

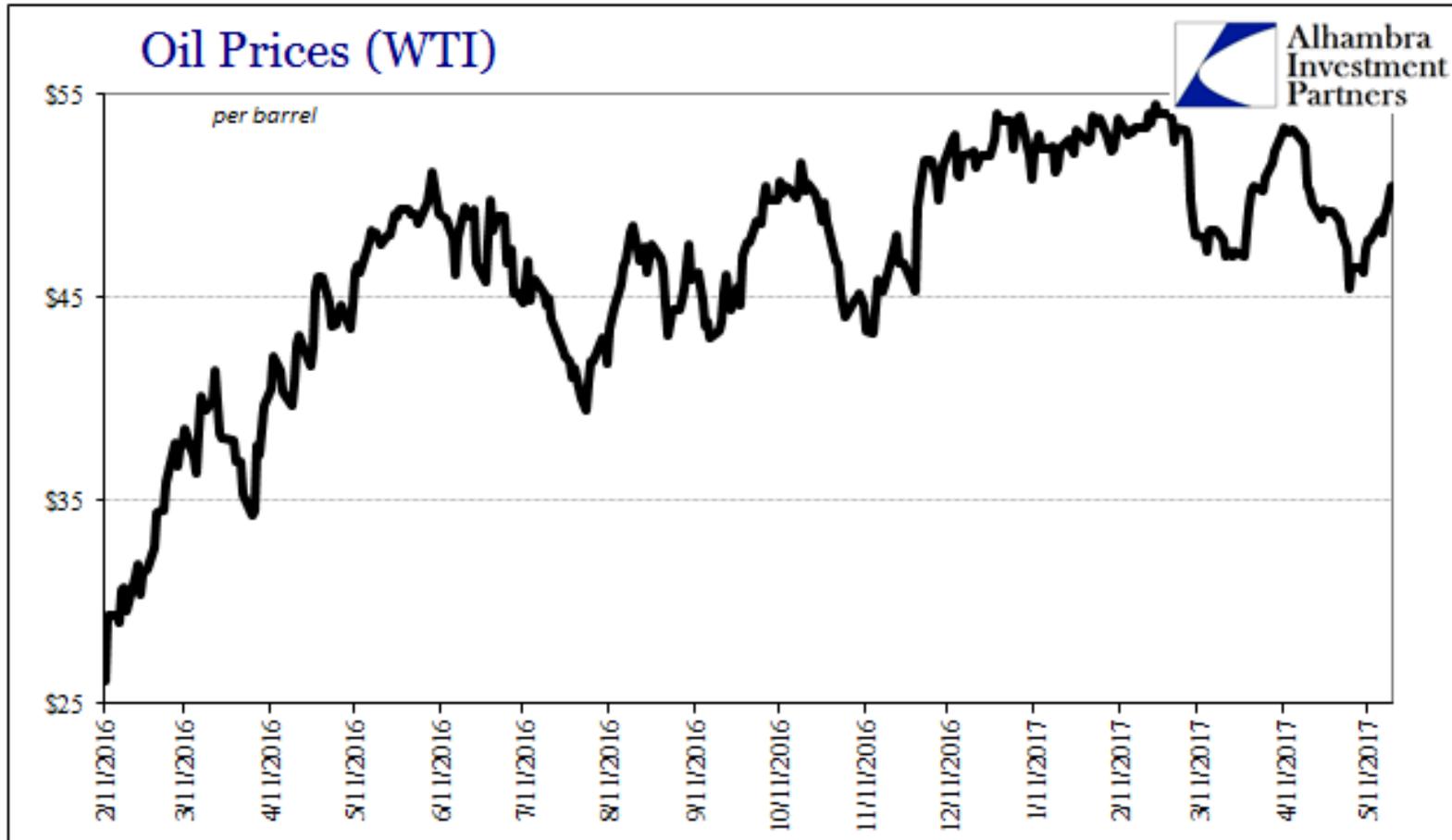


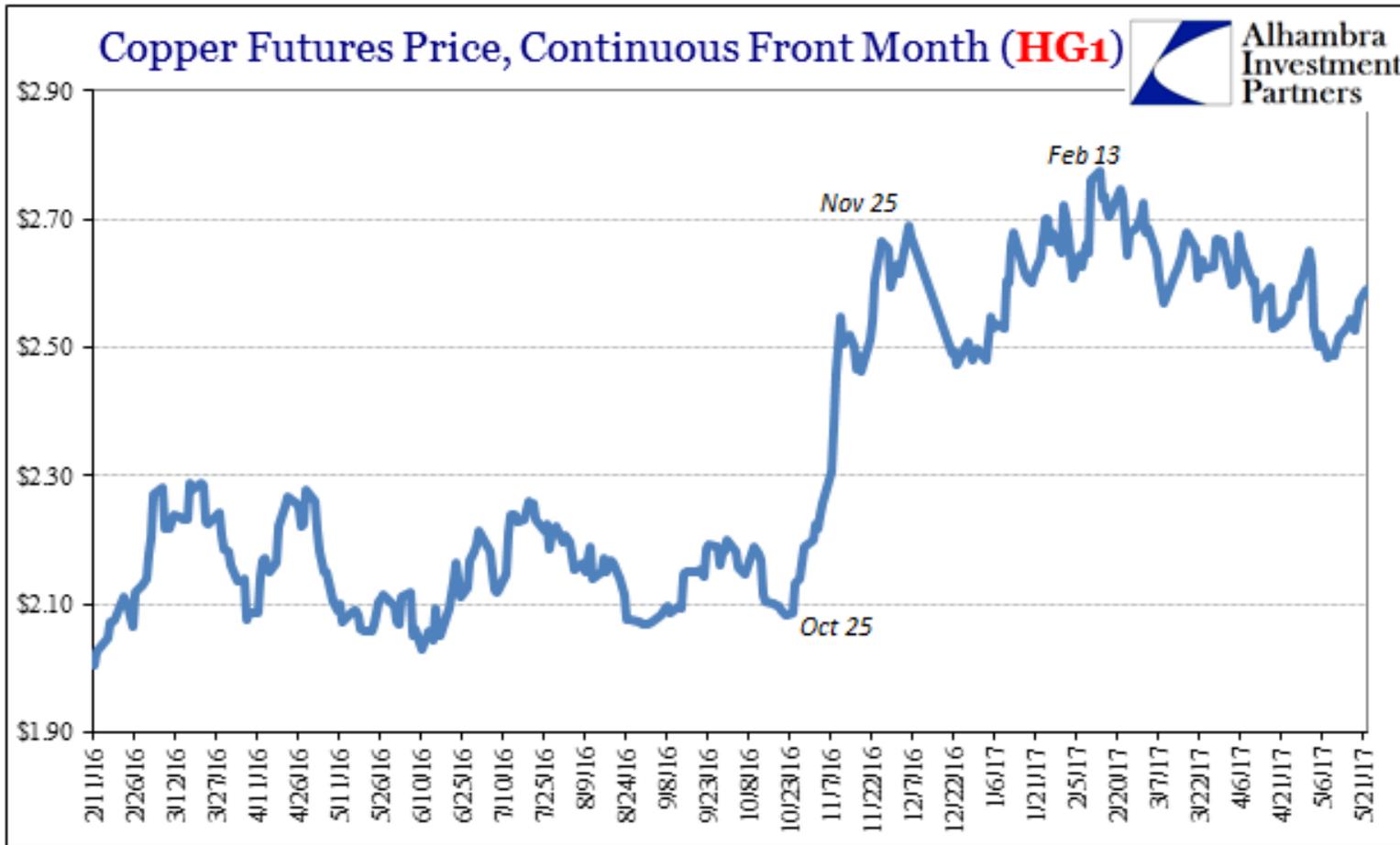
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To Disappoint Again

“ Since such tensions are normally correlated with overall economic conditions, it is unusual for social and political tensions to be so bad when overall economic and market conditions are so good.

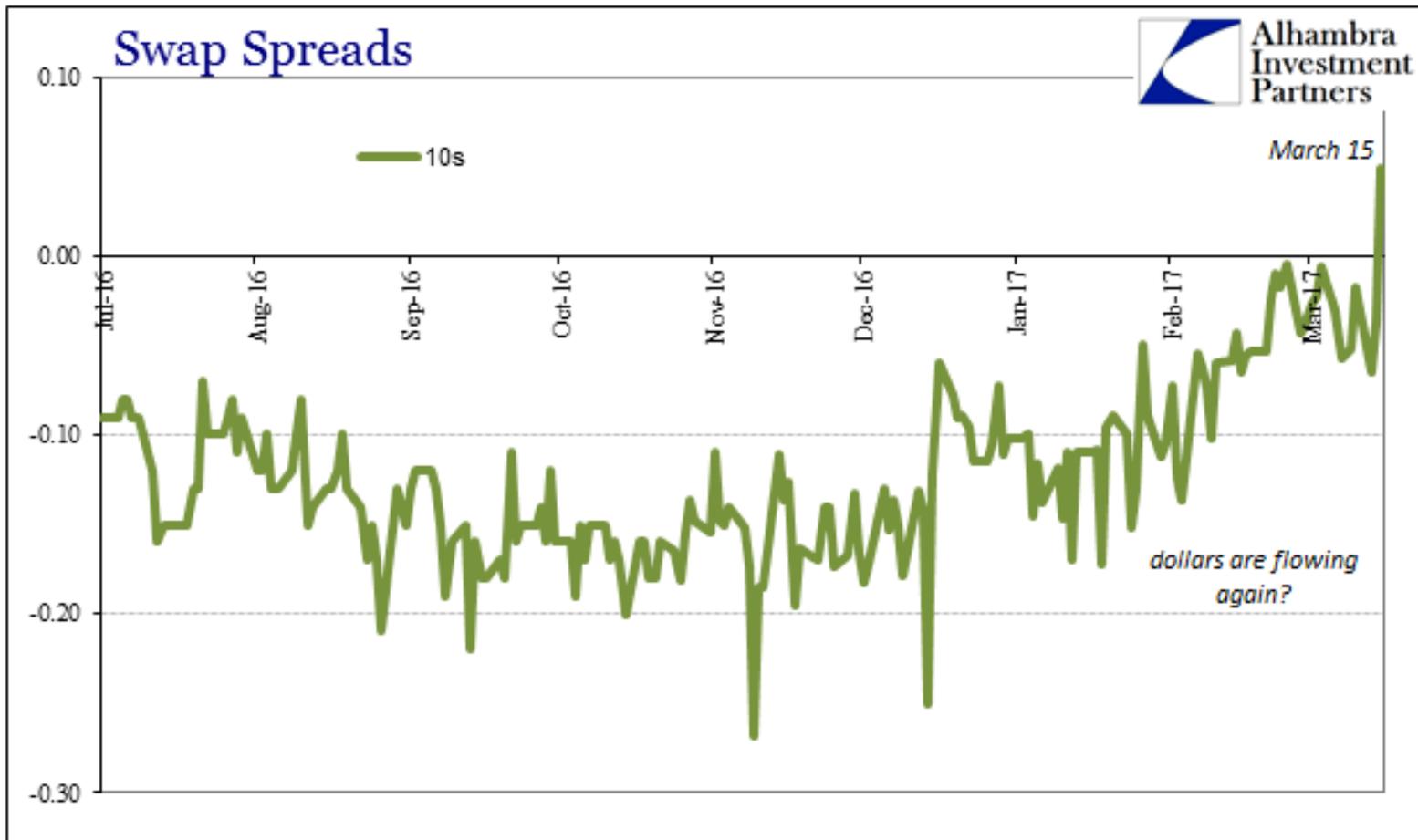
**Ray Dalio,
Founder of
Bridgewater Associates
May 13, 2017
CNBC Interview**

