

am
FX

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What is $230 - 220 * 0.5$?

You won't believe me,
but the answer is 5!

Current Views

Flat

Trade UR, not headline miss

A simple framework and a complicated chart

The simple framework is: Watch the unemployment rate for USDJPY direction, not the headline jobs number. This is because a weak NFP headline number shows tight labor supply, not weak labor demand (a bit confusing after 20 years of trading NFP as a demand indicator, but definitely true). The unemployment rate is easy to interpret. Low unemployment rate = tight labor market.

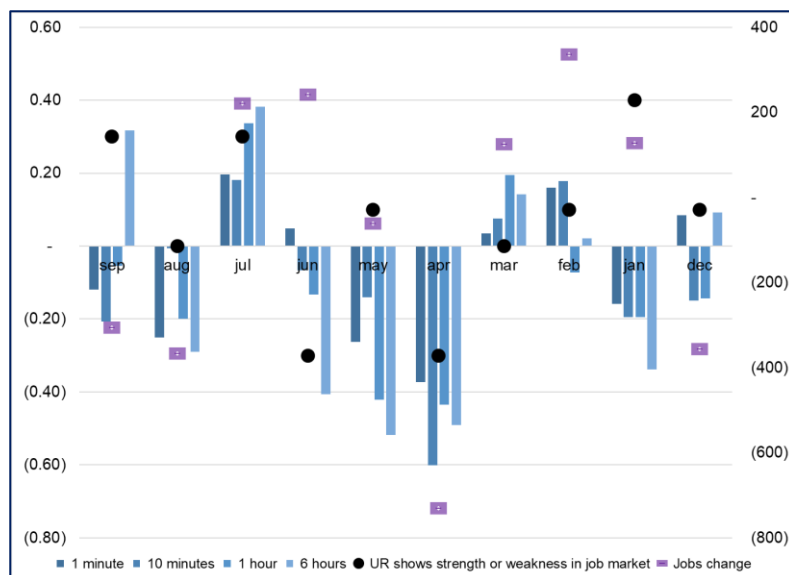
This framework worked ex-ante last month and it worked in other months like the June report when headline jobs were strong, but the UR showed weakness... And USDJPY went down.

The big chart below shows the movement in USDJPY after the number (1 minute, 10 minutes, 1 hour, and 6 hours). Those are the blue bars and that's the easy part. The black circles show "actual vs. expected" NFP (right y-axis). Still easy. The purple circles are the miss in the unemployment rate, but I had to flip it, so a high purple rectangle means the UR was lower (strong jobs market). A low purple rectangle means UR showed a weak jobs market (high UR).

Let's look at last month, and you'll see what I mean.

USDJPY went down at first (blue bars below zero), because the headline jobs number was weak (purple rectangle below zero) and that's what the algos are still programmed to trade on. But the unemployment rate was expected at 5.1% and it came in at 4.8%. That's strong by 0.3% and that's the black circle. You see USDJPY eventually turned because the market realized low headline + low UR = strong labor market! I would bet today will be the same. I have never seen a tighter job market in my lifetime.

Ignore the headline NFP number. Low UR = Buy USDJPY



Meanwhile, a huge chunk of the USDJPY gamma expired yesterday, so the wall of offers 114.00/30 should be gone now.

A central bank should try this

I propose a new central bank communications policy: “We communicate at meetings and not in between to avoid wasting everyone’s time, confusing the market, and adding to market noise.” Most central banks hold a meeting every six weeks or so. Markets and constituents don’t need any more granular or frequent updates. The economy doesn’t move that fast! I wrote the press release, in case any CB readers decide to implement my idea:

___INSERT NAME OF CENTRAL BANK HERE___

**CENTRAL BANK
LOGO OR COAT
OF ARMS HERE**

November 5, 2021
For immediate release

We have determined that frequent communications from various members with conflicting views about policy and wildly different forecasts of the economy simply add to the noise in an already noisy world. Going forward, our communications blackout period will cover the entire period between official meetings.

We will communicate clearly at each meeting through our statement and press conference and refrain from wasting our own time or your time with countless speeches that provide little or no clarity. Our forecasts are similar to private forecasts and always err in the same direction. As such, it is incumbent on the market to realize that we don’t have any secret or proprietary information about the economy. We are mostly guessing, just like you are mostly guessing.

If there is an emergency, we will communicate publicly with one unified voice, through our chair.

See you at the next meeting!

Sincerely,

___INSERT NAME OF CHAIR___

Short and sweet.

Have a multifactorial weekend!

