

# **2023: Q1 Navigation**

January 2, 2023



# **TG MACRO**

# 2023 Operating Assumptions

My trade ideas for the first quarter assume the following broad dynamics will be taking place. A major deviation from these dynamics MAY require a change in navigating the course, but it may not. I will be on guard for major macro trend changes either way.

1. **DXY:** The Dollar Index will be trending LOWER.
2. **FIRST HALF:** U.S. rates are sideways to lower.
3. **SECOND HALF:** U.S. rates rise alongside rising headline inflation.
4. **GREAT ROTATION: (BCOM/QQQ)**  
I remain BULLISH commodities over technology.
5. **S&P:** Logs another year of negative returns led by large cap tech.
6. **NET ZERO:** The Administration maintains aggressive carbon neutral targets.



# Targets



## LONG:

- Crude Oil
- Gold
- Gold Miners (GDX)
- Industrial Miners (XME)
- Refiners (MPC, DK)
- Exploration & Production (XLE, XOP)
- Large Cap Oil Services (SLB, HAL)
- Coal (BTU)
- Utilities (XLU)
- Uranium (URA)
- Bitcoin (XBT)

## SHORT:

- Technology
- Apple (AAPL)
- Homebuilders (XHB)
- Retail (XRT)
- Momentum (MTUM)
- Airlines (JETS)

#### Dollar Index

With the BOE and BOJ interventions marking the top of the move in the dollar index when nobody thought a reversal was possible – I believe the trend has changed and the dollar will start heading lower versus major currency crosses. Giving up major moving averages and the old highs turned the tide.



## U.S. 2-Year Yields

It is my belief that U.S. 2Y yields are still on a runaway train higher. After being artificially depressed for two full years, I believe in equal and opposite reactions where yields continue to rise for two years. They may be consolidating in the first half of the year, but I believe the trend will resume by the second half.



