Nick: Good morning, and today is the 9th of November. We've had an exciting week with the elections and the FOMC. We've got the red wave, Andy, right? So equity is up 4%, more or less as we predicted. We've added, and see no reason to not be happy with that. And the FOMC also cut rates and were neither bullish nor bearish kind of thing, neither hawkish nor dovish.

In terms of forward guidance, what did you make of last week if anything different?

Andy: Yeah, I I mean I think heading into the election the betting markets and were favoring trump, but not aggressively Polls were more neutral More of a toss up and that created an equity market that basically reflected the midpoint of The post election results which and the and the big deviation between the post election of all vote events was in a red wave they could cut corporate taxes and you know well with whether they will be or not the market reacted as if they will and so that's worth essentially four percent and that's exactly what we got and that's why we thought we would get what we got and we got it.

So, you know, now we start to look forward and the FOMC, as you said, confirmed that they are, you know, they're considering whether September posture on the economy needs to be recalibrated to something stronger. And, you know, we'll see the results of that in the December SCP, but we have two inflation, um, cycles to go through.

One of which is this coming week and an employment cycle, which should, um, Which is expected to reverse some of the weak numbers that we got in the hurricane impacted last job report. And then we'll see whether the Fed thinks that they have, that the economy is stronger. And so their cutting path will be slower and more, more, more measured and probably to a higher trough.

What I would say is that, all that being said, After all the events, the market pricing for the Fed path is much, much more hawkish, certainly than it was in, in September before the 50 basis point cut. And even since yesterday, since the Fed, the Fed announcement on Thursday. So you look at that and say, the market is prepared for a stronger economy in the short term and is much more hawkish than the Fed.

And so the CPI and PPI numbers are weighted toward that, uh, pricing, meaning that even relatively warm CPI and PPI numbers, which would probably take 25 basis points of cuts off the table for December, won't have a big market reaction in the short end of the curve, meaning the short end of the curve looks fairly cheap.

Nick: Yeah, no, yeah, you're right. The market is certainly priced for API and inflation numbers in general going forward, which aren't going to be too friendly towards it. That might or might not be correct. We will see. But certainly the risk reward at the very short end seems to be pretty good. There, the, the likelihood of much higher short term rates is very, very low.

And there is a higher probability that if CPI cooperates, the Fed does cut again in December. So we will see, but certainly I see no reason to deviate very much from what we've been thinking for the past I mean, the whole year just about that we have a strong economy that any kind of slowdown is only temporary.

And now what we have to look forward to is also the deregulation that Trump has promised, which tends to be very bullish for the equity markets in the longer term. And as you said, corporate taxes, which have now been fully priced in. So I really don't see why we should really waste our viewers time on what has been.

In the past, but we should really look forward to what our positions are and do we really need to change them at all or what we need to change going forward for the next two months until year end? Yeah, I agree. Just

Andy: briefly before we jump to that, we've, we're going to get a lot of interesting data.

There's, you know, the, the, the firstly you'll get the actual. Announcements of who the various cabinet members are going to be. We got some news on that with Lighthizer being leaked as the trade representative. And you're also going to start getting a lot of sort of those players who are buying for that, those jobs leaking their sort of details of their financial plan, their economic outcome, and that'll create market moves and chop and so on.

But the big picture is that, you know, we have some data. The market's prepared hawkishly equities of recap have repriced relative to taxes. And from now on, we're going to have to react going forward to the data. I think we should mention we're doing this a little differently today. We're going to have a more extended version of the call for each of our product bases.

So we're going to if you are Part of the original package. We're going to break to a section where Nick and I talk about the original positioning. And if you're part of the squared package, there'll be again, a separate video for that.

Nick: Absolutely. So let's have a look at our positions and what we want to change and why.

Okay. So these are our positions. As you can see them, we have roughly 38 percent in equities. Mostly about 24 percent in SPY. Then we have QQQ, we have the Dow DIA. So we have in total about 30 percent in the U S and about seven and a half percent in outside of the U S we have. Emx and acwx, which is everything but the us kind of thing What do you think of that?

Is there anything that we need to change or add to it now?

Andy: Right. So, you know equities are have made that correction that we just talked about in the video regarding the tax impact U S equities for that reason have outperformed the rest of the globe because it was a one off tax change. And going forward, you know, there's the seasonal effect, which will generally keep equities supported.

And really it's a combination of people who don't want to take capital gains tax, not selling. And people who are performance chasing, who are under allocated to equities for whatever reason, or under. Allocated to certain equities for whatever reason tend to buy. And that generally is the seasonal effect.

But on the other hand, that may have been front run a fair amount. So I would say I w the way I deem my equity positioning now is fairly neutral with an eye to the bond market to see if the bond market continues its neck downtrend and. If it doesn't, or it continues, it reverses that downtrend, getting a little bit more constructive on equities.

