

PENNOCK IDEA HUB

eResearch Corporation is pleased to feature an investment article by Edward Pennock, who is a seasoned investment professional. He, together with other experienced investment specialists, has formed a comprehensive investment website known as **Pennock Idea Hub**.

One of the features of the website is **The Morning Call**, a daily article that features an insightful commentary on the market.

Today's article begins on the following page, and is entitled:

The Trump Trade Unwinds. Watch the Bonds

You can access the **Pennock Idea Hub** website at the following link:

<http://pennockideahub.com>

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Bob Weir, CFA
Director of Research

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Pennock Idea Hub

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Monday, March 27, 2017

The Morning Call

The Trump Trade Unwinds. Watch the Bonds

"I used to think that if there were reincarnation, I wanted to come back as the president or the pope or a .400 baseball hitter. Now, I want to come back as the bond market. You can intimidate everybody." - James Carville, Clinton advisor, 1993. Thanks to Ian for such an appropriate quote.

Trump's self-vaunted deal-making came off the rails. The 10-year yield is now at 2.35%. Stocks are having their worst sell-off this year. The Correction Bears are running in the Streets. The USD is on offer. The Euro is 1.09. Crude is down again at \$47.20 on the Nymex. That is an 11% decline this month. Gold, which was breaking down, is back up to \$1261. Q1 came in as a Lion and is going out like a Bear.

Seasonally, it is a good time to lighten the load after the end of Q1. We have had a great run. Hedgies like to lock in profits for the quarter-end. However, it is in their interest to have things close as high as possible. A fine line to walk. The Hedgies continue to lower their exposure to Crude. They have unwound half of the positions that they put on between November and February. The ratio of Longs versus Shorts has dropped to 4:1. It was 10:1 just four weeks ago. That tells us that there is still plenty of Oil that could be sold. This is Momentum Trading. The surge in U.S. production has pushed off the inflection point for inventories until next year. The Shorts are increasing. Stay Tuned.

The market is now discounting a Tax Reform LIGHT. The quarter-end may give this legs. We do worry about April being the new May. We see the Traders flattening positions. We also read that Citi's Levkovich is writing that, after three years of doing not much, the S&P looks ready to break out. Will it be smooth sailing? Probably not? On balance, we still believe in the longs and in Lekovich.

Invest the money.

Regards,

Edward Pennock CFA, Founding Partner



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ABOUT PENNOCK IDEA HUB

We are creators of independent equity research. The Pennock Idea Hub team members are veterans of the investment industry. Much of our team has spent their careers at Merrill Lynch, Deutsche Bank, RBC Capital Markets, and Wood Gundy. We have taken every aspect of research back to the studs and returned to first principles. The Pennock Idea Hub marries the interests of the sell- and buy-side.

We offer the best research for institutional investors by: only publishing research from veteran Analysts; eliminating the inherent conflicts of the traditional sell- and buy-side relationship; ensuring team accessibility; and collaborating with clients to nurture our collective success.

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