

orbex WEEKLY MARKETS REPORT



OVERWEEK
BULLET POINTS



THE WEEK
AHEAD



MARKETS
PREVIEW



THE CHART OF
THE WEEK

OVERWEEK BULLET POINTS



Last Week: 26th of December 2016 to 30th of December 2016

- Japan household spending y/y -1.5% vs. 0.2%
- Tokyo core CPI y/y -0.6% vs. -0.4%
- Japan National core CPI y/y -0.4% vs. -0.3%
- Japan unemployment rate 3.1% vs. 3.0%
- BoJ Core CPI y/y 0.2% vs. 0.2%
- Japan housing starts y/y 6.7% vs. 9.6%
- U.S. S&P/CS Composite-20 HPI y/y 5.1% vs. 5.0%
- U.S. Richmond manufacturing index 8 vs. 5
- U.S. CB consumer confidence 113.7 vs. 108.9
- Japan preliminary industrial production m/m 1.5% vs. 1.8%
- Japan retail sales y/y 1.7% vs. 0.9%
- Switzerland UBS consumption indicator 1.43 vs. 1.39 previously
- UK BBA Mortgage approvals 40.7k vs. 41.6k
- U.S. pending home sales m/m -2.5% vs. 0.6%
- BoJ releases summary of opinions
- UK Nationwide HPI m/m 0.8% vs. 0.2%
- Eurozone M3 money supply y/y 4.8% vs. 4.4%
- Eurozone private loans y/y 1.9% vs. 1.9%
- U.S. unemployment claims 265k vs. 277k
- U.S. goods trade balance -65.3bn vs. -61.5bn
- U.S. preliminary wholesale inventories m/m 0.9% vs. 0.1%
- Australia private sector credit m/m 0.5% vs. 0.5%
- Spain flash CPI y/y 1.5% vs. 0.9%
- UK Housing equity withdrawal q/q -10.9bn vs. -11.1bn
- U.S. Chicago PMI 54.6 vs. 56.5

THE WEEK AHEAD



2nd of January 2017, to 6th of January 2017

IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

Date	Time	Currency	Event	Forecast	Previous
02-Jan	08:15	EUR	Spanish Manufacturing PMI	54.6	54.5
	08:45	EUR	Italian Manufacturing PMI	52.3	52.2
	08:50	EUR	French Final Manufacturing PMI	53.5	53.5
	08:55	EUR	German Final Manufacturing PMI	55.5	55.5
	09:00	EUR	Final Manufacturing PMI	54.9	54.9
	22:30	AUD	AIG Manufacturing Index		54.2
03-Jan	01:45	CNY	Caixin Manufacturing PMI	50.9	50.9
	05:30	AUD	Commodity Prices y/y		32.10%
	All Day	EUR	German Prelim CPI m/m		0.10%
	07:45	EUR	French Prelim CPI m/m	0.50%	0.00%
	08:30	CHF	Manufacturing PMI	56.1	56.6
	08:55	EUR	German Unemployment Change	-5K	-5K
	09:30	GBP	Manufacturing PMI	53.3	53.4
	14:30	CAD	RBC Manufacturing PMI		51.5
	Tentative	NZD	GDT Price Index		-0.50%
	14:45	USD	Final Manufacturing PMI	54.2	54.2
	15:00	USD	ISM Manufacturing PMI	53.7	53.2
		USD	Construction Spending m/m	0.50%	0.50%
		USD	ISM Manufacturing Prices	55.6	54.5
	04-Feb	00:30	JPY	Final Manufacturing PMI	51.9
01:45		CNY	Caixin Services PMI	53.3	53.1
08:00		EUR	Spanish Unemployment Change	-44.2K	24.8K
08:15		EUR	Spanish Services PMI	54.8	55.1
08:45		EUR	Italian Services PMI	52.7	53.3
08:50		EUR	French Final Services PMI	52.6	52.6
08:55		EUR	German Final Services PMI	53.8	53.8
09:00		EUR	Final Services PMI	53.1	53.1
09:30		GBP	Construction PMI	52.6	52.8
		GBP	Net Lending to Individuals m/m	4.9B	4.9B
		GBP	M4 Money Supply m/m	1.40%	1.10%
		GBP	Mortgage Approvals	69K	68K
10:00		EUR	CPI Flash Estimate y/y	1.00%	0.60%
		EUR	Core CPI Flash Estimate y/y	0.80%	0.80%
		EUR	Italian Prelim CPI m/m	0.30%	-0.10%
15:30		USD	Crude Oil Inventories		0.6M
All Day		USD	Total Vehicle Sales		17.9M
19:00		USD	FOMC Meeting Minutes		
22:30		AUD	AIG Services Index		51.1
23:50		JPY	Monetary Base y/y	22.30%	21.50%
05-Jan	08:15	CHF	CPI m/m	-0.10%	-0.20%
	09:10	EUR	Retail PMI		48.6

