

am
FX

Brent Donnelly

bdonnelly@spectramarkets.com
(212) 398-6230



You are more likely to buy the first watch on the left

Current Views

Short CADJPY 101.21
Stop 102.61
Take profit 97.11

Pivots

Today's CPI data is obviously a major test of the peak inflation thesis. Bulls will say the question is when we peak, not how high, and so today's print doesn't matter. Bears will say inflation is completely unglued and out of control. We will find out by the end of today whether or not the buy the dip crowd has ammunition, but so far, the dip is large and getting larger.

Some big names made "buy the dip" calls yesterday, including David Tepper who said he thinks 12k will hold in the NASDAQ. So, there is some potential for pain here as positioning in fresh risky asset longs is non-negligible.

My inclination is that the day ends with a recovery, but my conviction is too low to trade it. That number is scary! In contrast to my comment yesterday, obviously bonds are not working as an equity hedge today and neither is cross/JPY.

NewsPivots

On days like this, I always watch the level going into the event and the level of the first print as key pivots going forward. I call these the NewsPivots and they represent a significant reference point for the market as anyone that (for example) sold AUDUSD after the number is short either around the level going in, or the level right after the CPI number. Here's the one-minute chart. I'm using AUD as an example, but you could do this for anything you trade.

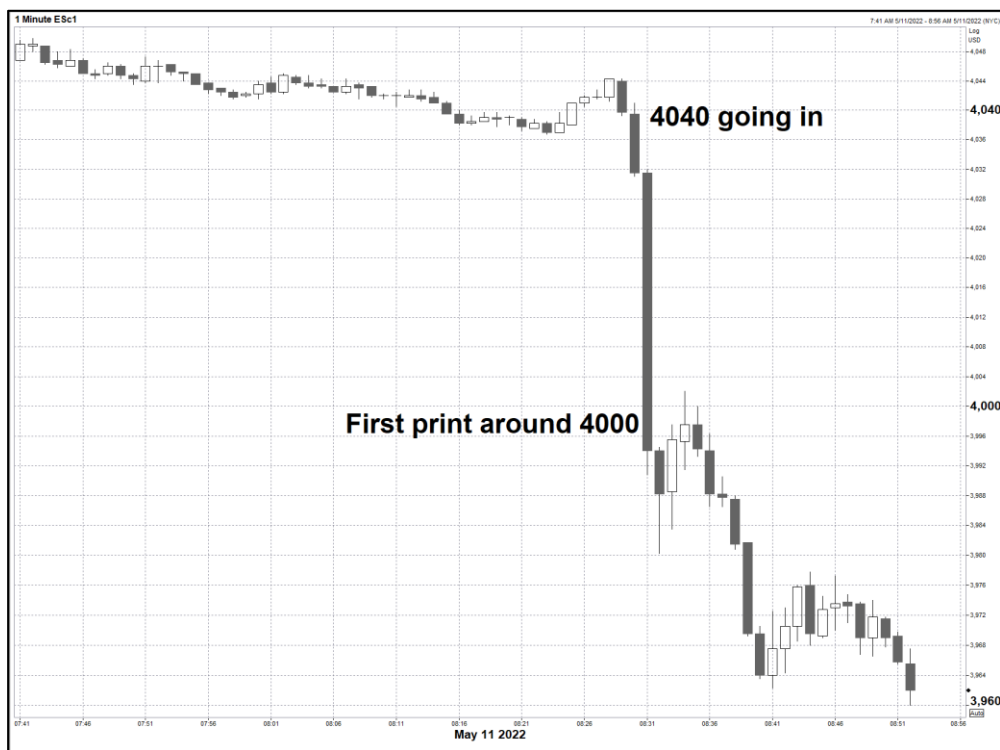
AUDUSD 1-minute chart through CPI



So, if you're short AUDUSD those are the two levels to watch. If you want to sell a rally, 0.6970 is the first place to do so. And if you're long looking for a turnaround, consider adding through 0.6980 as the squeeze is likely to accelerate from there.

Here's the same chart for S&P futures:

S&P futures 1-minute chart through CPI



I would keep these levels on your radar, even if we don't test them today. They tend to be useful pivots even in the days following events like this.

LUNA

The LUNA story has been well-covered but if you're not a crypto person, here are two great explainers that are also super fun to read.

1. <https://www.bloomberg.com/opinion/articles/2022-05-10/another-algorithmic-stablecoin-isn-t>
2. <https://www.todayintabs.com/p/unstable?s=r>

The takeaways to me after the fact are:

- Bitcoin's emphasis on decentralization and security are even more notable and the bitcoin maxi argument got a boost from this whole LUNA debacle.
- If a project uses the acronym LFG and vague "to the moon" references in its branding, be wary.
- A stablecoin broke and it wasn't systemic for crypto or TradFi. (Yet?)

Closing thoughts

The CPI print is not great for my CADJPY short but it's not disastrous. I am not changing my parameters.







