

orbex WEEKLY MARKETS REPORT



OVERWEEK
BULLET POINTS



THE WEEK
AHEAD



MARKETS
PREVIEW



THE CHART OF
THE WEEK

OVERWEEK BULLET POINTS



Last Week: 30th of January 2017 to 3rd of February 2017

- Germany preliminary CPI m/m -0.6% vs. -0.5%
- Switzerland KOF Economic barometer 101.7 vs. 102.9
- Spain flash GDP q/q 0.7% vs. 0.7%
- U.S. Core PCE Price index m/m 0.1% vs. 0.1%
- U.S. Personal spending m/m 0.5% vs. 0.4%; Personal income m/m 0.3% vs. 0.4%
- U.S. Pending home sales m/m 1.6% vs. 1.6%
- New Zealand Visitor Arrivals mm -1.3% vs. 0.4% previously
- Japan household spending y/y -0.3% vs. -0.8%
- Japan unemployment rate 3.1% vs. 3.1%
- Japan preliminary industrial production m/m 0.5% vs. 0.4%
- Australia private sector credit m/m 0.7% vs. 0.5%
- BoJ policy rate -0.10% vs. -0.10%
- BoJ releases monetary policy statement
- Japan housing starts y/y 3.9% vs. 8.5%
- French Preliminary GDP q/q 0.4% vs. 0.4%
- BoJ Press conference
- Germany retail sales m/m -0.9% vs. 0.6%
- France consumer spending m/m -0.8% vs. 0.2%
- France preliminary CPI m/m -0.2% vs. -0.5%
- ECB president Draghi speech
- Spain flash CPI y/y 3.0% vs. 2.4%
- Germany unemployment change -26k vs. -5k
- Italy monthly unemployment rate 12.0% vs. 11.8%
- UK net lending to individuals m/m 4.8bn vs. 5.3bn
- UK M4 money supply m/m -0.5% vs. 0.3%
- UK Mortgage approvals 68k vs. 69k
- Eurozone CPI flash estimate y/y 1.8% vs. 1.5%; core CPI flash estimate y/y 0.9% vs. 0.9%
- Eurozone preliminary flash GDP q/q 0.5% vs. 0.4%
- Eurozone unemployment rate 9.6% vs. 9.8%
- Canada GDP m/m 0.4% vs. 0.4%
- Canada RMPI m/m 6.5% vs. 2.9%; IPPI m/m 0.4% vs. 0.5%
- U.S. Employment cost index q/q 0.5% vs. 0.6%
- U.S. S&P/CS Composite HPI y/y 5.3% vs. 5.0%
- U.S. Chicago PMI 50.3 vs. 55.1
- U.S. CB consumer confidence 111.8 vs. 112.6
- New Zealand employment change q/q 0.8% vs. 0.8%
- New Zealand unemployment rate 5.2% vs. 4.8%
- New Zealand Labor cost index q/q 0.4% vs. 0.5%
- Australia AIG manufacturing index 51.2 vs. 55.4 previously
- UK BRC Shop price index y/y -1.7% vs. -1.4%
- Japan final manufacturing PMI 52.7 vs. 52.8
- China manufacturing PMI 51.3 vs. 51.2

