

orbex WEEKLY MARKETS REPORT



OVERWEEK
BULLET POINTS



THE WEEK
AHEAD



MARKETS
PREVIEW



THE CHART OF
THE WEEK

OVERWEEK BULLET POINTS



Last Week: 30th of May – 3rd of June, 2016

- Japan retail sales y/y -0.80% vs. -1.20%
- Australia company operating profits q/q -4.70% vs. 0.50%
- Germany preliminary CPI m/m 0.30% vs. 0.30%
- Australia building approvals m/m 3.0% vs. -3.10%
- Australia current account -20.8bn vs. -19.3bn
- Germany retail sales m/m -0.90% vs. 1.0%
- Eurozone flash CPI y/y -0.10% vs. -0.10%; core CPI y/y 0.80% vs. 0.80%
- Canada GDP m/m -0.20% vs. -0.10%
- US Core PCE price index m/m 0.20% vs. 0.20%
- US Chicago PMI 49.3 vs. 50.8
- US CB consumer confidence 92.6 vs. 96.1
- China manufacturing PMI 50.1 vs. 50.0
- China non-manufacturing PMI 53.1 vs. 53.5 previously
- China Caixin manufacturing PMI 49.2 vs. 49.3
- UK manufacturing PMI 50.1 vs. 49.6
- UK net lending to individuals m/m 1.6bn vs. 5.3bn
- US ISM manufacturing PMI 51.3 vs. 50.5
- Australia retail sales m/m 0.20% vs. 0.30%
- Australia trade balance -1.58bn vs. -2.11bn
- UK construction PMI 51.2 vs. 51.9
- OPEC meetings
- ECB leaves minimum bid rate unchanged at 0%
- US ADP private payrolls 173k vs. 174k
- US weekly unemployment claims 267k vs. 270k

- US weekly crude oil inventories -1.4mn vs.-2.7mn
- China Caixin services PMI 51.2 vs. 52.0
- UK services PMI 53.5 vs. 52.5
- US monthly nonfarm payroll change 38k vs. 160k
- US unemployment rate 4.70% vs. 4.90%
- US average hourly earnings m/m 0.20% vs. 0.20%
- US trade balance -37.4bn vs. -41.9bn
- PMI services 51.3 vs. 51.4
- ISM non-manufacturing composite PMI 52.9 vs. 55.3
- US Factory orders m/m 1.90% vs. 0.80%

THE WEEK AHEAD

6th of June 2016, to 10th of June 2016



IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

Date	Time	Currency	Detail	Forecast	Previous
06-Jun	07:00	EUR	German Factory Orders m/m	-0.40%	1.90%
	09:10	EUR	Retail PMI		47.9
	09:30	EUR	Sentix Investor Confidence	7.1	6.2
	17:30	USD	Fed Chair Yellen Speaks		
07-Jun	05:30	AUD	Cash Rate	1.75%	1.75%
		AUD	RBA Rate Statement		
	06:00	JPY	Leading Indicators	100.80%	99.30%
	07:00	EUR	German Industrial Production m/m	0.80%	-1.30%
		EUR	French Trade Balance	-4.2B	-4.4B
	10:00	EUR	Revised GDP q/q	0.50%	0.50%
	13:30	USD	Revised Nonfarm Productivity q/q	-0.60%	-1.00%
		USD	Revised Unit Labor Costs q/q	4.00%	4.10%
	15:00	CAD	Ivey PMI	54.2	53.1
		USD	IBD/TIPP Economic Optimism	49.1	48.7
	20:00	USD	Consumer Credit m/m	19.1B	29.7B
23:45	NZD	Manufacturing Sales q/q		-1.90%	
08-Jun	00:50	JPY	Current Account	2.04T	1.89T
		JPY	Final GDP q/q	0.50%	0.40%
		JPY	Bank Lending y/y		2.20%
		JPY	Final GDP Price Index y/y	0.90%	0.90%
	02:30	AUD	Home Loans m/m	2.60%	-0.90%
	Tentative	CNY	Trade Balance	358B	298B
	Tentative	CNY	USD-Denominated Trade Balance	55.8B	45.6B
	06:00	JPY	Economy Watchers Sentiment	43.4	43.5
	08:15	CHF	CPI m/m	0.20%	0.30%

