

orbex WEEKLY MARKETS REPORT



OVERWEEK
BULLET POINTS



THE WEEK
AHEAD



MARKETS
PREVIEW



THE CHART OF
THE WEEK

OVERWEEK BULLET POINTS



Last Week: 13th of February 2017 to 17th of February 2017

- Germany WPI m/m 0.8% vs. 0.3%
- EU releases economic forecast
- New Zealand FPI m/m 2.8% vs. -0.8% previously
- Australia NAB business confidence 10 vs. 6 previously
- China CPI y/y 2.5% vs. 2.4%; PPI y/y 6.9% vs. 6.6%
- Japan revised industrial production m/m 0.7% vs. 0.5%
- Germany preliminary GDP q/q 0.4% vs. 0.5%
- Germany final CPI m/m -0.6% vs. -0.6%
- Switzerland PPI m/m 0.4% vs. 0.3%; CPI m/m 0.0% vs. -0.1%
- Italy preliminary GDP q/q 0.2% vs. 0.3%
- China M2 money supply y/y 11.3% vs. 11.3%
- China new loans 2030bn vs. 2440bn
- UK CPI y/y 1.8% vs. 1.9%; Core CPI y/y 1.6% vs. 1.7%
- UK PPI input y/y 1.7% vs. 1.0%; PPI output y/y 0.6% vs. 0.4%
- Eurozone flash GDP q/q 0.4% vs. 0.5%
- Germany ZEW economic sentiment 10.4 vs. 15.1
- Eurozone industrial production /m -1.6% vs. -1.4%
- Eurozone ZEW economic sentiment 17.1 vs. 22.3
- U.S. NFIB small business index 105.9 vs. 105.1
- U.S. PPI m/m 0.6% vs. 0.3%; core PPI m/m 0.4% vs. 0.2%
- Fed Chair Yellen testifies
- Fed monetary policy report
- FOMC Member Kaplan speech
- Australia Westpac consumer sentiment 2.3% vs. 0.1% previously
- Australia new motor vehicle sales m/m 0.6% vs. 0.1% previously
- UK average earnings index 3m/y 2.6% vs. 2.8%
- UK claimant count change -42.4k vs. 1.1k
- UK unemployment rate 4.8% vs. 4.8%
- Eurozone trade balance 24.5bn vs. 22.5bn
- Canada manufacturing sales m/m 2.3% vs. 1.4%
- U.S. CPI m/m 0.6% vs. 0.3%; Core CPI m/m 0.3% vs. 0.2%
- U.S. retail sales m/m 0.4% vs. 0.1%; core retail sales m/m 0.8% vs. 0.4%
- U.S. Empire state manufacturing index 18.7 vs. 7.2
- U.S. capacity utilization rate 75.3% vs. 75.6%
- UK CB leading index m/m 0.0% vs. 0.0% previously
- Fed Chair Yellen testifies
- U.S. Business inventories m/m 0.4% vs. 0.5%
- U.S. NAHB housing market index 65 vs. 68
- U.S. Crude oil inventories 9.5mn vs. 3.7mn
- FOMC Member Harker speech
- Australia MI inflation expectations 4.1% vs. 4.3% previously
- FOMC Member Dudley speech

- BoJ Gov. Kuroda speech
- Australia employment change 13.5k vs. 9.7k
- Australia unemployment rate 5.7% vs. 5.8%
- China FDI ytd/y -9.2% vs. 4.1% previously
- Italy trade balance 5.80bn vs. 4.00bn
- ECB releases monetary policy meeting minutes
- U.S. building permits 1.29mn vs. 1.23mn
- U.S. Philly fed manufacturing index 43.3 vs. 18.5
- U.S. unemployment claims 239k vs. 243k
- U.S. housing starts 1.25mn vs. 1.23mn
- New Zealand business manufacturing index 51.6 vs. 54.2 previously
- New Zealand retail sales q/q 0.8% vs. 1.1%
- New Zealand core retail sales q/q 0.6% vs. 0.9%
- Eurozone current account 31.0bn vs. 28.7bn
- UK retail sales m/m -0.3% vs. 1.0%
- Canada foreign securities purchase 10.23bn vs. 11.59bn
- U.S. CB leading index m/m 0.6% vs. 0.5%

