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**From:** Jeffrey Epstein <jeevacation@gmail.com>  
**To:** Jes Staley <[REDACTED]>  
**Sent:** 5/6/2010 3:38:31 PM  
**Subject:** keep confidential,, nytimes  
**Attachments:** Reserve Losses.pdf

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**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>

time to double down?

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**From:** Stephen L Jen <SJen@bluegoldcap.com>  
**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 <SJen@bluegoldcap.com>

## ***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 USS5.3 trillion. Of this latter amount, USS1.55 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 USS80 billion in EUR valuation losses, USS14 billion for Russia, and USS7 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.*

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*(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



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