

IBKRWEBINARS.COM



April 18, 2023

# Toggle AI

# Trading In A Banking Crisis

---

**Jan Szilagy**

CEO & Co-Founder  
Toggle AI

Exchange and Industry Sponsored Webinars are presented by unaffiliated third parties. Interactive Brokers LLC is not responsible for the content of these presentations. You should review the contents of each presentation and make your own judgment as to whether the content is appropriate for you. Interactive Brokers LLC does not provide recommendations or advice. This presentation is not an advertisement or solicitation for new customers. It is intended only as an educational presentation.



## Disclosure:

IB Global Investments LLC, a subsidiary of Interactive Broker Group Inc., the parent company of Interactive Brokers LLC, is a minority owner of Toggle AI.

Options involve risk and are not suitable for all investors. For information on the uses and risks of options, you can obtain a copy of the Options Clearing Corporation risk disclosure document titled [Characteristics and Risks of Standardized Options](#) by calling (312) 542-6901.

Futures are not suitable for all investors. The amount you may lose may be greater than your initial investment. Before trading futures, please read the [CFTC Risk Disclosure](#). For a copy visit [interactivebrokers.com](http://interactivebrokers.com).

There is a substantial risk of loss in foreign exchange trading. The settlement date of foreign exchange trades can vary due to time zone differences and bank holidays. When trading across foreign exchange markets, this may necessitate borrowing funds to settle foreign exchange trades. The interest rate on borrowed funds must be considered when computing the cost of trades across multiple markets.

The Order types available through Interactive Brokers LLC's Trader Workstation are designed to help you limit your loss and/or lock in a profit. Market conditions and other factors may affect execution. In general, orders guarantee a fill or guarantee a price, but not both. In extreme market conditions, an order may either be executed at a different price than anticipated or may not be filled in the marketplace.

There is a substantial risk of loss in trading futures and options. Past performance is not indicative of future results.

Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations.

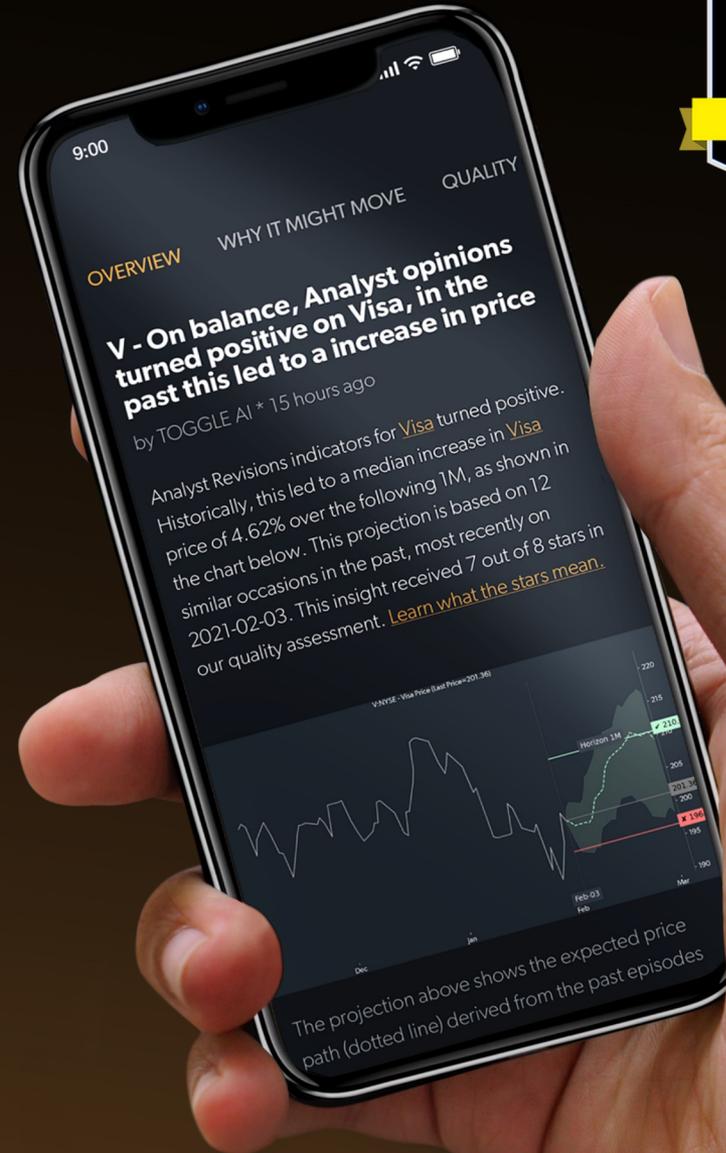
- IRS Circular 230 Notice: These statements are provided for information purposes only, are not intended to constitute tax advice which may be relied upon to avoid penalties under any federal, state, local or other tax statutes or regulations, and do not resolve any tax issues in your favor.
- Interactive Brokers LLC is a member of [NYSE](#) [FINRA](#) [SIPC](#)

