

am
FX

Brent Donnelly

bdonnelly@spectramarkets.com
(212) 398-6230



Mind-blowing neural rendering using ghost geometry to turn static 2D images into fully immersive 3D video

Current Views

Sell 01NOV and buy 15NOV 1.3550 GBP put
Price 21bps off 1.3730 spot

Long 06DEC 0.7500 AUD digis

spot ref. 0.7285, cost 20%
Took profit on half at 0.7468 spot (42%) and half at 0.7500 spot (50%)

Bam bam bam bam

AUD

AUDUSD has reached the bottom end of the 0.7500/0.7550 target zone and I'm **taking profit on the AUD digi**. AUDJPY RSI above 80, AUDUSD target reached, PUT/CALL ratio suggesting market super bullish equities already after super bearish at September lows, copper not making new highs, I'm leaning bearish oil as described a few days ago (and it looks topy)... Lots of reasons to square up.

Speaking of oil

When energy prices run higher, it's usually a bullish and reflationary boom story until energy prices hit that nonlinear point where it starts to hurt the consumer. Then, future demand destruction becomes the story. 2007/2008 is the ultimate example of this as high gas prices were the lead story on CNN every night. For example: CNN, May 2008: [Gas price record reaches \\$4 a gallon](#). Subsequent to that spike in energy prices, everything collapsed and CNN ran this by November 2008: [Gas prices fall below \\$1.87](#).

I believe in the importance of gas prices to consumer psychology. Average Americans know the pump price within 10 cents while they probably don't know the NYMEX crude price within \$10. Gas prices are on the rise right now, but consumers have built fortress balance sheets, and we are still below where gas prices matter.

Looking at history, here is the relationship between forward SPX performance (20, 40 and 60 days) and the retail price of regular grade gasoline (3AGSREG on BBG) in the United States:

SPX forward performance at various US average gas prices

	x+20	x+40	x+60
Under \$3.20	1.4%	2.5%	3.5%
3.20 to 3.30	2.9%	4.8%	4.8%
3.30 to 3.40	2.7%	4.5%	5.7%
3.40 to 3.50	1.4%	2.2%	5.1%
3.50 to 3.60	1.6%	2.4%	4.2%
3.60 to 3.70	0.5%	1.6%	1.9%
3.70 to 3.80	0.3%	-0.9%	-1.8%
3.80 to 3.90	-2.2%	-3.9%	-2.1%
>3.90	-2.5%	-3.7%	-7.9%

I was wondering if this is just a product of 2008, so I did the exact same analysis after removing the 2008 data. The grid is highly similar, with or without 2008, though the extremes are less extreme as you might imagine. The box in the bottom right corner is -6.1% if you exclude 2008 but the basic view is the same. Sample sizes get small as you go toward very high gas prices. They only went above \$3.90 twice in the sample that excludes 2008. Those times were May 2011 and April 2012.

Here is a chart of **SPX with times gas was above \$3.80** per gallon.

S&P 500 futures, 2009 to 2016

Gray vertical line means gas prices were above \$3.80 in USA



The takeaways are as follows:

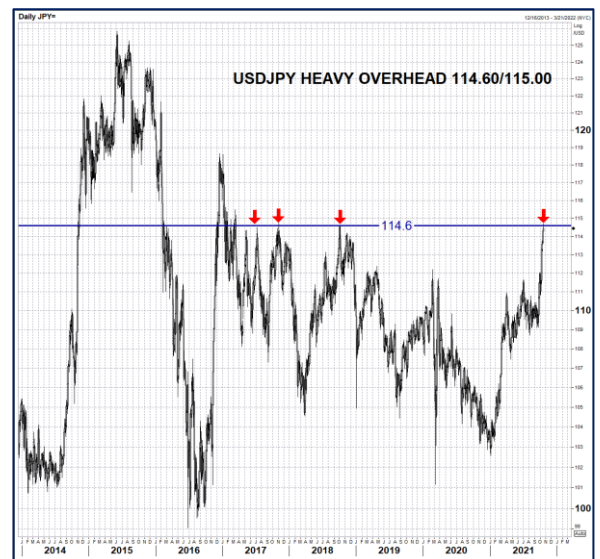
- Regular gasoline prices at \$3.36 a gallon are not worrisome for the US consumer or stock prices.
- Until we get to at least \$3.60, I would not be worried about energy prices hurting the consumer.
- The consumer can withstand more pain than usual at the pumps given extremely strong financial positions and high savings rates post-stimulus. Even with high inflation all over the place.

