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Athena Financial Solutions

What's Driving the Markets? Fundamentals, Technicals, Trends and Risks.

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What's driving the markets? Fundamentals, Technicals, Trends and Risks

James Brodie C.M.T.



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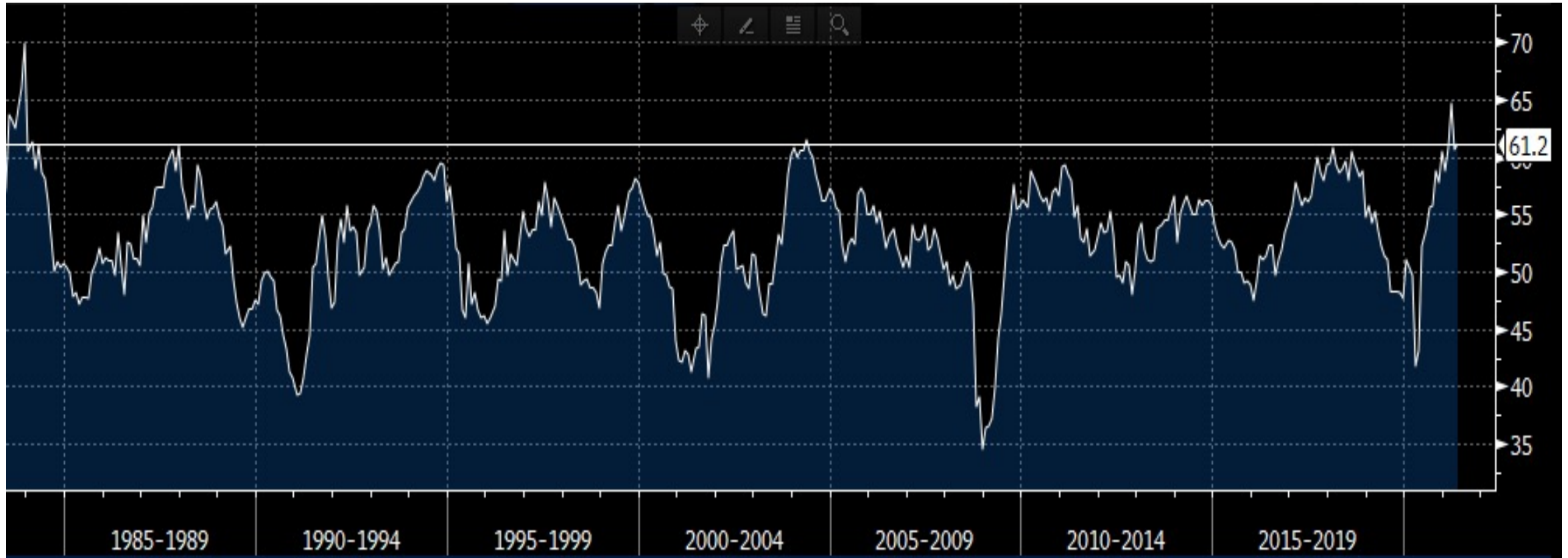
Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations.

1. Q.E., When will the Federal Reserve start to taper?
2. Key data - Inflation versus employment
3. U.S. dollar strength??
4. The housing market
5. U.S. equities trending higher, for how long?
6. Cryptocurrencies. Rotation from Bitcoin into Ethereum.
7. The Silver resurgence
8. Behavioural finance - are we making irrational trading decisions?
- & how we can over come them!
9. Risk management.....

(All charts sourced from Bloomberg)

U.S. ISM manufacturing survey

April saw strongest growth since 1983, May has seen a mild slowdownbut with significant supply chain bottle necks (inventories sharply lower while backlog of orders is sharply higher).



(Source: Bloomberg)

