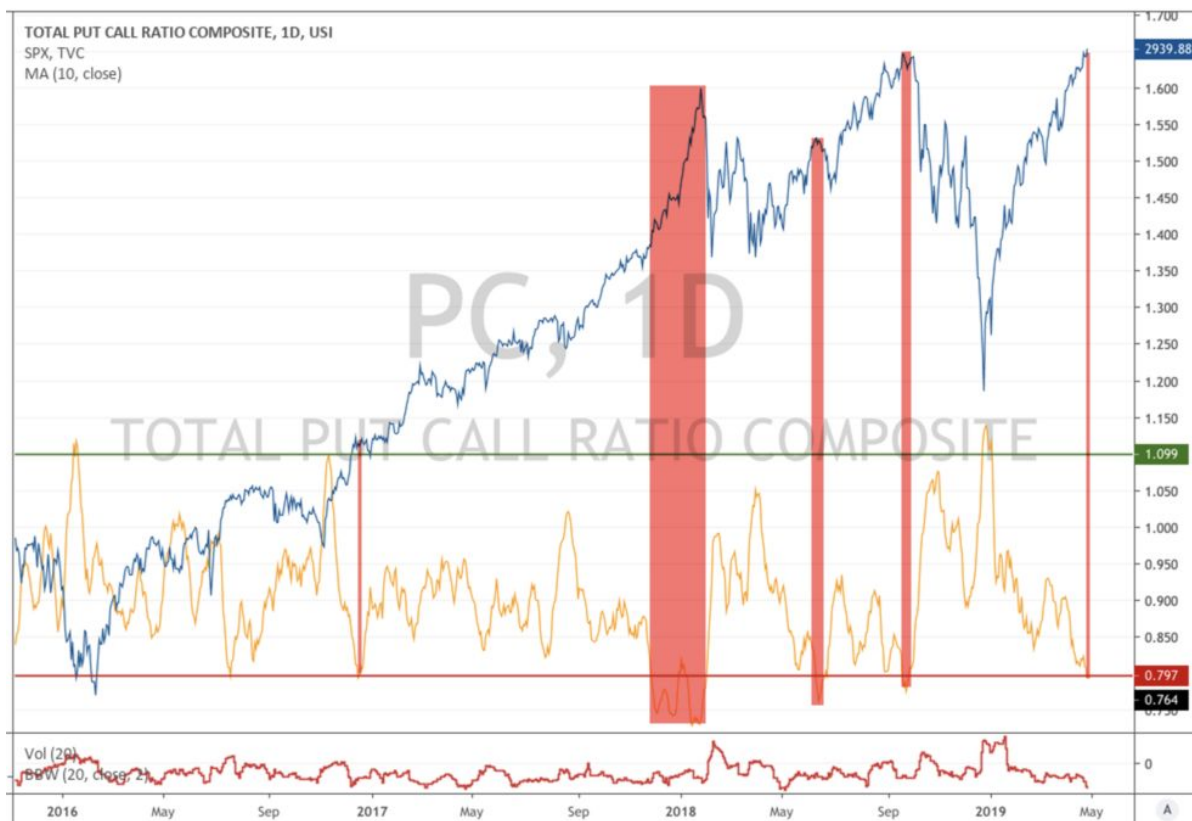


# Creeping Complacency...

## Summary:

- Our 10-dma Total Put/Call Indicator triggered a sell signal on Friday
- Percentage of S&P 500 companies beating EPS estimates near a record high
- Fed is talking very dovish
- FX (wait for FOMC meeting)
- Portfolio Update
  - Disney DOTM Calls up over 170% and the stock closed on weekly highs
  - Tesla on the ropes
  - Pulling all stops up to breakeven on our energy basket

Our 10-day moving average Total Put/Call indicator crossed below the 0.8 level (marked by the horizontal red line below) triggering an official sell signal on Friday.



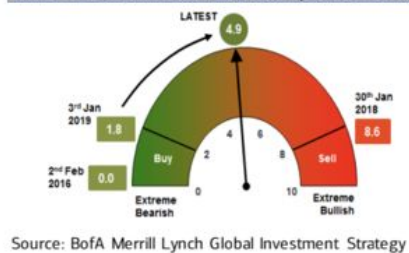
Investors are buying less downside protection and are becoming complacent. The lower this indicator moves the greater odds are that we'll see a sizable correction in the coming weeks. With that said, our other short-term indicators and market vanes are either still neutral or bullish. Credit continues to push higher and the weakness we noted last week in small-caps has improved somewhat.

The BofAML Bull & Bear Indicator is smack dab in the middle of neutral territory.

### BofAML Bull & Bear Indicator (B&B)

Our BofAML Bull & Bear Indicator is at 4.9, in "neutral" territory.

