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FX

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Wanda Mae Huffaker, a Utah librarian

Those intending to study Library Science have strong SAT scores and spectacular verbal SAT scores

Current Views

Long AUDUSD @ 0.7362
Stop loss 0.7289
Take profit 0.7480

BrickBreaker

2.98 traded in 10s overnight and then we got a pretty epic micro turn in rates and USDJPY. I think it's hard to justify short US 10s at this point because while it's surely possible that 10s take out that 3.04/3.25 ceiling, I think it will be hard work—not a straight line rip. That is not to suggest rates must go lower, only that we are more likely to chop around from here as the impulsive wave higher in rates is near target and exhaustion. If you look at the magnitude of the big moves in 10s since 2012, they are all 1.4% to 1.9%. Current move up is 1.85% off the Q3 2021 lows.

US 10-year rate is at measured move target



As such, it will be like BrickBreaker up here for a while with the market bouncing off the critical 3.04/3.25 level, trying to break on through to the other side.

US 10-year rate is close to the brickish resistance target

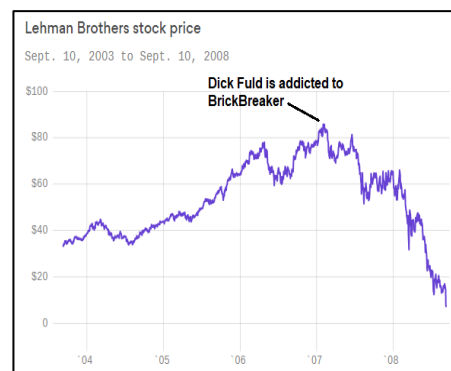


With bonds close to, but not in the buy zone, USDJPY gets trickier now, especially as the overnight high (129.41) is more than 10% above the 100-day moving average. Expect wide consolidation 126/129 for a bit. Buy the dippers should be there from 127.20 all the way down to 126.00.

Speaking of BrickBreaker, [this February 17, 2007 article](#) was the ultimate sell signal for Lehman Brothers. Excerpt:

When Richard Fuld, chief executive of Lehman Brothers Holdings Inc., couldn't control his addiction, he took drastic measures. In October, he had the game BrickBreaker taken off his BlackBerry.

"I was playing so much," says Mr. Fuld, who had used it to relax on the plane or in the car. He missed it so much he had it reinstalled, but it's no longer on the main menu. That removes the temptation, he says, "for the most part."

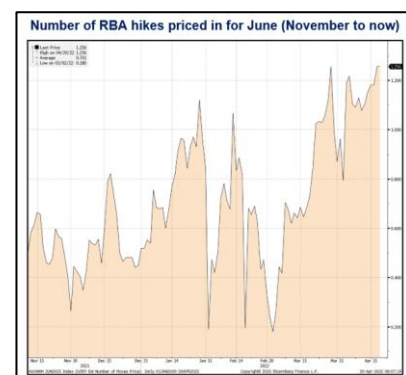


Oz

Oz had a nice surge overnight as the market gears up for a big two weeks ahead. April 26 CPI is really the key here as there are competing viewpoints on when the RBA might hike. The OG RBA watcher, Terry McCrann, is now predicting a May hike, while WSJ RBA watcher James Glynn and respected economist [Stephen Kirchner](#) call for 40 bps in June. May would be a huge surprise.

You can see in the chart at right that RBA pricing is at peak right now.

My guess for today is that AUD consolidates 0.7400/0.7450 as it faces micro crosswinds with copper weak (bearish) but US risk parity en fuego (bullish). AUD vol should realize between now and CPI.



USDJPY intervention remains unlikely

People are way too excited about the prospect of BOJ/MOF intervention in USDJPY. I don't think we are even close to that point yet. FX intervention, especially buying your own currency, is an extreme last resort. Kuroda has been trying to weaken the yen since 2012... They finally did it! They should be celebrating, not white knuckling.

Anyway, before intervention you need all these steps first:

- Escalation of rhetoric from Suzuki, e.g.:
 - "Yen move does not reflect fundamentals"
 - "Will take bold action if necessary"
- Change of rhetoric from Kuroda: e.g., "Weak yen is now negative for Japan."
- BOJ raise yield target from 25 to 40 or 50. Part of what is driving the JPY weaker is the rigid yield cap.
- BOJ rate check. This is normally the last fly-by warning before intervention. The BOJ checks rates with banks and spoofs the market into thinking they are intervening. Next step after this is actual intervention.

The last time Japan intervened to sell USDJPY (1998), it triggered a disorderly collapse. It is not the preferred strategy. Watch for potential Suzuki headlines from the G20 meetings.

Closing thoughts

USDCNH is alive! Have a bookish day.

good luck ↑↓ be nimble

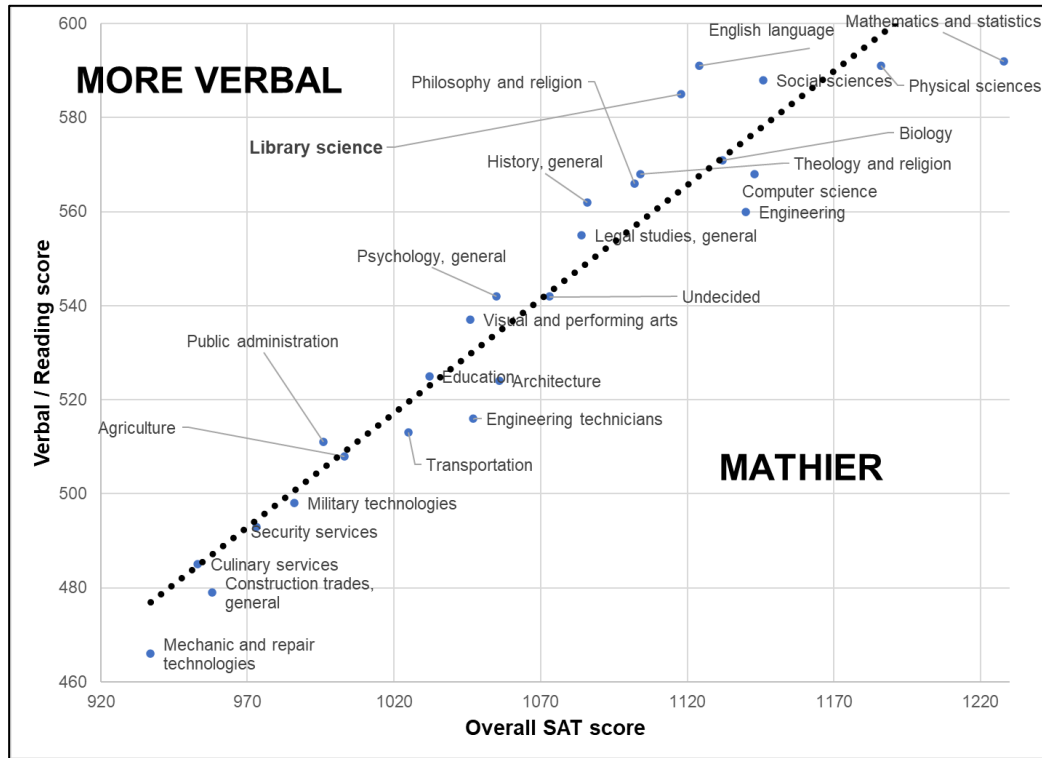


Chart by me with data from: https://nces.ed.gov/programs/digest/d17/tables/dt17_226.30.asp

Interesting that theology and religion scores highest among the abstract (non math or science) subjects.



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