

AGAINST ALL ODDS RESEARCH

Jason Perz

**The Unsophisticated investor
series: Summer vacation.**

August 15th 2021

“Economic history is a never-ending series of episodes based on falsehoods and lies, not truths. It represents the path to big money. The object is to recognize the trend whose premise is false, ride that trend, and step off before it is discredited.”

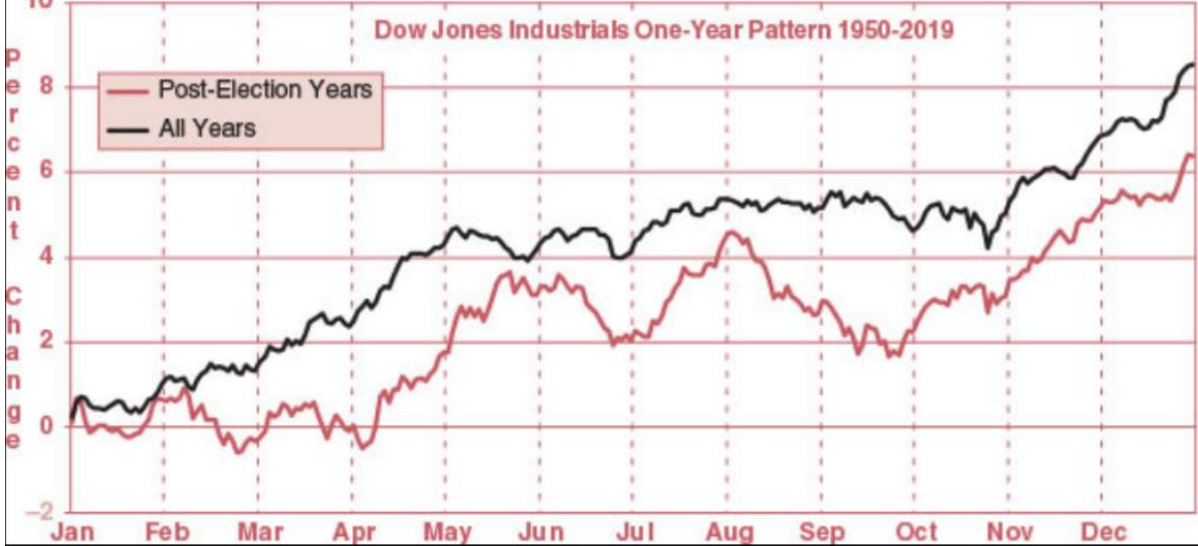
George Soros

Another thing that I realize about myself that I don't see in other traders is that I'm really humble about my ignorance. I truly feel that I'm ignorant despite having made enormous amounts of money.

Many traders I've met over the years approach the market as if they're smarter than other people until somebody or something proves them wrong. I have found this approach eventually leads to disaster when the market proves them wrong.

