Twitter Thread by Macro Maniac, Head of Transitory Dept.

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@Macro_Maniac_

Thread (Goods, Services, Federal Reserve and DXY)

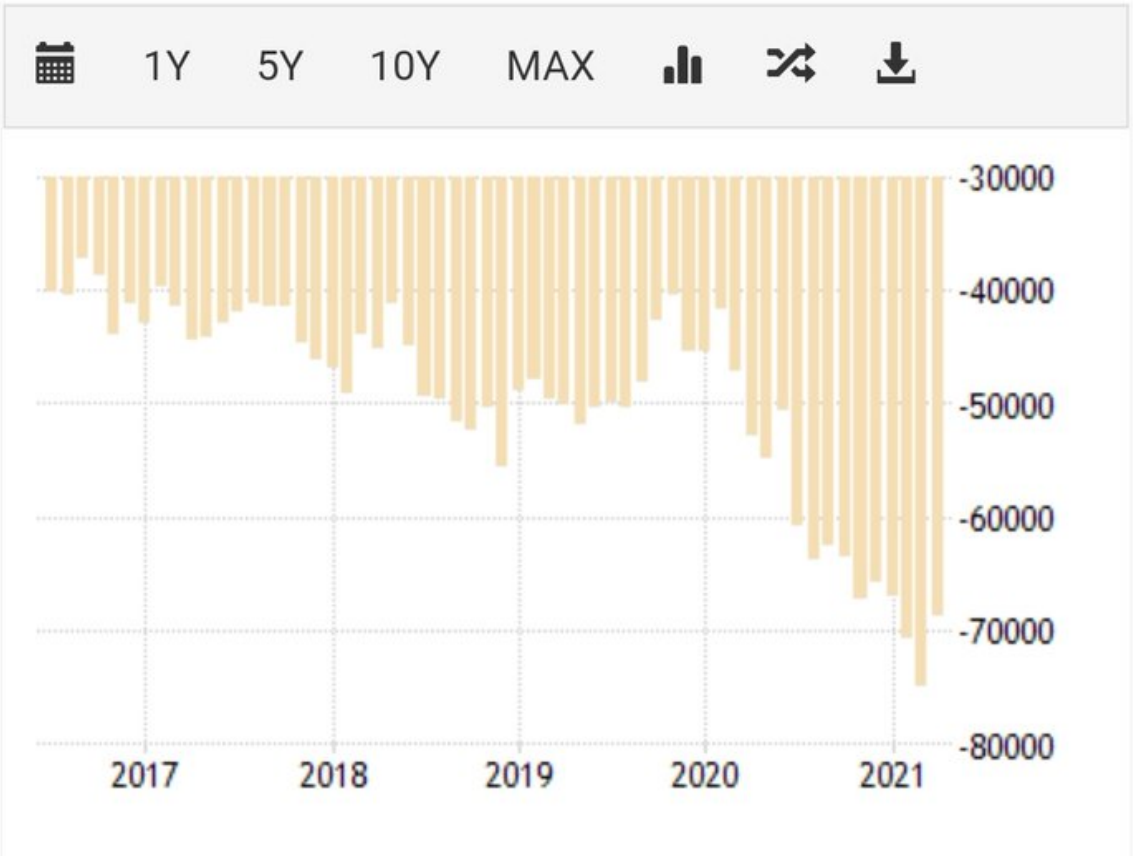
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The #COVID19 pandemic resulted in increased Goods consumption. The Services to Goods consumption meant increased Trade Deficit for US. That was negative for Dollar. That was in 2020.

United States Balance of Trade

The US trade gap narrowed to $68.9 billion in April of 2021 from a record high $75 billion gap in March and in line with market expectations. Exports were up 1.1% to $205 billion, due to civilian aircraft ($1.4 billion), crude oil ($1.0 billion), other petroleum products ($0.6 billion), fuel oil ($0.5 billion), travel ($0.2 billion) and transport ($0.2 billion). Imports dropped 1.4% to $273.9 billion due to other textile apparel and household goods ($-0.9 billion), toys, games, and sporting goods ($-0.7 billion), household appliances ($-0.7 billion), automotive parts and accessories ($-0.7 billion) and passenger cars ($-0.5 billion). The deficit with China decreased $7.1 billion to $32.4 billion as exports were up and imports declined.

source: Bureau of Economic Analysis (BEA)



The pre-pandemic US retail sales were at $525 bn per month. This is hovering at about $625 bn per month.

