



# 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 Market Prep



Does your current positioning match your views?

Mine doesn't. And that's a problem.

I was asking myself this question throughout the week when the market was selling off, and our portfolio was selling off even more. I mean, sure, we're still mostly in cash (roughly 60%). And our nominal net market exposure is only around 20%; if you account for our uncorrelated futures and forex positions (long wheat and USDCNH) and then net out our Nasdaq short. But even this low nominal exposure can be deceptively risky if the names you hold are high beta, especially in risk-off environments.

There's a constant balancing act in this game where one has to try to position according to their base case views but *also* harmonize across other possible outcomes. Not to mention a certain level of portfolio volatility is the cost of doing business — It's just key that you know what the costs you're willing to pay and play accordingly... This is even more important and difficult when the environment is noisy, and the cone of probabilities is wide (read: conviction is low).

And then there's the matter of path dependency and competing timeframes, which we discussed in [A Bunch Of Plonkers...](#) This is what makes managing in the current environment feel like a high-wire act through a hurricane.

I still lean bullish over the next few weeks. But my confidence in that path is low and gets lower every day the market sells off, and bonds fail to catch a bid. There's a good chance we'll have to get through this week's FOMC before participants are willing to step in and buy.

There's also the fact that **when uncertainty is high and markets are volatile, it's usually best to overweight against your longer-term views (ours being that we're in a cyclical bear)**.

Stanley Druckenmiller gave a talk recently at my former employer, Palantir Technologies ([here's the link](#)). He and PLTR CEO Alex Karp talk geopolitics and markets.

Druckenmiller says he thinks markets have likely entered a decade-long sideways volatile regime, similar to the late 60s through mid-70s period. We briefly touched upon this idea in [The Game Has Changed...](#) where I shared the following chart showing CPI, 10yr yields, and Household % allocation to equities.

# Weekly Market Prep

## The Game Has Changed...

Household Equity Holdings as a % of Financial Assets / **CPI** / and **UST 10-year Yield**

Households hold a record amount of equities. This made sense when inflation and yields perpetually trended lower, dampening volatility... But this is no longer the case.



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# Weekly Market Prep



I don't make market predictions for 10 years out (generally), but a decade of sideways chop and vol would be in line with where current system-wide leverage sits and with where we are in both the debt and policy cycles.

It's all going to come down to how inflation plays out from here. Are we in a new inflationary dynamic? Will regionalization and reshoring, increasing conflict and climate change, and populist-driven labor versus capital dynamics place us in a secularly sticky inflationary regime? Or will debt, demographics, and technology pull us back to the low inflationary world we know?

I can make arguments for both, though I favor the former. And it's not entirely an either-or. Whatever unfolds will be a dynamic process with lots of cycling back and forth. But it is pretty clear we've crossed the chasm and have landed in a new regime of some kind. The power of fiscal policy has been (re)discovered; a tool won't be put away by politicians anytime soon. And geopolitically speaking, it's unlikely that the trend over the next decade is back towards more peace and cooperation.

Dalio wrote in a recent note ([link here](#)) that he expects CPI will stay quite sticky over the coming years. He writes (emphasis by me):

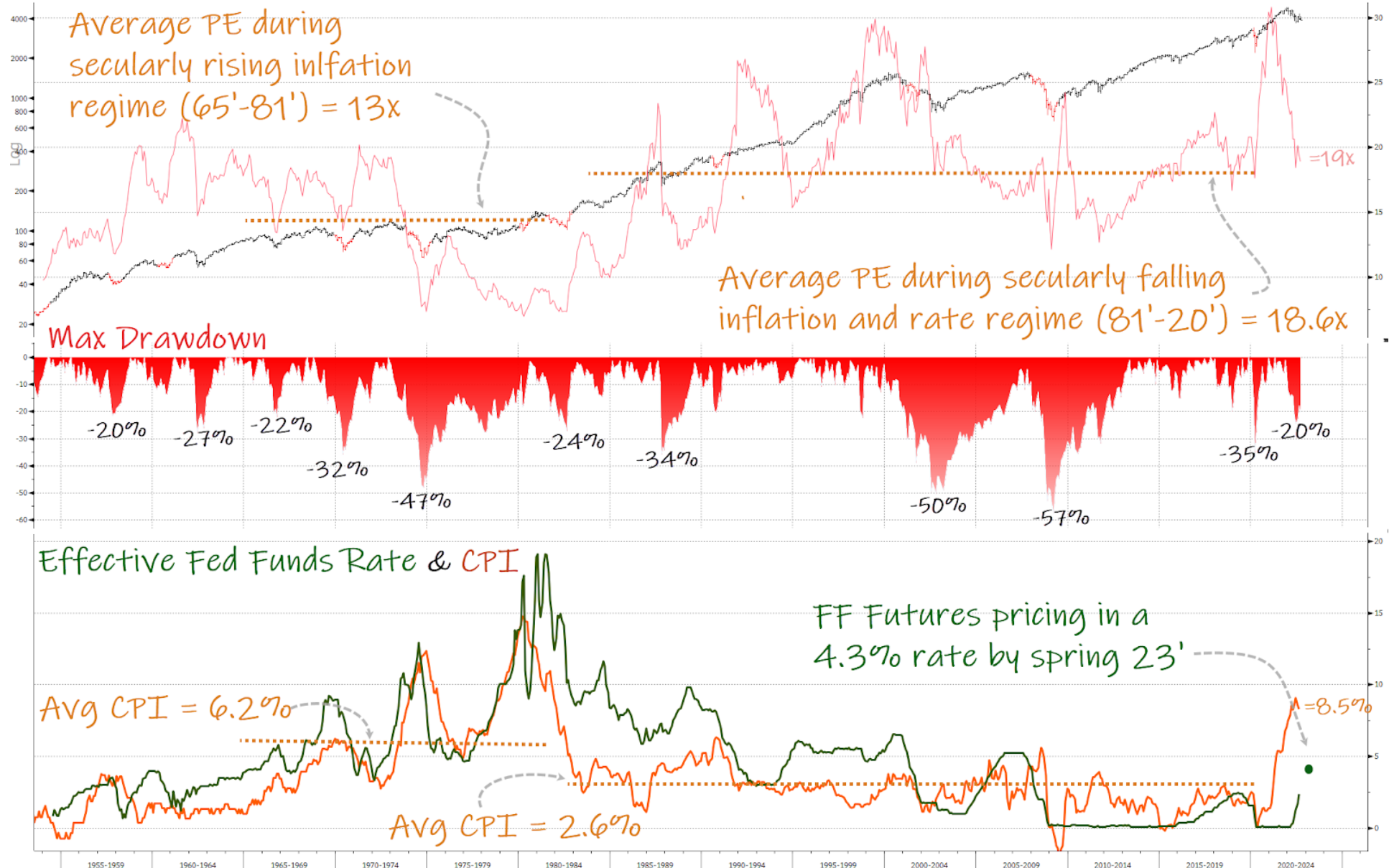
*Right now, the markets are discounting inflation over the next 10 years of 2.6 percent in the US. My guesstimate is that it will be around 4.5 percent to 5 percent long term, barring shocks (e.g., worsening economic wars in Europe and Asia, or more droughts and floods) and significantly higher with shocks. In the near term, **I expect inflation will fall slightly as past shocks resolve for some items (e.g., energy) and then will trend back up towards 4.5 percent to 5 percent over the medium term.***

Zeus knows whether Dalio will be right and, if so, for how long. But it seems a reasonable take to me. And a potential outcome worth exploring and preparing for.

Here's a busy chart I created. It shows the SPX (black), its TTM PE ratio (light red), its average PEs for both rising and falling inflationary regimes (rust colored dotted lines), and the CPI (orange line) and Effective Fed Funds Rate (green line).

# SPX & TTM PE Ratio

MacroOps



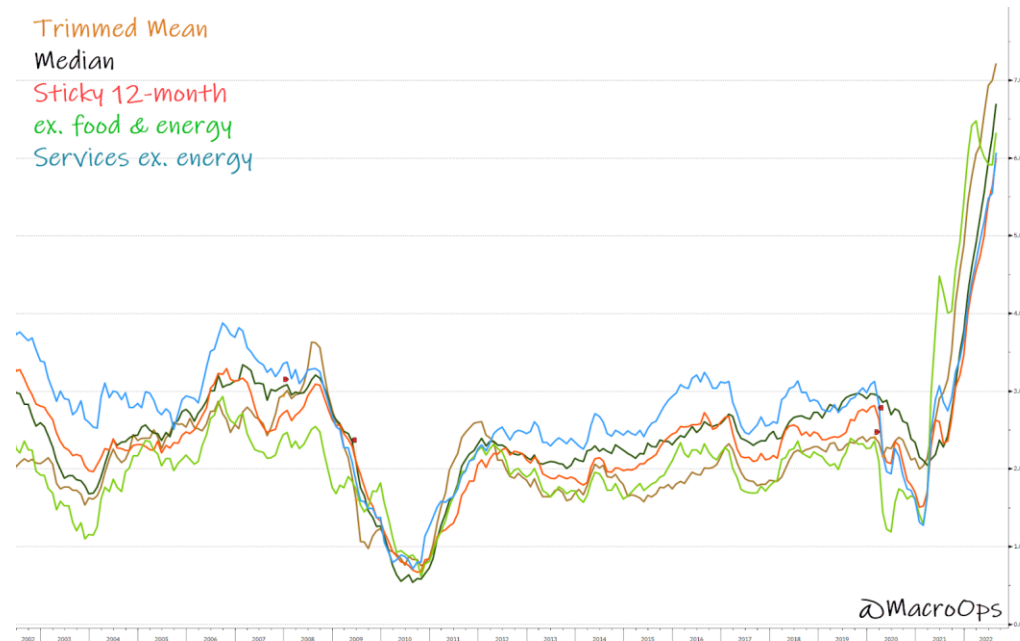
# Weekly Market Prep



A higher inflationary regime would necessitate a higher equilibrium for interest rates. And since markets are a relative game and pricing works through risk-premium spreads. **Higher rates equal lower average multiples on stocks.**

The high inflationary regime that persisted from 65' into 81' saw an average market multiple of 13x TTM PE. While the most recent secular period of declining inflation and rates has seen an avg PE of 18.6x. The current TTM PE is 19x.

Fed funds futures are currently pricing in a fed rate of 4.3% by Spring of next year. Ballpark, this feels about right considering where the labor market and wage growth are. Not to mention, the inflation print last week showed that everything the Fed had been citing as *important* over the past year, are hitting new highs (see chart below).





# Weekly Market Prep

This tells me **we can ignore the Pollyanna's calling for a coming Fed shift.** It ain't happening anytime soon. Yes, CPI will continue to come down. But the Fed is not going to *directionally* change course on rate hikes until CPI is back at target for “some period of time” or until the markets horribly break...

**There will be no “soft landing”** or any of that nonsense. There will be lots of upside and downside vol over the coming months. We could very well run 20% higher here in the S&P. That wouldn't be out of the ordinary for a cyclical topping process.

**We could also just as easily drop another 20%+ from where we are. Which is what I expect we'll eventually see sometime over the next 12-months.** This would very much be inline with the average bear market selloff, which is **-39%** drop from peak-to-trough, a bear cycle **TTM PE low of 11x** (we're at 19x today), with the average bear trend playing out for **6 quarters** (we're 3 quarters into this).



# Weekly Market Prep



**Table 1: S&P 500 Bear Markets**

	1929-32	1937-38	1946-49	1956-57	1961-62	1966-67	1969-70	1973-74	1980-82	1987	1990-91	2000-02	2007-09	Median	Avg	Avg. ex-2007-09
S&P price at peak	31.86	18.67	19.25	49.74	72.64	94.06	108.37	120.24	140.52	336.77	368.95	1527.46	1562.47			
S&P price at trough	4.4	8.5	13.55	38.98	52.34	73.2	69.29	62.28	102.42	223.92	295.46	776.76	676.53			
Peak to trough % decline	-86%	-54%	-30%	-22%	-28%	-22%	-36%	-48%	-27%	-34%	-20%	-49%	-57%	-34%	-39%	-38%
Quarter of S&P peak	3Q29	1Q37	2Q46	3Q56	4Q61	1Q66	4Q68	1Q73	4Q80	3Q87	3Q90	1Q00	4Q07			
Quarter of S&P trough	2Q32	1Q38	2Q49	4Q57	2Q62	4Q66	2Q70	4Q74	3Q82	4Q87	4Q90	4Q02	1Q09			
Length of bear market in qtrs	11	4	12	5	2	3	6	7	7	1	1	11	5	5	6	6
Trailing 4-qtr EPS at S&P peak (\$/sh)	1.61	1.11	0.84	3.46	3.19	5.34	5.76	6.80	14.82	18.57	23.57	51.02	84.56			
Trailing 4-qtr EPS at S&P trough (\$/sh)	0.41	0.97	2.40	3.37	3.47	5.55	5.52	8.89	13.64	20.50	22.48	47.98	55.72			
Change in EPS (%)	-75%	-13%	186%	-3%	9%	4%	-4%	31%	-8%	10%	-5%	-6%	-34%	-4%	7%	11%
# of qtrs from S&P peak to EPS peak	n/a	2	18	-2	-9		3	6	4		-5	2	-2	2	2	2
Forward 4-qtr EPS (\$/sh)	0.44	0.71	2.54	2.89	3.84	5.33	5.32	7.96	13.30	24.12	18.48	55.51	68.90			
Trailing 4-qtr PE at S&P peak	19.8	16.8	22.9	14.4	22.8	17.6	18.8	17.7	9.5	18.1	15.7	29.9	18.5	18.1	18.7	18.7
Trailing 4-qtr PE at S&P trough	10.7	8.8	5.6	11.6	15.1	13.2	12.6	7.0	7.5	10.9	13.1	16.2	12.1	11.6	11.1	11.0
Forward 4-qtr PE at S&P trough	10.0	12.0	5.3	13.5	13.6	13.7	13.0	7.8	7.7	9.3	16.0	14.0	9.8	12.0	11.2	11.3
Quarter of S&P trailing 4-qtr EPS trough	1932	3Q38	3Q52	3Q58	2Q61	3Q67	4Q70	4Q75	1Q83		4Q91	1Q02	3Q09			
Trough EPS (\$/sh)	0.41	0.62	2.34	2.88	3.03	5.30	5.13	7.76	12.42		18.48	44.19	50.84			
Peak to trough EPS (% chg)	-75%	-49%	-18%	-22%	-12%	-5%	-13%	-15%	-19%		-28%	-23%	-45%	-21%	-27%	-27%
Quarter of recession start	1930	3Q37	1Q49	4Q57	3Q60		1Q70	1Q74	2Q80		4Q90	2Q01	1Q08			
Quarter of recession end	1932	2Q38	4Q49	2Q58	1Q61		4Q70	1Q75	4Q82		1Q91	4Q01	2Q09			
# of qtrs from S&P peak to recession start		2	11	5	-5		5	4	-2		1	5	1	3	3	3
Quarter of GDP trough	1933	4Q38	2Q49	1Q58	4Q60		4Q70	1Q75	3Q82		1Q91	1Q01	2Q09			
Peak to trough Real GDP (% chg)	-26.3%	-3.3%	-1.7%	-3.6%	-1.3%		-1.1%	-3.1%	-2.6%		-1.3%	-0.3%	-4.0%	-2.6%	-4.4%	-4.4%

Source: Haver Analytics, BofA US Equity & US Quant Strategy





# Weekly Market Prep

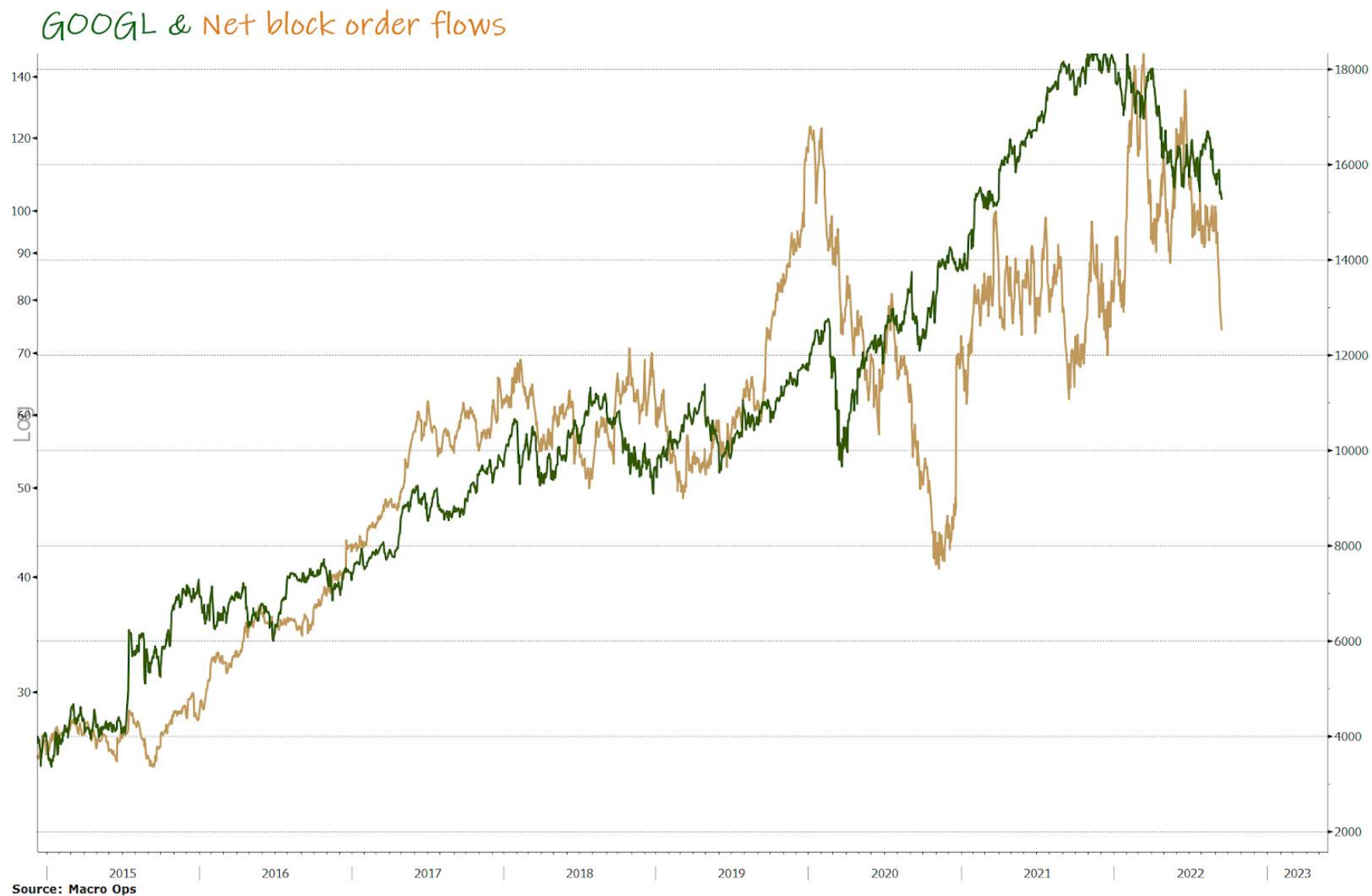
These are best case scenarios, in my opinion. Because... if we look at the stats during the higher inflationary periods, then the average PE trough is in fact much lower.

