Serving Traders Responsibly

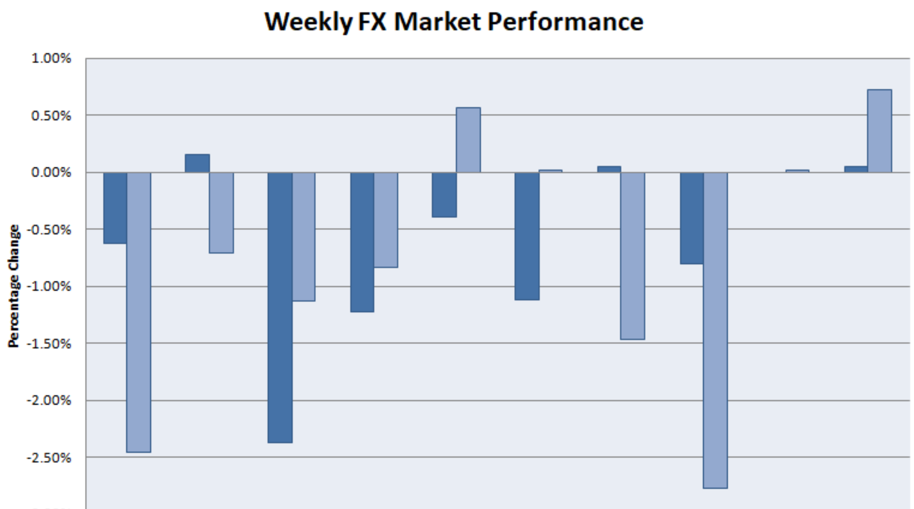
Weekly Market Bulletin

Week 41 | 2018

DISCLAIMER

TABLE OF CONTENTS

WEEKLY CURRENCY MARKET PERFORMANCE – W40



	AUD	CAD	CHF	EUR	GBP	JPY	NOK	NZD	USD	SEK
W39	-0.62%	0.15%	-2.37%	-1.22%	-0.39%	-1.12%	0.05%	-0.80%	0.00%	0.05%
W40	-2.45%	-0.71%	-1.13%	-0.84%	0.56%	0.02%	-1.47%	-2.77%	0.02%	0.72%

Key points

- The AUD was continued to remain weak as the currency pair extended gains for the second week. The declines were sharper this time as the currency fell 2.45% on the week.
- The CAD was unable to hold on the gains and after rising 0.15% the week before, the currency fell 0.71% on the week.
- The CHF's declines accelerated last week as the currency continued to lose ground to the USD. After shedding 2.37%, the CHF 1.13% last week turning to be the weakest currency over the week 40.
- The EUR was also weaker extending declines for two consecutive weeks. After losing 1.22% the week before, the common currency extended declines last week to close 0.84% lower. However, the slower pace of losses could signal a possible pause to the declines and could signal a potential turn around in the week ahead.
- The GBP fell 0.39% in the week before but retraced those losses last week. The currency posted gains of 0.56% for the week 40.
- The yen stalled a three week decline as price action managed to post moderate gains, as the currency closed with 0.02% gains on the week.
- A temporary pause to the rally in the NOK saw price action declining again. The NOK closed the week with losses of 1.47%
- The NZD also remains one of the weakest currencies as it lost 2.77% on the week extending the declines from 0.80% losses the week before.

MARKET HIGHLIGHTS – WEEK 40

- **Oil prices** which have been rising at a steady pace was retreating partially last week. A price of the international Brent oil pushed higher above $85 a barrel, reports showed that OPEC's leading producer Saudi Arabia and Russia agreed bilaterally to increase output. The decision was seen coming just before the OPEC members met for a summit in Algiers. The move comes as the U.S. President Trump was seen putting pressure on Saudi Arabia to lower prices. This comes as the U.S. sanctions on Iran take effect from November. Iran's curbs on oil exports are expected to plug a gap to supply.