good luck ↑↓ be nimble

$$5! = 5 \times 4 \times 3 \times 2 \times 1 = 120$$

1	1
2	2
3	6
4	24
5	120
6	720
7	5,040
8	40,320
9	362,880
10	3,628,800
11	39,916,800
12	479,001,600
13	6,229,620,000
14	87,178,272,000
15	1,307,674,368,000
16	20,327,798,400,000
17	352,881,428,160,000
18	6,402,373,725,760,000
19	121,645,108,403,200,000
20	2,432,902,408,176,640,000
21	51,090,962,471,744,000,000
22	1,124,000,727,277,518,000,000
23	25,852,161,738,851,000,000,000
24	628,440,401,725,225,000,000,000
25	15,849,104,653,251,000,000,000,000
26	403,291,451,124,584,000,000,000,000
27	10,000,865,458,416,400,000,000,000,000
28	264,000,240,511,716,000,000,000,000,000
29	6,564,126,433,733,738,000,000,000,000,000
30	165,252,853,812,191,000,000,000,000,000,000
31	4,132,839,454,197,328,000,000,000,000,000,000
32	105,198,835,225,254,000,000,000,000,000,000,000
33	2,652,517,458,811,838,000,000,000,000,000,000,000
34	65,822,273,835,584,000,000,000,000,000,000,000,000
35	1,632,947,246,246,000,000,000,000,000,000,000,000,000
36	40,320,275,895,426,588,000,000,000,000,000,000,000,000
37	1,000,024,674,644,814,000,000,000,000,000,000,000,000,000
38	25,225,882,884,157,488,000,000,000,000,000,000,000,000,000
39	619,315,285,245,838,000,000,000,000,000,000,000,000,000,000
40	15,452,124,419,163,000,000,000,000,000,000,000,000,000,000
41	3,851,886,197,222,000,000,000,000,000,000,000,000,000,000
42	96,444,832,281,715,488,000,000,000,000,000,000,000,000,000
43	2,402,224,457,427,804,458,000,000,000,000,000,000,000,000,000
44	60,562,228,854,088,000,000,000,000,000,000,000,000,000,000
45	1,512,422,458,458,838,000,000,000,000,000,000,000,000,000,000
46	37,822,244,515,168,000,000,000,000,000,000,000,000,000,000
47	945,191,532,536,108,000,000,000,000,000,000,000,000,000,000
48	23,628,485,485,428,000,000,000,000,000,000,000,000,000,000
49	591,444,832,281,715,488,000,000,000,000,000,000,000,000,000
50	14,702,191,532,536,108,000,000,000,000,000,000,000,000,000
51	367,482,284,468,828,000,000,000,000,000,000,000,000,000,000
52	9,166,485,485,428,000,000,000,000,000,000,000,000,000,000
53	228,522,458,458,838,000,000,000,000,000,000,000,000,000,000
54	5,702,191,532,536,108,000,000,000,000,000,000,000,000,000
55	142,522,458,458,838,000,000,000,000,000,000,000,000,000,000
56	3,576,485,485,428,000,000,000,000,000,000,000,000,000,000
57	89,666,485,485,428,000,000,000,000,000,000,000,000,000,000
58	2,242,191,532,536,108,000,000,000,000,000,000,000,000,000
59	56,052,458,458,838,000,000,000,000,000,000,000,000,000,000
60	1,400,244,515,168,000,000,000,000,000,000,000,000,000,000
61	35,000,244,515,168,000,000,000,000,000,000,000,000,000,000
62	875,000,244,515,168,000,000,000,000,000,000,000,000,000,000
63	21,875,000,244,515,168,000,000,000,000,000,000,000,000,000
64	546,875,000,244,515,168,000,000,000,000,000,000,000,000,000
65	13,671,875,000,244,515,168,000,000,000,000,000,000,000,000
66	341,796,875,000,244,515,168,000,000,000,000,000,000,000,000
67	8,544,916,875,000,244,515,168,000,000,000,000,000,000,000
68	213,623,675,000,244,515,168,000,000,000,000,000,000,000,000
69	5,340,591,675,000,244,515,168,000,000,000,000,000,000,000
70	133,514,791,675,000,244,515,168,000,000,000,000,000,000,000
71	3,337,869,791,675,000,244,515,168,000,000,000,000,000,000
72	83,447,246,791,675,000,244,515,168,000,000,000,000,000,000
73	2,086,181,675,000,244,515,168,000,000,000,000,000,000,000
74	52,154,291,675,000,244,515,168,000,000,000,000,000,000,000
75	1,303,857,291,675,000,244,515,168,000,000,000,000,000,000
76	32,596,431,675,000,244,515,168,000,000,000,000,000,000,000
77	814,410,791,675,000,244,515,168,000,000,000,000,000,000,000
78	20,360,271,675,000,244,515,168,000,000,000,000,000,000,000
79	509,006,916,750,000,244,515,168,000,000,000,000,000,000,000
80	12,725,174,167,500,000,244,515,168,000,000,000,000,000,000
81	318,129,354,167,500,000,244,515,168,000,000,000,000,000,000
82	7,953,233,541,675,000,244,515,168,000,000,000,000,000,000
83	198,825,837,233,541,675,000,244,515,168,000,000,000,000,000
84	4,970,646,541,675,000,244,515,168,000,000,000,000,000,000
85	124,266,167,500,000,244,515,168,000,000,000,000,000,000,000
86	3,106,652,646,541,675,000,244,515,168,000,000,000,000,000
87	77,665,565,167,500,000,244,515,168,000,000,000,000,000,000
88	1,941,638,837,233,541,675,000,244,515,168,000,000,000,000
89	48,541,221,638,837,233,541,675,000,244,515,168,000,000,000
90	1,213,530,485,415,168,000,244,515,168,000,000,000,000,000
91	30,338,261,213,530,485,415,168,000,244,515,168,000,000,000
92	758,455,638,261,213,530,485,415,168,000,244,515,168,000,000
93	18,961,391,261,213,530,485,415,168,000,244,515,168,000,000
94	474,033,391,261,213,530,485,415,168,000,244,515,168,000,000
95	11,850,833,391,261,213,530,485,415,168,000,244,515,168,000
96	296,270,833,391,261,213,530,485,415,168,000,244,515,168,000
97	7,406,771,261,213,530,485,415,168,000,244,515,168,000,000
98	185,167,771,261,213,530,485,415,168,000,244,515,168,000,000
99	4,629,196,771,261,213,530,485,415,168,000,244,515,168,000,000
100	115,702,261,213,530,485,415,168,000,244,515,168,000,000,000

*This is zero to 100 factorial in Excel.
The contour of the zeroes bound is oddly satisfying.*

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