

orbex WEEKLY MARKETS REPORT



OVERWEEK
BULLET POINTS



THE WEEK
AHEAD



MARKETS
PREVIEW



THE CHART OF
THE WEEK

OVERWEEK BULLET POINTS



Last Week: 5th of June 2017, to 9th of June 2017

Date	Time	Currency	Detail	Actual	Forecast	Previous	
05-Jun	01:00	AUD	MI Inflation Gauge m/m	0.00%		0.50%	
	01:30	AUD	Company Operating Profits q/q	6.00%	5.10%	20.10%	
		AUD	ANZ Job Advertisements m/m	0.40%		1.50%	
	01:45	CNY	Caixin Services PMI	52.8	51.4	51.5	
	07:15	EUR	Spanish Services PMI	57.3	57.5	57.8	
	07:45	EUR	Italian Services PMI	55.1	55.4	56.2	
	07:50	EUR	French Final Services PMI	57.2	58	58	
	07:55	EUR	German Final Services PMI	55.4	55.2	55.2	
	08:00	EUR	Final Services PMI	56.3	56.2	56.2	
	08:30	GBP	Services PMI	53.8	55.1	55.8	
	12:30	USD	Revised Nonfarm Productivity q/q	0.00%	-0.60%	-0.60%	
		USD	Revised Unit Labor Costs q/q	2.20%	3.00%	3.00%	
	13:45	USD	Final Services PMI	53.6	54.1	54	
	14:00	USD	ISM Non-Manufacturing PMI	56.9	57.1	57.5	
		USD	Factory Orders m/m	-0.20%	-0.20%	1.00%	
		23:01	GBP	BRC Retail Sales Monitor y/y	-0.40%		5.60%
06-Jun	00:00	JPY	Average Cash Earnings y/y	0.50%	0.30%	0.00%	
	01:00	NZD	ANZ Commodity Prices m/m	3.20%		-0.20%	
	01:30	AUD	Current Account	-3.1B	-0.2B	-3.5B	
	03:45	JPY	30-y Bond Auction	0.82 3.6		0.82 3.4	
	04:30	AUD	RBA Rate Statement				
		AUD	Cash Rate	1.50%	1.50%	1.50%	
	08:10	EUR	Retail PMI	52		52.7	
	08:30	EUR	Sentix Investor Confidence	28.4	27.6	27.4	
	09:00	EUR	Retail Sales m/m	0.10%	0.20%	0.20%	
	13:59	CAD	Ivey PMI	53.8	62	62.4	
	14:00	USD	JOLTS Job Openings	6.04M	5.65M	5.79M	
	14:37	NZD	GDT Price Index	0.60%		3.20%	
	22:45	NZD	Manufacturing Sales q/q	2.80%	0.30%	1.30%	
	23:30	AUD	AIG Construction Index	56.7		51.9	
07-Jun	01:30	AUD	GDP q/q	0.30%	0.20%	1.10%	
	05:00	JPY	Leading Indicators	104.50%	104.40%	105.70%	
	06:00	EUR	German Factory Orders m/m	-2.10%	-0.20%	1.10%	
	07:00	CHF	Foreign Currency Reserves	694B		697B	
	07:30	GBP	Halifax HPI m/m	0.40%	-0.20%	0.00%	
	08:00	EUR	Italian Retail Sales m/m	-0.10%	0.20%	0.00%	
		12:30	CAD	Building Permits m/m	-0.20%	2.40%	-4.90%

