

09 May 2018

THE BIG PICTURE**BoE interest rate decision**

- BoE is to announce its interest rate decision on Thursday and is expected to remain on hold at +0.50%. Currently, the probability of BoE remaining on hold seems to be at 88.53% as implied by GBP OIS. Hence, market focus is expected to shift to the accompanying statement and vote count. Analysts consider that the accompanying statement could mention the uncertainty of the Brexit negotiations and on the other hand a healthy average weekly earnings growth rate, low unemployment rate and a still high inflation rate. Overall should the accompanying statement have a more hawkish tone we could see the pound getting some support.
- Cable continued to trade in a sideways manner yesterday testing the 1.3500 (S1) support line. We see the case for the pair to continue to trade in that manner, however with some bearish tendencies as the market expects BoE to remain on hold and the US inflation data could support the USD side on Thursday. Should the pair find buying orders along its path, we could see it breaking the 1.3600 (R1) resistance line and aim for the 1.3365 (R2) resistance hurdle. Should the pound come under selling interest we could see cable breaking the 1.3500 (S1) support level and aim for the 1.3425 (S2) support barrier.

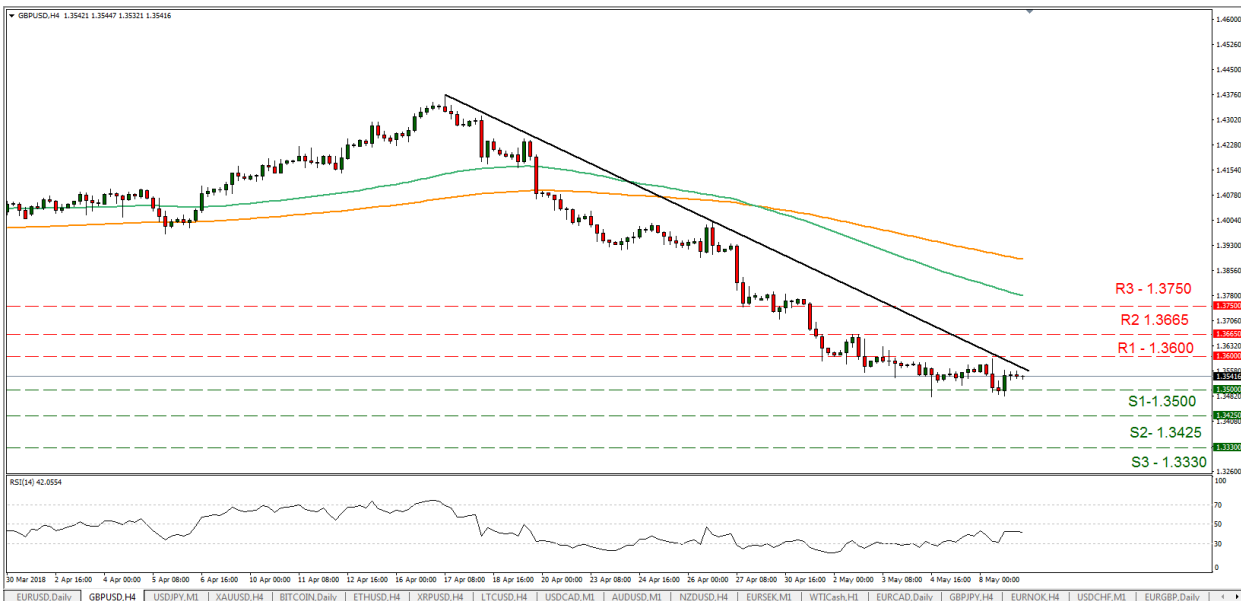
US to pull out of Iran Nuclear deal

- President Trump on Tuesday announced that the US will re-impose economic sanctions on Iran, practically cancelling the existing deal with Iran for nuclear weapons. The sanctions are expected to hit Iran's oil, finance and shipping industry and could be subject to a wind down period of 90-180 days. Iran currently seems to be sticking to the