

orbex WEEKLY MARKETS REPORT



OVERWEEK
BULLET POINTS



THE WEEK
AHEAD



MARKETS
PREVIEW



THE CHART OF
THE WEEK

OVERWEEK BULLET POINTS



Last Week: 5th of December 2016 to 9th of December 2016

- Australia MI inflation gauge m/m 0.1% vs. 0.2% previously
- New Zealand ANZ commodity prices m/m 2.7% vs. 0.7% previously
- Australia company operating profits q/q 1.0% vs. 3.1%
- China Caixin services PMMI 53.1 vs. 52.7
- Japan consumer confidence 40.9 vs. 43.8
- Spain services PMI 55.1 vs. 55.1
- Italy services PMI 53.3 vs. 51.4
- France services PMI 51.6 vs. 52.6
- Germany services PMI 55.1 vs. 55.0
- Eurozone services PMI 53.8 vs. 54.1
- Eurozone Sentix investor confidence 10.0 vs. 14.7
- UK services PMI 55.2 vs. 54.2
- Eurozone retail sales m/m 1.1% vs. 0.9%
- FOMC Member Dudley speech
- ECB President Draghi speech
- U.S. Final services PMI 54.6 vs. 54.9
- U.S. ISM non-manufacturing PMI 57.2 vs. 55.3
- BoE Gov. Carney speech
- FOMC member Bullard speech
- Japan average cash earnings y/y 0.1% vs. 0.2%
- Australia current account -11.4bn vs. -13.6bn
- RBA leaves cash rate unchanged at 1.50%
- Germany factory orders 4.9% vs. 0.6%
- Switzerland CPI m/m -0.2% vs. -0.1%
- Eurozone retail PMI 48.6 vs. 48.6 previously
- Eurozone revised GDP q/q 0.3% vs. 0.3%
- Canada trade balance -1.1bn vs. -2.1bn
- U.S. revised nonfarm productivity q/q 3.1% vs. 3.2%
- U.S. trade balance -42.6bn vs. -41.5bn
- Canada Ivey PMI 56.8 vs. 59.9
- U.S. factory orders m/m 2.7% vs. 2.5%
- RBNZ Gov. Wheeler speech
- Australia AIG construction index 46.6 vs. 45.9 previously
- Australia GDP q/q -0.5% vs. 0.2%
- Japan leading indicators 101.% vs. 101.6%
- Germany industrial production m/m 0.3% vs. 0.9%
- French trade balance -5.2 bn vs. -4.2bn
- UK Halifax HPI m/m 0.2% vs. 0.2%
- UK Manufacturing production m/m -0.9% vs. 0.2%
- UK Industrial production m/m -1.3% vs. 0.2%

- BoC leaves overnight rate unchanged
- U.S. Crude oil inventories -2.4mn vs. -1.4mn
- RBNZ Gov. Wheeler speech
- U.S. Consumer credit m/m 16.0bn vs. 17.5bn
- Japan current account 1.93tn vs. 1.57tn
- Japan final GDP q/q 0.3% vs. 0.6%
- Japan bank lending y/y 2.4% vs. 2.4%
- Japan final GDP price index y/y -0.2% vs. -0.1%
- Australia trade balance -1.54bn vs. -0.72bn
- China trade balance 298bn vs. 307bn
- China U.S. denominated trade balance 44.6bn vs. 46.7bn
- Japan economy watchers sentiment 48.6 vs. 45.6
- ECB leaves interest rates unchanged
- Canada housing starts 184k vs. 191k
- Canada building permits m/m 8.7% vs. 1.6%
- Canada NHPI m/m 0.4% vs. 0.2%
- Canada capacity utilization rate 81.9% vs. 81.6%
- ECB press conference
- U.S. weekly unemployment claims 258k vs. 258k
- Japan BSI manufacturing index 7.5 vs. 3.4
- Japan M2 money stock y/y 4.0% vs. 3.7%
- Australia home loans m/m -0.8% vs. -0.9%
- China CPI y/y 2.3% vs. 2.2%
- China PPI y/y 3.3% vs. 2.2%
- Switzerland unemployment rate 3.3% vs. 3.3%
- Germany trade balance 20.5bn vs. 20.8bn
- French industrial production m/m -0.2% vs. 0.6%
- UK Goods trade balance -9.7bn vs. -11.9bn
- UK construction output m/m -0.6% vs. 0.2%
- UK consumer inflation expectations 2.8% vs. 2.2% previously
- U.S. preliminary consumer sentiment 98.0 vs. 94.3
- U.S. final wholesale inventories m/m -0.4% vs. -0.4%

