
Holding Pattern

Summary:

- FOMC
 - Duy on Fed announcing a cut
- Portfolio Update
 - Moving risk point up on US Dollar (DXY)
 - Taking half profits on AngloGold Ashanti (AU)
 - Moving stop up on Frontdoor (FTDR)
 - Taking profits on Garrett Motion (GTX)
 - Taking full profits on Discovery Com. (DISCA)
 - Cut Fiat (FCAU)

Operators,

I've got just a short *Brief* for you today. I'll be putting out the *MIR* later this week following the conclusion of the FOMC on Wednesday which will hopefully give us more visibility into where Fed policy is headed, and thus markets.

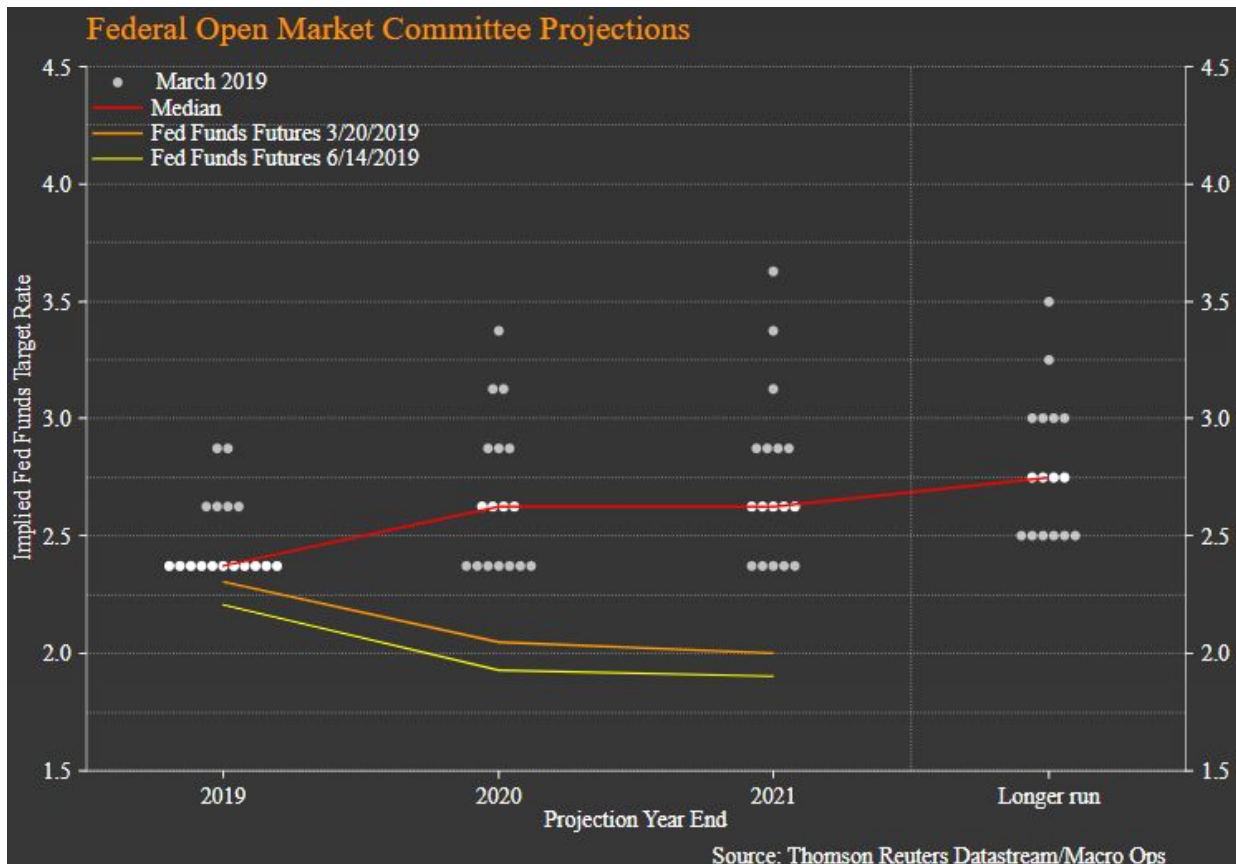
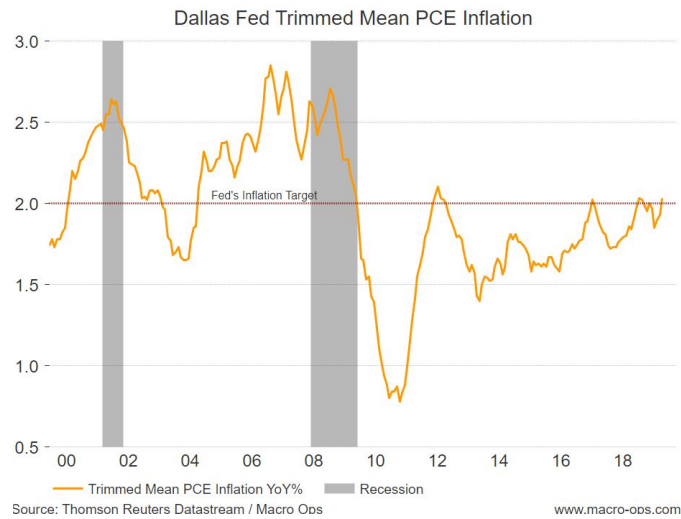
To get an idea on what the Fed is thinking I turn to the astute Fed Watcher, Tim Duy. You can read his full comments on the upcoming FOMC [here](#) but I'll summarize the main points.

