



Black Swan Capital
Currency Currents

Thursday 9 July 2009

www.blackswantrading.com

Key News

- [The Dollar: It's an Overhang, not a Hangover](#) One person's perspective at the *Council on Foreign Relations* blog.
- [Bank of England Keeps Purchase Plan at \\$202 Billion, Leaves Rate Unchanged](#) (Bloomberg)

Key Reports Due (WSJ):

8:30 a.m. Initial Jobless Claims For July 4 Week: Expected: -4K. Previous: -16K.

10:00 a.m. May Wholesale Trade: Expected: -1%. Previous: -1.4%.

10:00 a.m. DJ-BTMU Business Barometer For June 26: Previous: +0.1%.

N/A June Chain-Store Sales

Quotable

"Money is the barometer of a society's virtue."

Ayn Rand

FX Trading – Random Thoughts: Stimulus, Confidence, T-Notes, Dollar (yen)

It's Thursday, the currencies are retracing again so we figured what better time than now to throw together some random thoughts on the markets, news and whatever else. Enjoy!

Stimulus in the Headlines

Bloomberg.com is guiltiest here, as they seem to have a strict model used in formulating their headlines and stories. Anyway, it's starting to get annoying when everything "positive" coming out of China is credited to the government's "stimulus". Sure, some items have been directly or indirectly influenced by the stimulus, but to the extreme degree with which it is painted by reporters?

Car sales, corporate earnings, share prices, commodity demand, manufacturing gains ... all "undoubtedly" boosted by stimulus. But what about loan growth? The number of loans issued in June jumped fivefold from the year before. This 2009 lending surge is certainly a big reason for much economic activity. Tie it back to stimulus if you'd like, but be sure to tie the subsequent asset bubble back to stimulus too. In fairness,

Black Swan Capital's Currency Currents is strictly an informational publication and does not provide individual, customized investment advice. The money you allocate to futures or forex should be strictly the money you can afford to risk. Detailed disclaimer can be found at <http://www.blackswantrading.com/disclaimer.html>

Bloomberg did cover this too, but it is there emphasis on the consensus that irks us a times. But maybe this is part and parcel to why the consensus view consistently gathers such momentum.

Australia: What's in the water Down Under?

Whatever the Australians are drinking is either really refreshing ... or it's making them crazy. I say this because yesterday was a release of consumer sentiment. After a nearly unprecedented jump in sentiment last month, the most recent estimate climbed another 9.3%. The last two months represent the largest two-month increase since this survey began back in 1975; this 23.2% two-month rise far outpaced the next biggest 18.8% two-month rise back in 1992.

With many economic gauges still flashing mixed signals. It's believed that an improvement in national accounts is helping the cause. Additionally, two pieces of stimulus have been passed through Australia and now, in the wake of the second stimulus, it seems the handouts are having the desired effect. I'm just surprised I didn't see a headline crediting the surge in confidence to China's stimulus!

