



Macro Ops

The Trifecta Report

The best trades are the ones in which you have all three things going for you: fundamentals, technical, and market tone. ~ Michael Marcus

Weekly Summary



S&P 500	UST 10yr Bonds	Gold	EURUSD
<ul style="list-style-type: none">➤ Long-term: November formed an Outside up bar following an i-o-i breakout pattern. This means we should see December show a bullish close (there are only 8 trading days left in the month). But, long-term the market has become extended and we should expect a risk-off period to begin in the coming month(s)➤ Sentiment/Positioning: Sentiment is at a <u>bullish consensus and has fed into what's fast becoming very stretched positioning. Trend fragility is high</u>➤ Breadth: Short and long-term indicators of breadth are supportive of further upside➤ Macro/Liquidity: Macro conditions continue to improve, and liquidity is flush though weakness is starting to creep into the credit market. The biggest risk to this market is that a bullish narrative drives the yield curve to steepen dramatically, pinching crowded risk-taking in stocks➤ Short-term: <u>SPX is in a Bull Quiet regime with a TL Score of +2.</u> Odds favor a continuation of the trend higher into the end of the year. <u>But extremely hot sentiment and positioning has increased trend fragility dramatically.</u> The measured move target from this breakout is 3,845	<ul style="list-style-type: none">➤ Long-term: Bonds are in a 7-month neutral sideways regime. The Law of Inertia states that we should expect this range to continue until there's a clear breakout➤ Sentiment/Positioning: The narrative of yield-curve control and yield suppression is consensus➤ Bond Indicators: All indicators point to a steeper yield curve (bear steepening). Fed has managed expectations so far which has kept the long-end from rising more. But yields are starting to accelerate to the upside and are close to seeing a major breakout➤ Short-term: Bonds are probing the lower support area of their trading range. We should expect this range to continue until there's a confirmed breakout, but odds now favor a breakout lower (yields up), though debt levels, structural demand, and the Fed should keep a relative ceiling on how high yields can climb. <u>We should expect to see a continued bear steepening in the curve but could see bonds catch a strong bid if/when risk-off hits</u>	<ul style="list-style-type: none">➤ Long-term: Gold has worked off its extreme over-bought levels and recently completed a likely Bear Trap. The long-term path of resistance is up➤ Sentiment/Positioning: Positioning and flows have come down from excessive levels➤ Gold Indicators: Gold enters its strong 2-month period of seasonality this week➤ Short-term: Gold is in a neutral sideways regime in a longer-term uptrend. It has worked off much of its technical overbought levels. <u>Odds favor a continuation of the bull trend to begin soon</u>	<ul style="list-style-type: none">➤ Long-term: EURUSD is in the early stages of a cyclical bull trend. Excessive capital concentration in the US and rich relative valuations + growing UST funding needs support the longer-term USD bear thesis➤ Sentiment/Positioning: The short US dollar trade is a consensus theme on the Street. Long positioning in EURUSD and aggregate short USD is at multi-year highs. <u>Sentiment & Positioning are headwinds to EURUSD over the short-to-intermediate term</u>➤ EURUSD Indicators: The trend in yield differentials favor the euro while the absolute levels favor USD. It's a mix bag with no clear edge on future trend direction➤ Short-term: <u>EURUSD is in a Bull Quiet regime and traders keep buying the dips. So any downside over the interim is likely to be moderate. November formed an Outside-up bar following a monthly i-o-i pattern. This means EURUSD is in breakout mode. The path of least resistance is up into the end of the year</u>

S&P 500 Monthly



November formed an Outside Up bar following an inside-outside-inside (ioi) breakout pattern. Odds favor bullish continuation into year's end but trend fragility has become very high

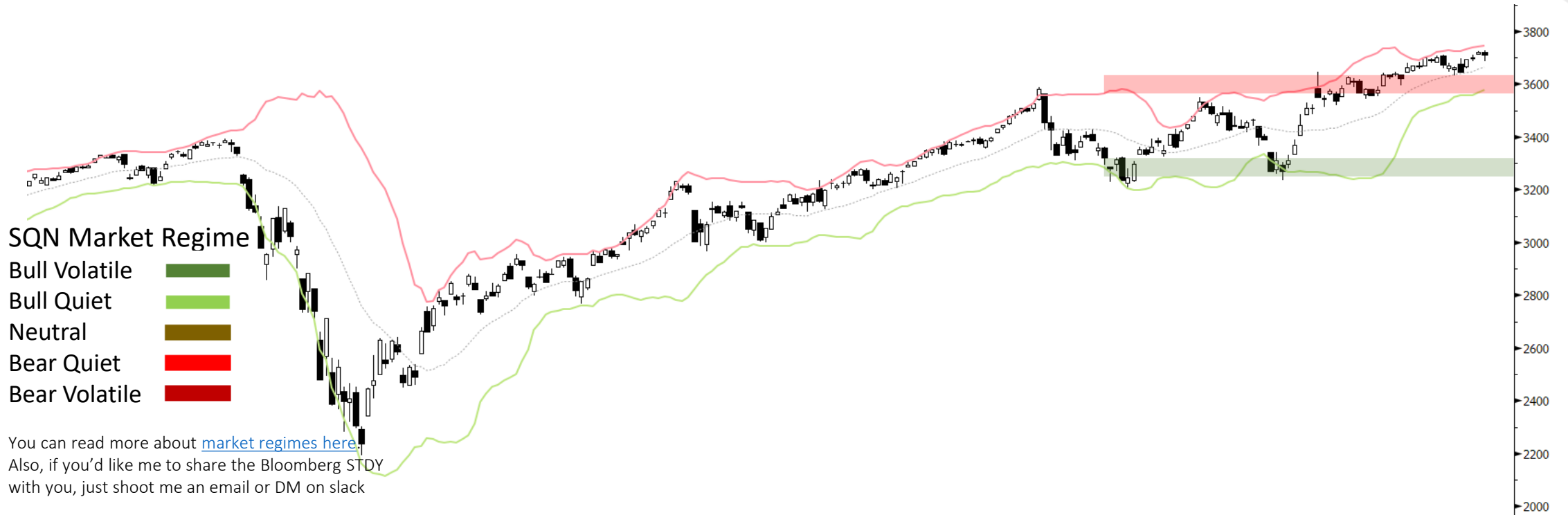


S&P 500 Weekly

Only 8 trading days left in the year. SPX is clear of resistance, in a BullQ with a positive TL Score of +2. Light volume holiday trading (Santa Claus Rally) should carry it higher but trend fragility is high. The next measured move target is 3,845



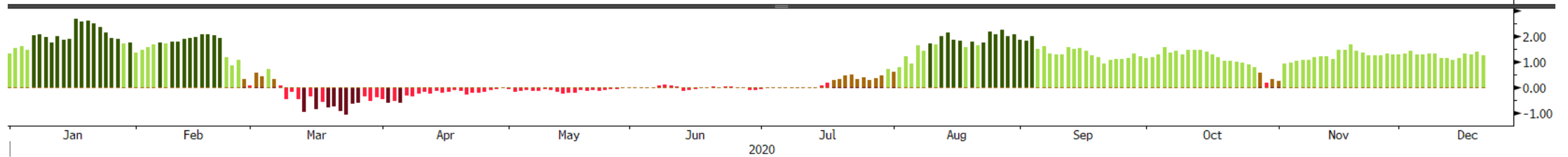
S&P 500 Daily



SQN Market Regime

- Bull Volatile
- Bull Quiet
- Neutral
- Bear Quiet
- Bear Volatile

You can read more about [market regimes here](#).
 Also, if you'd like me to share the Bloomberg STDY with you, just shoot me an email or DM on slack



