

# orbex WEEKLY MARKETS REPORT



OVERWEEK  
BULLET POINTS



THE WEEK  
AHEAD



MARKETS  
PREVIEW



THE CHART OF  
THE WEEK

# OVERWEEK BULLET POINTS



Last Week: 16<sup>th</sup> of October 2017, to 20<sup>th</sup> of October 2017

Date	Time	Currency	Event	Actual	Forecast	Previous
16-Oct	1:30am	CNY	CPI y/y	1.60%	1.60%	1.80%
		CNY	PPI y/y	6.90%	6.30%	6.30%
	4:30am	JPY	Revised Industrial Production m/m	2.00%	2.10%	2.10%
	6:00am	EUR	German WPI m/m	0.60%	0.40%	0.30%
	9:00am	EUR	Trade Balance	21.6B	20.3B	17.9B
	12:30pm	CAD	Foreign Securities Purchases	9.85B	20.05B	23.97B
		USD	Empire State Manufacturing Index	30.2	20.3	24.4
	2:30pm	CAD	BOC Business Outlook Survey			
	9:45pm	NZD	CPI q/q	0.50%	0.40%	0.00%
	17-Oct	12:30am	AUD	Monetary Policy Meeting Minutes		
AUD			RBA Assist Gov Ellis Speaks			
		AUD	New Motor Vehicle Sales m/m	-0.50%		-0.10%
8:05am		EUR	Italian Trade Balance	2.77B	4.23B	6.56B
8:15am		GBP	MPC Member Ramsden Speaks			
8:30am		GBP	CPI y/y	3.00%	3.00%	2.90%
		GBP	PPI Input m/m	0.40%	1.20%	2.30%
		GBP	RPI y/y	3.90%	4.00%	3.90%
		GBP	Core CPI y/y	2.70%	2.70%	2.70%
		GBP	HPI y/y	5.00%	5.40%	4.50%
		GBP	PPI Output m/m	0.20%	0.20%	0.40%
9:00am		EUR	Final CPI y/y	1.50%	1.50%	1.50%
		EUR	German ZEW Economic Sentiment	17.6	20.1	17
		EUR	Final Core CPI y/y	1.10%	1.10%	1.10%
		EUR	ZEW Economic Sentiment	26.7	34.2	31.7
9:15am		GBP	MPC Member Tenreyro Speaks			
10:15am		GBP	BOE Gov Carney Speaks			
12:30pm		USD	Import Prices m/m	0.70%	0.60%	0.60%
1:15pm		USD	Capacity Utilization Rate	76.00%	76.20%	75.80%
		USD	Industrial Production m/m	0.30%	0.30%	-0.70%
2:00pm		USD	NAHB Housing Market Index	68	64	64
2:33pm		NZD	GDT Price Index	-1.00%		-2.40%
5:00pm		USD	FOMC Member Harker Speaks			
7:30pm	CAD	Gov Council Member Wilkins Speaks				
8:00pm	USD	TIC Long-Term Purchases	67.2B	14.3B	1.2B	
9:00pm	USD	Treasury Currency Report				
11:30pm	AUD	MI Leading Index m/m	0.10%		-0.10%	