# TRADING IN A BANKING CRISIS IBKR Webinar

# TOGGGLE

TURN ON INSIGHTS. TURN OFF NOISE.

April 18, 2023





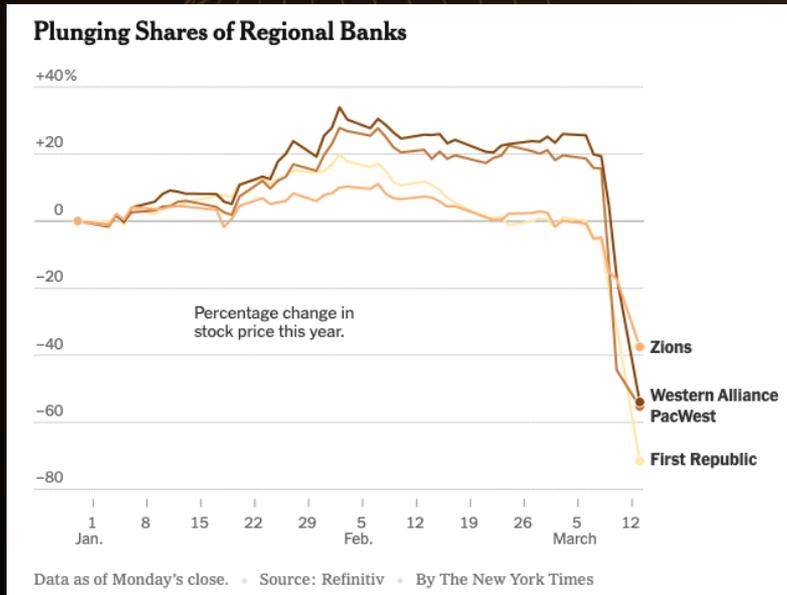
## Disclaimer

**Note that past performance does not indicate future performance.** TOGGLE email briefings, newsletters, alerts, insights, and similar publications "Publications" do not reflect any opinions of TOGGLE or its affiliates. Publications are meant for informational purposes only, are not intended to serve as a recommendation to buy or sell any security in a brokerage account or any platform, and are not an offer or sale of a security nor an endorsement or advertisement of the same. While TOGGLE seeks to ensure the accuracy of the information it presents, it has no obligation and shall not be liable for errors in any data, information, or Publications accessible through TOGGLE products or services. All investments involve risk and the past performance of a security or financial product does not guarantee future results or returns. TOGGLE is not a broker-dealer nor an investment adviser, and makes no representations or warranties, express or implied, and disclaims any and all warranties with respect to any information accessible via any TOGGLE Publications or TOGGLE data.

## How do you trade through this?

As macro environment drives market fear, a solid trading framework pays off.

