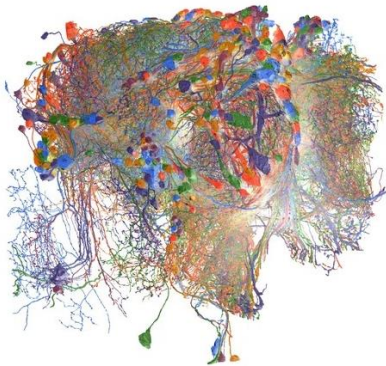


am  
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Fruit fly brain

### Current Views

2/2/22: move all stop losses to entry point

**Short USDCHF @ 0.9300**

Original stop loss was 0.9381  
Take profit 0.9111

**Long AUDUSD 0.7041**

Original stop loss was 0.6984  
Take profit 0.7219

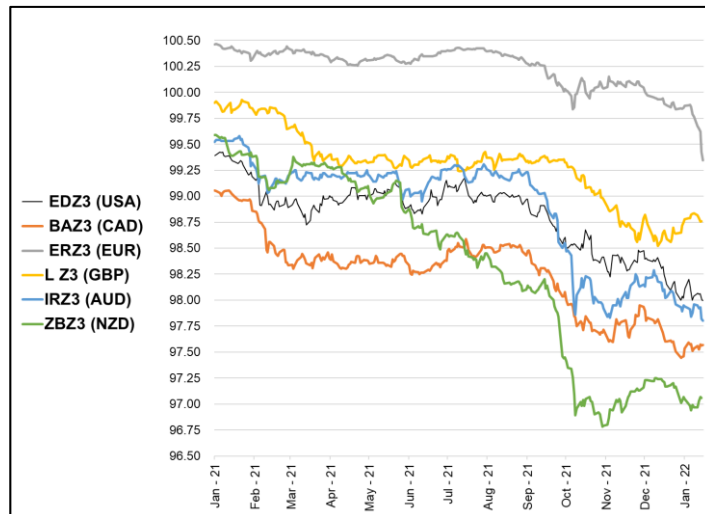
# Changes not levels

The market was leaning into a weak NFP and so the setup has triggered a solid move in yields today. The return of so many people to the labor force could have been good (disinflationary) news, but with earnings much higher, the number doesn't offer much solace for now. With ADP so different from NFP, and claims coming back in a bit lower, I'm not sure we got any new information about the labor market this week.

## Global rates in perspective

Here is the path of global interest rate futures since January 2021.

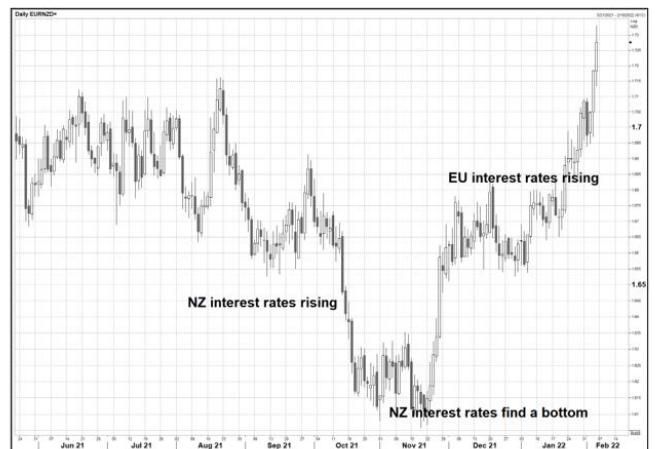
### December 2023 interest rate futures for seven countries



Part of the complexity of currency trading is that most of the currency gains in response to rates come in the **change in market pricing**, not the level of policy or market rates. This is why historically the USD rallies into the first rate hike, then sells off after. It is also why CAD has struggled somewhat in recent months despite skyrocketing oil. Once a curve is fully priced, the currency loses the tailwind from rates.

This also explains (to take another example) why EURNZD went down hard from June to October 2021, then bounced aggressively. Look at the green line (NZ rate futures—green line DOWN means NZ rates UP). You can see the direction and rate of change followed EURNZD from June to October, then both NZ rates and EURNZD stabilized. Meanwhile the gray line (EU rate futures) in the first chart shows that EU rates were barely moving for

### EURNZD



ages, then finally got jiggy of late. EURNZD followed the trajectory of these relative rate moves very nicely.

