
Over the past month, the S&P500 basically took a straight line up, gaining 6%.

There truly was very little news this month, and as such, the options gamma and vanna was really in control all month long. Volatility showed strong bullish trend, and that's the direction we took. The VIX/SPX correlation shows that option market makers are in control of the market most of the time, and that was surely true this month.

The only real news was a new infrastructure plan offered by President Biden, which he promises to tax corporations to pay for it. It is an interesting dynamic that Biden is creating, which is using the government to redistribute wealth from businesses to infrastructure and the less-fortunate. It is the opposite of Reaganomics (a tongue-in-cheek term used for the theory that tax breaks for businesses would be spent on their labor). Reagan's strategy proved to have a positive effect for a short time, but then lost its luster.

When you signed up for this newsletter, I am sure these are the months you were hoping for. The short-term bullish equity trades were two out of three, which sounds like a good average but when the gains were 4 times and 5 times returns for the two winners, hopefully you paid for your fees for the year. These are not typical months, but it is sure nice when they come. While the vol space is projecting a little bit of a pullback, there is little reason to believe the bull run will stop. Be ready with your bull hands after April expiration. Let the volatility work itself out, and then we will put on equity trades for June, likely as April comes to a close. Stay tuned to Twitter.

Particularly for technical trades, sometimes there need to be adjustments. For immediate adjustments, please follow me on Twitter. My handle is [@WizofOps](#). These adjustments HAVE been included in the calculation for the portfolio in this newsletter.

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KEY TO POSITION TABLES

| Stock Name | Primary Analyst | Other Analysts for Confirmation | | |
|---------------------|-----------------|---------------------------------|--|--|
| Long Term Position | | | | |
| Short Term Position | | | | |

EQUITIES

Position Table:

| SPX | Hadik: Inside Track | Avi: EWT | EcoQuant Insight |
|------------|------------------------------|---------------------|---------------------------|
| Long Term | Bullish trend until May/June | Bullish | Bullish |
| Short Term | Short-term pullback | Short-term pullback | Small short-term pullback |

The Long-Term Trade: None at this time.

Thesis: Options telegraphed the advance last month, as did the data analysis. That turned the short-term trades into big-time winners. While I still think there will be an advance, and the volatility space supports that, I do think this week will present some volatility. That is because during expiration, there will be a lot of options released. The key to watch if there will be a small drop versus an intermediate one is if we drop below the gamma hedging flip level, currently sitting

at 4075. If we pass below that, expect a drop to 4000-4025 in short order. Once I see signs of a bottom (VIX overstating the move, high skew, flattening gamma hedging curve), then I will put on long gamma equities trades for May and June. Stay tuned to Twitter.

If you want to play that short term pullback, I suggest a cheap hedge-type spread. I have a diagonal, where I sell a 401 put for 23Mar and buy a 396 put for 30Mar. I'm not going to make it an official trade, and it will be a small debit but a larger capital outlay. This would be a hedge, so expect it to lose. The gamma hedging flip zone is roughly 407 SPY; that's where I'd consider an adjustment to the hedge to make it more profitable (perhaps rolling the 401 down to 396).

The Short-Term (1-Month) Trade:

None at this time.

METALS

Position Table:

| GLD, SLV, GDV | Hadik: Inside Track | EcoQuant Insight | Avi: EWT |
|---------------|-----------------------|------------------|---------------|
| Long Term | Advance into May 2021 | Strong bull | Hyper-bullish |
| Short Term | Bullish possibility | Bullish | Consolidation |

The Long-Term Trade: Hold 10 GLD 155/160 21May21 put verticals @\$1.22 credit. This trade uses \$3780 in capital.

Thesis: As suggested last month, metals are primed for an advance. GLD especially has shown some life. Metals are the predecessor to cryptocurrency, in that these are a store of value, but that's it. I cannot take a gold bar into the grocery store and buy food with it, and I cannot do the same with crypto. Sure, there are corners of the market that accept crypto,

like Tesla, but there are also corners of the market that accept gold, like a pawn shop. Because it is a legacy store of value, gold is not as attractive as crypto to own, plus crypto is more liquid.

While I believe crypto and blockchain is the wave of the future, I think the crypto that will be used is something yet to be created by central banks, not the private crypto that is popular today. There have been many private currencies used in the past, particularly individual bank notes that represented a certain amount of gold in a vault that was cleared at the end of the day in a "clearing house". They were replaced by government notes which turned into fiat money. That's what I think will happen to crypto, except back then you could transact in those bank notes. It is still difficult to transact in crypto.

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(Metals continued) That is the reason I do not invest in crypto. With the stroke of a pen, the government can make crypto illegal (how do you tax a foreign currency?). I think eventually they will, and replace the whole monetary system with their own crypto. That will be the

crypto I will buy. Besides that point, my niche is options, and crypto does not have any direct options associated with it yet (just futures).

