Market Brief - Landmines

Beware, there are minefields out there. Most of them are inert. However, some are ert.
~Sgt. Ross, *Private Benjamin*

This market is a minefield. It's wrought with false breakouts within false breakouts, reversals upon reversals, and as we discussed last week, it's chalk-full of conflicting signals… dissonance is at a fever pitch.

We talk to a number of fund managers throughout the week and they're all saying the same thing… these are shitty trading markets. During times like these a trader has to be okay with "playing light and sitting tight". This means less trading, smaller size, and quick exits (taking those P&Ls). In general, it's best to focus on other things, like process and study. Keep your powder dry for when trends re-emerge — which can happen quickly… and with great ferocity.

As traders/investors our job is to seek out asymmetric opportunities that offer positive expected value (EV), while fiendishly managing our risk — chopping off that left-tail. We'll talk a bit more about EV and its importance to trading/investing (TRIN), but first let's quickly go over what's happening in the world and markets.

Doha is a dud…

It's Sunday evening as I write this and just minutes ago the most unsurprising (at least to us) news was announced at the conclusion of the recent OPEC meeting in Qatar. No Deal!

As Shakespeare would say it was all "Much Ado About Nothing". OPEC is a meaningless organization and has been since the 90's. It's silly that traders and the media still put any significance on its meetings. It's just a bunch of noise. Even if a deal *was* reached, the proposal they had on the table was to freeze production near the January highs — which are near all-time highs for most of the countries. Ridiculous…

Just to give you a sense of the clusterfuck that is OPEC, here's a quick overview of the meeting. Saudi Arabia said they wouldn't agree to a cut unless all major producers were on board. Iran, whose oil is just coming back online since sanctions

were lifted, dismissed any talk of limiting their production as being "ridiculous". Saudi Arabia remarked that they could easily ramp up their daily production by 10-20% if they wanted — a thinly veiled threat thrown at the other producers (specifically Iran). Seems like we're in a game of oil producer chicken… will be fun to watch.

Cooperation within the group has a near zero chance of panning out over the coming year. Anybody who knows anything about the long and contentious history between the Persians and Arabs should not be the least bit surprised by any of this — this is simply par for the course.

Anyway, crude has opened down near 6% in the overnight futures market. I can't tell you where it goes in the short-term from here, though I still think it eventually bottoms in the teens. Like I've said plenty of times before, it all depends on the dollar.

Speaking of the dollar…

The dollar continues to oscillate within the same channel it's been in for over a year now. There's still a lot of chatter surrounding a possible "Stealth Plaza Accord" between the major economies. We've discussed this before and our opinion is that it doesn't matter. I think this consolidation period was going to happen without any formal/informal agreement, simply because the trend was overextended and this is how currencies tend to move.

And if there is an agreement between countries to try and keep the dollar low, my response would be "so what". In the long run, macro fundamentals will resolve in the direction where there's the greatest fundamental pressures. Cooperation amongst foreign governments and central banks is fickle even in the best of times. Just wait until the Yen falls another 5% against the dollar and watch what Abe and Kuroda do to reverse that.

One popular interpretation of recent USD price action can be seen on the 240 minute chart below. A few technical analysts (who we respect quite a bit) believe the recent breakout from the falling wedge is a buying opportunity. They think this is the bottom of the USD correction.

We don't have a lot of conviction either way. We're not interested in buying here. Long-term, you know that we're very bullish on the dollar — but we need more confirmation before we start building a long position. Also, historically, currencies tend to overshoot to the downside when they're correcting within a broader bullish trend. This is why we think there may still be another few 100bps worth of fallout before price turns back around and rockets higher.

As a side note: I would like to take this moment to point out a failure in my analysis over the past few months. I let confirmation bias creep into my process when assessing the dollar. This really irked me when I realized the extent to which I had let my emotions affect my objectivity. Here's what happened:

1. *I made a lot of money on various long dollar trades over the last two years.*

2. *I use many analogs and study the past movements of asset classes to get a sense of how they tend to run.*

3. *Based on those analogs, I was expecting this retracement in the dollar and we took profits on our positions accordingly.*

4. *But then I screwed up by letting my "want" for the dollar trend to resume to subconsciously persuade me into believing the retracement would be shorter than it was.*

5. *I believed this regardless of the fact that my study of past dollar bull markets all indicated that this consolidation would likely last a while.*

6. *I literally blinded myself to my own findings! A fact that I clearly see now when I look at my charts!*

As frustrating as this failure is, it serves as a great learning experience. I can take this and refine my process to help guard against biases like this clouding my judgement in the future. This is important, because if there is one thing I know for sure, it is that I will make plenty more mistakes like this, down the road.

