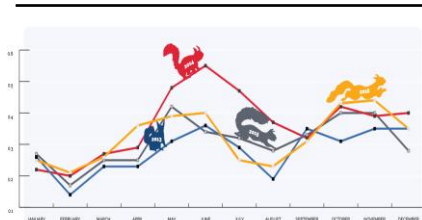


am  
FX

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Squirrel-related power outages by year for 2013, 2014, 2015, and 2016. Seasonality!

<https://www.publicpower.org/blog/defending-against-outages-squirrel-tracker>

## Current Views

Short USDJPY @ 115.31  
Stop 116.11

Short USDCHF @ 0.9300  
Stop 0.9381

Long EURUSD @ 1.1151 (limit)  
Stop loss 1.1084

Long AUDUSD 0.7041 (limit)  
Stop loss 0.6984

Long 03FEB CADJPY  
90.00 put  
Spot ref: 90.80 /// Price 75 pips  
Take profit 88.65

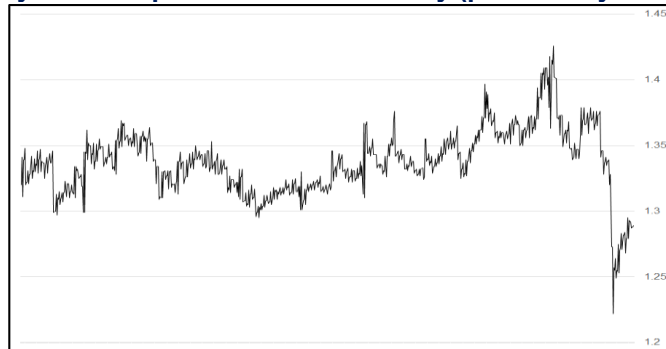
# Nice setup for short USD

My view over the past 7 trading days has been bullish USD on expectations of mutant month end USD buying, a BoC pass and a hawkish FOMC. Now, those things have played out and it's time to think about what is next. To me, this is setting up as a spectacular place to take a shot at short dollars. You have all sorts of things going on that suggest it's a good tactical entry.

**Non-price sensitive, transactional USD buying should end at 11 a.m. NY today (4 p.m. London).**

**Italian elections bullish for Italian assets.**

### Italy 10-year bond premium over Germany (past 20 days of trading)



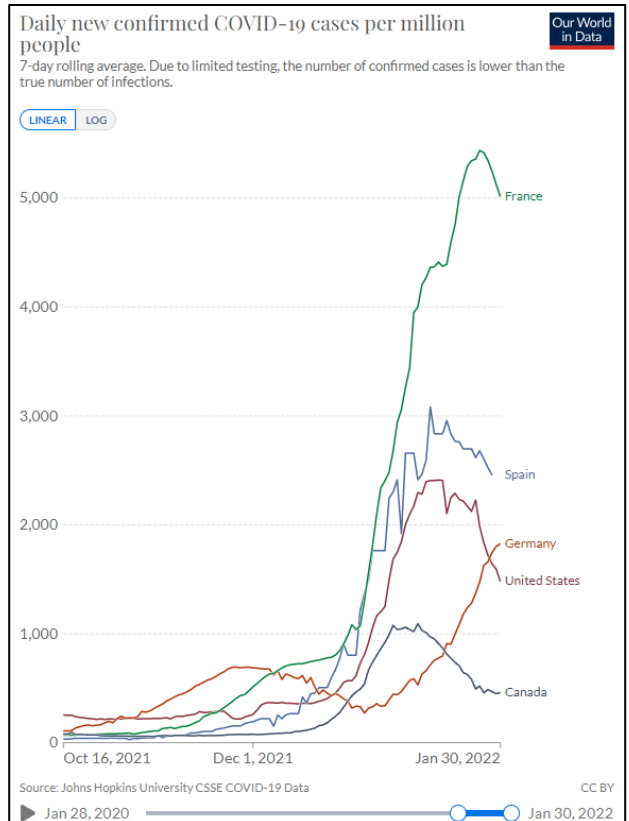
**Strong inflation prints in Europe today.**

**ECB expectations grinding higher.**

\*TRADERS RAISE ECB RATE-HIKE BETS TO 25 BASIS POINTS BY DECEMBER. ECB meeting on Thursday could be a catalyst.

