

Friday, April 17, 2009

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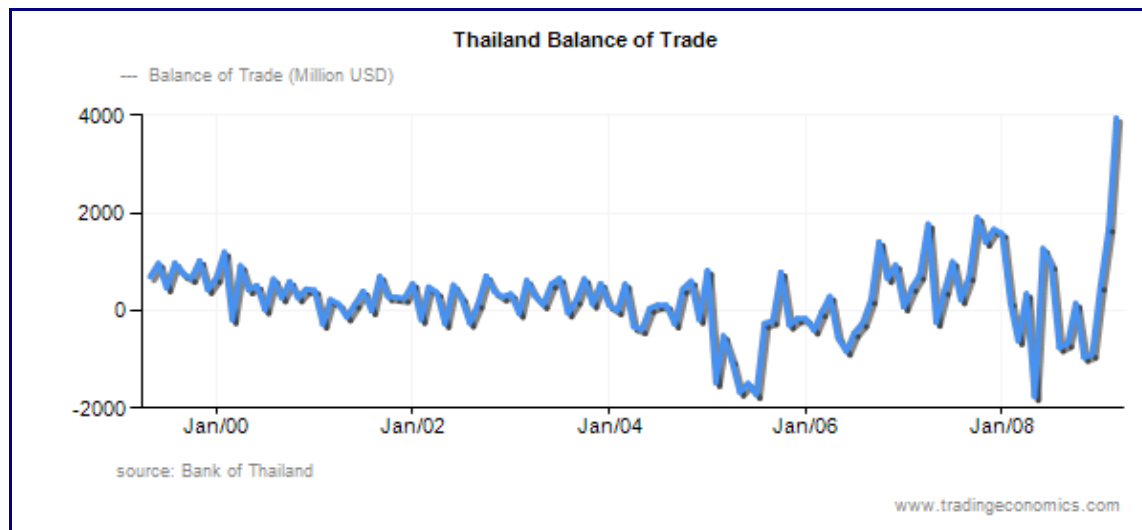
Thai Baht

Charts of Selected ETFs and Ratios

I am looking to add a minor long position in the Thai Baht to my Balanced Trade portfolio. I did not include THB in the trade initially because of the the political risk, but despite the most recent street festivities, credit downgrades and general scaremongering about Thailand in the media, the currency is holding up just fine so far. Maybe the reaction is being delayed because of the holiday there, but I think the markets opened back up yesterday, so you would guess that the fallout, if there is any, should be starting sooner than later.

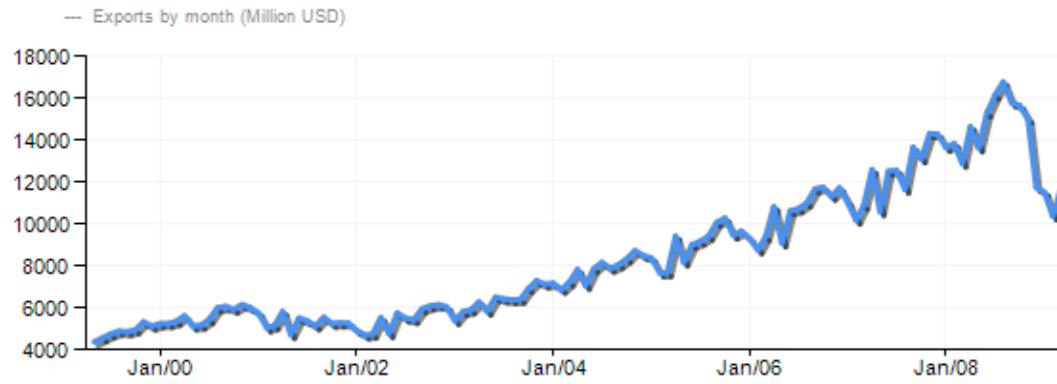
Why the Thai Baht? Quite simple really; Thailand exports lots of Food Stuffs (think Rice) and imports lots of Oil. The central idea behind the Balanced Trade is to buy currencies of countries that substantially export Agriculture and import Oil. Only a handful of currencies meet this criteria, and THB is one of them. THB will add risk to the portfolio, but I excluded the perceived fiscal, monetary and political risks from the equation when selecting the other components of the trade, so I feel justified in doing the same here. Those with more concern than I have that Thailand might fail to keep itself safe from Democracy will do fine sticking with the original trade components.

