

11 May 2018

THE BIG PICTURE

Israel strikes Iranian targets in Syria

- Israel said that it attacked a number of Iranian targets in Syria after Iranian forces fired rockets at Israeli held territory. The barrage was conducted after the US announced that they are leaving the Iranian nuclear deal and is considered as one of the heaviest since 2011 according to media. There was no immediate response from the Iranian side and most countries condemned the Iranian attack or called on the two sides to calm down. The attack could be regarded as a once off event for now, but any further instability in the region could increase oil prices as well as strengthen safe havens.
- EUR/USD rose yesterday breaking the 1.1882 (S1) resistance line (now turned to support). On the technical side the pair clearly broke the downward trend-line incepted since the 19th of April. Hence we change our view which contained a bearish bias, towards a sideways trading motion for the pair. Should the bulls take over the market we could see the pair breaking the 1.1978 (R1) resistance line and hover above it. Should the bears be in the driver's seat once again we could see the pair breaking the 1.1882 (S1) support line and aim for the 1.1806 (S2) support barrier.

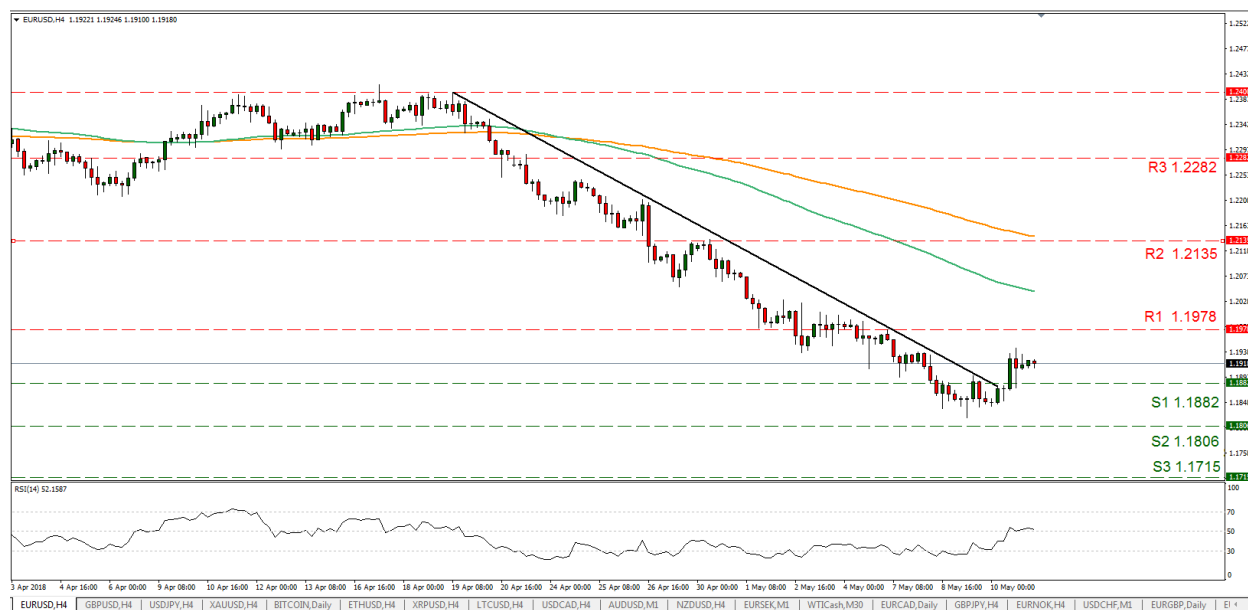
BoE decided to remain on hold

- BoE announced yesterday that its interest rate decision was to remain on hold at +0.50%. BoE clipped its inflation forecasts and cut its growth rate outlook for 2018 but BoE Governor Carney said he expected the economy to pick up speed despite negative signs. He also mentioned that BoE was sticking to its message that would probably need to raise rates once that recovery was clear. Please be advised that the next rate hike which was expected by various analysts in August, has been pushed further away once again. Currently GBP OIS imply a probability 59.32% for the next rate hike to be in September while analysts consider the end on 2018 as more probable. Should there be further headlines about BoE hiking rates earlier this year we could see the pound strengthening.
- Cable traded in a sideways manner yesterday, testing the 1.3500 (S1) support line. We see the case for the pair to continue to trade in a sideways manner as technically the pair has been trading in that manner for the past week, between the 1.3600 (R1) resistance line and the 1.3500 (S1) support line. Should the pair come under buying interest we could see it breaking the 1.3600 (R1) resistance line and aim for the 1.3665 (R2) resistance hurdle. On the other hand, should the pair find selling orders along its path we could see it breaking the 1.3500 (S1) support line and aim for the 1.3452 (S2) support barrier.

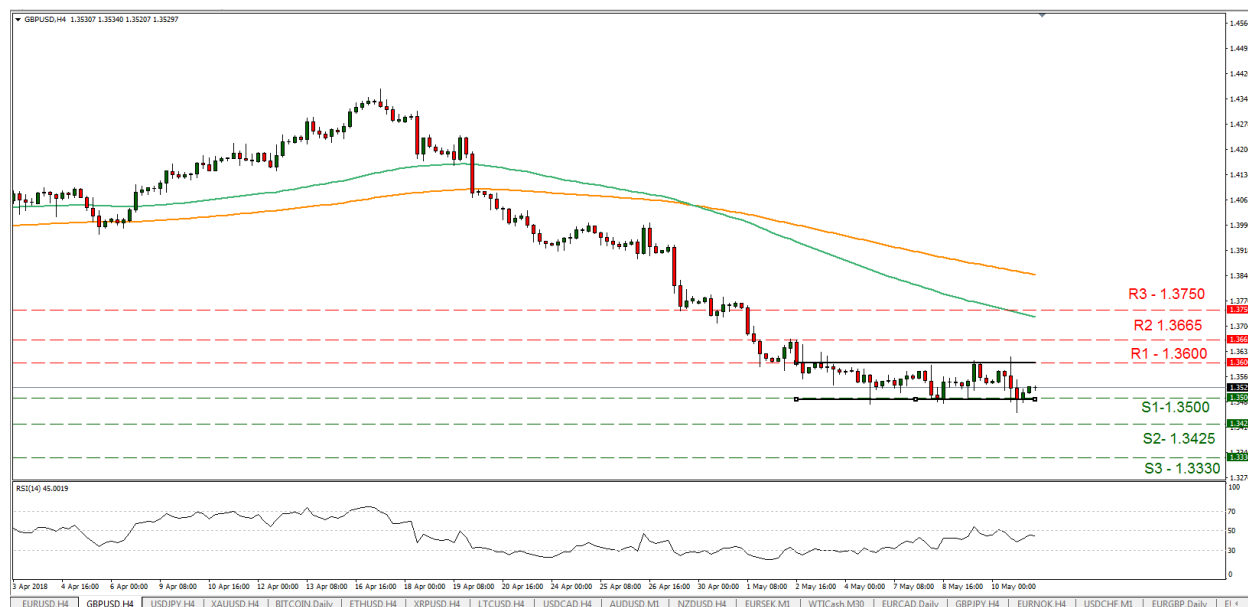
In today's other economic highlights:

- During today's American session, Canada's employment data for April will be released and the preliminary US University of Michigan Consumer Sentiment indicator for May is due out. As for speakers, FOMC member James Bullard and ECB president Mario Draghi speak.

EUR/USD



GBP/USD



- Support: 1.3500 (S1), 1.3425 (S2), 1.3330 (S3)
- Resistance: 1.3600 (R1), 1.3665 (R2), 1.3750 (R3)

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