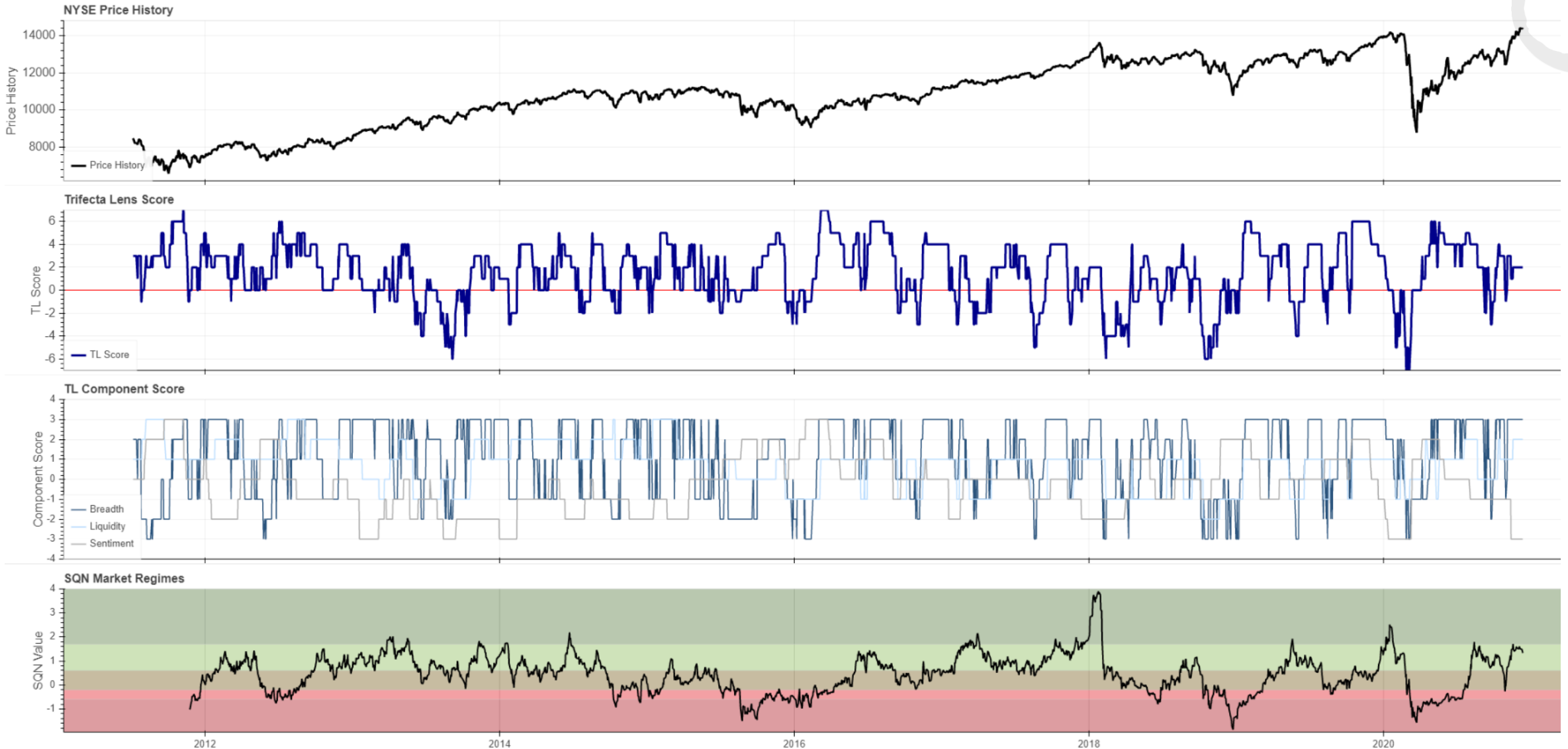
SPX Index (S&P 500 INDEX) SPX CHART-DAILY Daily 31DEC2019-21DEC2020

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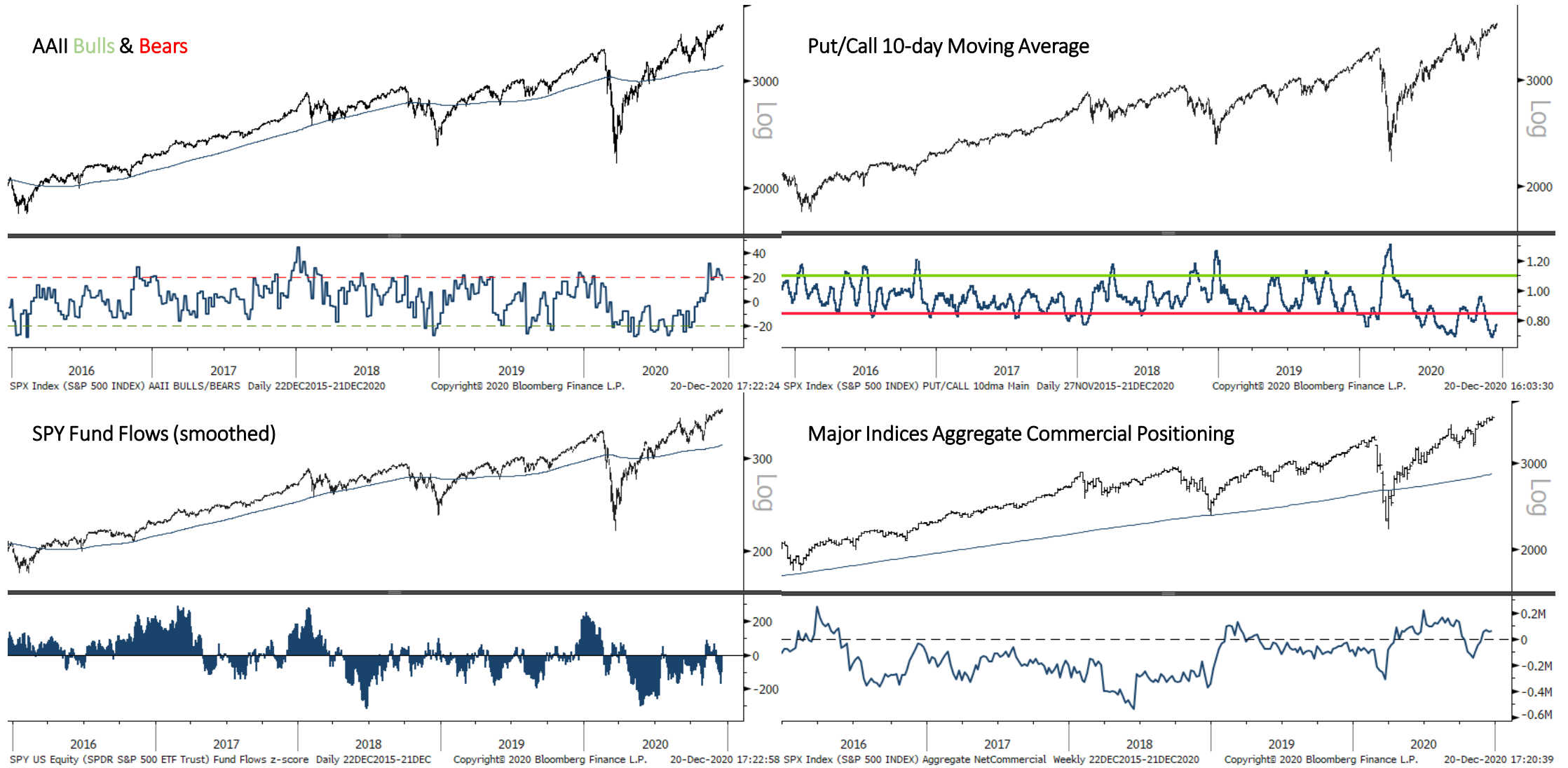
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Trifecta Lens Score: +2

