

# Black Swan Capital Currency Snapshot

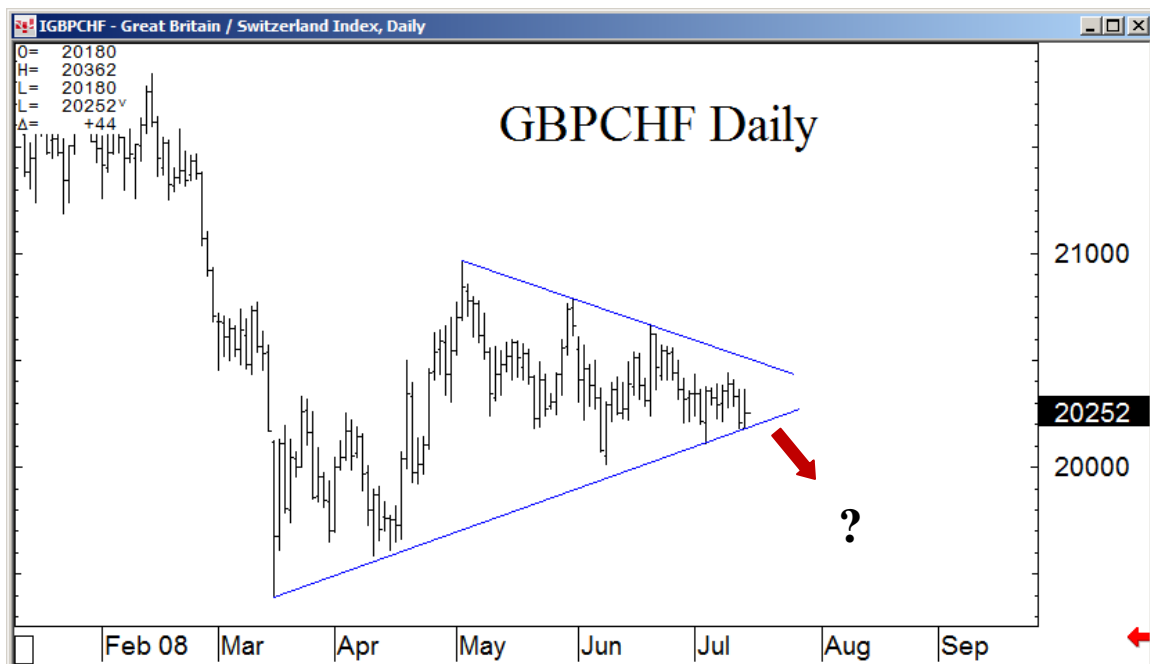
14 July 2008

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## Pound acting well on risk – but will Swiss outshine?

The ramp-up in credit risk in the market is huge. The pound is acting well today on the back of market risk. But, in the recent past the Swiss franc has been the star currency that has acted very well on risk, for two reasons we think:

- 1) Switzerland still hanging on to some reservoir of safe haven status in times of global trouble (and despite severing its gold link to its currency, it is still has a larger gold backing than any other of the major currencies).
- 2) Swiss likely still benefiting from European carry-trade status – Because of Swiss low interest rates, many actors across Europe funded a lot of risk asset investments and real estate (now becoming a risky asset); as they reduce this leverage and pay back Swiss denominated loans, the Swiss franc benefits accordingly.



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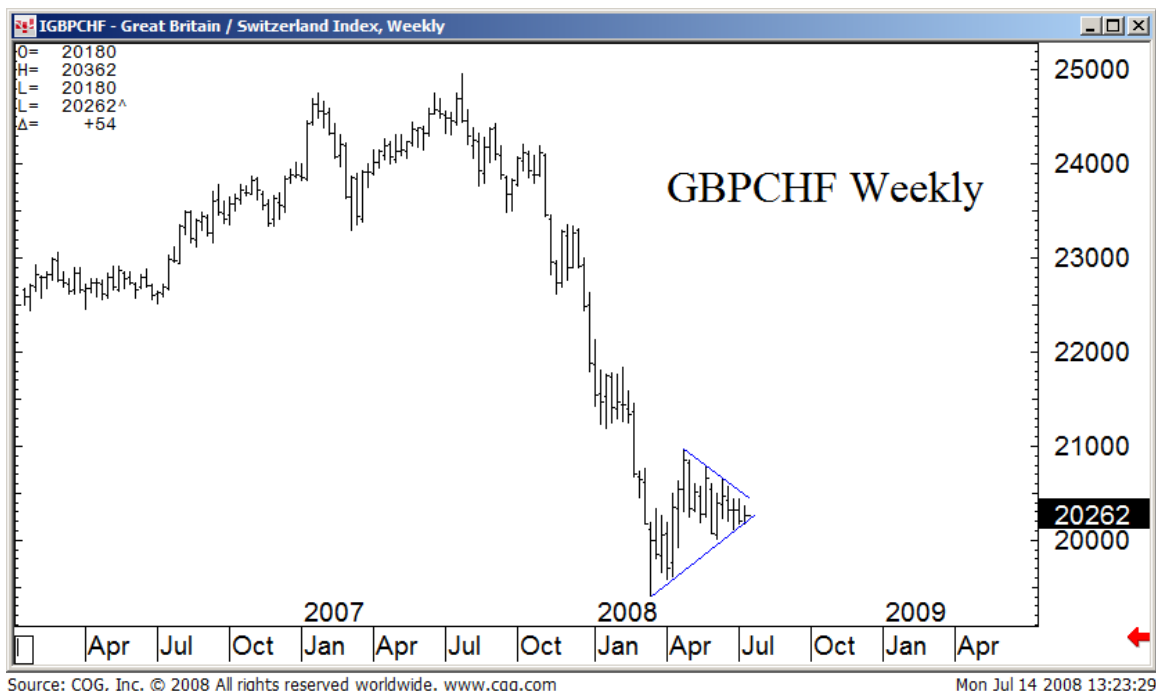
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Above is a daily chart of the British pound – Swiss franc cross rate. We think the Swiss should outshine the pound on this ramp-up in risk. If it does, we could see a sharp break lower out of this narrowing range.

From [Chartpatterns.com](http://Chartpatterns.com):

“Symmetrical triangles can be characterized as areas of indecision. A market pauses and future direction is questioned. Typically, the forces of supply and demand at that moment are considered nearly equal. Attempts to push higher are quickly met by selling, while dips are seen as bargains. Each new lower top and higher bottom becomes more shallow than the last, taking on the shape of a sideways triangle. (It's interesting to note that there is a tendency for volume to diminish during this period.) Eventually, this indecision is met with resolve and usually explodes out of this formation (often on heavy volume.) Research has shown that symmetrical triangles overwhelmingly resolve themselves in the direction of the trend. With this in mind, symmetrical triangles in my opinion, are great patterns to use and should be traded as continuation patterns.”

And as you can see when you step-back to the weekly chart, the trend in the pound – Swiss pair is definitely down...



Regards,

Black Swan Capital

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