

## Robin Hood Effect

With everyone chasing ghosts, and trying to figure out what is driving the markets higher, the newest target is speculation in the form of rapid-fire day-trading via Robin Hood and other free trading platforms. Last week, Barclays threw cold water on the idea when they wrote that the most favored equities tend to underperform overall. Other observers think the pros are buying the hot names in the pre-market and selling them to the masses in the afternoon. We can't confirm, but are not afraid to think that there is something less than right about what has been moving markets as of late.

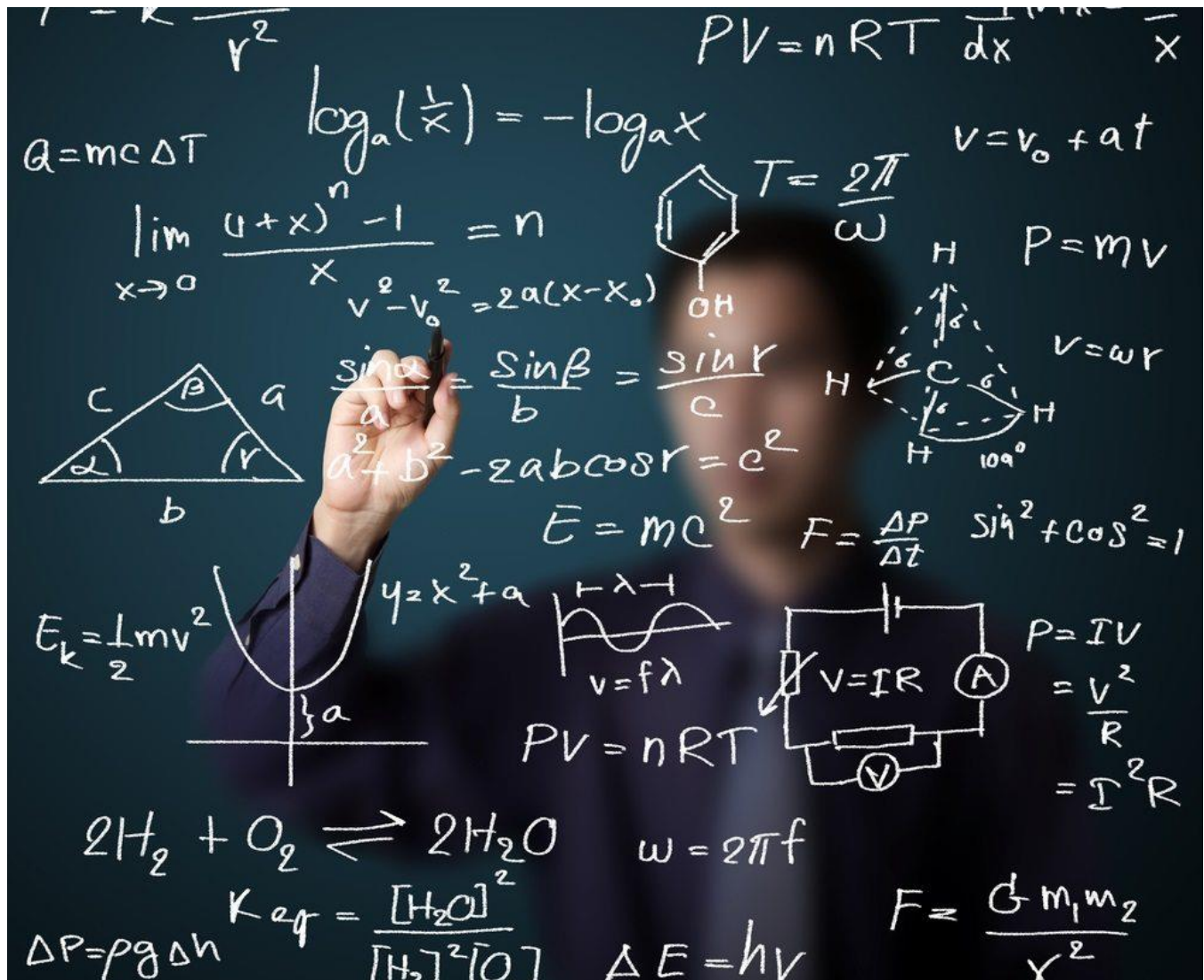
“Steal from the rich...”



