

am
FX

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These brands spend pretty much zero on traditional marketing:

TSLA
Trader Joe's
Sriracha
Costco

Current Views

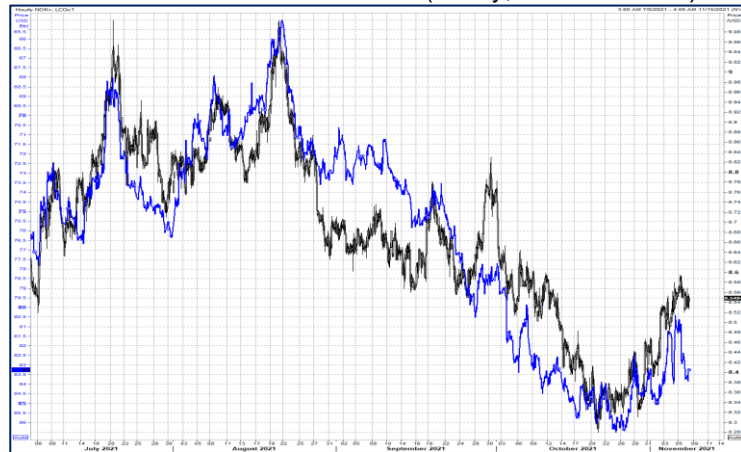
Flat

Log rules

G10

The USD is close to equilibrium, though NOK and CAD look a bit weaker than they should, and the USD generally scans on the rich end of dashboard valuations. Nothing quite juicy enough going on with the overlays to make me want to put on a trade. Many USD charts look something like this one:

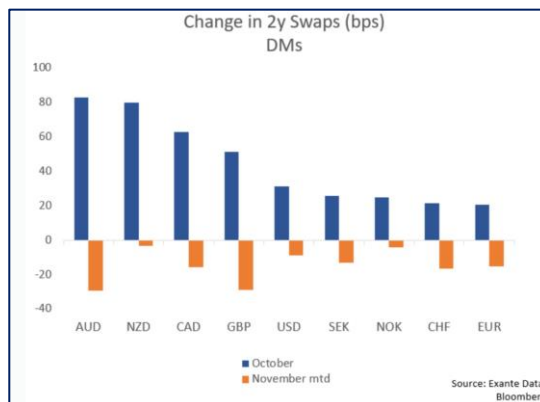
USDNOK vs. Brent crude oil (hourly, crude inverted)



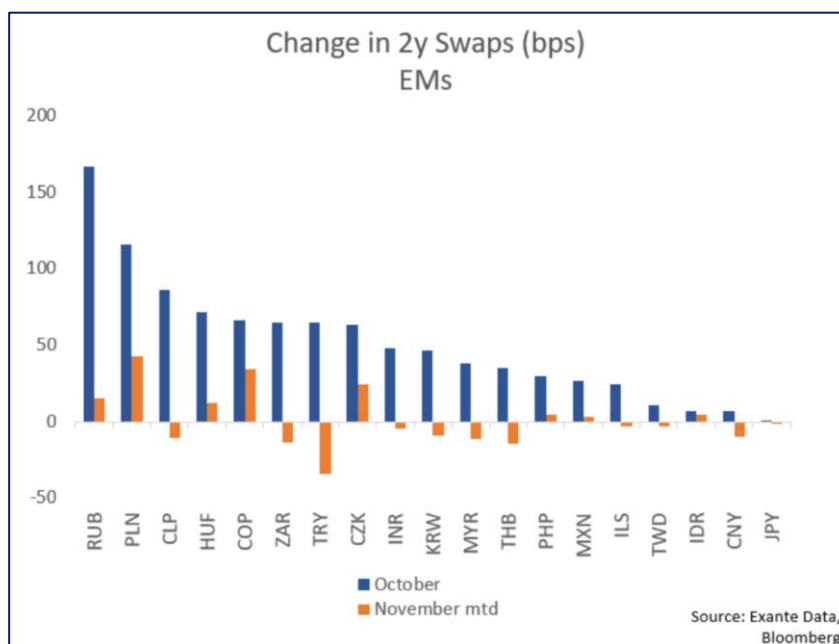
There are signs the USD is modestly too strong at this point, with yields reversing and gold and S&P 500 on the highs, but it feels like we're entering a nothing week here so my base case would be choppy and unexciting. Maybe Wednesday's CPI will prove me wrong, but the USD reactions to CPI have been so random, it's hard to get excited about trading it at this point. I'm waiting for stronger inspiration before committing to the next trade idea, though **if you're bearish USDCAD or USDNOK, these are attractive entry points.**

