

am
FX

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In the United States, households donate plasma for compensation at a higher rate than they use payday, auto-title, rent-to-own, or pawn loans.



Current Views

Short USDCAD @ 1.2355

Stop loss 1.2476
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

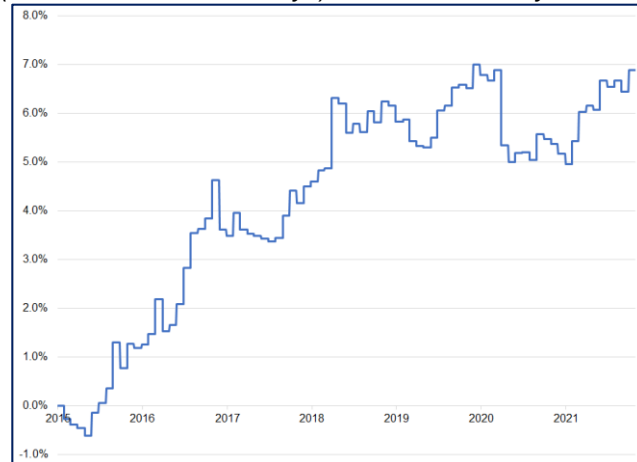
The SHIB/DOGE flipping

Corporate month end

Corporations with programmatic USD buying needs tend to execute disproportionate volume at month end. This is because many are benchmarked to some sort of month end rate and there is no real upside in messing around earlier in the month when they can just buy on the last day and avoid the basis risk¹.

G10 spot FX settles in 2 days (except USDCAD), therefore t-2 is corporate month end. That's today. Maybe you knew this already. While most of the USD buying happens in a 6-hour window from 6 a.m. NY to noon, you can even see it in the daily data. Here is a chart:

Cumulative returns of long USDJPY on corporate month end
(t minus two business days) where t is last day of month



And if you take out March 2020 (COVID crisis, extreme volatility), the chart looks like:

Cumulative returns of long USDJPY on corporate month end
Excludes March 2020



¹ Basis risk in this case, meaning the difference between actual USD buy rate and benchmark rate.

Now, here is that first chart, but using EURUSD, GBPUSD and AUDUSD instead of USDJPY.

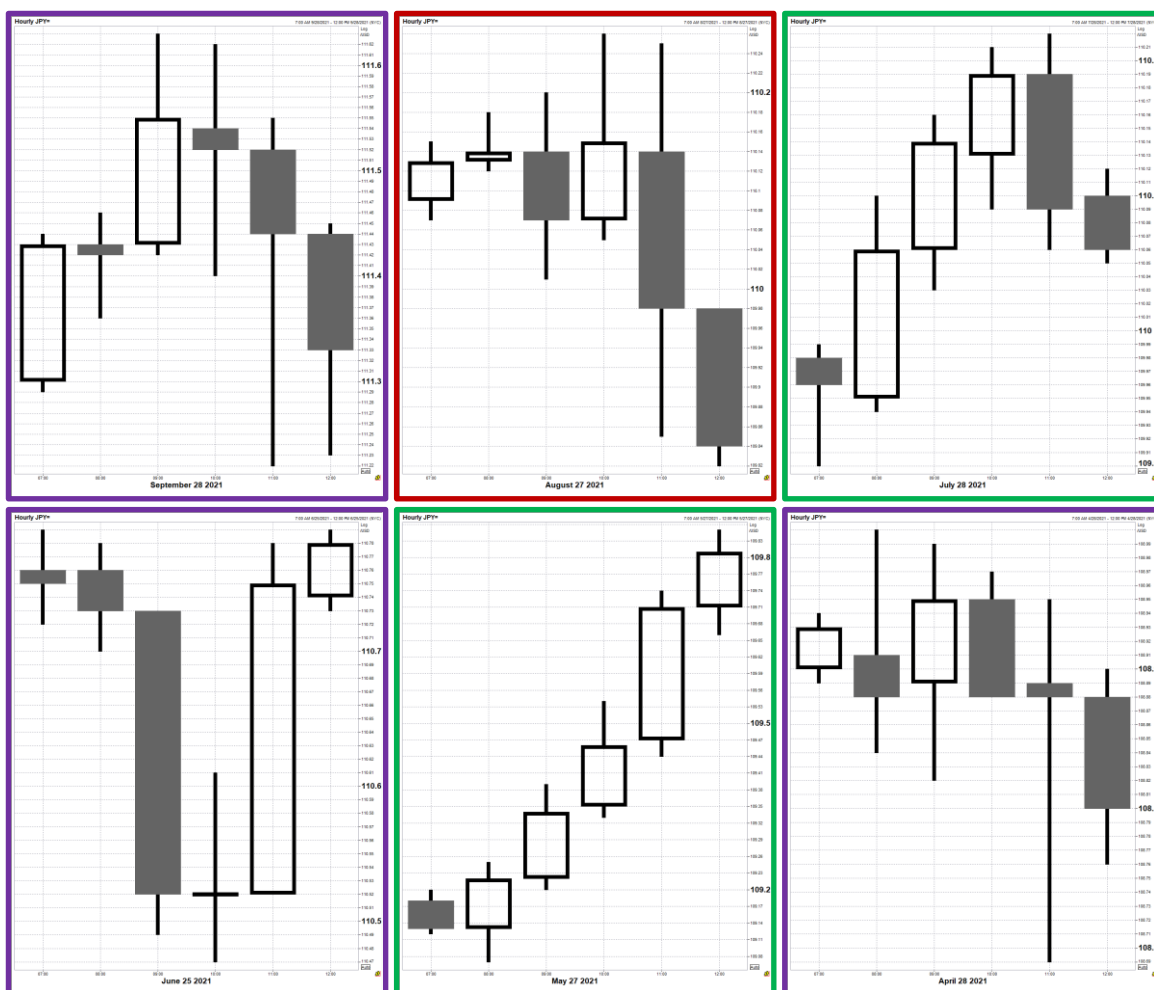
Cumulative returns of long EURUSD, GBPUSD and AUDUSD on corporate month end

