



Weekly Market Bulletin

Week 23 | 2019

DISCLAIMER

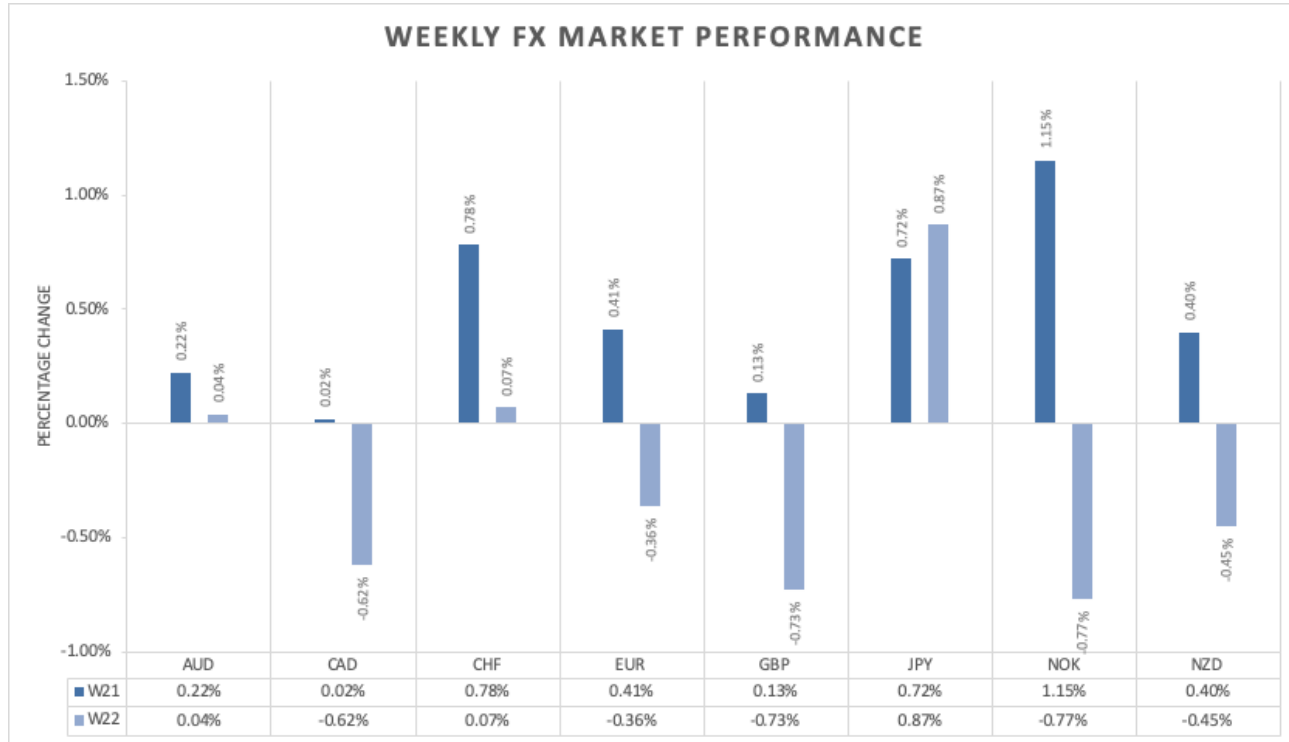
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WEEKLY CURRENCY MARKET PERFORMANCE – W22

Key points



- The markets moved into a risk off mode as safe haven assets including gold, JPY and CHF emerged as the top performing assets.
- The Japanese yen gained 0.87%, followed by the Swiss franc which grew a modest 0.07% on the week.
- Weak crude oil prices dragged the oil dependent currencies

such as the CAD and the NOK. As WTI crude oil fell over 9.5%, the NOK was down 0.77% and the CAD was down 0.62% on the week.

- The EUR currency was muted for the most part but posted weekly declines of 0.36%. Economic data from the Eurozone was relatively sparse.
- The British pound was down 0.73% on the week. This came as the British PM May announced her resignation leaving the door open to a new PM. Brexit continues to dominate the Sterling which remained weak.