18-Oct	8:10am	EUR	ECB President Draghi Speaks			
	8:30am	GBP	Average Earnings Index 3m/y	2.20%	2.10%	2.20%
		GBP	Claimant Count Change	1.7K	1.3K	-0.2K
		GBP	Unemployment Rate	4.30%	4.30%	4.30%
	12:00pm	USD	FOMC Member Dudley Speaks			
		USD	FOMC Member Kaplan Speaks			
	12:30pm	CAD	Manufacturing Sales m/m	1.60%	-0.10%	-2.60%
		USD	Building Permits	1.22M	1.25M	1.27M
		USD	Housing Starts	1.13M	1.18M	1.18M
	2:30pm	USD	Crude Oil Inventories	-5.7M	-4.7M	-2.7M
	6:00pm	USD	Beige Book			
	11:50pm	JPY	Trade Balance	0.24T	0.31T	0.31T
19-Oct	12:30am	AUD	Employment Change	19.8K	14.1K	53.0K
		AUD	Unemployment Rate	5.50%	5.60%	5.60%
		AUD	NAB Quarterly Business Confidence	7		8
	1:10am	AUD	RBA Assist Gov Bullock Speaks			
	2:00am	CNY	GDP q/y	6.80%	6.80%	6.90%
		CNY	Industrial Production y/y	6.60%	6.40%	6.00%
		CNY	Fixed Asset Investment ytd/y	7.50%	7.70%	7.80%
		CNY	NBS Press Conference			
		CNY	Retail Sales y/y	10.30%	10.20%	10.10%
	4:30am	JPY	All Industries Activity m/m	0.10%	0.20%	-0.10%
	6:00am	CHF	Trade Balance	2.92B	2.47B	2.20B
	8:30am	GBP	Retail Sales m/m	-0.80%	-0.10%	0.90%
	12:30pm	USD	Unemployment Claims	222K	240K	244K
		USD	Philly Fed Manufacturing Index	27.9	21.9	23.8
	2:00pm	USD	CB Leading Index m/m	-0.20%	0.10%	0.40%
	2:30pm	USD	Natural Gas Storage	51B	59B	87B
	9:45pm	NZD	Visitor Arrivals m/m	0.30%		-0.40%
20-Oct	2:00am	NZD	Credit Card Spending y/y	4.90%		6.40%
	6:00am	EUR	German PPI m/m	0.30%	0.10%	0.20%
	8:00am	EUR	Current Account	33.3B	26.2B	31.5B
	8:30am	GBP	Public Sector Net Borrowing	5.3B	5.7B	4.1B
	12:30pm	CAD	CPI m/m	0.20%	0.30%	0.10%
		CAD	Core Retail Sales m/m	-0.70%	0.30%	0.20%
		CAD	Common CPI y/y	1.50%		1.50%
		CAD	Median CPI y/y	1.80%		1.80%
		CAD	Retail Sales m/m	-0.30%	0.50%	0.40%
		CAD	Trimmed CPI y/y	1.50%		1.40%
	12:33pm	CAD	Core CPI m/m	0.20%		0.00%
	2:00pm	USD	Existing Home Sales	5.39M	5.30M	5.35M
	6:00pm	USD	Federal Budget Balance	8.0B	-0.9B	-107.7B
	11:30pm	USD	Fed Chair Yellen Speaks			