What's the narrative right now?

October was characterized by a strong narrative around global central bank hikes and the resulting VAR shock. But now the central banks have managed to break the back of that story with a non-hike from the BoE and a bunch of insistent pleas from the other G10 CB's. Jens Nordvig captures it well with this chart (used with his permission):



Here's the same chart for EM:



A few takeaways from these charts:

1. There is a clear distinction between the legit hikers and the “along for the ride”-ers.
2. Most of EM are legit hikers, so rates have not reversed much. Rates actually went higher in November in many EM countries.
3. The G10 chart does a great job of separating out the legit hikers from the VAR shock disequilibria. Norway and New Zealand are the most legit hikers and their rates barely pulled back. Australia's rates move was mostly a VAR shock driven by overreliance on the RBA's YCC (GTC!). UK rates naturally came off significantly as the BoE reneged on what the market thought was a November promise.
4. CAD, NOK, and NZD should remain supported as the rates give back has been minimal and terms of trade remains perky.

On high alert for ebullient stonks

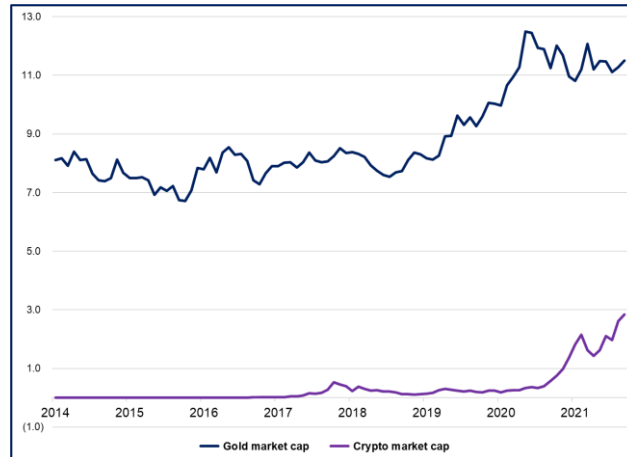
The DSI (daily sentiment index, a paid subscription service that polls retail investors) for S&P 500 futures hit 93% bulls last week. Anything above 90% is rare and it's a big flashing warning sign. Especially as the retail flow and call options mania have gone into overdrive again. No call to action here. I am extremely selective about when I turn bearish equities because it's just mostly a bad strategy in a bull market. There are plenty of permabear blogs you can read if you need regular bearish advice.

On the other hand, there can be some amazing tactical bear trades if you have good instincts and disciplined risk management. I am on high alert for one of those.

The macroflipping and log rules

The flipping is a popular concept in crypto which describes the moment ETH surpasses BTC in market cap. To me, the more interesting crossover is the macroflipping. This is a “word” I invented for the day crypto surpass the market cap of gold. We still have a long way to go but the gap is closing fast. Here is the chart with standard y-axis:

Gold market cap vs. crypto market cap (log y-axis)