ECB raises rates with signal that market unrest will direct next steps



**Deutsche Bank Stock Falls on Contagion Fears**

UBS agrees to buy Credit Suisse for more than \$2bn

SVB parent files for bankruptcy protection after bank collapse

Source: Toggle

*Any trading symbols, entities or investment products displayed are for illustrative purposes only and are not intended to portray recommendations. Past performance is not necessarily indicative of future results.*

## ALPHA vs. BETA: ripples vs. the tide

Conventional thinking assumes equity investors should only worry about company fundamentals or price charts. But macro events drive the systemic risk (the beta) rather than the idiosyncratic risk (the alpha) for each asset – and they can't be ignored. Here are a few reasons why paying attention to macro could help:

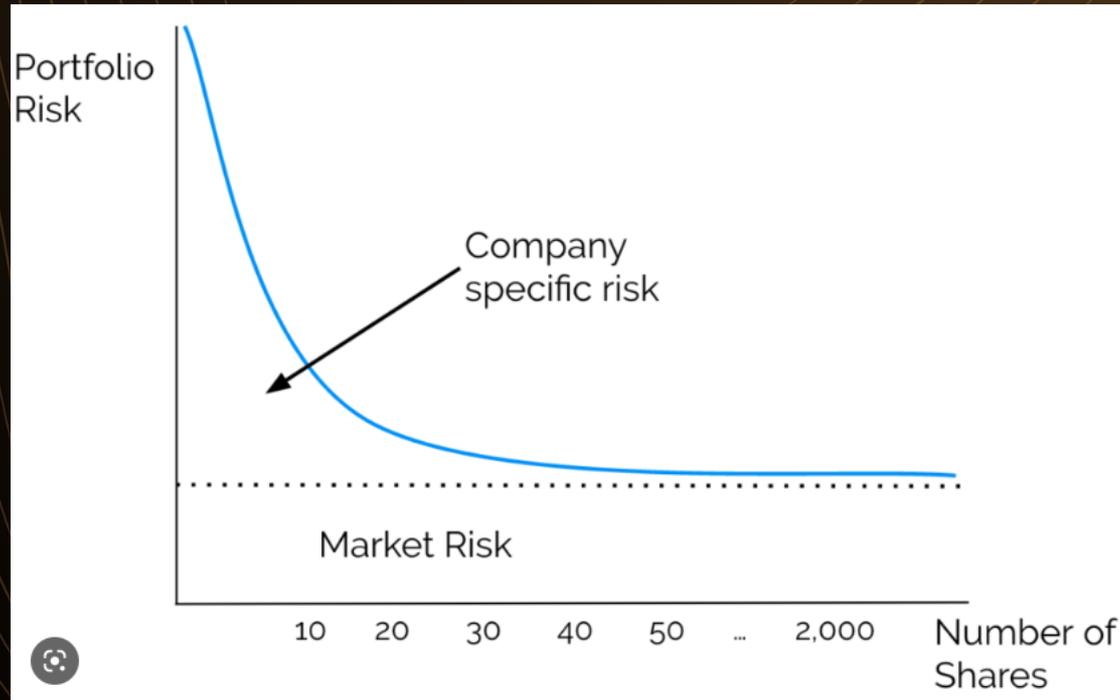
Macro events (fiscal stimulus, monetary policy) often impact the level of interest rates, which drives valuation models for companies

Geopolitical events can lead to risk aversion that temporarily drives investors into safe assets, offering potentially attractive entry points to risky assets

Or ... a banking crisis

## Systematic risk

A portfolio is almost completely diversified by the time you have 20-30 shares and at that point, the main risk remaining is systematic



## The macro vs. micro

Evaluating company fundamentals (the micro) gives investors a good sense of a company's profit margin and potential within a particular macro context. But macro context – such as a Banking crisis - can drive wholesale shifts in risk appetite and economic outlook.

- Fundamental analysis worries about the slope of the demand curve (how much can company earn if it prices the product here, or here).
- Macro analysis worries about upward and downward shifts of the demand curve.