- China non-manufacturing PMI 54.6 vs. 54.5 previously
- Australia commodity prices y/y 55.7% vs. 44.8% previously
- UK Nationwide HPI m/m 0.2% vs. 0.0%
- Spain manufacturing PMI 55.6 vs. 55.1
- Switzerland manufacturing PMI 53.0 vs. 53.3
- Italy manufacturing PMI 53.0 vs. 53.3
- France manufacturing PMI 53.6 vs. 53.4
- Germany manufacturing PMI 56.4 vs. 56.5
- Eurozone final manufacturing PMI 55.2 vs. 55.1
- UK manufacturing PMI 55.9 vs. 55.9
- U.S. ADP private payrolls 246k vs. 165k
- Canada manufacturing PMI 53.5 vs. 51.8 previously
- U.S. final manufacturing PMI 55.0 vs. 55.1
- U.S. ISM manufacturing PMI 56.0 vs. 55.0
- U.S. construction spending m/m -0.2% vs. 0.2%
- U.S. ISM manufacturing prices 69.0 vs. 66.0
- Australia building approvals m/m -1.2% vs. 1.7%
- Australia trade balance 3.51bn vs. 2.00bn
- Japan consumer confidence 43.2 vs. 43.7
- Spain unemployment change 57.3k vs. 60.2k
- Switzerland retail sales y/y -3.5% vs. 0.5%
- ECB releases economic bulletin
- UK construction PMI 52.2 vs. 53.9
- Eurozone PPI m/m 0.7% vs. 0.5%
- BoE leaves interest rates steady at 0.25%; asset purchases at 435bn
- ECB president Draghi speech
- BoE governor Carney speech
- U.S. unemployment claims 246k vs. 251k
- U.S. preliminary nonfarm productivity q/q 1.3% vs. 1.0%
- U.S. preliminary unit labor costs q/q 1.7% vs. 2.3%
- Australia AIG services index 54.5 vs. 57.7 previously
- New Zealand ANZ commodity prices m/m -0.1% vs. 0.7% previously
- China Caixin manufacturing PMI 51.0 vs. 51.8
- Spain services PMI 54.2 vs. 54.7
- France final services PMI 54.1 vs. 53.9
- Germany final services PMI 53.4 vs. 53.2
- Eurozone final services PMI 53.7 vs. 53.6
- UK services PMI 54.5 vs. 55.8
- Italy preliminary CPI m/m 0.2% vs. 0.2%
- Eurozone retail sales m/m -0.3% vs. 0.3%
- U.S. Nonfarm employment change 227k vs. 170k
- U.S. average hourly earnings m/m 0.1% vs. 0.3%
- U.S. unemployment rate 4.8% vs. 4.7%
- U.S. final services PMI 55.6 vs. 55.1
- U.S. ISM non-manufacturing PMI 56.5 vs. 57.0
- U.S. factory orders m/m 1.3% vs. 1.5%

THE WEEK AHEAD



6th of February 2017, to 10th of February 2017

IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

| Date | Time | Currency | Event | Forecast | Previous |
|-----------|--------|-------------------------|-----------------------------------|------------------------|----------|
| 06-Feb | 0:00 | AUD | MI Inflation Gauge m/m | | 0.50% |
| | | JPY | Average Cash Earnings y/y | 0.40% | 0.50% |
| | 00:30 | AUD | Retail Sales m/m | 0.30% | 0.20% |
| | | AUD | ANZ Job Advertisements m/m | | -1.90% |
| | 01:45 | CNY | Caixin Services PMI | 53.6 | 53.4 |
| | 07:00 | EUR | German Factory Orders m/m | 0.60% | -2.50% |
| | 09:10 | EUR | Retail PMI | | 50.4 |
| | 09:30 | EUR | Sentix Investor Confidence | 16.7 | 18.2 |
| | 15:00 | USD | Labor Market Conditions Index m/m | | -0.3 |
| | 07-Feb | 22:30 | AUD | AIG Construction Index | |
| 00:01 | | GBP | BRC Retail Sales Monitor y/y | | 1.00% |
| 02:00 | | NZD | Inflation Expectations q/q | | 1.70% |
| 03:30 | | AUD | Cash Rate | 1.50% | 1.50% |
| | | AUD | RBA Rate Statement | | |
| 05:00 | | JPY | Leading Indicators | 105.60% | 102.80% |
| 06:45 | | CHF | SECO Consumer Climate | -11 | -13 |
| 07:00 | | EUR | German Industrial Production m/m | 0.20% | 0.40% |
| 07:45 | | EUR | French Gov Budget Balance | | -93.3B |
| | | EUR | French Trade Balance | -4.2B | -4.4B |
| 08:00 | | CHF | Foreign Currency Reserves | | 645B |
| 08:30 | | GBP | Halifax HPI m/m | 0.20% | 1.70% |
| 13:30 | | CAD | Trade Balance | 1.2B | 0.5B |
| | | CAD | Building Permits m/m | | -0.10% |
| Tentative | | USD | Trade Balance | -45.0B | -45.2B |
| | | NZD | GDT Price Index | | 0.60% |
| 15:00 | | CAD | Ivey PMI | 58.3 | 60.8 |
| | | USD | JOLTS Job Openings | 5.56M | 5.52M |
| 20:00 | | USD | IBD/TIPP Economic Optimism | 56.2 | 55.6 |
| | | USD | Consumer Credit m/m | 20.3B | 24.5B |
| 23:50 | JPY | BOJ Summary of Opinions | | | |
| | JPY | Bank Lending y/y | 2.70% | 2.60% | |
| | JPY | Current Account | 1.71T | 1.80T | |
| 08-Feb | 05:00 | JPY | Economy Watchers Sentiment | 51.9 | 51.4 |
| | 13:15 | CAD | Housing Starts | 202K | 207K |
| | 15:30 | USD | Crude Oil Inventories | | 6.5M |