## Quants Rule

From our reasonably seasoned perch, the biggest movers in markets these days are levered quants. That would be one of the only ways to explain the big moves we see in the overnight futures markets, along with inter-day trading that can easily range from up a couple of percent to down the same amount. It's fascinating to watch, yet very tough to trade, as the 'signals' being picked up are so subtle that the human mind can't possibly keep up. According to Nomura, some combination of the aforementioned, and the unwind of recent call buying and selling, is what caused last week's violent correction.

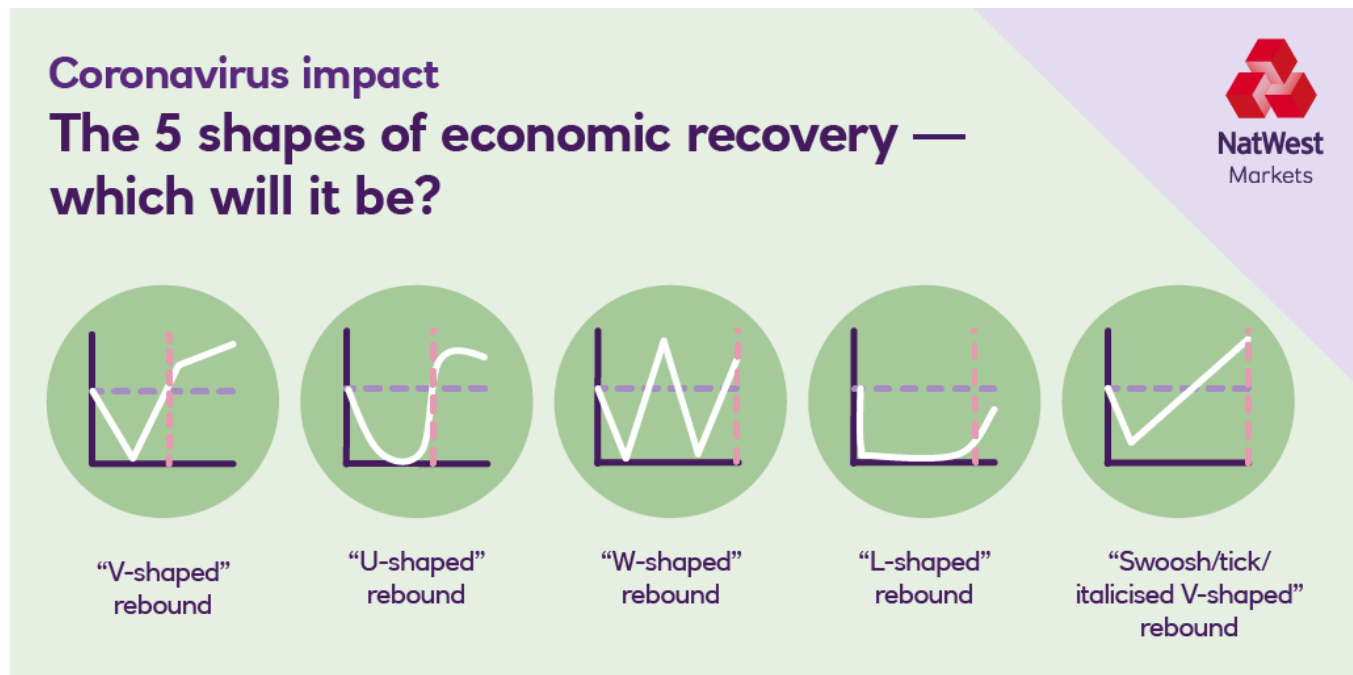
## Math Wizardry



## The Economy

A veritable alphabet soup of predictions is flowing from Wall Street right now on what this recession is going to look like. You have your standard 'V', which Morgan Stanley doubled down on this week. You also have those that believe in the dreaded 'L' recession, whereby the economy contracts hard, and then flatlines for an extended period of time. The 'U' is simply a less sharp version of the 'V'. And finally, there is the 'W', which includes a sharp downturn, quick recovery, and then a secondary downturn. For those looking to go further down the rabbit hole, Forbes does a great job of describing all four. For those scoring at home, we are in the 'W' camp.

