



# Weekly Market Bulletin

Week 29 | 2019

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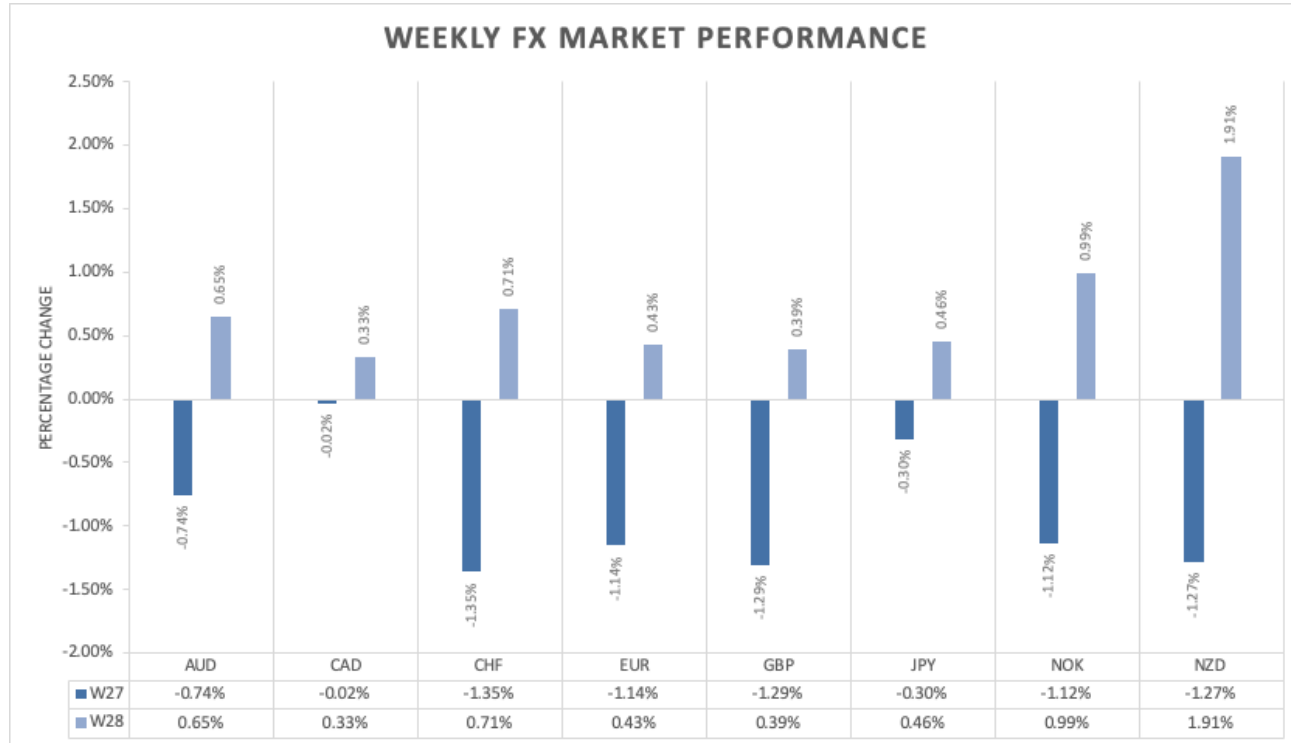
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# WEEKLY CURRENCY MARKET PERFORMANCE – W28

## Key points



- The USD reversed the gains from the prior week to emerge as the weakest currency last week.
- Highest oil prices over the week led to the NOK rising 0,99% while the CAD was up 0,33% on the week.
- The EUR managed to gain 0.43% on the week.

The gains were modest despite a weaker USD.

- The NZD was the top performing currency as it gained 1.91% on the week. This was followed by the AUD which rose 0.65%, erasing some of the gains from the week before.
- The market sentiment was in check with the yen rising 0.46% while the CHF rose 0.71% on the week. The gains in the safe haven currencies alongside a weaker USD saw some bearish market sentiment emerging over the week.

