	13:30	CAD	Trade Balance	-2.1B	-4.1B
		USD	Revised Nonfarm Productivity q/q	3.20%	3.10%
		USD	Trade Balance	-41.5B	-36.4B
		USD	Revised Unit Labor Costs q/q	0.40%	0.30%
	Tentative	NZD	GDT Price Index		4.50%
	15:00	CAD	Ivey PMI	59.9	59.7
		USD	Factory Orders m/m	2.50%	0.30%
		USD	IBD/TIPP Economic Optimism	52.3	51.4
	21:45	NZD	Manufacturing Sales q/q		2.20%
	22:00	NZD	RBNZ Gov Wheeler Speaks		
	22:30	AUD	AIG Construction Index		45.9
07-Dec	00:01	GBP	BRC Shop Price Index y/y		-1.70%
	00:30	AUD	GDP q/q	0.20%	0.50%

	05:00	JPY	Leading Indicators	101.60%	100.30%
	07:00	EUR	German Industrial Production m/m	0.90%	-1.80%
	07:45	EUR	French Trade Balance	-4.2B	-4.8B
	08:30	GBP	Halifax HPI m/m	0.20%	1.40%
	09:00	EUR	Italian Quarterly Unemployment Rate	11.60%	11.50%
	09:30	GBP	Manufacturing Production m/m	0.20%	0.60%
		GBP	Industrial Production m/m	0.20%	-0.40%
	15:00	CAD	BOC Rate Statement		
		CAD	Overnight Rate	0.50%	0.50%
		USD	JOLTS Job Openings	5.53M	5.49M
	20:00	USD	Consumer Credit m/m	17.5B	19.3B
	23:50	JPY	Current Account	1.57T	1.48T
		JPY	Final GDP q/q	0.60%	0.50%
		JPY	Bank Lending y/y	2.40%	2.40%
		JPY	Final GDP Price Index y/y	-0.10%	-0.10%
08-Dec	00:30	AUD	Trade Balance	-0.72B	-1.23B
	Tentative	CNY	Trade Balance	307B	325B
	Tentative	CNY	USD-Denominated Trade Balance	46.7B	49.1B
	Tentative	JPY	Economy Watchers Sentiment	45.6	46.2
	06:30	EUR	French Final Non-Farm Payrolls q/q	0.30%	0.30%
	12:45	EUR	Minimum Bid Rate	0.00%	0.00%
	13:15	CAD	Housing Starts	191K	193K
	13:30	CAD	Building Permits m/m		-7.00%
		CAD	NHPI m/m		0.20%
		CAD	Capacity Utilization Rate		80.00%
		EUR	ECB Press Conference		
		USD	Unemployment Claims	272K	268K
	23:50	JPY	BSI Manufacturing Index	3.4	2.9
		JPY	M2 Money Stock y/y	3.70%	3.70%
09-Dec	00:30	AUD	Home Loans m/m	-0.90%	1.60%
	01:30	CNY	CPI y/y	2.20%	2.10%
		CNY	PPI y/y	2.20%	1.20%
	06:45	CHF	Unemployment Rate	3.30%	3.30%
	07:00	EUR	German Trade Balance	20.8B	21.3B
		EUR	French Industrial Production m/m	0.60%	-1.10%
	09:30	GBP	Goods Trade Balance	-11.9B	-12.7B
		GBP	Construction Output m/m	0.20%	0.30%
	15:00	USD	Prelim UoM Consumer Sentiment	94.3	93.8
		USD	Final Wholesale Inventories m/m	-0.40%	-0.40%
		USD	Prelim UoM Inflation Expectations		2.40%