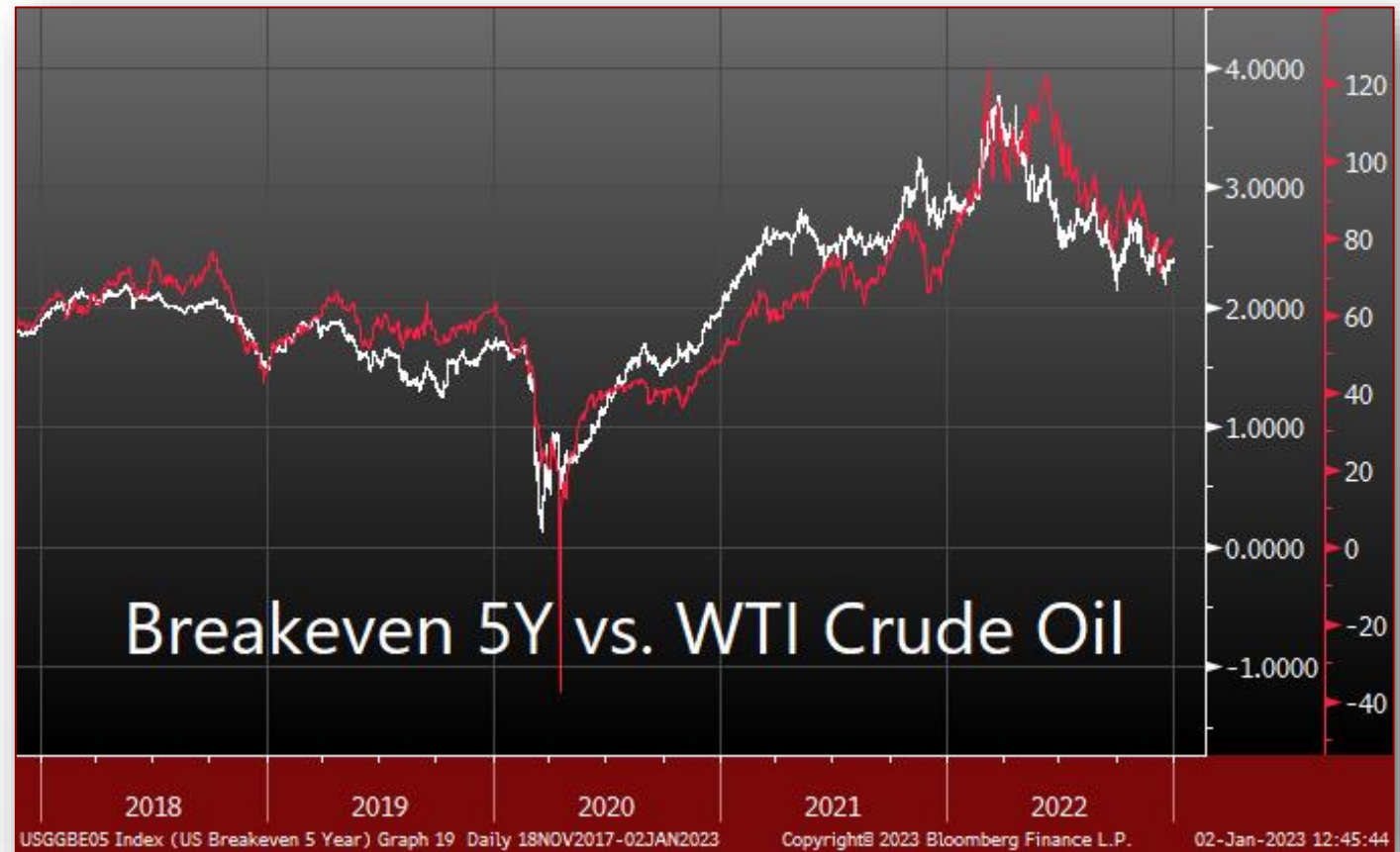
## Breakeven 5Y

The Federal Reserve tackled the Breakeven 5Y when they tackled inflation. Once the SPR release lowered the price of oil, inflation expectations fell dramatically. The UP trend appears to have been broken but I expect Breakevens to rally alongside a 2023 crude oil rally.



#### Breakeven 5Y vs. WTI Crude Oil

As you can see, with WTI crude oil overlayed in red, Breakevens go where the oil price goes.

