



Weekly Market Bulletin

Week 38 | 2018

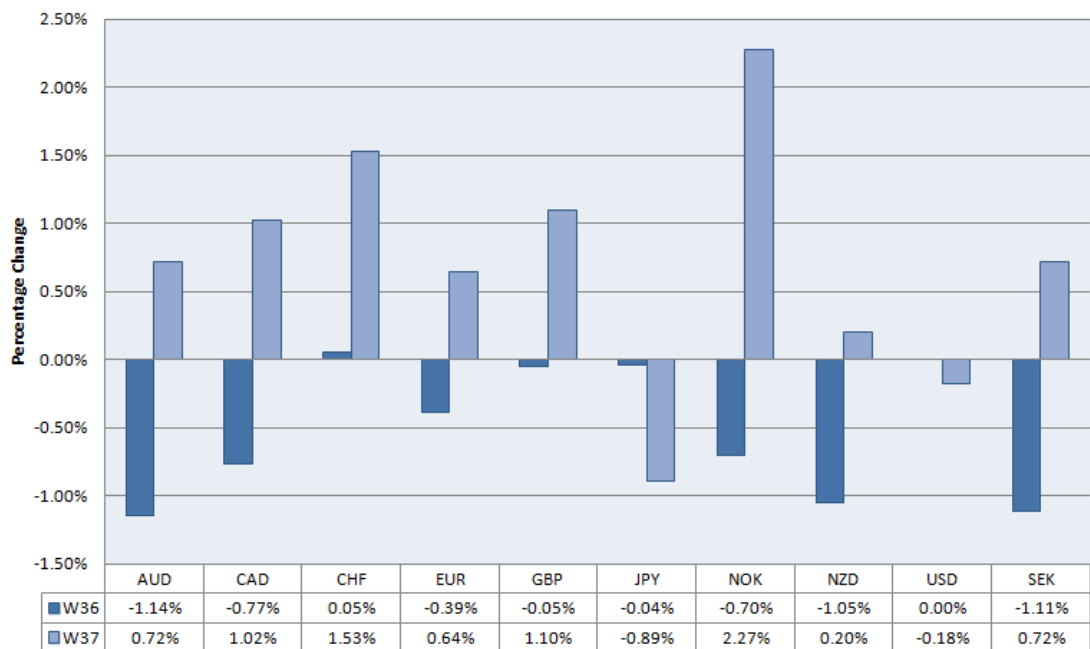
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WEEKLY CURRENCY MARKET PERFORMANCE – W37



Key points

- After two consecutive week of decline, the AUD managed to close W37 with some bullish gains. The AUD advanced 0.72% suggesting a potential turn around in price action.
- The CAD was seen recovering from the previous week’s decline of 0.77% to rebound strongly. The CAD jumped 1.02% last week. Price action remains flat in the longer term however.
- The CHF was bullish as it advanced the 0.05% gains from the previous week to close W37 with 1.53% gains. The reversal signals a potential

weakness in the U.S. dollar.

- The euro posted modest gains on the week rising 0.64% after falling 0.39% previously
- GBP gained 1.10% on the week which could suggest a potential reversal in the trend. The gains come after the GBP fell 0.05% the week before
- JPY continued to extend losses from 0.04% the week before to fall 0.89% last week
- NOK jumped 2.27% reversing the 0.70% decline from the week before. The gains on higher oil prices
- NZD posted modest gains of 0.20% on the week after shedding 1.05% the week before.
- USD fell 0.18% last week after a flat print previously

