

# orbex WEEKLY MARKETS REPORT



OVERWEEK  
BULLET POINTS



THE WEEK  
AHEAD



MARKETS  
PREVIEW



THE CHART OF  
THE WEEK

# OVERWEEK BULLET POINTS



Last Week: 15<sup>th</sup> of January 2018, to 18<sup>th</sup> of January 2018

Date	Time	Currency	Event	Actual	Forecast	Previous
15-Jan	12:01am	GBP	Rightmove HPI m/m	0.70%		-2.60%
	12:29am	AUD	MI Inflation Gauge m/m	0.10%		0.20%
	6:00am	JPY	Prelim Machine Tool Orders y/y	48.30%		46.80%
	10:00am	EUR	Trade Balance	22.5B	22.4B	19.0B
	6:15pm	GBP	MPC Member Tenreyro Speaks			
	9:00pm	NZD	NZIER Business Confidence	-12		5
	11:50pm	JPY	PPI y/y	3.10%	3.30%	3.60%
16-Jan	12:30am	AUD	New Motor Vehicle Sales m/m	4.50%		0.20%
	4:30am	JPY	Tertiary Industry Activity m/m	1.10%	0.40%	0.20%
	7:00am	EUR	German Final CPI m/m	0.60%	0.60%	0.60%
		EUR	German WPI m/m	-0.30%	0.30%	0.50%
	7:16am	CNY	Foreign Direct Investment ytd/y	7.90%		9.80%
	8:00am	EUR	French Gov Budget Balance	-84.7B		-77.1B
	9:30am	GBP	CPI y/y	3.00%	3.00%	3.10%
		GBP	PPI Input m/m	0.10%	0.50%	1.60%
		GBP	RPI y/y	4.10%	3.90%	3.90%
		GBP	Core CPI y/y	2.50%	2.60%	2.70%
		GBP	HPI y/y	5.10%	4.20%	5.40%
		GBP	PPI Output m/m	0.40%	0.20%	0.40%
	10:07am	EUR	Italian Trade Balance	4.83B	5.22B	4.99B
	1:30pm	USD	Empire State Manufacturing Index	17.7	18.5	18
	2:21pm	NZD	GDT Price Index	4.90%		2.20%
	2:30pm	GBP	CB Leading Index m/m	-0.20%		-0.20%
	5:00pm	CHF	SNB Chairman Jordan Speaks			
	11:30pm	AUD	Westpac Consumer Sentiment	1.80%		3.60%
	11:50pm	JPY	Core Machinery Orders m/m	5.70%	-1.30%	5.00%
17-Jan	12:00am	NZD	ANZ Commodity Prices m/m	-2.20%		-0.90%
	12:30am	AUD	Home Loans m/m	2.10%	-0.10%	-0.60%
	10:00am	EUR	Final CPI y/y	1.40%	1.40%	1.50%
		EUR	Final Core CPI y/y	0.90%	0.90%	0.90%
	11:45am	GBP	MPC Member Saunders Speaks			
	2:15pm	USD	Capacity Utilization Rate	77.90%	77.30%	77.20%
		USD	Industrial Production m/m	0.90%	0.40%	-0.10%
3:00pm	CAD	BOC Monetary Policy Report				

