

**Trade Tensions:**

The highly anticipated late June meeting between President Trump and Chinese President Xi Jinping might not materialize as major issues are still hanging between the two nations. President Trump threatened tariffs on China's import if President Xi does not attend the G20 meeting. Trump is preparing to launch 25% tariffs on virtually all Chinese imports so far untouched by the two countries' tariff war, a \$300 billion list of consumer goods including cell phones, computers and clothing.

US and Mexico struck a deal on Friday to avert a tariff war, with Mexico agreeing to rapidly expand a controversial asylum program and deploy security forces to stem the flow of illegal Central American migrants. US President Donald Trump had threatened to impose 5% import tariffs on all Mexican goods starting Monday if Mexico did not commit to do more to tighten its borders. In a joint declaration after three days of talks in Washington, both countries said Mexico agreed to immediately expand along the entire border a program that sends migrants seeking asylum in the United States to Mexico while they await adjudication of their cases. Meanwhile, Canada moved to ratify a new North American Trade deal.

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: Japan Economy Minister, Toshimitsu Motegi will meet US Lightizer on June 13 to discuss trade. Previously, it was announced that US & Japan will work on a trade deal after Japan's General election in July. According to 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.

UK-China: China's VP, Liu He will attend the trade talk between UK-China on June 17.

**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.

AU: One Nation Leader, Pauline Hanson holds the minority Coalition Government tax cuts package to ransom.

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).

