

Hedging Headline Risk in 2020

Webinar for

Interactive Brokers

by

BCMstrategy, Inc.

4 February 2020



BCMstrategy, Inc. | www.bcmstrategy2.com

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Agenda

- Identifying Inflection Points/Predictable Policy Risk
- What To Expect (Brexit)
- What to Expect (Cryptocurrency/Stablecoin Regulation)
- What to Expect (trade policy)

How To Trade The News

Top Ten Rules Recap

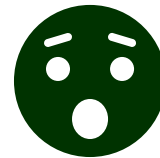
Rule 1 – Be Objective

Beware

Emotions (Denial and Disbelief)



Surprise/ Justification



The Lemming Effect



Identifying Policy Momentum

Rule 2: The Trend Is Your Friend
even if you disagree with the direction of policy

Rule 3: Be Strategic

Rule 5: Be Relentless

Rule 4 and Rule 9: Data Types

Rule 4: Economic Data

GDP

PMI

Trade Flows



Rule 9: Alternative Data

Habit Data

IoT-Generated Data

New Combinations of Data

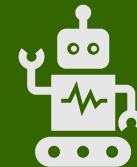


Rule 9: New Data

Machine-Generated Data

New Correlations

Language Data



Rule 10: Distinguishing Rhetoric from Action

Rhetoric

The News Cycle, including Leaks

Action

Today's action generates tomorrow's headlines

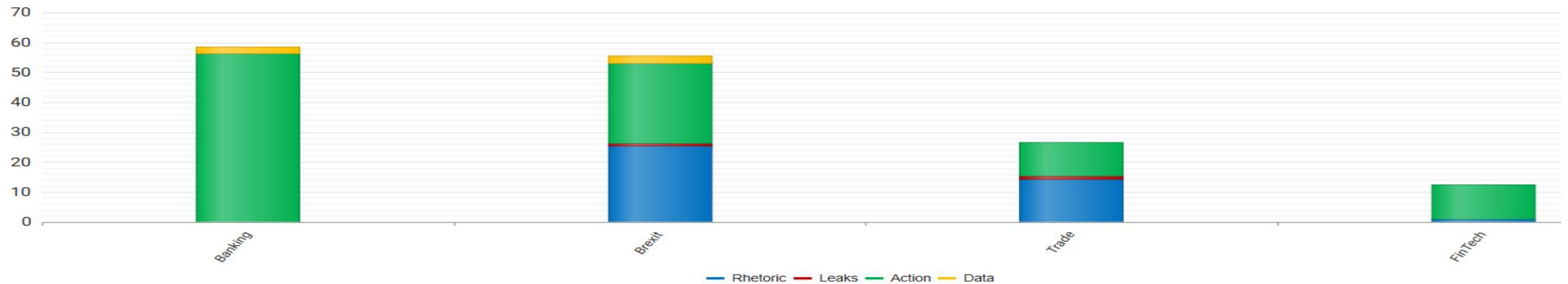
Scan Date

10/02/2019



VIEW GRAPH

Policy Risk Indicators: [Date: 10/02/2019]



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Key Take Aways

- Policy Risk Can – And Should – Be Measured
- Advanced technology can
 - minimize headline risk,
 - increase operational efficiencies, and
 - increase strategic opportunities.
- Nowcasting and predictive analytics provide strategic advantages to investors when applied to public policy risk.

Planning Ahead – Predictable Inflection Points

Identifying Inflection Points

Rule 8: Nowcasting

- Align time horizons (meetings vs. options expiration dates)
- Revisit assumption daily based on new facts
- “Past performance does not *always* indicate future results”

Rule 7 and Rule 10: Action vs. Rhetoric vs. Leaks

- Look past the headlines
- Don't look back

Identifying Inflection Points

The EIFG Entities: Know Your Policymakers and their Meetings

- E: European (ECB, EP, EC, EBA, EIOPA, ESMA, ESM, EFSF)
- I: International (IMF, IAIS, IAEA, BIS, IOSCO, etc.)
- F: Cross-border (FSB)
- G: HOSG, Ministerials (G7, G20, G24)

National Processes: Action vs. Rhetoric vs. Leaks

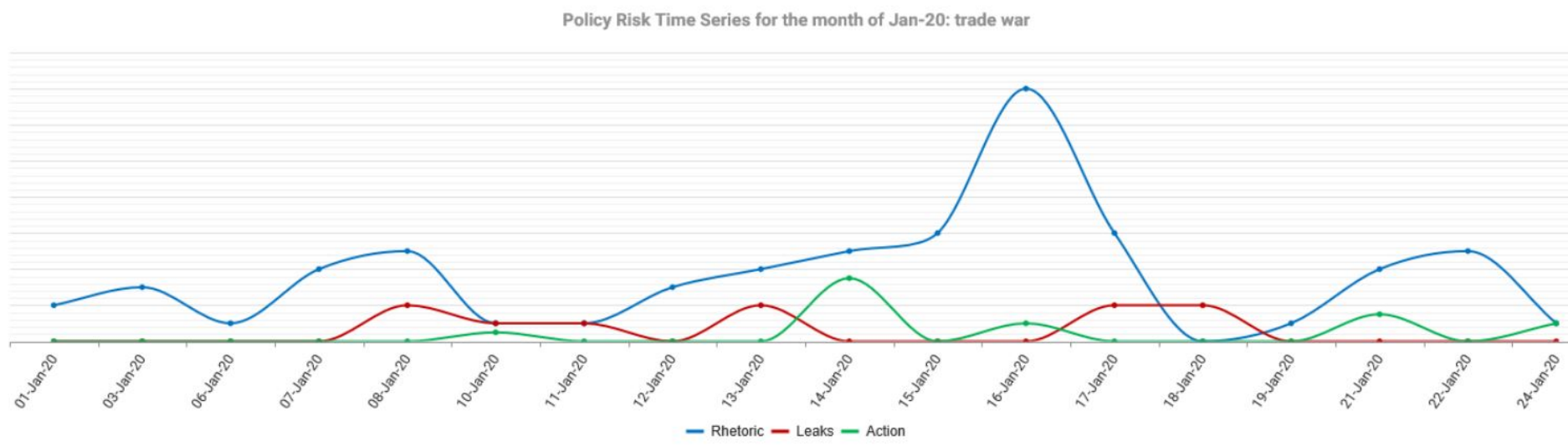
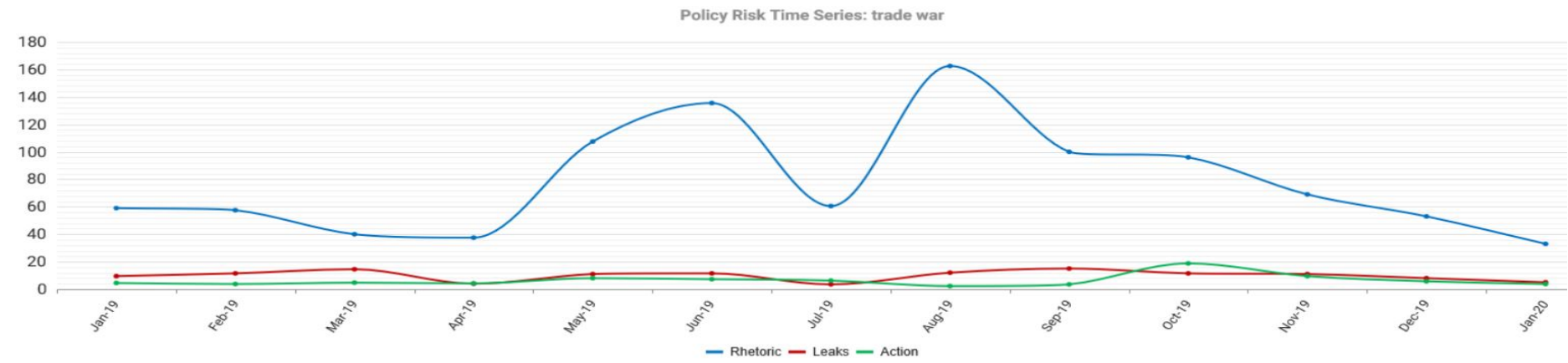
- Look past the headlines
- Don't look back