THE WEEK AHEAD



20th of February 2017, to 24th of February 2017

IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

Date	Time	Currency	Event	Forecast	Previous
20-Feb	00:01	GBP	Rightmove HPI m/m		0.40%
	07:00	EUR	German PPI m/m	0.30%	0.40%
	11:00	EUR	German Buba Monthly Report		
		GBP	CBI Industrial Order Expectations	5	5
	13:30	CAD	Wholesale Sales m/m	0.40%	0.20%
	15:00	EUR	Consumer Confidence	-5	-5
21-Feb	00:30	AUD	Monetary Policy Meeting Minutes		
		JPY	Flash Manufacturing PMI	52.1	52.7
	04:30	JPY	All Industries Activity m/m	-0.20%	0.30%
	07:00	CHF	Trade Balance	3.03B	2.72B
	07:45	EUR	French Final CPI m/m	-0.20%	-0.20%
	08:00	EUR	French Flash Manufacturing PMI	53.5	53.6
		EUR	French Flash Services PMI	53.8	54.1
	08:30	EUR	German Flash Manufacturing PMI	56.2	56.4
		EUR	German Flash Services PMI	53.6	53.4
	09:00	EUR	Flash Manufacturing PMI	55	55.2
		EUR	Flash Services PMI	53.7	53.7
	09:30	GBP	Public Sector Net Borrowing	-14.4B	6.4B
	13:50	USD	FOMC Member Kashkari Speaks		
	Tentative	NZD	GDT Price Index		1.30%
	14:45	USD	Flash Manufacturing PMI	54.7	55
		USD	Flash Services PMI	55.8	55.6
	15:30	AUD	CB Leading Index m/m		0.50%
	17:00	USD	FOMC Member Harker Speaks		
	21:30	AUD	RBA Gov Lowe Speaks		
	23:30	AUD	MI Leading Index m/m		0.40%
22-Feb	00:30	AUD	Construction Work Done q/q	0.50%	-4.90%
		AUD	Wage Price Index q/q	0.50%	0.40%
	02:00	NZD	Credit Card Spending y/y		8.50%
	09:00	CHF	Credit Suisse Economic Expectations		18.5
		EUR	German Ifo Business Climate	109.6	109.8
	09:30	GBP	Second Estimate GDP q/q	0.60%	0.60%
		GBP	Prelim Business Investment q/q	0.00%	0.40%
		GBP	Index of Services 3m/3m	0.80%	1.00%
	10:00	EUR	Final CPI y/y	1.80%	1.80%
		EUR	Final Core CPI y/y	0.90%	0.90%
	10:30	EUR	Long Term Refinancing Operation		62.2B
	13:30	CAD	Core Retail Sales m/m	0.80%	0.10%
		CAD	Retail Sales m/m	0.10%	0.20%
	14:00	CNY	CB Leading Index m/m		0.80%
	EUR	Belgian NBB Business Climate	1.1	0.5	
15:00	USD	Existing Home Sales	5.55M	5.49M	

23-Feb	19:00	USD	FOMC Meeting Minutes		
	23:50	JPY	SPPI y/y	0.40%	0.40%
	00:30	AUD	Private Capital Expenditure q/q	-0.40%	-4.00%
	07:00	EUR	German Final GDP q/q	0.40%	0.40%
		EUR	GfK German Consumer Climate	10.3	10.2
	09:00	EUR	Italian Retail Sales m/m	0.20%	-0.70%
	11:00	GBP	CBI Realized Sales	5	-8
	13:30	CAD	Corporate Profits q/q		14.00%
		USD	Unemployment Claims	242K	239K
	14:00	USD	HPI m/m	0.40%	0.50%
	22:30	AUD	RBA Gov Lowe Speaks		
24-Feb	09:30	GBP	BBA Mortgage Approvals	41.9K	43.2K
	13:30	CAD	CPI m/m	0.30%	-0.20%
		CAD	Trimmed Core CPI y/y		1.60%
		CAD	Core CPI m/m	-0.10%	-0.30%
	15:00	USD	New Home Sales	575K	536K
		USD	Revised UoM Consumer Sentiment	96.1	95.7
		USD	Revised UoM Inflation Expectations		2.80%

