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 intersting 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 the=r dollar-diversification strategy, now that the euro is also found to be l=ss than a perfect 'anti-dollar'.

(2) The risks of further declines in the euro and a possible debt resc=eduling in Europe are likely to be sources of additional worries for centr=l banks with large exposures to the euro.

(3) In addition to central banks being concerned about the euro, the e=ro-selling process has only just begun for the large real money institutio=al funds, and the potential for much larger funds to reduce their euro exp=sures is significant.

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

slj=/p>

Stephen L Je=
Managing Director of Macroeconomics and Currencies

=br>

<=trong>

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New York Times
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