
From: Jeffrey Epstein <jeevacation@gmail.com>
Sent: Thursday, May 6, 2010 2:36 PM
To: Landon Thomas
Subject: Re: Central Banks' Losses from EURUSD this Year: USD300 Billion and Counting

there is only one currency,, us dollars.. there is only one bank jpmorga=. . same story as last year. . the other interesting fact is gold , whic= does not appear to be the haven any longer. with all the hoopla, gold =as topped out and has not really run

On Thu, May 6, 2010 at 10:16 AM, Landon Thom=s <land=nthomasjr63@gmail.com
<mailto:landonthomasjr63@gmail.com> > wrote:

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 an= Counting
To: Stephen L Jen <[REDACTED]>

Central Banks' Losses from EURUSD this Year: USD300 Billion and Co=nting

May 6, 2010

Bottom line: Central =anks have sustained USD300 billion in valuation losses (YTD) from the depr=ciating 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 =uro.

Total foreign currency reserves held by all central bank have reached =SD9.0 trillion, with the top-8 reserve holders managing some US\$5.3 trilli=n. Of this latter amount, US\$1.55 trillion (or 30% of the total) is hel= 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 va=uation losses, and for all central banks the total valuation loss has been=around USD300 billion. We guesstimate that China (SAFE) may have suffer=d a US\$80 billion in EUR valuation losses, US\$14 billion for Russia, and U=\$7 billion for Korea. These figures do not include actual and potential=further losses on their underlying holdings of European bonds. <=i>

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=/p>

Stephen L. Jones
Managing Director of Macroeconomics and Currencies

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Landon Thomas, Jr.
Financial Correspondent
New York Times



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