



*Stop Watching | Start Living*

### Our Mission

To enthusiastically provide dynamic tools, research, and services within the financial community by empowering institutions and individuals to redefine what financial freedom really means.

## Introduction

In this issue of State of the Bands™ the services sector is now in focus along with a few other world events that are currently impacting the global financial markets. This report concludes with a brief introduction of the Omega Greek and how it applies to State of the Bands within the Arbitrage Bands™ trading system.



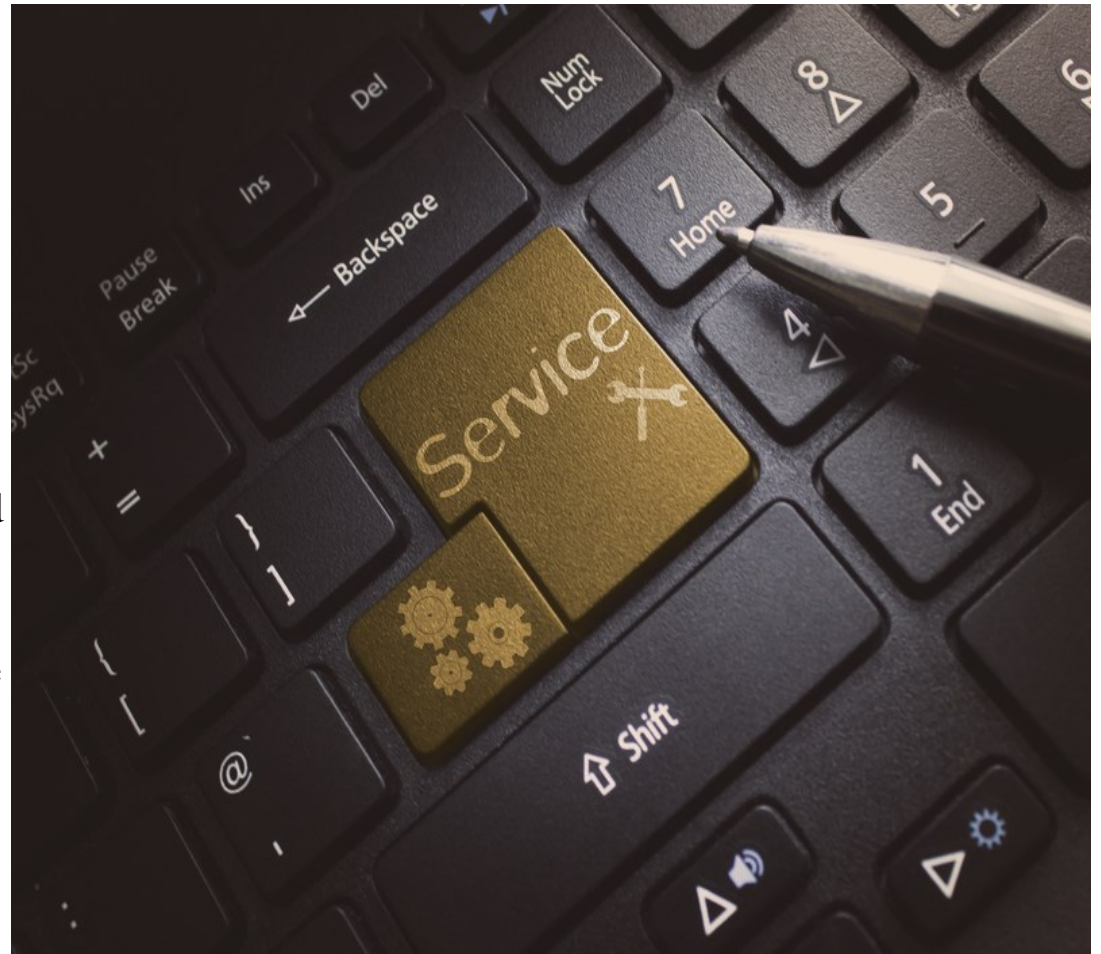
## Services Sector

The **service sector** provides a **service**, not an actual product that could be held in your hand. Activities in the **service sector** include retail, banks, hotels, real estate, education, health, social work, computer **services**, recreation, media, communications, electricity, gas and water supply.

However, recently everything is being packaged as a service even sellable goods. For example, Software As A Service, Infrastructure As A Service, and Platform As A Service just to name a few.

There are even services for services, for example food delivery services for restaurants who do not offer delivery services. The important bottom line here is every service is providing employment to someone; which enables the US economy to grow.