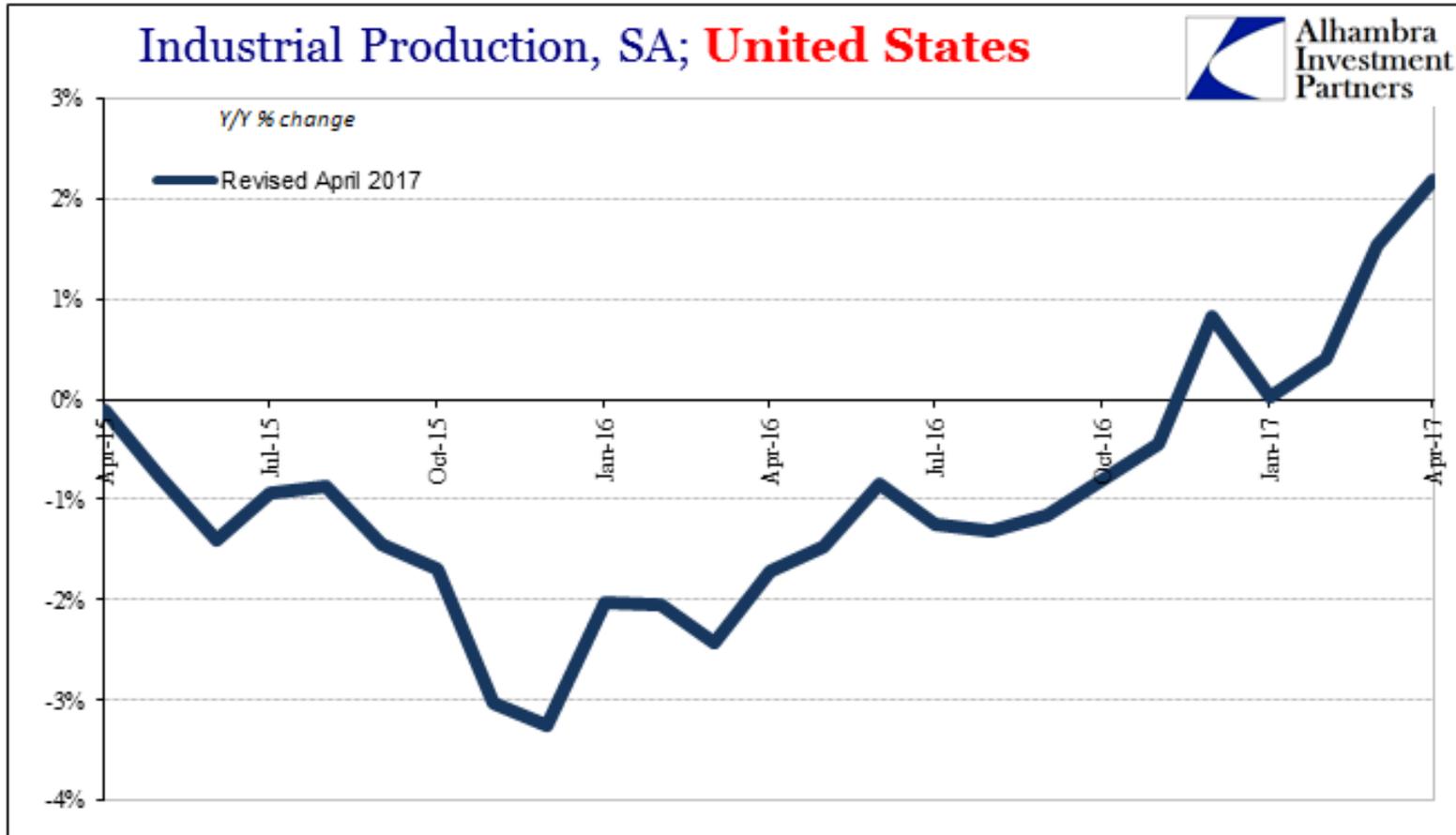


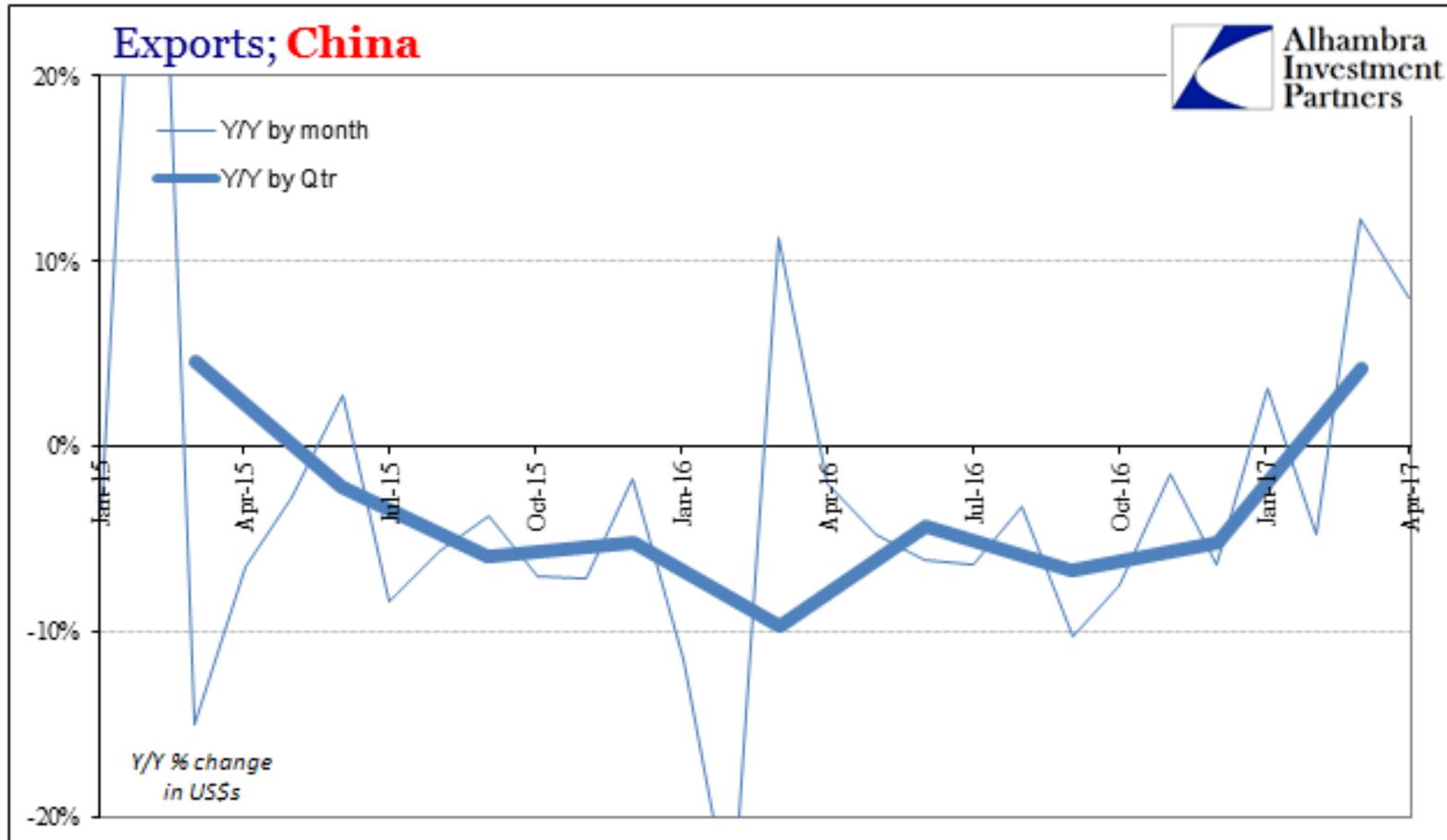


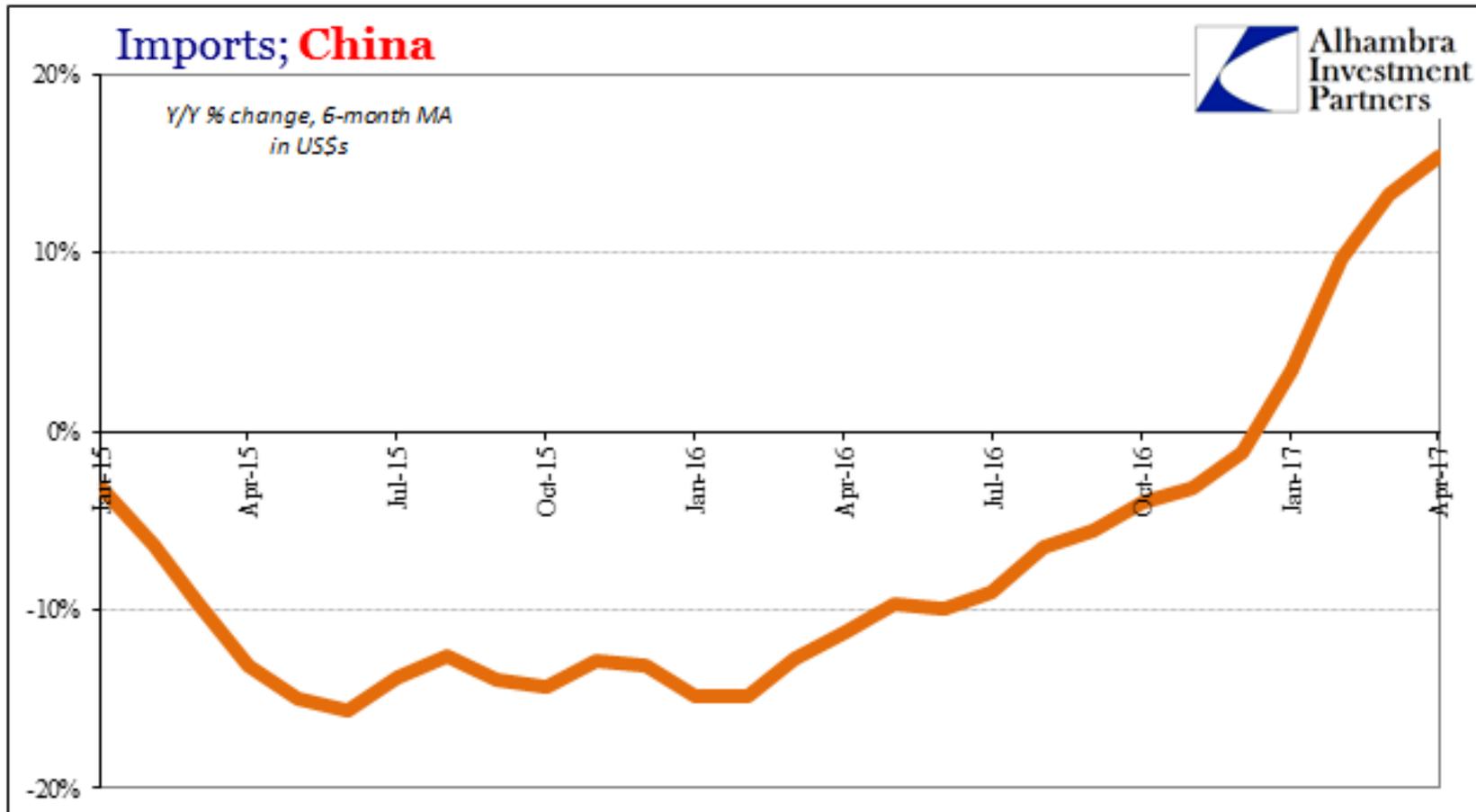


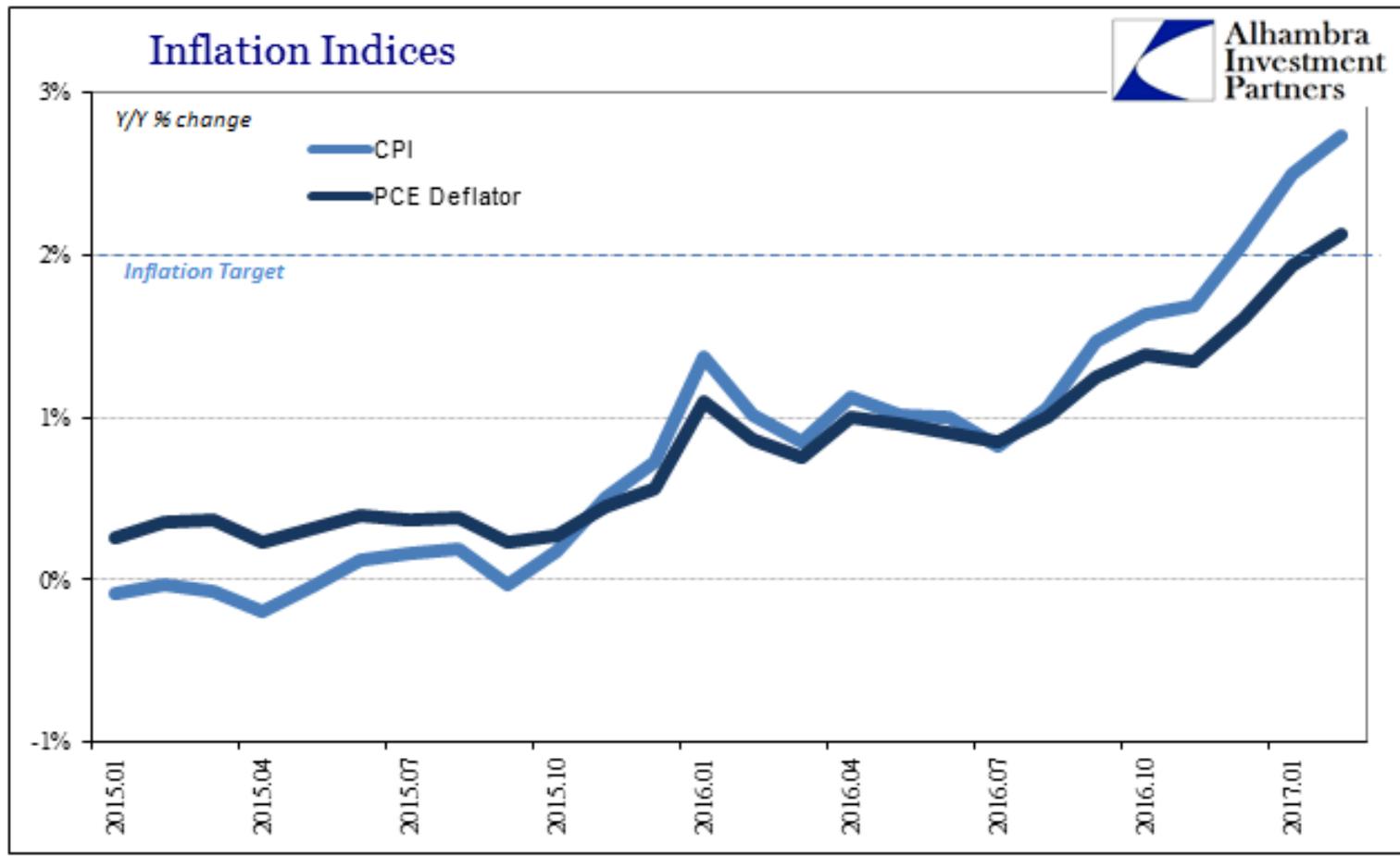












“ Subsequently, investors took note of the mention in the minutes of the January– February FOMC meeting that many participants expressed the view that it might be appropriate to raise the federal funds rate again fairly soon if incoming information on the labor market and inflation was in line with or stronger than their current expectations or if the risks of overshooting the Committee’s maximum employment and inflation objectives increased.

FOMC Meeting Minutes
Released April 5, 2017
Policy Statement

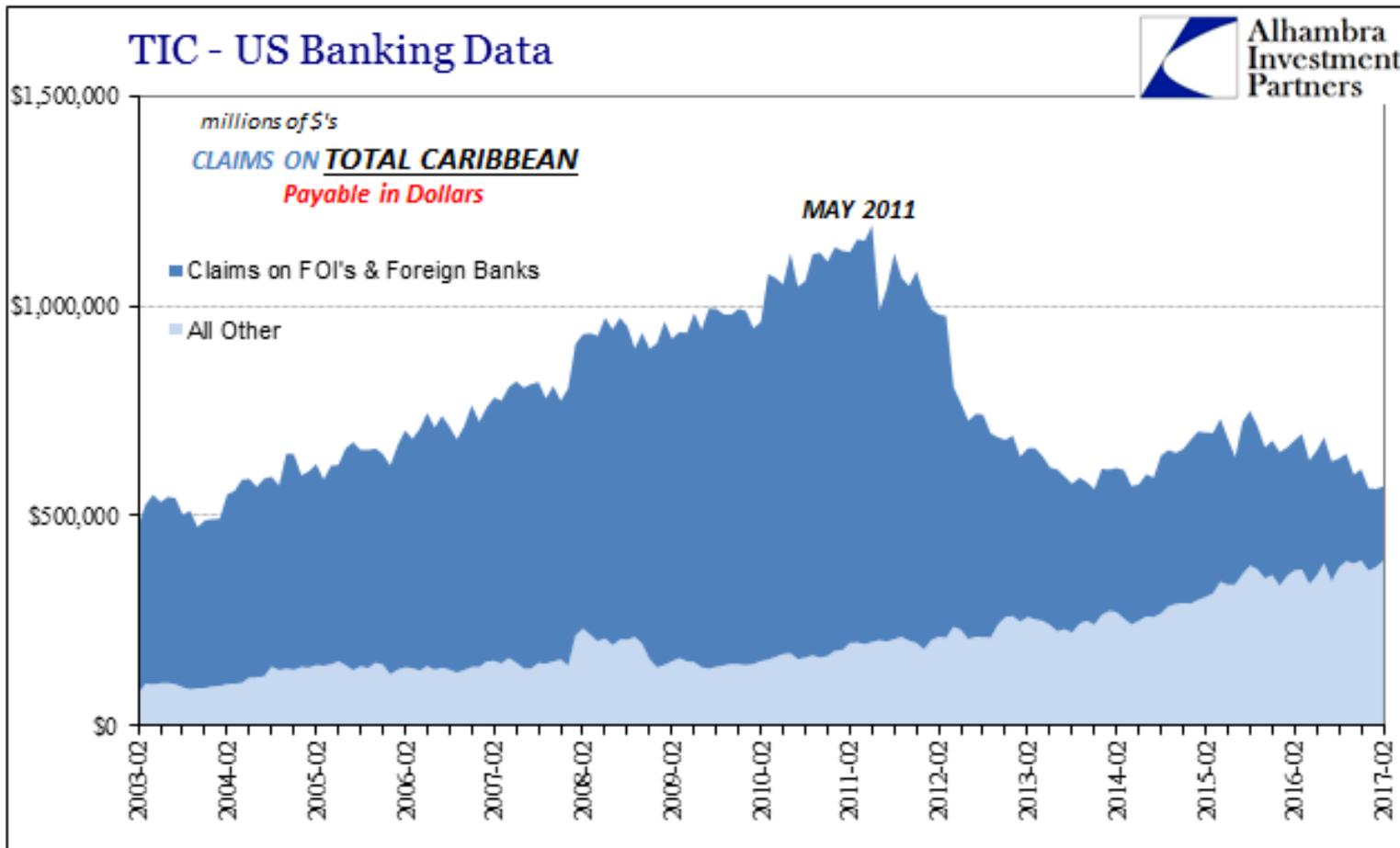
SOME MUCH NEEDED (apparently)
CONTEXT

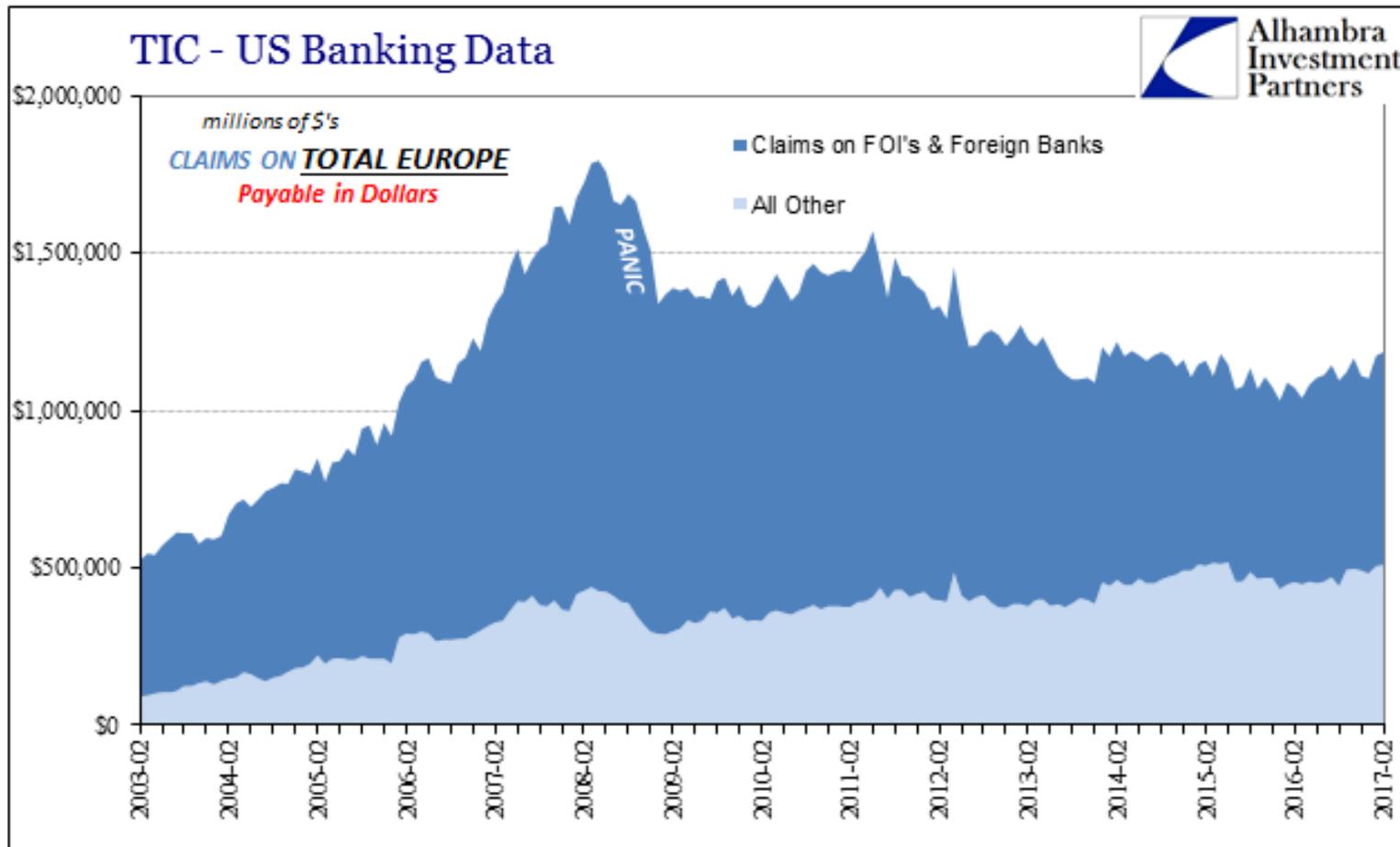
SPOILER: It's always the 'dollar'

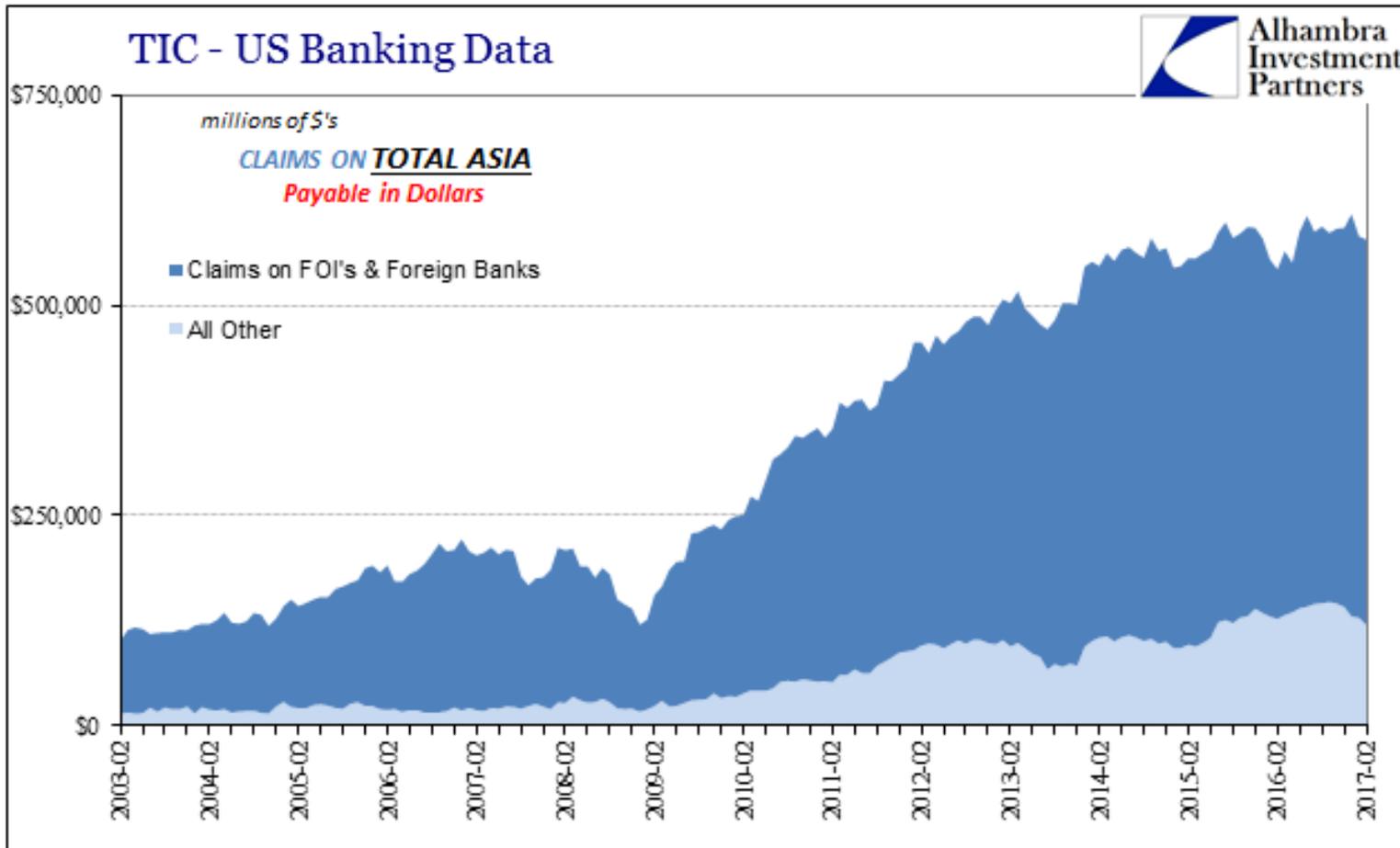
“ The fact that the 2011 crisis was more European than anything helps us explain why it was so devastating to the “dollar” system rather than solely the euro. European banks had made a particular habit of funding “dollars” from these centers, meaning that Caribbean banks in 2011 operated largely as they had in 1969 – a point of outbound dollar *redistribution* from the US to the rest of the world, including European banks that had long-established relationships in the islands.

