



Black Swan Capital

Currency Currents

Friday 19 June 2009

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Key News

- [Thailand's exports slumped at a record pace in May\(26.6 %\)](#) and could fall by nearly a fifth this year as global demand remains weak, the Commerce Ministry said Friday. (AP)

Key Reports Due (WSJ):

No economic events are scheduled for today.

Quotable

Juliet:

'Tis almost morning, I would have thee gone—
And yet no farther than a wan-ton's bird,
That lets it hop a little from his hand,
Like a poor prisoner in his twisted gyves,
And with a silken thread plucks it back again,
So loving-jealous of his liberty.

Romeo:

I would I were thy bird.

Juliet:

Sweet, so would I,
Yet I should kill thee with much cherishing.
Good night, good night! Parting is such sweet sorrow,
That I shall say good night till it be morrow. [Exit above]

Romeo And Juliet Act 2, scene 2, 176–185

FX Trading – Point/Counterpoint

Since I penned my Comdol falling off a BRIC wall piece the other day, the commodity currencies and oil have of course rallied nicely—they didn't follow the plan. But, hope springs eternal in the world of investing, and hope also usually gets one into trouble ... as we know.

We hope our views are right and our losses don't get bigger; and we worry we might give back that profit we made because our view may be wrong. This is the market mentality that takes away our money by allowing our losses to run while cutting our profits. It is supposed to be so simple: cut your losses and let your profits run...

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Because we hope, we tend to seek out views that validate our hope, often closing ourselves off the stuff that would vitiate it. So in that vein, I print this little ditty, of hope, from columnist William Pesek, a smart guy who covers the Asian markets for Bloomberg:

“Green shoots could be great news for black gold.

“That is how some traders are reading signs that global growth is returning. They are bidding up the prices of oil and other key commodities, and there are two primary reasons: U.S. stimulus efforts and China. Optimists may be wrong on both accounts, particularly the latter.

“Expectations of a quick U.S. rebound cooled in the last 10 days. U.S. stocks slumped this week after Standard & Poor’s downgraded the credit ratings of 18 banks. Optimism is still coursing down Wall Street, though, that the worst is over.

“The more obvious area of misplaced cheer is Asia’s second- biggest economy. China bulls argue government largess will not only boost Chinese growth, but global demand, too. In this scenario, recent gains in commodity prices will be sustained over the next few years. Things may be more complex than that.

