

orbex WEEKLY MARKETS REPORT



OVERWEEK
BULLET POINTS



THE WEEK
AHEAD



MARKETS
PREVIEW



THE CHART OF
THE WEEK

OVERWEEK BULLET POINTS



Last Week: 7th of August 2017, to 11th of August 2017

Date	Time	Currency	Event	Actual	Forecast	Previous	
07-Aug	1:30am	AUD	ANZ Job Advertisements m/m	1.50%		2.70%	
	3:00am	NZD	Inflation Expectations q/q	2.10%		2.20%	
	5:00am	JPY	Leading Indicators	106.30%	106.20%	104.60%	
	6:00am	EUR	German Industrial Production m/m	-1.10%	0.20%	1.20%	
	7:00am	CHF	Foreign Currency Reserves	714B		694B	
	7:15am	CHF	CPI m/m	-0.30%	-0.30%	-0.10%	
	7:30am	GBP	Halifax HPI m/m	0.40%	0.30%	-0.90%	
	8:30am	EUR	Sentix Investor Confidence	27.7	27.8	28.3	
	5:25pm	USD	FOMC Member Kashkari Speaks				
	7:00pm	USD	Consumer Credit m/m	12.4B	15.6B	18.3B	
	11:01pm	GBP	BRC Retail Sales Monitor y/y	0.90%		1.20%	
	11:50pm	JPY	Bank Lending y/y	3.30%	3.30%	3.30%	
			JPY	Current Account	1.52T	1.51T	1.40T
	08-Aug	1:30am	AUD	NAB Business Confidence	12		8
2:19am		CNY	Trade Balance	321B	294B	294B	
2:48am		CNY	USD-Denominated Trade Balance	46.7B	45.4B	42.8B	
3:45am		JPY	30-y Bond Auction	0.88 3.9		0.88 3.6	
5:05am		JPY	Economy Watchers Sentiment	49.7	50.1	50	
5:45am		CHF	Unemployment Rate	3.20%	3.20%	3.20%	
6:00am		EUR	German Trade Balance	21.2B	20.8B	20.3B	
6:45am		EUR	French Gov Budget Balance	-62.3B		-66.4B	
		EUR	French Trade Balance	-4.7B	-5.1B	-4.4B	
10:00am		USD	NFIB Small Business Index	105.2	103.6	103.6	
2:00pm		USD	JOLTS Job Openings	6.16M	5.74M	5.70M	
		USD	IBD/TIPP Economic Optimism	52.2	50.6	50.2	
10:35pm		AUD	RBA Assist Gov Kent Speaks				
11:50pm		JPY	M2 Money Stock y/y	4.00%	3.90%	3.90%	
09/08	12:30am	AUD	Westpac Consumer Sentiment	-1.20%		0.40%	
	1:30am	AUD	Home Loans m/m	0.50%	1.50%	1.10%	
	1:32am	CNY	CPI y/y	1.40%	1.50%	1.50%	
		CNY	PPI y/y	5.50%	5.60%	5.50%	
	5:57am	JPY	Prelim Machine Tool Orders y/y	26.30%		31.10%	
	8:00am	EUR	Italian Industrial Production m/m	1.10%	0.20%	0.70%	
	12:13pm	CAD	Housing Starts	222K	204K	213K	
12:30pm	CAD	Building Permits m/m	2.50%	-1.80%	10.70%		
		USD	Prelim Nonfarm Productivity q/q	0.90%	0.70%	0.00%	

