Market Themes

Trade Tensions:

US-Mexico: Mexican and US officials were preparing on Sunday for upcoming talks aimed at averting a major trade clash after US President Donald Trump vowed to impose punitive tariffs on all Mexican goods in an intensifying dispute over migration. Mexican Economy Minister Graciela Marquez would meet with US Commerce Secretary Wilbur Ross in Washington today, as the two governments begin holding talks to resolve the issue. Trump says he will apply tariffs of 5% on Mexican goods on June 10 if Mexico does not halt the flow of illegal immigration. The tariffs will gradually rise to 25% if Mexico does not comply with Trump's demands. That threatens major economic damage to Mexico, which sends about 80% of its exports to US.

USMCA: US-Mexico trade headlines are spoiling the mood for USMCA's ratification. A new USMCA draft sent to Congress by President Trump last week raised objections from Democrats. Meanwhile, Canada moved to ratify a new North American Trade deal.

US-China: China published a white paper on trade talks with US to set prerequisites for a deal. The weekend headlines escalated the trade war as regional security issues involving Taiwan. China accuses US of "naked economic terrorism" as measures taken by US are seen attacking the wellbeing of China's economy, instead of improving economic ties between the two nations. Pentagon seeks funds to reduce US reliance on China's rare earth metals after China announced it is considering a curb on rare earth export to US. Both nations seem to be entrenched for an extended dispute as market expects a global growth slowdown. US Treasury Secretary, Steven Mnuchin revealed that US is a month away from enacting proposed tariffs on USD300B in Chinese imports. US Trade Representative's office will hold a public hearing on the possibility of imposing duties up to 25% on a further USD300B Chinese imports. These would include cell-phones and laptops but notable inclusion would be pharmaceutical.

President Trump said he would attend G20 Meeting in Japan next month. China announced tariffs ranging from 5% to 25% on 5140 US goods worth USD60B starting from June 1. The move is in response to US increasing tariffs to USD200B Chinese imports from 10% to 25%.

US-Eurozone: The postponement of auto tariff on EZ is seen as a relief. However, it is still a postponement and US Lightizer will try to hammer a deal with his EU counterparts in coming weeks. 6-month time and if anything does not go US way (EZ forming closer tie with China, Iran's oil for example) could bring the time frame closer.

US-Japan: US & Japan will work on a trade deal after Japan's General election in July. According to Japan's Economy Minister, Toshimitsu Motegi, US President Donald Trump's comment signalling an announcement on trade in August probably reflect his hope for quick progress in negotiations. In a press conference, held during his state visit to Japan, President Trump said that he wants to fix the "imbalance" that is Japan's trade surplus to US. Focus is on auto tariffs, which make up more than 50% of Japan's export to US.

G20 Meeting: Tokyo Meeting will not touch protectionism, though there is nothing stopping members making comments about US protectionism.

Brexit

President Tump's comment on Conservatives' PM candidates and Brexit deal with EU put another dimension to Brexit. After EU Parliamentary election, UK main parties are looking at the no-deal Brexit stance as the way to win voters. The stance won voters for Brexit Party, led by Nigel Farage and other smaller parties in the election. PM May announced her resignation as Conservative Party leader on June 7, setting path for a new prime minister and Conservatives Party leader.

Politic

US Presidential & Congressional Election: 2020. Greens & Eurosceptics won more seats in May 2019 European Election. Japan's Upper House Election July 2019. PM May's resign on June 7, 2019. The minority Coalition Government retained its power in Australia's May 2019 Federal Election. Canada's federal election set for October 2019. Switzerland general election on October 20, 2019. New Zealand's general election in 2020 (normally in November).

Current Sentiment

US: Bearish. Weaker Q2 growth and increasing probability of FED's cut in June's FOMC. US Employment Report is expected to be weaker for May's data.

EU: Neutral to bearish. Risk off sentiment weigh on EURO. Political headlines are hurting Euro. EU is expected to make a decision on Italy's budget issue this week. ECB is expected to come with a more dovish outlook.

Japan: Bullish. Risk off sentiment pushes Yen higher on trade tensions.

UK: Bearish. Negative comments from President Trump.

CA: Neutral to bearish. The rout on crude oil price (POC around USD53/barrel) and risk off sentiment weigh on CAD. Keep an eye on US-Mexico. Australia: Neutral to bearish. Better Chinese Caixin Manufacturing PMI supports antipodeans. However, details revealed US export front loading activities pushed the headline PMI. RBA's cut is fully priced in. Market expects a better Q1 GDP, but surveys are pointing to a lower read. New Zealand: Neutral to bearish. Better Chinese Caixin Manufacturing PMI supports antipodeans. However, details revealed US export front loading activities pushed the headline PMI.

Switzerland: Bullish. Negative market sentiment feeds on CHF strength.

