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FX

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My son has been listening to a ton of Outkast lately and it reminded me of this gem



Polaroid warns buyers not to 'shake it'

Wednesday, February 18, 2004 Posted: 9:13 AM EST

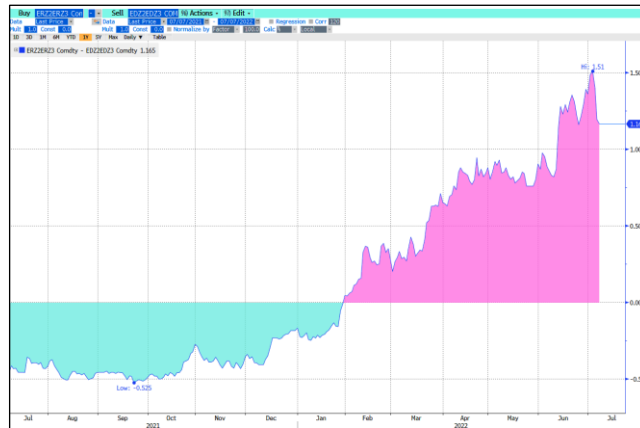
Current Views

Short EURJPY @ 139.55

Stop loss 141.11
Take profit 136.66

A tool by any other name

First up: This chart from Matt Gittins is rather bonkers. It shows 2023 ECB policy change minus 2023 Fed expected policy change. 60bp of ECB hikes and 60bp of FED cuts... What world does that happen in? Kind of hard to imagine that will play out, even acknowledging the very different starting points for the policy rate in each region.



ERZ2ERZ3 vs. EDZ2EDZ3

ECB time warp

There was an ECB story on Bloomberg today that had me feeling like I'd time travelled back to 2011. ECB strategizing and disagreeing over a tool to stop the periphery from blowing up as Germany asks for conditionality and France urges rapid execution. It's all straight out of the eurozone crisis and shows the built-in dysfunction of a currency union without fiscal union. It works pretty well, except when it doesn't work!

Here's an excerpt from the article. The ridiculous headline captures the essence pretty well. "Is the critical policy tool ready, guys?" ****awkward silence**** "Errrm, we have a name for it... So that's good, right?" It's like Apple announcing they have a new product coming out, but so far they just know the name of it, not what it is.

ECB Tool Has Name, But Arrival on July 21 Seems Uncertain

European Central Bank policy makers have a working name for their new crisis tool but aren't yet displaying certainty that it will be ready at their July 21 decision, according to people familiar with the matter. The measure is being referred to as the Transmission Protection Mechanism, though that could still change when it is unveiled, the people said, declining to be identified because discussions are private.

Among topics that continue to feature in discussions are ensuring the measure doesn't counteract interest-rate hikes, what conditions should apply to any government benefiting from it, and potential legal hurdles, the people said.

ECB officials led by Christine Lagarde said at their June policy meeting that they will start hiking rates at the upcoming decision in July. They were then forced to pledge an accompanying crisis tool to contain the effects on weaker euro members after a blowout of Italian bond yields. Policy makers have tried to reassure investors that a measure will be ready. On June 29 at the ECB's annual retreat in Sintra, Portugal, Lagarde stated that a new tool "will be considered by the Governing Council" on July 21, saying at the time that "it's a work in progress." Meanwhile Vice President Luis de Guindos said earlier this week that "I hope for sure that we will reach an agreement."

He spoke just after Bundesbank President Joachim Nagel broke with recent convention of keeping disagreements behind closed doors to publicly set out strict terms intended to ensure the ECB steers clear of monetary financing. He had already questioned the need to promise such a tool at an emergency meeting on June 15. The tone of his remarks suggested a likely hard-fought battle will ensue before any final accord on a measure is reached. The prospect that such opposition might water down the efficacy of any tool has been raised by economists, including those at Bloomberg Economics.

In an interview published Thursday, Bank of France Governor Francois Villeroy de Galhau sought to reassure that the new measure will be large and nimble enough that it won't actually need to be used. **"It is probable that the existence alone of this instrument allowing fast and massive intervention if needed is sufficient, without needing to activate it,"** Villeroy told Les Echos newspaper.

I bolded that last part because it's a startlingly ill-informed comment by Villeroy given the history of Hank Paulson's failed bazooka in 2008. If you were not trading back then, here's why Villeroy's comment is clueless.

21 Dumbest Moments in Business 2008

Paulson's 'bazooka' backfires

Actions speak louder than words, Mr. Paulson. As shares of Fannie Mae and Freddie Mac plunge in mid-July on worries about their viability, Treasury Secretary Henry Paulson assures Congress that merely promising to give the beleaguered mortgage lenders access to Treasury funding would calm market fears - at no cost to Uncle Sam.

"If you've got a squirt gun in your pocket, you may have to take it out," Paulson tells legislators. "If you've got a bazooka and people know you've got it, you may not have to take it out."

Congress delivers the bazooka, but investors aren't buying it. Two months later, Treasury takes over both companies in a move that could cost taxpayers billions of dollars. -- *By Colin Barr, Fortune senior writer*



PHOTO: KOICHI KAMOSHIDA/GETTY

There was a brief moment about a month ago where I was thinking *maybe* the ECB could surprise the market with its antifragmentation tool because everyone is so skeptical. But **it's hard not to be skeptical!** After reading that Bloomberg article, I would say... It's impossible not to be skeptical. The July 21 ECB meeting looms large.

EURUSD sentiment is raging bearish now, but I don't think positioning matches sentiment. That is, it feels like everyone is bearish, but people are running 25% of maximum short euro risk.

USDJPY

The USDJPY trade has exhausted my patience for now, for two reasons. 1) NFP tomorrow is a wildcard, and I don't have a strong view on it. The market is long bonds and there is a risk bonds will get smoked if the number is strong. I have no particular reason to expect strong NFP, I just don't like the random event risk. 2) I am leaving for Canada tomorrow to see family for the first time since pre-COVID. I will be off for a week and as such I don't like the risk / reward of short USDJPY through NFP, then over a week off. I prefer the EURJPY short, which I will leave on. It has less NFP risk and seems like a better one to ride over next week as potential angst builds into the ECB meeting.

Final thoughts

Boris Johnson out and GBP is higher. I hope your day is the bombs.

good luck ↑↓ be nimble



André MMM

Polaroid warns buyers not to 'shake it'

Wednesday, February 18, 2004

LONDON, England (Reuters) -- OutKast fans like to "shake it like a Polaroid picture," but the instant camera maker is warning consumers that taking the advice of the hip-hop stars could ruin your snapshots.

OutKast's number one hit "Hey Ya" includes the "shake it" line as a reference to the motion that amateur photographers use to help along the self-developing film.

But in the "answers" section on the Polaroid Web site, the company says that shaking photos, which once helped them to dry, is not necessary since the modern version of Polaroid film dries behind a clear plastic window.

The image "never touches air, so shaking or waving has no effect," the company said on its site. "In fact, shaking or waving can actually damage the image. Rapid movement during development can cause portions of the film to separate prematurely, or can cause 'blobs' in the picture."

A Polaroid spokesman added: "Almost everybody does it, thinking that shaking accelerates the development process, but if you shake it too vigorously you could distort the image. A casual shake typically doesn't affect it."

Polaroid said its film should be laid on a flat surface and shielded from the wind, and that users should avoid bending or twisting their pictures. Of course, "**lay it on a flat surface like a Polaroid picture, doesn't sound nearly as cool.**"

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