



Black Swan Capital  
**Currency Currents**

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Wednesday 10 June 2009

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### Key News

- [China's consumer prices fell for a fourth month](#). (Bloomberg)
- Commodities surged as China's government said property sales and investment are accelerating, adding to signs that the world's third-largest economy is recovering. Consumer confidence in Australia jumped this month by the most in 22 years after the economy unexpectedly avoided a recession, while the American Petroleum Institute said oil supplies fell last week to their lowest level since March.

### Key Reports Due (WSJ):

- 7:00 a.m. June 5 Mortgage Refinance Applications:** Previous: -24.1.
- 8:30 a.m. Apr Trade Balance:** Expected: -\$29.0B. Previous: -\$27.58B.
- 10:30 a.m. June 5 U.S. Energy Dept Oil Inventories**
- 2:00 p.m. May Federal Budget Balance:** Expected: -\$180.5B. Previous: -\$20.9B.
- 2:00 p.m. Federal Reserve Beige Book**

### Black Swan Live Webinar Event Sponsored by Tom Busby's DTI

When: Wednesday 10 June '09, 11:00 a.m. CDT/12:00 a.m. EST

Topic: **Strategies for trading currency options**

To register: [http://www.dtitrader.com/trading\\_education\\_Blackswan\\_June10\\_09.htm](http://www.dtitrader.com/trading_education_Blackswan_June10_09.htm)

### Quotable

"A revolution is not a dinner party, or writing an essay, or painting a picture, or doing embroidery."

Mao Tse-Tung

### FX Trading – Is the dollar flowing down a river of hope?

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Yesterday, the dollar got pasted. Was it because:

- a) Geithner speaking
- b) Risk appetite trade
- c) Jeopardy of dollar reserve status going away
- d) Concern about the radicalization of the US economy by President Obama
- e) Another big bond auction

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- f) Emerging market central banks flush with \$ reserves reallocating to euro
- g) A realization Diet Coke drinking destroys the economic thought processes
- h) All of the above
- i) None of the above

We were very much warming to the idea that most of the bad news seemed to be in the dollar—much of the key points posted above i.e. if we know it and you know it then it should already be in the price.

But maybe the process of just turning on the TV for some calming run of the mill death and mayhem on the news is the problem. For it seems the Administration in some form or another is always on the Telly talking about their new and unique ways to steal more money from the private sector so they can create a heaven on earth—a workers' paradise if you will. Funny no one ever thought of that idea before. Oh wait, if memory serves, there were a few fellows that did...hmmm...didn't end well for anyone, except of course for those implementing those slices of heaven, if I recall correctly.

It really has surprised us just how bad the Obama economic team has turned out to be; thus the reference to the "Diet Coke swilling" (coined that by Caroline Baum many years ago) economic czar Mr. Larry Summers—a man who knows he is smarter than anyone else, just ask him.

There are a couple of basic things that even Keynesians who love nothing more than government spending can understand—when you spend, you borrow. When you borrow you take from the private sector. When you take from the private sector you only take just enough so you don't destroy the ability of the private sector to create new wealth, so that you can therefore continue to take from the private sector...in short, don't kill the goose that laid the golden egg; a short story that obviously Larry's parents forgot to share with him when he was a wee precocious child (just guessing there).

Yesterday a friend forwarded a piece of research from a friend of his. My friend said, "This is a good one and important—unfortunately, the gentlemen's right." I would add, and it's very scary. It was the pull the covers over your head and stay in bed for the rest of your short life expectancy type of research. It was written by a man who understands all too well what happens when you kill the golden goose (besides ending up with a Black Swan). And this was the quick version of the scary piece:

"Due to federal government spending, **for the first time since 1931 the US economy is reporting negative net national (personal + corporate + government) savings.** In 2008, the negative savings were -\$124.6 billion or 0.94% of GDP. In Q1 2009, the negative savings were -\$183 billion or 1.3% of GDP."

This is ominous for a whole host of reasons, but three key reasons come to mind:

- 1) US savings rates have soared and still can't cover the spending by the drunken sailors at the helm
- 2) Loss of the ability to generate wealth is not just a game of numbers, but is sparked by numerous disincentives to produce wealth in the first place and can self-feed. Does anyone remember *Atlas Shrugged*? In Rand's brilliant novel producers when on strike because they got tired of the parasites stealing their wealth for the "masses."
- 3) Proves that this team in power has little respect for the market and its ability to heal itself by cleansing away the excess baggage. Every connected political crony needs to be saved, according to this crowd.

So, as they say: "How's that hopey-changeey thing working out for you?" If you are a Federal government employee or one of the masses being "saved" by your government through the confiscation of others wealth, or you know nothing about how the market works, then you are likely loving hopey-changeey. But those who have worked 7-days a week for many years to build businesses all over American are hoping we can get some changeey very soon!

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