THE WEEK AHEAD



12th of December 2016, to 16th of December 2016

IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

Date	Time	Currency	Event	Forecast	Previous
12-Dec	04:30	JPY	Tertiary Industry Activity m/m	0.30%	-0.10%
	12th-16th	CNY	M2 Money Supply y/y	11.50%	11.60%
	12th-16th	CNY	New Loans	720B	651B
	21:45	NZD	Manufacturing Sales q/q		2.20%
13-Dec	00:30	AUD	HPI q/q	2.60%	2.00%
	02:00	CNY	Industrial Production y/y	6.10%	6.10%
		CNY	Fixed Asset Investment ytd/y	8.30%	8.30%
		CNY	Retail Sales y/y	10.20%	10.00%
	07:00	EUR	German Final CPI m/m	0.10%	0.10%
		EUR	German WPI m/m	0.30%	0.40%
	09:00	EUR	Italian Industrial Production m/m	0.30%	-0.80%
	09:30	GBP	CPI y/y	1.10%	0.90%
		GBP	PPI Input m/m	-0.40%	4.60%
		GBP	RPI y/y	2.10%	2.00%
		GBP	Core CPI y/y	1.30%	1.20%
		GBP	HPI y/y	7.30%	7.70%
		GBP	PPI Output m/m	0.20%	0.60%
	10:00	EUR	German ZEW Economic Sentiment	14.2	13.8
		EUR	Employment Change q/q	0.30%	0.40%
		EUR	ZEW Economic Sentiment	16.5	15.8
		11:00	USD	NFIB Small Business Index	96.7
	13:30	USD	Import Prices m/m	-0.30%	0.50%
	23:30	AUD	Westpac Consumer Sentiment		-1.10%
23:50	JPY	Tankan Manufacturing Index	10	6	
	JPY	Tankan Non-Manufacturing Index	19	18	
14-Dec	04:30	JPY	Revised Industrial Production m/m	0.10%	0.10%
	07:45	EUR	French Final CPI m/m	0.00%	0.00%
	08:15	CHF	PPI m/m	-0.10%	0.10%
	09:30	GBP	Average Earnings Index 3m/y	2.30%	2.30%
		GBP	Claimant Count Change	6.2K	9.8K
		GBP	Unemployment Rate	4.80%	4.80%
		EUR	Industrial Production m/m	0.20%	-0.80%
	13:30	USD	Core Retail Sales m/m	0.40%	0.80%
		USD	PPI m/m	0.10%	0.00%
		USD	Retail Sales m/m	0.30%	0.80%

