

# orbex WEEKLY MARKETS REPORT



OVERWEEK  
BULLET POINTS



THE WEEK  
AHEAD



MARKETS  
PREVIEW



THE CHART OF  
THE WEEK



ORBEX Research Department

23<sup>rd</sup> of January 2017, to 27<sup>th</sup> of January 2017

# OVERWEEK BULLET POINTS



Last Week: 16<sup>th</sup> of January 2017 to 20<sup>th</sup> of January 2017

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- Japan tertiary industry activity m/m 0.2% vs. 0.2%
- Japan preliminary machine tool orders y/y 4.4% vs. -5.6% previously
- Eurozone trade balance 22.7bn vs. 23.2bn
- BoE Gov. Carney speech
- New Zealand NZIER business confidence 28 vs. 26 previously
- Australia home loans m/m 0.9% vs. 0.1%
- Australia new motor vehicle sales m/m 0.3% vs. -0.7% previously
- Japan revised industrial production m/m 1.5% vs. 1.5%
- Italy trade balance 4.2bn vs. 3.84bn
- UK CPI y/y 1.6% vs. 1.4%; Core CPI yy/ 1.6% vs. 1.4%
- UK PPI input m/m 1.8% vs. 2.2%; PPI output m/m 0.1% vs. 0.3%
- Germany ZEW economic sentiment 16.6 vs. 18.9
- Eurozone ZEW economic sentiment 23.2 vs. 24.2
- UK PM May speech
- U.S. Empire state manufacturing index 6.5 vs. 8.1
- FOMC member Dudley speech
- New Zealand GDT price index 0.6% vs. -3.9% previously
- UK CB leading index m/m 0.0% vs. 0.1% previously
- FOMC member Brainard speech
- Germany final CPI 0.7% vs. 0.7%
- UK Average earnings index 3m/y 2.8% vs. 2.6%
- UK Claimant count change -10.1k vs. 4.6k
- UK unemployment rate 4.8% vs. 4.8%
- Eurozone final CPI y/y 1.1%; core CPI y/y 0.9% vs. 0.9%
- U.S. CPI m/m 0.3% vs. 0.3%; Core CPI m/m 0.2% vs. 0.2%
- U.S. capacity utilization rate 75.5% vs. 75.6%
- U.S. industrial production m/m 0.8% vs. 0.8%
- BoC keeps interest rates unchanged at 0.50%
- BoC press conference
- U.S. NAHB housing market index 67 vs. 69
- Fed Chair Janet Yellen speech
- New Zealand Business NZ Manufacturing index 54.5 vs. 54.5 previously
- New Zealand building consents m/m -9.2% vs. 2.0%
- Australia MI inflation expectations 4.3% vs. 3.4% previously
- Australia employment change 13.5k vs. 10.2k
- Australia unemployment rate 5.8% vs. 5.7%
- Switzerland PPI m/m 0.2% vs. 0.2%
- Eurozone current account 36.1bn vs. 29.3bn
- ECB leaves minimum bid rate unchanged
- Canada manufacturing sales m/m 1.5% vs. 0.2%

- Canada foreign securities purchases 7.24bn vs. 10.23bn
- ECB press conference
- U.S. building permits 1.21mn vs. 1.22mn
- U.S. Philly Fed manufacturing index 23.6 vs. 16.3
- U.S. Unemployment claims 234k vs. 252k
- U.S. housing starts 1.23mn vs. 1.19mn
- U.S. crude oil inventories 2.3mn vs. 0.1mn
- Fed Chair Janet Yellen speech
- China GDP q/y 6.8% vs. 6.7%
- China industrial production y/y 6.0% vs. 6.1%
- China fixed asset investment ytd/y 8.1% vs. 8.3%
- China retail sales y/y 10.9% vs. 10.7%
- Germany PPI m/m 0.4% vs. 0.4%
- UK Retail sales m/m -1.9% vs. -0.1%

