

# orbex WEEKLY MARKETS REPORT



OVERWEEK  
BULLET POINTS



THE WEEK  
AHEAD



MARKETS  
PREVIEW



THE CHART OF  
THE WEEK

# OVERWEEK BULLET POINTS



Last Week: 6<sup>th</sup> of February 2017 to 10<sup>th</sup> of February 2017

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- Australia MI inflation gauge m/m 0.6% vs. 0.5% previously
- Japan Average cash earnings y/y 0.1% vs. 0.4%
- Australia retail sales m/m -0.1% vs. 0.3%
- Australia ANZ job advertisements m/m 4.0% vs. -2.2% previously
- China Caixin services PMI 53.1 vs. 53.6
- Germany factory orders m/m 5.2% vs. 0.6%
- Eurozone retail PMI 50.1 vs. 50.4
- Eurozone Sentix investor confidence 17.4 vs. 16.7
- UK BRC retail sales monitor y/y -0.6% vs. 1.0% previously
- New Zealand inflation expectations q/q 1.9% vs. 1.7% previously
- RBA leaves cash rate unchanged at 1.50%
- RBA releases rate statement
- Japan leading indicators 105.2% vs. 105.6%
- Switzerland SECO consumer climate -3 vs. -11
- Germany industrial production m/m -3.0% vs. 0.2%
- France trade balance -2.4bn vs. -4.2bn
- Switzerland foreign currency reserves 644bn vs. 645bn previously
- U.K. Halifax HPI m/m -0.9% vs. 0.2%
- Canada trade balance 0.9bn vs. 1.2bn
- Canada building permits m/m -6.6% vs. -3.5%
- U.S. trade balance -44.3bn vs. -45.0bn
- Canada Ivey PMI 57.2 vs. 58.3
- U.S. JOLTS job openings 5.50mn vs. 5.56mn
- U.S. IBD/TIPP Economic optimism 56.4 vs. 56.2
- U.S. consumer credit m/m 14.2bn vs. 20.3bn
- BoJ releases summary of opinions
- BoJ Bank lending y/y 2.5% vs. 2.7%
- Japan current account 1.67Tn vs. 1.71Tn
- Japan economy watchers sentiment 49.8 vs. 51.9
- BoE member Cunliffe speech
- Canada housing starts 207k vs. 202k
- U.S. crude oil inventories 13.8mn vs. 2.7mn
- RBNZ leaves OCR unchanged at 1.75%
- RBNZ releases rate statement
- New Zealand building consents m/m -7.2% vs. -9.6% previously
- Japan core machinery orders m/m 6.7% vs. 3.2%
- Japan M2 money stocks y/y 4.1% vs. 4.0%
- Australia HIA new home sales m/m 0.2% vs. 6.1% previously
- UK RICS house price balance 25% vs. 23%
- RBNZ Gov. Wheeler speech
- Australia NAB quarterly business confidence 5 vs. 6 previously
- Japan preliminary machine tool orders y/y 3.5% vs. 3.3%

- Switzerland unemployment rate 3.3% vs. 3.3%
- Germany trade balance 18.4bn vs. 23.2bn
- RBA Gov. Lowe Speech
- Canada NHPI m/m 0.1% vs. 0.3%
- U.S. unemployment claims 234k vs. 249k
- U.S. final wholesale inventories m/m 1.0% vs. 1.0%
- FOMC member Evans speech
- BoE Carney speech
- Japan PPI y/y 0.5% vs. 0.0%
- RBA releases monetary policy statement
- Australia home loans m/m 0.4% vs. 1.0%
- China trade balance 355bn vs. 295bn
- China, US denominated trade balance 51.4bn vs. 49.8bn
- Japan tertiary industry activity m/m -0.4% vs. -0.1%
- France industrial production m/m -0.9% vs. -0.6%
- France preliminary, non-farm payrolls q/q 0.4% vs. 0.3%
- Italy industrial production m/m 14% vs. 0.1%
- U.K. manufacturing production m/m 2.1% vs. 0.3%
- U.K. construction output m/m 1.8% vs. 1.1%
- U.K. goods trade balance -10.9bn vs. -11.5bn
- U.K. industrial production m/m 1.1% vs. -0.2%
- Canada employment change 48.3k vs. -10.1k
- Canada unemployment rate 6.8% vs. 6.9%
- U.S. import prices m/m 0.4% vs. 0.4%
- U.S. preliminary UoM consumer sentiment 95.7 vs. 97.9
- U.S. preliminary UoM inflation expectations 2.8% vs. 2.6% previously

