



# How to Play the Odds of Today

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# The Cards on the Table

1. Potential Recession
2. Strong Employment
3. Tired Consumer
4. Refinance Risks



# Last Year Revisited

1. Magnificent 7
2. Mechanical Order Flows
3. Derivatives
4. Government Influence
5. Inflation Moderating



# Magnificent 7

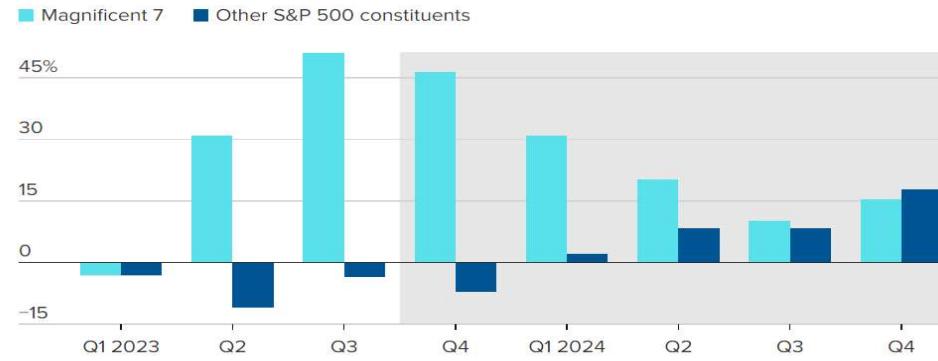
1. 30% of S&P 500 Weighting
2. Over 80% of the Returns





# Magnificent 7

Earnings growth among the 'Magnificent 7' in the S&P 500



Note: Shaded area indicates projected earnings.  
The Magnificent 7 are Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla.  
Source: LP Research, Bloomberg  
Data as of Jan. 11, 2024

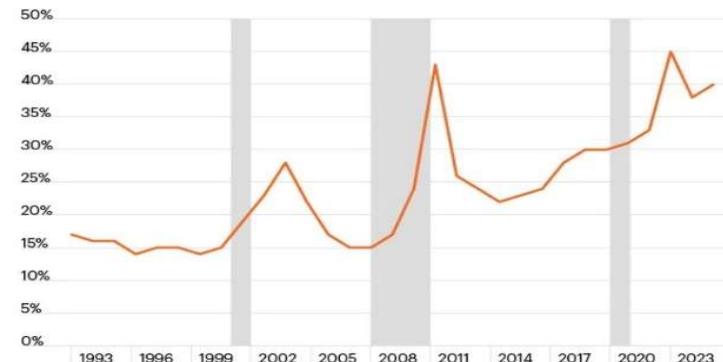




# Russell 2000

1. 40% of Companies have Negative Earnings

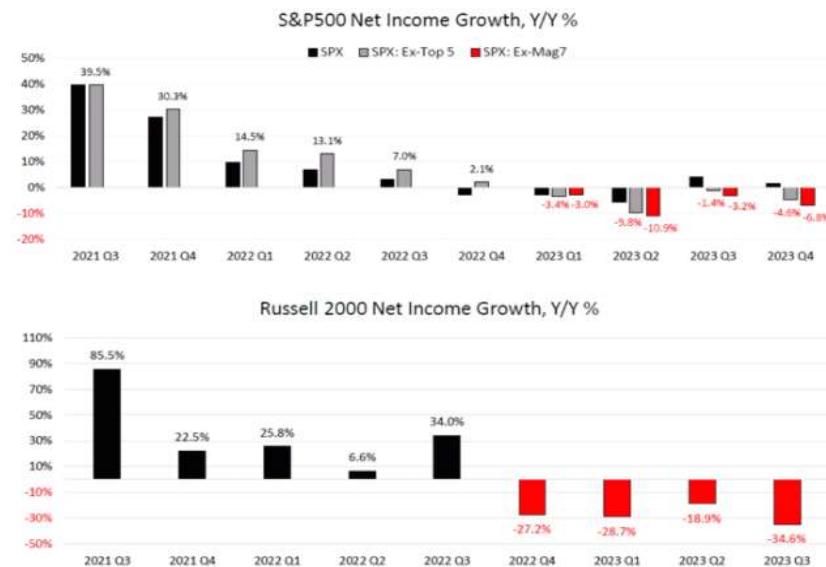
**Percentage of Russell 2000 companies with negative earnings**



Source: Bloomberg Finance, L.P., as of November 21, 2023. Shaded areas represent economic recessions.