# THE WEEK AHEAD



23<sup>rd</sup> of January 2017, to 27<sup>th</sup> of January 2017

## IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

| Date   | Time      | Currency             | Event                             | Forecast | Previous |
|--------|-----------|----------------------|-----------------------------------|----------|----------|
| 23-Jan | 03:30     | JPY                  | All Industries Activity m/m       | 0.40%    | 0.20%    |
|        | 10:00     | EUR                  | German Buba Monthly Report        |          |          |
|        | 12:30     | CAD                  | Wholesale Sales m/m               | 0.30%    | 1.10%    |
|        | 13:00     | CNY                  | CB Leading Index m/m              |          | 1.00%    |
|        | 14:00     | EUR                  | Consumer Confidence               | -5       | -5       |
|        | 23:30     | JPY                  | Flash Manufacturing PMI           | 52.3     | 52.4     |
| 24-Jan | 07:00     | EUR                  | French Flash Manufacturing PMI    | 53.4     | 53.5     |
|        |           | EUR                  | French Flash Services PMI         | 53.2     | 52.9     |
|        | 07:30     | EUR                  | German Flash Manufacturing PMI    | 55.5     | 55.6     |
|        |           | EUR                  | German Flash Services PMI         | 54.6     | 54.3     |
|        | 08:00     | EUR                  | Flash Manufacturing PMI           | 54.8     | 54.9     |
|        |           | EUR                  | Flash Services PMI                | 53.9     | 53.7     |
|        | 08:30     | GBP                  | EU Membership Court Ruling        |          |          |
|        |           | GBP                  | Public Sector Net Borrowing       | 6.7B     | 12.2B    |
|        | 13:45     | USD                  | Flash Manufacturing PMI           | 54.6     | 54.3     |
|        | 14:00     | USD                  | Existing Home Sales               | 5.54M    | 5.61M    |
|        |           | USD                  | Richmond Manufacturing Index      | 7        | 8        |
|        | 14:30     | AUD                  | CB Leading Index m/m              |          | -0.40%   |
|        | 22:30     | AUD                  | MI Leading Index m/m              |          | 0.00%    |
|        | 22:50     | JPY                  | Trade Balance                     | 0.22T    | 0.54T    |
| 23:30  | AUD       | CPI q/q              | 0.70%                             | 0.70%    |          |
|        | AUD       | Trimmed Mean CPI q/q | 0.50%                             | 0.40%    |          |
| 25-Jan | 01:00     | NZD                  | Credit Card Spending y/y          |          | 4.10%    |
|        | 06:00     | CHF                  | UBS Consumption Indicator         |          | 1.43     |
|        | 08:00     | EUR                  | German Ifo Business Climate       | 111.3    | 111      |
|        | Tentative | EUR                  | German 30-y Bond Auction          |          | 0.64 1.7 |
|        | 10:00     | GBP                  | CBI Industrial Order Expectations | 2        | 0        |
|        | 13:00     | EUR                  | Belgian NBB Business Climate      | 0.4      | -0.2     |
|        |           | USD                  | HPI m/m                           | 0.40%    | 0.40%    |
|        | 14:30     | USD                  | Crude Oil Inventories             |          | 2.3M     |
|        | All Day   | AUD                  | Bank Holiday                      |          |          |
|        | 20:45     | NZD                  | CPI q/q                           | 0.30%    | 0.20%    |
|        | 22:00     | NZD                  | RBNZ Gov Wheeler Speaks           |          |          |
|        | 22:50     | JPY                  | SPPI y/y                          | 0.40%    | 0.30%    |
| 26-Jan | 06:00     | CHF                  | Trade Balance                     | 2.81B    | 3.64B    |
|        |           | EUR                  | Spanish Unemployment Rate         | 18.90%   | 18.90%   |
|        |           | EUR                  | GfK German Consumer Climate       | 10       | 9.9      |
|        | 08:30     | GBP                  | Prelim GDP q/q                    | 0.50%    | 0.60%    |
|        |           | GBP                  | BBA Mortgage Approvals            | 41.1K    | 40.7K    |
|        |           | GBP                  | Index of Services 3m/3m           | 0.90%    | 1.00%    |
|        | 09:00     | EUR                  | Italian Retail Sales m/m          | 0.10%    | 1.20%    |
|        | Tentative | EUR                  | Italian 10-y Bond Auction         |          |          |