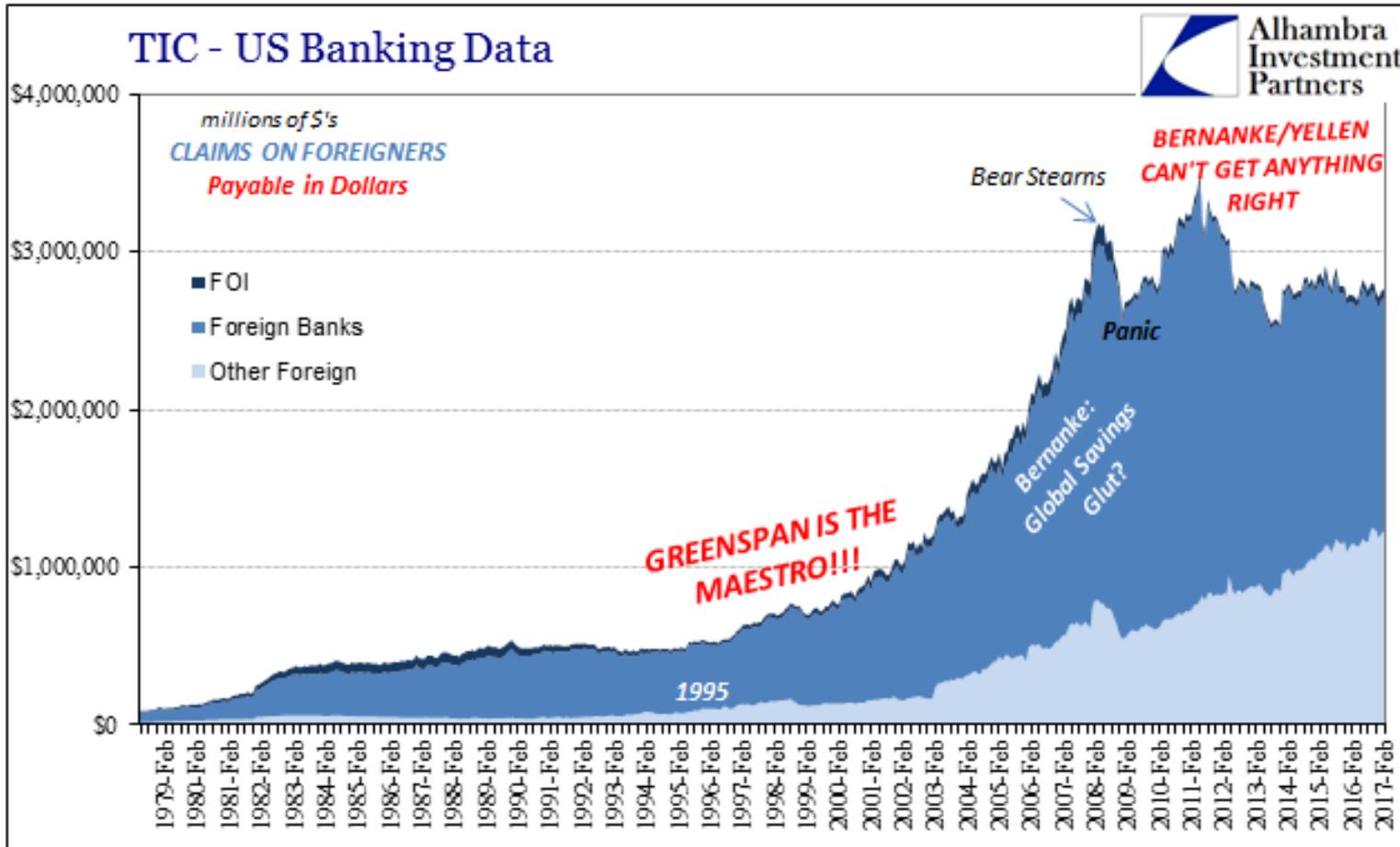
AIP Research
April 24, 2017

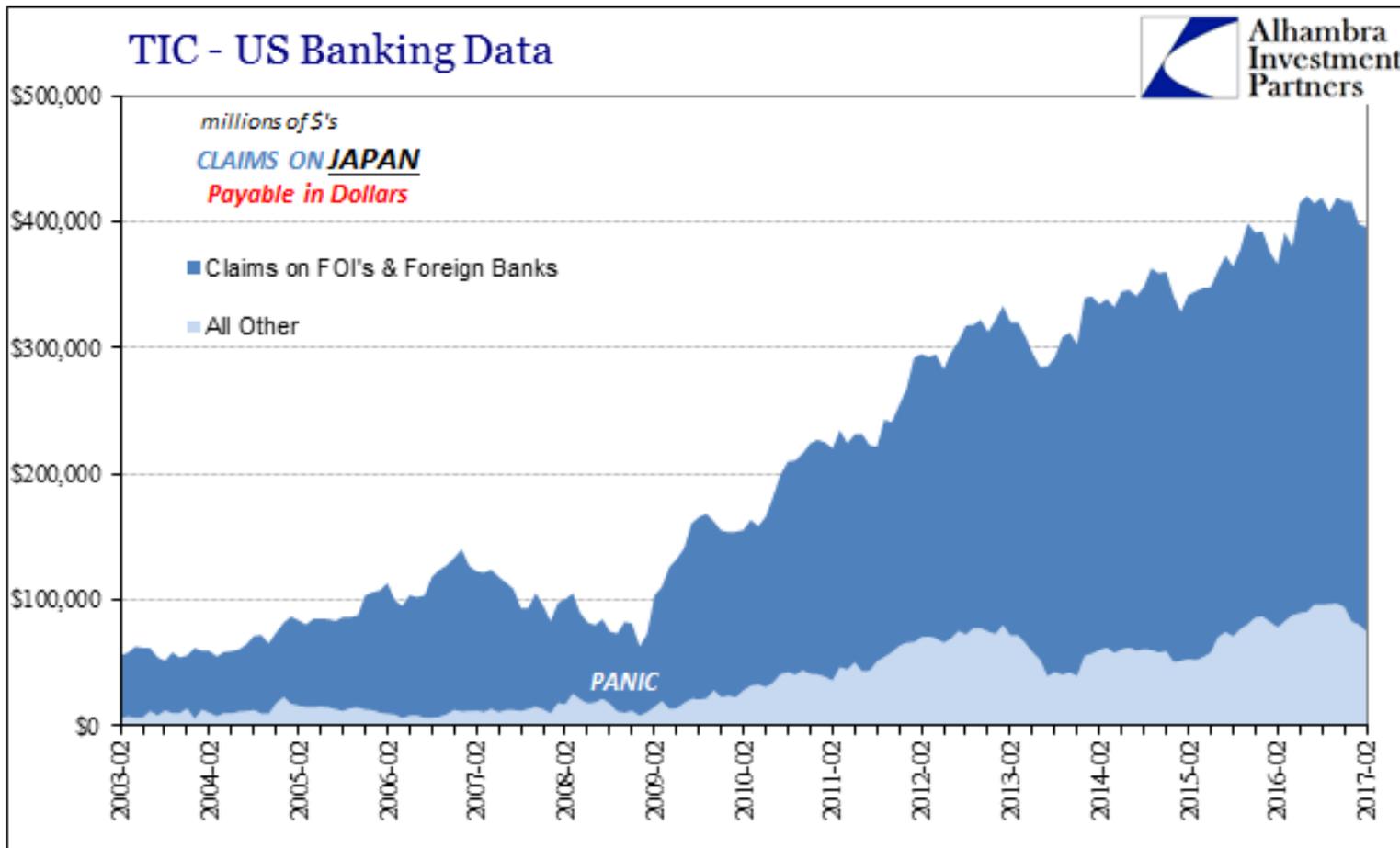
To The Asian ‘Dollar’, And Then What?

