

# orbex WEEKLY MARKETS REPORT



OVERWEEK  
BULLET POINTS



THE WEEK  
AHEAD



MARKETS  
PREVIEW



THE CHART OF  
THE WEEK

# OVERWEEK BULLET POINTS



Last Week: 17<sup>th</sup> of July 2017, to 21<sup>st</sup> of July 2017

Date	Time	Currency		Actual	Forecast	Previous
17-Jul	12:01am	GBP	Rightmove HPI m/m	0.10%		-0.40%
	3:00am	CNY	GDP q/y	6.90%	6.80%	6.90%
		CNY	Industrial Production y/y	7.60%	6.50%	6.50%
		CNY	Fixed Asset Investment ytd/y	8.60%	8.50%	8.60%
		CNY	NBS Press Conference			
		CNY	Retail Sales y/y	11.00%	10.60%	10.70%
	10:00am	EUR	Final CPI y/y	1.30%	1.30%	1.30%
		EUR	Final Core CPI y/y	1.10%	1.10%	1.10%
	1:30pm	CAD	Foreign Securities Purchases	29.46B	9.78B	10.61B
		USD	Empire State Manufacturing Index	9.8	15.2	19.8
	11:45pm	NZD	CPI q/q	0.00%	0.20%	1.00%
18-Jul	2:30am	AUD	Monetary Policy Meeting Minutes			
		AUD	New Motor Vehicle Sales m/m	1.20%		3.10%
	9:30am	GBP	CPI y/y	2.60%	2.90%	2.90%
		GBP	PPI Input m/m	-0.40%	-0.80%	-0.70%
		GBP	RPI y/y	3.50%	3.60%	3.70%
		GBP	Core CPI y/y	2.40%	2.60%	2.60%
		GBP	HPI y/y	4.70%	3.00%	5.30%
		GBP	PPI Output m/m	0.00%	0.10%	0.10%
	10:00am	EUR	German ZEW Economic Sentiment	17.5	17.8	18.6
		EUR	ZEW Economic Sentiment	35.6	37.2	37.7
	1:30pm	USD	Import Prices m/m	-0.20%	-0.20%	-0.10%
	2:30pm	GBP	BOE Gov Carney Speaks			
	3:00pm	USD	NAHB Housing Market Index	64	67	66
3:37pm	NZD	GDT Price Index	0.20%		-0.40%	
9:00pm	USD	TIC Long-Term Purchases	91.9B	20.3B	9.7B	
19-Jul	1:30am	AUD	MI Leading Index m/m	-0.10%		0.00%
	1:30pm	CAD	Manufacturing Sales m/m	1.10%	0.90%	0.40%
		USD	Building Permits	1.25M	1.20M	1.17M
		USD	Housing Starts	1.22M	1.16M	1.12M
	3:30pm	AUD	CB Leading Index m/m	0.10%		0.50%
		USD	Crude Oil Inventories	-4.7M	-3.6M	-7.6M
20-Jul	12:50am	JPY	Trade Balance	0.08T	0.12T	0.12T
	2:30am	AUD	Employment Change	14.0K	14.4K	38.0K

