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Advanced Technical Analysis



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THE JAPANESE CARRY TRADE



*WHAT DOES IT MEAN TO THE
AMERICAN CONSUMER?*



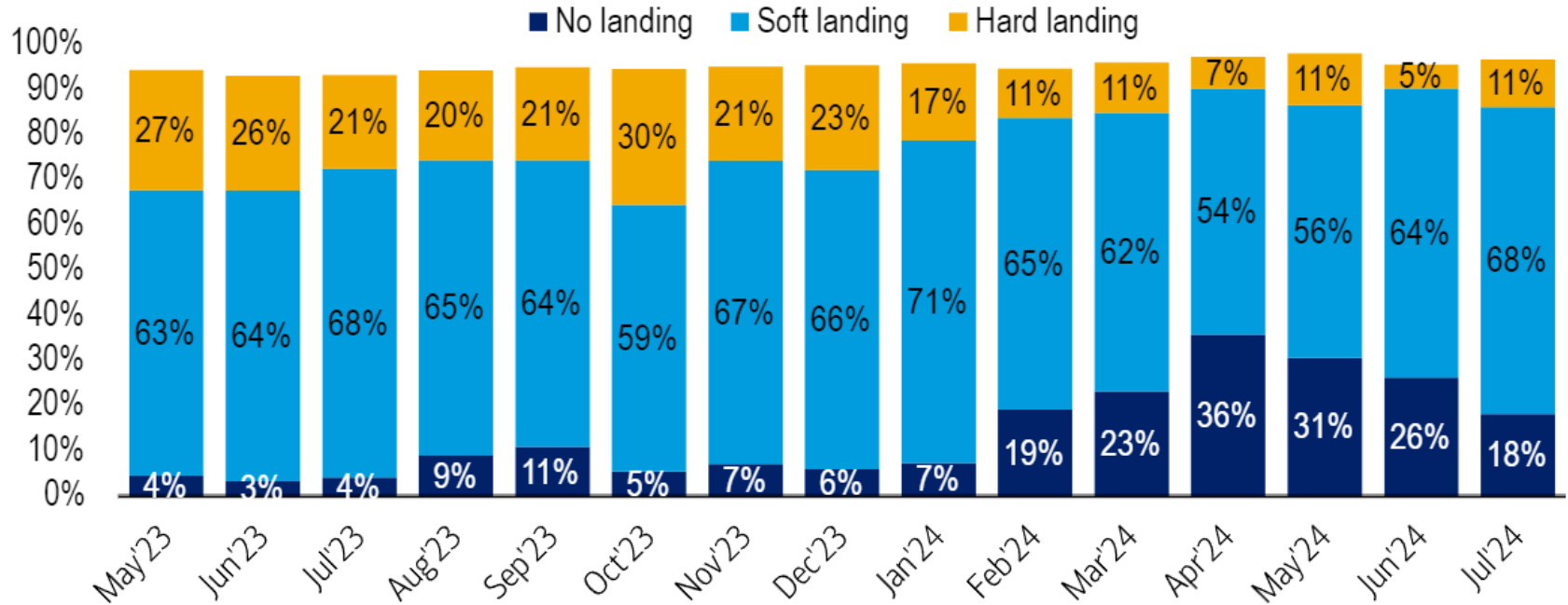
AGENDA

- **THE BUILD UP TO A GLOBAL SCARE**
 - THE FED IS AGAIN BEHIND THE CURVE – BY 100 BPS
- **A RECESSIONARY HARD LANDING?**
 - THE EVIDENCE IS CLEAR, BUT IGNORED
- **THE LABOR DEPT. (BLS) COMES CLEAN?**
 - THE 4.3% UNEMPLOYMENT TRIGGERING EVENT
- **WHAT IS GOING ON IN JAPAN?**
 - BIGGEST JAPANESE WO DAY DROP IN THIS CENTURY
- **CONCLUSION**
 - WHAT DOES A WEAKENED CARRY TRADE MEAN?



Chart 4: 68% say "soft landing," 18% "no landing," 11% "hard landing"

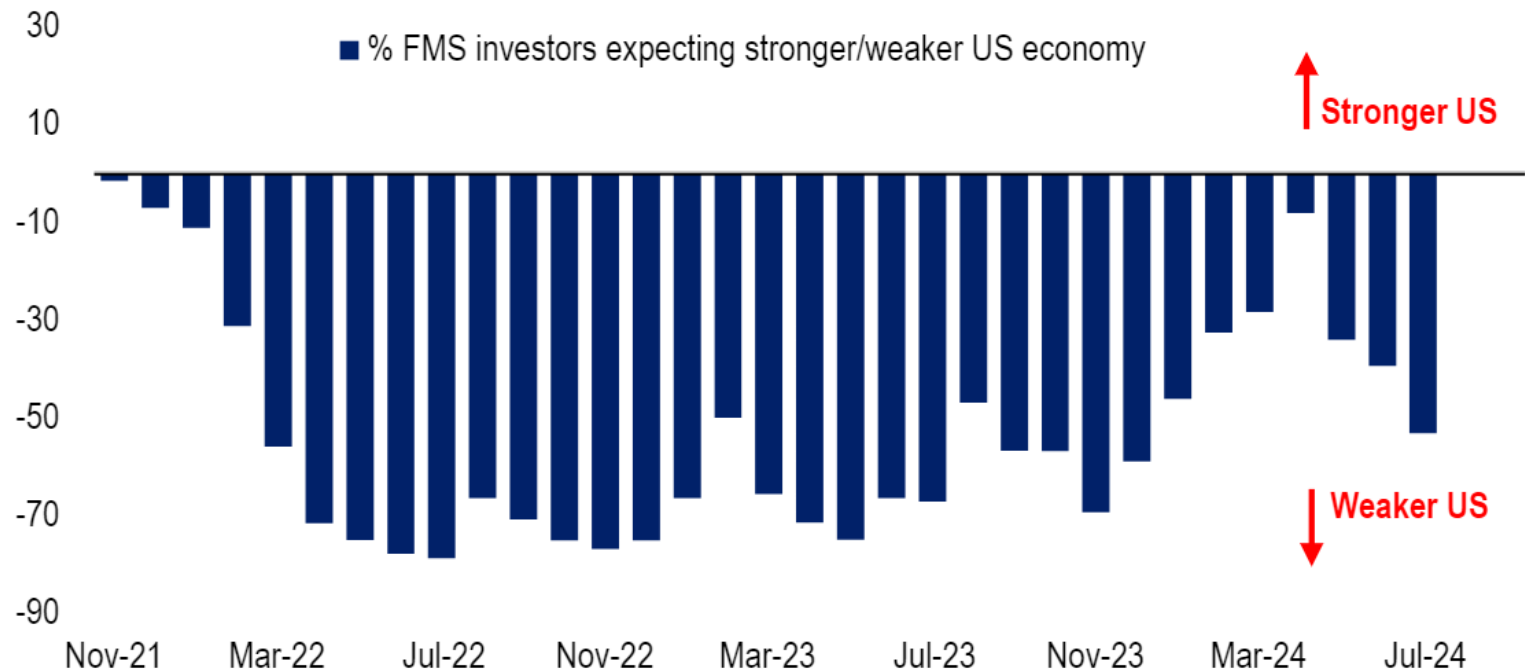
What is the most likely outcome for the global economy in the next 12 months?



