orbex WEEKLY MARKETS REPORT

OVERWEEK BULLET POINTS

THE WEEK AHEAD

MARKETS PREVIEW

THE CHART OF THE WEEK

orbex
Serving Traders Responsibly

ORBEX Research Department

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

OVERWEEK BULLET POINTS

Last Week: 27th of February 2017 to 3rd of March 2017

- Australia company operating profits q/q 20.1% v. 8.0%
- Spain flash CPI y/y 3.0% vs. 3.3%
- Eurozone M3 money supply y/y 4.9% vs. 4.9%
- Eurozone private loans y/y 2.2% vs. 2.1%
- SNB board member Zurbrugg speech
- U.S. core durable goods orders m/m -0.2% vs. 0.5%; durable goods orders 1.8% vs. 1.6%
- U.S. pending home sales m/m -2.8% vs. 1.1%
- FOMC Member Kaplan speech
- New Zealand trade balance -285mn vs. -3mn
- UK Gfk consumer confidence -6 vs. -6
- Japan preliminary industrial production m/m -0.8% vs. 0.4%
- Japan retail sales y/y 10% vs. 0.9%
- Australia HIA new home sales m/m -2.2% vs. 0.2% previously
- New Zealand ANZ business confidence 16.6 vs. 21.7
- Australia currency account -3.9bn vs. -3.8bn
- Australia private sector credit m/m 0.2% vs. 0.5%
- Japan housing starts y/y 12.8% vs. 3.3%
- France consumer spending m/m 0.6% vs. 0.6%
- France preliminary CPI m/m 0.1% vs. 0.4%
- France preliminary GDP q/q 0.4% vs. 0.4%
- Switzerland KOF economic barometer 107.2 vs. 102.2
- BoE MPC Member designate Hogg speech
- Italy preliminary CPI m/m 0.3% vs. 0.1%
- Canada RMPI m/m 1.7% vs. 1.3%; IPPI m/m 0.4% vs. 0.5%
- U.S. preliminary GDP q/q 1.9% vs. 2.1%
- U.S. preliminary GDP price index q/q 2.0% vs. 2.1%
- U.S. preliminary wholesale inventories m/m -0.1% vs. 0.5%
- U.S. S&P/CS Composite-20 HPI y/y 5.6% vs. 5.3%
- U.S. Chicago PMI 57.4 vs. 53.2
- U.S. Richmond manufacturing index 17 vs. 10
- U.S. CB consumer confidence 114.8 vs. 111.3
- New Zealand overseas trade index q/q 5.7% vs. 4.1%
- Australia AIG manufacturing index 59.3 vs. 51.2 previously
- Japan capital spending q/y 3.8% vs. 0.6%
- UK BRC Shop price index y/y -1.0% vs. -1.7% previously
- Australia GDP q/q 1.10% vs. 0.7%
- Japan final manufacturing PMI 53.3 vs. 53.6
- China non-manufacturing PMI 54.2 vs. 54.6
- China manufacturing PMI 54.2 vs. 54.6 previously
- China Caixin manufacturing PMI 51.7 vs. 50.9
- President Trump speaks
- Australia commodity prices y/y 56.0% vs. 57.1% previously

