

orbex WEEKLY MARKETS REPORT



OVERWEEK
BULLET POINTS



THE WEEK
AHEAD



MARKETS
PREVIEW



THE CHART OF
THE WEEK

OVERWEEK BULLET POINTS



Last Week: 3rd of July 2017, to 7th of July 2017

Date	Time	Currency	Event	Actual	Forecast	Previous
03-Jul	12:30am	AUD	AIG Manufacturing Index	55		54.8
	12:50am	JPY	Tankan Manufacturing Index	17	15	12
		JPY	Tankan Non-Manufacturing Index	23	24	20
	1:30am	JPY	Final Manufacturing PMI	52.4	52	52
	2:03am	AUD	MI Inflation Gauge m/m	0.10%		0.00%
	2:30am	AUD	Building Approvals m/m	-5.60%	-1.20%	4.80%
		AUD	ANZ Job Advertisements m/m	2.70%		0.40%
	2:45am	CNY	Caixin Manufacturing PMI	50.4	49.9	49.6
	6:00am	JPY	Consumer Confidence	43.3	43.9	43.6
	7:30am	AUD	Commodity Prices y/y	25.00%		30.10%
	8:15am	CHF	Retail Sales y/y	-0.30%	-0.80%	-0.90%
		EUR	Spanish Manufacturing PMI	54.7	55.6	55.4
	8:30am	CHF	Manufacturing PMI	60.1	56.5	55.6
	8:45am	EUR	Italian Manufacturing PMI	55.2	55.3	55.1
	8:50am	EUR	French Final Manufacturing PMI	54.8	55	55
	8:55am	EUR	German Final Manufacturing PMI	59.6	59.3	59.3
	9:00am	EUR	Final Manufacturing PMI	57.4	57.3	57.3
		EUR	Italian Monthly Unemployment Rate	11.30%	11.10%	11.20%
	9:30am	GBP	Manufacturing PMI	54.3	56.4	56.3
	10:00am	EUR	Unemployment Rate	9.30%	9.30%	9.30%
	2:45pm	USD	Final Manufacturing PMI	52	52.1	52.1
	3:00pm	USD	ISM Manufacturing PMI	57.8	55	54.9
		USD	Construction Spending m/m	0.00%	0.30%	-0.70%
		USD	ISM Manufacturing Prices	55	58.5	60.5
All Day	USD	Total Vehicle Sales	16.5M	16.5M	16.7M	
6:30pm	GBP	MPC Member Haldane Speaks				
11:00pm	NZD	NZIER Business Confidence	18		17	
04-Jul	12:50am	JPY	Monetary Base y/y	17.00%	19.20%	19.40%
	2:30am	AUD	Retail Sales m/m	0.60%	0.20%	1.00%
	5:30am	AUD	RBA Rate Statement			
		AUD	Cash Rate	1.50%	1.50%	1.50%
	6:00am	JPY	BOJ Core CPI y/y	0.30%	0.30%	0.20%
	8:00am	EUR	Spanish Unemployment Change	-98.3K	-120.3K	-111.9K
9:30am	GBP	Construction PMI	54.8	55	56	