| Sentiment | | | | | Market Mapping | 3 | | | | |
|-----------|--------------|----------------------|------------|------------|---------------------------------------------------------------|-----------------|------------------------|-----------|--------------------|------------------|
| | Date Mon | All Day | Currency | Impact | Bank Holiday | Detail | Actual For | ecast Pre | vious | Graph |
| | Jun 3 | 6:30am | AUD | (22) | AIG Manufacturing Index | | 52.7 | | 4.8 | tille |
| | | 7:50am 8:30am | JPY JPY | | Capital Spending q/y Final Manufacturing PMI | | | | 7% 9.6 | olika Olika |
| | | 9:30am | AUD | 000 | Company Operating Profits q/q | | | | 8%◀ | oil. |
| USD | | | AUD | 1000 | ANZ Job Advertisements m/m | | -8.4% | | 2% 4 | Office |
| | | 9:33am 9:45am | CNY | | MI Inflation Gauge m/m Caixin Manufacturing PMI | | 0.0% 50.2 | | 0.2 | Ollo |
| | | ₽2:30pm | AUD | - | Commodity Prices y/y | | | 14 | .4% | tilla |
| | | 3:15pm | CHF | | CPI m/m Spanish Manufacturing PMI | | | | 2% | othe |
| | | 3:15pm 3:30pm | CHF | - | Spanish Manufacturing PMI Manufacturing PMI | | | | 1.8 8.5 | olika olika |
| | | 3:45pm | EUR | 400 | Italian Manufacturing PMI | | | | 9.1 | off. |
| | | 3:50pm 3:55pm | EUR | CES 1 | French Final Manufacturing PMI German Final Manufacturing PMI | | | | 0.6 4.3 | tilla tilla |
| | | 4:00pm | EUR | - | Final Manufacturing PMI | = | | | 7.7 | oil. |
| | | 4:30pm | GBP | 666 | Manufacturing PMI | | 5 | 2.5 5 | 3.1 | oll- |
| | | 9:10pm 9:30pm | CAD | | FOMC Member Quarles Speaks Manufacturing PMI | | | 4 | 9.7 | olika |
| EURO | | 9:45pm | USD | 100 | Final Manufacturing PMI | Can be a second | | io.8 5 | 0.6 | olika |
| | | 10:00pm | USD | - | ISM Manufacturing PMI | Can . | | | 2.8 | والله والله |
| | | | USD | | Construction Spending m/m ISM Manufacturing Prices | | | | .9% 0.0 | oil. |
| | | All Day | USD | CEE | Wards Total Vehicle Sales | Col | 1 | 5.8M 16 | 5.4M | tilla |
| | Tue Jun 4 | 1:25am | USD NZD | 684 | FOMC Member Bullard Speaks Overseas Trade Index q/q | | | .5% -3. | .0% | Ilika |
| | | 6:45am 7:01am | GBP | | BRC Retail Sales Monitor y/y | | | | 7% | Hills |
| | | 7:50am | JPY | | Monetary Base y/y | | | | 1% | uil. |
| | | 9:30am | AUD | - | Retail Sales m/m Current Account | | | | 3% .2B | Bills Bills |
| | | 11:35am | JPY | <u></u> | 10-y Bond Auction | | *** | | 6 4.4 | |
| | | 12:30pm | AUD | - | Cash Rate | Ful | ly priced in 1. | 25% 1.5 | 50% | Hills |
| JPY | | 2:45pm | AUD EUR | *** | RBA Rate Statement French Gov Budget Balance | | | -40 | 0.7B | mile |
| | | 3:00pm | EUR | | Spanish Unemployment Change | | | 7.0K -91 | L.5K | tilla |
| | | 4:00pm | EUR | | Italian Monthly Unemployment Rate | | | | .2% | Hills -8 |
| | | 4:30pm 5:00pm | GBP EUR | | Construction PMI CPI Flash Estimate y/y | - | | | 0.5 7% | iiila iiila |
| | | | EUR | - | Core CPI Flash Estimate y/y | | Bearish | .0% 1.3 | 3% 4 | nilla |
| | | 5:30pm | EUR | - | Unemployment Rate RBA Gov Lowe Speaks | | 7. | .7% 7. | 7% | IIIIka |
| | | 8:30pm | USD | | FOMC Member Williams Speaks | | | | | |
| | | 9:55pm | USD | - | Fed Chair Powell Speaks | | | | | |
| | | 10:00pm Tentative | NZD | <u> </u> | Factory Orders m/m GDT Price Index | | -1 | | 9% .2% | niko niko |
| | Wed | 6:30am | AUD | | AIG Services Index | | | | 5.5 | alle |
| GBP | Jun 5 | 9:30am | AUD | - | GDP q/q | | weaker read o | | 2% | tilla |
| | | 9:45am 3:15pm | EUR | | Caixin Services PMI Spanish Services PMI | | | | 4.5 3.1 | oille oille |
| | | 3:45pm | EUR | - | Italian Services PMI | | | | 0.4 | tilla |
| | | | GBP | | MPC Member Ramsden Speaks | | | | | |
| | | 3:50pm 3:55pm | EUR | an an | French Final Services PMI German Final Services PMI | | | | 1.7 5.0 | tilla tilla |
| | | 4:00pm | EUR | | Final Services PMI | | | | 2.5 | nilla |
| | | 4:30pm | GBP | 466 | Services PMI | | | | 0.4 | oille oille |
| | | 5:00pm | EUR | | PPI m/m Retail Sales m/m | | | | 1% 0% | Office |
| | | 8:15pm | USD | 666 | ADP Non-Farm Employment Change | | 11 | 35K 27 | sk | ullo |
| | | 8:30pm 9:45pm | USD | 600 | Labor Productivity q/q FOMC Member Clarida Speaks | 1550 1550 | | -0. | 4% | ollo |
| AUD | | 9:45pm | USD | (100 | Final Services PMI | | 5 | 0.9 50 | 0.9 | offic |
| | | 10:00pm | usp | - | ISM Non-Manufacturing PMI | C00 | 5 | 5.6 55 | 5.5 | tille |
| | | 10:30pm | USD | 000 | FOMC Member Bowman Speaks Crude Oil Inventories | | | -0. | .зм | nilla. |
| | Thu Jun 6 | 2:00am | USD | | Beige Book | | | | | |
| | Jun 6 | 9:00am | NZD | | ANZ Commodity Prices m/m | (S) | | | 5% | Oilo . |
| | | 9:30am 2:00pm | AUD EUR | | Trade Balance German Factory Orders m/m | | | | 95B 6% | ulla ulla |
| | | 4:25pm | JPY | - | BOJ Gov Kuroda Speaks | | | | | |
| | | 5:00pm | EUR | | Final Employment Change q/q | | | | 3% | olika olika |
| | | | EUR GBP | | Revised GDP q/q BOE Gov Carney Speaks | | 0. | 4% 0.4 | 4% | 100 |
| | | Tentative | EUR | C23 | French 10-y Bond Auction | | | 0.37 | 713.1 | |
| CAD | | 7:30pm 7:45pm | USD | | Challenger Job Cuts y/y Monetary Policy Statement | | | 10. | .9% | tilla |
| | | 7:45pm | EUR | 1500 | Main Refinancing Rate | | Bearish o. | 00% 0.0 | 00% | niila |
| | | 8:30pm | CAD | - | Trade Balance | | | -3 | .28 | uilla |
| | | | EUR | | ECB Press Conference Revised Nonfarm Productivity q/q | | 9 | 6% 3.0 | 6% | uilla |
| | | | USD | | Revised Unit Labor Costs q/q | | | | 9% | mille |
| | | | USD | <u> </u> | Trade Balance | | | | о.ов | tilla |
| | | 10:00pm | USD | | Unemployment Claims Ivey PMI | 1530 1530 | | | .5K 5.9 | uillo eillo |
| | | 10:30pm | USD | | Natural Gas Storage | 100 | | | 4B | uillo . |
| | Fri Jun 7 | 1:00am | USD | 464 | FOMC Member Williams Speaks | Cia | | (80-0) | | tilla |
| | | 6:30am 7:30am | JPY | | AIG Construction Index Average Cash Earnings y/y | | -0 | | 2.6 3% 4 | Ollo Ollo |
| NZD | | | JPY | 1000 | Household Spending y/y | | | | 1% | tilla |
| | | All Day 9:30am | AUD | 400 | Bank Holiday Home Loans m/m | (200 (200 | | .2% -2. | 5% | office |
| | | 1:00pm | JPY | 620 | Leading Indicators | (20) | | | 9%4 | tilla |
| | | 1:45pm | CHF | - | Unemployment Rate | | | | 4% | ulla |
| | | 2:00pm | EUR | | German Industrial Production m/m German Trade Balance | (550) (550) | | | 5% .0B | Office Office |
| | | 2:45pm | EUR | | French Industrial Production m/m | | 0. | 3% -0. | 9% | tille |
| | | 3.00 | EUR | (10) | French Trade Balance | Cin | -4 | | .3B | tilla |
| | | 3:00pm 3:30pm | GBP | C100 | Foreign Currency Reserves Halifax HPI m/m | 1500 1500 | -0 | | '2B 1% | uilla uilla |
| | | 4:00pm | EUR | - | Italian Retail Sales m/m | | | 2% -0. | 3% | tilla |
| | | 4:30pm 8:30pm | GBP CAD | C223 | Consumer Inflation Expectations Employment Change | | | | 2% 5.5K | tilla |
| | | U.Supm | CAD | _ | Employment Change Unemployment Rate | 1200 | | | 7% | tille |
| CHF | | | CAD | cia | Capacity Utilization Rate | | | | .7% | tilla |
| | | | USD | - | Average Hourly Earnings m/m Non-Farm Employment Change | Bearish po | o. ssible higher 10 | | 2% 3K | olika olika |
| | | | USD | - | Unemployment Rate | unemplayn | | | 5% | mille |
| | | 10:00pm | USD | C | Final Wholesale Inventories m/m | | 0. | | 7% | alle |
| | Sat Jun 8 | 3:00am | USD | | Consumer Credit m/m | (28 | 11 | .5B 10 | .3В | tilla |
| | Sun Jun 9 | | | | | | | | | |
| | 200.0 | | | | | | | | | |

