



Black Swan Capital

Currency Currents

Monday 15 June 2009

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Key News

- [The 16-country euro zone lost a record 1.22 million jobs in the first quarter of 2009](#), data showed on Monday, highlighting the depth of recession and boding ill for any quick turnaround. (Reuters)
- [Russian Finance Minister Alexei Kudrin said the dollar is in "good shape,"](#) further affirming that there's no substitute for the world's reserve currency. (Bloomberg)
- [Finland's annual inflation rate fell to zero in May](#), the lowest level in 5 years, the government statistics agency said Monday. (AP)

Key Reports Due Today (WSJ):

- **8:30 a.m. June Empire State Fed Manufacturing Survey:** Expected: -3. Previous: -4.55.
- **9:00 a.m. Apr Tsy International Capital:** Previous: +\$36.9B.
- **1:00 p.m. Apr NAHB Housing Index:** Previous: 16.

Quotable

Allen[Woody]: That's quite a lovely Jackson Pollock, isn't it?

Woman: Yes, it is.

Allen: What does it say to you?

Woman: It restates the negativeness of the universe. The hideous lonely emptiness of existence. Nothingness. The predicament of man forced to live in a barren, godless eternity like a tiny flame flickering in an immense void with nothing but waste, horror, and degradation, forming a useless, bleak straitjacket in a black, absurd cosmos.

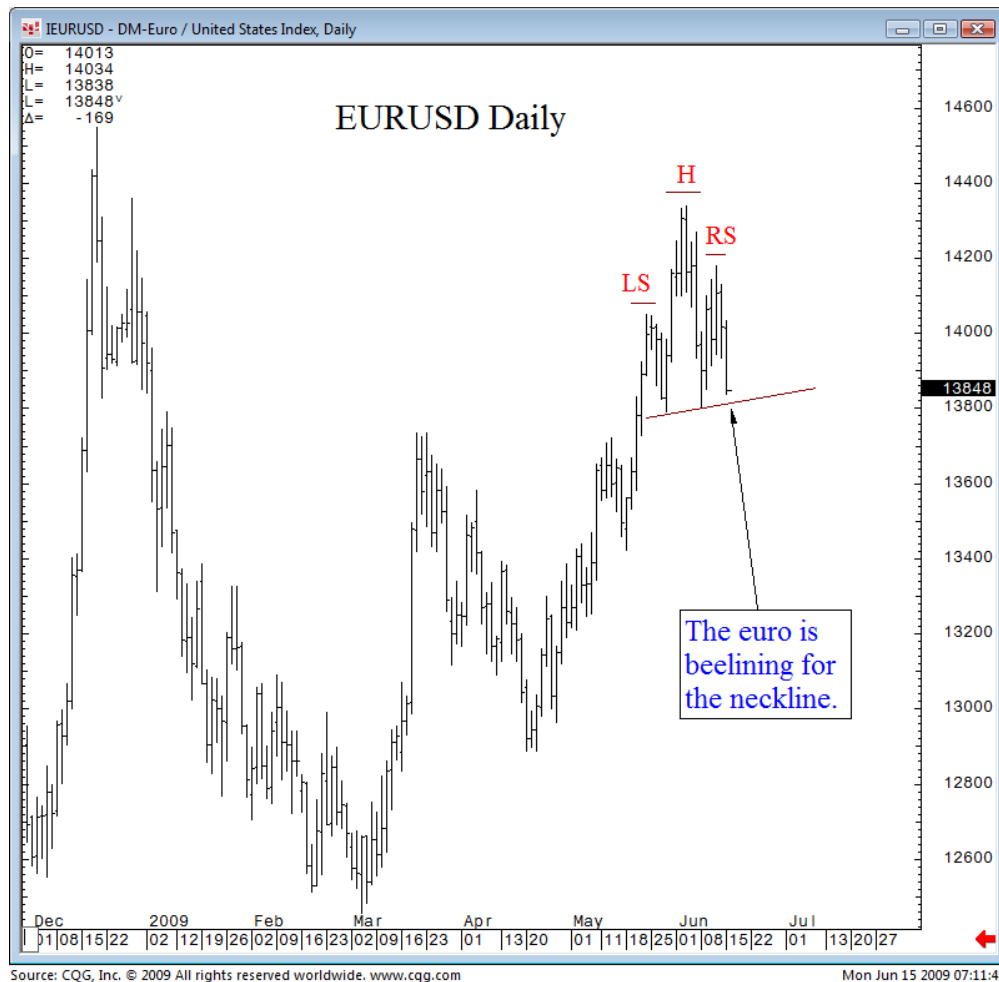
Allen: What are you doing Saturday night?

Woman: Committing suicide.

Allen: What about Friday night?

FX Trading – Euro Uht Oh!

Soaring unemployment in Europe, with still huge banking exposure, rising political tensions, fiscal concerns among the PIGS, a little country called Latvia that may be the canary in the coal mine for its Eastern European neighbors so similarly afflicted and a Russian finance minister reaffirming his commitment to the US dollar and what do you get? Maybe a top in the euro!



In the chart above, John Ross noticed a potential head and shoulders pattern shaping up in the euro – USD pair. He said to me this morning, “It looks like the euro is making a beeline for the neckline.” And he may be right.

Jack Crooks
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This morning we are including a special contribution from Yves Lamoureux, investment analyst for Blackmont Capital, head office in Toronto Canada. Yves is comparing bond price action today to 1987, the year we had a very nasty accident in the stock market:

[Note: Yves sent this analysis to us last Thursday, June 12th]

Bonds and 1987...what do they have in common?

I always suggest, to be a good student of financial history it certainly helps in not making the same mistake over. It also prepares you for the next outcome you may face. Fresh from recent trips in New York and Paris and the slowdown effects are taking roots. I will suggest that each episodes of green shoots going forward will fizzle as quickly as it

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began. This will undermine our bull-casino-style markets Investors better be prepared with a good dose of Gravol (motion sickness pill) in the eventual roller coaster ride.

The following graphs are not the same but clearly similar. They both depict the way bonds have dropped both in 1987 and 2009.



The path is down initially with an intermediate pause followed by a renewed downtrend. We did mention late in April about this possibility. It is a very dangerous

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development. One that removes the effect of QE [quantitative easing]. Our measures still show contracting monetary aggregates or big slowdown. The case for holding USD for us is clear. At the margin deflation looks set to go a second time around.

The last graph will show the reaction to rates going up. In 1987 stocks never cared for a while until it was too late. The market broke hard and fast.



The question still remains: are stocks about to react to rates? Before you answer don't forget to take your pill.

Yves Lamoureux, Investment Advisor Blackmont Capital Inc.

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