

orbex WEEKLY MARKETS REPORT



OVERWEEK
BULLET POINTS



THE WEEK
AHEAD



MARKETS
PREVIEW



THE CHART OF
THE WEEK

OVERWEEK BULLET POINTS



Last Week: 6th of March 2017 to 10th of March 2017

- Australia MI inflation gauge m/m -0.3% vs. 0.6% previously
- Australia retail sales m/m 0.4% vs. 0.4%
- Australia ANZ job advertisements m/m -0.7% vs. 3.9% previously
- Eurozone retail PMI 49.9 vs. 50.1 previously
- Eurozone Sentix investor confidence 20.7 vs. 18.8
- UK MPC member Hogg speech
- U.S. factory orders m/m 1.2% vs. 1.1%
- FOMC member Kashkari speech
- Australia AIG construction index 53.1 vs. 47.7
- UK BRC retail sales monitor y/y -0.4% vs. -0.6% previously
- RBA keeps cash rate unchanged at 1.50%
- RBA releases rate statement
- BoJ Core CPI y/y 0.2% vs. 0.1% previously
- Germany factory orders m/m -7.4% vs. -2.5%
- Switzerland foreign currency reserves 668bn vs. 644bn previously
- Eurozone revised GDP q/q 0.4% vs. 0.4%
- Canada trade balance 0.8bn vs. 0.2bn
- U.S. trade balance -48.5bn vs. 47.0bn
- New Zealand GDT price index -6.3% vs. -3.2% previously
- Canada Ivey PMI 55.0 vs. 58.9
- U.S. IBD/TIPP Economic optimism 55.3 vs. 57.1
- U.S. consumer credit m/m 8.8bn vs. 19.1bn
- New Zealand manufacturing sales q/q 0.8% vs. 1.1% previously
- Japan final GDP q/q 0.3% vs. 0.4%
- Japan bank lending y/y 2.8% vs. 2.5% previously
- Japan current account 1.26tn vs. 1.46tn
- Japan final GDP price index y/y -0.1% vs. -0.1%
- China trade balance -60bn vs. 173bn
- Japan leading indicators 105.5% vs. 105.4%
- Japan economy watches sentiment 48.6bn vs. 49.9bn
- China U.S. denominated trade balance -9.1bn vs. 27.8bn
- Germany industrial production m/m 2.8% vs. -2.4% previously
- French trade balance -7.9bn vs. -3.7bn
- Switzerland CPI m/m 0.5% vs. 0.2%
- UK Annual budget release
- Canada housing starts 210k vs. 205k
- U.S. ADP non-farm employment change 298k vs. 184k
- Canada building permits m/m 5.4% vs. 3.1%
- Canada labor productivity q/q 0.4% vs. 0.4%
- U.S. revised nonfarm productivity q/q 1.3% vs. 1.5%
- U.S. revised unit labor costs q/q 1.7% vs. 1.6%
- U.S. final wholesale inventories m/m -0.2% vs. -0.1%

- U.S. Crude oil inventories 8.2mn vs. 1.1mn
- Japan average cash earnings y/y 0.5% vs. 0.3%
- UK RICS House price balance 24% vs. 23%
- China CPI y/y 0.8% vs. 1.9%
- China PPI y/y 7.8% vs. 7.6%
- Japan preliminary machine tool orders y/y 9.1% vs. 3.5% previously
- French final nonfarm payrolls q/q 0.4% vs. 0.4%
- Switzerland unemployment rate 3.3% vs. 3.3%
- China M2 money supply y/y 11.1% vs. 11.4%
- China new loans 1170bn vs. 925bn
- ECB leaves minimum bid rate unchanged
- Canada NHPI m/m 0.1% vs. 0.1%
- Canada capacity utilization rate 82.2% vs. 82.6%
- ECB Press conference
- U.S. unemployment claims 243k vs. 239k
- U.S. import prices m/m 0.2% vs. 0.1%
- Japan BSI Manufacturing index 1.1 vs. 8.4
- Australia home loans m/m 0.5% vs. -0.9%
- Germany trade balance 18.5bn vs. 19.2bn
- Germany WPI m/m 0.5% vs. 0.3%
- French industrial production m/m -0.3% vs. 0.6%
- UK manufacturing production m/m -0.9% vs. -0.6%
- UK goods trade balance -10.8bn vs. -11.1bn
- UK construction output m/m -0.4% vs. -0.4%
- UK consumer inflation expectations 2.9% vs. 2.8% previously
- UK industrial production m/m -0.4% vs. -0.4%
- UK NIESR GDP estimate 0.6% vs. 0.8% previously
- Canada employment change 15.3k vs. 0.6k
- Canada unemployment rate 6.6% vs. 6.8%
- U.S. average hourly earnings m/m 0.2% vs. 0.3%
- U.S. nonfarm employment change 235k vs. 196k
- U.S. unemployment rate 4.7% vs. 4.7%