MARKET HIGHLIGHTS – WEEK 22

- **Bank of Canada held its monetary policy meeting last week on Wednesday.** As widely expected, the central bank left interest rates unchanged at 1.75% at its meeting, marking a sixth consecutive month of making no changes to the central bank's rates. The no change suggests the BoC's view on the current economic conditions in Canada. In its assessment, BoC said that consumer spending and exports were improving during the second half of the quarter boosted by strong job figures. However, businesses remained weak during the past two quarters but expect this to shift.
- **U.S. Q1 GDP report was seen to be revised slightly lower from the initial estimates.** Official data showed that the gross domestic product grew at a pace of 3.1% in the first three months of the year. This was slightly slower compared to the 3.2% increase reported initially. The downside revision came after adjustments to the non-residential fixed investments and a decline in private inventory. Meanwhile, U.S. imports data was revised higher. Consumer spending was still seen to be slow, gaining just 1.3% in the first quarter compared to a 2.5% increase in the third quarter of last year.
- **Germany's jobless rate increased for the first time since November 2013.** Data from the Federal Employment Agency released over the week showed that Germany's jobless rate rose by 60,000 on the month. This was in contrast to the forecasts which expected to a decline of 7,000. Germany's unemployment rate on a seasonally adjusted basis climbed to 5% in May
- **Global trade tensions continue to build uncertainty in the markets.** Following the break down in talks with China, the U.S. turned its attention to Huawei. This put Beijing on a collision course with the Washington administration. However, on Thursday, Trump surprised by announcing a 5% hike in tariffs on imports from Mexico. The new tariffs would be effective from June 10th and would be increase to 25% by October 1st if Mexico does not handle the illegal immigration crisis.
- **China's manufacturing PMI contracted in the month of May.** Data from the National Bureau of Statistics showed that manufacturing activity fell to 49.9 from 50.1 in April. Meanwhile, non-manufacturing activity was seen holding steady at 54.3, unchanged from the previous month.

ECONOMIC EVENTS – THE WEEK AHEAD

- **A busy week for the Australian dollar, the line up of events over the week includes the RBA's monetary policy decision followed by the first quarter GDP report.** Expectations show that the Reserve Bank of Australia may cut interest rates by a quarter basis point. This would bring the RBA's rate to 1.25% from 1.50% currently. The markets were expecting the RBA to cut rates last month, but the central bank officials managed to bide some time. The quarter GDP report will also be weighing on officials, but the report is due to come out later in the week.
- **The European Central Bank will be holding its monetary policy meeting this week.** No changes are expected from the ECB but officials are likely to send a cautionary message to the markets. Amid the build up of uncertainty and the recent surprise tariff hikes against Mexico, the ECB officials are expected to maintain a cautious tone. Germany was also under Trump's radar for a potential increase in the tariffs on automobile imports from Europe's largest economy.
- **Economic data from the United States this week will cover the monthly jobs report and the ISM's manufacturing and non-manufacturing PMI data.** The data will shed light on the nation's economic performance during the month of May. Activity is expected to slow across both the manufacturing and non-manufacturing sectors in the U.S. Meanwhile, focus turns to Friday's jobs report. The U.S. unemployment rate is expected to hold steady at 3.2% while the payrolls are expected to add 190k jobs during the month.
- **Canada's monthly unemployment data will be closely watched by the BoC.** Forecasts show that Canada's unemployment rate may rise to 5.8% from 5.7% in April. The labor market has been one of the strong cornerstones in Canada's narrative. But a surprise decline in the jobs added and an uptick in the unemployment rate may keep the BoC to remain on the sidelines even further.

ECONOMIC CALENDAR – WEEK 23

Date	Time	Currency	Event	Forecast	Previous
03-Jun	02:50	JPY	Capital Spending q/y	2.60%	5.70%
	03:30	JPY	Final Manufacturing PMI	49.7	49.6
	04:30	AUD	Company Operating Profits q/q	2.90%	0.80%
	04:45	CNY	Caixin Manufacturing PMI	50	50.2
		CHF	CPI m/m	0.30%	0.20%
	10:15	EUR	Spanish Manufacturing PMI	51.4	51.8
	10:30	CHF	Manufacturing PMI	49.1	48.5
	10:45	EUR	Italian Manufacturing PMI	48.5	49.1
	10:50	EUR	French Final Manufacturing PMI	50.6	50.6
	10:55	EUR	German Final Manufacturing PMI	44.3	44.3
	11:00	EUR	Final Manufacturing PMI	47.7	47.7
	11:30	GBP	Manufacturing PMI	52.5	53.1
	16:30	CAD	Manufacturing PMI		49.7
	16:45	USD	Final Manufacturing PMI	50.8	50.6
	17:00	USD	ISM Manufacturing PMI	53	52.8
		USD	Construction Spending m/m	0.50%	-0.90%
		USD	ISM Manufacturing Prices	51.5	50
04-Jun	01:45	NZD	Overseas Trade Index q/q	0.50%	-3.00%
	02:01	GBP	BRC Retail Sales Monitor y/y	0.90%	3.70%

