

15 May 2018

THE BIG PICTURE

Dozens killed in Gaza during protests

- Media suggest that dozens of Palestinian protestors were killed yesterday after the Israeli army opened fire. The protests, were sparked by the official opening of the new US embassy in Jerusalem yesterday. Politically the importance of the incidence is that it has thrown the Middle East into turmoil and that it distanced the US from its traditional Western European allies for a second time in a week. Currently we see the case for the incident to be a once off event, however with the Iran nuclear deal in jeopardy, the new Iraqi government being elected and the Turkish elections ahead, we could see safe havens and oil strengthening.
- USDJPY traded in a sideways manner yesterday and during today's Asian morning, testing the 109.76 (R1) resistance line. The pair could continue to trade in a rather bullish market for the next couple of days. The case could be supported as fundamentally the release of Japan's financial data tomorrow could weaken the JPY side. On a technical basis, the pair's price action seems to form an ascending triangle between the upward trend-line incepted since the 23rd of March and the 109.90 area, with a possibility to break the prementioned boundaries upwards. Should the bulls be in charge we could see the pair breaking 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 prementioned upward trend line and aim for the 109.20(S1) support line.

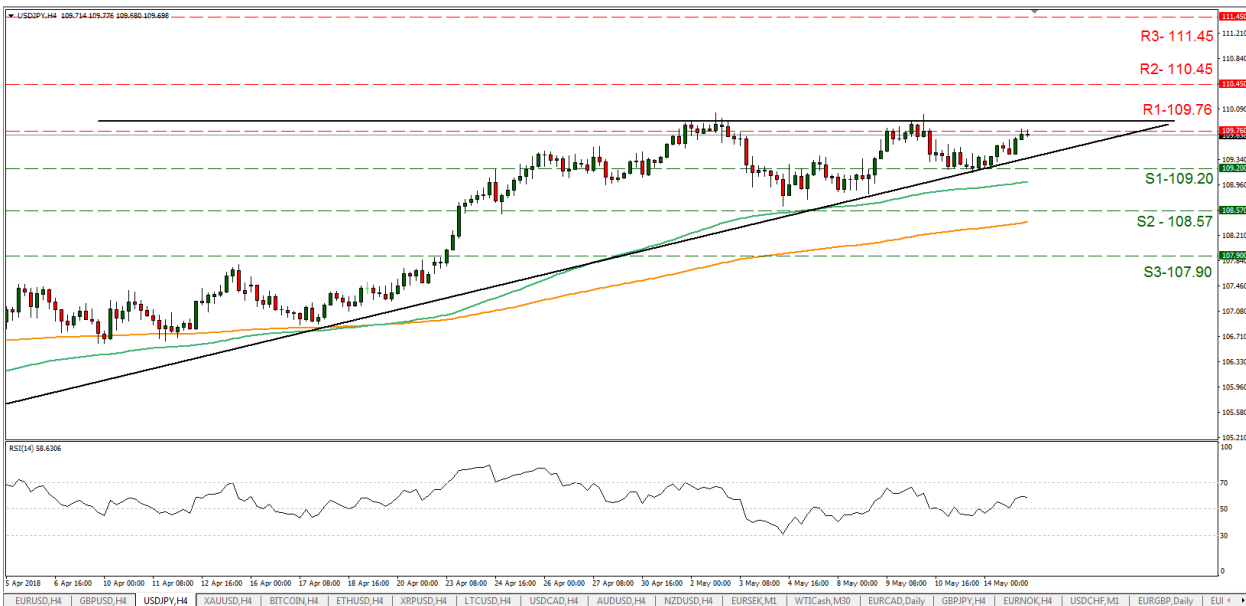
No significant progress made in Brexit, says EU

