

16 May 2018

THE BIG PICTURE

North Korea suspends talks with South

- Media suggest that during today's Asian morning North Korea announced the suspension of the Inter-Korean negotiations. Main reason cited, were the joint S.Korea-US military exercises which were considered as a provocation. North Korea's move casts doubts also on the Kim-Trump meeting on June 12th in Singapore, marking a serious retreat to the warming ties trend. It could also be the case that the move consists a diplomatic maneuver of the North Korean side, to gain leverage ahead of the Kim-Trump meeting and the negotiations. Further escalation could set the progress of denuclearization of the Korean peninsula in jeopardy and strengthen safe havens.
- USD/JPY rose yesterday breaking the 109.76 (S1) resistance level (now turned to support) and tested the 110.45 (R1) resistance line. We see the case for the pair to continue to trade in a bullish market albeit at a slower pace as the USD has a good momentum. Should the pair continue to find fresh buying orders we could see it breaking the 110.45 (R1) resistance line and aim for the 110.95 (R2) resistance level. Should it come under selling interest we could see the pair dropping and reaching if not breaching the 109.76 (S1) support line.

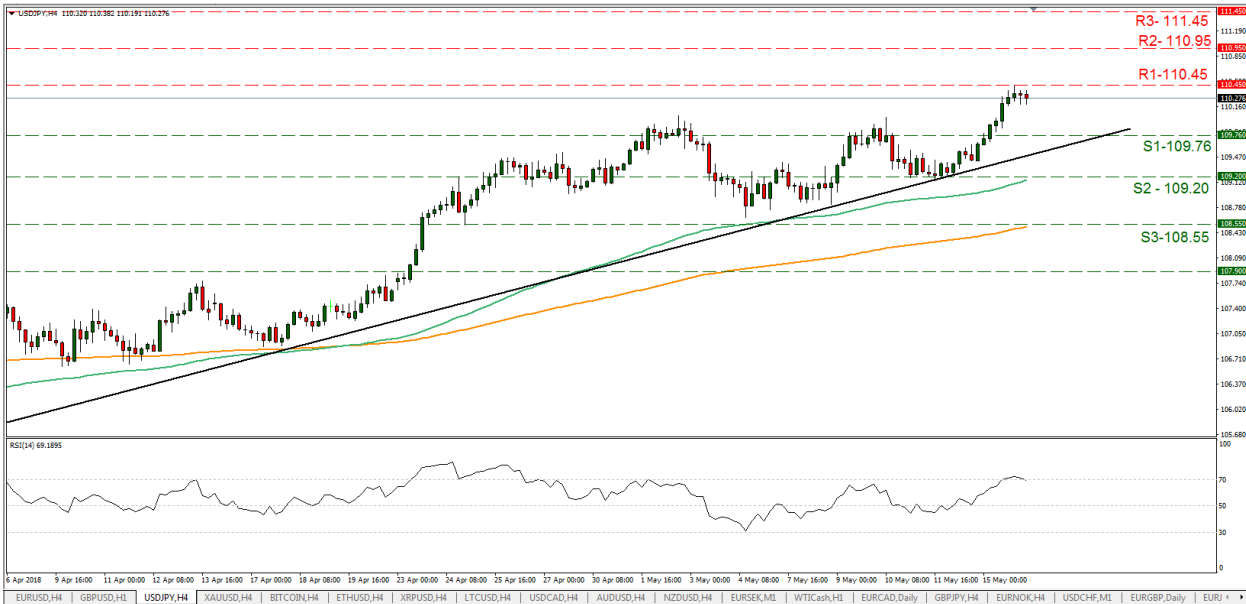
US Dollar strengthens as 10 year treasury yield surpasses 3%

