

orbex WEEKLY MARKETS REPORT



OVERWEEK
BULLET POINTS



THE WEEK
AHEAD



MARKETS
PREVIEW



THE CHART OF
THE WEEK

OVERWEEK BULLET POINTS



Last Week: 2nd of January 2018, to 5th of January 2018

Date	Time	Currency	Event	Actual	Forecast	Previous	
02-Jan	1:45am	CNY	Caixin Manufacturing PMI	51.5	50.7	50.8	
	5:30am	AUD	Commodity Prices y/y	-5.90%		-4.00%	
	8:15am	EUR	Spanish Manufacturing PMI	55.8	56.4	56.1	
	8:45am	EUR	Italian Manufacturing PMI	57.4	58.6	58.3	
	8:50am	EUR	French Final Manufacturing PMI	58.8	59.3	59.3	
02-Jan	8:55am	EUR	German Final Manufacturing PMI	63.3	63.3	63.3	
	9:00am	EUR	Final Manufacturing PMI	60.6	60.6	60.6	
	9:30am	GBP	Manufacturing PMI	56.3	58	58.2	
	9:36am	GBP	Housing Equity Withdrawal q/q	-5.9B	-6.2B	-5.8B	
	2:25pm	NZD	GDT Price Index	2.20%		-3.90%	
	2:30pm	CAD	Manufacturing PMI	54.7		54.4	
	2:45pm	USD	Final Manufacturing PMI	55.1	55	55	
	03-Jan	8:00am	EUR	Spanish Unemployment Change	-61.5K	-58.7K	7.3K
		8:30am	CHF	Manufacturing PMI	65.2	64.6	65.1
		8:55am	EUR	German Unemployment Change	-29K	-13K	-20K
9:30am		GBP	Construction PMI	52.2	52.8	53.1	
3:00pm		USD	ISM Manufacturing PMI	59.7	58.1	58.2	
		USD	Construction Spending m/m	0.80%	0.60%	0.90%	
		USD	ISM Manufacturing Prices	69	64.8	65.5	
All Day		USD	Total Vehicle Sales	17.9M	17.5M	17.5M	
7:00pm		USD	FOMC Meeting Minutes				
10:30pm	AUD	AIG Services Index	52		51.7		
04-Jan	12:30am	JPY	Final Manufacturing PMI	54	54.2	54.2	
	1:45am	CNY	Caixin Services PMI	53.9	51.8	51.9	
	6:57am	GBP	Nationwide HPI m/m	0.60%	0.10%	0.10%	
	8:15am	EUR	Spanish Services PMI	54.6	54.7	54.4	
	8:45am	EUR	Italian Services PMI	55.4	54.7	54.7	
	8:50am	EUR	French Final Services PMI	59.1	59.4	59.4	
	8:55am	EUR	German Final Services PMI	55.8	55.8	55.8	
	9:00am	EUR	Final Services PMI	56.6	56.5	56.5	
	9:30am	GBP	Services PMI	54.2	54.1	53.8	
		GBP	Net Lending to Individuals m/m	4.9B	4.9B	4.7B	
		GBP	M4 Money Supply m/m	0.10%	0.40%	0.60%	
		GBP	Mortgage Approvals	65K	64K	65K	

	12:30pm	USD	Challenger Job Cuts y/y	-3.60%		30.10%
	1:15pm	USD	ADP Non-Farm Employment Change	250K	191K	185K
	1:30pm	CAD	RMPI m/m	5.50%	4.00%	3.80%
		CAD	IPPI m/m	1.40%	0.80%	1.10%
		USD	Unemployment Claims	250K	241K	247K
	2:45pm	USD	Final Services PMI	53.7	52.4	52.4
	3:30pm	USD	Natural Gas Storage	-206B	-221B	-112B
	4:00pm	USD	Crude Oil Inventories	-7.4M	-5.2M	-4.6M
	11:50pm	JPY	Monetary Base y/y	11.20%	13.10%	13.20%
05-Jan	12:01am	GBP	BRC Shop Price Index y/y	-0.60%		-0.10%
	12:30am	AUD	Trade Balance	-0.63B	0.55B	-0.30B
	7:00am	EUR	German Retail Sales m/m	2.30%	1.00%	-1.00%
	7:45am	EUR	French Prelim CPI m/m	0.30%	0.30%	0.10%
	9:10am	EUR	Retail PMI	53		52.4
	10:00am	EUR	CPI Flash Estimate y/y	1.40%	1.40%	1.50%
		EUR	Core CPI Flash Estimate y/y	0.90%	1.00%	0.90%
		EUR	PPI m/m	0.60%	0.30%	0.40%
		EUR	Italian Prelim CPI m/m	0.40%	0.20%	-0.20%
	1:30pm	CAD	Employment Change	78.6K	1.8K	79.5K
		CAD	Trade Balance	-2.5B	-1.2B	-1.6B
		CAD	Unemployment Rate	5.70%	6.00%	5.90%
		USD	Average Hourly Earnings m/m	0.30%	0.30%	0.10%
		USD	Non-Farm Employment Change	148K	190K	252K
		USD	Unemployment Rate	4.10%	4.10%	4.10%
		USD	Trade Balance	-50.5B	-49.7B	-48.9B
	3:00pm	CAD	Ivey PMI	60.4	62.2	63
		USD	ISM Non-Manufacturing PMI	55.9	57.6	57.4
		USD	Factory Orders m/m	1.30%	1.10%	0.40%
	5:30pm	USD	FOMC Member Mester Speaks			