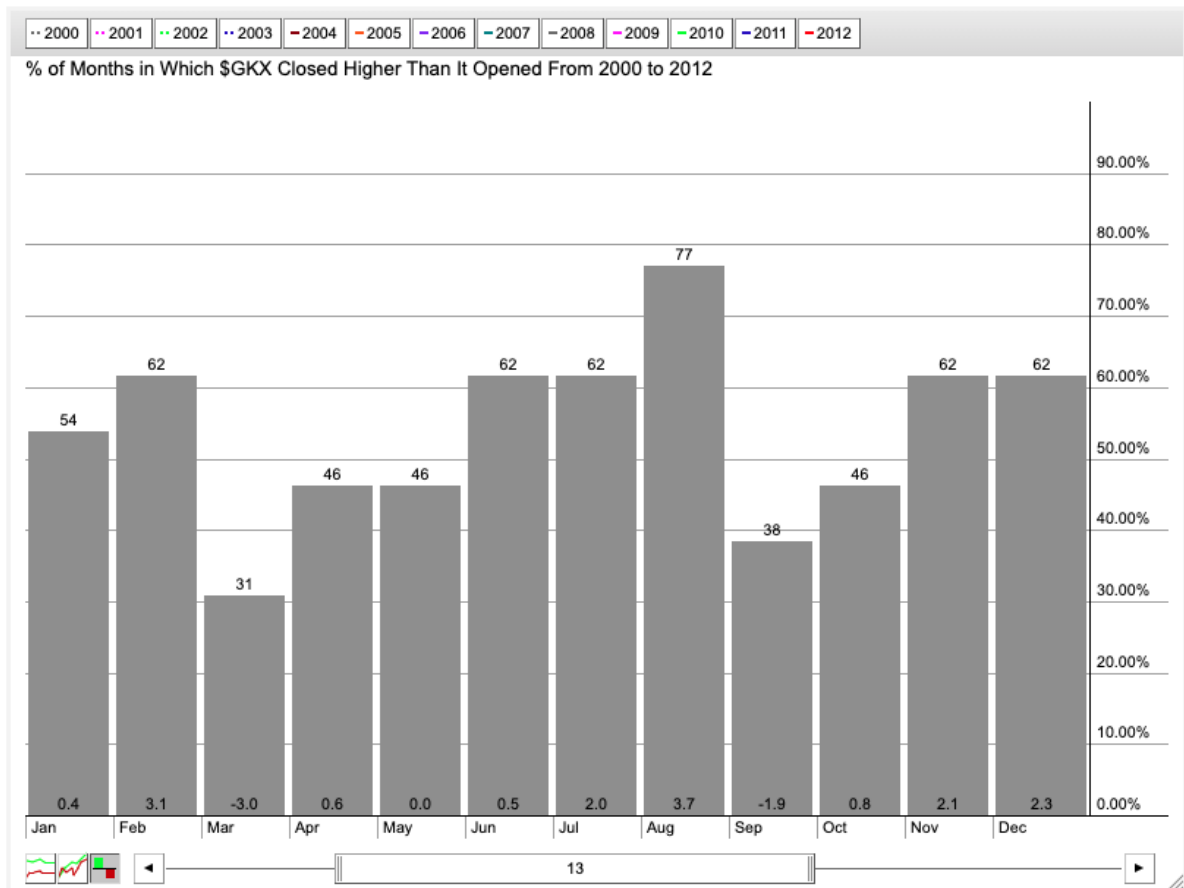
Jim Leitner

Every year I usually take time off from trading (mainly a break from full time trading. I still have all the trades that were on with trailing stops. My signals are still set up with buy stops or sell stops.) in the summer. I come into every summer knowing that we will most likely be range bound. This does not mean that we should stop trading. This does mean that I limit my expectations. There is no such thing as a 100% (win rate) seasonal cycle over a long period of time. Backtesting this also says that you should continue to trade. Summer rallies are rare but they do happen.



Agricultural commodities have a tendency to pick up in to the summer months.

