

orbex WEEKLY MARKETS REPORT



OVERWEEK
BULLET POINTS



THE WEEK
AHEAD



MARKETS
PREVIEW



THE CHART OF
THE WEEK



ORBEX Research Department

30th of January 2017, to 3rd of February 2017

OVERWEEK BULLET POINTS



Last Week: 23rd of January 2017 to 27th of January 2017

- Japan all industries activity m/m 0.3% vs. 0.4%
- German Bundesbank monthly report
- ECB president Draghi Speech
- Canada wholesale sales m/m 0.2% vs. 0.3%
- China CB leading index m/m 0.8% vs. 1.3% previously
- Eurozone consumer confidence -5 vs. -5
- Japan flash manufacturing PMMI 52.8 vs. 52.3
- French flash manufacturing PMI 53.4 vs. 53.4; flash services PMI 53.9 vs. 53.2
- Germany flash manufacturing PMI 56.5 vs. 55.5; flash services PMI 53.2 vs. 54.6
- Eurozone flash manufacturing PMI 55.1 vs. 54.8; flash services PMI 53.6 vs. 53.9
- UK Supreme court ruling on Brexit
- UK Public sector net borrowing 6.4bn vs. 6.7bn
- U.S. flash manufacturing PMI 55.1 vs. 54.6
- U.S. existing home sales 5.49mn vs. 5.54mn
- U.S. Richmond manufacturing index 12 vs. 7
- Australia CB leading index m/m 0.5% vs. -0.4% previously
- Japan trade balance 0.36tn vs. 0.22tn
- Australia CPI q/q 0.5% vs. 0.7%
- Australia trimmed mean CPI q/q 0.4% vs. 0.5%
- New Zealand Credit card spending y/y 8.5% vs. 4.1% previously
- Switzerland UBS consumption indicator 1.50 vs. 1.45 previously
- German Ifo Business climate 109.8 vs. 111.3
- UK CBI industrial order expectations 5 vs. 2
- U.S. HPI m/m 0.5% vs. 0.4%
- U.S. Crude oil inventories 2.8mn vs. 1.5mn
- BoE Gov. Carney speech
- New Zealand CPI q/q 0.4% vs. 0.3%
- Japan SPPI y/y 0.4% vs. 0.4%
- Switzerland trade balance 2.72bn
- Eurozone Gfk consumer climate 10.2 vs. 10.0
- Spain unemployment rate 18.6% vs. 18.9%
- UK Preliminary GDP q/q 0.6% vs. 0.5%
- UK Index of services 3m/3m 1.0% vs. 0.9%
- UK CBI realized sales -8 vs. 28
- U.S. unemployment claims 259k vs. 247k
- U.S. goods trade balance -65.0bn vs. -64.5bn
- U.S. preliminary wholesale inventories m/m 1.0% vs. 0.9%
- U.S. flash services PMI 55.1 vs. 54.4
- U.S. new home sales 536k vs. 585k
- CB leading index m/m 0.5% vs. 0.5%

- Japan national core CPI y/y -0.2% vs. -0.3%; Tokyo core CPI y/y -0.3% vs. -0.4%
- Australia import prices q/q 0.2% vs. 0.4%
- Australia PPI q/q 0.5% vs. 0.2%
- Japan BoJ Core CPI y/y 0.1% vs. 0.1%
- German import prices m/m 1.9% vs. 1.3%
- Eurozone M3 money supply y/y 5.0% vs. 4.9%
- U.S. advance GDP q/q 1.9% vs. 2.1%
- U.S. Core durable goods orders m/m 0.5% vs. 0.5%
- U.S. durable goods orders m/m -0.4% vs. 2.7%
- UoM consumer sentiment 98.5 vs. 98.2
- UoM inflation expectations 2.6% vs. 2.6% previously

