Serving Traders Responsibly

Weekly Market Bulletin

Week 45 | 2018

DISCLAIMER

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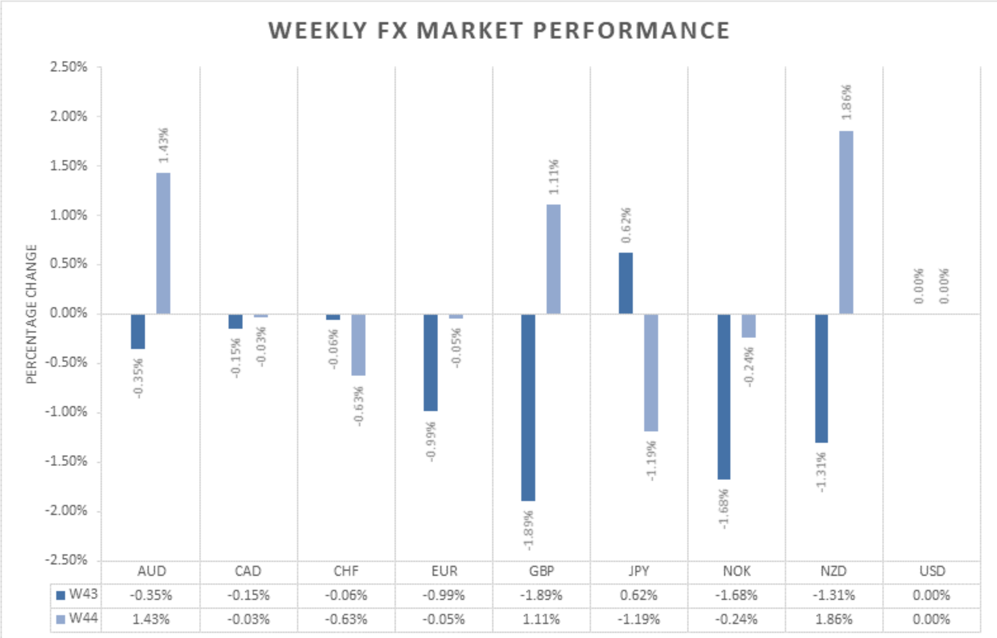
WEEKLY CURRENCY MARKET PERFORMANCE – W44



Key points

- The New Zealand dollar was the top performing currency pair last week. The NZD posted strong gains, rising 1.86% on the week. The gains reversed the declines of 1.31% from the week before.
- The Australian dollar was second best performing currency pair. The AUD jumped 1.43% on the week as it reversed the declines of 0.35% the week before.
- The Canadian dollar was seen to be trading rather muted as the CAD was down 0.03% on the week. This follows the previous week's decline of 0.15%. The Canadian dollar clearly failed to capitalize on the weaker USD.
- The Japanese yen lost 1.19% on the week alongside the Swiss franc which was down 0.63% on the week. The decline in both these currencies signaled the rise in market risk appetite.
- The British pound was seen posting strong gains last week. The currency rose 1.11% on the week with the gains led by hawkish BoE meeting and Brexit developments.
- The euro currency failed to make any steady gains as the common currency closed the week down 0.05%. This comes after the common currency fell close to 1% in the week before.
- The NOK extended declines for the second week losing 0.24% and following up from previous week’s declines of 1.68%.

MARKET HIGHLIGHTS – WEEK 44

- **The third quarter inflation details were published by the Australian Bureau of Statistics last week**. Official data showed that consumer prices rose 0.4% on the quarter ending September 2018. This was an unchanged print compared to the previous quarter, but the data was short of the median estimates of a 0.5% increase. On a year over year basis, Australia's inflation rate rose 1.9% which matched the forecasts. But this was a slower pace of increase compared to the 2.1% increase in consumer prices seen in the previous three months.

- **The third quarter GDP data** for the Eurozone showed that the economic momentum fell. Official data from Eurostat showed that the third quarter GDP advanced 0.2%. This was half the pace of increase seen in the second quarter. Some temporary factors such as the Eurozone car emission standards were blamed for the weaker pace of GDP growth. Italy's GDP was also seen posting a drag on the economy. Meanwhile, French economic growth advanced strongly during the same period. On a year over year basis, the Eurozone’s GDP grew at a slower pace of 1.7% compared to the 2.2% increase seen in the second quarter.

