

am
FX

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"Many of you feel bad for this lamp. That is because you're crazy. It has no feelings."

<https://www.youtube.com/watch?v=ZdJJOE9iNcM>

Current Views

Short USDCAD @ 1.2355

Stop loss 1.2411
Take profit 1.2201

Short AUDNZD @ 1.0476

Stop loss 1.0622
Take profit 1.0200

Short 01NOV and long 15NOV 1.3550 GBP put

Calendar spread
Price 21bps off 1.3730 spot

Rates not translating

Rates vol

The huge volatility in front end rates is not translating to much pop in FX and people are trying to choose between two main explanations:

1. Policy error as central banks are tightening into a weakening economy. Therefore, no reason for the currency to rally. I don't buy this one. Leaving rates at zero and continuing QE when labor markets are tight and inflation is exploding... That's a policy error. Hiking a few times in the current environment is probably not. Countries where curves have inverted the most are the places where the market is most concerned about stagflation.
2. FX is more a terms of trade story these days and less about rates. I kind of buy this as the big drops in copper yesterday and oil today are logically dampening demand for AUD and CAD. Whereas FX was 40% risk appetite, 40% rates and 20% commods for a long time, now it feels more like 10% / 30% / 60%.

I think you stick with the commodity currencies, but if you're short USDCAD you can move the stop down to 1.2411 now. As always, see sidebar for updated parameters.

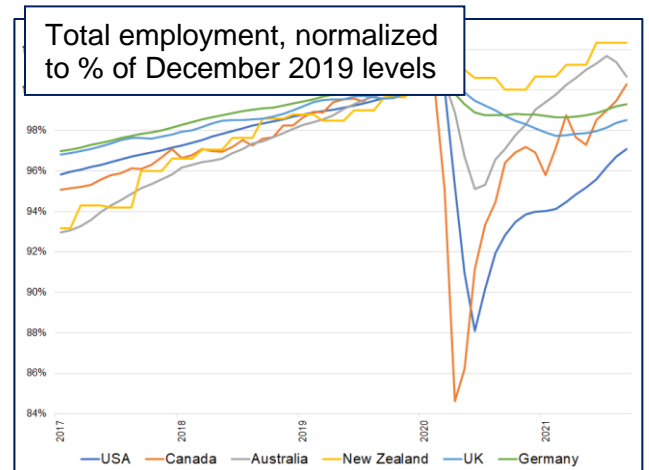
Tactics matter as much as strategy

I made an amateur mistake selling USDCAD the day before the BoC. It rallied beforehand, then dropped back down to my entry on the hawkish outcome. Fortunately, some of my clients are smarter than me and sold 10 minutes before the meeting and bought back 30 minutes later. That's how you trade events.

Event trading 101 says no matter how desperately you want to get into the position early in the hopes of setting a superior entry point... If you're trading an event, trade the event. Initiating 24 hours early (like I did) is dumb unless you have some sort of technical or other reason to do so. I did not.

Jobful recovery

I would need a full page of disclaimers to properly disclaim the chart at right, but I still think it's worth a peek. It shows the number of jobs in each country, normalized to December 2019 = 100%. You can see the difference in policies and outcomes here, but also there are many measurement issues as the jobs data in each country is not apples to apples. Still... Pretty interesting.



Good read

Latest from Matthew Johnson. Always excellent RBA analysis. He is the former head of UBS rates strategy.

<http://signalmacro.com/index.php/2021/10/28/cpi-changes-timing-not-the-terminal-rate/>

Next week's RBA meeting is looking a lot more interesting. In fact, next week is going to be incredible with BoE, Fed, and NFP also on deck.

Crypto notes



I will send out ad hoc crypto notes when something macro or tactical catches my eye.

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The meme flipping is upon us!

There are now only 7 non stablecoins with a market cap larger than Shiba Inu.

This is your daily reminder that money is not real.

	#	Coin	Mkt Cap
☆	9	 Shiba Inu SHIB	\$42,844,769,964
☆	10	 Dogecoin DOGE	\$39,661,779,644

good luck ↑↓ be nimble

If IKEA founder Ingvar Kamprad runs for PM of Sweden and wins, the first thing he'll need to do is assemble a cabinet.

HT RB

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