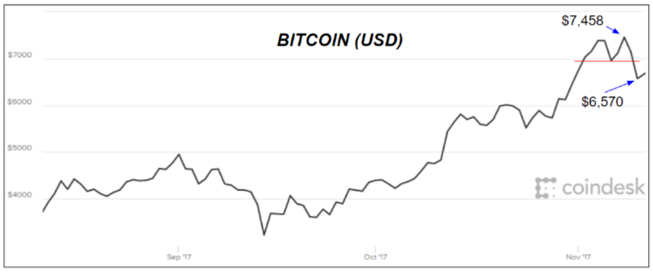
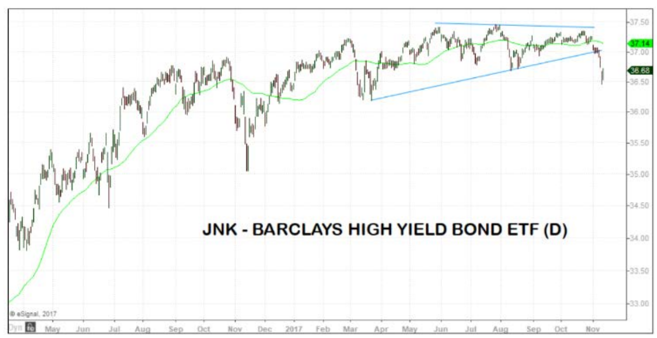
INTERMARKET VIEW: Liquidity Test

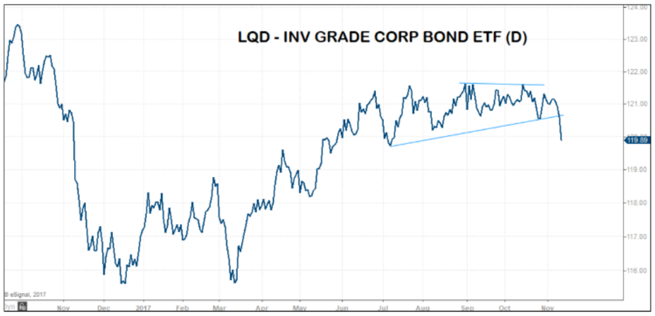


The Bitcoin roller coaster continues. A possible double top is forming after Bitcoin fell roughly a thousand dollars, or nine percent in price terms, on news that a proposed split would be called off. Is the trend broken? We shall see. Hedge funds have piled into the game, with the number of cryptocurrency hedge fund openings in triple digits for 2017. The CME also wants in on the action, via Bitcoin futures. But futures were designed to hedge actual risks, with speculators taking the other side of commercial positions tied to commerce. With Bitcoin futures, who is genuinely going to "hedge" anything? This is a meaningful question because commercial operators provide a cover of sanity for futures markets. If the prices for, say, soybeans or heating oil get severely stressed, there will be actual deep-pocketed end users and producers with a real incentive to push back aggressively against outlier extremes. The lack of such a mechanism, in fact, could lead to a kind of "Bitcoin futures apocalypse scenario" for financially exposed futures clearing merchants. The way this would happen, one might see the weakest futures trading houses trying to drum up Bitcoin futures commission business via super-low margin requirements. Then you get the mother of all insanity moves in Bitcoin, e.g. a forty percent collapse in the space of a week or whatnot, and a sizable chunk of the futures industry gets completely wiped out by inability to collect on margin calls, as hundreds of thousands of mom n' pop Bitcoin speculators suddenly go bust. We are not the ones who dreamed up this "Bitcoin futures apocalypse" scenario: The one who came up with it, and says he is "extremely scared" by it, is the trading legend Thomas Peterffy, one of the top derivatives traders of all time and the founder of Interactive Brokers. If Peterffy, who has forgotten more about market structure than ninety-nine percent of traders will ever know, is "extremely scared" by Bitcoin futures prospects, others should take heed as well.