# Net Income Growth

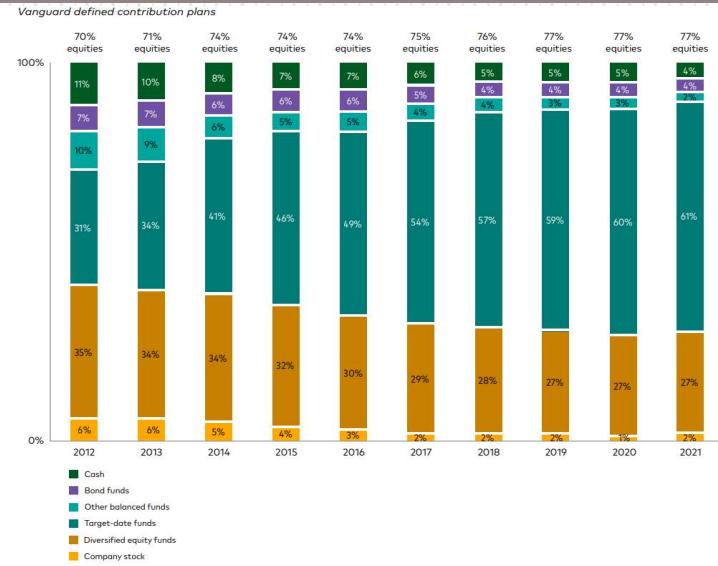


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# Mechanical Order Flows

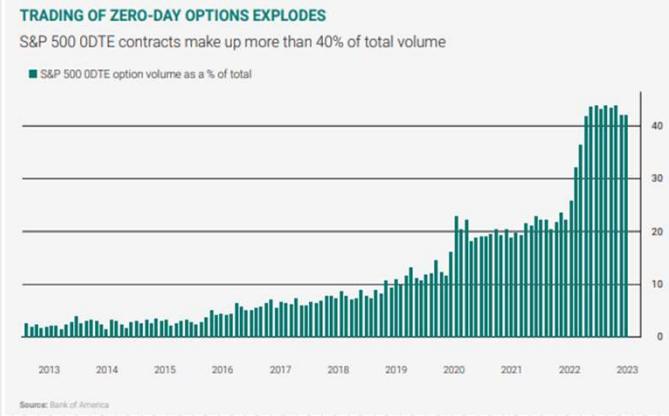
- \$460 Billion Annually Contributed to DC Retirement Plans





# Zero Days to Expiration Options

1. Over 40% of Volume
2. \$1 Trillion Notional Value





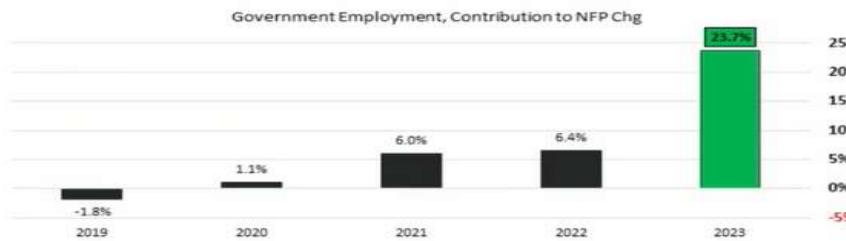
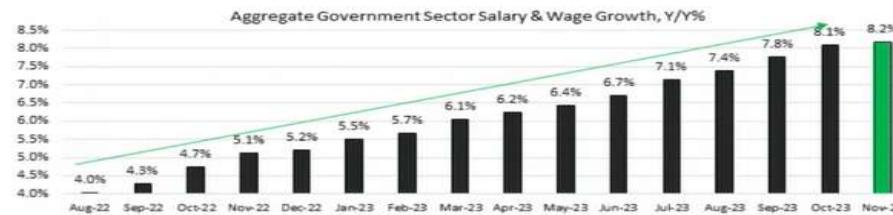
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# Government Influence