THE WEEK AHEAD



13th of March 2017, to 17th of March 2017

IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

| Date | Time | Currency | Event | Forecast | Previous |
|--------|--------|----------|-----------------------------------|---------------------------|----------|
| 13-Mar | 04:30 | JPY | Tertiary Industry Activity m/m | 0.20% | -0.40% |
| | 09:00 | EUR | Italian Industrial Production m/m | -0.60% | 1.40% |
| | 13:30 | EUR | ECB President Draghi Speaks | | |
| | 14:00 | USD | Labor Market Conditions Index m/m | | 1.3 |
| 14-Mar | 00:30 | AUD | NAB Business Confidence | | 10 |
| | 02:00 | CNY | Industrial Production y/y | 6.20% | 6.00% |
| | | CNY | Fixed Asset Investment ytd/y | 8.20% | 8.10% |
| | | CNY | Retail Sales y/y | 10.50% | 10.90% |
| | 07:00 | EUR | German Final CPI m/m | 0.60% | 0.60% |
| | 10:00 | EUR | German ZEW Economic Sentiment | 13.2 | 10.4 |
| | | EUR | Industrial Production m/m | 1.20% | -1.60% |
| | | EUR | ZEW Economic Sentiment | 19.3 | 17.1 |
| | | USD | NFIB Small Business Index | 106.1 | 105.9 |
| | 12:30 | USD | PPI m/m | 0.10% | 0.60% |
| | | USD | Core PPI m/m | 0.20% | 0.40% |
| | 13:30 | GBP | CB Leading Index m/m | | 0.00% |
| | 21:45 | NZD | Current Account | -2.43B | -4.89B |
| | 23:30 | AUD | Westpac Consumer Sentiment | | 2.30% |
| 15-Mar | 04:30 | JPY | Revised Industrial Production m/m | -0.80% | -0.80% |
| | 07:45 | EUR | French Final CPI m/m | 0.10% | 0.10% |
| | 08:15 | CHF | PPI m/m | 0.40% | 0.40% |
| | 09:00 | EUR | Italian Retail Sales m/m | 0.10% | -0.50% |
| | 09:30 | GBP | Average Earnings Index 3m/y | 2.40% | 2.60% |
| | | GBP | Claimant Count Change | 3.2K | -42.4K |
| | | GBP | Unemployment Rate | 4.80% | 4.80% |
| | 10:00 | EUR | Employment Change q/q | 0.20% | 0.20% |
| | 12:00 | GBP | BOE Quarterly Bulletin | | |
| | 12:30 | USD | CPI m/m | 0.00% | 0.60% |
| | | USD | Core CPI m/m | 0.20% | 0.30% |
| | | USD | Core Retail Sales m/m | 0.10% | 0.80% |
| | | USD | Retail Sales m/m | 0.20% | 0.40% |
| | | USD | Empire State Manufacturing Index | 15.3 | 18.7 |
| | 14:00 | USD | Business Inventories m/m | 0.30% | 0.40% |
| | | USD | NAHB Housing Market Index | 65 | 65 |
| | 14:30 | USD | Crude Oil Inventories | | 8.2M |
| | 18:00 | USD | FOMC Economic Projections | | |
| | | USD | FOMC Statement | | |
| | | USD | Federal Funds Rate | <1.00% | <0.75% |
| | 18:30 | USD | FOMC Press Conference | | |
| | 21:45 | NZD | GDP q/q | 0.70% | 1.10% |
| | 16-Mar | 00:00 | AUD | MI Inflation Expectations | |

