



December 10, 2025

THE LONG PULL: Improving The Trifecta Lens Pulse Reports

Before we dive into this week's report, I want to say Merry Christmas/Happy Holidays to all Collective members. We're almost done with another year, and I can't wait for 2026. We have exciting plans for the community featuring new content, events, swag, and more.



The best part about the *Macro Ops Collective* isn't the research, trading, or portfolio management. Those are all great things, and dare I say, we do some of them better than most. But it's not *the* thing.

Our differentiator has, and always will be, our members ... **you!**

I'm amazed at how often new Collective members message me saying, *"I've joined a lot of online trading/investing communities over the years, and you guys have the smartest group of traders I've ever seen."*

The beauty of Macro Ops is that it's a meritocracy for complete idea generation. There's no Old Wise Sage bestowing trickle-down trading wisdom to the masses. We learn from one another continuously and, in turn, improve the Collective *Hive Mind*.

Why do I say all that?

Last week, I released my [November RS Composite Trifecta Lens Pulse Report](#) and received terrific feedback from @ErikPSC and @Phil Deane.

The TL;DR is that I can improve my *Trifecta Lens Pulse Reports* with a few tweaks and ideas from Phil and Erik. And they were right.

This post highlights the changes I'm making to the Trifecta Lens Pulse Report, why I'm making them, and a few other additions I can include each month to make the report more robust.

Change 1: Reduce Redundancy To Improve Marginal Information Contribution

The most significant issue with the MO Thematics Watchlist (and subsequently the Pulse Reports) is that it's redundant and filled with too many highly correlated ETFs/thematics.

A large portion of the tickers in the watchlist exhibit pairwise correlations (ρ) **exceeding 0.90**, and in many clusters, **approach 0.99**. This redundancy consumes screen real estate and mental bandwidth without increasing the "resolution" of the market picture.

Worse, this noise creates a "crowding out" effect, where high-beta duplicates obscure the more subtle signals of new and upcoming themes, **which are the very signals we want to identify**.

In other words, if we have 3-4 highly correlated ETFs in the top five in RS Composite or Inflection, it leaves no room for any other thematic, **even though the incremental 2-3 names add zero information value**.

Let's break this down by Grouping (or Basket Thematic) so you can see the correlation and how we can improve the list.

Note: " ρ " = correlation coefficient

AI & Technology

The Technology sector in the provided matrix has the highest redundancy density.

The following matrix reveals a cluster of AI, Robotics, and Software funds that are effectively cloning one another.

➤ AIQ (Global X AI & Tech) vs. ARTY (iShares Future AI & Tech): $\rho = 0.94$

- AIQ vs. BAI (First Trust Nasdaq AI & Robotics): $\rho = 0.93$
- ARTY vs. BAI: $\rho = 0.96$
- AIQ vs. IGV (Tech Software): $\rho = 0.92$
- IGV vs. QQQ: $\rho = 0.90$

AI is primarily a software revolution deployed on hardware rails. However, for a thematic tracking sheet, maintaining separate lines for "Future Tech" (ARTY), "AI/Robotics" (BAI), and "Software" (IGV) is inefficient because they all move together.

Semiconductor Supply Chain

Semiconductors are the "picks and shovels" play of the AI gold rush. However, the current watchlist highlights extreme redundancy in this thematic (see below):

- SMH (VanEck) vs. SOXX (iShares): $\rho = 0.98$
- SMH vs. XSD (SPDR Equal Weight): $\rho = 0.94$
- SOXX vs. XSD: $\rho = 0.96$

If SMH is moving, the semiconductor theme is active. We don't need to overcomplicate it and crowd our watchlist with three tickers that all tell us the same thing.

Broad & Global Technology

The most prominent technology companies are all "global" technology companies. Currently, we have IXN (Global Tech) and XLK (US Tech) on our Thematics watchlist, even though QQQ would suffice.

- IXN (Global Tech) vs. XLK (US Tech): $\rho = 0.89$
- IXN vs. QQQ: $\rho = 0.81$
- XLK vs. QQQ: (Correlation implied > 0.90 based on holdings overlap: Apple/Microsoft dominance).

Again, reducing redundancy.

Let's move on to the Energy Complex.

Integrated Majors and Broad Energy (XLE, VDE, IYE)

IEO and XOP are statistically identical (0.99). XOP is the standard "High Beta Oil" trading vehicle. Between XLE and VDE, **XLE is the liquidity benchmark.**

Even if the data suggests some divergence, VDE is conceptually a "broader XLE." To save space, XLE suffices as the proxy for "Big Oil," and we should cut everything else.

