

# orbex WEEKLY MARKETS REPORT



OVERWEEK  
BULLET POINTS



THE WEEK  
AHEAD



MARKETS  
PREVIEW



THE CHART OF  
THE WEEK

# OVERWEEK BULLET POINTS



Last Week: 3<sup>rd</sup> of April 2017, to 7<sup>th</sup> of April 2017

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- Australia AIG manufacturing index 57.5 vs. 59.3 previously
- Japan Tankan manufacturing index 12 vs. 14
- Japan Tankan non-manufacturing index 20 vs. 19
- Japan final manufacturing PMMI 52.4 vs. 52.6
- Australia MI inflation gauge m/m 0.1% vs. -0.3% previously
- Australia retail sales m/m -0.1% vs. 0.3%
- Australia building approvals m/m 8.3% vs. -1.4%
- Australia ANZ job advertisements m/m 0.3% vs. -0.8% previously
- Australia commodity prices y/y 50.1% vs. 59.1% previously
- Switzerland retail sales y/y 0.6% vs. -0.8%
- Spain manufacturing PMI 53.9 vs. 54.6
- Switzerland manufacturing PMI 58.6 vs. 58.2
- Italy manufacturing PMI 55.7 vs. 55.2
- Germany final manufacturing PMI 58.3 vs. 58.3
- France final manufacturing PMI 53.3 vs. 53.4
- Final manufacturing PMI 56.2 vs. 56.3
- UK manufacturing PMI 54.2 vs. 55.1
- Eurozone PPI m/m 0.0% s. 0.2%
- Eurozone unemployment rate 9.5% vs. 9.5%
- Canada manufacturing PMI 55.5 vs. 54.7 previously
- U.S. final manufacturing PMI 53.3 vs. 53.5
- U.S. ISM manufacturing PMI 57.2 vs. 57.2
- U.S. construction spending m/m 0.8% vs. 1.0%
- U.S. ISM manufacturing prices 70.5 vs. 68.5
- BoC publishes business outlook survey
- FOMC member Dudley speech
- U.S. Total vehicle sales 16.6mn vs. 17.4mn
- FOMC member Harker speech
- New Zealand NZIER business confidence 17 vs. 28 previously
- Japan monetary base y/y 20.3% vs. 23.2%
- Australia trade balance 3.57bn vs. 1.75bn
- RBA cash rate 1.50% vs. 1.50%
- RBA rate statement released
- BoJ core CPI y/y 0.1% vs. 0.2%
- Spain unemployment change -48.6k vs. -41.2k
- UK construction PMI 52.2 vs. 52.5
- Eurozone retail sales m/m 0.7% vs. 0.5%
- RBA Gov. Lowe speech
- Canada trade balance -1.0bn vs. 0.7bn
- U.S. trade balance -43.6bn vs. 046.0bn
- ECB president Draghi speech
- U.S. factory orders m/m 1.0% vs. 1.0%

