

am
FX

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Stick fight!



Current Views

Bullish EURGBP

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

Bullish AUDCAD

Long 22FEB 0.91 AUDCAD call Cost 26bps, spot ref 0.9050

Odiferous

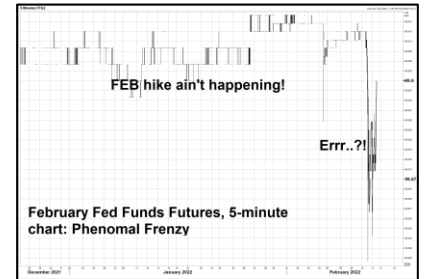
An intermeeting Fed hike would have been a ludicrous idea a few days ago, and now here we are. The Fed communications disaster continues as they waited so long to acknowledge the inflation reality that they are now in panic mode. The behind-the-curve evolution of the message is wild.

Bullard 9 days ago in a Reuters interview

“Fifty basis points, I don’t think helps us -- at least sitting here today, I don’t think that really helps us. I think we can get a disciplined approach to raising the policy rate and the expectations are already in markets.”

Bullard yesterday

*BULLARD: SHOULD BE OPEN TO CONSIDERING INTER-MEETING INCREASE
*FED’S BULLARD FAVORS 100 BPS INTEREST-RATE INCREASES BY JULY 1



Fed policy operates with long and variable lags and yet Bullard seems to have changed his view of appropriate policy by an order of magnitude based on one NFP and a single inflation print. The Fed’s inability to overcome inertia in late 2021 and thus its decision to do nothing, despite skyrocketing inflation and its admission that transitory was no longer the right adjective to describe that inflation, has led to this embarrassing unforced error. They claim to be worried about inflation (words) and are still buying assets (≠ actions).

In any moment of decision, the best thing you can do is the right thing, the next best thing is the wrong thing, and the worst thing you can do is nothing.

- Theodore Roosevelt

The rate of house price appreciation in the US currently exceeds the peak YoY rate of change achieved in the 2005/2006 housing bubble and yet the Fed is still buying MBS. There is not one human being in the world, other than America’s largest employer of PhD economists, that believes buying MBS in 2022 is the correct policy. Add the series of rolling ethics scandals and **there is a distinctly Arthur Burnsian odor wafting out of the Eccles building right now**. In hindsight, FAIT has been a classic case of how generals always fight the last war.

Anyway... Today, at 3 pm NY we get the Fed’s [last purchase schedule](#). After months of nonsensical procyclical buying, will they halt it in the final minute of play? Seems stupid and pointless to me, as does an intermeeting hike, and I would be completely dismissive of the intermeeting hike if [Tim Duy](#) did not give it credibility yesterday. I respect his ability to call the Fed much more than my own.

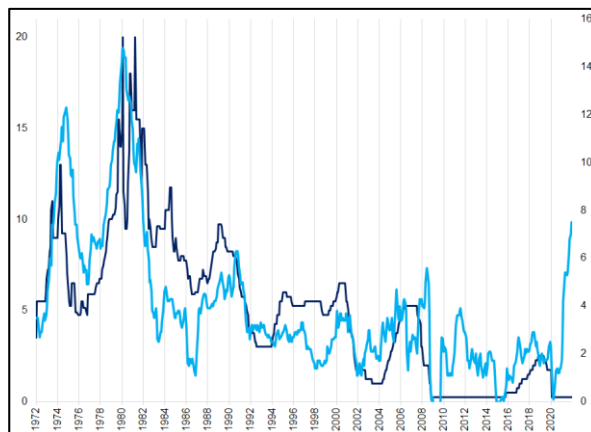
An intermeeting hike would probably happen on a round hour or half-hour. Most emergency Fed moves happen that way so that the media embargo is properly coordinated, and everyone finds out about the move at the same time. Make sure you’re at your desk at the round hours today, and especially at 3 pm. If they announce the purchases are going ahead as scheduled, intermeeting hike odds revert toward zero.

An intermeeting hike is likely to crack the NASDAQ and initiate a new leg lower, while the impact on the dollar is less certain. USD price action is funky and directionless.

A lot has changed since 1970, but still

The chart on the next page is an oldie but a goodie.

US Fed Funds rate vs. US CPI YoY



kekekekekeke

USDCNH

People have been keen to go long USDCNH off and on since last September for various reasons including Evergrande, China deleveraging, China equity outflows on tech crackdown, declining China credit impulse, and so on. I fell into the trap myself once. Now, there is a new cohort of people looking to buy USDCNH as the end of the Olympics and the turn in the credit impulse coincide. Maybe it'll work; I don't really have a view. But I have two nice charts!

The charts show narrowing consolidation which normally speaks to lack of interest and falling vol. As the apex of the triangle approaches, markets gird for a coiled release in one direction or the other. The chart on the left shows that the breakout would be 6.32 to the downside and 6.4000 to the topside.

The chart on the right shows that if we take out 6.3150/6.3200 support, it's back to the double, massive, mega, uberlevel pre-deval point and 2018 low which are both 6.2150.

USDCNH narrowing tweezer thingy



USDCNH 6.3150 and 6.2150 son grandes niveles



Finally, I don't think this Russia/China statement got the coverage it deserved in the global and financial media: <http://en.kremlin.ru/supplement/5770>. Entering a new era. Kind of historic.

Have an action-packed, arcade-style weekend.

good luck ↑↓ be nimble

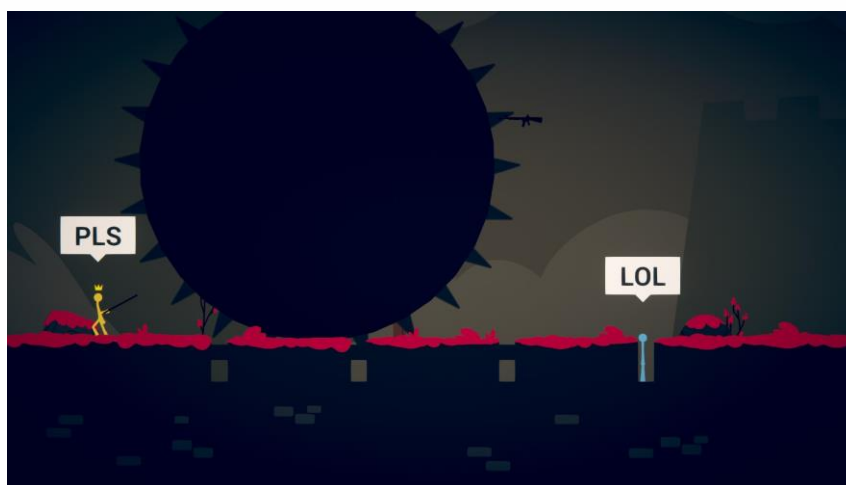


If you want a fast-paced video game with quick rounds and tons of variety that is fun to play with kids 12 to 49... I recommend Stick Fight. It's \$5 on Steam and you can play on PC or Mac.

Multiplayer with lots of strange and fun physics.

You control a stick man, and you try to kill the other stick men.

My kids like playing it with their friends but they also like playing it with me because skill differential is not important. Unlike games like Fortnite where widening skill differential make me not very fun to play with anymore.



Spiked ball moves right to left, so the guy hiding in the hole is going to win this round

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