

As we have mentioned in recent reports we are now bearish assets of all sorts. This is due to the unwillingness to provide forward guidance on QE by the Fed and particularly Powell referring to potentially lower asset purchase. Recently the reflation assets besides equities continued to weaken and nominal bonds did not rally. This gives us confidence in our view of a tightening of money and credit and the resultant expansion of risk premium. In the last few days stimulus deal negotiations have been productive. We remain unconvinced that a deal will occur before the election but obviously we are aware of the rally in equity markets and the much higher odds of a deal that that rally portends.

We remind our readers that we strongly believed that a deal would occur in 2020 but had given up hope of a preelection deal. Given we expected a deal eventually we think the growth boost was already priced into equities and the current rally in the stock market seems to simply have brought this boost forward.

Much more importantly, a deal, regardless of its timing will require massive issuance squeezing other assets out of the market. Risk premiums will continue to expand on all assets. Once again we say the Reflation Trade is dead.

Today we recommend adding to max size our equity short position by buying another slug of Dec 3200/3000 put spreads and add nominal bond short as well to balance growth.

After these additions our position looks like an outright short of the risk parity trade.

We are max short equities as we believe any deal reached pre election has already been priced into the markets in the last few days

Assumed Portfolio size	100,000,000						
LTD P/L	13,181,612						
Total Return	13.18%						
Today's Date	9/30/2020	Portfolio Created	4/15/2019				
Date	Position	Entry Price	Amount	Worst case loss	MTM	P/L	Open/Closed
9/24/2020	GCZ Dec 1850/1750 Put Spread	27	370	1,000,000	25	(74,074)	Open
9/24/2020	SPX 3200/3000 Dec Put Spread	65	154	1,000,000	45	(307,692)	Open
9/24/2020	10 Year B/E swap \$50k per bp	1.65	-50	1,000,000	1.65	-	Open
9/30/2020	USA Dec 176/178 Call Spread	0.953125	-955	1,000,000	0.953125	-	NEW
9/30/2020	SPX 3200/3000 Dec Put Spread	45	222	1,000,000	45	-	NEW

Regards

Andy