

19 June 2018

THE BIG PICTURE

US threats for additional tariffs

- According to media, on Monday evening, President Trump said that he gave instructions to find Chinese imports at an aggregated value of about 200B for additional tariffs of 10%. The announcement was made after China announced its retaliation measures which were considered as unfair by the White House. President Trump also stated that additional tariffs could be placed, should there be further Chinese retaliations. If the situation escalates, we could see safe havens strengthening even further.
- USD/JPY dropped considerably during today's Asian morning breaking the 110.40 (R1) support level, now turned to resistance. The drop reflected the strengthening of the Yen as a safe haven. We could see the current course of the pair continuing as uncertainty especially about the US-Sino trade tensions remains and the pair could continue to be sensitive to such headlines. Should the pair continue to be under a selling interest, we could see it breaking the 109.75 (S1) support line and aim for the 108.95 (S2) support barrier. Should it find buying orders along its path we could see it correcting and breaking the 110.40 (R1) resistance level.

May defeated in House of Lords

- On Monday evening, the UK House of Lords voted an amendment to enable the UK parliament for a "meaningful vote" on Brexit. The vote constitutes another defeat for Theresa May's government which will have to face a second vote about the same issue in the House of Commons. Pro-EU rebels could be voting in favor of the amendment, providing instability for Theresa May's government. Markets seem to be in a wait and see position currently, but further negative headlines could weaken the pound.
- GBP/USD continued to move in a sideways manner on Monday and during today's Asian morning between the 1.3215 (S1) support line and the 1.3330 (R1) resistance line. We could see the pair continue its sideways movement today, however the pair may be under higher volatility if there are headlines about tomorrow's vote in the House of Commons and Brexit. Should the bulls take over we could see it breaking the 1.3330 (R1) resistance line while should the bears be in charge, we could see it clearly breaking the 1.3215 (S1) support line and aim for the 1.3125 (S2) support level.