- Switzerland UBS consumption indicator 1.43 vs. 1.38 previously
- UK Nationwide HPI m/m 0.6% vs. 0.2%
- Germany preliminary CPI m/m 0.6% vs. 0.6%
- Spain manufacturing PMI 54.8. vs. 55.9
- Switzerland manufacturing PMI 57.8 vs. 55.5
- Italy manufacturing PMI 55.0 vs. 53.6
- France final manufacturing PMI 52.2. vs. 52.3
- Germany unemployment change -14k vs. -10k
- Germany final manufacturing PMI 56.8 vs. 57.0
- Eurozone final manufacturing PMI 55.4 vs. 55.5
- UK Manufacturing PMI 54.6 vs. 55.7
- UK net lending to individuals m/m 4.8bn vs. 4.0bn
- UK M4 money supply m/m 0.9% vs. -0.1%
- UK mortgage approvals 70k vs. 69k
- Canada current account -10.7bn vs. -9.6bn
- U.S. core PCE price index m/m 0.3% vs. 0.3%
- U.S. personal spending m/m 0.2% vs. 0.3%; personal income m/m 0.4% vs. 0.3%
- Canada RBC manufacturing PMI 54.7 vs. 53.5 previously
- U.S. final manufacturing PMI 54.2 vs. 54.4
- BoC leaves overnight rate unchanged at 0.50%
- BoC rate statement released
- U.S. ISM manufacturing PMI 57.7 vs. 56.2
- U.S. construction spending m/ m-1.0% vs. 0.7%
- U.S. ISM manufacturing prices 68.0 vs. 68.5
- FOMC Member Kaplan speech
- RBNZ Gov. Wheeler speech
- FOMC Member Brainard speech
- Japan monetary base y/y 21.4% vs. 23.2%
- Australia building approvals m/m 1/8% vs. -0.10%
- Australia trade balance 1.30bn vs 3.82bn
- Switzerland GDP q/q 0.1% vs. 0.5%
- Germany import prices m/m 0.9% vs. 0.5%
- Spain unemployment change -9.4k vs. 5.2k
- Switzerland retail sales y/y -1.4% vs. -2.0%
- Italy monthly unemployment rate 11.9% vs. 12.0%
- UK construction PMI 52.5 vs. 52.2
- Eurozone CPI flash estimate y/y 2.0% vs. 1.8%; core CPI flash estimate 0.9% vs. 0.9%
- Eurozone PPI m/m 0.7% vs. 0.5%
- Eurozone unemployment rate 9.6% vs. 9.6%
- Canada GDP m/m 0.3% vs. 0.3%
- U.S. unemployment claims 223k vs. 243k
- Australia AIG services index 49.0 vs. 54.5 previously
- Japan household spending y/y -1.2% vs. -0.3%
- Japan National core CPI y/y 0.1% vs. 0.0%
- Japan Tokyo core CPI y/y -0.3% vs. 0.2%
- Japan unemployment rate 3.0% vs. 3.0%
- ANZ commodity prices m/m 2.0% vs. -0.1% previously
- China Caixin services PMI 52.6 vs. 53.3
- Japan consumer confidence 43.1 vs. 43.7
- Germany retail sales m/m -0.8% vs. 0.2%
- Spain services PMI 57.7 vs. 55.1

- Italy services PMI 54.1 vs. 53.1
- France final services PMI 56.4 vs. 56.7
- Germany final services PMI 54.4 vs. 54.4
- Eurozone final services PMI 55.5 vs. 55.6
- UK services PMI 53.3 vs. 54.2
- Eurozone retail sales m/m -0.1% vs. 0.3%
- U.S. final services PMI 53.8 vs. 53.9
- U.S. ISM non-manufacturing PMI 57.6 vs. 56.5
- FOMC member Evans speech
- FOMC member Powell speech
- Fed Chair Yellen speech
- FOMC member Fischer speech

THE WEEK AHEAD

6th of March 2017, to 10th of March 2017

IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

Date	Time	Currency	Event	Forecast	Previous
06-Mar	00:00	AUD	MI Inflation Gauge m/m		0.60%
	00:30	AUD	Retail Sales m/m	0.40%	-0.10%
		AUD	ANZ Job Advertisements m/m		4.00%
	09:10	EUR	Retail PMI		50.1
	09:30	EUR	Sentix Investor Confidence	18.8	17.4
	11:30	GBP	MPC Member Hogg Speaks		
	15:00	USD	Factory Orders m/m	1.10%	1.30%
	20:00	USD	FOMC Member Kashkari Speaks		
	22:30	AUD	AIG Construction Index		47.7
07-Mar	00:01	GBP	BRC Retail Sales Monitor y/y		-0.60%
	03:30	AUD	Cash Rate	1.50%	1.50%
		AUD	RBA Rate Statement		
	05:00	JPY	BOJ Core CPI y/y		0.10%
	07:00	EUR	German Factory Orders m/m	-2.50%	5.20%
	07:45	EUR	French Gov Budget Balance		-69.0B
	08:00	CHF	Foreign Currency Reserves		644B
	08:30	GBP	Halifax HPI m/m	0.40%	-0.90%
	10:00	EUR	Revised GDP q/q	0.40%	0.40%
	13:30	CAD	Trade Balance	0.2B	0.9B
		USD	Trade Balance	-47.0B	-44.3B
	15:00	CAD	Ivey PMI	58.9	57.2
		USD	IBD/TIPP Economic Optimism	57.1	56.4
	20:00	USD	Consumer Credit m/m	19.1B	14.2B
	21:45	NZD	Manufacturing Sales q/q		0.40%
	23:50	JPY	Final GDP q/q	0.40%	0.20%
		JPY	Bank Lending y/y		2.50%
		JPY	Current Account	1.46T	1.67T
		JPY	Final GDP Price Index y/y	-0.10%	-0.10%
08-Mar	Tentative	CNY	Trade Balance	173B	355B
	Tentative	CNY	USD-Denominated Trade Balance	27.8B	51.4B
	05:00	JPY	Economy Watchers Sentiment	49.9	49.8
		JPY	Leading Indicators	105.40%	104.80%
	07:00	EUR	German Industrial Production m/m		-3.00%
	07:45	EUR	French Trade Balance	-3.7B	-3.4B
	08:15	CHF	CPI m/m	0.20%	0.00%
	12:30	GBP	Annual Budget Release		