- U.S. IBD/TIPP economic optimism 51.7 vs. 53.2
- New Zealand GDT price index 1.6% vs. 1.7% previously
- U.S. FOMC member Tarullo speech
- UK BRC shop price index y/y -0.8% vs. -1.0% previously
- Australia AIG services index 51.7 vs. 49.0
- New Zealand ANZ commodity prices m/m 0.4% vs. 2.0% previously
- Spain services PMI 57.4 vs. 57.22
- Italy final services PMI 52.9 vs. 54.3
- France final services PMI 57.5 vs. 58.5
- Germany final services PMI 55.6 vs. 55.6
- Eurozone final services PMI 56.0 vs. 56.5
- UK services PMI 55.0 vs. 53.5
- U.S. ADP non-farm employment change 263k vs. 184k
- BoE MPC Member Vlieghe speech
- U.S. final services PMI 52.8 vs. 53.1
- U.S. ISM non-manufacturing PMI 55.2 vs. 57.0
- U.S. Crude oil inventories 1.6mn vs. -0.1mn
- FOMC meeting minutes released
- RBA Assistant governor, Debelle Speech
- China Caixin services PMI 52.2 vs. 53.2
- Japan consumer confidence 43.9 vs. 43.5
- Germany factory orders m/m 3.4% vs. 3.5%
- ECB president Draghi speech
- Switzerland CPI m/m 0.2% vs. 0.2%
- Eurozone retail PMI 49.5 vs. 49.9 previously
- UK housing equity withdrawal q/q -10.2bn vs. -9.5bn
- German Bundesbank president Weidmann speech
- ECB releases monetary policy meeting minutes
- U.S. Challenger job cuts y/y -2.0% vs. -40.0% previously
- Canada building permits m/m -2.5% vs. 1.4%
- U.S. unemployment claims 234k vs. 251k
- Australia AIG construction index 51.2 vs. 53.1 previously
- Japan average cash earnings y/y 0.4% vs. 0.5%
- Japan leading indicators 104.4% vs. 104.7%
- Switzerland unemployment rate 3.3% vs. 3.3%
- Germany industrial production m/m 2.2% vs. -0.1%
- Germany trade balance 21.0bn vs. 19.4bn
- France industrial production m/m -1.6% vs. 0.5%
- France trade balance -6.6bn vs. -4.9bn
- Switzerland foreign currency reserves 683bn vs. 668bn
- UK Halifax HPI m/m 0.0% vs. 0.2%
- Italy retail sales m/m -0.3% vs. -0.1%
- UK manufacturing production m/m -0.1% vs. 0.3%
- UK goods trade balance -12.5bn vs. -10.9bn
- UK construction output m/m -1.7% vs. 0.2%
- BoE Gov. Carney speech
- UK NIESR GDP estimate 0.5% vs. 0.5% previously
- Canada employment change 19.4k vs. 5.7k
- Canada unemployment rate 6.7% vs. 6.7%
- U.S. average hourly earnings m/m 0.2% vs. 0.2%
- U.S. nonfarm employment change 98k vs. 174k

- U.S. unemployment rate 4.5% vs. 4.7%
- Canada Ivey PMI 61.1 vs. 56.3
- U.S. final wholesale inventories m/m 0.4% vs. 0.1%
- FOMC member Dudley speech
- U.S. consumer credit m/m 15.2bn vs. 14.2bn