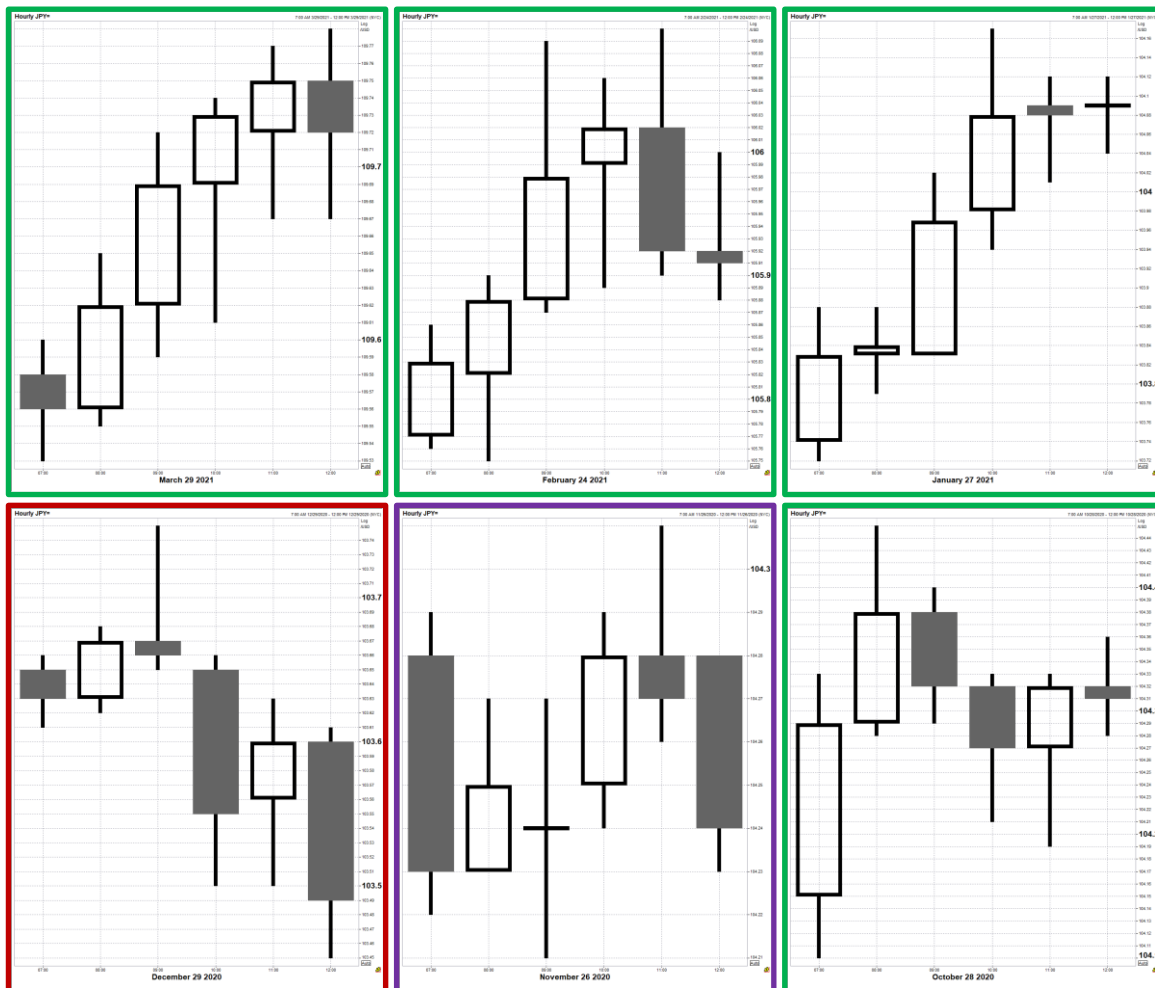


24-hour holding period, trading once per month

The currencies tend to fall and the USD tends to rally. Win rates on these long USD trades are around 54%/57%. People tend to think win rates in the 55%/60% range sound low for studies like this, but those are excellent hit rates when the average return is skewed a fair bit. The grid of twelve small charts below shows USDJPY hourly 6 a.m. to noon over the last 12 months. Purple means P&L on long USDJPY was less than 10 pips, red is a loss of 10 pips or more while green is positive > 10 pips. The moves are not giant, mostly 10/20 pips kinda thing with a few exceptions (up 70 pips in May, for example).

The last 12 months of USDJPY from 6 a.m. to noon on corporate month end





That might be more than you wanted to know about a microstructure phenomenon but sometimes it's good to know the micro so you can better execute and understand the