



Weekly Market Bulletin

Week 21 | 2019

DISCLAIMER

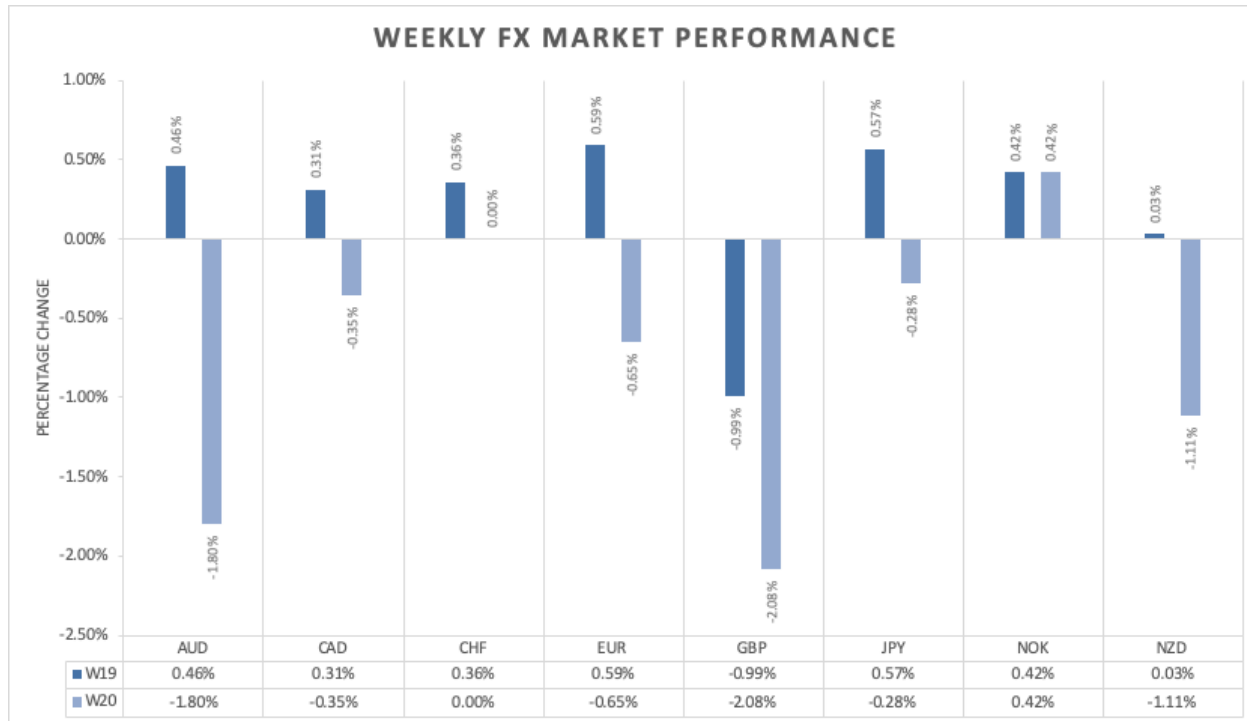
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WEEKLY CURRENCY MARKET PERFORMANCE – W20

Key points



- The U.S. dollar was seen emerging as the best performing currency as most of its peers closed in the negative, with the exception of the Swiss franc which also closed flat during the week.

- The GBP was the biggest losing currency last week as it fell over 2% on the week. The declines came due to the ongoing political turmoil

in the UK. PM May is expected to resign from her post in the coming months, adding to the volatility.

- The Australian dollar was down 1.8% on the week. The declines came as Australia’s unemployment rate inched higher. This led to the markets adjusting for a possible rate cut by the RBA at the next upcoming meeting.
- The EUR was down 0.65% on the week. Bleak economic data and a stronger USD kept the single currency subdued for the most part. As a result, the euro currency was seen giving up the gains made from the week before.

MARKET HIGHLIGHTS – WEEK 20

- **The UK's Office for National Statistics (ONS) released the monthly labor market report** last week. Data showed that the UK's official unemployment rate fell to 3.8% in April comparing to 3.9% in the months before. Economists polled forecast no change to the unemployment rate. The dip in the unemployment rate marks a fresh low since 1974. Average earnings excluding bonuses rose at a pace of 3.3% annually in the three months ending March. Excluding bonuses, average earnings rose 3.2%. The UK's unemployment report continued to show that there was heightened economic activity during the first three months of the year.
- **Industrial production figures from the Eurozone showed a decline for the second consecutive month.** Data from the Eurostat office showed that industrial production fell 0.3% in March. This followed a 0.1% decline in February. The data was in line with the median expectations. The decline in March was driven by a 1% drop in non-durable consumer goods and a 0.3% drop in energy production. On a year over year basis, Eurozone's industrial production eased to 0.6% after it was flat in February. Economists polled expected the annual industrial production to rise 0.8%
- **The German ZEW economic sentiment index weakened unexpectedly in May.** Data from the ZEW economic institute showed that the economic sentiment index fell to -2.1 in May after rising to 3.1 in April. Economists forecast that the ZEW economic sentiment index could rise to 5.0 for the period. The current conditions index rose to 8.2, from 5.5 previously. According to the ZEW research, data showed that the financial markets in Germany continue to expect economic growth to remain muted.
- **Retail sales in the United States** posted a decline in the month of April driven by weaker auto sales. Official data showed that retail sales fell 0.2% in April after rising 1.7% in March. Motor parts fell 1.1% after rising 3.2% in the month before. Excluding the drop in the auto sales, core retail sales grew 0.1% in April following a 1.3% increase in March.
- **Australia's unemployment rate rose to 5.2% in April unexpectedly.** The data comes as the economy added over 28k jobs in April and a revised 27k jobs in March. The unemployment rate for March was also revised higher to show an increase to 5.1%. The data could potentially brighten the prospects of a rate cut from the RBA.

