



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



Crash Insurance: Short-term Put Hedging Strategy

“If the market was going to bounce it will need to do so here. If it doesn’t, then that raises the odds of a larger air pocket (read: market crash) ... This is an incredibly difficult market environment to navigate ... So, we are left with what will likely be a grinding bear with increasing crash risks and the propensity to see violent swings both up and down” via *The Trifecta Report* dated 9/25/2022.

The volatile environment makes it difficult to cheaply hedge crash risk. The traditional way of putting on naked shorts becomes more complicated as volatile daily moves mean we have to place our stops wide, in order to stay in the hedge. A wider stop equates to a much smaller hedge, which obviously isn’t ideal. In addition, the high volatility means buying long dated puts or running our “[50 Cent Strategy](#)” are out of the question, as we’d burn too much in premium.

Luckily, there’s another little-known option. One that is routinely mispriced (read: cheap) and insensitive to implied volatility, yet still offers tremendous asymmetry when there are significant realized moves.



Weekly Market Prep

A terrific options trading book titled *The Second Leg Down* by Hari Krishnan, gives us some insight into how we can do this.

The strategy relies on buying out-of-the-money (sub 25 Delta) put options with four days or less days until expiration. We are intentionally choosing intra-week options since these give us exposure over time horizons where the underlying distribution has the heaviest tails. And historically, institutional managers favor hedges with a few months to maturity.

It's uncommon to see strategies that require rolling weekly options. But this strategy has the benefit of being very capital efficient. It's not unusual to make 15x or more on your costs.

This allows us to risk a very small amount (less than 20 basis points [bps]) and still be protected from a notional point of view. It's important to point out that this strategy needs to be applied with discretion (when data suggests crash risk is high). And is only useful during periods of high volatility where other approaches to hedging are too costly and inefficient.



Weekly Market Prep

We don't know whether the seasonality / sentiment-driven-reversion bear market rally will kick off soon, or if at all. But we *do* know from the data and the way the tape is acting, that crash risks are very high – not to mention the numerous potential geopolitical shocks currently brewing...

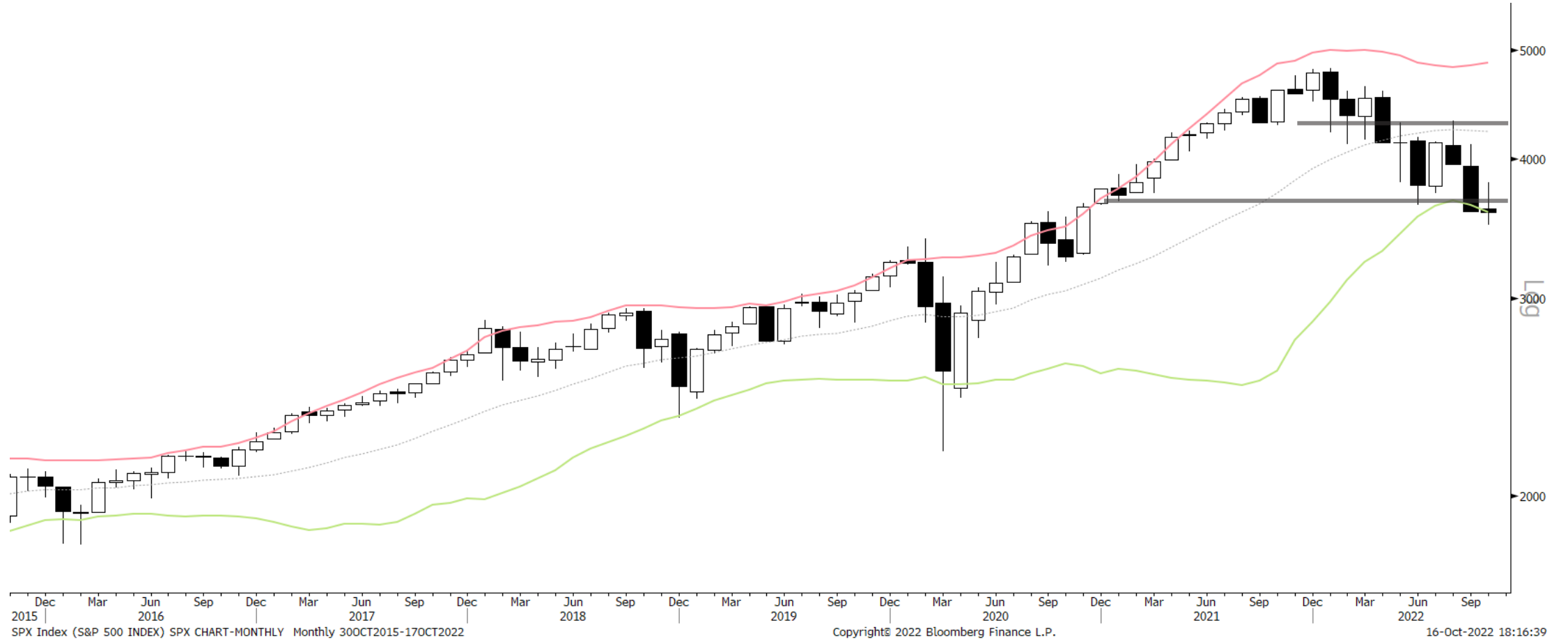
Because of this, we'll be employing this strategy starting this week. Look for a trade alert with the details tomorrow. And we'll be rolling these options weekly, as long as the data says it makes sense to do so. We'll be buying Out-of-the-Money Puts (≤ 25 Delta) with ≤ 4 days to expiration, and we'll be risking no more than 15 bps per hedge.

Our book is already strongly hedged with our high cash position, our Nasdaq and DAX shorts, and our USDCNH longs (USDCNH should continue to run as risk-off dominates). But in a crash scenario, cross-correlations go to 1. Running this short-term strategy will help ensure our book makes money in such a scenario.