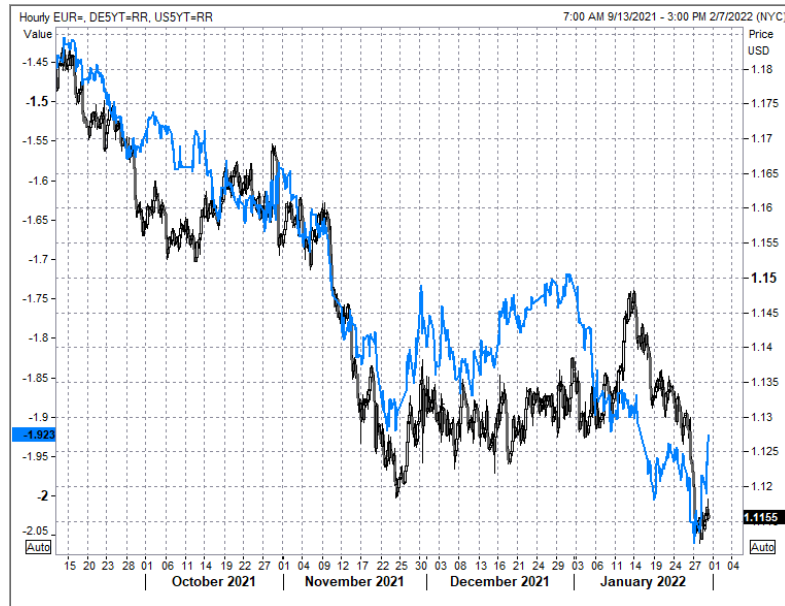
**No reaction to Bostic headlines on the weekend.** If market was nervous about Fed, this could have had an impact. Bostic is a non-voting hawk so no real reason to expect a massive market impact but markets do strange things sometimes when positions are offside.

**US data slumping.** Many are blaming omicron, but if it's omicron, why is European data OK? They have omicron worse than USA. See chart at right which shows European COVID per million is worse than North America. It is more likely that USA



data is rolling over because of the fiscal cliff, not omicron. In just the past week or so we have seen weakness in Retail Sales, Empire State, Initial Claims, inventories, and ECI. 2s10s have gone from 90 bps to 60 bps in a month. Not a huge vote of confidence for the outlook. Here is EURUSD vs. Germany/USA rate differentials. Decent little pop this morning as the US hawkish divergence trade from last week's FOMC has now fully unwound. Back to convergence.

### EURUSD vs. Germany/USA 5-year rate differential



Market is long USD and bearish stocks. Here is G10 FX positioning courtesy of Spectra's Tanguy Bretagne:

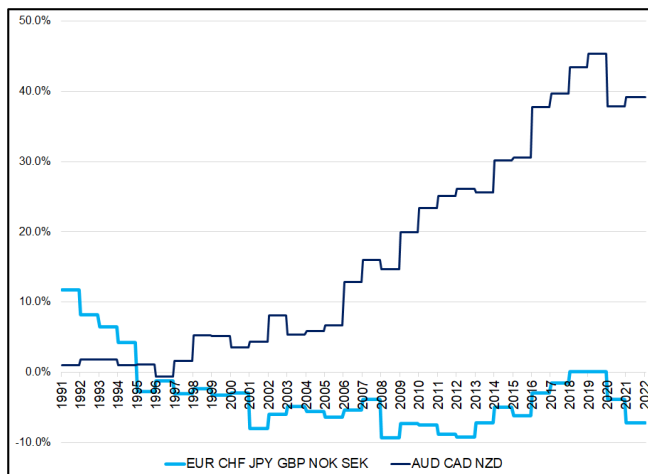
### G10 FX Positioning

	Σ-HF	Σ-Trend	CFTC
USD	+6	+3	+3
EUR	-7	-5	+1
GBP	-1	-2	-1
JPY	-6	-3	-6
AUD	-4	-3	-9
NZD	-5	-4	-6
CAD	-4	-2	+2
CHF	-2	-2	-4

Hedge fund, trend follower, and CFTC positions (-10 to +10)

**Cyclical currencies have a habit of reversing January moves.** Adam Cole, the excellent FX strategist at RBC Capital Markets, pointed out last week that the cyclical currencies have a remarkable tendency to mean revert the January moves. On the next page is a chart I constructed (copying his logic), that shows the cumulative performance of AUD, NZD, and CAD against the European and funding currencies for the strategy: "Whatever happens in January, do the opposite for February and March." In other words, if AUD goes down in January, you go long at the close on the last day of January and hold it until March 31. Or vice versa.

