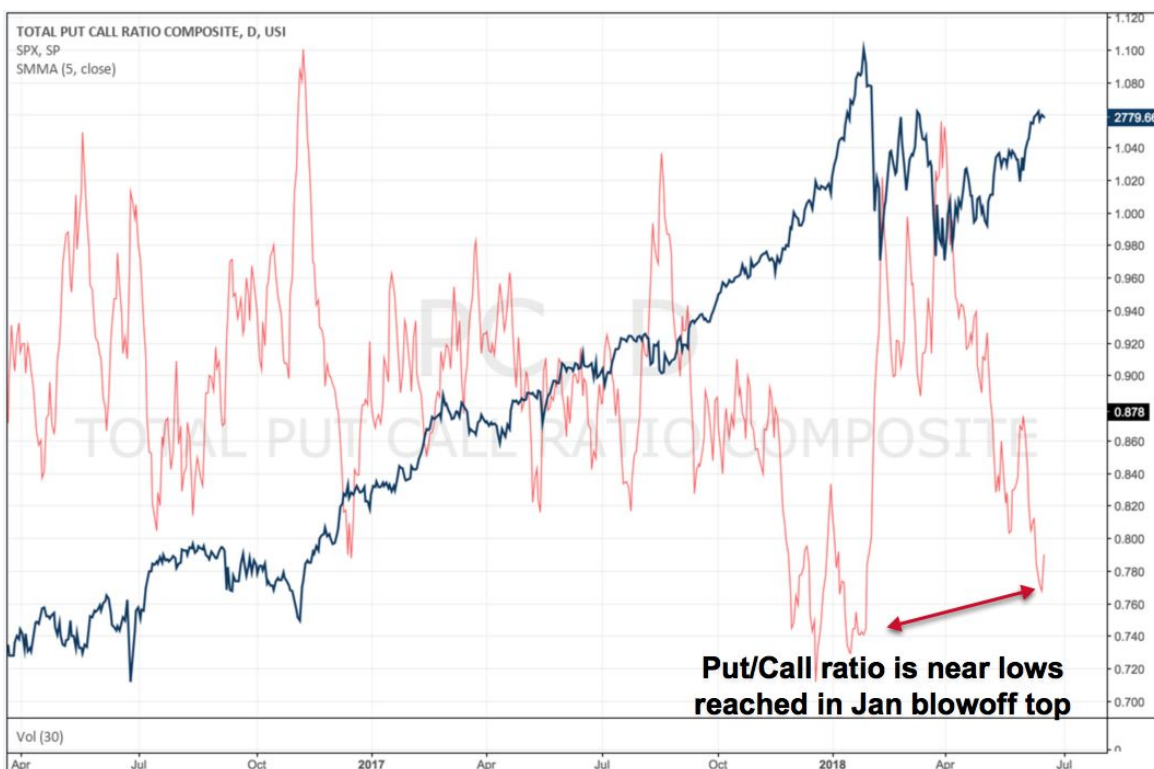


Almost Overbought

There are two charts I'm watching right now that lead me to believe we'll see a short-term pullback in the next couple of weeks.

The first one is the Put/Call ratio, which measures the amount of put buying relative to call buying in the market. When more puts are being bought relative to calls it means investors are nervous and buying downside protection. When the reverse is true, it means investors are complacent and becoming overly optimistic. It's a good short-term indicator of investor sentiment.

You can see on the chart below that the ratio is nearing levels last reached in January's blow off top. Meaning, sentiment is now a headwind for stocks.



The second chart I'm looking at is the percentage of stocks above their 50-day moving average. This one is also stretched and near overbought levels that historically market short-term reversal points.

It can go a little higher from here, but not much higher. Similar to the Put/Call ratio, this indicator needs a sharp correction to reset it back to more neutral levels.



There's a couple ways I see this playing out.

One, is that the market grinds up to its January high, driving these indicators up to firm sell signal levels, and then retracing from there. If this happens, we'd see all the bears come out and call a major double top. This would help reset sentiment and drive rates down some. Another possibility is the market sells off from its current levels and trades down to its long-term trendline near the significant level of 2700 (marked by the red dashed line on the chart below).



I'm not seeing much weakness in US markets yet, so I'm leaning towards the double top scenario. But this is hardly science, we'll have to follow price and see how it plays out. We'll view this retrace as a good buying opportunity since the fundamentals in the US still very much support the primary bullish trend.

