

14 June 2018

THE BIG PICTURE

FOMC rate hike enacted

- In yesterday's American session, the FOMC hiked its interest rate by 0.25% reaching +2.00%, as was expected. Also the dot plot changed implying 2 more hikes could be expected (probably September and December) in 2018. Overall there was neutral to hawkish tone in the accompanying statement and most of the Fed's anxieties were shrugged off. The USD strengthened upon the decision however relented most of the gains later on.

ECB Interest Rate Decision

- On the other side of the Atlantic, ECB is to announce its interest rate decision today at 11:45 (GMT) and is widely expected (probability of 97.28% according to EUR OIS) to remain on hold at 0.00%. Market focus could shift to the accompanying statement which may have a more hawkish tone, as the inflation rate has accelerated. It could also be the case that the bank could announce or imply that it will gradually end or taper, its massive QE program. Should that be the case we could see the common currency strengthening as such a scenario may not have been totally priced in by the market.
- EUR/USD rose yesterday approaching the 1.1820 (R1) resistance line, within the boundaries of yesterday's mentioned sideways movement. We could see the pair continue to have some bullish tendencies as the ECB interest rate decision and the following press conference could provide some support for the common currency. Should the pair find fresh buying orders along its path we could see it breaking the 1.1820 (R1) resistance line and aim for the 1.1925 (R2) resistance hurdle. Should the pair come under selling interest, we could see it clearly breaking the lower boundary of its sideways movement, also breaking the 1.1725 (S1) support line and aim for the 1.1640 (S2) support barrier.

BoJ Interest Rate Decision

- BoJ is to announce its interest rate decision tomorrow during the Asian session and is widely expected to remain on hold at -0.10%. Currently, JPY OIS imply a probability for the bank to remain on hold, of 95.75%. If the bank remains on hold we could see the market turning its attention to the accompanying statement, which could have a neutral to dovish tone due to the recent lukewarm financial data. Should that be the case we could see the JPY weakening against its major counterparts.
- Due to today's ECB interest rate decision and tomorrow's BoJ interest rate decision EUR/JPY could be the pair in focus. Yesterday, EUR/JPY rose slightly nearing the 130.60 (R1) resistance line. The pairs' price action seems to be forming a triangle where the upward trend line inceptioned since the 29th of May and the 130.27 level. The pair could break the 130.27 level aiming as well as the 130.60 (R1) resistance level aiming for the 131.35 (R2) resistance zone. Fundamentally the arguments for such a scenario can be located in the possibility for the ECB meeting strengthening the EUR, while on the other hand tomorrow's BoJ meeting could weaken the JPY. Should the bears take over we could see the pair breaking the prementioned upward trend line and the 129.50 (S1) support line aiming for the 128.60 (S2) support level.

In today's other economic highlights:

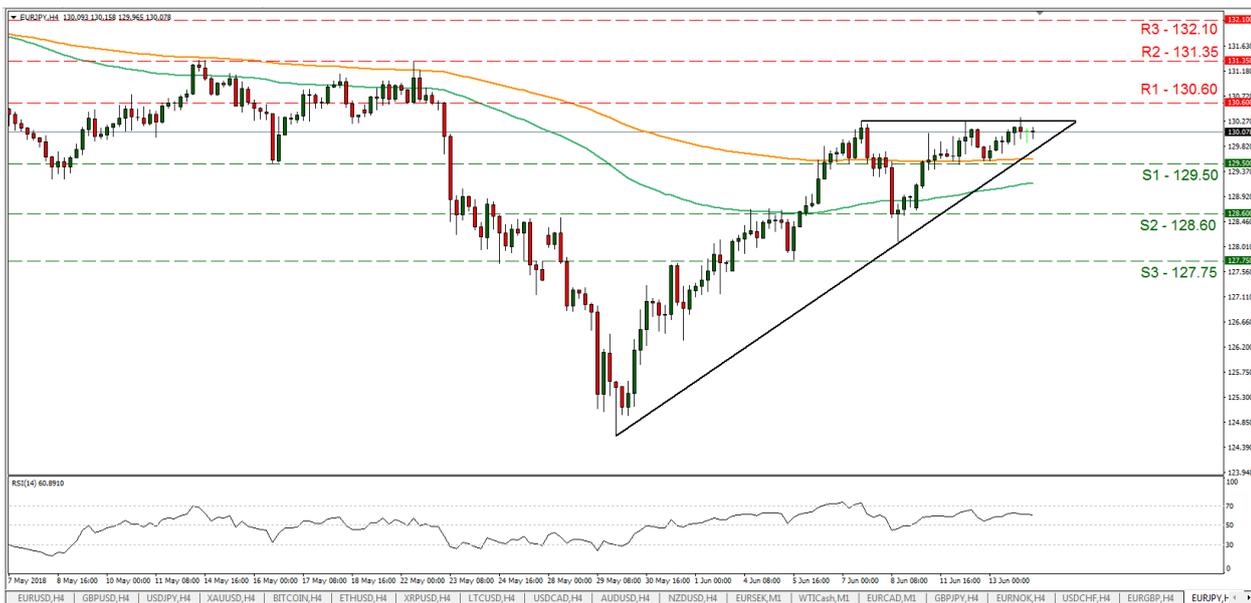
In the European session, from Germany and France we get the final HICP rates from the UK we get the Retail Sales growth rate for May. In the American session, the US retail sales data are to be released.

EUR/USD



- Support: 1.1715(S1), 1.1640(S2), 1.1550(S3)
- Resistance: 1.1820(R1), 1.1925(R2), 1.2000(R3)

EUR/JPY



- Support: 129.50(S1), 128.60(S2), 127.75(S3)
- Resistance: 130.60(R1), 131.35(R2), 132.10(R3)

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