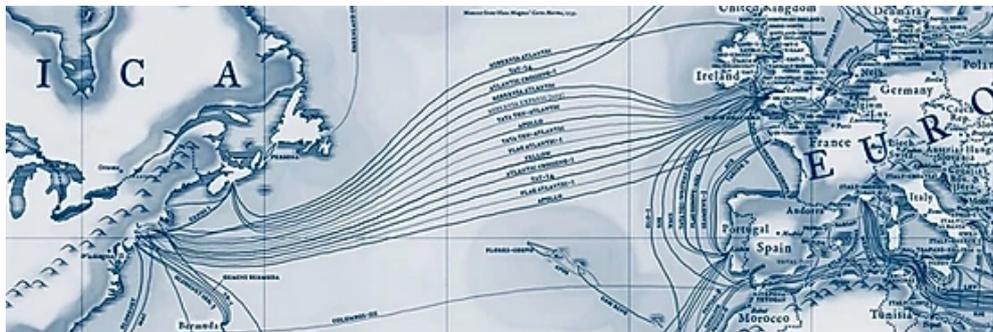




PriapusIQ  Mar 30 12 min read

Morning Ramble - 30th March 2020



Morning all!

I trust everyone had a safe and healthy weekend.

As I'm sure you're aware, the PiQ prices went up last night, don't panic, all current subscription packages remain unaffected.

Also, a quick note on the new [@PIQVIP](#) Twitter account, please don't forget that for me to grant access you must also DM the account with the email you use to subscribe PiQ.

There are many accounts that have requested access but are yet to DM (it's true a fair few are just trying to be cheeky buggers and get a free view).

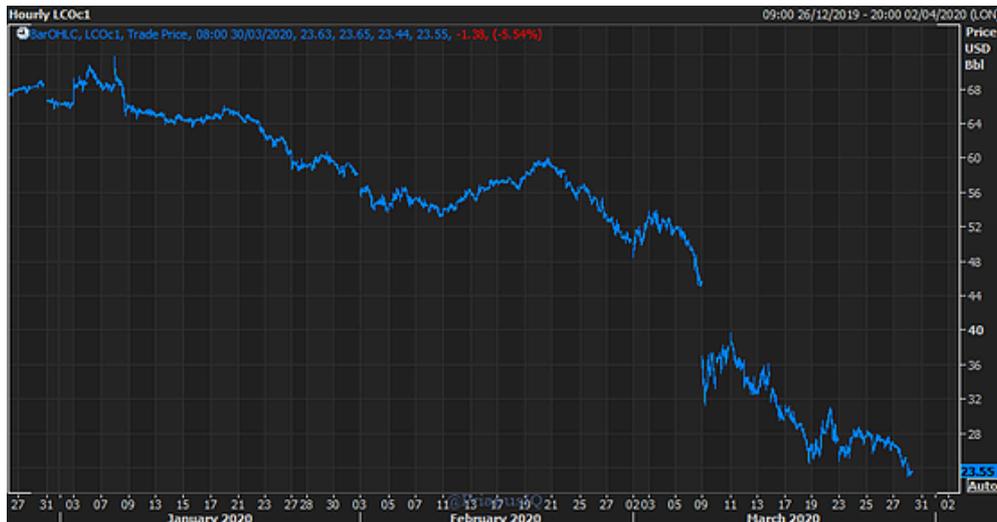
Unbelievably, compared to what we've experienced recently the weekend was relatively event free and the markets (excluding the energy markets are unusually quiet.

It won't last.

Oil Markets Spill Lower

After a brief bounce from the extreme shank lower, crude prices have continued on their run lower, with oil traded to new recent lows this morning.

The demise of Brent..



As ING note -

The bearishness in the market continues to grow, and any hopes of an end to the Saudi-Russia price war came to an abrupt halt over the weekend with comments from the Saudis saying that they have had no contact with Russia regarding production cuts.

