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Direxion

The 2024 Trader Playbook – The Big Themes for the Year

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As with all investments, your capital is at risk

The 2024 trader playbook - the big themes for the year

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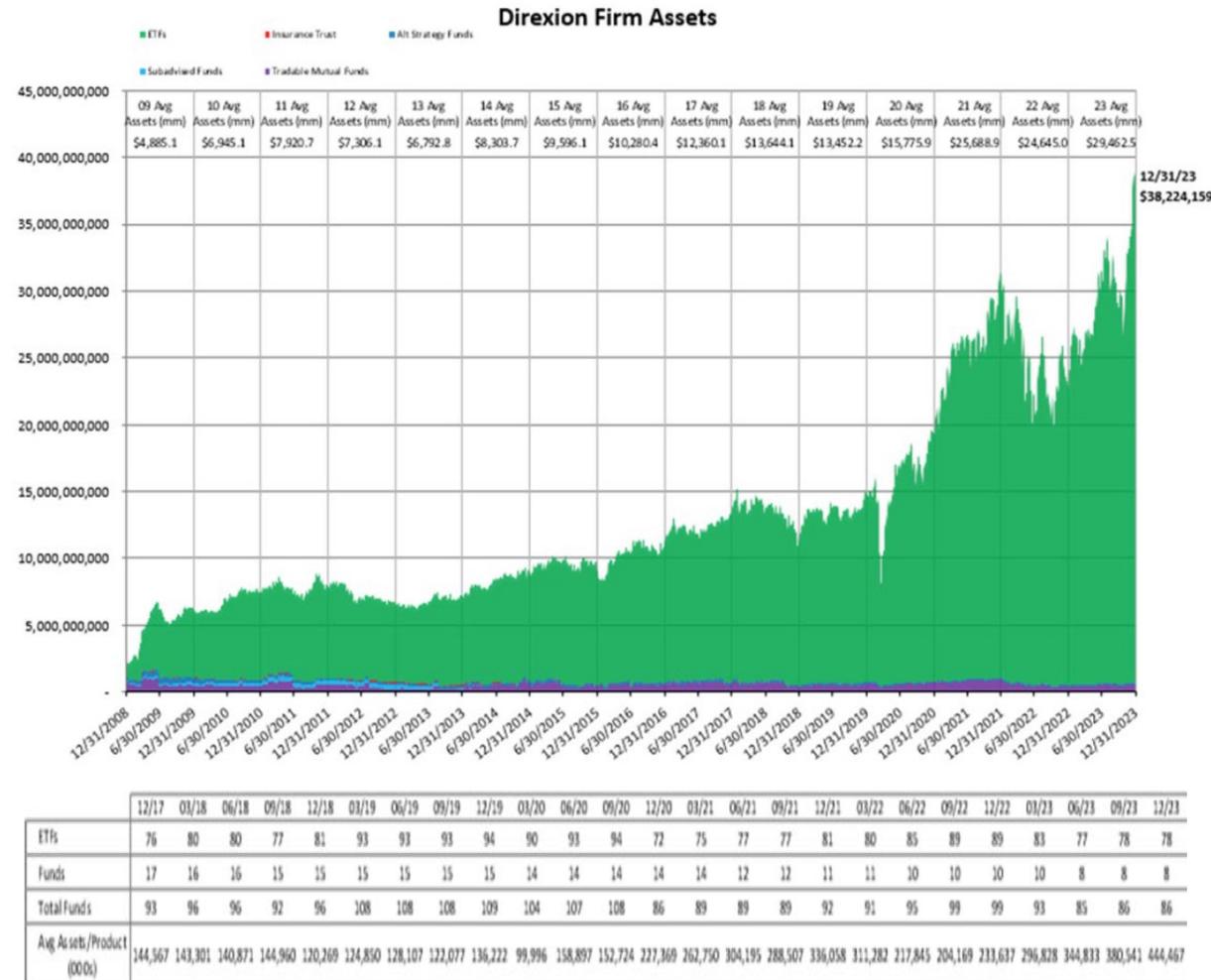
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Direxion

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- Founded in 1997, Direxion Investments is a privately-held asset manager with ~35 employees located in four offices in New York, Boston, Milwaukee and Hong Kong.
- Direxion offers 80 ETFs and eight mutual funds designed to solve for specific investment outcomes—for both tactical short-term and strategic long-term investors.
- Total firm assets under management are over \$38 billion (as of 12/31/2023).
- Ranked in the top 20 global ETF firms*, based on ranking of AUM. [All ETF Issuers \(etfdb.com\)](https://www.etfdb.com)



*Direxion is a DBA of Rafferty Asset Management

Leveraged and Inverse ETF Basics

What is inside a leveraged or inverse ETF?

- Leveraged and inverse ETFs are a combination of Cash, Equities, and Derivatives (typically swaps or futures)
- LI ETFs are designed to provide 3x, 2x, -1x, -2x or -3x of the **index daily return (Daily Base)**
- This allows investors to gain exposure to specific indices and sectors without the need for full dollar-for-dollar investment

STRATEGY

EQUITIES

DERIVATIVES

Daily 1X Bear Funds

0%

100%

Daily 2X Bull Funds

10%-80%

120%-190%

Daily 3X Bull Funds

10%-80%

220%-290%

Daily 3X Bear Funds

0%

300%

Leveraged and Inverse ETF Basics

2 key topics to understand about leveraged/inverse ETFs

1. Daily rebalancing (to maintain 3x daily exposure)

Direxion rebalances exposure daily by buying or selling swaps (usually near or at market closing time) to ensure that each fund tracks as closely as possible to 300% (or 300% of the inverse in the case of a bear fund) of the benchmark's daily performance. (e.g. a bull fund will likely need to buy on days when its benchmark index is up and sell on days when its down)

2. Implications of compounding (not tracking error)



Trending market favors L&I ETFs with daily rebalancing and compounding that will amplify multi-period returns



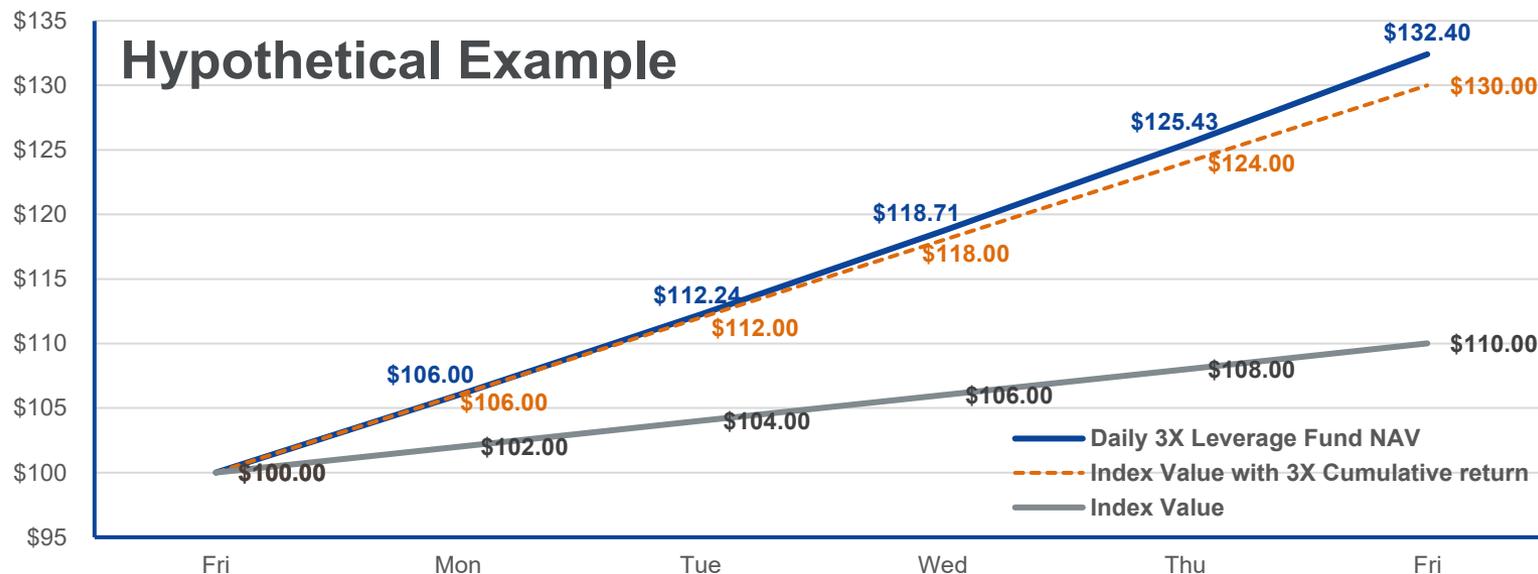
Choppy market is unfavorable to buy-and-hold L&I ETFs over long periods of time

Leveraged and Inverse ETF Basics

Implications of compounding (Trending up market)

The Risks of Compounding - Market Rises Steadily

- If a trader were to hold a leveraged ETF for a period longer than a single day in a steadily rising market, the fund's gains may potentially be more favorable than its stated daily goal, for that period.



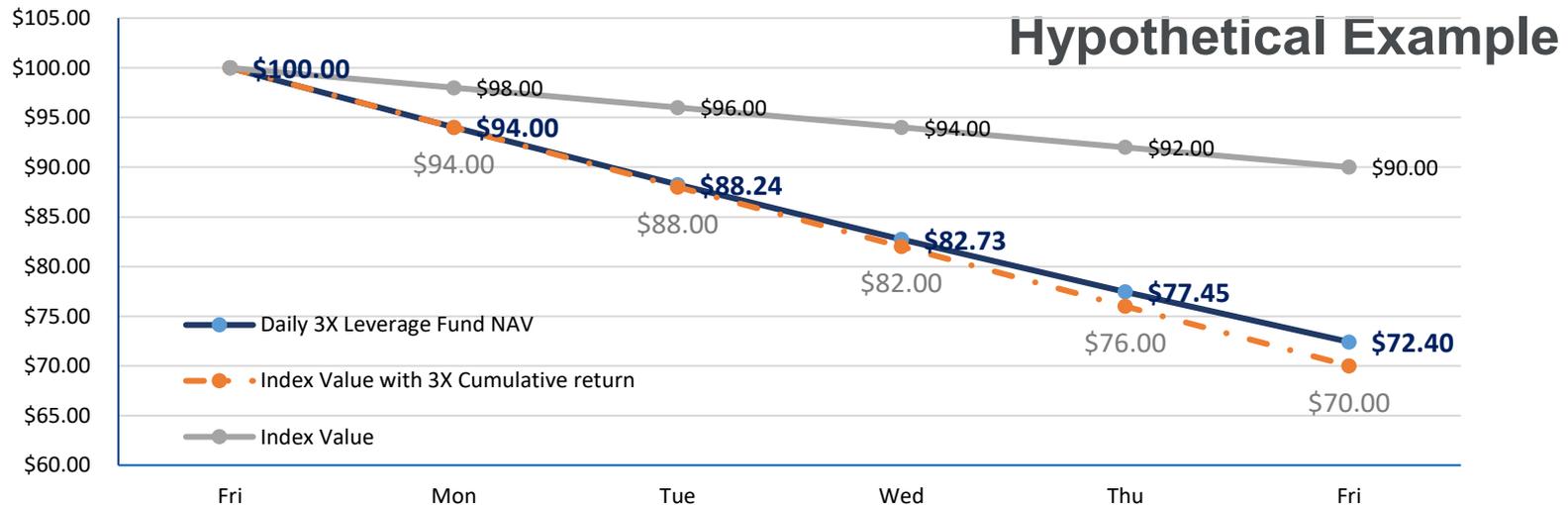
	Index Value	Index Daily Return	Index Cumulative Return	Index Cumulative Return x3	Index Value with 3X Cumulative return	3X Fund Daily Expected Return	Daily 3X Leverage Fund NAV	Cumulative Fund Return
Fri	\$100.00				\$100.00		\$100.00	
Mon	\$102.00	2.00%	2.00%	6.00%	\$106.00	6.00%	\$106.00	6.00%
Tue	\$104.00	1.96%	4.00%	12.00%	\$112.00	5.88%	\$112.24	12.24%
Wed	\$106.00	1.92%	6.00%	18.00%	\$118.00	5.77%	\$118.71	18.71%
Thu	\$108.00	1.89%	8.00%	24.00%	\$124.00	5.66%	\$125.43	25.43%
Fri	\$110.00	1.85%	10.00%	30.00%	\$130.00	5.56%	\$132.40	32.40%

Leveraged and Inverse ETF Basics

Implications of compounding (Trending down market)

The Risks of Compounding - Market Declines Steadily

- If a trader were to hold a leveraged ETF for a period longer than a single day in a steadily declining market, the fund's losses may potentially be less severe than its stated daily goal, for that period. The following table illustrates this scenario.



