

## **Podcast summary for Carley Garner – Guest Segment - Episode 908 (02/16/2025)**

### **Quick recap**

Andrew and Carley discussed various aspects of financial markets, including commodity trading, market trends, and trading strategies. They explored the current state of stocks, treasuries, gold, and oil markets, as well as the potential impact of interest rates and inflation. The conversation also touched on personal trading experiences, risk management, and misconceptions about commodities trading.

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### **Summary**

#### **Retail Traders, Recency Bias, and Trading**

Andrew and Carly discussed the current state of the markets, with Carly noting that retail traders are buying without considering risk. They also touched on the topic of recency bias, with Andrew mentioning a conversation with Daniel Crosby about how people remember the last couple of years but not recent events. Carly shared her journey into commodity trading, which she stumbled upon after realizing stockbroking wasn't for her. She found the field interesting and never boring, despite the highs and lows. The conversation ended with a discussion on the stress involved in cryptocurrency trading, with both agreeing it's not for them.

#### **Commodities Trading Risks and Speculation**

Carley and Andrew discussed the misconceptions about commodities trading. Carley explained that commodities are more risky than stocks due to their leverage and the fact that they don't just appreciate like inflation. She also highlighted that commodities are not for everyone and are best suited for hedging. Andrew raised the question about the moral use of speculators in food commodities, to which Carley responded that it's a game of supply and demand, and speculators can both push prices up and down. She also mentioned that high prices can cure high prices. Carley and Andrew agreed that it's a lot to keep up with the commodity market trends, but Carley suggested that it's easier than it sounds, as the markets are interconnected.

#### **Commodity Trading Strategies and Risks**

Andrew and Carley discussed their experiences and strategies in trading commodities, particularly focusing on managing risk and hedging. Carley shared a recent challenge they faced with coffee futures, which had a significant price increase, and how they managed the risk by buying futures contracts against their short calls. They also discussed the importance of hedging before a position becomes in the money to avoid significant losses. Andrew then shifted the conversation to specific trading ideas, mentioning his recent purchase of VIX options for March 18th. The discussion ended with a plan to continue the conversation in the next episode.

## **Stocks, Treasuries, and Market Reversion**

The discussion moved to the current state of the stock and treasury markets, noting that stocks are overpriced while treasuries are underpriced based on historical norms. They speculated that these markets would eventually revert to their mean, with stocks possibly needing to decrease or stop increasing, and treasuries potentially increasing with lower yields. Carley also mentioned her personal portfolio, which is heavily invested in treasuries and underweight in stocks. They also touched on the correlation between gold and coffee, which they attributed to market momentum and narratives rather than fundamentals. Lastly, they discussed the spread between treasuries and gold, noting that gold doesn't pay interest and treasuries are currently generating generational low yields.

## **Gold and Oil Market Observations**

Carley and Andrew discussed the current state of gold and oil markets. Carley shared her observations that the gold market has been less liquid, with people holding onto bars and coins due to the difficulty in selling them. She also noted that speculators have been less willing to invest in oil, predicting a potential drop to the \$50 area. Andrew recalled the time when oil prices went negative, and Carley explained that this was due to the difficulty in storing oil and the cost of selling it at a loss. They both agreed that the current market conditions suggest a potential decline in oil prices.

## **Market Dynamics and Speculator Positions**

They discussed the potential impact of interest rates and inflation on the market. Carley suggested that the market's focus on inflation due to tariffs and expectations may have overlooked other factors. She also mentioned the large net short position in Treasury, implying that speculators are still short. Andrew expressed concerns about the current debt levels and the possibility of reduced taxes, which could affect the deficit. Carley agreed with Andrew's concerns but also pointed out that speculators are already short, which could lead to the opposite outcome. The conversation ended with Carley describing her trading services and Andrew appreciating her contribution.