|        |         |     |                                    |        |        |
|--------|---------|-----|------------------------------------|--------|--------|
|        | 10:00   | GBP | CBI Realized Sales                 | 28     | 35     |
|        | 12:30   | USD | Unemployment Claims                | 247K   | 234K   |
|        |         | USD | Goods Trade Balance                | -64.5B | -66.6B |
|        |         | USD | Prelim Wholesale Inventories m/m   | 0.90%  | 1.00%  |
|        | 13:45   | USD | Flash Services PMI                 | 54.4   | 53.9   |
|        | 14:00   | USD | New Home Sales                     | 585K   | 592K   |
|        |         | USD | CB Leading Index m/m               | 0.50%  | 0.00%  |
|        | 14:30   | USD | Natural Gas Storage                |        | -243B  |
|        | 22:30   | JPY | Tokyo Core CPI y/y                 | -0.40% | -0.60% |
|        |         | JPY | National Core CPI y/y              | -0.30% | -0.40% |
|        | All Day | CNY | Bank Holiday                       |        |        |
|        | 23:30   | AUD | Import Prices q/q                  | 0.40%  | -1.00% |
|        |         | AUD | PPI q/q                            | 0.20%  | 0.30%  |
| 27-Jan | 04:00   | JPY | BOJ Core CPI y/y                   | 0.10%  | 0.20%  |
|        | 08:00   | EUR | M3 Money Supply y/y                | 4.90%  | 4.80%  |
|        |         | EUR | Private Loans y/y                  | 2.00%  | 1.90%  |
|        | 12:30   | USD | Advance GDP q/q                    | 2.10%  | 3.50%  |
|        |         | USD | Core Durable Goods Orders m/m      | 0.50%  | 0.60%  |
|        |         | USD | Advance GDP Price Index q/q        | 2.10%  | 1.40%  |
|        |         | USD | Durable Goods Orders m/m           | 2.70%  | -4.50% |
|        | 14:00   | USD | Revised UoM Consumer Sentiment     | 98.2   | 98.1   |
|        |         | USD | Revised UoM Inflation Expectations |        | 2.60%  |

Time: GMT



# MARKETS PREVIEW

Last Week: 16<sup>th</sup> of January 2017 to 20<sup>th</sup> of January 2017

The markets got off to a slow start on Monday but picked up steam by Tuesday. Focus turned to the UK where the British Prime Minister Theresa May outlined her view for Brexit. The British pound soared over 3% on her speech as the PM said that "no deal" was better than having a "bad deal" and promised to put the Brexit deal to a parliamentary vote. Meanwhile, the U.S. dollar continued to flip flop on comments from Donald Trump and Fed Chair Janet Yellen. Last week also saw the swearing in of Donald Trump on Friday.

## U.S. Consumer prices increase in December

Consumer prices in the U.S. increased in line with expectations for the month of December. The monthly inflation report released by the Labor Department on Wednesday last week showed that consumer prices rose 0.3% in December after rising 0.2% in November, matching economists' forecasts for the month.



### U.S. Consumer Price Index: 2.1%, December 2016, y/y

The increase in consumer prices came partly due to an increase in energy prices which surged 1.5% in December, extending the 1.2% increase from November. Gasoline prices led the way higher, rising 3.0% on the month. Excluding food and energy prices, the core consumer price index rose 0.2% as expected for the second month in a row. The uptick in core CPI matched economists' expectations as well.

Shelter prices continued to remain high, pushing the price of core inflation higher, which rose 0.3% for the second consecutive month. The report also showed significant increase in price of transportation services and used cars and trucks, while prices for clothing and apparel fell.

On a year over year basis, the U.S. headline inflation rose 2.1%, up from 1.7% seen in November while the annual core CPI rose 2.2% up from 2.1% in November. The increase in consumer prices comes after the week before, producer price index data showed that final demand rose 0.3% in December after rising 0.4% in November. Core PPI was seen rising 0.2% in December, slightly below the 0.4% increase in November. At an annual rate, producer prices were seen rising 1.6% on the headline and 1.6% on the core.

## Australia's unemployment rate rises to 5.8%

The jobless rate in Australia rose to 5.8% on a seasonally adjusted basis exceeding forecasts of a 5.7%, data from the Australian bureau of statistics showed on Thursday. The Australian economy was seen adding 13.5k jobs during the month, which was above the forecasts of 10k but lower than previous month's 37.1k jobs.



### Australia Unemployment Rate: 5.8%, December 2016

Breaking down the jobs report, full time jobs jumped by 9300 to 8,176,000 while part time employment increased by 4200 to 3,809,000. The participation rate was slightly higher at 64.7% beating forecasts of 64.6%. The labour market data showed at a total of 92k or 0.8%, the pace of job gains were less than half compared to the recent years.