The scale of the surplus over 2Q20 is enormous, given the demand-destruction and failure of OPEC+ to extend and deepen the production cut deal. This will mean that significant volumes will need to be carried forward, and in order to see that, the forward curve needs to cover the carry-cost for this oil.

Looking at the ICE Brent May/June spread, it has traded to a contango as deep as US\$3.80/bbl this morning - levels last seen during the Global Financial Crisis in 2008. Meanwhile, the 12-month carry on ICE Brent is even deeper, with it trading in excess of US\$15/bbl.

We look to two places for relief from the soft energy prices, firstly, a pick up in economic activity.. Yeah, good luck with that! Secondly, renewed cohesion between OPEC/OPEC+ members, namely Saudi and Russia.

This cohesion has been lacking thus far.

via BBG -

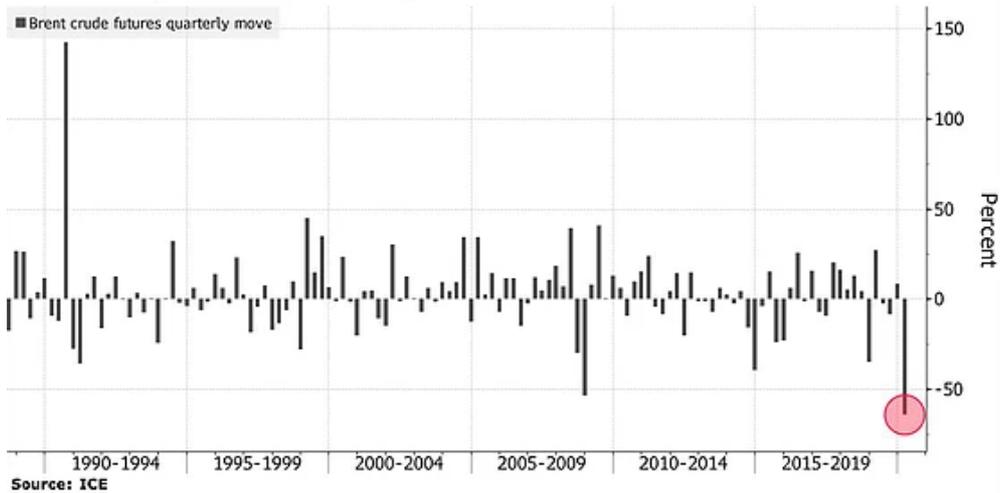
The kingdom said on Friday that it hadn't had any contact with Moscow about output cuts or enlarging the OPEC+ alliance of producers. Russia also doubled down, with Deputy Energy Minister Pavel Sorokin saying oil at \$25 a barrel is unpleasant, but not a catastrophe for the nation's producers.

"Demand concerns are critical but well known, what really took the market down were the signals we got from Saudi Arabia and Russia that they intend to continue their current path," said Vivek Dhar, a commodities analyst at Commonwealth Bank of Australia. "Market hopes of a deal have come undone."

OPEC nations aren't giving support to a request from the group's president for emergency consultations over tanking prices, according to a delegate. Algeria, which holds the cartel's rotating presidency, has urged the secretariat to convene a panel but the call has failed to gather the majority backing necessary to go ahead. Riyadh is among those opposing the idea.

Bloody Start

Brent crude poised for the worst quarter on record



There's no getting around it, Q1 for oil markets has been disastrous!

Regarding the recovery (and there will be some form of recovery)..

GS add -

The key to how quickly prices rebound after this supply shut-in will depend on how much inventory is built. Markets are already hitting transportation bottlenecks without having filled storage capacity. Oil in Canada is now near \$5/bbl and WTI Midland \$13/bbl with Cushing inventories still only half full. The quicker and harder these capacity constraints are reached, the quicker and more violently the market will rebalance when production shuts in, and the quicker deficits return to the market, putting upward pressure on prices.

