

orbex WEEKLY MARKETS REPORT



OVERWEEK
BULLET POINTS



THE WEEK
AHEAD



MARKETS
PREVIEW



THE CHART OF
THE WEEK

OVERWEEK BULLET POINTS



Last Week: 14th of May 2018, to 18th of May 2018

Date	Time	Currency	Event	Actual	Forecast	Previous
14-May	5:59am	JPY	Prelim Machine Tool Orders y/y	22.00%		28.10%
	6:45am	USD	FOMC Member Mester Speaks			
	11:10pm	AUD	RBA Assist Gov Debelle Speaks			
15-May	1:30am	AUD	Monetary Policy Meeting Minutes			
	1:40am	AUD	RBA Assist Gov Debelle Speaks			
	2:00am	CNY	Fixed Asset Investment ytd/y	7.00%	7.40%	7.50%
		CNY	Industrial Production y/y	7.00%	6.40%	6.00%
		CNY	Retail Sales y/y	9.40%	10.00%	10.10%
	4:30am	JPY	Tertiary Industry Activity m/m	-0.30%	-0.20%	0.10%
	6:00am	EUR	German Prelim GDP q/q	0.30%	0.40%	0.60%
	6:45am	EUR	French Final CPI m/m	0.20%	0.10%	0.10%
		EUR	French Prelim Private Payrolls q/q	0.30%	0.40%	0.40%
	7:15am	CHF	PPI m/m	0.40%	0.30%	-0.20%
	8:30am	GBP	Average Earnings Index 3m/y	2.60%	2.70%	2.80%
		GBP	Claimant Count Change	31.2K	13.3K	15.7K
		GBP	Unemployment Rate	4.20%	4.20%	4.20%
	9:00am	EUR	Flash GDP q/q	0.40%	0.40%	0.40%
		EUR	German ZEW Economic Sentiment	-8.2	-8	-8.2
		EUR	Industrial Production m/m	0.50%	0.60%	-0.90%
		EUR	ZEW Economic Sentiment	2.4	2	1.9
	12:30pm	USD	Core Retail Sales m/m	0.30%	0.50%	0.40%
		USD	Retail Sales m/m	0.30%	0.40%	0.80%
		USD	Empire State Manufacturing Index	20.1	15.1	15.8
	2:00pm	USD	Business Inventories m/m	0.00%	0.20%	0.60%
		USD	NAHB Housing Market Index	70	70	68
	2:19pm	NZD	GDT Price Index	1.90%		-1.10%
	4:45pm	USD	FOMC Member Williams Speaks			
	8:00pm	USD	TIC Long-Term Purchases	61.8B	51.3B	49.0B
	11:50pm	JPY	Prelim GDP q/q	-0.20%	0.00%	0.40%
		JPY	Prelim GDP Price Index y/y	0.50%	0.30%	0.10%
16-May	12:30am	AUD	Westpac Consumer Sentiment	-0.60%		-0.60%
	1:30am	AUD	Wage Price Index q/q	0.50%	0.60%	0.50%
	4:30am	JPY	Revised Industrial Production m/m	1.40%	1.20%	1.20%
	6:00am	EUR	German Final CPI m/m	0.00%	0.00%	0.00%

