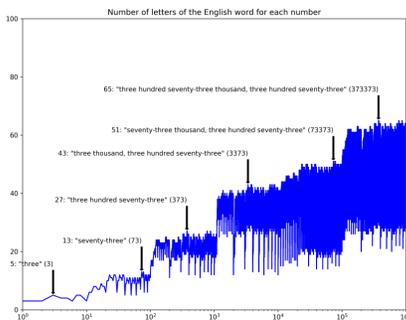


am
FX

Brent Donnelly

bdonnelly@spectramarkets.com
(212) 398-6230



The number of letters in whole numbers, when you spell them out in English

Current Views

Long EURUSD @ 1.1317

Original stop loss was 1.1174, moved it up to 1.1369 now

Take profit 1.1579

Long 03FEB CADJPY
90.00 put

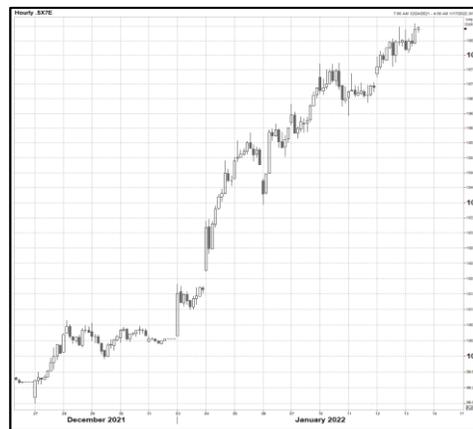
Spot ref: 90.80 /// Price 75 pips
(stale for now, but you never know!)

Inextricably linked

More evidence of relative equities as a driver of EURUSD

EURUSD has broken out to the topside as flows out of US and into global equities continue. Everyone loves the banks and energy and you get charts that look like this:

EU banks up 10% since 28DEC

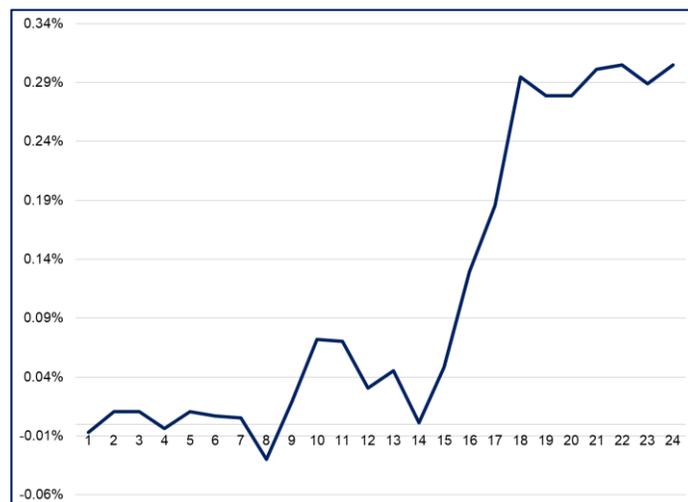


NASDAQ down 3.5% since 28DEC



Further evidence that this equity shift is impacting FX comes from the time-of-day analysis. Here is how EURUSD is trading over the past week:

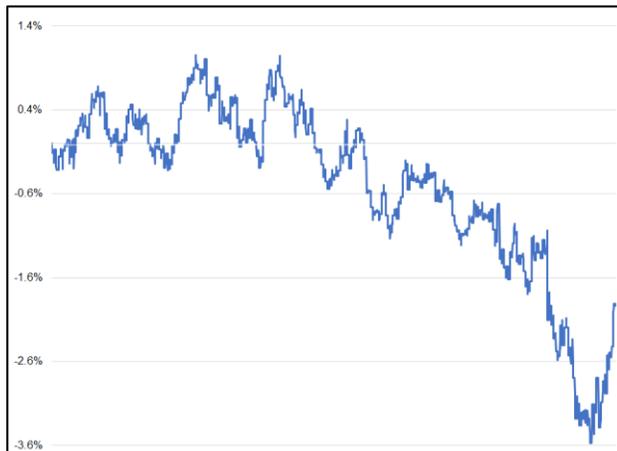
EURUSD performance by time of day (GMT)



Equity hedgers tend to operate in the 14-16GMT window because the WMR benchmark fix is at 16GMT (4pm LDN, 11am NYC) and they are benchmarked to that. Most of the upside action in EURUSD this year has been in that period. The intraday peak has been 6pm LDN / 1pm NYC as the buying followed through a bit.

I don't want to overstate this time-of-day effect, because most big FX moves happen during the LDN/NYC overlap. The next chart shows the same idea in a different way.

P&L of long EURUSD from 2pm to 4pm LDN (9am to 11am NYC)
 One year of hourly data is shown here. Only long for those two hours each day.



Again, you see a massive turn in the time of day data. Astute observers will notice that that looks a lot like... A chart of EURUSD! But not exactly. Anyway, the equity rotation is triggering a flood of USD selling, particularly around the WMR, and that has triggered the EURUSD breakout.

