

Tuesday 4 April 2017

Quotable

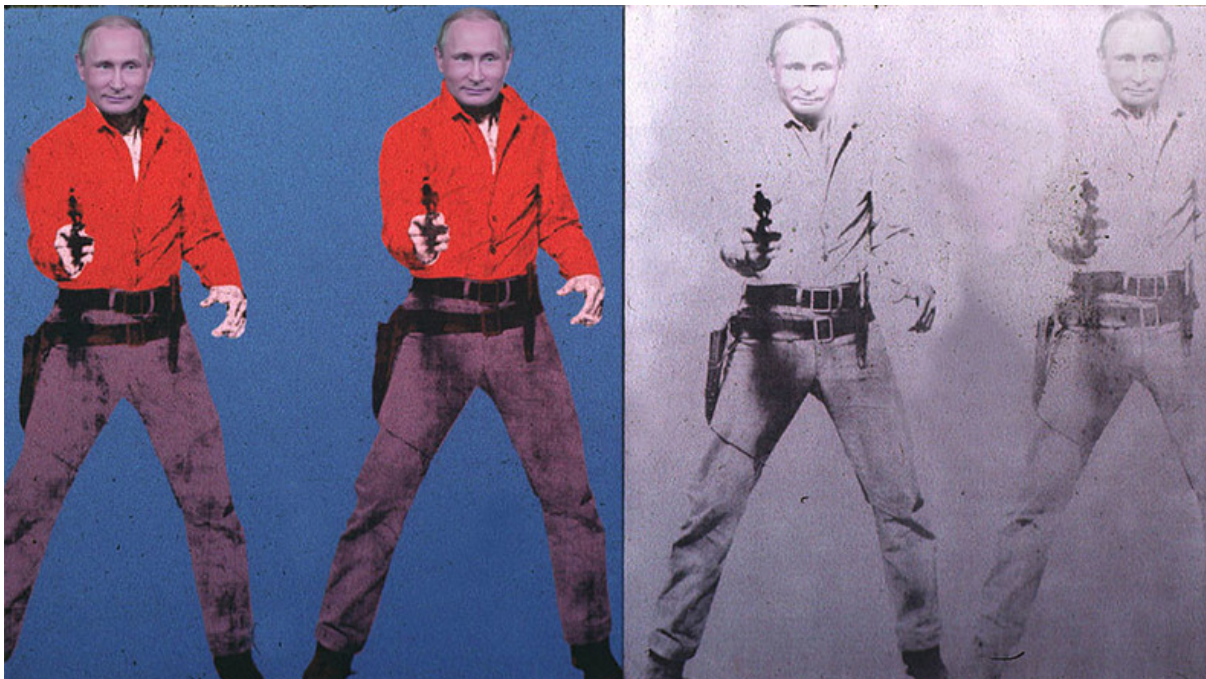
"This is our land --- a land of peace, and of plenty; a land of harmony and hope. This is our land: Oceania America. These are our people: the workers, the strivers, the builders. These are our people --- the builders of our world, struggling, fighting, bleeding, dying --- on the streets of our cities, and on the far-flung battlefields, fighting against the mutilation of our hopes and dreams. Who are they? (images of protesters appear—likely Russian Spetsnaz troops; a crowd chants "Eurasia, Eurasia.") They are the dark armies --- the dark, murdering armies of Eurasia. In the barren deserts of Africa and India, in the oceans of Australasia, courage, strength, and youth are sacrificed --- sacrificed to barbarians whose only honour is atrocity. But even as we grasp at victory, there is a cancer, an evil tumour, growing, spreading in our midst. (Image of Goldstein appears Snowden Putin) Shout. Shout! SHOUT OUT HIS NAME!"

[Two minutes of hate](#)

--George Orwell, 1984

Commentary & Analysis

How was Orwell at currency forecasting?



The establishment loves war? Does the dollar? First thought is safe haven flows benefit the dollar, as War creates risk. But same token wars drain the Treasury, not a good thing one would think. But draining the Treasury lubricates the global economy—that's good for globalists' investments; but not good as it relates to the US current account deficit (Triffin's Revenge). Though one can't trade off current account data per se, it seems the current account has coincided nicely with longer term dollar direction of late. But maybe the Trump agenda just got a nice little boost from those Tomahawk missiles shared with Mr. Assad. Tax and regulatory reform sooner than later would likely be good for the dollar.

After all, now that President Trump has transformed himself from an isolationist no-nothing bumpkin and proven himself to the warmongering establishment left and right he is a true statesman with a firm grasp on foreign policy his agenda should sail through congress. This new statesman in the White House deserves support. Is that too Machiavellian?