In the bear market of 2015/16 production shut-ins were based upon a producer position on the supply cost-curve. Unlike then, the logistical nature of the shut-ins suggest they will be completely indiscriminate, inflicting substantial damage on the wells that in some cases will be permanent. Once economic activity begins to normalize, the deficits will likely be substantial as the rebound in demand will be constrained by supply that has been damaged by the shut-ins. This could potentially require continued destruction of commuting and jet fuel demand. Net, if pipelines get clogged up as refineries shutdown, inventories cannot build, reducing the cushion and creating a very quick risk reversal towards oil shortages that could push prices far above our \$55/bbl target for next year.

This will likely be a game-changer for the industry. Once you damage the capital stock in oil it is an expensive and time-consuming process to rebuild, assuming it can be rebuilt at all. This contrasts with the rest of the economy where the capital stock is sitting idle and ready to restart, which is why it is expected to exhibit a V-shaped recovery. In contrast, we believe the upstream sector could lose as much as 5.0 million b/d of oil supply capacity.

With that much supply loss the industry will unlikely be able to rebound even close to old demand levels without creating substantial price appreciation, the scale of which will be determined by how much inventory is built in the coming weeks. In addition, the geopolitical landscape is also changing. We note the current political situation in Venezuela, where further US sanctions have been imposed for over half a year and where Rosneft divestitures of oil assets occurred over the weekend.

At the same time, Iran has been heavily impacted by the coronavirus, which follows the rise in tensions between the US and Iran in January, during which oil reached its recent peak of \$70/bbl. On top of this, there could be further geopolitical instability generated by the extreme economic conditions forced upon the many oil producers in Africa and Latin America.

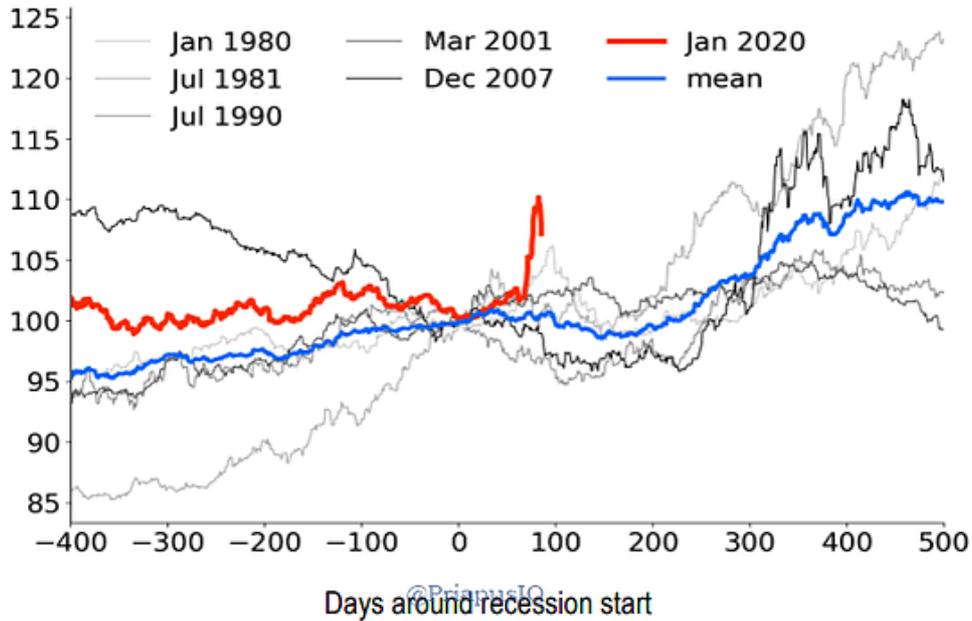
I remain happy to be long and the longer this weakness prevails the happy I am, as mentioned in previous Rambles, it's my opinion that producers can't and won't stand for prices at these levels, and certainly not lower for longer.

With this in mind, I will be looking to add to my WTI longs if we see a flush lower.

Chart of the Day - Trade-Weighted Dollar's Spike

The trade-weighted Dollar's spike is earlier, but similar in magnitude to 3 of 5 prior recessions

USD around recessions, Index, NBER recession prior peak = 100



The speed of Coronavirus spread and the subsequent rush for King Dollar as a safe-haven play was undeniably extreme, exacerbated by the ensuing liquidity issues the mad dash caused.

