

# orbex WEEKLY MARKETS REPORT



OVERWEEK  
BULLET POINTS



THE WEEK  
AHEAD



MARKETS  
PREVIEW



THE CHART OF  
THE WEEK

# OVERWEEK BULLET POINTS



Last Week: 20<sup>th</sup> of March 2017 to 24<sup>th</sup> of March 2017

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- UK Rightmove HPI m/m 1.3% vs. 2.0% previously
- Germany PPI m/m 0.2% vs. 0.4%
- Eurogroup meetings
- German Buba monthly report
- Canada wholesale sales m/m 3.3% vs. 0.3%
- Australia CB leading index m/m 0.4% vs. 0.3% previously
- Germany Weidmann speech
- FOMC member Evans speech
- BoE MPC member Haldane speech
- New Zealand visitor arrivals mm -1.9% vs. 1.8% previously
- RBA releases monetary policy meeting minutes
- Australia HPI q/q 4.1% vs. 2.4%
- New Zealand credit card spending y/y 5.3% vs. 7.1% previously
- Switzerland trade balance 3.11bn vs. 3.85bn
- UK CPI y/y 2.3% vs. 2.1%; core CPI y/y 2.0% vs. 1.7%
- UK PPI input m/m -0.4% vs. 0.2%; PPI output m/m 0.2% vs. 0.3%
- UK Public sector net borrowing 1.1bn vs. 2.9bn
- UK RPI y/y 3.2% vs. 2.9%
- BoE Gov. Carney speech
- U.S. FOMC Member Dudley speech
- UK CBI industrial order expectations 8 vs. 6
- Canada core retail sales m/m 1.7% vs. 1.3%; retail sales m/m 2.2% vs. 1.5%
- U.S. current account -112bn vs. -129bn
- China CB leading index m/m 1.2% vs. 0.9% previously
- New Zealand GDT Price index 1.7% vs. -6.3%
- Australia MI leading index m/m -0.1% vs. 0.0% previously
- BoJ releases monetary policy meeting minutes
- Japan trade balance 0.68tn vs. 0.55tn
- RBA Assist. Gov Debelle speech
- Japan all industries activity m/m 0.1% vs. 0.1%
- Eurozone current account 24.1bn vs. 29.3bn
- U.S. HPI m/m 0.0% vs. 0.4%
- U.S. existing home sales 5.48mn vs. 5.59mn
- U.S. crude oil inventories 5.0mn vs. 1.9mn
- RBNZ leaves OCR unchanged at 1.75%
- Gfk German consumer climate 9.8 vs. 10.1
- ECB releases economic bulletin
- BoE MPC Member Broadbent speech
- UK retail sales m/m 1.4% vs. 0.4%
- ECB LTRO 233.5bn vs. 62.2bn previously
- U.S. unemployment claims 258k vs. 240k
- Fed Chair Janet Yellen speech

- U.S. new home sales 592k vs. 566k
- Eurozone consumer confidence -5 v. -6
- SNB board member Maechler speech
- FOMC member Kashkari speech
- New Zealand trade balance -18mn vs. 160mn
- FOMC member Kaplan speech
- Japan flash manufacturing PMI 52.6 vs. 53.5
- French flash manufacturing PMI 53.4 vs. 52.4
- French flash services PMI 58.5 vs. 56.2
- Germany flash manufacturing PMI 58.3 vs. 56.6
- Germany flash services PMI 55.6 vs. 54.5
- Eurozone flash manufacturing PMI 56.2 vs. 55.3
- Eurozone flash services PMI 56.5 vs. 55.4
- UK BBA mortgage approvals 42.6k vs. 44.9k
- FOMC Member Evans speech
- Canada CPI m/m 0.2% vs. 0.2%
- Canada common CPI y/y 1.3% vs. 1.3% previously
- Canada median CPI y/y 1.9% vs. 1.9% previously
- Canada trimmed CPI y/y 1.6% vs. 1.7% previously
- Canada core CPI m/m 0.4% vs. 0.1%
- U.S. Core durable goods orders m/m 0.4% vs. 0.5%; durable goods orders m/m 1.7% vs. 1.1%
- U.S flash manufacturing PMI 53.4 vs. 54.9
- U.S. flash services PMI 52.9 vs. 53.9
- FOMC member Dudley speech