	10:00am	EUR	PPI m/m	-0.40%	-0.20%	0.00%
	All Day	USD	Bank Holiday			
	2:30pm	CAD	Manufacturing PMI	54.7		55.1
	3:51pm	NZD	GDT Price Index	-0.40%		-0.80%
05-Jul	12:01am	GBP	BRC Shop Price Index y/y	-0.30%		-0.40%
	12:30am	AUD	AIG Services Index	54.8		51.5
	2:00am	NZD	ANZ Commodity Prices m/m	2.10%		3.20%
	2:45am	CNY	Caixin Services PMI	51.6	52.9	52.8
	8:15am	EUR	Spanish Services PMI	58.3	56.6	57.3
	8:45am	EUR	Italian Services PMI	53.6	54.6	55.1
	8:50am	EUR	French Final Services PMI	56.9	55.3	55.3
	8:55am	EUR	German Final Services PMI	54	53.7	53.7
	9:00am	EUR	Final Services PMI	55.4	54.7	54.7
	9:30am	GBP	Services PMI	53.4	53.6	53.8
	10:00am	EUR	Retail Sales m/m	0.40%	0.40%	0.10%
	3:00pm	USD	Factory Orders m/m	-0.80%	-0.50%	-0.30%
	3:13pm	USD	IBD/TIPP Economic Optimism	50.2	51.6	51.3
	7:00pm	USD	FOMC Meeting Minutes			
06-Jul	2:30am	AUD	Trade Balance	2.47B	1.00B	0.09B
	7:00am	EUR	German Factory Orders m/m	1.00%	1.90%	-2.20%
	8:15am	CHF	CPI m/m	-0.10%	0.00%	0.20%
	9:10am	EUR	Retail PMI	53.2		52
	9:37am	GBP	Housing Equity Withdrawal q/q	-10.4B	-7.4B	-10.6B
	12:30pm	EUR	ECB Monetary Policy Meeting Accounts			
		USD	Challenger Job Cuts y/y	-19.30%		9.70%
	1:15pm	USD	ADP Non-Farm Employment Change	158K	184K	230K
	1:30pm	CAD	Trade Balance	-1.1B	-0.5B	-0.6B
		CAD	Building Permits m/m	8.90%	2.50%	0.50%
		USD	Unemployment Claims	248K	243K	244K
		USD	Trade Balance	-46.5B	-46.3B	-47.6B
	2:45pm	USD	Final Services PMI	54.2	53	53
	3:00pm	USD	ISM Non-Manufacturing PMI	57.4	56.5	56.9
	USD	FOMC Member Powell Speaks				
4:00pm	USD	Crude Oil Inventories	-6.3M	-2.4M	0.1M	
07-Jul	12:30am	AUD	AIG Construction Index	56		56.7
		USD	FOMC Member Fischer Speaks			
	1:00am	JPY	Average Cash Earnings y/y	0.70%	0.40%	0.50%
	6:00am	JPY	Leading Indicators	104.70%	104.60%	104.20%
	6:45am	CHF	Unemployment Rate	3.20%	3.20%	3.20%
	7:00am	EUR	German Industrial Production m/m	1.20%	0.20%	0.70%
	7:45am	EUR	French Gov Budget Balance	-66.4B		-57.9B
		EUR	French Industrial Production m/m	1.90%	0.50%	-0.60%

		EUR	French Trade Balance	-4.9B	-4.9B	-5.6B
	8:00am	CHF	Foreign Currency Reserves	693B		694B
	8:30am	GBP	Halifax HPI m/m	-1.00%	0.20%	0.30%
	9:00am	EUR	Italian Retail Sales m/m	-0.10%	0.30%	-0.40%
	9:30am	GBP	Manufacturing Production m/m	-0.20%	0.50%	0.20%
		GBP	Goods Trade Balance	-11.9B	-10.8B	-10.6B
		GBP	Construction Output m/m	-1.20%	0.60%	-1.10%
		GBP	Industrial Production m/m	-0.10%	0.40%	0.20%
	9:51am	GBP	BOE Gov Carney Speaks			
	Day 1	ALL	G20 Meetings			
	1:03pm	GBP	NIESR GDP Estimate	0.30%		0.30%
	1:30pm	CAD	Employment Change	45.3K	11.4K	54.5K
		CAD	Unemployment Rate	6.50%	6.60%	6.60%
		USD	Average Hourly Earnings m/m	0.20%	0.30%	0.10%
		USD	Non-Farm Employment Change	222K	175K	152K
		USD	Unemployment Rate	4.40%	4.30%	4.30%
	3:00pm	CAD	Ivey PMI	61.6	57.7	53.8
	3:30pm	USD	Natural Gas Storage	72B	61B	46B