1. New Hires
2. Infrastructure Bill
3. Employee Retention Credit
4. CPI Calculation



# Government Influence on Jobs



Data Source: Factset, BLS



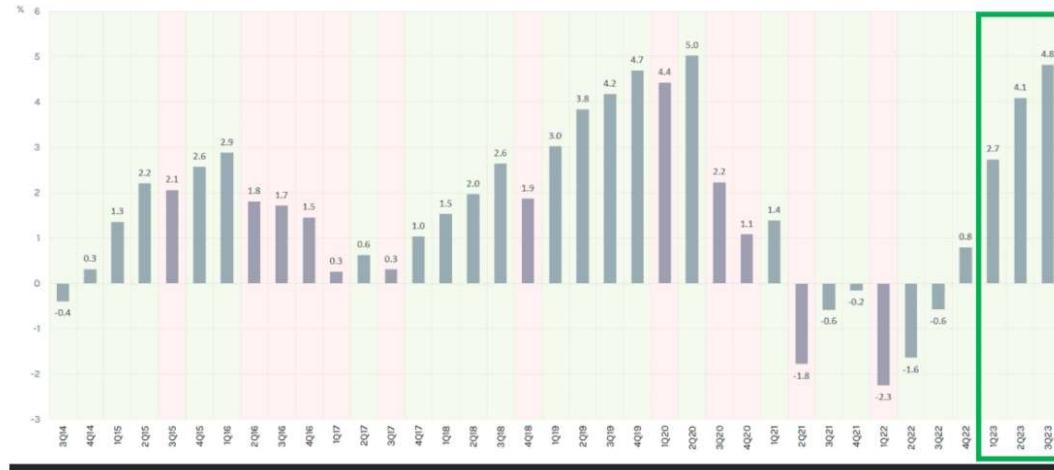
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# Government Influence on GDP

## 2023 Was The Year of The Big “G” (Real Government GDP Growth YoY)

While Government spending accounts for 17% of GDP, it has contributed closer to 30% of the growth in GDP for 2023.

HEDGEYE



Data Source: BEA, FactSet

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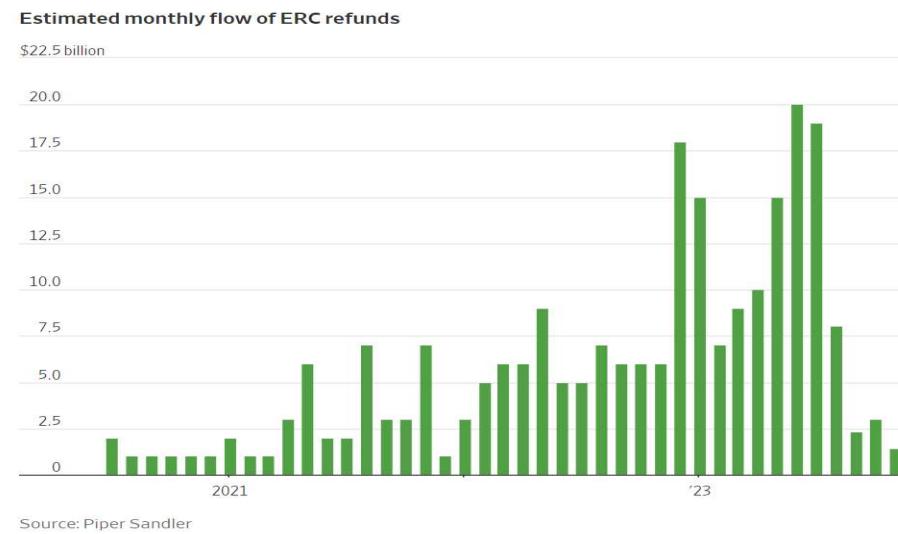
# Government Influence on GDP





