

Daily FX Report

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Friday, May 20, 2016

Good morning from Hamburg and welcome to our last Daily FX Report of this week. The search for EgyptAir Flight 804 is continuing after reports that the plane's wreckage had been found turned out to be false. When searchers got close to debris found in the Mediterranean Sea they realized it didn't come from the missing airliner, EgyptAir's Vice Chairman Ahmed Adel told CNN. The Airbus A320, which had 66 people on board, disappeared early Thursday as it flew from Paris to Cairo.

Anyway, we wish you a successful trading day!

Market Review – Fundamental Perspective

EUR/USD fell slightly on Thursday, sliding below 1.12 for the first time in more than a month, as foreign exchange traders parsed the minutes from recent meetings by the Federal Reserve and the European Central Bank for signals of further divergence between the top two central banks in the world. The currency pair traded in a broad range between 1.118 and 1.1230 before settling at 1.1201, down 0.0019 or 0.14% on the session. It came one day after the euro suffered one of its worst one-day declines versus the dollar in two months, as the Federal Open Market Committee sent broad indications that it will raise interest rates in June if the U.S. economy continues to show improvement over the next several weeks.

The euro has closed lower against its American counterpart in 11 of the last 13 sessions, dropping more than 2.5% during the span. On Thursday morning, New York Fed president William Dudley noted that it could be appropriate to raise interest rates in June or July. Fed's Dudley says June hike is in the cards, though Brexit is a risk. Fed Watch tool placed the probability of a June rate hike at 26.3% on Thursday, while leaving the odds for a July rate increase relatively unchanged at 42.1%. By comparison, the CME Group said there was a 15% chance of a July rate hike last month. The CME Group also increased the probability the Fed will complete two rate hikes by December to 25.8%, up from 12.1% last month. Also in June, the FOMC will issue its quarterly long-term projections on the path of the Federal Funds Rate, PCE Inflation, changes in Real GDP and the Unemployment Rate. Any rate hikes by the Fed this year are viewed as bullish for the dollar as foreign investors pile into the greenback in order to capitalize on higher yields.

