



Weekly Market Bulletin

Week 42 | 2018

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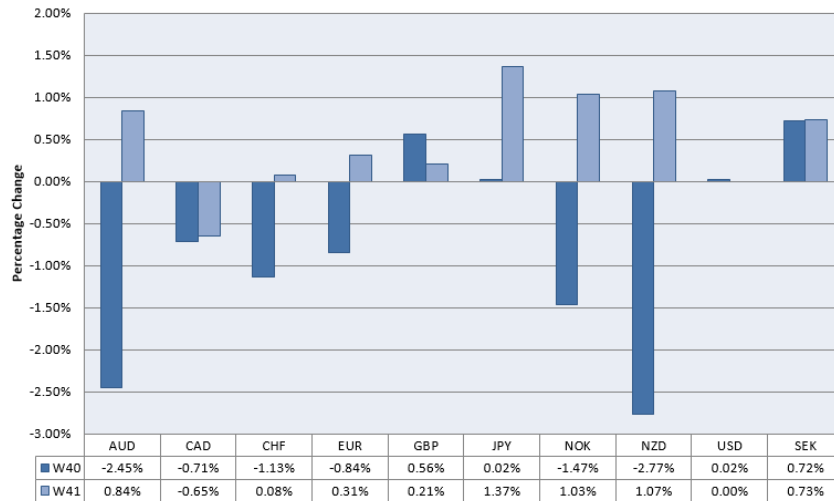
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WEEKLY CURRENCY MARKET PERFORMANCE – W41

Weekly FX Market Performance



Key points

- The USD was the second weakest currency last week, giving way for most of the other currencies to post strong gains over last week.
- The JPY emerged on the top as the best performing currency over the week. The JPY gained 1.37% on the week as the currency gathered from the previous week’s modest rebound of 0.02%.
- The CAD was the weakest performing currency. The currency fell 0.65% on the week.
- The EUR also managed to post some strong gains last week. The currency closed 0.31% higher on the week. This

comes after the euro currency fell 0.84% in the week before. The weakness in the USD managed to push the euro slightly higher on the week.

- The GBP failed to capitalize on the strong declines in the USD last week. The currency rose just 0.21% on the week. However, this marks a second week of gains with the currency extending the gains from 0.56% in the previous week.
- The NOK managed to post strong gains on the week. The currency rose over 1.0% in the week 41. This potentially reversed some of the declines of 1.47% posted in the week before.
- The SEK currency maintained the same pace of gains as the week before, advancing 0.73% on the week.
- The AUD and the NZD currency pairs managed to post a rebound after a prolonged bout of declines. The AUD rose 0.84% reversing some of the losses from the week before. The NZD currency rose 1.07% on the week, reversing part of the declines from the week before.

MARKET HIGHLIGHTS – WEEK 41

- **Consumer prices in the United States** eased during the month of September, data from the U.S. Labor department showed last week. Despite the decline, the overall inflationary pressures are seen to remain robust. Official data released last week showed that the U.S. inflation rate increased just 0.1% on the month. This was below the median estimates of a 0.2% increase. On a yearly basis, headline inflation advanced 2.2% in September. This was a slower pace of increase compared to the 2.7% increase seen in the year ending August. Core CPI which strips the volatile food and energy prices increased 0.2% matching estimates. Core CPI on the year is also at 2.2% for September.
- The **UK's monthly GDP report** was released week. Data showed that on a month over month basis, GDP remained flat. However during the three months ending August, the UK's gross domestic product advanced 0.7%. The increase in activity was seen coming due to a warmer than expected weather which helped growth. The manufacturing, industrial and construction output reports were also released last week. Data showed that manufacturing production fell 0.2% in September. Construction output posted a strong decline of 0.7% while industrial production managed to rise 0.2% beating estimates. The mixed numbers indicate that the UK's economy was still not out of the woods.
- **The IMF released its semi-annual** economic forecasts last week. According to the forecasts, the International Monetary Fund was seen slightly lowering its growth forecasts for 2018 and 2019. The GDP growth forecasts for the United States, the Eurozone, Japan and Britain were also lowered. The IMF cited that the risks of the current global trade policies would potentially prove to be a drag on the global economy. The institution noted that growth in the United States came on the back of the fiscal stimulus program launched by the Trump administration. However, the IMF expects that the effects of this could potentially fade into the fourth quarter of the year.
- **Germany cut its economic growth forecasts last week.** For the year 2018 and 2019, the German GDP growth is expected to average around 1.8% and 1.9% respectively. This was a downward revised GDP forecast. Officials cited the fallout of the trade disputes between the United States and China. There was also a shortage of skilled workers adding to its woes. Germany is the Eurozone's leading exporter. GDP growth is expected to be fuelled by strong domestic demand. However, forward looking indicators suggest weak sentiment due to the trade uncertainty.
- The **markets turned volatile last week**, led by a panic sell off in the U.S. equity markets as the U.S. treasury yields continued to soar. This quickly spread to the Asian and the European markets by Thursday morning last week. Investors expect the Federal Reserve could likely hike rates at a faster pace than it has initially projected.