macro. My overall feeling on USDJPY is that people have been praying for a pullback to 113.00/25 and they didn't get it. We are coiling for an eventual aggressive take out of the 115.00 level and a trip to 118.00 by year end.

This has been much like a miniature version of the 2014 USDJPY move as we turbo rip out of a coiled consolidation after 1-month vol traded below 5% and everyone declared USDJPY dead. Lotta wood to chop on the 114 handle, but once we get a daily close above 115, 300 points higher looks like a chip shot.

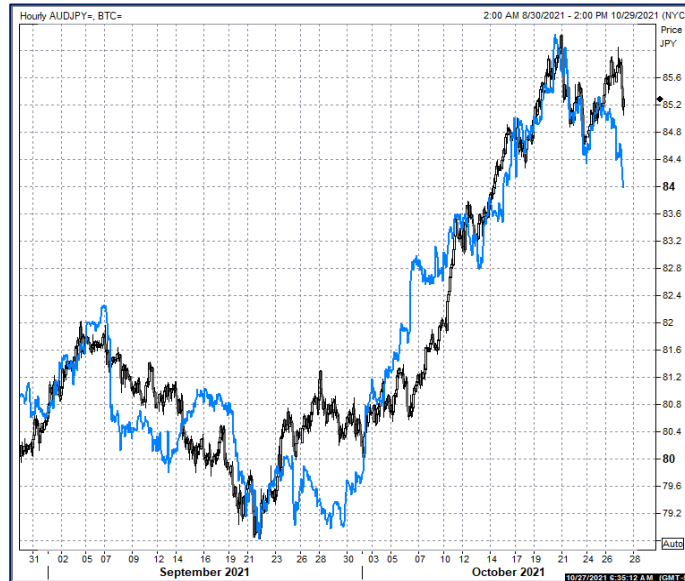
Crypto comment, and two more charts

We can quibble over whether this most recent top in bitcoin, which occurred the day after the futures ETF launched, is another buy the rumor / sell the fact. The failure at all-time high in BTC was 23 hours after the futures ETF started trading. To me that's buy the rumor / self the fact despite the last huge surge to \$67,000.