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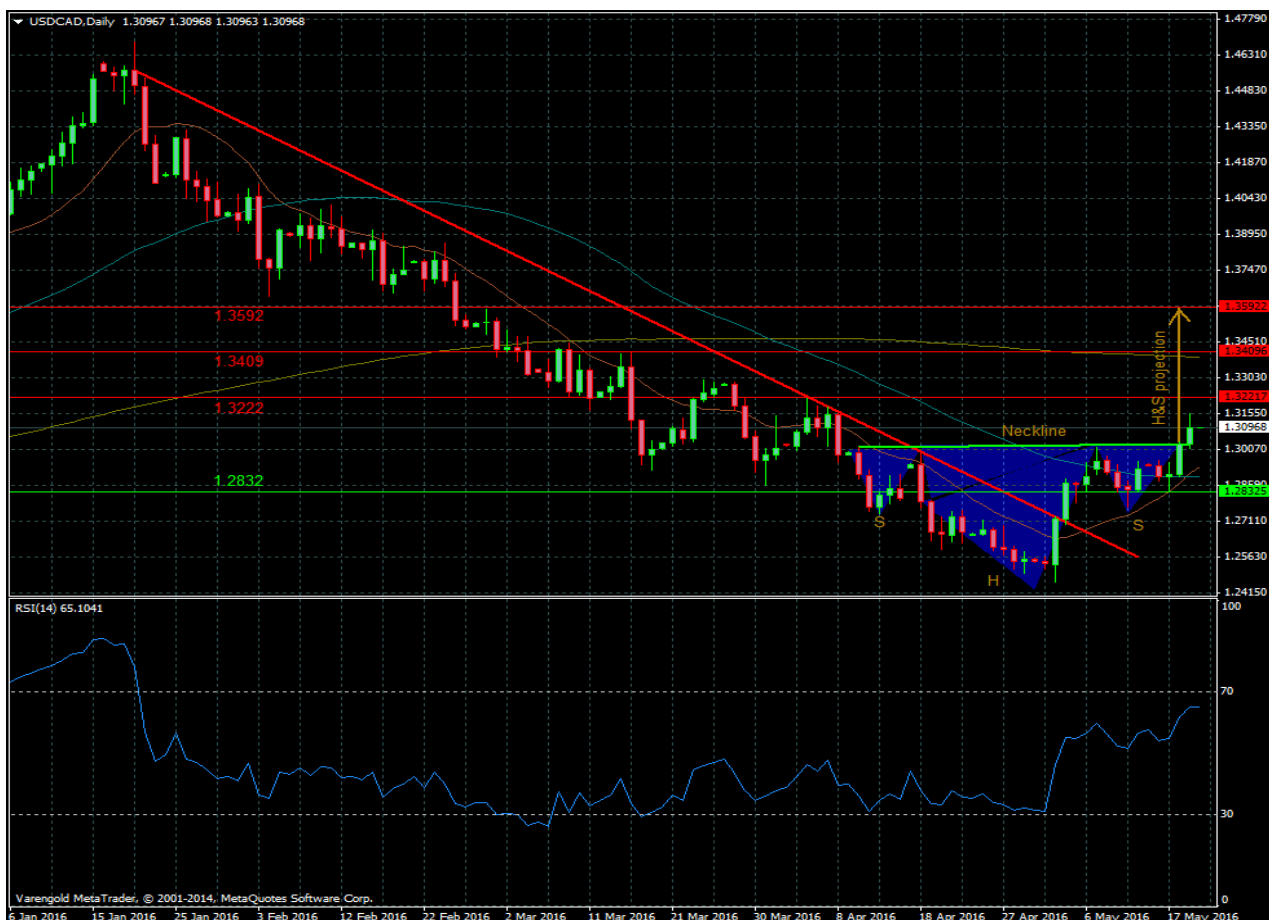
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Daily Technical Analysis

USD/CAD (Daily)

Technically, USD/CAD is confirming an inverted Head & Shoulders by breaking the neckline of this bullish pattern. At the same time, the price crossed the psychological level of 1.3000 which was also the 61.8% Fibonacci retracement of the last bearish trend. As a consequence, USD/CAD could potentially have further to rise, with 1.352 as main target coinciding with the H&S projection.



Support & Resistance (Daily)

Support Levels around	Resistance Levels around
1.2832	1.3222
N/A	1.3409
N/A	1.3592

