

Saturday Comment 18th May 2019

Good Morning,

This week has been dominated by trade war tweets and counter comments from Chinese officials, making it extremely hard to have confidence in any direction. The end result being weaker Commodity Dollars but a turnaround in US Equities of sorts. This also turned the USD/JPY while Europeans rallied first then slumped. However, a slump these days means 50 points. The GBP is still being sucked down by Brexit quicksand. The Aussie Dollar looks like it wants to retest the January flash crash spike as the Antipodeans ignore the slight risk on environment and are closing the week on the lows. Next week we have a raft of FOMC speakers throughout and FOMC minutes on Thursday morning. Tuesday we get the AU monetary policy minutes and RBA speaks Wednesday. The only strong signal I am getting is for the USD/JPY to rally (but probably only back towards Y112). So if you'll forgive me that's all I want to predict because I have no idea about the rest of it. Hence the number of charts below. See if you can make sense of it.

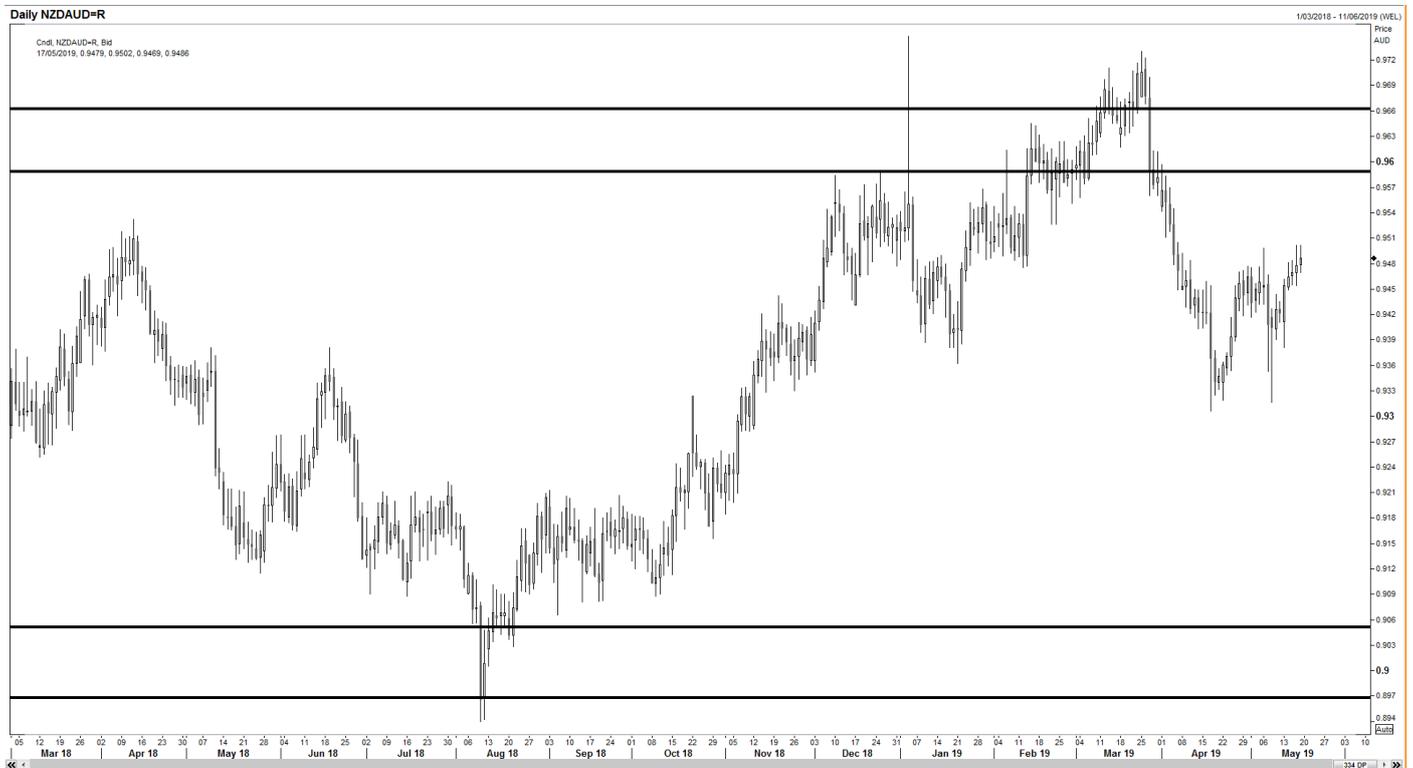
As a colleague pointed out, the down move in US Equities whilst significant in terms of points, only had about three actual down days. Bizarre price action – being knocked down in after-hours most days (tweets) before the Buy the Dip cavalry rode in during the main session.



...and unfortunately the GBP/JPY Knock out Puts have been well touched. This is why I always recommend using these only as an addition to a short spot position.



NZD/AUD pressing higher slowly. Driven by interest rate differential perceptions.



I thought last week the DXY was headed for the bottom of the channel but it's having a look at the top first.



AUD/JPY around decade support...



I don't know what to say about Bitcoin, but the volatility has got impressive.



Today is the anniversary of the Battle of Monte Cassino, Italy. One of the toughest battles of WW2 and definitely the gnarliest in Italy. My Grandfather Roland Fletcher lead the Recce Troop of the 142 Royal Tank Regiment attached to the 1st Canadian Division. As part of the defence of the Adolf Hitler line the Germans had removed the turrets and 75 mm guns from their Panzer tanks and ground-mounted them with a manual traverse in order to inflict maximum damage on any allied armoured attacks. They were tactically very well sited and they did indeed inflict a great deal of damage on the 1st Canadian Division. During the advance Roland managed to manoeuvre his Sherman tank to a ridge line behind one of these German fortified positions and took out the 75 mm gun and five crew with a first round hit. These poor souls are in the German War graves (which we never see on the TV). At the same time as Roland was in this battle my Great Uncle (his younger brother) who had been captured in North Africa whilst fighting with the Long Range Desert Group (fore runner to the SAS) had been shipped over to Italy as a POW in 1942. Having escaped from his POW camp in northern Italy in early 1944, he was on the run for five months in the hills trying to make his way to join up with the allied forces in the south of the country. He managed to reach Monte Cassino just as the allied bombers were bombing the proverbial out of the place. He was almost killed by `friendly fire`. So you had the surreal situation of both brothers being with a few miles of each other, on opposite sides, completely unaware of each other`s close proximity. Great Uncle Leslie eventually managed to reach the American sector. The picture below is of a similar Sherman tank trundling past a bunch of Italian children. It reminds me of one of my favourite films *Life is Beautiful* which if you haven't seen it I urge you to. https://en.wikipedia.org/wiki/Life_Is_Beautiful



I am away next weekend so will write again on 1st June. Till then I wish you a great weekend / week and good luck,

Regards,

JD

James Davies

Senior Dealer, Foreign Exchange

OMF

OM Financial Limited, trading as OMF

A: Level 2, Australis Nathan Building, 37 Galway Street, Britomart, Auckland

P: +64 9 523 2221 | **M:** +64 21 799 599 | **W:** www.omf.co.nz

[LinkedIn](#) | [Twitter](#) | [YouTube](#) | [Facebook](#) | [Important Terms – please read](#)

♻️ Please consider the environment before printing this email.