

Monday, March 23, 2020

AM FX

Brent Donnelly, Spot FX Trader

A Historic Day

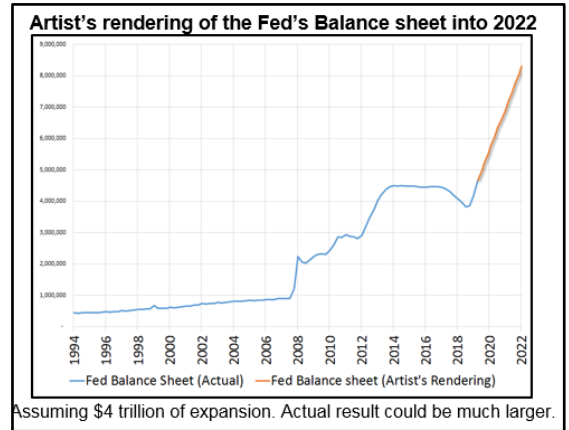
MMT

Unlimited government spending financed by unlimited central bank bond purchases is here. It took much less time than expected as the current emergency has hit the fast forward button on life in every possible way. Think of something that happened to you three months ago. It feels like years since then. Time warp.

While the USD has been incredibly resilient on the back of liquidity shortages and forced hedging by underhedged corporates and real money, I find it hard to imagine the greenback can survive today's Fed announcement unscathed. Long GBPUSD makes sense to me as it has been so severely pounded. See sidebar for details.

This feels like the Dr. Evil scene from Austin Powers. 500 billion doesn't work, how about 100 zillion dollars? I am not faulting the authorities, simply pointing out that this policy announcement is just about incomprehensibly epic.

To give you a sense of the enormity, the Fed plans to add \$625 billion to its balance sheet THIS WEEK. That is an annual pace of **\$32 trillion per year**. **It is hard to overstate what a historic day this is.** Not necessarily in a good way. The basic principles and limits governing how the government interacts with the economy in a capitalist economy have been abandoned. Today is Day 1 of one of the biggest monetary experiments in world history.



An unlimited program is impossible to forecast but the chart above is what things will look like if they do 4 trillion over the next two years. They could easily do double that, I guess?

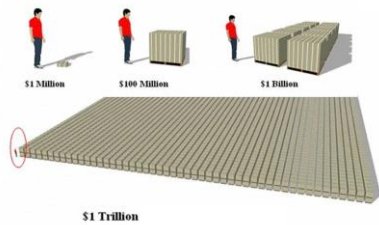
Almost a right angle triangle

The day before the 2016 election, S&P futures closed at 2135.50. The low overnight was 2174.00—almost a full round trip. 825 days to climb up and 22 days to fall down.

Stocks up the escalator then down the elevator shaft



Good Luck ↑↓ Be Nimble



One trillion is so large it's almost impossible to fathom.

Infinity is larger.

Current Views

Long GBPUSD @ 1.1625
Stop 1.1409
Take profit 1.1999

This week alone the Fed plans to purchase \$375 billion worth of Treasury securities (\$75 billion a day) and \$250 billion worth of mortgage-backed securities (\$50 billion a day).

On Twitter, some analysts reacted to the news by comparing the Fed's actions to when talk show host Oprah gave everyone in the audience a car.

The screenshot shows the WolframAlpha interface. At the top is the WolframAlpha logo with the tagline 'computational intelligence.'. Below the logo is a search bar containing the text 'what is 625 billion times 52'. Underneath the search bar are three links: 'Extended Keyboard', 'Upload', and 'Examples'. The main content area displays the following information:

Input:
$625\,000\,000\,000 \times 52$
Result:
32 500 000 000 000
Scientific notation:
3.25×10^{13}
Number name:
32 trillion 500 billion

