

## HIGHLIGHTS OF THIS ISSUE

In this issue, we briefly update our themes. We then introduce **PATRIC**, GAD's Pattern Recognition In Currencies, a new, predictive, cyclical tool for G10 currencies.

- The global economy is still in a muddle-through scenario; however, we believe we are at the cusp of a new short-term trend in risk-taking. Policy-making decisions and market positioning promise an exciting fourth quarter.
- In **Paying the Piper**, the market is attempting to extract another pound of flesh from the European periphery. It appears that it may be harder this time.
- Interestingly, in **Pigs vs. Bacon**, we detect some novel differentiation and the first specks of greed.
- In the **Spread Looks Bright**, we note signs of rally exhaustion in both the Treasury as well as the credit markets themselves. Indeed, the aftermath of the current credit market rally may be more useful to equities than bonds.
- In our spotlight piece, we present an alternative framework for predicting currency performance over a cyclical, medium-term horizon. The framework, based on neural network with fundamentals, forecasts the rank of a group of currencies for a three-to six-month period.

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