

La Nina is Spanish for “The Nina”



Trading Wisdom:

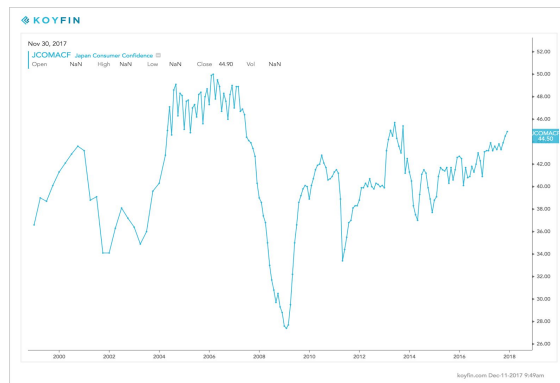
It might seem that if you have an edge, the way to maximize the edge is to trade as big as you can. But that's not the case, because of risk. As a professional gambler or as a trader, you are constantly walking the line between maximizing edge and minimizing your risk of tapping out. ~ John Bender

Data and Events in the week ahead:

This is a busy week for central bankers. The Fed, ECB, BoE, as well as the central banks for Switzerland, Mexico, and Russia are holding their final monetary policy meetings for the year.

MONDAY: Japanese consumer confidence prints today at noon. Consumer confidence (chart shown on right) in Japan is trending upwards and nearing cycle highs amidst an improving economic backdrop.

TUESDAY: The FOMC begins its two-day policy meeting. The group has signalled they'll raise rates another 25bps this week, which should be mostly priced into the market already. What will be important is their forward guidance and where they see the

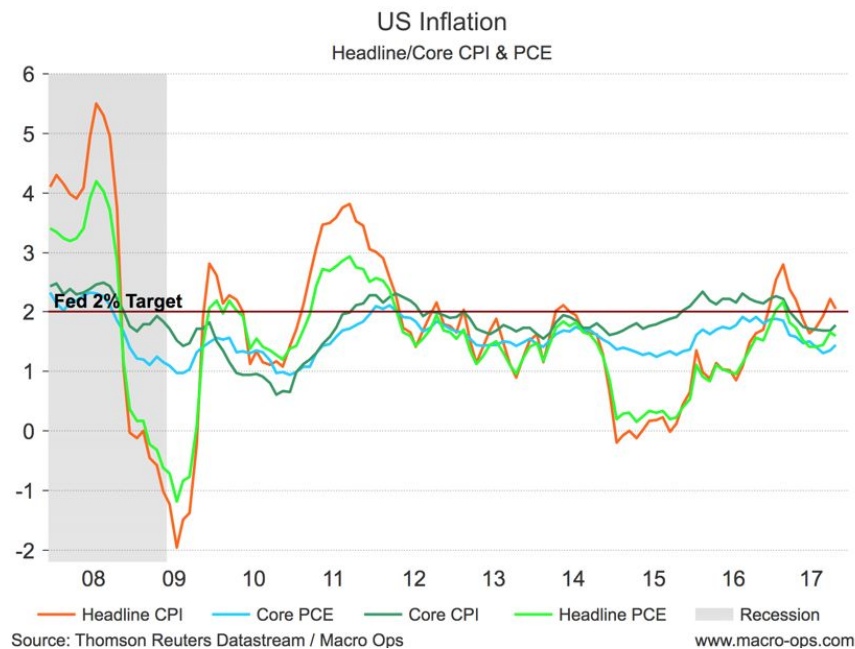


economy and risks going into next year. With Powell replacing Yellen in a few months it's unlikely they'll do anything unexpected and risk rocking the boat before the transition. Tim Duy of Fed Watch wrote up a short and interesting take on the Fed's evolving thinking on monetary policy that you can find [here](#). Chart of Fed Funds rate below.



UK inflation numbers for the month of November print on Tuesday. The consensus expects annual price growth to come in around 3%, well above the BoE's target rate of 2%. We're watching the GBPUSD cross for an entry to the short side.

WEDNESDAY: US CPI for November comes out the same day the Fed meeting concludes. With the weaker dollar, rising energy prices, and building wage pressures, we should see stronger than expected inflation numbers this week.