	13:15	CAD	Housing Starts	205K	207K
		USD	ADP Non-Farm Employment Change	184K	246K
	13:30	CAD	Building Permits m/m		-6.60%
		CAD	Labor Productivity q/q		1.20%
		USD	Revised Nonfarm Productivity q/q	1.50%	1.30%
		USD	Revised Unit Labor Costs q/q	1.60%	1.70%
	15:00	USD	Final Wholesale Inventories m/m	-0.10%	-0.10%
	15:30	USD	Crude Oil Inventories		1.5M
	23:50	JPY	M2 Money Stock y/y	4.20%	4.10%
09-Mar	00:00	JPY	Average Cash Earnings y/y	0.30%	0.50%
	00:01	GBP	RICS House Price Balance	23%	25%
	01:30	CNY	CPI y/y	1.90%	2.50%
		CNY	PPI y/y	7.60%	6.90%
	06:00	JPY	Prelim Machine Tool Orders y/y		3.50%
	06:30	EUR	French Final Non-Farm Payrolls q/q	0.40%	0.40%
	06:45	CHF	Unemployment Rate	3.30%	3.30%
	9th-15th	CNY	M2 Money Supply y/y	11.40%	11.30%
	9th-15th	CNY	New Loans	925B	2030B
	12:45	EUR	Minimum Bid Rate	0.00%	0.00%
	13:30	CAD	NHPI m/m		0.10%
		CAD	Capacity Utilization Rate		81.90%
		EUR	ECB Press Conference		
		USD	Unemployment Claims	239K	223K
		USD	Import Prices m/m	0.10%	0.40%
	23:50	JPY	BSI Manufacturing Index	8.4	7.5
10-Mar	00:30	AUD	Home Loans m/m	-0.90%	0.40%
	07:00	EUR	German Trade Balance	119.2B	18.4B
	07:45	EUR	French Industrial Production m/m	0.60%	-0.90%
	09:00	EUR	Italian Quarterly Unemployment Rate	11.60%	11.60%
	09:30	GBP	Manufacturing Production m/m	-0.60%	2.10%
		GBP	Goods Trade Balance	-11.1B	-10.9B
		GBP	Construction Output m/m	-0.30%	1.80%
		GBP	Consumer Inflation Expectations		2.80%
		GBP	Industrial Production m/m	-0.40%	1.10%
	13:30	CAD	Employment Change		48.3K
		CAD	Unemployment Rate		6.80%
		USD	Average Hourly Earnings m/m	0.30%	0.10%
		USD	Non-Farm Employment Change	185K	227K
		USD	Unemployment Rate	4.70%	4.80%
	19:00	USD	Federal Budget Balance	-150.0B	51.3B

