Press Releases

Bumpy Roads Ahead for Investors as Uncertainty Remains High in 3Q 2011 According to FOREX.com Markets Outlook

High Unemployment and Deleveraging are Major Contributors to Sluggish Recovery

NEW YORK and LONDON, July 13, 2011 /PRNewswire/ -- Investor uncertainty remains high going into the 3Q as key emerging markets, which had been the primary source of global growth in the first half of the year, are feeling the effects of higher interest rates and other policy measures, according to an outlook presented by FOREX.com, the retail division of GAIN Capital (NYSE: GCAP), a global provider of online trading services.

In its 3Q 2011 Markets Outlook report, the FOREX.com research team believes emerging economy growth, especially out of Asia, may be unable to pick up the slack seen from major developed economies.

"Unfortunately, high unemployment in the major developed economies remains the primary obstacle towards recovery," said Brian Dolan, chief currency strategist, FOREX.com. "We think job creation numbers will be the critical data points in the months ahead which will drive our outlook on global demand."

In addition, major economies are likely to see a continuation of deleveraging (saving more and spending less) at both the government and household levels, which could generate further headwinds to consumption growth.

The FOREX.com research team also sees major risks from Eurozone debt markets as credit contagion appears to be spreading into core economies like Italy and Spain. In the U.S., the major risk is a failure of negotiations to increase the debt limit and a temporary default or government shutdown.

Between weaker than expected growth in major economies and on-going debt crises in the U.S. and Europe, FOREX.com expects risk sentiment to remain fragile, exposing stocks and commodities to broad-based weakness.

Other expectations from the FOREX.com 3Q 2011 Markets Outlook include:

- The U.S. dollar is most likely to stay on the soft-side against other major currencies, but there are also expectations of periodic bouts of dollar strength on safe haven buying.
- The euro is not out of the woods yet as Europe continues to live dangerously in the second phase of the sovereign debt crisis.
- The U.K. economy may continue to disappoint in the 3Q with signs pointing to further weakness as elevated commodity prices hit consumer confidence.
- Japan continues its long and winding road to recovery after the devastating earthquake took its toll on 1Q GDP, but recent rebounds in industrial production suggest a corner has been turned.
- Reconstruction efforts in Australia and New Zealand may support an earlier than expected recovery for the Oceanic nations, but a hard landing in China would short-circuit the expected rebound in Australia and New Zealand.
- The recent outperformance of gold relative to silver suggests a potentially significant turning point for risk appetite as the prospects for global growth are not quite as rosy as earlier thought. This suggests the potential for more significant downside in global equities and other risk assets.
- In the oil markets, lingering effects from recent output increases alongside a still firm underlying structure may be the catalysts for a modest return of crude oil strength in the 3Q.

The FOREX.com research team highlights potential price ranges for key pairs, such as EUR/USD, GBP/USD, USD/JPY, USD/CHF, and AUD/USD. Key cross-currency pairs like EUR/JPY and EUR/GBP are also covered.

The FOREX.com Markets Outlook provides commentary and market forecasts with its view of the direction of the world's major currencies and other key financial markets. The report is prepared by Mr. Dolan, Research Director Kathleen Brooks and Senior Technical Strategists Daniel Hwang, Chris Tevere, CMT and Eric Viloria, CMT.

The full FOREX.com 3Q 2011 Markets Outlook Report is now available atwww.forex.com under "Research & Ideas."

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institutional investors.

A pioneer in online forex trading, GAIN Capital operates FOREX.com®, one of the largest and best-known brands in the retail forex industry. GAIN's other businesses include GAIN GTX, a fully independent FX ECN for hedge funds and institutions, and GAIN Securities, Inc. (member FINRA/SIPC) a licensed U.S. broker-dealer.

GAIN Capital and its affiliates have offices in New York City; Bedminster, New Jersey; London; Sydney; Hong Kong; Tokyo; Singapore; and Seoul.

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