Nick: Hi everyone, we are recording this on Friday the 17th after the market closed, and we had a relatively quiet week, didn't we Andy, fortunately.

Andy: Sure did. Pretty boring, actually. The, the news continued the trend of weakening inflation, weakening economic conditions. Job employment claims were deteriorated a little faster than expectations and are, starting to be in a trend.

I guess the excitement was in oil, which was down a ton, which would make you think that there is. Further economic weakness in front of us. Equities and bonds, on the other hand, both rallied till the end to the highs of the week. And that was really the week that was.

Nick: Yeah, no, bonds and equities still seem to be tied at the hip.

The relationship between SPY and TLT, I've been following it all week, and it's really in a very narrow band. So unless we see a, an immediate reason why... Bonds would fall equities are just going to keep on levitating however rich they might be already And let's face it we've caught a very good rally, in equities and bonds So maybe it's going to be time soon to start Layering offers above and taking some profits

Andy: Yeah, I was even on television on CNBC and met some viewers may have seen it.

So I should make sure my comments are clear about it. I went on television and said, sell all assets and said in my own personal damp spring beta portfolio, which is mostly the same as what we do here, but not exactly. That I wanted to raise cash. And I guess the important thing about that is that's what I want to do.

And the reason I want to do that is because, we bought a lot of things 7 percent ago, 10 percent ago, and we've rallied in, 18 days on news that You know, is in the right direction of a weakening economy and thus shouldn't be particularly supportive of stocks, but really not out of like, not any new news, just continued weakness.

And so I guess that my goal would be to begin. selling assets. I sold some from myself. And begin to sell assets into this strength. The question of course, is always about timing and what do you see next week, Nick?

Nick: Very little indeed. What we got home sales, we've got durables, but I and weekly claims and the market is not going to weaken into those because it's going to be expecting the same kind of trend.

As we've had for the past couple of weeks. And therefore it's going to start anticipating even higher bond prices and therefore the equities are going to follow The question is when the fed starts getting fed up with this easing and this pricing in of easing And when it starts fighting back, so we should start Expecting some of that at some stage because I don't think they're going to be happy with asset prices making new all time highs in stocks.

We're very close to to the highs of the year in the NASDAQ, especially and in S& Ps, very close. And they can't be happy with that because they want us to still remain tight and we're not. So, we were anticipating what a hundred basis points plus of easing next year. So at some stage I expect them to start fighting back.

I just don't think it's going to be next week. I think next week the market is probably going to be on a continuation pattern. And the best thing that we can do is layer some offers above. Yeah.

Andy: Yeah, I think that's right. And just in terms of tightening, so the, over the course of the week.

And in line with the weaker data, more cuts got priced in than had been priced in. So that's an easing. But I think the big easing is the change in financial conditions. A, my, my calculations show that when a when asset markets rally like they did, it's close to either a 25 or a 50 basis point.

Thank you. Cut. Yeah. Just what happened is a cut. Now, obviously there was no cut, but the implication for the economy is that essentially the market is so easy now that it will be stimulative to the economy and potentially could turn, not tomorrow not in any of the data that's backward looking that we'll see in the probably the next week or two.

But over time, Easy financial conditions mean a bounce in the economy. And so we're paying a lot of attention to that. But I think we agree on what to do. I was a little more aggressive. So be it, I don't particularly think I'm necessarily going to be right at executing in, in a short timeframe.

It turns out the assets I sold are exactly where I sold them three days ago, like to the penny. The stocks and bonds are up a little bit, but the commodities I sold are down a lot. So we're basically where we were when I sold. And next week, hopefully, if, next going to layer in some offers, if we get lifted, we'll be in a similar, the both portfolios will be in a similar

Nick: No the idea basically is to get back to, I don't know, an extra 10 percent of cash, 10, 15%.

So we have room to redeploy lower when the market goes lower. But what really interests me is is the Fed going to fight this? Because they can they, the, the odds of them doing something in December. Are fairly low in fact almost zero the market is saying and I would agree with that. They're not going To hike and they're certainly not going to ease But the market is now pricing in absolutely nothing from the fed in january and already cuts Coming in the may period I you know late q1 early q2 I think that the odds of the fed coming out Through some speakers And pouring some cold water on that have to be fairly high.

Yeah, we don't have anything coming out next week But the week after we could start seeing that so i'm keen over the course of the next five six trading days to reduce slightly the equity allocation and the short term bond allocation just in case the short term rates Back up and that forces equities back down the long term rates Well, the short ones are actually going to respond more, aren't they?

The twos are going to respond.

Andy: No, I think we should, Offer

Nick: our, I would offer, I would offer some IEF. I would offer some TLT because, they're both going to respond.

Andy: I don't understand. I agree that the short term rates are going to be affected by FedSpeak. You're saying that, but the TLT is long term.

Nick: Yeah, but I'd offer both. I think you're going to get a move in both of them by, both the IEF is going to back up slightly and the TLT is going to back up more because of the duration component, but, if we, Driven by the front. I'm sorry.

Andy: Driven by the short term.

Nick: Absolutely. It should be driven.

It should be driven by the front end with the belly probably doing the least, but that's an argument for another time. And I just want to be ready to be able to deploy the cash that we raised from IEF TLT and from the SPY led, hopefully at a better time after the Fed has poured cold water.

On the whole concept of easing in May next year and then being able to redeploy cash at better levels.

Andy: Yep, that makes sense to me. So what about so next week's Thanksgiving, I think we have a week off from two gray beards for the first time since our founding.

Nick: I think we should because very little is likely to happen in the two and a half trading days effectively that we have.

next week. And of course, if something does happen and it's important, we'll have an extra episode, but otherwise I think it's time to wish everyone a very happy holiday. Indeed.

Andy: And we'll see you after

Nick: Thanksgiving. Thank you. And bye bye. As you can see, I've updated the value of the account and we are about 40 percent in equities and 47 percent in bonds.

with about 6. 7 percent in gold and commodities. In fact, we have no gold, just commodities and around 7 percent in cash. As we've discussed in the episode, we think the market is slowly going to grind higher. That's because of very strong seasonality and also the fact that CTAs and others are still short or they are not fully allocated and in the thinness of the market which is pre holiday, it's likely to still go a little bit higher.

And therefore what we've decided to do as you heard Is actually sell around 15 to 16% of the value of the account split equally between bonds and equities. So here are the orders. As you can see. QQQ we are offering at 3 92 slightly above the market for a total of 20 lots. Chi and TLT. We are halving the holdings that we have.

We especially feel that SHY at this level of 81. 47 is dead money because the Fed won't cut for a long time. So SHY, which is effectively, a two year note is really not that attractive at the moment. And we think that TLT at 91. 10 also is going to be very hard for it to go much higher. Two lots of SPY of 15 each, 453 and 454.

And as I've written down here, it's good till cancelled. So these orders will be there until they're filled. As they're filled, we're going to go and buy USFR. which is yielding around 5. 25, so we will be swapping a lower yield for a higher yield and waiting for opportunities to redeploy this cash. If you want to see why I chose those levels, all you have to do is go to the watch list and see the levels and why they're important.

Otherwise, the broker statements are uploaded, all you have to do is click on these and you will see to the penny exactly what we have. It just remains me to wish you a very happy holiday week and a very nice time with your families celebrating the holidays. Thank you and goodbye.