

Old Media?

I just got back from my trip to Israel and Austria. It was a blast. I highly recommend visiting both countries if you get the chance. As a history buff, it was pretty cool to tour historical sites dating from the time of Jesus in Israel to then walking through Viennese castles built in the Dark Ages — so much to see in both countries.

Also, both Tel Aviv and Vienna are top notch cities. The food in Tel Aviv, is some of the best I've ever had (which, I wasn't expecting). And the beer in Vienna, is of course, fantastic.

Anyways, let's talk markets. There's some exciting things afoot.

The energy space has been on a tear. We've been bullish on crude oil and oil stocks since last [September](#) and again updated our bullish thesis in our [December MIR](#).

West Texas crude is now within \$3 of our year end \$75 price target that we predicted back in January. And this move has been in the face of a rising dollar over the last month, which just shows how imbalanced supply and demand in the market has become.



Our long position in W&T Offshore (WTI) is now up over 300% since we put it on back in September. This has been a great trade but we're now faced with the question of what to do; do we cut or let it run?

I find the best thing to do when a position has run straight up like this is to put on a trailing stop. That way we can still capture more upside but not give away too much of our profits once it turns. So we'll stay in this position until it has a daily close below its 5-day moving average.



And I'm considering rolling some of our profits from this trade into other energy names, like Diamond Offshore (DO) or Ranger Resources (RRC).



DO has nearly completed its 18-month inverted H&S bottom. And RRC recently broke out of a 3-month wedge on the back of strong buying pressure from hedge funds.

But I'm in no rush to add these names because I expect a sizable pullback in oil and energy stocks soon, which will give us a better buying opportunity. And in the meantime, we have WTI and our CHK (which has been on a run, as well) to capture any further immediate upside.

Another holding of ours, Micron Technology (MU), is close to making new cycle highs.

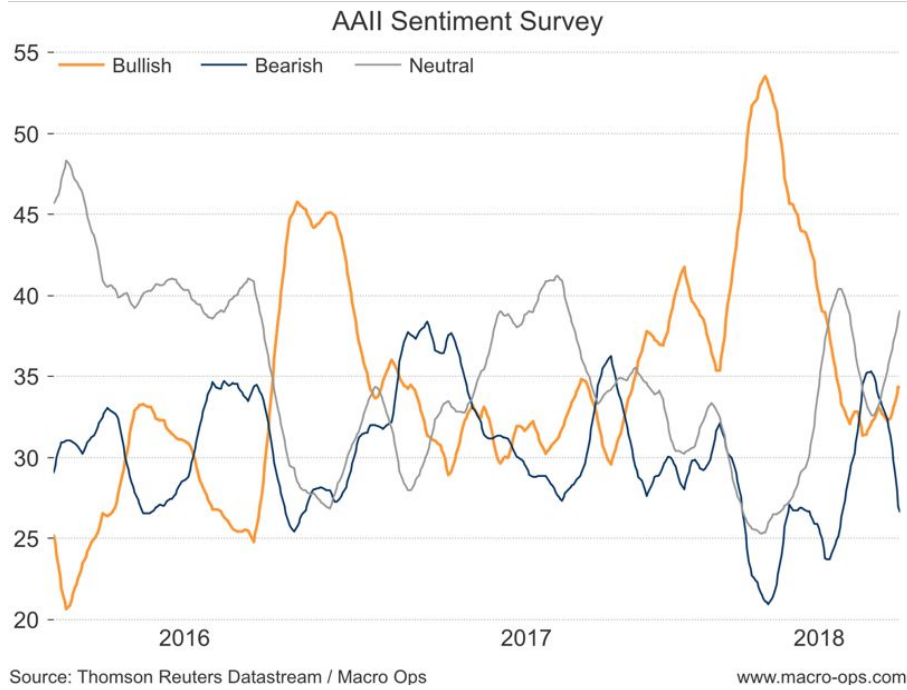
The stock is up 8%+ today after the company raised its guidance for the quarter at its analyst day, yesterday. They also announced a \$10B buyback plan, which is the largest in the company's history and equates to 16% of the stock's current market cap.

Our DOTM calls are currently up over 250% and we still have over 6-months left till expiry. I think this will end up being a big trade for us.