Data Interpretation

| INTRINSIC VALUATION BIAS | Q1 2 | 2019 | Q2 2019 (| ОИТLООК | COMMENT | | |
|--------------------------|------------|----------|------------|----------|------------------------------------------------------------------------|--|--|
| | Growth | Stronger | Growth | Weaker | Lack of inflationary pressure will see | | |
| USD | Inflation | Weaker | Inflation | Weaker | FOMC remains neutral. Q3 could paint a | | |
| | Employment | Stronger | Employment | Weaker | different picture for inflation. | | |
| | Growth | Stronger | Growth | Neutral | 02 0 4 5 5 5 5 4 11 5 5 5 5 5 5 5 5 5 5 | | |
| EURO | Inflation | Stronger | Inflation | Neutral | Q2 Outlook is still weak as market waits | | |
| | Employment | Stronger | Employment | Neutral | for sign of rebounds | | |
| | Growth | Neutral | Growth | Stronger | Domestic demand is holding up Japan's | | |
| JPY | Inflation | Stronger | Inflation | Stronger | economy. Keep an eye on consumption | | |
| | Employment | Stronger | Employment | Neutral | tax increase deferment. | | |
| | Growth | Stronger | Growth | Weaker | BOS will an electric the Aleks who have been done | | |
| GBP | Inflation | Neutral | Inflation | Stronger | BOE will maintain its tightening bias due to inflation. | | |
| | Employment | Weaker | Employment | Weaker | to initation. | | |
| | Growth | Weaker | Growth | Stronger | The odds of RBA's cut in June increases | | |
| AUD | Inflation | Weaker | Inflation | Stronger | after Gov Lowe's speech & RBA Minutes. | | |
| | Employment | Stronger | Employment | Stronger | Economy looks set to pick up in Q2. | | |
| | Growth | Weaker | Growth | Stronger | Country and a series and a series and series and series | | |
| CAD | Inflation | Stronger | Inflation | Stronger | Crude price is the major catalyst as WTi falls below USD60/barrel | | |
| | Employment | Stronger | Employment | Neutral | Talls below 03D60/barrel | | |
| | Growth | Neutral | Growth | Weaker | Continuent based CND assign started | | |
| CHF | Inflation | Stronger | Inflation | No data | Sentiment based. SNB easing stance stays though growth beats forecast. | | |
| | Employment | Neutral | Employment | Stronger | tilougii growtii beats forecast. | | |
| | Growth | Weaker | Growth | Weaker | DDNIZ will be be able to the first on figure | | |
| NZD | Inflation | Weaker | Inflation | Weaker | RBNZ will be looking at inflation figure | | |
| | Employment | | | Weaker | for next policy direction. | | |

USD: Neutral to Bearish

A slowdown in the US Service sector at the end of Q1 raises question about the strength of US economy. Forward looking indicators are showing Q1 performance that more or less on par with Q4 2018. Official numbers surprised to the high side. However, details revealed the higher reading is due to inventories and lower trade deficit.