Time: GMT

THE WEEK AHEAD



8th of January 2018, to 12th of January 2018

IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

Date	Time	Currency	Event	Forecast	Previous
08-Jan	7:00am	EUR	German Factory Orders m/m	0.10%	0.50%
	8:15am	CHF	CPI m/m	-0.10%	-0.10%
	8:30am	GBP	Halifax HPI m/m	0.20%	0.50%
	9:30am	EUR	Sentix Investor Confidence	31.5	31.1
	10:00am	EUR	Retail Sales m/m	1.40%	-1.10%
	3:30pm	CAD	BOC Business Outlook Survey		
	6:35pm	USD	FOMC Member Williams Speaks		
	8:00pm	USD	Consumer Credit m/m	17.8B	20.5B
09-Jan	12:00am	JPY	Average Cash Earnings y/y	0.60%	0.20%
	12:01am	GBP	BRC Retail Sales Monitor y/y		0.60%
	12:30am	AUD	Building Approvals m/m	-0.90%	0.90%
		AUD	ANZ Job Advertisements m/m		1.50%
	5:00am	JPY	Consumer Confidence	45.1	44.9
	6:45am	CHF	Unemployment Rate	3.00%	3.00%
	7:00am	EUR	German Industrial Production m/m	1.90%	-1.40%
		EUR	German Trade Balance	20.7B	19.9B
	7:45am	EUR	French Trade Balance	-4.8B	-5.0B
	8:00am	CHF	Foreign Currency Reserves		738B
	8:15am	CHF	Retail Sales y/y	-2.50%	-3.00%
9:00am	EUR	Italian Monthly Unemployment Rate	11.00%	11.10%	
10:00am	EUR	Unemployment Rate	8.70%	8.80%	
Tentative	GBP	10-y Bond Auction		1.34 2.3	
11:00am	USD	NFIB Small Business Index	108.4	107.5	
1:15pm	CAD	Housing Starts	240K	252K	
3:00pm	USD	JOLTS Job Openings	6.05M	6.00M	
Tentative	USD	IBD/TIPP Economic Optimism	52.3	51.9	
10-Jan	1:30am	CNY	CPI y/y	1.90%	1.70%
		CNY	PPI y/y	4.80%	5.80%
	3:45am	JPY	10-y Bond Auction		0.06 3.7
	7:45am	EUR	French Industrial Production m/m	-0.40%	1.90%
	10th-16th	CNY	Foreign Direct Investment ytd/y		9.80%
	10th-16th	CNY	M2 Money Supply y/y	9.20%	9.10%
	10th-16th	CNY	New Loans	1000B	1120B

