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**Trade idea** (*System 3-Moving average crossover*: description on page 3\*, chart on page 4):

- General Motors (**GM**-\$37.76). **Potential short candidate**
- I think there may be an opportunity to go short GM shares, given a combination of technical and fundamental factors
- I'll state up front that this showed up on a screen that I run that searches out moving average crossovers, specifically the 10 period MA crossing below the 100 period MA.
- My market regime filter does show that I would generally be looking for long ideas. However, I'm of the opinion that a GM short is worth taking a look at.
- Also, I think this trade may take a few weeks to set up, as I don't want to recommend getting long a name while the general market trend is moving higher.
- On a fundamental basis, GM's sales are relatively flat, with a 1% sequential move higher in 2018. The 5 yr CAGR specific to revenue is negative 1%
- GM's balance sheet has a 71% debt to capital ratio, although the firm is admittedly generating sufficient interest coverage in my view (EBITDA/Int ratio exceeds 27x).
- Short interest shows days to cover at just 2.0, which in my view doesn't put a lot of upward pressure on the stock should investors need to cover any short positions.
- I took a look to see if there has been any recent insider activity, and note the sale of 8,499 shares of GM stock (at \$40 per share), by Chief Accounting Officer, and Controller, Christopher Hatto (on 3/4/19...Form 4 displayed on page 5). The sale represented 46% of Hatto's holdings. While this could have occurred for any number of reasons, I still do not view it as bullish for the stock.
- From a technical vantage point, GM hit lows in Oct of 2018 around the \$30 per share mark, before moving to \$40.14 on Feb 25<sup>th</sup> 2019.
- Since that time, we've seen a retracement to \$36.44 on March 22<sup>nd</sup> 2019, followed by a move higher to its current level of \$37.76.
- What I've noticed of late is that momentum began to slow on GM's prior move higher, signaling a potential slowing in its upward trajectory.
- From a trading system vantage point, GM shares entered into a "sell zone" whereby the price is between the 10 and 100 day MA's while the 10 day MA is below the 100 day.
- I do have a couple of areas of concern however, one being that I think we may be around an area of support, given the anchored volume weighted average price. Looking at AVWAP from the 2Q18 and 3Q18 earnings periods (7/25/2018 and 10/31/201), shows trade prices of \$35.93 and \$36.88

## Weekly Market Note

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respectively. This indicates to me that the average investor in GM shares (measuring from those 2 time periods) is in a positive position. My contention is that this will often provide support for the stock.

- Looking at the candles, I notice that there was an attempted push higher on 3/4/2019 (high on the day of \$41.50), but prices declined overall on the day. I view this as a bearish signal
- From a risk management vantage point, an aggressive entry in this trade in my view would be to short GM on any continued increase, particularly if we reach levels above \$40 per share. This would be an entry primarily based on the fundamental case, taking into consideration tepid sales, debt/capital ratios in excess of 70%, and recent insider selling.
- A conservative entry in my view would be to short GM shares below \$36 per share. This would be an entry based primarily on technical factors, specifically slowing momentum, a crossover of the 10 period MA below the 100 period MA, and a break of perceived support levels (using the aforementioned AVWAP as a proxy).
- In both cases, my exit strategy would be to implement a 4% trailing stop, which equates to approximately 2x the current ATR of 0.777.

### Prior 2019 recommendation(s)

- **MU- Micron Technology 03/26/19 BUY (System 3): Entry= \$40.55; Current Price=\$42.25; Profit/Loss = 4.2%**
- **BOMN- Boston Omaha 03/19/19 BUY (System 3): Entry= \$27.61; 03/22/19; Exit = \$26.36; Current Price = \$25.13; Profit/Loss= -4.5% on 3/21/19, BOMN shares blew through our stop price of \$26.36, causing an exit to the position.**
- **BZUN- Baozun Inc 03/12/19 BUY (System 3): Entry (buy stop hit on 3/29)= \$39.75; Current Price = \$42.00; Profit/Loss = 5.7%**
- **QRVO- Qorvo Inc 03/05/19 BUY (System 3): 03/21/19; BUY =\$72; 03/25/19; Exit =\$71.52; Current Price= \$73.21; Profit/Loss= 0.99%. On 3/21/19, QRVO shares hit our buy stop price of \$72, moving to \$73.89. On 3/25/19 however, prices reversed and would have met our 3.2% trailing stop at \$71.52, causing us to exit the position**
- **PS- Pluralsight Inc 02/26/19; BUY (System 2); Entry = \$29.54; 03/02/19; Exit = \$32.84, Current Price = \$31.46; Profit/Loss = 11.2%.**
- **VRTX-Vertex Pharmaceuticals: 02/19/19; BUY (System 2); Entry =\$188.07; 03/05/19; Exit = \$187.69, Current Price = \$186.05; Profit/Loss = -.002%.**
- **JOBS- 51Jobs Inc: 02/12/19; BUY (System 3); Entry = \$69.14; Current Price = \$83.79; Profit/Loss= 21.2%**
- **FTNT-Fortinet: 02/05/19; BUY (System 3); Entry = \$80.14; Current Price = \$85.22; Profit/Loss = 6.3%**
- **NWL-Newell Brand: 1/29/19; BUY (System 2); Entry = \$21.13; 2/15/19; Exit = \$18.68, Current Price = \$15.44; Profit/Loss= -12%**

