

# orbex WEEKLY MARKETS REPORT



OVERWEEK  
BULLET POINTS



THE WEEK  
AHEAD



MARKETS  
PREVIEW



THE CHART OF  
THE WEEK

# OVERWEEK BULLET POINTS



Last Week: 8<sup>th</sup> of May 2017, to 12<sup>th</sup> of May 2017

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- Australia building approvals m/m -13.4% vs. -3.9%
- Australia NAB business confidence 13 vs. 6 previously
- Australia ANZ Job advertisements m/m 1.4% vs. 0.8% previously
- China trade balance 262bn vs. 197bn
- China USD-denominated trade balance 38.1bn vs. 35.3bn
- Japan consumer confidence 43.2 vs. 44.3
- Germany factory orders m/m 1.0% vs. 0.7%
- UK Halifax HPI m/m -0.1% vs. 0.1%
- Eurozone Sentix investor confidence 27.4 vs. 25.3
- Canada housing starts 214k vs. 220k
- U.S. labor market conditions index 2.5 vs. 3.6 previously
- UK BRC Retail sales monitor y/y 5.6% vs. -1.0% previously
- Japan average cash earnings y/y -0.4% vs. 0.4%
- Australia retail sales m/m -0.1% vs. 0.3%
- Switzerland unemployment rate 3.3% vs. 3.2%
- Germany industrial production m/m -0.4% vs. -0.6%
- Germany trade balance 19.6bn vs. 21.2bn
- Italy retail sales m/m 0.0% vs. 0.2%
- Australia releases the annual federal budget
- U.S. NFIB small business index 104.5 vs. 104.0
- Canada building permits m/m -5.8% vs. 4.2%
- U.S. JOLTS job openings 5.74mn vs. 5.67mn
- U.S. Final wholesale inventories m/m 0.2% vs. -0.1%
- U.S. IBD/TIPP Economic Optimism 51.3 vs. 52.3
- FOMC Member Kaplan speech
- BoJ releases summary of opinions
- China CPI y/y 1.2% vs. 1.1%
- China PPI y/y 6.4% vs. 6.8%
- Japan leading indicators 105.5% vs. 105.5%
- French industrial production m/m 2.0% vs. 1.2%
- French trade balance -5.4bn vs. -5.9bn
- Italy industrial production m/m 0.4% vs. 0.3%
- ECB President Draghi speech
- U.S. import prices m/m 0.5% vs. 0.2%
- RBNZ leaves official cash rate unchanged at 1.75%
- RBNZ releases monetary policy statement
- RBNZ press conference
- New Zealand FPI m/m -0.8% vs. -0.3% previously
- RICS house price balance 22% vs. 20%
- Japan bank lending y/y 3.0% vs. 3.2%
- Japan current account 1.73tn vs. 1.75tn
- RBNZ Gov. Wheeler speech

- Japan economy watchers sentiment 48.1 vs. 47.9
- Germany WPI m/m 0.3% vs. 0.1%
- Switzerland CPI m/m 0.2% vs. 0.2%
- EU releases economic forecasts
- ECB releases economic bulletin
- UK manufacturing production m/m -0.6% vs. -0.2%
- UK goods trade balance -13.4bn vs. -11.7bn
- UK construction output m/m -0.7% vs. 0.3%
- UK industrial production m/m -0.5% vs. -0.4%
- FOMC Member Dudley speech
- BoE releases inflation report
- BoE MPC votes to keep interest rates unchanged at 0.25%
- BoE MPC votes to keep asset purchases unchanged at 435bn
- BoE Gov. Carney speech
- UK NIESR GDP estimates 0.2% vs. 0.3% previously
- Canada NHPI m/m 0.2% vs. 0.2%
- U.S. PPI m/m 0.5% vs. 0.2%; core PPI m/m 0.4% vs. 0.2%
- U.S. unemployment claims 236k vs. 245k
- BoC review
- New Zealand Business NZ manufacturing index 56.8 vs. 58.0 previously
- Japan M2 Money stock y/y 4.3% vs. 4.3%
- Germany preliminary GDP q/q 0.6% vs. 0.6%
- Germany final CPI m/m 0.0% vs. 0.0%
- France preliminary nonfarm payrolls q/q 0.3% vs. 0.2%
- China M2 money supply y/y 10.5% vs. 10.8%
- China new loans 1100bn vs. 800bn
- Eurozone industrial production m/m -0.1% vs. 0.3%
- U.S. CPI m/m 0.2% vs. 0.3%; core CPI m/m 0.1% vs. 0.2%
- U.S. retail sales m/m 0.4% vs. 0.6%; core retail sales 0.3% vs. 0.5%
- FOMC Member Evans speech
- U.S. preliminary UoM consumer sentiment 97.7 vs. 97.0
- U.S. business inventories m/m 0.2% vs. 0.1%
- U.S. preliminary UoM Inflation expectations 2.6% vs. 2.5%
- FOMC Member Harker speech