The true believer sees Bitcoin as a kind of early Amazon.com in terms of return potential. If you had bought AMZN at the public IPO price in 1997 and then held on for two decades, it is true that a $10,000 initial investment would now be worth multi-millions. But what isn't mentioned is that AMZN buyers in 1997 would've had to hold their investment through a 57 percent decline within just a handful of months in 1999… and then a crushing *94 percent* decline (wow) that ended in 2002. And the pain of being an Amazon believer was still intense at times for years to come, via subsequent 50-60 percent drops in 2006 and 2008. Point being, when someone says "if only you had held XYZ" volatile asset for an incredibly long stretch of time, it's probably safe to chuckle. And even if believers are truly correct about Bitcoin and blockchain opportunities embedding the next Amazon-like rise (a huge "if" on its own), we're likely to see multiple "50 and 60 percent off" sales, and possibility a "95 percent off" sale to boot. There is no doubt awesome long-term potential in blockchain technology, and in cryptocurrency. But there are going to be major questions in regard to energy costs related to mining, and government regulations, and better-engineered competitors. The picture right now is like a firefight with Uzis in a dark confined space. There is too much hype and wildness to get a handle on. One can furthermore have great respect for the potential of both cryptocurrency and blockchain tech without being a believer in energy hog Bitcoin itself (which we suspect could wind up as a kind of crypto MySpace, followed by a crypto Facebook).

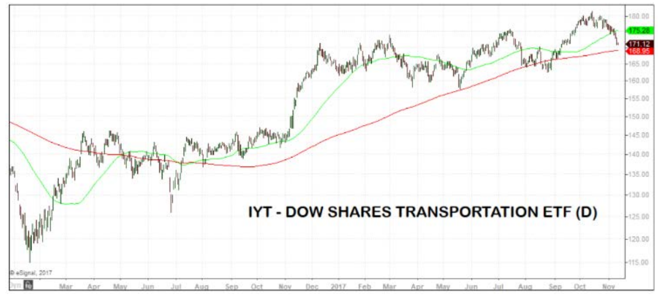


Investors meanwhile can mostly ignore Bitcoin's antics, like that crazy relative who hogs attention to at Thanksgiving. But it will be much harder to ignore the warnings from high yield, which are now loud and blaring. For much of 2017 we have discussed various debt instruments as "canaries in the coal mine," with the potential for high-yield instruments to flash warnings well before the equity markets wake up and really pay attention to what is going on. Also for much of 2017, we have reported that the canaries were "okay" and otherwise hanging in there. Now they are again hacking and wheezing and falling off perches. Regarding junk bonds specifically, the *Wall Street Journal* reported that trading volume "exploded" last week, Thursday's volume for various popular bond ETFs the second highest on record and the most since December of 2015. Volume lends credence to a move as a general rule: If volume is light the move could be a fluke or headfake, but if volume is heavy with investor participation it is more likely to mean something. We also note that volatility expansions on heavy volume tend to mark beginnings and endings of big moves. Is this then the beginning of complacency's true end?

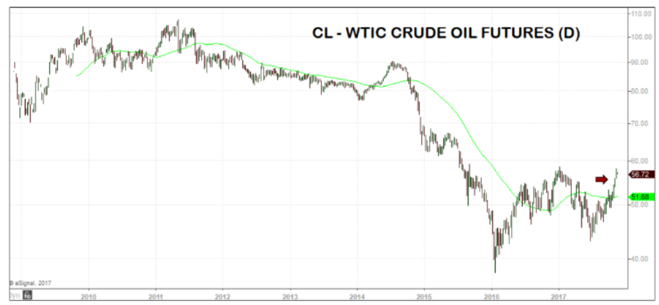


Were it only "junk," the high-yield end of the market feeling stress, investors might be able to take solace in that. But that ain't the case. Investment grade corporates are also getting whacked, as we see via LQD above. We take additional keen interest here because, as we have argued on and off over the course of 2017, exchange traded funds (ETFs) are a potential dry powder source for the next market crisis. When it comes to crisis, investors are typically like generals fighting the last war: They look in the rear-view mirror at things that already happened, and thus miss the newer risks. After a hedge-fund blow-up nearly took down the system in the late 1990s via Long-Term Capital Management, everyone had a heightened sensitivity to hedge fund risks. But then the 2007-2008 global financial crisis was driven by something else entirely, hedge funds playing a sideshow role at best. It would make a lot of sense to us for the next crisis to come from ETFs, maybe debt ETFs at that, given that investors have poured something like $900 billion into exchange-traded funds in recent years, plus the way ETFs make it all too easy to demand instant liquidity from non-liquid instruments (picture multiple institutionals trying to sell big chunks of LQD and HYG at the same time).