## MARKET HIGHLIGHTS – WEEK 28

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- **Germany's industrial production edged higher in May official data showed last week.** The gains came despite a significant slowdown on the construction output. Total industrial output that includes manufacturing, energy and construction rose 0.3% on the month in May. The increase was in line with the median estimates. The gains came after a week report in April. Construction output fell 2.4% on the month while manufacturing output rose 0.9%. On a year over year basis, industrial production was down 3.4%.
- **China's monthly inflation report showed no major changes.** Data released last week showed that consumer price index was steady at 2.7% on the year in June. On a monthly basis however, headline CPI fell 0.1%. This followed a flat reading in the month before. Producer price index was flat in June. PPI remained unchanged, missing estimates of a 0.3% increase and down from 0.6% in May. Investors have been closely watching the data out of China following the trade wars with the United States.
- **The UK's monthly GDP report showed a modest rebound in the economic growth.** Data from the UK's Office of National Statistics showed that the gross domestic product grew 0.3% on the in May. This followed two consecutive months of declines. The declines previously led to speculation that the UK's economy might head into a recession. In April, the GDP fell 0.4%. On a three month rolling period, UK's GDP growth slowed to just 0.3%. The gains in May were led by 1.4% increase in industrial production and manufacturing production respectively.
- **The Bank of Canada held its monetary policy meeting on Wednesday.** As widely expected, the central bank left interest rates unchanged at 1.75%. The BoC noted that trade tensions were having a material impact on the economic outlook. The central bank acknowledged that growth was returning but took a cautious stance on further rate hikes from a monetary policy perspective.
- **Fed's Powell gave his testimony to U.S. Congress last week.** As expected, the Fed President said that given the economic uncertainty, the Fed was prepared to cut interest rates. The markets rallied following his comments. Some FOMC members are already making the case for a 25bps rate cut at the July FOMC meeting. The FOMC meeting minutes were also released last week where the minutes revealed the plans for a rate cut during the remainder of this year.

## ECONOMIC EVENTS – THE WEEK AHEAD

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- **New Zealand will be reporting its quarterly inflation data this week.** Forecasts point to a 0.6% increase in inflation data during the quarter ending June. This would put New Zealand's annual inflation rate to 1.5% - 1.7%. The gains are expected following higher fuel prices during the quarter. Despite the gains, various measures of inflation are expected to remain unchanged during the quarter. Fuel prices were seen rising over 6% during the quarter which is expected to contribute to higher inflation during the period.
- **The U.S. retail sales will be the main focus for the markets this week.** Following mixed economic reports, investors will be closely scrutinizing the retail sales data. After retail sales grew for two consecutive months, expectations are for the retail sales to rise 0.3% on the headline, on a month over month basis. Core retail sales are forecast to rise 0.4% on the month. An upbeat retail sales report will potentially lower the odds of a Fed rate cut.
- **The Eurozone will be releasing the monthly inflation report for June.** Economists forecast that headline CPI might have increased 1.2% on the year ending June. This follows the flash inflation estimates. Core CPI is however expected to rise at a slower pace of just 0.8%. This follows the initial flash estimates which forecast that core inflation rate grew 1.1% on the year in June.
- **A busy week from the UK will see the inflation and jobs report coming out alongside the retail sales data.** The UK's unemployment rate is expected to hold steady at 3.8%. This follows an unchanged unemployment rate seen, the month before. Average hourly earnings including bonuses are expected to rise 3.0% on the year. Later in the week, the inflation data will be coming out. UK's inflation rate is forecast to rise 1.7%. This marks the same pace of increase the month before. On Friday, the retail sales report is expected to show a 2.7% increase on the year ending June.

## ECONOMIC CALENDAR – WEEK 29

Date	Time	Currency	Event	Forecast	Previous
	02:50	JPY	Bank Lending y/y	2.60%	2.60%
15-Jul	01:45	NZD	Visitor Arrivals m/m		-3.10%
	02:01	GBP	Rightmove HPI m/m		0.30%
	05:00	CNY	GDP q/y	6.20%	6.40%
		CNY	Fixed Asset Investment ytd/y	5.60%	5.60%
		CNY	Industrial Production y/y	5.20%	5.00%
		CNY	NBS Press Conference		
		CNY	Retail Sales y/y	8.50%	8.60%
		CNY	Unemployment Rate		5.00%
	09:30	CHF	PPI m/m	0.10%	0.00%
	15:30	USD	Empire State Manufacturing Index	1.6	-8.6
	15:50	USD	FOMC Member Williams Speaks		
16-Jul	01:45	NZD	CPI q/q	0.60%	0.10%
	04:30	AUD	Monetary Policy Meeting Minutes		
	11:00	EUR	Italian Trade Balance	2.91B	2.89B
	11:30	GBP	Average Earnings Index 3m/y	3.10%	3.10%
		GBP	Unemployment Rate	3.80%	3.80%
		GBP	Claimant Count Change	18.9K	23.2K
	12:00	EUR	German ZEW Economic Sentiment	-22.1	-21.1