This all led to a Dollar demand feedback loop causing the Global Reserve Currency to explode higher at speeds rarely, if ever, seen before.

The question we are left with is a simple one, was/is this move an anomaly and thus expect a retrace? Or was USD simply getting his ('how dare I assume it's gender... yadda yadda yadda...it's definitely a guy, it's the King after all) move in early?

As JPM observe in the chart above, *"The move in FX this recession is extreme in speed (but appropriately so), but not extreme in magnitude."*

WuFlu Update

DEATHS, INFECTIONS

* More than 662,700 people have been infected across the world and 30,751 have died, according to a Reuters tally.

EUROPE

* Italy's government will "inevitably" extend beyond April 3 the containment measures it had approved to stem the outbreak, the regional affairs minister said on Sunday.

* The death toll in Italy surged past 10,000 on Saturday. Confirmed cases rose by about 6,000 to 92,472, the second-highest number of cases in the world behind the United States.

* Spain prepared to enter its third week under near-total lockdown on Sunday, as the government approved a strengthening of measures and the death toll rose to 6,528.

* Prime Minister Boris Johnson is warning Britons in a letter to 30 million households that things will get worse before they get better, as he himself self-isolates in Downing Street to recover from the coronavirus.

* Britain has reported 17,089 confirmed cases of the disease and 1,019 deaths and the peak of the epidemic in the country is expected to come in a few weeks.

* Germany's health system could face strains similar to those in Italy if the outbreak in the country worsens, the head of the Robert Koch Institute (RKI), the federal agency responsible for disease control, told a newspaper.

AMERICAS

* President Donald Trump said on Saturday that he would issue a travel warning for the hard-hit New York area to limit the spread of the coronavirus, backing off from an earlier suggestion that he might try to cut off the region entirely.

* The U.S. death count crossed 2,100 on Saturday, more than double the level from two days ago. The United States has now recorded more than 123,000 cases, the most of any country in the world.

* The U.S. House of Representatives on Friday approved a \$2.2 trillion aid package and Trump quickly signed it into law.

ASIA AND THE PACIFIC

* Indian Prime Minister Narendra Modi asked the nation's poor for forgiveness as the economic and human toll from his 21-day nationwide lockdown deepens and criticism mounts about a lack of adequate planning ahead of the decision.

* The International Olympic Committee (IOC) and Japanese organisers are in final stages of talks to set the opening date for the Tokyo Games in July next year, Japanese media said.

* Doctors, politicians and human rights commissioners are calling on Indonesia's government to enact tighter movement restrictions as the death toll from coronavirus rose in the world's fourth most populous country.

* A growing number of imported coronavirus cases in China risked fanning a second wave of infections when domestic transmissions had "basically been stopped", a senior health official said on Sunday.

MIDDLE EAST AND AFRICA

* The United Arab Emirates on Saturday extended to April 5 a nightly curfew to sterilise public places to combat the spread of coronavirus as neighbouring Qatar reported its first death from the disease.

* To stem the spread of the virus in crowded jails, Iran's judiciary on Sunday extended furloughs for 100,000 prisoners. On March 17, Iran said it had freed about 85,000 people from jail temporarily, including political prisoners.

* Turkey halted all intercity trains and limited domestic flights on Saturday. The number of cases jumped to 7,402, with 108 dead.

ECONOMIC FALLOUT

* Stocks across the globe fell on Friday after a historic three-day run-up, as skittish investors kept indices on track for their worst monthly and quarterly performances since 2008, while the dollar fell by the most in any week since 2009.

* Qatar Airways will have to seek government support eventually, Chief Executive Akbar al-Baker told Reuters on Sunday, warning that the Middle East carrier could soon run out of the cash needed to continue flying.

* Egypt's central bank said it has instructed banks to put temporary limits on daily withdrawals and deposits amid concerns over the spread of the coronavirus.