		USD	Core PPI m/m	0.20%	-0.20%	
	14:15	USD	Capacity Utilization Rate	75.10%	75.30%	
		USD	Industrial Production m/m	-0.20%	0.00%	
	15:00	USD	Business Inventories m/m	-0.10%	0.10%	
	19:00	USD	FOMC Economic Projections			
		USD	FOMC Statement			
		USD	Federal Funds Rate	<0.75%	<0.50%	
	19:30	USD	FOMC Press Conference			
15-Dec	00:30	AUD	Employment Change	17.6K	9.8K	
		AUD	Unemployment Rate	5.60%	5.60%	
		AUD	RBA Bulletin			
			JPY	Flash Manufacturing PMI	51.5	51.3
	06:45		CHF	SECO Economic Forecasts		
	08:00	EUR	French Flash Manufacturing PMI	51.9	51.7	
		EUR	French Flash Services PMI	51.8	51.6	
	08:30	CHF	Libor Rate	-0.75%	-0.75%	
		CHF	SNB Monetary Policy Assessment			
		CHF	SNB Press Conference			
			EUR	German Flash Manufacturing PMI	54.6	54.3
			EUR	German Flash Services PMI	55	55.1
	09:00	EUR	Flash Manufacturing PMI	53.9	53.7	
		EUR	Flash Services PMI	53.9	53.8	
	09:30	GBP	Retail Sales m/m	0.20%	1.90%	
		GBP	MPC Official Bank Rate Votes	0-0-9	0-0-9	
			GBP	Monetary Policy Summary		
			GBP	Official Bank Rate	0.25%	0.25%
			GBP	Asset Purchase Facility	435B	435B
			GBP	MPC Asset Purchase Facility Votes	0-0-9	0-0-9
		13:30	CAD	Manufacturing Sales m/m	0.70%	0.30%
			USD	CPI m/m	0.20%	0.40%
			USD	Core CPI m/m	0.20%	0.10%
			USD	Philly Fed Manufacturing Index	9.1	7.6
			USD	Unemployment Claims		258K
			USD	Current Account	-111B	-120B
	USD		Empire State Manufacturing Index	3.2	1.5	
	14:45		USD	Flash Manufacturing PMI	54.2	54.1
16-Dec	15:00	USD	NAHB Housing Market Index	63	63	
	09:00	EUR	Italian Trade Balance	4.21B	3.67B	
		10:00	EUR	Final CPI y/y	0.60%	0.60%
		EUR	Final Core CPI y/y	0.80%	0.80%	
		EUR	Trade Balance	25.2B	24.9B	
	11:00	GBP	CBI Industrial Order Expectations	-5	-3	
	13:30	CAD	Foreign Securities Purchases	12.35B	11.77B	
		USD	Building Permits	1.24M	1.26M	
		USD	Housing Starts	1.23M	1.32M	

Time: GMT+2



MARKETS PREVIEW

Last Week: 5th of December 2016 to 9th of December 2016

The single currency was the center of attention for traders last week as the markets opened weaker on news that Italian voters rejected the referendum. On the central bank front, the Bank of Canada and the RBA were seen holding interest rates steady, but the ECB was seen expanding its QE to 2017 December. On the economic front, GDP figures from Australia were disappointing as the third quarter GDP fell 0.5% unexpectedly, while in Japan, new GDP methodology saw the third quarter GDP being revised lower to 0.3%.

Italians vote 'No' in referendum. ECB expands QE

Last week opened with the news of Italian rejecting the constitutional reforms put forth by the Italian Prime Minister, Matteo Renzi. Rejecting the reforms, the markets which were broadly expecting a similar result initially opened on a weak note but the single currency brushed aside concerns and rallied higher on the day.

However, the big news from last week for the euro was the ECB's meeting. Matching expectations, the ECB President Mario Draghi signaled a continuation to its QE program. However, the central bank said that while it would maintain its current 80 billion euro in QE purchases until March 2017, it would reduce the purchases to 60 billion euro from April onwards, continuing to the end of September.

The single currency was weaker on the news as Draghi put to rest any speculation on QE tapering. **"Tapering has not been discussed today,"** Draghi said in his speech noting that **"the presence of the ECB on the markets will be there for a long time."**

The ECB's decision marked a continued divergence in the monetary policies between the Federal Reserve which is all set to hike interest rates for a second time. Draghi also said that the QE program could be extended beyond 2017 if the governing council deemed it to be necessary to meet the inflation target of 2%. **"It is, in a sense, open ended,"** Draghi said.

The central bank also tweaked the rules governing the bond purchases. The central bank said that it will not buy bonds that yield less than the deposit rate, which currently stands at -0.40% with the remaining maturity of the eligible bonds being one year instead of two.