	09:30	GBP	Manufacturing Production m/m	0.10%	0.10%
		GBP	Industrial Production m/m	0.00%	0.30%
	13:15	CAD	Housing Starts	194K	192K
	13:30	CAD	Building Permits m/m		-7.00%
	22:00	NZD	Official Cash Rate	2.00%	2.25%
		NZD	RBNZ Rate Statement		
		NZD	RBNZ Monetary Policy Statement		
09-Jun	00:00	NZD	RBNZ Press Conference		
	00:50	JPY	Core Machinery Orders m/m	-3.20%	5.50%
		JPY	M2 Money Stock y/y	3.30%	3.30%
	02:10	NZD	RBNZ Gov Wheeler Speaks		
	02:30	CNY	CPI y/y	2.30%	2.30%
		CNY	PPI y/y	-3.10%	-3.40%
	06:30	EUR	French Final Non-Farm Payrolls q/q	0.20%	0.20%
	06:45	CHF	Unemployment Rate	3.50%	3.50%
	07:00	EUR	German Trade Balance	21.4B	23.6B
		JPY	Prelim Machine Tool Orders y/y		-26.30%
	08:00	EUR	ECB President Draghi Speaks		
	09:30	GBP	Goods Trade Balance	-11.1B	-11.2B
	13:30	CAD	NHPI m/m	0.30%	0.20%
		CAD	Capacity Utilization Rate	81.50%	81.10%
		USD	Unemployment Claims	270K	267K
	15:00	USD	Wholesale Inventories m/m	-0.10%	0.10%
	15:30	CAD	BOC Financial System Review		
	16:15	CAD	BOC Gov Poloz Speaks		
10-Jun	00:50	JPY	PPI y/y	-4.20%	-4.20%
	05:30	JPY	Tertiary Industry Activity m/m	0.70%	-0.70%
	07:00	EUR	German Final CPI m/m	0.30%	0.30%
		EUR	German WPI m/m	0.20%	0.30%
	07:45	EUR	French Industrial Production m/m	0.50%	-0.30%
	10th-15th	CNY	M2 Money Supply y/y	12.60%	12.80%
	10th-15th	CNY	New Loans	750B	556B
	09:00	EUR	Italian Industrial Production m/m	0.30%	0.00%
	09:30	GBP	Construction Output m/m	1.50%	-3.60%

	GBP	Consumer Inflation Expectations		1.80%
13:30	CAD	Employment Change	1.1K	-2.1K
	CAD	Unemployment Rate	7.10%	7.10%
15:00	USD	Prelim UoM Consumer Sentiment	94.1	94.7
	USD	Prelim UoM Inflation Expectations		2.40%



MARKETS PREVIEW

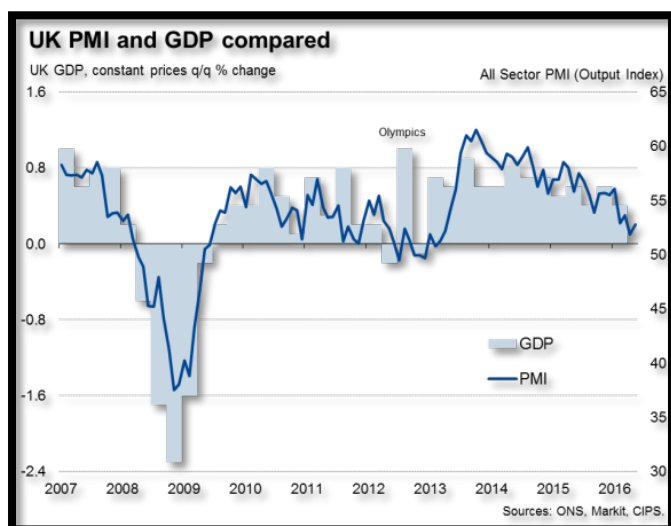
30th of May – 3rd of June 2016

The economic landscape this week saw the following main themes driving market sentiment.

- Manufacturing surveys
- OPEC meetings
- ECB policy decision
- US nonfarm payrolls report

Manufacturing data remained subdued over the week, with China's official manufacturing PMI rising to 50.1 but the Caixin manufacturing PMI showed a contraction, falling to 49.2. In the US, ISM manufacturing PMI was better than expected, rising to 51.3.

