

orbex WEEKLY MARKETS REPORT



OVERWEEK
BULLET POINTS



THE WEEK
AHEAD



MARKETS
PREVIEW



THE CHART OF
THE WEEK

OVERWEEK BULLET POINTS



Last Week: 15th of May 2017, to 19th of May 2017

Date	Time	Currency	Event	Actual	Forecast	Previous
14-May	23:45	NZD	Retail Sales q/q	1.50%	1.10%	0.60%
	23:47	NZD	Core Retail Sales q/q	1.20%	0.90%	0.70%
15-May	00:50	JPY	PPI y/y	2.10%	1.80%	1.40%
	02:30	AUD	Home Loans m/m	-0.50%	0.00%	-0.80%
	03:00	CNY	Industrial Production y/y	6.50%	7.00%	7.60%
		CNY	Fixed Asset Investment ytd/y	8.90%	9.10%	9.20%
		CNY	Retail Sales y/y	10.70%	10.80%	10.90%
	06:00	NZD	RBNZ Assist Gov McDermott Speaks			
	06:58	JPY	Prelim Machine Tool Orders y/y	34.70%		22.80%
	08:15	CHF	PPI m/m	-0.20%	0.00%	0.10%
	13:30	USD	Empire State Manufacturing Index	-1	7.2	5.2
	15:00	GBP	Prime Minister May Speaks			
		USD	NAHB Housing Market Index	70	68	68
		21:00	USD	TIC Long-Term Purchases	59.8B	68.3B
16-May	02:30	AUD	Monetary Policy Meeting Minutes			
		AUD	New Motor Vehicle Sales m/m	0.30%		1.90%
	05:30	JPY	Tertiary Industry Activity m/m	-0.20%	0.10%	0.00%
	07:45	EUR	French Final CPI m/m	0.10%	0.10%	0.10%
	09:00	EUR	Italian Prelim GDP q/q	0.20%	0.20%	0.20%
	09:30	GBP	CPI y/y	2.70%	2.60%	2.30%
		GBP	PPI Input m/m	0.10%	0.10%	0.00%
		GBP	RPI y/y	3.50%	3.40%	3.10%
		GBP	Core CPI y/y	2.40%	2.20%	1.80%
		GBP	HPI y/y	4.10%	5.40%	5.60%
		GBP	PPI Output m/m	0.40%	0.20%	0.40%
	10:00	EUR	Flash GDP q/q	0.50%	0.50%	0.50%
		EUR	German ZEW Economic Sentiment	20.6	22.3	19.5
		EUR	Trade Balance	23.1B	18.8B	18.8B
		EUR	ZEW Economic Sentiment	35.1	29.1	26.3
	13:30	USD	Building Permits	1.23M	1.27M	1.27M
		USD	Housing Starts	1.17M	1.26M	1.20M
	14:15	USD	Capacity Utilization Rate	76.70%	76.30%	76.10%
		USD	Industrial Production m/m	1.00%	0.40%	0.40%
	14:30	GBP	CB Leading Index m/m	-0.20%		0.00%
	15:00	USD	Mortgage Delinquencies	4.71%		4.80%
	15:44	NZD	GDT Price Index	3.20%		3.60%
	23:45	NZD	PPI Input q/q	0.80%	0.70%	1.00%
NZD		PPI Output q/q	1.40%	1.10%	1.50%	
17-May	00:50	JPY	Core Machinery Orders m/m	1.40%	2.60%	1.50%
	01:30	AUD	Westpac Consumer Sentiment	-1.10%		-0.70%
	02:30	AUD	Wage Price Index q/q	0.50%	0.50%	0.40%
	05:30	JPY	Revised Industrial Production m/m	-1.90%	-2.10%	-2.10%
	09:00	EUR	Italian Trade Balance	5.42B	1.97B	1.88B
	09:30	GBP	Average Earnings Index 3m/y	2.40%	2.40%	2.30%

