



WEEK AHEAD



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All trading involves risk. It is possible to lose all your capital.

Week ahead: May 21st to 25th

Market focus on UK's Inflation Data

Next week's market movers

- New Zealand's retail sales data for quarter 1 and Japan's trade balance figure for April could be the center of discussion on Monday.
- On Tuesday, no major financial data releases are expected.
- Japan's preliminary Nikkei Manufacturing PMI for May, Germany's GDP growth rate for quarter 1, France's, Germany's and Eurozone's preliminary PMI's for May, UK's Inflation data and Eurozone's Consumer Confidence indicator could move the market on Wednesday.
- On Thursday, we get the UK retail sales growth rate for April.
- Last but not least, on Friday, the market could shift its focus to Germany's Ifo Business Climate indicator for May, UK's 2nd release of the GDP growth rate for Q1, US durable goods orders growth rate for April and the final version of University of Michigan's consumer confidence indicator for May.

In the next week a number of financial data releases could attract the market's attention. Our team chose and concentrated on the ones which it considers as the most influential and discusses their possible forecasts and their respective effects on various currencies.

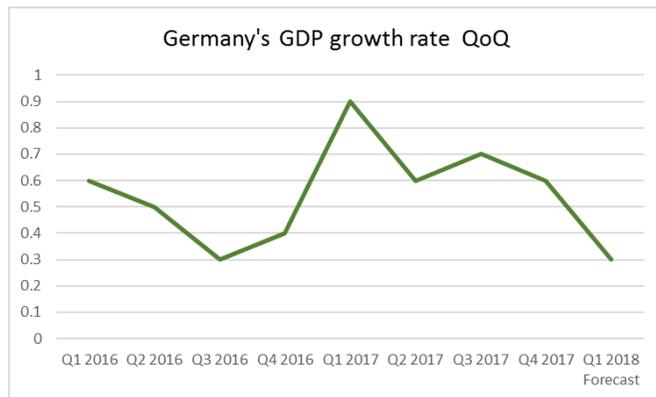
On Monday, early in the Asian morning, we get New Zealand's Retail Sales growth rate for the first quarter of 2018. The rate's previous reading was of +1.7% quarter on quarter. Should the actual results show an acceleration of the retail sales growth rate we could see the Kiwi strengthening. Currently, we see the risks for the indicator to be on the down side based on the history of the previous releases as well as the poor results of New Zealand's recent financial indicators such as the slight drop in labour cost index and the CPI rate.

Later in the Asian morning we get Japan's Trade Balance figure for April. The figure is forecasted to be a reduced surplus of 405.6B compared to previous reading 797.0B. Should the actual reading meet the forecast we could see the Yen weakening as Japan is a strongly export oriented economy and a drop could imply a negative phase for the Japanese economy. On the other hand the market's reaction could be muted as last year's April figure was not so far off the current prediction.

On Tuesday, no major financial data releases seem to be scheduled.

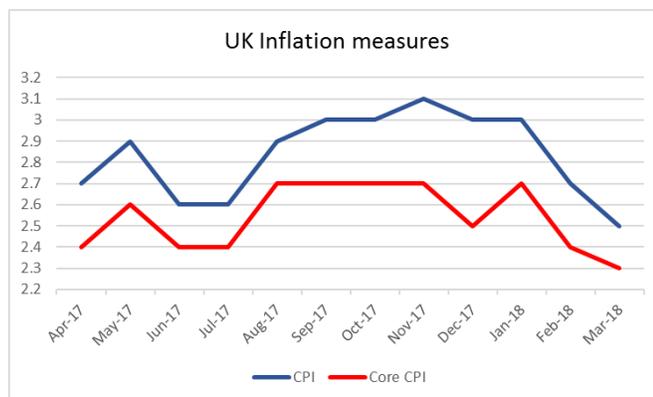
Wednesday is going to be a rather busy day. During the Asian morning we get the preliminary release of Japan's Nikkei manufacturing PMI for May. The indicator is forecasted to drop and reach a reading of 53.6 compared to previous reading of 53.8. Should the actual figure meet the forecast we could see JPY weakening as the indicator's dropping results could signal the market a deterioration of the key manufacturing sector in Japan.

