

orbex WEEKLY MARKETS REPORT



OVERWEEK
BULLET POINTS



THE WEEK
AHEAD



MARKETS
PREVIEW



THE CHART OF
THE WEEK

OVERWEEK BULLET POINTS



Last Week: 1st of May 2017, to 5th of May 2017

- Australia AIG manufacturing index 59.2 vs. 57.5 previously
- Japan final manufacturing PMI 52.7 vs. 52.8
- Australia MI inflation gauge m/m 0.5% vs. 0.1% previously
- Australia commodity prices y/y 38.6% vs. 46.8% previously
- Switzerland retail sales y/y 2.1% vs. 0.5%
- U.S. Core PCE Price index m/m -0.1% vs. -0.1%
- U.S. personal spending m/m 0.0% vs. 0.2%
- U.S. personal income m/m 0.2% vs. 0.4%
- Canada manufacturing PMI 55.9 vs. 55.5 previously
- U.S. final manufacturing PMI 52.8 vs. 52.8
- U.S. ISM manufacturing PMI 54.8 vs. 56.6
- U.S. construction spending m/m -0.2% vs. 0.5%
- U.S. ISM manufacturing prices 68.5 vs. 66.5
- U.S. Treasury secretary Mnuchin speech
- Japan monetary base y/y 19.8% vs. 21.2%
- BoJ releases monetary policy meeting minutes
- China Caixin manufacturing PMI 50.3 vs. 51.4
- RBA leaves cash rate unchanged at 1.50%
- RBA releases rate statement
- BoJ Core CPI y/y -0.1% vs. 0.2%
- Spain manufacturing PMI 54.5 vs. 54.3
- Switzerland manufacturing PMI 57.4 vs. 58.2
- Italy manufacturing PMI 56.2 vs. 55.9
- France manufacturing PMI 55.1 vs. 55.1
- Germany manufacturing PMI 58.2 vs. 58.2
- Eurozone final manufacturing PMI 56.7 vs. 56.8
- Italy monthly unemployment rate 11.7% vs. 11.6%
- UK manufacturing PMI 57.3 vs. 54.0
- Eurozone unemployment rate 9.5% vs. 9.4%
- New Zealand GDT price index 3.6% vs. 3.1% previously
- U.S. total vehicle sales 16.9mn vs. 17.1mn
- New Zealand employment change q/q 1.2% vs. 0.8%
- New Zealand unemployment rate 4.9% vs. 5.1%
- New Zealand Labor cost index q/q 0.4% vs. 0.5%
- UK BRC Shop price index y/y -0.5% vs. -0.8% previously
- Australia AIG services index 53.0 vs. 51.7 previously
- Germany unemployment change -15k vs. -10k
- UK construction PMI 53.1 vs. 52.1
- Eurozone preliminary flash GDP q/q 0.5% vs. 0.5%
- Eurozone PPI m/m -0.3% vs. 0.1%
- U.S. ADP nonfarm employment change 177k vs. 178k
- U.S. final services PMI 53.1 vs. 52.5

