The strategy is a scenario based set of long/short strategies, using the VIX as a signal of market belief.

The principal of high volatility coinciding with bearish market conditions is visible in previous Fed days, and is especially relevant given the recent positive inflation and jobs data subset within a negative general inflation environment - the market has priced in dovish sentiments heavily (CME options predicting no rise 98%) but forward guidance from Fed members has made it clear that dovish moves are off the table short term; any break from expectation will send shocks through the system.

As such the three scenarios are very hawkish, neutral, and dovish.

In the event of the VIX signalling a bearish market reaction, assumedly to hawkish guidance or action, the portfolio shorts XLF - the finance ETF, and goes long gbpusd to hedge the more complex interest rate dynamics and isolate the expected change in market credit dynamics.

If the conference is only slightly hawkish then the strategy goes long JPM and short a medium sized position in KRE - the regional bank ETF. This aims to profit from the well-known relative weakness of the regional banks, who have been unable to maintain their deposits effectively and whose loans are more sensitive to small business credit quality, which is deteriorated by high interest rates. JPM, on the other hand, has been effective at maintaining deposits cheaply and has low exposure to community banking. This trade is not predicting that this trend will continue in the coming environment, just that the market will expect it to continue.

The final trade is shown by a relatively dovish Fed, and opens only a long position in KRE.