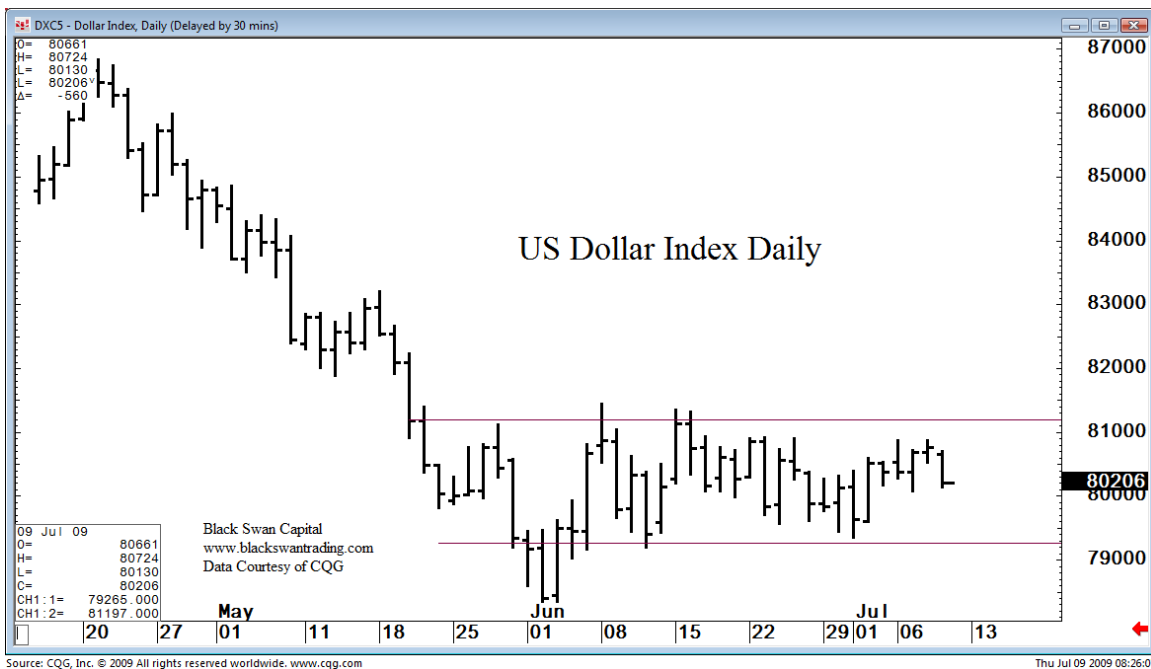
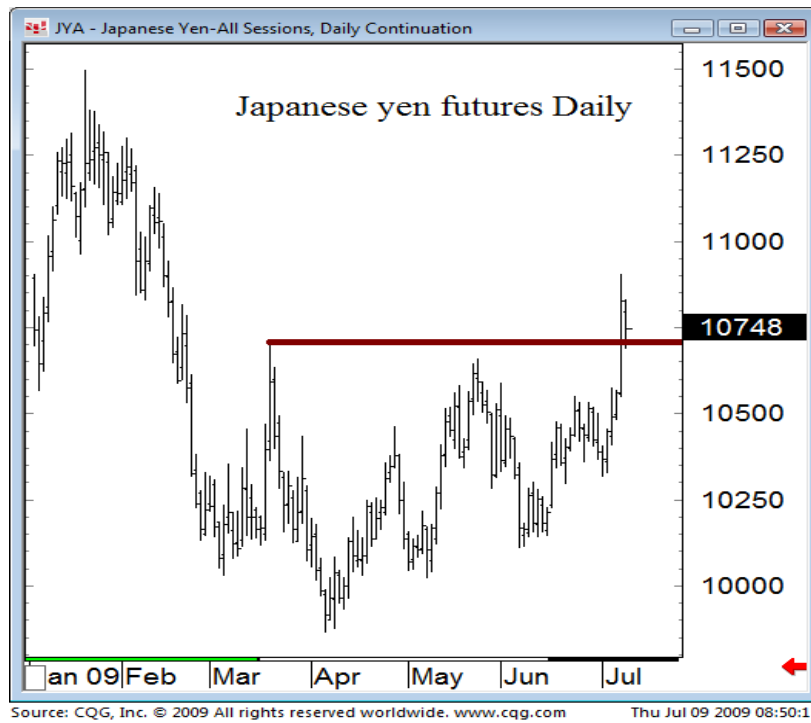
A 10-Year Auction for the Ages

Late in the trading day yesterday a 10-year Treasury Note auction went off extremely well. It was noted as one of the most successful auctions in several years. The bid-to-cover, if you're interested was above three. In other words, there was more than three times as much demand than the amount eventually sold to bidders.

What's it mean? Well, the kneejerk reaction was positive for the stock market. But stocks faded as the results set in. What this auction, plus the fact that 10-year yields are sharply off their June highs, means for the markets could be a precursor to renewed risk aversion. The June unemployment numbers aren't sitting well. Perhaps that's given many reason enough to reexamine several other factors and conclude that recovery may be much further away than the recent spurt of optimism led us to believe.

US Dollar: A whole lot of nothing going on.

The range-bound, choppiness, backing-and-filling, sideways stuff continues. Some of the currencies, as paired against the dollar, have broken somewhat key technical levels. But so far it's been fairly near-term stuff. And a look at the US dollar index still reveals the big snooze-fest (of course the Japanese yen is the exception; maybe some Asian money hiding there on China risk?):



The longer the sideways price action the more powerful the breakout move is usually the rule from a technical perspective...stay tuned.

Regards,

John Ross Crooks, III
 Black Swan Capital LLC
www.blackswantrading.com

Black Swan Capital's Currency Currents is strictly an informational publication and does not provide individual, customized investment advice. The money you allocate to futures or forex should be strictly the money you can afford to risk. Detailed disclaimer can be found at <http://www.blackswantrading.com/disclaimer.html>