* South Africa may approach the International Monetary Fund and World Bank for funding, Finance Minister Tito Mboweni said in the Sunday Times newspaper.

* Investors rushed into cash and out of bonds at a record pace over the past week, BofA's weekly fund flow data showed on Friday.

Headline Roundup

White House Extends Social-Distancing Guidelines Until End of April

President Trump on Sunday said he was extending the administration's social-distancing guidelines for another 30 days through the end of April, after saying for days that he was hoping to open up the country in the coming weeks.

Mr. Trump, speaking at a news conference in the White House Rose Garden, said the peak of the death rate from the new coronavirus was expected to hit in two weeks. Mr. Trump predicted the country would be on its way to recovery by June 1.

"Nothing would be worse than declaring victory before victory is won," he said. "It's very important that everybody strongly follow the guidelines."

The administration earlier had announced a 15-day program that instructed all Americans to avoid nonessential travel, sit-down restaurants and gatherings of more than 10 people, among other steps. Governors and mayors nationwide have rolled out their own restrictions, shutting schools and many retail businesses.

Monday will mark the 15th day of the program. The president said his earlier comments that he hoped to reopen the U.S. by Easter on April 12 were "just an aspiration."

Mr. Trump extended the guidelines as coronavirus patients besieged hospitals in New York and other cities and the U.S. death toll from the Covid-19 disease caused by the virus surged past 2,400 over the weekend, according to Johns Hopkins University. Nearly 800 of the deaths were in New York City, the American epicenter of the pandemic, and New York state's total death toll surpassed 1,000 on Sunday, according to city and state figures.

After Three Coronavirus Stimulus Packages, Congress Is Already Prepping Phase Four

As lawmakers last week completed a record-shattering economic-rescue package estimated at \$2 trillion, Senate Minority Leader Chuck Schumer (D., N.Y.) predicted: "This is certainly not

the end of our work here in Congress—rather the end of the beginning.”

Legislators from both parties, administration officials, economists, think tanks and lobbyists are already roughing out the contours of yet another emergency-spending package—perhaps larger than the last—to try to keep the coronavirus crisis from turning into a 21st-century Great Depression. Many expect the debate to begin in earnest by late April.

“There’s talk of a multi-trillion-dollar program, given the size of the shutdown,” says Stephen Moore, a fellow at the conservative Heritage Foundation. “There’s a general recognition that we need something big to get some juice into the economy,” adds Mr. Moore, an outside economic consultant to the Trump administration and some congressional Republicans.

The ideas being floated include extending last week’s package to make the benefits last longer, as well as plugging in likely holes in the hastily assembled bill. One item in particular cited by both President Trump and Democratic leaders is a desire for more money to shore up state government budgets collapsing under lost tax revenues and new spending demands.

A common theme from economists and legislators across the political spectrum: The latest measure was mainly about keeping U.S. commerce on life support while it endures a medically induced coma. That is, paying businesses and workers revenues and wages lost during the shutdown. A next phase would likely pivot from stabilization to stimulus—providing the patient a robust regimen of physical therapy in an attempt to get the economy back to full health.

Action so far has been “about mitigation,” House Speaker Nancy Pelosi (D., Calif.) said at a Thursday press conference. “Next, we’ll go from emergency mitigation to recovery...to grow the economy and create more jobs.” She later called the new law “a very big down payment.”

U.S. Rebuffs Calls to Close Stock Market

The Trump administration has vowed to keep the stock market open, even as the coronavirus pandemic and a steep selloff have led some commentators and politicians to suggest a temporary closure could soothe frightened investors.

The S&P 500 has fallen 25% since mid-February, the fastest decline from a record to a bear market in history. The volatility has also been unprecedented: The index has swung 5.2% on average each day in March, on course to top the previous record of 3.9% from November 1929. Even after the stock market’s remarkable three-day rally last week, many investors are still anxious as the U.S. death toll climbs and many states are in lockdown.

