



Weekly Market Bulletin

Week 49 | 2018

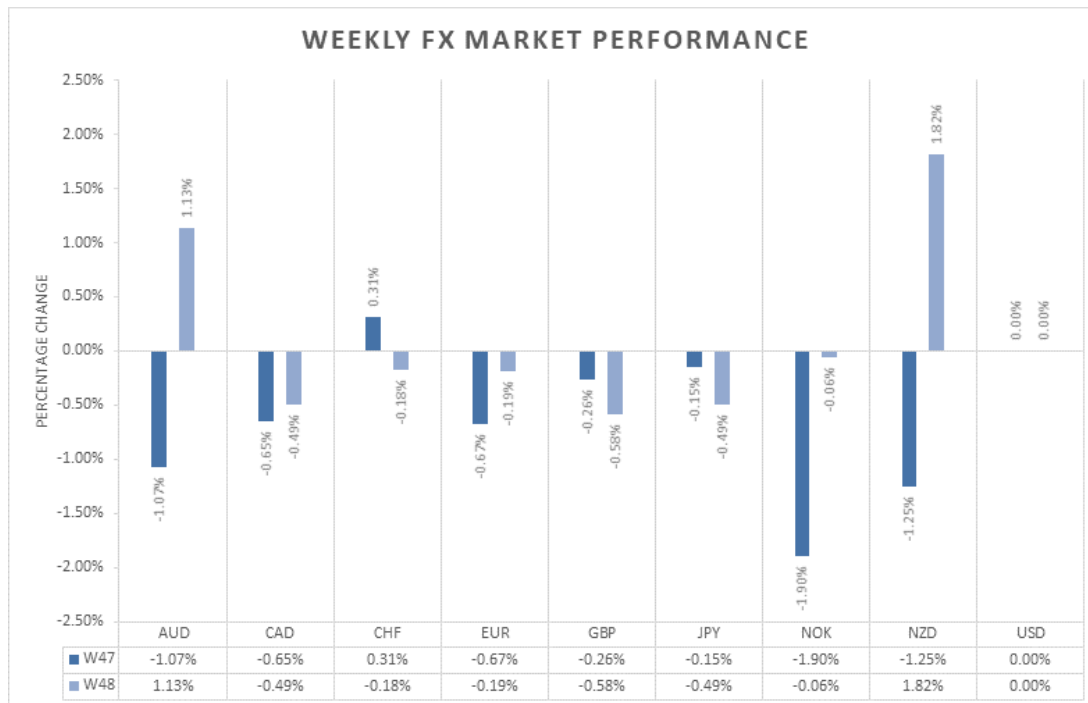
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WEEKLY CURRENCY MARKET PERFORMANCE – W48



Key points

- The New Zealand dollar emerged at the top as the best performing currency last week. The gains came as the NZD erased the losses from the week before. Similar gains were seen in the AUD currency as well as it gained 1.13% and reversed the declines from the week before.
- The CAD and the NOK, both oil correlated currencies closed weaker. The CAD was down 0.49% while the NOK managed to fare slightly better, closing with 0.06% declines. Both the currencies remain bearish at the moment.

- The EUR currency was down 0.19% on the week. The common currency remains broadly subdued and no match for the U.S. dollar's strength.
- Although Brexit news was relatively quiet last week, the GBP was seen to extend losses by 0.58%. The GBP was the worst performing currency as it continues to be battered by the Brexit news.
- Both JPY and the CHF currencies, considered to be safe haven were seen trading on the backfoot. This indicated the market risk appetite last week. The JPY was down 0.49% while the CHF was down 0.18% on the week, extending declines for the past two weeks.