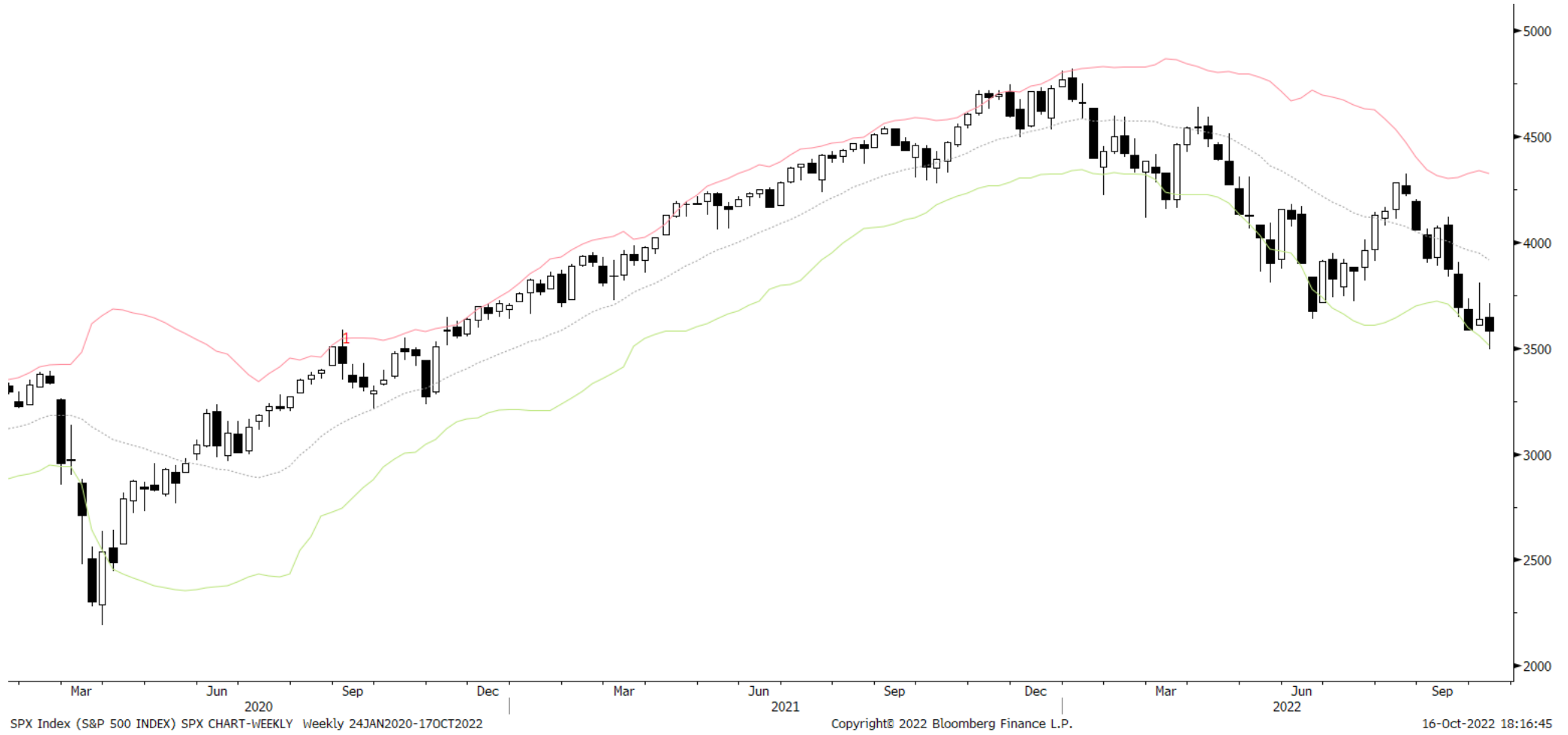
Your Macro Operator,

Alex

S&P 500 Monthly



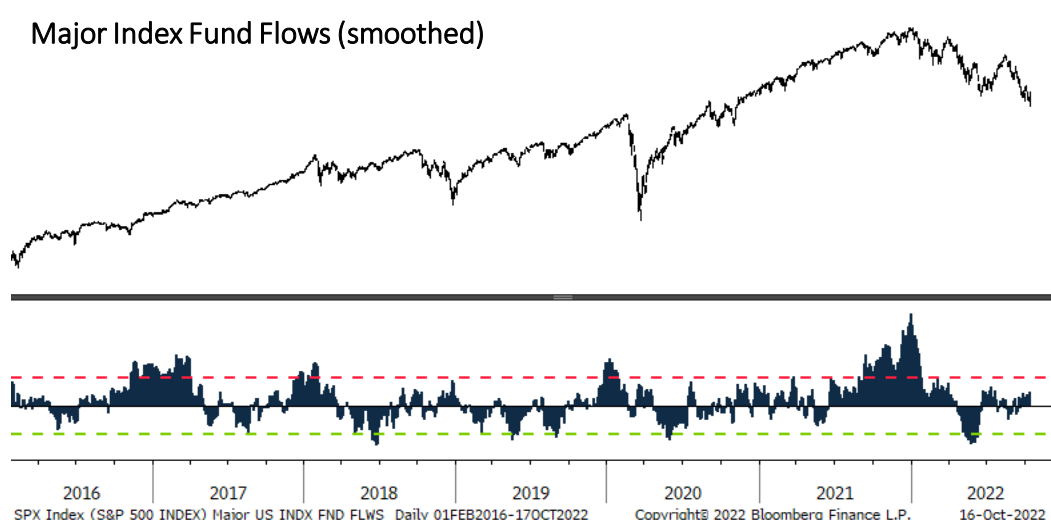
S&P 500 Weekly



S&P 500 Daily



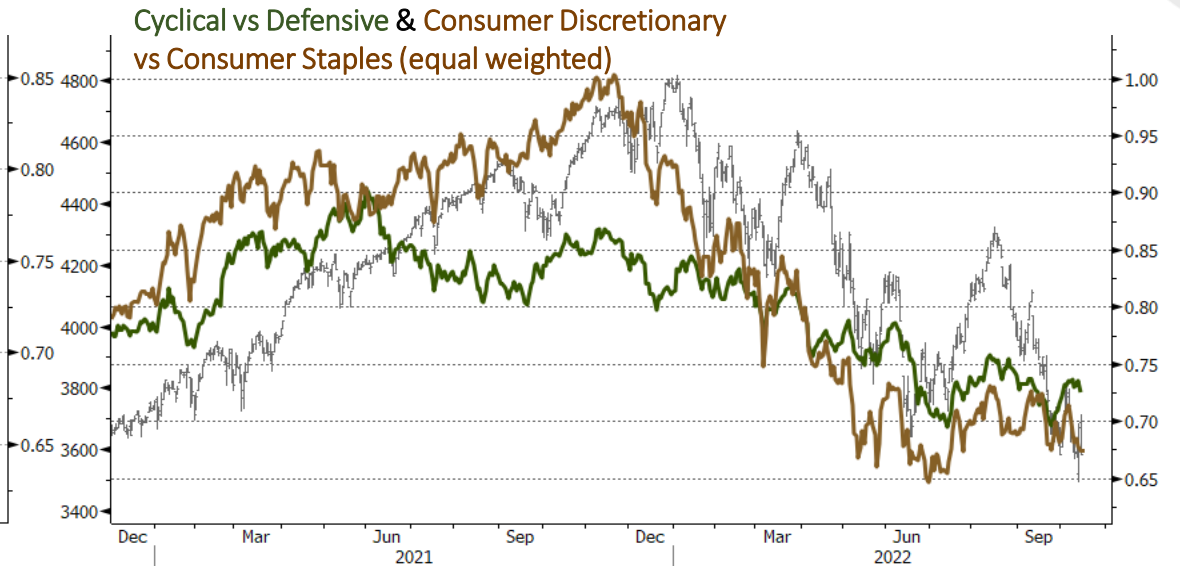
Sentiment & Positioning



Market Internals



SPX Index (S&P 500 INDEX) Semis vs SPX Daily 01DEC2020-10OCT2022 Copyright© 2022 Bloomberg Finance L.P. 16-Oct-2022 18:17:40



SPX Index (S&P 500 INDEX) Cyclical v Defense XLI Daily 01DEC2020-17OCT2022 Copyright© 2022 Bloomberg Finance L.P. 16-Oct-2022 18:17:49

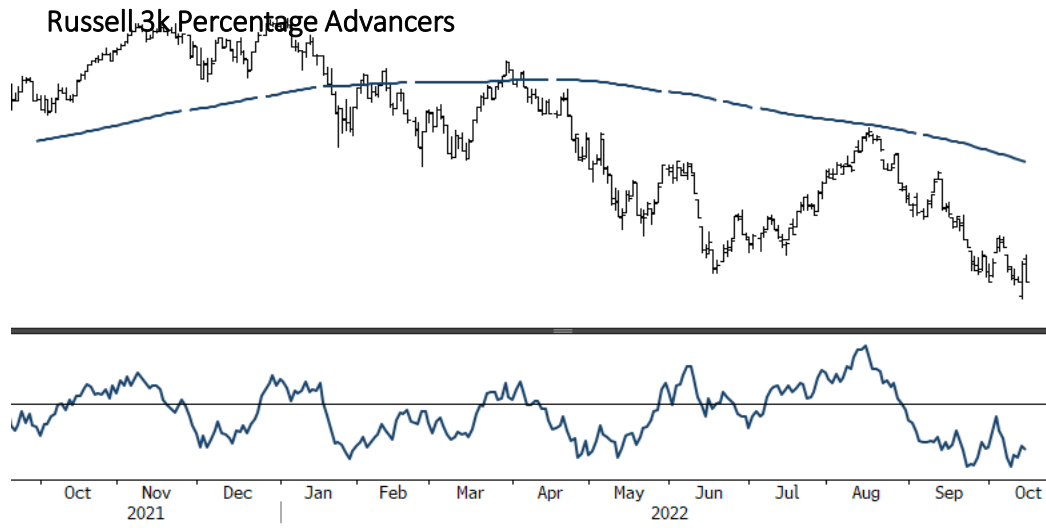


SPX Index (S&P 500 INDEX) LQD/IEF Daily 01DEC2020-17OCT2022 Copyright© 2022 Bloomberg Finance L.P. 16-Oct-2022 18:17:57

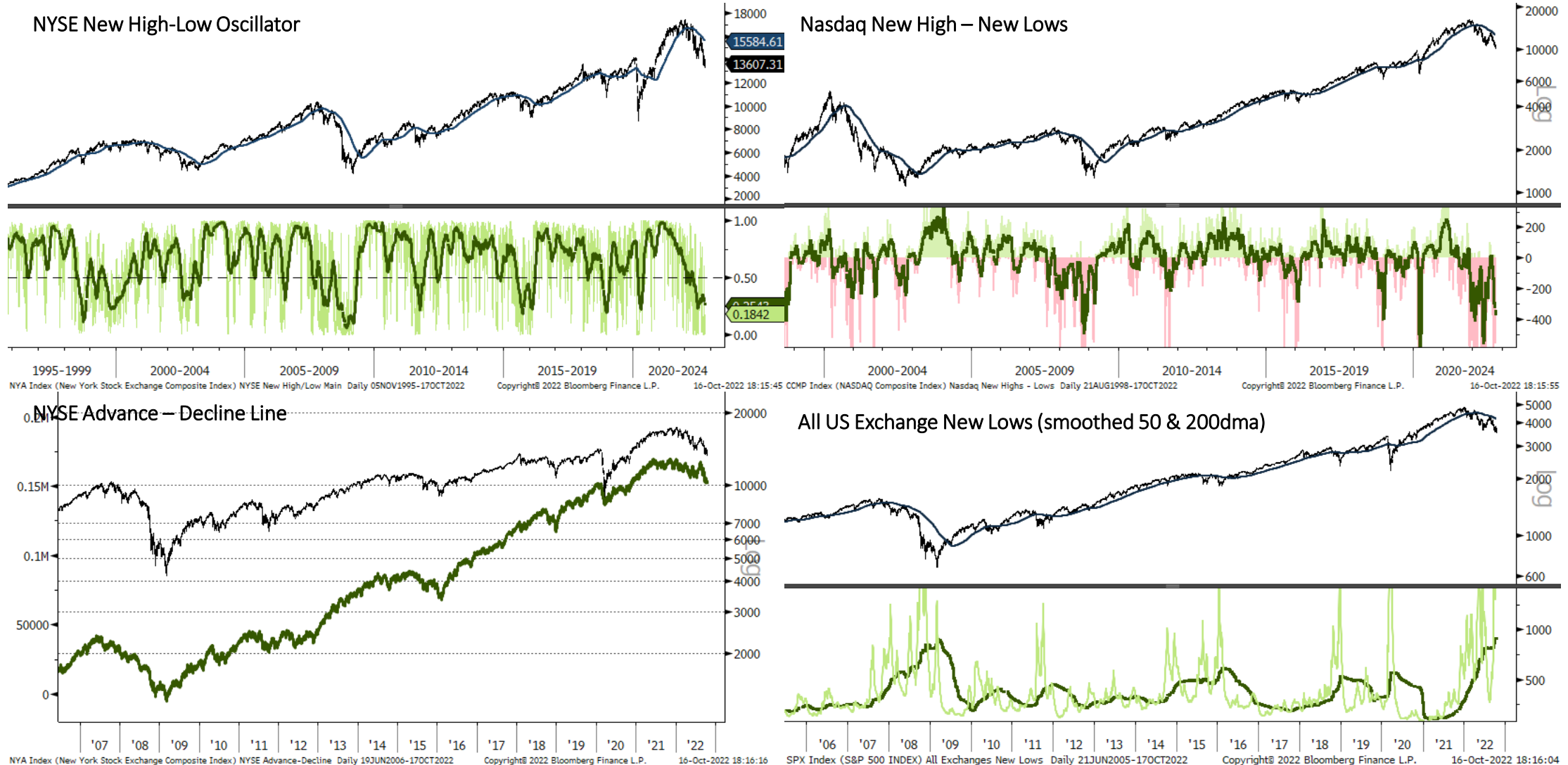


UX3 Index (Generic 3rd 'UX' Future) VIX Curve 3m/1m Daily 17SEP2021-17OCT2022 Copyright© 2022 Bloomberg Finance L.P. 16-Oct-2022 18:18:08