	9:00am	EUR	Final CPI y/y	1.20%	1.20%	1.20%
		EUR	Final Core CPI y/y	0.70%	0.70%	0.70%
	12:00pm	EUR	ECB President Draghi Speaks			
	12:30pm	CAD	Manufacturing Sales m/m	1.40%	1.10%	2.70%
		USD	Building Permits	1.35M	1.35M	1.38M
		USD	FOMC Member Bostic Speaks			
		USD	Housing Starts	1.29M	1.32M	1.34M
	1:15pm	USD	Capacity Utilization Rate	78.00%	78.40%	77.60%
		USD	Industrial Production m/m	0.70%	0.60%	0.70%
	1:30pm	GBP	CB Leading Index m/m	-0.20%		-0.30%
	2:00pm	USD	Mortgage Delinquencies	4.63%		5.17%
	2:30pm	USD	Crude Oil Inventories	-1.4M	-1.1M	-2.2M
	4:00pm	CAD	Gov Council Member Schembri Speaks			
		CHF	SNB Chairman Jordan Speaks			
	10:45pm	NZD	PPI Input q/q	0.60%	0.30%	0.90%
		NZD	PPI Output q/q	0.20%	0.20%	1.00%
	11:50pm	JPY	Core Machinery Orders m/m	-3.90%	-2.90%	2.10%
17-May	1:00am	AUD	MI Inflation Expectations	3.70%		3.60%
	1:30am	AUD	Employment Change	22.6K	19.8K	-0.7K
		AUD	Unemployment Rate	5.60%	5.50%	5.50%
	2:00am	CNY	Foreign Direct Investment ytd/y	0.10%		0.50%
		NZD	Annual Budget Release			
	8:00am	EUR	Italian Trade Balance	4.53B	3.74B	3.10B
	8:57am	EUR	Spanish 10-y Bond Auction	1.37 2.3		1.29 2.0
	12:30pm	CAD	Foreign Securities Purchases	6.15B	3.00B	4.32B
		CAD	ADP Non-Farm Employment Change	30.2K		59.3K
		USD	Unemployment Claims	222K	216K	211K
	12:32pm	USD	Philly Fed Manufacturing Index	34.4	21.1	23.2
	2:00pm	USD	CB Leading Index m/m	0.40%	0.40%	0.40%
	2:30pm	USD	Natural Gas Storage	106B	105B	89B
	4:00pm	GBP	MPC Member Haldane Speaks			
	11:30pm	JPY	National Core CPI y/y	0.70%	0.80%	0.90%
18-May	6:00am	EUR	German PPI m/m	0.50%	0.30%	0.10%
		EUR	German WPI m/m	0.50%	0.20%	0.00%
	7:00am	USD	FOMC Member Mester Speaks			
	8:00am	EUR	Current Account	32.0B	35.1B	36.8B
	9:00am	EUR	Trade Balance	21.2B	20.7B	20.9B
	12:30pm	CAD	CPI m/m	0.30%	0.30%	0.30%
		CAD	Core Retail Sales m/m	-0.20%	0.50%	0.00%
		CAD	Common CPI y/y	1.90%		1.90%
		CAD	Median CPI y/y	2.10%		2.10%
		CAD	Retail Sales m/m	0.60%	0.30%	0.50%
		CAD	Trimmed CPI y/y	2.10%		2.00%

	CAD	Core CPI m/m	0.10%	0.20%
1:15pm	USD	FOMC Member Brainard Speaks		

Time: GMT

THE WEEK AHEAD



21st of May 2018, to 25th of May 2018

IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

Date	Time	Currency	Event	Forecast	Previous
21-May	3:00am	NZD	Credit Card Spending y/y		7.20%
	8:00am	EUR	ECB Financial Stability Review		
	Tentative	All	OPEC-JMMC Meetings		
	2:30pm	AUD	CB Leading Index m/m		0.30%
	3:30pm	USD	FOMC Member Bostic Speaks		
22-May	5:00am	JPY	BOJ Core CPI y/y	0.60%	0.70%
	8:15am	GBP	MPC Member Vlieghe Speaks		
	8:30am	GBP	Public Sector Net Borrowing	7.2B	-0.3B
	9:00am	GBP	Inflation Report Hearings		
	10:00am	GBP	CBI Industrial Order Expectations	2	4
	Tentative	EUR	German Buba Monthly Report		
	12:30pm	CAD	Wholesale Sales m/m	0.90%	-0.80%
	1:00pm	CNY	CB Leading Index m/m		1.70%
	2:00pm	USD	Richmond Manufacturing Index	9	-3
23-May	12:30am	AUD	MI Leading Index m/m		-0.20%
		JPY	Flash Manufacturing PMI		53.8
	1:30am	AUD	Construction Work Done q/q		-19.40%
	4:30am	JPY	All Industries Activity m/m		0.40%
	7:00am	EUR	French Flash Manufacturing PMI		53.8
		EUR	French Flash Services PMI		57.4
	7:30am	EUR	German Flash Manufacturing PMI		58.1
		EUR	German Flash Services PMI		53
	8:00am	AUD	RBA Gov Lowe Speaks		
		EUR	Flash Manufacturing PMI		56.2
		EUR	Flash Services PMI		54.7
	8:30am	GBP	CPI y/y		2.50%
		GBP	PPI Input m/m		-0.10%
		GBP	RPI y/y		3.30%
		GBP	Core CPI y/y		2.30%
		GBP	HPI y/y		4.40%
		GBP	PPI Output m/m		0.20%
	10:00am	GBP	CBI Realized Sales		-2
	1:45pm	USD	Flash Manufacturing PMI		56.5
		USD	Flash Services PMI		54.6
2:00pm	EUR	Consumer Confidence		0	

