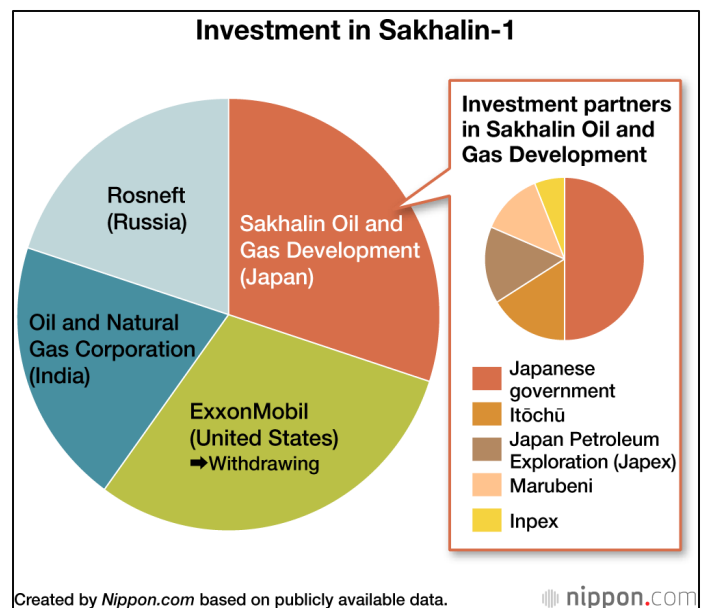
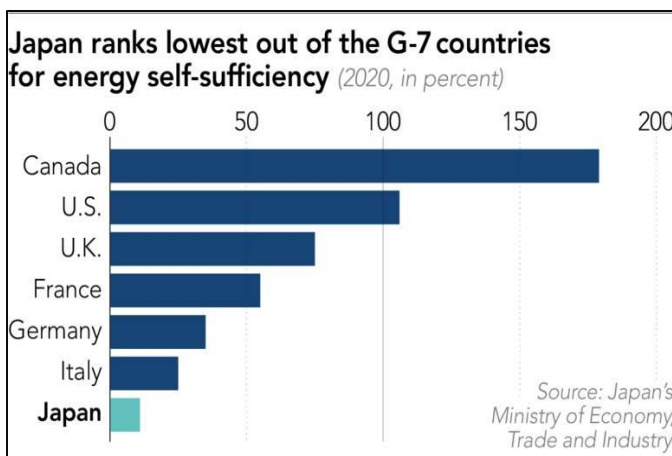




- While, Europe continues the hypocrisy of pretending it is imposing draconian sanctions against Russian oil & gas, when instead it is merely buying the country's natural resources via middlemen such as India & China (*which is ~20% mark-up to Russian prices*), some countries have had enough of pretending.
- Japanese government decided to officially overlook the sanctions and remain involved in the Sakhalin-1 oil and gas project in Russia (*formerly Exxon-led, which withdrew post sanctions*), as it seeks a stable supply of energy (who doesn't) despite international sanctions on Moscow.
- With its limited natural resources, Japan relies on imports for much of its energy, with nearly 90% of its oil and about 20% of its gas coming from the Middle East. Thus, imports of crude oil and liquefied natural gas from Russia have been an important part of the nation's energy security policy.



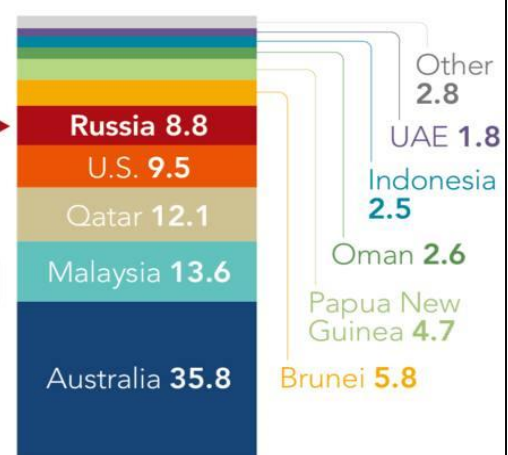
Why does this matter? Japan would be the first "western" nation ally to officially breach the anti-Russia alliance. As we pointed out in our last letter, Oil Pivot is getting bigger than the Fed Pivot.

Russia is Japan's fifth-biggest supplier of LNG

(Japan's LNG imports in 2021, in percent)

6.57 million tons

Source: Japan's Ministry of Economy, Trade and Industry





A Small (Monetary Policy) Pivot and no we are not talking Fed.

