



Weekly Market Bulletin

Week 36 | 2019

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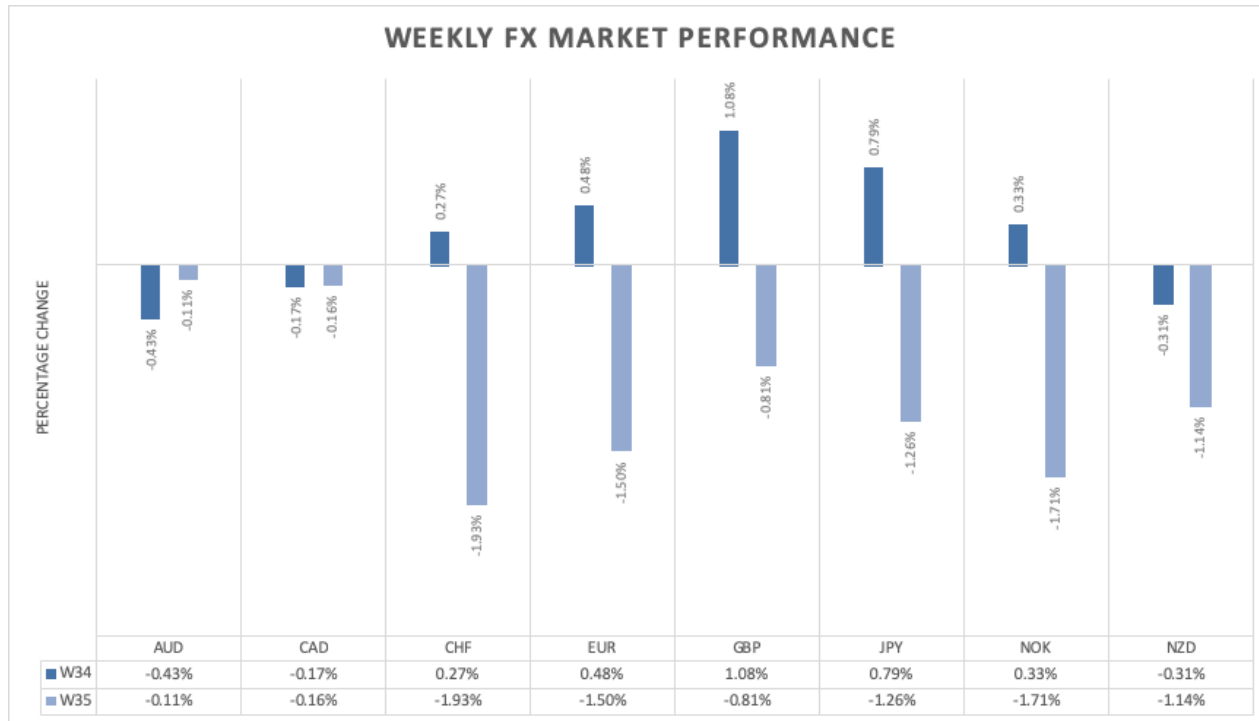
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WEEKLY CURRENCY MARKET PERFORMANCE – W35

Key points



- The USD managed to regain the top spot as the best performing currency last week. This came as trade tensions eased.

- The Swiss franc and the Japanese yen both fell 1.93% and 1.26% respectively. The declines came as the risk on sentiment prevailed.

- The euro currency was down 1.50% on the

week. The declines were due to weakening economic data which increases the prospects of the ECB re-launching its QE program.

- The GBP was down 0.81% on the week. The currency erased the gains from the week before. The declines came as the Queen agreed to PM Johnson’s plans of abolishing the Parliament in an effort to prevent the parliament from blocking a no-deal Brexit.