THE WEEK AHEAD



30th of January 2017, to 3rd of February 2017

IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

Date	Time	Currency	Event	Forecast	Previous
30-Jan	07:00	EUR	Spanish Flash GDP q/q	0.70%	0.70%
	All Day	EUR	German Prelim CPI m/m	-0.50%	0.70%
	07:45	AUD	RBA Assist Gov Debelle Speaks		
	08:00	CHF	KOF Economic Barometer	102.9	102.2
	13:30	USD	Core PCE Price Index m/m	0.10%	0.00%
		USD	Personal Spending m/m	0.40%	0.20%
		USD	Personal Income m/m	0.40%	0.00%
	15:00	USD	Pending Home Sales m/m	1.60%	-2.50%
	23:30	JPY	Household Spending y/y	-0.80%	-1.50%
		JPY	Unemployment Rate	3.10%	3.10%
	23:50	JPY	Prelim Industrial Production m/m	0.40%	1.50%
31-Jan	00:01	GBP	GfK Consumer Confidence	-8	-7
	00:30	AUD	NAB Business Confidence		5
		AUD	Private Sector Credit m/m	0.50%	0.50%
	Tentative	JPY	Monetary Policy Statement		
	Tentative	JPY	BOJ Outlook Report		
	Tentative	JPY	BOJ Policy Rate	-0.10%	-0.10%
	05:00	JPY	Housing Starts y/y	8.50%	6.70%
	06:30	EUR	French Prelim GDP q/q	0.40%	0.20%
		JPY	BOJ Press Conference		
	07:00	EUR	German Retail Sales m/m	0.60%	-1.80%
	07:45	EUR	French Consumer Spending m/m	0.20%	0.40%
		EUR	French Prelim CPI m/m	-0.50%	0.30%
	08:00	EUR	Spanish Flash CPI y/y	2.40%	1.60%
	08:55	EUR	German Unemployment Change	-5K	-17K
	09:00	EUR	Italian Monthly Unemployment Rate	11.80%	11.90%
	09:30	GBP	Net Lending to Individuals m/m	5.3B	5.1B
		GBP	M4 Money Supply m/m	0.30%	0.40%
		GBP	Mortgage Approvals	69K	68K
	10:00	EUR	CPI Flash Estimate y/y	1.50%	1.10%
		EUR	Core CPI Flash Estimate y/y	0.90%	0.90%
		EUR	Prelim Flash GDP q/q	0.40%	0.30%
		EUR	Unemployment Rate	9.80%	9.80%
	13:30	CAD	GDP m/m	0.30%	-0.30%
CAD		RMPI m/m		-2.00%	