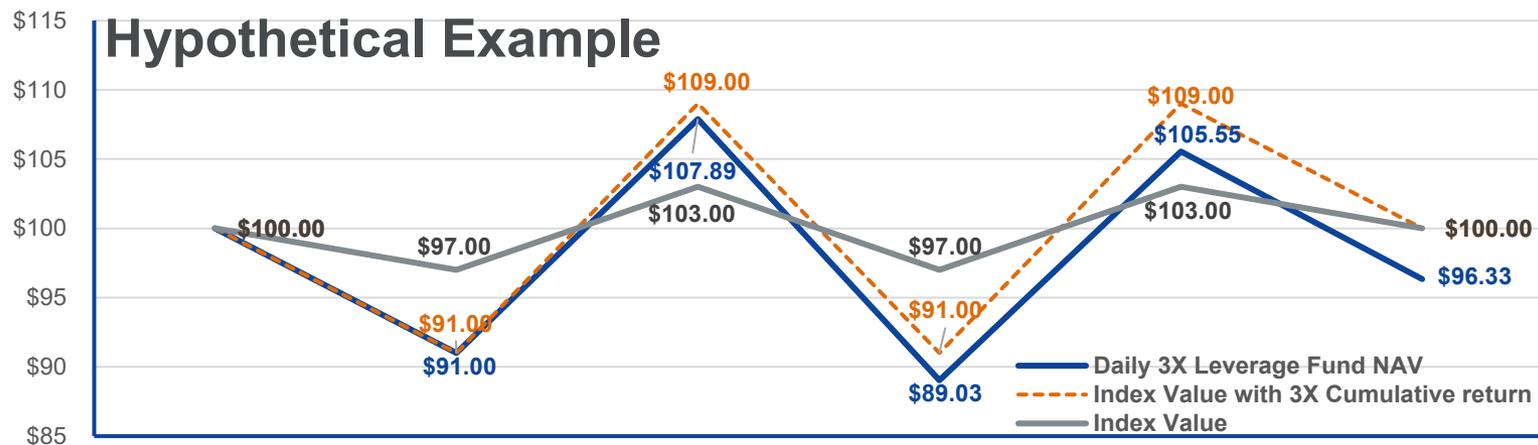
	Index Value	Index Daily Return	Index Cumulative Return	Index Cumulative Return x3	Index Value with 3X Cumulative return	3X Fund Daily Expected Return	Daily 3X Leverage Fund NAV	Cumulative Fund Return
Fri	\$100.00				\$100.00		\$100.00	
Mon	\$98.00	-2.00%	-2.00%	-6.00%	\$94.00	-6.00%	\$94.00	-6.00%
Tue	\$96.00	-2.04%	-4.00%	-12.00%	\$88.00	-6.12%	\$88.24	-11.76%
Wed	\$94.00	-2.08%	-6.00%	-18.00%	\$82.00	-6.25%	\$82.73	-17.27%
Thu	\$92.00	-2.13%	-8.00%	-24.00%	\$76.00	-6.38%	\$77.45	-22.55%
Fri	\$90.00	-2.17%	-10.00%	-30.00%	\$70.00	-6.52%	\$72.40	-27.60%

Leveraged and Inverse ETF Basics

Implications of compounding (Choppy market)

The Risks of Compounding - Flat but Volatile Market

- In volatile markets, the pursuit of daily investment goals will have a negative impact on the ETF's performance for periods longer than a single day, as illustrated in this final example.
- When the market is experiencing volatile movements, a leveraged ETF, that is required to reset its net assets to exposure ratio daily, will experience negative compounding and will not be able to keep up with the daily investment objectives for periods longer than a day.



	Fri	Mon	Tue	Wed	Thu	Fri		
	Index Value	Index Daily Return	Index Cumulative Return	Index Cumulative Return x3	Index Value with 3X Cumulative return	3X Fund Daily Expected Return	Daily 3X Leverage Fund NAV	Cumulative Fund Return
Fri	\$100.00				\$100.00		\$100.00	
Mon	\$97.00	-3.00%	-3.00%	-9.00%	\$91.00	-9.00%	\$91.00	-9.00%
Tue	\$103.00	6.19%	3.00%	9.00%	\$109.00	18.56%	\$107.89	7.89%
Wed	\$97.00	-5.83%	-3.00%	-9.00%	\$91.00	-17.48%	\$89.03	-10.97%
Thu	\$103.00	6.19%	3.00%	9.00%	\$109.00	18.56%	\$105.55	5.55%
Fri	\$100.00	-2.91%	0.00%	0.00%	\$100.00	-8.74%	\$96.33	-3.67%

The Guideline for Leveraged and Inverse ETFs Trading

The trending market is the best friend of L/I ETFs

During the period of holding a L/I ETF, if the underlying target the L/I ETF tracks shows a significant rise or fall and if the investor bet on the right direction, the actual return of the investment in the L/I ETF will be higher than expected; if investors bet on the wrong direction, the actual loss of investing in the L/I ETF will be less than expected.

Flat but volatile market is the bad friend of L/I ETFs

During the period of holding the L/I ETF, if the underlying target tracked is subject to high volatility and no obvious trend, the actual return of the L/I ETF investment will be worse than expected. The more times there are swings and the higher the volatility is, the adverse effects of compounding will also be amplified.

L/I ETFs are tools for short-term trading not for long-term buy-and-hold investment

The reason is not that holding a L/I ETF for a long time will inevitably lead to unfavorable results, but that once the holding time is longer, the chances of it facing market volatility will increase.

Role of L&I ETFs in Portfolio Construction

Core

- Strategic
- Long-term
- Generally buy-and-hold
- Matched to liabilities and tracking benchmarks

- ✓ Equities
- ✓ Fixed Income
- ✓ Commodities
- ✓ Real Estate
- ✓ Alternatives
- ✓ **Non-leveraged ETFs**

Satellite

- Tactical
- Opportunistic with daily monitoring
- Liquidity is critical
- Adjust portfolio's market exposure, return profile, and standard deviation

- ✓ Futures
- ✓ Options
- ✓ Warrants
- ✓ CBBCs
- ✓ **L&I ETFs**

How Traders Use L&I ETFs

10 examples why traders use leveraged/inverse ETFs

1. Efficient deployment of capital
2. Long / short relative value using securities
3. Rapid market exposure
4. Alternative to derivatives / futures
5. Portfolio hedging
6. Interim beta / portfolio rebalancing
7. Opportunistic trading (earnings, US Fed announcements)
8. Access fixed income, commodities, real estate
9. Options / volatility trading
10. Strategic (arbitrage, double short)

Market Overview



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2023 in Review

The Performances of global markets and key asset classes

Asset	Ticker	% Change YTD	% Change 2023	% Change 2022
Key Index				
S&P GSCI Index Spot Commodity Prices	SPGSCI Index	11.7%	-12.20%	7.41%
Brazil Bovespa	IBOV Index	-4.57%	22.28%	4.69%
Nikkei 225	NKY Index	17.87%	28.24%	-9.37%
India Nifty 50	NIFTY Index	4.7%	20.03%	5.24%
Bloomberg US Aggregate Bond Index	LBUSTRUU Index	-2.7%	5.53%	-12.88%
Taiwan Stock Exchange Weighted Index	TWSE Index	15.74%	26.83%	-22.40%
Hang Seng HIS	HSI Index	0.04%	-13.82%	-14.41%
EuroStoxx 50	SX5E Index	10.6%	19.19%	-11.90%
S&P 500	SPX Index	8.19%	24.23%	-19.65%
MSCI World Index	MXWO Index	6.6%	21.77%	-19.60%
MSCI AC Asia Pacific Index	MXAP Index	4.49%	8.76%	-19.02%
Singapore Straits Times Index STI	STI Index	-0.41%	-0.34%	3.99%
US Treasury 20+ Index	IDCOT20T Index	-7.8%	2.15%	-30.54%
CSI 300	SHSZ300 Index	2.12%	-11.38%	-21.33%
MSCI EM	MXEF Index	3.34%	7.04%	-21.78%
US Russell 2000	RTY Index	0.06%	15.09%	-21.68%
Nasdaq 100	NDX Index	7.05%	53.81%	-33.41%
ICE Semiconductor Index	ICESEMI Index	14.86%	65.39%	-35.87%
MOEX Russia Index	IMOEX Index	10.97%	43.87%	-43.12%
Oil and Gold				
Gold	XAU Curncy	13.22%	13.10%	0.52%
WTI Oil	USCRWTIC Index	20.32%	-10.73%	4.25%
Currency				
Euro	EUR Curncy	-2.72%	3.12%	-5.47%
TWD	TWD Curncy	-5.11%	0.49%	-11.04%
Japanese Yen	JPY Curncy	-7.83%	-7.57%	-13.94%
USD	DXY Curncy	3.84%	-2.11%	7.87%

2023 in Review

The performances of S&P 500 sectors

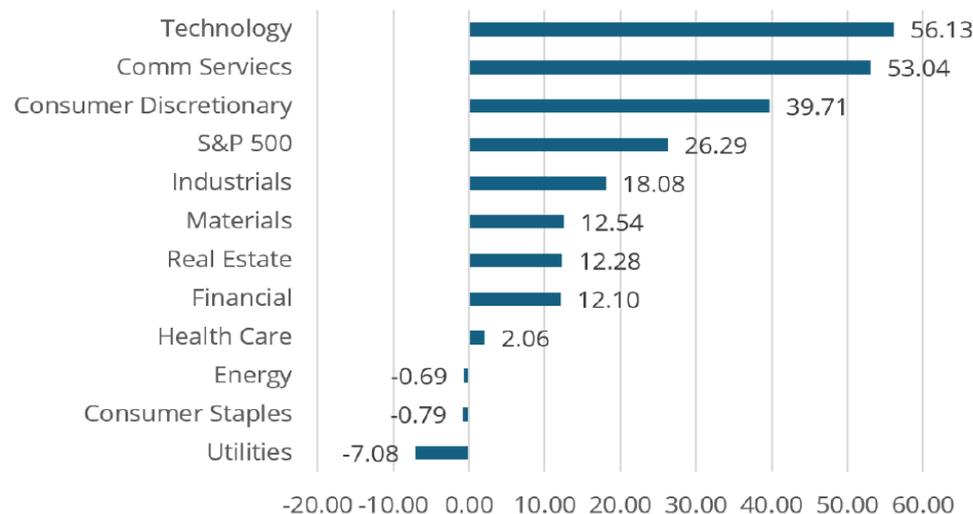
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Concentration risk

