



Key News

- [Japan's unemployment rate](#) hit a six-year high in June. (AP)
- [Euro zone unemployment](#) rose to a 10-year high of 9.4 percent in June. (Reuters)
- European consumer prices fell by the most in at least 13 years in July. (Bloomberg)
- [China may cut growth in new loans by half in the last six months of this year](#) to deflate a bubble in the world's second-best performing stock market, according to former Morgan Stanley chief Asian economist Andy Xie. (Bloomberg)

Quotable

"Success is relative

It is what we can make of the mess we have made of things."

T.S. Eliot

FX Trading – Oil Demagoguery Delayed

It's a sad week for the usual demagogues in the US congress (sorry for the redundancy), as global oil companies are reporting lousy earnings. I'm sure oil execs were on the docket for demonizing—all sorts of anti-capitalist screeds planned—as our stalwart leaders mugged for the camera and showed compassion and outrage for the "little guy."

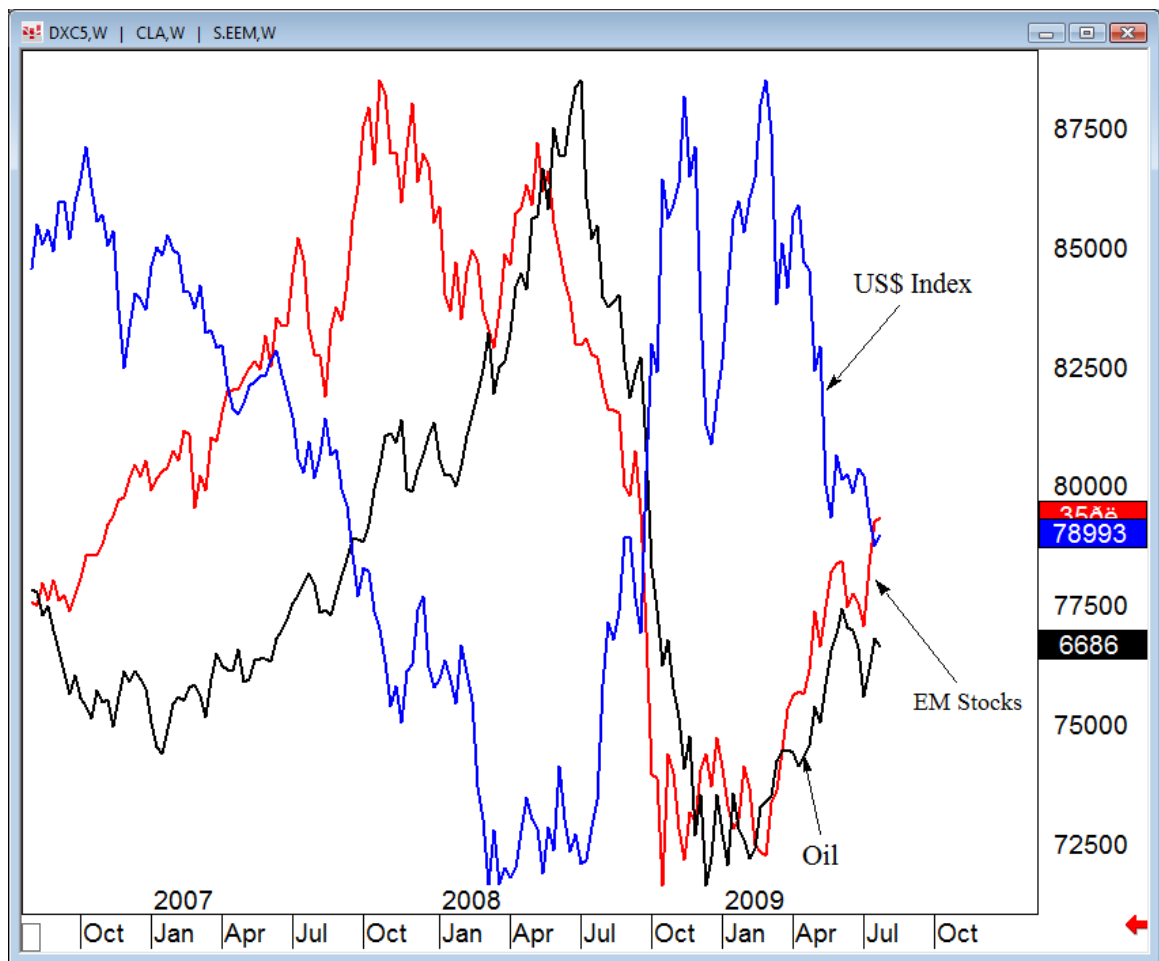
Here's an example of what we likely will miss on our telly next week: Cut to close up of typical lawyer congress person who has never held a real job in the private sector or met a payroll: "How dare you nasty global oil companies employ hundreds of thousands of people and risk billions of dollars in private capital in the most inhospitable places across the globe, then turn around and power our economies with your product and then profit from it—it is an outrage. It is downright obscene." And I'm sure all types of diatribes utilizing the new PC-word of the year "green," would have ensued.

The fact we will miss this charade proves there must be a higher power watching over us. But sadly, it's likely sometime in the future oil profit demagoguery will be back on the docket, that's of course assumes global demand ever recovers.

And lack of global demand was the message consistently shared by the oil daemons (conspiracy?). It was an equal opportunity profit tumble this week for BP, Royal Dutch Shell, and Exxon. Each company relayed similar sentiment: **there is little demand for oil out there in the real world, and lots of supply.** You wouldn't think that was the case looking at the run up in oil prices, and other markets based on the rationale of the "end of the recession." But markets discount. And even better, profitable trends are created by players who often don't want the facts to get in the way of exploitable price momentum; the Zen of markets.

Those juicy multi-asset class trends just keep on giving. The standard formula: strong oil prices, strong stock prices, and a weak dollar. Speculative capital flow is trend following, engendered initially by some perception of fundamentals, which was likely “green shoots” and led by a big boost in Chinese GDP (whether force-fed or not); but the longer the trend endures, the more detached from fundamentals it becomes. Unfortunately, no one knows when or where these things end until they are given the illusive gift of hindsight.

Oil vs. Emerging Market Stocks vs. US\$ Index Daily:



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Mr. Market is bashing the buck a bit again this fine Friday morning. Many currencies are testing key breakout levels. And at 8:30 a.m. we get a look at US GDP for the second quarter. A better than expected number suggests the trend is your friend. But then again, that's why they call them markets.

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