Nick: And good morning. Today is the 25th of May and happy Memorial Day to everyone. Let's have a look at what happened last week and very little indeed happened last week, as we forecasted because we had very little data. So long bonds ended up one basis point and equities ended up very much unchanged.

Although the NASDAQ keeps on going a little bit because that was mentioned earlier. Obviously because of Nvidia earnings, but let's have a look in detail. What happened, the data continues to show a strong economy. Doesn't it, Andy, it's just not moderating really it's continuing at a maybe slightly reduced pace from the first quarter or the last quarter of last year, but certainly there is absolutely no sign that we are dipping into any kind of weakness.

Andy: Yeah, it's a solid economy. The inflation rates continue to stay up around three to 2. 8 to three and a half percent, depending on what measures you're using year over year. GDP each quarter is printing well in excess of trend. GDP growth. I think the most recent figure for this quarter is around 3. 8. And, the economy is strong. It continues to surprise forecasters, but we have been consistent with it being a strong economy that's yet to turn over. And I think it's because you continue to have a fairly accommodative long term bond. Yield conditions while the fed has also ended, paused or possibly completely ended any sort of hiking cycle.

Nick: Yeah. And what was significant to me last week is a lot of people were expecting unemployment claims. To continue weak and they just stopped, we seem to have this, you know We are slightly weakening and then we stop and then we continue And then we slightly weaken again and then we stop and we continue But this is not an economy, which is anywhere near a recessionary cycle

Andy: And the PMI data was surprisingly strong, though.

That's pretty much garbage data. Yeah. And what the only noticeable thing to me in terms of what happened in the market last week was to your note, prices did fall with less cuts priced in than they started the week with. And so that was really the only meaningful influence on markets. And, we'll start to.

Be talking about next week what the fed's going to say the following week and it'll all be about the SEP and the dot plot But you know based on waller's speech and other rhetoric. They are at least considering the idea that the economy can handle higher rates they use terms like the neutral rate r star and things like that But really what they're just saying, simply put, is that it appears, for whatever reason, that the economy can handle higher rates.

And it seems obviously, obvious that it has handled higher rates.

Nick: Yeah. No and given that what can we possibly expect from next week when we have, again, A dearth of data. We have PCE at the end of the week that we all know what it's going to be because we've had the components from the CPI and the PPI.

And we do have Q1 GDP, but that is, backward looking because it's the first quarter. We all know what the first quarter looked like. And, the unemployment claims, are we going to get anything out of them? I doubt it very much. And, but we do have supply and supply in bonds is constant and will keep on increasing.

And that is the thing that is the sword of Damocles, as it were. Hanging over this market said the only thing that is going to in my opinion In any way upset equities is a real crash in the bond market, and we're just not seeing any evidence of that at the moment.

Andy: Yeah, exactly. I don't think there's anything that can prevent it though the Fed has and the Treasury have tried I wrote a DSR that I sent around publicly today that discusses that.

Yeah, exactly. They've done everything they can by capping short term interest rates at 5%, saying they're saying the hikes, there's not going to be any additional hikes and doing QT taper and. The treasury announcing its buyback program, and that's really foaming down the runway for any sort of weakness in bonds.

So they're clearly fearful of it and they should be, it would slow the economy down. But given all the preparation, it's going to take Sort of a drip of supply before bonds correct. And so, for us, it's from week to week, you're just not gonna get much movement. I think we drift higher in yields, but Until there's actually a crescendo of selling in bonds, it's just going to be a drip.

Nick: Yeah, I absolutely agree with you. For the time being, it's very tough to argue with equities over bonds. Because equities have got, as a balance sheet, they're in excellent shape. Earnings are very good, as we saw with NVIDIA. The balance sheet of the corporates is extremely good. The spreads against treasuries keep on tightening in terms of credit spreads.

And there is just no momentum to any downside inequities as we saw last week We had a very brief correction and on friday it turned around and we closed unchanged And I think that is probably the pattern that's going to be repeated over the course of the next couple of weeks with these holiday shortened sessions that we have from week to week all the way to the

Andy: Yeah I'm a bit more bearish than Nick is, but have been and have been wrong.

So, I do think though, completely agree that bonds should, bonds are the worst and they should stocks should outperform. But I think there's limited upside in stocks, but also no selling. So, the question is, what do you do about that? And I think we're well positioned. We own calls, so our upside is taken care of.