All of this could be dismissed as high-end conceptual macro type stuff, "What If" scenarios designed just to frighten and so on… except for the fact we are setting up for a trial by fire. The modern-day "easy-access-to-liquidity" regime, enabled by the easy to buy (or sell) ETF, has never been truly tested. We got a small-scale preview in the immediate aftermath of Brexit in the summer of 2016. As a result of Brexit shock, and a sudden downgrade in the prospects for UK real estate, a UK commercial property vehicle first had to halt all withdrawals, then reopen a few days later at a 26 percent markdown. The trading halt came about due to the sudden instant demand for liquidity (the ability to sell) placed upon an illiquid asset (commercial property). That same kind of buy-sell mismatch could easily apply to various US debt ETFs, especially as the compelling sales point for these vehicles was providing liquid access to an opaque and illiquid asset class in the first place. Nor is it just US debt. There are concerns for overbought debt instruments all over the world, with insane pricing seen as far-flung as Europe and Asia and even Africa. What happens when the liquidity just… goes away? We may soon find out.



Equity markets are typically slower to respond to risk factors than credit markets. This is in part because debt investors are seen as both more sophisticated and more sensitive, as there is limited upside in debt (versus open-ended in stocks). With that said, the beginnings of concern are showing in the Dow Transports. The Maginot Line of the 200 day MA (red line) is not far away, and hasn't been seriously breached since June of 2016. Small caps should also be observed closely here.



The transports may also be responding to a spike in crude oil prices, brought about by the return of a classic boogeyman: Middle East geopolitical risk. Ten years ago, geopolitical risk was a commonly discussed topic in relation to oil markets, between widely cited predictions of "peak oil" and voracious investment appetite for commodities as an asset class. This led to oil prices exceeding $140 per barrel in June 2008. But then US shale producers showed up. In the aftermath of the global financial crisis, it seemed oil had found a stable, well-financed source of supply (US shale) free from geopolitics.

Now, though, the US gulf coast is proving shockingly climate prone (which impacts shale supply) and crisis-level situations have unfolded in respect to Saudi Arabia, Iran and Iraq. If a "fear premium" gets priced back into oil, this changes things. As we have said before, a remarkable thing about the current build-up of risks is that it comes against some of the lowest volatility readings since the 1960s, with all manner of cyclical and structural drivers for that low volatility: Heavy betting on vehicles that assume low vol will continue indefinitely, along with passive vehicles taking in blind flows that ignore what is happening below the surface. As debt instruments falter and the US dollar strengthens, a diminished sense of reward (via everything being overpriced) could combine with rising risks to create liquidity withdrawal, at which point we see the test.

MACRO VIEW: The Trouble With Authoritarians

As of this writing, investors are as enthused about emerging markets as they have ever been. Emerging market funds are literally turning away money. There is a sense of aggressive abandon on the bullish EM side perhaps only matched by the narrowness of credit spreads – recently hitting their tightest since the financial crisis – and the willingness to pour heavy sums into short-volatility instruments (which intrinsically bet on the continuation of a quiet calm). We see this enthusiasm as grossly irrational. Not in some newfangled way, but in the same way investors have shown themselves to err, over and over, at the crescendo of market cycles. Every five to seven years or so, sometimes stretching out to a decade-plus, there is another financial crisis, where investors doubled or tripled down on a bullish tailwind, and then reaped a risk whirlwind.

