

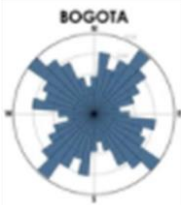
This material has been prepared by the Trading Desk of HSBC Bank USA, NA ("HBUS") and is not a product of the Global Research Department. This is a desk view and not a recommendation. Investors must make their own determination and investment decisions.

Wednesday, June 16, 2021

AM FX

Tactical Global Macro

Brent Donnelly
1 (212) 525-8469
brent.x.donnely@us.hsbc.com



Current Views

↑ **USDCHF @ 0.8955**
Stop at entry point
Take profit 0.9065

↓ **AUDUSD @ 0.7745**
Stop at entry point
Take profit 0.7611

↑ **EURCHF @ 1.0950**
Stop 1.0868
Take profit 1.1094

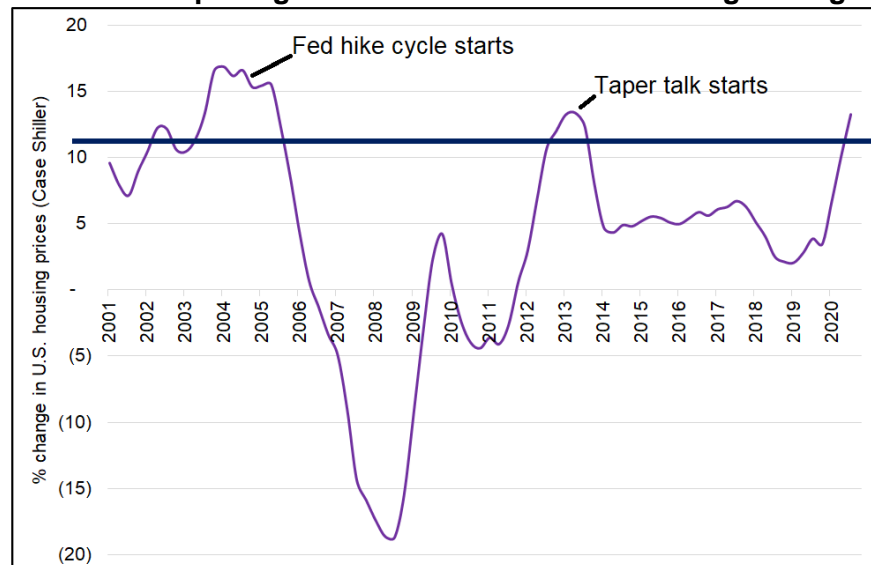
Fed Talks

I am on the more hawkish end of the spectrum for today's FOMC. I believe the Fed have a nice little window here to thread the needle because yields are low, inflation is ramping, financial conditions have never been looser and the baseline forecasts for summer 2021 inflation were way too low. We all knew there was going to be an inflationary surge around now, but nobody thought it would be this big.

Two things I think could happen today:

1. Median dot shows a hike in 2023. 10-8 is my guess. A 2023 hike is probably just barely consensus (maybe 60/40).
2. Some kind of language that suggests the Fed is ready to talk about tapering MBS purchases sooner rather than later. With yields and spreads here, the Fed can slowly back away from a policy that makes absolutely zero sense at this juncture in the midst of a noisy house price boom (see chart). If I'm right about this, it's a good call and a big surprise.

10% home price gains have coincided with Fed tightening



The 10% threshold is pretty random, and not a real part of my Fed thesis

The [NY Fed Consumer Survey](#) shows the public braced for huge inflation gains and the Fed has a perfect window here to downshift monetary accommodation from Ludicrous Mode to Ridiculous Mode¹.

I feel like I'm in the minority here, but I think the Fed announcement that they are selling ETFs is a logical precursor to the end of MBS buying. The Fed claims that the selling of ETFs in the market is not a monetary policy action, but we all know every single thing they say and do is a monetary policy action. Just as tapering is a form of 2nd derivative tightening (less gas, not more brakes), selling ETFs sends a signal that

¹ Tesla's high performance version of the Model S is a continuation of the company's tribute to "Spaceballs" — the 1980s Star Wars spoof co-written, produced and directed by Mel Brooks. In "Spaceballs," spacecraft accelerate from light- to ridiculous- then ludicrous-speed and finally into "plaid." Earlier versions of Tesla vehicles featured Ludicrous mode, which Tesla first announced in July of 2015.

This material has been prepared by the Trading Desk of HSBC Bank USA, NA ("HBUS") and is not a product of the Global Research Department. This is a desk view and not a recommendation. Investors must make their own determination and investment decisions.

the Fed is dusting off the "Mission Accomplished" banner as they prepare to celebrate another recession vanquished.