Trade Policy – Data and MacroTrends

Trade Policy

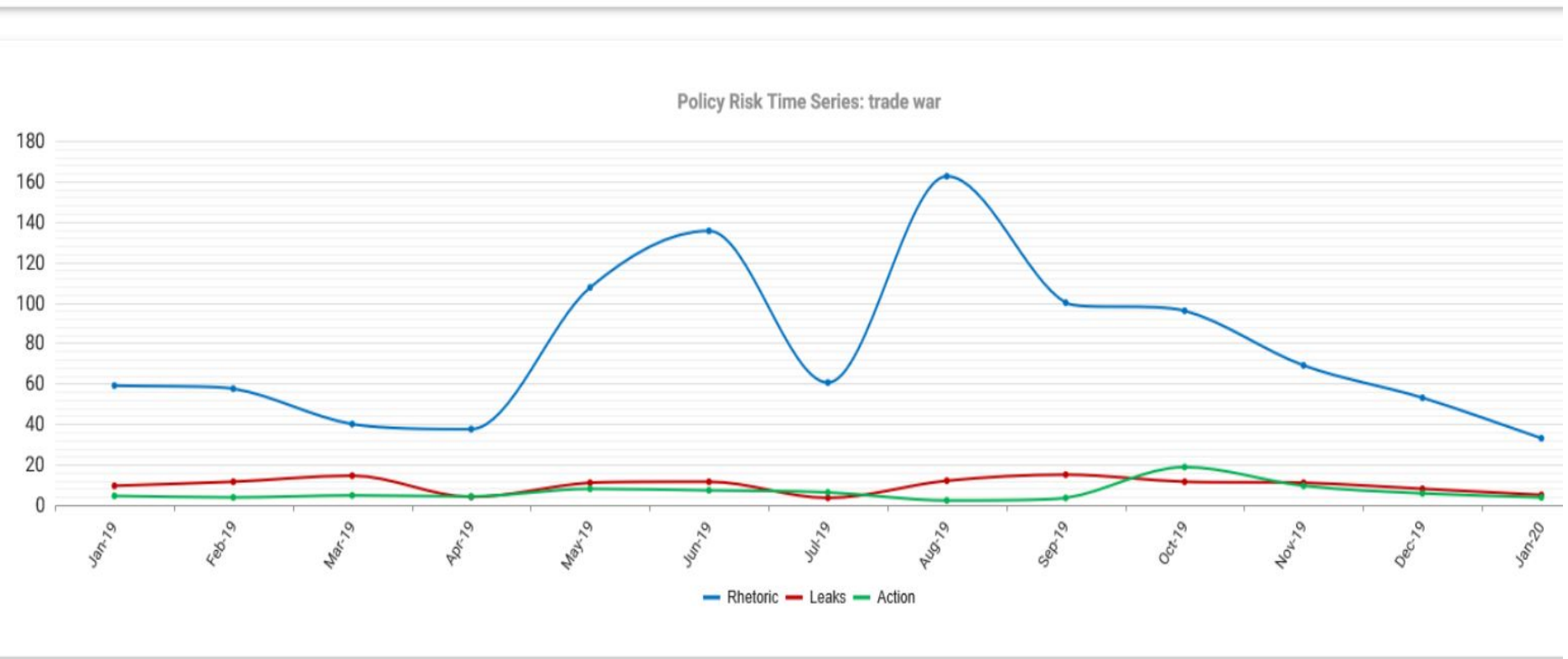
Jan 2019 vs Jan 2020

Scan From* Scan To* Lexicon Term*



Trade Policy YTD

Scan From* Scan To* Lexicon Term*

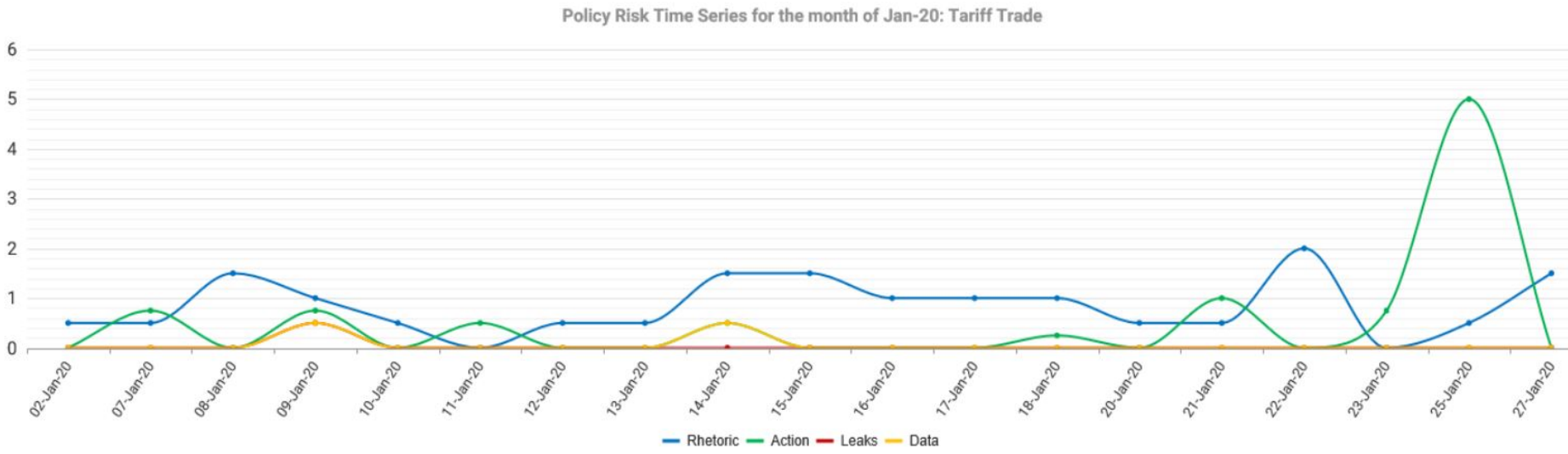
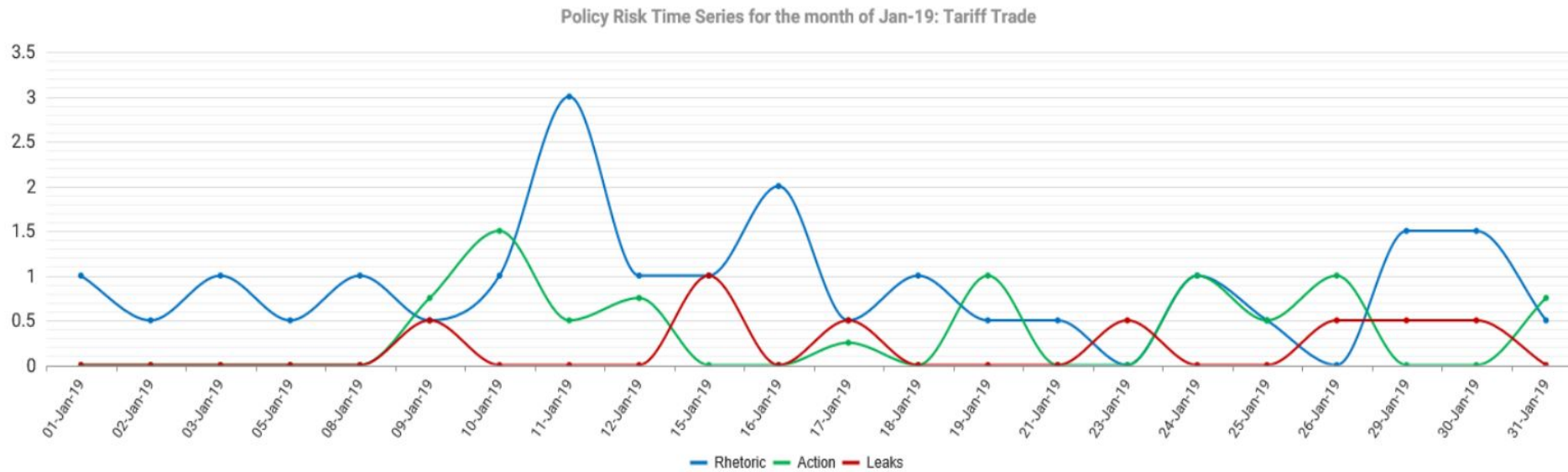