Our hat is off to any trader who managed to get heavily long EM early in the trend, and who is now selling out near what smells like peak levels. But most investors piling into EM late in 2017 are, by mandate, positioning for returns on assets to be held for many years to come. They are deploying the logic of a long-term time horizon, against a game of increasingly terrifying musical chairs. Warren Buffett has said *"If you can't own it for ten years, don't own it for ten minutes."* We're not of the "ten-years minimum" school, but the uber-bullish EM buyers mostly claim to be. If you pay terrible prices up front for an asset you expect to hold for years, there is no bankable upside from seeing it levitate temporarily, only to crash. (Just ask buyers of the Snapchat IPO.) Part of the issue is all of the dollar-denominated debt EM countries and companies have piled up, some ten trillion and counting. Another factor is the black box risk of China, which has its own version of a multi-trillion subprime problem. And then there is the clear-as-day turn in the interest rate cycle, along with the most incredible central bank experiment in all of history coming to a turning point (in which multi-trillion balance sheets get shrunk). But the problem we want to cite here is a different one. It's the problem of authoritarianism, and the long-run risk impacts.

Authoritarians are on the rise almost everywhere one looks. You see them gaining new power or consolidating strengths in country after country. Putin, Erdogan, Duterte, el-Sisi, on and on. There is also a trend of "authoritarian lite," shown in countries like Hungary and Poland, as democracies transition from liberal to illiberal or populist. Right-wing movements all around the world are taking on a "Neo-Bolshevik" stance as some describe it, seeking to smash the old order in the name of economic nationalism. On that front, Poland just hosted a version of Charlottesville on a continent-wide scale, with an estimated 60,000 marchers rallying under neo-Nazi themed banners with slogans like "Europe must be white" and "Pray for an Islamic Holocaust." Hatred is woven into the zeitgeist.

If Bloomberg were to construct an "authoritarian index" that tracked the waxing and waning of anti-democratic regimes, it might now resemble a Bitcoin chart or a passive ETF inflows chart (e.g. parabolic up-and-to-the-right). Financial markets haven't cared about this at all, in part because of the liquidity factor, and in part because markets are agnostic in regard to political leadership, except when profits are impacted. But a rise in authoritarianism is a significant negative for valuation over time due to the correlated rise in economic risks and thus increased possibilities of corruption, war and recession.

Prosperity and democracy tend to go hand in hand. This is no accident. Democracy allows for stable institutions and stable transitions of leadership. When the leaders are voted out but credible institutions remain, the conditions are created to enshrine the rule of law and the continuity of free markets. If democracy is traded in for an authoritarian regime, there is a concentration of power in the hands at the top. This leads to destructive choices most of the time. A key problem with authoritarians is their tendency to act like giant toddlers. If they don't get their way, or if the economy responds to free market pressure in ways they don't like, they tend to smash things, or hurt people, or disrupt trade or start wars – or an unholy combination of all the above. This is a manifestation of basic game theory. In a democracy governed by the rule of law, the political leadership is restrained by hard rules. The authoritarian has no such restraint, and thus has more access to "extreme measures" in acting out to preserve power.

Authoritarian regimes also tend to be incompetent. They are good at consolidating power, not so good at running things. The classic authoritarian leader is incompetent or criminal almost by definition, from an economic standpoint at least, because one-man rule is not an efficient way to run a country (unless the primary aim is not to actually run the country well at all, but to purge one's enemies and steal assets). What's more, the whole "command and obey" attitude is unhelpful: Lack of ability to strike compromise and solve problems with thoughtful engagement and an intelligent mix of policies, the true aims of a government "for the people, by the people," ultimately leads to a government of "screw the people, let's jail our enemies and rattle the sabers and just loot the joint." Even if an authoritarian regime starts with good intentions, over time it winds up in a box canyon due to hard problems. This is where, in a democracy, the leadership would change, allowing for new solutions and a shift of ideology. Such a shift does not happen with the authoritarian regime, however. It sticks around and doubles down on bad ideas instead. Then too, all of the economic risks of authoritarian rigidity magnify when asset prices are falling, rather than rising. The extreme authoritarian response has a tendency to get more extreme.

To see the risk of authoritarianism front and center, look no further than the newest geopolitical flash point in the Middle East: Saudi Arabia. Crude oil prices recently spiked, to a new two-year high, on news of the surprise coup orchestrated by Saudi Arabia's 32-year-old leader, Crown Prince Mohammed bin Salman. Saudi credit risk measures also hit their highest levels in years, as a result of MBS (as he is known) ordering the arrest of hundreds of rivals on the grounds of stamping out corruption. The anti-corruption round-up included a top rival of MBS (a prince who was the son of King Abdullah) and also prince Al-Waleed bin Talal, a value investor with large stakes in Twitter, Lyft and Citigroup, along with the heads of major Saudi media outlets. It's said that if the same actions had been carried out in the USA, it would be as if the heads of ABC, NBC and CNN had been jailed, plus Warren Buffett.

