

07 June 2018

## THE BIG PICTURE

### Euro strengthens as ECB may start ending stimulus

- EUR/USD reached a ten day high yesterday as ECB officials stated that the bank could start winding down its QE program by end 2018. They also stated that Inflation was rising back to its target (ie. +2% yoy). ECB's chief economist Peter Praet said that the bank would debate next week on whether to gradually unwind bond purchases. Also the Head of Germany's central bank said that market expectations for an end to bond buying this year were plausible. Should there be further comments about ECB's intentions regarding its stimulus program ahead of the ECB meeting on the 14<sup>th</sup> of June we could see the common currency strengthening.
- EUR/USD got a boost from yesterday's statements mentioned before and aimed the 1.1820 (R1) resistance line. We could see the pair trading in a sideways manner with some bullish tendencies as the German financial releases today could support the EUR side. Should the pair find fresh buying orders along its path, we could see it breaking the 1.1820 (R1) resistance level and aiming for the 1.1925 (R2) resistance level. Should the pair come under selling interest we could see the pair breaking the 1.1715 (S1) support line and aim for the 1.1640 (S2) support barrier.

### UK's inner quarrel

- According to news reports, UK's PM is facing a major cabinet rebellion over Brexit which could destabilize the government. UK's Brexit secretary David Davis seems to be in disagreement with Theresa May's plans to tie UK to EU customs rules for unspecified amount of time. UK's proposals were to be given to their EU counterparts on Wednesday, but currently UK negotiators are holding it back. Theresa May is about to have meetings and discussions with senior ministers in an effort to resolve the issue. Should there be any further instability in the UK political scene about Brexit we could see the pound weakening.
- Cable as analysed yesterday traded in a sideways manner with some bullish tones, testing the 1.3425 (R1) resistance line. The pair could continue to trade in the same manner today as financial releases could provide some support for the pound. Please be advised that the pair may prove sensitive to any headlines regarding political and Brexit fundamentals. Should bulls take over we could see the pair breaking the 1.3425 (R1) resistance line aiming for the 1.3500 (R2) resistance hurdle. Should the bears take over we could see the pair aiming for the 1.3330 (S1) support line.

### In today's other economic highlights:

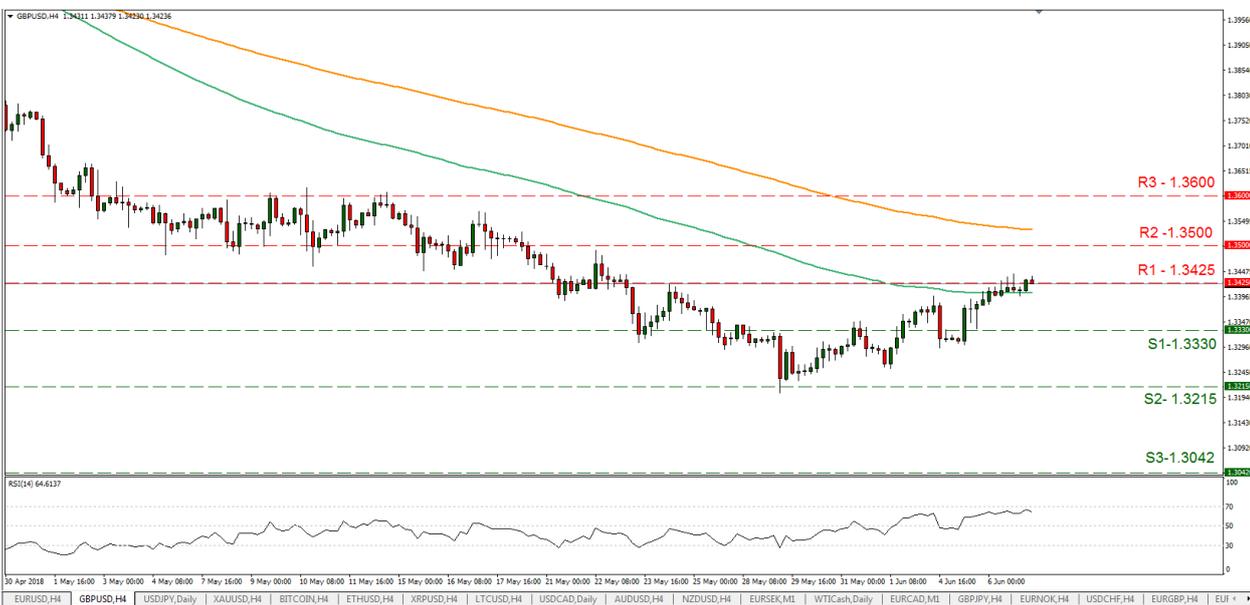
In the European session, we get from Germany the industrial orders growth rate for April, UK's Halifax Houses Prices growth rate for May and Eurozone's revised GDP growth rate for Q1. In the American session we get the US Initial Jobless Claims figure. Please be advised that today, BoC will publish its Financial System Review and hold a press conference later on about it with Bank of Canada governor Stefan Poloz speaking. Also Bank of England Deputy Governor of Markets and Banking, Dave Ramsden is to deliver a speech at the Barclays Inflation Conference.

**EUR/USD**



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

**GBP/USD**



- Support: 1.3330(S1), 1.3215(S2), 1.3042(S3)
- Resistance: 1.3425(R1), 1.3500(R2), 1.3600(R3)

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