		AUD	Unemployment Rate	5.60%	5.60%	5.60%
		AUD	NAB Quarterly Business Confidence	7		7
	4:10am	JPY	BOJ Outlook Report			
		JPY	BOJ Policy Rate	-0.10%	-0.10%	-0.10%
		JPY	Monetary Policy Statement			
	5:30am	JPY	All Industries Activity m/m	-0.90%	-0.80%	2.30%
	7:00am	CHF	Trade Balance	2.81B	2.89B	3.39B
		EUR	German PPI m/m	0.00%	-0.10%	-0.20%
	7:30am	JPY	BOJ Press Conference			
	9:00am	EUR	Current Account	30.1B	23.3B	23.5B
	9:30am	GBP	Retail Sales m/m	0.60%	0.40%	-1.10%
	12:45pm	EUR	Minimum Bid Rate	0.00%	0.00%	0.00%
	1:30pm	EUR	ECB Press Conference			
		USD	Unemployment Claims	233K	245K	248K
		USD	Philly Fed Manufacturing Index	19.5	23.4	27.6
	3:00pm	EUR	Consumer Confidence	-2	-1	-1
		USD	CB Leading Index m/m	0.60%	0.40%	0.20%
	3:30pm	USD	Natural Gas Storage	28B	39B	57B
	11:45pm	NZD	Visitor Arrivals m/m	5.10%		-1.40%
21-Jul	3:40am	AUD	RBA Assist Gov Debelle Speaks			
	4:00am	NZD	Credit Card Spending y/y	8.30%		7.60%
	5:15am	AUD	RBA Assist Gov Bullock Speaks			
	9:30am	GBP	Public Sector Net Borrowing	6.3B	4.3B	6.4B
	1:30pm	CAD	CPI m/m	-0.10%	-0.10%	0.10%
		CAD	Core Retail Sales m/m	-0.10%	0.00%	1.30%
		CAD	Common CPI y/y	1.40%		1.30%
		CAD	Median CPI y/y	1.60%		1.50%
		CAD	Retail Sales m/m	0.60%	0.30%	0.70%
		CAD	Trimmed CPI y/y	1.20%		1.20%
		CAD	Core CPI m/m	0.10%		0.10%

Time: GMT

# THE WEEK AHEAD



24<sup>th</sup> of July 2017, to 28<sup>th</sup> of July 2017

## IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

Date	Time	Currency	Event	Forecast	Previous
24-Jul	1:30am	JPY	Flash Manufacturing PMI	52.3	52.4
	8:00am	EUR	French Flash Manufacturing PMI	54.6	54.8
		EUR	French Flash Services PMI	56.6	56.9
	8:30am	EUR	German Flash Manufacturing PMI	59.1	59.6
		EUR	German Flash Services PMI	54.4	54
	9:00am	EUR	Flash Manufacturing PMI	57.3	57.4
		EUR	Flash Services PMI	55.5	55.4
	11:00am	EUR	German Buba Monthly Report		
	1:30pm	CAD	Wholesale Sales m/m	0.50%	1.00%
	2:00pm	CNY	CB Leading Index m/m		1.30%
	2:45pm	USD	Flash Manufacturing PMI	52.3	52
		USD	Flash Services PMI	54.3	54.2
	3:00pm	USD	Existing Home Sales	5.59M	5.62M
25-Jul	12:50am	JPY	Monetary Policy Meeting Minutes		
	7:00am	EUR	German Import Prices m/m	-0.60%	-1.00%
	9:00am	EUR	German Ifo Business Climate	114.9	115.1
	11:00am	GBP	CBI Industrial Order Expectations	12	16
	2:00pm	EUR	Belgian NBB Business Climate	-1.9	-2
		USD	HPI m/m	0.60%	0.70%
		USD	S&P/CS Composite-20 HPI y/y	5.80%	5.70%
	3:00pm	USD	CB Consumer Confidence	116.2	118.9
		USD	Richmond Manufacturing Index	7	7
	6:00pm	GBP	MPC Member Haldane Speaks		
	11:45pm	NZD	Trade Balance	100M	103M
26-Jul	12:50am	JPY	SPPI y/y	0.80%	0.70%
	2:30am	AUD	CPI q/q	0.40%	0.50%
		AUD	Trimmed Mean CPI q/q	0.50%	0.50%
	4:05am	AUD	RBA Gov Lowe Speaks		
	7:00am	CHF	UBS Consumption Indicator		1.39
	26th-31st	GBP	Nationwide HPI m/m		2.70%
	9:00am	CHF	Credit Suisse Economic Expectations		20.7
	9:30am	GBP	Prelim GDP q/q	0.30%	0.20%
		GBP	BBA Mortgage Approvals	39.9K	40.3K
		GBP	Index of Services 3m/3m	0.10%	0.20%
	3:00pm	USD	New Home Sales	615K	610K