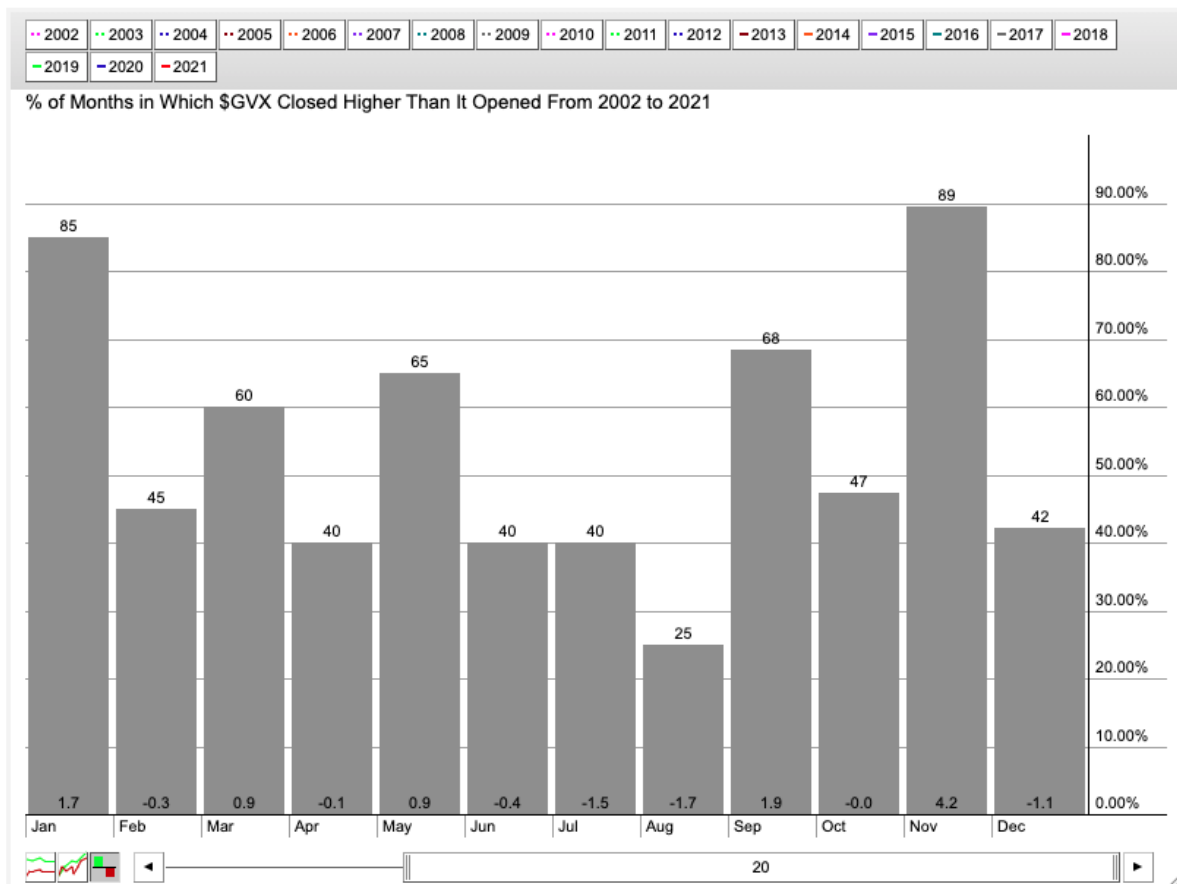




This is the grain index over the last Ag cycle 2000-2012.

“We need to quantify things and understand why some things are cheap or expensive by using some hard measure of what cheap or expensive means. Then there has to be a combination of story and value. A story is still required because it will appeal to other people and appeal is what drives markets. If there’s no story and something’s cheap, it might just stay cheap forever. But if there’s a story involved, make sure that you first look at the numbers before you get involved to be sure there is some quantitative backing to the idea.”





Livestock usually runs higher at the end of summer.

Long story short: manage your expectations and be ready for volatility. Also let's look forward to buying opportunities that will most likely come in late October for equities.