Sentiment		Market Mapping							
	Date	Subspan	Currency	Impact	Detail	Actual	Forecast	Previous	Graph
USD	Mon Jun 10	All Day	AUD	Bank Holiday					
		7:50am	JPY	Bank Lending y/y		2.6%	2.4%	2.4%	
			JPY	Current Account		1.60T	1.44T	1.27T	
			JPY	Final GDP Price Index y/y		0.1%	0.2%	0.2%	
			JPY	Final GDP q/q		0.6%	0.6%	0.5%	
		9:33am	CNY	USD-Denominated Trade Balance		41.7B	23.2B	13.8B	
		9:34am	CNY	Trade Balance		279B	136B	94B	
		1:00pm	JPY	Economy Watchers Sentiment		44.1	45.5	45.3	
		All Day	CHF	Bank Holiday					
		All Day	EUR	French Bank Holiday					
EURO	Mon Jun 10	All Day	EUR	German Bank Holiday					
		4:00pm	EUR	Italian Industrial Production m/m		-0.7%	0.2%	-1.0%	
		4:30pm	GBP	GDP m/m		-0.4%	-0.1%	-0.1%	
			GBP	Manufacturing Production m/m		-3.9%	-1.1%	0.9%	
			GBP	Construction Output m/m		-0.4%	0.6%	-1.9%	
			GBP	Goods Trade Balance		-12.1B	-13.1B	-15.4B	
			GBP	Index of Services 3m/3m		0.2%	0.2%	0.3%	
			GBP	Industrial Production m/m		-2.7%	-0.7%	0.7%	
		5:00pm	GBP	MPC Member Tenreiro Speaks					
		8:10pm	GBP	NIESR GDP Estimate		0.1%		0.3%	
JPY	Tue Jun 11	8:13pm	CAD	Housing Starts		202K	220K	233K	
		8:30pm	CAD	Building Permits m/m		14.7%	0.9%	2.8%	
		10:00pm	USD	JOLTS Job Openings		7.45M	7.50M	7.47M	
		1:00am	GBP	MPC Member Saunders Speaks					
		6:45am	NZD	Manufacturing Sales q/q		1.0%		-0.3%	
		7:50am	JPY	M2 Money Stock y/y		2.7%	2.6%	2.5%	
		9:30am	AUD	NAB Business Confidence		7		0	
		1:55pm	JPY	Prelim Machine Tool Orders y/y		-27.3%		-33.4%	
		4:30pm	EUR	Sentix Investor Confidence		-3.3	2.3	5.3	
			GBP	Average Earnings Index 3m/y		3.1%	2.9%	3.3%	
GBP	Wed Jun 12		GBP	Claimant Count Change		23.2K	12.3K	19.1K	
			GBP	Unemployment Rate		3.8%	3.8%	3.8%	
		5:16pm	USD	NFIB Small Business Index		105.0	102.3	103.5	
		8:30pm	USD	Core PPI m/m		0.2%	0.2%	0.1%	
			USD	PPI m/m		0.1%	0.1%	0.2%	
		10:00pm	USD	IBD/TIPP Economic Optimism		53.2	59.2	58.6	
		6:45am	NZD	Visitor Arrivals m/m		-3.1%		2.4%	
		7:20am	AUD	RBA Assist Gov Kent Speaks					
		7:50am	JPY	Core Machinery Orders m/m		5.2%	-0.8%	3.8%	
			JPY	PPI y/y		0.7%	0.7%	1.3%	
AUD	Wed Jun 12	8:30am	AUD	Westpac Consumer Sentiment		-0.6%		0.6%	
		9:30am	CNY	CPI y/y		2.7%	2.7%	2.5%	
			CNY	PPI y/y		0.6%	0.6%	0.5%	
		1:30pm	EUR	French Final Private Payrolls q/q		0.5%	0.3%	0.3%	
		4:00pm	CNY	New Loans		1180B	1300B	1020B	
			CNY	M2 Money Supply y/y		8.5%	8.6%	8.5%	
		4:15pm	EUR	ECB President Draghi Speaks					
		5:00pm	AUD	RBA Assist Gov Ellis Speaks					
		9:10am	EUR	German 10-y Bond Auction				-0.07 1.8	
		8:30pm	USD	CPI m/m			0.1%	0.3%	
CAD	Thu Jun 13		USD	Core CPI m/m		0.2%	0.2%	0.1%	
		10:30pm	USD	Crude Oil Inventories			-1.0M	6.8M	
		1:01am	USD	10-y Bond Auction				2.48 2.2	
		2:00am	USD	Federal Budget Balance			-199.2B	160.3B	
		7:01am	GBP	RICS House Price Balance			-21%	-23%	
		7:50am	JPY	BSI Manufacturing Index			4.5	-7.3	
		9:00am	AUD	MI Inflation Expectations				3.3%	
		9:30am	AUD	Employment Change			16.0K	28.4K	
			AUD	Unemployment Rate			5.1%	5.2%	
		11:35am	JPY	30-y Bond Auction				0.53 4.6	
NZD	Thu Jun 13	12:30pm	JPY	Tertiary Industry Activity m/m			0.4%	-0.4%	
		1:45pm	CHF	SECO Economic Forecasts					
		2:00pm	EUR	German Final CPI m/m			0.2%	0.2%	
		2:30pm	CHF	PPI m/m			0.1%	0.0%	
		13th-15th	CNY	Foreign Direct Investment ytd/y				6.4%	
		3:30pm	CHF	SNB Monetary Policy Assessment					
			CHF	Labor Rate			-0.75%	-0.75%	
		4:00pm	CHF	SNB Press Conference					
			EUR	Italian Quarterly Unemployment Rate			10.4%	10.6%	
		5:00pm	EUR	Industrial Production m/m			-0.4%	-0.3%	
CHF	Fri Jun 14	Tentative	All	OPEC-JMMC Meetings					
		All Day	EUR	Eurogroup Meetings					
		8:30pm	CAD	NWFP m/m			0.1%	0.0%	
			USD	Import Prices m/m			-0.3%	0.2%	
			USD	Unemployment Claims			215K	218K	
		10:30pm	USD	Natural Gas Storage				119B	
		1:01am	USD	30-y Bond Auction				2.89 2.2	
		6:30am	NZD	Business NZ Manufacturing Index				53.0	
		6:45am	NZD	FPI m/m				-0.1%	
		10:00am	CNY	Fixed Asset Investment ytd/y			6.1%	6.1%	
USD	Fri Jun 14		CNY	Industrial Production y/y		5.4%	5.4%		
			CNY	Retail Sales y/y		8.0%	7.2%		
			CNY	Unemployment Rate			5.0%		
		12:30pm	JPY	Revised Industrial Production m/m			0.6%	0.6%	
		2:45pm	EUR	French Final CPI m/m			0.2%	0.2%	
		All Day	EUR	ECOFIN Meetings					
		8:30pm	USD	Core Retail Sales m/m			0.5%	0.1%	
			USD	Retail Sales m/m			0.7%	-0.2%	
		8:55pm	GBP	BOE Gov Carney Speaks					
		9:15pm	USD	Capacity Utilization Rate			78.0%	77.9%	
	USD	Industrial Production m/m			0.2%	-0.5%			
9:30pm	GBP	CB Leading Index m/m				-0.5%			
10:00pm	USD	Prelim UoM Consumer Sentiment			98.1	100.0			
	USD	Business Inventories m/m			0.4%	0.0%			
	USD	Prelim UoM Inflation Expectations				2.9%			