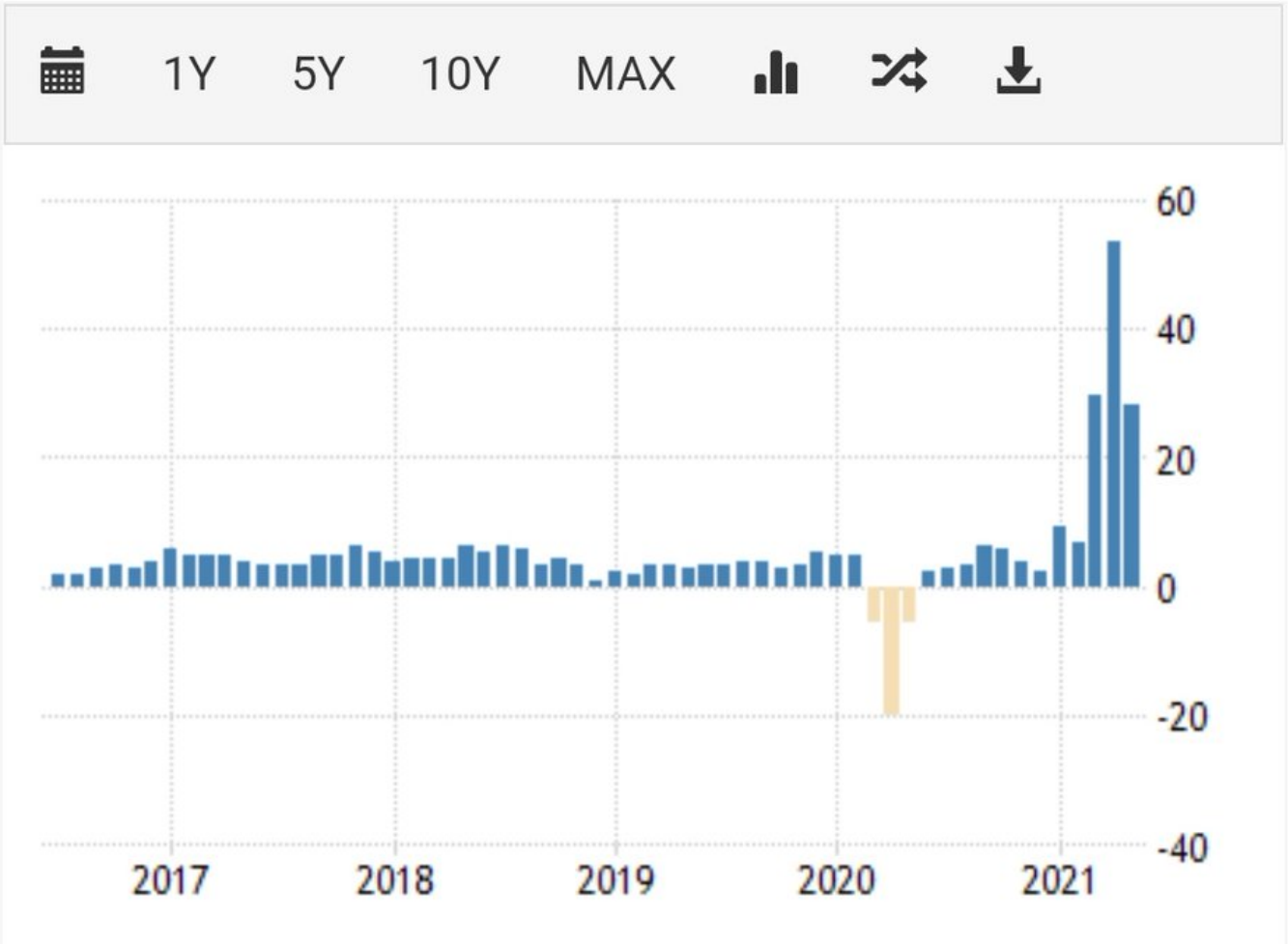
This resulted in massive Current Account Surplus in EZ/ China

The reopening of economy means Normalization of Services consumption and reduction of Goods consumption.