Short-term Breadth



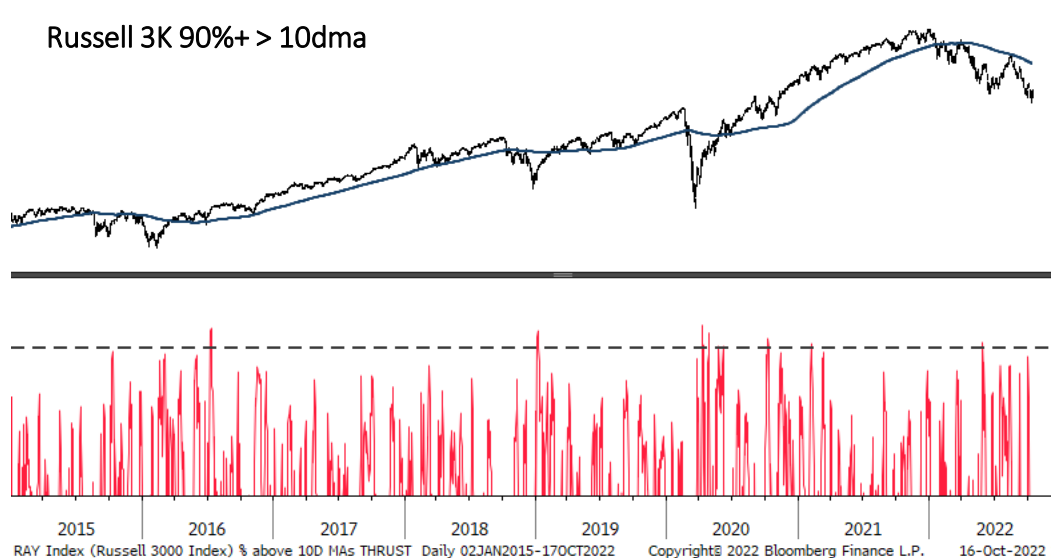
Long-term Breadth



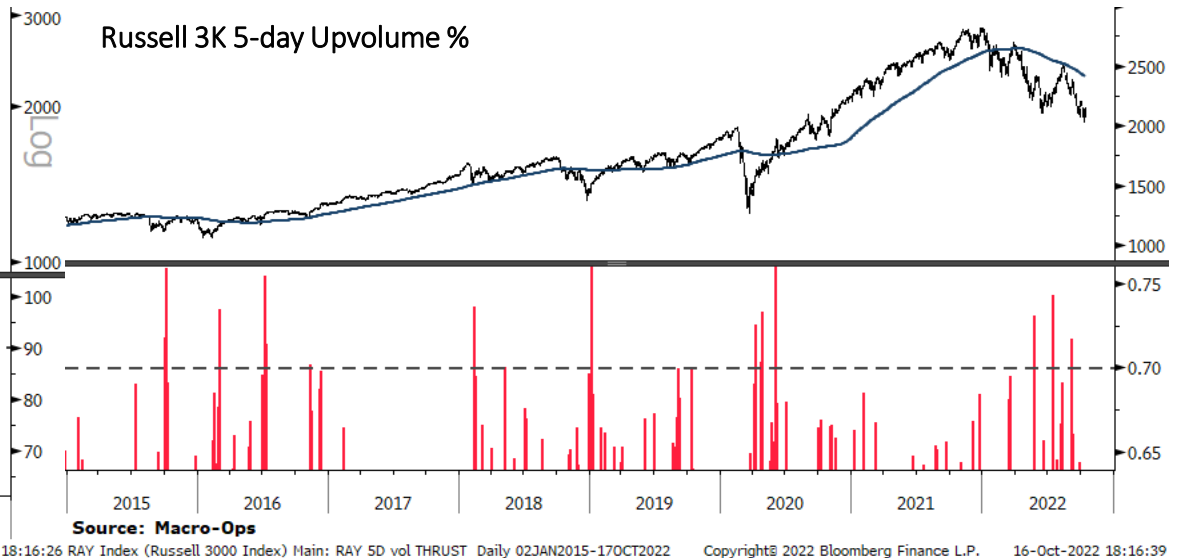
Breadth Thrust



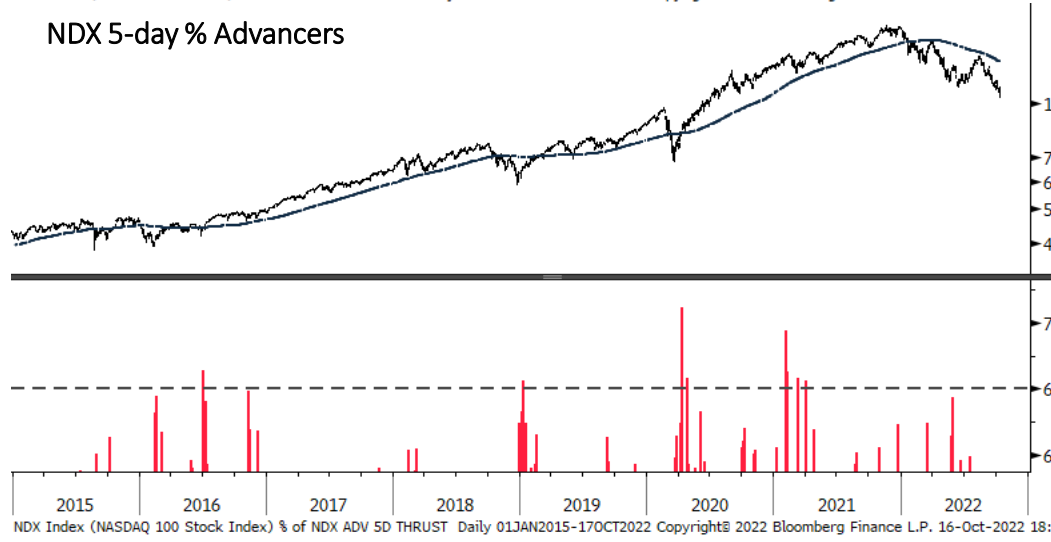
Russell 3K 90%+ > 10dma



Russell 3K 5-day Upvolume %



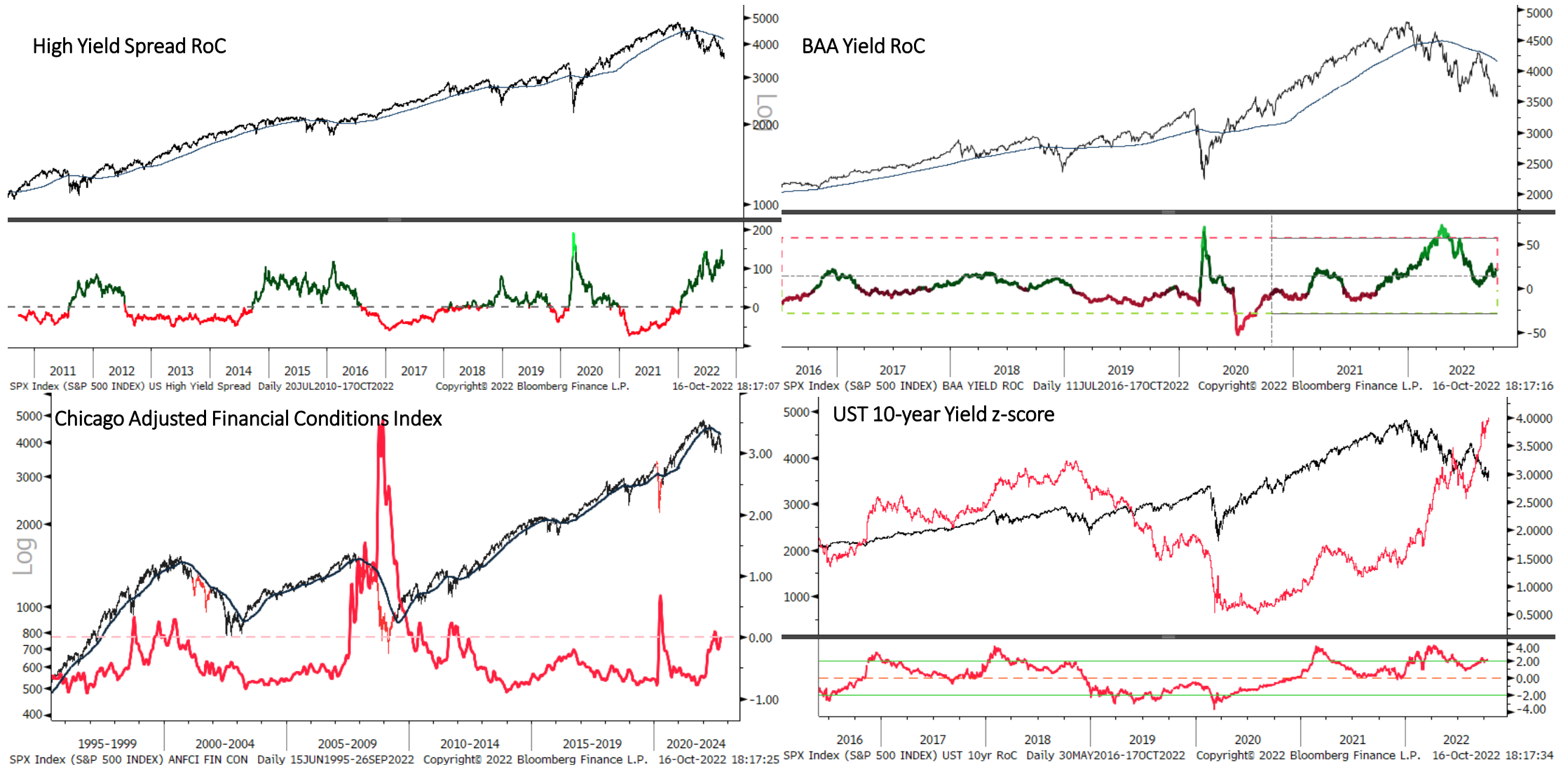
NDX 5-day % Advancers



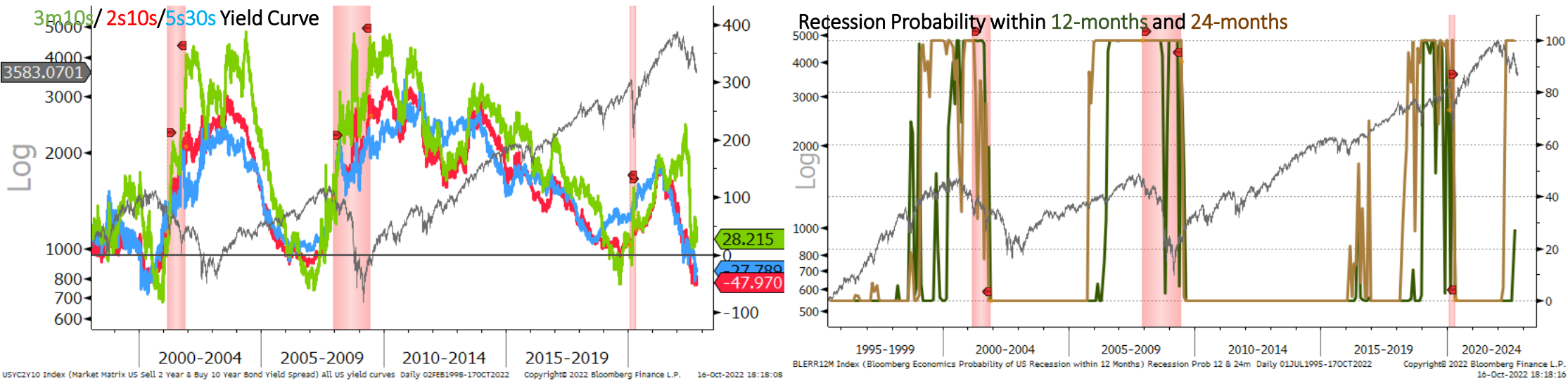
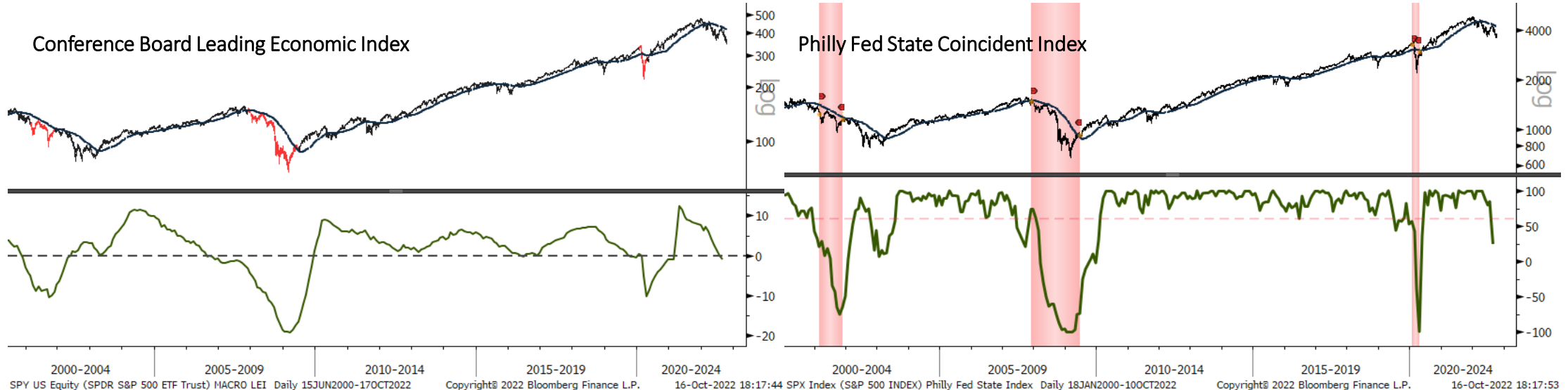
Russell 3K MACD Buy Signals Last 10-days



Liquidity



US Recession



Bonds: 10-year Futures Monthly