| | | | | | |
|--------|-----------|-----|-----------------------------------|--------|--------|
| | 00:30 | AUD | Employment Change | 16.3K | 13.5K |
| | | AUD | Unemployment Rate | 5.70% | 5.70% |
| | | AUD | RBA Bulletin | | |
| | Tentative | JPY | BOJ Policy Rate | -0.10% | -0.10% |
| | Tentative | JPY | Monetary Policy Statement | | |
| | 05:45 | CHF | SECO Economic Forecasts | | |
| | 06:30 | JPY | BOJ Press Conference | | |
| | 08:30 | CHF | Libor Rate | -0.75% | -0.75% |
| | | CHF | SNB Monetary Policy Assessment | | |
| | 10:00 | EUR | Final CPI y/y | 2.00% | 2.00% |
| | | EUR | Final Core CPI y/y | 0.90% | 0.90% |
| | 12:00 | GBP | MPC Official Bank Rate Votes | 0-0-9 | 0-0-9 |
| | | GBP | Monetary Policy Summary | | |
| | | GBP | Official Bank Rate | 0.25% | 0.25% |
| | | GBP | Asset Purchase Facility | 435B | 435B |
| | | GBP | MPC Asset Purchase Facility Votes | 0-0-9 | 0-0-9 |
| | 12:30 | CAD | Foreign Securities Purchases | 9.45B | 10.23B |
| | | USD | Building Permits | 1.26M | 1.29M |
| | | USD | Philly Fed Manufacturing Index | 30.2 | 43.3 |
| | | USD | Unemployment Claims | 245K | 243K |
| | | USD | Housing Starts | 1.26M | 1.25M |
| | 14:00 | USD | JOLTS Job Openings | 5.45M | 5.50M |
| 17-Mar | 09:00 | EUR | Italian Trade Balance | 3.45B | 5.80B |
| | 10:00 | EUR | Trade Balance | 22.3B | 24.5B |
| | 12:30 | CAD | Manufacturing Sales m/m | | 2.30% |
| | 13:15 | USD | Capacity Utilization Rate | 75.50% | 75.30% |
| | | USD | Industrial Production m/m | 0.30% | -0.30% |
| | 14:00 | USD | Prelim UoM Consumer Sentiment | 97.1 | 96.3 |
| | | USD | CB Leading Index m/m | 0.40% | 0.60% |
| | | USD | Prelim UoM Inflation Expectations | | 2.70% |

Time: GMT

MARKETS RECAP



Last Week: 6th of March 2017 to 10th of March 2017

A week after the U.S. Federal Reserve Chairwoman, Janet Yellen hinted that rates could rise at the March FOMC meeting, the markets got a renewed confidence in the rate hike following strong jobs hiring report. Data showed that the U.S. economy added 235k jobs during the month of February, while the unemployment rate fell to 4.7%. Elsewhere the European Central Bank left monetary policy and asset purchases unchanged but struck a hawkish tone for the euro.

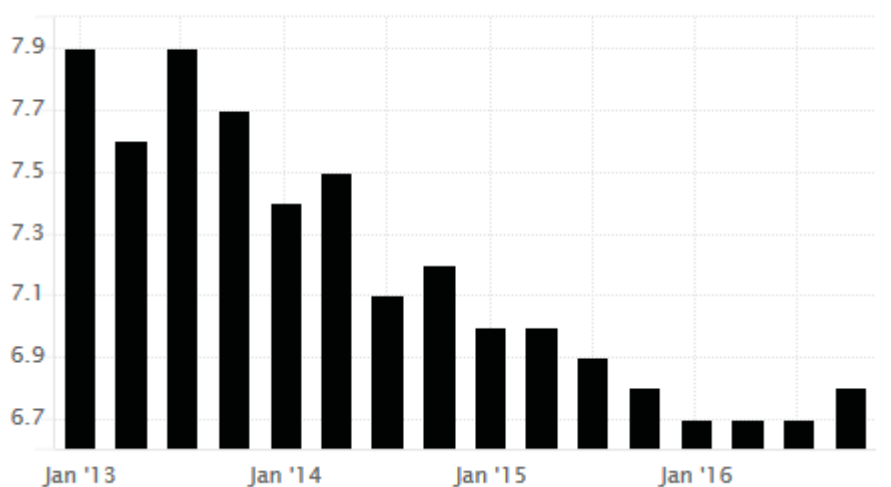
China sets 6.5% growth target for 2017

Officials in China lowered the growth target this year to 6.5%, even as the officials are preparing to trim the debt build up in its economy to ensure financial stability.