United States Retail Sales YoY

Summary | Calendar | Forecast | Stats | Alerts

Retail Sales in the United States increased 28.10 percent in May of 2021 over the same month in the previous year. A low base effect from last year is weighing on retail sales. A year earlier, retail sales shrank 5.7 percent due to the coronavirus pandemic. source: U.S. Census Bureau



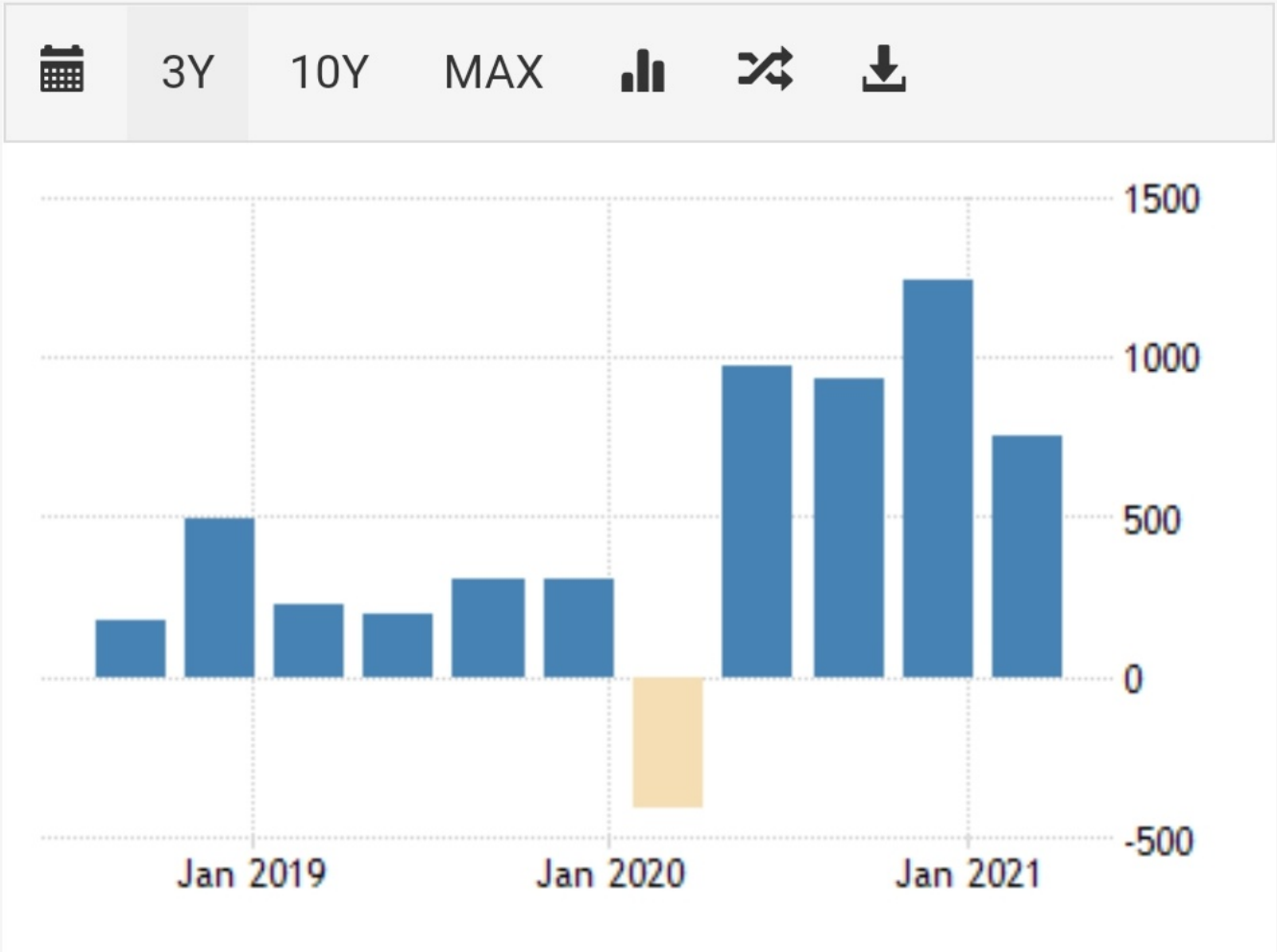
This reopening of US will result in reduction of US merchandise trade deficit. Positive for #DXY

The reopening of Emerging Market economies will result in reduction of Current Account Surpluses or increase in Deficit. Positive for Dollar.

China Current Account

Summary | Forecast | Stats

China recorded a Current Account surplus of 751 USD HML in the first quarter of 2021. source: State Administration of Foreign Exchange, China



There is CB policy divergence also at play. Hawkish Federal Reserve and Dovish ECB. Again positive for $DXY

The Jackson Hole Conference and September #FOMC will become important for DXY trajectory

It's clear that dips are to be bought in Dollar

Thanks for reading!

=END=

