

orbex WEEKLY MARKETS REPORT



OVERWEEK
BULLET POINTS



THE WEEK
AHEAD



MARKETS
PREVIEW



THE CHART OF
THE WEEK

OVERWEEK BULLET POINTS



Last Week: 24th of April 2017, to 28th of April 2017

- UK Rightmove HPI m/m 1.1% vs. 1.3% previously
- Germany Ifo business climate 112.9 vs. 112.4
- German Bundesbank monthly report
- UK CBI industrial order expectations 4 vs. 9
- Canada wholesale sales m/m -0.2% vs. 2.1%
- China CB leading index m/m 0.9% vs. 1.3% previously
- FOMC member Kashkari speech
- Japan SPPI y/y 0.8% vs. 0.7%
- UK Public sector net borrowing 4.4bn vs. 2.6bn
- U.S. HPI m/m 0.8% vs. 0.1%
- U.S. S&P/CS composite-20 HPI y/y 5.9% vs. 5.7%
- U.S. Richmond manufacturing index 20 vs. 18
- U.S. CB consumer confidence 120.3 vs. 124.7
- U.S. new home sales 621k vs. 590k
- New Zealand visitor arrivals m/m 1.5% vs. -1.9% previously
- Australia CPI q/q 0.5% vs. 0.6%; trimmed mean CPI q/q 0.5% vs. 0.5%
- New Zealand credit card spending y/y 7.1% vs. 5.3% previously
- Japan all industries activity m/m 0.7% vs. 0.8%
- Switzerland UBS consumption indicator 1.50 vs. 1.45 previously
- Switzerland Credit Suisse economic expectations 22.2 vs. 29.6 previously
- Canada core retail sales m/m -0.1% vs. -0.2%; retail sales m/m -0.6% vs. 0.0%
- U.S. crude oil inventories -3.6mn vs. -1.1mn
- Australia import prices q/q 1.2% vs. -0.4%
- BoJ policy rate -0.10% vs. -0.10%
- BoJ releases outlook report
- BoJ monetary policy statement
- Switzerland trade balance 3.10bn vs. 3.01bn
- Germany Gfk consumer climate 10.2 vs. 9.9
- Germany preliminary CPI m/m 0.0% vs. -0.1%
- BoJ press conference
- Spain flash CPI y/y 2.6% vs. 2.5%
- Spain unemployment rate 18.8% vs. 18.6%
- RBA Gov. Lowe speech
- UK CBI realized sales 38 vs. 6
- ECB leaves minimum bid rate unchanged at 0.00%
- ECB press conference
- U.S. core durable goods orders m/m -0.2% vs. 0.4%; durable goods orders m/m 0.7% vs. 1.5%
- U.S. unemployment claims 257k vs. 241k
- U.S. goods trade balance -64.8bn vs. -65.2bn
- U.S. preliminary wholesale inventories m/m -0.1% vs. 0.3%
- U.S. pending home sales m/m -0.8% vs. -0.6%
- UK Gfk consumer confidence -7 vs. -7