- ❖ Weak incoming inflation data raises the odds that this disinflationary trend may not be transitory, as the Fed has suggested
- ❖ Absent falling inflation, broader economic measures such as retail sales and industrial production are holding up quite well
- ❖ Duy thinks a Fed cut is very unlikely this week
- ❖ But, he expects them to open the door for a July cut on the basis of a deceleration in job growth and weak inflation readings
- ❖ Bottom line, he thinks they "need more data to justify a rate cut. Another jobs report along the lines of the May report would go a long way toward supporting that cut in July."

That seems like a reasonable take. But Powell is a tough read, a bit of a slippery fellow. It wasn't too long ago that he started pointing to the Dallas Fed Trimmed Mean PCE gauge of inflation because it, unlike the Fed's standard measure of inflation (core PCE), is going up and not down.

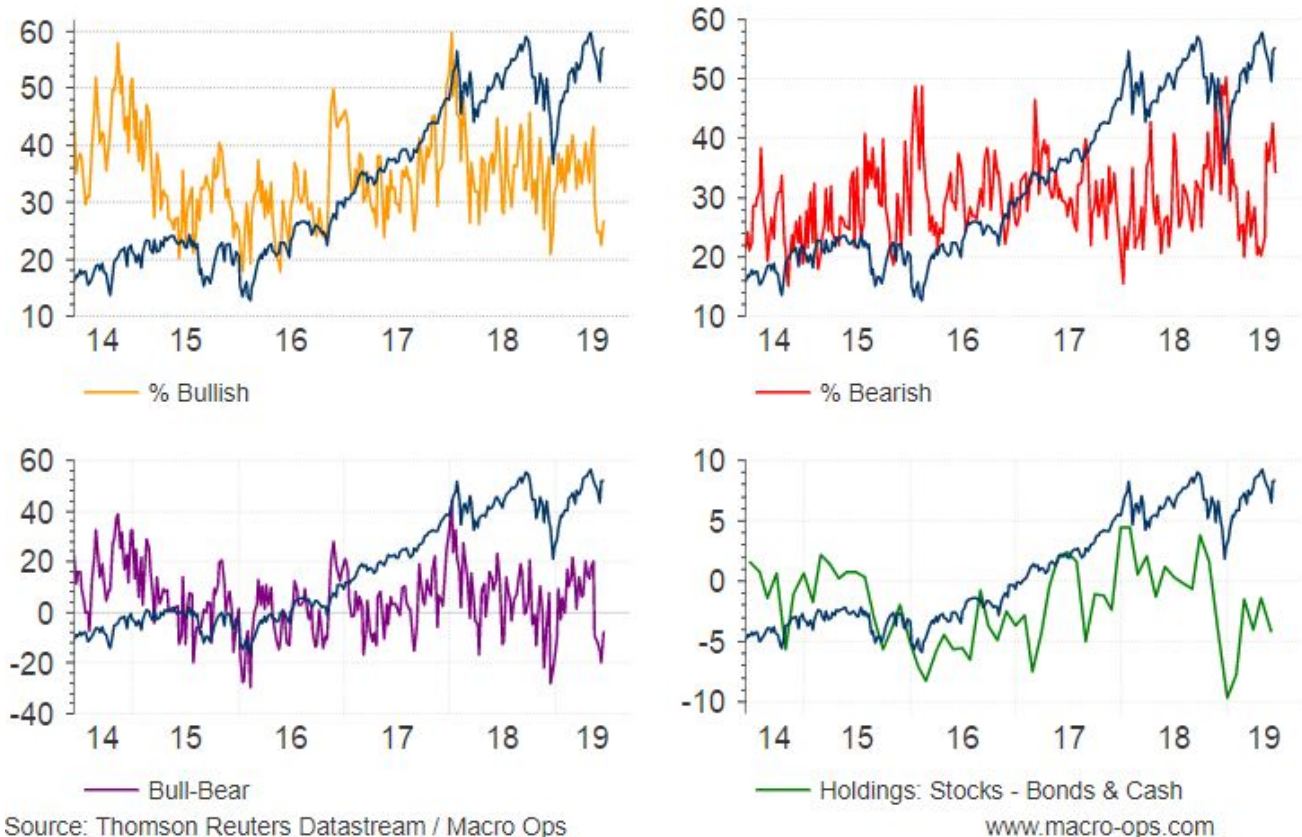
With markets trading near 2% of all-time record highs, and financial conditions as easy as they are, I wouldn't be surprised to see Powell come off as a bit more hawkish. Anything's possible...