Source: BofA Global Fund Manager Survey

Chart 5: US growth expectations at 7-month low

Net % FMS expecting a stronger US economy over the next 12 months

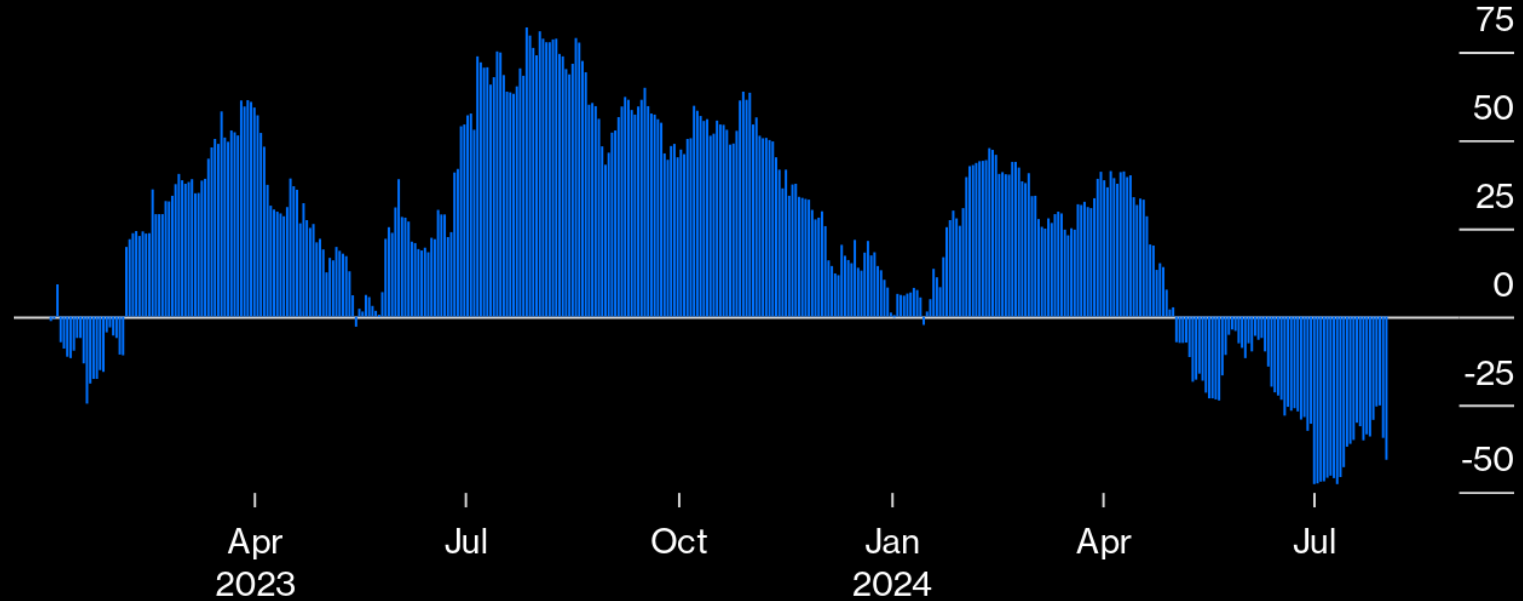


Source: BofA Global Fund Manager Survey

Nasty Surprises Are Nothing New

US economic data had been disappointing for a while

■ Citi US Economic Surprise Index



Source: Bloomberg

Bloomberg Opinion

EXPECTATIONS

ECONOMICS

BUBBLE

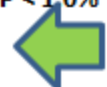
Q2 Q3 Q4



"NO LANDING" - UNEMP < 4.0%, GDP > 1.5%
 New Highs in Mag-7
 Bonds Drop - Yields Up
 Dollar Strong

BREADTH

"SOFT LANDING" - UNEMP > 4.0%, GDP < 1.0%
 Rotation From Mag-7 to Russel 2000
 Bonds Strengthen - Yields Weaken
 Dollar Weakens



"HARD LANDING" - UNEMP > 4.6%, GDP < 0.0%
 Risk Off - Equity Selling
 Bond Strength - Yields Drop
 Dollar Drops

BONDS

MARKET

	MEASURE	PRICE	YIELD	
CREDIT	JNK	UP	DOWN	} FALLING RATE EXPECTATIONS
TREASURIES	TNX	UP	DOWN	
DOLLAR	DXY	DOWN		
COMMODITIES	GLD/SLV	UP		
EQUITIES	SPX	UP		

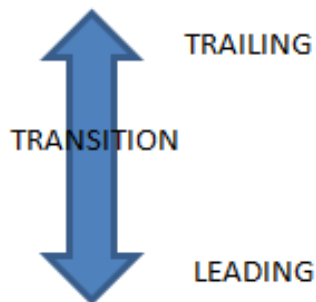


FLWS

BUBBLE

Equities: 5th largest inflow ever (\$47.7bn);	47.7
US equities: 4th largest inflow ever (\$44.8bn);	44.8
Tech: 3rd weekly inflow, largest in 4 weeks (\$2.4bn);	2.4
Financials: largest inflow since Nov'23 (\$1.3bn);	1.3
	<hr/>
	96.2

BREADTH



BONDS

Gold: largest inflow since Mar'22 (\$1.8bn);	1.8
Bonds: 8th largest inflow ever, biggest since Oct'20 (\$21.6bn);	21.6
Treasuries: 11th weekly inflow, longest streak since Nov'23 (\$5.0bn);	5
IG bonds: 38th weekly inflow (\$9.1bn – Chart 9);	9.1
HY bonds: largest inflow since Nov'23 (\$4.4bn);	4.4
	<hr/>
	41.9

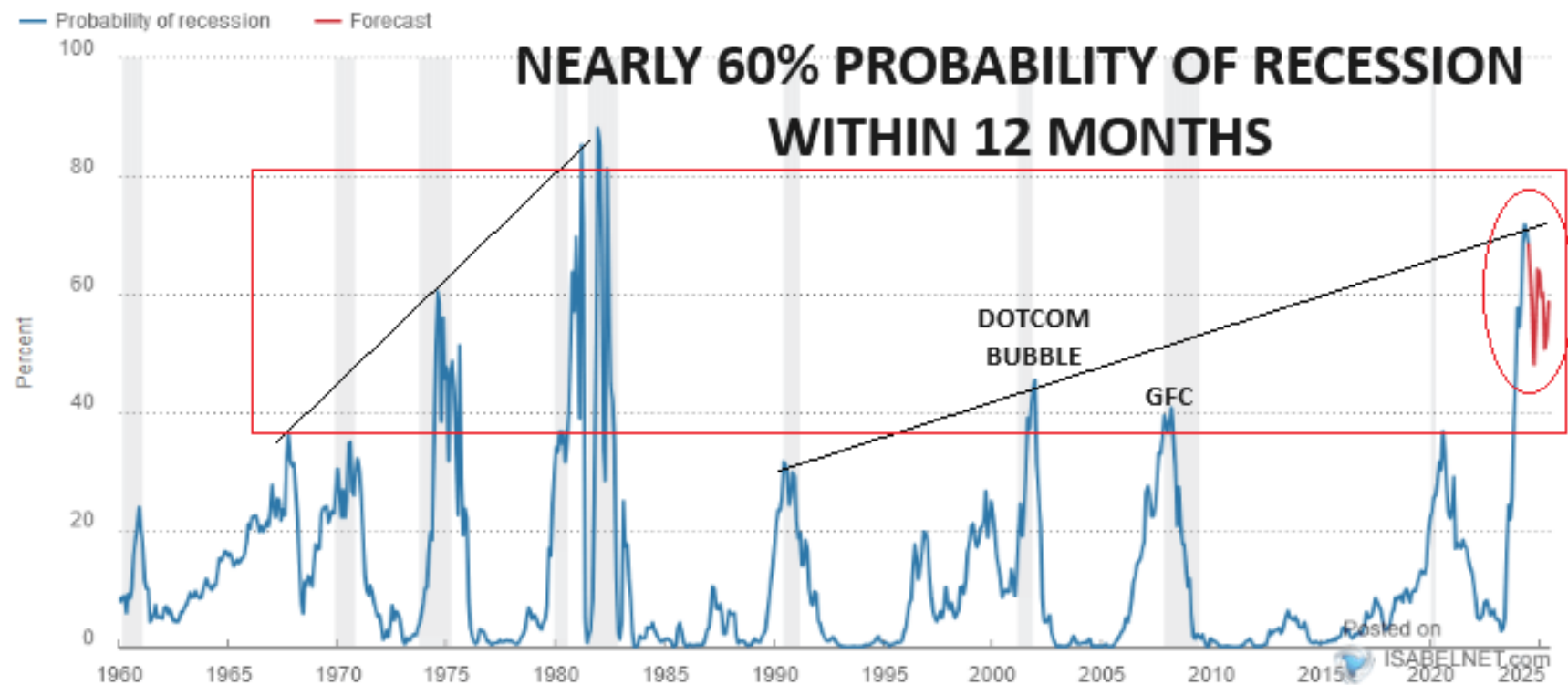
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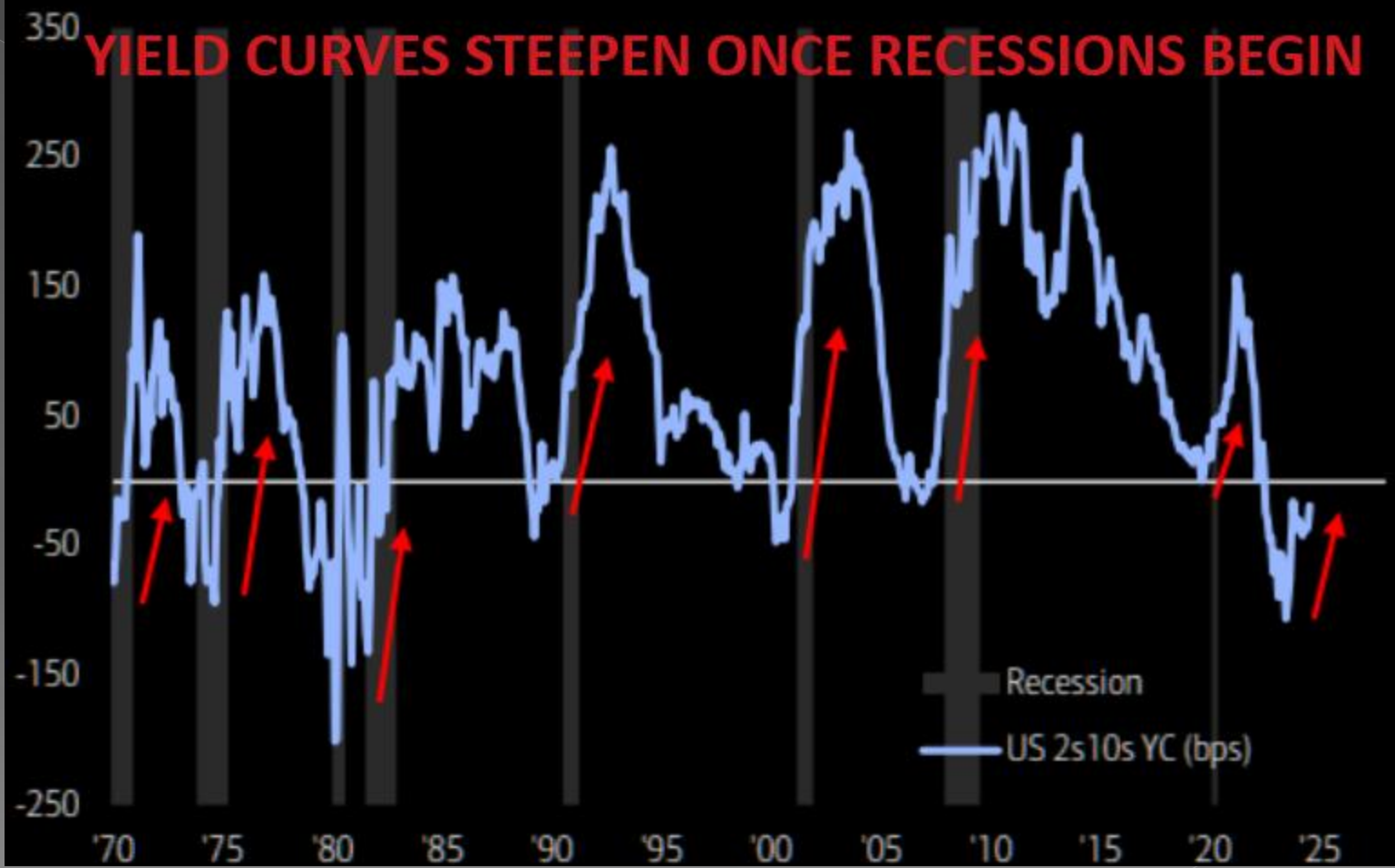
Photo illustration

