



OUTLOOK & MARKET ANALYSIS

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*"The stock market is a symphony; harmony comes from wise portfolio composition."*²

This is a beta version of what the Market Analysis and Outlook of fx:macro will look like in the future.

If you have any suggestions (layout, readability, overall usability) or if anything doesn't work for you, shoot me a message by replying to the email you received or by reaching out in the comment section on Substack.

The cover image was generated via Midjourney³.

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¹ Clickable to navigate within the document

² Generated by ChatGPT

³ Prompt: an oil painting of a forex trader preparing for the FOMC next week in front of his computer, white canvas, white background, vibrant color palette, colorful, dripping paint, bold graphic design elements, hyper realistic

Summary⁴

	Bull	Bear	Notes
M a c r o	<ul style="list-style-type: none"> ▶ Positive growth and falling inflation in the US: goldilocks for stocks ▶ Equity volatility is still low, FX vol has picked up a bit but so far nothing to worry ▶ Credit spreads aren't widening ▶ Sector rotation and breadth confirm current action in stocks ▶ The Chinese OECD CLI has turned around and is outperforming ▶ TD Ameritrade IMX is moving up and is far from extreme 	<ul style="list-style-type: none"> ▶ Sentiment is too bullish: AAI Bull-Bear and CNN's Fear & Greed Index both in extreme territories ▶ The Bloomberg PMI heatmap isn't looking good, World PMI has worsened and Asian PMIs aren't improving ▶ Industrial metals and CL aren't performing ▶ Recession probability according to the Cleveland Fed model now at 80% ▶ All of the G8 2s10s except for JPY are inverted now 	<p>The last update was two weeks ago, and I wrote that the situation had been stable for a couple of weeks. And we're still at the same point: the underlying factors haven't changed much, at least not for the worse.</p> <p>Everything is still trading in its own little bubble with its own business cycle. Stocks are overextended, sentiment has run pretty far, and breadth oscillators have reached overbought levels. A pullback would make a lot of sense here.</p> <p>Data from China continues to be weak(ish), stimulus measures are seen as half-hearted and commodities are still not doing much.</p>
U S D	<ul style="list-style-type: none"> ▶ GDPNow is still solidly positive and the NY Fed WEI has started to improve ▶ OECD CLI is slowly picking up 	<ul style="list-style-type: none"> ▶ Lower real yields and higher breakevens are bearish USD ▶ CESI is about to roll over lower ▶ CSII is lower, CPI is coming down, 1yr ahead consumer inflation expectations are down ▶ Weaker PMI on the heatmap ▶ Bearish seasonality ▶ 25-delta risk reversal for USDCNY is lower ▶ The 5y breakeven rate is below the 10y and the 5y-10y spread is falling fast ▶ Bullish sentiment 	<p>There are clearly a lot more negatives than positives. The most important one, in my opinion, is that we've seen real yields lower and breakeven inflation rates higher, which is a bad cocktail for USD longs.</p> <p>We'll get new information from the Fed this week. With everything we've heard from Fed speakers recently, I don't expect a major hawkish surprise and I think that's what would be needed for a long USD bias here.</p> <p>One (important) argument for a long is the dollar smile. Right now, the US is clearly outperforming pretty much everyone, so the dollar smile is still supportive.</p> <p>Nevertheless, I'm changing the bias to neutral but I'll be looking for short-term shorts as long as real yields are moving the way they do.</p>
E U R ↓	<ul style="list-style-type: none"> ▶ CESI is still down but it has picked up a tiny bit, same for the CESI spread EUR-USD 	<ul style="list-style-type: none"> ▶ The German PMI on the heatmap is weaker, the Eurozone one remains deeply red ▶ COT positioning back at bearish extreme plus bearish 1-week change in positioning ▶ Sentiment is bearish, except for EURCHF where it's the opposite ▶ OECD CLI for Germany has turned lower again 	<p>There isn't too much positive to say about the Euro at the moment, and this week, even uberhawk Knot and Nagel have refrained from arguing for a September rate hike.</p> <p>I think it's likely that we won't get any clear guidance for September this week given the sources reports we've had since the last meeting. And I doubt the market will take that as a positive.</p>
G B P	<ul style="list-style-type: none"> ▶ Bearish sentiment ▶ OECD CLI has slowed but is still trending higher ▶ Bullish seasonality 	<ul style="list-style-type: none"> ▶ Yields have not taken this week's CPI miss well ▶ COT positioning is bearish ▶ CESI is past its peak and moving lower ▶ The (Manufacturing) PMI on the heatmap has worsened 	<p>GBP has not taken this week's CPI data well, and gilt yields haven't fully recovered. That reaction is different from what we've seen over the last months, which usually was something like a quick selloff on dovish/bearish data followed by a higher high.</p> <p>Two weeks ago, I wrote that I didn't see a catalyst why this would stop now. This week's CPI data may have been that catalyst. GBP pairs don't look in too bad shape but I think the time where it's a long is probably over. Changing the bias to neutral and looking for short-term shorts until I feel convinced it's headed lower (which it could very well do just given that positioning is at multi-year extremes).</p>
A U D ↓	<ul style="list-style-type: none"> ▶ Expectations for another hike are increasing again ▶ Bullish seasonality ▶ CESI has picked up ▶ OECD CLI looks like it is bottoming 	<ul style="list-style-type: none"> ▶ Weak Chinese data is still weighing on AUD ▶ Deteriorating PMI on the Bloomberg map ▶ Bullish sentiment 	<p>I don't see anything I particularly like about AUD right now. The labour market report this week was hot but AUD didn't follow through. We'll get a weaker-expected CPI in the coming week while expectations for another rate hike have increased again.</p> <p>My best guess is that AUD will go lower again this week. Changing the bias to bearish.</p>

⁴ Summary changes from the last analysis can be found here: <https://www.diffchecker.com/OLEK2mJY/>

	Bull	Bear	Notes
NZD	<ul style="list-style-type: none"> ▶ 2s10s have bear flattened recently ▶ CESI has picked up further ▶ Bullish seasonality 	<ul style="list-style-type: none"> ▶ RBNZ last week with a relatively dovish statement that didn't mention further rate hikes ▶ Officially in a recession now with two quarters of negative GDP growth ▶ It's inherently weak ▶ Sentiment is bullish 	<p>We've had a hawkish CPI surprise (higher than expected albeit lower than previously) but absolutely no follow-through from NZD. Also no support from the RBNZ who removed guidance for possible further hikes last week. Changing the bias to bearish.</p>
CAD	<ul style="list-style-type: none"> ▶ Positive seasonality 	<ul style="list-style-type: none"> ▶ Dovish BOC statement last week, looks like they've ended their hiking cycle too, "prepared to hike further" only via press conference ▶ 2s10s bull steepening after, i.e. the market isn't taking the CPI surprise too seriously ▶ Data over the last few weeks has mostly disappointed and weakened ▶ Crude oil just isn't performing but correlation to CL is currently negative ▶ Has the worst CLI among the G7 ▶ Bullish sentiment 	<p>Another CPI surprise this week, and CAD ended the week higher but I think that was mostly driven by USD strength as Canadian yields haven't followed through.</p> <p>We'll get the BOC Minutes on Wednesday. They usually aren't very detailed, and I'm not sure they will be market-moving. I think they might come in a bit more hawkish compared to the statement last week because Macklem said they are prepared to hike further and they certainly discussed this.</p> <p>I'm changing the bias to bearish.</p>
CHF	<ul style="list-style-type: none"> ▶ The SNB is still trying to sound hawkish, I just wonder why ▶ Bearish sentiment via EURCHF and USDCHF ▶ CESI is off lows ▶ Inherent strength 	<ul style="list-style-type: none"> ▶ Bearish seasonality ▶ Huge divergence between COT Large Trader net positions and price 	<p>There's no fundamental reason why CHF has outperformed recently, so my guess is on the SNB buying it. I also don't understand why they're still as hawkish as they are given that CPI m/m is at 0.1% and has missed expectations. And what really stands out is that COT positioning is showing Large Traders positioning diverge from spot price. I'm changing the bias to bearish.</p>
JPY		<ul style="list-style-type: none"> ▶ Market hopes for a YCC or policy tweak this week has been met with dovish comments and sources reports ▶ Jawboning re: FX intervention is still very weak ▶ COT still says it's still not a very crowded trade ▶ The disinflationary momentum has slowed, CSII has dropped too ▶ Still the most dovish central bank out there ▶ Inherent weakness 	<p>The market has priced in hopes for a July policy tweak without any good reasons, and that has seen some dovish pushback, especially on Friday.</p> <p>Nothing makes me want to be long JPY right now. I'm leaving the bias at neutral because of its risk-on/risk-off properties.</p>

COT: Commitment of Traders, CESI: Citi Economic Surprise Index, CSII: Citi Inflation Surprise Index, CLI: Composite Leading Indicator, CB: central bank, PAIN: Citi PAIN index

Currency Drivers

fx:macro		What Drives What?								
		Top: 30-day correlation, bottom: 100-day correlation 21-Jul-23								
		USD	EUR	GBP	AUD	NZD	CAD	CHF	JPY	BTCUSD
Yields	Currency vs. their own 2y yield	0.09	0.72	0.84	-0.33	0.28	-0.05	-0.37	0.23	
		0.21	0.28	0.91	0.25	-0.19	0.86	0.01	0.23	
	Currency vs. their own 10y yield	0.01	0.03	0.62	-0.31	0.19	-0.35	-0.15	0.46	
		0.28	0.02	0.84	0.31	-0.09	0.79	-0.46	-0.31	
	Currency vs. their own 2s10s	-0.13	-0.82	-0.75	0.11	-0.31	-0.34	0.35	0.55	
		-0.12	-0.41	-0.91	-0.14	0.29	-0.85	-0.43	-0.42	
Stocks	S&P 500 (ES)	-0.76	0.72	0.53	-0.34	0.36	-0.58	0.84	-0.26	0.42
		-0.51	0.55	0.94	-0.04	-0.54	0.72	0.77	-0.90	0.59
	VIX	0.24	-0.28	0.01	-0.06	0.06	-0.09	-0.21	0.20	-0.20
		0.42	-0.53	-0.83	0.02	0.58	-0.74	-0.68	0.86	-0.52
	R2k	ESTX	FTSE	XAO	ENZL	TSX	SMI	Nikkei	NQ	
		-0.81	0.30	-0.76	0.05	0.68	-0.67	-0.53	-0.49	0.38
		-0.22	0.54	-0.56	0.00	0.43	-0.19	0.40	-0.95	0.57
Special	5y5y	USD			GC	AUD	USD	EUR	USD	US 10s
		-0.56	-0.48		0.45	0.09	0.82	0.82	-0.12	0.37
		-0.22	-0.58		-0.47	0.36	0.08	0.79	0.25	-0.19
	5y BE	BTP-BND			Iron Ore		CL		US 10s	5y BE
		-0.10	0.07		0.50		-0.73		-0.24	0.40
		0.31	-0.23		0.44		-0.24		-0.59	-0.48



Correlation Heatmap

Rolling correlation coefficients, top/right: 100 days, bottom/left: 30 days
Data: 2023-07-20