		USD	Prelim Unit Labor Costs q/q	0.60%	1.10%	2.20%
	2:00pm	USD	Final Wholesale Inventories m/m	0.70%	0.60%	0.60%
	2:30pm	USD	Crude Oil Inventories	-6.5M	-2.6M	-1.5M
	5:01pm	USD	10-y Bond Auction	2.25 2.2		2.33 2.4
	9:00pm	NZD	Official Cash Rate	1.75%	1.75%	1.75%
		NZD	RBNZ Rate Statement			
		NZD	RBNZ Monetary Policy Statement			
	10:00pm	NZD	RBNZ Press Conference			
	11:01pm	GBP	RICS House Price Balance	1%	9%	7%
	11:50pm	JPY	Core Machinery Orders m/m	-1.90%	3.60%	-3.60%
		JPY	PPI y/y	2.60%	2.40%	2.20%
10-Aug	1:00am	AUD	MI Inflation Expectations	4.20%		4.40%
	1:10am	NZD	RBNZ Gov Wheeler Speaks			
	4:30am	JPY	Tertiary Industry Activity m/m	0.00%	0.20%	-0.10%
	6:45am	EUR	French Industrial Production m/m	-1.10%	-0.60%	1.90%
	8:00am	EUR	Italian Trade Balance	4.50B	3.87B	4.34B
	8:30am	GBP	Manufacturing Production m/m	0.00%	0.00%	-0.10%
		GBP	Goods Trade Balance	-12.7B	-11.0B	-11.3B
		GBP	Construction Output m/m	-0.10%	1.40%	-0.40%
		GBP	Industrial Production m/m	0.50%	0.10%	0.00%
	11:35am	GBP	NIESR GDP Estimate	0.20%		0.30%
	12:30pm	CAD	NHPI m/m	0.20%	0.50%	0.70%
		USD	PPI m/m	-0.10%	0.10%	0.10%
		USD	Unemployment Claims	244K	240K	241K
		USD	Core PPI m/m	-0.10%	0.20%	0.10%
	2:00pm	USD	FOMC Member Dudley Speaks			
	2:30pm	USD	Natural Gas Storage	28B	38B	20B
	5:01pm	USD	30-y Bond Auction	2.82 2.3		2.94 2.3
	6:00pm	USD	Federal Budget Balance	-42.9B	-60.9B	-90.2B
	10:30pm	NZD	Business NZ Manufacturing Index	55.4		56
	10:45pm	NZD	FPI m/m	-0.20%		0.20%
	11:30pm	AUD	RBA Gov Lowe Speaks			
11-Aug	6:00am	EUR	German Final CPI m/m	0.40%	0.40%	0.40%
		EUR	German WPI m/m	-0.10%	0.30%	0.00%
	6:45am	EUR	French Final CPI m/m	-0.30%	-0.30%	-0.30%
		EUR	French Prelim Non-Farm Payrolls q/q	0.50%	0.40%	0.40%
	12:30pm	USD	CPI m/m	0.10%	0.20%	0.00%
		USD	Core CPI m/m	0.10%	0.20%	0.10%
	1:40pm	USD	FOMC Member Kaplan Speaks			
	3:30pm	USD	FOMC Member Kashkari Speaks			

Time: GMT

THE WEEK AHEAD



14th of August 2017, to 18th of August 2017

IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

Date	Time	Currency	Event	Forecast	Previous
14-Aug	2:00am	CNY	Industrial Production y/y		7.60%
		CNY	Fixed Asset Investment ytd/y		8.60%
		CNY	Retail Sales y/y		11.00%
15-Aug	9:00am	EUR	Industrial Production m/m		1.30%
		AUD	Monetary Policy Meeting Minutes		
	1:30am	AUD	New Motor Vehicle Sales m/m		1.20%
		CNY	Foreign Direct Investment ytd/y		-0.10%
	4:30am	JPY	Revised Industrial Production m/m		1.60%
		EUR	German Prelim GDP q/q		0.60%
	7:15am	CHF	PPI m/m		-0.10%
		GBP	CPI y/y		2.60%
	8:30am	GBP	PPI Input m/m		-0.40%
		GBP	RPI y/y		3.50%
	8:30am	GBP	Core CPI y/y		2.40%
		GBP	HPI y/y		4.70%
	12:30pm	GBP	PPI Output m/m		0.00%
		USD	Core Retail Sales m/m		-0.20%
		USD	Retail Sales m/m		-0.20%
		USD	Empire State Manufacturing Index		9.8
		USD	Import Prices m/m		-0.20%
		1:30pm	GBP	CB Leading Index m/m	
	2:00pm	USD	Business Inventories m/m		0.30%
USD		NAHB Housing Market Index		64	
Tentative	NZD	GDT Price Index		-1.60%	
	8:00pm	USD	TIC Long-Term Purchases		91.9B
16-Aug	12:30am	AUD	MI Leading Index m/m		-0.10%
	1:30am	AUD	Wage Price Index q/q		0.50%
	8:00am	EUR	Italian Prelim GDP q/q		0.20%
	8:30am	GBP	Average Earnings Index 3m/y		1.80%
		GBP	Claimant Count Change		6.0K
		GBP	Unemployment Rate		4.50%
		9:00am	EUR	Flash GDP q/q	
	12:30pm	CAD	Foreign Securities Purchases		29.46B
		USD	Building Permits		1.28M
		USD	Housing Starts		1.22M
2:30pm	USD	Crude Oil Inventories			

