

03 May 2018

THE BIG PICTURE**Fed Decided to remain on hold, USD weakens**

- The Fed decided to remain on hold yesterday keeping the 1.50%-1.75% interest level as was widely expected. The accompanying statement could be characterized as well balanced, with the most interesting comments relating to inflation. Overall, the Fed seems to be more confident about inflation rising, with some slight worries about the economy and a slight hint that it could tolerate inflation levels above target. Overall the USD weakened on the news however regained any losses quickly and the market seems to price in a possible rate hike in June.
- EUR/USD dropped yesterday breaking the 1.1978 (S1) support line only to regain any losses it suffered later on and continued to trade above the prementioned support line during today's Asian morning. We continue to have a bearish bias as the pair continues to trade below the downward trend-line incepted since the 19th of April. Should the bears continue to occupy the driver's seat we could see the pair breaking the 1.1978 (S1) support line and aim for the 1.1882 (S2) support level. Should the bulls take the reins we could see the pair breaking the prementioned downward trend-line and aim for the 1.2135 (R1) resistance line.

UK Government in turbulence

- The UK government will have to face results of local elections today and albeit they are of local nature, they are considered as a poll of support for Theresa May. The local government elections are expected to show a rising support for the Prime Minister's opponents, especially in London. Should the results favor the labour party we could see pressure rising on PM May, regarding her customs union stance in a deeply divided conservative party. Should there be further negative headlines about the UK political stage we could see the GBP weakening even further.
- Cable moved in a sideways manner yesterday, however broke the 1.3600 (R1) support line (now turned to resistance). Please note that the pair also broke an upward trend-line which was incepted since the 16th of January, underscoring further its current weakness. The pair could trade on lower grounds today technically as it trades below the downward trend-line incepted since the 17th of April. Please be advised that the release of UK's Services PMI for April could provide some support to the battered pound. Should the pair continue to be under selling interest we could see it reaching or even breaching the 1.3500 (S1) support line. On the other hand, should it find buying orders along its path we could see cable breaking the 1.3600 (R1) resistance line and aim for the 1.3665 (R2) resistance hurdle.

In today's other economic highlights:

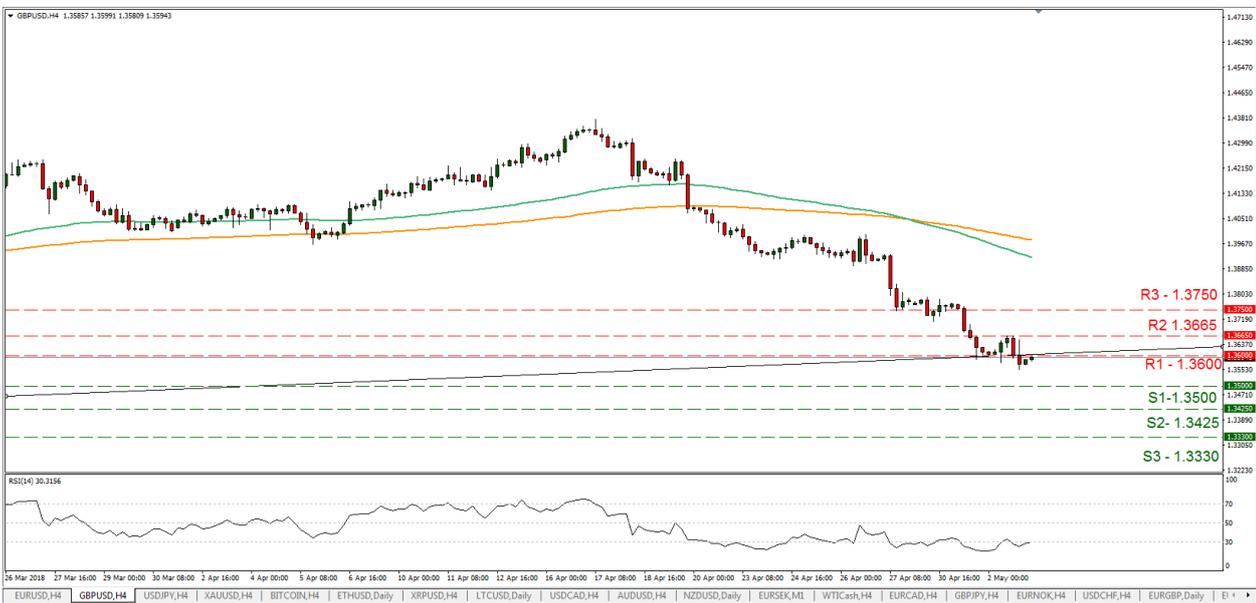
- During today's European session we get The UK's Services PMI for April, as well as Eurozone's inflation data for April. In the American session we get Canada's Trade Balance for March and from the US the Unemployment Claims, the Trade Balance figure for March and the ISM Non-Manufacturing PMI for April.
- As for speakers, ECB's Constancio and Coeure speak.

EUR/USD



- Support: 1.1978 (S1), 1.1882 (S2), 1.1743 (S3)
- Resistance: 1.2135 (R1), 1.2282 (R2), 1.2400 (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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