Some breakouts and a lot of complacent positioning

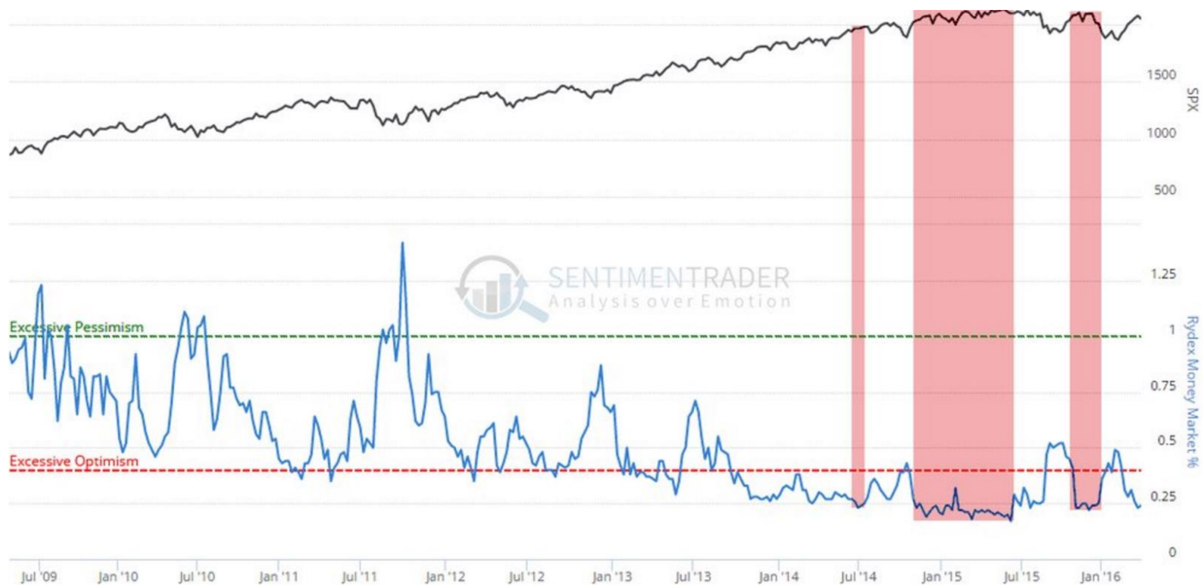
The Dow confirmed a positive breakout to the upside of it's near year-long consolidation zone. Is this confirmation of our 98'-99' scenario where the Fed succeeds in temporarily easing credit conditions enough to send equities on a vertical run to a blowoff top?

Too early to tell… and we would need to see confirming breakouts in the smaller caps before getting excited.

Here's why I wouldn't go running into buy the dogs of the dow just yet.

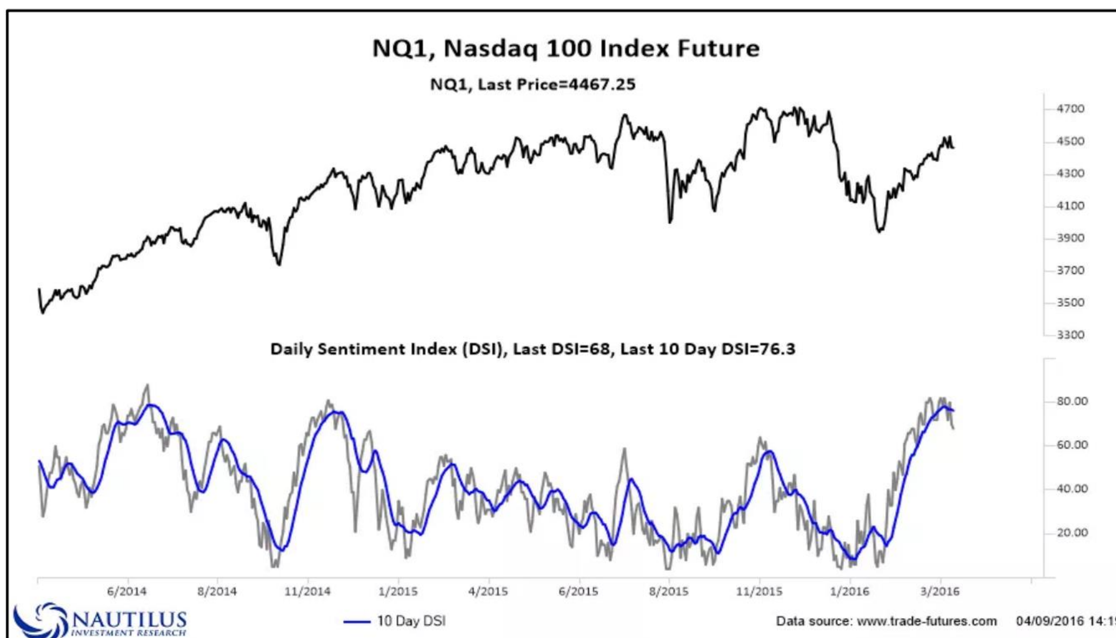
There's a lot of over-optimism in market positioning right now. The buy-the-dip mentality which has worked so well over the last few years, coupled with the soothing dovish posturing on the part of the Fed, has lulled participants into thinking that market risks have been extinguished. **"Don't worry everybody, Yellen's got this!"** Yeah… *right…*

Take a look at the chart below. The top line is the SPX and the bottom blue line is the percentage of cash holdings in the Rydex money market. When the blue line is all the way at the bottom, like it is now, it means that mutual funds are nearly fully invested in the market. They have very little cash holdings.



