

am
FX

Brent Donnelly

bdonnelly@spectramarkets.com
(212) 398-6230



Sweet!

Current Views

Short AUDCHF @ 0.6731

Stop 0.6816
Take profit 0.6577

24NOV AUDNZD put

1.0300 strike
Spot ref 1.0340

Short ETHUSD @ 4210

Stop loss 4902 / Take profit 3010
(From MacroTactical Crypto #4)

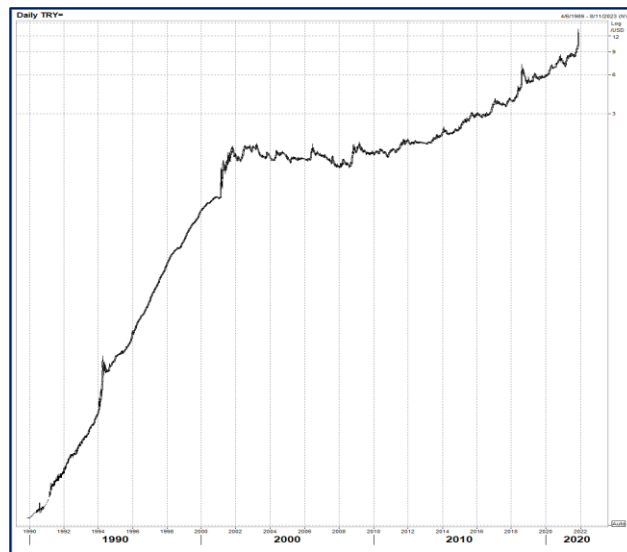
TRY, XAU, USD

Roast Turkey

The Turkish lira is collapsing. At 13.30, today's move is tied with the largest move in the pair's currency since the crisis and devaluation in 2001. We are trading 12.50 now, but it was 13.30 when I started typing this. Mamma.

USDTRY since 1990

Deval and crisis in 2001



A few people asked if that means it's time to take the other side. No.

This table shows the ten largest moves in USDTRY since 2002 (day change). I then provide the returns in USDTRY for the next day, 3 days later, 5 days later, etc. The pattern is generally a bit of a pullback for a week or two, then continuation higher. But nothing worth trading. Too hard to risk manage.

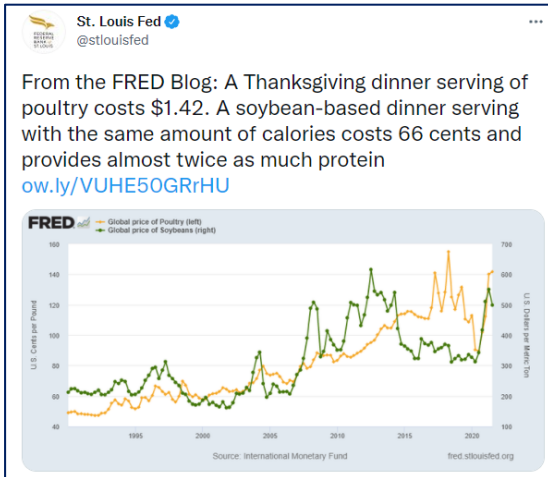
The 10 largest moves in USDTRY since 2002

	day change	next day	t+3	t+5	t+10	t+20
8/10/2018	16%	7%	-7%	-6%	-7%	-1%
11/23/2021	16%					
3/22/2021	8%	2%	2%	5%	4%	4%
10/22/2008	7%	0%	-4%	-11%	-10%	2%
8/13/2018	7%	-7%	-15%	-11%	-11%	-6%
5/15/2006	6%	-2%	1%	4%	3%	5%
3/17/2003	6%	-4%	-1%	2%	-1%	-6%
3/22/2019	6%	-4%	-8%	-4%	-2%	1%
10/16/2008	5%	-1%	4%	12%	0%	7%
10/6/2008	5%	1%	3%	1%	10%	13%
8/9/2018	5%	16%	15%	5%	10%	18%
average	7.9%	0.6%	-1.0%	-0.4%	-0.3%	3.8%

Speaking of turkey

The Fed and mainstream media have some helpful tips to help you cope with inflation. Switch to Tofurkey, or go cold turkey on the turkey.

Wut?



Vaguely dystopian

Wut?