24-May		USD	New Home Sales	694K
	2:30pm	USD	Crude Oil Inventories	-1.4M
	6:00pm	USD	FOMC Meeting Minutes	
	10:45pm	NZD	Trade Balance	-86M
	6:00am	EUR	German Final GDP q/q	0.30%
		EUR	German GfK Consumer Climate	10.8
	8:00am	GBP	BOE Gov Carney Speaks	
	8:15am	USD	FOMC Member Dudley Speaks	
	8:30am	GBP	Retail Sales m/m	-1.20%
	All Day	EUR	Eurogroup Meetings	
	11:30am	EUR	ECB Monetary Policy Meeting Accounts	
	12:30pm	CAD	Corporate Profits q/q	-1.90%
		USD	Unemployment Claims	222K
	1:00pm	EUR	Belgian NBB Business Climate	1
		USD	HPI m/m	0.60%
	2:00pm	USD	Existing Home Sales	5.60M
	2:30pm	USD	Natural Gas Storage	106B
	2:35pm	USD	FOMC Member Bostic Speaks	
	Tentative	GBP	BOE Gov Carney Speaks	
	11:30pm	JPY	Tokyo Core CPI y/y	0.60%
25-May	8:00am	EUR	German Ifo Business Climate	102.1
	8:30am	GBP	Second Estimate GDP q/q	0.10%
		GBP	Prelim Business Investment q/q	0.30%
		GBP	High Street Lending	37.6K
		GBP	Index of Services 3m/3m	0.40%
	All Day	EUR	ECOFIN Meetings	
	12:00pm	AUD	RBA Assist Gov Bullock Speaks	
	12:30pm	USD	Core Durable Goods Orders m/m	0.10%
		USD	Durable Goods Orders m/m	2.60%
	1:20pm	GBP	BOE Gov Carney Speaks	
		USD	Fed Chair Powell Speaks	
	2:00pm	USD	Revised UoM Consumer Sentiment	98.8
USD		Revised UoM Inflation Expectations	2.80%	
3:45pm	USD	FOMC Member Bostic Speaks		

Time: GMT

MARKETS RECAP



Last Week: 14th of May 2018, to 18th of May 2018

The euro currency was seen posting strong losses over the week amid a strong U.S. dollar and domestic concerns and weak patch of economic data. The euro currency was seen falling to lows of 1.1800 last week as inflation and GDP data disappointed. The first quarter GDP growth in the Eurozone was subdued at 0.4% while inflation managed to steady around 1.2%. But core inflation rate eased to 0.7%. Domestic concerns on the uncertainty surrounding Italian government also added to the weakness in the currency pair.

UK real wages increase as unemployment rate steady at 43 year low

After many months of wages lagging behind inflation, the labor market report from the United Kingdom released last week showed that real wages were finally starting to grow. The data comes as the UK's unemployment rate was seen to be steady at 4.2% marking a 43-year low, data from the UK's Office for National Statistics showed last week.



UK Unemployment Rate (April 2018): 4.2% (Source: Tradingeconomics.com)

While the unemployment rate was seen to have remained steady at 4.2% in the first quarter, on a yearly basis, the unemployment rate was recorded at 4.6%. This was the lowest levels since 1975. The number of unemployment fell by 46,000 to 1.42 million in the first three months of the year ending March 2018.

This comes amid the employment rate which pushed higher to 75.6% and was the highest since record keeping started in 1971. The biggest surprise from the jobs data was of course the wage growth report. Data showed that average earnings excluding bonuses grew at a pace of 2.9% in the three months ending March 2018. This also marked a new record in wage growth since 2015.

The increase in the wages excluding bonuses finally managed to surpass inflation which was recorded at 2.7% as of March. The wage data suggested that real wages grew at a pace of 0.3% in the three months of the first quarter. However, wages including bonuses increased at a slower pace of just 2.6%. Still, with inflation slowing and wages starting to rise, the news was regarded as a positive.