- New Zealand building consents m/m -1.8% vs. 17.2% previously
- New Zealand trade balance 332mn vs. 375mn
- Japan household spending y/y -1.3% vs. -0.6%
- Japan national core CPI y/y 0.2% vs. 0.2%
- Japan Tokyo core CPI y/y -0.1% vs. -0.2%
- Japan unemployment rate 2.8% vs. 2.9%
- Japan preliminary industrial production m/m -2.1% vs. -0.6%
- Japan retail sales y/y 2.1% vs. 1.6%
- New Zealand ANZ business confidence 11.0 vs. 11.3
- Australia PPI q/q 0.5% vs. 0.3%
- Australia private sector credit m/m 0.3% vs. 0.5%
- Japan housing starts y/y 0.2% vs. -2.5%
- French flash GDP q/q 0.3% vs. 0.4%
- Germany retail sales m/m 0.1% vs. 0.1%
- Germany import prices m/m -0.5% vs. 0.3%
- UK Nationwide HPI m/m -0.4% vs. 0.1%
- France consumer spending m/m -0.4% vs. 0.6%
- France preliminary CPI m/m 0.1% vs. 0.2%
- Switzerland KOF economic barometer 106.0 vs. 107.7
- Spain flash GDP q/q 0.8% vs. 0.7%
- SNB Chairman Jordan speech
- Eurozone M3 Money supply y/y 5.3% vs. 4.7%
- Eurozone private loans y/y 2.4% vs. 2.4%
- UK Preliminary GDP q/q 0.3% vs. 0.44%
- UK BBA mortgage approvals 41.1k vs. 42.1k
- UK Index of services 3m/3m 0.5% vs. 0.5%
- Eurozone core CPI flash estimate y/y 1.2% vs. 1.0%; CPI flash estimate y/y 1.9% vs. 1.8%
- Italy preliminary CPI m/m 0.3% vs. 0.2%
- Canada IPPI m/m 0.8% vs. 0.3%; RMPI m/m -1.6% vs. -0.4%
- U.S. Advance GDP q/q 0.7% vs. 1.3%
- U.S. Advance GDP price index q/q 2.3% vs. 2.0%
- U.S. Employment cost index q/q 0.8% vs. 0.6%
- U.S. Chicago PMI 58.3 vs. 56.9
- U.S. Revised UoM consumer sentiment 97.0 vs. 98.1
- U.S. Revised UoM inflation expectations 2.5% vs. 2.5% previously
- FOMC Member Brainard speech
- FOMC Member Harker speech

THE WEEK AHEAD



1st of May 2017, to 5th of May 2017

IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

Date	Time	Currency	Event	Forecast	Previous	
01-May	00:30	AUD	AIG Manufacturing Index		57.5	
	01:30	JPY	Final Manufacturing PMI	52.8	52.8	
	02:00	AUD	MI Inflation Gauge m/m		0.10%	
	07:30	AUD	Commodity Prices y/y		50.10%	
	08:15	CHF	Retail Sales y/y	0.50%	0.60%	
	10:00	EUR	EU Economic Forecasts			
	13:30	USD	Core PCE Price Index m/m	-0.10%	0.20%	
		USD	Personal Spending m/m	0.20%	0.10%	
		USD	Personal Income m/m	0.40%	0.40%	
	14:30	CAD	Manufacturing PMI		55.5	
	14:45	USD	Final Manufacturing PMI	52.8	52.8	
	15:00	USD	ISM Manufacturing PMI	56.6	57.2	
		USD	Construction Spending m/m	0.50%	0.80%	
		USD	ISM Manufacturing Prices	66.5	70.5	
	02-May	00:50	JPY	Monetary Base y/y	21.20%	20.30%
			JPY	Monetary Policy Meeting Minutes		
02:45		CNY	Caixin Manufacturing PMI	51.4	51.2	
05:30		AUD	Cash Rate	1.50%	1.50%	
		AUD	RBA Rate Statement			
06:00		JPY	BOJ Core CPI y/y	0.20%	0.10%	
08:15		EUR	Spanish Manufacturing PMI	54.3	53.9	
08:30		CHF	Manufacturing PMI	58.2	58.6	
08:45		EUR	Italian Manufacturing PMI	55.9	55.7	
08:50		EUR	French Final Manufacturing PMI	55.1	55.1	
08:55		EUR	German Final Manufacturing PMI	58.2	58.2	
09:00		EUR	Final Manufacturing PMI	56.8	56.8	
		EUR	Italian Monthly Unemployment Rate	11.60%	11.50%	
09:30		GBP	Manufacturing PMI	54	54.2	
10:00		EUR	Unemployment Rate	9.40%	9.50%	
All Day		USD	Total Vehicle Sales	17.1M	16.6M	
23:45		NZD	Employment Change q/q	0.80%	0.80%	
	NZD	Unemployment Rate	5.10%	5.20%		
	NZD	Labor Cost Index q/q	0.50%	0.40%		
03-May	08:00	EUR	Spanish Unemployment Change	21.3K	-48.6K	
	08:55	EUR	German Unemployment Change	-10K	-30K	
	09:30	GBP	Construction PMI	52.1	52.2	