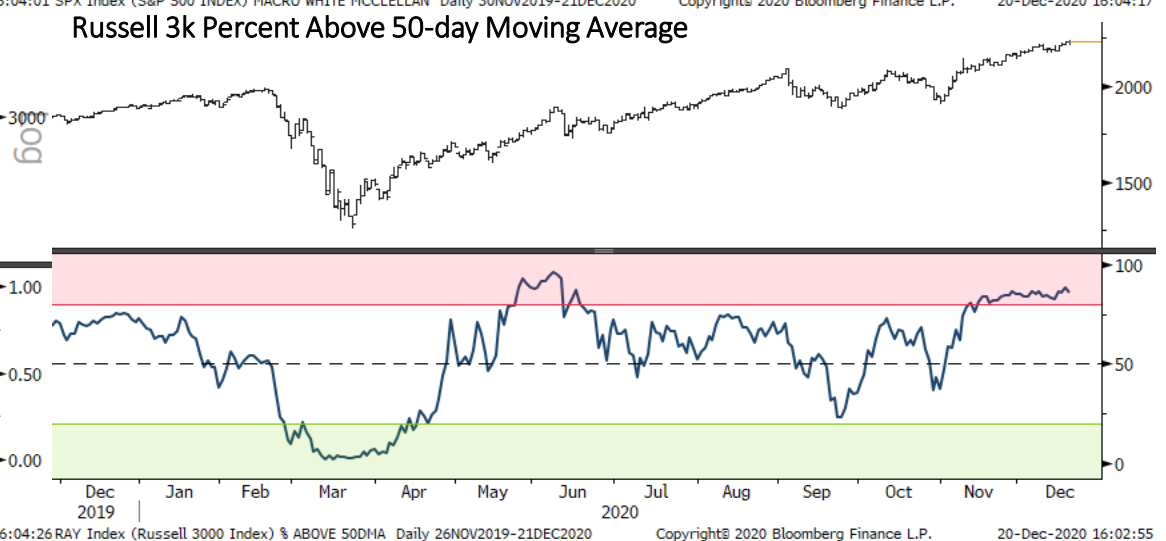
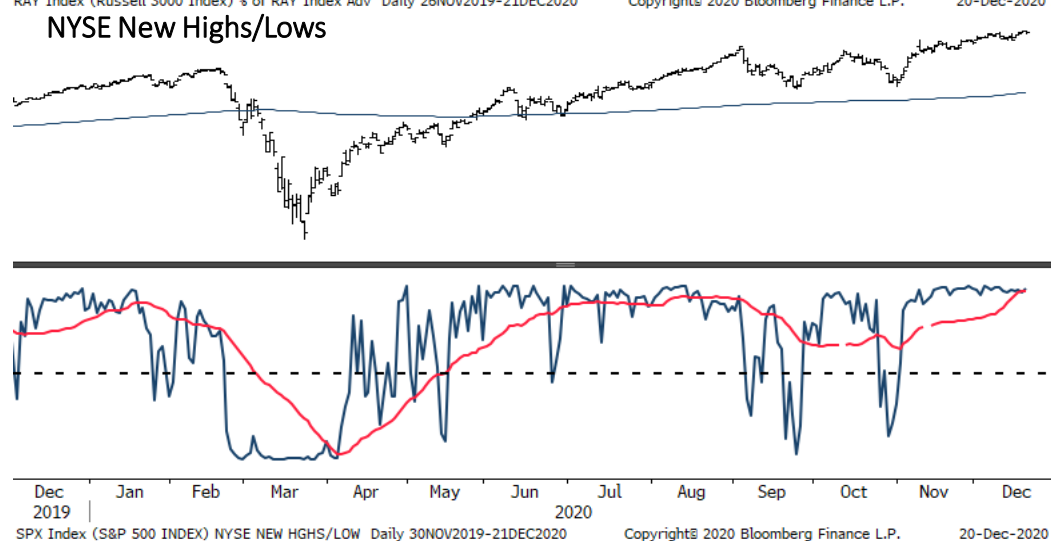
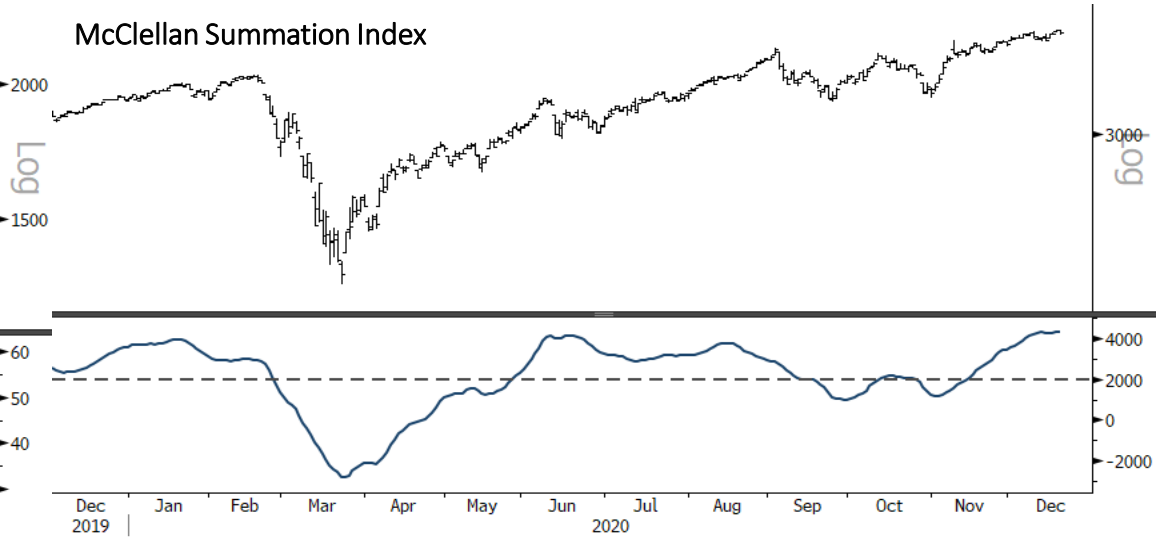
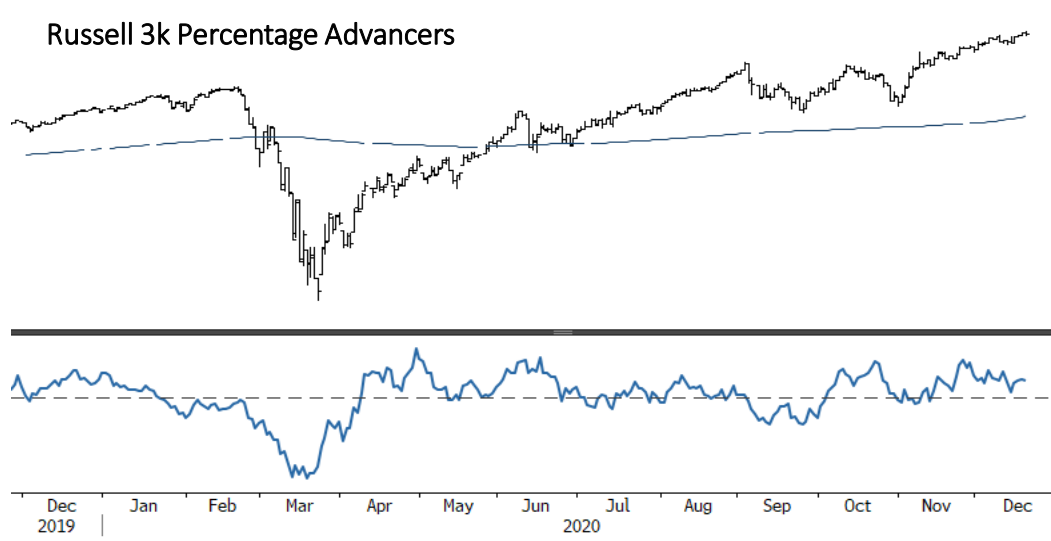
(You can read more about our [Trifecta Lens here](#) and link to the [Dashboard here](#))



