



# Weekly Market Bulletin

Week 32 | 2019

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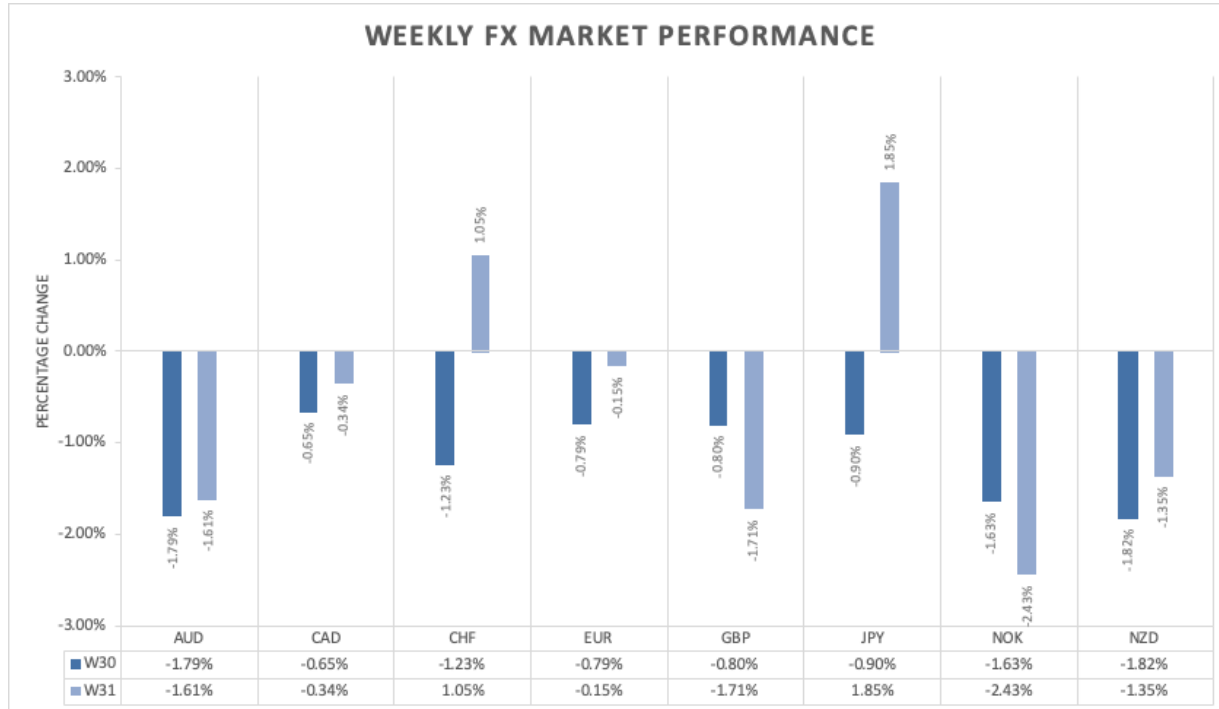
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# WEEKLY CURRENCY MARKET PERFORMANCE – W31

## Key points



- Safe haven currencies posted strong gains last week. This came despite the USD at one point turning stronger. The Japanese yen was up over 1.5% while the Swiss franc also rose by Friday’s close.
- The USD however managed to regain its foothold as it gained across most of the other currencies over the week. It was quite a wild ride for the USD on the week.

- Oil prices remained weak pulling the CAD and the NOK lower as a result. The currencies were down moderately lower in comparison to oil prices which fell over 1% during the week.
- The EUR managed to fare somewhat better. However, the common currency was down 0.15% on the week. The GBP on the other hand was down 1.70%. The declines in GBP was mostly due to Brexit headlines.
- The NZD fell 1.35% while the AUD was down 1.61% on the week. The coming week’s RBA and RBNZ meetings will likely keep the downside in the respective currencies.