		CAD	BOC Rate Statement			
		CAD	Overnight Rate	1.25%	1.25%	1.00%
		USD	NAHB Housing Market Index	72	73	74
	4:15pm	CAD	BOC Press Conference			
	7:00pm	USD	Beige Book			
	9:00pm	USD	TIC Long-Term Purchases	57.5B	50.1B	26.2B
	9:30pm	USD	FOMC Member Mester Speaks			
18-Jan	12:00am	AUD	MI Inflation Expectations	3.70%		3.70%
	12:01am	GBP	RICS House Price Balance	8%	-1%	0%
	12:18am	AUD	HIA New Home Sales m/m	0.70%		1.60%
	12:30am	AUD	Employment Change	34.7K	13.2K	63.6K
		AUD	Unemployment Rate	5.50%	5.40%	5.40%
	4:30am	JPY	Revised Industrial Production m/m	0.50%	0.60%	0.60%
	7:00am	CNY	GDP q/y	6.80%	6.70%	6.80%
		CNY	Fixed Asset Investment ytd/y	7.20%	7.10%	7.20%
		CNY	Industrial Production y/y	6.20%	6.10%	6.10%
		CNY	NBS Press Conference			
		CNY	Retail Sales y/y	9.40%	10.10%	10.20%
	8:00am	EUR	German Buba President Weidmann Speaks			
	1:30pm	USD	Building Permits	1.30M	1.29M	1.30M
		USD	Housing Starts	1.19M	1.28M	1.30M
		USD	Philly Fed Manufacturing Index	22.2	24.9	26.2
		USD	Unemployment Claims	220K	250K	261K
	1:32pm	CAD	ADP Non-Farm Employment Change	-7.1K		59.2K
	3:30pm	USD	Natural Gas Storage	-183B	-201B	-359B
	4:00pm	USD	Crude Oil Inventories	-6.9M	-1.4M	-4.9M
	9:30pm	NZD	Business NZ Manufacturing Index	51.2		57.7
19-Jan	7:00am	EUR	German PPI m/m	0.20%	0.20%	0.10%
	8:15am	CHF	PPI m/m	0.20%	0.40%	0.60%
	9:00am	EUR	Current Account	32.5B	31.3B	30.3B
	9:29am	GBP	Retail Sales m/m	-1.50%	-0.80%	1.00%
	1:30pm	CAD	Foreign Securities Purchases	19.56B	15.76B	20.77B
		CAD	Manufacturing Sales m/m	3.40%	1.90%	-0.60%
	1:55pm	USD	FOMC Member Bostic Speaks			
	3:00pm	USD	Prelim UoM Consumer Sentiment	94.4	97	95.9
		USD	Prelim UoM Inflation Expectations	2.80%		2.70%
5:15pm	USD	FOMC Member Quarles Speaks				

Time: GMT

# THE WEEK AHEAD



22<sup>nd</sup> of January 2018, to 26<sup>th</sup> of January 2018

## IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

Date	Time	Currency	Event	Forecast	Previous
22-Jan	All Day	EUR	Eurogroup Meetings		
	11:00am	EUR	German Buba Monthly Report		
	1:30pm	CAD	Wholesale Sales m/m	0.70%	1.50%
23-Jan	Tentative	JPY	Monetary Policy Statement		
	Tentative	JPY	BOJ Outlook Report		
	Tentative	JPY	BOJ Policy Rate	-0.10%	-0.10%
	4:30am	JPY	All Industries Activity m/m	0.90%	0.30%
	6:30am	JPY	BOJ Press Conference		
	Day 1	All	WEF Annual Meetings		
	9:30am	GBP	Public Sector Net Borrowing	4.4B	8.1B
	10:00am	EUR	German ZEW Economic Sentiment	17.8	17.4
		EUR	ZEW Economic Sentiment	29.7	29
	All Day	EUR	ECOFIN Meetings		
	11:00am	GBP	CBI Industrial Order Expectations	13	17
	3:00pm	EUR	Consumer Confidence	1	1
		USD	Richmond Manufacturing Index	19	20
	11:30pm	AUD	MI Leading Index m/m		0.10%
	11:50pm	JPY	Trade Balance	0.27T	0.36T
24-Jan	12:30am	JPY	Flash Manufacturing PMI	54.3	54
	2:00am	NZD	Credit Card Spending y/y		9.10%
	8:00am	EUR	French Flash Manufacturing PMI	58.7	58.8
		EUR	French Flash Services PMI	58.9	59.1
	8:30am	EUR	German Flash Manufacturing PMI	63.2	63.3
		EUR	German Flash Services PMI	55.6	55.8
	9:00am	EUR	Flash Manufacturing PMI	60.4	60.6
		EUR	Flash Services PMI	56.5	56.6
	Day 2	All	WEF Annual Meetings		
	9:30am	GBP	Average Earnings Index 3m/y	2.50%	2.50%
		GBP	Claimant Count Change	2.3K	5.9K
		GBP	Unemployment Rate	4.30%	4.30%
	2:00pm	USD	HPI m/m	0.40%	0.50%
2:45pm	USD	Flash Manufacturing PMI	55.2	55.1	
	USD	Flash Services PMI	54.5	53.7	
3:00pm	USD	Existing Home Sales	5.72M	5.81M	