The US economy, as a whole, is be divided into three different sectors: the extraction sector, which includes mining and agriculture; the goods producing sector, which includes manufacturing and construction; and the service sector. The service sector makes up 84% of all employment while extraction makes up 3% the remaining 13% is responsible for producing sellable goods.



## Cyclical & Non-Cyclical Service Sectors



The terms cyclical and non-cyclical refer to how directly a company's share price is impacted by global economic fluctuations. Cyclical stocks have a direct relationship to the economy, while non-cyclical stocks tend to outperform the market during economic slow downs.

- Cyclical services represent companies who offer a wide variety of discretionary services to consumers who are willing to buy when the economy is doing well.
  - \* For Example
    - I. Pet Waste Removal Services
    - II. Personal Trainers
    - III. Taxi Services
- Non-Cyclical services represent companies who offer must have services. These services are always needed.
  - \* For Example
    - I. Garbage Removal & Recycling
    - II. Public Utilities
    - III. Cell Phone Service?

## Economic Slow Down, Stagnation , Stagflation & Deflation

**Economic Slow Down** is a situation in which GDP slows but does not decline. Unemployment may rise and productivity may decline but it is not a recession.

**Stagnation** is a situation where GDP grows at an extremely low rate. New jobs are not created, wages will increase and the stock market will boom.



Stagnation may also indicate the expansion portion of the business cycle is ending and the contraction portion is beginning.

**Stagflation**, however, is a situation where GDP growth is slow, while consumer prices are high.

Another warning sign when determining stagflation is relatively high unemployment and high inflation rates.

**Deflation**, however, is the decline in the prices of goods and services. Currency gains value which results in a decrease in prices. This often is the direct result of a decrease in the demand for goods and services.



## Recycling Goods—Paper Or Paper...

Malaysia is exporting over 3,300 tons of non recyclable plastics back to the US, Canada, and Australia with the intent of informing the world “it will not be the new dumping ground”. Since 2002 over 127 countries have banned the use of plastic bags forcing many countries to scramble for more viable alternative paper products. This change in demand for paper products and services should create a bull market in this industry in the very near future.



### **Paper Companies w/ Dividend**

GLT - Glatfelter - 3.57%  
 IP - International Paper - 4.70%  
 KS - KapStone - No Dividend  
 SWM - Schweitzer Maudit - 5.73%  
 SMFKY - OTC - No Dividend  
 UFS - Domtar Corp - 4.33%  
 WPP - WPP Plc ADR - 8.14%

### **Waste Management w/ Dividends**

RSG - Republic Services - 1.78%  
 WM - Waste Management 1.90%  
 ECOL - U.S. Ecology Inc - 1.21%

## More On Brexit & The WTO

With Theresa May's Resignation as the conservative party leader, there is a high probability that the UK will continue its Exit from the European Union and exit under the terms of World Trade Organization rules.

This "No Deal" exit will leave a lot of uncertainty in the market place and result in higher tariffs on all goods imported between the EU and UK.

This Brexit would come with a few benefits to UK producers too however; primarily the farmers. The government is attempting to ease the parting blow by temporarily reducing the tariff rate to 0 to encourage continued intercontinental trade.



### Goods to have their tariff rates cut to zero

Product	Current tariff rate	Temporary tariff rate
Jams, jellies and marmalades	24%	0%
Oranges	16%	0%
Televisions	14%	0%
Onions	9.6%	0%
Spoons	8.5%	0%
Peas	8%	0%
Carpets	8%	0%
Batteries	4.7%	0%

Source: UK Government



## Forex And Brexit Impact

When discussing global trade even the currency can be traded or exchanged. For example, if you have ever traveled to London and exchanged the US dollar for the GBP you have traded on the forex market. The forex market keeps record of the supply and demand of each currency for each country and provides real time rates of the exchange for example: 1 Great Britain Sterling is equivalent 1.26 US dollars.

The initial vote of Great Britain's citizens to leave the European union, also known as Brexit, occurred on June 23rd 2016. This event caused a very knee-jerk reaction as other countries punished Great Britain and its government's decision to exit the European Union. The Sterling plummeted 11% against the US Dollar within a day. But, since the 2016 vote, Sterling has recovered 8% of that initial 11% fall. However, as the "No Deal" Brexit comes into focus and the idea of an Easy Brexit is over 2 months overdue the Great British Pound has surrendered another 16% of its valuation since their initial vote and there is still no expectation for resolution within the near future even with Theresa May stepping down as Conservative party leader but still remaining the acting Prime Minister until another one is appointed/elected.

