



# Weekly Market Bulletin

Week 19 | 2019

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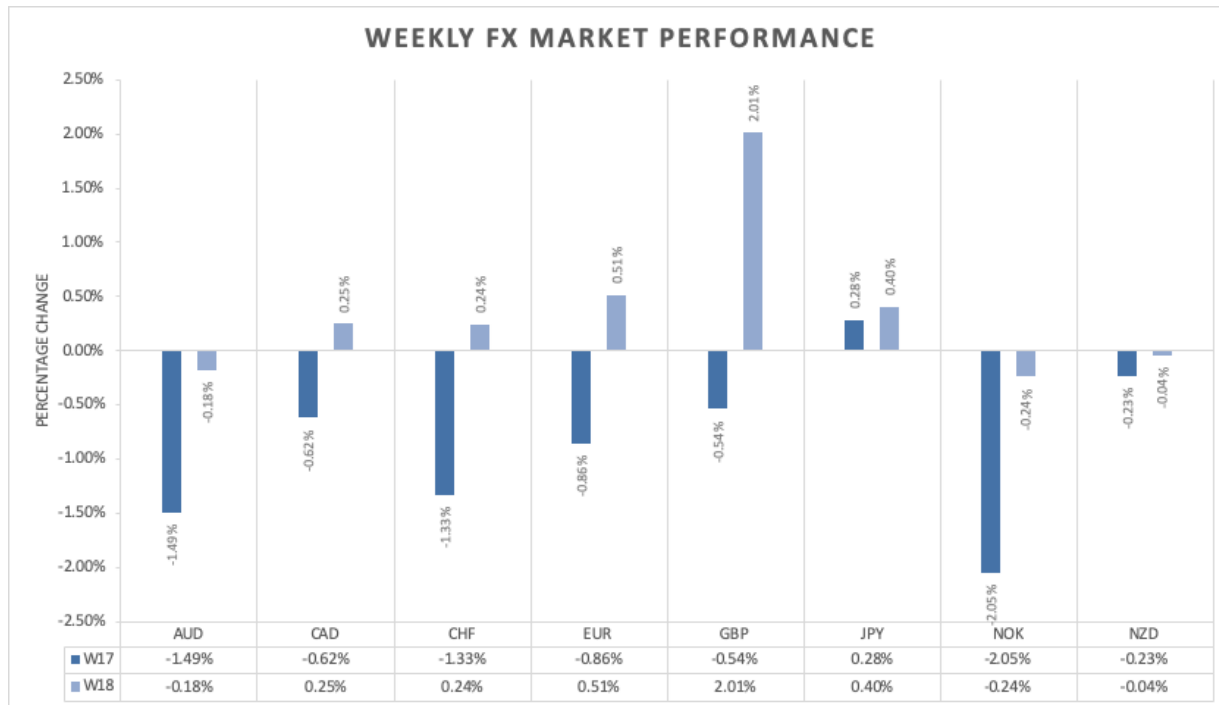
# TABLE OF CONTENTS

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Weekly Currency Market Performance.....	3
Market Highlights – Week 18.....	4
Economic Events – The week ahead .....	5
Economic Calendar – Week 19 .....	6
Technical Trading Idea of the Week.....	10

# WEEKLY CURRENCY MARKET PERFORMANCE – W18

## Key points



- The British pound was the top performing currency last week as the currency gained over 2% on the week. The gains came on the back of a weaker USD and the Bank of England’s meeting among other economic reports which supported the currency gains.

- The Japanese yen and the Swiss franc both gained last week, rising 0.40% and 0.24% respectively. The gains in both the safe haven currency saw a modest risk off sentiment in the

market against the backdrop of the USD which closed weaker on Friday.

- The euro currency managed to rise 0.51% on the week. However, the recovery was only partial as the currency was down 0.81% in the week before.
- The AUD was down 0.18%. The currency continues to trade ahead as the RBA holds its monetary policy meeting this week. The NZD was muted, falling just 0.04% on the week. The RBNZ is also due to meet this week and is expected to come out with a dovish statement for its forward guidance.

