

am
FX

Brent Donnelly

bdonnelly@spectramarkets.com
(212) 398-6230



Dyson Swarm!

Current Views

Short EURUSD @ 1.0702

Stop loss 1.0801
Take profit 1.0520

Short NZDCHF @ 0.6240

Stop loss 0.6365
Take profit 0.6085

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

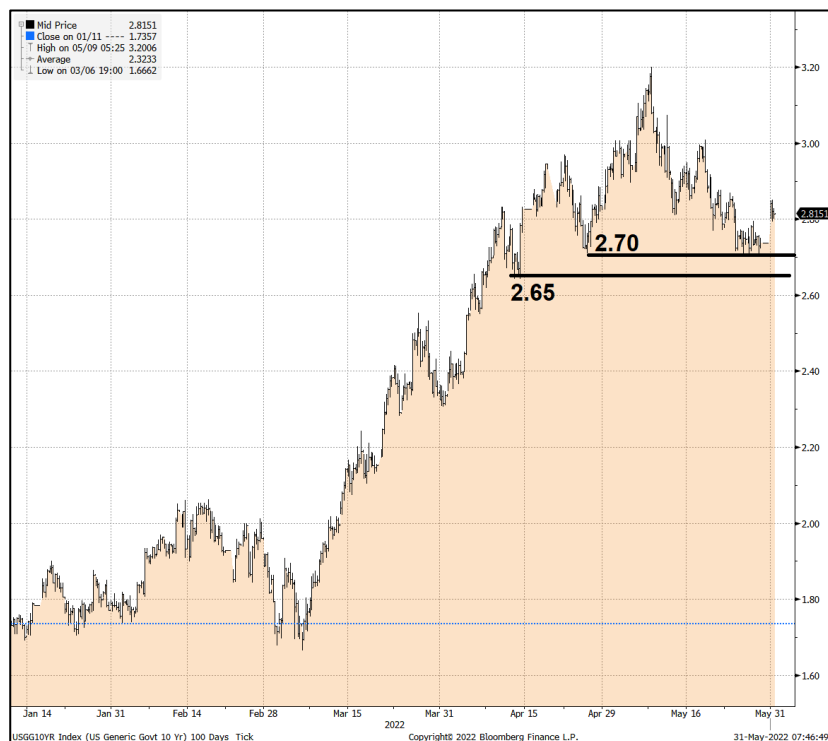
Cost around 37bps
Spot ref. 160.20

The Fed Straddle

It feels like there is a bit of a Fed put in the market as Bostic's rate pause message, relentless bad tech employment newsflow, and a mamma mia short squeeze have ripped stocks higher and knocked the dollar lower. I am not convinced. While there is certainly a rate of change in stocks that flips the correlation of stocks vs. bonds (as discussed [here](#), and [here](#)), there is also a problem in the other direction, as I discussed Friday.

The problem is: The Fed turns even the TINIEST bit dovish, and oil rips. **Oil up here is a severe constraint on Fed dovishness.** So, sure there is a Fed put as downside vol in stocks is eventually dampened and rate expectations moderate... But there is also a Fed call as topside pressure in oil forces the Fed to stay on course with normalization. It's the *Fed Straddle*. As such, and as I mentioned Friday, I think we have found the bottom of the range in 10s. The 2.65%/2.70% is likely to be a floor for the foreseeable future.

US 10-year yields in 2022



If I'm correct, this has many implications:

- 1. Stocks are capped and the trend is still lower.** The Fed remains trapped in FCI tightening mode, regardless of the slumpy look in the economic data.
- 2. This is probably the place to buy USD.** I like EURUSD lower the best because the current account story is going to come back with oil here. EURUSD has been all about rate differentials all year. Also, you have a nice rally to sell here as the pair fails right at the 100-day.

EURUSD vs. 100-day moving average



I'm adding short EURUSD here with a stop at 1.0801 to current trades. Target 1.0520. There is risk of month-end shenanigans, of course, but month end isn't what it used to be, so I'll risk it.

3. **This is also the place to buy USDCNH** if you are in that mode. We have had a decent pullback here and there is still a good amount of beta to G10 USD. If you work at a hedge fund, have a look at 1-month window KO or DKO on a 3-month structure. The vol curve is inverted (1-month 0.7 vols above 3-month) which is somewhat rare. Window DKOs benefit from the high 1-month vol and give you a ton of juice on the USD calls if you thread the needle for the first month.
4. **Short bonds makes sense again.** A move in US 10s up through 3.25% would catch a lot of people off guard at this point and create a bit of a barn burner for markets.
5. **Watch Fed speakers this week.** Bostic is sometimes a good lead indicator but then again sometimes he goes off script and the rest of the committee comes out frantically pushing back. Williams, Bullard, and Beige Book tomorrow, Mester Wednesday and Brainard Thursday. Bullard's talking about the economy while unfortunately the topic of Brainard's speech is the Community Reinvestment Act so that one could be a nothingburger unless the moderator tosses her a hot potato at the Q&A.
6. **Watch Fed speakers this week.** Bostic is sometimes a good lead indicator but then again sometimes he goes off script and the rest of the committee comes out frantically pushing back. Williams, Bullard, and Beige Book tomorrow, Mester

Crypto

My weekly crypto note, MacroTactical Crypto (MTC), goes paid this week. If you would like [to sign up, please click here](#). It's \$199 but you get \$100 off for the next 4 days if you use coupon code: OGSUBSCRIBER.

Please note that MTC is not related to am/FX, it's a separate product. So even if you get am/FX you need to sign up separately for the crypto.

Final thoughts

The GBPJPY is disappointing. I still have some faith that this month end GBP rally will quickly reverse in the new month. Same with NZDCHF, which is much less, but still mildly disappointing. There is always tension between a) sticking to the plan and b) cutting stale positions. Generally, I do better when I stick to the plan though obviously in this case, I would have been better off cutting a few days ago. I didn't think the short squeeze/rally in stocks would be this aggressive.

Finally, lotta new subscribers to am/FX recently. Thank you and welcome!

Feedback, ideas, and criticism are always welcome.

Have a high-energy day.

good luck ↑↓ be nimble



A Dyson sphere is a hypothetical megastructure that completely encompasses a star and captures a large percentage of its solar power output. The concept is a thought experiment that attempts to explain how a spacefaring civilization would meet its energy requirements once those requirements exceed what can be generated from the home planet's resources alone.

Watch a cool 9-minute kid-friendly video here:

[How to Build a Dyson Sphere – The Ultimate Megastructure](#)

https://en.wikipedia.org/wiki/Dyson_sphere

HT, Oliver D

hit

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