



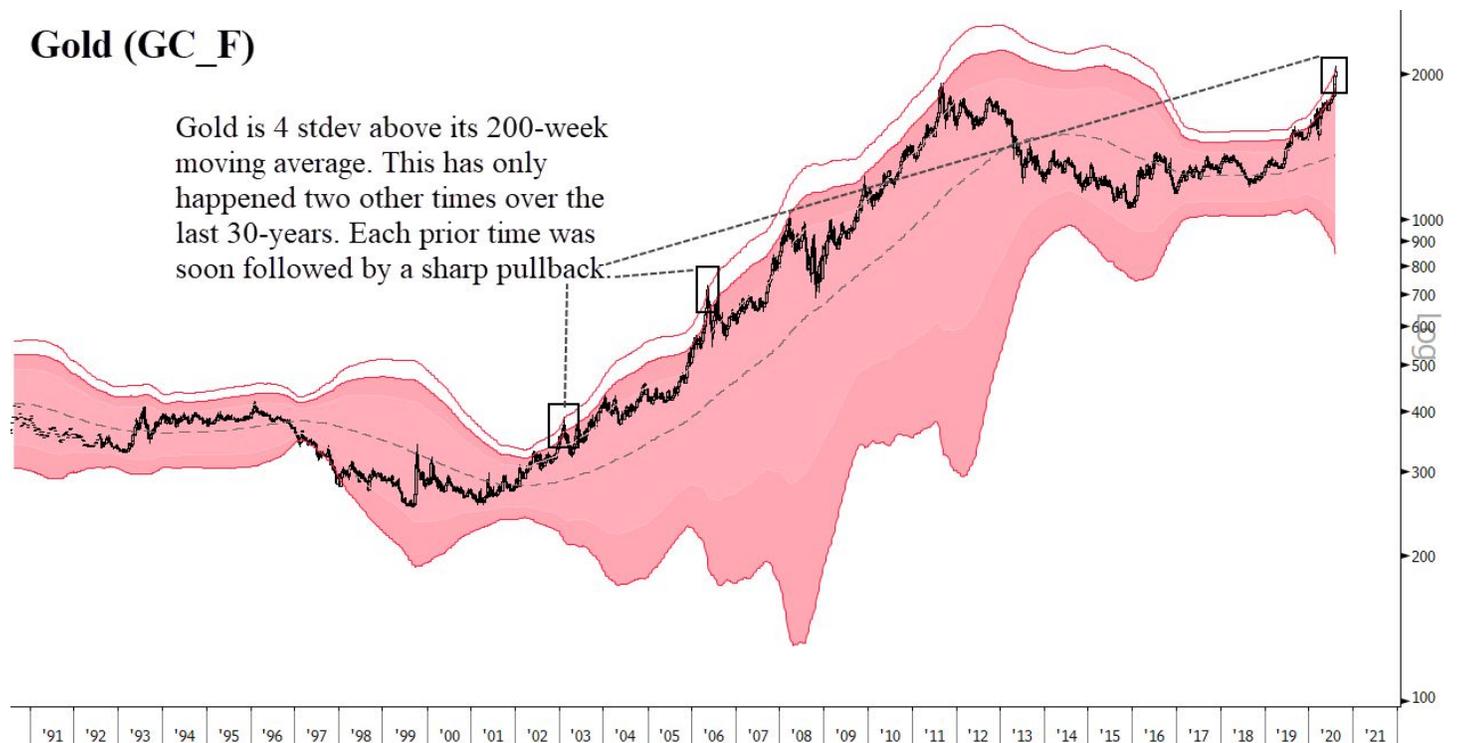
8/9/2020 - A FOUR Sigma Event

Precious metals have been on a tear. And while the [long-term bull thesis](#) remains intact, we're going to use the current overbought levels to rebalance our gold position (which had grown from 25% of NAV to nearly 50%). We took full profits and flattened our position to zero on Friday.

Preferably, we'll do this on a pullback. But since we have conviction that gold is ultimately headed much higher, we won't look to pinch pennies here and we'll re-enter if Gold continues to push through these overbought levels.

With that said, here's why we believe it's odds-on we'll see a significant pullback in the coming weeks.

Gold is now FOUR Std Devs above its 200-week moving average.



This has only happened two other times over the last 40-years, once on Jan 03' and again on May 06'. Both prior instances led to sharp peak-to-trough pullbacks of 18% and 25% respectively.



Here's gold's return profile when the spread between price and its 200dma reaches the 99th percentile (which is where it is now). It's negatively skewed over the short-term.

