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Episode List

Episode #	Date	Guest	Main Topics	Real Vision TV Encore	Guest Link	Podcast Link
32	9/22/2016	Alex Gurevich	USD, Fed, Gold, Japan, China		The Next Perfect Trade Honte Investments Alex Gurevich Twitter	Alex Gurevich
31	9/15/2016	Raoul Pal	USD, TSYs, Biz Cycle, Gold, Brexit, Soft Commodities		Real Vision TV The Business Cycle	Raoul Pal

United States, Federal Reserve & US Dollar

Date	Speaker	Knowledge	Trade Strategy
9/22/2016	Erik Townsend	<ul style="list-style-type: none"> -Still in trading range, maintains bullish view of USD moving out of range to upside in long term -Think we're getting closer and closer to Fed admitting economy is slow and aborting rate hike cycle, this could send dollar lower -Hasn't shorted market, thinks election will have major effect and hard to tell who will win -Hillary election = more accommodation, business as usual -Trump - has railed against the Fed, but wouldn't want to crash markets, it's a Wild Card 	-Considering lottery ticket trade - out of the money puts
9/22/2016	Erik Townsend	<ul style="list-style-type: none"> -Surprised by how quickly Equities responded to upside, DXY to downside. DXY still in consolidation range -Thinks DXY held in range because expectations of Fed hike in December, Fed admitting otherwise could send DXY to \$91 	
9/22/2016	Alex Gurevich	<ul style="list-style-type: none"> -Not surprised by rally, market was trapped in 'bearish bond', hike would have caused risk off shock, rallying in long end of yield curve, temporary rally in DXY, temporary sell off in Stocks -Technical pressure on yield curve and bond market coming from ECB and BOJ -Have established strong pattern of ECB and BOJ disappointing over the last year -Yield rise in Japan pulled US yield up, relief of nothing happening with the Fed pulled yields back -Market was pricing in 20% on Fed Fund Futures, thought likelihood more like 3%, couldn't imagine hiking with probability that low, no "surprise hikes" since 1994 -Some primary dealers/researchers putting out hike opinions was able to scare market upward, got relieved by meeting results 	
9/22/2016	Alex Gurevich	<ul style="list-style-type: none"> -Think of DXY in terms of "Concurrent Necessity", Long DXY is dominant trade, concurrent necessity with rate hikes -People saying DXY rally was over we're saying so due to belief that hiking cycle was over, however yield curve is still pricing in hiking cycle -Can't price one asset (DXY) based on non-market projection of another asset, so to price DXY you have to look at Yield Curve -USD v Developed Markets is a policy game, USD v Emerging Markets is a growth and risk game -Carry on USD v CHF 2% which is huge considering contained volatility -10 Yr Forwards on Euro (pricing in US yield curve) around 1.35, pretty high versus Alex's equilibrium value of 1.20 	<ul style="list-style-type: none"> -if you think yield curve will rally, correct trade is to be long bonds -if you think that is not the case correct trade is to be long dollar -Long dollar can succeed without hiking cycle by Fed because of other central banks -DXY will rally if we have hiking cycle, DXY may or may not rally if we don't, so Long Dollar is dominant trade -Long "Long-Dated" Bonds will perform well with no hikes, you'll just keep earning carry, with hikes yield curve will flatten, DXY rally supporting long end of the curve
9/22/2016	Alex Gurevich	<ul style="list-style-type: none"> -Once you have a hiking cycle interrupted, history says next move is an ease. Very rare to pause a hiking cycle then continue hiking, and usually the ease comes quicker than people expect -Historical patterns good way to gauge what is likely to happen, doesn't have to happen, but if it's happened every time for the last 30 years it's it'll probably happen again -Must consider other factors, like the Fed clearly saying they want to hike, but don't be blind to possibility of easing 	
9/22/2016	Alex Gurevich	<ul style="list-style-type: none"> -Clinton presidency is "business as usual". Hard to determine how market will respond. Could cause relief rally in stock markets, or sell-off as nothing has changed. Could have relief rally in bond markets -Have to pay attention when candidates say things that are outliers, Trump wants to increase infrastructure (increase debt), has mentioned not paying 100% on UST -Cannot disregard 'fear factor' associated with this election -As Trump surged saw push down in Treasuries -Also noticed Inverted swap spreads, Long dated trading at Libor +50, medium term treasuries trading at Libor +10 Libor +15, could have to due with Dodd Frank, but could also be pricing credit risk on UST -Clinton winning could rectify swap spreads 	