	09:30	GBP	Services PMI	54.8	55.2
	10:00	EUR	PPI m/m	0.20%	0.80%
	12:30	EUR	ECB Monetary Policy Meeting Accounts		
	13:15	USD	ADP Non-Farm Employment Change	171K	216K
	13:30	CAD	RMPI m/m	-1.50%	3.30%
		CAD	IPPI m/m	0.20%	0.70%
		USD	Unemployment Claims	262K	265K
	14:45	USD	Final Services PMI	53.4	53.4
	15:00	USD	ISM Non-Manufacturing PMI	56.6	57.2
06-Jan	00:00	JPY	Average Cash Earnings y/y	0.20%	0.10%
	00:30	AUD	Trade Balance	-0.55B	-1.54B
	07:00	EUR	German Factory Orders m/m	-2.50%	4.90%
		EUR	German Retail Sales m/m	-0.80%	2.40%
	07:45	EUR	French Trade Balance	-4.8B	-5.2B
	08:00	CHF	Foreign Currency Reserves		648B
	10:00	EUR	Retail Sales m/m	-0.30%	1.10%
	13:30	CAD	Employment Change	-5.1K	10.7K
		CAD	Trade Balance	-1.6B	-1.1B
		CAD	Unemployment Rate	6.90%	6.80%
		USD	Average Hourly Earnings m/m	0.30%	-0.10%
		USD	Non-Farm Employment Change	175K	178K
		USD	Unemployment Rate	4.70%	4.60%
		USD	Trade Balance	-42.2B	-42.6B
	15:00	USD	Factory Orders m/m	-2.10%	2.70%

Time: GMT



MARKETS PREVIEW

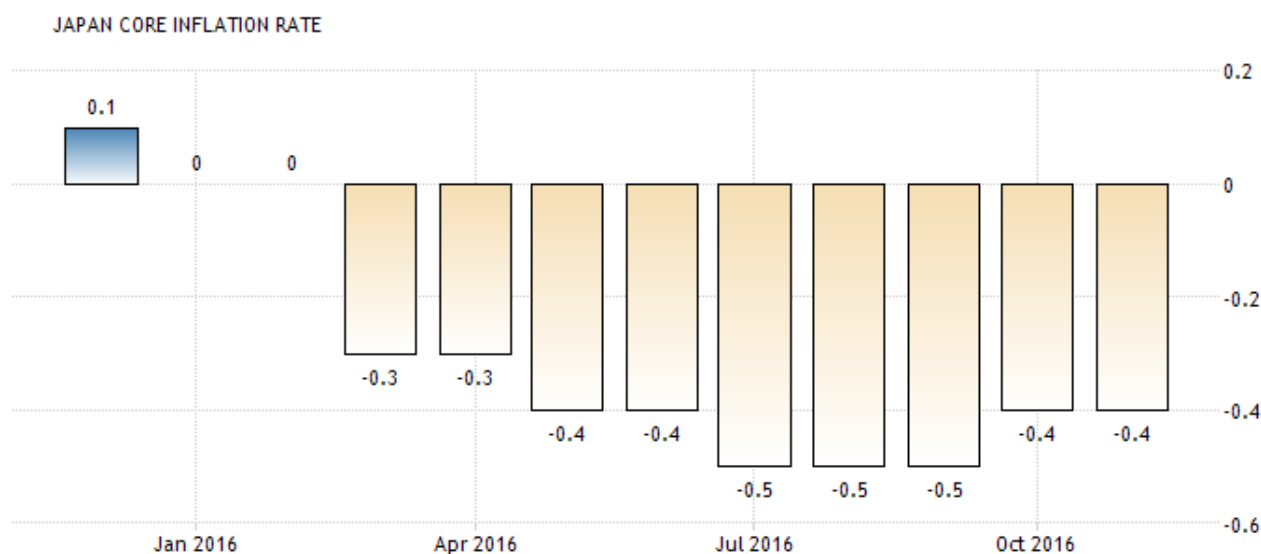
Last Week: 26th of December 2016 to 30th of December 2016