German GDP growth slows in the first quarter

Economic data released by the German statistics agency, Destatis showed last week that the first quarter GDP growth had slowed in the Eurozone's largest economy. Data showed that Germany's gross domestic product or GDP advanced just 0.3% in the first three months of the year. This was nearly half the pace of growth that was registered in the final three months of 2017.

The data came amid weaker imports and exports. However, economists' noted that the slowdown is only temporary and expect growth to pick up in the coming quarters. The Eurozone's second GDP estimate was also released which showed that the Eurozone's economic activity advanced 0.4% as initially estimated in the preliminary GDP release few weeks ago. The slowdown in the economy comes after Germany's GDP advanced 2.7% in the final three months of last year.

Global trade uncertainty and a potential dispute with the United States were seen as some of the reasons. In a separate report, the ZEW economic sentiment for Germany showed that the index fell to a five and a half year low, unchanged from the previous month's reading. The German economic sentiment index held steady at -8.2 in May, marking the lowest level since November 2012.

U.S. retail sales rises as estimated

The monthly retail sales report from the United States showed that sales increased as estimated in the month of April. Data released by the commerce department on Tuesday last week showed that retail sales increased 0.3% in April after posting strong gains to a revised 0.8% in the month of March. This was in line with the economists' expectations while March's data revision was initially seen at 0.6%

Despite retail sales rising in April, it was slower compared to the pace of growth seen in the previous month. The slowdown in the retail sales sector came amid lower sales for motor vehicle parts which rose just 0.1% during the month. This was in contrast to the 2.1% increase registered in March.

Retail sales excluding autos were seen rising 0.5% compared to the 0.2% increase registered in the previous month. The gains came on increase from clothing and accessories, furniture and home furnishings and gas states which managed to offset the declines in health and personal care and food services.

The core retail sales report which excludes automobiles, gasoline, building materials and food services was seen rising 0.4% in April following a revised print of 0.5% in March.

MARKETS PREVIEW



The Week Ahead: 21st of May 2018, to 25th of May 2018

The week ahead will see the FOMC meeting minutes stealing the focus. The Fed meeting minutes reflect the FOMC meeting that was held last month. The central bank had left interest rates unchanged. Still investors will be closely monitoring the minutes of the meeting especially as investors try to get a grip on the number of rate hikes this year. Elsewhere, economic data will cover the UK's inflation, GDP and retail sales numbers. All three data points remain a key element for the BoE's rate hike plans. The economic data from the UK is no doubt going to keep the pressure on the British pound. Other economic releases over the week include the BoJ's core inflation data covering the month of April.

FOMC Meeting Minutes

The FOMC meeting is due to be released this week on Wednesday. The meeting minutes cover the Fed's meeting that was held earlier in May. The central bank had kept interest rates unchanged at its previous meeting as widely expected. However, the central bank had introduced new language to its forward policy which showed that officials were willing to wait for inflation to overshoot the 2% inflation target rate.

The central bank had introduced the term "symmetric" inflation which basically means that given the prolonged period of time which kept consumer prices below the Fed's 2% inflation target rate, officials were willing to tolerate an increase in the inflation rate above the target rate. This potentially soothes concerns for investors who initially expected to see a faster pace of rate hikes if inflation moved higher at a quicker pace.

Investors will also be looking for further clues from the Fed's meeting minutes on the next rate hike and for the remainder of the year. The central bank had in its previously held March meeting signaled three rate hikes this year. However, the market expectations continue to grow that the Federal Reserve could hike rates additionally this year.

Busy week for the UK: Inflation, retail sales and GDP

A busy week is in store for the British pound which will see the release of some of the key economic indicators. The week starts off with the UK's inflation figures coming out on Wednesday. The median estimates point to an unchanged print on headline CPI at 2.5% for the year ending April. However, core inflation rate is expected to rise at a slower pace of 2.1% during the month.

The retail sales numbers, which give insights into the pace of consumer spending is expected to decline on an annualized basis. This could potentially offset the 1.1% increase in retail sales just the month before. Economists' polled expect annual retail sales to fall 0.7% on weaker spending and lack of wage growth and higher inflation.