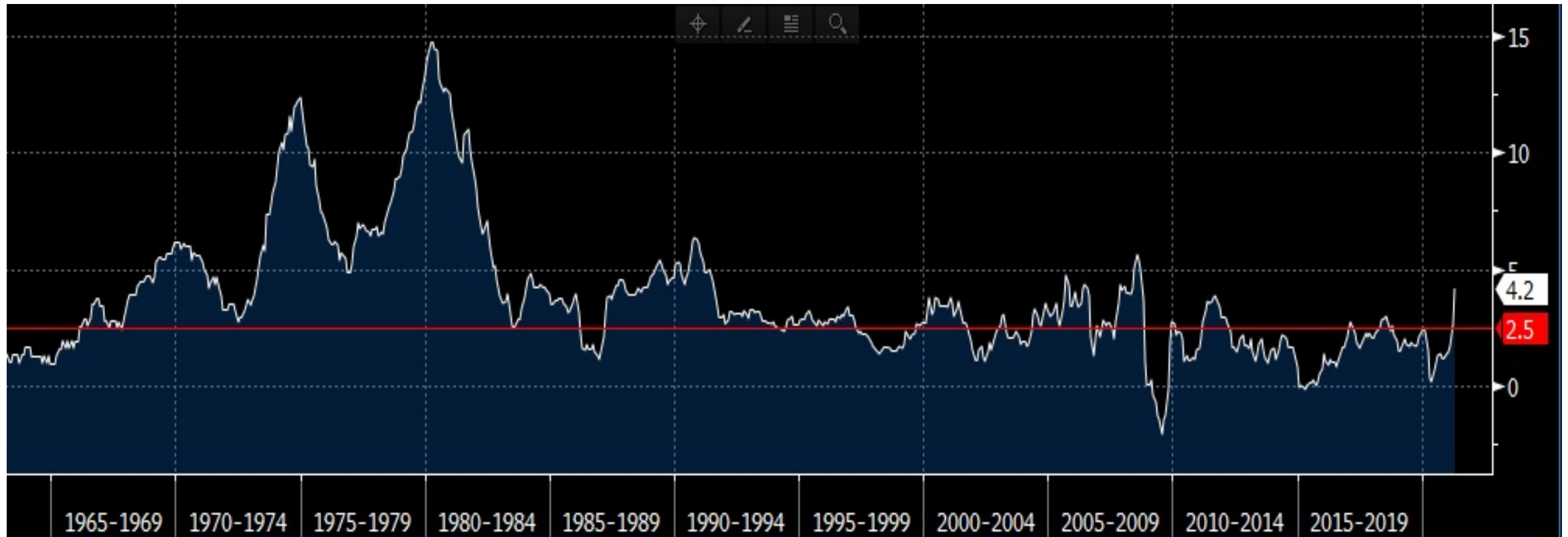
When will the FED first mention 'taper talk' vs U.S. economic data vs equity prices



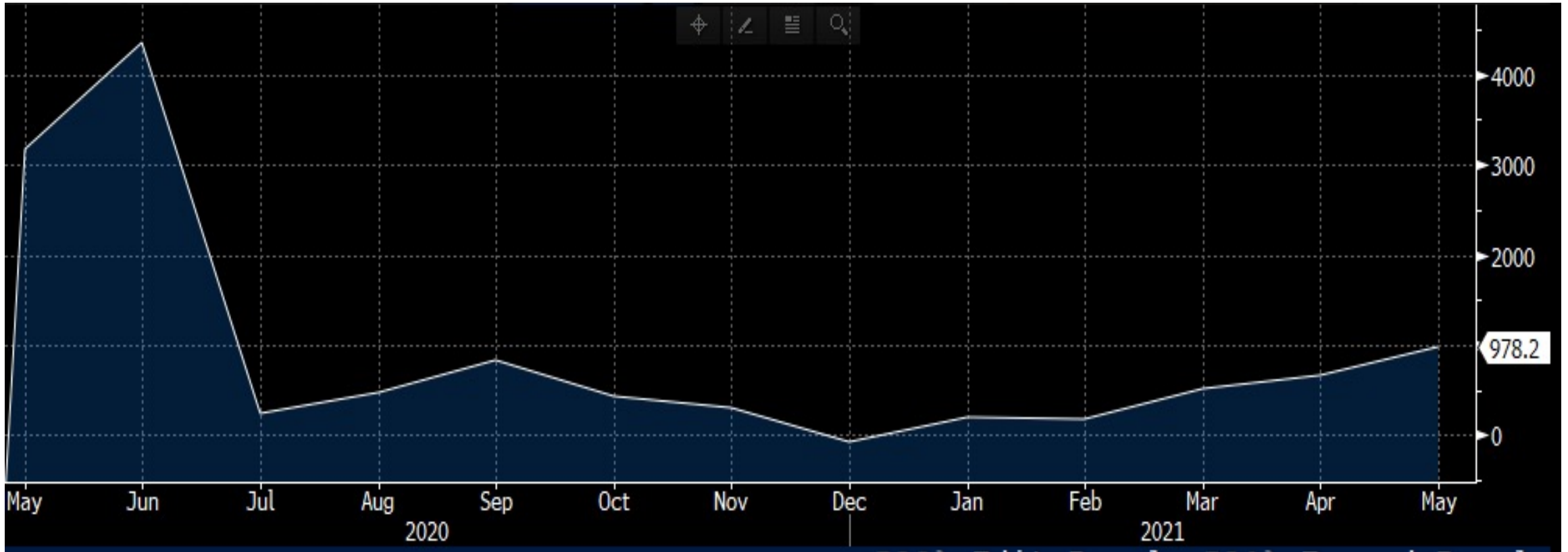
(Source: Bloomberg)

Consumer price index (CPI) Rise is 'transitory'!

