

## OMF ALPHA FACTORY REPORT

21 May 2019

Good Afternoon,

This week has quite a few cross currents to contend with, but we feel there are some opportunities presenting themselves which we should buy into. Equities sentiment is mixed due to the tug of war between Trade War / Huawei and the perma-Bulls. The U.S. dollar is lacking any confidence to drive any direction. We still like long USD/JPY and also catching our eye this week is the GBP/USD. Yes, it is headline-driven but it is also a bit of an oscillator and current levels represent a logical area to expect some kind of a rally even if it's only a retrace/correction.

The whole FX desk feels like all the Comdols are due for a bit of a rally too. However, even though trading volumes have dried up, the downtrend is still present. We would be friendly to joining any break-up though.

All the very best with your trading for the week, feel free to contact us to discuss any ideas or strategies.

Regards,

OMF Macro Team

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# TRADE RECOMMENDATIONS



## CURRENCIES – Buy GBP / USD at market (currently 1.2730)

<b>Recommendation</b>	<b>Entry:</b>	Buy GBP / USD at market (currently 1.2730)
	<b>Stop Loss:</b>	1.2630
	<b>Take Profit:</b>	1.3130. 4:1 risk reward ratio

Since the March 2019 peak of 1.3389, the GBP / USD has been in a steady downward trend, with Brexit headlines confusing many and the potential outcome a flip of the coin. Friday saw U.K. Prime Minister, Theresa May, make an announcement on the timeline for her resignation, along with front-runners to replace her being priced by the local bookies with hard-Brexiteers the favourites. I am not saying this settles the market and provides a resolution at all, but it does potentially provide a roadmap somewhat for the next few months and the potential for some stability with the GBP / USD as focus moves to Europe and the current Parliament elections which begin on Thursday, May 23<sup>rd</sup>.

The fall from the March peak has mirrored moves we have seen many times in the last twelve months as can be seen in the chart below. The trend channel lies between the December low and March high of mid-1.3200 and 1.2700. A very similar pattern played out beginning mid-July at 1.3360 highs and bottoming August 2018, where the initial selloff was met with a small bounce around the 20<sup>th</sup> of the month, subsiding to a deeper selloff to 1.2700 low. The recovery was then back above 1.3250 in mid-September and to the top of the channel once again. We are looking for history to repeat and a similar chart pattern circled below to confirm a bottom in the next two trading sessions.



# TRADE RECOMMENDATIONS



## CURRENCIES – Buy GBP / USD Call

**Recommendation**    **Entry:**                      Buy GBP / USD 1.2750 Call for three weeks with 1.3050 Knock-out  
**Cost:**    46 US\$ pips or US\$460 per GBP 100k Face Value  
**Spot Ref:**                                        1.2730

We like adding this to the long spot recommendation to add some octane to the idea.