This goes back to something I often discuss because I think it's important. Traders should care almost exclusively about changes, not levels. EU rates are still super low, *but they're rising*. NZ rates are high, *but they are flatlining*. Therefore, EURNZD is going up. Changes not levels. Changes not levels.

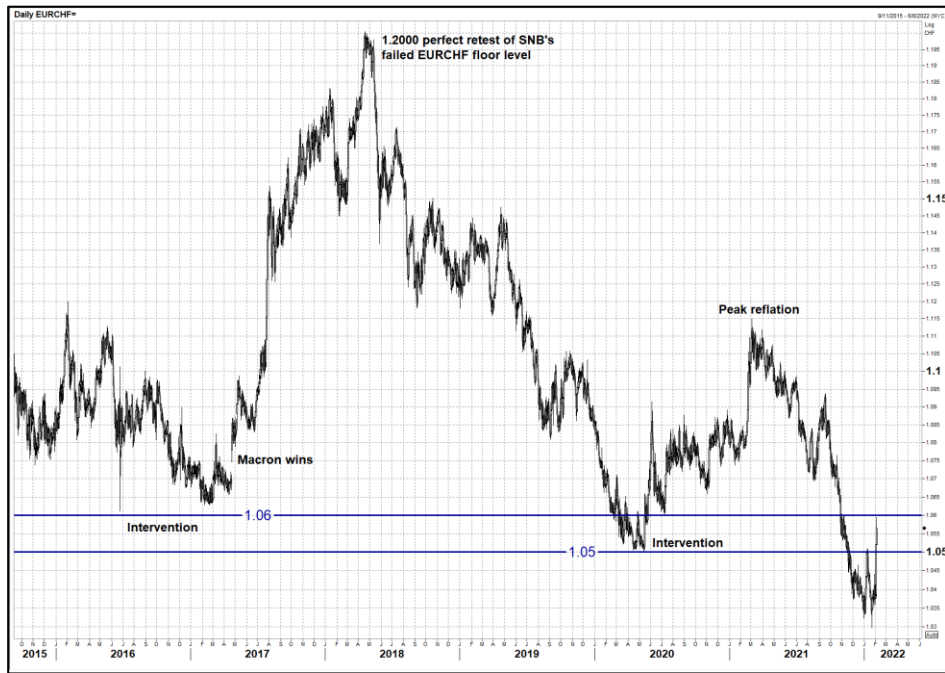
### Bummer

What I thought would be a big USD move (lower) this week has turned out to be more of a EUR move higher and so my trades, which looked amazing until around 4 p.m. yesterday, are suddenly meh. I was able to get all the trades on Monday, except the EURUSD long, so a bit of a tactical failure there. Overall, the short USD trades will make a bit of money but not much. Really the idea was just wrong overall so I don't feel too bad about it. I was playing for USD weakness, not EUR strength and we got much more of a EUR strength story. I moved all my stops to entry point two days ago and just got stopped out of the USDJPY. I will stick with the plan on the other two trades.

### Confoederatio Helvetica

EURCHF went completely bananas over the last 24 hours as the market prices in the start of ECB normalization and very little from the SNB. Below is a brief history of EURCHF back to late 2015. The takeaway from the chart is that the top of the four-year SNB intervention zone and the Brexit low in 2016 at 1.0600 were epic support and now become important resistance. A daily close above 1.0600 opens up a ton more topside but given the speed of the EURCHF move, I would advise caution here. Long EURGBP looks like much better risk/reward to me as the BOE are freakishly dovish despite almost hiking 50 bps yesterday!

