



## 04/1/2021: Stream of Consciousness

*He also taught me one other thing that is absolutely critical: You have to be willing to make mistakes regularly; there is nothing wrong with it. Michael taught me about making your best judgment, being wrong, making your next best judgment, being wrong, making your third best judgment, and then doubling your money.*

That's from Bruce Kovner talking about one of the many important lessons he learned from his mentor, Michael Marcus.

We're going to dissect that some here in a bit. But I want to first get through some quick accounting stuff. Then the rest of this note will be a short stream of consciousness, covering some things and trades that are top of mind this morning.

First, the numbers...

The **MO portfolio finished the quarter up roughly 25% year-to-date**. That's down from a YTD high water mark of 39% but still not too shabby.

Our overall execution has been decent, though I think we can improve on the way we think about and carry out hedging — that'll be an area of focus for us going forward.

Our higher-than-normal portfolio volatility is the result of carrying Micron (MU) DOTM calls that have grown into a monster position. Which is a problem that we don't mind having, but greater portfolio volatility should be expected as the calls get closer to in-the-money.

In other news... I'm trading in the [World Cup Trading Championship](#) this year. I'm in the Futures division. It's a bucket list item for me to place in this thing. I competed years ago and was in the top three for a while but then blew out.

It's just a fun thing and I don't have that much time to devote to it. So I'm maybe spending 1-2 hours a week on it at most.



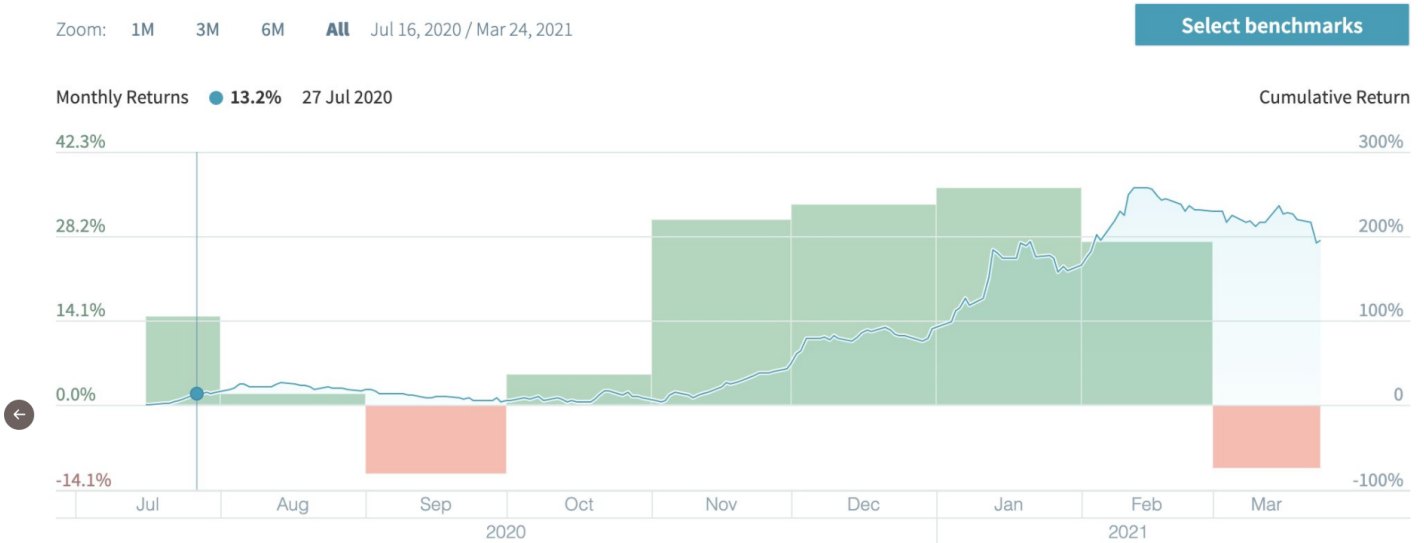
I got a late start. The tournament kicked off on Jan 1st but I didn't get my account up and funded until mid-Feb. I'm up 16% at the moment and have my work cut out for me if I'm going to get into the top 3 (first place is up 83%).