Time: GMT+2

MARKETS PREVIEW

Last Week: 28th of November 2016 to 2nd of December 2016

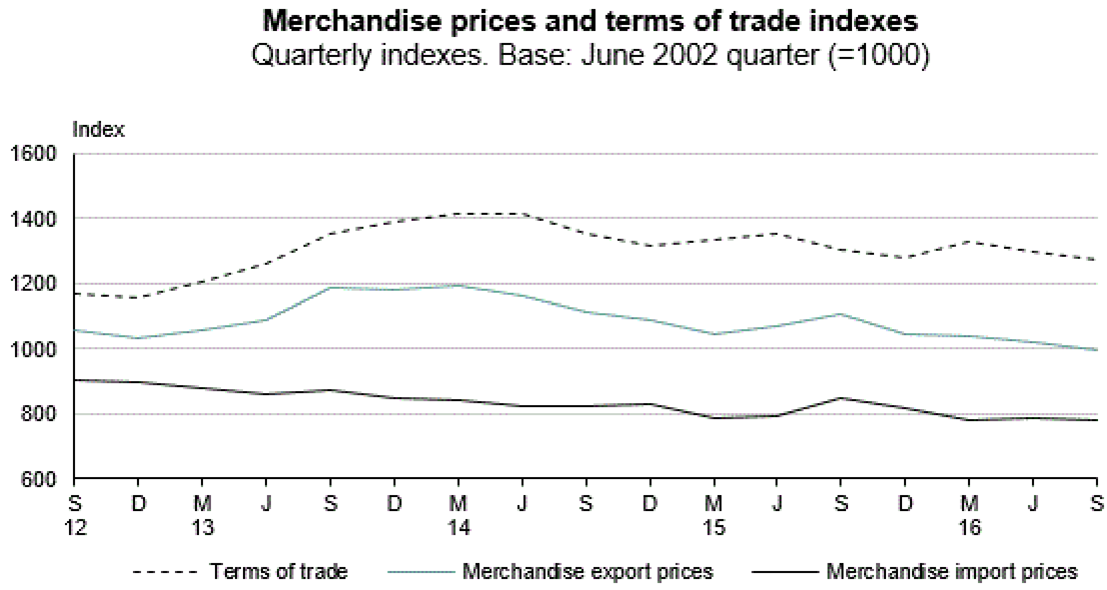
Last week was all about OPEC which dominated the headlines. After starting the week on doubts whether the oil cartel would agreed to production cuts, on Wednesday, the OPEC leaders agreed to limit production to around 32.5 million barrels as expected. The news sent oil prices higher by over 18% with Crude oil futures for January delivery trading near the $50 a barrel. Economic news elsewhere saw the US economy continue to keep its pace of growth.

RBNZ releases Financial Stability Report

On Tuesday, the Reserve Bank of New Zealand released its financial stability report which gives an outlook on growth. RBNZ Governor, Graeme Wheeler said that the nation's financial system was sound but cautioned on the continued risks from the overheating housing sector and the debt laden dairy industry.

"Indebtedness in the dairy sector has increased as farms have had to borrow to absorb losses over the past two seasons, leaving the sector vulnerable to future shocks," Wheeler said. On housing, the RBNZ Governor noted that the conditions in the housing markets continued to be a concern.

"House price inflation in Auckland has softened in recent months but it is uncertain whether this will be sustained," Wheeler said.



New Zealand Merchandize price and terms of trade, Q3, 2016

Earlier this week, the Organization for Economic Co-operation and Development (OECD) gave the New Zealand economy high marks. The organization forecast on-year growth at 3.5% this year and 3.4% next year before declining to 2.6% in 2018.

The OECD's forecasts were welcomed by the Finance minister Bill English noting that the small agriculture-rich economy is among the fastest growing globally.

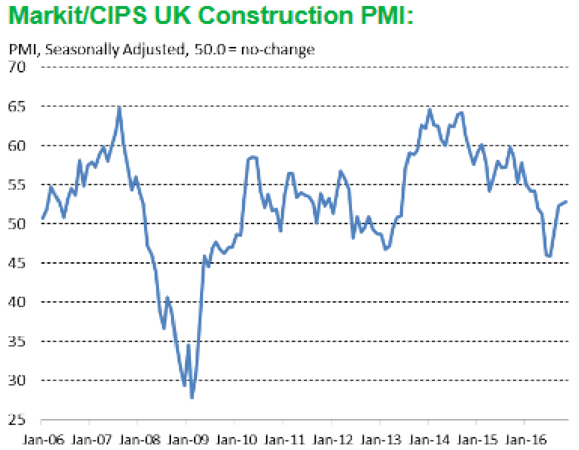
"The six-monthly economic outlook shows the New Zealand economy is continuing to outperform most others in the developed world," Mr. English said.

The third quarter terms of trade released on early Thursday which is the ratio of exports to import showed a 1.8% decline in the quarter ending September. The pace of declines in export prices outpaced the declines in import prices, which took the annualized terms of trade to 10%, which was below 2014's high. The stronger kiwi dollar which has increased by over 4% was largely seen as a factor for the movements in the export and import prices.