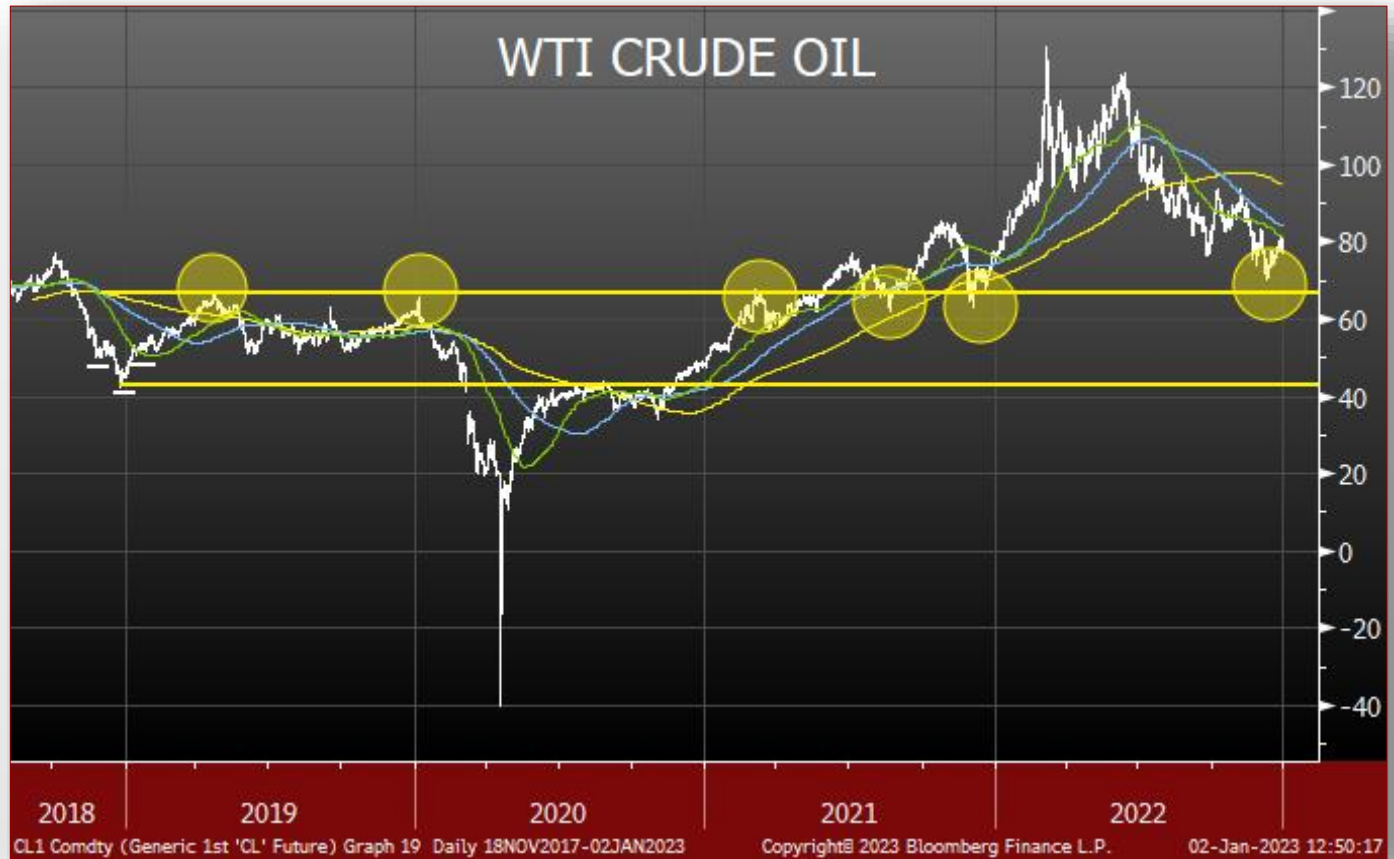




## THE MACRO SETUP

## WTI Crude Oil

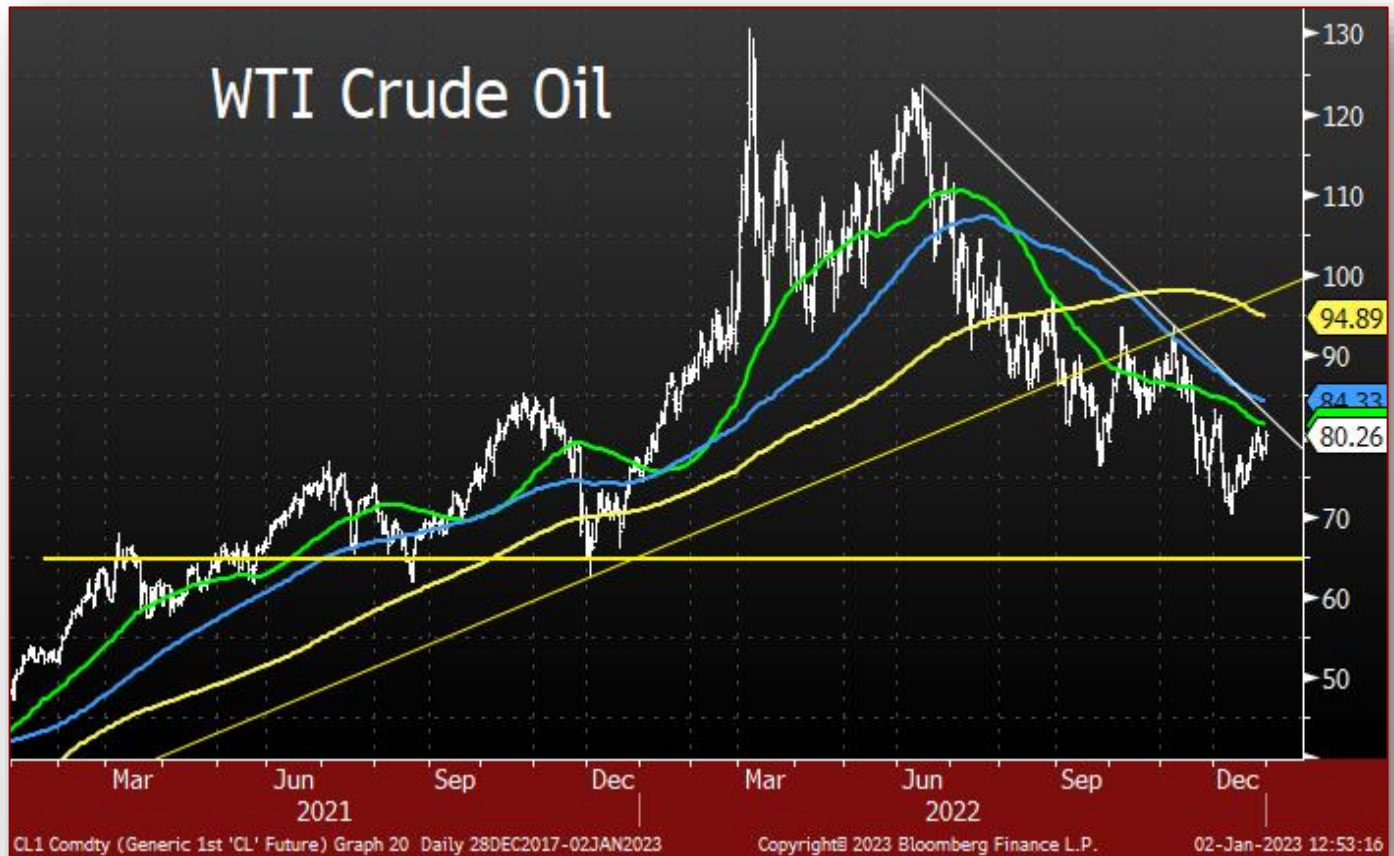
The \$65 - \$70 level is a massively important level in WTI. It marked a double top in 2019. It was the top in 2021, and then held as support once the high was breached. From there WTI rallied to \$125. I expect the level to hold this dip, and start violating moving averages on the upside.





