



Weekly Market Bulletin

Week 50 | 2018

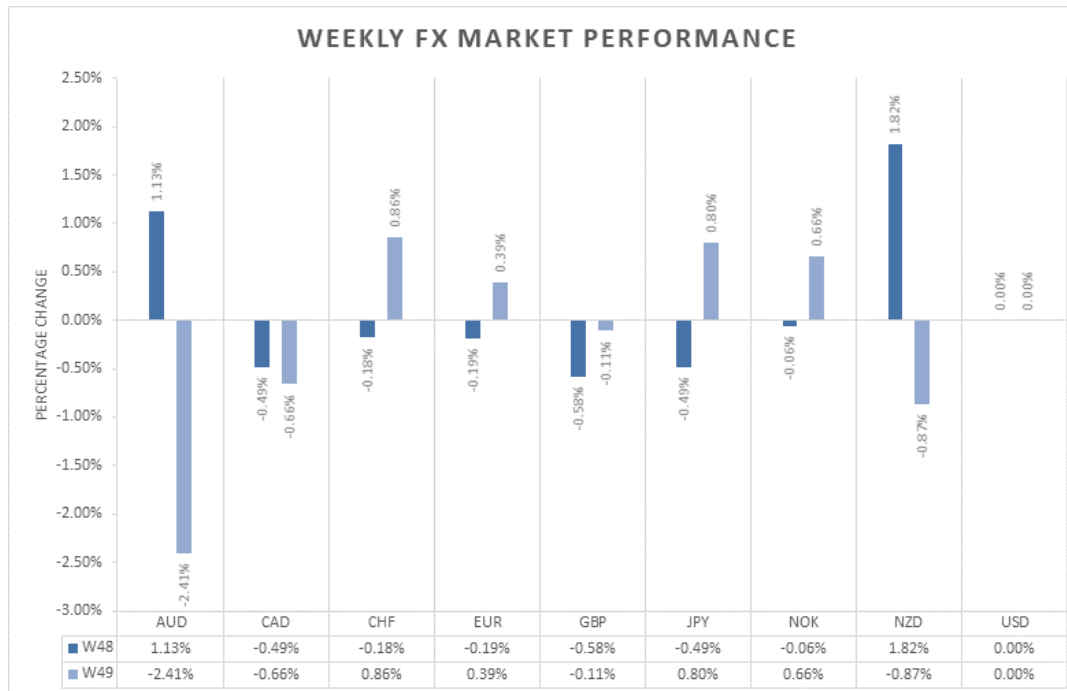
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WEEKLY CURRENCY MARKET PERFORMANCE – W49



Key points

- The AUD was the worst performing currency last week as it shed 2.41% on the week. The declines came as investors adjusted their positions after assessing latest data. GDP declines and a neutral RBA stoked speculation of a possible dovish shift from the central bank.
- The NZD was also weaker this week, losing 0.87% overall. However, the declines come following previous weeks of strong gains. The kiwi is however showing signs of weakness which could result in a decline in the coming weeks.

- The CAD was down 0.66% mostly on lower fuel prices and the BoC holding interest rates steady. However, a strong jobs report released on Friday managed to contain the losses in the Canadian dollar.
- The Swiss franc and the Japanese yen managed to post strong gains on the week indicating the market risk off sentiment. The CHF was up 0.86% while the JPY was up 0.80% on the week.
- The EUR currency post modest gains, rising 0.39% on the week. However, gains were mostly subdued. The GBP continues to suffer due to the Brexit uncertainty. The currency was down 0.11% on the week as it remains volatile. However, we could potentially anticipate a strong momentum led move in the coming weeks.

MARKET HIGHLIGHTS – WEEK 49

- **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.
- The latest **quarterly GDP figures from Australia** showed that the economy slowed by half compared to the previous quarter. Data from the Australian Bureau of Statistics (ABS) released last week showed that the economy advanced just 0.3% in the three months ending September. In the second quarter, the economy expanded at an unrevised pace of 0.9%. On an annualized basis, growth advanced 2.9% falling short of forecasts of a 3.3% increase. Most of the gains in the economic growth came from housing consumption as wages grew modestly.
- **The Bank of Canada** held its monetary policy meeting last week. The central bank left the interest rates unchanged at 1.75% but signaled that interest rates will need to rise to the neutral level. The BoC identified the neutral level to be around 2.5% - 3.5% but noted that the appropriate rate hikes will be data dependent. The BoC also flagged concerns on global trade worries and the falling crude oil prices. The Canadian dollar fell following the release of the Bank of Canada's monetary policy statement.
- President Trump and Chinese President Xi Jinping **approved the deal on Saturday in Buenos Aires** at the G20 summit. It offers Beijing a reprieve from a planned increase in tariffs, scheduled for Jan. 1, on \$200 billion in Chinese goods exports to the U.S. Tariffs were scheduled to rise to 25% from 10%. The suspension of tariff increases relies on progress in talks that both sides aim to complete in the next 90 days covering broader issues, including intellectual property protection.