## MARKET HIGHLIGHTS – WEEK 18

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- **Eurozone’s quarterly GDP estimates were released last week.** Data showed that growth nearly doubled in the first three months of the year, comparing to the last quarter of 2018. Data from Eurostat showed that Eurozone’s GDP grew at a pace of 0.4%, beating estimates of a 0.3% increase. In the previous quarter, growth rose 0.2%. The pace of growth was the strongest since the second quarter of 2018. In a separate report, Eurostat reported that the Eurozone’s jobless rate fell to 7.7% from 7.8% in March. This was the lowest level since September 2008.
- **New Zealand’s quarterly employment data was released last week.** Data from Statistics New Zealand showed that the official unemployment rate fell to 4.2% in the first three months of the year. This was in line with the median estimates. In the last quarter of 2018, New Zealand’s unemployment rate rose to 4.3%. Despite the unemployment rate improving, the quarterly employment change report disappointed. Data showed that on the quarter, overall employment was down 0.2% missing expectations of a 0.5% increase. On a year over year basis, employment rose 1.5% but missed estimates of a 2.2% increase.
- **Canada’s economy was seen contracting in the month of February.** Data from Statistics Canada showed that the GDP was down 0.1% in February. This missed the median expectations of a 0.1% increase. The declines came due to weak activity from the mining, quarrying, oil and gas exploration. The sectors continued to decline for the sixth consecutive month. The declines in the GDP for February comes after Canada’s GDP rose 0.3% in January.
- **The U.S. Federal Reserve** held its monetary policy meeting last week on Wednesday. As widely expected, the central bank left the key interest rates unchanged at 2.50%. The Fed’s forward guidance was however seen to be not as dovish as the markets expected. The Fed noted that the inflation which remains weak at the moment was only transitory and expects to see inflation pick up later in the year. The central bank also acknowledged that the labor market continued to remain solid.
- **The official payrolls report for April** was released on Friday. Official data showed that the U.S. unemployment rate fell to new historic lows of 3.6%. This was in contrast to the median estimates which showed that the unemployment rate could remain steady at 3.8%. The U.S. economy was seen adding 236,000 jobs in April. This was again higher than the estimates of 181,000. The payrolls for March were revised down from 196k to 189k. The average hourly earnings rose at a pace of 0.2%, making it a 3.2% increase on a year over year basis. The hourly earnings for March were revised higher to show a 0.2% increase compared to the initial reports of a 0.1% increase.

## ECONOMIC EVENTS – THE WEEK AHEAD

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- **The Reserve Bank of Australia** will be holding its monetary policy meeting this week on Tuesday. After keeping interest rates unchanged at 1.50% for over two years, the RBA is widely expected to cut rates at this week's meeting. Interest rates are expected to be lowered by 25 basis points, bringing the official rate to 1.25%. This would mark a continuation to the long term continued rate cuts from the RBA.
- **The Reserve Bank of New Zealand will be the next central bank to hold its monetary policy meeting.** The RBNZ's monetary policy meeting is due early Wednesday. No changes are expected the RBNZ as the official cash rate is expected to remain steady at 1.75%. But the recent declines in the economy such as lower GDP growth and inflation below the RBNZ's 2% - 3% target band could lead the central bank to potentially deliver a surprise. The markets are currently assigning a near 50% chance of a rate cut this week. Given the fact that the RBNZ, at its meeting in March signaled that there was a higher probability for a rate cut than a rate hike, investors will be closely watching the news from the central bank.
- **Data from the UK this week will focus on the GDP figures alongside industrial and manufacturing production figures.** The monthly GDP report will cover the three months ending March. Growth is expected to remain flat for the reported period. Besides the GDP numbers, the industrial production figures are expected to show a 0.2% increase compared to a 0.6% increase the month before. Manufacturing production is expected to rise 0.1% which marks a slower pace of increase compared to a 0.9% gain previously.
- **A slower week from the United States is expected this week.** The Fed Chair, Jerome Powell will be speaking at an event mid-week. Investors will be closely watching Powell's speech to gain more clarity on interest rates and monetary policy. On the economic front, inflation report will be due this week on Friday. Headline inflation is forecast to rise 0.4%, marking the same pace of increase as the month before. Core inflation is forecast to rise 0.2%, up from 0.1% previously.

