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**"Among the hazards of speculation the happening of the unexpected - I might even say the unexpectable - ranks high. There are certain chances that the most prudent man is justified in taking - chances that he must take if he wishes to be more than a mercantile mollusk--"
--Reminiscences of a Stock Operator--**

-Market Musings-
8-29-2004
5:00 AM

December Currencies become lead month on the holiday shortened Unemployment Friday' session, Canadian Dollar rolls Thursday.

'Category 4' Frances will be all over the news next week ..The RNC convention will also spotlight the news. According to recent polls 62 % of Americans think there will be a terrorist attack leading up to the elections.

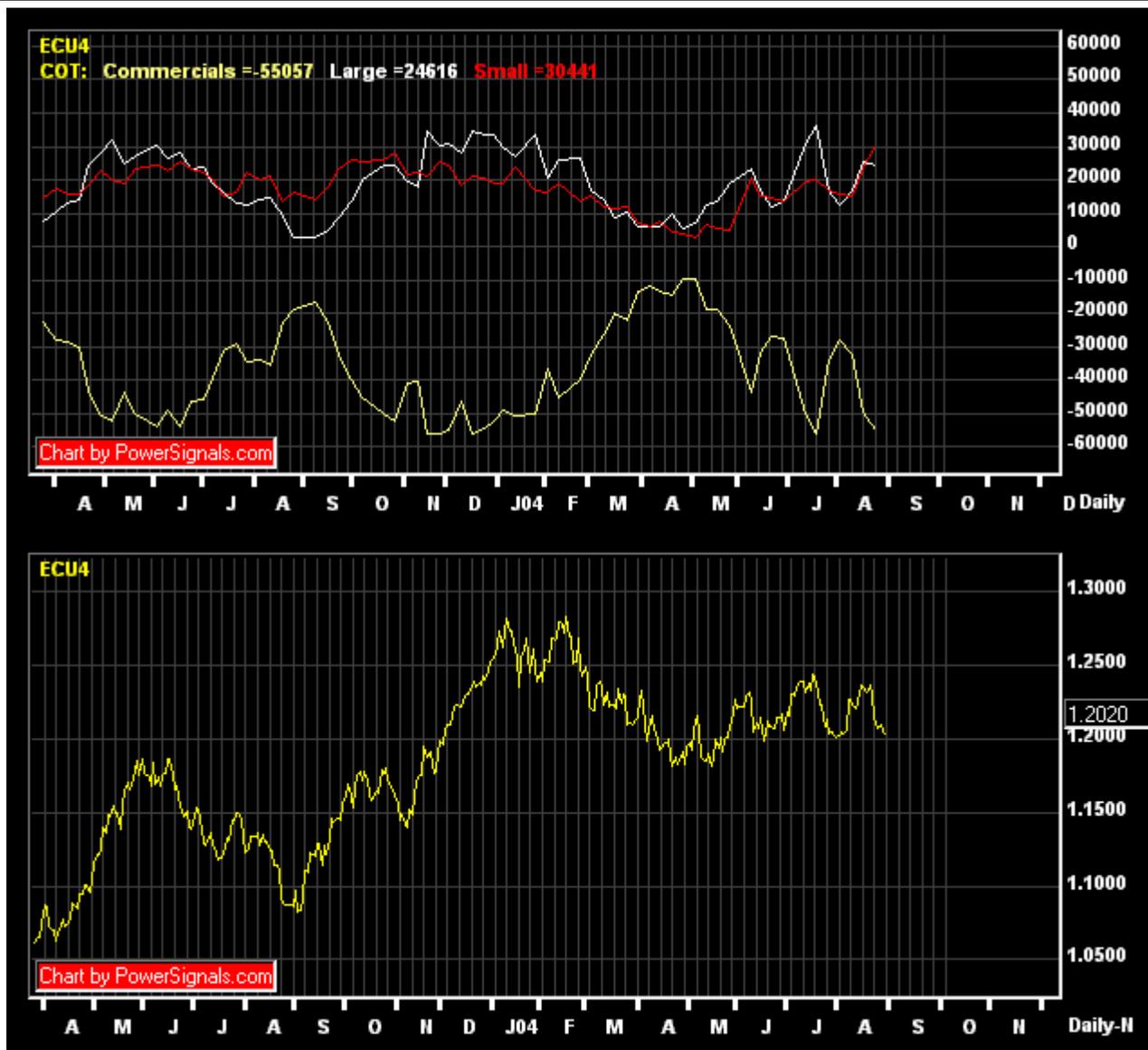
We can only prepare for a hurricane, cannot predict terrorist activity and have full faith in our men and women in law enforcement and the military. Come 'hell or high water' we will send out recommendations for December currencies via our Morning Comments and BW Updates.

On Friday the Dollar rallied across the board on a better than expected revision in Q2 GDP and better than forecast consumer sentiment survey. Stocks generally closed higher. (If the SP500 futures can maintain a trading level over 1101.10 at month's end will be higher on the month after making new lows for the year during August)

Many forex analyst and economist will write the dollar rally off to a thin market as a Bank Holiday in the UK on Monday may have led to some general selling of the Euro and Pound ...

