

Bananas



Check out small caps (IWM). Up 12% in less than two months. This market is bananas.

This is a short Brief. I just wanted to riff on a few things real quick that I didn't get to include in the MIR.

To start, our Strat portfolio is at making new all-time highs in NAV this week. We're up slightly over 30+% now on a TTM basis and are about neck and neck with the SPX ytd which is good considering the market has only gone up this year.

I like the way our portfolio is positioned so hopefully we continue to crush it going into the end of the year. But we shall see what the market Gods serve up...

Currently the market is stretched and sentiment is at extreme levels. The Fear & Greed Index is sitting over



90 and as Urban Carmel pointed out this week **“prior instances in the past 5 years have preceded a lower close in SPX within the next month 91% of the time and within six weeks 100% fo the time.”**

Five years is a small sample size though and this market is anything but typical. In addition, all the strength and liquidity indicators I track suggest further gains ahead in equities. At least for now.

Another interesting data point shared by Urban is that when the S&P has risen in every month from May through September, like it has this year, it has gone on to finish the 4th quarter higher every single time.

But, to state the obvious, the market will eventually someday have a +3% retrace.

We'll view that pullback — should it ever come — as a chance to add onto our long positions and perhaps throw some new ones on the book and that's because the bigger picture cycle indicators remain bullish.

We'll likely put on a starter position in the ag stocks that we covered in the MIR, early next week.

And if DSKE closes strong on Friday then I'll look to pyramid another tranche to it on Monday.

We'll of course send out trade alerts when we execute.

Moving on to the dollar and metals.

Trump recently said that he plans to announce the next Fed chair within the next few weeks.

It's anybody's guess who it'll be. I don't put any weight into the speculation over who the so-called front runners are. Trump has a tendency to surprise and because of that I don't care to trade the dollar, in either direction, until he makes his announcement.

There's the possibility he goes with an uber dove like a Kashkari or Brainard, or some out of left field sycophant who will do his bidding and keep rates even lower for longer. In that case, we can kiss the dollar goodbye.

This would be great for our long commodity theme (both oil and ag trades). And if this happens, precious metals will become an obvious buy. Some of the charts in that space are looking strong.

Silver miners ETF (SIL) is forming a nice coiling pattern. Action like this, typically precedes an explosive break.

Something to keep an eye on.



Oh, and also, another point that could be dollar bearish was the President’s recent comments regarding Puerto Rican debt. He said the following in a Fox News interview this Tuesday.

We have to look at their whole debt structure... You know they owe a lot of money to your friends on Wall Street. We’re gonna have to wipe that out. That’s gonna have to be -- you know, you can say goodbye to that. I don’t know if it’s Goldman Sachs but whoever it is, you can wave goodbye to that.

Puerto Rico has \$74B in municipal debt (that’s a lot). Comments like this make investors (both foreign and local) think twice about buying US paper. And if these comments are ever acted on then you can bet the dollar will puke as capital flees the country.

Apparently, famous value investor Seth Klarman and his hedge fund Baupost Group are large holders of PR paper. Looks like Seth misjudged the “margin of safety” on this trade. Guys gotta be sweating bullets.

This week I’m digging into active asset managers. Stocks like Icahn’s (IEP) and Mark’s (OAK) amongst others, look like they could be setting up for great trades.



The technicals of many of the names are strong and the thematic works with our overheat phase hypothesis, where cyclical value is the best performing sector. Add in the consensus narrative that “active is dead” and we have a pretty good contrarian trade setup.

I’ll be putting out a report on them next week.

And here’s a cut from, I wanna say a Morgan Stanley report, that I read this week and which I think is spot on. Just another reason why I’m excited about our oil trade.

A number of you have emailed me recently asking how I go about choosing the specific stocks we buy in our macro thematic trades, like oil and ags.

I touched on this briefly in the September MIR when I talked about how I breakdown all equity trades into one of three categories. Those being:

1. **Growth/Value**
2. **Special Situations**
3. **Cyclical/Macro**

Why is oil going higher?

We will make this about as concise as we can make it.

Non-OPEC supplies are falling faster and earlier than expected.

