

am
FX

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Underrated humor website
<https://www.mcsweeneys.net/>

Current Views

Short EURAUD @ 1.4630
Stop loss 1.4816
Take profit 1.4351

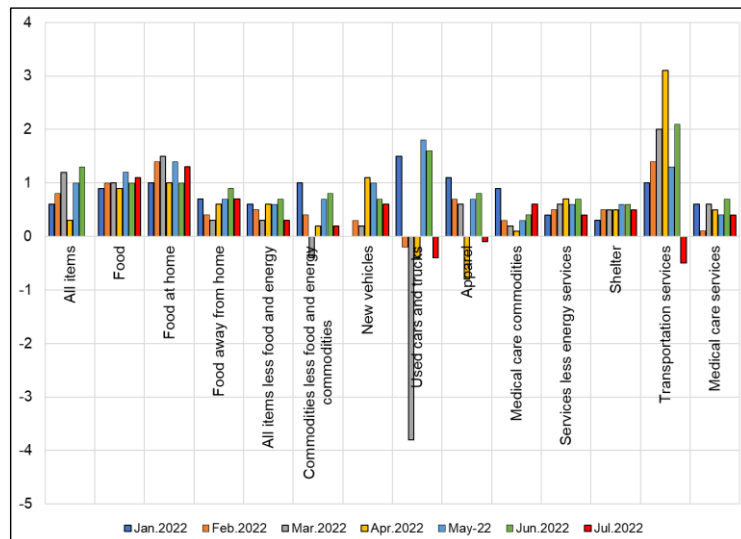
Vol Killer

Being wrong is not fun.

Today's data blows a medium-sized hole in my thesis that OER momentum / stickiness and inflation momentum would carry through the summer data and damage the Fed pivot and peak inflation narrative. The USD is getting crushed in response and the biggest mover is probably going to be volatility (lower). This takes the edge off the Fed story for sure and paints a surprisingly different picture from what I had expected.

My first chart shows non-energy contributions to CPI. Shelter moderated by 0.1, which is surprising to me, while apparel and transportation services both turned negative. Neither of those are surprising but overall, the data are a clear win for the doves and a reason for me to rethink my view.

Headline CPI non-energy component contributions for 2022



One month of data isn't enough to just completely toss a macro view in the garbage, but it's enough to hit the reset button and get to flat / unbiased. I am covering the GBPUSD short for a tiny, disappointing profit and will mentally write off the EURUSD digital as a zeroburger.

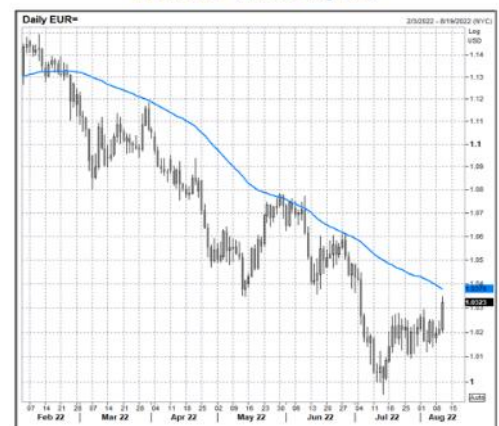
Now what?

I can't get excited about selling dollars here, given the move and the proximity of EURUSD to the 55-day moving average at 1.0376 (see chart at right).

But any trade that benefits from lower volatility should work for the next week or two.

CPI was the big event, it's done, and I don't think any Fed talk or equity earnings story is going to matter much until we get to Jackson Hole at least (25-27 AUG).

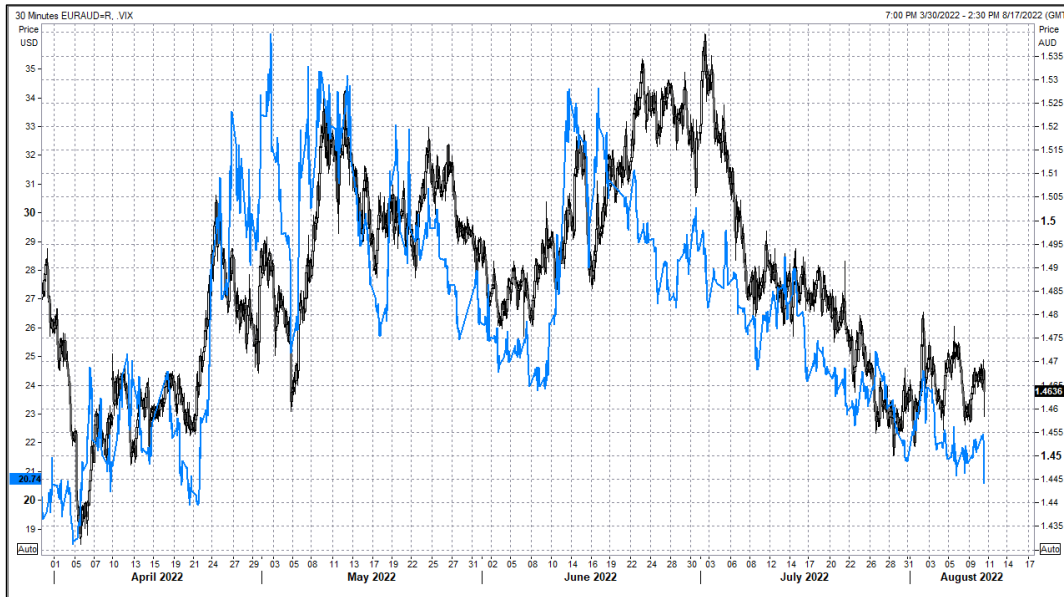
EURUSD vs. 55-day MA



The best vol proxy in G10 FX tends to be EURAUD and I like selling it here as a two-week trade.

Here's an example of how EURAUD tracks vol:

EURAUD vs. VIX (30-minute chart back to April)



There is no meaningful Aussie data or events until the RBA minutes on the 15th, and copper and XME look fine so there isn't much idiosyncratic stuff happening in Oz World. I'm adding short EURAUD to the Current Views sidebar as I attempt to get back on the horse right after CPI just knocked me off. Short at 1.4630. Stop loss 1.4816, take profit 1.4361. Risking 180 to make 270. This trade takes the USD out of the equation, and assumes we slip into a bit of a market coma for a week or two.

Final thoughts

Latest from the San Francisco Fed:
[Will workers demand cost-of-living adjustments?](#)

If you have a kid heading to college or university and you missed my note last week. You can read it here:
[Before You Fly The Nest: Advice for Kids Heading to College.](#)

Have an underrated day.

good luck ↑↓ be nimble



E-MAIL ADDRESSES IT WOULD BE
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