# THE WEEK AHEAD



15<sup>th</sup> of May 2017, to 19<sup>th</sup> of May 2017

## IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

Date	Time	Currency	Event	Forecast	Previous
15-May	00:01	GBP	Rightmove HPI m/m		1.10%
	00:50	JPY	PPI y/y	1.80%	1.40%
	02:30	AUD	Home Loans m/m	0.10%	-0.50%
	03:00	CNY	Industrial Production y/y	7.00%	7.60%
		CNY	Fixed Asset Investment ytd/y	9.10%	9.20%
		CNY	Retail Sales y/y	10.80%	10.90%
	15th-18th	CNY	Foreign Direct Investment ytd/y		1.00%
	07:00	JPY	Prelim Machine Tool Orders y/y		22.60%
	08:15	CHF	PPI m/m	0.00%	0.10%
	13:30	USD	Empire State Manufacturing Index	7.6	5.2
	15:00	USD	NAHB Housing Market Index	68	68
	21:00	USD	TIC Long-Term Purchases	68.3B	53.4B
	16-May	02:30	AUD	Monetary Policy Meeting Minutes	
		AUD	New Motor Vehicle Sales m/m		1.90%
05:30		JPY	Tertiary Industry Activity m/m	0.10%	0.20%
07:45		EUR	French Final CPI m/m	0.10%	0.10%
09:00		EUR	Italian Prelim GDP q/q	0.20%	0.20%
09:30		GBP	CPI y/y	2.60%	2.30%
		GBP	PPI Input m/m	0.10%	0.40%
		GBP	RPI y/y	3.40%	3.10%
		GBP	Core CPI y/y	2.20%	1.80%
		GBP	HPI y/y	5.40%	5.80%
		GBP	PPI Output m/m	0.20%	0.40%
10:00		EUR	Flash GDP q/q	0.50%	0.50%
		EUR	German ZEW Economic Sentiment	22.3	19.5
		EUR	Trade Balance	18.8B	19.2B
		EUR	ZEW Economic Sentiment	29.1	26.3
13:30		USD	Building Permits	1.27M	1.27M
		USD	Housing Starts	1.26M	1.22M
14:15		USD	Capacity Utilization Rate	76.30%	76.10%
		USD	Industrial Production m/m	0.40%	0.50%
14:30		GBP	CB Leading Index m/m		0.10%
15:00	USD	Mortgage Delinquencies		4.80%	
Tentative	NZD	GDT Price Index		3.60%	
	23:45	NZD	PPI Input q/q		1.00%
		NZD	PPI Output q/q		1.50%
17-May	00:50	JPY	Core Machinery Orders m/m	2.60%	1.50%

18-May	01:30	AUD	Westpac Consumer Sentiment		-0.70%
	02:30	AUD	Wage Price Index q/q	0.50%	0.50%
	05:30	JPY	Revised Industrial Production m/m	-2.10%	-2.10%
	09:00	EUR	Italian Trade Balance	1.97B	1.88B
	09:30	GBP	Average Earnings Index 3m/y	2.40%	2.30%
		GBP	Claimant Count Change		25.5K
		GBP	Unemployment Rate	4.70%	4.70%
	10:00	EUR	Final CPI y/y	1.90%	1.90%
		EUR	Final Core CPI y/y	1.20%	1.20%
	13:30	CAD	Manufacturing Sales m/m	0.40%	-0.20%
	15:30	USD	Crude Oil Inventories		-5.2M
	00:50	JPY	Prelim GDP q/q	0.40%	0.30%
		JPY	Prelim GDP Price Index y/y	-0.70%	-0.10%
	02:00	AUD	MI Inflation Expectations		4.10%
	02:30	AUD	Employment Change	5.2K	60.9K
		AUD	Unemployment Rate	5.90%	5.90%
	09:30	GBP	Retail Sales m/m	1.20%	-1.80%
	13:30	CAD	Foreign Securities Purchases		38.84B
		USD	Unemployment Claims	240K	236K
		USD	Philly Fed Manufacturing Index	18.9	22
	15:00	USD	CB Leading Index m/m	0.40%	0.40%
	23:45	NZD	Visitor Arrivals m/m		1.50%
19-May	04:00	NZD	Credit Card Spending y/y		7.10%
	07:00	EUR	German PPI m/m	0.20%	0.00%
	09:00	EUR	Current Account	32.3B	37.9B
	11:00	GBP	CBI Industrial Order Expectations	4	4
	13:30	CAD	CPI m/m	0.50%	0.20%
		CAD	Core Retail Sales m/m	0.20%	-0.10%
		CAD	Common CPI y/y		1.30%
		CAD	Median CPI y/y		1.70%
		CAD	Retail Sales m/m	0.30%	-0.60%
		CAD	Trimmed CPI y/y		1.40%
		CAD	Core CPI m/m		0.30%
		15:00	EUR	Consumer Confidence	-3