The Short-Term (1-Month) Trade: None at this time.

ENERGY

Position Table:

| | | |
|------------|------------------|---------------------|
| UNG | EcoQuant Insight | Hadik: Inside Track |
| Long Term | Bullish | Bullish |
| Short Term | Bullish | Pullback over |

The Long-Term Trade: Buy 10 UNG \$10 16Jul21 calls @\$52 debit. This trade uses \$520 in capital.

Thesis: Because UNG is not the most liquid vehicle, I decided to go with the naked call. Also, I believe natural gas has a chance to take off in an accelerated fashion, and that would mean the vertical wouldn't capture a lot of that.

Nothing really changed with the thesis; however, I do think demand for oil will not recover as fast as the market seems to think it will. With the increased emphasis

on gas-free vehicles, I think the same will begin to happen for ships and planes. Both of those I believe will eventually be powered by natural gas, then renewable energy. They are both much different than a car, but my point is that I believe oil will have declining demand for the foreseeable future while natural gas will have increasing demand, or at least neutral demand. As a result, the natural gas supply issues will be mitigated. As a reminder, natural gas has supply issues because it is a harvestable byproduct of some oil drilling, and therefore supply of it is much greater than demand, causing pressure on natural gas prices. If oil demand declines, and oil supply is under government pressure, that helps natural gas prices.

The Short-Term Trade: None at this time.

Thesis: With a regime change in bonds over the past couple of months due to the SLR exemption expiring, I am back to expecting bonds to only show downside, and yields to show upside. Because of that, I will only either have bearish or neutral bond positions. The technical guys all see a short-term advance, so I'm going to wait for them to change their tune and see where to go from there.

BONDS

Position Table:

| | | | |
|------------|------------|------------------|---------------------|
| TLT | Avi EWT | EcoQuant Insight | Hadik: Inside Track |
| Long Term | Rangebound | Bearish | Bearish |
| Short Term | Unsure | Slightly bullish | Bullish climb |

The Long-Term Trade: None at this time.

The Short-Term Trade: None at this time.

THE STOCK PICKERS

ElliottWaveTrader

New Trade Idea:

Analog Devices Inc. (ADI)

Zac's Thesis: Zac thinks ADI can advance to \$213 by September.

Wizard of Ops Commentary: From a liquidity standpoint, ADI is not the greatest underlying to make trades for. That being said, the projected strength of this stock makes this a very attractive move. It is also longer term, so hopefully by September we would realize some real gains.

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(The Stock Pickers continued)

The Trade: Buy 2 ADI 17Sep21 180/200 call verticals @ \$2.58 debit. This uses \$516 in capital.

The Plan: Risk full capital. Sell half when the vertical is up 200%.

Old News:
Nike (NKE)

Zac's Thesis: Over the course of a few months, Zac and Garrett expect NKE to hit \$167.50

Wizard of Ops Commentary: Despite the drop at the end of March, Zac and Garrett are resolute in their conviction that this will rally hard through September up to 190. If that happens, this trade would be exceptional.

The Trade: Hold 10 NKE 16Jul21 160/165 call verticals @ \$.73 debit. This uses \$730 in capital.

The Plan: Risk full capital. Sell half when the vertical is up 200%.

Ligand Pharmaceuticals (LGND)

Wizard of Ops Commentary: Over the past month this did not move at all. Time is not on the side of this move, so it really needs to start making its move now.

The Trade: Hold 5 LGND 21May21 200/210 call verticals @ \$1 debit. This uses \$500 in capital.

The Plan: Risk full capital. Sell half when the vertical is up 200%.

EcoQuant Insight


Image source: EcoQuant Insight.

New Trade Idea:
iShares Silver Trust (SLV)
EcoQuant Thesis:


Wizard of Ops Commentary: I would have put a silver move in my commentary above as a strong metals bull move, but I left it here for Eco.

In addition to a store of value, silver is also used in electronics, so there is a reflection of both inflation and demand in silver prices. As a side note, silver was also used as a store of value next to gold, which makes a good argument for alternative coins to bitcoin.

The Trade: Buy 25 SLV 16Jul21 27.5/29.5 call verticals @ \$.20 debit. This uses \$500 in capital.

The Plan: Risk full capital. Sell half when the vertical is up 200%.

Old News:

No old news. Watch on Twitter for any updates on the stocks mentioned in the Equities section.

