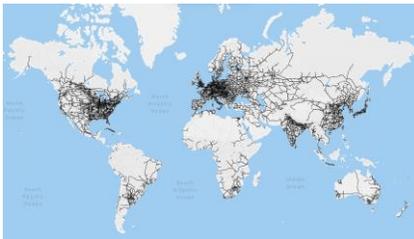


am
FX

Brent Donnelly

bdonnelly@spectramarkets.com
(212) 398-6230



The global railway network.

Click on the image to see the larger, way cooler version.

Current Views

↓ **ESZ1 @ 4408**
Stop 4451
Take profit 4301

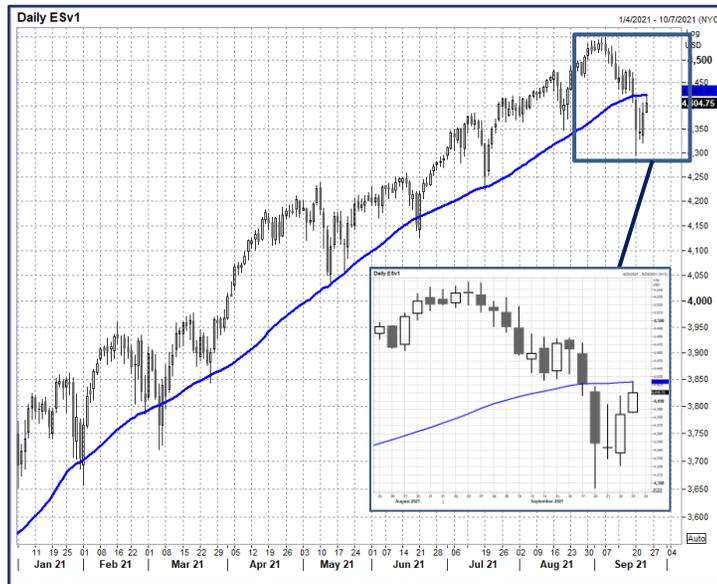
Stonks and BTC

Stocks

The 55-day moving average has ruled the SPX all year and now we are trading below it. Futures made a perfect retest of the level on a quick spike this morning (see zoomed box on chart below). With PMIs set to roll over, brisk and accelerating deflationary headwinds from China real estate (China Fortune Land Development just halted as I'm typing this), central bank and fiscal support near peak, Fed taper on the horizon, supply side problems likely to hurt growth, and (finally) a break of the 55-day MA, the bear side of stocks makes sense.

When trading stocks from the short side, I take my shot, pick a stop loss, and if I get stopped out, I move on. Tactical shots from the short side can be fun and lucrative while persistent bearishness in a bull market is a waste of energy and money. I'm bearish with a stop at 4451 (details in sidebar). Here is the chart.

S&P 500 futures this year with 55-day MA



BTC Microstructure around the FOMC meeting

I was curious to see how bitcoin trades around the FOMC meeting. Does it follow interest rates, the USD or just nothing at all? Answer: The USD.

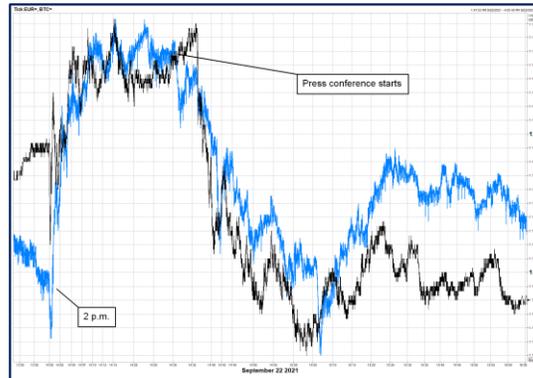
Correlation of 1-minute changes, 1 p.m. to 4 p.m. yesterday¹

