

28 June 2018

**THE BIG PICTURE****RBNZ remains on hold, NZD weakens**

- RBNZ remained on hold at +1.75% and market reaction was rather muted upon release as the decision was widely expected. The accompanying statement had a neutral to dovish tone with main elements being the preservation of an accommodating monetary policy, the acknowledgement of increased trade tensions and the comment about a weaker GDP growth rate. Analysts point out, that probabilities for the bank's next move to be a rate cut have risen, adding to the bearish sentiment. We could see the Kiwi weakening in the aftermath of the decision, given the expansionary monetary policy remaining in place for a considerable period of time.
- NZD/USD dropped yesterday and during today's Asian session breaking the 0.6820 (R2) and the 0.6780 (R1) support levels (now turned to resistance). Please be advised the pair has hit one of its lowest levels for the past 2 years. Technically, the downward trend line forming since Monday as well as the low RSI reading in the 4 hour chart should not be ignored. We could see the pair continue to drop in the aftermath of the RBNZ decision however could stabilize somewhat in our opinion. Should the bears continue to be in charge, we could see the pair dropping and aiming if not breaking the 0.6725 (S1) support line. If the bulls take over, we could see the pair breaking the 0.6780 (R1) resistance line and aim for the 0.6820 (R2) resistance hurdle.

**USD gains amidst confusion**

- USD gained yesterday amidst confusion regarding the US-Sino trade war issue. The confusion was provided by statements of US officials, as no clear path was given for new US regulations regarding acquisitions of US high tech companies by foreign investors. However, the opinion that some kind of control over foreign investments in the US will be imposed, seems almost certain. The USD seems to be taking advantage of the confusion and should there be negative headlines we could see volatility rising.
- EUR/USD dropped yesterday, breaking the 1.1640 (R1) support line and during today's Asian session, tested the 1.1550 (S1) support line. Technically the pair seems to be forming a downward trend line, since Monday. The downward trend-line was tested on Tuesday and today during the Asian session the RSI indicator touched the reading of 30, in the 4 hour chart. We could see the pair stabilizing somewhat and continue in a bearish market. Please bear in mind that the pair may prove sensitive to today's financial releases, especially relating to the EUR as well as any fundamentals deriving from the EU summit that begins today. Should the pair continue to be under selling interest we could see it breaking the 1.1550 (S1) support line and aim for the 1.1470 (S2) support barrier. Should it find extensive buying orders along its path, we could see it aiming if not breaking the 1.1640 (R1) resistance level.

**In today's other economic highlights:**

- In today's European session, from Germany we get the GfK Consumer Sentiment for July and the preliminary HICP rate for June. From Sweden we get the retail sales for May and Eurozone's final consumer confidence figure for June. In the American session the final GDP growth rate for Q1 is due out, as well as the initial jobless claims figure. As for speakers, BoE MPC member Andy Haldane (13:30, GMT) and FOMC member James Bullard speak. Also the EU summit begins today and could provide volatility for EUR and GBP crosses. On another front we would like to highlight that oil prices strengthened further yesterday, most probably due to the release of the EIA weekly crude oil inventories drawdown of -9.9 million barrels. The drawdown released caught the market by surprise as it was far wider than the figure was forecasted.

**CALENDAR FOLLOWS**

**DAILY CALENDAR**

TIME GMT	REGION	INDICATOR	PERIOD	SURVEY	ACTUAL	PRIOR	IMPACT	CCY	COMMENTS	
06:00	Germany	GFK Consumer Sentiment	Jul.	10.6		10.7	M	EUR	Could weaken EUR	
07:30	Sweden	Retail Sales	May	+0.3% mom		+0.6% mom	M	SEK	Could weaken SEK	
09:00	Eurozone	Consumer Confidence	Jun. (F)	-0.5		+0.2	M	EUR	Could weaken EUR	
TENTATIVE	Eurozone	EU summit						H	EUR	
12:00	Germany	HICP	Jun. (P)	+2.1% yoy		+2.2% yoy	H	EUR	Could weaken EUR	
12:30	US	GDP	Q1 (F)	+2.2% qoq		+2.2% qoq	H	USD	Could weaken USD	
12:30	US	Initial Jobless claims		220k		218k	M	USD	Could weaken USD	
13:30	UK	BoE MPC member Andy Haldane speaks						M	USD	
14:45	US	FOMC member James Bullard speaks						M	USD	

**\*\*\*Major market moving events in bold red,**

*F=final,*

*P=preliminary,*

*L=low,*

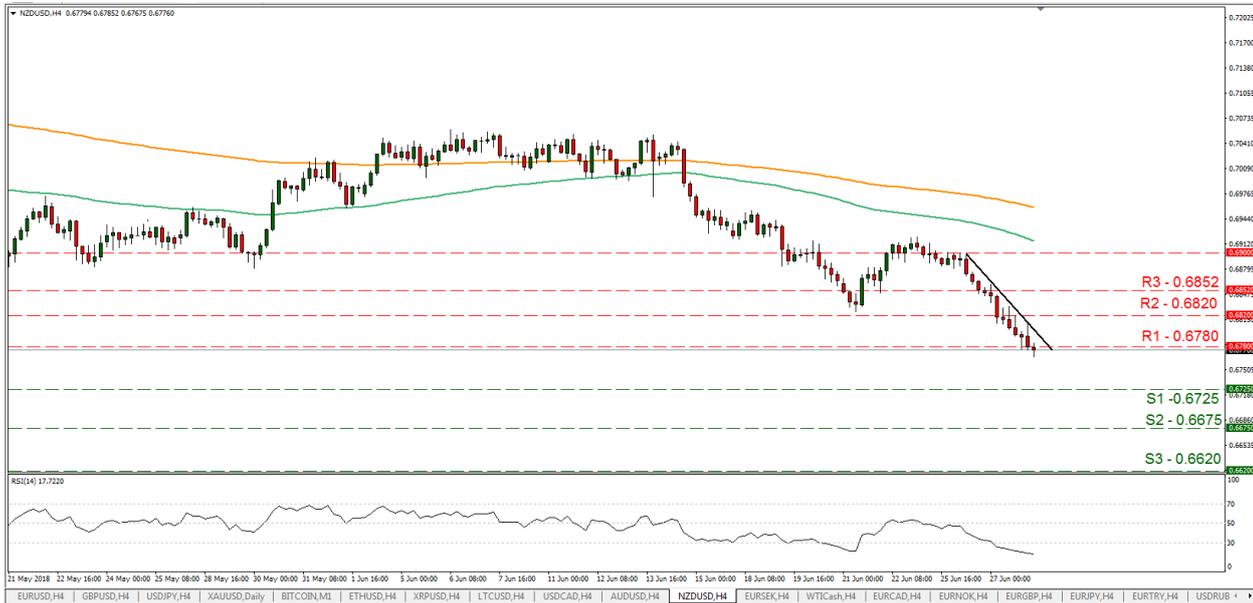
*M=medium,*

*H=high*

*Ccy= currency*

**TECHNICALS FOLLOW**

NZD/USD



- Support: 0.6725(S1), 0.6675(S2),0.6620(S3)
- Resistance:0.6780(R1),0.6820(R2),0.6852(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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