		CAD	IPPI m/m		0.30%
		USD	Employment Cost Index q/q	0.60%	0.60%
	14:00	USD	S&P/CS Composite-20 HPI y/y	5.00%	5.10%
	14:45	USD	Chicago PMI	55.1	54.6
	15:00	USD	CB Consumer Confidence	112.6	113.7
	21:45	NZD	Employment Change q/q	0.80%	1.40%
		NZD	Unemployment Rate	4.80%	4.90%
		NZD	Labor Cost Index q/q	0.50%	0.40%
	22:30	AUD	AIG Manufacturing Index		55.4
	22:35	CAD	BOC Gov Poloz Speaks		
01-Feb	00:01	GBP	BRC Shop Price Index y/y		-1.40%
	00:30	JPY	Final Manufacturing PMI	52.8	52.8
	01:00	CNY	Manufacturing PMI	51.2	51.4
		CNY	Non-Manufacturing PMI		54.5
	05:30	AUD	Commodity Prices y/y		45.50%
	07:00	GBP	Nationwide HPI m/m	0.00%	0.80%
	08:15	EUR	Spanish Manufacturing PMI	55.1	55.3
	08:30	CHF	Manufacturing PMI	56.1	56
	08:45	EUR	Italian Manufacturing PMI	53.3	53.2
	08:50	EUR	French Final Manufacturing PMI	53.4	53.4
	08:55	EUR	German Final Manufacturing PMI	56.5	56.5
	09:00	EUR	Final Manufacturing PMI	55.1	55.1
	09:30	GBP	Manufacturing PMI	55.9	56.1
	10:00	EUR	EU Economic Forecasts		
	13:15	USD	ADP Non-Farm Employment Change	165K	153K
	14:30	CAD	RBC Manufacturing PMI		51.8
	14:45	USD	Final Manufacturing PMI	55.1	55.1
	15:00	USD	ISM Manufacturing PMI	55	54.7
		USD	Construction Spending m/m	0.20%	0.90%
		USD	ISM Manufacturing Prices	66	65.5
	15:30	USD	Crude Oil Inventories		2.8M
	All Day	USD	Total Vehicle Sales	17.9M	18.4M
	19:00	USD	FOMC Statement		
		USD	Federal Funds Rate	<0.75%	<0.75%
	23:50	JPY	Monetary Base y/y	24.20%	23.10%
02-Feb	00:30	AUD	Building Approvals m/m	-1.70%	7.00%
		AUD	Trade Balance	2.00B	1.24B
	05:00	JPY	Consumer Confidence	43.7	43.1
	08:00	EUR	Spanish Unemployment Change	60.2K	-86.8K
	08:15	CHF	Retail Sales y/y	0.50%	0.90%
	09:00	EUR	ECB Economic Bulletin		
	09:30	GBP	Construction PMI	53.9	54.2
	10:00	EUR	PPI m/m	0.50%	0.30%
	12:00	GBP	BOE Inflation Report		
		GBP	MPC Official Bank Rate Votes	0-0-9	0-0-9
		GBP	Monetary Policy Summary		
		GBP	Official Bank Rate	0.25%	0.25%

03-Feb		GBP	Asset Purchase Facility	435B	435B
		GBP	MPC Asset Purchase Facility Votes	0-0-9	0-0-9
	12:30	GBP	BOE Gov Carney Speaks		
		USD	Challenger Job Cuts y/y		42.40%
	13:30	USD	Unemployment Claims	251K	259K
		USD	Prelim Nonfarm Productivity q/q	1.00%	3.10%
		USD	Prelim Unit Labor Costs q/q	2.30%	0.70%
	22:30	AUD	AIG Services Index		57.7
	00:00	NZD	ANZ Commodity Prices m/m		0.70%
	00:30	AUD	RBA Monetary Policy Statement		
	01:45	CNY	Caixin Manufacturing PMI	51.8	51.9
	08:15	EUR	Spanish Services PMI	54.7	55
	08:45	EUR	Italian Services PMI	52.6	52.3
	08:50	EUR	French Final Services PMI	53.9	53.9
	08:55	EUR	German Final Services PMI	53.2	53.2
	09:00	EUR	Final Services PMI	53.6	53.6
	09:30	GBP	Services PMI	55.8	56.2
	10:00	EUR	Italian Prelim CPI m/m	0.20%	0.40%
		EUR	Retail Sales m/m	0.30%	-0.40%
	13:30	USD	Average Hourly Earnings m/m	0.30%	0.40%
		USD	Non-Farm Employment Change	170K	156K
		USD	Unemployment Rate	4.70%	4.70%
	14:15	USD	FOMC Member Evans Speaks		
	14:45	USD	Final Services PMI	55.1	55.1
15:00	USD	ISM Non-Manufacturing PMI	57	57.2	
	USD	Factory Orders m/m	1.50%	-2.40%	