- The **monthly PMI report from the UK** showed that manufacturing, construction and services activity painted a mixed picture. However, the overall data for the third quarter indicated that the UK's economy might have maintained a 0.4% quarterly pace of GDP growth. Manufacturing activity rose slightly to 53.8 beating estimates of 52.6 and advancing from the month before. Construction activity eased from 52.9 in August to 52.1 in September while services sector jumped to 54.9 from 54.3 in August. Despite the mostly positive outlook, the GBP barely reacted. With the Brexit deadline fast approaching, investors are keen on whether the UK will be able to exit the EU with a trade deal in hand.

- **The RBA held its monetary policy meeting** last week. As widely expected, central bank left the benchmark interest rates unchanged at 1.50%. The RBA said that after assessing the economy it justified having to keep a stable monetary policy. Inflation in Australia is yet to reach the RBA's mid-point of 2.0%. The central bank was however optimistic that with the recent uptick in the labor market data wage growth would eventually help to push inflation higher. The central bank also noted that the exchange rate level for the trade weighted index for the AUD was in line with expectations.

- **U.S. ISM non-manufacturing PMI surges.** Data from the Institute of Supply Management showed that activity in the non-manufacturing sector surged to the highest level since record keeping began. Non-manufacturing PMI rose to 61.6, beating estimates of 58.0. However, manufacturing PMI was seen easing to 59.8 in September after the index hit a 14-year high in September. The data showed that the U.S economy continued to maintain the momentum.

- The official payrolls report for September was released on Friday. Data showed that the U.S. economy added far fewer jobs than anticipated. But the unemployment rate fell to new historic lows of 3.7%. This came as the participation rate held steady. The decline in the number of jobs was attributed to the Hurricane Florence which wrecked havoc. The average hourly earnings were seen rising 2.8% on the year and it held steady. Previous revisions for July and August managed to offset the weak headline print in the jobs.

ECONOMIC EVENTS – THE WEEK AHEAD

- **The markets open a slow trading week ahead.** Both the United States and the Canadian markets are closed on Monday due to a bank holiday. However, the week slowly picks up pace as data from the United States will keep investors finely tuned as they weigh the number of rate hikes that are due to come until next year. The U.S. consumer prices data will be the main event this week. Economists forecast that headline inflation increased 0.2% on the month. Meanwhile, core inflation is forecast to rise 0.2% as well.

- **The monthly GDP report from the UK will be closely watched.** The newly released statistics will cover the month over month GDP growth for the United Kingdom. This is expected to give investors an up to date view of the UK's economy. This is something that will be closely watched as investors stay cautious on the potential impact of the Brexit negotiations on the economy. The data due to be released by the UK's Office of National Statistics (ONS) is forecast to show a monthly GDP growth of 0.1% for August. This comes at a slower pace following July's increase of 0.3%. Last week's PMI reports indicate that the UK's GDP growth might have averaged 0.4% in the third quarter as well.

