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FX

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Nerf made a brain product in 1995

Current Views

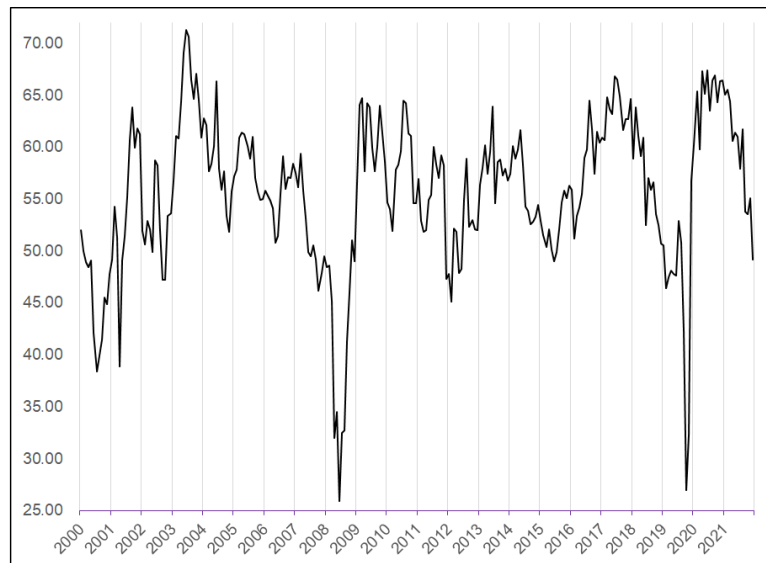
Short USDJPY @ 136.11
Stop loss 137.15
Take profit 133.15

Hyperspeed

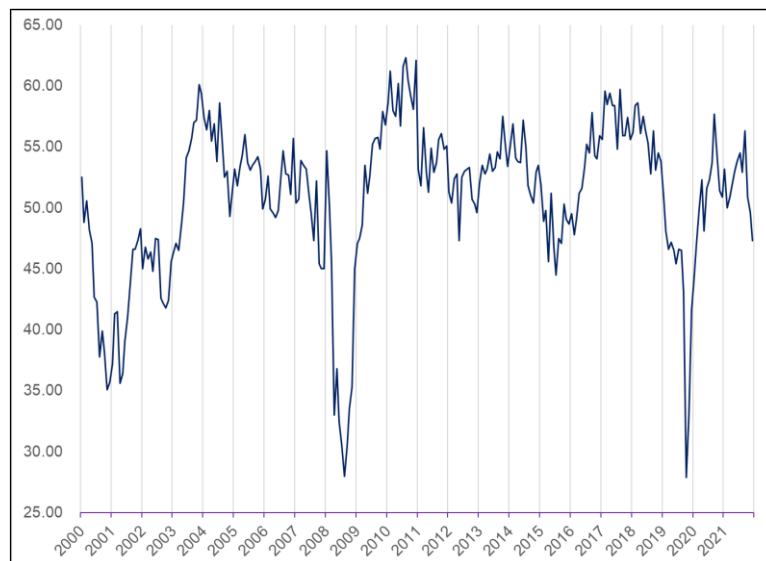
Welcome to the hyperspeed boom/bust economy... Brought to you by the letters M, M and T¹. The hangover from the 2021 disruptors, web3, and stimmies bubble is starting to pound on the US economy's frontal lobe as the data rolls over, post sugar-rush.

Today's ISM number is unambiguously weak despite an OK headline. The headline doesn't matter, the new orders and employment subcomponents are much more important and they are both weak. Here are new orders and employment back to 2000. New orders is the best series to watch because it's timely and it's leading.