	USD	EUR	GBP	AUD	NZD	CAD	CHF	JPY	BTCUSD	US 2y	DE 2y	IT 2y	GB 2y	AU 2y	NZ 2y	CA 2y	CH 2y	JP 2y	CN 2y	US 10y	DE 10y	IT 10y	GB 10y	AU 10y	NZ 10y	CA 10y	CH 10y	JP 10y	CN 10y	VIX	MOVE	ES	HG	CL	GC	5y BE	10y BE	5y 5y
USD	1.00	-0.58	-0.48	0.14	0.07	0.08	-0.53	0.25	-0.68	0.21	0.01	0.02	-0.21	-0.07	-0.05	-0.03	0.16	-0.23	0.38	0.28	0.22	0.33	-0.11	-0.03	0.19	0.06	0.06	-0.10	0.36	0.42	0.28	-0.51	-0.09	-0.20	-0.62	0.31	0.20	-0.22
EUR	-0.48	1.00	0.59	-0.54	-0.55	0.13	0.79	-0.46	0.72	0.07	0.28	0.30	0.43	0.19	0.18	0.20	0.03	0.18	-0.42	-0.05	0.02	-0.13	0.34	0.16	-0.06	0.09	-0.10	0.28	-0.43	-0.58	-0.47	0.55	-0.17	0.16	0.34	-0.31	-0.16	0.31
GBP	-0.45	0.71	1.00	-0.23	-0.58	0.67	0.81	-0.89	0.65	0.47	0.52	0.52	0.91	0.77	0.65	0.73	0.05	-0.26	-0.92	0.35	0.07	-0.39	0.84	0.69	0.44	0.60	-0.68	-0.13	-0.90	-0.83	-0.60	0.94	-0.60	-0.32	0.14	-0.68	-0.44	0.49
AUD	0.10	-0.73	-0.63	1.00	0.36	0.11	-0.50	0.02	-0.48	0.37	0.30	0.22	0.00	0.25	0.21	0.23	0.19	-0.06	0.19	0.38	0.36	0.17	0.03	0.31	0.40	0.31	0.07	0.06	0.23	0.02	-0.13	-0.04	0.41	0.02	-0.47	0.45	0.42	-0.02
NZD	-0.50	0.09	0.48	0.09	1.00	-0.48	-0.60	0.49	-0.40	-0.25	-0.31	-0.27	-0.53	-0.39	-0.19	-0.42	-0.11	0.20	0.58	-0.11	-0.02	0.27	-0.51	-0.35	-0.09	-0.33	0.39	-0.23	0.52	0.58	0.47	-0.54	0.40	0.11	-0.17	0.48	0.34	-0.25
CAD	0.82	-0.16	-0.24	0.01	-0.48	1.00	-0.83	0.25	0.73	0.69	0.66	0.82	0.84	0.71	0.86	0.28	-0.42	-0.66	0.61	0.33	-0.18	0.80	0.79	0.65	0.79	-0.59	0.19	-0.64	-0.74	-0.67	0.72	-0.47	-0.24	-0.30	-0.30	-0.11	0.41	
CHF	-0.75	0.82	0.57	-0.64	0.14	-0.57	1.00	-0.73	0.61	0.26	0.39	0.44	0.68	0.49	0.45	0.48	0.01	0.06	-0.78	0.16	0.07	-0.19	0.64	0.45	0.20	0.38	-0.46	0.32	-0.79	-0.68	-0.56	0.77	-0.55	-0.08	0.31	-0.63	0.36	0.53
JPY	-0.12	-0.62	-0.59	0.43	0.15	-0.49	-0.17	1.00	-0.41	-0.70	-0.73	-0.75	-0.95	-0.89	-0.80	-0.87	-0.23	0.23	0.86	-0.59	-0.36	0.14	-0.84	-0.64	-0.75	0.64	0.31	0.88	0.86	0.77	-0.30	0.62	0.26	0.12	0.50	0.22	0.58	
BTCUSD	-0.22	0.81	0.77	-0.82	0.15	0.10	0.59	-0.70	1.00	-0.09	0.04	0.03	0.40	0.18	0.13	0.17	-0.24	-0.14	-0.50	-0.19	-0.28	-0.43	0.26	0.11	-0.11	0.03	-0.29	-0.06	-0.46	-0.52	-0.28	0.59	-0.18	-0.01	0.54	-0.48	-0.36	0.22
US 2y	0.09	0.54	0.64	-0.62	0.18	0.17	0.29	-0.72	0.64	1.00	0.95	0.90	0.77	0.88	0.88	0.92	0.50	-0.14	-0.44	0.96	0.74	0.24	0.79	0.91	0.92	0.93	-0.42	0.40	0.40	-0.51	-0.58	0.58	-0.23	-0.07	-0.73	0.08	0.30	0.52
DE 2y	-0.26	0.72	0.86	-0.61	0.35	0.06	0.49	-0.72	0.74	0.87	1.00	0.97	0.79	0.85	0.87	0.89	0.55	0.02	-0.44	0.88	0.80	0.31	0.80	0.89	0.85	0.88	-0.31	0.52	-0.41	-0.60	-0.69	0.64	-0.16	0.10	-0.61	0.11	0.34	0.55
IT 2y	-0.13	0.69	0.83	-0.69	0.26	0.04	0.43	-0.72	0.82	0.86	0.96	1.00	0.78	0.83	0.87	0.85	0.53	0.08	-0.44	0.86	0.79	0.37	0.80	0.87	0.84	0.84	-0.31	0.53	-0.44	-0.56	-0.67	0.60	-0.25	0.06	-0.59	0.06	0.30	0.56
GB 2y	-0.01	0.60	0.84	-0.67	0.34	0.15	0.28	-0.77	0.78	0.85	0.90	0.92	1.00	0.95	0.86	0.92	0.24	-0.27	-0.88	0.67	0.38	-0.15	0.96	0.91	0.73	0.83	-0.68	-0.23	-0.83	-0.80	-0.67	0.91	-0.57	-0.31	-0.23	-0.48	-0.20	0.57
AU 2y	0.22	0.13	0.52	-0.33	0.22	0.14	-0.07	-0.44	0.33	0.80	0.69	0.71	0.73	0.92	0.97	0.93	0.33	-0.28	-0.76	0.81	0.51	-0.05	0.94	0.98	0.87	0.92	-0.64	0.27	-0.72	-0.72	-0.65	0.82	-0.48	-0.30	-0.42	-0.31	-0.05	0.57
NZ 2y	-0.12	0.47	0.64	-0.68	0.28	-0.18	0.43	-0.38	0.58	0.83	0.77	0.76	0.78	0.90	0.97	0.93	0.37	-0.08	-0.62	0.85	0.61	0.14	0.85	0.93	0.93	0.88	-0.52	0.35	-0.59	-0.58	-0.35	0.72	-0.39	-0.15	-0.50	-0.14	0.11	0.56
CA 2y	-0.18	0.51	0.74	-0.68	0.21	-0.05	0.37	-0.45	0.64	0.73	0.77	0.78	0.74	0.71	0.76	0.78	0.39	-0.24	-0.71	0.84	0.57	0.01	0.93	0.96	0.86	0.96	-0.61	0.36	-0.68	-0.73	-0.69	0.80	-0.43	-0.18	-0.46	-0.23	0.04	0.60
CH 2y	0.35	0.43	-0.11	0.00	-0.14	-0.02	0.37	0.39	-0.35	0.07	-0.08	-0.02	0.03	0.46	0.34	0.12	0.26	-0.02	-0.50	0.50	0.62	0.42	0.33	0.37	0.38	0.45	0.27	0.55	0.02	-0.28	-0.44	0.15	0.13	0.35	-0.40	0.36	0.42	0.18
JP 2y	0.72	0.43	0.46	-0.40	0.20	0.77	0.73	0.23	0.27	0.15	0.36	0.32	0.14	0.16	0.52	0.37	0.15	0.30	0.09	0.23	0.46	0.22	0.19	-0.17	-0.18	0.58	0.59	0.30	0.18	0.02	-0.21	0.35	0.63	0.08	0.41	0.39	0.00	
CN 2y	0.44	-0.18	-0.11	0.25	-0.15	0.69	-0.57	-0.32	0.04	-0.24	-0.19	-0.09	0.01	-0.11	-0.58	-0.12	-0.20	-0.66	-0.34	-0.03	0.39	-0.63	-0.68	-0.43	-0.61	0.73	0.12	0.97	0.80	-0.57	0.90	0.71	0.42	-0.18	0.76	0.50	0.51	
US 10y	0.01	0.23	0.56	-0.51	0.28	0.17	0.19	-0.24	0.37	0.79	0.70	0.69	0.68	0.89	0.92	0.75	0.51	0.43	-0.48	0.83	0.42	0.73	0.88	0.94	0.91	-0.35	0.36	-0.31	-0.37	-0.44	0.44	-0.21	-0.06	-0.77	0.16	0.39	0.55	
DE 10y	-0.17	0.03	0.49	-0.19	0.41	0.35	0.09	-0.02	0.13	0.52	0.59	0.56	0.49	0.80	0.72	0.66	0.53	0.51	-0.38	0.85	0.78	0.51	0.63	0.70	0.70	0.06	0.60	0.05	-0.26	-0.40	0.20	0.04	0.32	-0.84	0.45	0.64	0.49	
IT 10y	-0.10	0.06	0.44	-0.38	0.25	0.36	0.17	0.09	0.20	0.48	0.51	0.55	0.44	0.72	0.75	0.63	0.59	0.57	-0.45	0.85	0.92	0.61	0.11	0.27	0.20	0.43	0.49	0.34	0.21	-0.03	-0.33	0.19	0.44	-0.43	0.62	0.68	0.21	
GB 10y	0.02	0.10	0.62	-0.32	0.44	-0.14	-0.03	-0.23	0.30	0.60	0.64	0.65	0.73	0.84	0.69	0.66	0.54	0.28	-0.15	0.85	0.85	0.79	0.92	0.76	0.89	-0.63	0.38	-0.83	-0.79	-0.71	0.84	-0.63	-0.26	-0.25	-0.42	-0.13	0.62	
AU 10y	-0.01	0.07	0.51	-0.31	0.31	-0.19	0.06	-0.14	0.23	0.64	0.58	0.59	0.56	0.91	0.82	0.71	0.58	0.44	-0.33	0.94	0.91	0.88	0.85	0.91	0.95	-0.57	0.35	-0.64	-0.67	-0.63	0.76	-0.41	-0.22	-0.49	-0.20	0.30	0.60	
NZ 10y	0.16	0.15	0.46	-0.54	0.19	-0.03	0.10	-0.22	0.39	0.70	0.59	0.64	0.63	0.85	0.90	0.66	0.60	0.36	-0.34	0.93	0.78	0.84	0.79	0.88	0.88	-0.47	0.25	-0.40	-0.40	-0.41	0.52	-0.28	-0.20	-0.71	0.03	0.24	0.49	
CA 10y	-0.21	-0.01	0.22	-0.17	0.12	-0.35	0.17	0.21	0.02	0.33	0.30	0.24	0.17	0.54	0.60	0.64	0.46	0.54	-0.46	0.70	0.77	0.71	0.51	0.75	0.61	-0.51	0.43	-0.58	-0.65	-0.65	0.69	-0.37	-0.09	-0.52	-0.10	0.20	0.66	
CH 10y	-0.10	-0.31	0.11	0.16	0.14	-0.31	-0.15	0.36	-0.24	-0.07	0.10	0.12	-0.01	0.41	0.23	0.23	0.58	0.40	-0.11	0.37	0.72	0.71	0.50	0.59	0.43	0.49	0.24	0.71	0.43	0.26	-0.62	0.64	0.60	0.07	0.66	0.46	0.38	
JP 10y	-0.76	0.26	0.25	-0.20	0.28	0.93	0.68	0.46	0.00	-0.04	0.15	0.07	-0.09	-0.05	0.34	0.13	0.14	0.89	0.81	0.29	0.40	0.46	0.14	0.27	0.19	0.44	0.35	-0.13	-0.39	-0.57	0.27	0.00	0.58	-0.10	0.27	0.40	0.34	
CN 10y	0.44	-0.17	0.01	0.08	-0.11	0.53	-0.47	-0.24	0.14	-0.10	-0.10	0.08	0.09	0.09	-0.26	0.05	0.02	-0.45	0.81	-0.19	-0.14	-0.08	0.04	-0.05	-0.07	-0.33	0.13	-0.63	0.79	0.61	-0.85	0.78	0.44	-0.20	0.78	0.52	-0.52	
VIX	0.24	-0.28	0.01	-0.06	0.06	-0.09	-0.21	0.20	-0.20	0.23	0.07	0.05	0.17	0.51	0.45	0.17	0.70	0.16	-0.30	0.57	0.53	0.54	0.53	0.61	0.56	0.49	0.											

