

orbex WEEKLY MARKETS REPORT



OVERWEEK
BULLET POINTS



THE WEEK
AHEAD



MARKETS
PREVIEW



THE CHART OF
THE WEEK



ORBEX Research Department

19th of December 2016, to 23rd of December 2016

OVERWEEK BULLET POINTS



Last Week: 12th of December 2016 to 16th of December 2016

- UK Rightmove HPI m/m -2.1% vs. -1.1% previously
- Japan tertiary industry activity m/m 0.2% vs. 0.3%
- Japan preliminary machine tool orders y/y -5.6% vs. -8.9% previously
- New Zealand manufacturing sales q/q 0.4% vs. 1.8% previously
- Australia HPI q/q 1.5% vs. 2.6%
- China industrial production y/y 6.2% vs. 6.1%
- China fix asset investment ytd/y 8.3% vs. 8.3%
- China retail sales y/y 10.8% vs. 10.2%
- Germany final CPI m/m 0.1% vs. 0.1%
- Germany WPI m/m 0.1% vs. 0.3%
- UK CPI y/y 1.2% vs. 1.1%; Core CPI y/y 1.4% vs. 1.3%
- UK PPI input m/m -1.1% vs. -0.4%; PPI output m/m 0.0% vs. 0.2%
- UK HPI y/y 6.9% vs. 7.3%
- Germany ZEW economic sentiment 13.8 vs. 14.2
- Eurozone quarterly employment change 0.2% vs. 0.3%
- Eurozone ZEW economic sentiment 18.1 vs. 16.5
- U.S. import prices m/m -0.3% vs. -0.3%
- Japan Tankan manufacturing index 10 vs. 10; Tankan non-manufacturing index 18 vs. 19
- Australia new motor vehicle sales m/m -0.6% vs. -2.4% previously
- Japan revised industrial production m/m 0.0% vs. 0.1%
- China new loans 795bn vs. 720bn
- France final CPI m/m 0.0% vs. 0.0%
- Switzerland PPI m/m 0.1% vs. -0.1%
- UK average earnings index 3m/y 2.5% vs. 2.3%
- UK claimant count change 2.4k vs. 6.2k
- UK unemployment rate 4.8% vs. 4.8%
- Switzerland ZEW economic expectations 12.9 vs. 8.9 previously
- Eurozone industrial production m/m -0.1% vs. 0.2%
- BoE Gov. Carney speech
- U.S. core retail sales m/m 0.2% vs. 0.4%; retail sales m/m 0.1% vs. 0.3%
- U.S. PPI m/m 0.4% vs. 0.1%; core PPI m/m 0.4% vs. 0.2%
- U.S. Industrial production m/m -0.4% vs. -0.2%
- U.S. Business inventories m/m -0.2% vs. -0.1%
- U.S. crude oil inventories -2.6mn vs. -1.4mn
- Fed funds target rate hiked to 0.75%
- FOMC Chair Janet Yellen speech
- Australia MI inflation expectations 3.4% vs. 3.2% previously
- Australia employment change 39.1k vs. 17.6k
- Australia unemployment rate 5.7% vs. 5.6%
- Japan flash manufacturing PMI 51.9 vs. 51.5; flash manufacturing PMI 53.5 vs. 51.9

- France flash services PMI 52.6 vs. 51.8
- SNB keeps 3-month LIBOR rate at -0.75%
- SNB press conference
- Germany flash manufacturing PMI 55.5 vs. 54.6; flash services PMI 53.8 vs. 55.0
- Eurozone flash manufacturing PMI 54.9 vs. 53.9; flash services PMI 53.1 vs. 53.9
- UK retail sales m/m 0.2% vs. 0.2%
- ECB LTRO 62.2bn vs. 45.3bn previously
- BoE keeps interest rates unchanged at 0.25%; asset purchases at 435bn
- Canada manufacturing sales m/m -0.8% vs. 0.7%
- U.S. CPI m/m 0.2% vs. 0.2%; core CPI m/m 0.2% vs. 0.2%
- U.S. Philly Fed manufacturing index 21.5 vs. 9.1
- U.S. unemployment claims 254k vs. 258k previously
- U.S. current account -113bn vs. -111bn
- U.S. Empire state manufacturing index 9.0 vs. 3.2
- U.S. Flash manufacturing PMI 54.2 vs. 54.2
- U.S. NAHB Housing market index 70 vs. 63
- Italy trade balance 4.30bn vs. 4.21bn
- Eurozone final CPI y/y 0.6% vs. 0.6%; core CPI y/y 0.8% vs. 0.8%
- Eurozone trade balance 19.7bn vs. 25.2bn
- BoE releases quarterly bulletin
- Canada foreign securities purchases 15.75bn vs. 12.35bn
- U.S. building permits 1.20mn vs. 1.24mn
- U.S. housing starts 1.09mn vs. 1.23mn