Oil Services (OIH, XES)

Oil Services (Halliburton, Schlumberger) are the "Capex Play" on energy. They correlate only 0.40 with the Majors (XLE), which is why we added them to our Thematic Watchlist. However, OIH and XES are duplicates (0.98). We should only keep OIH as it's the liquidity leader of the two.

Clean Energy Transition (ICLN, TAN, and EVMT)

This is an example of three similar thematic ETFs with relatively low correlation.

- ICLN (Clean Energy) vs. TAN (Solar): $\rho = 0.86$
- ICLN vs. SPY: $\rho = 0.50$
- TAN vs. SPY: $\rho = 0.48$
- EVMT vs. SPY: $\rho = 0.27$
- EVMT vs. ICLN: $\rho = 0.30$

In other words, we should keep all three ETFs, as they represent different aspects of the Clean Energy Transition with little overlap (i.e., redundancy).

Precious Metals (GDX, GDXJ, SIL, SILJ)

Phil made a great point with precious metals, saying, *"Eliminate SILJ and GDXJ - use GDX and SIL but then scan all silver and gold stocks."*

I like this idea, but I'm going to tweak it slightly. I'll keep GDX and SILJ, but remove GDXJ and SIL. Here's why.

There's a 0.98 correlation between Gold Seniors (GDX) and Juniors (GDXJ). The theoretical alpha of Junior Miners (exploration upside, takeover targets) is completely washed out by the sector's beta.

Similarly, Silver Miners (SIL) and Juniors (SILJ) are lockstep (0.97). Moreover, the correlation between Gold Miners and Silver Miners is 0.92. So tracking both GDX and SIL provides little **additional value**. However, Silver often acts as "Gold on leverage" during late-cycle moves, which is why I'm keeping SILJ.

Also, unlike gold, the "Silver Thesis" is often driven by retail speculation which favors the higher-beta junior basket (SILJ).

Onto our Financials and Real Estate Thematics.

Global Banking

A 0.99 correlation between KBE (“all” banks) and KRE (“regional” banks) is the single strongest signal of redundancy in the dataset. It tells us that the market is currently not distinguishing between "Too Big To Fail" Money Center banks and volatile Regional Banks.

- KBE (Banks) vs. KRE (Regional Banks): $\rho = 0.99$
- KRE vs. IAT (Regional Banks): $\rho = 0.98$
- IAT vs. KBE: $\rho = 0.98$

KRE is the most thematically relevant ticker. More fat to trim!

Real Estate Redundancy

The cluster of four tickers (VNQ, IYR, XLRE, RWR) is mathematically identical ($\rho = 0.99$) in that they all hold the same large-cap REITs: **Prologis, American Tower, Equinix, Crown Castle.**

Instead of four identical ETFs, the real estate theme consists of IYR, REZ, and REM. IYR serves as the liquid benchmark, REZ allows tracking of the "Residential" sub-theme (rents), and REM is essential because Mortgage REITs (mREITs) are different businesses (leveraged bond portfolios) than Equity REITs.

Housing vs. Homebuilders

ITB is a cap-weighted "pure" builder fund (D.R. Horton, Lennar). XHB is an equal-weighted fund that includes building products (Home Depot, Whirlpool). Despite the methodological differences, the 0.98 correlation shows they are trading the same "Housing Cycle" beta.

ITB is a cleaner version of the “how are home builders doing?” theme because it eliminates the retail exposure.

Finally, our last Basket Thematic: Healthcare & Biotech

Healthcare vs. Biotechnology

IDNA (Genomics) correlates 0.91 with XBI (Broad Biotech). This implies that the "Genomics Revolution" is not currently trading as a distinct theme from general "High Beta Biotech." When XBI runs, IDNA runs.

- XBI (Biotech) vs. IDNA (Genomics): $\rho = 0.91$
- XBI vs. SPY: $\rho = 0.52$
- GNOM vs. XBI: $\rho = 0.03$

The idea here is to remove IDNA and keep XBI and GNOM as a barbell approach to biotechnology. XBI provides broad thematic exposure to biotech, and GNOM targets a specific niche within XBI (while not encountering redundancy).

Change 2: Reduce Watchlist To Create A More Robust Thematic Tracker

We've identified the ~5 common themes within our thematic watchlist: **Innovation, Energy, Hard Assets, Cyclical & Financials**, and **Digital Assets**.

From here, we can eliminate all redundant thematic ETFs to give us a leaner, more robust MO Thematics Watchlist.