Chart 12: BofAML B&B Indicator (scale 0 to 10)



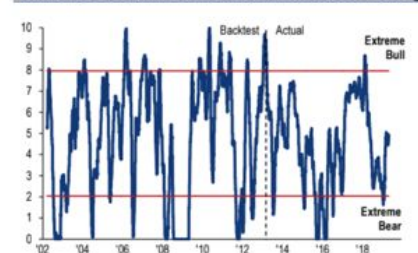
Source: BofA Merrill Lynch Global Investment Strategy

Table 4: Components of BofAML B&B Indicator

Components	Percentile	Sentiment
HF positioning	64%	Bullish
Credit mkt technicals	64%	Bullish
Equity market breadth	68%	Bullish
Equity flow s	31%	Bearish
Bond flow s	71%	V Bullish
LO positioning	20%	V Bearish

Source: BofA Merrill Lynch Global Investment Strategy, Bloomberg, EPFR Global, Lipper FMI, Global FMS, CFTC, MSCI

Chart 13: BofAML Bull & Bear Indicator history



Source: BofA Merrill Lynch Global Investment Strategy, EPFR Global, FMS, CFTC, MSCI

Keep an eye on the Russell (IWM) and semis (SMH) in the week(s) ahead. They should lead the market on the eventual turn.

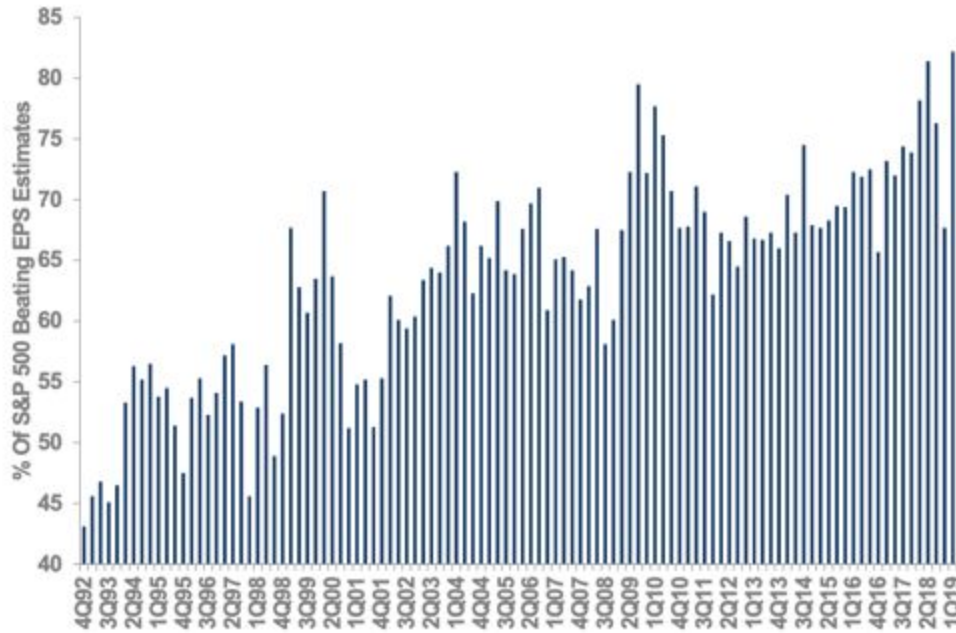
My general market take remains the same. The rally is getting long in the tooth and there are some increasing signs of FOMO — note the resurgence of the [“Melt Up” narrative](#) that last became popular in the runup to the Jan 18’ blow off. But momentum and technicals still favor more upside for the time being.

The move here is to stay long but begin to trim risk and take some profits off the table. Once momentum fades and more technical cracks appear we’ll move to more aggressively reduce our equity exposure and put on some shorts.