Time: GMT

# THE WEEK AHEAD



23<sup>rd</sup> of October 2017, to 27<sup>th</sup> of October 2017

## IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

Date	Time	Currency	Event	Forecast	Previous
23-Oct	10:00am	EUR	German Buba Monthly Report		
		GBP	CBI Industrial Order Expectations	9	7
	12:30pm	CAD	Wholesale Sales m/m	1.10%	1.50%
	2:00pm	EUR	Consumer Confidence	-1	-1
	2:30pm	AUD	CB Leading Index m/m		0.10%
24-Oct	12:30am	JPY	Flash Manufacturing PMI	53.1	52.9
	7:00am	EUR	French Flash Manufacturing PMI	56.2	56.1
		EUR	French Flash Services PMI	57	57
	7:30am	EUR	German Flash Manufacturing PMI	60.1	60.6
		EUR	German Flash Services PMI	55.5	55.6
	8:00am	EUR	Flash Manufacturing PMI	57.9	58.1
		EUR	Flash Services PMI	55.7	55.8
	1:00pm	CNY	CB Leading Index m/m		1.10%
		EUR	Belgian NBB Business Climate	-2.9	-3.5
	1:45pm	USD	Flash Manufacturing PMI	53.3	53.1
		USD	Flash Services PMI	55.2	55.3
	2:00pm	USD	Richmond Manufacturing Index	17	19
25-Oct	12:30am	AUD	CPI q/q	0.80%	0.20%
		AUD	Trimmed Mean CPI q/q	0.50%	0.50%
	6:00am	CHF	UBS Consumption Indicator		1.53
	8:00am	CHF	Credit Suisse Economic Expectations		28
		EUR	German Ifo Business Climate	115.3	115.2
	8:30am	GBP	Prelim GDP q/q	0.30%	0.30%
		GBP	High Street Lending	41.9K	41.8K
		GBP	Index of Services 3m/3m	0.40%	0.50%
	12:30pm	USD	Core Durable Goods Orders m/m	0.50%	0.50%
		USD	Durable Goods Orders m/m	1.10%	2.00%
	1:00pm	USD	HPI m/m	0.40%	0.20%
	2:00pm	CAD	BOC Monetary Policy Report		
		CAD	BOC Rate Statement		
		CAD	Overnight Rate	1.00%	1.00%
		USD	New Home Sales	556K	560K
	2:30pm	USD	Crude Oil Inventories		-5.7M
	3:15pm	CAD	BOC Press Conference		
	9:45pm	NZD	Trade Balance	-900M	-1235M
	11:50pm	JPY	SPPI y/y	0.90%	0.80%

26-Oct	12:30am	AUD	Import Prices q/q	-1.40%	-0.10%
	6:00am	EUR	German GfK Consumer Climate	10.8	10.8
	7:00am	EUR	Spanish Unemployment Rate	16.70%	17.20%
	7:45am	AUD	RBA Assist Gov Debelle Speaks		
	8:00am	EUR	M3 Money Supply y/y	5.00%	5.00%
		EUR	Private Loans y/y	2.90%	2.70%
	10:00am	GBP	CBI Realized Sales	14	42
	11:45am	EUR	Minimum Bid Rate	0.00%	0.00%
	12:30pm	EUR	ECB Press Conference		
		USD	Unemployment Claims	236K	222K
		USD	Goods Trade Balance	-63.8B	-62.9B
		USD	Prelim Wholesale Inventories m/m	1.00%	0.90%
	2:00pm	USD	Pending Home Sales m/m	0.70%	-2.60%
	2:30pm	USD	Natural Gas Storage		51B
	11:30pm	JPY	National Core CPI y/y	0.70%	0.70%
		JPY	Tokyo Core CPI y/y	0.50%	0.50%
27-Oct	12:30am	AUD	PPI q/q	0.40%	0.50%
	Tentative	AUD	RBA Annual Report		
	6:00am	EUR	German Import Prices m/m	0.50%	0.00%
	12:30pm	USD	Advance GDP q/q	2.70%	3.10%
		USD	Advance GDP Price Index q/q	1.80%	1.00%
	2:00pm	USD	Revised UoM Consumer Sentiment	101	101.1
		USD	Revised UoM Inflation Expectations		2.30%