Bonds: 10-year Futures Weekly



Bonds: 10-year Futures Daily



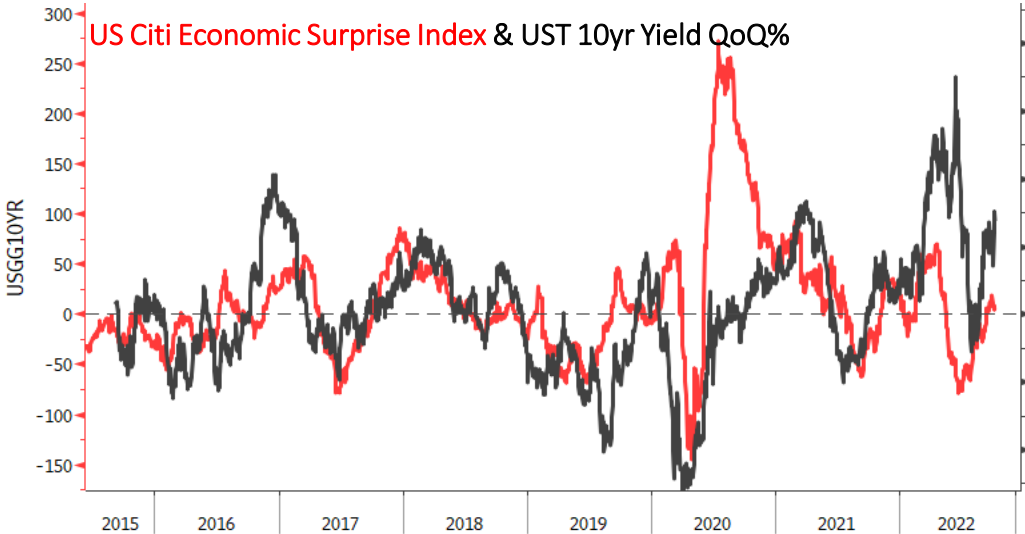
TY1 Comdty (Generic 1st 'TY' Future) Bonds 10yr - DAILY Daily 31DEC2021-17OCT2022

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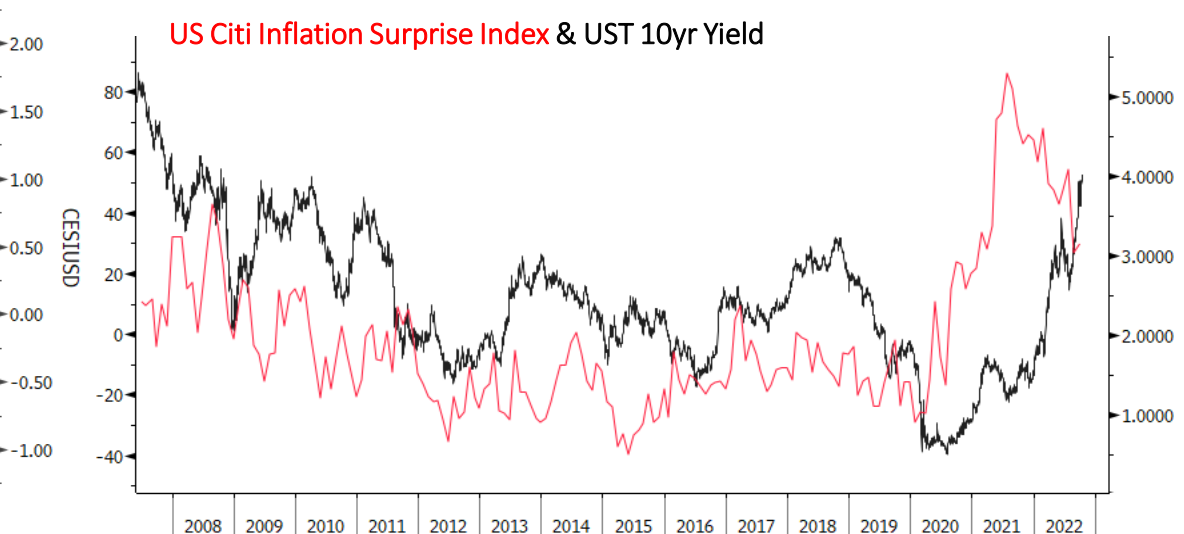
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Bond/Yield Indicators

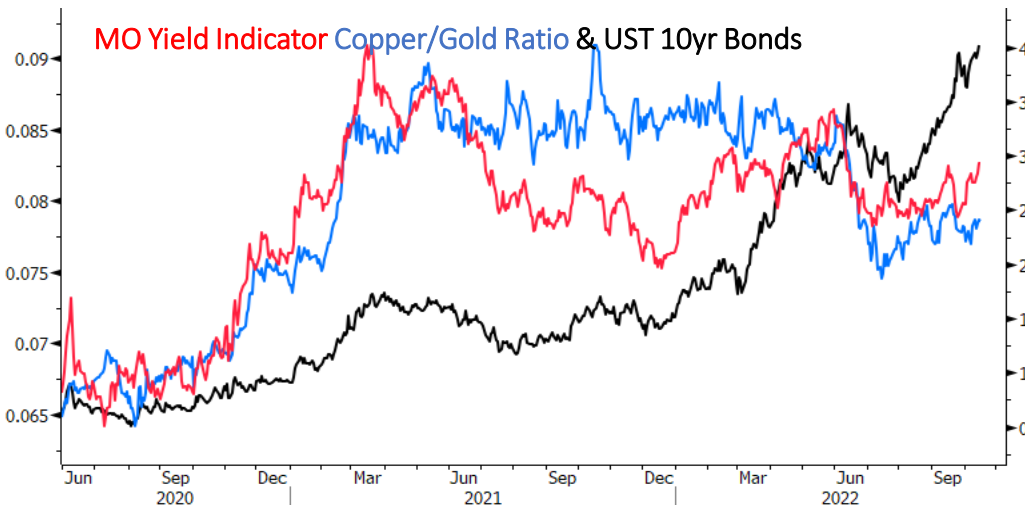


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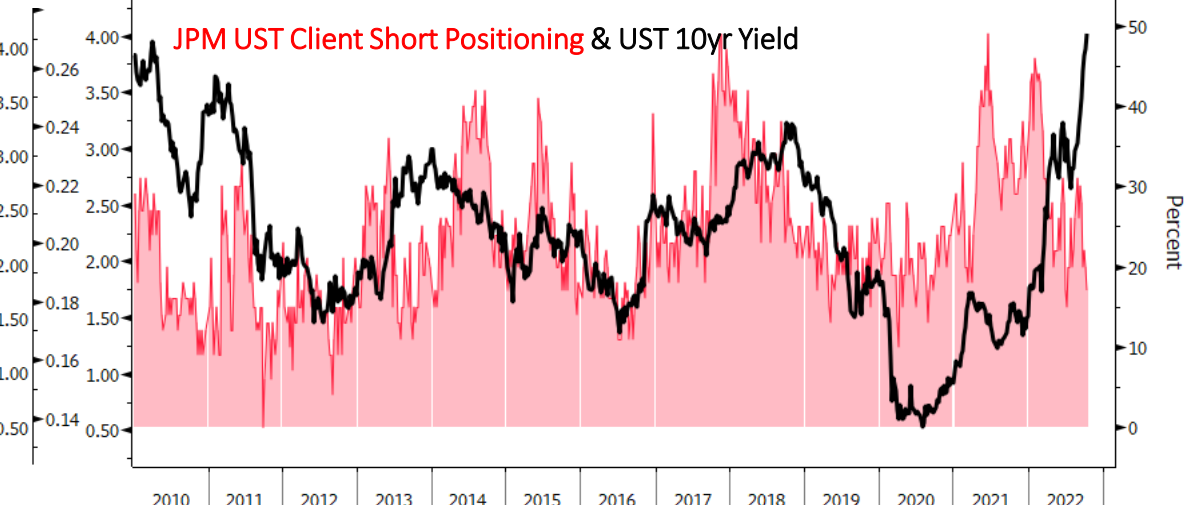