UK Manufacturing PMI slows. Construction PMI rises

Manufacturing in the UK continued to expand but the pace of growth was seen to be slower from a month ago. Data from the IHS Markit released on Thursday showed that the purchasing manager's index for British manufacturing fell to 53.4 in November. This was down from October's reading of 54.2 and was below the market estimates.

Construction activity on the other hand showed a faster than expected pace of increase in November.



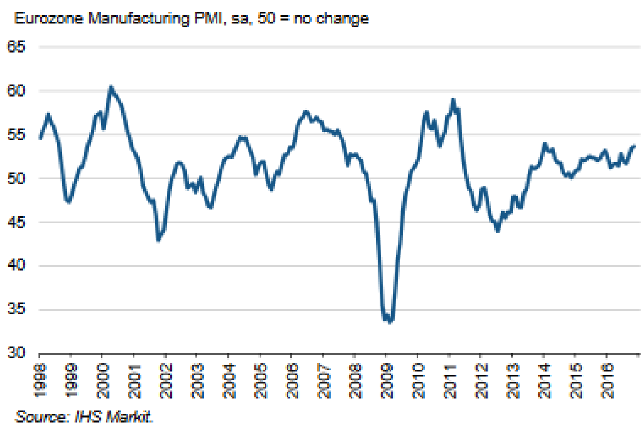
Data from Markit showed that the construction PMI increased to 52.8 in November, advancing from the 52.6 print registered in October. The data beat estimates which showed a decline to 52.2.

Tim Moore, Sr. Economist at IHS Markit said, ***"UK construction companies experienced a steady recovery in business activity during November, which continues the rebound from the downturn seen over the third quarter of 2016. The brighter picture reflected another solid contribution from residential building and renewed growth in commercial work, which some companies linked to a resumption of projects that had been delayed after the Brexit vote."***

Business activity and new work orders were seen rising at the strongest pace since March this year but both the rates of expansion remained soft compared to 2014. The data also showed that the volume of construction output was underpinned by a solid uptick in the new work orders.

Companies in the survey, reported a steep increase in their costs during November as inflation rose at the fastest pace in over five and half years. David Noble, group CEO at CIPS said ***"The sector was on a firmer footing this month, as a slight uptick in overall activity and the strongest level of new business growth since March, resulted in more stability after a summer of uncertainty at the time of the EU vote."***

Eurozone economic recovery chugs along



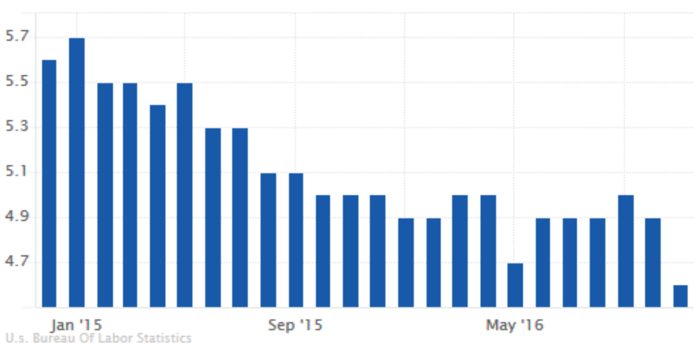
The week started off with a speech by ECB President, Mario Draghi on Monday. He said that the euro area economic recovery continued to grow at a moderate pace but said that the ECB's stimulus was the key ingredient of ongoing recovery. His comments come a week before the ECB meeting and also this Sunday's Italian referendum which is the main event risk for the euro.

In economic news, Germany's import prices rose 0.9% on the month, higher than the forecast number of 0.6% and up from the 0.1% posted previously. However, preliminary inflation figures showed Germany's CPI rising only 0.1%, down from the previous month's 0.2% increase. Meanwhile in France, inflation was unchanged for a second month in a row. The exception to the case was Spain where flash CPI figures showed a strong 0.7% increase, rising at the same pace as previously.

This week also saw the manufacturing PMI reports from Germany, France and the Eurozone. The final eurozone manufacturing PMI was recorded at 53.7, which was the highest since January 2104 and matched the flash estimates. Manufacturing PMI index rose from 53.5 in October. Growth came from Netherlands, Austria, Spain and Germany with output prices rising at the fastest pace in nearly 5-years as cost inflation rose to a record 56-month high.