# THE WEEK AHEAD



20<sup>th</sup> of March 2017, to 24<sup>th</sup> of March 2017

## IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

Date	Time	Currency	Event	Forecast	Previous
27-Mar	08:00	EUR	German Ifo Business Climate	111.2	111
		EUR	M3 Money Supply y/y	4.90%	4.90%
		EUR	Private Loans y/y	2.30%	2.20%
	17:15	USD	FOMC Member Evans Speaks		
	22:00	AUD	RBA Assist Gov Debelle Speaks		
	22:30	USD	FOMC Member Kaplan Speaks		
28-Mar	12:30	USD	Goods Trade Balance	-66.6B	-68.8B
		USD	Prelim Wholesale Inventories m/m	0.20%	-0.20%
	13:00	USD	S&P/CS Composite-20 HPI y/y	5.70%	5.60%
	14:00	USD	CB Consumer Confidence	113.9	114.8
		USD	Richmond Manufacturing Index	16	17
	14:10	CAD	BOC Gov Poloz Speaks		
	17:00	USD	FOMC Member Kaplan Speaks		
	23:50	JPY	Retail Sales y/y	0.70%	1.00%
29-Mar	06:00	CHF	UBS Consumption Indicator		1.43
		EUR	German Import Prices m/m	0.40%	0.90%
	08:00	CHF	Credit Suisse Economic Expectations		19.4
	08:30	GBP	Net Lending to Individuals m/m	4.9B	4.8B
		GBP	M4 Money Supply m/m	0.50%	0.90%
		GBP	Mortgage Approvals	70K	70K
	13:20	USD	FOMC Member Evans Speaks		
	14:00	USD	Pending Home Sales m/m	2.30%	-2.80%
	14:30	USD	Crude Oil Inventories		5.0M
	30-Mar	07:00	CHF	KOF Economic Barometer	105.9
EUR			Spanish Flash CPI y/y	2.60%	3.00%
All Day		EUR	German Prelim CPI m/m	0.40%	0.60%
		12:30	CAD	RMPI m/m	
		CAD	IPPI m/m		0.40%
		USD	Final GDP q/q	2.00%	1.90%
		USD	Unemployment Claims	244K	261K
		USD	Final GDP Price Index q/q	2.00%	2.00%
15:00		USD	FOMC Member Kaplan Speaks		
21:45		NZD	Building Consents m/m		0.80%
23:01		GBP	GfK Consumer Confidence	-7	-6
23:30		JPY	Household Spending y/y	-1.60%	-1.20%
		JPY	National Core CPI y/y	0.20%	0.10%

		JPY	Tokyo Core CPI y/y	-0.20%	-0.30%
		JPY	Unemployment Rate	3.00%	3.00%
	23:50	JPY	Prelim Industrial Production m/m	1.30%	-0.40%
31-Mar	00:30	AUD	Private Sector Credit m/m	0.50%	0.20%
	01:00	CNY	Manufacturing PMI	51.7	51.6
		CNY	Non-Manufacturing PMI		54.2
	05:00	JPY	Housing Starts y/y	-1.20%	12.80%
	06:00	EUR	German Retail Sales m/m	0.70%	-0.80%
		GBP	Nationwide HPI m/m	0.30%	0.60%
	06:45	EUR	French Consumer Spending m/m	0.30%	0.60%
		EUR	French Prelim CPI m/m	0.70%	0.10%
	07:55	EUR	German Unemployment Change	-10K	-14K
	08:30	GBP	Current Account	-16.3B	-25.5B
		GBP	Final GDP q/q	0.70%	0.70%
		GBP	Index of Services 3m/3m	0.70%	0.80%
		GBP	Revised Business Investment q/q	-1.00%	-1.00%
	09:00	EUR	CPI Flash Estimate y/y	1.80%	2.00%
		EUR	Core CPI Flash Estimate y/y	0.80%	0.90%
		EUR	Italian Prelim CPI m/m	0.10%	0.40%
	12:30	CAD	GDP m/m	0.30%	0.30%
		USD	Core PCE Price Index m/m	0.20%	0.30%
		USD	Personal Spending m/m	0.20%	0.20%
		USD	Personal Income m/m	0.40%	0.40%
13:45	USD	Chicago PMI	57.2	57.4	
14:00	USD	FOMC Member Kashkari Speaks			
	USD	Revised UoM Consumer Sentiment	97.8	97.6	
	USD	Revised UoM Inflation Expectations		2.40%	