	14:30	USD	Crude Oil Inventories	3.3M	-3.1M	-6.4M
	19:00	USD	Consumer Credit m/m	8.2B	15.2B	19.5B
	23:01	GBP	RICS House Price Balance	17%	20%	22%
	23:50	JPY	Final GDP q/q	0.30%	0.60%	0.50%
		JPY	Bank Lending y/y	3.20%	3.00%	3.00%
		JPY	Current Account	1.81T	1.62T	1.73T
		JPY	Final GDP Price Index y/y	-0.80%	-0.80%	-0.80%
08-Jun	01:30	AUD	Trade Balance	0.56B	1.91B	3.17B
	03:30	CNY	Trade Balance	282B	336B	262B
	03:33	CNY	USD-Denominated Trade Balance	40.8B	47.5B	38.1B
	05:00	JPY	Economy Watchers Sentiment	48.6	48.6	48.1
	05:45	CHF	Unemployment Rate	3.20%	3.30%	3.20%
	06:00	EUR	German Industrial Production m/m	0.80%	0.60%	-0.10%
	06:45	EUR	French Trade Balance	-5.5B	-5.9B	-4.8B
	07:15	CHF	CPI m/m	0.20%	0.00%	0.20%
	All Day	GBP	Parliamentary Elections			
	09:00	EUR	Revised GDP q/q	0.60%	0.50%	0.50%
	11:45	EUR	Minimum Bid Rate	0.00%	0.00%	0.00%
	12:13	CAD	Housing Starts	195K	205K	213K
	12:30	CAD	NHPI m/m	0.80%	0.30%	0.20%
		EUR	ECB Press Conference			
		USD	Unemployment Claims	245K	241K	255K
	14:00	USD	IBD/TIPP Economic Optimism	51.3	51.6	51.3
	14:30	CAD	BOC Financial System Review			
		USD	Natural Gas Storage	106B	99B	81B
	15:15	CAD	BOC Gov Poloz Speaks			
	23:50	JPY	M2 Money Stock y/y	3.90%	4.30%	4.00%
09-Jun	01:30	AUD	Home Loans m/m	-1.90%	-0.90%	-0.90%
		CNY	CPI y/y	1.50%	1.50%	1.20%
		CNY	PPI y/y	5.50%	5.70%	6.40%
	04:30	JPY	Tertiary Industry Activity m/m	1.20%	0.50%	-0.30%
	06:00	EUR	German Trade Balance	19.8B	20.3B	19.9B
	06:45	EUR	French Gov Budget Balance	-57.9B		-29.6B
		EUR	French Industrial Production m/m	-0.50%	0.30%	2.20%
	08:00	EUR	Italian Quarterly Unemployment Rate	11.60%	11.60%	11.80%
	08:30	GBP	Manufacturing Production m/m	0.20%	0.80%	-0.60%
		GBP	Goods Trade Balance	-10.4B	-12.0B	-12.0B
		GBP	Construction Output m/m	-1.60%	0.50%	0.70%
		GBP	Consumer Inflation Expectations	2.80%		2.90%
		GBP	Industrial Production m/m	0.20%	0.70%	-0.50%
	11:48	GBP	NIESR GDP Estimate	0.20%		0.20%
	12:30	CAD	Employment Change	54.5K	11.5K	3.2K
		CAD	Unemployment Rate	6.60%	6.60%	6.50%
		CAD	Capacity Utilization Rate	83.30%	82.40%	81.80%
	14:00	USD	Final Wholesale Inventories m/m	-0.50%	-0.10%	-0.30%

