



# Weekly Market Bulletin

Week 33 | 2019

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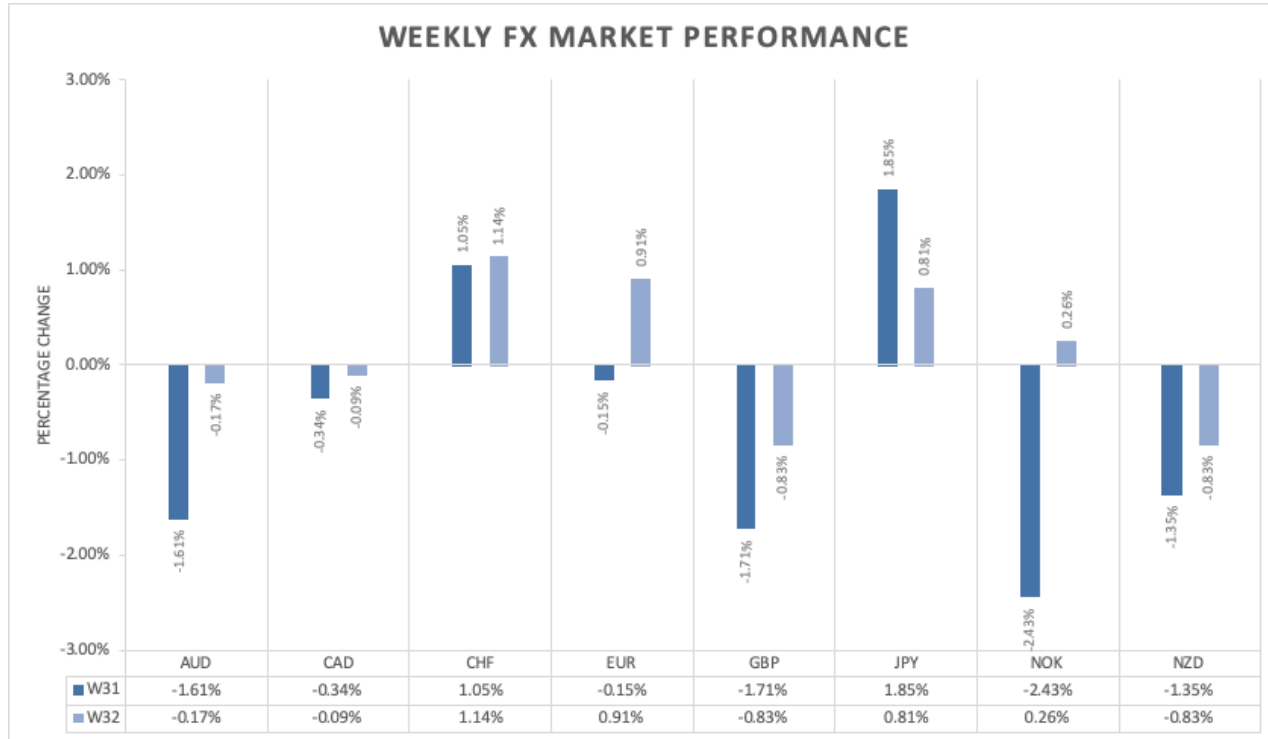
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# WEEKLY CURRENCY MARKET PERFORMANCE – W32

## Key points



- The safe haven currencies continued to gain for a second consecutive week. The Swiss franc, the Japanese yen and gold all surged higher on the week.
- But sentiment was somewhat mixed. The EUR managed to rise 0.81% against a weaker USD. This marked a modest gain after the currency fell

for the past two consecutive weeks.

- The British pound fell 0.83% on the week, extending declines for the third consecutive week. The GBP fell to new historic lows last week following the quarterly GDP in the UK contracting.
- The NZD was down 0,83%. This marks a third consecutive week of declines. The RBNZ cut the benchmark OCR by 50 basis points at its meeting last week, pushing the currency lower. The NZD managed to stabilize towards the end of the week.