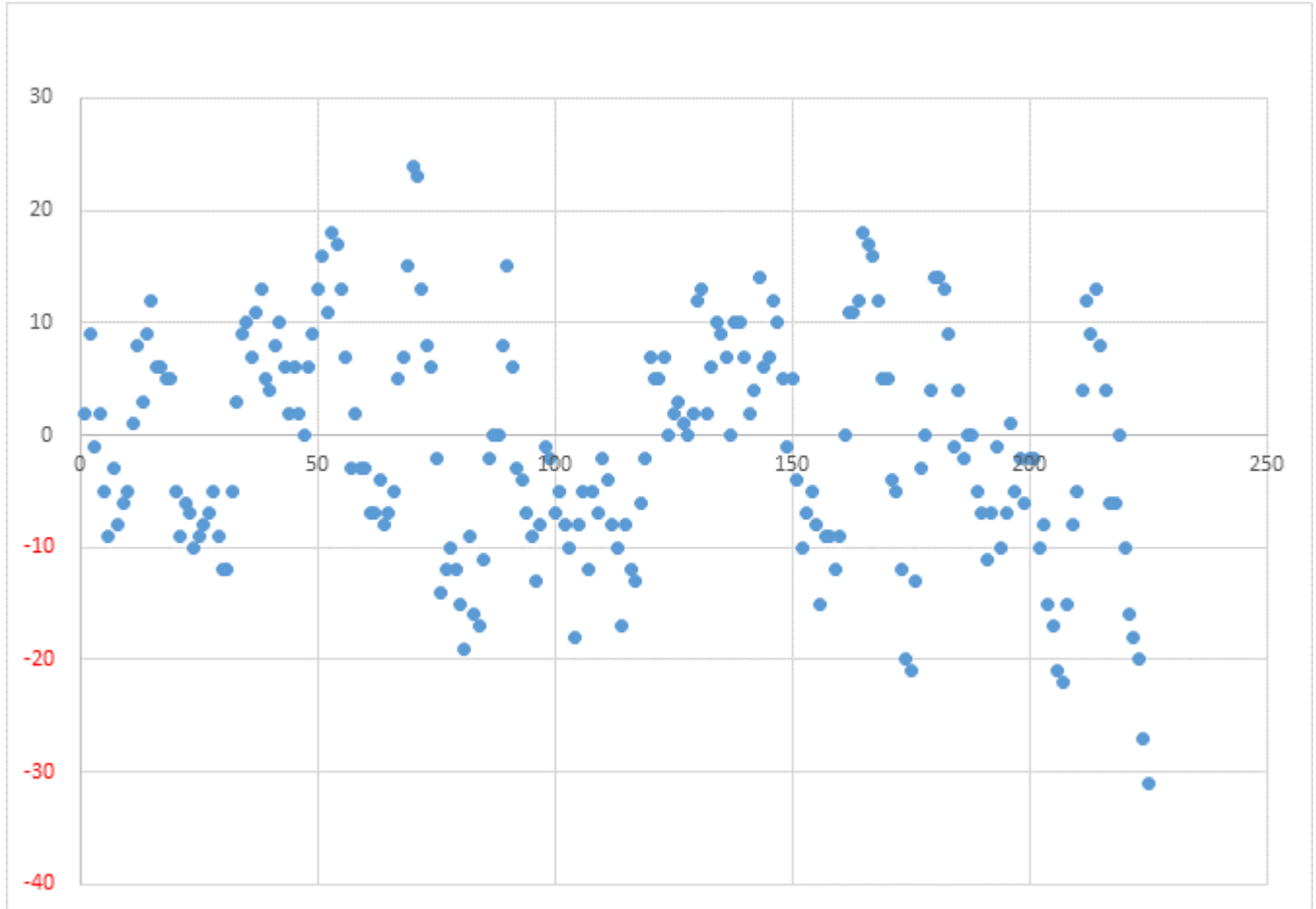
Break even is thin blue line below.



# TRADE RECOMMENDATIONS

The scatter chart below is the collection of Capital Flow readings each day for the GBP/USD. It is not possible for it to go plus or minus more than 36.

As you can see, it is at extreme levels right now suggesting the chances of a relief rally are pretty high.



## TRADE RECOMMENDATIONS

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### FUTURES – ASX 30 Day Interbank Cash Rate Futures - UPDATE