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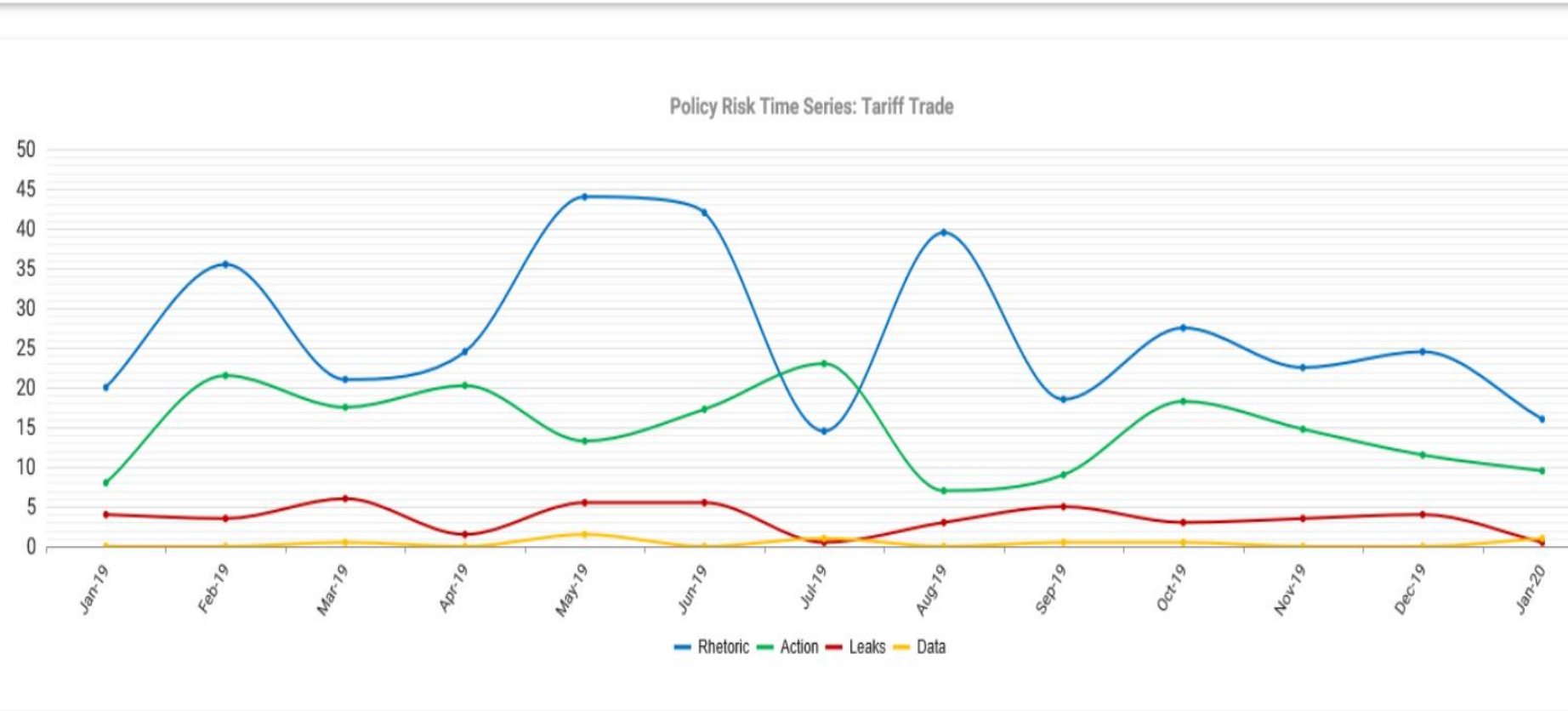
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Tariffs Jan 2019 vs Jan 2020



Tariffs YTD

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Trade Policy -- 2020 Themes & Trajectories

- **Separate Rhetoric from Action**

- Rhetoric (old economy) + Action (digital economy)
- Tariffs: rhetoric + action
- Managed Trade

- **US/EU/UK**

- Digital Chapters
- Data Privacy
- Safety standards (particularly agriculture) | non-tariff barriers
- Equivalence | Mutual Recognition | Reciprocity

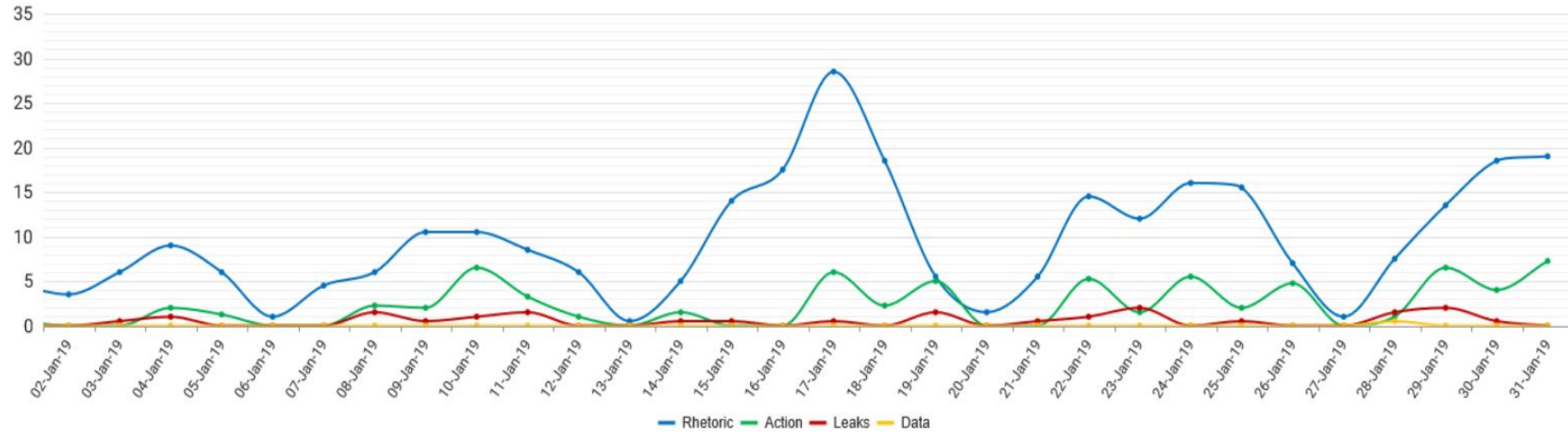
- **China**

- Safety standards (particularly agriculture) | non-tariff barriers
- Digital Issues