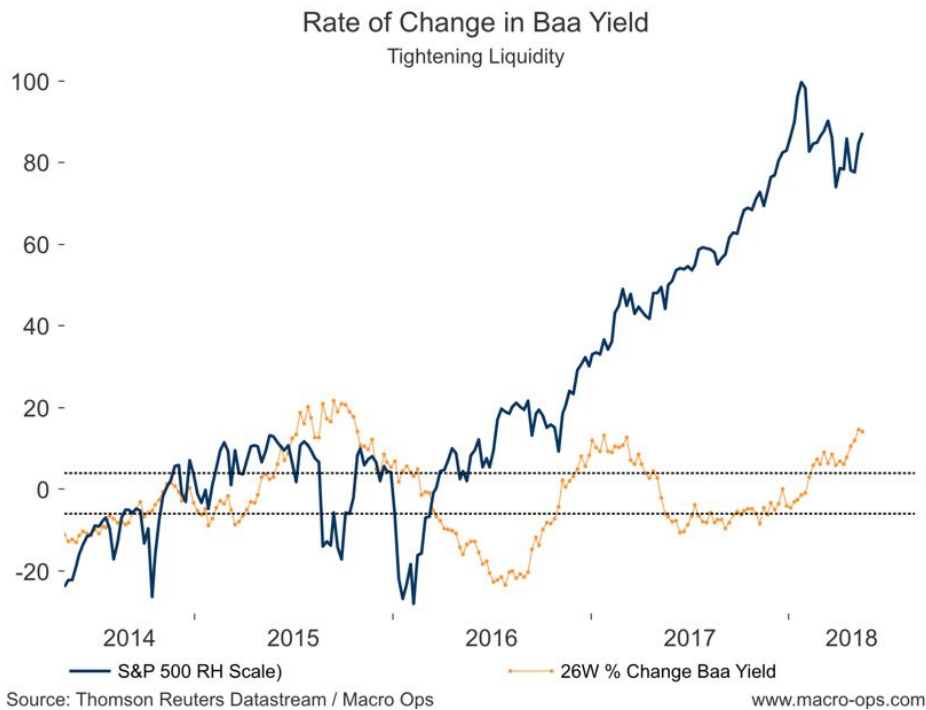


The broader market is looking strong. Small-caps just hit new highs and overall breadth is good.

Sentiment has fully reset and is now a neutral to bullish tailwind for the market.



The main hurdle for the market is rising rates. The yield on the 10-year is hovering just below 3.10%. The chart below shows that the rate of change in yields is at levels that typically precede stock market volatility.



There's a circular relationship between yields and equities. Fast rising bond yields lead to stock market volatility, which then lead to lower bond yields. It's a self correcting process.

I think we may soon see this circular process play out with another small selloff in stocks. That'll hopefully put an intermediate ceiling on yields and clear the way for a more sustained rally in stocks.

We'll use a selloff to add to some positions and/or open new ones. JD.com (JD) looks like it's setting up for another good risk-reward entry. It's still one of my favorite stocks and is trading for dirt cheap prices relative to its growth and potential.

One stock I'm digging into this week is Discovery (DISCA). This company has been on my radar for a while, as I think it's an interesting and misunderstood value play.

Discovery is a global media company that operates approximately 400 distribution feeds in 40 different languages, around the world. Some of its more notable programs are the Discovery Channel, TLC, Animal Planet, HGTV, Food Network, and the Oprah Winfrey Network, to name just a few.

The stock has been selling off due to concerns over the state of "old media" and the rise in cord cutting. While these concerns are legitimate, with the stock now trading over 50% below its price from just a few years ago, it looks like the market has overdone itself.



The stock now trades at just 7x free cash flows and insiders have been backing up the truck on the shares.

Our Eikon Insider Buying model shows a reading of 100, which means that insiders have been buying large amounts of stocks relative to those selling over the last two years.



One of these insiders is John Malone, who's the second largest shareholder of DISCA stock. He's the man behind the Liberty empire and of the best capital allocators alive.

Malone believes the long-term risk from cord-cutting to DISCA's business, is overblown. As owners of high-quality branded content, he thinks they'll be able to navigate the transition to direct consumer platforms quite well.