## Versions Galore



## Markets

The camp of frustrated skeptics is not a small one these days. We know, because we live in it. And our junta of the ursine kind is led by some pretty big names. Among them are Jeffrey Gundlach, Jeremy Grantham, Scott Minard, and Rob Almeida. Together they run close to half a trillion dollars. The Wall Street Journal penned a piece that went through the logic of why our reasonable kind doesn't see the real economy matching the paper one. Gundlach, who many consider one of the best observers of the markets, pointed out last week that without a combination of 'super six' large cap technology stocks, the S&P 500 would have only given you a 12% return over the past five years.

## Up, Down, Nowhere



At the end of the day the past four years have been tough ones for most as every strategy has been tested. Given that we can hedge via short positions we tend to play very good defense, but leave points on the board when markets rally big. What frustrates us most is that we are getting the fundamentals right. In both 2018 and again early this year we have done our job very well. The challenge is that in both cases the Fed came in and put its big fat put in place and saved the day. Just this morning we had another sign of the length they will go this time to support paper assets when it was announced they would be buyers of individual corporate bonds. With that we can safely say that now everything is too big to fail.

Like a Boss



## Hedge Funds\_\_\_\_\_

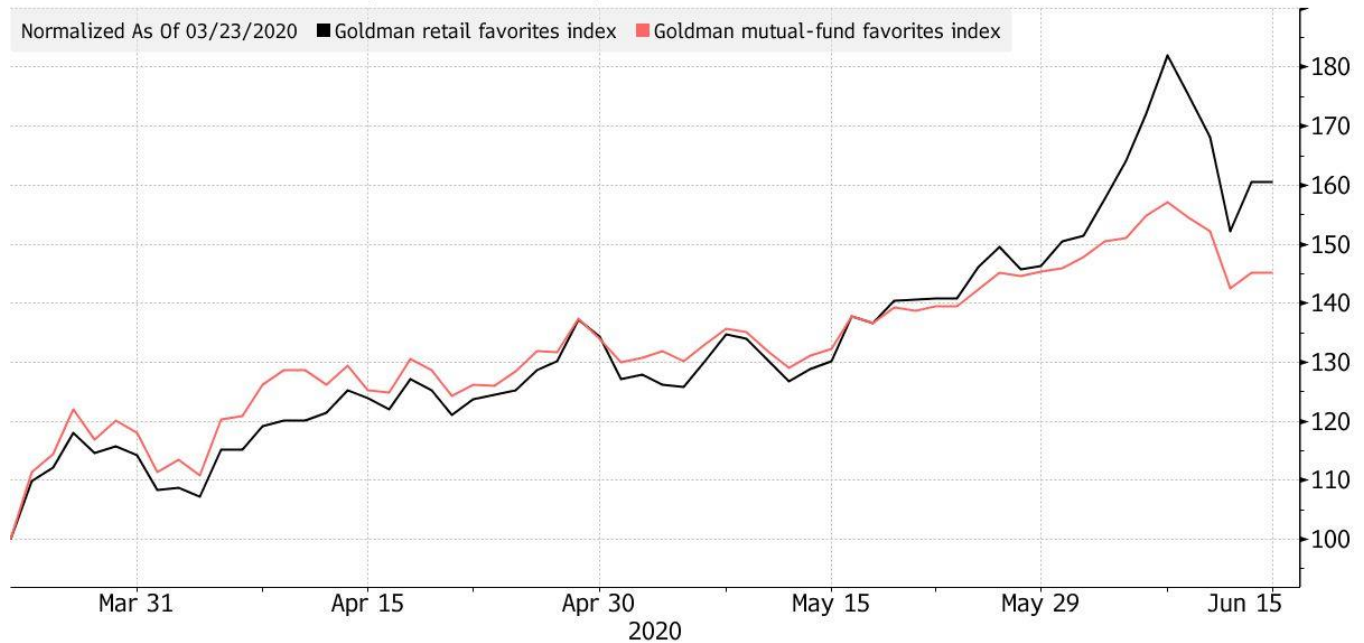
In news that once again augers poorly for the 2% and 20% set, Goldman Sachs' recent research says that the average schmo trader is now beating the well healed hedge fund set. While this is a very recent occurrence, retail probably took a big one on the head last week.