THURSDAY: The ECB meets Thursday and will likely leave its policy rate unchanged. But Draghi and team are expected to raise their growth forecasts signalling a coming end to the ECB's QE sometime next year. The Markit PMI number also comes and is expected to show continued strong growth, marking the best three month period for the eurozone since 2013.

The BoE releases a policy statement on Thursday. After raising interest rates last month the bank indicated that they expect to only raise rates two more times by the end of 2020.

FRIDAY: Russia's central bank puts out a policy statement. The Russian Bear is slowly recovering after a punishing recession following the bear market in energy (its largest export) and Western sanctions. Russia is statistically one of the cheaper markets on a valuation basis. The Vaneck Russia ETF (RSX) chart looks constructive and if we're right on our bullish energy call then it should continue to do well.

Also, check out Mechel PAO (MTL) on the chart below. MTL is a Russian steel giant and a name we've covered in the past. The company currently trades at 4x TTM earnings, 1.2x TTM FCF, and saw strong top and bottom line growth in the last quarter; plus the chart looks good. Worth keeping an eye on this one.





Earnings Releases:



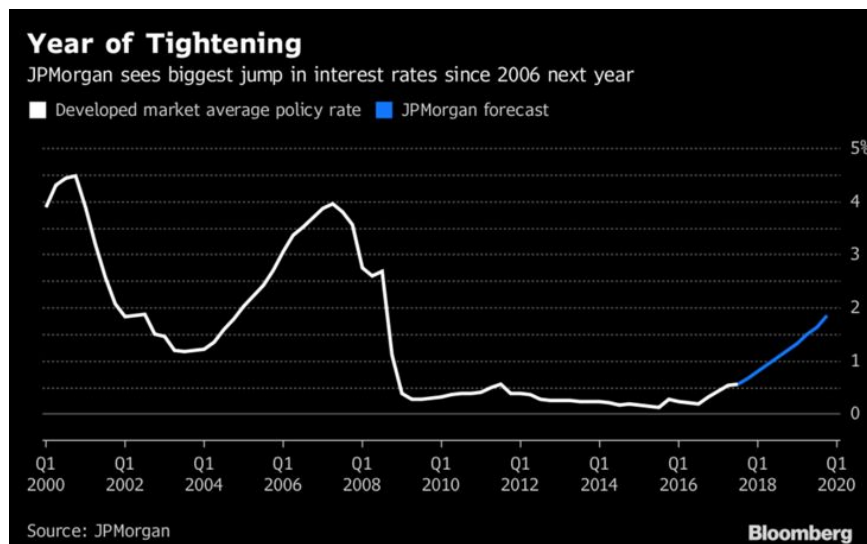
Third quarter earnings has nearly concluded with 98% companies having reported. Earnings growth and revisions continue to surprise to the upside. The graph below breaks down the data by sector.

Identifier	Earnings Summary			Q3 2017 Surprise		Q3 2017 YoY Growth			Q4 2017 Revisions		Price Reaction -2d		
	% Beat	% Met	% Missed	Reported Actual	Yet to Report Predicted	Reported Actual	Yet to Report SmartEstimate	Blend	Reported Mean Chg % -30d	Yet to Report Mean Chg % -30d	Beat	Met	Missed
All Economic Sectors (3128)	59%	10%	31%	4.1%	2.1%	11.6%	72.6%	11.7%	0.1%	4.5%	0.3%	-0.1%	-1.2%
Energy (249)	52%	8%	40%	-2.0%	-1.1%	264.0%	1077%	270.1%	4.6%	-206.8%	11%	-1.2%	-1.2%
Basic Materials (150)	61%	10%	29%	9.0%	2.4%	16.4%	99.4%	18.2%	0.7%	6.9%	0.6%	0.5%	-1.6%
Industrials (405)	65%	8%	28%	1.1%	2.7%	8.5%	92.9%	8.8%	0.1%	1.8%	1.0%	0.0%	-0.2%
Consumer Cyclical (417)	59%	9%	32%	-1.0%	6.1%	9.7%	-44.6%	9.6%	-0.6%	-12.1%	0.5%	-0.4%	-2.4%
Consumer Non-Cyclical (129)	56%	13%	31%	2.4%	-1.9%	4.7%	-0.9%	4.7%	0.2%	-2.5%	1.5%	-0.6%	-4.7%
Financials (749)	53%	14%	33%	2.8%	-0.1%	-1.3%	-20.2%	-1.3%	-0.5%	10.2%	-0.5%	-0.3%	0.0%
Healthcare (509)	59%	8%	33%	7.8%	1.7%	13.4%	43.7%	13.5%	-0.1%	12.5%	-0.4%	-2.1%	-2.8%
Technology (409)	71%	8%	20%	11.2%	2.2%	24.3%	25.6%	24.3%	0.2%	-59.5%	0.2%	0.4%	0.6%
Telecommunications Services (31)	43%	13%	43%	0.5%	0.0%	-8.6%		-8.6%	-0.2%		0.9%	1.6%	-1.9%
Utilities (80)	48%	6%	46%	1.2%		-3.1%		-3.1%	0.3%		0.1%	0.4%	0.2%