## MARKET HIGHLIGHTS – WEEK 31

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- **The Bank of Japan held its monetary policy meeting on Monday.** The central bank left the monetary policy unchanged, but it cut the inflation forecasts. The BoJ's board voted 7 – 2 to keep interest rates at the current - 0.10%. The central bank said that it would continue purchasing the government bonds to keep the yield on the 10-year government bonds at or around zero percent. The central bank was optimistic that it would achieve the inflation target of 2.0%. But for 2019, Japan's inflation is forecast to rise to just one percent, while in 2020, inflation is expected to rise to 1.3%.
- **U.S. Consumer confidence rebounded sharply in July following a pullback the month before.** Data from the Conference Board showed that consumer confidence rose to 135.7 in July after falling to a revised 124.3 in June. Economists forecast that consumer confidence will rise to 125.0. The data showed that U.S. consumers were optimistic once again amid improvements seen in business conditions and also in the labor markets. Business owners said that business confidence will be improving in the months ahead. The expectations index for July is seen rising to 112.2.
- **Germany's inflation was seen rising to a three-month high in July, according to the flash estimates.** Official data showed that inflation rose to 1.7% in July on a yearly basis. This follows a 1.6% increase in June. Energy prices eased to 2.4% following a 2.5% increase while food prices grew 2.1% on the year in July.
- **The U.S. Federal Reserve bank held its monetary policy meeting on Wednesday.** As widely expected, the Fed cut interest rates by a quarter basis point. However, the markets were expecting the Fed to turn dovish with its forward guidance. Instead, Fed Chair Jerome Powell said that the rate cut was not the start of an easing cycle but merely a mid-cycle adjustment. This sent the major markets lower on the hawkish forward guidance from the Fed.
- **The flash estimates from the Eurozone for the second quarter GDP was released over the week.** Data showed that the Eurozone's GDP slowed by half in the three months ending June. GDP estimates for the second quarter came in at 0.2%. This was down from 0.4% increase seen in the first quarter. The slowdown in the Eurozone's GDP comes on the back of a modest increase in inflation. Headline CPI in the Eurozone rose 1.1% on the year ending July 2019.

## ECONOMIC EVENTS – THE WEEK AHEAD

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- **The Reserve Bank of New Zealand will be holding its monetary policy meeting this week.** Expectations point to a quarter basis point rate cut this week. The RBNZ last cut interest rates in May this year. Since then, it has maintained a strong easing bias. New Zealand's official cash rate stands at 1.50% currently. This is likely to come down to 1.25%. Further rate cuts are also expected in the course of the next few months. Besides the RBNZ's meeting, the quarterly jobs report data will also be coming out this week.
- **The Reserve Bank of Australia will be holding its monetary policy meeting over the week.** Unlike the RBNZ, the RBA is expected to keep rates on hold this week. Australia's interest rates were cut twice already this year. RBA's interest rates stand at 1.00%. The markets expect the RBA to cut interest rates one more time during the course of this year. It would bring RBA's rates to fresh historical lows.
- **The first week of August will see economic data that includes forward looking surveys from the Eurozone.** The data comes after just last week, the ECB signaled its intentions to restart the QE program in a few months' time. An uptick in the indexes of activity covering manufacturing and services will give insights into how the Eurozone's economy fared in the month of July.
- **A busy week is in store for Canada which will see various economic data including housing starts and building permits followed by the monthly jobs report on Friday.** The combined data over the week will provide glimpse into how Canada's economy is faring. Earlier in the week, the Ivey PMI data will also be coming out. This will shed light into how businesses fared in the month of July. In June, the Ivey PMI fell to a four-month low. Recent data from Canada showed that while growth was slowing, it was still resilient.

## ECONOMIC CALENDAR – WEEK 32

Date	Time	Currency	Event	Forecast	Previous	
05-Aug	01:30	AUD	AIG Services Index		52.2	
	04:00	AUD	MI Inflation Gauge m/m		0.00%	
		NZD	ANZ Commodity Prices m/m		-3.90%	
	04:45	CNY	Caixin Services PMI	52	52	
	08:45	CHF	SECO Consumer Climate	-8	-6	
	09:30	CHF	Retail Sales y/y	-0.60%	-1.70%	
	10:15	EUR	Spanish Services PMI	53.6	53.6	
	10:45	EUR	Italian Services PMI	50.6	50.5	
	10:50	EUR	French Final Services PMI	52.2	52.2	
	10:55	EUR	German Final Services PMI	55.4	55.4	
	11:00	EUR	Final Services PMI	53.3	53.3	
	11:30	EUR	Sentix Investor Confidence	-6.9	-5.8	
			GBP	Services PMI	50.4	50.2
	16:45	USD	Final Services PMI	52.2	52.2	
	17:00	USD	ISM Non-Manufacturing PMI	55.5	55.1	
	06-Aug	01:45	NZD	Employment Change q/q	0.30%	-0.20%
			NZD	Unemployment Rate	4.30%	4.20%
		NZD	Labor Cost Index q/q	0.70%	0.30%	
02:01		GBP	BRC Retail Sales Monitor y/y		-1.60%	