**The Generals are always the last to go... And when the mighty fall, they fall hard...**

On Slide 39 and 40 I share the weekly charts for both GOOGL and MSFT. Both took out their recent consolidation lows last week. This is a significant breakdown in the technicals of the majors. All of the FAAMG names are looking cooked.

I pointed out back in April that net block order flows showed institutions were running for the exits in these names ([link here](#)). This stampede has only accelerated since. Check out the charts below.

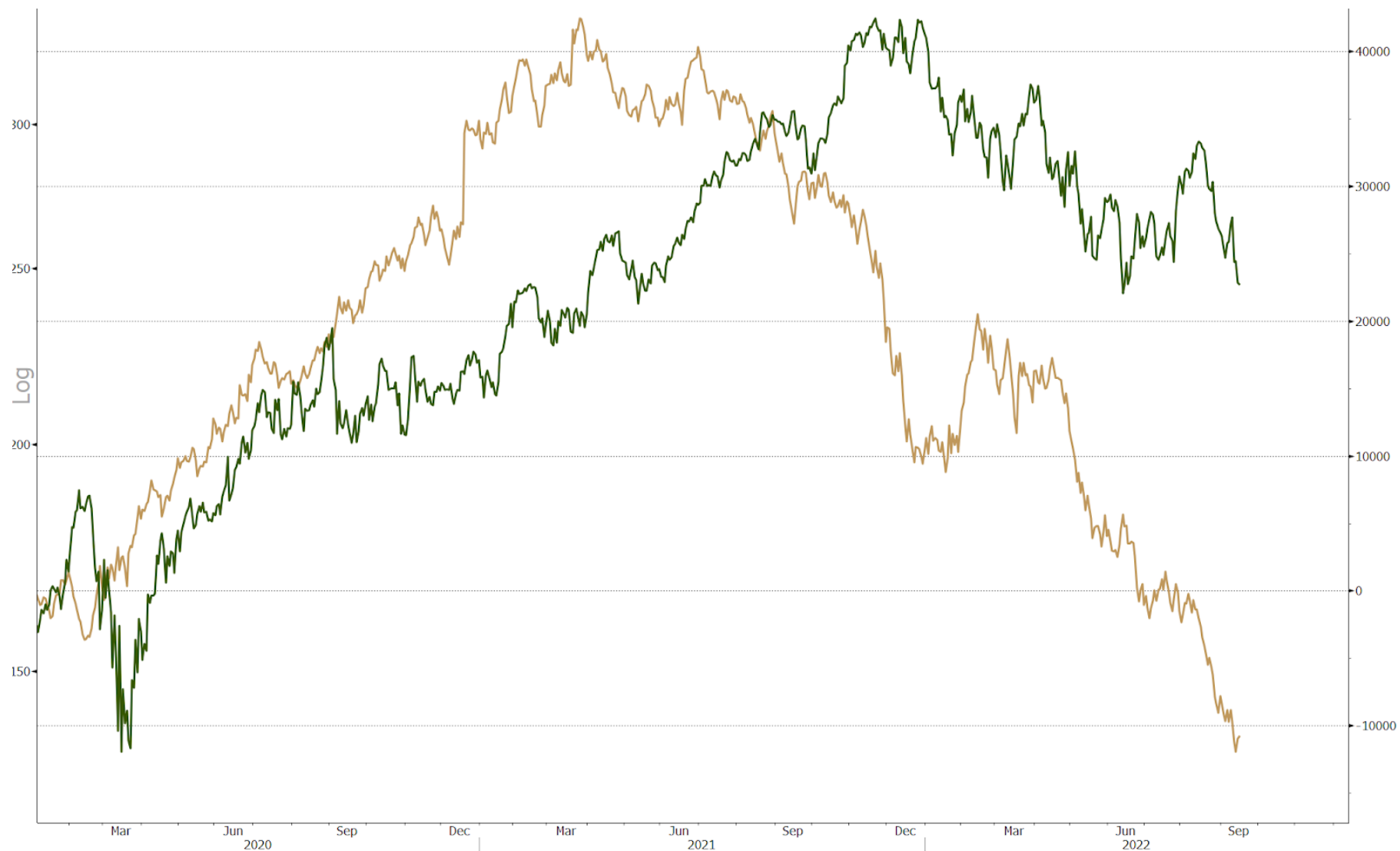
# Weekly Market Prep





# Weekly Market Prep

MSFT & Net block order flows



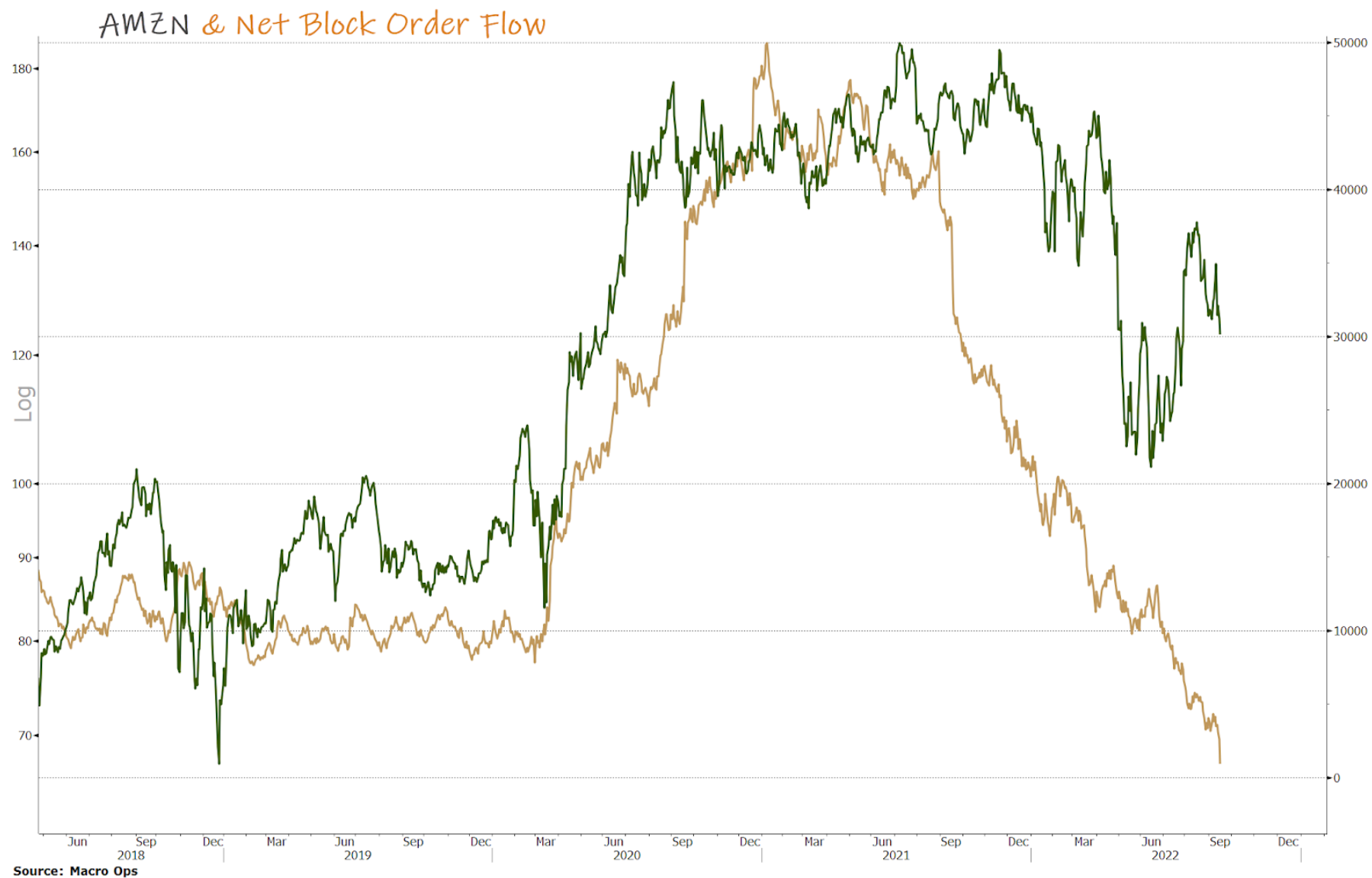
Source: Macro Ops

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# Weekly Market Prep





# Weekly Market Prep

This is what's going to bring the indices down. It's why our current positioning doesn't match our view. **We NEED to be net short.** We need to up our shorts against the Qs and potentially short a few of the bigs here, and maybe the DAX (see slide 35).

I'd much prefer to do this after a decent market rally that turns sentiment and pulls in a bunch of "soft landing" suckers first. But... we'll have to see if the market gives us that opportunity. It may not. Bad sentiment can always get worse. And when we're in the most aggressive rate hiking regime in modern history, we have to be open to any and all possibilities.

As far as other general market thoughts, there's not much that I see as super actionable right now. I scroll through hundreds of charts every weekend. And currently, the only plays that look constructive to the long side are some energy and mining names. And even those look like they'll probably get taken down in the intermediate-term along with the rest of the market.

We have some swing trade setups in Dec wheat (which we're long), soybean oil, German DAX, USDJPY fade maybe, EURCAD breakout which triggered Friday, and two longs setting up in CRCT and the copper producer Foran Mining (FOM). You can find these in the Trade Setup section starting on slide 32.

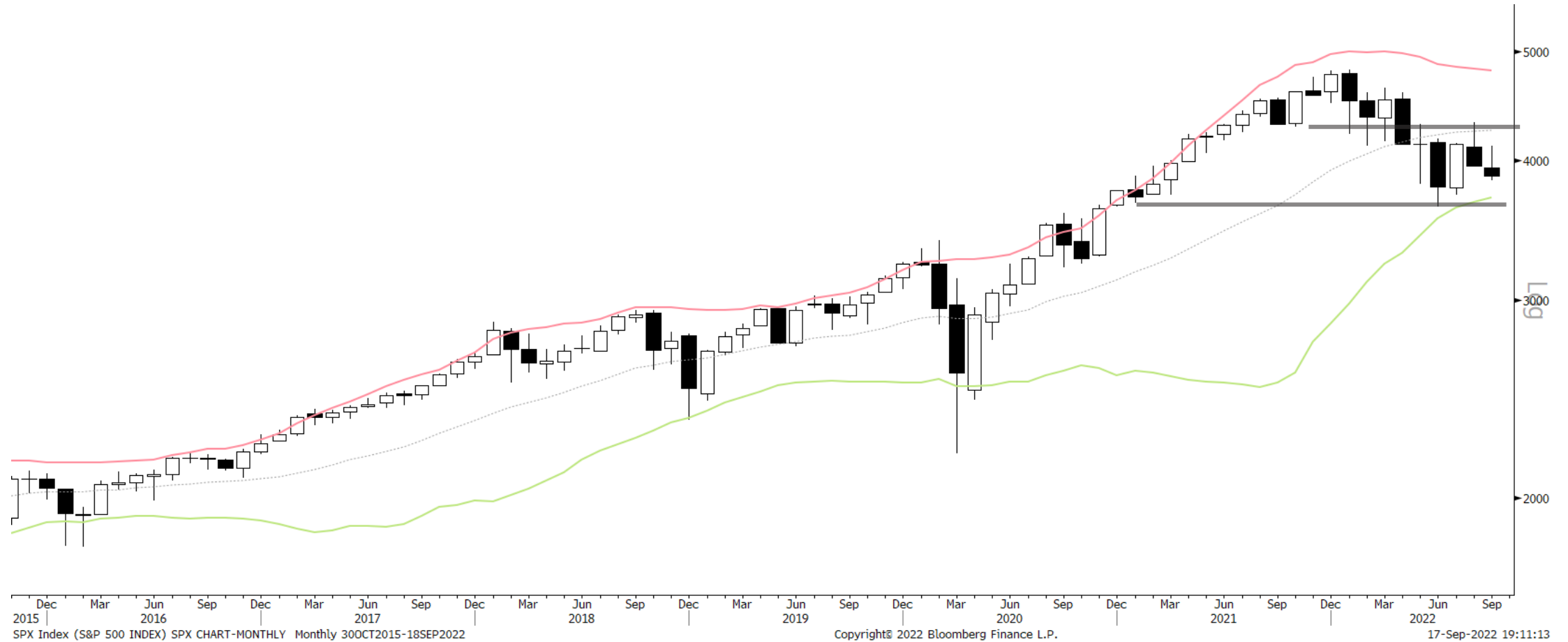
Stay Frosty...

