



# sight beyond sight®

a global macro investment newsletter by Neil Azous



## OUR NAME

We seek to bring a 'rare view' to investment challenges. We place value on being able to see across asset classes, discover new opportunities, identify hidden risk, and spot impending danger. We call this perspective **Sight Beyond Sight®** and even took the required legal steps to trademark it.

## OUR DEDICATION

We have been trained by some of the best minds in the industry, including pioneers of investment products used every day. We have advised some of the world's most influential investors. Our experiences represent countless hours and dedication to the partnerships that we value. These partnerships have helped us develop a set of investment skills and working knowledge that we are able to pass on to others.

## Background

Publisher	Rareview Macro LLC
Newsletter	Sight Beyond Sight®
Editor-In-Chief	Neil Azous

## Subscription Details

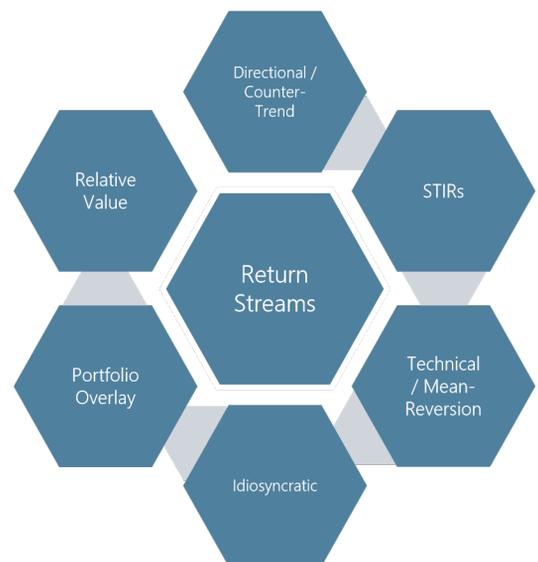
Delivery	2 editions per week
Trial Period	30-day free trial
Viewing Options	Email, HTML, PDF, Archive
Bloomberg Page	MCRO<go>

## WHEN YOU SIGN UP FOR SIGHT BEYOND SIGHT, YOU WILL RECEIVE:

- Two editions per week.
- Commentary from [Neil Azous](#) on the dominant market themes with an emphasis on portfolio construction and risk mitigation.
- Actionable trading ideas across regions and asset classes using both cash and derivative instruments.
- A Trade Laboratory that contains each trade write-up, including a pre-defined risk management process for gains and losses.
- The most transparent model portfolio in newsletter writing.
- Portfolio Manager talking points.
- Top observations.
- Immediate access to all the valuable archived editions.

## HOW DO WE MAKE MONEY?

1. We strategically allocate capital across six return streams.
2. We find as many independent bets within each return stream and then bet in proportion to the expected return per unit-of-risk.
3. We allocate between directional and relative value trades depending on the correlation and dispersion environment, or current market regime, but aim to overweight relative value.
4. In addition to creating breadth through long/short and multi-asset investing – stocks, bonds, currencies, commodities, and volatility – we monetize another dimension of diversification – time. By entering/exiting trades at different phases than the consensus and laddering option maturities, we can hold positions over the medium-term.
5. Finally, we add differentiated sources of return attribution – *idiosyncratic, relative value, short-term interest rate futures & options, and technical mean-reversion.*



## TRADE IDEAS &amp; MATRIX

**Real-Time:** Time-stamped in real-time via Twitter (@sbstimestamp) and Bloomberg {MCRO<go>}.

**Trade Laboratory:** A full write-up, including supporting fundamental, quantitative or technical details.

**Risk Management:** Every trade has a pre-defined game plan for managing gains or losses.

**Position Details:** Distinguish between a tactical and strategic trade; includes price target, hard stop, risk-to-hard stop in NAV impact, unit size, reward-to-risk ratio, etc.