The top three performing sectors in 2023 were Information Technology, Communication Services, and Consumer Discretionary. For these three sectors:

- Top five holdings made up more than 55% of the indices
- Top two holdings make up more than 35% of the indices
- Top holding makes up more than 22% of the indices

2023 Sector Performance



Top 5 Holdings

Technology	
Microsoft Corp	22.37
Apple Inc	21.90
Broadcom Inc	5.15
NVIDIA Corp	4.54
Adobe Inc	2.96
	56.91

Comm Services	
Meta Platforms Inc	23.63
Alphabet Inc	12.41
Alphabet Inc	10.54
Netflix Inc	4.66
Charter Communications	4.60
	55.84

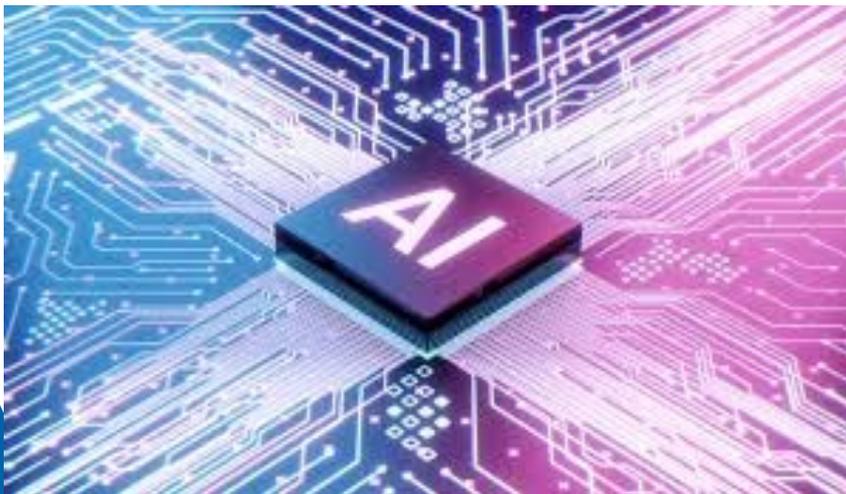
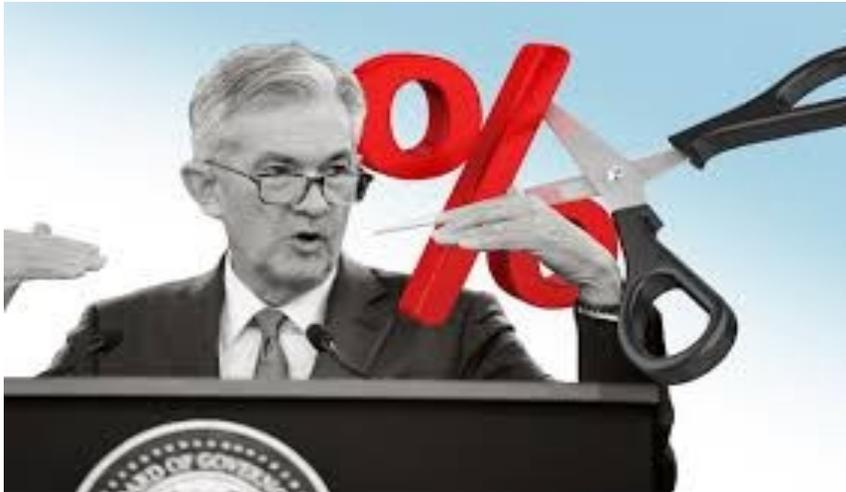
Consumer Discretionary	
Amazon.com Inc	22.88
Tesla Inc	17.89
Home Depot Inc	9.02
McDonald's Corp	4.51
NIKE Inc	3.54
	57.84

Source: S&P Select Sector Indices as of 12/31/2023

Technology (IXT), **Comm Services** (IXCPR), **Consumer Discretionary** (IXY), **S&P 500** (SPXT), **Industrials** (IXI), **Materials** (IXB), **Real Estate** (IXRE), **Financials** (IXM), **Healthcare** (IXV), **Energy** (IXE), **Consumer Staples** (IXR), **Utilities** (IXU)

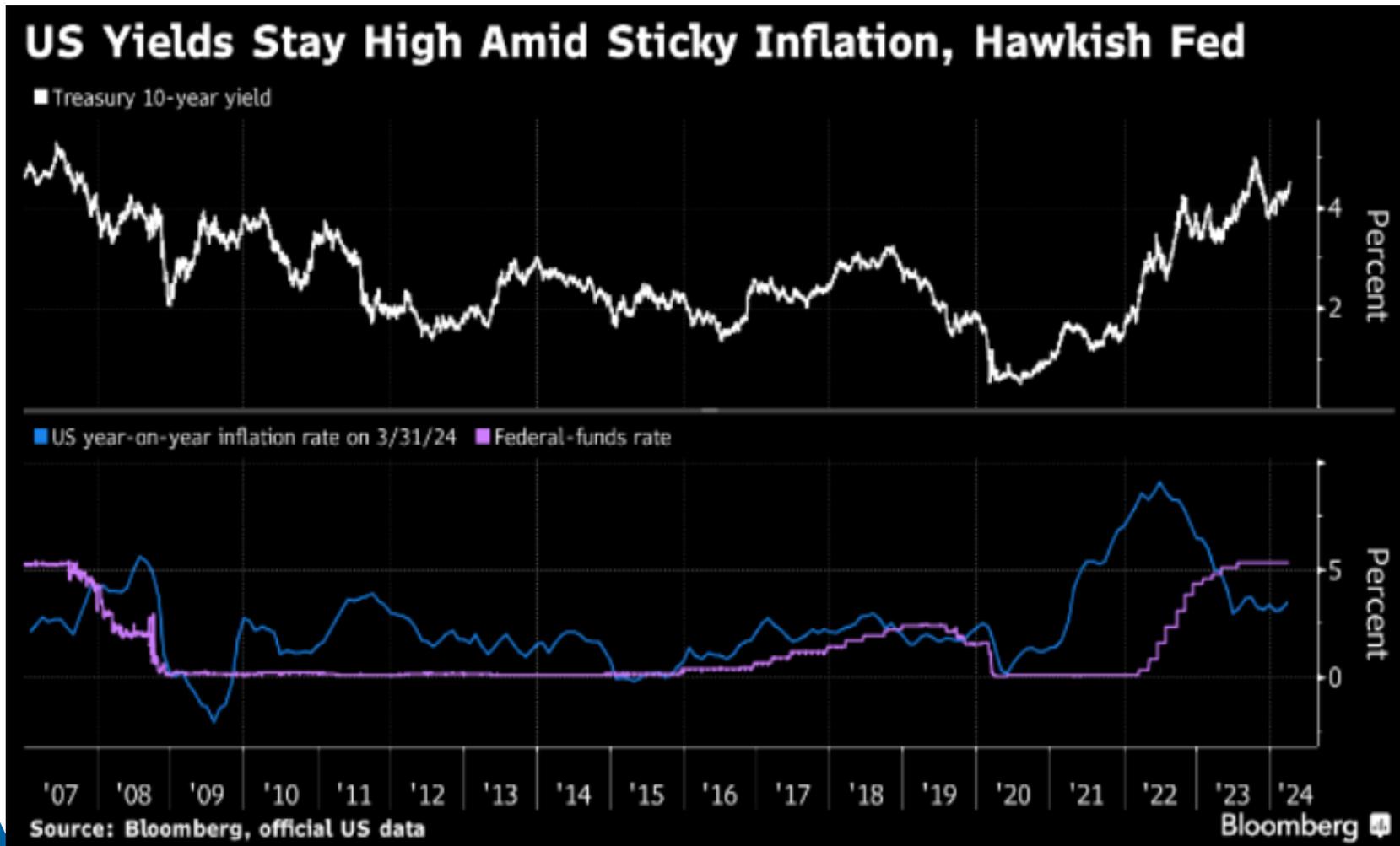
See Index Descriptions on slide 26 and slide 27

Key Catalysts for The Market in 2024



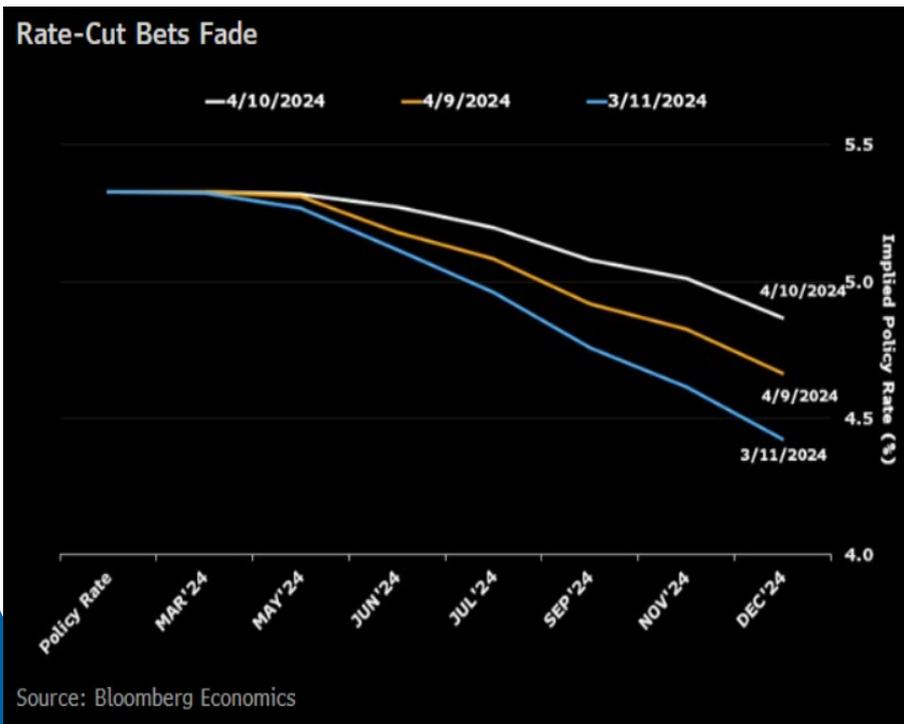
Rate and Inflation

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Markets Position for Higher-for-Longer Fed Policy

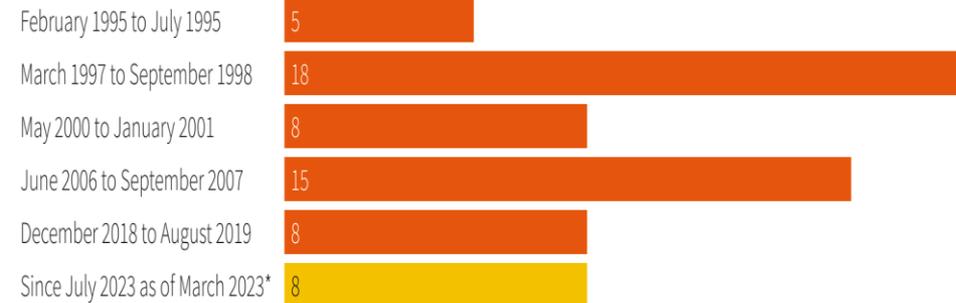
Rate-cut odds retreated notably on the CPI report. Market participants are now pricing in less than 50 bps of rate cuts this year, compared to roughly 65 bps the day before the report.



Higher for longer?

The Federal Reserve last raised its benchmark interest rate in July, and talk of eventual rate cuts is intensifying. The Fed has already matched the shortest of the 5 "hold" periods since the 1990s.