USDJPY

There is so much chart resistance at 115 in USDJPY and yields have stopped going nuts so I would expect a consolidation with mild downside risks in USDJPY for the next week or two. See chart at right. Note global interest rate events like the Bank of England will matter for USDJPY going forward because it's a rates trade more than ever and rate moves are global right now.

Trading rates during a global rate repricing

I have read some good RBA analysis over the past few days (dovish) but I will say: people focused on country-specific monetary policy like the RBA are too in the weeds during these panic global moves. Domestic policy doesn't matter during a global reprice. It will matter later. I remember this same thing in 2011 when RBA pricing went to massive cuts as global slowdown fears hit. Those overly focused on the RBA got smoked trying to pay the overshoot.



Bitcoin

Buy the rumor buy the fact. What an amazing currency she is.

Deep thoughts

An excellent six-page essay from Eric Peters at One River Asset Management:

[The Case for Quantum Change](#)

Have a pixelated day.

good luck ↑↓ be nimble

This is mind blowing. Huge implications for video games, forensics, and other industries.

Researchers use a set of RGB images and an initial 3D reconstruction to create stunning video. Basic photos render into fully immersive 3D landscapes.

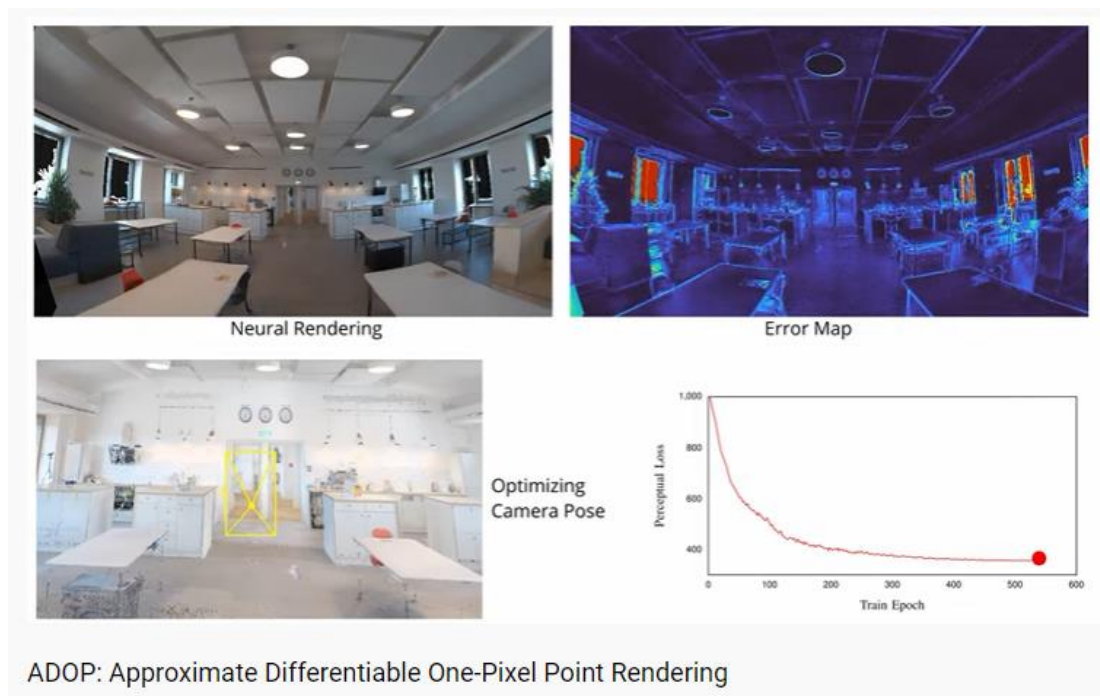
Videos here:

<https://twitter.com/ak92501/status/1448489762990563331?s=21>

<https://www.youtube.com/watch?v=WJRYu1JUtVw&t=0s>

Research paper with cool photos here:

<https://arxiv.org/pdf/2110.06635v2>



What is AM/FX?