Speaking at the National People's Congress in Beijing on Sunday, the Chinese premier Li Keqiang said that his government will aim for targeting growth above 6.5% this year. In the year 2016, China posted an economic growth rate of 6.8%, which managed to meet last year's targets of between 6.5% - 7.0%.

"The developments both in and outside of China require that we are ready to face more complicated and graver situations," Li said.

■ CN GDP Annual Growth Rate (Percent)



The world's second largest economy continued to slow in its growth as authorities continue to shift the nation's economic reliance from exports to consumption. The Chinese premier Li Keqiang said that the 2017 growth targets were in line with the aim to create a ***"moderately prosperous society."***

On inflation targets, China is expected to see 3% inflation this year, unchanged from the previous year. M2 growth outlook was downgraded to 12% from 13% last year while the budget deficit was left untouched at 3 percent of GDP. On the jobs front, authorities plan to create more than 11 million jobs in 2017. The Chinese premier also said that the yuan's exchange rate will be further liberalized.

Huang Shouhong, director of the State Council Research Office, who helped craft the premier's work report said that the growth rate of around 6.5% is sufficient to safeguard employment. ***"As for whether there is a bottom line on growth, as long as there are no problems in employment, growth slightly higher or lower is acceptable,"*** Huang told Reuters.

RBA keeps interest rates steady at 1.50%

The Reserve Bank of Australia at its monetary policy meeting last week left interest rates unchanged at 1.50% with policy markets judging that the current level in the interest rates was appropriate for the economy to achieve sustainable growth and to achieve the inflation target.

The central bank, headed by Governor Philip Lowe released a statement which said, ***"Taking account of the available information, the Board judged that holding the stance of policy unchanged at this meeting would be consistent with sustainable growth in the economy and achieving the inflation target over time."***

The central bank also said that the economy was continuing its transition off the mining sector, and lauded the 2.5% GDP growth registered in 2016. The Australian economy posted a surprise rebound in the fourth quarter allaying fears that the economy might be heading for a recession after a contraction during the third quarter.

The central bank however noted that the rising exchange rate in the Australian dollar could complicate the recovery. The central bank expects to see inflation rise towards the 2% target sometime this year with the underlying inflation likely to rise at a slower pace.

Paul Dales from Capital Economics said that ***"the combination of weaker underlying inflation and a softer housing market will prompt the bank to change its mind later this year and cut rates."***

JANUARY KEY FIGURES

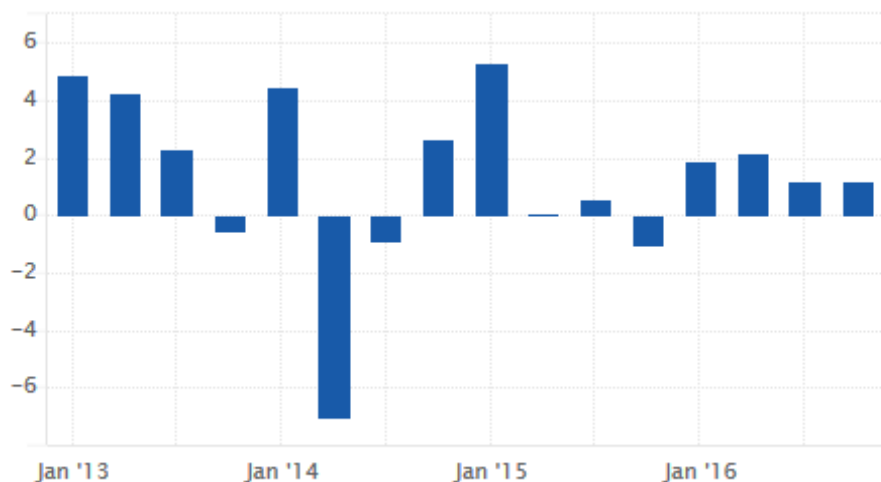
| | January 2017 \$m | December 2016 to January 2017 % change |
|----------------------------|---------------------|---|
| Turnover at current prices | | |
| Trend | 25 741.9 | 0.2 |
| Seasonally Adjusted | 25 726.1 | 0.4 |

Australia Retail Sales (January 2017): 0.4%

Earlier this week, Australia retail sales figures were released. Official data showed that retail sales posted a rebound in January following a soft end to December 2016. Retail sales rose 0.4% on a month over month basis in January, reversing the 0.1% declines posted in December. Driving retail sales higher was food products which rose 0.2% on the month while household goods rose 1.4%.

