



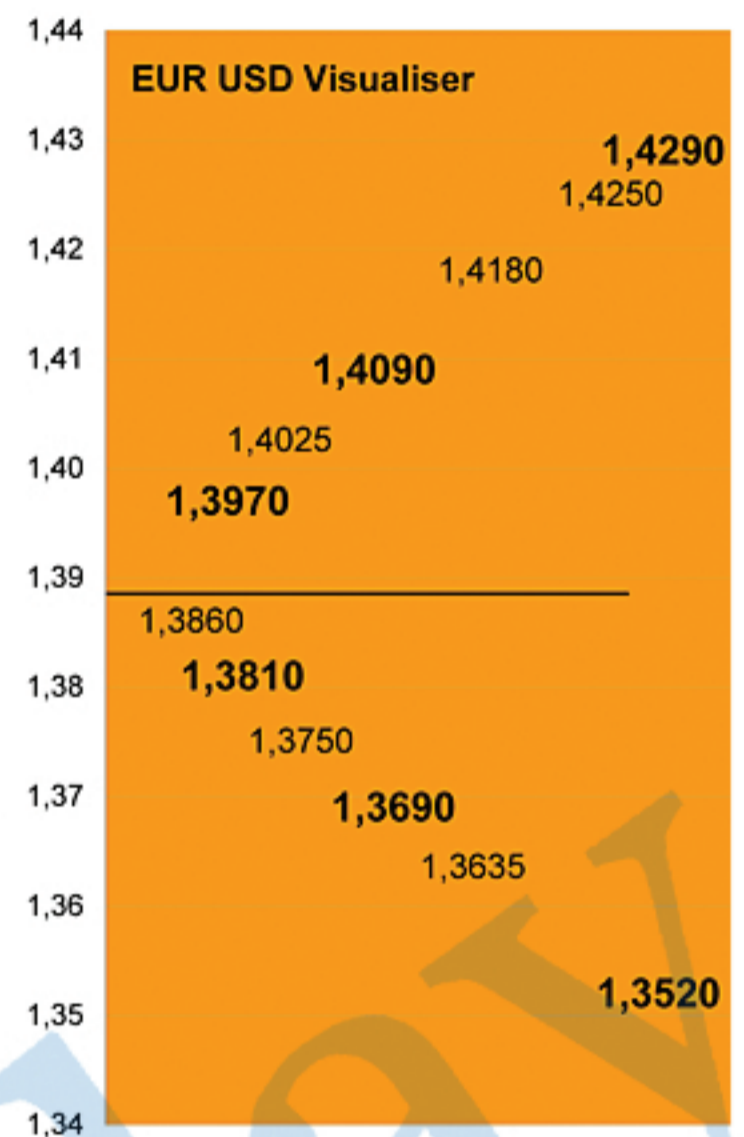
Daily Forex Outlook

Hoping for the Greek miracle

4th February 2010

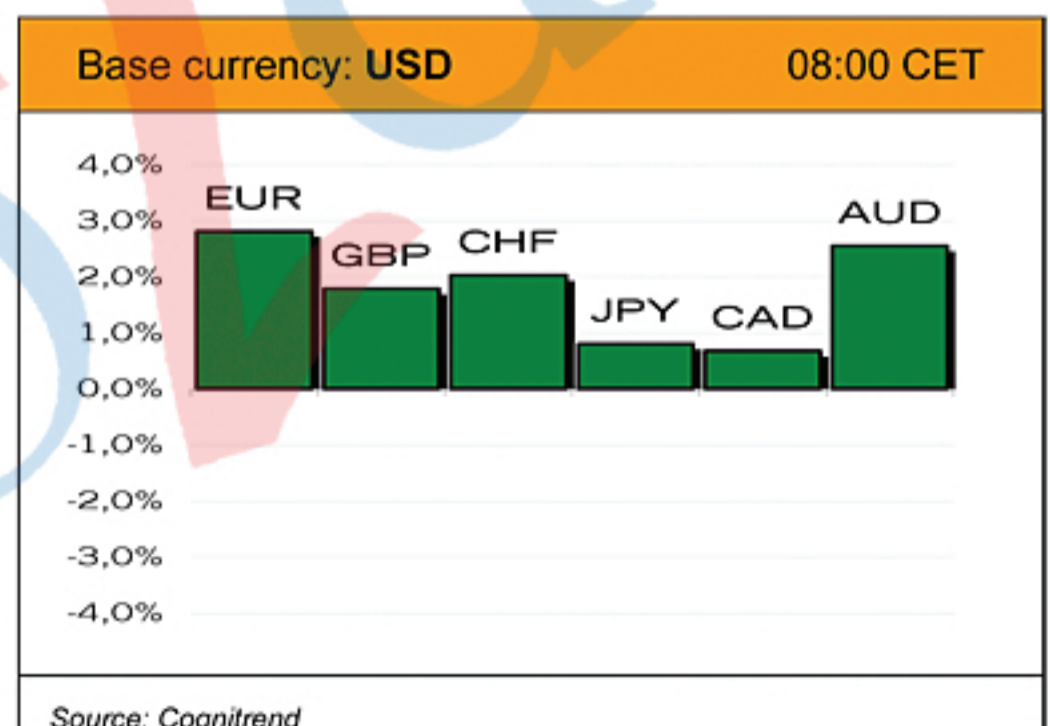
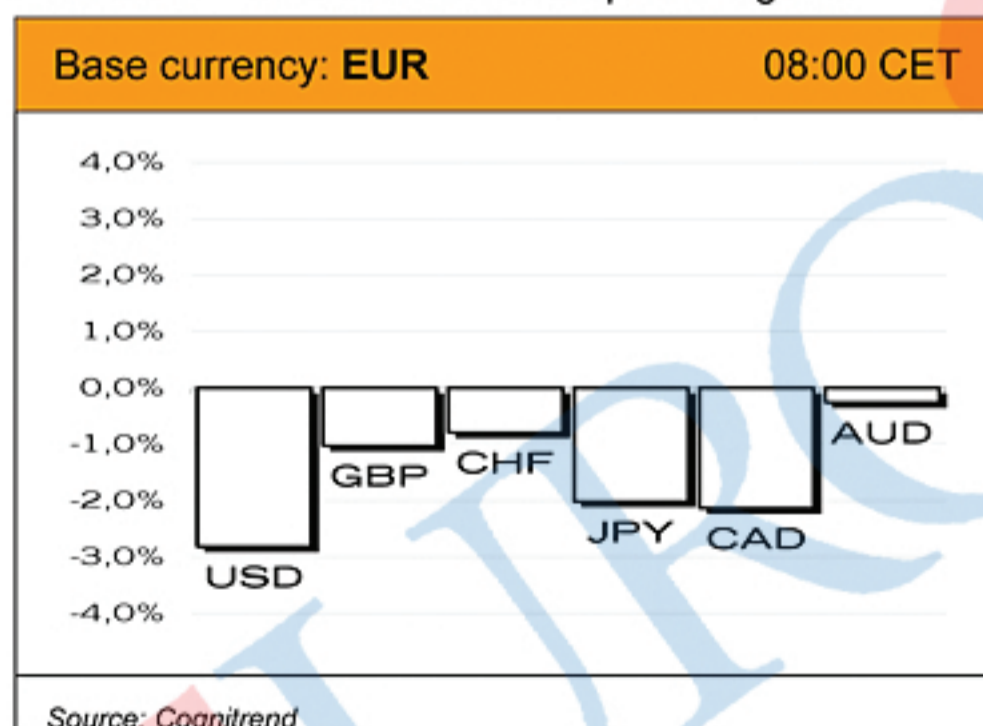
EUR USD (1.3885) The European Commission accepted Greece's pledge to lower its budget deficit under 3 percent by 2012, but warned that the country may need to take additional spending cut or tax increase measures. Some commentators wonder how the EC could have been so gullible, given that the deficit already approaches 13 percent, but we see it as further proof that a bailout is in the offing. Granted, Greece's civil service is legion, so imposing austerity measures is, theoretically, easy enough. But what if the police force joins all the other protestors on the streets? Furthermore, the shipping industry still lies largely outside of Greece's tax base and bringing it fully under the net would arguably reduce the budget deficit drastically, but for the byzantine agreements that have kept it from paying taxes thus far. Nevertheless, the Commission promises to keep pressure on the government and expects to receive the details of this year's budget in March. Just how shall the Commission pressure a bankrupt country, by threatening it with fines for non-compliance? Alternatively, Greece could go hat in hand to the IMF for a bailout; seeing as it has to knuckle under anyway, the only question remaining is which master it chooses to serve.

The euro enjoyed a brief rally on the news that the EU rubber-stamped Greece's dream of a miracle, and our euro-bearish strategy was knocked out at the risk-limit in the process. Nevertheless, the euro remains weak (next support lies at **1.3810**).



Market Bias Index™

Traders perceive the US dollar as increasingly overvalued. In contrast, the EUR/USD – followed closely by the AUD/USD – is seen as the cheapest bargain.



The Cognitrend Market Bias Index seeks to measure the extent of the perceived over-/under-valuation of the given base currency against other major currencies. This is important for estimating the behaviour of the losers as this is also the inverse of the price change that must be recorded for their breakeven to be reached. The greater the loss, the greater will be the bias. To exploit it, one should favour a base currency position when the bias is positive and vice versa.