

*Daily Market Note: September 6th 2023 by Larry Cheung, CFA*

Those who have been patient shall be rewarded.

Forward-looking Conclusions of this note:

- Macro: Sellers target market darlings Apple, Tesla, and Nvidia in a bid to shake off recent new late entries and re-control the narrative. Will they win? This will be discussed below.
- Stock-Specific: Broadcom (AVGO) 880 Strike Calls worked as a scalp yesterday (discussed in Private Group Chat). I will continue hunting for opportunities, but do acknowledge that the landscape could become more challenging on the Long side, which is the side I usually like to participate in.
- Bonds: Increased Treasury supply and a steepening Yield Curve puts into question the TLT recovery, and our closing of TLT Puts in late August was fruitful. Will look to re-enter TLT when time is right
- China: Property restrictions relaxations in China will eventually come back into the form of higher Real Estate Prices in Tier 1 Cities, where a Lionshare of GDP takes place. This will eventually support China ADRs. I stay constructive on China.

Daily Market Note & Context

Sellers make a surprise ambush on Long-positioned Traders and target large cap names AAPL, NVDA, and TSLA in a bid to reclaim the narrative that perhaps 2023's tech run needs to recalibrate before any next leg higher.

As discussed very recently, I shared my thinking that Long VIX Calls (or Long SPY Puts) was the most logical tool to use as I believed Implied Volatility would rise in the coming days after Labor Day Weekend. I specifically shared my thinking that although Selling Puts is a longer-term winning strategy, I personally believed that strategy was quite vulnerable at this juncture. I will guide on Selling Puts, which is my bread & butter when appropriate, but for now, a shakier landscape means that opportunities must be closely discerned and positioning must be light to survive any potential corrective phase in SPY/QQQ.

Here in the U.S., we're seeing the long-duration part of the Treasury Yield Curve continue to see Yields rise especially in the 10Y, 20Y, and 30Y tenors. While the full reason for the move in rates cannot be 100% discerned, it is most likely a combination of increased treasury issuance in the market (and difficulty having all the supply absorbed), and narratives surrounding China/Japan being net gradual sellers of Treasuries. A move from 4.05% back to 4.3% on the 10Y Yield, [just like described in a previous note](#), has the potential to move the Discount Rate higher by .4-.6%. So, the advance that we saw in the S&P 500 based on falling yields will be partially reversed by these rising yields. Just as the late August rally was justified, so is this latest selloff. Given that there hasn't been much focal macro data point since mid-August, the move up in late August and the recent September move down in the S&P 500 is primarily due to Investor perceptions of long-term Yields as well as steadily rising Oil prices.

September's weaker seasonality is a phenomenon that shouldn't be underestimated given the mounting pressures that U.S. equities have to face, with a higher Dollar Index, higher Yields, and higher Oil prices now posing a barrier for durable further advances. With international revenues ranging from 40%-45% of S&P 500 company aggregate sales, a large breakout move in the DXY U.S. Dollar Index will have adverse effects on the bullish narrative.

Longer-term, the S&P 500's softer start to September will be no more than a blip in the multi-year growth for the index. Investors need not fret about the day to day, and in the future, I will share a list of Dividend Stocks across my U.S. and Hong Kong watchlist to share with the folks.

Trading is a different story, and I think that folks who have been patient not to rush adding exposure and have had the flexibility to "shift gears" to look at different opportunities like Long VIX Calls/Futures, or Intraday Scalps on Direct Shares/ Calls to secure certainty of gains will be rewarded for their flexibility. I watch multiple markets – from U.S./HK stocks, Rates, Oil/Gold, to VIX products. Never feel FOMO, as there are always new opportunities being setup. The most profitable position is the one that you have waited for because that is the one where you have done your research, prepared your levels, and increased willingness to see it play out.

If it's not an A+ setup, why take the trade? Trade fewer ideas. Get more out of your best ones. Therein lies the Profit. Never regret missing out on more gains as there will always be more. Will be on the lookout for more ideas. VIX Calls worked for us. Now waiting for the next setup.