

am
FX

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**Giant freshwater
Stingray**

Beautiful, or ugly? I'm not sure.

Current Views

Short USDJPY @ 136.11

Stop loss 137.15
Take profit 133.15

Long EURUSD @ 1.0488

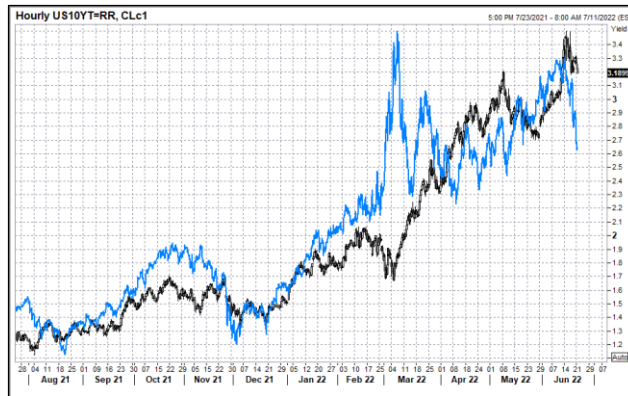
Stop loss 1.0374
Take profit 1.0720

Prices are no longer rising

Powell today could be interesting. Bank economists are racing to move their US recession probabilities up from 20/30% to 50% and the price of just about everything is falling. Oil, lumber, trucking, wheat, gasoline, crypto, equities, copper, palladium and so on... All look like they have peaked¹. Is it possible that this recent disinflationary impulse will sneak its way into Powell's psychology? Could he drop the first dovish nugget in months?

Remember that Fed policy and CPI are massively lagging indicators so it's possible that the Fed's 75bp hike was the turning point. Boiling an entire regime down to a simple overlay of two variables is obviously wildly simplistic but if I was asked to do so, I would produce this chart:

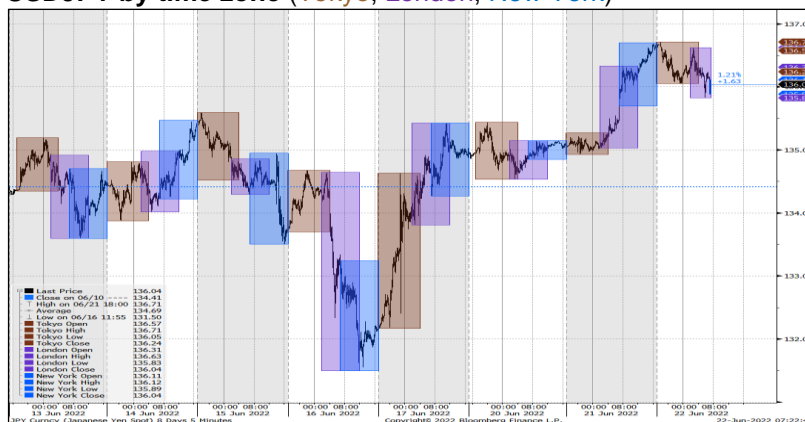
US 10-year yield vs. NYMEX crude



If I am correct that prices have peaked and are either consolidating or going down, that could mean USDJPY is done for a while. Oil and rates are the dominant drivers of USDJPY. I think US rates have peaked and oil is already down 15% this month. The rapacious importer demand for USDJPY is dissipating. When you look at time of day price action, you see USDJPY has stopped going up in Japan time.

This chart is USDJPY by time zone with the chocolate milk color for Tokyo. You can see that the only Tokyo period where USDJPY went up since crude peaked on June 14 was the day of the BOJ.

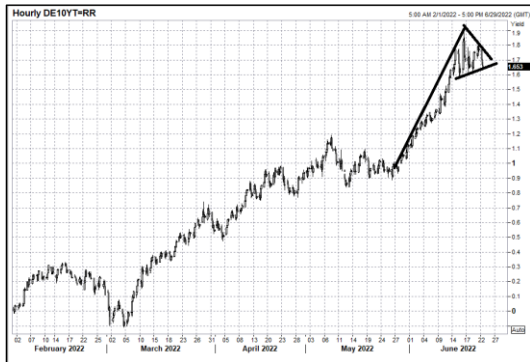
USDJPY by time zone (Tokyo, London, New York)



¹ One major exception is crack spreads. They are still near the highs. If those start to fall, that will help considerably. CRK321M1 on Bloomberg.

