



Weekly Market Bulletin

Week 38 | 2019

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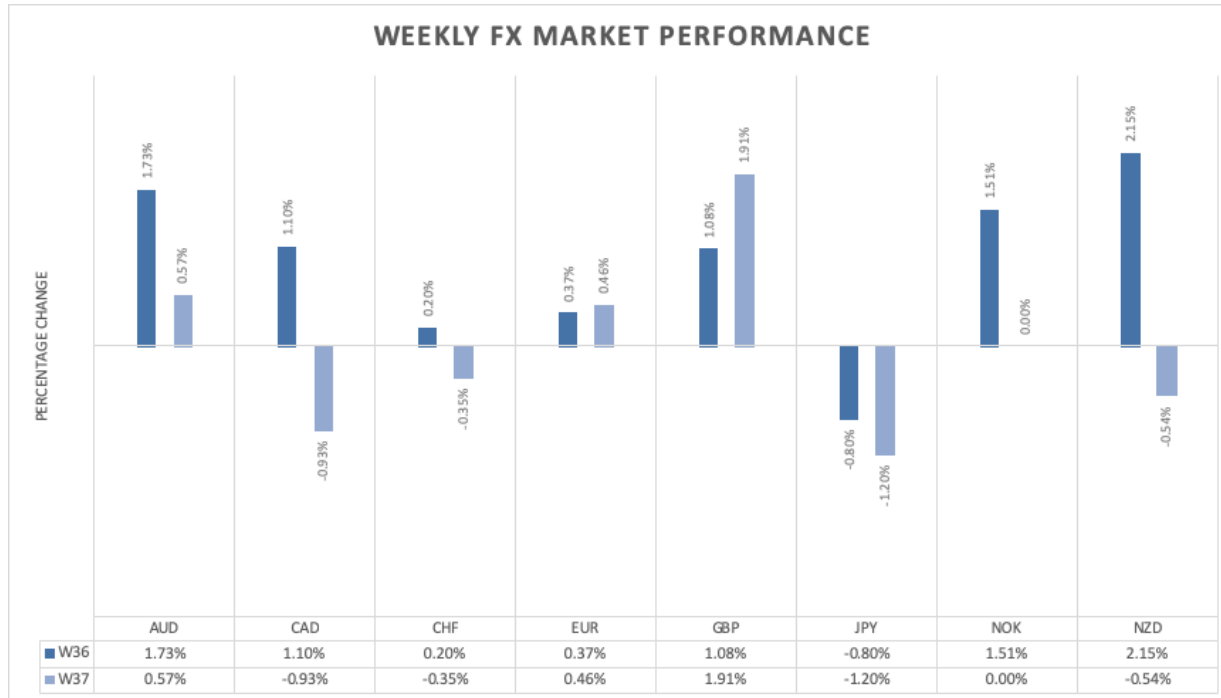
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WEEKLY CURRENCY MARKET PERFORMANCE – W37

Key points



- The GBP was the top performing currency last week. Most of the gains came on Friday following some positive news about Brexit. But the currency remains volatile, nonetheless.

- The Australian dollar continued to manage maintaining a bullish streak. The AUD was up for the second week in a row.

prices pushed the oil dependent currencies, namely the NOK and the CAD lower this week. Both the currencies fell sharply, dragged down by lower oil prices.

- Safe haven assets, JPY and CHF were both down last week. Both the currencies edged lower reflecting a modest risk on sentiment. The USD was also seen trading neutral last week. The USD gave up some of the gains against the GBP, AUD and the EUR over the week. However, the currency managed to hold gains against the safe haven assets.

