



## Key News

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- [Small Business Confidence Plunges — Where Will Jobs Come From?](#) (Inner Workings blog, Asia Times)
- [Goldman Trades Shouldn't Get U.S. Aid, Volcker Says](#) (Bloomberg)
- [U.K. House Price Pickup Will Stall in 2010 on Forced Sales, Rightmove Says](#) (Bloomberg)
- [Abu Dhabi steps in to bail out Dubai](#) (Financial Times)
- [Fewer short positions bode well for dollar](#) (Financial Times)
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## Quotable

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"It's tough to make predictions, especially about the future."

Yogi Berra

## FX Trading – Keeping a Lid on Volcker Means Keeping a Lid on Risks

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In one of several brilliant campaign moves, Barack Obama enlisted the service of several big names to lead his economic decision-making. Why? Well, probably because he realized that he had no relevant experience of his own from which to lead. It reassured many voters that he was willing to dole out responsibilities to the pros, to surround him with competent people.

Sort of.

As chairman of the President's Economic Recovery Advisory Board (ERAB), Volcker has been less than visible in the President's economic endeavors. It's hard to hide his massive 6'7" frame. But apparently it's easy to keep his ideas under wraps.

The few times he does get a word in, or is asked for a quick interview here and there, Volcker tends to have good, or at least better, ideas than what's emerged from the current administration.

And not to mention his analysis seems far deeper and more reasoned than what's passing through the lips of his counterparts.

A couple excerpts from a recent [Der Spiegel interview](#):

What complicates this situation, as compared to the ordinary garden variety recession, is that we have this financial collapse on top of an economic

disequilibrium. Too much consumption and too little investment, too many imports and too few exports. We have not been on a sustainable economic track and that has to be changed. But those changes don't come overnight, they don't come in a quarter, they don't come in a year. You can begin them but that is a process that takes time. If we don't make that adjustment and if we again pump up consumption, we will just walk into another crisis.

Yes, seems to be generally recognized by the economic consensus, but perhaps the conclusion drawn by Volcker is going too much ignored.

Here's another:

What should I say? That's right. We have not yet achieved self-reinforcing recovery. We are heavily dependent upon government support so far. We are on a government support system, both in the financial markets and in the economy.

Oooh, buddy ... that's a little bit too candid for the American public. Does your leash need to be shortened?

It's amazing how quickly some people want to forget about the trouble and go back to business as usual. We face a real challenge in dealing with that feeling that the crisis is over. The need for reform is obviously not over. It's hard to deny that we need some forward looking financial reform.

If you want people to think your humanitarian cause is worthwhile, just go out and get yourself a celebrity spokesperson; people love celebrities, they want to do just as celebrities do.

If you want people to think your economic cause is worthwhile, stick Paul Volcker on stage next to your podium and talk about economic recovery efforts; people will believe you're serious, they'll think you know what you're talking about.

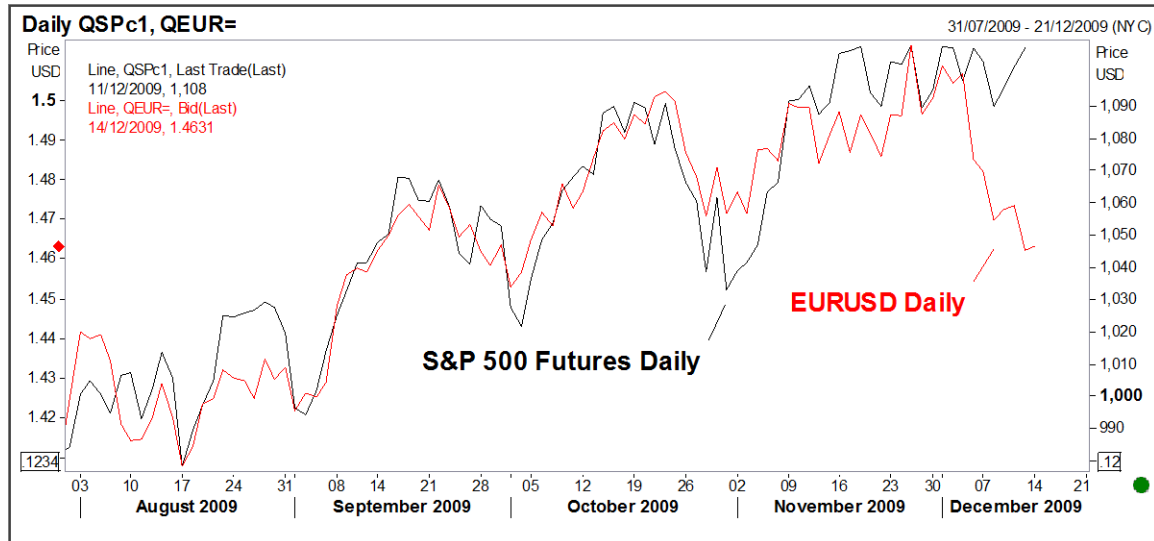
So here we sit, battling the "recovery is here" feeling that threatens the recovery that may or may not already be here. In the wake of Dubai, Greece, Spain and other smaller developments, the markets seemed as though they were paying more attention to the risks that remain.

But the surprise November US Nonfarm Payrolls report said, more or less: the recovery is here!

The result: a bit of a shake-up to recent risk-appetite correlations. We've given you in recent days some potential reasons why the US dollar might have put in a major bottom.

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And while the S&P 500 is moving quickly back towards its highs, the euro ... not so much.



Will stocks pay catch-up to a falling euro on a decrease in risk appetite ... perhaps because, as Volcker feels, we are not out of the woods and still face many challenges?

Or will the euro play catch-up to stocks on renewed risk appetite ... perhaps due to the recent optimism around jobs and [Obama's "real" top economic advisor's \(Larry Summers\) recent comments](#)?

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### Interview with a "Maniac" commodities trader this month...

Our special "trader" interview section of *Currency Investor* this month will come from our friend Kevin Kerr. He is the proprietor of *Kerr Commodities Watch*. Kevin is a frequent guest on every business show imaginable sharing his excellent views on all things commodities. We are looking forward to hearing Kevin's insights.

Our monthly [Currency Investor](#) newsletter is geared toward newcomers and experienced investors who are looking for a conservative approach to the foreign exchange market, and learning more about how the global economy works.

In plain language we deliver global macroeconomic analysis and actionable ideas geared toward exchange rate fluctuations.

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