Time: GMT

THE WEEK AHEAD



12th of June 2017, to 16th of June 2017

IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

Date	Time	Currency	Event	Forecast	Previous
12-Jun	06:00	JPY	Prelim Machine Tool Orders y/y		34.70%
	08:00	EUR	Italian Industrial Production m/m	0.20%	0.40%
	08:30	AUD	RBA Assist Gov DeBelle Speaks		
	17:01	USD	10-y Bond Auction		2.40 2.3
	18:00	USD	Federal Budget Balance	-87.3B	182.4B
	23:50	JPY	BSI Manufacturing Index	1.5	1.1
13-Jun	01:30	AUD	NAB Business Confidence		13
	13th-16th	CNY	Foreign Direct Investment ytd/y		-0.10%
	05:30	EUR	French Final Non-Farm Payrolls q/q	0.30%	0.30%
	06:00	EUR	German WPI m/m	0.20%	0.30%
	13th-16th	CNY	M2 Money Supply y/y	10.40%	10.50%
	13th-16th	CNY	New Loans	1000B	1100B
	08:30	GBP	CPI y/y	2.70%	2.70%
			PPI Input m/m	-0.40%	0.10%
	08:30	GBP	RPI y/y	3.50%	3.50%
			Core CPI y/y	2.30%	2.40%
	08:30	GBP	HPI y/y	3.70%	4.10%
			PPI Output m/m	0.20%	0.40%
	09:00	EUR	German ZEW Economic Sentiment	21.8	20.6
			ZEW Economic Sentiment	37.2	35.1
	10:00	USD	NFIB Small Business Index	105.2	104.5
	12:30	USD	PPI m/m	0.10%	0.50%
			Core PPI m/m	0.20%	0.40%
	17:01	USD	30-y Bond Auction		3.05 2.2
	22:45	NZD	Current Account	1.00B	-2.34B
			FPI m/m		-0.80%
14-Jun	00:30	AUD	Westpac Consumer Sentiment		-1.10%
	02:00	CNY	Industrial Production y/y	6.40%	6.50%
		CNY	Fixed Asset Investment ytd/y	8.80%	8.90%
		CNY	Retail Sales y/y	10.80%	10.70%
	04:30	JPY	Revised Industrial Production m/m	4.10%	4.00%
	06:00	EUR	German Final CPI m/m	0.50%	-0.20%
	08:30	GBP	Average Earnings Index 3m/y	2.40%	2.40%
			Claimant Count Change	20.3K	19.4K
	08:30	GBP	Unemployment Rate	4.60%	4.60%
			Employment Change q/q	0.30%	0.30%
	09:00	EUR	Industrial Production m/m	0.50%	-0.10%
			CPI m/m	0.30%	0.20%
	12:30	USD	Core CPI m/m	0.20%	0.10%
			Core Retail Sales m/m	0.20%	0.30%
	12:30	USD	Retail Sales m/m	0.10%	0.40%
			CB Leading Index m/m		-0.20%

	14:00	USD	Business Inventories m/m	-0.10%	0.20%
	14:30	USD	Crude Oil Inventories		3.3M
	18:00	USD	FOMC Economic Projections		
		USD	FOMC Statement		
		USD	Federal Funds Rate	<1.25%	<1.00%
	18:30	USD	FOMC Press Conference		
	22:45	NZD	GDP q/q	0.70%	0.40%
15-Jun	01:00	AUD	MI Inflation Expectations		4.00%
	01:30	AUD	Employment Change	10.3K	37.4K
		AUD	Unemployment Rate	5.70%	5.70%
		AUD	RBA Bulletin		
	04:30	CHF	SNB Financial Stability Report		
	06:45	EUR	French Final CPI m/m	0.10%	0.10%
	07:15	CHF	PPI m/m	-0.10%	-0.20%
	07:30	CHF	Libor Rate	-0.75%	-0.75%
		CHF	SNB Monetary Policy Assessment		
		CHF	SNB Press Conference		
	07:40	AUD	RBA Assist Gov DeBelle Speaks		
	08:30	GBP	Retail Sales m/m	-0.90%	2.30%
	09:00	EUR	Trade Balance	22.4B	23.1B
	All Day	EUR	Eurogroup Meetings		
	Tentative	EUR	French 10-y Bond Auction		
	11:00	GBP	MPC Official Bank Rate Votes	1-0-6	1-0-7
		GBP	Monetary Policy Summary		
		GBP	Official Bank Rate	0.25%	0.25%
		GBP	Asset Purchase Facility	435B	435B
		GBP	MPC Asset Purchase Facility Votes	0-0-7	0-0-8
	12:30	CAD	Manufacturing Sales m/m	0.90%	1.00%
		USD	Unemployment Claims	241K	245K
		USD	Empire State Manufacturing Index	5.2	-1
		USD	Import Prices m/m	0.10%	0.50%
		USD	Philly Fed Manufacturing Index	25.5	38.8
	13:15	USD	Capacity Utilization Rate	76.80%	76.70%
		USD	Industrial Production m/m	0.20%	1.00%
	14:00	USD	NAHB Housing Market Index	70	70
	14:30	USD	Natural Gas Storage		106B
	20:00	USD	TIC Long-Term Purchases	37.3B	59.8B
22:30	NZD	Business NZ Manufacturing Index		56.8	
16-Jun	Tentative	JPY	Monetary Policy Statement		
	Tentative	JPY	BOJ Policy Rate	-0.10%	-0.10%
	06:30	JPY	BOJ Press Conference		
	08:00	EUR	Italian Trade Balance	3.41B	5.42B
	09:00	EUR	Final CPI y/y	1.40%	1.40%
		EUR	Final Core CPI y/y	0.90%	0.90%
	All Day	EUR	ECOFIN Meetings		
	11:00	GBP	BOE Quarterly Bulletin		
	12:30	CAD	Foreign Securities Purchases	12.14B	15.13B
		USD	Building Permits	1.25M	1.23M
		USD	Housing Starts		1.17M
	14:00	USD	Prelim UoM Consumer Sentiment	97.2	97.1
		USD	Labor Market Conditions Index m/m		3.5
		USD	Prelim UoM Inflation Expectations		2.60%
16:45	USD	FOMC Member Kaplan Speaks			

