



Weekly Market Bulletin

Week 25 | 2019

DISCLAIMER

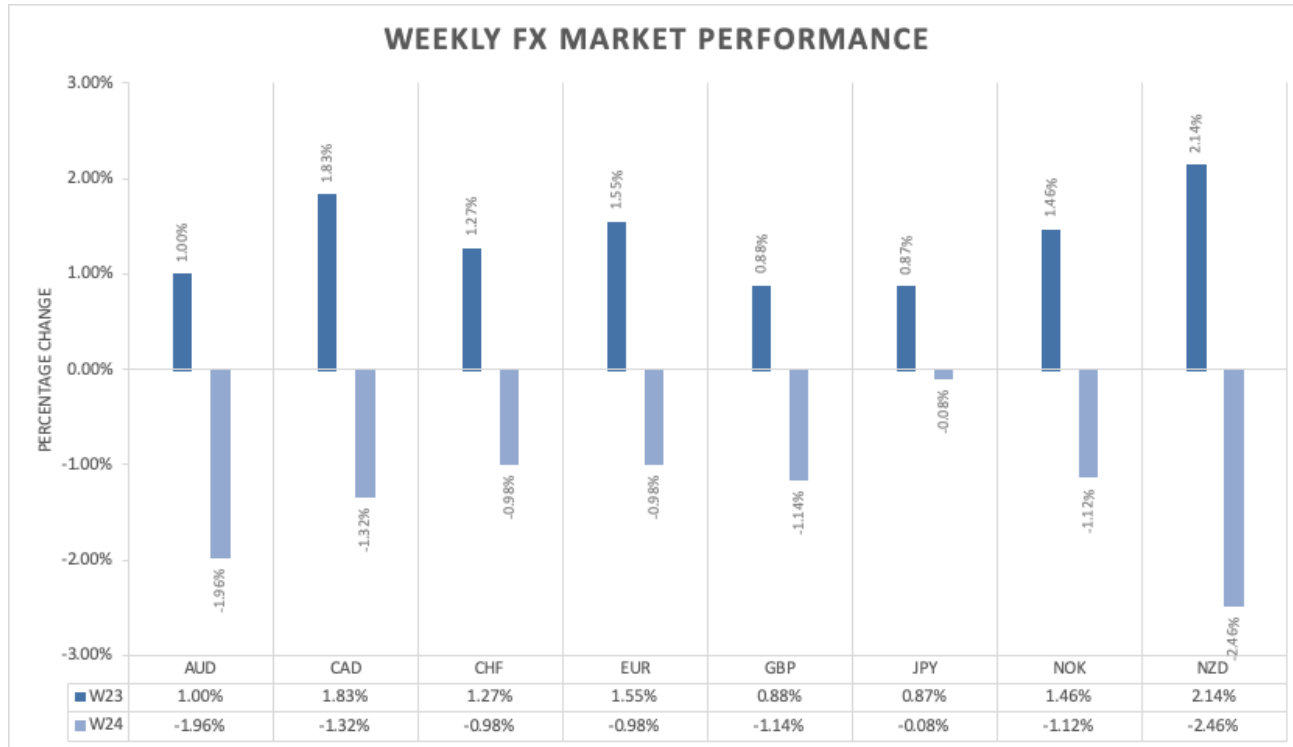
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WEEKLY CURRENCY MARKET PERFORMANCE – W24

Key points



- The USD reversed the declines from the week before as it emerged as the top performing currency last week.
- The NZD was the worst performing currency as it fell 2.46% on the week. This reversed the gains from the week before.

- The safe haven assets, JPY and the

CHF were also weaker. The JPY was better off, down just 0.08% but the CHF fell 0.98% on the week.

- The EUR was down 0.98%, giving up some of the gains logged from the week before. The declines came mostly on a weaker Euro currency.
- The oil currencies, CAD and the NOK also posted losses, led by weaker oil prices. CAD was down 1.32% on the week, while the NOK was down 1.12% on the week. The declines shaved off almost all the gains made from the week before.