# THE WEEK AHEAD



13<sup>th</sup> of February 2017, to 17<sup>th</sup> of February 2017

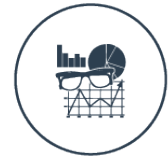
## IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

| Date   | Time      | Currency                  | Detail                            | Forecast | Previous |
|--------|-----------|---------------------------|-----------------------------------|----------|----------|
| 13-Feb | 07:00     | EUR                       | German WPI m/m                    | 0.30%    | 1.20%    |
|        | Tentative | EUR                       | German Buba Monthly Report        |          |          |
|        | 21:45     | NZD                       | FPI m/m                           |          | -0.80%   |
| 14-Feb | 01:30     | CNY                       | CPI y/y                           | 2.40%    | 2.10%    |
|        |           | CNY                       | PPI y/y                           | 6.60%    | 5.50%    |
|        | 14th-16th | CNY                       | Foreign Direct Investment ytd/y   |          | 4.10%    |
|        | 04:30     | JPY                       | Revised Industrial Production m/m | 0.50%    | 0.50%    |
|        | 07:00     | EUR                       | German Prelim GDP q/q             | 0.50%    | 0.20%    |
|        |           | EUR                       | German Final CPI m/m              | -0.60%   | -0.60%   |
|        | 14th-16th | CNY                       | M2 Money Supply y/y               | 11.30%   | 11.30%   |
|        | 14th-16th | CNY                       | New Loans                         | 2440B    | 1040B    |
|        | 08:15     | CHF                       | PPI m/m                           | 0.30%    | 0.20%    |
|        |           | CHF                       | CPI m/m                           | -0.10%   | -0.10%   |
|        | 09:00     | EUR                       | Italian Prelim GDP q/q            | 0.30%    | 0.30%    |
|        | 09:30     | GBP                       | CPI y/y                           | 1.90%    | 1.60%    |
|        |           | GBP                       | PPI Input m/m                     | 1.00%    | 1.80%    |
|        |           | GBP                       | RPI y/y                           | 2.80%    | 2.50%    |
|        |           | GBP                       | Core CPI y/y                      | 1.70%    | 1.60%    |
|        |           | GBP                       | HPI y/y                           | 6.90%    | 6.70%    |
|        |           | GBP                       | PPI Output m/m                    | 0.40%    | 0.10%    |
|        | 10:00     | EUR                       | Flash GDP q/q                     | 0.50%    | 0.50%    |
|        |           | EUR                       | German ZEW Economic Sentiment     | 15.1     | 16.6     |
|        |           | EUR                       | Industrial Production m/m         | -1.40%   | 1.50%    |
|        |           | EUR                       | ZEW Economic Sentiment            | 22.3     | 23.2     |
|        | Tentative | EUR                       | EU Economic Forecasts             |          |          |
|        | 11:00     | USD                       | NFIB Small Business Index         | 105.1    | 105.8    |
|        | 13:30     | USD                       | PPI m/m                           | 0.30%    | 0.30%    |
|        |           | USD                       | Core PPI m/m                      | 0.20%    | 0.20%    |
|        | 15:00     | USD                       | Fed Chair Yellen Speaks           |          |          |
|        |           | USD                       | Fed Monetary Policy Report        |          |          |
| 18:00  | USD       | FOMC Member Kaplan Speaks |                                   |          |          |
| 15-Feb | 00:30     | AUD                       | New Motor Vehicle Sales m/m       |          | 0.30%    |
|        | 09:30     | GBP                       | Average Earnings Index 3m/y       | 2.80%    | 2.80%    |
|        |           | GBP                       | Claimant Count Change             | 1.1K     | -10.1K   |
|        |           | GBP                       | Unemployment Rate                 | 4.80%    | 4.80%    |
|        | 10:00     | EUR                       | Trade Balance                     | 22.5B    | 22.7B    |
|        | 13:30     | CAD                       | Manufacturing Sales m/m           | 1.40%    | 1.50%    |
|        |           | USD                       | CPI m/m                           | 0.30%    | 0.30%    |
|        |           | USD                       | Core CPI m/m                      | 0.20%    | 0.20%    |
|        |           | USD                       | Core Retail Sales m/m             | 0.40%    | 0.20%    |
|        |           | USD                       | Retail Sales m/m                  | 0.10%    | 0.60%    |
|        |           | USD                       | Empire State Manufacturing Index  | 7.2      | 6.5      |

