



Weekly Market Bulletin

Week 51 | 2018

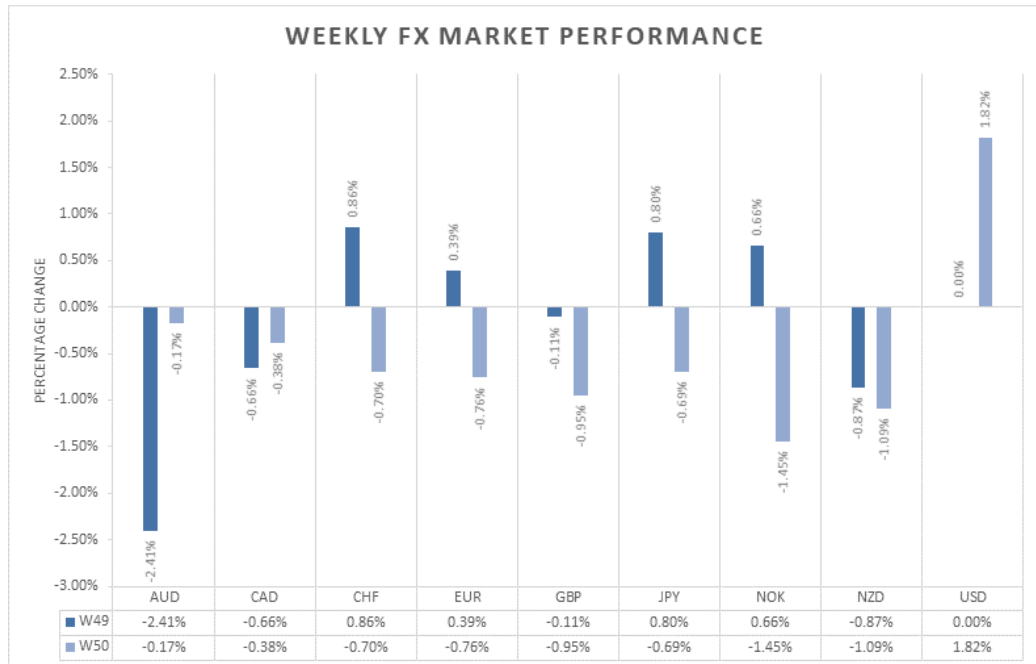
DISCLAIMER

The information contained in this publication is produced by ORBEX LTD and not intended as an offer or solicitation for the purchase or sale of any financial instrument. Any opinion offered herein reflects ORBEX LTD current judgment and may change without notice. This message is for information purposes only and is not intended as an offer, recommendation or solicitation to buy or sell, nor is it an official confirmation of terms. No representation or warranty is made that this information is complete or accurate. Any views or opinions expressed do not necessarily represent those ORBEX LTD. This email and the information it contains may be confidential, proprietary or legally privileged. If you receive this message in error, please notify the sender and delete it from your system. You must not, directly or indirectly, use, disclose, distribute, copy or store this message or any part of it if you are not the intended recipient. Unless otherwise stated, any pricing information given in this email is indicative only, is subject to changes and does not constitute an offer to deal at any price quoted.

TABLE OF CONTENTS

Weekly Currency Market Performance.....	3
Market Highlights – Week 50.....	4
Economic Events – The week ahead	5
Economic Calendar – Week 51	6
Technical Trading Idea of the Week.....	9

WEEKLY CURRENCY MARKET PERFORMANCE – W50



Key points

- The U.S. dollar came out on the tops last week as the currency gained 1.82% over the week. The gains came amid the Fed meeting this week and investors positions ahead of the end of the year close.
- The Norwegian krone was the weakest currency last week losing 1.45% on the week as a whole. The declines in the krone came on both weaker oil prices and the Norges bank meeting last week where the central bank said that rates would not change until March 2019.
- The British pound managed to lose 0.95% on a week that was filled with Brexit

drama. The UK Prime minister Theresa May faced a no-confidence vote which she managed to win but EU leaders were unwilling to make any further concessions.