	9:30am	GBP	Manufacturing Production m/m	0.30%	0.10%	
		GBP	Goods Trade Balance	-11.0B	-10.8B	
		GBP	Construction Output m/m	0.50%	-1.70%	
		GBP	Industrial Production m/m	0.40%	0.00%	
	Tentative	EUR	German 10-y Bond Auction		0.30 1.1	
	1:00pm	GBP	NIESR GDP Estimate		0.50%	
	1:30pm	CAD	Building Permits m/m		3.50%	
		USD	Import Prices m/m	0.40%	0.70%	
	3:00pm	USD	Final Wholesale Inventories m/m	0.70%	0.70%	
	3:30pm	USD	Crude Oil Inventories		-7.4M	
	11-Jan	12:30am	AUD	Retail Sales m/m	0.40%	0.50%
		5:00am	JPY	Leading Indicators	108.90%	106.50%
		9:00am	EUR	Italian Retail Sales m/m	0.30%	-1.00%
		9:30am	GBP	BOE Credit Conditions Survey		
		10:00am	EUR	Industrial Production m/m	0.60%	0.20%
		12:30pm	EUR	ECB Monetary Policy Meeting Accounts		
		1:30pm	CAD	NHPI m/m	0.20%	0.10%
		USD	PPI m/m	0.20%	0.40%	
		USD	Unemployment Claims	248K	250K	
		USD	Core PPI m/m	0.20%	0.30%	
	3:30pm	USD	Natural Gas Storage		-206B	
	6:01pm	USD	30-y Bond Auction		2.80 2.5	
	7:00pm	USD	Federal Budget Balance	-49.2B	-138.5B	
	8:30pm	USD	FOMC Member Dudley Speaks			
	9:45pm	NZD	Building Consents m/m		-9.60%	
	11:50pm	JPY	Bank Lending y/y	2.70%	2.70%	
		JPY	Current Account	2.19T	2.44T	
12-Jan	Tentative	CNY	Trade Balance	235B	264B	
	Tentative	CNY	USD-Denominated Trade Balance	37.4B	40.2B	
	5:00am	JPY	Economy Watchers Sentiment	55.2	55.1	
	7:45am	EUR	French Final CPI m/m	0.30%	0.30%	
	9:00am	EUR	Italian Industrial Production m/m	0.60%	0.50%	
	1:30pm	USD	CPI m/m	0.20%	0.40%	
		USD	Core CPI m/m	0.20%	0.10%	
		USD	Core Retail Sales m/m	0.40%	1.00%	
		USD	Retail Sales m/m	0.50%	0.80%	
	3:00pm	USD	Business Inventories m/m	0.30%	-0.10%	
	4:30pm	EUR	German Buba President Weidmann Speaks			

Time: GMT

MARKETS RECAP

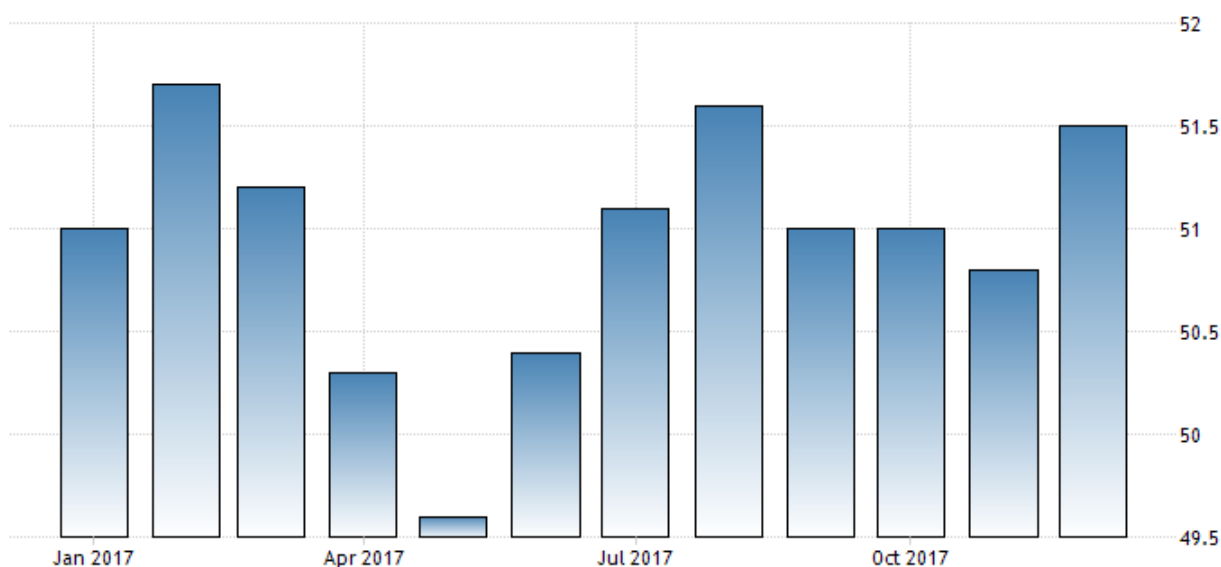


Last Week: 2nd of January 2018, to 5th of January 2018

The U.S. dollar was seen starting the first trading week of the year on a soft note. The greenback posted declines extending from the last week of December. This came despite the economic data coming out relatively stronger. The ISM manufacturing index strengthened, but at the same time non-manufacturing PMI was soft. Jobs data released this week showed a balanced report with the U.S. unemployment rate staying steady at 4.1% while average hourly earnings rose 2.5% on the year.