Probability of Recession Calculated from the Yield Curve



Source: Federal Reserve Board, Federal Reserve Bank of Cleveland, Haver Analytics. Note: Shaded bars indicate recessions.

YIELD CURVES STEEPEN ONCE RECESSIONS BEGIN



FRED

— Advance Real Retail and Food Services Sales



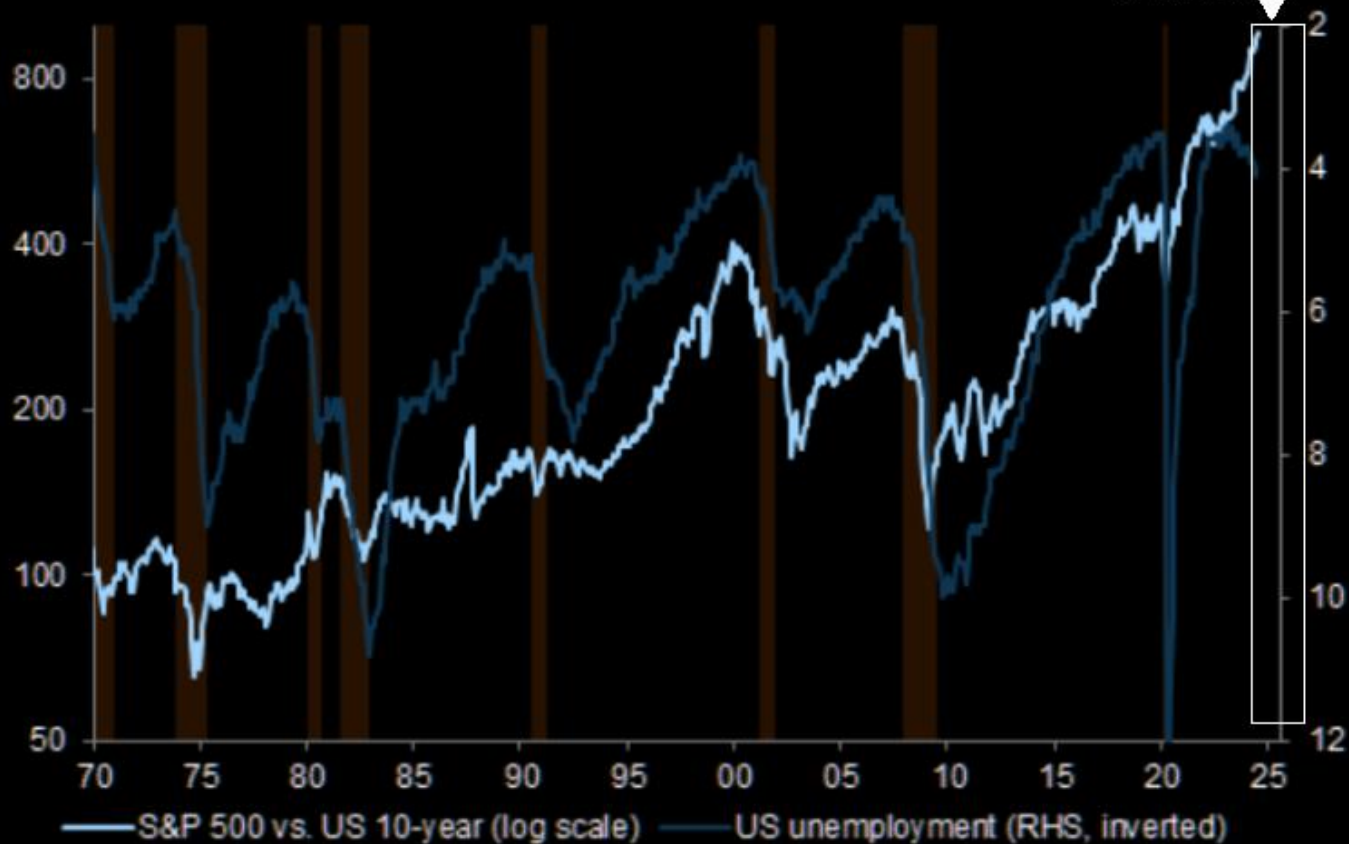
Posted on
ISABELNET.com

Shaded areas indicate U.S. recessions.