ECONOMIC EVENTS – THE WEEK AHEAD

- **A rather busy week is in store** for the U.S. dollar as the week ahead will continue to cover the economic activity for September. This week, the U.S. retail sales report is due to be released. This is followed by the release of the Fed meeting minutes. The minutes will most likely overshadow the economic data for the week. The minutes cover the Fed's meeting in September where interest rates were hiked by 25 basis points. Officials also signaled a rate hike in December as well as four rate hikes next year.
- **A busy week for the GBP as inflation and labor market reports are released.** After last week's economic reports suggesting that the UK's economy advanced at a pace of 0.7% in the three months to August, investors will look to the inflation and employment report this week. Consumer prices have seen to stabilize giving wage growth a chance to play catch up. With the Brexit deadline also fast approaching, the Bank of England will be hoping that inflation remains broadly flat while hoping for wages to rise. The recent PMI reports released by IHS Markit indicated that employment sub-components remained steady during the month.
- The U.S. department of treasury will be **releasing its currency report**. The report will be closely watched especially in the backdrop of the U.S. trade war disputes. The U.S. administration has called out China several times for artificially keeping the yuan low to the USD. However, in previous treasury currency reports, the U.S. administration came short of making it official. With the U.S. now in a trade war dispute with China and asking for trade concessions or face higher tariffs on virtually all imports from China, the Treasury report will be interesting to watch out for.
- **New Zealand will be releasing its quarterly inflation report.** The data is expected to be released on Tuesday. In the previous quarter ending June, New Zealand's inflation advanced 0.4% on a quarterly basis. For the three months ending September, inflation is forecast to rise 0.7% pushing the annual inflation rate from 1.5% to 1.7%.

ECONOMIC CALENDAR – WEEK 42

Date	Time	Currency	Event	Forecast	Previous
15-Oct	12:30am	JPY	Revised Industrial Production m/m	0.70%	0.70%
	3:15am	CHF	PPI m/m	0.10%	0.00%
	15th-16th	CNY	M2 Money Supply y/y	8.40%	8.20%
	15th-16th	CNY	New Loans	1353B	1280B
	8:30am	USD	Core Retail Sales m/m	0.40%	0.30%
		USD	Retail Sales m/m	0.70%	0.10%
		USD	Empire State Manufacturing Index	20.4	19
	10:00am	USD	Business Inventories m/m	0.50%	0.60%
	Tentative	USD	Treasury Currency Report		
	5:45pm	NZD	CPI q/q	0.70%	0.40%
	8:30pm	AUD	Monetary Policy Meeting Minutes		
	9:30pm	CNY	CPI y/y	2.50%	2.30%
		CNY	PPI y/y	3.70%	4.10%
	16-Oct	2:00am	EUR	German Import Prices m/m	0.10%
4:30am		GBP	Average Earnings Index 3m/y	2.60%	2.60%
		GBP	Claimant Count Change	4.5K	8.7K
		GBP	Unemployment Rate	4.00%	4.00%
5:00am		EUR	Trade Balance	15.0B	12.8B
		EUR	ZEW Economic Sentiment	-9.2	-7.2
		EUR	German ZEW Economic Sentiment	-12.3	-10.6
6:00am		EUR	Italian Trade Balance	4.34B	5.68B
9:15am		USD	Capacity Utilization Rate	78.20%	78.10%
		USD	Industrial Production m/m	0.20%	0.40%
10:00am		USD	JOLTS Job Openings	6.90M	6.94M
		USD	NAHB Housing Market Index	68	67
17-Oct		4:30am	GBP	CPI y/y	2.60%
		GBP	PPI Input m/m	0.90%	0.50%
		GBP	RPI y/y	3.50%	3.50%
		GBP	Core CPI y/y	2.00%	2.10%
		GBP	HPI y/y	3.50%	3.10%