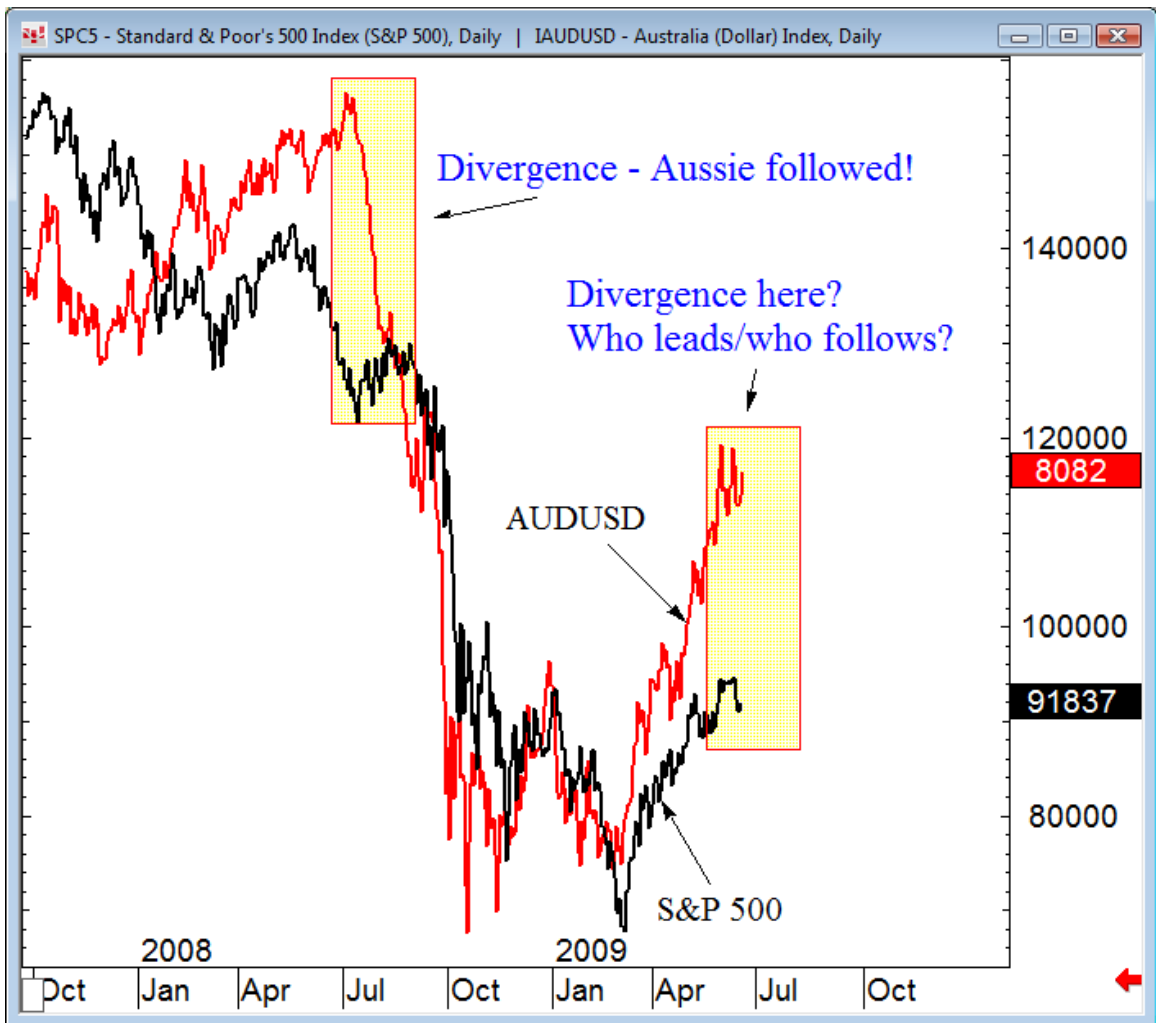
“‘The reality is not so rosy,’ says Jamie Dannhauser, an economist at Lombard Street Research in London. ‘Exports show no sign of life and the increase in domestic spending reflects a massive state-led program of raw material stockpiling -- hardly the foundations for sustained gains in domestic final demand in an export-dependent economy.’”

Despite having to publically share my view each day, I have lost enough of my own money, and unfortunately others, to learn viscerally that “each moment in the market is unique,” as penned by Mark Douglas, *Trading in the Zone*. Thus, don’t fall in love with your own story. We’ve actually printed the Douglas quote on the back of our business card, in case we ever forget.

So, my choice of Mr. Pesek’s view today wasn’t printed to simply validate my own story (though I must admit that is partially true), but rather to point out that this move in commodities and stocks is far from a one-way bet.

Now, I think I know what you are thinking: the fact that I am saying it’s not a one-way bet, and others believe that too, means there are still plenty of people left to capitulate to the trend and push stocks and commodities a lot higher. Good point indeed!

Mr. Market Price Action continues to be king, so here is one of the charts we continue to watch...



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Last time we had a decent divergence set up between stocks and the Aussie, stocks tanked and the Aussie followed. We have another similar divergence setup now. But, we never know who is leading and who is following, so careful we must be.

Stocks and comdols are bidding higher again today; so is oil, and gold and stuff ... capitulation to the trend time? The stock market may tell the story as the day wears on ...

Stay tuned.

Have a great weekend.

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