Great Britain Currency Pairs								
Pair:	GBP/USD	EUR/GBP	GBP/CAD	GBP/AUD	GBP/JPY	GBP/CHF	GBP/NOK	GBP/ZAR
Price:	1.2626	.8817	1.7044	1.8258	138.53	1.2733	11.0709	18.4797



## Current Events In The EU

Elections - European Parliament elections took place between May 23-26, 2019. The outcome was expertly orchestrated by the UK. Had the UK's Brexit initiative occurred before the elections; the UK would not have had a vote in the EU elections, but because the Brexit negotiations were not complete this allowed the UK to have a vote on the future leaders of the EU. Nigel Farage, the former head of the UK's Independent Party and the head of the newly formed Brexit Party won with 31% of the vote while also securing 28 of the UK's seats in the European Parliament.



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Since 44% of the UK's exports are with EU member nations and free trade between the UK and EU member nations could be replaced by border checks and higher WTO tariffs, It was a very wise move to slow the progress of Brexit vote. Now that the European Parliament elections have concluded, and if Brexit does in fact happen ungracefully, the US will not be the only country entering into another trade war.

## Meanwhile In China

- \* The Second One Belt, One Road Convention was held on April 27th 2019
- \* Countries Absent from the event Included:
  - ◇ The United States
  - ◇ South Asia
  - ◇ East Asia
  - ◇ Iran
  - ◇ Israel
  - ◇ Germany
  - ◇ France
  - ◇ United Kingdom



What is troubling about the list of absentees is that the list above is comprised mostly of the members from the original “Silk Road”

However, even more alarming is the fact that Germany and France had previously been the most vocal in expressing concerns about this new silk road but have now chosen to abstain. President Trump did not attend and intentionally did not send any representative of the US to the event.

**The Business Cycle**, also known as the economic cycle or trade cycle is the downward and upward movement of Gross Domestic Product around its long-term growth trend (The Apocalypse Band™) The length of the business cycle is the period of time containing a single boom and contraction in sequence.

**Bull Market**, the text book definition of a bull market is a situation in which stock prices rise by 20%, usually after dropping by 20% and before a second 20% decline. However, in a typical **Bear Market** stock prices fall by 20% or more.

- Between 1900 and 2018 there were 33 bear markets, each one averaging 3.5 years.

**Long Term Capital Gains** are calculated and determined by the amount of time the property has been held. A property must be held at least one year to be considered Long Term.



**Cutting losses** is limiting downside risk. Successful investors have extremely low tolerance for risk and usually cut losses between 7% and 8% or less. This is also known as the **golden rule of selling**.

**Locking In Profits** - A market correction happens every 11.6 months on average. Institutions rebalance their portfolios once every quarter. Every major correction typically occurs because too many individual investors and or institutions are all wanting to take profits at the same time. In many cases, the owner of the property has held for many years and is wanting to take profits to prevent losing both the invested time and money.

## Economic Growth - IPO Versus A DPO?

An IPO is the process of offering a stake in privately held corporation to the public for the first time. It is a fund raising technique backed by underwriting banks and used by relatively new companies to gain cash flow to help grow their business.

A DPO is a very similar process except it foregoes underwriting, which typically saves a lot of money, but is often seen as more risky because the stock price is completely governed by market whims.

Both IPO's and DPO's can be used by any company at any time. One other reason for these price offerings is to allow initial owners to recoup some of their initial investments into the product by exiting some of their privately held shares and selling them to the public.



### \* A Few Notable IPO's

- \* BYND
- \* JMIA
- \* LYFT
- \* PINS
- \* UBER

### \* IPO's Coming Soon...

- \* Robinhood
- \* Postmates
- \* WeWork

### \* DPO

- \* Slack (SK)

## Introducing Omega™

The Omega Indicator ranges from zero to one. A value of one indicates an Omega Top and a value of zero indicates an Omega Bottom. Unlike Alpha which typically compares an equity to another equity, Omega compares its current price to previous historical prices to determine the probability of what the next prices will be while also predicting the theoretical maximum and minimum range of its volatility

aixguru published on TradingView.com, June 10, 2019 18:06:57 CDT  
 AMEX:SPY, 1D 288.93 ▲ +1.28 (+0.45%) O:289.37 H:290.82 L:288.87 C:288.93



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“To be a champion, compete; to be a great champion, compete with the best; but to be the greatest champion, compete with yourself”

—Matshona Dhliwayo

## Arbitrage Trade Analytics Omega™ Indicator w/ Fibonacci Retracement Ratios

Fibonacci retracements ratios are often used to identify the end of a correction or a counter-trend bounce. Most reversals happen between 38.2 and 61.8 since this covers the larger part of the volatility range and is closest to the stock's average price and momentum.