In a recent interview on CNBC, Malone said "I'm always a long-term guy... I'm going to bet that Discovery with its ownership and control of its content will be able to transition to direct consumer platforms in a reasonably efficient way." Noting that DISCA's stock is now "dirty cheap", saying he "would possibly buy more".

In many ways, Discovery is similar to our long Disney trade. Both have deep libraries of valuable well known content but have been slow to move to the direct to consumer streaming platform model.

I think that at current valuations for both stocks, the market is over-discounting each company's potential for success. And this gives us a good asymmetric investment opportunity.

What do you guys think? I still need to do some more digging but the fundamentals, technicals, and sentiment seem supportive of the bull case.

That's all I got for updates this week.

If you guys have any other questions on existing positions don't hesitate to holler at us in the [Comm Center](#).

Your Macro Operator,

Alex

Macro Ops Portfolio		YTD	Inception (16')				
NAV	\$2,838,050	5.23%	41.27%				
Big Bet Macro							
Asset Class	Position	Size	Cost Basis	Risk Point	Open Risk	Target	Last Price
Equity	Limbach LMB	2,750	\$13.66	\$11.00	\$1,622.50	\$18.00	\$11.59
Equity	Interactive Brokers IBKR	1,800	\$41.71	\$64.60	\$25,650.00	\$55.50	\$78.85
Equity	W&T Offshore WTI	16,000	\$2.18	\$3.30	\$80,320.00	\$4.50	\$8.32
Equity	United Insurance UIHC	13,000	\$16.98	\$17.45	\$47,450.00	\$20.00	\$21.10
Equity	Trip Advisor TRIP	7,754	\$36.46	\$35.50	\$99,716.44	\$50.00	\$48.36
Equity	Facebook FB	1,775	\$179.99	\$165.00	\$33,565.25	\$230.00	\$183.91
Equity	Google GOOGL	332	\$1,073.37	\$992.00	\$27,758.52	\$1,400.00	\$1,075.61
Equity	Disney DIS	5,694	\$102.34	\$95.00	\$52,157.04	\$150.00	\$104.16
Equity	Yatra Online YTRA	36,819	\$7.24	Investment	~	\$15.00	\$7.11
Equity	MU Jan '19 70 Call	118	\$2.12	\$0.00	\$64,310.00	\$10.50	\$5.45
Equity	BCS Jan '19 15 Call	574	\$0.35	\$0.00	\$8,610.00	\$3.50	\$0.15
Equity	DB Jan '19 30 Call	670	\$0.30	\$0.00	\$1,340.00	\$3.00	\$0.02
Equity	CCJ Jan '19 17 Call	236	\$0.41	\$0.00	\$2,360.00	\$5.00	\$0.10
Equity	FCAU Jan '19 25 Call	108	\$0.90	\$0.00	\$20,520.00	\$5.00	\$1.90
Equity	JD Jan '19 70 Call	108	\$0.92	\$0.00	\$1,296.00	\$7.00	\$0.12
Equity	TRIP Jan '19 75 Call	108	\$0.89	\$0.00	\$5,400.00	\$7.00	\$0.50
Equity	CHK Jan '19 10 Call	750	\$0.14	\$0.00	\$9,750.00	\$1.00	\$0.13
Equity	MS June '18 65 Call	126	\$0.46	\$0.00	\$0.00	\$3.00	\$0.00
Equity	WMT June '18 120 Call	126	\$0.51	\$0.00	\$0.00	\$3.00	\$0.00
FX	June Dollar Futures (DXM8)	20	\$91.09	\$89.80	\$74,000.00	\$96.00	\$93.50
Metals	June Gold Futures (GCM8)	-4	\$1,322.0	\$1,350	\$23,600.00	\$1,250	\$1,291.00
Volatility							
Asset Class	Position	Size	Cost Basis	Risk Point	Open Risk	Target	Last Price
Commodity	SLV June 2018 17 Straddle	130	\$2.84	\$0.00	\$19,760.00	\$5.00	\$1.52
Commodity	GLD Sep 2018 128 Straddle	24	\$15.10	\$0.00	\$18,072.00	\$30.00	\$7.53
Risk Budget							
	Total Allowed (In Bps)	Total Used	Total Available	Percentage Used			
Master	2500	2,175	325	87.00%			
Big Bet Macro	1750	2042	-292	116.66%			
Volatility	750	133	617	17.77%			
**Updated 5/22							