## Why is a macro lens relevant now?

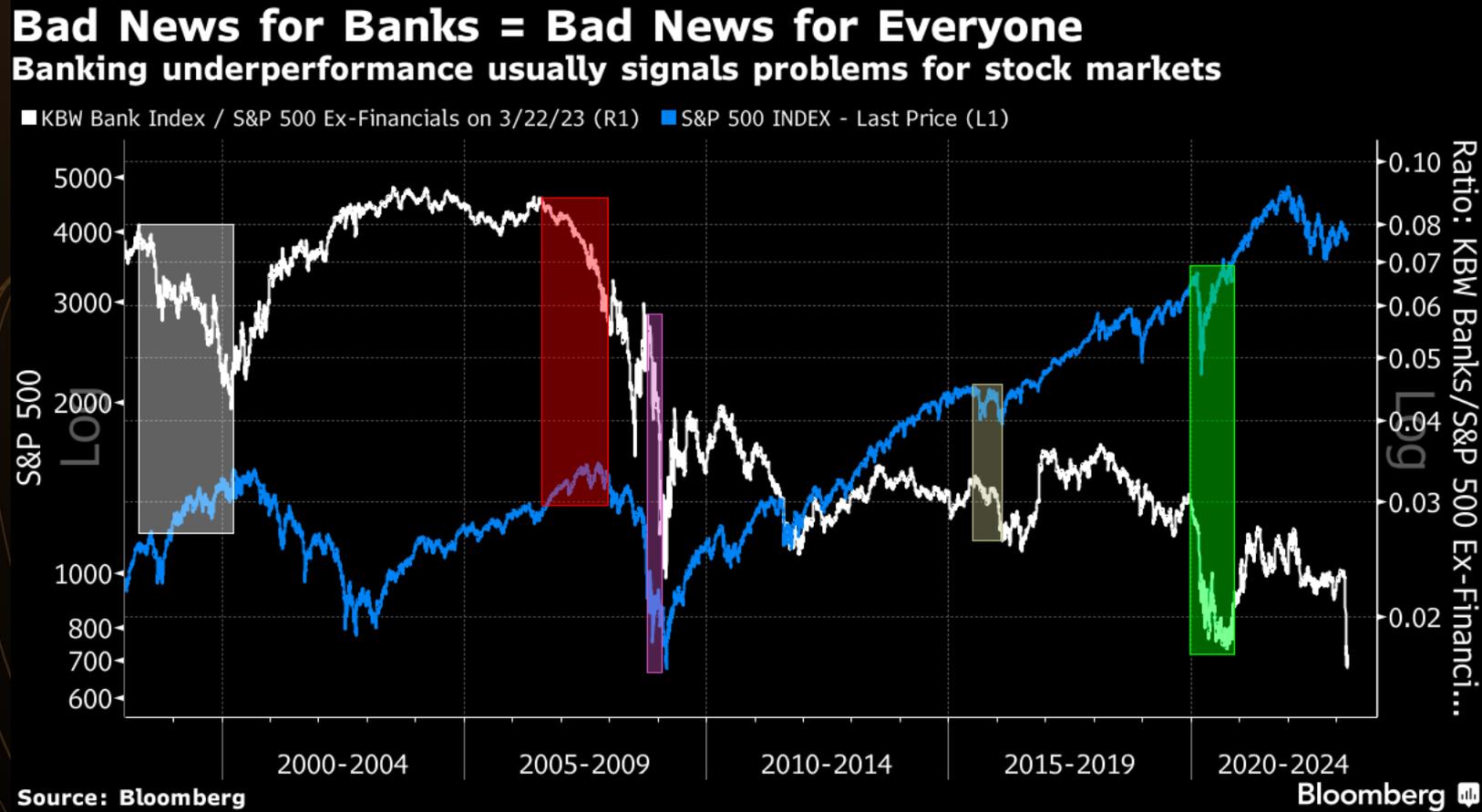
We are in a highly unusual environment:

- Banking crisis

**AND**

- High (and stubborn) inflation
- Central Bank hell-bent to fight it
- Taking back trillions in liquidity injected during COVID
- All of the above heighten the risk of a recession

# The divergence between banks and rest of the market is pronounced



Source: Toggle

Any trading symbols, entities or investment products displayed are for illustrative purposes only and are not intended to portray recommendations. Past performance is not necessarily indicative of future results.



# The best macro forecaster



## Can individual investors do macro analysis?

Machines can help. Smart assistants are ubiquitous in our daily lives... Why don't they exist in investing?

