Weekly Currency Report (2015.10.19) Source: Direct Fx Forex Broker (Review and Forex Rebates Up to 85%) Last week, the highlight was the release of the US consumer price index and retail sales data. US consumer prices further weakened and registered their biggest drop in eight months on a monthly basis in September, pulled down largely by lower gas prices and a strong greenback. Additionally, the nation’s weaker than expected retail sales in September, suggests that the US economy is losing momentum due to slowing global economic growth. The lukewarm economic data have raised further doubts about the Fed tightening its monetary policy this year. Meanwhile, producer prices in the US recorded their biggest decline in eight months on a monthly basis with cost of energy products declining for a third straight month in September, thus suggesting that the Fed may delay its anticipated rate hike until signs of inflation appear. Other economic data showed that the number of Americans filing applications for jobless claims unexpectedly declined last week to match its lowest level since 1973. Separately, the US Federal Reserve stated in its Beige Book report that overall economic activity continued to expand moderately from mid-August through early October, with nine of the 12 Fed districts reporting modest growth, compared with 11 in the previous report. The report also indicated that economic slowdown in China, the world’s second-largest economy, continued to weigh on businesses during the same period. On the other hand, various Fed officials voiced that the Fed should begin raising rates before the end of the year. The Euro ended the week in the red against its peers, on downbeat economic releases in the Euro-zone and Germany. Data released during the week showed that Germany's ZEW indicator of economic sentiment index plunged in October, as the Volkswagen scandal and weak economic growth in emerging markets weighed on the economic outlook of the Euro-zone's biggest economy. Meanwhile, the final estimate of consumer prices showed no sign of pricing pressure on the German economy and weak inflation in the Euro-zone raised expectations that the ECB would need to beef up its existing monetary easing programme to shore up growth and inflation in the European economy when it meets next week. The British Pound ended the week on a stronger footing, after UK's employment data indicated that the nation's unemployment rate unexpectedly fell to its lowest level since mid-2008 in the three months ended August. However, gains in the currency were kept in check, as UK consumer prices fell back into deflationary territory for the second time this year in September.

EURUSD The EUR weakened against the USD last week, closing 0.09% lower at 1.1348, after the ECB's governing council member, Ewald Nowotny in his speech advocated the need of additional fresh set of monetary stimulus to boost inflation and growth in the Euro-zone, as the central bank is likely to miss its 2% inflation target. The Euro remained under pressure, after Germany's ZEW economic sentiment index plunged more than expected in October, as the diesel emission scandal at carmaker Volkswagen and slowing growth in emerging markets weighed on the outlook of the Euro-zone's biggest economy. Additionally, the nation's current situation index deteriorated in October. Other economic data showed that consumer prices in Germany did not grow on an annual basis in September, thus putting pressure on the ECB to prevent the region from falling into deflation. Meanwhile, the Euro-zone's inflation remained negative on an annual basis in September, highlighting weak pricing pressures in the European economy. The pair traded at a high of 1.1496 and a low of 1.1334 during the previous week. The pair is expected to find support at 1.1290, and a fall through could take it to the next support level of 1.1231. The pair is expected to find its first resistance at 1.1451, and a rise through could take it to the next resistance level of 1.1554. This week, investors would focus on the ECB's monetary policy decision, followed by the press conference of the central bank Chief, Mario Draghi. Additionally, the services and manufacturing PMI data across the Euro-zone would be keenly watched by investors.

GBPUSD The GBP advanced against the USD last week, closing 0.81% higher at 1.5437. In economic news, UK's inflation rate unexpectedly turned negative for the second time this year in September, dragged down by cheaper fuel prices, thereby reducing pressure on the BoE to raise main interest rate from a record low of 0.5%. Other economic data showed that UK's jobless rate declined to a seven-year low of 5.4% in the three month period to August, whereas the claimant count continued its downward trend in the same three months. Meanwhile, wages between June and August increased by an average of 2.8% compared to the same period last year. Meanwhile, like-for-like retails sales in the UK rebounded strongly on a yearly basis in September. The pair traded at a high of 1.5510 and a low of 1.5200 during the previous week. Immediate downside, the first support level is seen at 1.5256, followed by 1.5074, while on the upside, the first resistance level situated in 1.5565, followed by 1.5692. This week, Sterling investors would closely monitor UK's retail sales, public sector net borrowing to gauge the strength in the UK economy. **USDJPY** The USD declined against the JPY last week, closing 0.67% lower at 119.46, on the back of weak US inflation data. On the macro front, the preliminary estimate of Japan's industrial production contracted for the second straight month in August, indicating that the world's third biggest economy continued to stutter. Last week, the Japanese government downgraded its assessment of the economy, amid declining overseas demand. Also, the government lowered its outlook for industrial production, thereby adding more pressure on the BoJ to soon consider extra monetary stimulus in the nation's economy. Separately, the BoJ minutes of its recent monetary policy meeting revealed that the central bank would continue with its present level of bond-buying to achieve the price stability target of 2.0% and indicated that the nation's economy continues to recover moderately, even though exports and production have been affected by the slowdown in emerging economies. During the previous week, the pair traded at a high of 120.24 and a low of 118.06. Immediate downside, the first support level is seen at 118.26, followed by 117.07, while on the upside, the first resistance level situated in 120.43, followed by 121.42. Moving forward, investors look ahead to the release of Japan's adjusted merchandise trade balance, manufacturing PMI, all industry activity index and final estimate of the nation's leading and coincident indices data for further direction in the Yen.