- **The Bank of Japan** held its monetary policy meeting on October 31. As widely expected, the central bank maintained its stimulus program and left interest rates unchanged. The central bank also decided to keep the purchases of the 10-year government bonds unchanged. For the fiscal year of 2018, the BoJ projected real growth to 1.4% which was revised from 1.5%. The central bank also trimmed its inflation forecasts to show a 0.9% increase in consumer prices from 1.1% previously. Real GDP growth outlook for 2019 and 2020 was unchanged at 0.8%.

- **Canada’s monthly GDP showed a 0.1% increase in August 2018.** The data beat the median estimates which forecast no change to the GDP. With the increase in the GDP for August, Canada is now seen enjoying seven consecutive months of GDP expansion. At the current rate, even a flat reading for September is expected to secure an annualized GDP of 1.8%. This falls in line with the Bank of Canada's forecasts. The increase in GDP came due to increase in output in the oil and gas extraction sectors.

- **The Bank of England held its monetary policy meeting on Thursday.** As widely expected, the central bank left its monetary policy unchanged with interest rates at 0.75%. The central bank, in its monetary policy statement said that it would wait for the Brexit negotiations to conclude. However, the central bank noted that interest rates could rise in the event of a no-Brexit deal noting that it would offset the rise in inflation. The BoE however sounded optimistic that the UK and the EU would reach a Brexit deal. The central bank maintained that future rate hikes would remain gradual and limited and dependent on how the UK’s economy performs.

ECONOMIC EVENTS – THE WEEK AHEAD

- **RBNZ expected to hold the line.** The Reserve Bank of New Zealand will be holding its monetary policy meeting this week. Heading into the event, investors expected to see no changes coming from the RBNZ. The central bank is expected to leave the official cash rate unchanged. This would keep the RBNZ's interest rates unchanged for the most part this year. Ahead of the RBNZ's meeting, New Zealand's quarterly inflation expectations report will be coming out. While this report is likely to influence policy makers to a certain extent, it is unlikely to influence the monetary policy decision itself.

- **The U.S. midterm elections** are due to be held next week on November 6th. The headlines will be dominated by this news which could bring additional volatility to the markets. Investors are bracing up for a divided government. Many view the democrats to win with a seeping majority. This could potentially make President Trump to pass his policies with ease. The recent stock market rout is also being see by many as a disapproval for President Trump. As a result, economic data is likely to be overshadowed by the developments leading into the mid-term elections.

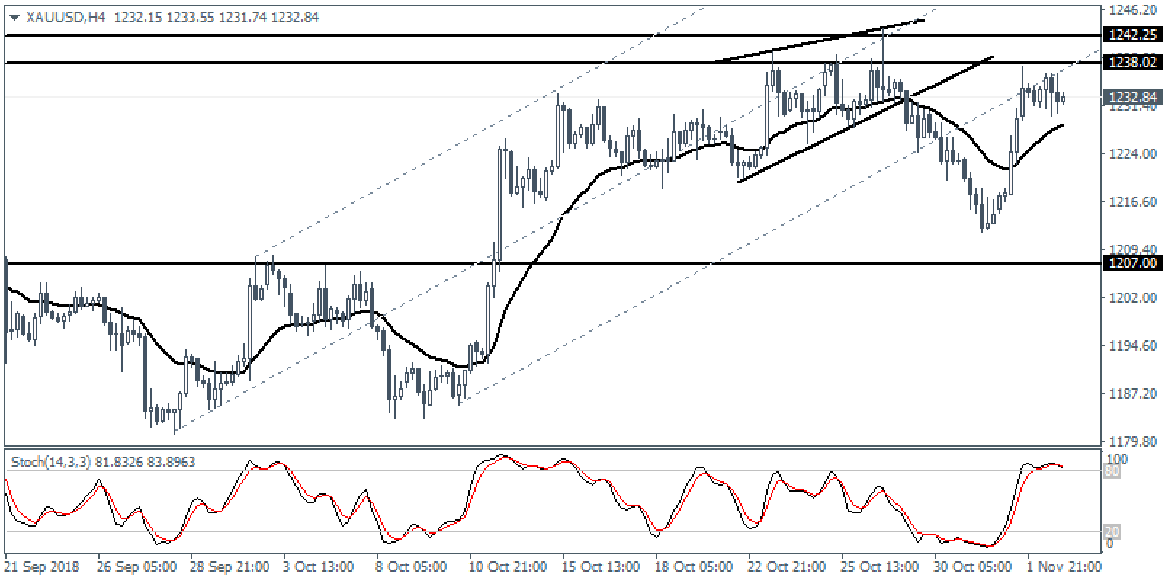
- **FOMC meeting to be a non-event**. The U.S. Federal Reserve Bank will be holding its monetary policy meeting this week on Thursday. No changes are expected to the U.S. interest rates since the Fed hiked rates at the September monetary policy meeting. However, investors will be closely following the forward guidance from the Fed. The central bank is expected to maintain its view about the December rate hike. The Fed's meeting comes following the advanced GDP report. Data showed that the U.S. economy advanced 3.5%. Although this was slightly better than the forecasts, the third quarter GDP was much slower compared to the 4.2% increase seen in the previous quarter. However, Fed officials were indicating that GDP would slow into the third quarter of the year making the result in line with policy makers assessment.

