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Instant Thoughts

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He Who Laughs, Might Not Last

- **Boris Johnson takes out all his rivals in the Tory leadership contest. Sense of humor and a love of classics appears to have carried more weight than gravitas among England's elite.**
- **When confronted with the Irish backstop, Mr. Johnson remains confident in finding the common ground, merely because even the US "could use hand-knitted computer codes to make a frictionless re-entry to the Earth's atmosphere in 1969". It is classic Johnson: He always prefers a cheap joke to a practicable solution. Fun but wrong.**
- **His egocentric belief in personal charisma to cut knot is going to be torn asunder under realpolitik. He can't expect a standing ovation from EU countries that value unity if he threatens to withhold the Brexit divorce bill.**
- **The new PM will have to swallow his pride and call an early general election next year. So no silver lining in sight. Sterling is likely to be an outcast, possibly until late 2019, to say the least.**

The Brexit chaos can't possibly get any worse. But, to our amazement, it does. Sense of humor and a love of classics appears to have carried more weight than gravitas among England's elite. Boris Johnson, who dreamed of being a "world king" in his childhood, takes out all his rivals in the Tory leadership contest, winning a whopping 66% of eligible votes cast.

The contest itself is a sideshow though. Mr. Johnson will soon find himself tasked with solving Irish backstop issue, an impasse torpedoed Theresa May's deal thrice. Here's comes Lenin's famous question: What is to be done?



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Behind all the laughters

Mr. Johnson has a knack for comedy. Is his clownish response an act for popularity? He does not seem like a sheep in wolf's clothing to us. When confronted with the Irish border problem, Mr. Johnson stands tall and remains confident in finding the common ground, merely because even the US "could use hand-knitted computer codes to make a frictionless re-entry to the Earth's atmosphere in 1969". It intended to be tongue-in-cheek, but it is classic Johnson: He always prefers a cheap joke to a practicable solution. Fun but wrong.

The hopeless leader is about to enter a diplomatic world where the cold-blooded calculation prevails. He can't expect a standing ovation from EU countries that value unity if he threatens to withhold the Brexit divorce bill. The EU could offer "best endeavours" and "good will", nothing more. Translation: They won't spit on the face of Margaret Thatcher's favorite reporter. His egocentric belief in personal charisma to cut knot will be torn asunder under realpolitik.

But we won't be locked in an "about-to-be" status forever. As the UK Parliament is due to return on early September after the summer recess, the market will start questioning how could a democratic leader be so irresponsible as to appease the Parliament? We believe the new PM will finally swallow his pride and call an early general election next year. Recall that Johnson promised that he would not take a high-profile role in the Brexit campaign as well. So much for his promise for leaving EU this October 'do or die'.

All in all, no silver lining in sight. Sterling is likely to be an outcast, possibly until late 2019, to say the least.



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Table 1: Strategy Performance Summary

Date		Key recommendations	Entry level*	Ex post performance (1-month)			
				Low	High	Period-end level	1-month return
5-Jul-19	10:10	The theme of (HKD) normalisation will unfold yet again	7.7900	7.7883	7.8290	7.8126	0.3%
4-Jun-19	17:30	We see little value in chasing the AUD higher	0.6980	0.6833	0.7048	0.7021	-0.6%
22-May-19	15:50	The pound will test lower levels in the short run	1.2676	1.2512	1.2759	1.2723	-0.4%
8-May-19	14:15	The idea of sell (AUD) in May still looks appealing to us	0.7023	0.6865	0.7023	0.7000	0.3%
2-May-19	11:00	Dollar spike is more than flashes in the pan	97.60	97.04	98.13	97.76	0.2%
29-Apr-19	10:00	The BoC might deliver something for bears to get their teeth into	1.3458	1.3378	1.3505	1.3488	0.2%
9-Apr-19	19:00	It could take weeks for the USD/HKD to revert back to 7.85	7.8423	7.8324	7.8494	7.8483	0.1%
21-Mar-19	10:50	Playing the high-carry USD from the long side	95.88	95.74	97.52	97.39	1.6%
13-Mar-19	10:20	The resolution in sight warrants holding a GBP long position	1.3084	1.3081	1.3381	1.3090	0.0%
8-Mar-19	10:35	EUR/JPY is a cleaner expression of the EUR-bearish view	124.86	123.85	127.45	124.99	-0.1%
19-Feb-19	9:10	Underweighting the dollar and staying nimble	96.83	96.29	97.71	96.48	0.4%
12-Feb-19	9:10	For HKD bear, it is the Trojan horse you want to smuggle in	7.8470	7.8470	7.8500	7.8500	0.0%
31-Jan-19	10:40	The USD will going on struggling	95.26	95.16	97.16	96.06	-0.8%
30-Jan-19	10:10	We have interest in chasing GBP higher	1.3094	1.2779	1.3335	1.3293	1.5%
16-Jan-19	11:20	The GBP remains a buy-in-dip play	1.2845	1.2839	1.3217	1.2905	0.5%
12-Dec-18	10:30	Fate will smile upon the GBP once again next year	1.2513	1.2473	1.2862	1.2844	2.6%
14-Nov-18	11:00	We prefer to sell the EUR into rallies	1.1304	1.1263	1.1437	1.136	-0.5%
14-Nov-18	11:00	We prefer to sell the GBP into rallies	1.3010	1.2485	1.307	1.2627	3.0%
9-Nov-18	10:30	The resurgence of the USD will continue	96.7	96.08	97.7	96.7	0.0%
8-Oct-18	11:20	USD/CNY remains a buy-in-dip play	6.9036	6.8725	6.9769	6.9320	0.4%
3-Oct-18	16:30	A re-test of the lows (for EUR) around 1.1450 is on the radar	1.157	1.1306	1.1617	1.14	1.5%
21-Sep-18	15:00	USD/HKD to hit 7.83 in October	7.8100	7.8033	7.8423	7.8423	0.4%
13-Sep-18	9:50	We prefer to trade GBP on the long side	1.2960	1.2927	1.3294	1.3168	1.6%
30-Aug-18	12:30	A re-test of the 1.30 handle could be on the cards	1.2920	1.2892	1.3224	1.293	0.1%
27-Aug-18	17:00	The fragile political backdrop remains a cause of concern for holding AUD	0.7320	0.7088	0.7362	0.7230	1.2%
23-Aug-18	11:00	The USD will feel bid once again	95.3	93.84	95.71	94.2	-1.2%
15-Aug-18	11:00	JPY won't be our first choice to seek asylum	111.3	109.84	112.14	112	0.6%
*Entry level recorded at the time of publication, if not stated otherwise				Total return		13.1%	
^Citi Parker Global Currency Manager Index				Benchmark return^		-3.9%	
				Hit ratio		76.9%	

Source: Shanghai Commercial Bank

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