Don't believe us? Look at Brazil's latest production figures. Petrobras (NYSE:PBR) reported 2.1 million b/d in August, when it should have been 2.3 million b/d. It's the first time since 2015 that y-o-y production growth went negative.

Then you look at China, and its production is plagued by "longer" maintenance.

And then Mexico, which is below 2 million b/d, and expected to remain there for the rest of 2017.

But no worries folks, let's all just watch how many thousands of barrels the Permian grows, because that will surely offset the 200k b/d disappointment out of Brazil, 100k b/d from China, and 50k b/d from Mexico.

All the while, IEA just said global oil demand growth in Q2 2017 was 2.3 million b/d, when it's not even supposed to be seasonally that high.

This is important because each category has very different drivers and unique inputs that you need drill down to and understand. I don't really know anybody who teaches this specifically but it makes a huge difference to your analysis, risk management, and overall trading.

So it's a great question.

What I'm going to do is put together a long write up, kind of a "How To" for each category, that essentially breaks down my process and the things I look at for each bucket. Hopefully this will help you guys better understand the way I look at these things. And, maybe some of you will have critiques/suggestions that'll help me improve on my process.

Look for the first one of these to come out later next week. I think I'll do the cyclical/macro bucket first since that category is kind of dominating our trading right now.

Shoot me an email or hit me up in the CC if you gotta any questions about markets, the MIR, or just wanna shoot the shit about trading.

Your Macro Operator,

Alex

Strategic Ops								
NAV		\$1,298,271						
Asset Class	Position	Size	Cost Basis	Risk Point	Open Risk	Target	Notional	Beta
Equity	Limbach LMB	7,750	\$13.66	\$12.50	\$8,990.00	\$18.00	\$104,703	-0.1902
Equity	Interactive Brokers IBKR	1,800	\$41.71	\$38.50	\$5,778.00	\$55.50	\$74,628	0.9292
Equity	GAIA	7,600	\$9.88	\$8.50	\$10,488.00	\$13.75	\$79,040	0.4497
Equity	Portugal ETF PGAL	8,000	\$10.57	\$9.98	\$4,720.00	\$11.75	\$85,040	1.0467
Equity	China A-Shares ASHR	6,764	\$26.69	\$25.83	\$5,817.04	\$31.30	\$199,876	1.475
Equity	Intrepid Potash IPI	28,769	\$3.70	\$3.64	\$1,726.14	\$6.00	\$117,403	1.053
Equity	Trip Advisors TRIP	873	\$42.83	\$38.52	\$3,762.63	\$64.00	\$37,164	2.368
Equity	Daseke DSKE	4,000	\$13.08	\$12.16	\$3,680.00	\$19.00	\$51,720	0.7348
Equity	W&T Offshore WTI	16,000	\$2.18	\$2.00	\$2,880.00	\$4.50	\$40,800	2.415
Equity	Enesco ESV	3,700	\$5.15	\$4.30	\$3,145.00	\$6.50	\$18,574	1.667
Equity	Transocean RIG	2,900	\$9.32	\$8.26	\$3,074.00	\$15.00	\$26,796	1.683
Equity	Carbo Ceramics CRR	2,600	\$7.91	\$6.65	\$3,276.00	\$12.00	\$19,578	1.654
Equity	Cabot COG	1,350	\$26.28	\$24.00	\$3,078.00	\$34.00	\$36,288	0.4829
Equity	GNC Holdings GNC	2,000	\$10.25	\$8.15	\$4,200.00	\$17.00	\$18,320	0.8725
Equity	Tuesday Morning TUES	7,500	\$2.60	\$2.00	\$4,500.00	\$5.00	\$18,000	2.041
Option	Tesla Mar '18 240 Put	28	\$8.80	\$0.00	\$24,640.00	\$24.00	~	1.048

Metrics			Total Open Risk								
Exposure Breakdown <table border="0"> <tr> <td>Equity</td> <td>\$69,114.81</td> </tr> <tr> <td>Commodity</td> <td>\$0.00</td> </tr> <tr> <td>Fixed Income</td> <td>\$0.00</td> </tr> <tr> <td>Forex</td> <td>\$0.00</td> </tr> </table>			Equity	\$69,114.81	Commodity	\$0.00	Fixed Income	\$0.00	Forex	\$0.00	\$93,754.81 7.22%
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