## WTI Crude Oil

To zoom in on the chart, the MOST ATTRACTIVE TRADE I will be chasing will be to buy strength in WTI as it recovers 1) the 50dma at \$80.50, 2) the descending trend line, 3) the 100dma at \$84.33, and 4) the 200dma at \$94.89. If you add length through each level, you may have the **BLUE SKY** **TRADE OF THE YEAR** on your pad.



## Crack Spread

I believe the crack spread held the 2021 highs at \$25 on the most recent dip. If global gasoline demand stabilizes, another upside spike will be possible. This dynamic makes me bullish refiners.



## Calendar Spreads: FEB/MARCH 2023

Calendar spreads conveniently held their lockdown lows around par. With inventories at historically low levels, it would be an anomaly to see them trade into steeper contango. Spreads get more backwardated farther out on the calendar. JUNE/JUL WTI, for example, is .30c backwardated.



## THE MACRO SETUP

## WTI Open Interest

Open interest in WTI is declining rapidly. There is very little speculation taking place.

***"It's all washed out and ready to go."*** – DM's with Kuppy



## THE MACRO SETUP

## London Metals Index

Like WTI crude oil and copper are holding historic support, I expect the London Metals Index to hold the 2018 highs at 3,500 and continue through the 200dma at 4,000. If my assumption about a weak dollar is correct, it will be a great tailwind for base metals and miner length.





## Gold

Having crisply held the 50% retracement of the rally from \$1,160 to \$2,075 at \$1,600 and recovered the moving averages, I can stay bullish gold and the miners. A weaker dollar would provide tailwinds to this idea.





