

“Euro to Raise Interest Rates?”

Will Euro keep climbing to new highs or have we seen the end of this bullish move?



--- This Monday we are seeing a renewed amount of “profit taking” from the Euro; just before a rate rise? This does not make sense at all...---

Euro has climbed to a 3 week high against the USD, towards 1.5835, but just for a few seconds folks... as profit taking took place shortly as the ECB CPI took over and showed us a higher increase in inflation, at 4% instead of the 3.9 that was expected. We can recall a 3.6% last month, causing Trichet to signal a rate rise on Thursdays meeting... well folks, today's increase in CPI might just as well “confirmed” the rise will come in a few sessions from this morning... however Markets are experiencing something strange, as USD bulls have hit the streets! Euro has since dropped a modest rally towards 1.5735 (100-so pips below the highs). This will be a strange week indeed. And watch out for surprises such as a NON-RATE increase from the ECB, causing Euro to plummet and oil/Gold with it.

Oil has become the main focus of attention to markets everywhere, causing inflation panic around our globe. Since this weekend began, commodity speculators have begun transmitting the message that the bubble is about to burst! We do not agree with such expectations, however we do agree some profit taking is due to come soon enough. You see, investments without profit taking are really not investments at all, and there comes a time when profit is bound to occur. Last week we say OPEP's leader suggest that Oil prices might peek at 150-170 x barrel. We sure hope he was joking folks, as this might trigger inflation everywhere and transportation concerns, adding to middle eastern pressures and war on the edge of explosion once again due to petrol controls...

Las week we mentioned that “In currency terms, Oil is driving the USD lower as it reaches new highs nearing 140 Usd/ Barrel. Some countries world wide are experiencing higher problems regarding inflation, some reaching 8-12%. It is commonly known that oil prices must be tackled in order to re-establish price stabilization and continuous growth.” Well friends, today we saw a \$143 price x barrel, and it came down fast... however we did see it and were impressed that it had breached that psychological \$140 barrier.

We believe that Euro has reached its top at 1.60, and that even though it might be reached again soon, it might not hold for long. If these news don't get us there soon, then we can't see a reason why it should break 1.60 again in 2008/2009. Basically what we are trying to say is; if we don't get to 1.60 and

break it on July, it might mean that 1.50 is on the cards soon enough... and we'll go on a limb here and say 1.40 might as well be considered an option "sooner rather than latter".

Have a nice week and please remember to focus and be patient.

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**These are our Daily Predictions. For any question or suggestion don't
doubt and contact me at info@nexumcapital.com**

Important Releases	Day/Session	Europe	US	Asia
EZ CPI	Monday	UP	DOWN	STABLE
German Ret Sales				
US ISM	Tuesday	UP	UP	STABLE
EZ PPI				
PAULSON SPEAKS	Wednesday	UP	STABLE	STABLE
ECB RATE				
EZ RET SALES				
US UNEMPLOYMENT				
US NON FARM				
PAYROLLS	Thursday	UP	NFI	DOWN
CLOSED FOR US 4 TH JULY	Friday	DOWN	STABLE	CLOSED

HIGH: 1.5940
LOW: 1.5620
CLOSE: NFI

EUR/USD

This week we will focus on US Unemployment, as well as Europe's rate announcement. If rates are kept unchanged at Thursdays meeting in Euro-Zone, a selling might occur on Euros behalf and new lows might be reached sooner rather than latter. If in fact Europe's Rates are increased to 4.25%, then new highs might be reached, and even though we do not believe they might be broken, the new range pattern can evolve around this higher levels between 1.58-1.54.

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DAILY GRAPH



EUR/USD seems to have found a resistance near the 1.5850 level... Stochastics are now pointing towards an overbought territory and CCI and MACD are both confirming this bearish pattern. Expect south side if Europe reveals a “no-interest-increase” this Thursday.

Our analysis indicates Short EUR/USD every time it reaches 1.5930

- **Take Profit 1: 1.5840**
- **Take Profit 2: 1.5790**

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