Interesting Charts:

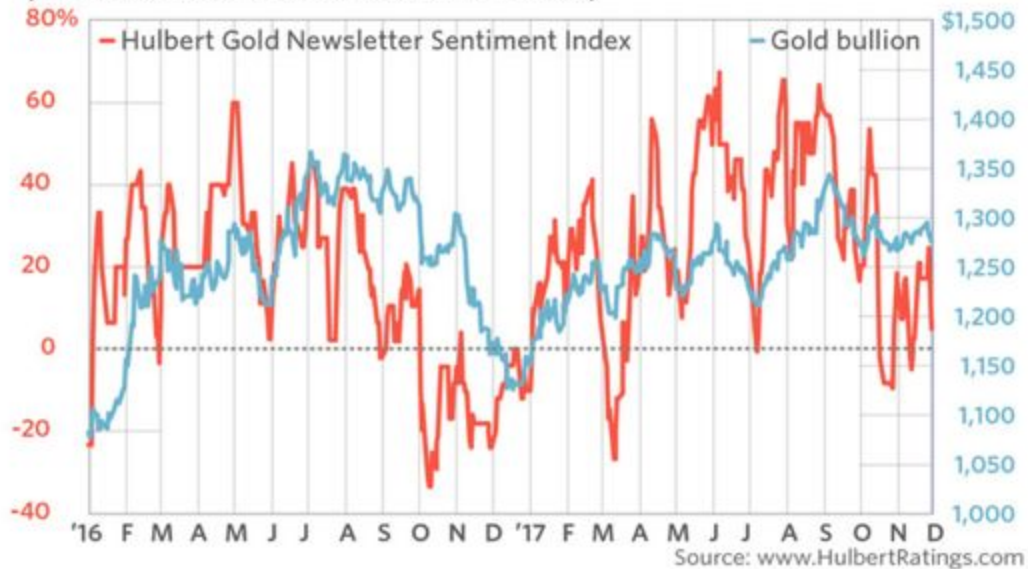
JP Morgan is forecasting a large jump in developed market interest rates next year. The bank believes the rise in DM rates will be similar to the tightening monetary policy DM markets saw back in 2006. Whether this plays out will depend on how aggressive China gets in deleveraging its economy.

The sentiment in gold remains bullish which suggests more downside is likely.



Sentiment doesn't support a gold bull market

Market timers' average recommended gold market exposure level (the Hulbert Gold Newsletter Sentiment Index)



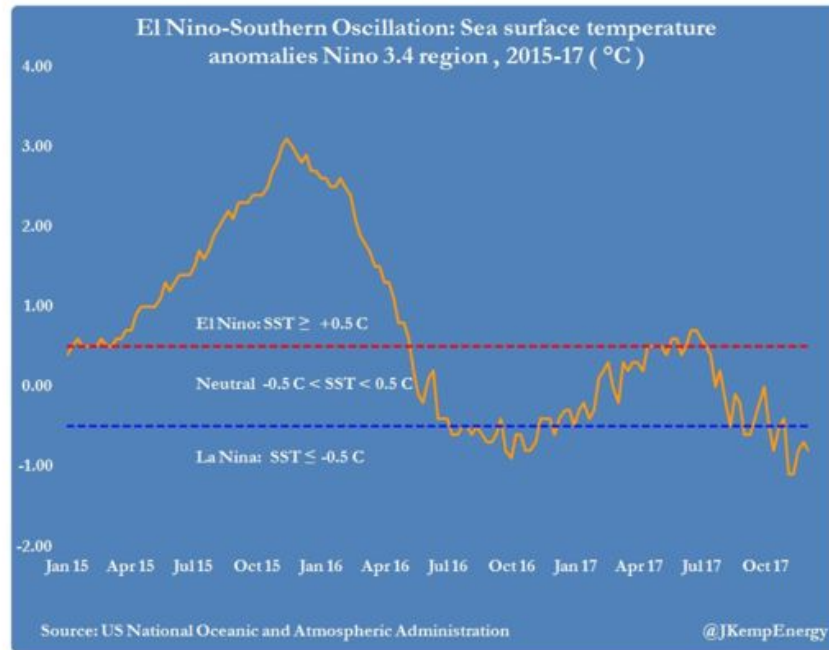
The -30% level is where sentiment has typically marked a short-term bottom in gold so there's still plenty of room for the yellow metal to fall.

