

Black Swan Capital Currency Snapshot

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A lot of commotion, but what's new?

Lehman Brothers Holdings has declared Chapter 11 Bankruptcy. Any potential bidders have fled the scene and so far the Treasury doesn't plan on bailing them out.

Bank of America, however, has agreed to acquire Merrill Lynch for \$50 billion.

AIG is in rough shape and their fate hangs in the balance as this week opens up.

The Bank of China has decided to cut short-term rates to encourage liquidity and support economic growth in the face of increased market risk flowing from the US.

The Bank of England and the European Central Bank have pumped additional funding (5 billion pounds and 30 billion euros of loans) into their respective markets in an effort to shore up confidence and avoid panic in the face of the US banking fiasco.

The Bank of Australia joined the money party and unleashed a few billion into their markets, an amount more than they originally estimated would be sufficient in shore up market needs.

The Federal Reserve has widened its lending facilities, offering additional funds and accepting even more types of collateral.

And a group of 10 banks have set up a \$70 billion dollar fund to help with liquidity issues in the event of ongoing struggles among major US financial institutions.

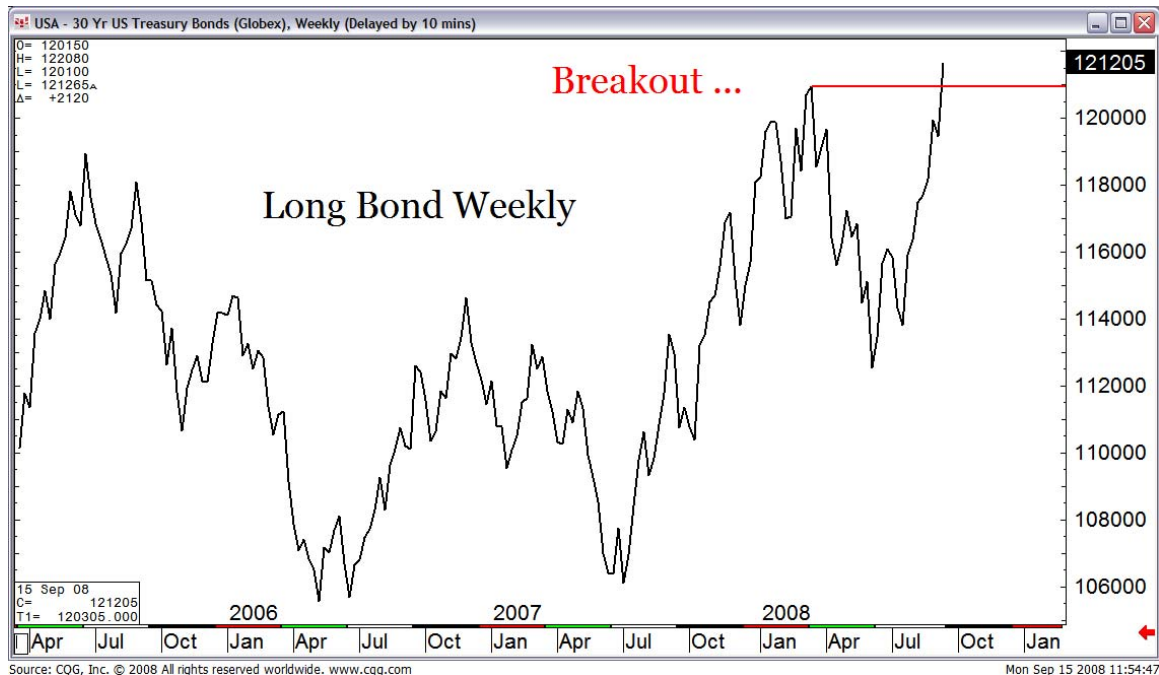
How have the currencies behaved?

Well, the US dollar opened up in the Asian session in much the same way it finished out the day on Friday – falling sharply against most all the majors. But that sell-off didn't last, and the buck bounced back with a vengeance.

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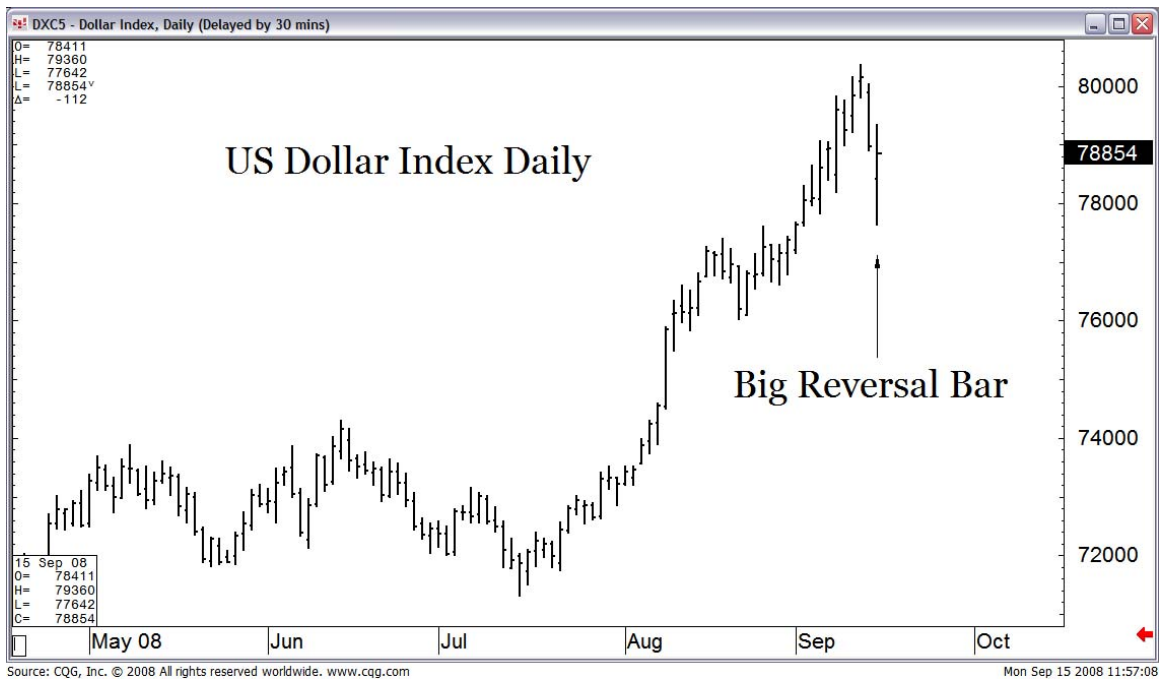
In fact, a massive risk-aversion flow of capital has benefited the dollar greatly. But besides the US dollar's big reversal against the likes of the pound, euro and Aussie, the risk aversion is also greatly supportive of the Japanese yen and, to a lesser extent, the Swiss franc.

In spite of all this commotion, our theme of money flowing back into the center is holding firm thus far. Take a look at the price of US 30-year bonds ...



Money is flooding into this class of investment. And while prices are pulling back from their highs this morning, we've already seen a large breakout of the weekly closing high going back to the middle of March. In all likelihood we expect to see this continue.

Perhaps the selling from Friday and into the opening of the Asian session is enough to washout the sellers and send the dollar back higher on a continued flow of risk aversion and deleveraging flushing money into dollar-denominated assets.



Regards,

Black Swan Capital