MARKET HIGHLIGHTS – WEEK 37

- China's **consumer price index rises** 2.3% on an annualized basis for the period ending August 2018. Data beat estimates of a 2.1% increase. **Producer prices** however ease, rising 4.1% compared to 4.6% previously. Domestic demand fuels growth in consumer prices. Producer price index declines stoking concerns of a slowdown that could hit China. Declines expected further down the road due to the deteriorating trade relations with the United States.
- **Monthly GDP in the UK** advances 0.3% in July. Data was higher than the forecasts of a 0.2% increase and up from 0.1% in June. July's GDP data suggests a strong start to the third quarter. Manufacturing production remains weak, falling 0.2% on the month. Industrial and construction output advances better than expected.
- **Wages in the United Kingdom** advanced strongly in the three months to August. Average earnings including bonuses increase 2.6%, beating estimates of a 2.4% increase. UK's unemployment rate holds steady at decade lows of 4.0%. Uptick in wages stokes speculation of price pressures on the consumer price index.
- **Bank of England** keeps monetary policy unchanged. BoE's interest rates at 0.75%. The central bank expects to see growth rise in the third quarter to 0.5%. Central bank officials expect growth to come from rising household demand. The BoE Governor Carney also confirmed that he would extend his tenure until 2020. Carney held high level meetings with the PM Theresa May and other senior members of the Cabinet.
- **Producer prices in the U.S.** decline 0.2% on the month. This is the first monthly decline since February 2017. Consumer prices were seen to be flat. Headline inflation rose 0.2% on the month in August. This brought the headline CPI to 2.7% in August, slower than July's gains of 2.9%.
- **Australia's labor market jumps in August.** The economy was seen adding 44,000 jobs during August. This beat estimates of a 15,000 increase. July's job gains revised lower. Australia's unemployment rate holds steady at 5.3%. Underlying pressures suggests that wage growth could start to rise.
- **CB held rates steady** and the monetary policy meeting was a non-event. ECB President Mario Draghi stuck to the status quo as the central bank highlighted the risks of a trade war.

ECONOMIC EVENTS – THE WEEK AHEAD

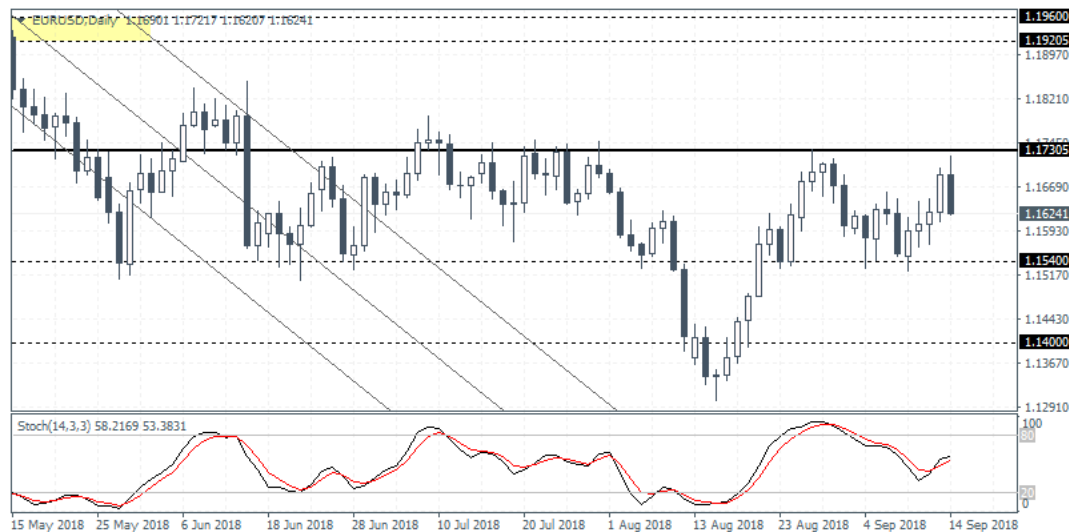
- **Bank of Japan** will be holding its monetary policy meeting this week. No changes are expected from the central bank after its recent decision to remove the timeline for achieving the 2% inflation target rate. Furthermore, the upcoming legislative elections are also expected to see the central bank from taking any decisions.
- **The Swiss National bank** will be holding its quarterly monetary policy meeting this week. The interest rate on sight deposits are expected to be untouched at -0.75%. The SNB is likely to maintain a steady tone and wait for the ECB to make the first move. With the ECB noting that interest rates will remain steady until middle of next year, the SNB is also likely to follow the same timeline.
- The European Central Bank President, Mario **Draghi will be speaking this week**. Draghi is expected to deliver his remarks at the Economic Union conference in Berlin. While investors remain clued into the event, Draghi is most likely to stick to the narrative. At the recent ECB meeting, Draghi highlighted the risk of trade wars which could slow economic growth.
- **Data from the U.S.** for the week ahead will see reports from the housing sector. The building permits and housing starts reports will be lined up this week. Recent data showed the housing market being hit by higher borrowing costs. The data could likely show if this was only temporary. The week ahead is also a blackout period ahead of the Fed meeting due the week after.
- **Canada will be releasing its monthly inflation figures** this week. The data comes following a strong surge in consumer prices during the months before. A continuation of this trend could eventually pressure the Bank of Canada to raise interest rates. The BoC held rates steady citing reasons such as the uncertainty on the NAFTA deal. At the same time, the BoC noted that rates would continue to rise gradually. The BoC, at its recent meeting also noted that inflation could ease back in the near term.