Time: GMT

# MARKETS RECAP



**Last Week:** 20<sup>th</sup> of March 2017 to 24<sup>th</sup> of March 2017

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*It was a rather slow week for the markets following the high impact events the week before. Still, this week saw some important developments for the markets, which included the UK finalizing March 29 as the Brexit date when it will formally invoke Article 50 with the EU and begin the exit negotiations. In the U.S. the markets continued to scale back their bets on the Trump trade, although it is still too early to tell if the trade will be rekindled. The U.S. dollar index fell below the psychological 100.00 level last week.*

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## British PM announces Brexit date – March 29<sup>th</sup>

Following last week's developments on the Brexit bill which received the Royal Assent, the British Prime Minister, Theresa May announced on Monday that she will be invoking the Article 50 of the Lisbon Treaty on Wednesday, March 29.

In doing so, Ms. May will officially start the process of pulling Great Britain out of the European Union, close to a year after the UK voted on EU-membership referendum. The UK's Ambassador to the EU, Tim Barrow informed Donald Tusk, the European Council President on his government's intention to trigger Article 50.

***"This meets the UK's longstanding commitment to trigger Article 50 by the end of March 2017. We are on the threshold of the most important negotiation for this country for a generation,"*** Davis said.

On this part, the EC President Tusk said that the draft Brexit guidelines will be sent to all the EU 27 states within 48 hours of triggering Article 50. The UK-EU Brexit negotiations are expected to continue over a span of two years, where the trade deals, single market access, migration and citizen rights are expected to be discussed.

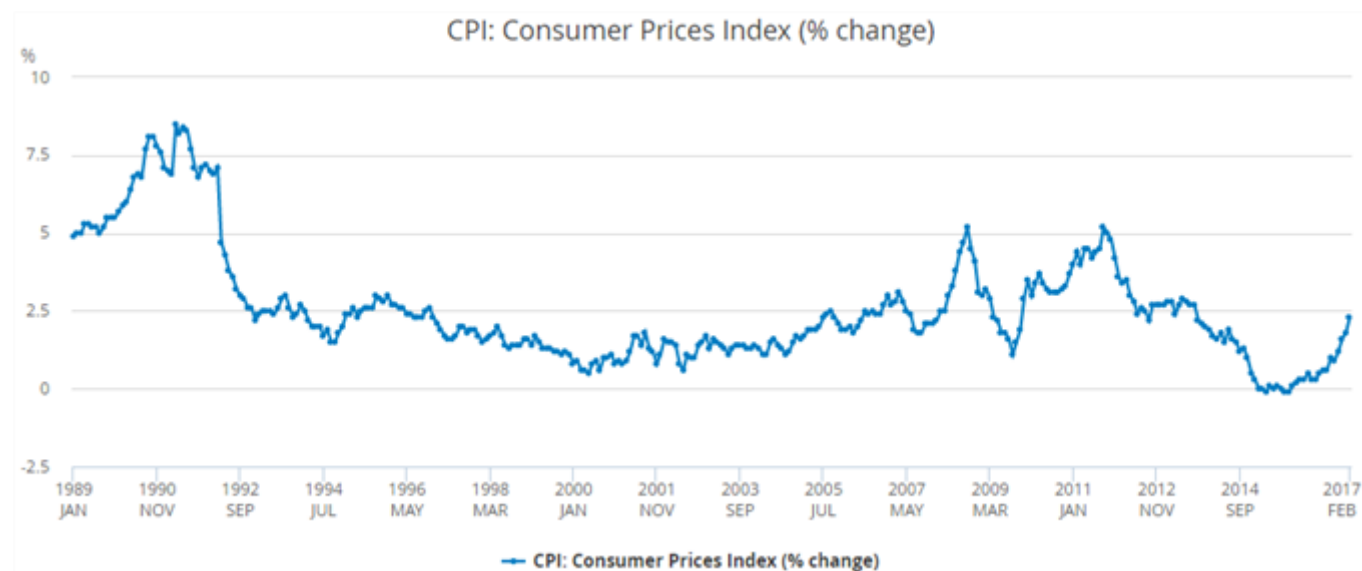
The Brexit bill has seen its fair share of politics as the British PM May initially set out to invoke Article 50 by her self. However, following a court case which initially ruled that the Brexit bill must be put to a parliamentary vote, and following a failed appeal at the Supreme Court, Ms. May finally gave it.

