

How long can equity markets keep going up? We don't know. With the Stormy Weather Strategy you don't need to know either. You can profit from short term trends while you wait for the answer.

**Three Booms and Two Busts**

Three times in the past 20 years, global equity markets have triggered Red Alerts in our Risk Cycle Analysis. After long boom periods with Unstable Expansions which predicted severe corrections to come, our Downturn Indicator signalled that the boom was going to turn to bust.

The first of these occurred in July 2000, the second in February of 2008 and the third in July 2015. In the first two cases major busts followed shortly afterwards, wiping trillions of dollars off the value of equities world wide.

So far, this time has been different in that 23 months have passed and the expected correction has not yet happened. If it does, as we expect it will, it will produce catastrophic losses in investment portfolios that are heavily weighted towards equities, just as in the crashes of the Tech Bubble and the Credit Bubble.

In the meantime, moving to cash is impossible for most investors. The cost of downside protection is high with no way of knowing if it will ever pay off.

**The Omega Metrics® Stormy Weather Strategy**

Periods where markets decline sharply, as well as the 'sideways' movements that can precede them, are marked by short term trends. These are difficult for traditional trend following strategies to identify while there is still time to profit from them, hence the poor

performance of Managed Futures indices in 2015, 2016 and the first half of 2017.

Figure 1 and Table 1 show the cumulative effect of using the Strategy in the Red Alert periods of the past twenty years. The first two ended when our Rebound Indicator signalled the onset of new 'Value' periods in January 2003 and April 2009 respectively.

The Stormy Weather Strategy is designed to take advantage of those trends. Long-Short trading algorithms provide alpha through the danger periods of volatile sideways markets or severe downturns. Figure 2 and Table 2 show its pro forma performance from August 2015 to the end of Jan. 2017. It has steadily outperformed the S&P 500 Index both in absolute and risk adjusted terms, cutting the drawdown and volatility substantially.

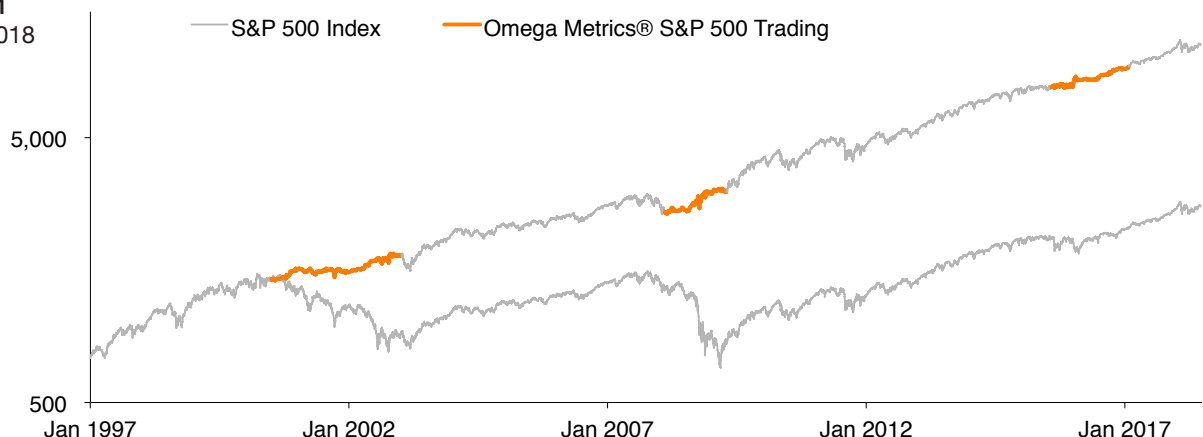
**We Don't Know How Long the Market Can Keep Going Up**

If you know when the end will come, or that there won't be one, there's nothing you need to worry about. If, like us, you don't know when the next correction will appear, the Stormy Weather Strategy can provide a hedge against a catastrophic loss that generates alpha rather than a drag on your portfolio returns.

Using it during the Red Alert periods of the past 20 years totally transformed the absolute and risk adjusted return on the S&P 500 Index.