THE WEEK AHEAD



19th of December 2016, to 23rd of December 2016

IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

Date	Time	Currency	Event	Forecast	Previous
19-Dec	09:00	EUR	German Ifo Business Climate	110.7	110.4
	14:45	USD	Flash Services PMI	55.2	54.6
	21:45	NZD	FPI m/m		-0.80%
20-Dec	00:30	AUD	Monetary Policy Meeting Minutes		
	Tentative	AUD	Mid-Year Economic and Fiscal Outlook		
	Tentative	JPY	BOJ Policy Rate	-0.10%	-0.10%
	Tentative	JPY	Monetary Policy Statement		
	Tentative	JPY	BOJ Press Conference		
	07:00	CHF	Trade Balance	3.57B	2.68B
		EUR	German PPI m/m	0.10%	0.70%
	09:00	EUR	Current Account	24.2B	25.3B
	11:00	GBP	CBI Realized Sales	20	26
	13:30	CAD	Wholesale Sales m/m	0.30%	-1.20%
	21:45	NZD	Trade Balance	-500M	-846M
21-Dec	04:30	JPY	All Industries Activity m/m	0.10%	0.20%
	09:30	GBP	Public Sector Net Borrowing	11.5B	4.3B
	14:00	CHF	SNB Quarterly Bulletin		
	15:00	EUR	Consumer Confidence	-6	-6
		USD	Existing Home Sales	5.52M	5.60M
	15:30	USD	Crude Oil Inventories		-2.6M
	21:45	NZD	GDP q/q	0.80%	0.90%
		NZD	Current Account	-4.89B	-0.95B
22-Dec	00:01	GBP	GfK Consumer Confidence	-8	-8
	07:00	EUR	German Import Prices m/m	0.20%	0.90%
	09:00	EUR	ECB Economic Bulletin		
	10:00	EUR	Italian Retail Sales m/m	0.40%	-0.60%
	13:30	CAD	Core CPI m/m		0.20%
		CAD	Core Retail Sales m/m	0.70%	0.00%
		CAD	CPI m/m	-0.10%	0.20%
		CAD	Retail Sales m/m	0.20%	0.60%
		USD	Core Durable Goods Orders m/m	0.20%	0.80%
		USD	Final GDP q/q	3.30%	3.20%
		USD	Unemployment Claims	255K	254K
		USD	Durable Goods Orders m/m		4.60%
		USD	Final GDP Price Index q/q	1.40%	1.40%

	14:00	USD	HPI m/m	0.40%	0.60%
	15:00	USD	Core PCE Price Index m/m	0.10%	0.10%
		USD	Personal Spending m/m	0.40%	0.30%
		USD	CB Leading Index m/m	0.20%	0.10%
		USD	Personal Income m/m	0.30%	0.60%
	15:30	USD	Natural Gas Storage		-147B
23-Dec	07:00	EUR	GfK German Consumer Climate	9.8	9.8
	07:45	EUR	French Consumer Spending m/m	0.10%	0.90%
	08:00	CHF	KOF Economic Barometer	103.1	102.2
	09:30	GBP	Current Account	-28.3B	-28.7B
		GBP	Final GDP q/q	0.50%	0.50%
		GBP	Index of Services 3m/3m	0.90%	0.80%
		GBP	Revised Business Investment q/q	0.90%	0.90%
	13:30	CAD	GDP m/m	0.10%	0.30%
	15:00	USD	New Home Sales	575K	563K
		USD	Revised UoM Consumer Sentiment	98.2	98
		USD	Revised UoM Inflation Expectations		2.30%