Time: GMT

MARKETS RECAP



Last Week: 5th of June 2017, to 9th of June 2017

Last week was all about "Super Thursday" with the big-ticket events including the ECB's monetary policy decision, former FBI Chief, James Comey's testimony to the U.S. Congress and the UK general elections. While the ECB managed a balancing act, the testimony from Comey did not impact the markets much. In the UK, polls showed that Theresa May's Conservative Party likely to form a minority government.

ISM non-manufacturing PMI slips in May

The Institute of Supply Management (ISM) monthly non-manufacturing index showed that the pace of growth in the services sector slowed in May. Official data showed that the non-manufacturing index slipped to 56.9 in May after recording 57.5 in April. Despite the decline in the index, the non-manufacturing activity remains in expansion territory.

ISM [®] NON-MANUFACTURING SURVEY RESULTS AT A GLANCE									
COMPARISON OF ISM [®] NON-MANUFACTURING AND ISM [®] MANUFACTURING SURVEYS*									
May-17									
Index	Non-Manufacturing						Manufacturing		
	Series Index	Series Index	Percent Point	Direction	Rate of	Trend** (Months)	Series Index	Series Index	Percent Point
	May	Apr	Change		Change		May	Apr	Change
NMI [®] /PMI [®]	56.9	57.5	-0.6	Growing	Slower	89	54.9	54.8	0.1
Business Activity/Production	60.7	62.4	-1.7	Growing	Slower	94	57.1	58.6	-1.5
New Orders	57.7	63.2	-5.5	Growing	Slower	94	59.5	57.5	2
Employment	57.8	51.4	6.4	Growing	Faster	39	53.5	52	1.5
Supplier Deliveries	51.5	53	-1.5	Slowing	Slower	17	53.1	55.1	-2
Inventories	54	52.5	1.5	Growing	Faster	2	51.5	51	0.5
Prices	49.2	57.6	-8.4	Decreasing	From Increasing	1	60.5	68.5	-8
Backlog of Orders	57	53.5	3.5	Growing	Faster	4	55	57	-2
New Export Orders	54.5	65.5	-11	Growing	Slower	4	57.5	59.5	-2
Imports	48.5	53	-4.5	Contracting	From Growing	1	53.5	55.5	-2
Inventory Sentiment	63	60	3	Too High	Faster	240	N/A	N/A	N/A
Customers' Inventories	N/A	N/A	N/A	N/A	N/A	N/A	49.5	45.5	4
Overall Economy				Growing	Slower	94			
Non-Manufacturing Sector				Growing	Slower	89			

Data showed that there was a notable slowdown in the pace of new orders growth which posted a drag on the overall index. New orders fell to 57.7 in May, compared to 63.2 in April. Business activity index, which is a component in the non-manufacturing PMI slipped to 60.7, down from 62.4 a month ago. The data suggested a slowdown in the pace of growth with a bleak outlook.

Anthony Nieves, the chair of the ISM non-manufacturing business survey committee said ***"Although the non-manufacturing sector's growth rate dipped in May, the sector continues to reflect strength, buoyed by the strong rate of growth in the Employment Index."***

Despite the disappointment, there were some positives as well. The employment index was seen rising to 57.8 in May, up from 51.4 in April. The data indicated that there was a significant acceleration in the pace of jobs growth.

However, it was in contrast to the Labor department's jobs data that was released last Friday. According to official reports, the U.S. economy added just 131k jobs during the month in May. This was significantly lower than the headline jobs seen in April.