|        |       |       |                                |                                 |        |
|--------|-------|-------|--------------------------------|---------------------------------|--------|
|        | 14:15 | USD   | Capacity Utilization Rate      | 75.60%                          | 75.50% |
|        |       | USD   | Industrial Production m/m      | 0.10%                           | 0.80%  |
|        | 15:00 | USD   | Fed Chair Yellen Testifies     |                                 |        |
|        |       | USD   | Business Inventories m/m       | 0.50%                           | 0.70%  |
|        |       | USD   | NAHB Housing Market Index      | 68                              | 67     |
|        | 17:45 | USD   | FOMC Member Harker Speaks      |                                 |        |
| 16-Feb | 00:00 | AUD   | MI Inflation Expectations      |                                 | 4.30%  |
|        | 00:30 | AUD   | Employment Change              | 10.0k                           | 13.5K  |
|        |       | AUD   | Unemployment Rate              | 5.80%                           | 5.80%  |
|        | 09:00 | EUR   | Italian Trade Balance          |                                 | 4.20B  |
|        |       |       | ECB Monetary Policy Meeting    |                                 |        |
|        | 12:30 | EUR   | Accounts                       |                                 |        |
|        | 13:30 | USD   | Building Permits               | 1.23M                           | 1.21M  |
|        |       | USD   | Philly Fed Manufacturing Index | 18                              | 23.6   |
|        |       | USD   | Unemployment Claims            | 244k                            |        |
|        |       | USD   | Housing Starts                 | 1.23M                           | 1.23M  |
|        |       | 21:30 | NZD                            | Business NZ Manufacturing Index |        |
|        | 21:45 | NZD   | Retail Sales q/q               |                                 | 0.90%  |
|        |       | NZD   | Core Retail Sales q/q          | 1%                              | 0.30%  |
| 17-Feb | 09:00 | EUR   | Current Account                |                                 | 36.1B  |
|        | 09:30 | GBP   | Retail Sales m/m               | 1%                              | -1.90% |
|        | 13:30 | CAD   | Foreign Securities Purchases   |                                 | 7.24B  |
|        | 15:00 | USD   | CB Leading Index m/m           | 0.50%                           | 0.50%  |

Time: GMT

# MARKETS RECAP



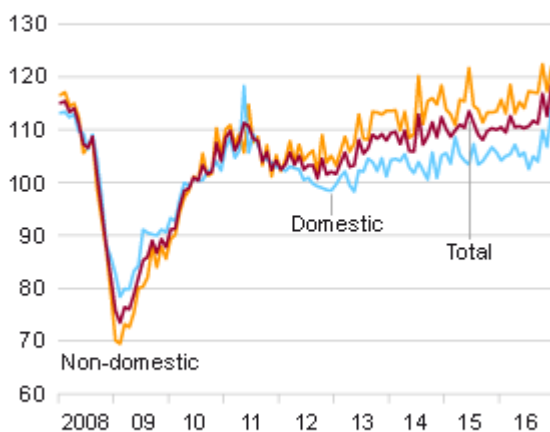
Last Week: 6<sup>th</sup> of January 2017 to 10<sup>th</sup> of February 2017

The RBA and the RBNZ central bank meetings were the highlights last week amid lack of any clear data to go by from the rest of the economies. Both central banks held interest rates unchanged at their respective monetary policy meetings. The RBNZ came out dovish noting that rate hikes could come only around March 2020 and came down strongly on the NZD's exchange rate. Elsewhere, the British pound remained volatile amid comments from policy makers that hinted on potential rate hikes amid rising inflation in the country.