		EUR	Trade Balance	16.4B	15.3B
		EUR	ZEW Economic Sentiment	-20.9	-20.2
	15:15	USD	FOMC Member Bowman Speaks		
	15:30	CAD	Foreign Securities Purchases		-12.80B
		USD	Core Retail Sales m/m	0.10%	0.50%
		USD	Retail Sales m/m	0.20%	0.50%
		USD	Import Prices m/m	-0.70%	-0.30%
	16:15	USD	Capacity Utilization Rate	78.20%	78.10%
		USD	Industrial Production m/m	0.10%	0.40%
	17:00	USD	Business Inventories m/m	0.40%	0.50%
		USD	NAHB Housing Market Index	64	64
	Tentative	NZD	GDT Price Index		-0.40%
	20:00	USD	Fed Chair Powell Speaks		
	22:30	USD	FOMC Member Evans Speaks		
	23:00	USD	TIC Long-Term Purchases	32.3B	46.9B
17-Jul	03:30	AUD	MI Leading Index m/m		-0.10%
	11:30	GBP	CPI y/y	2.00%	2.00%
		GBP	PPI Input m/m	-1.00%	0.00%
		GBP	Core CPI y/y	1.80%	1.70%
		GBP	HPI y/y	1.20%	1.40%
		GBP	PPI Output m/m	0.10%	0.30%
		GBP	RPI y/y	2.90%	3.00%
	12:00	EUR	Final CPI y/y	1.20%	1.20%

		EUR	Final Core CPI y/y	1.10%	1.10%
	15:30	CAD	CPI m/m	-0.30%	0.40%
		CAD	Common CPI y/y	1.80%	1.80%
		CAD	Manufacturing Sales m/m	1.60%	-0.60%
		CAD	Median CPI y/y	2.10%	2.10%
		CAD	Trimmed CPI y/y	2.20%	2.30%
		CAD	Core CPI m/m		0.40%
		USD	Building Permits	1.30M	1.29M
		USD	Housing Starts	1.26M	1.27M
18-Jul	02:50	JPY	Trade Balance	-0.14T	-0.61T
	04:30	AUD	Employment Change	9.1K	42.3K
		AUD	Unemployment Rate	5.20%	5.20%
	09:00	CHF	Trade Balance	3.21B	3.41B
	11:30	GBP	Retail Sales m/m	-0.30%	-0.50%
		GBP	BOE Credit Conditions Survey		
	15:30	CAD	ADP Non-Farm Employment Change		-16.0K
		USD	Philly Fed Manufacturing Index	5	0.3
		USD	Unemployment Claims	216K	209K
	17:00	USD	CB Leading Index m/m		0.00%
	21:15	USD	FOMC Member Williams Speaks		
19-Jul	02:30	JPY	National Core CPI y/y	0.60%	0.80%
	06:00	NZD	Credit Card Spending y/y		6.60%
	07:30	JPY	All Industries Activity m/m	0.30%	0.90%



	09:00	EUR	German PPI m/m	-0.10%	-0.10%
	11:00	EUR	Current Account	21.2B	20.9B
	11:30	GBP	Public Sector Net Borrowing	3.4B	4.5B
	15:30	CAD	Core Retail Sales m/m	0.30%	0.10%
		CAD	Retail Sales m/m	0.30%	0.10%
	17:00	USD	Prelim UoM Consumer Sentiment	98.6	98.2
		USD	Prelim UoM Inflation Expectations		2.70%
	18:05	USD	FOMC Member Bullard Speaks		
	23:30	USD	FOMC Member Rosengren Speaks		

# TECHNICAL TRADING IDEA OF THE WEEK

Gold prices have remained flat for the most part last week. While there were some initial gains following the dovish comments from the Fed President Jerome Powell, gold prices failed to make further gains. As a result, the price of the precious metal was confined within the range of 1423 and 1384. As long as this range is maintained, it is unlikely to expect further gains in the near term.



In the near term, this sideways range could see a possible breakout that could set the direction in the near term.

Given the strong gains logged by the precious metal earlier last month, it is unlikely to expect to see further gains coming.

As a result, we expect that the bias in gold prices is to the downside. The precious metal is likely to see an eventual correction to the support area of 1346 – 1340 region. Establishing support at this level will potentially see the precious metal posting a correction ahead of further gains to the long term uptrend.