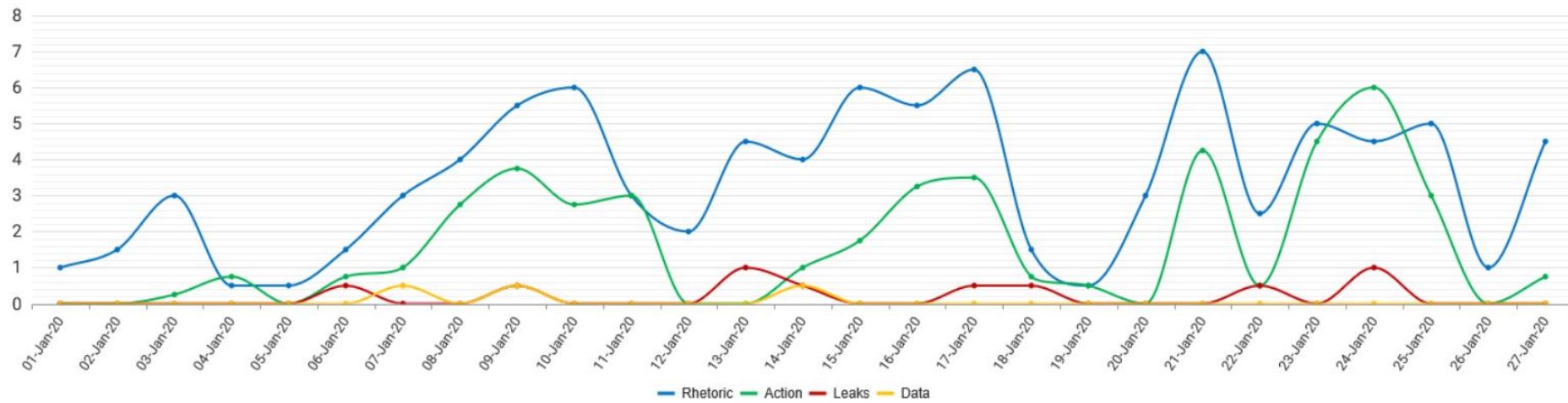
Brexit – Data and MacroTrends

Brexit Jan 2019 vs Jan 2020

Policy Risk Time Series for the month of Jan-19: Brexit

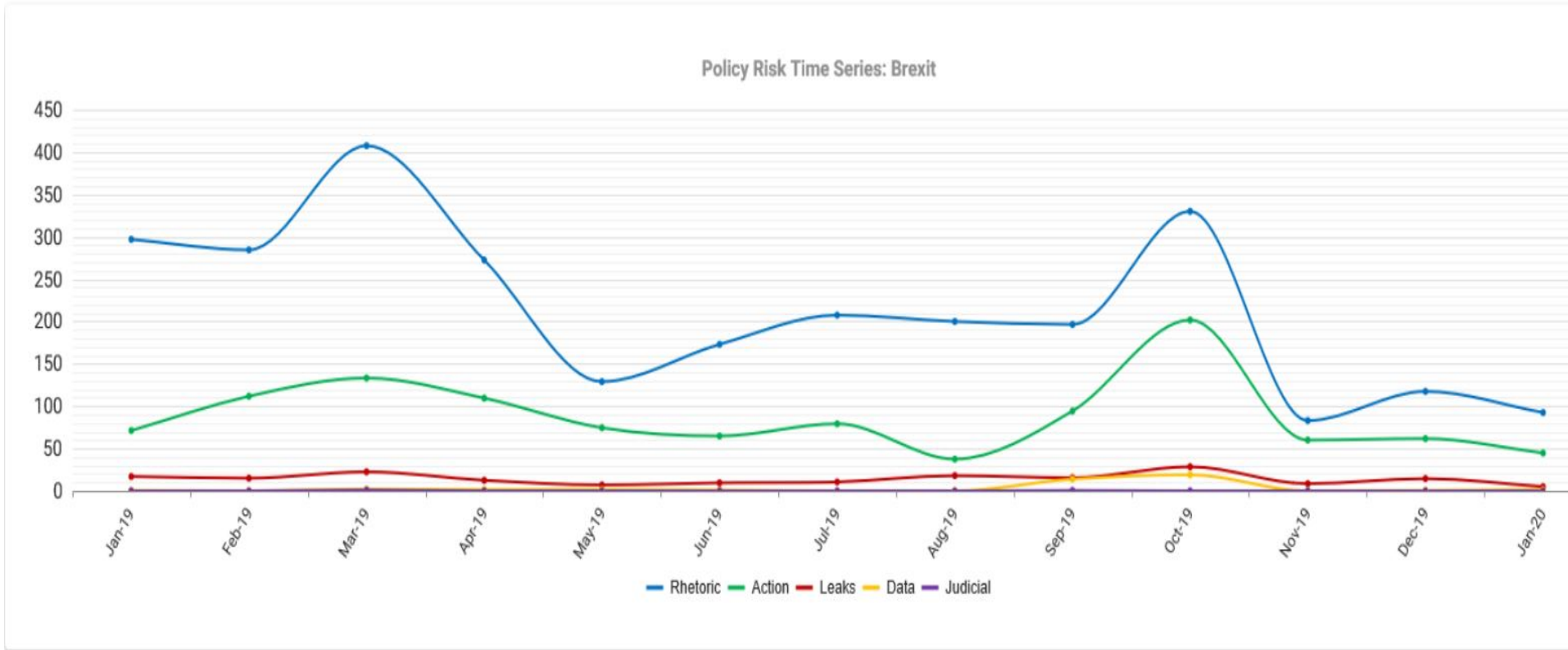


Policy Risk Time Series for the month of Jan-20: Brexit



Brexit YTD

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Brexit -- 2020 Themes & Trajectories

• Regulation

- Alignment today (nearly 100%); June 2020 equivalence decisions
- Alignment after 2020?

• Trade – 3 simultaneous negotiations

- UK/EU
- UK/US
- US/EU
- So far, the UK is siding with the EU over key issues rather than the US.

• Finance

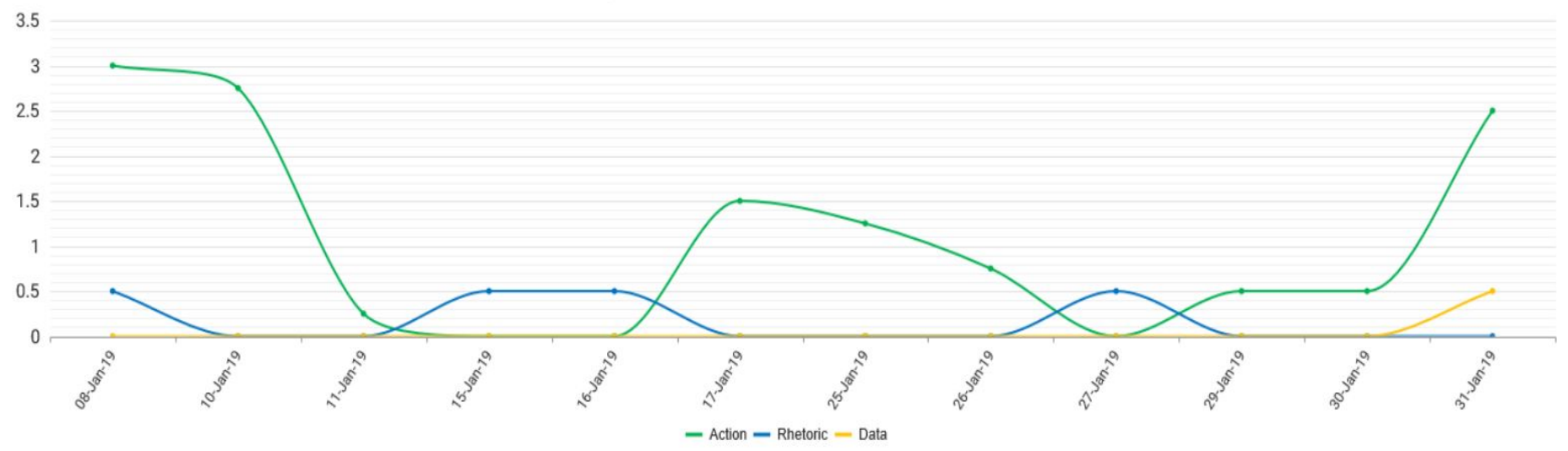
- LIBOR transition overlay – benchmark pricing strategies
- FinTech Regulation and CBDC projects – bidding for the future of financial intermediation