25-Jan	3:30pm	AUD	CB Leading Index m/m		0.30%
		USD	Crude Oil Inventories		-6.9M
	9:45pm	NZD	CPI q/q	0.40%	0.50%
	7:00am	EUR	German GfK Consumer Climate	10.8	10.8
	8:00am	EUR	Spanish Unemployment Rate	16.10%	16.40%
	9:00am	EUR	German Ifo Business Climate	117.1	117.2
	Day 3	All	WEF Annual Meetings		
	9:30am	GBP	High Street Lending	39.7K	39.5K
	11:00am	GBP	CBI Realized Sales	11	20
	12:45pm	EUR	Minimum Bid Rate	0.00%	0.00%
	1:30pm	CAD	Core Retail Sales m/m		0.80%
	CAD	Retail Sales m/m		1.50%	
	EUR	ECB Press Conference			
	USD	Unemployment Claims	236K	220K	
	USD	Goods Trade Balance	-68.6B	-70.0B	
	USD	Prelim Wholesale Inventories m/m	0.30%	0.80%	
	3:00pm	USD	New Home Sales	676K	733K
		USD	CB Leading Index m/m	0.50%	0.40%
	3:30pm	USD	Natural Gas Storage		-183B
	11:30pm	JPY	National Core CPI y/y	0.90%	0.90%
		JPY	Tokyo Core CPI y/y	0.80%	0.80%
	11:50pm	JPY	Monetary Policy Meeting Minutes		
		JPY	SPPI y/y	0.80%	0.80%
26-Jan	9:00am	EUR	M3 Money Supply y/y	4.90%	4.90%
		EUR	Private Loans y/y	2.90%	2.80%
	Day 4	All	WEF Annual Meetings		
	9:30am	GBP	Prelim GDP q/q	0.40%	0.40%
		GBP	Index of Services 3m/3m	0.40%	0.30%
	1:30pm	CAD	CPI m/m		0.30%
		CAD	Common CPI y/y		1.50%
		CAD	Median CPI y/y		1.90%
		CAD	Trimmed CPI y/y		1.80%
		CAD	Core CPI m/m		-0.10%
		USD	Advance GDP q/q	3.00%	3.20%
		USD	Core Durable Goods Orders m/m	0.60%	-0.10%
		USD	Advance GDP Price Index q/q	2.30%	2.10%
		USD	Durable Goods Orders m/m	0.90%	1.30%
	2:00pm	CNY	CB Leading Index m/m		1.80%

Time: GMT

# MARKETS RECAP



Last Week: 15<sup>th</sup> of January 2018, to 19<sup>th</sup> of January 2018

The U.S. dollar was seen trading mixed last week mostly on account of lack of any strong fundamentals. While starting the week on a soft note, the U.S. dollar index fell amid rising optimism for the euro currency. However, mid-week, Apple Inc. announced that it would repatriate its overseas cash. The U.S. dollar rebounded as investors saw this as a positive for the USD. The company which is valued over a billion dollars also said that it would expand its operations in the United States and add more jobs to the economy.

## Australia's unemployment rate rises in December

Australia released the monthly unemployment report for the month of December last week. According to official sources, the unemployment rate in Australia was seen rising to 5.5% in December. This was higher than the forecasts that expected to see the unemployment rate steady at 5.4%. The increase in the unemployment rate comes after staying stable at 5.4% for two months. However, offsetting the increase in the unemployment rate was the higher number of jobs added during the month.



**Australia Unemployment rate: 5.5% (Dec 2017). Source: Tradingeconomics.com**

Data showed that the Australian economy added 34,700 jobs during the month in December. This beat expectations of an increase of just 13k jobs during the period. Overall, the total number of jobs added rose to 12,440,800 in December. Previous revisions to November's payroll data showed an increase to 63,600 up from 61,600.

With the December data, the Australian economy was seen steadily adding jobs for 15 consecutive months. It also marked the longest winning streak. The participation rate, which showed the number of Australians in a job and seeking new work also rose to 65.7%.

The data suggests that the increase in the labor force participation rate could eventually signal a tighter job market in the economy. Unemployment increased 20,500 to 730,600 during the month. The number of unemployed rose to 9,900 while there was also an increase in the number of unemployed looking for part time work.