## German factory orders posts fastest increase since 2014

Factory orders in Germany rose at the fastest pace since 2014 in December led by a robust domestic demand, data from Germany's statistics office Destatis shows on Monday. Factory orders rise 5.2% on a monthly basis in December, reversing the 3.6% decline in November which was revised from the initially reported decline of 2.5%. On a year over year basis, factory orders growth accelerated at a pace of 8.1% in December, up from 2% in November.

Index of new orders in manufacturing  
2010 = 100, seasonally adjusted



© Statistisches Bundesamt (Destatis), 2017

The growth in factory orders has been the largest seen since July of 2014 when factory orders rose 6.6%. New orders, without major bookings in manufacturing were up 0.4% during the reporting month. Domestic orders jumped 6.7% with foreign orders rising 3.9%. Bookings from the euro area rose by a solid 10% from the previous month while new orders from other countries remained flat compared to a month before.

Among the sectors, growth came from capital goods which rose 9.7%, which managed to partially offset the growth of new orders for intermediate goods which fell 0.6% and consumer goods falling 1.8%.

***"New orders data is highly volatile and the coming months will definitely bring some negative surprises,"*** Carsten Brzeski, an ING Bank economist, said and added that ***"against the background of Brexit and Trump, today's data suggest that the German industry could shift into a higher gear in the first quarter of 2017."***

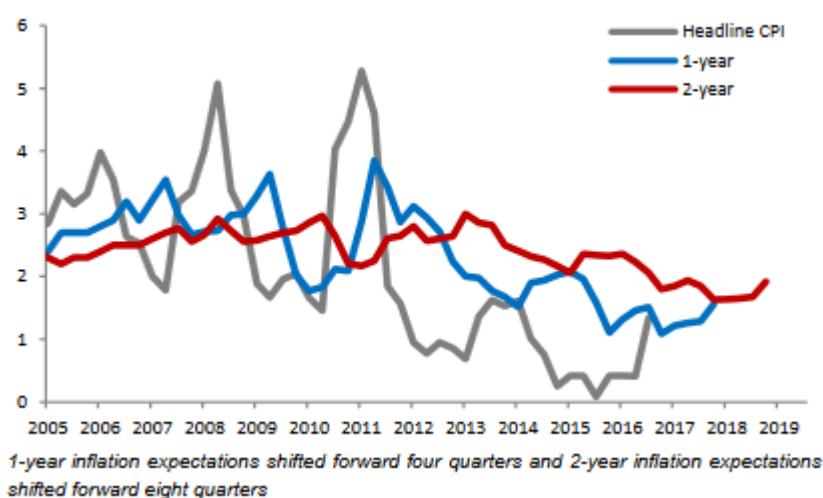
In a separate report, Destatis revealed that Germany wage gains were moderate despite a booming labor market and strong growth. Overall wages in 2016 were said to have increased only 1.8% compared to a year ago. Translated to real terms, wages increased 2.4% from the previous year. The increase in real wages came largely due to lower consumer prices. Destatis said that a 2.3% increase in

nominal wages was in line with the 5-year average and noticed that some upside pressure on consumer prices from the wages was limited.

## RBNZ leaves overnight cash rate unchanged

At the first monetary policy meeting for this year, the Reserve Bank of New Zealand held the overnight cash rate unchanged at 1.75% as widely expected by economists. The RBNZ however, said that rate hikes would likely come only around 2020 March with a 25 basis point rate hike. The central bank also came down strongly on the exchange rate of the NZD noting that the high exchange rate would likely dampen the growth outlook amid fragile global recovery. The RBNZ's comments sent the New Zealand dollar weaker on the day after the currency posted strong gains for nearly five consecutive weeks.

Figure 1: Inflation expectations (annual %)



cut in this cycle.