## ECONOMIC CALENDAR – WEEK 19

Date	Time	Currency	Detail	Forecast	Previous
06/05	04:00	AUD	MI Inflation Gauge m/m		0.40%
	04:45	CNY	Caixin Services PMI	54.3	54.4
	10:00	EUR	Spanish Unemployment Change	-85.0K	-34.0K
	10:15	EUR	Spanish Services PMI	54.9	56.8
	10:45	EUR	Italian Services PMI	54.4	53.1
	10:50	EUR	French Final Services PMI	50.5	50.5
	10:55	EUR	German Final Services PMI	55.6	55.6
	11:00	EUR	Final Services PMI	52.5	52.5
	11:30	EUR	Sentix Investor Confidence	1.1	-0.3
	12:00	EUR	Retail Sales m/m	-0.10%	0.40%
	17:00	USD	FOMC Member Williams Speaks		
	20:45	CAD	BOC Gov Poloz Speaks		
07/05	01:30	AUD	AIG Construction Index		45.6
	03:30	JPY	Final Manufacturing PMI	49.5	49.5
	04:30	AUD	Retail Sales m/m	0.20%	0.80%
		AUD	Trade Balance	4.49B	4.80B
	06:00	NZD	Inflation Expectations q/q		2.00%
	07:30	AUD	Cash Rate	1.25%	1.50%
		AUD	RBA Rate Statement		

	09:00	EUR	German Factory Orders m/m	1.60%	-4.20%
	09:45	EUR	French Trade Balance	-4.5B	-4.0B
	10:00	CHF	Foreign Currency Reserves		756B
	10:30	GBP	Halifax HPI m/m	0.30%	-1.60%
	11:00	GBP	MPC Member Cunliffe Speaks		
	12:00	EUR	EU Economic Forecasts		
	17:00	CAD	Ivey PMI	51.5	54.3
		USD	JOLTS Job Openings	7.35M	7.09M
	18:35	USD	FOMC Member Quarles Speaks		
	19:30	GBP	MPC Member Haldane Speaks		
	22:00	USD	Consumer Credit m/m	17.0B	15.2B
08/05	02:01	GBP	BRC Retail Sales Monitor y/y	2.40%	-1.10%
	02:50	JPY	Monetary Base y/y	3.60%	3.80%
		JPY	Monetary Policy Meeting Minutes		
	05:00	NZD	Official Cash Rate	1.75%	1.75%
		NZD	RBNZ Monetary Policy Statement		
		NZD	RBNZ Rate Statement		
	06:00	NZD	RBNZ Press Conference		
	Tentative	CNY	Trade Balance	235B	221B
	Tentative	CNY	USD-Denominated Trade Balance	33.7B	32.6B
	08:45	CHF	Unemployment Rate	2.40%	2.40%
	09:00	EUR	German Industrial Production m/m	-0.50%	0.70%
	11:15	GBP	MPC Member Ramsden Speaks		