| | | | | | |
|--------|-----------|-----|-------------------------------------|--------|--------|
| | 20:00 | NZD | Official Cash Rate | 1.75% | 1.75% |
| | | NZD | RBNZ Rate Statement | | |
| | | NZD | RBNZ Monetary Policy Statement | | |
| | 21:00 | NZD | RBNZ Press Conference | | |
| | 21:45 | NZD | Building Consents m/m | | -9.20% |
| | 23:50 | JPY | Core Machinery Orders m/m | 3.20% | -5.10% |
| | | JPY | M2 Money Stock y/y | 4.00% | 4.00% |
| 09-Feb | 00:00 | AUD | HIA New Home Sales m/m | | 6.10% |
| | 00:01 | GBP | RICS House Price Balance | 23% | 24% |
| | 00:10 | NZD | RBNZ Gov Wheeler Speaks | | |
| | 00:30 | AUD | NAB Quarterly Business Confidence | | 5 |
| | 06:00 | JPY | Prelim Machine Tool Orders y/y | | 4.40% |
| | 06:45 | CHF | Unemployment Rate | 3.30% | 3.30% |
| | 07:00 | EUR | German Trade Balance | 23.2B | 21.7B |
| | 09:00 | AUD | RBA Gov Lowe Speaks | | |
| | 13:30 | CAD | NHPI m/m | 0.30% | 0.20% |
| | | USD | Unemployment Claims | 249K | 246K |
| | 15:00 | USD | Final Wholesale Inventories m/m | 1.00% | 1.00% |
| | 15:30 | USD | Natural Gas Storage | | -87B |
| | 18:10 | USD | FOMC Member Evans Speaks | | |
| | 23:50 | JPY | PPI y/y | 0.00% | -1.20% |
| 10-Feb | 00:30 | AUD | RBA Monetary Policy Statement | | |
| | | AUD | Home Loans m/m | 1.00% | 0.90% |
| | Tentative | CNY | Trade Balance | 295B | 275B |
| | Tentative | CNY | USD-Denominated Trade Balance | 49.8B | 40.8B |
| | 04:30 | JPY | Tertiary Industry Activity m/m | -0.10% | 0.20% |
| | 07:45 | EUR | French Industrial Production m/m | -0.60% | 2.20% |
| | | EUR | French Prelim Non-Farm Payrolls q/q | 0.30% | 0.30% |
| | 10th-16th | CNY | M2 Money Supply y/y | | 11.30% |
| | 10th-16th | CNY | New Loans | | 1040B |
| | 09:00 | EUR | Italian Industrial Production m/m | 0.10% | 0.70% |
| | 09:30 | GBP | Manufacturing Production m/m | 0.30% | 1.30% |
| | | GBP | Goods Trade Balance | -11.5B | -12.2B |
| | | GBP | Construction Output m/m | 1.10% | -0.20% |
| | | GBP | Industrial Production m/m | -0.20% | 2.10% |
| | 13:30 | CAD | Employment Change | | 53.7K |
| | | CAD | Unemployment Rate | | 6.90% |
| | | USD | Import Prices m/m | 0.40% | 0.40% |
| | 15:00 | GBP | NIESR GDP Estimate | | 0.50% |
| | | USD | Prelim UoM Consumer Sentiment | 97.9 | 98.5 |
| | | USD | Prelim UoM Inflation Expectations | | 2.60% |
| | 19:00 | USD | Federal Budget Balance | | -27.5B |

