Variant Perception's Tian Yang on Tail Hedges

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Erik: Joining me now is Tian Yang, Head of Research for Variant Perception.

As the Variant Perception guys always do for us, Tian has put together a fantastic slide deck to accompany today's interview. So I strongly recommend that you download it. Registered users will find the download link in your Research Roundup email. If you're not yet registered, just go to our home page at MacroVoices.com and look for the red button that says Looking for the Downloads? next to Tian's picture.

Tian, in past interviews, we've gone into depth on the process that you guys use at Variant Perception and it's absolutely fascinating content. So, for the benefit of any new listeners that may not be familiar with what you do at Variant Perception and the way that you use leading indicators and so forth to approach markets, I want to encourage them to go back to some of Jonathan Tepper's previous interviews on prior dates on MacroVoices where we do this in detail.

But for the benefit of anyone who hasn't already had the indoctrination, could you give us a quick review of the process that you use and how it flows into the current market environment?

Tian: When we really talk about leading indicators, we're talking about leading indicators of the economy and for liquidity. The way the world works is that markets are somewhat reflexive. So it's quite hard to mechanically predict it in a repeatable fashion.

But the way the economy works is that it is a lot more mechanical. So there is a certain sequence in which things have to occur.

For example, building permits necessarily have to go up before construction activity can start and then before houses are built. Similarly, temp workers will generally be hired or fired first before the full-time workers.

So by thinking about what's leading and what's lagging, and focusing on the leading parts of the economy, we can have a repeatable way of figuring out what's actually happening over time.

Now once we see that, what we then need to do is actually make a judgment on how much of this is discounted in the market and where the greatest divergences are. And that's the part where it's a bit more art, just trying to figure out the greatest divergences.

The ideal scenarios are usually where things are priced very bullishly but leading indicators are turning down, creating short opportunities – or vice versa on the long side.

So our entire process is about looking for the leading indicators of the economy and of liquidity, where the greatest divergences are with the market, and then looking for trade ideas associated with that.

Erik: Well, I think the phrase that you used that it's an art as opposed to a science couldn't be more appropriate right now because it's baffling to me. It seems to me that there have been economic signals for quite a while now that tell us that markets ought to be rolling over. But they're not, or at least they haven't in a decisive way yet.

So where do you think we are? What are the indicators telling you (as we get into Slide 3 on your slide deck here)? Are we finally at the point where things are ready to give? Or do we still need to wait a while?

Tian: In terms of the growth trajectory of the US economy, our leading indicators do show that the US economy is slowing. But, arguably, this is quite consensus right now. And the key question really is about whether this is going to tip into recession or not.

Obviously we've seen the very poor ISM numbers come out for September and August. And clearly a lot of investors have been getting quite worried.

As of right now, in terms of looking out to the next three to six months, I think our judgment is that it is more about growth slowdown, with no imminent risk of a recession yet.

The way we tend to think about it is that recessions are more regime shifts. The recession is when you get positive feedback loops happening between the real economy and the soft financial market data, where they create a negative feedback loop to cause markets to really crash.

This is where, say, credit spreads widen. And then, in turn, that feeds back into company earnings. And then company share prices fall. And then that hurts sentiment. And then credit spreads widen further.

So it's these kind of feedback loops that, once they start, it's quite hard to stop.

As of right now, we don't quite see any of these feedback loops. We mainly just see evidence of growth slowing, but not quite the kind of shift (tipping point, if you like) into recession.

So, as of right now, stuff like fixed income is probably somewhat value priced. There is a slowdown coming. That seems about right.

However, for certain parts of the equity markets, some of the more cyclical areas for example, then there is more of a divergence where, even if we don't tip into a recession, it's highly doubtful if earnings growth can keep up the momentum they had over the past three or four years.

So I think this is slightly more subtle right now where it's a slowing. We're not quite there for a recession yet, but we need to be on the lookout.

Erik: I see on Slide 5 you're bringing China into the fray. And I couldn't agree with you more that China is so critical now. It's so hard to interpret where we really stand on this trade deal.

So how do you guys see this? And since you're so process oriented, how does your process accommodate so many mixed signals coming out of the politics here?

Tian: That's a great question. Clearly, it doesn't really impact it directly. Rather it's indirect.

So when we look at leading indicators, there will be leading indicators of sentiment. And, obviously, for certain sentiments surveys, will tend to lead CAPEX decisions or lead investment decisions. So that's kind of the way it would inadvertently feed in.

