

Macro-op: Playing The Player 2

Hey ray,

I got a lot of great responses from yesterday's email. Some of you loved the idea of looking at markets through the *play the player* lens, and others... well...

Here's a response from Jack in Las Vegas:

Okay Alex, "play the player" is great and all, but do you really expect me to be able to do this? I'm not some badass ex-special forces guy like you, trained in the art of psychological warfare or whatever. I'm just a guy who spends most of his free time sitting in front of his laptop in his underwear, reading about markets. How the hell will this work for me???

Hahaha well first off... don't sell yourself short Jack!

It's true, my background has given me extensive training in understanding my own as well as others psychology.

Does it come in handy?

Absolutely.

But is it make or break when it comes to *playing the player*?

Nah.

Honestly one of the easiest ways I *play the player* is by analyzing my own reaction to various market events.

As much as we all love to think we're super smart, special little snowflakes all unique from the crowd... in reality **we're not**.

That's why I can easily use my first reaction to market information as an indicator of what most other players are thinking. From there I can start to determine whether there's a consensus view and if alternate scenarios are indeed possible.

You don't need my particular background to do this... it can be effectively used by anyone.

The goal of *play the player* is to execute a process that can be repeated for outsized results. Instead of being at the mercy of luck, you'll become a long-term consistent trader. Practicing this mindset will improve your ability to spot asymmetric opportunities which will lead to increasingly **larger** returns. The best part is that you'll begin to feel comfortable and confident in the process, freeing you from the market's emotional rollercoaster.

Let's try *playing the player* in real-time. If you enjoy reading about markets like Jack, then this next trade should come as no surprise to you.

Macro-op: Playing The Player 2



Over the last six months you haven't been able to jump online without reading about the inevitable **"Death of Retail"**.

Just Google the term and you'll see countless hyperbolic titles and taglines like the ones below.

Macro-op: Playing The Player 2

Warren Buffett just confirmed the death of retail as we know it



Hayley Peterson   
© May 8, 2017, 11:14 AM  187,181

FEATURE

The Amazoning of American Retail

Retail Apocalypse – Sears Death Spiral?

Profit from the Death of 40 Retail Stocks

Will this be the death of shopping centres as we know it?

The tidal wave of store closures is far from over

By [Business Insider](#) | May 13, 2017 11:30AM



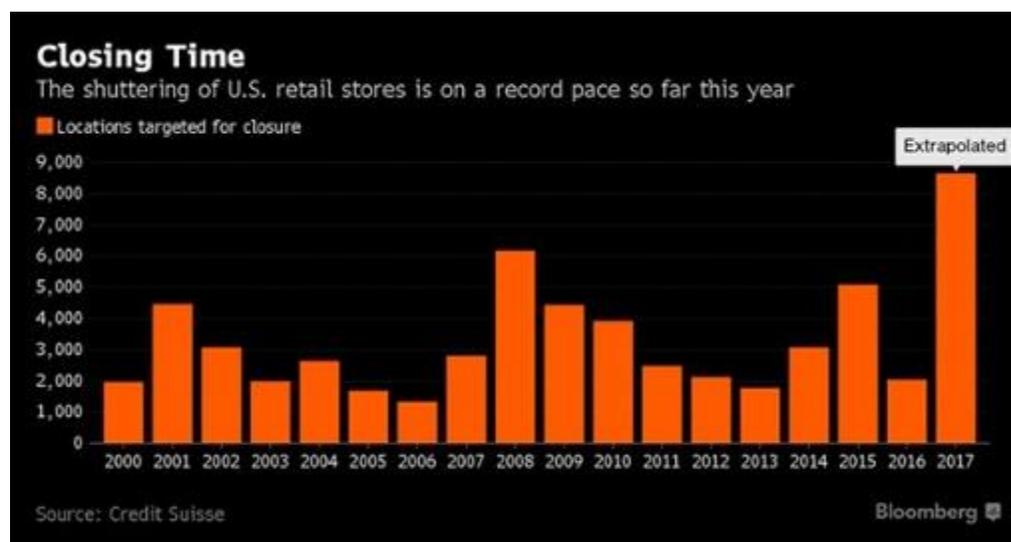
Like all consensus beliefs, the death of retail narrative is built upon a lot of truth.

The consumer trend of ditching brick and mortars for shopping online has been swift and dramatic. We are without a doubt seeing a major technology driven secular shift in the way consumers buy goods.

Companies like Amazon are eating the lunch of traditional retail, decimating brick and mortar stock prices. Retailers like Macys, Sears, JC Penny, Nordstrom, GNC etc... are all down 70, 80, and 90+% from their highs.