- The greenback strengthened against a number of major currencies, as the US 10 year bond yield broke the 3% level once again. The yield had surpassed once again the 3% hurdle, near the end of April, causing the US Dollar to rally, however yesterday it hit a seven year high (since July 2011) reaching 3.095%. Analysts, consider that the rise in the 10 year benchmark Treasury bond yield added to the US Dollar's relative yield appeal against higher risk and higher yielding rivals. The drop in the prices of gold could be indicative of the prementioned appeal. Should the yield continue to rise we could see the USD strengthening and vice versa.
- EUR/USD dropped yesterday breaking the 1.1882 (R1) support line (now turned to resistance) approaching the 1.1806 (S1) support line and stabilizing somewhat. Should the USD strengthening momentum continue we could see the pair dropping further. Also, Eurozone's financial data releases could weaken the EUR side. Should the bears take over we could see the pair dropping, breaching the 1.1806 (S1) support line and aiming for the 1.1715(S2) support barrier. On the other hand should the bulls be in the driver's seat we could see the pair breaking the 1.1882 (R1) resistance level and hover above it.

In today's other economic highlights:

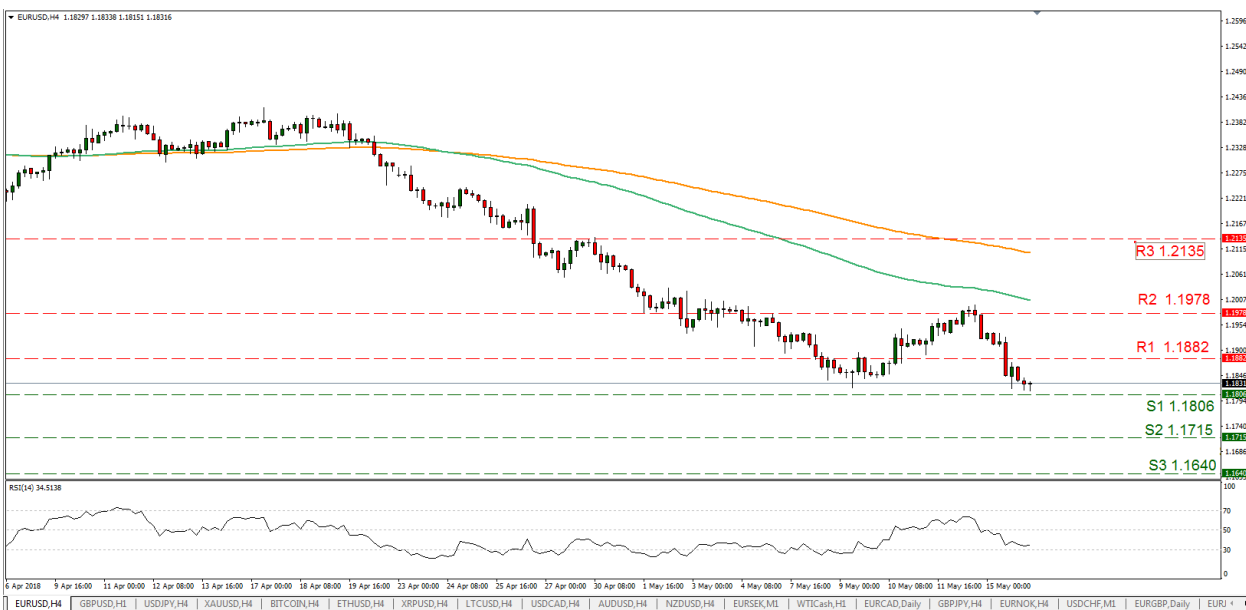
- In the European session we get Germany's and Eurozone's final HICP rate release for April. In the American session we get the number of housing starts in the US for April and the US industrial production growth rate for April as well as Crude Oil stocks figure. As for speakers from the ECB we have President Mario Draghi, board member Coeure and chief strategist Praet speaking. From the Fed FOMC member Bostic and from BoC deputy governor Schembri speak.

USD/JPY



- Support: 109.76 (R1), 109.20 (R2), 108.55 (R3)
- Resistance: 110.45 (R1), 110.95 (R2), 111.45 (R3)

EUR/USD



- Support: 1.1806 (S1), 1.1715 (S2), 1.1640 (S3)
- Resistance: 1.1882 (R1), 1.1978 (R2), 1.2135 (R3)

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