16-Oct-2022 18:18:58 USGG10YR Index (US Generic Govt 10 Yr) US CESI Inf 10yr yield Daily 02JUN2007-17OCT2022

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GSTHUSTY Index (Interest Rate Sensitive) rate sensitive vs yield Daily 29MAY2020-17OCT2022 Copyright© 2022 Bloomberg Finance L.P. 16-Oct-2022 18:15:59



TINSALLO Index (U.S. JP Morgan Treasury Investor Sentiment All Client Short) JPM Short Bond srvy Weekly 01JAN2010-17OCT2022 Copyright© 2022 Bloomberg Finance L.P. 16-Oct-2022 18:15:39

Gold Monthly



Gold Weekly



Gold Daily



GC1 Comdty (Generic 1st 'GC' Future) GOLD - DAILY Daily 02DEC2021-17OCT2022

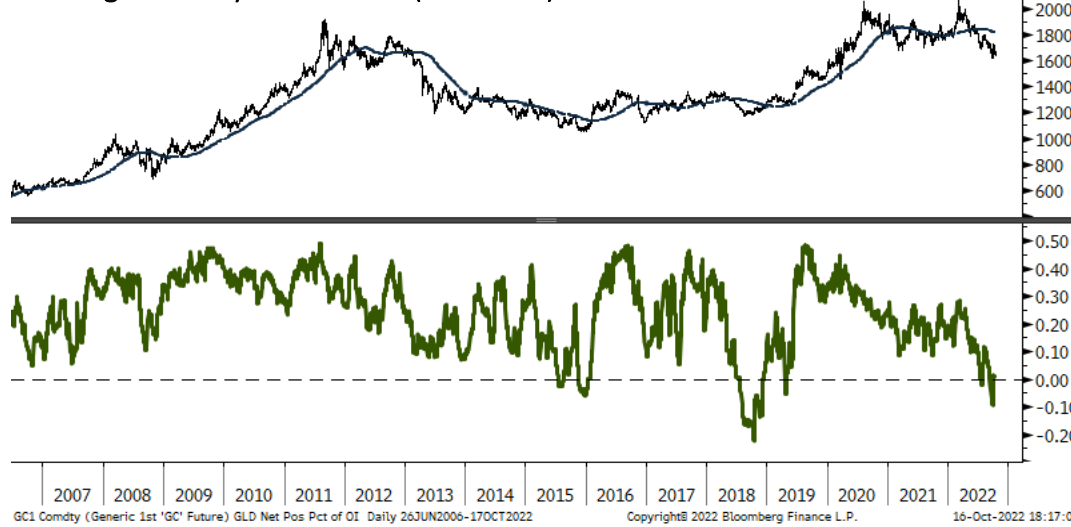
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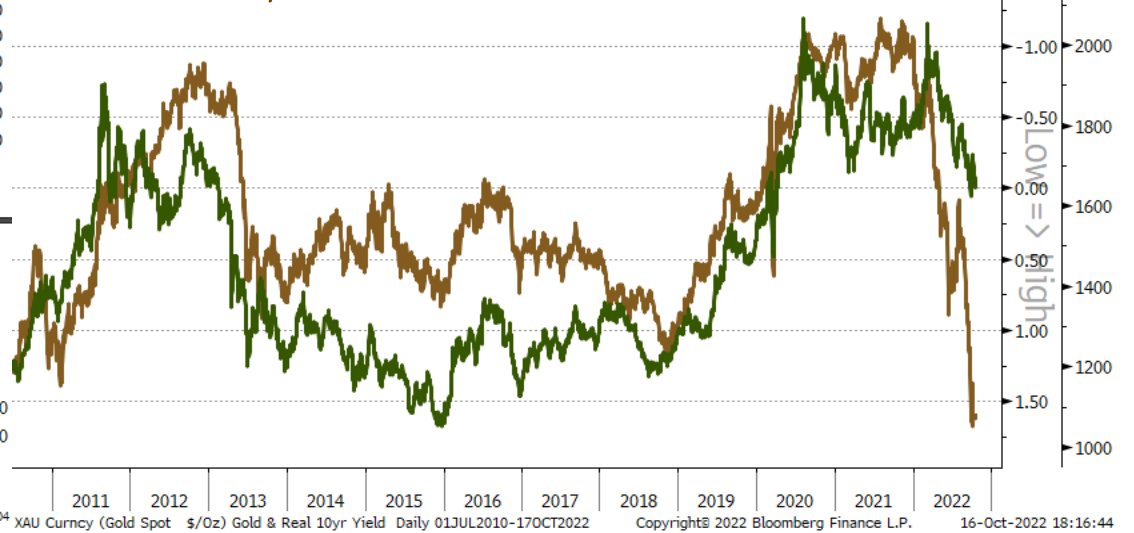


Gold Indicators

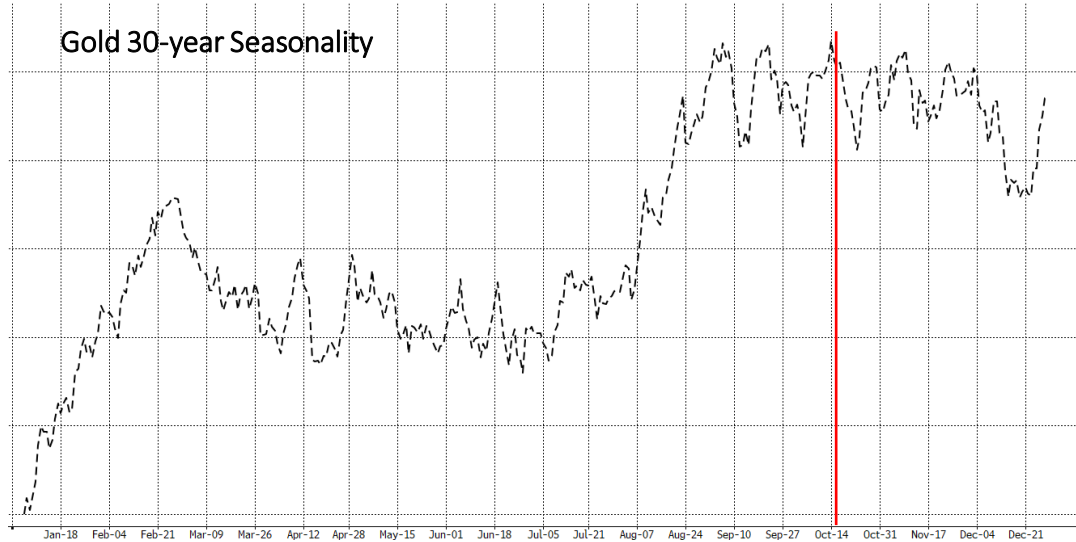
Managed Money Net Position (as % of OI)



