

Traders' views - Forex

Risks for the eurozone

By Alexander Londoño, 15 Aug 2014

The recent fundamental data out of the eurozone do not paint a nice picture for its currency, the euro. gross domestic product has contracted in the eurozone and Germany.

Let us keep in mind that Germany is the zone's largest economy and the main contributor to growth; therefore, when Germany slows down, the whole eurozone slows down too. The eurozone's GDP came out at 0% when the markets were expecting a contraction to 0.1%.



At zero growth, it is very difficult to see the euro gaining any ground, especially when the US dollar keeps strengthening on the back of solid fundamental data from the United States. Earlier in August the greenback pulled back a little bit, but it could be just a resting point for the currency to keep heading higher.

Besides the short term fundamental data that is currently affecting the single currency, we still have not seen the full blown effects from the current sanctions imposed on Russia and now Russia on the EU.

One of the main trading partners of Germany and the Eurozone in general is Russia.

At the moment, the tensions surrounding the Ukraine have receded and a humanitarian convoy is expected provide aid to those affected by the conflict.

But if the situation goes back to the way it was and stalls into an impasse, trading can be disrupted for a longer period of time and in the long run the euro may stay in a downtrend.

Let us see how the trading week ends and stay vigilant on any unexpected changes in the geopolitical tensions between the West and Russia.

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