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

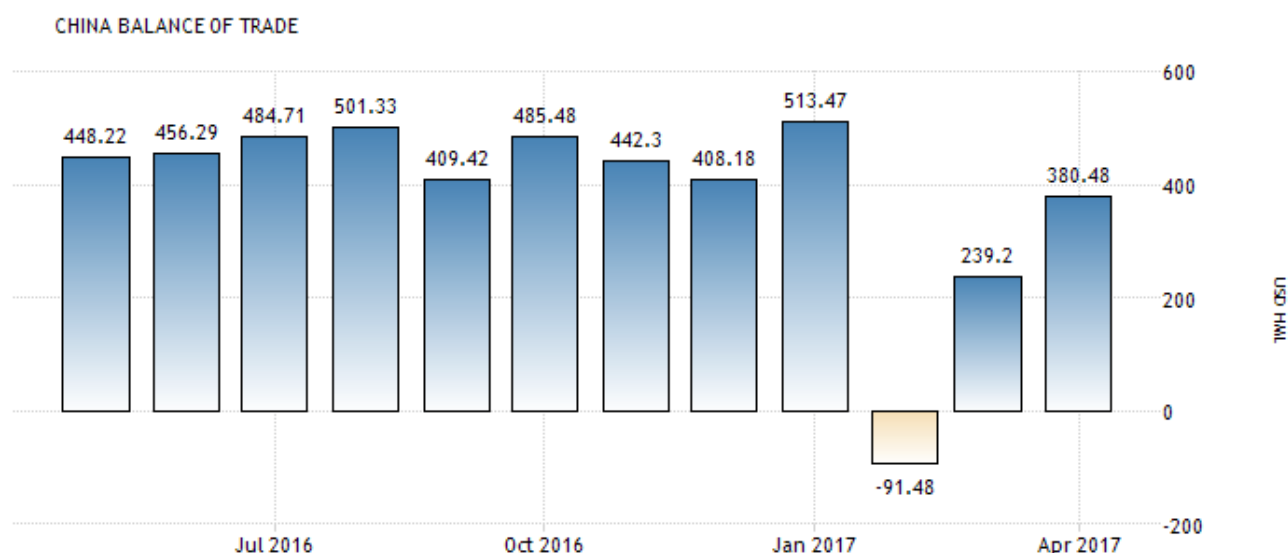


Last Week: 8<sup>th</sup> of May 2017, to 12<sup>th</sup> of April 2017

The markets opened this week with the eye on the French elections that were held last Sunday. As widely expected, the pro-EU centrist candidate, Emmanuel Macron won the French elections. This saw a rather muted response from the markets, which had already priced in the event. With no further surprises, focus this week was on the RBNZ and the BoE monetary policy meetings which saw no changes to interest rates.

## China exports rise slower than expected in April

Exports and imports data from China showed a slower than expected pace of increase in the month of April. Official data from the General Administration of Customs showed on Monday that exports rose just 8% in April from a year ago, missing forecasts of 11.3% increase and nearly half of March's 16.4% increase.



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**China Trade Balance: 38.5 billion, April 2017**

Imports were also weaker in April but managed to log 11.9% increase, missing estimates of 18% and down from March's 20.3% increase. Shipments to the United States rose at a pace of 11.7% which was slower than the previous month.

The overall trade surplus widened to \$38.05 billion during the month, which managed to beat the forecasts of \$35.2 billion and higher than March's surplus of \$23.9 billion.

In yuan terms, China's trade surplus totaled CNY262.3 billion, slightly higher than the expected CNY 197.2 billion. Exports were up 14.3% on the year and imports rose 18.6%.

Growth in China is expected to continue to push ahead given the optimistic outlook on the global economy this year. However, inbound shipment growth is expected to face headwinds as a result.

