

# Regime Change

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W. G. Paseman  
[Paseman.com/Posts](http://Paseman.com/Posts)

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# Agenda

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- Current Conditions
- Wisdom of Crowds
  - Portfolios, 2<sup>nd</sup> Opinions and Power Laws
  - Rare disease Statistics
  - Question, Observers, Opinions, Moderator
- Today, we are here to get Opinions
- Submissions

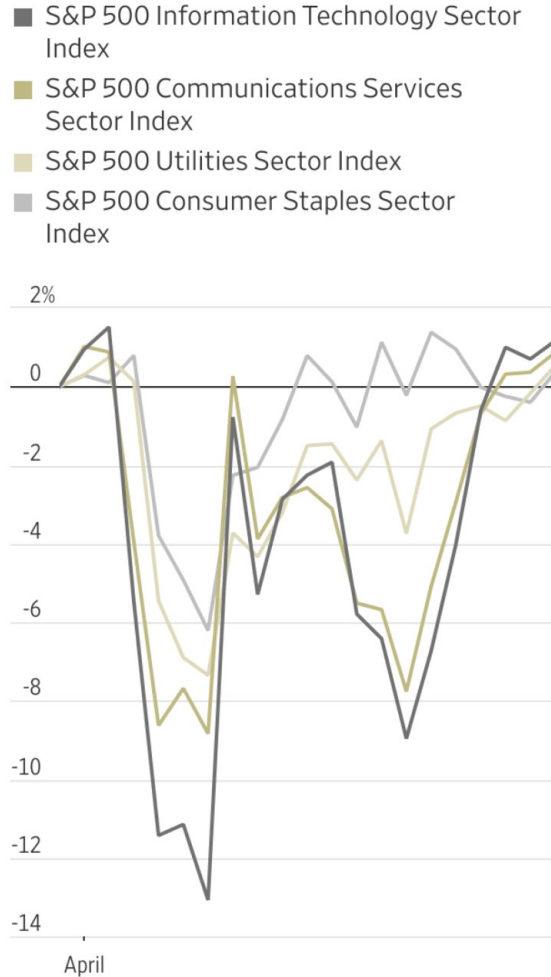
# Current Conditions

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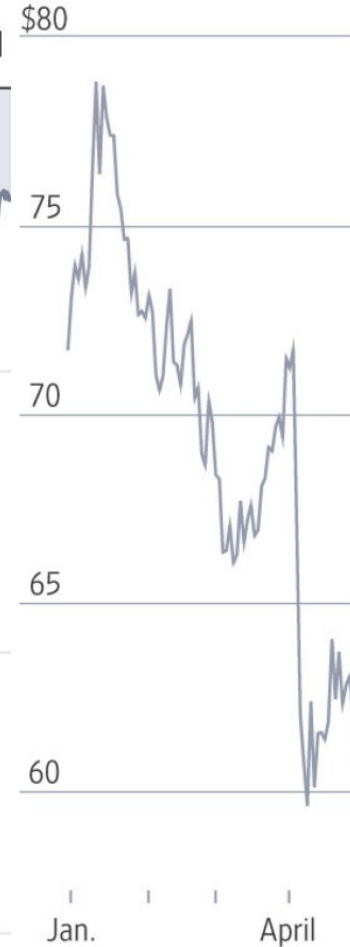
- It's been a turbulent 30 days
- Should we revisit Momentum Assumptions,
- And potentially move to
  - Value?
  - Technical (Bollinger Bands ...)?
  - Downward Momentum?
  - Currency?
  - Who needs the \$ if you can't buy/sell your goods?