Here's a tweet and chart from John Kemp who's a sharp energy analyst/writer for Reuters. He's worth a follow on twitter if you're trading the energy markets. He also puts out a great daily email on all things energy. He's predicting La Nina conditions this winter which means colder winters in the North and Northeast and more mild conditions in the Southwest. This would be bullish for Natgas prices which have been chopping around in a range.

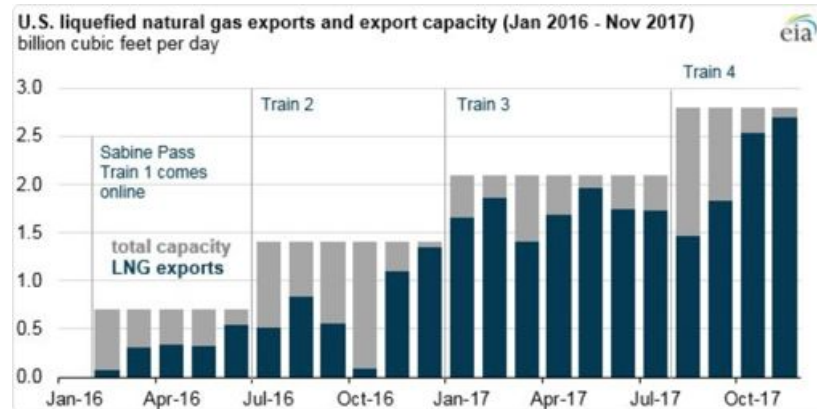


John Kemp @JKempEnergy · 2h

LA NINA CONDITIONS continued last week with sea surface temperatures in central-eastern Pacific -0.8C below the seasonal average