Despite the severity of the selloff, officials have said the market has functioned well. Closing stock markets could trigger a cascading series of consequences that would ultimately harm investors, financial executives and academics say.

With the stock market closed, investors would be unable to sell securities in their brokerage or retirement accounts, forcing them to sell other assets if they needed cash—and potentially fueling disastrous runs on banks and other markets such as bonds.

“We think it is in the best interest to keep the markets open,” Treasury Secretary Steven Mnuchin said at a Thursday meeting of the Financial Stability Oversight Council, a body of regulators that includes the heads of the Treasury, Federal Reserve and the Securities and Exchange Commission.

Gold Retreats After Best Week Since 2008 as Caution Reigns

Gold declined after its biggest weekly advance since 2008 amid investor caution on policies aimed at mitigating the impact of the global coronavirus pandemic.

The dollar climbed and Asian equities fell after the top American infectious disease expert said deaths from the coronavirus in the world's largest economy may reach 200,000. Bullion's muted trading comes after the market was thrown into turmoil last week as the health crisis disrupted supply chains, creating a squeeze in futures as sellers' capacity to meet commitments to deliver the metal was curtailed.

Volatility has spiked this month as, in addition to the supply squeeze, some investors sold the metal to raise cash to cover losses elsewhere. The dollar has also emerged as a preferred haven, heading for its best month since late-2016, amid concerns over liquidity and funding conditions across markets.

"Liquidity will likely be the key focus in the next couple of days as we approach quarter-end," said Howie Lee, an economist at Oversea-Chinese Banking Corp. "Similar to what we saw in early March, investors might be looking to cash in on their gold holdings, with bouts of selling pressure to surface. Given the current levels of Treasury yields and the dollar strength, gold is still trading below what we deem as fair and we remain bullish on the precious metal."

With signs that the historic gold squeeze is easing, investors' focus returns to measures from governments and central banks to cushion the fallout from the virus. President Donald Trump signed a \$2 trillion economic stimulus package Friday, the largest in U.S. history, while the Federal Reserve has pledged unlimited bond purchases. Elsewhere, the European Central Bank scrapped most of the bond-buying limits in its pandemic emergency program.

Model Portfolio

It's all quiet on the Western Front as far as the portfolio, I've already mentioned my desire to add to the WTI length, another area that's grabbing my attention is the bonds, I am desperate to add but the ducks are far from being in a line right now, it's on the radar though!

Don't forget request access on the new [@PiQViP](#) twitter account for updates.

