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FX

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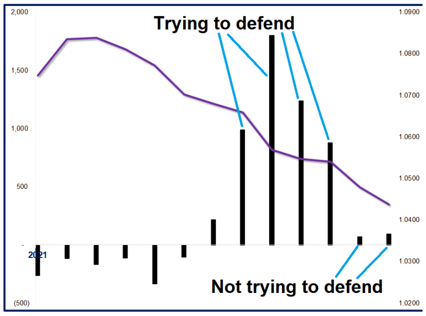


Weekly chart of Sight deposits (black bars) and EURCHF (purple line)

The SNB has given up trying to defend the downside in EURCHF

Current Views

Short ESZ1 @ 4632
Stop loss 4677
Take profit 4521

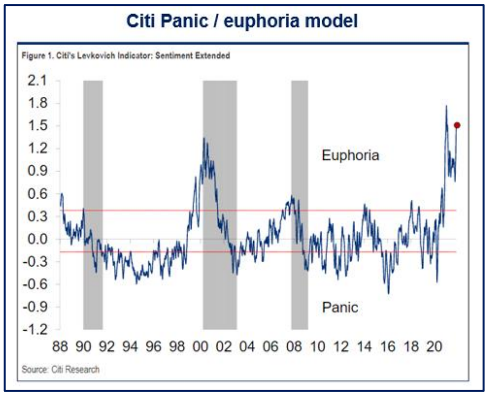
Short AUDCHF @ 0.6731
Stop was 0.6816, move it to 0.6701
Take profit was 0.6577 move it to 0.6517

Short ETHUSD @ 4210
Stop loss 4902 / Take profit 3010
(From MacroTactical Crypto #4)

Pavlov's Dogs

I think there is a possibility that the market is right about omicron and wrong about risky assets. I can barely remember a time when the response to a new market threat was so unanimously "BUY THE DIP!" Even on Twitter, where participants are notoriously biased to the bear side and love a good dirtnap, the vibe was that this is "just another delta scare" and you should buy the dip. Even Zerohedge was circulating bullish posts!

That makes me think this bounce will be weak, and risky assets fade lower into the close today. Not because clinical outcomes from omicron are bad (we won't know that for a while) but because a new batch of weak bull positions has been set and needs to be unwound.



Recall the starting point going into Friday's mini-melt was: rising volatility in all asset classes, high inflation, a Fed with a keen desire to tighten faster than had previously been telegraphed, record equity inflows by a huge margin, aggressive long USD positions, every strategist proclaiming long dollars as the big trade for 2022, etc. The chart at right from Citi is illustrative of where we went in.

Meanwhile, oil looks like a dead cat bounce and the curve there is still massively inverted, JPY risk reversals haven't budged, and VIX is still around 25. In other words, the reversals are pretty tepid given the amount of bullishness coursing through capital markets both before and after the discovery of omicron.

Perhaps the travel disruptions, sentiment hit, and momentum reversal are important enough to matter given the frothy starting point of asset markets. My view is that we retest the 55-day in SPX (4517) and then you reassess from there.

I added short ES to the sidebar. I like the risk/reward. This is a short-term trade with a stop loss at 4677 and take profit 4521. Risk 50 to make 106.

You can see from the chart at right that the old supports were in the 4640/4650 zone (old support is now resistance) and the 200-hour moving average (which often defines good trends) comes in at 4662.

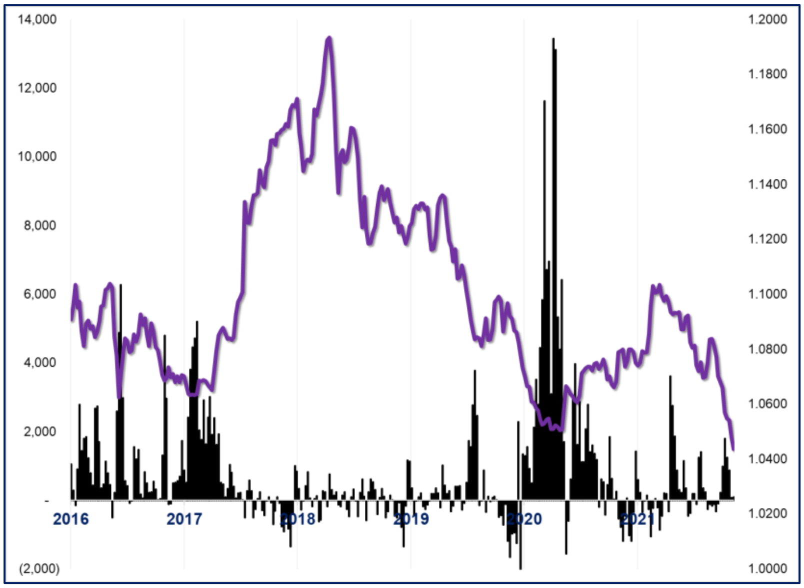
I will keep it short and sweet today. Have an excellent week!

good luck ⇅ be nimble

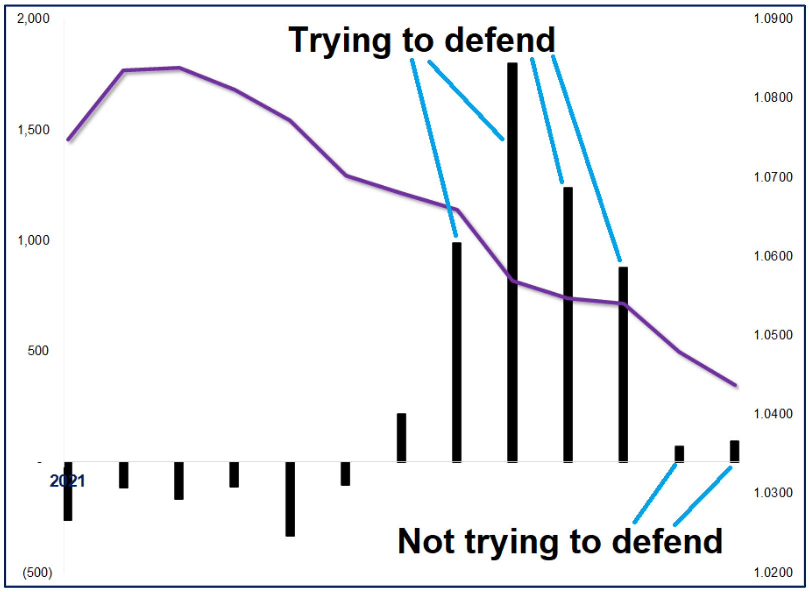
Definitely looks like a policy change from the SNB

Two weeks in a row with no intervention as EURCHF drops below 1.05

Switzerland Total Sight Deposits (black bars) vs. EURCHF
This is often used as a proxy for SNB intervention



Same chart, zoomed in



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