

orbex WEEKLY MARKETS REPORT



OVERWEEK
BULLET POINTS



THE WEEK
AHEAD



MARKETS
PREVIEW



THE CHART OF
THE WEEK

OVERWEEK BULLET POINTS



Last Week: 19th of December 2016 to 23rd of December 2016

- Australia mid-year economic and fiscal outlook released
- Germany Ifo business climate 111.0 vs. 110.7
- U.S. flash services PMI 53.4 vs. 55.2
- Australia CB leading index m/m -0.4% vs. 0.5% previously
- Fed Chair Janet Yellen speech
- RBA releases monetary policy meeting minutes
- BoJ keeps monetary policy unchanged
- Switzerland trade balance 3.64bn vs. 3.57bn
- Germany PPI m/m 0.3% vs. 0.1%
- Eurozone current account 28.4bn vs. 24.2bn
- UK CBI realized sales 35 vs. 20
- Canada wholesale sales m/m 1.1% vs. 0.3%
- China CB leading index m/m 1.0% vs. 0.8% previously
- New Zealand trade balance -705mn vs. -500mn
- Australia MI leading index m/m 0.0% vs. 0.1% previously
- Japan all industries activity m/m 0.2% vs. 0.1%
- UK Public sector net borrowing 12.2bn vs. 11.5bn
- SNB releases quarterly bulletin
- U.S. existing home sales 5.61mn vs. 5.52mn
- U.S. crude oil inventories 2.3mn vs. -2.4mn
- New Zealand GDP q/q 1.1% vs. 0.8%
- New Zealand current account -4.89bn vs. -4.89bn
- Germany import prices m/m 0.7% vs. 0.2%
- Italy retail sales m/m 1.2% vs. 0.4%
- Canada CPI m/m -0.4% vs. -0.1%; core CPI m/m -0.5% vs. -0.1%
- Canada core retail sales m/m 1.4% vs. 0.7%; retail sales m/m 1.1% vs. 0.2%
- U.S. core durable goods orders m/m 0.5% vs. 0.2%; durable goods orders m/m -4.6% vs. 04.9%
- U.S. final GDP q/q 3.5% vs. 3.2%
- U.S. weekly unemployment claims 275k vs. 255k
- U.S. final GDP price index q/q 1.4% vs. 1.4%
- U.S. core PCE price index m/m 0.0% vs. 0.1%
- U.S. personal spending m/m 0.2% vs. 0.4%
- U.S. CB leading index m/m 0.0% vs. 0.2%
- U.S. personal income m/m 0.0% vs. 0.3%
- German Gfk consumer climate 9.9 vs. 9.8
- French consumer spending m/m 0.4% vs. 0.1%
- Switzerland KOF economic barometer 102.2 vs. 103.1
- UK Current account -25.5bn vs. -28.3bn
- UK Final GDP q/q 0.6% vs. 0.5%
- UK index of services 3m/3m 1.0% vs. 0.9%

- Canada GDP m/m -0.3% vs. 0.1%
- U.S. New home sales 592k vs. 575k
- U.S. revised UoM consumer sentiment 98.2 vs. 98.2
- U.S. revised UoM inflation expectations 2.2% vs. 2.3% previously

