

Black Swan Capital Currency Snapshot

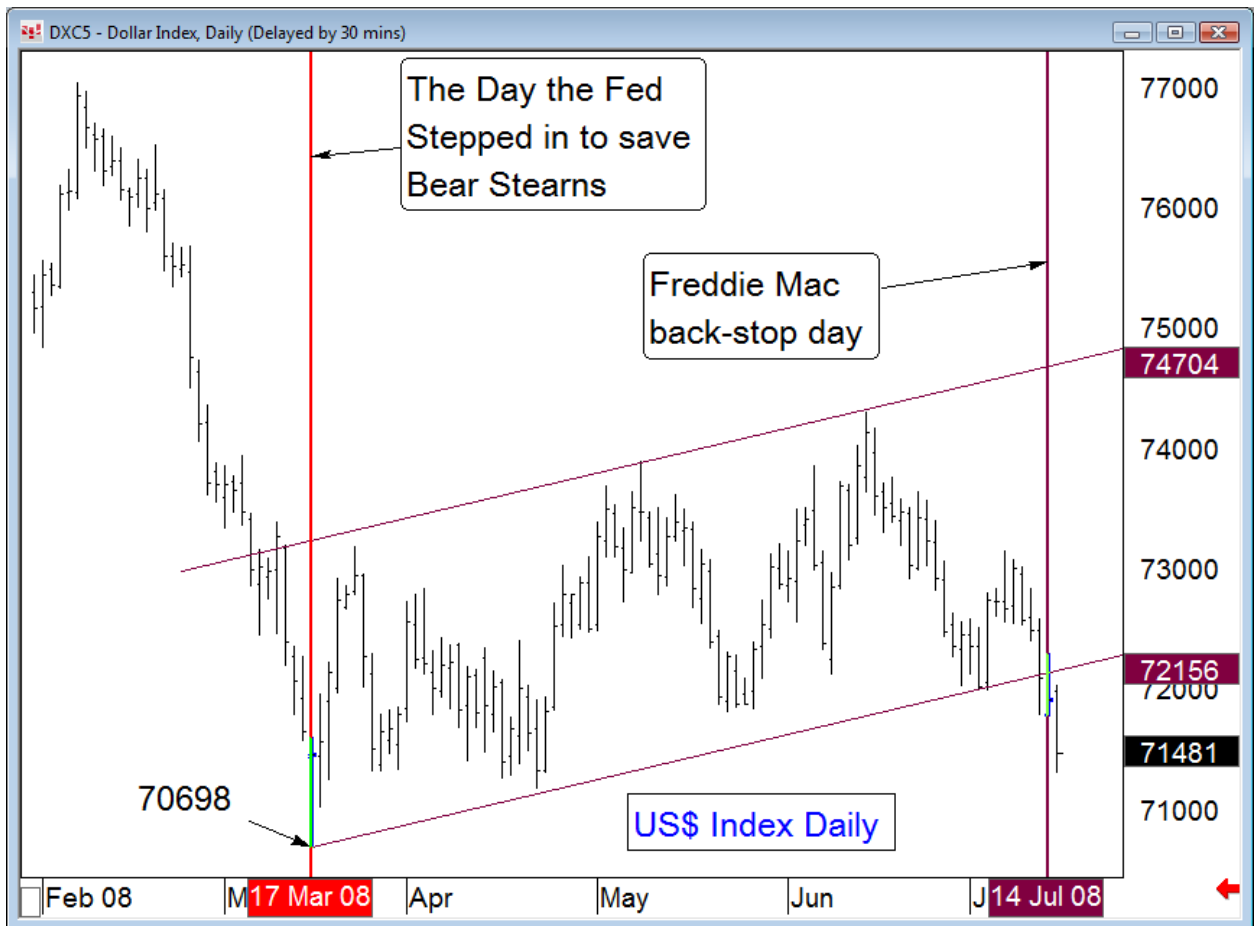
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The Buck is getting badly beaten!

Is it a new dollar low? Close, but no cigar yet!

The dollar has been hammered lower this morning. But its bouncing higher the Big Boys, Bernanke, Bush and Paulson add to the public commentary this morning. But...



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If you notice in the chart below, we have marked the day the dollar bottomed i.e. an all-time low in the US dollar index, in red. It coincided with the day the Fed (and Treasury) stepped in to save investment bank Bear Stearns. The next line on the chart shows the day, yesterday, the Treasury back-stopped Fannie and Freddie (and stepped in to take control of IndyMac). However, there was no bounce in the dollar yesterday.

Multiple Choices:

- A) Lack of credibility now missing in the market when it comes to future Federal bailouts (Bailout Fatigue); it's lights out for the buck and a spike down to much lower levels is inevitable?
- B) Momentum is down and a test of new lows is in the cards?
- C) Realization the Fed can't hike rates in this environment and inflation IS accelerating?
- D) An out-of-the box view that Europe will soon be heading down this path (UK already is)—credit markets will soon seize-up as the troubles in the US flow-through and the market realizes the European Central Bank does not have cross-border mechanisms to deal with the problems in any efficient way, as the Fed is doing despite the pain; thus the dollar is near a low and due for a major bounce against the European currencies?
- E) None of the above.

As we complete this piece, the dollar has staged a decent bounce. In fact, the euro even dipped back into negative territory during this bounce. Of course it is still early. And obviously the path of least resistance for the buck is down. But, maybe it is too soon to discount choice D above even though it was a major run-on sentence.

Regards

Black Swan Capital