- According to EU chief Brexit negotiator Barnier, no significant progress has been made in the Brexit negotiations and that a number of issues remain unresolved. UK PM May's spokesman stated that the "focus is on getting it right" rather than meet a deadline. Officials in Brussels seem to doubt on whether the UK will be able to mark substantial progress until the June EU summit. The fog still remains on the issue, however any further negative headlines could weaken the pound.
- Cable moved in a sideways manner yesterday, tested the 1.3600 (R1) resistance level and bounced back down. We see the case for the pair to continue to trade in a rather sideways manner today, however the pair could prove sensitive to the release of financial data coming out today and fundamental news. On the technical side the boundaries of the pair's sideways movement seem to be quite strong as they were tested a number of times and the 4 hour RSI indicates a rather indecisive market. Should the pair come under selling interest we could see it breaking the 1.3500 (S1) support line and aim for the 1.3425 (S2) support barrier. Should it find fresh buying orders along its path, we could see it breaking the 1.3600 (R1) resistance line and aim for the 1.3665 (R2) resistance hurdle.

In today's other economic highlights:

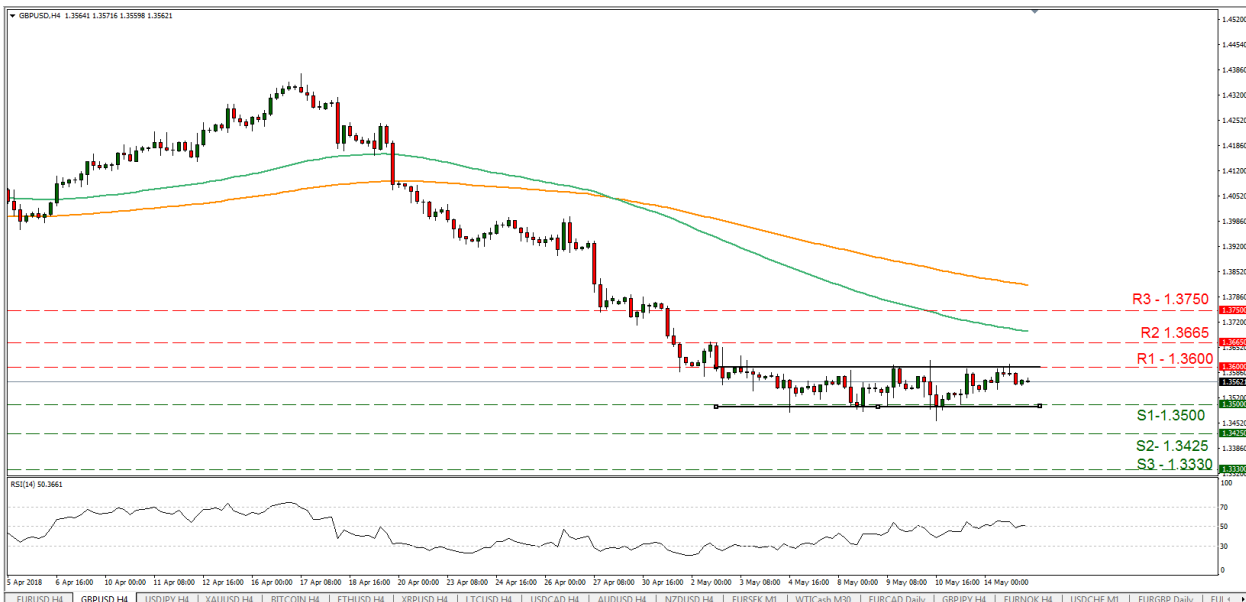
- In a busy Tuesday, in the European session we get from Germany the preliminary GDP growth rate for Q1 and the ZEW economic sentiment for May, from the UK we get the employment data for March and from the Eurozone the preliminary GDP growth rate for Q1 as well as the industrial production growth rate are due out. In the American session we get New Zealand's Milk Auction data and the US retail sales data as well as the API crude oil. As for speakers, Dallas Fed President Kaplan and FOMC member John Williams speak.

USD/JPY



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

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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