THE WEEK AHEAD



26th of December 2016, to 30th of December 2016

IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

Date	Time	Currency	Event	Forecast	Previous
26-Dec	23:30	JPY	Household Spending y/y	0.20%	-0.40%
		JPY	Tokyo Core CPI y/y	-0.40%	-0.40%
		JPY	National Core CPI y/y	-0.30%	-0.40%
		JPY	Unemployment Rate	3.00%	3.00%
27-Dec	05:00	JPY	BOJ Core CPI y/y	0.20%	0.30%
		JPY	Housing Starts y/y	9.60%	13.70%
	14:00	USD	S&P/CS Composite-20 HPI y/y	5.00%	5.10%
		USD	CB Consumer Confidence	108.9	107.1
	23:50	USD	Richmond Manufacturing Index	5	4
		JPY	Prelim Industrial Production m/m	1.80%	0.00%
	JPY	Retail Sales y/y	0.90%	-0.20%	
28-Dec	07:00	CHF	UBS Consumption Indicator		1.49
	09:30	GBP	BBA Mortgage Approvals	41.6K	40.9K
	15:00	USD	Pending Home Sales m/m	0.60%	0.10%
	23:50	JPY	BOJ Summary of Opinions		
29-Dec	07:00	GBP	Nationwide HPI m/m	0.20%	0.10%
	09:00	EUR	M3 Money Supply y/y	4.40%	4.40%
		EUR	Private Loans y/y	1.90%	1.80%
	13:30	USD	Unemployment Claims	277K	275K
		USD	Goods Trade Balance	-61.5B	-61.9B
		USD	Prelim Wholesale Inventories m/m	0.10%	-0.40%
	30-Dec	00:30	AUD	Private Sector Credit m/m	0.50%
08:00		EUR	Spanish Flash CPI y/y	0.90%	0.70%
09:30		GBP	Housing Equity Withdrawal q/q	-11.1B	-12.6B
14:45		USD	Chicago PMI	56.5	57.6

Time: GMT



MARKETS PREVIEW

Last Week: 19th of December 2016 to 23rd of December 2016

Trading this week was flat with the markets moving in a zig-zag fashion. The dollar continued to maintain its gains while the U.S. equity markets were seen attempting to push higher. From central banks, the Bank of Japan kept monetary policy unchanged while Sweden's Riksbank expanded its QE bond purchases. In the U.S. the final GDP revision saw another increase, putting the third quarter GDP growth at 3.5%.

Bank of Japan leaves monetary policy unchanged

The Bank of Japan's monetary policy meeting last week saw no changes to the key lending rates, which remains at -0.10%. The BoJ also did not make any changes to the annual bond purchases. In the press conference, BoJ Governor Kuroda gave an upbeat view of the economy but dismissed speculation of any potential rate hikes. Instead, the governor said that the central bank will continue with its policies to achieve the 2% inflation goal.

"We are still distant from our 2 percent inflation target. It's therefore appropriate to continue with powerful monetary easing," Kuroda said during the press conference.

The BoJ Governor also dismissed concerns on the recent declines in Yen as a problem for the Japanese economy. He said that a weak exchange rate will help in accelerating inflation via higher import costs and could potentially raise inflation expectations.



Japan 10-year yields

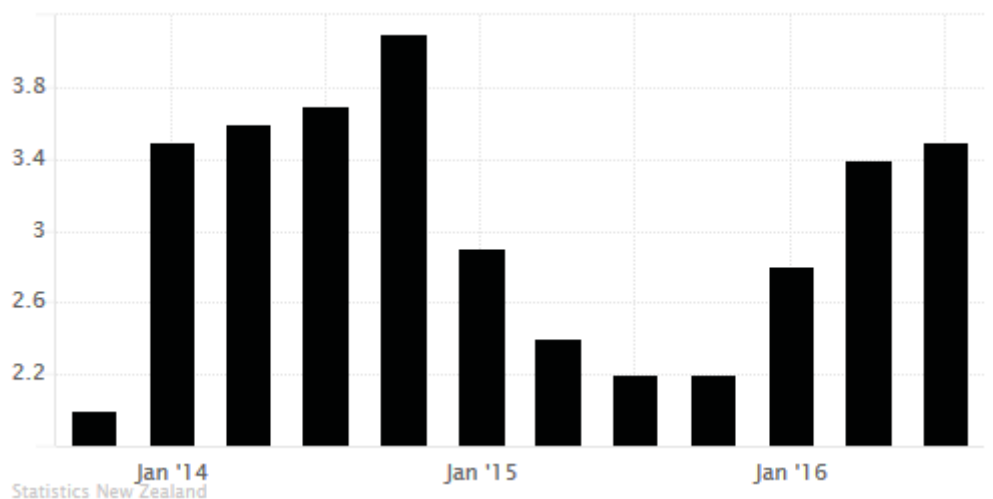
"It's absolutely not the case that Japanese government bond yields are allowed to rise in tandem with overseas long-term interest rates, or that (any such rise in Japanese yields) would prompt us to raise our yield targets," Kuroda said in this aspect.

