



Weekly Market Bulletin

Week 39 | 2018

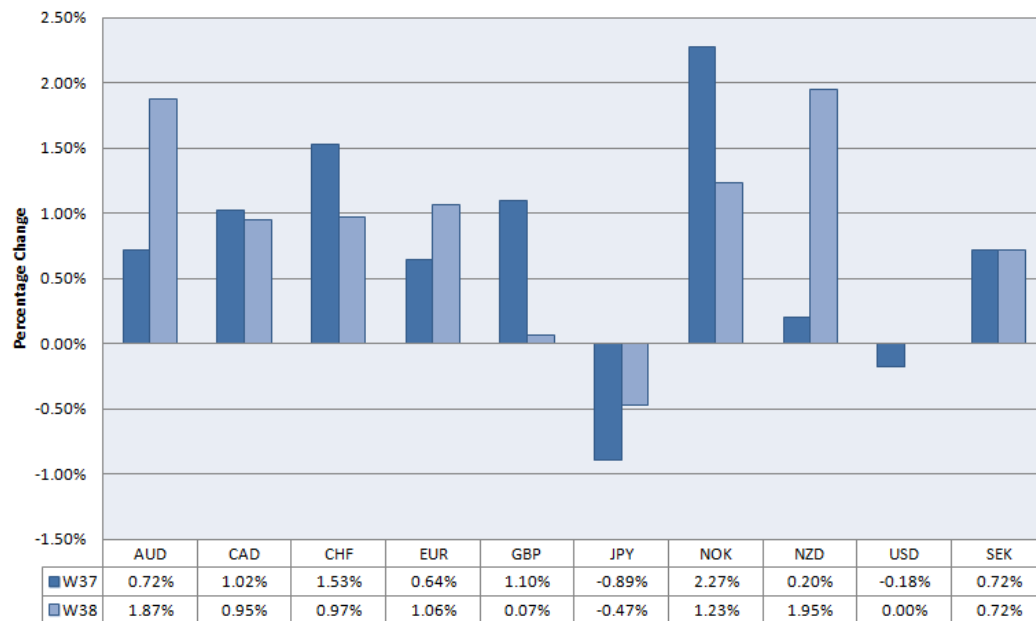
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WEEKLY CURRENCY MARKET PERFORMANCE – W38



Key points

- The AUD was seen extending gains for the second week, this time gaining 1.87%. The performance shows strong acceleration in the currency which was previously trading weaker against the USD.
- The CAD was somewhat subdued last week rising just 0.97% after a 1.02% increase previously, however the CAD is expected to remain strong in the week ahead.
- The CHF was bullish but the momentum eased last week. CHF gained just 0.97% on the week after rising 1.53% previously.

- The EUR saw a bullish week as price action rose 1.06% on the week. This comes following a 0.64% increase in the previous week. The data also indicates the USD taking a breather leading to gains from other currencies.
- Momentum in the GBP eased last week as the currency increased just 0.07% on the week after a 1.10% solid gain the week before.
- JPY was the weakest currency losing 0.47% last week. However, the performance indicates a risk on sentiment in the market
- NOK extended 1.23% last week up from 2.27% gains the week before
- NZD was also seen accelerating last week rising 1.95%. This comes after a modest 0.20% increase previously and indicates a possible turn around in the currency.

MARKET HIGHLIGHTS – WEEK 38

- **The Bank of Japan held its monetary policy meeting last week.** As widely expected, the central bank kept its interest rates unchanged at -0.10% and its QE purchases steady. The decision to hold policy steady came a day before the Japanese Prime Minister; **Shinzo Abe won an election bid.** Having won with a comfortable majority, Abe now becomes Japan's longest serving prime minister. The BoJ is said to have already stealthily moving into tightening monetary policy.
- Economic data from the UK continued over last week. **Inflation for August** showed that headline consumer prices advanced 2.7% on an annualized basis. Core inflation rate was also higher, rising 2.1% on the year in August. The data beat a conservative estimate and showed inflation rising from the month before.
- **Crude oil prices were trending higher last week.** The jump came on the drawdown in U.S. commercial stockpiles. Furthermore, according to news reports, Saudi Arabia reportedly preferred a \$70 - \$80 a barrel oil price which boosted price higher. The OPEC leaders and Russia are expected to meet this weekend in Algiers to discuss the supply gap due to Iran's sanctions. However, no concrete decision is expected at this weekend's meeting.
- **The Norges bank was seen hiking interest rates** at its monetary policy meeting last week. Norway's interest rates were hiked from 0.50% which was a record low to 0.75%. However, the markets are expecting to see this as a one off rate hike. There are no clear indicators that Norges bank would move to a tightening cycle hereafter. The NOK dropped after news of the rate hike. With its first hike since March 2011, Norway joins a trend for tighter monetary policy in Europe.
- Brexit continued to remain in the headlines last week. The British Prime minister, **Theresa May was seen meeting her EU counterparts** at an information meeting in Salzburg, Austria last week. However, EU officials maintained a hard line. The meeting came at the back of the IMF warning that a no-deal Brexit could potential harm UK's growth.
- **New Zealand's second quarter GDP** was released last week. Data from Statistics New Zealand showed that GDP advanced 1.0% in the three months ending June 2018. This beat estimates of a 0.8% increase. New Zealand's current account deficit also declined in the second quarter underlining the strong GDP performance. The GDP data comes ahead of this week's RBNZ monetary policy meeting.

