

am
FX

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Name the song



Current Views

**Sell ES one hour after Fed chair nominated.
Risk 1% to make 3%.**



NT and MR answered my question

Yesterday I asked what happens if the Fed nomination goes too slowly and February rolls around. Here is the answer [from a 2010 WSJ article](#):

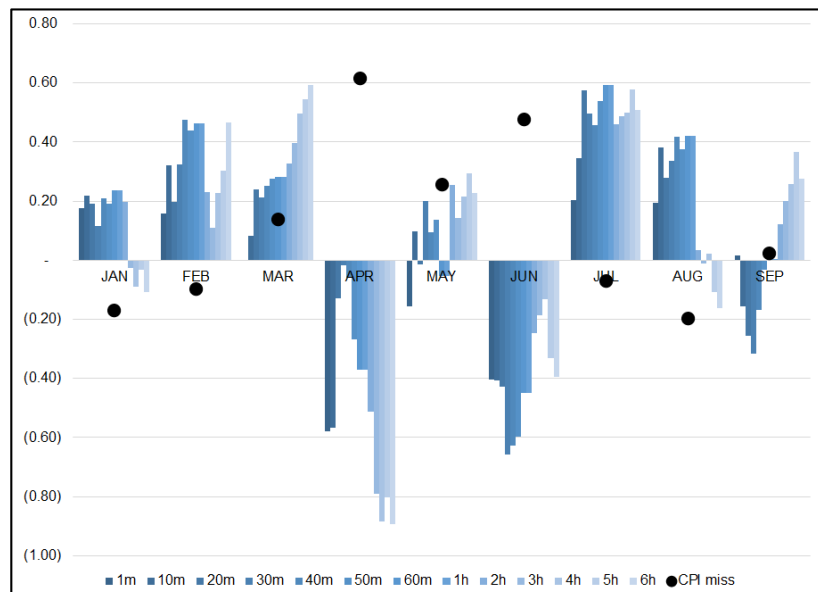
This much is clear: A Fed chairman cannot automatically stay in his position after his four-year term as chairman expires. Members of the Fed board, in contrast, can remain in office as governors until their expired term has been filled. The Federal Reserve Act says that the Fed vice chairman acts as chair in the "absence" of the chairman. But "absence" is not defined.

The Fed has twice faced circumstances in which a chairman has not been confirmed by the Senate by the time his term expired. But in both those cases, the Fed did not have a vice chairman in place so the members of the Federal Reserve Board elected the chairman as chairman pro tempore. In 1948, Marriner Eccles served as chairman pro tempore from February 3 until April 15, when Thomas McCabe was sworn in as chairman. And in 1996, Alan Greenspan served as chairman pro tempore from March 3 to June 20, when he was confirmed by the Senate for a third term as chairman.



I was under the impression that the USD had not moved logically after many CPI releases, but I think this was a product of salience bias as I remember getting absolutely destroyed on the April and May numbers in 2021. Overall, though, the general movement of AUDUSD has been fairly logical on CPI releases this year.

AUDUSD change 1 minute to 6 hours after CPI. Black circle thing is the miss in CPI
Textbooks says: High black dot (strong number) = lower AUDUSD (strong USD)



Note (for example) that "SEP" means the September number that came out in October. Today we get the October number.

A few takeaways:

1. Going with the initial move has been somewhere between OK and disastrous. I learned this the hard way in spring. Look at April, particularly, where any young Canadians like me selling AUDUSD on the initial super strong print got honeybadgered.
2. More recent reactions continue to be extremely hard to trade. Sure, July was a nice trending move, but that month CPI barely missed. In contrast, August's larger miss triggered a 50bps rally in AUD that was unwound a few hours later.
3. Individual CPI prints are not as important as I would have thought. Six months ago, I was writing that inflation data will be huge but now the Fed seems to be maintaining an autopilot stance even as average inflation is way above target on most measures other than the most extreme lookbacks.

Sometimes the answer is that there is no answer. Trading CPI today is like limping with 8/7 off-suit in a pot with one other limper. Sure, anything can happen. But it probably won't.

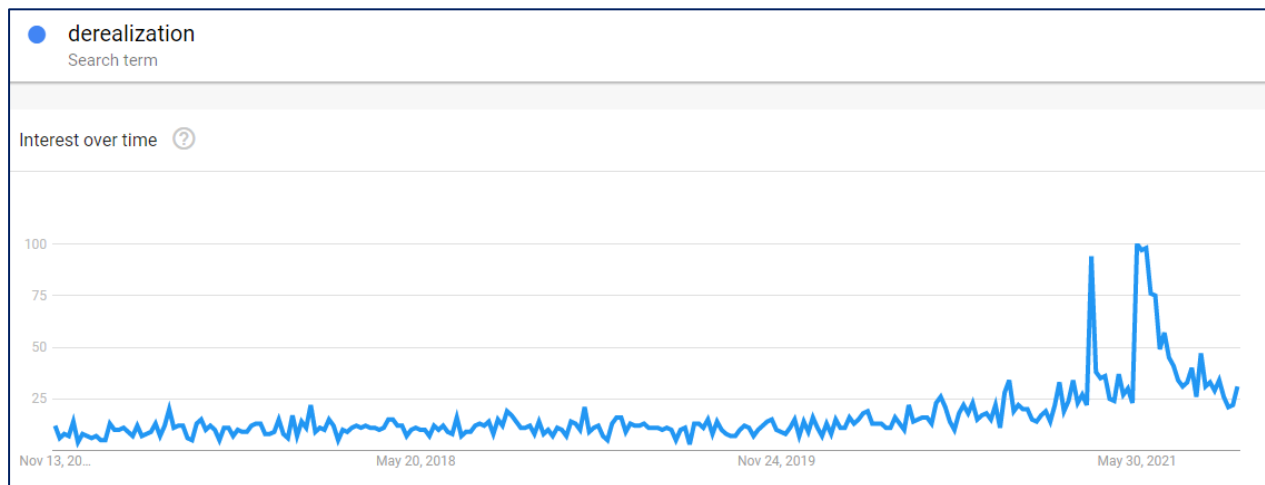
In case you missed yesterday's AM/FX

The sidebar idea is this: The Fed nomination is a kneejerk bullish event, regardless of whether it's Powell or Brainard. I want to sell that rally as sentiment is beyond overcooked as evidenced by DSI, VIX and SPX co-movement and conversations I have had with colleagues, friends, and clients. The time frame for the bearish view will be 10 to 20 days.

Have a real day.

good luck ↑↓ be nimble

Fans of Bo Burnham and Phoebe Bridgers will enjoy this chart.



Today's non sequitur is a reference to a Bo Burnham song made even more popular by Phoebe Bridgers. The song is "Funny Feeling". The lyrics are incredible. Dark, sad, beautiful, and funny at the same time. Like life!

<https://www.youtube.com/watch?v=mEUI4DThSwE>

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