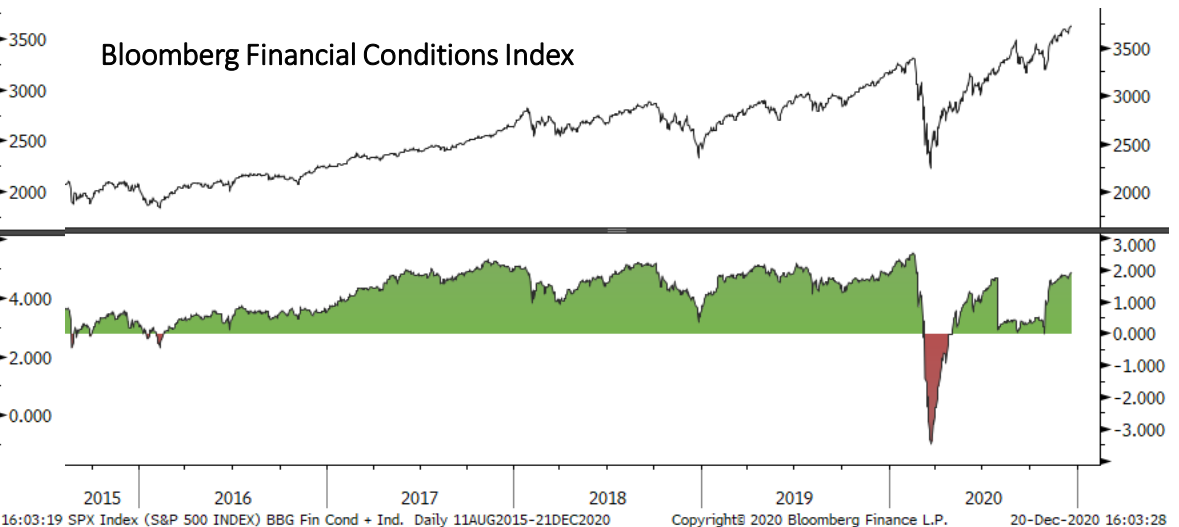
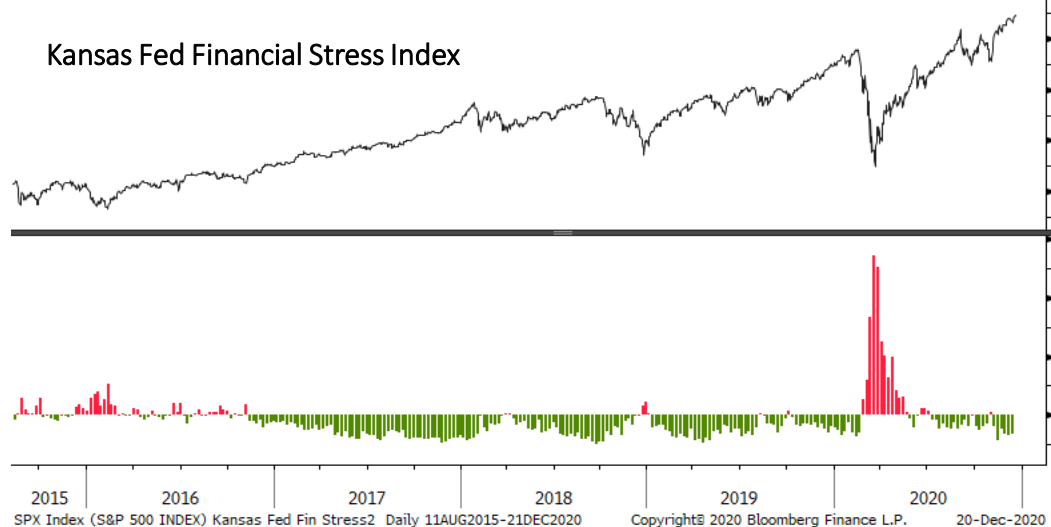
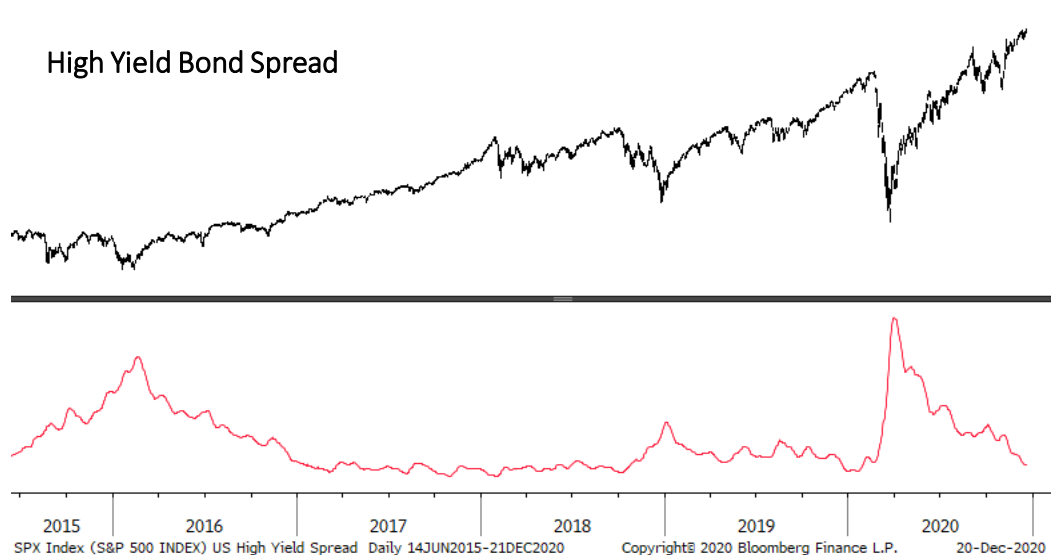
Sentiment & Positioning