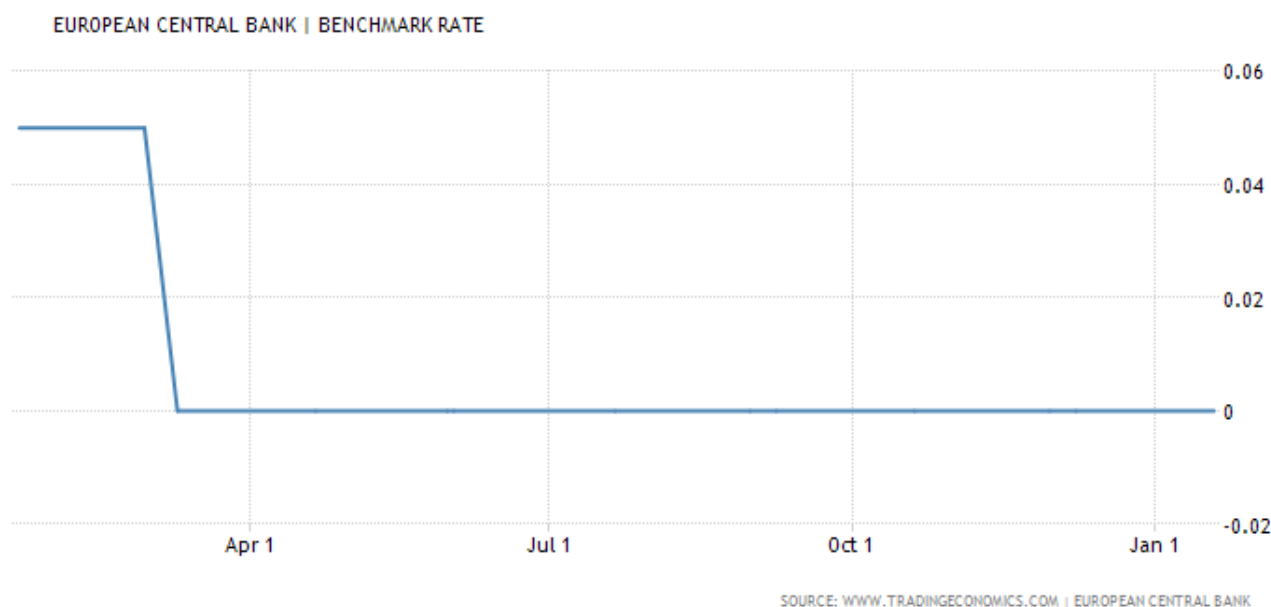
***"This isn't a labor market that's going to generate above-trend GDP, wealth and inflation,"*** said Annette Becher from TD Securities, noting that ***"Market prices imply a long period of flat interest rates before the central bank eventually hikes to stem rising financial-stability risks, and this benign labor market demands a very-gentle tightening cycle--leaving overall policy conditions very accommodative for quite some time."***

The Australian unemployment rate although hasn't been quite dramatic in its movement over the year showed a rather flat reading over the past 6 - 12 months which is seen as a slowdown compared to the improvement in the jobless rate during the 2014 - 2015 periods. A stalling labor market recovery similarly lends weight to concerns that domestic demand is losing momentum.

The inflation forecast for Australia surged in January, the latest survey from the Melbourne Institute showed on Thursday, spiking 4.3 percent. This follows a 3.4% increase from December and marked the highest reading since posting a high of 4.4% in May 2014. Inflation forecasts have ticked higher as a rebound in commodity prices is seen as the main factor for the sharp increase - although prices may surge beyond the Reserve Bank of Australia's target range of 2 to 3 percent.

## European Central Bank holds monetary policy steady

The European Central Bank's monetary policy meeting on Thursday was non-event as the central bank left its key interest rates unchanged for the seventh consecutive monetary policy meeting. The central bank also left the asset purchase program unchanged which is expected to continue at a reduced pace from March to the end of this year underpinned by a modest pick up in the economic momentum in the euro area despite a political flux in the region.



**ECB Benchmark Rates: 0.0%**

***"The Governing Council continues to expect the key ECB interest rates to remain at present or lower levels for an extended period of time, and well past the horizon of the net asset purchases,"*** the ECB said in a statement.