What I'm curious about is how the market will react to either event. Fed Funds Futures are already pricing in a lot of dovishness — two 25bps cuts by the end of the year. I honestly don't have a clue which is partly why I'm derisking my book (more on that below).



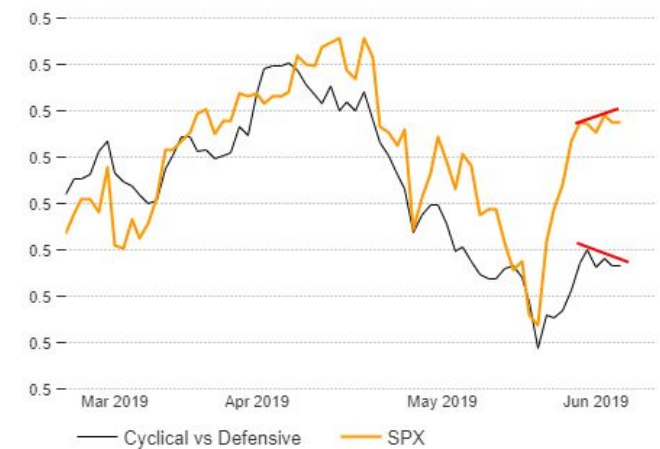
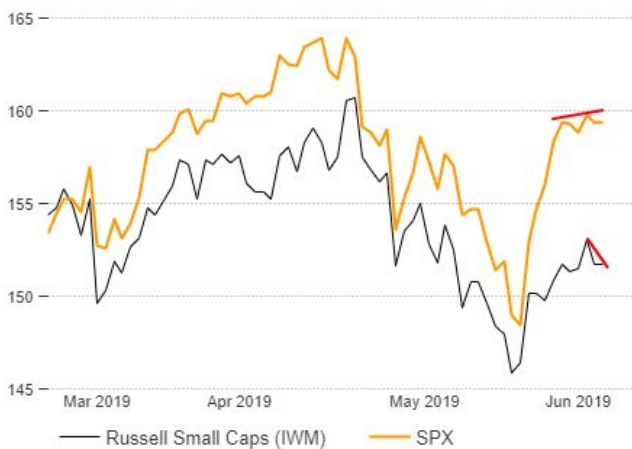
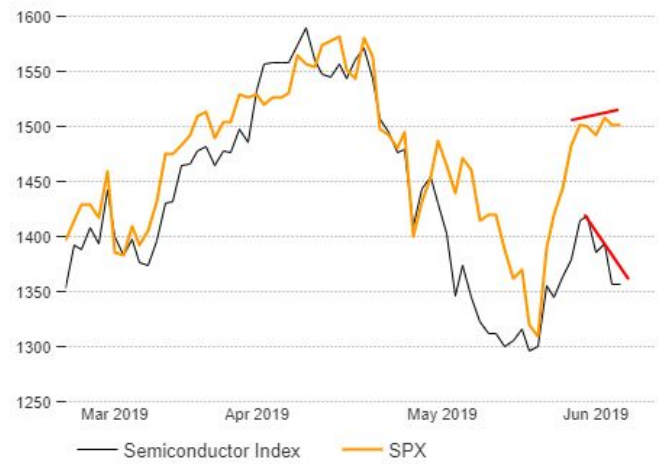
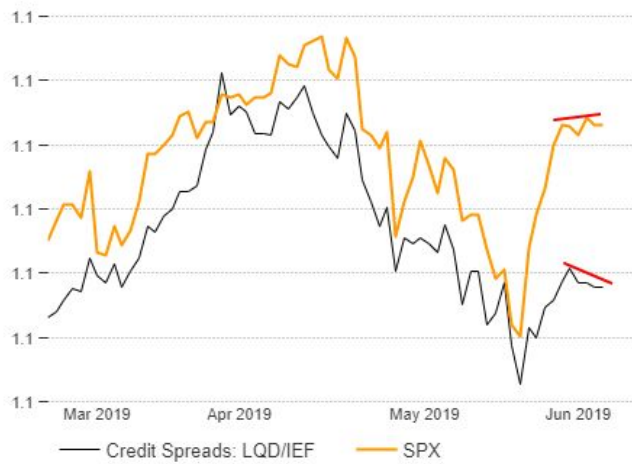
Sentiment recovered somewhat last week but the consensus is still largely bearish and positioning is crowded in safe assets relative to risky ones.

