



# Weekly Market Bulletin

Week 28 | 2019

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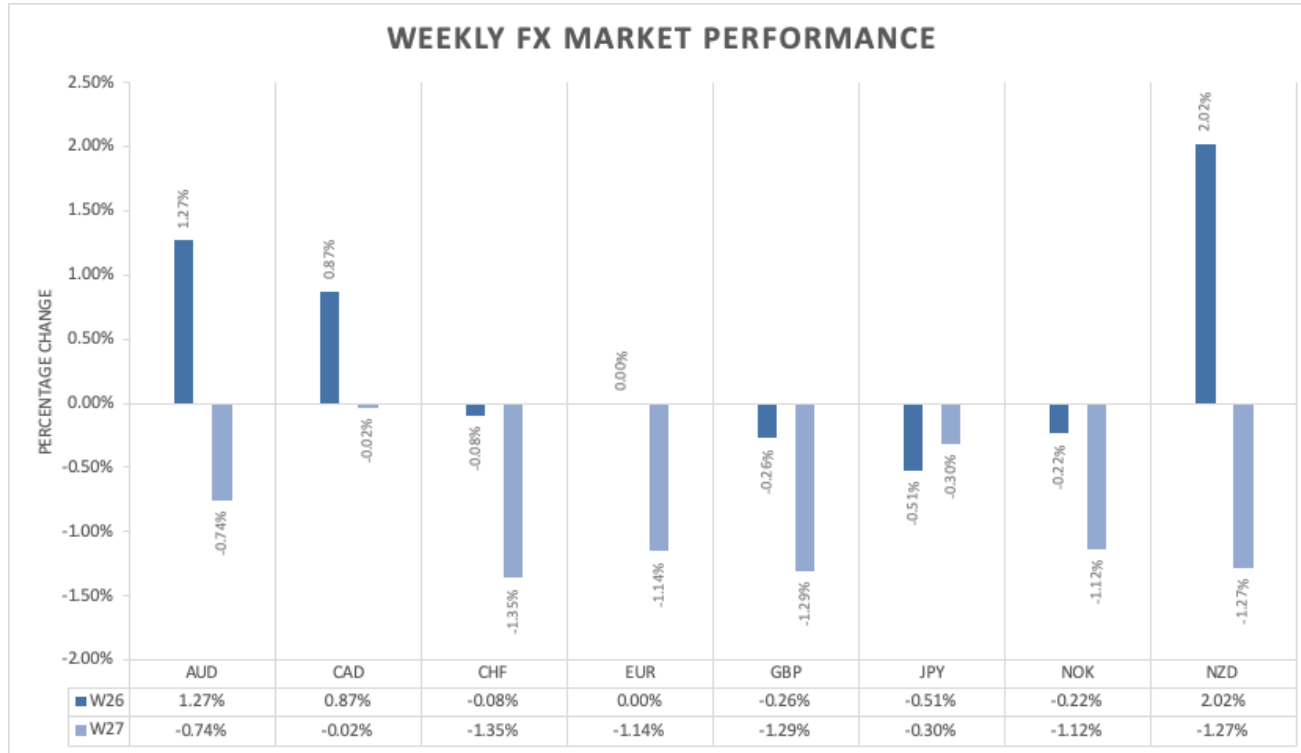
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# WEEKLY CURRENCY MARKET PERFORMANCE – W27

## Key points



- The USD emerged as the top performing currency last week. The dollar gained on the back of strong payrolls report.

- The biggest declines over the week were seen in the GBP currency which was down 1.29% on the week. This followed a modest 0.26% decline from

the week before.

- The EUR currency was seen once again giving up the gains. The EUR was down 1.14% on the week, mostly due to a stronger USD.
- Oil prices fell sharply over the week, pulling down the CAD and the NOK as a result. The CAD managed to fall 0.02% on the week while the NOK was down 1.12% on the week. Oil prices in general fell over 3% during the week.

