



Key News

- [Chinese Stocks Rise Most in Six Months; U.S. Futures Gain, Yen, Bonds Drop](#)
(Bloomberg)

Quotable

“Only the spoon knows what is stirring in the pot.”

Sicilian Proverb

FX Trading – The Benefits are Dwindling; Currencies Look to Even Out

As with most weeks culminating in a US Nonfarm Payrolls report, this one started with some decent price action but will probably become more confined as tomorrow’s report draws nearer.

Yesterday showed that the US economy, according to the ADP employment report, lost more jobs in August than had been expected. Of course, everyone will tell you the ADP report is never a consistent indicator for the subsequent Nonfarm Payrolls report. It will be in the minds of investors though ... along with the results from the most recent week’s jobless claims which will be reported later today.

When everyone is ready to pronounce the world as having already embarked on recovery, the lingering unemployment situation remains among the biggest question marks that could disappoint the optimists out there. The current recession boasts the worst jobs pace – unemployment jumping by 4.5% in 19 months, payrolls slumping by 4.8%, average duration of unemployment has skyrocketed to 25 weeks – when compared to the same periods during past recessions.

Not only that, but an article in the New York Times recently estimated the number of unemployed whose benefits will be expiring this year. They anticipate roughly half a million will lose their unemployment benefits by the end of this month, and an additional one million unemployment are scheduled to lose their benefits by the end of December.

And the rate of unemployed is still rising, regardless of whether we’re told to think positively because people are losing their jobs at a slower rate. A lingering unemployment problem, more serious than the typical ‘lagging indicator’ as it is often described, will continue to weigh heavily on the consumer sector and the rebuilding of the US economy.

This is not your grandmother’s recession, or something like that.

In watching the kneejerk reaction to the ADP report yesterday, it seems the risk appetite dynamic remains in play as far as the US dollar is concerned – worse news, less risk-taking, safety in dollars. The direction didn't hold up, though, and risk appetite is pushing the dollar the other way now.

Yesterday after the kneejerk strength the dollar began retracing the solid gains it made on Tuesday ... and continues lower today as US stocks and currencies are buoyed by a strong day in China's stock market. (I'm not sure what it means when US stocks don't react to weakness in Chinese shares but are quick to react to strength. Perhaps it's a bad sign for the buck.)

The US dollar index is currently at a price just below where it opened up on Monday. Is it any surprise though that we'd be back to where we started the week by the time Nonfarm is announced tomorrow? It's been a vicious, churning currency market characterized by false breakouts and enough intra-day reversals to make the Brett Favre circus appear dull.

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