

am
FX

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Guess the height of the shortest woman in the world.

Current Views

Short GBPUSD at 1.3215

Stop loss at 1.3353
Take profit 1.2811

Long EURGBP at 0.8460

Stop loss at 0.8369
Take profit 0.8599

Rolling over

The price action in EUR and EUR crosses overnight has been horrendous as the EUR was already struggling when I walked in this morning and Putin on the wires just now drives another leg of weakness. This overnight headline...

<https://www.usnews.com/news/world/articles/2022-03-31/russia-drafts-134-500-conscripts-but-says-they-wont-go-to-ukraine>

...is also more than a tad concerning.

Meanwhile, my email is full of headlines like:

*CHINA MARCH NON-MANUFACTURING PMI AT 48.4; EST. 50.3

*CHINA TOP 100 DEVELOPERS SEE MARCH SALES -52.7% Y/Y: CRIC

* SoftBank is pushing to raise cash and evaluating assets that could be liquidated, one person familiar with its plans told FT

* Son became alarmed over his personal borrowings against SoftBank shares during the sell-off, people close to him told FT

As mentioned yesterday, I think we are rolling back over into the next leg lower in stocks as the relief rally on terms of trade optimism and Russia short squeeze is about over. The NASDAQ chart certainly presents one heck of a location if you want to take a stab. A short here with a stop at 15660 has fantastic risk/reward in my opinion. In case you missed it, I wrote about selling NASDAQ futures as an overlay to a bullish or neutral book in [the latest episode of my free educational Substack](#). If I'm right about NASDAQ, ETH is probably going back to 3000 soon.

NASDAQ daily with 100-day and 200-day



I think you can also make the argument that AUDUSD is starting to make a top, too. I know people are generally skeptical of the SPR release because the history of these releases is that they don't have much price impact but when a government intervention happens to catch the weak side, it can hurt the market. This could be one of those times. Commodity markets were already showing signs of toppiness as copper, palladium and wheat (for example) are well off the high with no momentum.

There is not a raging bearish AUD case to be made here yet, but a short is pretty easy to risk manage given the clear equilibrium zones that have been established in AUD since the mega post-COVID Fed QE rebound in 2020.

If you want a hedge to your commodity longs, short AUD with a stop at 0.7626 is probably perfect.

AUDUSD happy place has mostly been 0.7000/0.7560



EURGBP

Naturally, EURGBP is lower with every other EUR cross overnight and that got me wondering how much of EURGBP tends to be driven by EUR vs. GBP. I feel like I should know that, but I don't. So, I checked. The box at left suggests (very back of the envelope, without examining betas or PCA etc.) that some days EURGBP is a EUR thing and some days it's a GBP thing. The influence of EUR and GBP on EURGBP are ~equally shared. In contrast (just for reference) during the first half of 2016, EURGBP was almost exclusively a GBP thing as Brexit loomed. That's the box on the right.

Correlations January 2021 to now

Security	EURUSD	GBPUSD	EURGBP
EURUSD	100%		
GBPUSD	63%	100%	
EURGBP	40%	-46%	100%

Correlations January 2016 to July 2016

Security	EURUSD	GBPUSD	EURGBP
EURUSD	100%		
GBPUSD	55%	100%	
EURGBP	2%	-84%	100%

When you are trading crosses, it's always good to know what currency is in the driver's seat and which one is in the back yelling "Woot woot!" While I'm obviously not happy about the EURGBP price action, I'm sticking to the plan as outlined yesterday.

Closing thought

The currency impact of the Norges announcement (Norges Bank to Buy NOK2B of Foreign Currency a Day in April) should be similar to the way a QE announcement ripples through the market. The majority of the impact comes in the first week or so on the announcement effect and then there is a residual flow effect going forward. Hard to ignore this announcement and I will be buying dips in EURNOK for a while.

Have a lovely day.

good luck ↑↓ be nimble

63 centimetres = 2'1"

Two. Foot. One!



Jyoti with her sister Archana

When she turned 18, Jyoti Amge officially became the Guinness World Record holder for shortest person in the world.

She is a 28-year-old actress living in Nagpur, India.

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