MARKET HIGHLIGHTS – WEEK 35

- **U.S. durable goods orders posted a strong rebound in July, in what seems to be a continued momentum in the sector.** The spike in the orders came amid a spike in the transportation equipment. Official data showed that headline durable goods orders rose 2.1% in July. This came following a 1.8% increase in June. The data was better than the forecasts of 1.1%. The stronger than expected data came as transportation orders rose 7% in July after rising 4.1% in the month before.
- **German Ifo business climate was seen to be the weakest since 2012.** This was the slowest amid escalating trade dispute and dampening outlook for manufacturing sector. The Ifo business climate fell to 94.3 in August following a revised 95.8. The index fell for the fifth consecutive month. The reading was the lowest since November 2012. The data continued to underline the fact that the German economy continues to head into a recession. The German economy was seen contracting 0.1% in the second quarter.
- **The German economy was confirmed to have contracted 0.1% in the second quarter of the year.** Second estimates of the quarterly GDP showed that the contraction was in line with the preliminary release. The GDP in the second quarter reversed the first quarter expansion of 0.4%. On a year over year basis, German GDP grew 0.4% in the three months ending June 2019. Fixed capital formation in machinery and equipment rose 0.6% while exports fell 1.3% on the quarter. Imports were down 0.3% during the same period.
- **The U.S. second quarter GDP figures released last week showed a modest downside revision.** The declines in the GDP saw the U.S. economy rising at a pace of 2.0% in the three months ending June 2019, compared to the 2.1% increase seen in the initial estimates. The downside revisions were broadly in line with the median forecasts. The revisions came due to downward revisions in government spending, exports and fixed investments.
- **The Eurozone inflation report for August showed that consumer prices held steady.** Official data showed that the flash inflation estimates rose 1.0% in August. This was the same pace of increase in the previous month. Headline inflation still remains off from the ECB's target inflation rate of 2.0%. The core inflation rate was at 0.9%, unchanged from the previous month. This was below estimates of a 1.0% increase. The data comes ahead of the ECB meeting due in two weeks' time.

ECONOMIC EVENTS – THE WEEK AHEAD

- **The Reserve Bank of Australia will be holding its monetary policy meeting this week.** According to the economists polled, the RBA will be keeping interest rates unchanged at 1.0%. The central bank was seen last cutting rates in June. This comes as last week the RBA signaled that further rates cuts would do little to help the Australian economy. It is therefore likely that the central bank will be holding rates steady until September at the very least. The comments come on the back of the Jackson Hole Symposium. The comments were made by RBA President Phillip Lowe.
- **The monthly payrolls report from the United States for the month of August is forecast to show a slower pace of job gains during the month.** The U.S. economy is forecast to add about 155k jobs in August. This marks a somewhat slower pace of jobs compared to 164k added in July. The monthly average hourly earnings are forecast to remain steady, rising at a pace of 0.3% on the month. This would keep the yearly average earnings on track near the 3% threshold.
- **The second quarter Eurozone GDP figures will be coming out over the week.** Economists forecast that the quarterly GDP growth will rise 0.4% in the three months ending June 2019. This marks a higher increase from 0.2% previously. On a year over year basis, the GDP for the Eurozone is expected to rise modestly from 1.1% previously to 1.2% in the June 2019 quarter.
- **The Bank of Canada will be holding its monetary policy meeting this week on Wednesday.** The BoC is expected to leave interest rates unchanged at 1.75%. This comes amid early signs of a pickup in the Canadian economy. Later in the week, on Friday Canada will be releasing its jobs report along with the Ivey PMI figures.

ECONOMIC CALENDAR – WEEK 36

Date	Time	Currency	Event	Forecast	Previous
02-Sep	01:45	NZD	Overseas Trade Index q/q	1.00%	1.00%
	02:50	JPY	Capital Spending q/y	1.80%	6.10%
	03:30	JPY	Final Manufacturing PMI	49.5	49.5
	04:30	AUD	Company Operating Profits q/q	2.10%	1.70%
	04:45	CNY	Caixin Manufacturing PMI	49.8	49.9
		CHF	Retail Sales y/y	0.90%	0.70%
	10:15	EUR	Spanish Manufacturing PMI	48.6	48.2
	10:30	CHF	Manufacturing PMI	45.6	44.7
	10:45	EUR	Italian Manufacturing PMI	48.6	48.5
	10:50	EUR	French Final Manufacturing PMI	51	51
	10:55	EUR	German Final Manufacturing PMI	43.6	43.6
	11:00	EUR	Final Manufacturing PMI	47	47
	11:30	GBP	Manufacturing PMI	48	48
03-Sep	02:50	JPY	Monetary Base y/y	2.90%	3.70%
	04:30	AUD	Retail Sales m/m	0.20%	0.40%
		AUD	Current Account	1.5B	-2.9B
	07:30	AUD	Cash Rate	1.00%	1.00%
		AUD	RBA Rate Statement		
	09:30	CHF	CPI m/m	-0.10%	-0.50%