- U.S. ISM non-manufacturing PMI 53.1 vs. 52.5
- U.S. crude oil inventories -0.9mn vs. -3.3mn
- FOMC statement
- Fed funds rate unchanged at 1.0%
- New Zealand ANZ commodity prices m/m -0.2% vs. 0.4% previously
- Australia HIA new home sales m/m -1.1% vs. 0.2%
- Australia trade balance 3.11bn vs. 3.33bn
- China Caixin services PMI 51.5 vs. 52.6
- RBA Gov Lowe speech
- Switzerland SECO consumer climate -8 vs. 3
- Spain unemployment change -129.3k vs. -78.2k
- Spain services PMI 57.8 vs. 57.7
- Italy services PMI 56.2 vs. 53.7
- France services PMI 56.7 vs. 57.7
- Germany services PMI 55.4 vs. 54.7
- Eurozone final services PMI 56.4 vs. 56.3
- UK services PMI 55.8 vs. 54.6
- UK net lending to individuals m/m 4.7bn vs. 4.5bn
- UK M4 money supply m/m 0.3% vs. 0.2%
- UK mortgage approvals 67k vs. 67k
- Eurozone retail sales m/m 0.3% vs. 0.1%
- Canada trade balance -0.1bn vs. 0.3bn
- U.S. unemployment claims 238k vs. 246k
- U.S. preliminary nonfarm productivity q/q -0.6% vs. 0.1%
- U.S. preliminary unit labor costs q/q 3.0% vs. 2.5%
- U.S. trade balance -43.7bn vs. -44.9bn
- U.S. factory orders m/m 0.2% vs. 0.6%
- ECB President Draghi speech
- BoC Gov. Poloz speech
- Australia AIG construction index 51.9 vs. 51.2 previously
- RBA monetary policy statement
- New Zealand inflation expectations q/q 2.2% vs. 1.9% previously
- Switzerland foreign currency reserves 696bn vs. 683bn previously
- Eurozone retail PMI 52.6 vs. 49.5 previously
- Canada employment change 3.2k vs. 20.k
- Canada unemployment rate 6.5% vs. 6.7%
- U.S. average hourly earnings m/m 0.3% vs. 0.3%
- U.S. unemployment rate 4.4% vs. 4.6%
- U.S. nonfarm employment change 211k vs. 194k
- Canada Ivey PMI 62.4 vs. 62.3
- FOMC Member Fischer speech
- Fed Chair Janet Yellen speech
- FOMC Member Evans speech

THE WEEK AHEAD



8th of May 2017, to 12th of May 2017

IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

Date	Time	Currency	Event	Forecast	Previous	
08-May	2:30	AUD	Building Approvals m/m	-3.90%	8.30%	
		AUD	NAB Business Confidence		6	
		AUD	ANZ Job Advertisements m/m		0.30%	
	Tentative	CNY	Trade Balance	197B	164B	
		CNY	USD-Denominated Trade Balance	35.3B	23.9B	
	06:00	JPY	Consumer Confidence	44.3	43.9	
	07:00	EUR	German Factory Orders m/m	0.70%	3.40%	
	08:30	GBP	Halifax HPI m/m	0.10%	0.00%	
	09:30	EUR	Sentix Investor Confidence	25.3	23.9	
	13:15	CAD	Housing Starts	220K	253K	
	8th-12th	USD	Mortgage Delinquencies		4.80%	
	15:00	USD	Labor Market Conditions Index m/m		0.4	
	09-May	00:01	GBP	BRC Retail Sales Monitor y/y		-1.00%
01:00		JPY	Average Cash Earnings y/y	0.40%	0.40%	
02:30		AUD	Retail Sales m/m	0.30%	-0.10%	
06:45		CHF	Unemployment Rate	3.30%	3.30%	
07:00		EUR	German Industrial Production m/m	-0.60%	2.20%	
		EUR	German Trade Balance	21.7B	21.0B	
07:45		EUR	French Gov Budget Balance		-21.5B	
09:00		EUR	Italian Retail Sales m/m	0.20%	-0.30%	
10:30		AUD	Annual Budget Release			
11:00		USD	NFIB Small Business Index	104	104.7	
13:30		CAD	Building Permits m/m	0.40%	-2.50%	
15:00		USD	JOLTS Job Openings	5.67M	5.74M	
		USD	Final Wholesale Inventories m/m	-0.10%	-0.10%	
10-May		02:30	USD	IBD/TIPP Economic Optimism	52.3	51.7
			CNY	CPI y/y	1.10%	0.90%
	CNY	PPI y/y	6.80%	7.60%		
	06:00	JPY	Leading Indicators	105.50%	104.80%	
	07:45	EUR	French Industrial Production m/m	1.20%	-1.60%	
		EUR	French Trade Balance	-5.9B	-6.6B	
	09:00	EUR	Italian Industrial Production m/m	0.30%	1.00%	
	13:30	USD	Import Prices m/m	0.20%	-0.20%	
	15:30	USD	Crude Oil Inventories		-0.9M	
	19:00	USD	Federal Budget Balance		-176.2B	
	22:00	NZD	Official Cash Rate	1.75%	1.75%	
		NZD	RBNZ Rate Statement			
		NZD	RBNZ Monetary Policy Statement			
	23:00	NZD	RBNZ Press Conference			
	23:45	NZD	FPI m/m		-0.30%	