	BTC	EURUSD	EDZ2	EDZ3
BTC				
EURUSD	27%			
EDZ2	17%	49%		
EDZ3	8%	52%	65%	

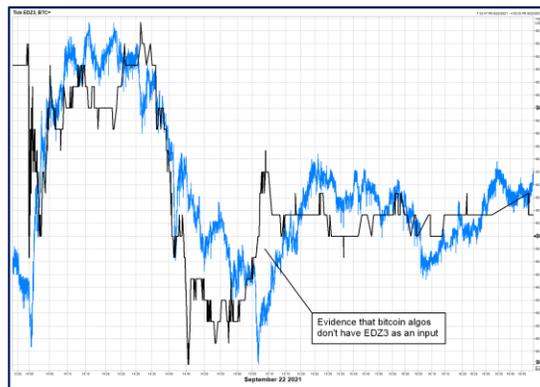
Check out the tick charts on the next page.

¹ EDZ2 vs. EDZ3 correlation in reality is very high but on 1-minute change data, there is enough noise that the correlation falls down to 65%.

BTC and EURUSD from 1 p.m. to 4 p.m. yesterday



BTC and EDZ3 from 1 p.m. to 4 p.m. yesterday



Obviously, EDZ3 and EURUSD move in tandem after an FOMC announcement. Bitcoin is also impacted by Fed policy expectations, and so you might expect some correlation to the other Fed-driven stuff. But it gets more interesting when EDZ3 and EURUSD diverge. In those instances, bitcoin must pick one asset or the other to follow.

As you can see in those two charts, yesterday, bitcoin chose EURUSD. This suggests to me that high frequency bitcoin correlation algos are programmed to follow the USD. I hope you find that interesting. Interesting the way items viewed under a microscope are interesting... Not like: "Hmm, this cheese smells interesting."

I used EURUSD for this analysis, but if you look at correlations over the past 60 days, BTC is actually more correlated with risky currencies like CAD, CLP, NZD, AUD and GBP than to funders like EUR, CHF and JPY. I think it makes sense to think of BTC as an extremely volatile and extremely idiosyncratic risky asset currency. Like AUDJPY in 2008 but with a 30% correlation to stocks instead of 99%.

Two good reads

[Seven ways men live without working in America](#)
[BOJ eyes LDP race as hawkish outlier Takaichi gains strength](#)

Have a high-speed, but on-the-rails day.

good luck ↑↓ be nimble

Yesterday's non sequitur stimulated much dialogue. Thank you to all those who offered explanations. The explanation that follows explains most of the difference between US and China. The USA has thousands of tiny airports for private planes while most countries do not. See table below which shows railway stats for comparison since many thought China's rail network is a substitute for airports.

Full reader response (reprinted with permission):

Hi Brent, a quick comment on the number of airports in the U.S. vs China. Most of the U.S. airports (roughly 12,900 of the 13,513 that you mention) are class E or uncontrolled airspace airports usable by small craft (think Cessna 172). Of the ones usable by jet traffic, there are approximately:

40 Class B airports (e.g. JFK, BOS, SFC)
 116 Class C airports (Albany)
 474 Class D airports (Westchester County)

My hunch (from having flown over various parts of the world piloting a large size private jet) is that the likes of China and Russia have almost no uncontrolled airspace airports for reasons related the military deployment, history (very skinny pickings in private flight schools outside of major cities), weather, etc. If you compare Class B, C, and D airports usable by jet traffic, the comparison would not be as drastic.

Top 10 countries by rail transport network size

Rank	Country	Length	Electrified length	Population per km track
		(km)	(km)	
1	United States	149,407	2,025	2,060
2	China	146,300	100,000	9,570
3	Russia	85,600	43,800	1,678
4	India	67,956	45,881	19,656
5	Canada	64,000	129	674
6	Germany	40,625	22,500	2,145
7	Argentina	36,966	190	1,117
8	Australia	33,168	3,393	742
9	Brazil	29,817	9,025	7,225
10	France	29,273	15,687	2,374

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