The RBNZ acknowledged that headline inflation is back within the 1-3% target range, but repeated that the return to the 2% midpoint is likely to be gradual. In fact, the RBNZ doesn't expect inflation to reach 2% until June 2019, six months later than previously thought. The continued strength of the New Zealand dollar means that tradable goods inflation is forecast to remain near-zero or negative for the next few years. That leaves the RBNZ even more dependent on strong domestic growth, driving a lift in non-tradables prices, in order to meet the inflation target.

Earlier in the week, inflation expectations as measured by the RBNZ's quarterly survey surged in the March quarter, rising from 1.68% to 1.92% - very close to the 2% midpoint of the RBNZ's inflation target range and the highest level since 2014. Expectations for one year ahead - less crucial to the RBNZ's policy horizon - also rose from 1.29% to 1.56%.

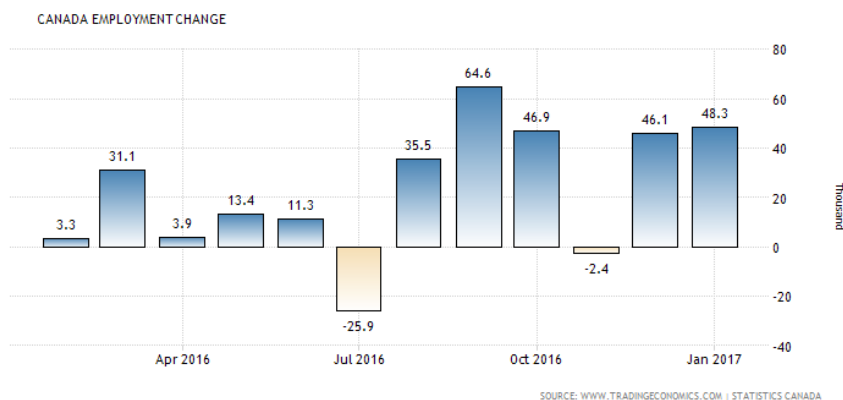
Inflation expectations are a perennial concern for the RBNZ as they have an important influence on how businesses adjust wages and prices. In recent years, the low level of headline inflation saw expectations fall to low levels.

The language of the media statement largely retained the neutral tone from November. The RBNZ concluded that *"monetary policy will remain accommodative for a considerable period"*, and noted that there are still significant uncertainties in the economic environment.

Over most of the forecast horizon, the projected OCR was lifted from 1.7% in November to 1.8% in February. Both numbers are equally consistent with a 1.75% cash rate (after rounding), but the latter eliminates the small possibility of another rate

# Canada's jobless rate falls to 6.8%, employment jumps

Canada's unemployment rate fell to 6.8% in January while the employment change increased by a big margin with the momentum in hiring seen continuing from December. Data released on Friday by Statistics Canada showed that employment increased 48,300 on a net basis. This was stronger than the consensus estimates which pointed to a 10k decline in net jobs.



Canada Employment Change, January 2017

The gains in the month of January added 239k net jobs in the past six months, marking one of the best half yearly performance on the jobs front. The unemployment rate was also lower, falling to 6.8% from 6.9% previously. Economists polled were expecting to see the unemployment rate remain unchanged at 6.9% in January.

Most of the gains in hiring came from the private sector with full time employment rising 15,800 after added 70,900 in December. Number of new part time jobs increased 32,400 from December. Gains in the average hourly wages of permanent employees slowed to 1 percent in January from a year earlier, the smallest gain since 2003, from the 1.5 percent pace in the last two months. Hours worked also fell 0.8 percent from a year earlier.

## Banxico hikes interest rates once again by 50 basis points

The Mexican central bank at its meeting on Thursday hiked interest rates by 50 basis points, bringing the interest rates to 6.25%, as widely expected by economists. The rate hike came amid a strong surge in inflation during the month of January, fuelled by a 14% hike in gas prices. Although the central bank officials said that they would look past this temporary increase in consumer prices, the hike in fuel prices sent inflation rising to a 14-year high.

The overnight interest-rate target now stands at 6.25%, the highest level since early 2009, indicating the bank is determined to continue raising rates to keep inflation pressures under control despite a sluggish economy.