Following the BoJ's announcement, the yen continued to extend the declines as the USDJPY edged back towards the 118.00 handle.

Analysts concluded that the BoJ is likely to keep purchasing the JGB's, which had previously hit 0.1% before falling. Jiroaki Muto, an economist with the Tokai Tokyo Research Center said ***"Kuroda is not interested in raising the yield target and would not be bothered by further yen weakness. He looked happy with recent market moves."***

New Zealand third quarter GDP exceeds expectations

The third quarter gross domestic production for New Zealand rose 1.1% on the quarter exceed forecasts of a 0.8% growth, according to data from Statistics New Zealand released on Wednesday. This pushed the annual growth rate slightly higher to show a 3.6% increase, up from 3.5% previously.



New Zealand Annual GDP growth rate: 3.6%

The previous quarter of Q2 saw a 0.7% increase. Driving growth higher was business services which advanced by 2% on the quarter led by gains in scientific, architectural and engineering services. Transportation sector gained 3.7% due to increase in road, air and transport support services, indicating upside pressure to inflation although still in early stages.

Manufacturing gained 1.2% and construction was higher by 2.1%. The expenditure on the GDP grew 1.4% during the quarter. Household consumption also increased 1.6% on spending on services and non-durable goods. Despite the strong increase, experts remain skeptical. J.P. Morgan analyst Ben Jarman said that the downward revision to previous quarter makes the growth trend a bit patchy. ***"Growth remains much less impressive in per capita terms--+1.4% on year average--and so is vulnerable to any slowing in immigration. This preserves some downside risks that will keep nominal rates low and should see real rates falling in 2017,"*** Jarman said.

Riksbank expands QE, signals no changes to rates

The Swedish central bank's monetary policy decision last week saw the central bank expand its QE bond purchases by an additional 30 billion SEK, bringing the total bond purchases to 275 billion SEK. The central bank left interest rates unchanged at -0.5%, as widely expected. There were divisions within the central bank however with the vote being evenly split. Three members of the central bank voted to keep the bond purchases steady or to reduce the amount of purchases.

Riksbank governor Ingves voted in favor of expanding the QE. Sweden's inflation continues to remain below the central bank's target of 2%, with the latest November inflation figures showing a 1.4% increase. At the same time, the central bank is also seen trying to balance the housing costs which have steadily increased, fuelled by demand on lower interest rates.

The central bank however remained optimistic on inflation saying **"increasingly strong economic activity creates the conditions for inflation to continue rising."** On interest rates, the central bank's statement said **"there is still a greater probability that the (repo) rate will be cut than that it will be raised in the near term."**

The central bank also gave fresh forecasts and according to the data, inflation is expected to rise to 2.4% in 2017. This was slightly lower than the previous forecasts of 2.8%.

	2014	2015	2016	2017	2018
CPI	-0.2 (-0.2)	0.0 (0.0)	1.4 (1.8)	2.4 (2.8)	3.1
CPIF	0.5 (0.5)	0.9 (0.9)	1.8 (2.0)	2.1 (2.2)	2.2
GDP	2.3 (2.3)	3.3 (3.1)	3.0 (3.4)	2.7 (2.6)	2.3
Unemployment, ages 15-74, per cent	7.9 (7.9)	7.4 (7.6)	7.1 (7.2)	6.9 (6.9)	6.8
Repo rate, per cent	0.5 (0.5)	-0.3 (-0.3)	-0.4 (-0.3)	-0.1 (0.2)	0.5

*Annual percentage change, annual average

Note. The assessment in the September 2015 Monetary Policy Report is shown in brackets.
Sources: Statistics Sweden and the Riksbank

Sweden's Riksbank 2017 economic forecasts

Analysts however expect the Riksbank to start hiking rates by late 2017. The euro fell by over 1% against the SEK by Thursday's close.