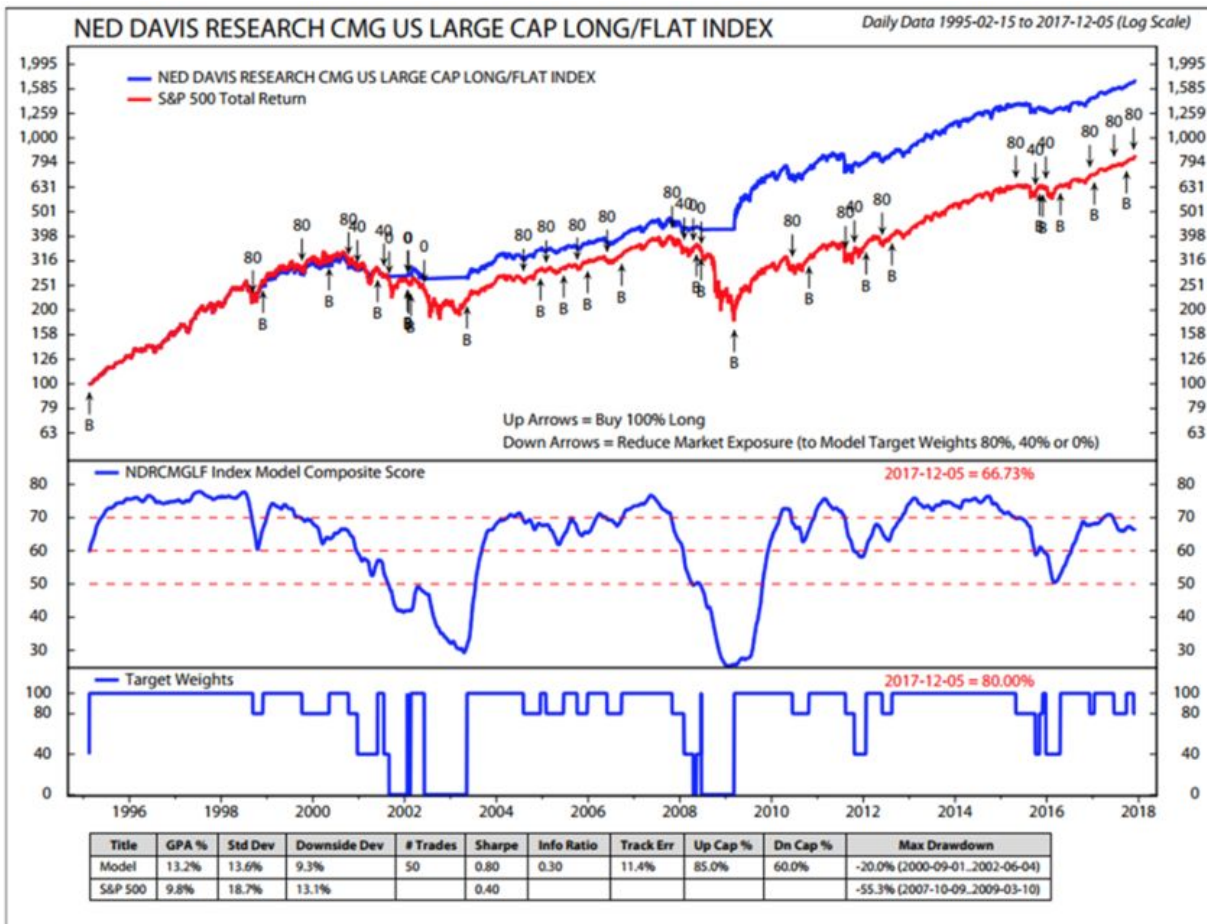


This is an interesting chart showing the sharp rise in US LNG exports + capacity. The US became a natgas exporter for the first time in 2016 and shipments have been rising dramatically as new LNG export terminals are brought online.



Much of the growing demand is coming from Asia, specifically China and India, where the governments are trying to wean themselves off smog producing coal and transition to cleaner burning fuels like natural gas. This is a good trend for our DOTM position in CHK.

The below chart from Ned Davis shows NDR's breadth and trend following model which currently has a buy rating on the S&P 500. The middle graph is the important number and this shows the trend in NDR's breadth composite score which measures everything from advancing/declining issues, new highs/lows, up and down volume etc... The indicator is supportive of current equity strength but looks like it might be in the process of turning over. We'll have to keep an eye on where it trends in the weeks ahead.