The financial markets were on the backseat this week as most of the trading hubs were closed on Monday and trading for the remainder of the week remained subdued. Economic data did little to push the markets around as the ranging price action continued across the board. In the U.S. positive flow of economic data continued while in Japan inflation remained weak alongside lower household spending.

Japan's consumer inflation shows no signs of pressure

The core consumer price index or CPI from Japan, measured by different gauges continued to dip, marking a ninth consecutive month of declines on an annual basis. Core inflation fell as consumer spending also declined in November underlining the weakness in the economy and the lack of momentum in inflation which still way off mark from the Bank of Japan's 2 percent inflation rate.

Core consumer price index in Tokyo, considered to be a leading indicator of the nationwide price index fell 0.6%, marking the fastest pace of declines in November. The headline print was also below forecasts of 0.4% declines and was down from October's 0.4% decline. The National core CPI, which is another measure of measuring core inflation also showed no upward signs of pressure as the index fell 0.6%, more than the forecasts of 0.3% declines and was seen falling at the same pace as in October.



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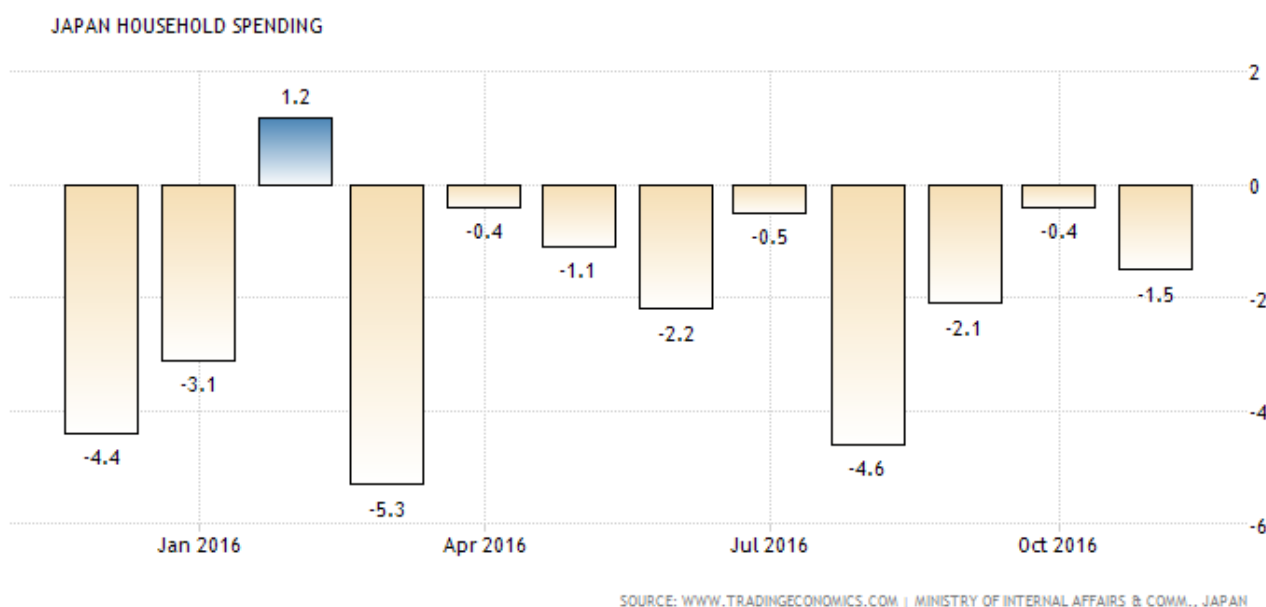
Japan Core Inflation. November 2016: -0.4%