# THE WEEK AHEAD



10<sup>th</sup> of April 2017, to 14<sup>th</sup> of April 2017

## IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

Date	Time	Currency	Event	Forecast	Previous
10-Apr	00:50	JPY	Current Account	1.79T	1.26T
	02:30	AUD	Home Loans m/m	0.10%	0.50%
	06:00	JPY	Economy Watchers Sentiment	49.8	48.6
	09:00	EUR	Italian Industrial Production m/m	0.40%	-2.30%
	09:30	EUR	Sentix Investor Confidence	20.1	20.7
	13:15	CAD	Housing Starts	212K	210K
	15:00	USD	Labor Market Conditions Index m/m		1.3
	21:00	USD	Fed Chair Yellen Speaks		
11-Apr	00:01	GBP	BRC Retail Sales Monitor y/y		-0.40%
	02:30	AUD	NAB Business Confidence		7
	07:00	JPY	Prelim Machine Tool Orders y/y		9.10%
	11th-16th	CNY	M2 Money Supply y/y	11.10%	11.10%
	11th-16th	CNY	New Loans	1200B	1170B
	09:30	GBP	CPI y/y	2.20%	2.30%
		GBP	PPI Input m/m	-0.50%	-0.40%
		GBP	RPI y/y	3.10%	3.20%
		GBP	Core CPI y/y	1.80%	2.00%
		GBP	HPI y/y	6.10%	6.20%
		GBP	PPI Output m/m	0.20%	0.20%
	10:00	EUR	German ZEW Economic Sentiment	13.2	12.8
		EUR	Industrial Production m/m	0.20%	0.90%
		EUR	ZEW Economic Sentiment	25	25.6
	11:00	USD	NFIB Small Business Index	104.7	105.3
	15:00	USD	JOLTS Job Openings	5.59M	5.63M
18:45	USD	FOMC Member Kashkari Speaks			
12-Apr	00:50	JPY	Bank Lending y/y	2.90%	2.80%
		JPY	Core Machinery Orders m/m	3.90%	-3.20%
		JPY	PPI y/y	1.50%	1.00%
	01:30	AUD	Westpac Consumer Sentiment		0.10%
	02:30	CNY	CPI y/y	1.10%	0.80%
		CNY	PPI y/y	7.40%	7.80%
	09:30	GBP	Average Earnings Index 3m/y	2.10%	2.20%
		GBP	Claimant Count Change	-10.2K	-11.3K
		GBP	Unemployment Rate	4.70%	4.70%
	13:30	USD	Import Prices m/m	-0.30%	0.20%
	15:00	CAD	BOC Monetary Policy Report		
		CAD	BOC Rate Statement		
		CAD	Overnight Rate	0.50%	0.50%
	16:15	CAD	BOC Press Conference		
	19:00	USD	Federal Budget Balance	-150.0B	-192.0B
23:30	NZD	Business NZ Manufacturing Index		55.2	
23:45	NZD	FPI m/m		0.20%	

13-Apr	00:01	GBP	RICS House Price Balance	22%	24%
	00:50	JPY	M2 Money Stock y/y	4.20%	4.20%
	02:00	AUD	MI Inflation Expectations		4.00%
	02:30	AUD	Employment Change	20.3K	-6.4K
		AUD	Unemployment Rate	5.90%	5.90%
		AUD	RBA Financial Stability Review		
	Tentative	CNY	Trade Balance	76B	-60B
	Tentative	CNY	USD-Denominated Trade Balance	12.5B	-9.1B
	07:00	EUR	German Final CPI m/m	0.20%	0.20%
	07:45	EUR	French Final CPI m/m	0.60%	0.60%
	08:15	CHF	PPI m/m	0.10%	-0.20%
	09:30	GBP	BOE Credit Conditions Survey		
	13:30	CAD	Manufacturing Sales m/m	-0.40%	0.60%
		CAD	NHPI m/m	0.20%	0.10%
		USD	PPI m/m	0.00%	0.30%
		USD	Unemployment Claims	242K	234K
		USD	Core PPI m/m	0.20%	0.30%
	14:30	GBP	CB Leading Index m/m		0.40%
	15:00	USD	Prelim UoM Consumer Sentiment	97.1	96.9
		USD	Prelim UoM Inflation Expectations		2.50%
14-Apr	05:30	JPY	Revised Industrial Production m/m	2.00%	2.00%
	13:30	USD	CPI m/m	0.00%	0.10%
		USD	Core CPI m/m	0.20%	0.20%
		USD	Core Retail Sales m/m	0.20%	0.20%
		USD	Retail Sales m/m	0.10%	0.10%
	15:00	USD	Business Inventories m/m	0.30%	0.30%