And obviously, the key way it would ultimately affect asset prices is that if the trade war causes monetary policy loosening, which in turn will obviously help to drive another reflation cycle.

As of right now, our China leading indicators are still actually quite negative, mainly weighed down by a lot of the external factors. As you mentioned, the trade war is causing a big slowdown in global trade and you can see it in the turnover of inventories.

And if you look at PMI orders, for example, obviously for Chinese export orders they have also slowed quite a bit. So there are a lot of external headwinds for China right now.

And the PBOC have started easing a little bit. But it's not been meaningful enough to offset those negative external headwinds as of yet.

So we kind of have a situation where the domestic data is more like an L shape, trying to stabilize a bit. But, because we're being weighed down by the external, we're still quite far from the 2016 stall reflation that everyone is kind of hoping for to bail us out.

As of right now, it's looking like China is much more of a drag. And there are certainly parts of the international markets that are highly exposed to China that probably haven't really priced it in.

For example, US semiconductor companies derive a lot of revenues from China. If China is slowing and, on top of that, there's a lot of trade war concerns, then those assets look quite vulnerable.

Erik: Tian, let's come back to this question of the art of translating these economic signals into market signals. Because it seems to me like the China story is bad to getting worse.

But, of course, if you understand the politics here, you'd kind of expect that. There's a game of chicken that's being played. And that game of chicken, maybe at the end results in a deal coming together and all of a sudden all of these indicators change. And maybe that's the reason markets haven't reacted.

So how do you bring the calculus of what, really, politically might be a game of chicken into what is otherwise a very mechanical process that you guys use for processing economic data?

Tian: Yeah. Obviously, in the short term it is possible we can get some kind of deal. And that will clearly be somewhat of a relief rally for markets. But it's quite hard, obviously, to know that without having inside information or how exactly the trade talks are going.

But I think it's possible to say a bit more about the strategic implications on where we're going.

On the Chinese side, it looks a lot more like they're kind of entrenched for a drawn-out process. And it's very much about just trying to maintain the status quo for as long as possible.

President Xi has talked about how this is the "long march," which actually is a very loaded phrase in China. It kind of refers back to when the original Communist Party had to go on this long journey of survival during that civil war. So there's a lot of very emotive imagery being used to prepare everyone for a very drawn-out process.

And, obviously, with Huawei and the supply chain, you can see that there is a lot going on to try and reduce their dependence on the US.

So on the Chinese side, absolutely they are just trying to buy themselves more time. And, if possible, I'm sure they'll be keen to just make the deal for the moment.

On the US side, as you mentioned, it's very interesting that President Trump is very much viewing it almost like a game of chicken. And, obviously, in game theory, when we talk about a game of chicken, when you have two guys driving their cars at full speed towards each other, the question is who blinks first.

Unfortunately it's actually quite hard to predict who will actually pull out first when they're driving head on at each other. So actually that points more towards uncertainty.

And obviously this is why nobody really knows. So the market is particularly sensitive to the news. So you could tip either way. And that's probably why we're here.

But certainly, in terms of longer term implications, I think there is a lot at stake here. This is more about the reversal of the past 50 years of globalization, increasingly globalized supply chains. And as these kind of pull back, as supply chains get routed around, the system will become less efficient and there just will be less profit opportunity.

Arguably, for US companies and Western companies, China has been very much seen as just a profit opportunity without all the risks around it that are just springing up.

But, at the end of the day, if you are investing in emerging markets, you've got to be able to swallow the risk, the political risk and those kinds of things, that usually characterize EM investing. So I think it's just more investors waking up to what that really means when they invest in China.

Erik: Moving on to Slide 7 in your slide deck, you're shifting gears to Europe and the ECB. We've got less than a month now before Christine Lagarde takes over from Mario Draghi.

How do you see the European situation? And how do you assess the role that the European economic situation will have on the overall global market system?

Tian: Europe is quite interesting because this is the one part of the world where there is potentially a slight change in the leading indicators. We can see our main European leading indicators starting to bottom out, mainly driven by the fact that monetary conditions in Europe are loosening. European M1s have started accelerating. And typically that has actually led to economic surprises.

So Draghi has really probably done as much as could be done on the monetary side now. I guess Lagarde, when she comes in, it's a question of how much she is going to push fiscal policy.

