



Key News

- [Australia's Trade Deficit Unexpectedly Narrows in June on Gain in Exports](#) (Bloomberg)
- [China's Stocks Not in 'Bubble,' Set to Extend Rally, Harvest's Chen Says](#) (Bloomberg)
- [China's growth figures fail to add up](#) (Financial Times)

Quotable

“Some economists took the fact that prices were unpredictable to infer that prices were in fact “right”. However, as early as 1984 Robert Shiller, the economist, correctly and boldly called [Efficient Market Hypothesis] “one of the most remarkable errors in the history of economic thought”. The reason this is an error is that prices can be unpredictable and still wrong; the difference between the random walk fluctuations of correct asset prices and the unpredictable wanderings of a drunk are not discernable.”

Richard Thaler, *Financial Times* 4 August 2009

FX Trading – Waiting for the Jobs; Plus, Canadian Dollar Comments from Blackmont ...

Since topping out on Monday the euro has been tracking sideways. The likely story is that many traders are awaiting a hint from the ADP Payrolls report due out today ... ahead of Friday's release of July US Non-Farm Payrolls. Expectations are for an improvement in the employment situation. The euro is popping towards Monday's highs as the report draws nearer. There may be some reaction to a surprise number, better or worse, today. But more than likely the most of the fireworks won't shoot off until Friday.

The British pound found some reason to rally. There's been speculation that the BOE will end their bond repurchase program because the economy is showing signs that it may be emerging from recession. This is a stark difference from the way a potential end to this program was received days ago – i.e. it's too early to stop pumping money into the economy. The British pound made a new high on this surprise optimism.

The Canadian dollar started back-tracking yesterday after comments from Finance Minister Jim Flaherty regarding the Canadian dollar becoming too strong relative to the US dollar. He noted that the Central Bank could take action to stem its appreciation if necessary. Apparently Mr. Flaherty can take action as well.

On the next page you can find more comments on the Canadian dollar, from Yves Lamoureux, Investment Advisor at Blackmont Capital Inc ...

JR Crooks

www.blackswantrading.com

The effect of deflation from Toonie to Loonie to Looney Tunes...

The Canadian 1 dollar commonly called the Loonie has taken on a new role. Our bird is definitely matching in speed and strength the American eagle. The consensus has it that the Canadian currency will reach parity again in a somewhat near future. That is common discourse if you are in the recovery camp. I am not.