AAll Sentiment Survey



While I've been noting the wide number of positive technical developments, such as strong underlying breadth and large flows into credit. There are also a number of trend divergences that need to be corrected before we can become bullish on a longer-term timeframe. See the chart below.

Market Internals



Source: Thomson Reuters Datastream / Macro Ops

www.macro-ops.com

Between the Fed and the upcoming G20, where Trump and Xi are expected to meet and talk trade, there are a number of headline risks that could roil markets. I think we're ultimately setting up for a major buying opportunity in markets but we're not quite there yet.

For a sustainable rally, we need to see a lower dollar or some Chinese stimulus or fiscal stimulus out of developed markets. And we probably need to see some more deteriorating economic prints and market volatility before we get there. Combine this with the one-sided bearish positioning and sentiment and we likely have an extended sideways volatile trading range ahead of us (I'll talk more about this in the MIR).

This is why we're cutting and/or moving up stops on everything that's not a core position for us, which is everything but long Disney and short Tesla.

Portfolio Update

The dollar (DXY) bounced instead of broke last week. I have growing conviction that the dollar is headed for a sizable reversal in the near future but I want to tighten up our risk heading into what will be some likely whipsaw action following the FOMC. I'm moving our stop up to right above today's high. This basically cuts our open risk on the trade in half, from 75bps to around 35bps.

And, like always, price is king. If the dollar continues to show strength and breaks out to the upside then I'm willing to play it long too.



Our gold miner AngloGold Ashanti (AU) has run up over 30% in the two-weeks since we entered. The long-term charts for gold and miners are shaping up nicely and I think we may be gearing up for a large run in precious metals. But before that happens, gold needs to break through its critical 1,350 level first. We're going to take half profits on AU today just to lock in some gains and look to add back to the position — and some — if the tape continues to develop as we think it will.

