

# FX

TRADER MAGAZINE

SNB  
HIGH RISK  
STRATEGY

FOREX  
ARBITRAGE

KELTNER CHANNELS  
MARABUZO LINE  
ICHIMOKU KINKO HYO

BINARY  
OPTIONS

QUARTERLY  
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# euromageddon

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# Euromageddon

“It is the inability for some of the eurozone member states to meet their financial commitments and their continued requirement for bailouts from the ECB, EFSF, and the IMF that will create a crisis worse than that of 2008 and 1929.”

**Euromageddon!** With no economic recovery in sight, this is exactly the type of scenario that may play out in the months ahead if officials cannot contain the spread of this crisis. What started off as an emergency centered on the financing of Greek debt, deteriorated and quickly spread to other EuroZone member countries in the form of contagion over the coming months due to concerns over rising government deficits and debt levels. The initial 110 billion euro Greek bailout was followed by an additional 85 billion euros for Ireland and 78 billion euros for Portugal, money coming from the European Financial Stability Fund and the International Monetary Fund.

Now, the most recent developments within Italy and their fight for survival may eventually be the reason the euro gets the boot, pun intended. Greece will most likely end up going through a restructuring period during which the euro will lose value, as risk aversion fuels a flight for U.S. dollar liquidity. The lower euro, however, may save Italy from a similar Greek tragedy. Whatever the final outcome, the euro will - if it survives - not look the same.

### ECB POLICY CHANGES

During the most recent ECB policy meeting and press conference, ECB President Trichet made clear their own concern toward the downside risk to growth within the EuroZone. More importantly, his outlook on inflation

also changed. Mr. Trichet believes the inflation rate should fall below 2% next year. He also downgraded 2011 GDP estimates to 1.4%-1.8% growth rate from the previous 1.5%-2.3% forecast. The market is now expecting the ECB to hold interest rates steady into the fourth quarter. As conditions

will most likely force the ECB to lower interest rates before they increase, the euro will continue to feel pressure.

With Trichet leaving the post at the end of October, Mario Draghi, an Italian, will have to wear the shoes made of cinderblocks. This may be

If Mario Draghi isn't able to bring confidence back into the marketplace, the Euro's fall may accelerate.

