

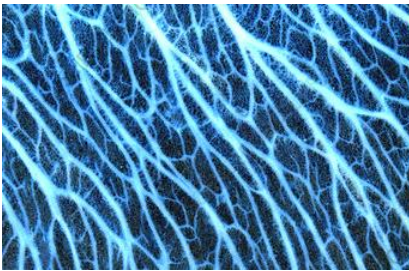
am
FX

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Helicopter seeds are called "samara". They are an excellent example of how plant and animal evolution have converged on many identical aerodynamic solutions.



Current Trades

Flat

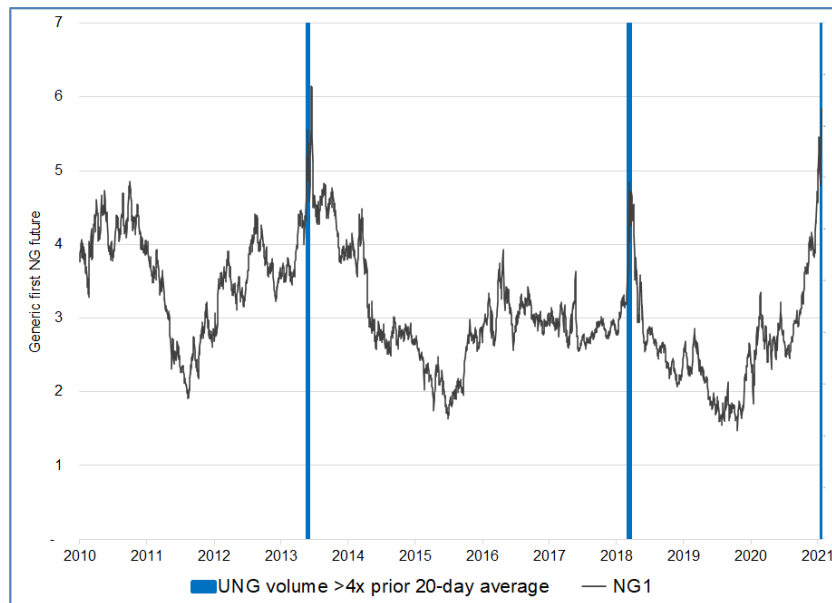
Gas panic

Peak energy panic?

Looking at the volumes in ETFs and other listed funds can be a useful way of measuring sentiment in unlisted products. For example, we used to watch DXJ for Abenomics sentiment and UUP for retail dollar sentiment. This helps give a sense of how many tourists are in a product and can help identify sentiment extremes.

Yesterday's volume in UNG (the NYSE-listed natural gas fund) was more than 4X its prior 20-day average. That is highly unusual and has marked the top of NG within one day on the prior two occasions. It's a small sample size but I think it's worth noting as it's logical to forecast that frenzied interest from tourists might identify a blow-off top in a mean reverting market like natural gas. The number of people talking about gas station lineups and failing energy retailers in the UK is also probably a potential sign of a peak in the Great Energy Panic of 2021. Here is a chart:

NG1 with UNG volume spikes marked



I have excellent investment experience and knowledge

This recent paper from [Elkind, Kaminski, Lo et al.](#) is enlightening and darkly humorous. Here is a key excerpt from the abstract (bold emphasis mine):

When Do Investors Freak Out? Machine Learning Predictions of Panic Selling

Despite standard investment advice to the contrary, individuals often engage in panic selling, liquidating significant portions of their risky assets in response to large losses. Using a novel dataset of 653,455 individual brokerage accounts belonging to 298,556 households, we document the frequency, timing, and duration of panic sales, which we define as a decline of 90% of a household account's equity assets over the course of one month, of which 50% or more is due to trades. We find that a disproportionate number of households make panic sales when there are sharp market downturns, a phenomenon we call 'freaking out'.

We show that panic selling and freak-outs are predictable and fundamentally different from other well-known behavioral patterns such as overtrading or the disposition effect. **Investors who are male, or above the age of 45, or married, or have more dependents, or who self-identify as having excellent investment experience or knowledge tend to freak out with greater frequency.**

One of the most interesting and counterintuitive parts of the paper is the table on page 19 which shows the relative propensity of investors to freak out, by occupation. Real estate agents, self-employed individuals, consultants, professionals, and finance people freak out the most. Paralegals, minors, social workers, government employees, and police-military freak out the least. In other words, the more sophisticated you are, the less chance you have diamond hands. Apes together strong.

They still got pay phones, it costs a dollar a minute

It has been an epic month for the Nikkei as you can see in the table at right. The table shows the 25 largest months of Nikkei outperformance vs. the S&P 500 going back to 1980. This month, the differential is Japan +8.5% (Nikkei up 4.9% with SPX down 3.6%). A quick scan of that table shows that the month after, the SPX tends to make a comeback, with an average outperformance of 1.4%. This is primarily because US equities have massively outperformed Japan since 1990.

Still, I think it's mildly interesting that even in years like 2012 and 2013, in the throes of a raging Abenomics ripper, the Nikkei had trouble cobbling together a two-month winning streak against the ever-exceptional USA.

