



Weekly Market Bulletin

Week 26 | 2019

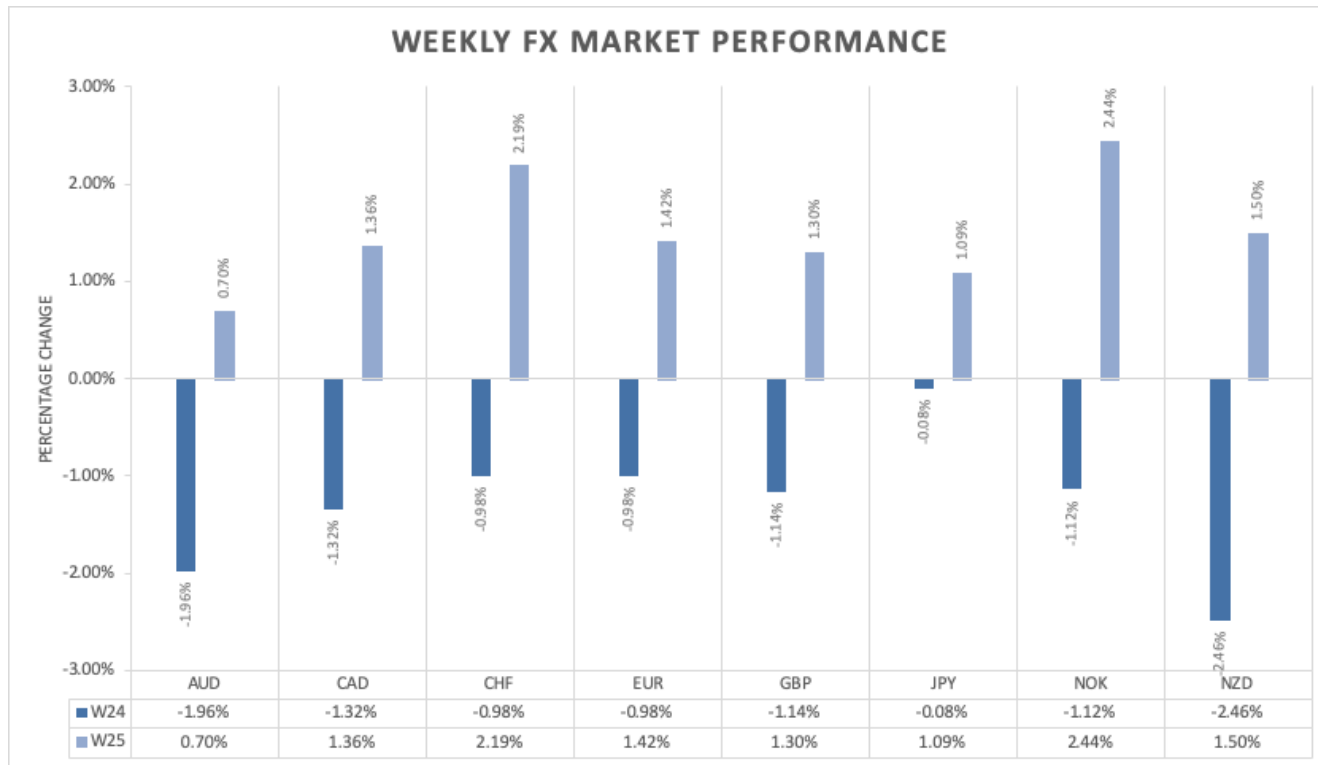
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WEEKLY CURRENCY MARKET PERFORMANCE – W25



Key points

- The USD continued to weaken for another week as it continued to remain the weakest currency for the second week in a row.
- Higher oil prices led to the NOK rising 2.44% alongside CAD which gained 1.36% on the week.
- Safe haven

currencies, the CHF and JPY rose 2.19% and 1.09% respectively over the week.

- The EUR reversed the previous week’s losses to rise 1.42% on the week. Most of the gains came due to the weaker USD.
- The GBP rose 1.30% on the week. This came as the BoE let interest rates unchanged. Meanwhile the AUD and NZD gained 0.70% and 1.50% respectively over the week.