U.S. Federal Reserve say the rise is transitory!

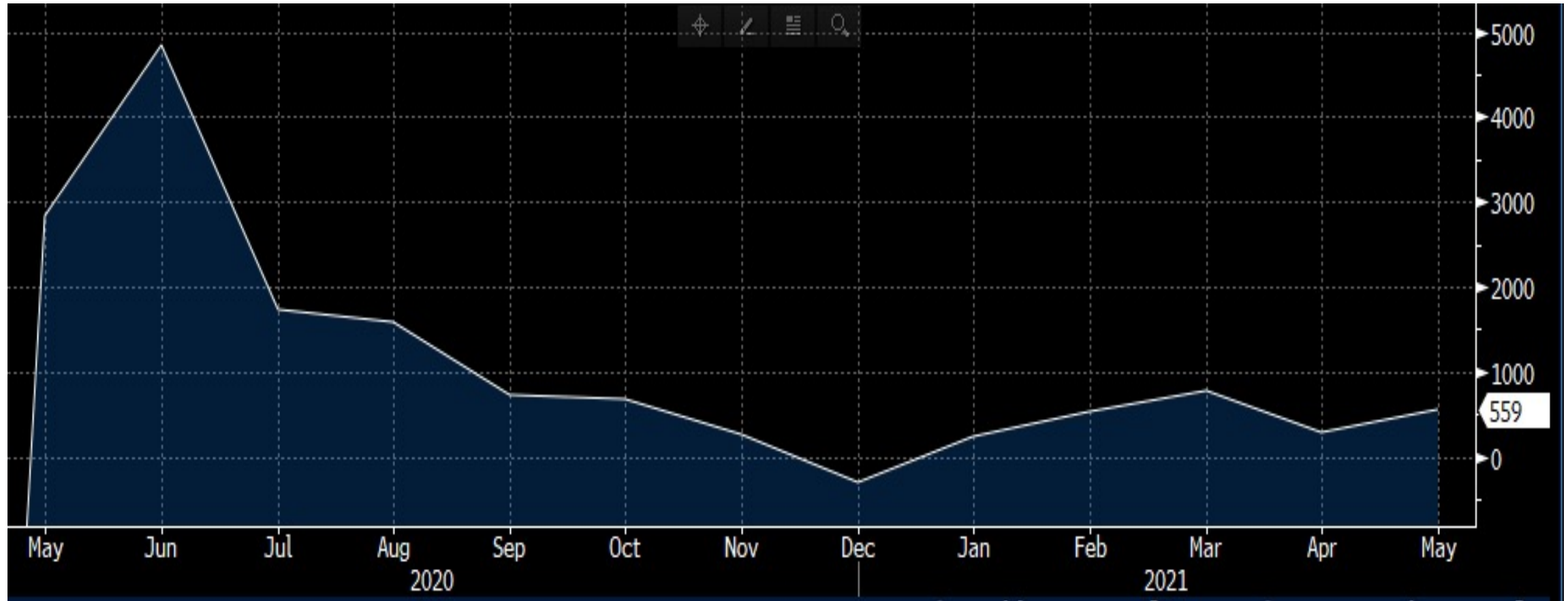


978k vs 650k expectations



U.S. payrolls employment report

559k vs 675k expectations



Huge impact of covid-19 and the distortion of the charts

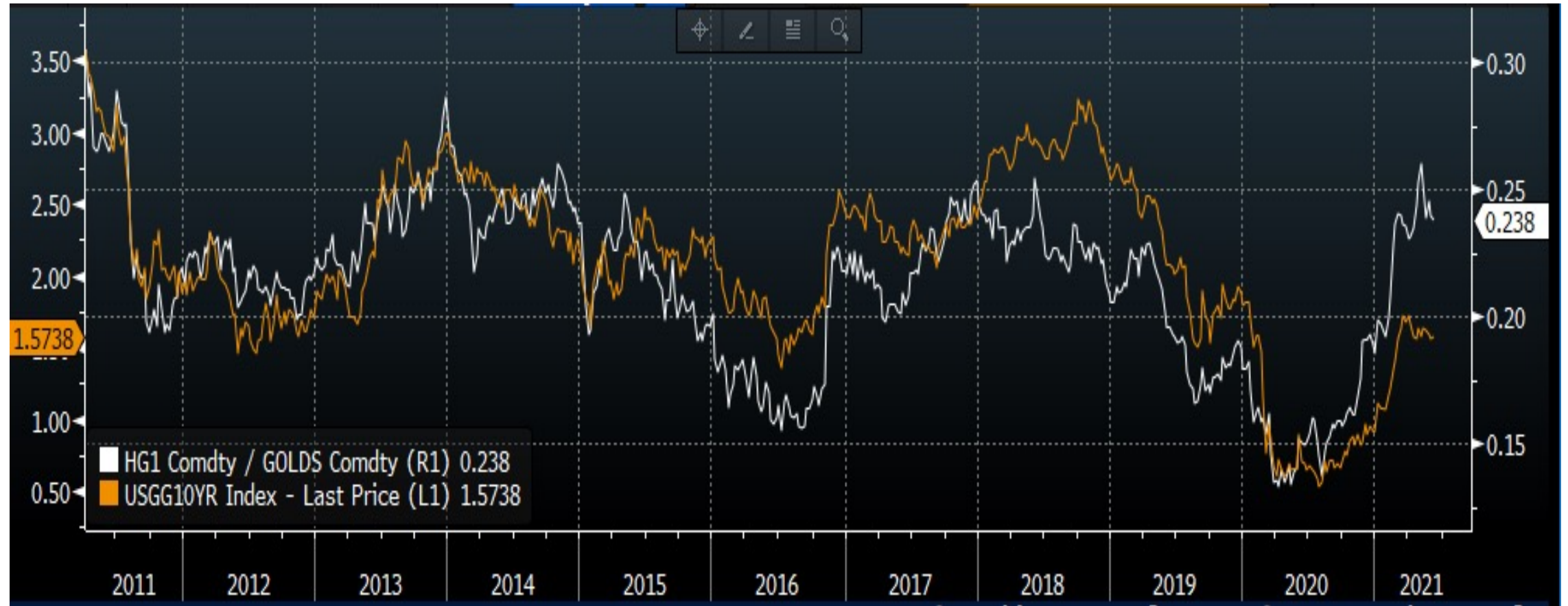


U.S. 10 yr yield vs 5yr 5yr forward inflation expectations..... transitory!!



(Source: Bloomberg)

Copper/Gold versus US 10 year



(Source: Bloomberg)

U.S. yield curve 2yr-10yr



(Source: Bloomberg)

US Dollar index



(Source: Bloomberg)



(Source: Bloomberg)



(Source: Jupyter Notebook & Bloomberg)

Asset managers net USD position



(Source: Bloomberg)

Copper & Lumber (peaked 10th May)