Time: GMT

MARKETS RECAP



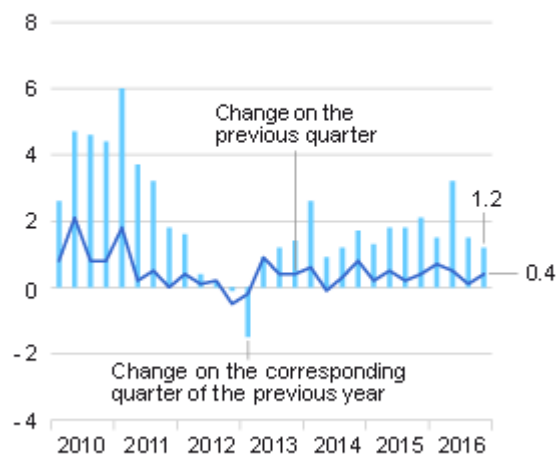
Last Week: 13th of February 2017 to 17th of February 2017

Janet Yellen's two-day testimony to the U.S. Congress was the main event last week as the Fed Chair kindled expectations of a March rate hike. Ms. Yellen said that the Fed would not want to risk falling behind the rate curve and hinted that the upcoming meetings will see the FOMC officials take a call on whether to hike rates or not. The U.S. economic data got a boost as consumer prices increased 2.5% on the headline on an annualized basis.

German economy expands in Q4, 2016

The pace of economic activity in Germany during the fourth quarter of 2016 picked up steam indicating that the underlying trend was being maintained into the first few months of 2017. The data from statistics agency, Destatis showed last week that the German economy grew at a pace of 0.4% on a quarterly basis or 1.7% in annualized terms in the three months ending December. This puts Europe's largest economy on a solid footing as the nation head to polls later this year.

Gross domestic product
price-adjusted in %



© Statistisches Bundesamt (Destatis), 2017

Destatis however trimmed the third quarter GDP to 0.8% on an annualized basis with some revisions made to the second quarter GDP as well. Most of the gains came from domestic demand as the government spending rose significantly from the third quarter. Investments grew in the construction sector but net trade posted a drag in the fourth quarter GDP growth. German imports also helped to push GDP higher, outperforming exports.

Commenting on the GDP numbers, Destatis said, **"Germany's economic situation in 2016 was characterized by solid and steady growth."** Europe's largest economy has been on a steady course expanding over the past year with 2016 growth recorded at 1.9%, which was the highest since 2011 amid an increase in business and consumer activity. This came despite strong

headwinds such as the Brexit vote and the rising tide of anti-EU rhetoric within the economic bloc.

Oil prices also played a role in pushing growth and inflation. The annual inflation data also released last week showed that the HICP rose 1.9% in January, which was higher than 1.7% recorded in December. Destatis said that the January's HICP marked the highest rate of increase in inflation since July 2013, pushing German inflation closer to the ECB's target rate of 2%.

UK wage growth slows, inflation rises less than expected

It was a soft week of numbers from the UK as inflation and monthly jobs report failed to provide any significant follow through for the BoE to think of hiking interest rates with wage pressures missing and inflation rising, but at a slower than expected page.