Consensus is mixed. A median 2023 hike dot is mildly hawkish but maybe 60/40 expected, while any language on tapering MBS sooner rather than later is unambiguously hawkish and almost totally unexpected.

Best currencies to sell on hawkish: AUD, CHF
Best currencies to buy on dovish: EUR, CAD

I am short AUDUSD and long USDCHF from OK levels last week and will hold these positions into the Fed meeting. I moved both my stop losses to the original entry points so if I'm wrong, it won't be devastating. Details in sidebar, as always.

I would describe this view as medium conviction. My confidence is more around the asymmetry than the outright probability of a hawkish outcome. It sets up like a 75% chance of a boring non-event with a 20% chance of a somewhat-to-very hawkish outcome. That leaves a 5% chance of a megadove outcome. With the USD going nowhere these days and the market still riding decent USD shorts, I don't think there will be much appetite to slam the USD. In contrast, if there is something meaningfully hawkish, the market will have little choice but to buy back more dollar shorts.

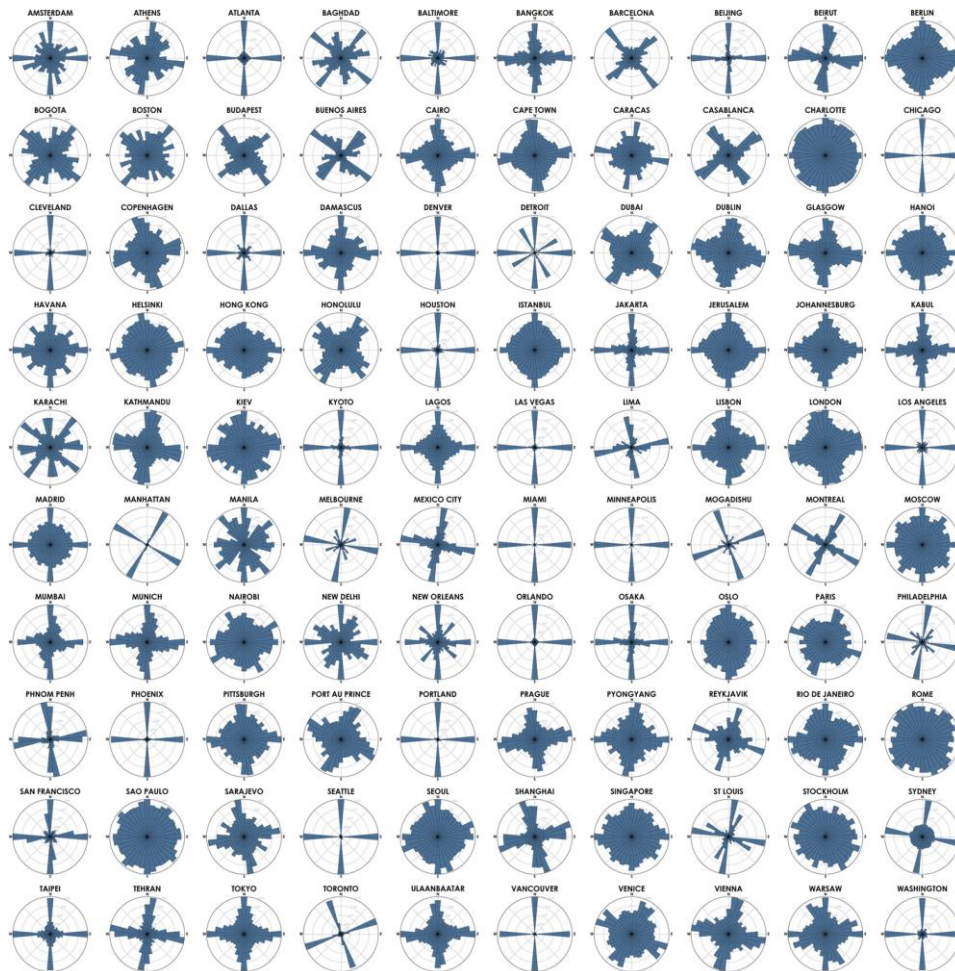
At the tail end of a Fed easing cycle, it is hard to remember what a hawkish Fed meeting looks like. Maybe today will be a reminder.

Good Luck ↕ Be Nimble

This material has been prepared by the Trading Desk of HSBC Bank USA, NA ("HBUS") and is not a product of the Global Research Department. This is a desk view and not a recommendation. Investors must make their own determination and investment decisions.

I am irrationally excited by the polar histograms in this paper.