### Stocks continue to clear a low bar...

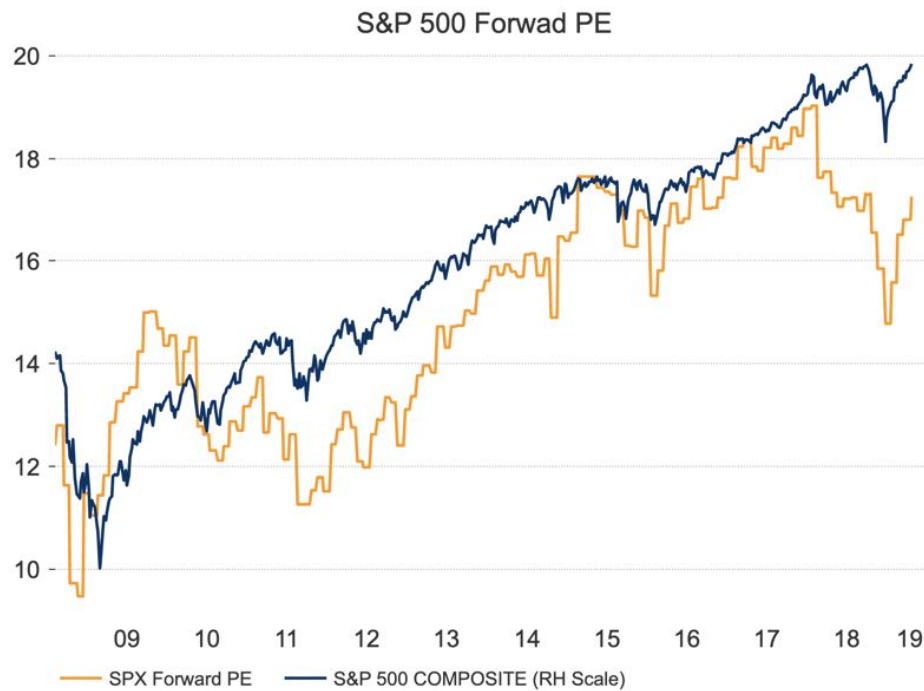
Stocks aren’t having any trouble clearing the low bar set for them in the overly pessimistic Q1 consensus earnings estimates. In fact, the proportion of S&P 500 companies beating expectations this quarter is tracking at a record high pace so far (chart via MS).

**Exhibit 6: The proportion of S&P 500 companies beating earnings expectations is tracking at a record-high in 1Q**



Source: Bloomberg, Morgan Stanley Research

I've been noting that this low earning expectations tailwind turns into overly-optimistic headwinds once this quarter is over. With the S&P's forward PE back above 17x — levels at which the market has struggled in the last few years — it's looking more and more likely that things are setting up for a rough second half to the year.



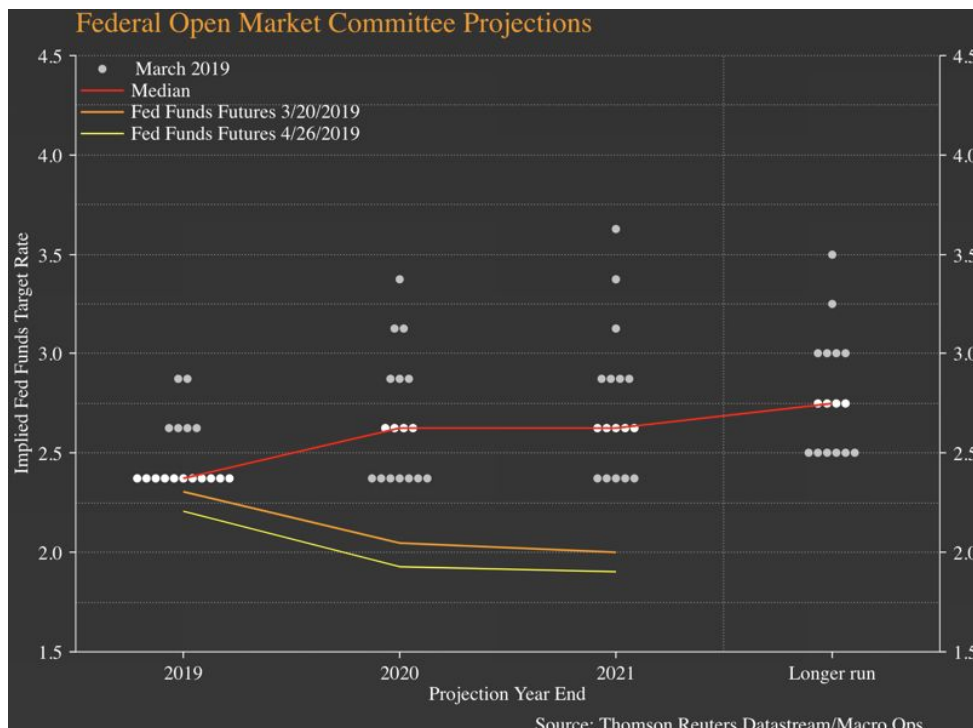
Source: Thomson Reuters Datastream / Macro Ops

www.macro-ops.com

It's another big week for earnings releases. Our second largest holding Google (GOOGL), announces after the close on Monday. The stock had its highest all-time weekly close on Friday. We may or may not reduce some of the position before market close tomorrow. Considering the strength we've been seeing in the big tech names the last few weeks I'm considering just letting it ride.



The FOMC is on Wednesday. Not much is expected out of the meeting. Seeing as how dovish FOMC members have been talking lately ([link here](#)) we should be on guard for the possibility of another bullish surprise; though I'm not sure how much more interest rate expectations can come down barring a recession.



