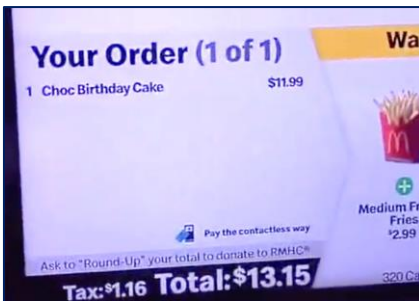


am  
FX

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Little known fact

**Current Views**

**Sell 01NOV and buy 15NOV 1.3550 GBP put**

Price 23bps off 1.3730 spot  
(indicative price, ask Spectra for live price)

**Long 06DEC 0.7500 AUD digis**

spot ref. 0.7285

# High Conviction Cable Idea

There has been an incredible push and pull going on in with GBP as UK rates make an epic move higher. Four hikes by June 2022 now and the wheels are fully off the front end. The thing is, it's unclear whether this is good for the currency. On one hand, higher nominals attract money. On the other hand, tightening policy into an energy shock just as fiscal stimulus peaks is bad<sup>1</sup>.

To me, this looks like a sequencing thing where the models and some specs buy GBP as nominals rise in anticipation of the first hike, then once the hike happens, GBP gets wrecked. It is common for a currency to rally into the first rate hike and sell off after (RBNZ, Norges and others), and I think this will be a turbo version of that.

Generally, it's a buy the rumor / sell the fact thing. In this case, the dynamic is a little different. In situations where many speculators want to take a position, but there is a big event coming up, positioning is muted due to the volatility and jump risk. Once the event is done, specs are more willing to put on the trade, regardless of the outcome of the event. So they wait for the event to pass, then they sell. I think this is one of those.

Meanwhile, this UK story is likely to be a huge flattening event characterized by overshoot at the front end. And there is a good chance the Bank of England meeting sounds dovish as the hikes are characterized as "front-loaded" or "insurance". That's not super currency positive. And the entry point here is not bad!

**Front end collapses as gilt futures hold above the lows = flattening**



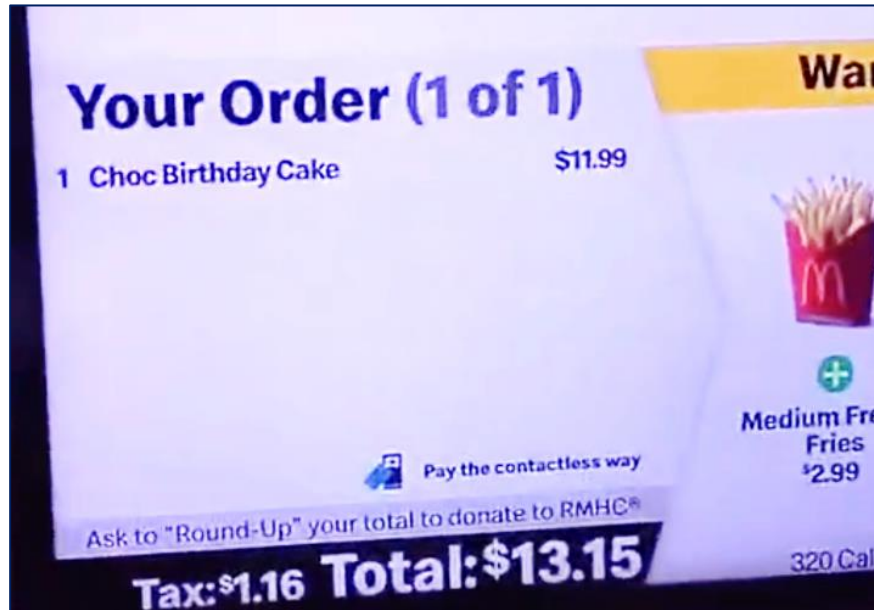
**But the meeting is November 4, do you really want to buy vol now?**

It's expensive to own the two weeks until the Bank of England meeting. On the other hand, the overnight vol for the BoE meeting on 03NOV21 is around 14, implying a ~60 bp breakeven, which looks low. If you agree, I would look at selling 01NOV21 and buying the 15NOV21 (calendar spread). A 1.3550 strike gives you some room if it drifts lower beforehand. I'm adding that to the sidebar. The cost is roughly 22bps vs. 35bps for the vanilla 15NOV put—the savings from selling 01NOV are meaningful. There are similar things you can do in EURGBP around ECB if you want to take the USD out.

**I like this idea very much.** Price is indicative and subject to change. We can get you a live price. It's not a super vanilla package but it's definitely tradable! Have a sweet day.

good luck ↑↓ be nimble

<sup>1</sup> If you want to see Bailey, [you can catch him here](#), around minute 40.

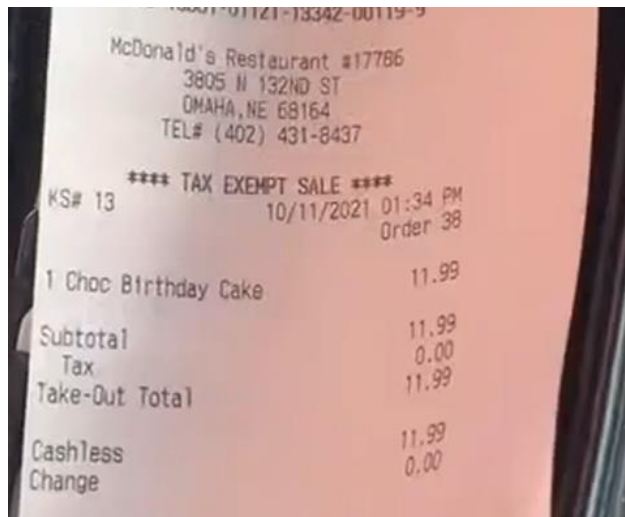


<https://www.today.com/food/mcdonald-s-sells-birthday-cakes-9-its-secret-menu-t221989>

McDonald's sells birthday cakes. But they're not on the menu.

Video evidence:

[https://twitter.com/chris\\_notcapn/status/1448905130150137858?s=21](https://twitter.com/chris_notcapn/status/1448905130150137858?s=21)



*I saved this non sequitur for my brother Steve's birthday because he sent it to me.  
Happy birthday, SKD!*

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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.

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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.

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