Your Macro Operator,

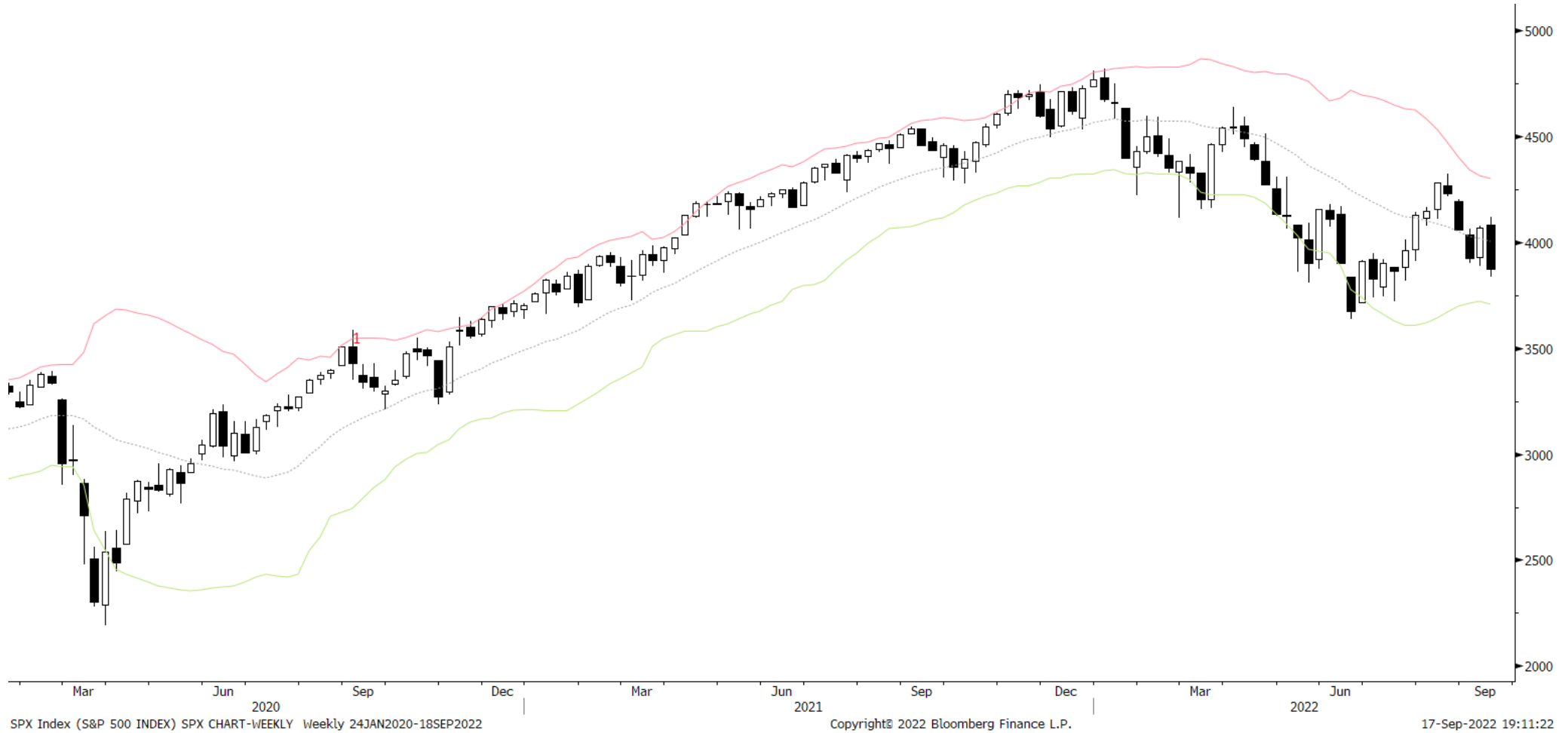
Alexander



# S&P 500 Monthly



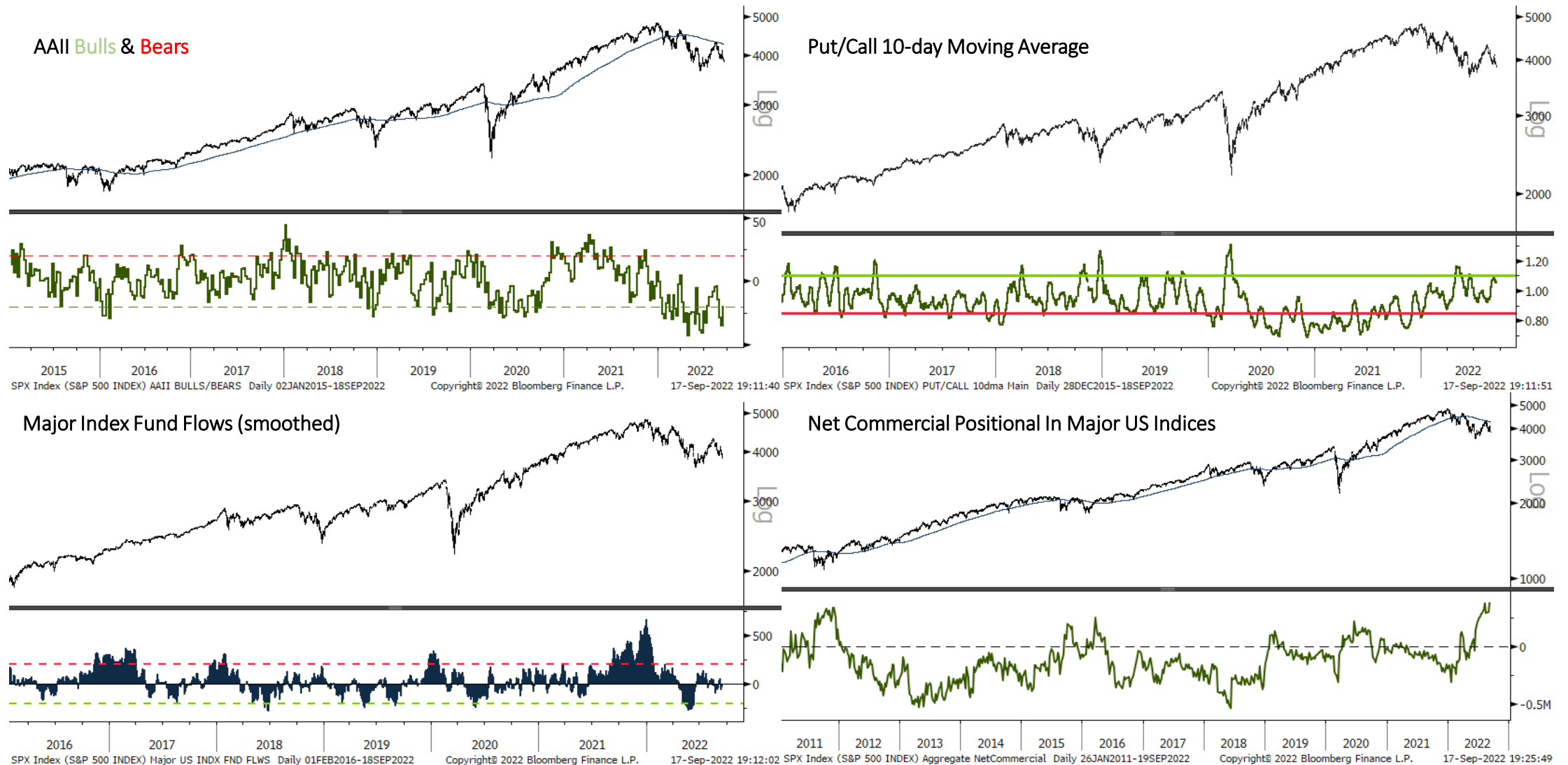
# S&P 500 Weekly



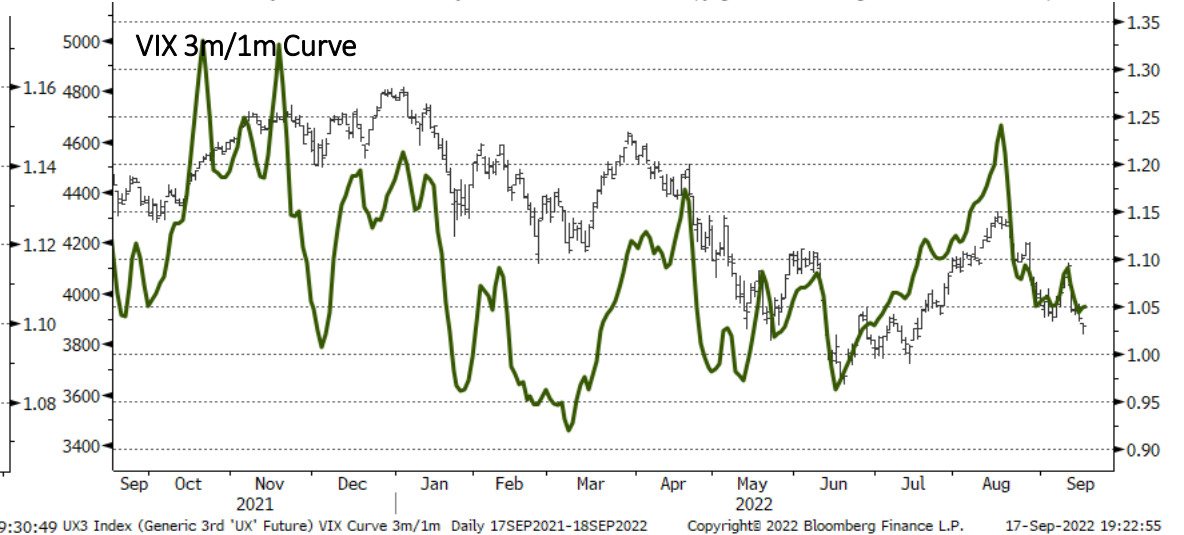
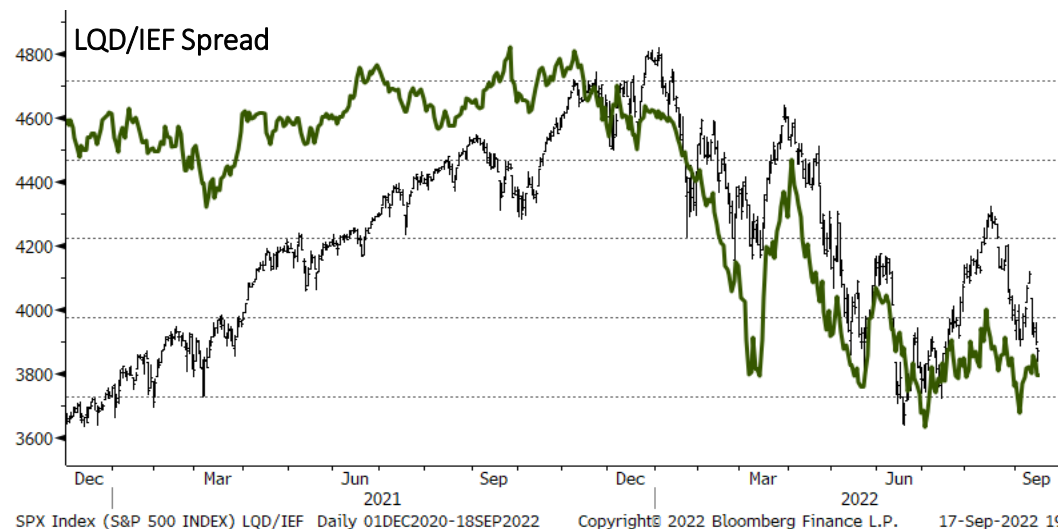
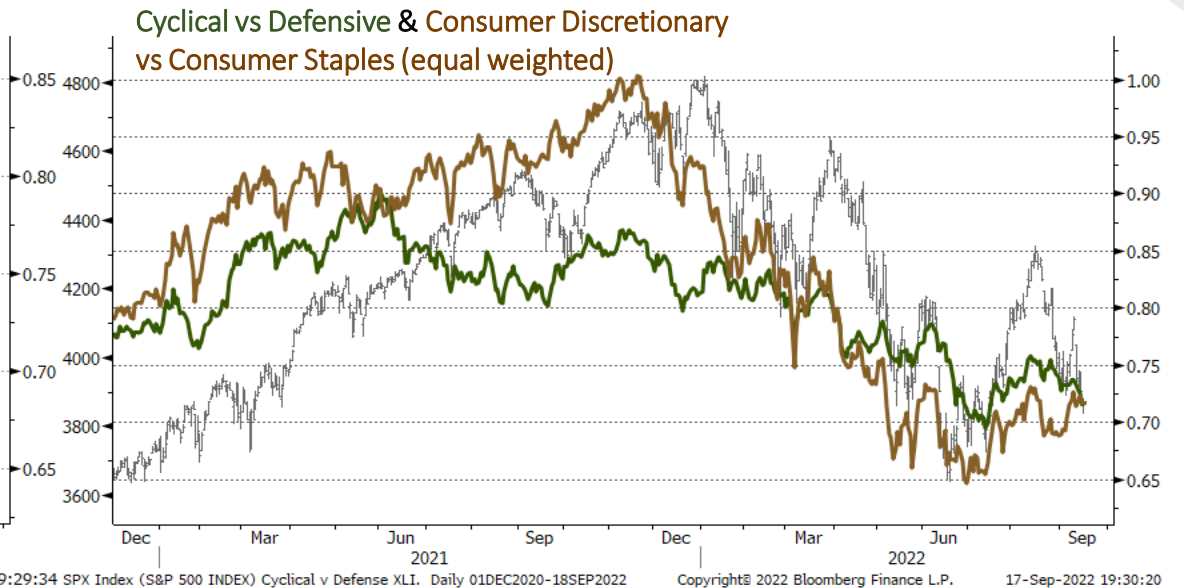
# S&P 500 Daily



# Sentiment & Positioning

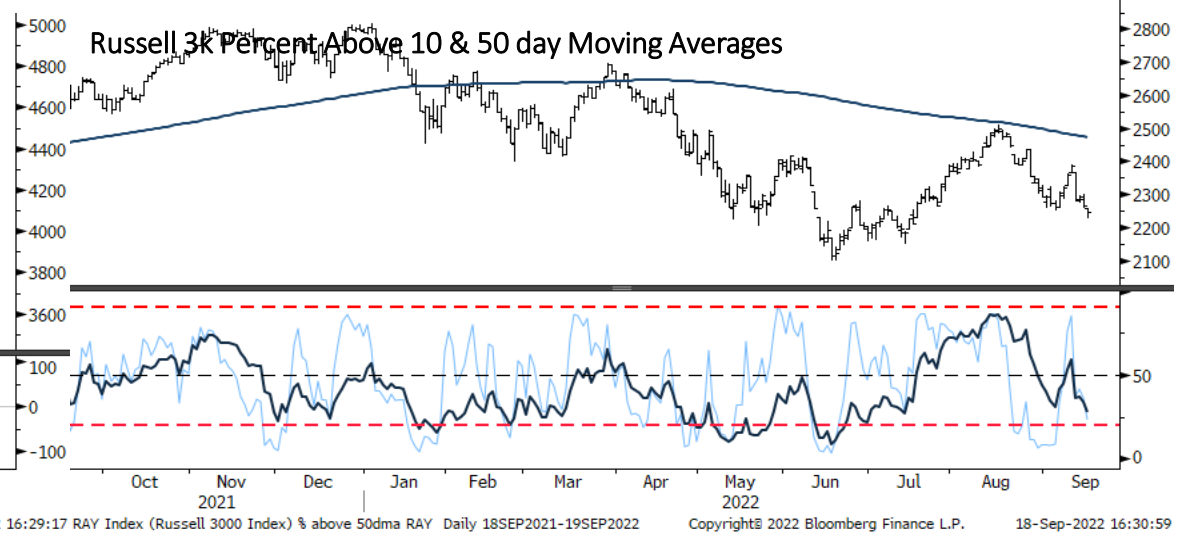
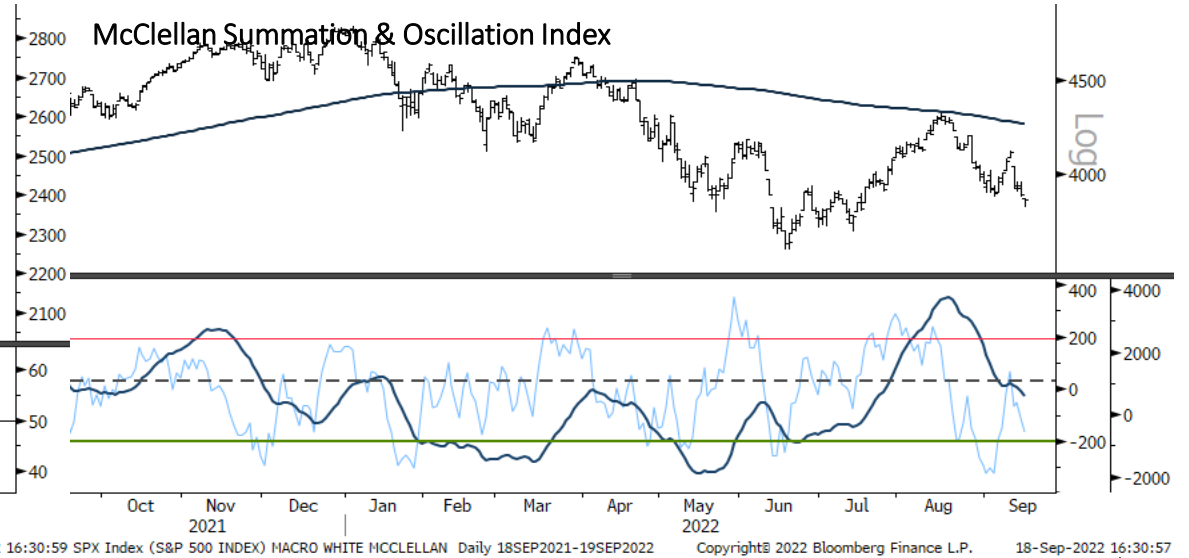
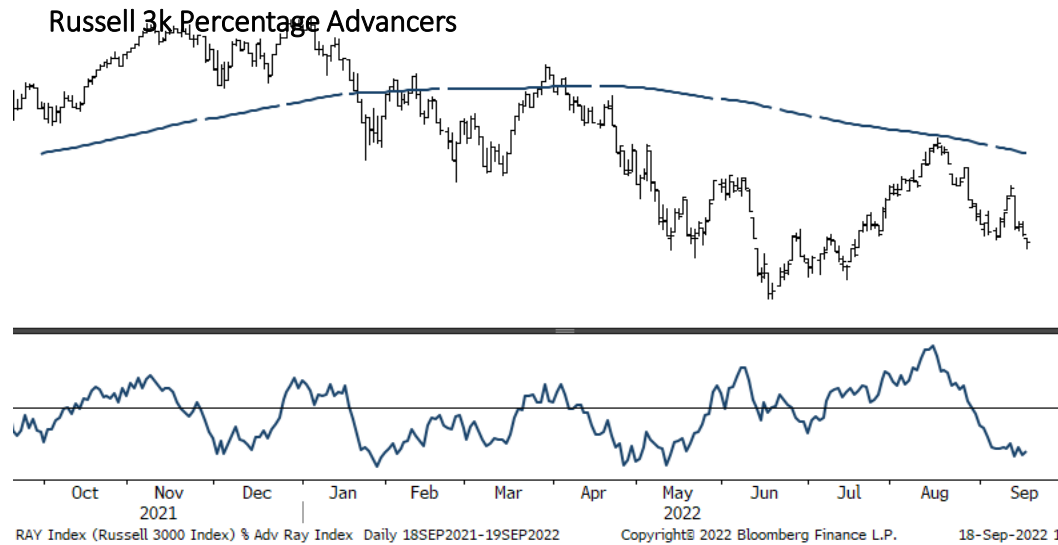