Time: GMT

THE WEEK AHEAD



10th of July 2017, to 14th of July 2017

IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

Date	Time	Currency	Event	Forecast	Previous
10-Jul	12:50am	JPY	Bank Lending y/y		3.20%
		JPY	Core Machinery Orders m/m	1.70%	-3.10%
		JPY	Current Account	1.63T	1.81T
	2:30am	CNY	CPI y/y	1.60%	1.50%
		CNY	PPI y/y	5.50%	5.50%
	6:00am	JPY	Economy Watchers Sentiment	49	48.6
	7:00am	EUR	German Trade Balance	20.3B	19.8B
	9:30am	EUR	Sentix Investor Confidence	28.1	28.4
	3:00pm	USD	Labor Market Conditions Index m/m		2.3
	8:00pm	USD	Consumer Credit m/m	12.1B	8.2B
11-Jul	12:01am	GBP	BRC Retail Sales Monitor y/y		-0.40%
	12:50am	JPY	M2 Money Stock y/y		3.90%
	2:30am	AUD	NAB Business Confidence		7
		AUD	Home Loans m/m	1.60%	-1.90%
	7:00am	JPY	Prelim Machine Tool Orders y/y		24.50%
	9:00am	EUR	Italian Industrial Production m/m	0.40%	-0.40%
	11th-15th	CNY	M2 Money Supply y/y	9.50%	9.60%
	11th-15th	CNY	New Loans	1310B	1110B
	11:00am	GBP	MPC Member Haldane Speaks		
		USD	NFIB Small Business Index	104.4	104.5
	12:00pm	GBP	MPC Member Broadbent Speaks		
	1:15pm	CAD	Housing Starts	200K	195K
	2:30pm	GBP	CB Leading Index m/m		-0.30%
	3:00pm	USD	JOLTS Job Openings	5.89M	6.04M
USD		Final Wholesale Inventories m/m	0.30%	0.30%	
5:00pm	USD	FOMC Member Brainard Speaks			
12-Jul	12:50am	JPY	PPI y/y	2.10%	2.10%
	1:30am	AUD	Westpac Consumer Sentiment		-1.80%
	5:30am	JPY	Tertiary Industry Activity m/m	-0.50%	1.20%
	7:00am	EUR	German WPI m/m	0.20%	-0.70%
	9:30am	GBP	Average Earnings Index 3m/y	1.80%	2.10%
		GBP	Claimant Count Change	10.4K	7.3K
		GBP	Unemployment Rate	4.60%	4.60%

	10:00am	EUR	Industrial Production m/m	1.10%	0.50%
	3:00pm	CAD	BOC Monetary Policy Report		
		CAD	BOC Rate Statement		
		CAD	Overnight Rate	0.75%	0.50%
		USD	Fed Chair Yellen Testifies		
	3:30pm	USD	Crude Oil Inventories		-6.3M
	4:15pm	CAD	BOC Press Conference		
	7:00pm	USD	Beige Book		
	11:45pm	NZD	FPI m/m		2.40%
13-Jul	12:01am	GBP	RICS House Price Balance	15%	17%
	2:00am	AUD	MI Inflation Expectations		3.60%
	Tentative	CNY	Trade Balance	273B	282B
	Tentative	CNY	USD-Denominated Trade Balance	43.2B	40.8B
	7:00am	EUR	German Final CPI m/m	0.20%	0.20%
	7:45am	EUR	French Final CPI m/m	0.00%	0.00%
	8:15am	CHF	PPI m/m	0.00%	-0.30%
	9:30am	GBP	BOE Credit Conditions Survey		
	1:30pm	CAD	NHPI m/m	0.20%	0.80%
		USD	PPI m/m	0.00%	0.00%
		USD	Unemployment Claims	244K	248K
		USD	Core PPI m/m	0.20%	0.30%
	3:00pm	USD	Fed Chair Yellen Testifies		
	4:30pm	USD	FOMC Member Evans Speaks		
	6:00pm	USD	FOMC Member Brainard Speaks		
	7:00pm	USD	Federal Budget Balance	-16.2B	-88.4B
	11:30pm	NZD	Business NZ Manufacturing Index		58.5
14-Jul	5:30am	JPY	Revised Industrial Production m/m	-3.30%	-3.30%
	10:00am	EUR	Italian Trade Balance	2.43B	3.60B
		EUR	Trade Balance	20.3B	19.6B
	1:30pm	USD	CPI m/m	0.10%	-0.10%
		USD	Core CPI m/m	0.20%	0.10%
		USD	Core Retail Sales m/m	0.20%	-0.30%
		USD	Retail Sales m/m	0.20%	-0.30%
	2:15pm	USD	Capacity Utilization Rate	76.90%	76.60%
		USD	Industrial Production m/m	0.30%	0.00%
	2:30pm	USD	FOMC Member Kaplan Speaks		
	3:00pm	USD	Prelim UoM Consumer Sentiment	95.2	95.1
		USD	Business Inventories m/m	0.30%	-0.20%
		USD	Prelim UoM Inflation Expectations		2.60%

