

17 May 2018

THE BIG PICTURE

Italy on verge of government deal

- Media suggest that the 5SM and the League are on the verge of forming a government in Italy. The main positions of the parties seem to concentrate on tax cuts and social welfare spending, while there seems to be a dispute about who the actual PM candidate will be. The two parties seem to be on a collision route with Brussels and could provide uncertainty in the Eurozone if they come to power. Should there be further headlines about the programs of the two parties colliding with Brussels, we could see the EUR weakening.
- EUR/USD dropped yesterday breaking the 1.1806 (S1) support line, however made up for most of the losses later on and continued to trade above it during today's Asian morning. We see the case for the pair to continue to trade in a sideways manner with some bullish tendencies. Should the pair come under selling interest we could see it breaking the 1.1806 (S1) support line once again and aim for the 1.1715 (S2) support barrier. Should it find fresh buying orders we could see the pair reaching or even breaking the 1.1882 (R1) resistance level.

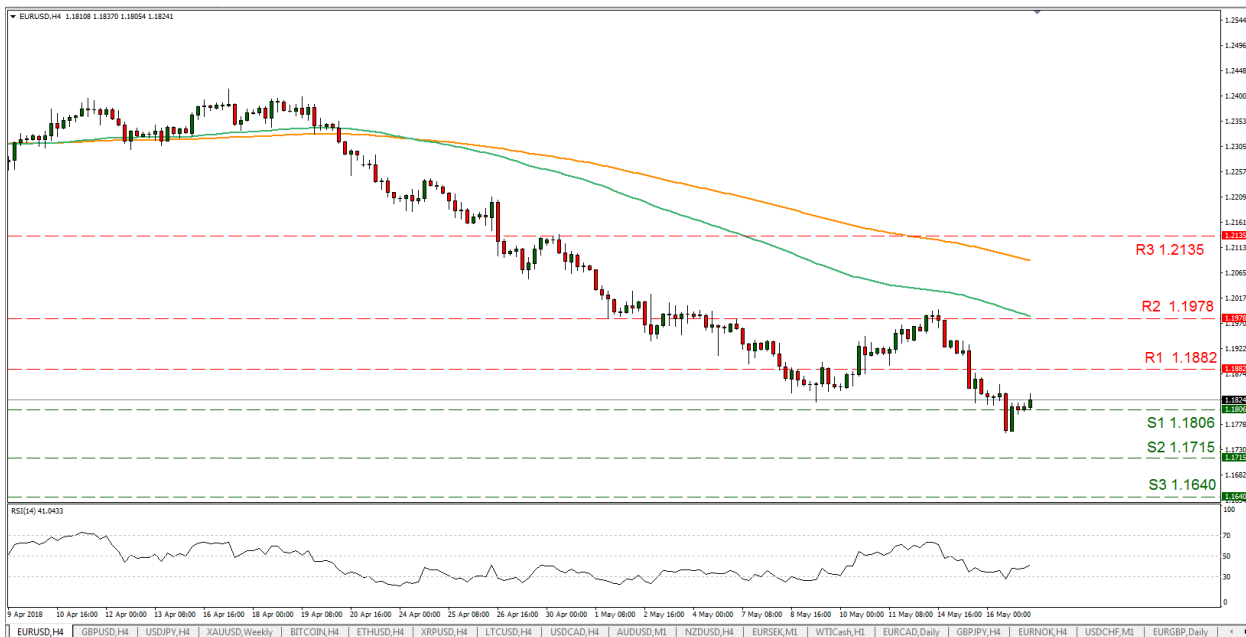
UK will not ask for longer Brexit period

- Cabinet Office minister Lidington stated yesterday that Britain will not ask for an extension of the Brexit transition period when it will publish its detailed plans about the future relationship with the EU next month. On the other hand UK PM May could face some pressure, when she meets her EU peers before the EU summit next month. Overall, EU diplomats are alarmed at the minimal progress made, after the March breakthrough according to media. Should there be further negative headlines for the issue we could see the pound weakening.
- Cable dropped and broke the 1.3500 (S1) support line yesterday, however regained any losses made later on and continued trading on higher grounds. We see the case for the pair to trade in a sideways movement today between the 1.3500 (S1) support line and the 1.3600 (R1) resistance line. Should the bulls take over, we could see the pair breaking the 1.3600 (R1) resistance line and aim for the 1.3665 (R2) resistance hurdle. On the other hand should the bears be in the driver's seat we could see the pair breaking the 1.3500 (S1) support line and aim for the 1.3425 (S2) support zone.

In today's other economic highlights:

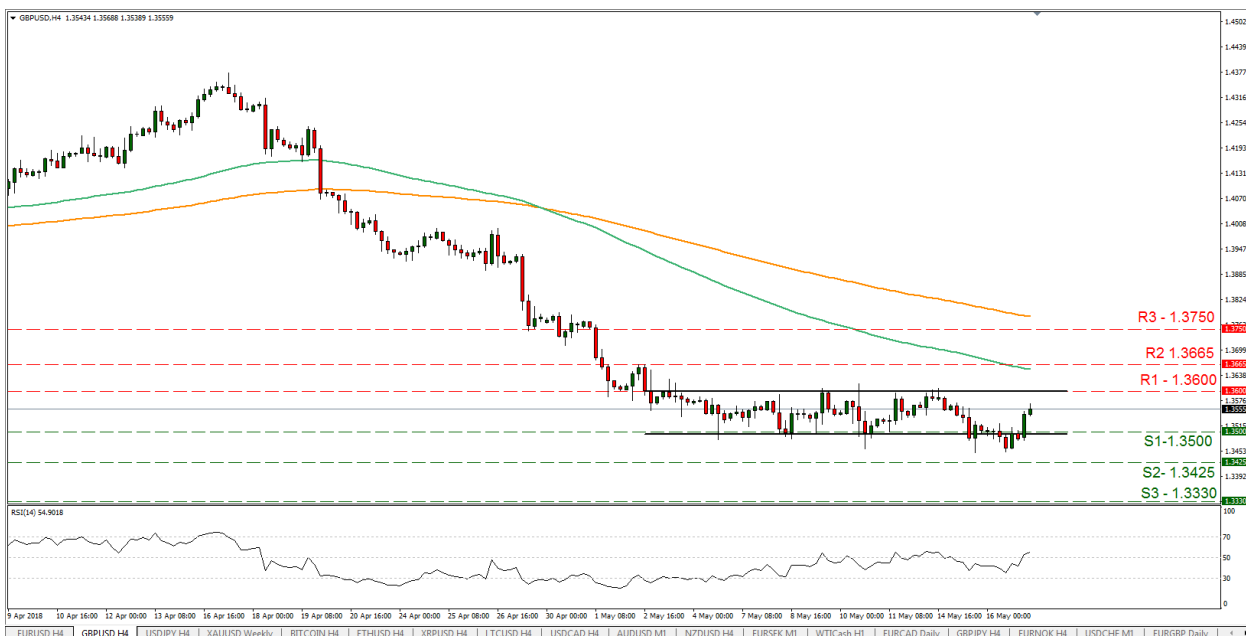
- In the European session we get Eurozone's Trade Balance figure for March while in the American session we get the number of initial jobless claims and the Philly Fed Business Index. As for speakers, ECB's Vitor Constancio, Minneapolis Fed president Neel Kashkari, BoE MPC member Andy Haldane and Dallas Fed president Robert Kaplan speak.

EUR/USD



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