Gold & Real 10yr Yield



Gold 30-year Seasonality



Gold Miners % > 200-day moving average



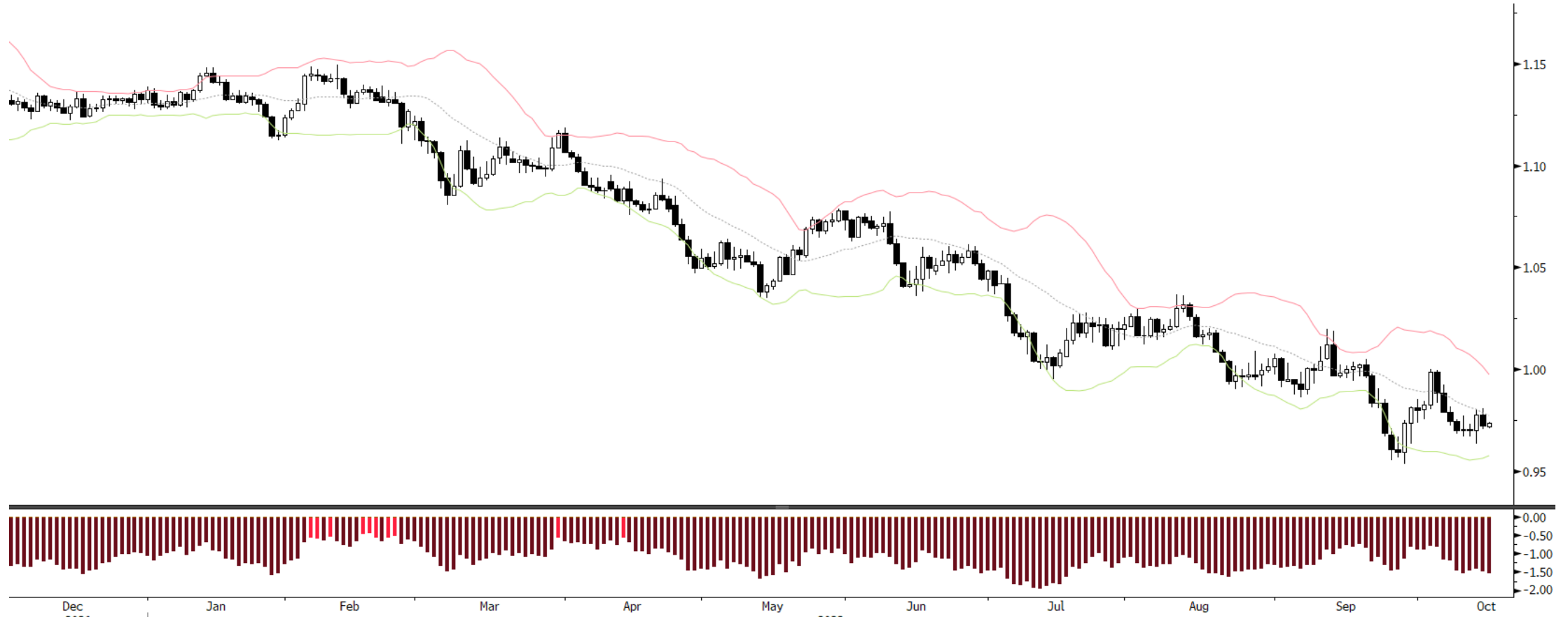
EURUSD Monthly



EURUSD Weekly



EURUSD Daily



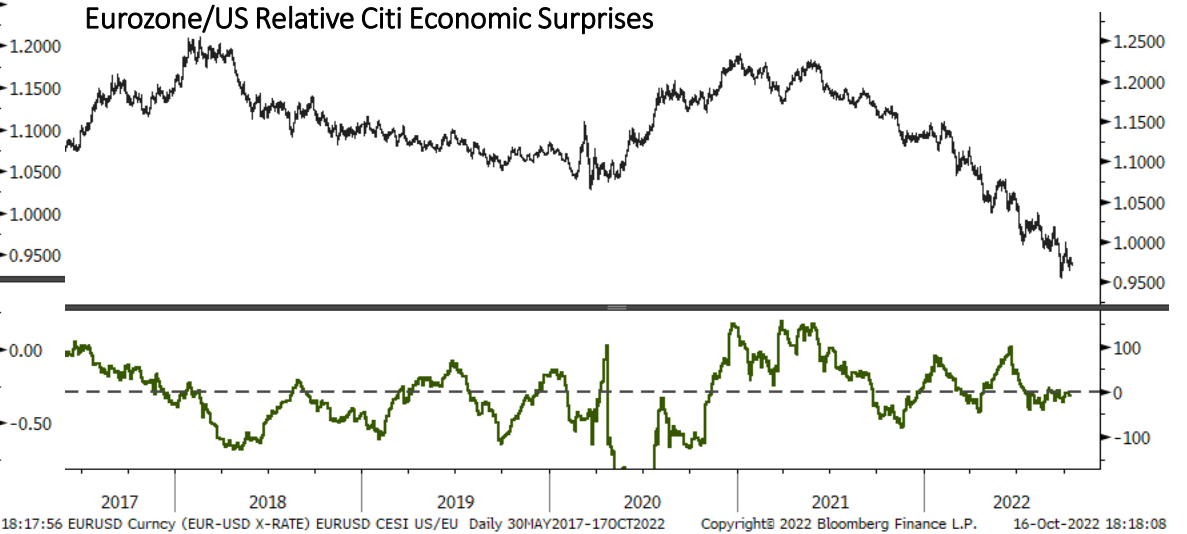
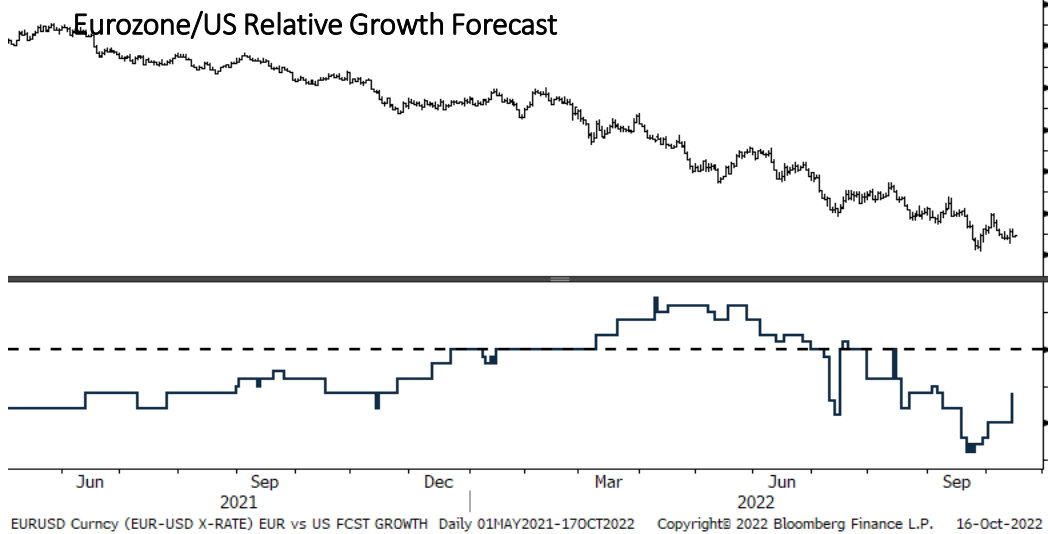
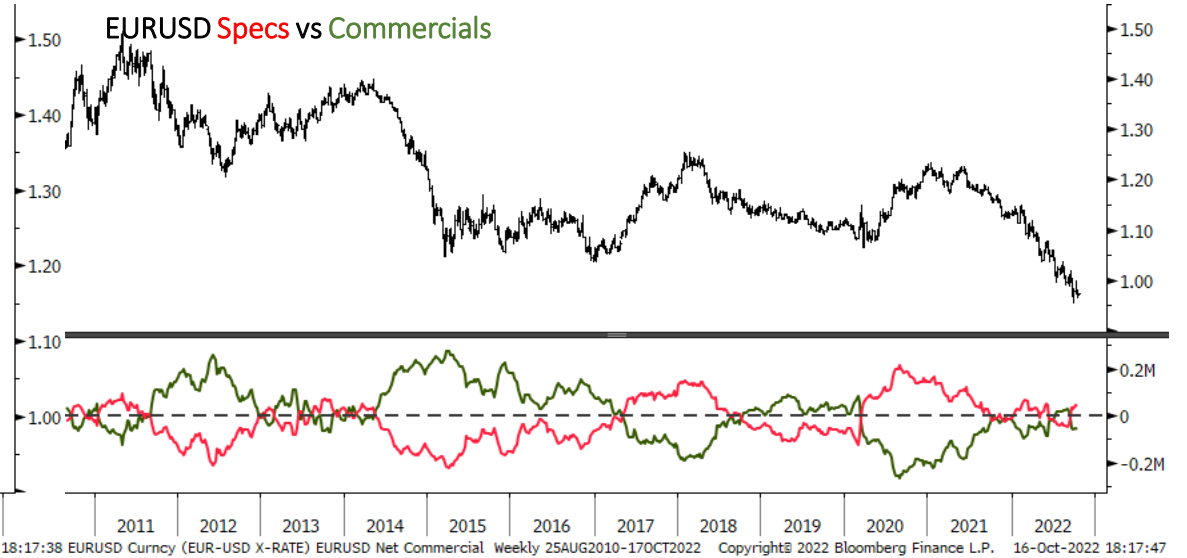
EURUSD Currency (EUR-USD X-RATE) EURUSD - DAILY Daily 02DEC2021-17OCT2022

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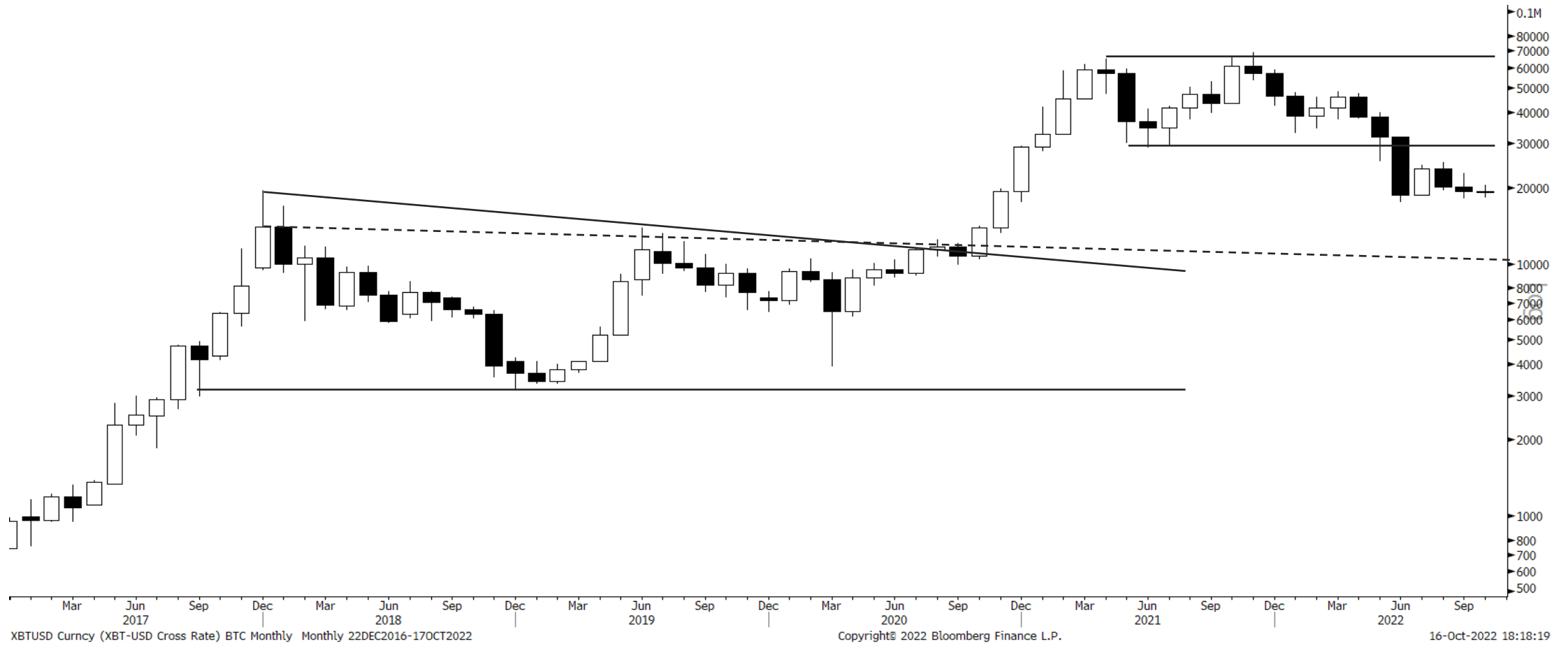
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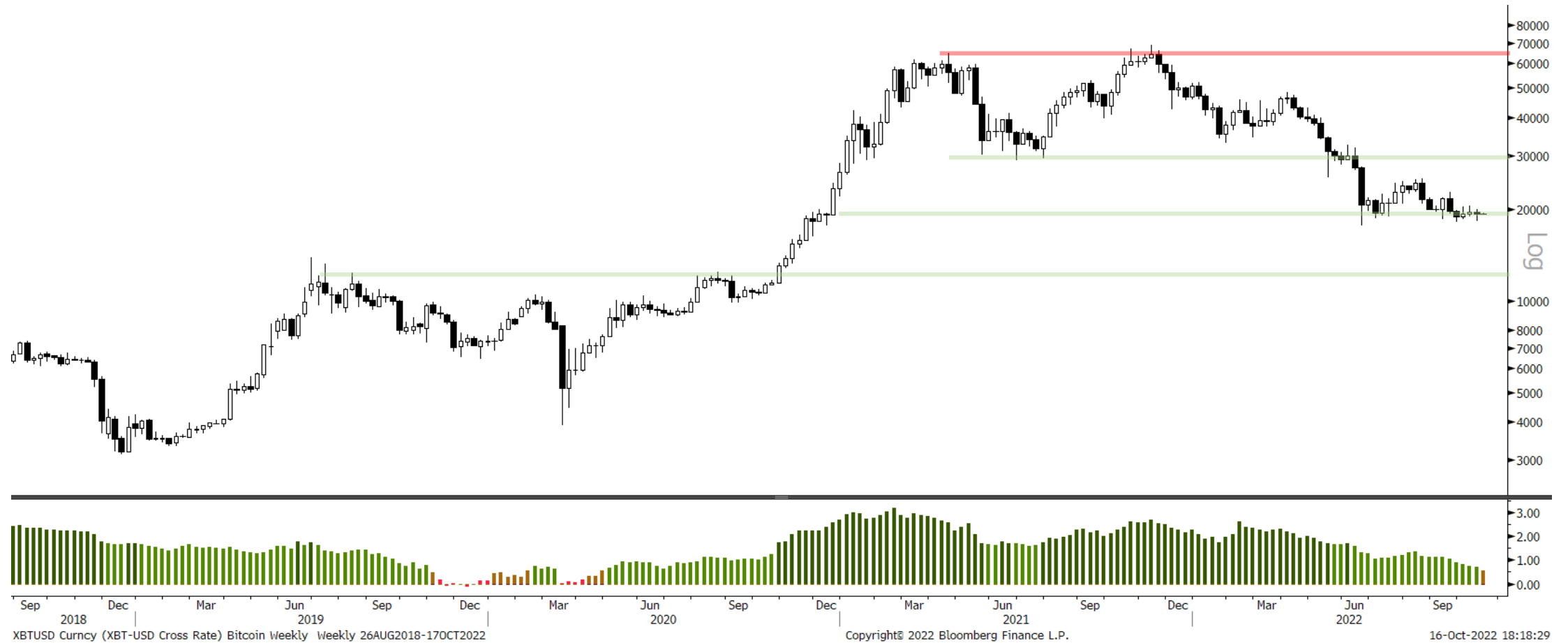
EURUSD Indicators