# Market Internals

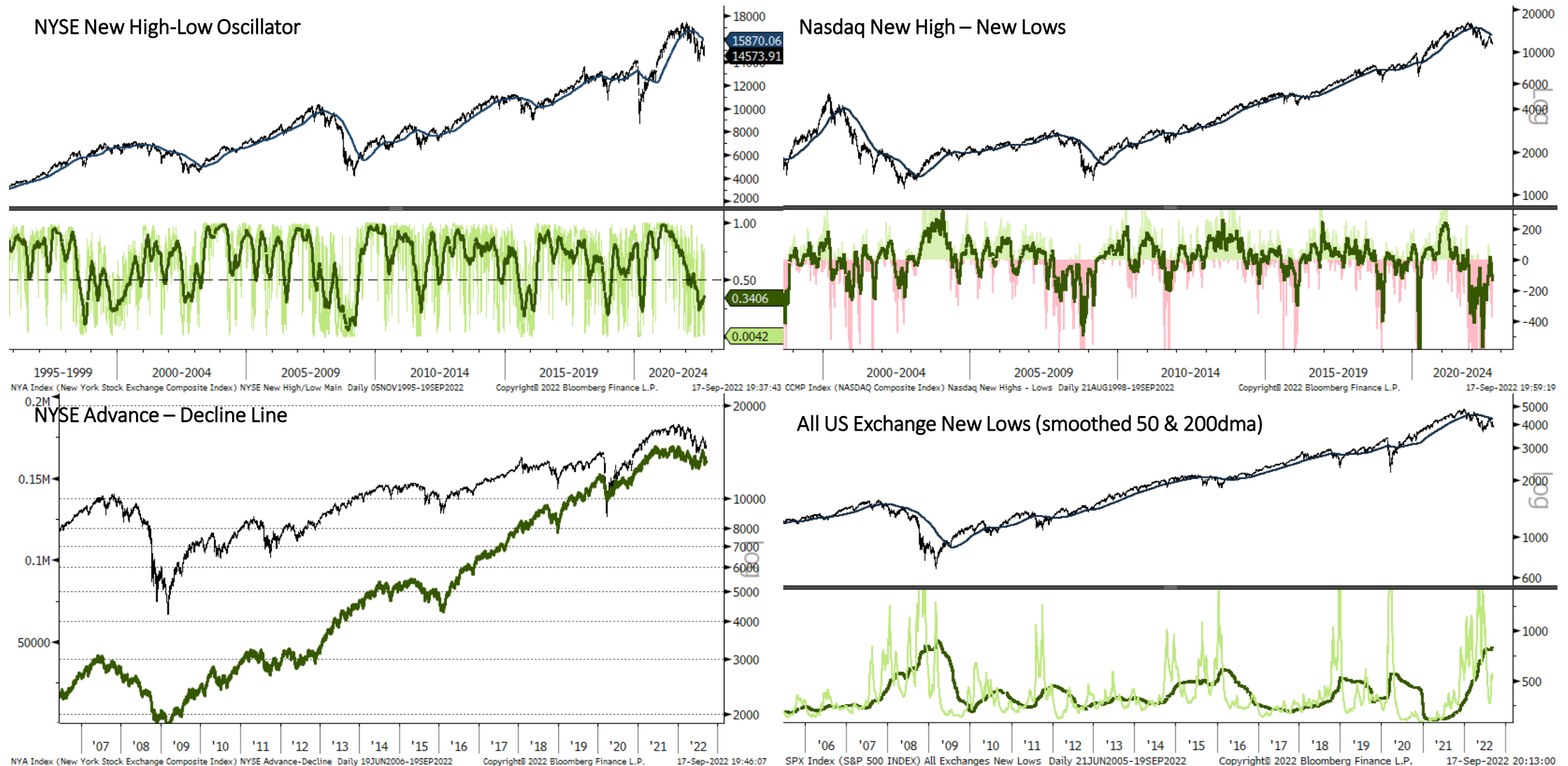




# Short-term Breadth



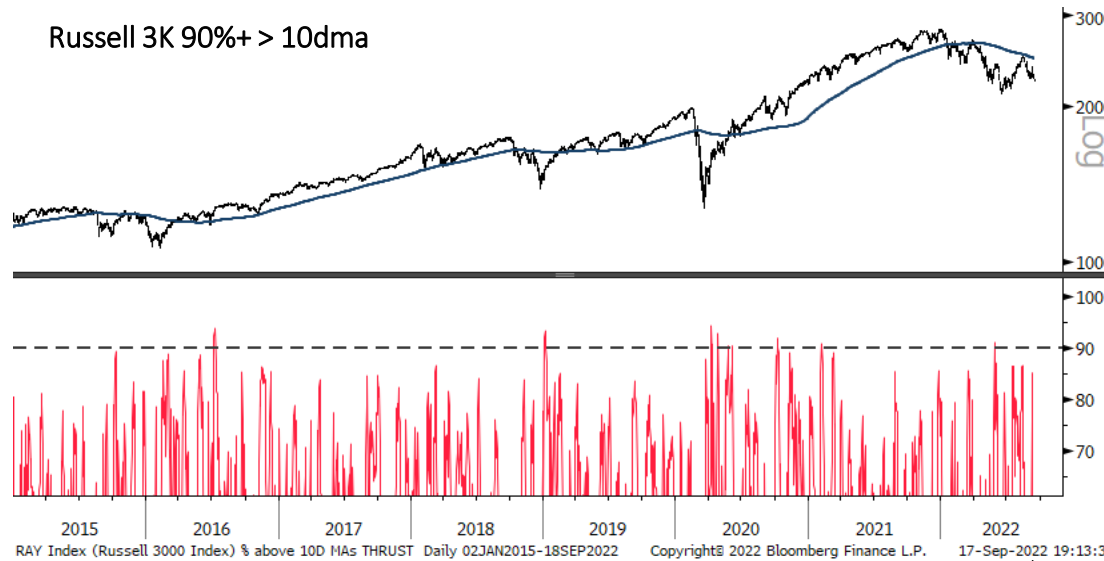
# Long-term Breadth



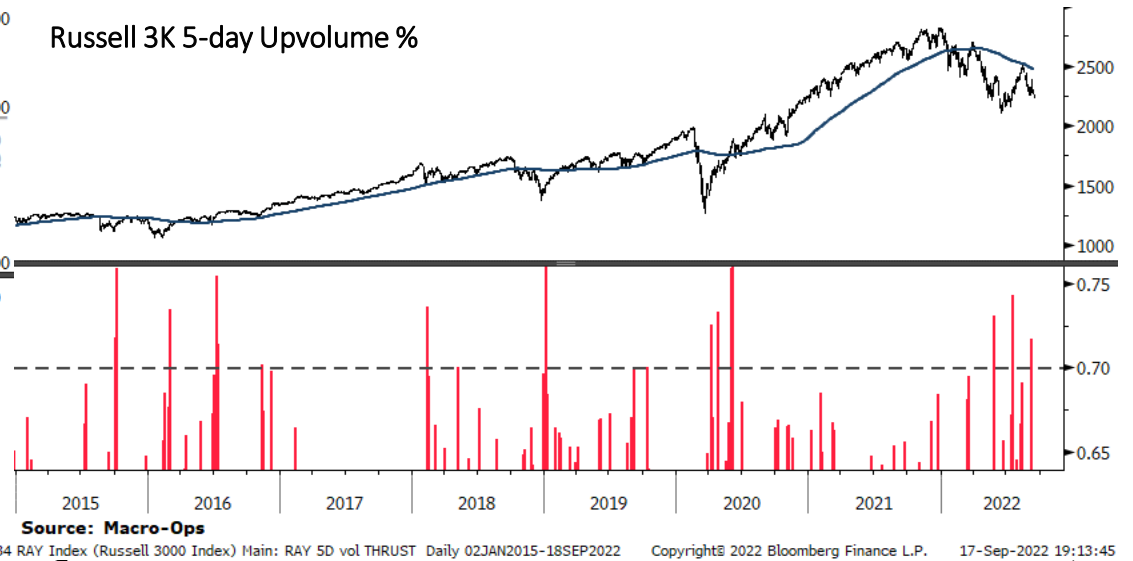
# Breadth Thrust



Russell 3K 90%+ > 10dma



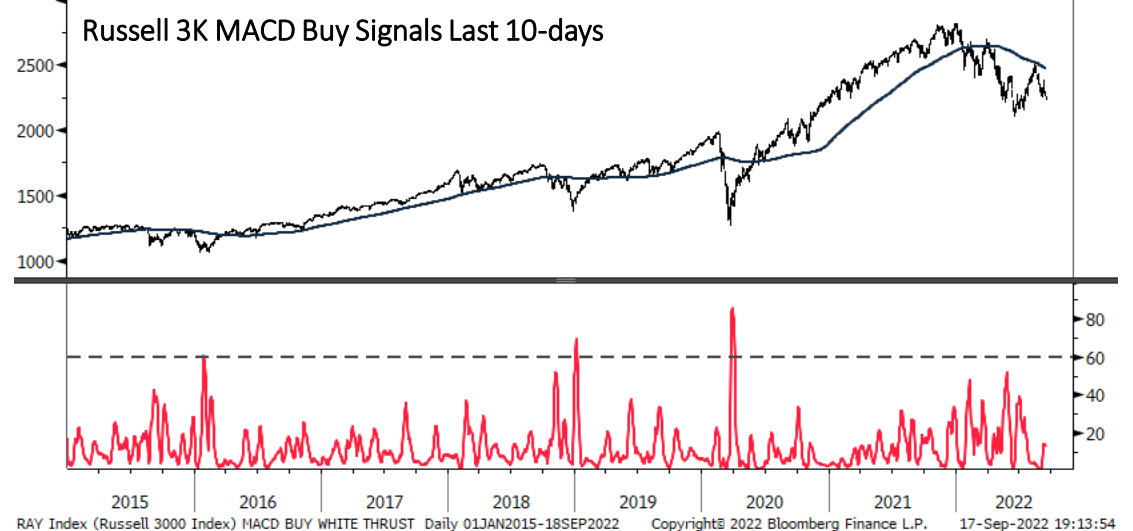
Russell 3K 5-day Upvolume %



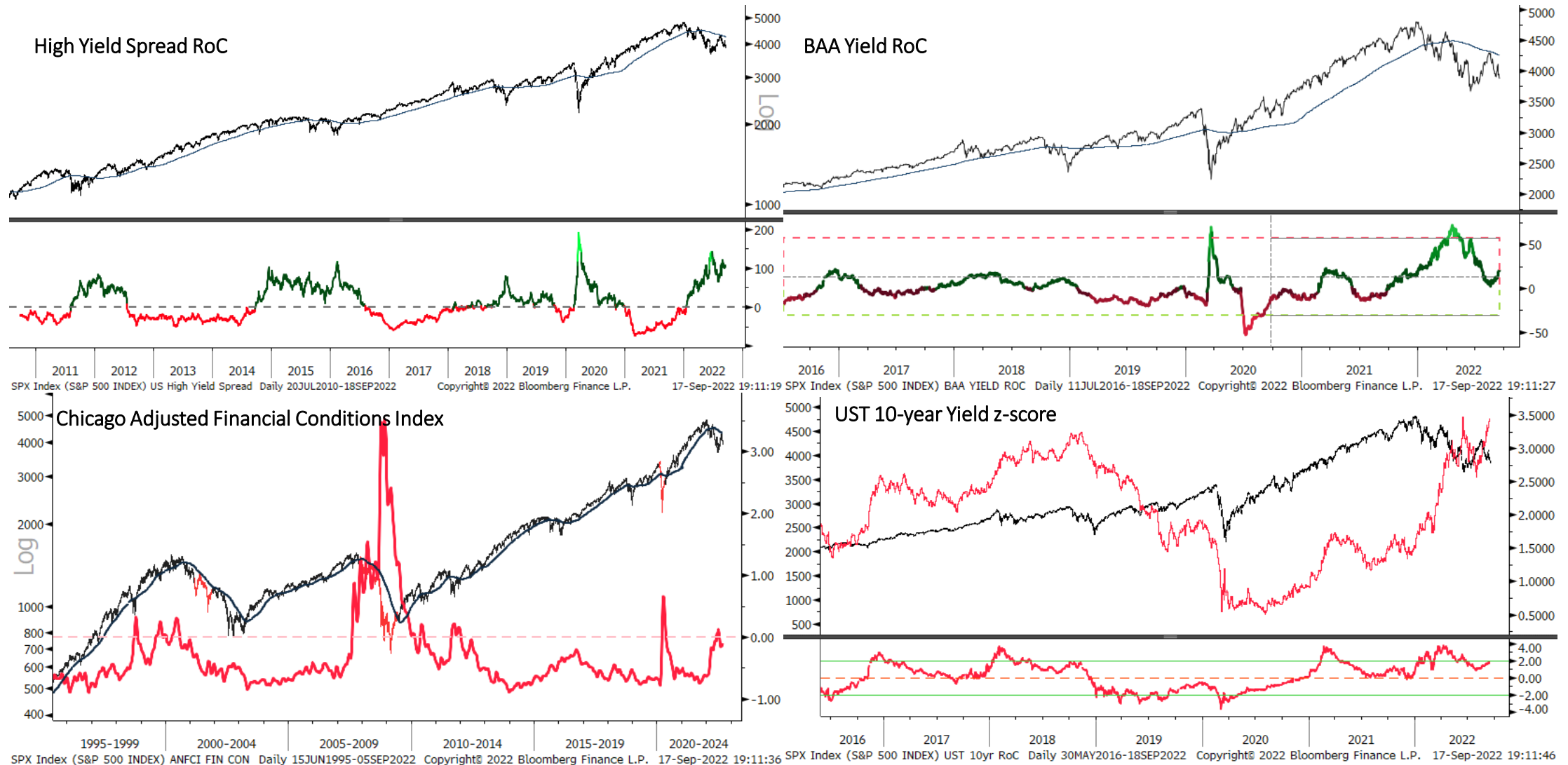
NDX 5-day % Advancers



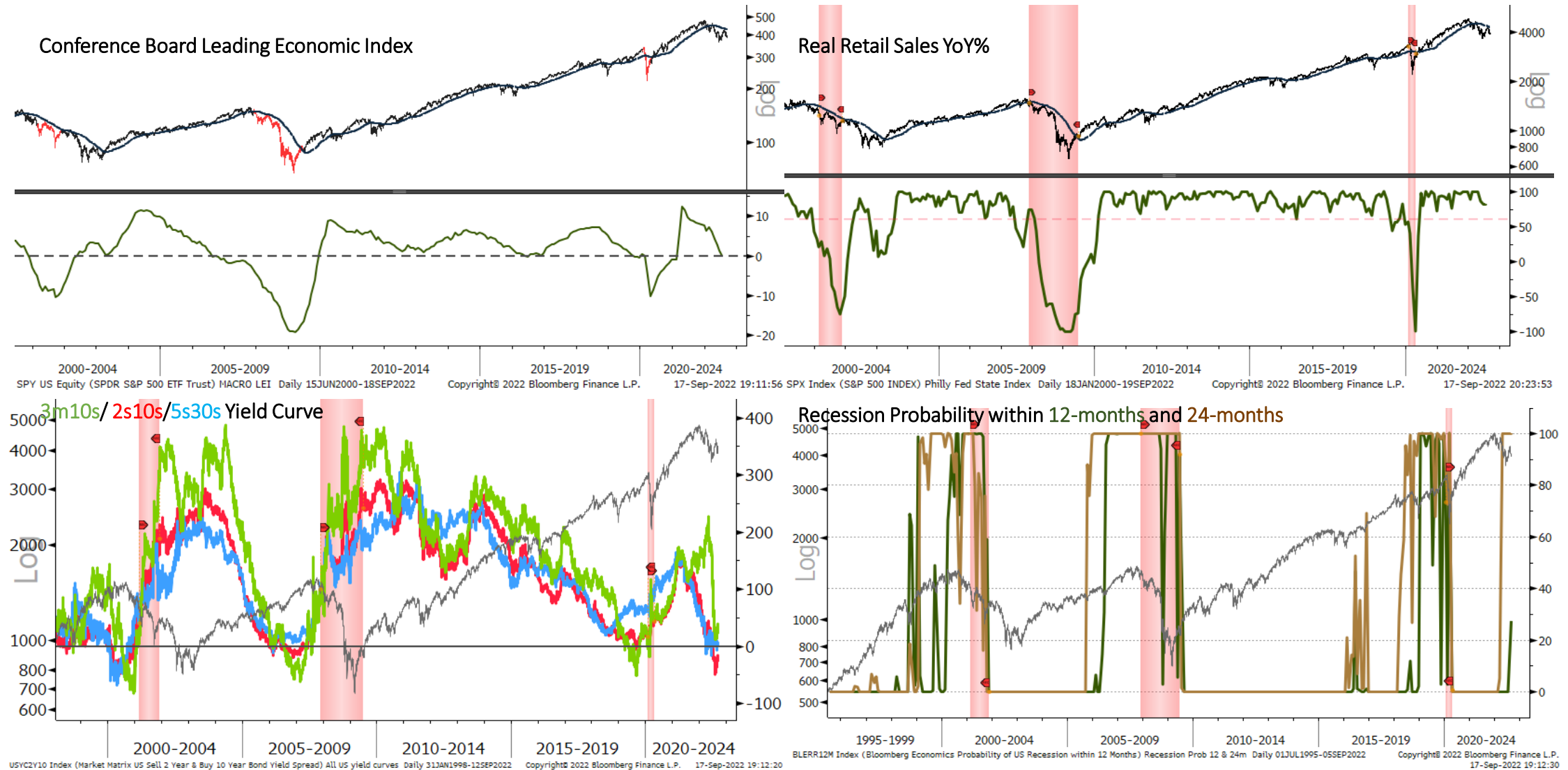
Russell 3K MACD Buy Signals Last 10-days



