

The Kindergarten

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The Reformed Broker is a blog about financial markets and the economy.

From Josh Brown's website: My blog is about markets, politics, economics, media, culture and finance. I'll use statistics, satire, anecdotes, pop culture references, sarcasm, fact, fantasy, and any other device that I feel necessary to get my points across.

What I don't do on this site is give financial advice or tell anyone what to invest in. The Reformed Broker is a forecast-free blog. What I will do on this site is provide you with a running commentary of my market-related insights and thoughts as events unfold. I'll point you toward other interesting content around the web. I'll challenge your perceptions, call it like I see it and, occasionally, I'll make you laugh.

A link to the blog's website is provided here: <http://www.thereformedbroker.com/>.

Joshua Brown is with Ritholtz Wealth Management, a New York City-based investment advisor, whose clients are high net worth individuals, charitable foundations, retirement plans, and corporations. He helps people invest and manages portfolios for them. He is the author of the book [*Backstage Wall Street*](#), from publisher McGraw-Hill. He is a regular contributor to: CNBC, Investment News, The Daily Beast, TheStreet.com, Forbes, CNNMoney, Fortune, Christian Science Monitor, The Faster Times, Marketplace Radio, The Wall Street Journal, and The Business Insider.

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The Kindergarten

By Josh Brown

March 21, 2019

Wall Street gets bored, but it never stays bored for long.

We have been trading at or below the January 2018 all-time record high for the Russell 1000 for 14 months. Surely there must be something to do, something for The Street to get its clients excited about.

I am glad you asked! Here is Eric Peters with a little vignette I loved in his weekend notes ...

Acts of God I: “How would you like a new 4 Sharpe strategy?” asked the salesman. “Tell me more,” replied the portfolio manager. “You buy a swap from us that will continually sell weekly S&P 500 variance, but instead of that variance being measured based on the daily price change, it measures volatility multiple times each day.” Well that’s new. “Who’s buying this stuff?” asked the portfolio manager. “Everyone’s buying,” said the salesman. Just when you think we’d run out of innovative ways to profit from nothing happening, along comes something else.

Acts of God II: “If everyone is selling intraday variance, I think I’d rather buy it,” said the portfolio manager. “Oh, well, that’s great! With so many people selling, our trading desk is way too long. So we’re looking for ways to recycle this risk,” said the salesman. As people buy these variance swaps, and therefore sell intraday volatility, the issuing banks get long volatility. To hedge the risk, they sell intraday rallies, buy dips. Which dampens volatility. And their clients are all happy, unless of course there’s a flash crash. Or through an act of god, an overnight gap.

Josh here – LOL. As Fred Schwed Jr. once wrote, “There is an old joke that Wall Street has a river at one end and a graveyard at the other. Yet, this is strikingly incomplete. It omits the kindergarten in the middle.”

That kindergarten requires constant activities to amuse itself. I am glad it found a new one. We will find out who ate too much paste during the next fire drill.

Source: [Eric Peters](#)

See **ABOUT THE AUTHOR** on the following page.



ABOUT THE AUTHOR



Josh Brown is a New York City-based financial advisor and the CEO of [Ritholtz Wealth Management](#).

We help people align their investments with their financial goals and manage portfolios for them. Our clients range from high net worth households to corporations to retirement plans to charitable foundations. For younger investors and those just getting started, we've created the [Liftoff automated advisor](#) – a simple, low-cost way to access a professionally managed portfolio selected just for you.

He is also the author of the books [Backstage Wall Street](#) and [Clash of the Financial Pundits](#) from publisher McGraw-Hill. In addition, he serves on the advisory board of financial technology firms [Riskalyze](#), Vestwell, Digital Assets Data Corp as well as [CNBC's Financial Advisor Council](#).

In 2015, he was named to the [Investment News "40 Under 40"](#) list of top financial advisors.

ABOUT THE REFORMED BROKER

The Reformed Broker began in November of 2008 and has become one of the most widely-read sites on the financial web.

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In the Media

I have been featured in or have written for Fortune, Forbes, the Wall Street Journal, MarketWatch, Dow Jones Newswires, Bloomberg, Reuters, CNNMoney, Bloomberg, CNBC, the New York Post, Crain's New York Business, Investment News, Registered Rep, Financial Planning, Fortune, RIA Biz, Business Insider, American Public Media, NPR, TheStreet.com, the Washington Post, BuzzFeed, Barron's and the New York Times.

I am an on-air contributor to CNBC. My show, [The Halftime Report](#), airs weekdays at 12 PM ET. Our YouTube Channel, [The Compound](#), is blowing up. Check us out!

Follow our latest updates with the [Market Moment skill](#) on Amazon's Alexa!

I am available to comment on most topics for print, web, television and radio. [Get in touch](#). Do you want me to speak or moderate at your next event? [More info here](#).

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