



Weekly Market Bulletin

Week 24 | 2019

DISCLAIMER

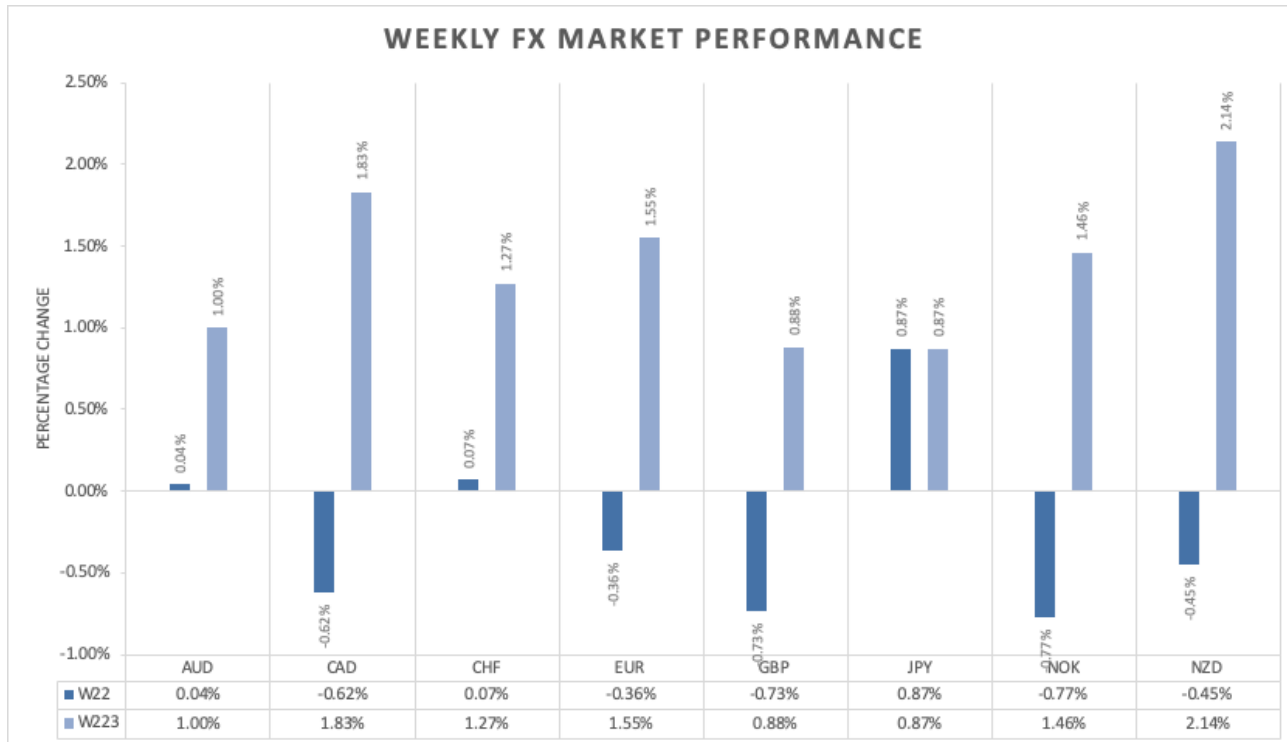
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WEEKLY CURRENCY MARKET PERFORMANCE – W23

Key points



- The USD was one of the weakest currencies last week only next to the Japanese yen.
 - The CAD and the NOK were two currencies that outperformed the rest. The CAD gained 1.83% on the week, while the NOK gained 2.14%.
 - The Australian dollar gained 1.0% on the week. The gains came despite the RBA

cutting interest rates. Most of the gains in the AUD were a result of the weakness in the USD.

- The EUR currency gained 1.55% on the week. The gains came as the ECB maintained its dovish rhetoric, but the common currency gained ground as the dollar slumped.
- The GBP closed the week with gains of 0.88%. This was one of the weakest currencies last week among those that posted gains.