Despite the weak readings, analysts are still hopeful that inflation will accelerate from December on account of a rebound in oil prices and the weaker exchange rate. Yoshiaki Shinke, Chief economist at Dai-ichi Life Research Institute said, ***"It's clear trend inflation was weak until December because prices were falling for many non-energy items. But inflation will turn positive and may accelerate to around 1 percent in summer or autumn next year. That's bad news for consumers but good news for the BOJ as it tries to achieve its price target."***

Tokyo's consumer price index decline in November marked the biggest declines seen since February 2013.

Japan spending remains weak

Other economic data from Japan included consumer spending data which also disappointed. Posting a third straight quarter of expansion on an annual basis during the July - September period, household spending in Japan fell 1.5% on a month over month basis, missing analysts forecasts of 0.2% increase. The data showed acceleration in the pace of declines from 0.4% seen previously.



Japan Household spending m/m -1.5%, November 2016

Household spending data was in stark contrast to the BoJ's view which just a few weeks ago upgraded its view of the Japanese economy with the government also raising its assessment of the economy for the first time in two-years. Policy makers at the Bank of Japan hope that a sustained recovery will push companies to boost wages and thus increase household spending which has remained soft for nearly three quarters. In a separate report, the jobs to applicants ratio was seen rising modestly to 1.41 from 1.40 previously matching estimates. In comparison, household spending fell 1.5% in November compared to a year ago marking a ninth consecutive month of decline. The data showed that weakness in the pace of wage growth which has kept consumers from shopping.

Michiyoshi Kato, senior vice president of forex sales at Mizuho Bank said that the weaker yen could see PM Abe pushing for wage hikes. ***"A strong yen depresses Japanese firms' share prices, profits and outlooks--and a weak yen has an opposite, uplifting effect. A wage increase has so far been the missing ingredient for a much anticipated virtuous cycle lifting Japan's economic growth; Japanese firms' unwillingness distribute rising profits to workers has reinforced stagnant consumption,"*** he said.

Richmond manufacturing index rises in December

Amid a slow trading week, traders turned their focus to the regional manufacturing data from the U.S. Factories across the central Atlantic states showed an expansion in production during December with a pickup on new orders and rising shipments. The data released by the Federal Reserve Bank of Richmond showed that the current conditions manufacturing index increased 8 points in December. This was higher than the forecasts of 5 points and nearly double from November's print of 4.

The Richmond Fed manufacturing sub-index showed the gauge of new orders rising to 12 in December, up from 7 previously with shipments also rising to 12 in December, up from 1 from the previous month. However, despite a broadly optimistic report, the employment index was weak, falling to -1 from 5 previously.



Richmond Fed Manufacturing Index: +8 (December 2016)

Manufacturers surveyed in the report showed optimism about future business conditions and expect growth to continue in shipments and new orders over the next six months.

In a separate report, the Dallas Fed also released its regional gauge of manufacturing which showed a strong momentum in the sector. According to official reports, manufacturing activity in the Texas region increased for the sixth consecutive month for December. The production index which is a key

measure of the manufacturing conditions in the state rose to 13.8 in December, up from 8.8 a month ago. The data suggests that output continues to rise at the fastest rate this month indicating positive growth.

Demand was also seen rising as the index of new orders rose to 7.3 reversing the contraction of -1.4 previously, while the growth rate of orders index was at -3.4 from -0.8 previously.

In a separate report, consumer confidence was seen improving during the month of December highlighting the huge post-election optimism in the United States. The data released by the Conference Board on Tuesday showed that its index of consumer confidence rose to 113.7 compared to a revised 109.4 in November. The data beat estimates of an increase to 109.8. Lynn Franco, the director of economic indicators at the Conference Board said **"Looking ahead to 2017, consumers' continued optimism will depend on whether or not their expectations are realized."**

The data also showed that the outlook for the labour market posted an increase with 21% of the survey respondents hopeful of more jobs in the months ahead. This was higher than the previous survey data which showed a 16.1% positive outlook on jobs. The survey respondents were also optimistic on wage hikes.