This *screams* over-optimism. It tells me the dumb money (mutual funds) are really-really-long. That generally means that I may soon want to get really-really-short…

Here's another chart from Nautilus showing Nasdaq futures and their daily sentiment index. The reading shows extremely overbought conditions. There are too many people standing on one side of the boat.

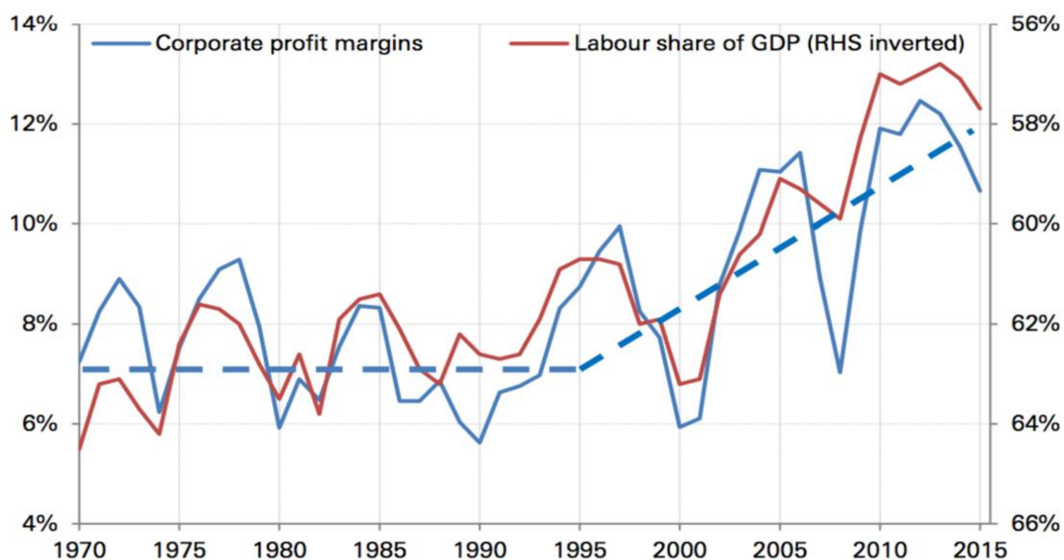


There needs to be a rebalancing of sentiment here before I can get bullish. **And I'm not talking about being contrarian for contrarian's sake (that's stupid), but when sentiment reaches extreme levels, like it is now, you need to be very, very, careful — because when the crowd has really strong conviction, they are generally really wrong.**

It's the economy stupid

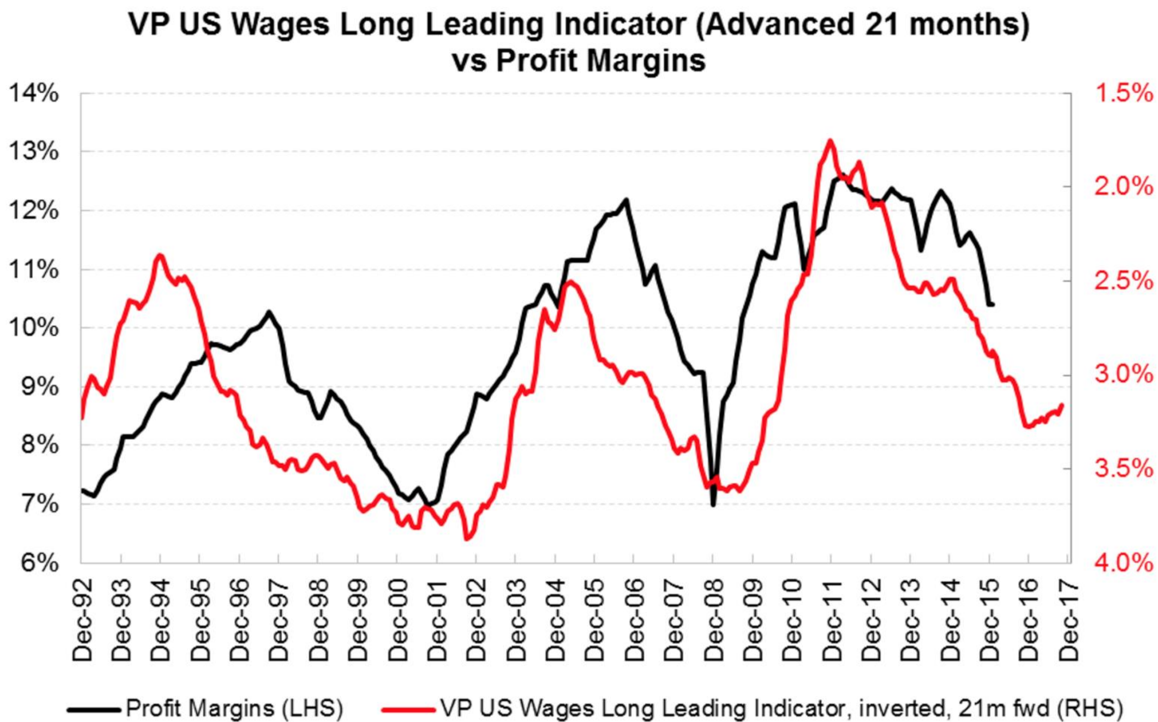
Here's a quick rundown of what we currently think are the most interesting charts and data in the global economy right now.