# Liquidity



# US Recession

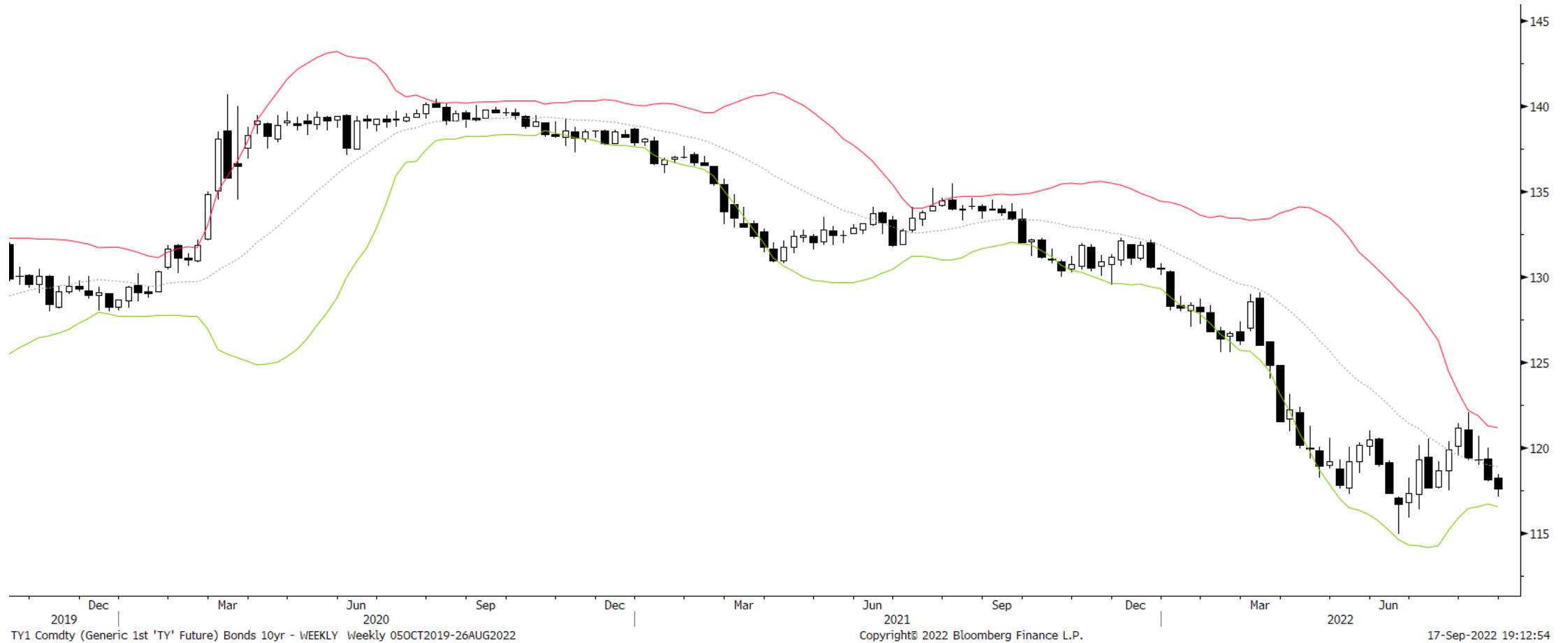




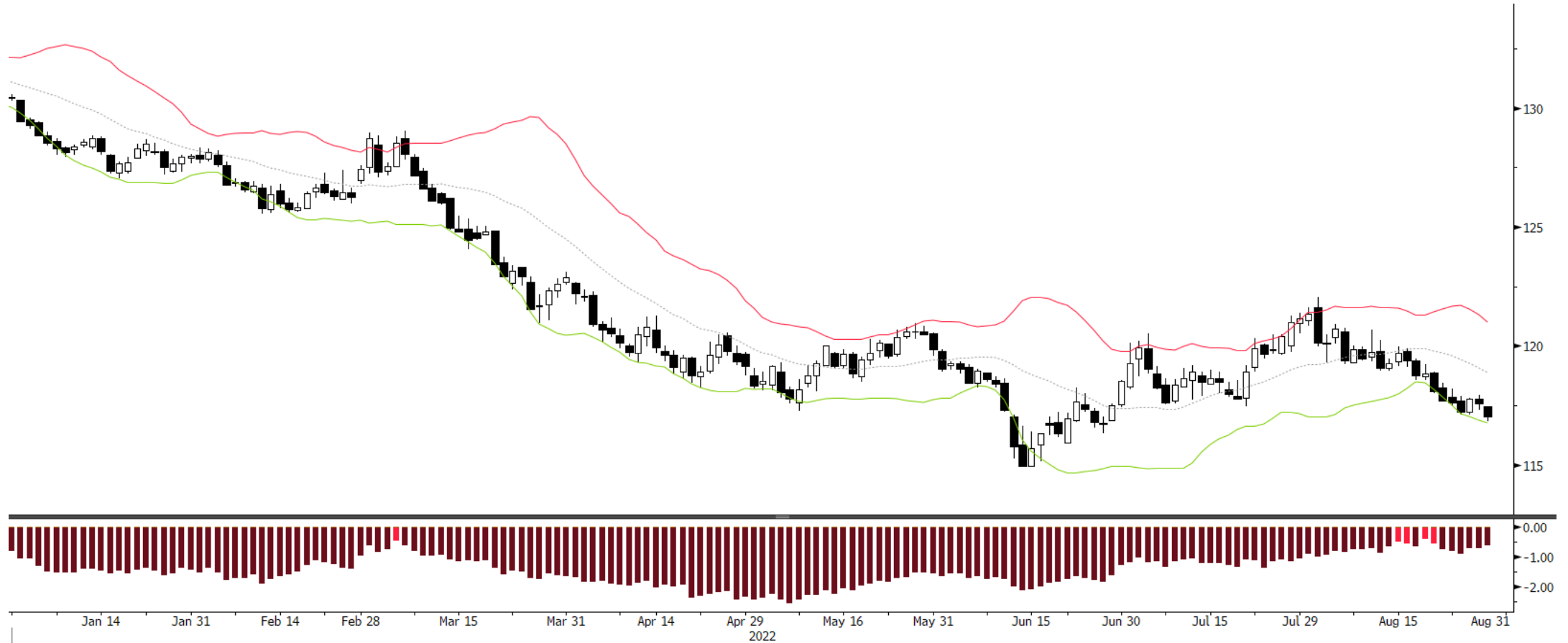
# Bonds: 10-year Futures Monthly



# Bonds: 10-year Futures Weekly



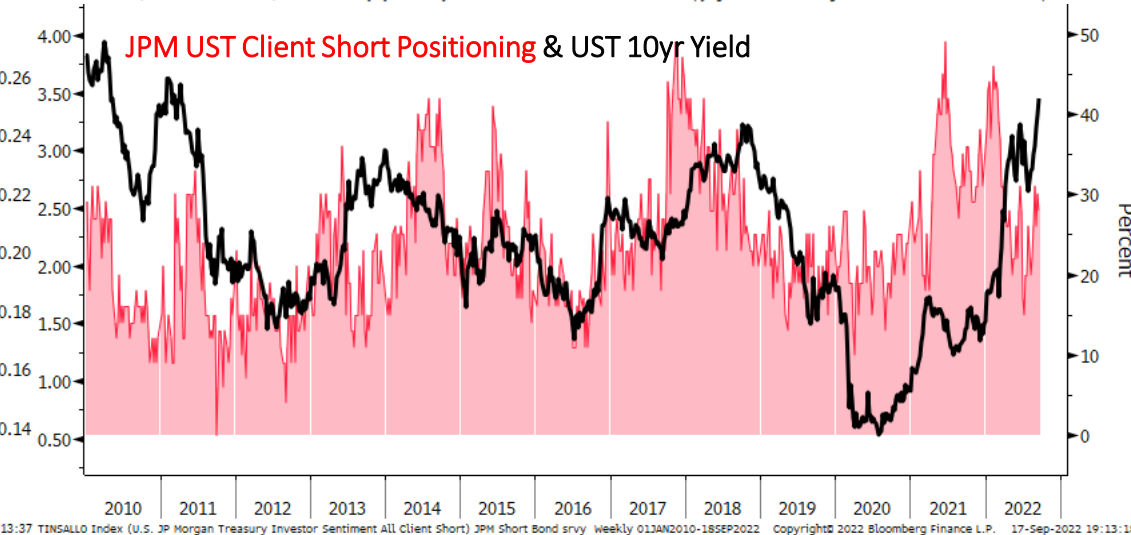
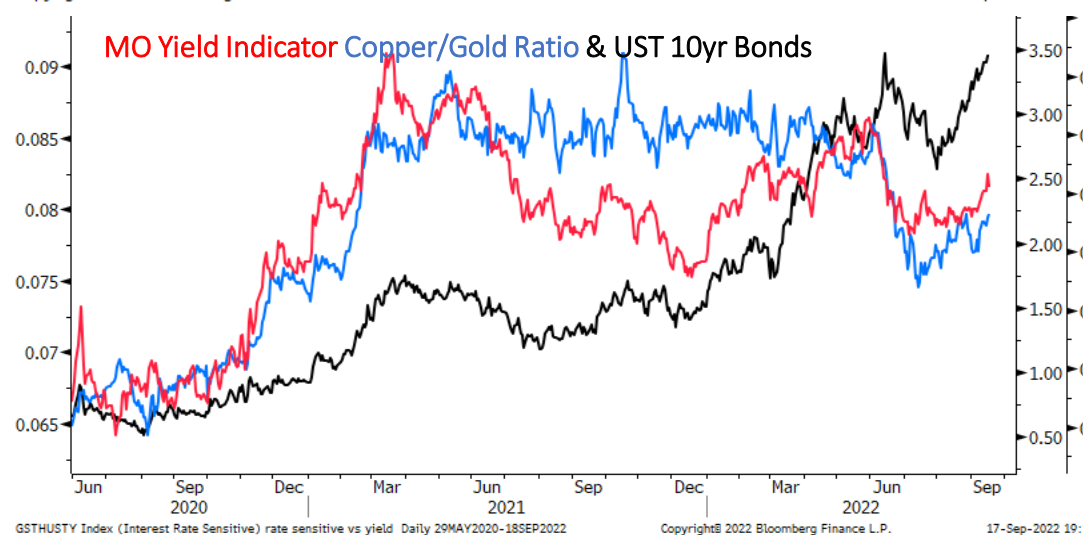
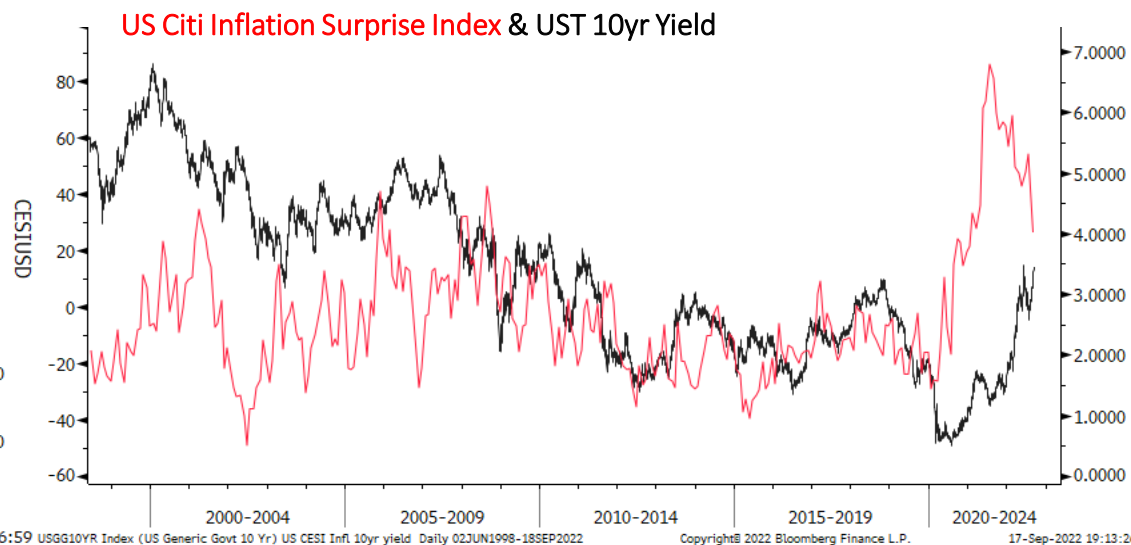
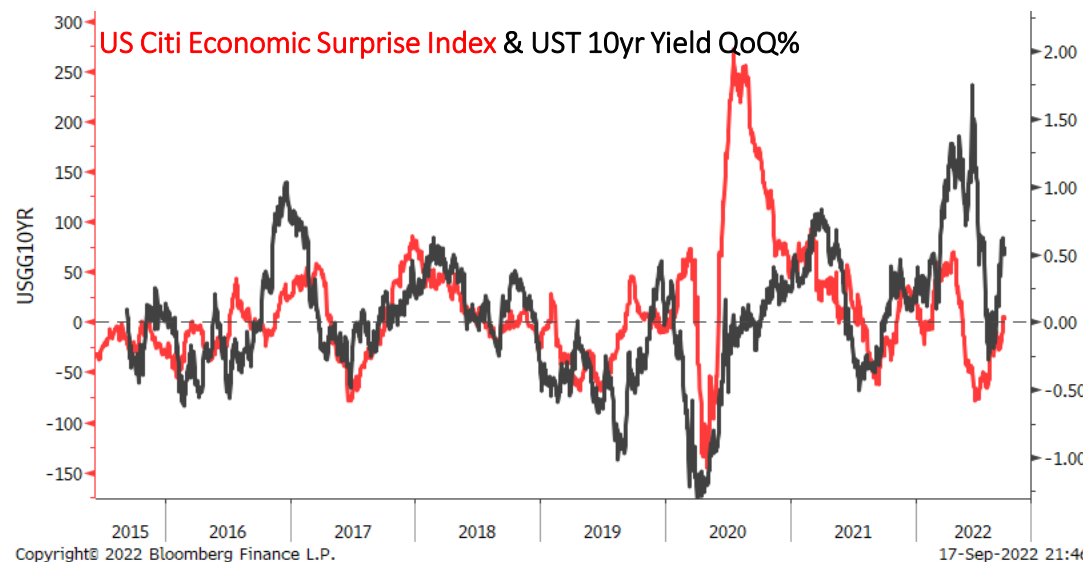
# Bonds: 10-year Futures Daily



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# Bond/Yield Indicators



# Gold Monthly





# Gold Weekly



# Gold Daily



GC1 Comdty (Generic 1st 'GC' Future) GOLD - DAILY Daily 02DEC2021-19SEP2022

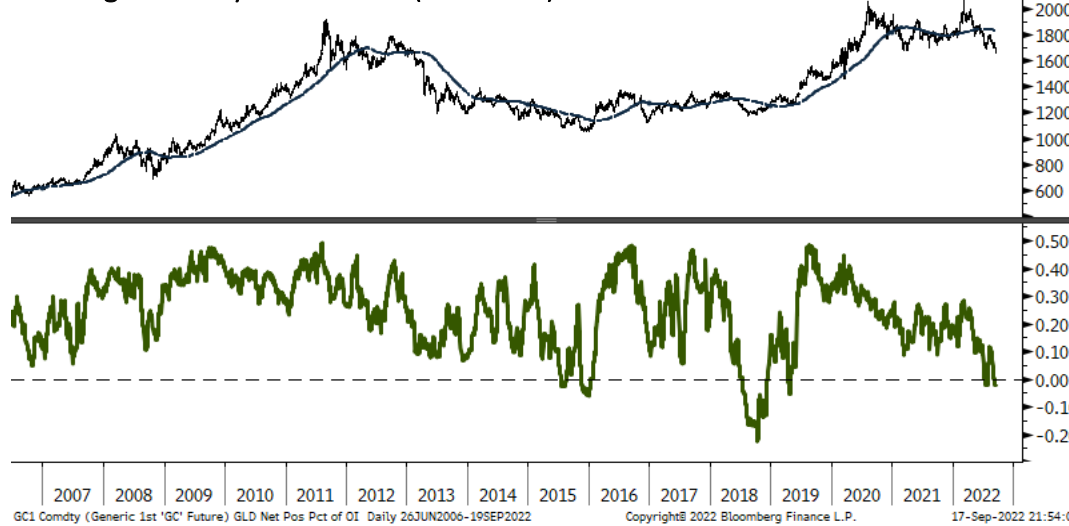
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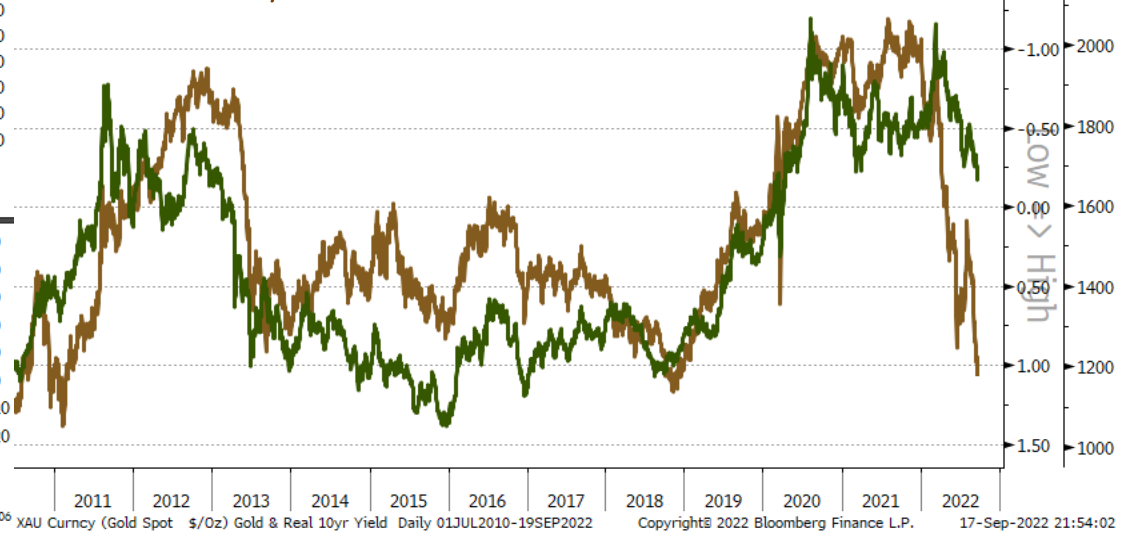
# Gold Indicators



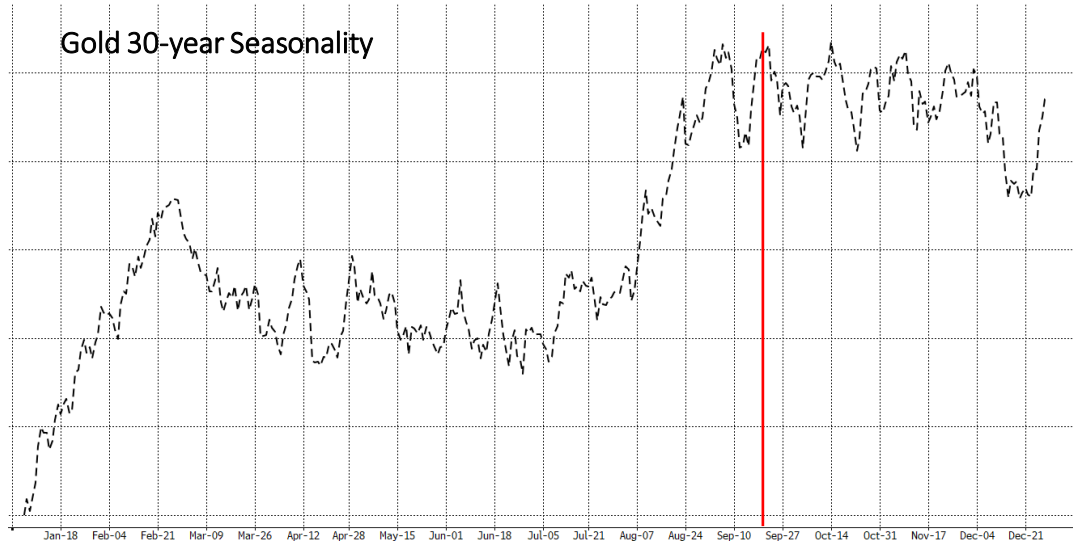
Managed Money Net Position (as % of OI)