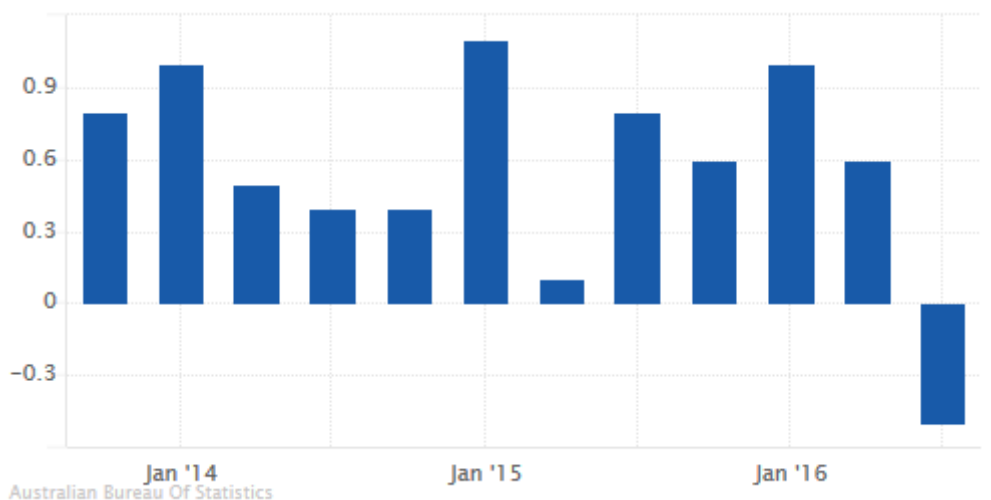
RBA leaves rates unchanged. GDP contracts

The Reserve Bank of Australia left interest rates unchanged at its monetary policy meeting on Tuesday. In a widely expected call, the central bank held rates 1.50%, a record low for Australian interest rates. Policymakers preferred a wait and watch approach as higher commodity prices was

expected to boost the national income. The RBA had previously cut rates by 25 basis points in May and August this year.

"Taking account of the available information, and having eased monetary policy earlier in the year, the Board judged that holding the stance of policy unchanged at this meeting would be consistent with sustainable growth in the economy and achieving the inflation target over time," the monetary policy statement showed.

Paul Dales, Australia and New Zealand chief economist for Capital Economics said ***that "it is clear that the RBA does not think it needs to cut interest rates further."***



Australia GDP, Q3 2016: -0.5% q/q

On Wednesday, the GDP data released by the Australian Bureau of Statistics showed that gross domestic product contracted 0.5% on a seasonally adjusted basis in the third quarter of 2016. This was below forecasts of a 0.2% increase. The second quarter GDP figures were revised higher to 0.6% from 0.5% previously.

However, the quarterly contraction has pushed the yearly GDP growth rate to 1.8%, down from 3.3% growth rate recorded in the second quarter.

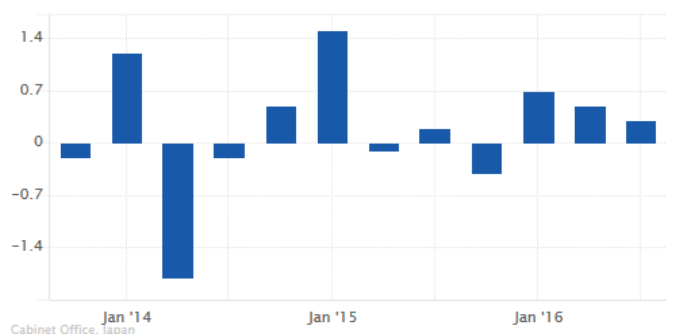
New Zealand Prime Minister, John Key resigns

The New Zealand dollar opened the week lower after a surprise resignation by the Prime Minister John Key. However, the kiwi managed to recover the losses as the outgoing Prime Minister, tipped Bill English, his deputy as the man for the top job. On Monday, the New Zealand PM John Key said that he would step down to spend more time with his family. General elections are expected to be held next year.

Experts were quick to talk down the impact of the surprise resignation, noting that there was only a "limited risk." Later in the week, the deputy prime minister, Bill English stepped in to fill the void as expected.

The RBNZ Governor, Graeme Wheeler also spoke this week, appearing before the parliamentary committee. Answering questions on the central bank's annual report, the central bank chief was optimistic that inflation would be back in the central bank's target by Q4 this year. He said that the New Zealand economy was performing relatively well but cautioned that productivity growth was disappointing.

Japan GDP revised lower in Q3



Contrary to market estimates that the third quarter GDP in Japan would be revised higher, official records released last week showed that the gross domestic product was revised lower. It was the third consecutive month of weaker GDP growth.