MARKET HIGHLIGHTS – WEEK 23

- **Manufacturing activity in the U.S. was seen slowing further in the month of May.** Data from the Institute of Supply Management showed that manufacturing index fell to 52.1 in May. This was down from April's reading of 52.8. The decline in manufacturing activity was the lowest since October 2016. The ISM's report said that supplier deliveries fell to 52.0 from 54.6 previously while inventories fell to 50.9 from 52.9 previously. The ISM's new orders rose to 52.7 from 51.7 previously. In a separate report, construction spending data remained flat for April. This was below the estimates of a 0.5% increase that was forecasted.
- **The Reserve Bank of Australia cut interest rates by 25 basis points last week.** The cut in the interest rates was widely anticipated. The markets expect to see two more rate cuts by the end of the year. The rate cut comes as the RBA is expected to give inflation a push. Consumer prices in Australia have remained stubbornly low while wages and the labor markets have been somewhat subdued. Last week's rate cut puts Australia's interest rates to new historic lows of 1.25%.
- **Eurozone inflation slipped to the lowest levels since March 2018 in May.** Data from Eurostat released last week showed that flash inflation estimates for the month of May saw the headline inflation rising just 1.2%. This was below the estimates of a 1.4% increase and down from 1.7% gains in April. Core inflation rate which excludes food and energy prices rose just 0.8%, missing estimates of a 1.0% increase and down from 1.2% previously. The declines in consumer prices were expected after the seasonal surge in April due to the Easter holidays start to fade.
- **The European Central Bank held its monetary policy meeting last week.** As widely expected, the ECB left monetary policy unchanged but tweaked its forward guidance. The central bank said that rates will remain at the current level at least until the middle of 2020. It also raised prospects of cutting interest rates if required.
- **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 British pound will see lots of economic data coming out including the industrial and manufacturing production reports.** Focus will briefly shift to the economic reports for the week. The UK's industrial production is forecast to rise 2.6% on the year, up from 1.3% from the month before. Manufacturing production is forecast to rise 1.3%, marking a slower pace of increase from 2.6% increase on the year from the month ago.
- **The Eurozone's Sentix investor confidence report is due out this week.** Economists forecast that investor confidence will ease to 1.4 from 5.3 a month ago. The decline in the investor confidence comes amid a lot of uncertainties in the Eurozone and the ECB's monetary policy. With recent trends showing that inflation has been muted and the threat of a potential trade war escalation with the Trump administration, investors are expected to remain cautious.
- **Investors will focus on the economic data from China this week which will see the import and export data coming out.** The data could give investors a glimpse into how the economy fared in light of the escalated tensions with Washington. Exports are forecast to rise 15.5% on the year ending May while imports are expected to rise 15.9% on the year. Trade balance with the United States is also expected to balloon to 140.5 billion, up from 93.57 billion previously.
- **Data from the U.S. this week will see the consumer and producer prices index data alongside retail sales.** Forecasts show that consumer prices will rise at a slower pace of 0.1% on the month in May. This marks a slower pace comparing to the 0.3% increase previously. Core CPI is expected to rise 2.1% on the year, unchanged from the previous month. Retail sales data due later in the week is expected to show an increase of 0.6%.

