

# orbex WEEKLY MARKETS REPORT



OVERWEEK  
BULLET POINTS



THE WEEK  
AHEAD



MARKETS  
PREVIEW



THE CHART OF  
THE WEEK

# OVERWEEK BULLET POINTS



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

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- Japan current account 2.21tn vs. 1.79tn
- Australia home loans m/m -0.5% vs. 0.1%
- Japan economy watchers sentiment 47.4 vs. 49.8
- Italian industrial production m/m 1.0% vs. 0.4%
- Eurozone Sentix investor confidence 23.9 vs. 20.1
- Canada housing starts 254k vs. 212k
- U.S. Labor market conditions index m/m 0.4 vs. 1.5 previously
- Fed Chair Janet Yellen speech
- UK BRC retail sales monitor y/y -1.0% vs. -0.4% previously
- Australia NAB business confidence 6 vs. 7
- Japan preliminary machine tool orders y/y 22.6% vs. 9.1% previously
- UK CPI y/y 2.3% vs. 2.2%; core CPI y/y 1.8% vs. 1.8%
- UK PPI input m/m 0.4% vs. -0.5%; PPI output m/m 0.4% vs. 0.2%
- UK RPI y/y 3.1% vs. 3.1%; HPI y/y 5.8% vs. 6.1%
- Germany ZEW economic sentiment 19.5 vs. 13.2
- Eurozone industrial production m/m -0.3% vs. 0.2%
- Eurozone ZEW economic sentiment 26.3 vs. 25.0
- U.S. NFIB small business index 104.7 vs. 104.7
- US JOLTS job openings 5.74mn vs. 5.59mn
- FOMC member Kashkari speech
- Japan bank lending y/y 3.0% vs. 2.9%
- Japan core machinery orders m/m 1.5% vs. 3.9%
- Japan PPI y/y 1.4% vs. 1.5%
- Australia Westpac consumer sentiment -0.7% vs. 0.1% previously
- China CPI y/y 0.9% vs. 1.1%; PPI y/y 7.6% vs. 7.4%
- Germany WPI m/m 0.0% vs. 0.4%
- UK average earnings index 3m/y 2.3% vs. 2.1%
- UK claimant count change 25.5k vs. -10.2k
- UK unemployment rate 4.7% vs. 4.7%
- BoE Gov. Carney speech
- U.S. President Trump speech
- U.S. import prices m/m -0.2% vs. -0.4%
- BoC monetary policy report
- BoC leaves overnight rate unchanged at 0.5%
- U.S. crude oil inventories -2.2mn vs. -0.7mn
- BoC press conference
- BoC Gov. Poloz speech
- New Zealand business NZ manufacturing index 57.8 vs. 55.7 previously
- New Zealand FPI m/m -0.3% vs. 0.2% previously
- UK RICS house price balance 22% vs. 22%
- Japan M2 money stock y/y 4.3% vs. 4.2%
- Australia MI inflation expectations 4.1% vs. 4.0% previously

- Australia employment change 60.9k vs. 20.3k
- Australia unemployment rate 5.9% vs. 5.9%
- RBA releases financial stability review
- China U.S. denominated trade balance 23.9bn vs. 12.5bn
- China trade balance 164bn vs. 76bn
- Germany final CPI m/m 0.2% vs. 0.2%
- France CPI m/m 0.6% vs. 0.6%
- Switzerland PPI m/m 0.1% vs. 0.1%
- China foreign direct investment ytd/y 1.0% vs. -2.3% previously
- BoE Credit conditions survey
- Canada manufacturing sales m/m -0.2% vs. -0.4%
- Canada NHPI m/m 0.4% vs. 0.2%
- U.S. PPI m/m -0.1% vs. 0.0%
- U.S. unemployment claims 234k vs. 42k
- U.S. core PPI m/m 0.0% vs. 0.2%
- UK CB leading index m/m 0.1% vs. 0.3% previously
- U.S. preliminary UoM Consumer sentiment 98.0 vs. 97.1
- U.S. preliminary UoM inflation expectations 2.5% vs. 2.5% previously
- BoC Gov. Poloz speech
- Japan revised industrial production m/m 3.2% vs. 2.0%
- China M2 money supply y/y 10.6% vs. 11.1%
- China new loans 1020bn vs. 1200bn
- U.S. CPI m/m -0.3% vs. 0.0%; core CPI m/m -0.1% vs. 0.2%
- U.S. core retail sales m/m 0.0% vs. 0.2%; retail sales m/m -0.2% vs. 0.1%
- U.S. business inventories m/m 0.3% vs. 0.3%

