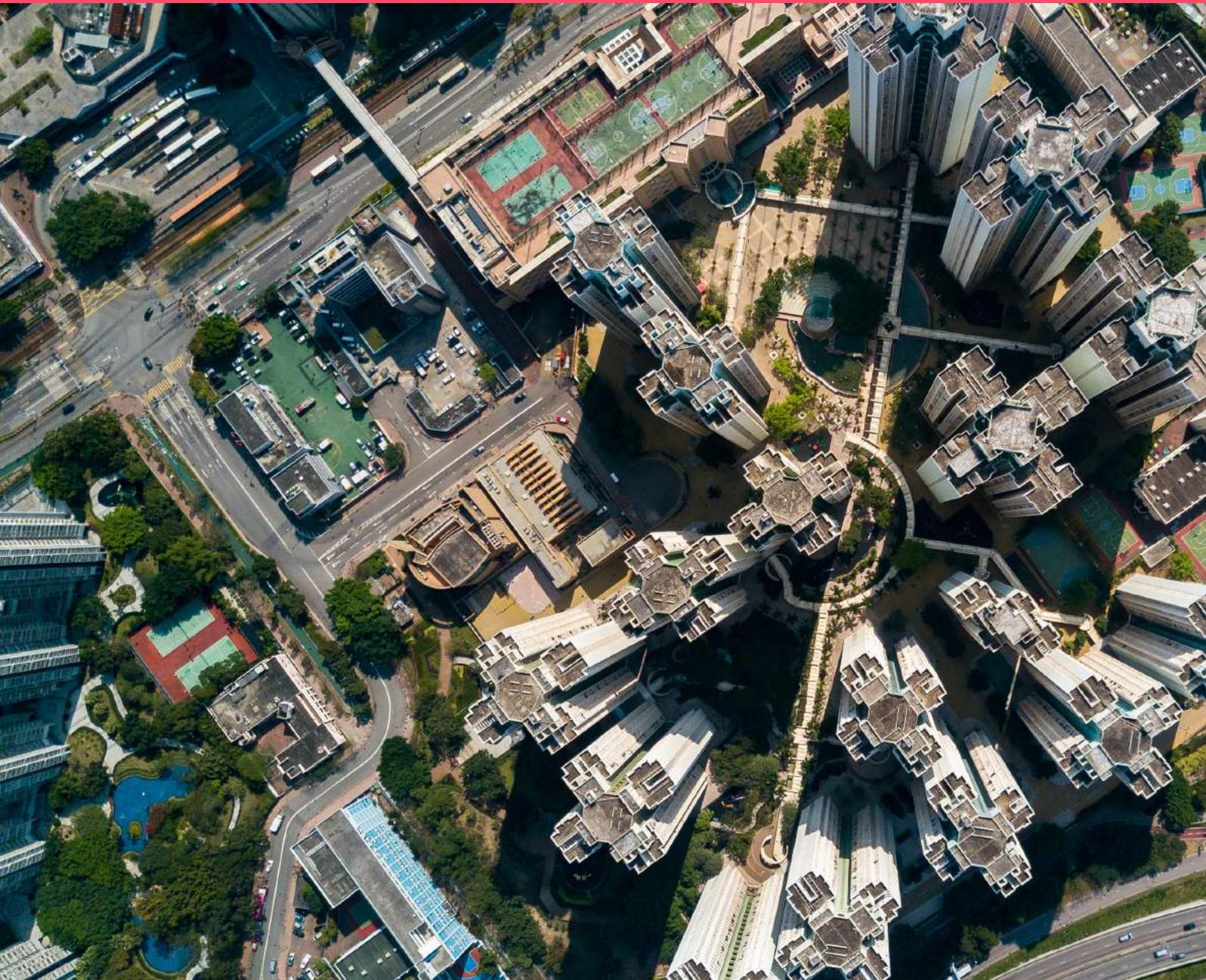


Monthly Currency Update

June 2019



WORLDFIRST

Welcome to the currency update for June 2019

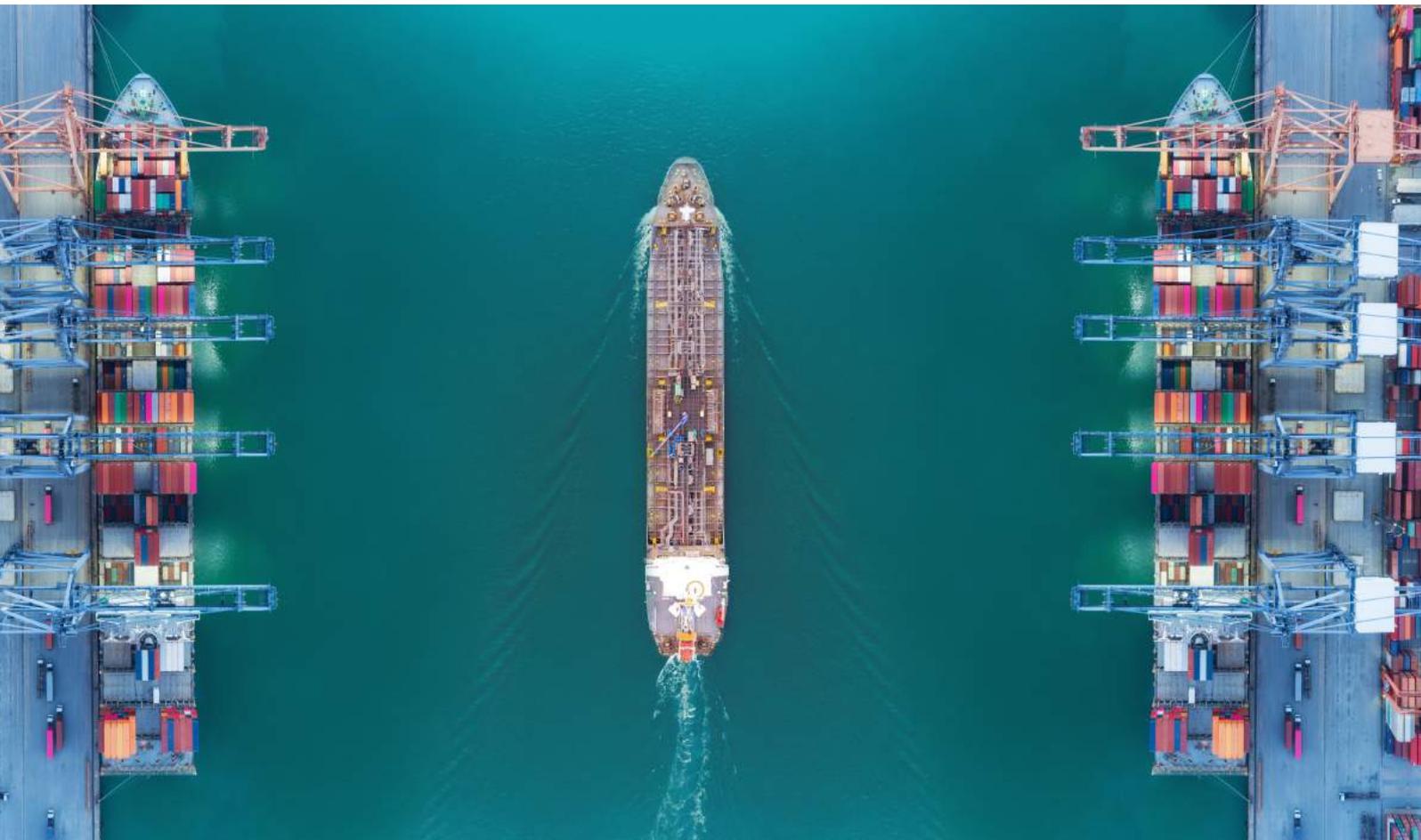
When your country is already involved in a full blown trade war with China, why not impose Mexico with exactly the same threats.

Theresa May's Brexit train has finally run out of steam, whilst the European engine room continues to misfire, as for