Saudi Arabia, the world's largest crude exporter, has rising risks both internal and external. On an internal basis, there are fears the country will run out of money. Saudi Arabia is swimming in oil money, but also has unsustainable long-run budget expenditures and double-digit unemployemnt rates. Seventy percent of the Saudi population is younger than 30, and on current budget projections Saudi foreign exchange reserves could be tapped out in four years' time. This creates a sense of urgency in terms of reforming the Saudi system, which has essentially been a line of succession from one aged king to another, rulers dying in their 80s and 90s, moving the country forward at a glacier's pace while relying on the high price of oil to subsidize the economy and avoid civil unrest. In the old Saudi system, a patronage network spread wealth to thousands of members of the royal family and their close associates, fueling inefficiency, bureaucracy and stagnation. It is this system that the Crown Prince has decided to smash, in a rather spectacular fashion, in the hope of saving Saudi Arabia from itself and investing for a solvent future. Some of the Crown Prince's big plans include a $500 billion city of the future, a partial privatization of Aramco, the Saudi oil giant, and a $2 trillion sovereign wealth fund. But there is a lot that could go wrong. Saudi Arabia is now experiencing a version of capital flight, with remaining members of the royal family terrified they could be arrested and see their assets frozen. There are also the risks of a head-on confrontation with the hardliner religious authorities, and of MBS himself becoming a full-on authoritarian, concentrating his power Putin-style.

Nassim Taleb has said Saudi Arabia is one of the most fragile regimes on earth, because its institutions have never faced a true test via change of power. Now they could be facing that test. At the same time, Saudi Arabia is a source of external risks that span the Middle East. There is escalation with the country's bitter sectarian rival, Iran, and an expensive war in Yemen, and saber-rattling in the direction of Lebanon. These escalations are being green-lit by Mohammed bin Salman.

Hopeful observers see the Saudi Arabia situation as high-risk, high-reward. If MBS is serious about corruption crackdown and the implementation of reforms, the net result could be a more efficient and resilient Saudi Arabia. But the situation is highly unstable, as things could also go the other way. The touting of crazy plans to solve Saudi Arabia's long-run budget problems, like a $500 billion techno-city built from scratch, hint at how easily a leader's risky gambles can go bad. That in turn increases the risk of more outside escalation, like the instigation of proxy war with Iran, and also the risk of internal rebellion, or civil collapse, if MBS loses control of his regime.

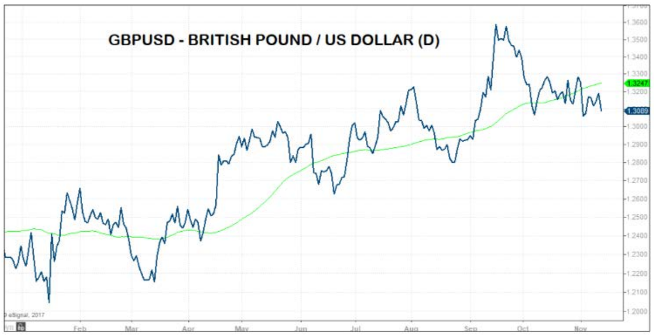
It's not a major surprise that Jared Kushner, who is 36, took an unannounced trip to Saudi Arabia in October, his third of the year, and reportedly spent multiple nights huddled with the Crown Prince into the wee hours of the morning talking shop. The Trump administration has been vocally supportive of Saudi Arabia, with Trump tweeting out strong approval of the crackdown before the state department (which no longer exists for most practical purposes) could even get a word in edgewise. "*I have great confidence in King Salman and the Crown Prince of Saudi Arabia, they know exactly what they are doing,"* Trump tweeted. *"Some of those they are harshly treating have been 'milking' their country for years!"*

Trump is a "wannabe" authoritarian, with a deep reserve of natural authoritarian instincts. He has openly expressed his contempt for the media and the courts too many times now to count, has directly lamented his lack of ability to control the Department of Justice, and shows an open admiration for various authoritarian leaders (most glaringly Vladimir Putin). The authoritarian instincts of the Trump administration have almost certainly contributed to the boldness of Saudi coup, the Crown Prince knowing that his key geopolitical ally is in favor of a power grab (while sharing a clear hatred for Iran).