Time: GMT

# MARKETS RECAP



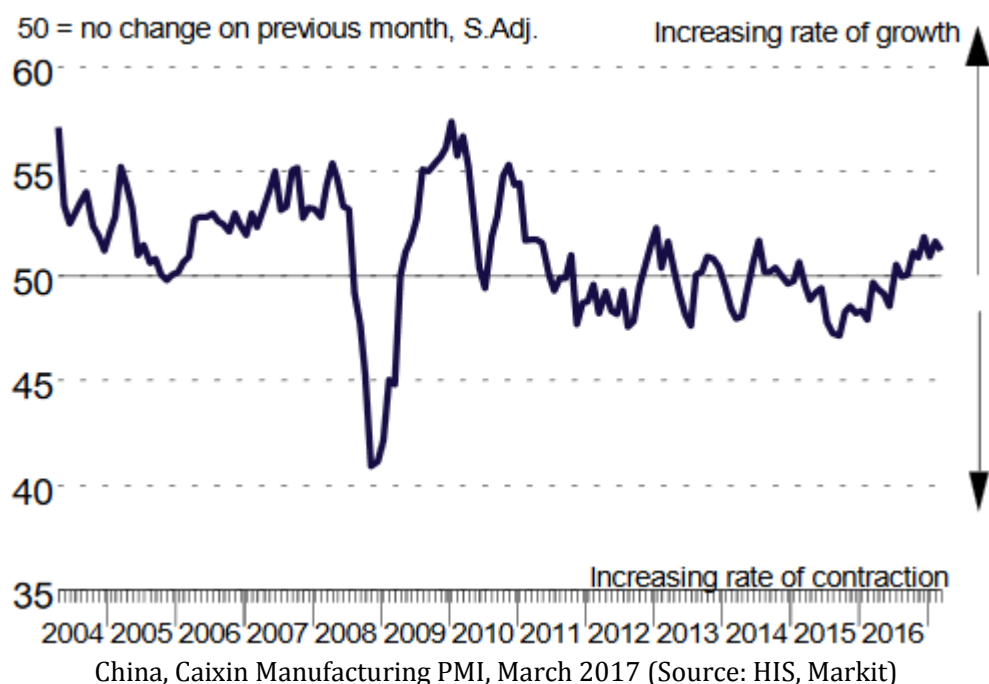
Last Week: 3<sup>rd</sup> of April 2017, to 7<sup>th</sup> of April 2017

The first trading week of a new month was busy with lots of economic data coming out across the board. However, standing out was the U.S. ISM manufacturing index which weakened in the month of March while the non-manufacturing ISM index was also seen soft. The markets were in a risk averse mode after news reports of the U.S. air strikes against Syrian air-base. This sent the safe haven assets higher on the week, including gold and the Japanese yen.

## China's manufacturing sector expands at a modest pace

The manufacturing sector, measured by IHS Markit showed that activity in the sector expanded at a slower than expected pace in the month of March. The survey results that were released on Saturday showed that both production and new orders growth eased during the month.

The Caixin's manufacturing PMI fell to 51.2 in March, down from 51.7 in February. Still, a reading above 50 on the PMI indicates expansion in the sector. While the latest data showed a moderate pace of improvement, the manufacturing PMI remained at one of the highest levels since the past 4-years.



Zhengsheng Zhong, director of macroeconomic analysis at CEBM Group, said that while the Chinese manufacturing economy continued to improve, the signs of weakness were starting to emerge. **"Downward pressure may further increase,"** Zhong said.

In a separate report, data from the National Bureau of Statistics (NBS) showed that that the official PMI figures rose to 51.8 in March, from 51.6 in February. The official data was the highest since April 2012. The non-manufacturing PMI was also seen rising to 55.1 in March, which was the highest print since May 2014.

