

orbex WEEKLY MARKETS REPORT



OVERWEEK
BULLET POINTS



THE WEEK
AHEAD



MARKETS
PREVIEW



THE CHART OF
THE WEEK

OVERWEEK BULLET POINTS



Last Week: 11th of June 2018, to 15th of June 2018

Date	Time	Currency	Event	Actual	Forecast	Previous
11-Jun	5:59am	JPY	Prelim Machine Tool Orders y/y	14.90%		22.00%
	8:00am	EUR	Italian Industrial Production m/m	-1.20%	-0.70%	1.20%
	8:30am	GBP	Manufacturing Production m/m	-1.40%	0.30%	-0.10%
		GBP	Goods Trade Balance	-14.0B	-11.5B	-12.0B
	8:30am	GBP	Construction Output m/m	0.50%	2.40%	-2.30%
		GBP	Industrial Production m/m	-0.80%	0.10%	0.10%
	11:08am	GBP	NIESR GDP Estimate	0.20%		0.10%
	5:01pm	USD	10-y Bond Auction	2.96 2.6		3.00 2.6
	11:50pm	JPY	BSI Manufacturing Index	-3.2	3.2	2.9
JPY		PPI y/y	2.70%	2.10%	2.10%	
12-Jun	1:30am	AUD	NAB Business Confidence	6		11
		AUD	Home Loans m/m	-1.40%	-1.70%	-2.30%
	4:30am	JPY	Tertiary Industry Activity m/m	1.00%	0.60%	-0.30%
	5:30am	EUR	French Final Private Payrolls q/q	0.20%	0.30%	0.30%
	8:00am	EUR	Italian Quarterly Unemployment Rate	11.10%	11.10%	11.10%
	8:30am	GBP	Average Earnings Index 3m/y	2.50%	2.50%	2.60%
		GBP	Claimant Count Change	-7.7K	11.3K	28.2K
		GBP	Unemployment Rate	4.20%	4.20%	4.20%
	9:00am	CNY	M2 Money Supply y/y	8.30%	8.50%	8.30%
		CNY	New Loans	1150B	1200B	1180B
	9:00am	EUR	German ZEW Economic Sentiment	-16.1	-14.6	-8.2
		EUR	ZEW Economic Sentiment	-12.6	0.1	2.4
	10:00am	USD	NFIB Small Business Index	107.8	105.2	104.8
	12:30pm	USD	CPI m/m	0.20%	0.20%	0.20%
		USD	Core CPI m/m	0.20%	0.10%	0.10%
	5:01pm	USD	30-y Bond Auction	3.10 2.4		3.13 2.4
	6:00pm	USD	Federal Budget Balance	-146.8B	-119.0B	214.3B
	10:45pm	NZD	FPI m/m	0.00%		0.10%
	13-Jun	12:30am	AUD	Westpac Consumer Sentiment	0.30%	
3:20am		AUD	RBA Gov Lowe Speaks			
7:15am		CHF	PPI m/m	0.20%	0.30%	0.40%
8:30am		GBP	CPI y/y	2.40%	2.40%	2.40%
		GBP	PPI Input m/m	2.80%	1.70%	0.60%
		GBP	Core CPI y/y	2.10%	2.10%	2.10%
		GBP	HPI y/y	3.90%	4.40%	4.20%