The Mexican peso rose 0.6% against the U.S. dollar by the end of the day. Last week's rate hike was the third such increase by Banxico since U.S. President Donald J. Trump was elected on promises to rewrite the North American Free Trade Agreement (NAFTA) and make Mexico pay for a border wall and crack down on illegal immigration. The rate hike was the fourth consecutive hike as the central bank is struggling to keep a lid on the rise in inflation, while trying to plug the declines in the exchange rate.



# MARKETS PREVIEW



**Week Ahead:** 13<sup>th</sup> of February 2017, to 17<sup>th</sup> of February 2017

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*The week ahead will be busy with most of the economies reporting the monthly inflation figures. Markets will be focused on the UK, which could see inflation continue to rise, while in the Eurozone, the flash estimates showed an increase in headline consumer prices while core CPI remained flat. Janet Yellen will be speaking twice this week while the ECB will be releasing its monetary policy meeting accounts.*

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## Fed Chair Janet Yellen's semi-annual testimony

The Federal Reserve's Chair, Janet Yellen will be giving her semi-annual testimony to the Congress on Tuesday and Wednesday which will be the highlight of the week. Ms. Yellen will be most likely using the opportunity to address the discrepancy between the Fed's outlook to hike rates three times this year while the markets are pricing in only two rate hikes.

Recent economic indicators have suggested that the U.S. labor market still has some slack remaining. The Fed left interest rates unchanged at its meeting in early February and did not give any hints on when the rate hike will come. The most recent jobs report also showed that while hiring increased average hourly earnings fell, including December's which was revised lower. The data indicated that the previous wage pressure build up was not as intense as initially expected.

On the economic front, the U.S. economic calendar is busy with January's inflation report due on Wednesday. The data are expected to show that headline consumer prices increased to 2.4% in January, up from 2.1% in December. This would potentially market another strong print. The core inflation is however expected to move a point lower from 2.2% to 2.1% according to some economists. Retail sales figures will also be coming out later in the week besides industrial production and housing starts figures.

## Eurozone fourth quarter GDP and ECB minutes

The fourth quarter GDP report from the Eurostat will be coming out this week and estimates point to a 0.5% quarter over quarter growth. The sentiment indicators also point to a potential increase in the quarterly GDP figures for the region. Besides the Eurozone's GDP figures, many regional economies will also be publishing their respective GDP numbers for the fourth quarter. Germany's GDP is expected to rise 0.5% on a quarterly basis.

The ECB is also expected to release the accounts of its monetary policy decision from the meeting held in mid-January. The central bank had kept interest rates unchanged in January but noted that it was willing to expand QE if needed. The meeting minutes are unlikely to offer any surprises for the markets.

## UK Inflation and Jobs Data

A busy week from the U.K data will be on the January inflation. Economists are expecting to see consumer prices in the U.K accelerate from 1.6% recorded in December to 1.9% in January, putting it closer to the Bank of England's 2% inflation target threshold. However, given that the Bank of England has mentioned that it will tolerate some overshoot of inflation, the effects of an increase in consumer prices are unlikely to have much of an impact. The core CPI is also expected to rise 1.7%, up from 1.6% recorded in December.

Later in the week, the January retail sales numbers alongside the monthly jobs report will shed more light. A pick up in wages and a continued improvement in the jobs sector will no doubt start to put pressure on the BoE, especially if wages also start showing an increase. The central bank mentioned this as one of the key points that could push it to hike interest rates.

## Sweden's Riksbank to keep rates on hold

Sweden's Riksbank will be meeting on Wednesday, but no changes are expected from the central bank which is more or less likely to maintain a wait-and-see mode. The Riksbank had previously signaled a period of stability and the case among the doves for increasing stimulus is also starting to dissipate.