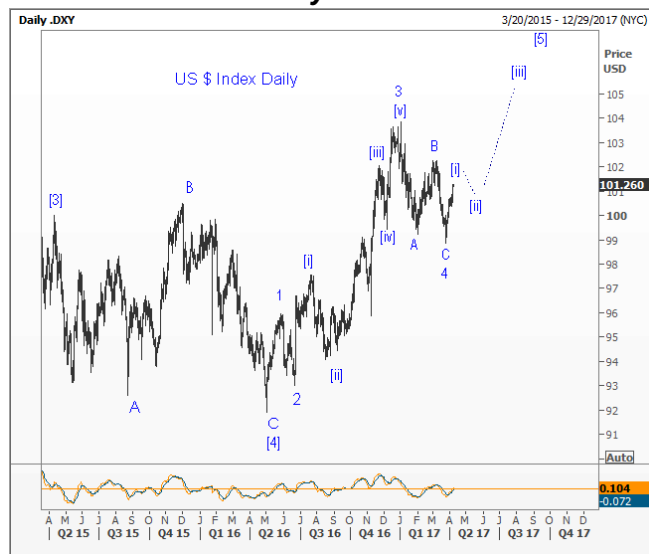
Or maybe it doesn't matter. It's all so confusing. So much easier for us proles to just hate President Putin and get it over with. But keep in mind all you haters; President Putin has the wherewithal to shoot back.

If it's still about yield, the dollar is looking good...

The dollar's yield spread continues to widen against the pack. Likely a better barometer of potential dollar direction than trying to read the convoluted tea leaves of geopolitical strategy. Some comments on yield shared with subscribers yesterday:

Though the jobs report came in weaker than expected on Friday, the dollar rallied as yields reversed and moved higher as the day wore on. Though still not completely confirmed, our bias has switched to dollar positive and looking to play the long side (chart below left). Looking for a minor digestion of the recent rally, labeled wave [ii]; then long for rally into minor wave [iii].....

USD Dollar Index Daily:



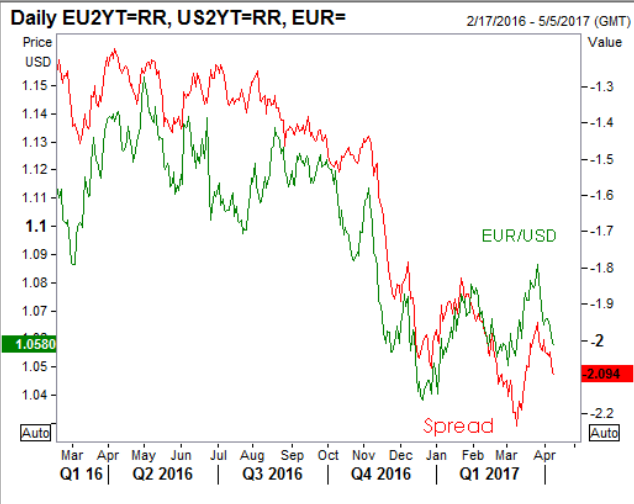
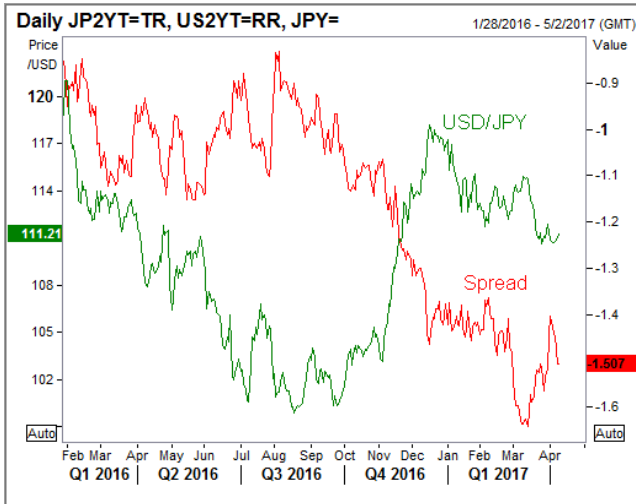
10-year US Benchmark Yield Supporting Higher \$



A look at yield spreads in the major pairs. The spread moving in favor of the US dollar in every pair...