MARKET HIGHLIGHTS – WEEK 25

- **The monthly manufacturing data from the New York Federal Reserve saw an unexpected decline.** Data for the month of June saw manufacturing activity in New York, falling 26.4 points to -8.6. This followed May's headline print of 17.8. A negative reading on the index indicates contraction in the economy, a sign of the growing softening patch for the U.S. economy. The general business conditions index recorded a negative reading for the first time in two years.
- **Germany's first quarter GDP was confirmed to have increased 0.4% during the first quarter ending March.** However, the German Bundesbank said that Europe's largest economy could contract in the second quarter of the year. Most of the gains in the first quarter GDP came from increased household consumption and spending, the very factors that could remain subdued in the second quarter of the year. The Bundesbank said that there were some temporary factors at play. Exports and imports remained weak during the first three months of the year, despite favorable weather conditions.
- **The meeting minutes from the Reserve Bank of Australia hinted at further rate cuts.** The RBA's minutes which covered the meeting held on June 4th indicates that there could be at least two more rate cuts this year. Investors expect the RBA to lower rates in July and August this year. The members said that the development in the labor market was particularly important. Earlier in June, the RBA cut rates by 25 basis points to bring the RBA's cash rate to 1.25%, marking a record low in interest rates.
- **ECB President Mario Draghi surprised the markets with his dovish comments.** Speaking at the ECB summit in Sintra, Portugal, Draghi hinted that the ECB could look at cutting rates or even restart the QE program as early as July. His comments came amid the Eurozone growth struggling and inflation staying low despite previous attempts at QE. The euro fell sharply on the news but recovered later in the week
- **The U.S. Federal Reserve held its monetary policy meeting on Wednesday.** The central bank left the Fed funds rate unchanged as widely expected. However, the central bank signaled that it was prepared to cut rates during the year. The Fed also released its economic projections as well as the dot plot, which interestingly signaled that rates would remain unchanged for the rest of the year.

ECONOMIC EVENTS – THE WEEK AHEAD

- **The quarterly GDP report from the UK will be coming out this week.** Economists note that the GDP for the UK will advance 0.5% in the first three months of the year. This marks an unchanged print from the previous estimates. However, there is scope for the GDP to decline from the initial estimates. Monthly GDP reports showed that the UK's economy contracted for two consecutive months. This could lead to a lower revision on the economic growth for the period.
- **The final revised GDP estimates from the United States will be coming out this week.** According to the economists polled, the first quarter GDP for the U.S. is expected to remain unchanged at 3.1%. This was a slight downward revision from 3.2% that was initially reported. The markets are going to look through the GDP report this week as the Fed has changed its stance to a dovish outlook.
- **The Reserve Bank of New Zealand will be holding its monetary policy meeting this week.** This marks the first policy meeting after the RBNZ cut rates by 25 basis points at its meeting in May. New Zealand's interest rates stands at 1.50%, marking a record low in the history of interest rates. With economic data still coming out, the RBNZ is likely to stand pat on policy at this week's meeting. The RBNZ is however likely to maintain a dovish forward guidance, noting that the current interest rates were appropriate for the economy.
- **Eurozone will be releasing the monthly flash estimates for June.** The data will give preliminary insights into how consumer prices fared during the month. Inflation has remained weak ever since the brief increase in April due to the seasonal effects. In May, both headline inflation and core inflation weakened sharply. This was a global trend that was seen as weaker fuel prices pushed inflation lower across various economies. For the ECB, the weak inflation is likely to raise some concerns among policy makers with years of QE failing to address price stability.