The governing council of ECB, led by Mario Draghi agreed to keep the main three interest rates unchanged at its meeting on Thursday. The main refi rate was kept unchanged at a record low zero



percent and the deposit rate at -0.40 percent. The marginal lending facility rate was held at 0.25 percent.

The central bank was also seen retaining its asset purchases of 80 billion euro a month until March and then continue the bond purchases at a pace of 60 billion until December 2017. The central bank noted that asset purchases could continue beyond December if necessary, until officials saw sustained adjustments in the path of consistent inflation.

***"If the outlook becomes less favourable, or if financial conditions become inconsistent with further progress towards a sustained adjustment in the path of inflation, the Governing Council stands ready to increase the programme in terms of size and/or duration,"*** the central bank said.

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Week Ahead: 23<sup>rd</sup> of January 2017, to 27<sup>th</sup> of January 2017

*The week ahead will see the UK's Supreme Court deliver its ruling on the judgment passed by the UK's High Court in November last year. At the heart of the issue is whether the UK's government must put the Brexit to a parliamentary vote. The markets are strongly speculating that the Supreme Court will deliver its verdict in favor of the high court which could bring some volatility to the British pound. In other news, inflation reports from Australia and New Zealand will be released while the U.S. and the UK will be releasing the advance GDP reports next week.*

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## U.S. Q4 Advance GDP

The fourth quarter preliminary GDP release for the U.S. is expected to be released during the week on Friday in an otherwise quiet week from the U.S. Forecasts point to a potential increase in the real GDP at an annual rate of 2% on a quarterly basis or about 1.9% on a yearly basis. Although the forecasts of 2% quarter over quarter GDP growth stands well below the 3.5% pace registered in Q3, it is still higher than the Fed's estimated potential growth rate of 1.8% on an annual basis. Overall, an outcome in line with the general forecasts will confirm the Fed's expectations and hence support the case for more rate hikes later this year. Pushing growth higher in the fourth quarter will be a pick up in domestic final demand while growth contribution from inventories is expected to remain neutral.

Besides the GDP report, the durable goods orders figures will also be released next week on Friday

## U.K Preliminary Q4 GDP

The first reading for the fourth quarter GDP from the UK will be released on Thursday. So far the collective PMI's over the three months ending December showed a steady growth in the real GDP of around 0.6% on a quarterly basis, putting the annual GDP growth rate in the region of 2.2% for the fourth quarter. Data suggests that there could be an uptick in the GDP during the fourth quarter in the UK as the economy is seen maintaining solid growth momentum during the period.

It is widely expected that there are still no negative signs from the Brexit fallout in June but that could change once the negotiations between the UK and the EU begin.

Besides the GDP report on Thursday, Tuesday's Supreme Court ruling will be an important factor to bear in mind that could weigh on the markets.

## **Quarterly Inflation data from Australia and New Zealand**

Australia and New Zealand will be releasing the quarterly inflation report this week. Australia's CPI report, due on Tuesday and is expected to show a quarterly inflation rate of 0.7%, same as the previous quarter. This is expected to push the annual inflation rate in Australia to 1.6% on a trimmed mean basis, slightly lower than the 1.7% increase seen previously.

In New Zealand, the quarterly CPI is expected to show a 0.3% increase, slightly higher than the 0.2% increase registered in the previous quarter. On a yearly basis, the annual inflation rate in New Zealand is expected to rise 1.2%.

Inflation has been rising strongly globally and there is scope for the inflation reports from both Australia and New Zealand will also surprise to the upside. The RBNZ Governor, Wheeler will be speaking a few hours later after the inflation report is released and could bring some volatility to the NZD currency pairs.

## **Quiet week from the Eurozone**

From the Eurozone, focus will be on the preliminary PMI numbers from Germany, France and rest of the eurozone. Initial estimates point to continued pickup in activity from the region which could potentially see a boost to the eurozone's GDP in the range of 0.4% - 0.5% for the quarter.

The Ifo business confidence data is expected to see a continued improvement especially in the construction and services sector which remains a record highs already. Germany's manufacturing sector is also expected to improve with the headline Ifo print expected to rise to 111.3 from 111.0 previously. Combined, the Ifo data also points to a potential increase in GDP in the eurozone, when viewed in relation with the flash PMI estimates.