## MARKET HIGHLIGHTS – WEEK 27

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- **Japan's large manufacturing firms' confidence slipped to a three-year low in the second quarter of the year.** The latest quarterly Tankan surveys showed that the sentiment dipped due to trade wars and weak global demand. The big manufacturing confidence index fell to +7 in the June quarter from +12 previously. Non-manufacturing sentiment however increased to +23 in the June quarter from +21 previously. The all industry composite sentiment fell to +10 in June from +12 in the previous quarter.
- **Manufacturing activity in China contracted for the first time in four months in June.** The data from IHS Markit showed that the declines were attributed due to the trade disputes. Caixin manufacturing PMI fell to 49.4 in June from 50.2 in May. A reading below 50 indicates contraction in the sector. The declines came due to the rising trade tensions which led to a decline in sales, export orders and also production. The data comes as last week, President Trump and Xi agreed not to impose further tariffs and to continue with the trade negotiations. The markets cheered the news with the equities jumping higher on Monday's open.
- **Manufacturing activity in the U.S. dropped to the lowest levels since October 2016.** The ISM's manufacturing PMI was registered at 51.7 in June. But it was better than the forecasts of 51.0. In May, manufacturing index was at 52.1. The slowdown in manufacturing was hit by new orders falling to 50.0 after posting 41 months of consecutive growth. The production index rose to 54.1, up from 51.3 in the month before.
- **The Reserve Bank of Australia cut the interest rates by 25 basis points.** The rate cut was widely anticipated. Australia's interest rates now stand at a historically low of just 1.0%. The RBA signaled that the rate cuts were appropriate for the current economic conditions. Investors are speculating that the RBA will lower rates once again later this year.
- **The U.S. economy was seen adding more jobs in June, posting a strong rebound after a disappointing two-month streak.** Data from the Bureau of Labor Statistics showed that employment surged by 224,000 jobs in June following a downward revised 72,000 jobs in May. The unemployment rate ticked higher to 3.7%. Average hourly earnings grew 0.2% which left the annual wages unchanged at 3.1%. There was also a significant increase in the labor force participation rate.

## ECONOMIC EVENTS – THE WEEK AHEAD

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- **A busy week in the UK will see key important reports coming out over the week.** Data includes the monthly GDP figures. In April, UK's GDP fell 0.4% on the month. It marked a second consecutive monthly decline in the UK's economic activity. The declines in the GDP was hit by a fall in car production. Besides the GDP figures for May, data will also cover the manufacturing and industrial production figures. Both these reports also came out mixed in the previous month.
- **Investors will be looking to the FOMC meeting minutes due to be released on Wednesday.** The meeting minutes cover the Fed's recently concluded meeting in early June. The Fed left interest rates unchanged but signaled that it was ready to cut rates if need be. The Fed also released its staff economic projections on growth and inflation as well as interest rates. The Fed's dot plot showed no changes to interest rates for the rest of this year. Investors will be looking to meeting minutes for further clues. Markets are anticipating at least one rate cut this year.
- **China will be releasing its inflation figures this week.** The data covers the month of June. In May, China's consumer prices were recorded at 2.7% on headline inflation on an annualized basis. Producer prices data will also be coming out. In May, China's PPI was recorded at 0.6% on the year. The data gains importance as investors ascertain the effect of the trade wars.
- **Bank of Canada will be the next central bank to kick off its monetary policy meeting. The BoC's interest rate decision is due on Wednesday.** No changes are expected from policy makers at this week's meeting. Canada's interest rates currently stand at 1.75%. But the recent uptick in the economic data has been positive. This could potentially lead to the BoC officials giving out a hawkish forward guidance. However, the BoC could opt to remain in a wait and watch mode for further evidence of growth and price increase.

## ECONOMIC CALENDAR – WEEK 28

Date	Time	Currency	Event	Forecast	Previous
8-Jul	02:50	JPY	Bank Lending y/y	2.60%	2.60%
		JPY	Core Machinery Orders m/m	-3.60%	5.20%
		JPY	Current Account	1.24T	1.60T
	03:30	JPY	BOJ Gov Kuroda Speaks		
	08:00	JPY	Economy Watchers Sentiment	43.9	44.1
	09:00	EUR	German Industrial Production m/m	0.40%	-1.90%
		EUR	German Trade Balance	16.8B	17.0B
	11:30	EUR	Sentix Investor Confidence	0.3	-3.3
	22:00	USD	Consumer Credit m/m	15.2B	17.5B
9-Jul	02:01	GBP	BRC Retail Sales Monitor y/y	-1.50%	-3.00%
	02:30	JPY	Average Cash Earnings y/y	-0.60%	-0.10%
	02:50	JPY	M2 Money Stock y/y	2.60%	2.70%
	04:30	AUD	NAB Business Confidence		7
	08:45	CHF	Unemployment Rate	2.40%	2.40%
	09:00	JPY	Prelim Machine Tool Orders y/y		-27.30%
	11:00	EUR	Italian Retail Sales m/m	0.20%	0.00%
	10th-14th	CNY	New Loans	1650B	1180B
	10th-14th	CNY	M2 Money Supply y/y	8.60%	8.50%
	13:00	USD	NFIB Small Business Index	103.2	105