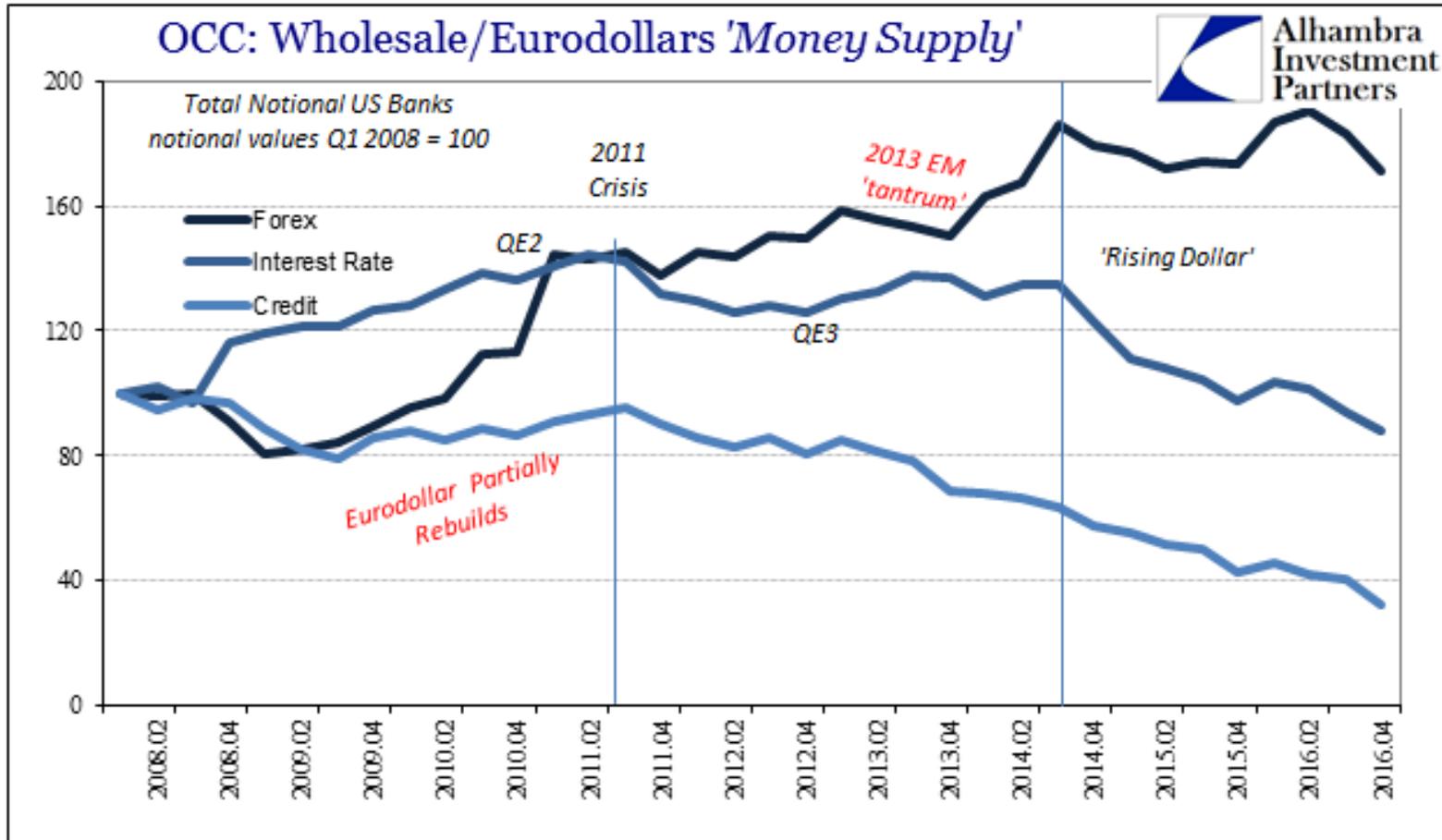


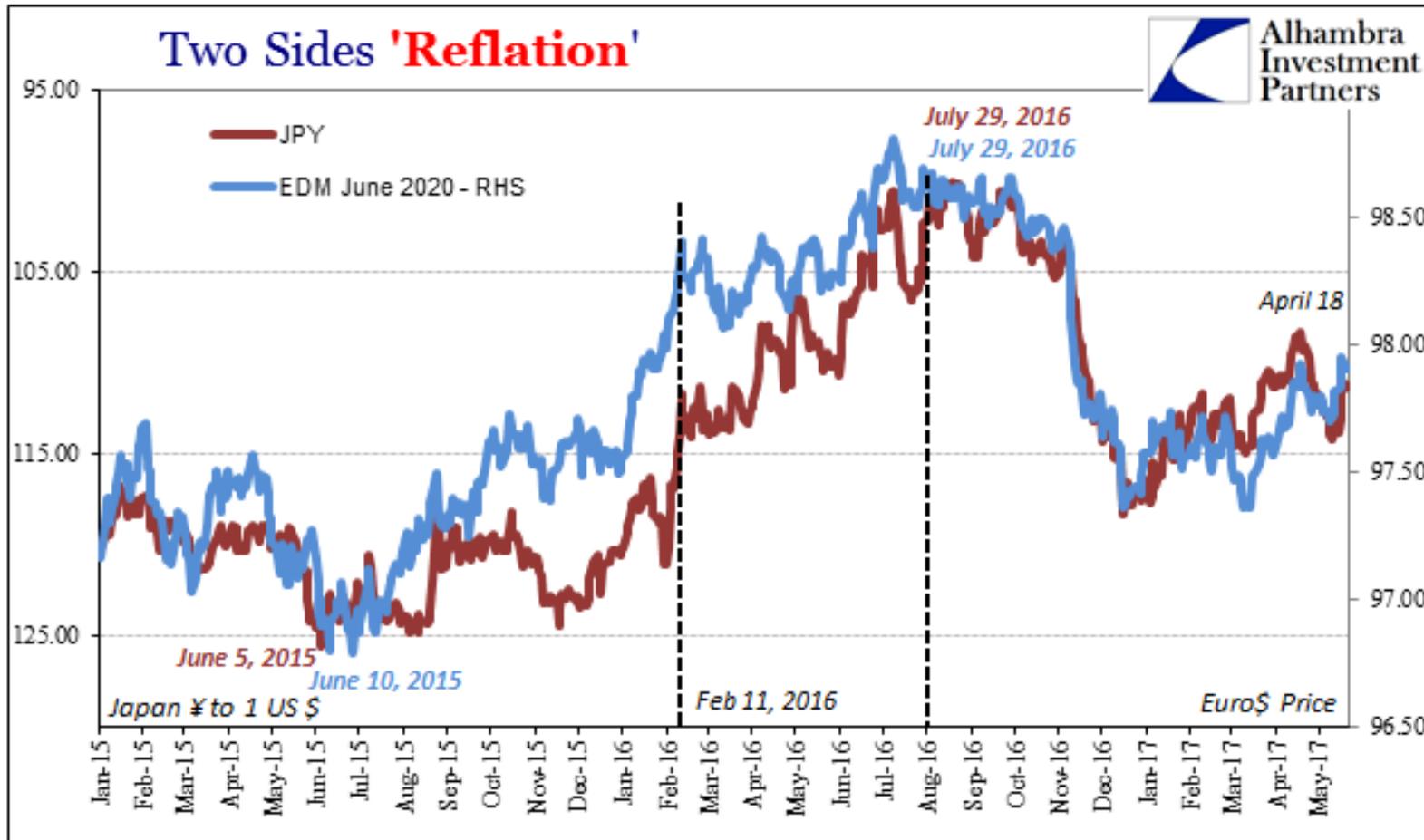






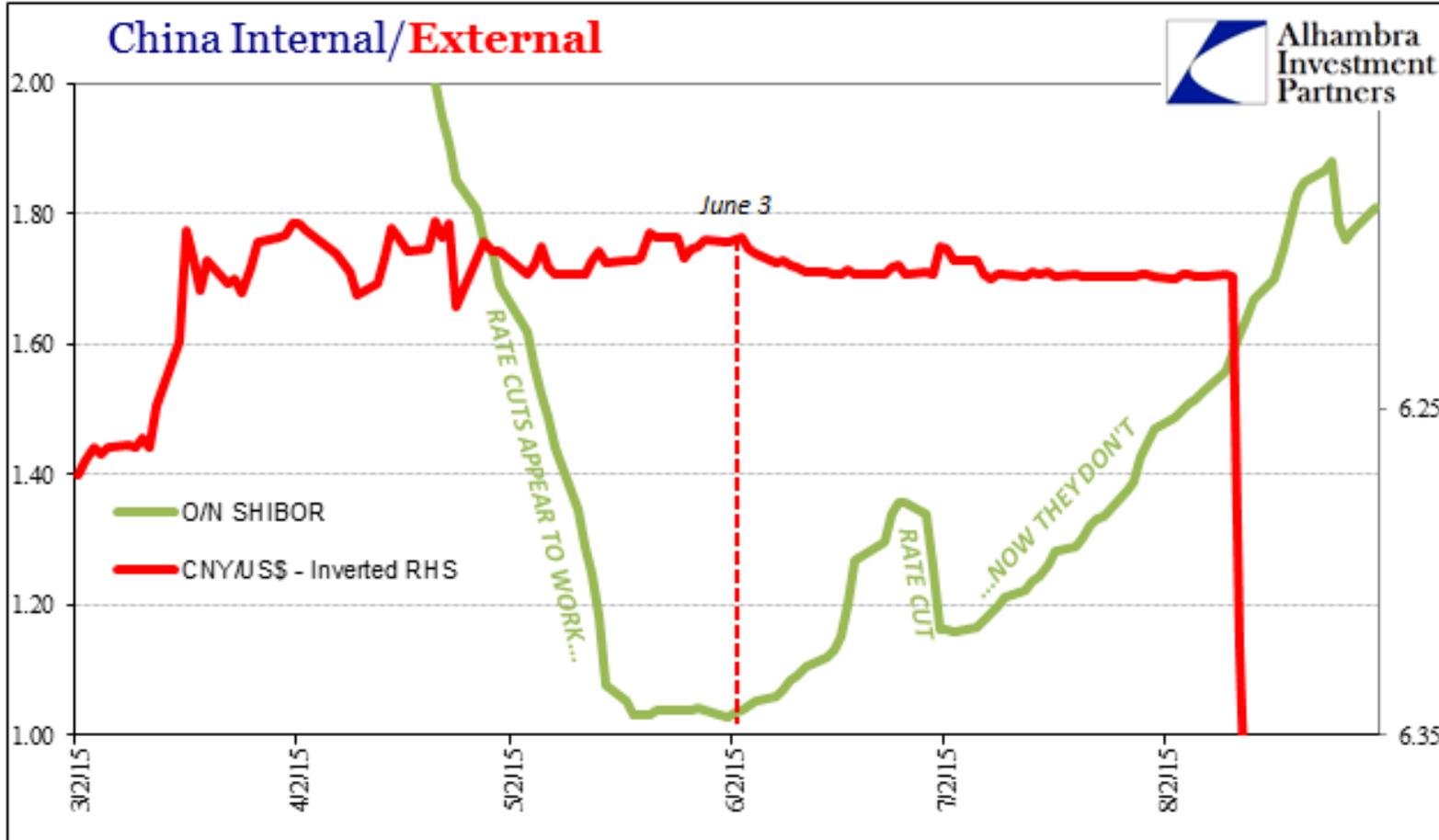


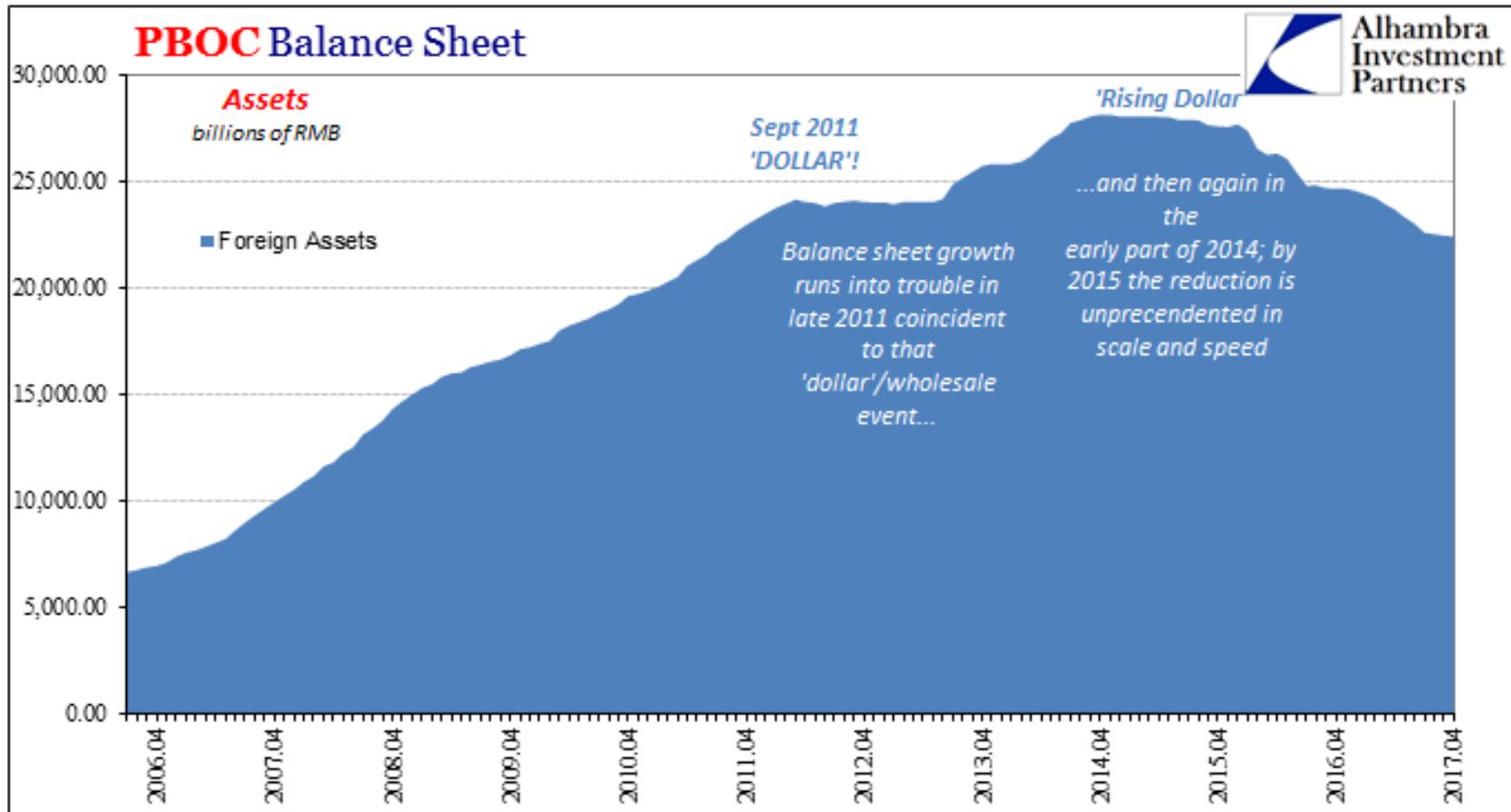


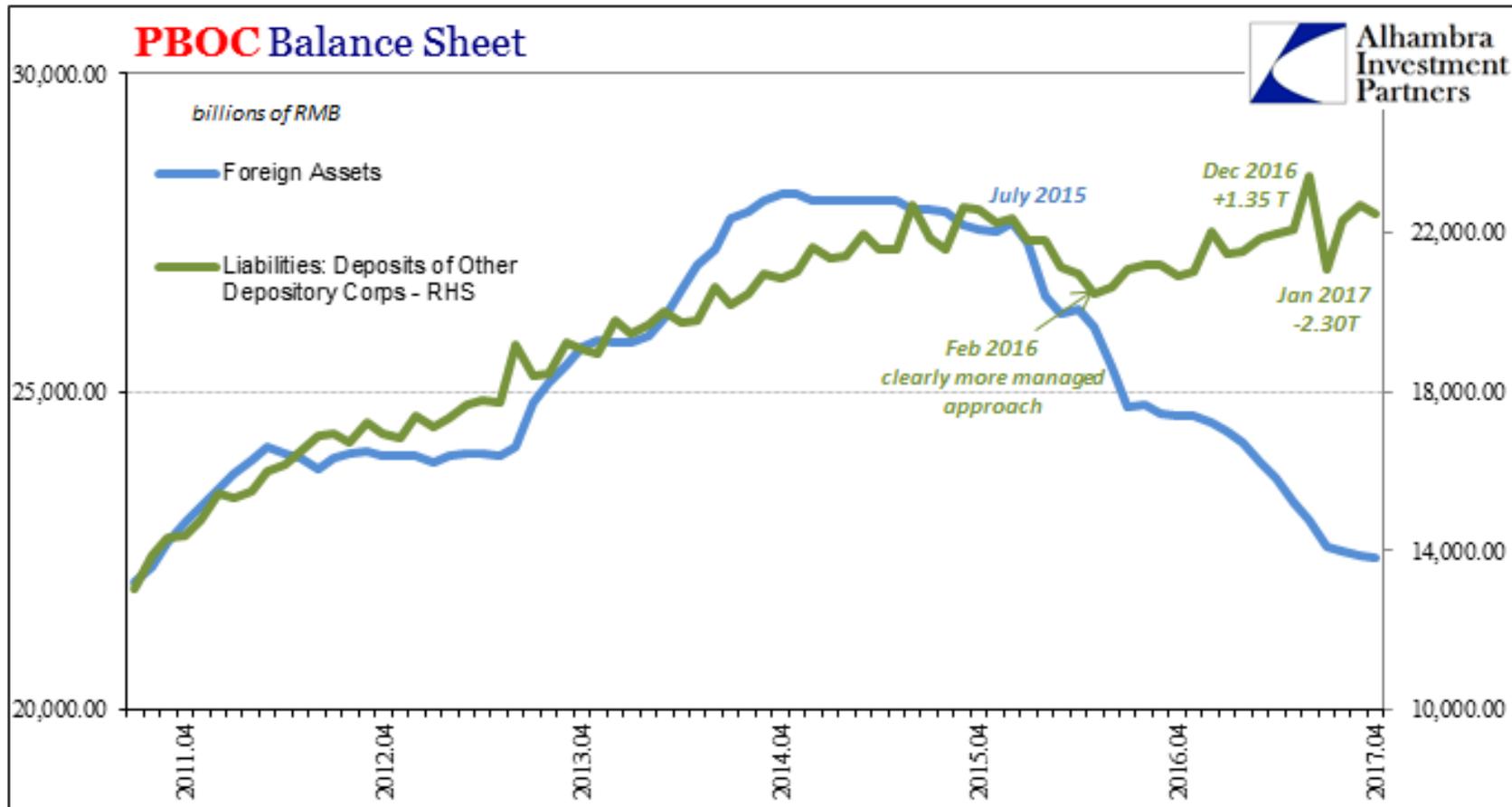


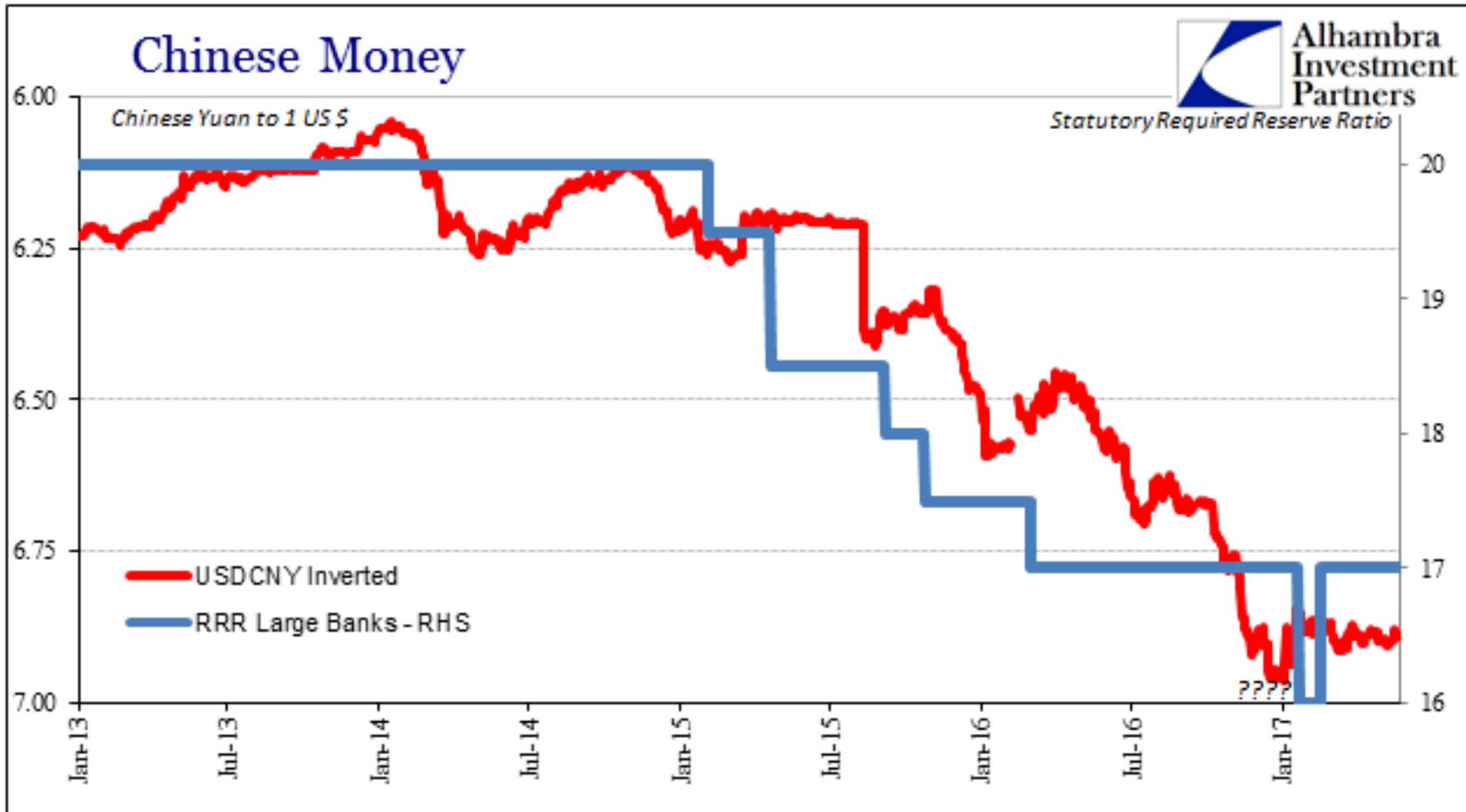
“ The moment an alternative opens up, you will jump all over it. What other choice is there? On July 29, 2016, the Bank of Japan opened one, misunderstood at the time for all the wrong reasons about “stimulus” and currency. They doubled the dollar swap aid ceiling for a program previously in place, but they also created a JGB/US Treasury swap where Japanese banks could use Japanese government bonds as collateral for some of the more than trillion dollars in UST’s floating around Japan in possession of the BoJ. Doing so meant a capacity for Japanese banks to circumvent the circling FX basis sharks by going right at other means like US\$ repo – when the price was right.

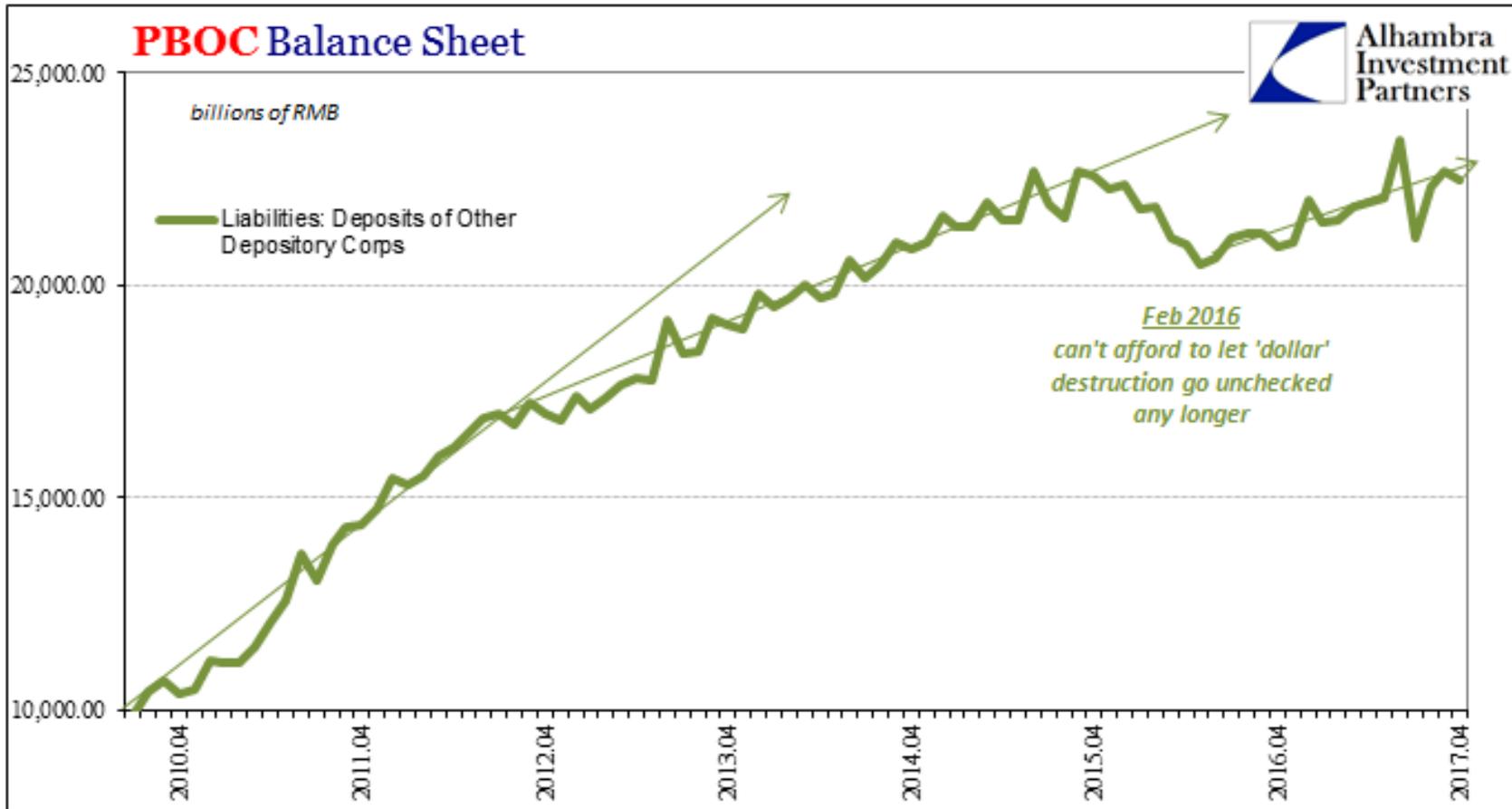
AIP Research
May 18, 2017
Why JPY?