**EURCHF: The old 1.0600 Brexit bottom is now resistance**

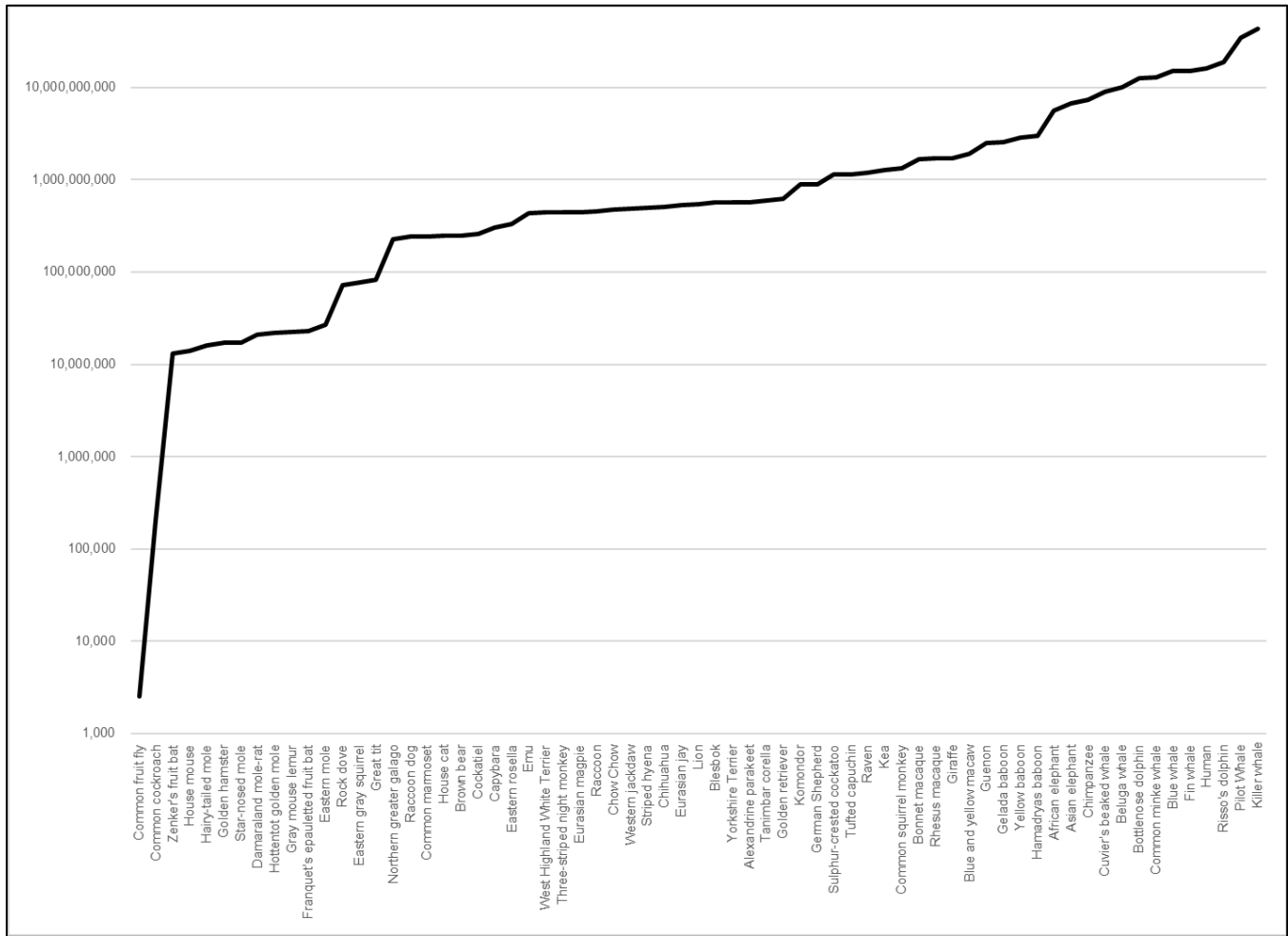


Finally, the NASDAQ trades poorly despite the somewhat shocking (to me!) move higher in AMZN. I think we are setting up for a retest of the lows in tech and crypto over the next few weeks. The false breaks of the 200-day in NASDAQ have setup a tradable high for shorts to scale in here to 14,800 with a stop at 15,310.

Have a killer weekend.

good luck ⇕ be nimble

## List of animal species by number of forebrain neurons



[https://en.wikipedia.org/wiki/List\\_of\\_animals\\_by\\_number\\_of\\_neurons](https://en.wikipedia.org/wiki/List_of_animals_by_number_of_neurons)

<https://elifesciences.org/digests/57443/reconstructing-the-brain-of-fruit-flies>

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