The chart below shows labour's share of output and its impact on corporate profit margins. As you can see, profit margins are contracting as the cost of labour rises (labour line is inverted). What does this mean? Not much yet… it's still early in the game and profits could turn back around. They will certainly be helped by the temporarily cheaper dollar. But with profits near all-time historical highs, I still believe that a turning business cycle is our highest probability scenario at this point.

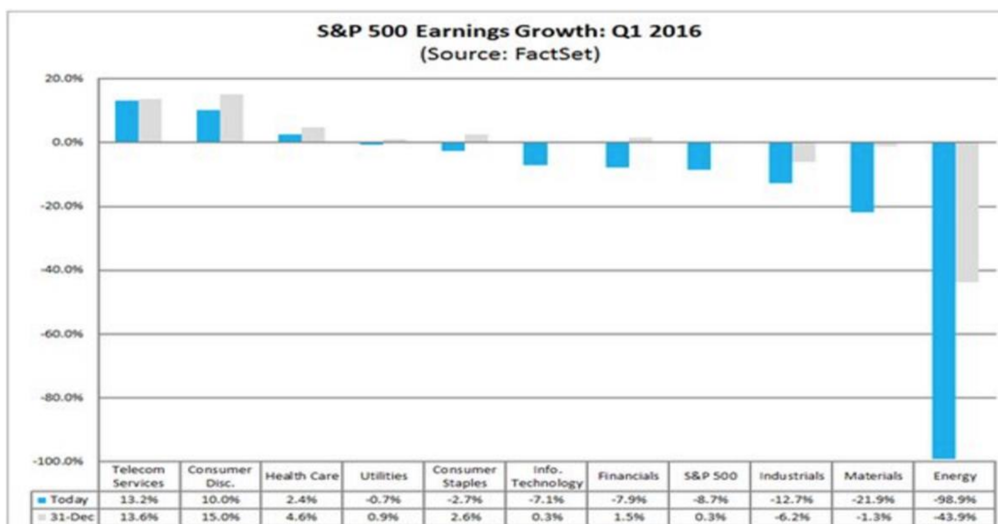


Here's another chart that shows a slightly different take on the wage/profit relationship. This one is from Variant Perception, which shows their US wage leading indicator (which is advanced 21 months) and its correlation with the future path of profit margins.

This chart supports our belief that this business cycle, which is long in the tooth, is turning over.



And so far, the earnings growth in the start of the 1st quarter (earnings season) has been mostly negative. You can see in the chart below, that energy has been the biggest loser – which is no surprise. Though what's important to note is that the numbers clearly show that the collapse in earnings is not solely confined to the energy space. Earnings are falling across the board.



	Telecom Services	Consumer Disc.	Health Care	Utilities	Consumer Staples	Info. Technology	Financials	S&P 500	Industrials	Materials	Energy
Today	13.2%	10.0%	2.4%	-0.7%	-2.7%	-7.1%	-7.9%	-8.7%	-12.7%	-21.9%	-98.9%
31-Dec	13.6%	15.0%	4.6%	0.9%	2.6%	0.3%	1.5%	0.3%	-6.2%	-1.3%	-43.9%

Let's now turn our attention to China.

China has "temporarily stabilized". At least that's what *some* people are saying. This may be true, but we would just emphasize the qualifier of "temporarily" in that statement.

China's latest GDP growth (if you can trust their numbers) was 6.7%. It's down from last year, but still within the party's target range. *(Pro-tip: China's party will never miss a growth estimate – at least not on paper.)*

So what's caused this bit of relief? Here's the answer from SocGen's China analyst Wei Yao (emphasis added by me):

> ***In our view, the most obvious underlying factor behind this recovery is credit. In Q1, increases in total credit exploded to CNY7.5tn, up 58% yoy and equivalent to 46.5% of nominal GDP – one of the highest ratios ever. Credit growth accelerated to 15.8% yoy to end-March, the quickest pace in 20 months.***
>
> *March credit data were much higher than expected. New yuan loans increased to CNY1,370bn (SG CNY1,200; cons. CNY1,100) and total social financing also delivered a solid print of CNY2,340bn (SG CNY1,500; cons. CNY1,400). Considering also the record swap amount of CNY776bn local government debt into local government bonds, total credit to the non-financial sector actually increased nearly CNY3tn last month. The strength in non-bank credit came first and foremost from the corporate bond market. Net issuance there was a record CNY695bn in March.*