18-May		GBP	Claimant Count Change	19.4K		33.5K
		GBP	Unemployment Rate	4.60%	4.70%	4.70%
	10:00	EUR	Final CPI y/y	1.90%	1.90%	1.90%
		EUR	Final Core CPI y/y	1.20%	1.20%	1.20%
	10:32	EUR	German 30-y Bond Auction	1.24 2.3		0.87 1.2
	13:30	CAD	Manufacturing Sales m/m	1.00%	1.10%	-0.60%
	15:30	USD	Crude Oil Inventories	-1.8M	-2.5M	-5.2M
	00:50	JPY	Prelim GDP q/q	0.50%	0.40%	0.30%
		JPY	Prelim GDP Price Index y/y	-0.80%	-0.70%	-0.10%
	02:00	AUD	MI Inflation Expectations	4.00%		4.10%
	02:30	AUD	Employment Change	37.4K	4.5K	60.0K
		AUD	Unemployment Rate	5.70%	5.90%	5.90%
	07:45	CNY	Foreign Direct Investment ytd/y	-0.10%		1.00%
	09:30	GBP	Retail Sales m/m	2.30%	1.20%	-1.40%
	09:41	EUR	Spanish 10-y Bond Auction	1.55 1.4		1.45 1.6
	12:30	EUR	ECB Monetary Policy Meeting Accounts			
	13:30	CAD	Foreign Securities Purchases	15.13B	17.23B	39.16B
		USD	Unemployment Claims	232K	240K	236K
		USD	Philly Fed Manufacturing Index	38.8	19.9	22
	15:00	USD	Treasury Sec Mnuchin Speaks			
	USD	CB Leading Index m/m	0.30%	0.40%	0.30%	
15:30	USD	Natural Gas Storage	68B	61B	45B	
18:00	EUR	ECB President Draghi Speaks				
23:45	NZD	Visitor Arrivals m/m	3.50%		1.90%	
19-May	04:00	NZD	Credit Card Spending y/y	6.40%		7.20%
	07:00	EUR	German PPI m/m	0.40%	0.20%	0.00%
	09:00	EUR	Current Account	34.1B	32.3B	37.8B
	11:00	GBP	CBI Industrial Order Expectations	9	4	4
	13:30	CAD	CPI m/m	0.40%	0.50%	0.20%
		CAD	Core Retail Sales m/m	-0.20%	0.20%	-0.10%
		CAD	Common CPI y/y	1.30%		1.30%
		CAD	Median CPI y/y	1.60%		1.70%
		CAD	Retail Sales m/m	0.70%	0.40%	-0.40%
		CAD	Trimmed CPI y/y	1.30%		1.40%
		CAD	Core CPI m/m	0.00%		0.30%
	15:00	EUR	Consumer Confidence	-3	-3	-4

Time: GMT+1

THE WEEK AHEAD



22nd of May 2017, to 26th of May 2017

IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

Date	Time	Currency	Event	Actual	Forecast	Previous
22-May	0:01	GBP	Rightmove HPI m/m			1.10%
	00:50	JPY	Trade Balance		0.25T	0.17T
	11:00	EUR	German Buba Monthly Report			
	All Day	EUR	Eurogroup Meetings			
	14:00	CNY	CB Leading Index m/m			0.90%
	15:00	USD	FOMC Member Harker Speaks			
	15:30	AUD	CB Leading Index m/m			0.40%
	18:30	AUD	RBA Assist Gov Debelle Speaks			
23-May	00:30	USD	FOMC Member Brainard Speaks			
	02:10	USD	FOMC Member Evans Speaks			
	05:30	JPY	All Industries Activity m/m		-0.40%	0.70%
	07:00	CHF	Trade Balance			3.10B
		EUR	German Final GDP q/q			0.60%
	08:00	EUR	French Flash Manufacturing PMI			55.1
		EUR	French Flash Services PMI			56.7
	08:30	EUR	German Flash Manufacturing PMI			58.2
		EUR	German Flash Services PMI			55.4
	09:00	EUR	German Ifo Business Climate			112.9
		EUR	Flash Manufacturing PMI			56.7
		EUR	Flash Services PMI			56.4
		EUR	ECB Financial Stability Review			
	09:30	GBP	Public Sector Net Borrowing			4.4B