China's manufacturing activity hits a 4-month high

Markit's manufacturing activity for China showed that the sector expanded at the fastest pace in four months during the month of December. The Caixin Purchase Manager's Index in the factory sector was seen rising to 51.5 in December. This was a quick pick up from 50.8 that was registered in November. A reading above 50 in the PMI indicates expansion in the sector.



China Manufacturing PMI: 51.5 (Dec 2017). Source: Tradingeconomics.com

Data showed that output, new orders and export sales grew at a stronger pace during the month. Capacity pressures were also seen building with increased backlogs of work. The work force was seen declining however. Businesses were seen cutting back on staff with the rate of job losses in the sector hitting a nine month low. The inflationary pressures continued to remain elevated with input costs rising sharply. The data suggests that consumer prices might increase in the near term.

The 12-month forward looking sentiment index showed that business outlook picked up from November but businesses were staying cautious. Production growth was seen rising to a three month high on the back of better than expected sales and strong underlying demand.

New orders were seen rising at the fastest pace since August last year while exports continued to advance strongly. Non-manufacturing PMI data was also released last week. Activity in the non-manufacturing sector also grew strongly, rising to 55.0 in December, up from 54.8 in November.

UK PMI's point to a resilient economy

The all-sector PMI index for the UK for the month of December showed that the UK economy likely managed to end the fourth quarter of the year on a resilient note. Data from IHS Markit released over the week showed that the all-sector PMI index stood at 54.7 for the month of December.

The PMI for December indicated that the UK economy might have expanded at an average pace of 0.4%, consistent with the BoE's views. However, digging deeper into the data, the PMI across the different sectors showed a mixed bag. Services sector managed to rebound during the month and expanded at the fastest pace since the past eight months.

This was however not the case with the manufacturing and construction sectors. Data showed that manufacturing PMI was slightly weaker missing estimates. Manufacturing activity was seen at 56.3 in December. However, in November, the manufacturing PMI hit a 51-month high at 58.2. Thus, a moderation in the sector was widely expected.

The construction PMI came out slightly weaker as well at 52.2. This was down from November's PMI reading of 53.1. Despite the apparent weakness in the sector data showed that new order volumes had jumped. The main underlining factor in the PMI report was that consumer prices had continued to rise. This suggests that consumer prices in the UK might have remained elevated in the month of December 2017.

U.S. Unemployment rate steady at 4.1%

The monthly unemployment report released by the Bureau of Labor Statistics showed that the U.S. unemployment held steady at 4.1% in December. This was the third consecutive month that the unemployment rate was unchanged as it remained at historical lows. The U.S. economy was seen adding 148k jobs during the month of December.

Wage growth, which continues to remain a major concern showed little signs of growth. The average hourly earnings rose 2.5% on the year and 0.3% on a month over month basis which was in line with estimates. Data from the BLS indicated that the U.S. economy continued to hold steady in the last month of the year.

The U.S. dollar did not react much to the news as the payrolls report was seen to be fairly balanced. Officials remain hopeful that the tightening labor market conditions alongside the tax cuts could help boost consumer spending and thus push consumer prices higher.

MARKETS PREVIEW



The Week Ahead: 8th of January 2018, to 12th of January 2018

A busy start to the first trading week of the year will see the economic details slowing in the coming week. Data from the U.S. will focus on the producer price index and consumer price index data followed by retail sales. In the UK, after last week's PMI releases, the manufacturing and industrial production figures will be coming out this week. Data from the Eurozone is relatively quiet but the markets will be looking to the ECB's meeting minutes that will be released this week. China will be reporting its consumer price index data this week.

U.S. – Inflation, PPI and retail sales in focus

Economic data from the U.S. continues to remain somewhat busy during the week. The main highlights will include the PPI, CPI and retail sales report for December. The data will likely give early glimpses into consumer spending and inflation for the month of December.

In November, consumer prices had disappointed as core inflation showed little to no evidence of any price pressures building up. It is not surprising that inflation continues to remain a puzzle to the Fed officials. Still, the FOMC members remain optimistic and bank on the fact that the tighter labor market conditions could help to eventually push inflation higher.

The December inflation report is forecast to show that consumer prices increased just 0.2% during the month. This is nearly half of the increase seen in November where headline CPI rose 0.4%. Core consumer prices, which strips the volatile food and energy prices is expected to rise 0.2%. This shows a slight acceleration from the 0.1% increase registered in the previous month.

