



Weekly Market Bulletin

Week 48 | 2018

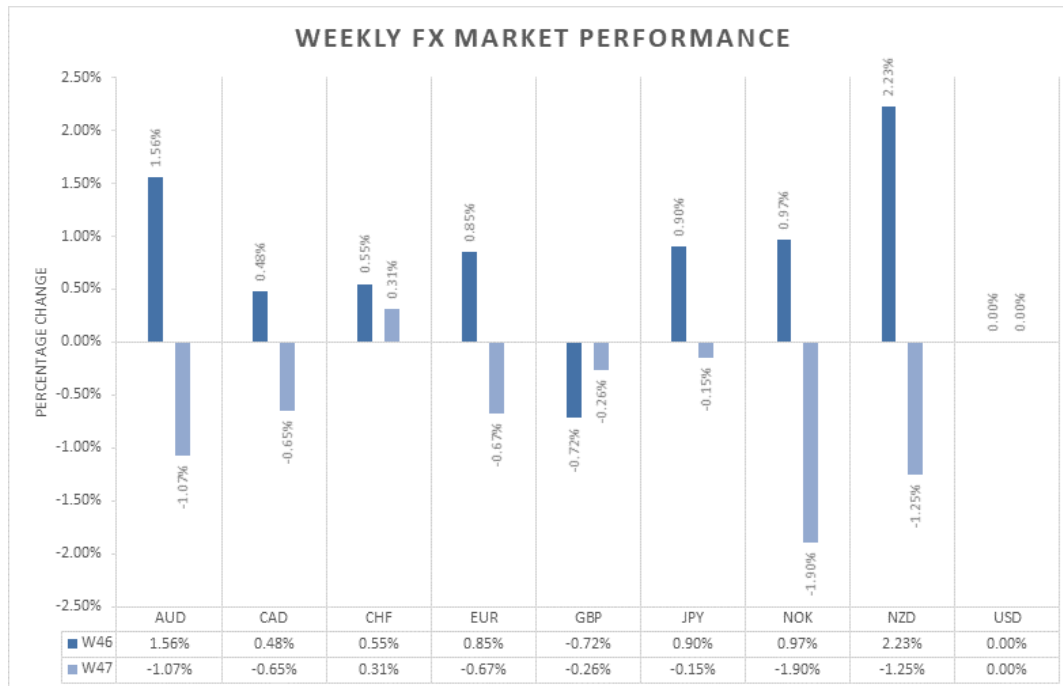
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WEEKLY CURRENCY MARKET PERFORMANCE – W47



Key points

- The Swiss franc emerged at the top last week as the best performing currency. The CHF was seen gaining 0.31% across the board even edging over the U.S. dollar which was seen regaining its losses from the week before.
- The sentiment in the market was that of a risk off as the Japanese yen fell 0.15%. Still, the JPY emerged as the third best performing currency pair.
- The Australian dollar was seen posting declines last week as the currency fell 1.07% on the week This partly reversed the gains logged from the week before.

- It was the same story for the New Zealand dollar. The kiwi fell 1.25% and the second worst performing currency pair of the week. The declines in the NZD came after the currency logged two consecutive weekly gains.
- The NOK was the worst performing currency as it fell 1.90% on the week. The declines in the NOK came about as the currency was seen losing the bullish momentum the week before. Lower oil prices were seen to have dragged the NOK lower. Even the CAD was weaker last week as the currency lost 0.65%.
- The EUR was seen trading subdued as the common currency was down 0.67% on the week.
- The British pound was down 0.26% but the currency was seen experiencing quite a bit of volatility due to the Brexit related headlines.