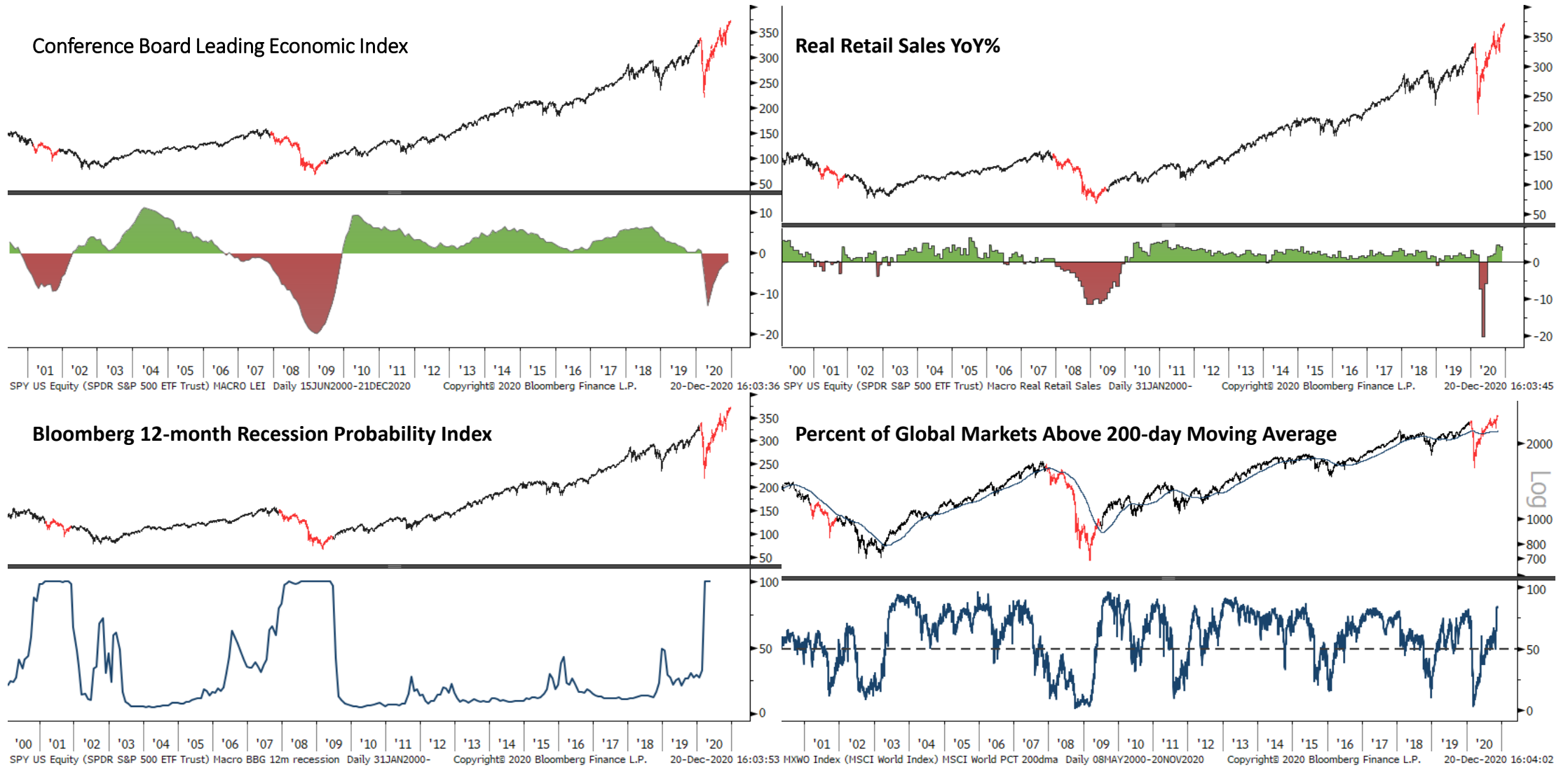
Breadth



Liquidity



Macro



Bonds: 10-year Futures Monthly



Bonds: 10-year Futures Weekly



Bonds: 10-year Futures Daily

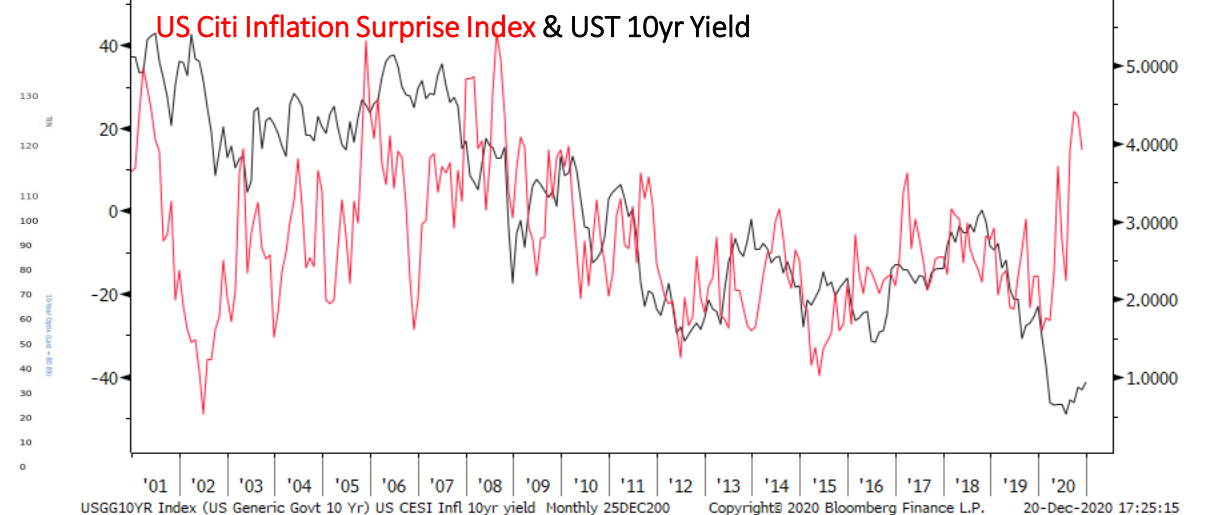
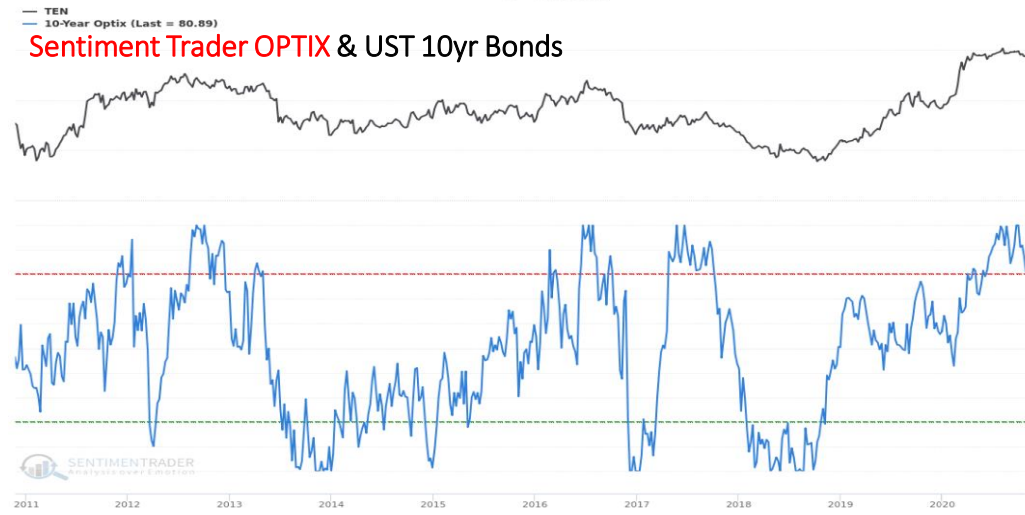
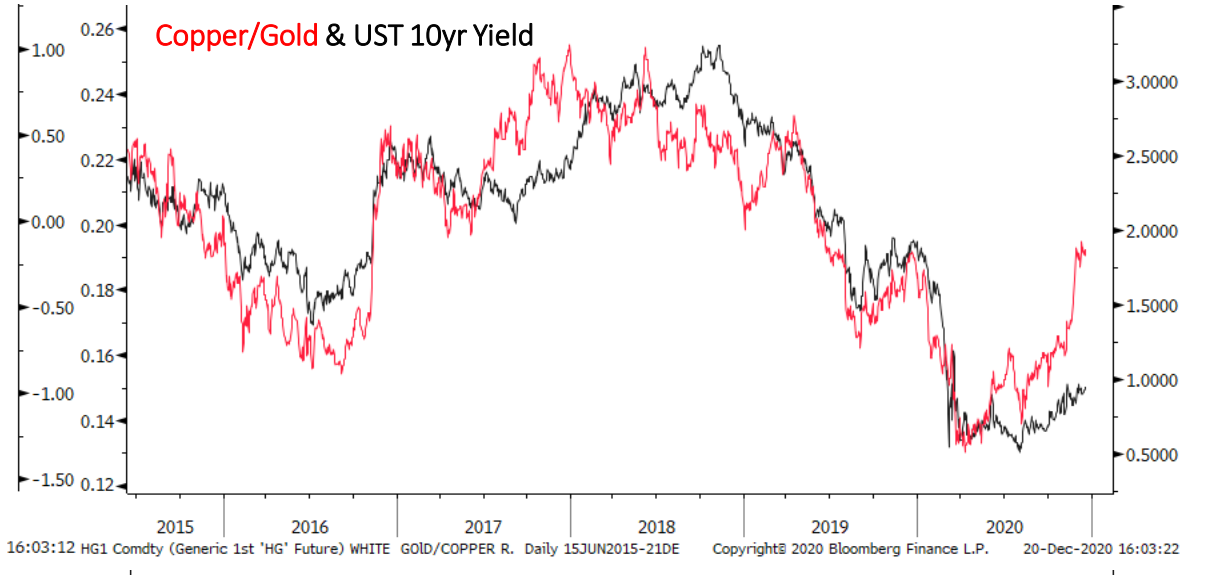
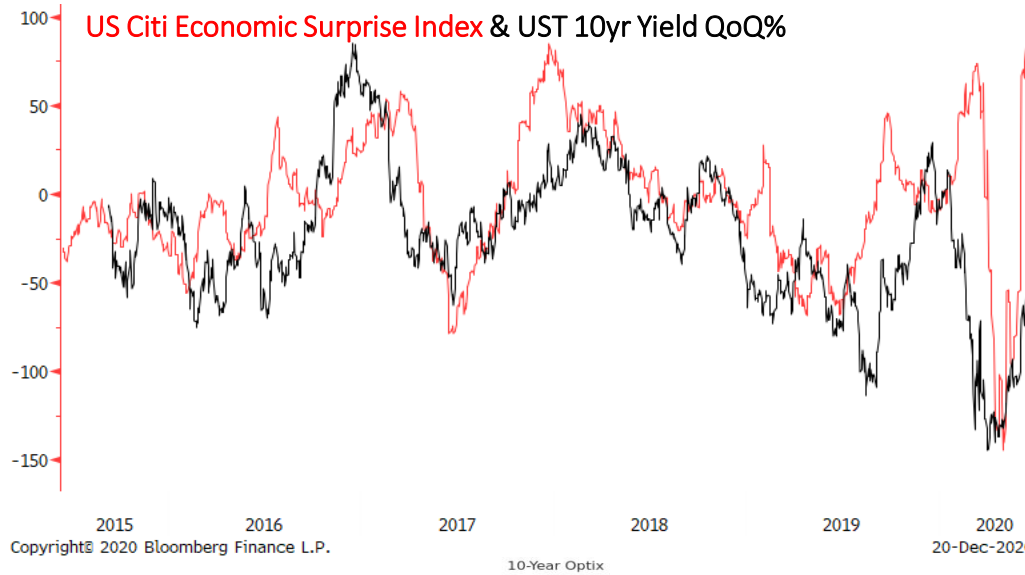