FinTech, Cryptocurrency and CBDC Policy

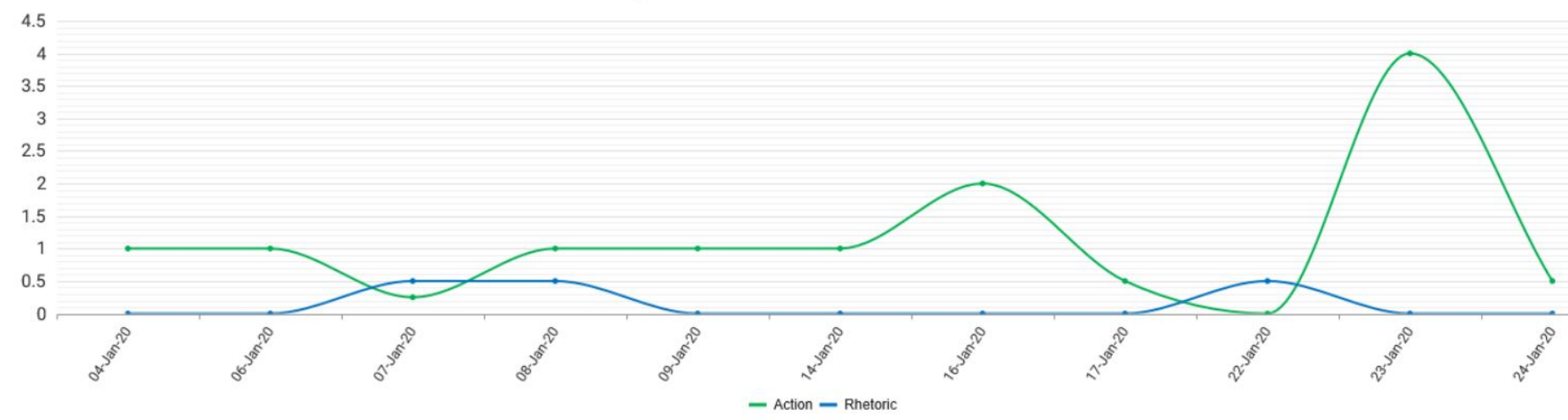
Data and MacroTrends

FinTech Jan 2019 vs Jan 2020

Policy Risk Time Series for the month of Jan-19: FinTech

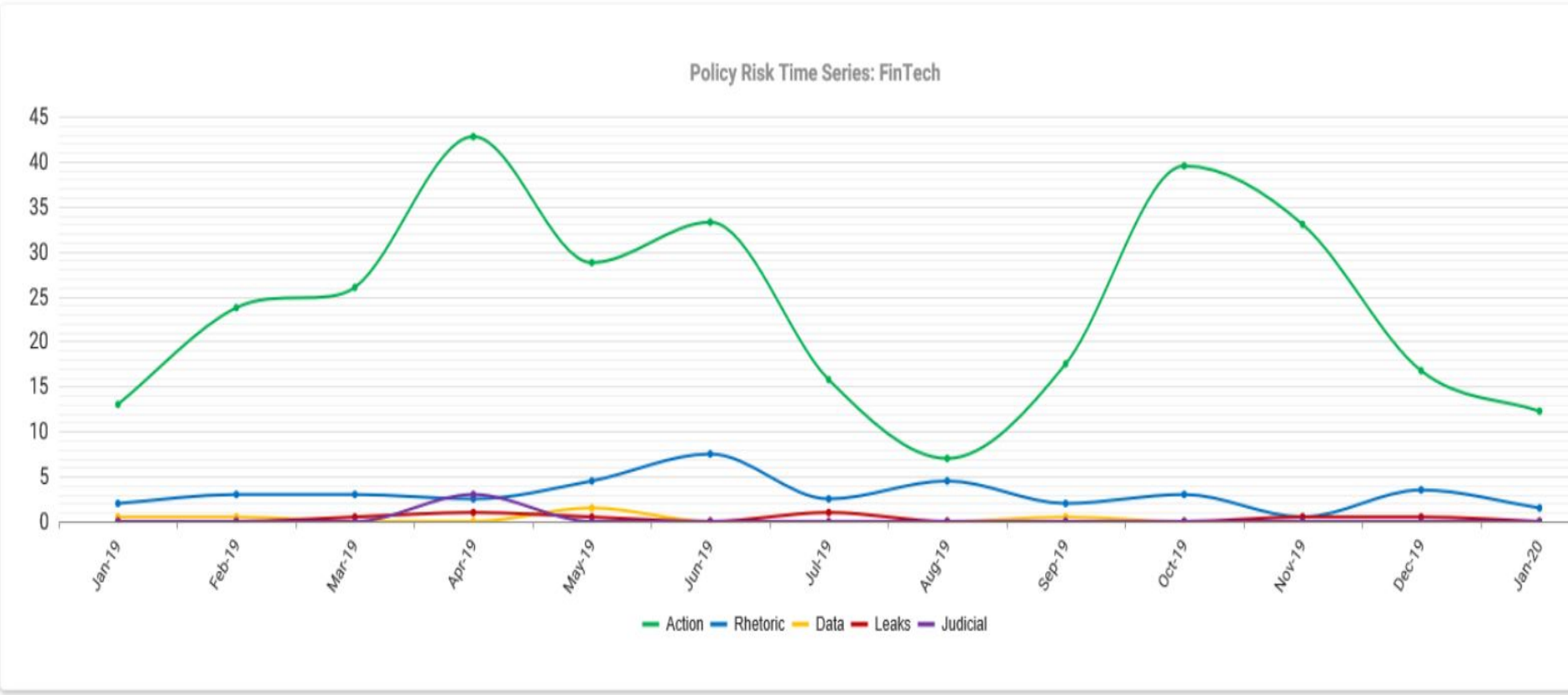


Policy Risk Time Series for the month of Jan-20: FinTech



