



3D Defender Program (Intraday short-bias S&P 500)



Yes, it was a “quiet” week. In fact, the VIX has now dropped -70% in the last nine weeks. Did you also know the recent 40-day rally in the S&P 500 has been greater (in percent terms) than this year’s historic descent?

As mentioned in our previous weekly update the market’s price action on May 14, 2020 was pointing to continued strength for the S&P 500 this week. We saw that in spades as the market opened +2.8% higher on Monday and finished the week +3.7% (see arrows above). Our short bias 3D Defender program, that is designed to profit from intraday stock market declines and step aside during market rallies, finished the week down only -0.04% (25% funded and gross of fees).

The dramatic swings since the 2017 record setting 12 consecutive up months show us that the S&P 500 has clearly entered a new volatility regime. In 2018 the market had its first down year in 10 years. This was followed by a parabolic surge of +47% to a new all-time high in 2019. 2020 has followed with a -36% decline and fastest bear market in history where all the market’s losses were overnight. This has been followed by a record setting surge of +37% in the last nine weeks and includes the second best 40-day rally ever for the S&P 500. Here is a fascinating visual:

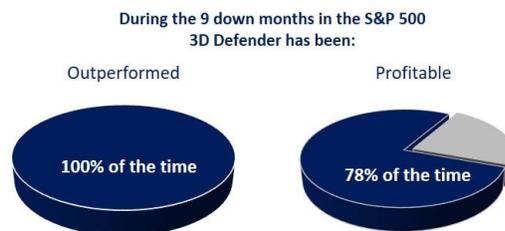


You would expect an intraday short bias S&P 500 program to get decimated in this environment. This has not been the case with our 3D Defender Program. In fact, during this new volatility regime 3D Defender has been profitable and has beaten the S&P 500 (See below).

The last 2+ years have been a glaring reminder that the stock market moves in two directions. It has also been a true test for our 3D Defender Program and exemplifies the importance of managing risk one day at a time. As you can see from the performance table below, adding 3D Defender and stock market “Defense” to your Long-Only S&P 500 “Offense” has increased the risk adjusted rate of return in your equity portfolio. The power of negative correlation.

1/2018 – 4/2020	3D Defender	20% 3D Defender + 80% S&P 500	S&P 500
Total Return	15.8%	11.5%	8.9%
Annualized ROR	6.5%	4.8%	3.7%
Max Drawdown (Max DD)	-11.4%	-16.1%	-20.0%
Annualized Standard Deviation	11.9%	14.6%	19.0%
Sharpe Ratio (0%) Annualized	0.57	0.39	0.29
Correlation to S&P 500	-0.33	0.99	1.00

(3D Defender is 25% funded, net of fees, and does not include interest income.)



As a reminder our 3D Defender Program’s investment objective is to consistently profit and outperform the S&P 500 when the S&P 500 is down on the month AND to step aside during market rallies. Since Jan 2018 the S&P 500 has had 9 down months. This is consistent with its historical average. During these down months in the S&P 500, the new volatility regime (2018-2020), 3D Defender has been profitable 78% of the time and outperformed 100% of the time.

After making a new multi high this week the S&P 500 is beginning to show signs of tiring and is vulnerable to the downside (need confirmation). This aligns with recent weakness in Crude Oil, the Hang Seng and EURJPY. This also aligns with a historical high reading of the Warren Buffett Indicator, which says the market is overvalued.

3D Defender has a long history of helping our clients profit from stock market declines. We can help you too and welcome and encourage you to reach out now.

You can learn more about our 3D Defender program and how we manage risk in this recent video I posted on LinkedIn: [LinkedIn video](#)

Best wishes and health to you and your families. Have a nice holiday weekend.

**PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.
THERE IS NO ASSURANCE OUR PROGRAMS WILL ACHIEVE THEIR OBJECTIVES OR AVOID LOSSES.**