	10:00	EUR	Spanish Unemployment Change	35.8K	-4.3K
	11:30	GBP	Construction PMI	46.7	45.3
	12:00	EUR	PPI m/m	0.30%	-0.60%
	16:30	CAD	Manufacturing PMI		50.2
	16:45	USD	Final Manufacturing PMI	50	49.9
	17:00	USD	ISM Manufacturing PMI	51.2	51.2
		USD	Construction Spending m/m	0.30%	-1.30%
		USD	ISM Manufacturing Prices	47.6	45.1
04-Sep	00:00	USD	FOMC Member Rosengren Speaks		
	01:30	AUD	AIG Services Index		43.9
	04:00	NZD	ANZ Commodity Prices m/m		-1.40%
	04:30	AUD	GDP q/q	0.50%	0.40%
	04:45	CNY	Caixin Services PMI	51.7	51.6
	10:15	EUR	Spanish Services PMI	53	52.9
	10:45	EUR	Italian Services PMI	51.5	51.7
	10:50	EUR	French Final Services PMI	53.3	53.3
	10:55	EUR	German Final Services PMI	54.4	54.4
	11:00	EUR	Final Services PMI	53.4	53.4
	11:30	GBP	Services PMI	51	51.4
	12:00	EUR	Retail Sales m/m	-0.60%	1.10%
	15:30	CAD	Trade Balance	0.2B	0.1B
		CAD	Labor Productivity q/q		0.30%
		USD	Trade Balance	-54.2B	-55.2B

	16:15	GBP	Inflation Report Hearings		
	16:25	USD	FOMC Member Williams Speaks		
	17:00	CAD	BOC Rate Statement		
		CAD	Overnight Rate	1.75%	1.75%
	All Day	USD	Wards Total Vehicle Sales		16.8M
	19:30	USD	FOMC Member Bowman Speaks		
		USD	FOMC Member Bullard Speaks		
	21:00	USD	Beige Book		
	22:15	USD	FOMC Member Evans Speaks		
05-Sep	04:30	AUD	Trade Balance	7.20B	8.04B
	08:45	CHF	GDP q/q	0.20%	0.60%
	09:00	EUR	German Factory Orders m/m	-1.50%	2.50%
	14:30	USD	Challenger Job Cuts y/y		43.20%
	15:15	USD	ADP Non-Farm Employment Change	150K	156K
	15:30	USD	Revised Nonfarm Productivity q/q	2.20%	2.30%
		USD	Revised Unit Labor Costs q/q	2.50%	2.40%
		USD	Unemployment Claims	215K	215K
	16:45	USD	Final Services PMI	51	50.9
	17:00	USD	ISM Non-Manufacturing PMI	54	53.7
		USD	Factory Orders m/m	1.00%	0.60%
	17:30	GBP	MPC Member Tenreyro Speaks		
		USD	Natural Gas Storage		60B
	18:00	USD	Crude Oil Inventories		-10.0M

	18:45	CAD	Gov Council Member Schembri Speaks		
06-Sep	01:30	AUD	AIG Construction Index		39.1
	02:30	JPY	Average Cash Earnings y/y	0.10%	0.40%
		JPY	Household Spending y/y	0.90%	2.70%
	08:00	JPY	Leading Indicators	93.20%	93.30%
	09:00	EUR	German Industrial Production m/m	0.40%	-1.50%
	09:45	EUR	French Trade Balance	-4.40B	-5.19B
	10:00	CHF	Foreign Currency Reserves		768B
	10:30	GBP	Halifax HPI m/m	0.20%	-0.20%
	11:00	EUR	Italian Retail Sales m/m	0.40%	1.90%
	11:30	GBP	Consumer Inflation Expectations		3.10%
	12:00	EUR	Final Employment Change q/q	0.20%	0.20%
		EUR	Revised GDP q/q	0.20%	0.20%
	15:30	CAD	Employment Change		-24.2K
		CAD	Unemployment Rate		5.70%
		USD	Average Hourly Earnings m/m	0.30%	0.30%
		USD	Non-Farm Employment Change	168K	164K
		USD	Unemployment Rate	3.70%	3.70%
	17:00	CAD	Ivey PMI	55.2	54.2
	19:30	USD	Fed Chair Powell Speaks		

TECHNICAL TRADING IDEA OF THE WEEK

Gold prices closed bearish last week after price failed to breakout to new highs. Following the previous gains which saw gold rising to highs of 1555, the precious metal was seen easing on the week. The declines mark the first bearish close in gold after nearly four consecutive weeks.



In the short term, gold prices are likely to remain baised to the downside. However, to confirm the downside, gold needs to close below 1512 on a weekly basis to confir this view.

The next downside target remains at the 1446.50 region. This could potentially signal

a correction in gold prices which has been much anticipated.

However, making things a bit complicated is the trade wars between the U.S. and China. Due to the fact that the markets are spooked by Trump’s tweets and the potential for rescalating tensions, gold prices continue to remain volatile.

A decline to the support area will confirm the much needed correction in gold prices. Following this, gold is likely to remain biased to the upside in the longer term horizon..