I think it's doable, as the strategy I run exploits [Pareto's Law](#) to the max. In other words, its returns are very bunchy. I go through long periods of performance chop followed by wild bursts in returns off just a few trades.

The strategy is an aggressive macro discretionary one. It's one I started trialing last year. Here are the 9-month return and performance metrics via FundSeeder.

Annualized Return	<b>381.61%</b>	Cumulative Return	<b>196.03%</b>
Annualized Volatility	<b>49.80%</b>	Maximum Drawdown	<b>18.67%</b>
Sharpe Ratio	<b>7.66</b>	Sortino Ratio/ $\sqrt{2}$	<b>10.62</b>

Cumulative Return Chart with Monthly Return Bars.



PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.

Monthly Performance

Click any month in table to see close up chart for that month

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2020							14.82%	1.99%	-11.47%	5.09%	31.09%	33.49%	90.67%
2021	36.35%	27.31%	-10.56%										55.26%



I won't get too much into the specifics here. They really aren't that important. But the basis of the strat is to take multiple swings at key intraday technical inflection points in an effort to catch multi-day/week swing moves.

What *is* important and where the real edge comes from, is on the trade/risk management side. The strategy is centered around what Kovner said he learned from Marcus... *being wrong, being wrong, then doubling your money...*

Que some words from Michael Marcus:

*At key intraday chart points, I could take much larger positions than I could afford to hold, and if it didn't work immediately, I would get out quickly. For example, at a critical intraday point, I would take a twenty-contract position, instead of the three to five contracts I could afford to hold, using an extremely close stop. The market either took off and ran, or I was out.*

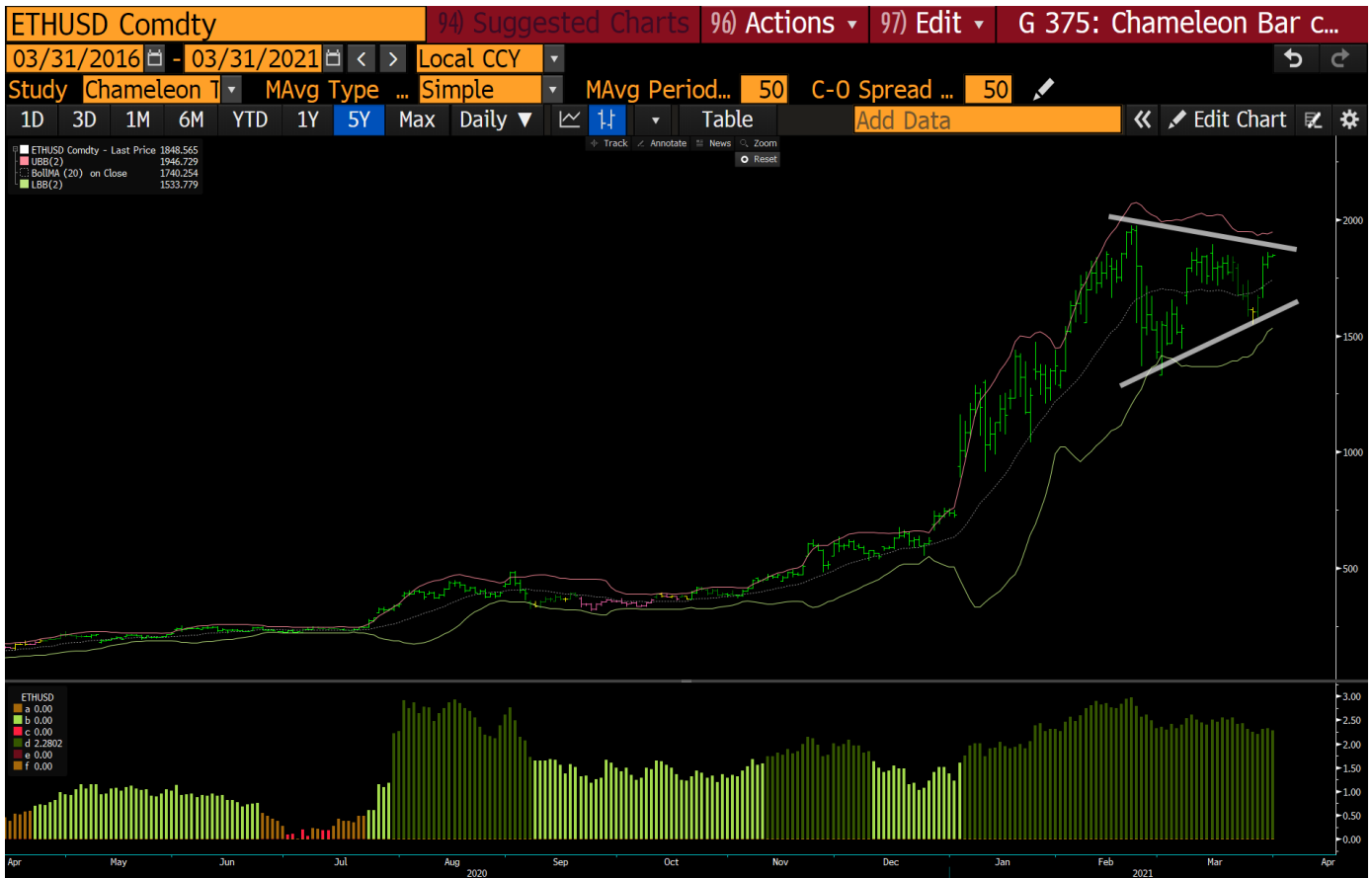
Using inflection points to get large size on with little risk is key to this strat, and to any aggressive trading strat.