	02:30	JPY	Average Cash Earnings y/y	-0.80%	-0.50%
		JPY	Household Spending y/y	1.30%	4.00%
	04:30	AUD	ANZ Job Advertisements m/m		4.60%
		AUD	Trade Balance	6.05B	5.75B
	06:00	NZD	Inflation Expectations q/q		2.01%
	07:30	AUD	Cash Rate	1.00%	1.00%
		AUD	RBA Rate Statement		
	08:00	JPY	Leading Indicators	93.60%	94.90%
	09:00	EUR	German Factory Orders m/m	0.50%	-2.20%
	17:00	USD	JOLTS Job Openings	7.45M	7.32M
	Tentative	USD	IBD/TIPP Economic Optimism	54.6	56.6
	Tentative	NZD	GDT Price Index		2.70%
	19:00	USD	FOMC Member Bullard Speaks		
07-Aug	01:30	AUD	AIG Construction Index		43
	02:50	JPY	BOJ Summary of Opinions		
	04:30	AUD	Home Loans m/m	0.60%	0.00%
	05:00	NZD	Official Cash Rate	1.25%	1.50%
		NZD	RBNZ Monetary Policy Statement		
		NZD	RBNZ Rate Statement		
	06:00	NZD	RBNZ Press Conference		
	09:00	EUR	German Industrial Production m/m	-0.60%	0.30%
	09:45	EUR	French Trade Balance	-4.0B	-3.3B
	10:00	CHF	Foreign Currency Reserves		759B

	10:30	GBP	Halifax HPI m/m	0.30%	-0.30%
	17:00	CAD	Ivey PMI	52.7	52.4
	17:30	USD	Crude Oil Inventories		-8.5M
	22:00	USD	Consumer Credit m/m	17.0B	17.1B
08-Aug	00:30	AUD	RBA Assist Gov Bullock Speaks		
	02:01	GBP	RICS House Price Balance	-1%	-1%
	02:50	JPY	Bank Lending y/y	2.40%	2.30%
		JPY	Current Account	1.76T	1.31T
	Tentative	CNY	Trade Balance	310B	345B
	Tentative	CNY	USD-Denominated Trade Balance	44.2B	51.0B
	11:00	EUR	ECB Economic Bulletin		
	8th-14th	CNY	New Loans		1660B
	8th-14th	CNY	M2 Money Supply y/y	8.50%	8.50%
	15:30	CAD	NHPI m/m	0.10%	-0.10%
		USD	Unemployment Claims	217K	215K
	17:00	USD	Final Wholesale Inventories m/m	0.20%	0.20%
	17:30	USD	Natural Gas Storage		65B
09-Aug	01:45	NZD	Visitor Arrivals m/m		-0.20%
	02:30	AUD	RBA Gov Lowe Speaks		
	02:50	JPY	M2 Money Stock y/y	2.30%	2.30%
		JPY	Prelim GDP Price Index y/y	0.40%	0.10%
		JPY	Prelim GDP q/q	0.10%	0.60%
	04:30	AUD	RBA Monetary Policy Statement		



		CNY	CPI y/y	2.70%	2.70%
		CNY	PPI y/y	0.00%	0.00%
	08:00	JPY	Economy Watchers Sentiment		
	08:45	CHF	Unemployment Rate	2.30%	2.30%
	09:00	EUR	German Trade Balance	18.5B	18.7B
	09:45	EUR	French Industrial Production m/m	2.10%	2.10%
		EUR	French Prelim Private Payrolls q/q	0.30%	0.50%
	11:00	EUR	Italian Trade Balance	4.23B	5.35B
	11:30	GBP	GDP m/m	0.10%	0.30%
		GBP	Manufacturing Production m/m	-0.10%	1.40%
		GBP	Prelim GDP q/q	0.00%	0.50%
		GBP	Construction Output m/m	-0.30%	0.60%
		GBP	Goods Trade Balance		-11.5B
		GBP	Index of Services 3m/3m		0.30%
		GBP	Industrial Production m/m		1.40%
		GBP	Prelim Business Investment q/q		0.50%
	15:15	CAD	Housing Starts		246K
	15:30	CAD	Employment Change		-2.2K
		CAD	Unemployment Rate		5.50%
		CAD	Building Permits m/m		-13.00%
		USD	Core PPI m/m		0.30%
		USD	PPI m/m		0.10%

# TECHNICAL TRADING IDEA OF THE WEEK

Gold prices managed to close the week with strong gains. However, the week was defined by volatility as gold initially slipped to a two-week low only to recover from the lows. This came amid the Fed coming out less dovish than expected. The central bank signaled that while it cut interest rates, it wasn't the start of an easing cycle. This sent gold prices lower.



However, a day later, President Trump tweeted that he would be imposing a fresh 10% tariff on Chinese goods up to \$300 billion. This roiled the markets as investors rushed to the safety of safe haven assets.

As a result, gold prices reversed

losses and managed to close the week back near the highs. The bias remained mixed at the moment. But at the same time, Gold has been consolidating sharply near the highs of 1437. This could see an eventual breakdown to the 1383 level of support.