David Beats Goliath



## All Hail Retail

### Small investors' stock picks have outperformed mutual-fund favorites



While we know of some fellow hedgies that are once again having a tough year, more and more we hear the opposite. Several funds we keep track of, or know people on the inside, are up more than 20% on the year. Bill Ackman is one of them, despite the fact that his 'hell is coming' call back in March that he profited mightily from remains controversial. None of this is going to change the nature of withdrawals from the industry, which could very well see the largest outflow of assets since the Global Financial Crisis.

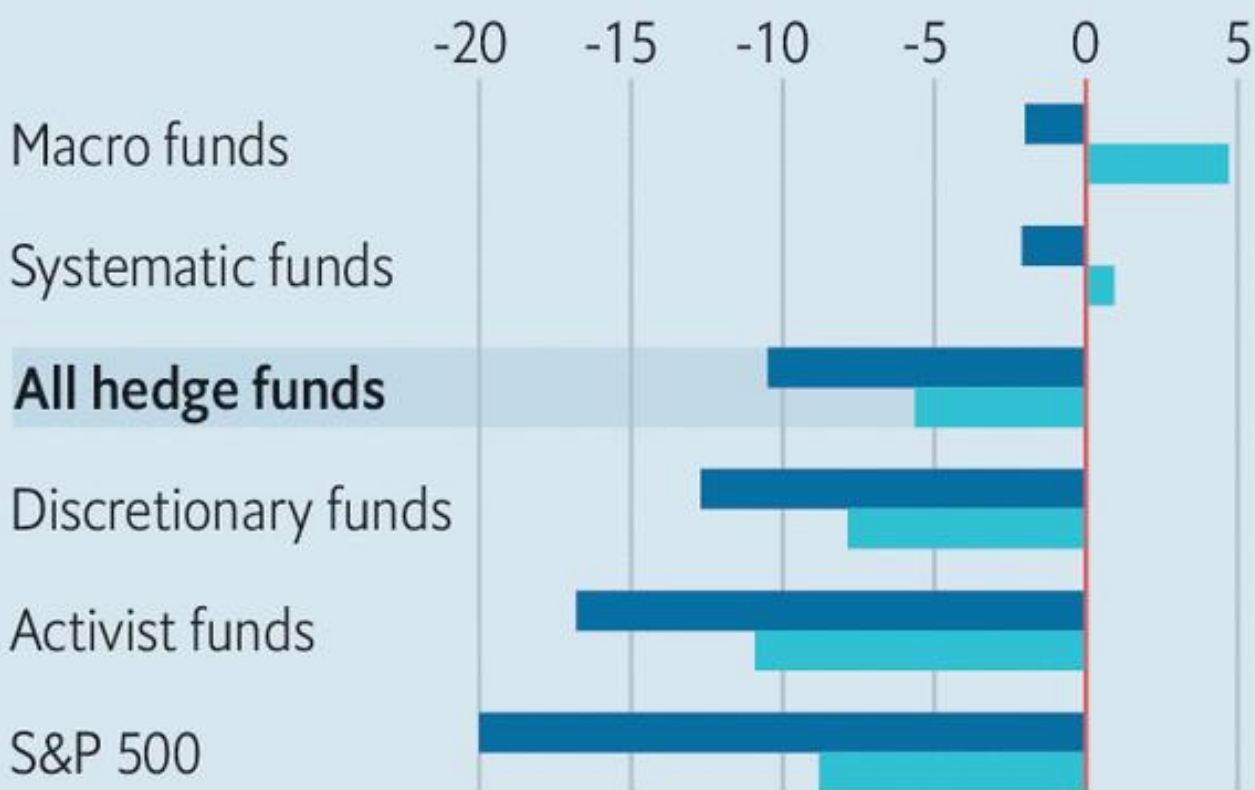