MARKET HIGHLIGHTS – WEEK 24

- **Economic data from China saw the release of its monthly import and export data.** Data from the customs department showed that exports rose in the month of May while at the same time, imports fell. The increase in exports was attributed to companies front-loading the orders ahead of the tariffs. Exports grew at a pace of 1.1% on the year in May, beating estimates which expected a 3.9% decline. Exports to the U.S. however fell 4.2% from a year ago. As a result, the overall trade balance came out with a surplus of \$41.65 billion in May, beating forecasts of a \$22.3 billion.
- **Japan's first quarter GDP report showed that the economy grew at a pace of 2.2% on the year.** Rising on a seasonally adjusted basis of 0.6% on the quarter ending March, this pushed the annual GDP growth rate to 2.2%. This was an upward revision from 0.5% estimates given previously. Nominal GDP was measured at 0.8%, which remained unrevised from the previous estimates. Business spending was revised higher to show a 0.3% increase comparing to the initial estimates which saw a 0.3% decline. Private consumption fell 0.1% on the quarter and was unrevised from the initial estimates.
- **The UK's economy was seen contracting for the second consecutive month in April.** Data from the UK's Office of National Statistics showed that GDP fell 0.4% on the monthly basis after falling 0.1% in March. Economists forecast a 0.1% decline in April. In the three months ending April, UK's GDP expanded at a pace of just 0.3%, after rising 0.5% in the previous three months ending March. Widespread weakness across manufacturing sectors including weak industrial production data added to the bleak figures.
- **Australia's monthly unemployment data saw the unemployment rate holding steady at 5.2% in May.** However, it missed the estimates of a decline to 5.1%. The economy was seen adding 42,300 jobs during the month, beating estimates of an increase of 16,000. Full time employment grew 2,400 while part time employment rose by 39,800.
- **Consumer prices in the U.S. grew at a slower pace than expected.** Data for May saw headline and core CPI rising just 0.1% in May. This pushed the annual headline CPI to 1.8% from 2.0%. The declines came with energy prices falling over 6% during the month. The tame inflation is raising speculation of a Fed rate cut later this year.

ECONOMIC EVENTS – THE WEEK AHEAD

- **The week ahead will be marked by Wednesday’s FOMC meeting.** The Fed is expected to leave interest rates unchanged at 2.50% this week. However, the odds of a rate cut have increased slightly. Investors will be looking to the quarterly economic projections and the Fed’s dot plot. The central bank is expected to cut interest rates in September or in December this year. As a result, the economic projections will play a big role in shaping the expectations of investors. There will also be a press conference that will be held later on during the day.
- **The Bank of England will be holding its monetary policy meeting on Thursday this week.** According to the economists polled, the BoE is expected to leave interest rates unchanged. This comes amid slowing inflation and a possibility that the UK’s economy could be slipping into a contraction. Preliminary data suggests two months contraction in the economy already. Given the uncertainty due to Brexit and the economic conditions, it is likely for the BoE officials to remain on the sidelines.
- **Flash manufacturing and services PMI data from the Eurozone will be key items to watch this week.** With the possibility that growth is starting to stagnate while inflation remains stubbornly low, investors will be watching the flash estimates from Markit. The data points to subdued conditions with no pick up in activity just as yet.
- **New Zealand will be releasing its first quarter GDP report on Thursday.** In the fourth quarter of last year, New Zealand’s economy grew at a pace of 0.6% on the quarter. This was a modest rebound following a slower pace of increase of 0.3% in the previous quarter. Economists expect that the first quarter GDP will rise 0.6%. The expectations come amid an increase in construction activity while the current account deficit is expected to remain unchanged at the current 3.7%. This will see New Zealand’s GDP rising at the same pace as the previous quarter.

ECONOMIC CALENDAR – WEEK 25

Date	Time	Currency	Detail	Forecast	Previous
17-Jun	02:01	GBP	Rightmove HPI m/m		0.90%
	15:30	CAD	Foreign Securities Purchases		-1.49B
		USD	Empire State Manufacturing Index	12.1	17.8
	17:00	USD	NAHB Housing Market Index	67	66
18-Jun	00:00	NZD	Westpac Consumer Sentiment		103.8
	04:30	AUD	Monetary Policy Meeting Minutes		
		AUD	HPI q/q	-2.50%	-2.40%
	12:00	EUR	German ZEW Economic Sentiment	-5.7	-2.1
		EUR	Final CPI y/y	1.20%	1.20%
		EUR	Final Core CPI y/y	0.80%	0.80%
		EUR	Trade Balance	16.4B	17.9B
		EUR	ZEW Economic Sentiment	-3.6	-1.6
	15:30	CAD	Manufacturing Sales m/m	0.60%	2.10%
		USD	Building Permits	1.30M	1.29M
		USD	Housing Starts	1.24M	1.24M
	17:30	AUD	CB Leading Index m/m		0.30%
19-Jun	01:45	NZD	Current Account	0.16B	-3.26B
	02:50	JPY	Trade Balance	-0.80T	-0.11T
	09:00	EUR	German PPI m/m	0.20%	0.50%