ECONOMIC CALENDAR – WEEK 26

Date	Time	Currency	Event	Forecast	Previous
24-Jun	02:30	AUD	RBA Gov Lowe Speaks		
	06:00	NZD	Credit Card Spending y/y		4.50%
	11:00	EUR	German Ifo Business Climate	97.4	97.9
	16:00	CNY	CB Leading Index m/m		0.80%
25-Jun	01:45	NZD	Trade Balance	200M	433M
	02:50	JPY	Monetary Policy Meeting Minutes		
		JPY	SPPI y/y	1.10%	0.90%
	08:00	JPY	BOJ Core CPI y/y	0.60%	0.70%
	10:05	AUD	RBA Assist Gov Bullock Speaks		
	13:00	GBP	CBI Realized Sales	0	-27
	All Day	All	OPEC Meetings		
	15:30	CAD	Wholesale Sales m/m		1.40%
	15:45	USD	FOMC Member Williams Speaks		
	16:00	USD	HPI m/m	0.20%	0.10%
		USD	S&P/CS Composite-20 HPI y/y	2.50%	2.70%
	17:00	USD	CB Consumer Confidence	132	134.1
		USD	Richmond Manufacturing Index	7	5
		USD	New Home Sales	686K	673K
	20:00	USD	Fed Chair Powell Speaks		

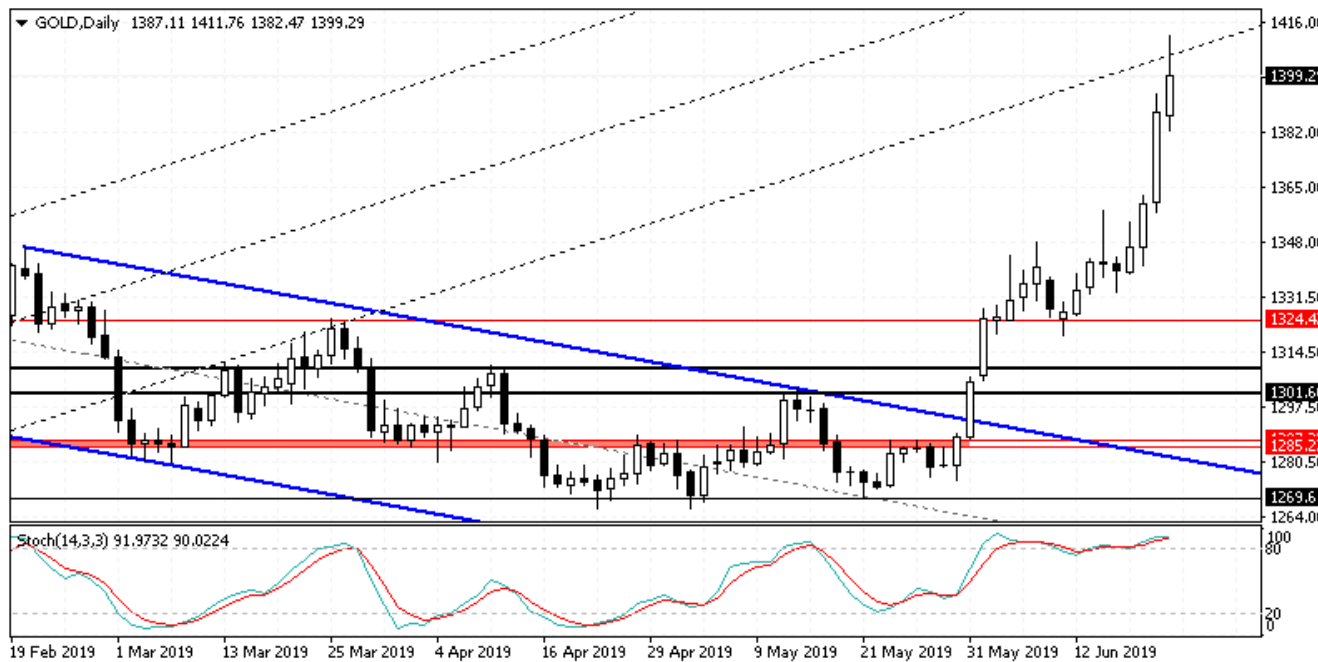
26-Jun	01:30	USD	FOMC Member Bullard Speaks		
	05:00	NZD	Official Cash Rate	1.50%	1.50%
		NZD	RBNZ Rate Statement		
	09:00	EUR	German GfK Consumer Climate	10	10.1
	11:00	CHF	Credit Suisse Economic Expectations		-14.3
	11:30	GBP	High Street Lending	43.2K	43.0K
	12:15	GBP	Inflation Report Hearings		
	15:30	USD	Core Durable Goods Orders m/m	0.10%	0.00%
		USD	Durable Goods Orders m/m	0.00%	-2.10%
		USD	Goods Trade Balance	-71.8B	-72.1B
		USD	Prelim Wholesale Inventories m/m	0.60%	0.80%
	17:30	USD	Crude Oil Inventories		-3.1M
27-Jun	02:50	JPY	Retail Sales y/y	1.20%	0.50%
	04:00	NZD	ANZ Business Confidence		-32
	27th-1st	GBP	Nationwide HPI m/m		
	10:00	EUR	Spanish Flash CPI y/y	0.80%	0.80%
	All Day	EUR	German Prelim CPI m/m	0.20%	0.20%
	Tentative	EUR	Italian 10-y Bond Auction		2.60 1.3
	15:30	USD	Final GDP q/q	3.10%	3.10%
		USD	Final GDP Price Index q/q	0.80%	0.80%
		USD	Unemployment Claims	220K	216K
	17:00	USD	Pending Home Sales m/m	1.10%	-1.50%
	17:30	USD	Natural Gas Storage		115B