● Since July 2023 as of March 2023*



Note: *Current cycle is ongoing. Other bars show number of months from last Fed rate increase to first rate cut.

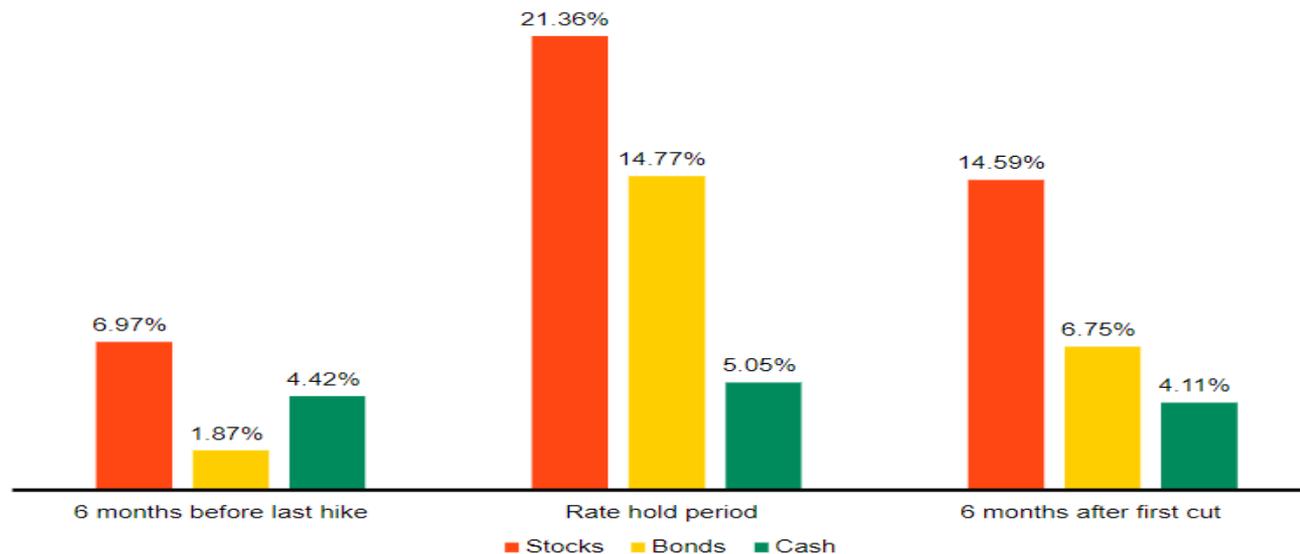
Source: U.S. Federal Reserve

Market and Sector Performance at the End of Rate Hike Cycles

- In the past five Fed cycles since 1990, bonds have produced average annualized returns of 14.8% during the period between the last Fed rate hike and first rate cut – the “hold period” - vs. just 5% for cash.
- Stocks have also delivered strong performance, outperforming both cash and bonds in prior hold periods.

Stocks and bonds have outperformed cash in prior Fed ‘hold’ periods

Average total return (annualized) in prior five Fed hiking cycles



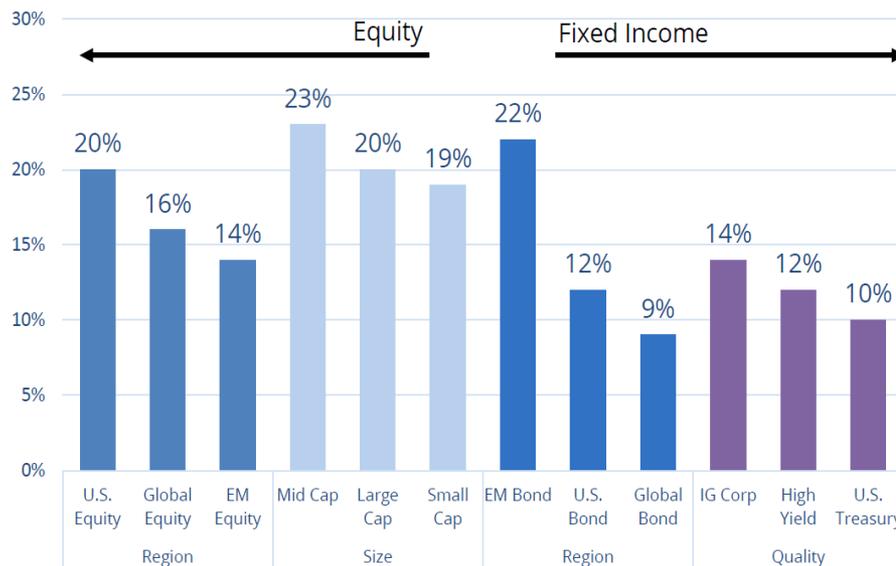
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Source: Bloomberg, as of November 16, 2023. Total return analysis produced by iShares Investment Strategy. Historical analysis calculates average performance of the S&P 500 index, the Bloomberg US Aggregate Bond Index (bonds), and the Bloomberg U.S. Treasury Bills: 1-3 Months TR Index (cash) in the 6 months leading up to the last Fed rate hike, between the last rate hike and first cut, and the 6 months after the first cut. The dates used for the last rate hike of a cycle are: 2/1/1995, 3/25/1997, 5/16/2000, 6/29/2006, 12/19/2018. Dates used for the first rate cut are: 7/6/1995, 9/29/1998, 1/3/2001, 9/18/2007, 8/1/2019. Index performance is for illustrative purposes only. Index performance does not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.

Market and Sector Performance at the End of Rate Hike Cycles

Markets tend to rally when rate cycles end. The charts below show returns for the 12 months following the end of the past four Fed rate hike cycles on a market-level and a sector-level.

Average Market Returns 12 Months After Past Four Rate Hike Cycles Ended*



Source: PGIM; Morningstar and S&P. Average returns 12 months following the end of each of the past four Fed rate hike cycles.

Sector Performance 12 Months After Past Four Rate Cycles Ended**

End of Rate Cycle Date	2/1/1995	5/16/2000	6/29/2006	12/20/2018
Comm. Services	39.23	-28.12	39.64	34.52
Consumer Discretionary	22.28	-4.76	19.24	30.74
Consumer Staples	41.50	17.76	14.19	28.09
Energy	30.64	9.14	27.77	12.05
Financial	51.16	17.85	14.16	34.84
Health Care	57.42	8.27	19.15	24.72
Industrials	41.40	8.99	17.25	31.34
Materials	32.98	8.17	29.68	27.00
Real Estate	-	-	12.38	25.60
Technology	46.02	-47.61	24.71	51.27
Utilities	27.11	25.09	26.45	23.25
S&P 500	39.19	-11.31	20.32	33.20

- All sectors were positive in three out of the last four 12-month periods following the end of rate cycle hikes.

Source: S&P Dow Jones Select Sector Indices

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Impact of Presidential Elections on Market and Sector Performance

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History suggests that presidential election years have tended to be good for stocks

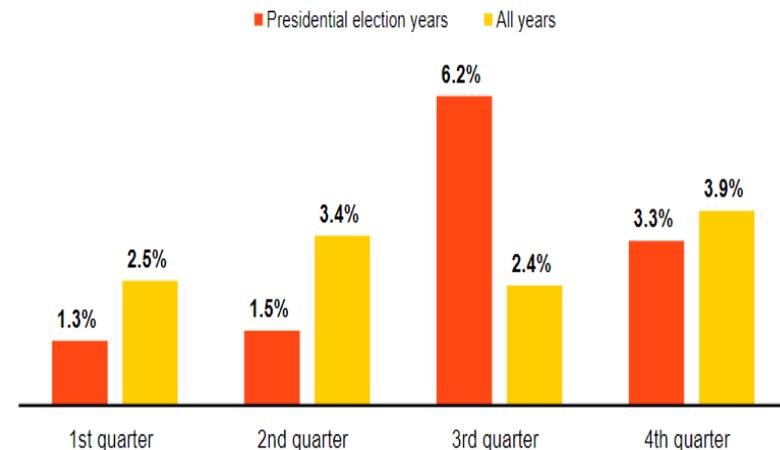
- On average, stocks have risen 11.6% during presidential election years since 1926, slightly better than the market's average 10.3% return in all years.
- stocks tend to follow a pattern during presidential election years: sluggish in the first half, followed by a big second half. Historically, the third quarter has delivered the strongest returns, with an average return of 6.2%.

Year	S&P 500 Index annual total return: Election year	S&P 500 Index annual total return: One year later	S&P 500 Index annual total return: Two-year compound annual average
1928	43.6%	-8.4%	14.7%
1932	-8.2%	54.0%	18.9%
1936	33.9%	-35.0%	-6.7%
1940	-9.8%	-11.6%	-10.7%
1944	19.8%	36.4%	27.8%
1948	5.5%	18.8%	11.9%
1952	18.4%	-1.0%	8.3%
1956	6.6%	-10.8%	-2.5%
1960	0.5%	26.9%	12.9%
1964	16.5%	12.5%	14.4%
1968	11.1%	-8.5%	0.8%
1972	19.0%	-14.7%	0.8%
1976	23.8%	-7.2%	7.2%
1980	32.4%	-4.9%	12.2%
1984	6.3%	32.2%	18.5%
1988	16.8%	31.7%	24.0%
1992	7.6%	10.1%	8.8%
1996	23.0%	33.4%	28.1%
2000	-9.1%	-11.9%	-10.5%
2004	10.9%	4.9%	7.9%
2008	-37.0%	26.5%	-10.7%
2012	16.0%	32.4%	23.9%
2016	12.0%	21.8%	16.8%
2020	18.4%	28.7%	23.4%
Average	11.6%	10.7%	10.0%

Source: Bloomberg and S&P

The first half of presidential election years tend to be sluggish, followed by a big second half

Average return, 1/1/26 – 12/31/23



Source: Morningstar as of 12/31/23. Stock market represented by the S&P 500 Index from 1/1/70 to 12/31/23 and IA SBBI U.S. large cap stocks index from 1/1/26 to 1/1/70. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index.

Impact of Presidential Elections on Market and Sector Performance

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Sector Performance

- Since 1973, the **Energy, Communication Service and Financial sectors** have been the top performers during presidential election years
- Surprisingly, technology is one of the worst performing sectors during these years, despite being the overall top performer over the same period
- While there are a plethora of issues that will play a big role in the 2024 election, in terms of issues that align with market sectors, **healthcare and energy are policy issues** to monitor throughout the election process
- Despite these findings, a study conducted by U.S. Bank concluded that “economic and inflation trends tend to have a stronger, more consistent relationship” with the market than election outcomes

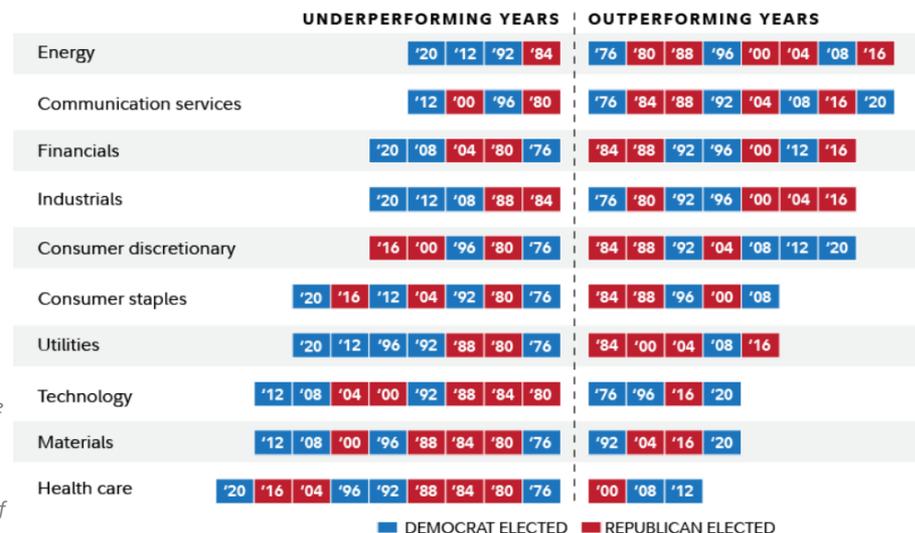
Source: Forbes

Past performance is no guarantee of future results. Each box represents 1 calendar year of performance for a calendar year that included a US presidential election. Underperforming indicates that price performance was lower than the S&P 500, while outperforming indicates price performance exceeded the S&P 500. Color of each box indicates whether a Democrat or Republican candidate was elected to the presidency that year. Real estate is omitted due to a lack of sufficient performance history, as it was not established as an independent sector until 2016. Each sector is represented by companies included in the S&P 500 that are classified as members of that sector. Source: Strategas Research Partners, as of November 5, 2023.