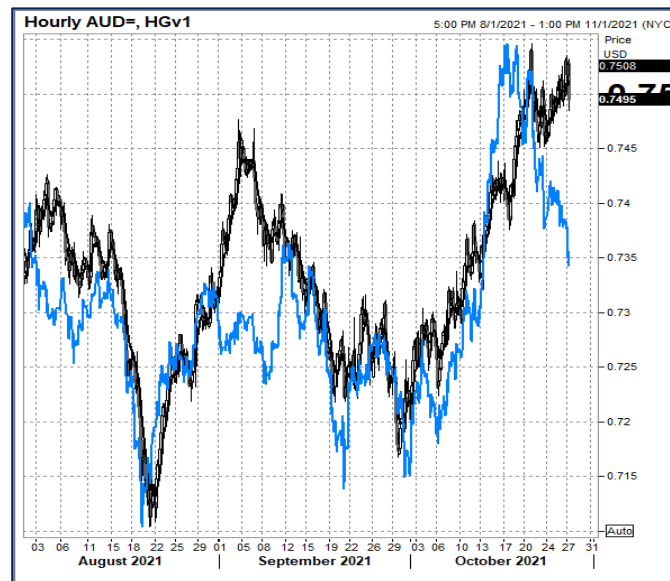
Nearby support is \$54,000 (pre-ETF launch level). Bigger support comes in at the September low (quintuple bottom around \$40,000). The market cap of SHIB is about to exceed that of DOGE. The world has officially gone mad when a silly coin like Shiba Inu passes a blue chip meme coin like doge. lulz. Charts on next page.

Two charts in case you were wondering why AUD didn't rally on the huge move in Aussie rates.

AUDJPY vs. Bitcoin



AUDUSD vs. Copper



These moves in copper and bitcoin are hurting my short USDCAD trade. FYI, **the vast majority of feedback on my CAD idea yesterday was disagreement.** Most readers think the BoC will push back on market pricing and the meeting will sound dovish. I disagree.

My intraday timing of the entry point for short USDCAD could not have been worse. To manage the risk of noise around the Bank of Canada meeting, I have moved the stop loss to 1.2476.

Have a plasma-rich day.

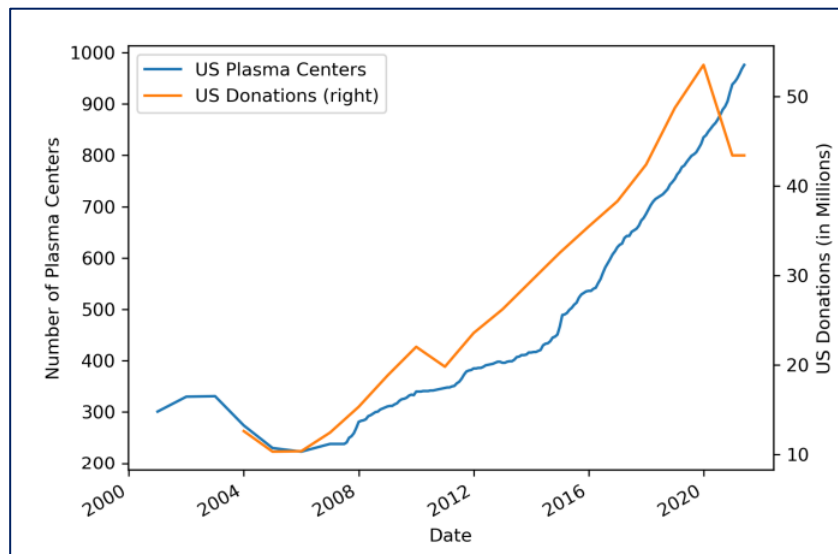
good luck ↑↓ be nimble

A study in dystopia

Blood Money—The Financial Implications of Plasma Sales for Individuals and Non-Bank Lenders

When blood donation centers open in urban areas, there is a statistically significant negative impact on non-bank credit (payday loans, pawn shop lending...)

US plasma centers and donations, 2000 to now



ABSTRACT

In the United States, households donate plasma for compensation at a higher rate than they use payday, auto-title, rent-to-own, or pawn loans. Our paper is the first to explore the financial implications for households of plasma donation. Plasma donors tend to be younger and less educated with lower incomes and credit scores; they are also more reliant on nonbank credit. We use dramatic growth in plasma centers between 2014 and 2021 to study the causal effect of the ability to donate plasma on non-bank credit. We find that access to a plasma donation center reduces demand (inquiries) for payday and installment loans by 6.5% and 8.1%, respectively, with larger effects (13.1% and 15.7%, respectively) on younger borrowers. Moreover, foot traffic increases by 7-10% at essential and non-essential goods establishments when a new plasma center opens nearby. Our findings suggest that plasma donation helps households smooth consumption without appealing to high-cost debt.

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