	3:30pm	USD	Crude Oil Inventories		-4.7M
	7:00pm	USD	FOMC Statement		
		USD	Federal Funds Rate	<1.25%	<1.25%
27-Jul	2:30am	AUD	Import Prices q/q	0.70%	1.20%
	7:00am	EUR	Spanish Unemployment Rate	17.90%	18.80%
		EUR	GfK German Consumer Climate	10.6	10.6
	9:00am	EUR	M3 Money Supply y/y	5.00%	5.00%
		EUR	Private Loans y/y	2.70%	2.60%
	11:00am	GBP	CBI Realized Sales	11	12
	1:30pm	USD	Core Durable Goods Orders m/m	0.40%	0.30%
		USD	Unemployment Claims	242K	233K
		USD	Durable Goods Orders m/m	3.20%	-0.80%
		USD	Goods Trade Balance	-65.0B	-65.9B
		USD	Prelim Wholesale Inventories m/m	0.20%	0.40%
28-Jul	12:01am	GBP	GfK Consumer Confidence	-11	-10
	12:30am	JPY	Household Spending y/y	0.60%	-0.10%
		JPY	National Core CPI y/y	0.40%	0.40%
		JPY	Tokyo Core CPI y/y	0.10%	0.00%
		JPY	Unemployment Rate	3.00%	3.10%
	12:50am	JPY	BOJ Summary of Opinions		
		JPY	Retail Sales y/y	2.30%	2.10%
	2:30am	AUD	PPI q/q	0.60%	0.50%
	6:30am	EUR	French Flash GDP q/q	0.50%	0.50%
	All Day	EUR	German Prelim CPI m/m	0.20%	0.20%
	7:45am	EUR	French Consumer Spending m/m	-0.30%	1.00%
		EUR	French Prelim CPI m/m	-0.40%	0.00%
	8:00am	CHF	KOF Economic Barometer	106.1	105.5
		EUR	Spanish Flash CPI y/y	1.50%	1.50%
		EUR	Spanish Flash GDP q/q	0.90%	0.80%
	1:30pm	CAD	GDP m/m	0.20%	0.20%
		USD	Advance GDP q/q	2.50%	1.40%
		USD	Advance GDP Price Index q/q	1.30%	1.90%
		USD	Employment Cost Index q/q	0.60%	0.80%
	3:00pm	USD	Revised UoM Consumer Sentiment	93.1	93.1
		USD	Revised UoM Inflation Expectations		2.70%
	6:20pm	USD	FOMC Member Kashkari Speaks		

Time: GMT

# MARKETS RECAP



Last Week: 17<sup>th</sup> of July 2017, to 21<sup>st</sup> of July 2017

*It was a rather quiet week for the markets, save for the ECB meeting. With lack of any tier-one economic data to go by, traders focused on the ECB. As widely expected the ECB held rates steady but deferred the decision on QE tapering to sometime in August. The U.S. dollar continued to remain weak and was seen trading mixed. The BoJ also met last week. The central bank kept monetary policy steady but lowered its inflation forecasts.*

## China GDP growth steady in Q2

China's economy showed a steady pace of expansion in the second quarter with domestic spending and exports driving the gross domestic product higher. This was despite the measures taken by authorities to rein in the financial risks.

According to official data released by the National Bureau of Statistics released on Monday, China's GDP grew at a pace of 6.9% on a year over year basis. The annual GDP growth rate was somewhat slower at 6.8%.



**China GDP Q2 2017: 6.9%**

The GDP gain of 6.9% was slightly above the official estimates of 6.5% that is projected for this year. Experts commented that the Chinese economy was holding steady heading into the third quarter of the year. Yet, despite the positive data, analysts are doubtful. More importantly, the recent crackdown on the financial risks was seen to slow down credit growth in the nation.

