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FX

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...not including one outlier who administered 190 shocks to himself.”

Umm...

That doesn't seem good.

Current Views

**17JUN 157/154
GBPJPY put spread**

Cost around 37bps
Spot ref. 160.20

Sell the GBPJPY rally

My CADJPY trade last week, while profitable, was disappointing on a few levels. First, it was huge in the money, but never hit the target. Second, I moved the stop down and cut near the highs. Three, I still think it's a good trade! I am not afraid to do the same trade a few times, though; it's one way I stay in themes over time.

Today, I'm going short GBPJPY. There are two ways to do it. One, short GBPJPY spot here (160.20) with a stop at 162.71. Two, buy 1-month 157/154 put spread. I like the put spread best. It costs roughly 37bps off 160.25 spot but that is not a firm price, just a finger in the air kinda thing. Trade in sidebar.

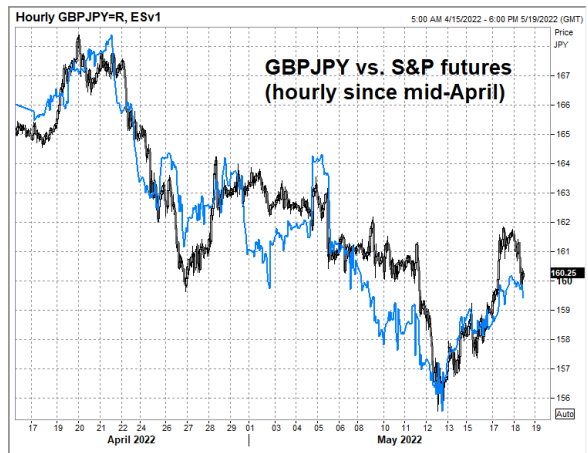
Reasons:

- Target reached in US rates 3.04/3.25 zone means global rates close to peak (cross/JPY is highly correlated to global rates).
- US employment is slowing as negative news from AMZN, NFLX, FB, WMT, CVNA and others flows through. The bursting of the WFH / disruptors bubble is starting to have an impact on the real economy.
- UK is the textbook stagflation story; you want to sell rallies in GBP, and this is a big enough rally to sell.
- The large bounce off 156.00 was a product of the short squeeze in equities.
- The Fed is committed to hikes and QT: No bottom in equities until we get a legitimate fear trade. To me that means VIX through 40.
- Average monthly range in GBPJPY is 7 figures and moves of six big figures are common. That's why I chose to buy the 157 and sell the 154. The 157 is around 75bps and you get 38bps back for the 154.
- We were at 156 a week ago so the target is not crazy, at all.
- USDJPY positioning is still large (long USD) and will likely stay strong until 127.00 breaks. Below 127.00, expect a huge capitulation of USDJPY longs.
- GBPUSD positioning is also large short but was roughly 25% cleared out by this 250-point rally. Also, the UK-bearish narrative remains in force while the USDJPY narrative is losing steam. **I look at positioning relative to delta of narrative, not just positioning in isolation.**
- As you can see in the chart, you pretty much need equities lower for this idea to work. That's fine by me!

That's it for today, I'm keeping it nice and short because I know you're busy.

I will be on Bloomberg Radio at 11:15am Wall Street time today. If you're in the car, tune in to 1130AM in the NYC area.

Have a shockingly good day!



good luck ↑↓ be nimble



The screenshot shows the top portion of a Science magazine article page. At the top left, there are navigation links: NEWS (underlined), CAREERS, COMMENTARY, and JOURNALS with a dropdown arrow. To the right of these is the word "Science" in a large serif font. Below this is a dark horizontal bar with white text for "News Home", "All News", "ScienceInsider", and "News Features". Underneath that is a breadcrumb trail: "HOME > NEWS > ALL NEWS > PEOPLE WOULD RATHER BE ELECTRICALLY SHOCKED THAN LEFT ALONE WITH THEIR THOUGHTS". Below the breadcrumb is the text "NEWS | BRAIN & BEHAVIOR". The main headline is "People would rather be electrically shocked than left alone with their thoughts" in a large, bold, black sans-serif font. Below the headline is a sub-headline: "Human mind may be wired to find inner reflection unbearable".

<https://www.science.org/content/article/people-would-rather-be-electrically-shocked-left-alone-their-thoughts>

Excerpt: Participants received our standard instructions to entertain themselves with their thoughts (in this case for 15 min). If they wanted, they learned, they could receive an electric shock again during the thinking period by pressing a button. We went to some length to explain that the primary goal was to entertain themselves with their thoughts and that the decision to receive a shock was entirely up to them.

Many participants elected to receive negative stimulation over no stimulation—especially men: 67% of men (12 of 18) gave themselves at least one shock during the thinking period [range = 0 to 4 shocks, mean (M) = 1.47, SD = 1.46, not including **one outlier who administered 190 shocks to himself**], compared to 25% of women (6 of 24; range = 0 to 9 shocks, M = 1.00, SD = 2.32). Note that these results only include participants who had reported that they would pay to avoid being shocked again. The gender difference is probably due to the tendency for men to be higher in sensation-seeking. But what is striking is that simply being alone with their own thoughts for 15 min was apparently so aversive that it drove many participants to self-administer an electric shock that they had earlier said they would pay to avoid.

<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4330241/>

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