Table 1 1997-2018	Annualised Return	Annualised Std. Dev.	Beta wrt. S&P 500 Index	Monthly Mean Return	Monthly Alpha wrt. S&P 500 Index
Omega Metrics® S&P 500 Trading	13.5%	11.4%	0.50	1.11%	0.81%
S&P 500 Index	6.3%	14.8%	n/a	0.60%	n/a

Figure 1  
1997-2018



**The Most Recent Storm: August 2015 to January 2017**

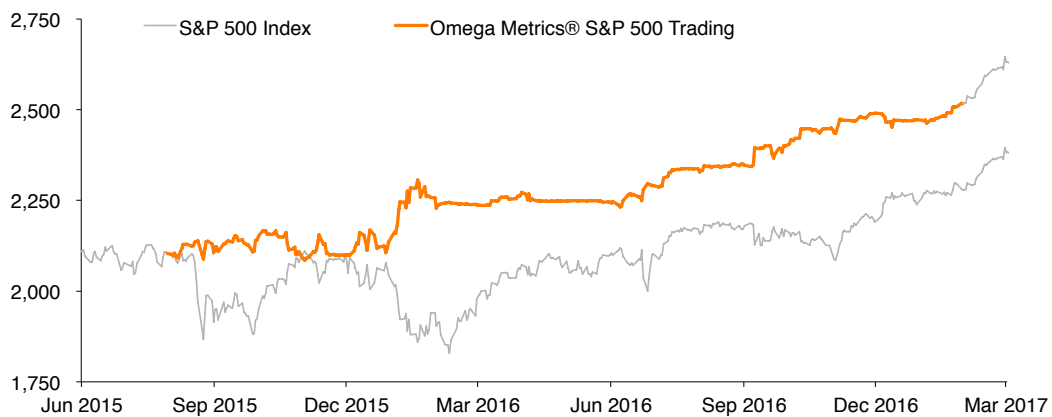
Omega Metrics® Downturn Indicator signalled the end of the global equity market boom in July 2015. After that, risk levels exploded, before volatility dropped to all time lows in mid 2017.

Table 2 and Figure 2 show the performance of the Stormy Weather Strategy and the S&P 500 Index during this period.

The risk target is a daily 99% ES of 4% (which is the average ES in the S&P 500 Index from July 2014 to July 2015).

Table 2 Aug. 15-Jan. 17	Annualised Return	Annualised Std. Dev.	Maximum Drawdown	Maximum Monthly Loss	Monthly Alpha wrt. S&P 500 Index
Omega Metrics® S&P 500 Trading	12.7%	5.6%	-3.7%	-1.4%	1.12%
S&P 500 Index	5.5%	12.1%	-13.3%	-6.3%	n/a

**Figure 2**  
2015-2017



Aug. 15-Dec. 15	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Omega Metrics® S&P 500 Trading	-	-	-	-	-	-	-	1.26	0.44	-1.41	-0.50	1.73
S&P 500 Index	-	-	-	-	-	-	-	-6.26	-2.64	8.30	0.05	-1.75
Jan. 16-Dec. 16	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Omega Metrics® S&P 500 Trading	5.74	-0.80	1.01	-0.60	-0.13	2.03	2.01	0.56	2.10	2.01	1.70	-0.68
S&P 500 Index	-5.07	-0.41	6.60	0.27	1.53	0.09	3.56	-0.12	-0.12	-1.94	3.42	1.82
Jan. 17	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Omega Metrics® S&P 500 Trading	1.78											
S&P 500 Index	1.79											