The PBoC's continued efforts to tighten monetary policy will however weigh heavily on curbing domestic demand in the upcoming quarters which could impact the value of imports.

In a separate report, China's foreign currency reserves continued to rise for the third straight month in April. Data from the PBoC on Sunday showed that China's foreign-currency reserves increased by \$20.45 billion from a month ago to \$3.03 trillion. Economists surveyed by The Wall Street Journal had expected an \$11 billion rise following March's \$3.96 billion increase.

## **RBNZ delivers a dovish surprise while keeping OCR unchanged**

The Reserve Bank of New Zealand's monetary policy meeting which concluded on Wednesday last week saw the overnight cash rate unchanged at 1.75%. But the central bank came out dovish surprising market participants who expected to see a more hawkish stance from the central bank.

The recent uptick in inflation which saw consumer prices rise 2.2% and right in the middle of the central bank's inflation target band of 1% - 3% range was one of the reasons for the markets to expect a hawkish statement from the RBNZ last week.

However, market hawks were clearly disappointed as the RBNZ said that the recent uptick in inflation was due to temporary factors and that inflation will fall back to the lower end of the range at 1%. According to central bank officials at the RBNZ, New Zealand's inflation is not expected to rise to 2% until 2019.

***"The increase in headline inflation in the March quarter was mainly due to higher tradables inflation, particularly petrol and food prices. These effects are temporary and may lead to some variability in headline inflation over the year ahead. Non-tradables and wage inflation remain moderate but are expected to increase gradually,"*** the RBNZ's monetary policy statement showed today.

The central bank also gave fresh forecasts where it notes that interest rate expectations stand at 2% only around 2019, this is one year later than what the markets were expecting. While the New Zealand dollar fell on the news, many are convinced that the RBNZ will eventually upgrade its forecasts on the economy and thus bring forward the interest rate hike expectations.



# Bank of England keeps UK interest rates unchanged at 0.25%

The monetary policy committee of the Bank of England decided to keep the interest rates unchanged at record lows of 0.25%, with only one dissenting voter out of eight. The MPC was however unanimous in leaving the asset purchases steady at GBP435 billion. The central bank decisions at the meeting in May were widely expected by the markets.

The BoE Governor Mark Carney said that the BoE's current monetary policy was appropriate and not excessive as some might suggest. He said that if the UK's economy expands as forecast, then the BoE would look into tightening monetary policy during the period.

The central bank also gave its inflation forecasts and expect consumer prices to rise 3% by the end of the fourth quarter this year. Growth outlook for the UK was trimmed to reflect 2017 growth at 1.9%, down from the previous estimates of 2%. The bank expects GDP growth to average 0.4% in the second quarter of this year.

The BoE raised the inflation forecasts for 2017 to 2.7% from 2.4% previously with the overshoot reflecting the decline in the exchange rate since late November and the resulting effect on import prices. For 2018, inflation is expected to be steady at 2.6%.

## U.S. consumer prices rise 0.2% in April

Headline consumer price index in the United States returned to growth back in April after unexpectedly falling in March. The official data released by the U.S. department of Labor showed that consumer price index rose 0.2% on a month over month basis in April, after falling 0.3% previously. The increase in inflation matched the median estimates.

The gains in inflation came on a rebound in energy prices which jumped 1.1% in April, following a 2.3% decline in March. Gasoline prices also rose 1.2% in April, reversing only some of the declines from March, which was -6.2%.

Excluding food and energy prices, the core consumer price index rose 0.1% in April, reversing the 0.1% decline in March. The rise in core consumer price index was slightly below forecasts. On a year over year basis, consumer prices rose 2.2%, slightly down from March's 2.4% increase. The annual rate of growth in the core inflation was 1.9%, which was slower than March's 2.0%.

Despite the weakness in the consumer price data, the Federal Reserve is likely to look past the numbers. Most of the weakness in inflation came mostly due to competition rather than weak demand.

# MARKETS PREVIEW



15<sup>th</sup> of May 2017, to 19<sup>th</sup> of May 2017

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*The week ahead will mark economic releases from the UK, Japan and the Eurozone which will see the release of economic data such as inflation, retail sales and monthly jobs report. Data from Australia will focus on the monthly job numbers while another busy week waits for the British pound. Inflation figures are expected to post another month of gains, while the wages from the monthly jobs numbers will be closely watched.*

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## Quiet week from the U.S.

The week ahead will be quiet from the U.S. with only second-tier economic data on the tap. On Monday the New York Fed's Empire state manufacturing PMI is due while on Thursday the Philly Fed manufacturing PMI is expected. The numbers are expected to give some early insights into the economic outlook for the manufacturing sector and will shed light into how the May ISM manufacturing PMI will turn out.