I'll flesh this strategy out more in our Slack soon. In the meantime, I'll be posting my trades (entries, exits, etc...) as well as updating my weekly performance numbers in our #intraday\_swing channel or I may just create a new channel specifically for tracking this.

On another note, it was pointed out to me that the Ethereum fund (ETHE) is actually trading at a discount to NAV now (chart below).

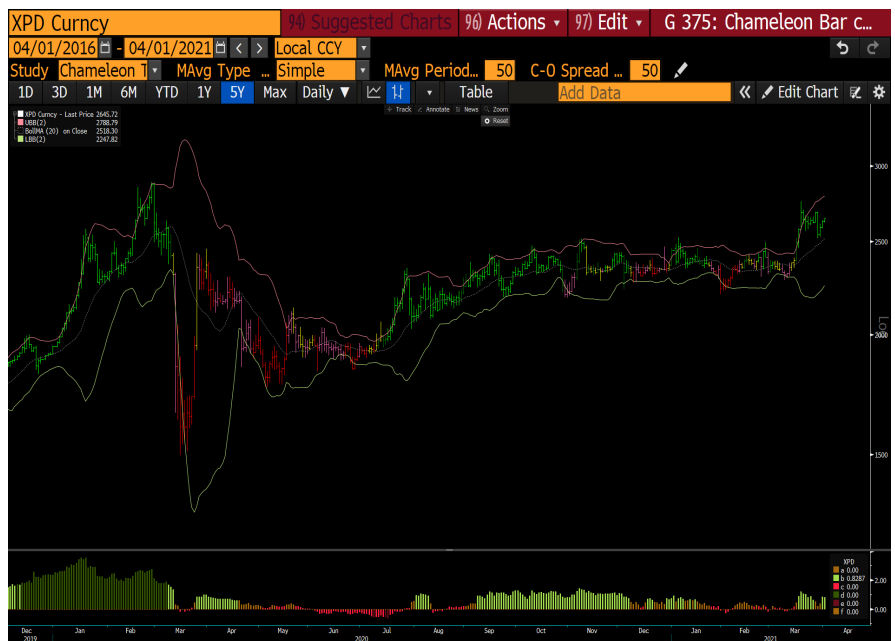


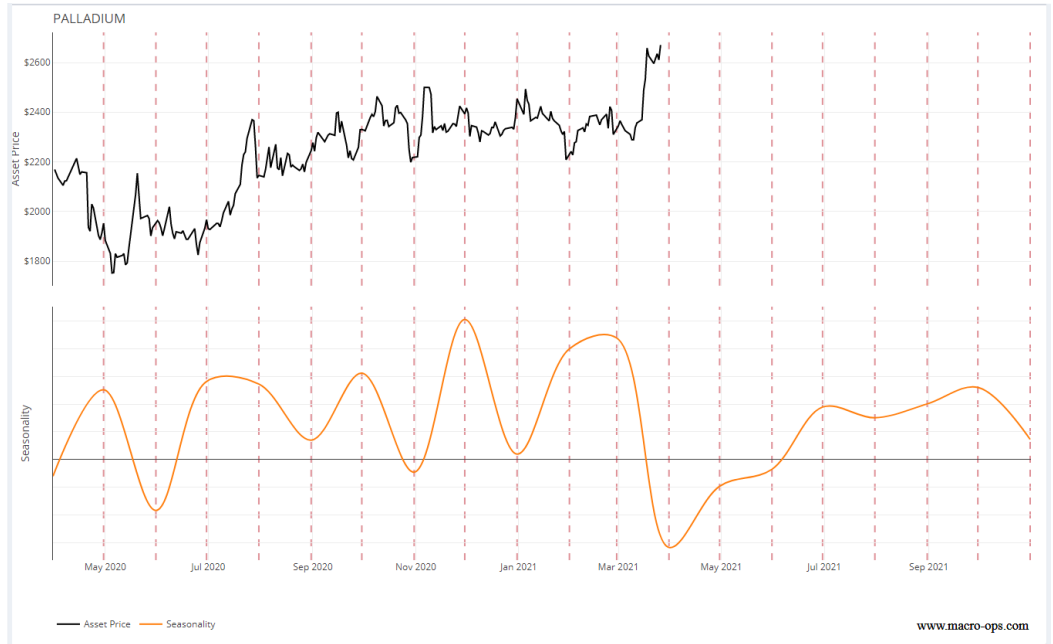
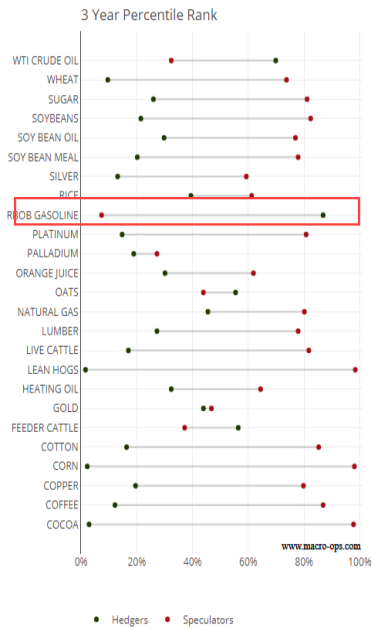
In light of this fact, we will be putting this trade on in the MO port, likely today. The technicals of the setup are solid. And if we're entering a general market risk-on Buy Climax as I've been suggesting this past week, then the crypto space should lead the way.



I also continue to like the action in Palladium. The chart is bull flagging after a strong breakout from an extended consolidation period. And it remains firmly in a Bull Quiet regime (h/t to LeeB in our group for being all over this one).

This trade has a host of tailwinds behind it. The market is in deficit, positioning and sentiment are completely offside, and positive seasonality returns in April (the left chart is spec and commercial positioning, the right chart is seasonality).





Other than that, our long gold trade we entered yesterday is off to a good start. We want to see it hold strong into the close today. I'm toeing the waters with some short dollar trades. I got stopped into a long EURUSD last night in my WTC account. We may add a small starter to the MO account if it holds into the close.

That's it for now. We'll be out with some trade alerts later today as we execute them.

Your Macro Operator,

Alex