



# BLACK SWAN CAPITAL

## *Currency Currents*

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Tuesday 31 January 2006 6:00 AM EST

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### Key News

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- Key reports due today (WSJ):
  - 7:45a.m. ICSC Store Sales Index** For Jan 28 Wk. Previous: +0.3%.
  - 8:30a.m. Fourth-Quarter Employment Cost Index.**
  - 8:55a.m. Redbook Retail Sales Index** For Jan. 28 Wk. Previous: -0.4%.
  - 9:00a.m. Federal Open Market Committee meeting begins; interest rate decision expected around 2:15 p.m. EST**
  - 10a.m. Jan. Chicago Purchasing Managers Index.** Previous: 61.5.
  - 10a.m. Jan. Conference Board Consumer Confidence Index.** Previous: 103.6.
  - 2:15p.m. Federal Interest Rate Decision**
  - 5p.m. ABC/Washington Post Consumer Confidence Index** For Jan 29 Wk. Previous: -9.

### Quotable

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“If you really believe in an uncertain outcome, then you also have to expect that virtually anything can happen. Otherwise, the moment you let your mind hold onto the notion that you *know*, you stop taking all of the unknown variables into consideration. Your mind won't let you have it both ways. If you believe you know something, the moment is no longer unique.”

Mark Douglas, *Trading in the Zone*

### FX Trading

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25 basis points then what?

Is this year shaping up with a bit of déjà vu? A bunch of “talking dollar bears”—many among the international economic expert crowd pointing to such things as reallocation of global central banks into “various” other currencies and gold. And of course the best fall-back piece of tripe to throw in the mix--the current account deficit. That one always sounds good—especially if you never traded real money in your life. Or will the “talking dollar bear” crowd be right for the *wrong* reasons (which isn't a bad place to be, it beats the alternative)?

For those of us trading real money, we should be most concerned about “acting dollar bears.” And according to data from the Chicago Mercantile Exchange, there are plenty of them around.

*“Data late Friday from the Chicago Mercantile Exchange suggested the dollar could easily add to its recent gains.*

*“The data showed that as of last Tuesday, speculative investors held a net short-dollar position of \$8.2 billion, compared with a \$5.1 billion short position the prior week, according to a research note from Robert Sinche, chief currency strategist at Bank of America.*

*“Analysts say that the more extreme bets in favor or against a currency are, the more chance there is of a rapid reversal in the currency's direction. In other words, if the Fed sounds more hawkish than expected Tuesday, there could be a rush to exit dollar*

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negative bets, sparking another rise in the U.S. currency,” *The Wall Street Journal* reported this morning.

### Commitment of Traders Report 24 Jan 06:

(Non-Commercial i.e. punters/small speculators/mostly you and me in other words)

### Euro currency futures:

Long 56,834

Short 19,370

Change **+16,253** net contracts added to the long side between Jan 17<sup>th</sup> and Jan 24<sup>th</sup>



Surmising from the chart:

Despite rising open interest, suggesting acting bulls in the euro, they appear jittery based on the increasing volume into the declines. There is much churning going on near the first retrace level near 12100 in the currency futures.

Now all we have to do is figure out what comes after 25 basis points!

Jack Crooks  
Black Swan Capital

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