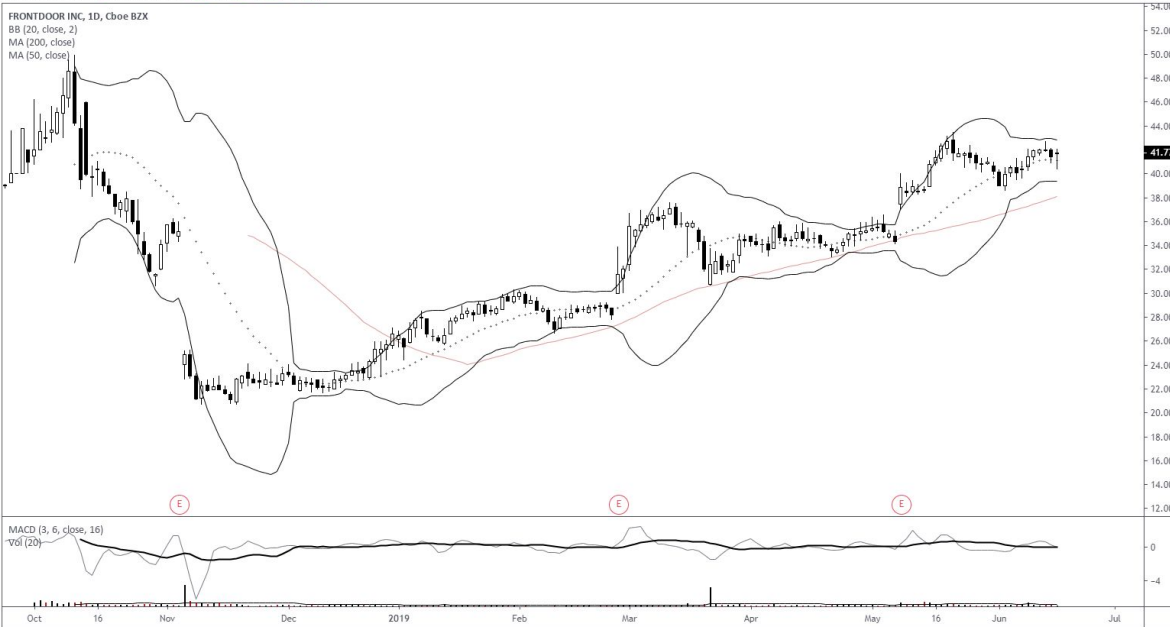
MacroOps published on TradingView.com, June 17, 2019 12:53:09 EDT
 BATS:AU, D 15.56 ▼ -0.23 (-1.46%) O:15.64 H:15.92 L:15.53 C:15.56



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Home warranty and services company, Frontdoor (FTDR), is up over 20% since we put on a position earlier in the year. The trend is playing out nicely and the housing market should benefit from falling interest rates. I'm moving up our stop to \$38.

MacroOps published on TradingView.com, June 17, 2019 13:01:46 EDT
 BATS:FTDR, 1D 41.77 ▲ +0.35 (+0.85%) O:41.69 H:42.07 L:40.37 C:41.77



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And finally, we're taking full profits on Garrett Motion (GTX), Discovery Comm. (DISCA), and cutting Fiat (FCAU). The fundamental case for these stocks is still there but the current technicals aren't great and I'm looking to simplify our book as we wait for some better risk-reward setups which I think are coming in the commodity-related space.

That's all I've got!

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

Macro Ops Portfolio		YTD									
		14.11%									
Big Bet Macro											
Asset Class	Position	Position Size	Cost Basis	Notional %	Risk Point	Target	Last Price	P&L			
Equity	Construction Partners (ROAD)	8,438	\$12.25	9.75%	\$10.80	\$17.00	\$13.18	7.59%			
Equity	Fiat (FCAU)	2,666	\$15.20	3.14%	\$13.70	\$28.00	\$13.44	-11.58%			
Equity	Garrett Motion (GTX)	5,630	\$15.11	7.69%	\$13.80	\$25.00	\$15.59	3.18%			
Equity	Discovery DISCA	1,300	\$28.09	3.35%	\$26.70	\$60.00	\$29.43	4.77%			
Equity	Disney DIS	2,146	\$102.34	26.48%	\$108.50	\$150.00	\$140.79	37.57%			
Equity	Yatra Online YTRA	13,877	\$7.24	4.94%	Investment	\$15.00	\$4.06	-43.92%			
Equity	Graftech (EAF)	2,205	\$13.59	2.09%	\$10.00	\$25.00	\$10.83	-20.31%			
Equity	Frontdoor (FTDR)	1,240	\$34.10	4.53%	\$28.00	\$55.00	\$41.72	22.35%			
Equity	Anglogold (AU)	5,500	\$11.79	7.51%	\$10.75	\$18.00	\$15.59	32.23%			
Equity	TSLA Sep '19 175 Put	11	\$13.81	1.01%	\$0.00	\$85.00	\$10.50	-23.97%			
Equity	TSLA Jun '20 100 Put	14	\$10.70	1.23%	\$0.00	\$85.00	\$10.00	-6.54%			
Equity	TSLA Jan '20 150 Put	5	\$15.01	0.59%	\$0.00	\$60.00	\$13.55	-9.73%			
Equity	DIS Jan '20 165 Call	205	\$1.11	4.58%	\$0.00	\$10.50	\$2.55	129.73%			
FX	Sep Dollar Futures	-7	\$96.51	-59.45%	\$97.55	\$102.00	\$96.90	-0.40%			

**Updated 6/17