



Key News

- LONDON, March 12 (Reuters) - World oil demand this year will be slightly higher than previously expected, the International Energy Agency (IEA) said on Friday, because of growth in developing countries.

The agency lifted its absolute demand estimates for 2009 and 2010 by 70,000 barrels per day (bpd) from its estimate in February. It now expects world demand to average 86.57 million bpd this year.

- TORONTO, March 12 (Reuters) - Canada's unemployment rate fell to 8.2 percent in February from 8.3 percent January as 20,900 more people found work in the month, with all the gains coming from full-time jobs and in the public sector.
- WASHINGTON, March 12 (Reuters) - U.S. retail sales rose unexpectedly last month despite heavy snow storms and a drop in vehicle purchases by consumers spooked by Toyota recalls, bolstering hopes of a sustainable economic recovery.

Sales rose 0.3 percent, the Commerce Department said on Friday, as consumers bought an array of goods from necessities to luxury items.

Quotable

"Ninety percent of everything is crap."

Theodore Sturgeon

FX Trading – Friday Rant.

Let's lead off with this ...

BEIJING, March 12 (Reuters) - The United States should not make a political issue out of the yuan, a Chinese central banker said on Friday, as the two countries lurched towards a potential bust-up over Beijing's currency regime.

The latest rhetorical salvos underlined how long-running friction caused by the yuan's de facto dollar peg could come to a head next month when U.S. President Barack Obama's administration decides whether to brand China as a "currency manipulator".

People's Bank of China Vice Governor Su Ning said the United States should look to itself to boost exports and not cast blame on other countries, when asked to comment on remarks on Thursday by Obama, who called on China to move to a "more market-oriented exchange rate".

The US will stop making a political issue out of it when China unleashes that puppy to run freely. How about that? So let's commend President Obama for calling out China's currency policy which could be dubbed "politically dictated", at least.

But then let's ask President Obama to further consider a good portion of his own policies and ideas ... and how well they line up with the free market process.

Either way, the US *does* need to worry about its own exports; we do need to get serious about maintaining a suitable environment in which our businesses can thrive. But it still isn't fun when, in this ever-integrated global economy, one major player isn't playing by the rules (this is not to presume anyone is perfect on this score, but any way you slice the numbers, the Chinese currency is significantly undervalued; this by no means any revaluation will be a magic elixir for Western trade; it's never that easy, nor should it be).

Okay, here's another story making news ...

March 12 (Bloomberg) -- Federal Reserve Bank of San Francisco President Janet Yellen is President Barack Obama's pick for vice chairman of the central bank in Washington, two people with knowledge of the selection process said.

The nomination is pending completion of vetting by the Obama administration, one person said. The vice chairman gets a four-year term, subject to Senate approval, and a separate term on the Fed Board of Governors. The people spoke on condition of anonymity because the selection hasn't yet been announced.

Yellen, 63, would replace Donald Kohn, a 40-year Fed veteran who resigned last week effective June 23. Yellen, who served as President Bill Clinton's chief economist in the 1990s, said last month that the U.S. economy "still needs the support of extraordinarily low" interest rates. She would gain a permanent vote on monetary policy, instead of having a vote one year out of every three as a regional Fed chief.

Should this maneuver come as any surprise? No. Should the US dollar be immediately and substantially impacted by this news? Doubtful. Could the US dollar be impacted in the future by this move? Absolutely. Two words: interest rates.

As recently as February of this year Yellen apparently said, "Even with my moderate growth forecast, the economy will be operating well below its potential for several years. If it were possible to take interest rates into negative territory I would be voting for that."

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I hear, as congratulations to being appointed to this position, Bernanke is going to make her a copy of the keys to his helicopter. Where is China when you need them? I mean, can't some big thinker in the Far East tell us how we should be handling monetary policy too?

Are we still wondering if sub-par growth is due to a lack of sufficient money supply? Are we no longer wondering if ample liquidity bred excesses that helped exacerbate the credit crisis/recession? Hey, the folks over at Alcoholics Anonymous have done a good job recognizing their problems and changing their ways; what do you say we take them out for beers to celebrate?

And to round out this morning's discussion ...

WASHINGTON (AP) — The government ran up the largest monthly deficit in history in February, keeping the flood of red ink on track to top last year's record for the full year.

The Treasury Department said Wednesday that the February deficit totaled \$220.9 billion, 14 percent higher than the previous record set in February of last year.

The deficit through the first five months of this budget year totals \$651.6 billion, 10.5 percent higher than a year ago.

The Obama administration is projecting that the deficit for the 2010 budget year will hit an all-time high of \$1.56 trillion, surpassing last year's \$1.4 trillion total. The administration is forecasting that the deficit will remain above \$1 trillion in 2011, giving the country three straight years of \$1 trillion-plus deficits.

The administration says the huge deficits are necessary to get the country out of the deepest recession since the 1930s. But Republicans have attacked the stimulus spending as wasteful and a failure at the primary objective of lowering unemployment.

The administration defends the economic stimulus bill that Congress passed in February 2009 with a pricetag at the time of \$787 billion as the right medicine to get the economy back on its feet. President Barack Obama has said even more is needed to battle an unemployment rate that remained stuck in February at 9.7 percent.

Ok, yeah, this isn't a surprise either. But for heaven's sake it should be a surprise -- a brutally awful one. Otherwise how in the world could this be tolerated?

And "huge deficits are necessary to get the country out of the deepest recession since the 1930s," really?

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