Copper

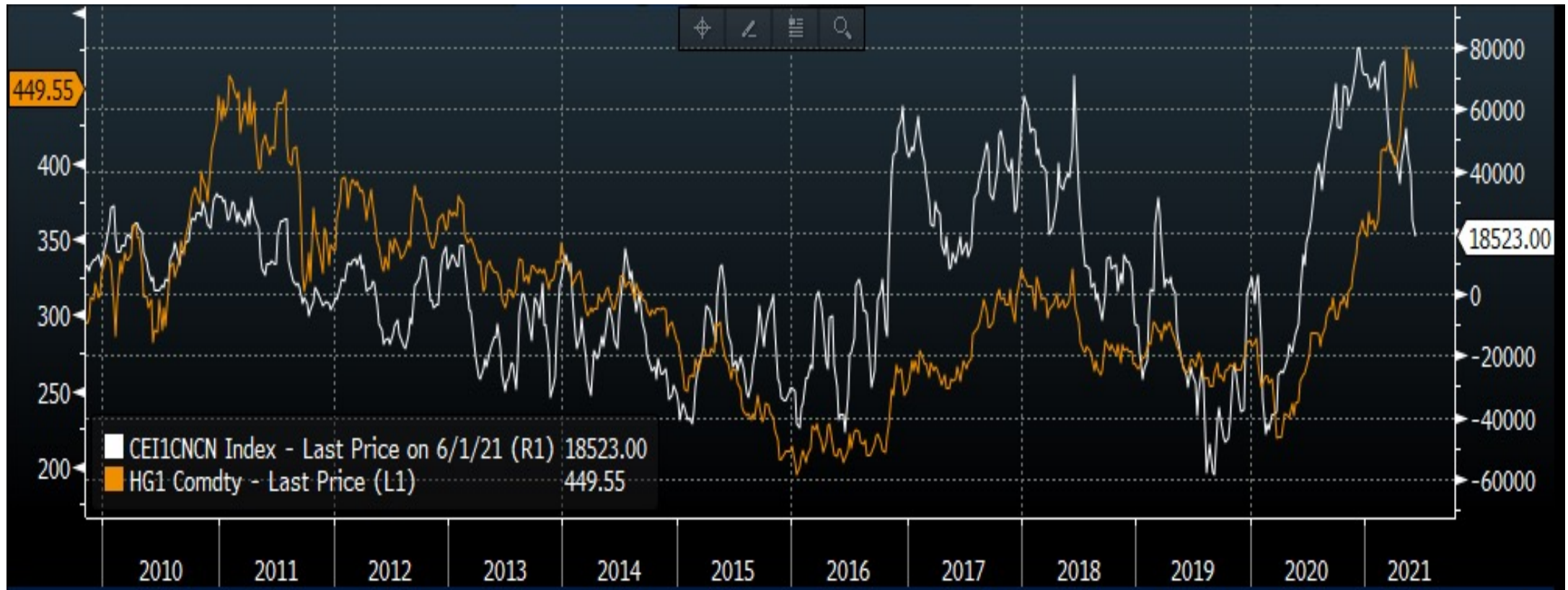


Lumber



Copper vs speculator positioning

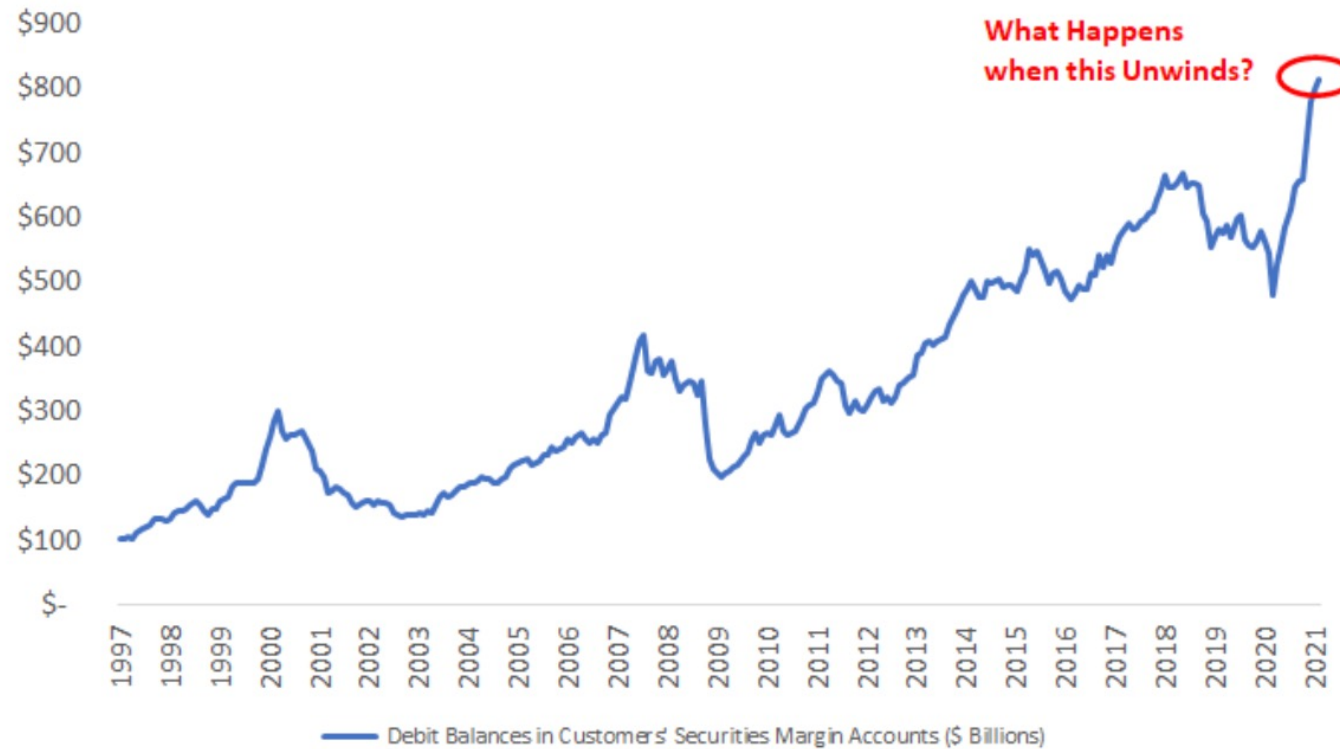
Copper vs Copper net non commercials



(Source: Bloomberg)

Record levels ??? But so are equity valuations which are trending higher.