And if you peek at the chart below, you'll see that US retail stores are closing at a record rate.

Macro-op: Playing The Player 2



In this case, it's very easy to identify the dominant belief that's driving market prices in the retail sector:

“Traditional retail is dying and it's being killed off by e-commerce giants like Amazon.”

And honestly, with how much I myself use Amazon over going to the store, my first reaction was also that brick and mortar stores were doomed.

This is already strongly reflected in market prices.

Our job now is to ask the “what ifs” like yesterday.

What if this “death to retail” belief is already mostly priced in?

What if many more brick and mortar retailers die, yet many still survive?

What if the death of the dinosaur retailers becomes a large opportunity for survivors because of less competition?

What if the executives of these traditional retailers have been reading these same doomsday news headlines and as a result have had a fire lit under their asses, driving them to adapt and evolve to the new market environment?

And finally, *what if* a number of these “traditional” retail stocks have made the necessary positive changes but are going unnoticed because investors are hooked and sinker bought into the “Death of Retail” narrative?

We don't and can't know the future of retail with certainty. Maybe all brick and mortar stores *will* die out. In that case, many of these stocks are still overvalued.

But that seems extreme doesn't it?

Macro-op: Playing The Player 2

By asking “what ifs” and developing alternate scenarios, we have a working basis to gauge the asymmetry of potential long retail trades. We can compare these alternate scenarios to the current dominant belief and see if there’s a large enough disparity to trade.

With this quick exercise we can easily surmise that if some retail companies *do* survive, and end up doing just *okay*, then there’s a potentially huge mispricing in some of these names.

And large mispricings equal large profit opportunities.

An easy way to identify potential mispricings, without having to be a retail expert, is to follow the insiders... yet another form of *playing the player*.

We can screen for instances where corporate insiders have been purchasing sizable blocks of their own stock after large selloffs. When you see hand over fist insider buying in a cratering stock, it signals that management sees a brighter future for its company than what the current prices imply.

To play it safe, we can filter further for only companies with strong balance sheets, low debt to equity, high current ratios, and minimum daily traded volumes. Doing so gives us the following names:

No.	▲ Ticker	Company	Sector	
1	GNC	GNC Holdings, Inc.	Services	Dru
2	SIG	Signet Jewelers Limited	Services	Jew
3	SQBG	Sequential Brands Group, Inc.	Consumer Goods	Tex
4	TUES	Tuesday Morning Corporation	Services	Dis

A quick look through these companies’ quarterly earnings shows that each is working furiously to adapt to the new retail environment. Their management appears extremely confident they’ll be successful, which is why they’re loading up on shares.

Now we don’t just go in and start buying these stocks. There’s a thin line between *playing the player* and being road kill for a stampeding herd of investors.

As Ray Dalio said, “You can’t make money agreeing with the consensus view, which is already embedded in the price.” Well, there’s a second part to that quote where Dalio also says, “Yet whenever you’re betting against the consensus, there’s a significant probability you’re going to be wrong, so you have to be humble.”

We don’t know the future and aren’t trying to predict it. We’re just trying to identify alternative scenarios that the market isn’t pricing in. But there’s always the chance we end up wrong.