The recent upward surge in Thailand's Balance of Trade is a sight to behold:



According to the [WTO fact-sheet](#), in 2007 Thailand was a net-exporter of about \$17 billion worth of Agriculture products and net-importer of \$21 billion in Fuels and Mining products. Combined, these two net figures come to about 10 percent of the country's total external trade (combined Dollar value of imports and exports). That may not sound like a lot, but it is definitely enough for a large shift in the relative prices of Agriculture to Oil and other Commodities to noticeably alter Thailand's Balance of Trade. Of course this shift in relative commodities pricing has been underway since last fall and seems to have contributed at least partially to Thailand's improved Trade Balance. As this economic 'crisis' washes out, the Merchandise and Services components should become less erratic, leaving the Commodities aspect to drive trade numbers at the margin.

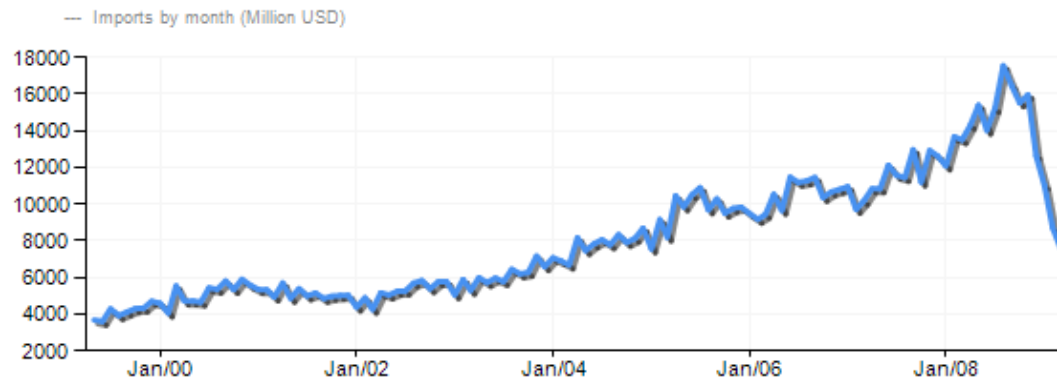
Thailand Exports



source: Bank of Thailand