MARKET HIGHLIGHTS – WEEK 47

- **Sales of previously owned U.S. homes** posted their largest annual decline since 2014 in October, as the housing market continues to sputter due to higher mortgage rates that are reducing home affordability. The latest data offered a mixed picture of a market that isn't in free fall but also is far from robust. Existing-home sales edged up 1.4% in October from the previous month to a seasonally adjusted annual rate of 5.22 million, the National Association of Realtors said Wednesday. That broke a six-month streak when sales declined compared with a month earlier.
- **Orders for durable goods** -- products designed to last at least three years, such as computers and machinery -- decreased 4.4% from the prior month in October, the Commerce Department said Wednesday. That was the biggest monthly decline in new orders since July 2017, and it was much steeper than the 2.6% drop economists had expected. A decline in orders for long-lasting factory goods in October suggests business investment is softening, a discouraging sign for economic growth in the fourth quarter. Separately, a decline in consumer sentiment and a jump in a key gauge of layoffs among U.S. workers added to hints of potential trouble for the fast-growing economy Wednesday.
- **Canadian wholesale transactions** fell unexpectedly in September, led by a decline in the machinery, equipment and supplies category. Wholesale sales dropped 0.5% on a seasonally adjusted basis in September to C\$63.25 billion (\$47.70 billion), Statistics Canada said Wednesday. Market expectations were for a 0.3% rise. In volume, or price-adjusted, terms, September wholesale transactions fell 0.7% from the previous month. On a 12-month basis, wholesale trade in Canada rose 3.8%.
- **The U.K. borrowed** GBP8.82 billion in October, up by GBP1.59 billion from the same month the year before and the highest October level in the last three years, according to public sector net borrowing figures from the U.K. Office for National Statistics on Wednesday. The increase was triggered by a slowdown in central government tax receipt growth in the month and higher total expenditure. Receipts were up 1.2% to GBP59.9% in October year on year, while expenses jumped 7.7% to GBP65.4 billion. Borrowing in the current financial year-to-date was GBP26.7 billion, or GBP11.2 billion lower than in the same period in 2017.
- **Statistics Canada** said Friday that **retail sales** rose 0.2% in September from the previous month to a seasonally adjusted 50.93 billion Canadian dollars (\$38.57 billion). Market expectations were for a flat reading, according to economists polled. In volume terms, retail sales rose by 0.5% in September. Sales at food and beverage stores rose 0.9%, marking a third increase in four months. The previous month's data were revised indicate that retail sales were flat, compared with an earlier estimate of a 0.1% decline.

ECONOMIC EVENTS – THE WEEK AHEAD

- The **FOMC meeting minutes** will be released this week. The minutes cover the monetary policy meeting that was held in October. No changes were made to the Fed funds rate at the meeting although the central bank's statement assured that it was looking to hike rates in December. Investors will be closely scrutinizing the Fed meeting minutes which comes amid a slowdown in the U.S. economy. Comments from some Fed officials about slowing the pace of rate hikes is also expected to come under review when assessing the meeting minutes. Investors are currently pricing in a rate hike for the December Fed meeting, but for the next year, the markets are assigning just two rate hikes instead of the Fed's forecast of three rate hikes.
- On the economic front, data is somewhat busy for the U.S. The **second revised GDP estimates** for the third quarter will be coming out this week. According to the preliminary estimates, the U.S. gross domestic product (GDP) advanced 3.5% on the quarter. This was somewhat a slower pace of increase compared to the second quarter's blockbuster GDP growth. The **U.S. core PCE price index data** will also be due this week. Since this is the Fed's preferred gauge of inflation, investors will be keeping a close eye on the PCE data to see how inflation fared in October.
- **The Eurozone flash inflation estimates** will be due this week. The data comes amid warnings from the European central bank President, Mario Draghi who cautioned that inflation could slow in the coming months. This comes as international fuel prices have decline sharply during the month. Fuel prices were majorly responsible for the higher increase in inflation. The Eurozone's headline inflation was seen hovering above 2.0% but core inflation still remained weak. The flash estimates comes ahead of the December ECB meeting where the central bank will be announcing an end to its massive bond buying program. The ECB is currently purchasing 15 billion euro worth of bonds under the QE program.