	10:00	GBP	Inflation Report Hearings			
	11:00	GBP	CBI Realized Sales			38
	13:30	CAD	Wholesale Sales m/m			-0.20%
	14:45	USD	Flash Manufacturing PMI			52.8
		USD	Flash Services PMI			53.1
	15:00	USD	New Home Sales			621K
		USD	Richmond Manufacturing Index			20
	22:00	USD	FOMC Member Harker Speaks			
	23:45	NZD	Trade Balance			332M
24-May	01:30	AUD	MI Leading Index m/m			0.10%
		JPY	Flash Manufacturing PMI			52.7
	02:30	AUD	Construction Work Done q/q			-0.20%
	07:00	EUR	GfK German Consumer Climate			10.2
	13:45	EUR	ECB President Draghi Speaks			
	14:00	EUR	Belgian NBB Business Climate			-0.8
		USD	HPI m/m			0.80%
	15:00	CAD	BOC Rate Statement			
		CAD	Overnight Rate		0.50%	0.50%
		USD	Existing Home Sales			5.71M
	15:30	USD	Crude Oil Inventories			-1.8M
	19:00	USD	FOMC Meeting Minutes			
	23:00	USD	FOMC Member Kaplan Speaks			
25-May	03:00	NZD	Annual Budget Release			
	09:00	AUD	RBA Assist Gov Debelle Speaks			
	09:30	GBP	Second Estimate GDP q/q			0.30%
		GBP	Prelim Business Investment q/q			-0.90%
		GBP	BBA Mortgage Approvals			41.1K
		GBP	Index of Services 3m/3m			0.50%

	All Day	ALL	OPEC Meetings			
	13:30	CAD	Corporate Profits q/q			3.60%
		USD	Unemployment Claims			232K
		USD	Goods Trade Balance			-64.8B
		USD	Prelim Wholesale Inventories m/m			0.20%
	15:00	USD	FOMC Member Brainard Speaks			
	15:30	USD	Natural Gas Storage			68B
	17:00	CAD	Gov Council Member Leduc Speaks			
26-May	00:30	JPY	National Core CPI y/y		0.40%	0.20%
		JPY	Tokyo Core CPI y/y		0.00%	-0.10%
	00:50	JPY	SPPI y/y		0.90%	0.80%
	13:30	USD	Core Durable Goods Orders m/m			0.00%
		USD	Prelim GDP q/q			0.70%
		USD	Durable Goods Orders m/m			0.90%
		USD	Prelim GDP Price Index q/q			2.30%
	15:00	USD	Revised UoM Consumer Sentiment			97.7
		USD	Revised UoM Inflation Expectations			2.60%

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: 15th of May 2017, to 19th of April 2017

The U.S. dollar fell sharply this week as the greenback continued to ease. The bearish momentum overtook the U.S. dollar as traders pushed the EURUSD to a 6-month high. The declines came about amid political uncertainty from Washington. The U.S. President Donald Trump reportedly fired the FBI Director James Comey who was investigating the former national security adviser Michael Flynn. The decline in the dollar was more to do with politics than economics amid a rather quiet week from the U.S. as far as the economic calendar was concerned.

New Zealand retail sales jump 1.5% in Q1 2017

Retail sales by volume in New Zealand rebounded sharply, rising 1.5% in the three months ending March 2017. The gains came as retail sales were underpinned by increased spending on food and electronics and a big jump in car sales. Retail sales rose 0.6% in the fourth quarter of 2016.

Motor vehicle sales rose 5.9%, while the core retail sales rose 1.2% during the quarter. The gains came with strong spending on food services and restaurants and increase in accommodation spending staying consistent with the tourist season in the region.



