

orbex WEEKLY MARKETS REPORT



OVERWEEK
BULLET POINTS



THE WEEK
AHEAD



MARKETS
PREVIEW



THE CHART OF
THE WEEK

OVERWEEK BULLET POINTS

14th of December, to 18th of December 2015



- UK Consumer Price Index (YoY) comes same as forecasts (0.1%) in November.
- UK Retail Price Index (MoM) is (0.1%), above forecasts (-0.1%) in November.
- UK Retail Price Index (YoY) is (1.1%), above forecasts (0.9%) in November.
- UK Core Consumer Price Index (YoY) meets forecasts (1.2%) in November.
- Germany ZEW Economic Sentiment is (16.1), above forecasts (15.2) in December.
- Eurozone Employment Change (QoQ) is (0.3%), above forecasts (0.2%) in third quarter.
- Eurozone ZEW Economic Sentiment is (33.9), below forecasts (34.4) in December.
- US Core Consumer Price Index (MoM) comes same as forecasts (0.2%) in November.
- Canada Manufacturing Sales (MoM) climbed to (-1.1%), from previous (-1.5%) in September.
- US NY Empire State Manufacturing Index is (-4.6), above forecasts (-5.7) in December.
- US Consumer Price Index (MoM) comes same as forecasts (0%) in November.
- US Consumer Price Index (YoY) is (0.5%), above forecasts (0.4%) in November.
- France Manufacturing PMI is (51.6), above forecasts (50.5) in December.
- France Services PMI is (50), below forecasts (50.9) in December.
- Germany Manufacturing PMI is (53), above forecasts (52.7) in December.
- Germany Services PMI is (55.4), below forecasts (55.5) in December.
- Eurozone Manufacturing PMI is (53.1), above forecasts (52.8) in December.
- Eurozone Services PMI is (53.9), below forecasts (54.0) in December.
- UK Claimant Count Change is (3.9K), above forecasts (0.9K) in November.
- UK Unemployment Rate is (5.2%), below forecasts (5.3%) in October.
- UK Average Earnings including Bonus is (2.4%), below forecasts (2.5%) in October.
- Eurozone Consumer Price Index (YoY) is (0.2%), above forecasts (0.1%) in November.
- Eurozone Trade Balance is (€19.9B), below forecasts (€22.3B) in October.
- US Building Permits (MoM) is (1.29M), above forecasts (1.16M) in November.
- US Housing Starts (MoM) is (1.17M), above forecasts (1.14M) in November.
- US Manufacturing PMI is (51.3), below forecasts (52.7) in December.
- US Industrial Production (MoM) is (-0.6%), below forecasts (0.0%) in November.
- US Fed Interest Rate Decision increased to (0.5%), from previous (0.25%).
- US Fed Interest Rate Decision increased to (0.5%), from previous (0.25%).
- Italy Trade Balance climbed to (€4.81B), from previous (€2.19B) in October.
- Germany IFO Business Climate is (108.7), below forecasts (109) in December.
- UK Retail Sales (MoM) is (1.7%), above forecasts (0.6%) in November.
- US Current Account is (\$-124B), below forecasts (\$-123B) in third quarter.
- US Philadelphia Fed Manufacturing Index is (-5.9), below forecasts (2.1) in December.
- US Current Account is (\$-124B), below forecasts (\$-123B) in third quarter.
- US Services PMI is (53.7), below forecasts (55.9) in December.
- Canada Core Consumer Price Index (MoM) is (-0.3%), below forecasts (0%) in November.
- Canada Consumer Price Index (MoM) is (-0.1%), below forecasts (0.1%) in November.
- Canada Wholesale Sales (MoM) is (-0.6%), below forecasts (0.1%) in October.

THE WEEK AHEAD

21th of December, to 25th of December 2015



THE MOST IMPORTANT ECONOMIC RELEASE OF THE WEEK

Tue Dec 22	16:30	USD	Final GDP q/q		1.90%	2.10%
Wed Dec 23	0:45	NZD	Trade Balance		-812M	-963M
	All Day	JPY	Bank Holiday			
	12:30	GBP	Current Account		-21.3B	-16.8B
	16:30	CAD	Core Retail Sales m/m			-0.50%
		CAD	GDP m/m			-0.50%
	16:30	USD	Core Durable Goods Orders m/m		0.10%	0.50%
Thu Dec 24	All Day	EUR	German Bank Holiday			
	16:30	USD	Unemployment Claims		270K	271K
	All Day	NZD	Bank Holiday			
Fri Dec 25	All Day	AUD	Bank Holiday			
	All Day	CHF	Bank Holiday			
	All Day	EUR	French Bank Holiday			
	All Day	EUR	German Bank Holiday			
	All Day	EUR	Italian Bank Holiday			
	All Day	GBP	Bank Holiday			
	All Day	CAD	Bank Holiday			
	All Day	USD	Bank Holiday			

MARKETS PREVIEW

14th of December, to 18th of December 2015



Last Wednesday, the US Federal Reserve announced in its statement to vote unanimously to raise the interest rate to (0.50%) for the first time since 2006. Similarly, they voted solidly to agree on a (0.25%) increase in the discount rate (the primary credit rate) to (1.00%), effective December 17, 2015. The US central bank has kept the effective Fed funds rate as its primary interest rate target, but has added some new tools to keep it within its new interest rate corridor. The first will act as a ceiling pulling the Fed funds rate up, while the second will serve as a floor. Theoretically, this should strain the effective Fed funds rate upwards to this level, as banks should not be willing to lend to other financial institutions at a rate lower than what the central bank pays. But only actual banks have access to the IOER, and there are many other lenders in the Fed funds market, that in practice have dragged the effective rate well below where the IOER is set.

The modest rise is unlikely to have a substantial influence on the American economy. However, this change is extremely important, as it is widely seen as the leading move in a longer sequence of rate climbs over the next two years. By the end of 2016, the US central bank expects the benchmark interest rate to increase to an average of (1.375%), which implies four more (0.25%) increases over the coming 12 months. In 2017, officials are aiming to bring the policy rate up to (2.375%), which will take another four hikes. The Fed noted the world's biggest economy is rising firmly and should pick up its pace to a respectable (2.4%). Nevertheless, the Feds noted a significant enhancement in the labour market and economic projections were largely unaffected from September meeting, with unemployment expected to fall to (4.7%) next year and economic growth to (2.4%), and said they were reasonably confident in inflation climbing over the medium term to its 2% target. Fed Governors were very careful to point that economic conditions will evolve in a manner that will warrant only gradual increases in the federal funds rate. It was the first hike since June 2006, when Ben Bernanke increased the benchmark rate from (5%) to (5.25%). Since 1971 until 2015, the interest rate in the United States averaged at (5.93%), reaching an all-time high of (20%) in March 1980, and a recorded low of (0.25%) in December 2008.



As for the Fed's funds rate impacts on markets, the European shares witnessed a surge after the US central bank increased interest rates. The main share indexes in the UK, France and Germany's were all up by between (1%) and (2%) in early trade in next day from Fed's meeting. In London's FTSE 100 rose (1.4%) to (6,148.61), Frankfurt's Dax rose (1.88%) to (10,666.2) and the Cac 40 in Paris rose (1.95%) to (4,714.85).

On Wall Street, the Dow Jones went from a 50-point rise to stand up (79) points, and later added to that to close up (224) points at (17,749), a (1.3%) gain. In Japan, the benchmark Nikkei (225) closed up (1.6%) at (19,353.56).



Dow Jones (compared) S&P 500 (compared) NASDAQ 100

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