

# “ECB and BOE take the stage” (Will we see concerns of stagflation in Trichet’s speech?)



## ---BOE might cut rates and ECB won't, but what will they do about high inflation and low growth stacked together? ---

EUR/USD has not moved accordingly to the increasing releases pointing to an imminent US recession. Jobs reports worse than expected, Bernanke speaking very dovish and American economists stating their economy is already in a recession has not pushed the pair higher, neither the USD lower. However the pair has listened closely to increasing problems with Euro Zone increasing inflation and decreasing growth. This combination is the perfect storm that could get Euro Zone off their feet and down to the ground. Let's wait and see if Trichet shows some of this anxiety on this week's ECB meeting.

Monday is pretty quiet with a low flow of releases and EUR/USD in a "neutral/comfortable" level, however throughout the morning we got news that Martin Feldstein, head of economic bureau (they are the ones who can officially call a recession), said he believes the US has been falling into a recession since December or January. "I think the professional forecasters have been a little slow to come to the recognition that we're in a recession," he's not trying to hide his thoughts, he's speaking his mind and not afraid of how the market will react. However we see currencies ignored this as if they had already anticipated the US going into a recession. This has happened repeatedly in the past few weeks, it is as if bad news for the US are already anticipated in the price action and good news are always a surprise that can trigger a dollar rally. If this is so, the next days would be either pretty calm or dollar positive; we begin on Tuesday with consumer credit and the FOMC minutes. Then on Wednesday we will have to keep an eye on Trade Balance and Current Account for Germany, weak numbers here will confirm the increasing problems the EU is getting into. Later on Wednesday we get GDP for Euro Zone, slower growth and increasing inflation will harm their economy. Thursday brings BOE and ECB to the stage and although it is easy to anticipate that BOE will cut rates and ECB will maintain them unchanged, the real question is how much will BOE cut and what will Trichet tell us about growing problems in the region.

Technical analysis is falling back into place, as the pair has a few days without a rally to either side we are going to see how indicators begin to sort their way into showing us a trend. *Keep an eye on how they react to movements throughout the week because were not far from a trend definition and it sure would be great if we are able to anticipate it.*

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](mailto:info@nexumcapital.com)

Important Releases	Day/Session	Europe	US	Asia
	Monday	<b>DOWN</b>	<b>DOWN</b>	<b>STABLE</b>
Consumer Credit, FOMC minutes	Tuesday	<b>STABLE</b>	<b>STABLE</b>	<b>STABLE</b>
Trade Balance GER, Current Account GER, EUROZONE GDP	Wednesday	<b>DOWN</b>	<b>STABLE</b>	<b>STABLE</b>
BOE, ECB, Trichet, US Trade Balance	Thursday	<b>DOWN</b>	<b>DOWN</b>	<b>STABLE</b>
	Friday	<b>UP</b>	<b>UP</b>	<b>CLOSED</b>
			<b>HIGH: 1.5770</b>	
			<b>LOW: 1.5570</b>	
			<b>CLOSE: 1.5620</b>	

### **EUR/USD**

EUR/USD seems to be waiting for an indication to see if problems are worse in the US or in Euro Zone. While probable E-Z stagflation is definitely worse, US economist are calling the economy to be already in a recession. We've learned that politicians tend to call the official recession until they are already seeing signs of recovery; this is used to boost the sentiment and help the economy out of the puncture. Trichet will have to speak clearly and help investors regain confidence that the Euro Zone will not fall into stagflation (this is high inflation and low growth placed together). Keep an eye on releases this week, especially to Thursday's appearance by central bankers.

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## DAILY GRAPH



It seems as the US is finding a stronger support. We see how EUR/USD is having trouble breaking above the current resistance and this could be the effect of both, technical and fundamental factors. All these together with psychological level of 1.60 near.

MACD is now turning to over bought territory and marking a SHORT signal  
Stochastics continue to trend lower signaling a possible break further down.  
RSI shows signs of deterioration as well, marking a SHORT signal.

Our analysis indicates Short EUR/USD every time it reaches 1.5720

- *Take Profit 1: 1.5670*
- *Take Profit 2: 1.5570*