Time: GMT

MARKETS RECAP



Last Week: 30th of January 2017 to 3rd of February 2017

It was a busy week for the currency markets as the week marked the start of a new trading month. The U.S. dollar remained volatile as the currency was caught in the crosshairs of allegations by President Trump who stopped short of accusing Japan, China and Germany as currency manipulators. The FOMC meeting also did not help as the Fed did not give timing on the next rate hike while calling the fourth quarter GDP report as soft. Here's a quick recap of the events from last week

Bank of Japan leaves monetary policy unchanged

The Bank of Japan's monetary policy meeting last week saw the central bank leaving interest rates unchanged at -0.10%, while leaving the pace of its bond purchases steady at 80 trillion yen. At the meeting, the central bank raised its growth projections but also cautioned on the uncertainty about reaching the 2% inflation target. The warning on inflation suggested that policy makers remained uncertain on corporate Japan's willingness to boost wages, which is seen as a key aspect to spurring domestic demand.

The central bank also talked down the concerns surrounding U.S. President Trump's protectionist policies but acknowledged that the risks to the central bank's price outlook was skewed to the downside, primarily from lack of inflationary pressures.

Forecasts of the Majority of Policy Board Members

| | y/y % chg. | |
|--------------------------------|------------------------|---------------------------------|
| | Real GDP | CPI (all items less fresh food) |
| Fiscal 2016 | +1.2 to +1.5 [+1.4] | -0.2 to -0.1 [-0.2] |
| Forecasts made in October 2016 | +0.8 to +1.0 [+1.0] | -0.3 to -0.1 [-0.1] |
| Fiscal 2017 | +1.3 to +1.6 [+1.5] | +0.8 to +1.6 [+1.5] |
| Forecasts made in October 2016 | +1.0 to +1.5 [+1.3] | +0.6 to +1.6 [+1.5] |
| Fiscal 2018 | +1.0 to +1.2 [+1.1] | +0.9 to +1.9 [+1.7] |
| Forecasts made in October 2016 | +0.8 to +1.0 [+0.9] | +0.9 to +1.9 [+1.7] |

Bank of Japan Policy Board Member Forecasts, January 2017

"When economic growth overshoots and exchange-rate factors (work to push up prices), inflation forecasts tend to overshoot too. But so far, underlying consumer price figures are quite weak," the BoJ governor said.

The central bank also published its quarterly review leaving the inflation forecasts unchanged for the near term but cautioned that global uncertainty could keep companies wary of hiking wages or lifting prices. **"The momentum for achieving our 2 percent inflation target is maintained, but lacks strength,"** the BOJ said in the quarterly forecast report. The central bank expects inflation to hit 2% by March 2019.

The week before the BoJ meeting, Japan's consumer price data showed a tenth consecutive month of declines in December despite more than three years of following an aggressive monetary policy by the central bank. **"The yen's declines since November will gradually push up import prices, so one would naturally turn optimistic on the price outlook for the first half of this year,"** said Hideo Kumano, chief economist at Dai-Ichi Life Research Institute.

Australia posts trade surplus

Data from the Australia Bureau of Statistics released on Thursday showed that the economy posted a strong trade surplus in December. Official data showed that on a seasonally adjusted basis, trade surplus was recorded at A\$3.5 billion which was a new record, according to ABS.