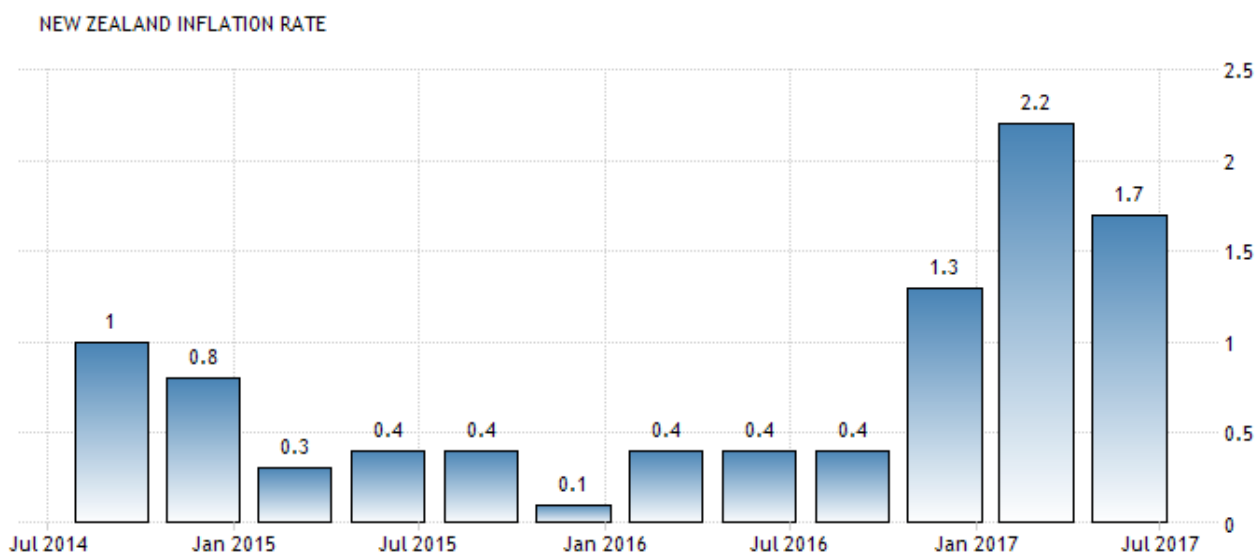
The slowdown in credit growth is expected to weigh on the economy during the second half of the year.

For the second quarter, growth was led by a firmness in exports and production with steel exports pushing growth higher. For 2017, the better than expected Q2 data spurred many economists to upgrade their forecasts for the remainder of 2017.

Economists at Citi said, "In general, we expect GDP growth to remain robust in the second half but slower than the first half, due to the high base." Citi is among a number of institutional banks that expects GDP growth in China to rise 6.8%, up against 6.6% from the initial estimates and up from the official target of 6.5%.

## New Zealand second quarter inflation unchanged

Headline consumer price index in New Zealand turned out flat during the second quarter on a seasonally adjusted basis, data from Statistics New Zealand showed on Tuesday. This was slower than the expectations of a 0.2% increase on the quarter after inflation rose 1.0% in the three months ending March quarter.



SOURCE: TRADINGECONOMICS.COM | STATISTICS NEW ZEALAND

### New Zealand Annual Inflation Rate: 1.7%, Q2 2017

On a year over year basis, New Zealand's inflation slowed to a pace of 1.7%, which was below forecasts of 1.9% and down from the annual inflation rate of 2.2% registered in the first quarter.

Consumer prices rose only within a broad based category that included rent, food prices and electricity prices. However, price declines were notable in domestic airfares and petrol prices which

fell sharply. Housing prices continued to rise however, jumping 0.8% during the reported quarter and rising at an annualized pace of 3.1%. New home prices also increased 1.8%.

Food prices, which were seen to be a major drag according to a separate report released last week surprised by rising 0.7% on the quarter or up 2.0% on an annualized basis. Vegetable prices were also up 19%.

Posting the biggest drag on inflation was the telecommunications services where prices fell 3.8% while equipment and other technology services fell 24% and 9% respectively.

***"Better technology is reflected as an effective price fall, even if the sticker price remains the same. Consumers are getting more bang for their buck through better speeds and capacity in their telecommunications plans, and improved features for cellphones, televisions, and laptops,"*** prices senior manager Jason Attewell said.

## ECB keeps monetary policy steady

The European Central Bank's monetary policy meeting last week saw no changes being made to the key interest rates. The central bank left the asset purchases steady at 60 billion euro per month. Central bank officials said that the current pace of QE purchases would continue until December 2017.