Perhaps the piling on of Dollar shorts is a good reason .. As we see from our Commitment of traders chart, net longs by Spec's jumped as of Tuesday as traders added to the Long Euro position into the decline early in the week... Thus the sell off from the 12320 to 12380 region yielded little if any liquidation of longs and in fact longs increased positions. Pushing the net speculative Long exposure to levels seen during April to June of 2003 and December 2003. Subsequent declines for those periods after were approx.1000 pts...

Granted is only the picture of the Futures. But should be a good representation of the whole, if so the market appears severally unbalanced to the long side in spec positions.



If you have any questions or would like to see any other commitment reports, please call our office or email us

Dollars Bears will claim Last weeks action should be written off and they will look forward to looking at past economic numbers due out this weeks such as US PCE price index, PMIs from the US, Europe and the UK, factory orders from the US , unemployment data. Also the ECB is expected to keep rates unchanged at 2.0% on Thursday,.. however they will be scouring its statement to see if there is a chance the ECB may hike rates due to inflation .. Which i say again is highly unlikely and again call on the ECB to be a bit more pro Growth and lower rates...

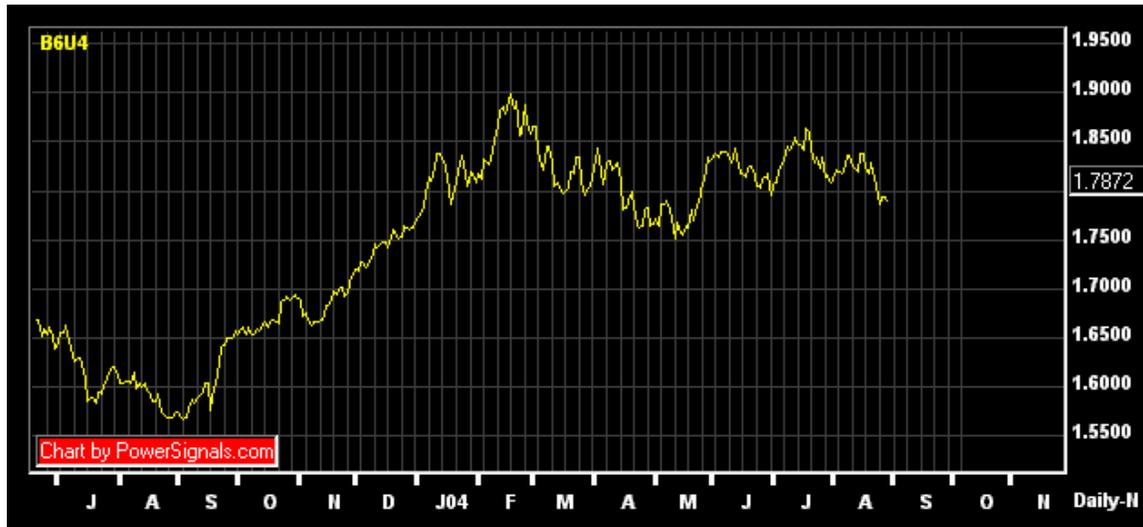
What Euro bulls need to do is look at what they are buying -- Based on Dec 31 rates the Euro remains lower on the year... and Has been for the past 5 months ...while private consumption in Germany while improving remains soft and Unemployment is still stubbornly high.. We applaud reforms being carried out by both the private and government sectors .. But this is a process that will yield results in years not days , weeks or even months...

Downside targets for the Euro given in our April 4th BW (issue 189) of the 11500 region for Euro remains, - Stay on Course in EC and Swiss Franc -

Turning towards Japan a 0.3 percentage point jump in unemployment for July may stifle some views of the country's economic recovery.. The rise in unemployment in Japan was a surprise and one could argue Increases the likelihood of MOF Selling of Yen on any further Advance against the dollar..

Our Previously stated down side long-term targets for Yen of 8300 (120.00 Dlr/yen) remains.

Looking at Cable , Dollar Bears will say Friday's Cable's decline was mainly the back of the Euro's Decline...but the Dual Head and shoulders chart pattern in the Cable is not friendly and portends for lower prices..



In Australia... PM Howard has called for elections on October 9th and considers his party as the underdog in the upcoming political battle . "Interest rates are also traditionally higher under a Labor government" Howard said, implicitly stating that rates will remain lower under his conservative party coalition..

We think the Aussie hit an important high last week and lower prices are in front of us ...Both the Aussie and Canadian Dollar often mimic gold in hard asset environment seen over the last few years..

Speaking of Gold ... the yellow metal has a propensity to decline into the US election cycle. December Comex Gold has NEVER closed in October over the June month end close in Any election year going back to 1976.. Dec Comex Gold settled at the End of June at 395 ish and hit recent highs just over a week ago a tad over 416, which was its year end level...

--Traders should maintain the current Dollar friendly trading posture--

Stay tuned for Updates and Flashes-

- *A Ship in Harbor is Safe...But that is not what ships are built for* -

Happy Trading!

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