The second revised GDP estimates for the first quarter of 2018 will be released on Friday. No changes are expected as the UK's first quarter GDP is expected to show a 0.1% increase on a quarterly basis or 1.2% on the year.

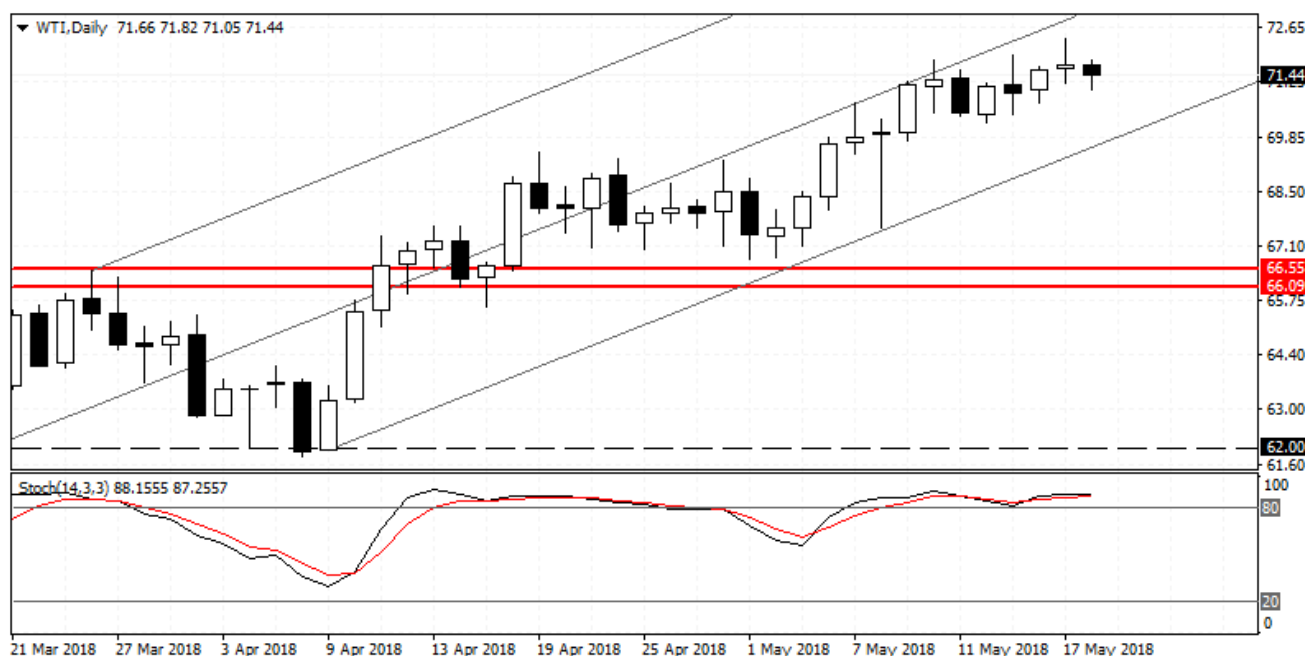
TECHNICAL CORNER



WTI gains but momentum looks to be fading

Crude oil prices continued to edge higher last week as prices rallied to fresh highs near the \$72 handle but gave up the gains rather quickly. Still, the continued bullish momentum in WTI crude oil prices indicates the strong underlying fundamentals. With the markets now fully digesting the fact that Iran could soon be cut out from the international supply markets, there has been talk that Saudi Arabia could plug in the deficit.

On going conflicts within some of the OPEC nations also points to the fact that crude oil supply could see some shortages. The political unrest in Venezuela is another factor that oil market watchers are expecting could hit the supply lines.



WTI (71.44) – Daily Chart

From a technical perspective, while oil prices have remained near yearly highs, the price action suggests that momentum on the bullish trend is slowing. We continue to watch for a potential correction in WTI crude oil prices to the support level at at \$66.55 - \$66.00. A short term support is seen forming near the \$71.00 level. A convincing close below this level could potentially shift the short term trend to the downside. However, a retest off the mentioned support level could mean that oil prices might be getting ready to surge higher.

The retest of the support at \$66.50 - \$66.00 however remains a key price level of interest. In the event that WTI Crude oil prices break down below this level, we could expect to see an even sharper correction. The next main support is seen coming in at the \$62.00 level.

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