Retail sales report will be released simultaneously. Economists forecast that headline retail sales rose 0.5% in December, which is slower than the 0.8% increase seen in November. Core retail sales are expected to also show a slow pace of increase of just 0.4% during the month.

Eurozone Flash inflation estimates

It is a rather quiet week from the Eurozone for the most part of this week. However, on Friday, we will get to see the flash inflation estimates for the Eurozone for the month of December. Inflation estimates are projected to show a modest increase in consumer prices. Headline CPI is expect to rise at a slower pace of 1.4%, down from 1.5% seen in November.

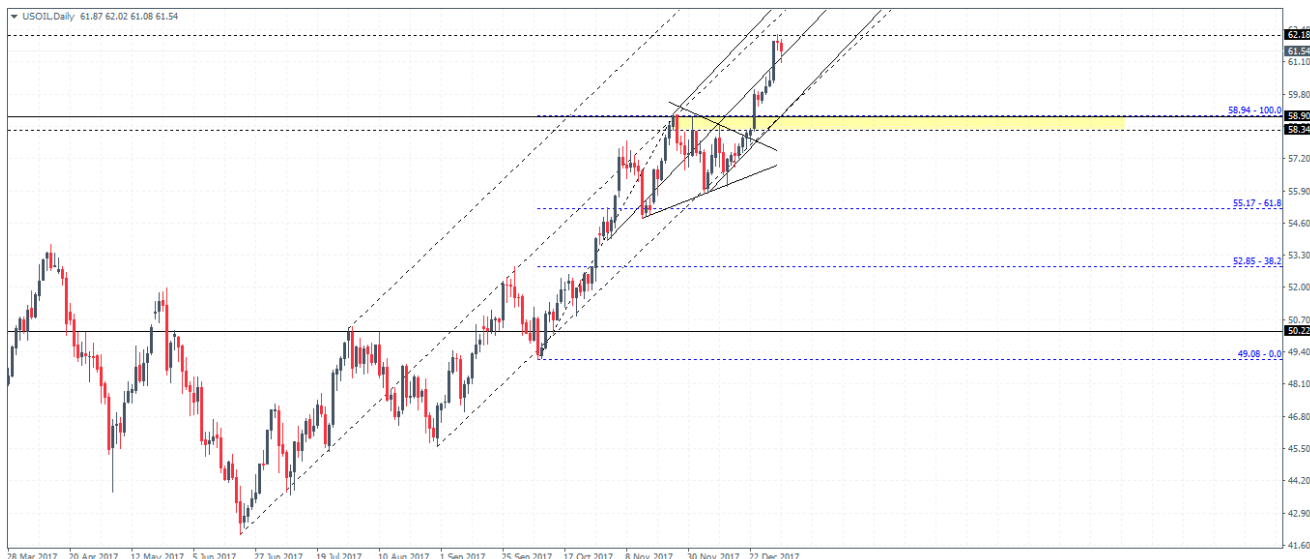
However, core inflation which excludes the volatile food and energy prices is forecast to rise 1.0% on a year over year basis. This would mean a slight acceleration in the core inflation rate which was registered at 0.9% in the previous month. Regardless of the data, inflation in the Eurozone is expected to close near the current levels for the year 2017.

The ECB had signaled previously that inflation could potentially slow down into the year end and early this year. In the short term, the December inflation report is unlikely to impact the markets much, but traders will be focused on the data starting January.

TECHNICAL CORNER



WTI Crude oil prices posted strong gains as price of crude oil touched \$62.19 a barrel last week. The strong gains in oil prices has led many to upgrade their view for crude oil. However, Thursday's doji which indicates a indecision in the markets suggests that oil prices might be in for a correction. But the pace of the correction is expected to be limited. While our previous analysis in the past few weeks expected the correction to push down to the \$50 handle, we now expect that oil prices could decline to \$58.94, rounded off to \$59.00 a barrel.



WTI Crude Oil (61.53) – Daily Chart

The technical chart for the Crude oil market shows that the upside breakout from the \$59 handle late in December was marked by the bullish pennant pattern. This pattern indicates a bullish continuation in the markets after a brief spell of consolidation. However, what's missing is the typical pull back that we get to see.

While price has rallied to the highs near \$62, we expect that in the near term, a pull back in the oil markets could see WTI crude oil retesting the breakout level near the \$59 handle. This level had previously served as resistance and as a result, retesting this level for support is widely expected.

How price action behaves following this correction is of course anyone's guess. In the best case scenario, we expect crude oil prices to rebound from this support level. The bullish pennant pattern gives an upside target to \$65.00 that could be reached on a successful rebound off the support level.

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