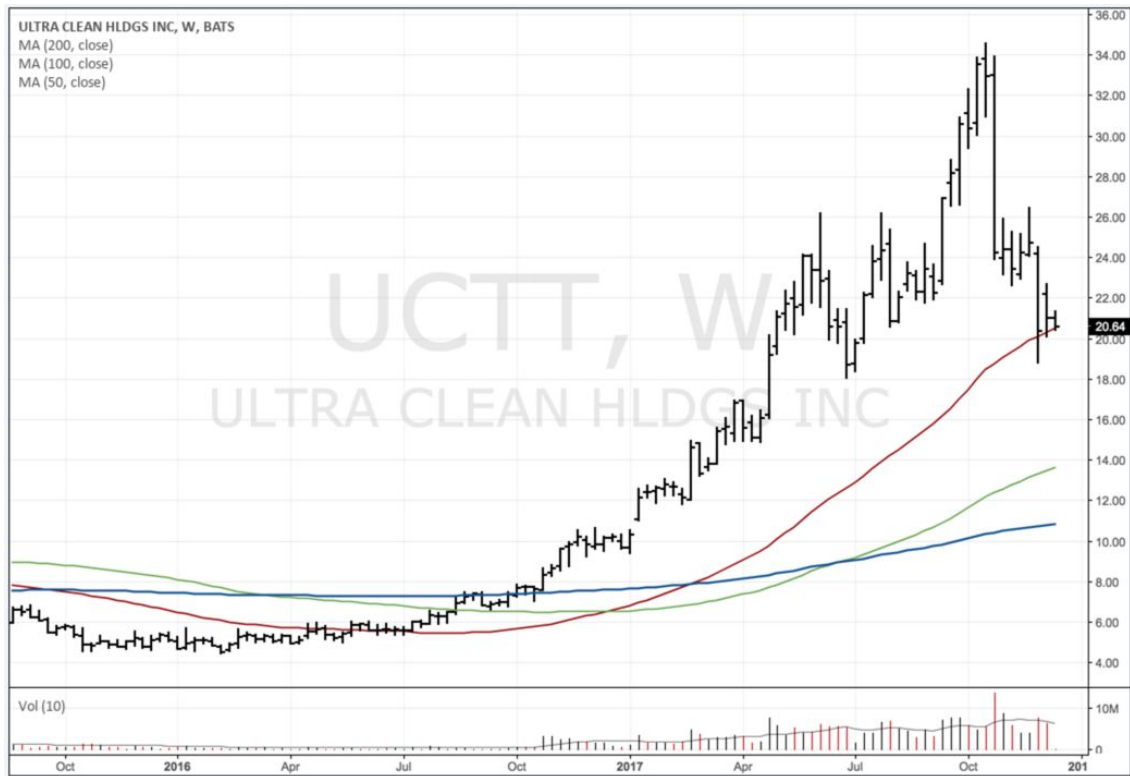


Target List - Trade setups that might trigger this week:

Jesse Stine, the author of the excellent trading book *Superstocks*, shared a watchlist of some strong earning winners that he’s watching for a strong bounce into the end of the year. Here’s his [shared gdoc](#) with the charts he’s looking at.

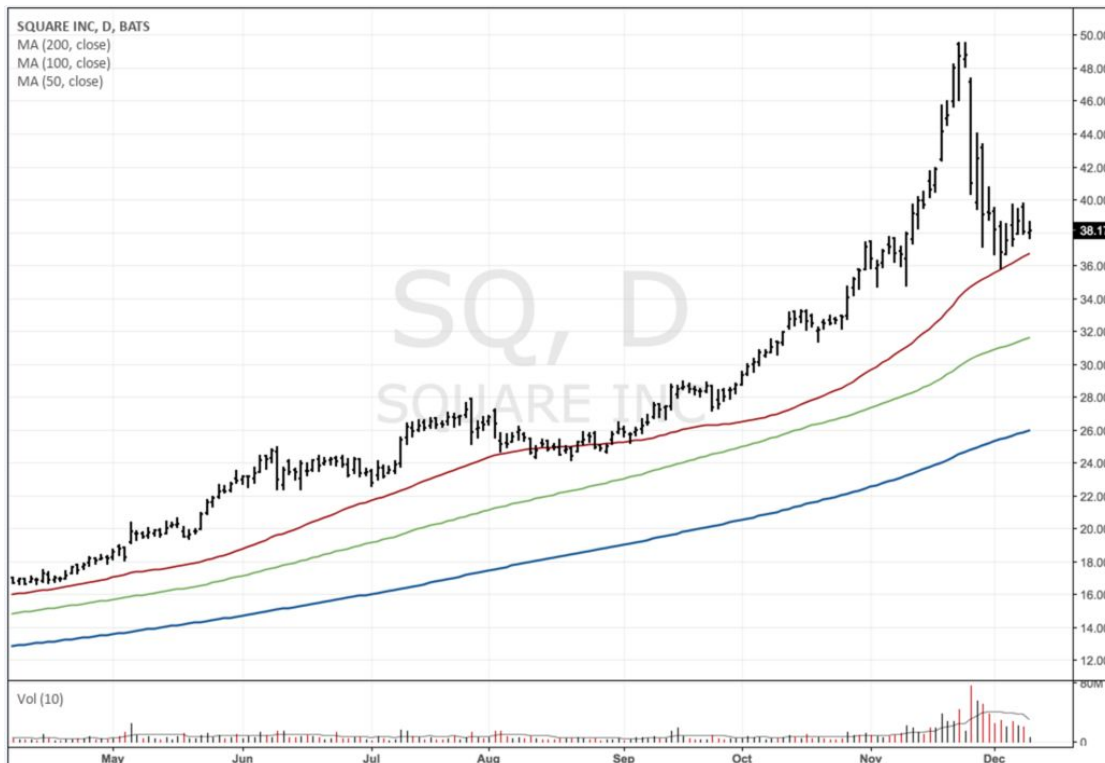
A few of his names have been on my radar for a while. These are KEM, UCTT, and ESIO (charts below). These were momentum plays that got crowded and have now seen a large shakeout of weak hands.