	6:00pm	USD	FOMC Meeting Minutes		
	10:45pm	NZD	PPI Input q/q		
		NZD	PPI Output q/q		
	11:50pm	JPY	Trade Balance		0.08T
17-Aug	1:30am	AUD	Employment Change		14.0K
		AUD	Unemployment Rate		5.60%
	8:20am	AUD	RBA Assist Gov Ellis Speaks		
	8:30am	GBP	Retail Sales m/m		0.60%
	9:00am	EUR	Final CPI y/y		1.30%
		EUR	Final Core CPI y/y		1.20%
		EUR	Trade Balance		19.7B
	11:30am	EUR	ECB Monetary Policy Meeting Accounts		
	12:30pm	CAD	Manufacturing Sales m/m		1.10%
		USD	Unemployment Claims		
		USD	Philly Fed Manufacturing Index		19.5
	1:15pm	USD	Capacity Utilization Rate		
		USD	Industrial Production m/m		
	2:00pm	USD	CB Leading Index m/m		
	2:30pm	USD	Natural Gas Storage		
	4:30pm	USD	FOMC Member Kaplan Speaks		
18-Aug	6:00am	EUR	German PPI m/m		
	8:00am	EUR	Current Account		
	12:30pm	CAD	CPI m/m		
		CAD	Core Retail Sales m/m		
		CAD	Common CPI y/y		
		CAD	Median CPI y/y		
		CAD	Retail Sales m/m		
		CAD	Trimmed CPI y/y		
		CAD	Core CPI m/m		
	2:00pm	USD	Prelim UoM Consumer Sentiment		
		USD	Prelim UoM Inflation Expectations		
	2:15pm	USD	FOMC Member Kaplan Speaks		

Time: GMT

MARKETS RECAP



Last Week: 7th of August 2017, to 11th of August 2017

Economic data over the week saw the RBNZ hold its monetary policy meeting. No changes were made to the OCR which was steady at 1.75%. In the U.S. hawkish expectations on inflation for July was met with disappointed. Data showed that inflation in the United States continued to rise at a weak pace. Inflation remained slow globally with China's inflation also showing a steady pace of 1.4%, which was slightly lower than the previous month.

China's consumer and producer prices index largely steady in July

Consumer prices in China eased slightly in the month of July while the producer prices index remained broadly stable. Prices across the board were supported a modest increase in rising commodity prices.

Data released by the National Bureau of Statistics showed last week that consumer prices eased 1.4% in July. This was slightly lower than June's 1.5% increase in the CPI on a year over year basis. The July inflation data was also below the median estimates of a 1.5% increase.



China Consumer Prices: 1.4%, July 2017

Consumer prices have remained well below the government target of 3% for this year. Attributing to the declines were food prices which fell 1.1%. This was after food prices decreased 1.2% in the previous month. Non-food prices rose 2%, which was a slower pace of increase compared to June's 2.2%.

Compared to a monthly basis, China's consumer prices rose 0.1%. This was in contrast to a 0.2% decline in June. July's increase in consumer prices on a monthly basis was the first in nearly three months.

Further slowdown in China's consumer prices are expected at the PBoC is expected to continue with its tighter monetary policy. Growth is also forecast to slow in the coming quarters.

In a separate report, China's producer prices index rose 0.2% on the month in July. This offset the 0.2% increase in June. On a year over year basis, China's producer prices index was steady at 5.5%, rising at the same pace as the month before. Economists were however expecting PPI to rise 5.6% on the year..

RBNZ leaves the OCR unchanged as expected

The Reserve Bank of New Zealand held its monthly monetary policy meeting last week. As widely expected, the central bank left the overnight cash rate (OCR) unchanged at 1.75%.

Last week's monetary policy meeting is the last meeting that would be chaired by the RBNZ governor Graeme Wheeler. In the forward guidance from the central bank, there were no noticeable changes from the July OCR meeting. The central bank said that it expects no changes to interest rates. This meant that the New Zealand interest rates were expected to remain flat into 2019. Therefore moderate rate hikes, albeit at a gradual pace was projected.

The central bank said that weaker data on global inflation, housing markets and the New Zealand economy were some of the aspects that were discussed at last week's meeting. The central bank said that it was concerned that inflation could remain low in the coming years.