Source: Federal Reserve Bank of St. Louis

fred.stlouisfed.org

Relative total return. Shaded area: US recessions



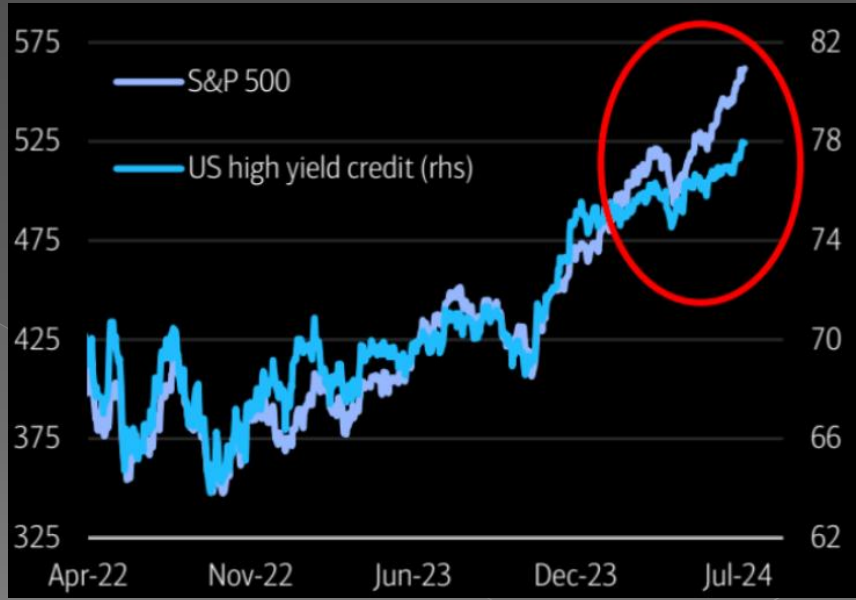
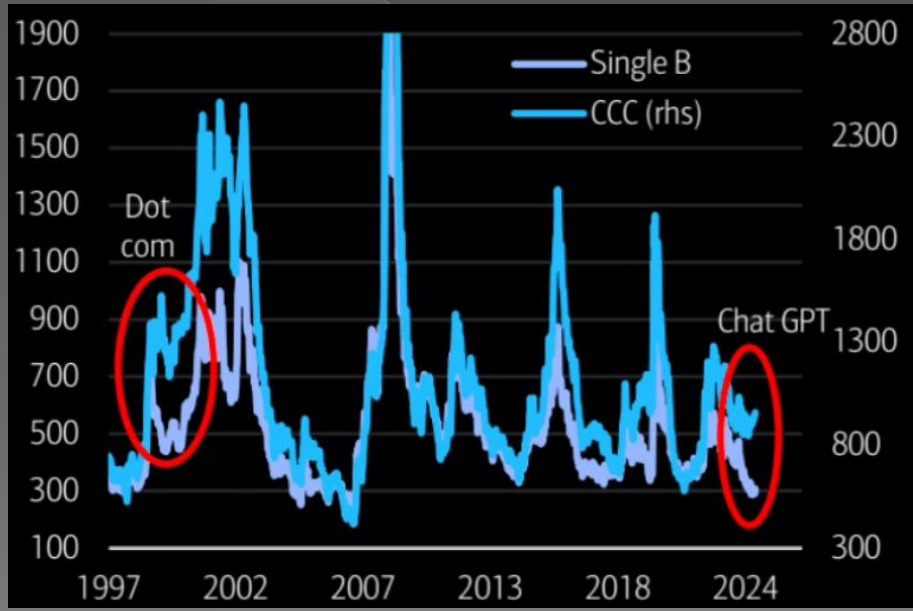
DR. COPPER



FED WAS FORCED TO STEP IN IMMEDIATELY WHEN COVID-19 THREATENED MARKETS

USD





AGENDA

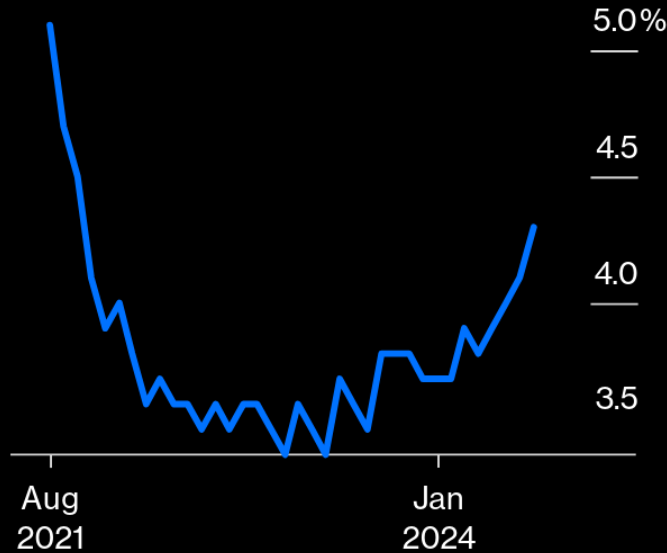
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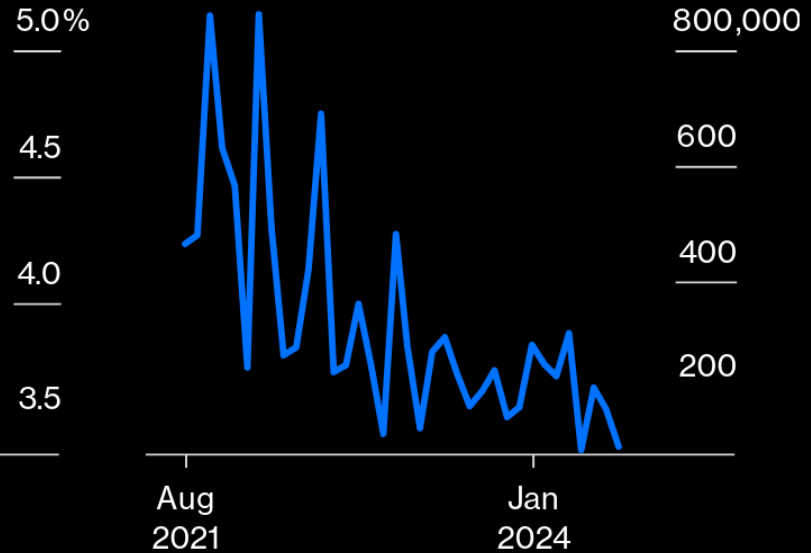
Non-Encouraging Payrolls