		GBP	PPI Output m/m	0.40%	0.30%	0.40%
		GBP	RPI y/y	3.30%	3.40%	3.40%
	9:00am	EUR	Employment Change q/q	0.40%	0.30%	0.30%
		EUR	Industrial Production m/m	-0.90%	-0.60%	0.60%
	9:38am	EUR	German 10-y Bond Auction	0.48 1.1		0.62 2.8
	12:30pm	USD	PPI m/m	0.50%	0.30%	0.10%
		USD	Core PPI m/m	0.30%	0.20%	0.20%
	2:30pm	USD	Crude Oil Inventories	-4.1M	-1.4M	2.1M
	6:00pm	USD	FOMC Economic Projections			
		USD	FOMC Statement			
		USD	Federal Funds Rate	<2.00%	<2.00%	<1.75%
	6:30pm	USD	FOMC Press Conference			
	11:01pm	GBP	RICS House Price Balance	-3%	-5%	-7%
14-Jun	1:00am	AUD	MI Inflation Expectations	4.20%		3.70%
	1:30am	AUD	Employment Change	12.0K	18.8K	18.3K
		AUD	Unemployment Rate	5.40%	5.50%	5.60%
	2:00am	CNY	Fixed Asset Investment ytd/y	6.10%	7.00%	7.00%
		CNY	Industrial Production y/y	6.80%	6.90%	7.00%
		CNY	Retail Sales y/y	8.50%	9.60%	9.40%
	2:06am	CNY	Foreign Direct Investment ytd/y	1.30%		0.10%
	4:30am	JPY	Revised Industrial Production m/m	0.50%	0.30%	0.30%
	5:30am	EUR	German Final CPI m/m	0.50%	0.50%	0.50%
	6:45am	EUR	French Final CPI m/m	0.40%	0.40%	0.40%
	8:30am	GBP	Retail Sales m/m	1.30%	0.50%	1.80%
	11:45am	EUR	Main Refinancing Rate	0.00%	0.00%	0.00%
	12:30pm	CAD	NHPI m/m	0.00%	0.20%	0.00%
		EUR	ECB Press Conference			
		USD	Core Retail Sales m/m	0.90%	0.50%	0.40%
		USD	Retail Sales m/m	0.80%	0.40%	0.40%
		USD	Unemployment Claims	218K	223K	222K
		USD	Import Prices m/m	0.60%	0.50%	0.60%
	2:00pm	USD	Business Inventories m/m	0.30%	0.30%	-0.10%
	2:30pm	USD	Natural Gas Storage	96B	87B	92B
	10:30pm	NZD	Business NZ Manufacturing Index	54.5		59.1
15-Jun	2:41am	JPY	Monetary Policy Statement			
		JPY	BOJ Policy Rate	-0.10%	-0.10%	-0.10%
	3:30am	AUD	RBA Assist Gov Ellis Speaks			
	6:00am	EUR	German WPI m/m	0.80%	0.30%	0.50%
	6:28am	JPY	BOJ Press Conference			
	9:00am	EUR	Final CPI y/y	1.90%	1.90%	1.90%
		EUR	Final Core CPI y/y	1.10%	1.10%	1.10%
		EUR	Trade Balance	18.1B	20.2B	19.8B
	12:30pm	CAD	Foreign Securities Purchases	9.13B	5.49B	6.40B

		CAD	Manufacturing Sales m/m	-1.30%	0.60%	1.40%
		USD	Empire State Manufacturing Index	25	19.1	20.1
	1:15pm	USD	Capacity Utilization Rate	77.90%	78.10%	78.10%
		USD	Industrial Production m/m	-0.10%	0.20%	0.90%
	1:30pm	GBP	CB Leading Index m/m	-0.20%		-0.30%
	2:00pm	USD	Prelim UoM Consumer Sentiment	99.3	98.5	98
		USD	Prelim UoM Inflation Expectations	2.90%		2.80%
	8:00pm	USD	TIC Long-Term Purchases		58.5B	61.8B

Time: GMT

THE WEEK AHEAD



18th of June 2018, to 22nd of June 2018

IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

Date	Time	Currency	Event	Forecast	Previous
18-Jun	9:00am	EUR	Italian Trade Balance	3.21B	4.53B
	Tentative	EUR	German Buba Monthly Report		
	2:00pm	USD	NAHB Housing Market Index	70	70
	2:30pm	AUD	CB Leading Index m/m		0.20%
	5:30pm	EUR	ECB President Draghi Speaks		
	10:00pm	NZD	Westpac Consumer Sentiment		111.2
19-Jun	1:30am	AUD	Monetary Policy Meeting Minutes		
		AUD	HPI q/q	-0.90%	1.00%
	3:35am	JPY	30-y Bond Auction		0.75 4.4
	5:45am	CHF	SECO Economic Forecasts		
	8:00am	EUR	ECB President Draghi Speaks		
		EUR	Current Account	30.3B	32.0B
	12:30pm	USD	Building Permits	1.35M	1.36M
		USD	Housing Starts	1.31M	1.29M
	Tentative	NZD	GDT Price Index		-1.30%
	10:45pm	NZD	Current Account	0.05B	-2.77B
	11:50pm	JPY	Monetary Policy Meeting Minutes		
20-Jun	12:30am	AUD	MI Leading Index m/m		0.20%
	6:00am	EUR	German PPI m/m	0.40%	0.50%
	10:00am	GBP	CBI Industrial Order Expectations	1	-3
	Tentative	EUR	German 30-y Bond Auction		1.26 1.1
	12:30pm	USD	Current Account	-129B	-128B
	1:30pm	AUD	RBA Gov Lowe Speaks		
		EUR	ECB President Draghi Speaks		
		JPY	BOJ Gov Kuroda Speaks		
		USD	Fed Chair Powell Speaks		
	2:00pm	USD	Existing Home Sales	5.55M	5.46M
	2:30pm	USD	Crude Oil Inventories		-4.1M
	10:45pm	NZD	GDP q/q	0.50%	0.60%
21-Jun	1:30am	AUD	RBA Bulletin		
	4:30am	CHF	SNB Financial Stability Report		
	6:00am	CHF	Trade Balance	1.89B	2.29B
	7:30am	CHF	Libor Rate	-0.75%	-0.75%
		CHF	SNB Monetary Policy Assessment		