ECONOMIC EVENTS – THE WEEK AHEAD

- **The U.S. Federal Reserve Bank** will be holding its monetary policy meeting this week on Wednesday. As widely expected, the central bank will be hiking interest rates by an additional 25 basis points. This would bring the U.S. short term fed funds rates to 2.0% - 2.25%. Investors will be keen to see the forward guidance that will be released by the central bank along with the growth forecasts as well. This will be the third rate hike for this year. Currently, there are high expectations that the Fed will hike rates one more time in December.
- **The U.S. final GDP figures will** be coming out this week a day after the FOMC's interest rate decision. This being the final revision, the markets are expecting to see no major revisions. The U.S. economic growth was confirmed at 4.2% during the second quarter. Economic activity was seen accelerating strongly during the three months ending June 2018. However, unless there are strong downside revisions, the markets will be most likely ignoring the data and looking to the GDP performance for the third quarter..
- The **UK's Office for National Statistics (ONS) will be releasing its monthly GDP** numbers this week. The data will cover the month of August. While the GDP figures are unlikely to influence the markets much, the data could potentially set the expectations for the GDP growth during the third quarter.
- **The Reserve Bank of New Zealand** will also be holding its monetary policy meeting this week. No changes are expected from the RBNZ despite the recent uptick in the economy during the second quarter. Therefore, the official cash rate will be unchanged at 1.75%. The central bank's decision to leave monetary policy unchanged comes due to forward looking indicators suggesting a weak business outlook. The business outlook potentially offsets the optimistic note brought by the second quarter GDP gains. Inflation is also still too early to confirm if there are price pressures building up.

ECONOMIC CALENDAR – WEEK 39

Date	Time	Currency	Event	Forecast	Previous
24-Sep	4:00am	EUR	German Ifo Business Climate	103.2	103.8
25-Sep	10:00am	USD	CB Consumer Confidence	132.2	133.4
	6:45pm	NZD	Trade Balance	-930M	-143M
	9:00pm	NZD	ANZ Business Confidence		-50.3
26-Sep	10:30am	USD	Crude Oil Inventories		-2.1M
	2:00pm	USD	FOMC Economic Projections		
		USD	FOMC Statement		
		USD	Federal Funds Rate	<2.25%	<2.00%
	2:30pm	USD	FOMC Press Conference		
	5:00pm	NZD	Official Cash Rate	1.75%	1.75%
		NZD	RBNZ Monetary Policy Statement		
		NZD	RBNZ Rate Statement		
	6:00pm	NZD	RBNZ Press Conference		
27-Sep	All Day	EUR	German Prelim CPI m/m	0.10%	0.10%
	4:00am	EUR	M3 Money Supply y/y	3.80%	4.00%
	8:30am	USD	Core Durable Goods Orders m/m	0.40%	0.10%
		USD	Final GDP q/q	4.20%	4.20%
		USD	Durable Goods Orders m/m	1.90%	-1.70%
28-Sep	3:00am	CHF	KOF Economic Barometer	100.1	100.3
	4:00am	EUR	Spanish Flash CPI y/y	2.20%	2.20%
	4:30am	GBP	Current Account	-19.4B	-17.7B
		GBP	Final GDP q/q	0.40%	0.40%
	5:00am	EUR	CPI Flash Estimate y/y	2.10%	2.00%
		EUR	Core CPI Flash Estimate y/y	1.10%	1.00%

	8:30am	CAD	GDP m/m	0.10%	0.00%
		CAD	RMPI m/m	0.80%	0.70%
		USD	Core PCE Price Index m/m	0.10%	0.20%
		USD	Personal Spending m/m	0.30%	0.40%
	9:45am	USD	Chicago PMI	62.3	63.6
	10:00am	USD	Revised UoM Consumer Sentiment	100.5	100.8
24-Sep	4:00am	EUR	German Ifo Business Climate	103.2	103.8
25-Sep	10:00am	USD	CB Consumer Confidence	132.2	133.4
	6:45pm	NZD	Trade Balance	-930M	-143M
	9:00pm	NZD	ANZ Business Confidence		-50.3

TECHNICAL TRADING IDEA OF THE WEEK



The U.S. dollar index has been on a powerful rally since the past few years. However, recent technical outlook is starting to show signs of exhaustion to the rally. The U.S. dollar index is now trading at a critical level which could potentially see at least a short term correction. This also coincides with the Federal Reserve monetary policy meeting due this week.

From a technical outlook, the dollar posted strong declines after hitting a peak of 96.86 around August 15 this year. Since then price action fell sharply to find support at 94.33 level. This led to a brief bounce in price action followed by an eventual break down of the support.

By Friday's close, the U.S. dollar index was seen attempting to retrace some of the losses. By early this week, we expect the U.S. dollar index to potentially post modest gains as resistance is most likely to be established around the 94.33 level which previously served as support.

A successful retest of this level could potentially pave the way for the U.S. dollar index to extend the declines. The corrective move could eventually send the dollar down to 90.87 – 90.60 level in the near term. This would mark a retest of the long term resistance level that would be tested for support.

A weakness in the USDX could potentially see gains from the Euro, the AUD and the NZD.