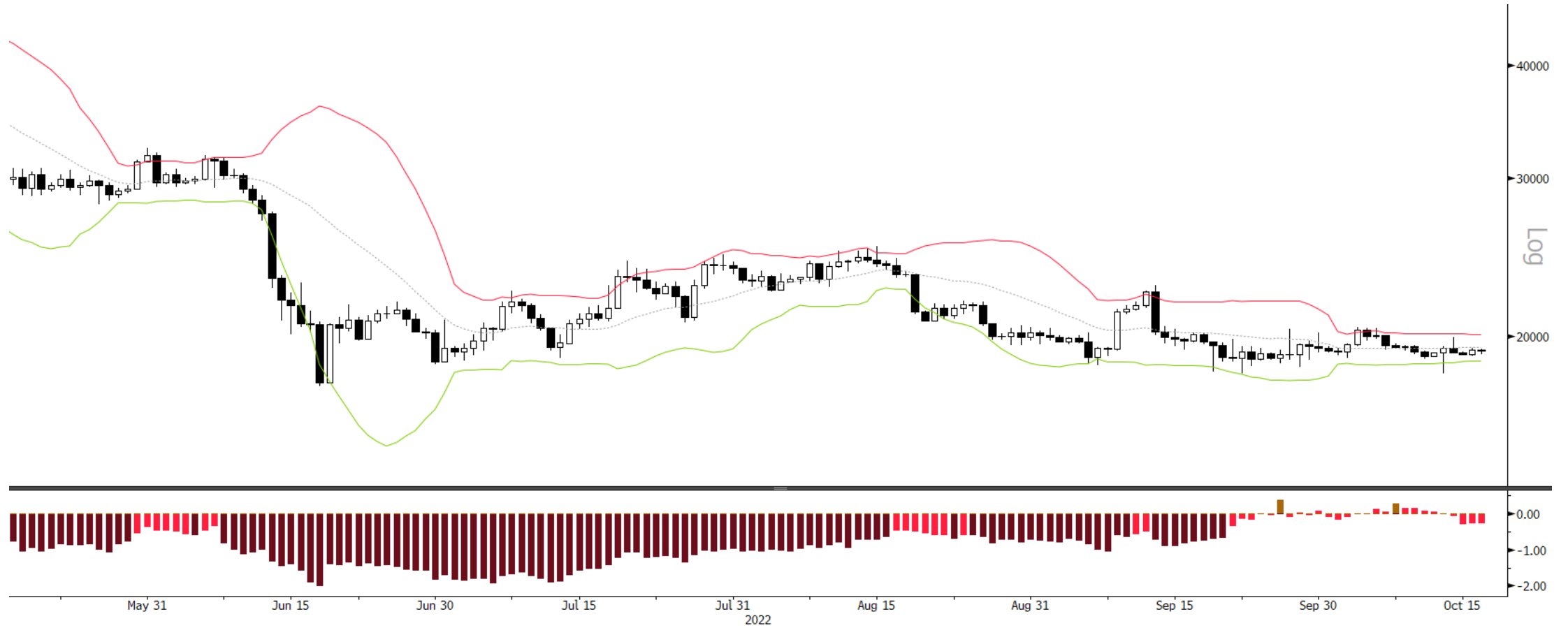
Bitcoin Monthly



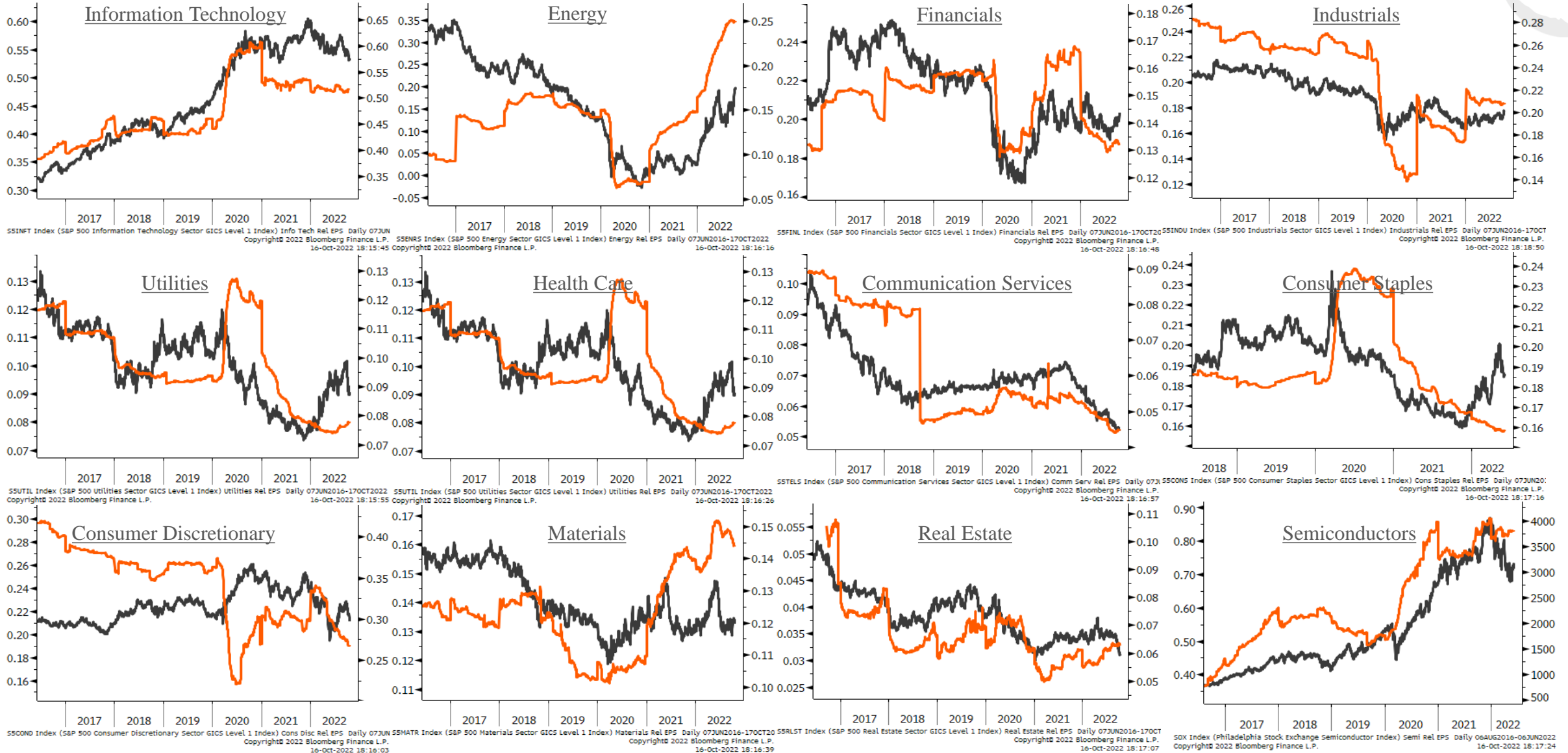
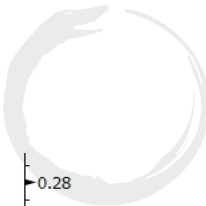
Bitcoin Weekly



