



Commentary for the Month Ending September 2019:

The Dipsea Capital Fund returned 0.11% to partners for the month of September, 5.74% year-to-date, and 8.53 % for the previous twelve months.

Market Review:

The U.S. equity markets rebounded in September and volatility trended lower. This belied an eventful month which saw a major spike in oil markets after an attack on Saudi Arabian facilities and, earlier in the month, a significant market rotation from momentum to value.

Market Landscape:

Tailwinds supporting higher stock prices:

1. Economic growth remains positive in the U.S.
2. Central banks continue to signal a willingness to provide more monetary policy accommodation. The U.S. Federal Reserve cut interest rates by 0.25% in September. The futures markets convey a likelihood of another 0.25% cut in October.
3. Sentiment is overtly bearish as evidenced by the CBOE 10-day average of the put/call ratio. We view this pessimism as a contrarian indicator and is therefore supportive of higher prices.

Headwinds to higher stock prices:

1. Evidence is beginning to accumulate indicating economic growth is slowing in the U.S. The fixed investment and net exports components of GDP have been in decline.
2. Earnings remain lackluster. Q3 earnings are projected to be down 3.8% versus the same period last year.
3. There is no scarcity of geopolitical, trade and growth concerns on the horizon, yet the broad market remains within 3% of all-time highs.
4. The valuation for the S&P 500 isn't extreme, but it doesn't reflect value on fundamental metrics. The S&P 500 trades at 17.1x estimated forward twelve-month earnings, which is an 8% premium to its 20-yr average.

Robust, Yet Fragile?

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In an apparent contradiction, the market is performing well despite an abundance of legitimate worries. We believe that reality is worthy of respect and as we have seen there is a pronounced fragility to the system as evidenced by recent market action. At Dipsea, we believe our short-dated, flexible strategy will continue to be effective at capturing moves in either market direction.

At Dipsea, our focus remains the same: exploiting opportunities presented in the most liquid short-dated U.S. index and large capitalization stock options using a low risk exposure strategy.

We are engaging with an increasing number of organizations as investors seek out consistent, uncorrelated returns. I remain committed to the continuous improvement of Dipsea's trading strategies and organizational robustness and am pleased with our continued progress on these fronts on behalf of our investors.

We thank you for the opportunity to be a trusted steward of your capital.

Chris Antonio
Chief Investment Officer and Founder