United States, Federal Reserve & US Dollar

Date	Speaker	Knowledge	Trade Strategy
9/15/2016	Erik Townsend	-Still in trading range, maintains bullish view of USD moving out of range to upside in long term -Think we're getting closer and closer to Fed admitting economy is slow and aborting rate hike cycle, this could send dollar lower	
9/15/2016	Raoul Pal	-Still think dollar is going to rise, taking longer than expected -Libor and Eurodollar funding markets suggest Euro should go to parity based on interest rate differential as US IR have shot higher -Probability suggests that this is a pause in the dollar rally, even if US struggles it will remain relatively strong compared to the rest of the world	
9/15/2016	Erik Townsend	-May actually see a short term dip in dollar market if Fed has to admit the economy is not strong and has to temper rate hike expectations	
9/15/2016	Raoul Pal	-Think that is possible, but USD isn't only about Fed monetary policy, it's a much more structural issue with \$10 TN short position in USD and funding issues of the position -DXY may to go \$92 temporarily, but thinks next major move (\$10+) is higher	
9/15/2016	Raoul Pal	-Fed possibly trying to create a positively sloping yield curve to help banking sector -Based on Biz cycle, probability of Fed to do something is very low	-Long Bond!
9/15/2016	Erik Townsend	-Jeffrey Christian pointed out last week that banks are disincentivized to loan money when they can earn 25 bps on excess reserves with the Fed	
9/15/2016	Raoul Pal	-Basel III makes it hard for banks to lend as they used to -Don't think people would borrow even if they could -Don't think banks are in position to lend or want to lend	
9/15/2016	Erik Townsend	-What could cause rate cycle to end? Something tying Fed's hands. Inflation. -Market prices fall off a cliff in face of accommodative policy move -Issue is still what would stop the Fed from continuing accommodative policy in event of market move to downside?	
9/15/2016	Erik Townsend	-QE is not literally printing money, but it is creating additional money supply out of thin air and using it to buy T-bonds -Is QE Monetization of debt? *Technically* no, because they are not buying the bonds straight from Gov'n't but going through a middle man, just like Clinton didn't *technically* break US drug laws	

Europe, ECB & Euro

Date	Speaker	Knowledge	Trade Strategy
9/22/2016	Alex Gurevich	<ul style="list-style-type: none">-Brexit is a serious risk, was in the unpopular "leave" camp, right thing for UK, wasn't a pessimist on European economy, but migrant crisis and political problems increased pessimism-Developed world politics becoming much more of a risk than they used to be-Declining population in core of Europe with inflow of very different culture-Major migrations are highly destabilizing for countries receiving inflows of people	
9/22/2016	Alex Gurevich	<ul style="list-style-type: none">-How would disbanding EU affect Euro? Could be paradoxical, if everyone else leaves and Euro is just Deutsche Mark would need to strengthen v dollar	<ul style="list-style-type: none">-Short Euro still a good trade, if Europe proceeds with current yield curve will see negative real interest rates (against 1% - 2% inflation) while in US curve projections real IR moving towards 0 or positive real IR.
9/22/2016	Erik Townsend	<ul style="list-style-type: none">-Germany being the last country in EU is just one scenario among many. What if Germany is the first to leave?	

