



26th January 2018

Market Update: Watch Cable

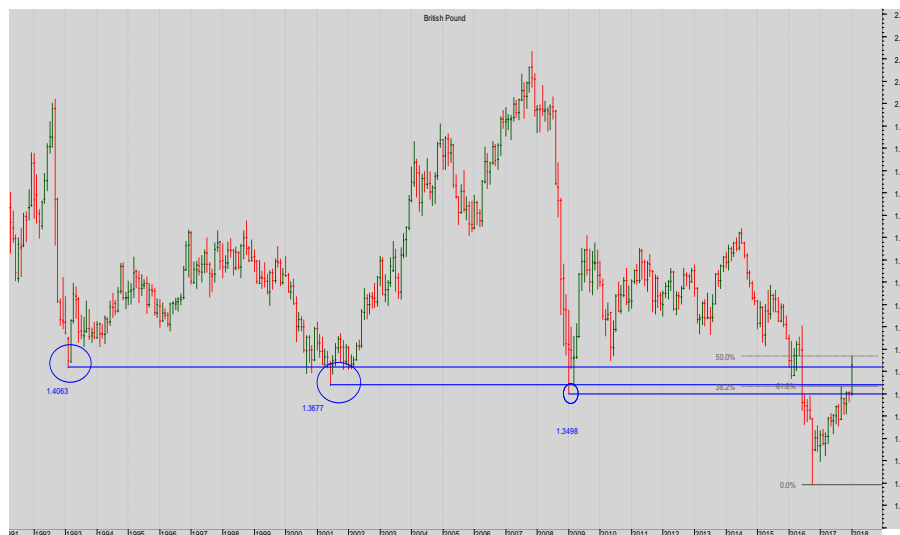
UPDATE
Technical
Fundamental





UPDATE Technical Fundamental

Watch Cable



MONTHLY CHART

It is hard to exaggerate the importance of the break up through the series of long-term resistances that has taken place in the last month.

The band arising from the succession of lows from 1992, 2001 and 2009 might have been powerful resistance.

It has been smashed.

The Fibonacci retracement resistance coinciding with the low at 1.3677 might have been powerful resistance.

It has been smashed.

Note though, the Fibonacci resistance at 1.43 – it's totally plausible that the market may at least pause there (as it did when first testing the cluster of fib levels at the 1.3677 level).

And possibly reverse.

MONTHLY CHART

Here is a word of warning:

If the chart is redrawn using the closes of the Prior lows from 1992, we see that the band of resistance shifts significantly higher – it now rests between 1.41 and 1.43.

It now can be seen that the price action, far from breaking the long-term resistance, has merely re-entered it.

The logic of re-drawing the lows is to reflect more clearly the weight of price action that formed those lows. The absolute lows were in each case materially lower than the cluster of closes that formed the low.

In addition note that if the main Fibonacci retracement resistance is re-drawn, the market is right up against the 38.3% resistance....

Expect the market to struggle to go higher from here.



UPDATE
Technical
Fundamental

FUNDAMENTALS:

Over recent days the Pound has achieved levels that many, including us, thought it couldn't reach during the "BREXIT" process due to the many uncertainties associated with the negotiating process. But with a transition agreement and trade deal yet to be negotiated, the Pound has driven higher and higher especially against the Dollar. Why?

As 2017 drew to a close the UK Government's position on the so called 'divorce' payment began to soften. Starting with the PM's speech in Florence late summer and through to the end of last year the government began to steadily concede ground.

First of all, it accepted a payment in respect of its liabilities would be paid, culminating in an agreement with the EU in December on an outline deal and amount payable that satisfied not only the EU's BREXIT negotiator, but also the EU Council of leaders and the EU Parliament.

Moreover the EU agreed to a UK request that a transition period be put in place covering a 2 year period starting from the UK's official leaving date, offering business some much needed certainty.

However, that is only part of the story. In the final quarter of 2017 various UK economic data releases have been pointing towards a better economic performance than most feared would be the case.

The various PMI surveys covering Services and manufacturing indicated a solid performance and even official Industrial production and manufacturing reports revealed industry had grabbed the opportunity presented by Sterling's devaluation and enjoyed a strong period of expansion.



FUNDAMENTALS: CONTINUED

So the UK economy was out-performing expectations. So too was the US economy. Growth there has been around 3% annualised that is, double the UK's. The Fed has begun tightening monetary policy and started to shrink its bloated balance sheet and President Trump saw his Tax cut policy voted into law.

Why didn't this benefit the Dollar instead of Sterling?

The Federal Reserve has stated it sees limited positive impact on US economic growth from the tax cuts, meaning it sees no reason to adopt a more hawkish tone with monetary policy, but traders do not seem to share their view.

It is reliably estimated that the tax cuts will add at least US Dollars One Trillion to the already bloated national debt, and although future benefits to the economy are anticipated, the deficit will expand before any benefit is seen.

In an economy already expanding at a solid pace with a fairly tight labour market, traders see the tax cuts are potentially inflationary. But still the Fed seems unconcerned. Perhaps they are relaxed because inflation is for now still relatively benign?

In any event, currency traders are less sanguine and the Dollar has weakened significantly against the other major currency's including the Pound.

Where does Cable go from here?

There remains a great deal of uncertainty about the eventual outcome of the BREXIT negotiations. But from recent comments and remarks from UK and EU politicians, notably France's Macron and Germany's Merkel, all sides seem to want to do a deal that works, That means a so called soft BREXIT. Add that to the better-than-expected UK economic performance and **Sterling could rally still further** against the weakened Dollar.



UPDATE
Technical
Fundamental

SEVEN DAYS AHEAD

Authorised and Regulated by the FSA

124 REGENTS PARK ROAD LONDON NW18XL

TEL +44 (0) 7849 922573 E-MAIL msturdy@sevendaysahead.com,

jlewis@sevendaysahead.com pallwright@sevendaysahead.com

WEB SITE SEVENDAYS Ahead.COM

The material and information set out in this research is not intended to be a quote of an offer to buy or sell any financial products. Any expression of opinion is based on sources believed to be reasonably reliable but is not guaranteed as to accuracy or completeness.

The material and information herein is general and for informational purposes only. Although Seven Days Ahead endeavours to provide useful information they make no guarantee as to the accuracy or reliability of the research.

The derivative market comprises volatility and considerable risks. To the maximum extent permitted by law no responsibility or liability can be accepted by Seven Days Ahead, any company or employee within its group for any action taken as a result of the information contained in this presentation. You are requested not to rely on any representation in this research and to seek specific advice from your accountant, legal adviser or financial services adviser when dealing with specific circumstances.

Seven Days Ahead is regulated by the UK Financial Services Authority.