Macro-op: Playing The Player 2

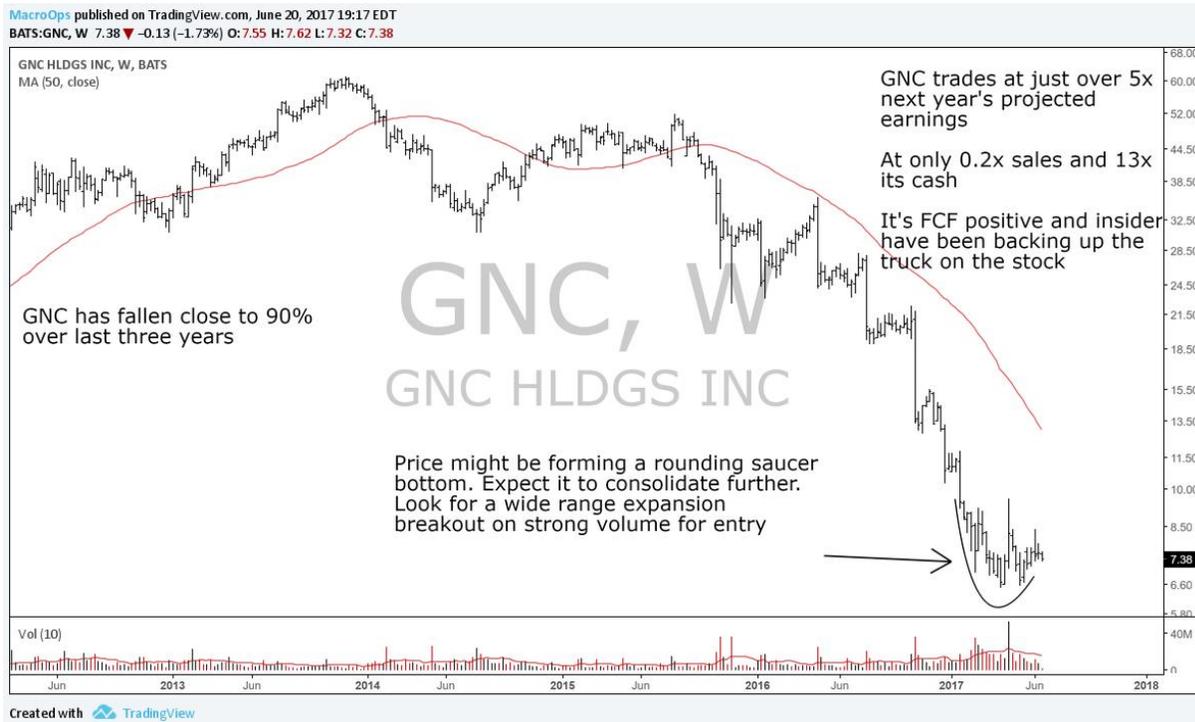
Trading legend Michael Steinhardt put it well when he said the following.

There is a very important difference between being a theoretical contrarian and dealing with it in practical terms. In order to win as a contrarian, you need the right timing and you have to put on a position in the appropriate size. If you do it too small, it's not meaningful; if you do it too big, you can get wiped out if your timing is slightly off. The process requires courage, commitment, and an understanding of your own psychology.

The key is to exercise patience.

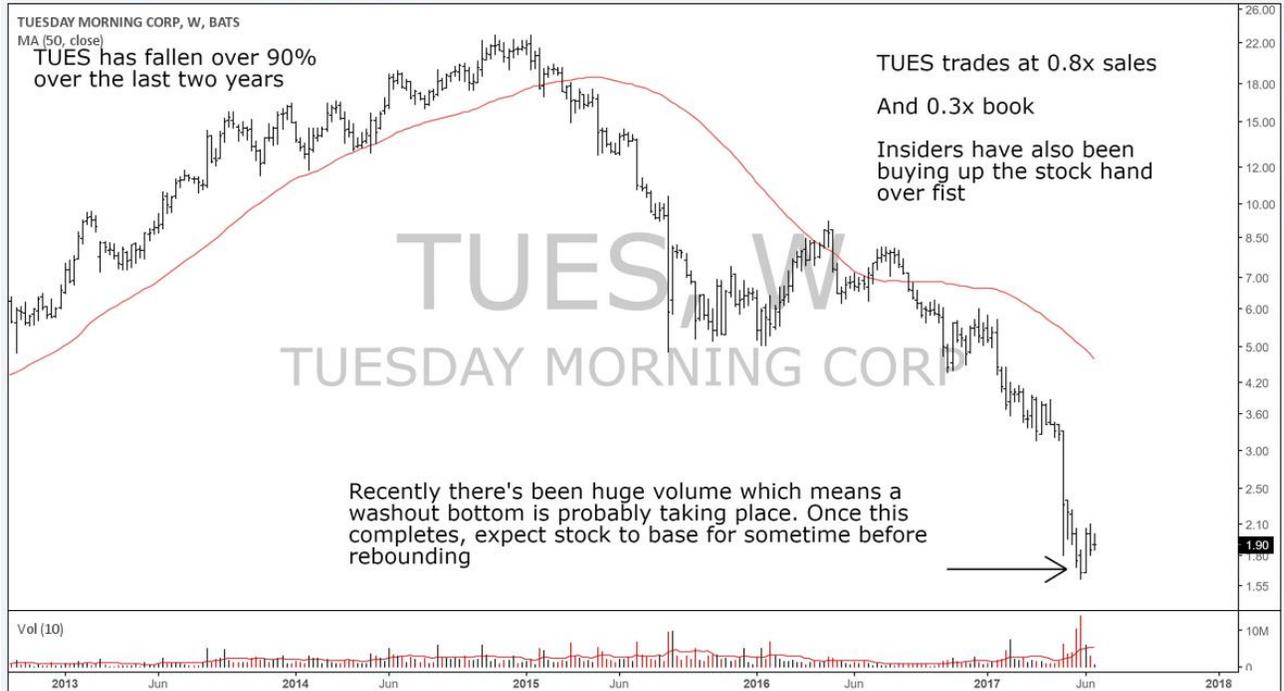
We need to follow the price action of these stocks and wait for the market to tell us that it's waking up to the possibility of our alternate scenario.