After consulting the parliament, the Brexit bill was quickly passed paving way for the government to go ahead and stick by its timeline on invoking Article 50 by March 2017.

In the UK, the government was seemingly confident that it can deliver the changes requirements, brushing aside concerns that the Brexit deal will place a huge burden on the parliament and the government.

## UK consumer prices rise above BoE's 2% target

Consumer prices in the United Kingdom shot past the Bank of England's 2.0% inflation target for the first time in February, official data showed on Tuesday. Inflation accelerated at the pace of 2.3% in the month of February, shooting past January's 1.8% and beating forecasts of 2.1%.



The increase in inflation was the biggest since September 2013. Driving consumer prices higher was an uptick in owner occupiers housing costs, which moved at a pace of 2.3% on an annual basis and was the highest since September 2013. In January, the owner occupier housing costs was registered at 1.9%.

Core inflation data, which excludes food and energy prices, rose 2% in February, up from 1.6% from the month before. On a month over month basis, consumer prices increased at the pace of 0.7% in February and were faster than the expected 0.5% increase.

In a separate report, data from the Office for National Statistics showed that factory gate prices rose at the highest level since December 2011. UK output prices increased 3.7% on a year over year basis as expected, rising for the past eight consecutive months. Producer prices rose 3.6% in January.

The yield on 10-year U.K. government bonds rose Tuesday after U.K. inflation data came in above expectations. The yield on the 10-year gilt was 1.294%, up 6.5 basis points on the day. Two-year gilt yields also increased 3.2 basis points to 0.142%.

BoE officials expect consumer inflation to rise to 2.75% by early 2018 as the BoE Governor Mark Carney signaled that the central bank was prepared to tolerate an overshoot of inflation in order to help keep the UK's economy on track while the British PM Theresa May is expected to officially begin the Brexit negotiations on March 29<sup>th</sup>.

## RBNZ keeps monetary policy unchanged

The Reserve Bank of New Zealand kept the overnight cash rate unchanged at 1.75% in a widely expected move. The overall tone for the RBNZ's monetary policy was also little changed from the February monetary policy statement, indicating that the central bank continued to maintain its neutral stance.

Noting that monetary policy will remain accommodative for the considerably period of time, the RBNZ highlighted global uncertainties as one of the major risks to any prospects for interest rate hikes. As a result, the central bank said that it will keep a watchful eye on the unfolding global events and will respond accordingly with monetary policy.

Speaking on the recent GDP growth data in the fourth quarter of 2016, the central bank said that growth in the economy remained bright and that the decline in the GDP in the fourth quarter was only temporary. The RBNZ continued to highlight excess capacity in the global economy, and added that core inflation (excluding oil price movements) remains low and stable.

On the exchange rate, the central bank had some positive news saying that it was encouraged by the decline in the New Zealand dollar which is estimated to have declined nearly 4% since early February this year. The central bank said that this decline was partly in response to weaker dairy prices but said that further depreciation was required.

The RBNZ also downplayed the inflationary effects of the lower exchange rate. The statement noted that headline inflation was likely to be thrown around this year by temporary movements in food and import prices, but will remain anchored around the 2% target midpoint.

## Canada inflation slips to 2% in February

Consumer prices in Canada increased 0.2% on a month over month basis in February and posted a yearly increase of 2.0%, data from Statistics Canada showed on Friday. The data matched the Bank of Canada's mid-target range that was set but it was slower than 2.1% annualized inflation rate that was registered in January.

The inflation figures came in as expected by the economists polled. However, three other measures of inflation that was used by the Bank of Canada as a guideline still remained below the central bank's 2% target rate and was stuck in the range of 1.3% and 1.9%.