But it does look like the coincident growth rate in Europe is nearing the peak pessimism. Everyone is obviously very focused on the German recession. But, because the leading data in liquidity is improving, it does look like we are starting to near a bottom in Europe.

So, certainly in terms of the domestically exposed European plays, it's certainly getting a lot more interesting.

But, obviously, because our China leading indicator hasn't quite turned up yet and obviously Europe is still very dependent on China through trade, overall I would paint it as a case of Europe is stabilizing. So the most beat up things have a potential to recover, but it's not necessarily the kind of V-shaped recovery that investors are hoping for.

Erik: Moving on to Slide 8 in the deck, you're talking about some green shoots starting to appear in the global economy. Tell us more.

Tian: The green shoots really relate to global liquidity. The thing to say about liquidity is that, as a whole, the leads tend to be a bit longer. So it's important not to overreact and to watch how it evolves.

But, because we've had a lot of central bank easing pretty much for the whole of this year, the impacts are starting to feed through into leading indicators.

So if you look at global excess liquidity, which is what we call real money growth minus economic growth, that's started to turn up. And that's actually a very, very meaningful liquidity indicator. That does actually provide a lead on a lot of risk assets.

There's a lot of ways of defining liquidity. So people look and say M2 to GDP and these kinds of ratios. But, in terms of what's leading, what we've found is that looking at narrow money growth minus economic growth.

The idea here is that central banks and commercial banks collectively are creating a lot of money from thin air. And when that money is created, it can either go into the real economy as economic activity, or it just flows into asset markets and it goes to supporting asset prices.

So what we're seeing is that, when you have a combination of money growth rising but the economy is still in the process of bottoming out, that actually creates a situation where asset prices end up accepting most of that extra liquidity. That's what we're starting to see now come through in the data.

Really this is more about, say, mid-2020 onwards. This is going to become quite a supportive factor.

But, in terms of for the next three months, Q4, we're probably not going to see a huge benefit from the liquidity. The market's probably going to be a bit more focused on recession risk growth, earnings growth for now.

But the green shoots are certainly helpful from mid-2020 onwards.

Erik: Moving on to Slide 9, let's talk about equities.

Tian: Obviously, overall I've painted a somewhat bearish picture. Not outright too bearish because. Obviously, we don't necessarily see an imminent recession. But, as we've discussed, there's a lot of risks around right now.

Earnings growth has been very poor. Yet, obviously, S&P is still trading somewhat near all-time highs. And equities have shown a very, very big divergence. Some cyclical sectors have been hit very hard. But, for the most part, the index is holding quite well.

So, against that picture, overall we are still concerned by the fact that growth is slowing by earnings slowing. So we don't think it makes sense to be too fully allocated to equities.

But we also recognize that the market is starting to be positioned that way. The

BofAML's Fund Manager Survey came out. Obviously people are very bearishly positioned. There's been a lot of surveys showing that.

And even our own measures of how hedge funds are positioned, we can see that CTAs, macro funds, are very short right now. This actually creates a somewhat binary situation where, if we can break out all-time highs, it will probably actually cause a lot of stop losses and actually generate a lot of momentum on the upside when all the people that are under-positioned get stopped out.

Or the markets wake up and decide we've had a few quarters of bad earnings and the guidance is very bad. In which case, the market is going to have to price back down to more realistic multiples.

Against that situation, what is very interesting is that you probably need more left- and right-tailed trades. This is what I've laid out over the next few slides as well where, in terms of right-tailed hedges, I think ratio call spreads are actually very, very interesting right now – or something like the S&P.

The idea being that if you sell a co-option – that is, say, 105% of where spot is or somewhere close or above where the all-time high is – you can effectively use that premium to buy two or three or even four co-options that's a bit further out the money. So you kind of have this very leveraged upside if the markets really break through.

Obviously, if we struggle to get above all-time highs, it kind of just expires worthless. And you don't lose any money. So this is a kind of situation where we are thinking a lot more about right- and left-tailed hedges.

On the left-tailed side, as I mentioned briefly as well, we've seen semiconductors are holding up very, very well despite the weakening in the fundamental data. We see global semi sales have been very, very poor.

Similarly, if we look at certain US industrial companies, like the US railways, they've recently started selling off. But, for the most part, if we look how carloads originated, these have been contracting for a long time. You know, the railways are heavily dependent on the coal markets and we know coal is in secular decline.