Friday's US employment data was undeniably discouraging

Unemployment Rate



Change in Non-Farm Payrolls



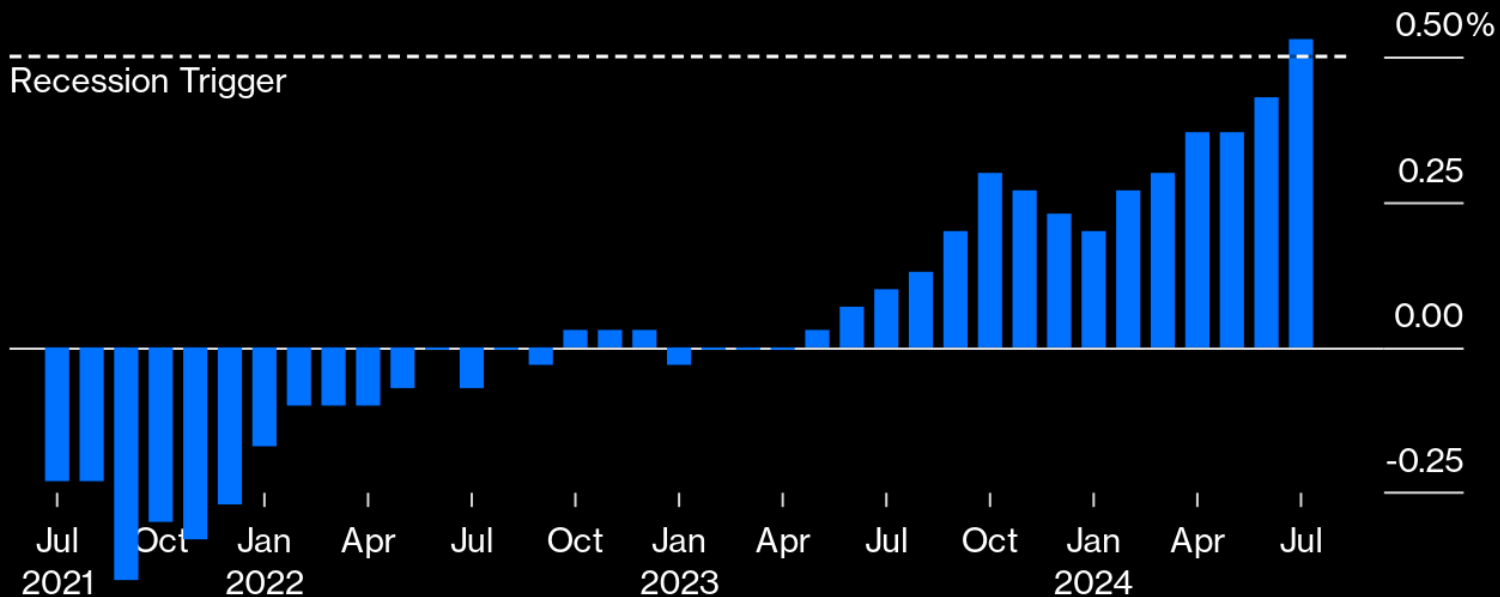
Source: Bloomberg

Bloomberg Opinion

Trigger Warning

The latest rise in unemployment implies a US recession is underway

■ Sahm Rule Recession Indicator



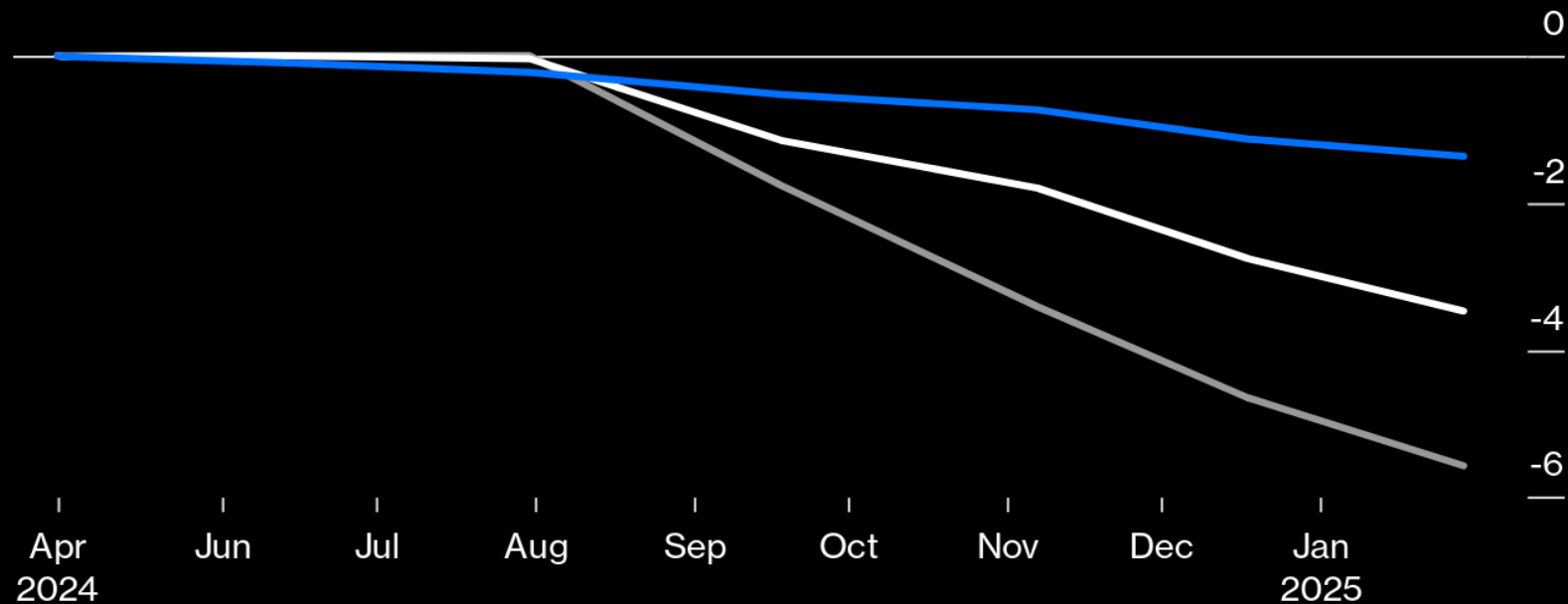
Source: Bloomberg

Bloomberg Opinion

Thud

Rate cut expectations turned around in three days

■ Cuts Expected, April 30 ■ Cuts Expected, July 30 ■ Cuts Expected, Aug. 2

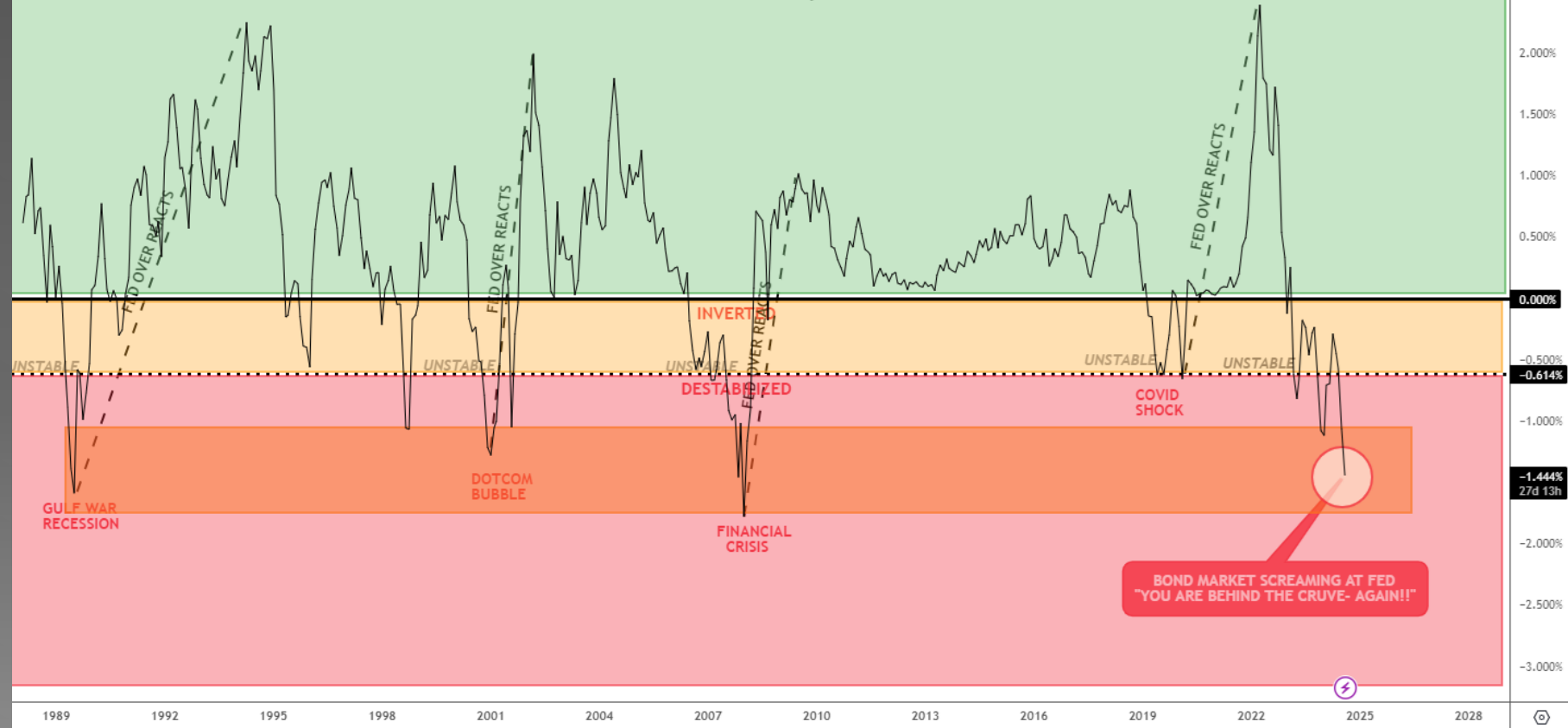


Source: Bloomberg World Interest Rate Probabilities

Bloomberg **Opinion**

2Y YIELD - FED FUNDS RATE

Monthly



%

3.000%

2.500%

2.000%

1.500%

1.000%

0.500%

0.000%

-0.500%

-0.614%

-1.000%

-1.444%
27d 13h

-2.000%

-2.500%

-3.000%

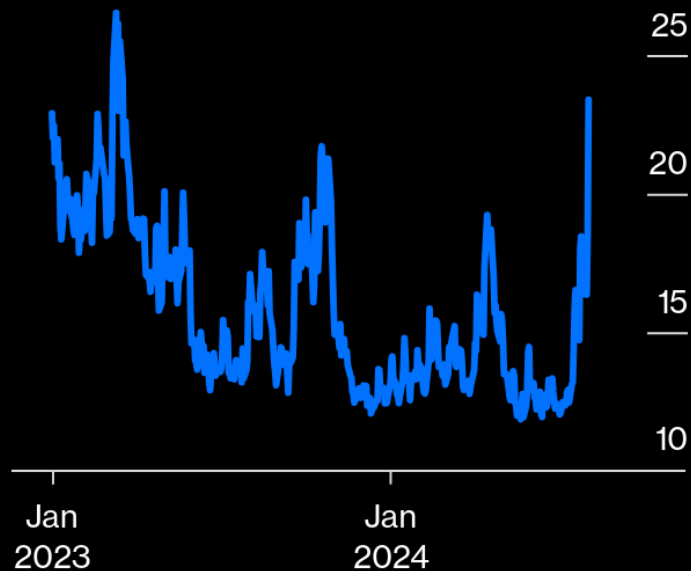
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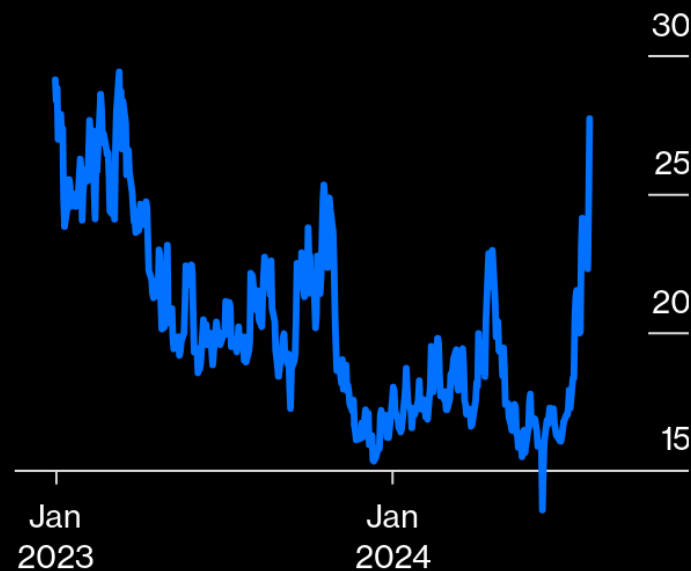
Volatility Is Back