FinTech YTD

Scan From* 01/01/2019 Scan To* 01/27/2020 Lexicon Term* FinTech SEARCH



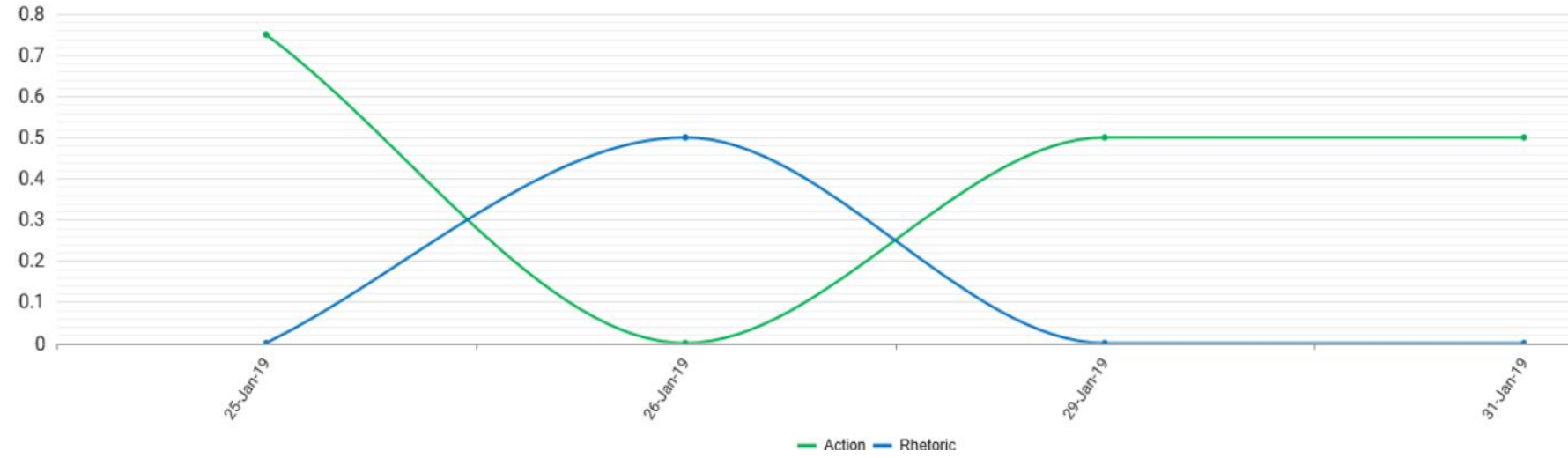
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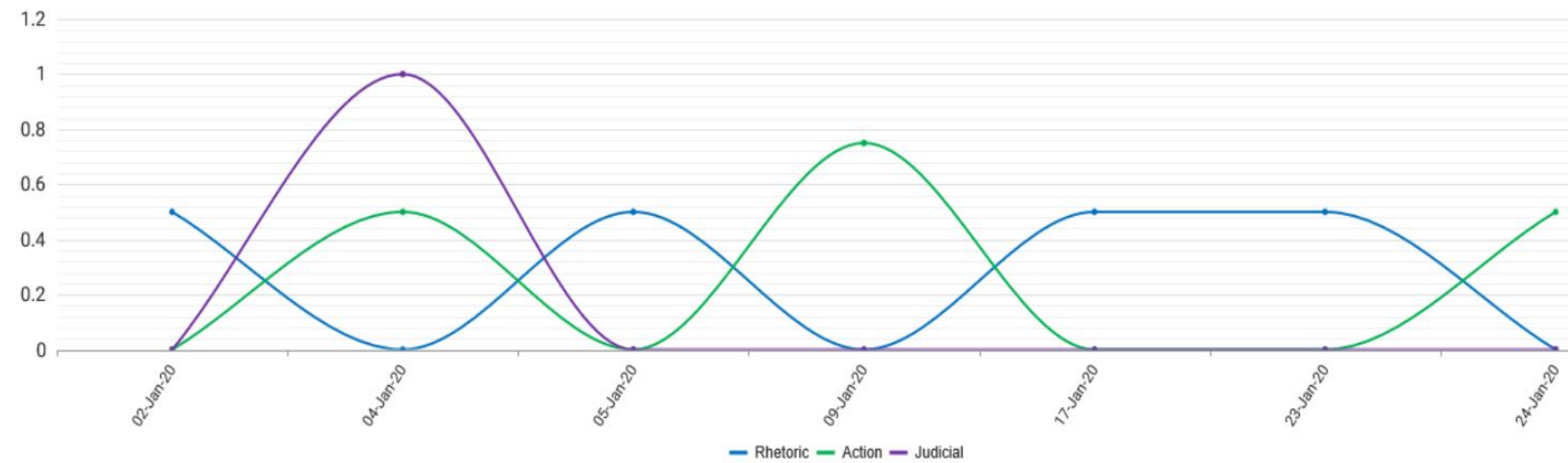
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Crypto Jan 2019 vs Jan 2020

