

08 June 2018

THE BIG PICTURE

G7 meeting could be confrontational

- Leaders of the G7 are to meet in Canada today and tomorrow and confrontations may arise due to the US intentions to set tariffs on steel and aluminum. Media reports state that the leaders of the other 6 countries will set pressure on US president Trump about the issue. On the other side president Trump shows no signs of backing down, on the contrary he added further spice to the feud as he accused France and Canada for imposing retaliatory tariffs on US goods. Depending on the outcome of the meeting, we could see the USD strengthening or weakening, against its major counterparts.
- EUR/USD broke the 1.1820 (R1) resistance line yesterday during the European morning however corrected on lower levels later on and continued to trade in sideways manner. Technically, it should be noted that an upward trend-line seems to form, incepted since the 30th of May, that does not allow us to remove our bullish bias. Hence, 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 once again and aim 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.

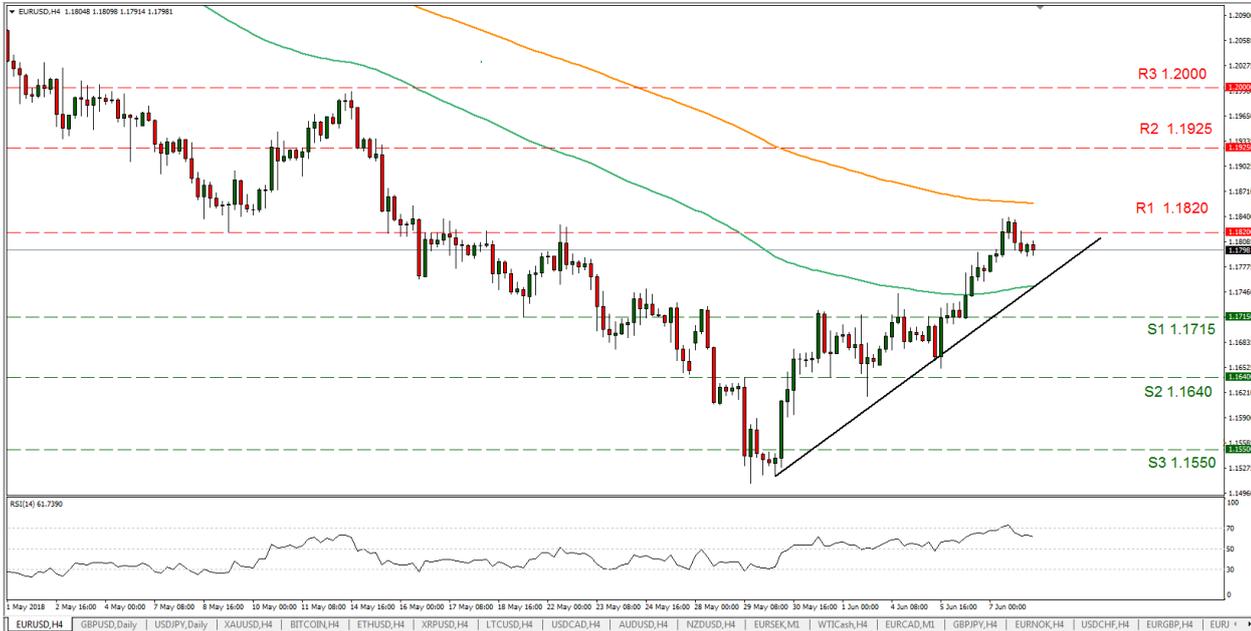
Theresa May appeases temporarily her ministers

- On other headlines, Theresa May seems to have pacified at least temporarily, her ministers, especially Brexit minister Davis. Agreement seems to have been reached, as a rather vague notion of a deadline for the UK to leave the EU customs union has been added to May's proposals for the EU. The agreement raised some eyebrows in the Brexiteers camp as it is not the clear cut-off point they were asking for, while on the other hand it left the EU officials unimpressed. The markets could be on the watch out for a possible press conference by EU's chief negotiator's Barnier, for any comments. Should there be any further negative headlines about Brexit we could see the pound weakening.
- Cable rose yesterday during the early European morning breaking the 1.3425 (R1) resistance line, however relented some of its profits later on, stabilized and continued trading below the prementioned resistance line in a sideways motion. Technically, an upward trend-line seems to form, incepted since the 29th of May, strengthening the argument for a bullish bias. Hence, we see the case for the pair to trade in a sideways manner with some bullish tones, unless the prementioned upward trend-line is clearly broken. 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:

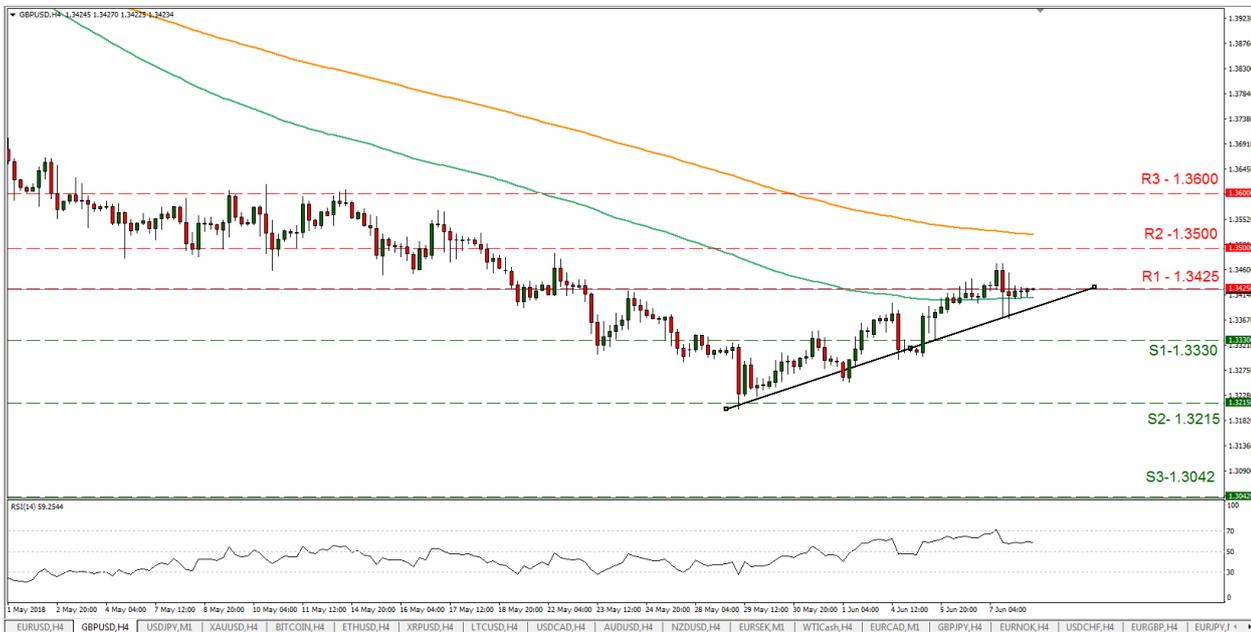
In the European session, we get from Germany the industrial output growth rate for April. In the American session, Canada's house starts figure for May and most importantly Canada's employment data for May, which could provide some support for the Loonie, will be released. As for speakers, ECB's Yves Mersch speaks today.

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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