

State of the Markets: Current Recommendations

Model Portfolio Recommendations and Performance

Over all my, risk recommendation is roughly ½ of what it has historically been. Typically, I will be recommending about 6-7 trades at a time, which corresponds to \$30-35 MM of risk—I scale every trade to \$5 MM. Currently, I am recommending only 5 trades with risk of only \$16 MM. The lower risk posture is driven by two factors. First, I closed 3 trades that I had recommend in my year ahead piece after the market sell-off in late December. I close trades when the asymmetry goes away and it becomes more of a directional trade. If I think there remains asymmetry I will restrike or rebalance the trade, which is what I did for the European receiver trade. I believe this trade still has upside from a roll down to spot as well as from a rally to the lows of 2016, given the slowdown in European economies. The second factor was the market rally in January, which took a pretty big bite out of my remaining trades. I still like these trades and have plenty of time for the market to once again price in my global slowdown/ China trade. Having said that, I believe the markets are unlikely to have a clear view of this until late February/early March.

Positions	January 25, 2019			
	Number Trades	Initial Invest (MM)	Current Invest (MM)	Total Return
Open	5	25	16	-36.8%
Closed	29	145	377	160.2%
Total	34	170	393	131.3%

1.14

Trade	Initial Position				Current Valuation				
	Date	MM/Shares	Price	Invest (MM)	Status	As of Date	Price	Invest (MM)	Total Return
<i>1/7 Euro Receiver Swaption 0.45 Strike</i>	25-Jan-19	1000	0.5	5.0	Updated	25-Jan-19	0.5	5.0	0%
Buy 6-month Euro Puts/Dollar Calls, 1.12 strike	22-Nov-18	500	1.00	5.0	Old	25-Jan-19	0.6	3.0	-40%
Buy Bovepa 4-month 10% OTM spot puts (7800 strike)	22-Nov-18	12500	400.0	5.0	Old	25-Jan-19	90.0	1.1	-78%
Sell CNH One Year Forward vs USD	2-Jul-18	250	100.0	5.0	Old	25-Jan-19	100.0	5.0	0%
Buy 4-month 7% OTM Puts on USD Denominated EM Equity Index (37.5 strike)	22-Nov-18	417	1.2	5.0	Old	25-Jan-19	0.4	1.7	-67%
<i>2/5 Euro Receiver Swaption 0.62 Strike</i>	11-Oct-18	1000	0.5	5.0	Closed	25-Jan-19	1.2	12.3	146%
<i>Buy USD, Sell A Basket of EM Commodity FX (BRL, RUB, ZAR)</i>	22-Nov-18	200	100.0	5.0	Closed	27-Dec-18	104.2	13.4	168%
<i>Buy Regional Banks, Sell S&P, -2.5% stop</i>	24-Oct-18	200	100.0	5.0	Closed	25-Jan-19	106.0	17.0	240%
<i>Buy Protection on IG</i>	25-Jul-18	667	100.0	5.0	Closed	27-Dec-18	101.8	16.7	233%

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