Week Ahead: 2nd of January 2017, to 6th of January 2017

After a slow trading week, the markets open to a busy trading week on the first trading week of the year. It is still a holiday short trading week with Monday closed for bank holiday across the major market hubs. Later in the week, top-tier economic data will include the PMI survey reports from the Eurozone and the UK. In the U.S. the ISM manufacturing and non-manufacturing PMI data will be coming out with expectations of another month of strong performance in the sectors. On Wednesday, focus turns to the FOMC meeting minutes from December while Friday will mark the first jobs report this year for the month of December. Canada will also be releasing its monthly payrolls report on Friday.

U.S. Payrolls and ISM Manufacturing PMI

The week ahead will see fresh data coming out of the U.S. Traders will turn focus to the December payrolls report as well as gauge the manufacturing activity. On the payrolls front, the U.S. economy has been consistently adding monthly payrolls in the range of 170k - 180k. In November, data showed 178k jobs being added to the economy while the unemployment rate was seen falling to 4.6%.

This was more than the 4.9% forecast that was penciled in and marked a nine-year low. Since then, the weekly unemployment claims data showed a modest increase in claims which is therefore likely to see the December payrolls. The forecasts for December are also similar with the average jobs expected to show 170k - 175k while the unemployment rate is expected to tick higher to 4.7% in December.

The average earnings which fell 0.1% last month is expected to rise back to 2.7% after falling back to 2.5% a month ago.

The ISM manufacturing PMI will be another key number that investors will focus on. Forecasts point to another month of robust performance in the sector. The hawkish view comes after the regional manufacturing surveys pointed to an overall stronger growth. A bullish beat on the estimates and an increase from the previous month will no doubt reinforce expectations from the Fed on keeping up with the three rate hikes in 2016.

Finally, the FOMC meeting minutes will also be released which is likely to keep the pressure on the U.S. dollar. The meeting minutes reflect the December FOMC meeting where the Fed decided to hike interest rates by 25 basis points. Given that the Fed came strongly hawkish, the meeting minutes are likely to see the U.S. support to the upside.

China manufacturing PMI is expected to slip in December

During the weekend, China will be releasing the manufacturing PMI figures on Sunday, January 1 which will include both the official and the non-official data. Later in the week, the Caixin manufacturing and non-manufacturing figures will be released. The manufacturing is expected remain in an expansionary territory although the forecasts point to a slower than expected increase in the sector. Economists polled expect to see the official manufacturing figures from China at 51.5 while the Caixin's manufacturing PMI is expected to come in at 50.7.

The data is however unlikely to bring about much shift to the sentiment. Still, investors will be careful after January 2016 start off on a bleak note as China's manufacturing slipped leaving the markets to post a steady decline.

Eurozone's PMI and flash inflation data

From the Eurozone, the monthly PMI survey reports for manufacturing and services will be released next week. No revisions are expected from the preliminary figures with the overall basis likely to show modest expansion in both the sectors. Economic sentiment is expected to post an increase in December as forecasts point to a modest rise to 106.8 in December, compared to 106.5 from a month ago. Retail sales will also be coming out later in the week.

Flash inflation data for December is due on Wednesday and is expected to show that the annual headline inflation likely accelerated at a pace of 1.0% in December. The increase in inflation comes on the fact that the higher oil prices have likely pushed energy prices higher. The Core CPI flash estimates are forecast to remain steady, rising 0.8% on the month. Overall, the flash estimates is likely to show no major changes, meaning that the ECB's meeting later in January is likely to be a non-event.

UK PMI's back in focus

In the UK, focus will be on the manufacturing PMI which is expected to come out on Tuesday while the services and construction PMI will be released on Wednesday and Thursday. Forecasts point to a modest decrease in the readings on all three fronts, although the data will show that all three sectors remain above the 50-index reading indicating expansion.