Time: GMT

MARKETS RECAP



Last Week: 3rd of July 2017, to 7th of July 2017

The busy week of the month saw a lot of economic reports. Overall, data from the U.S. was broadly positive with both the manufacturing and non-manufacturing PMI's posting a rebound. The Friday's jobs report was rather mixed. Despite the U.S. economy adding better than expected headline jobs, the average hourly earnings continued to remain weak. The U.S. dollar continued its flat price movement through the week as a result.

RBA leaves interest rate unchanged. Retail sales rises less than expected in May.

The Reserve Bank of Australia left its main lending rate unchanged at 1.50%. In the meeting, the RBA singled out the exchange rate appreciation in the Australian dollar and also brought back concerns on the housing department.

Economists polled had widely expected the RBA to keep interest rates unchanged at the meeting on Tuesday. Economists were also hopeful that the RBA could be more upbeat on the Australian economy, given the solid growth in employment.

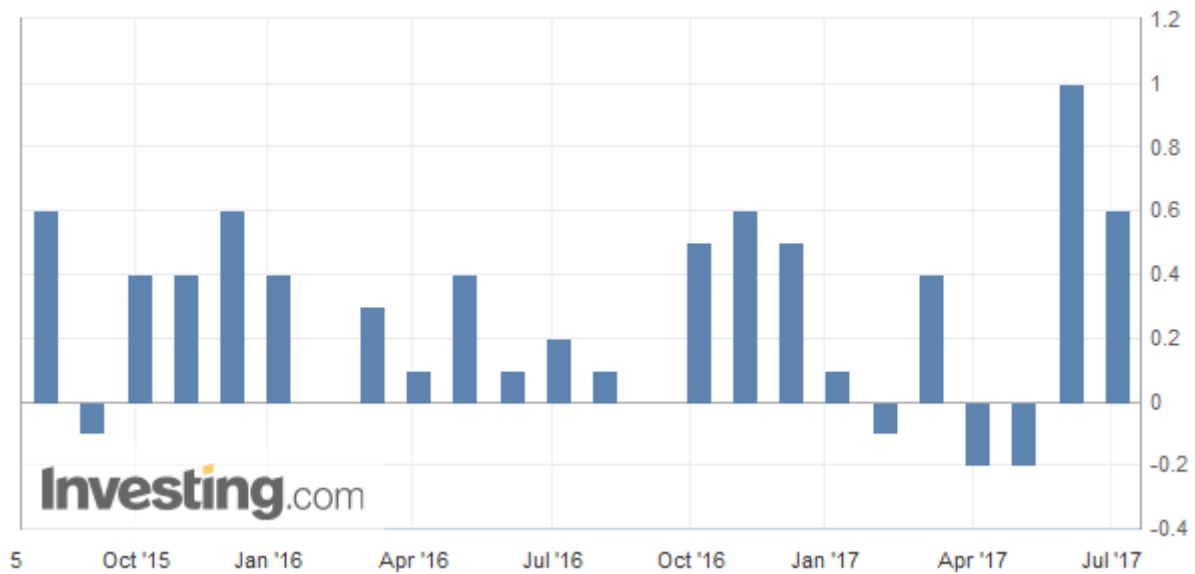
The last reported GDP data showed that economic activity expanded at a pace of 1.7% on the year in the three months ending March 2017.

"Taking account of the available information, the Board 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 bank said in a statement.