Q2 outlook shows a weaker trend. Growth slows down, while inflation is not showing in the economy. May's employment data look weaker, as unemployment is expected to bounce higher.

| | Next Projection: June 2019 | | | | | | | | | | | | | | | | | | | |
|--------------------------|----------------------------|------------------|-----------------------------|---------------|-------|-----------------------|-------------------|-------------|-------------|----------|------------------|--------------------|---------------|------------------------|--|--------|--|--------|--|--|
| FOMC | | Change in | Annual Real | GDP | Une | employmen | t Rate | | PCE Inf | lation | | Core PCE Inflation | | | | | | | | |
| FOMC Ran | ge | | 1.6-2.4 | | | 3.5-4.0 | | | 1.6-2 | 2.1 | | | 1.8-2.2 | | | | | | | |
| (Central Tend | ency) | | 1.9-2.2 | | | 3.6-3.8 | | | 1.8-2 | 1.9 | | | 1.9-2.0 | | | | | | | |
| Median | | | 2.1 | | | 3.7 | | | 1.8 | 8 | | | 2.0 | | | | | | | |
| Hard Data | a | Annual 3.2 | Qo: | | | 3.6 | | | 1.5 | A 0.3 | M J | 1.6 | 0.2 | | | | | | | |
| Qualitativ | ·e | Stronger | Stron | ger | | Stronger | | | Stronger | | vious age 0.2 | Strong | ger A | Previous verage 0.1 | | | | | | |
| Next Relea | se | June 27 | Q1 3 rd Estima | te) | | June 7 (Ma | y) | | | | June 2 | 28 (May) | | J | | | | | | |
| | | | | | | G | DP (close | to 2. | 5%) | | | | | | | | | | | |
| Correlated D GDP |)ata – | | | Q1 | | | | | | | Q2 | | | | | | | | | |
| GDP | | January | Februa | ry | | March | | А | \pril | | May | / | J | une | | | | | | |
| Balance of T | rade | -51.1B | -49.3 | 3 | | -50B | | Ju | ine 6 | | | | | | | | | | | |
| Retail Sale | es | 0.7 | -0.2 | | | 1.7 | | - | 0.2 | | June | ne 14 | | | | | | | | |
| Core Durable (| Goods | -0.2 | -0.1 | | | 0.3 | | | 0.0 | | June | 26 | Ju | ly 25 | | | | | | |
| Industrial Prod | uction | -0.3 | 0.1 | | | 0.2 | | | 0.5 | | June | 14 | | | | | | | | |
| Correlated D | Data | | | Q1 | | | | | | Q2 | | | | | | | | | | |
| Inflation | | January | Februa | ry | | March | | А | \pril | May | | / | J | une | | | | | | |
| СРІ | | 0.0 | 0.2 | | | 0.4 | | (| 0.3 | June 12 | | 12 | | | | | | | | |
| Core CPI | | 0.2 | 0.1 | | | 0.1 | | | 0.1 | June 12 | | June 12 | | 12 | | | | | | |
| Gasoline Pr | rice | 0.59 | 0.61 | | | 0.66 | | 0 |).74 | | | | | | | | | | | |
| Average Hor Earnings | - | 0.1 | 0.4 | | | 0.2 | | (| 0.2 | June | | June 7 | | June 7 | | June 7 | | June 7 | | |
| PPI | | -0.1 | 0.1 | | | 0.6 | | | 0.2 | | June 11 | | | | | | | | | |
| Import Pric | es | 0.1 | 1.0 | | | 0.6 | | | 0.2 | | June | 13 | | | | | | | | |
| Correlated D Employme | | January | Februa | ry | | March | | А | April | | May | 1 | June | | | | | | | |
| Non-Farm Pa | | 311K | 33K | | | 189K | | 263K June 7 | | 7 | | | | | | | | | | |
| ADP Employment | | 264K | 220K | | | 151K | | | 275K June 5 | | | | | | | | | | | |
| Unemploymen | | 4 | 3.8 | | | 3.8 3.6 June 7 (Weak) | | Veak) | | | | | | | | | | | | |
| Initial Jobless (| | | | | 213 2 | 24 218 2 | 24 216 | 212 | 12 204 197 | | | 230 228 | 212 212 | 215 | | | | | | |
| Average | | | | | | 220K | | 2 | 07K | | 220 | (| | • | | | | | | |
| Labor Particip | ation | 63.2 | 63.2 | | | 63.0 | | 6 | 52.8 | | June | 7 | | | | | | | | |
| | | | | | US C | OMPOSITE | PMI | | | | | | | | | | | | | |
| | | age: 54.83 Ann | | | | | | | | Q2 | | | | | | | | | | |
| January (2.5 | %) I | ebruary (2.5% | 5) | March | | | April | | | Ma | у | | June | 9 | | | | | | |
| 54.4 | | 55.5 | | 54.6 | | | 53.0 | | | 50.9 | 9 | | | _ | | | | | | |
| | Date | Index (43.2%) | Production / Output (51.3%) | New Orders | | loyment 60.6%) | Suppli Deliver | | Inventorie | s | Prices | Backlog | New Export | Imports | | | | | | |
| | January | 56.6 | 60.5 | 58.2 | | 55.5 | 56.2 | 2 | 52.8 | | 49.6 | 50.3 | 51.8 | 53.8 | | | | | | |
| ICNA | February | 54.2 | 54.8 | 55.5 | | 52.3 | 54.9 |) | 53.4 | | 49.4 | 52.3 | 52.8 | 55.3 | | | | | | |
| ISM Manufacturing | March | 55.3 | 55.8 | 57.4 | | 57.5 | 54.2 | 2 | 51.8 | | 54.3 | 50.4 | 51.7 | 51.1 | | | | | | |
| (20%) | April | 52.8 | 52.3 | 51.7 | | 52.4 | 54.6 | 5 | | | 50.0 | 53.9 | 49.5 | 49.8 | | | | | | |
| (20/0) | May | | | | | | | | | | | | | | | | | | | |
| | June | | | | | | | | | | | | | | | | | | | |
| | January | | | | 57.8 | 51.5 | | 49.0 | | 59.4 | 52.5 | 50.5 | 52.0 | | | | | | | |
| ISM Non- | February | | 64.7 | 65.2 | | 55.2 | 53.5 | | 51.0 | | 54.4 | 55.5 | 55.0 | 48.5 | | | | | | |
| Manufacturing | March | 56.1 | 57.4 | 59.0 | | 55.9 | 52.0 | | 50.0 | | 58.7 | 56.5 | 52.5 | 51.5 | | | | | | |
| (80%) | April | 55.5 | 59.5 | 58.1 | | 53.7 | 50.5 | • | 51.5 | | 55.7 | 55.0 | 57.0 | 55.0 | | | | | | |
| | May | | | | + | | | | | | | 1 | | | | | | | | |
| 1 | June | 1 | | ĺ | 1 | | | | | - 1 | | ĺ | 1 | 1 | | | | | | |