Super condescending

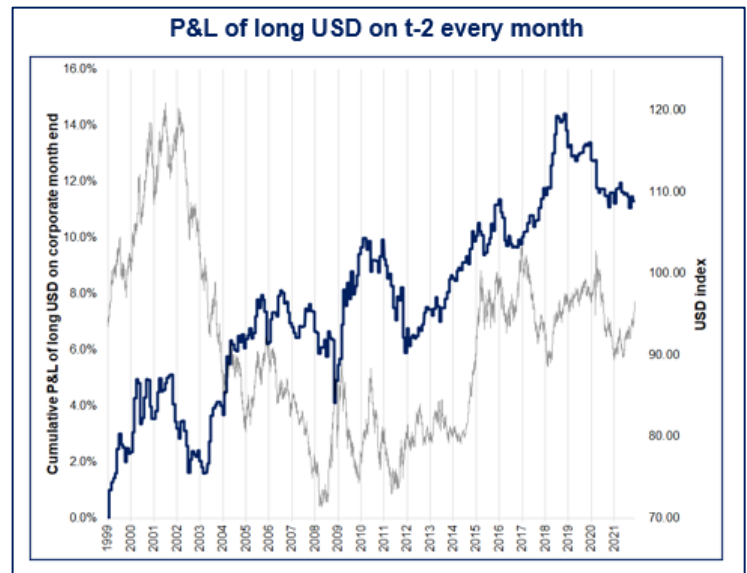
I'm sure the St. Louis Fed is just trying to be interesting, but in a world where inflation is the number one political and social narrative and the Fed's mission creep and overreach are in the spotlight, that tweet is amazingly tone deaf. Cynics can now add "nutrition advice" to the Fed's nonuple mandate (other nine mandates are: global climate and temperature management, societal inclusion, stock price drawdown control, credit spread narrowing, inflation targeting, employment maximization, short-term lending rate control, mortgage rate reduction, bond yields...)

Corporate month end

Tomorrow is corporate month end, but it's worth noting that both the corporate month end, and regular month end models have completely stopped working. The "buy USD on t-2" model (which is the standard corporate month end model because corporations tend to buy USD on the last value date for spot each month) has been losing money since the end of 2018. There have been some pockets of opportunity on the hourly time frame¹, but even those are drying up.

The chart at right shows the P&L of long USD on corporate month end (dark blue line). I put the DXY on there in gray just so you can see that the month end effect has nothing to do with the trend in the dollar.

It seems like EMH is finally cleaning up the long-persistent month end inefficiencies in global foreign exchange markets. It was a good run while it lasted (2006 to 2019 or so).. But I am going to deemphasize these month-end microstructure effects going forward. End users have become more dynamic and the amount of systematic money following the flows now often exceeds the size of those original flows.

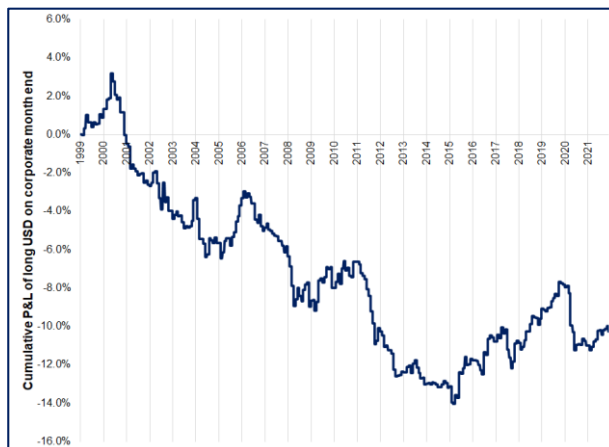


¹ Short EURUSD from 9 a.m. to 11 a.m., for example.

One could also argue that trading corporate month end P&L has simply mean reverted to trend and the system will now start working again. Sure, that is possible! I will keep an eye on the flows and see what happens, but for now I think that both month end models look like they have been arbed away by changes in hedging behavior and the crowd of copycat strategies.

If you're wondering if the corporate USD buying just moved one day earlier to avoid the rush, the answer is: not really. I graphed that, and it looks like this:

P&L of long USD the day before corporate month end



With German rates cratering, and US yields grinding to new 2021 highs, I certainly understand the desire to go short EURUSD here. On the other hand, the market has had 24 hours to pound the bid in EURUSD and the pair is essentially unchanged since the Powell nomination. **This is a red flag. Safer trade is to sell the EURUSD rally 1.1340/50 area.** Still sticking with 50bps tonight from RBNZ. AUDNZD and AUDCHF shorts = various levels of disappointing so far.