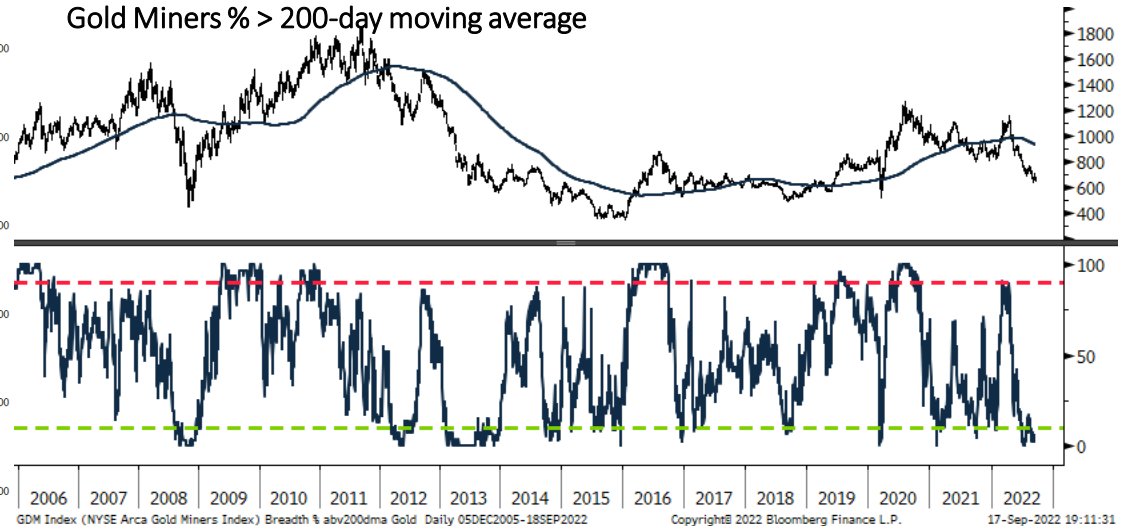
Gold & Real 10yr Yield



Gold 30-year Seasonality



Gold Miners % > 200-day moving average



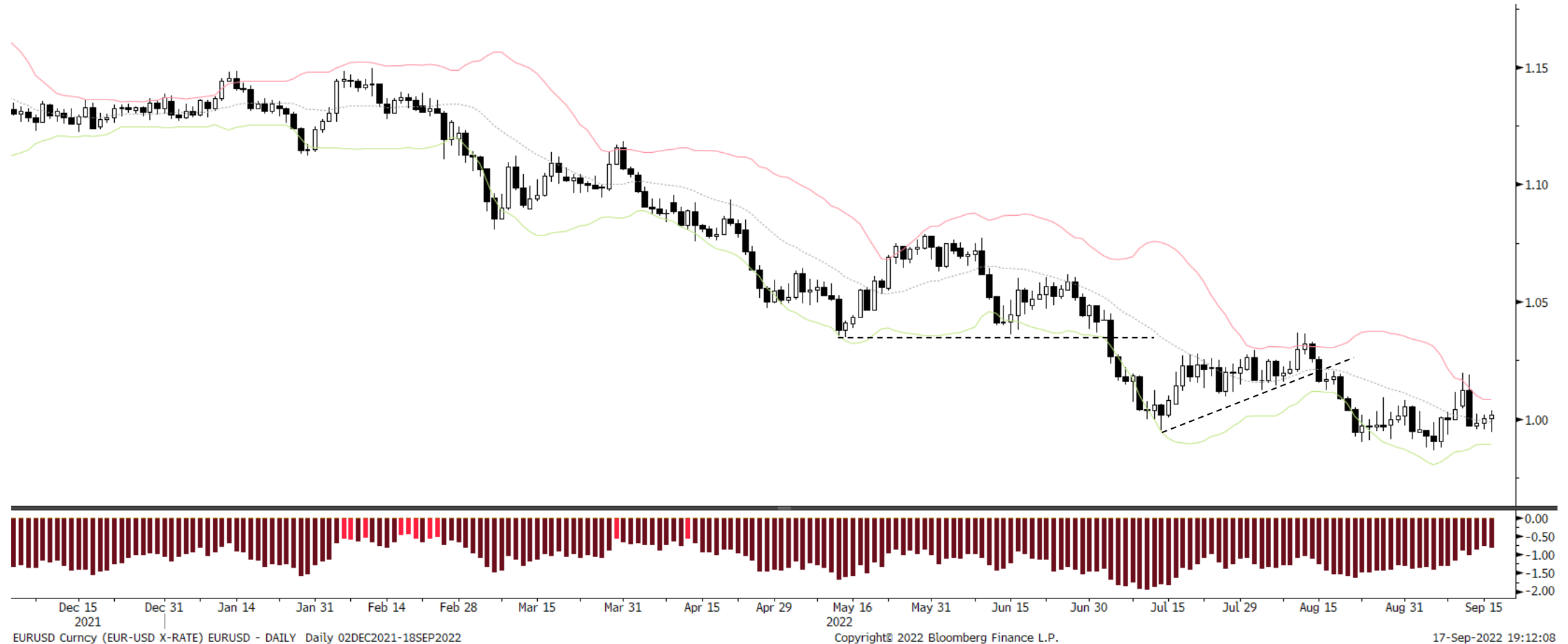
# EURUSD Monthly



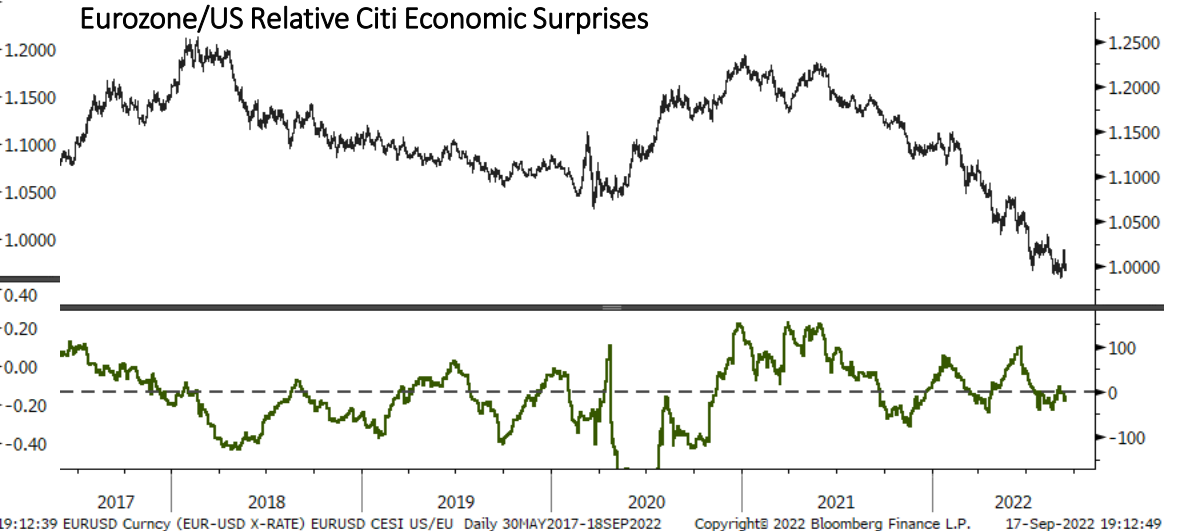
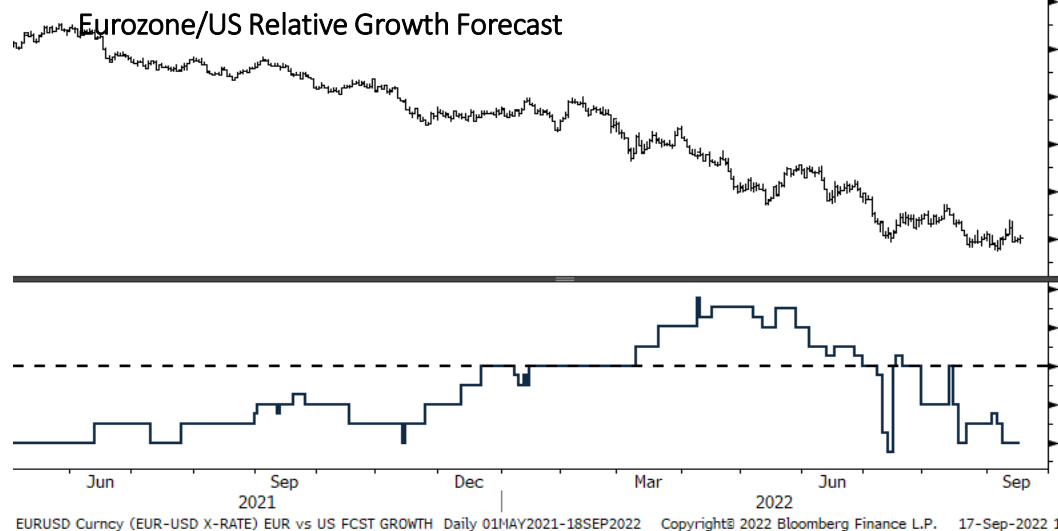
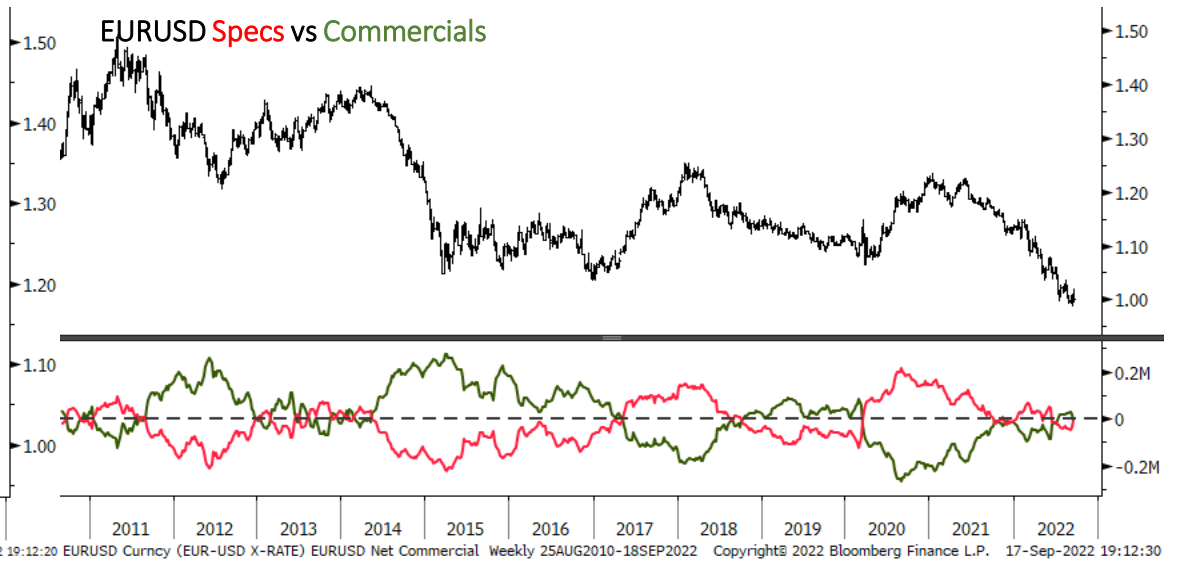
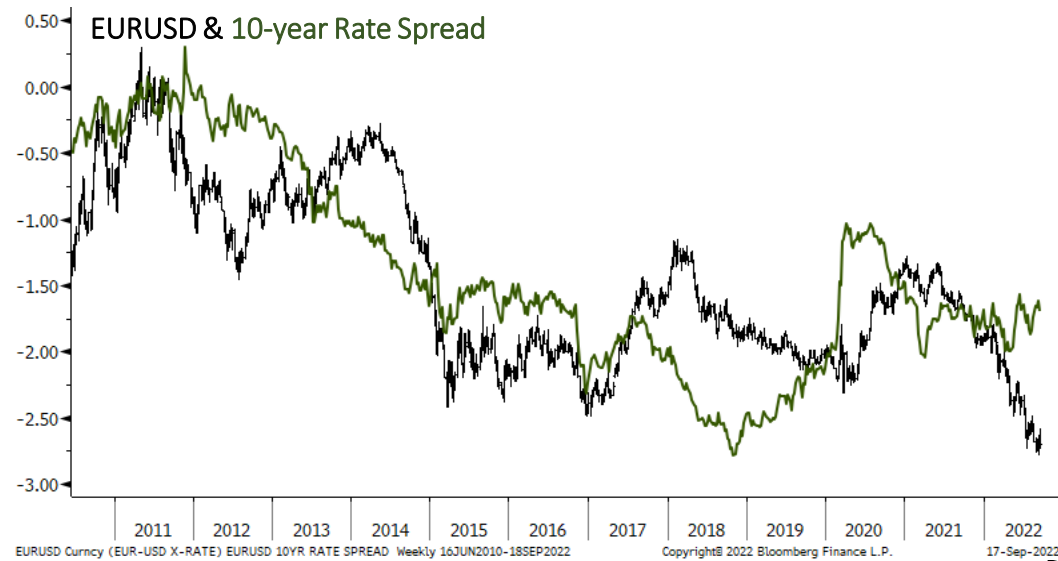
# EURUSD Weekly