I remain skeptical of this dollar (DXY) rally but will respect the tape. If price action holds up following the FOMC we'll look to add to our long position.



## Portfolio Update

The last few weeks have been great for our portfolio which is now up over 21% on the year. A big driver of this performance is due to the impressive action in our largest position, Disney (DIS), which closed on its highs for the week at a new record price.

Our DOTM calls are up nearly 200% and could payout significantly if this move ends up having legs (I think it will). Those calls don't expire until January of next year. The fact that the latest Avengers movie is breaking box office records certainly helps the narrative ([link here](#)).



Fellow Operator Biren put out a great update on Tesla's cash flow projections ([link here](#)). The stock continues to deteriorate and its technicals are horrendous. Our portfolio has been fighting continuous theta decay from holding our long-dated puts but we could quickly get a huge boost if the stock hits the uncle point for bag-holding institutions, which I suspect is around the \$220 level.



Lastly, I'm moving stops up to breakeven on our long energy basket (MTDR, RIG, DO). The charts which looked so good heading into last week quickly soured. The fundamental story remains the same and I think eventually these stocks have multi-bagger potential. But I don't want to fight the market on this one so if we get stopped out I'll look to cut and take a swing another day.

That's all I've got!

I'm currently working on the MIR which will be shipping out to you guys in the next few days. I'm having fun writing this one, I think you guys are going to like it.

If you've got any questions for us in the meantime, let us know in the Comm Center. Have a great week!

Your Macro Operator,

Alex

<b>Macro Ops Portfolio</b>		YTD						
		21.60%						
<b>Big Bet Macro</b>								
Asset Class	Position	Position Size	Cost Basis	Notional %	Risk Point	Target	Last Price	P&L
Equity	Construction Partners (ROAD)	8,438	\$12.25	8.55%	\$10.80	\$17.00	\$12.32	0.57%
Equity	Facebook (FB)	609	\$142.04	9.59%	\$119.50	\$144.19	\$191.49	34.81%
Equity	Fiat (FCAU)	2,666	\$15.20	3.40%	\$13.70	\$28.00	\$15.52	2.11%
Equity	Sharpspring (SHSP)	859	\$13.71	1.41%	\$10.80	\$20.00	\$19.91	45.22%
Equity	Garrett Motion (GTX)	5,630	\$15.11	8.90%	\$13.80	\$25.00	\$19.23	27.27%
Equity	Stratasys (SSYS)	2,335	\$24.76	4.50%	\$20.50	\$50.00	\$23.42	-5.41%
Equity	Discovery DISCA	1,300	\$28.09	3.37%	\$26.70	\$60.00	\$31.51	12.18%
Equity	Google GOOGL	195	\$1,129.78	20.48%	\$1,100.00	\$1,400.00	\$1,277.42	13.07%
Equity	Disney DIS	2,146	\$102.34	24.69%	\$108.50	\$150.00	\$139.92	36.72%
Equity	Yatra Online YTRA	13,877	\$7.24	5.36%	Investment	\$15.00	\$4.70	-35.08%
Equity	Diamond Offshore (DO)	1,820	\$10.75	1.71%	\$9.00	\$20.00	\$11.44	6.42%
Equity	Transocean Ltd. (RIG)	2,581	\$9.04	1.87%	\$7.85	\$15.00	\$8.80	-2.65%
Equity	Matador Resources (MTDR)	1,162	\$18.75	1.88%	\$16.00	\$16.00	\$19.72	5.17%
Equity	Graftech (EAF)	2,205	\$13.59	2.13%	\$10.00	\$25.00	\$11.74	-13.61%
Equity	Frontdoor (FTDR)	1,240	\$34.10	3.56%	\$28.00	\$55.00	\$34.90	2.35%
Equity	TSLA Sep '19 175 Put	11	\$13.81	1.13%	\$0.00	\$85.00	\$12.50	-9.49%
Equity	TSLA Jun '20 100 Put	14	\$10.70	1.15%	\$0.00	\$85.00	\$10.00	-6.54%
Equity	TSLA Jan '20 150 Put	5	\$15.01	0.58%	\$0.00	\$60.00	\$14.00	-6.73%
Equity	TSLA Jun '19 220 Put	4	\$18.01	0.46%	\$0.00	\$60.00	\$14.00	-22.27%
Equity	DIS Jan '20 165 Call	205	\$1.11	5.06%	\$0.00	\$10.50	\$3.00	170.27%
FX	June Dollar Futures	5	\$98.03	40.21%	\$96.95	\$102.00	\$97.79	-0.25%
Interest Rates	June Notes Futures	-4	\$124.10	-40.69%	\$125.03	\$121.00	\$123.71	0.31%

\*\*Updated 4/28