> *Corporate bond issuance has been strengthening all the way after the NDRC relaxed issuance rules for local govt financing vehicles (LGFVs) in spring last year. In March, more than a quarter of corporate bonds were issued by LGFVs, which supported the acceleration in infrastructure investment.*
>
> ***There is no bigger policy lever than this kind of credit injection. The Chinese government was clearly giving growth all the attention in Q1, and now the question is how long it will maintain this undoubtedly unsustainable model.*** *Surging home prices seem a sign of emerging asset bubbles, and if this credit push were to continue, there would be more dangers, including risks of capital outflows and currency devaluation.*

This loan growth can be seen in the chart below. But even this chart doesn't tell the full story, because it doesn't account for the large portion of the credit that's being created in the shadow banking sector — which is many multiples of this.

Long-term, this is a disaster for China, which is essentially just stacking more wood and fuel on the pyre of which the CCP will be immolated.

Shorter-term though, this could be enough to juice their markets and stir things into another 2015 bull market frenzy. This is why we have a starter position in China's A-shares (ASHR).

China is not alone amongst the emerging markets when it comes to loosening credit and efforts to boost stagnating growth. During the past month alone, central banks in India, Indonesia, Turkey, Hungary and Taiwan have *all* cut rates.

The foundation of our macro models and how we view the world is liquidity and spreads… and these moves are positive for both (again, at least in the short-term).

Now whether these moves will be enough to temporarily counteract deflationary pressures is yet to be seen. All we can do is watch price action for the answer to that question. We're willing to place some very select long bets and wait for greater clarity in markets.

So we've given you some bearish charts and data and some bullish ones… but what does it all mean?

Nothing… like I said, at the moment it's hard to distinguish signal from noise, and that's okay.

Eric (a fellow member of the Operator community) made a valuable observation the other day. He said (emphasis added is mine):

> ***My opinion agrees with those who say that equities are overvalued and due for the air to be let out of them, the problem is that I don't trust my opinion.*** *I have come to believe a few things about the direction of the market: 1) The market is biased toward the Long position because it is beneficial for everyone for markets to continue to go up. 2)* ***There is always conflicting information about the future, consequently 3) there are always a multitude analysts, authors, etc. who use this conflicting information to advance their view of the way things are likely to go.*** *Even though I realize that the majority of them are likely to be wrong, I read a dozen or so articles every morning to see if they* ***contain any information that could be used OBJECTIVELY with other information to determine when it is time to exit/avoid Long positions (Risk OFF).***

Eric is absolutely right-on in everything he said here. *Yes*, the market is always biased towards towards the long-side. *Yes*, there is always conflicting noise and information. *And yes*, most people (financial pundits, market commentators) are all just talking their book – **nobody… and I mean NOBODY, has all the pieces of the puzzle. Not Buffett, not Soros, and certainly not us.**

And so, the key here, as Eric again pointed out, is to separate wheat from chaff, noise from signal, and objectively filter information through your process and mental models to arrive at probability weighted scenarios. As traders our job is not to predict, but to assess and weigh probabilities.

This… is the name of the game. This… is what successful trading/investing is all about.

A game of expectation

Tyler, Anish, and I all met a couple of years ago while working at a small macro hedge fund situated in the heart of "Sin City". The fund was run by an eccentric academic type who had a thing for numbers. He was one of the smartest-stupid people I've ever met. I don't know if you know the type, but he was a person who in some respects was absolutely brilliant… but then balanced out those brilliant parts by being extremely stubborn, egotistical, arrogant, detached from reality… and I could go on and on.

All in all, it was a great experience. The guy understood trade theory better than anybody I've ever met (unfortunately for him, his character flaws prevented him from listening to his own advice). I learned a lot though.

Most of those who worked at the fund (including the three of us) were part of a very successful high-stakes poker team. The team was led by this eccentric fund manager.

He had devised, through thousands and thousands of hours of playing, testing, and statistical analysis, a very profitable and robust system for playing texas hold-em.

We all spent many hours learning this system. Since poker is a game of many variables and options, it took a lot of practice to get good at it. But, since we lived and worked within walking distance of some of the biggest cash games in the world, we were able to practice quite a bit.

We were financially backed by our boss. And we played with deep stacks — which was an essential part of the system. We would descend on unwitting high-stakes cash games and completely clean up shop. Profits were shared evenly amongst team members — it was a lot of fun.

It was also some great training for trading and investing. By becoming steely-eyed-operators at the poker table, we were learning the statistical theory that is at the heart of successful trading and investing.

This theory all boils down to understanding expected value.

Let's dive in.

In trading/investing (TRIN) we're always dealing with incomplete data sets. That is a *fact.* We will never have perfect, complete information when we put on a trade. That's impossible and we should never expect it.