DECEMBER KEY FIGURES

| | Oct 2016 \$m | Nov 2016 \$m | Dec 2016 \$m | Nov 16 to Dec 16 % change |
|--------------------------------------------------|-----------------|-----------------|-----------------|------------------------------|
| BALANCE ON GOODS AND SERVICES | | | | |
| Trend estimates | 322 | 1 277 | 2 193 | 72 |
| Seasonally adjusted | -733 | 2 040 | 3 511 | 72 |
| CREDITS (Exports of goods & services) | | | | |
| Trend estimates | 29 079 | 30 120 | 31 114 | 3 |
| Seasonally adjusted | 28 137 | 30 951 | 32 630 | 5 |
| DEBITS (Imports of goods & services) | | | | |
| Trend estimates | 28 757 | 28 843 | 28 921 | - |
| Seasonally adjusted | 28 870 | 28 911 | 29 120 | 1 |

- nil or rounded to zero (including null cells)

Australia Trade Surplus, December 2016

The surplus in December was an increase from November's registered surplus of A\$2.2 billion and was higher than forecasts. Exports by value rose a solid 5.0% in December, from the previous month. Exports got a boost with a 14% increase in coal and a 10% increase iron-ore shipments during the month. Imports also rose but by a modest 1.0%, the statistics bureau showed.

The trade data was cheered by economists who said that the surplus will reduce the threat of a recession in the economy. The Australian GDP posted a contraction in the third quarter of 2016. Tom Kennedy from JP Morgan was optimistic that more export capacity could come on the back of several large LNG projects that are expected to be finished in the coming months which could add to the production capacity and this increase exports steadily in 2017.

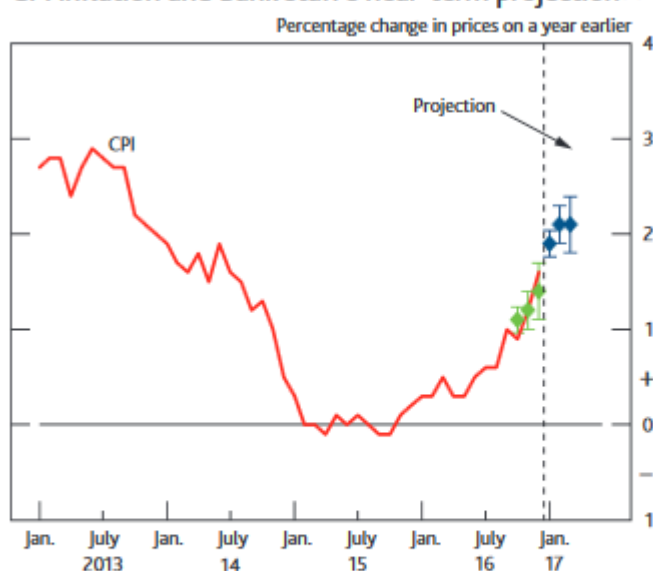
Kennedy says that **"that net trade will continue to support real GDP in the year ahead, as well as in early 2018."**

Trade balance has been volatile shifting between deficit and surplus on the back of fluctuations in the commodity prices, namely iron-ore and coal prices. Volume of sales from natural gas exports also increased considerably. Commodity prices have been rising steadily adding to the upside bias on exports. Australian commodity exports include iron-ore, coal and copper.

Bank of England leaves monetary policy unchanged

The Bank of England left monetary policy unchanged as its meeting last week, leaving interest rates steady at 0.25% and maintaining the bank's asset purchases at 435 billion. The central bank maintained its neutral stance noting that interest rates could move in either direction. **"The continuing suitability of the current policy stance depends on the trade-off between above-target inflation and slack in the economy,"** the bank said in the monetary policy summary.

CPI inflation and Bank staff's near-term projection^(a)



(a) The green diamonds show Bank staff's central projection for CPI inflation in October, November and December 2016 at the time of the November Inflation Report. The blue diamonds show the current staff projection for January, February and March 2017. The bands on each side of the green and blue diamonds show the root mean squared error of the projections for CPI inflation one, two and three months ahead made since 2004.

