

am
FX

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There are 88 zombie punks

Current Views

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

Whip Inflation Now

For the first time since the release of Space Invaders on Atari 2600, inflation control is a higher US policy priority than jobs or growth.

*PRESIDENT BIDEN SAYS REVERSING INFLATION IS A TOP PRIORITY

Senator Joe Manchin [Twitter]

"By all accounts, the threat posed by record inflation to the American people is not "transitory" and is instead getting worse. From the grocery store to the gas pump, Americans know the inflation tax is real and DC can no longer ignore the economic pain Americans feel every day."

A magical and toxic combination of disorderly post-COVID reboot, mass resignations, fiscal flooding, relentlessly turbo aggressive monetary policy, and emerging inflationary psychology have changed the economic imperatives. To me this means:

- Bostic's odds should be trading higher than 7%.
- A tariff reduction deal has to be in the US administration's thought process. This headline hit yesterday, and it definitely makes you go hmmm... VIRTUAL SUMMIT BETWEEN U.S. PRESIDENT JOE BIDEN AND CHINESE PRESIDENT XI JINPING IS TENTATIVELY SCHEDULED FOR MONDAY EVENING – POLITICO.
- Fed might taper much faster than planned.
- CPI matters more to policymakers than SPX.

Knowing when to stop out

The ability to stop out of a bad position is a learned skill that makes you better at trading and better at life. Sticking around in a bad trade, job, friendship, marriage, or investment for too long can be extremely costly. Thing is, though, switching costs are also high so you can't stop out of everything at the first sign of trouble either. You incur risk and costs every time you change your mind. Whether that's transaction costs, reputational risk, or alimony. Still, eventually you have to stop out. I was on Team Transitory for about six months and felt about 70% confident I was right for a long time. But I was wrong. So I stopped out.

When will the Fed stop out? That's the most important question in finance right now. Given the gradualist nature of the Fed, a stop out will not necessarily be binary; it might come in discrete steps as each FOMC meeting shortens the overall stimulus withdrawal period. By the time all is said and done, we might end up with individual Fed meetings priced for more than 25bps of hikes by 2022¹.

The easiest way for the Fed to stop out is for Biden to give Powell the shoulder tap and find a new leader who has no switching costs. Powell can leave with his reputation (somewhat) intact, and a new boss can snuff out the flames.

¹ i.e., non-zero probability of a 50bps hike priced in. Say, for example, the July 2022 meeting could be priced for 31 bps at some point.

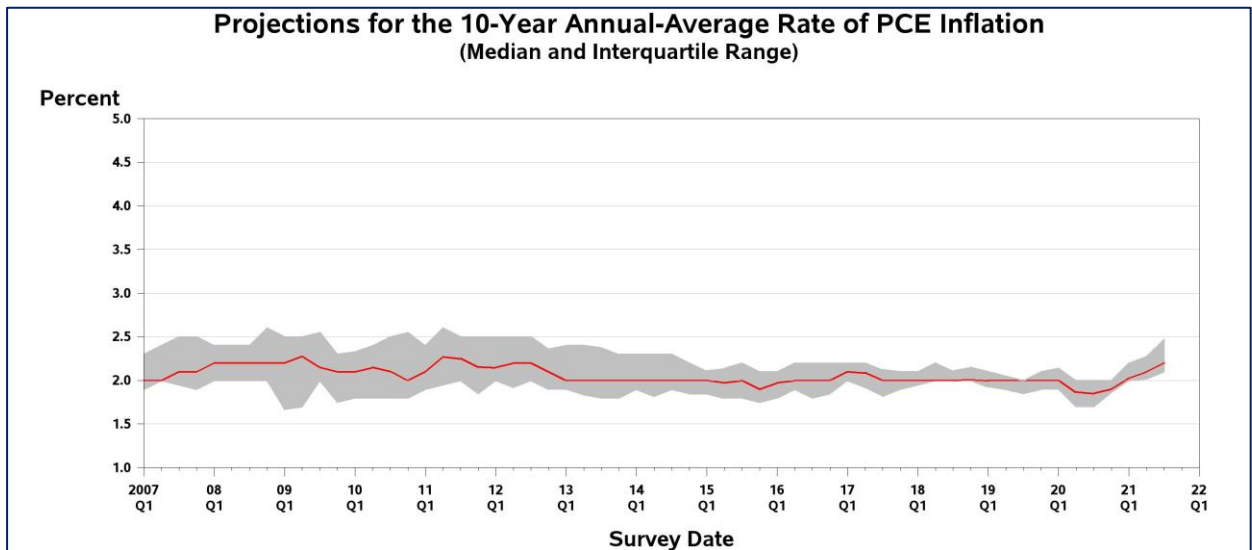
A new data series to get excited about

On pages 9 and 19 of his [Jackson Hole speech](#), Jerome Powell mentioned the Quarterly Survey of Professional Forecasters as one of the indicators on his red hot inflation dashboard. **This quarter's results come out next week. November 15, at 10:00 a.m. New York time.**

Movements in the survey median tend to be supereglacial so any meaningful tick higher is another reason for the Fed to press the big red STOP LOSS button.

<https://www.philadelphiafed.org/surveys-and-data/real-time-data-research/survey-of-professional-forecasters>

Here's the chart from the August 2021 edition. What the heck is up with that y-axis? That's how you build a chart when you are trying to make the movements seem small. They make it so hard not to be cynical.



FX is difficult

This USD rally has come a bit out of nowhere as many, including myself, got caught wrongfooted by the big move lower in US real rates. When real rates and nominal rates are moving in opposite directions, gold is ripping, stocks are dumping, and the curve is all over the place... The signals are confusing. Nothing on my USDCAD dashboard offers any explanation for this 175-pip rally, for example.

Adding to the weirdness, the US exceptionalism index moved lower yesterday and today as this USD rally has unfolded. With Fed nomination imminent, piling into long USD here looks extremely unappetizing to me.

Explanation for the title of today's AM/FX

https://en.wikipedia.org/wiki/Whip_inflation_now

Have a zombie-free day.

good luck ↑↓ be nimble

This is an actual screenshot of section 42.10 of Amazon's Terms of Service

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HT Locky

Lumberyard is Amazon's video game engine. So this is probably a sneaky little joke from the folks at Amazon. Or just good risk management.

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