

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:

All In or All Wrong?

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

<http://pennockideahub.com>

eResearch was established in 2000 as Canada's first equity issuer-sponsored research organization. As a primary source for professional investment research, our Subscribers (*subscription is free!!!*) benefit by having written research on a variety of small- and mid-cap, under-covered companies. We also provide unsponsored research reports on middle and larger-sized companies, using a combination of fundamental and technical analysis. We complement our corporate research coverage with a diversified selection of informative, insightful, and thought-provoking research publications from a wide variety of investment professionals. We provide our professional investment research and analysis directly to our extensive subscriber network of discerning investors, and electronically through our website: www.eResearch.ca.

Bob Weir, CFA
Director of Research

Note: All of the comments, views, opinions, suggestions, recommendations, etc., contained in this Article, and which is distributed by eResearch Corporation, are strictly those of the Author and do not necessarily reflect those of eResearch Corporation.



Pennock Idea Hub

Research Reinvented

Thursday, April 6, 2017

The Morning Call

All In or All Wrong?

The title should have been: All In or All Wrong?

The headlines read that the “smart money” is all short. The Commitment of Traders (COT) shows that the speculators are long. Record, all-time high longs! The commercial speculators are at all-time high short positions. Who is going to be right? Most expect the “Smart Money” to win out.

The optimism from February has lessened. Sentiment has gone from very bullish to almost neutral. There are stirrings in the VIX. We think that its level is too low to really be a reliable signal. Interestingly, when a year starts off with a bang, it keeps going: 9 out of 11 times. The exceptions were 1987 and 2007. Some, therefore, point to 2017.

Yesterday, the markets were rolling nicely. The Fed minutes derailed the rally. The view was that stocks were “highly valued”. In our view, the surest way to go broke in the stock market is to listen to central bankers.

Guys like Trump give their opinion about stock prices. The Fed is going to let their Balance Sheet run off. That is the only reasonable course of action. If the Fed is ever going to get rates back to normal, then they have to shrink the balance sheet. If the Fed is going to be able to act on the next down-turn, then they need a smaller balance sheet. What we did not see anyone mention is that the Fed has been a major contributor to Treasury. The coupon income is forwarded directly to Treasury. From memory, that is in the order of \$600B.

The Jobless Claims fell by 25K to 234K. We are rolling along. Draghi said it was too early to dial back on stimulus. The global recovery is finally rolling along.

Merrill has some insights. The Sharpe ratio for the last 12 months is 3.8 for their universe of Hedge Funds. The S&P is 1.3. They think we saw the biggest short squeeze in Q4 since we had the biggest in 2009. There has been a record swing into ETFs.



Pennock Idea Hub

Research Reinvented

The Hedgies added \$17.4B for a total of \$45.0B They had the lowest net short positions. That speaks to a mammoth short squeeze.

Choose your sides. The "Smart" money" that is short? The "Dumb" money that is long?

Invest the Money.

Regards,

Edward Pennock CFA, Founding Partner

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.

#####