Time: GMT

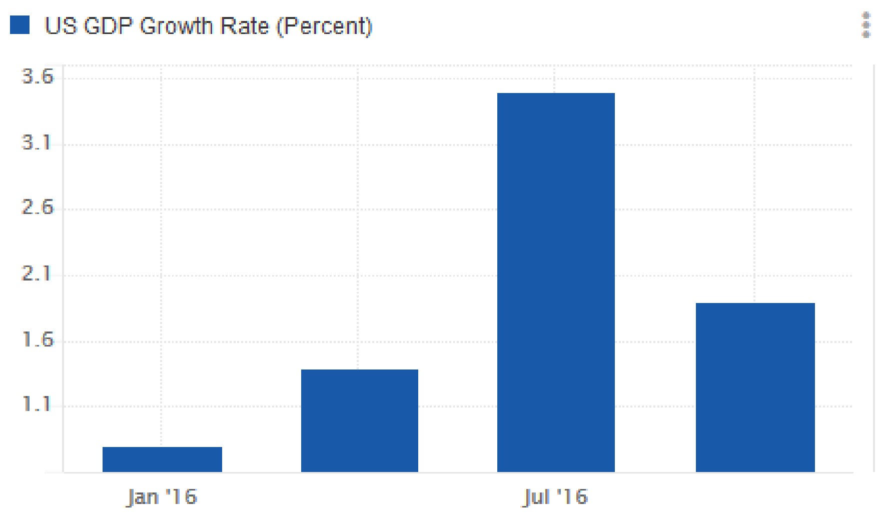
MARKETS RECAP

Last Week: 27th of February 2017 to 3rd of March 2017

It was a week filled with Fed speeches which clearly overshadowed the President's speech earlier in the week. The U.S. President, Donald Trump gave his state of the Union address but very little was said about the potential tax reforms or infrastructure spending. Investors focused on a number of Fed speeches which culminated with Friday's speech by Janet Yellen where she signaled that rate hikes were coming soon.

U.S. Q4 GDP unrevised at 1.90%

Confirming the reports from the first estimates, the fourth quarter economic growth in the U.S. was seen at 1.9% as of the second estimates released last week by the U.S. department of commerce. The data was a tad disappointing as economists were forecasting GDP to rise 2.1% instead. The revised GDP growth was slower than the third quarter's 3.5% increase.



Official data showed that consumer spending rose by an upward revised 3% in the fourth quarter, compare to the 2.5% increase previously. The revised consumer spending growth was however offset by declines on the state and local government spending and non-residential fixed investment. "The slowdown in the pace of GDP growth compared to the third quarter was partly due to the impact of trade amid a sharp pullback in soybean exports," the Commerce department said. Alongside the decline in soybean exports, imports surged ahead which further hit the GDP bottom line.

Exports from the U.S. fell 4% in the fourth quarter, after rising 10% previously while imports jumped 8.5% during the period after a 2.2% increase in the previous quarter as well. As a result, trade posted a drag on GDP by 1.7 percentage points during the fourth quarter, reversing the 0.85 percentage points it contributed during the third quarter.

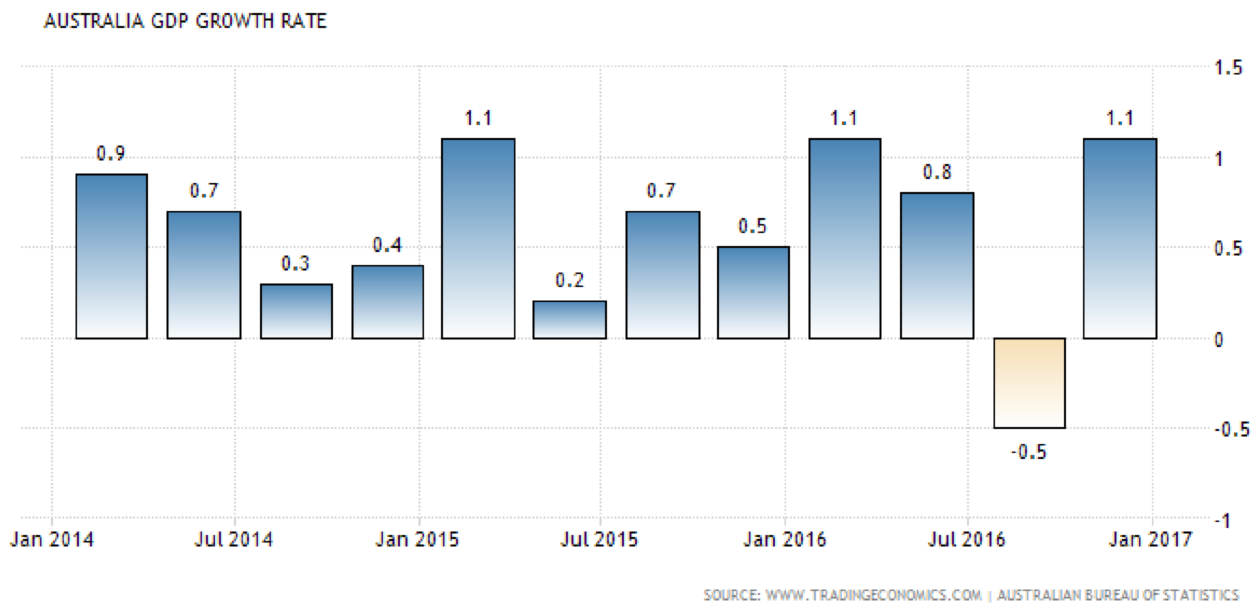
Earlier in the week, U.S. durable goods orders showed a rebound, rising 1.8% in January after posting an unexpected decline in new orders the month before, it was also slightly higher than December's 0.8%. The increase in the durable goods orders came on a rebound in orders for transportation equipment which jumped 6% in January following a 4.4% decline the month before.