- Machines are really good at monitoring and processing **large amounts of information**
- They can **uncover price patterns in assets** around events/data changes
- They can **test each relationship for robustness** ... in seconds
- They can **deliver curated insights** tailored to specific users



## AI = Augmented Intelligence

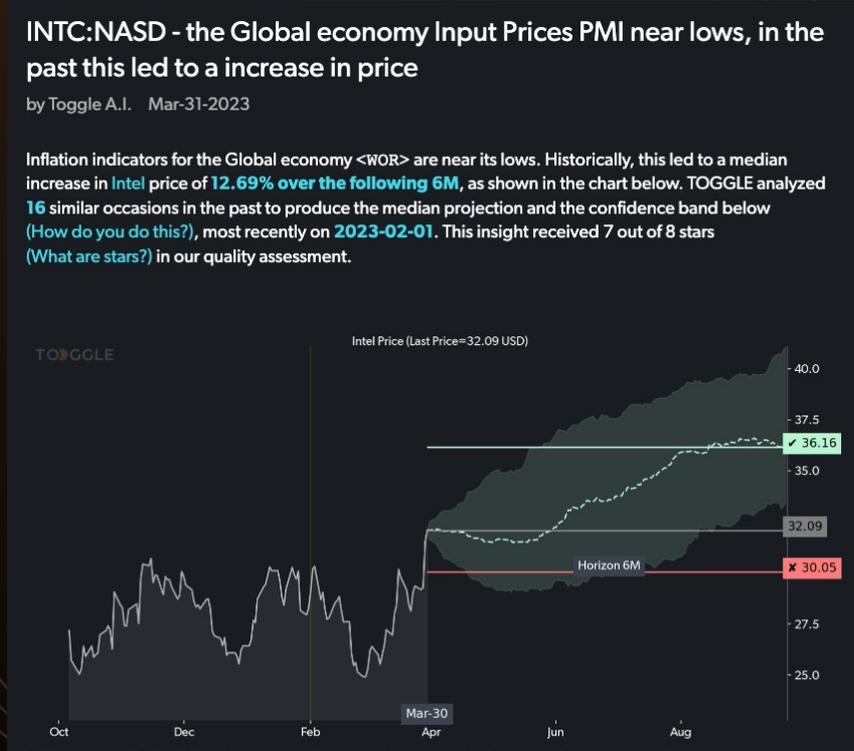
AI can crunch the numbers instantly and alert the manager to drivers that are key to their portfolio at the moment (macro vs. micro, momentum or fundamentals etc)

Human intelligence is very good at strategy (the “big picture”) but AI can be helpful with the tactics (the “details”).

This can provide a crucial macro lens through which investors can peer at assets.

# Machines replicate investor's work on a much larger scale

Machines are replacing the analysis investors should be doing anyway – but they do it much faster



Source: Toggle

Any trading symbols, entities or investment products displayed are for illustrative purposes only and are not intended to portray recommendations. Past performance is not necessarily indicative of future results.