- The EUR was down 0.76%. The declines in the common currency came after the ECB meeting was seen to be dovish. The central bank cut its growth forecasts while ending its QE program.
- Both the Japanese yen and the Swiss franc closed the week with losses, down 0.69% and 0.70% respectively. The declines in both the currencies showed an increasing risk appetite in the markets. The Swiss franc lost ground after the SNB held its quarterly monetary policy meeting last week. The central bank maintained that the Swiss franc's exchange rate was still overvalued and that it would intervene in the FX markets if need be.

MARKET HIGHLIGHTS – WEEK 50

- **Economic growth in the UK** during the three months in October slowed amid a slump in car sales and manufacturing stagnating. This comes on top of the uncertainty surrounding the Brexit deal. Gross domestic product or GDP grew at a pace of just 0.4% in the three months to October. This was slower compared to the 0.6% increase registered in the September quarter, data from the UK's Office for National Statistics showed last week. The growth figures were however in line with estimates. GDP growth for October was registered at 0.1% compared to a flat reading the month before. Services sector rebounded with a 0.2% increase following a decline of 0.1% the month before.
- **Household spending in Japan** fell 0.3% in October, data from the Ministry of Internal Affairs and Communications showed last week. The data missed estimates of a 1.1% increase and comes after a decline of 1.6% in September. The data comes after the final revised GDP estimates showed that Japan's economy contracted in the third quarter of the year. The GDP fell to 2.5% at an annualized rate. The decline reflected a sharp contraction compared to the initial estimates. The GDP growth fell largely due to the natural disasters which had a greater impact on Japan's economy than previously estimated. However, economists forecast that Japan's economy could rebound from the third quarter slump in Q4.
- **Wages in the UK continued to rise** a strong pace with the data covering the three months to October showing that real wage growth was starting to turn sustainable. The data also underlined hopes that the wage growth could sustain if a Brexit deal was reached. Average wages including bonuses increases 3.3% on the year. This was the biggest jump since the three months ending July 2008. Excluding bonuses wages grew 3.3% which was also the fastest since the three months ending November 2008. The UK's unemployment rate held steady at 4.1%, unchanged from the previous month's data.
- **The European Central Bank held its monetary policy meeting** last week on Thursday. As widely expected, the central bank formally announced that it would be ending its 2.6 trillion euro bond purchase program at the end of December. Despite the end to QE, the ECB maintained that it was committed to using its monetary policy tools as it seemed appropriate for the economy. The ECB President Draghi said that near term inflation outlook was weak but stayed positive that medium term inflationary prospects looked up.

ECONOMIC EVENTS – THE WEEK AHEAD

- The **FOMC will be holding its monetary policy meeting** this week. The Fed is expected to raise the Fed funds rate by a quarter basis point at this week's meeting. Investors will be focusing on the Fed's economic projections on the GDP, inflation, unemployment and interest rates. With the Fed chair Jerome Powell previously signaling that interest rates were near neutral, investors will be looking to see how many rate hikes the Fed projects next year. There will also be interest in the forecasts for the economy which is widely expected to witness a slowdown in the coming quarters next year.
- The **Bank of England will be meeting this week on Thursday** to set its monetary policy. No changes are expected as the BoE is expected to keep interest rates unchanged at this week's meeting. The UK's official bank rate stands at 0.75%. With the Brexit uncertainty continuing, the BoE is likely to warn about the consequences of a no Brexit deal. This could potentially push the central bank to signal for an aggressive pace of rate hikes next year in order to contain inflation. On the economic front, the UK's inflation data for November and retail sales will be due this week.
- **The Bank of Japan's monetary policy meeting** is likely to be overshadowed by the Fed meeting. The BoJ is expected to remain on the sidelines this week. No changes are expected as inflation continues to remain tame. Furthermore, the proposed sales tax hike in October 2019 is expected to have an impact of inflation. As a result, the BoJ is expected to bide for more time.
- Economic **data from Australia this week will see the release of the monthly jobs report**. The Australian unemployment rate has been steady at 5.6% and the RBA expects further decline. However, with still some major slack remaining, wage growth is likely to remain muted. A disappointing print in the Australian labor market data could potentially turn investors to take a dovish outlook on the economy.