Europe, ECB & Euro

Date	Speaker	Knowledge	Trade Strategy
9/15/2016	Raoul Pal	<ul style="list-style-type: none"> -Had previously said Brexit likely to be remembered in long run as beginning of end of EU -Populist movement growing out of discontent (German right, Italy, French right, America) -Catalysts of various European elections (Spanish have failed to hold a Govn't together for 9 months, going into 3rd election) -Brexit shifted odds of something happening in Europe higher as it showed people can reject the status quo (adds pressure to countries like Spain, Greece) 	
9/15/2016	Raoul Pal	<ul style="list-style-type: none"> -3 years ago noticed DB looked concerning, CS also looked bad -Rolled into Italian banks then into Spanish banks (recently hit all time lows again) -Systemic issues - Negative IR, Regulation, Bad Loans -DB has enormous Derivatives risk -European banks driving Eurodollar funding market tightness -Swap lines are in place for Fed to supply dollars to Eurodollar market -Libor keeps moving higher, highly correlated to DB -Biz cycle - France basically in recession, Germany weakening, Spain OK. If we weaken significantly will see issues in Banking system and political system 	
9/15/2016	Erik Townsend	<ul style="list-style-type: none"> -Banks net derivative risk, this doesn't work because if one counterparty fails you're now exposed to the other position 	
9/15/2016	Raoul Pal	<ul style="list-style-type: none"> -Much bigger risk - Clearing and Custody System DTCC (America) Euroclear (Europe) government bonds that are the heart of the derivative system are lent out ~30 times, so nobody actually has full claim on the bonds, so if one country in Europe (ex Santander and Spain go bust) the systemic problems in derivative industry is beyond imagination -System cannot allow sovereign risk then there is no risk free collateral -Spanish Pension system 90% in Govn't bonds -May not be huge leverage on Spanish Govn't bonds, but huge bank leverage with Spanish Govn't bonds underneath it. Santander active in swaps/derivatives market so if sovereign debt defaults Santander either has much less collateral or can no longer fund itself 	
9/15/2016	Aaron Chan	<ul style="list-style-type: none"> -Citi may purchase \$380 BN portfolio of CDS from CS (bought \$250 from DB last year) to net out own derivatives book -DB is rumored to have \$75 TN in derivatives 	

China, PBOC & Yuan

Date	Speaker	Knowledge	Trade Strategy
9/22/2016	Alex Gurevich	<ul style="list-style-type: none"> -When there is uncertainty in government data, try to stick to things we know for sure, like the \$30TN in private debt in China -Largest amount of private debt ever, one of the largest relative to GDP debts, one of the fastest growing debts, both nominal and relative terms -No historical precedence for this amount of debt not ending in some catastrophic unwind -Historically, when China starts to gain imperial power they find a way to blow up -These are two historical patterns going in the same direction (Debt Unwind, China Self-destruction) -Typical way to deal with this is devaluation, capital flow pressure is still outward 	<ul style="list-style-type: none"> -Straight Long USD v CNY is a good trade, not betting on specific timing -Compare DXY v USD v CNY the second is doing much better -Have to beat some carry -If you're wrong, CNY holds this level, you lose carry, right you might make a little above carry, with call option of catastrophic unwind
9/22/2016	Erik Townsend	<ul style="list-style-type: none"> -Big mistake is thinking that inevitable = imminent 	

Date	Speaker	Knowledge	Trade Strategy
9/15/2016	Raoul Pal	<ul style="list-style-type: none"> -Flight capital subdued because dollar is subdued -Bullish thesis from investors in HK - in the event nothing happens EM does OK, but if USD rises all bets are off 	

Japan, BOJ & Yen

Date	Speaker	Knowledge	Trade Strategy
9/22/2016	Alex Gurevich	-15% strengthening of Yen, accompanied with strong correlative performance of Nikkei, imagine if BOJ gets traction and Yen weakens	-Long Nikkei, favorite stock market
9/22/2016	Alex Gurevich	-Being long USD v JPY was one of the best trades (2010-2015) -Covered profits along the way, trade started to go against him, rebuilding now -Found a line in the sand ~100, basing is beginning, could it go a few points lower, probably, probably won't go to ~70 though. -On a long term horizon, Gundlach sees it go to 200 -BOJ still expanding monetary base, if you keep making more of something it will get cheaper	-Building again long USD v JPY trade

Equity Markets

Date	Speaker	Knowledge	Trade Strategy
9/22/2016	Erik Townsend	-Even though Alex doesn't pay attention to "Billionaire Bears" Erik disagrees, people with this much money can move markets and if they are levered short and are proven wrong there could be a huge short covering	

Date	Speaker	Knowledge	Trade Strategy
9/15/2016	Aaron Chan	-Market off nearly 80 points from Friday - Sunday testing 2100 -Monday retraces half the move testing 2150, rolled over Tuesday trading below 2110	
9/15/2016	Erik Townsend	-Market volatility due to "will she won't she" with Janet Yellen -Fed reached point they realized they can't raise rates, but hard to admit -Historical Market Crashes - Top in August, get crazy volatility in Sept, final crash happens in October	
9/15/2016	Raoul Pal		-Went short during Brexit period but saw things bounce back, holding on to some shorts
9/15/2016	Erik Townsend	-Equities and bonds selling off at same time, breaking usual theory that one is selling off and money going into the other one	
9/15/2016	Raoul Pal	-Overcrowded strategies create risk (Risk parity is one of them) -Banks creating synthetic risk parity trades, upping amount of \$ in this strategy -Also concerned about highest recorded short positions in VIX, coming from yield enhancement strategies from Pension funds, this can create margin call and required equity liquidation in event of volatility explosion (This could easily become reflexive)	