# THE WEEK AHEAD



17<sup>th</sup> of April 2017, to 21<sup>st</sup> of April 2017

## IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

Date	Time	Currency	Event	Forecast	Previous	
17-Apr	03:00	CNY	GDP q/y	6.80%	6.80%	
		CNY	Industrial Production y/y	6.20%	6.30%	
		CNY	Fixed Asset Investment ytd/y	8.80%	8.90%	
		CNY	NBS Press Conference			
	07:15	JPY	Retail Sales y/y	9.70%	9.50%	
		JPY	BOJ Gov Kuroda Speaks			
		13:30	USD	Empire State Manufacturing Index	15.2	16.4
		15:00	USD	NAHB Housing Market Index	70	71
21:00	USD	TIC Long-Term Purchases	12.4B	6.3B		
18-Apr	02:30	AUD	Monetary Policy Meeting Minutes			
	13:30	CAD	Foreign Securities Purchases	5.21B	6.20B	
		USD	Building Permits	1.25M	1.22M	
		USD	Housing Starts	1.25M	1.29M	
	14:15	USD	Capacity Utilization Rate	76.30%	75.40%	
		USD	Industrial Production m/m	0.50%	0.00%	
	15:30	AUD	CB Leading Index m/m		0.40%	
	Tentative	NZD	GDT Price Index		1.60%	
17:45	CAD	Gov Council Member Wilkins Speaks				
19-Apr	01:30	AUD	MI Leading Index m/m		-0.10%	
	02:30	AUD	New Motor Vehicle Sales m/m		-2.70%	
	09:00	EUR	Italian Trade Balance	2.24B	-0.57B	
	10:00	EUR	Final CPI y/y	1.50%	1.50%	
		EUR	Final Core CPI y/y	0.70%	0.70%	
	Tentative	EUR	Trade Balance	18.6B	15.7B	
		EUR	German 30-y Bond Auction		1.18 1.4	
		15:30	USD	Crude Oil Inventories		-2.2M
	18:00	CAD	Gov Council Member Wilkins Speaks			
	19:00	USD	Beige Book			
23:45	NZD	CPI q/q	0.80%	0.40%		
20-Apr	00:50	JPY	Trade Balance	0.61T	0.68T	
	02:30	AUD	NAB Quarterly Business Confidence		5	
	07:00	EUR	German PPI m/m	0.20%	0.20%	
	Tentative	EUR	Spanish 10-y Bond Auction		1.61 1.6	
	Tentative	EUR	French 10-y Bond Auction			
	13:30	USD	Philly Fed Manufacturing Index	25.6	32.8	

		USD	Unemployment Claims	241K	234K
	15:00	EUR	Consumer Confidence	-5	-5
		USD	CB Leading Index m/m	0.20%	0.60%
	15:30	USD	Natural Gas Storage		10B
	16:30	GBP	BOE Gov Carney Speaks		
	17:30	GBP	BOE Gov Carney Speaks		
	18:15	USD	Treasury Sec Mnuchin Speaks		
21-Apr	01:30	JPY	Flash Manufacturing PMI	52.5	52.4
	05:30	JPY	Tertiary Industry Activity m/m	0.30%	0.00%
	08:00	EUR	French Flash Manufacturing PMI	53.2	53.3
		EUR	French Flash Services PMI	57.2	57.5
	08:30	EUR	German Flash Manufacturing PMI	58.1	58.3
		EUR	German Flash Services PMI	55.5	55.6
	09:00	EUR	Flash Manufacturing PMI	56.1	56.2
		EUR	Flash Services PMI	56	56
		EUR	Current Account	26.3B	24.1B
	09:30	GBP	Retail Sales m/m	-0.30%	1.40%
	12:45	GBP	MPC Member Saunders Speaks		
	13:30	CAD	CPI m/m	0.40%	0.20%
		CAD	Common CPI y/y		1.30%
		CAD	Median CPI y/y		1.90%
		CAD	Trimmed CPI y/y		1.60%
		CAD	Core CPI m/m		0.40%
	14:30	USD	FOMC Member Kashkari Speaks		
	14:45	USD	Flash Manufacturing PMI	53.9	53.3
		USD	Flash Services PMI	53.7	52.8
	15:00	USD	Existing Home Sales	5.61M	5.48M
	Day 1	ALL	IMF Meetings		