11-May	00:01	GBP	RICS House Price Balance	20%	22%
	00:50	JPY	Bank Lending y/y	3.20%	3.00%
		JPY	Current Account		2.21T
	02:00	AUD	MI Inflation Expectations		4.10%
	02:10	NZD	RBNZ Gov Wheeler Speaks		
	06:00	JPY	Economy Watchers Sentiment	47.9	47.4
	07:00	EUR	German WPI m/m	0.10%	0.00%
	08:15	CHF	CPI m/m	0.20%	0.20%
	11th-16th	CNY	M2 Money Supply y/y	10.80%	10.60%
	11th-16th	CNY	New Loans	800B	1020B
	09:00	EUR	ECB Economic Bulletin		
	09:30	GBP	Manufacturing Production m/m	-0.20%	-0.10%
		GBP	Goods Trade Balance	-11.6B	-12.5B
		GBP	Construction Output m/m	0.30%	-1.70%
		GBP	Industrial Production m/m	-0.40%	-0.70%
	10:00	EUR	EU Economic Forecasts		
	11:25	USD	FOMC Member Dudley Speaks		
	12:00	GBP	BOE Inflation Report		
		GBP	MPC Official Bank Rate Votes	1-0-8	1-0-8
		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
	13:00	GBP	NIESR GDP Estimate		0.50%
	13:30	CAD	NHPI m/m	0.30%	0.40%
		USD	PPI m/m	0.20%	-0.10%
		USD	Unemployment Claims	245K	238K
		USD	Core PPI m/m	0.20%	0.00%
	15:30	CAD	BOC Review		
		USD	Natural Gas Storage		67B
23:30	NZD	Business NZ Manufacturing Index		57.8	
12-May	00:50	JPY	M2 Money Stock y/y	4.30%	4.30%
	07:00	EUR	German Prelim GDP q/q	0.60%	0.40%
		EUR	German Final CPI m/m	0.00%	0.00%
	07:45	EUR	French Prelim Non-Farm Payrolls q/q	0.20%	0.40%
	10:00	EUR	Industrial Production m/m	0.30%	-0.30%
	Day 1	ALL	G7 Meetings		
	13:30	USD	CPI m/m	0.20%	-0.30%
		USD	Core CPI m/m	0.20%	-0.10%
		USD	Core Retail Sales m/m	0.50%	0.00%
		USD	Retail Sales m/m	0.60%	-0.20%
	14:00	USD	FOMC Member Evans Speaks		
	15:00	USD	Prelim UoM Consumer Sentiment	97	97
		USD	Business Inventories m/m	0.10%	0.30%
		USD	Prelim UoM Inflation Expectations		2.50%
17:30	USD	FOMC Member Harker Speaks			