Fixed Income Markets

Date	Speaker	Knowledge	Trade Strategy
9/22/2016	Erik Townsend	-Yield at 1.62% but not really regretting not getting in a 1.7%, usually puts on longer term positions and there is still room to go to 2% and expect a decent amount of volatility to come -Still expecting eventual resolution down to 1%	
9/22/2016	Alex Gurevich		-Long *Long-Dated* Bonds will perform well with no hikes, you'll just keep earning carry, with hikes yield curve will flatten, DXY rally supporting long end of the curve
9/22/2016	Alex Gurevich	-Even if Fed hikes 1 time a year for 10 years you still make money or break even on 10 Yr notes -T Bonds are cheap relative to any other counterparts on a historical basis and cheap relative to swaps -Need to distinguish US interest rates defined by swap markets and interest rates as defined by US T Bonds, T Bonds starting to price credit risk	-Committed to long bond trade, increased position after BOJ going into FOMC, moving it back up to size of core position
9/22/2016	Erik Townsend	-Still think we're going to 1% yields, but man it's been 35 years of Bull Bonds can't go THAT much further, is there a pairs trade (maybe short German Bunds that's already negative yielding) that will make the trade safer	
9/22/2016	Alex Gurevich	-Don't hedge for the sake of hedging, only do a pairs trade if he likes each leg, if they happen to be correlated even better -Don't think Bunds are going anywhere, any buy would be tactical and doesn't really engage in tactical trading -Don't see any indications that occur at the end of a secular trend - no euphoria, no bullishness, no parabolic rally	-Pair Long Bond with Long Dollar is a good hedge against Hawkish policy, but doesn't hedge against fiat weakness and steepening, gold is a better hedge for this

Date	Speaker	Knowledge	Trade Strategy
9/15/2016	Aaron Chan	-10 Yr Yield jumped 10 bps, up to about 1.71%	
9/15/2016	Erik Townsend	-Was looking for 1.70% yield as resistance level to put on Long 10 Yr treasury trade that has been successful so far this year -Did not put on trade guys like Gundlach, Dalio, GS saying high in bond prices, low in yield is in	-Long 10 Yr Treasury (Long Bond has been the #2 Macro call from Keith McCullough of Hedgeye since the December Rate hike (#1 being long Gold))
9/15/2016	Raoul Pal	-In April suggested 10YR Yield may hit 50 bps -Looking for stab higher (perhaps 2%?) but thinks that sows the seeds of recession case and would expect bond yields to come much lower after that -No reason to believe 10 Yr would get down to 50 bps in recession case -Risk-Reward is long bond (May go 30 bps higher to 200 bps or 130 bps lower to 50 bps)	-Closed out all bond positions (Had for the past 2 years) at the end of August thinking there would be a back-up in rates
9/15/2016	Raoul Pal	-Given the "Great & Good" of the world say rate cycle has turned, we need to look at what turns the rate cycle? It's either inflation or credit risk . -Neither of these look to be an issue at this point in time -They've all got JGB market wrong for the last 20 years -Demographic tailwinds and other reasons rates are where they are haven't gone away	
9/15/2016	Raoul Pal	-Bond yields tend to go up when we see a bottom in biz cycle, right now we are looking for the opposite	

Oil & Natural Gas

Date	Speaker	Knowledge	Trade Strategy
9/22/2016	Erik Townsend	<ul style="list-style-type: none"> -6.2 MMBoe drawdown (3.2 MMBoe build expected), 526 Mboe build on Cushing Inventory, Gasoline 3.2 MMBoe drawdown, 2.2 MMBoe build on distillates (+1MMboe net drawdown on finished products) -OOTT projecting next week as the "big build" -Time spreads are narrowing, suggesting fears on inventory crisis during fall maintenance season are waning 	