Time: GMT

# MARKETS RECAP



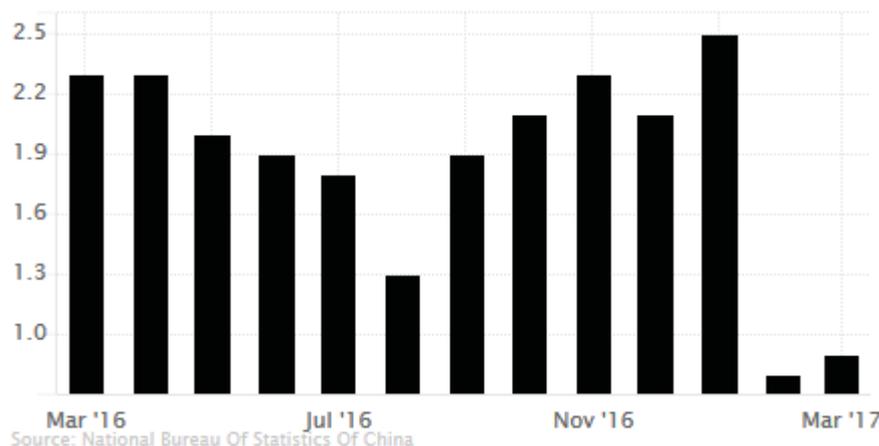
Last Week: 10<sup>th</sup> of April 2017, to 14<sup>th</sup> of April 2017

*It was a slow week in the markets as investors turned cautious following last week's air strikes against Syria. News reports about the U.S. moving some of its naval fleet closer to North Korea kept investors on the edge. In terms of economic data, there was little data to account for from the U.S., amid a slow trading week which saw most of the major markets closed on Friday on account of Good Friday holiday.*

## China's inflation rises 0.9% in March

Consumer prices in China advanced 0.9% in March compared to the same period a year ago, data from the National Bureau of Statistics showed on Wednesday. The headline consumer prices were slightly below the forecasts of 1.0% increase, but showed a modest improvement from 0.8% increase registered in February.

On a month over month basis, China's inflation rate fell 0.3% extending the declines of 0.2% from the previous month.



China Inflation Rate YoY (0.9%) - March 2017

In a separate report, the producer price index was seen advancing 7.6% on a year over year basis. It was slightly higher than the median forecasts of 7.5% and was lower than February's increase of 7.8%.

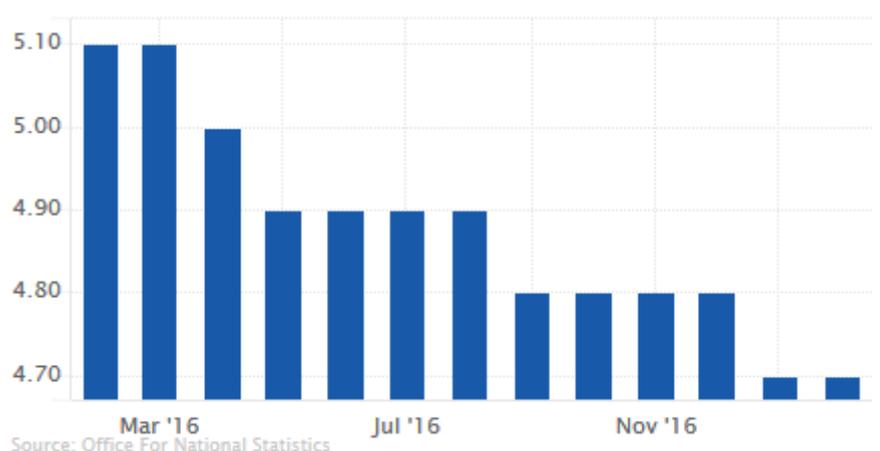
China's PPI has been steadily increasing with the revival in the factory gate price inflation being driven by higher commodity prices on the back of a pickup in the industrial activity. The rebound also helped to aid company's profits while allowing for the government to rein in borrowing and to tighten some parts of its monetary policy.

