

# orbex WEEKLY MARKETS REPORT



OVERWEEK  
BULLET POINTS



THE WEEK  
AHEAD



MARKETS  
PREVIEW



THE CHART OF  
THE WEEK

# OVERWEEK BULLET POINTS



20<sup>th</sup> of June 2016, to 24<sup>th</sup> of June 2016

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- UK Right move HPI m/m 0.80% vs. 0.40% previously
- Japan trade balance 0.27tn vs. 0.13tn
- German PPI m/m 0.40% vs. 0.40%
- Canada wholesale sales m/m 0.10% vs. 0.20%
- RBA monetary policy meeting minutes released
- BoJ monetary policy meeting minutes released
- Australia HPI q/q -0.20% vs. 0.80%
- Japan all industries activity m/m 1.30% vs. 1.30%
- Swiss trade balance 3.79 billion vs. 2.88 billion
- German constitutional court ruling
- UK Public sector net borrowing 9.1 billion vs. 9.5 billion
- German ZEW economic sentiment 19.2 vs. 5.1
- Eurozone ZEW economic sentiment 20.2 vs. 15.3
- CBI industrial order expectations -2 vs. -10
- ECB President Draghi speech
- Fed Chair Yellen speech
- FOMC Member Powell speech
- Australia MI leading index m/m 0.20% vs. 0.10% previously
- New Zealand Credit card spending y/y 5.90% vs. 9.10% previously
- Switzerland ZEW economic expectations 19.4 vs. 17.5 previously
- Canada core retail sales m/m 0.90% vs. 0.70%; retail sales m/m 1.30% vs. 0.80%
- Japan flash manufacturing PMI 47.8 vs. 48.2
- French flash manufacturing PMI 47.9 vs. 48.8
- French flash services PMI 49.9 vs. 51.5
- German flash manufacturing PMMI 54.4 vs. 52.1

- German flash services PMI 53.2 vs. 55.0
- Eurozone flash manufacturing PMI 52.6 vs. 51.4
- Flash services PMI 52.4 vs. 53.2
- RBA Assistant Gov. Debelle speech
- EU membership vote underway
- US weekly unemployment claims 259k vs. 271k
- Eurozone German Ifo business climate 108.7 vs. 107.6
- Italy retail sales m/m 0.10% vs. 0.20%
- ECB conducts LTRO-II operations
- US core durable goods orders m/m -0.30% vs. 0.10%
- US durable goods orders m/m -2.20% vs. -0.50%

# THE WEEK AHEAD



27<sup>th</sup> of June 2016, to 1<sup>st</sup> of July 2016

## IMPORTANT ECONOMIC RELEASES FOR THE WEEK AHEAD

Date	Time	Currency	Detail	Forecast	Previous
27-Jun	09:00	EUR	M3 Money Supply y/y	4.80%	4.60%
		EUR	Private Loans y/y	1.60%	1.50%
	13:30	USD	Goods Trade Balance	-59.5B	-57.5B
	14:45	USD	Flash Services PMI	52	51.3
28-Jun	07:00	EUR	German Import Prices m/m	0.60%	-0.10%
	13:30	USD	Final GDP q/q	1.00%	0.80%
		USD	Final GDP Price Index q/q	0.60%	0.60%
	14:00	USD	S&P/CS Composite-20 HPI y/y	5.50%	5.40%
	15:00	USD	CB Consumer Confidence	93.2	92.6
		USD	Richmond Manufacturing Index	2	-1
29-Jun	00:50	JPY	Retail Sales y/y	-1.60%	-0.90%
	02:00	AUD	HIA New Home Sales m/m		-4.70%
	All Day	EUR	GfK German Consumer Climate	9.8	9.8
		EUR	German Prelim CPI m/m	0.10%	0.30%
	08:00	EUR	Spanish Flash CPI y/y	-0.90%	-1.00%
	09:30	GBP	Net Lending to Individuals m/m	2.9B	1.6B
		GBP	M4 Money Supply m/m	0.10%	-0.10%
	13:30	USD	Core PCE Price Index m/m	0.20%	0.20%
		USD	Personal Spending m/m	0.30%	1.00%
	15:00	USD	Personal Income m/m	0.30%	0.40%
		USD	Pending Home Sales m/m	-0.90%	5.10%
30-Jun	00:50	JPY	Prelim Industrial Production m/m	-0.10%	0.50%
	02:30	AUD	Private Sector Credit m/m	0.50%	0.50%
	06:00	JPY	Housing Starts y/y	4.90%	9.00%
	07:00	EUR	German Retail Sales m/m	0.60%	-0.90%
	07:45	EUR	French Consumer Spending m/m	-0.10%	-0.10%
		EUR	French Prelim CPI m/m	0.20%	0.40%
	08:00	CHF	KOF Economic Barometer	103.4	102.9
	08:55	EUR	German Unemployment Change	-5K	-11K
	09:30	GBP	Current Account	-28.1B	-32.7B