the RBA and RBNZ, one took action and the other has used up its final “wait and see.”

Read on to find out all the key trends of May and considers the many diverse events set to shape global currency markets through June.

WorldFirst Senior Currency Specialists,

Joe Donnachie & Conor Power



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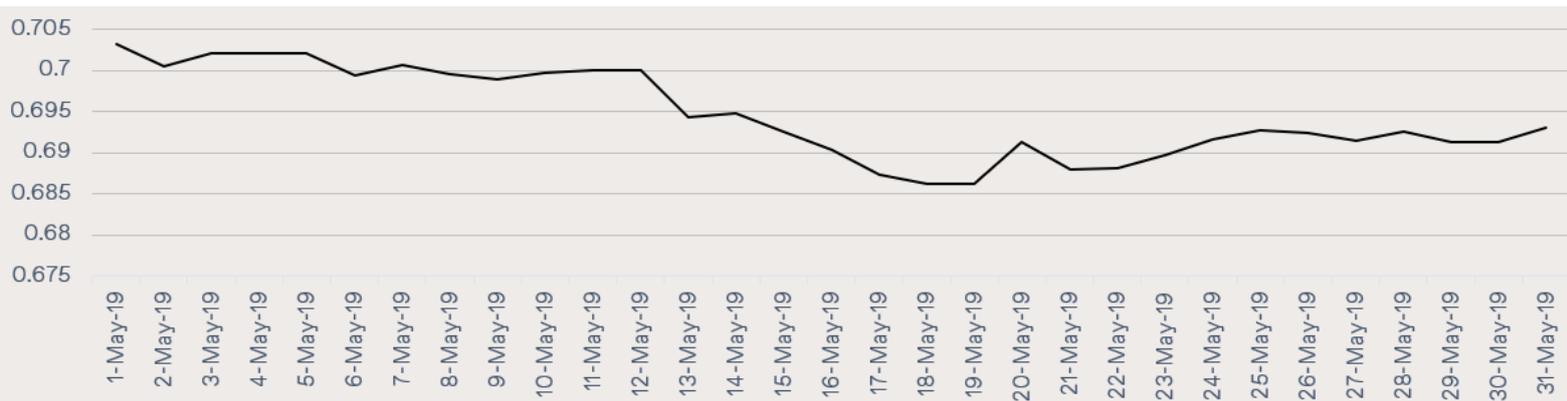
AUD: Rummaging around for rate cut