Policy Risk Time Series for the month of Jan-19: Cryptocurrency

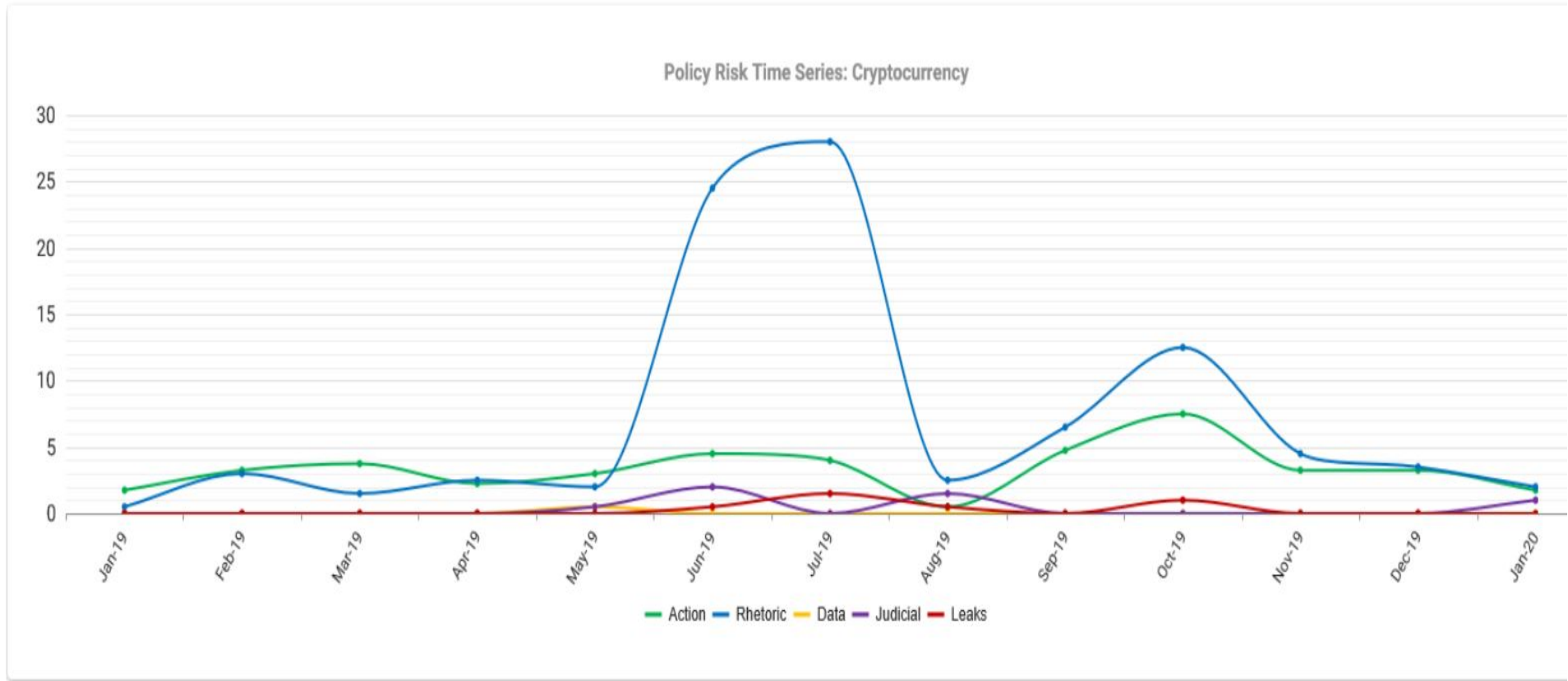


Policy Risk Time Series for the month of Jan-20: Cryptocurrency



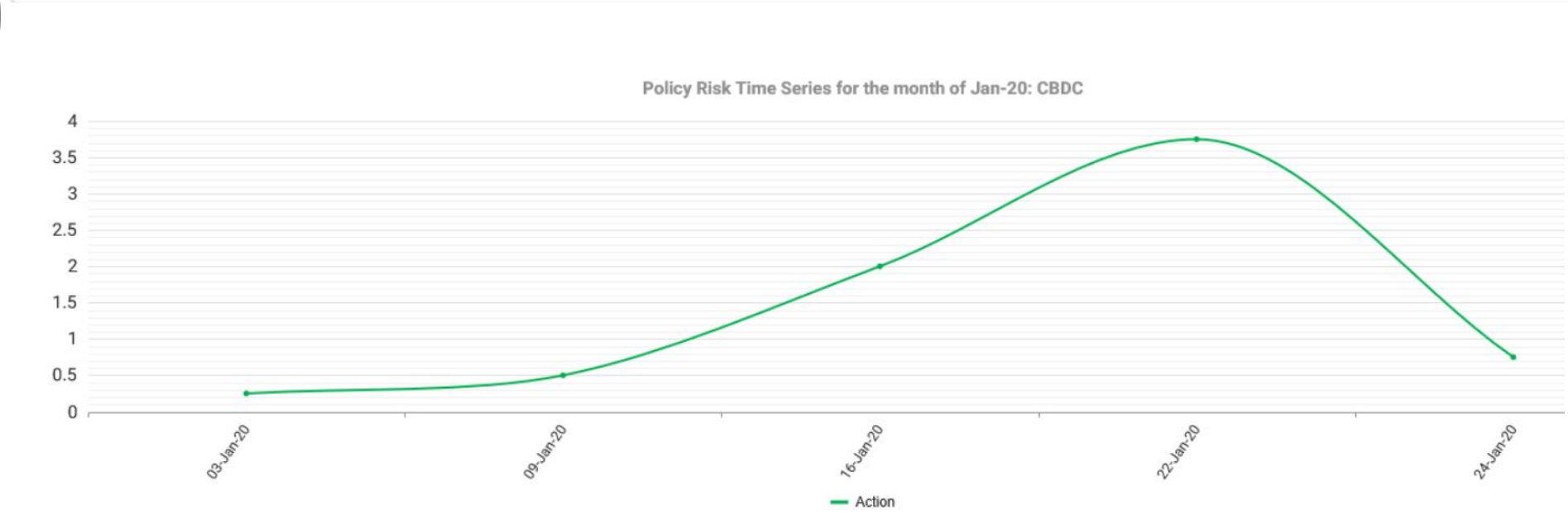
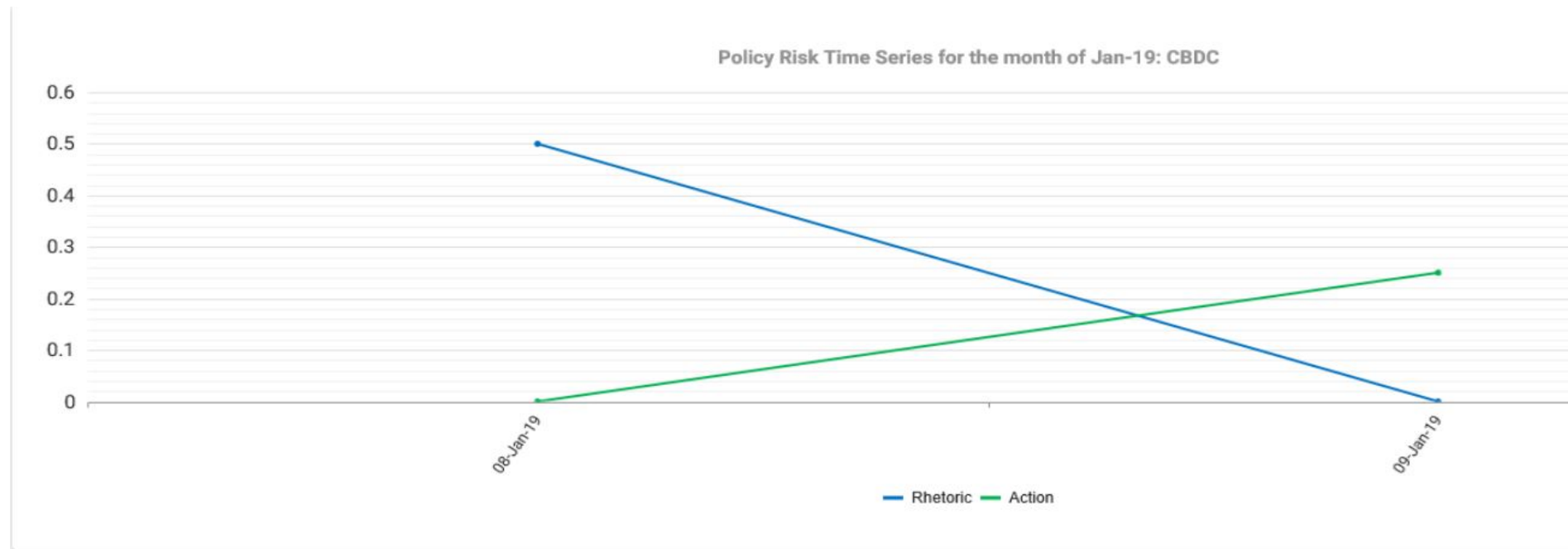
Crypto YTD