## MARKET HIGHLIGHTS – WEEK 32

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- **Eurozone investor confidence fell to the lowest level since October 2014.** Data from the Sentix investor confidence showed that investor confidence fell sharply in August to -13.7. This was a sharp decline comparing to the -5.8 reading in July. The current situation index fell to -7.3 from 1.8 in the month before. The expectations index fell to -20 from -13 in the month before. This was the lowest level since August 2012. Meanwhile, Germany's sentiment index fell to -13.7 in August, compared to -4.8 in July. This was the lowest reading since October 2009.
- **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.
- **The Reserve bank of New Zealand held its monetary policy meeting last week.** The central bank cut the Official cash rate by 50 basis points in a bid to underpin growth and to revive inflation. New Zealand's interest rates now remain at 1.0%, marking a historic low. The rate cut last week comes on the back of the 25-basis point rate cut in May this year. The rate setting committee said that growth headwinds remained and that there was a risk of heightened trade uncertainty that could hit growth.
- **The Reserve Bank of Australia left the interest rates unchanged at its meeting last week.** The RBA's interest rates were lowered by a quarter basis point at each of the previous two month's monetary policy meetings. The back to back rate cut was the first since 2012. RBA officials said that they would continue to monitor the developments in the economy.
- **UK's economy fell into contraction for the first time, falling to the worst levels since 2012.** Data from the UK's Office for National Statistics (ONS) showed that the economy fell 0.2% on the quarter ending June 2019. The decline came as businesses held back on investments due to the Brexit uncertainty. The UK is due to leave the EU on October 31<sup>st</sup> with still no clear solution in sight.

## ECONOMIC EVENTS – THE WEEK AHEAD

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- **U.S. consumer price index report is one of the main items on the economic docket this week followed by the retail sales data.** The inflation report will be the first one out following the Fed's monetary policy decision to lower interest rates few weeks ago. Already, the core PCE data, which is the Fed's preferred gauge of inflation slipped below the Fed's 2.0% inflation target. Further deterioration in the conditions could push the Fed on a more dovish path. Retail sales data will provide a glimpse into how consumers were spending in the month of July.
- **Australia will be reporting on its monthly labor market data this week.** With the labor market being the sole strong point in the Australian economy, the jobs report will be closely watched. A decline in the unemployment rate or if the weakness in the job creation continues, we could expect the RBA to follow through with further rate cuts. The RBA is pinning hopes that the labor market will be able to lift consumer spending and thus inflation.
- **Inflation data from the UK will be the main event this week.** However, the data is likely to be sidelined by the ongoing Brexit negotiations. With the markets starting to price in a no-Brexit deal, the economic indicators will likely be brushed aside. Consumer prices in the UK have remained somewhat stable over the past few months. However, the recent declines in the sterling could give inflation a rise. But this is likely to be much more pronounced in the data for August.
- **Data from the Eurozone this week will see the second GDP estimates being released.** According to the preliminary GDP estimates, the Eurozone's second quarter growth slowed to just 0.2%. This is unlikely to change. The data was also weaker comparing to the first quarter GDP growth which saw a 0.4% increase. Germany will also be releasing its second estimates on the GDP data. A confirmed slowdown in the Eurozone economy will only strengthen the view that the ECB ended its QE program prematurely.

## ECONOMIC CALENDAR – WEEK 33

Date	Time	Currency	Event	Forecast	Previous
12-Aug	12th-14th	CNY	New Loans	1275B	1660B
	12th-14th	CNY	M2 Money Supply y/y	8.50%	8.50%
	21:00	USD	Federal Budget Balance	-120.0B	-8.5B
	23:00	AUD	RBA Assist Gov Kent Speaks		
13-Aug	01:45	NZD	FPI m/m		-0.70%
	02:50	JPY	PPI y/y	-0.50%	-0.10%
	04:30	AUD	NAB Business Confidence		2
	07:30	JPY	Tertiary Industry Activity m/m	-0.10%	-0.20%
	09:00	EUR	German Final CPI m/m	0.50%	0.50%
		EUR	German WPI m/m	0.20%	-0.50%
		JPY	Prelim Machine Tool Orders y/y		-37.90%
	11:30	GBP	Average Earnings Index 3m/y	3.70%	3.40%
		GBP	Claimant Count Change	42.0K	38.0K
		GBP	Unemployment Rate	3.80%	3.80%
	12:00	EUR	German ZEW Economic Sentiment	-27.8	-24.5
		EUR	ZEW Economic Sentiment	-21.7	-20.3
	13:00	USD	NFIB Small Business Index	104.9	103.3
	15:30	USD	CPI m/m	0.30%	0.10%
		USD	Core CPI m/m	0.20%	0.30%

