



# WEEK AHEAD



☎ +44 (0) 20 3282 7777 ✉ [info@ironfx.com](mailto:info@ironfx.com)

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

## Week ahead: June 18<sup>th</sup> to 22<sup>nd</sup>

### Market focus on BoE's interest rate decision

#### Next week's market movers

- On Monday, we get Japan's Trade balance for May.
- On Tuesday, RBA's meeting minutes will be released.
- On Wednesday, the US Current Account balance for quarter 1 is due out.
- On Thursday, we get New Zealand's GDP growth rate for Q1 and later the BoE's interest rate decision could keep the markets on its toes.
- On Friday, we'll have a busy day as we get Japan's inflation data for May, France's, Germany's and Eurozone's PMIs, Canada's inflation data for May and Canada's retail sales growth rate for April. Be advised that on Friday the OPEC meeting will be nearing a close and we could have some volatility in oil prices.

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

**On Monday**, during the Asian session we get Japan's trade balance figure for May. The figure is expected to be a deficit of -235.0B compared to previous reading of +626.0B.

Should the actual figure meet the forecast we could see the yen weakening as the figure would not only be reduced but also taking a negative sign signaling trouble for the Japanese economy which highly export oriented.

**On Tuesday**, in the Asian session, RBA's last meeting minutes will be released. The minutes are to shed light into the bank's dovish comments contained in the accompanying statement. Especially any opinions regarding the inflation rate remaining low as well as the wage growth rate should illuminate the economic landscape of Australia more. Also any comments made the household consumption and the direction of the US international trade policy would be interesting. Please be advised that market at the time of the release of the decision treated the meeting as a non-event, however it might be the case that the minutes may have a couple of surprises in them.

**On Wednesday**, during the American session the US Current Account Balance for Q1 is due out. The balance is expected to be a slightly narrowed deficit of -125.0 B compared to previous reading of -128.2B. Should the actual figure meet the forecast we could see the USD getting some support in these times of extensive tariffs.

**On Thursday**, early in the Asian session, we get New Zealand's GDP growth rate for Q1. The rate is forecasted to tick down reaching +0.5% qoq compared to previous reading of +0.6% qoq. Should the actual rate meet the forecast we could see the Kiwi weakening as the deceleration of the rate would be the second in a row weakening the prospect of growth for the economy of New Zealand.

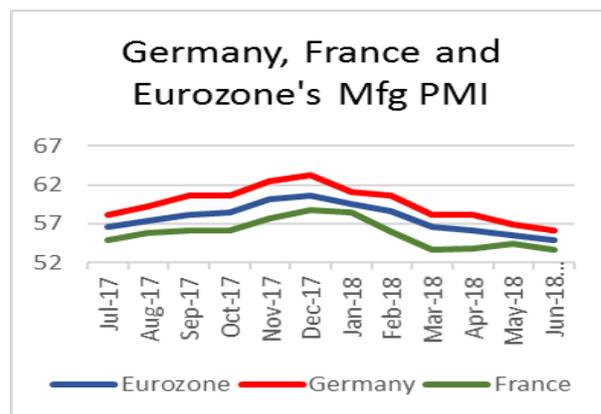
In the European session we get the star of the week, namely the BoE interest rate decision. The rate is currently forecasted to remain unchanged at +0.50%. The argument for the bank to remain

on hold, is strengthened as currently GBP OIS implies a probability of 92.52% to remain on hold. The vote is currently forecasted to be for 7 votes in favor for the bank to remain on hold and 2 votes for the bank to hike rates. Should the interest rate remain unchanged, we could see the market's attention turning to the accompanying statement. Should the accompanying statement have a more hawkish tone rather than neutral, based for example on the argument that the inflation rate is higher than BoE's target we could see the pound strengthening. Should on the other hand a more pessimistic view prevail say for example due to the uncertainty of the Brexit negotiations or the low GDP growth rate we could see the pound weakening. Also, should the votes for a rate hike increase we could see the pound gaining ground and vice versa.

**On Friday**, during the Asian morning, Japan's inflation data for May are due out. The core CPI rate is forecasted to remain unchanged at +0.7% yoy while the headline CPI's rate last reading was at +0.6% yoy. Given the accompanying statement of the latest BoJ interest rate decision, inflation is expected to range between +0.5% yoy and +1.0% yoy. Should the reading be at the lower end of the spectrum we could see the Yen weakening as such a reading could imply that BoJ may become even more hesitant for a possible tapering of its massive stimulus program.

In the European session we get Germany's, France's and Eurozone's preliminary PMI's for June. All PMI's set to drop with the exception of Germany's services PMI which is forecasted to rise to 52.2 compared to previous reading of 52.1 and France's Services PMI which is forecasted to remain unchanged at 54.3.

Should the actual readings meet the forecast we could see the common currency weakening as such readings could be regarded as a continuation of Eurozone's lukewarm to negative financial indicators.



In the American session we get Canada's inflation data for May. The last reading for the BoC Core CPI rate was at +1.5% yoy and for the headline CPI rate was at +2.2% yoy. Any higher readings could increase further the possibility of a potential rate hike in the July 11<sup>th</sup> meeting as they will be the last readings before the meeting. Given that, we could see the CAD strengthening should there be any acceleration of the inflation rates.

From Canada we get also the retail sales growth rate for April. The rate's last reading was of +0.6% mom. Should there be a higher reading we could see the Loonie getting some support as an acceleration of the rate could imply that the Canadian consumers are willing and able to place more in the Canadian economy hence may have a more optimistic view of the economy. Also a possible acceleration could imply that there are healthy inflationary pressures ahead.

Last but not least, the OPEC meeting will be taking place in Vienna during the 21<sup>st</sup> and the 22<sup>nd</sup> of the month. The meeting could create volatility in oil prices especially if there are any headlines about a possible loosening of the production curbs in oil, which OPEC and its allies had decided in the past.

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