Source: https://www.federalreserve.gov/monetarypolicy/fomcprojtabl20190320.htm
PCE Data Link: https://www.bea.gov/newsreleases/national/pi/pinewsrelease.htm

EURO: Neutral

| Q1 2019 Preliminary GDP indicates that Eurozone economy grew 0.4%. Q2 GDP: PMI April dan German IFO show that economic sentiments are still weak. Weak demands slow growth and inflation, choking the | | | | | | | | | | | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|------------------|------------|-----------------|------------|----------------|---------------|-------------|--------------|-------------------|--|--|
| Q2 GDP: PMI April da | n Germ | an IFO show that | economi | c sentimer | nts are st | till weak. We | ak demand | s slow grow | th and infla | tion, choking the | | |
| ecpnomy dealing wit | h higher | input prices due | to rising | oil price. | | | | | | | | |
| Next Projection: June 2019 | | | | | | | | | | | | |
| ECB | | | | | | | | | | | | |
| ECB Projection | | (| 0.9-1.5) 1 | 2 | | | (0.7-1.5) 1.: | 1 | | 100 | | |
| Current Data Annual March April May Annual QoQ 97,4452 | | | | | | | | 07.4452 | | | | |
| Current Data | | 1.7 | 1.0 | 0.7 | | 1.2 | | 0.4 | | 97.4452 | | |
| Qualitative | | Strengthening | | | | Strengthe | ning St | rengthening | | | | |
| Next Release | | June - | 4 (Flash C | Q2 CPI) | | Jun | e 6 (Q1 Rev | ised) | | | | |
| | | | | | | GDP (just b | elow 0.2%) | | | | | |
| Correlated Data G | DP | | Q1 | l (0.2%) | | | | | Q2 (0.2%) | | | |
| | | January | Fe | bruary | | March | April | | May | June | | |
| Balance of Trad | le | 17.4B | 7 | 20.6B | | 17.9B | June 1 | L8 | | | | |
| Unemployment R | ate | 7.8 | | 7.8 | | 7.7 | June | 4 | | | | |
| Retail Sales Mol | VI | 0.9 | | 0.5 | | 0.0 | June | 5 | | | | |
| Industrial Production | MoM | 1.9 | | -0.1 | | -0.3 | June 1 | L3 | | | | |
| | | | EURO | PE COMPO | SITE PIV | II (just under | 0.3%) | | | | | |
| Q1 Average | 51.5 (Pr | evious Average 5 | 2.3): GDF | at 0.2% | | | Q2 Average | 51.5 (Previ | ous 51.5): G | DP at 0.2% | | |
| January | January February March April May June | | | | | | | | | | | |

Source:

https://www.ecb.europa.eu/pub/pdf/other/ecb.projections201903_ecbstaff~14271a62b5.en.pdf?af658236ccebaec83d737de31384fd18 (Page 6)

51.6

Effective Exchange Rate: https://www.ecb.europa.eu/stats/balance_of_payments_and_external/eer/html/index.en.html

ECB: EURUSD 1.14

Fixing: https://www.ecb.europa.eu/stats/policy_and_exchange_rates/euro_reference_exchange_rates/html/index.en.html

JPY: Neutral, move with risk sentiment

51.9

Q2 PMI shows that domestic and external demand conditions in manufacturing sector deteriorate. Output expectations turn negative in May for the first time since November 2012. Upcoming sales tax and Japan's Upper House election next month keep sentiment in check. We have a significant divergence between manufacturing and services, a result of domestic consumption vs global growth slowdown. Domestic demand is driven by frontloading due to the scheduled increase of sales tax to 10% in October.

Market is beginning to see possible tightening measures by BoJ in its next policy move. June's Tankan is crucial to BoJ's decision.

Next Projection: July 2019

JPY Core CPI (all items less fresh food) Annual Real GDP

BOJ Projection (median) 0.9 to 1.2 (1.1) 0.7 to 0.9 (0.8)

| | | | Ne | ext Project | tion: July 201 | L 9 | | | | | |
|------------------------------|---------------------------|----------|-------------------|-------------|----------------|---------------------------|-----------|---------------|------|---------|--|
| JPY | | Core CPI | all items less fr | esh food) | Annual | | | Real GDP | | | |
| BOJ Projection (medi | an) | | 0.9 to 1.2 (| 1.1) | | | | 0.7 to 0.9 (0 | .8) | | |
| | | | Nat | tional Core | e CPI | | 0.5 | | | | |
| Current Data | | 0.9 | March | April | May | 0.5 | | | | | |
| | | | 0.0 | 0.1 | | | Neutral | | | | |
| Qualitative | Qualitative Strengthening | | | | | | | | | | |
| Next Release | | | June 21 (M | lay) | | June 9 (Q1 Final Reading) | | | | | |
| | | | | | 0 | GDP | | | | | |
| Correlated Data GDP | | | Q1 | | | | | Q2 | | | |
| | J: | anuary | February | | March | Apr | il | May | | June | |
| Balance of Trade | JP | Y-1417 B | JPY335 B | JF | Y528 B | JPY 60 | 0 B | June 18 | | | |
| Retail Sales | | -1.8 | 0.4 | | 0.2 | 0 | | June 28 | | July 30 | |
| Industrial Production | | -2.5 | 0.7 | | -0.6 | 0.6 | i | June 28 | | | |
| Correlated Data | | | Q1 | Q1 | | | Q2 | | | | |
| Inflation | J: | anuary | February | I | March | Apr | il | May | | June | |
| Gasoline Price | | 1.30 | 1.29 | | 1.31 | 1.33 | 3 | | | | |
| PPI | | 0.6 | 0.9 | | 1.3 | 1.2 | | June 12 | | | |
| SPPI | | 1.0 | 1.1 | | 1.1 | 0.9 | | June 25 | | | |
| Average Cash Earnings YoY | | -0.6 | -0.7 | | -1.9 | June 7 | | | | | |
| | | | J. | APAN CON | MPOSITE PM | I | | | | | |
| | | Q1 | | | | Q2 (I | ndicative | of GDP QoQ at | 0.2% |) | |
| January | F | ebruary | Marc | h | Ар | ril | | May | | June | |
| 50.9 | | 50.7 | 50.4 | | 50 | 50.8 | | | | | |