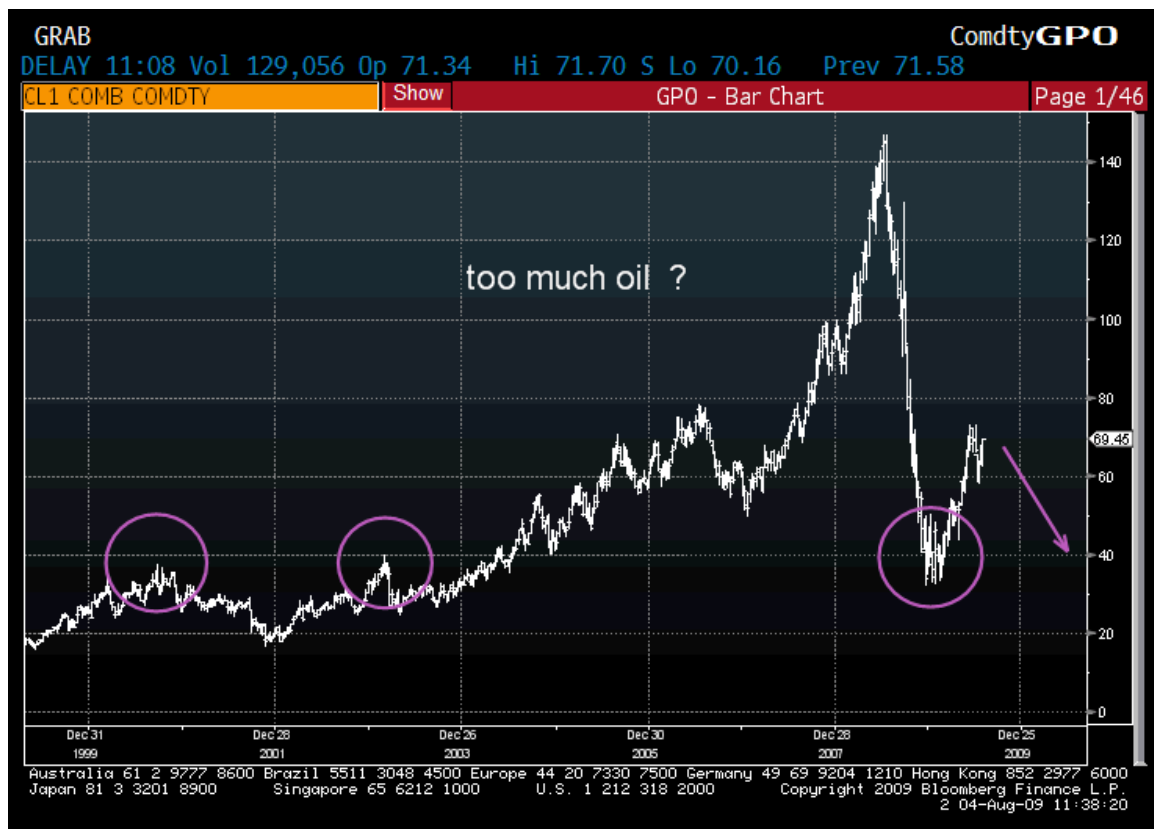
If you look at things long enough will it make it so?

We have been used to an environment where inflated values held long enough to make us believe that it was so. I dare suggest that it is changing quite rapidly and most never had the chance to really appreciate this new reality.

In this new paradigm shift let's take a look at the Canadian dollar compared to oil.

Since it is a petro dollar, it does correlate to oil very well.

On two occasions in the past we have had oil trade around \$40. I have circled them at about late 2000 and early 2003. With this in mind, I also circled the Canadian dollar at the same point in time. It had a value of 1.50 USD/CAD. We are at 1.07 USD/CAD today.



Black Swan Capital's Currency Currents is strictly an informational publication and does not provide personalized or individualized investment or trading advice. Commodity futures and forex trading involves substantial risk of loss and may not be suitable for you. The money you allocate to futures or forex trading should be money that you can afford to lose. Please carefully read Black Swan's full disclaimer, which is available at <http://www.blackswantrading.com/disclaimer>



In my preferred scenario, I am expecting oil to probably retest the \$40 level again. Weak demand and oversupply does not resonate with me in the bull camp.

On a retest of oil at the \$40 level, does the Loonie revert back to its older valuation before the big oil bubble? That is what I expect in a new paradigm shift of normalization, the real normal is back.

Yves Lamoureux, Investment Advisor, Blackmont Capital Inc.

The opinions contained in this report are those of the author and are not necessarily those of Blackmont Capital Inc. Every effort has been made to ensure that the contents of this document have been compiled or derived from sources believed to be reliable and contains information and opinions which are accurate and complete. However, neither the author nor BCI makes any representation or warranty, expressed or implied, in respect thereof, or takes any responsibility for any errors or omissions which may be contained herein or accepts any liability whatsoever for any loss arising from any use of or reliance on this report or its contents. BCI is an independently owned subsidiary of CI Financial. CI Financial is a Canadian owned diversified wealth management firm, publicly traded on the TSX under the symbol CIX. Blackmont Capital Inc. is a member of CIPF and IIROC.

Black Swan Capital's Currency Currents is strictly an informational publication and does not provide personalized or individualized investment or trading advice. Commodity futures and forex trading involves substantial risk of loss and may not be suitable for you. The money you allocate to futures or forex trading should be money that you can afford to lose. Please carefully read Black Swan's full disclaimer, which is available at <http://www.blackswantrading.com/disclaimer>