

# am FX

Brent Donnelly

bdonnelly@spectramarkets.com  
(212) 398-6230



Where do birds go in winter?  
This was once a great scientific  
mystery.

"Now, whither should these  
creatures go, unless it were  
to the moon?"

*Charles Morton, 1680*

## Current Views

Flat

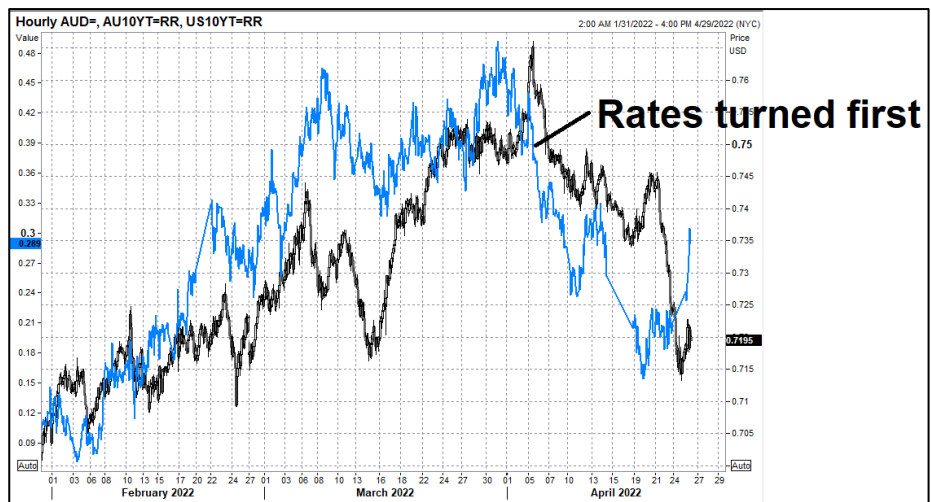
# Oz NULL

It is showtime for AUDUSD tonight as the highly-anticipated quarterly inflation figure comes out at 9:30pm NY time. AUDUSD got destroyed this month after a spectacular start as the "terms of trade, woohoo!" narrative gave way to:

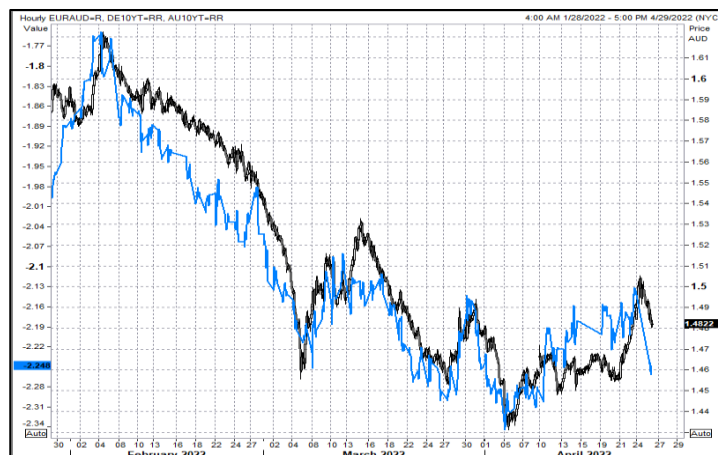
- False break of 0.7560/0.7610
- Strong USD on Fed expectations
- Squeeze of weak USD shorts put on for April seasonals
- Falling stocks and falling commodities, especially copper
- USDCNH ripping

As has often been the case this year, interest rate differentials turned before the currency on the way down. Now, they are turning back up. Here are charts of AUDUSD and EURAUD vs. rate differentials:

**AUDUSD vs. AU/US 10-year rate differential**

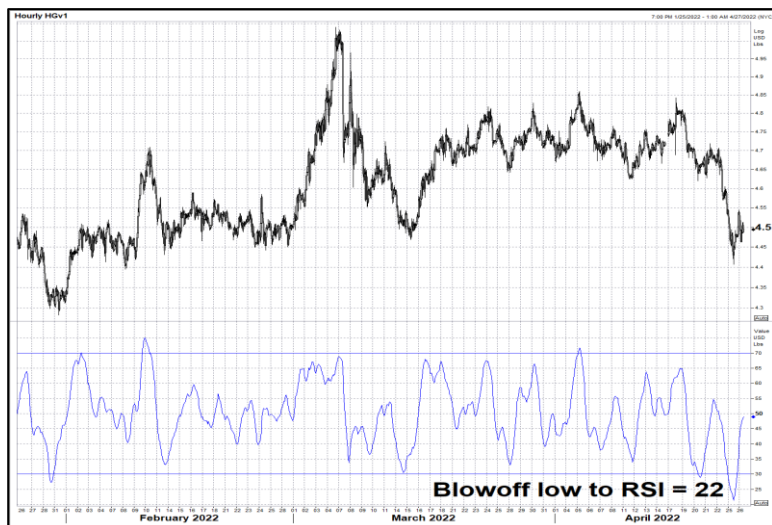


**EURAUD vs. DE/AU 10-year rate differential**



Meanwhile, downside momentum in copper now seems to be past the extreme:

### Copper: A tradable bottom?



And the USDCNH move has been moderately tempered by China's FX RRR move as discussed yesterday. Pretty much every factor that was weighing on AUD has lost energy and we're about to get a major catalyst in the form of CPI. The RBA story remains one of the more interesting late hiker CB narratives and this looks like a trade where you want to be involved.

BUT. On the "con" side of the ledger: Tomorrow is corporate month end and Friday is real money month end; both of those are likely to feature USD buying. So AUDUSD doesn't look amazing from a flow point of view. You could do AUDJPY if you think BOJ stays on hold, or EURAUD if you think VIX has peaked (EURAUD tends to have a beta to risky assets).

AUD bull trade	
Pros	Cons
Rate diffs	CPI feels random
Copper stable	No view on risky assets / VIX
USDCNH stable	Month end flows are the wrong way

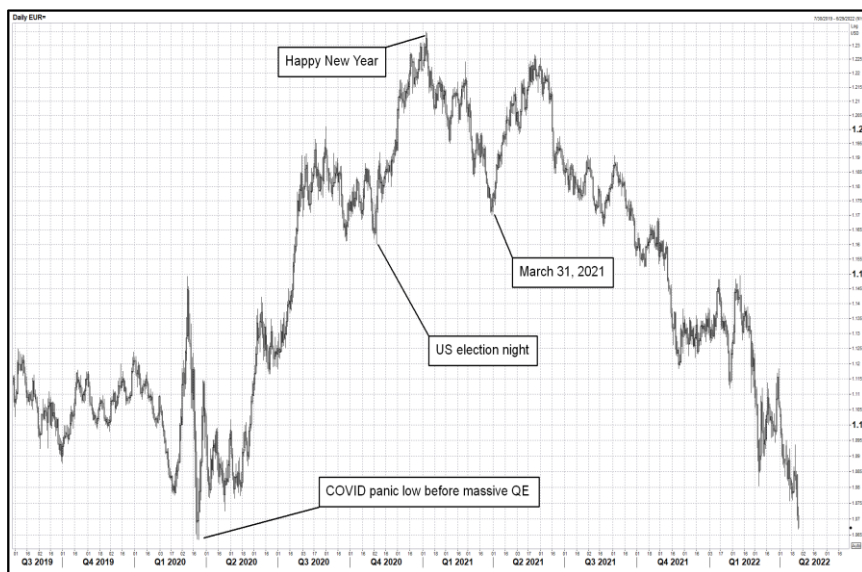
None of the numerator currencies is perfect, and I don't have a strong view on why Aussie CPI will be strong, so I can't quite get the ball over the line to recommend a trade here. I know this is a boring conclusion, but I'm not gonna force something just to make the newsletter more entertaining! The null hypothesis wins for now.