- Weak crude oil

MARKET HIGHLIGHTS – WEEK 37

- **China's exports fell unexpectedly in August raising concerns on the impact of the trade spat with the United States.** Data released over the weekend showed that exports fell over one percent on a yearly basis in August, in dollar terms. This missed estimates of a 2.1% increase and follows a 3.3% increase in July. Imports were down 5.6% but it was slower than the expected decline of 6.3%. During the fall in exports and imports, the trade balance showed a surplus of \$34.8 billion in August. This was lower than the median expectations of a \$42.8 billion trade surplus.
- **Japan's second quarter GDP was revised lower than initially reported due to the trade war escalation.** The economy was seen rising at an annualized pace of 1.3% in the three months of April through June. This was weaker compared to the 1.8% increase that was reported initially. On a quarterly basis, Japan's GDP grew just 0.3% in the three months ending June compared to the initial report of 0.4%. Capital spending rose 0.2% during the period. Capex was also downgraded due statisticians including a demand side survey of capital expenditure. Private consumption advanced 0.6% from the previous three months and was unchanged from the initial report.
- **The UK avoided a recession on better than expected GDP figures for July.** Data from the UK's Office of National Statistics showed a 0.3% increase in the gross domestic product. The data showed that all sectors of the economy registered growth. The data comes as the GDP declined 0.2% in the three months to the June period. The gains in the GDP figures come amid a rebound in the services sector. Despite the better than expected numbers, ONS cautioned against reading too much into the report. It said that the three months to July showed no growth.
- **The European Central Bank held its monetary policy meeting last week.** The central bank announced a new QE program to the amount of 20 billion euros per month. The newly launched QE program is open ended according to the ECB. The central bank also lowered the key deposit rate by 10 basis points to -0.50%. The ECB's new easing program comes with President Mario Draghi due to finish his term as the ECB chief in two months. The easing measures were however met by some resistance. The German Bundesbank president Jens Weidmann commented that the ECB's easing tools were slightly more than required.

ECONOMIC EVENTS – THE WEEK AHEAD

- **The U.S. Federal Reserve Bank will be holding its two-day monetary policy meeting this week, which concludes on Wednesday.** Heading into the central bank's monetary policy meeting, investors are bracing for a 25-basis point rate cut. The expectations for a rate cut is due to the fact that the U.S. economy is slowing. According to the CME's Fed Watch tool, the probability for a rate cut is at 91%. This would bring the U.S. Fed funds rate to 1.75% - 2.00%. It also marks the second rate cut after July this year.
- **The Swiss National Bank will be holding its monetary policy meeting this week.** No changes are expected from the SNB. This is despite the fact that the European Central Bank is once again moving into a dovish cycle. At one of the previous meetings, SNB's Chief, Thomas Jordan ruled out any easing bias as far as the Swiss economy is concerned. Officials are however likely to remind the markets about the strength of the Swiss franc. The CHF could be coming under pressure amid a weaker euro currency.
- **A busy week is in store for the pound sterling.** The monthly inflation report is due to come out this week on Wednesday. Following this, the Bank of England will be holding its monetary policy meeting. The central bank's meeting comes as the deadline to the October 31st Brexit inches closer. No changes are expected as the central bank will leave rates unchanged and prepare for the outcome of the Brexit negotiation.
- **Economic data from Australia and New Zealand this week focuses on the unemployment rate and the GDP figures respectively.** Australia will be reporting its monthly unemployment figures. The data comes after the RBA has left interest rates unchanged. It maintains that the current monetary policy regime should help in reigniting growth in Australia. Meanwhile, New Zealand's quarterly GDP report is due on Thursday. The data covers the second quarter of the year.

ECONOMIC CALENDAR – WEEK 38

Date	Time	Currency	Event	Forecast	Previous
16-Sep	02:01	GBP	Rightmove HPI m/m		-1.00%
	05:00	CNY	Fixed Asset Investment ytd/y	5.70%	5.70%
		CNY	Industrial Production y/y	5.20%	4.80%
		CNY	Retail Sales y/y	7.90%	7.60%
		CNY	Unemployment Rate		5.30%
	15:30	CAD	Foreign Securities Purchases		-3.98B
		USD	Empire State Manufacturing Index	4.1	4.8
17-Sep	00:00	NZD	Westpac Consumer Sentiment		103.5
	04:30	AUD	Monetary Policy Meeting Minutes		
		AUD	HPI q/q	-1.00%	-3.00%
	08:45	CHF	SECO Economic Forecasts		
	12:00	EUR	German ZEW Economic Sentiment	-38	-44.1
		EUR	ZEW Economic Sentiment	-37.4	-43.6
	15:30	CAD	Manufacturing Sales m/m	-0.30%	-1.20%
	16:15	USD	Capacity Utilization Rate	77.60%	77.50%
		USD	Industrial Production m/m	0.20%	-0.20%
	17:00	USD	NAHB Housing Market Index	66	66
	17:30	AUD	CB Leading Index m/m		0.10%
	Tentative	NZD	GDT Price Index		-0.40%