## TRACKING PORTFOLIO

**Transparency:** Most transparent and accountable tracking portfolio in newsletter writing.

**Updates:** Monday morning.

**Performance Snapshot:** Weekly, Monthly, & Yearly.

**Costs:** Commission, borrow, repo, carry, interest, dividends, clearing, market impact, etc. costs are accounted for.

## Macro Tracking Portfolio - New Position - Short USDSEK Spot Exchange Rate

Position Details	Thesis
Date Added	23-May-2017
Tactical/Strategic	Tactical
Return Stream	Technical/Mean-Reversion
Asset Class	Foreign Exchange
Spot/Derivative	Spot
Instrument	USD/SEK
Long/Short	Short
Entry Price (Spot Ref)	8.6721
Notional (USD)	49,000,000
Price Targets	8.34 (-3.81%)
Hard Stop	8.8134 (+1.5%, 2.4 SD's)
Risk to Hard Stop (NAV)	25 bps
Size (1 Unit = 50 bps NAV)	1/2 unit
Reward to Risk Ratio	>2.5:1
Twitter Real-Time Stamp	8:46 a.m. ET

**Thesis:** Technical: 15-week rectangle break, 50-200 DMAVG death cross, 4-yr 23.6% Fibonacci retracement  
Riksbank to follow potential ECB step-change in language at June 8th meeting

**Plan for Gains:**  
At 8.50, add 24.5mm and adjust trailing stop to entry price  
At 8.34, add 24.5mm for move to 8.2155 (total -5.36% from entry), or Fib retracement to 38.2%, adjust trailing stop to 8.50

**Plan for Losses:**  
This trade is primarily technical driven, i.e. it either works or does not = stop at May breakdown level -8.81

**Reassessment Triggers:**  
FOMC Minutes Wed, May 23rd, or Fed speakers show steadfast commitment to rate hiking cycle  
ECB does not change language at June 8th meeting  
Reversal in US vs. EU data trend, i.e. US data picks up while EU data softens

Source: Rareview Macro

## CURRENT THEMES

Asset Class	Return Stream	Strategy	Strategic (S)	Tactical (T)
Commodities	Directional/Counter-Trend	Short Palladium		X
Foreign Exchange	Directional/Counter-Trend	Long Swedish Krona (SEK) vs. Short US Dollar		X
Equities	Relative Value	Long Energy (XLE) vs. Short SPX	X	
Commodities	Risk Premium	Short WTI Crude Oil December Straddle	X	
Interest Rates	Idiosyncratic	Long Euribor Puts on Possible ECB Taper/Rate Hike in 2017	X	
Commodities	Portfolio Overlay	Long WTI-Brent Crude Oil Options on BAT Tax	X	
Interest Rates	Portfolio Overlay	Long Mar18 Eurodollar Calls on Possible Fed Ease	X	

\*Source: Rareview Macro.

## RISK EXPOSURE

Risk Level	% of Portfolio	Asset Class	Gross Exposure	Net Exposure
Medium	54.76%	Equities	\$ 172,084,521	\$ (46,684,539)
Low	15.59%	Foreign Exchange (USD)	\$ 49,000,000	\$ (49,000,000)
Low	0.03%	Fixed Income (DV01)	\$ 100,000	\$ 100,000
Medium	16.11%	Commodities	\$ 50,637,976	\$ (46,375,576)
Low	0.00%	Credit (CS01)	\$ -	\$ -
Low	0.76%	Option Premium (<1-mo.)	\$ 2,400,000	
Low	2.15%	Option Premium (1-3-mo.)	\$ 6,748,301	
Low	-0.66%	Option Premium (>3-mo.)	\$ (2,071,076)	
Low	0.00%	Expected Risk Premium Extraction	\$ -	
Low	0.00%	Expected Annual Carry	\$ -	
Low	3.60%	Margin Requirement	\$ 11,323,039	

\*Source: Bloomberg, Rareview Macro. Options Delta Adjusted.