Entry					Exit		
Date	Product	B/S	Size (futs)	Price	Date	Price	PnL
24/01/2020	CL	S	2	53.96	31/01/2020	51.25	\$ 5,420.00
24/01/2020	GCJO	B	2	1,571.00	19/02/2020	1612.50	\$ 8,300.00
28/01/2020	GCJO	B	2	1,573.00	24/03/2020	1637.50	\$ 12,900.00
28/01/2020	ZNHO	B	2	130 '27	27/02/2020	133 '12	\$ 5,063.00
29/01/2020	CL	S	2	54.30	29/01/2020	53.2	\$ 2,200.00
31/01/2020	CL	S	2	52.38	03/02/2020	51.70	\$ 1,360.00
31/01/2020	CL	S	2	52.25	03/02/2020	51.70	\$ 1,100.00
06/02/2020	GBPUSD	B	6	1.2995	16/03/2020	1.2234	\$ -28,538.00
17/02/2020	FGBLHO	S	1	174.45	03/03/2020	177.20	\$ -3,053.00
21/02/2020	RTYHO	S	2	1,688.70	03/03/2020	1487	\$ 20,170.00
21/02/2020	EURUSD	S	2	1.08	16/03/2020	1.11355	\$ -7,963.00
27/02/2020	EURGBP	S	2	0.84955	16/03/2020	0.89655	\$ -18,542.00
27/02/2020	ZNMO	B	2	133 '7	OPEN	138 24/32	\$ 11,062.50
28/02/2020	CLJO	B	1	45.98	05/03/2020	45.98	\$ -
28/02/2020	CLJO	B	1	45.98	03/03/2020	48.15	\$ 2,200.00
03/03/2020	RTYHO	S	2	1,521.00	12/03/2020	1150.00	\$ 37,100.00
03/03/2020	FGBLMO	S	1	174.39	OPEN	173.10	\$ 1,495.40
03/03/2020	RTYHO	S	2	1,541.00	20/03/2020	1134.60	\$ 45,500.00
04/03/2020	EURGBP	S	2	0.87295	16/03/2020	0.91021	\$ -11,388.00
05/03/2020	ESHO	S	2	3,083.00	06/03/2020	2952.500	\$ 13,050.00
10/03/2020	RTYHO	S	2	1,350.00	20/03/2020	0.000	\$ 26,400.00
13/03/2020	GCJO	B	2	1,582.60	OPEN	1619.500	\$ 7,380.00
16/03/2020	EURGBP	S	4	0.91580	OPEN	0.89655	\$ 11,903.24
16/03/2020	GBPUSD	B	6	1.22590	OPEN	1.23810	\$ 4,575.00
16/03/2020	EURUSD	S	2	1.12280	OPEN	1.11355	\$ 2,287.50
18/03/2020	CLKO	B	5	21.75	OPEN	20.56	\$ -5,950.00
19/03/2020	GCJO	B	2	1,476.40	OPEN	1619.50	\$ 28,620.00
20/03/2020	RTYMO	S	4	1,077.70	OPEN	1134.60	\$ -11,380.00
26/03/2020	RTYMO	S	2	1,074.00	OPEN	1134.60	\$ -6,060.00
							\$ 155,213

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Looking Ahead

A busy day lies ahead in the European session with German State CPI data for March dropping over the next few hours, we also get the Eurozone sentiment data which is unlikely to paint a rosy picture!

Over in the States, highlights will be Pending home sales at 15:00BST and the Dallas Fed Mfg Business Index, again, the only question is how bad will the release be?

Finally, late into the night (for Europe at least) at 23:30BST we get comments from RBA's Deputy Governor Debelle as he gives a keynote address at FX Week down in Australia.

I'm already picking up a weird sense of calm this morning from the markets, perhaps 'calm' is the wrong word but there's a definite vibe in this morning markets.

Could this be a rarely 'normal' day? Possibly, but I wouldn't be betting on it, expect the tranquillity to be shattered at any moment.

Have a great day and keep it tight.

Economic Data 30th March - **UK Clocks move from GMT to BST, as such the New York to London timegap reverts back to 5 Hours.**

