The Euro Rescue Plan: Is It Too Late?

The European Union and the International Monetary Fund have prepared a rescue plan in order to bail out the European nations facing a crisis and stabilize the euro. InvestTechFx studies the rescue plan in detail and explains the importance of thoroughly understanding its details and there implications on the European Union and the World Forex Market. www.investtechfx.com

Toronto, ON (PRWEB) July 1, 2010 -- Investtechfx the leading 1 PIP Forex Co offering MetaTrader4 notes that recently the major highlight in the global financial market has been the massive European Union and International Monetary Fund rescue plan. InvestTechFx explains the importance of thoroughly understanding its details and there implications on the forex market. The price action in the foreign exchange market suggests that although investors are comforted by the euro rescue plan announcement, they are not entirely convinced that it will completely change the present situation. The goal of the rescue plan was quiet down the financial market. If we glance, at the VIX which dropped drastically and equities which increased considerably, one could say that they achieved their goal. However, when we look at the fluctuation in currencies, one may become doubtful.

InvestTechFX notifies that the rescue plan values roughly $1 trillion USD. In terms of euro, a plan of EUR750 billion has been sanctioned by the EU/IMF; this comprises of around EUR440 billion in loan guarantees, EUR60 billion in emergency funds from the EU and EUR250 Billion from IMF. Furthermore, the ECB has initiated to purchase government bonds, however not presented any particulars. While 27 EU member nations are embroiled in the rescue, the majority of the funds will be accumulated from the 16 members of the Economic Monetary Union.

Investtechfx the leading 1 PIP Forex Co offering MetaTrader4 summaries a few major announcements that have been made pertaining to the rescue plan:
I. The EU will make the EUR60 billion in emergency funding accessible instantly, yet the loan guarantee package will take a while before it is available.
II. The creation of a New EU Special Purpose Vehicle (SPV) to distribute the new loans.
III. The Federal Reserve will reduce demand for dollars by reopening the valve in respect of other central banks; New Swap Lines with Fed, BoE, SNB and BoC to ease liquidity.
IV. The Governing Council of the ECB has decided to:
i. Securities Markets Programme: To carry out interventions in the public and private debt securities markets in the euro zone, to ascertain depth and liquidity in those market sectors which are dysfunctional.
ii. To implement a 3 month longer-term refinancing operations (LTROs) procedure, carried out as a fixed-rate offer with full allocation.
iii. To implement a 6-month LTRO with full allocation to be allocated.
iv. In coordination with other central banks: to reactivate the transitory liquidity swap lines with the Federal Reserve and recommence US dollar liquidity-offering operations. These operations will be in the shape of repurchase operations against ECB-approved guarantees and will be carried out as fixed rate tenders with full allocation.

InvestTechFx, worldwide Forex Broker using the MetaTrader4 platform speculates upon certain ambiguities in the rescue plan. Firstly, the rescue plan does not precisely state the procedure involved as to how the Special Purpose Vehicle will provide the loan guarantees to member nations. Neither are the terms and rules of the contribution and aid enumerated. Furthermore, will all the EMU nations be able to contribute to the plan and will the nations requiring aid be able to handle the tough circumstances that may come along with the loans? The IMF is apparently short by $268 billion, from where are they going to acquire these funds? How long will it take before the SPV is approved by individual nations? Lastly, what is the scope and size of the ECB Bond purchases? Therefore InvestTechFx contends that even though the rescue plan may assist in limiting the effects on the euro, however its profits are limited until the above mentioned ambiguities are cleared.

Furthermore, InvestTechFx asserts that the question is not whether the €750 billion European rescue plan is big enough to steady local government bond markets, it's really a question of what implications the it will create in the future. The euro is once again on the back foot this morning and has dropped by over four cents from its rise after the rescue plan was pronounced. Investors now fear the consequences of the stability measures will leave European Monetary Union in neutral gear while immobilizing fiscal policy for an unlimited period. According to investTechFx such a policy blend draws attention towards possibly a further growth gap between the U.S. and the Euro zone and if worst comes to worst, may also dramatically slow the global economy. www.investtechfx.com.

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