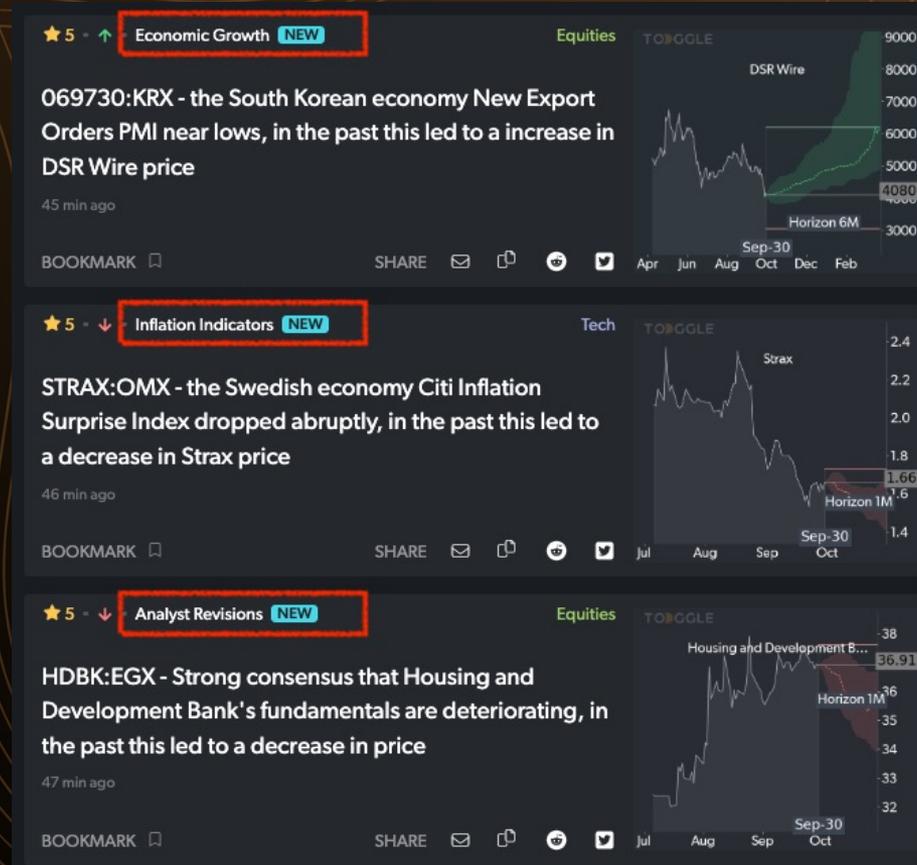
## Where can machines be helpful to individual investors?

Where in the investment process can machines add a macro lens

- Idea generation (“What assets will suffer if economic growth picks up?”)
- Portfolio risk management (“What is my downside risk if the yield curve inverts?”)

# Idea generation

Machines can instantly pinpoint incremental drivers and price pressures



Source: Toggle

Any trading symbols, entities or investment products displayed are for illustrative purposes only and are not intended to portray recommendations. Past performance is not necessarily indicative of future results.



# Hypothesis testing

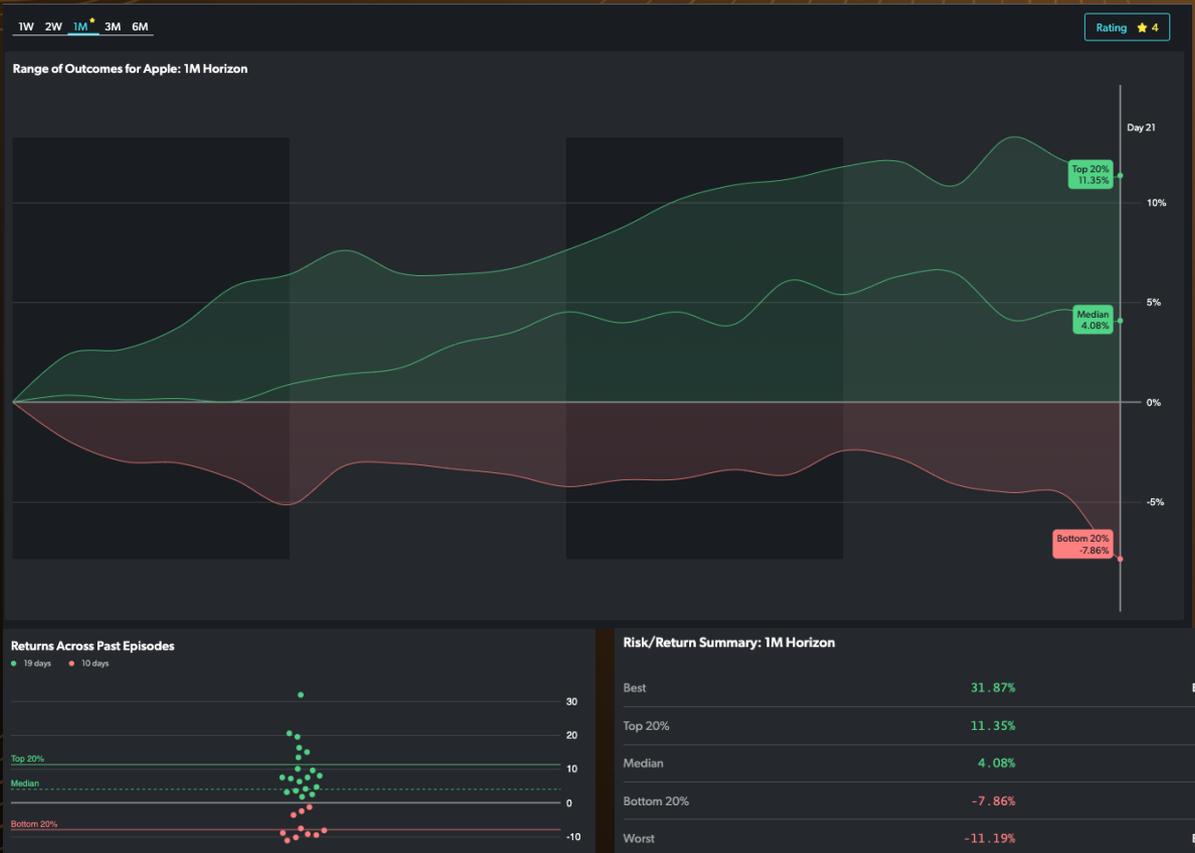
Machines can help you test your instincts against the data: is the economic environment bad for stocks?