	8:30am	CHF	SNB Press Conference		
		GBP	Public Sector Net Borrowing	5.1B	6.2B
	Tentative	All	OPEC-JMMC Meetings		
	All Day	EUR	Eurogroup Meetings		
	9:45am	EUR	German Buba President Weidmann Speaks		
	11:00am	GBP	MPC Official Bank Rate Votes	2-0-7	2-0-7
		GBP	Monetary Policy Summary		
		GBP	Official Bank Rate	0.50%	0.50%
		GBP	Asset Purchase Facility	435B	435B
		GBP	MPC Asset Purchase Facility Votes	0-0-9	0-0-9
	12:30pm	CAD	ADP Non-Farm Employment Change		30.2K
		CAD	Wholesale Sales m/m	0.50%	1.10%
		USD	Philly Fed Manufacturing Index	28.3	34.4
		USD	Unemployment Claims	220K	218K
	1:00pm	USD	HPI m/m	0.30%	0.10%
	2:00pm	EUR	Consumer Confidence	0	0
		USD	CB Leading Index m/m	0.40%	0.40%
	2:30pm	USD	Natural Gas Storage		96B
	8:15pm	GBP	BOE Gov Carney Speaks		
	Tentative	USD	Bank Stress Test Results		
	10:45pm	NZD	Visitor Arrivals m/m		-1.30%
	11:30pm	JPY	National Core CPI y/y	0.70%	0.70%
22-Jun	12:30am	JPY	Flash Manufacturing PMI	52.6	52.8
	3:00am	NZD	Credit Card Spending y/y		7.00%
	4:30am	JPY	All Industries Activity m/m	0.90%	0.00%
	7:00am	EUR	French Flash Manufacturing PMI	54	54.4
		EUR	French Flash Services PMI	54.3	54.3
	7:30am	EUR	German Flash Manufacturing PMI	56.3	56.9
		EUR	German Flash Services PMI	52.2	52.1
	8:00am	EUR	Flash Manufacturing PMI	55	55.5
		EUR	Flash Services PMI	53.7	53.8
	All Day	All	OPEC Meetings		
	All Day	EUR	ECOFIN Meetings		
	11:00am	GBP	BOE Quarterly Bulletin		
	12:30pm	CAD	CPI m/m		0.30%
		CAD	Core Retail Sales m/m		-0.20%
		CAD	Common CPI y/y		1.90%
		CAD	Median CPI y/y		2.10%
		CAD	Retail Sales m/m		0.60%
		CAD	Trimmed CPI y/y		2.10%
		CAD	Core CPI m/m		0.10%
	1:00pm	EUR	Belgian NBB Business Climate	0	0.2
	1:45pm	USD	Flash Manufacturing PMI	56.3	56.4

	USD	Flash Services PMI	56.8	56.8
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Time: GMT



MARKETS RECAP

Last Week: 11th of June 2018, to 15th of June 2018

The Euro currency was seen posting strong losses after the ECB's decision to end its QE in December was offset by the dovish statement on interest rates. The U.S. dollar was also seen easing back into the end of the week. This came amid the Fed hiking interest rates by 25 basis points and signaling two more rate hikes for this year. The markets were seen trading mostly mixed with the BoJ also staying on the sidelines this week for its monetary policy decision.

UK unemployment holds steady but wages freeze

The UK's unemployment data released last week showed that the nation's unemployment rate had held steady at 4.2%. This was the lowest unemployment rate registered since 1975, data from the UK's Office for National Statistics (ONS) showed last week. The unemployment rate was at 4.6% at the same period just the year before. There were 1.42 million people unemployed with the employment rate at 75.6%.



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

Unemployment was seen falling by 38,000 between the months of February and April. Despite the steady unemployment numbers, wage growth, which has become a crucial component amid rising consumer prices remained steady. Average earnings excluding bonuses were seen rising 2.8% in the three months April. This was a modest decline from 2.9% increase that was seen just the month before.

Including bonuses, wage growth was seen rising just 2.5% during the period. The data came ahead of the UK's inflation figures which was released on Wednesday. Official data showed that consumer prices remained steady, rising at a pace of 2.4% on the year ending May 2018.

This was widely in line with the median expectations. Core inflation rate that excluded food and energy prices were seen rising 2.1%, the same pace as the month before and matching the median estimates.

While consumer prices might have slowed, the fact that wage growth also eased signals a cause for concern. The economic data comes ahead of the Bank of England's monetary policy meeting next week.