Data from the Cabinet office showed Japan's third quarter GDP rising just 0.3% on the final revision. This was below forecasts of a 0.6% increase and lower than the previous estimates of 0.5%. From the second quarter, Japan's GDP increased only slightly from 0.2% to 0.3%. The downside revision also knocked off a few points on the yearly GDP figures. Japan's annual GDP rate now stood at 1.3%, far lower than the initial estimates of 2.2% and missing forecasts of 2.3%.

Private consumption picked up 0.3% during the quarter which was a positive sign. However, business spending fell 0.4% during the quarter, missing estimates of a 0.2% increase. Data last week from Japan also showed that the current account surplus reached 1.71 trillion yen in October. It was 22.7% higher on a year over year basis.

Week Ahead: 12th of December 2016, to 16th of December 2016

The week ahead will most likely be the most important week this year as traders anticipate another rate hike from the Federal Reserve. Besides the Fed's meeting, there are other key events this week including the central bank meetings from the Bank of England and the Swiss National Bank. The British pound will see a busy week as data includes inflation, labor market and the central bank meeting.

The **Federal Reserve's meeting on Wednesday** is expected to see the central bank hike the fed funds target rate for the second time after a year with the tightening cycle starting to move faster over the coming months. The rate hike has been fully priced in by the markets and therefore what will matter the most is the future rate hike cycle.

At the most recent speaking engagement, Fed Chair Janet Yellen signaled that the Fed was close to lifting interest rates and economic data into this week's event from the U.S. has been broadly supportive of this move. The equity markets are also well prepared as the benchmark stock indexes continue to plough through to new highs.

Besides the Fed meeting, the U.S inflation and retail sales figures will be released over the week, but this data is likely to be overshadowed by the Fed's meeting. There will also be a press conference including fresh forecasts from the central bank.

It is going to be a busy week for the British pound with the **Bank of England's meeting due on Thursday**. The central bank is expected to hold interest rates steady at this week's meeting. The UK's economic outlook has deteriorated much supporting the current pace and scope of the monetary policy. Also on the calendar this week is the monthly labor market details including fresh inflation figures and retail sales data, all of which could weigh on the British pound besides the Fed's rate hike plans.

A largely quiet week for the euro after ECB president Mario Draghi delivered a subtle bazooka. Focus turns to **flash manufacturing and services PMI from the eurozone** followed by Friday's final inflation figures. With the lack of any key economic data from the euro area, the single currency will be looking to cues from the U.S. dollar and its reaction to the Fed rate hike.

Among other central bank meetings this week, the **Swiss National Bank will be convening for its quarterly meeting**. No changes are expected as the SNB is likely to hold its interest rates at -0.75% while also maintaining its rhetoric that the Swiss franc remains overvalued.

On the economic front, monthly employment figures are due from Australia while in Japan the quarterly Tankan manufacturing and non-manufacturing index surveys will be released. However, it is quite likely that none of this will matter to the markets in light of the Fed's meeting which is quite likely to be the final big ticket event for this year as far as the markets are concerned.

TECHNICAL CORNER



EURGBP, biased to the upside, targeting 0.8728

Two weeks ago, in the technical corner, we pointed out to the bearish outlook in EURGBP. Price action closed at the target level of 0.8386 last week with the weekly candlestick closing in a near doji type pattern. The declines in EURGBP came as last week the ECB announced further expansion to its QE program, which sent the single currency weaker across the board, including the EURGBP which gave back its initial gains. The decline to 0.8386 support potentially signals a near term bounce to the upside. As long as the support at 0.8386 holds, EURGBP could be looking at retracing the declines back to 0.8728 where resistance is likely to be formed.



EURGBP (0.8391) – Daily Chart

With the Fed's decision coming up next week, the euro could be under pressure but the week will also see some important economic data from the UK such as inflation, monthly jobs report, retail sales and the Bank of England's monetary policy decision. Traders can look at taking long positions off the 0.8386 support level targeting the upside towards 0.8278.

The move to 0.8728 could potentially mark the right shoulder of the evolving head and shoulders pattern on the weekly chart which will eventually mark the longer term declines below 0.8000 over the coming weeks. The bias will remain invalidated if EURGBP slips below 0.8386 support, in which case price action could slip towards 0.8118 support.

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