

am
FX

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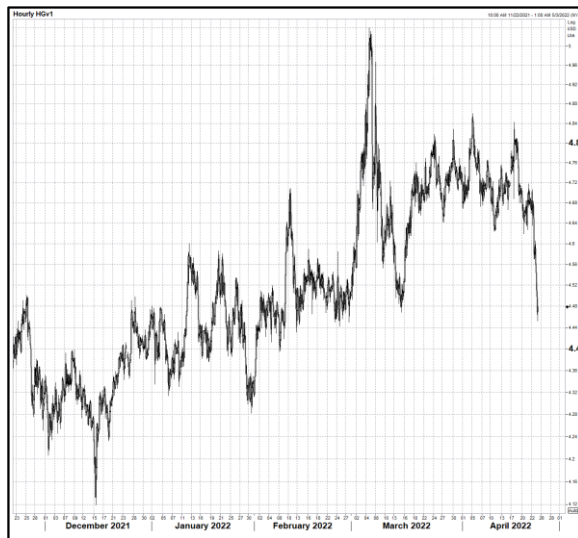
Current Views

Flat

Bricks

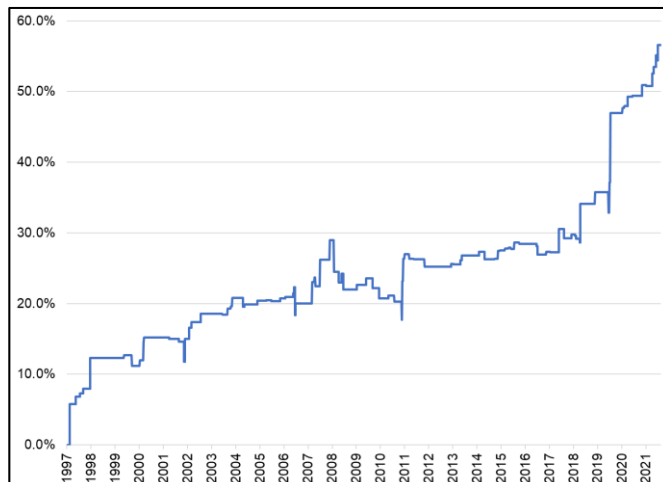
We've been hanging onto this dream that the USA could hold the global growth story together despite outright weakness in China and ghastly sentiment in Europe, but the dream is in question now. The break down in copper, the hideous NFLX data, soggy new orders from Philly Fed, and the hideous Retail Sales data in the UK are four new bricks in the wall of worry. Can consumers keep spending confidently on discretionary items, despite falling real income? Perhaps not.

Copper: The one-month range trade has broken



There is no Fed Put until inflation turns lower. Still, this is not a great time to be getting bearish risk assets as a down day today will set up a Turnaround Tuesday (TT) signal at the close. Turnaround Tuesday is 11-for-14 since COVID and has a 65% win rate since 1997. The model is: (If S&P futures ↓Thursday, ↓Friday, and ↓Monday, buy S&P futures at Monday close and cover at Tuesday close). Here is the P&L since 1997:

Turnaround Tuesday P&L since 1997



Note a close above 4267 in ES invalidates the TT signal today.

Someone once wrote me: Why not just buy and hold if this thing only returned 58% over all those years? That's not the right comparison. TT is invested a few days/year and you have your capital to do whatever you want with all those other days. It's not comparable to buy and hold. It's a timing strategy for traders. Irrelevant for investors.

China

China cut its FX RRR (reserve requirement ratio) from 9% to 8% today. The sample size is small, but they seem to be using the FX RRR as a tool to manage the currency since May 2021. A lower FX RRR means onshore entities can hold fewer USD (thus, more USD to sell in market) and vice versa. Note there are two RRRs in China. This is not the same as the policy rate that is also called RRR.

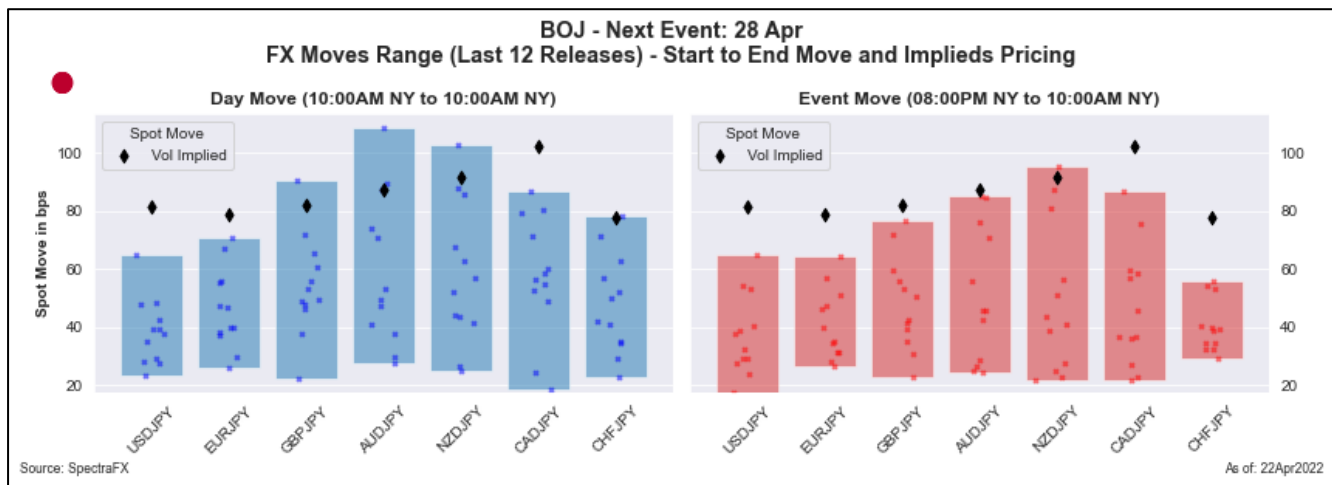
At right are the three moves so far, marked on a USDCNH chart. Is it market stopping? Maybe. It is a clear signal that they don't want USDCNH ripping too much higher for now? Probably. I would take profit on remaining USDCNH longs for now and see what happens.

The counter argument is that the PBoC are trying to manage an impossibly long list of variables right now as they ease policy rates, worry about equity markets, supervise a massive real estate deleveraging, and suffer under COVID lockdowns. They clearly don't want the currency freaking out much more from here, but it's nowhere close to priority #1 right now, either.



BOJ

Big BOJ meeting this week as the market continues to guess whether the 25bp yield target is in place. That target is important as it makes the BOJ one of the few central banks on hold in a world of rip-roaring rate hikes. Because there is a major focus on this meeting, the vol market has bid it up. Here is the volatility around the last 12 BOJ meetings, as presented by Spectra quant guru Tanguy Bretagne, along with a black diamond showing the current meeting.



Closing thoughts

2022 lows are 12944 in NQ and 4101.75 in ES. Those are big levels to watch.

Have a funny but also meaningful day.

good luck ↕ be nimble



<https://www.newyorker.com/magazine/2022/04/25/mario-not-so-super-at-forty>

An excellent piece of creative writing.
Funny premise, extremely well executed.

15-minute read.

Written by this guy

<https://www.thedailybeast.com/how-simon-rich-became-the-most-ambitious-comedy-writer-alive>

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