Time: GMT

MARKETS RECAP



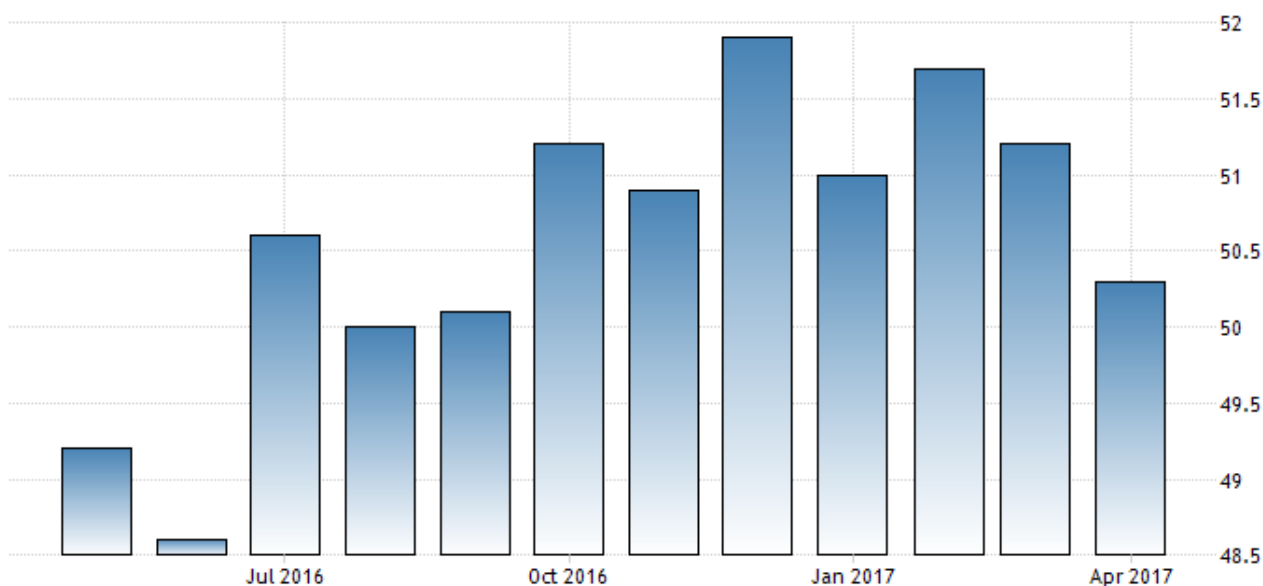
Last Week: 1st of May 2017, to 5th of April 2017

Last week was all about the economic performance with the first trading week of the month focusing on the fresh set of statistics for the month of April. It was a mixed week for the U.S. dollar which saw the FOMC meeting reiterating the Fed's commitment for rate hikes. The markets are now looking at the June meeting as a live event. Elsewhere, other central bank meetings included the RBA which left the key lending rates unchanged.

China's manufacturing expands at a slower pace

Manufacturing activity in China was seen expanding at a slower pace in April, led by weak pace of new orders and output. Official data from IHS Markit shows that the Caixin Purchase Managers' Index for the factor sector fell to 50.3 in April, down from 51.2 in March and missed forecasts of 51.3.

The April manufacturing PMI sits just above the 50 threshold which indicates expansion in the sector, although at a declining pace. April's manufacturing PMI signaled the weakest pace of expansion since September 2016.



China Caixin Manufacturing PMI 50.3 (April 2017)

In a separate report, the official manufacturing PMI report showed that the sector slid to 51.3 in April after rising to a 5-year high in March at 51.8. However, services sector showed a slowdown, falling to 54.0 from 55.1 in March.

The weak reading in the manufacturing PMI was seen confirming the downward trend indicating that the slowdown from the first quarter was extending into the second quarter as well based on the slow pace of expansion in new orders and output work.

Production growth was also seen to be soft during the reported period as total new business followed a similar trend, rising at the slowest pace since September last year. New orders were also seen rising at the slower paced with companies indicating that new product launched added to new orders both at home and abroad.

The weak pace of consumer demand also weighed on business during the month of April. Chinese manufacturers were seen reducing their workforce since the start of the second quarter with payroll cuts rising at the fastest pace since January this year. Cost pressures eased as a result with the rate of price inflation on input falling to a 7-month low. This in turn led companies to hike the prices charged at a moderate pace which was the slowest since August last year.

Reserve bank of Australia keeps interest rates steady

The Australian central bank left the key lending rates unchanged at 1.50%, marking a record low for interest rates for eight consecutive months, at its monetary policy meeting last week.