Despite the steady increase in the PPI, economists are forecasting that the PPI will moderate in the coming months.

Dariusz Kowalczyk, sr. economist at Credit Agricole SA said that ***"It looks like there's a lot of inflation momentum at the producer level, which is good because they'll have higher profits and more money to invest."***

## UK unemployment steady but wage growth slows

The unemployment rate in the UK was seen unchanged at 4.7% in the three months ending February, data from the Office for National Statistics showed on Wednesday. It was the lowest level since 1975. The number of unemployed fell to 1.56 million from the previous quarter, which was down by about 45,000.



UK Unemployment Rate: March 2017 – 4.7%

The UK's labor market is tipped to come under pressure in the coming months as a slowdown in the economic activity is expected as businesses are turning cautious. This is expected to push unemployment high in the UK over the coming months with some forecasts expecting the unemployment rate to rise back to 5.1%.

The average earnings including bonuses advanced at an annual rate of 2.3%, which was slightly faster than the expected 2.2%. Excluding bonuses, earnings rose at a pace of 2.2%. Still, the pace of earnings growth was seen to be slowing.

When adjusted for inflation, the weekly earnings with bonuses showed only 0.2% increase and 0.1% increase excluding bonuses, which was the weakest since 2014.

Earlier in the week, the inflation report from the UK showed that consumer prices remained steady at 2.3% which was a three and a half year high during March. Economists surveyed were expecting to see inflation slowing to 2.2%.

With earnings growth staying flat for the most part, consumers are expected to feel the squeeze from higher inflation which is expected to weigh down on the economic activity.

## Japan current account surplus widens in February

The current account surplus in Japan widened unexpectedly by 18% in February, compared to a year ago. The data which is a broadest measure of the trade and investment was recorded at 2.814 trillion yen or approximately \$25.3 billion in February, data from the Ministry of Finance showed.

The trade surplus data was larger than the forecasts of 2.608 trillion yen that was forecast by economists who were surveyed by the Nikkei.

Japan's trade surplus in goods and services was up 1.013 trillion yen, or about 79% increase from the previous year. The gains came largely on account of an increase in the merchandise exports which got a boost from increase in global demand.

Japan's exports to China also increased significantly compared to the previous year. However, the U.S. accounted for the largest share in the trade gains. The rise in the current account surplus comes ahead of both thenations resuming an economic dialog that will also include talks about trade policy.

A large part of the current account surplus was from the returns from Japanese investments abroad, which also included interest payments on the U.S. Treasury bonds and dividends from U.S. stocks. The primary income surplus was recorded at 1.975 trillion yen in February, which was 1.9% lower compared to a year ago.

In a separate event, the Bank of Japan Governor Kuroda renewed his pledge to continue with aggressive easing until the central bank achieved its inflation target of 2%. He said that there would no change in the policy direction.

Kuroda, speaking at the quarterly meeting of BoJ's regional branch managers said that **"Our country's economy is continuing its moderate recovery trend,"** adding that it would **"turn into a moderate expansion"** in the future.

The BoJ Governor expects Japan's inflation rate will move to 2% amid improving supply and demand conditions in the economy and also rising price expectations.

# MARKETS PREVIEW



17<sup>th</sup> of April 2017, to 21<sup>st</sup> of April 2017

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*The markets will be looking to a slow week of trading with most of the data focusing on second tier information from most of the economies. Monday is relatively quiet with the U.S. and parts of Eurozone closed for Trading. Standing out however will be China's GDP numbers due on Monday while later in the week, the RBA will be releasing its meeting minutes. In the Eurozone inflation figures will be coming out while among central bank speeches, BoE's Carney is due to speak on Thursday.*

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## China GDP growth expected at 6.8%

China will be reporting its GDP numbers on Monday amid a thin trading day with most of Europe and the U.S. closed. Economists surveyed by the WSJ are expecting China's GDP growth to remain steady at 6.8% in the first quarter. The industrial output is also expected to rise 6.2% in the month of March, compared to the 6.3% increase registered in January - February.

