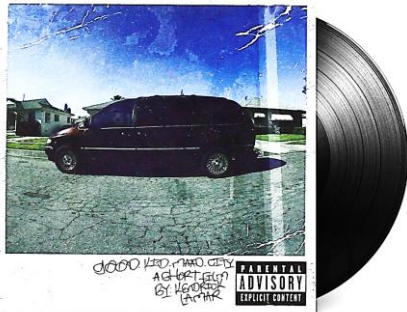


am
FX

Brent Donnelly

bdonnelly@spectramarkets.com
(212) 398-6230



LP sales will surpass CD sales in 2022

First time since 1988

Current Views

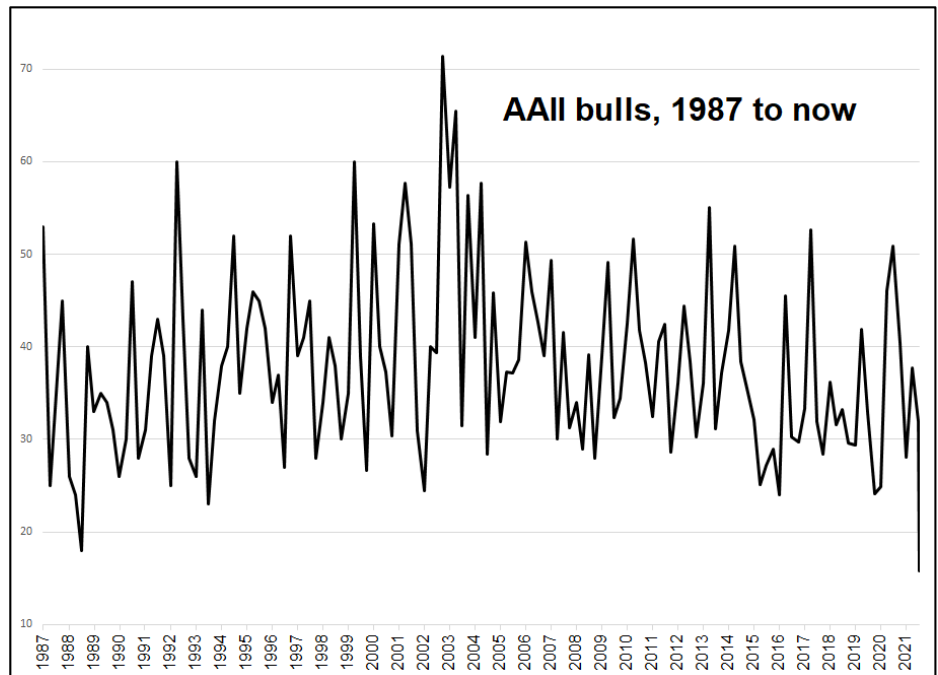
Short GBPUSD at 1.3215

Stop loss at 1.3353
Take profit 1.2811

Unclear

The energy has been temporarily sucked out of the FX market a bit here as:

- The commodities and terms of trade story has lost momentum with copper range trading the past few weeks and oil trying to find a base after the \$130 blowoff spike
- Growth concerns mounting but employment is extremely strong and it's way too early to call for recession or even slowdown in the US
- The USD is doing well against funders but struggles to rally much against the cyclical currencies
- QT in the US is starting soon but equities are only 7.5% off the all-time highs. I personally do not read much into that because equities tend to be very slow to react to bad news. Stocks were still within 10% of the all-time high in January 2001 and May 2008, well after much bad news was barreling toward the market. I still think stocks are too high, but apparently I'm not the only one, as you can see here:



- The market is fixated on ECB normalization but Lagarde is not making it easy. July had 12bps of hikes priced for the ECB while they are saying they will stop the APP in Q3 and hike after that. A July hike doesn't fit that timeline at all. Most central banks are simply bowing to whatever the market is pricing, but the ECB is behaving much differently. Prefer short euros against whatever currency you like. There is much to hate about the euro.
- The Russia story is putting a bid under gold but the market is hesitating a bit to rip it higher as real rates are moving up, crypto is weak, and liquidity is being withdrawn from the global financial system.
- USDJPY higher makes sense, but we now have a false break of 126.00, some light policymaker pushback, and no momentum.
- RBNZ hikes 50, NZD goes down. BOC hikes 50, CAD goes up
- EUR wants to go lower, but can't take out 1.08, and...

- US 10-year yields are getting close to the 3.04/3.25 mega resistance (see chart at right)

All this to say: It isn't clear to me which narrative is in control right now. With regard to the trade ideas, the USDCAD was stopped out on the move down. The AUDNZD stop never triggered but I cut after RBNZ as discussed yesterday.