www.tradingeconomics.com

Thailand Imports

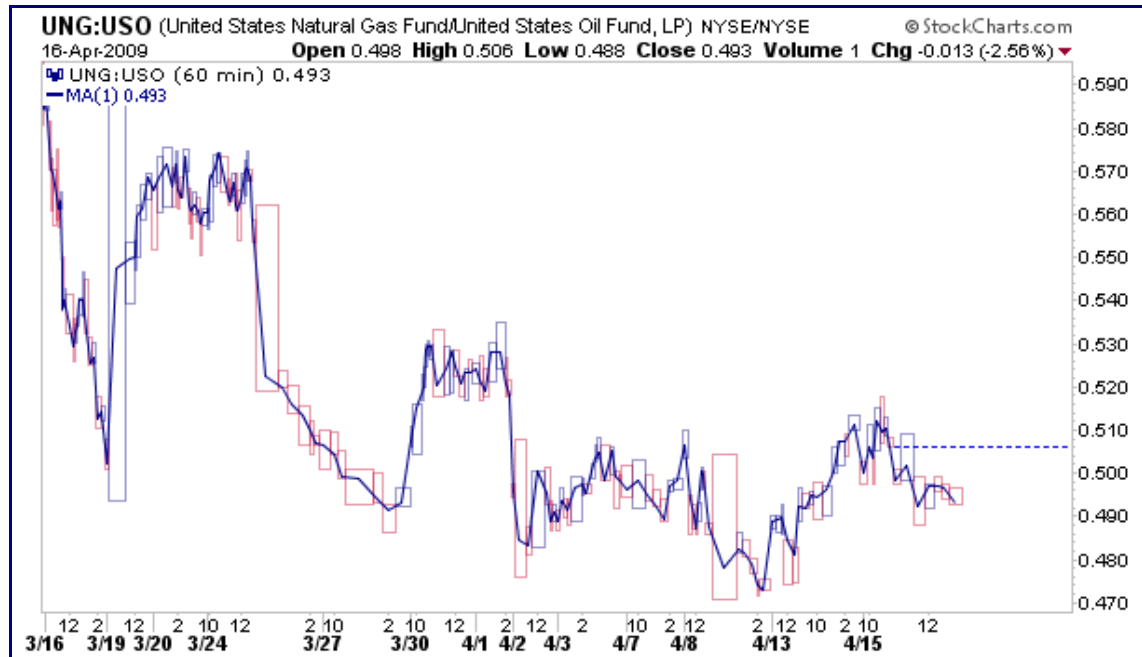


source: Bank of Thailand

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End of Week Summary

I'm going to run through several of the ETFs and ratios we've been tracking. You Know, just to make sure things are on the right track.



While the UNG-USO ratio got a little bit more of a bounce right after I mentioned it earlier this week, it didn't stay above .50 for long. This is the type of action that you should expect to see as a significant bottom forms, but I Know it can be frustrating to watch it vacillate.

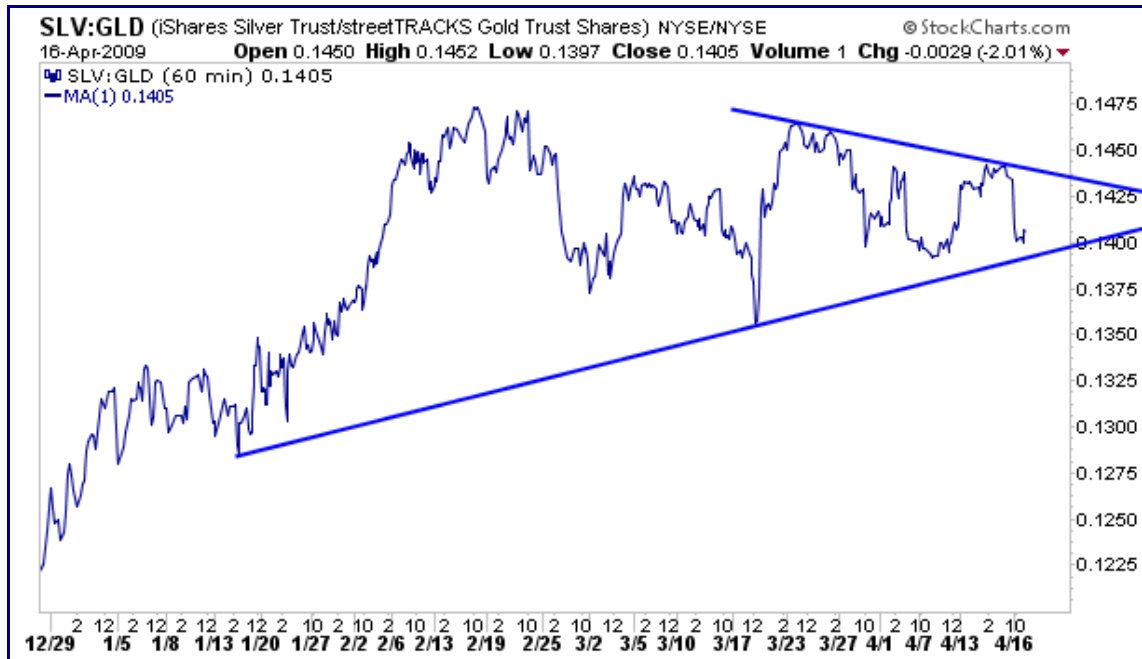


DBA-USO is going to have to move one way or the other here pretty soon. My bias is for it to move higher over the medium and long run, so while I can't be sure that it won't drop some first, this level could be a decent place to establish a position in a long DBA / short USO trade if you haven't already. Maybe a partial position now, and another on the next correction in the ratio.