### Market Outlook

**USD Neutral to Bullish:** As sentiment turns more negative due to the rhetorics on US-China trade tension, USD gathers some support. However, any strength in USD is capped by expectation of FOMC rate cut in 2019.

**EURO Neutral to Bullish:** Europe's capital market remains resilient as some outflow from US market supports Euro's strength. Euro's buyers however are limited by political headlines, particularly on Italy's budget and Brexit.

**JPY Bullish:** Japanese Yen is supported on trade tensions as President Trump and President Xi meeting on the sideline of G20 in Japan later this month might not materialize. PM Abe's statement on the focus of policy on employment gave room to speculation that BoJ might reduce its easing stance. US-Japan Trade talk lend some probability that the value of USDJPY could be an integral topic. Plaza Accord?

**GBP Bullish:** A surprise in wage growth and hawkish MPC Members support Pound. The leading candidate for Conservatives Leader race, Boris Johnson is taking a hard stance on Brexit and the hard liners are supporting his cause. Although PM May stepped down last week, the main obstacles to a negotiated and orderly exit remain. The Irish border is still an impossible riddle, the EU says it will not budge, Parliament is divided, with the ruling party lacking majority, and the Tories are terrified of an election. Remain cautious and keep stops tight.

**AUD Bearish:** Political news about One Nation Leader, Pauline Hanson, holding government's budget on ransom and weaker China's import data are pressuring AUD. Negative headline on US-China trade tension is a headwind for AUD as RBA is expected to cut rate again in August.

**CAD Neutral to Bearish:** CAD started the week on front foot. However, EIA report on weaker demand and increase US supply is hurting crude price and pressuring CAD. If sentiment continues to deteriorate, expect CAD to turn bearish for the week.

**CHF Neutral:** No clear direction for CHF at the moment as market waits for SNB's policy meeting. A stay of the current ultra-easing stance is expected as market remain vigilant of SNB's intervention. Keep an eye on EURCHF 1.10 level.

Data Interpretation

INTRINSIC VALUATION BIAS	Q1 2019		Q2 2019 OUTLOOK		COMMENT
USD	Growth	Stronger	Growth	Weaker	Market is pricing in a cut by FOMC in June as indicators point to a slowdown in growth
	Inflation	Weaker	Inflation	Weaker	
	Employment	Stronger	Employment	Weaker	
EURO	Growth	Stronger	Growth	Neutral	Q2 Outlook is still weak as market waits for sign of rebounds
	Inflation	Stronger	Inflation	Neutral	
	Employment	Stronger	Employment	Neutral	
JPY	Growth	Neutral	Growth	Neutral	Domestic demand is holding up Japan's economy. Keep an eye on consumption tax increase deferment.
	Inflation	Stronger	Inflation	Neutral	
	Employment	Stronger	Employment	Neutral	
GBP	Growth	Stronger	Growth	Weaker	BOE will maintain its tightening bias due to inflation.
	Inflation	Neutral	Inflation	Stronger	
	Employment	Weaker	Employment	Weaker	
AUD	Growth	Weaker	Growth	Stronger	RBA cut rate with focus on employment & inflation for future direction. Economy looks set to pick up in Q2.
	Inflation	Weaker	Inflation	Stronger	
	Employment	Stronger	Employment	Stronger	
CAD	Growth	Weaker	Growth	Stronger	Crude price is the major catalyst as WTi falls below USD60/barrel
	Inflation	Stronger	Inflation	Stronger	
	Employment	Stronger	Employment	Neutral	
CHF	Growth	Neutral	Growth	Weaker	Sentiment based. SNB easing stance stays though growth beats forecast.
	Inflation	Stronger	Inflation	No data	
	Employment	Neutral	Employment	Stronger	
NZD	Growth	Weaker	Growth	Weaker	RBNZ will be looking at inflation figure for next policy direction.
	Inflation	Weaker	Inflation	Weaker	
	Employment	Weaker	Employment	Weaker	