Think of Fibonacci retracement ratios like the presto-logs from *Back to the Future III*. And just in case you don't know what a presto-log is, it was an artificial fuel for wood burning stoves developed in the 1930's as a means of recycling the sawdust from sawmills.

So in *Back to the Future*, Dr. Emmett Brown created his own. In his adaptation, each log would burn hotter based on color; green being the coolest and least volatile and red being the hottest and most volatile.

Well in Arbitrage, Fibonacci retracement ratios are used as a way to illustrate support and resistance within the Omega™ Indicator. As volatility increases and decreases, these lines help to mark the subtle changes in speed and direction.

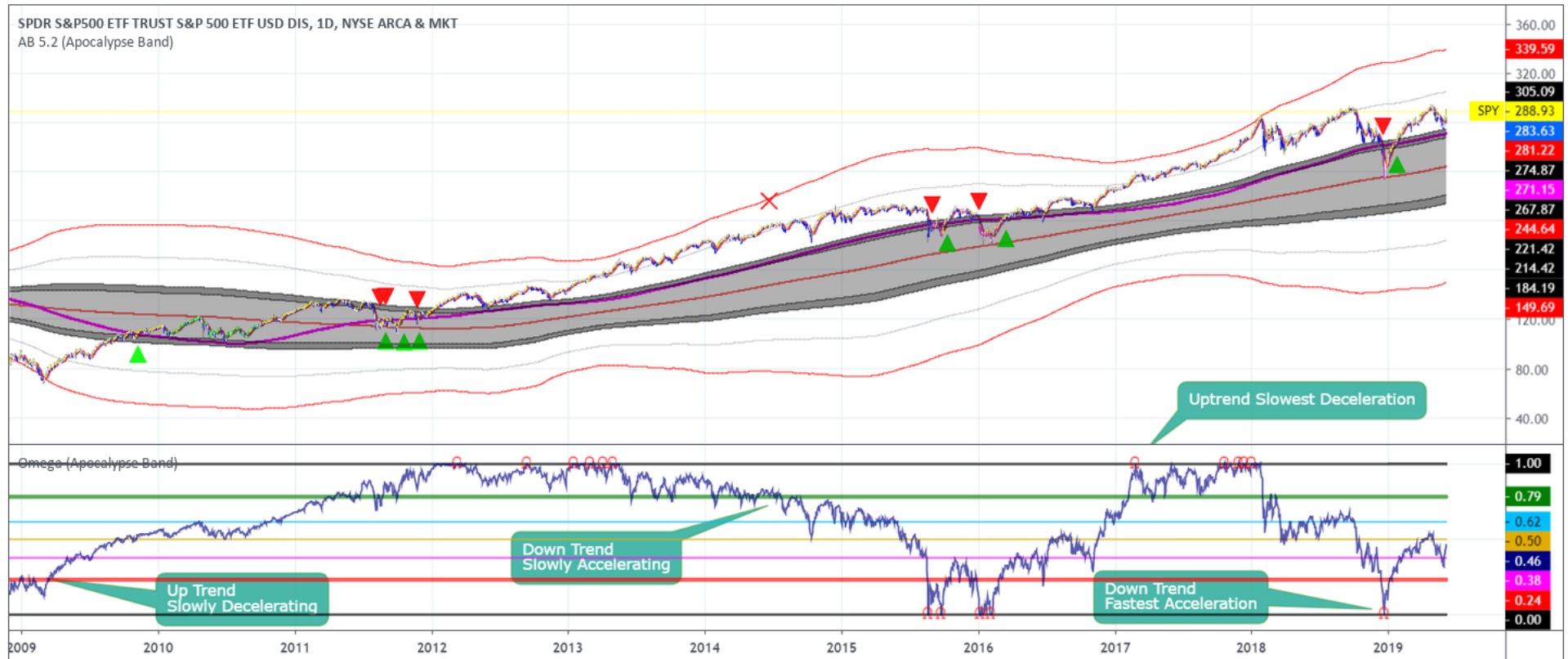
**Pro Tip:** Down happens fast and up happens slowly

# Arbitrage Trade Analytics Omega™ Indicator

When The Omega Indicator touches the top black line an uptrend has reached it's slowest growth rate.

aixguru published on TradingView.com, June 10, 2019 18:25:53 CDT

AMEX:SPY, 1D 288.93 ▲ +1.28 (+0.45%) O:289.37 H:290.82 L:288.87 C:288.93



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Inversely, when the Omega Indicator touches the bottom black line volatility is at its max. A trend only remains sustainable when the equity moves slowly; which is why a bear market is not sustainable, but remains all too probable should SPY dip back below the red line within the Omega Indicator.

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