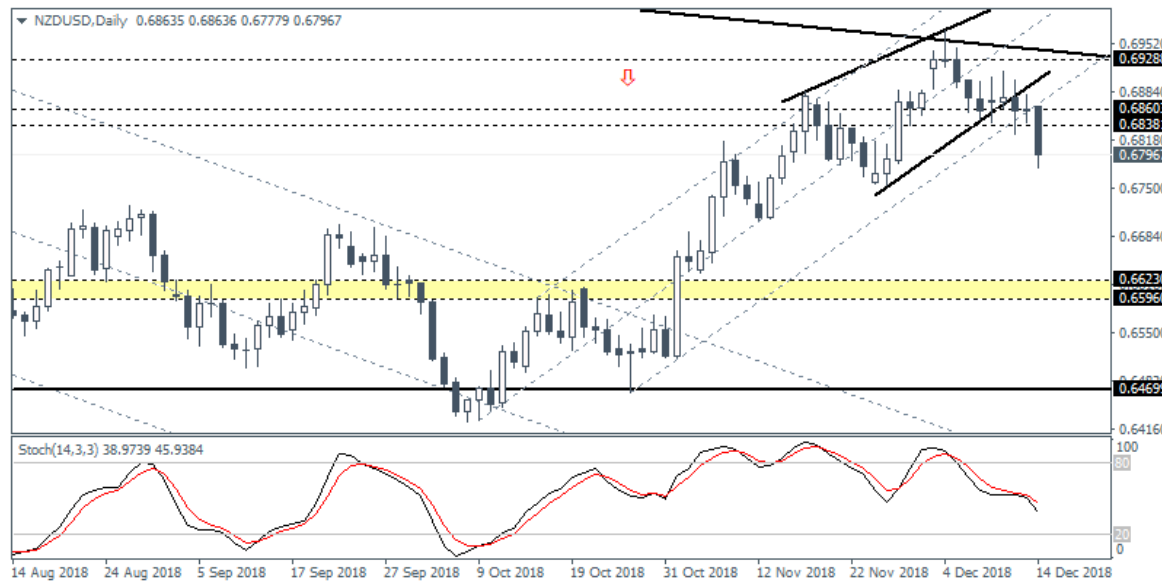
ECONOMIC CALENDAR – WEEK 51

DATE	TIME	CURRENCY	EVENT	FORECAST	PREVIOUS	
17-DEC	12:00pm	EUR	Final CPI y/y	2.00%	2.00%	
		EUR	Final Core CPI y/y	1.00%	1.00%	
		EUR	Trade Balance	14.2B	13.4B	
		GBP	CBI Industrial Order Expectations	6	10	
		USD	Empire State Manufacturing Index	20.1	23.3	
	5:00pm	USD	NAHB Housing Market Index	61	60	
18-DEC	2:30am	AUD	Monetary Policy Meeting Minutes			
		EUR	German Ifo Business Climate	101.8	102	
		CAD	Manufacturing Sales m/m	0.30%	0.20%	
		USD	Building Permits	1.27M	1.26M	
		USD	Housing Starts	1.23M	1.23M	
	11:45pm	NZD	Current Account	-5.94B	-1.62B	
19-DEC	1:50am	JPY	Trade Balance	-0.31T	-0.30T	
		EUR	German PPI m/m	-0.10%	0.30%	
		GBP	CPI y/y	2.30%	2.40%	
		GBP	PPI Input m/m	-2.80%	0.80%	
		GBP	RPI y/y	3.20%	3.30%	
		GBP	Core CPI y/y	1.80%	1.90%	
		GBP	PPI Output m/m	-0.10%	0.30%	
		3:30pm	CAD	CPI m/m	-0.10%	0.30%
		CAD	Common CPI y/y	1.90%	1.90%	
		CAD	Median CPI y/y	2.00%	2.00%	
		CAD	Trimmed CPI y/y	2.10%	2.10%	
		CAD	Core CPI m/m		0.40%	
		USD	Current Account	-125B	-101B	

