



Black Swan Capital
Currency Currents

Wednesday 22 July 2009

www.blackswantrading.com

Key News

- [Bernanke Is Ranked World's Best at Handling Financial Crisis, Survey Shows](#) (Bloomberg)
- [Pubs closing at rate of 52 a week as hard-up drinkers shun their local](#) (Times)
- [Iceland applies for EU membership, the outcome is uncertain](#) (Vox)
- [Swiss Franc Strength May Be Returning to Central Bank's 'Radar,' RBC Says](#) (Bloomberg)

Quotable

“He speaketh not; and yet there lies
A conversation in his eyes.”

Henry Wadsworth Longfellow

“The most important things to say are those which often I did not think necessary for me to say -- because they were too obvious.”

Andre Gide

FX Trading – A Technical Stopping Point for Risk-Takers

There's one important chart I wanted to show you today. I'll get to that in a minute.

News wise, though, there's nothing too exciting to talk about this morning; prices are little changed from where they finished yesterday ... and the day before that.

There is little on the data front – Canada reports retail sales numbers this morning. They're expected to come in positive. It would seem that in-line or better-than-expected numbers would be USDCAD negative ... driving the Canadian dollar higher versus the buck. But how much of an impact could this have if risk isn't cooperating?

Risk appetite seems to be taking a breather so far today. Stocks have run up rather sharply in the last week and a half, and the S&P 500 is testing key overhead resistance – the high mark from early June around 957.



Obviously, this level is critical. A break higher breeds more confidence that the investment environment is improving perhaps because the economic environment is stabilizing; market players are willing to take on risk.

Fading from this resistance level, not unlikely, could mean the S&P is capped at this level barring some major improvement in market sentiment; or it could mean there's just a bit of profit-taking as stocks build up fuel for a push above these levels.

Today will likely be the same story of corporate earnings driving markets. It may take some big positive surprises, though, to get the S&P through resistance today, as this spot marks an obvious near-term stopping point. I would expect to see a bit of downside before any legitimate test at breaking through resistance.

But with the ease at which optimism permeates the stock market these days, it may not take much to get the risk-hungry to the table. The US dollar remains vulnerable.

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