MARKET HIGHLIGHTS – WEEK 48

- **New Zealand's third quarter retail sales** showed that retail spending was weaker than expected in the September quarter. While increases in petrol prices pushed up spending on fuel, this crowded out spending in other areas, leaving the overall volume of retail spending flat for the quarter (compared to analysts' forecasts for a 1% rise). There was a modest gain in core (ex-fuel and motor vehicle) categories. Core retail sales increased 0.4% which was below forecasts of a 1.5% increase.
- **The manufacturing sector in Japan** continued to expand in November, albeit at a slower pace, the latest survey from Nikkei showed on Monday with a preliminary manufacturing PMI score of 51.8. That's down from the six-month high score of 52.9 in October, although it remains above the boom-or-bust line of 50 that separates expansion from contraction. Individually, new orders, backlogs, stocks of purchases and stocks of finished goods all contracted in November. Output, new export orders, employment, output prices, input prices and quantity of purchases all continued to expand.
- **Personal-consumption expenditures**, a measure of household spending, increased a seasonally adjusted 0.6% in October from the prior month, the Commerce Department said Thursday. That was the largest monthly increase since March. Personal income, reflecting Americans' pretax earnings from wages, salaries and investments, rose 0.5% in October, the best gain since January. Both measures overshot economists' expectations.
- **Inflation in Germany** eased in November amid abating inflation rates in the food and services categories, the Federal Statistical Office said Thursday. Germany's annual inflation rate--measured by harmonized European Union standards--fell to 2.2% from 2.4% in October, according to a preliminary estimate. Economists polled by The Wall Street Journal had forecast a rate of 2.3% in November. While inflation in the energy sector remained rampant--energy prices in Germany jumped 9.3% from November last year--annual inflation rates slipped in the food and services categories to 1.4% and 1.5% respectively in November.
- Switzerland posted an unexpected **0.2% quarterly drop in GDP** last quarter, versus expectations for a slight rise. The year-on-year growth rate was 2.4%, below expectations for a 2.7% rise. Last quarter's weakness was in part due to one-time factors, like sports license fees, that lifted first-half growth and weren't repeated. Exports also weighed on growth. With the trade surplus already growing again in October and consumer fundamentals still strong, look for GDP to recover in the fourth quarter.

ECONOMIC EVENTS – THE WEEK AHEAD

- Economic data from the UK this week will see the release of the **manufacturing, services and construction PMI**. The UK's economy was seen faring somewhat better in the third quarter. However, economists note that growth could be hit in the fourth quarter. The PMI's cover the month of November and could potentially signal how the economy fared. In October, PMI's were relatively subdued.
- **The Reserve Bank of Australia** will kick off the new month with its monetary policy meeting. No changes are expected from the RBA as the interest rate remains unchanged at 1.50%. The central bank's meeting comes amid recent economic data which showed a pick up in the labor market. This is expected to eventually tighten wages which in turn could push inflation higher. Later in the week, the quarterly GDP report from Australia will be coming out, followed by the retail sales report.
- **The Bank of Canada** will be holding its monetary policy meeting this week. The central bank is expected to keep its monetary policy unchanged at this week's meeting. The decision comes amid a weaker pace of growth that was registered in the third quarter of the year.
- A busy week for the U.S. dollar will see the release of the **ISM's manufacturing and non-manufacturing PMI**. This is later followed by ADP's private payroll numbers and later, the **official payrolls reports**. The data covers the month of November and the Fed will be closely watching the figures ahead of the proposed December rate hike.
- The **Eurozone** will see the monthly manufacturing and services PMI coming out. Flash inflation estimates pointed to another month of weaker activity across the sectors. This could potentially dent the sentiment in the euro as the ECB prepares to exit from its massive bond purchase program in December.