TY1 Comdty (Generic 1st 'TY' Future) Bonds 10yr - DAILY Daily 30DEC2019-21DEC20

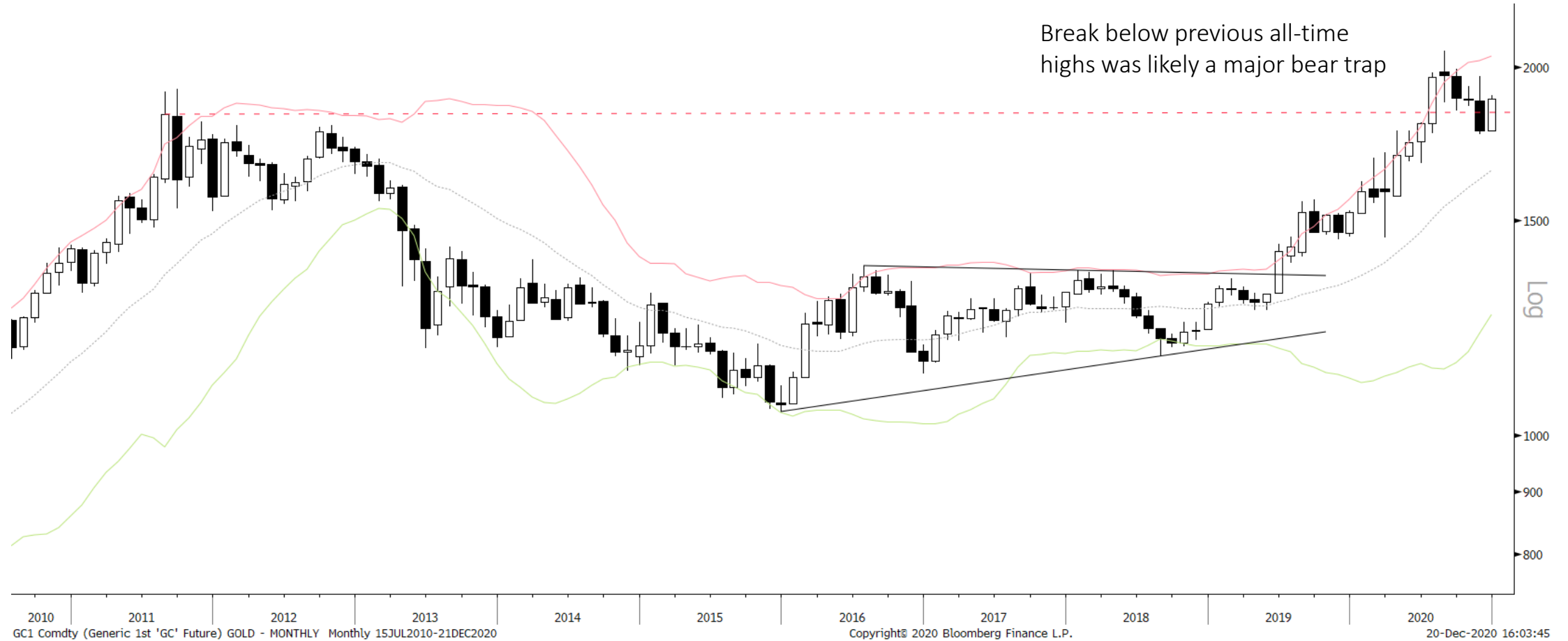
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Bond/Yield Indicators



Gold Monthly



Gold Weekly



Gold closed strongly above the 1,850 level, raising the odds that the action over the last few weeks was a bear trap. The just announced stimulus bill along with strongly supportive seasonal should help fuel gold's next leg higher



Gold Daily



GC1 Comdty (Generic 1st 'GC' Future) GOLD - DAILY Daily 23SEP2019-21DEC2020

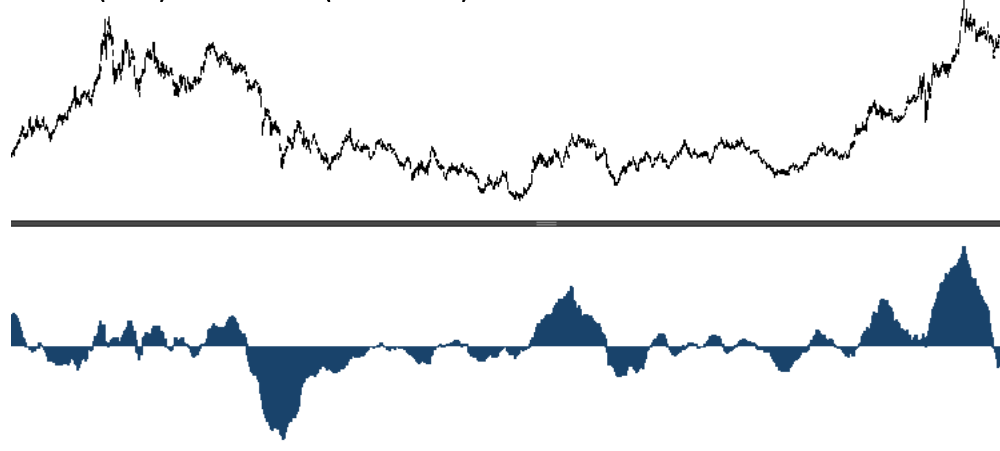
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Gold Indicators