US Margin Debt Reaches Record \$800 Billion

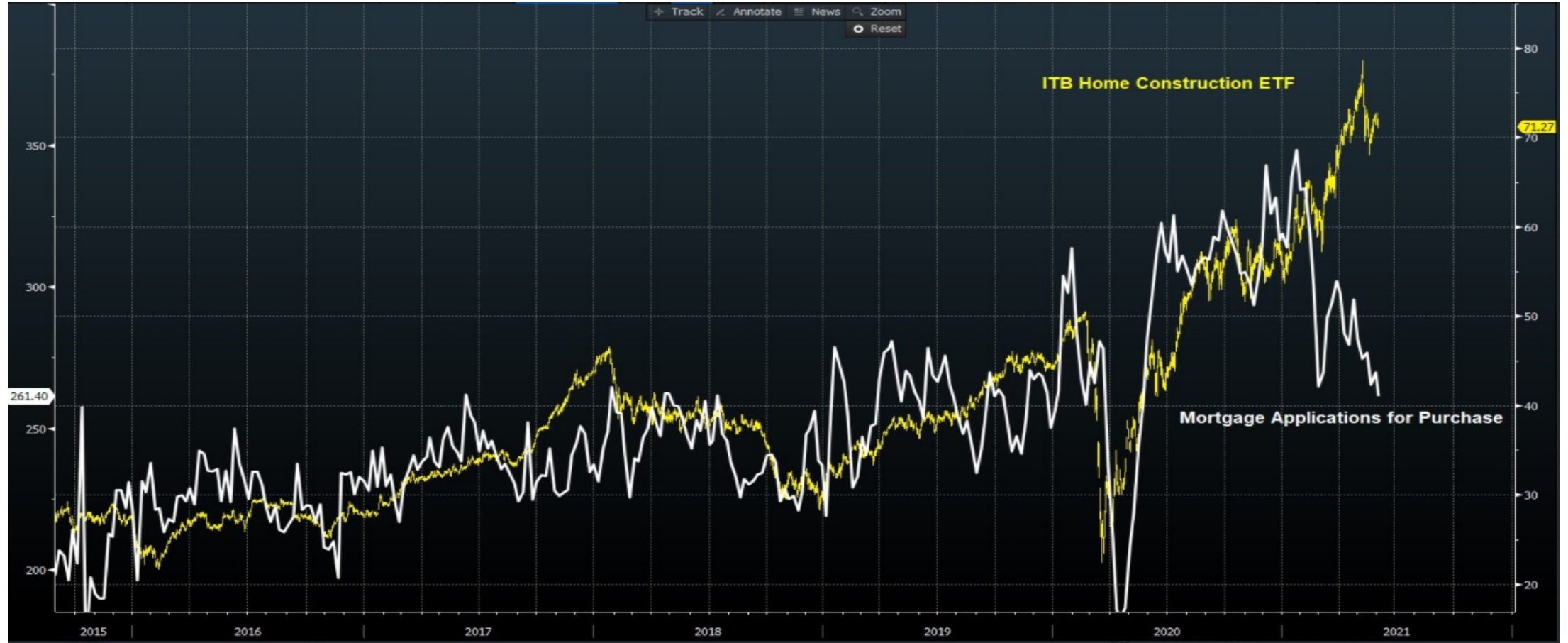


(Source: FINRA)



(Source: St Louis Fed, Lohman econometrics)

Home construction ETF vs Mortgage applications



(Source: Bloomberg)

Bitcoin..... And the Tether story/Leverage



(Source: Bloomberg)

Ethereum/Bitcoin ratio



(Source: Bloomberg)

- Trading is not about predicting the future, but seeing the present.
 - **process** (risk & trade management)
 - **discipline**
 - **self-awareness**

BUT people prefer narratives

- but remember most narratives are based on perception, **NOT FACT!**

Retail traders win:loss ratio

Research from over 43 million retail traders FX trades in 15 different currencies

(Source: DailyFX)

What percentage of their trades do you think were profitable?

- **A. 13%**
- **B. 18%**
- **C. 27%**
- **D. 39%**
- **E. over 50%**

Retail traders win:loss ratio

Research from over 43 million retail traders FX trades (Source: DailyFX)