In the UK, monthly PMI surveys in May were mixed. While manufacturing PMI managed to edge higher to 50.1 after falling below the 50 index in April, construction PMI was weak, falling to



UK PMI – GDP Comparison

51.2, while services PMI managed to edge higher, rising to 53.5. The Markit's PMI data showed that the pace of the economic growth was modestly higher in May but was still seen to be weaker over the past three years underlined by deteriorating trends in employment, work and inflows of new business orders.

Markit said that in most cases, this was due to the growing risks surrounding the UK's

possible exit from the EU. The average weighted output in the PMI's in May was at 52.8, up from 51.9 in April and this is expected to see a 0.20% GDP growth in the second quarter so far. Manufacturing sector continued to see stagnation in output growth for the second consecutive month while growth almost came to a stand-still in the construction sector which reported only a

modest increase in activity since June of 2013. The lack of any growth in the manufacturing and construction sector saw the services sector once again as the main driver of growth in the UK.

The **European Central bank**, in last week's meeting decided to leave all the key policy rates unchanged. The central bank reminded the markets that the TLTRO-II and corporate bond purchases would be this month as previously announced. ECB Chief, Mario Draghi took a balanced approach while speaking at the press conference. While the ECB staff economic projections revised inflation and GDP forecasts higher, Draghi said that inflation would remain low for a few months before ticking higher during the latter part of the year.

OPEC members met this week and as expected, there was no change to production freezes. But the general tone was more restrained, in comparison to the Doha-talks outcome. Saudi Arabia, it is being reported has agreed verbally not to flood the markets with more oil, however without any official endorsement or confirmation, oil traders didn't have much to go by.

In the US, it was all about the **monthly payrolls** this week, especially after many Fed officials



US Monthly Nonfarm payroll change (38k)

took a hawkish stand on interest rates. But the payrolls report failed to live up to the buzz. Data from the US labor department showed that the US economy added a dismal 38k in May, the lowest number of jobs since 2010. The previous months, March and April were also revised lower by a total of 59k jobs.

The US unemployment rate fell to 4.70%, another record low but the participation rate also fell modestly. The average hourly earnings did not surprise either, rising 0.20% on the month and 2.50% on the year as expected.

Week Ahead: 6th of June 2016, to 10th of June 2016

The week ahead will start off with Fed Governor, Janet Yellen speaking in Philadelphia. Ms. Yellen's speech will be the first speaking engagement after the May jobs report. In her speech

at an award ceremony at Harvard University in late May, Ms. Yellen said that US rate hikes seemed appropriate over the coming months. Although the US economic data is broadly better than the first quarter, the jobs report performance is likely to weigh on Yellen.

The RBA and the RBNZ will be up next week. The RBA is expected to make no changes to interest rates given that the central bank cut rates in May. While keeping the rates steady at 1.75%, in light of the recent pickup in the first quarter GDP, the RBA might maintain a neutral-dovish tone with inflation continuing to be a worry.

The RBNZ's meeting this week will be a close call. While recent inflation expectations have managed to tick higher, the RBNZ could be seen cutting rates at this week. In the event that the central bank holds off a rate cut, investors expect that the RBNZ will most likely cut rates by August.

China will also be reporting the annualized inflation data this week. Economists expect to see inflation rising at a subdued pace of only 2.20%, down from 2.30% in May, while producer price index is expected to fall 3.30% slower than the previous month's 3.40%. China will also be reporting its import/export data during the week and is expected to show that exports increased 1.70% in May, while the decline in imports is expected to moderate, falling only 7.0%.

TECHNICAL CORNER



EURUSD moved sharply on Friday after a steady decline over the past few weeks. Price action formed a base near 1.115 - 1.110 and broke above the minor resistance that was formed at 1.120. To the upside, EURUSD could see more gains, with prices likely to extend towards 1.140. This would post a retest of the break out from the rising median line. Price action is like to see a move 1.145 - 1.140 before starting to push lower.



EURUSD (1.1365) – Daily Chart

However, ahead of a move to 1.140 - 1.145, a pullback is very like. EURUSD could most likely retrace its gains to slip back to the broken resistance level of 1.120, to establish support before pushing higher. The very short term trend in EURUSD is to the upside, so buying the dips near 1.120 for a move to 1.130 and 1.140 will be ideal. The long side idea would be a counter trend move and it could be invalidated if EURUSD closes below 1.110. Alternatively, look to sell EURUSD near 1.140 - 1.145 for a move back to 1.1150 followed by 1.109 will see the longer term downtrend play along.

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