Implied vol in the main US indexes is its highest since last year's banks crisis

VIX Index (S&P 500)



VXN Index (Nasdaq-100)



Source: Bloomberg

Bloomberg Opinion

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AUGUST 05, 2024

the japan times

THE INDEPENDENT VOICE IN ASIA

BUSINESS / MARKETS

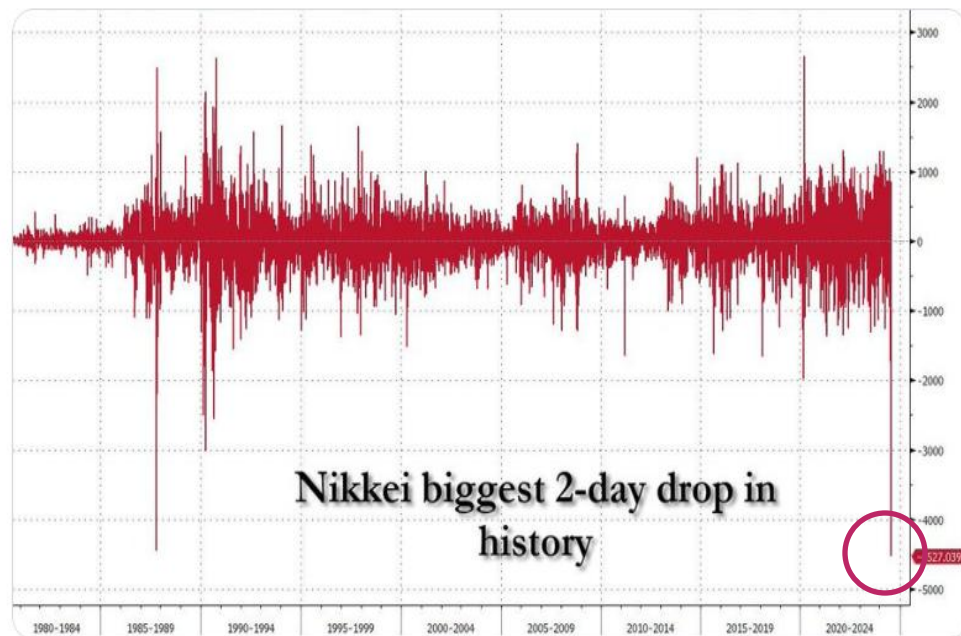
Nikkei plunges by 12% as it registers largest-ever point fall

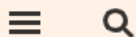
BY ELIZABETH BEATTIE

The drop exceeds the point fall recorded Oct. 20, 1987, the day after Black Monday in New York.

MORE COVERAGE

- Up rates before it's 'too late,' one BOJ policy board member said in June





FT live news

European shares and US futures fall sharply

LIVE

Unhedged. Everyone calm down

Fed under fire as slowing jobs market fans fears of recession

Topix index



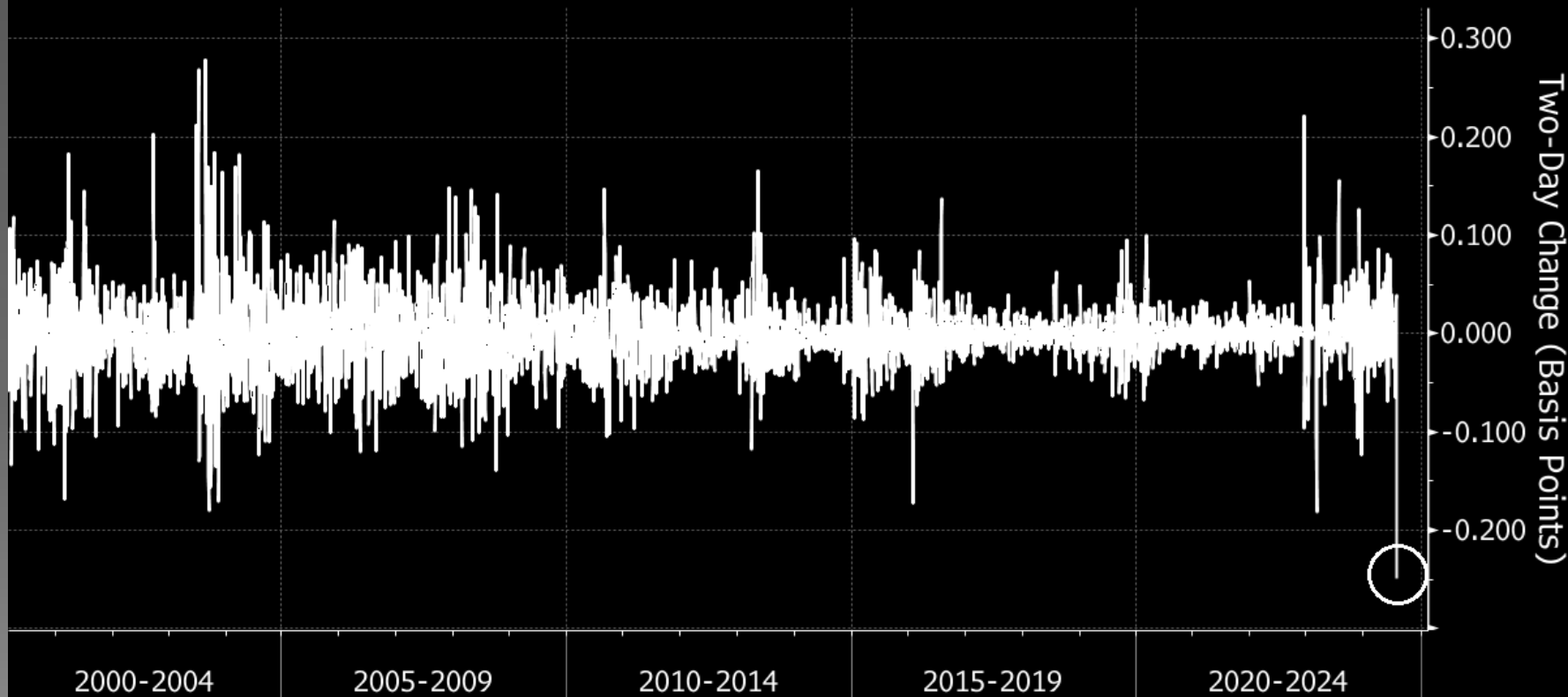
Markets volatility

Japanese stocks suffer worst day since 1987 as global rout intensifies

Who Needs Yield Curve Control?