Here are all the names that we're eliminating:

- ARTY (Redundant to AIQ; $\rho=0.94$)
- BAI (Redundant to AIQ; $\rho=0.93$)
- IGV (Redundant to AIQ/Tech; $\rho=0.92$)
- SOXX (Redundant to SMH; $\rho=0.98$)
- XSD (Redundant to SMH; $\rho=0.94$)
- IXN (Redundant to XLK/QQQ; $\rho=0.89$)
- IDU (Redundant to VPU)
- XLK (Redundant to QQQ)
- XLU (Redundant to VPU)
- IEO (Redundant to XOP; $\rho=0.99$)
- VDE (Redundant to XLE; High overlap)
- XES (Redundant to OIH; $\rho=0.98$)
- GDXJ (Redundant to GDX; $\rho=0.98$)
- GSG (Redundant to other commodity ETFs already in the tracker)
- SIL (Redundant to SILJ; $\rho=0.97$)
- KBE (Redundant to KRE; $\rho=0.99$)
- IAT (Redundant to KRE; $\rho=0.98$)
- VNQ (Redundant to IYR; $\rho=0.99$)
- XLRE (Redundant to IYR; $\rho=0.99$)
- RWR (Redundant to IYR; $\rho=0.99$)
- XHB (Redundant to ITB; $\rho=0.98$)

- IDNA (Redundant to XBI; $\rho=0.91$)
- VOX (Redundant to XLC; $\rho=0.97$)
- IYG (Redundant to KRE/XLF; $\rho=0.94$)
- IDRV (Redundant to DRIV)
- IAK (Redundant to KIE)
- IYE (Redundant to XLE)
- IYH (Redundant to XLV)
- IHE (Redundant to XLV)
- XHE (Redundant to IHI)
- IXP (Redundant to XLC; $\rho=0.97$)
- XTL (Redundant to XLC; $\rho=0.97$)
- HCMT (not applicable to thematic)

We cut 33 names from the original Thematic Tracking list. That's a ~35% reduction in redundancy and noise.

Change 3: Creating Thematic Groups Within Our Watchlist

Now that we have fewer thematic ETFs, we can create Thematic Groups to track broad Inflection and Composite performance relative to other groups. For example, we currently have nine thematic groups:

- Innovation/Tech
- Digital Assets
- Hard Assets
- Consumer
- Real Estate
- Financials
- Energy
- Healthcare/Biotech
- Industrials/Cyclicals

This allows us to go from the highest level (group thematic) to the lower level (individual thematic) to the lowest level (individual companies within that thematic).

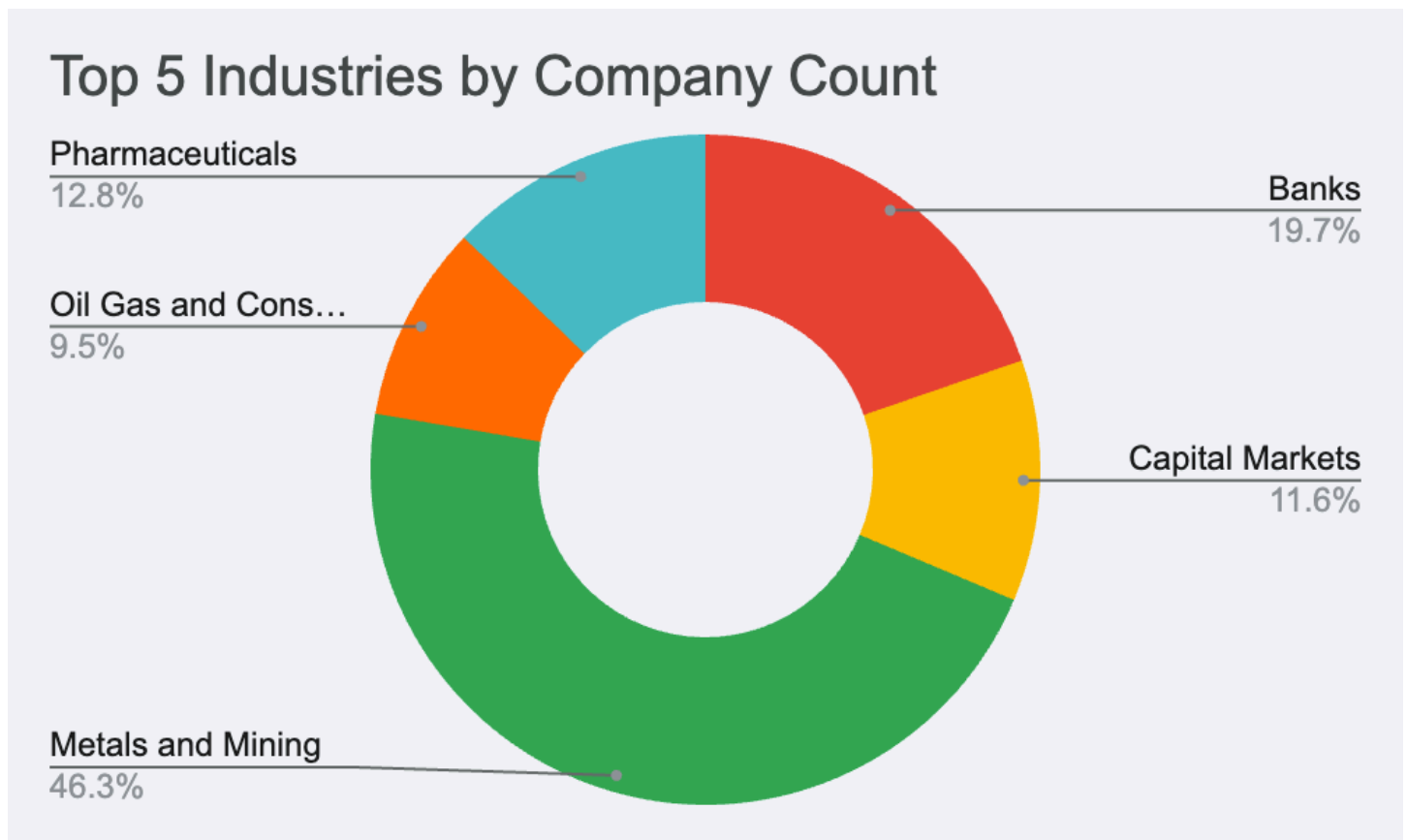
Which brings us to the last change in our monthly reports.

