

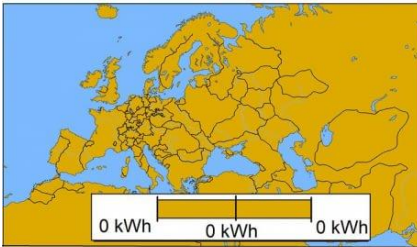
am
FX

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Electricity consumption in Europe in 1507



Current Views

Short GBPUSD @ 1.2230

Stop 1.2361

**1-month 0.99 EURUSD
digital put at 18%**

Spot ref. 1.0210
Expires August 18

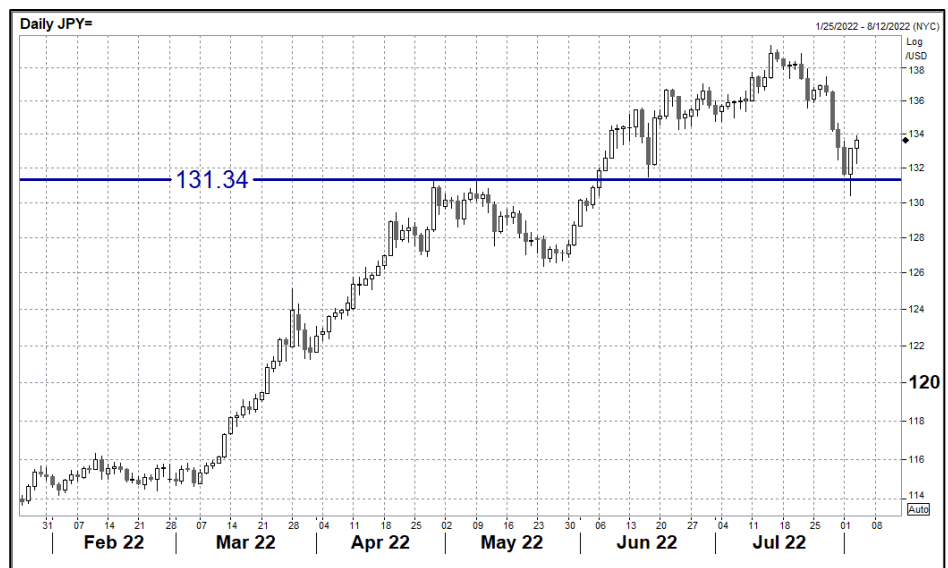
Overshoot and reboot

Kind of a confusing set up now right here as the market looks to have overshot in rates and USDJPY. Now, the Fed is pushing back against the Powell Pivot, but the market kind of doesn't know what to believe. My view is that we are now probably in a sort of equilibrium where recessionistas are no longer willing to press their bets, people added to bond longs and flatteners at bad levels, and (once again) the data will matter much more than Fed speak. Time for a thematic reboot and an open mind.

Payrolls will be important but it's really the package of NFP + CPI (05AUG and 10AUG) that will determine the fate of the known universe at this point. That is, trading NFP in isolation will be tricky as it comes out Friday and CPI is the Wednesday right after.

The USDJPY move down to 130.50 looks like a false break now with yields recovering aggressively. The chart now looks like this:

USDJPY Daily, February to now



I would think USDJPY equilibrium now is 132/136 with a bias to buy dips in USDJPY until we get new information on the US economy. The move down and up in yields and USDJPY both look like climactic blowoffs to me and the velocity of the rip in yields makes me think that at this point too many people are bullish bonds.

Stocks are proving resilient despite the rebound in yields and that has most of my peers thinking "bad news, good price." While I am generally a fan of bad news / good price setups in short-term trading, I'm more suspect of using SPX price action that way. I find stocks are just very often slow to adjust to new information for a variety of reasons including persistent, non-price-sensitive index inflows that keep things buoyed for much longer than one might expect. Then, when the flow stops, whoosh.

In related news, [this paper](#) takes a similar view as it concludes that recessionary macro information is often known months before stocks react. It's never easy being bearish stocks and right now is no exception. But "stocks look bid" isn't a good reason to be long, I don't think, especially as the oversold and raging bearish conditions have been relieved.

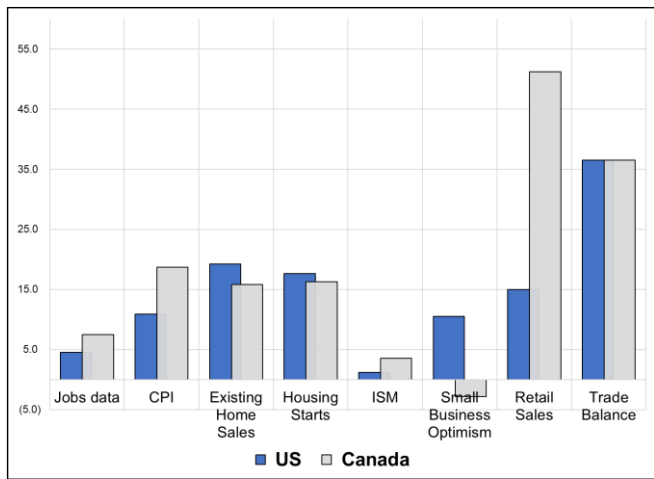
Trades and views

My attempt to join the CHF party has failed as Pelosi is a red herring to this point and last night's CPI figures out of Switzerland didn't do much to stir the pot. The EURCHF short is stopped out. The GBPUSD short is doing fine. Bank of England tomorrow and I think there is a good chance that meeting is a reminder to the market that nothing has changed in the UK and the story is still bearish. The first target is 1.2000 but I would not be surprised if we make new cycle lows (sub-1.18) by the end of August.