	11:00	EUR	Current Account	23.2B	24.7B
		EUR	Italian Trade Balance	4.55B	4.63B
	11:30	GBP	CPI y/y	2.00%	2.10%
		GBP	PPI Input m/m	0.20%	1.10%
		GBP	Core CPI y/y	1.60%	1.80%
		GBP	HPI y/y	1.10%	1.40%
		GBP	PPI Output m/m	0.20%	0.30%
		GBP	RPI y/y	2.90%	3.00%
	15:30	CAD	CPI m/m	0.10%	0.40%
		CAD	Common CPI y/y	1.90%	1.80%
		CAD	Median CPI y/y	1.90%	1.90%
		CAD	Trimmed CPI y/y	2.00%	2.00%
		CAD	Core CPI m/m		0.00%
	16:00	CHF	SNB Quarterly Bulletin		
	21:00	USD	FOMC Economic Projections		
		USD	FOMC Statement		
		USD	Federal Funds Rate	<2.50%	<2.50%
	21:30	USD	FOMC Press Conference		
20-Jun	01:45	NZD	GDP q/q		0.60%
	04:30	AUD	RBA Bulletin		
	Tentative	JPY	Monetary Policy Statement		
	Tentative	JPY	BOJ Policy Rate	-0.10%	-0.10%
	07:30	JPY	All Industries Activity m/m	0.70%	-0.40%

	09:00	CHF	Trade Balance	2.87B	2.29B
	Tentative	JPY	BOJ Press Conference		
	11:00	EUR	ECB Economic Bulletin		
	11:30	GBP	Retail Sales m/m	-0.50%	0.00%
	Tentative	All	OPEC-JMMC Meetings		
	14:00	GBP	MPC Official Bank Rate Votes		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
	15:30	CAD	ADP Non-Farm Employment Change		61.7K
		USD	Philly Fed Manufacturing Index	10.6	16.6
		USD	Current Account	-125B	-134B
		USD	Unemployment Claims		222K
	17:00	EUR	Consumer Confidence	-7	-7
		USD	CB Leading Index m/m	0.10%	0.20%
21-Jun	02:00	AUD	Flash Manufacturing PMI		51
	02:30	JPY	National Core CPI y/y	0.70%	0.90%
	03:30	JPY	Flash Manufacturing PMI	50	49.8
	10:15	EUR	French Flash Services PMI	51.6	51.5
		EUR	French Flash Manufacturing PMI	51	50.6
	10:30	EUR	German Flash Manufacturing PMI	44.6	44.3
		EUR	German Flash Services PMI	55.3	55.4

	11:00	EUR	Flash Manufacturing PMI	48	47.7
		EUR	Flash Services PMI	53	52.9
	11:30	GBP	Public Sector Net Borrowing	3.3B	5.0B
	14:00	GBP	BOE Quarterly Bulletin		
	15:30	CAD	Core Retail Sales m/m	0.60%	1.70%
		CAD	Retail Sales m/m	0.30%	1.10%
	16:45	USD	Flash Manufacturing PMI	50.5	50.5
		USD	Flash Services PMI	51	50.9
	17:00	USD	Existing Home Sales	5.29M	5.19M

TECHNICAL TRADING IDEA OF THE WEEK

Gold prices continued their bullish run as price tested new 2019 highs by Friday's closed. Gold briefly tested highs of 1358 before closing lower on the day on a bearish note.



The large spike in gold prices comes amid the global uncertainty and the dovish central bank outlook. Friday's reversal is likely to see gold prices turn lower in the coming days.

With the support level established at the 1320 handle gold

could be looking to retest this level in the near term.

The main event for the week ahead will be the FOMC meeting. The central bank is expected to announce a rate cut later in the year. This will potentially keep the upside bias in gold steady. In the event that gold prices break down below the 1320 handle, then we expect the declines to push the price down to the 1285 handle where gold is likely to test support. To the upside, the continued bullish momentum keeps the price target on to the 1400 level in the near term.