Friday's inflation figures are unlikely to trigger any shifts from the Bank of Canada's inflation outlook. On a seasonally adjusted basis, consumer prices were down 0.2% in February after rising 0.7% the month before. Core consumer price index, which excludes the volatile food and energy prices remained unchanged.



# MARKETS PREVIEW



27<sup>th</sup> of March 2017, to 31<sup>st</sup> of March 2017

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*The final week of March is rather quiet ahead of what could be an all-important month of April for the euro. On the economic front, the U.S. final GDP numbers for the fourth quarter of 2016 will be coming out this week. Canada will also be releasing the monthly GDP figures which is expected to show an increase on a monthly basis, spurred by the recent uptick in the retail sales numbers. From Europe, flash inflation numbers for March will be coming up, while the ONS will be publishing the final revised GDP figures from the UK.*

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## U.S. GDP final revision to show a modest improvement

After the U.S. economy posted a strong growth rate of 3.5% in the third quarter of 2016, the pace of economic growth fell sharply in the fourth quarter of the year. According to the second estimates, the U.S. economy expanded at a pace of 1.9% on a quarter over quarter basis.

This week, the final revised GDP figures are expected to show that the U.S. economy expanded at a pace of 2.0%, slightly higher than the second revised estimates. The data is unlikely to bring about much changes in sentiment to the markets.

Besides the GDP data, focus will be on the personal income details which include the personal income and personal spending data, both of which could offer some insights into the spending and income data during the first quarter.

U.S. personal income is expected to rise 0.4% on a month over month basis, rising at the same pace as the month before, while personal spending is expected to rise 0.2%.

Besides the economic releases, a number of FOMC members will be speaking over the week. Some of the speeches include those from members Kashkari who recently voted to keep interest rates unchanged at the March FOMC meeting, as well as FOMC members, Kaplan and Evans.

## Eurozone flash inflation data

After a solid start in the month of January and February that saw the headline consumer prices rise to 2.0% for the first time since the ECB undertook QE, the inflation data is expected to slip back this week.

The preliminary inflation figures due this week from Eurostat is expected to show that headline consumer prices rose just 1.8%, down from 2.0% registered in February. Even the core CPI which excludes food and energy prices is expected to rise just 0.8%, down from 0.9% increase which was held steady for the past few months.

The ECB on its part has been reiterating that the recent uptick was nothing to be excited about and that it would look past these short term trends. A pullback in the inflation figures will probably maintain the ECB's dovish view and could result in some scaling back on the EURUSD bullish bets.

Beside the CPI data, Germany's Ifo business climate data will be coming out on Monday. Data is expected to show a moderate improvement from 111.0 registered in February to 111.2 in March. German economy has been steadily increasing and the February's futures expectations showed a positive outlook.

## **UK final revision to GDP and Brexit**

The Office for National Statistics will be releasing the final GDP numbers for the UK. No changes are expected as the economists polled are forecasting a quarterly GDP growth rate of 0.7%, same as the second revision. This will potentially confirm the annual GDP growth rate in the UK at 2%, which is by all means an impressive number.

On the economic front however, focus will turn to Wednesday, 29 March 2017 when the British Prime Minister, armed with the approval of the British Parliament and the Queen's consent will be triggering Article 50 to start the exit negotiations with the EU.

The Brexit talks are expected to stretch over two years, if not more as more importantly the Brexit terms will need to be ratified by all the EU member nations, a feat that is unlikely to be achieved any time soon. The prolonged nature of uncertainty could potentially weigh on the British pound as a result.