With the RBA finally ready to cut rates in June, it's important to look back on the reasons – why now, after keeping the cash rate on hold at 1.5% for nearly three years?

The main catalyst being Australia's unemployment rate. For months the reserve banks "wait and see" approach hinged on strong jobs numbers, however when the unemployment rate ticked up to 5.2% in April, this all but sealed the decision for June to be the month where we see the drop to 1.25%

In recent statements, the RBA has said that a lack of improvement in the labour market would warrant a cut. Now this coupled with the escalating trade war between the US and China are firmly on governor Philip Lowe's plate, who picked the trade war as the chief concern for risk in Australia.

AUD /USD



USD: Trade Wars : Episode V - The Empire Strikes back

Trade tensions between the US and China continue to dominate all markets in the US. With Trump imposing further tariffs last month on China, and now Mexico, volatility continues to remain high as China slowly begin to show their cards. We expect further volatility to creep into the month of June, which you can expect to show up in the currency markets. If we take a closer look at AUD/USD, the pair remains rangebound since its big figure downward move to the 69 handle where we continue to test. Taking the RBA's rate decision into account this coming week, the case for a shorter pair remains plausible, somewhere in the 68 handle but it's a tough one to call. The RBA have been very unpredictable of late, a dodge against a cut in this week's meeting would not be a massive market surprise.

It's the first Friday of the month this week, which means it's a Payroll Friday. 180k jobs expected to be added to the market this month with unemployment expected to remain unchanged at 3.6%. Once again, my attention will be on the average earnings release, expected to tick up to 0.3% MoM from a previous 0.2% MoM. If we remain in this range, regardless of the uptick, this should give the Fed further support in the solidness of the Labour market. Any weakness here, could be a final clink in the armor for the Fed, pushing a rate cut well and truly in its patch.

USD/AUD



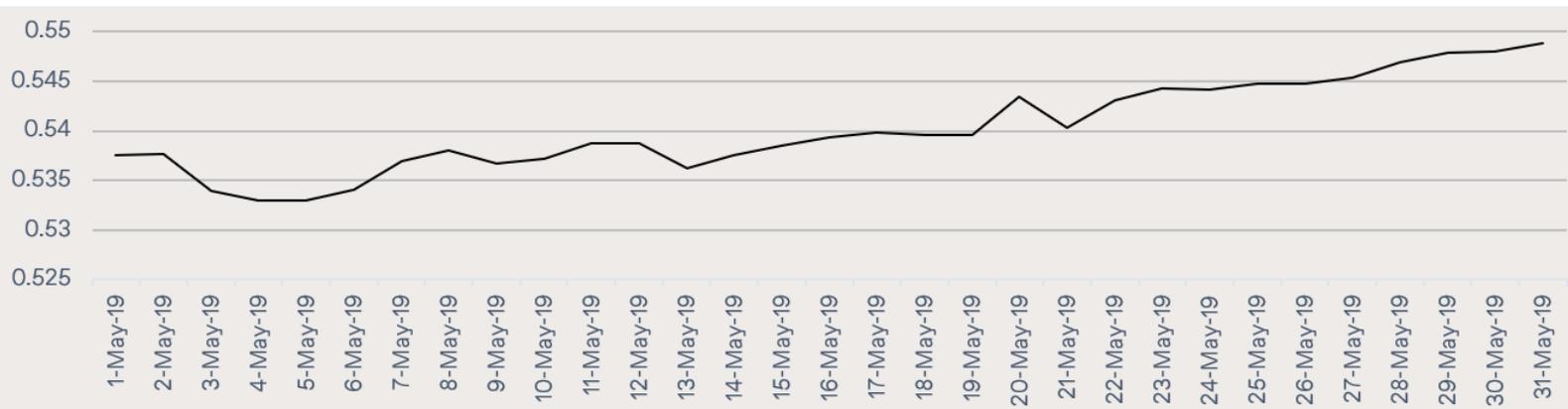


GBP: May's legacy of failure

Theresa May has devoted her time in Downing street to honouring the wish of the British public and getting Britain out of the European Union. Yet after three years of failed negotiations and last ditch attempts to push a flawed deal through, her time is up. Opening the door to an array of suitors seeking to replace her, including former Brexit secretary Dominic Raab and the former foreign secretary Boris Johnson. All of whom say the UK should leave on October 31 with or without a deal.

