



Black Swan Capital

Currency Currents

Thursday 25 June 2009

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Key News

- [Standard Life Buys Brazilian Real, Aussie, Sells Euro in Commodities Bet](#) (Bloomberg)
- [China's Central Bank Pledges to Keep the Money Flowing as Economy Recovers](#) (Bloomberg)

Key Reports Due (WSJ):

7:45 a.m. ICSC Chain Store Sales Index For June 20: Previous: -0.6%.

8:55 a.m. Redbook Retail Sales Index For June 20: Previous: -4.5%.

10:00 a.m. May Existing Home Sales: Expected: +2.6%. Previous: +2.9%.

10:00 a.m. June Richmond Fed Manufacturing Index: Previous: 4.

4:30 p.m. June 1 API Oil Industry Report

5:00 p.m. ABC/Wash Post Consumer Conf For June 20: Previous: -49.

Quotable

“Success usually comes to those who are too busy to be looking for it.”

Henry David Thoreau

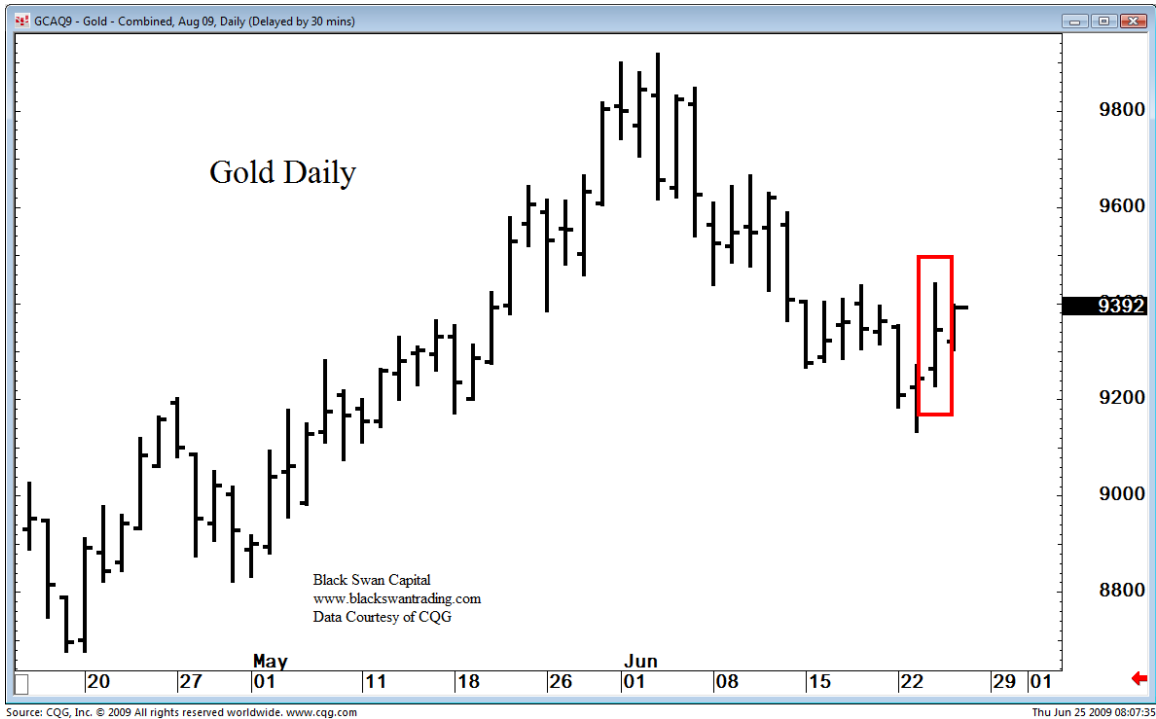
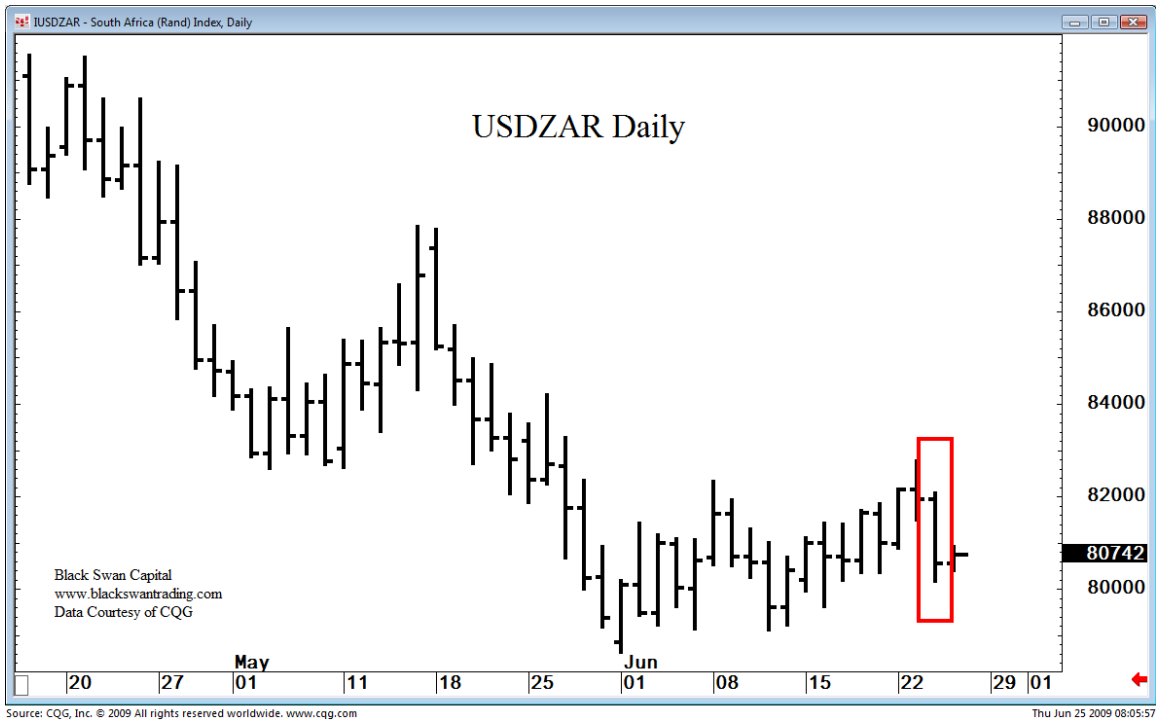
FX Trading – An Opportunity in Dollar/Rand?

Wondering why the South African rand rallied sharply against the buck yesterday? Me too.

Leading into and following the Federal Reserve announcement yesterday, the dollar was stronger versus the pack of majors. So what prompted such strength from the rand?

Scan the recent headlines and find they point toward ongoing weakness for Africa's largest economy. To be sure, nothing fundamental was the driver behind the rand's move yesterday.

Perhaps inter-market correlations can tell the story ...



Above is a chart of the USD vs. the South African rand. Below that is a chart of gold.

Even on a day when the US dollar index was decisively stronger, gold made an equally strong move and so did the South African rand. South Africa has a very extensive mining complex and its gold sector is important to the country's export revenue.

Perhaps this is the simple reason for the rand's peculiar strength yesterday.

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Commodities are a bit stronger to start the morning. But gold did finish well off its highs yesterday, unlike the rand. And with the South African economic data applying pressure, the rand is lower today despite early gold strength. Most recently, South African PPI plunged the most on record, softening the potential for inflation and increasing the potential for lower rates

If gold fails to conquer yesterday's intraday high then it could apply even greater pressure on the rand. Keep in mind, too, the buck is stronger again today. Right now it would seem the buck holds the advantage to the rand.

Perhaps a golden buying opportunity in USDZAR???

Regards,

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