Time: GMT

# MARKETS RECAP



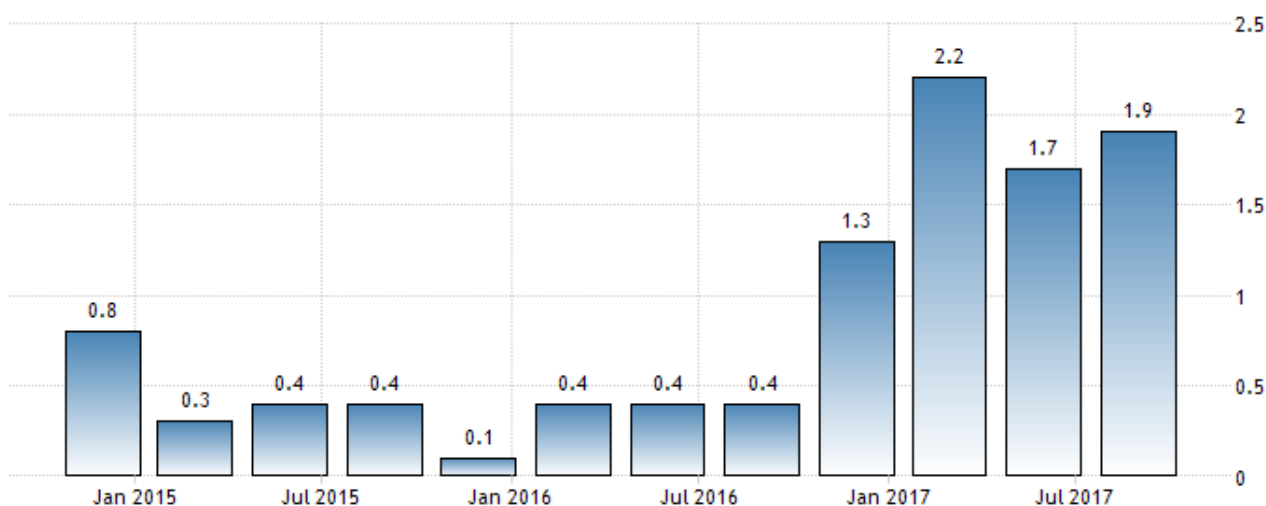
Last Week: 16<sup>th</sup> of October 2017, to 20<sup>th</sup> of September 2017

It was a busy week for the British pound amid a host of economic releases lined up throughout the week. Starting with the inflation data, consumer prices in the UK hit 3% in September, putting inflation a full percentage point above the BoE's inflation target. Wages continued to lag as inflation paced ahead. This led the BoE Governor Mark Carney to caution that interest rates could rise. Speculation is rife that the BoE could hike interest rates for the first time in a decade when it meets in November. However, there are a lot of questions on the impact of the rate hike as wages continue to put pressure on household spending and incomes.

## New Zealand posts strong CPI increase in Q3

Consumer prices in New Zealand were seen posting a rebound in the quarter ending September. Beating estimates of a 0.4% increase, headline CPI for New Zealand increased 0.5%, data from the statistics agency, Statistics New Zealand showed last week. The inflation data was also stronger than the 0.2% increase that the RBNZ had forecasted.

NEW ZEALAND INFLATION RATE



SOURCE: TRADINGECONOMICS.COM | STATISTICS NEW ZEALAND

**New Zealand Consumer prices: 1.9% y/y (Q3 2017). Source: Tradingeconomics.com**

The increase in consumer prices came on account of an increase in food prices which rose 1.1%. Most of the gains in food prices were due to higher vegetable prices which were seen rising 6.2%. Other aspects that contributed to the increase in inflation were housing and household utilities which rose 1.0%. To the downside, transport prices were seen falling 1.1% on cheaper fuel. Petrol prices were down 1.7% and international airfare was down 5.5%.

On a year over year basis, consumer prices rose 1.9% in the quarter ending September. This was also better than the estimates of a 1.8% increase and showed an acceleration from 1.7% in the previous quarter.

With the third quarter inflation report, consumer prices in New Zealand sit within the RBNZ's target. But the central bank is unlikely to do anything. Further evidence of pressure that prices are rising will

be required. This comes at a time when growth was seen to be fragile in New Zealand. As far as monetary policy is concerned, the central bank is expected to remain on the sidelines until the fourth quarter inflation report will be released.

However, some analysts note that the Q3 inflation data would bring the RBNZ's rate hike plans closer with the inflation data coming out higher than projected. However, the RBNZ is still no where close to hiking interest rates. Estimates show that the central bank could hike rates only in 2019 unless economic data surprises to the upside in the near term.

## **Services sector boosts employment for Australia**

The monthly employment report from Australia showed that the national unemployment rate was registered at 5.5% in September. This beat forecasts of an unchanged print of 5.6% from the previous month. The economy managed to add 19.8k jobs during the month in September and beat expectations of a 15k increase. This comes as the economy added 54k jobs in the previous month.