AM/FX is Brent Donnelly's must-read daily macro letter, published since 2004.

It is a clear and concise daily look at one or two important topics related to global markets. Brent talks macro, narrative economics, trading strategy, tactics, positioning, technicals, and market psychology as he covers whatever markets are in play. Topics covered include FX, crypto, stocks, fixed income, commodities, and macroeconomics.

Brent's huge network of hedge fund, real money, central bank, and trading contacts give him unique insight into what's driving markets today, and what will move markets tomorrow.

Brent offers actionable analysis, clear directional views, and real trade ideas as he helps you surf the current narrative. He puts new themes on your radar before they hit the mainstream.

AM/FX is relevant, concise, and original. And not boring.

[Subscribe to AM/FX here](#)

What is Spectra Markets?

Spectra Markets is the shiny new digital media division of Spectra Holdings.

As President of Spectra Markets, my goal is to build a place where every trader and investor goes for smart, independent, and original financial markets content. The vision is to build a company that produces forward-thinking and mind-expanding financial markets coverage. Real-world market intelligence for every trader and investor.

Spectra Markets: Look Forward.

Markets and Trading Commentary Disclaimer

This material has been provided by Spectra Markets, LLC (“Spectra Markets”). This material is confidential and therefore intended for your sole use. You may not reproduce, distribute or transmit this material or any portion thereof to anyone without prior written permission from Spectra Markets.

This material is solely for informational and discussion purposes only. Spectra Markets is not a registered investment advisor or commodity trading advisor. This material should not be viewed as a current or past recommendation or an offer to sell or the solicitation to enter into a particular position or adopt a particular investment strategy. Spectra Markets does not provide, and has not provided, any investment advice or personal recommendation to you in relation to any transaction described in this material. Accordingly, Spectra Markets is under no obligation to, and shall not, determine the suitability for you of any transaction described in this material.

To be clear: Your individual circumstances have not been assessed. You must determine, on your own behalf or through independent professional advice, the merits, terms, conditions, risks and consequences of any transactions described in this material. Securities described in this material may not be eligible for sale in all jurisdictions or to certain categories of investors. This material may also contain information regarding derivatives and other complex financial products. Do not invest in such products unless you fully understand and are willing to assume the risks associated with such products. Neither Spectra Markets nor any of its directors, officers, employees, representatives or agents, accept any liability whatsoever for any direct, indirect or consequential losses (in contract, tort or otherwise) arising from the use of this material or reliance on information contained herein, to the fullest extent allowed by law.

The opinions expressed in this material represent the current, good faith views of the author at the time of publication. Any information contained in this material is not and should not be regarded as investment research or derivatives research as determined by the U.S. Securities and Exchange Commission (“SEC”), the U.S. Commodity Futures Trading Commission (“CFTC”), the Financial Industry Regulatory Authority (“FINRA”), the National Futures Association (“NFA”) or any other relevant regulatory body. The author is currently employed at a trading desk. The opinions may not be objective or independent of the interests of the author. Additionally, the author may have consulted with various trading desks while preparing this material and a trading desk may have accumulated positions in the financial instruments or related derivatives products that are the subject of this material.

Spectra Markets does not guarantee the accuracy, adequacy or completeness of the information presented in this material. Past performance and simulation data do not necessarily indicate future performance. Predictions, opinions and other information contained in this material are subject to change continually and without notice of any kind and may no longer be true after the date indicated. Any forward-looking statements speak only as of the date they are made, and Spectra Markets assumes no duty to and does not undertake to update forward-looking statements. Forward-looking statements are subject to numerous assumptions, risks and uncertainties, which change over time. Actual results could differ materially from those anticipated in forward-looking statements. The value of any investment may also fluctuate as a result of market changes.

Spectra Markets is affiliated with Spectra FX Solutions LLC, an introducing broker that is registered with the NFA; Spectra FX Solutions LLP, which is a registered entity with the U.K.’s Financial Conduct Authority; and SpectrAxe, LLC, a swap execution facility that is currently in the process of registering with the CFTC. The disclosures for Spectra FX Solutions LLC and Spectra FX Solutions LLP related to the separate businesses of Spectra FX can be found at <http://www.spectrafx.com/>.