FOMC hikes rates by 25 basis points

The U.S. Federal Reserve concluded its two day monetary policy meeting on Wednesday last week. As widely expected, the central bank hiked the short term interest rates by 25 basis points, bring the Fed funds rate to 1.75% - 2.0%. The increase in the interest rate was widely expected with the Fed funds rate seen at 1.875% overall.

The markets were also uncertain about the possibility of a fourth rate hike this year. This was put to rest as the central bank signaled that interest rates could be hiked for a fourth time this year, confirming the market expectations. The central bank acknowledged the solid pace of economic growth and use hawkish language in its statement.

The FOMC also gave its staff economic projections at last week's meeting. According to the median estimates of the FOMC members, inflation in the United States is expected to average around 2.1% this year and is expected to remain steady around this level until 2020 with a temporary overshoot of inflation. On the economy, the FOMC members projected a 2.8% growth in the economy for the year 2018.

The unemployment in the United States was also forecast to fall further to 3.6%. The unemployment rate currently sits at 3.8%. Speaking at the press conference, the Fed Chair, Jerome Powell sounded confident and upbeat on the economy noting that the environment of low unemployment and stable inflation was helping the economy to surge ahead.

ECB announces reduced bond purchases from September

The European Central Bank's monetary policy meeting held last week saw central bank officials leaving the key interest rates unchanged. However, officials announced that the ECB would end its 30 billion euro a month bond purchases in September. A reduced amount, 15 billion euro is expected to continue until end of December this year.

The central bank said that it would take a considerable amount of time for the ECB to raise interest rates. This offset the hawkish outlook initially set forth in the ECB's statement.

MARKETS PREVIEW



The Week Ahead: 18th of June 2018, to 22nd of June 2018

The markets return to some normalcy next week with only the Swiss National Bank and the Bank of England expected to hold their monetary policy meetings. No changes are expected at this week's meetings from either of the central banks. On the economic front, Canada's monthly inflation figures will be coming out on Friday. Earlier in the week, New Zealand will be reporting on its quarterly GDP figures.

Bank of England to stay on the sidelines

Following a busy week of monetary policy decisions from the FOMC, the BoJ and the ECB, the week ahead will see investors turning attention to the Bank of England's monetary policy meeting. Although interest rates are expected to remain unchanged at this week's meeting, investors will be tuned into the forward guidance from the central bank.

Market watchers estimate that the Bank of England could hike interest rates again in August. Rates are expected to be hiked by 25 basis points. The delay in the rate hike comes on the backdrop of weak wage growth numbers and a decline in inflation as well.

The Bank of England had previously signaled that interest rates would rise in May. However, weak patch of economic data for the start of the second quarter, alongside weaker first quarter GDP data put the BoE officials to pause for a recovery in the economy. The UK's economy was seen rising just 0.1% in the first quarter of the year.

Officials were of course hopeful that economic activity would be revised higher. Recent economic reports showed that there was a turnaround in business activity but this remained broadly mixed. A continue slowdown in the economy could potentially keep the BoE on the sidelines until the UK's economy recovers amid the uncertainty surrounding the Brexit transition.

OPEC's semi-annual meeting

Members of the OPEC group including Russia are expected to meet in Vienna for a mid-year review of crude oil production. Although no major decisions are expected at this week's meeting, the question about whether Saudi Arabia will bridge the supply gap due to Iran's limitation on oil is likely to be a key debate for officials.

Ahead of the meeting, the U.S. President Donald Trump tweeted that he wanted OPEC to increase production. He said that oil prices were too high and blamed the OPEC nations for monopolizing oil prices. Crude oil prices were seen rising by nearly 60% since the last year. In 2017, OPEC and Russia agreed to limit crude oil production.

While oil production at the current levels are expected to run until next year, the plan beyond that is unclear making the outlook for oil prices uncertain for the year ahead.

TECHNICAL CORNER



Can the euro recover?

The EURUSD currency pair posted strong losses on Thursday following the ECB's decision to leave interest rates unchanged but announcing that QE would end in December 2018. While the markets were anticipating faster pace of rate hikes, the ECB signaled that interest rates would remain at the current levels until summer of 2019. This dovish statement pushed the sentiment weaker in the euro as a result.



EURUSD (1.1618) – Daily Chart

Price action in the EURUSD currency pair suggests that a bottom has likely formed following Thursday's decline and recovery from the previously established support level at 1.1539 region. The rebound off this level, if sustained could keep the currency pair biased to the upside as it approaches the next key resistance level of 1.1730.

With the economic data relatively quiet for the week ahead, the euro currency is likely to continue posting gains. A breakout above the resistance level of 1.1730 is required in order to confirm further upside in prices. This would potentially open the way for the EURUSD to test the 1.20 level in the medium term.

To the downside, failure to hold the declines at the support level of 1.1539 could potentially signal further weakness in the currency pair as the EURUSD is likely to fall to 1.1500 level of support.

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