	4:00pm	CHF	SNB Quarterly Bulletin		
	5:00pm	USD	Existing Home Sales	5.20M	5.22M
	9:00pm	USD	FOMC Economic Projections		
		USD	FOMC Statement		
		USD	Federal Funds Rate	<2.50%	<2.25%
	9:30pm	USD	FOMC Press Conference		
	11:45pm	NZD	GDP q/q	0.60%	1.00%
		NZD	Trade Balance	-880M	-1295M
20-DEC	2:30am	AUD	Employment Change	20.0K	32.8K
		AUD	Unemployment Rate	5.00%	5.00%
	Tentative	JPY	BOJ Policy Rate	-0.10%	-0.10%
	Tentative	JPY	Monetary Policy Statement		
	6:30am	JPY	All Industries Activity m/m	2.00%	-0.90%
	Tentative	JPY	BOJ Press Conference		
	9:00am	CHF	Trade Balance	3.20B	3.75B
	11:00am	EUR	Current Account	18.4B	17.0B
	11:30am	GBP	Retail Sales m/m	0.30%	-0.50%
	2:00pm	GBP	MPC Official Bank Rate Votes	0-0-9	0-0-9
		GBP	Monetary Policy Summary		
		GBP	Official Bank Rate	0.75%	0.75%
		GBP	Asset Purchase Facility	435B	435B
		GBP	MPC Asset Purchase Facility Votes	0-0-9	0-0-9
	3:30pm	CAD	ADP Non-Farm Employment Change		-23.0K
		CAD	Wholesale Sales m/m	0.20%	-0.50%
		USD	Philly Fed Manufacturing Index	15.6	12.9
		USD	Unemployment Claims	219K	206K
	5:00pm	USD	CB Leading Index m/m	0.00%	0.10%
21-DEC	1:30am	JPY	National Core CPI y/y	1.00%	1.00%
	9:00am	EUR	German GfK Consumer Climate	10.3	10.4

	9:45am	EUR	French Consumer Spending m/m	-0.10%	0.80%
	11:30am	GBP	Current Account	-22.2B	-20.3B
		GBP	Final GDP q/q	0.60%	0.60%
		GBP	Public Sector Net Borrowing	7.0B	8.0B
		GBP	Revised Business Investment q/q	-1.20%	-1.20%
	2:00pm	GBP	BOE Quarterly Bulletin		
	3:30pm	CAD	Core Retail Sales m/m	0.30%	0.10%
		CAD	GDP m/m	0.20%	-0.10%
		CAD	Retail Sales m/m	0.60%	0.20%
		USD	Core Durable Goods Orders m/m	0.30%	0.20%
		USD	Final GDP q/q	3.50%	3.50%
		USD	Durable Goods Orders m/m	1.80%	-4.30%
		USD	Final GDP Price Index q/q	1.70%	1.70%
	5:00pm	CAD	BOC Business Outlook Survey		
		EUR	Consumer Confidence	-4	-4
		USD	Core PCE Price Index m/m	0.20%	0.10%
		USD	Personal Spending m/m	0.30%	0.60%
		USD	Revised UoM Consumer Sentiment	97.6	97.5
		USD	Personal Income m/m	0.30%	0.50%
		USD	Revised UoM Inflation Expectations		2.70%

TECHNICAL TRADING IDEA OF THE WEEK



The NZDUSD currency pair managed to consolidate above the support level of 0.6680 - 0.6838 level of support following the rising wedge pattern that was formed. Following this pattern, price action extended declines early Friday. The downside breakout confirms our view over the past few weeks that the Kiwi dollar is posting a correction.

To the downside, we expect the target to be around 0.6623 - 0.6596

level where support is most likely to be established. This is because the price level served as a resistance previously. Therefore, it is pending a retest. Watch how price action behaves around the support level target area.

This would make for a prime buying area as the NZDUSD is likely to reverse the correction from this level and set itself for strong gains. The initial target will be the breached support level at 0.6860 - 0.6838 region. A breakout above this level is needed for the NZDUSD to post further gains.

To the downside, a close below 0.6595 will push the NZDUSD lower. The downside target in this level will be 0.6469. Still, the bias would remain to the upside and changes only on a close below this low which was briefly tested in late October this year.