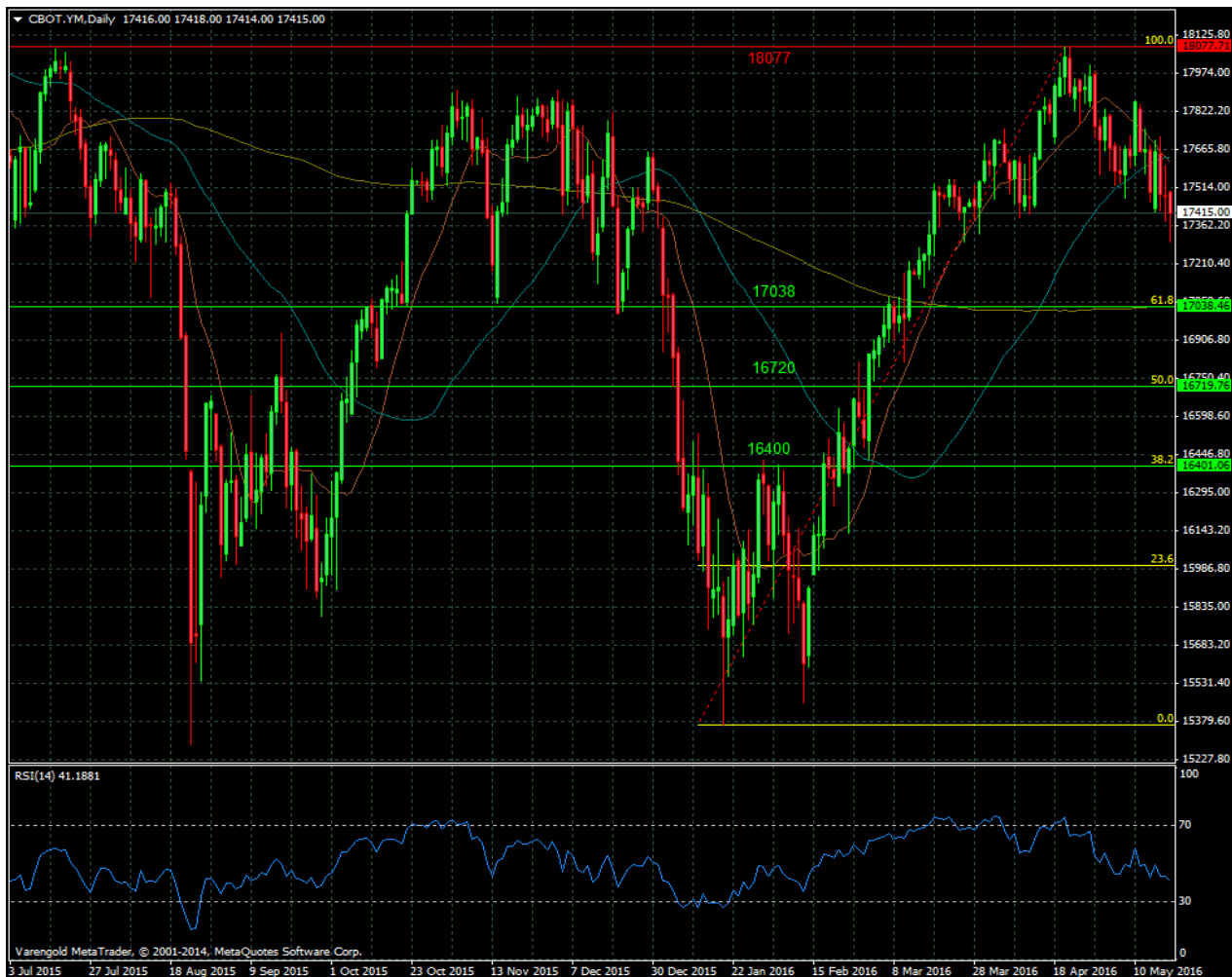
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CBOT.YM (Daily)

According to the chart below, it seems the Dow Jones future is initiating a bearish trend, once the American index was unable to cross the long term resistance around 18000 points. If we believe in additional declines as the most probable scenario, we identify 17038 as the first support to consider, coinciding with the 61.8% fibonacci retracement of all the previous bullish movement, initiated in January 2016.



Support & Resistance (Daily)

Support Levels around	Resistance Levels around
17038	18077
16720	N/A
16400	N/a

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CME.ES (4 Hour)

Similar situation as the previous one is what we see in the S&P future. The American index is drawing a round top once it was unable to cross the long term resistance. In addition, this round top looks very similar to a Head & Shoulders. This pattern has important bearish implications with, if confirmed, could send the price around 1944 points.



Support & Resistance (4 Hour)

Support Levels around	Resistance Levels around
2025	2105
1944	N/A
N/A	N/A

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Daily Calendar & Key Events

Date	Time (GMT)	Economic Indicator	Last	Survey
20/05/2016	12:30	CA CPI y/y	1.3%	1.7%
20/05/2016	12:30	CA CPI m/m	0.6%	0.3%
20/05/2016	12:30	CA Retail Sales m/m	0.4%	-0.6%
20/05/2016	14:00	US Existing Home Sales	5.33M	5.40M

If you have any questions, please contact us for further assistance. 24 hours a day:

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