RBA Interest Rates: 1.5%, May 2017

The board of the Reserve bank of Australia under the guidance of Philip Lowe judged that ***"holding the stance of monetary policy unchanged at this meeting would be consistent with sustainable growth in the economy and achieving the inflation target over time,"*** the RBA's bank statement said.

The RBA said that it expects growth to pickup gradually over the next few years to a little above 3%. Higher commodity prices, led by a broad improvement in the global economy, were seen adding some boost to the national income according to the central bank.

The central bank was optimistic that various forward looking indicators suggested continued expansion in the labor market in the periods ahead and expected that the unemployment rate would gradually fall. However, wage growth remained a key point from the central bank which said that it could increase at a slower pace.

On the exchange rate, central bank officials said that the depreciation of the Australian dollar since 2013 helped the economy to transition after the mining investment boom. The RBA said that it expects inflation to remain around 1.75%, slightly higher from its previous forecasts. At the previous reading, Australia's inflation was seen at 2% in the quarter ending March 2017.

Experts note that the RBA is likely to keep interest rates unchanged through the rest of the year with inflation likely to remain the uncertain aspect for monetary policy.

U.S. unemployment rate falls to a 10-year low

The U.S. unemployment rate fell to the lowest levels in nearly a decade, data from the Labor department showed on Friday. The pace of hiring picked up after a dismal print in March.

The U.S. economy was seen adding 211k jobs in April on a seasonally adjusted basis while the unemployment rate fell to 4.4% from 4.5% unemployment rate that was registered a month ago. It was the lowest unemployment rate on record since May 2007.

The April payrolls report beat estimates as economists polled were expecting to see a headline print of 188k jobs while the unemployment rate was expected to tick higher.

March payrolls report was lowered even further to show just 79k jobs, down from the previously reported 98k.

The average hourly earnings in the private sector rose at an annual rate of 2.5% in April. Wages were seen rising for the most part last year amid increased competition and low unemployment. However, since 2017 beginning, the pace of wage growth was seen slowing after December's increase of 2.9%.

The latest unemployment report has rekindled expectations that the Fed is on track for interest rate hikes in June. The U.S. labor market has been one of the brightest spots in a long recovery marked by slow economic growth. In the first quarter, the economy advanced at just a 0.7% annual pace. However, many economic forecasters are expecting an acceleration to better than 3% growth for the April through June period..

MARKETS PREVIEW



8th of May 2017, to 12th of May 2017

The week ahead will see the continuation of the central bank meetings, which includes the Reserve Bank of New Zealand and the Bank of England. No changes are expected from both these meetings. On the economic front, focus will be on the U.S. and China inflation report and retail sales numbers from the U.S. and Australia. Meanwhile, a lot of second tier data from the Eurozone will include preliminary GDP numbers from Germany.

RBNZ to hold OCR steady at 1.75%

The Reserve Bank of New Zealand's monetary policy meeting is due this week on Wednesday. The central bank is expected to keep the overnight cash rate (OCR) unchanged at 1.75% at this week's meeting. However, there is a strong consensus that the central bank could come out hawkish noting that interest rates are likely to move up.

Inflation in New Zealand inched closer to the RBNZ's 2% target rate, albeit mostly on some temporary factors that could dissipate in the coming months. The challenge for the RBNZ therefore is to keep inflation on target in the near term. Earlier last week, New Zealand's inflation expectations measured over the quarter showed an increase to 2.2%. This was up from 1.9% previously.

This was the first time that inflation expectations as measured by the RBNZ's quarterly survey rose since 2014. One year inflation expectations are showing an increase from 1.5% to 1.9%. Given that inflation expectations plays a big role in influencing monetary policy decisions, this week's meeting is likely to see a hawkish message from the RBNZ.

Incidentally, it was falling inflation expectations that led to rate cuts from the central bank between 2015 and 2016. For the time being, economic factors suggest that the New Zealand's economy was progressing steadily albeit as a slower than expected pace. More importantly, the higher mortgage rates managed to have a big impact on the housing markets as well as affecting consumer spending.

