



SUMMARY

POSITIONS

+ CABLE



Key Trade Round Up 5th July 2011

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30th June

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Short Sterling/Long Dollar@

1.6004. Stop@ 1.6151

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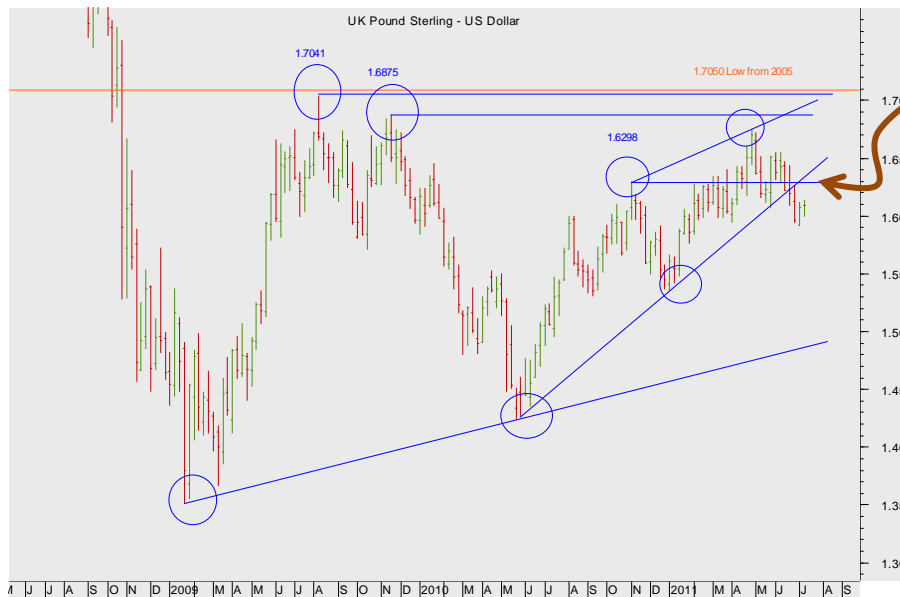
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(1) TECHNICAL: 30th June CABLE

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WEEKLY Chart –

The simultaneous break down of the support from the Horizontal 1.6298 and diagonal support was important. ...

Cementing, surely, the third failure from the 1.65-1.70 level.



Daily Chart

The push beneath 1.6062 looked like another short-term breakdown, but the market has paused.

We remain bears, **but anxious** about our Stop at 1.6151.

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(2) FUNDAMENTAL: 30th June CABLE Short Sterling/Long Dollar @ 1.6004. Stop@1.6151

Sterling has drawn support from the Euro's recovery against the Dollar, driven by Greek acceptance of the austerity package prescribed by the EU/EZ/IMF.

But can Sterling continue to ride higher on the Euros coat tails?

The UK economy is slowing and the Bank of England may soon turn its attention fully away from inflation towards growth, or the lack of it and restart QE.

More importantly, the Euro zone debt crisis isn't over. The austerity measures are designed to halt the expansion of debt, but doesn't deal with the debt mountain that already exists. The Greek economy will shrink as a result of the austerity measures making it even harder for Greece to pay her debts; conclusion more rescues are likely.

In summary, the Euro rally looks limited and **Sterling looks damaged by economic weakness at home**. Today's PMI Services survey was marginally better than consensus, but remains weak and the Pound is currently supported by relief the data wasn't any worse.

We remain Bearish of Sterling against the Dollar and advise holding the trade.

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