

At the core of our approach is the observation that markets are becoming increasingly concentrated. As the demand for quantitative investment styles has grown, so too has the need to rely on systematic (fully, or semi-) approaches to allocation & trading decisions. Combine these nascent trends with an industry already prone to herding and chasing benchmarks...

...and you have an increasingly transparent market, which, at any given time will be geared (probabilistically) for specific behavior.

The most probable behavior, in our view, depends on the underlying macro (equity) positioning & the aggregate derivatives overlay (think: dealer options book).

None of this should strike you as particularly brilliant.

In fact, as the markets increasingly cluster and scale, they become easier to generally predict. In a strange twist, the smaller retail trader has a distinct advantage **at macro-level trend trading, on wider timeframes.**

What do we mean by macro-level?

Macro positioning is easiest to read. Think: **index level.**

Most passive and systematic flows will be transacting in the S&P 500 (regardless of whether their *trading* is lit / dark pool / OTC... in the end- SPX is the name of the game for risk on/off). The principles you will learn in our Mentorship will of course apply to any asset- but individual equities have tremendous idiosyncratic risks. The decisions & approaches that go into single name allocation decisions are generally far opaquer and more nuanced than the risk-on/ risk-off decisions which move the index at large. To find the highest probability setups, we need simplicity and maximum visibility. We will focus on the index- you can feel free to apply the concepts to any domain you know well.

What do we mean by wider timeframes?

This is imprecise, but generally let's assume that market makers & microstructure specialists will not be defeated easily by retail traders at any timeframe requiring algorithmic execution. Perhaps you have an edge- we don't want to dissuade you if you do. But our focus will generally span days through weeks (sometimes months). We will share some strategies and tools we find useful for manual/discretionary intraday trading. Most of our course, however, will be designed around swing trading through trends and reversals that take anywhere from a few days to a few months to adequately play out.

Personally, as I look back over my favorite setups and trades of the last two years... 2 weeks seems to be the sweet spot.

Our Framework Begins with Positioning

At the base of this is the understanding that by and large, the world is LONG equities- and passively buying more by the day. Traders often become addicted to the markets after experiencing the rush of winning as a "contrarian" and timing a reversal or liquidation event. Winning first from the short side... all too often becomes a *curse*— preventing an otherwise promising trader from seeing the market for what it is.

Passive equity buying flows at the index, Mutual Fund, & ETF level; alongside corporate buybacks are the lynchpin of the current market. A trader first must understand that almost nothing (currently) is going to change or overwhelm this dynamic- and trade accordingly. This feature alone implies that **nominal** market returns should oscillate around a positive mean. Meaningfully reducing positive flows would require a shock- something large enough to move a meaningful portion of the labor force out of "contributions" and into "withdrawals". For anyone looking for more depth in this arena- we recommend catching up with Mike Green (formerly Thiel, Logica; now T1/Hedgeye) who has written extensively on the subject.

Our bottom-up framework for approaching the markets through a trader's lens... respects this underlying demand imbalance while paying attention to seasonality.

We pay attention to:

- Seasonal return patterns at the calendar year level,
- 'Turn of the Month' phenomenon (last trading day of passing month – 3rd trading day of new month),
- Mutual Funds' fiscal calendars (Oct 31 = year-end),
- Quarterly rebalancing impacts,
- Emergent themes arising from the options market (OPEX, positional concentrations, etc).

Vanilla Equity Flows – Other Considerations

Beyond these passive equity buying flows... we look for indications of discretionary positioning and sentiment.

Most important considerations:

- Mutual Fund cash balances
 - Long Only allocations
 - L/S & HF fund (aggregate) positioning, especially pertaining to...
 - Cumulative short interest (-and for macro/ETF level short interest, where in price the greatest accumulation occurred)
 - Sentiment (Bull/Bear, Fear & Greed, prime surveys, etc.)
-

Systematic (Delta) Flows

Not only have assets become increasingly concentrated in systematically managed strategies... but visibility of these flows has undoubtedly led to retail & HF participation in trading ahead of the expected impact. The combined AUM deployed by the strategies below is estimated to be well over \$1T in aggregate- with Risk Parity dominating the positioning while CTAs appear to dominate the flows. We will cover these primary contributors in more detail in the weeks ahead.

Flows (-and positions) to Know:

- CTAs / Managed Futures
 - Vol Control / Vol Target
 - Risk Parity
-

Systematic (Volatility) Flows

Volatility strategies which had previously been reserved for the HF / HNW space have been increasingly democratized and deployed via publicly tradable ETFs. Many of these are becoming increasingly visible as the AUMs of short volatility ETFs grows (think JEPI, XYLD, QYLD, etc.)- while an entire chunk of the iceberg sits below the surface and exists in the OTC or FLEX options space, embedded in structured products and SMAs which aren't always as visible as the ETF products.

We'll start by exploring dealer hedging dynamics, to understand how positions and flows intertwine- and then we'll take you on a journey covering existing flows, emergent trends, and the ramifications of concentrated positioning...

Flows to Know:

- 0DTE option flows (along with their contribution to structural risks / intraday return profiles)
- Systematic short volatility products (from short through intermediate tenor)
- Overwriting flows
- Structural Hedging programs (JHEQX et al)
- Tail hedging (including VIX Call inventory)
- Structured Product -> index pass through (flows from auto-callables, capped risk products, etc)
- Discretionary flows (event, macro hedging / hedge liquidations / directional regime trades / term structure, etc)

Ultimately you will understand the reasons we're seeing signs of emergent seasonality in the options calendar (hint: it has to do with concentrated positions according to use case...)

Putting It All Together

At the end of the course, we will synthesize everything we've learned about the markets to identify high probability trading **entries**.

Then we'll draw from our understanding of dealer hedging / volatility dynamics, along with options positioning and flows, to construct our trades. Using available information on equity and volatility market positioning... alongside informed estimates on upcoming flows; we choose options strategies designed to deliver maximum payout and/or minimum risk, depending on the opportunity-set.

This is what we call **Consilience Trading** – it may not *exactly* roll off the tongue, but at its core it reflects purely the nature of our strategy.

We avoid overreliance on any one indicator or quantitative signal- instead, attempting to synthesize as much information as we can on **positioning** and **projected flow imbalance** from each visible market segment.

The greater the degree of alignment... the greater the conviction of our entry... and the greater the convexity of the trades we take.