The ISM's non-manufacturing prices paid also showed a decline to 49.2 after registering 57.6 in April. This marked the price drop for the first time after recording thirteen consecutive months of expansion in the sector.

RBA keeps monetary policy unchanged. GDP slightly better than expected

The Reserve Bank of Australia's monetary policy meeting today saw the cash rate unchanged at record lows of 1.50%. The decision was in line with market expectations.

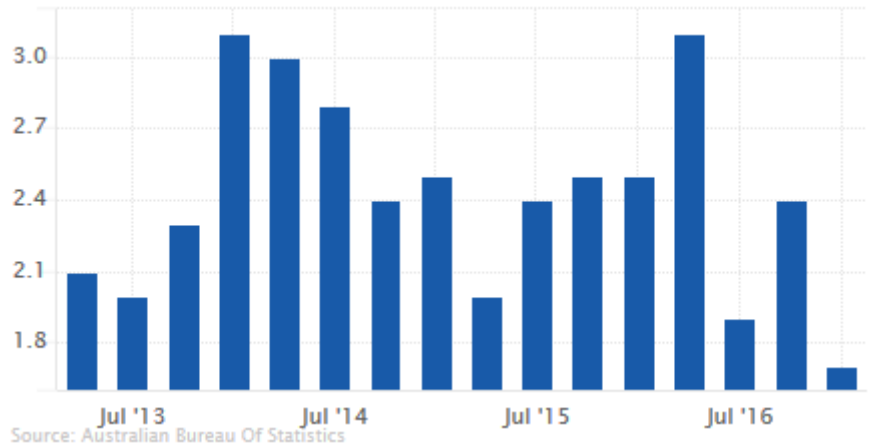
The central bank cut interest rates in May and August last year which sent the cash rate to record lows but also fueled a bubble in the housing market. Due to low interest rates, there was a strong pickup in the housing market leading to higher prices.

The RBA along with housing market regulators have been looking to clampdown on the housing market with higher borrowing costs for mortgages. This in part has helped to cool down the sector.

The central bank gave a broadly optimistic outlook noting that despite the mixed outlook in the labor market, there was evidence that jobs growth will pick up. On inflation, the central bank expects consumer prices to edge higher over the next few months.

Yet, the market expectations are not very certain that the current regime of stable interest rates will last for long. Expectations are mounting that the RBA's easing cycle will continue shortly.

In a separate report, the quarterly GDP data showed that the Australian economy expanded at a pace of 0.3% in the three months ending March 2017. On a year over year basis, GDP growth was registered at 1.1%.



Australia GDP YoY: 1.10%, March 2017

Despite the economy managing to expand for 25 consecutive years, the 1.1% pace of increase was one of the weakest in recent times. The weak GDP growth figures came as wages continued to underpin household consumption.

Yet, the household consumption was one of the factors that contributed to the GDP growth, which could have slipped into contract otherwise.

ECB keeps monetary policy unchanged.

The ECB's monetary policy decision on Thursday saw the central bank leaving monetary policy unchanged, including the current 60 billion euro in bond purchases. Contrary to market expectations, the ECB's message was loud and clear which was that there would be no talks of tightening of monetary policy at least in the near future.

The main refi rate was held at a record low zero percent and the deposit rate at -0.40 percent. The marginal lending facility rate was kept at 0.25 percent.

The ECB's statement however omitted the key word **"lower levels"** in regards to interest rates. While earlier the central bank made references that interest rates could drop to lower levels, the removal of the words was viewed by some as a veiled signal that the ECB might consider policy tightening at some point in the future.

"The Governing Council expects the key ECB interest rates to remain at their present levels for an extended period of time, and well past the horizon of the net asset purchases," the ECB said.

The balance of risks was also tweaked with the earlier phrase ***"to the downside"*** being replaced by ***"broadly balanced."***

MARKETS PREVIEW



12th of June 2017, to 16th of June 2017

All roads lead to the FOMC interest rate decision this week. The Federal Reserve will be announcing its decision on the short-term interest rates this Wednesday. Alongside the rate decision, there will also fresh economic forecasts and new interest rate projections. The rate hike of 25 basis points is expected this week. Besides the FOMC meeting, other key events this week will include the UK and U.S. inflation figures and the Bank of England monetary policy decision.