Here's what we'll be watching for an entry:

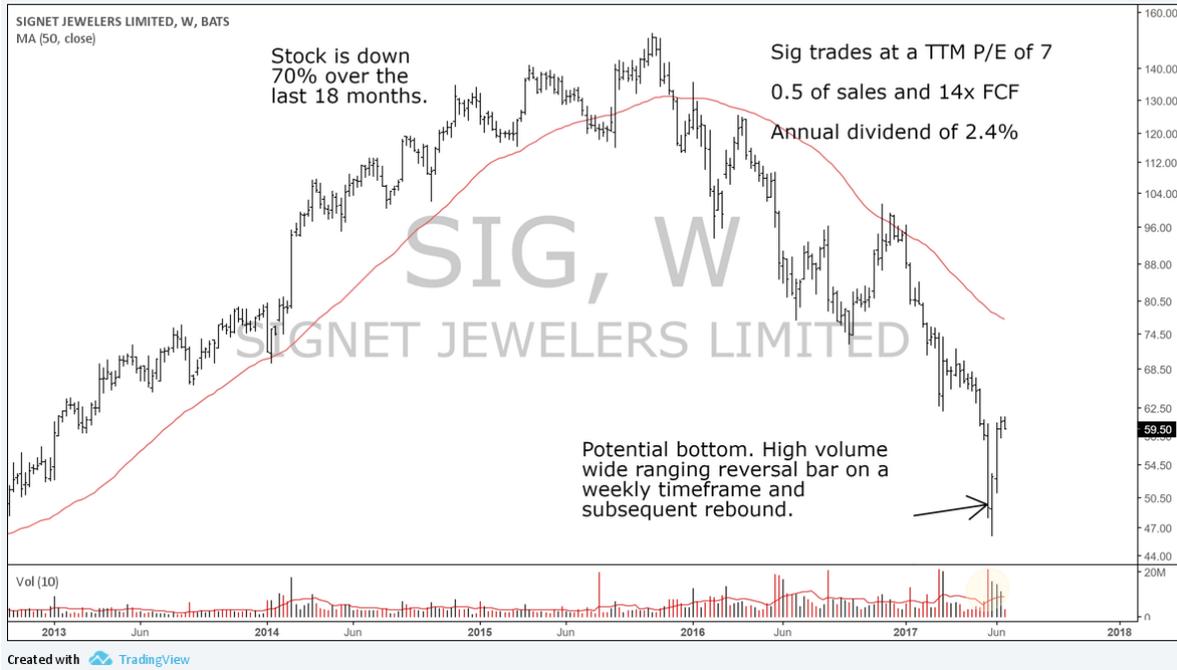


Macro-op: Playing The Player 2

MacroOps published on TradingView.com, June 20, 2017 19:19 EDT
BATS:TUES, W 1.90 ▼ -0.05 (-2.56%) O:1.90 H:2.00 L:1.85 C:1.90



MacroOps published on TradingView.com, June 20, 2017 19:19 EDT
BATS:SIG, W 59.50 ▼ -1.35 (-2.22%) O:60.52 H:61.09 L:59.44 C:59.50



Macro-op: Playing The Player 2



Clearly it doesn't take an expert to find consensus views and *play the player* to exploit them.

But what if you had a whole team of traders from around the world supporting you along the way? What if you had a global intelligence network of sorts... that would help you find these asymmetric opportunities and then structure the best way to take advantage of them?

What if this community also provided you with continual high-level instruction on how to improve your game and *play the player* at higher and higher levels?

If you're anything like me, then you've probably dealt with some shitty trading results at some point. (*I'm sure you remember my former life as Trading Jesus where I fell HARD from grace.*) And it makes sense... we've all struggled in the markets and we all know how tough this game is. Anyone who claims otherwise is either lying or hasn't been trading long enough to actually know anything.

If you want to work on flipping those "not so great" results and becoming more consistent in the market, then stay tuned for tomorrow, I'll have something you'll like.

Your Macro Operator,

Alex

PS – To help you *play the player*, tomorrow I'll send you the process checklist our team uses to find lucrative individual stocks. This checklist includes both the technical and

Macro-op: Playing The Player 2

fundamental factors we focus on to discover these equities. Make sure to grab a copy and print it for your trading desk. It really comes in handy day-to-day. Talk to you then.