Levels

	6E	6B	6A	6C	USDCAD	6J	USDJPY
Settlement	1.1156	1.2862	0.6743	0.7579	1.3194	0.007114	140.57
Gamma	flat	short	flat	short		short	
25D-RR	long	short	short	short		long	
1 StdDev	0.0118	0.0149	0.0104	0.0063	0.0111	0.000140	2.82
+2 SD	1.1392	1.3160	0.6951	0.7705	1.3417	0.007394	146.33
+1 SD	1.1274	1.3011	0.6847	0.7642	1.3305	0.007254	143.39
-1 SD	1.1038	1.2713	0.6639	0.7516	1.3086	0.006974	137.85
-2 SD	1.0920	1.2564	0.6535	0.7453	1.2979	0.006834	135.24
Calls							
Calls		1.3050	0.6950				
Calls	1.1400	1.3025	0.6850				
Calls	1.1300	1.3000	0.6825		1.3514	0.007250	147.06
Calls	1.1250	1.2925	0.6800	0.7675	1.3289	0.007125	138.60
Puts	1.1150	1.2650	0.6500	0.7525	1.3029	0.007215	140.35
Puts	1.1000			0.7400		0.006800	137.93
Puts							
Puts							
Puts							

Option implied ranges and strikes with relevant OI; next expiration including Weeklies; Source: CME QuikStrike

Growth

Growth

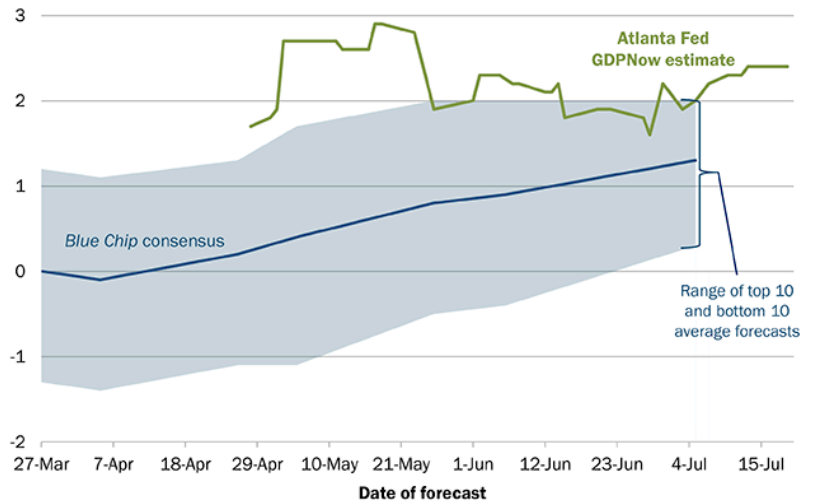
Comment

The **Atlanta Fed GDPNow** model estimates Q2 growth at 2.4%

Chart

Evolution of Atlanta Fed GDPNow real GDP estimate for 2023: Q2

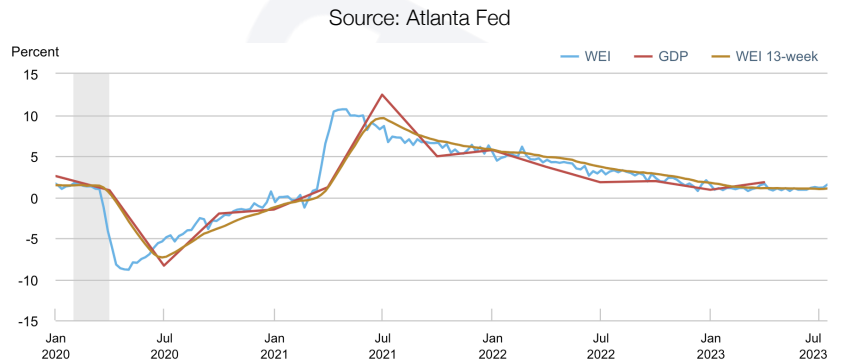
Quarterly percent change (SAAR)



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

The **NY Fed Weekly Economic Index** is slowly ticking higher, it's now at 1.52.



Source: NY Fed

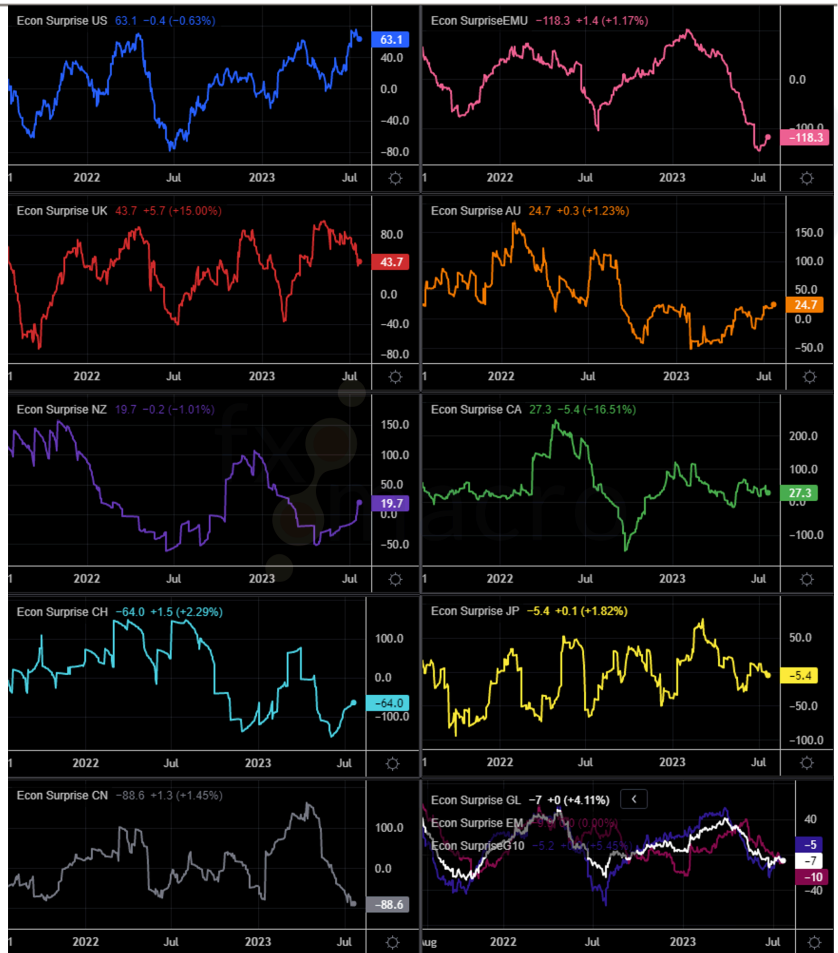
Growth

Comment

Citi Economic Surprise Indexes:

- **USD** and **EUR** look like they've put in their top and bottom, respectively
- **GBP** has come down further
- **AUD, NZD** and **CHF** are improving
- **CAD** and **JPY** are going nowhere
- **China** remains at its low
- The **global CESI** is going sideways

Chart



Source: Refinitiv

The **CESI spread EUR-USD** is showing some improvement too but the disconnect from **EURUSD** remains.



Source: Refinitiv

The correlation between the **US CESI** and the **S&P 500** remains positive: good news is good news right now.



Source: Refinitiv

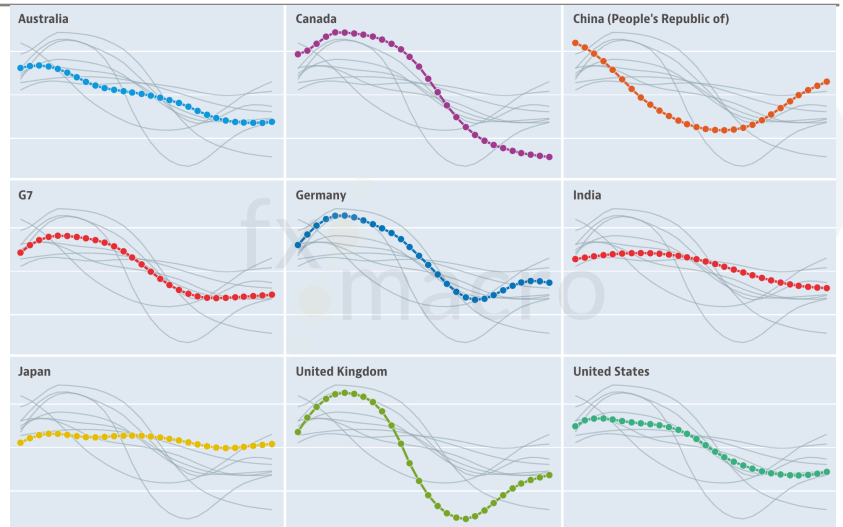
Growth

Comment

OECD Composite Leading Indicators:

- The **US** is improving slowly, the **UK's** improvement is slowing
- **Australia** is mostly flat
- **Canada** keeps worsening
- **Germany** has turned lower again
- **China** is outperforming