## Macro Wins Out

## Down, but not out

Global financial returns, %

■ Three months to March 31st 2020

■ Twelve months to March 31st 2020



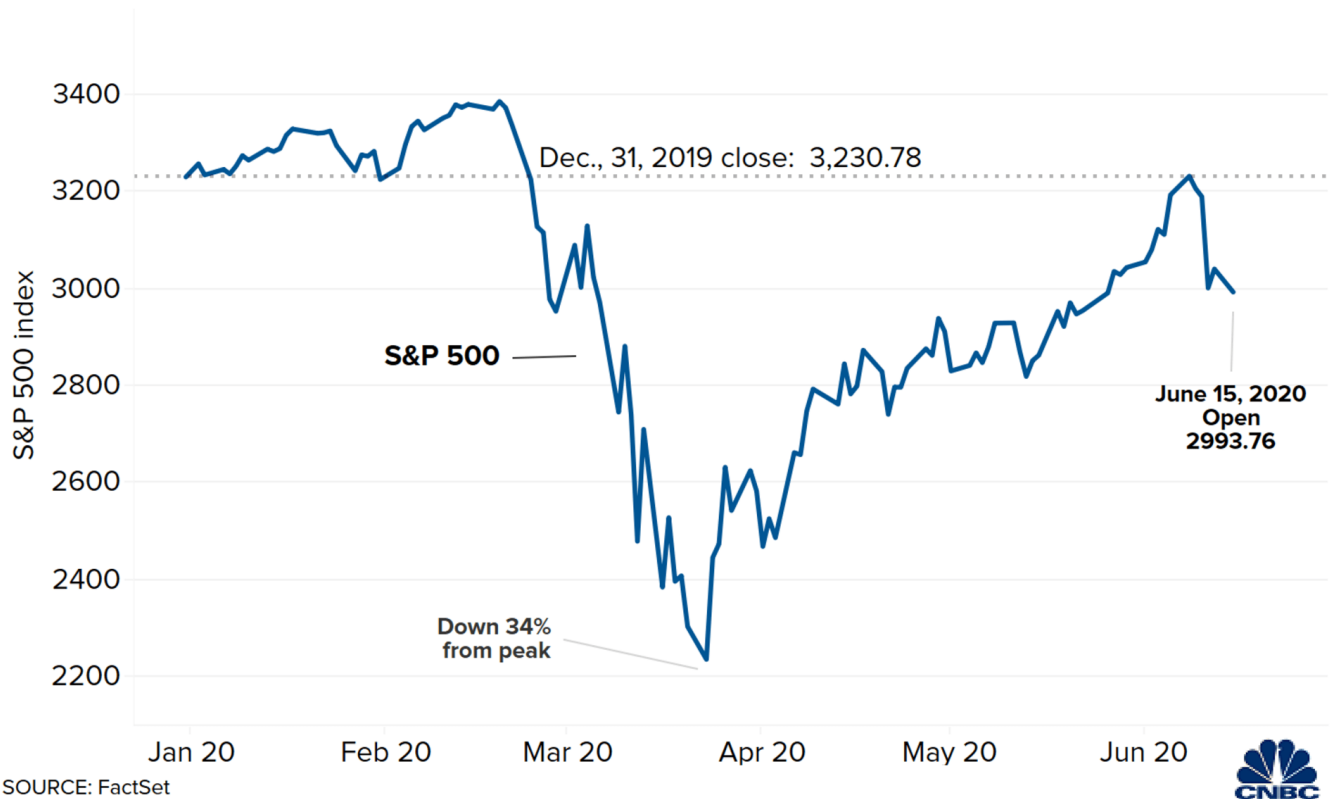
Sources: Prequin; Bloomberg

## The Economist

Two Wall Street legends, Paul Tudor Jones and Stan Druckenmiller, admitted to eating a double dose of humble pie on their cautious market calls, are now changing their minds. This is a reminder that for all the good things the financial media bring to the table, their openness to allowing the expression of opinion that doesn't come with a recent track record confuses the masses and let's those who should be held accountable off the hook.