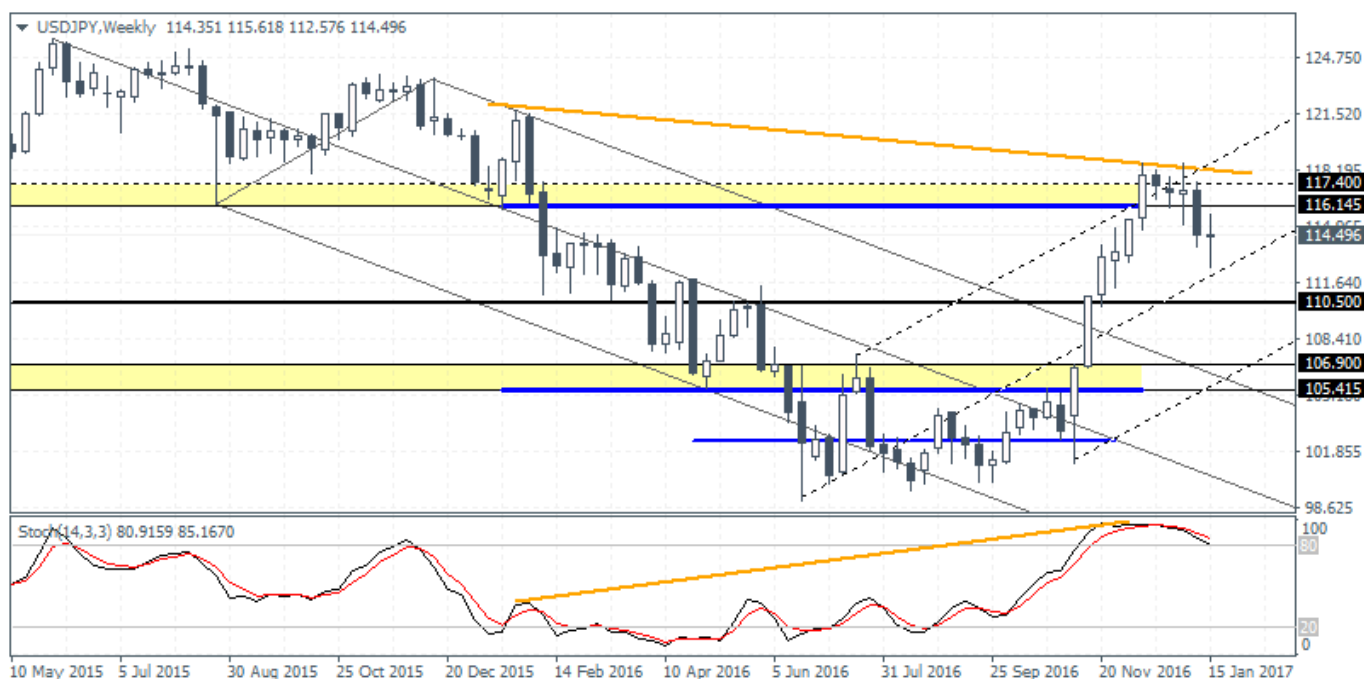
On Monday, the ECB president Mario Draghi is expected to speak early on although not much is expected from the ECB Chief especially after the central bank left monetary policy unchanged at its meeting last week.

# TECHNICAL CORNER



USDJPY - Correction is likely to continue

USDJPY attempted to regain some of the losses incurred from the previous weeks, however, price action remains well below the resistance level of 117.40 - 116.14. The hidden bearish divergence has been confirmed on the weekly chart and with a proper correction pending, USDJPY is tipped to remain weak to the upside as long as 117.40, the resistance high is not breached.



USDJPY (114.49) – Weekly Chart

Plotting the rising median line we can see that price action is clearly showing signs of exhaustion near the resistance level. In the event that price closes above 117.40, expect USDJPY to post stronger gains, however that is unlikely to happen as a correction is long overdue. Watch for USDJPY to dip towards 110.50 which will mark the test of the first support level. USDJPY could remain range bound within these levels and further gains or declines could come only a breakout from these levels. With the daily Stochastics strongly in the overbought levels, the upside momentum is clearly lacking.

On a fundamental perspective while it is a fairly quiet week for the yen, the U.S. data is also quiet but most of the economic releases are concentrated on Friday which will see the first GDP report for the fourth quarter, followed by the durable goods orders, which could mean that USDJPY will most likely remain range bound for the most part of the week.

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