SPY-GLD actually made it back up to 1.00. Yeah! I think it can go even higher, but often when a market hits an initial target it will retrace some before making another push. So beware of a pullback, I guess is what I'm saying.

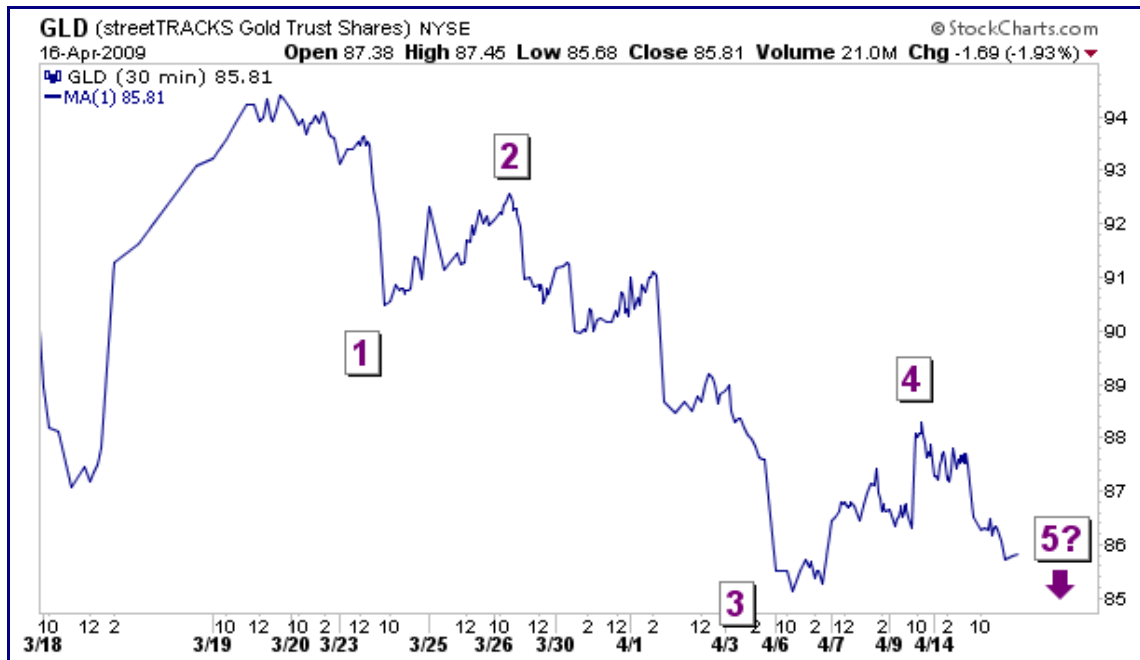
Otherwise, the ratio could start trending parabolic pretty soon. Lot's of shorts to squeeze still.



This is the SLV-GLD ratio, the inverse of GLD-SLV that normally track. A couple months ago I wouldn't have guessed that Silver would hold up this well relative to Gold so long. Maybe one more little upswing and then the big collapse? Or maybe I'm totally wrong about Silver now and it has more going for it than I suppose?



You Know the story with this one already. Still waitin'.



On this chart here of GLD I have included a possible wave count to consider. If this wave 5 hits a new low then I would be looking for short-term support at 83 or 84. We should see that within the next week if we are going to see it at all.



Further weakness in the Miners would greatly help the Bullion Bear cause. But I have been wrong about Gold stocks more often than any other market this year, so I'll just wait to see what they tell me, rather than telling you what I want to see.

Anyway, in the event that the neckline *does* break, look for initial support between 23 and 24.

As I send this off Metals are starting to drop again while the Dollar gains strength. This might be the 'Big One' peaking his head through the window. But it might be a fake out too, so be careful.

Best,

Kyle Ledbetter Lucas

Equal-Weight Currency Indexes

USD: 102.24

JPY: 92.55

EUR: 95.61

GBP: 105.00

CHF: 93.08

CAD: 102.83

AUD: 106.63

XAU: 100.87

XAG: 107.20