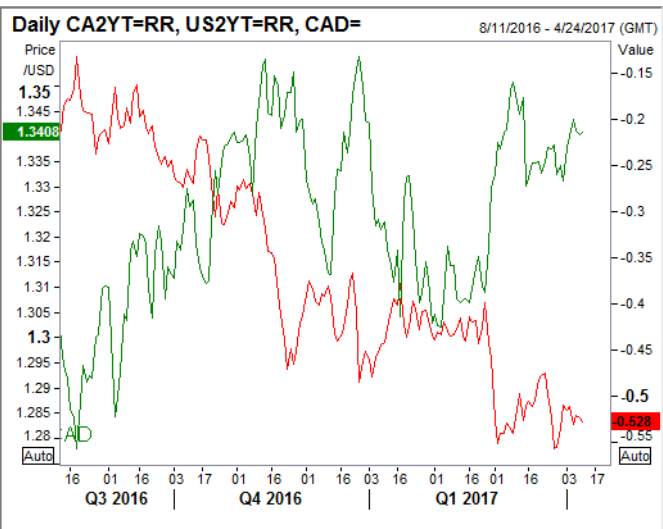
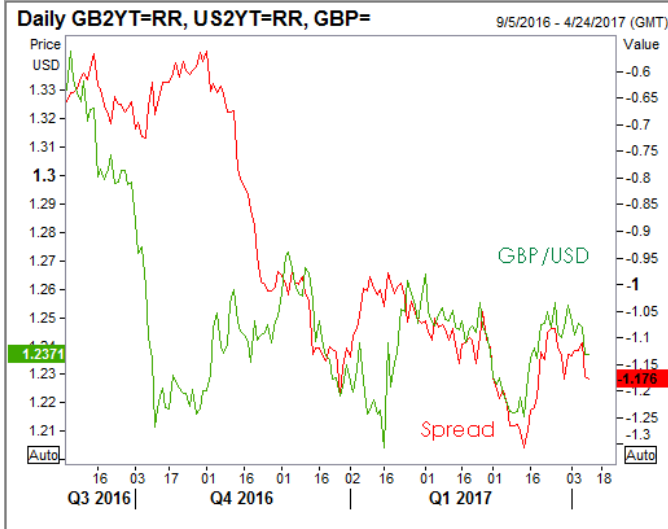
JPY-USD 2-yr benchmark

EUR-USD 2-yr benchmark



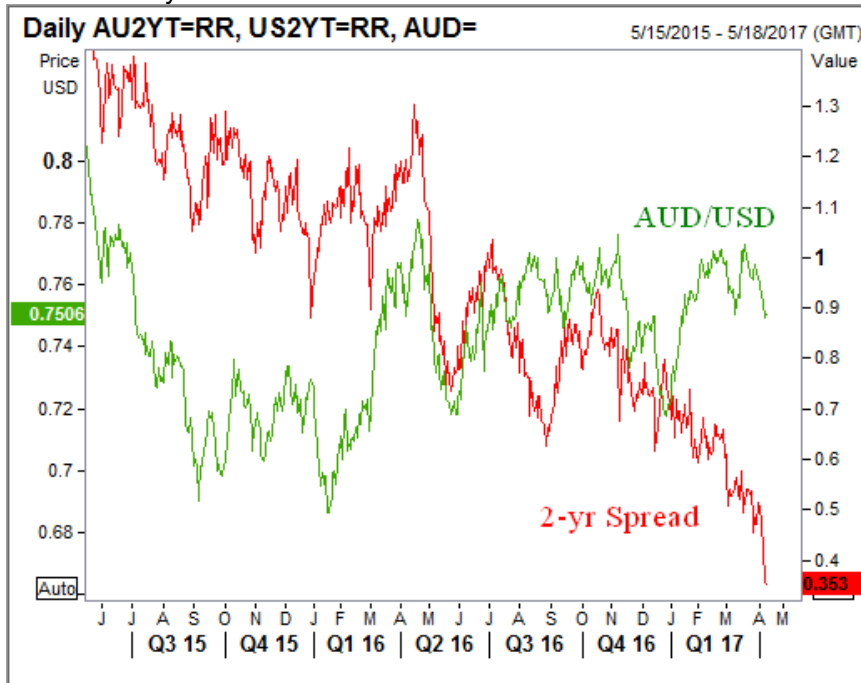
GBP-USD 2yr benchmark

CAD-USD 2yr benchmark



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AUD-USD 2yr benchmark



ECB's President Draghi recently hinted it's too early to remove the punch bowl of accommodation despite rumors to the contrary; this morning in [Japan the Bank of Japan says they will keep pumping](#). We don't expect either the Australian or Canadian central banks to be bold here. Bank of England a bit of a wild card. So, if the Fed is true to its word of late, the dollar's yield spread seems set to widen further against the pack.

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Thank you.

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