ECONOMIC EVENTS – THE WEEK AHEAD

- It is a very busy week for the UK markets. Economic reports alongside the Brexit deal vote will be most likely dominating the newswires. On the economic front, data this week will shed light on the pace of **consumer prices and wage growth**. Both inflation and labor market data are due over the week. The monthly GDP figures due on Monday will also cast light on how the UK's economy performed in the month of October and will signal how the UK economy looks in the fourth quarter of the year.
- Besides the economic reports, the **UK parliament will be voting on the draft EU - UK Brexit deal**. Given that many members of the parliament, including those from the PM May's own cabinet have voiced their disagreement to the deal, the outcome is very uncertain. A rejection of the Brexit deal could potentially also topple the Prime Minister leading to potentially political chaos. Between the economic reports and the Brexit vote, expect the GBP to experience volatility.
- **Economic data from the United States** this week is relatively quiet after a high impact week, last week. Headline inflation will shed light on whether there has been an even bigger slowdown in consumer price inflation growth. Retail sales numbers are due over the week. Retail spending is likely to see higher numbers given the November black Friday deals.
- The **European central bank will be holding its last monetary policy meeting** of the year. As previously signaled, the central bank will be announcing its end to the QE program. This comes amid the Eurozone experience a fresh sluggish patch economic activity. Inflationary pressures also continue to remain weak, which could lead to a dovish outcome from this week's meeting. So far, estimates show that the ECB was most likely to begin hiking interest rates from the middle of 2019. However, this view is starting to fade amid the market uncertainty of how long the weaker pace of growth will linger.

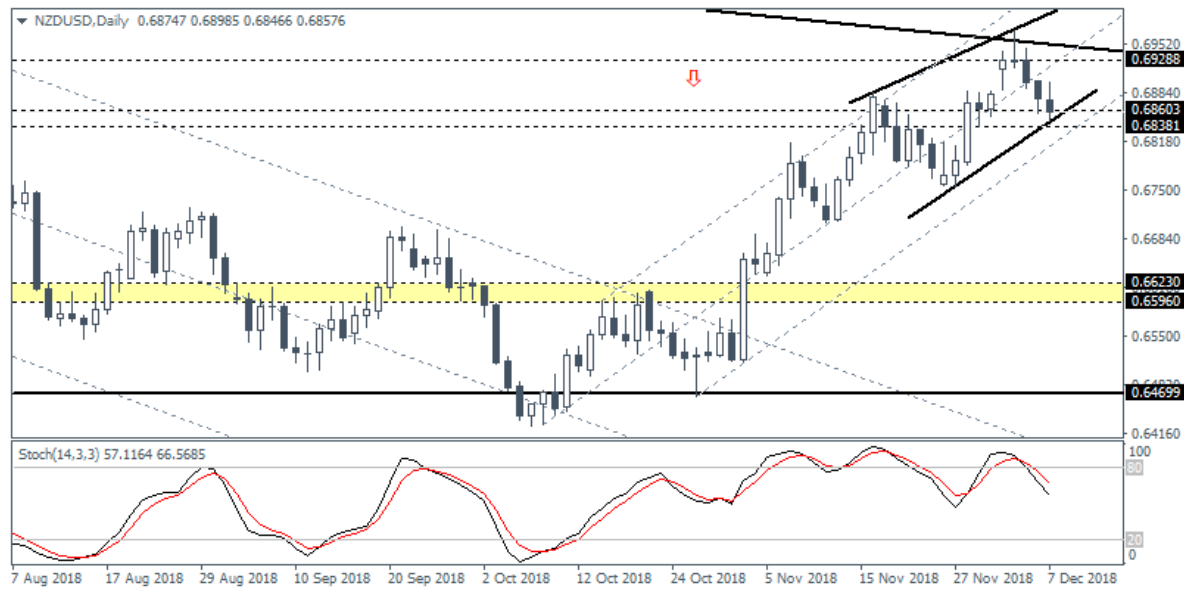
ECONOMIC CALENDAR – WEEK 50

DATE	TIME	CURRENCY	EVENT	FORECAST	PREVIOUS
10-DEC	1:50am	JPY	Bank Lending y/y	2.20%	2.20%
		JPY	Current Account	1.29T	1.33T
		JPY	Final GDP Price Index y/y	-0.30%	-0.30%
		JPY	Final GDP q/q	-0.50%	-0.30%
	2:30am	AUD	Home Loans m/m	-0.50%	-1.00%
		GBP	MPC Member Cunliffe Speaks		
	8:45am	CHF	Unemployment Rate	2.50%	2.50%
	9:00am	EUR	German Trade Balance	17.2B	17.6B
	11:00am	EUR	Italian Industrial Production m/m	-0.40%	-0.20%
	11:30am	EUR	Sentix Investor Confidence	8.4	8.8
		GBP	GDP m/m	0.10%	0.00%
		GBP	Manufacturing Production m/m	0.00%	0.20%
		GBP	Construction Output m/m	-0.40%	1.70%
		GBP	Goods Trade Balance	-10.5B	-9.7B
		GBP	Index of Services 3m/3m	0.30%	0.40%
		GBP	Industrial Production m/m	-0.40%	0.00%
		3:15pm	CAD	Housing Starts	198K
	3:30pm	CAD	Building Permits m/m	-0.20%	0.40%
	8:00am	JPY	Prelim Machine Tool Orders y/y		-0.70%
	11-DEC	8:30am	EUR	French Final Private Payrolls q/q	0.20%
11:30am		GBP	Average Earnings Index 3m/y	3.00%	3.00%
		GBP	Unemployment Rate	4.10%	4.10%
		GBP	Claimant Count Change	13.2K	20.2K
12:00pm		EUR	German ZEW Economic Sentiment	-25	-24.1
		EUR	ZEW Economic Sentiment	-23.2	-22