ECONOMIC CALENDAR – WEEK 24

Date	Time	Currency	Event	Forecast	Previous
10-Jun	02:50	JPY	Bank Lending y/y	2.40%	2.40%
		JPY	Current Account	1.44T	1.27T
		JPY	Final GDP Price Index y/y	0.20%	0.20%
		JPY	Final GDP q/q	0.60%	0.50%
	Tentative	CNY	Trade Balance	136B	94B
	Tentative	CNY	USD-Denominated Trade Balance	23.2B	13.8B
	08:00	JPY	Economy Watchers Sentiment	45.5	45.3
	11:00	EUR	Italian Industrial Production m/m	0.20%	-0.90%
	11:30	GBP	GDP m/m	-0.10%	-0.10%
		GBP	Manufacturing Production m/m	-1.10%	0.90%
		GBP	Construction Output m/m	0.60%	-1.90%
		GBP	Goods Trade Balance	-13.1B	-13.7B
		GBP	Index of Services 3m/3m	0.20%	0.30%
		GBP	Industrial Production m/m	-0.70%	0.70%
	15:15	CAD	Housing Starts	220K	235K
	15:30	CAD	Building Permits m/m	0.90%	2.10%
	17:00	USD	JOLTS Job Openings	7.50M	7.49M
11-Jun	01:45	NZD	Manufacturing Sales q/q		-0.50%
	02:50	JPY	M2 Money Stock y/y	2.60%	2.60%

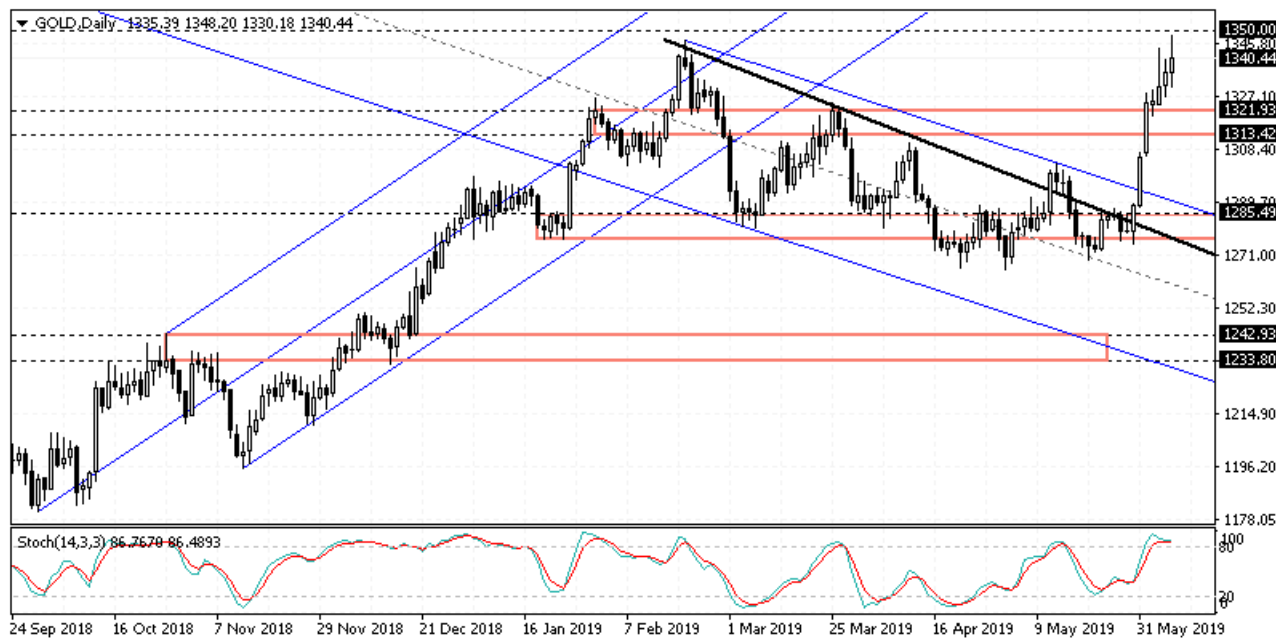
	09:00	JPY	Prelim Machine Tool Orders y/y		-33.40%
	11:30	EUR	Sentix Investor Confidence	2.3	5.3
		GBP	Average Earnings Index 3m/y	2.90%	3.20%
		GBP	Unemployment Rate	3.80%	3.80%
		GBP	Claimant Count Change	12.3K	24.7K
	13:00	USD	NFIB Small Business Index	102.3	103.5
	15:30	USD	Core PPI m/m	0.20%	0.10%
		USD	PPI m/m	0.10%	0.20%
	Tentative	USD	IBD/TIPP Economic Optimism	59.2	58.6
12-Jun	01:45	NZD	Visitor Arrivals m/m		2.50%
	02:50	JPY	Core Machinery Orders m/m	-0.80%	3.80%
		JPY	PPI y/y	0.70%	1.20%
	03:30	AUD	Westpac Consumer Sentiment		0.60%
	04:30	CNY	CPI y/y	2.70%	2.50%
		CNY	PPI y/y	0.60%	0.90%
	08:30	EUR	French Final Private Payrolls q/q	0.30%	0.30%
	15:30	USD	CPI m/m	0.10%	0.30%
		USD	Core CPI m/m	0.20%	0.10%
13-June	02:01	GBP	RICS House Price Balance	-21%	-23%
	02:50	JPY	BSI Manufacturing Index	4.5	-7.3
	04:30	AUD	Employment Change	16.0K	28.4K
		AUD	Unemployment Rate	5.10%	5.20%
	07:30	JPY	Tertiary Industry Activity m/m	0.40%	-0.40%