In a speech in March, RBNZ Governor Wheeler concluded that the risks around the OCR were evenly balanced, with downside risks from the global environment but upside risks from the domestic economy. In particular, the

Governor emphasized the uncertainty around the Trump administration's policies, and the risk of a marked rise in trade protectionism.

The RBNZ's concerns about the global backdrop will probably remain. Forecasts of world growth have generally been revised up in recent months, but inflation (setting aside the rebound in oil prices over the last year) remains subdued.

Bank of England to see no major changes to monetary policy

The Bank of England's meeting due on Thursday will see the BoE Governor Mark Carney present the inflation outlook report released once a quarter. In what is being called Super Thursday, the BoE will be deciding on interest rates as well as giving fresh economic projections.

At the February economic projections, the BoE governor Carney upgraded the inflation outlook from 1.4% to 2.0% in what was called "*post referendum*" strength of the economy. Between the periods of January and March, the BoE expected growth rate to be at 0.5%, but statistics showed that the UK's economy expanded at a pace of just 0.3%.

At this week's meeting, the BoE is likely to rein in its hawkish expectations on the market, although inflation and growth are likely to move in opposite directions. Inflation has been edging higher largely thanks to a weaker exchange rate and averaging around 2.2% this year. This puts inflation close to the BoE's target of 2.8% by 2018.

However, some policy makers have come out openly suggesting that inflation could jump even higher. Michael Saunders, a Bank of England policy maker said that he won't be surprised if inflation jumped to 3%.

While inflation continues to rise, wages haven't kept the same pace which is seen as putting a squeeze on the UK consumers which was evident by the weaker pace of retail sales numbers. In contrast, the Eurozone is showing signs of recovery with the preliminary first quarter GDP suggesting a 0.5% growth instead.

No changes are expected from the Bank of England this week, but the policy makers could possibly signal hawkish intent. However, keeping this in check will be the June elections until which the central bank might hold off from making any changes to policy.

U.S. consumer price index expected to rise

Economic data from the U.S. this coming week will focus on inflation and retail sales figures for April, which is due on Friday. After the decline in consumer price index on both the headline and the core in March, the April figures will be closely watched.

Inflation is expected to inch back higher in April, largely thanks to a modest increase on account of the Easter holiday. The April CPI prints is expected to show that the March weakness was on account of a decline in the mobile phone services prices, which was also mentioned some of the Federal Reserve Bank officials.

As far retail sales are concerned, after a modest pace of increase in the first quarter, data is expected to show an increase in April. Forecasts are pointing to a 0.6% increase in retail sales during the month following a 0.2% decline previously.

TECHNICAL CORNER



EURUSD – Rising wedge pattern

EURUSD closed within a consolidation pattern of the rising wedge pattern on the 4-hour chart. This potentially indicates a possible decline in EURUSD to the downside following the break of the initial support seen at 1.0950. With the French elections due on Sunday and the results likely to be announced by 2000 CET the Monday open in EURUSD could be key.



EURUSD (1.0993) – 4-hr Chart

EURUSD will be opening on a volatile note on Monday, unless the elections in France do not throw a surprise. The markets are currently anticipating a Macron victory which has already been priced in. Therefore, an upset victory from Marine Le Pen could see the common currency coming under strong selling pressure. In this instance, expect to see further down in EURUSD.

Assuming that the markets open on Monday to a Macron victory, the focus will be back to the fundamentals, which are currently bullish for the euro and thus supportive of higher prices in EURUSD. Recent string of economic releases have confirmed that inflation has inched back higher while also there are signs of a pickup in the economic recovery in the euro zone, all of which could mean higher interest rates in the medium term.

From a technical outlook, look for EURUSD to break down the support at 1.0950, following which the common currency could be seen posting declines towards the next main support level at 1.0770 and 1.06920. To the upside, there is scope that EURUSD could be seen gapping higher towards 1.1000 on Monday's open.

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