A bevy of election issues for markets to focus on

Economic policy	Foreign policy	Sectors and industries
<ul style="list-style-type: none"> • inflation • tax policy • federal spending • federal debt and deficit • immigration • student loan debt • Treasury/Fed appointments • Washington gridlock 	<ul style="list-style-type: none"> • tariff and trade policies • sanctions • U.S.-China rivalry • onshoring, near-shoring • friend-shoring • deglobalization • de-dollarization • U.S./NATO-Russia risks • a wider Middle East conflict? • multipolar world 	<ul style="list-style-type: none"> • energy policy • energy transition • green initiatives • infrastructure spending • tech subsidies • tech and AI regulations • health care policy • FDA rules • defense spending • banking regulations

Sector performance in presidential election years since 1976
Number of years in which each sector underperformed or outperformed the S&P 500



Sector Performance Can Vary Year-to-Year

S&P 500 sector performance

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD
INFT 61.7%	REAL 32.3%	UTIL 19.9%	FINL 28.8%	COND 43.1%	REAL 30.2%	COND 10.1%	ENRS 27.4%	INFT 38.8%	HLTH 6.5%	INFT 50.3%	INFT 43.9%	ENRS 54.6%	ENRS 65.7%	INFT 57.8%	TELS 15.8%
MATR 48.6%	COND 27.7%	CONS 14.0%	COND 23.9%	HLTH 41.5%	UTIL 29.0%	HLTH 6.9%	TELS 23.5%	MATR 23.8%	UTIL 4.1%	TELS 32.7%	COND 33.3%	REAL 46.2%	UTIL 1.6%	TELS 55.8%	ENRS 13.7%
COND 41.3%	INDU 26.7%	HLTH 12.7%	REAL 19.7%	INDU 40.7%	HLTH 25.3%	CONS 6.6%	FINL 22.8%	COND 23.0%	COND 0.8%	FINL 32.1%	TELS 23.6%	FINL 35.0%	CONS -0.6%	COND 42.4%	INFT 12.7%
REAL 27.1%	MATR 22.2%	REAL 11.4%	TELS 18.3%	FINL 35.6%	INFT 20.1%	INFT 5.9%	INDU 18.9%	FINL 22.2%	INFT -0.3%	S&P 31.5%	MATR 20.7%	INFT 34.5%	HLTH -2.0%	S&P 26.3%	FINL 12.5%
S&P 26.5%	ENRS 20.5%	TELS 6.3%	HLTH 17.9%	S&P 32.4%	CONS 16.0%	REAL 4.7%	MATR 16.7%	HLTH 22.1%	REAL -2.2%	INDU 29.4%	S&P 18.4%	S&P 28.7%	INDU -5.5%	INDU 18.1%	INDU 11.0%
INDU 20.9%	TELS 19.0%	COND 6.1%	S&P 16.0%	INFT 28.4%	FINL 15.2%	TELS 3.4%	UTIL 16.3%	S&P 21.8%	S&P -4.4%	REAL 29.0%	HLTH 13.5%	MATR 27.3%	FINL -10.5%	MATR 12.6%	S&P 10.6%
HLTH 19.7%	S&P 15.1%	ENRS 4.7%	INDU 15.4%	CONS 26.1%	S&P 13.7%	S&P 1.4%	INFT 13.9%	INDU 21.0%	CONS -8.4%	COND 27.9%	INDU 11.1%	HLTH 26.1%	MATR -12.3%	REAL 12.4%	MATR 9.0%
FINL 17.2%	CONS 14.1%	INFT 2.4%	MATR 15.0%	MATR 25.6%	INDU 9.8%	FINL -1.5%	S&P 12.0%	CONS 13.5%	TELS -12.5%	CONS 27.6%	CONS 10.8%	COND 24.4%	S&P -18.1%	FINL 12.2%	HLTH 8.9%
CONS 14.9%	FINL 12.1%	S&P 2.1%	INFT 14.8%	ENRS 25.1%	COND 9.7%	INDU -2.5%	COND 6.0%	UTIL 12.1%	FINL -13.0%	UTIL 26.4%	UTIL 0.5%	TELS 21.6%	REAL -26.1%	HLTH 2.1%	CONS 7.5%
ENRS 13.8%	INFT 10.2%	INDU -0.6%	CONS 10.8%	UTIL 13.2%	MATR 6.9%	UTIL -4.8%	CONS 5.4%	REAL 10.9%	INDU -13.3%	MATR 24.6%	FINL -1.7%	INDU 21.1%	INFT -28.2%	CONS 0.5%	COND 5.0%
UTIL 11.9%	UTIL 5.5%	MATR -9.6%	ENRS 4.6%	TELS 11.5%	TELS 3.0%	MATR -8.4%	REAL 3.4%	ENRS -1.0%	MATR -14.7%	HLTH 20.8%	REAL -2.2%	CONS 18.6%	COND -37.0%	ENRS -1.3%	UTIL 4.6%
TELS 8.9%	HLTH 2.9%	FINL -17.1%	UTIL 1.3%	REAL 1.6%	ENRS -7.8%	ENRS -21.1%	HLTH -2.7%	TELS -1.3%	ENRS -18.1%	ENRS 11.8%	ENRS -33.7%	UTIL 17.7%	TELS -39.9%	UTIL -7.1%	REAL -0.6%

Abbr.	Sector Index	Annual	Best	Worst
COND	S&P 500 Consumer Discretionary Index	16.79%	43.1%	-37.0%
CONS	S&P 500 Consumer Staples Index	10.93%	27.6%	-8.4%
ENRS	S&P 500 Energy Index	6.70%	65.7%	-33.7%
FINL	S&P 500 Financials Index	11.27%	35.6%	-17.1%
HLTH	S&P 500 Health Care Index	13.62%	41.5%	-2.7%
INDU	S&P 500 Industrials Index	13.19%	40.7%	-13.3%
INFT	S&P 500 Information Technology Index	21.16%	61.7%	-28.2%
MATR	S&P 500 Materials Index	11.90%	48.6%	-14.7%
REAL	S&P 500 Real Estate Index	11.80%	46.2%	-26.1%
TELS	S&P 500 Communication Services Index	9.41%	55.8%	-39.9%
UTIL	S&P 500 Utilities Index	9.33%	29.0%	-7.1%
S&P	S&P 500 Index	13.97%	32.4%	-18.1%

Past performance does not guarantee future returns. The historical performance is meant to show changes in market trends across the different S&P 500 sectors over the past ten years. Returns represent total annual returns (reinvestment of all distributions) and does not include fees and expenses. The investments you choose should reflect your financial goals and risk tolerance. For assistance, talk to a financial professional. All data are as of 3/31/24.

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Ample Catalysts for Higher Upside and Downside Volatility



The Big Themes for 2024



Popular Trading Themes to Watch

US Treasury Yield Move

Gold/Gold Miners

Tech Sector

Semiconductor

**Magnificent 7/
Fabulous 4**

Biotech/Healthcare

Oil/Energy

Chinese Internet/Tech

HK/China

Ways to Play U.S. Treasury Yield Move

Volatility in the U.S. Treasury continues

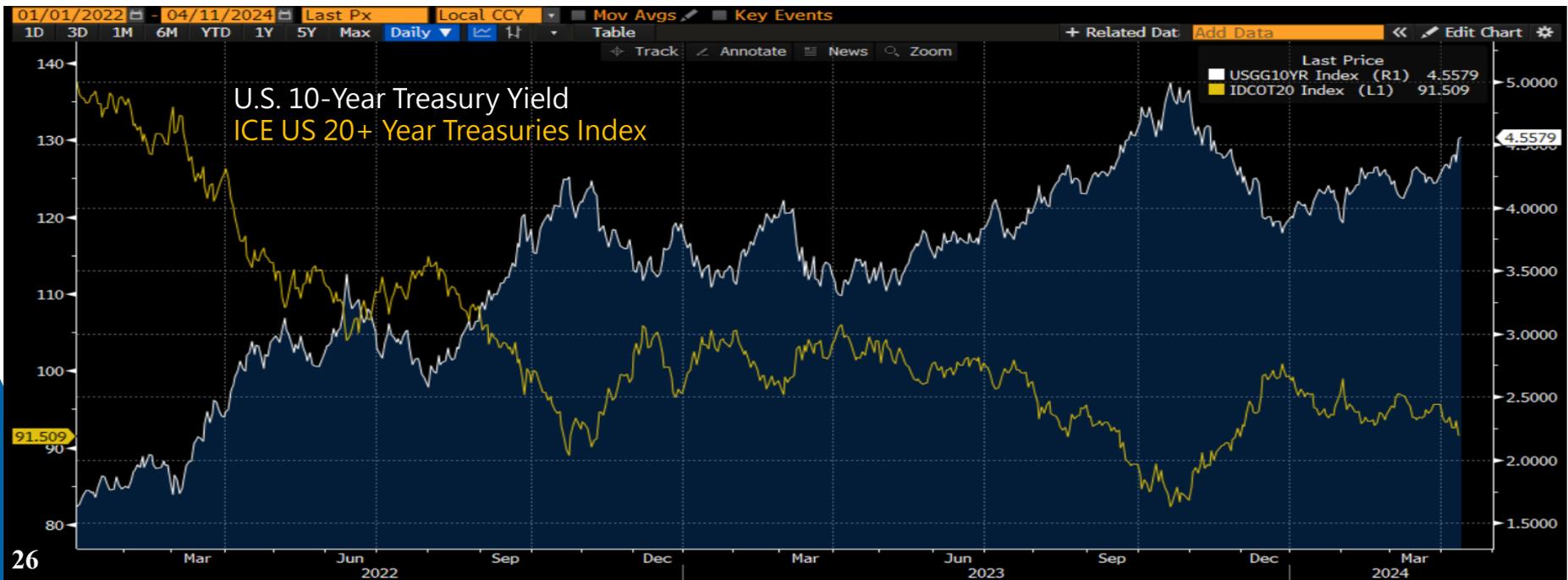
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“ Bond Traders Shift Thinking to a 5% Yield, No-Rate-Cut World ” - Bloomberg, April 11, 2024

“ Traders See Fed Waiting Until After Summer to Cut as Yields Soar ” - Bloomberg, April 11, 2024

10-Year Treasury Yield went up	2/2/2023-3/2/2023	7/19/2023-8/3/2023	8/31/2023-10/3/2023	10/11/2023-10/19/2023	3/28/2024-4/10/2024
ICE US 20+ Year Treasuries Index	-7.92%	-7.59%	-11.39%	-6.39%	-4.35%
U.S. 10-Year Treasury Yield	3.39%→ 4.05%	3.74%→ 4.17%	4.10%→ 4.79%	4.55%→ 4.98%	4.20%→ 4.54%

10-Year Treasury Yield went down	12/30/2022-1/9/2023	3/2/2023-3/13/2023	10/31/2023-12/27/2023
ICE US 20+ Year Treasuries Index	+5.43%	+6.50%	+21.35%
U.S. 10-Year Treasury Yield	3.87%→ 3.53%	4.05%→ 3.57%	4.93%→ 3.79%



Haven, Inflation Hedge and Tightening Monetary Policy Dominate Gold Price Move

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Gold Miners to magnify short term perspective of gold price move

Gold Miners equities usually have higher volatility than gold price move, many traders or high frequency trading investors prefer to trade Gold mining sector L/I ETFs for a momentum trade to amplify potential short-term return.