Table 1: Summary of UK labour market statistics for October to December 2016, seasonally adjusted

	Number (thousands)	Change on Jul to Sep 2016	Change on Oct to Dec 2015	Headline Rate (%)	Change on Jul to Sep 2016	Change on Oct to Dec 2015
Employed	31,837	37	302			
Aged 16 to 64	30,635	71	302	74.6	0.1	0.5
Aged 65 and over	1,202	-33	1			
Unemployed	1,597	-7	-97	4.8	0.0	-0.3
Aged 16 to 64	1,579	-7	-96			
Aged 65 and over	18	0	-1			
Inactive	19,147	51	142			
Aged 16 to 64	8,862	-31	-61	21.6	-0.1	-0.2
Aged 65 and over	10,285	82	203			

Source: Office for National Statistics

Summary of labor market statistics, Oct – Dec 2016

Data this week showed that the UK's unemployment rate remained at a three-year low of 4.8%, unchanged from the previous three months and in line with expectations. The number of unemployed fell by 7k in the fourth quarter of 2016 to 1.6 million. The claimant count change fell by 42.4k during the month to 745k beating estimates, which was forecasting an increase of 500. The number of people in work increased by 37k from the previous month with employment rate staying at 74.6%, the highest since record keeping began in 1971.

However, there were disappointments as the average earnings including bonus rose 2.6% on a year over year basis, which was slower than the 2.8% increase seen previously. Economists were expecting wages to rise 2.8%. An official from the ONS said that ***"the increase in the number of employed was smaller than the recent past and the steadiness seen in the number of vacancies since early 2015 suggest stable labor demand."***

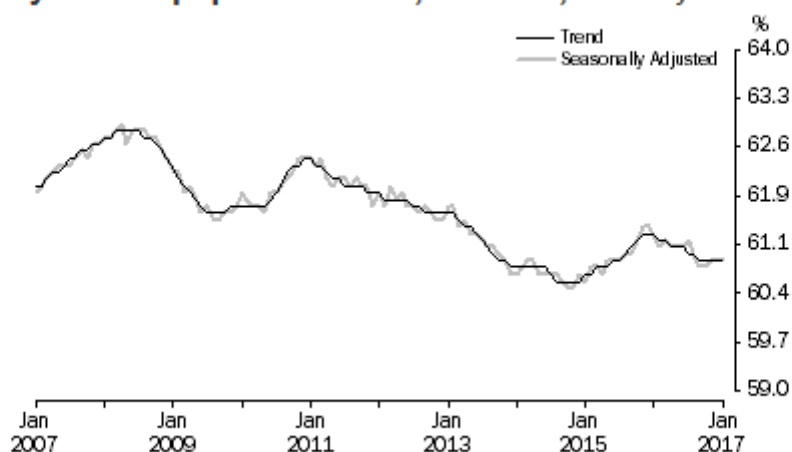
Earlier last week, consumer prices data showed that inflation accelerated to a 31-month high as input prices surged the most since 2008 in January. The 1.8% increase registered in headline inflation was the highest since Jun 2014 and showed an increase from 1.6% registered the month before. The main contributors to the rise in inflation were fuel and food prices. On the other hand, upward pressures were partially offset by clothing and footwear prices. The Bank of England has forecast inflation to rise to 2 percent in the first quarter of 2017, before reaching 2.7 percent in the same period next year.

On a month over month basis, consumer prices fell 0.5% in January however, reversing the 0.5% increase from December. The decline in the monthly inflation rate was the first since the past six-months. Excluding food and energy, the core inflation was seen rising 1.6%, steady at the same rate from the previous month.

Australia unemployment rate falls to 5.7% in January

The Australian labor market continued to paint a mixed picture. Data from the Australia bureau of statistics showed last week that the jobless rate in Australia fell from 5.8% in December to 5.5% in January, while the economy was seen adding 13.5k jobs during the month, beating forecasts of 10k increase. December's numbers were also revised higher to show 13.5k jobs being added during the month.

Graph 1, Employment to population ratio, Persons, January 2007 to January 2017



Shane Oliver, from AMP Capital said ***"Yet again, we've got that ongoing problem of a fall in fulltime jobs ... and the quality of employment growth is still lacking in Australia."*** He expects the jobs report data to be neutral for policymakers as the increase in part-time jobs was contributing to a steady decline in the jobless rate.