Smaller central banks seem to be turning the corner on rate hikes. This group tends to be more sensitive to flow of global growth/inflation tides, and hence you usually see early trend changes in global monetary settings here first.

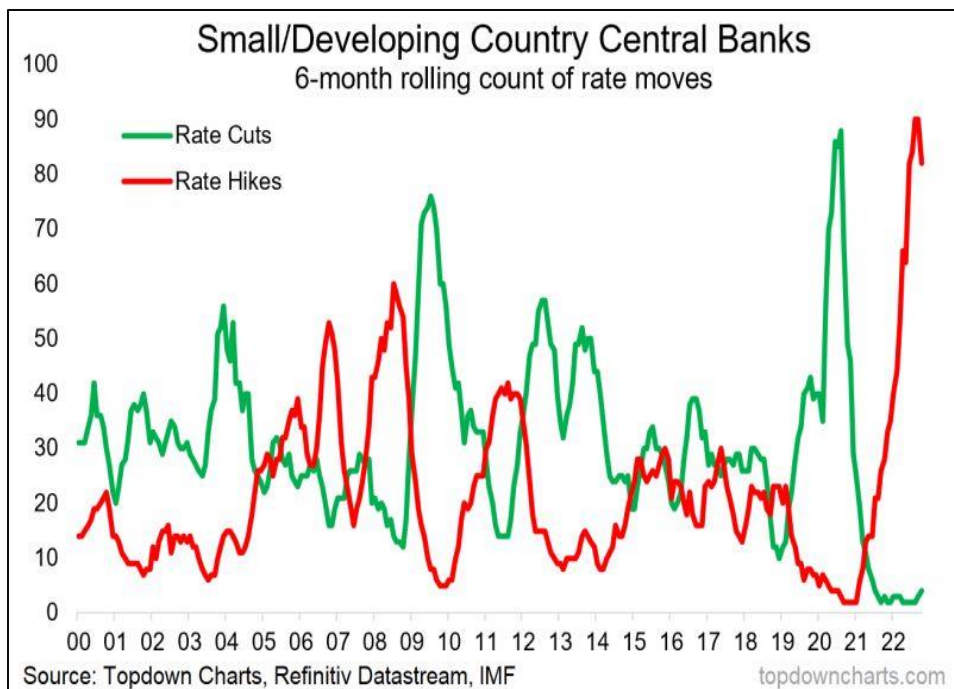


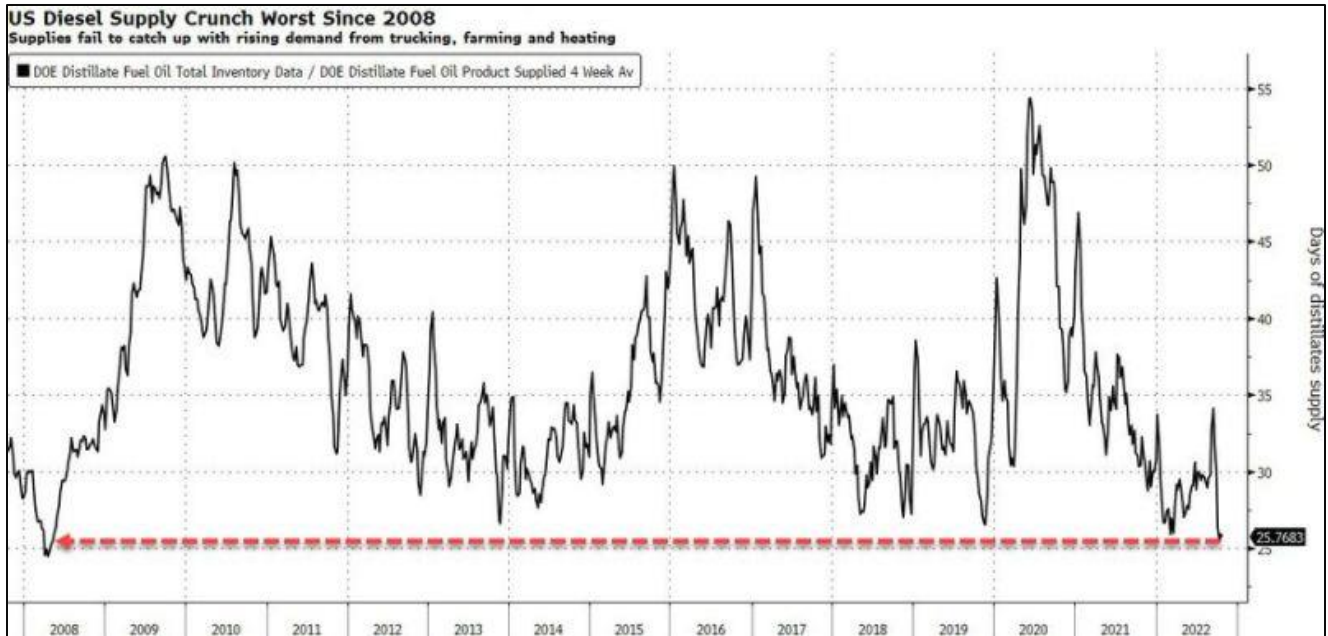
Exhibit 24: Staples spending is eating away discretionary spending

