A Market Note: Nearing Peak Frustration…

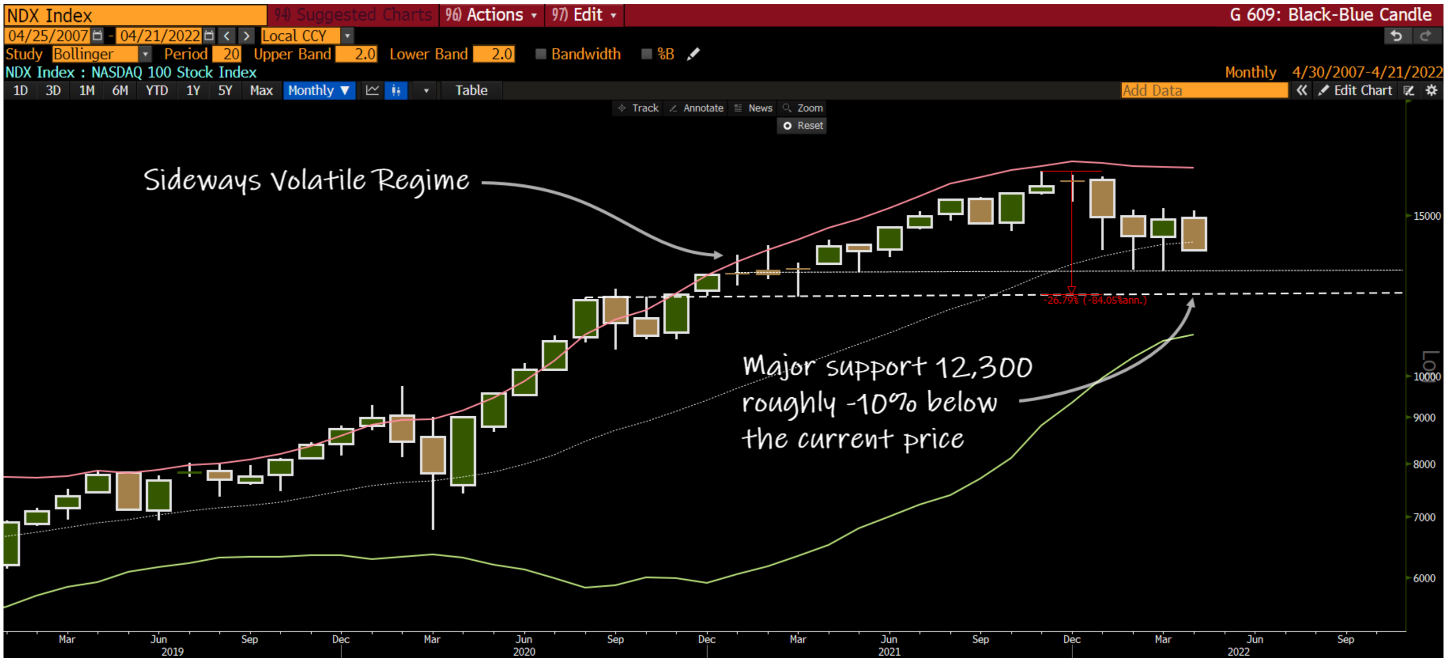
I just wanted to shoot out a quick note updating what I'm tracking as well as a few trades we're putting on tonight.

Markets remain in a large sideways volatile regime that started last year.

Sideways volatile regimes are characterized by choppy up and down price action (obviously). Large frequent swings of the Narrative Pendulum, with the consensus going from the bulls to the bears and back again. They typically end through peak frustration; once everyone's stops have been hit for the umpteenth time, and people give up trying to call trends and go to cash.