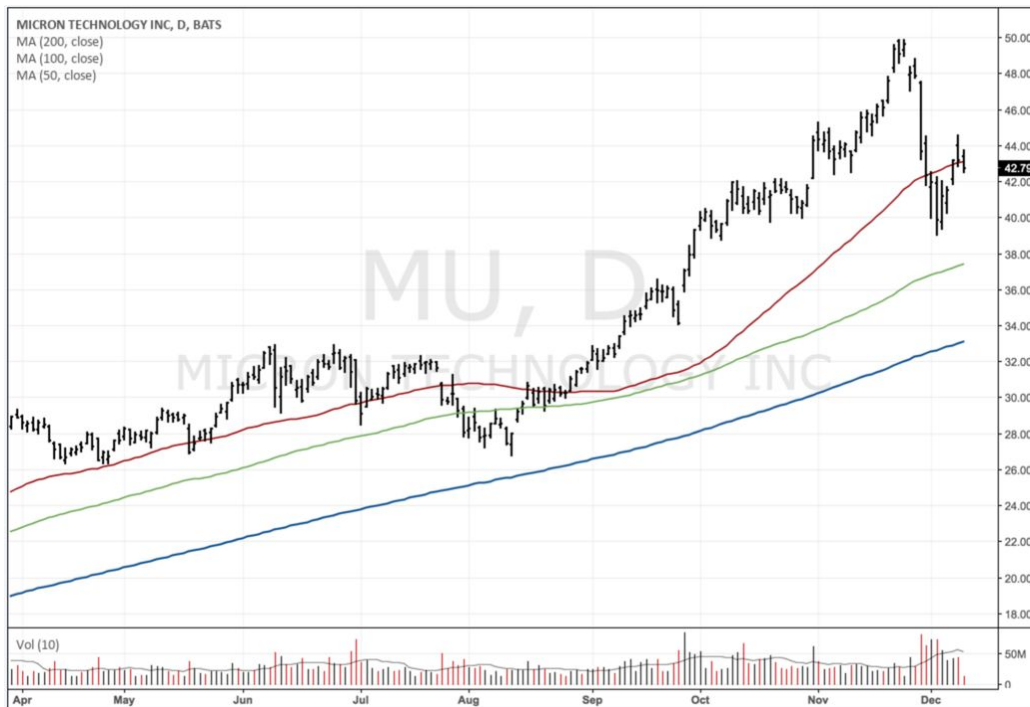
They are now trading near moving average support and there’s a good chance they’ll trend back up near new highs going into the end of the year. I typically don’t like to do a lot of trading on FOMC weeks since the market’s noise to signal ratio tends to be high but if the price action in these names looks like it’s turning around we’ll probably put on a trade.