Australia Q4 GDP beats estimates, rises 1.1%

Growth in Australia picked up more than expected in the fourth quarter of 2016, rising 1.1%, data from the Australia Bureau of Statistics showed on Wednesday. This was higher than the forecasts of 0.8% increase and reversed the 0.5% declines posted in the third quarter. The bullish growth report pushed the annual GDP rate to advance 2.4%, which beat forecasts of a 2.0% increase.

Driving GDP higher during the period was due to a rebound in the economy which was lifted by strong consumer spending, higher government investment and a big surge in corporate profits. Terms of trade for the region was also recorded to have increased by 9.1% during the reported quarter and was seen accelerating, a trend that has been in place since mid-2016. On a yearly basis, terms of trade increased 15.6%.

The GDP chain price index picked up 2.9 percent on quarter and 4.9 percent on year while real net disposable income gained 2.9% on the quarter and 6.8% on the year. Michael Blythe, economist at Commonwealth Bank of Australia told FT.com on the GDP report, ***"The good news is that the economy has bounced back decisively out of its third-quarter pothole. The better news is that the income dynamics underlying the economy have improved significantly"***.

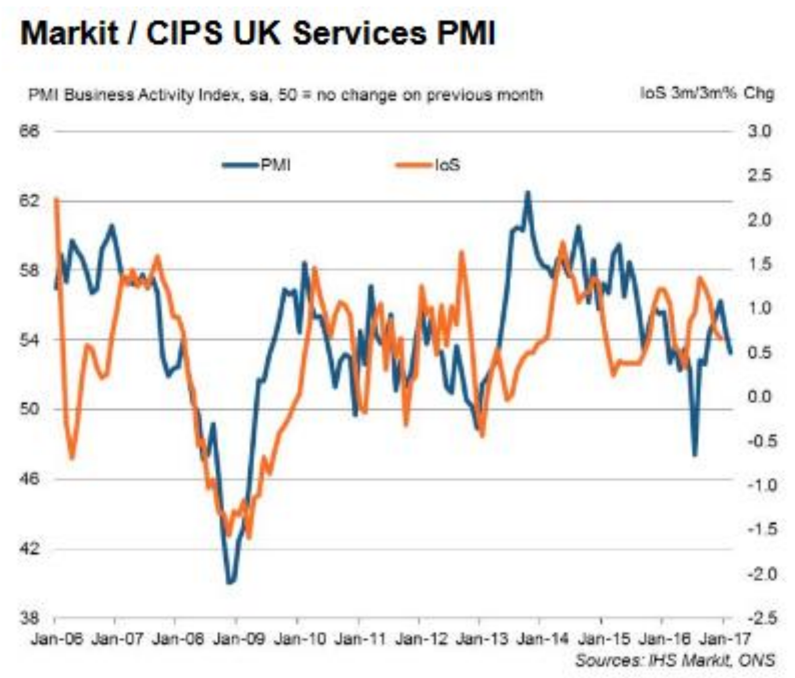


Australia GDP Growth Rate: 1.1%, Q4 2016

The Australian dollar gained on the news after the economy continued to outperform economists' expectations despite an end to the mining boom and a downturn in the commodity price in the region. The third quarter's contraction in the economy stoked fears that it could signal the start of a downturn in the economy and could potentially signal a technical recession had the fourth quarter GDP figures posted a contraction as well.

UK services sector hits a 5-month low

The UK services sector which was one of the fastest growing and a biggest contributor to the nation's GDP fell to a 5-month low in February. Data from Markit released last week showed that the serices activity expanded at the slowest pace in February. The services PMI fell to 53.3 in February, down from January's print of 54.5 and was the weakest pace of expansion since September.