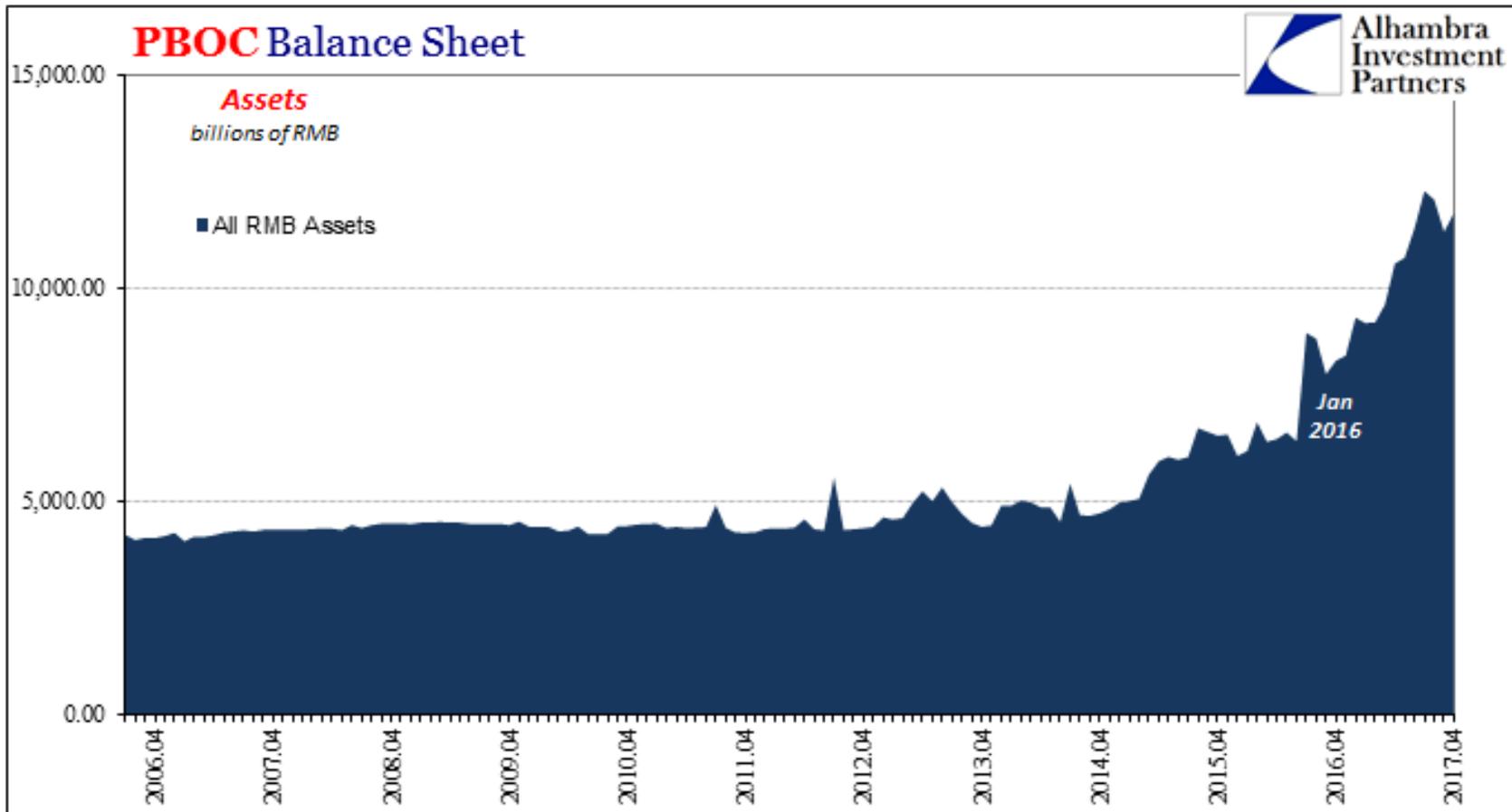


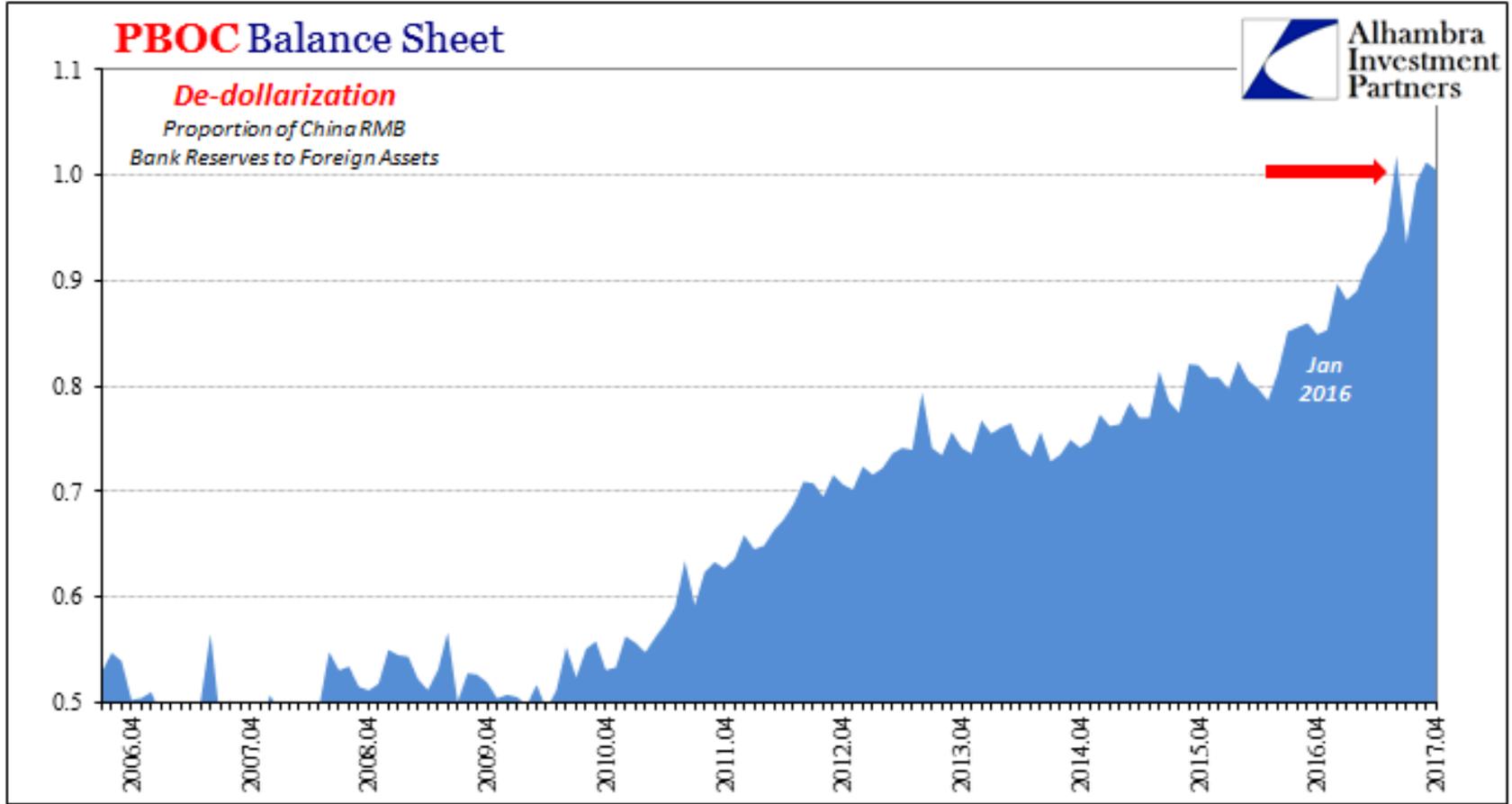


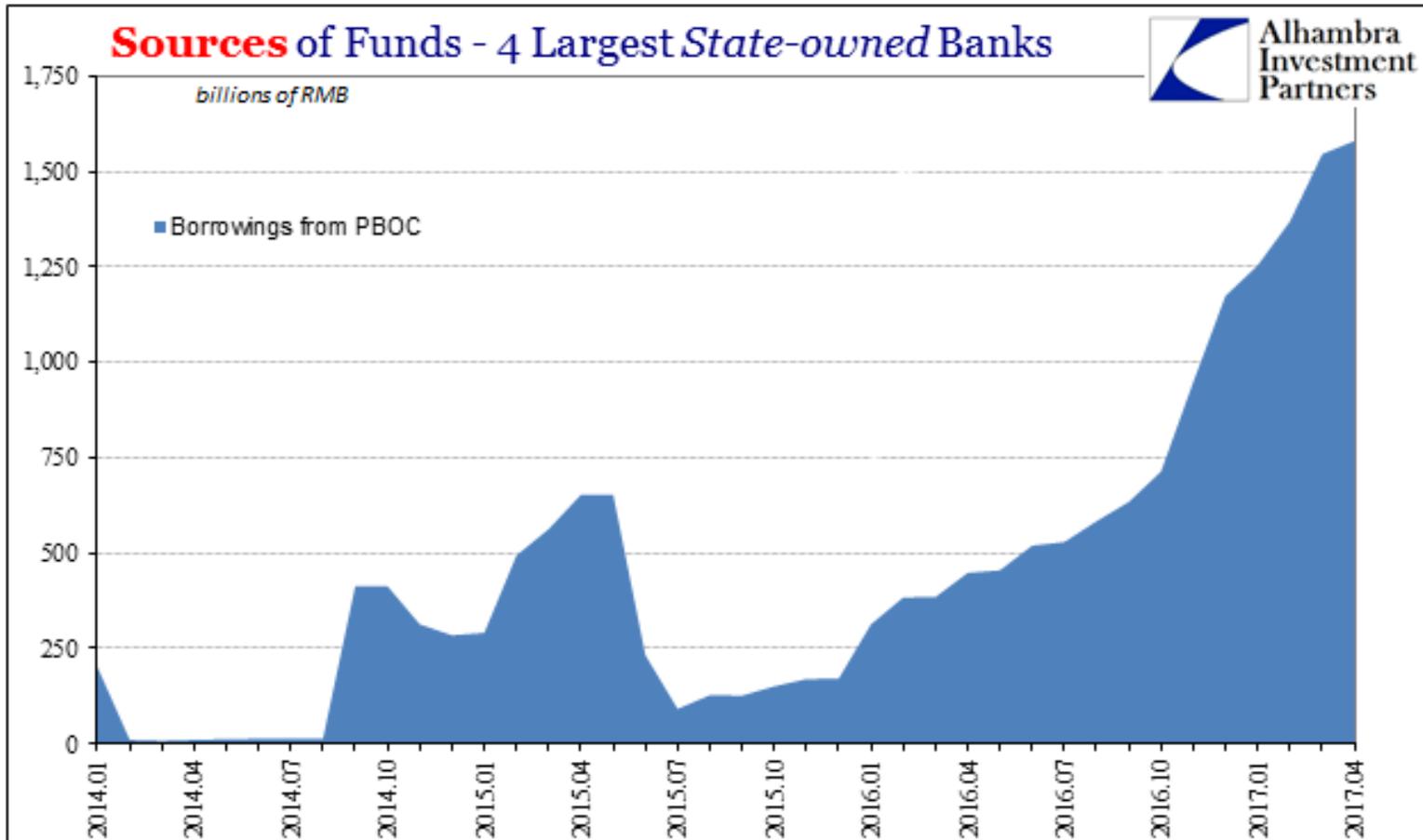


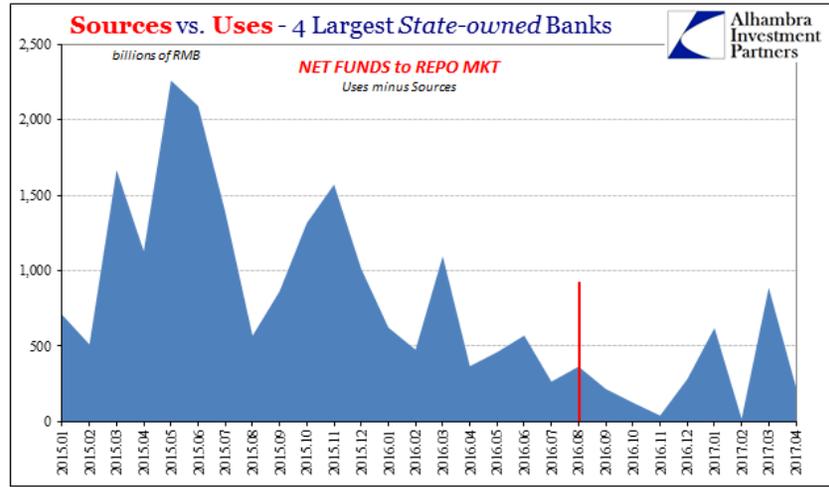
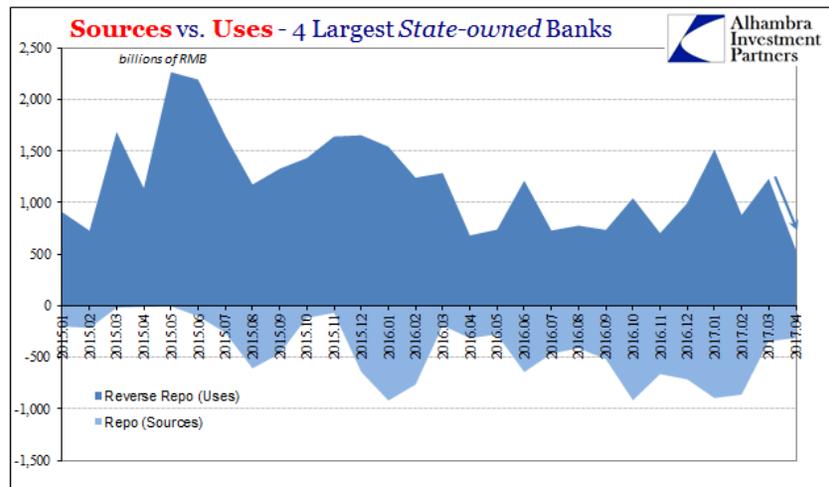