2022 consensus sales for Staples, Discretionary and Industrials (12/31/21-10/28/22)



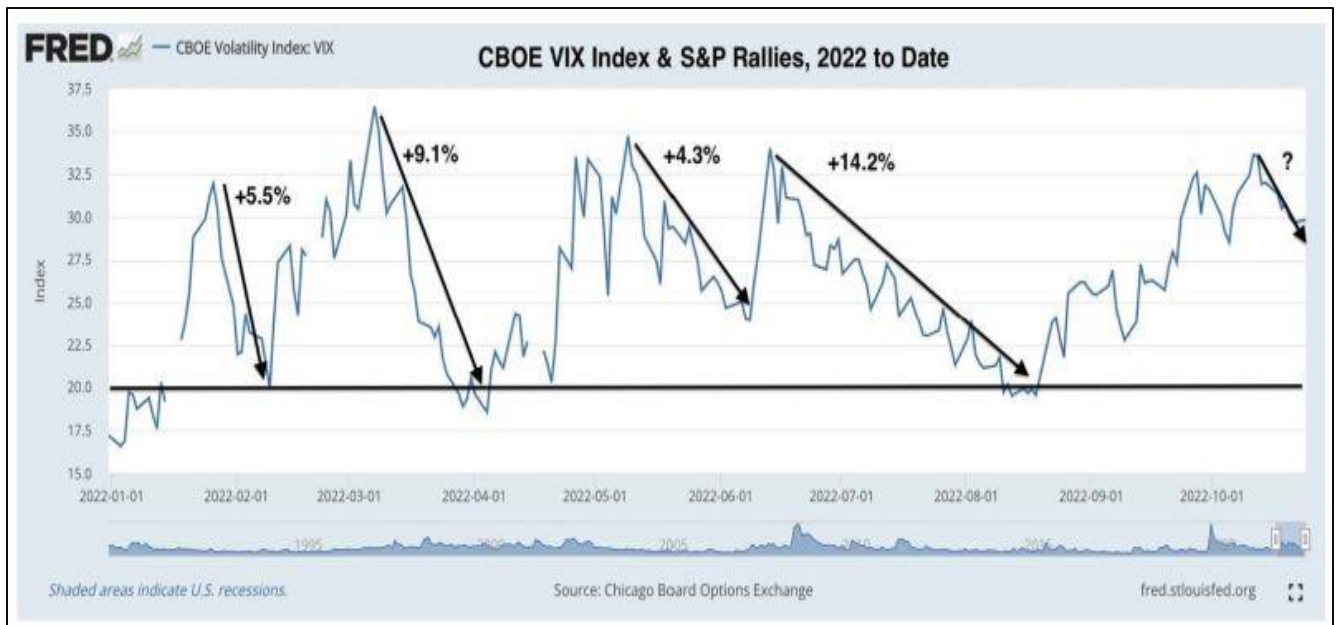
Priorities. "As prices rise people are spending more on what they need, and less on what they desire".

Source: mayhemformarkets



What will you cheer for more...Fed Pivot or Energy Pivot? Some latest data points to note:

(1) US diesel crunch. There are "less than 26 days of diesel supply". For the records, diesel is what runs the conventional economy - i.e. trucks etc. (2) Strategic Petroleum Reserves. "Biden drains Strategic midterm reserve below 400 MM barrels for the first time since May 1984". *Source: ZeroHedge*



Key VIX levels - "We are at the start of the 5th move lower for the VIX after a high above 30 in the current year. Stocks have always rallied when this happens. Key VIX levels to watch: 24 and 20". (Source: datatrekmb)