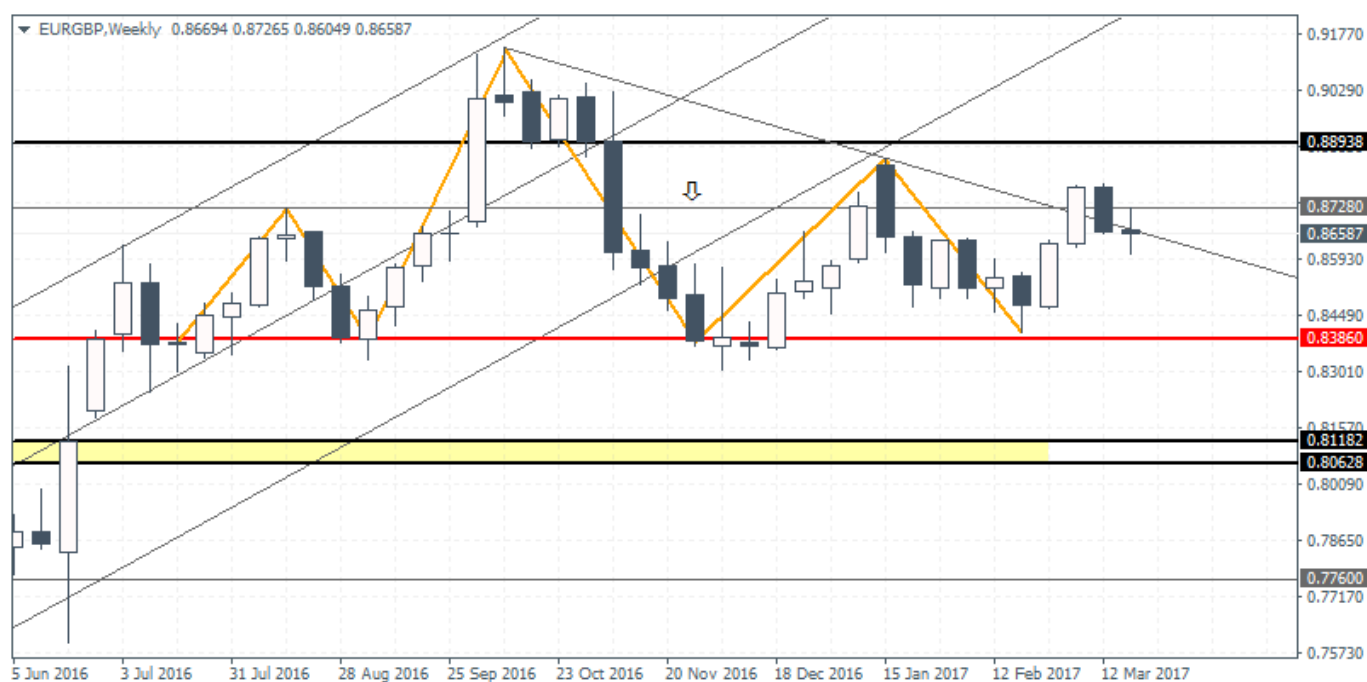
Last week, the GBPUSD fared well and closed the week with gains despite the news of the Brexit bill receiving the Royal Assent making the Brexit bill into law. Besides the British pound, even the common currency, euro could be seen coming under pressure.

# TECHNICAL CORNER



EURGBP – Watch for some GBP strength

EURGBP was seen hovering near 0.8728 the week before as price action was seen retracing the declines from the beginning of January. Price fell to the support level of the head and shoulders pattern near 0.8386 before bouncing back higher. As of last week's close, EURGBP was seen closing the weekly session with a doji candlestick pattern near the trend line that connects the highs from the week ending 9<sup>th</sup> October at 0.9141 and the highs from 15<sup>th</sup> January at 0.8852.



EURGBP (0.8658) – H4 Chart

Keeping the EURGBP currency pair this week will no doubt be this Friday's Brexit announcement, on March 29. The British Prime minister, Theresa May will be officially triggering Article 50 close to a year after the UK voted to leave the EU. The British pound has remained stronger on the news last week but expect to see some knee-jerk reaction heading into the event.

The longer term bias in EURGBP remains to the downside with the price action still pointing to the head and shoulders pattern. The neckline support is identified at 0.8386 which needs to be breached for a continuation towards 0.8118 - 0.8062 which will mark the initial target, followed by a continuation towards 0.7760. We expect this could be triggered heading closer towards the Brexit date and also potentially into the French elections due in late April.

Alternately, failure to break down below 0.8386 could signal a continuation to the upside. Watch initially for a breakout above the falling trend line and above 0.8728. A break out above this level will signal a continuation in EURGBP towards 0.8894 and could potentially invalidate the short bias.

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