		GBP	Final GDP q/q	0.40%	0.40%
		GBP	Index of Services 3m/3m	0.40%	0.60%
		GBP	Revised Business Investment q/q	-0.40%	-0.50%
	10:00	EUR	CPI Flash Estimate y/y	0.00%	-0.10%
		EUR	Core CPI Flash Estimate y/y	0.80%	0.80%
		EUR	Italian Prelim CPI m/m	0.20%	0.30%
			ECB Monetary Policy Meeting		
	12:30	EUR	Accounts		
	13:30	CAD	GDP m/m	0.10%	-0.20%
		USD	Unemployment Claims	269K	259K
	14:45	USD	Chicago PMI	50.4	49.3
01-Jul	00:30	JPY	Household Spending y/y	-0.90%	-0.40%
		JPY	Tokyo Core CPI y/y	-0.50%	-0.50%
		JPY	National Core CPI y/y	-0.40%	-0.30%
		JPY	Unemployment Rate	3.20%	3.20%
	00:50	JPY	Tankan Manufacturing Index	4	6
		JPY	Tankan Non-Manufacturing Index	19	22
	02:00	CNY	Manufacturing PMI	50	50.1
		CNY	Non-Manufacturing PMI		53.1
	02:45	CNY	Caixin Manufacturing PMI	49.1	49.2
	03:00	JPY	Final Manufacturing PMI	47.9	47.8
	06:00	JPY	BOJ Core CPI y/y	0.80%	0.90%
		JPY	Consumer Confidence	41.1	40.9
	07:30	AUD	Commodity Prices y/y		-10.00%
	08:15	CHF	Retail Sales y/y	-1.70%	-1.90%
		EUR	Spanish Manufacturing PMI	52.1	51.8
	08:30	CHF	Manufacturing PMI	54.9	55.8
	08:45	EUR	Italian Manufacturing PMI	52.7	52.4
	08:50	EUR	French Final Manufacturing PMI	47.9	47.9
	08:55	EUR	German Final Manufacturing PMI	54.5	54.4
	09:00	EUR	Final Manufacturing PMI	52.6	52.6
	09:30	GBP	Manufacturing PMI	50.2	50.1
	10:00	EUR	Unemployment Rate	10.10%	10.20%
	14:45	USD	Final Manufacturing PMI	51.4	51.4
	15:00	USD	ISM Manufacturing PMI	51.6	51.3
		USD	Construction Spending m/m	0.70%	-1.80%
		USD	ISM Manufacturing Prices	63.9	63.5

Time: GMT+1



# MARKETS PREVIEW

20<sup>th</sup> of June 2016, to 24<sup>th</sup> of June 2016

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The financial markets were all about Brexit last week. Despite the weak opening on an optimistic note which saw the markets move into a risk on rally, the results of the Brexit poll showed a surprise. Britons voted to leave the EU membership in what was a historic referendum which also saw one of the highest turnouts in UK's polling history.

Following the surprise outcome of the referendum, British Prime Minister David Cameron resigned from his post while the SNP leader Nicola Sturgeon said that a second Scottish referendum was on the table. Amid the geo-political developments, the markets took a strong hit. In Asia, the Nikkei225 closed 7.92% lower while the Shanghai composite lost 1.33% for the day. In Europe, the losses were more pronounced as the German DAX fell 7.20% and the FTSE100 was down 4.54% on the day. In the US, equity futures pointed to a weak open with both the Dow and the S&P500 opening 3% lower on the day.

Central banks came out with words of reassurance with the Bank of Japan Governor Kuroda, BoE Governor Mark Carney and ECB's Mario Draghi pledging support to maintain liquidity in the markets. GBPUSD was hit strongly as the cable fell initially to new lows of \$1.3229 after the initial results were announced before pulling back to post a modest recovery. USDJPY also broke below the 100Yen price level briefly falling to 98 before managing to recover. Gold prices surged, touching \$1350 an ounce on the news.

In other economic news over the week, Fed Chair Janet Yellen spoke earlier in the week, but her comments were consistent with the FOMC statement. She said that the Fed would continue with its gradual rate hike and that it would pursue a data dependent monetary policy. Later in the week, US durable goods orders fell in the month of May by 2.20%. The declines follow April's downward revision to 3.30%. The drop in the durable goods orders were felt by a sharp decline in orders for defense aircraft and parts which saw a massive 34% decline compared to the previous month. Military aircraft and motor vehicles led orders lower in May, although most major categories showed a pullback as well. Even excluding the volatile transportation sector,

orders fell 0.3% in May, coming in below the consensus expected rise of 0.1%. Shipments of "core" capital goods - non-defense, excluding aircraft – declined 0.5% in May, but were down a more modest 0.2% including upward revisions to prior months



US Durable Goods orders (-2.20% - May, 2016)