Source: http://www.boj.or.jp/en/mopo/outlook/gor1904a.pdf (Page 9) Tankan Survey: 108.87 (108.80 1H & 108.93 2H)

GBP: Neutral, move with Brexit Headlines

Q2 PMI shows all 3 major parts of the economy, services, manufacturing and construction sectors, are struggling to grow. Upturn in manufacturing sector is showing signs of waning as stockpiling activities due to Brexit slows down in Q2. Forward looking order books and backlogs of work hint at a near-term weakness of demand, that could filter in through slower GDP and employment numbers. Inflation figure keeps BOE stance tighter.

Brexit headlines dominate GBP move.

| | | | | | Next F | Projectio | n: August 1, 20 | 019 | | | |
|-----------------------|--------|--------------|-------------|---------|-----------|----------------------|-----------------|---------------|---|---------------|--------------------------|
| GBP | | | | | GDP | | | | | CPI Inflation | LFS Unemployment Rate |
| Central Projection | | | | | 1.6 | | | | | 2.1 | 3.8 |
| Current Data | | Annual | QoC | ì | Mar | ch | April | May | | 2.1 | 3.8 |
| Current Data | | 1.8 | 0.5 | | -0.: | 1 | | | | 2.1 | 3.0 |
| Qualitative | Stre | engthening | Strength | ening | Slow | er | | | | Strengthening | Strengthening |
| Next Release | | June 28 (| Q1 Final) | | | | June 10 | July 10 |) | June 19 | June 11 |
| | | | | | | | GDF | • | | | |
| Correlated Da | ta | | | (| Q1 | | | | | Q2 | |
| | | Januar | у | Febru | uary | | March | April | | May | June |
| NIESR GDP Es | it | 0.2 | | 0.3 | 3 | | 0.5 | 0.4 | | June 10 | |
| Balance of Tra | ıde | GBP-6.7 | 1B | GBP-6 | .22B | GI | 3P-5.41 | June 1 | 0 | | |
| Claimant Count Cha | inge | 15.7k | | 26. | 7k | | 22.6k | 24.7 k | | June 11 | |
| Retail Sales Mo | οM | 0.9 | | 0.0 | 6 | | 1.2 | 0.0 | | June 20 | July 18 |
| Industrial Produc | tion | 0.7 | | 0.0 | 6 | | 0.7 | June 1 | 0 | | |
| Index of Service | es | 0.5 | | 0.4 | 4 | | 0.3 | June 1 | 0 | | |
| | | | | | I | ик сом | POSITE PMI | | | | |
| Q1: Aver | rage 5 | 0.57 (Previo | us 51.51) (| QoQ Exp | ected 0.1 | | | | | Q2 | |
| January | | Febr | uary | | March | March April May June | | | | | June |
| 50.3 | | 51 | L .4 | | 50.00 | | 50. | .9 | | | |

Source: https://www.bankofengland.co.uk/-/media/boe/files/inflation-report/2019/may/inflation-report-may-2019.pdf?la=en&hash=D4985F6D513BF04EB81A28C53F6DB0CFB8CC09FB (Page 30)

AUD: Bearish to Neutral

Q1 2019: A lower growth rate is expected. RBA's lowered its GDP projection from 2.5% to 1.75% for June 2019. Q1 PSI is showing a weaker average compared to Q4 2018. RBA points to the development in labour market as the direction of its stance.

O2 2019: Better numbers are expected.

| Q2 2015. Better Hulli | ocio die expecteur | | | | 010 | | | | | |
|-----------------------|---------------------|---------------|------------|----------------------------|-----------|--------------|------------------------|--------|------|--|
| | | | Next Proje | ection: August 2 | 019 | | | | | |
| RBA | GDP Gro | wth | Unemplo | yment Rate | CPI Infla | tion | Underlying (Trimmed | | TWI | |
| RBA Projection | 1.75 | | | 5.0 | 1.75 | | 1.5 | 0 | 60.0 | |
| Current Data | YoY | QoQ | | 5,2 | | | 1.0 | e | 60.0 | |
| Current Data | 2.3 | 0.2 | | 5.2 | 1.3 | | 1.0 | • | 60.0 | |
| Qualitative | Slower | Slower | SI | ower | Slowe | er | Slow | Slower | | |
| Next Data | June 5 (0 | Q1) | June : | 13 (May) | | July 25 (Q2) | | | | |
| | | | | G | DP | | | | | |
| Correlated Data | | Q1 | | | | | Q2 | | | |
| | January | Febru | ary | March | April | | May | Ju | ne | |
| AIG PSI Index | 44.3 | 44.5 | 5 4 | 4.8 (44.53 vs 52.77 Q4) | 46.5 | | June 5 | | | |
| Balance of Trade | A\$4.653B | A\$5.14 | 10B | A \$4.949 | June 7 | , | | | | |
| Commodity Prices | 6.5 | 9.7 | | 10.2 | 14.4 | | June 3 | | | |
| Employment Change | 38,330 | 10,76 | 50 | 27,700 | 28,400 |) | June 13 | | | |
| Retail Sales | 0.1 | 0.9 | | 0.3 | June 4 | ı | | | | |
| PSI Retail Trade | 39.9 | 39.4 | ı | 38.5 | 37.7 | | | | | |
| Correlated Data | | Q1 | | | | | Q2 | | | |
| Inflation | January | Febru | ary | March | April | | May | Ju | ne | |
| Gasoline Price | 0.94 | 0.98 | 3 | 1.02 | 1.04 | | | | | |
| MI Inflation Gauge | -0.1 | 0.1 | | 0.4 | 0.2 | | 0.0 | Jul | y 1 | |
| PSI Selling Prices | 47.0 | 43.4 | ı | 44.8 | 42.1 | | June 5 | | | |
| | | | AUSTRALI | IA COMPOSITE F | PMI | | | | | |
| Q1: A | Average: 47.97 (Pre | evious 52.93) | | | | | Q2 | | | |
| January | February | | March | | April | | May | | • | |
| 51.3 | 49.1 | | 49.5 | 5 | 0.0 | | 52.2 | | | |