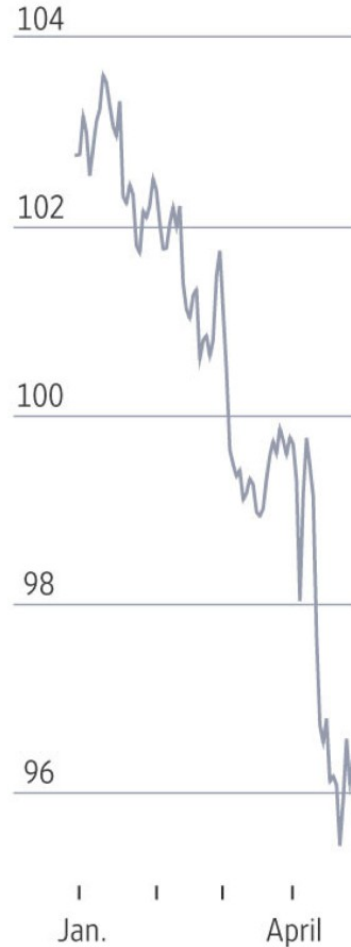
## S&P 500 change since April 2 'Liberation Day'



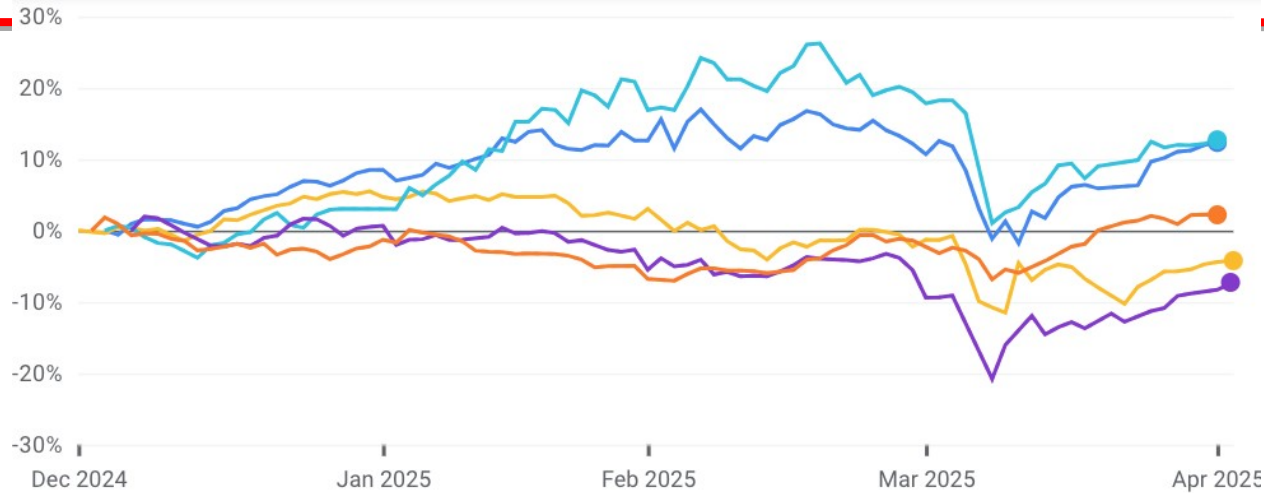
## Crude-oil futures price



## WSJ Dollar Index

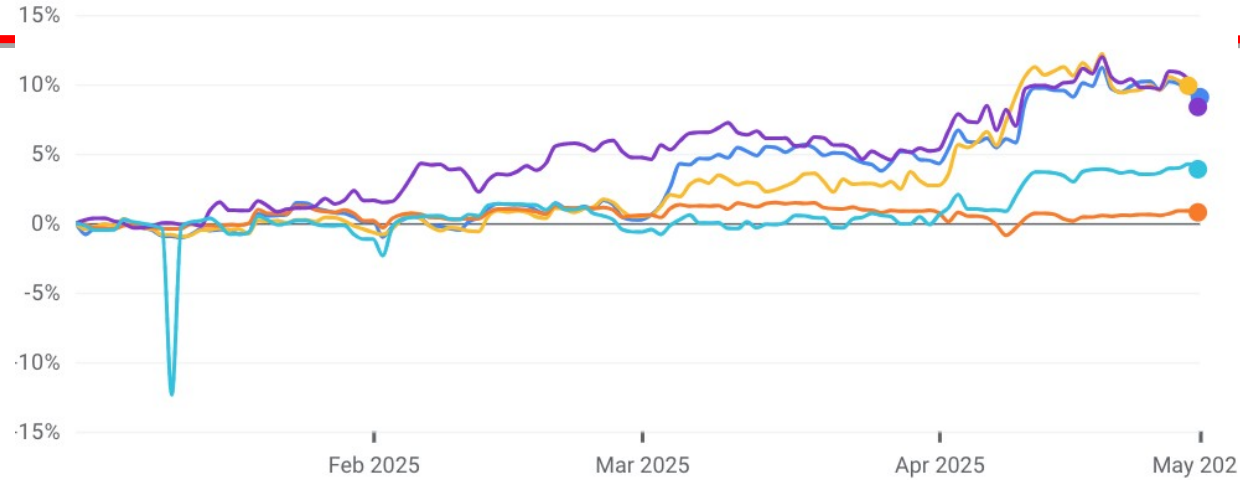


# Indexes - YTD



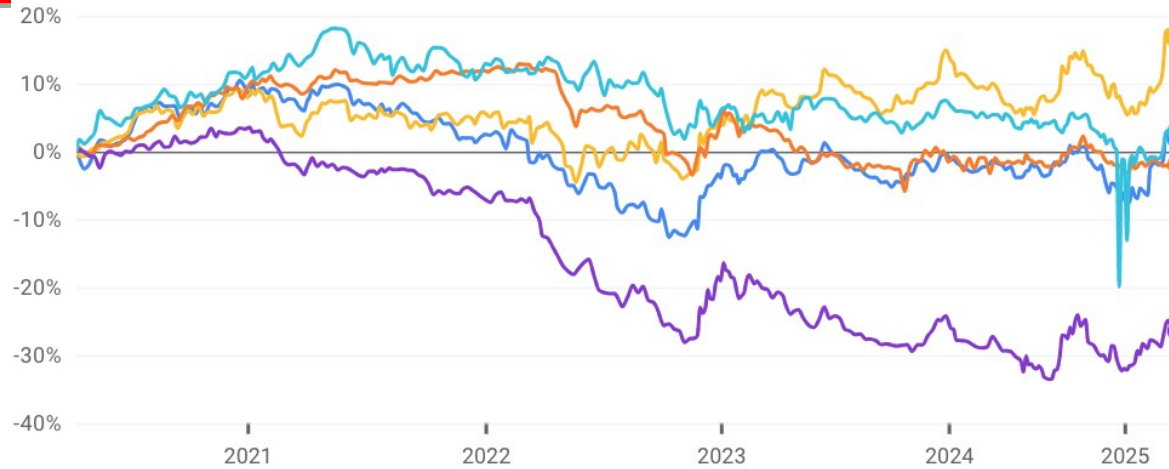
DAX PERFORMAN...	22,496.98	+2,472.32	↑ 12.35%	
Dow Jones Industri...	40,752.96	-1,791.26	↓ 4.21%	×
Hang Seng Index	22,119.41	+2,496.09	↑ 12.72%	×
Nikkei 225	36,452.30	-2,854.75	↓ 7.26%	×
BSE SENSEX	80,242.24	+1,734.83	↑ 2.21%	×

# Currency - YTD



EUR / USD	1.1290	+0.0939	↑ 9.07%	
CHF / USD	1.2104	+0.1089	↑ 9.89%	×
CNH / USD	0.1374	+0.0011	↑ 0.77%	×
JPY / USD	0.0069	+0.0005	↑ 8.36%	×
CAD / USD	0.7226	+0.0270	↑ 3.88%	×

# Currency – 5 Years



EUR / USD	1.1292	+0.0199	↑1.80%	
CHF / USD	1.2104	+0.1745	↑16.84%	×
CNH / USD	0.1374	-0.0027	↓1.92%	×
JPY / USD	0.0069	-0.0025	↓26.46%	×
CAD / USD	0.7219	+0.0209	↑2.98%	×



# Today, we are here to get Opinions

## How?

# The Wisdom of Crowds

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A NEW YORK TIMES BUSINESS BESTSELLER

"As entertaining and thought-provoking as *The Tipping Point* by Malcolm Gladwell. . . . *The Wisdom of Crowds* ranges far and wide."

