

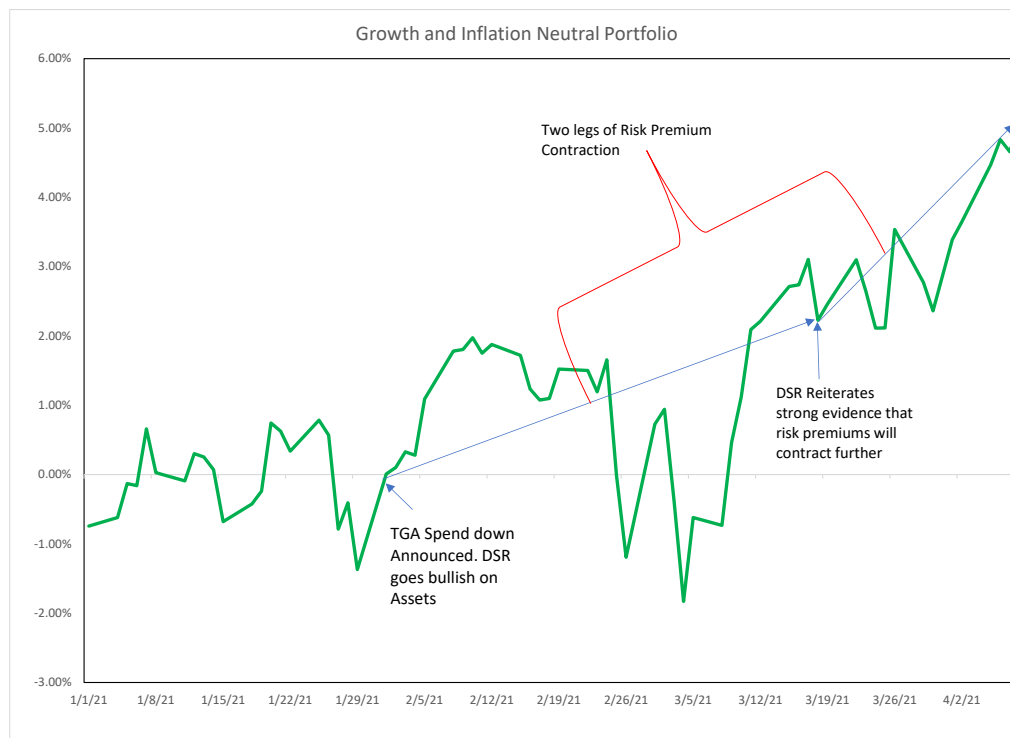
The Damped Spring Report

“Shifts in growth, inflation, risk premium and positioning all lead to opportunities in markets”

4/8/2021

In our last report on 3/17/2021 we reiterated our view that falling volatility and payments from stimulus checks financed by TGA spend down would result in risk premium contraction. Since February 1st when Janet Yellen decided to finance government expenditures without tapping the debt markets, USD assets have done very well. This trend should last at least through May 3rd which is the next time the Treasury announces their intentions for financing their expenditures. We are bullish bonds, stocks, gold, and the USD. Our view has not changed so this report will be brief.

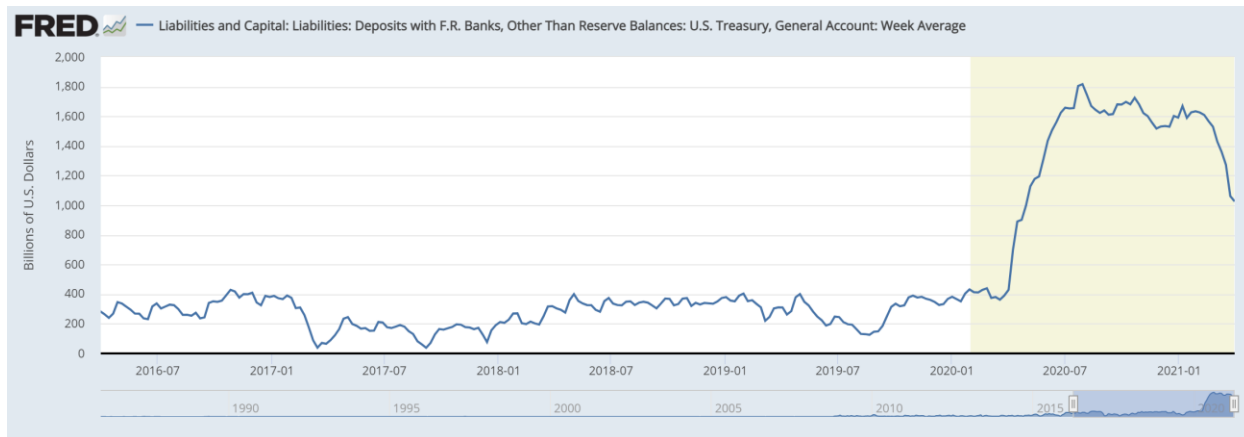
Risk Premium contraction



While the dominant driver of assets over the past three months has been risk premium contraction, some of the rally has been rising growth expectations leading to outperformance of the USD and equities vs bonds and gold. However, since 3/17 all assets are up significantly. The NDX 100 is up 7.4%, 30-year yields have fallen by 13bp, Gold is up 1.3%, and the USD has strengthened modestly. USD assets are scarce and savers in the US and across the world are chasing. This trend will continue over the next few weeks as tailwinds continue, earnings are released for

Q1 and companies can emerge from the black out period able to buy back stock, and the TGA financed stimulus money will flow into savings and consumption.

As we look toward May 3rd and the Treasury announcement on funding of the new stimulus package, we notice that the TGA continues to have excess deposits which can be spent down to offset some of the issuance.



Our expectation is that Janet Yellen will continue to use this surplus to fund expenditures, but we could be wrong about that and expect that we will have more to say about markets as we approach the end of April. For now, our recent prior reports outline our current view well and we do not have much more to add.

Our new slogan for markets is for the SPY (S&P 500 ETF) currently at 408.

\$SPY 420 by 4/20

Current Model Portfolio Performance and Recommendations

We recommend rolling our June 310/325 QQQ call spread to the shorter dated and ATM call spread May 335/345 spread set at max risk.

Assumed Portfolio size	\$	100,000,000						
LTD P/L	\$	22,054,661						
Total Return		22.05%						
Today's Date		4/8/2021	Portfolio Created				4/15/2019	
Date	Position	Entry Price	Amount	Worst case l	MTM	P/L	Open/Closed	
2/1/2021	EURUSD 5/1/2021 1.2/1.17 Put spread	0.66	151,515,152	\$1,000,000	0.8	\$ 212,121	Open	
2/25/2021	USA June 160/162 Call Spread	0.78125	1280	\$1,000,000	0.328125	\$ (580,000)	Open	
2/25/2021	QQQ JUN 310/325 Call Spread	8	1250	\$1,000,000	11.4	\$ 425,000	Open	
2/25/2021	GCA JUN 1800/1825 Call Spread	10	1000	\$1,000,000	7.5	\$ (250,000)	Open	
3/4/2021	USA June 160/162 Call Spread	0.4375	2286	\$1,000,000	0.328125	\$ (250,000)	Open	
3/4/2021	QQQ JUN 310/325 Call Spread	5	2000	\$1,000,000	11.4	\$ 1,280,000	Closed	
3/4/2021	GCA JAN 1800/1900 Call Spread	4	2500	\$1,000,000	7.5	\$ 875,000	Open	
3/4/2021	QQQ May 335/345 Call Spread	4.25	4706	\$2,000,000	4.25	\$ -	New	