Data Source: https://www.rba.gov.au/publications/smp/2019/may/pdf/statement-on-monetary-policy-2019-05.pdf (Page 75)

TWI: http://www.rba.gov.au/statistics/frequency/exchange-rates.html (4pm Australia Time, 2pm Malaysia)

Valuation used in the monetary policy is based on A\$ at US\$0.70, TWI at 60 and Brent crude oil price at US\$68/barrel.

CAD: Bullish

Q1 2019: Ivey PMI is pointing to an overall lower economic activity during Q1. BOC changed its trajectory towards a more neutral stance and says it will be watching closely developments in household spending, oil markets, and global trade policy. However, recovery in crude price could be a push for the economy to expand, and March Ivey PMI points to some recovery in sentiment (0.2-0.3).

| | | | | kt Projection: | | .9 | | | | | |
|-----------------------------|-------------|-------------------|-------------|----------------|-----------|---------------|-------------|-----|---------|--|--|
| CAD | | Real GD | P (Annualiz | ed) | | | CPI Inflati | on | | | |
| BOC Projection | | Q1 1.3 Q2 1.0 | QoQ Q1 0. | 3 Q2 1.3 | | | Q2 2.0 | | | | |
| | | | | | | 2.0 | April | May | June | | |
| | | | March | April | May | 2.0 | 0.4 | | | | |
| Current Data | Annual | QoQ | | | | Strengtheni | ng | | | | |
| (Annualized) | 1.3 | 0.4 | | | | Common | Mediar | 1 | Trimmed | | |
| | | | 0.5 | | | 1.8 | 1.9 | | 2.0 | | |
| Qualitative | Slower | Strengthening | | | | | | | | | |
| Next Data | Augu | st 30 (Q2) | | June 28 | | July 17 (May) | | | | | |
| | | | | | GDP | | | | | | |
| Correlated Data | | Q | | | | | Q2 | | | | |
| | Januar | y Febr | uary | March | | April | May | | June | | |
| Balance of Trade | -3.1B | -3. | 4B | -3.2B | | June 6 | | | | | |
| Core Retail Sales | -0.6 | 0. | 7 | 1.7 | | June 21 | | | | | |
| Ivey Supplier Deliveries | 41.7 | 51 | .9 | 46.2 | | 48.7 | | | | | |
| Employment Change | 66.8k | 55. | 9k | - 7.2 k | | 106.5K | June 7 | | | | |
| lvey Employment | 51.8 | 53 | .2 | 54.5 | | 53.7 | | | | | |
| Correlated Data | | Q | 1 | | | | Q2 | | | | |
| Inflation | Januar | y Febr | uary | March | | April | May | | June | | |
| Gasoline Price | 0.81 | 0.8 | 36 | 0.94 | | 1.03 | | | | | |
| Ivey Prices Index | 57.4 | 59 | .8 | 58.7 | | 58.9 | | | | | |
| | | | | CANAD | A IVEY PM | I | | | | | |
| | Q1: Average | 53.2 (Previous 59 | | | | | Q2 | | | | |
| January | | February | _ | /larch | | pril | May | | June | | |
| 54.7 | ,, | 50.6 | | 54.3 | | 5.9 | | | | | |

Source: https://www.bankofcanada.ca/wp-content/uploads/2019/04/mpr-2019-04-24.pdf (Page 10)

BOC assumption is CADUSD 0.75 or USDCAD 1.3333, Brent USD70 & WTi USD60.

CHF: Bearish, move with risk sentiment

| Q1 2019: KOF Econom | | recovery at the e | end of (| Q1. | | | | | |
|----------------------|-------------------------|-------------------|----------|-------------|----------|-----------|---|--------------|----------|
| Q2 2019: Slower grow | th and activity are exp | | | | | | | | |
| | | Next F | roject | ion: June 2 | 019 | | | | |
| CI | HF | C | PI Infla | tion Quart | erly | | | GDP Annual | Growth |
| SNB Fo | recast | | | 0.6 | | | | 1.5 | |
| | | | | М | onthly C | PI | | | |
| Currer | nt Data | 0.7 | | March | April | pril May | | Annual | QoQ |
| | | | | _ | | , | | 1.7 | 0.6 |
| Quali | tative | Neutral | | 0.5 | 0.2 | | S | trengthening | |
| Next | Data | June 3 | June 3 | | | | | Septemb | er 5 |
| | | GDP | | | | | | | |
| Correlated Data | | Q1 | | | | | | Q2 | |
| | January | February | | March | | April | | May | June |
| Balance of Trade | CHF 1.37B | CHF 1.93B | Cŀ | HF 2.49B | | CHF 1.91B | 3 | June 20 | July 18 |
| Unemployment Rate | 2.8 | 2.7 | | 2.5 | | 2.4 | | June 8 | |
| Retail Sales | -0.2 | 0.5 | | 0.0 | | 0.2 | | July 1 | August 2 |
| | | SWITZERL | AND K | OF ECONO | MIC BAR | OMETER | | | |
| Q1 Av | erage: 95.52 (Previous | 98.51) | | | | Q2 | | | |
| January | February | March | | | April | | | May | June |
| 96.22 | 93.13 | 97.20 | | | 96.24 | | | 94.45 | |

Source: Source: https://www.snb.ch/en/mmr/reference/pre 20190321 2/source/pre 20190321 2.en.pdf