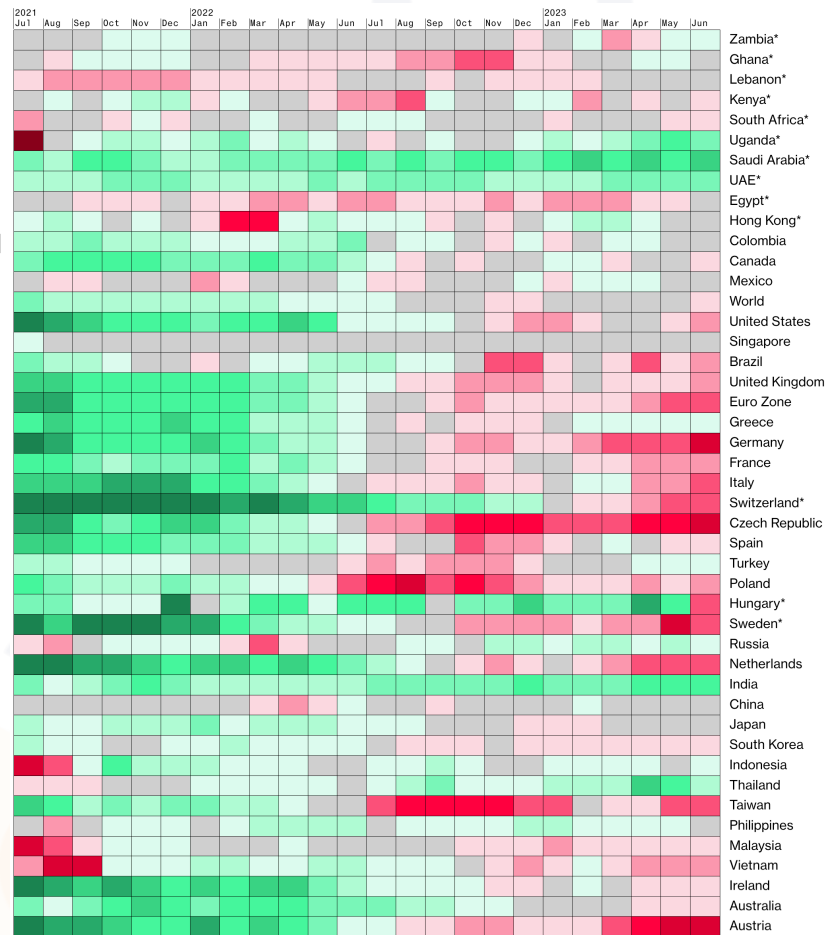
Chart



Source: OECD

Bloomberg PMI heatmap:

- No updates since last week
- The **US** and **Canada** have weakened
- The **Eurozone** and **Switzerland** remain red
- **Germany** and the **UK** are worse compared to May
- **Australia** remains deeply red
- **China, South Korea, Japan, Taiwan, Vietnam** all remain unchanged and weak



Country names with an asterisk (*) are represented using their whole economy PMI. All others are shown with their manufacturing PMI.

Source: Bloomberg

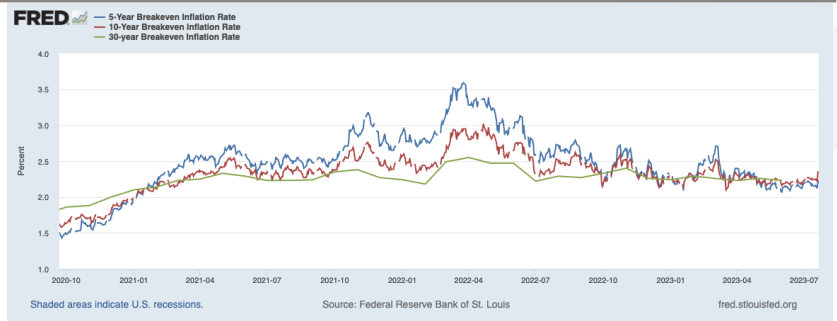
Inflation

Inflation

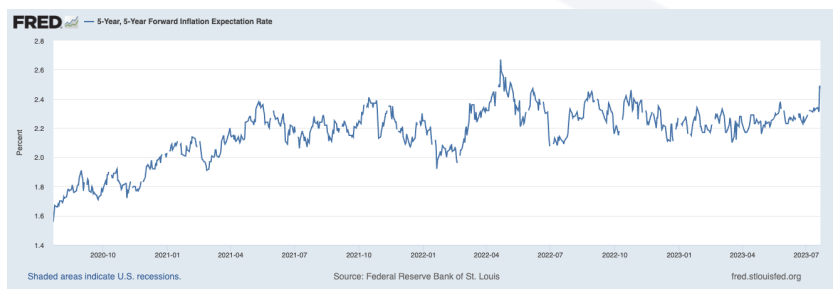
Comment

Breakeven inflation rates and 5y5y forward inflation expectations ticked up quote a bit this week, and **RINF** is also higher.

Chart



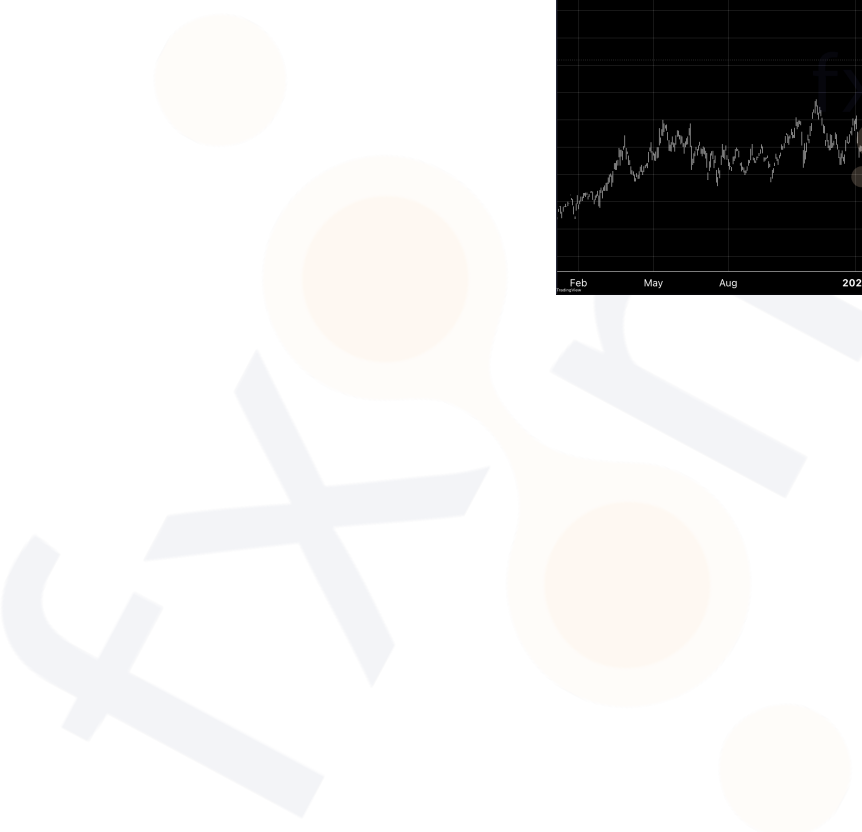
Source: FRED



Source: FRED



Source: TradingView



Inflation

Comment

Citi Inflation Surprise Indexes:

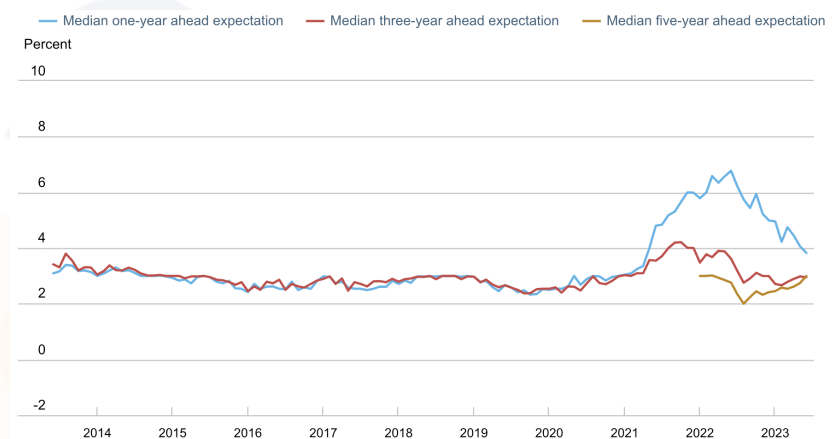
- Updated monthly, so no change this week
- Ticks up in: **AUD, NZD, CHF, CNY**
- Ticks down in: **USD, EUR, CAD**
- A larger drop in **JPY**

Chart



Source: Refinitiv

NY Fed **Consumer Inflation Expectations** continue to drop over the 1-year horizon while the longer-term expectations are still creeping higher.



Source: NY Fed

Yields

Yields

Comment

10-year yield performance:

- Overall, 10y yields are performing similarly over one month
- **New Zealand** is the outperformer, followed by **Japan**
- The **UK** and **Switzerland** are the underperformers

Chart

	Major10Y	Yield	Day	Weekly	Monthly	YoY	Date
	Turkey	18.0900	▼ 0.1500	0.90%	1.86%	1.27%	Jul/21
	Russia	11.4300	▼ 0.0300	0.03%	0.41%	2.33%	Jul/21
	Mexico	8.7940	▼ 0.0400	0.05%	0.12%	-0.06%	Jul/21
	New Zealand	4.6580	▲ 0.0930	0.12%	0.12%	0.95%	Jul/21
	Japan	0.4800	▲ 0.0180	0.00%	0.11%	0.26%	Jul/21
	Greece	3.7990	▼ 0.0380	-0.17%	0.08%	0.52%	Jul/21
	Spain	3.4820	▼ 0.0030	-0.05%	0.04%	1.22%	Jul/21
	United States	3.8369	▼ 0.0171	0.02%	0.04%	1.06%	Jul/21
	Australia	4.0040	▲ 0.0470	0.02%	0.04%	0.54%	Jul/21
	India	7.0870	▲ 0.0040	0.00%	0.00%	-0.33%	Jul/21
	South Korea	3.6370	▲ 0.0350	-0.05%	-0.01%	0.33%	Jul/21
	Portugal	3.1610	▼ 0.0270	-0.07%	-0.02%	0.97%	Jul/21
	France	2.9880	▼ 0.0260	-0.04%	-0.03%	1.37%	Jul/21
	Netherlands	2.7880	▼ 0.0240	-0.04%	-0.03%	1.44%	Jul/21
	Germany	2.4280	▼ 0.0220	-0.03%	-0.04%	1.42%	Jul/21
	Canada	3.4120	▼ 0.0860	0.05%	-0.04%	0.57%	Jul/21
	Italy	4.0700	▼ 0.0410	-0.11%	-0.05%	0.65%	Jul/21
	Switzerland	0.9660	▼ 0.0140	-0.03%	-0.07%	0.27%	Jul/21
	Brazil	10.9290	▲ 0.0090	0.20%	-0.07%	-2.70%	Jul/21
	United Kingdom	4.2790	▲ 0.0050	-0.17%	-0.09%	2.34%	Jul/21
	South Africa	10.3350	▼ 0.0200	-0.14%	-0.36%	-0.21%	Jul/21

Source: tradingeconomics.com

UK 2s and 10s look weak compared to DE and US yields



Source: TradingView

2-year, 10-year yields and 2s10s:

- Same here: **UK 2y yields** have underperformed recently, **2s10s** have been bull steepening for two weeks
- **US 2s10s** are bear flattening with 2s outperforming 10s ahead of FOMC next week
- The **NZ** curve is also bear flattening
- The **Canadian** curve steeped after this week's CPI but it's mostly a bull steepener driven by 10s and not by the short-end



Source: TradingView

Yields

Comment

Global yield curve comparison (2s10s):

- All G8 yield curves except for **Japan** are firmly inverted

Chart



Source: TradingView

US Dollar and Central Banks

USD and Central Banks

Comment

FOM meeting probabilities according to **CME's FedWatch Tool**:

- **Next week's** meeting is firmly priced at another 25 bps hike with 99% probability
- The **following meetings** are all expected to see no change to the FFR with probabilities skewed to the upside
- The **first rate cut** is priced in for March 2024
- Overall, there hasn't been much change compared to last week

Chart

MEETING PROBABILITIES												
MEETING DATE	300-325	325-350	350-375	375-400	400-425	425-450	450-475	475-500	500-525	525-550	550-575	575-600
26.07.2023				0,0%	0,0%	0,0%	0,0%	0,0%	0,8%	99,2%	0,0%	0,0%
20.09.2023	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,7%	83,5%	15,9%	0,0%
01.11.2023	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,6%	68,8%	27,8%	2,8%
13.12.2023	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,1%	9,1%	63,6%	24,7%	2,5%
31.01.2024	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	3,3%	28,3%	50,0%	16,9%	1,6%
20.03.2024	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	1,8%	16,8%	40,0%	32,1%	8,6%	0,7%
01.05.2024	0,0%	0,0%	0,0%	0,0%	0,0%	1,7%	15,8%	38,5%	32,6%	10,1%	1,2%	0,0%
19.06.2024	0,0%	0,0%	0,0%	0,0%	0,8%	8,1%	26,2%	35,8%	22,3%	6,0%	0,7%	0,0%
31.07.2024	0,0%	0,0%	0,0%	0,6%	6,6%	22,3%	33,8%	25,2%	9,5%	1,8%	0,2%	0,0%
25.09.2024	0,0%	0,0%	0,5%	5,6%	19,8%	31,9%	26,6%	12,0%	3,1%	0,4%	0,0%	0,0%
06.11.2024	0,0%	0,4%	4,5%	16,7%	29,3%	27,7%	15,2%	5,0%	1,0%	0,1%	0,0%	0,0%
18.12.2024	0,3%	3,1%	12,5%	25,0%	28,3%	19,5%	8,5%	2,4%	0,4%	0,0%	0,0%	0,0%

MEETING PROBABILITIES														
MEETING DATE	250-275	275-300	300-325	325-350	350-375	375-400	400-425	425-450	450-475	475-500	500-525	525-550	550-575	575-600
26.07.2023						0,0%	0,0%	0,0%	0,0%	0,0%	7,0%	93,0%	0,0%	0,0%
20.09.2023	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	6,2%	82,7%	11,2%	0,0%
01.11.2023	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	2,5%	37,8%	53,1%	6,5%
13.12.2023	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	1,9%	28,2%	49,0%	19,2%	1,8%
31.01.2024	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	1,0%	16,6%	39,8%	32,3%	9,5%	0,8%
20.03.2024	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,4%	6,6%	24,9%	37,1%	24,1%	6,3%	0,5%
01.05.2024	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	1,0%	8,4%	26,1%	35,8%	22,4%	5,8%	0,5%	0,0%
19.06.2024	0,0%	0,0%	0,0%	0,0%	0,0%	0,6%	5,1%	18,2%	31,5%	28,4%	13,2%	2,8%	0,2%	0,0%
31.07.2024	0,0%	0,0%	0,0%	0,0%	0,5%	4,5%	16,5%	29,7%	28,8%	15,2%	4,2%	0,5%	0,0%	0,0%
25.09.2024	0,0%	0,0%	0,3%	2,7%	11,2%	23,9%	29,2%	21,2%	9,0%	2,2%	0,3%	0,0%	0,0%	0,0%
06.11.2024	0,0%	0,2%	2,3%	9,6%	21,5%	28,2%	22,7%	11,3%	3,4%	0,6%	0,1%	0,0%	0,0%	0,0%
18.12.2024	0,1%	1,4%	6,3%	16,1%	25,2%	25,2%	16,5%	7,0%	1,9%	0,3%	0,0%	0,0%	0,0%	0,0%

Source: CME FedWatch Tool, top: current week, bottom: previous week

USD and Central Banks

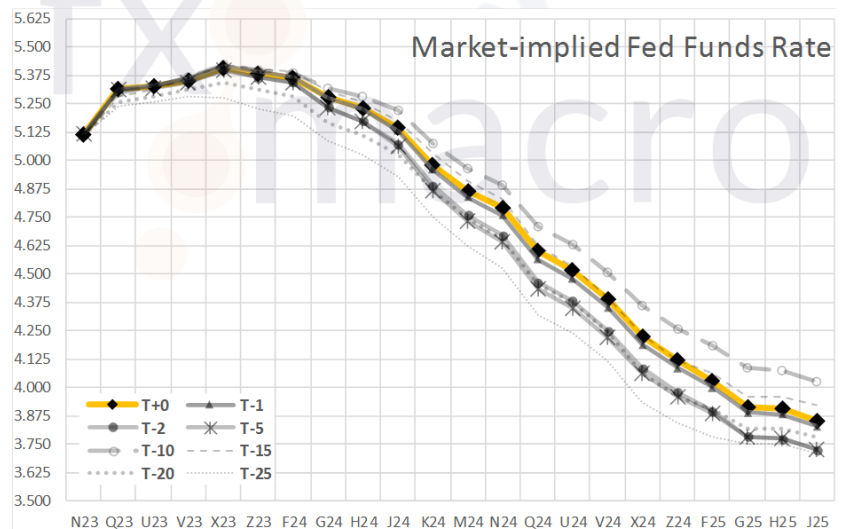
Comment

Fed Funds forward curve:

- Not much change compared to recent weeks
- The Fed is expected to cut rates at every meeting through February 2025

Chart

		US Dollar										
		Daily										
		T+0	T-1	T-2	T-3	T-4	T-5	T-6	T-7	T-8	T-9	T-10
		1	2	3	4	5	6	7	8	9	10	11
Inflation	10y BE	2.35	2.22	2.23	2.25	2.24	2.24	2.26	2.24	2.25	2.27	2.27
	5y BE	2.21	2.13	2.13	2.16	2.15	2.16	2.18	2.16	2.19	2.22	2.22
	5y5y	2.49	2.31	2.33	2.34	2.33	2.32	2.34	2.32	2.31	2.32	2.32
	RINF %d/d	1.70	-0.37	-0.41	0.29	-0.36	-0.38	1.21	-0.61	-0.10	0.17	0.61
	CL %d/d	0.48	-0.49	2.04	-1.68	-1.91	1.50	1.23	2.52	-1.18	2.87	0.01
	US 10y	3.85	3.75	3.79	3.81	3.83	3.77	3.86	3.97	4.00	4.07	4.04
	US 2y	4.84	4.77	4.77	4.75	4.77	4.64	4.75	4.88	4.86	4.95	4.99



Here's the same data in table format:

- The **terminal rate** remains priced in for the **November contract (X23)**

		Implied Federal Funds Rate										
		Daily										
		T+0	T-1	T-2	T-3	T-4	T-5	T-6	T-7	T-8	T-9	T-10
	Terminal	5.410	5.415	5.400	5.405	5.400	5.400	5.365	5.380	5.430	5.420	5.425
	N23	5.115	5.115	5.118	5.118	5.118	5.115	5.113	5.110	5.113	5.113	5.113
	Q23	5.315	5.315	5.315	5.315	5.315	5.310	5.300	5.300	5.300	5.300	5.300
	U23	5.330	5.330	5.330	5.330	5.325	5.320	5.310	5.310	5.325	5.325	5.325
	V23	5.355	5.360	5.350	5.350	5.350	5.345	5.330	5.335	5.360	5.360	5.365
	X23	5.410	5.415	5.400	5.405	5.400	5.400	5.365	5.380	5.430	5.420	5.425
	Z23	5.380	5.390	5.365	5.370	5.360	5.365	5.320	5.350	5.410	5.390	5.400
	F24	5.365	5.370	5.345	5.350	5.335	5.345	5.290	5.325	5.395	5.370	5.385
	G24	5.280	5.275	5.235	5.235	5.220	5.235	5.155	5.225	5.315	5.290	5.320
	H24	5.230	5.225	5.175	5.175	5.155	5.175	5.085	5.170	5.270	5.245	5.285
	J24	5.145	5.130	5.075	5.070	5.045	5.065	4.965	5.075	5.195	5.175	5.220
Contract month	K24	4.980	4.960	4.890	4.880	4.850	4.870	4.750	4.885	5.045	5.015	5.075
	M24	4.865	4.840	4.760	4.750	4.720	4.735	4.600	4.745	4.925	4.890	4.965
	N24	4.790	4.760	4.670	4.660	4.630	4.645	4.500	4.655	4.845	4.810	4.895
	Q24	4.600	4.565	4.465	4.455	4.425	4.435	4.275	4.445	4.655	4.620	4.710
	U24	4.515	4.480	4.380	4.370	4.340	4.350	4.185	4.360	4.575	4.540	4.630
	V24	4.390	4.355	4.250	4.240	4.210	4.220	4.045	4.235	4.450	4.415	4.510
	X24	4.225	4.190	4.085	4.080	4.050	4.060	3.880	4.075	4.295	4.260	4.360
	Z24	4.120	4.085	3.980	3.975	3.950	3.960	3.780	3.975	4.195	4.160	4.255
	F25	4.030	4.000	3.895	3.895	3.875	3.885	3.705	3.900	4.120	4.085	4.185
	G25	3.915	3.890	3.785	3.785	3.775	3.785	3.605	3.800	4.020	3.985	4.085

USD and Central Banks

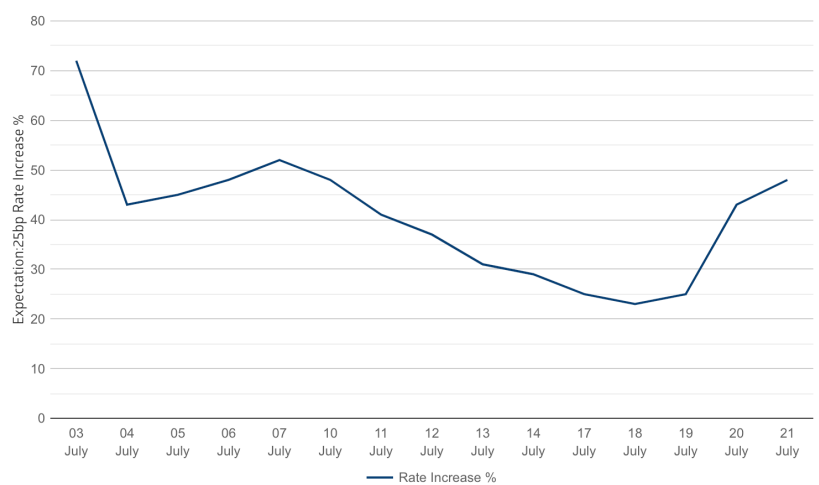
Comment

ASX RBA Rate Indicator:

- Expectations for another 25 bps hike at the August RBA meeting have ticked up again

Chart

30 Day Interbank Cash Rate Target Implied Expectation of change



Source: ASX

Sectors and Flows

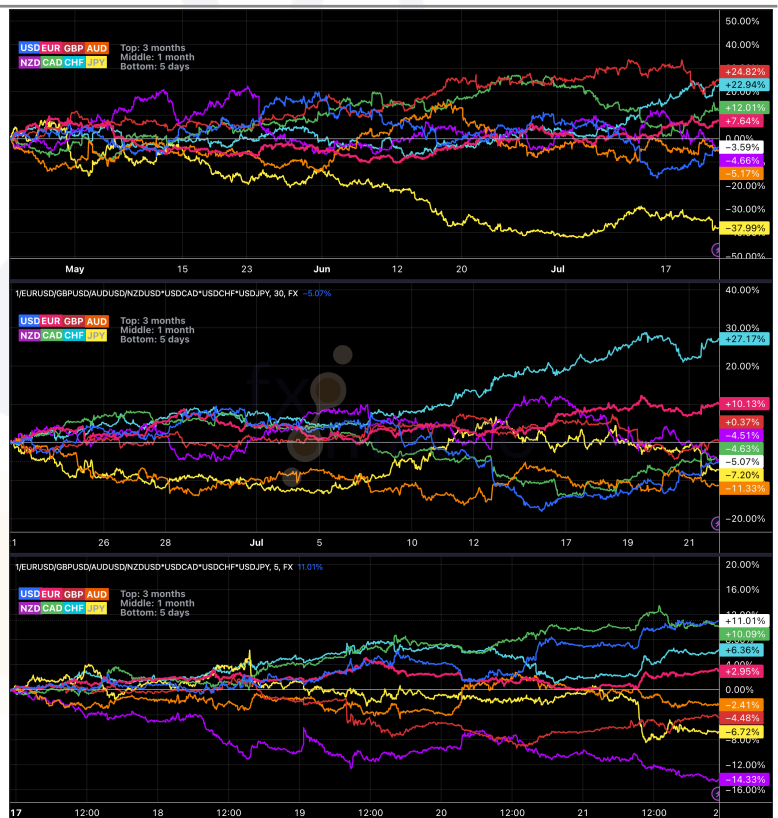
Sectors and Flows

Comment

Currency strength:

- Over three months, **GBP** and **CHF** are the outperformers and **JPY** is the underperformer by far but **AUD**, **NZD** and the **USD** are negative
- The outperformers over one month are **CHF** and **EUR**; the brief phase where it looked like **JPY** could gain some strength is over
- Last week saw **USD** and **CAD** outperforming; **NZD** had the worst performance, and **JPY** was just a tad better

Chart



Source: TradingView

Sectors and Flows

Comment

Currency strength charts:

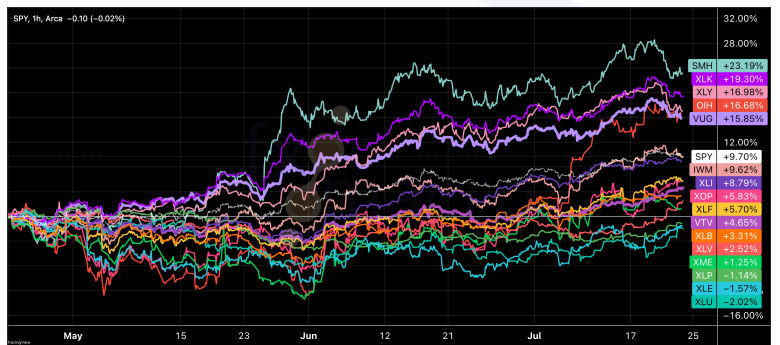
Chart



Source: TradingView

Equity sector performance:

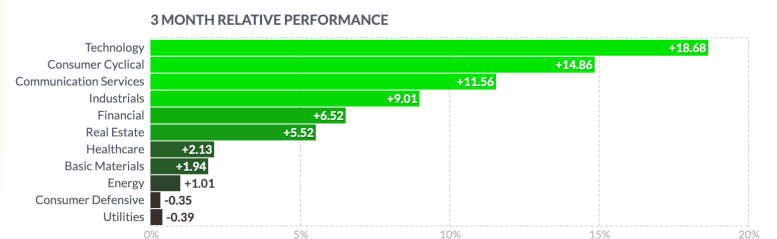
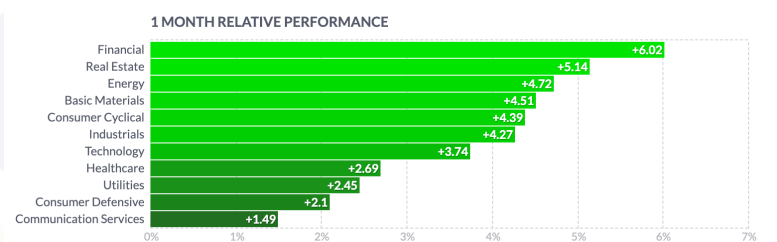
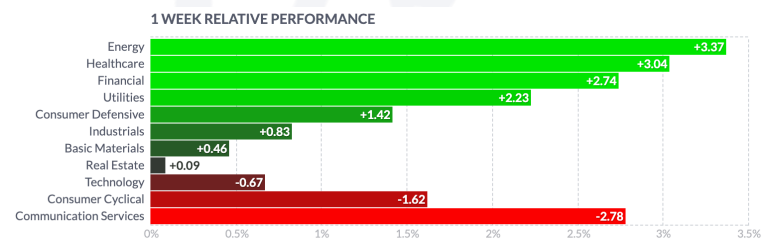
- Outperformers: **SMH** (Semiconductors), **XLK** (Tech), **XLY** (Consumer Discretionary)
- Underperformers: **XLU** (Utilities), **XLE** (Energy), **XLP** (Staples)
- **Energy** keeps underperforming, defensive sectors are underperforming as well
- Overall, there's nothing here that would be worrisome



Source: TradingView

Similar data but **different chart**:

- **Offensive sectors outperforming** over one and three months, defensive sectors underperforming
- Last week saw a bit of defensive sector rotation



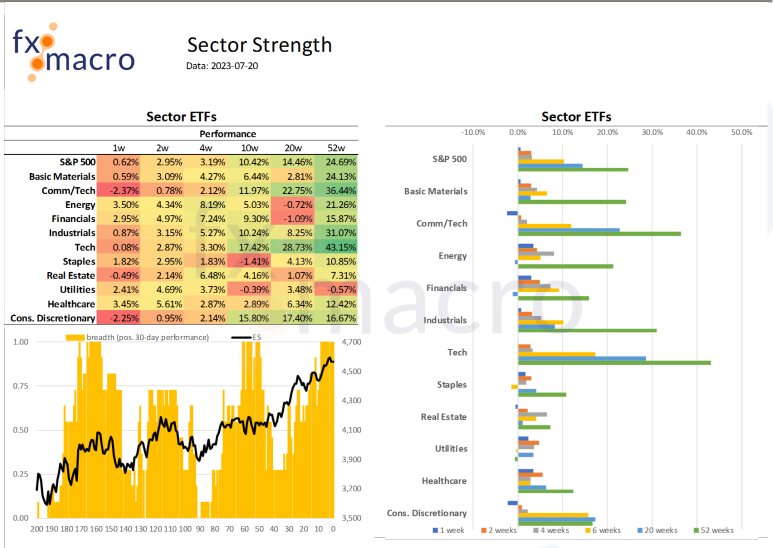
Source: finviz.com

Sectors and Flows

Comment

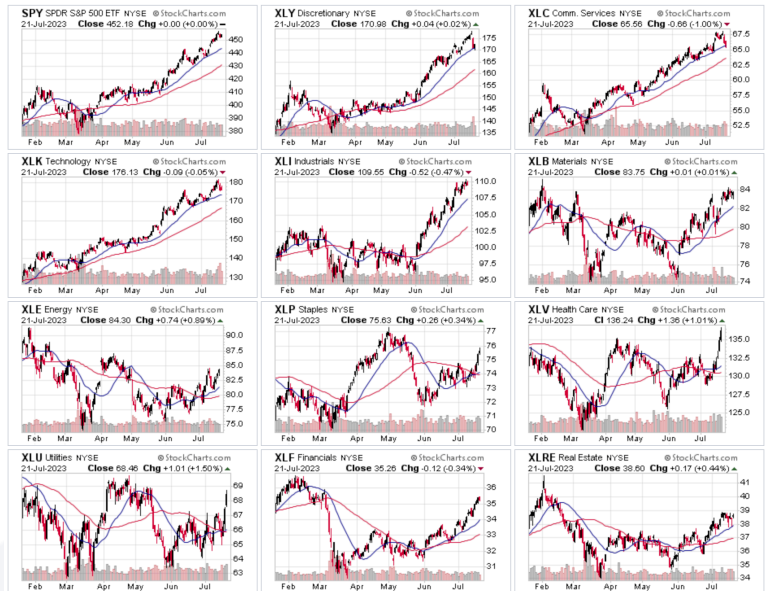
Sector breadth is at a maximum with all sector ETFs positive over 30 days.

Chart



Sector thumbnail charts:

- Nothing looks terrible here
- **XLV** and **XLU** put in quite a rally this week
- **XLF** is slowly going higher



Source: stockcharts.com

International stock markets:

- **Nasdaq** is still the outperformer
- **Brazil** has recently moved sideways but it remains near the top of the list
- **Japanese** and **Indian** equities have performed well too
- **Hong Kong**, the **UK**, **Switzerland** and **France** are the underperformers



Source: TradingView

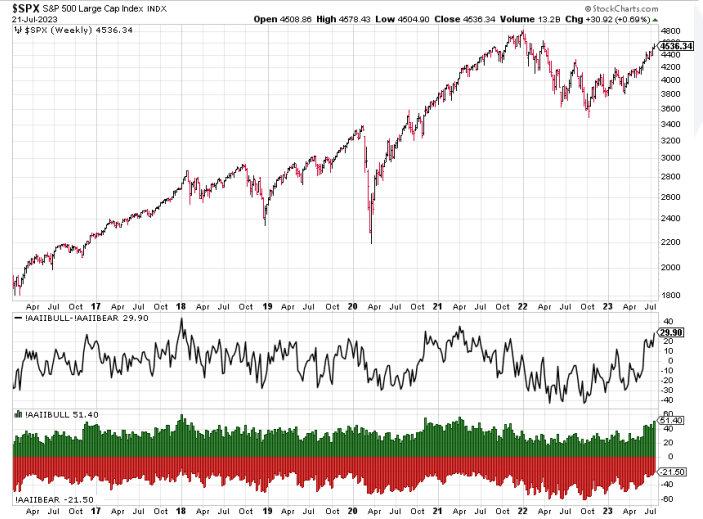
Sentiment and Positioning

Sentiment and Positioning

Comment

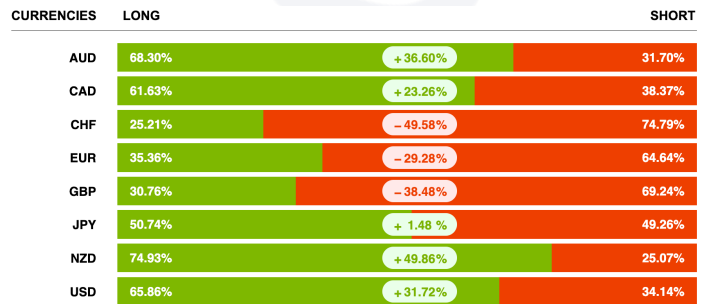
The **AAll Bull-Bear spread** has now put in the fourth-highest high on the chart; it's just a tad below 30 which is extreme.