—*The Boston Globe*

## THE WISDOM OF CROWDS

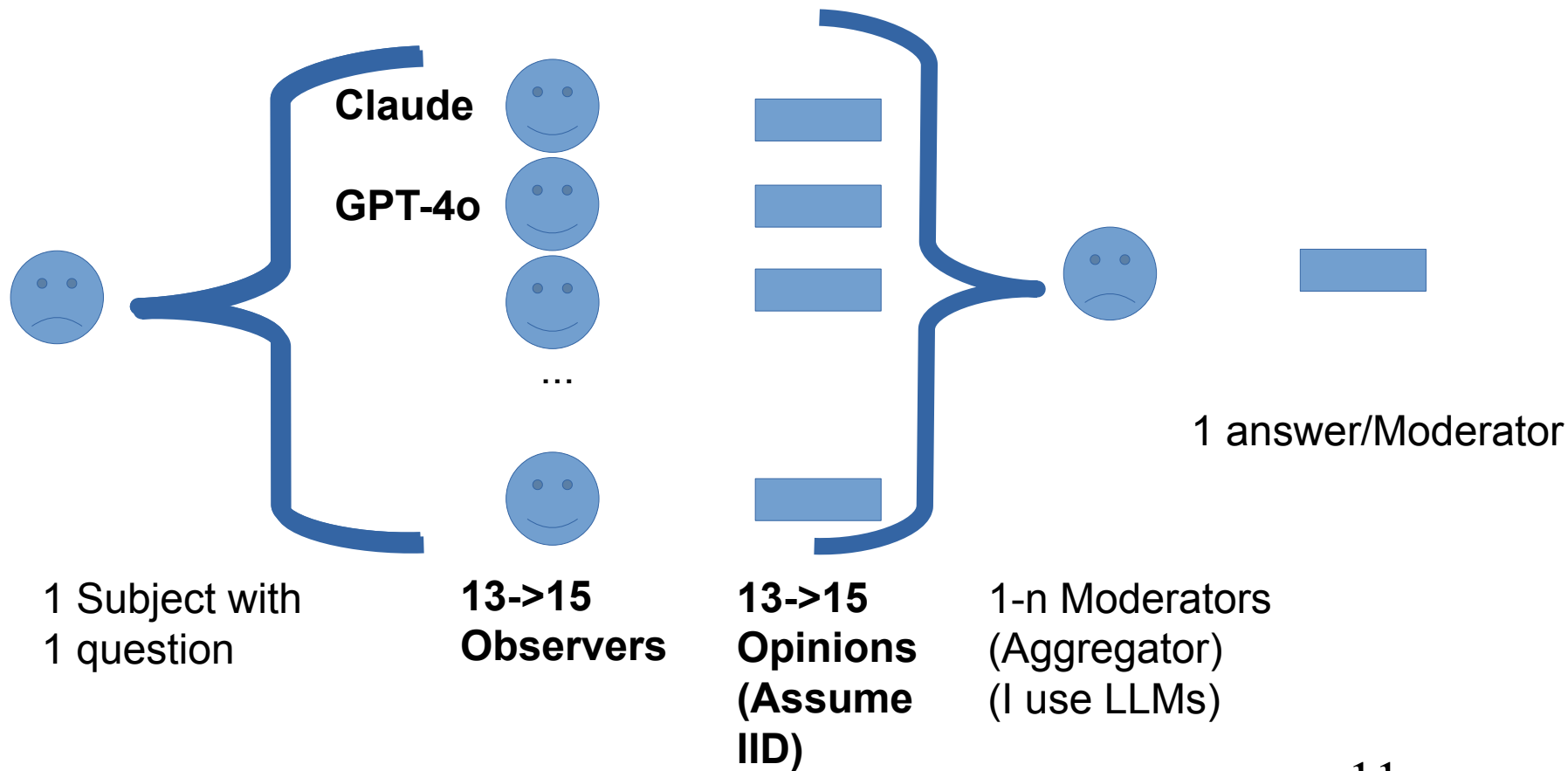
JAMES  
SUROWIECKI

WITH A NEW AFTERWORD BY THE AUTHOR



- Works the hell out of Francis Galton's Ox story
- Key Criteria
  - Diversity – Tap into Private (uncorrelated) Info
  - Independence - Avoid information cascade
  - Decentralization - Leverage Local knowledge
  - Aggregation - Turn Opinions into a Decision
- Leaves out the math
  - Are statistics subject specific?
  - How are Opinions distributed?
  - How many Opinions are needed?

# Question, Observers, Opinions, Moderator



# Portfolios, 2<sup>nd</sup> Opinions & Power Laws

- Personal Finance – Here is a Portfolio I created in 1997 for my son and left untouched
  - INTC, CSCO, PYPL, EBAY, MSFT
  - 47%, 103%, 128%, 209%, 2105% ← Change since 1997
- Venture Capital Portfolios - <https://pitchbook.com/profiles/fund/11170-18F#investments>
  - Kleiner IX (formed 1999) – 38 investments: 37 OK, #38 was named GOOGLE
    - “Zero to One” (Peter Thiel)
      - “The biggest secret in venture capital is that the best investment in a successful fund equals or outperforms the entire rest of the fund combined.”
- Linus Pauling: “The best way to have a good idea is to have lots of ideas.”
- Cleveland Clinic(\*) - second opinions lead to a diagnosis change in 28% of cases. .. initial diagnosis was either incorrect or incomplete for almost one-third of patients. 72% of treatment plans are modified after a second opinion. (So) even if the initial diagnosis is correct, there may be room for improvement in the recommended course of action.
- Power-law distributions - the largest entity is typically bigger, more valuable, or more powerful than all others combined.
- **Do “Second Opinions” have a Power Law Distribution?**

\* <https://www.clinicbyclevelandclinic.com/blog/how-often-are-second-opinions-different/>