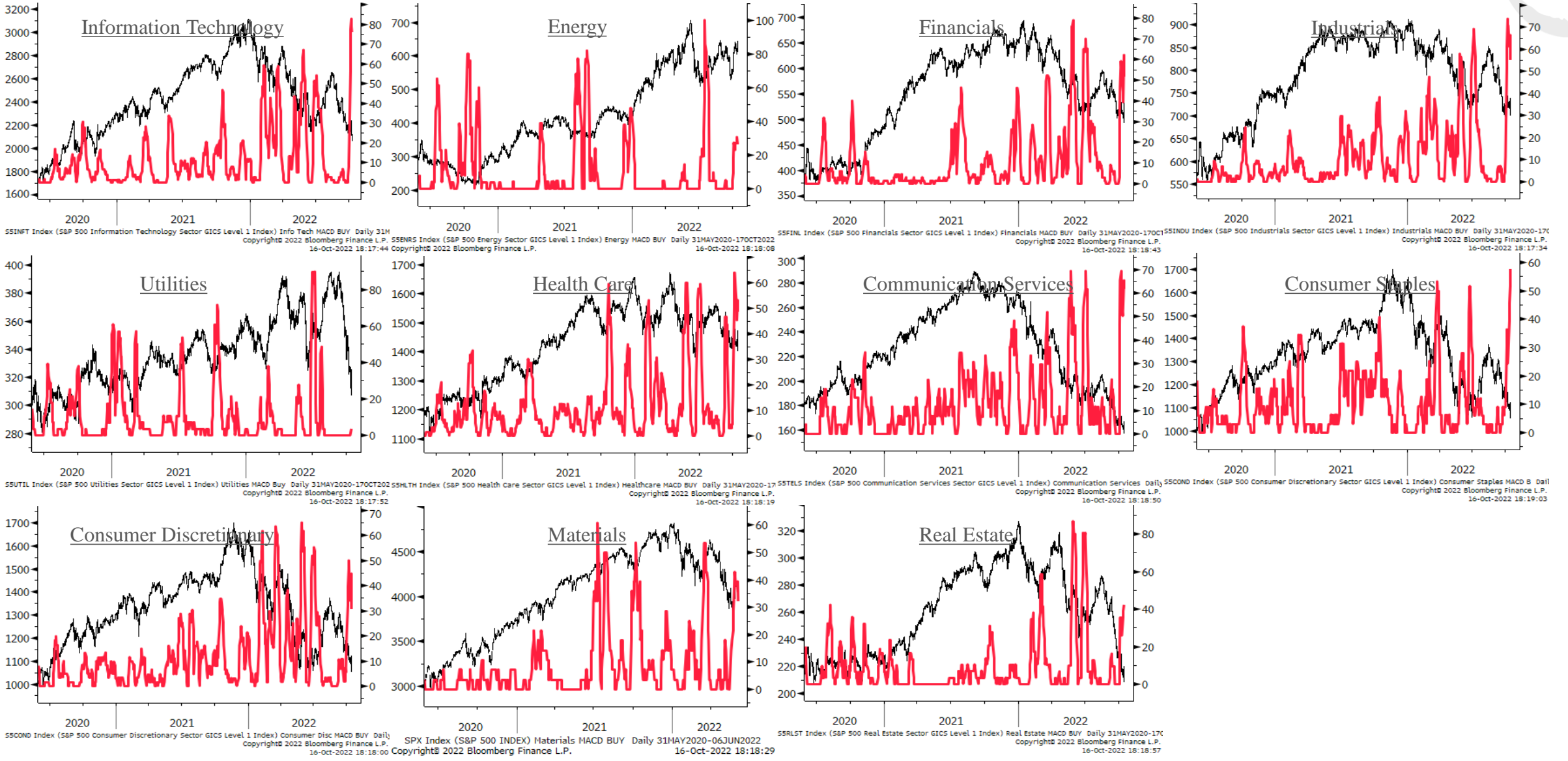
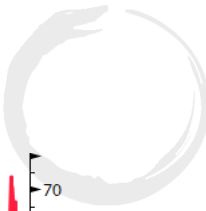
Bitcoin Daily



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



Sector % MACD Buy Signals



The Macro Ops Portfolio

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

2022 YTD Return **13.69%**
 Total Notional Exposure **184.35%**
 Equity Exposure **60.15%**
 Futures Exposure **124.20%**
 Current Cash Value (%) **21.02%**
 Total Capital At-Risk (%) **46.52%**
 Total Drawdown Risk (%) **37.05%**

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	48,085	\$332,404	19.51%	-0.35%	0.72%	\$8.82	\$7.22	\$8.95	\$8.77	5.79%	8.22	124.20%	3.23%	8.04%
Mini Dax Futures	FDXMZ2022	-11	-\$138,818	-8.14%	0.25%	0.11%	\$12,268.00	\$12,489.00	\$12,658.00	\$12,656.00	-1.80%	-0.57			
Mini Dax Futures (Third Leg)	FDXMZ2022	-17	-\$210,331	-12.35%	0.26%	-0.05%	\$12,178.00	\$12,489.00	\$12,438.00	\$12,438.00	-2.55%	-1.20			
Mini Dax Futures (Second Leg)	FDXMZ2022	-17	-\$211,511	-12.42%	0.26%	-0.05%	\$12,180.00	\$12,489.00	\$12,438.00	\$12,438.00	-2.54%	-1.20			
Wheat Futures	ZWZ2022	5	\$215,000	12.62%	0.65%	0.79%	\$8.51	\$8.80	\$8.06	\$8.06	1.10%	0.21			
Micro E-Mini NQ Futures	MNQZ2022	-17	-\$365,296	-21.44%	0.96%	1.97%	\$11,250.00	\$10,744.00	\$11,732.50	\$11,732.50	4.50%	1.05			
Euro / Canadian Dollar	EURCAD	910,493	\$1,232,307	72.34%	1.00%	2.26%	\$1.33	\$1.35	\$1.31	\$1.31	1.77%	1.26			
US Dollar / Chinese Yuan (Third Leg)	USDCNH	122,827	\$886,305	52.03%	0.76%	1.48%	\$7.12	\$7.22	\$7.01	\$7.01	1.41%	0.95			
US Dollar / Chinese Yuan	USDCNH	52,013	\$375,318	22.03%	-0.56%	0.81%	\$8.77	\$7.22	\$8.95	\$8.68	6.05%	5.40			

Equities

	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
Strategic													16.60%	11.75%	7.16%
Desert Control	DSRT	10,028	\$17,446.09	1.02%	1.84%	1.02%	\$3.13	\$1.74	\$0.00	\$0.00	-44.41%	-0.44			
Eli Lilly	LLY	509	\$168,803.58	9.90%	0.51%	0.46%	\$333.00	\$331.39	\$318.00	\$318.00	-0.48%	-0.09			
Nerdy, Inc.	NRDY	7,148	\$15,083.15	0.89%	1.04%	0.89%	\$2.49	\$2.11	\$0.00	\$0.00	-15.26%	-0.15			
Clearpoint Neuro	CLPT	4,443	\$42,834.51	2.51%	3.25%	2.51%	\$12.46	\$9.84	\$0.00	\$9.40	-22.63%	-0.92			
Block, Inc.	SQ	793	\$38,791.89	2.28%	5.11%	2.28%	\$115.48	\$51.51	\$0.00	\$0.00	-55.39%	-0.55			

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
Paladin Energy	PDN	68,959	\$33,789.82	1.98%	2.55%	1.98%	\$0.63	\$0.49	\$0.00	\$0.00	-22.22%	-0.22	36.23%	20.77%	19.01%
Sprott Uranium	U.UN	3,779	\$49,838.85	2.91%	2.81%	2.91%	\$11.78	\$13.14	\$0.00	\$0.00	11.70%	0.12			
Peabody Energy	BTU	3,632	\$93,929.09	5.51%	0.70%	1.31%	\$22.99	\$25.86	\$19.70	\$18.20	12.48%	0.60			
Sprott Uranium	U.UN	3,779	\$49,838.85	2.91%	2.81%	2.91%	\$11.78	\$13.14	\$0.00	\$0.00	11.70%	0.12			
Comstock Resources	CRK	2,188	\$37,855.02	2.22%	0.50%	0.26%	\$19.22	\$17.30	\$15.3	\$15.3	-9.90%	-0.49			
Centrus Energy	LEU	985	\$37,105.68	2.18%	2.81%	2.18%	\$45.13	\$37.67	\$0.00	\$0.00	-16.63%	-0.17			
Pantheon Resources	PANR	32,282	\$31,258.50	1.84%	3.15%	1.84%	\$1.88	\$0.97	\$0.00	\$0.00	-41.67%	-0.42			
Vista Energy	VIST	5,457	\$61,222.54	3.59%	3.13%	3.59%	\$9.78	\$11.22	\$0.00	\$0.00	14.72%	0.15			
Metals X Limited	MLX	254,102	\$47,161.28	2.77%	0.82%	0.53%	\$0.20	\$0.19	\$0.15	\$0.15	-9.38%	-0.35			
VAALCO Energy	EGY	10,070	\$54,276.82	3.19%	0.51%	0.47%	\$5.46	\$5.39	\$4.60	\$4.60	-1.28%	-0.08			
Eldorado Gold Mining	EGO	12,025	\$69,142.38	4.06%	0.76%	0.25%	\$6.48	\$5.75	\$5.40	\$5.40	-11.27%	-0.68			
Tidewater, Inc.	TDW	2,161	\$52,045.65	3.06%	0.82%	0.77%	\$24.50	\$24.08	\$18.00	\$19.20	-1.71%	-0.08			

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
Coupang	CPNG	3,805	\$61,953.71	3.64%	0.76%	0.06%	\$19.38	\$18.28	16	16	-18.00%	-0.92	3.64%	2.30%	1.34%
Vista Energy (Trade Around Strategic)	VIST	4,781	\$53,838.74	3.15%	0.51%	0.50%	\$11.26	\$11.22	9.45	9.45	-0.36%	-0.02			
Nerdy, Inc (Trade Around Strategic)	NRDY	25,988	\$54,792.88	3.22%	0.50%	0.17%	\$2.33	\$2.11	2	2	-9.44%	-0.67			
Shopify	SHOP	-1,749	-\$45,577.20	-2.68%	0.53%	0.61%	\$26.83	\$26.06	32	36.75	2.87%	0.08			

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	\$0.00	\$0.00	0.00%	2.28%	\$473.00	\$0.00	\$0.00	\$0.00	-100.00%	-1.00	1.50%	8.48%	1.50%
TSLA DEC 2022 \$116.67 PUTS	TSLA	9	\$1,368.00	0.08%	0.37%	0.08%	\$703.33	\$164.00	\$0.00	\$0.00	-78.10%	-0.78			
AG JAN 2024 \$20 CALLS	AG	237	\$13,982.34	0.82%	0.97%	0.82%	\$70.00	\$59.00	\$0.00	\$0.00	-15.71%	-0.16			
MO JAN 2023 \$70 CALLS	MO	299	\$1,495.00	0.09%	1.81%	0.09%	\$92.00	\$5.00	\$0.00	\$0.00	-94.67%	-0.95			
HAL JAN 2024 \$60 CALLS	HAL	67	\$7,421.84	0.44%	0.52%	0.44%	\$132.00	\$110.00	\$0.00	\$0.00	-16.67%	-0.17			
BHP Jan 2023 \$115 CALLS	BHP	55	\$1,375.00	0.08%	1.23%	0.08%	\$380.00	\$25.00	\$0.00	\$0.00	-93.42%	-0.93			
CCJ Oct 2022 \$19 PUTS	CCJ	132	\$0.00	0.00%	0.28%	0.00%	\$33.00	\$0.00	\$0.00	\$0.00	-100.00%	-1.00			
EWJ JAN 2023 \$90 CALLS	EWJ	173	\$0.00	0.00%	1.24%	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](#))

