

**Weekly Forex Update** - Last week, the minutes of the Federal Open Market Committee's (FOMC) recent monetary policy meeting indicated that most of the policymakers were ready to raise interest rate in June, provided the incoming data points towards robust economic growth in the second quarter with firming labor market and the inflation progressing towards the central bank's 2.0% target. Macroeconomic data released during the week indicated that the inflation growth in US picked up speed in April, as consumer prices advanced at their fastest pace in more than three years with a rise in gasoline and rent prices. Moreover, the nation's industrial production indicated a strong rebound in April, as output jumped at its fastest pace in more than a year, showing signs that the second quarter growth has picked up momentum. Additionally, the number of Americans applying for the new unemployment benefits declined last week, ending three weeks of increases. Further, building permits and housing starts both advanced on a monthly basis in April. Meanwhile, two separate US regional Fed survey reports indicated that the manufacturing activity contracted in May. The Euro ended the week in red, after Eurozone's consumer prices slipped into deflation in April, despite stabilization in energy prices, showing the European Central Bank's struggle to boost the consumer inflation in the nation. Moreover, construction output declined for a second straight month in March. On the other hand, the region's trade surplus expanded slightly below expectations in March. Separately, the ECB April meeting minutes indicated that the policy makers were worried about

lower inflation expectations in the region and the central bank would focus on maintaining a very aggressive monetary policy in the short term. Further, the central bank indicated that incoming data pointed towards output growth at the modest pace, but the risks to the growth outlook were still tilted to the downside. The Pound ended the week on a stronger footing, despite UK's inflation growth slowing in April, underscoring the struggle for the Bank of England (BoE) to reach its inflation target of 2.0%. Moreover, Britain's jobs market remained steady in April, with the unemployment rate remaining unchanged from its previous month and as fewer people claimed for the unemployment benefits, showing that UK's labor market is cooling ahead of the UK's vote in the EU referendum. Meanwhile, the nation's retail sales advanced strongly on a yearly basis in April, indicating signs that the second quarter economic growth may be finally gaining some momentum amid growing uncertainty surrounding the EU referendum.

**EURUSD** Last week, the EUR traded 0.75% lower against the USD and closed at 1.1224, after Eurozone's consumer price index eased on an annual basis in April, marking its second month into deflation for 2016. Moreover, construction output fell on a monthly basis in March. Meanwhile, Eurozone's trade surplus expanded less than market expectations in March. Further, the nation's current account surplus widened sharply in the same month. In Germany, producer prices eased for a consecutive 33<sup>rd</sup> month in April. Moreover, the German Buba monthly report indicated that Eurozone's inflation was

expected to remain weak in the short term, but may rise later in the year. Moreover, the report suggested that the German economy could lose momentum in spring, but indicated that solid underlying growth would remain intact. During the previous week, the pair traded at a high of 1.1349 and a low of 1.1180. The pair is expected to find support at 1.1153, and a fall through could take it to the next support level of 1.1082. The pair is expected to find its first resistance at 1.1322, and a rise through could take it to the next resistance level of 1.1420. This week, investors would focus on the Markit's survey of the manufacturing and services PMI across the Eurozone, consumer confidence, ZEW survey on economic sentiment and the Euro group meeting for further cues. Additionally, Germany's gross domestic product, GfK consumer confidence and the ZEW survey on economic sentiment will also attract market attention.

**GBPUSD** The GBP advanced against the USD last week, closing 0.95% higher at 1.4502, despite data indicating that UK's consumer price index advanced less-than-expected on a monthly basis in April, weighed down by cheaper air fares and low cost of clothing. The inflation growth rate slowed on a monthly and annual basis. Moreover, the ILO unemployment rate held steady at 5.1%, at par with market expectations during the January-March, while the claimant count rate declined in April. Meanwhile, UK's retail sales rose more-than-expected on an annual basis in April, despite clothing sales being hurt due to cold weather. Further, UK's industrial orders improved unexpectedly in April. During the previous week, the pair

traded at a high of 1.4663 and a low of 1.4333. The pair is expected to witness its first support at 1.4336 and second support at 1.4169, while the first resistance is expected at 1.4666 and second resistance at 1.4829. Looking ahead, investors will look forward to UK's gross domestic product and GfK consumer confidence for further direction in the Pound. Moreover, the nation's public sector net borrowing, CBI trades survey and BBA mortgage approvals will be looked upon by the investors.