ECONOMIC EVENTS – THE WEEK AHEAD

- **New Zealand** will be releasing its quarterly retail sales report this week. Retail sales is expected to slow during the first three months of the year, potentially justifying the RBNZ's surprise rate cut few weeks ago. Retail sales is forecast to rise just 0.6% on the quarter. This marks a slower pace of increase comparing to the 1.7% gain from the fourth quarter of 2018
- **The UK's Office for National Statistics** will be releasing the monthly inflation report this week. Forecasts point to a modest pickup in inflation readings for the month of April. This comes amid the seasonal Easter effect which often see's a rise in airfare and other transportation costs. The Bank of England has remained on the sidelines. But the recent decline in the UK's unemployment rate alongside the possibility that the U.K inflation is anchored close to the BoE's 2.0% inflation target rate could provide some basis for a rate hike talk.
- **The Federal Reserve will be releasing its meeting minutes on Wednesday.** The meeting minutes cover the Fed's monetary policy meeting from May. No changes were made to the monetary policy statement. The Fed however was seen coming across as less dovish than expected, which briefly led to a spike in the markets. The minutes will show the concerns policymakers have, such as the impact of tame inflation. However, overall the Fed's statement from the meeting in May showed that officials were in no rush to hike interest rates.
- **The European Parliamentary elections will be held on Thursday and Friday this week.** Although the event is unlikely to be have a big impact on the currency market, the rise of the right wing and populist party's representation in the parliament in Brussels could further widen the cracks in the economic bloc. Flash services and manufacturing PMI reports from Markit will be coming out over the week and the data will shed light into how businesses fared during the second month of the second quarter.

ECONOMIC CALENDAR – WEEK 21

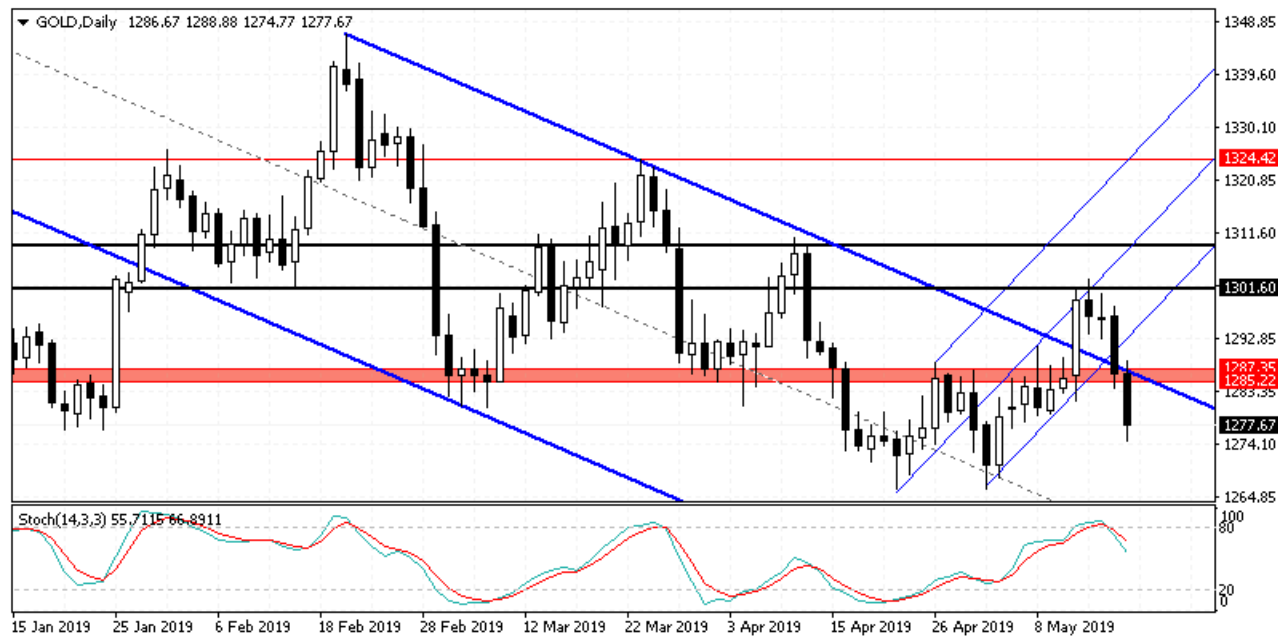
Date	Time	Currency	Event	Forecast	Previous
May-20	02:50	JPY	Prelim GDP Price Index y/y	0.20%	-0.30%
		JPY	Prelim GDP q/q	-0.10%	0.50%
	07:30	JPY	Revised Industrial Production m/m	-0.90%	-0.90%
	09:00	EUR	German PPI m/m	0.40%	-0.10%
	11:00	EUR	Current Account	24.2B	26.8B
	19:30	GBP	MPC Member Broadbent Speaks		
	20:05	USD	FOMC Member Clarida Speaks		
May-21	02:00	USD	Fed Chair Powell Speaks		
	04:30	AUD	Monetary Policy Meeting Minutes		
	11:30	GBP	Inflation Report Hearings		
	13:00	GBP	CBI Industrial Order Expectations	-6	-5
	17:00	EUR	Consumer Confidence	-8	-8
		USD	Existing Home Sales	5.35M	5.21M
	17:45	USD	FOMC Member Evans Speaks		
	19:00	USD	FOMC Member Rosengren Speaks		
May-22	01:45	NZD	Retail Sales q/q	0.60%	1.70%
		NZD	Core Retail Sales q/q	0.90%	2.00%
	02:50	JPY	Core Machinery Orders m/m	0.00%	1.80%
		JPY	Trade Balance	-0.12T	-0.18T