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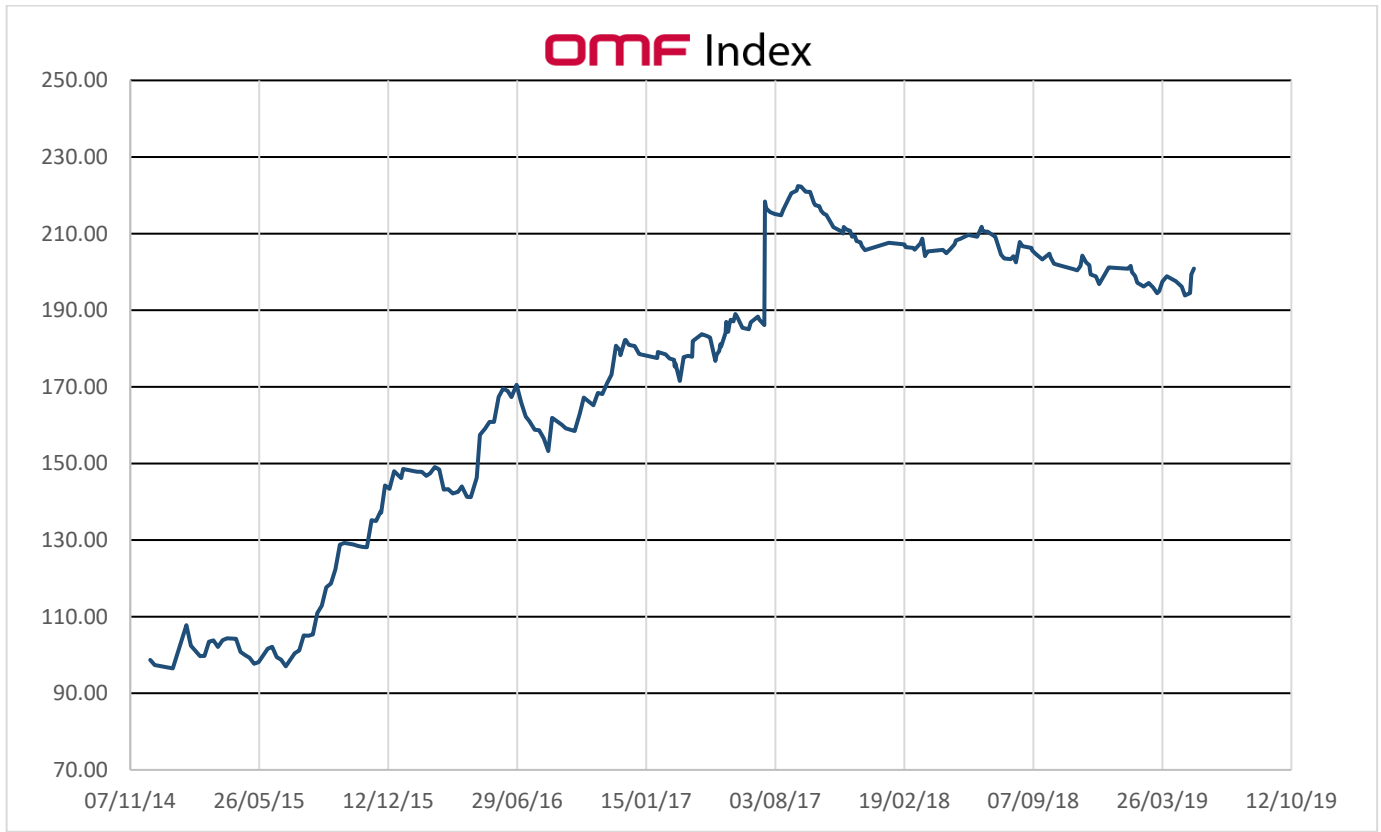
On May 9 we put out a trade recommendation to buy the ASX Interbank Cash Rate June Futures, (YIBM9) at 98.555.

Although we were not filled at our level, for those clients who amended their orders up to 98.56, it would be prudent to take off 2/3 of the position here at 98.63 and bank 7 points profit and run the residual 1/3 of the position and wait to see if the RBA cut rates 25bp at the June meeting.

If they do the June contract will gap to 98.72, if no cut they will gap back to 98.50. For those clients whose orders were not filled at 98.555, cancel your order.

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# OMF Alpha Factory Index – Performance



Index	31 Day Tracker	91 Day Tracker	181 Day Tracker	366 Day Tracker	OMF Index
Total Return	101.33	101.73	96.53	90.28	198.92

Total Banked Client Profit	31 Day	91 Day	181 Day	366 Day	Total % return since inception
% change to OMF Index	0.67%	0.87%	-1.74%	-4.89%	98.92%

Compounded gain since inception on a start of \$100	Year 1	Year 2	Year 3	Year 4	Year 5 / Current
	44.25%	23.57%	16.73%	-4.20%	-0.21%
	\$144.25	\$178.25	\$208.07	\$199.34	\$198.92

Number of Open Live Trades	9
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\*Excluded from calcs until realised

Our rules for establishing the index were straight forward:

- Each trade was considered, and deemed one unit.
- FX trade recommendations = \$100k notional value.
- Futures and Options recommendations = one lot (which is approximately the same size).
- The index is in USD and any profit or loss is converted to USD.
- We have used standard commission rates to make adjustments for commission.
- Open trades are not included until they are closed out and the profit or loss is realised.

\*Past performance is not a reliable indicator of future performance.

