

19th November 2018



Market Update:

What are the parameters for Cable?

UPDATE
Technical
Fundamental





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MONTHLY CHART

The breakdown through the 1.40 level Created a cap over the market. The failure of the retracement in early 2018 (at the successive horizontal of resistance from the lows) is clear evidence for that.

Note that a break of 1.2240 would lead to a rapid test of 1.08.



DAILY CHART

The failed retracement was accelerated by the small Double Top.

The market has steadied around the 1.29 level.

None of the switches of sentiment in recent weeks has breached that trading range.

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FUNDAMENTALS:

The Pound has been a prisoner of “BREXIT” ever since former PM David Cameron announced the date of the in/out referendum on UK’s membership of the EU. But volatility never really kicked in until the result of the vote was known.

The main reason behind that was most opinion polls in the run-up to the election were indicating the remain camp would win, so any downward pressure on Sterling before the date of the vote was mainly light hedging.

That quickly changed when it became known the UK had voted to quit the EU. As events unfolded with Cameron’s resignation, the appointment of May as PM and her initial hawkish speech on how she intended to deliver BREXIT, the Pound, especially against the Dollar became sensitive to the ups and downs of the protracted exit negotiations.

It was assumed by traders that once a ‘divorce’ deal had been agreed and an outline agreement of the UK’s future relationship with the EU sketched out, Sterling would stage a recovery against the Dollar.

Well!

A deal has been agreed, but hardly anyone across the political spectrum, apart from the Prime minister and a few cabinet minister support it.

So hated is the deal that there is rife speculation in Westminster that PM May faces an imminent vote of no-confidence as leader of the ruling Conservative party that would force a Conservative party leadership election and change of Prime minister. But despite the heated speculation, a day has passed since she appeared in the House of Commons to announce the deal and no leadership challenge has yet occurred.



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FUNDAMENTALS: CONTINUED

The simple truth could be that the malcontents do not have the necessary numbers to force a no-confidence motion. That doesn't mean she is safe in post.

At some point in the near future, the exit deal will have to be brought before the Houses of Parliament for a vote. As it stands at the moment the opposition Labour party say they will vote against the deal. The Northern Irish DUP that keeps May in office are also against the deal, so on the face of it she seems unlikely to get Parliament's backing. That meaning Labour could then call for a vote of no confidence in the Government. If they won that it would mean a General Election.

But, it is by no means clear that all of the Labour MP's would vote against the deal as it would mean the UK leaving the EU in a so-called hard BREXIT with all the negatives for the economy that would imply.

And would Conservative MP's, apart from a small core group of Hard BREXITEERS risk opening the way for Labour to force a General Election?

The answers to these questions are not clear.

Since May's Conservative Party leadership has not been challenged over the weekend, we judge she will survive long enough to bring the deal to Parliament. [But the uncertainty of how that vote must make Cable vulnerable to the downside and cap it on the upside.](#)

Even if she won the vote due to a combination of loyal Conservative MPs being joined by some Labour MPs worried about the loss of jobs in their constituencies, she may still not survive longer term as the DUP could pull their supporting supply and confidence deal that keeps May and her Conservative party in office.

In summary, [the outlook for Sterling/Dollar looks at best very precarious.](#)



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