

**To:** Jes Staley [REDACTED]  
**From:** Jeffrey Epstein  
**Sent:** Thur 5/6/2010 2:38:31 PM  
**Subject:** keep confidential,, nytimes  
[Reserve Losses.pdf](#)

----- Forwarded message -----

**From:** Landon Thomas [REDACTED]  
**Date:** Thu, May 6, 2010 at 10:16 AM  
**Subject:** Fwd: Central Banks' Losses from EURUSD this Year: USD300 Billion and Counting  
**To:** "Epstein, Jeffrey" <[jeevacation@gmail.com](mailto:jeevacation@gmail.com)>

time to double down?

----- Forwarded message -----

**From:** Stephen L Jen <[REDACTED]>  
**Date:** Thu, May 6, 2010 at 2:59 PM  
**Subject:** Central Banks' Losses from EURUSD this Year: USD300 Billion and Counting  
**To:** Stephen L Jen <[REDACTED]>

## ***Central Banks' Losses from EURUSD this Year: USD300 Billion and Counting***

Stephen L Jen

May 6, 2010

**Bottom line:** Central banks have sustained USD300 billion in valuation losses (YTD) from the depreciating euro. The level of angst at these central banks may be elevated now and the risks are rising that some of these central banks de-rate the euro.

Total foreign currency reserves held by all central bank have reached USD9.0 trillion, with the top-8 reserve holders managing some US\$5.3 trillion. Of this latter amount, US\$1.55 trillion (or 30% of the total) is held in euros.

Corresponding to the 10% depreciation in EURUSD year-to-date, the top-8 reserve holders may have suffered close to USD200 billion in valuation losses, and for all central banks the total valuation loss has been around USD300 billion. We guesstimate that China (SAFE) may have suffered a US\$80 billion in EUR valuation losses, US\$14 billion for Russia, and US\$7 billion for Korea. These

*figures do not include actual and potential further losses on their underlying holdings of European bonds.*

*If EURUSD trades down to 1.2150, all of the monetary gains from the dollar-to-euro diversification in the past decade will be lost.*

*(1) Central banks' reserve managers are presumably reconsidering their dollar-diversification strategy, now that the euro is also found to be less than a perfect 'anti-dollar'.*

*(2) The risks of further declines in the euro and a possible debt rescheduling in Europe are likely to be sources of additional worries for central banks with large exposures to the euro.*

*(3) In addition to central banks being concerned about the euro, the euro-selling process has only just begun for the large real money institutional funds, and the potential for much larger funds to reduce their euro exposures is significant.*

*Since January, my mental target for EURUSD has been 1.20. However, I now think the risk to EURUSD is heavily biased to the downside relative to this figure.*

slj

Stephen L Jen  
Managing Director of Macroeconomics and Currencies



BlueGold Capital Management LLP  
4 Sloane Terrace, SW1X 9DQ  
London, UK

W: [www.bluegoldcap.com](http://www.bluegoldcap.com)

Authorised and regulated by the Financial Services Authority

**Confidentiality Notice**

Copyright material and/or confidential and/or privileged information may be contained in this e-mail and any attached documents. The material and information is intended for the use of the intended addressee only. If you are not the intended addressee, or the person responsible for delivering it to the intended addressee, you may not copy, disclose, distribute, disseminate or deliver it to anyone else or use it in any unauthorised manner or take or omit to take any action in reliance on it. To do so is prohibited and may be unlawful. The views expressed in this e-mail may not be those of the Company from

which it has come but the personal views of the originator. If you receive this e-mail in error, please advise the sender immediately by using the reply facility in your e-mail software. Please also delete this e-mail and all documents attached immediately. Many thanks for your co-operation.

Registered Office: 42-44 Portman Road, Reading, Berkshire, RG30 1EA. Registered No OC331798

--

Landon Thomas, Jr.  
Financial Correspondent  
New York Times

--

\*\*\*\*\*

The information contained in this communication is confidential, may be attorney-client privileged, may constitute inside information, and is intended only for the use of the addressee. It is the property of Jeffrey Epstein

Unauthorized use, disclosure or copying of this communication or any part thereof is strictly prohibited and may be unlawful. If you have received this communication in error, please notify us immediately by return e-mail or by e-mail to [jeevacation@gmail.com](mailto:jeevacation@gmail.com), and destroy this communication and all copies thereof, including all attachments.