Despite the upbeat print, data showed that full time employment fell 44.8k to 8.125k while part-time employment increased by 58.3k. The participation rate fell to 64.6% from 64.7% previously. The last few months of 2016 had seen a rise in full-time work, but January's numbers cast some doubt on whether this short-term trend will continue.

Bruce Hockman, the General Manager of BAS macroeconomics statistics division said, ***"We are still seeing strong growth in part-time employment in January 2017, and in recent months, increasing growth in full-time employment."***

MARKETS PREVIEW



Week Ahead: 20th of February 2017, to 24th of February 2017

The coming week will be relatively quiet in comparison with data showing flash manufacturing and services PMI from the Eurozone. In the UK, the second quarterly GDP estimates will be released for the fourth quarter of 2016 while a somewhat busy week from Canada will see retail sales and inflation data coming out. In the US, the FOMC meeting minutes will be released on Wednesday which covers the early February Fed meeting where rates were left unchanged.

FOMC meeting minutes & flash PMI's

Last week saw the Federal Reserve take the central stage and influencing the markets as the Fed Chair, Janet Yellen defended the Fed's monetary policy. The focus of the testimony was Ms. Yellen's view on the U.S. economy and of course the future prospects of rate hikes, which as the chairwoman indicated is live at almost every upcoming meeting. With the Fed chair stressing on ***"the importance of not falling behind the curve,"*** which brings more sense of urgency.

The U.S. dollar managed to rise on the back of Ms. Yellen's comments only to give back some of the gains later in the week. The week ahead is no difference as the Federal Reserve will be releasing the FOMC meeting minutes from its February meeting which was held on January 31 - February 1. Traders will be looking at the meeting minutes for any clues on the Fed rate hike, although it was reiterated by the Fed chair last week already. Over the week, comments from individual Fed members will also be considered as investors start to adjust according to the rate hike expectations. The Fed meets next in March and the current probability for a rate hike is still low for the month.

Besides the FOMC meeting, other data from the U.S. will see the release of the flash manufacturing PMI figures and existing home sales numbers. The U.S. markets will be closed on Monday on account of Presidents Day bank holiday.

Eurozone flash PMI's & Euro group meetings

The week ahead is mostly relegated to second tier data with flash manufacturing and services PMI numbers expected to be released over the week for the month of February. Data so far from Markit has suggested that the Eurozone economy has started the first quarter on a firm footing with some estimates putting Eurozone's GDP in the first quarter around 0.5%.

The overall data this week is expected to suggest continued improvement, especially with solid recovery seen coming from Germany. However, risks still remain from France which has managed to contribute positively to the Eurozone recovery so far. With the elections coming up, it is likely that manufacturing and services could possibly decline ahead of the political uncertainty.

Elsewhere, Greece will also be on the agenda as the Euro group meetings kick off this week and the leaders are likely to discuss on whether Greece needs another review of its debt relief program.

RBA meeting minutes to be released this week

The Reserve Bank of Australia will be meeting this week to publish the meeting minutes from the monetary policy meeting earlier in February. The central bank had left interest rates unchanged at 1.50% as widely expected by the markets.

The RBA's monetary policy meeting although suggested that policy makers were content with keeping interest rates unchanged in the near term although the meeting minutes could be scrutinized for further clues on the developments regarding interest rates.