Chart



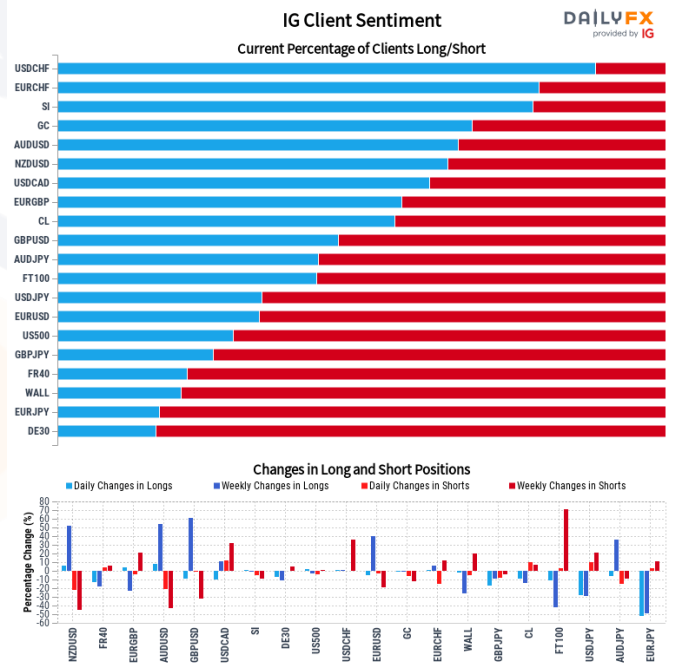
Currency sentiment:

- Bullish sentiment: **NZD, AUD, USD, CAD**
- Bearish sentiment: **CHF, GBP, EUR**



Different sentiment source:

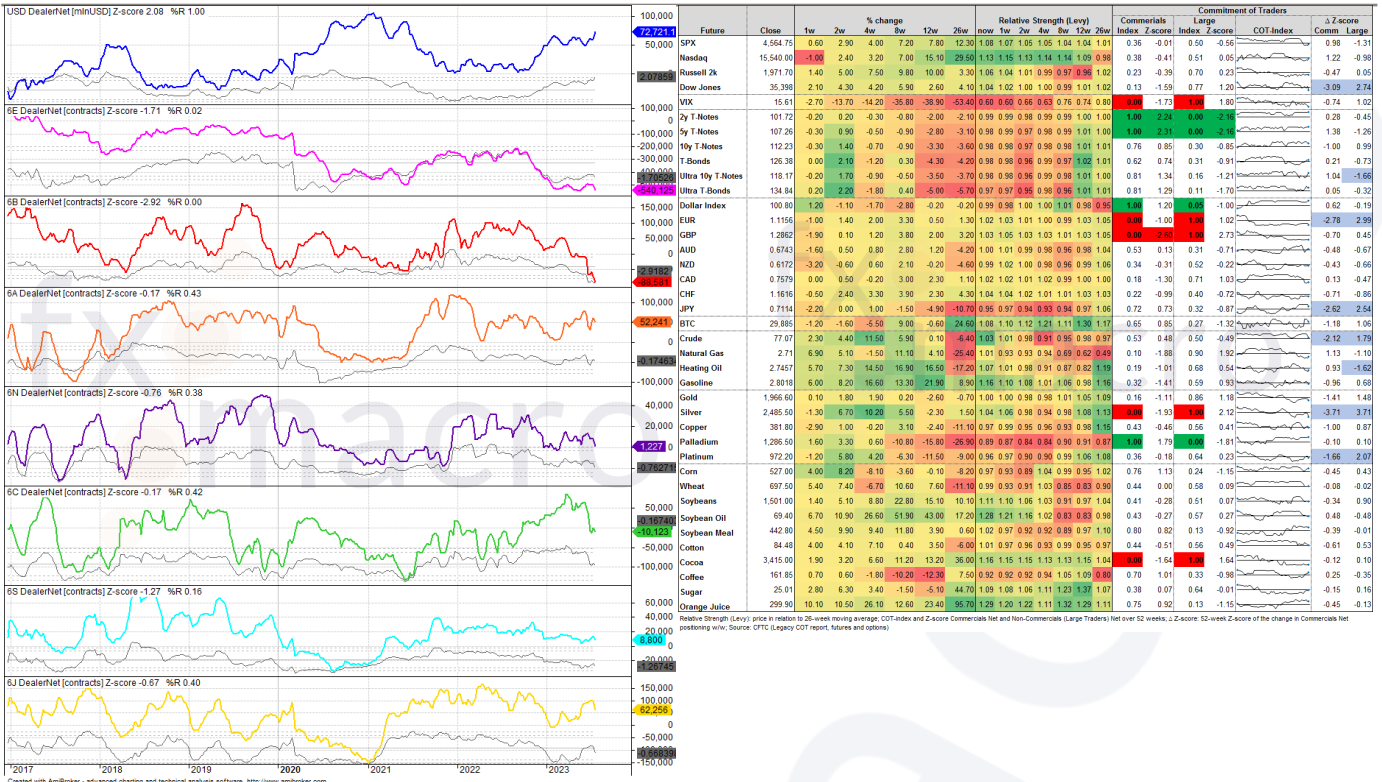
- **USDCHF** and **EURCHF** are the currencies with the most bullish sentiment
- **AUDUSD** and **NZDUSD** also have very bullish sentiment
- **JPY** pairs are all bullish on **JPY**



Sentiment and Positioning

Comment

Chart



COT/TFF dealer net positions, 104-week z-score and %R, source: CFTC

Commitment of Traders and futures performance:

- **Equity** futures were mixed with **NQ** negative vs. the other three futures up; positioning is neutral but the 1-week net position changes for Commercials and Large Traders in **YM** at -3.09 and +2.74, respectively, which could be short-term bearish
- **Treasury** were all negative this week, positioning remains pretty much unchanged with **ZT** and **ZF** at bullish extremes
- **Currency** futures had a mostly negative week except for **DX** and **6C**; positioning for **6E** has returned to a bearish extreme with 1-week changes in Commercial and Large Trader net positions at around -3 SD, which is short-term bearish; similar 1-week changes in **6J**
- **Bitcoin** had another soft week but maintains an RSL above 1.00
- **Energy** futures are all in the green, even **NG** has reclaimed an RSL >1.00, which means it's now above its 26-week moving average
- **Metals** were mixed with **HG** negative once again and **SI** now at a bearish positioning extreme (plus a -3.71 SD move in 1-week Commercial net positions and a corresponding change in Large Trader positions, which is short-term bearish)
- **Grains** were all higher this week, positioning remains neutral
- **Softs** were also up, the bearish positioning extreme in **CC** remains

COT/TFF dealer net positions for currency futures:

- **USD** is now at a bullish 2-year high
- **6E** sits near and **6B** at its multi-year bearish low
- **6J** has backed off its high and remains well below last year's extreme

Sentiment and Positioning

Comment

Chart

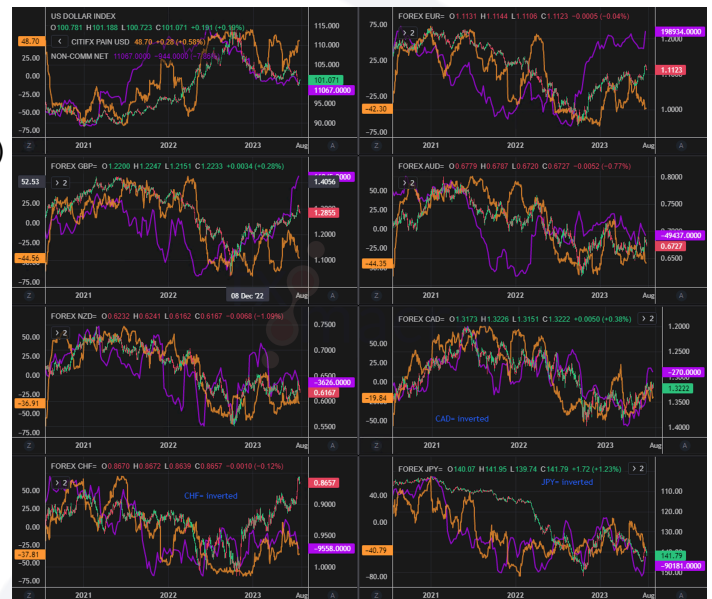
Citi PAIN Indexes show the USD long has increased.



Source: Refinitiv

Combined COT/PAIN chart:

- What strikes me here is the divergence between Large Trader positions and PAIN on one side and CHFUSD (inverted USDCHF on the chart, bottom left) on the other, implying that the recent strength in CHF is unjustified



Source: Refinitiv

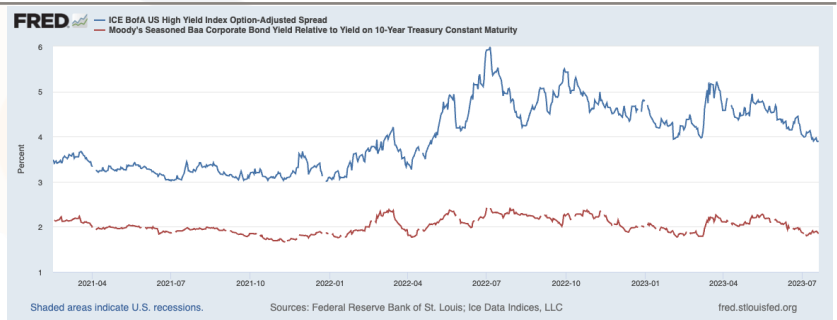
Market Risks

Market Risks

Comment

Credit spreads continue to contract.

Chart



Source: FRED

Market Risks

Comment

The **Credit Spread Index** has also come down a bit further.

Chart



Source: creditspreadalert.com

Currency volatility has increased a bit but doesn't look stressed.



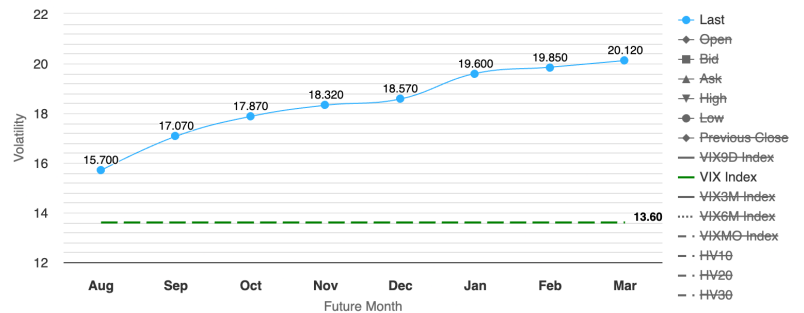
Source: Refinitiv

The **VIX term structure** is in contango and well above spot.