The participation rate was steady at 65.2% and was in line with the forecasts. Previous month's data was revised slightly lower to 65.3%. Data showed that full time employment increased 6100 while part time employment rose 13,700 during the period.

A total of 319k new jobs were added to the economy from the year to August posting an increase of 2.7%. In net terms, 416k jobs were added which came mostly from the services sector. This managed to offset the decline in jobs from the professional services, finance and administrative sectors. Health, construction, education and retail sectors along with tourism contributed to nearly 400k new jobs in the past year.

## **UK retail sales fall. Inflation higher but wages lag**

The economic data from the UK saw consumer prices rising 3% on the year in September. This was in line with estimates and put inflation at the highest levels since the past few years. Although inflation rose rapidly, wage growth was seen subdued.

Data released over the week showed that wages rose just 2.2% on the three months to August, falling behind inflation and suggesting that consumers were under pressure. The UK's unemployment rate was unchanged at record lows of 4.3%. Later in the week, retail sales posted a 0.8% decline on the month in September.

This was more than expected and the data further clouded the outlook for the Bank of England's proposed rate hike plans. With inflation rising but wages slowing, the retail sales data pointed to a grim picture. The BoE is expected to hike rates in the November meeting but this could come at a risk of further tightening of household income and spending.

# MARKETS PREVIEW



23<sup>rd</sup> of October 2017, to 27<sup>th</sup> of October 2017

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*The week ahead will see central bank meetings that will include the Bank of Canada, the ECB and the Swedish Riksbank. However, overshadowing the meetings will be the ECB which is expected to announce its tapering decision at this month's meeting. On the economic front, Australia will be releasing the quarterly inflation report while the preliminary GDP numbers from UK for the third quarter will be coming out. On Friday, the initial GDP numbers from the U.S. for Q3 will be released.*

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## Expectations mount for ECB to taper

The European Central Bank's monetary policy meeting this week comes with high expectations from the markets. Following the broad based improvement in the Eurozone economy and with inflation starting to push higher at a steady trend, the ECB is expected to make its decision on tapering its bond purchases this week. In the September ECB meeting, officials said that the decision will be taken at the October meeting, setting the stage for the ECB's announcement.

Currently, the markets are expecting to see the ECB announce a tapering worth 30 billion euro. This will bring down the ECB's bond purchases to just 40 billion euro which is half the amount that it started when the central bank began its quantitative easing program. The tapering is expected to go into effect from January 2018. However, in the past week, officials were seen making cautious statements. The ECB president, among other officials said that considerable amount of accommodative monetary policy was still needed.

It will be left to see how the ECB will steer its monetary policy this week as Draghi and team will have to maneuver expectations while ensuring that the exchange rate does not appreciate rapidly.

## Initial Q3 GDP figures from US and the UK

The week ahead will see advanced GDP figures for the third quarter coming out from both the United States and the United Kingdom. The data will offer preliminary clues into how both the economies fared.

The GDP growth for the United States is expected to show a 2.5% increase on the third quarter. This was slightly slower than the 3.1% increase that was registered in the second quarter. However, with the data being only preliminary there is scope for the GDP data to be revised higher. But the impact of hurricanes especially in the months of August and September brings the risk of a downside revision at later stages.

For the UK, GDP growth is expected to remain steady at 0.3% in the third quarter. While this is an optimistic view, there is scope for GDP activity to decline further.