The Australian dollar fell after the RBA's statement as it came as a surprise, especially the reference about the exchange rate. Some of the economists were expecting the RBA to toe the line with other central banks such as the ECB and the BoE and come out hawkish.

The rather mixed and dovish statement and particularly the reference to the exchange rate appreciation and the fact that the housing market is back on the RBA's radar saw investors booking profits on the Australian dollar which weakened after the RBA's statement.

Ahead of the RBA's statement, the retail sales data were released by the Australian Bureau of Statistics. Data showed that retail sales increased 0.6% on a month over month basis in May. This was weaker than the 1% jump witnessed the month before in April.



Australia Retail Sales, May 2017: 0.6%, MoM

Despite the slower pace of gains in retail sales, the pace of growth was higher than the median economists' forecasts. Real consumption was also seen rising strongly during the second quarter, following April and May's retail sales data.

Retailing in the household goods sector rose 2.2% on the month while sales of clothing and footwear increased 1.3%. However, to the downside, department store sales fell 0.7%.

FOMC meeting minutes released

The U.S. Federal Reserve released the meeting minutes from the June monetary policy meeting. According to the minutes of the meeting, officials said that they plan to shrink the balance sheet which currently stands at \$4.5 trillion which it amassed during its QE purchases.

According to the minutes, the Federal Reserve policy makers were divided on the timing of reducing the balance sheet. Some members said that they were in favor of reducing the balance sheet **"within a few months,"** but some members wanted to wait for more evidence of a pickup in inflation

The market consensus is currently expecting the Fed to shrink its balance sheet as early as September. This could mean that the rate hike could be delayed towards the final quarter of the year.

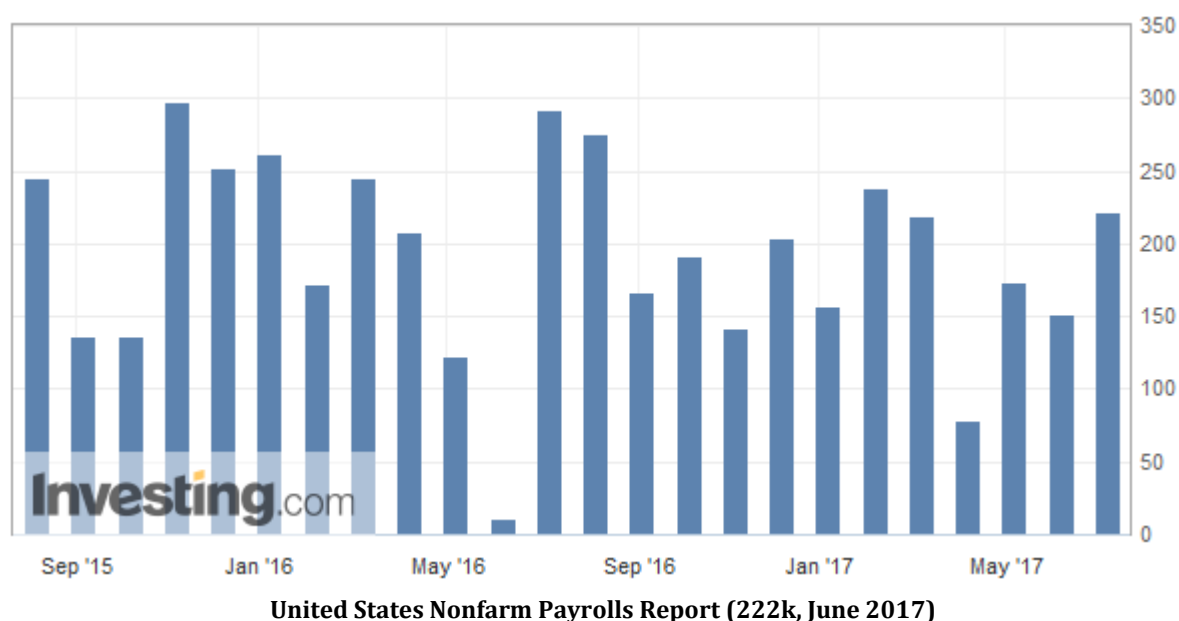
"The information reviewed for the June 13-14 meeting showed that labor market conditions continued to strengthen in recent months and suggested that real gross domestic product (GDP) was expanding at a faster pace in the second quarter than in the first quarter," the minutes read.