GBP

I have been bearish GBP on the "hiking into an energy and labor shortage is bad" theme but I will say this: people tried this trade in the USD at the end of 2020 (sell USD, sell bonds) and it worked for a few weeks then went horribly wrong. Fast. Juicy nominals attract money flows once real rates stabilize. I am not bearish GBP anymore.

Month end

The market is a bit confused going into this month end. The models all say buy USD but obviously a lot of dollars have been bought already and fast money is long USD too. My gut still says it's time to take profit on USDJPY longs and reload lower. The epic resistance levels all come in around 111.75/112.40, bond markets are stable off the lows, and the turn of the month is often a turn in trend for FX markets. The AUD, GBP and NZD sell-offs look extended and USDCNH is failing to launch.

Careful with those USD longs.

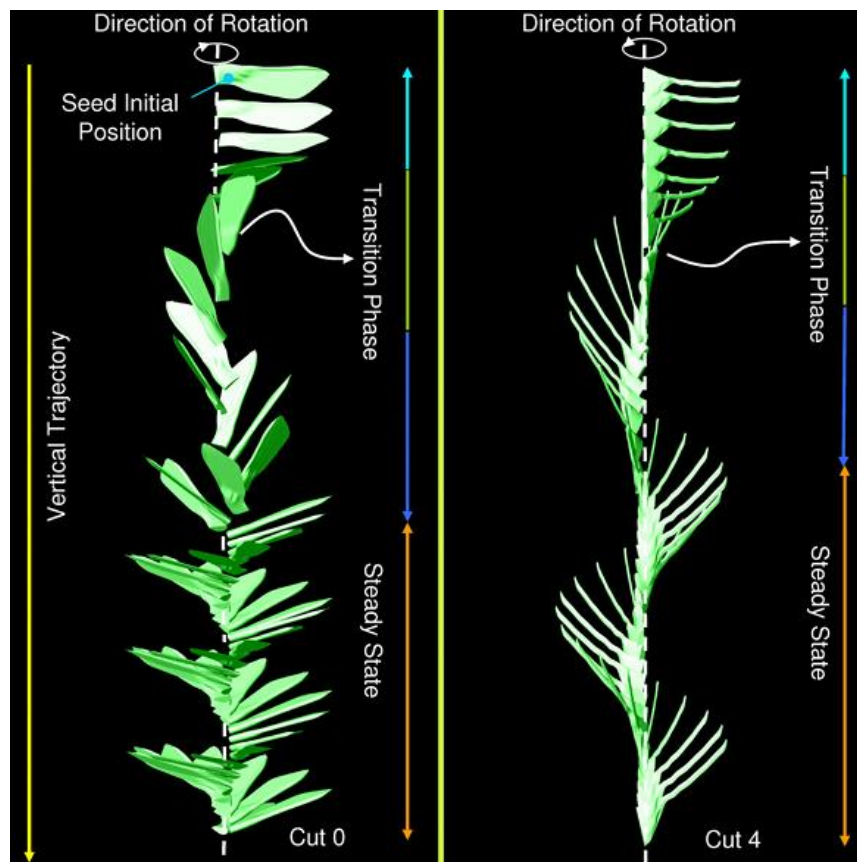
Date	Nikkei vs. SPX (perf. difference for the month)	NKY vs. SPX the following month
10/31/1990	20.7%	-16.9%
8/31/1992	15.9%	-4.6%
4/30/1993	15.1%	-4.0%
1/31/1994	12.9%	1.9%
7/31/1995	11.7%	8.7%
12/31/2009	11.1%	0.4%
3/31/1986	11.0%	1.2%
4/30/2002	10.4%	3.3%
4/30/2013	10.0%	-2.7%
12/31/2012	9.3%	2.1%
10/30/1987	9.3%	8.2%
4/30/1987	9.1%	5.8%
9/30/1991	9.0%	4.3%
11/30/2000	8.8%	-6.3%
8/31/1995	8.7%	-5.1%
9/30/2005	8.7%	2.0%
9/30/2002	8.5%	-16.6%
9/30/2021	8.5%	
12/30/2005	8.4%	0.8%
1/31/2000	8.3%	4.2%
11/30/2010	8.2%	-3.6%
11/30/1987	8.2%	-12.2%
2/28/2002	8.0%	0.5%
1/30/1998	8.0%	-5.8%
10/31/2016	7.9%	1.7%

good luck ⇕ be nimble

It is the time of year for helicopter seeds in Connecticut

Helicopter seeds are called “samara”... They are winged fruit in which a flattened wing of fibrous, papery tissue develops from the ovary wall. The shape of a samara enables the wind to carry the seed farther away from the tree than regular seeds would go and is thus a form of anemochory. (from Wikipedia)

A quick discussion: <https://www.caltech.edu/about/news/maple-seeds-and-animals-exploit-same-trick-fly-1540>



A deep dive: [The kinematics of falling maple seeds and the initial transition to helical motion](#)

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