Date	Speaker	Knowledge	Trade Strategy
9/15/2016	Aaron Chan	-Last week, massive 14.5 MMBoe drawdown, Tropical Storm Hermine delayed arrival of tanker ships	
9/15/2016	Erik Townsend	<ul style="list-style-type: none"> -560 Mboe draw in national inventory, 1.25 MMBoe draw in Cushing, 570 Mboe Gasoline build, 4.6 MMBoe build in Distillates (Massive) -US Production ticks up breaking 3 week down trend -Takes time for shut in production from Hurricane to come online, #OOTT predicting 2 weeks out will be the really big build 	
9/15/2016		<u>Art Berman's Article on Oil-Glut Bomb</u>	
9/15/2016	Erik Townsend	<ul style="list-style-type: none"> -Nigeria and Lybia suggest increased production, spiked down to \$43.26 which was fairly quickly retracted to about \$44.35, now back down to \$43.82 at time of podcast -Bearish factors outweigh bullish factors, bullish factors are short term, market looking for confirmation from inventory build 	

Precious Metals

Date	Speaker	Knowledge	Trade Strategy
9/22/2016	Aaron Chan	-Still seeing consolidation in Gold (1,308-1,377), flirting with bottom of range last week	
9/22/2016	Erik Townsend	-1,341 at time of recording 1,347.80 was high of the day, fueled by reaction to FOMC no hike and dollar weakness -Expected bigger pop, 1,347 \$10 less than last week even on confirmed no rate hike	
9/22/2016	Alex Gurevich	-Gold is a good hedge against weakness/loss of confidence in fiat currency and yield curve steepening	
9/22/2016	Erik Townsend		-Long Gold Long Dollar
9/22/2016	Alex Gurevich	-Correlations can break down due to technical reasons and market positioning -Think upside in Gold is bigger than downside, yes it could go to \$600 - 700 but could also go to \$3,000 - 4,000	-Alex is Long Stocks, Long Bonds, Long Dollar and Long Gold

Date	Speaker	Knowledge	Trade Strategy
9/15/2016	Aaron Chan	-Still seeing consolidation in Gold (1,308-1,377), tested 1,308 key support level 2 weeks ago -Market surprised last week, hitting 1,357 -Looking for breakout above 1,377, but tested 1,312 on Thursday morning	
9/15/2016	Erik Townsend	-More bearish (opposite of Jeffrey Christian), but now would be the time to enter a trade if you were bullish	-Would enter with a hedge, Long Gold Future, Long Dollar Index
9/15/2016	Raoul Pal	-Negative rates meant gold becoming more attractive over time	-Took profits on short term gold positions at beginning of September -Long Gold vs dollar and Long Gold vs. basket of currencies -Long Gold and Long Dollar - can't see both going down, if one goes down then it's hedged, possible for both to go higher
9/15/2016	Aaron Chan	-Gold hedges against NIRP and Inflation, Dollar hedges against deflation and global deleveraging	

Soft Commodities

Date	Speaker	Knowledge	Trade Strategy
9/15/2016	Raoul Pal	<ul style="list-style-type: none"> -Really supply & demand driven, but also recently hurt by stronger dollar -Macro backdrop - higher protein diet = more grain consumption, higher calorie diet = more grain consumption -Had fantastic harvest in US (El Nino helped) soft commodities generally trade on US harvest -Brazil & Argentina didn't do so well, Brazil became net importer of some Soft Commodities -This has shifted stocks/use ratio and brought it down 	
9/15/2016	Raoul Pal	<ul style="list-style-type: none"> -El Nino may turn into La Nina (opposite, a lot of dryness) could cause decrease supply in US -Soft Commodities in inflation adjusted terms are cheapest they've ever been in history -With secular move to proteins volatility is to the upside 	-Possible to go long Corn, Soybeans, Wheat
9/15/2016	Erik Townsend	-Given Raoul Pal's position on Biz Cycle which suggests short commodities how do we reconcile this with view on soft commodities?	
9/15/2016	Raoul Pal	-Soft Commodities don't necessarily fall in recession, did in '08 because farmer funding dried up	-Long Soft Commodities, Short Industrial Commodities (Oil & Copper)

Other Topics

Date	Speaker	Knowledge	Trade Strategy
9/15/2016	Raoul Pal	<ul style="list-style-type: none">-Business cycle - ISM survey in US had been ticking up into ~54 level after being weak into end of '15-Suddenly dropped in 1 month to below 50 again, suggesting GDP is somewhere around 1%-Business cycle usually finishes around this period of time (3rd longest business cycle in history)-Probability cycle will continue to play out with ISM going below 45-Retail, restaurants, durable goods, freight, world trade mostly in recession now-100% track record of recession within 12 months when incumbent changes after 2 term presidential term	
9/15/2016	Raoul Pal	<ul style="list-style-type: none">-Bond yields tend to go up when we see a bottom in biz cycle, right now we are looking for the opposite	