As expected, the central bank said that it was uncomfortable with the rising exchange rate for the New Zealand dollar. The central bank had repeatedly outlined that a higher exchange rate could potentially weaken inflation expectations as well the economic growth.

Despite highlighting the risks of the exchange rate and its impact on inflation and the GDP, the central bank did not make any major changes to its GDP forecasts for 2018.

U.S. Consumer prices disappoint in July

Consumer prices in the United States disappointed as data from the Labor department showed last week that the headline inflation rose 0.1% in July. This was the same rate of increase as of June but was lower than the forecasts of 0.2% increase. Excluding the volatile food and energy prices, the core consumer prices also rose just 0.1%, the same pace of increase as the month before. The weaker than expected inflation data is likely to stoke concerns that it will derail the Fed's plans for another rate hike.

Following the CPI data, the probability for another rate hike for this year slipped back below 50%. By Friday's close, the markets showed just at 42% probability for a rate hike. The Fed has maintained that the current weakness in inflation was only temporary and remained hopeful that inflation will pick up. The Fed is pinning hopes that tightening labor market conditions will eventually push wages higher which in turn is expected to push consumer prices higher.

MARKETS PREVIEW



14th of August 2017, to 18th of August 2017

The economic calendar for the week ahead will include inflation and monthly jobs data from the UK. The numbers will shed more light on whether the UK's wages have managed to keep pace with the rate of inflation. In the Eurozone, the flash GDP numbers for the second quarter will keep the markets busy. However, amid a rather quiet week, the FOMC meeting minutes on Wednesday will no doubt be standing out.

UK Wages and Inflation data in focus

The UK will head into an important trading week with inflation and jobs data on the tap. The economic indicators will shed more light on the performance of the UK's economy. Last week, the manufacturing and industrial production data painted a mixed picture. Data showed that manufacturing slowed, but the overall pick up came mostly on account of the oil and gas industry.

Starting the week, the inflation data is due to be released on Tuesday. Economists forecast that annual inflation might have accelerated to 2.7% in July. This comes following a weaker pace of increase at 2.6% just the month before. Besides the inflation data on Wednesday, the monthly unemployment report will be released. Economists are expecting that the unemployment will remain steady at 4.5% in the three months ending June.

The main focus will of course be the wages data. Forecasts point to a steady pace of growth in wages. The average earnings including bonuses are expected to remain steady at 1.8%, rising at the same pace as the previous month. However, the increase in inflation and stagnating wages is likely to continue to put pressure on the UK households. On Thursday, the retail sales data will be released. On a yearly basis, headline retail sales is expected to slow to a pace of 1.4%, while core retail sales is expected to rise just 1.2% on the year.

FOMC meeting minutes could be hawkish

The FOMC's meeting minutes from the early August meeting will be released this week. In the monetary policy meeting in August, the Federal Reserve held interest rates steady and did not change much of its language in the FOMC statement. The Fed maintained that it would look at starting its balance sheet normalization relatively soon.

The meeting minutes will likely show that the Fed members were broadly unanimous in keeping interest rates steady. The Fed also mentioned its concerns about the weak trend in inflation. This is likely to be reflected in the Fed's minutes and could be seen as dovish. However, this dovishness could be offset by the fact that the central bank will soon begin to unwind its balance sheet. Some economists expect that the Fed will begin its normalization as early as September.

TECHNICAL CORNER



USDCAD - Further downside in store?

The USDCAD has been on a recovery for the past two weeks. This comes as prices bottomed out near 1.2430 levels. The recovery towards 1.2740 is showing early signs of exhaustion with price action likely to resume the downtrend in the near term. Following the test of resistance near 1.2721, USDCAD has promptly turned lower as a result.



USDCAD (1.2679) – H4 Chart

The Stochastics oscillator on the 4-hour chart shows a bearish divergence that has formed. This also coincides with a hidden bearish divergence that has formed on the daily chart time frame. The technical signals suggests that in the near term USDCAD could be resuming its declines. The trend lines connecting the lows from 1 August and 10 August was breached. With resistance formed at 1.2721, we can expect some consolidating at the current levels. Following this, we could see USDCAD falling towards 1.2558.

The price level at 1.2558 previously served as resistance after this level was breached. This a decline to 1.2558 will suggest a retest of this level with support likely to be established. The week ahead will see some key economic data coming out including the FOMC meeting minutes. This will likely be the main catalyst for the USDDCAD currency pair..

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