This is why you'll hear us frequently champion the acceptance of our own fallibility. Like Socrates, we fully embrace the limits and quality of our knowledge — an attitude that is paramount when dealing with complex systems like the market.

Poker is similar. A skilled poker player never has full certainty — he can't see his opponents cards. In addition, even the best poker players in the world can't tell you with any more certainty than a chump-beginner what cards are coming next on the flop, turn, and river.

So then *how* does this skilled poker player win out over time? Where does his *skill* come from?

It comes from his understanding of probabilities and his ability to act in a way that puts the numbers in his favor. He is a superior decision maker. Poker, like trading, is a game of expectation.

By expectation, I mean that all of TRIN can be boiled down to negative and positive expectation. These terms can be defined as:

Negative Expectation: If you take actions ABC in a particular set of circumstances and then repeat these actions thousands of times, running the full range of probabilistic outcomes, and you end up with a net unprofitable result, then actions ABC can be said to have negative expectation (-EV).

Positive Expectation: The above but in reverse. If you take XYZ in a particular set of circumstances and then repeat this action thousands of times, running the full range of probabilistic outcomes, and you end up with a net profitable result, then XYZ can be said to have positive expectation (+EV).

Simply put — if you took action X an infinite amount of times, would you make money on a cumulative basis? If the answer is yes, then it's positive EV. If no, then it's negative EV.

Here's an often used example:

A statistics-ignorant gambler asks you if you'd like to play a game.

The rules are simple. You roll a normal six-sided die as many times as you'd like. If you roll any of the numbers from 1 to 5 then you pay the gambler $10. But, if you roll a 6, then he pays you $56.

Do you take the bet? Well let's run the numbers and see if there's positive EV in the game.

Since there are six sides to the die, you have a ⅚ chance of rolling a 1 thru 5. This means that there is an 83.3333% likelihood that you will have to pay the gambler $10 on each roll of the die. Sounds like a crappy deal, right?

But let's look at the other side of the equation. You *only* have a ⅙ chance of rolling a 6. This translates into a 16.6667% chance that you'll win on each roll of the die. But the 16.6667% of the time that you roll a 6, you get paid 56 bucks.

So an 83.3333% chance of losing $10 on every role equals an expected loss of $8.33 ($10 x .833333). A 16.6667% chance of winning $56 equals an expected gain of $9.33 ($56 x .166667). Combine your expected loss with your expected win and you arrive at a positive EV of $1 per roll. This is definitely a bet that you want to take because over the long haul it's a winning proposition. It's simple math.

Now, this positive EV doesn't tell you anything about how your wins and losses will be distributed. You could be extremely unlucky and go 40 rolls without ever hitting a six, in which case you'd be down $400. But even then, the game is still positive EV and you'd want to keep playing. If you play it enough your average return will equal $1 per roll.

The point I'm trying to make is far more philosophical than statistical. TRIN is a game of expectations and all actions should be viewed as either being net P&L accretive or dilutive when carried out repeatedly.

When you fully know this truth, you will stop trying to create *false-certainty*. You won't worry about the future price action of a stock or currency. Instead, you will game different scenarios, weigh probabilities, and then structure your trade/investment in a way that makes it positive EV.

90% of traders and investors (both retail and professional) mainline the endless stream of quasi-journalistic bullshit because they're on a foolish hunt for certainty. They're consumed with trying to obtain perfect information so they can "know" what to buy… when in fact, "knowing" what to buy is not only impossible, it's completely unimportant.

They are focused on all the wrong things. That process is net dilutive. It's negative EV.

Most successful traders enter more losing trades than winning ones. This is a fact. The greatest traders I've ever met, and I have met some great ones, have had average win ratios in the high 30-40% range… and yet they have still managed to extract many millions and even billions from the markets. This is because they understood expected value (and risk management).

How do you increase your EV?

First, you need to start thinking in terms of Monte Carlo outcomes. Meaning, you need to consider all actions and their outcomes as if endlessly repeated. You don't care how one trade works out… or three… or ten. A trade that makes you a boatload of money can still be a -EV trade… which is a trade you should never take because it *eventually* leads to a blown stack.

Second, you need to get good at scenario gaming… meaning you need experience.

Scenario gaming is not forecasting, but rather understanding the possibilities and then using your analysis, judgement, and process to assign probabilities to each scenario.

Here's a few of the questions that make up effective scenario gaming:

- What are the most probable outcomes?
- How much is the market mispricing this asset?
- How could I be wrong in my analysis?
- What would signal that I'm wrong?
- If I'm absolutely wrong, how much will I lose?
- What are potential tail risks to this scenario and how do I protect against them?
- How can I structure this trade to maximize my EV (build asymmetric opportunities)?
- How does this risk line up with the other risk in my portfolio?
- If everything on my book went against me and stopped me out tomorrow, how much would I lose?
- Is this total risk within my limits (is this acceptable maximum risk)?
- Is this trade the best use of my capital right now (is it my highest EV opportunity)?