# EURUSD Daily

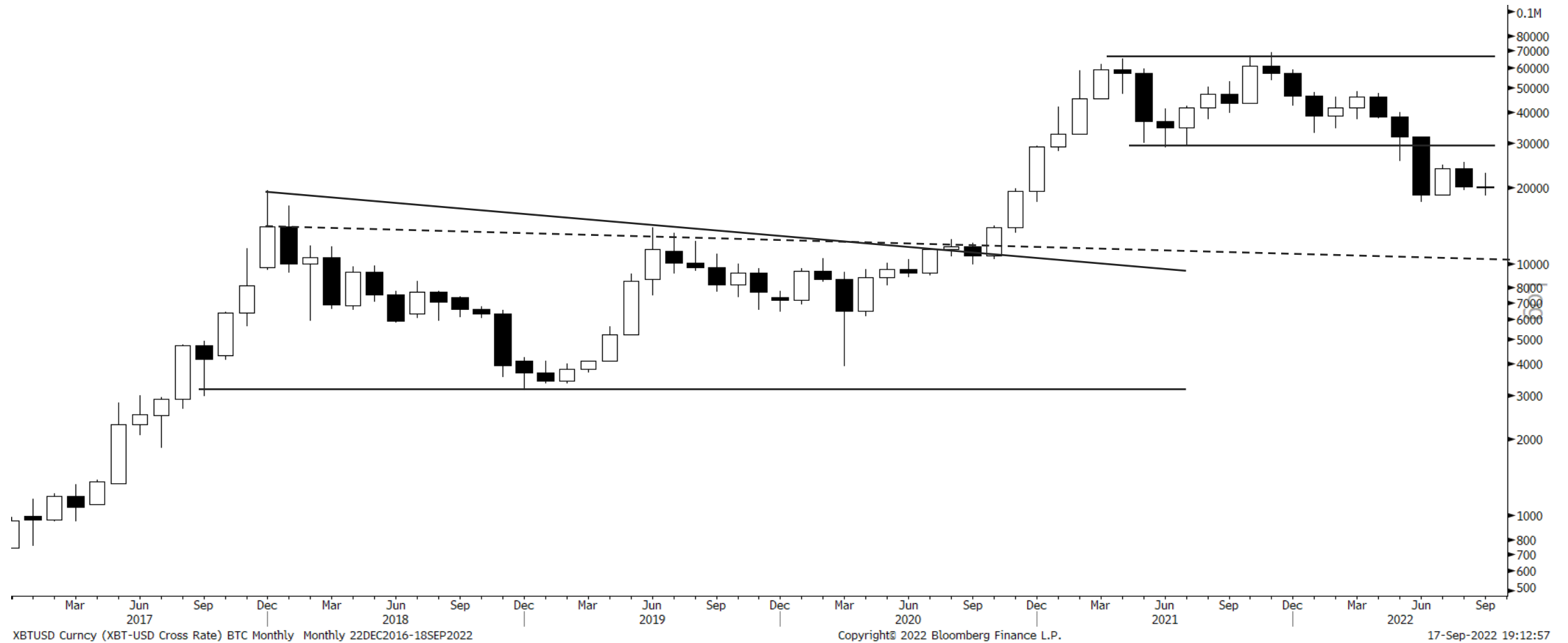


# EURUSD Indicators

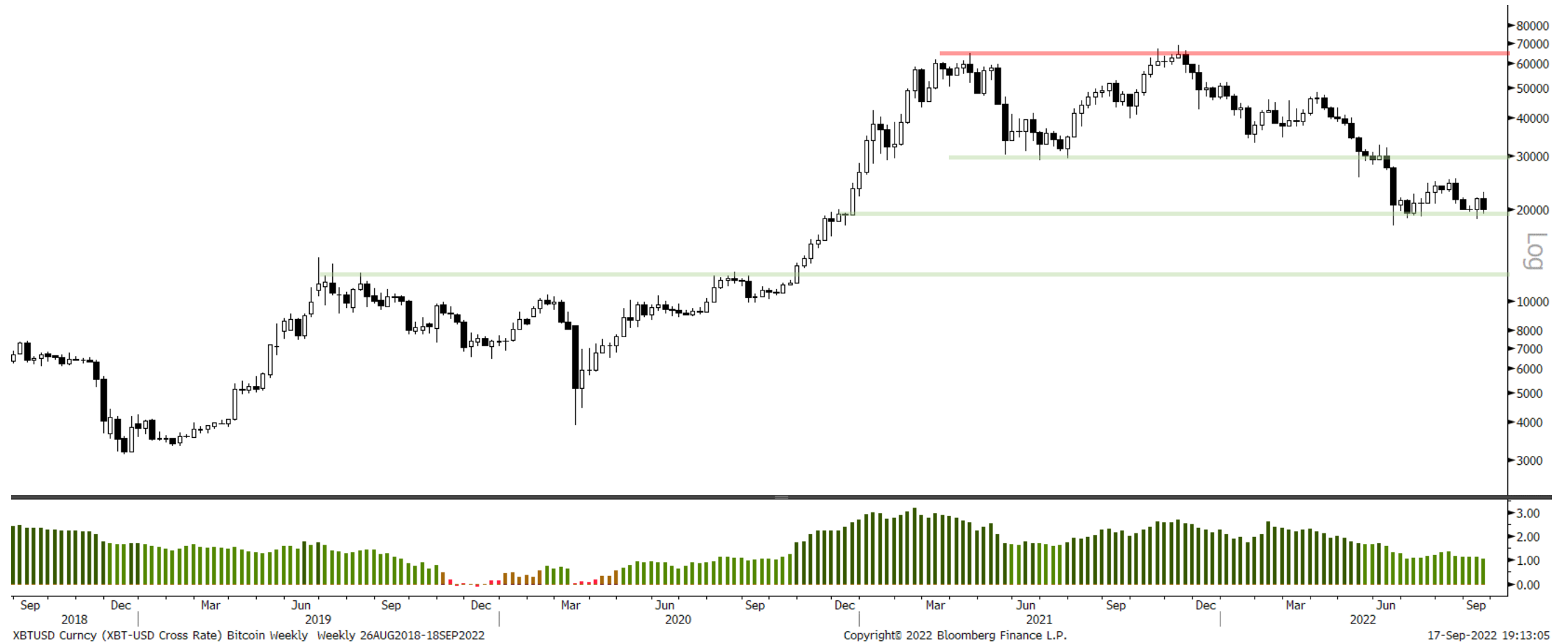




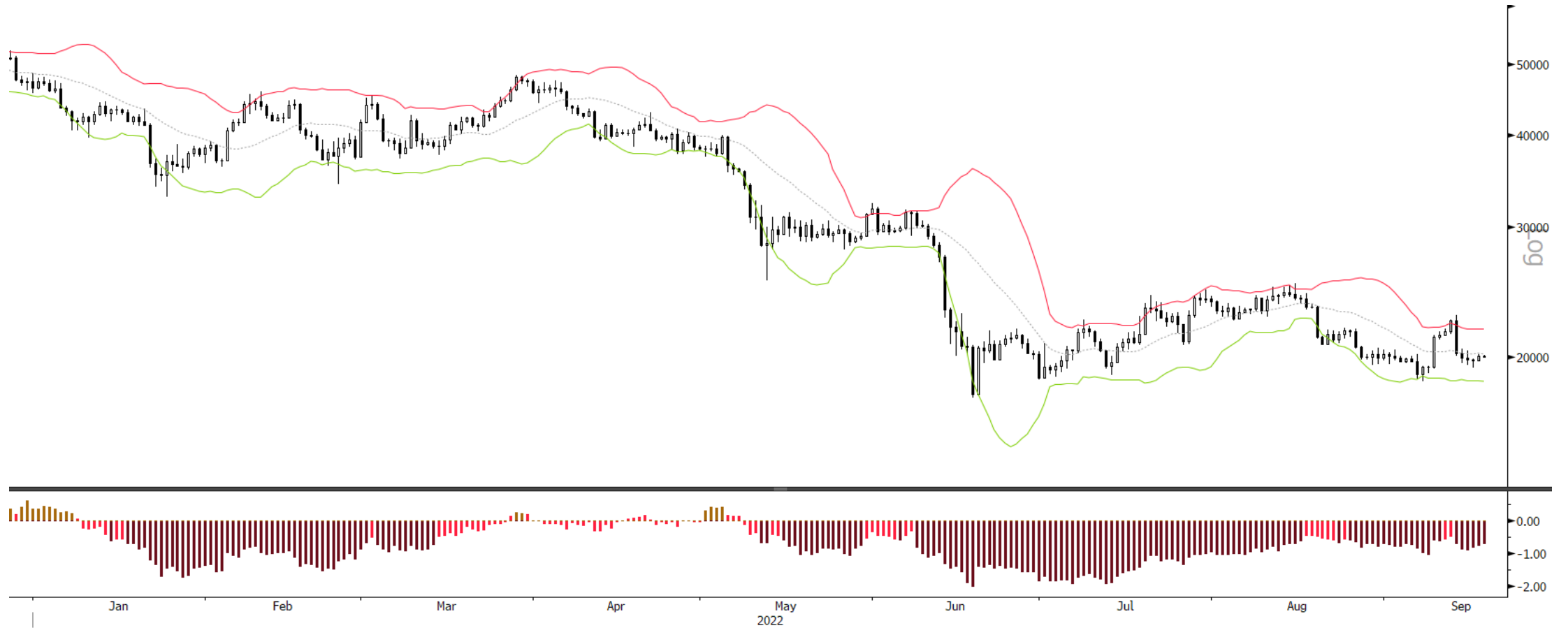
# Bitcoin Monthly



# Bitcoin Weekly



# Bitcoin Daily

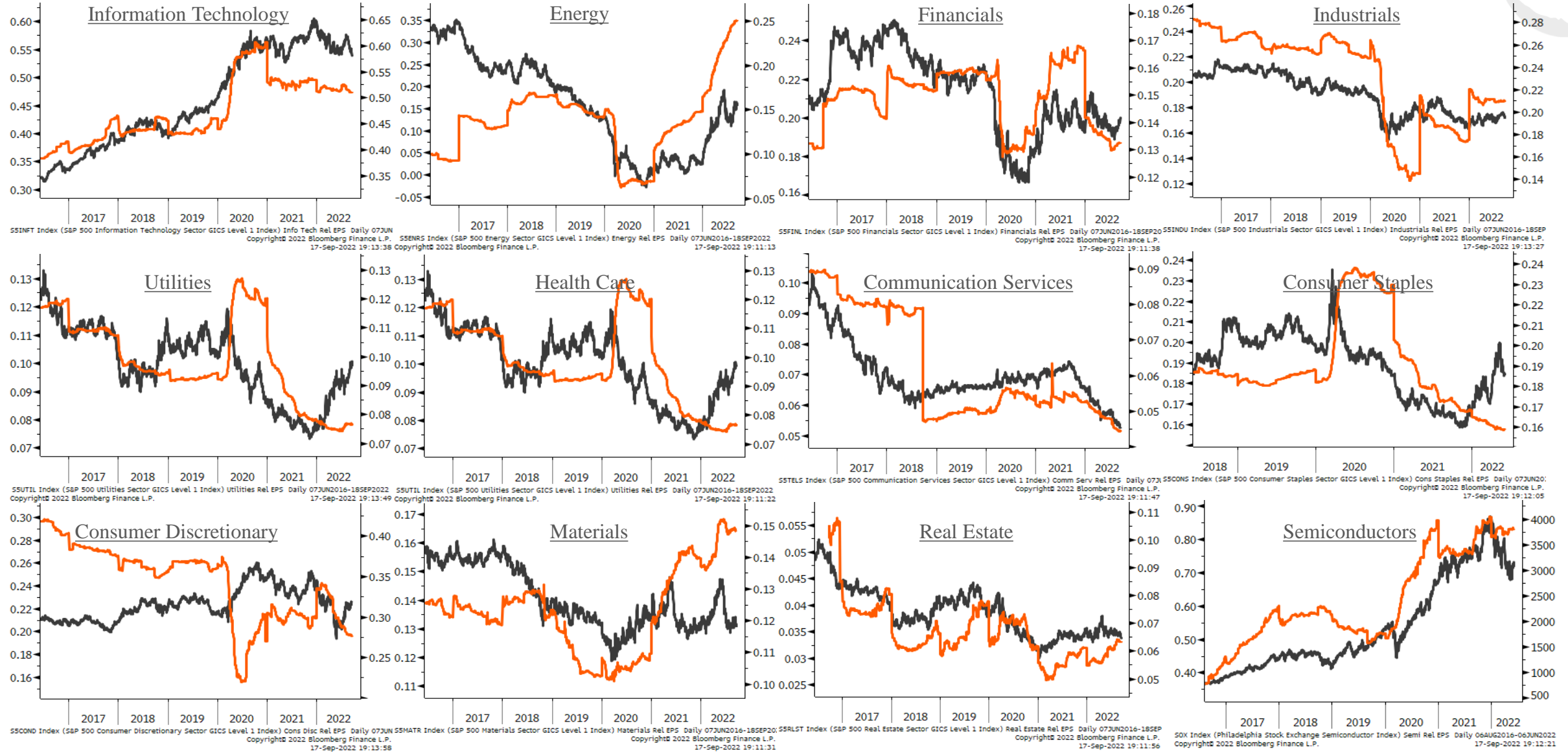
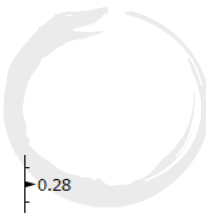


XBTUSD Curncy (XBT-USD Cross Rate) bitcoin Daily Daily 27DEC2021-18SEP2022

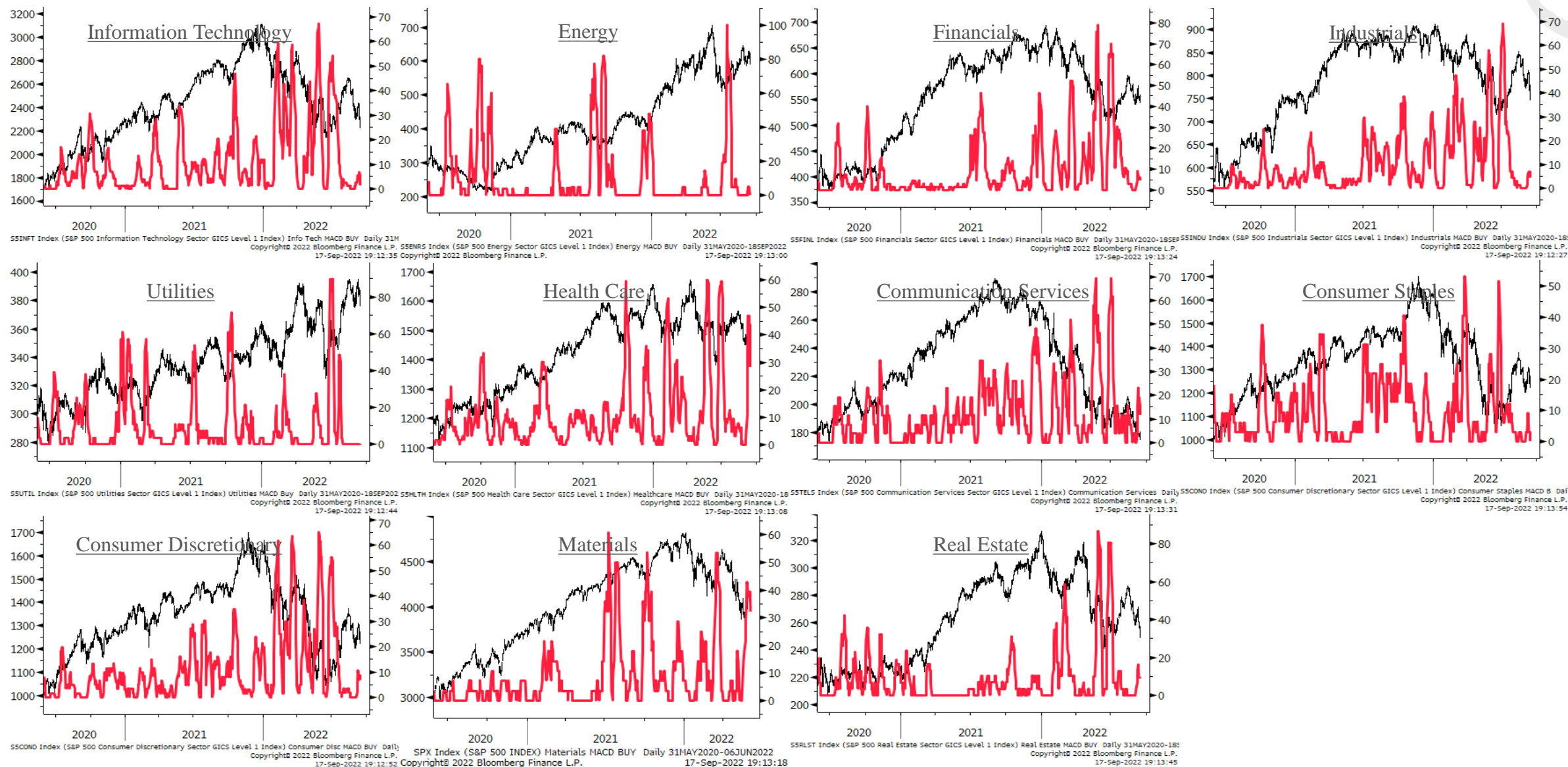
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# Sector Relative to SPX Price & Forward EPS Performance (Price in Grey, F/EPS in Orange)



# Sector % MACD Buy Signals





# Macro Ops

## Trade Setups

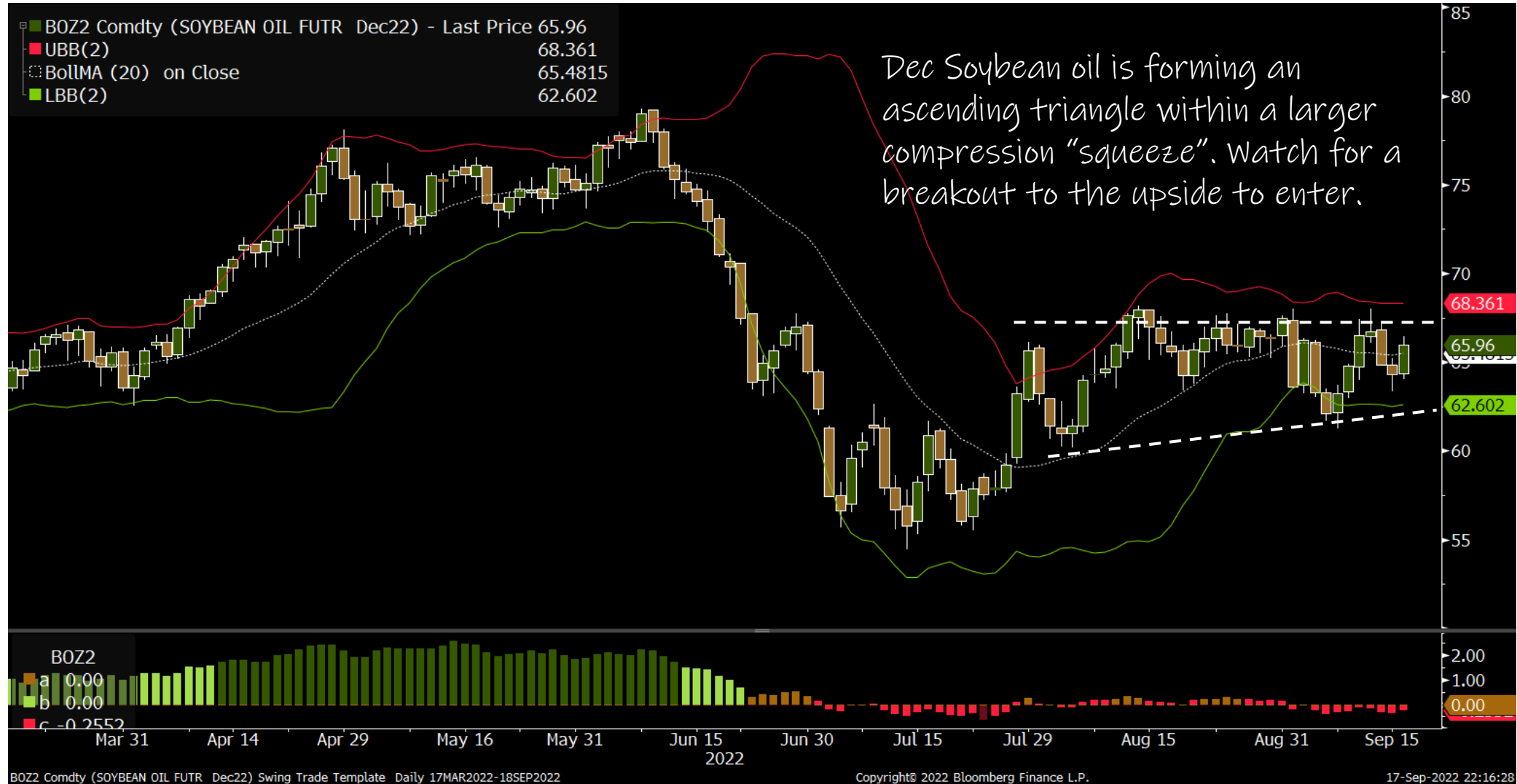
*See the signal, like the signal, follow the signal...* ~ Commodities Corp Saying