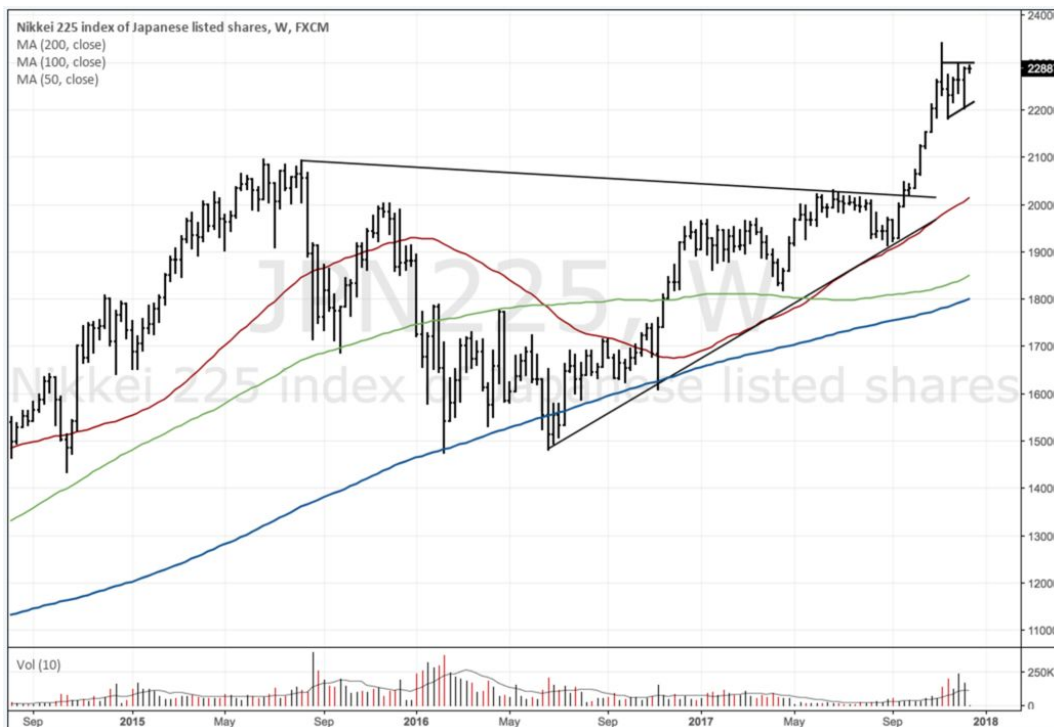


In a similar vein I'm also closely watching Micron Technology (MU) and Square which are both high growth momentum names that have seen sizable pullback recently.





And finally, I'm looking to get long the Nikkei using futures (EWJ is an ETF alternative). This trade is tied closely to the USDJPY cross so we'll likely wait until after the FOMC announcement on Wednesday before putting a trade on.

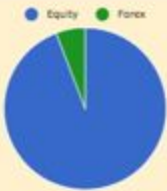


That's it for this week. Shoot us an email if you've got any questions and have a great week in the markets!

Your Macro Operator,

Alex

Strategic Ops								
NAV		\$1,244,042						
Asset Class	Position	Size	Cost Basis	Risk Point	Open Risk	Target	Notional	Beta
Equity	Limbach LMB	2,750	\$13.66	\$12.50	\$3,190.00	\$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	4,000	\$10.57	\$9.98	\$2,360.00	\$11.75	\$85,040	1.0467
Equity	China A-Shares ASHR	3,464	\$26.69	\$25.83	\$2,979.04	\$31.30	\$199,876	1.475
Equity	W&T Offshore WTI	16,000	\$2.18	\$2.00	\$2,880.00	\$4.50	\$40,800	2.415
Equity	EnSCO 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	Cabot COG	1,350	\$26.28	\$24.00	\$3,078.00	\$34.00	\$36,288	0.4829
Equity	Tuesday Morning TUES	7,500	\$2.60	\$2.00	\$4,500.00	\$5.00	\$18,000	2.041
Option	CCJ Jan '19 17 Call	236	\$0.41	\$0.00	\$96.76	\$5.00	~	1.273
Option	FCAU Jan '19 25 Call	108	\$0.90	\$0.00	\$9,720.00	\$5.00	~	2.373
Option	JD Jan '19 70 Call	108	\$0.92	\$0.00	\$9,936.00	\$7.00	~	1.3
Option	TRIP Jan '19 75 Call	108	\$0.89	\$0.00	\$9,612.00	\$7.00	~	2.378
Option	CHK Jan'19 10 Call	750	\$0.14	\$0.00	\$10,500.00	\$1.00	~	2.105
Option	Tesla Mar '18 240 Put	28	\$8.80	\$0.00	\$24,640.00	\$24.00	~	1.048
Option	MS June '18 65 Call	126	\$0.46	\$0.00	\$5,796.00	\$3.00	~	1.61
Option	WMT June '18 120 Call	126	\$0.51	\$0.00	\$6,426.00	\$3.00	~	0.2944
FOREX	Aussie Dollar Jan Futures	-12	\$0.7539	\$0.7600	\$7,320.00	\$0.7200	\$904,166	0.3595

Metrics			Total Open Risk	
Exposure Breakdown			<hr/> \$125,518.80 10.09% **Updated 12/11	
Equity	\$118,198.80			
Commodity	\$0.00			
Fixed Income	\$0.00			
Forex	\$7,320.00			