Chris Williamson, Chief Business Economist at IHS Markit said: ***"Eurozone manufacturers are enjoying the best improvement in business conditions for almost three years, as the benefits of a weaker currency and strengthening demand helped firms brush off political worries."***

U.S. economy continues to race ahead at full steam



The U.S. economy continued to race ahead with fresh economic data released this week showing a continued momentum in the economy.

The second revision to the third quarter GDP released on Tuesday showed a solid revision to 3.2%, up from the initial estimates of 2.9%. The upward revision came on increase in personal consumption which offset the slight downward revision to business investments and inventories.

Personal income data was also released this week which showed a 0.6% increase in October and was above the estimates of 0.4% and increased from 0.3% previously. On a yearly basis, personal income is seen rising 3.9% with spending rising 4.2%. The U.S. dollar continued to extend its gains.

On the jobs front, Wednesday's ADP payrolls report showed a strong increase with the private sector hiring adding 216k jobs during November, which beat estimates of 161k. October's payrolls were revised down to 119k from previous estimates. Thursday saw new set of economic reports on the manufacturing side. Markit's final manufacturing PMI showed an increase to 54.1 which marked the strong rate of new orders growth in the U.S since March 2015. This was followed by the ISM manufacturing PMI which increased to 54.5, marking the strong pace of gains in five months.

On the jobs front, the November payrolls report was a mixed bag. Data showed that the U.S. economy added 178k jobs which was less than the 180k expectations. October's payrolls were revised lower to show 142k jobs, down from the initial estimates of 161k. The average hourly earnings also fell 0.1%, missing estimates of a 0.2% increase. On the positive side, the U.S. unemployment rate fell further to 4.6%, it was the lowest in more than 9 years.

Week Ahead: 5th of December 2016, to 9th of December 201

The focus will turn to this Sunday's referendum in Italy and Austrian elections, both of which promises to create more uncertainty in the euro area. Besides the geo-political factors, other economic data this week will see central bank meetings from the BoC, RBA and the ECB while in the US, the non-manufacturing PMI will be the major release of interest in an otherwise quiet week for the U.S.

Italy will be holding a referendum on constitutional reforms on Sunday and the markets are currently expecting a 70% chance that the reforms will be rejected. Italian Prime Minister, Matteo Renzi has said that he would resign if the referendum was rejected which could plunge the third largest economy in the eurozone into further uncertainty. It is also expected that the anti-EU parties in Italy could make more inroads into mainstream politics.

Besides Italy, **Austria will also be electing a new president** and it is likely that the far-right wing party Freedom Party nominee Norbert Hofer will be clinching a victory. However, he has ruled out any referendums on the EU membership, and with the post being merely ceremonial the outcome of the elections is unlikely to change anything much. Still, many view the result as a victory for the growing anti-populism and protectionist agenda which could embolden other anti-EU parties in Europe.

On the economic front, the **RBA is scheduled for its final monetary policy meeting on Tuesday**, December 6. No changes are expected as the central bank maintains the interest rates at 1.50%. There are talks that after nearly five years of the Australian economy rebalancing away from the mining investment sector, the expectations are building up that the RBA will be looking to ignite its policy tightening cycle by 2018. In the near term, the central bank is seen to maintain its currents OCR at 1.50% as the central bank awaits further information for the fourth quarter of 2016. Later in the week, Australia's quarterly GDP figures will also be released which is expected to show a modest increase of 0.2%, down from 0.5% previously.

The **Bank of Canada** will be meeting on Wednesday, December 7 and expectations are that the central bank will be keeping interest rates unchanged at 0.50%. Last week, a former BoC governor, David Dodge was quoted by news media saying that ***"the world economy might be better off***

if policy makers bumped interest rates a little bit higher." He said that rate increases won't hurt employment and growth if combined with government spending.