	3/9/2023-4/13/2023	5/4/2023-5/25/2023	7/18/2023-8/16/2023	10/5/2023-10/27/2023	11/10/2023-12/1/2023	2/27/2024-3/8/2024	3/25//2024-4/9/2024
Gold price	+11.42%	-5.31%	-4.39%	+10.21%	+6.80%	+7.31%	+8.33%
NYSE Arca Gold Miners Sector Index	+33.35%	-14.75%	-14.01%	+10.81%	+15.79%	+13.78%	+14.66%
MVIS Global Junior Gold Miners (TR Net)	+33.10%	-13.69%	-13.99%	+10.27%	+18.74%	+13.57%	+17.14%

GDM Index Top 10 Holdings

	% of Total
Newmont Corp	14.23%
Barrick Gold	9.47%
Agnico Eagle Mines Ltd	8.09%
Wheaton Precious Metals Corp	6.67%
Franco Nevada	6.35%
Northern Star Resources	4.39%
Gold Fields	4.35%
Zijin Mining	3.84%
Royal Gold	3.26%
Anglogold	3.22%



Source: Bloomberg, as of Dev. 31, 2023

Source: Bloomberg, as of April 10, 2024

Could Biotech be a 2024 Winner?

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Trading Catalysts

- In 2023, there was a 50% increase in novel drug approvals by the FDA
- The healthcare sector is expected to generate 17.8% earnings growth in 2024, leading the market
- The industry is expected to continue to see healthy M&A activity, PwC predicts that the deals could be between \$225B - \$275B this year
- Lower rate environment is favorable for the space in terms of cost of debt and should fuel deal-making
- Artificial intelligence could play a big role in healthcare: Healthcare AI projected to be worth \$187B by 2030
- Weight loss drugs have created a frenzy and may continue to be a boon for the space
- Regulatory hurdles
- 5-year low in biotech IPOs in 2023

Biotech vs. Healthcare 2023 Performance

Biotech was a more volatile sub-sector of the broader healthcare sector.



Source: Bloomberg Finance, L.P., as of 12/31/2023

Past performance is not indicative of future results. You cannot invest in an index.

SPSIBITR Index: S&P Biotechnology Select Industry Index

Source: Nasdaq, PwC, Statista

Forecasts are inherently limited and should not be relied upon when making investment decisions. There is no guarantee the projected growth will occur. In addition, substantial industry growth does not guarantee positive investment returns and may lead to significant volatility.

Timing Matters: Trading Biotech Swings

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Index	4/4/2022- 5/11/2022	9/1/2023- 10/27/2023	11/10/2023- 1/9/2024
S&P Biotechnology Select Industry Index	-34.65%	-20.90%	+39.87%



Index Top 10 Holdings	% Weight
Cytokinetics	2.81%
Karuna Therapeutics Inc	1.77%
Acadia Pharmaceuticals	1.71%
Biohaven Ltd	1.49%
Amicus Therapeutics	1.44%
Blueprint Medc/D	1.43%
Arrowhead Pharmaceuticals Inc	1.43%
Bridgebio Pharma	1.43%
Moderna Inc	1.42%
Ultragenyx Pharma	1.36%

Holdings as of 12/31/2023. Holdings subject to change.

Source: Bloomberg Finance, L.P.

The performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate. An investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance quoted. Returns for performance under one year are cumulative, not annualized.

Will Energy Stocks Rebound in 2024?

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Trading Catalysts

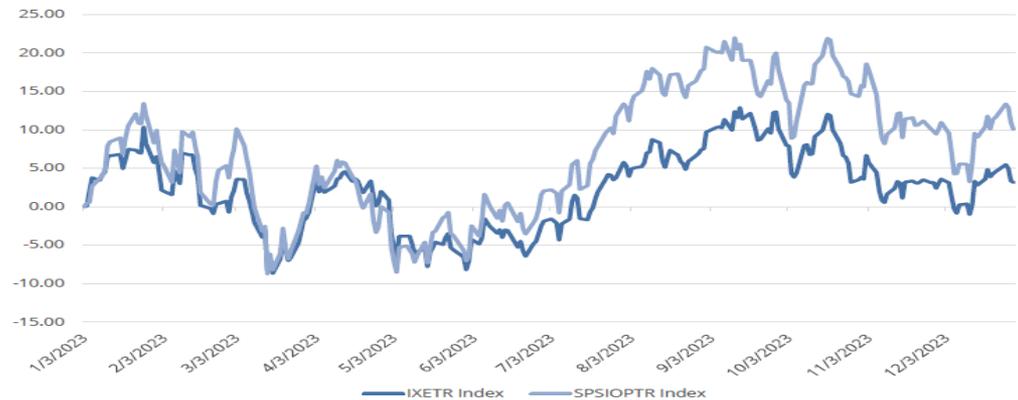
- 64% of analysts have put a “buy” rating on the energy sector for 2024, the highest percentage out of all sectors
- Oil prices likely to remain elevated as a result of supply chain issues, geopolitical risk, and global demand
- Energy equipment and services companies may be well positioned
- “...investors may be underestimating the level of investment needed to meet the world’s growing demand for energy commodities”
- Geopolitical climate will continue to play a big role in energy as country’s weaponize and leverage their energy supply
- 2024 Presidential election will likely have a big impact here and change the course of the US’s participation in international treaties, the Inflation Reduction Act, and more

Source: S&P Global, Fidelity

Forecasts are inherently limited and should not be relied upon when making investment decisions. There is no guarantee the projected growth will occur. In addition, substantial industry growth does not guarantee positive investment returns and may lead to significant volatility.

Energy Market 2023 Performance

Oil & Gas outperformed the broader energy sector for most of 2023.



Source: Bloomberg Finance, L.P., as of 12/31/2023

Past performance is not indicative of future results. You cannot invest in an index.

IXETR Index: Energy Select Sector Index

SPSIOPTR Index: S&P Oil & Gas Exploration & Production Select Industry Index

Index Descriptions on slide 23

S&P Energy Select Sector Index

Index Top 10 Holdings	% Weight
Exxon	22.47%
Chevron Texaco	17.56%
Conocophillips	9.24%
Eog Resources	4.73%
Schlumberger	4.67%
Phillips 66	3.96%
Marathon Petroleum	3.81%
Pioneer National Resource	3.55%
Valero Energy	2.99%
Williams	2.86%

Holdings as of 12/31/2023. Holdings subject to change.

S&P Oil & Gas E&P Select Sector Index

Index Top 10 Holdings	% Weight
SM Energy	2.59%
Antero Resources	2.58%
Callon Petroleum	2.57%
PBF Energy Inc	2.56%
Hess	2.55%
Phillips 66	2.53%
Valero Energy	2.52%
Occidental	2.52%
Southwestern Energy	2.52%
HF Sinclair Corporation	2.51%

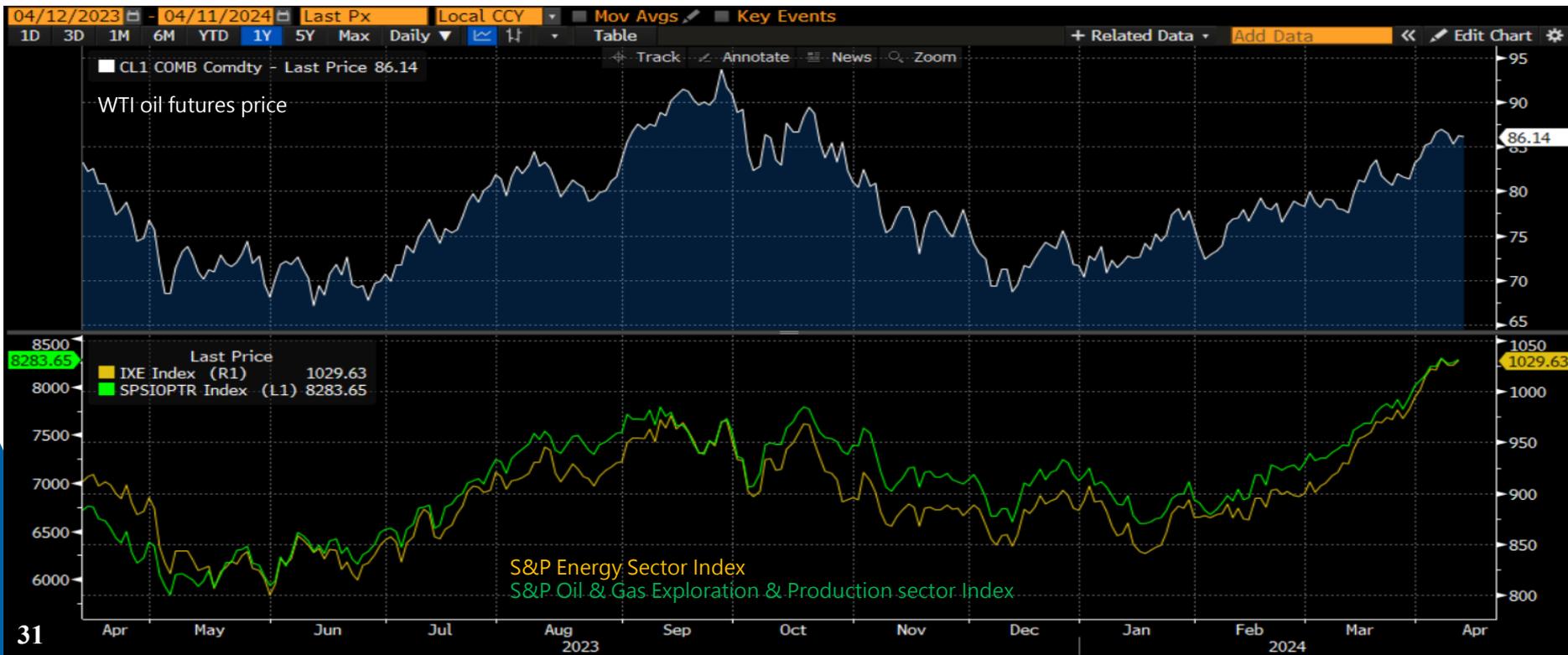
Holdings as of 12/31/2023. Holdings subject to change.