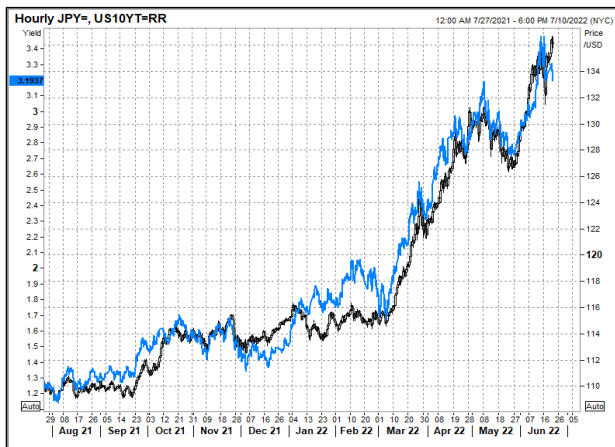
Another chart to keep an eye on, because the interest rate story is global, is German 10-year yields. They have traced out a big pennant with a little head and shoulders nested inside.

Germany 10-year yields

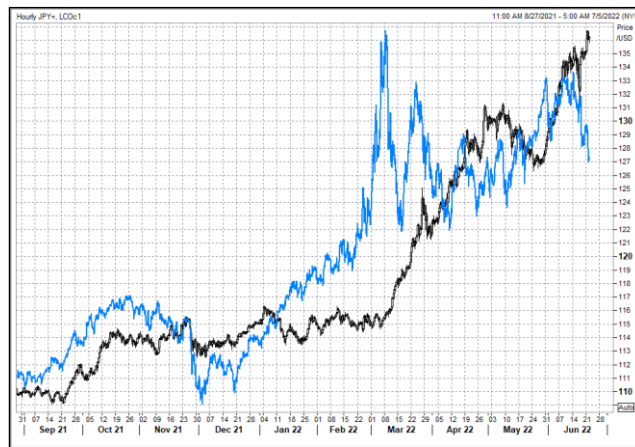


Through 1.58 in 10-year Germany is another clue that rates have peaked. Moving back to the USDJPY picture, the pair is a bit rich vs. yields and rather rich vs. oil:

USDJPY vs. US 10-year yields



USDJPY vs. NYMEX crude



This is a good place to take a shot at short USDJPY. Stop loss 137.15 and take profit 133.15. It fits my overall “USD and yields have peaked” view and has good location and nice cross-market help. Powell a bit random but my lean would be he drops a dovish nugget, not a hawkish one.

Sintra

An observant client pointed out that Sintra is coming up June 27-29. Sintra is the location of (and nickname for) the ECB Forum on Central Banking. It’s the Jackson Hole of Europe, a place where global central bankers go to share ideas and groupthink over expensive wine. All the big hitters will be there: Lagarde, Bailey, Powell, etc.

June 29th is the big day for the hitters.

Both Sintra [2017](#) and Sintra [2019](#) saw ECB speeches move the EUR and BTP markets. If Lagarde was looking to float an antifragmentation trial balloon, this would be the place to do it.

Final thought

I am pretty sure falling oil is good for stocks. So far, the market isn’t so sure. Let’s see.

good luck ↑↓ be nimble



Moul Thun, a 42-year-old fisherman in northern Cambodia, caught the largest freshwater fish ever last week.

A 13-foot long, 661-pound giant stingray.

“They’re on the bottom finding shrimps, mollusks, and small fish. They can suck them up with this banana-shaped mouth and crush them.”

<https://www.nbcnews.com/science/science-news/largest-freshwater-fish-ever-caught-hooked-cambodia-rcna34152>

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