WIZARD OF OPS VOLATILITY TRADING

Introduction to Volatility Products

VIX – a 30-day measure of implied volatility based on SPX options. While you cannot trade this as a stock, it represents the fair price of a product only institutional investors can trade called variance swaps. When you have a VIX of 30, and you buy/sell a variance swap, you are betting that the realized volatility will be over/under 30% annualized in 30 days. 2 out of 3 months, you win by selling that var swap, so typically pension funds and insurance companies will execute this strategy. Funds sell var swaps like crazy... but the payment on the swap is the difference between the realized volatility and the purchase price, so those months when realized var is 80 are bad months for pension funds, particularly Canadian ones.

VXX – This is a ratio of monthly VX Futures between 23 and 37 days away to try to reflect the VIX index. This is an Exchange Traded Note, so you can buy this like you would a stock. When VX futures are in contango (near term VIX is lower than long term VIX) this product degrades. In backwardation, it accumulates. As institutions buy VXX, it can accelerate the degradation or accumulation as well. Unfortunately, institutions know how this is managed and front-run its buying and selling. So, unless the market is extremely volatile, even with event risk, there is pretty much always term risk premium in the rollover.

VX Futures – These are bets on what volatility will be on the expiration date. This is different than a var swap, as this predicts what the implied volatility will be, not the realized volatility. Without a futures license, the way to play this is through VIX options, which are based in VX futures (with changing expirations, so please be careful when considering this).

SPX Options – The driving force between all of these volatility products is the implied volatility on SPX options. The VIX is derived from it, which is the basis for var swaps and VX futures, and VX Futures are what derives VXX. But all of these products can get bought and sold, so it creates situations where the tail can truly wag the dog. And last but not least...

/ES Futures – These are futures on the dividend adjusted value of SPX. The term structure on these cannot be read into very much, but the near term /ES futures are used to hedge the institutional positions of SPX options traders, and the no arbitrage rule states that SPX must move in concert with /ES futures. So, this product does have implications on volatility and the equity market. Not to mention /ES also has options associated with them, further complicating the landscape.

There are also a bunch of other products out there that shows the tail wagging the dog. UVXY, SVXY are examples of other ETNs that are based on VX Futures. There is VVIX, which is just an index (which cannot be traded) showing the volatility of volatility (whoa). There are many other indicators showing the volatility of other markets, like OVX monitoring the volatility of oil markets, but this section will focus on the equity volatility landscape.

The Equity Volatility Landscape

Right now, a lot of the vol space is lined up bullish. The term structure is strongly in contango, dealer gamma is strongly positive, and vanna is strong as well. However, the VIX is showing that there is some uncertainty coming for expiration week. Over the past two weeks, the VIX has been higher than it should be compared to the SPX daily moves. And this has been happening day after day, which is beginning to leave the door open for short term downside. I don't think it will retrace all the gains made over the past month, if the **(continued on page 6)**

(Wizard of Ops Volatility Trading continued) downside begins, watch the 4075 SPX area, as that is currently the gamma hedging flip zone. If the drop passes there is will accelerate downward

to 4000. I recommend you hedge your long positions (because this is just a possibility). For the recommended hedge, see the equities section.

PAST PERFORMANCE

This chart details past performance from January 2018 to present. For a comprehensive trade list, please send us an email at info@addeumfunds.com. Open trades are not included in this chart.

| Technical History | | | | |
|--------------------------|-------------------|--------------------|---------------------------|-------------------------|
| Trade Type | Open Capital (\$) | Realized Risk (\$) | Realized Profit/Loss (\$) | Realized Percentage (%) |
| Equity Trades | - | 70,240 | 13,198 | 19 |
| Bond Trades | - | 24,644 | 4,200 | 17 |
| Energy Trades | 520 | 33,420 | (2,969) | -9 |
| Metals Trades | 3,780 | 27,822 | 12,274 | 44 |
| EcoQuant Insight | 500 | 21,536 | 5,879 | 27 |
| Stock Waves - EWT | 1,796 | 21,298 | 12,465 | 59 |
| Total | 6,596 | 198,960 | 45,047 | 23 |

ANALYST CREDITS



Image Source: Eric Hadik

Analyst: Eric Hadik provides technical & cyclical-based analysis and publications - dedicated to educating & informing traders and investors while preparing them for developing opportunities. This analysis is structured to take a practical approach to trading, rooted in sound principles of proper money management and risk control. This analysis is limited to markets, currencies, commodities, and metals.



Image source: EcoQuant Insight.

Analyst: EcoQuant uses his PhD training in Integrative Biology and Quantitative Ecology to identify human behavioral patterns in economic markets that mimic cycles observed in the natural world. Using concepts of natural selection, scale, and spatial patterning, he positions in trades that will respond similar time and time again given the same set of initial conditions. EcoQuant is a self-taught investment analyst and advisor and believes in demonstrating process for instruction and providing consistent results to increase the likelihood of your trading and investment success.

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