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Weekly Market Bulletin

Week 46 | 2018

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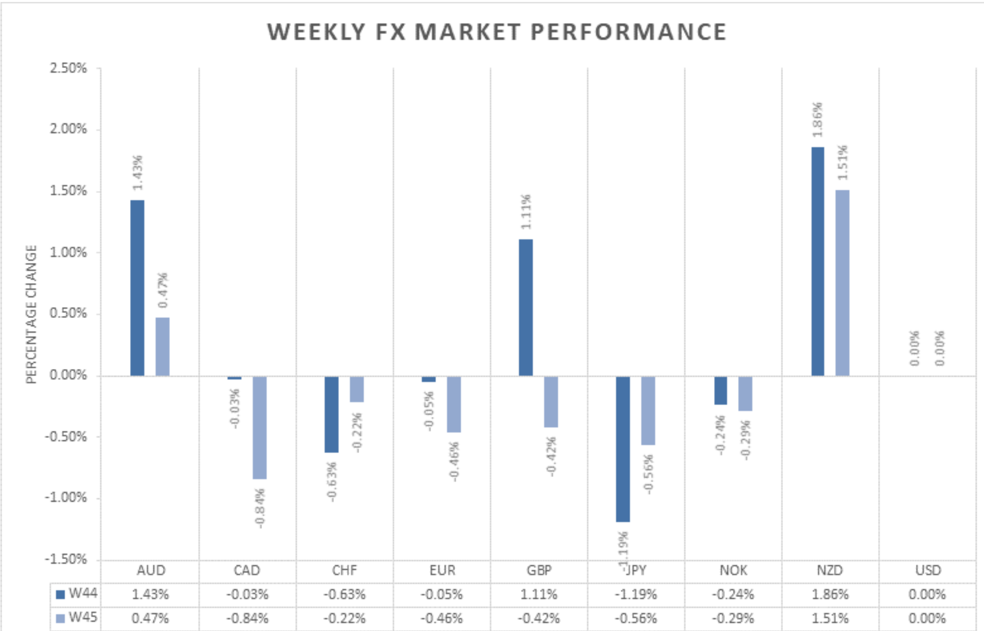
WEEKLY CURRENCY MARKET PERFORMANCE – W45



Key points

- The New Zealand dollar was once again the top performing currency last week. The NZD logged 1.51% gains coming on top of the previous week's 1.86% increase. The kiwi dollar is showing signs of bottoming.
- The Australian dollar was seen easing back after rising 1.43% the week before. Last week, the AUD rose 0.43% on the week posting moderate gains.
- The Canadian dollar continued to ease against the U.S. dollar. The CAD lost 0.84% last week and the declines accelerated from the 0.03% declines posted the week before. CAD prices were seen tracking the weaker oil prices over the week.
- The Japanese yen added to the previous week's declines of 1.19%. Last week, the JPY fell 0.56% signaling the market sentiment and the rising risk appetite. The JPY along with the Swiss franc was weaker. The CHF was down 0.22% and extended the declines of 0.63% from the week before.
- The British pound which posted strong gains in the previous week reversed some of those gains. The GBP was down 0.42% on the week. The declines came mostly due to the Brexit headlines.
- The euro currency continued to remain weak. The EUR was down 0.46% on the week. This was a faster pace of decline compared to the 0.05% decline posted the week before.

MARKET HIGHLIGHTS – WEEK 45

- The **wage growth data from Japan** released over the week showed that wages accelerated in September compared to the month before. The jump in wages came due to higher bonuses and other pay. The preliminary data released by Japan's Ministry of Health, Labor and Welfare showed that the average cash earnings rose 1.1% on the year. This was the 14th consecutive gain in wages after 1.6% in July. When adjusted for inflation, real wages fell 0.4% on the year in September. The ministry left its long-held assessment unchanged, repeating wages have been increasing *"moderately."*

- **The RBNZ held its monetary policy unchanged** at its meeting last week. It was a widely expected move and the RBNZ did not make any changes to its forward guidance. Earlier in the week, New Zealand's quarterly labor market data showed that the national unemployment rate fell sharply in the third quarter. This beat expectations of an unchanged print. The data comes on top of other strong economic data which was seen to put aside any doubts of further rate cuts from the RBNZ. The quarterly employment change also jumped 1.1% in the three month period beating estimates of a 0.5% increase.