Time: GMT



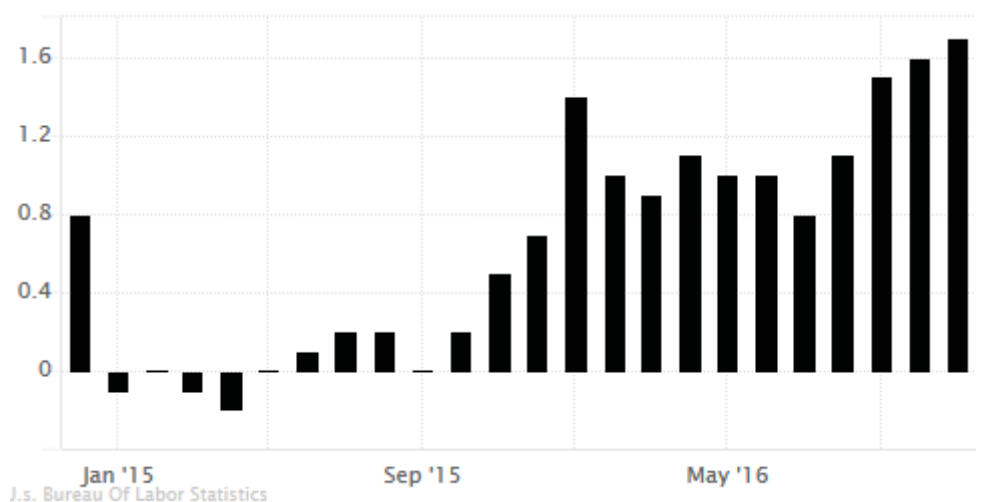
MARKETS PREVIEW

Last Week: 12th of December 2016 to 16th of December 2016

The FOMC's meeting was the main headline event this week as the markets braced for a second rate hike from the central in a year. The Fed's decision to hike rates was well received by the markets as the U.S. dollar continued to maintain its gains across the board. The Fed signaled three rate hikes for next year, which is expected to push the U.S. short term interest rates close to 1%. Other central bank meetings this week included the Norges Bank which kept rates unchanged at 0.5%, while the BoE and the SNB were also seen keeping the key lending rates unchanged at 0.25% and -0.75% respectively.

U.S. consumer price index rises for fourth consecutive month

The Fed's decision to hike rates also saw the central bank acknowledge that broad market based measures of inflation was rising. This was seen with the latest inflation report data which showed that consumer prices rose 0.2% in November, after rising 0.4% in October. The increase in the headline inflation matched estimates while core inflation excluding food and energy rose 0.2% extending the pace of increase from 0.1% in October. On a year over year basis, headline inflation rose 1.7% and is now just 0.3% off the Fed's 2% inflation target rate.



U.S. Consumer price index: 1.7% (November 2016)

The November inflation data showed that consumer prices rose for a fourth consecutive month, indicating that U.S. inflation was firming.

Pressure on core-services prices ***"has decelerated a little bit from earlier this year,"*** J.P. Morgan Chase analyst Zina Bushra Saijid said. ***"We were seeing really strong increases in medical prices, and those have come down a little bit. But the underlying***