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**Week Ahead:** 27<sup>th</sup> of June 2016, to 1<sup>st</sup> of July 2016

The week ahead is likely to be dominated by Brexit theme but more importantly, the markets will be looking to the speech by Fed Chair, Janet Yellen, especially in the aftermath of the Brexit referendum outcome. The Fed is expected to hold rates steady for the remainder of the year following the Brexit results and in this context Janet Yellen's speech could be closely monitored. Also on the tap will be the final revision to the US first quarter GDP which is expected to be revised higher to 1.0% following the second revision which saw the US GDP expand at a pace of 0.80%. US core PCE inflation numbers are also due over the week and is expected to remain largely flat. Later on Friday, the US ISM manufacturing PMI data is forecast to show a soft print of 51.2 on the month.

In the Eurozone June inflation numbers are expected to show that the Eurozone inflation rate was flat on the month, following a 0.10% increase in the previous month on a year over year basis. German and French inflation numbers are also expected to remain weaker in June.

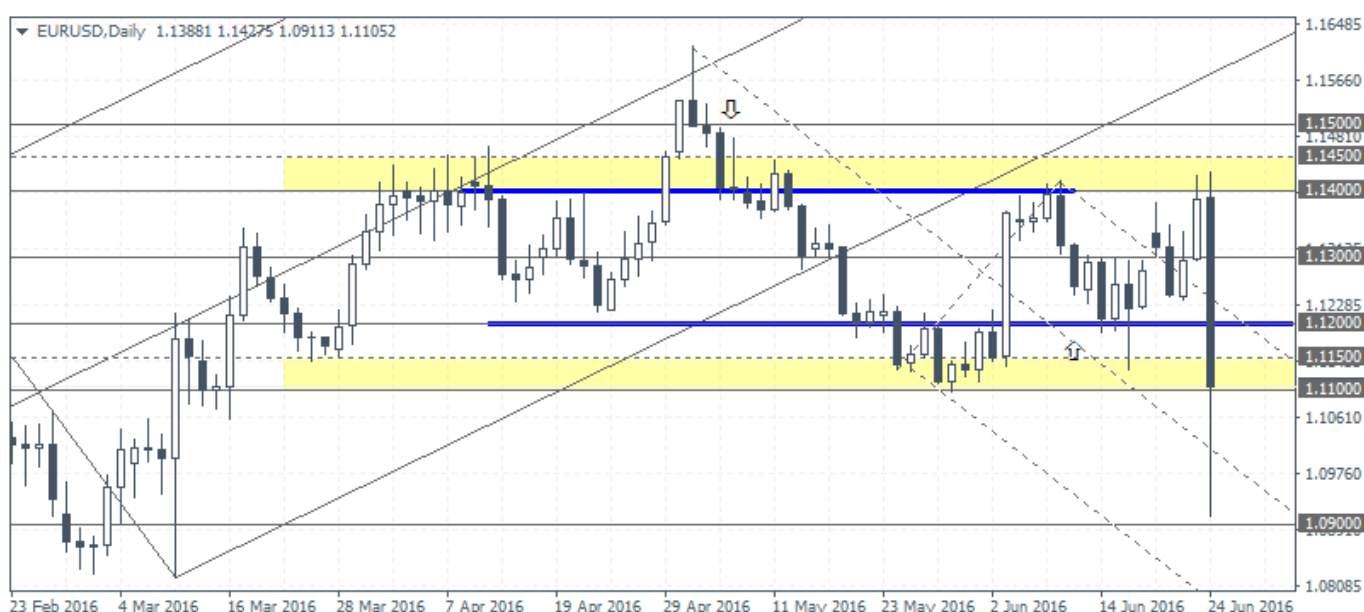
Canada's monthly GDP numbers are expected to show a modest pickup in economic activity, forecast to rise 0.20% in April following the -0.20% declines in March. Data from Canada is relatively light for the remainder of the week.

In Japan, the quarterly manufacturing and non-manufacturing Tankan surveys will be released and economists expect to see further deterioration in the two sectors.

# TECHNICAL CORNER



EURUSD has managed to breakout from its ranging price action between 1.140 and 1.120. The breakout to the downside was however met with strong price rejection which saw EURUSD pullback just a few pips above 1.09 support. In the near term, EURUSD could see a retest to the 1.120 broken support which could now act as resistance. Establishing resistance on this broken support level could see further downside to 1.10 followed by 1.09. The downside bias is also seen on the weekly chart which shows a head and shoulders pattern that was formed and indicates to further downside to 1.05.



EURUSD (1.1105) – Daily Chart

In the near term, the pullbacks to 1.120 will likely see strong selling pressure come into the markets and could keep EURUSD biased lower. Maintaining short positions for an eventual target to 1.09 and 1.05 is ideal. As an alternate view, a daily close with a bullish reversal seen above 1.130 could invalidate the downside bias, but at the same time keep EURUSD back to trading within its range.



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