**Conditions** [Build your own](#)

Search for a condition

- S&P 500 Drops 2% in a day
- S&P 500 Drops 4% in a day
- US Yield Curve Inverts
- US Yield Curve Steepens 25bps in 1M
- Oil drops 10% in a week
- Nikkei Drops 2% in a day
- EuroStoxx 50 drops 2% in a day
- Dollar strengthens 5% in 1M

[Reset](#) [Run Scenario Analysis](#)



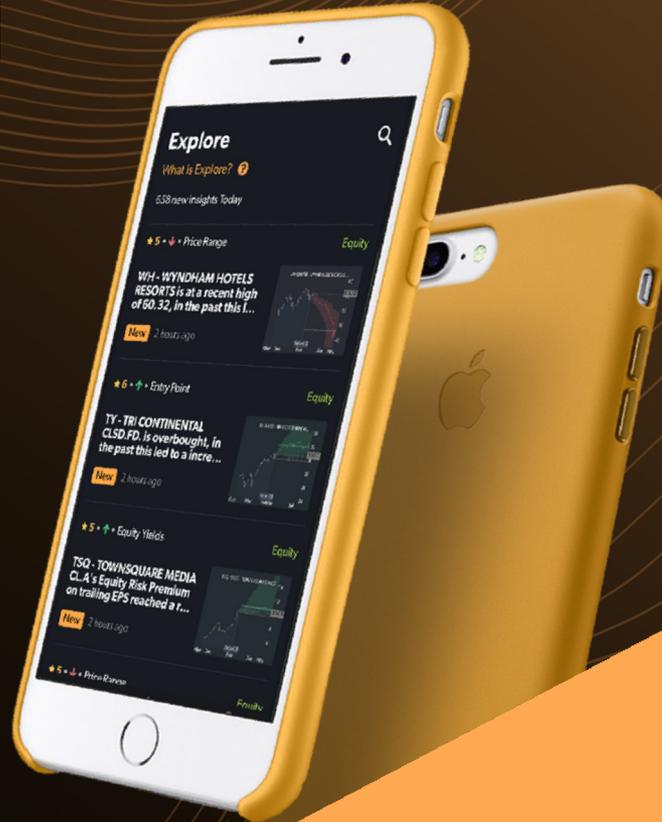
Source: Toggle

Any trading symbols, entities or investment products displayed are for illustrative purposes only and are not intended to portray recommendations. Past performance is not necessarily indicative of future results.

# Thank you

[www.TOGGLE.ai](http://www.TOGGLE.ai)  
[will@TOGGLE.ai](mailto:will@TOGGLE.ai)

TOGGLE  
Original ideas,  
daily



TURN ON INSIGHTS.  
TURN OFF NOISE.