## USD: Neutral to Bearish

Market is expecting a dovish June's FOMC. At least 2 rate cuts are priced in for 2019.  
 Q2 outlook shows a weaker economic trend. Growth slows down, while inflation is not showing in the economy. May's employment data came out weaker.

Next Projection: June 2019												
FOMC	Change in Annual Real GDP				Unemployment Rate			PCE Inflation			Core PCE Inflation	
FOMC Range	1.6-2.4				3.5-4.0			1.6-2.1			1.8-2.2	
(Central Tendency)	1.9-2.2				3.6-3.8			1.8-1.9			1.9-2.0	
Median	2.1				3.7			1.8			2.0	
Hard Data	Annual 3.2		QoQ 3.1		3.6			1.5			1.6	
Qualitative	Stronger		Stronger		Neutral			Stronger			Stronger	
Next Release	June 27 (Q1 3 <sup>rd</sup> Estimate)				July 5 (June)			June 28 (May)				
Correlated Data GDP	GDP											
	Q2						Q3					
	April		May		June							
Balance of Trade	50.8		July 3									
Retail Sales	-0.2		June 14		July 16		August 15		September 13		October 16	
Core Durable Goods Orders	0.0		June 26		July 25							
Industrial Production	-0.5		June 14		July 16		August 15		September 17		October 17	
Correlated Data Inflation	Q2						Q3					
	April		May		June		July		August		September	
CPI	0.3		June 12		July 11		August 13		September 12		October 10	
Core CPI	0.1		June 12		July 11		August 13		September 12		October 10	
Gasoline Price	0.74		0.75									
Average Hourly Earnings	0.2		0.2		July 5		August 2		September 6		October 4	
PPI	0.2		0.1		July 12		August 9		September 11		October 8	
Import Prices	0.2		June 13		July 16		August 14		September 13		October 11	
Correlated Data Employment	April		May		June		July		August		September	
Non-Farm Payroll	224K		75K		July 5		August 2		September 6		October 4	
ADP Employment Change	271K		27K		July 3							
Unemployment Rate	3.6		3.6		July 5		August 2		September 6		October 4	
Initial Jobless Claims	216	212	204	197	193	230	230	228	212	212	218	218
Average	207K		220K		215K							
Labor Participation	62.8		62.8		July 5		August 2		September 6		October 4	
US COMPOSITE PMI												
Q1: Average: 54.83 Annual at 2.5%						Q2						
January (2.5%)		February (2.5%)		March		April		May		June		
54.4		55.5		54.6		53.0		50.9				
	Date	Index (43.2%)	Production / Output (51.3%)	New Orders	Employment (50.6%)	Supplier Deliveries	Inventories	Prices	Backlog	New Export	Imports	
ISM Manufacturing (20%)	April	52.8	52.3	51.7	52.4	54.6	52.9	50.0	53.9	49.5	49.8	
	May	52.1	51.3	52.7	53.7	52.0	50.9	53.2	47.2	51.0	49.4	
	June											
ISM Non-Manufacturing (80%)	April	55.5	59.5	58.1	53.7	50.5	51.5	55.7	55.0	57.0	55.0	
	May	56.0	61.2	58.6	58.1	49.5	54.0	55.4	52.5	55.5	50.0	
	June											

Source: <https://www.federalreserve.gov/monetarypolicy/fomcprojtabi20190320.htm>

PCE Data Link: <https://www.bea.gov/newsreleases/national/pi/pinewsrelease.htm>

## EURO: Neutral

ECB pushed out the timing of its first rate hike in nearly eight years to the second half of 2020 at the earliest during its June meeting, amid concerns about global growth and inflation outlook. It also announced that under TLTRO III banks will be able to borrow from the central bank at 10bps above the average rate applied in the Eurosystem's main refinancing operations over the life of the loan. Q2 GDP: PMI April dan German IFO show that economic sentiments are still weak. Weak demands slow growth and inflation, choking the economy dealing with higher input prices due to rising oil price.