I put on the long EURUSD on 10JAN and just want to mention I threw a take profit in the sidebar now at 1.1579 and I moved the stop loss way up so it's now just below the 1.1385 breakout level. That way, the trade is profitable no matter what. Also, if we go below 1.1385, I'm not bullish anymore.

Take a look at the chart at right. I don't think you can trade it tick-for-tick intraday, but keep an eye on the narratives around growth vs. value and US vs. Rest of World equity performance. DXY and that rotation theme are inextricably linked right now. The gap between "fair value" suggested by the drop in US exceptionalism has closed significantly with the big USD move, so forward evolution of the blue line on that chart is important.



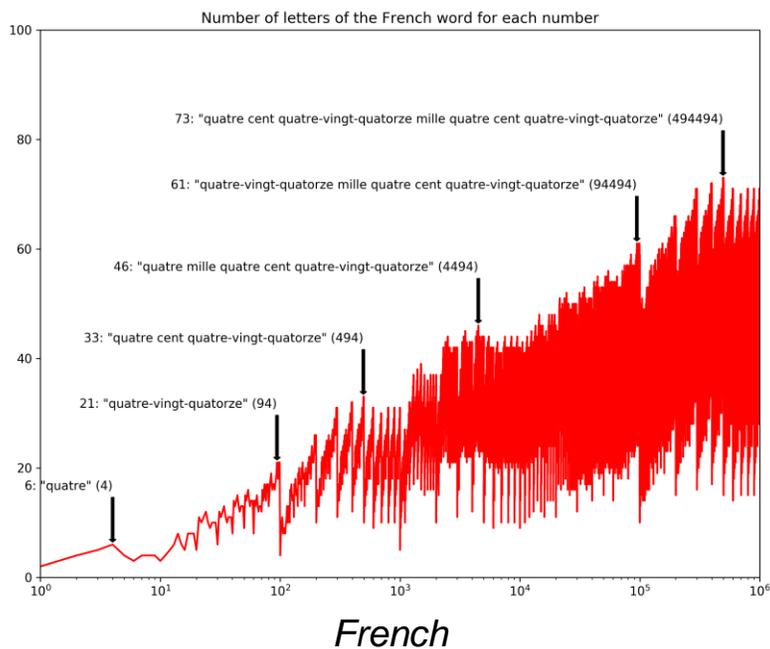
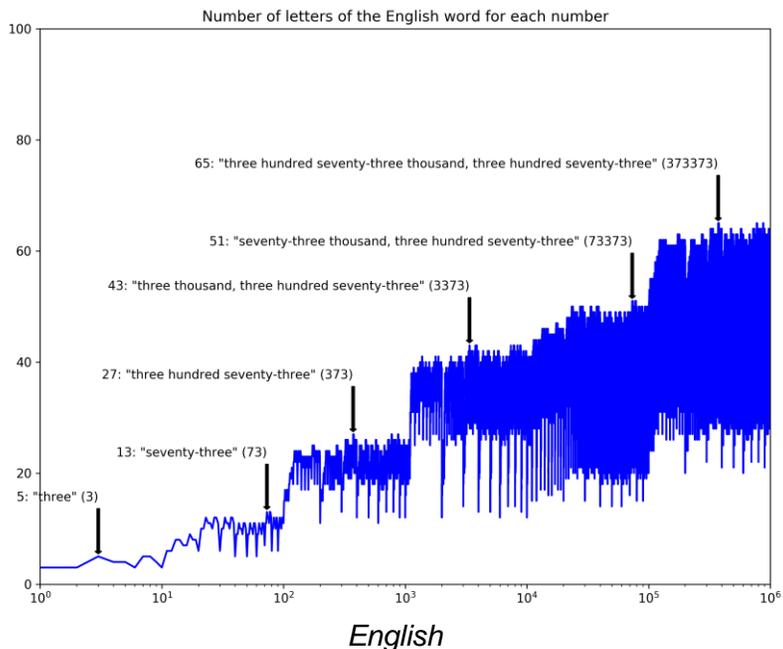
Risk reward on short USDJPY now looks poor

Positioning can only take USDJPY down so far. My view is that the big hedge fund USDJPY longs in spot are now mostly out, and the rest of the longs are via options that are mostly struck around 116.00 or higher. Therefore, at current levels, fast money positioning is now clean. CTAs, not so much (!), but they are slow moving. Oil is back at the highs and US 2-year yields are near the highs so there is no cross-market reason to be short USDJPY. In fact, if you're bullish USD and didn't get caught in this downdraft, this is a nice place to scale into longs.

I'll stick with the CADJPY option in the sidebar as I explained yesterday, while acknowledging it's dissonant to my now more constructive USDJPY view. I pretty much never stop out of options because they are short-dated and stopping out of short-dated options just tends to be an exercise in transaction cost maximization. If the CADJPY short is going to work from here, it's probably going to have to be via the CAD leg. Have a numerical day.

good luck ↑↓ be nimble

The number of letters in numbers when you spell them



<https://erikbern.com/2017/09/06/the-number-of-letters-in-the-word-for-each-number.html>

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