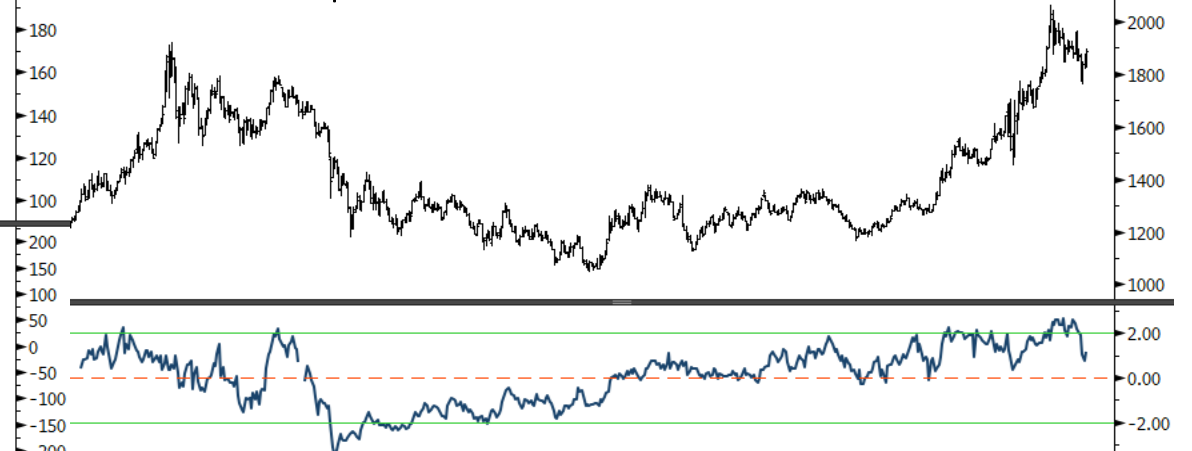


Gold (GLD) Fund Flows (smoothed)



GLD US Equity (SPDR Gold Shares) Gold (GLD) Fund Flows z Daily 08SEP2010-21DEC2 Copyright© 2020 Bloomberg Finance L.P. 20-Dec-2020 16:02:58

Gold Net Small Specs Z-score



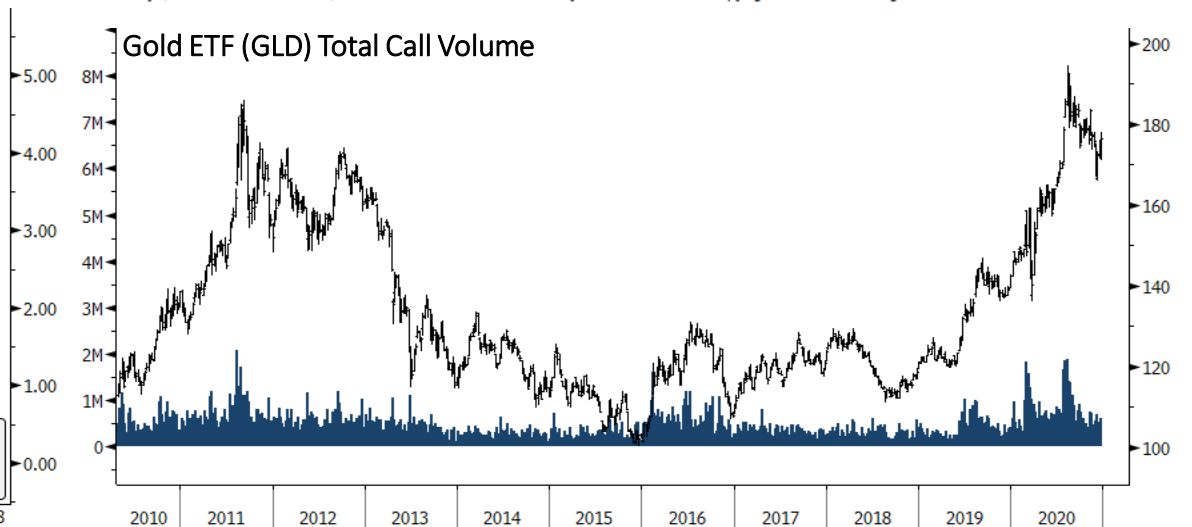
GC1 Comdty (Generic 1st 'GC' Future) GLD NET NON REPORTABLE Weekly 25AUG2010-21 Copyright© 2020 Bloomberg Finance L.P. 20-Dec-2020 16:04:17

Gold (GLD) Seasonality



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Gold ETF (GLD) Total Call Volume



GLD US Equity (SPDR Gold Shares) Total Call Buying - GLD Weekly 30APR2010-21DEC Copyright© 2020 Bloomberg Finance L.P. 20-Dec-2020 16:04:27

EURUSD Monthly



EURUSD Weekly



EURUSD Daily

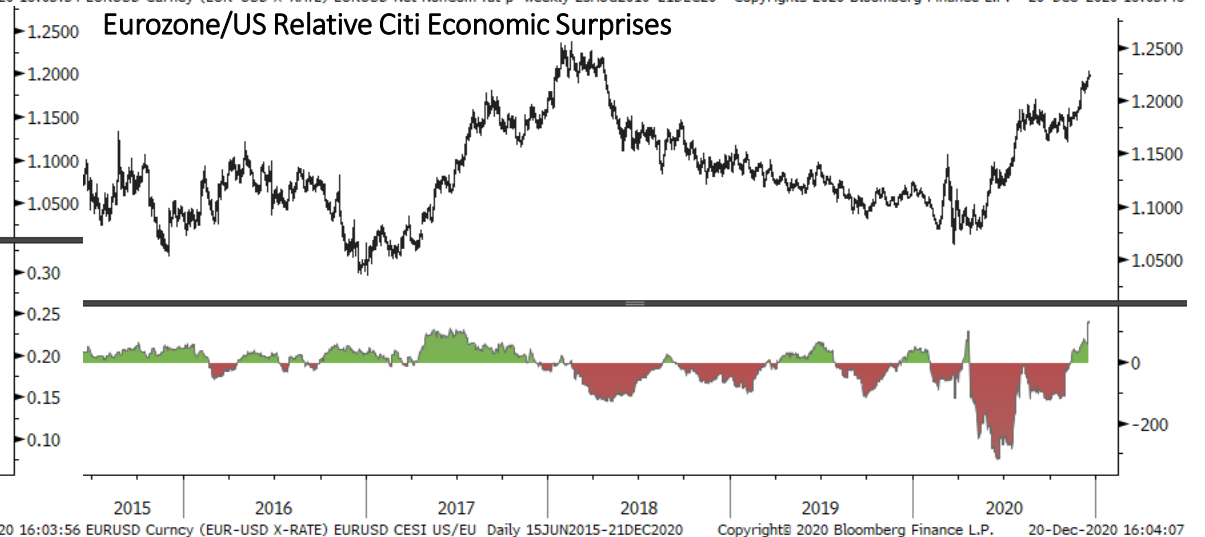
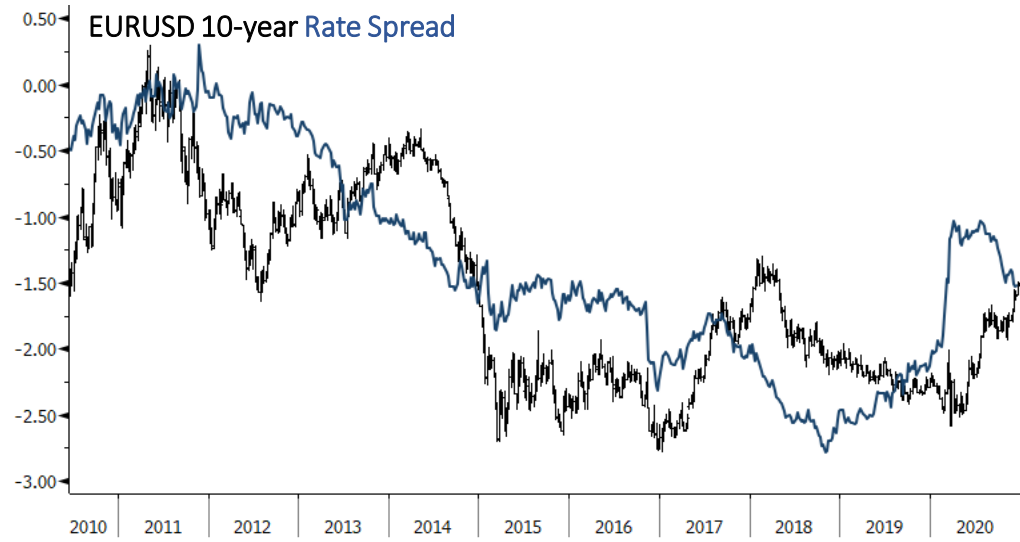