A lot of these companies where the earnings have been very, very weak but their prices have held up, this is where we're probably looking for more the downside plays. So these are where you're looking at stuff like put-spreads, put-spread collar, and outright shorts to play for the growth slowdown and then holding those right-tailed hedges on the main indices. Just in case we break out to all-time highs.

Erik: Tian, as we talk about hedges and risks in the market, I'd like to bring up this question of what the heck happened with repo rates in the last few weeks.

And, for that matter, another event, which I'm not sure that it was related but it feels to me like another ripple under the surface of markets, was the very sudden divergence between value and growth that we saw a couple of weeks earlier.

You guys do a lot of work to really accurately map not just economic fundamentals but also liquidity.

So, in terms of US dollar shortage, the repo market shenanigans that have been going on, what do you make of this whole situation? And how do you interpret it?

Tian: I think our perspective on it is that, even though the officially defined reserves are very plentiful in the system because of various changes to regulations of how bank balance sheets are deployed, in practice, obviously, there is a lack of reserves for the main money center US banks, the too-big-to-fail institutions that actually absorb a lot of the Treasury issuance that's been coming out on the intraday basis, and all actually funding it.

So I think from our perspective, our understanding of it is that originally we had a situation where foreigners are going on strike in terms of buying US Treasuries. The main reason being that the cost of hedging into their own currencies is becoming very high.

So before – everyone might look at headlines and say, okay, Japanese 10-year and 30-year bonds are yielding nothing, but in the US you can get 1%, 1-1/2%, 2%, depending on, obviously, what time they were looking at Treasuries.

So in theory they should buy US Treasuries. Obviously, if the cost of hedging is now 200 to 300 basis points, it doesn't make sense for them. So you have foreign buyers starting to step back from the Treasury market. So then domestic US banks have to step in. And slowly they kind of disseminate out.

The problem with that is, obviously, that's tying up a lot of their balance sheets when they do it. So it seems more a regulatory issue where, because the balance sheets are being tied up intraday, they really need to – the Fed really needs to do something to address it so that you can loosen up the reserves on their balance sheets to be used.

I wouldn't term it as the worst-case scenario of *this is a genuine banking crisis* or *that's really a lot of the plumbing is showing a lot of systemic risk*. This seems more of a case that the systemic important banks don't have enough reserves to fulfill their various obligations under all the new regulations that come out.

So this is something the Fed can address. And obviously the Fed, by going into the market and doing open market operations, can address it. They can obviously open discount windows. So this is probably more just saying that there's a lot of unintended consequences from regulation.

But I think, from our perspective, we don't view it as like the kind of money market stresses that led into the last crisis where there was a slowdown. There's a lot of problems within the underlying economy.

Erik: Another prediction that we've heard from some of our guests on MacroVoices is that before Q4 is out the Fed will announce QE4, another round of quantitative easing.

And, if that were to happen, some people are saying, okay, look, history shows us that every time the Fed announces another round of QE, the markets just rip higher.

Other people have said, no, wait a minute. The dynamics are changing. The efficacy of QE each time it was done was less than the time before. We've kind of reached the point where QE has run out of steam. It's not really going to be enough to rescue the markets this time. It wouldn't work if they did it again.

You guys look at liquidity very objectively. Do you have any opinion on which side of that argument is right? And, for that matter, what is your take on whether or not there is any real likelihood of the Fed announcing QE4 – either in Q4 or any other time?

Tian: In terms of our liquidity framework, as I mentioned, we tend to look at real narrow money growth a lot. So when the Fed does QE, obviously, it's mainly about them growing their own balance sheet and then putting money out there. But it's not clear that if there is a multiplier effect on top of that, you still need commercial banks to be responsive to go out and create the money to really get money growth as a whole to rise.

So, as of right now, if you look at Fed lending surveys in terms of loan demand and the like, there is not a huge amount of demand. So I think it's fair to definitely say that efficacy is going to be lower in terms of just the impact on money growth.

But, clearly, at the margin it will still be beneficial. It's going to squeeze everybody further up the risk curve. So the old QE reflation playbook – long equity, long bonds – it should still be valid as long as the Fed is doing something. It's just a question of how much.

I don't think it's going to stop working because, obviously, ultimately you're mechanically still creating extra money from thin air. And we're just living in a system where central banks and commercial banks are driving liquidity conditions.

So, from that perspective, we're probably somewhere in the middle. I do think it will work if they do announce it, in terms of asset prices. For the economy, basically we've seen over time it doesn't really work. But, in terms of boosting assets, you would think it's still going to be something that works.