04-May	10:00	EUR	Prelim Flash GDP q/q	0.50%	0.40%	
		EUR	PPI m/m	0.10%	0.00%	
	13:15	USD	ADP Non-Farm Employment Change	178K	263K	
	14:45	USD	Final Services PMI	52.5	52.5	
	15:00	USD	ISM Non-Manufacturing PMI	56.1	55.2	
	15:30	USD	Crude Oil Inventories		-3.6M	
	19:00	USD	FOMC Statement			
		USD	Federal Funds Rate	<1.00%	<1.00%	
	02:30	AUD	Trade Balance	3.33B	3.57B	
	02:45	CNY	Caixin Services PMI	52.6	52.2	
	04:10	AUD	RBA Gov Lowe Speaks			
	06:45	CHF	SECO Consumer Climate	3	-3	
	08:15	EUR	Spanish Services PMI	57.7	57.4	
	08:45	EUR	Italian Services PMI	53.7	52.9	
	08:50	EUR	French Final Services PMI	57.7	57.7	
	08:55	EUR	German Final Services PMI	54.7	54.7	
	09:00	EUR	Final Services PMI	56.3	56.2	
	09:30	GBP	Services PMI	54.6	55	
		GBP	Net Lending to Individuals m/m	4.5B	4.9B	
		GBP	M4 Money Supply m/m	0.20%	-0.30%	
		GBP	Mortgage Approvals	67K	68K	
		10:00	EUR	Retail Sales m/m	0.10%	0.70%
		12:30	USD	Challenger Job Cuts y/y		-2.00%
		13:30	CAD	Trade Balance	0.3B	-1.0B
			USD	Unemployment Claims	246K	257K
			USD	Prelim Nonfarm Productivity q/q	0.10%	1.30%
			USD	Prelim Unit Labor Costs q/q	2.50%	1.70%
			USD	Trade Balance	-44.9B	-43.6B
		15:00	USD	Factory Orders m/m	0.60%	1.00%
		15:30	USD	Natural Gas Storage		74B
	17:30	EUR	ECB President Draghi Speaks			
	21:25	CAD	BOC Gov Poloz Speaks			
05-May	02:30	AUD	RBA Monetary Policy Statement			
	04:00	NZD	Inflation Expectations q/q		1.90%	
	08:00	CHF	Foreign Currency Reserves		683B	
	09:10	EUR	Retail PMI		49.5	
	13:30	CAD	Employment Change	20.0K	19.4K	
		CAD	Unemployment Rate	6.70%	6.70%	
		USD	Average Hourly Earnings m/m	0.30%	0.20%	
		USD	Non-Farm Employment Change	194K	98K	
		USD	Unemployment Rate	4.60%	4.50%	
	15:00	CAD	Ivey PMI	62.3	61.1	
	16:30	USD	FOMC Member Fischer Speaks			
	18:30	USD	Fed Chair Yellen Speaks			
		USD	FOMC Member Evans Speaks			
	20:00	USD	Consumer Credit m/m	15.0B	15.2B	

Time: GMT

MARKETS RECAP



Last Week: 24th of April 2017, to 28th of April 2017

The financial markets opened on Monday cheered by the French election outcome from the first round of voting. It was a battle between the centrist, Emmanuel Macron is considered to be a stable successor to French politics versus the far-right leaning Marine Le Pen. Le Pen is expected to lose the elections in the second round of voting due in early May. The euro gapped higher on the weekly open as investors' risk appetite gained on the back of the political developments in France.