EURUSD Curncy (EUR-USD X-RATE) EURUSD - DAILY Daily 31DEC2019-21DEC2020

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EURUSD Indicators



Bitcoin Monthly



Bitcoin has a very strong long-term tape. December is likely to form a 3rd consecutive bull bar. The long-term path of least resistance is up



Bitcoin Weekly

Bitcoin is in a primary bull trend and a Bull Volatile Regime.

Rising GBTC Fund Assets, Active BTC Addresses, and Open Interest show increasing broad-based adoption which bodes well for the long-term bullish trend. Bitcoin is in a buy climax and buy climaxes tend to last longer than most expect. **The long-term path of least resistance is up though sentiment indicators are showing high-levels of exuberance, so watch for the tape to indicate profit taking**



BTC1 Curncy (Generic 1st 'BTC' Future) Bitcoin Weekly Weekly 18MAY2018-21DEC202

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Bitcoin Daily

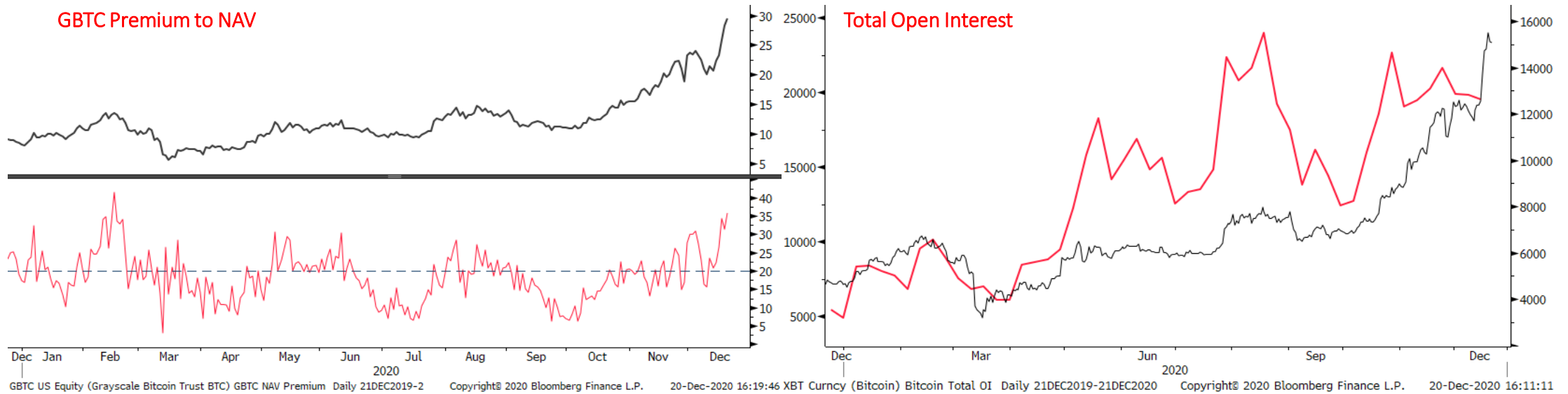


XBT CURRENCY (Bitcoin) bitcoin Daily Daily 31DEC2019-21DEC2020

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Bitcoin Indicators



The Foundation Portfolio

YTD Return (updated 12/20)

64.50%

Positions	Thematic	Cost Basis	At Risk	Risk Point	Last Price	Last Action
S&P e-mini (ES_F)	Trend	\$3,415.00	B/E	\$3,590.00	\$3,706.25	
Ammo, Inc (POWW)	Value/Growth	\$2.30	270bps	\$0.96	\$3.33	12/18/2020 Added to position
Enlabs (NLAB)	Secular Growth	\$27.25	B/E	\$28.25	\$37.60	9/17/20 Added to position
Red Violet (RDVT)	Secular Growth	\$17.85	B/E	\$19.75	\$27.56	
Frontdoor (FTDR)	Secular Growth	\$44.22	130bps	\$38.39	\$50.99	
Nintendo (NTDOY)	Secular Growth	\$62.71	100bps	\$54.60	\$80.74	11/13/20 Added to position
Cardlytics (CDLX)	Secular Growth	\$86.07	B/E	\$90.00	\$140.91	11/5/20 Added to position
Roku (ROKU)	Secular Growth	\$192.68	B/E	\$200.00	\$340.71	11/19/20 Added to position
Murata Manufacturing (6981)	Secular Growth	¥7,606	B/E	¥2,606	¥8,858	
Kura Sushi (KRUS)	Value/Growth	\$18.27	100bps	\$14.68	\$17.26	
Altria Group (MO)	Deep Value	\$42.20	200bps	\$35.05	\$43.78	
Antero Resources (AR)	Cyclical Recovery	\$5.25	50bps	\$3.68	\$5.48	
Centrus Energy (LEU)	Secular Growth	\$20.25	100bps	\$13.30	\$24.14	
Betterware De Mexico	Secular Growth	\$30.27	50bps	\$26.00	\$33.43	
Qualitas Controladora	Secular Growth	\$5.22	150bps	\$4.01	\$104.55	
Salesforce (CRM) SHORT	Technical Trade	\$221.56	100bps	\$248.54	\$227.43	
Micron Technology (MU) Jan 22' \$100 calls	DOTM	\$1.38	100bps	N/A	\$5.90	
Deutsche Bank (DB) Jan 22 \$20 calls	DOTM	\$0.28	50bps	N/A	\$0.20	
Greyscale Bitcoin Trust (GBTC)	Secular Thematic	\$11.90	B/E	\$18.00	\$29.48	12/18/20 Took half profits
Long Silver (QIH2021 / SIL alternative)	Technical Trade	\$26.1625	100bps	\$24.4875	\$25.9625	