New Zealand Retail sales Q1 2017: 1.5%

The quarterly retail sales numbers showed a strong increase with almost all sectors showing a strong increase. The first quarter figures come after a soft spending in the previous quarter. One of the big drivers of spending in recent years has been low interest rates and the related strength in house prices. This has been a particularly large driver of spending on durable household items like furniture. But in recent months, interest rates have risen and house price growth has pulled back.

China's industrial production growth slows in April

Industrial production in China grew at a slower than expected pace in April, data from the National Bureau of Statistics showed on Monday. Industrial production rose 6.5% on a year over year basis in April. This was slower than the previous month's 7.6% increase and missed forecasts of 7.0%.

Industrial production numbers were hit by one less working day on account of the Labor day holiday, according to government sources who said that the holiday started on 29th, compared to 30th in the previous year.



China Industrial production y/y: 6.5%, April 2017

The value-added industrial output, a rough proxy for economic growth, rose 6.5% from a year earlier last month, versus March's 7.6% increase. This, as economists have predicted the world's second-largest economy to slow after a hot 1Q.

In a separate report, retail sales numbers out of China showed at 10.7% increase on an annualized basis in April. This was slightly below March's retail sales figure of 10.9% and below forecasts of 10.8%. The industrial production and retail sales figures continue to put focus on the nation which has seen a recent spate of weak economic reports. China's manufacturing PMI data showed that activity might have slowed in April posting the slowest pace of increase since September 2016.

In April, producer price index also cooled after previously posting a steady gain. However, consumer prices managed to jump higher during the month.

UK Unemployment rate falls to a 42-year low

The unemployment rate in the UK fell to a 42 year low at 4.6%, beating forecasts of an unchanged print at 4.7%, data from the UK's Office for National Statistics (ONS) showed on Wednesday. Despite the upbeat headline print, regular wages when adjusted for inflation declined for the first time in three years, underpinning the fact that rising inflation is squeezing the living standard for Britons.

The unemployment rate from 5.1% last year to 4.7% this year in the three months ending February. The number of people who were unemployed fell by 53k from the previous quarter to 1.54 million in the period ending March.



UK Wages 2.4%, April 2017

The employment rate which measures the number of people in the workforce rose to 74.8% marking a new record high in the first quarter this year. The jump came amid seven consecutive quarterly periods of growth.

Supported by bonuses in the finance and insurance sector, average earnings including bonus advanced 2.4 percent annually, in line with expectations. Excluding bonuses, earnings grew 2.1 percent, the least since July 2016.

MARKETS PREVIEW



22nd of May 2017, to 26th of May 2017

The week ahead will see the FOMC meeting minutes standing out alongside the second GDP revision for the United States. The FOMC meeting minutes cover the meeting from early May where the Fed officials reiterated their stand for keeping interest rates steady but signaled that a June rate hike was on the table. Elsewhere, the second estimates from the UK will be coming out on Thursday while the Bank of Canada meets this week for its monetary policy meeting.

U.S: FOMC meeting minutes and GDP

The probability for a June rate hike is slowly coming back into focus just a week after the U.S. dollar took a strong hit, mostly on account of the politics than the monetary policies. Ahead of the meeting minutes on Wednesday, on Monday the Minneapolis Fed President Neel Kashkari and Philadelphia Fed President Patrick Harker will be speaking.

This week, the Federal Reserve Bank will be releasing the monetary policy meeting from the recently concluded, May 2 - 3, 2017 policy meeting. While the Fed officials decided to keep interest rates unchanged, the tone of the statement was hawkish.

This led to investors pricing in a rate hike for June as a result. However, in a matter of just two weeks, the rate hike probability fell sharply amid a string of weak to moderate economic releases. Furthermore, there has been a growing consensus that the uncertainty from the White House might also prevent the Fed from hiking rates.

However, that is not expected to happen as the probability for a rate hike has started to increase. Besides the FOMC meeting minutes, the U.S will be releasing the second GDP estimates for the first quarter.

Eurozone: Flash PMIs, German Ifo Business Climate

It is a rather quiet week from the eurozone. However, on Tuesday the German Ifo institute will be releasing the business climate data for the month of May. In April, the Ifo business climate index jumped to a 6-year high with businesses being more upbeat about the economy.