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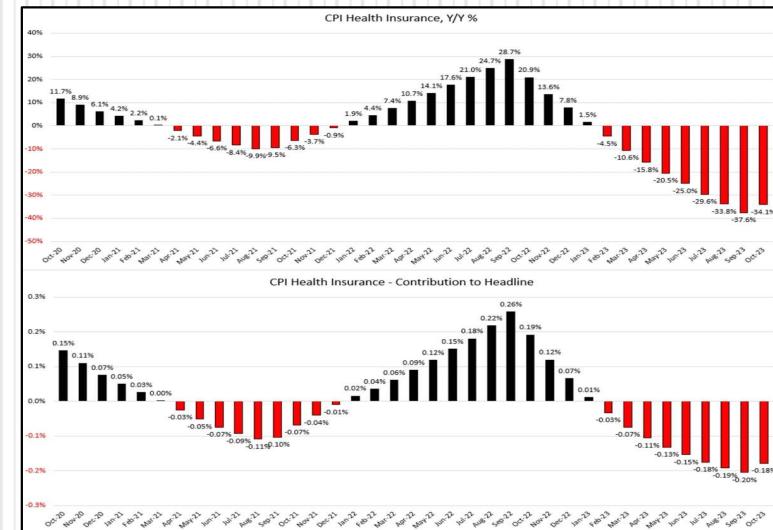
# Employee Retention Credits





# Inflation Moderated

1. Disinflation
2. Revised CPI Calculation
3. Rate Cut Expectations





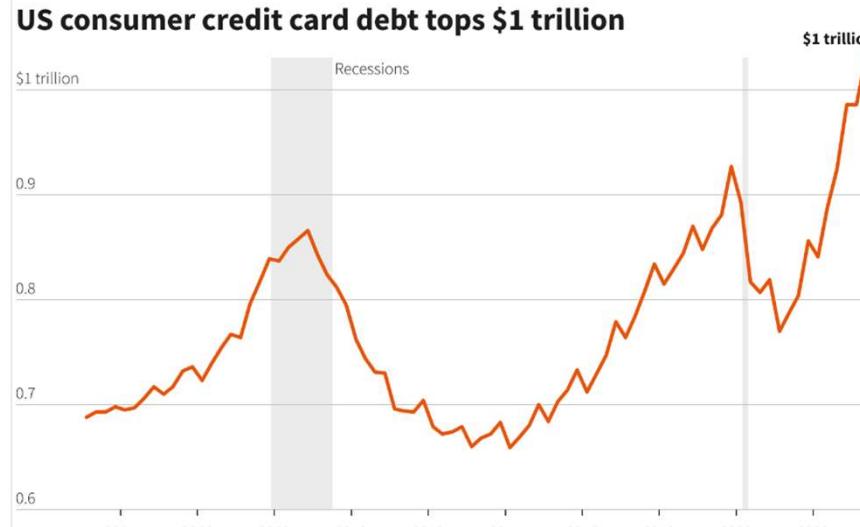
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# Health of Consumer

1. Credit Card Debt
2. Luxury Goods Sold
3. Small Business Sales
4. Retail Sales
5. Savings Rate



# Credit Card Debt

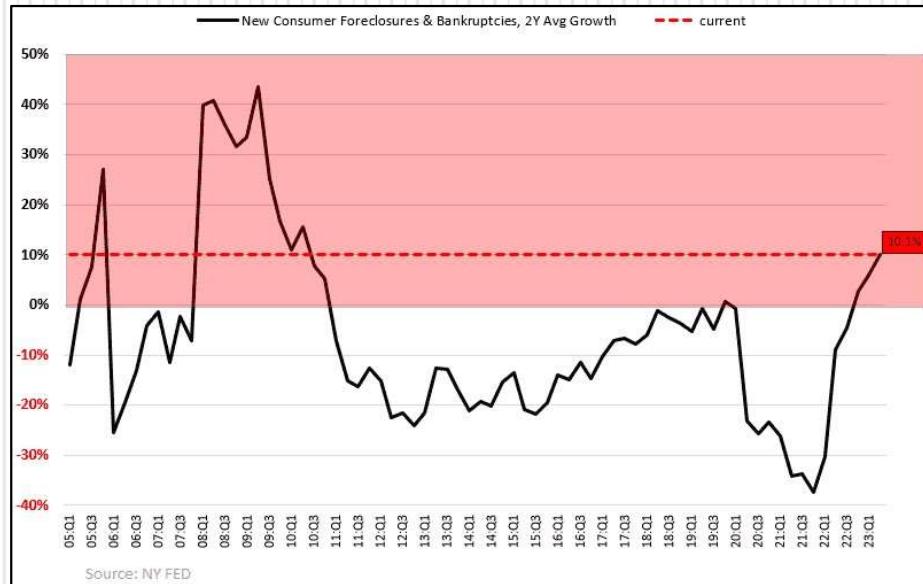


Source: Federal Reserve Bank of New York | Reuters, Aug. 8, 2023



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# Foreclosures and Bankruptcies