### Trade System Descriptions\*

- **System 1:** Momentum ranking while accounting for volatility. Basket of stocks are ranked based on their momentum over the last 90 days (using the exponential regression). That number is annualized and then subsequently multiplied by the R2 (coefficient of determination), in order to penalize stocks for excessive volatility. Goal is to locate stocks with strong, steady momentum
- **System 2:** Retracement while in a primary trend. For long ideas, the goal is to identify names that have been moving higher, but have recently pulled back slightly. I look for stocks whose current price lies below the 20 day moving average, but above the 50 day moving average, while momentum (14 period RSI), is pointing higher as well.
- **System 3:** Moving average crossover. Basic system attempting to capture a stock poised to breakout. Can use a 10 day MA crossover above the 100 day MA, 20 above the 50, 50 above the 200, etc... depending on risk tolerance.

Weekly Market Note



**Weekly Market Note**

SEC Form 4

**FORM 4**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

| OMB APPROVAL                                 |           |
|--|-----------|
| OMB Number:                                  | 3235-0287 |
| Estimated average burden hours per response: | 0.5       |

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934 or Section 30(h) of the Investment Company Act of 1940

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

|   |  |  |
|---|--|--|
| 1. Name and Address of Reporting Person*<br><u>Hatto Christopher</u><br><br>(Last) (First) (Middle)<br>300 RENAISSANCE CENTER<br>M/C: 482-C23-A68<br><br>(Street)<br>DETROIT MI 48265<br><br>(City) (State) (Zip) | 2. Issuer Name and Ticker or Trading Symbol<br><u>General Motors Co [ GM ]</u> | 5. Relationship of Reporting Person(s) to Issuer<br>(Check all applicable)<br>Director 10% Owner<br><input checked="" type="checkbox"/> Officer (give title below) Other (specify below)<br>VP, Controller & CAO |
|   | 3. Date of Earliest Transaction (Month/Day/Year)<br>03/04/2019                 |  |
| 4. If Amendment, Date of Original Filed (Month/Day/Year)  |  |  |

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) |   | 4. Securities Acquired (A) or Disposed Of (D) (Instr. 3, 4 and 5) |            |       | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|------------|-------|---|--|---|
|                                 |                                      |  | Code                           | V | Amount  | (A) or (D) | Price |   |  |   |
| Common Stock <sup>(1)</sup>     | 03/04/2019                           |  | S                              |   | 8,499   | D          | \$40  | 10,040  | D  |   |

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)**

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) |   | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) |     | 6. Date Exercisable and Expiration Date (Month/Day/Year) |                 | 7. Title and Amount of Securities Underlying Derivative Security (Instr. 3 and 4) | 8. Price of Derivative Security (Instr. 5) | 9. Number of derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4) | 10. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 11. Nature of Indirect Beneficial Ownership (Instr. 4) |
|--|--|--------------------------------------|--|--------------------------------|---|--|-----|--|-----------------|---|--|--|---|--|
|  |  |                                      |  | Code                           | V | (A)  | (D) | Date Exercisable   | Expiration Date |   |  |  |   |  |

**Explanation of Responses:**

1. The sale reported in this Form 4 was effected pursuant to a Rule 10b5-1 trading plan.

**Remarks:**

/s/ Tia Y. Turk, Attorney-In-Fact for Mr. Hatto  
\*\* Signature of Reporting Person

03/06/2019  
Date

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

\* If the form is filed by more than one reporting person, see Instruction 1 (b)(v).