ECONOMIC CALENDAR – WEEK 44

DATE	TIME	CURRENCY	EVENT	FORECAST	PREVIOUS
05-NOV	5:30am	GBP	Services PMI	53.4	53.9
	9:10am	CAD	BOC Gov Poloz Speaks		
	11:00am	USD	ISM Non-Manufacturing PMI	59.3	61.6
	11:30pm	AUD	RBA Rate Statement		
		AUD	Cash Rate	1.50%	1.50%
06-NOV	All Day	USD	Congressional Elections		
	5:45pm	NZD	Employment Change q/q	0.50%	0.50%
		NZD	Unemployment Rate	4.40%	4.50%
	8:00pm	JPY	Average Cash Earnings y/y	1.20%	0.80%
	10:00pm	NZD	Inflation Expectations q/q		2.00%
07-NOV	10:00am	CHF	Gov Board Member Zurbrugg Speaks		
	11:00am	CAD	Ivey PMI	50.9	50.4
	4:00pm	NZD	Official Cash Rate	1.75%	1.75%
		NZD	RBNZ Monetary Policy Statement		
		NZD	RBNZ Rate Statement		
	5:00pm	NZD	RBNZ Press Conference		
	Tentative	CNY	Trade Balance		213B
08-NOV	6:00am	EUR	EU Economic Forecasts		
	1:30pm	CHF	Gov Board Member Maechler Speaks		
	3:00pm	USD	FOMC Statement		
		USD	Federal Funds Rate	<2.25%	<2.25%
	8:30pm	AUD	RBA Monetary Policy Statement		
09-NOV	5:30am	GBP	GDP m/m	0.10%	0.00%
		GBP	Manufacturing Production m/m	0.10%	-0.20%

		GBP	Prelim GDP q/q	0.60%	0.40%
		GBP	Prelim Business Investment q/q	0.00%	-0.70%
	9:30am	USD	PPI m/m	0.30%	0.20%
		USD	Core PPI m/m	0.20%	0.20%
	10:00am	USD	FOMC Member Quarles Speaks		
	11:00am	USD	Prelim UoM Consumer Sentiment		98.6

TECHNICAL TRADING IDEA OF THE WEEK



Gold prices posted a surprise upside after initially falling after the break down from the rising wedge pattern.

While price action was expected to test the lower support level at 1207.00, gold prices posted a reversal after slipping to 1212.60 level.

This led the price action to post a strong reversal as the precious metal was seen recovering most of the losses.

The turnaround in gold prices amid positioning of trades. However, within the larger scope, gold prices remain trading rather flat. With the resistance level firmly established near 1242.25 - 1230.02 region, we expect that gold prices will remain subdued in the near term.

In the meantime, there is scope for gold prices to extend the declines once again. This could occur if price action fails to clear the resistance level. A retest of the support level at 1207.00 could potentially mark the end of the correction in gold prices as price action attempts to break out to newer highs.

However, with monetary policy seen to be strong and the major central banks seen to be in a tightening mode, we expect to see a muted reaction in gold however.