Australia quarterly inflation rises 0.5%

Consumer prices in Australia failed to impress as inflation rose at a slower than expected pace, data from Australian Bureau of Statistics showed last week.

Consumer prices rose just 0.5% in the three months ending March and was unchanged compared to the previous three months. Economists polled were expecting to see inflation rise 0.6% in the first quarter of this year.



Australia Inflation Rate (Yoy): 2.1%

On a year over year basis, consumer prices in Australia advanced 2.1% slightly below forecasts of 2.2% but accelerated 1.5% from the previous quarter on a yearly basis. The RBA's measure of inflation, the trimmed mean inflation was up 0.5% on the quarter and rose 1.9% on the year as expected.

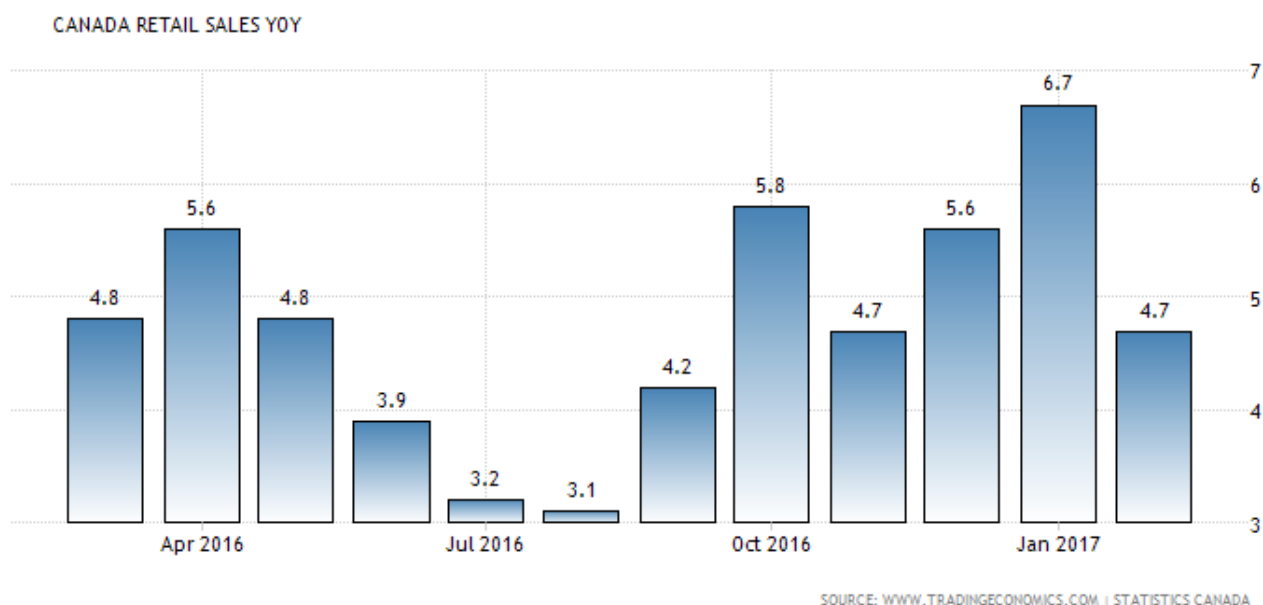
The tepid rise in inflation came despite an increase in gasoline prices during the measured period. Core inflation was also seen at 0.5% suggesting that discounting was a major factor.

Capital Economics' forecast that Australia's central bank will cut rates a half-point to 1% this year was based on a view that underlying inflation wouldn't rise as fast as the RBA expected.

But when taken together with the RBA's valid concerns that cutting rates further would threaten financial stability, today's slower-than-expected 1Q inflation data suggest underlying prices are at a level the central bank will be willing to tolerate. **"As such, we are no longer expecting the RBA to cut interest rates further."** That said, Capital Economics adds price pressures and economic growth aren't strong enough to warrant rate hikes; it sees no change through 2018.