Next Projection: June 2019

ECB	HICP Inflation Annual				Real GDP Annual		EER
ECB Projection	(1.2-1.4) 1.3				(0.9-1.5) 1.2		100
Current Data	Annual 1.2	April 0.7	May	June	Annual 1.2	QoQ 0.4	98.15
Qualitative	Weaker			Strengthening		Strengthening	
Next Release	June 18 (Final Q2 CPI)				July 31 (Q2 Flash)		
Correlated Data GDP	GDP (just below 0.2%)						
	Q1 (0.2%)			Q2 (0.2%)			
	January	February	March	April	May	June	
Balance of Trade	17.4B	20.6B	17.9B	June 18			
Unemployment Rate	7.8	7.8	7.7	7.6	July 1		
Retail Sales MoM	0.9	0.5	0.0	-0.4	July 4		
Industrial Production MoM	1.9	-0.1	-0.3	June 13			
EUROPE COMPOSITE PMI							
Q2 Average 51.65 (Previous 51.5): GDP at 0.2%				Q3			
April	May	June	July	August	September		
51.5	51.8						

Source:

[https://www.ecb.europa.eu/pub/pdf/other/ecb.projections201906\\_eurosystemstaff~8e352fd82a.en.pdf?bd9810b9162d60fd5fa81104cbd60bfb](https://www.ecb.europa.eu/pub/pdf/other/ecb.projections201906_eurosystemstaff~8e352fd82a.en.pdf?bd9810b9162d60fd5fa81104cbd60bfb) (Page 6)

Effective Exchange Rate: [https://www.ecb.europa.eu/stats/balance\\_of\\_payments\\_and\\_external/eer/html/index.en.html](https://www.ecb.europa.eu/stats/balance_of_payments_and_external/eer/html/index.en.html)

ECB: EURUSD 1.12

Fixing: [https://www.ecb.europa.eu/stats/policy\\_and\\_exchange\\_rates/euro\\_reference\\_exchange\\_rates/html/index.en.html](https://www.ecb.europa.eu/stats/policy_and_exchange_rates/euro_reference_exchange_rates/html/index.en.html)

## JPY: Neutral, move with risk sentiment

Q2 PMI shows that Japan's services economy continued to tick along at a modest pace during May. Taken in conjunction with the earlier-released manufacturing PMI, private sector output in Japan is growing at a rate that's broadly in line with the underwhelming average seen in the opening quarter. The current underlying trend in Japan's economy is disappointing and will certainly warrant concern from Abe amid the upcoming upper house elections in July and the scheduled consumption tax hike later this year. Indeed, service sector panellists indicated a degree of concern towards the sales tax increase, which pulled sentiment to its joint-lowest level in 18 months. Market is beginning to see possible 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 1.0 (0.9)				0.6 to 0.6 (0.6)		
Current Data	0.9	National Core CPI			0.6		
		March	April	May			
Qualitative	Strengthening				Neutral		
Next Release	June 21 (May)				August 8 (Q2 Prelim Reading)		
Correlated Data GDP	GDP						
	Q2			Q2			
	April	May	June	July	August	September	
Balance of Trade	JPY 60 B	June 18					
Retail Sales	0	June 28	July 30				
Industrial Production	0.6	June 28					
Household Spending	1.3	July 5	August 6	September 6	October 8	November 8	
Correlated Data Inflation	Q2						
	April	May	June	July	August	September	
Gasoline Price	1.33	1.39					
PPI	1.2	June 12					
SPPI	0.9	June 25					
JAPAN COMPOSITE PMI							
Q2 (Indicative of GDP QoQ at 0.2%)				Q#			
April	May	June	July	August	September		
50.8	50.7						

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 Although service sector business activity gained a little momentum in May, with growth reaching a three-month high, the pace of expansion remained disappointingly muted and failed to offset a marked deterioration in manufacturing performance and a fall in output of the construction industry during the month. As a result, the PMI surveys collectively indicated that the UK economy remained close to stagnation midway through the second quarter as a result, registering one of the weakest performances since 2012. Inflation figure keeps BOE stance tighter.