	16:30	GBP	CB Leading Index m/m		-0.40%
14-Aug	02:50	JPY	Core Machinery Orders m/m	-1.00%	-7.80%
	03:30	AUD	Westpac Consumer Sentiment		-4.10%
	04:30	AUD	Wage Price Index q/q	0.50%	0.50%
	05:00	CNY	Fixed Asset Investment ytd/y	5.90%	5.80%
		CNY	Industrial Production y/y	6.00%	6.30%
		CNY	Retail Sales y/y	8.60%	9.80%
		CNY	Unemployment Rate		5.10%
	09:00	EUR	German Prelim GDP q/q	-0.10%	0.40%
	09:45	EUR	French Final CPI m/m	-0.20%	-0.20%
	10:30	AUD	RBA Assist Gov Debelle Speaks		
	11:30	GBP	CPI y/y	1.90%	2.00%
		GBP	PPI Input m/m	0.60%	-1.40%
		GBP	Core CPI y/y	1.80%	1.80%
		GBP	HPI y/y	1.00%	1.20%
		GBP	PPI Output m/m	0.10%	-0.10%
		GBP	RPI y/y	2.80%	2.90%
	12:00	EUR	Flash Employment Change q/q	0.30%	0.30%
		EUR	Flash GDP q/q	0.20%	0.20%
		EUR	Industrial Production m/m	-1.40%	0.90%
	15:30	USD	Import Prices m/m	0.00%	-0.90%
	14th-18th	USD	Mortgage Delinquencies		4.42%
	17:30	USD	Crude Oil Inventories		2.4M

15-Aug	02:00	AUD	RBA Assist Gov Debelle Speaks		
	04:00	AUD	MI Inflation Expectations		3.20%
	04:30	AUD	Employment Change	14.2K	0.5K
		AUD	Unemployment Rate	5.20%	5.20%
	07:30	JPY	Revised Industrial Production m/m	-3.60%	-3.60%
	09:30	CHF	PPI m/m	-0.20%	-0.50%
	11:30	GBP	Retail Sales m/m	-0.30%	1.00%
	15:30	CAD	ADP Non-Farm Employment Change		30.4K
		USD	Core Retail Sales m/m	0.40%	0.40%
		USD	Philly Fed Manufacturing Index	10.1	21.8
		USD	Retail Sales m/m	0.30%	0.40%
		USD	Empire State Manufacturing Index	2.1	4.3
		USD	Prelim Nonfarm Productivity q/q	1.40%	3.40%
		USD	Prelim Unit Labor Costs q/q	1.70%	-1.60%
		USD	Unemployment Claims	212K	209K
	16:15	USD	Capacity Utilization Rate	77.80%	77.90%
		USD	Industrial Production m/m	0.10%	0.00%
	17:00	USD	Business Inventories m/m	0.10%	0.30%
		USD	NAHB Housing Market Index	66	65
	17:30	USD	Natural Gas Storage		55B
	23:00	USD	TIC Long-Term Purchases		3.5B
16-Aug	01:30	NZD	Business NZ Manufacturing Index		51.3
	12:00	EUR	Trade Balance	18.7B	20.2B



	15:30	CAD	Foreign Securities Purchases		10.20B
		USD	Building Permits	1.27M	1.23M
		USD	Housing Starts	1.26M	1.25M
	17:00	USD	Prelim UoM Consumer Sentiment	97.2	98.4
		USD	Prelim UoM Inflation Expectations		2.60%

# TECHNICAL TRADING IDEA OF THE WEEK

Gold prices saw another strong week of gains. The precious metal managed to rise to a fresh six year high of 1500 an ounce, marking a new landmark. The gains in gold prices were a result of the market uncertainty due to the trade wars that escalated over the week. President Trump announced fresh tariffs on U.S. imports of Chinese goods as the talks broke down.



The uncertainty led investors to shed the risky assets, pushing the price of safe haven assets higher as a result.

Gold was of course one of those assets that posted strong gains over the week as a result.

The precious metal is likely to now post

a retracement following the gains. We expect the support level of 1446.50 will help to stall the declines in the near term. Unless support is established here, further gains cannot be sustained in the long term. A bearish close could see price action moving lower as a result..