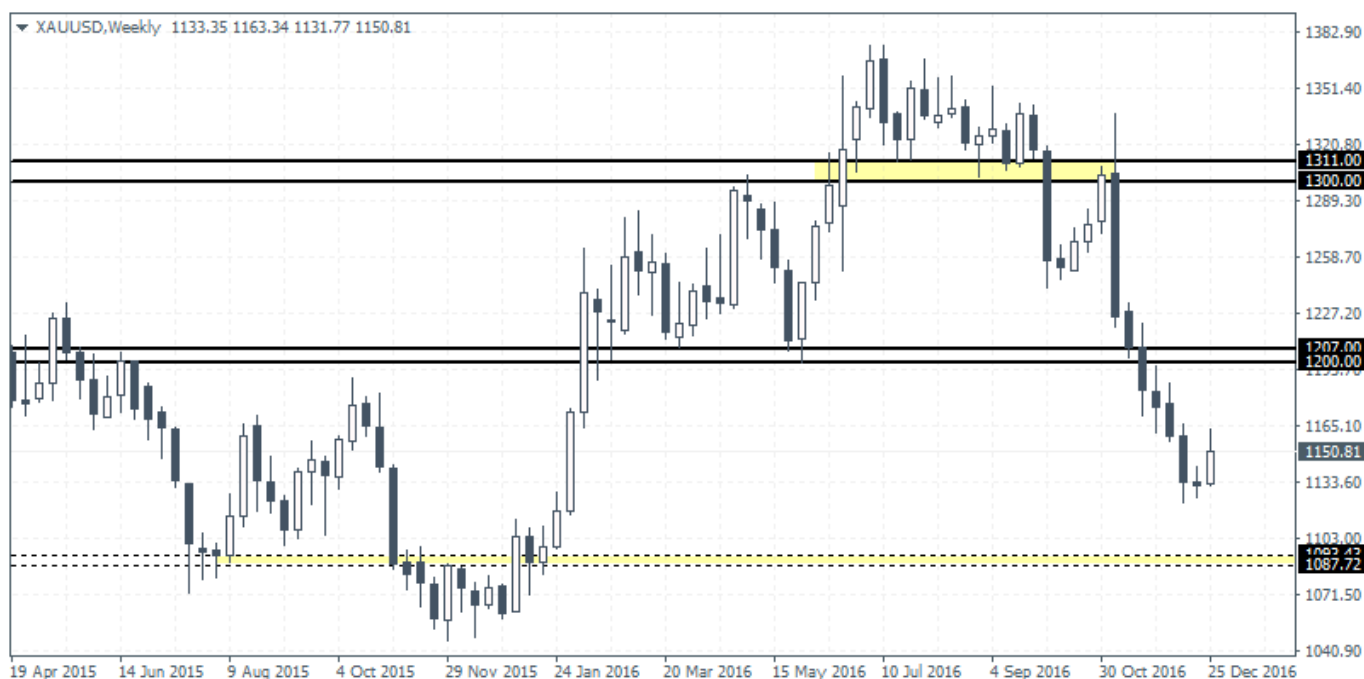
Traders are however likely to brush aside the data as later in January, the UK's Supreme Court will be giving its judgment on over ruling the High Court order that the British Government cannot trigger Article 50 without the consent of the parliament.

TECHNICAL CORNER



XAUUSD – Buy the dip

Gold prices posted strong gains last week after we mentioned the weekly doji candlestick pattern that was formed. The bullish close during the week, which comes after the doji pattern which signifies indecision in the markets is likely to see a short term retracement to the previous downtrend. However, with the strong bullish rally last week, we can expect to see a short term dip before gold prices push higher.



XAUUSD (1150.81) – Weekly Chart

There are a lot of economic releases that are important to the U.S. dollar and thus gold as well. Ahead of the December payrolls report, the FOMC meeting minutes will be released which could offer more insights into the December meeting where the Federal Reserve hiked U.S. short term interest rates by 25 basis points to 0.75%. The markets reacted a bit negative to the rate hike especially after the central bank signaled three rate hikes, more than what the markets were pricing in. Therefore a potentially hawkish FOMC minutes could see gold prices likely turn volatile in the near term.

From a technical perspective, any near term dips are likely to be contained near the previous week's doji high of 1142.56 and close at 1132.27. As long as the dips are contained within this zone we can expect to see further continuation to the upside. Resistance at 1200 - 1207 will be closely watched as gold prices could see renewed selling at this level. Only a weekly close above 1200.00 could signal further upside.

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