There has been a strong divergence between the regional the national PMI numbers but the difference has started to close. The regional activity is expected to show a decline in the PMI's which currently remain at high levels.

However, it is unlikely that the PMI's will signal any slowdown unless the manufacturing and industrial production figures due on Tuesday will show a decline.

Various FOMC members are also due to speak during the week, which includes the non-voting member James Bullard who is a dove and Loretta Mester another non-voting FOMC member who is a hawk.

## German ZEW expectations and final inflation figures from the Eurozone

From Germany, the ZEW economic sentiment index is expected to show some moderation. The indicator posted a significant jump from 12.8 in March to 19.5 in April. There is scope of a surprise as following the May's French election outcome, sentiment could be further improved.

Adding to the prospects of a higher reading from ZEW is the increase in the Eurozone and the German Sentix indicators.

During the week, the Eurostat will release the final inflation figures for the month of April. Data previously showed a pickup in headline consumer prices and more importantly the core inflation rate as well. The Euro area inflation rate rose 1.9% on a year over year basis after slipping to 1.5% in March. The core inflation rate rose 1.2% from 0.7% in March and marked the highest level in core inflation rate in over four years.

The increase in the core inflation rate reflected the higher services price which rose 1.8% from 1.0% on an annualized basis. A confirmation of these numbers will no doubt keep the pressure on the ECB to cut back on its stimulus purchases.

Later in the week, the European Central Bank will be releasing its monthly meeting minutes as well. No major surprises are expected from the May monetary policy meeting.

## **UK inflation and employment numbers in focus**

The week ahead will see two crucial figures, namely the inflation and wage growth numbers coming out from the UK. The economic releases come on the back of last week's Bank of England monetary policy meeting where interest rates were left unchanged, but the central bank flagged that the risks may come from slower wage growth.

Headline consumer prices for the month of April are forecast to rise 2.8% on a year over year basis. This is higher than March's increase of 2.3%. The big rebound in headline inflation is expected to come due to higher air-fares on account of the Easter holiday. Furthermore, the volatility in air-fares is expected on the back of weaker exchange rates.

The energy sector is also expected to contribute to inflation with many energy and gas companies reportedly hiking prices during April.

The monthly jobs report is expected later in the week and forecasts show no change is expected on the unemployment rate. However, the annual growth rate in wages is expected to fall to 2.1% from 2.2% previously, which could be bearish for the GBP's outlook.

Later in the week, the retail sales figure for April is expected to show another month of decline. Retail sales have fallen sharply during the first quarter of the year with the declines attributed to weaker real wage growth.

## **Australia unemployment rate**

The monthly unemployment numbers from Australia this week is expected to show no change to the unemployment rate, which stands at 5.9%. The monthly employment change is forecast to show 5k jobs being added during the month, while the labor force participation rate is expected to fall to 64.7%.

Economists are however expecting to see a shake up in the previous numbers with the month of March expected to show a revision. During the month, data showed that the economy added 60.9k jobs, beating the market forecasts of 20k by a strong margin.

There is also some consensus that the April jobs report could miss the forecasts and signal a pullback especially after the strong jobs report from March.

# TECHNICAL CORNER



USDJPY – Hidden bearish divergence

USDJPY has been posting steady gains but since Thursday price started to close weaker. We expect that this is likely to continue into the near term with the support level at 111.66 likely to be tested ahead of further gains to the upside. Resistance level at 116.145 remains the most likely upside target in what could be a possible pullback in USDJPY ahead of the bigger gains..



USDJPY (113.26) – Daily Chart

While the week ahead is relative quiet in terms of the economic releases from the U.S., the political landscape is also quiet without and major events scheduled. This should potentially support the bullish case in USDJPY which could rise further as the Japanese yen could continue to weak in the medium term. Therefore, the current pullback based on the hidden bearish divergence could signal a test of support ahead of further gains.

For the Japanese yen, the big event next week will be the first quarter GDP numbers which is expected to show another month of increase in the economic activity for the nation. The GDP growth rate, although expected to be slow is forecast to rise to reflect the upbeat global demand that could support Japanese exports which are also likely to benefit from a weaker exchange rate.

The weekly chart in USDJPY shows three consecutive week of gains after price slipped below 109.50 four weeks ago. With 111.66 being comfortably captured, this level could act as support while to the upside, a test towards 116.145 will be critical as it could see further gains in the event price breaks out higher.

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