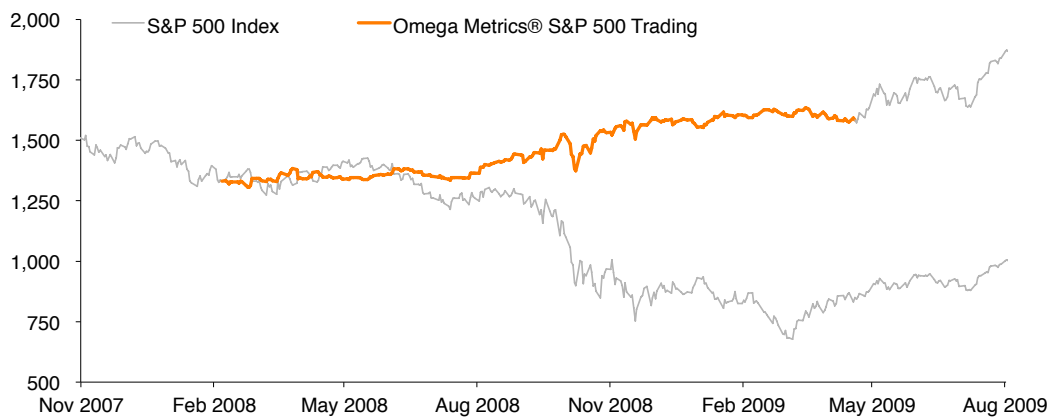
**The ‘Credit Bubble’ Storm: February 2008 to April 2009**

Omega Metrics® Downturn Indicator signalled the end of the global equity market boom in February 2008. The Rebound Indicator came on in April 2009.

Table 3 and Figure 3 show the performance of the Stormy Weather Strategy and the S&P 500 Index during this period. The risk target is a daily 99% ES of 4%.

Table 3 Feb. 08-Apr. 09	Annualised Return	Annualised Std. Dev.	Maximum Drawdown	Maximum Monthly Loss	Monthly Alpha wrt. S&P 500 Index
Omega Metrics® S&P 500 Trading	14.9%	7.5%	-9.9%	-2.1%	0.92%
S&P 500 Index	-30.2%	24.1%	-52.6%	-16.9%	n/a

**Figure 3**  
2008-2009



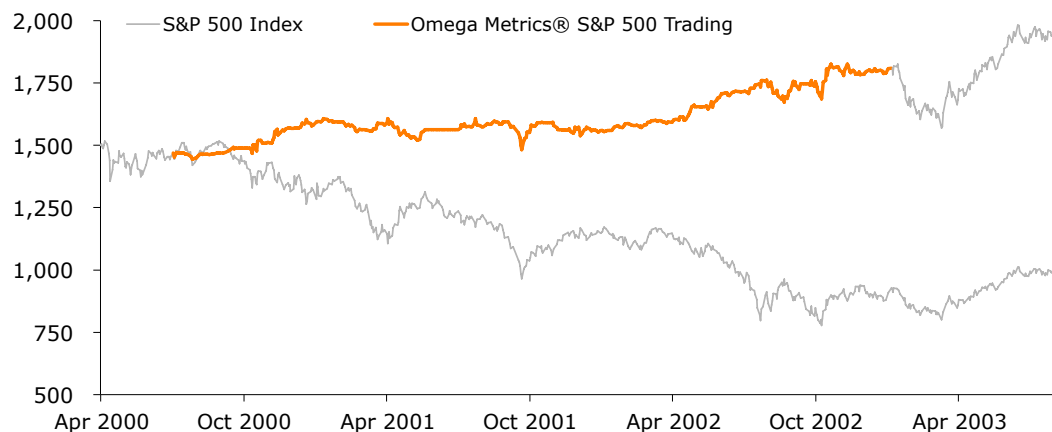
**The ‘Tech Bubble’ Storm: July 2000 to January 2003**

Omega Metrics® Downturn Indicator signalled the end of the global equity market boom in July 2000. The Rebound Indicator came on in January 2003.

Table 4 and Figure 4 show the performance of the Stormy Weather Strategy and the S&P 500 Index during this period. The risk target is a daily 99% ES of 4%.

Table 4 Jul. 00-Jan. 03	Annualised Return	Annualised Std. Dev.	Maximum Drawdown	Maximum Monthly Loss	Monthly Alpha wrt. S&P 500 Index
Omega Metrics® S&P 500 Trading	8.7%	6.5%	-7.8%	-2.6%	0.65%
S&P 500 Index	-17.0%	18.5%	-48.9%	-11.0%	n/a

**Figure 4**  
2000-2003



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