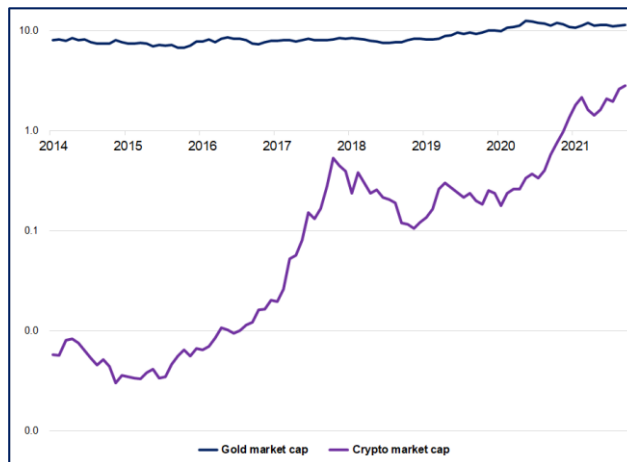


Note Coin Gecko puts crypto market cap just above 3bio, sources vary but close enough

Really there are two stages of the macroflipping. First crypto passes gold, then BTC all by itself.

Note that most crypto charts are more informative when you use a log y-axis. In this case, I'm not sure! Next I present the same chart with a log y-axis. Can anyone tell me why one of these charts is more "accurate" or superior? I honestly don't know. But they sure are different. Often, it's obvious that a standard y-axis is dumb and a log y-axis is superior, but in this case, I truly have no idea. Opinions welcome.

Gold market cap vs. crypto market cap (log y-axis)



I am weirdly fascinated with the many different ways to visually displaying quantitative data. I think it's an important and underappreciated art/skill. If you too are weirdly fascinated by the visual display of quantitative information... I highly recommend this classic book:

[Edward Tufte: The Visual Display of Quantitative Information¹](#)

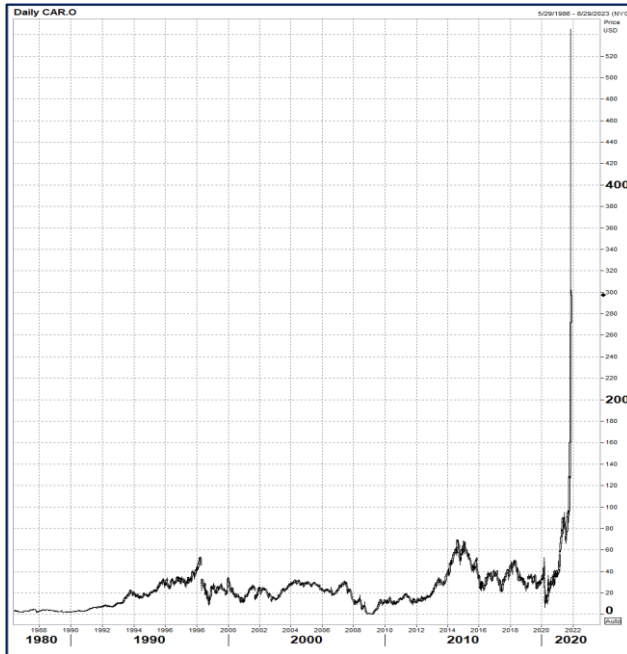
In case you are not expert in log vs. linear scales, here is a good example of a situation when linear is clearly wrong and log is clearly correct, in my opinion.

¹ It's ironic that the visual display of the cover for this book about the importance of visual displays is super janky and low quality. Cmon Amazon!

Avis stock, 1983 to now (linear scale)

Avis stock, 1983 to now (log scale)

THIS IS THE SAME CHART!!