Time: GMT



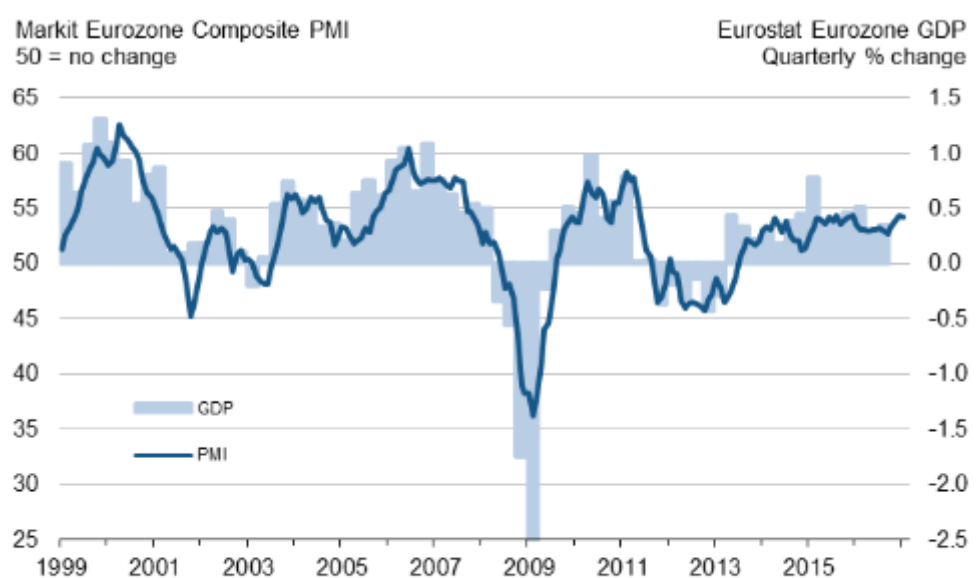
MARKETS PREVIEW

Last Week: 23rd of January 2017 to 27th of January 2017

Last week saw the UK's Supreme Court rule in favor of the High Court verdict given in November last year. The ruling now makes it final that the British government must put Article 50 to a parliamentary vote before it can trigger the formal exit mechanisms which could derail PM May's Brexit plans. Elsewhere, the first week of taking office saw the new U.S. President Trump begin the repeal of Obamacare while also pulling the U.S. out of the Trans pacific partnership (TPP) deal among other executive decisions. The markets continue to remain trading cautious under the new Trump administration.

IHS Markit Flash Composite PMI slightly down from December

The IHS Markit measure of manufacturing activity in the Eurozone, the Markit Composite Purchasing Managers Index for the euro area's manufacturing and service providers fell to 54.3 in January, compared to 54.4 in December. Despite the decline, a reading above 50 indicates expansion in the sector. The data from Markit showed that the eurozone economy lost some momentum as the New Year got under way. The pickup in economic activity in France also failed to help push the composite PMI's higher.



Eurozone Composite PMI (Flash): 54.3, January 2017

Sentiment in the Eurozone is jittery ahead of key elections from Germany, the Netherlands and France. Figures for the economic activity in the final three months of last year will be released later this week, but economists are estimating that growth picked up from the sluggish pace seen in the previous six months of 2016.

"Firms' expectations about the year ahead are running at the highest for at least 4 1/2 years, highlighting how political risk continues to be widely eschewed, with companies focusing instead on expanding their sales in the coming year," said Chris Williamson, IHS Markit's chief business economist.

Despite coming out lower than December's PMI, businesses were seen keeping up the pace of hiring, which increased at the fastest pace since 2008 February. A stronger economic performance from the Eurozone in 2017 could help to lift the acceleration in the global growth this year after a rather disappointing 2016. However, few economists remain optimistic that the pace of the economic recovery will be sustainable.

Q4 Inflation remains tame in Australia

Consumer prices in Australia rose 0.5% on a quarterly basis during the fourth quarter of 2016, data from the Australian Bureau of Statistics showed on Wednesday. It was below the forecasts of a 0.7% increase making inflation steady at 0.5% over two consecutive quarters.



Australia Inflation Rate y/y: 1.5% (Q4 2016)

Contributing to the increase in consumer prices was a boost in tobacco, automotive fuel and restaurant meals. The price increase here was offset by declines in furnishings, household equipments and services & communications. Dragging inflation lower was the decline in international holiday travel and accommodation which fell 2.6% on the quarter. Overall, the year over year inflation rate was recorded at 1.5%, falling below estimates of 1.6%. However, inflation was seen rising from 1.3% in the previous quarter.

