

20 June 2018

THE BIG PICTURE**EU calls for further no-deal Brexit preparations**

- According to media, EU leaders at their summit next week are to call upon EU member states to increase preparations for the case that no Brexit deal is reached. Despite progress being marked on a number of matters, the EU seems to be worried about the Irish border issue mainly. A warning could also be expressed that, should there be no Brexit deal, there will be no transition period. On the UK side, PM May prepares to face a showdown in parliament regarding the House of Commons “meaningful vote” on Brexit. Should there be further negative headlines we could see the pound weakening.
- GBP/JPY dropped yesterday breaking the 145.70 (R1) support line (now turned to resistance) and tested the 144.50 (S1) support level where it stabilized. The drop reflected the strengthening of the Yen, due to the US-Sino trade tensions. The pair could continue to trade in a sideways manner, however it might prove sensitive to headlines regarding Brexit as well as possible trade war tensions. Should it come under selling interest, we could see the pair breaking the 144.50 (S1) support line and aim for the 143.20 (S2) support level. Should it come under buying interest we could see the pair rising and breaking the 145.70 (R1) resistance line.

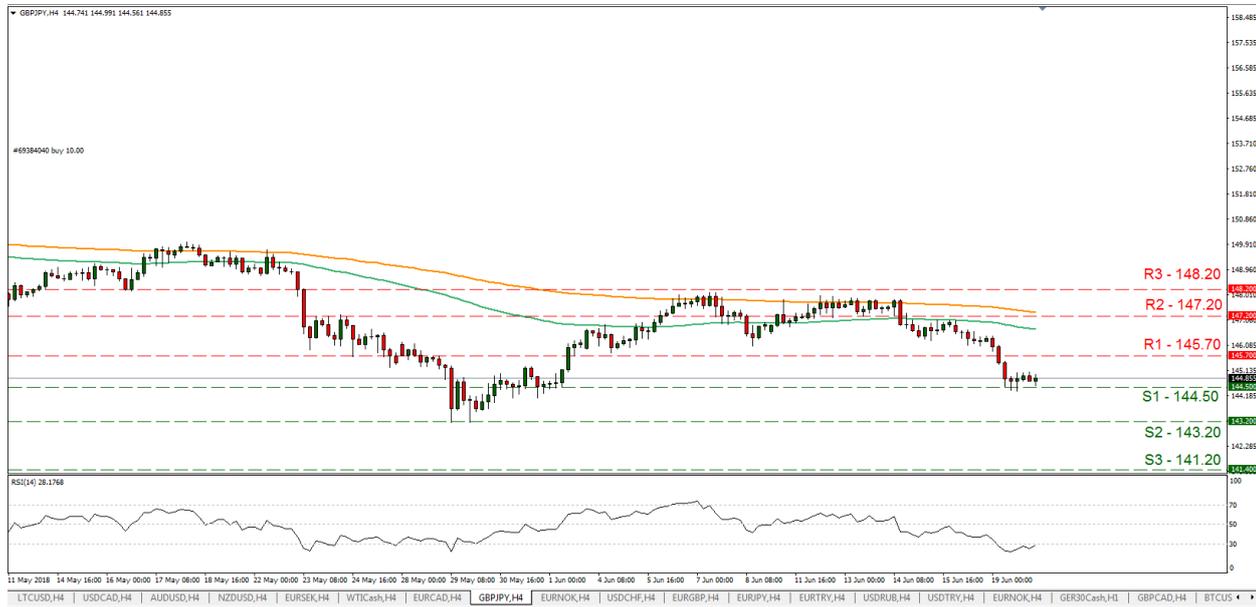
USD pushed by increasing treasury yields