JGB yields have just had their biggest 2-day drop this century

■ 10-Year JGB, 2-Day Yield Change



Source: Bloomberg

Bloomberg

It's Not All the BOJ's Fault

The surge into Japanese bonds came long after its Wednesday announcement

■ JGB 1.1 06/20/34 #375 - Bid Yield ■ Close on 07/24 ---- 1.081



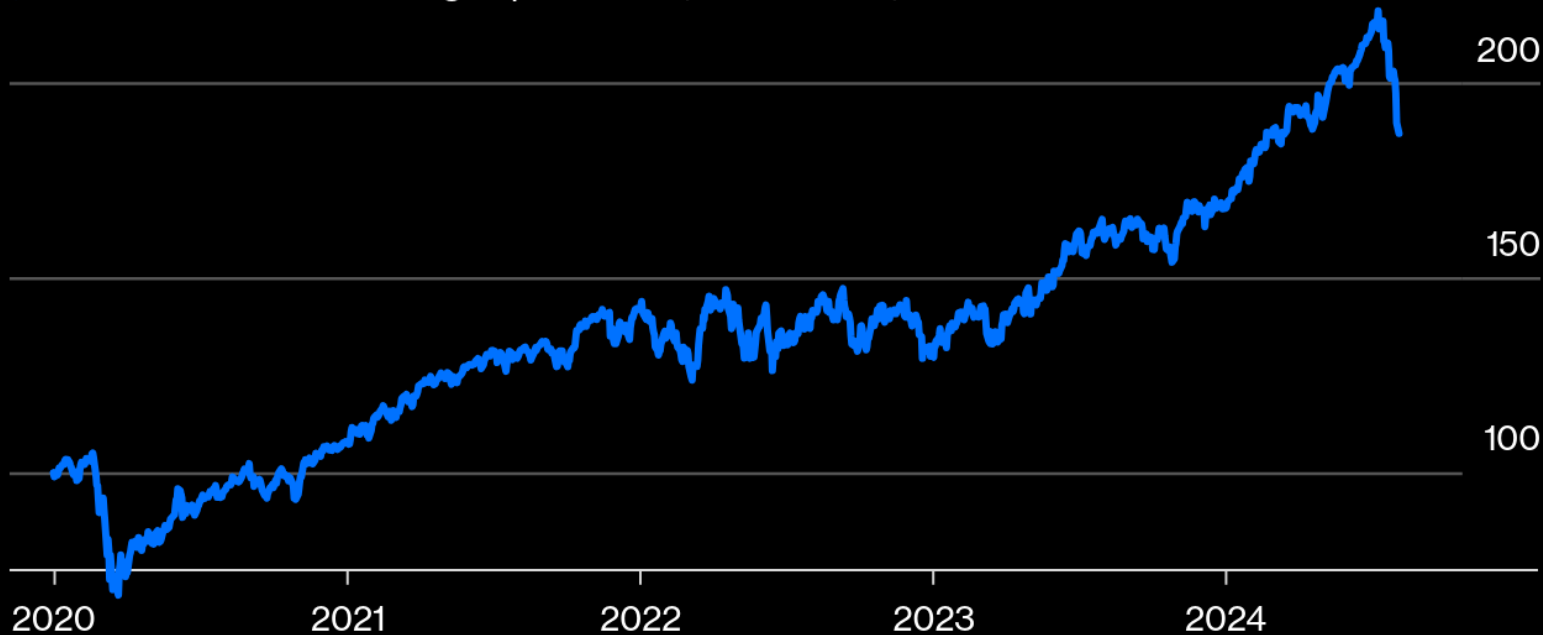
Source: Bloomberg

Bloomberg

Bad News for Mrs. Watanabe

Japanese investors in foreign stocks have suddenly sustained sharp losses

FTSE All-World Excluding Japan Index (in Yen Terms)

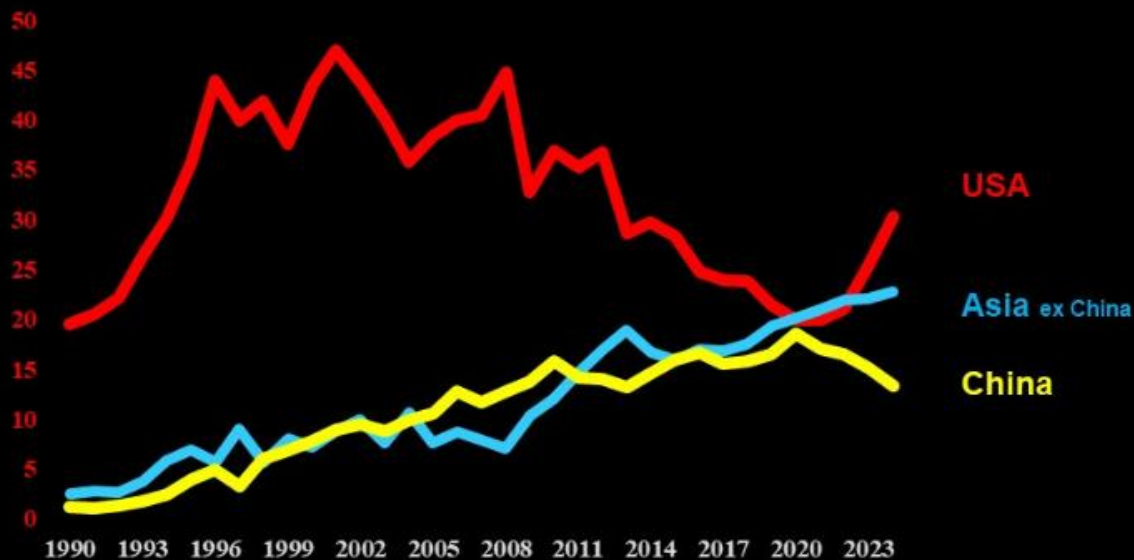


Source: Bloomberg
Note: 12/31/2019 = 100

Reminder: where do Japan's profits come from ?

High Global Earnings Dependency

% of listed companies' corporate earnings by region – last data point Apr-Jun 2024



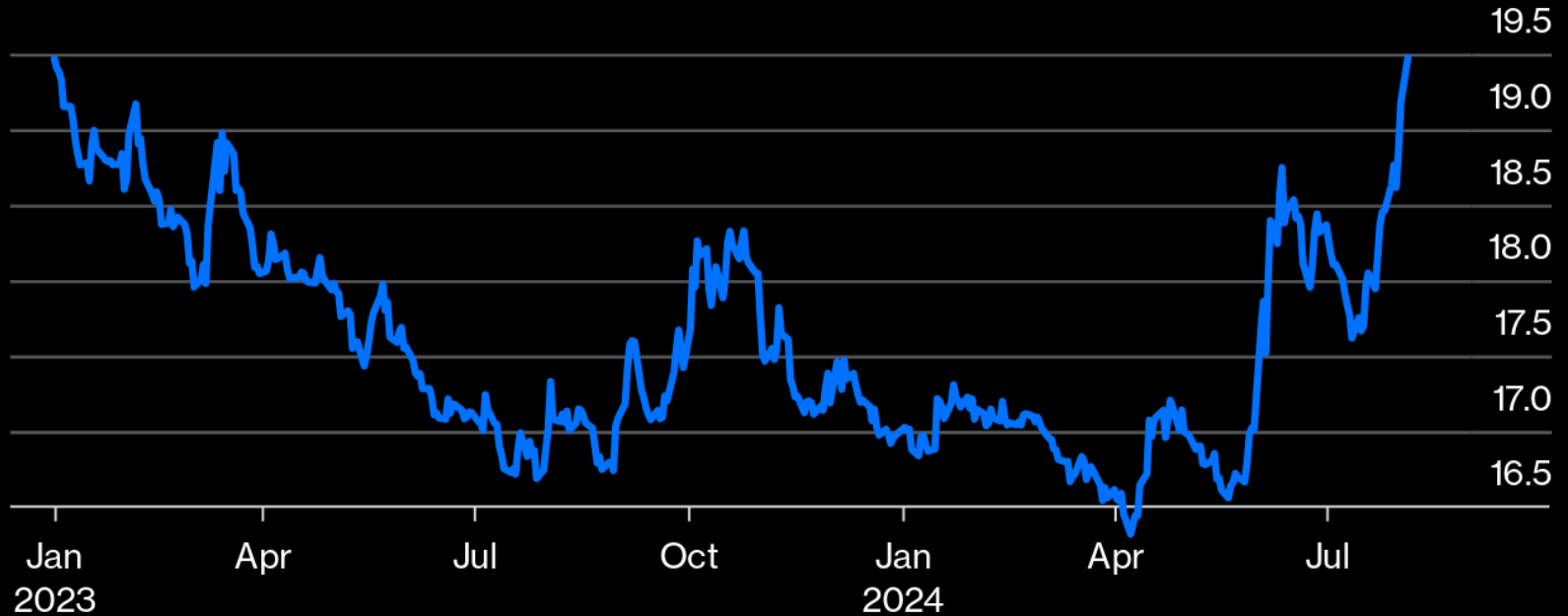
Jesper Koll

Source: TSE, Corporate reports & Jesper Koll Calculations – for April-June 2024 quarters extrapolated from those companies that had reported by August 2, 2024