Canada's retail sales falls on weaker gas and auto sales

Retail sales in Canada edged lower in February as data from Statistics Canada showed that retail sales fell 0.6% to \$47.8 billion. The declines came on the back of lower sales at motor vehicle and parts deals. The decline of 0.6% was larger than the expected 0.1% decline. In volume terms, retail sales were down 0.1%.



Canada Retail sales YoY 4.7% (February 2017)

February's decline reverses some of the gains made earlier in January when Canada's retail sales rose 2.3%. Official data showed that sales were down in just five out of the eleven sub sectors which represented nearly 67% of the total retail sales. On a year over year basis, retail sales were up 4.7% in February 2017.

Sales at gasoline stations were down 3.6% while sales of motor vehicles and auto parts were down 1.8%, marking the first monthly decline in the past seven months.

Core retail sales which excludes motor vehicle and parts and gasoline station sales was up 0.5%. Despite the weaker numbers in February it did not alter the view that the Canadian economy was poised for stronger growth in the first three months of the year.

Andrew Kelvin, Sr. rates strategist at TD Securities told Reuters that **"There is so much strength through January, that pretty much gets us there."** He expects the first quarter growth in Canada to be around 3%, although slightly below the Bank of Canada's projections of 3.8%.

ECB keeps monetary policy unchanged

The European Central Bank's meeting on Thursday saw no changes to the monetary policy for the ninth consecutive month, as widely expected by economists. Policy makers used the opportunity to assess the economy and noted that it was too early for any talks of tapering its stimulus program, citing both economic and political uncertainty.

The ECB's Governing council led by president Mario Draghi opted to leave the refinance rates unchanged at zero percent while keeping the deposit rates steady at -0.40% and the marginal lending facility rate at 0.25%. The central bank also maintained its monthly asset purchase program at 60 billion euro a month.

In its statement, the ECB said, **"The Governing Council continues to expect the key ECB interest rates to remain at present or lower levels for an extended period of time, and well past the horizon of the net asset purchases."**

Speaking at the press conference, the ECB president said that policy makers were confident at the prospects of the recovery in the region but noted that risks remain to inflation.

"Incoming data since our meeting in early March confirm that the cyclical recovery of the euro area economy is becoming increasingly solid and that downside risks have further diminished," Draghi said at the press conference.

The euro initially rallied on the news after the release of the ECB's statement but later on during the press conference, the common currency gave up the gains and posted a decline for the second consecutive day.

MARKETS PREVIEW



1st of May 2017, to 5th of May 2017

A new trading week will be marked by key monthly economic indicators from across the world. The week starts off on a quiet note on Monday with most of the markets closed on account of the Labor Day bank holiday, but data from the U.S. pushes full steam ahead with the ISM manufacturing PMI due on Monday gathering pace through the week. Among the central bank meetings this week, the RBA and the FOMC meetings will stand out, followed by Friday's nonfarm payrolls report.

FOMC Meeting – Fed to stay on the sidelines

The FOMC meeting this week is scheduled for on Wednesday. The FOMC meeting will not be followed up by a press conference and therefore, no changes to monetary policy is expected at this week's meeting.

Still, investors will be looking for clues from the central bank officials on the timing of the next rate hike. Currently, the June FOMC meeting is the prime event where the next rate hike could come. However, a lot will depend on the economic data between now and then.

At this week's meeting, the Federal Reserve is expected to signal no change to monetary policy while maintaining that rate hikes will be data dependent. There is chance for the Fed to overlook the current spate of weakness in the economy.

The Fed's meeting comes ahead of the April payrolls report, which also makes it a bit tricky. The U.S. labor market posted one of the weakest pace of job additions in March, but the Fed is likely to call this "transitory" and insist on waiting for more data.

Economists are also of the belief that the hawkish Fed is less likely to be frightened by short term blips in the economy. As reinforced by many Fed officials, there has been an increase in confidence among policy makers in recent times.