VIX Futures Term Structure

Source: CBOE Delayed Quotes

vixcentral.com

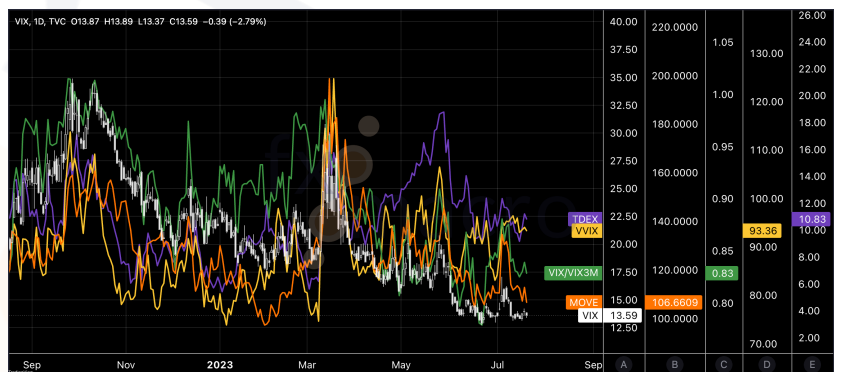


vixcentral.com

Source: vixcentral.com

Volatility indexes:

- **VIX** is at a 13-handle, **WVIX** is 93, **MOVE** at 106
- There's nothing really worrisome here, **VIX** is low, **WVIX** continues to trade in its 80-100 range and **MOVE** is trending lower
- **Skew** is flattening as traders are heading less downside



Source: TradingView

Market Risks

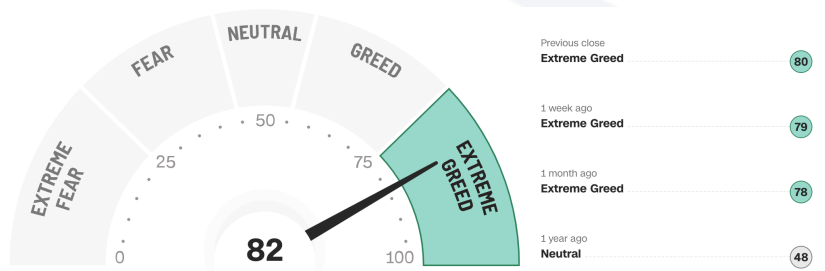
Comment

Chart

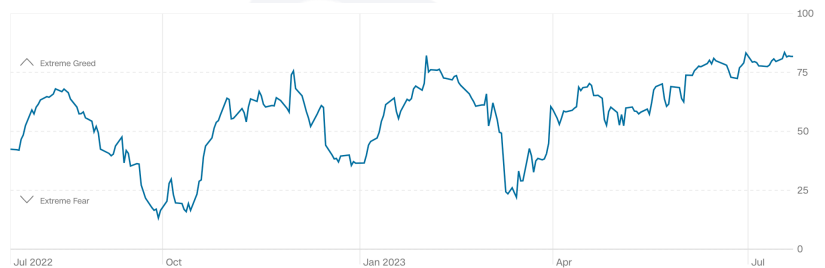


Source: TradingView

The **CNN Fear & Greed Index** is still in extreme greed territory.



Source: money.cnn.com



Source: money.cnn.com

Various

Various

Comment

Chart

The **NYSE Advance/Decline Line** is moving higher along with price, the divergence we've seen in May/June has been resolved to the upside.



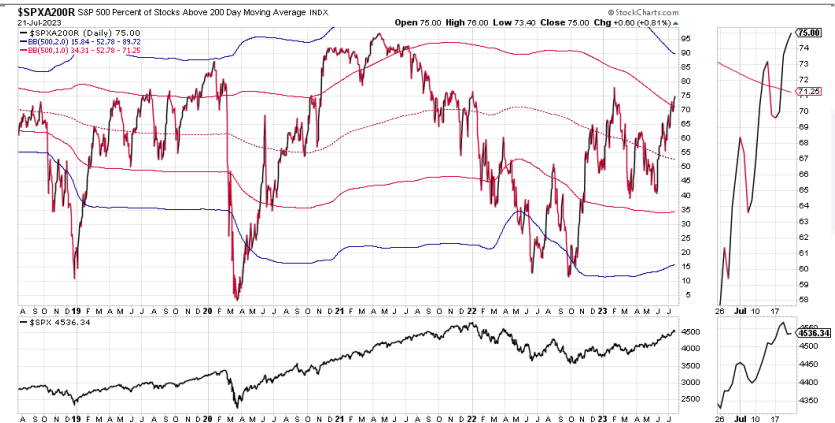
Source: TradingView

Various

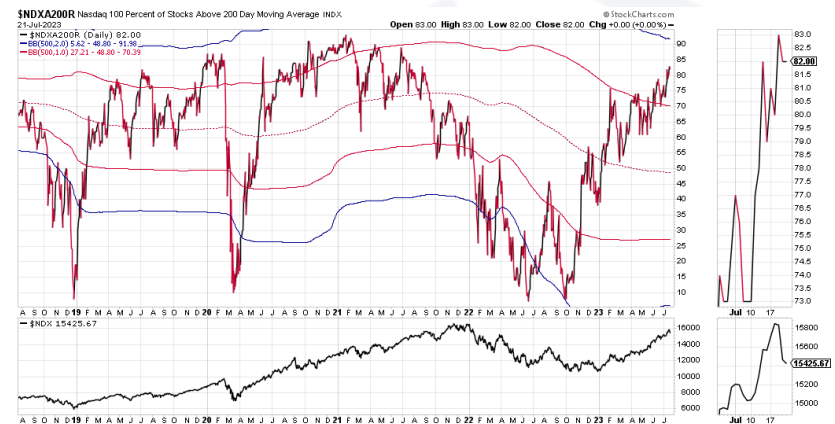
Comment

Stocks above their **200-day moving averages** look bullish for both the **S&P 500** and the **Nasdaq 100**.

Chart

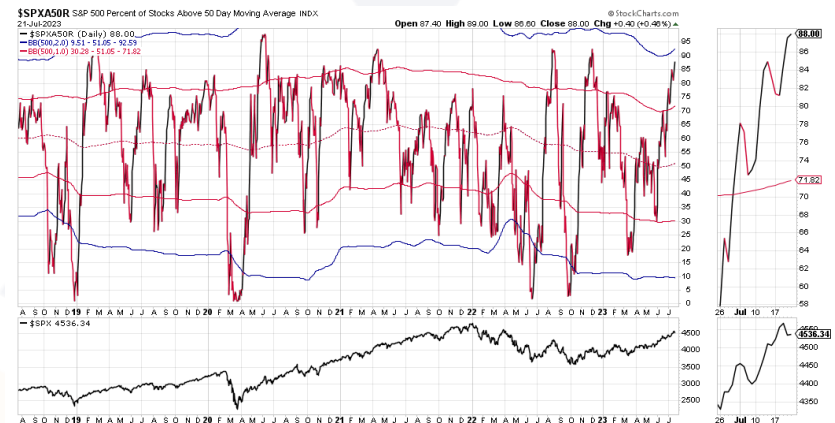


Source: stockcharts.com

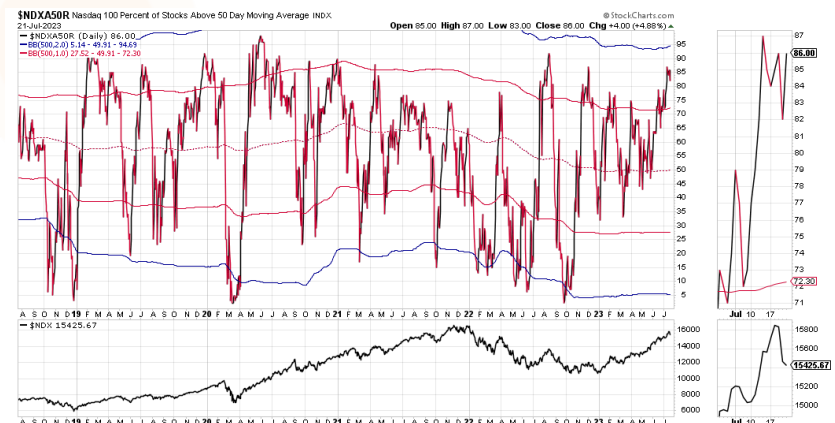


Source: stockcharts.com

Stocks above their **50-day moving averages** also look bullish but have reached overbought levels for both indexes.



Source: stockcharts.com



Source: stockcharts.com

Various

Comment

25-delta risk reversals:

- The only thing that's noteworthy is the divergence in **USDCNY**, which is bearish **USD**

Chart



Source: Refinitiv

Market Dashboard:

- Trend** metrics are all in the green except for **NQ** which has underperformed recently
- Distribution days** have improved but are still too high in most indexes
- Volatility** metrics, **breadth** and **put/call ratios** are unremarkable

Overall Market Conditions

		Daily						
		last	T-1	T-2	T-3	T-4	last	T-30
Trend	ES	6	6	7	7	7		
	NQ	5	5	7	7	7		
	RTY	6	7	7	7	7		
	YM	7	7	7	7	7		
	DJT	7	7	7	7	6		
Dist. Days	ES	6	6	6	6	6		
	NQ	10	10	9	8	8		
	RTY	4	5	5	5	6		
	YM	6	7	7	7	7		
Volatility	VIX	13.60	13.99	13.76	13.30	13.48		
	VX2-VX1	1.41	1.43	1.44	1.51	1.33		
	VIX/VIX3M	0.83	0.84	0.83	0.82	0.83		
	VVIX	93.36	94.06	93.57	92.99	95.98		
	Std(VIX)	0.62	0.65	0.67	0.67	0.66		
	Std(VVIX)	4.25	4.25	4.23	4.32	4.32		
	ES + VIX down							
Breadth	VIX Reversal	107	113	107	112	113		
	MOVE	107	113	107	112	113		
	Dvol% NYSE	47.8	53.9	31.2	29.5	43.6		
	Dvol% Nasdaq	55.8	69.1	41.1	39.1	35.3		
Options	NHigh% NYSE	95.3	94.1	97.8	95.2	89.4		
	NHigh% Nasdaq	78.0	73.8	88.1	85.2	83.7		
	Put/Call	0.79	0.76	0.65	0.68	0.71		
Attn	Put/Call (Eq+Idx)	0.89	0.87	0.83	0.80	0.86		
	Put/Call (Equity)	0.77	0.74	0.62	0.66	0.68		
	ES/VVIX Corr.	-0.69	-0.77	-0.82	-0.70	0.43		
	VIX/VVIX Corr.	0.34	0.35	0.33	0.33	0.35		