27 June 2018

# THE BIG PICTURE

**RBNZ Interest rate decision**

- RBNZ is expected to announce its interest rate decision today, at 21:00 (GMT). RBNZ is widely expected to remain on hold and keep interest rates at +1.75%. Currently, NZD OIS imply a probability for the bank to remain on hold at 99.29%. Market focus could shift to the accompanying statement which given the recent financial data, may keep a neutral tone. Special interest could be allocated to any comments regarding the GDP growth rate as well as, the picking up of the inflation rate and global trading conditions. We could see the Kiwi weakening with the release of the interest rate decision and the market may have started to position itself already.
- NZD/USD dropped yesterday breaking the 0.6852 (R1) resistance level (now turned to support) and during today's Asian morning tested the 0.6820 (S1) support line. We could see the pair continue to trade in a bearish market as the Kiwi may weaken ahead of RBNZ's interest rate decision. It should be noted that the RSI indicator is currently below the reading of 30 in the 4 hour chart, implying an overcrowded short position for the pair. Should the bears continue to drive the pair, we could see it breaking the 0.6820 (S1) support line and aim if not break the 0.6780 (S2) support level. Should on the other hand, the bulls take over, we could see it breaking the 0.6852 (R1) resistance line.

**USD gains on easing trade fears**

- USD gained slightly on the easing of trade fears yesterday against its major counterparts. However, wariness persisted and limited any USD gains especially against the Yen. A remark made by president Trump, of relying on alternate means to control acquisitions, signaled a less confrontational path regarding the US intentions, to the markets on Tuesday. Specifically the US president seems to be lingering more on US Treasury Secretary Mnuchin's positions, as the US may rely on a US committee which makes background checks regarding business acquisitions, in order to curb Chinese take overs or even investments to high tech US companies. On the Canadian front, there appears to be a spill-over of the US tariffs, as Canada seems to be preparing new regulations regarding steel import quotas and tariffs on China and other countries. The new regulations could constitute an effort of the Canadian government to control steel imports which may be diverted from the US. Should there be positive headlines about the US intentions regarding trade wars, we could see the USD strengthening.
- USD/JPY, rose yesterday breaking the 109.75 (S1) resistance line (now turned to support), however corrected somewhat during today's Asian morning. We could see the pair have some bearish tendencies today, should there be an escalation of the trade war issue, as the USD may weaken and Yen strengthen due to its dual nature as a safe haven. Should the pair come under selling interest we could see it breaking the 109.75 (S1) support line and aim for the 109.25 (S2) support barrier. If it finds buying orders along its path, we could see it breaking the 110.25 (R1) resistance line.

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

- In today's European session, from the UK we get the nationwide HPI growth rate for June and the BoE's financial stability report. Also in the European session we get from the Czech Republic, CNB's interest rate decision and consensus currently states that the bank could remain on hold at +0.75%. Currently CZK OIS imply a probability of 68.75% for the bank to remain on hold, strengthening the argument for such a scenario. Please be advised that recent strong financial data could provide for some hawkish elements in the accompanying statement. In the American session from the US we get the core and headline durable goods orders growth rates for May, the pending home sales growth rate for May and the weekly EIA crude oil inventories figure. Also please bear in mind, that oil prices rose substantially yesterday, due to the release of the API weekly crude oil inventories drawdown of -9.228 million barrels. As for speakers, please note that BoE governor Mark Carney will be speaking about BoE's financial stability report while in the Americas FOMC members Quarles and Rosengren as well as BoC governor Stephen Poloz speak.