Gold looks less weird now

The rally in gold after CPI looked nonsensical as US rate hike expectations heated up, the US front end sold off, crypto rolled over, and tapering timing moved to the left. Now, gold has come back to earth. Sometimes, markets are just wrong. Now and then, a gigantic, non price sensitive flow comes through the market ... And when that flow is done, the price reverts to reality. That seems to be what happened here.

Housing

I have been bullish on housing as WFH triggers a generational transfer of wealth from commercial to residential real estate. One of the best forecasters of US real estate disagrees. Worth watching as there is still great confusion as to how high prices will impact demand once the initial wave of leapfrog panic overbidding from new WFHers, private equity, and i-buyers subsides. More here:

<https://mindsetvalue.substack.com/p/peak-housing>

Have a spacious day.

good luck ↑↓ be nimble



Pictures of the end...
From @neighbours_wifi on Twitter

[Subscribe to AM/FX here](#)

Markets and Trading Commentary Disclaimer

This material has been provided by Spectra Markets, LLC (“Spectra Markets”). This material is confidential and therefore intended for your sole use. You may not reproduce, distribute or transmit this material or any portion thereof to anyone without prior written permission from Spectra Markets.

This material is solely for informational and discussion purposes only. Spectra Markets is not a registered investment advisor or commodity trading advisor. This material should not be viewed as a current or past recommendation or an offer to sell or the solicitation to enter into a particular position or adopt a particular investment strategy. Spectra Markets does not provide, and has not provided, any investment advice or personal recommendation to you in relation to any transaction described in this material. Accordingly, Spectra Markets is under no obligation to, and shall not, determine the suitability for you of any transaction described in this material.

To be clear: Your individual circumstances have not been assessed. You must determine, on your own behalf or through independent professional advice, the merits, terms, conditions, risks and consequences of any transactions described in this material. Securities described in this material may not be eligible for sale in all jurisdictions or to certain categories of investors. This material may also contain information regarding derivatives and other complex financial products. Do not invest in such products unless you fully understand and are willing to assume the risks associated with such products. Neither Spectra Markets nor any of its directors, officers, employees, representatives or agents, accept any liability whatsoever for any direct, indirect or consequential losses (in contract, tort or otherwise) arising from the use of this material or reliance on information contained herein, to the fullest extent allowed by law.

The opinions expressed in this material represent the current, good faith views of the author at the time of publication. Any information contained in this material is not and should not be regarded as investment research or derivatives research as determined by the U.S. Securities and Exchange Commission (“SEC”), the U.S. Commodity Futures Trading Commission (“CFTC”), the Financial Industry Regulatory Authority (“FINRA”), the National Futures Association (“NFA”) or any other relevant regulatory body. The author is currently employed at a trading desk. The opinions may not be objective or independent of the interests of the author. Additionally, the author may have consulted with various trading desks while preparing this material and a trading desk may have accumulated positions in the financial instruments or related derivatives products that are the subject of this material.

Spectra Markets does not guarantee the accuracy, adequacy or completeness of the information presented in this material. Past performance and simulation data do not necessarily indicate future performance. Predictions, opinions and other information contained in this material are subject to change continually and without notice of any kind and may no longer be true after the date indicated. Any forward-looking statements speak only as of the date they are made, and Spectra Markets assumes no duty to and does not undertake to update forward-looking statements. Forward-looking statements are subject to numerous assumptions, risks and uncertainties, which change over time. Actual results could differ materially from those anticipated in forward-looking statements. The value of any investment may also fluctuate as a result of market changes.

Spectra Markets is affiliated with Spectra FX Solutions LLC, an introducing broker that is registered with the NFA; Spectra FX Solutions LLP, which is a registered entity with the U.K.’s Financial Conduct Authority; and SpectraAxe, LLC, a swap execution facility that is currently in the process of registering with the CFTC. The disclosures for Spectra FX Solutions LLC and Spectra FX Solutions LLP related to the separate businesses of Spectra FX can be found at <http://www.spectrafx.com/>.