The strong labor market report has stoked expectations that the RBA could be looking to hike interest rates this year. The odds for a rate hike in August increased although many economists expect that the RBA will stand pat on rates until the fourth quarter of this year.

## **UK Inflation eases but still above BoE's target**

The UK's consumer price index data was released last week. According to the report from the Office for National Statistics, consumer prices in the UK rose at an annualized pace of 3.0% on the month ending December 2017. This was broadly in line with the economists expectations. In November, consumer prices peaked 3.1% on the year.

Core CPI which strips the volatile food and energy prices also rose at a slower pace of just 2.5% on an annualized basis. The pace of CPI gains were lower than expected. Economists expected core CPI to rise 2.6%.

In November, core CPI had increased 2.7% on the year. The declines in the inflation on both the headline and the core CPI comes as the Bank of England hiked interest rates in November. This is partly seen as one of the reasons for inflation to have slowed.

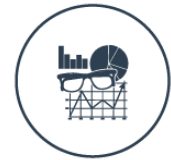
However, both measures of inflation still remain stubbornly above the BoE's 2.0% inflation target rate. Analysts expect that consumer prices in the UK will average around 2.5% by mid-next year. The Bank of England is expected to push for another rate hike by August next year as a result. The British pound was broadly muted to the news release with most of the gains in the GBP coming on the back of a weaker U.S. dollar.

## **Eurozone Final CPI shows slower pace of increase**

The European Statistics agency, Eurostat released the final inflation figures for the month of December. As expected and based on the flash inflation report, headline consumer prices were confirmed to have increased 1.4% on the year, while core CPI which strips the volatile food and energy prices increased 0.9% in December on an annualized basis.

The inflation report for December showed that consumer prices rose at a slower pace after headline CPI previously peaked to 1.5%. The weakness in the core CPI also indicated that consumer prices still remained below the ECB's 2% inflation target rate.

# MARKETS PREVIEW



**The Week Ahead:** 22<sup>nd</sup> of January 2018, to 26<sup>th</sup> of January 2018

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*The week ahead will stand out as the European Central Bank and the Bank of Japan hold their monetary policy meetings. Both the central bank meetings will gain attention especially after investors expect to see hawkish undertones. The BoJ previous announced that it would be tapering its long term dated bonds. The ECB's meeting minutes for December showed that officials were preparing for the central bank to change its language on forward guidance as it prepares the markets towards policy normalization.*

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## **ECB and the BoJ meetings likely to stand out this week**

The central bank meetings from the Bank of Japan and the European central bank will stand out this week as investors gear up for a shift in the respective central bank's monetary policies.

The Bank of Japan's monetary policy meeting starts the week off as investors expect to see hawkish forward guidance. This comes amid the BoJ announcing that it was reducing its bond purchases on the longer term bonds two weeks ago. The news saw the Japanese yen strengthening strongly as a result. However, officials are likely to disappoint with the most recent reports suggesting that the BoJ will continue to maintain the current course of monetary policy.

The European Central Bank will be meeting later in the week on Thursday. Following the release of the December meeting minutes, investors will be looking for a shift in the ECB's forward guidance.

## **UK: Weaker pace of inflation expected to boost real wages**

The UK markets will be focusing on the wage data and GDP numbers this week which will cover the period of the December and the fourth quarter of last year respectively. According to the economists polled, UK's wages are expected to maintain a steady pace of increase. Average weekly earnings including bonuses are expected to rise 2.5%, while weekly earnings excluding bonuses are expected to rise 2.3%. This marks the same pace of increase seen in the previous month.

The UK's unemployment rate is also forecast to remain at a four decade low of 4.3%. This would mark a fifth consecutive month that the unemployment rate has remained this low. The recent slowdown in UK's inflation is expected to give a boost to UK's real wages when accounting for inflation. However, it would be too early to say whether consumer prices will come down in the future.

On Friday, the GDP data from the UK will see the initial estimates coming out. Economists forecast that the UK's economy expanded at a pace of 0.4% on a quarterly basis. This marks the same pace of increase seen in the previous quarter ending September. On an annualized basis, UK's GDP is expected to slow 1.3%, down from 1.7% previously.