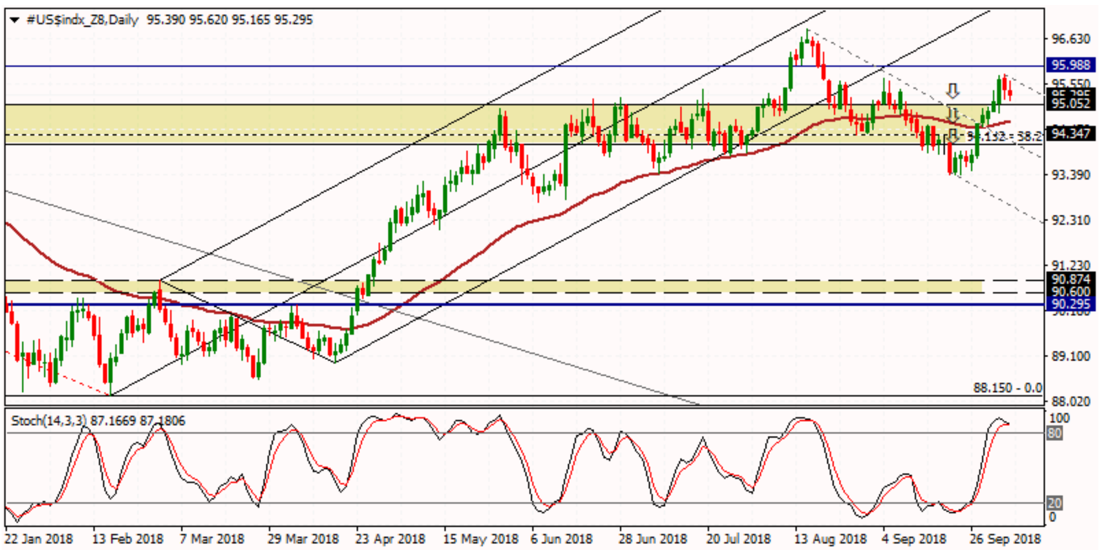
- Following the GDP report, the **industrial, construction and manufacturing PMI** numbers are also due this week. Estimates show that manufacturing production increased 0.1% on the month following a 0.2% decline. Meanwhile, construction output is expected to fall 0.4% while industrial production is forecast to rise 0.1% on the month as well.

- **Data from the Eurozone** will is expected to remain quiet over the week. Germany will be reporting its final inflation figures this week. Economists forecast that Eurozone inflation increased 0.4% on a month over month basis. This could potentially boost expectations of an increase in the Eurozone inflation rate as well.

ECONOMIC CALENDAR – WEEK 39

Date	Time	Currency	Event	Forecast	Previous
08-Oct	8:30pm	AUD	NAB Business Confidence		4
09-Oct	2:00pm	CAD	Gov Council Member Wilkins Speaks		
10-Oct	4:30am	GBP	GDP m/m	0.10%	0.30%
		GBP	Manufacturing Production m/m	0.10%	-0.20%
		GBP	Goods Trade Balance	-10.9B	-10.0B
	8:30am	USD	PPI m/m	0.20%	-0.10%
		USD	Core PPI m/m	0.20%	-0.10%
	Tentative	USD	Treasury Currency Report		
	6:30pm	AUD	RBA Assist Gov Ellis Speaks		
11-Oct	4:30am	GBP	BOE Credit Conditions Survey		
	7:30am	EUR	ECB Monetary Policy Meeting Accounts		
	8:30am	USD	CPI m/m	0.20%	0.20%
		USD	Core CPI m/m	0.20%	0.10%
	11:00am	USD	Crude Oil Inventories		8.0M
	5:30pm	NZD	Business NZ Manufacturing Index		52
	8:30pm	AUD	RBA Financial Stability Review		
	Tentative	CNY	Trade Balance		180B
12-Oct	10:00am	USD	Prelim UoM Consumer Sentiment	100.9	100.1

TECHNICAL TRADING IDEA OF THE WEEK



The U.S. dollar index managed to post a strong rally last week. Price action broke past the resistance level of 95.30 - 95.05 quite comfortably. The gains came on a mix of both economic data and hawkish comments from policy makers in the United States.

Economic data over the week covered the key economic indicators for the month of September which also marks the end of the second quarter. Investors assessed the data for the third quarter.

The ISM's manufacturing PMI declined after hitting a 14-year high just the month before. Meanwhile, the services sector surged to the highest level on the index since record keeping started in 2008. The data cemented views that the U.S. economy was on track to maintain its economic momentum.

However, Friday's payrolls painted a mixed picture. But overall, data showed that the temporary blip in adding smaller jobs came due to the Hurricane Florence. The Fed chair Jerome Powell also came out with hawkish comments on the U.S. economy adding to the USD's gains.

From a technical outlook, we expect the gains in USD to be outstretched. However, a break below the support level is needed to confirm the downside bias. We continue to maintain the outlook that the USD could be in for a correction to the downside.