In the USA, meanwhile, the risk is that of pushback against an administration increasingly feeling cornered. Headlines of late feel increasingly like cutting room floor material from a Dan Brown or Tom Clancy novel: Trump's bodyguard giving confirmation that five women were offered to be sent to his hotel room. Mike Flynn, Trump's one-time NSA director, in a possible geopolitical kidnapping scheme, offering to serve up a US-located enemy of the Turkish state for $15 million. The ever-widening web of George Papadopolous snaring officials who weren't supposed to have knowledge or involvement with Russian contacts, including AG Jeff Sessions. This comes along with the November 7th "blue wave" election results, in which Democrats showed a grassroots strength highly likely to give them a house majority in 2018 (the senate maybe up for grabs too). A pushback by the Trumpian opposition, along with more heat from the Mueller investigation, means more US political (and geopolitical) risk on deck. Nor does this even touch on Turkey or China as potential surprise contributors.

Strategic Intelligence Report

TACTICAL VIEW: Brexit Still Means Wrecks It

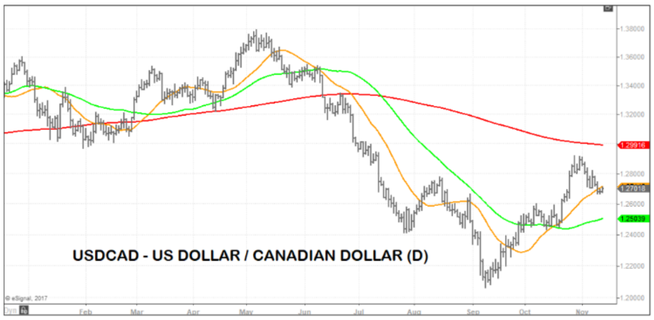


Shorting the British pound (via short GBPUSD) is an example of a trade we like a lot for reasons more fundamental than technical. The price chart is workable, in the sense GBPUSD has fallen below its 50 day MA and is potentially topping out. But really there are a confluence of factors on the situational side that make the idea attractive. First you have a backdrop in which the US dollar in general is likely to gain strength, as a potential reversion to the mean (the dollar being weak all throughout 2017) and a reaction to "risk off" conditions (the USD is a funding currency utilized for debt service payments, and there is less available supply when liquidity contracts). Then too, on the British pound side, you have Brexit which is now morphing into full-fledged disaster. The negotiators on the European side are warning of a possible collapse in talks, which is remarkable in itself. An unspoken rule of European politics is that disaster is like Fight Club – you don't talk about disaster possibilities for fear of a self-fulfilling prophecy. But Europe is worried enough now that Britain has its head in the sand to go from whispering to almost shouting. British Prime Minister Theresa May, meanwhile, has lost confidence and all but lost control, with 40 members of her own party calling for her ousting. Now that the UK has raised interest rates to try and quell inflation, currency markets may get around to realizing there are no good options for Britain's currency and a serious dose of pain ahead (even as Europe experiences its best growth in a decade). This also explains the desirability of being long the euro against the British pound (via long EURGBP). It is the same idea, an expectation of weakness in the UK's currency versus its larger rivals. Indeed the Brexit outlook is now so bad that talk is rising of abandoning Brexit, with various legal experts citing the possibility that article 50 (which takes Britain out of Europe) can be reversed or even ignored. But trying to reverse Brexit at this point would have an impact on UK society comparable to a sudden removal of President Trump from office: Half the country would rejoice, but a significant percentage (along with the national media outlets that serve them) would howl in rage. It is hard to see how the British pound avoids going much lower, against all major currency rivals, when Brexit reality hits full-force.