	09:00	EUR	German Final CPI m/m	0.20%	0.20%
	09:30	CHF	PPI m/m	0.10%	0.00%
	10:30	CHF	SNB Monetary Policy Assessment		
		CHF	Libor Rate	-0.75%	-0.75%
	11:00	CHF	SNB Press Conference		
		EUR	Italian Quarterly Unemployment Rate	10.40%	10.60%
	12:00	EUR	Industrial Production m/m	-0.40%	-0.30%
	Tentative	All	OPEC-JMMC Meetings		
	All Day	EUR	Eurogroup Meetings		
	15:30	CAD	NHPI m/m	0.10%	0.00%
		USD	Import Prices m/m	-0.30%	0.20%
		USD	Unemployment Claims	215K	218K
14-Jun	01:30	NZD	Business NZ Manufacturing Index		53
	01:45	NZD	FPI m/m		-0.10%
	05:00	CNY	Fixed Asset Investment ytd/y	6.10%	6.10%
		CNY	Industrial Production y/y	5.40%	5.40%
		CNY	Retail Sales y/y	8.00%	7.20%
		CNY	Unemployment Rate		5.00%
	07:30	JPY	Revised Industrial Production m/m	0.60%	0.60%
	09:45	EUR	French Final CPI m/m	0.20%	0.20%
	15:30	USD	Core Retail Sales m/m	0.50%	0.10%
		USD	Retail Sales m/m	0.70%	-0.20%
	16:15	USD	Capacity Utilization Rate	78.00%	77.90%

		USD	Industrial Production m/m	0.20%	-0.50%
	16:30	GBP	CB Leading Index m/m		-0.50%
	17:00	USD	Prelim UoM Consumer Sentiment	98.1	100
		USD	Business Inventories m/m	0.40%	0.00%
		USD	Prelim UoM Inflation Expectations		2.90%

TECHNICAL TRADING IDEA OF THE WEEK

Gold looks to have established the direction as price continued its ascent last week. Reaching to a four month high, gold prices remained stable as it broke past the 1300 handle. This now puts the bias to the upside with any declines in gold likely to attract new buyers into the market. The recent shift in monetary policy language from hawkish to dovish is also seen adding to the bullish sentiment in gold prices.



By Friday's close, gold prices were on track to close near the 1350 handle. This could potentially see further upside in the near term.

The lower support at the 1300 level followed by a dip to the 1280 region will be closely watched. A decline to this level

will potentially indicate further gains in the near term. As long as prices are held at the support level, the bias is quite bullish as the precious metal could be seen rising to highs of 1400 in the medium term outlook.

The current global uncertainty alongside the dovish central bank guidance will keep the bias in gold steady to the upside.