U.S. third quarter GDP revised higher to 3.5%

The final revision to the U.S. GDP showed that the economy advanced at a faster pace than previously expected. Data from the commerce department released on Thursday showed that the GDP

rose 3.5%, more than the forecasts of 3.2% marking the strong quarterly pace of increase in two years.

"The challenge for the economy will be to sustain that momentum through the end of the year," said Jim Baird, chief investment officer for Plante Moran Financial Advisors. ***"Fourth quarter GDP is expected to be solid, but slower on the heels of markedly cooler consumer spending."***

The newly revised data showed that consumer spending increased at an annual rate of 3% in the summer months, up from the previous estimates of 2.8%. Business spending rose 1.4% during the quarter, higher than the previously estimated 0.1% increase, while spending on structures rose 12%.

Household spending slowed in November with incomes turning flat signaling a potential easing in the economic momentum during the election month. Data released on Thursday showed that personal consumption rose 0.2% in November from the previous month, essentially staying flat during the month and was lower than the 0.3% increase that was expected. Spending in October was slightly revised higher to show a 0.4% gain compared to previous estimates of 0.3%. Incomes were revised down from 0.6% to 0.5% for October. The personal consumption expenditures price index was unchanged after rising 0.3% in October. From a year ago, PCE was up 1.4% same as in October.

Week Ahead: 26th of December 2016, to 30th of December 2016

The final week between Christmas and New Years is likely to be quiet in a year that was otherwise marked by central bank and geo-political uncertainty. Trading is expected to remain subdued over the coming week with no major economic releases in store. It will also be a holiday shortened week as most of the markets will be closed on Monday. Here's a brief preview of the few remaining data releases this week.

In the U.S. only second tier data is coming up next week. U.S. markets are closed on Monday and Tuesday will see the release of the Conference Board's consumer confidence data and the **Richmond manufacturing index**. So far, manufacturing has picked up strongly with other regional manufacturing gauges rising strongly. The Philly Fed manufacturing index rose to 21.5 beating expectations of 9.1, which was the strongest reading level in over a year. The Empire state manufacturing also posted strong gains as the index rose to 9.0, beating expectations of 3.2 and rising from 1.5 previously. Therefore, the Richmond manufacturing index is also tipped to rise.

Pending home sales and goods trade balance data will be coming out mid-week. Unemployment claims have started to rise in recent weeks in line with the view that the U.S. economy is running close to its full employment target.

Following the upbeat assessment by the Bank of Japan's meeting last week, the week ahead will see the release of the **different measures of CPI on Monday and Tuesday**. The data is unlikely to see any major shifts in the yen but a better than expected inflation reading will no doubt embolden yen bears even more. The BoJ's gauge of core CPI last month registered 0.3% increase, this was after core CPI hit 0.2% the month before. An uptick in inflation for November is expected after the recent rally in oil prices alongside a weaker exchange rate of the yen.

Besides the CPI figures, other data from Japan include retail sales and preliminary industrial production figures.

From the eurozone, data is only limited to inflation data from Spain on Friday with a tentative schedule for the 10-year bond auction from Italy, which will be interesting considering that the timing of the bond auction comes as the country is attempting to come to terms with its weak banking sector.