"Urban spatial order: street network orientation, configuration, and entropy"
by Geoff Boeing



It looks complicated, but it's not. Each line in each histogram shows how many streets run in each degree on the compass in a given city. Like a histogram. A near-perfect grid looks like the third circle: Atlanta (almost all streets running East/West or North/South). In contrast, Athens (second circle) has streets running in many directions. The cities are shown in alphabetical order.

Detroit is a particularly cool example: the city is mostly one big grid, but downtown is a separate grid that is tilted 45 degrees relative to the rest of the city.

If you look at a particular polar histogram, then Google the city's map, it's super cool. Read the paper, too, it's fairly easy to understand.

HT J-Sparkes



This material has been prepared by the Trading Desk of HSBC Bank USA, NA ("HBUS") and is not a product of the Global Research Department. This is a desk view and not a recommendation. Investors must make their own determination and investment decisions.

U.S. Global Markets Sales and Trading Commentary Disclaimer

This material has been prepared by a member of the sales and trading department of HSBC Securities (USA) Inc. ("HSI"), HSBC Bank USA, N.A. ("HBUS"), and/or its affiliates (individually and collectively, "HSBC"). This material has not been prepared by HSBC's research department. This material has been approved for publication in the United States by HSI, which is regulated by The Financial Industry Regulatory Authority ("FINRA") and the Securities Exchange Commission ("SEC"), and/or HBUS, which is regulated by the Office of the Comptroller of the Currency ("OCC"), the U.S. Commodity Futures Trading Commission ("CFTC") and the National Futures Association, as a provisionally registered swap dealer. This material is intended for your sole use and is not for general distribution; you may not distribute it further without the consent of HSBC. This material is for informational purposes only and does not constitute an offer or commitment, a solicitation of an offer or commitment to enter into or conclude any transaction or to purchase or sell any financial instrument.

The sales and trading department of HSBC is engaged in selling and trading and may make markets in securities or derivatives to which this material relates or is relevant. Accordingly, recipients of this material should not regard it as an objective or independent explanation of the matters contained herein. Any opinions in this material are the opinions of the author and may be changed at any time without notice. Opinions expressed in this material may differ from the opinions expressed by other divisions of HSBC, including its research department and corresponding research reports. Any information contained in this material is not and should not be regarded as investment research, debt research, or derivatives research for the purposes of the rules of the Financial Conduct Authority, the SEC, FINRA, the CFTC or any other relevant regulatory body. As part of the sales or trading desk, the author may have consulted with the trading desk while preparing this material and such trading desk may have accumulated positions in the financial instruments or related derivatives products that are the subject of this material.

Prior to entering into any proposed transaction, recipients should determine, in consultation with their own investment, legal, tax, regulatory and accounting advisors, the economic risks and merits, as well as the legal, tax, regulatory and accounting characteristics and consequences of the transaction. This material does not constitute investment advice. To the extent permitted by law, HSBC does not accept any liability arising from the use of this communication. This material is for institutional investors and/or institutional accounts as defined in FINRA Rule 4512(c) and 2210(a)(4), or for eligible swap participants as defined in Section 1a(18) of the Commodity Exchange Act.

This material may contain information regarding structured products which involve derivatives. Do not invest in a structured product unless you fully understand and are willing to assume the risks associated with the product. Products described in this material may not be principal protected. Any products stating principal protection apply only if they are held by investor until maturity. If you close out the trade prior to maturity, you may lose your principal.

The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Unless governing law permits otherwise, the recipient of this document must contact a HSBC affiliate in its home jurisdiction if it wishes to use HSBC services in effecting a transaction in any investment mentioned in this document. The information contained herein is derived from sources believed to be reliable, but not independently verified. HSBC makes no representation or warranty (express or implied) of any nature nor does it accept responsibility of any kind with respect to the completeness or accuracy of any information, projection, representation or warranty (expressed or implied) in, or omitted from, this material. No liability is accepted whatsoever for any direct, indirect or consequential loss arising from the use of this material.

This material does not constitute and should not be construed as a recommendation to enter into a securities or derivatives transaction. If you are considering entering into a security or derivatives transaction or would like additional information, please contact your local sales or trading representative.

HSI is a member of FINRA, NYSE, and SIPC.

HBUS is the principal subsidiary of HSBC USA Inc., an indirect, wholly-owned subsidiary of HSBC North America Holdings Inc., one of the ten largest banking holding companies in the United States. HSBC Bank USA, N.A. is a member of the FDIC.

ALL RIGHTS RESERVED Copyright 2020 HSBC Securities (USA) Inc. and HSBC Bank USA, N.A. This material, which is not for public circulation, must not be copied, transferred or the content disclosed, to any third party and is not intended for use by any person other than the intended recipient or the intended recipient's professional advisers for the purposes of advising the intended recipient hereon. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, on any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of HSBC.