Speaking of reality hitting full-force: We shorted Tesla after its latest earnings report, with a risk point that represents the closing of the gap (just above the October 31st highs). This is a case where the charts and the story are synchronized. Pure chart technicians could look at TLSA without knowing what the symbol was and want to be short. But the fundamentals favor a short just as much as the chart, if not more. As we've written in these pages, Elon Musk is a brilliant entrepreneur who has likely already changed the automotive world forever by introducing the Model 3. But Musk has changed the world at the potential expense of shareholders, because it is the big auto makers now "all in" on the electric-car future that make it so hard to be bullish on Tesla here. Profit expectations for TSLA do not take into account the Everest-like challenges of ramping up production to half a million cars a year. Nor is the bullish TSLA outlook realistic about the nature of stepped-up competition from so many competitors. Tesla as a company is a great story that will enter the history books, but that has no bearing on the possibility of the stock getting cut in half. The state of credit markets is also a key factor because Tesla will almost certainly have to go back to the well in the near to medium future, in terms of raising new capital to offset its cash burn, either through another debt offering or via more share dilution. Either of those moves in an unforgiving credit market could hammer the shares. Tesla could shed a third of its share value from here and still be above early 2017 levels.

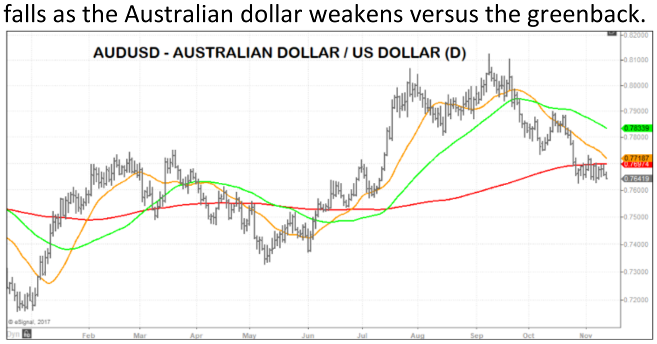
TAN, the Guggenheim solar ETF, resembles the Tesla chart but upside down if you squint a little. We are happy to sit on our multi-leg long TAN position, which is benefiting from an improved outlook for solar installation (the economics are finally turning profitable) and a sense that solar is the future.

We have often sounded snarling bearish in these pages, but that is a function of market conditions and not a permanent bias. As Jesse Livermore has said, there is only one side worth playing in markets – not the bull side or the bear side, but the right side. When valuations are beaten down and depressed at some point down the road, we'll probably sound like crazy optimistic bulls in a world of pessimism and gloom. The best conditions, though, are the ones with enough variation to get a smorgasbord of opportunity in both directions, as various industries can express their bullish or bearish outlooks on a standalone basis, rather than being dominated by the macro heaviness of liquidity tides and central bank operations.



Here and now, in a world dominated by liquidity risks and the actions of central banks, we see currencies as a transmission vehicle for regime change. By that meaning, as things start to come unglued, currency markets may show the impacts early and with force. In that vein the beaten and battered US dollar has started to rise against various counterparts. We dropped our bullishness on the USD early in the year, when it became apparent that the Merkel-Macron axis was a stability source that made the euro more attractive (in a world where Trump made everything uncertain). The falling dollar was also part of the global "risk on" narrative, boosting the earnings power of multinationals while making dollar debt cheaper to issue.

As of this writing, though, credit markets are showing sign of unraveling, and the USD is getting back on its feet. One can see this in USDCAD (shown above), where we will get long if the upward trend continues. Canada has broken its surprise economic growth streak, and conditions are shifting in favor of a potential USD short squeeze as risk appetite wavers. A similar logic applies in wanting to be short AUDUSD, which falls as the Australian dollar weakens versus the greenback.



As the lower-left column AUSDUSD chart shows, the Aussie dollar is in a congestion pattern below its 200 DMA, with the clear potential to head lower. The Aussie dollar saw strength in recent years in part because of base metal and commodity demand from China, which supports Australian exports, and in part because of the Aussie carry trade, in which Australian debt assets are purchased for the yield. Both of these factors could be going away now: China's shift away from capex as a driver for growth is inevitable, and so too is a reversal of the Aussie carry trade yield. Some see these factors driving the Aussie back to 70 cents USD, a multi-year low. If Australia's economy is truly a leveraged call option on China, as some argue, a real China demand bust, coupled with a bursting of the Aussie housing bubble, could send AUDUSD even lower.