# Rare Disease Statistics

Standard of Care

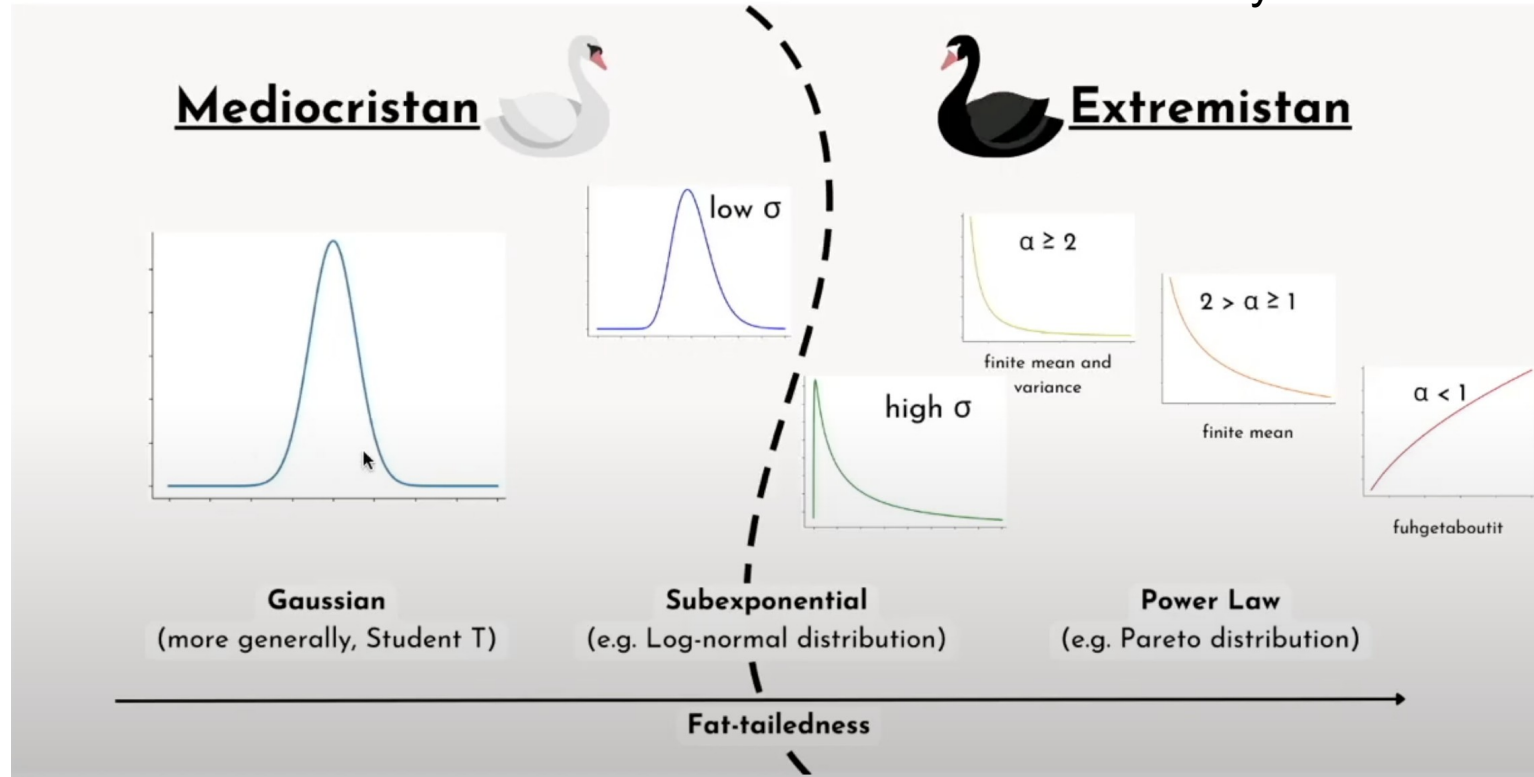
Treatment Success Rate: 30-80%

Onco Clinical Trails

3.5%\*\*

Post Clinical Trials (Hackathons)

Likely < 3.5%



\*\*American Council on Science and Health

<https://www.acsh.org/news/2020/06/11/clinical-trial-success-rates-phase-and-therapeutic-area-14845>

Shaw Talebi - Pareto Power Laws and Fat Tail

13

# Today, we are here to get Opinions

## 1) Where is the economy now?

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## 2) Where is the economy going?

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## 3) How should we prepare?



# Today, we are here to get Opinions

## 4) What questions should I ask the group?

# Submissions - Holly

- Look at both the short term and the longer term effects with statistics across a variety of factors:
- Tariffs themselves
- Equities / Wall St / investor reactions.
- Investors moving to international and gold? Stats.
- Bond funds/ no longer correlated
- Devaluation of USD worldwide; higher debt repayment then
- China (e.g. withdrawing investments from the US)
- Unemployment rates changing
- US deficit increasing.... effects
- Impact on smaller companies vs large caps
- If Trump moves US assets into crypto, (ACK!) how affects USD as THE safe haven for investment;
- (Along with Insider trading and GRIFT, IMO. grin!)
- What will the FED do?

# Submissions - Other

- Geopolitical trends, geoeconomics - Supply Chains, Deals, Air Freight
- Invest Abroad
- 
- Read Ray Dalio's "Changing World Order".
- buying a pair of options that benefit from strong moves in either direction.
- If there was a 50% probability that the tariffs will result in major concessions on the part of other countries, and he will retract them after getting the concessions and avoid the US going into recession, how would you want to be positioned?
- If you thought there was a 50% probability that the tariffs etc will lead to stagflation how would want to be positioned?
- If there was a 50% probability that the tariffs will lead to a general decline worldwide in faith in the US economy, and momentum shifts to other currencies and other countries, how would you want to be positioned?
- If you think the whole world is likely to break – look at the defensive options
- when VIX spikes, just sell OOM puts
- 
- Tom - Differential Signaling - difference between "Trumps Popularity" polls