2 GRAY BEARDS Week 172 · April 18, 2025

MACRO

- Economy flatlined — no acceleration, no deceleration. Unemployment stable, PPI marginally better than worst case.
- Real rates 2.6–2.7% with upside risk. S&P pricing 17% earnings growth at 23x — both hosts view as unrealistic.
- Data quality: low. Forward signal: minimal. PCE will confirm what PPI/CPI already telegraphed.

GULF / HORMUZ

- Strait still blocked. No ships transiting. Iran ungoverned — competing factions producing contradictory headlines.
- Resolution timeline: 2–3 weeks minimum before any clarity. Ignore the negotiation noise until a faction wins.

LAST WEEK'S SQUEEZE — WHAT HAPPENED

- Extreme short positioning into lows → administration timed Iran 'good news' → short covering cascade.
- Call sellers hit with exploding gamma (JPM collar expiry mattered far more than usual given the technical setup).
- CTAs forced to cover ~$80bn/day. No sellers: ETF holders had no reason to reallocate since bonds offer no compelling alternative.
- Nick's miss: underweighted the collar expiry timing. Owns it. Squeeze is now over — CTA buying exhausted, earnings reporters underperforming.
- Nick's target: 50% retracement = ~400pts lower (7,100 → ~6,700) over the next 2–4 weeks.

CURRENT POSITIONING

2GB Original	Well-positioned. Equity at target. No action needed.
2GB Squared	Was early/wrong on squeeze. Now repositioned to target. No action needed.
Damped Spring	Actively selling assets, going short for alpha.
Nick (personal)	Net short equities across all accounts outside 2GB.

BONDS

- Still functionally = cash. No diversification benefit for years. Andy would want bonds only at 3%+ real yield; unhappy below 2.5%.
- 2GB holds no bonds. The time to buy bonds and stocks simultaneously will come — not yet.

WHAT WOULD FLIP ANDY BULLISH (all low-probability)

- Front-loaded fiscal stimulus via reconciliation (near-impossible). QRA in May cancels coupon auctions (bullish stocks, very bearish dollar).
- Fed signals cutting cycle. AI breakthrough for select names. All low-probability — comfortable being short.

NEXT WEEK

- Light calendar: retail sales, jobless claims, 2s/5s/7s auctions (unremarkable). No mega-cap earnings.
- Watch: Powell Senate testimony (expect dovish-leaning but wave-free). Fed speakers shifting slightly less dovish.
- QRA (May 4/6) is the next real catalyst. Fed meeting: no cut, no hike, no dots — Powell's last as chair unless removed.

BOTTOM LINE: Squeeze was technical and is over. Both portfolios where they need to be. Sit tight, let earnings season confirm, watch the May QRA.