SNB Projection based on Brent USD73/barrel, EURUSD 1.16

NZD: Bearish

Q1 2019 GDP: Average PCI drops lower after PSI printed the lowest figure since 2012. We are looking at a possible lower 2019 Q1 GDP figure as suggested by the PCI. Forward looking new orders index point to continued weakness. The increase in headline inflation is seen as a temporary factor caused by food and energy. Decreasing domestic and global demand turn RBNZ back to easing stance. Sentiment, especially on global yield and trade weigh on NZD's valuation.

| | | | | Next Pro | jection: A | ugust 2019 | | | | | | |
|---------------------------|-----------------------------------|------------|----------|----------|-------------|------------|----------|-----------|---------|--------|-------|------|
| NZD | GDI | Growth Q | uarterly | СРІ | Inflation (| Quarterly | СРІ | Inflation | Annual | | TWI | |
| RBNZ Projection | | 0.4 | | | 0.6 | | | 1.7 | | | 73.20 | |
| Current Data | | 0.6 | | | 0.1 | | | 1.5 | | 72.03 | | |
| Qualitative | | Strengther | ning | | Neutr | al | | Slowe | r | | | |
| Next Data | Ju | ne 19 (Q1) | (Weak) | | | July | 16 (Q2) | | | | | |
| | | | | | | GI |)P | | | | | |
| Correlated Data | | Q1 | | | | | | | Q: | 2 | | |
| | Ja | nuary | Febr | uary | M | arch | Aı | oril | Ma | ıy | Ju | ne |
| Balance of Trade | NZ\$-9 | 947.99M | NZ\$- | 68M | NZ\$ | 824M | NZ\$4 | 133M | June 25 | (Weak) | | |
| GDT Price Index | 2.8 | 4.2 | 6.7 | 0.9 | 3.3 | 1.9 | 0.8 | 0.5 | 0.4 | -1.2 | | |
| ANZ Commodity Price | s | 2.0 | 2. | 8 | 4 | l.1 | 2 | .5 | June 6 | | Jul | y 4 |
| Retail Sales | | | 0. | .7 | | | | | Augus | st 21 | | |
| Employment Change | | | -0 | .2 | | | July 31 | | | | | |
| Credit Card Spending | | 6.9 | 6. | 4 | 4 | 1.5 | 4 | .5 | June | 24 | | |
| Correlated Data Inflation | | | Q | 1 | | | | | Q: | 2 | | |
| Correlated Data Illiatio | Ja | nuary | Febr | uary | M | arch | A | oril | Ma | ıy | Ju | ne |
| FPI | | 1.0 | 0. | 4 | C |).5 | -0 |).1 | June | 14 | July | y 12 |
| | NEW | | | | ALAND BU | ISINESS NZ | PCI DATA | ١ | | | | |
| Q1 Av | Q1 Average: 53.83 (Previous 54.1) | | | | | | Q2 | | | | | |
| January | Febr | uary | | March | | Apri | l | | May | | June | |
| 56.1 | 53 | .7 | | 51.7 | | 51.6 | | | | | | |

| Seasonally Adjusted Time Series - BNZ - BusinessNZ Combined PMI & PSI | | | | | | | | | | | | | |
|-----------------------------------------------------------------------|-----------------------------------------------------------|------|------|------|------|------|--|--|--|--|--|--|--|
| Date | Date Index Output Employment New Orders Stocks Deliveries | | | | | | | | | | | | |
| January | 56.1 | 60.3 | 52.9 | 59.9 | 50.7 | 52.4 | | | | | | | |
| February | 53.7 | 53.0 | 51.5 | 58.5 | 50.1 | 50.9 | | | | | | | |
| March | 51.7 | 52.0 | 51.1 | 54.2 | 50.2 | 51.2 | | | | | | | |
| April | 51.6 | 50.5 | 48.8 | 54.6 | 48.5 | 52.1 | | | | | | | |
| May | | | | | | | | | | | | | |
| June | | | | | | | | | | | | | |

Source: https://www.rbnz.govt.nz/-

/media/ReserveBank/Files/Publications/Monetary%20policy%20statements/2019/mpsmay19.pdf?revision=e96f52d2-4875-4a31-97a8-415deaf9feea (Page 37)

Data:

TWI http://www.rbnz.govt.nz/statistics/b1 (3pm New Zealand, 11am Malaysia time)

PCI Data: https://www.businessnz.org.nz/resources/surveys-and-statistics RBNZ: TWI 73. Dubai Oil Price USD65, Whole Milk Powder USD3,000/tonne

CNH: Neutral, Sign of Recovery

The benchmark interest rate in China was last recorded at 4.35 percent. It was last cut by 25 basis points in October 2015. On September 27th 2018, the People's Bank of China left interest rates for open market operations unchanged even after the Federal Reserves' decision to tighten monetary policy. The rate for 7-day reverse repurchase agreements remained at 2.55 percent, the 14-day tenor at 2.70 percent and the 28-day tenor at 2.85 percent, the central bank said in a statement on its website.

Q2 Caixin Manufacturing PMI "Overall, China's economy showed steady growth and resilience in May. The manufacturing sector saw demand rise from both overseas and domestic markets, and prices were stable. However, business confidence weakened, and manufacturers' inventory levels remained low. The trade tensions between the US and China are having an impact on confidence and the best way to respond to this is to boost the confidence of enterprises, residents and capital markets by carrying out favorable reforms and to undertake timely adjustments to regulations and controls."

| , | | | | | | | | |
|---------------------------|----------------------|--------------|---------|------------|-----------|---------|------|--|
| DATA | January | February | Mar | ch | April | May | June | |
| GDP QoQ | | 6.4 | July 17 | | | | | |
| Trade Balance | USD393.4 | USD37.9 | USD32 | 24.2 | USD138.39 | June 10 | | |
| Industrial Production YoY | 5. | .3 | 8.5 | | 5.4 | | | |
| | | | CHINA C | OMPOSITE P | MI | | | |
| Q | 1 Average: 51.5 (Pre | vious 51.53) | | | | Q2 | | |
| January | February | Mar | ch | Apri | il | May | June | |
| E0 0 | E0.7 | E2 (| 0 | 52.7 | 7 | | | |

Disclaimer:

The contents of this write up is meant for educational purposes only. No responsibility is assumed from trading losses. Market changes as information become available.