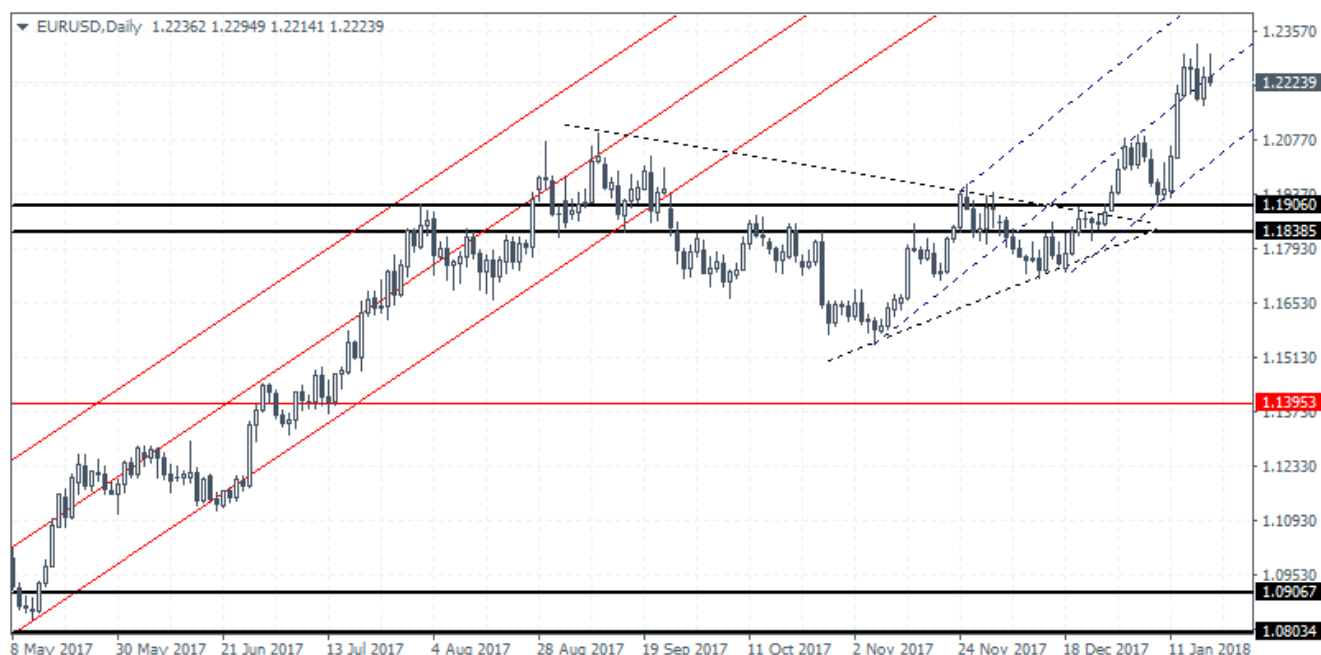


# TECHNICAL CORNER



EURUSD – Will the ECB talk down the euro?

The EURUSD currency pair will come under the scanner next week as the European Central Bank is expected to hold its monetary policy meeting. While no changes are expected from the central bank, the ECB is widely expected to address the issue on the exchange rate's appreciation. Recently, officials at the ECB came down strongly on the euro's exchange rate. The vice-president of the ECB, Vitor Constancio recently commented about the strength of the euro's exchange rate calling it unjustifiable compared to the fundamentals. This has sparked speculation that the European Central Bank could possibly talk down the euro.



EURUSD (1.2239) – Daily Chart

The EURUSD sits at a critical juncture. Price action suggests that the euro is trading at a key monthly resistance level of 1.230 - 1.2230 region. This level is important as it previously served as a key support level helping the euro to rebound higher. As a result, the retest of this level from the downside indicates that the current rally could be losing steam.

In the medium term, we see that the support for the EURUSD comes in at 1.1241. A correction to this level also coincides with the 61.8% retracement level from the lows of 1.0340 from January 2017 and the current highs at 1.2322. As a result, the bias to the downside is strong.

While the EURUSD could be seen hovering near this region, the outcome of the ECB's meeting will be crucial. If the central bank maintains a balanced tone, it could potentially keep the euro ranging sideways. However, hawkish talk could potentially send the EURUSD closing above 1.2300 which would shift the bias to the upside in the medium term.

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