If it wasn't month end, I would be going long AUDJPY here with a stop below 90.70.

### EURUSD

Big level coming up in EURUSD.

**1.0636**



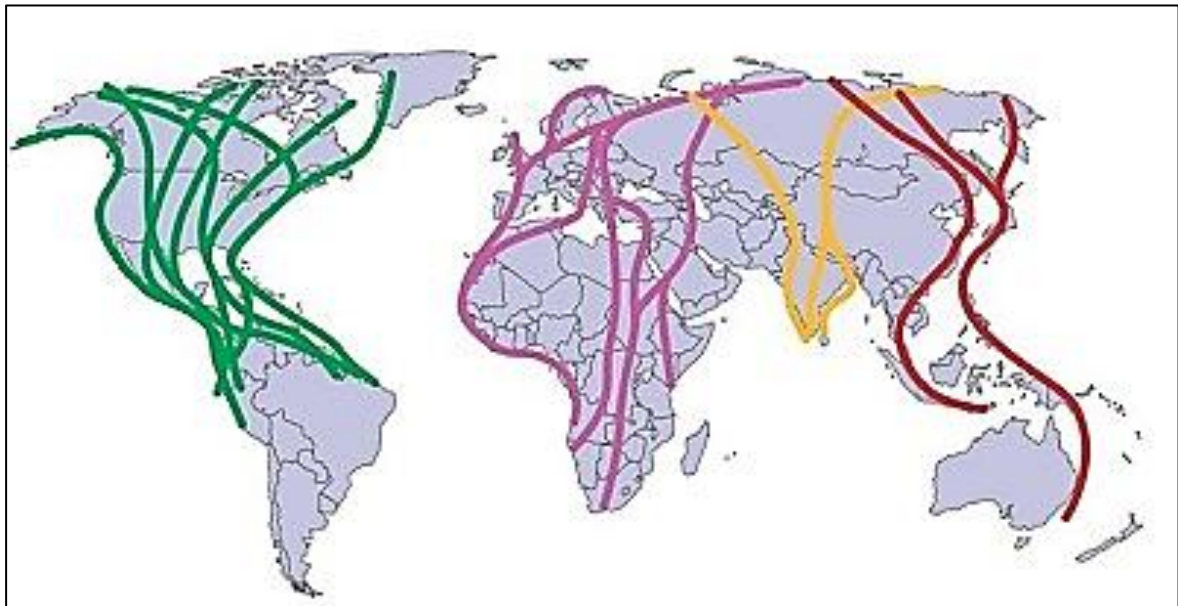
## Closing thoughts

Is ARKK more like Janus, or CMGI? [In my latest educational Substack](#), I take a look at the standard euphoria/panic pattern that defines most speculative bubbles and try to figure out where ARKK currently sits in that cycle.

Finally, in case you missed it, people are freaking out about the [SBF Odd Lots interview](#) but I'm not sure he's saying anything all that controversial. To say that crypto and crypto projects only derive value because people think they derive value doesn't seem all that groundbreaking to me, but crypto skeptics are interpreting this as SBF (the insider of crypto insiders) admitting that DeFi is a Ponzi scheme. The definition of Ponzi has become way too broad.

Have a V-shaped day.

good luck ↑↓ be nimble



The major flyways of migratory birds

## Where do birds go when they disappear in winter?

This was a confusing scientific question for many centuries. One popular theory in the 1800s was that birds fly to the moon for the winter.

This is a fun listen if you have kids aged 8-14:

<https://www.wnycstudios.org/podcasts/radiolab/articles/there-and-back-again>

Further reading:

<https://www.wired.com/2014/10/fantastically-wrong-scientist-thought-birds-migrate-moon/#:~:text=He%20estimated%20the%20one%2Dway,reasoned%2C%20they%20pulled%20it%20off.>

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