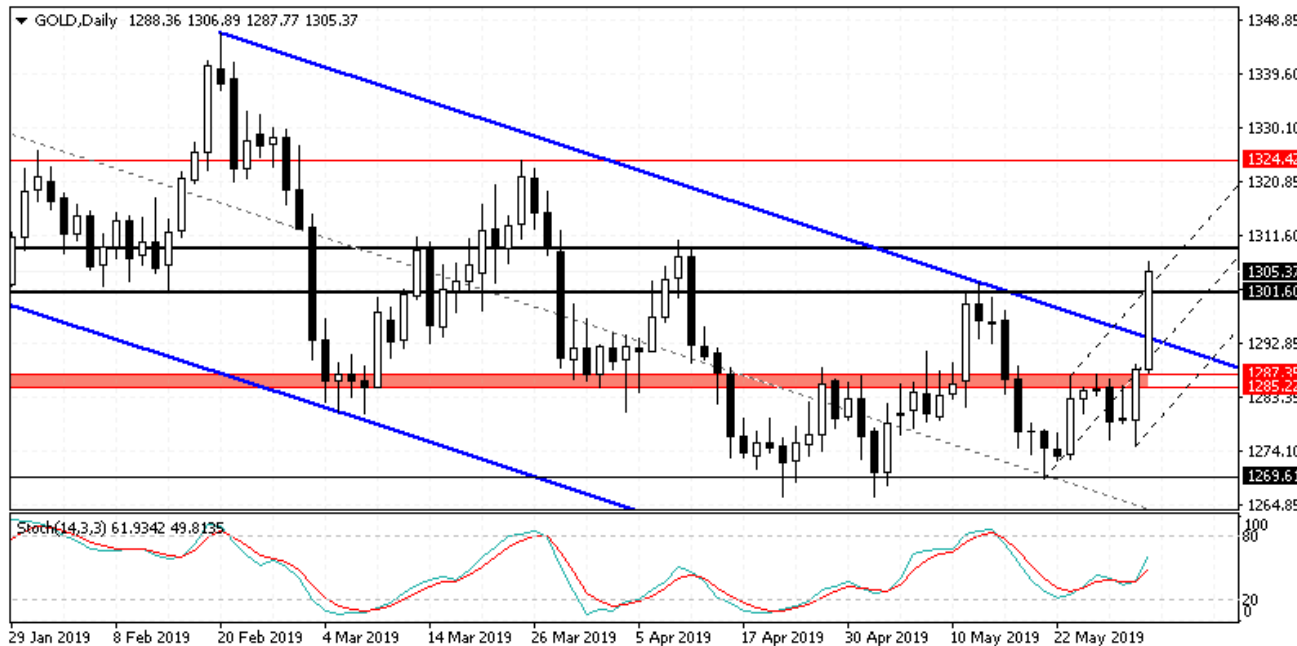
	02:50	JPY	Monetary Base y/y	3.20%	3.10%
	04:30	AUD	Retail Sales m/m	0.20%	0.30%
		AUD	Current Account	-2.9B	-7.2B
	06:35	JPY	10-y Bond Auction		-0.06 4.4
	07:30	AUD	Cash Rate	1.25%	1.50%
		AUD	RBA Rate Statement		
	10:00	EUR	Spanish Unemployment Change	-67.0K	-91.5K
	11:00	EUR	Italian Monthly Unemployment Rate	10.30%	10.20%
	11:30	GBP	Construction PMI	50.6	50.5
	12:00	EUR	CPI Flash Estimate y/y	1.40%	1.70%
		EUR	Core CPI Flash Estimate y/y	1.00%	1.30%
		EUR	Unemployment Rate	7.70%	7.70%
	17:00	USD	Factory Orders m/m	-1.00%	1.90%
	Tentative	NZD	GDT Price Index		-1.20%
5-June	04:30	AUD	GDP q/q	0.40%	0.20%
	04:45	CNY	Caixin Services PMI	54.3	54.5
	10:15	EUR	Spanish Services PMI	52.5	53.1
	10:45	EUR	Italian Services PMI	49.9	50.4
	10:50	EUR	French Final Services PMI	51.7	51.7
	10:55	EUR	German Final Services PMI	55	55
	11:00	EUR	Final Services PMI	52.5	52.5
	11:30	GBP	Services PMI	50.6	50.4
	12:00	EUR	PPI m/m	0.40%	-0.10%