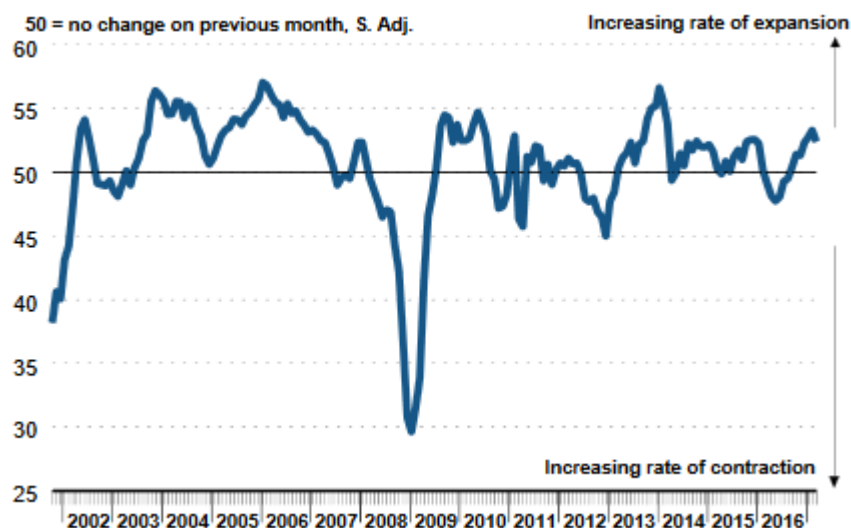
Data showed that manufacturers had increased production for the ninth consecutive month in March but the pace of expansion had been lower from the month before. New orders growth also increased at a slower pace while a new export work orders also rose at a slower pace. It was attributed to a weaker overall growth in the total orders.

Payrolls remained largely stable with the rate of payroll cuts staying at the same levels as from February. Firms were seen expanding their purchasing activity at a slower pace.

## BoJ Tankan survey shows a boost to sentiment

Sentiment among the large Japanese manufacturers showed an improvement in March, compared to three months ago. The pickup in the sentiment came amid a recovery in the global economy and a weaker currency.

The Bank of Japan's tankan survey released on Monday showed that the key index which measures confidence among companies including car makers and electronic firms rose to 12, two points higher from December tankan survey. It was however slower than the market forecasts of 15.



Nikkei Japan Manufacturing PMI, 52.4 (Source: Nikkei, IHS Markit)

While big manufacturers were optimistic in December following Donald Trump's victory, the latest survey data showed that companies were doubtful on how the business environment will continue amid uncertainties from the U.S. and the Eurozone.



Takuji Aida from Societe Generale Securities said, "***The tankan survey confirmed that companies have the same caution as the BOJ,***" while other experts suggest that growth will remain stronger for the moment.

Marcel Thieliand from Capital Economics said that "***Admittedly, firms are forecasting a renewed deterioration in the current quarter, but this is not unusual when current circumstances are favorable.***"

In a separate report, Japan's manufacturing sector continued to expand in March, but rising at a slower pace than expected. Data released by Nikkei on Monday showed that manufacturing PMI rose to 52.4 in March, down from 53.3 in February.

## RBA leaves interest rates steady

The Reserve Bank of Australia, at its monetary policy meeting last week, left the official interest rates unchanged at 1.50%, a record low. The central bank noted that a rate hike to cool the rising prices of property and housing markets in Australia could potentially hurt the recovery in the labour market and also dampen household borrowing.

The RBA had previously cut rates by 25 basis points in August and in May 2016. The central bank's statement did not waver from its previous statements as officials judged that "***holding the stance of monetary policy unchanged***" was consistent with achieving sustainable growth and reaching the inflation target.

The central bank was concerned with the labour markets which had been softening in the previous months. Still, officials were optimistic based on some forward looking indicators which pointed to continued growth in employment over the period ahead.

## U.S. nonfarm payrolls offers a mixed bag

Employes in the U.S. were seen slowing the pace of hiring in the month of March even as the unemployment rate fell to the lowest levels in nearly a decade, sending mixed signals about the labour market.

Official data released by the U.S. Bureau of labor statistics showed that nonfarm payrolls rose by a seasonally adjusted 98,000 in March from the previous month. Economists polled expected to see a headline print of 175k jobs and was significantly lower from the previous months.

But the unemployment rate fell to 4.5% from 4.7% which was the lowest level since 2007. January's payrolls were revised down to 216k while February's gains were revised down to 219k. Combined, the downside revisions shave 38k jobs from January and February payrolls data.

The average hourly earnings showed an increase of 2.7% in March on a year over year basis, but was seen weaker than December's 2.9% increase which was the strongest since 2009.