## CURRENT POSITIONS

Asset Class	Return Stream	T/S	Strategy	Entry					PnL & Margin					
				Date	Price	Size	Stop	Target	Capital at Risk	Risk (BPS)	Net	% of NAV	Capital to Carry	
Commodities	Directional/Counter-Trend	T	Short Palladium (PAM7)	03-May-17	\$ 799.75	375	\$ 826.70	\$ 700.00	\$ (28,526,776)	33	\$ 1,463,849	0.47%	\$ 1,500,000	
Commodities	Risk Premium	S	Short CLZ7 11/15/17 54 Straddle	10-Apr-17	\$ 9.30	370	\$ 30.00	\$ 70.00	\$ (3,127,505)	100	\$ 331,995	0.11%	\$ 6,255,010	
Commodities	Risk Premium	S	Long CLZ7 11/15/17 64 Call Option	10-Apr-17	\$ 1.17	370			\$ 184,769	6	\$ (248,131)	-0.08%	\$ 184,769	
Interest Rates	Risk Premium	S	Long Jun17 Eurodollar (EDM7) 98.75-98.875 Call Spread	13-Apr-17	\$ 0.0350	48,000	N/A	\$ 12.5	\$ 3,300,000	105	\$ (900,000)	-0.29%	\$ 3,300,000	
Interest Rates	Risk Premium	S	Short 2-Year Midcurve 6/16/17 (ZEM7) 98.50 Call Option	13-Apr-17	\$ 0.0300	48,000	N/A	\$ -	\$ (900,000)	(29)	\$ 2,700,000	0.87%	\$ 1,800,000	
Interest Rates	Idiosyncratic	S	Long Sep17 Euribor (ERU7) 100.125-100.00 Put Spread	04-Jan-17	€ 0.0075	16,000	N/A	€ 12.50	\$ 99,943	3	\$ (214,057)	-0.07%	\$ 99,943	
Interest Rates	Idiosyncratic	S	Long Dec17 Euribor (ERZ7) 100.125-100.00 Put Spread	04-Jan-17	€ 0.0125	9,600	N/A	€ 12.50	\$ 245,077	8	\$ (68,923)	-0.02%	\$ 245,077	
Interest Rates	Portfolio Overlay	S	Long Mar18 Eurodollar (EDH8) 98.875-99.125 Call Spread	27-Mar-17	\$ 0.0150	8,000	N/A	\$ 25	\$ 372,000	12	\$ 72,000	0.02%	\$ 372,000	
										<b>Total</b>	<b>2.38%</b>	<b>\$ 3,136,732</b>	<b>1.01%</b>	<b>\$ 13,756,799</b>

\*Source: Bloomberg, Rareview Macro.

\*The portfolio illustrations referenced herein are hypothetical and intended for informational purposes only. No actual investments have been implemented, and any references to transactions, positions, gains, or losses on the portfolio are theoretical. Past performance is not necessarily indicative of future results.

## PEDIGREE

Goldman Sachs  
Credit Derivatives

Donaldson Lufkin & Jenrette  
Portfolio Management

UBS Investment Bank  
Equity Derivatives

Navigate Advisors  
Macro Strategies

- Process-driven and repeatable.



### WHY NEIL AZOUS IS DIFFERENT

- He manages multi-asset investments, including ETFs.
- Formal training across asset classes – Goldman Sachs Credit Derivatives, Donaldson Lufkin Jenrette Portfolio Management, UBS Investment Bank Equity Derivatives.
- By being proficient across regions, multi-asset classes, and both cash and derivatives products, he can identify the best trade representation for an idea.
- Incorporates various investment analysis: fundamental, quantitative, and technical.
- Communicates daily with a core network of risk takers, decision makers, founders of firms, and CIO's.

### WHY SIGHT BEYOND SIGHT IS DIFFERENT

- Idea generation includes a pre-defined game plan for managing gains or losses.
- Strong emphasis on risk management.
- Tracking portfolio, including real-life costs associated with multi-asset investing.
- Highest level of transparency and accountability in newsletter writing (i.e., every idea is time-stamped and full access to archives are provided)
- Wide breadth of information across strategy, economics, policy, think tanks, sell-side research, blogosphere, social networks, etc.
- Commentary is generated through the lens of an investor and managing risk, not via two polar points of view (i.e., a bull/bear, risk on/off, inflation/deflation, etc).

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