You need to run through this process every time you're considering a trade. Game that action through your mental Monte Carlo process and objectively assess whether that action is likely to be positive EV over time. Pretty easy right? Of course not, and it takes a lot of experience before you become effective at evaluating EV scenarios. It's a skill gained through years and years of practice and effort — successful trading is not easy.

And the journey is never complete. Every trader/investor should be constantly trying to figure out how to better assess EV in order to maximize their profits over time.

The goal is to turn yourself into the house. You want to become the casino with the edge (the positive EV on every trade) so you know that it is a statistical fact that you will make money over time. The larger your edge, the more money you will take in.

Paul Saffo (a Professor at Stanford who teaches forecasting) hit the nail on the head when he said the following (emphasis added by me):

> ***The point of forecasting is not to attempt illusory certainty, but to identify the full range of possible outcomes. Try as one might, when one looks into the future, there is no such thing as "complete" information, much less a "complete" forecast.*** *As a consequence, I have found that the fastest way to an effective forecast is often through a sequence of lousy forecasts. Instead of withholding judgment until an exhaustive search for data is complete, I will force myself to make a tentative forecast based on the information available, and then systematically tear it apart, using the insights gained to guide my search for further indicators and information. Iterate the process a few times, and it is surprising how quickly one can get to a useful forecast.*
>
> *Since the mid-1980s, my mantra for this process is "strong opinions, weakly held."* ***Allow your intuition to guide you to a conclusion, no matter how imperfect — this is the "strong opinion" part. Then – and this is the "weakly held" part – prove yourself wrong. Engage in creative doubt. Look for information that doesn't fit, or indicators that are pointing in an entirely different direction. Eventually your intuition will kick in and a new hypothesis will emerge out of the rubble, ready to be ruthlessly torn apart once again. You will be surprised by how quickly the sequence of faulty forecasts will deliver you to a useful result.***
>
> *This process is equally useful for evaluating an already-final forecast in the face of new information. It sensitizes one to the weak signals of changes coming over the horizon and keeps the hapless forecaster from becoming so attached to their model that reality intrudes too late to make a difference.*
>
> *More generally, "strong opinions weakly held" is often a useful default perspective to adopt in the face of any issue fraught with high levels of uncertainty, whether one is venturing a forecast or not. Try it at a cocktail party the next time a controversial topic comes up; it is an elegant way to discover new insights – and duck that tedious bore who loudly knows nothing but won't change their mind!*

So stop your search for false-certainty (it doesn't exist) and start viewing the markets through a lens of probabilities. We'll teach you how to structure your trades and investments around your edge in a way that creates actions of positive expected value.

This is something that we'll continue to discuss in future Briefings, and we'll go more in-depth into how we assess expectations and create +EV through our trade structures.

Comm Center Highlights

We're stoked with all the great conversation taking place in the Comm Center. This is exactly what we imagined when we put together this section of the Hub. Here are a few of the highlights from last week's activity:

The Marcus Trifecta

Eric takes us through Ehler's Cycles — a technical analysis concept which can be summarized as the following:

1. Price action is comprised of multiple cycles (which are driven by various factors including human emotion) that are of different frequencies and different amplitudes.
2. Each cycle component can be separated from the others using bandpass filters.
3. Once separated, the cycle components are often clearly visible and can be extended into the future.
4. Having separated each of the main components of the price action, and extended each cycle component into the future, you can then reassemble the components to create a prediction of future price action.

But as Eric explained, although Ehler's Cycles are successful a majority of the time, the system tends to miss large turning points in the market.

This caveat lead to a broader discussion on the importance of not solely relying on technical analysis in the market. Though useful in itself, you need to be able to overlay a macro and fundamental understanding to put price action into context. When it comes to the Marcus Trifecta of technicals, fundamentals, and macro (Michael Marcus speaks of this concept in the original Market Wizards) the whole is greater than the sum of its parts. If you want to be truly successful in the markets, you need to use all three of these components in combination.

Play The Player

Jamie gives us a rundown of the various investor profiles he puts together to analyze buying and selling forces in the market. These include:

1. Dumb Money — Mom & pop retail investors that usually serve as a contrarian indicator.

2. Dumb Funds – Giant retirement and mutual funds that are long-only and always fully invested. They make up a large part of the big money flows in the markets.
3. Technical Players – Smart technicians that amplify trends, but do not cause turning points in the market.
4. Smart Hedge Money – The sharpest players in the game who use the Marcus Trifecta concept to achieve a deeper understanding of markets and profit more than everyone else.
5. Smart Value – Purely fundamental guys that are busy finding the best deals in the market.

This is a very useful exercise to understand the movers and shakers in any market. Bridgewater does something very similar when establishing buyers and sellers in global markets. Understanding who's on the side of each transaction gives you a deeper look into liquidity and capital flows. These are the key to understand what drives markets.

