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FX

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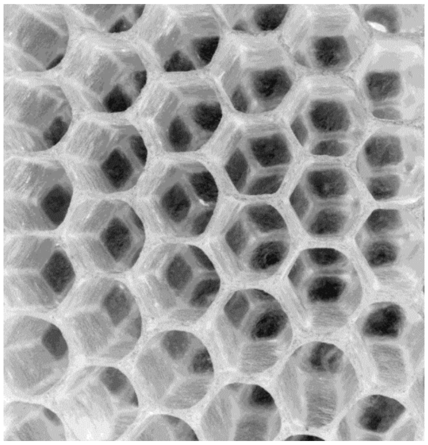


GBPCAD lower

GBPCAD lower ticks a lot of boxes for me. The Bank of England is sending a clear message as they trying to get the market to chill out on rate hike pricing, while BoC should be more like RBNZ. In fact, USDCAD is lower in sympathy with RBNZ, I think, and should get a halo from the RBNZ hawkish rate path as NZ and Canada are at similar points in the cycle.

There has been a weird short gamma battle going on in USDCAD 1.2680/1.2780 and month end is an upside risk for the dollar (market likely to buy USD into month end, same as last month) so I prefer GBPCAD short to USDCAD short for now. Perhaps consider a USDCAD short once month end is out of the way. The trucker blockade in Ottawa and the Ontario / Quebec COVID lockdown stories in Canada are resolving and BoC can't remain a dovish hiker forever.

Location for short GBPCAD is excellent. 1-month puts or short spot with a stop loss above the highs works. I am adding short GBPCAD here (1.7252) with a stop at 1.7415 and take profit 1.7010.

GBPCAD broke the December highs twice and failed both times

USDCAD hourly chart has been a chopfest 1.2660/1.2780

Current Views

Short GBPCAD @ 1.7252
Stop loss 1.7415
Take profit 1.7010

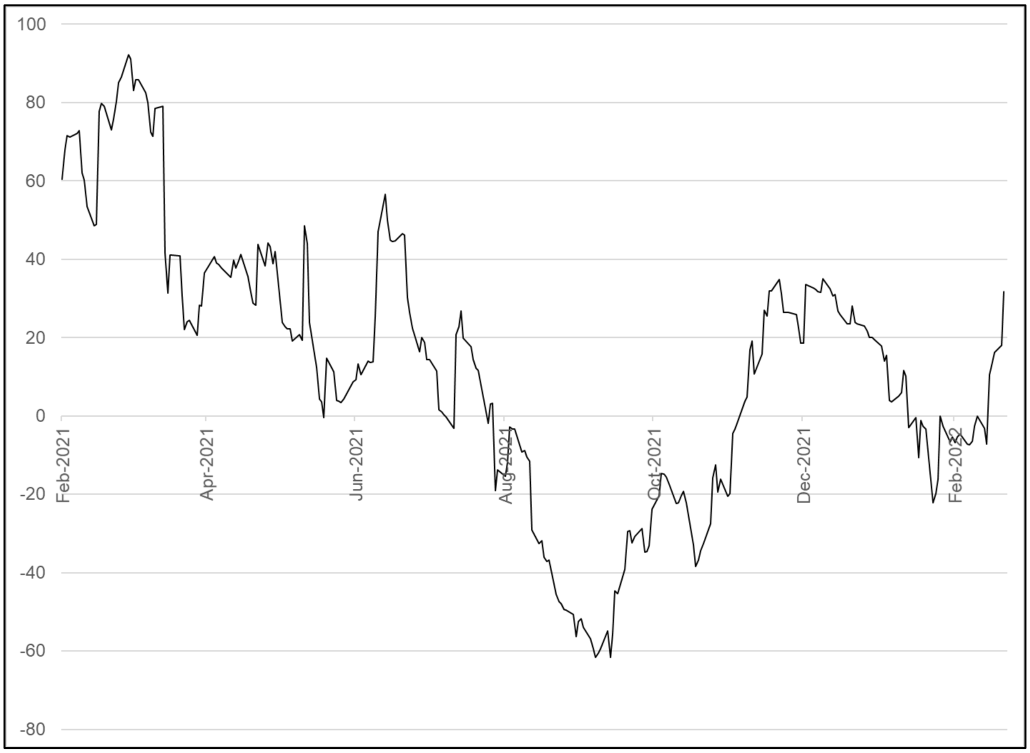
Bullish EURGBP
Long 18MAR 0.8550 EURGBP digital call at 24% (spot ref. 0.8426)

US data

I was monitoring a thesis for a while from around mid-January to the first week of February. The idea was that US economic data was weakening more aggressively than would be justified by omicron and the near inversions or extreme flatness in the US rates curve could reflect something nefarious.

