



Dollar squeeze? AUD not USD

- Last night's Fed surprise has once again raised the prospect of a short squeeze for the US Dollar. **What's the quantitative macro picture for G10 fx?**
- The grid below shows Qi FVGs where red (green) denotes the currency in the column header is rich (cheap) to macro versus the currency in each row. If the font in the cell is black, then that cross is in a macro regime; grey shows that pair is below Qi's 65% threshold.
- The Dollar is uniformly rich but the FVGs are modest & only two are in regime. [USDJPY](#) & [USDCHF](#) are slightly above macro model value. RETINA™ clients will have noted USDJPY's momentum chart is carving out a new bullish formation, signalling a potential new uptrend.

	USD	EUR	JPY	GBP	CHF	SEK	NOK	AUD	CAD	NZD
USD		-0.84	-0.63	-0.36	-0.17	-0.44	-0.66	-1.04	-0.45	-1.20
EUR	0.84		0.19	0.11	0.84	-0.47	-0.17	-1.03	-0.08	-0.88
JPY	0.63	-0.19		-0.41	0.09	-0.24	-0.42	-0.67	-0.40	-0.46
GBP	0.36	-0.11	0.41		0.57	-0.63	-0.98	1.97	0.53	-2.35
CHF	0.17	-0.84	-0.09	-0.57			-0.48	-0.88	-1.04	-0.68
SEK	0.44	0.47	0.24	0.63			-0.38			
NOK	0.66	0.17	0.42	0.98	0.48	0.38			0.72	
AUD	1.04	1.03	0.67	1.97	0.88				1.35	-0.20
CAD	0.45	0.08	0.40	-0.53	1.04		-0.72	-1.35		-2.21
NZD	1.20	0.88	0.46	2.35	0.68			0.20	2.21	

- The bigger standout though are the Antipodeans. Both Aussie & Kiwi screen as consistently cheap versus macro currently. In terms of macro valuations, they offer better entry levels.
- **The three Aussie crosses in regime – [EURAUD](#), [AUDJPY](#) & [AUDCHF](#) – all share one common, dominant driver: interest rate differentials** which account for at least a quarter of model explanatory power across all three. All show higher Aussie rates support the AUD &, **in the case of AUDJPY, they explain 41% of the model!**
- At -0.6 sigma (-2.7%), **AUDJPY's valuation gap is at a 1y low**. Since 2009, buying the dip at this FVG has produced 25 trades with a **76% hit rate & an average return of +0.88%**.
- The next RBA meeting is July 6th. Given the Fed shift & the rude health of the latest Australian employment stats, **AUDJPY looks an interesting prospect for those anticipating a change in tone from Governor Lowe & a potential re-pricing of Aussie rates.**

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