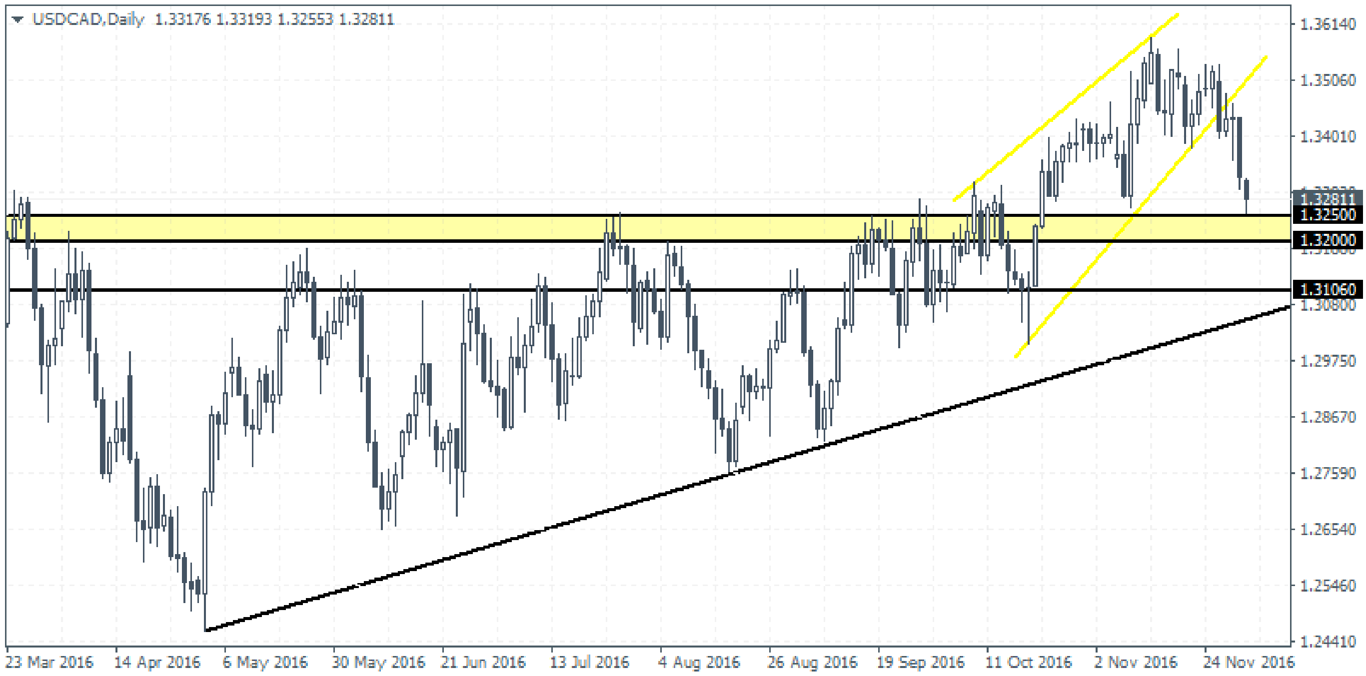
The Bank of Canada has kept interest rates steady for 10 months at 0.50% and is expected to maintain the policy into the first quarter of 2017.

On Thursday, the **ECB's meeting** will be the big ticket item on the economic calendar. Following speeches from various ECB officials last week, the broad consensus is that the European Central Bank will be extended further by six-months until September 2017. The central bank is however expected to keep the size of the purchase program at 80 billion euro. There were talks of some ECB members discussing about changing the size of the QE purchases as well, which could be under discussion next week. The ECB will be also releasing new forecasts at this meeting.

TECHNICAL CORNER

USDCAD nearing support at 1.3250, upside could resume

USDCAD has been steadily falling led by higher oil prices and somewhat better than expected economic data. Friday's payrolls report showed that Canadian economy added jobs for the fourth consecutive month. In November the economy added 10.7k jobs with employment rising to roughly 148k. The unemployment rate also fell to 6.8% during the reported period. USDCAD fell on the news initially but the short term bearish trend remains with prices likely to slide towards 1.3250 support level.



USDCAD (1.3281) – Daily Chart

The support zone is of importance as a reversal here could see prices rise back towards 1.3800 handle in the near term. The bullish bias comes on the back of the large ascending triangle pattern that has been forming, marked by the recent breakout above this level which saw USDCAD rise towards 1.3530 around mid-November. The current decline back to the support is indicative of a retst of this support level. If prices reverse here, USDCAD could resume its uptrend with the targets towards 1.3600 followed by 1.3800.

Alternately, if prices break down below the mentioned support zone, the next level of importance is at 1.3206 which marks the October 19 close. The upside still remains but it would weaken the bias. A confirmed close below 1.3206 could however see USDCAD falling back to retest the trend line.

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