deal while France, Germany, UK, EU, Russia and the UN expressed disappointment and concern about the US stance. The UN secretary general Guterres called for the other members of the treaty to stick to it. Any further instability in the region could increase oil prices as well as strengthen safe havens.
- Despite the rise of uncertainty, USD/JPY rose yesterday breaking the 109.20 (S1) resistance level (now turned to support). Currently the pair could trade in a sideways manner as today's financial data could weaken the USD side while tomorrow it could continue to rise as the US inflation data coming out, could provide for some support for the greenback. We continue to have a bullish bias as the pair continues to trade above the upward trend-line incepted since the 26th of March. Should the bulls have the reins the pair could break the 109.76 (R1) resistance line and aim for the 110.45 (R2) resistance level. Should the bears take over we could see the pair breaking the 109.75 (S1) support line and aim for the 109.20 (S2) support zone.

In today's other economic highlights:

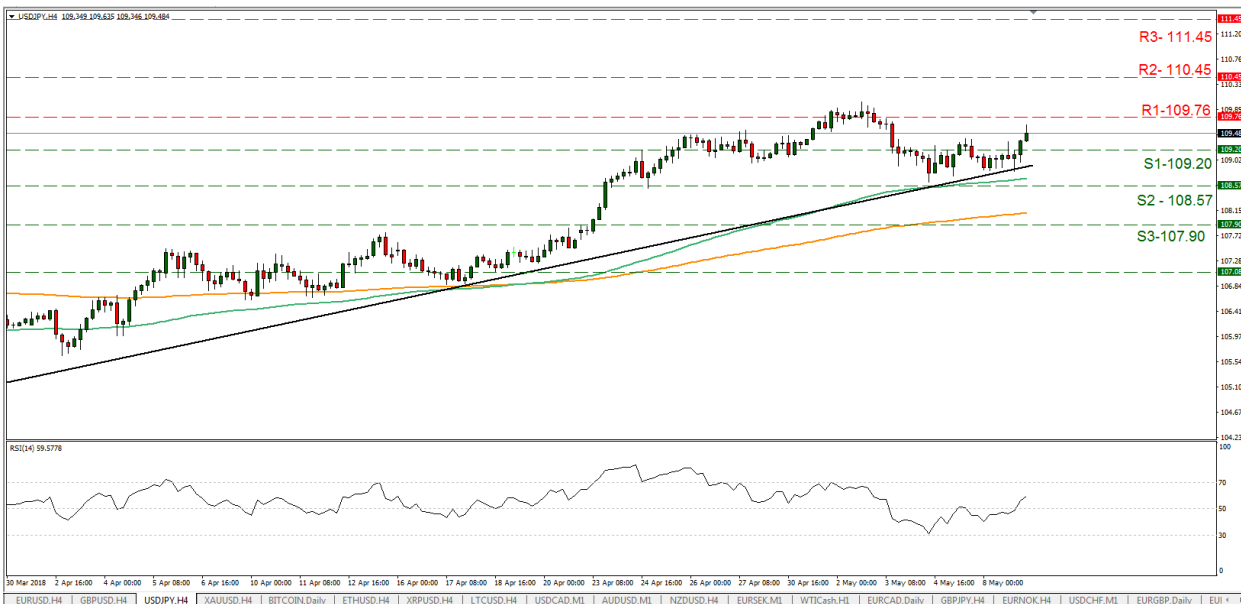
- During today's European session we get Norway's and Sweden's inflation data for April, and in the American session we get Canada's Building Permits for March the US PPI rates for April as well as the EIA Crude Oil Inventories. As for speakers, FOMC member Raphael Bostic speaks. Please also bear in mind that Riksbank's Executive Board will have a meeting today.

GBP/USD



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

USD/JPY



- Support: 109.20 (S1), 108.57 (S2), 107.90 (S3)
- Resistance: 109.76 (R1), 110.45 (R2), 111.45 (R3)

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