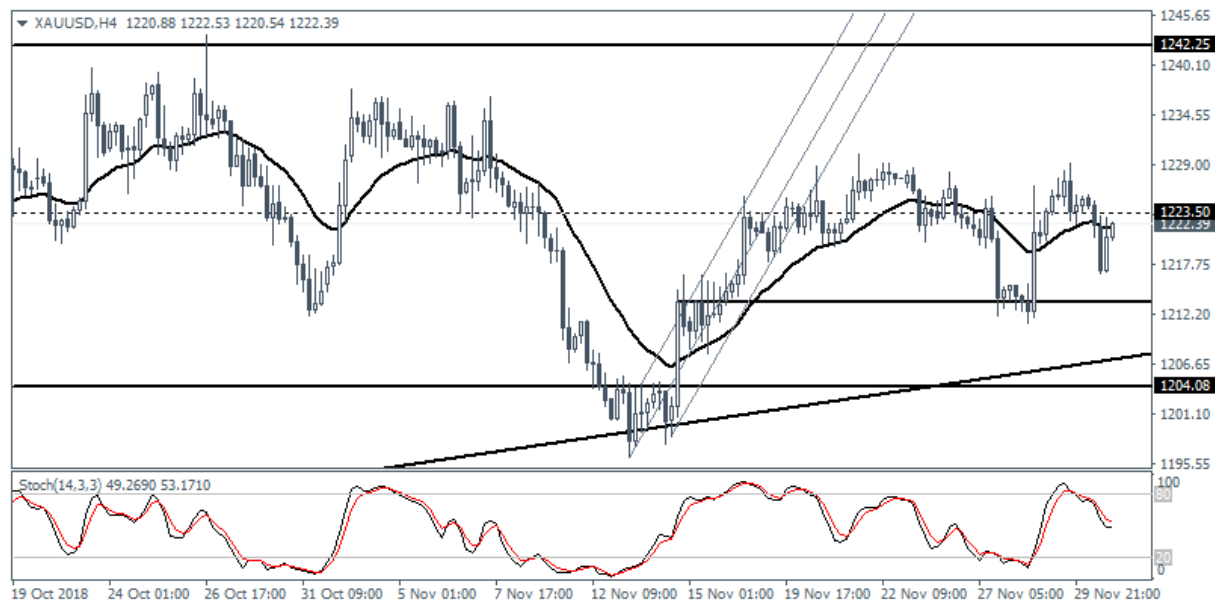
ECONOMIC CALENDAR – WEEK 49

DATE	TIME	CURRENCY	EVENT	FORECAST	PREVIOUS	
03-DEC	1:50am	JPY	Capital Spending q/y	8.60%	12.80%	
	2:00am	AUD	MI Inflation Gauge m/m		0.10%	
	2:30am	AUD	Building Approvals m/m	-1.40%	3.30%	
		AUD	Company Operating Profits q/q	2.90%	2.00%	
		JPY	Final Manufacturing PMI	51.8	51.8	
	3:45am	CNY	Caixin Manufacturing PMI	50.1	50.1	
	7:30am	AUD	Commodity Prices y/y		13.10%	
	10:15am	CHF	Retail Sales y/y	-0.70%	-2.70%	
		EUR	Spanish Manufacturing PMI	51.5	51.8	
	10:30am	CHF	Manufacturing PMI	56.3	57.4	
	10:45am	EUR	Italian Manufacturing PMI	48.9	49.2	
	10:50am	EUR	French Final Manufacturing PMI	50.7	50.7	
	10:55am	EUR	German Final Manufacturing PMI	51.6	51.6	
	11:00am	EUR	Final Manufacturing PMI	51.5	51.5	
	11:30am	GBP	Manufacturing PMI	51.6	51.1	
	4:30pm	CAD	Manufacturing PMI		53.9	
	4:45pm	USD	Final Manufacturing PMI	55.4	55.4	
	5:00pm	USD	ISM Manufacturing PMI	57.5	57.7	
			USD	Construction Spending m/m	0.40%	0.00%
			USD	ISM Manufacturing Prices	70.1	71.6
	All Day	USD	Total Vehicle Sales	17.3M	17.6M	
04-DEC	1:50am	JPY	Monetary Base y/y	5.70%	5.90%	
	2:30am	AUD	Current Account	-10.2B	-13.5B	
	5:30am	AUD	RBA Rate Statement			