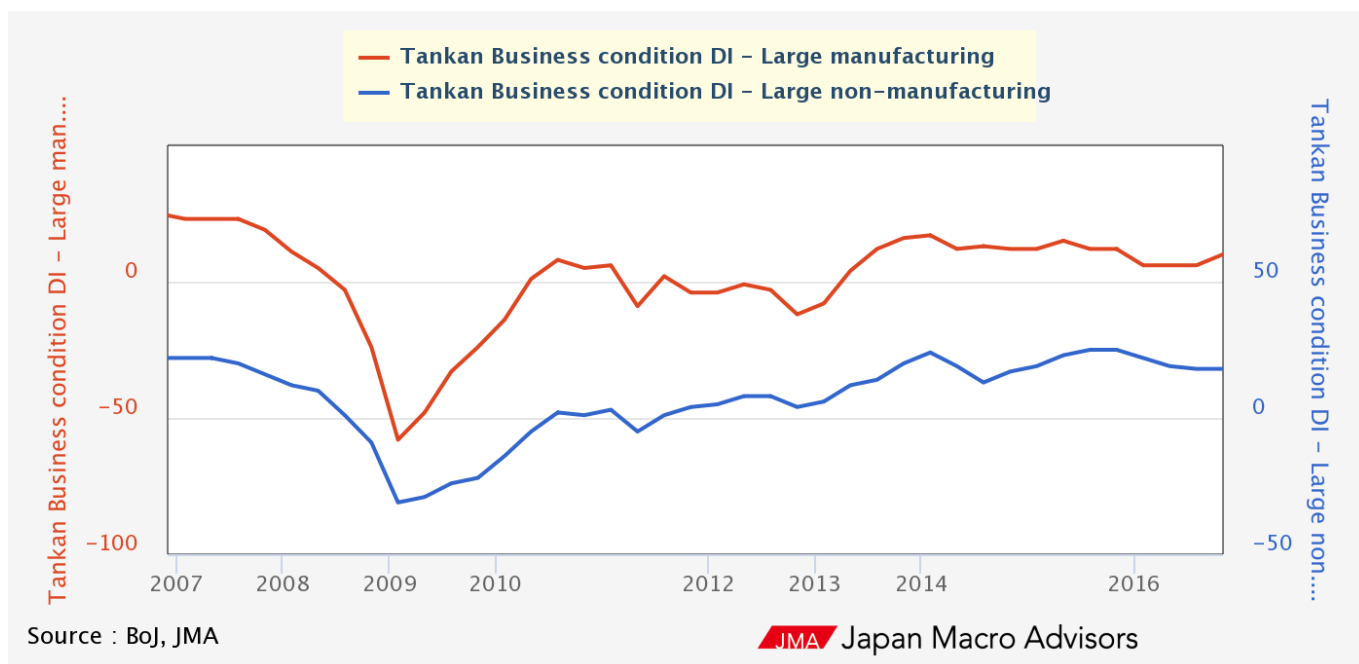
macroeconomic fundamentals are favorable for inflation firming going forward," she added.

Previously, retail sales figures for November showed a 0.1% increase on a month over month basis. Retail sales slowed after rising 0.6% in October and missed estimates of a 0.4% increase in November.

BoJ's Tankan surveys jump on weaker Yen

The Bank of Japan's quarterly Tankan manufacturing and non-manufacturing surveys posted a strong rebound for the first time in nearly a year and a half in the fourth quarter. The forward looking surveys indicated positive impact from the market turnaround since the U.S. presidential elections in November this year.

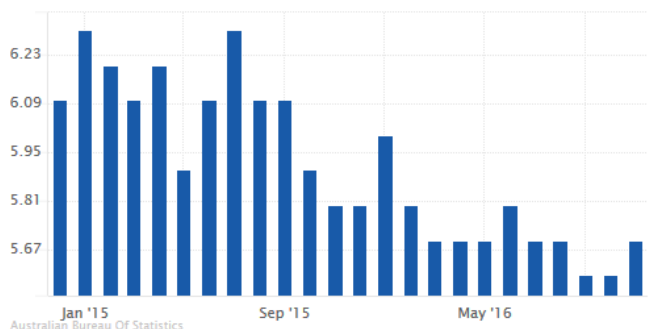
Sentiment in the manufacturing sector rose to 10 over the three months to December. This was higher than the reading of 6 recorded during the third quarter. It also marked the first increase in the manufacturing index since the past six quarters. The Tankan non-manufacturing survey was unchanged at 18 in the fourth quarter, according to data from the central bank.



BoJ, Tankan Manufacturing and Non-manufacturing surveys

However, some experts are skeptic on the increase in the Tankan surveys. Yasunari Ueno, from Mizuho Securities said, **"A question mark is hanging over the sustainability of a fall in the yen and gains in shares that have happened under a 'Trump Rally' built on expectations and speculation. It is very likely that companies answered the survey without any conviction about business conditions in the future."** Ueno also said that the index for large retail companies actually worsened, falling to +3 from +7 in September.