		GBP	PPI Output m/m	0.20%	0.20%
	5:00am	EUR	Final CPI y/y	2.10%	2.10%
		EUR	Final Core CPI y/y	0.90%	0.90%
	8:30am	CAD	Manufacturing Sales m/m		0.90%
		USD	Building Permits	1.28M	1.25M
		USD	Housing Starts	1.21M	1.28M
	2:00pm	USD	FOMC Meeting Minutes		
	8:30pm	AUD	Employment Change	15.2K	44.0K
		AUD	Unemployment Rate	5.30%	5.30%
18-Oct	2:00am	CHF	Trade Balance	2.45B	2.13B
		EUR	German WPI m/m	0.40%	0.30%
	4:30am	GBP	Retail Sales m/m	-0.30%	0.30%
	All Day	EUR	EU Economic Summit		
		USD	Philly Fed Manufacturing Index	21	22.9
		USD	Unemployment Claims	210K	214K
	7:30pm	JPY	National Core CPI y/y	1.00%	0.90%
	10:00pm	CNY	GDP q/y	6.60%	6.70%
		CNY	Fixed Asset Investment ytd/y	5.30%	5.30%
		CNY	Industrial Production y/y	6.00%	6.10%
		CNY	Retail Sales y/y	9.00%	9.00%
		CNY	Unemployment Rate		5.00%
		NZD	Credit Card Spending y/y		7.70%
19-Oct	4:00am	EUR	Current Account	21.4B	21.3B
	4:30am	GBP	Public Sector Net Borrowing	4.6B	5.9B
	8:30am	CAD	CPI m/m		-0.10%
		CAD	Core Retail Sales m/m		0.90%
		CAD	Common CPI y/y		2.00%
		CAD	Median CPI y/y		2.10%
		CAD	Retail Sales m/m		0.30%
		CAD	Trimmed CPI y/y		2.20%
		CAD	Core CPI m/m		0.10%
	10:00am	USD	Existing Home Sales	5.31M	5.34M

TECHNICAL TRADING IDEA OF THE WEEK



The U.S. dollar index was seen posting a moderate correction last week. The decline in the USD came amid a weaker than expected inflation report. After price action nearly rallied to the highs of mid-August 2018, price action quickly reversed the momentum easing back and posting a lower high.

While we expect to see further declines in store, there is

scope that the greenback could potentially post a rebound once again as it tests the familiar support level near 94.34 – 94.13 level. A breakdown below this support level is needed in order for the USD index to confirm a correction to the downside.

We maintain the medium term view that the USD index is likely to correct toward the 90.87 level of support which previously served as resistance. A retest of support at this level could potentially signal a rebound. However, the price action is expected to stabilize and trade within the range of 90.87 through the resistance level of 94.13.

In the near term watch for the USD index to break the support level. Next week, the Federal Reserve will be releasing its monetary policy meeting minutes. This could potentially act as a catalyst. A hawkish outcome with some surprises could potentially move the USD in the coming week.