	3:30pm	USD	PPI m/m	0.00%	0.60%
		USD	Core PPI m/m	0.10%	0.50%
	Tentative	GBP	Parliament Brexit Vote		
12-DEC	1:50am	JPY	Core Machinery Orders m/m	10.20%	-18.30%
		JPY	PPI y/y	2.40%	2.90%
	6:30am	JPY	Tertiary Industry Activity m/m	0.90%	-1.10%
	11:00am	EUR	Italian Quarterly Unemployment Rate	10.30%	10.70%
	12:00pm	EUR	Industrial Production m/m	0.20%	-0.30%
	3:30pm	CAD	Capacity Utilization Rate	85.80%	85.50%
		USD	CPI m/m	0.00%	0.30%
		USD	Core CPI m/m	0.20%	0.20%
13-DEC	9:00am	EUR	German Final CPI m/m	0.10%	0.10%
	9:45am	EUR	French Final CPI m/m	-0.20%	-0.20%
	10:15am	CHF	PPI m/m	0.00%	0.20%
	10:30am	CHF	SNB Monetary Policy Assessment		
		CHF	Libor Rate	-0.75%	-0.75%
	11:00am	CHF	SNB Press Conference		
	2:45pm	EUR	Main Refinancing Rate	0.00%	0.00%
	Tentative	CAD	ADP Non-Farm Employment Change		
		EUR	ECB Press Conference		
		USD	Import Prices m/m	-1.00%	0.50%
		USD	Unemployment Claims	227K	231K
14-DEC	1:50am	JPY	Tankan Manufacturing Index	18	19
		JPY	Tankan Non-Manufacturing Index	21	22
	2:30am	JPY	Flash Manufacturing PMI	52.3	52.2
	4:00am	CNY	Fixed Asset Investment ytd/y	5.90%	5.70%
		CNY	Industrial Production y/y	5.90%	5.90%
		CNY	Retail Sales y/y	8.80%	8.60%
		CNY	Unemployment Rate		4.90%

	6:30am	JPY	Revised Industrial Production m/m	2.80%	2.90%
	9:00am	EUR	German WPI m/m		0.30%
	10:15am	EUR	French Flash Manufacturing PMI	50.7	50.8
		EUR	French Flash Services PMI	54.8	55.1
	10:30am	EUR	German Flash Manufacturing PMI	51.7	51.8
		EUR	German Flash Services PMI	53.5	53.3
	11:00am	EUR	Flash Manufacturing PMI	51.9	51.8
		EUR	Flash Services PMI	53.4	53.4
	3:30pm	USD	Core Retail Sales m/m	0.20%	0.70%
		USD	Retail Sales m/m	0.10%	0.80%
	4:15pm	USD	Capacity Utilization Rate	78.60%	78.40%
		USD	Industrial Production m/m	0.30%	0.10%
	4:30pm	GBP	CB Leading Index m/m		-0.40%
	4:45pm	USD	Flash Manufacturing PMI	55.1	55.3
		USD	Flash Services PMI	55	54.7
	5:00pm	USD	Business Inventories m/m	0.50%	0.30%

TECHNICAL TRADING IDEA OF THE WEEK



The New Zealand dollar has been on a steady path as price action is seen trading near critical resistance level. The gains come as the NZDUSD has failed to make a meaningful pullback in the rally. This potentially opens the way for the NZDUSD to start a correction to the downside.

For the moment, the NZDUSD is seen trading within a range of 0.6928 - 0.6860 - 0.6838 level of resistance and support. We expect

the consolidation to continue within these levels for the short term. Price action is already seen forming a rising wedge pattern which is coming in at the top end of the rally. A breakout from here could potentially mark a decline to the lower support level that is pending a retest.

In the near term, watch for the NZDUSD to post an upside bounce in prices. We a lower pivot high being formed could mark the the rising wedge pattern. A breakout below 0.6860 - 0.6838 is needed for NZDUSD to post a correction. The lower support at 0.6623 - 0.6596 will be a key level of interest. A decline to this level will mark a retest of the previously established resistance level.

Alternately, we the kiwi dollar could potentially maintain the sideways range at the current level. A breakout to the upside above 0.6928 could however potentially mark further continuous gains.