I'm also thinking about buying some bonds here as a short-term tactical hedge against our long equity positions. The RSI on 10-year Treasuries is bouncing back from deeply oversold levels. We can see on the chart below that this often precedes a rally in bonds (red line = oversold RSI).



I'm watching the tape closely on bonds. If it looks it's setting up for a run we'll put on a position and send out an alert.

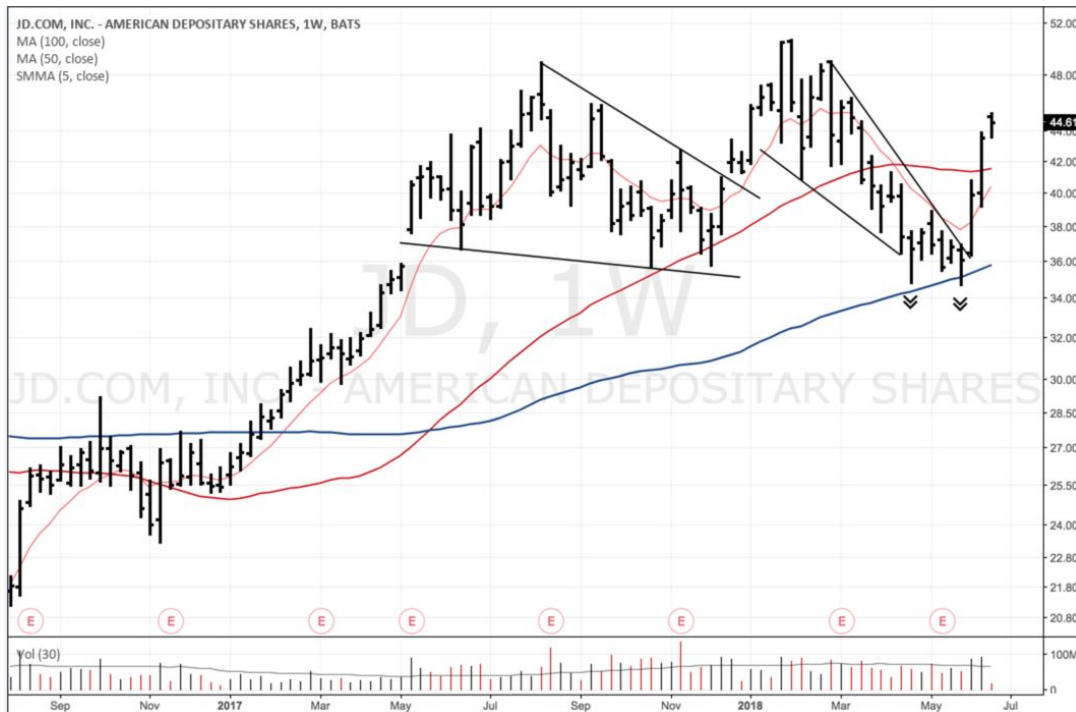
The MO portfolio is doing well. We're currently up close to 13% on the year, which puts us well ahead of the market. We're also sitting at new all-time equity highs. I'm working on our 6-month portfolio review right now and we'll be shooting it out to the group tomorrow.

The biggest trouble that I'm currently having is deciding whether I want to buy into new positions or just add to existing ones. I'm seeing a lot of opportunities in the market but I want to keep our book fairly focused and concentrated in our highest conviction ideas. I'll continue to write about stocks we don't own, just in case some of you are looking for new ideas. But I'm going to try and be extra judicious about adding new names to the book.

For example, we covered Discovery Communications (DISCA) a few weeks ago in a Brief. The stock has since broken out of its consolidation zone and has jumped 15+%. I like the bullish thesis for this stock and believe it will go much higher from here. But at the same time, I'm not looking to add a bunch of new value names to our book. So I'm forcing myself to decide between DISCA and NVR, and I'm leaning towards the latter.

The narrative around JD.com (JD) appears to be shifting quite dramatically. Over the past week, I've seen an increasing number of positive press coverage on the company. It was announced

today that Google has invested \$500m into the company and the two will be partnering more closely on search discovery and shipping/delivery going forward. The stock is following the exact chart pattern we laid out a couple of months ago. I think it's possible that JD doubles before the end of the year. We'll be adding to this position on pullbacks (chart is a weekly).