The economic performance was mostly mixed, going by some measures of the indicators over the month. The fixed asset investments are also expected to have increased 8.7% in the first quarter, slightly lower than 8.9% in January - February, while retail sales number are expected to rise 9.7% in March.

Retail sales growth is expected to rise from the previous two-month's increase of 9.5%.

Data released last week was broadly positive as the import export data showed that imports growth slowed in March, while exports rebounded strongly.

Data from the General Administration of Customs showed on Thursday that in dollar terms, exports expanded 16.4% on a year over year basis in March, this reversed February's decline of 1.3%. Economists were expecting a 3.4% increase.

The trade surplus totaled \$23.9 billion in March which was smaller than expected.

## New Zealand inflation expected to rise 2% in Q1, 2017

After consumer prices rose 1.3% on a year over year basis in the fourth quarter of 2016, traders will be focusing on the inflation figures for the first quarter of 2017. The 2016 inflation rate was well below the RBNZ's inflation target rate and expectations for this week's inflation data is expected to show an increase of 2% on a year over year basis or about 0.8% on a quarterly basis.

This could potentially turn hawkish for the New Zealand dollar which could rally on the back of stronger inflation data. Still, the RBNZ is unlikely to budge with the interest rates expected to hold steady into the end of the year.

Last week, New Zealand's food price data for the month of March shows a modest decline, falling 0.4% on a month over month basis. On a yearly basis, food prices rose 1.3% compared to the same period a year ago.

On the year, New Zealand grocery food prices rose 2.2% mostly on higher dairy products while fresh milk prices jumped 6.5%. Food prices account for nearly 19% of the consumer price index data..

## **Eurozone inflation rate expected to slow**

The final estimates on the inflation rate in the Eurozone will be released by Eurostat this week. Data is expected to show that inflation slowed, rising just 1.5% in March, while the core CPI is expected confirm a 0.7% increase, slower than 0.8% registered previously.

Last week, inflation figures were mixed from Germany and France. While German inflation rate declined, French inflation rebounded. Still weaker energy and oil prices are expected to pull down the inflation figures in the month of March.

Besides the inflation data, the Eurozone flash manufacturing and services PMI numbers will also be released this week. Most of the data is estimated to have shown a modest increase from the month of March, which currently points to an optimistic picture for the Eurozone's economic recovery.

The European markets are closed on Monday.

## **Canada inflation rate expected to slow**

After slowing to 2%, inflation is expected to fall even further according to the economists surveyed. Statistics Canada will be releasing the inflation report for the month of March and forecasts point to a 1.8% year over year basis while on a monthly basis inflation rate is expected to accelerate 0.4%. This is slightly higher than 0.2% registered previously.

If the inflation rate fell to 1.8%, this would be lower than the Bank of Canada's inflation target rate. The impact of sustained weaker energy prices are expected to be bring the consumer prices lower in March.

The Bank of Canada had left interest rates unchanged at its most recent meeting last week and offered little in terms of any rate hike expectations for the remainder of this year. The BoC is expected to leave interest rates untouched for the most part of this year.

Amid slowing inflation, recent data also showed that wage growth continued to trend below the 2% average for more than 2 years which marks the slowest pace of increase in wages since 1990.

# TECHNICAL CORNER



GBPCHF – Watch the inverse head and shoulders break out

After months of consolidation, the GBPCHF currency pair is looking ripe for an upside break out with prices closing in on Friday near the inverse head and shoulder's neckline resistance level. A successful breakout here will put the British pound on target towards 1.3032 followed by a move to 1.3460 levels.



GBPCHF (1.2584) – Weekly Chart

On the economic front, the GBPCHF is unlikely to come under much pressure from the fundamentals. The economic calendar from Switzerland is quiet with no major announcements lined up. Meanwhile in the UK, the retail sales numbers will be released this week alongside a speech from the Bank of England Governor, Mark Carney.

Following the UK which triggered the Article 50 of the Lisbon Treaty, the short term risks have dissipated. GBPCHF could probably come under pressure on account of the larger market sentiment with the Swiss franc gaining as a safe haven. However, this is likely to be short lived as the British pound could be seen making some strong gains if the resistance level is breached.

Alternately, in the event that GBPCHF fails to break out, we can expect the side ways range continuing with the downside likely supported at 1.2173.

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