The central bank also said in its statement that it was willing to continue to expand the QE both in time and size if the economy deteriorated. Thus, the central bank maintained its commitment towards the monetary stimulus program.

Despite the rather dovish outlook initially, it was during the press conference that Draghi's comments pushed the common currency higher. EURUSD surged to a two-year high after the ECB's meeting and press conference.

At the press conference, the ECB Chief Draghi said that the governing council did not set any specific timing on tapering QE. He also said that tapering was not discussed. But Draghi said that any discussion on QE tapering would happen in autumn. He declined to go into much of the specifics as to when the ECB will discuss the tapering plans.

The markets are currently expecting the ECB to announce a tapering in September. However, this could happen only from January after the current pace of bond purchases run out. There is a chance that the ECB could scale back its QE purchases by around 20 - 30 billion euros per month.



# MARKETS PREVIEW



24<sup>th</sup> of July 2017, to 28<sup>th</sup> of July 2017

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*The week ahead will see the FOMC meeting taking center stage, although no changes are expected at this week's meeting. There will not be a press conference which is likely to make this a low-key affair. Australia will be reporting on its quarterly inflation figures this week as well. In the UK, preliminary GDP numbers are expected for the second quarter of this year.*

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## FOMC Meeting: No changes expected

The Federal Reserve Bank of the United States will be meeting this week on Wednesday, July 26 for its monetary policy review. This event is unlikely to see no changes to interest rate or the Fed's short term interest rates. Economists polled expect the same including the Fed funds probability tool that has assigned just under 5% chance for a rate hike this week.

The Fed's short term interest rate currently sits between 1% and 1.25%. At the most recent U.S. congressional testimony, the Fed Chair Janet Yellen told lawmakers that the Fed was in a dovish tightening cycle. She went as far as to say that interest rates were at a neutral level, suggesting neither tightening nor weakening of monetary policy.

Various Fed officials have however showed their support for the central bank's balance sheet normalization. This could start as early as September. The FOMC statement is therefore likely to be the key thing that traders will focus on. Any signs of further clues on the balance sheet normalization could be seen as a form of policy tightening.

## Australia quarterly inflation rate expected to slow

The second quarter consumer prices data will be released for Australia this week. According to the economists polled, inflation rate is expected to rise 0.4% on the quarter for the period ending June 2017. This marks a slower pace of increase. In the first quarter, Australia's inflation rate on a quarterly basis was at 0.5%.

On a year over year basis, inflation is expected to rise 2.2%. This is slightly higher than the 2.1% increase that was registered just in the previous quarter. The subdued inflation rate is expected to stay in line with the RBA's current monetary policy.

More recently, the RBA's deputy Governor Debelle spoke at an event in Adelaide. He told the audience not to read too much into the RBA's statement. He also made a point that the RBA would not be following other central banks into tightening monetary policy.

# TECHNICAL CORNER



USDJPY – Will there be a rebound as price approaches support?

USDJPY has posted strong declines over the week. Price action saw the U.S. dollar continue to post steady declines as the sentiment in the U.S. dollar continued to worsen. However, with the upcoming FOMC meeting this week, chances are that USDJPY could post a rebound. Holding this bias is the fact that the currency pair is also approaching a strong technical level at 110.84 which could hold out in the near term.



USDJPY (111.11) – D1 Chart

With USDJPY closing on Friday with losses near 111.11, we expect to see USDJPY slip towards the support at 110.84 in the near term. The short term catalyst that could help USDJPY to rebound, would be the FOMC meeting this Wednesday. Although no major policy changes are expected, the U.S. dollar could be seen posting a modest recovery on account of the FOMC statement.

With the interest rates expected to remain steady and with inflation concerns potentially upsetting the possibility of another rate hike this year, this week's FOMC meeting could very well help the U.S. dollar to decide on the next leg. In the event that USDJPY slips below the support at 110.84, then further losses could be seen coming. Below this support the next lower support is at 109.40 which held up during early June. To the upside, if USDJPY rebounds, then expect price action to retest the 113.00 level of resistance.

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