	3 Fwd Month	6 Fwd Month	12 Fwd Month
Average	-4.96%	-7.36%	-1.08%
Median	-6.12%	-7.81%	-2.90%
Max	19.50%	14.38%	17.11%
Min	-12.39%	-24.92%	-13.68%
% Positive	12.66%	18.99%	39.24%

Positioning and sentiment in both gold and silver are showing across the board exuberance. Silver's (SLV) total call volume just surpassed the 2011 peak. Gold call volume is at all-time highs.



Silver ETF (SLV)

Total Call Volume



Precious metals are driven by the cost of money and yields look as though they may have put in a short-term bottom. In a report that we'll be pushing out later this week, we'll be discussing the case for a bear steeping in the curve — at least a temporary one — which would put a wet blanket on the precious metals trade.

Furthermore, the dollar (DXY) may have put in a double bottom (chart below is a weekly). This is after 6 consecutive bearish weekly candles, which is rare. We should see some profit-taking and a retrace/consolidation over the next couple of weeks. This should create a tradeable counter-trend move.

US Dollar (DXY) - weekly





Also, aggregate net positioning against the dollar just hit the same level that marked the April 18' bottom.



I'm looking for more follow-through early this week to confirm a reversal. If we get that, we'll pare back our dollar short positions in CAD and MXN and take a swing trade short EURUSD.

Expect the equities market to run up into the conclusion of the fiscal negotiations. At which point, it will likely be a SELL THE NEWS event.

Trump issued a number of executive orders over the weekend. These included an extra \$400 in UI benefits (down from the \$600 now and which is only likely to last for another month). And a payroll tax deferral that would last through the end of the year.

There's a number of questions over the legality of the move. But, at the least, it should apply some pressure on Democrats — who have most of the bargaining leverage — and help nudge them to make a deal. The two sides have seemed to narrow the total amount of the next stimulus package to a difference of \$500bn. It's looking likely that the final measure will be in the \$1.5trn-\$2trn range, and should be passed within the next few weeks.

Our plan is to sit tight in our long positions as long as the path of least resistance remains up. It looks like we could be seeing the start of some rotation away from growth and into value/small-caps. We'll see how long that lasts but we may put on a position in the Russell just to capture more upside until this trend runs its course.

Here's Brandon with a review of some of our equity holdings.



Portfolio Review

Cardlytics (CDLX) Reports Earnings & Stop Hit

[Cardlytics \(CDLX\)](#), an online advertising platform for banks, reported earnings Tuesday (08/04).

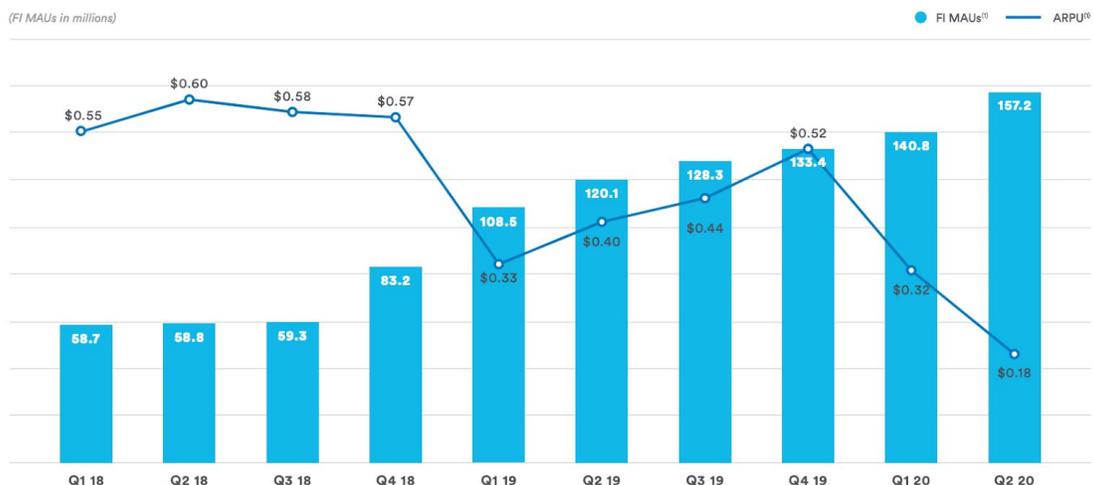
Here are the top-line highlights:

- Q2 Billings **down** 46%
- Q2 Revenue **down** 42%
- Q2 Adj. Contribution **down** 43%

We knew revenue would arrive lower than expected. With budgets tight, there's not much money left to spend on advertising. But again, we should focus on the main driver of the thesis: **growing financial institution (FI) partners**.