## Humbling Market Indeed

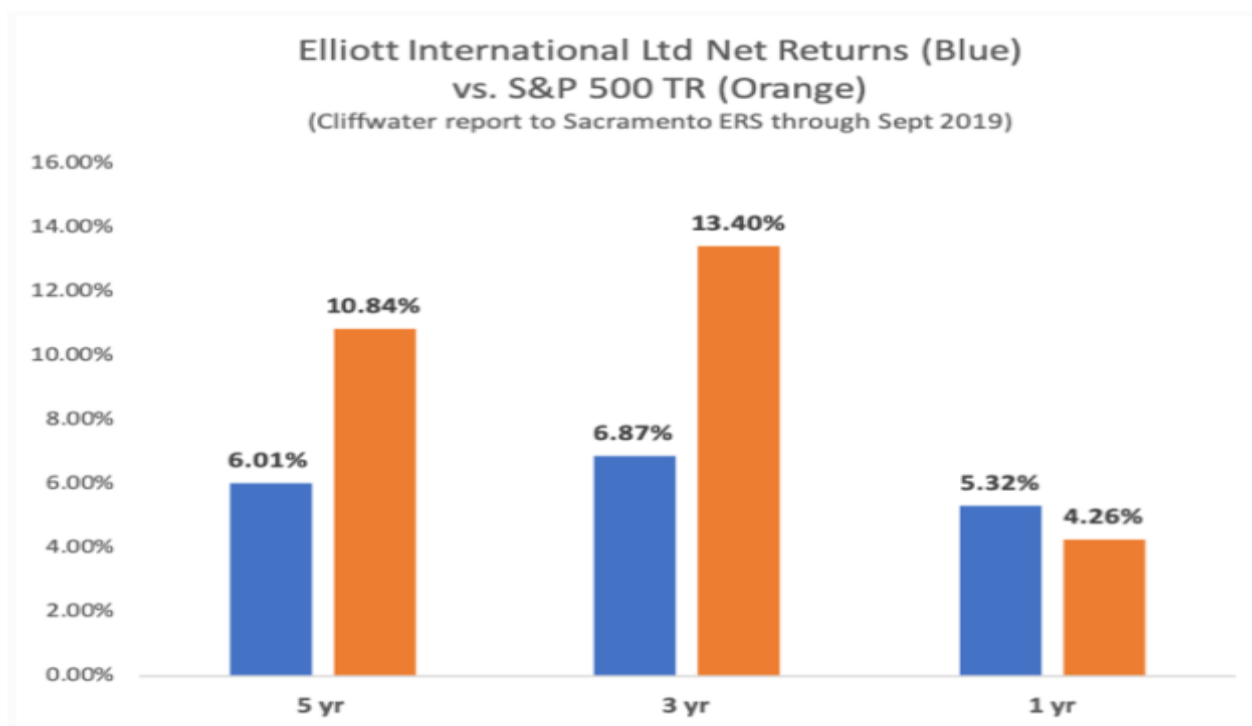
### Recovery reversal



The fine journalists at CNBC did hedge fund watchers the favor of profiling Paul Singer and his Elliot Management activist investor style. They did so in part because of the ballooning asset at the firm, which now runs \$42 billion. This is a doubling from 2012, and included a \$7 million dollar raise in a 24-hour period. Our favorite quote from the piece came from Jonathan Bush, the then CEO of AthenaHealth. He explained that when Singer showed up it was like Googling what the bump on your arm was, only to have it say 'You are going to die'. All that said, Elliot's numbers while good, are by no means great.

## Underwhelming





## Big City Exodus

Every week we include a section entitled 'Diversions', inspired by the Wall Street Journal's Off Duty section, it is meant to remind you of life outside Wall Street and the finer things that go with it. One of the most enjoyable topics is when they cover real estate in the Mansion part of the paper. With COVID-19 causing many to rethink city life, this week we give you what \$2 million buys you in the now hot markets of Lake Tahoe, East Hampton, and Barton Creek.

The 405



We begin this tour with the wonders of the Sierra Nevada range as our backdrop. For those not in the know, we mean Lake Tahoe. Specifically, the Incline Village section of the lake that has been long famous as a great place to live if you are nearing a liquidity event or are already a high earner. The reason being the favorable tax treatment, like zero, that Nevada levies on income. This house in Incline came in just about right at the number and gives you 4,600 square feet and whole lot of rooms and a lake view.

## Lake View



Also coming in at \$2.1 million is this postage stamp size of a home in East Hampton. The whopping 800 square feet of residence doesn't really tell the story as this property is also a half of an acre sitting on the beach. As the saying goes, buy oceanfront, that way nobody can build in front of you.

## Mouse House





Looking to maximize that suburbia loving dollar, head yourself down Texas way Barton Creek, just outside of Austin where for just under \$2 million you can have yourself a not inconsequential 4,600 square feet of living space on t a little over 2.5 acres of land. While the burnt lavender color scheme in the kitchen is a little much, for the price they are asking it's just a decent paint job away from being pretty spectacular.

Country Living



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