Japan's GDP expands more than expected in Q4 2016

Japan's economy expanded at a faster than expected pace in the three months ending December 2016, official data showed last week. Japanese firms were seen ramping up investment amid the initial surge of market optimism that swept following the election victory of Donald Trump.



The nation's gross domestic product, which is the broadest measure of the economic activity expanded at a pace of 1.2% on an annualized basis, higher than the initial estimates of 1.0%. Economists were expecting to see the upward revision to push growth to around 1.6% on account of stronger than expected capital expenditure.

The fresh GDP figures showed that investment

increased 2.0% against the initial estimates of 0.9%. Firms were seen boosting their capacity to produce smartphone components to China alongside automakers.

The revised data continued to paint a picture of Japan as an export-led economy. Net exports contributed 0.2 percentage point to growth.

In a separate report, the current account data showed that Japan's current account surplus contracted compared to a year ago. It was the first time in nearly eight months as data showed a deterioration in the trade balance numbers, data from the Ministry of Finance showed last week.

The current account surplus which is the broadest measure of Japan's trade with the rest of the world showed a contraction of 88.9% on a year over year basis to a seasonally adjusted 65.5 billion yen. It was narrower than the economists expectations of 203.6 billion yen. The current account measures trade in goods, services, tourism and investment. It is calculated by determining the difference between Japan's income from foreign sources against payments on foreign obligations and excludes net capital investment.

The primary income surplus which is a measure of income on direct and securities investment abroad was also down 5.4% on the year to 1.266 trillion yen.

Driving the contraction in the current account was as a result of rising imports on a year over year basis, for the first time in nearly two years. Imports were boosted by a weaker yen and a rebound in oil prices that saw the trade balance post a deficit of 853.4 billion yen.

MARKETS PREVIEW



13th of March 2017, to 17th of March 2017

The markets head into an all-important week with Wednesday's FOMC meeting standing out and likely to overshadow other central bank meetings which includes the Bank of Japan and the SNB's quarterly monetary policy meeting. Interest rate hikes are a done deal. Besides the monetary policy events, economic data includes U.S. inflation report and retail sales figures while New Zealand will be releasing its quarterly GDP numbers.

Markets ready for another 25bps rate hike

The markets are bracing for a rate hike from the U.S. Federal Reserve this week which will push the short term interest rates to 0.75% - 1.00%. The confidence of a rate hike increased following the Fed Chair indirectly hinting at rate hikes few weeks ago.

"At our meeting later this month, the [Federal Open Market] Committee will evaluate whether employment and inflation are continuing to evolve in line with our expectations, in which case a further adjustment of the federal funds rate would likely be appropriate," Yellen said.

Following her comments just a week ago, the markets started to price in the prospects of a rate hike with the markets focused on what comes next. Risks are tilted towards a more hawkish guidance from the Fed this Wednesday.

The central bank will be releasing fresh forecasts as well. Any material changes to the rate hike expectations (which currently stand at two more rate hikes) could potentially cause further bullishness in the markets this week. The next rate hikes from the Fed will also be the center of focus. For now markets are expecting to see the next rate hikes coming in July and December.

BoJ expected to keep the status quo

The Bank of Japan's meeting this week comes amid the FOMC's rate hike monetary policy meeting. The central bank is expected to keep interest rates unchanged and the meeting comes at a time when consumer prices in Japan showed an uptick for the first time in a year.

The key inflation index, which excludes the volatile food and energy prices rose 0.1% on the year, compared to a year ago, data from the internal affairs ministry showed earlier this month. Although the jump in inflation came on a rebound in oil and energy prices, it was encouraging as inflation moved higher for the first time in nearly 11 months.