GMT	Country	Relevance	Indicator Name	Period	Poll	Prior	Min	Max
8:00	Germany		SN State CPI MM	Mar		0.50%		
8:00	Germany		SN State CPI YY	Mar		2.00%		
8:00	Spain	Medium	HICP Flash YY	Mar		0.90%		
8:00	Spain		CPI YY Flash NSA	Mar		0.70%		
8:00	Spain		HICP Flash MM	Mar		-0.10%		
8:00	Spain		CPI MM Flash NSA	Mar		-0.10%		
8:00	Spain		CPI Flash NSA	Mar		104.08		
8:00	Spain	Medium	Retail Sales YY	Feb		1.70%		
8:00	Switzerland	High	KOF Indicator	Mar	81.6	100.9	55	88
9:00	Germany		BB State CPI MM	Mar		0.50%		
9:00	Germany		BB State CPI YY	Mar		1.60%		
9:00	Germany		BW State CPI MM	Mar		0.40%		
9:00	Germany		BW State CPI YY	Mar		1.60%		
9:00	Germany		BY State CPI MM	Mar		0.70%		
9:00	Germany		BY State CPI YY	Mar		1.70%		
9:00	Germany		HE State CPI MM	Mar		0.60%		
9:00	Germany		HE State CPI YY	Mar		1.90%		
9:00	Austria	Low	PPI MM	Feb		0.20%		
9:00	Austria	Low	PPI YY	Feb		-0.30%		
9:30	Germany		NW State CPI MM	Mar		0.50%		
9:30	Germany		NW State CPI YY	Mar		1.80%		
9:30	United Kingdom	Medium	BOE Consumer Credit	Feb	1.100B	1.230B	1.000B	1.200B
9:30	United Kingdom	Medium	Mortgage Lending	Feb	3.950B	4.007B	3.700B	4.600B
9:30	United Kingdom	Medium	Mortgage Approvals	Feb	68.206k	70.888k	65.100k	73.000k
9:30	United Kingdom	Low	M4 Money Supply	Feb		0.60%		
9:30	United Kingdom		Broad Money	Feb		2,516,677M		
9:30	Portugal	Low	Business Confidence	Mar		2.2		
9:30	Portugal	Low	Consumer Confidence	Mar		-8.1		
10:00	Euro Zone	Medium	Business Climate	Mar		-0.04		
10:00	Euro Zone	Medium	Economic Sentiment	Mar	93	103.5	75	98.4
10:00	Euro Zone	Medium	Industrial Sentiment	Mar	-12.7	-6.1	-20	-10
10:00	Euro Zone	Medium	Services Sentiment	Mar	-3	11.2	-5	1
10:00	Euro Zone	High	Consumer Confid. Final	Mar	-11.6	-11.6	-13	-8.1
10:00	Euro Zone	Low	Cons Infl Expec	Mar		21.1		
10:00	Euro Zone	Low	Selling Price Expec	Mar		3.8		
11:00	Greece	Low	PPI YY	Feb		3.30%		
11:30	Belgium	Low	CPI MM	Mar		0.02%		
11:30	Belgium	Low	CPI YY	Mar		1.10%		
12:00	Brazil	High	IGP-M Inflation Index	Mar		-0.04%		
13:00	Germany	Medium	CPI Prelim MM	Mar	0.10%	0.40%	-0.20%	0.20%
13:00	Germany	High	CPI Prelim YY	Mar	1.40%	1.70%	1.00%	1.50%
13:00	Germany	Medium	HICP Prelim MM	Mar	0.10%	0.60%	-0.50%	0.30%
13:00	Germany	High	HICP Prelim YY	Mar	1.40%	1.70%	0.70%	1.50%
15:00	United States	Low	Pending Homes Index	Feb		108.8		
15:00	United States	Medium	Pending Sales Change MM	Feb	-1.00%	5.20%	-3.50%	5.00%
15:30	United States	Low	Dallas Fed Mfg Bus Idx	Mar		1.2		
16:00	United States		Export Wheat Inspected	26 Mar, w/e		349.369k		
16:00	United States		Export Corn Inspected	26 Mar, w/e		816.634k		
16:00	United States		Exp Soybean Inspected	26 Mar, w/e		570.642k		
18:30	Brazil	Low	Central Govt Balance	Feb		44.124B		
20:00	Argentina	Medium	Economic Activity YY	Jan		-0.30%		
22:00	South Korea	Low	BOK Manufacturing BSI	Apr		66		
22:00	Mexico	Low	Fiscal Balance (Pesos)	Feb		40.83B		
22:45	New Zealand	Low	Building Consents	Feb		-2.00%		

Speakers/Events

GMT	Country	Event
0:50	Japan	Bank of Japan to release summary of opinions from board members at its Mar. 18-19 policy meeting
1:00	Singapore	Singapore central bank releases semi-annual monetary policy statement
15:30	United States	Federal Reserve Bank of Dallas issues Survey of Manufacturing Activity for March
17:30	United States	Federal Reserve Bank of Atlanta President Raphael Bostic speaks on "Inclusive Economic Development: Lessons and Challenges" online live before the National Association of Housing and Redevelopment Officials (NAHRO)
23:30	Australia	Keynote Address by Guy Debelle, RBA Deputy Governor, at the FX Week Australia 2020

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