

September 2019

September 4, 2019 - Stuart Cowell, Head Market Analyst, HotForex

CURRENCIES

Dollar: The Dollar weakened initially in August, but the USD Index traded to better than two-year highs of 99.02 on the final day of trading to close the month up. The Dollar's yields advantage over the Euro and Yen in particular, including easing central banks, have supported the Greenback of late, as has the relative outperformance of the US economy. The Fed meeting (17-18) and likely rate cut announcement will be the key event of the month. September starts with NFP on the 6th, CPI data on the 12th, Retail Sales on the 13th, FOMC Rate Decision on the 18th, the final reading for Q2 GDP (26th) and closes the month (27th) with Durable Goods Orders and PCE data.

Euro: EURUSD nose-dived to fresh 27-month lows of 1.0963 and closed August at 1.0988, breaking 1.1027, the August 1 trend low. With the Euro now through the key 1.1000 mark, follow through selling may be on the cards going forward. Fundamentally, the Euro remains in sell-the-rally mode, with slow EU growth (recession in Germany?), an ECB in stimulus mode, Italian political concerns, and Brexit uncertainties all set to conspire against the EUR. The ECB Policy Statement and Press Conference is the headline event for September (12th), along with PMIs (23rd) and CPI (30th).

Sterling: Brexit uncertainty and a new PM continued to dominate the direction of Sterling during August. Cable plunged towards 1.2015 at the beginning of the month, (28-month low August 11), recovered towards 1.2300 and closed the month at 1.2155. The UK Parliament resumed September 2 and with a new General election looking the most likely outcome ahead of the current October 31 Brexit deadline, it will be another big month for Sterling. Economic data releases and the BOE will again play second fiddle to the ongoing political saga that is the Brexit process, especially if a new snap General Election is called. The calendar has GDP (9th) and CPI (18th), while headline day is September 19, with the BOE rate decision and Retail sales.

Yen: Not for the first time in the last year, the Japanese Yen was **the** major gainer during the trade war-induced hiatus in global markets that ran throughout August. USDJPY traded down to 104.42 from highs of 109.28 but recovered into month end to close at 106.18. Economic data again underwhelmed; however, Machine Goods and GDP were the key exceptions. Important dates for the coming month are GDP (9th) the BOJ Interest Rate announcement (19th) and release of meeting minutes (25th).

Aussie: The Aussie moved down against all crosses during August (AUDUSD traded below 0.6800 all month and closed the month at 0.6732), despite another improved trade balance and positive employment change. Australia's exposure to the Chinese economy continues to be the main driver. The housing sector in particular and weak inflation numbers remain areas of concern. Building Approvals in August fell by -9.7%, the worst on record. The RBA announcement was on the 3rd. No Change was confirmed after cuts earlier in the year, but the outlook remains weak. Other key events are GDP (4th), RBA Minutes (17th) and Employment numbers (19th).

Loonie: The Loonie continued to decline against the USD during August, USDCAD breaching and holding over 1.3300 to close the month at 1.3310. This completed the 7th consecutive week of gains from the summer low in July at 1.3015. A weak jobs number and a better than expected retail sales and inflation reading, and a beat for the GDP reading continued to provide mixed messages for the BOC. The three key events for September are the BOC interest Rate announcement (4th) jobs numbers (6th), CPI (18th) and Retail Sales (20th).

Emerging: The **Ruble** traded below the 64 level against the Dollar at the start of month but faltered significantly into month end as Oil prices fell and the USD gained ground, closing at 66.57. The **ZAR** also lost further ground after a weak start to the month; USDZAR rose from 14.3300 to over 15.000 before consolidating at highs by month 15.4000. The Turkish **Lira** moved up as the month started before weakening significantly into month end, from lows of 5.45. USDTRY rallied over 6.00 intra-day before closing at 5.81.

COMMODITIES

Gold: Gold had a very strong August, up over \$100 from \$1413 to close the month at \$1523, and also breaching the \$1550 level intra-day. The escalating trade war and global geopolitical tensions refused to ease. Support now sits at the \$1500-1460 zone with the overall direction biased to the upside. The central bank shift to questioning and cutting interest rates should, in the longer term, continue to provide some support for the **Gold** price.

