

Black Swan Capital
**Currency
Snapshot**

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Earth to Japanese yen: Come in Japanese yen ...

A subscriber recently emailed us the other day and asked, “What happened to the Japanese yen?”

There was nothing else written in the email except that. And since nothing notable has really happened to the Japanese yen in the last few months, I can only assume he was asking why the Japanese yen disappeared from our radar.

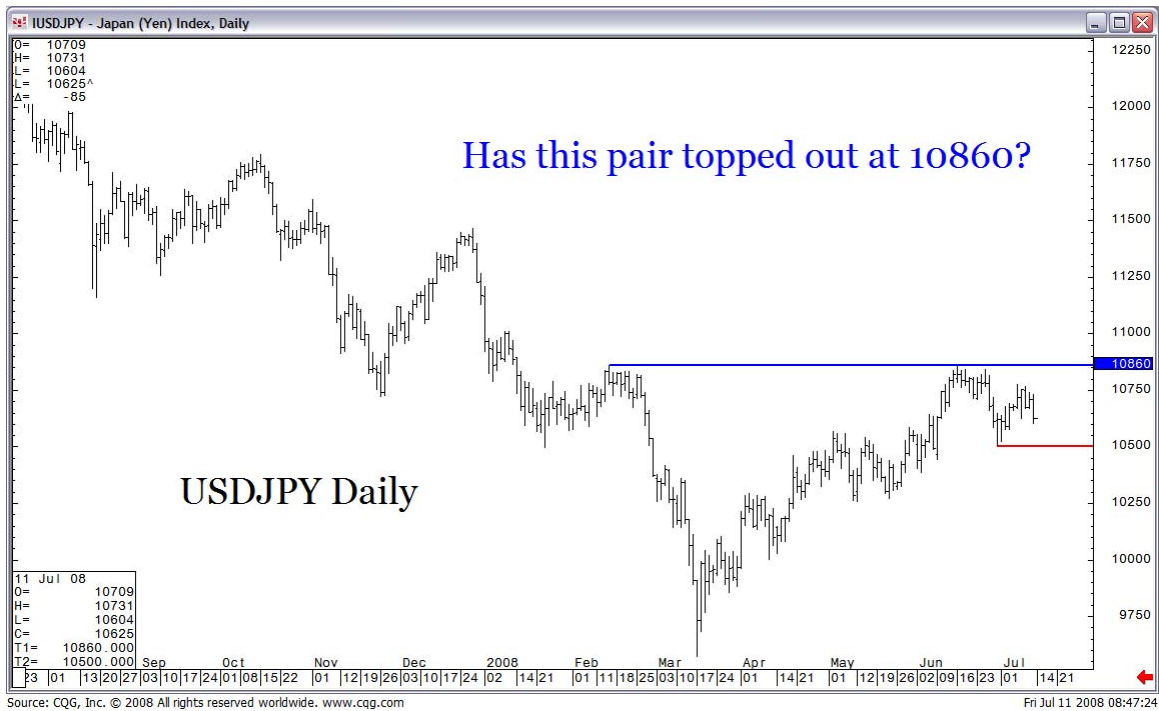
The only comments we could offer him focused on two things:

- 1) Inconsistent spurts of risk-aversion and risk-taking plus ...
- 2) The absence of widespread US dollar selling.

The Japanese yen has been tied to the risk environment. And since neither the risk takers nor the risk averse have dominated the market, the Japanese yen has been given little direction.

Additionally, the Japanese yen has been bogged down by a US dollar that’s trying to find its way. Since March 17th, the dollar has actually appreciated and the yen hasn’t been feeling the love.

And even though our editorial has shifted away from the Japanese yen snooze-fest, we maintain the belief that a massive wave of risk aversion could still very easily descend upon financial markets and prop up the Japanese yen.



The above chart shows USDJPY. Price action appears to show this pair topping out at 10860. A clean break below support at 10500 (red line) could confirm yen strength and open the door to test the next nearest support levels.

And if you haven't been following the Fannie Mae and Freddie Mac developments, let's just say things could get awfully ugly; enough even to spark the fearful risk aversion we mentioned earlier. Might be all that's needed for the break below 10500.

Regards,

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