Timing Matters: Trading Energy Volatility

High correlation between energy sector and oil price

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WTI Oil Futures and Index	9/26/2022-10/7/2022	11/4/2022-12/8/2022	3/17/2023-4/3/2023	4/12/2023-5/3/2023	07/17/2023-8/9/2023	8/23/2023-9/18/2023	10/19/2023-11/8/2023	3/12/2024-4/5/2024
WTI oil futures	+20.77%	-22.85%	+20.50%	-17.60%	+13.82%	+15.96%	-15.71%	+12.06%
S&P Energy Sector Index	+19.02%	-7.87%	+13.62%	-8.80%	+8.72%	+6.07%	-9.97%	+11.12%
S&P Oil & Gas E&P sector Index	+24.12%	-14.59%	+14.78%	-11.71%	+14.50%	+3.64%	-10.47%	+12.25%



Technology Shines in 2023

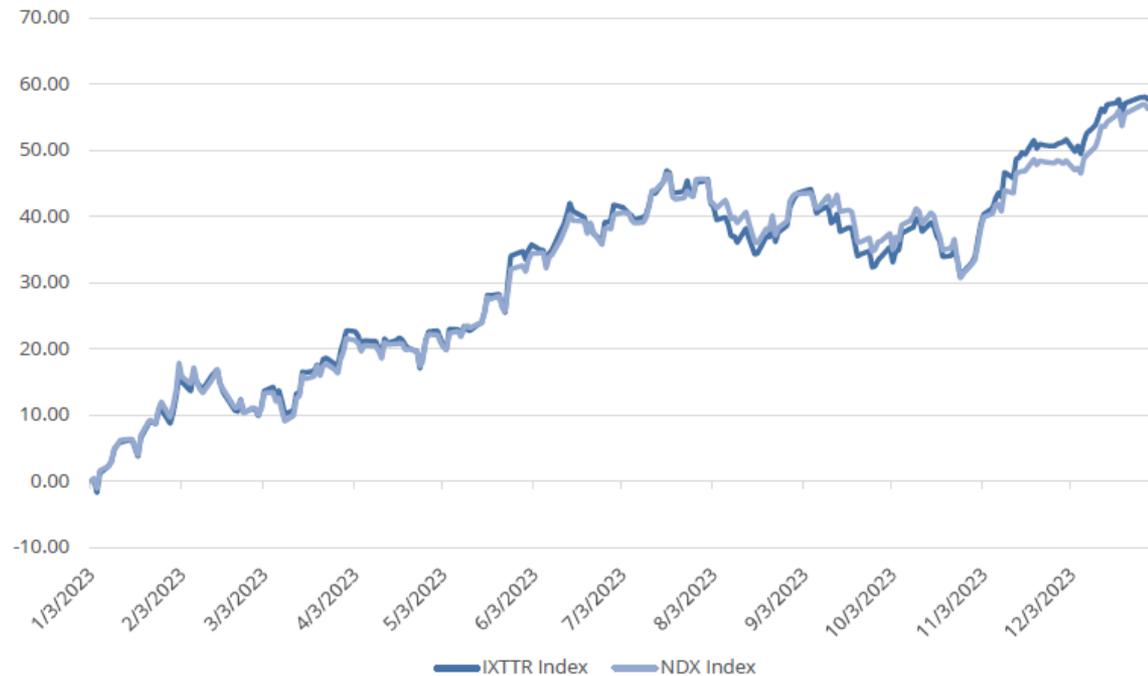
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Trading Catalysts

- Technology is the largest sector in the entire equity market, accounting for about 30% of the S&P 500
- The information technology sector is expected to see 9.3% revenue growth, the top sector for this metric
- Higher interest rates may make the future cash flows of growth companies, including some tech companies less appealing
- AI will continue to play an important role in the sector
- Similarly, semiconductors continue to look appealing for investors

Technology Sector 2023 Performance

The Technology Select Sector Index and the Nasdaq-100 Index moved in tandem.



Source: Bloomberg Finance, L.P., as of 12/31/2023

Past performance is not indicative of future results. You cannot invest in an index.

IXTTR: Technology Select Sector Index

NDX: NASDAQ 100 Index

Is It a Tech Bubble?

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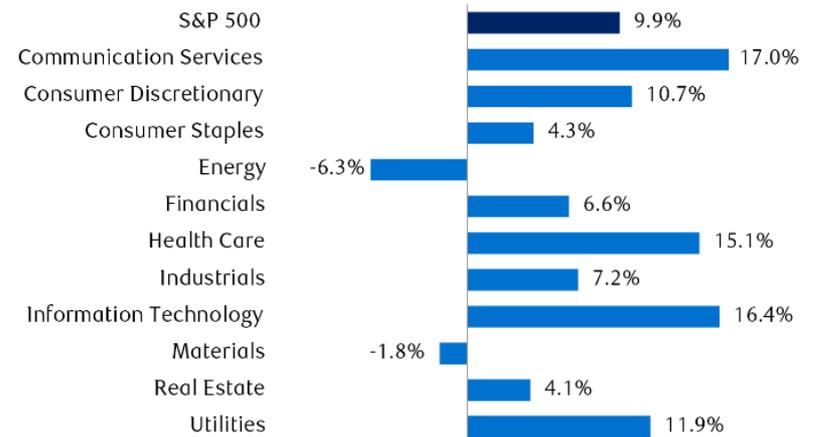
- **Tech valuations are not at extremes** - at the peak of the tech bubble the sector traded at a forward price-earnings (PE) ratio of almost 60. But recently the sector's PE ratio has been at only about half that level.
- **Earnings are coming through—supported by margins** - Tech has been delivering the goods when it comes to earnings. operating margins aren't far from all-time highs, and they've been generally improving.
- Compared to other sectors, **Tech's relative performance has indeed been extreme.**

Valuation for the sector is nowhere near peak tech bubble



Past performance is no guarantee of future results. Forward price-earnings ratio measures stock price divided by average earnings estimated by analysts over the following 12 months. Analysis based on technology stocks in Fidelity top US 3,000 stocks by market capitalization. Data as of March 29, 2024. Sources: Haver Analytics, FactSet, and Fidelity Investments.

S&P 500 and sector consensus earnings growth estimates for full-year 2024



Source – LSEG I/B/E/S, RBC Wealth Management; data as of 3/28/24

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Timing Matters: Trading Technology Fluctuations

Index	3/30/2022-5/6/2022	9/12/2022-9/23/2022	3/10/2023-3/31/2023	5/24/2023-6/15/2023	8/1/2023-8/9/2023	10/26/2023-11/20/2023	1/4/2024-1/22/2024
S&P Technology Sector Index	-12.84%	-11.07%	+11.44%	+13.14%	-5.96%	+15.64%	+9.15%

Index Top 10 Holdings	% Weight
Microsoft	22.37%
Apple	21.90%
Broadcom Limited	5.15%
Nvidia	4.54%
Adobe Inc	2.96%
Salesforce Inc	2.79%
Advanced Micro Devices	2.59%
Accenture PLC Class A	2.40%
Intel	2.30%
Cisco	2.23%

Holdings as of 12/31/2023. Holdings subject to change.



Source: Bloomberg, as of April 10, 2024

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Trading the volatility of Magnificent Seven

Concentrate on seven largest NASDAQ listed companies

The Indxx Front of the Q Index (IFOTQ) is provided by Indxx and is designed to track the performance of the seven largest NASDAQ listed companies.

Index	1/3/2022-3/14/2022	4/4/2022-5/25/2024	8/15/2022 - 10/3/2022	1/4/2023-2/2/2023	4/26/2023-6/20/2023	1/3/2024-3/20/2024
Indxx Front of the Q Index	-25.12%	-28.89%	-21.60%	+35.82%	+32.85%	+21.35%
Nasdaq 100 Index	-20.94%	-21.21%	-17.83%	+17.30%	+17.68%	+11.43%

Indxx Front of the Q Index vs. Nasdaq 100 Past 3 Years Performance



Index Holdings %

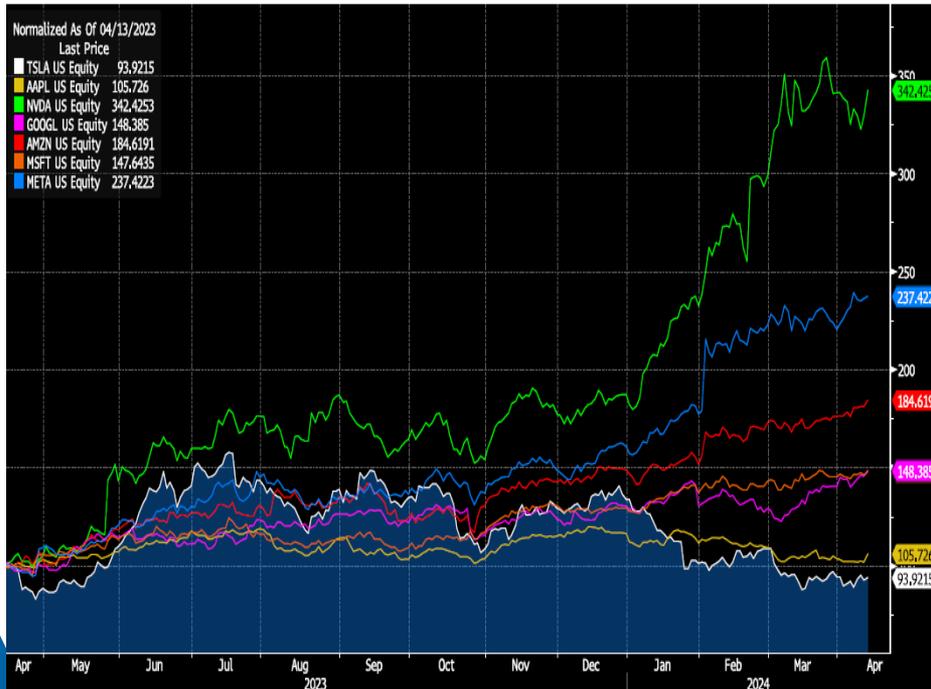
Apple Inc.	14.29
Microsoft Corporation	14.29
Alphabet Inc Class A	14.29
Amazon.com Inc.	14.29
NVIDIA Corporation	14.29
Tesla, Inc.	14.29
Meta Platforms Inc Class A	14.29

Index data as of 12/31/2023. Index weightings and holdings are subject to change.

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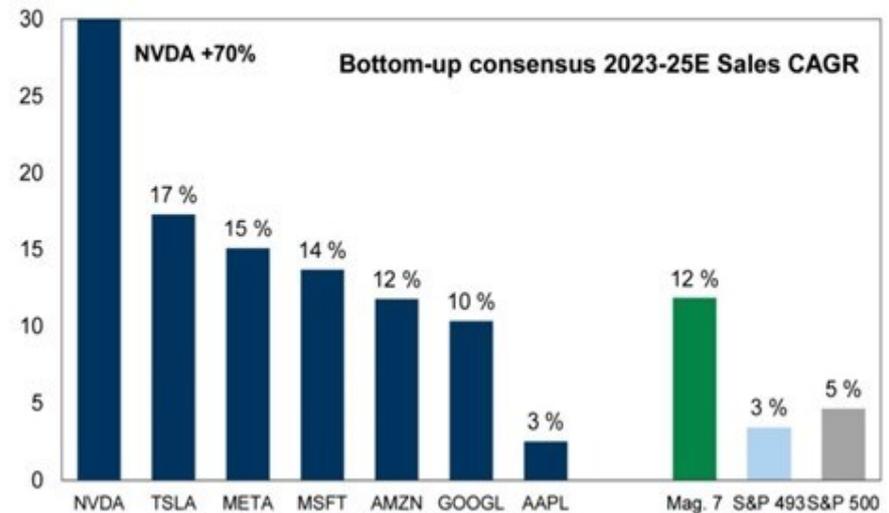
From Magnificent Seven to Fantastic Four

Earnings growth estimates in 2024 for the Magnificent Seven are 20.8%, and S&P 500 sans-Magnificent Seven at only 6.7% respectively.