		EUR	Retail Sales m/m	-0.50%	0.00%
	15:15	USD	ADP Non-Farm Employment Change	185K	275K
	15:30	CAD	Labor Productivity q/q		-0.40%
	16:45	USD	Final Services PMI	50.9	50.9
	17:00	USD	ISM Non-Manufacturing PMI	55.6	55.5
06-Jun	04:00	NZD	ANZ Commodity Prices m/m		2.50%
	04:30	AUD	Trade Balance	5.05B	4.95B
	09:00	EUR	German Factory Orders m/m	0.10%	0.60%
	12:00	EUR	Final Employment Change q/q	0.30%	0.30%
		EUR	Revised GDP q/q	0.40%	0.40%
	14:30	USD	Challenger Job Cuts y/y		10.90%
	14:45	EUR	Monetary Policy Statement		
		EUR	Main Refinancing Rate	0.00%	0.00%
	15:30	CAD	Trade Balance		-3.2B
		EUR	ECB Press Conference		
		USD	Revised Nonfarm Productivity q/q	3.60%	3.60%
		USD	Revised Unit Labor Costs q/q	-0.90%	-0.90%
		USD	Trade Balance	-50.5B	-50.0B
		USD	Unemployment Claims	215K	215K
	17:00	CAD	Ivey PMI	56.2	55.9
07-Jun	01:30	AUD	AIG Construction Index		42.6
	02:30	JPY	Average Cash Earnings y/y	-0.70%	-1.30%
		JPY	Household Spending y/y	2.70%	2.10%

	04:30	AUD	Home Loans m/m	-0.20%	-2.50%
	08:00	JPY	Leading Indicators	96.10%	95.90%
	08:45	CHF	Unemployment Rate	2.40%	2.40%
	09:00	EUR	German Industrial Production m/m	-0.40%	0.50%
		EUR	German Trade Balance	18.7B	20.0B
	09:45	EUR	French Industrial Production m/m	0.30%	-0.90%
		EUR	French Trade Balance	-4.9B	-5.3B
	10:00	CHF	Foreign Currency Reserves		772B
	10:30	GBP	Halifax HPI m/m	-0.20%	1.10%
	11:00	EUR	Italian Retail Sales m/m	0.20%	-0.30%
	11:30	GBP	Consumer Inflation Expectations		3.20%
	15:30	CAD	Employment Change		106.5K
		CAD	Unemployment Rate		5.70%
		CAD	Capacity Utilization Rate		81.70%
		USD	Average Hourly Earnings m/m	0.30%	0.20%
		USD	Non-Farm Employment Change	180K	263K
		USD	Unemployment Rate	3.60%	3.60%
	17:00	USD	Final Wholesale Inventories m/m	0.70%	0.70%
	22:00	USD	Consumer Credit m/m	11.5B	10.3B

TECHNICAL TRADING IDEA OF THE WEEK

Gold prices were volatile last week as price surged strongly over the week. The gains came amid heightened market volatility due to the uncertainty of the Trump trade wars. As a result, gold prices reversed declines and managed to close bullish for the second consecutive week. This potentially impacts the possible upside bias building up.



While it is too early to tell if the direction in gold has changed, watch how price reacts to the 1287 – 1285 level. This level has held up as resistance previously. Therefore, a decline back to this level could potentially see support taking shape.

If support is

established at the 1287 – 1285 handle, then we can expect to see further gains in store. But in the near term, gold prices will likely remain caught within the range of 1300 resistance as 1285 support. A breakout above the 1300 is required, on a weekly basis in order to confirm the upside in price.

Above the 1300 level, the next main target could be 1324.50.