We also want to be short silver on a downside breakout, as precious metals prove themselves to be collateral damage of the Bitcoin mania. Searches for "buy Bitcoin" now outweigh those for "buy gold." Various measures like a major drop-off in American Eagle gold coin sales, and high redemption levels for silver ETFs, further show a shift of interest. While gold and silver will always have their fans, a critical mass of optimism and fervor may have migrated over to cryptocurrency, with a libertarian embrace of borderless technology replacing the old affinity for gold as the one true fiat currency alternative.

These are also unfavorable conditions for precious metals in general, given the likelihood of tightening monetary policy and waning risk appetite coupled with still-low inflation. The best combination for gold and silver might be something like a healthy dose of inflationary expectations along with strong likelihood the dollar will decline, and right now we've got the opposite of those two things. Precious metals are commonly touted as a hedge against uncertainty and geopolitical risk, but this isn't really accurate: In a liquidity withdrawal, gold and silver could get hit like everything else. We have looked at the long side of gold and gold stocks repeatedly all through the year, with exposure kept low by lack of follow-through. The return of a fear premium to oil markets could help push oil prices even higher – which in turn could help inflation – but this could also be a recipe for "stagflation," the terrible presence of inflation without growth, if sluggish economies register higher fuel and energy costs but not higher wages.

PENDING POSITIONS

Bull / Bear	Ticker(s)	Vehicle / Area / Industry Group	Description / Strategy	Analysis PDF Links
BEAR	SLV / SI	Silver	Silver prices could fall sharply in an unfavorable environment for precious metals, with Bitcoin taking away speculative market share.	**11-06-17**
BEAR	CADUSD AUDUSD NZDUSD	Canadian, Aussie, Kiwi dollars vs USD	All the various commodity currencies look vulnerable as the US dollar goes into a potential risk-off strengthening pattern.	**11-09-17**
BULL	EURGBP	euro currency / British pound	Similar thesis for Brexit weakness in the pound. Whereas GBPUSD declines when the pound weakens vs the dollar, EURGBP rises as the euro strengthens relative to the pound.	**SIR 156** **10-19-17**

CURRENT POSITIONS

Long/ Short	Ticker(s)	Vehicle / Area / Industry Group	Description / Strategy	Analysis PDF Links
SHORT	TSLA	Tesla Inc	Tesla could lose one-third to one-half its value as production problems mount, competition increases and credit markets turn harsh for capital raising.	**11-02-17**
SHORT	GBPUSD	British pound / US dollar	The British pound likely has much further weakness ahead, as the market looks past a rate hike and the reality of Brexit penalties hits home.	**10-30-17**
LONG	USDJPY	US dollar / Japanese yen	The USD could gain a rate hike edge on the yen, or rocket higher against all comers on a short squeeze.	**SIR 156** **10-12-17**
SHORT	XLP	Consumer Staples ETF	Moderate short position as consumer staples face threats on at least three different fronts.	**09-01-17**
LONG	TAN	Guggenheim solar ETF	Moderate long position from breakout with add-on. Boom-bust solar industry capturing imaginations as solar shows potential for waterfall expansion uptake.	**SIR 150** **06-23-17** **06-14-17**
LONG	EURJPY	Euro currency / Japanese yen forex pair	Sizable position, moderate starter plus multiple add-ons as Europe sees investor capital flows and yen is treated as a funding currency in a bullish backdrop. Took half profits on 10-30-17.	**10-30-17** **09-12-17** **08-24-17** **06-16-17** **06-09-17** **06-02-17**

RECENTLY CLOSED POSITIONS

Bull / Bear	Ticker(s)	Vehicle / Area / Industry Group	Description / Strategy	Analysis PDF Links
LONG	AUDNZD CADNZD	Australian, Canadian v. NZD	Exited positions with bullish Aussie and Canadian long components as both currencies soften.	**11-09-17** **09-26-17**