And if it does revert, um, re return to trend less constructive, but right now, in fact, negative right now, pretty neutral.

Nick: So really what we are saying is, and correct me if I'm interpreting you wrongly, is that you're saying that the only danger that equities Uh are facing is a steep increase in longer term bond yields

Andy: Yeah, and the opposite is that the support for equities is seasonal flows which you know are real and so With those two offsetting things pretty neutral

Nick: So do you see any reason why over the course of the next week bond yields by long duration should really move very much?

Because if not, then equities are unlikely to move either

Andy: Right. And

Nick: the next

Andy: week, the, we have no auctions of, of consequence. And, you know, you're going to get all the noise around the administration changes, but really the only data is the CPI as I said, it's at least in the short end of the yield curve, it's pretty neutral.

So, okay, that seems to me to be, bonds aren't going anywhere unless the CPI is extremely cold. And in that case, I guess you get a bond market rally and a equity market rally.

Nick: So, let's have a look at what we have in bonds. All we have is an allocation to SLQD, which is 0 to 5 years. Average duration around two and a half, three.

And we have 21 and a half percent in that, but that's all we have in bonds. And then we have about 19 percent allocated in USFR, which is the floating rate note, given that we don't think that very much is going to move. And given that the yield in SLQD is now going to be at a par or slightly higher than USFR, do you have any views whether we should move forward?

Take a little bit away from USFR because let's remind our viewers why we put it in USFR because we thought two, three months ago, the terminal rate would be higher than the one that the market had priced in at the time. And now that terminal rate has moved a hell of a long way. It has moved all the way about 60 basis points, 70 basis points.

From when we decided to do this. So would it make sense to reverse a little bit of this trade and invest some of that USFR into SLQD because I certainly prefer corporates to US treasuries because of the spread and the lack of danger in corporates.

Andy: Yeah. I mean, corporate spreads have narrowed a lot, but for good reason, corporate corporates are flush.

So I really liked that idea for two reasons. One, because. It's spread does give you excess yield and two, because it does extend our duration modestly to a point in the curve that is already priced at extremely hawkish levels relative to even the data, let alone the fed, who is being a little bit more dovish, yeah.

Is it a big deal? You know, it's, it's a, it's essentially a change in our cash allocation to something that is pretty darn safe as well and gives us extra yield. So,

Nick: yeah, I like that idea a lot. Makes perfect sense. Anything we should change in the cash and cash light, because we have quite a bit of stip, very little in box, but.

Is there any point in keeping it kind of thing or is there anything else that we should do that?

Andy: Yeah, I prefer I prefer real to nominal.

Nick: Yeah, so, you know, I think that makes sense definitely and that piece of advice is keep it in real rather than nominal for the time being until we know what the policies and the effects of the next administration's policies are going to be on inflation Keeping it in real rates, I think makes far more sense than keeping it in nominals because the danger is much, much lower.

So that makes complete sense to me. What about gold and, and G and commodities? Is there anything that we need to do there? Because commodities are really there only as a hedge against inflation kind of thing. And we are not having any it doing, you know, it's such a modest allocation that I hate to cut it.

On the other hand, it's doing nothing at all. It's not useful as it were, right. But it's probably in a, in a long term diversified portfolio. It's definitely something that has its role.

Andy: Right. And you know, short term, the Trump administration is probably less friendly to crude oil than, than other than, than the alternative.

And so you have seen a little bit of a sell off in crude, and that's obviously an important part of commodities. And I don't think it's, there's going to be a big correction, but I think you're right. I think you look at our allocation to gold and commodities and you say, are we underweight, overweight, or.

Neutral rate. And if we don't have an opinion, I would always want to be neutral rate. And I think we're neutral, right? Right.

Nick: What about gold? Should we be thinking about levels to add to our gold allocation?

Andy: Yeah. It looks to me like, you know, we had this big run up and now we've come back a little bit, but the conditions to support gold post the, the election seemed good to me.

And so, you know, it's, it's, it's a bit of a gift to not chase gold. So yeah, if we can find levels that you like that can increase our allocation of gold, that makes sense to me.

Nick: And it certainly would make sense to get rid of our box, you know, one and a half percent, which is not doing anything very much at all, and put it in gold at some stage if we get to certain interesting levels.

Andy: Right, right. The cash like stuff. Again, it's a little shift toward reals

Nick: Excellent. Okay, and i'll go over all the levels where and and exactly what we need to do, but overall We feel that equities are really going to go nowhere over the course of the next couple of weeks Maybe slightly higher, but it's not going to be a move which is anywhere near as large as last week's The the one thing that is going to support equities as well.

We haven't talked about these Buybacks because now we're going back into the buyback window It's opening so the likelihood of equities going down more than one or two percent Is really not all that great. And if we see some kind of a dip, we should definitely advise you to buy and add, maybe take equities up to 45%, something like that on a dip, but that we will do via the website by posting an update.

Sounds good.