



## Key News

- [Global Confidence Holds Near Record as Economic Recovery Gains Momentum](#) (Bloomberg)
- [Dollar Investors Turn Bullish for First Time Since March as Economy Grows](#) (Bloomberg)
- [Dovish RBA hits Australian dollar](#) (Financial Times)

## Quotable

"People such as George Soros and Michael Moore certainly talk a good game, but the next Mother Teresa they are not. Mother Teresa never criticized the free-market system; wealth just wasn't for her. Soros and Moore are quite the opposite. They will never take a vow of poverty and dedicate themselves to helping the poor. They just want our civilization to take a vow of poverty and *become* poor.

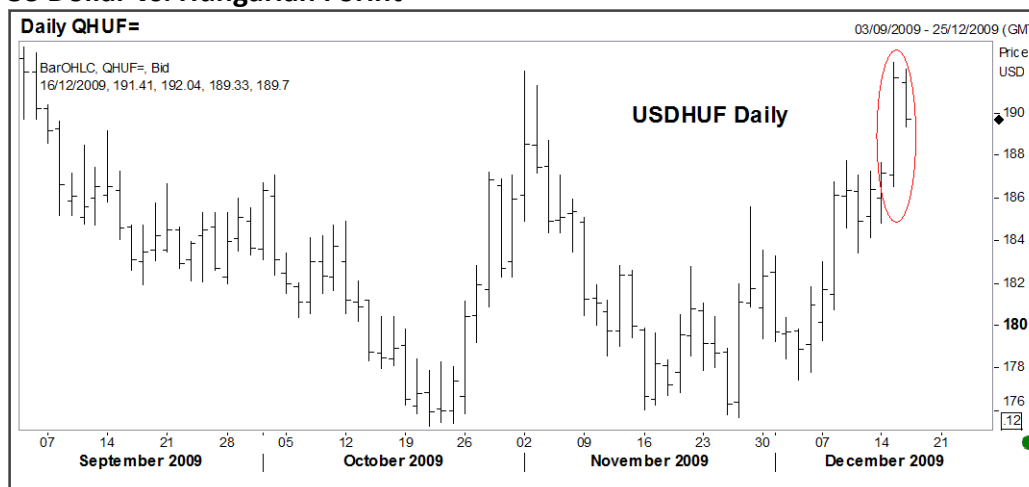
This has caused many to wonder: How can someone preach socialism while being the most rapacious "capitalist" imaginable?"

Selwyn Duke, [The Pathology of the Rich Socialist](#)

## FX Trading – Monetary Policy and Emerging European Currencies

So we've been harping on the rising concerns in Europe and what they may ultimately mean for the euro. But it's clear that the worries are not confined to the EMU. Yesterday traders put a hurting on the Hungarian forint, the Polish zloty and the Czech koruna.

## US Dollar vs. Hungarian Forint



Yesterday's move amounted to more than a 2% move in this pair, though so far this morning the forint is recovering some lost ground.

For Hungary in particular, there's been a steady stream of bad news for their economy and recovery prospects. Adding to the weak fundamentals for the forint is the current stance by the country's central bank. They are expected to cut rates yet again when they conclude a policy meeting this Friday. And there's quite a mix between what neighboring central banks are doing; and it's even quite different from the latest expectations of the Federal Reserve.

The Czech National Bank just today cut rates to a record low of 1%.

Sweden's Riksbank just announced they will stay on hold; rates will go unchanged for the foreseeable future.

Poland's central bank is expected not to budge on interest rates either when they meet next week.

Norges Banks, however, is behaving differently. Today they hiked rates by 25 basis points. And this wasn't the first in a while; they raised rates at their last meeting. Overall, this helps to make the Norwegian krone an attractive investment among handful of Emerging European currencies that are lagging far behind in the fundamental category.

But as stable a footing that Norway seems to have, the krone is not immune to risk-aversion capital flow. It too got hit pretty hard yesterday; just not nearly as hard as the forint. Which brings me to the US dollar and the Federal Reserve ...

The Federal Open Market Committee announces its latest intentions with interest rates when they conclude their meeting this afternoon. There's always a decent amount of attention given to this decision, even if nothing much is expected from it. That's how the last several meetings have gone when there's been no reason to expect a departure from the "rates will remain low for an extended period of time" line.

But, this time is a bit different.

There have been three reasons so far to give traders some incentive to pay close attention to the FOMC announcement today:

- 1) Positive surprise from November US Nonfarm Payrolls
- 2) Positive surprise from a preliminary retail sales report
- 3) An eye-catching uptick in inflation via the Producer and Consumer Price Indices

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What will this all amount to? Not much.

The Fed is definitely not ready to raise interest rates; and they're probably not even ready to *talk* about raising interest rates. There's simply too much work left to be done saving the economy, as they see it.

If there is any change to their rhetoric it is probably to appease those looking for the Fed to acknowledge they're paying attention to new data. But ultimately they'll say plenty of risks still remain and they won't risk choking off the economic recovery by lifting rates too soon.

This announcement is all about rhetoric, as they almost always are. Because frankly a move higher, towards say 1%, probably won't choke off recovery. But if it's perceived that way then it may not matter.

The Fed is still doing a lot of handholding; and one of those hands belongs to the market.

I'd be cautious about expecting anything hawkish from the Fed that might bolster the US dollar today. But it will be interesting to see, in the days ahead, if the economy continues to show signs of improvement, whether the US dollar will maintain its recent strength.

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### **Interview with a “Maniac” commodities trader this month...**

Our special “trader” interview section of *Currency Investor* this month features 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 think you'll appreciate Kevin's insights; we certainly did.

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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