The RBA's trimmed mean CPI, which is another measure of inflation was up 0.4% on the quarter pushing the year over year trimmed mean inflation rate to 1.6%, while the weighted median CPI rose 0.4%. Reacting to the news, economists said that the weak inflation report keeps the prospects of a rate cut from the RBA alive although there is a chance that the central bank will not rush to cut rates when it meets next in early February.

Weak inflation reports through 2016 led the RBA to cutting interest rates twice last year pushing the cash rate down to a record low of 1.5%. The inflation report confirms that annual core inflation is well entrenched below the floor of the RBA's 2%-3% target range, says Su-Lin Ong, senior economist at RBC Capital Markets. Still, ***"there is no trigger to exercise that bias anytime soon, but that may well change as the year unfolds, especially if inflation proves stubbornly low,"*** she added.

New Zealand Consumer prices rebound in Q4

The latest inflation data from New Zealand, released on Thursday showed that the pace of consumer prices rose to the levels that were inline with the RBNZ's inflation targets for the first time since 2014. Headline consumer prices in New Zealand rose 0.4% on a quarterly basis in the three months ending December 2016, which pushed the annual inflation rate to 1.3%, data from Statistics New Zealand showed on Thursday. The inflation data was higher than the forecasts of 0.3% on the quarter and 1.2% on the year.



New Zealand Quarterly CPI, Q4 2016: 1.3%, y/y

"This is the first time in over two years that price increases for household purchases have been over 1 percent. Household price inflation is up from a historical low of 0.1 percent for the December 2015 year," Jason Attewell said.

The upbeat inflation report is likely to fuel talks of a rate hike from the RBNZ this year. The 1.3% yearly inflation sits at the lower end of the inflation target band of 1% through 3% targeted by the RBNZ. The increase in inflation appeared to be broad based with clear signals that underlying inflation pressure are starting to build, although at a gradual pace.

Fuel prices drove inflation higher on the quarter, rising 4.1% but food prices fell 1.2% during the quarter on seasonally lower fruit and vegetable prices.

"The number of traditional inflation drivers that are pointing in the same direction is becoming hard to ignore," ANZ said. "It speaks to an inevitability about the OCR (official cash rate) not staying at these levels indefinitely, although we still feel the RBNZ has, for now, time on its side."

Week Ahead: 30th of January 2017, to 3rd of February 2017

The week ahead will be busy with central bank meetings lined up followed by the economic reports from January. The Bank of Japan, Bank of England, and the FOMC will be meeting next week while on the economic front, the key releases will include the jobs report from New Zealand and the U.S. and the monthly PMI's from the U.S., UK and the Eurozone.

Bank of England Meeting – Interest rates to stay unchanged

The Bank of England will be holding its first monetary policy meeting this Thursday. Interest rates and the bank's asset purchases are unlikely to be changed at this month's meeting, given that the nation is edging closer towards triggering the Article 50 required to start the Brexit negotiations. Inflation however continues to be a concern for the Bank of England. However, the most recent inflation reports showed that the headline CPI increased 1.6% on the year. It is still a few points away from the BoE's 2% target rate and could take at least a few months, thus giving the BoE some breathing space.

Many BoE members have voiced concerns that given the state of recovery, the central bank should start looking at winding down its asset purchases which stand at 435 billion currently. The BoE could use this week's meeting to perhaps send a positive tone to the markets which could be hawkish, however as far as expecting anything actionable, the BoE could stay on the sidelines at least until March when the proposed timeline for triggering Article 50 nears.

Federal Reserve to keep Interest Rates unchanged

The Federal Reserve will be meeting this week on Wednesday for its first monetary policy meeting. Data so far suggests a positive spate of economic data which will likely keep the FOMC to maintain a hawkish tone on the economy. This week's FOMC meeting is not followed up by a press conference, so the chance of a rate hike is low. However, that being said, there is scope for the FOMC to surprise with another rate hike, which would be unusual.