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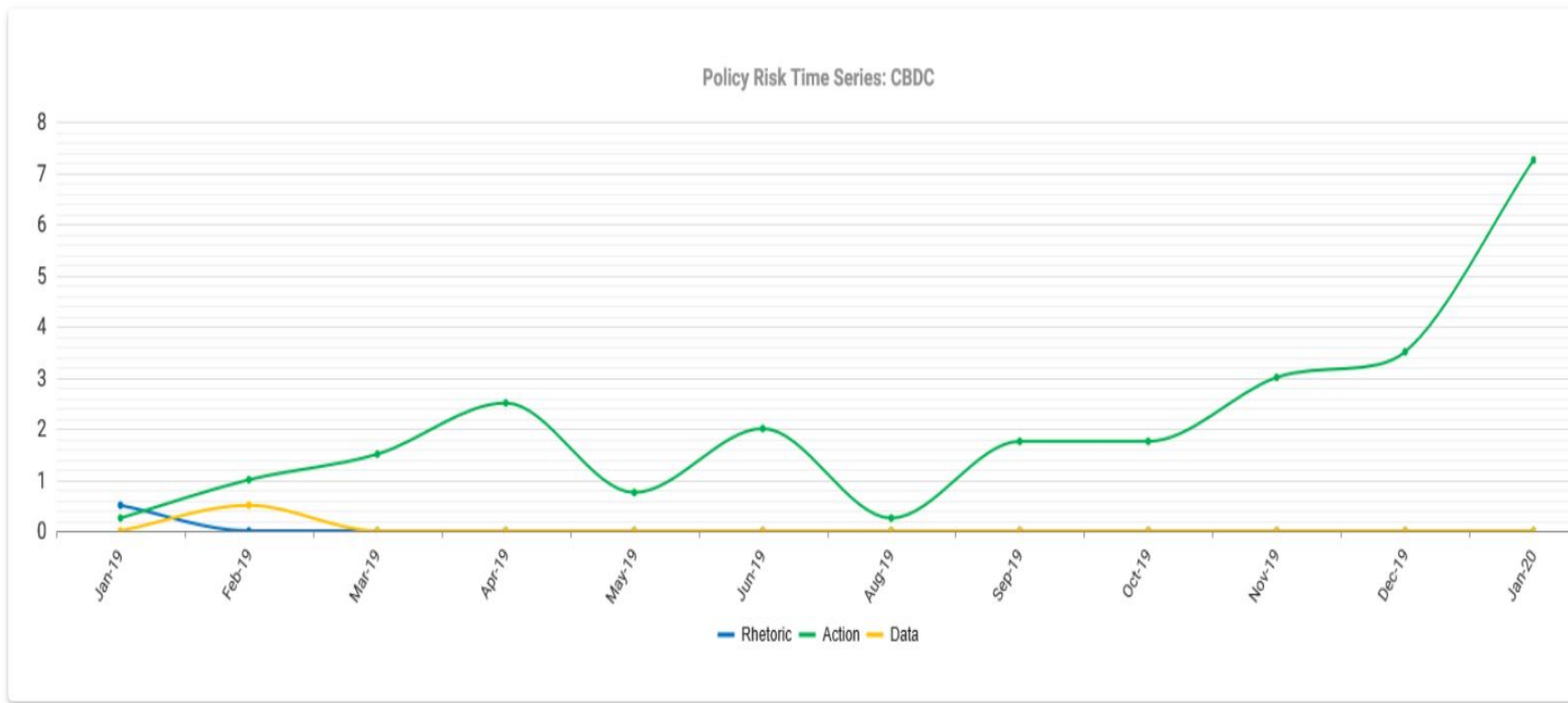
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CBDC Jan 2019 vs Jan 2020



CBDC YTD

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FinTech | Crypto | CBDC -- 2020 Themes & Trajectories

• FinTech

- Fading as a focus of attention
- Intermediation – Algorithmic bias/discrimination
- Intermediation – Inclusive Payment Systems
- Disclosure/Transparency
- Data Privacy

• Cryptocurrency

- Also fading as a focus of attention
- Securities enforcement actions

• CBDC – 2020 is the focus

- Wholesale (inter-corporate, inter-bank) initial priorities
- Transparency priorities
- Monetary Policy

Traders' Academy Online Course

Presentation



Trading the News

REVIEWS QUESTIONS

Are you tired of headline risk? Do you worry about how policy developments generate market volatility and risk for your portfolio? Would you like to position yourself strategically to make the noise of the news cycle work to your advantage? Our "How to Trade the News" course describes the components needed to start treating public policy risk as an asset class which can be measured, managed, and hedged. Course segments include descriptions of how to distinguish between rhetoric and concrete action, how to engage with both economic and the growing array of alternative data, and how to understand leaks. Segments provide suggestions for how to select technology vendors and how to minimize exposure to third party vendor risk. Individual rules can be found in the Interactive Brokers Traders' Insight blog.

Those enrolled in Traders' Academy can access a complimentary copy of the Trading the News eBook.

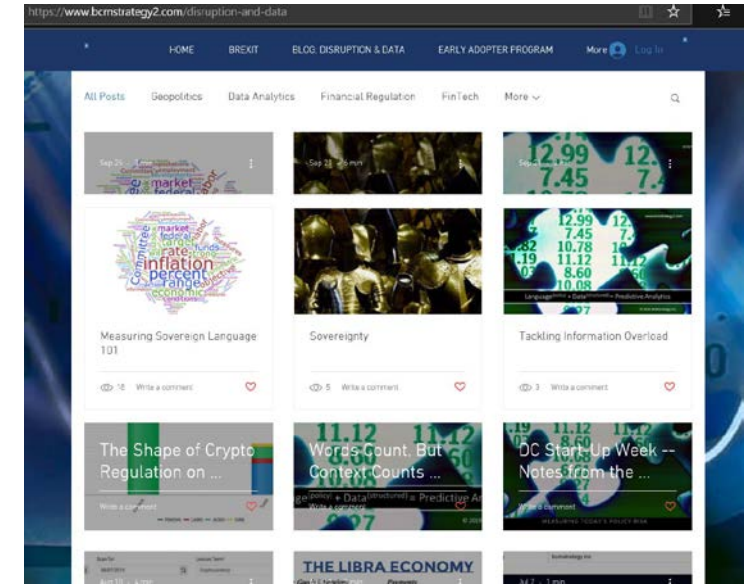
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Traders' Insight Blog

Contributor



Disruption & Data Blog

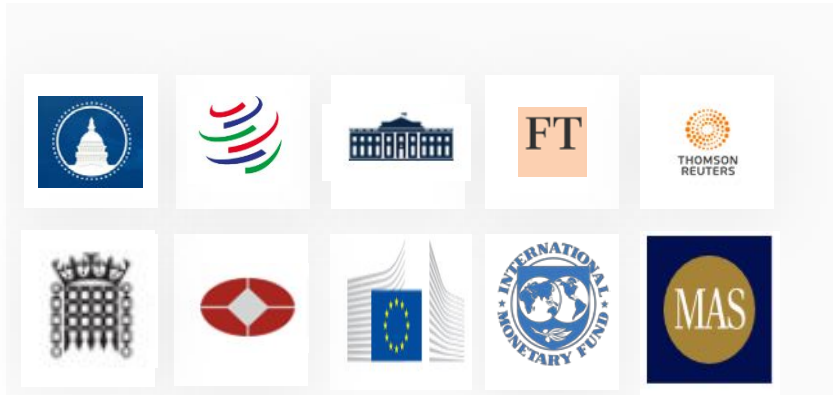


Additional Resources

About BCMstrategy, Inc.

The Value

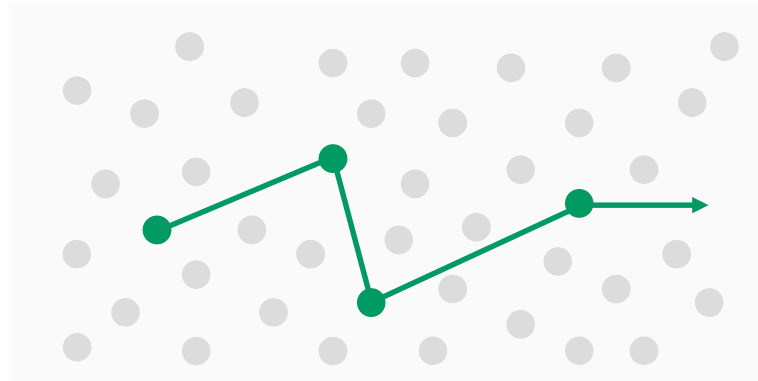
Faster Information Acquisition



Less time scanning headlines

Less time scrolling through email newsletter digests and duplicative information

Increased efficiency



More time for high-value analysis regarding policy momentum and conceptual correlations.

Better Strategic Decisions



Generate more and better strategic decisions than competitors using concrete data.



About [BCMstrategy, Inc.](#)

BCMstrategy, Inc. is a start-up company using patented technology to provide investors and executives with transparent, objective data from the public policy process so they can make better decisions faster and better than their competitors.

For information about our Pilot Program or to learn more, please [contact us](#).

See what matters most

Gain the ultimate competitive edge

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BCMSTRATEGY, INC.



MEASURING TODAY'S POLICY RISK

ANTICIPATING TOMORROW'S POLICY DECISIONS

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