



Black Swan Capital

Currency Currents

Tuesday 16 June 2009

www.blackswantrading.com

Key News

- [German Investor Confidence Jumps to Three-Year High on Signs Slump Easing](#) (Bloomberg)
- [BRIC Nations May Buy Each Other's Bonds to Reduce Reliance on U.S. Dollar](#) (Bloomberg)
- [German industry groups say finance tight for firms](#) (Forbes)

Key Reports Due (WSJ):

7:45 a.m. ICSC Chain Store Sales Index For June 13: Previous: +0.2%.

8:30 a.m. May Housing Starts: Expected: +4.8%. Previous: -12.8%.

8:55 a.m. Redbook Retail Sales Index For June 13: Previous: -4.3%.

8:30 a.m. May Producer Price Index: Expected: +0.6%. Previous: +0.3%.

8:30 a.m. May Producer Price Index, ex-food & energy: Expected: +0.1%.
Previous: +0.1%.

9:15 a.m. May Industrial Production: Expected: -1.1%. Previous: -0.5%.

9:15 a.m. May Capacity Utilization: Expected: 68.3%. Previous: 69.1%.

4:30 p.m. June 1 API Oil Industry Report

5:00 p.m. ABC/Wash Post Consumer Conf For June 13: Previous: -47.

Quotable

“You must often make erasures if you mean to write what is worthy of being read a second time; and don't labor for the admiration of the crowd, but be content with a few choice readers.”

Horace

FX Trading – The Only Explanation is Cockeyed Perception

If I happened to know the German national anthem I'd likely break out in song right now before I finished typing up this piece. Oh, by the way, did you hear that German investor confidence blew past expectations in a sign that the recession is coming to a close?

Yeah, I'm serious.

And I bet you can imagine what that announcement did for the currencies. Zoom-zoom goes the euro, bye-bye goes the dollar, amounting to a swift kick in the face for those trying to buy the buck on the tail end of yesterday's dollar rally.

A friend once offered some wise advice: you are what you are perceived to be. I understood but did not care for her advice at the time ... as her perceptions didn't jive with my perceptions.

To that, I guess there might be another disconnect in my perceptions ... this time I'm not jiving with the market's perceptions (at least in the very short-term, I hope!)

More than likely you know how I perceive the current state of the economy and financial system here in the US, over in Europe and elsewhere -- I write about it all the time. Now let's get back to Germany ...

Investors jumped all over the ZEW investor confidence number released earlier today in Germany. Why? Well because the reading jumped from 31.1 to 44.8. And in case you don't have this data series committed to memory, that's the highest that confidence among analysts and investors has been since May of 2006. Whoa!

So if you're scratching your head as those surveyed folks look ahead six months and see green pastures full of shoots, I'm right there with you scratching away. I guess we've got to start hoping for the best at some point; by now you know the hope and change mantra.

But in case you're *not* scratching your head, I've got something that ought to make it itch.

As we elaborated on in the *Currency Strategist* yesterday, the prospects for recovery are MIA for major German companies. The DIHK survey of 20,000+ German companies revealed real cause for concern, depending on how you look at it I guess.

Here's what we said about it:

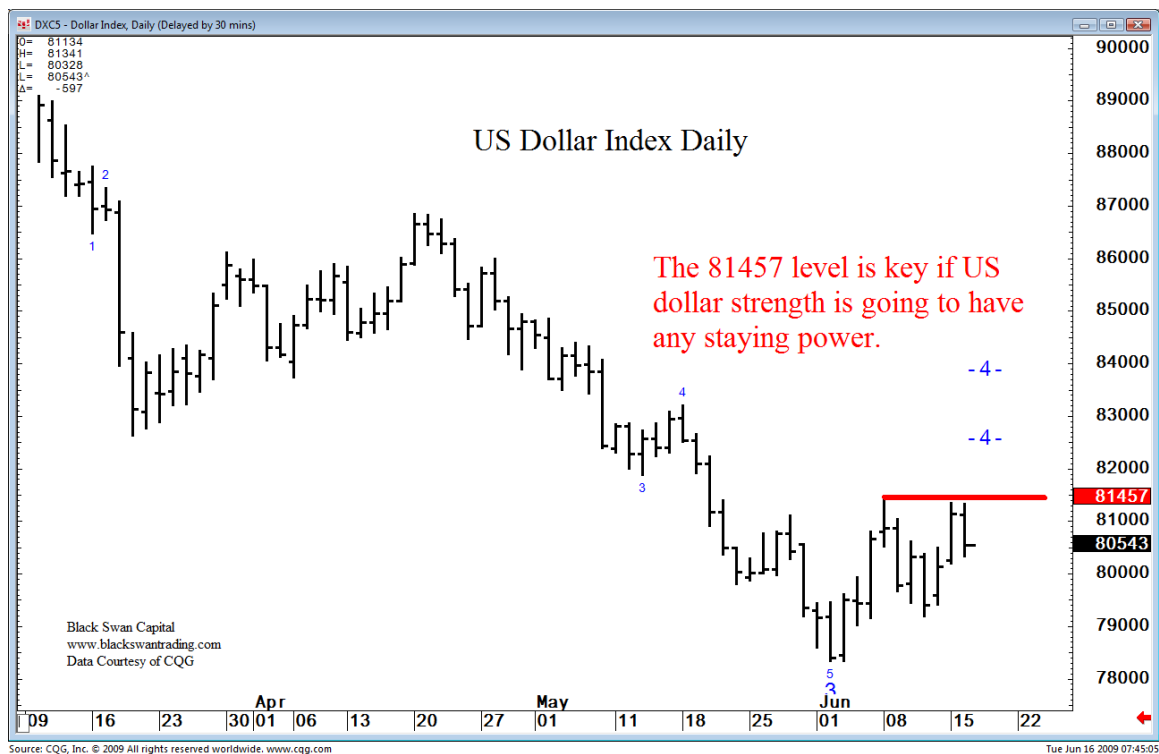
A DIHK survey of German industry sure doesn't jive with expectations of an improving state of affairs. If you thought credit markets had improved enough to support a growth recovery, think again.

A third of the biggest German companies surveyed said they expected credit conditions to become even tighter. The takeaway from the survey results is that credit conditions are the toughest they've been since the onset of this financial crisis. Financing and new orders are on the skids because companies can't get their hands on borrowed funds; this falls in line with last week's report that European industrial production slumped by another 22 percent in April, year-over-year.

Again, maybe my perceptions are skewed – Bloomberg highlighted an improved outlook on German exports (rising from -35 to -34). Yes, that’s what *they* perceived.

As I wrap up this morning, the dollar remains under pressure. The euro trudges higher; same thing for the pound; the Aussie is well bid on the back of a relatively bullish release of RBA minutes; and the Japanese yen gained some serious ground overnight.

Yesterday was a huge down day for US stocks. I perceive today’s early action in S&P futures to be working off some of yesterday’s declines. And I perceive today’s move against the buck to be corrective.



But hey, maybe I’m the one that’s looking at this all cockeyed. The markets are what they are perceived to be ... until they prove your perceptions all wrong!

Have a good day.

Regards,

John Ross Crooks, III
Black Swan Capital LLC
www.blackswantrading.com