The U.S. equity markets have so far taken the second rate hike in their stride which is another factor to consider when weighing the prospects of whether the Fed will hike rates or not at this week's meeting. The FOMC meeting in March could potentially form the next big meeting when the Fed could look at hiking rates, if the central bank sits on its hand at this week's meeting. The March timeline provides for a better assessment of the U.S. economy with potentially further revisions to

the U.S. GDP during the fourth quarter. However, with many of the FOMC voters coming out hawkish, there could be some dissent expected at this week's meeting.

U.S. Data to focus on ISM survey, Payrolls

The week ahead will be busy for the U.S. with focus turning to the key indicators measuring economic activity in January. Starting Wednesday, the ISM manufacturing PMI will kick off followed by the ADP private payrolls which will culminate into this Friday's nonfarm payrolls report.

Expectations are pointing to a gain of 175k jobs being added for the month of January, which is slightly higher than December's gain of 156k. However, focus will be on the average earnings which jumped significantly last month. Further increase in wages will continue to put pressure on the Fed as it lags behind on inflation which already moved past the Fed's 2% target rate. On a year over year basis, the wages are expected to moderate to a pace of 2.8%, slightly down from December's 2.9% while the unemployment rate in the U.S. is expected to remain at 4.7%.

Eurozone flash inflation and GDP estimates

In the Eurozone, traders will be looking to a fresh set of economic data this week. Flash inflation estimates will be released this week and signs of continued increase in inflation could add further pressure on the ECB in defending its QE purchases which will run at a reduced rate of purchases starting March. In January, the Euro area HICP inflation was seen at 1.6% according to some estimates but focus will be on the core inflation which is still lagging behind. Forecasts point to the core inflation likely to rise just 1.0% after registering 0.9% increase in December.

The Eurozone will also get its report on economic performance this week. Forecasts point to a Eurozone GDP growth rate of 0.4% on the fourth quarter of 2016 which is expected to push the Eurozone annual GDP to 1.7%.

TECHNICAL CORNER



EURUSD – Watch the inverse head and shoulders

EURUSD has been trading flat after prices remained steady over the past weeks. Following the rally to 1.0765, EURUSD was seen pushing lower near this resistance level which was last tested around early December 2016. The reversal here could mark a possible inverse head and shoulders pattern in the making. We expect a minimum downside in EURUSD to test 1.0600 - 1.0551 where the right shoulder could be formed.



EURUSD (1.0695) – Daily Chart

If we expect EURUSD to slide towards the support at 1.0600 - 1.0551, this would mark the formation of the right shoulder. Thus, a reversal from this support will see EURUSD rally back to 1.0765 which marks the inverse head and shoulder's resistance level. A breakout above this resistance will extend gains in EURUSD towards 1.1100 at the very least. The region near 1.1100 is a familiar resistance level with the resistance zone seen at 1.1143 - 1.1100.

The bullish set up in EURUSD will remain invalidated in the event that EURUSD slips below 1.0500. In this case, EURUSD could be looking at some level of consolidation near 1.0500 but further downside cannot be ruled out.

DISCLAIMER

The information contained in this publication is produced by ORBEX LTD and not intended as an offer or solicitation for the purchase or sale of any financial instrument. Any opinion offered herein reflects ORBEX LTD current judgment and may change without notice. This message is for information purposes only and is not intended as an offer, recommendation or solicitation to buy or sell, nor is it an official confirmation of terms. No representation or warranty is made that this information is complete or accurate. Any views or opinions expressed do not necessarily represent those ORBEX LTD. This email and the information it contains may be confidential, proprietary or legally privileged. If you receive this message in error, please notify the sender and delete it from your system. You must not, directly or indirectly, use, disclose, distribute, copy or store this message or any part of it if you are not the intended recipient. Unless otherwise stated, any pricing information given in this email is indicative only, is subject to changes and does not constitute an offer to deal at any price quoted.