# MARKETS PREVIEW



10<sup>th</sup> of April 2017, to 14<sup>th</sup> of April 2017

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*The markets will be looking to another week with important economic data as inflation turns to be the biggest theme across the major developed economies. The UK, U.S and China will be reporting the monthly inflation figures, while among the central banks the Bank of Canada will be holding its monetary policy meeting this week. Here's a quick recap to this week's economic calendar.*

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## U.S. inflation expected to remain flat

The week ahead will see economic data that includes the retail sales and U.S. inflation figures. The headline inflation figures are expected to show a rather flat print, which could indicate a modest decline in the headline inflation rate from 2.7% registered in February.

The decline in inflation is expected to come as a result of lower energy prices in the month of March. Still, the headline inflation is expected to remain well anchored above the Fed's 2% inflation target rate. The core CPI inflation is expected to rise 2.3% in March, which follows a modest increase from the month before.

The retail sales figures for March are also expected to be released this week. Data is expected to show an increase of 0.1% on the headline and 0.2% on the core. The gains in retail sales is expected to come as a result of the delayed tax refunds which was seen as a major reason for a slower pace of increase in February.

Still, based on the retail sales numbers for March, the real consumer spending in the U.S. for the month of March is expected to rise at a pace of 1% on a quarterly basis.

## Eurozone – Industrial production & German inflation

Data from the eurozone this week is relatively quiet, which leads to the industrial production numbers stand out. Economists are expecting to see a modest pull back in the industrial production in February. Still, data is expected to remain robust against a solid print from January which points to increased momentum in the sector.

The German economy continues to spear ahead and this is expected to show in the ZEW economic expectations due earlier on Monday. Germany's final inflation figures will also be released during the week which will confirm a 0.2% increase on a month over month basis.

With less than two weeks to go for the French elections, the news wires are likely to see increased chatter with the opinion polls likely to dictate the short term volatility in the markets.

## UK inflation expected to steady above 2%

The monthly inflation figures from the UK this week is forecast to show a headline print of 2.2%. This is a modest pull back compared to 2.3% increase that was registered the previous month.

Excluding food and energy, core CPI is expected to see a 1.8% increase, which is slower than the 2.0% increase seen the month before. This week's CPI will mark the beginning of key economic data from the UK ahead of the Bank of England's meeting later in the month.

On Tuesday, the UK unemployment report is expected to show that the average earnings index rose 2.1% which will mark a slower pace of increase compared to the previous month. The UK's unemployment rate is expected to hold at 4.7%.

Economic data in the UK is starting to show cracks with last week's data showing that the industrial and construction output declined sharply in February signaling a potential slowdown in the first quarter.

The nation's trade deficit also rose to a 5-month high. Reflecting weak energy demand, industrial output fell 0.7% on the month in February. The Bank of England Governor, Mark Carney spoke on Friday but did not stress too much on monetary policy.

## Bank of Canada expected to keep interest rates steady

The Bank of Canada will be meeting this week on Wednesday for its monthly monetary policy meeting. No changes are expected from the central bank at this month's meeting where interest rates are expected to remain unchanged at 0.5%.

Growing confidence in the robust economic expansion is expected to be one of the reasons for the BoC to keep policy on hold, despite a slump in some measures of the economy recently. Still, the risks to the downside were not that high for the central bank to trigger a rate cut.

The Canadian housing markets will also likely come up in the BoC's rate statement. Echoing similar trends with most other economies, Canada is also seeing a surge in housing prices led by weaker interest rates, a risk that the central bank has acknowledged.

Commenting on the upcoming decision, economists at Capital Economics note that there should not be any surprises from the BoC next week.