In the June meeting, the Fed downgraded its projections for the consumer price index. Inflation is expected to remain below the 2% inflation target rate. However, all members agreed that inflation would stabilize.

Some of the FOMC members were also concerned that there is a strong risk of inflation overshooting the 2% inflation target rate. The U.S. dollar index remained subdued following the release of the meeting minutes.

U.S. Nonfarm payrolls adds 222k jobs in June

The monthly payrolls report for June showed that the pace of hiring picked up as the U.S. employers were seen adding 222,000 jobs during the month on a seasonally adjusted basis.



Despite the strong jobs growth, the U.S. unemployment rate was seen rising from 4.3% previously to 4.4%, while the participation rate rose modestly from 62.7% in the previous month to 62.8% in June. Employment gains in the U.S. have averaged 180,000 per month in 2017, this is slightly below the 187,000 in 2016. Most of the job gains came from the health care sector which added 37k new jobs while professional and business services added 25k jobs during the month.

The payrolls data was higher than the expectations of 174k jobs. Data also included revisions to April payrolls which was revised to 207k while May was revised to 152k. Combined, the April and May revisions saw a net increase of 47k.

The average wages continued to disappoint. In June, wages grew just 0.1% on a month over month basis, which put the year over year wage growth at 2.5%. The continued mixed data on the payrolls front saw the U.S. dollar trading subdued as a result in an initial reaction to the event.

MARKETS PREVIEW



10th of July 2017, to 14th of July 2017

This week, the Fed Chair Janet Yellen will be taking center stage as she appears for the semi-annual testimony to the U.S. Congress. Ms. Yellen will be speaking on the outlook for the U.S. economy. Other economic data includes the inflation report from the U.S. Elsewhere, the BoC interest rate decision this week will be another main event. The BoC is expected to hike interest rates to 0.75%, from the current 0.50%.

Bank of Canada expected to hike interest rates

The Bank of Canada will be meeting this week on Wednesday. According to economists polled, the central bank is expected to hike interest rates by 25 basis points. This will be the first rate hike since the BoC cut interest rates in July 2015.

The expectations from the BoC are hawkish given the fact that the BoC Governor, Poloz noted quite recently that inflation was likely to move into an uptrend by the first half of 2018. He further said that monetary policy should be tightened ahead of this uptrend as policy makers at the central bank were hopeful that inflation reaches the 2% target rate.

Just last week, export data showed that Canadian exports rose 18%, marking a record high in the month of May. Trade deficit in Canada as a total value of inbound and outbound trade rose to \$98.5 billion. Canadian imports rose 2.4% in May which came mostly on account of aircraft parts. Exports were also seen rising for a third consecutive month. In May, data from Statistics Canada showed that exports rose 1.3% on the month.

The interest rate hike this week will be the first policy tightening since 2010. The central bank official said that the previous rate cuts had done their job. The central bank lowered interest rates to the current 0.50% in July 2015. Back then the rate cut came on account of falling oil prices.

Fed Chair Yellen Testimony and U.S. CPI

The Federal Reserve Chair, Janet Yellen will be giving her semi-annual testimony to the U.S. Congress this week. The prepared remarks are expected to show that Ms. Yellen supports the current monetary policy. The topics of discussion will of course be the U.S. inflation outlook as well as the talks for normalizing the central bank's balance sheet and the future pace of rate hikes.

