Investment Portfolio “TeleTrade High-Yield”

Performance report
(September 2021)

Your benefits with the “TeleTrade High-Yield” portfolio

- Hedge your savings against inflation
- Hold the currency that is expected to value the most (USD)
- Be able to get a passive income from the financial markets
- Since this is a highly liquid asset, you may be able to get it whenever you wish
- This is more than what you may get from a bank deposit

Targets and Advantages of the “TeleTrade High-Yield” portfolio

Target:

Overall earning yield at 44.6% in a quarter with maximum portfolio volatility.

Advantages:

- Minimum investments needed
- High liquidity of assets in the portfolio
- Low credit risk of assets in the portfolio
- Professional management
- Easy to follow

Description of the “TeleTrade High-Yield” portfolio strategy

Description:

The “TeleTrade High-Yield” portfolio is the high risk portfolio which an investor may choose at TeleTrade.

The S&P500 is the benchmark index of the portfolio from which the portfolio is compared. Moreover, despite the fact that this portfolio has a high risk-taking strategy, it does not disregard a correct sector evaluation where stocks are chosen based on a thorough research.

Strategy:

This portfolio strategy was tailored to the assumption of possible correction in the U.S. stock market. Thus, short position for the S&P 500 broad market index was retained for the entire duration period. Simultaneously, stock and other financial instruments were selected for the portfolio to counter record inflation and Delta variant outbreaks in Asia and the United States.

The “TeleTrade High-Yield” portfolio profile

- Currency: US Dollar
- Optimized for investment of: 10 000$
- Expected yield: 44.6%
- Risk: Risk control of 22.2%
- Minimal duration: 3 months
- Rebalancing and replacing assets: upon monthly review

Portfolio Performance

Main Market Events:

The Q2 corporate reporting season in the United States was even more encouraging as 89% of the companies from S&P 500 index list according to Refinitiv beat analysts' forecasts. Despite such excellent results S&P 500 index rose just by 4% in July-August. However, strong corporate reports could not be considered as the major growth driver. Moreover, many U.S. companies have downgraded their financial forecast for Q3 and Q4. Refinitiv is expecting corporate profits to decline by 8% in Q3 2021.

Low base effect of 2020 is fading away while inflation in the U.S. is at 5.4%, the highest since 2008, and service and manufacturing PMIs are declining. That increases stagflation risks. The Federal Reserve is trying to avoid U.S. economy hard landing by controversial statements. Democrats are desperately trying to drag their $3.5 trillion stimulus bill through the Congress to prevent a slowdown in U.S. economy amid unwinding inflation spiral.

Such a duality of the Fed pushed stock market to new record highs preventing any correction efforts this summer. So, the stock market is heading to a deflation shock when investors realize the economic growth ran out of steam while stagflation together with tighter monetary policy by the Fed and new variants of COVID-19 on the horizon.

Portfolio Performance:

The initial stake was made on oil sector with Brent futures long position together with purchase of Chevron and Exxon Mobil share that were performing well at beginning. However, this trend was reversed by the Fed in June, when it send commodities and stock markets into correction. Eventually, the gains from the Brent long position were scaled down to 0.7% ($70), Exxon Mobil – to 0.2% ($22), while Chevron shares deal finished with a loss of 3.6% (-$364).

July and August were flagged by expectations of Fed's stimulus measures tapering together with growing Delta variant contagions. That should support the stay-at-home companies such as Microsoft that brought 2% ($202) of profit. Short position were opened for stocks of most vulnerable to a possible lockdowns sectors such as MGM Resorts and Taiwan Semiconductor that were falling up to 5% in value. But the new position of the Fed towards slower tapering pace these stocks rebounded forcing to close these positions with a loss of 2.3% ($230) and 0.8% ($79) respectively.

Following weak performance data of the retail sector a short position for Walmart shares was opened that was also closed after expiration of the portfolio with a loss of 1.5% (-$147). Coca-Cola stocks long position that was opened amid expectations of rising soft drinks sales after lockdowns was closed with a loss of 0.9% (-$90)

However, the biggest loss was recorded on short position for S&P 500 index that was responsible for 6.5% (-$645) of total losses.

Total profit of the portfolio was **$262.3** or **2.62%** of the initial investments. The **total net loss** to the portfolio was **$1,396.0**, which means **13.96%** of the entire portfolio.

Assets in the portfolio

Instrument	Order	Volume	Opening price	Target price	Closing price	Profit/Loss	Dividends recieved
CVX	buy	0.25	107.62	130.00	96.52	-380.97	
KO	buy	1.0	57.17	65.22	56.48	-87.27	
TSM	sell	0.3	116.53	93.11	120.16	-120.77	
MGM	sell	0.5	38.06	22.00	42.40	-223.73	
S&P500	sell	0.2	4216.6	3400.0	4532.7	-682.79	
MSFT	buy	0.3	271.17	300.00	277.92	191.0	
WMT	sell	0.2	140.69	110.0	147.51	-152.6	
UKBrent	buy	0.1	71.68	82.46	72.38	59.61	
XOM	buy	1.0	61.08	67.5	61.30	11.69	
Expected profit				***44.6%***			
Risk				***22.5%***			
Swaps and commissions				***-152.81$***			
Profit received				**-1396.0$**			
Portfolio performance				**-13.96%**			