Brexit headlines dominate GBP move.

Next Projection: August 1, 2019

GBP	GDP				CPI Inflation	LFS Unemployment Rate	
Central Projection	1.6				2.1	3.8	
Current Data	Annual 1.3	QoQ 0.3	April	May	June	2.1	3.8
			-0.4				
Qualitative	Slower	Slower	Slower			Strengthening	Neutral
Next Release	June 28 (Q1 Final)			July 10	August 9	June 19	July 16
Correlated Data	GDP						
	Q2			Q3			
	April	May	June	July	August	September	
NIESR GDP Est	0.3	0.1	July 10	August 9	September 9	October 10	
Balance of Trade	GBP-2.74B	July 10	August 9	September 9	October 10	November 11	
Claimant Count Change	19.1	23.2	July 16	August 13	September 10	October 15	
Retail Sales MoM	0.0	June 20	July 18				
Industrial Production	-2.7	July 10	August 9	September 9	October 10	November 11	
Index of Services	0.2	July 10	August 9	September 9	October 10	November 11	
UK COMPOSITE PMI							
Q1: Average 50.57 (Previous 51.51) QoQ Expected 0.1			Q2				
January	February	March	April	May	June		
50.3	51.4	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: Neutral to Bullish

RBA lowered the cash rate by 25 basis points to a new record low of 1.25 percent at its June meeting, as widely expected. It is the first cut in borrowing cost since August 2016, aiming to support employment growth and to achieve progress towards the inflation target range. The Committee said that they will continue to monitor developments in the labour market; support sustainable growth in the economy and the achieve inflation target over time.

Q2 2019: Better growth numbers are expected. Employment sector looks promising, while inflation pressure is still weak.

Next Projection: August 2019

RBA	GDP Growth		Unemployment Rate	CPI Inflation	Underlying Inflation (Trimmed Mean)	TWI
RBA Projection	1.75		5.0	1.75	1.50	60.0
Current Data	YoY	QoQ	5.2	1.3	1.6	60.0
	1.8	0.2				
Qualitative	Neutral	Slower	Slower	Slower	Slower	
Next Data	September 5 (Q2)		June 13 (May)	July 25 (Q2)		
Correlated Data	GDP					
	Q2			Q3		
	April	May	June	July	August	September
AIG PSI Index	46.5	52.5	July 3			
Balance of Trade	A \$4.871B	July 3	August 6	September 5		
Commodity Prices	15.6	12.6	July 1			
Employment Change	28,400	June 13				
Retail Sales	-0.1	July 4	August 2			
PSI Retail Trade	40.2	40.4	July 3			
Correlated Data Inflation	GDP					
	Q2			Q3		
	April	May	June	July	August	September
Gasoline Price	1.04	1.02				
MI Inflation Gauge	0.2	0.0	July 1			
PSI Selling Prices	42.1	47.7	July 3			
AUSTRALIA COMPOSITE PMI						
Q2 Average: (Previous 49.97)			Q3			
April	May	June	July	August	September	
50.0	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**

BOC left its benchmark interest rate unchanged at 1.75 percent on May 29th 2019, as widely expected. It remained the highest rate since December 2008. Policymakers said that the degree of monetary policy accommodation is appropriate and that they will remain data dependent for future policy decisions. The Committee added that they will continue to monitor developments in household spending, oil markets and the global trade environment. The Bank Rate and deposit rate were also left steady at 2.0 percent and 1.50 percent, respectively. Q2 growth is expected to accelerate as the increase of crude price begins to flow in the economy.