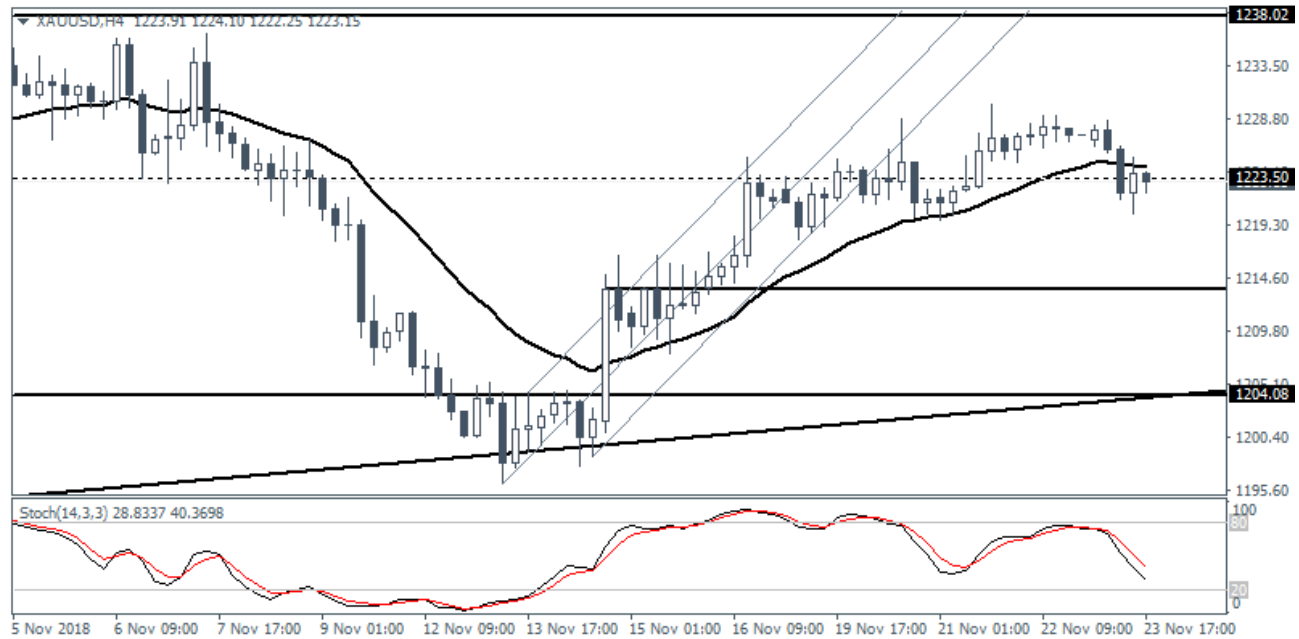
ECONOMIC CALENDAR – WEEK 48

DATE	CURRENCY	CURRENCY	EVENT	FORECAST	PREVIOUS
26-NOV	12:15am	AUD	RBA Gov Lowe Speaks		
	2:30am	JPY	Flash Manufacturing PMI	53	52.9
	5:00am	AUD	RBA Assist Gov Kent Speaks		
	11:00am	EUR	German Ifo Business Climate	102.3	102.8
	Tentative	EUR	ECB Financial Stability Review		
		EUR	ECB President Draghi Speaks		
	8:30pm	GBP	BOE Gov Carney Speaks		
	11:45pm	NZD	Trade Balance	-850M	-1560M
27-NOV	7:00am	JPY	BOJ Core CPI y/y	0.50%	0.50%
	Tentative	All	OPEC-JMMC Meetings		
	1:00pm	GBP	CBI Realized Sales	10	5
	4:00pm	USD	HPI m/m	0.40%	0.30%
	5:00pm	USD	CB Consumer Confidence	136.2	137.9
28-NOV	12:00am	NZD	RBNZ Gov Orr Speaks		
	2:00am	NZD	RBNZ Gov Orr Speaks		
	2:01am	GBP	BRC Shop Price Index y/y		-0.20%
	2:30am	AUD	Construction Work Done q/q	0.90%	1.60%
	2:00pm	EUR	German GfK Consumer Climate	10.5	10.6
	3:30pm	USD	Prelim GDP q/q	3.60%	3.50%
		USD	Goods Trade Balance	-76.7B	-76.0B
		USD	Prelim GDP Price Index q/q	1.70%	1.70%
		USD	Prelim Wholesale Inventories m/m	0.50%	0.40%
	5:00pm	USD	New Home Sales	583K	553K
USD		Richmond Manufacturing Index	16	15	