# Wheat daily

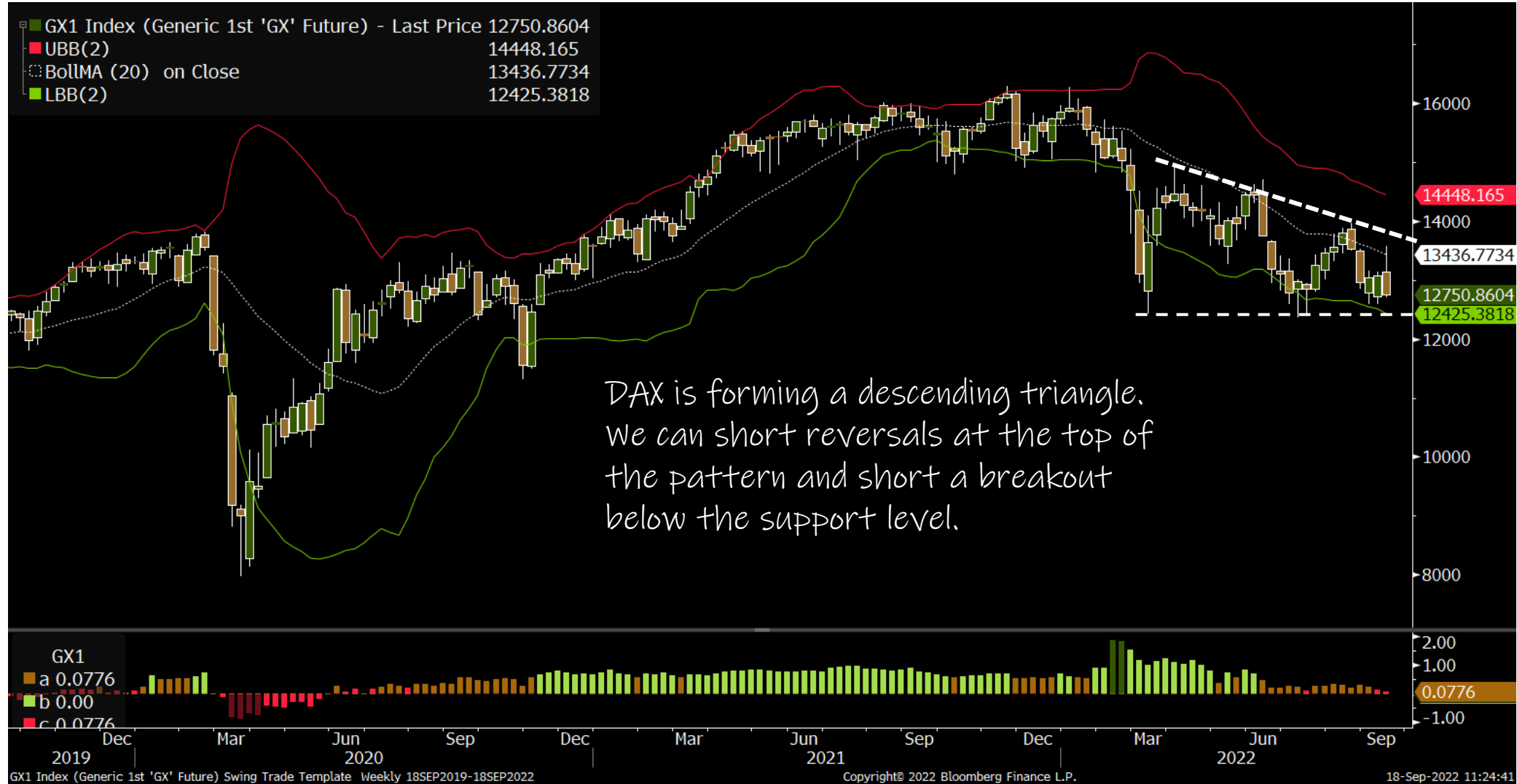




# Soybean Oil daily



# DAX weekly

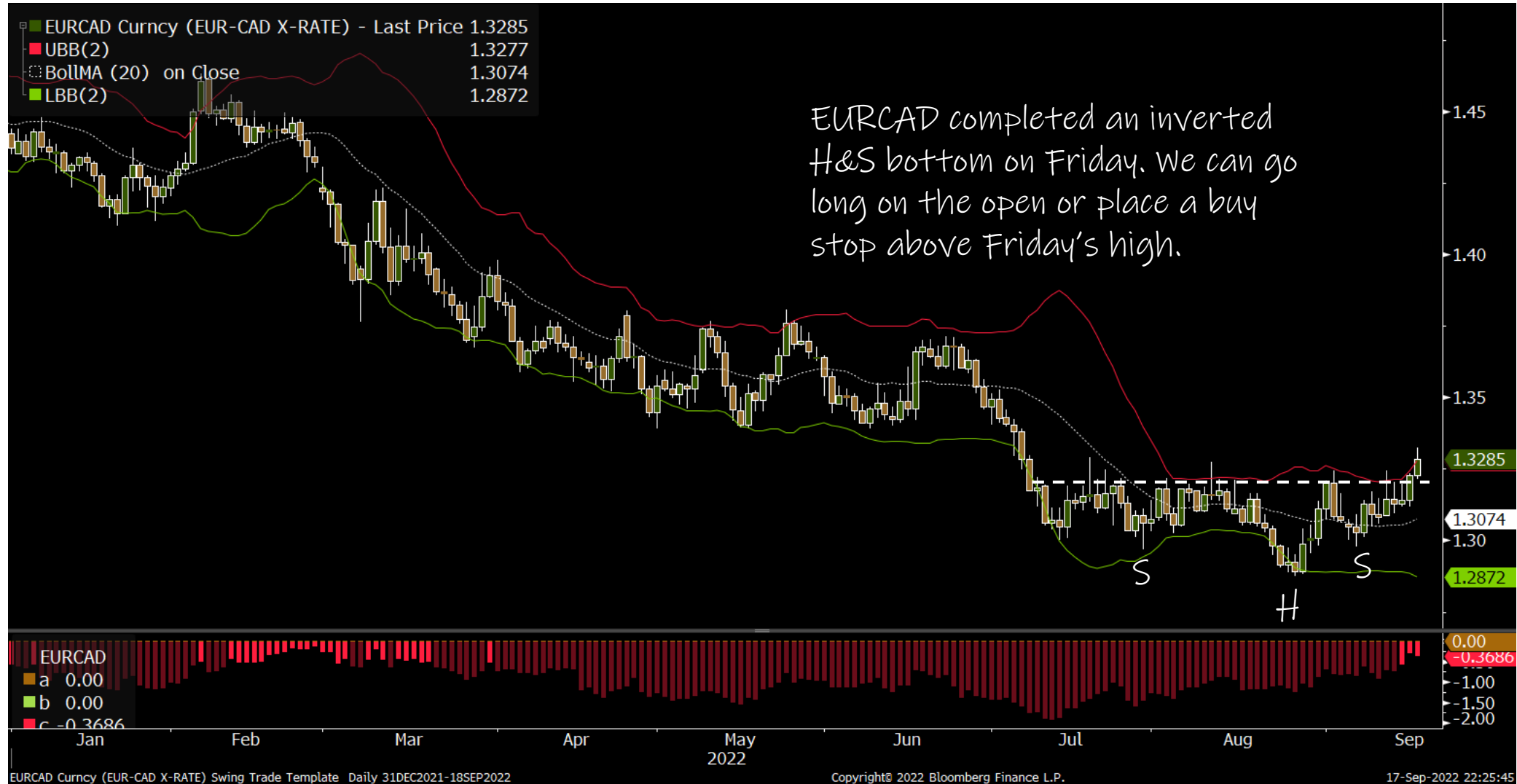




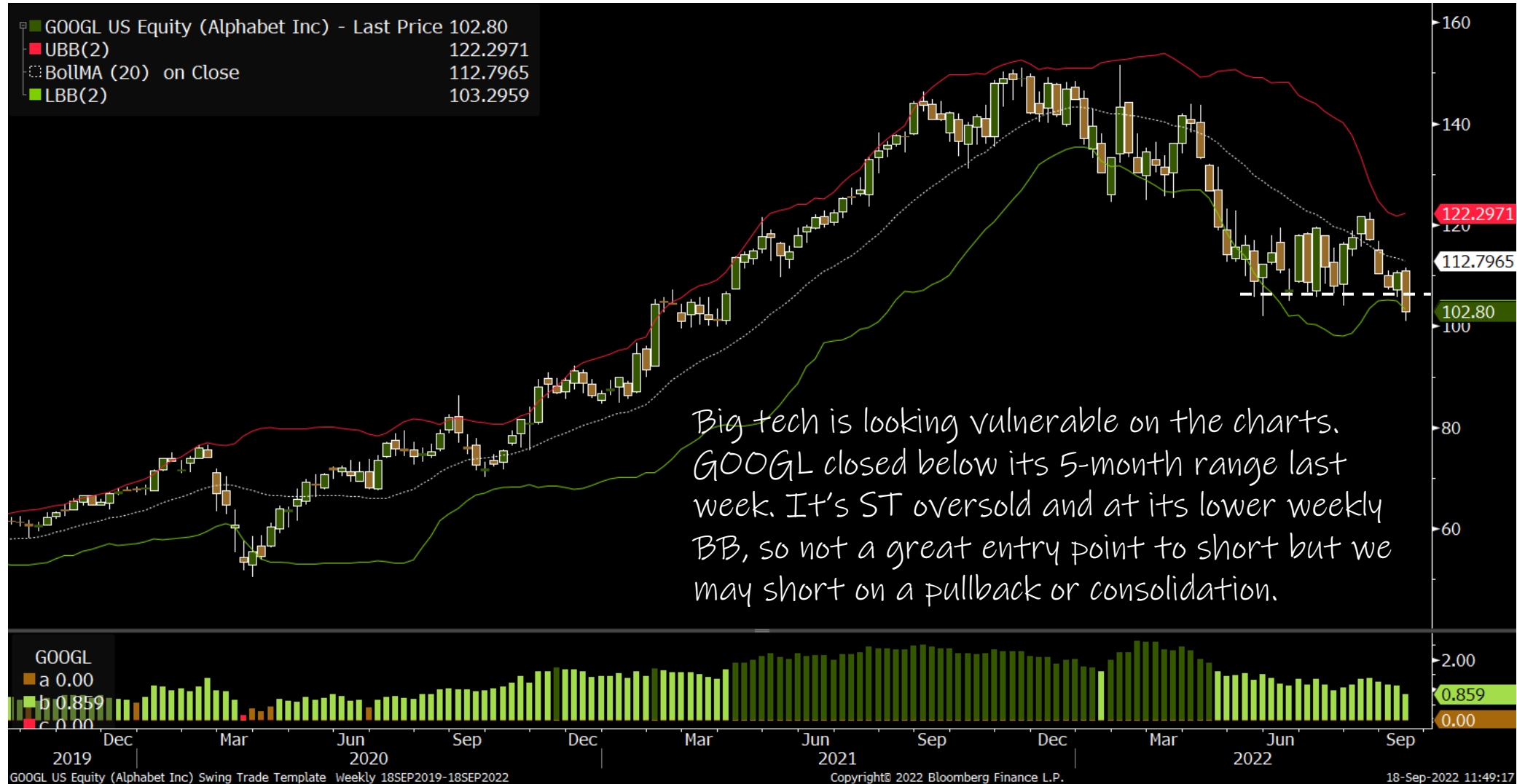
# USDJPY daily



# EURCAD daily



# GOOGL weekly



# MSFT weekly





# CRCT daily



# FOM weekly



# Nikkei USD Index monthly



## The Macro Ops Portfolio

PDF: <https://tinyurl.com/mo-portfolio>

2022 YTD Return **14.58%**  
 Total Notional Exposure **112.62%**  
 Equity Exposure **36.58%**  
 Futures Exposure **76.04%**  
 Current Cash Value (%) **57.32%**  
 Total Capital At-Risk (%) **40.32%**  
 Total Drawdown Risk (%) **28.44%**

2021 Final Return **6.39%**  
 2020 Final Return **66.40%**

### Futures, Bonds & FX

	Ticker	Contracts	Capital	Notional	Actual Risk	DD Risk	Cost Basis	Current Price	Current Stop-Loss	Initial Stop-Loss	Current P&L	R-Multiple (Curr.)	Total Notional	Total Risk	Total Drawdown Risk
US Dollar / Chinese Yuan (Second Leg)	USDCNH	92,131	\$646,206	37.59%	-0.62%	0.42%	\$6.82	\$7.01	\$6.94	\$6.77	2.83%	4.02	76.04%	-0.57%	2.30%
Micro E-Mini Nasdaq 100	MNQZ2022	-12	-\$283,872	-16.51%	0.43%	0.63%	\$11,965.00	\$11,828.00	\$12,276.00	\$12,276.00	-1.15%	0.44			
Wheat Futures	ZWZ2022	5	\$215,000	12.51%	0.65%	0.78%	\$8.51	\$8.60	\$8.06	\$8.06	1.10%	0.21			
US Dollar / Chinese Yuan	USDCNH	104,025	\$729,632	42.45%	-1.03%	0.47%	\$6.77	\$7.01	\$6.94	\$6.68	3.67%	2.98			

### Equities Strategic

	Ticker	Shares	Capital	Notional	Actual Risk	DD Risk	Cost Basis	Current Price	Current Stop-Loss	Initial Stop-Loss	Current P&L	R-Multiple (Curr.)	Total Notional	Total Risk	Total Drawdown Risk
Desert Control	DSRT	10,026	\$24,063.57	1.40%	1.83%	1.40%	\$3.13	\$2.40	\$0.00	\$0.00	-23.32%	-0.23	8.25%	8.04%	5.15%
Nerdy, Inc.	NRDY	7,148	\$17,585.10	1.02%	1.04%	1.02%	\$2.49	\$2.46	\$0.00	\$0.00	-1.20%	-0.01			
Clearpoint Neuro	CLPT	4,443	\$51,276.99	2.98%	0.12%	-0.12%	\$12.46	\$11.54	\$12.00	\$9.40	-7.38%	-0.30			
Block, Inc.	SQ	753	\$48,868.04	2.84%	5.06%	2.84%	\$115.48	\$64.89	\$0.00	\$0.00	-43.81%	-0.44			

### Thematic

	Ticker	Shares	Capital	Notional	Actual Risk	DD Risk	Cost Basis	Current Price	Current Stop-Loss	Initial Stop-Loss	Current P&L	R-Multiple (Curr.)	Total Notional	Total Risk	Total Drawdown Risk
Intrepid Potash	IPI	845	\$34,215.32	1.99%	0.59%	0.00%	\$52.45	\$40.49	\$40.49	\$42.00	-22.80%	-1.14	25.41%	18.92%	17.31%
Paladin Energy	PDN	68,959	\$45,512.82	2.65%	2.53%	2.65%	\$0.63	\$0.66	\$0.00	\$0.00	4.76%	0.05			
Sprott Uranium	U.UN	3,779	\$46,118.16	2.68%	2.59%	2.68%	\$11.76	\$12.20	\$0.00	\$0.00	3.78%	0.04			
Peabody Energy	BTU	3,632	\$74,823.63	4.35%	1.01%	0.51%	\$22.99	\$20.60	\$18.20	\$18.20	-10.40%	-0.50			
Sprott Uranium	U.UN	3,779	\$46,118.16	2.68%	2.59%	2.68%	\$11.76	\$12.20	\$0.00	\$0.00	3.78%	0.04			
Centrus Energy	LEU	985	\$45,192.69	2.63%	2.59%	2.63%	\$45.13	\$45.88	\$0.00	\$0.00	1.66%	0.02			
Pantheon Resources	PANR	32,282	\$40,320.01	2.35%	3.12%	2.35%	\$1.66	\$1.25	\$0.00	\$0.00	-24.76%	-0.25			
Vista Energy	VIST	5,457	\$53,474.23	3.11%	3.10%	3.11%	\$9.78	\$9.80	\$0.00	\$0.00	0.20%	0.00			
Tidewater, Inc.	TDW	2,161	\$50,921.74	2.96%	0.82%	0.70%	\$24.50	\$23.56	\$18.00	\$19.20	-3.84%	-0.18			

### Tactical

	Ticker	Shares	Capital	Notional	Actual Risk	DD Risk	Cost Basis	Current Price	Current Stop-Loss	Initial Stop-Loss	Current P&L	R-Multiple (Curr.)	Total Notional	Total Risk	Total Drawdown Risk
Desktop Metal	DM	15,762	\$50,281.23	2.93%	0.49%	0.27%	\$3.43	\$3.19	2.9	2.9	-7.00%	-0.45	2.94%	4.80%	1.49%

### Options

	Ticker	Contracts	Capital	Notional	Actual Risk	DD Risk	Cost Basis	Current (Mid) Price	Current Stop-Loss	Initial Stop-Loss	Current P&L	R-Multiple (Curr.)	Total Notional	Total Risk	Total Drawdown Risk
MU Jan 2023 \$125 CALLS	MU	82	\$328.00	0.02%	2.26%	0.02%	\$473.00	\$4.00	\$0.00	\$0.00	-99.15%	-0.99	2.19%	9.13%	2.19%
TLA DEC 2022 \$350 PUTS	TLA	9	\$4,228.37	0.25%	1.09%	0.25%	\$2,110.00	\$476.00	\$0.00	\$0.00	-77.44%	-0.77			
AG JAN 2024 \$20 CALLS	AG	237	\$16,565.48	0.96%	0.96%	0.96%	\$70.00	\$70.00	\$0.00	\$0.00	0.00%	0.00			
MO JAN 2023 \$70 CALLS	MO	299	\$1,495.00	0.09%	1.60%	0.09%	\$92.00	\$5.00	\$0.00	\$0.00	-94.57%	-0.95			
HAL JAN 2024 \$60 CALLS	HAL	67	\$9,311.03	0.54%	0.52%	0.54%	\$132.00	\$138.00	\$0.00	\$0.00	4.55%	0.05			
BHP Jan 2023 \$115 CALLS	BHP	55	\$1,375.00	0.08%	1.22%	0.08%	\$380.00	\$25.00	\$0.00	\$0.00	-93.42%	-0.93			
CCJ Oct 2022 \$19 PUTS	CCJ	132	\$4,356.00	0.25%	0.25%	0.25%	\$33.00	\$33.00	\$0.00	\$0.00	0.00%	0.00			
EWJ JAN 2023 \$90 CALLS	EWJ	173	\$0.00	0.00%	1.23%	0.00%	\$122.00	\$0.00	\$0.00	\$0.00	-100.00%	-1.00			

# Appendix

- Trifecta Lens & SQN Methodology & Case Study ([link here](#))
  - TL Score Theory ([link here](#))
  - TL & SQN Dashboard ([link here](#))
  - Trend Fragility Dashboard ([link here](#))
- Nervous & Numb Case Study (coming soon)
- Volatility & Failed Volatility Breakouts (VBO/FVBO) ([link here](#))
- Hierarchy of Technicals ([link here](#))
- Currency Framework ([link here](#))
- Precious Metals Framework ([link here](#))
- How to Read Market Sentiment ([link here](#))
- Equity Supply & Demand Equation ([link here](#))
- 50 Cent Conditional Tail Hedge Strategy ([link here](#))