And if we do experience a downside, we really only own 5 percent equities in the event of a downside because we're expressing our view and calls. And so it gives us an opportunity if we do get one of these sort of range bound sell offs and equities to buy some equities.

Nick: Yes. The only question in my mind is.

Is cash going to outperform everything ie equities and bonds? And I think our portfolio is fairly well positioned to take advantage of either case If we are very heavily into cash if we get a dip we can Add to equities if we don't we have the calls and we are, you know relatively well positioned the We could go much heavier into equities, but then our portfolio becomes.

unbalanced and that is not the purpose of this service. This is something that is trying to achieve very low volatility and only going heavier into risk when it's really warranted. Now it just isn't warranted, is it Andy?

Andy: Yeah, in my Damped Spring beta portfolio, I actually raised cash. Now that portfolio is much less Is much more passive.

And so raising cash is a big deal. And I took my portfolio down to 60 percent assets versus 75% assets before the sell off on Thursday. And I think that's just the sensible thing to do to have plenty of cash to be exposed to assets, but not overly exposed to assets and to have some room to buy if they dip.

Nick: The last thing we wanted to ask you is whether you would favor an increase in the assets under management. We started off with roughly 250, 000. We are just over 300, 000 at the moment. And our question for you, and you can vote here and express your preference. Is should we take this up to say 500, 000 or even up to a million?

It's not that we particularly want to take it higher for any reason. The reason is actually that we could do more if we had a bigger proportional assets under management, we could add certain strategies, but what we don't want to do is alienate people who have far less. And the, what. Any words of wisdom that you would have as to how people should vote?

Andy: Yeah, to be honest, the Limit that the 250 000 under management portfolio does Is it doesn't really allow us to use? options very aggressively or hardly at all because one s& p Call is on a hundred shares And a hundred shares is worth 40, 000. Is that right? Yeah. 40, 000. 50, 000. Right. And so that's You know, a sixth of our portfolio, so we can only use one.

We can't use a half of an option. We'd like to be able to use two or three and things like that in the event that we need it. And so that's the idea is just to have the ability because of the high multipliers that options provide. The ability to do smarter things. For instance, if we own 80 shares of 72 shares of XLK, we can't write a call.

Nick: Yeah. No, I do know that a lot of our followers don't use options and can't use options. So this is something that they might not like. Yeah. We'd like. But we'd like to know what the majority of people think. And just because you can't use options and we do use them doesn't mean that you have to follow us.

It just gives you a better feel. I always think that the best way to gauge how someone really feels is to have a look at their portfolio. I where they're really putting their money where their mouth is And even if you don't use options, but that we are doing something in options That should give you a certain sense Of what it is that we're trying to achieve and what we really think so Just because you don't use them yourself I don't think that is a limiting factor that you should vote for an increase or not But up to you completely exactly.

We just want good feedback. Thank you. Absolutely. So we won't bore you anymore. Enjoy your holiday on Monday and I'll go through the the portfolio now and levels that we might add equities at. Sounds great. Have a good weekend, everyone. No big change to our portfolio, neither in a in AUM nor AUD.

In the composition, we are where we are. What are we thinking for next week? And I've really put it down in the order entry, just like last week. If the two year note ever gets back up to 5. 05 percent, We will just switch out of USFR into something like SLQD or SHY or even TUA if you really want to be aggressive.

So that is what we are looking for and we will send you an email if that were to happen. Otherwise, on a dip to XLK, and I've put in this as a limit order, we will do 5 percent of our AUM, which is approximately 15, 000 worth, at 210 exactly at 210. 00. So we will take this from 5%. To 10 percent roughly don't forget that we are only at 40 percent in equities if in December in September rather because these are the options that we hold We are above 520.

If we're below 520, we'll be only at 5 percent Well likely 10 percent because we'll get filled on the extra 72 shares That we will be bidding for in xlk today So our position really is going to be very small in equities should the market fall and we have plenty of room to add on the way down. That's about it.

I've updated everything, the monthly performance, the weekly performance and the broker statement. It's all in there. And please don't forget to look at the broker statement because this is only, as I mentioned, if we get exercised. Thank you very much indeed and have a lovely Memorial Day weekend.