May will now step down as Tory leader on June 7, with the outlook for sterling remaining relatively bleak. The first major focus for GBP investors will be the Tory leadership election. If the new leader sees a 'no deal' Brexit as a live option in October, the pound can be expected to fall towards the December low. Therefore expect sterling to be vulnerable in the near-term focus.

AUD/GBP

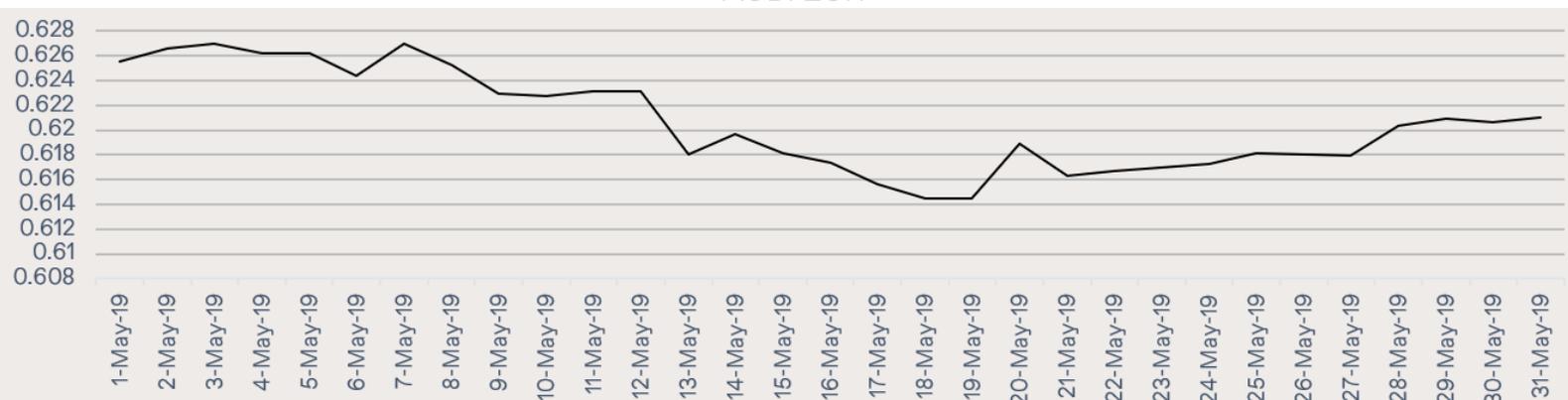


EUR: Europe's Engine Room Continues To Backfire

It's been another disappointing month for the single bloc economy with data continuing to shoot to the downside with particular emphasis on Germany once again. Overall, the manufacturing sector remains borderline with some states showing signs of improvement in the sector such as France, just creeping over the 50 benchmark for the month but Germany continues to show signs of compression, once again missing the benchmark. Looking at the Services sector, there has been some signs of expansion with the headline figure coming in at 52.5 against a market expectation of 53. Yes, it's growth but nothing to be shouting from the tree tops.

The month ahead looks to focus on the ECB's rate decision this coming Thursday, no change expected but the commentary from the existing ECB President should give some indication of what their future guidance holds. Many commentators hold the view that Europe is not down and out, just yet...remove Germany from the equation and things don't look overly dismal. The question lies, does the ECB put all their faith in Europe's Engine room? This is the key take away from this meeting. PMI's begin to unwind from the 21st onwards with the CPI estimate release expected on the 28th.

AUD/EUR





NZD: Rate cuts are coming

With the trade war between the US and China in full swing, it's no surprise that the business sector in New Zealand is deeply pessimistic about economic conditions. Currently 25% of New Zealand exports go to the Asian giant and after the first quarter retail sales report was unable to arrest the decline in the currency, investors will be looking for a rise in milk prices.

Its below target inflation data prompted the RBNZ to cut its interest rate to a fresh record low of 1.5% in May, which could well encourage faster economic growth. But for the kiwi, it's only made an existing headache worse. The NZD is down 3.2% against the USD for 2019 and nearly 3% against the pound.

AUD/NZD



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