Atomic number 29

The number one driver of markets this year has been the yields/oil/inflation blob and so the consolidation in that complex has made it tough for FX to continue the terms of trade and relative yield stories. I am closely watching this consolidation in copper (see bottom chart on the right) because I think a break in either direction could set the tone for the next leg of global macro. Will it be a resumption of the inflation story, or do we transition to a demand destruction and cratering sentiment narrative?

The break of 4.60 or 4.80 might help answer that.

Closing thoughts

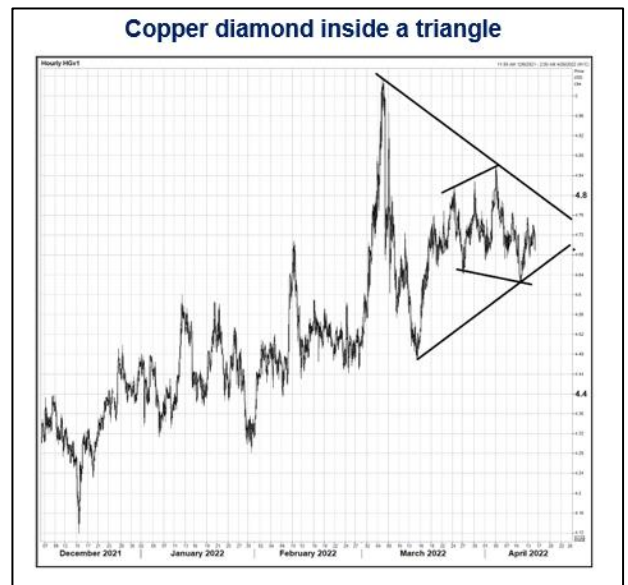
My son is reading Romeo + Juliet in school; that is my favorite (the Baz Luhrmann movie is amazing). It reminded me that I used to like Shakespearean sonnets. So, I wrote one. Here it is:

Quantitative tightening is coming
 It's April: the time we pay our taxes
 Steady beat of central bank hikes drumming
 Inflation charts have a new y-axis

Risky assets stumble but they don't fall
 Commodities fly up, toward the moon
 The US dollar stays bid through it all
 It's never dead but it's always dead soon

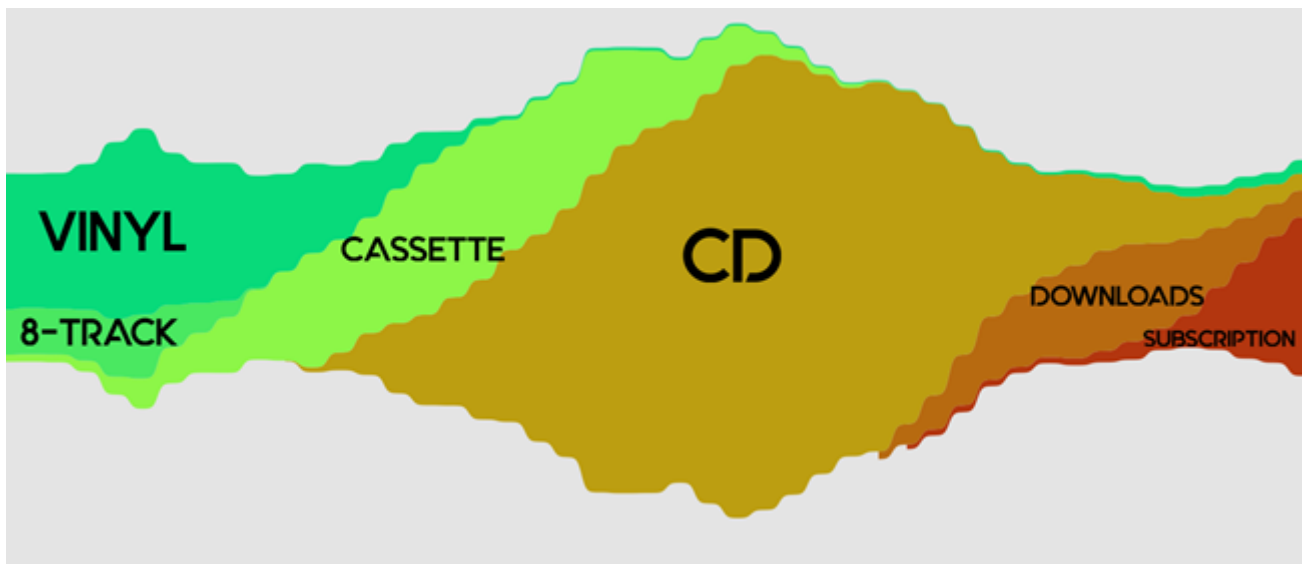
The siren calls: "there is too much priced in"
 Four hikes and then seven. Now there are eight
 Talking heads, economists, advice, din
 We all try to guess the terminal rate

Trade for dough, prognosticate for glory
 And don't forget: life is transitory.



good luck ↑↓ be nimble

Music industry revenue, by format: 1973 - 2019



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