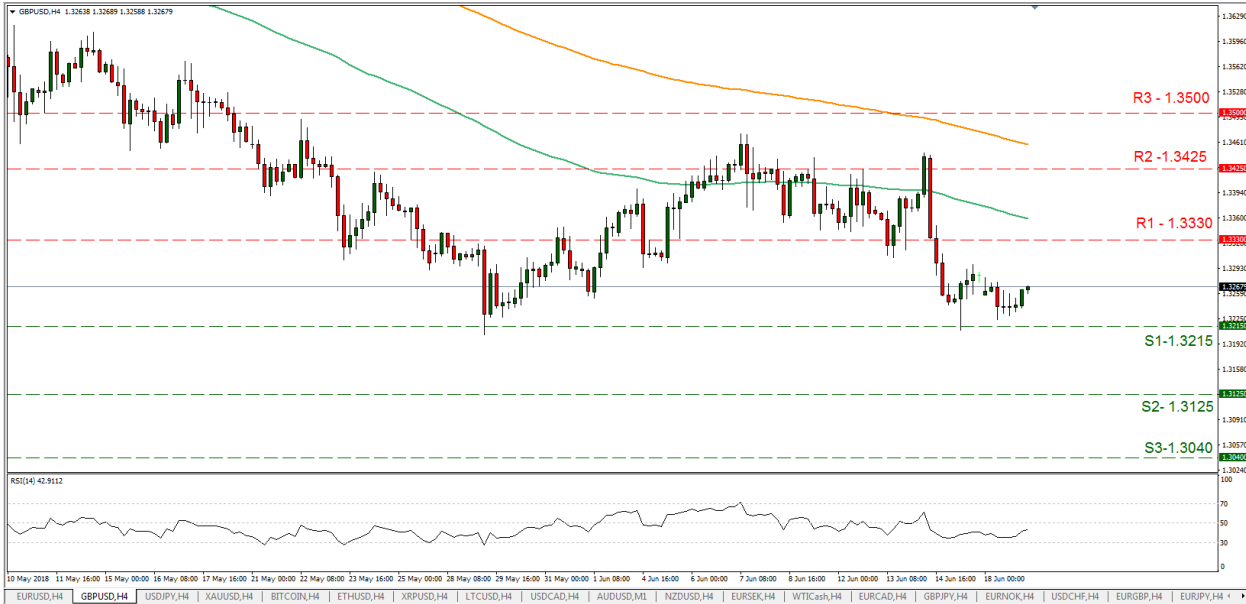
Germany in political uncertainty

- The coalition supporting the German government could prove to be unstable and dissolve, if the three parties do not find common ground on the immigration issue. German chancellor Merkel, accepted a two week's ultimatum yesterday, practically to strike a new EU deal on immigration. The ultimatum was given by CSU, one of the ruling parties and if there is no agreement in the next EU summit, Germany's government could destabilize, with wider repercussions on EU's asylum policy. Further developments on the before mentioned matter could create further volatility for the common currency.

In today's other economic highlights:

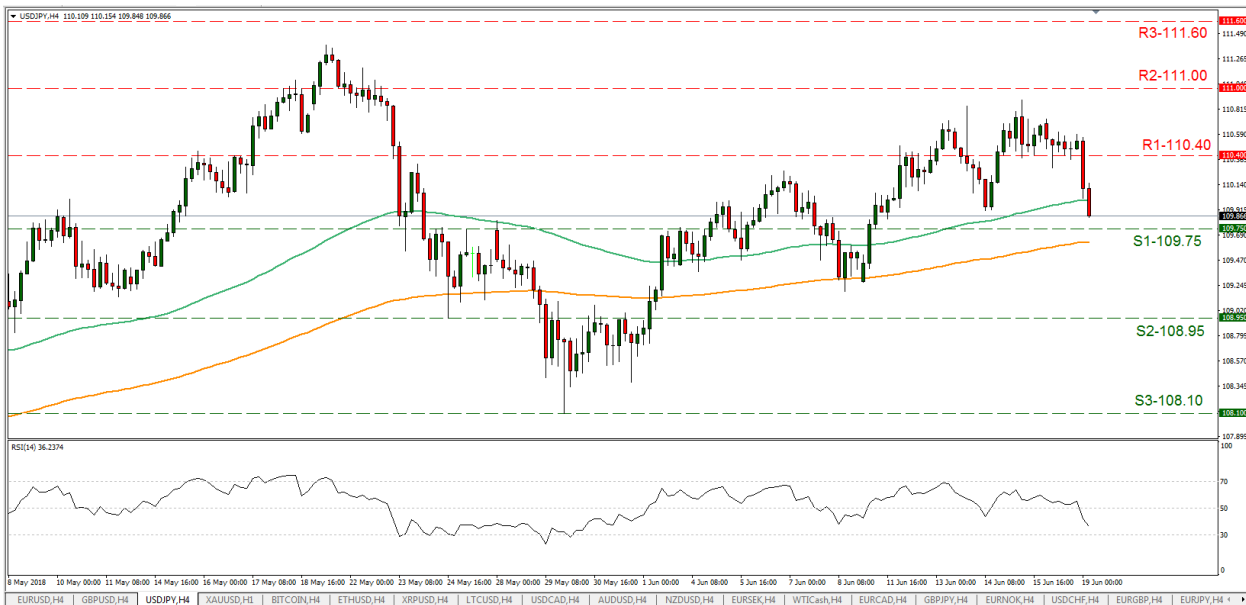
- In the European session we get Eurozone's current account balance for April and in the American session we get the number of US building permits and housing starts for May. As for speakers, ECB's president Mario Draghi and chief economist Peter Praet as well as FOMC member James Bullard speak at ECB's central bank forum in Sintra, Portugal.

GBP/USD



- Support: 1.3215(S1), 1.3125(S2), 1.3040(S3)
- Resistance: 1.3330(R1), 1.3425(R2), 1.3500(R3)

USD/JPY



- Support: 109.75(S1), 108.95(S2), 108.10(S3)
- Resistance: 110.40(R1), 111.00(R2), 111.60(R3)

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