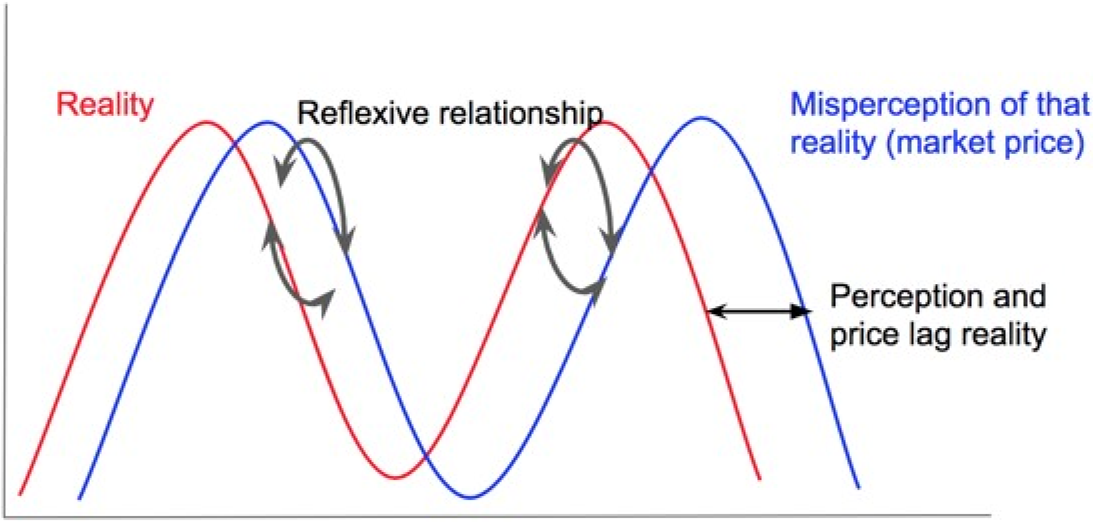
We're getting closer to this peak frustration. Bearish sentiment is at/near extremes and cash levels are high. The peanut gallery is manically talking about the yield curve inverting, the Fed forcing a hard landing, and all the fun jazz you typically see in the lead-up to bottoms.

However, to get a durable bottom and an enduring new bull trend, we need to see one more shakeout. This means another leg down in stocks (charts show the major support levels I'm tracking for monthly NDX and weekly SPX).



It feels like we're getting closer to this washout. Bonds keep selling off despite equity vol. LQD/IEF pointing lower. High beta vs low beta pointing lower. Cyclical vs defensive pointing lower. And in the background, the Fed keeps ratcheting up its hawkish rhetoric.

We're nearing the point where the narratives around hot inflation, a hawkish Fed, and a hard landing start to overshoot reality. One more hard washout in stocks should get us there.



I will caveat all of this with the fact that sideways volatile regimes are noisy, which means they provide more opportunity for being wrong. So naturally, we have to ratchet down our conviction levels and keep our opinions at arm's length. This is just my thinking now. Will change if needed.

Portfolio update: Both corn and soybean oil closed below their 5-day moving average trailing stops, so we're taking half profits on both and letting the rest ride.

Sugar (July contract) is giving us another spot to enter. Sugar is in a Bull Quiet regime, it's pulled back to its midline and reversed. We're putting in a buy stop right above today's high. Details for all trades are below.

We're putting a sell stop on ETHUSD at 2,930, right below its recent sideways consolidation zone. If we enter risk-off then crypto should lead to the downside.

And lastly, bonds are the most important piece of this big puzzle.

Equities need yields to slow their roll in order for them to find their footing. Bonds are in a parabolic selloff. Parabolic selloffs tend to go on longer than most expect them to. I pointed out the potential 3-wave waterfall bottoming pattern in bonds the other day. I don't know if this is the low, it's probably not. But we're going to put in a buy stop right above Tuesday's high and see if the market can pull us into the trade.

Buy Stop on Sugar (SBN2022 or CANE ETF alt)

- Buy stop: $19.87
- Risk-point: $19.50
- At-risk: 50bps

Sell Stop on ETHUSD (ETHUSD or ETHE ETF alt)

- Buy stop: $2,930.00
- Risk-point: $3,120.00
- At-risk: 50bps

Buy Stop on Long Bonds (ZBN2022 or TLT ETF alt)

- Buy stop: $141’11
- Risk-point: $138’09
- At-risk: 50bps

That’s it for tonight. Let me know if you’ve got any questions or comments.

Stay frosty and keep your head on a swivel.

Your Macro Operator,

Alex