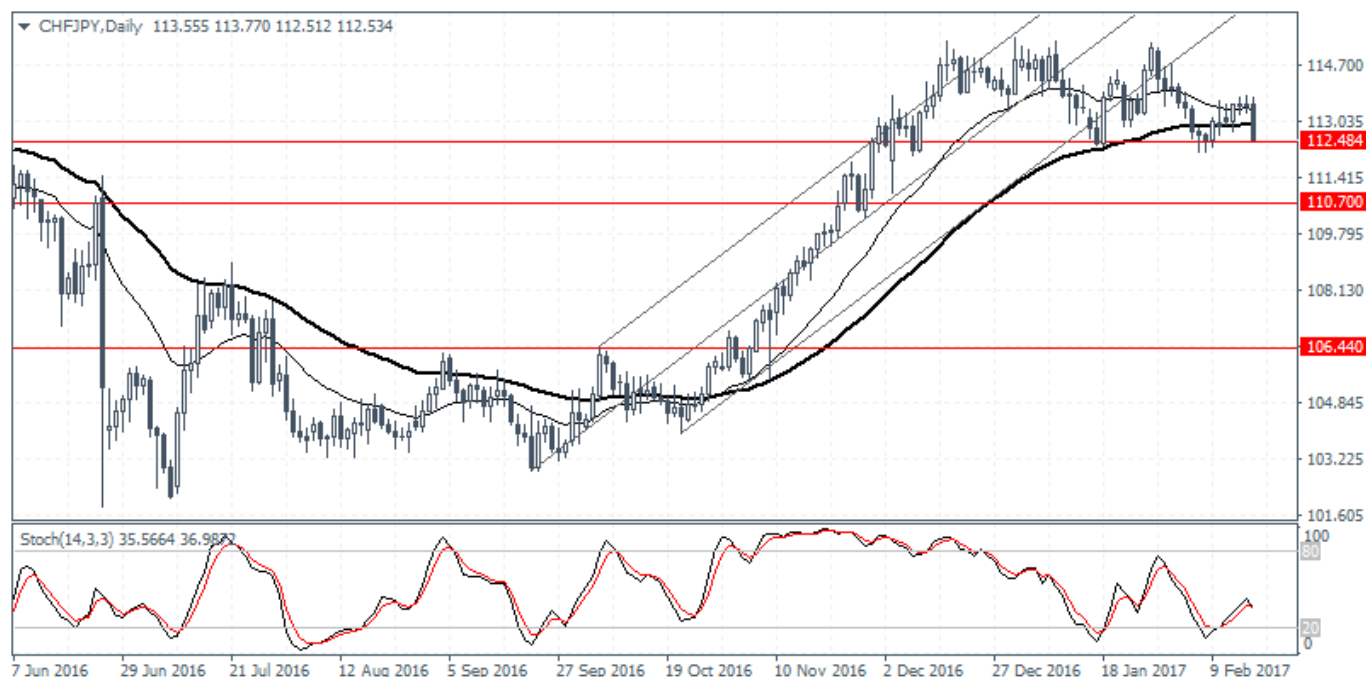
Recent developments from Australia have remained mixed with inflation not quite strong as expected and unemployment data showing most of the gains coming from part-time jobs, which according to some experts is not the kind of labour market that can sustain growth in the nation.

TECHNICAL CORNER



CHFJPY – Strong correction to 106.45 likely

CHFJPY is likely to see a strong leg of declines with price action seen currently hovering above the support level of 112.48. A break down below this support, which also looks to have formed a head and shoulders pattern could trigger an initial move to the downside targeting 110.70, followed by a deeper correction towards 106.50. The Swiss franc and the Japanese yen have strengthened sharply last week on a risk averse sentiment and it is likely that these two safe haven currencies will continue to behave this way in the coming week as well.



CHFJPY (112.53) – Daily Chart

In terms of the technical outlook, watch for CHFJPY to break down below 112.48 - 112.50 support level which will validate the downside move. Traders should also bear in mind that in the event of prices that bounce off this support level, the bearish outlook on this trade could be invalidated.

Assuming that CHFJPY posts a bearish close below 112.48 - 112.50, then expect to see the head and shoulders pattern being validated putting the initial downside target towards 110.70.

A break down below 110.70 will see further declines push CHFJPY lower towards 106.44 which previously acted as resistance level and is now pending retest for support. Supporting the downside bias is the weekly chart time frame as well which shows a hidden bearish divergence in price.

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