- **The services sector in the UK** as measured by Markit/IHS showed that the sector posted the slowest pace of expansion in seven months in October. The survey results showed that the services PMI fell to 52.2 in October, easing from September's reading of 53.9. This was also below forecasts of 53.4. The survey results showed that firms cited heightened economic uncertainty and a soft patch in the new work orders that contributed to the sluggish pace of expansion for October. There was also a sharp increase in input prices during the month leading to higher operating expenses and a faster than expected increase in prices charged by the firms.

- **The FOMC held its monetary policy meeting on Wednesday.** As widely expected, the central bank left interest rates unchanged as the officials maintained that the U.S. economy was on track for another rate hike December. The meeting comes in a widely expected move following the strong momentum in the GDP growth. Inflation was also seen hovering near the Fed’s 2.0% inflation target range. The Fed’s decision comes after last week, the labor market data showed that wage growth rose 3.1% on the year.

- **The UK’s initial estimates on the third quarter GDP was released last week.** Data from the UK’s Office for National Statistics (ONS) showed that the nation’s gross domestic product or GDP advanced 0.6% on the quarter which matched estimates. This was the fastest pace of GDP growth in the last two years. On an annualized basis, the UK’s GDP advanced 2.5%. Despite the GDP expansion, forward indicators are suggesting that growth is likely to slow in the fourth quarter. This is further heightened by an increased uncertainty due to Brexit. This was already evidenced by the fact business investment remained weak.

ECONOMIC EVENTS – THE WEEK AHEAD

- **A busy week is in store for the UK** as the data over the week will cover the monthly labor market data, the inflation data and retail sales. Combined, the data will shed light on the first month of the final quarter of this year. The average earnings index is expected to advance 3.0% in the three months to September. This would mark an increase from 2.7% previously. Economists forecast no changes to the UK's unemployment rate. Inflation data is however expected to rise slightly to 2.5% on an annualized basis, advancing from 2.4% previously. The UK's retail sales are expected to rise 0.1% following a 0.8% decline in the month before.

- **Statistics Australia** will be releasing its monthly employment data this week. Economists forecast that the monthly employment change will see an increase of 20.3k jobs being added. This would come following September's report which showed a 5.6k increase in jobs. The unemployment rate which fell to 5.0% in September is however expected to rise slightly back to 5.1% again. However, this increase in the employment rate is only expected to be temporary. Ahead of the jobs report, the quarterly wage growth index report is due to come out. The wage price index is expected to remain steady at 0.6% on the quarter ending September 2018.

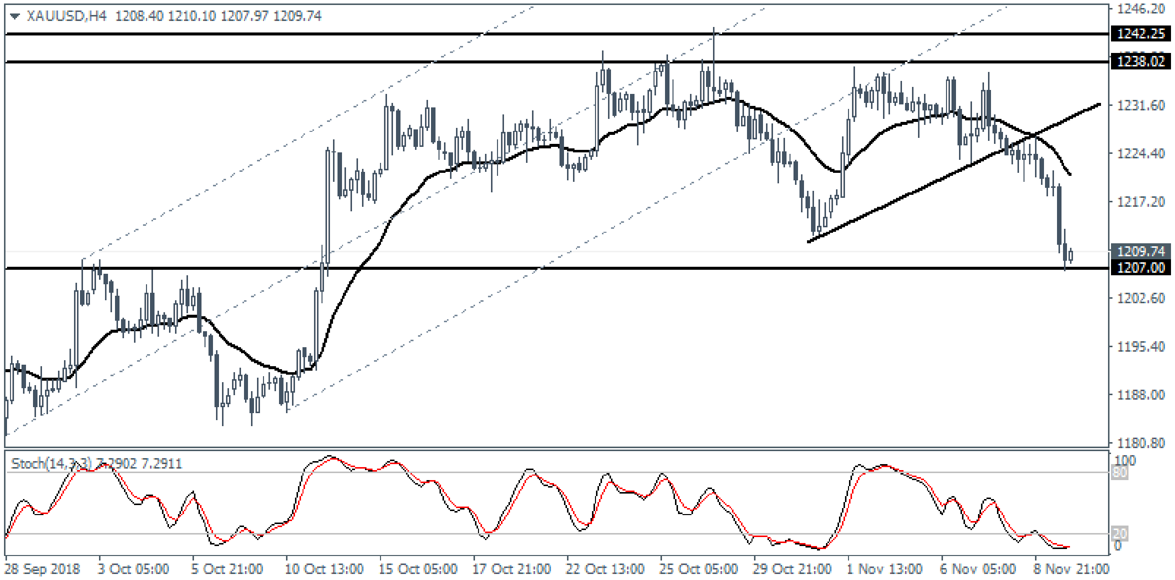
- **Germany's preliminary third quarter** GDP report will be coming up this week. Following the weak patch of growth in the Eurozone, economists forecast that Germany's GDP will post a decline of 0.3%. The decline is expected due to the automobile sector that was hit due to the emission tests.