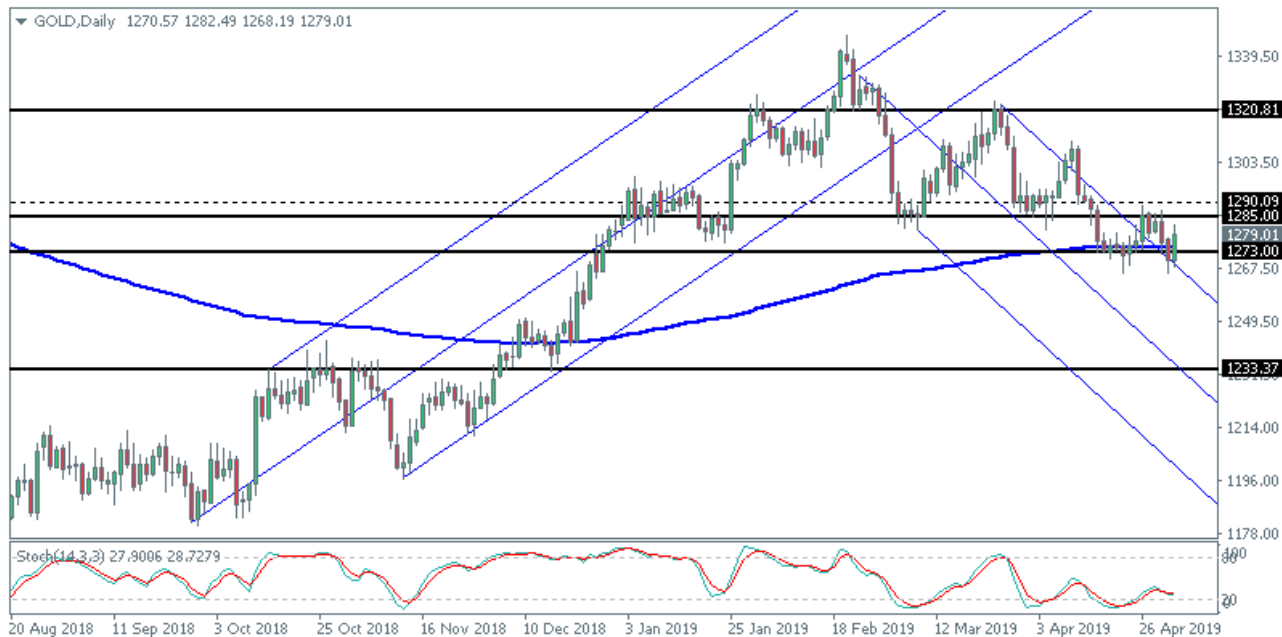
	14:30	EUR	ECB Monetary Policy Meeting Accounts		
	15:15	CAD	Housing Starts	194K	193K
	15:30	USD	FOMC Member Brainard Speaks		
09/05	02:01	GBP	RICS House Price Balance	-22%	-24%
	04:30	CNY	CPI y/y	2.50%	2.30%
		CNY	PPI y/y	0.60%	0.40%
	08:00	JPY	Consumer Confidence	40.3	40.5
	15:30	CAD	Trade Balance		-2.9B
		CAD	NHPI m/m	0.10%	0.00%
		USD	Fed Chair Powell Speaks		
		USD	PPI m/m	0.20%	0.60%
		USD	Core PPI m/m	0.20%	0.30%
		USD	Trade Balance	-51.4B	-49.4B
		USD	Unemployment Claims	215K	230K
	17:00	USD	Final Wholesale Inventories m/m	0.00%	0.00%
10/05	02:30	JPY	Average Cash Earnings y/y	-0.50%	-0.70%
		JPY	Household Spending y/y	1.60%	1.70%
	02:50	JPY	BOJ Summary of Opinions		
	04:30	AUD	RBA Monetary Policy Statement		
	09:00	EUR	German Trade Balance	19.4B	18.7B
	09:45	EUR	French Industrial Production m/m	-0.40%	0.40%
		EUR	French Prelim Private Payrolls q/q	0.20%	0.30%
	11:00	EUR	Italian Industrial Production m/m	-0.60%	0.80%



		EUR	Italian Retail Sales m/m	0.30%	0.10%
	11:30	GBP	GDP m/m	0.00%	0.20%
		GBP	Manufacturing Production m/m	0.10%	0.90%
		GBP	Prelim GDP q/q	0.50%	0.20%
		GBP	Prelim Business Investment q/q	-0.90%	-0.90%
		GBP	Construction Output m/m	-0.80%	0.40%
		GBP	Goods Trade Balance	-13.7B	-14.1B
		GBP	Index of Services 3m/3m	0.40%	0.40%
		GBP	Industrial Production m/m	0.20%	0.60%
	15:30	CAD	Employment Change		-7.2K
		CAD	Unemployment Rate		5.80%
		CAD	Building Permits m/m		-5.70%
		USD	CPI m/m	0.40%	0.40%
		USD	Core CPI m/m	0.20%	0.10%
		USD	FOMC Member Brainard Speaks		

# TECHNICAL TRADING IDEA OF THE WEEK

Gold prices continued to trade weak but price action managed to lift off from a five-month low. Gold prices slipped to lows of 1266.19 before pulling back by Friday’s closing session. Overall, the precious metal is seen supported by the 200-day moving average which seems



to be holding the declines for the moment. Price action is seen trading within the support area of 1285 – 1273 region on the whole.

The failure to break past the 200-day moving average potentially indicates that gold prices could be looking to rebound off this key price level.

For the week ahead, watch how gold is likely to react to the current price action. As prices settle back near the 1285 level, we expect to see the sideways range breaking out. If we see a weekly close above 1285, then we expect the downside declines to stall. Gold prices could be turning bullish. On the other hand, if gold clears the 1273 region on a weekly basis, then we anticipate the declines to resume.

Overall, we continue to see gold prices maintaining the downside moment. The eventual test of support near the 1250 handle is required in order for gold prices to find support ahead of a possible reversal in the trend that could occur.