	23:00	USD	TIC Long-Term Purchases	81.3B	99.1B
18-Sep	01:45	NZD	Current Account	-1.10B	0.68B
	02:50	JPY	Trade Balance		-0.13T
	03:30	AUD	MI Leading Index m/m		0.10%
	11:30	GBP	CPI y/y	1.80%	2.10%
		GBP	PPI Input m/m	-0.40%	0.90%
		GBP	Core CPI y/y	1.80%	1.90%
		GBP	HPI y/y	0.80%	0.90%
		GBP	PPI Output m/m	0.10%	0.30%
		GBP	RPI y/y	2.50%	2.80%
	12:00	EUR	Final CPI y/y	1.00%	1.00%
		EUR	Final Core CPI y/y	0.90%	0.90%
	Tentative	EUR	Italian Trade Balance	4.80B	5.73B
	15:30	CAD	CPI m/m	-0.20%	0.50%
		CAD	Common CPI y/y	1.90%	1.90%
		CAD	Median CPI y/y	2.10%	2.10%
		CAD	Trimmed CPI y/y	2.10%	2.10%
		CAD	Core CPI m/m		0.30%
		USD	Building Permits	1.31M	1.32M
		USD	Housing Starts	1.25M	1.19M
	17:30	USD	Crude Oil Inventories		-6.9M
	21:00	USD	FOMC Economic Projections		
		USD	FOMC Statement		

		USD	Federal Funds Rate	<2.00%	<2.25%
	21:30	USD	FOMC Press Conference		
19-Sep	01:45	NZD	GDP q/q	0.40%	0.60%
	04:30	AUD	Employment Change	15.2K	41.1K
		AUD	Unemployment Rate	5.20%	5.20%
		AUD	RBA Bulletin		
	Tentative	JPY	Monetary Policy Statement		
	Tentative	JPY	BOJ Policy Rate	-0.10%	-0.10%
	07:30	JPY	All Industries Activity m/m	0.40%	-0.80%
	09:00	CHF	Trade Balance	3.22B	3.63B
	Tentative	JPY	BOJ Press Conference		
	10:30	CHF	SNB Monetary Policy Assessment		
	11:00	EUR	Current Account	20.3B	18.4B
	11:30	GBP	Retail Sales m/m	-0.20%	0.20%
	14:00	GBP	MPC Official Bank Rate Votes	0-0-9	0-0-9
		GBP	Monetary Policy Summary		
		GBP	Official Bank Rate	0.75%	0.75%
		GBP	Asset Purchase Facility	435B	435B
		GBP	MPC Asset Purchase Facility Votes	0-0-9	0-0-9
	15:30	CAD	ADP Non-Farm Employment Change		73.7K
		USD	Philly Fed Manufacturing Index	10.9	16.8
		USD	Current Account	-127B	-130B
		USD	Unemployment Claims	210K	204K

	17:00	USD	CB Leading Index m/m	0.10%	0.50%
		USD	Existing Home Sales	5.39M	5.42M
	17:30	USD	Natural Gas Storage		78B
20-Sep	02:30	JPY	National Core CPI y/y	0.50%	0.60%
	06:00	NZD	Credit Card Spending y/y		5.00%
	09:00	EUR	German PPI m/m	0.00%	0.10%
	14:00	GBP	BOE Quarterly Bulletin		
	15:30	CAD	Core Retail Sales m/m	0.20%	0.90%
		CAD	Retail Sales m/m	0.40%	0.00%
	17:00	EUR	Consumer Confidence	-7	-7

TECHNICAL TRADING IDEA OF THE WEEK

Gold prices logged losses over the week as the bearish streak continues. However, due to the muted declines compared to the gains, there is scope for gold prices to bounce back. A lot will depend on how the week ahead will shape out to be. The FOMC meeting will be key for the precious metal markets.



Gold prices were consolidating near the support/resistance level of 1500. Due to the lack of any clear momentum, there is scope for some upside.

A lot will depend on the week ahead. A clear close below the 1500 level could potentially signal a

move lower. The main support level near 1446 – 1438 remains a key support level where gold prices could correct too.

Within the long term trend, a correction to the support area will mark a completion and gold could possibly renew its bullish trend once again. Expect to see some volatility in the precious metal this week.