Super Bull

Fantastic discussion that lays out an in-depth bull case for US equity markets. Particularly interesting is Jamie's use of the rate of change in real average hourly earnings as a leading indicator of GDP both to the upside and downside. The current year-over-year reading is 1.8% – a bullish signal for GDP growth and thereby markets too.

Scenario development like this is a big part of the investing process. Being able to see different outcomes keeps you prepared for any market situation.

Portfolio Review

Below are our current positions in each one of our portfolios:

Macro Ops Hub
Target. Deploy. Profit.

Macro Ops Strategic Portfolio

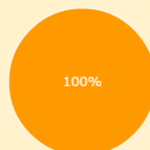
NAV $980,260.19

Asset Class	Position	Size	Cost Basis	Risk Point	Open Risk	Target 1	Beta (1yr)	Notional
Fixed Income	US Bonds (ZBM6)	1	159'090	159'25	~	176'19	-0.31	$164,250
Fixed Income	US Bonds (ZBM6)	3	164'18	159'25	$14,343.00	176'19	-0.31	$492,750

Metrics

Exposure Breakdown

Equity	$0.00
Commodity	$0.00
Fixed Income	$14,343.00
Forex	$0.00



Total Open Risk	Portfolio Beta
$14,343.00	-0.207771
1.46%	

*Updated 4/17

Macro Ops Tactical Portfolio

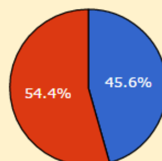
NAV $1,002,218.45

Asset Class	Position	Size	Cost Basis	Risk Point	Open Risk	Target 1	Notional
Equity	China (ASHR)	5000	24.11	23.07	$5,200.00	28.05	$123,350
Equity	Ligand (LGND)	800	117.67	111.33	$5,072.00	148.00	$94,136
Equity	Nifty 50 (INDY)	5375	27.32	26.39	$4,998.75	29.60	$146,845
Commodity	Bean Oil (ZL)	12	32.67	31.95	$5,184.00	35.13	$240,624
Commodity	Bean Meal (ZM)	3	281.5	273.4	$2,430.00	296.5	$171,420
Commodity	Platinum (PL)	4	996.5	967.3	$5,840.00	1059	$200,500
Commodity	Uranium (URA)	5000	14.1	13.15	$4,750.00	17.13	$69,750

Metrics

Exposure Breakdown

Equity	$15,270.75
Commodity	$18,204.00
Fixed Income	$0.00
Forex	$0.00



Total Open Risk
$33,474.75
3.34%

*Updated 4/17

Macro Ops Income Portfolio				
NAV	$1,013,158.54			
Asset Class	Position	Size	Cost Basis	Max Profit

Scenario Analysis/Stress Tests	
Worst Case	Worst Drawdown

Markets are rough right now. They're throwing out more head fakes than Kobe. (Sidenote: Do yourself a favor and check out the highlights from Kobe's final game last week. The guy is a true competitor and went out like the legend that he is.)

Many of our trades have been breaking even due to the enormous chop in the markets. In response, we're pulling back on activity until a trend reestablishes itself. But here are a few trades that worked out well for us:

URA - Uranium

So far URA has returned over 6R from its cup breakout. We are currently holding this position and quickly trailing up our stop to lock in profits in the event of a downturn.

LGND - Ligand Pharmaceuticals

LGND rocketed out of its long-term consolidation and is now up over 2R from its breakout. This stock had a high short interest, meaning there were a lot investors short selling its stock. As these investors are forced to continue covering their positions as prices head higher, we will likely see LGND keep ripping. We're involved in a very profitable feedback loop.

/ZM - Soybean Meal

Soybean meal futures had a very strong move from their bottoming pattern. We took half our position off when price hit the 3R mark, and now we're holding out with the other half for another move higher. These trades that pay you instantly and within a few days are always the best.

Hub Updates

You can check out the updated IMINT here. And the updated HIT List can be found here.

Along with your weekly *Market Brief*, **we've also decided to provide daily analysis in the Comm Center**. You can find today's update here.

Each morning you'll find brief commentary on the previous day's events and how they play into our current market outlook. Feel free to read and comment. These daily updates will be a great way to start the conversation each morning.

If you look in the Comm Center, you will also notice that we added some new channels. We'll continue to add channels as we need them to help organize our conversations. The latest additions are:

- Daily Commentary – You'll can quickly view our daily analysis archives here.
- Trade Ideas – A place for community members to post their trade ideas.
- Feedback / Website Bugs – Want to see specific material in the Hub going forward? Something not working right on the website? Post those issues and feedback here.

We also added the following white papers to the toolkit:

The Investment Clock
The VIX Futures Basis
An Intermarket Approach to Beta Rotation the 2014 Dow Award Winner
An Intermarket Approach to Tactical Risk Rotation
T-Theory
Understanding the causes of market movements

Lastly, from now on you will be able to find all Market Briefs in the Hub. Just click "Market Briefs" in the top menu.