Recommendation Date	Close Date	Asset Class	Recommendation	Trade Info	Entry Price	Status
11/12/2018	Live	Currency	Sell NZD/CAD at market	Sell NZD/CAD at market at 0.9200. Work a Stop Loss = 0.9310. Profit Target = 0.8400. <b>Last at 8780.</b> <b>Change in strategy. Bring profit stop down to 8850 to protect 350 pts profit</b>	0.9200	
7/02/2019	Live	Corn Call	Buy a \$5 July Corn Call	Buy a \$5 July Corn Call at 1.50 pts or \$75 each. Currently 0.225 mid. Continue to hold until April/May germination period. <b>Continue to hold</b>	1.50 pts	
26/02/2019	Live	Currency Option	Buy a 6 month EUR/USD one-touch 1.05	Buy a 6 month EUR/USD one-touch 1.05 cost 10% of the pay-out. Priced at market 1.1360. Expiry August 30th. <b>Hold</b>	Cost 10% of the pay-out	

Recommendation Date	Close Date	Asset Class	Recommendation	Trade Info	Entry Price	Status
13/03/2019	Live	Currency Option	Buy NZD Put AUD Call	Buy NZD Put AUD Call 4 month 9700 Put that Knocks in at 9900 = Cost 26 AUD pips (AU\$260 per NZ\$100k Face Value). <b>Hold</b>	AU\$260	
26/03/2019	Live	Gold Futures	Buy the June 1325 Call and sell the June 1355 Call at market	Buy the June 1325 Call and sell the June 1355 Call at market for 10.5 points. (10.5 x US\$100 = US\$1050). <b>Hold till expiry.</b>	10.5 pts	
2/04/2019	21/05/2019	Currency option	Buy AUD/USD at market. Protect with a Put Option	Buy AUD/USD at market (.7110). Protect with a Put Option for now. Buy a 70 Cent 1 mth Put for 20 pips. Strategy add on 1 Unit every 150 pts.	0.711 with a 70 Cent 1 mth Put for 24 pips	<b>Closed the spot against the put, losing 110 pts plus 24 pips option cost</b>



Recommendation Date	Close Date	Asset Class	Recommendation	Trade Info	Entry Price	Status
2/05/2019	Live	Equity Future option	Buy a June E-Mini Put Spread for 25 points (x US\$50 = US\$1,250 per lot) to make a maximum of 100 points x US\$50 = US\$5,000 per lot	Buy a June E-Mini 2920/2820 Put Spread for 25 points (x US\$50 = US\$1,250 per lot) to make a maximum of 100 points x US\$50 = US\$5,000 per lot. Work a Take Profit at 85 points. <b>Hold, last at 48 points</b>	25 pts/US\$1,250	
2/05/2019	Live	Crude oil Future option	Buy an August Put Spread	Buy August \$61 Puts and Sell August \$56 Puts at 1.15. <b>Currently \$1.09. Hold.</b>	1.1500	
9/05/2019	Recommendation retracted	AU IB Futures	Buy the June 2019, 30 Day Interbank Cash Rate Future	Buy the June 2019, 30 Day Interbank Cash Rate Future, <b>YIBM9 at 98.555</b> . The contract trades in ½ tick increments = .005 basis points and the tick value is AUD12.33, therefore a .01 basis point move is AUD24.66. <b>Unable to get set prior to the Australian election. We remove recommendation for now.</b>		

Recommendation Date	Close Date	Asset Class	Recommendation	Trade Info	Entry Price	Status
14/05/2019	21/05/2019	Futures	Buy a 2-week Spot Gold Call	Buy a 2-week Spot Gold Call, Strike 1,303 with Double Knock-Outs at 1,290 and 1,335. Cost \$4 (US\$400 per 100 oz).		Knocked out
21/05/2019	Live	Currency	Buy GBP/USD at market	Buy GBP/USD at market (currently 1.2730). Stop Loss 1.2630, with a Take Profit at 1.3130.	1.2730	
21/05/2019	Live	Currency Option	Buy 3-week GBP / USD Call with Knock out	Buy 3- week GBP/USD 1.2750 Call with a 1.3050 Knock out. Cost 46 pips	46 pips	