		AUD	Cash Rate	1.50%	1.50%
	10:15am	CHF	CPI m/m	-0.10%	0.20%
	11:15am	GBP	BOE Gov Carney Speaks		
	11:30am	GBP	Construction PMI	52.5	53.2
	12:00pm	EUR	PPI m/m	0.50%	0.50%
	3:30pm	CAD	Labor Productivity q/q	0.40%	0.70%
	8:00pm	GBP	MPC Member Vlieghe Speaks		
	11:30pm	AUD	AIG Services Index		51.1
05-DEC	2:00am	NZD	ANZ Commodity Prices m/m		-2.40%
	2:30am	AUD	GDP q/q	0.60%	0.90%
	3:45am	CNY	Caixin Services PMI	50.7	50.8
	10:15am	EUR	Spanish Services PMI	53.9	54
	10:45am	EUR	Italian Services PMI	49.2	49.2
	10:50am	EUR	French Final Services PMI	55	55
	10:55am	EUR	German Final Services PMI	53.3	53.3
	11:00am	EUR	Final Services PMI	53.1	53.1
	11:30am	GBP	Services PMI	52.5	52.2
	12:00pm	EUR	Retail Sales m/m	0.20%	0.00%
	3:15pm	USD	ADP Non-Farm Employment Change	196K	227K
	3:30pm	USD	Revised Nonfarm Productivity q/q	2.30%	2.20%
		USD	Revised Unit Labor Costs q/q	1.10%	1.20%
	4:45pm	USD	Final Services PMI	54.4	54.4
	5:00pm	CAD	BOC Rate Statement		
		CAD	Overnight Rate	1.75%	1.75%
		USD	ISM Non-Manufacturing PMI	59.2	60.3
06-DEC	2:30am	AUD	Retail Sales m/m	0.30%	0.20%
		AUD	Trade Balance	3.00B	3.02B
	9:00am	EUR	German Factory Orders m/m	-0.40%	0.30%
	11:05am	AUD	RBA Assist Gov Debelle Speaks		

	All Day	All	OPEC Meetings		
	3:30pm	CAD	Trade Balance		-0.4B
		USD	Trade Balance	-55.2B	-54.0B
		USD	Unemployment Claims	226K	234K
	5:00pm	CAD	Ivey PMI	60.3	61.8
		USD	Factory Orders m/m	-1.90%	0.70%
	11:30pm	AUD	AIG Construction Index		46.4
07-DEC	1:30am	JPY	Household Spending y/y	1.20%	-1.60%
	2:00am	JPY	Average Cash Earnings y/y	1.00%	0.80%
	7:00am	JPY	Leading Indicators	104.80%	104.30%
	9:00am	EUR	German Industrial Production m/m	0.30%	0.20%
	9:45am	EUR	French Industrial Production m/m	0.80%	-1.80%
	11:00am	EUR	Italian Retail Sales m/m	-0.20%	-0.80%
	11:30am	GBP	Consumer Inflation Expectations		3.00%
	12:00pm	EUR	Final Employment Change q/q	0.20%	0.20%
		EUR	Revised GDP q/q	0.20%	0.20%
	3:30pm	CAD	Employment Change		11.2K
		CAD	Unemployment Rate		5.80%
		USD	Average Hourly Earnings m/m	0.30%	0.20%
		USD	Non-Farm Employment Change	200K	250K
		USD	Unemployment Rate	3.70%	3.70%
	5:00pm	USD	Prelim UoM Consumer Sentiment	97.1	97.5
		USD	Final Wholesale Inventories m/m	0.70%	0.70%
		USD	Prelim UoM Inflation Expectations		2.80%
	7:00pm	USD	FOMC Member Brainard Speaks		
	10:00pm	USD	Consumer Credit m/m	15.1B	10.9B

TECHNICAL TRADING IDEA OF THE WEEK



Gold price was a bit volatile last week. The volatility came amid the comments from the Fed Chair Jerome Powell. In a speech at the Economic club in New York, the Fed Chair said that the Fed funds rates were near the neutral level.

This led the markets to interpret that the Fed could signal a slower pace of rate hikes in the coming year. However, expectations are firm that the Fed will hike rates

once more in December. From a technical standpoint, gold prices got a brief boost from the dovish comments. However, gold price eased back giving up most of the gains. Price action on the weekly chart is set to form a doji for the second consecutive week. However, we expect that the bias will remain to the upside. Gold will need to clear the main resistance level of 1242.25 in order to confirm the upside.

In the event that gold manages to edge higher, the next target is 1280. To the downside, watch for a potential risk of a decline to 1204 level. This support level which is untested could be a prime target to establish support.

Meanwhile, the week ahead will see fresh economic reports. Any signs of slowdown in the U.S. economy could potentially boost gold prices higher as speculation turns to the number of rate hikes the Fed will deliver.