Source: Bloomberg, as of April 11, 2024

Goldman Sachs Premium expected 2-year sales growth: 12% vs. 3%
 Consensus expects the Magnificent 7 to grow sales at 4x the rate of S&P 493



<https://thenextrecession.wordpress.com/2024/04/07/from-the-magnificent-seven-to-the-desperate-hundred/>

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Semiconductor and AI Related Sector in Spotlight

Trading Catalysts for AI-related stocks

- **Broadening demand trends.** AI demand in 2023 was mostly led by AI GPU computing and the hyperscaling of big tech customers, with some initial signs of broader AI demand from customers and the wider segment.
- **New revolutionary products.** The first quarter of 2024 saw the launch of fresh AI applications across chips and text-to-video platforms, as well as the further application of generative AI products into software engineering.
- **Increasing adoption.** According to the US Census Bureau's recent Business Trends and Outlook Survey that tracks AI adoption across 1.2 million firms in the US, between 5.4% and 9% of firms are already using some form of AI as of the first quarter. This compares to between 3.7% and 4.5% reporting AI application in the third quarter of last year.



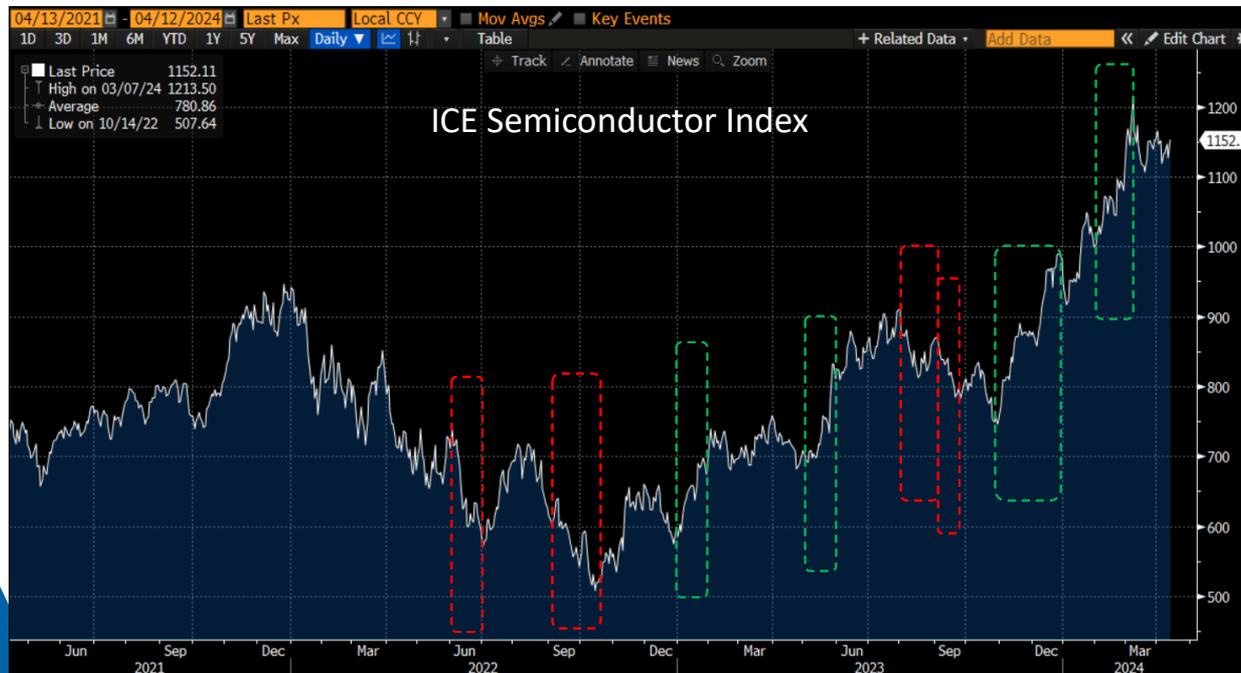
Source: Bloomberg, as of April 10, 2024

Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations, or an invitation or inducement to trade a particular financial instrument or to engage in an investment activity. There is a substantial risk of loss in trading futures and options. Past performance is not indicative of future results.

Opportunistic or Momentum Trade with Chip Sector

When chips plunged....	6/7/2022-6/13/2022	6/24/2022-7/1/2022	9/12/2022-9/23/2022	8/1/2023-8/9/2023	10/12/2023-10/22/2023
ICE Semiconductor Index	-13.77%	-9.64%	-11.73%	-6.54%	-10.28%

When chips rallied....	12/30/2022-2/2/2023	5/12/2023-5/28/2023	10/30/2023-11/30/2023	12/6/2023-12/15/2023	2/21/2024-3/7/2024
ICE Semiconductor Index	+24.74%	+19.21%	+17.16%	+12.95%	+16.33%



Source: Bloomberg, as of April 11, 2024

Top 10 Holdings of ICE Semiconductor Index

Ticker	Name
AVGO	Broadcom Inc
INTC	Intel Corp
NVDA	NVIDIA Corp
TXN	Texas Instruments Inc
QCOM	QUALCOMM Inc
MRVL	Marvell Technology Inc
ADI	Analog Devices Inc
KLAC	KLA Corp
MU	Micron Technology Inc
AMD	Advanced Micro Devices

Index data as of 12/31/2023. Index weightings and holdings are subject to change.

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How to Trade HK/China in A Nimble Way?

“ **Option Traders No Longer Fear a Plunge in Chinese Stocks** ” – Bloomberg, April 5, 2024

“ **China’s Stock Rally May Get New Impetus From Earnings: UBS** ” – Bloomberg, April 11, 2024

Index	9/9/2022-9/23/2022	10/31/2022-11/15/2022	11/28/2022-12/5/2022	1/27/2023-2/6/2023	5/22/2023-6/1/2023	6/1/2023-6/16/2023	7/31/2023-8/11/2023	12/29/2023-1/22/2024	2/9/2024-2/23/2024
FTSE China 50 Index	-9.73%	+28.77%	+16.62%	-7.93%	-8.09%	+12.64%	-5.55%	-12.83%	+8.87%

Index Top Ten Holdings

	% of Total
Alibaba Group	9.42%
Tencent Holdings	8.44%
Meituan	7.28%
China Construction Bank Class H	7.21%
Industrial Commerc Bank China Class H	4.62%
Netease Inc	4.21%
JD.com	4.14%
Baidu Class A	4.05%
Bank Of China	3.90%
Xiaomi Corporation	3.61%

Source: Bloomberg, as of Dec. 31, 2023

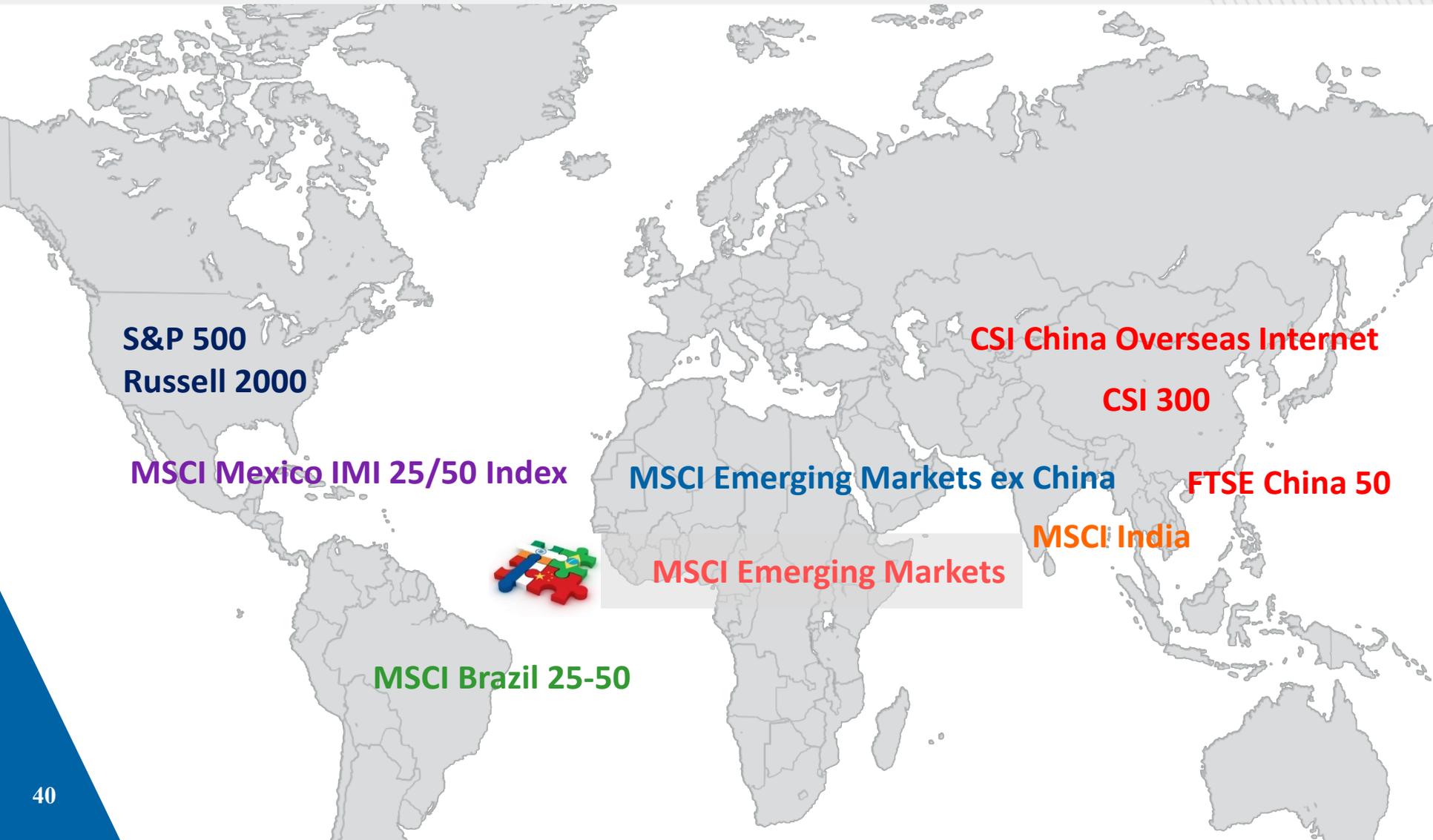


Source: Bloomberg, as of April 10, 2024

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Tactical tools for your trading idea

Across the globe



Tactical tools for your trading idea

Across asset classes and sectors



ICE U.S. Treasury 20+ Years Bond Index

ICE U.S. Treasury 7-10 Year Bond Index



NYSE Arca Gold Miners Index

MVIS Junior Gold Miners Index



S&P Oil & Gas E&P Select Sector Index

Energy Select Sector Index

MVIS US Listed Oil Services 25 Index



S&P Retail Select Industry Index

Consumer Discretionary Select Sector

IndexBlueStar® Travel and Vacation Index



Indxx US Electric and Autonomous

Vehicles Index



Financial Select Sector Index

S&P Regional Banks Select Industry Index



Real Estate Select Sector Index

Dow Jones U.S. Select Home Construction Index



Technology Select Sector Index

Indxx Front of the Q Index

ICE Semiconductors Index

Dow Jones Internet Index

CSI China Overseas Internet Index

Indxx Global Robotics and Artificial

Intelligence Thematic Index

Health Care Select Sector Index

S&P Biotechnology Select Industry Index

DJ US Select Aerospace & Defense Index



Tactical tools for your trading idea

Single stock



Thank you



Q&A



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