



The Kobeissi Letter

2019 Annual Performance Report

January 1st, 2019 - December 31st, 2019

The Kobeissi Letter LLC – TheKobeissiLetter.com

Commentary from the Editor-in-Chief

Good Afternoon,

As we conclude 2019, I am honored and excited to present our full-year 2019 annual report. To begin, the immense growth and success that The Kobeissi Letter has experienced since our founding, over four years ago, would not be possible without our loyal community and everyone who plays a role in it each and every day. The Kobeissi Letter launched on December 28th, 2015, with a goal of providing market leading research, from a macroeconomic viewpoint, in a few key sections, with a mix of fundamental and technical analysis to ultimately lead our subscribers to outperform the S&P 500. In June 2017, we launched our second service, the Chart of the Week, where we showcase technical analysis on a new asset every week and provide a potential trade idea.

Both services have led subscribers to strong returns year-over-year. Between all of our services, The Kobeissi Letter now reaches enough people to fill the entire Wrigley Field. We have composed over 700,000 words between The Kobeissi Letter and Chart of the Week, since our founding, which is enough to write nearly thirteen 200-page novels. Since our founding, we have seen markets become increasingly volatile, politics increasingly function as a market driver, the Federal Reserve make historic moves, and fears of a global recession frighten investors.

Despite these headwinds, I am delighted to announce that the net cumulative percentage gain on our trades during 2019 was 53.61%, all while the S&P 500 gained 28.90% during the 2019 trading year. The remarkable strength and upward momentum in equities has made the index incredibly difficult to outperform. However, we continue to apply our proprietary trading methodologies to aid subscribers in this task, and we have found great success in doing so. I will now go into section-by-section commentary.

Equities: Despite a cumulative gain of 4.79%, our calls performed exceptionally well in the second half of the year. Many subscribers obtained a significantly higher gain than 10.20% on our July 15th to December 31st long positions by adding to dips in opportunities that we identified. However, for reporting purposes, we have simply reported an average return of all alerted dip buying opportunities. Weakness in the section came from an unprofitable short position in the first half of 2019. We were able to provide exceptional returns in the second half of the year through early identification of fundamental and technical market drivers.

Crude Oil: Our performance in the crude oil markets was particularly strong this year as we identified range bound trade and fundamental cyclicity in the markets, which our subscribers were notified about. Additionally, accurate speculation on trade talks and OPEC production discussions was imperative to our success. We saw minimal weakness among these trades and continue to employ our investment strategy in the crude oil markets into 2020.

Natural Gas: We also performed strongly overall in our natural gas trades, especially given market volatility on the basis of weather in the final quarter of 2019. We continue to employ a strategy that is primarily technically based and utilize positioning, which stands at historic net short levels, to speculate on future price action in the commodity. Additionally, we limit our downside through precise stop-loss orders and look for a technical roadmap on each natural gas trade we identify. Losses in performance were primarily due to uncertainty in weather as well as occasional early entry into trades which we look to optimize and improve in the New Year. Despite unpredictability, we are happy with our ability to provide such a strong return.

Gold: The precious metal was the most difficult trade of the year as a result of geopolitical tensions, the ongoing trade war, changing Fed policy, and overall uncertainty about the global economy swaying price action. We also saw unusual behavior in the U.S. Dollar's price action in its relation to gold. Historically, gold and the U.S. Dollar are inversely related, however there were many periods of time throughout 2019 where this relationship did not hold. We saw strength in our gold shorts in the latter half of the year as our thesis of a stronger than expected economy and trade deal progress discouraged safe haven investments.

Bonds: In a similar narrative to gold, bond markets were incredibly volatile this year as a result of the same market drivers. However, our bond shorts were exceptionally strong in the final quarter of the year as the Fed became less dovish and Q3 2019 earnings removed many recession fears from the markets. We also saw a tremendous amount of volatility in the bond markets as a trade of trade tensions and politics. Going forward, we are reevaluating bond positions objectively and will be alerting subscribers if positions change, Q4 2019 earnings will be important.