29-NOV	1:50am	JPY	Retail Sales y/y	2.70%	2.20%
	2:00am	NZD	ANZ Business Confidence		-37.1
	Tentative	AUD	HIA New Home Sales m/m		1.10%
	2:30am	AUD	Private Capital Expenditure q/q	1.10%	-2.50%
	8:45am	CHF	GDP q/q	0.40%	0.70%
	All Day	EUR	German Prelim CPI m/m	0.20%	0.20%
	9:45am	EUR	French Consumer Spending m/m	0.50%	-1.70%
		EUR	French Prelim GDP q/q	0.40%	0.40%
	10:55am	EUR	German Unemployment Change	-10K	-11K
	11:30am	GBP	Net Lending to Individuals m/m	4.5B	4.7B
	3:30pm	CAD	Current Account		-15.9B
		USD	Core PCE Price Index m/m	0.20%	0.20%
		USD	Personal Spending m/m	0.40%	0.40%
		USD	Personal Income m/m	0.40%	0.20%
		USD	Unemployment Claims	221K	224K
	5:00pm	USD	Pending Home Sales m/m	0.80%	0.50%
	9:00pm	USD	FOMC Meeting Minutes		
	11:45pm	NZD	Building Consents m/m		-1.50%
30-NOV	1:30am	JPY	Tokyo Core CPI y/y	1.10%	1.00%
		JPY	Unemployment Rate	2.30%	2.30%
	1:50am	JPY	Prelim Industrial Production m/m	1.30%	-0.40%
	3:00am	CNY	Manufacturing PMI	50.2	50.2
		CNY	Non-Manufacturing PMI	53.8	53.9
	7:00am	JPY	Consumer Confidence	43.3	43
		JPY	Housing Starts y/y	0.40%	-1.50%
	9:00am	EUR	German Import Prices m/m	0.40%	0.40%
		EUR	German Retail Sales m/m	0.40%	0.10%
	9:45am	EUR	French Prelim CPI m/m	-0.20%	0.10%
	11:00am	EUR	Italian Monthly Unemployment Rate	10.10%	10.10%

12:00pm	EUR	CPI Flash Estimate y/y	2.10%	2.20%
	EUR	Core CPI Flash Estimate y/y	1.10%	1.10%
	EUR	Italian Prelim CPI m/m	-0.30%	0.00%
	EUR	Unemployment Rate	8.00%	8.10%
3:30pm	CAD	GDP m/m		0.10%
4:45pm	USD	Chicago PMI	58.6	58.4

TECHNICAL TRADING IDEA OF THE WEEK



Gold prices continued to edge higher last week as price action attempts to recover from the declines posted two weeks ago. The strong rally however is starting to see the momentum slowing down.

Amid the divergence seen on the smaller time frames, this could potentially mark a correction to the downside.

Still, there is scope for gold to advance higher as the potential price level of 1238.00 remains a key upside target. However, we expect that near term correction could push gold prices lower. The lower support at 1213.55 stands out and this level which previously served as resistance could be tested for support.

A successful rebound off the 1213.55 level could confirm the upside as long as price does not break below this level. In the longer term horizon, the price action in gold is showing a potential upside that could eventually target the 1300 level in the longer term horizon.

For the moment, watch for gold to post a correction to 1213.55 level. Buying dips here could potentially mean booking profits near the 1238.00 resistance level followed by the longer term target of 1300.00.