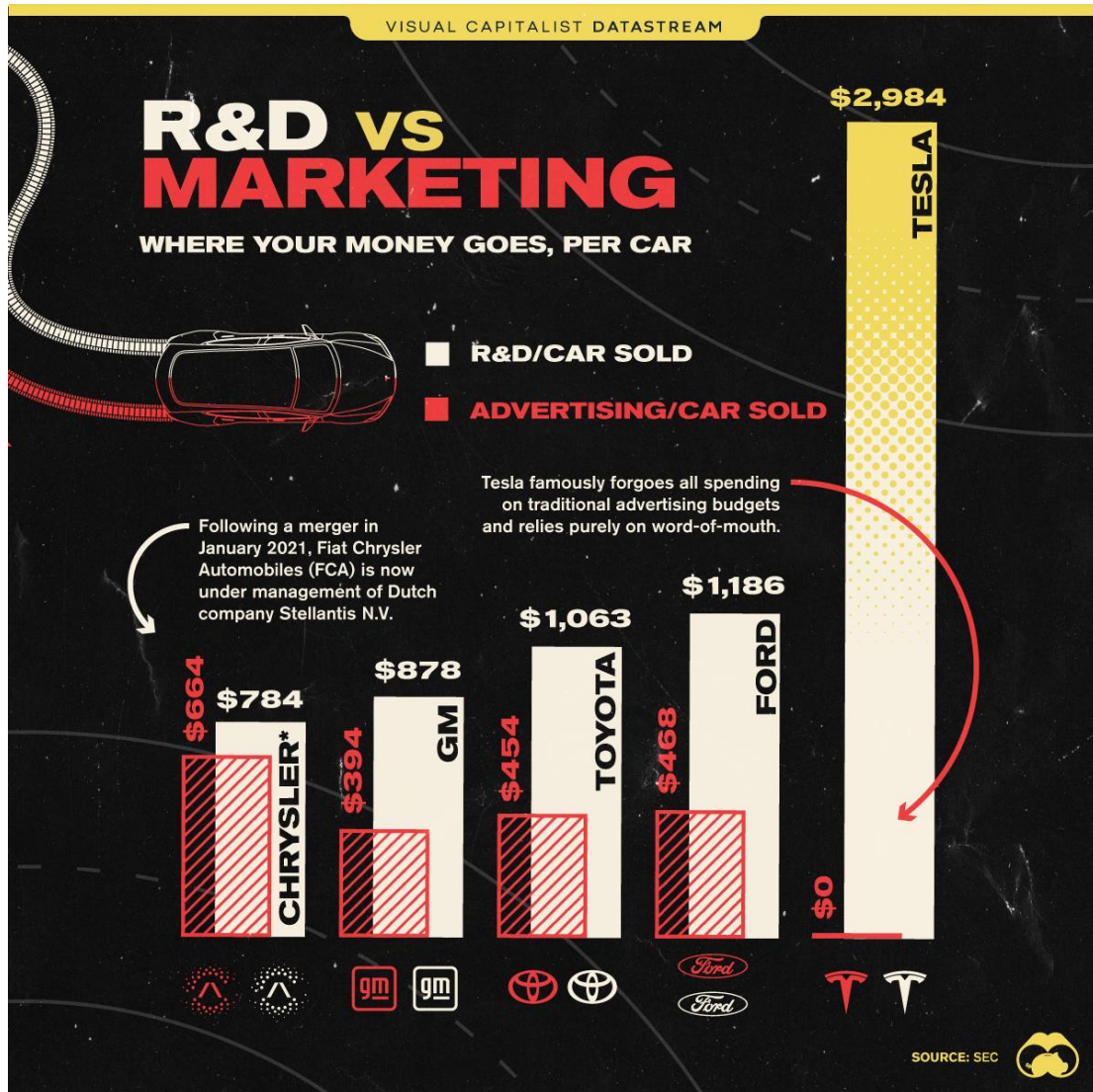
The two charts are so different that I had to double-check I didn't mess something up. On the linear scale, you can't even see the complete collapse from thirty dollars to thirty cents in 2008! Unreal.

Anyway, when you build a chart, be thoughtful about whether you use a log or linear y-axis. The longer I do this, the more I believe that log should be the default, not linear.

Have an ad-free day.

good luck ↑↓ be nimble

Elon Musk is putting on the greatest PR masterclass since PT Barnum! And a bit of a business and engineering (and trolling) masterclass too. Can't wait to see how it all ends.



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