Options: Finally, we performed strongly in the majority of our options market trades this year. Early identification of elevated implied volatility in the markets combined with an underlying fundamentally strong asset for each trade, allowed us to maximize profits through selling options during these time periods. There were also periods where volatility was low and we were able to purchase options for a discount. Implied volatility then quickly increased and benefitted to our positions as premiums rose. Applying our core analysis and trading strategies to our options trades, while also utilizing volatility, or lack thereof, to our advantage, was our primary source of competitive advantage in the options market.

To conclude, we are ready and excited for 2020. We are constantly fine tuning our investment strategy and an annual performance reflection helps us provide subscribers with the best possible analysis. A full detailed performance report including all of our trades from FY2019 has been included below. Additionally, if you are interested in subscribing to The Kobeissi Letter and receiving our analysis, [information regarding our subscription plans may be found here](#). Thank you once again for your continued support and Happy New Year!

Farewell and Trade Well,
Adam Kobeissi
Founder and Editor-in-Chief, The Kobeissi Letter



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Equities (S&P 500):

January 1st – January 21st: Long S&P 500: 7.44% Gain

January 21st – July 15th: Short S&P 500: 12.85% Loss

July 15th – December 31st: Long S&P 500*: 10.20% Gain

*Dips bought on August 5th, August 12th, August 19th, August 26th, and October 7th. Total return on trade includes average return of dip buying and return from position initiation date (July 15th).

Equities Net Return: 4.79%

Crude Oil:

January 1st – February 11th: Long WTI Crude: 16.26% Gain

February 18th – March 20th: Long WTI Crude: 6.75% Gain

April 1st – June 3rd: Short WTI Crude: 12.08% Gain

June 17th – August 5th: Short WTI Crude: 3.93% Loss

August 5th – September 16th: Long WTI Crude: 15.13% Gain

September 23rd – December 23rd: Long WTI Crude: 4.10% Gain

December 23rd – December 31st: Neutral WTI Crude

Crude Oil Net Return: 50.39%

Natural Gas:

January 14th – January 14th (PT Reached): Long Natural Gas: 14.03% Gain

February 4th – April 15th: Long Natural Gas: 6.67% Loss

May 6th – September 23rd: Long Natural Gas: 1.24% Gain

September 30th – November 18th: Long Natural Gas: 2.14% Loss

November 18th – December 2nd: Short Natural Gas: 11.29% Gain

December 2nd – December 5th (PT Reached): Long Natural Gas: 6.95% Gain

December 9th – December 31st: Long Natural Gas: 6.49% Loss

Natural Gas Net Return: 18.21%

Gold:

January 1st – January 14th: Long Gold: 0.63% Gain

January 21st – December 31st: Short Gold: 18.08% Loss

Gold Net Return: 17.45%

IMPORTANT NOTE: Percentage gains are calculated using each section's respective ETF: SPY, USO, UNG, GLD, TBT, TLT. All gains and losses are computed using the closing price of the Friday prior to The Kobeissi Letter's publication for consistency. The Kobeissi Letter is published every Monday morning. Gold performance tracking has changed since last year and no longer includes GDX in performance output. Total gain is expressed as a cumulative percentage sum. All information discussed in this publication adheres to our [General Terms and Conditions](#) and [Disclaimer](#).

Forex/Treasuries and Bonds:

January 1st – March 25th: Long treasury yields/short bonds: **6.03% Loss**

March 25th – June 3rd: Short treasury yields/long bonds: **6.07% Gain**

June 3rd – December 31st: Long treasury yields/short bonds: **10.31% Loss**

This section also includes commentary on the U.S. Dollar, Japanese Yen, and the Euro. However, we do not provide trade ideas for these currencies, therefore performance is not tracked.

FT&B Net Return: 10.27%

Options:

The Kobeissi Letter provides weekly options trades for subscribers. Our average gain on an options trade during 2019 was **7.94%**.

S&P 500 Performance 2019: **28.90%**

TKL TOTAL RETURN: 53.61%

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