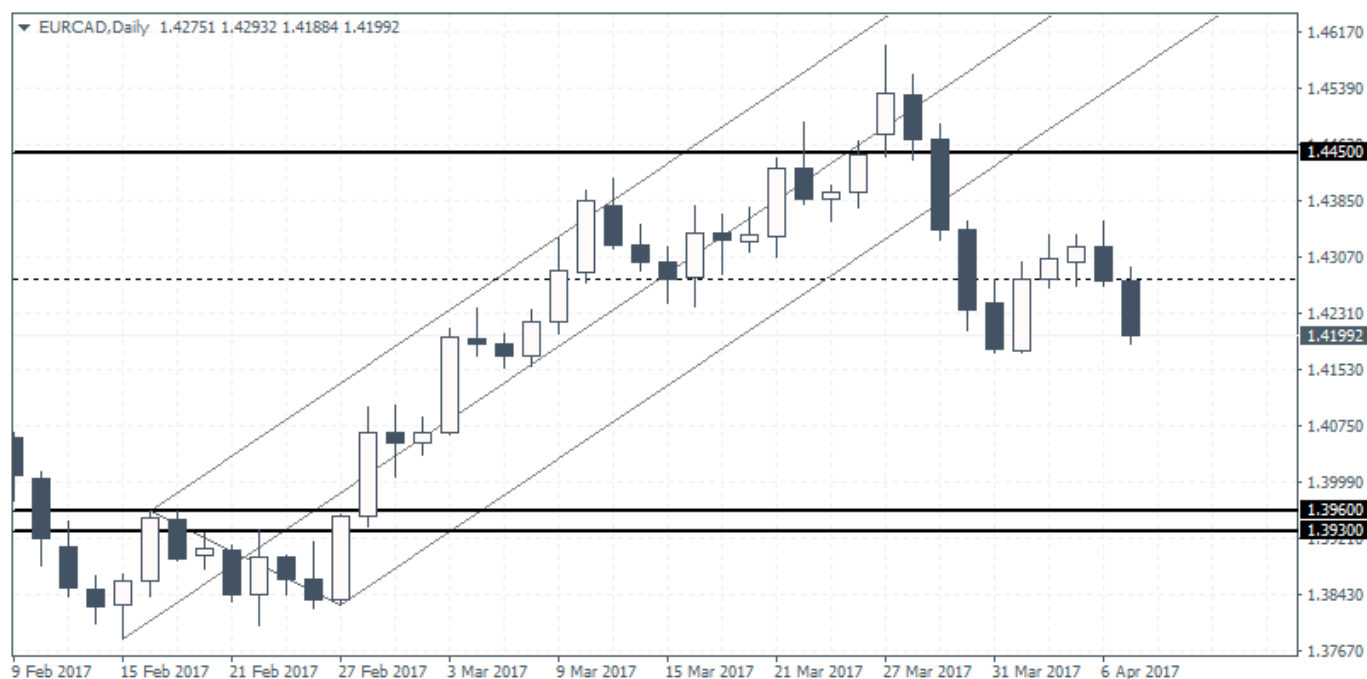
***"The BoC will remain on hold, and express caution over the growth even amid improving data,"*** Capital Economics notes.

# TECHNICAL CORNER



EURCAD – Expect a decline to 1.3960

EURCAD has been attempting to recover the losses after slipping from the highs near 1.4600. The minor bounce we noticed from 1.4182 was short lived as prices started to turn lower. The current decline could see EURCAD testing the 1.4182 support once again which if breached could signal further downside in prices.



EURCAD (1.4199) – Daily Chart

The support level at 1.3960 - 1.3930 will no doubt be tested in the near term following the downside breakout from the rising median line. This suggested that prices are likely to extend the declines, unless we can see a move back above the 1.4277 minor support/resistance level where prices are currently consolidating.

The decline in the EURCAD is expected to remain with the coming week's Bank of Canada monetary policy meeting. No changes to interest rates are expected but the central bank is expected to keep the monetary policy on hold. Any signs of hawkish signals from the central bank could no doubt send the Canadian dollar stronger in the near term.

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