**CALENDAR FOLLOWS**

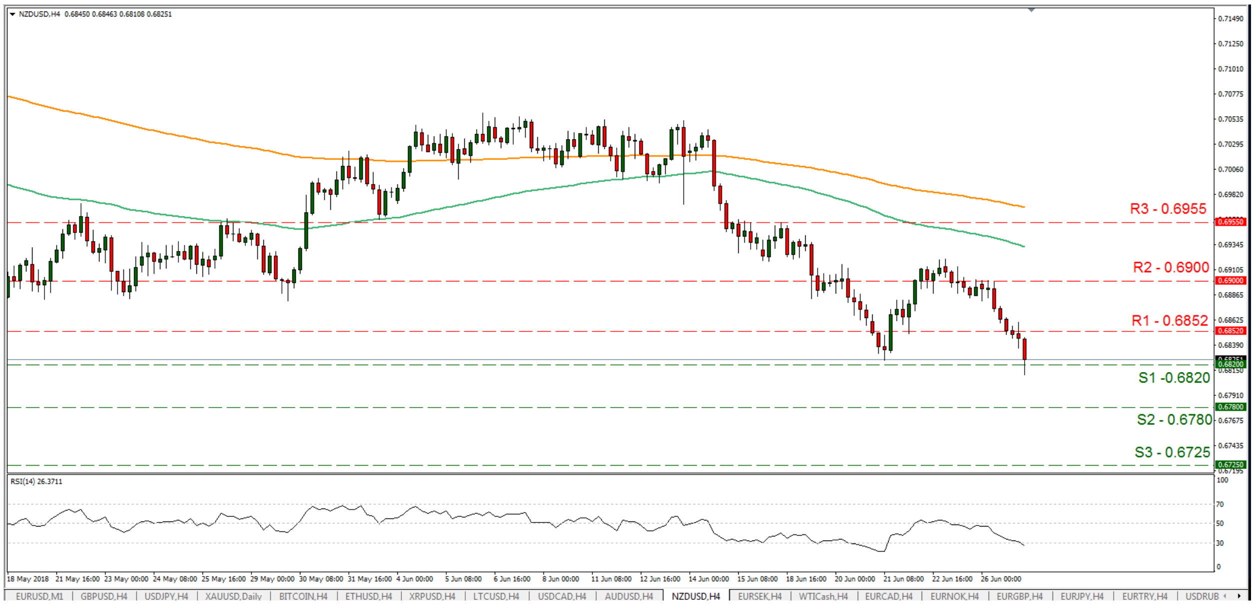
## DAILY CALENDAR

| TIME GMT+3 | REGION | INDICATOR | PERIOD | SURVEY | ACTUAL | PRIOR | IMPACT | CCY | COMMENTS |
|---|---|---|---|---|---|---|---|---|---|
| 06:00 | UK | Nationwide HPI | Jun | +1.7% yoy | | +2.4% yoy | M | GBP | Could weaken GBP |
| 08:30 | UK | BoE Financial Stability Report | | | | | M | GBP | |
| 08:30 | UK | BoE Governor Mark Carney speaks | | | | | H | GBP | |
| **11:00** | **Czech Republic** | **CNB Repo Rate** | | **+0.75%** | | **+0.75%** | **H** | **CZK** | **Currently CZK OIS imply that the CNB will remain on hold by a probability of 68.75%** |
| 12:30 | US | Durable Goods Orders | May | -1.0% mom | | -1.9% mom | H | USD | Could weaken USD |
| 12:30 | US | Core Durable Goods Orders | May | +0.5% mom | | +0.9% mom | H | USD | |
| 14:00 | US | Pending Home Sales | May | +0.5% mom | | -1.3% mom | H | USD | Could support USD |
| 14:30 | US | Crude Oil Inventories | | -2.572m | | -5.914m | M | Oil | Could support Oil prices |
| 15:00 | US | FOMC Member Randal Quarles | | | | | M | USD | |
| 16:15 | US | FOMC member Eric Rosengren speaks | | | | | M | USD | |
| 19:00 | Canada | BoC Governor Stephen Poloz speaks | | | | | H | CAD | |
| **21:00** | **New Zealand** | **RBNZ Interest Rate Decision** | | **+1.75%** | | **+1.75** | **H** | **NZD** | **Currently NZD OIS imply a probability for RBNZ to remain on hold of 99.33%** |

******Major market moving events in bold red,***
*F=final,*
*P=preliminary,*
*L=low,*
*M=medium,*
*H=high*
*Ccy= currency*

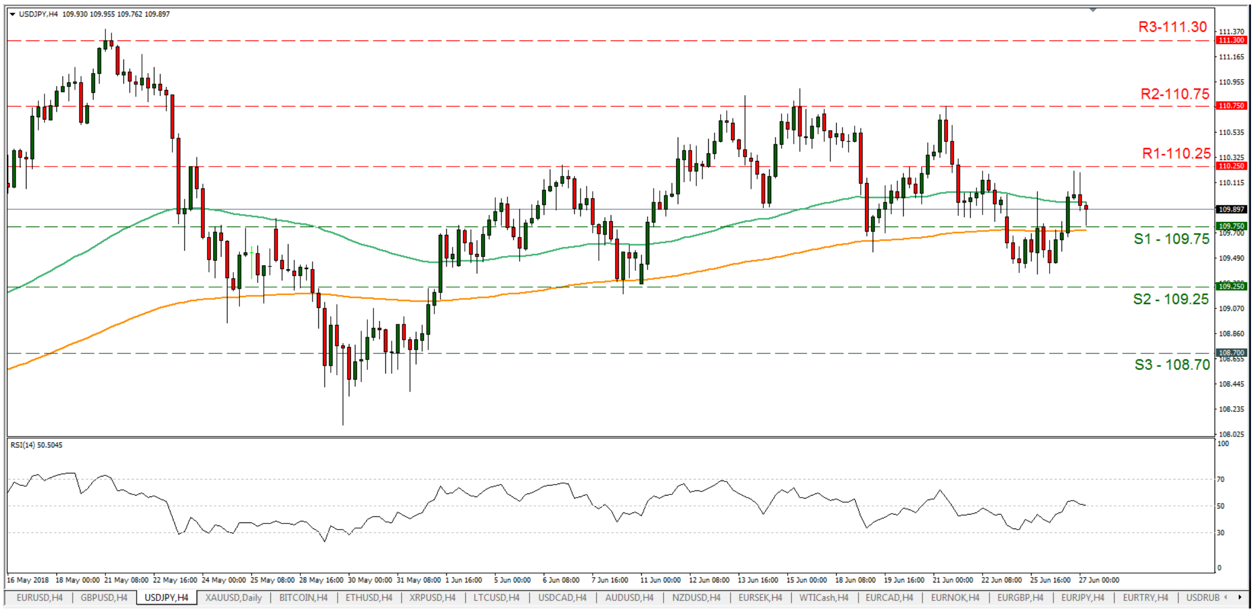
**TECHNICALS FOLLOW**

## NZD/USD




- Support: 0.6820(S1), 0.6780(S2),0.6725(S3)
- Resistance:0.6852(R1),0.6900(R2),0.6955(R3)

## USD/JPY




- Support: 109.75(S1), 109.25(S2), 108.70(S3)
- Resistance: 110.25(R1), 110.75(R2), 111.30(R3)

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