Policy makers at the central bank said that they can respond with interest rate changes in either direction depending on the economy. To the upside, the BoE said that higher wage pressures will likely prompt the BoE to hike interest rates while to the downside, the central bank said that weak consumer spending could spur the central bank into cutting rates further.

At its February meeting, the MPC continued to judge that it remained appropriate to seek to return inflation to the target over a somewhat longer period than usual, and that the current stance of monetary policy remained appropriate to balance the demands of its remit.

The central bank also released its inflation report where it expects that the decline in the exchange rate will keep upside pressure on inflation. The central bank gave fresh projections on the economy, unemployment and inflation. Growth in the U.K. is expected to grow at a pace of 0.5% in the first quarter of 2017, despite the economy staying resilient for the most part in 2016 after the U.K.'s referendum vote. The Bank of England lifted its 2017 outlook to 2 percent from 1.4 percent and the projection for 2018 was raised marginally to 1.6 percent from 1.5 percent.

At the press conference, Carney said **"stronger projection does not mean that the Brexit is without consequences. Uncertainty continues to weigh on business investment,"** he added.

MARKETS PREVIEW



Week Ahead: 6th of February 2017, to 10th of February 2017

Central bank monetary policy decisions continue into a new trading week with the focus turning to Australia and New Zealand. No changes are expected from either of the central banks at this week's meeting. Canada will be releasing the monthly jobs report while Japan's quarterly GDP figures will be released on late Sunday. The New Zealand dollar could be coming under pressure with the inflation expectations also coming out during the week.

RBA could strike a cautious tone on rates

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.

RBNZ seen holding rates steady – Focus turns to inflation

The Reserve Bank of New Zealand will be meeting on Wednesday, 8th February. The central bank's OCR is expected remain steady at 1.75%. Recent economic data has suggested that the risks of further rate cuts are diminishing as the quarterly inflation report showed that consumer prices are now back within the 1% - 3% inflation rate band targeted by the RBNZ.

Still, it is a bit too early to expect the central bank to hike rates unless there is stronger evidence that underlying pressures are building. The employment report released last week showed that the employment rate increased mostly on higher participation rate. But the report showed that there were no wage pressures which will likely be a factor that the RBNZ will take into account.

The quarterly inflation expectations report for New Zealand comes out earlier on Tuesday and this could potentially influence the RBNZ to offer some forward guidance on monetary policy. However, the issue of a stronger exchange rate continues with the Kiwi seen posting strong gains. It underlines the risks of potential jawboning when the RBNZ meets this week.

U.S. data to focus on second-tier

The pace of economic releases from the U.S. takes a back seat next week with most of the data confined to the second tier. In the midst of a quiet week from the U.S. the December Job opening and Labor Turnover Survey (JOLTS) report will make for an interesting read on the report on job openings, hiring, layoffs and quits. The JOLTS report is expected to confirm the view that the Fed's opinion that the U.S. labor market recovered from the downturn since the crisis of 2008. Besides the JOLTS report, other data during the week includes the weekly jobless claims and some speeches from FOMC members.

The Fed's vice-chair Stanley Fischer is expected to speak on Saturday, 11th February and his speech comes after the Fed decided to hold interest rates steady at its meeting last week. The markets are currently giving a low probability even for a March rate hike, but things could change if Fed officials start speaking up in the run up to the March FOMC meeting..

Germany trade balance and industrial orders

Data from the eurozone next week is looking quiet with Germany's December data on industrial orders likely to stand out alongside production and trade data. The trade data is likely to stand out considering that economists are expecting to see another trade surplus which could spark further comments from U.S. officials who have recently accused Germany of keeping the exchange rate low to gain an export advantage.

Industrial orders are expected to rise given that the PMI's in the recent months point to a stable uptrend in the manufacturing sector. However the December data could be subject to distortion.

The ECB President Mario Draghi will be speaking over the week at the Dutch parliament on Wednesday. As in Germany, euro-skeptic parties want Draghi to explain to them the ECB's monetary policy.

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%.

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