Australia posts strong jobs figures in November



The Australian economy created 39,100 jobs in the month of November, which was a solid beat on the market expectations of 17,500. Most of the job gains came from full time positions. However, to the downside, the unemployment rate rose to 5.7%, from 5.6% previously and coming in above estimates. The Australian jobs report data remains volatile on a month to month basis, but the 6-month trend showed that the economy created 50,000 jobs where in 20,000 jobs came from full time while the

remaining 30,000 jobs were from part-time workers.

In the same 6-month average, the unemployment rate has been steady at 5.7% albeit showing a slight drop in the participation rate. The solid overall jobs report helped to ease some of the worry in the markets since recent data showed the economy contracted in the three months to the end of September. The 0.5% fall in Australia's GDP growth in the third quarter was the first decline in 5 years.

Paul Brennan, chief economist at Citi said ***"The good jobs growth provides some solace after the disappointing 3Q GDP. As long as there's no unwinding of the gains to date in the December data, yearly employment growth should improve. This argues against a further retreat in yearly GDP growth."***

BoE leaves policy, stimulus unchanged

The Bank of England's monetary policy meeting on Thursday saw the key interest rates being left unchanged at record lows of 0.25% while maintaining the stimulus program at 435 billion GBP. The decision to leave policy unchanged was voted unanimously.

A slowdown in growth remained likely, but there had been little news since the time of the November Inflation Report about domestic activity. The bank staff forecasts GDP growth of 0.4 percent in the fourth quarter of 2016.

The MPC earlier noted that the path of monetary policy following the 'Brexit' vote would depend on the evolution of the prospects for demand, supply, the exchange rate, and therefore inflation. This remained the case, the bank said.

The bank also reiterated that monetary policy can respond, in either direction, to changes to the economic outlook as they unfold to ensure a sustainable return of inflation to the 2% target. Looking forward, the MPC expects inflation to rise to the 2 percent target within six months.

Ahead of the BoE's meeting other economic data included the retail sales figures which increased at a slower pace of 0.2% on a month over month basis.

After a busy week, the markets will be slowing down as the holiday season looms. As far as economic data is concerned, the markets will be looking to the U.S. final GDP revision and the Bank of Japan's monetary policy meeting. In the UK, the third GDP revision is coming up with week. Trading volumes are likely to take a breather as the markets enter into the final stretch of this year.

In the U.S. **Fed Chair Janet Yellen will be speaking on Monday** but it is unlikely that Ms. Yellen will be saying anything new. Her speech is entitled State of the Labour Market which could offer some clues to the Fed's take on the U.S. labor markets. On the economic front, the November personal income and spending report is expected to be released. **PCE data, due on Thursday** is expected to show a 0.1% increase in both headline and the core PCE data which could push the year over year PCE growth to 1.50% on the headline and 1.8% on the core. Spending is expected to show some slowdown which could potentially impact the fourth quarter GDP estimates. The final revised GDP is expected to show another modest revision to 3.3% from 3.2% previously.

In the Euro area, economic data is calm with only the **German Ifo business climate data** due on Monday. Recent economic data has been supportive of a pickup in the Germany GDP with growth expected to increase after a weak 0.2% increase during the third quarter. Later in the week, the euro area consumer confidence figures will be released which is expected to show a slight uptick to the consumer confidence.

The **Bank of Japan's meeting on Tuesday** is likely to pass off as a non-event with economists expecting the BoJ to stand pat on policy on both interest rates and QE. This view comes despite the recent slowdown in the GDP during the third quarter largely attributed to changes to the calculations. However, the recent uptrend in oil prices alongside a weaker yen is likely to keep the BoJ save its policy tools for a rainy day.

Among other central bank news this week, **Sweden's Riksbank will be holding its monetary policy meeting on Wednesday**. Markets are expecting the central bank to expand its purchase program but the central bank is expected to keep the interest rates unchanged although the lack of inflationary pressures is being seen as one of the reasons that could compel the central bank to act this week.

Other economic news includes third **GDP revision from the UK** for the third quarter followed by Friday's **monthly GDP from Canada** and the **third quarter GDP figures from New Zealand**.

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