Federal Reserve set to hike interest rates by 25 basis points

The United States Federal Reserve Bank's meeting is scheduled for Wednesday, June 14. Expectations are strong that the central bank will hike interest rates by 25 basis points. This will effectively bring the short term fed funds rate to 1.00% - 1.25%. It would also mark the fourth-rate hike from the Federal Reserve.

The recent string of weak economic data is however likely to weigh on the markets. The U.S. dollar has weakened significantly for a number of reasons, including economic factors as well as political uncertainty.

The Fed's rate hike decision will come along with a press conference by the Chair, Janet Yellen. The FOMC meeting will also see the members publish the dot-plot which projects the rate hike expectations.

Given the recent weakening trend in the economy and also the slower pace of wage growth and lack of inflationary pressures, the markets are bracing for a dovish outlook from the Fed.

Although this is unlikely to change anything much and the fact that one more rate hike is planned for the remainder of the year, the pace of rate hikes could start to slow.

The Fed had already acknowledged in the previous meeting about the weak jobs. It presents a rather mixed outlook. While the pace of jobs has slowed once again, the unemployment rate continues to fall as well. The U.S. labor market registered the unemployment rate at 4.3% in May. But wages have failed to build up with average earnings still flat at 2.5% on a year over year basis.

BoE expected to remain on the sidelines. Inflation in focus!

The Bank of England's monetary policy meeting is scheduled for this Thursday, June 15. The meeting comes in the backdrop of the recently concluded general elections. No major changes are expected from the BoE at this week's meeting, which means that interest rates will stay unchanged at 0.25%.

With the election results showing a hung parliament, the already prevailing uncertainty is unlikely to be further roiled by changes from the Bank of England. This week will also see the inflation data and the jobs report from the UK; two key aspects which the BoE is keeping a track of.

Core inflation in the UK is forecast to rise 2.3%, slightly down from 2.4% increase seen a month ago. The headline inflation however is expected to rise 2.7%, same pace as the previous month. On the jobs front, the UK's average wages are also not expected to see much change.

According to the economists polled, the consensus is for a 2.4% increase in wages. This still puts real wages lagging after accounting for inflation. The unlikely change in wages could be another reason for the officials at BoE to keep a steady hand.

Besides Thursday's BoE meeting, the monthly retail sales figures are also expected for release. Forecasts point to a 0.8% decline in retail sales.

New Zealand quarterly GDP expected to rise

The quarterly GDP numbers from New Zealand is expected on Wednesday. Economists are hoping that the gross domestic product (GDP) rose 0.7% compared to 0.4% growth in the previous quarter ending December 2016.

On a year over year basis, New Zealand's GDP is expected to remain steady at 2.7%. In the previous quarters, the subdued pace of growth came on account of a decline in the primary sectors. Mostly, it was lower dairy prices and a slowdown in milk production.

However, these temporary factors are now expected to have given a lift to the GDP.

Preliminary data also suggests that other indicators point to stronger gains, especially in the retail, transport and wholesale. Construction remained a somewhat weak spot in the first quarter, but this is again expected to be temporary.

Besides the quarterly GDP figures, other data over the week will include the current account percentage of GDP which is expected to contract 2.7% and the current account balance figures. On Thursday, the New Zealand composite PMI will be released.

TECHNICAL CORNER



GBPUSD - More downside can be expected

The British pound fell to a fresh two-month low on Friday. The declines came about after the UK elections results on the day. The prospects of a hung parliament or a minority government sent the sentiment in the British pound lower. The snap elections were called by the Prime Minister Theresa May who came to power after David Cameron resigned in the aftermath of the Brexit referendum. The bid for snap elections was initiated to consolidate Ms. May's power but apparently backfired.



GBPUSD (1.2737) – Daily Chart

While negotiations to form the government start, the UK will also be facing the Brexit talks in just under 9 days time now. With no clear party becoming the winner, this also increases the chances of a more complex Brexit talks with the EU.

The sentiment will no doubt be in favor of a weaker British pound although in the near term we could expect to see some sideways action. Look for GBPUSD to retrace the declines to test the broken neckline support for resistance at 1.2800. Forming resistance here will see a renewed decline in price. The targets are 1.2600 and 1.2400 respectively.

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