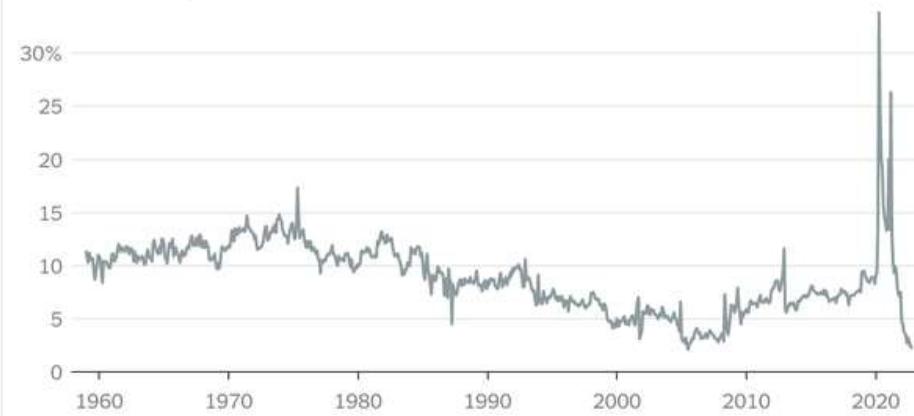


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# Savings Rate

Percentage of after-tax personal income that is saved

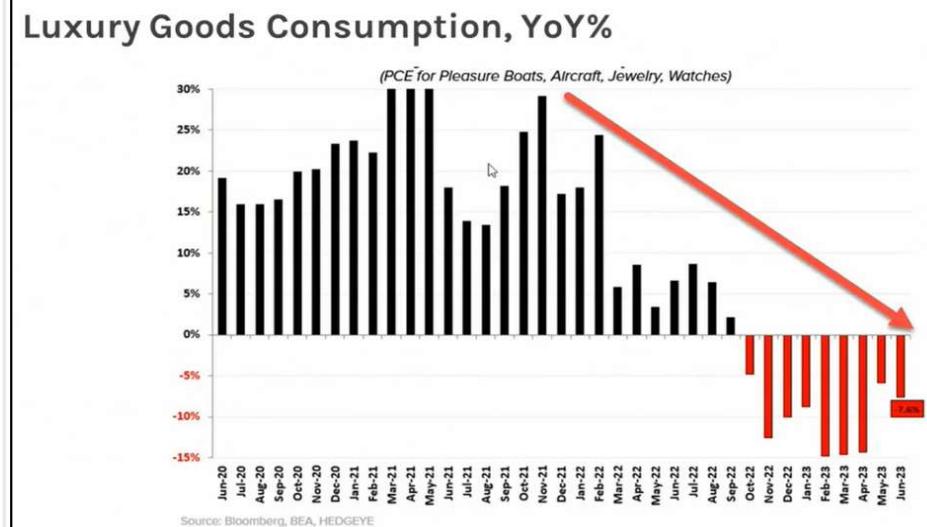
— Personal saving rate



Source: Bureau of Economic Analysis • By The New York Times

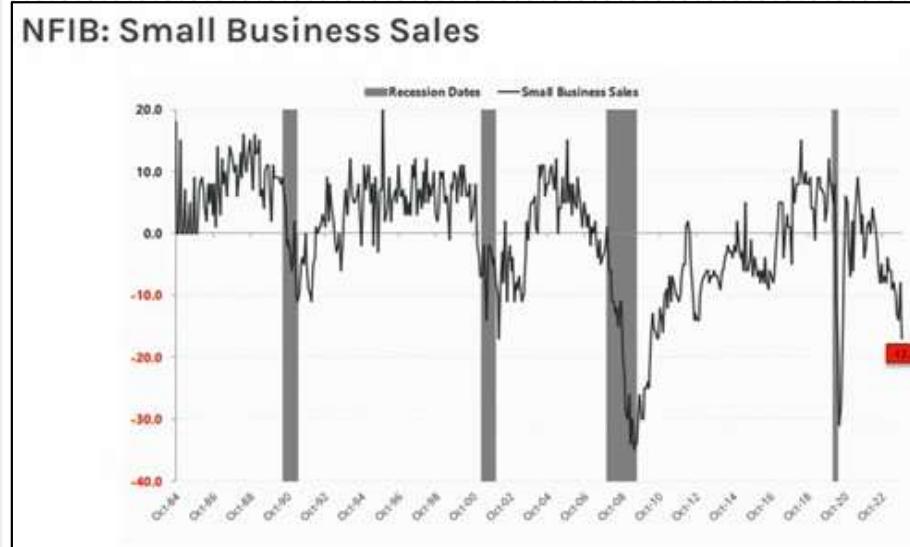


# Luxury Goods Sold





# Small Business Sales



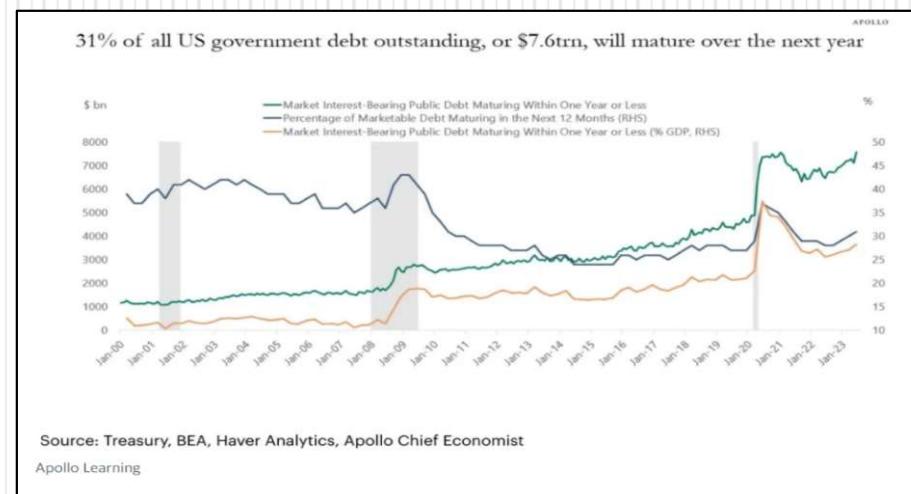


# Refinance Risks

1. Government Bonds
2. Corporate Bonds
3. Commercial Real Estate



# Government Bonds

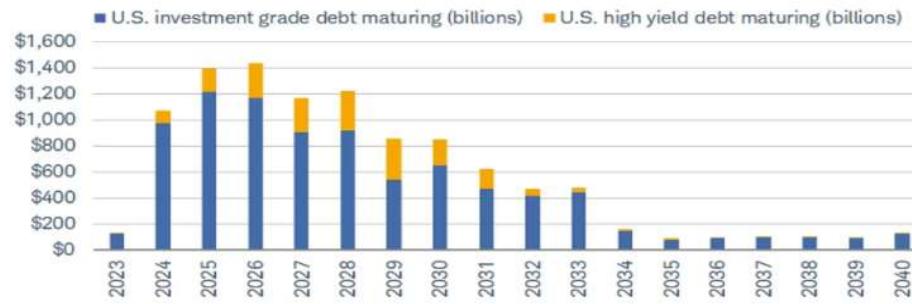


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# Corporate Bonds