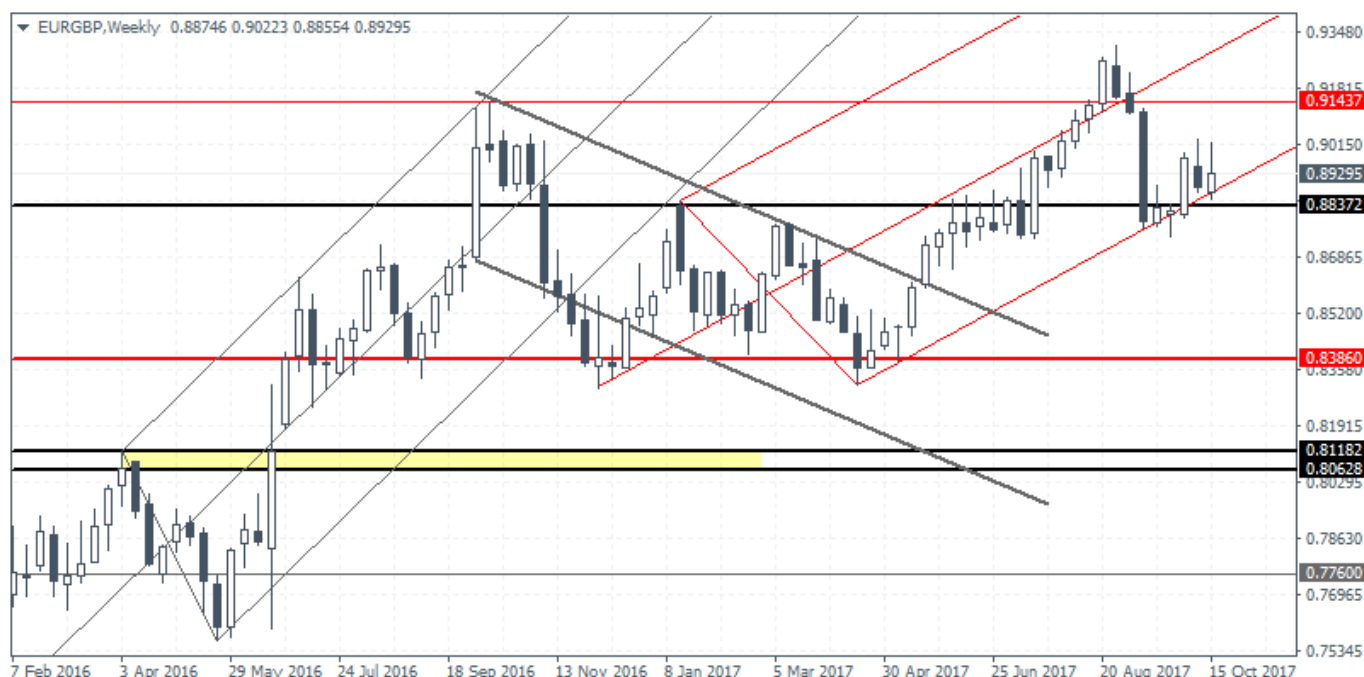


# TECHNICAL CORNER



EURGBP – Taking a pause for now

The EURGBP was seen recovering some of the losses from last week's bearish close. Price action was seen staying close to trading near the support level of 0.8837. This week, the major risk for the euro comes from the ECB's meeting. This could bring some short term weakness to the euro against the British pound. However, no matter the near term weakness, we maintain the view that the EURGBP could be seen eventually pushing higher.



EURGBP (0.8929) – Weekly Chart

On the political side, the Brexit remains a key issue that will determine the price action in the EURGBP. Last week, the British PM May was in Brussels for negotiations with the EU leaders. However, despite no major inroads being made, Ms. May found support from the German Chancellor, Angela Merkel who sounded optimistic about a deal being found. Still, a lot of questions remains with the likelihood that the UK may not even come out with a deal.

On the economic side, the UK's economy continues to remain weak with data from last week showing that wages stagnated while inflation hit 3%. The UK retail sales also posted one of the worst monthly declines. This week, the markets will get to see a preliminary GDP report coming out. Economists expect a 0.3% quarterly expansion but the risks to the downside exists.

From a technical point of view, EURGBP remains supported above 0.8837 and could be seen attempting to test the 0.9143 level of resistance in the near term. A breakout above this level is required for price action to post further gains.

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