Silver: The price of **Silver** also had a strong August and completed an 8-week move to the upside from July lows under \$15.00 to August and 33-month highs of \$18.60, closing the month at \$18.33. Weakening manufacturing PMIs continue to reduce the industrial demand for Silver and without the safe haven demand that supports Gold, Silver has surprised significantly to the upside during August.

Oil: **Oil** prices remained volatile in August but continued to move lower. From an August 1 high at \$57.98, the price collapsed under \$51.00, before recovering to close the month at \$55.10. Prices are likely to remain volatile as demand and supply are still quite unpredictable as US Oil inventories pivot from build to drawdown conditions from week to week. The situation in Libya, the ongoing crisis in Venezuela and the significant US-Iran tensions support prices along with OPEC production cuts, however weakening global demand from the ongoing trade war and weakening global economic outlook constrain demand.

INDICES

US: The US markets (**USA30**, **USA100**, and **USA500**) were all extremely volatile in August, down significantly from July's all-time highs, only to recover into month end. Three consecutive weeks moves lower were all retraced in the final week. The escalation in rhetoric over the ongoing trade tensions with **China** and the mixed messages from the White House about September trade talks and the implementation of tariffs for both sides all weighed on equities. As the *Stock Trader's Almanac 2019* reports, September being the final month of the third quarter it is traditionally the weakest performer of the entire year. Over the last twenty-one years, the USA30, USA100 and USA500 have all recorded average losses for September, with gains in the first half evaporating in the second half and the final week in particular.

Europe: Stock markets in continental Europe moved in tandem with the US exchanges, as the **GER30** and **FRA40** experienced significant volatility with more mixed economic data releases and weak PMI data in particular. The **UK100** also moved down during August, even as Sterling declined and the Brexit crisis intensified. Losses were over 4.5% as the UK stock markets' remarkable resilience to all the Brexit uncertainty was tested once again.

Japan: The **JPY225** moved inversely to the Yen and was very volatile, in conjunction with the overall trend in Europe and the US. The Japanese economy has underperformed again over the past month with some weak data points; however, the overall economic outlook is improving as inflation continues to remain above zero and spending and loans growth remain positive. As a major exporting nation, the Japanese macro environment needs to see a relaxation of global trade tensions and an easing in the strength of the Yen, neither of which appear imminent.

EQUITY PICK OF THE MONTH - APPLE

September is always an interesting month for **APPLE** shareholders as the company traditionally announces new products and more recently, services to be launched and available for the important Q4 Christmas sales. This year will be no different. Apple shares have moved with this year's technology pack with highs posted in July over \$220 and lows during August of \$192, as the 50-day moving average proved an important support level. September 10th is the launch event this year with upgrades expected for a raft of products from the iPhone (11), iPads and MacBook through to the Air Pods and Apple Watch (5). However, there are no new products expected. Simply upgrades to the existing line up. Hardware design and functionality have always been at the core of what Apple does and the big move in recent years has been away from this dominance of hardware (even though the iPhone still accounts for over 65% of revenues) to invest significantly in services. The initial move was a partnership in 2015 with IBM and Cisco to try to break in the corporate market; this has been followed by Apple Pay and more recently the long-awaited upgrade for Apple TV, TV Plus. **Apple TV+** is apparently scheduled for release in November, initially only in the USA at \$9.99 per month and enters a very crowded video-streaming marketplace, currently dominated by Netflix, but including Amazon and Disney. Apple Services is a growing revenue stream within the technology giant and TV+ marks its latest attempt to diversify its dependence from the ubiquitous iPhone. Apple reports Q4 earnings for the end of September on October 29 and current expectations are for revenues to top \$62.55 billion and EPS to top \$2.80.

CRYPTOS

Bitcoin had another volatile month, closing at around the **\$9500** mark, after trading over \$10,000 for most of the month following a rally up to \$12,300 during the first week of August. The psychological \$10,000 remains key. **Ethereum** tracked Bitcoin lower in August and breached the 200-day moving average trading as low as \$165.00 into the close of the month, representing a \$70.00 (24%) decline for August. **Ripple's** price also wakened during August to post new 2019 intra-day lows at 0.2280, before closing the month at 0.2460, a new end of day 2019 low.

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