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FX

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Flow rider

### Current Views

**Long 1-month CADJPY 90.00 put**  
Price 75 pips

**Short CADJPY @ 90.99**  
Stop loss 91.85

...  
*Sell the rally spot trade, not an open trade yet:*

**Short AUDJPY @ 83.40**  
Stop loss 84.40

...  
*Initiated November 17*  
**Short ETHUSD @ 4210**  
Stop loss 4902 / Take profit 3010  
(From MacroTactical Crypto #4)

## Don't

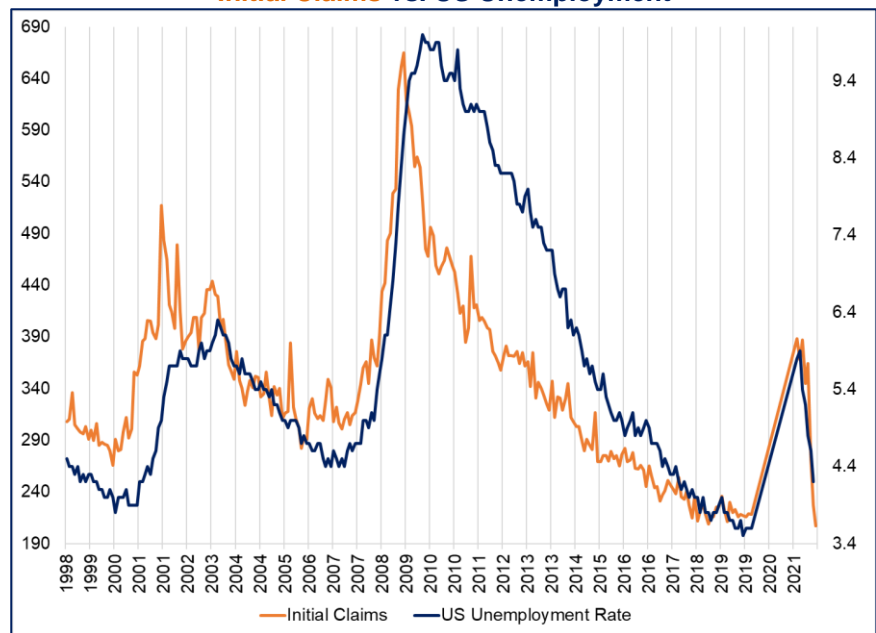
### NFP

My view is: NFP is not that important overall as we are screaming towards full employment and it's a matter of if, not when we fall below NAIRU (wherever the heck NAIRU is these days!). Initial claims leads UR very reliably and 200k claims mean sub 4% UR coming soon, guaranteed. I would ignore the headline figure and trade the UR as I have been saying for the past 5 or 6 months because the headline figure is more representative of labor supply, not demand for labor. For 99% of my existence, NFP was a labor demand measure. Now it's a labor supply measure.

The best chart in the world for showing how high frequency economic data can make lower frequency data meaningless has always been the Initial Claims vs. UR chart. That chart is harder to build now because COVID blew up the y-axis on just about every economic data series. Here, I simply chop out January 2020 to April 2021 so you can see what I'm talking about.

The orange line (Initial Claims) always leads the UR, sometimes by as much as two years! There is very little information in the UR release. It's super laggy.

Initial Claims vs. US Unemployment



### How to trade NFP: Don't.

As I said: NFP used to be a demand indicator; now it's a labor supply indicator. Therefore, a low headline jobs number means labor tightness (less supply) and is not dovish rates or bearish USDJPY. You have seen this over the past NFP releases... USDJPY follows the headline jobs number for about 5 minutes then reverses.

Overall, USDJPY after the last few payrolls releases has been close to a random walk. It reacts briefly to the headline miss (which makes no sense and is just the result of badly programmed algos)... Then it wanders wherever it feels like going. Here is last month's price action:

### USDJPY 5-minute chart from last NFP



It's not really tradable in my opinion. Prior months look similar.

### Two quick things

I think the January BoC meeting is mispriced (should be no chance of a hike, really). If the CAD jobs data come in weak, that's a go with, long USDCAD as it confirms to me the January hike is a zero.

[Bullard's slideshow yesterday](#) is nice.

### QT sequencing

I dropped a hypothetical into my chats yesterday: The Fed may choose to sequence QT earlier than people think and this could lead to fewer rate hikes as QT acts as a substitute. This got a lot of negative feedback mostly saying "The Fed won't make the same mistake twice, QT was a bit of a disaster in 2018."