But, in terms of when they announce it, it seems quite optimistic. I would guess that all the people calling for QE in Q4 is because they see an imminent recession, presumably because yield curves have inverted and ISM has dropped below 50.

But, as I discussed earlier in the presentation, we think of recessions as a regime shift. So you need to look across all areas of the economy to see if you're getting feedback loops kicking in. And, as of right now, there are very few feedback loops. Truck sales might be slowly rolling over. Building permits are not growing at the same pace. But credit spreads, obviously, are very tight. Initial claims haven't really ticked up too much.

So you don't quite see the signs of simultaneous deterioration in both the hard and soft data that would suggest we're heading into imminent recession. And before we hit a recession, the Fed will go.

Erik: Tian, I just want to come back to the point about value and growth.

That divergence we had one day where all of a sudden there was just this cataclysmic shift, even though the market index overall didn't move that much. So most people didn't even notice it. But there was a huge ripple under the surface.

Was that horribly significant? Or was it not a big deal?

Tian: Just judging by the price action, if you've got large one-day moves that don't follow through, it's probably somewhere that quant funds got overstretched and there was a stopping-out kind of process.

I guess from our framework, what we can say about growth value is, obviously, it's implicitly a judgment on where rates are going. Obviously, if interest rates are going lower and discount rates are going lower, it tends to benefit the growth stocks more than the value stocks. Just because now your future cash flows discounted to today are worth a lot more.

So I think this is more about, implicitly, markets saying that rates are probably not going to go much higher.

What is very interesting, though, is if you actually look at the growth value differential and plot it against ISM, the ISM actually does provide a lead on it. And, obviously, the ISM can be used as just a proxy for growth, generally.

So, potentially, given that ISM's continue to trend lower, it's actually at a point where it's saying, you know what, growth stocks might be a bit too overpriced. [UNCLEAR WORDS].

That yes, the reason growth value is here is because of where rates are. But, because the underlying growth conditions are deteriorating, there will probably need to be adjustment here. Where if the earnings continue to be very poor, then the growth value relationship should actually come in a little bit.

So I think that's probably where we are. It's kind of, really, we're coming to the crunch point.

Obviously, we're going to see Q3 data, the Q4, from all our leading indicators suggest that, as a whole, earnings are still going to very poor. So we've got another three to six months' worth of earnings that are not going to be great.

That will be very, very interesting, to see if the growth value persists. But if the ISM relationship holds, then I suggest that that does need to compress a little bit.

Erik: So far we've been focusing on developed markets. Let's move on to emerging markets.

What do you see on the horizon there?

Tian: Again, when we think about EM as a whole, in terms of top-level framework, we really care about liquidity. We view EM as very much a higher bid to play on whether overall liquidity conditions in the world are rising or falling.

So there are two key things we think about for EM.

One is global liquidity rising or falling. As I mentioned, we see that from mid-2020 onwards it's going to start looking a lot better.

And then the second key thing we want to see is that EM liquidity is rising faster than DM. And the reason this is important is because, normally when developed markets create liquidity, it will tend to flow to where the yield is highest. So typically, say, emerging markets or high-risk assets.

And what's interesting is that, when money flows into emerging markets and emerging economies, it actually causes buildup of FX reserves a lot of the time. Which allows those EM central banks in turn to loosen monetary policy and so create this second monetary easing on top of the first initial capital inflows.

That's the recipe to really drive a big reflation wave in EM. That we haven't quite seen yet.
So, for now, our view is that it still makes sense to focus on DM in terms of, say, equities.

But, obviously, on the fixed income side, EM fixed income is actually still somewhat attractive. A lot of EM central banks are going to be following the Fed, following the ECB, and easing policy. But, obviously, their rates are much higher so they have a lot more room to cut. So there will be a lot of support there for EM fixed income still.

EM fixed income has had a very good run this year. But if we look at where Treasuries are and what they are yielding, there is still a lot of room, I think, for EM rates to come down.

If you even look within the US's neighbors – Mexico has started their easing cycle. They've hiked rates some 500 basis points during this cycle. So there is a lot of room for them to cut still.

So I think EM fixed income is still very interesting right now. But EM equities, I think you want to wait for very, very clear evidence of a major recovery in liquidity before turning there.