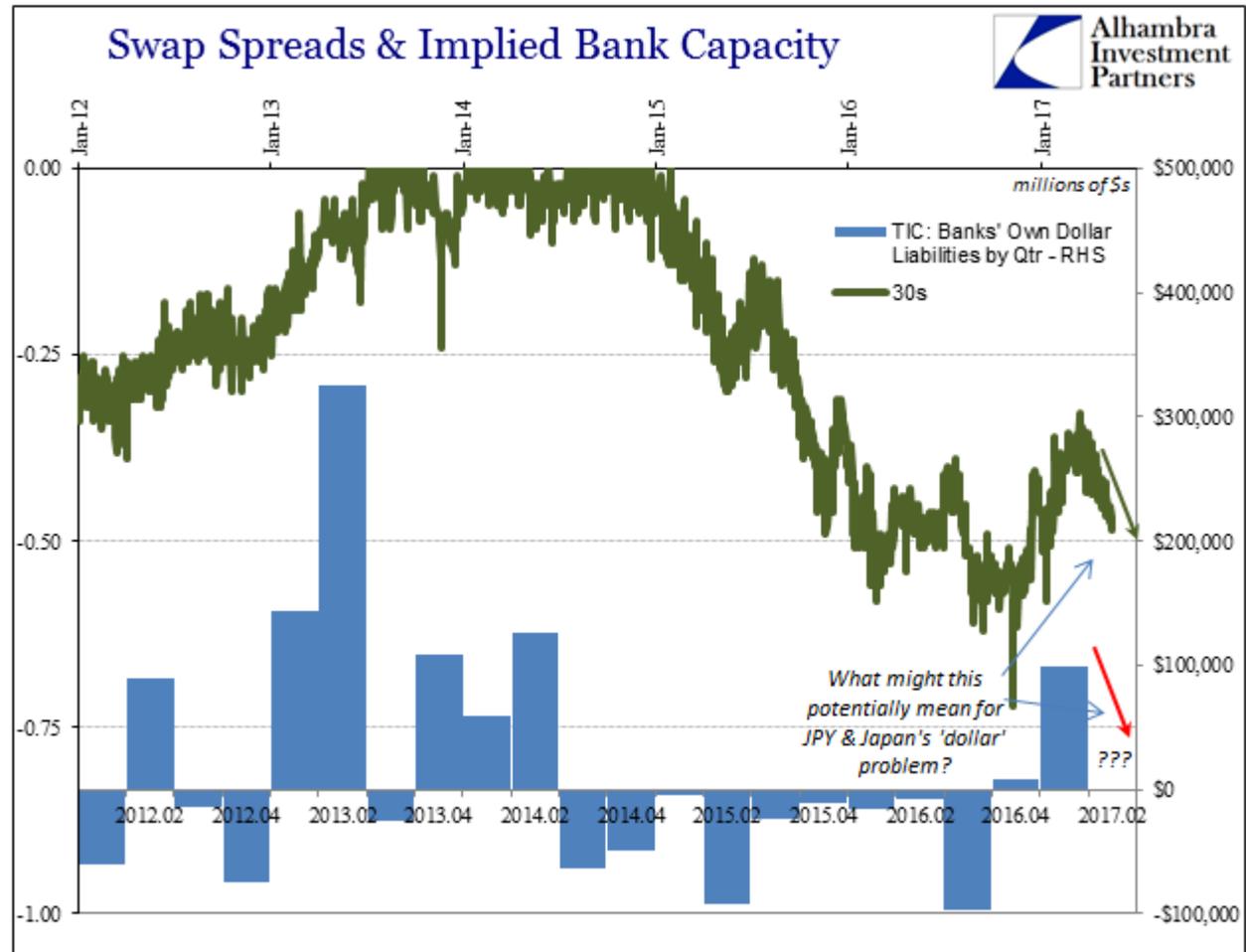


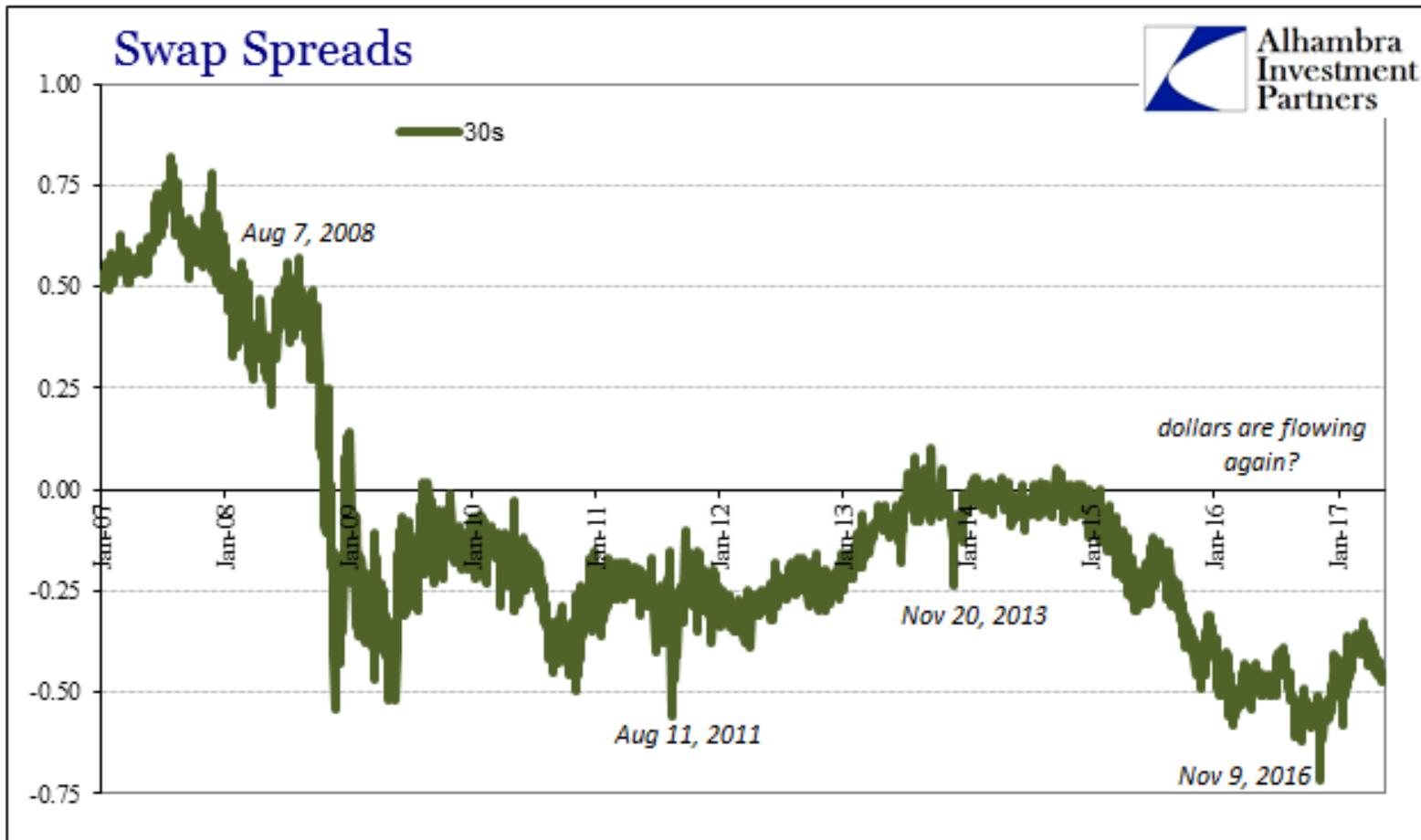


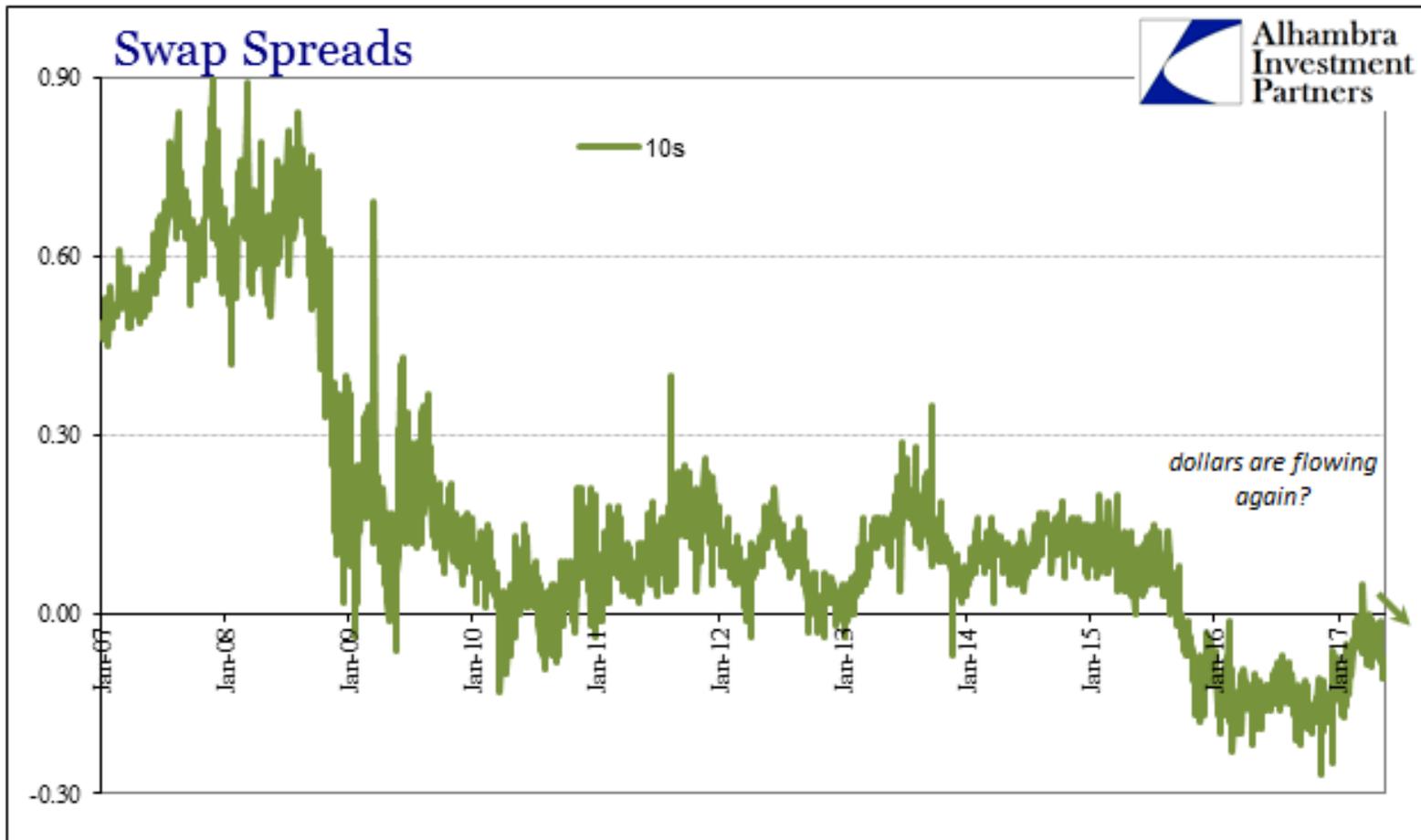


Absolute Improvement vs. **relative**

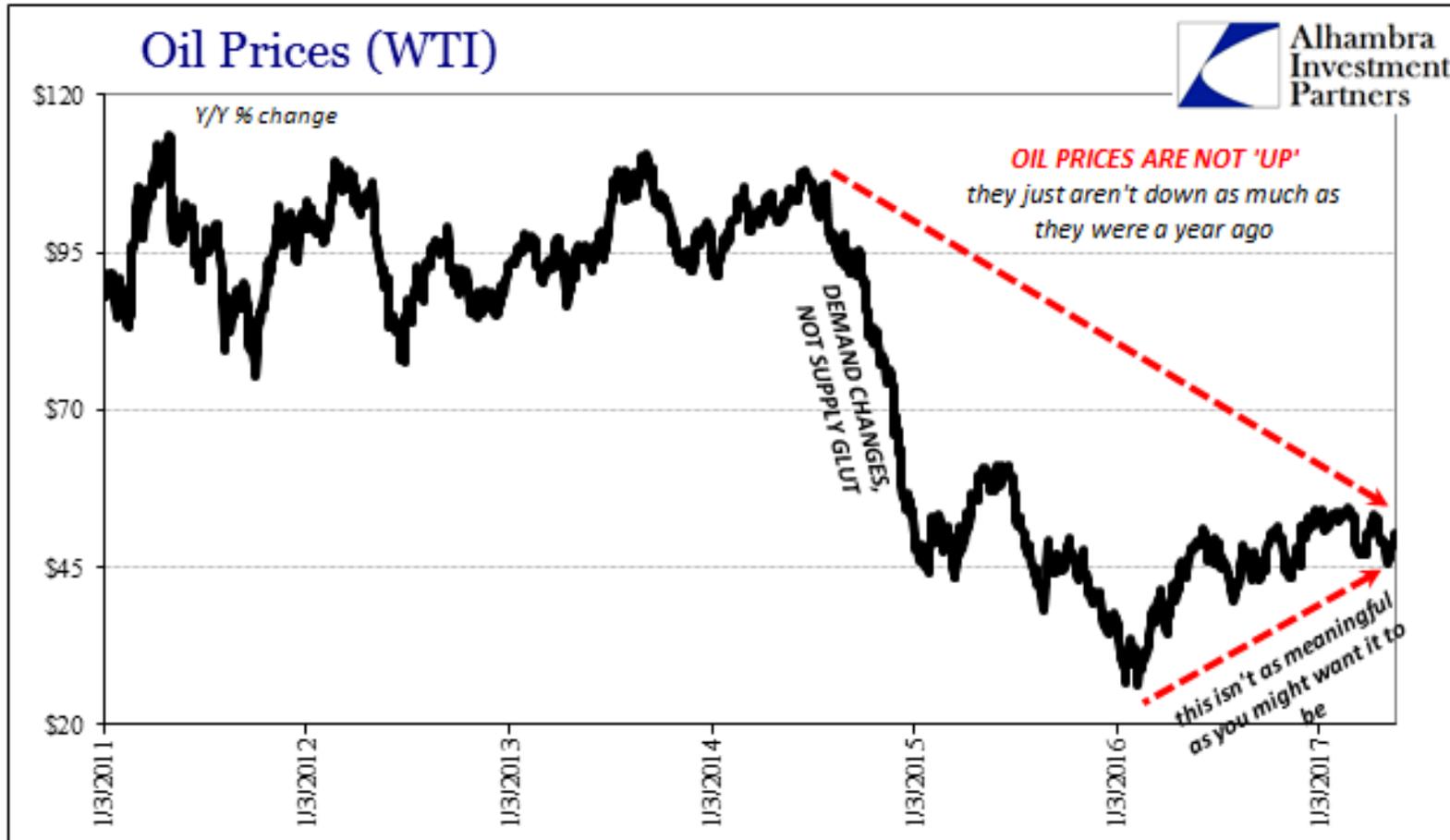
‘Dollar’ Pressure Has Not Disappeared, It
Is Merely **less than last year**

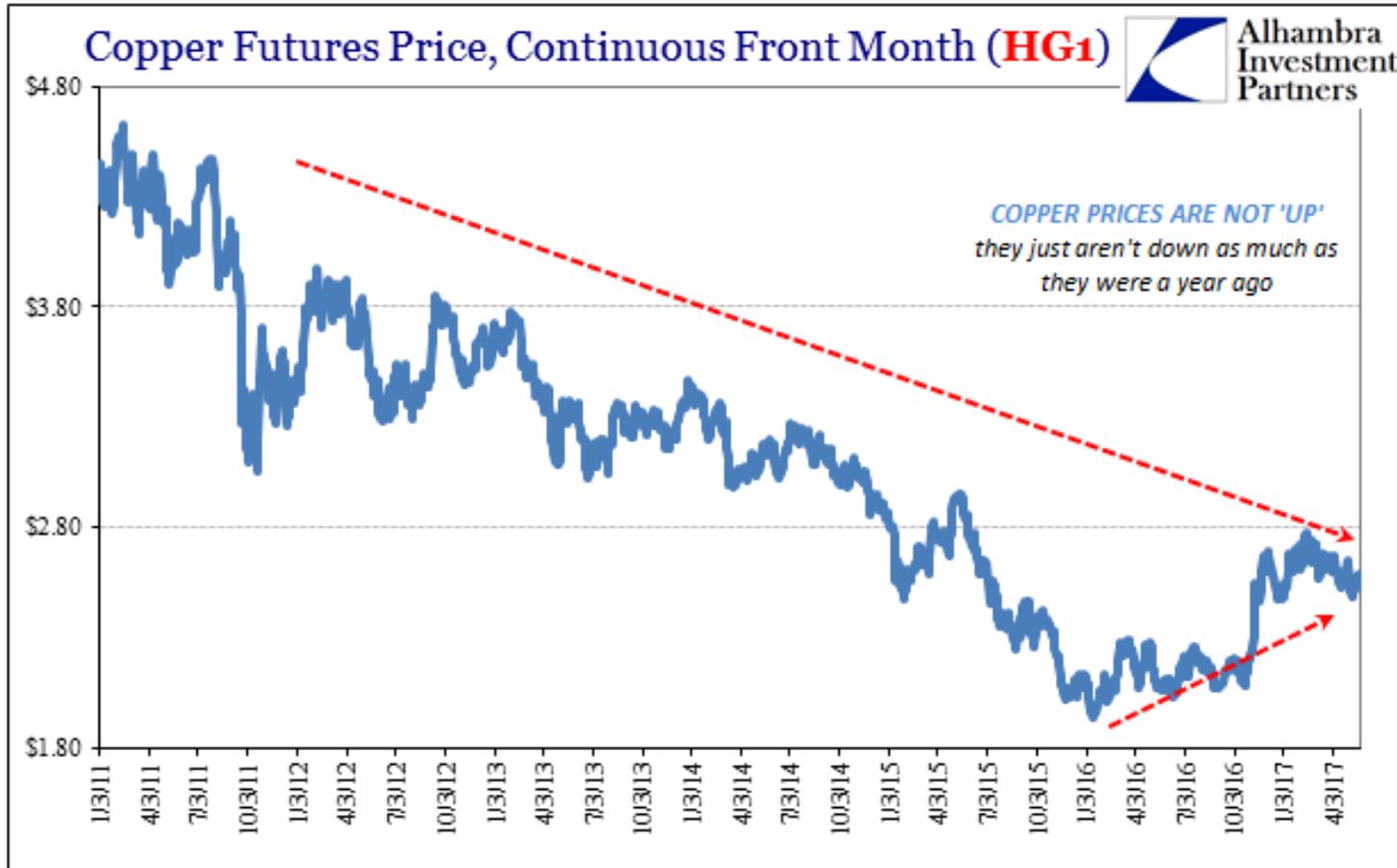






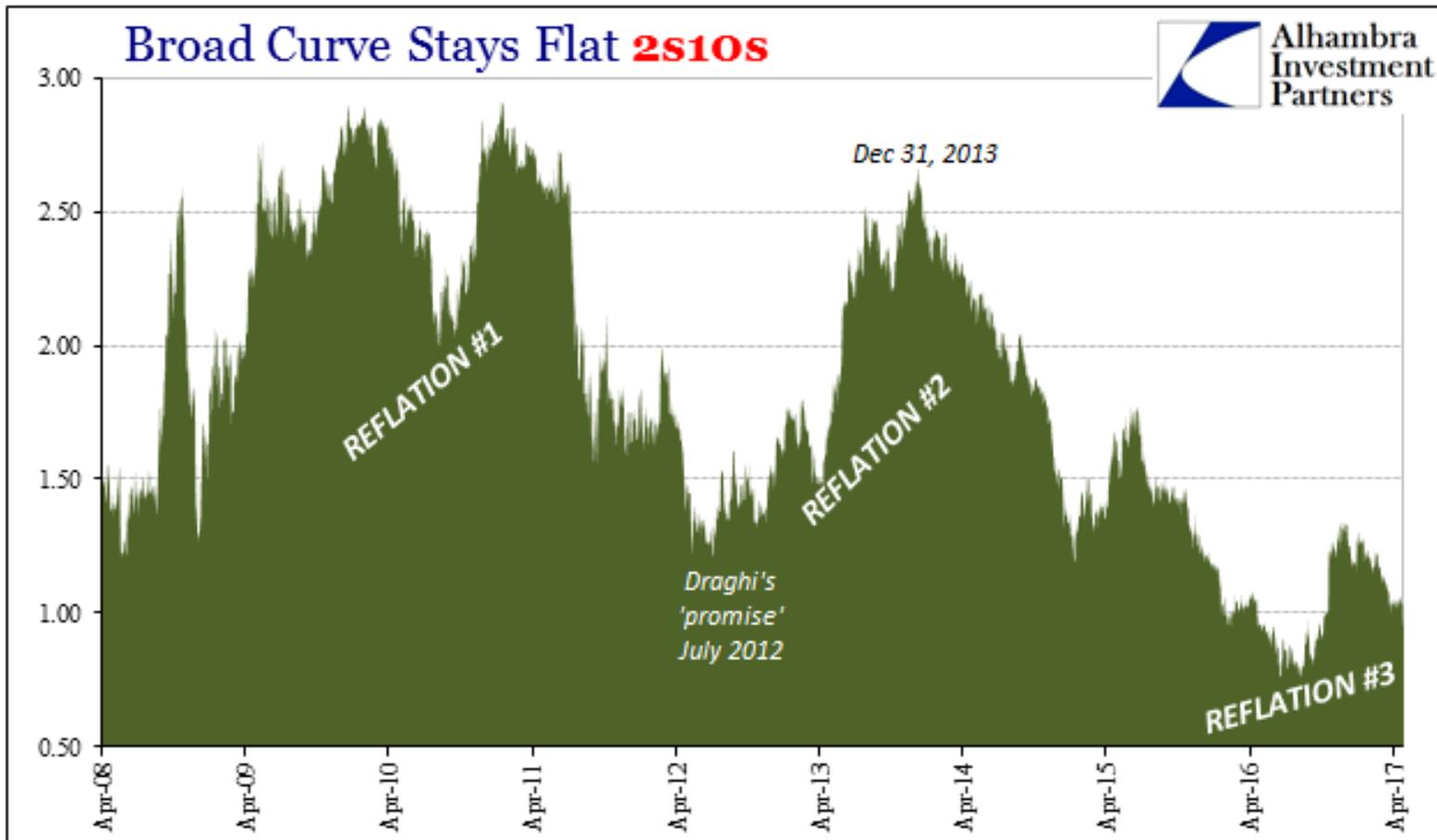
Commodity Prices Are Not **up**, They
Just Aren't **down** As Much As
Last Year