	15:15	CAD	Housing Starts	209K	202K
	15:30	CAD	Building Permits m/m		14.70%
	15:45	USD	Fed Chair Powell Speaks		
	17:00	USD	JOLTS Job Openings	7.51M	7.45M
	Tentative	USD	IBD/TIPP Economic Optimism	54.1	53.2
	17:10	USD	FOMC Member Bullard Speaks		
	21:00	USD	FOMC Member Quarles Speaks		
10-Jul	02:50	JPY	PPI y/y	0.40%	0.70%
	03:30	AUD	Westpac Consumer Sentiment		-0.60%
	04:30	CNY	CPI y/y	2.70%	2.70%
		CNY	PPI y/y	0.30%	0.60%
	09:45	EUR	French Industrial Production m/m	0.30%	0.40%
	11:00	EUR	Italian Industrial Production m/m	0.10%	-0.70%
	11:30	GBP	GDP m/m	0.30%	-0.40%
		GBP	Manufacturing Production m/m	2.20%	-3.90%
		GBP	Construction Output m/m	0.40%	-0.40%
		GBP	Goods Trade Balance	-12.5B	-12.1B
		GBP	Index of Services 3m/3m	0.10%	0.20%
		GBP	Industrial Production m/m	1.60%	-2.70%
	17:00	CAD	BOC Monetary Policy Report		
		CAD	BOC Rate Statement		
		CAD	Overnight Rate	1.75%	1.75%
		USD	Fed Chair Powell Testifies		

		USD	Final Wholesale Inventories m/m	0.40%	0.40%
	17:15	CAD	BOC Press Conference		
	17:30	USD	Crude Oil Inventories		-1.1M
	20:10	GBP	MPC Member Tenreyro Speaks		
	20:30	USD	FOMC Member Bullard Speaks		
	21:00	USD	FOMC Meeting Minutes		
11-Jul	02:01	GBP	RICS House Price Balance	-12%	-10%
	04:30	AUD	Home Loans m/m	-0.60%	-1.20%
	07:30	JPY	Tertiary Industry Activity m/m	-0.10%	0.80%
	09:00	EUR	German Final CPI m/m	0.30%	0.30%
	09:45	EUR	French Final CPI m/m	0.20%	0.20%
	11th-17th	CNY	Foreign Direct Investment ytd/y		6.80%
	12:30	GBP	BOE Financial Stability Report		
		GBP	FPC Statement		
	All Day	EUR	Eurogroup Meetings		
	14:30	EUR	ECB Monetary Policy Meeting Accounts		
	15:30	CAD	NHPI m/m		0.00%
		USD	CPI m/m	0.00%	0.10%
		USD	Core CPI m/m	0.20%	0.10%
		USD	Unemployment Claims	220K	221K
	16:10	AUD	RBA Assist Gov Debelle Speaks		
	17:00	USD	Fed Chair Powell Testifies		
	17:30	USD	Natural Gas Storage		89B



	20:30	USD	FOMC Member Quarles Speaks		
	21:00	USD	Federal Budget Balance		-207.8B
12-Jul	Tentative	CNY	Trade Balance	276B	279B
	Tentative	CNY	USD-Denominated Trade Balance	45.2B	41.7B
	07:30	JPY	Revised Industrial Production m/m	2.30%	2.30%
	Tentative	EUR	German WPI m/m	0.20%	0.30%
	11:30	GBP	MPC Member Vlieghe Speaks		
	12:00	EUR	Industrial Production m/m	0.20%	-0.50%
	All Day	EUR	ECOFIN Meetings		
	15:30	USD	PPI m/m	0.10%	0.10%
		USD	Core PPI m/m	0.20%	0.20%
	16:30	GBP	CB Leading Index m/m		-0.20%

# TECHNICAL TRADING IDEA OF THE WEEK

Gold price closed the week on a flat note. This came following six consecutive weeks of gains in the precious metal. The declines in the gold prices just after testing a new six year high came after a stronger than expected U.S. jobs report. The U.S. economy was seen increasing the pace of hiring in June following two consecutive months of declines in the employment sector.



As a result, price action was seen caught within the range of 1423 and 1384.

This sideways range is expected to continue but the bias is starting to build to the downside.

The strong gains in gold prices came with little pullback. As a

result, we could expect to see gold prices taking a backstep following the strong weekly gains. Watch for the support level at 1384 which will be tested in the near term. A break down below this level will extend the declines down to the 1346 – 1340 levels of support.