This is a good Substack on the economy, cycles, and stocks.

<https://stuckinthemiddle.substack.com/>

Have a timely today.

good luck ↑↓ be nimble

Watches are pretty much always set to 10:10 in ads

 <p>Shinola Men's Watch White Dial + Tan Leather Strap The Runwell 47mm</p> <p>\$595.00 Shinola ★★★★★ (112)</p>	 <p>Nordgreen Men's Classic Watch - Silver Case - White Dial - Brown Vega...</p> <p>\$189.00 Nordgreen US ★★★★★ (2k+)</p>	 <p>DETOMASO Sorpasso Chronograph Giallo Yellow Men's...</p> <p>\$179.00 Detomaso Watches ★★★★★ (1k+)</p>	 <p>Fossil Men's Rhett Chronograph Brown Leather Watch - Brown</p> <p>\$72.00 Fossil ★★★★★ (1k+)</p>	 <p>Holzkern; Wood Watch Universe (Walnut/Marble), male, Natural wood</p> <p>\$399.00 Holzkern ★★★★★ (12)</p>	 <p>Fossil Men's The Minimalist Three-Hand Brown Leather Watch - ...</p> <p>\$130.00 Fossil ★★★★★ (3k+)</p>
---	---	---	---	---	---

An international team of researchers explored the latter theory in 2017, publishing their [results](#) in the journal *Frontiers in Psychology*. They recruited 46 participants to look at sixty pictures of various watches with their times either set at 10:10, 11:30, or 8:20, asking participants to rate both their emotional response to seeing each picture as well as their likelihood to buy each watch. Subjects rated watches set at 10:10 as slightly more pleasurable compared to watches set to the other times. They also said they would be slightly more likely to buy them.

https://www.realclearscience.com/articles/2022/05/09/why_are_watches_usually_set_to_1010_in_advertisements_830409.html

[Click here to subscribe to am/FX](#)

Markets and Trading Commentary Disclaimer

This material has been provided by Spectra Markets, LLC (“Spectra Markets”). This material is confidential and therefore intended for your sole use. You may not reproduce, distribute, or transmit this material or any portion thereof to anyone without prior written permission from Spectra Markets.

This material is solely for informational and discussion purposes only. Spectra Markets is not a registered investment advisor or commodity trading advisor. This material should not be viewed as a current or past recommendation or an offer to sell or the solicitation to enter into a particular position or adopt a particular investment strategy. Spectra Markets does not provide, and has not provided, any investment advice or personal recommendation to you in relation to any transaction described in this material. Accordingly, Spectra Markets is under no obligation to, and shall not, determine the suitability for you of any transaction described in this material.

To be clear: Your individual circumstances have not been assessed. You must determine, on your own behalf or through independent professional advice, the merits, terms, conditions, risks, and consequences of any transactions described in this material. Securities described in this material may not be eligible for sale in all jurisdictions or to certain categories of investors. This material may also contain information regarding derivatives and other complex financial products. Do not invest in such products unless you fully understand and are willing to assume the risks associated with such products. Neither Spectra Markets nor any of its directors, officers, employees, representatives, or agents, accept any liability whatsoever for any direct, indirect, or consequential losses (in contract, tort or otherwise) arising from the use of this material or reliance on information contained herein, to the fullest extent allowed by law.

The opinions expressed in this material represent the current, good faith views of the author at the time of publication. Any information contained in this material is not and should not be regarded as investment research or derivatives research as determined by the U.S. Securities and Exchange Commission (“SEC”), the U.S. Commodity Futures Trading Commission (“CFTC”), the Financial Industry Regulatory Authority (“FINRA”), the National Futures Association (“NFA”) or any other relevant regulatory body. The author is currently employed at a trading desk. The opinions may not be objective or independent of the interests of the author. Additionally, the author may have consulted with various trading desks while preparing this material and a trading desk may have accumulated positions in the financial instruments or related derivatives products that are the subject of this material.

Spectra Markets does not guarantee the accuracy, adequacy or completeness of the information presented in this material. Past performance and simulation data do not necessarily indicate future performance. Predictions, opinions, and other information contained in this material are subject to change continually and without notice of any kind and may no longer be true after the date indicated. Any forward-looking statements speak only as of the date they are made, and Spectra Markets assumes no duty to and does not undertake to update forward-looking statements. Forward-looking statements are subject to numerous assumptions, risks, and uncertainties, which change over time. Actual results could differ materially from those anticipated in forward-looking statements. The value of any investment may also fluctuate as a result of market changes.

Spectra Markets is affiliated with Spectra FX Solutions LLC, an introducing broker that is registered with the NFA; Spectra FX Solutions LLP, which is a registered entity with the U.K.’s Financial Conduct Authority; and SpectrAxe, LLC, a swap execution facility that is currently in the process of registering with the CFTC. The disclosures for Spectra FX Solutions LLC and Spectra FX Solutions LLP related to the separate businesses of Spectra FX can be found at <http://www.spectrafx.com/>.