In the European morning, Germany's GDP growth rate for the first quarter of 2018 is to be released. The rate is forecasted to decelerate to +0.3% qoq if compared to previous quarter's final version of +0.6% qoq and to remain unchanged if compared to the preliminary release of Q1. Should the actual rate meet the forecast we could see the EUR weakening as the slowdown could signal a negative message for Eurozone's largest economy. On the other hand this is the second release, hence the market may be prepared and have a rather muted reaction to the release.



Later in the European morning we'll be getting the preliminary May's PMIs for France, Germany and the Eurozone. France's Manufacturing PMI is forecasted to drop slightly and reach 53.6 compared to previous reading of 53.8. Germany's manufacturing PMI is also expected to drop slightly and reach 57.8 compared to previous reading of 58.1. Eurozone's Manufacturing PMI is also expected to drop slightly and reach 56.0 compared to previous reading of 56.2. Overall, the big picture shows all the PMI's for France, Germany and the Eurozone dropping, possibly signaling to the market the continuation of the lukewarm to weak results, the EUR lately has suffered. Should the actual readings meet the forecast we could see the common currency weakening.

Later in the European session, we get the UK Inflation rates for April. The headline CPI rate is forecasted to remain unchanged at +2.5% yoy compared to the previous reading, while the Core CPI rate is forecasted to tick down reaching +2.2% yoy compared to previous reading of +2.3% yoy. Should the actual reading meet the forecast we could see the pound weakening. Such a scenario could be supported as should the forecasts be realized the market may perceive it as an easing of the pressure to the BoE concerning its next rate hike.



In the American session, we get Eurozone's preliminary Consumer Confidence indicator for May. The figure is forecasted to remain unchanged at 0.40 compared to previous month's reading. Despite there being no change we could see the EUR weakening as the optimistic view expressed by the positive sign of the indicator remains at low levels and could be in accordance with the European morning's EUR weak projected weak financial data releases.

On Thursday, In the European session, UK's retail sales data for April are to be released. The headline retail sales growth rate is forecasted to accelerate and reach +0.4% mom compared to

previous reading of -1.2% mom, while the core retail sales growth rate is forecasted to accelerate and reach +0.5% mom compared to previous reading of -0.5% mom. Should the actual rates meet the forecast we could see the pound strengthening as the acceleration is substantial on both rates and the rates are out of the negative zone. Such results could imply to the market that the UK consumer is again placing faith to the prospects of the economy and is willing to spend more.

On Friday during the European morning we get Germany's Ifo Business Climate indicator for May. The indicator is forecasted to drop slightly to 101.9 compared to previous reading of 102.1. If realized, the drop could be perceived as immaterial, but the fact that the indicator remains at low levels (compared to past readings) could weaken the EUR as it continues to imply a pessimistic view on Germany's Business Climate.

Later in the European session, the second preliminary UK GDP growth rate for Q1 will be released. The rate is forecasted to remain unchanged compared to the previous preliminary release at +0.1% qoq, however significantly lower than the growth rate of the previous quarter, specifically, 0.4% qoq. Should the actual rate meet the forecasted one we could see the pound weakening as the low rate could signal the market a low expansion rate of the UK economy.

In the American session we get the US durable goods orders growth rates. The headline rate is forecasted to slowdown and reach a negative -1.4% mom compared to previous reading of +2.6% mom, while the core durable goods (excluding transport) orders growth rate is forecasted to accelerate and get out of the negative area by reaching +0.5% mom compared to previous reading of -0.1% mom. Should the actual readings meet the forecasts we could be getting mixed signals from the data. We see the case for the headline rate to overshadow the core rate and the USD could weaken as the headline rate's slowdown is substantial and the rate gets a negative sign.

Later in the American session we get the final release of University of Michigan's consumer sentiment indicator for May. The indicator is forecasted to increase slightly and reach 99.0 compared to the previous release of 98.8. Should the actual figure meet the forecast we could see the greenback getting some support as the increase improves the indicator not only compared to the preliminary release but also to previous month's reading.



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