### THE MACRO SETUP

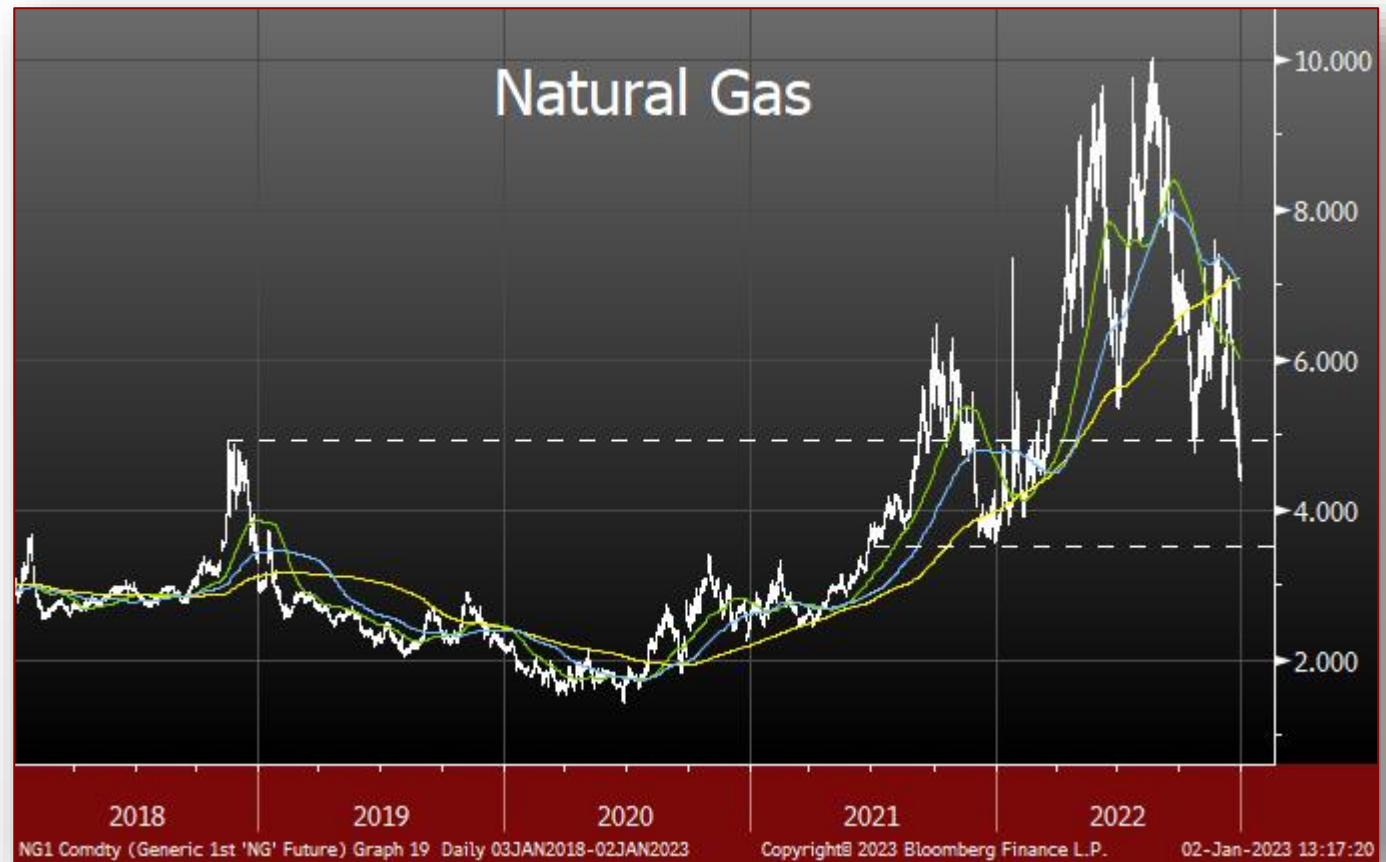
#### Bloomberg Commodities Index:

After dive bombing the \$110 level and holding in 2022, I expect this pennant flag in the BCOM to resolve to the upside, recover the major moving averages, and resume its bull trend.



## Natural Gas

Natural gas is a wild card. I don't have as strong a view as I do in WTI crude oil. My best guess is that it holds somewhere around \$4.