ECONOMIC CALENDAR – WEEK 38

Date	Time	Currency	Event	Forecast	Previous
17-Sep	5:00am	EUR	Final CPI y/y	2.00%	2.00%
		USD	Empire State Manufacturing Index	23.2	25.6
	9:30pm	AUD	Monetary Policy Meeting Minutes		
18-Sep	3:15am	EUR	ECB President Draghi Speaks		
	8:30am	CAD	Manufacturing Sales m/m	1.00%	1.10%
	6:45pm	NZD	Current Account	-1.32B	0.18B
	Tentative	JPY	BOJ Policy Rate	-0.10%	-0.10%
	Tentative	JPY	Monetary Policy Statement		
19-Sep	Tentative	JPY	BOJ Press Conference		
	4:00am	GBP	MPC Member Haldane Speaks		
	4:30am	GBP	CPI y/y	2.40%	2.50%
		GBP	PPI Input m/m	0.40%	0.50%
		GBP	RPI y/y	3.20%	3.20%
	8:30am	USD	Building Permits	1.31M	1.31M
		USD	Housing Starts	1.24M	1.17M
	9:00am	EUR	ECB President Draghi Speaks		
	6:45pm	NZD	GDP q/q	0.80%	0.50%
20-Sep	3:30am	CHF	Libor Rate	-0.75%	-0.75%
		CHF	SNB Monetary Policy Assessment		
	4:30am	GBP	Retail Sales m/m	-0.10%	0.70%
	8:30am	USD	Philly Fed Manufacturing Index	16.3	11.9
21-Sep	3:00am	EUR	French Flash Manufacturing PMI	53.3	53.5
		EUR	French Flash Services PMI	55.4	55.4
	3:30am	EUR	German Flash Manufacturing PMI	55.8	55.9

	EUR	German Flash Services PMI	55.1	55
4:00am	EUR	Flash Manufacturing PMI	54.4	54.4
	EUR	Flash Services PMI	54.5	54.5
4:30am	GBP	Public Sector Net Borrowing	3.0B	-2.9B
8:30am	CAD	CPI m/m		0.50%
	CAD	Core Retail Sales m/m		-0.10%
	CAD	Common CPI y/y		1.90%
	CAD	Median CPI y/y		2.00%
	CAD	Retail Sales m/m		-0.20%
	CAD	Trimmed CPI y/y		2.10%

TECHNICAL TRADING IDEA OF THE WEEK



The euro currency was seen easing back on the gains posted earlier in the week on Friday. The currency pair posted major gains on the back of the European Central Bank's monetary policy meeting. The ECB left interest rates steady at its monetary policy meeting last week. The euro was seen posting modest gains after the central bank maintained its status quo. The ECB lowered its forecasts on GDP and expects inflation to remain steady this year.

The U.S. dollar was seen giving back its gains following the strong rally in the previous weeks. Economic data from the U.S. was limited. Both PPI and CPI was seen easing back leading to weaker dollar. The data comes ahead of the Fed's FOMC meeting due in two weeks. The euro was seen maintaining its range within 1.1730 resistance and 1.1540 support level.

From a technical perspective the EURUSD is likely to maintain the range in the coming week. A breakout from the level could however determine the outcome of the direction. The euro currency remains in a long term downtrend. However, given the flat price action over the past few months, the trend is likely to change. This is determined by a breakout above 1.1730 resistance level. The upside target comes in at 1.1960 - 1.1920 level for the time being.