Over the past two weeks, it looks to me like those arguing that the weakness was temporary are being vindicated. Most importantly, Initial Claims came all the way back down, and Markit PMI jumped back into the safe zone yesterday. The explosion in inventories in the GDP and other data is still a concern but the red flag nature of the US economic data is more like pale yellow again. Surprises have bene consistently positive in the US of late as you can see here. It's not an all clear but things look better.

Citi economic surprise index has come back to life



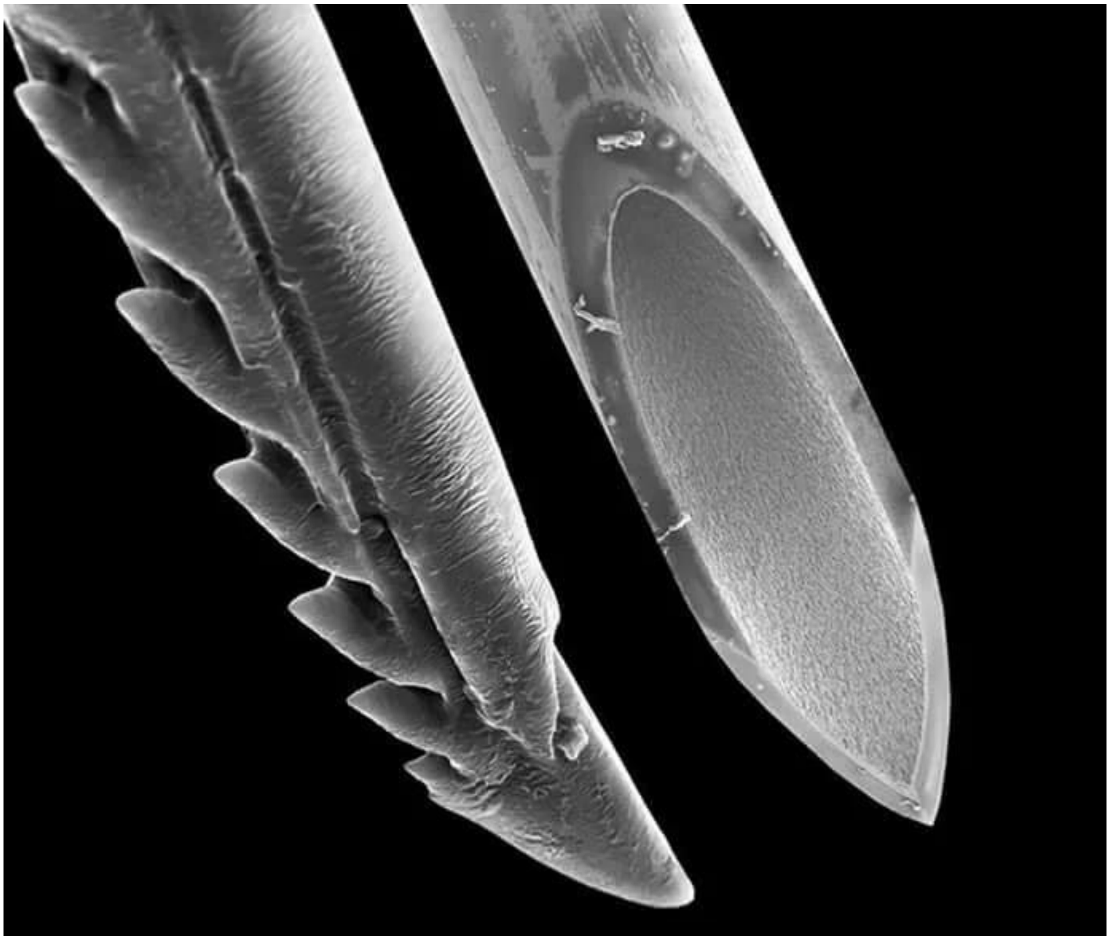
I put on a short USDJPY last week and as we approach month end I don't love it. The idea just doesn't speak to me as flow is the wrong way (corporate USD buying), the economic momentum in US looks OK, RBNZ rate path hawkish is supportive of global rates, and Russia is starting to feel a whole lot like 2014 (grinding takeover of Russian-speaking enclave with no follow through or impact on the global economy). As such, I'm cutting the USDJPY here for a tiny loss. Stocks also look like they are absorbing the selling pretty well down here.

Hello new subscribers

I have a ton of new subscribers of late so just FYI, the current live trades are always in the sidebar on page 1. Also, feedback, questions, and criticism are always welcome and I'm happy to explain anything or expand on stuff. Just email me. If you want to read my crypto notes, you can sign up here. And my educational Substack is here.

Have a sharp day.

good luck ⇅ be nimble



Bee Stinger vs. hypodermic needle

From this gnarly book:

[Bee by Rose-Lynn Fisher]

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