"Consumer prices will continue to pick up, thanks to oil and a weak yen," said Maiko Noguchi, a senior economist at Daiwa Securities. Amid the positive signs, the BoJ is not expected to make any major shifts from its rhetoric although the question on bond yields remains. BoJ officials have so far managed to keep the borrowing costs on the 10-year debt instruments close to zero.

Experts believe that the BoJ will have to sooner or later hike the target rate. *“As the BOJ gets closer to achieving its inflation target, it will face the need to either change the 10-year target or expand the range,”* said Jun Fukashiro, a senior fund manager at Sumitomo Mitsui Asset Management in Tokyo.

Yields on 30-year debt are hovering below 0.9 percent due to the central bank’s debt purchases and the negative interest rate policy introduced in January 2016.

Bank of England’s meeting to be a non-event

The Bank of England will be meeting this Thursday and the central bank’s meeting is one among the many other monetary policy meetings that are lined up. The BoE is not expected to make any changes at this month’s meeting but the central bank could be seen coming out with a dovish statement.

After what seemed like a resilient bounce in the UK’s economy following the Brexit verdict last June, the economy was seen slowing down in recent months. Early indicators of economic activity including the manufacturing, construction and the strong services sector all failed to impress.

While it would be too early to focus on just one month’s data, the fact that wages haven’t picked up amid rising inflation could spell trouble for the UK’s economy. Besides the economy and its implications on monetary policy, the UK is also currently stuck in a political limbo. Latest reports revealed that British PM Theresa May’s Brexit bill failed in the House of Lords yet again.

The uncertainty continues to weight on the British pound, which was seen breaking below \$1.2400 handle last week. The British Prime Minister has vowed to invoke Article 50 before the end of March and some reports suggests that this could come as early as March 15th (this Friday) and could potentially trigger another wave of selling in the British pound.

The Netherlands goes to polls this Wednesday

Dutch voters will be heading to polls this Wednesday in what could be an early indication of what to expect ahead of the French and German elections later this year. Results of the Dutch elections will be published a week later due to the manual counting of votes.

In what is expected to be a face off, the Dutch elections is a battle between the populist, right-wing Party for Freedom (PVV) headed by the firebrand leader, Geert Wilders' who will be pitted against the incumbent Mark Rutte's center-right Labour Party (PvdA).

The election is very likely turning out to be a bell-weather with less than a week to go and no clear front-runner emerging. Andre Krouwel, a professor of political science at the Amsterdam VU University says that about 40% of the electorate is yet to make up their minds.

According to Peil.nl, the Freedom party is expected to get around 25 seats in the 150-seat Dutch Parliament, which is seen a tad lower from the 29 projected seats a week before. The gap between the two front-runners and other parties is narrowing, with the Christian Democrats and Alexander Pechtold’s Democrats each gaining 3 seats on the week, to 21 seats and 17 seats respectively. Jesse Klaver’s Greens also had 17 seats.

The single currency, euro could be seen coming under pressure into the election-day on Wednesday as well as other currencies including Gold and European equities.

TECHNICAL CORNER



XAUUSD – Price could bounce off 1200 support

Gold prices extended their declines since early March and price action fell to the support level at 1200 last week. Friday's bullish price action comes with the bounce coinciding with the support level. There is also the hidden bullish divergence on the Stochastics oscillator which could trigger an upside rally in prices should the support level.



XAUUSD (1204.62) – Daily Chart

Looking ahead, gold prices have plenty of reasons to be biased to the upside. While the FOMC prepares for a third rate hike there are also political risks coming from this week's Dutch elections which could keep gold prices likely supported. Therefore, considering the technical and fundamental implications this week, gold prices are likely to see some upside in the near term.

From a technical outlook, although XAUUSD is likely to push higher, price action will need to potentially form a short term resistance level above 1200.00 and eventually breach this level in order to confirm the upside. For the moment, the lack of this sign should keep the trader cautious. While the bullish bias is maintained, gold prices can be seen rising towards the previous late February highs of 1265 and a break out above this level will signal a continuation towards 1300. To the downside, a break down below 1200.00 on a daily basis with some bearish candlestick patterns could signal further declines, potentially towards 1150.

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