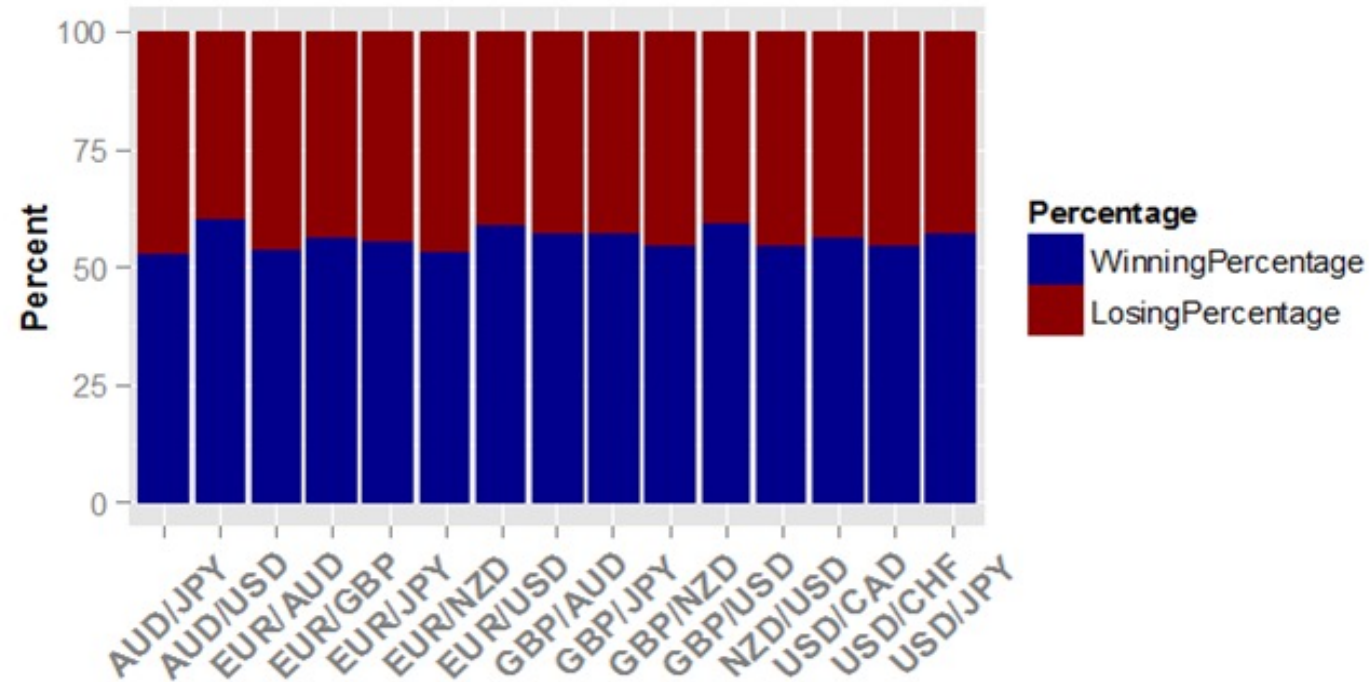
What percentage of their trades do you think were profitable?

- **E. over 50% - correct**

Retail traders win:loss ratio

Research from over 43 million retail traders trades

(Source: DailyFX)



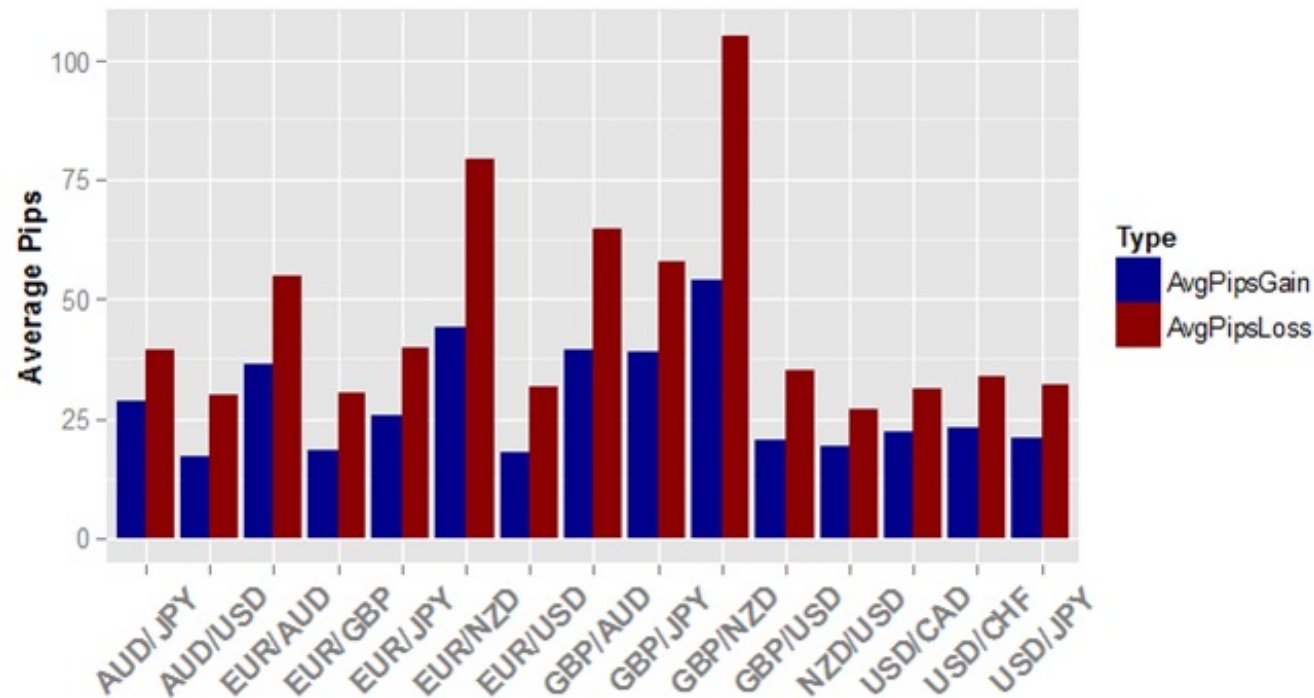
So why do so many lose money?