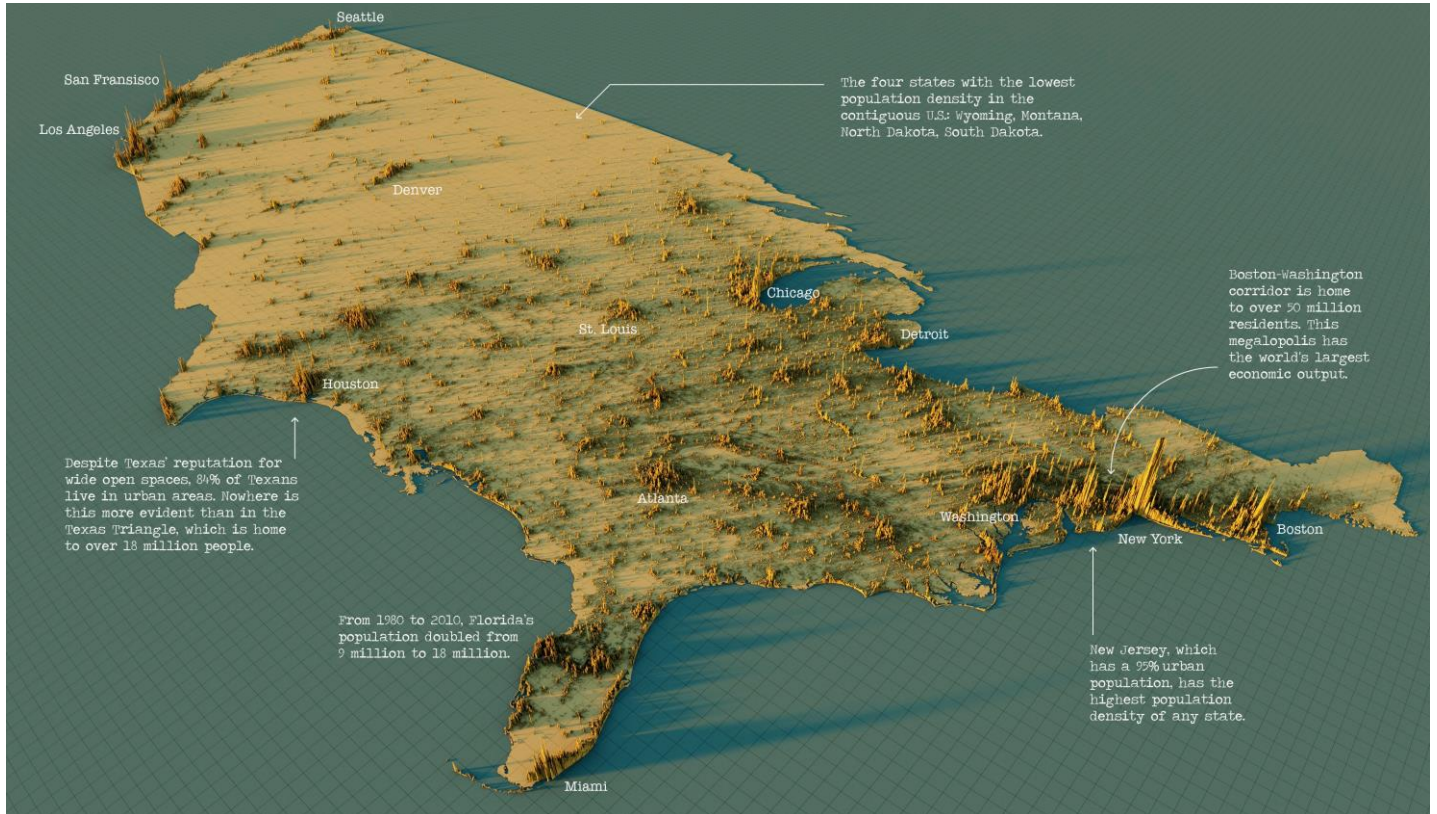
I comprehend the pushback, but at the same time, there definitely be some factions in the Fed pushing for earlier QT vs. later. This is worth keeping on your bingo card. I am a little bit biased because I found the [KC Fed bulletin](#) extremely compelling. Also, the most controllable part of the inflation equation for the Fed is housing inflation. If you stop buying MBS and pivot to QT, you raise longer-term rates and reduce upward pressure on housing inflation. Meanwhile, rate hikes do not necessarily have any impact on housing if all they do is just flatten the curve. Finally, keeping the yield curve steeper by favoring QT over rate hikes also has benefits for banks and potentially for the economy given a flat and inverted yield curve tends to be a harbinger of recession<sup>1</sup>. All this stuff is moot if QT makes stocks crash, though, of course, but whatever it takes, right Mario?

Have an extremely detailed weekend.

good luck ↑↓ be nimble

<sup>1</sup> I know there is a Goodhart's Law problem here. Like the Fed buying TIPS and using inflation expectations as an inflation indicator KEKW....

## Water attracts human settlers.



<https://www.visualcapitalist.com/wp-content/uploads/2020/08/density-map-full-usa.html>

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