- As per analysts, the greenback strengthened yesterday, due to 10 year treasury yields picking up from a three week low. The strengthening was capped against the yen as trade tensions linger in the background, but was further fueled against the EUR. The reason cited, was ECB president Draghi’s call for a more patient approach regarding the European monetary policy, which strengthened EUR/USD bears. Should the rise in the US treasury yields continue, we could see the USD strengthening even further.
- EUR/USD dropped yesterday across the span of its sideways movement testing the 1.1550 (S1) support line, then correcting somewhat and continued trading during today’s Asian morning at higher levels. The pair could continue its sideways movement between the 1.1640 (R1) resistance line and the 1.1550 (S1) support line. Please be advised that the pair could prove sensitive to a possible further rising of the US treasury yields. Should the bulls be in charge, we could see the pair breaking the 1.1640 (R1) resistance line, aiming for the 1.1715 (R2) resistance hurdle. Should the bears be in the driver’s seat, we could see the pair breaking the 1.1550 (S1) support level and aim for the 1.1470 (S2) support barrier

In today’s other economic highlights:

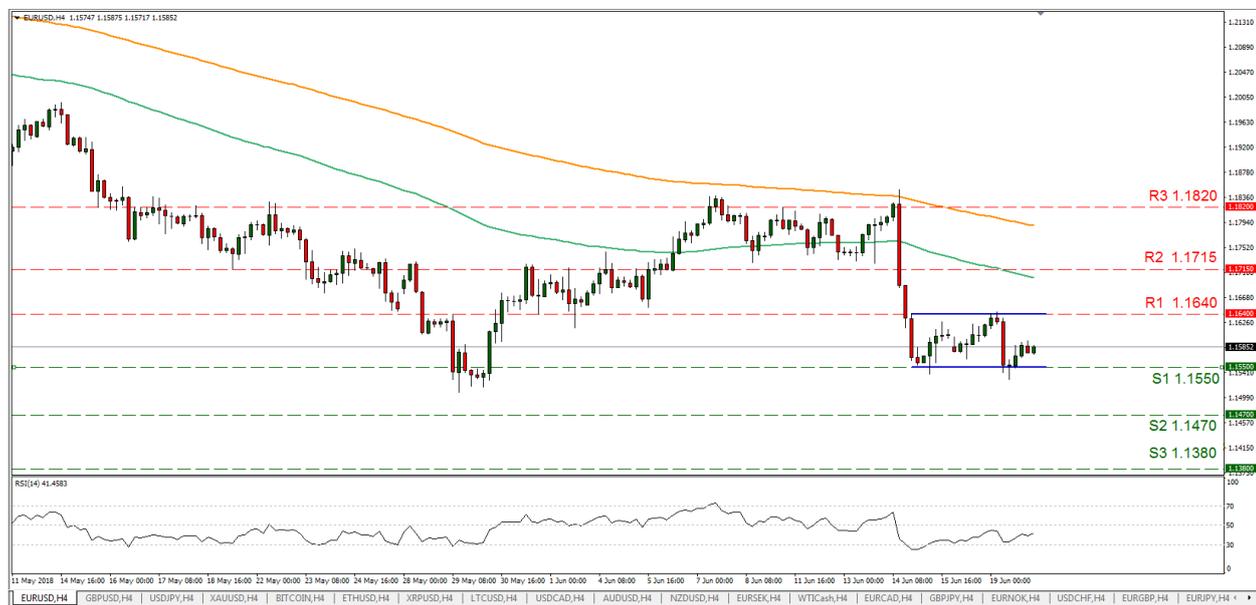
- In the European session we get Germany’s Producer Prices for May. In the American session we get from the US the Current Account balance for Q1, the existing home sales figure for May and the EIA weekly crude oil inventories figure. As for speakers, ECB’s president Draghi, RBA’s governor Lowe, Fed Chair Powell and FOMC member Bullard speak at ECB’s central bank forum in Sintra, Portugal.

GBP/JPY



- Support: 144.50(S1), 143.20(S2), 141.20(S3)
- Resistance: 145.70(R1), 147.20(R2), 148.20(R3)

EUR/USD



- Support: 1.1550(S1), 1.1470(S2), 1.1380(S3)
- Resistance: 1.1640(R1), 1.1715(R2), 1.1820(R3)

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