In April, the Germany Ifo business climate rose to 112.9 and expectations call for an increase to 113.1 in May. The expectations for current assessment index, is expected to slightly dip, falling to 120.9 compared to 121.1 in April.

Other data this week from the Eurozone includes the flash PMI numbers for May, both at a regional and national level which are scheduled to be released on Wednesday. The PMI's have moved to record highs, which potentially increases the risk of a pull back. However, the market reaction to a decline in the flash PMI's is unlikely to be big.

Canada: BoC to keep rates unchanged

The Bank of Canada will be holding its monetary policy meeting this week, where interest rates expected to be held steady at record lows of 0.5%. However, the pressure to hike interest rates is starting to build with the housing prices posting a steady increase, largely fuelled by low interest rates which have led to increase in demand for property.

The Bank of Canada has kept interest rates steady since 2009 at 0.5% as it attempted to stimulate the economy which was hit the global financial crisis. However, the low interest rates have led to an increase in housing prices, which has nearly doubled over the period.

The BoC Governor Poloz had previously commented that the 30% gains in the housing prices, especially in the Toronto area was unsustainable and said that most of the gains were driven by speculation.

However, the BoC Governor refused to give out further details. Many economists watching the region note that the central bank has to hike rates, which were cut primarily on account of lower oil prices. The Canadian economy is expected to grow as much as 4% during the first quarter after posting solid gains in the three months ending December 2016.

OPEC: Meeting due in Vienna this week

The Organization of Petroleum Exporting Countries (OPEC) will be meeting on May 25th this Wednesday at the OPEC headquarters in Vienna.

At the core of the meeting will be the OPEC member's decision to put an end to, or to extend the production cut agreement that was struck at the November 2016 OPEC meeting. The November's production cut led to oil prices stabilizing, although it came at a cost to Saudi Arabia which had to take a major chunk of production cuts.

Last week, Russia and Saudi Arabia were reported to have agreed to extend the production cuts to March 2018. However there has been no formal announced on this yet, which could come at this week's OPEC meeting. Still, there is still some uncertainty in the markets about a deal not going through, which could be disastrous for crude oil prices.

Also on the agenda will be the production cut exemptions that were made to Nigeria and Libya and whether these nations will be required to impose production cuts. Heading into the OPEC meeting, Oil prices are no doubt likely to remain very volatile.

Saudi Arabia's oil minister has said the coalition will do "**whatever it takes**" to rebalance the market, but with conflicting political and economic interests within OPEC/non-OPEC coalition, it will be a tough call.

TECHNICAL CORNER



EURUSD – At risk of a correction

EURUSD is at risk of posting a correction after what could be described as one of the strongest weekly gains that was posted by the common currency. By Friday's close, the single currency closed above \$1.1200, probably for the first time this year and marked a 6-month high in price. The strong pace of gains came from a weaker U.S. dollar last week, which tumbled strongly.



EURUSD (1.1205) – Daily Chart

Despite the strong gains posted, it is evident from the daily chart that we see a hidden bearish divergence posted on the chart. The daily Stochastics has posted a higher high against the lower high in price, compared to the previous highs in price around September - October 2016.

With resistance levels seen at 1.1200 region, EURUSD could be seen pushing lower back to the levels at 1.0950. Even on the 4-hour chart, we notice that EURUSD has posted a higher high against a lower high on the Stochastics. Whereas, as a higher high was posted on the 4-hour Stochastics when price was trading around 1.0950.

Combining the divergences from the daily and the 4-hour charts, we can expect to see a correction that could come our way. Price action will have to break down below 1.1170 initially and then clear the support level at 1.1103 in order to confirm this downside move towards 1.0950.

Alternately, if the bullish momentum continues, we can expect price to potentially form a support near 1.1103 or at 1.1170 and from there on, price could rebound and continue pushing higher above 1.1120. However in order for further gains to come, there needs to be support level formed above 1.1100 region.

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