- **Retail sales in the U.S.** is expected to show a rebound following a soft patch in September. Economists forecast that core retail sales grew 0.5% on the headline. This would reverse the 0.1% decline previously. Retail sales is expected to rise just 0.6% after rising 0.1% in the month before.

ECONOMIC CALENDAR – WEEK 45

DATE	TIME	CURRENCY	EVENT	FORECAST	PREVIOUS
13-NOV	11:30	GBP	Average Earnings Index 3m/y	3.00%	2.70%
		GBP	Unemployment Rate	4.00%	4.00%
	12:00	EUR	German ZEW Economic Sentiment	-24.2	-24.7
14-NOV	01:50	JPY	Prelim GDP q/q	-0.30%	0.70%
	02:30	AUD	Wage Price Index q/q	0.60%	0.60%
	04:00	CNY	Fixed Asset Investment ytd/y	5.50%	5.40%
		CNY	Industrial Production y/y	5.80%	5.80%
	09:00	EUR	German Prelim GDP q/q	-0.30%	0.50%
	11:30	GBP	CPI y/y	2.50%	2.40%
		GBP	PPI Input m/m	0.60%	1.30%
		GBP	RPI y/y	3.40%	3.30%
	12:00	EUR	Flash GDP q/q	0.20%	0.20%
	15:30	USD	CPI m/m	0.30%	0.10%
		USD	Core CPI m/m	0.20%	0.10%
15-NOV	02:30	AUD	Employment Change	20.3K	5.6K
		AUD	Unemployment Rate	5.10%	5.00%
	11:30	GBP	Retail Sales m/m	0.10%	-0.80%
	15:30	USD	Core Retail Sales m/m	0.50%	-0.10%
		USD	Retail Sales m/m	0.60%	0.10%
		USD	Empire State Manufacturing Index	19.3	21.1
		USD	Philly Fed Manufacturing Index	20.7	22.2
16-NOV	15:30	CAD	Foreign Securities Purchases		2.82B
		CAD	Manufacturing Sales m/m	0.30%	-0.40%

TECHNICAL TRADING IDEA OF THE WEEK



Gold prices eventually capitulated as price action was seen falling sharply last week. The declines accelerated on Friday as gold edged lower from the opening price of 1223.93 to touch down to an intraday low of 1206.58.

The decline to the 1206.58 level marks the retest of the support level that we have been watching. A rebound off this level is necessary in order for gold prices to resume the uptrend.

However, a lot will remain to be seen. The upside bias, if validated is expected to push gold prices higher toward the 1300.00 level. This would mark a retest of the previously breached support level for resistance.

Prior to the run up to the 1300.00 level, gold prices will have to breakout from the short term resistance level formed at 1234 – 1241 region. Failure to breakout from this resistance level could potentially keep gold prices in a sideways range for the near term.

For the moment, keep an eye on gold price as it interacts with the 1206 – 1207 region. Failure to hold the support at this level could push gold prices to post a decline.

This could potentially mark a downside breakout in price and could invalidate the projected test of 1300.00.