"The bar to disrupting the Fed's plans is higher now that it was in previous years," an economist said, according to MarketWatch. At the moment, the Fed is on track to hike interest rates two more times this year.

If the Fed will go according to plan, then the next rate hike is expected June and the final rate hike is expected either in September or December this year.

RBA to keep the cash rate unchanged in May

The RBA's monetary policy meeting scheduled this week is expected to be a mixed bag of events. While on one hand, no changes to interest rates are expected, which will see the benchmark cash rate unchanged at the record lows of 1.5%, the RBA's statement will most likely garner attention.

The RBA had to previously reiterate its warnings to mortgage lenders which has seen increased activity in the housing markets. Fuelled by low interest rates, housing prices have steadily increased, posing a threat to the economy. However, with mortgage lenders now falling in line and hiking the mortgage rates, the RBA could be expected to breathe easy.

Working in its favor is also the fact that recent uptick in inflation is somewhat encouraging as inflation returned to the RBA's target band for the first time in two years. Considering the above, the RBA could very well highlight the developments, although some weakness remains as far as the labor market is concerned.

Growth is still fragile which will mean that the RBA will continue its fine balancing act between lower interest rates while at the same time ensuring that the effects don't further add fuel to the rising house prices.

Besides the RBA's meeting, other data over the week will include the trade balance figures for the month of March. In February, Australia posted a trade surplus of \$3.5 billion, up from \$1.5 billion registered in January. Exports jumped 1.0% while imports fell 5%.

Eurozone flash GDP estimates for the first quarter of 2017

A lot of economic data from the eurozone is coming out this week with the monthly PMI numbers. However, standing out among the various data will be the flash GDP estimates for the first quarter.

Investors will be focusing on whether the economy lived up to the hype based on a broad confluence of higher PMI readings during the first three months of the year and strong performance by Germany. Preliminary estimates point to a potential 0.6% increase in economic activity in the Eurozone in the three months ending March 2017.

Data released last week shows that French consumer spending dropped unexpectedly in March as households cut back on energy spending during an unseasonably mild start to the year. French economy fell 0.4% on the month in March and 1% on the year.

However, data from Germany shows that retail sales rose slightly in March amid revisions to the historical data, which also provided a big boost to turnover in 2016 and 2015. German retail sales rose 0.1% from the month before, adjusted for seasonal swings and calendar effects.

Besides the economic data, other factors to consider this week includes a live TV debate between finalists Macron and Le Pen ahead of the second round of voting next Sunday.

TECHNICAL CORNER



AUDUSD – Aussie preparing for a medium term uptrend

The Australian dollar managed to regain some of the lost ground by Friday and closed on a bullish note. On a monthly basis, AUDUSD broke down to the downside after in February price action formed an outside bar with a spinning top. The bearish close on April signifies potential downside in prices in the near term but the longer term bias remains to the upside.



AUDUSD (0.7488) – 4-hr Chart

On the 4-hour chart, price action is clearly in a bearish trend, moving within the identified bearish price channel. Support and resistance levels are noted at 0.7484 and 0.7551. To the upside, AUDUSD will need to break above 0.7484 and establish support in order for the upside to post the rally towards 0.7551. We also notice that the most recent leg of declines have consolidated into a falling wedge pattern which increases the possibility of an upside breakout in prices.

The week ahead will be a busy one for the AUDUSD with fundamentals from both Australia and the U.S. very likely to bring a lot of volatility to the currency pair. The RBA's meeting will be kicking off and with no changes expected to interest rates, the Aussie could be looking at some dovish signs from the central bank. Data from the U.S. will include high impact events such as the FOMC meeting and the payrolls numbers which will significantly influence the strength of the U.S. dollar in the near term.

From a trading stand point, look for AUDUSD to close above 0.7484 where long positions can be established which will then target the upper resistance level at 0.7551. A close above 0.7551 will potentially see AUDUSD prepare for further upside in prices.

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