	04:30	AUD	Construction Work Done q/q	0.10%	-3.10%
	05:15	AUD	RBA Gov Lowe Speaks		
	08:00	USD	FOMC Member Bullard Speaks		
	11:30	GBP	CPI y/y	2.20%	1.90%
		GBP	PPI Input m/m	1.10%	-0.20%
		GBP	Public Sector Net Borrowing	5.2B	0.8B
		GBP	RPI y/y	2.80%	2.40%
		GBP	Core CPI y/y	1.90%	1.80%
		GBP	HPI y/y	0.90%	0.60%
		GBP	PPI Output m/m	0.30%	0.30%
	15:30	CAD	Core Retail Sales m/m	0.80%	0.60%
		CAD	Retail Sales m/m	0.80%	0.80%
	17:00	USD	FOMC Member Williams Speaks		
	21:00	USD	FOMC Meeting Minutes		
May-23	02:00	AUD	Flash Manufacturing PMI		50.9
		AUD	Flash Services PMI		50.1
	03:30	JPY	Flash Manufacturing PMI	50.5	50.2
	09:00	EUR	German Final GDP q/q	0.40%	0.40%
	10:15	EUR	French Flash Services PMI	50.7	50.5
		EUR	French Flash Manufacturing PMI	50.1	50
	10:30	EUR	German Flash Manufacturing PMI	44.9	44.4
		EUR	German Flash Services PMI	55.2	55.7
	11:00	EUR	Flash Manufacturing PMI	48.2	47.9

		EUR	Flash Services PMI	53	52.8
		EUR	German Ifo Business Climate	99.2	99.2
		EUR	ECB Financial Stability Review		
	Day 1	EUR	European Parliamentary Elections		
	14:30	EUR	ECB Monetary Policy Meeting Accounts		
	15:30	CAD	Wholesale Sales m/m	0.40%	0.30%
		USD	Unemployment Claims		212K
	16:45	USD	Flash Manufacturing PMI	53	52.6
		USD	Flash Services PMI	53.6	53
	17:00	USD	New Home Sales	678K	692K
May-24	01:45	NZD	Trade Balance		922M
	02:30	JPY	National Core CPI y/y		0.80%
	07:30	JPY	All Industries Activity m/m		-0.20%
	11:30	GBP	Retail Sales m/m		1.10%
	13:00	GBP	CBI Realized Sales		13
	Day 2	EUR	European Parliamentary Elections		
	15:30	CAD	Corporate Profits q/q		-3.90%
		USD	Core Durable Goods Orders m/m		0.40%
		USD	Durable Goods Orders m/m		2.70%
	16:00	EUR	Belgian NBB Business Climate		-3.2

TECHNICAL TRADING IDEA OF THE WEEK

Gold prices continued to trade mixed. After briefly testing the highs of 1300, gold prices extended declines by Friday's close, potentially suggesting that the bearish momentum was back in the picture. This comes as gold closed below the 1285 handle on Friday and could possibly resume the original bearish trend in the coming weeks.



The failure to capitalize on the gains saw gold prices retreating last week. Given the fact that gold closed below the 1285 handle, we expect the declines to potentially push price lower in the coming weeks.

This would validate the downside bias as gold will likely continue to

trend lower to test the 1240 – 1250 level of support. In the near term, the next lower target is seen at the 1270.35 region. A close below this previous low will confirm the downside bias.

Look for any short term rebound in prices that could retest the 1285 handle for resistance. A reversal at this level could indicate a potential move lower as a result.