**Corporate debt maturity schedule**



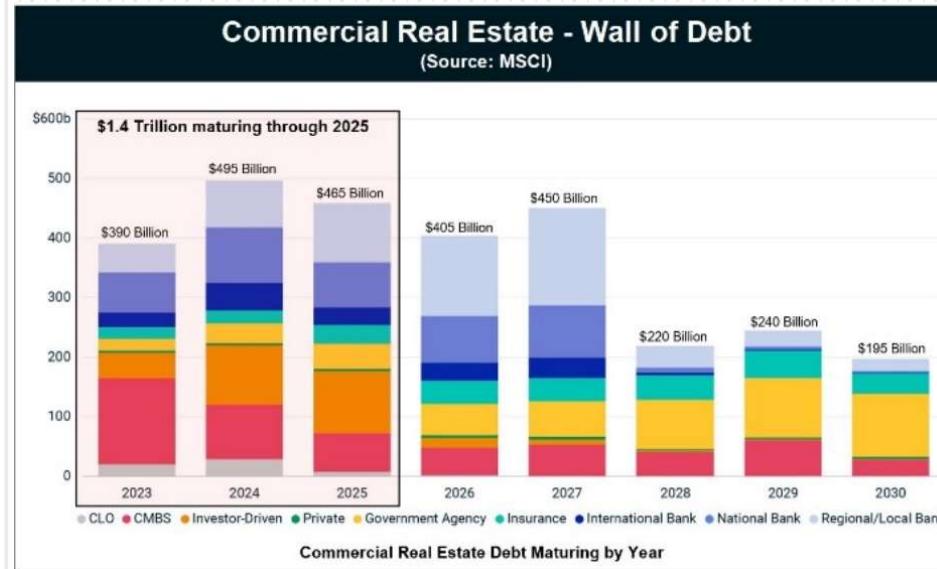
Source: Charles Schwab, Bloomberg, as of 10/13/2023.

Data for investment grade covers the amount outstanding of USD-denominated corporate bonds of \$300 million or greater. Data for high yield covers the amount outstanding of USD-denominated bonds of \$100 million or greater.



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# Commercial Real Estate





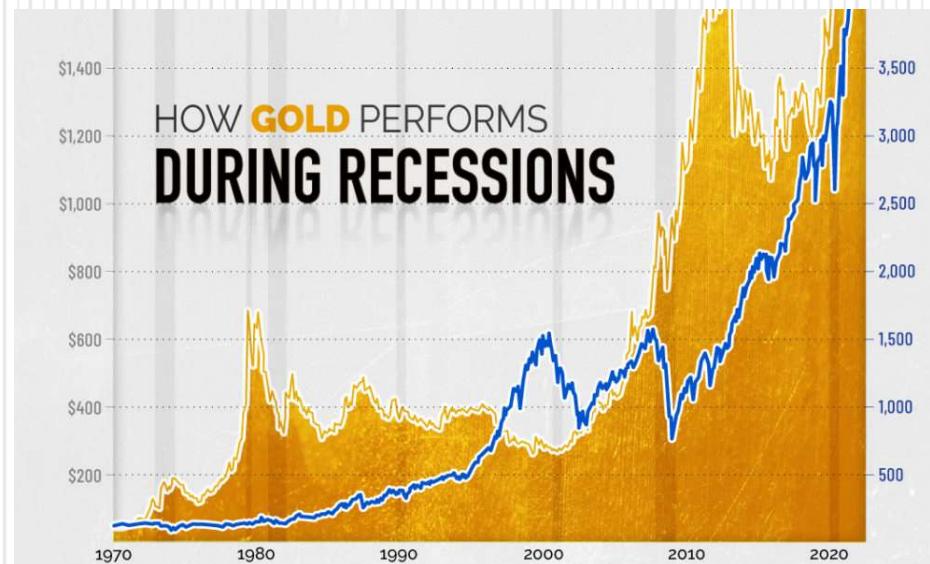
# Potential Opportunities

1. High Interest Money Markets
2. Alternative Assets
3. Defensive Positions
4. Bitcoin



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# Gold





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# Defensive Positions

1. Long Bonds
2. Utility Stocks
3. Consumer Staples
4. Healthcare



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# Bitcoin





# Bitcoin Diversification



**DACFP** | Digital Assets Council  
of Financial Professionals

2014 - 2020

	Sharpe Ratio	Sortino Ratio	Standard Deviation	Max Drawdown
<b>60/40</b>	+0.64	+0.93	+10.5%	-21.9%
<b>1.0% bitcoin</b>	+0.71	+1.04	+10.5%	-22.1%
<b>2.5% bitcoin</b>	+0.82	+1.21	+10.6%	-22.4%
<b>5.0% bitcoin</b>	+0.96	+1.45	+11.0%	-22.8%

Source: Bitwise



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# Questions?



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