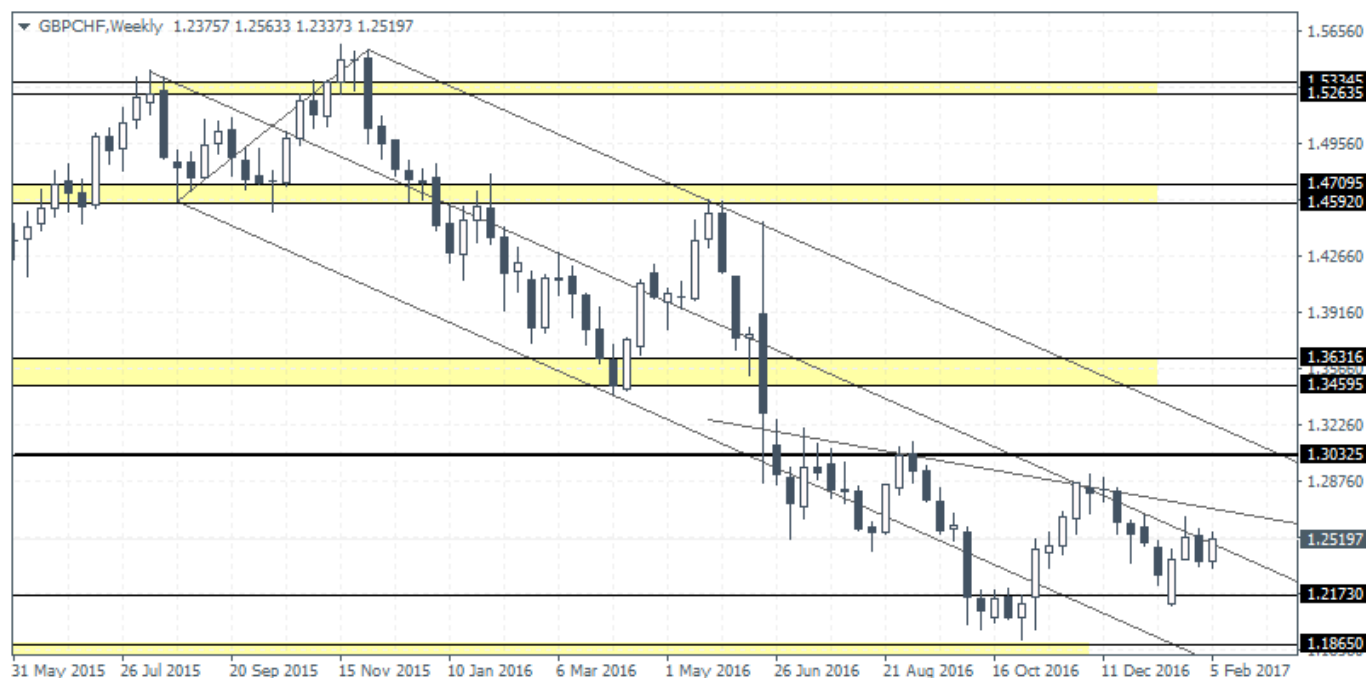
The recent upturn in inflation is likely to be a positive, although the increase in inflation has been fragile. Later in the week, the inflation figures for the month of January will be coming out and expectations are for a 1.6% annual increase in consumer prices, similar to what the central bank projected in December. The remainder of the week will see the inventory report data which will give further clues into the fourth quarter GDP expectations.

# TECHNICAL CORNER



GBPCHF – Watch the inverse head and shoulders pattern.

The reversal in GBPCHF off 1.2173 has resulted in a formation of the right shoulder of the inverse head and shoulders pattern that has been evolving since June last year. The head was formed on the decline below 1.2173 as GBPCHF traded around 1.2033 before lifting higher. A continuation to the upside will see GBPCHF testing the inclined neckline resistance level. A breakout above this level will signal further continuation to the upside.



GBPCHF (1.2519) – Weekly Chart

Given the fact that this is a weekly chart, expect the breakout from the inclined resistance level to occur within the next 2 - 3 week time frame. A successful break out above this resistance level will see GBPCHF first test 1.3032 resistance level that has been firm and held up during the initial test in mid-August last year. But in the event that GBPCHF breaks out above this level, further gains can be seen coming towards 1.3460 at the very least.

Supporting this bullish bias is also the fact that the price has formed a higher low after a brief test back to the support level at 1.2173 - 1.2033. Thus, a continuation to the upside will see 1.3032 followed by 1.3460 as the initial targets.

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