CDLX's advertising platform has natural network effect benefits. More banks drive more data. This improves their machine learning algorithms which help to generate better insights and deals for their partners, and so on.

If we look through the lens of that driver, Q2 was a great few months. Check out the image from the company's [earnings deck](#):



FI MAUs (monthly active users) grew nearly 17M QoQ. ARPU (average revenue per user) declined from \$0.32 to \$0.18. This makes sense as more companies choose to spend less on advertising during downturns.



Here's Lynne Laube, Co-Founder/CEO commenting on the quarter's results (emphasis mine):

*“Despite the unprecedented environment and the short-term impact to our results, **we remain optimistic for the future.** We continue to believe that our key long-term priorities of increasing the number of marketers working with us, bringing our solutions to new industries, evolving the Cardlytics platform and demonstrating operating leverage in our business are fully achievable.”*

Why We Exited: Stop Losses & Volatility

The stock traded wildly post-earnings and hit our predetermined stop-loss in the early morning session. At one point CDLX was down 22%. Shortly after hitting our stop, the stock reversed higher, rallying near 20% to close the day down 7%.

Seeing a stock hit your stop to rally into its normal trading range is frustrating. But we took a small nominal loss (70bps of NAV) and will wait for another technical setup to re-enter.

New Long: Red Violet, Inc. (RDVT)

We went long RDVT into the end of the week with a small starter position. If you haven't read it, check out our one-page write-up on the company [here](#).

The chart looks solid as the stock is breaking out of a multi-month descending triangle.

Red Violet (RDVT) - daily





We're going to add to our position if we get a close above the 200MA and will send out the alert accordingly.

(Semi) Weekly Accounting Lesson: Working Capital

We received **a lot** of positive feedback on our inaugural accounting lesson email. Readers learned all about working capital in less than five minutes. You can check it out [here](#).

We're excited to bring you more accounting lessons that take less than five minutes to read. Be on the lookout for next week's lesson!

Other Notes

- Ammo, Inc. (POWW) reports earnings 08/13-08/14. We're expecting **big** sales growth as management invests in increased production/capacity
- We're digging into two new ideas: Tyler Technologies (TYL) and Magnite (MGNI). If we like what we see look for reports in your inbox later in the week

<i>The Four Pillars Portfolio</i>		YTD Return					
		27.9%					
<u>The Core</u>		<u>Allocation</u>					
Large Cap Equities (/ES_F or VOO)	25%						
Short-term Bills (/ZT_F or VGSH)	25%						
Long-term Bonds (/ZB_F or TLT)	25%						
Gold (/GC_F or GLD)	0%	8/7: Took full profits					
<u>Big Bets</u>		<u>Thematic</u>	<u>Cost Basis</u>	<u>At Risk</u>	<u>Risk Point</u>	<u>Last Price</u>	<u>Last Action</u>
Cameco (CCJ)	Deep Value/Cyclical	\$7.25	Above B/E	\$8.50	\$10.16		
Altisource Portfolio Solutions (ASPS)	Deep Value/Swing	\$10.16	B/E	\$10.16	\$13.43	8/6/20 Closed remainder	
Bollor (BOL)	Hidden Deep Value	\$2.46	B/E	\$2.46	\$2.83		
Interactive Brokers (IBKR)	Value/Technical	\$47.39	100bps	\$41.14	\$49.38		
Ammo, Inc (POWW)	Value/Growth	\$2.30	150bps	-	\$2.69		
Centrus Energy (LEU)	Deep Value/Cyclical	\$10.50	100bps	\$9.15	\$14.80	8/6/20 Took half profits	
Hello Fresh (HFG.F)	Value/Growth	\$45.57	50bps	\$41.58	\$46.24		
Dorian LPG (LPG)	Deep Value/Cyclical	\$8.34	100bps	\$7.59	\$9.01		
Enlabs (NLAB)	Secular Growth	\$27.25	100bps	\$21.10	\$27.25		
Cardlytics (CDLX)	Growth	\$72.35	70bps	\$61.31	\$72.35	8/5/20 Stopped out	
Silver (SLU20)	Trend	18.88	100bps	17.78	24.215	8/7/20 Took full profits	
CADUSD (6CU2020)	Swing	0.74515	100bps	0.73845	0.74720		
MXNUSD (6MU2020)	Swing	0.04191	B/E	0.04045	0.04474		
Bitcoin (BTCQ2020)	Trend/Breakout	10040	100	9230	11610		