political secrecy obscures market fundamentals. Forex “is dicey because of all the politics and central band policies - in the FX market there are a lot of political machinations,” that can influence exchange rates,” he said.]

Solari sees the forex markets as a very effective medium for technical analysis, “ Currencies represent the pure psychology of the crowd and it's really defining crowd behavior and everything fits,” into that framework, he said.

While technical analysis professionals may feel that Osler's research largely confirms what they already know, it offers comprehensive research backing to a trading methodology that is widely used as the basis of risk management in currency markets.

In late trading in New York Tuesday, the euro was at $0.8838, below $0.8876 in London and weaker than $0.8903 late Monday. The dollar was at Y121.27, down from levels in London but stronger than the Y121.14 late Monday, while sterling was at $1.4252, down from $1.4382 in late New York trade Monday.

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## *In Other News:*

### =DJ Fed Paper Finds U.S. Economy Has Become Less Volatile

Dow Jones News Service via Dow Jones

(This article was originally published Tuesday)

By Michael S. Derby

Of DOW JONES NEWSWIRES

NEW YORK (Dow Jones)--The U.S. economy's performance over the past two decades offers evidence of a more stable growth path, one that is less vulnerable to the boom-bust patterns of previous eras, according to a new research paper released by the Federal Reserve Bank of New York.

In a paper entitled “Recent Changes in the U.S. Business Cycle,” Simon Potter, a domestic research analyst with the bank, and University of California, Riverside, economics professor Marcelle Chauvet argue that since 1984, the U.S. economy's growth level has become significantly less volatile, and that recessions are now occurring with reduced frequency.

The report represents the findings and opinions of the researchers and not necessarily those of the Fed itself.

“There have been fundamental changes in the economy since the mid-1980s. We find that there is strong evidence of a change in the economy towards stability,” paper co-author Marcelle Chauvet said.

The paper compares two periods - 1959 through 1983 and 1984 through 2000 - and found that volatility in all major measures of economic activity has declined, in some cases dramatically.

For example, in the 1959-1983 period, gross domestic product grew at an average of 3.41%, with a standard deviation of 4.33. During the next period, GDP growth was little changed at an average of 3.39%, but the standard deviation halved to 2.13.

Manufacturing activity grew during the first period at an average of 3.59%, with a standard deviation of 9.45. From 1984 through to 2000, manufacturing output growth stood at 3.84%, but the volatility contained within the standard deviation plummeted to 3.67, the paper said.

One of the few areas of the economy that has remained volatile is the retail sales sector. During the first time period, its standard deviation stood at 6.87, while the 1984-2000 period saw it move down to 4.51.

New Economy - Maybe Yes, Maybe No

The paper's finding that the overall economic volatility has diminished helps add some heft to the so-called New Economy argument. That posits that changes in technology and inventory controls have upped the economy's productive capacity, and have created a basic shift upward in the economy's ability to grow.