Next Projection: July 10, 2019

CAD	Real GDP (Annualized)					CPI Inflation			
BOC Projection	Q1 1.3	Q2 1.0	QoQ	Q1 0.3	Q2 1.3	Q2 2.0			
Current Data (Annualized)	Annual 1.3	QoQ 0.4	March	April	May	2.0	April	May	June
			0.5			Strengthening	0.4		
						Common	Median	Trimmed	
Qualitative	Slower	Strengthening				1.8	1.9	2.0	
Next Data	August 30 (Q2)			June 28		July 17 (May)			
Correlated Data	GDP								
	Q1			Q2					
	January	February	March	April	May	June			
Balance of Trade	-3.1B	C \$-3.4B	C \$-2.3B	C \$-1.0B	July 3	August 2			
Core Retail Sales	-0.6	0.7	1.7	June 21					
Ivey Supplier Deliveries	41.7	51.9	46.2	48.7	52.4				
Employment Change	66.8k	55.9k	-7.2k	106.5K	27.7K	July 5			
Ivey Employment	51.8	53.2	54.5	53.7	55.1				
Correlated Data Inflation	Q2			Q3					
	April	May	June	July	August	September			
Gasoline Price	1.03	0.99							
Ivey Prices Index	58.9	59.5							
CANADA IVEY PMI									
Q2: Average 55.9 (Previous 53.2)				Q3					
April	May	June	July	August	September				
55.9	55.9								

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**

Q2 2019: Slower growth and activity are expected.

Next Projection: June 13, 2019

CHF	CPI Inflation Quarterly			GDP Annual Growth		
SNB Forecast	0.6			1.5		
Current Data	0.6	Monthly CPI			Annual 1.7	QoQ 0.6
		April	May	June		
Qualitative	Slower	0.2	0.3	Strengthening		
Next Data	July 4	July 4	September 5			
Correlated Data	GDP					
	Q2		Q3			
	April	May	June	July	August	September
Balance of Trade	CHF 1.91B	June 20	July 18			
Unemployment Rate	2.4	2.4	July 9	August 9	September 9	October 8
Retail Sales	0.2	July 1	August 2			
SWITZERLAND KOF ECONOMIC BAROMETER						
Q2 Average: 95.35 (Previous 95.45)			Q3			
April	May	June	July	August	September	
96.24	94.45					

Source: Source: [https://www.snb.ch/en/mmr/reference/pre\\_20190321\\_2/source/pre\\_20190321\\_2.en.pdf](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 Projection: August 2019

NZD	GDP Growth Quarterly				CPI Inflation Quarterly		CPI Inflation Annual		TWI		
RBNZ Projection	0.4				0.6		1.7		73.20		
Current Data	0.6				0.1		1.5		72.30		
Qualitative	Strengthening				Neutral		Slower				
Next Data	June 19 (Q1) (Weak)				July 16 (Q2)						
Correlated Data	GDP										
	Q1					Q2					
	January	February		March		April		May		June	
Balance of Trade	NZ\$-947.99M		NZ\$-68M		NZ\$824M		NZ\$433M		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	-3.4
ANZ Commodity Prices	2.0		2.8		4.1		2.5		-0.8		July 4
Retail Sales	0.7					August 21					
Employment Change	-0.2					July 31					
Credit Card Spending	6.9		6.4		4.5		4.5		June 24		
Correlated Data Inflation	Q1					Q2					
	January	February		March		April		May		June	
	FPI	1.0		0.4		0.5		-0.1		June 14	
NEW ZEALAND BUSINESS NZ PCI DATA											
Q1 Average: 53.83 (Previous 54.1)						Q2					
January	February		March		April		May		June		
56.1	53.7		51.7		51.6						
Seasonally Adjusted Time Series - BNZ - BusinessNZ Combined PMI & PSI											
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=e96f52d2-4875-4a31-97a8-415deaf9fee>

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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	March	April	May	June
GDP QoQ	6.4				July 17	
Trade Balance	USD393.4B	USD37.9B	USD324.2B	USD138.3B	USD416.6B	July 12
Industrial Production YoY	5.3		8.5		5.4	
CHINA COMPOSITE PMI						
Q2 Average: (Previous 51.5)				Q3		
April	May	June		July	August	September
52.7	51.5					

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.