# Tactical Trading

*Enter Positions – Stay Discipline – Take Profit – Repeat*

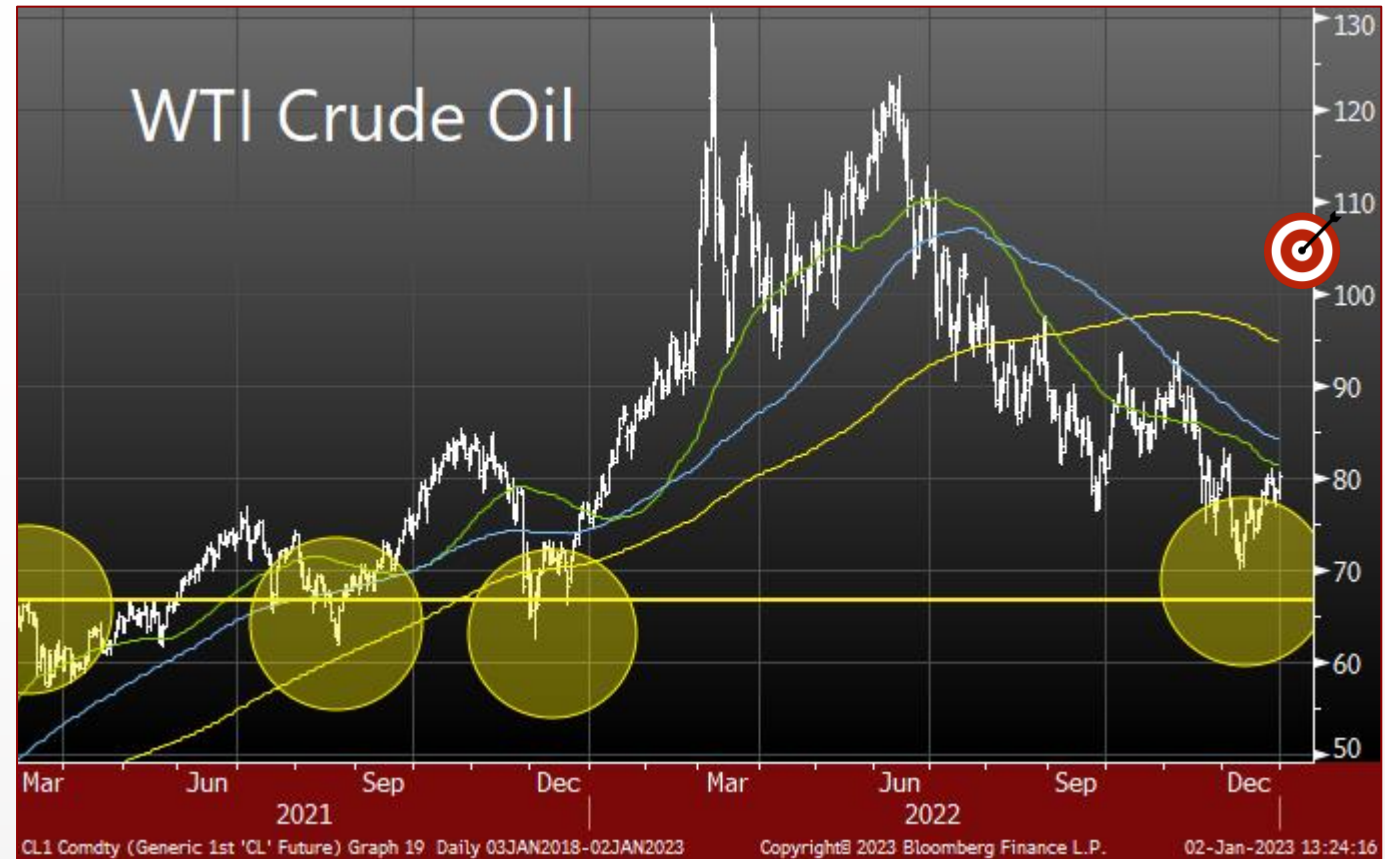
↑ LONG

## WTI Crude Oil

As mentioned in slide 9, I think hunting the "BUY STRENGTH" trade in crude oil could land you a great position with a great average price. Buy the moving average recoveries, sell the breakout acceleration through the 200dma at \$95.

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## WTI Crude Oil



↑ LONG

## Industrial Miners XME

After dive-bombing the \$40 support level in 2022, I think industrial miners will ascend in 2023 behind strength in metals.

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Industrial Miners



↑ LONG

## Marathon Petroleum MPC

Nothing has changed about the refiner trend. Buy dips to the moving averages, sell rips to new highs.

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## Marathon Petroleum





↑ LONG

#### Delek DK

Nothing has changed about the refiner trend. I'm bullish DK from the 200dma and think it can make a new high this year.



↑ LONG

### Exploration & Production XLE

Nothing has changed about the E&P trend or fundamental dynamic.

This long standing UP trend should be traded accordingly.

## Exploration & Production



↑ LONG

## Schlumberger SLB

I love that SLB crisply held the 50% pullback of the rally from \$12 to \$50 at \$30 and rallied to a new high. I want to get long SLB on a dip in 2023.

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Schlumberger



↑ LONG

## Peabody Energy BTU

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Peabody Energy





## Global Uranium ETF URA

I would like to treat the uranium sector like the oil sector in 2023, and potentially, buy strength through the moving averages. I would love to see URA break those pennant flags to the upside and follow through toward \$30.

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### GlobalX Uranium ETF





↓ SHORT

## The Nasdaq

Little has changed to alter the Nasdaq's path lower. I expect the pre pandemic peak in 2020 of 237 to trade before the move is exhausted and I'd sell rallies.

A sustained break of the trend line in yellow and 200 day moving average would mean all bets are off.

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Technology





↓ SHORT

## AAPL

The AAPL chart reminds me of an early version of the current TSLA chart. It is a classic "crash pattern" with that ominous top in the rear view mirror. A sustained break of \$130 could set AAPL back to \$80 and weigh heavily on stock indices.