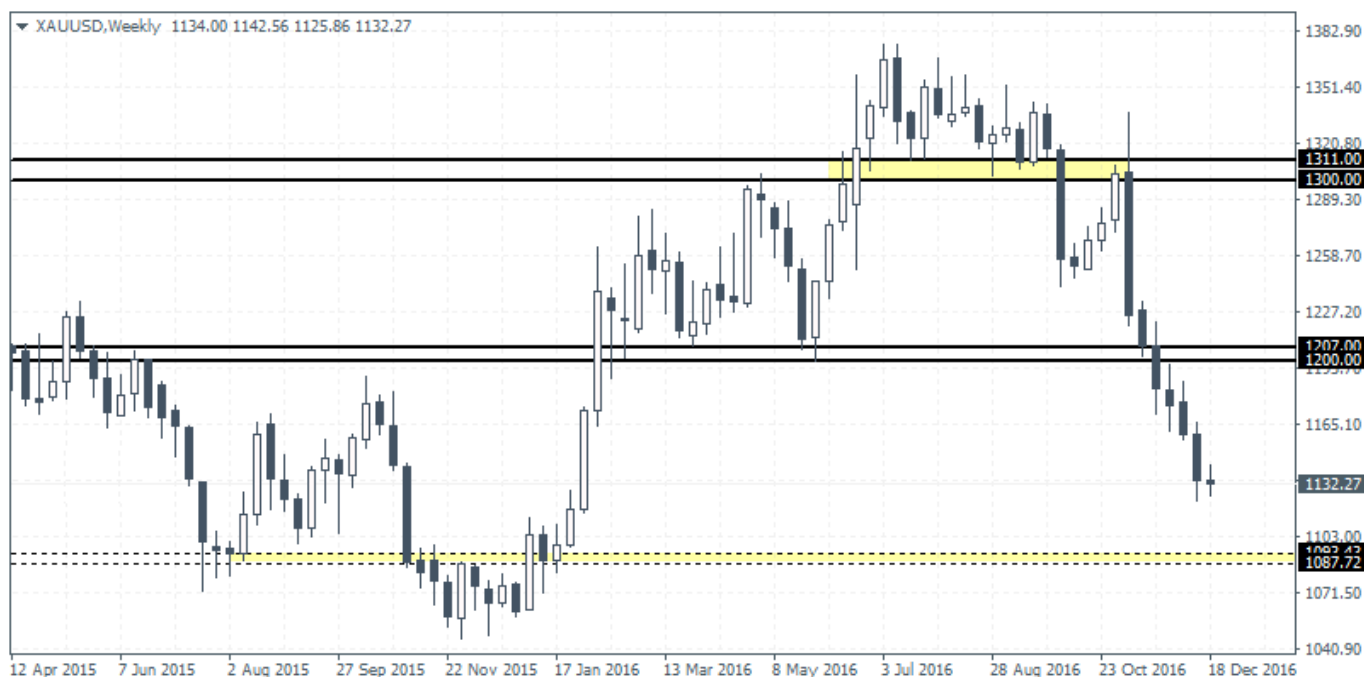
Overall, the week ahead is expected to be quiet with perhaps some news coming out Italy as developments continue to unfold on the evolving banking crisis in the region.

TECHNICAL CORNER



XAUUSD - Weekly doji close

Gold prices closed in a doji pattern this week signaling a potential pause to the decline that lasted for the past 6-weeks. Prices posted a fresh 10-month low at 1125.86. However there is no clear support evident at this level and the doji pattern could signal a near term consolidation before the declines resume once again.



XAUUSD (1132.27) – Weekly Chart

To the upside, resistance is seen near 1200 - 1207 region which could be tested to the upside if price indeed reverses following the doji pattern. A weekly bullish close above the doji's high of 1142.56 is required for price to extend a short term correction to the 1200 - 1207 resistance level, while to the downside support at 1093 - 1087 is most likely to be tested in the near term.

Therefore, traders can look at potential selling opportunities if gold prices continue to push towards the resistance level of 1200 - 1207. Alternately, failure to rally towards the resistance could signal gold prices resuming the declines towards the support level near 1093.00 - 1087.00 region where we can expect to see the support level being challenged.

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