ISM New Orders, 2000 to now



ISM Employment, 2000 to now

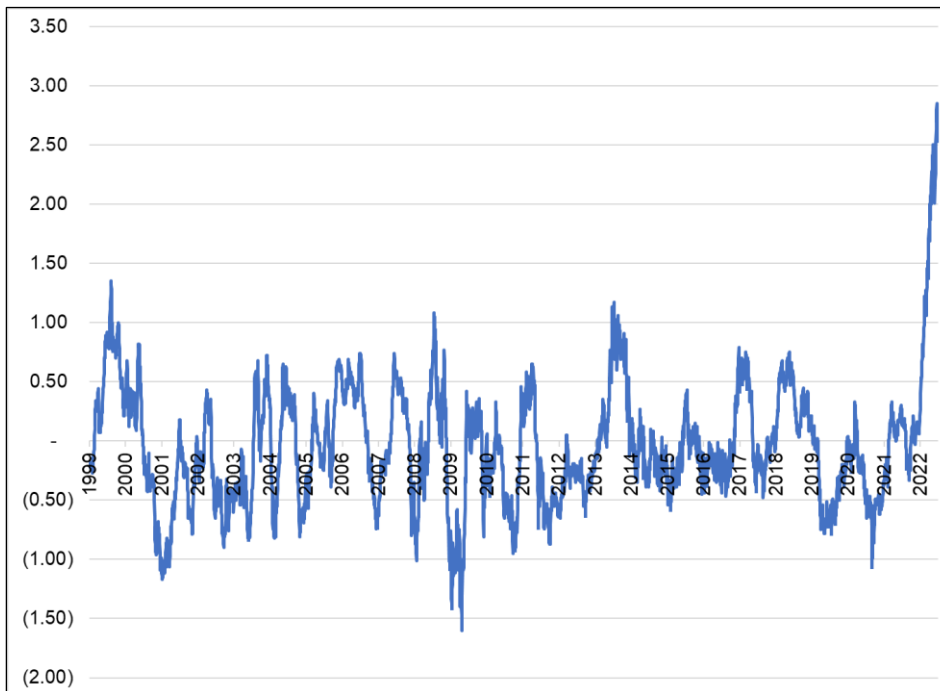


¹ And COVID too, of course.

While the levels are not yet recessionary, the direction of travel is ominous and there is plenty of other data to suggest that the direction will continue to be lower for both series. Atlanta Fed GDPNow down to -0.7.

We thought the Inflationary boom in 2021 was turning into a stagflationary bust. The odds of disinflationary bus are rising. Commodities have dropped significantly, trucking, shipping and almost all the culprits on the supply side are improving (albeit gradually, and semiconductors, not so much). The lagged impact of the moonshot in housing prices will impact CPI (↑) for a long time but on the ground things are turning meaningfully in the worst-offending housing bubbles (Canada and NZ) as everyone around the world faces this once in a lifetime shock to mortgage rates²:

6-month change in US 30-year mortgage rate, 1999 to now



Bad news is not good news

Bad economic news is NOT good news for stocks when the Fed isn't even at neutral yet. Way too early to try that trade. Wayyyy too early. This is especially true as Fed watches CPI and PCE which are super laggy. CPI and OER lag the real world by up to 18 months at times. Relief from the Fed is not imminent.

Despite the hyperspeed economy, this will not be a quick flip flop on policy like 2018 into 2019. The Fed will keep hiking into weakness because:

- They are still below neutral and CPI is wildly above target.
- Government institutions always focus on fighting the last war and CYA strategies and both of those point to stickier policy considerations from here, not reactive easing. Inflation is a huge political issue and Americans are angry about it. Nobody wants a rate cut except S&P longs. And unlike the prior admin, this one doesn't trumpet S&P rallies as an affirmation of Presidential skill.
- The Fed reacted in real time to a single CPI print by hiking 75bps after saying 75bps was not on the table 42 days earlier. This means they are focused on a data series that lags the real economy. They are focused on the wrong data, and this means policy will stay tight right into what many see as an inevitable recession.

Sticky Fed + growth slowing quickly = not good for earnings. We repriced stocks based on the higher discount rate and now we are probably going to do another leg on earnings. Micron's warning last night, for example. Eeek.

² Or twice-in-a-lifetime if you're my Mom, who got a 20% mortgage at the peak of the Calgary oil boom in 1980! PS she's fine, you don't have to feel bad for her.

Speaking of bad news

This came out a few days ago but in case you missed it. Spanish PPI. Imagine if they were not in the euro, their currency would be cratering, and this number would be even higher. Looney toons. Note this chart goes back to 1976, long before the euro.

Just to give you an idea of how completely unhinged central bank policy has become.... ECB rates are below zero and they intend to hike 25 basis points in July. And they were (rightly) worried about the negative impact of that 25 bps hike in the face of 8% inflation and thus pre-announced it a month early to soften the blow.

What are we doing here?

Spain PPI, 1976 to now



Watching the Watchmen

Speaking of “what are we doing here” ... I try to be an optimist but these kind of people make it hard.

Apple’s Ex-Corporate Law Chief Admits Years of Inside Trades

- Gene Levoff pleaded guilty to six counts of securities fraud
- Levoff was responsible for policing insider trading at Apple

By Chris Dolmetsch and Bob Van Voris

[\(Bloomberg\)](#) -- The Apple Inc. lawyer who was once responsible for enforcing the company’s insider trading policy pleaded guilty to illegally trading for years on confidential revenue and earnings filings.

Ernst & Young hit with \$100 million fine after auditors cheat on ethics exam

MONEY WATCH BY KATE GIBSON
 JUNE 28, 2022 / 1:36 PM / MONEYWATCH

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Final thoughts

I hired a person to work with me here at Spectra Markets! His name is Justin Ross, and I am excited. He’s the epitome of the humble and hungry work culture that I value. I will tell you more next week. Happy Canada Day to all those who celebrate. Canada Day is like 4th of July in the USA, but only red and white, no blue.

good luck ↑↓ be nimble



Won't hurt babies or old people!!

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