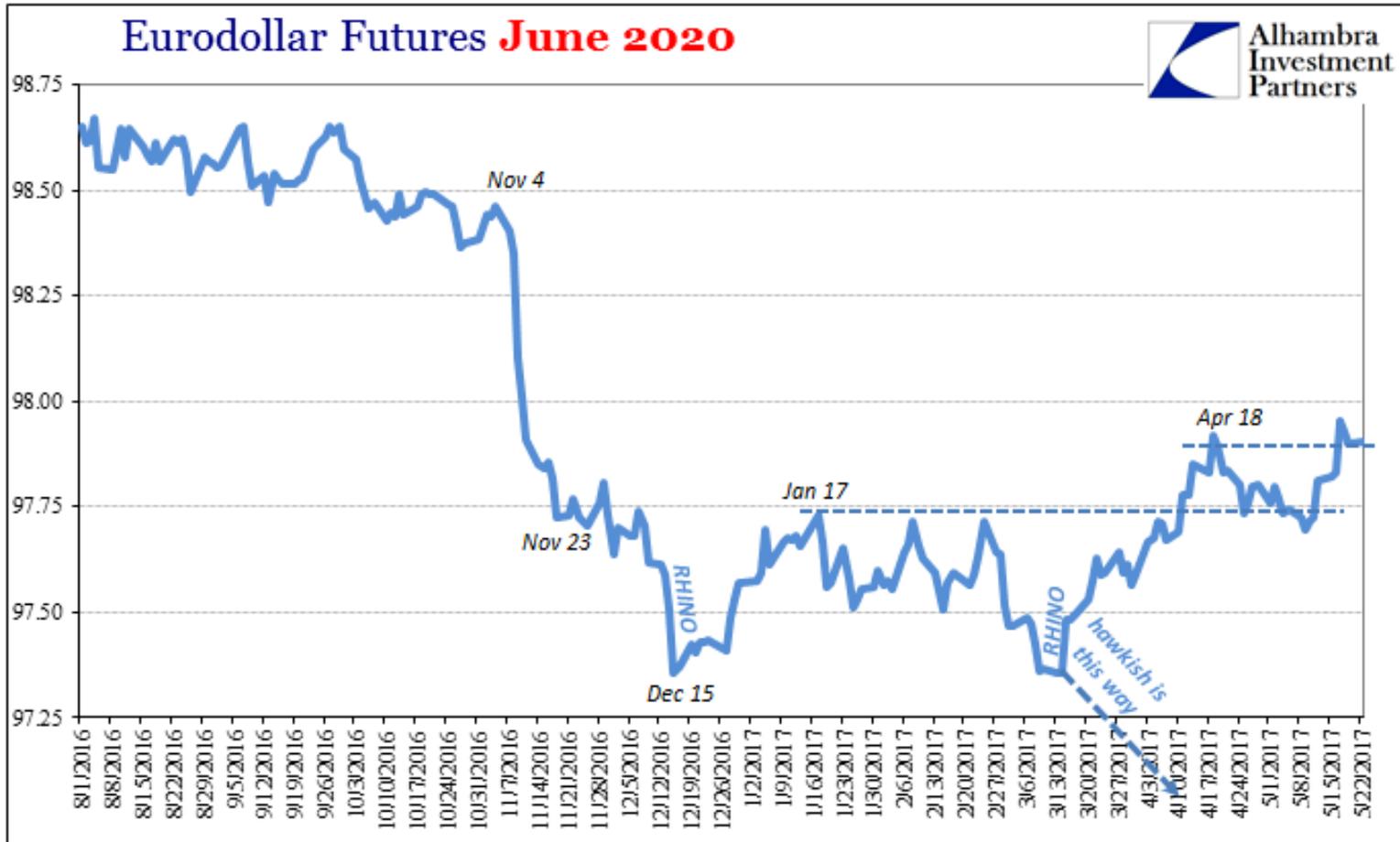


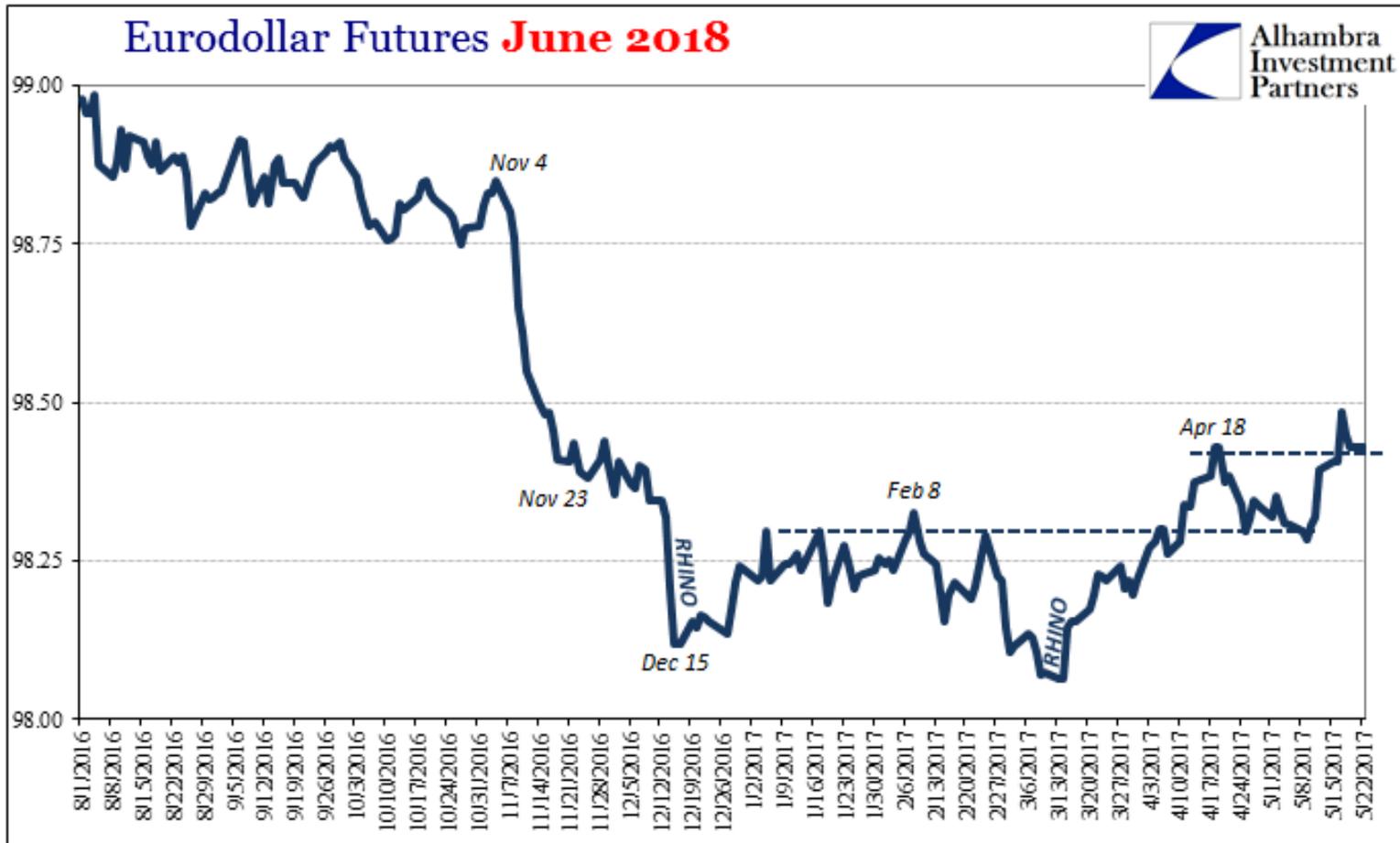


Markets are not even enthusiastic about
'reflation', and what little enthusiasm
there might have been has
dwindled



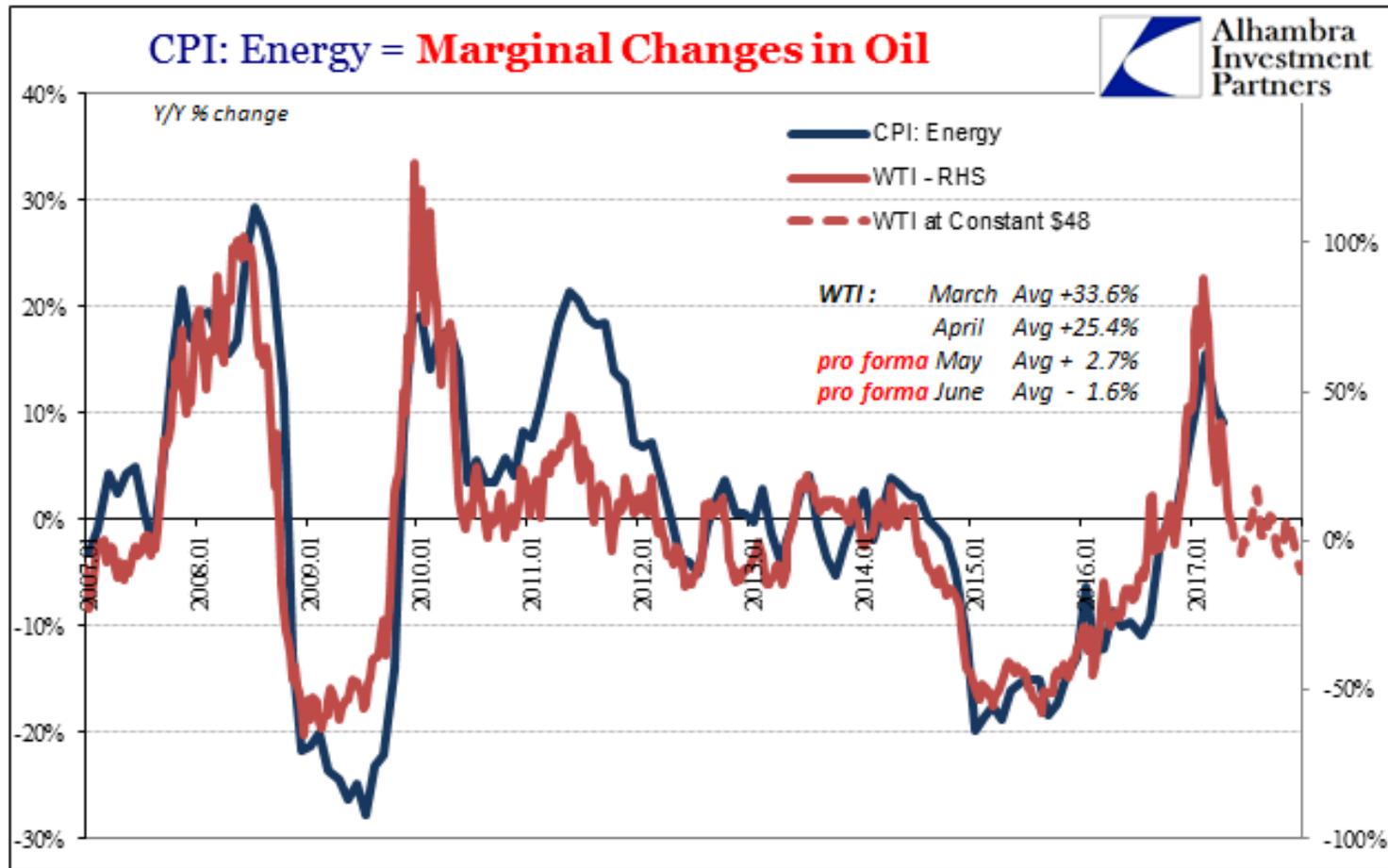


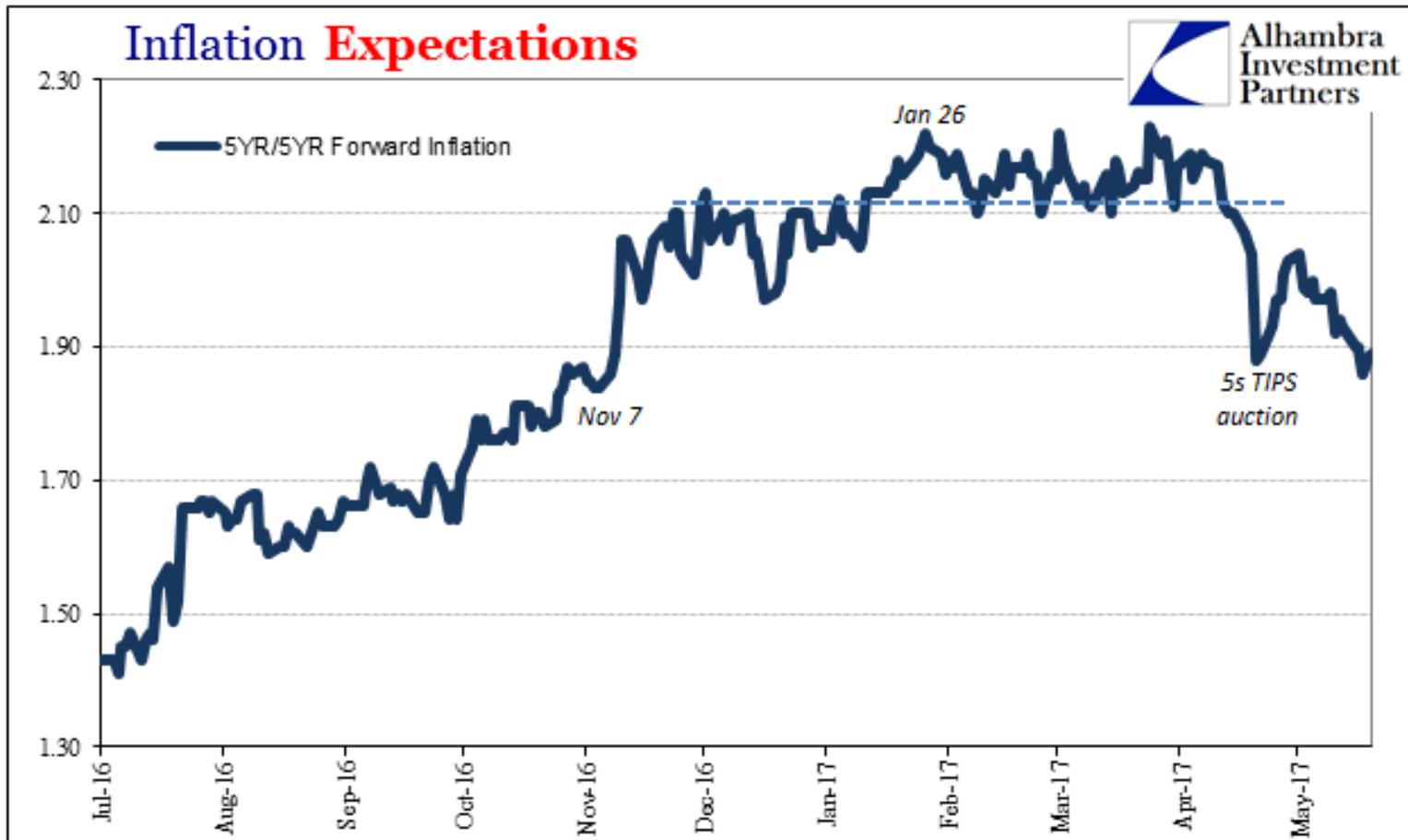


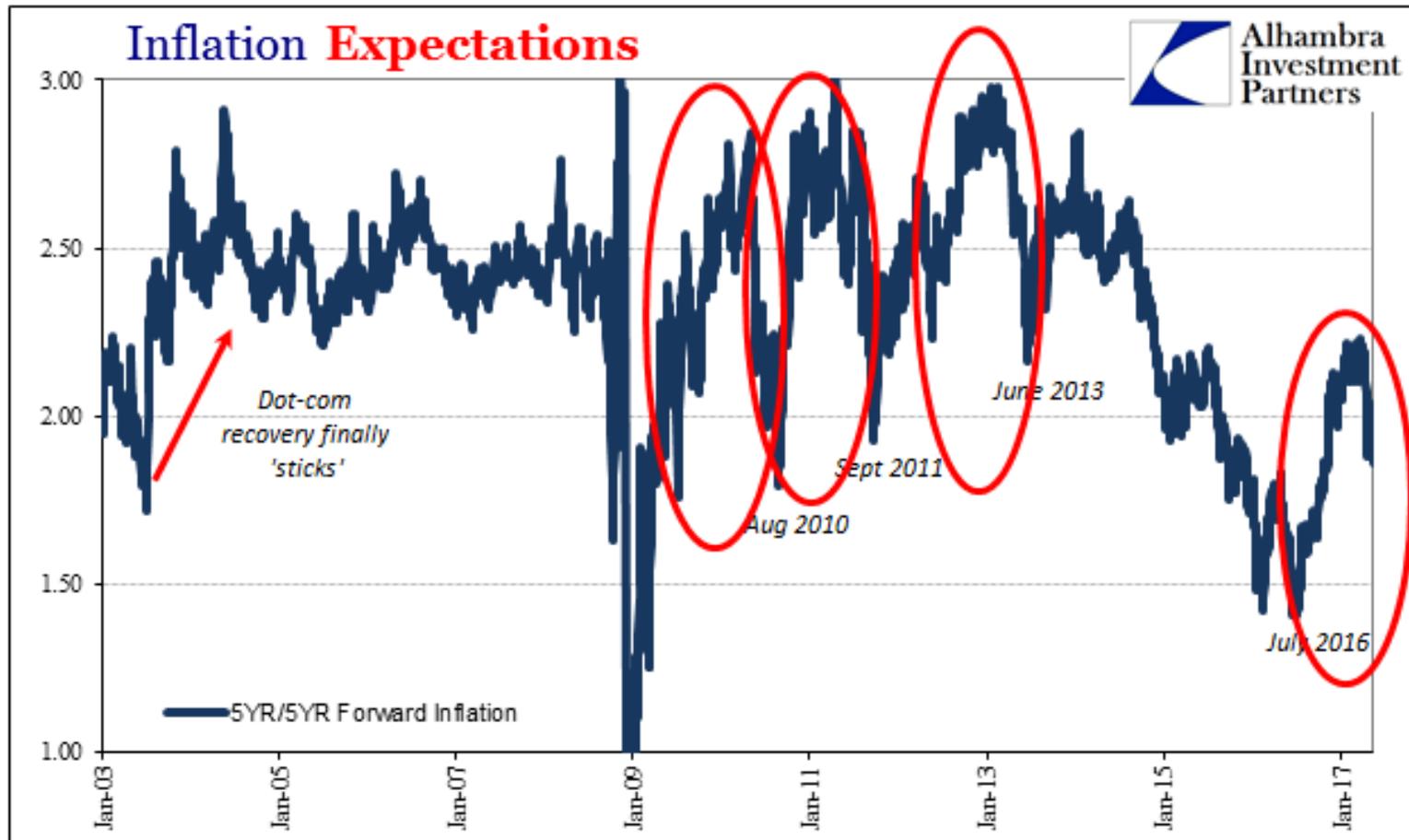


“ The staff’s forecast for consumer price inflation, as measured by changes in the PCE price index, was unchanged for 2017 as a whole and over the next couple of years. The staff continued to project **that inflation would increase gradually over this period**, as food and energy prices, along with the prices of non-energy imports, were expected to begin steadily rising this year. However, inflation was **projected to be slightly below the Committee’s longer-run objective of 2 percent in 2019**.