Advanced Micro Devices (AMD) is up 18% since our entry just two weeks ago. The more I dig into the semiconductor space the more excited I get about how offside the market is on the phase shift we're going to see in demand for silicon. The transition to autonomous vehicles alone, will require the equivalent compute power of 5 new iphone industries. That's a lot of new chip demand. I'll be writing a special report on this soon.



Like JD, we're looking to add to AMD and MU on pullbacks.

Disney's (DIS) chart is also setting up nicely. It looks like it'll break out of its multi-year wedge soon. I'm seeing a lot of strong buying volume for the stock which is a good sign that interest is returning. We already have a large position in DIS so we won't be adding it.

Our short gold and long dollar trades continue to play out nicely. Gold is nearing a critical level at 1275-80. If it breaks below this it'd be a significant technical blow to bulls. I'm thinking about adding more to the position.

And finally, Google (GOOGL) and Facebook (FB) are at or near new all-time highs. We want to add to both on retraces or we may just go ahead and add small DOTM call positions to them even sooner, since there's the potential they take off running from here.

That's all I got for updates this week.

Not much to do right now other than sit on our positions and maybe hedge for a short-term selloff with a tactical long bond trade.

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	\$3,033,379	12.20%	50.99%				
Big Bet Macro							
Asset Class	Position	Size	Cost Basis	Risk Point	Open Risk	Target	Last Price
Equity	JD.com (JD)	6,187	\$39.10	\$35.50	\$49,187	\$70.00	\$43.45
Equity	Advanced Micro AMD	14,818	\$14.84	\$11.50	\$71,719	\$25.00	\$16.34
Equity	United Insurance UIHC	13,000	\$16.98	\$17.45	\$44,590	\$20.00	\$20.88
Equity	Trip Advisor TRIP	7,754	\$36.46	\$35.50	\$178,730	\$50.00	\$58.55
Equity	Facebook FB	1,775	\$179.99	\$165.00	\$54,404	\$230.00	\$195.65
Equity	Google GOOGL	332	\$1,073.37	\$992.00	\$55,534	\$1,400.00	\$1,159.27
Equity	Disney DIS	5,694	\$102.34	\$95.00	\$77,780	\$150.00	\$108.66
Equity	Yatra Online YTRA	36,819	\$7.24	Investment	~	\$15.00	\$6.66
Equity	MU Jan '19 70 Call	118	\$2.12	\$0.00	\$53,100	\$10.50	\$4.50
Equity	BCS Jan '19 15 Call	574	\$0.35	\$0.00	\$8,610	\$3.50	\$0.15
Equity	DB Jan '19 30 Call	670	\$0.30	\$0.00	\$1,340	\$3.00	\$0.02
Equity	CCJ Jan '19 17 Call	236	\$0.41	\$0.00	\$2,360	\$5.00	\$0.10
Equity	FCAU Jan '19 25 Call	108	\$0.90	\$0.00	\$10,260	\$5.00	\$0.95
Equity	JD Jan '19 70 Call	108	\$0.92	\$0.00	\$4,212	\$7.00	\$0.39
Equity	TRIP Jan '19 75 Call	108	\$0.89	\$0.00	\$19,980	\$7.00	\$1.85
Equity	CHK Jan '19 10 Call	750	\$0.14	\$0.00	\$9,750	\$1.00	\$0.13
FX	UUP Jan '19 27 Call	1,230	\$0.13	\$0.00	\$18,450	\$1.20	\$0.15
FX	Sep Dollar Futures (DXU8)	20	\$94.44	\$89.80	\$93,200	\$96.00	\$94.46
Metals	Aug Gold Futures (GCQ8)	-4	\$1,300.6	\$1,350	\$27,200	\$1,250	\$1,282.00
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	\$20,930.00	\$5.00	\$1.61
Commodity	GLD Sep 2018 128 Straddle	24	\$15.10	\$0.00	\$17,544.00	\$30.00	\$7.31

Risk Budget				
	Total Allowed (In Bps)	Total Used	Total Available	Percentage Used
Master	2500	2,537	-37	101.50%
Big Bet Macro	2250	2411	-161	107.14%
Volatility	250	127	123	50.73%

**Updated 6/17