**USDJPY** Last week, the USD traded 1.4% higher against the JPY and closed at 110.15. The Japanese Currency gained ground, after the nations' economy expanded at an annualized rate in the first three months of 2016, beating the market expectations as the government and consumer spending increased. Moreover, industrial production in Japan advanced more-than-expected on a monthly basis in March. Further, the machinery orders indicated a sharp rebound on a monthly basis in March. During the previous week, the pair traded at a high of 110.59 and a low of 108.62. Immediate downside, the first support level is seen at 108.98, followed by 107.82, while on the upside, the first resistance level situated in 110.95, followed by 111.76. Going forward, traders will eye Japan's adjusted merchandise trade balance, the Nikkei manufacturing PMI, leading and coincident indices and the national consumer price index, all scheduled to release during the week.

**USDCHF** The USD traded 1.52% higher against the CHF last week, with the pair closing at 0.9903. On the data front, Switzerland's

producer and import prices advanced more-than-expected on a monthly basis in April. The pair traded at a high of 0.9927 and a low of 0.9748 during the previous week. The pair is expected to witness its first support at 0.9792 and second support at 0.9680, while the first resistance is expected at 0.9971 and second resistance at 1.0038. Going forward, investors this week would monitor Switzerland's trade balance, UBS consumption indicator, the ZEW survey, employment level and industrial production for further cues in the Swiss Franc.

**USDCAD** The USD traded 1.34% higher against the CAD last week, with the pair closing at 1.3113. In economic news, Canada's consumer prices advanced on an annual basis, in line with market expectations in April, as energy prices moderated. Moreover, the Bank of Canada's core consumer price index rose unexpectedly in April. Meanwhile, the Canadian retail sales dropped more-than-expected on a monthly in March, as consumers purchased fewer cars, signaling that the nation's economy headed for a slowdown into the second quarter. Further, the wholesale sales declined more-than market estimates in March. Separately, manufacturing shipments eased less than expected in March, amid lower transportation and primary metal sales. The pair traded at a high of 1.3162 and a low of 1.2838 during the previous week. The pair is expected to witness its first support at 1.2913 and second support at 1.2714, while the first resistance is expected at 1.3237 and second resistance at 1.3362. Moving ahead, market participants would closely monitor the Bank of

Canada's interest rate decision and interest rate statement for more cues.

**AUDUSD** Last week, the AUD traded 0.67% lower against the USD and closed at 0.7222. Separately, the minutes of Reserve Bank of Australia's (RBA) monetary policy meeting minutes indicated that the central bank considered keeping rates on hold, but the weakening of inflationary pressures convinced them that the economy would be aided by an interest rate cut. Further, the RBA reiterated its confidence in the strength of the Australian economy, although the central bank gave no hints whether it will slash rates again. In other economic news, Australia's unemployment rate held steady at 5.7% in April, remaining at a two-and-a-half-year low. Moreover, the economy added less than expected jobs during the same period. The Westpac leading index recorded a rise on a monthly basis in April. During the previous week, the pair traded at a high of 0.7366 and a low of 0.7176. The pair is expected to find its first support at 0.7143 and first resistance at 0.7333. The second support is expected at 0.7065 and second resistance at 0.7445. Moving ahead, market participants will keep a watch on the RBA Governor, Glenn Steven's speech for further direction. Moreover, the CB leading indicator and private capital expenditure will also attract market attention.

**Gold** Gold fell last week, closing 1.69% lower at USD1251.98 per ounce, on the back of a broad strength in the greenback, following hawkish minutes released by the Federal Open Market committee signalling a rate hike at its June meeting. Last week, the precious

metal traded at a high of USD1290.40 per ounce and a low of USD1244.60 per ounce. Gold is expected to find support at USD1234.87 per ounce, and a fall through could take it to the next support level of USD1216.83 per ounce. The yellow metal is expected to find its first resistance at USD1280.67 per ounce, and a rise through could take it to the next resistance level of USD1308.43 per ounce.

**Crude Oil** Crude oil traded 4.76% higher in the previous week, closing at USD48.41 per barrel, after unplanned supply disruptions in Canada and Nigeria raised hopes for a decline in the global glut of crude. Moreover, the American Petroleum Institute (API) reported that crude oil inventories declined 1.1mn bls last week, meanwhile the US Energy Department reported that crude oil inventories unexpectedly rose by 1.30mn bls to 541.30mn bls last week. Crude oil hit a high of USD49.56 per barrel and a low of USD46.90 per barrel in the previous week. The commodity is expected to find its first support at USD47.07 per barrel and first resistance at USD49.73 per barrel. The second support is expected at USD45.65 per barrel and second resistance at USD50.97 per barrel. **Source:** [Direct Fx Broker \(Review and Forex Rebates Up to 85%\)](#)