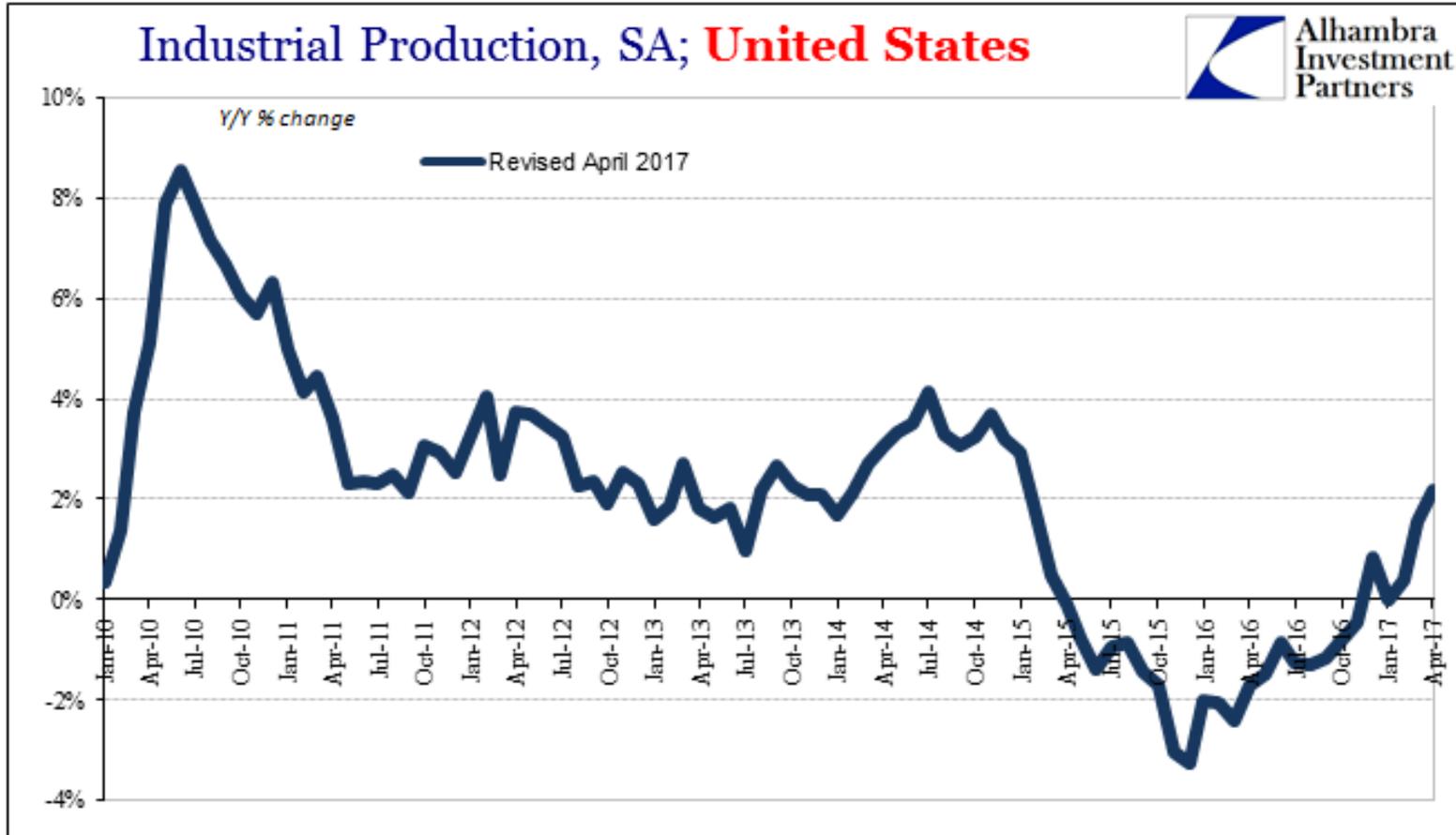
**FOMC Meeting Minutes
Released April 5, 2017
Policy Statement**



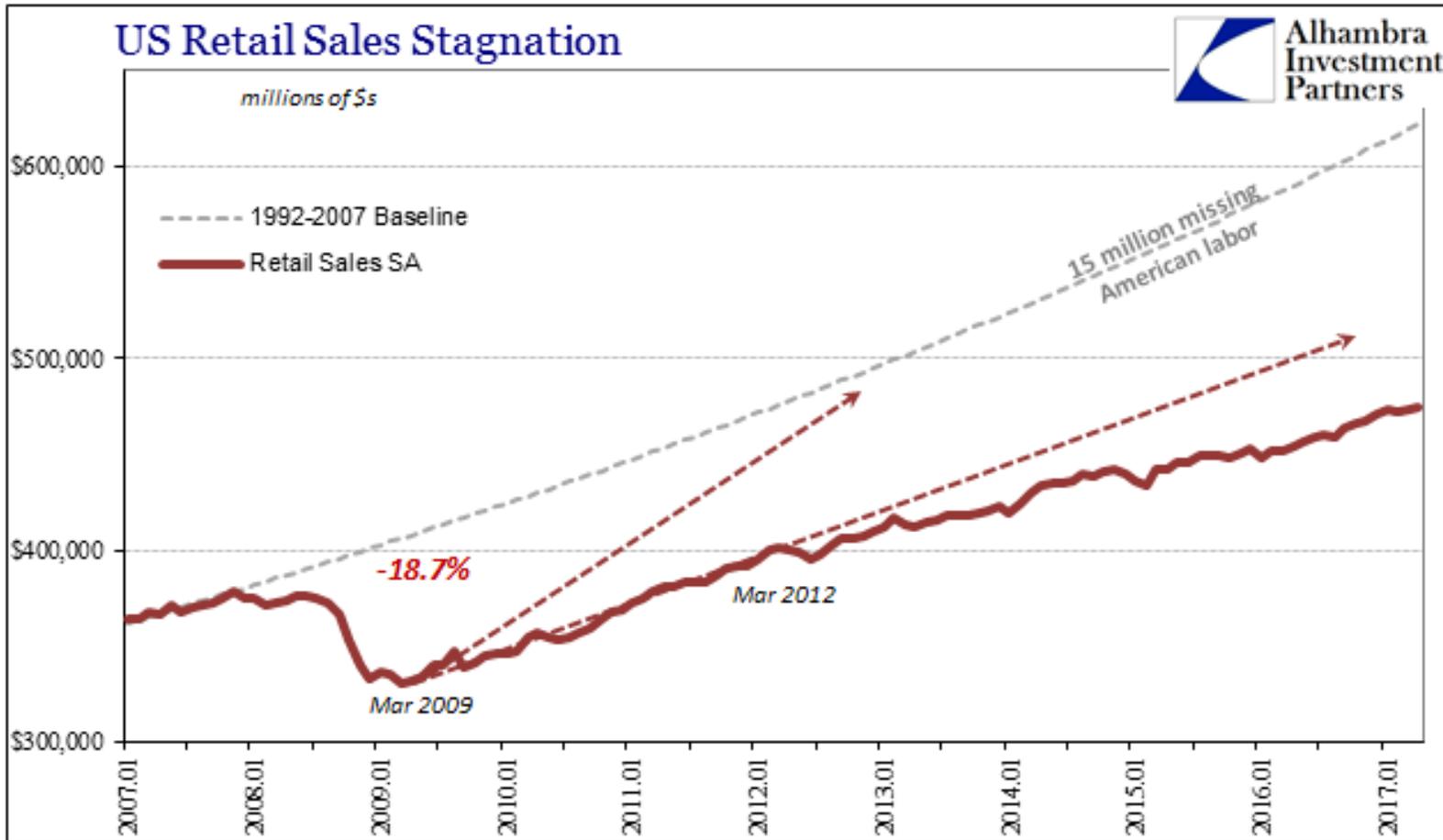


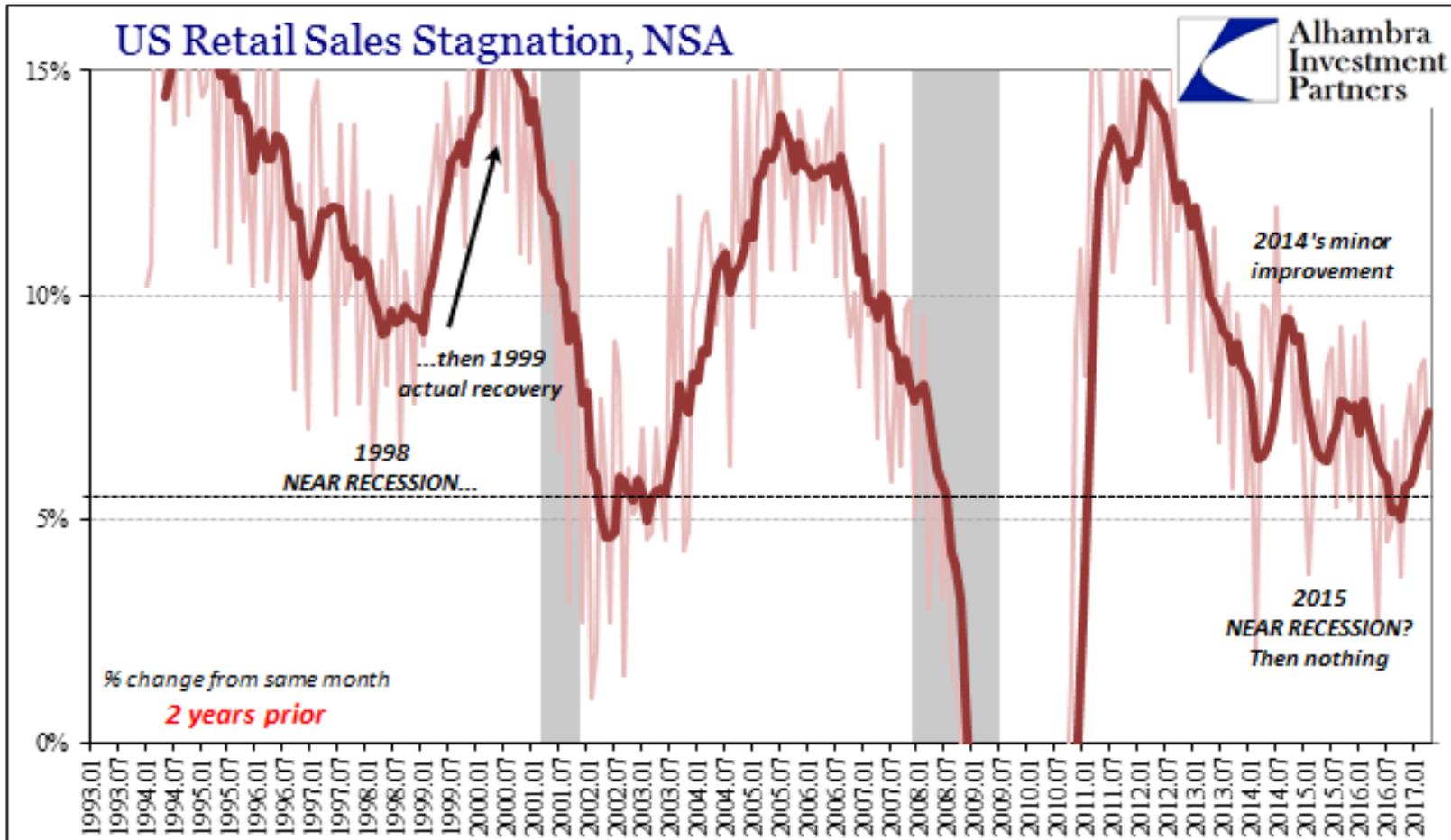


Conspicuous Absence Of Economic **momentum**



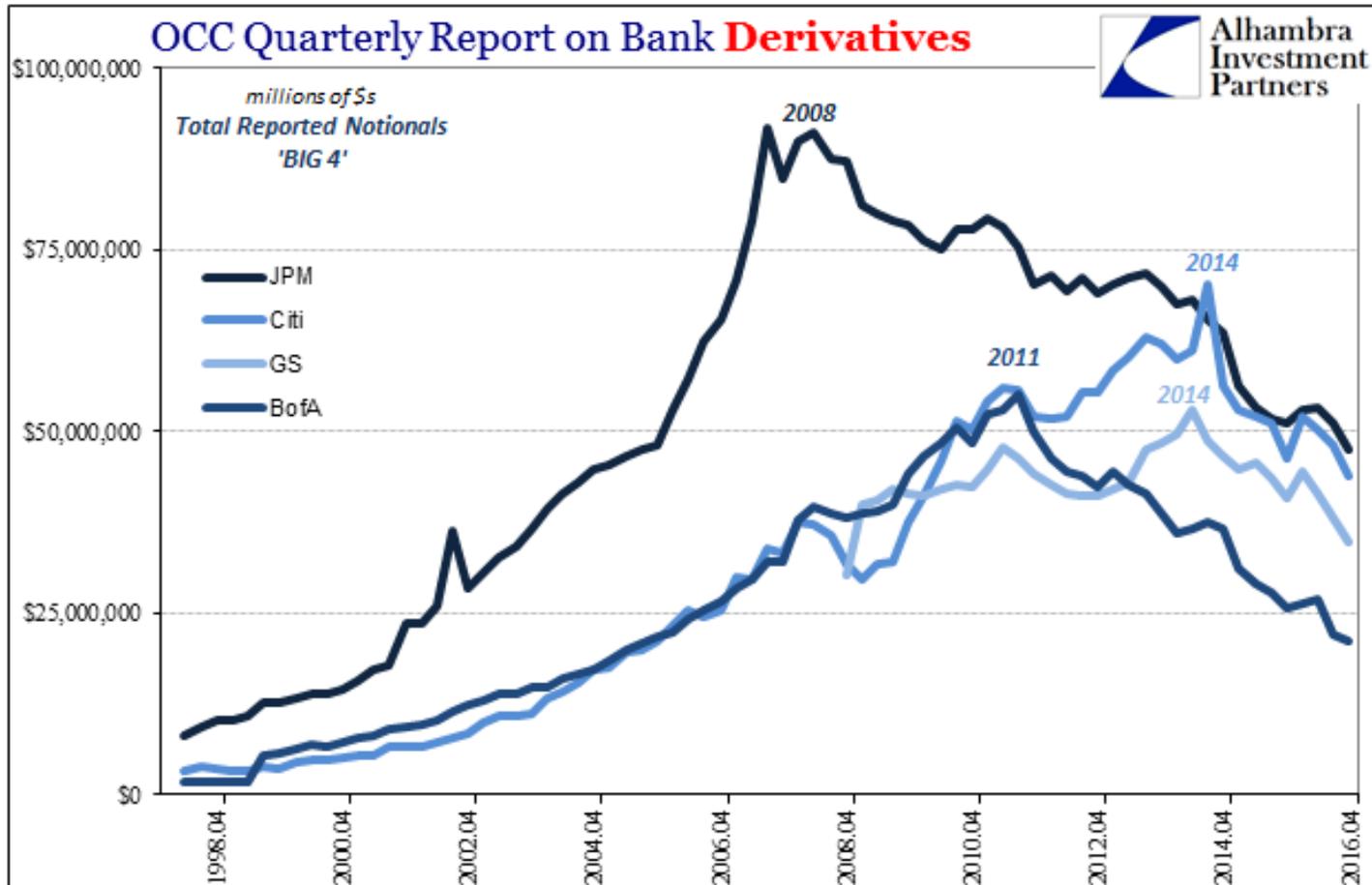






WHAT REALLY HAPPENED IN
2016?

It wasn't actually reflation



“ The defining characteristic is as it has always been, meaning risk vs. reward. In the post-crisis era, the latter has been squeezed and diminished to the point that very little of it remains, leaving asymmetry toward only risk as that sole basis. It is an enormous drag on the global economy, just as monetary issues always have been. In fact, it is practically textbook in its application and nature; it only departs from it in how we define “money” in this 21st century case.

AIP Research
May 2, 2017
The Eurodollar's Soul



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To Disappoint Again

concluded