Superpeso No More

Mexico's currency has suddenly hit a 19-month low versus the dollar

— Mexican Peso/US Dollar



Source: Bloomberg

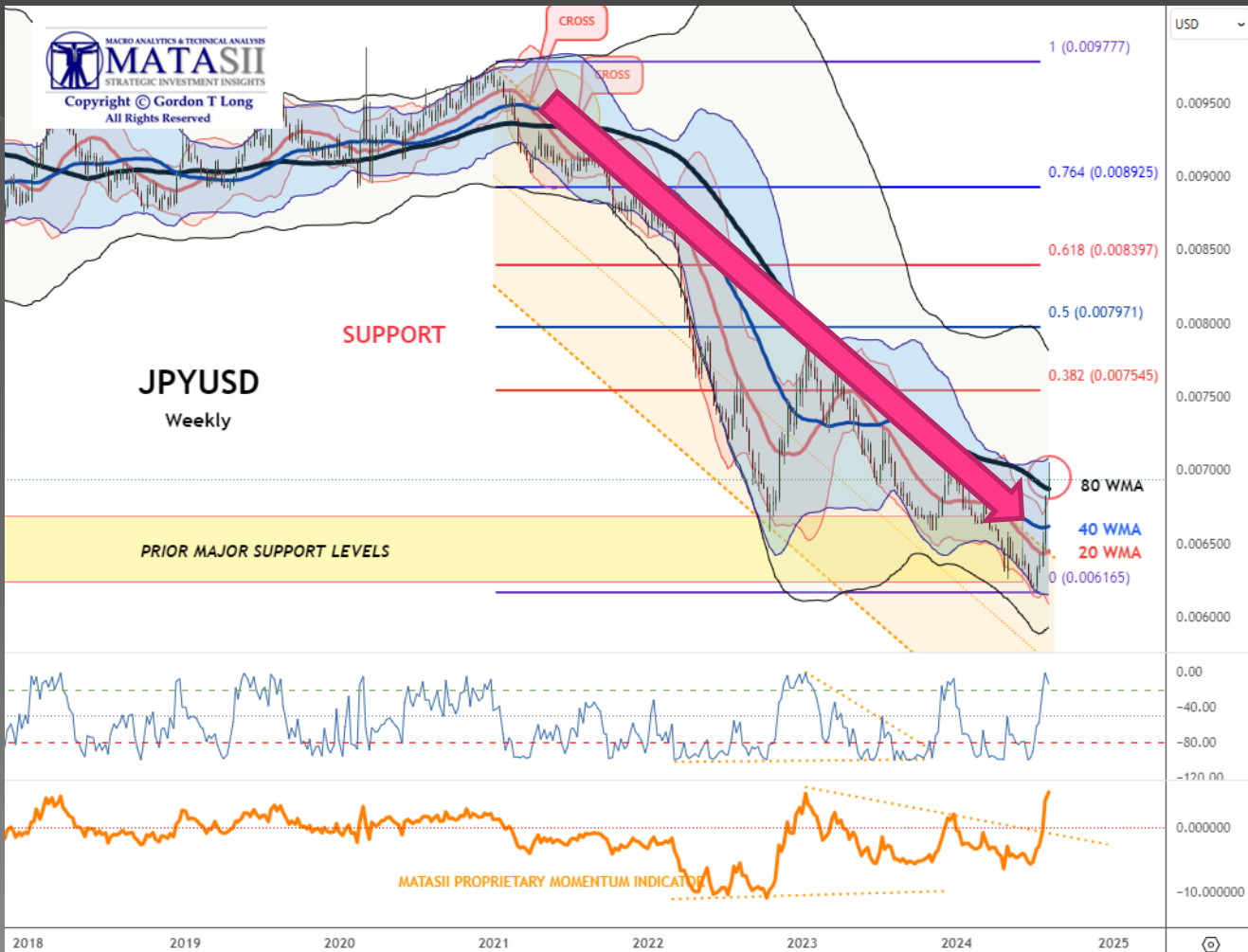
Bloomberg **Opinion**



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1989 1992 1995 1998 2001 2004 2007 2010 2013 2016 2019 2022 2025 2028

JPY

42,500.00

40,000.00

37,500.00

35,000.00

32,500.00

30,000.00

27,500.00

25,000.00

22,500.00

20,000.00

17,500.00

15,000.00

12,500.00

10,000.00

7,500.00

5,000.00

2,500.00

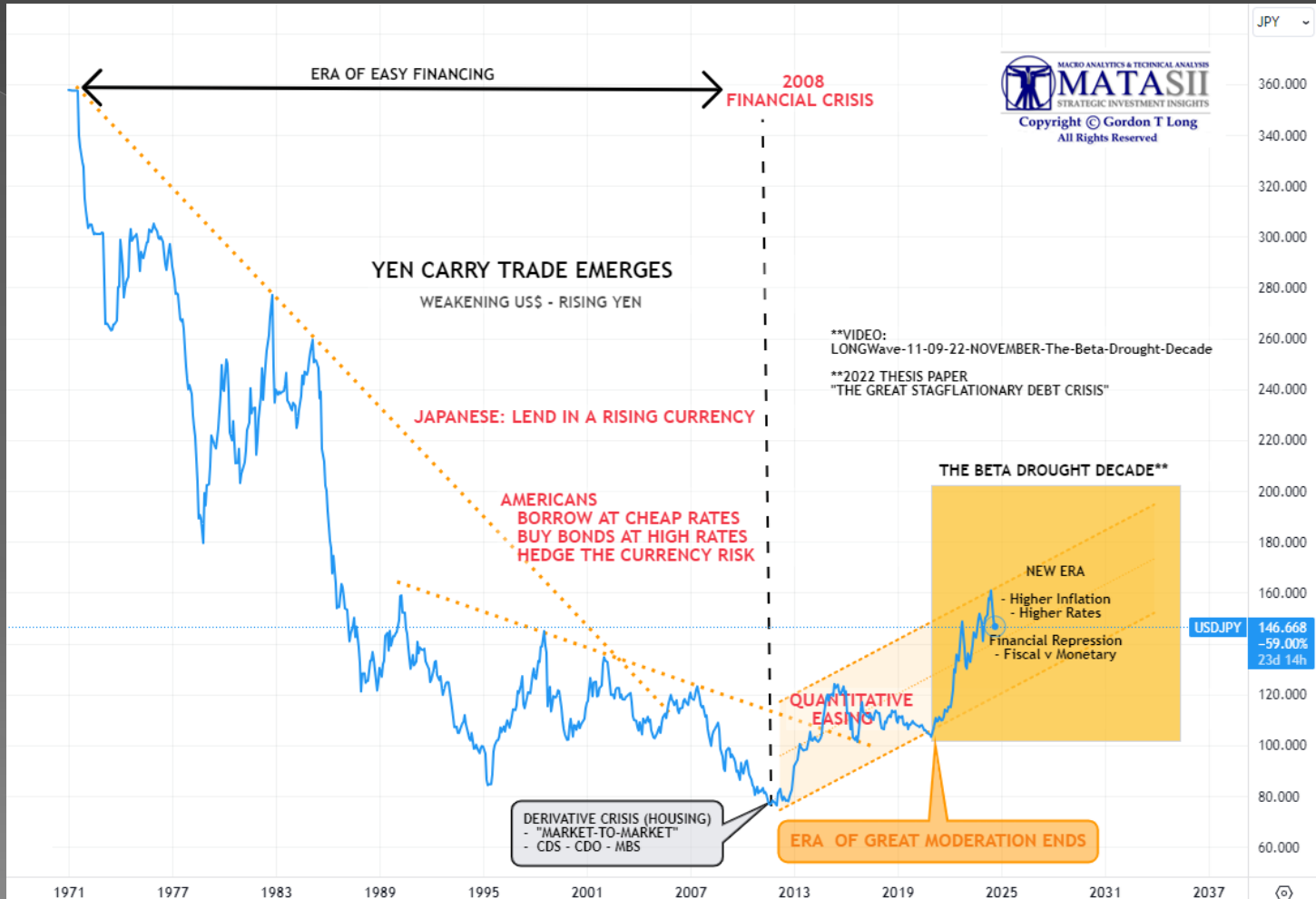
0.00

-2,500.00

-5,000.00

USD/JPY





JPY ▾

360.000

340.000

320.000

300.000

280.000

260.000

240.000

220.000

200.000

180.000

160.000

140.000

120.000

100.000

80.000

60.000

1971 1977 1983 1989 1995 2001 2007 2013 2019 2025 2031 2037

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ADMINISTRATIONS CHANGE – BUT THE PRINTING NEVER DOES ...

DON'T WORRY, THEY WILL PRINT THE MONEY!

EVERYONE IS NOW IN PLACE & READY!!



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