	Tentative	USD	Bank Stress Test Results		
28-Jun	02:01	GBP	GfK Consumer Confidence	-11	-10
	02:30	JPY	Tokyo Core CPI y/y	1.00%	1.10%
		JPY	Unemployment Rate	2.40%	2.40%
	02:50	JPY	BOJ Summary of Opinions		
		JPY	Prelim Industrial Production m/m	0.70%	0.60%
	Day 1	All	G20 Meetings		
	04:30	AUD	Private Sector Credit m/m	0.20%	0.20%
	08:00	JPY	Housing Starts y/y	-4.20%	-5.70%
	09:00	EUR	German Import Prices m/m	-0.10%	0.30%
	09:45	EUR	French Consumer Spending m/m	0.20%	0.80%
		EUR	French Prelim CPI m/m	0.00%	0.10%
	10:00	CHF	KOF Economic Barometer	94.2	94.4
	11:30	GBP	Current Account	-32.0B	-23.7B
		GBP	Final GDP q/q	0.50%	0.50%
		GBP	Revised Business Investment q/q	0.50%	0.50%
	12:00	EUR	CPI Flash Estimate y/y	1.20%	1.20%
		EUR	Core CPI Flash Estimate y/y	1.00%	0.80%
		EUR	Italian Prelim CPI m/m	0.00%	0.00%
	15:30	CAD	GDP m/m	0.20%	0.50%
		CAD	RMPI m/m		5.60%
		CAD	IPPI m/m		0.80%
		USD	Core PCE Price Index m/m	0.20%	0.20%

		USD	Personal Spending m/m	0.50%	0.30%
		USD	Personal Income m/m	0.30%	0.50%
	16:45	USD	Chicago PMI	54	54.2
	17:00	USD	Revised UoM Consumer Sentiment	97.4	97.9

TECHNICAL TRADING IDEA OF THE WEEK

The precious metal was seen posting gains for the fifth consecutive week as price briefly tested highs of \$1400 an ounce before settling back modestly lower by Friday's close. The bullish gains in gold prices comes amid rising tensions between Washington and Tehran as well as the trade uncertainty between the U.S. and China.



The current gains in gold prices however signal that the rally may be overdone.

In the near term, we expect gold prices to recover back to test the 1320 level of support.

Price action could remain drifting near the current highs for

a while.

A major sentiment shift could only allow a move lower. There is potential for the precious metal to eventually test the \$1500 an ounce level. However, for this to occur, price action will need to find support at one of the lower price points. The main support to the downside is seen at the 1350 handle and the 1320 level.