USDCHF The USD fell against the CHF last week, closing 0.87% lower at 0.9532. The Swiss Franc strengthened, as the ZEW expectation index for the Swiss economic growth continued its upward swing and recorded a 19-month high level of 18.3 in October, from prior month's reading of 9.7. Meanwhile, producer and import prices in Switzerland remained subdued on a monthly basis in September. The pair traded at a high of 0.9649 and a low of 0.9476 during the previous week. The pair is expected to witness its first support at 0.9459 and second support at 0.9382, while the first resistance is expected at 0.9632 and second resistance at 0.9726. With a light economic calendar in Switzerland this week, investors would concentrate on the nation's trade balance data for further direction in the Swiss franc. **USDCAD** The USD traded 0.25% lower against the CAD last week, with the pair closing at 1.2913. Macroeconomic data released during the week showed that sales of existing homes in Canada retreated in September from August, while the housing price index rose on a monthly basis but showed signs of slowing in September. Separately, the BoC Governor, Stephen Poloz stated that the focus was on assessing the costs and benefits of possible monetary policy actions to address financial stability concerns. He reiterated that the central bank should be the last line of defense against threats to financial stability, not the first. Further, he emphasized that the BOC is up for a five-year renewal of its inflation target next year and that there is a "very high bar" for any change to the 2% inflation target. During the previous week, the pair traded at a high of 1.3082 and a low of 1.2831. The pair is expected to witness its first support at 1.2803 and second support at 1.2691, while the first resistance is expected at 1.3054 and second resistance at 1.3193. Moving ahead, the BoC’s interest rate decision along with consumer prices and retail sales data would keep investors on their toes.

AUDUSD The AUD traded 1% lower against the USD last week, with the pair closing at 0.7261. Australia’s unemployment rate showed no change and remained steady at 6.2% in September. Meanwhile, number of employed people in the nation unexpectedly decreased by 5,100, while part-time employment increased by 8,900 in September. Other economic data revealed that consumer inflation expectation in Australia increased to 3.5% in October, from 3.2% in the previous month. On the other hand, the NAB indicated that the business conditions index in Australia remained flat at a level of 9.00 in September, while the business confidence index edged up to a level of 5.0 in September, 1.0 in the prior month. Last week, the RBA Deputy Governor, Philip Lowe expressed optimism over the domestic economic fundamentals, though he mentioned that structural changes were on the horizon. He reiterated that RBA's recent remarks that a weaker Australian Dollar has helped the nation's economy to adjust to the wind-down of the boom in mining investment. The AUD hit a high of 0.7384 and a low of 0.7199 against the USD in the previous week. The pair is expected to find its first support at 0.7180 and first resistance at 0.7366. The second support is expected at 0.7097 and second resistance at 0.7468. Going forward, market participants would concentrate on the RBA minutes of its October monetary policy meeting. Meanwhile, Australia's CB and Westpac leading indices data would also grab market attention.

Gold Gold traded 1.8% higher during the previous week, closing at USD1177.30 per ounce, amid increasing indications that the Fed will hold off on raising interest rates this year, after the release of weak US consumer prices and retail sales data. Last week, the precious metal traded at a high of USD1191.70 per ounce and a low of USD1151.30 per ounce. Immediate downside, the first support level is seen at USD1159.03 per ounce, followed by USD1134.97 per ounce, while on the upside, the first resistance level situated in USD1199.43 per ounce, followed by USD1215.77 per ounce.

Crude Oil Crude oil weakened in the previous week, closing 4.78% lower at USD47.26 per barrel, after the International Energy Agency (IEA) indicated that global oil glut will persist through next year, as demand growth slows. Oil prices closed in the red, after the Energy Information Administration (EIA) showed that US crude oil inventories jumped more than market expectations by 7.6 million barrels to 468.56 million barrels in the week ended 09 October, while the American Petroleum Institute (API) indicated that US oil stocks edged up by 9.3 million barrels to 465.96 million barrels last week. Crude oil hit a high of USD50.13 per barrel and a low of USD45.23 per barrel in the previous week. Crude oil is expected to its find support at USD44.95 per barrel, and a fall through could take it to the next support level of USD42.64 per barrel. The commodity is expected to find its first resistance at USD49.85 per barrel, and a rise through could take it to the next resistance level of USD52.44 per barrel.