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AM FX

Brent Donnelly, Spot FX Trader
(212) 525-8469
brent.x.donnelly@us.hsbc.com



USDJPY v-shaped recovery on election night 2016.

y-axis 101 to 107

Current Views

**26NOV 1.2920 and
1.2860 USDCAD
digitals**

↓AUDCAD @ 0.9340
Stop 0.9455
Take profit 0.9119

Forexplainer #19

FX Mayhem on Election night 2016

Welcome to Forexplainer Number 19. As I explained on March 12, 2019 ([AM/FX: Forexplainer 1](#)): Each month, around mid-month, I publish a longer-form piece called "Forexplainer". Sometimes it's something educational I read elsewhere, sometimes it is something I write myself.

Today I give you my story of the trading craziness on the night of the 2016 Election. The story is excerpted from my book "The Art of Currency Trading" and is printed with the permission of John Wiley & Sons. Copyright 2019.

Enjoy!

NEW YORK CITY

November 8, 2016

8:15PM

The cavernous trading floor is mostly empty, but the foreign exchange sales and trading rows are fully staffed. The trader sits in front of six monitors in the center of the G10 currency trading desk. His pupils flick from various Bloomberg and Reuters headlines to CNN, then to CNBC and foxnews.com. His eyes scan the EURUSD and USDJPY price feeds, and then flick back to CNN. Early presidential election results trickle in. Markets are in a holding pattern still, so he picks at the last few pieces of take-out sashimi.

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He is rooting for Hillary Clinton, not for political reasons but because he is positioned for a stronger dollar and the market sees a Clinton win as dollar positive. In contrast, the consensus views a Trump win as bad news for the greenback. For the trader, the event is not about politics, it is about macroeconomic outcomes. He has a big long position in the dollar and he wants a rally.

Just a few weeks ago, a *Washington Post* headline declared: "Trump's path to an Electoral College victory isn't narrow. It's nonexistent." And the trader agrees wholeheartedly. It just does not seem possible for Donald Trump to win the US presidential election. The math does not work.

The trader is relaxed and calm as a few Clinton-positive headlines roll by. His heart rate is steady around 85 bpm.

Sweet. Maybe I can get out of here by 10PM and get some sleep.

Live bloggers post compelling anecdotes that point to a possible Hillary Clinton landslide. Early returns look good for the Democrats. The dollar and the trader's profits tick slowly higher. Tick, tick, tick. And then, boom. Everything changes in an instant.

There is a quick, unexplained drop in the dollar. The trader's pulse quickens. His face becomes hot and flushed.

"What's going on?" A sales guy yells over.

"Dude, I have no clue!" the trader hollers back.

A series of headlines scrolls in quick succession. Trump takes the lead in Florida. GOP has a chance in Pennsylvania. Toss up states lean red. Impossible. Unbelievable.

Over the next twenty minutes, more states lean Republican. Ohio. Wisconsin. Michigan!?

The dollar gaps lower as the realization hits the market. Trump has a chance. A good chance. In an instant, gambling odds go from Clinton as a huge favorite to even odds. Nate Silver tweets a nervous mea culpa. Now Trump is the favorite.

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Should the trader sell his dollars and get out? Or wait for a turnaround? Frenzied clients sell dollars. Salesmen yell. Markets careen lower. Someone spills water on a keyboard. There is no time to think. The dollar lurches lower. Then lower again. The trader feels like he is trapped in a falling elevator. Profits evaporate and losses build.

At 10:53PM, Trump takes Florida and it's pretty much done. Everyone hangs out a few more hours but the result is inevitable. Finally, when Trump takes North Carolina at 1:30AM, election night is over. The dollar has collapsed and everyone on the trading floor is spent. Total exhaustion. Disbelief. The trader has lost more than a million dollars in less than four hours.

The stock market is halted, limit down. Currency markets are pricing in the worst. Fears of trade wars and the end of globalization and... The end of the world? The trader has dumped all his dollars and now he just sits there numb, staring at flickering numbers on a screen.

Finally, he drags himself out of the chair. It has been a marathon 19-hour trading session and he needs sleep, badly. He walks outside into light rain and walks a few blocks, still shell-shocked. He checks into a nearby hotel and falls asleep for a few hours. A quick dream of falling in an elevator. Then, he's awake again. It's 6:00AM. He quickly dresses and heads back out into the dark New York City morning. Back to work.

By 6:30AM, the trader is at his desk and everything has changed. The dollar is exploding off the lows. From a low of 101.19 in USDJPY, the market now trades 103.20. Before he can put down his Starbucks and log in, the phone board lights up. A flurry of customer calls. Something huge is going on. A 180 degree turn in sentiment.

The first phone call picked up by sales is one of the bank's smartest clients and he buys a huge chunk of USDJPY around 103.50.

"It's impossible to buy these!" the USDJPY trader yells.

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104.00 trades. 104.50... A full reversal is underway and now the mood is euphoria. Stocks rip higher as the market comes to a brand new conclusion: Donald Trump is great news for markets. He brings less regulation, lower taxes and a business friendly change of pace after the long post Financial Crisis economic slog.

Can the trader buy his dollars back and get on board again, even though what is happening is the exact opposite of what he expected? Can he admit that he was wrong and buy dollars on a Trump victory? Of course he can. This is not about politics and it is not about being right. It is about what is the best trade. It's about solving the puzzle.

The trader reloads and makes a big bet on a rising dollar. 104.70 trades USDJPY. 105.00. By 9:00AM he is profitable again. His view that Hillary would win the election was totally wrong. Yet he survived. And now he is back in the black.

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Election night 2016 is a microcosm of everything that is fantastic and terrible about currency trading. The hills and valleys. The emotional and financial highs and lows. Currency trading is mentally exhausting and (sometimes) incredibly satisfying. Tiring and exhilarating. Bad decisions can lead to good outcomes and good decisions can lead to bad outcomes. Luck rules on any given day while skill dominates in the long run.

FX trading is hard. But it can be incredibly fun.

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Thanks for reading. Back to regular AM/FX tomorrow.

Good Luck ↕ Be Nimble

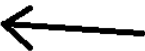
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The Washington Post

Trump's path to an electoral college victory isn't narrow. It's nonexistent.

By **Stuart Rothenberg**

Oct. 18, 2016



The trajectory of the 2016 presidential race — which will result in a Hillary Clinton victory — remains largely unchanged from May, when Donald Trump and Clinton were in the process of wrapping up their nominations.

But what has changed recently is Clinton's likely winning margin. For many weeks, even months, I have believed that Clinton would defeat Trump by three to six points. If anything, that range now looks a bit low, with the Democratic nominee apparently headed for a more convincing victory, quite possibly in the four-to-eight-point range.

Trump continues to be [his own worst enemy](#), saying or tweeting things that only fuel chatter about his current and past views, values and behavior. His comments about people — from Vladimir Putin and Alicia Machado to some of the women who have accused him of sexual assault — have kept the focus on him at a time when he should

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