Change 4: Visual Representations of RS Composite & Inflection Screeners

The last change I'm making is adding a visual representation (like the pie chart below) of the **Industry Distribution of my Trifecta Lens Composite & Inflection Stock Screener**.

I run a few screens each month, two of which reveal the top relative strength leaders globally and within their sector.

Check out the results of the top five industries represented in the Trifecta Lens Inflection Screener (see below).



Notice that this paints a *slightly different picture* than the *RS Inflection* reports. Take banks, for example. They are #12 on my RS Inflection Score as of this writing, yet they're the **second-highest-represented industry in the RS Inflection Stock Screener**.

In other words, the bottom-up approach addresses any gaps in the top-down Thematic approach.

There's a lot more I can do with these screens from a data visualization perspective to provide more context (and hopefully, more value) to you during your research process.

Because at the end of the day, we're doing this to make money. And I want to provide you with the best opportunities to make money across any market cycle.

I loved ErikPSC's explanation on how he uses MO in his process (emphasis mine):

"I find value in MacroOps through hearing different opinions and trade ideas that I feel, if I add the exposure, will improve whatever it is that I already own. With that said, my fishing pond is more like an ocean, so I don't expect my view or style is common.

I'll take a look through your list and give you some ideas, but basically, if you did countries and sectors, and then added specialized exposures/themes that are unique (XME, XLRE, ITB, SHLD, TAN, would be some examples), it would give you a high level idea of where to look. Over the course of a year, metals have been super strong and XME will show that. But by looking at a bit higher level, it will also show that XLK, or XLC or some thematic or country ETF, while somewhat less strong, is also handily beating SPX ...

I think with the thematic/basket approach you guys are taking, you can afford to add some names that are mean reversion or inflecting, but it is really difficult to stay in those names if the buy is just made on TA. Some of these things are 100vol, which is roughly 6.3% expected daily move.

IDR is a great example. So, coming up with the thesis, adding a core to it, and then watching it play out (or not), you can begin to add in names that are not breaking out (in small size), maybe even going down, but you have done the work and valued them. Core profits help you stay in the trade as the mean reversion names play out (or don't)."

This is why I love the Collective. This is why we have the sharpest group of traders on the internet.

This is our *competitive advantage*.

Key Takeaways: Never Stop Learning, Tinkering, and Refining

I'm releasing the first edition of the "new and improved" RS Inflection report next week. As always, please don't hesitate to provide constructive feedback (like Phil and Erik

did). Their feedback allowed me to refine and build a better version of the reports, which in turn provides greater value to you.

And that's what it's all about at Macro Ops ... everyone contributing so we can all get a little smarter, make a little bit more money, and have a hell of a fun time along the way.

Thanks again to Phil and Erik for the feedback; it means more to me than you know!

I'll see you guys next week.

Your Value Operator,

Brandon