

## THE ECB POLICY OF ZERO DEPOSIT RATE MEANS THEY WANT A "LOWER EUR"----A LOWER EUR POLICY

The primary reason for moving the deposit rate to zero may well be to get the 800 bio on deposit moving in the system again but it is also a great signal. They know a zero rate rather than at rate at say 10 bps will create noise about funds depositing with a slight negative rate at banks because of operational costs. My view is they would not have done this without the specific aim to get euro lower.

Positioning is not an issue to a lower eurUSD as there is such a weight of longer term real money, central banks and retail investors exiting the euro that will overwhelm the short term market.

### ON THE OTHER HAND THE USDOLLAR WILL GO TO THE SKY

Remember I mentioned to all of you at end of MAY, that the DXY (USD Index) closed above 100 month moving average technically meaning the Index will go at least 20-25% within the next few years.

It is now starting to fulfil.

Furthermore, I tell you again and again there will be no QE3 this year before the election.

The macro arguments in the US still are the same and look very compelling -

1/ US Shale gas effect is huge on their c/a and may eventually give the US a flat c/a !

2/ The US housing market looks like it may be bottoming.

3/ The US stock market looks ok with a low historical p/e and all that cash on balance sheets

4/ The chance of another Homeland Investment Act into the US after the election.

No party has the incentive to agree a tax rate this money should come back at before the election, but afterwards huge incentive for whichever party wins to allow this cash to get back and help growth.

5/ US at this stage does not need to ease further but many expect QE3 and I believe they will be disappointed.

6/ This European crisis great for the US , lower funding rates and lower oil price outweigh negative trade impact !

Hold shorts and add under years lows of 1.2288.

Target at this stage is 1.15 , stop is above 1.2525. ( above the level when the policy was changed

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