Why do they lose money with more winning trades than losing?

Retail traders average win: average loss ratio

Because the **average loss per trade far outweighs the average profit**

(Source: DailyFX)



Loss aversion & the disposition effect

- Retail investors are **2.5x** more likely to close a winning position than a losing position.
- Professional fund managers are **1.7x** more likely to close a winning position than a losing position.
- The best performing funds were those with the **HIGHEST** percentage of losses realised.
- The worst performing funds had the **LOWEST** percentage of losses realised.
- When traders have both a Stop Loss and a Take Profit in place, they are still nearly **4x** more likely to manually close a profitable trade compared to a losing one.

(Sources: Barber, Odean & Zheng 2001 'The behaviour of mutual fund investors' , and Frazzini 2004 'The disposition effect and the under reaction to news')

Trend lines & moving averages..... versus fundamentals

Russell 2000



(Source: Bloomberg)

Trend lines & moving averages

S&P (4238 resistance, 4056 support)



(Source: Bloomberg)

Majority focus simply on **Entry**

And overlook - Stop Loss – Lock in gains - Position Size – Market positioning – Economic data

“The elements of good trading are cutting losses, cutting losses & cutting losses. If you can follow these three rules, you may have a chance.”

Ed Seykota

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<https://now.intuition.com/trading-and-investing>

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 - Crypto assets
 - Fx spot market
 - Commodities trading
 - Options
 - Quantitative trading



INTUITION			HOME	COURSES	ABOUT US	CONTACT US	SIGN IN
CHAPTER 1	CHAPTER 1	CHAPTER 1					
Introduction to fundamental analysis, technical analysis and behavioural finance <small>The first chapter introduces fundamental analysis, technical analysis, behavioral finance and risk management. These are discussed with reference to current market structure, trends, themes and risks, immediately highlighting trading strategies and risk management techniques. Duration 90 Minutes</small>	Dow theory, intermediate trends and chart construction <small>This tutorial looks at some key technical analysis concepts such as Dow Theory, trend lines and different chart types. Python back testing is used to support key concepts and Bloomberg charts are used to highlighting trend lines and candlestick price action. Duration 50 Minutes</small>	Building a trading process <small>This tutorial introduces the importance of building a disciplined process using the tools and concepts covered on the course. Correlations between markets are also discussed and the first of many trading rules focusing on disciplined risk management. Duration 80 Minutes</small>					
CHAPTER 2	CHAPTER 2	CHAPTER 2					
Technical analysis concepts and trading strategies <small>Chapter 2 continues to build on technical analysis concepts, trading strategies and risk management with a focus on Elliot wave theory, volume & open interest, Fibonacci analysis, volatility (Average True Range) and market psychology. Duration 60 Minutes</small>	Reversal patterns and trading strategies <small>This tutorial looks at trend reversals from the perspectives of price action, market psychology and also trading strategies. Duration 32 Minutes</small>	Continuation patterns and trading strategies <small>This tutorial looks at trend continuation patterns. Again, the focus is not so much on pattern recognition but the market psychology behind the price action, and above all identifying powerful risk/reward trading strategies. Duration 56 Minutes</small>					
CHAPTER 3	CHAPTER 3	CHAPTER 4					
Identifying trends, moving averages and trend following strategies	Trend following strategies <small>In this tutorial we build and back test a trend following trading strategy in Python to highlight both its</small>	Oscillators, Bollinger bands and mean reverting strategies <small>In this tutorial we discuss oscillators, Bollinger</small>					



THANK YOU!

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