



Key News

- [ECB prepares to end emergency funds](#) (Financial Times)
- [German Business Confidence Increases to 15-Month High, Exceeding Forecasts](#) (Bloomberg)
- [Mexico Peso Set to Rally 20% as Pimco Says Buy After Fitch Debt Downgrade](#) (Bloomberg)

Quotable

"Alea iacta est."

Julius Caesar

FX Trading – A Good Price for the Euro

Perhaps you saw this morning's release of Euroland's economic data.

German GDP jumped by 0.7% in the third quarter. Adding to GDP was an inventory build and capital investment; subtracting from GDP was consumption and trade.

Not so stellar, but somewhat reassuring nonetheless, was an increase in new industrial orders – rising 1.5% since last month but still down more than 16% from a year ago.

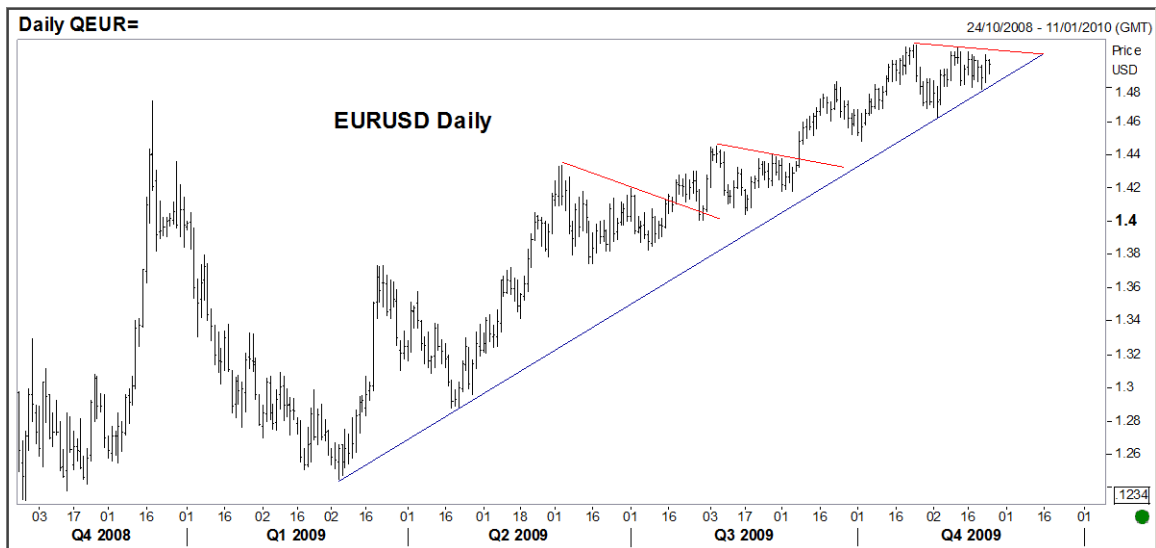
Is there still cause for concern among these and other improvements in official numbers?

I'd ask whether inventory-led growth is sustainable without a better contribution from consumption and trade. And I'd ask whether growth in new orders, buoyed largely by those for new freight equipment, can be sustained.

But regardless of what I'm asking right now, business morale in Germany has hit 15-month highs. That makes eight increases in a row and should build confidence among investors who realize too that Germany still has a lot riding on manufacturing and trade.

Oh ... and another question: will the strength of the euro restrict Germany's potential?

No doubt, this overvaluation relative to the dollar is getting on the nerves of global central banks, enough so that they feel the need to comment on the fact. Will the euro have an impact on Germany? Probably some. Will that change the value of the euro? Not that fact alone.



The euro's been consolidating after making a test of the \$1.50 level. And while we wonder if \$1.50 is a hurdle the euro will have trouble with, the technical picture looks familiar, as the euro's been able to break out from similar patterns along its uptrend this year.

A break to new highs any time soon would build a case for the euro to reach the \$1.60 mark – a level not seen since before the global financial crisis.

The big difference then was a global economy that was still moving along relatively well, albeit immersed in excess liquidity up to its eyeballs. Right now it's different; and while I don't want to take away from the recovery potential that exists for the euro, there seems little to justify the common currency reaching \$1.60 any time soon.

Unless, of course, you recall that the US is the compost pile of the global financial garden. The only thing that's going to grow there is a bunch of cannibalistic organisms serving to decompose anything hanging on to life.

And in this relative game, an empty dollar means a well-founded euro. Do I hear \$1.60, anyone?

Thanksgiving is only a few days away ... and you know what that means – Christmas music! (I particularly think it's too early for Christmas music, but when has what I thought mattered?) Fitting this wonderful world of currencies into the joy of Christmas, here's a little jingle that you may have heard before, in one form or another:

[The Dollar and Its Diving](#)

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