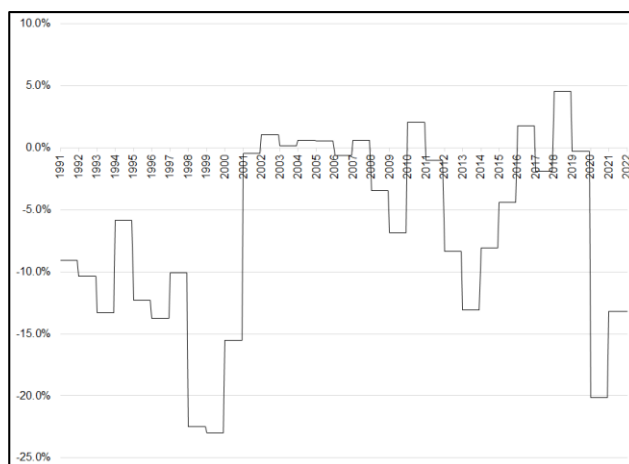
**P&L of an FX strategy that looks at January move and does opposite, holding ‘til end of March**



*My chart, but credit for the idea goes to RBC FX Strategy*

I was curious if this effect is driven by the stock market, but it’s not. Here is the same strategy in SPX:

**P&L of an S&P 500 strategy that looks at JAN move and does opposite, holding ‘til end of MAR**



**OK cool, what’s the plan?**

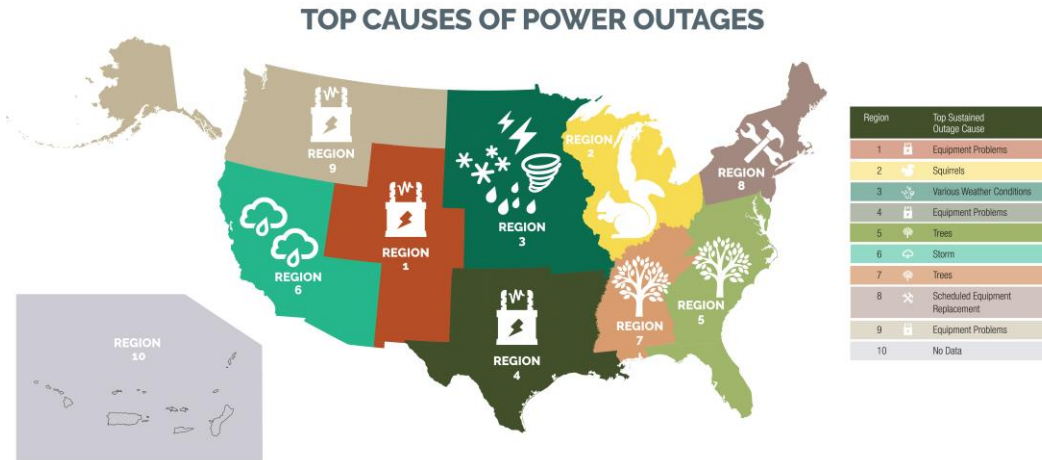
I think this sets up nicely for a short USD trade, especially as ISM is very likely to be weak after that huge Markit miss (economists are slow to adjust to new high frequency information) and payrolls could be hit by the enormous number of people caring for sick loved ones. Here are the trades I like:

- |                                     |                  |
|-------------------------------------|------------------|
| Long EURUSD at 1.1151 (limit order) | Stop loss 1.1084 |
| Short USDCHF here (0.9300)          | Stop loss 0.9381 |
| Long AUDUSD 0.7041 (limit order)    | Stop loss 0.6974 |
| Short USDJPY here (115.31)          | Stop loss 116.11 |

These are all 1-week views. I’ll figure out the TP a bit later. Expect significant volatility into 11 a.m. NY today. If I am correct about USD weakness, it probably means risky assets (crypto and NASDAQ) will have a strong week.

Have a squirrely day.

good luck ↑↓ be nimble



Squirrels cause a lot of power outages

<https://www.publicpower.org/blog/defending-against-outages-squirrel-tracker>

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