Canadian vs. US data lags

I wrote about the lag between reality and economic data releases a few times over the past few weeks and I was curious whether Canadian data lags more than US data. Justin beat the economic data into submission and produced this chart:

US and Canadian economic data average release lag vs. last day of reference period



The Canadian data are a bit more lagged than the US, with Canada Retail Sales particularly chelonian.

Final Thoughts

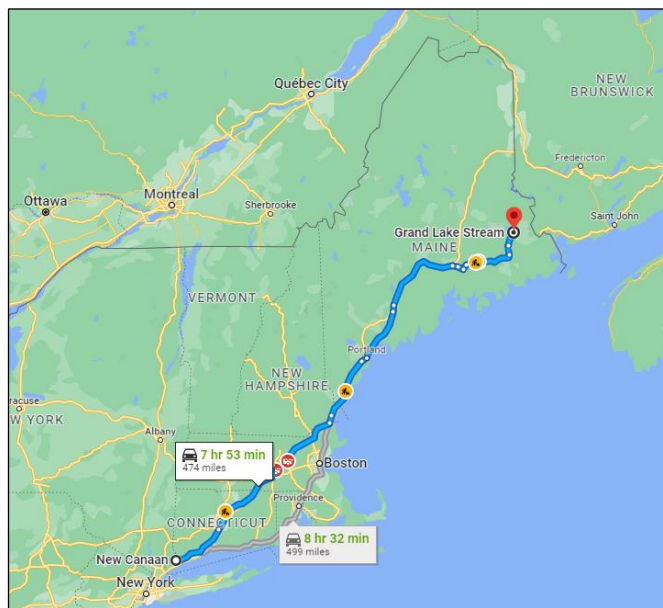
I am driving to Northern Maine tomorrow to attend Camp Kotok. [Full description of Camp Kotok, plus my notes from 2021 here.](#)

The gathering is usually a highlight of my professional year, and it helps me deliver a better product to you because I meet so many interesting, smart, and sometimes influential peeps up there. Also, I like poker and we tend to play a lot.

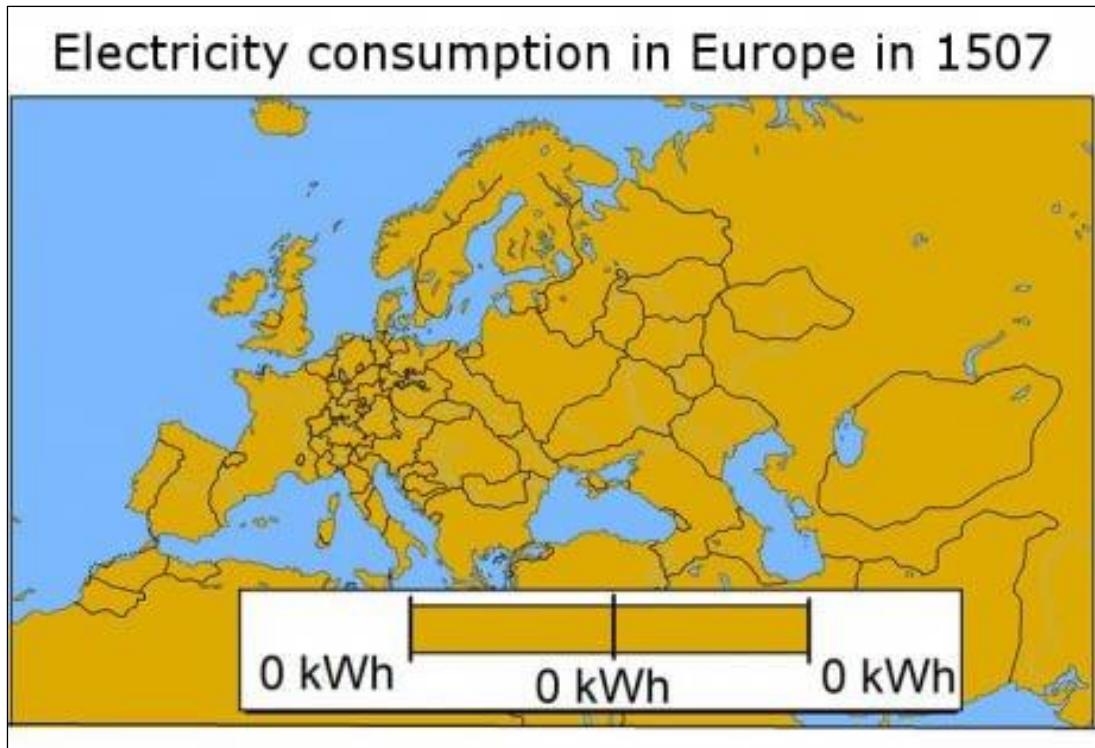
I'll try to get some video clips of strong views from some of the most interesting people in attendance. I will put them on [my Twitter](#) and link them in am/FX.

Release times for am/FX tomorrow, Friday and Monday could be all over the place.

Have an electric day.



good luck ⇕ be nimble



HT: Gittles

<https://twitter.com/TerribleMaps/status/907221054342483968>

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