Erik: Tian, I'm just thinking back to the comments you made earlier about the ratio call spread. I believe that you said that you were actually looking at several different tailed hedges, both right-tailed and left-tailed.

And I think it's so relevant because, frankly, we've had quite a few guests on MacroVoices recently with extreme views in both directions. There are a lot of people making good arguments for why the Fed could step in with QE4 and that could cause stocks to rip 1,000 points higher. We've got people talking about why the crash is just around the corner. And, frankly, nobody is really sure.

So do you have any other tailed hedges, either right- or left-tailed, that you guys are looking at and discussing with your clients that you might be able to share with our listeners?

Tian: Something I've been thinking a lot about is in Europe. Because, obviously, we had Draghi come out and effectively say we're going to do QE-Infinity until inflation gets back towards target.

And so, potentially, Europe is already there in terms of this play where, if the QE kicks in – and now they've obviously stopped, they've actually introduced tiering in the banking system. So it's going to be less painful for the banks. That's something that could happen in Europe.

And this is particularly interesting because, obviously, Eurozone banks are still at depression kind of levels. We're, like, back to the – I think we're even below the lows we had during the initial 2012 Eurozone crisis.

So you end up with a situation where the banks' equity themselves is almost traded like they're options. So if you actually look to buy co-options on the Eurozone banks, they are insanely expensive right now.

Now, what's very interesting is that for the Euro Stoxx Index as a whole – for the European-wide index as a whole – co-options are actually not as expensive in relative terms. So what you can potentially do is sell up a call switch where you sell Euro Stoxx banks calls to fund index calls. And there, the ratio can be very extreme. Potentially you can buy 10 co-options in Euro Stoxx just for selling one bank call.

Now, obviously, the reason for this is that there is so much focus on the banks. They could potentially outperform. But even if we go back to, say, when the last QE happened (2015-16), I think the highest the bids have really got for the banks was around 2.

So, say, if the banks rally 50% from here, you would think the index should still be up about 20%-30%. So, obviously, if you just strike your calls appropriately, that structure should really pay off a lot.

There again, it's just taking advantage of the fact that vol is incredibly expensive on the banks themselves and use that to buy wider index options – obviously, the idea being that banks are an essential part of the European economy.

If the banks truly recover and they do truly start lending, then, clearly, the wider economy and the wider indices should also do well as well. The only kind of risk around is –

Obviously, if you get a situation where the banks rally a lot but the European indices don't, as far as I can think of those are probably only going to happen if, say, the ECB starts doing QE by buying back equities or something that can really cause the banks to massively, massively outperform the index.

So that's an example of a right-tailed hedge. I think it's quite attractive to at least keep an eye on or to think about.

In terms of left-tailed hedges, similar to the semiconductor example I gave earlier, I think it's very much looking at sectors of the economy that people think of as very high-quality, as bond-like, but that are actually somewhat cyclical.

I mentioned railways and semis a bit earlier, where people think these are great-quality businesses. They have a lot of monopoly, oligopoly power, essential products. But, ultimately, they are still cyclical. And I think there are a lot of businesses that fit into that where, if you set up downside structures on those names themselves, it could be very interesting.

One example I can think of, say, Facebook, where everyone thinks of it is, obviously, it's growth, it's tech, it's a monopoly, it's social networks. But, ultimately, they depend a lot on advertising revenue.

In a recession, advertising revenue is going to drop. Facebook probably has a lot of exposure to the more startup-type companies that, again, in a recession are probably just going to go into bankruptcy.

There, again, it's probably somewhat asymmetric where in a recession those companies that people previously thought of as very high-quality companies are going to get hit.

So that's the kind of left-tailed hedges I would be thinking of.

Erik: Well, Tian, I can't thank you enough for another fantastic interview. Before I let you go, for any of our listeners who are not already familiar with what you do at Variant Perception, please give us the quick rundown on what you do there and how people can follow your work.

Tian: Variant Perception is an independent research provider which focuses on using leading indicators to come up with investment strategies – obviously, a lot of stuff we talked about today is grounded in leading indicators – and then trying to translate that into trade ideas.

We also offer clients a data service where they can subscribe to receive our proprietary leading indicators or our proprietary scores. For institutional investors who are interested in either the data or the institutional research, please look up variantperception.com for more information.

Erik: Well, Tian, I really appreciate another terrific interview. We look forward to getting you back in a few months for another update.

Patrick Ceresna and I will be back as MacroVoices continues, right here at macrovoices.com.