

Black Swan Capital
**Currency
Snapshot**

29 September 2008

www.blackswantrading.com

Gotta Love that Buck!

We should have known. It seems to happen each time we are near some type of extreme in sentiment—we receive very strident email telling us we are wrong.

Lately we have received more and more mail telling us we are absolutely certifiable (and some weren't near that nice) in believing the dollar will be supported, let alone rally, in this environment. "It just can't be, goes the lament." Well, ladies and gentlemen—it can be. And is!

It all comes back to Frederic Bastiat, and his cogent analysis of importance of the things that are not seen in world of economics. Here is the exact quote [our emphasis]:

"In the department of economy, an act, a habit, an institution, a law, gives birth not only to an effect, but to a series of effects. Of these effects, the first only is immediate; it manifests itself simultaneously with its cause - it is seen. The others unfold in succession - they are not seen: it is well for us, if they are foreseen. **Between a good and a bad economist this constitutes the whole difference - the one takes account of the visible effect; the other takes account both of the effects which are seen, and also of those which it is necessary to foresee.** Now this difference is enormous, for it almost always happens that when the immediate consequence is favourable, the ultimate consequences are fatal, and the converse. **Hence it follows that the bad economist pursues a small present good, which will be followed by a great evil to come, while the true economist pursues a great good to come, - at the risk of a small present evil.**

Bastiat, [*That Which is Seen, and That Which is Not Seen*](#), 1850

Does this mean one has to foresee the future to be a good economist or make money in markets? No. It means one must be open to the unseen series that might cause price action to be very different from the consensus. And develop alternative (plausible)

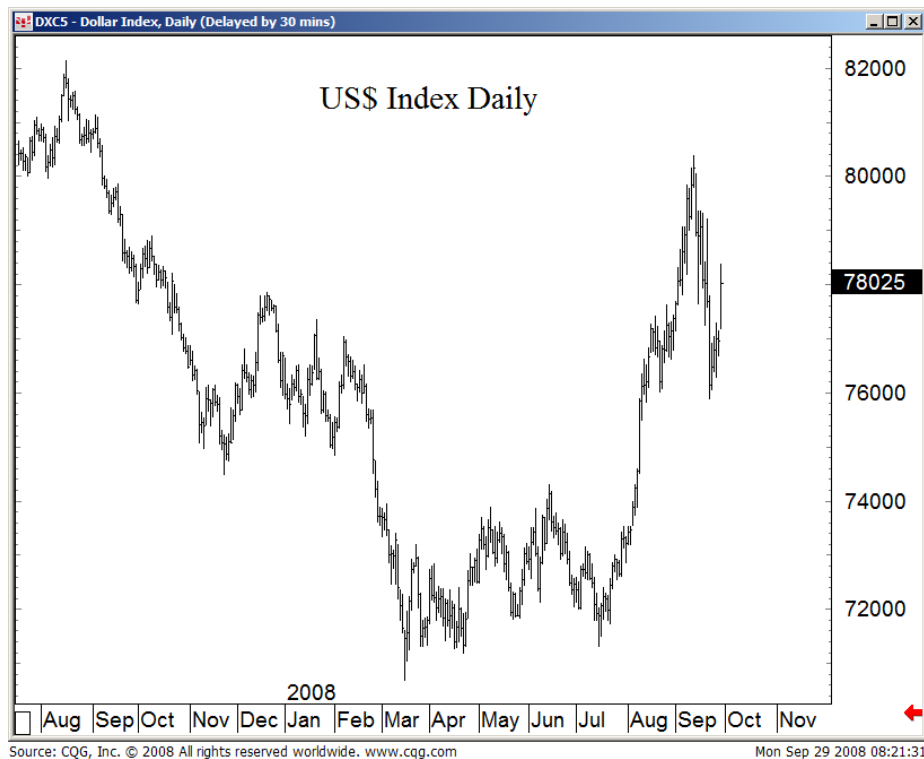
Black Swan Capital's Currency Snapshot is strictly an informational publication and does not provide individual, customized investment advice. The money you allocate to futures or forex should be strictly the money you can afford to risk. Detailed disclaimer can be found at <http://www.blackswantrading.com/disclaimer.html>

scenarios to increase the probability of making money from these unseen actions beneath the surface of the economy.

Our broader underlying theme of dollar bullishness hasn't changed—our scenario is simple: Deleveraging means money moves to the center (US capital markets). And there is unseen dollar support by big players out there, as it is in no one's interest for the world's money i.e. the world reserve currency, to be trashed when confidence in the system is paramount to achieving stability and staving off global depression.

Does price action today mean we are right? Absolutely not! It may be pure luck—which we'll take over being right any day of the week. But, for now, we stick to the story.

How long can this last? We don't know. But maybe a lot longer than now believed. And if so, our secondary scenario of the US emerging from this morass before the other key players (primarily in Europe) might represent the longer term fundamental driver for the buck. I know what you're thinking—you guys are nuts! Well, maybe. Time will tell. It always does.



Regards,

Black Swan Capital

Black Swan Capital's Currency Snapshot is strictly an informational publication and does not provide individual, customized investment advice. The money you allocate to futures or forex should be strictly the money you can afford to risk. Detailed disclaimer can be found at <http://www.blackswantrading.com/disclaimer.html>

Black Swan Capital's Currency Snapshot is strictly an informational publication and does not provide individual, customized investment advice. The money you allocate to futures or forex should be strictly the money you can afford to risk. Detailed disclaimer can be found at <http://www.blackswantrading.com/disclaimer.html>