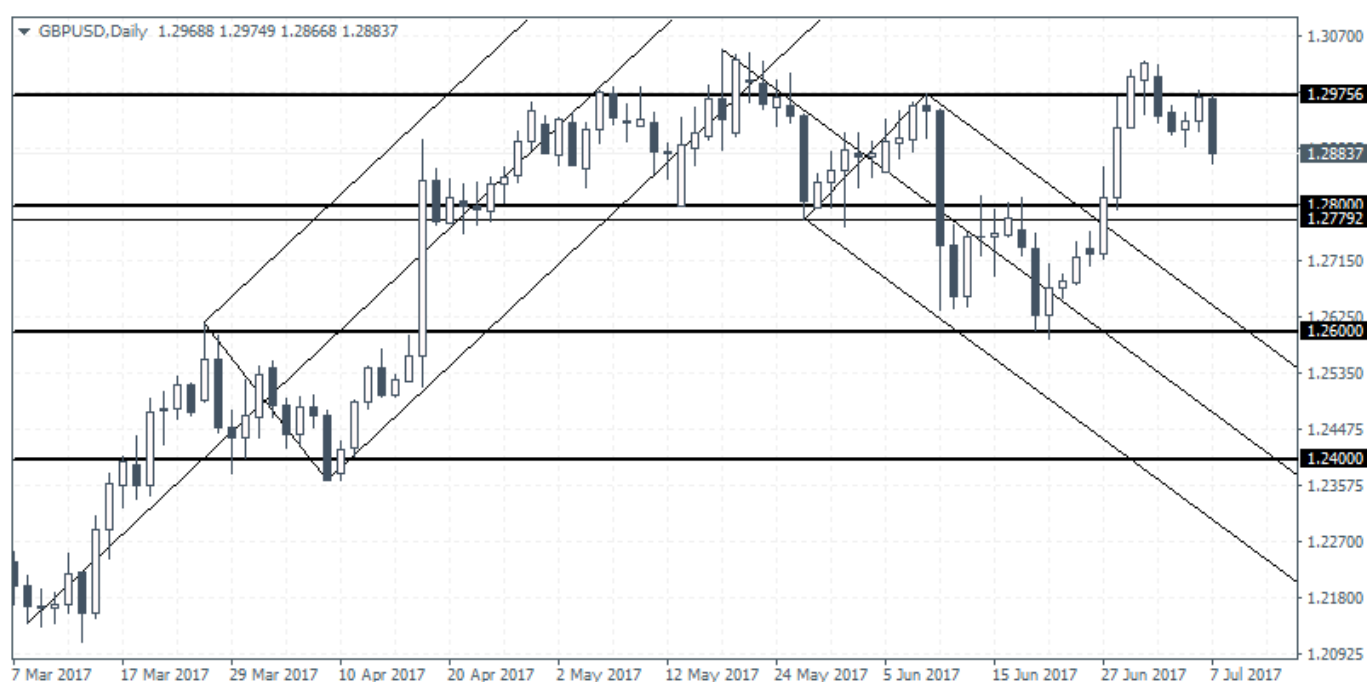
Alongside Ms. Yellen's testimony, the U.S. consumer prices index data will also be released this week. Economists polled expect a 0.2% increase in headline CPI on a month over month basis. This would keep the annual inflation rate unchanged at 1.7% as seen last month. Weakness in inflation could potentially upset the markets which are currently looking to price in the next rate hike from the Fed.

TECHNICAL CORNER



GBPUSD – Retest to 1.2800

The British pound posted strong declines on Friday. The declines came on a weaker than expected industrial production data. It was the fourth consecutive decline in industrial production for the month of May. The data compounded the concerns about the slowdown in the economy, amid political uncertainty and the hawkish rhetoric from the Bank of England.



GBPUSD (1.2883) – Daily Chart

The week ahead will see the key wage growth numbers coming out. With inflation continuing to accelerate, officials will be looking at wages which will be critical to the economy. The UK has already witnessed a slowdown in the consumer spending, most of which came on account of higher consumer prices.

The GBPUSD rallied briefly last week to test the 1.2975 price level where resistance was developing. The rally to this level saw GBPUSD breaking above 1.2975 before giving up the gains and pushing lower. Another attempt to test the resistance resulted in a strong decline (on Friday). Therefore, we can expect to see a continuation to the downside in a follow through.

To the downside, GBPUSD could be seen testing the 1.2800 level where support is likely to be established. This level previously served as resistance. Therefore, establishing support here could be validated. GBPUSD could most likely remain range bound within 1.2975 and 1.2800 levels of resistance and support. In the even of a break out below 1.2800, then GBPUSD could signal further declines down to 1.2600.

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