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Apple



↓ SHORT

## Homebuilders XHB

In a rising rate environment, which may not be until the next quarter, I think homebuilders can curl over again.

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Homebuilders



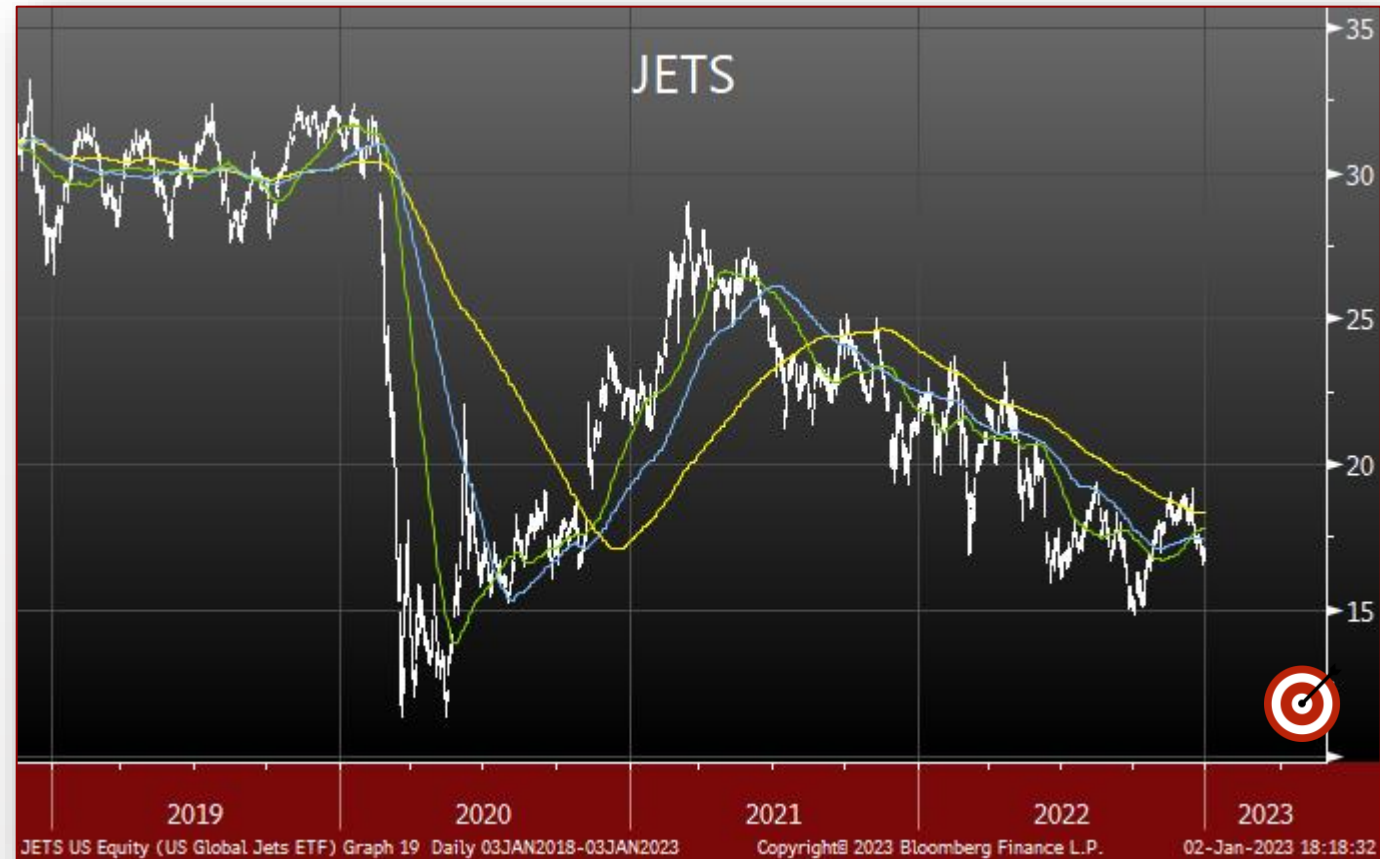
↓ SHORT

## Airlines JETS

With a series of industry snafus in the headlines, destroying trust in the industry, it seems like following this trend lower will be a good trade in 2023. The *View Matrix* is currently short airlines.

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Airlines



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