Despite the weakness, the reading above 50.0 confirmed that the sector continued to expand. However, the survey showed that consumer finances wre squeezed with operating costs rising which held back on business growth. Thus, growth of new business also expanded to the slowest pace in 5-months.

The data showed that the services sector saw a moderate pace of job creation with staff hiring linked to long term expansion plans and new product developments.

Paul Hollingsworth, a UK economist at Capital Economics, said “***there are a number of headwinds that are likely to continue to weigh on growth this year."*** But he said that he optimistic about the ability of the UK's economy to weather these headwinds and come out on tops.

The week ahead will see some the RBA holding its monetary policy meeting on Tuesday which comes a day after the retail sales figures on Monday which is expected to show a 0.4% increase. Over the week, Japan will be releasing the final GDP numbers while the ECB meets on Thursday. The main event next week will however be the Friday's payroll report which could finally cement expectations for a Fed rate hike in a few weeks time.

ECB Monetary policy meeting to be a non-event

The European Central Bank will be meeting this week on Thursday. The meeting is unlikely to trigger any major policy changes although focus will be on the ECB officials' speeches following the recent uptick in headline inflation which pushed consumer price index to 2% in February.

Still, not much can be expected as policy makers will most likely talk down the inflation effects. ECB President Mario Draghi already signaled previously that the ECB was looking at the core inflation, which has remained anchored at 0.9% and hasn't moved as much as the headline CPI did. Thus, the ECB could most likely brush aside the positivity from the CPI increase, attributing it to the higher energy prices, which it believes will be short term.

The markets could however react to some hawkish remarks from the ECB officials especially as the tapering starts from April. The central bank will be buying bonds at a smaller scale of only 60 billion euros compared to the previous 80 billion euros in QE purchases.

February Non-farm payrolls report

One of the biggest events next week will be the Friday's jobs report for the month of February. After recent signals from various Fed officials for the need to hike interest rates, the prospects for a March rate hike have already strengthened. For this sentiment to change, the February payrolls report will need to be surprisingly negative for policy makers to be cautious. However, the market expectations for February’s jobs are quite upbeat.

Payrolls are expected to continue adding 175k+ jobs on a month basis for February. This comes following January's payroll addition of 227k, which was boosted by weather as well. With the Fed already signaling that the U.S. unemployment rate was near its "full employment" mandate, market focus will no doubt be on the wage data.

In January, wages were revised down for December as well, which saw the markets toning back their expectations of a near term rate hike. Despite the weak wage data in January, the average hourly earnings data is expected to remain near 2.5%. Market estimates are also pointing to another decline in the unemployment rate to 4.7%.

Busy week from China

The week ahead is busy as far as data from China is concerned. On Tuesday, the nation will report the foreign exchange reserves, which is expected to fall by 38 billion U.S. dollars to 2.960 billion. Most of the declines are expected to come on account of a stronger U.S. dollar alongside capital outflows.

The total net capital outflows are expected to have declined in February on account of stricter and wider rules being implemented. Later in the week, exports and imports data is expected to show an increase of 13% on the exports and 19% increase on imports. This is based off the recovery in prices but trade surplus is expected to fall on account of higher commodity prices.

Later on, Thursday's inflation data is expected to show a decrease with inflation rising just 1.7% compared to January's 2.5%. This could be on account of the seasonal demand during the Chinese New year and the tightening of policy from the PBoC.

TECHNICAL CORNER

USDMXN - Watch the hidden bullish divergence

The U.S. dollar has been steadily giving back some of the gains from last year following the rise to an all time high above 21.93. Price action, as seen on the weekly chart has been steadily declining falling below 19.779 support last week. The gains came after officials from the new U.S. administration attempted to tone down the rhetoric from President Trump, especially against NAFTA.

USDMXN (19.505) – Weekly Chart

While new talks are expected to start for renegotiating NAFTA terms, the Mexican central bank has in the mean time shored up enough U.S. dollars to further defend the Mexican peso. The central bank was seen defending the peso previous in mid-January.

From a technical outlook, USDMXN's hidden bullish divergence is something worth watching especially as price is seen breaking below 19.779 support. A continued decline could see USDMXN dip towards 18.928 support level, with the hidden bullish divergence still in place. Watch for a potential bounce or a reversal off 19.779 or 18.928, which could signal a new short term rally in USDMXN again. Alternately, a strong break below support at 18.928 will invalidate the bullish bias and could see further declines in USDMXN.

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