November Vital Statistics

	DJIA		S&P 500		NASDAQ		Russell 1K		Russell 2K	
Rank	2		2		3		2		2	
Up	48		48		34		31		28	
Down	22		22		15		10		13	
Average % Change	1.6%		1.6%		1.7%		1.8%		2.1%	
Post-Election Year	1.9%		1.8%		2.4%		3.7%		2.8%	
Best & Worst November										
	% Change		% Change		% Change		% Change		% Change	
Best	1962	10.1	1980	10.2	2001	14.2	1980	10.1	2016	11.0
Worst	1973	-14.0	1973	-11.4	2000	-22.9	2000	-9.3	2008	-12.0
Best & Worst November Weeks										
Best	11/28/2008	9.7	11/28/2008	12.0	11/28/2008	10.9	11/28/2008	12.5	11/28/2008	16.4
Worst	11/21/2008	-5.3	11/21/2008	-8.4	11/10/2000	-12.2	11/21/2008	-8.8	11/21/2008	-11.0
Best & Worst November Days										
Best	11/13/2008	6.7	11/13/2008	6.9	11/13/2008	6.5	11/13/2008	7.0	11/13/2008	8.5
Worst	11/20/2008	-5.6	11/20/2008	-6.7	11/19/2008	-6.5	11/20/2008	-6.9	11/19/2008	-7.9
First Trading Day of Expiration Week: 1980-2020										
Record (#Up - #Down)	22-18		18-22		15-25		20-20		17-23	
Current streak	U1		D2		D2		D2		D3	
Avg % Change	-0.06		-0.09		-0.19		-0.09		-0.11	
Options Expiration Day: 1980-2020										
Record (#Up - #Down)	26-14		24-16		21-19		24-16		23-16	
Current streak	U2		U2		U1		U2		U10	
Avg % Change	0.24		0.18		0.05		0.17		0.16	
Options Expiration Week: 1980-2020										
Record (#Up - #Down)	26-14		24-16		22-18		23-17		20-20	
Current streak	U1		U1		U1		U1		D2	
Avg % Change	0.29		0.10		0.07		0.09		-0.15	
Week After Options Expiration: 1980-2020										
Record (#Up - #Down)	23-17		25-15		26-14		25-15		24-16	
Current streak	D2		D2		D2		D2		D2	
Avg % Change	0.54		0.55		0.66		0.56		0.75	
First Trading Day Performance										
% of Time Up	64.3		64.3		65.3		73.2		61.0	
Avg % Change	0.29		0.31		0.32		0.40		0.26	
Last Trading Day Performance										
% of Time Up	55.7		52.9		63.3		46.3		65.9	
Avg % Change	0.12		0.13		-0.07		0.03		0.13	

Dow & S&P 1950-June 19, 2020, NASDAQ 1971-June 19, 2020, Russell 1K & 2K 1979-June 19, 2020.

*Astute investors always smile and remember,
When stocks seasonally start soaring, and salute November.*

From the 2021 stock trader's almanac.

November is always one of the best months for stocks, energy, small caps, financials and so on.

Once again seasonals are never 100% but this helps us create a roadmap as well as our intermarket signals.

Jason Perz

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BTCUSD	Buy	Buy	Buy	Long July 23	I	1			
ETHUSD	Buy	Buy	Buy	Long July 22	I	1			
XBI	Sell	Sell	Sell		I	1			
XLU	Buy	Buy	Buy		D	0			
XME	Buy	Buy	Buy		I	1			
IYR	Buy	Buy	Buy		Mix	1			
XLP	Buy	Buy	Buy		D	0			
XLE	Buy	Buy	Sell		I	1			
URNM	Buy	Buy	Sell		I	1			
SMH	Buy	Buy	Buy		I	1			
KRE	Buy	Buy	Buy		I	1	Growth up/Inflation down	Growth up/inflation up	
XHB	Buy	Buy	Buy		I	1	Monetary policy response: neutral	Monetary policy response: Hawkish	
IYT	Buy	Buy	Sell		I	1	Growth down/Inflation up	Growth down/inflation down	
GDJ	Buy	Sell	Sell		Mix	0	Monetary policy response: Stuck	Monetary policy response: Dovish	
Silver (Spot)	Buy	Sell	Sell		Mix	1			
Gold (Spot)	Buy	Sell	Sell		Mix	0			
ZB 30 bond	Buy	Buy	Buy		D	0			
NG	Buy	Buy	Buy		I	1			
Copper HG	Buy	Buy	Buy		I	1			
Oil CL	Buy	Buy	Buy		I	1			
EURUSD	Buy	Sell	Sell		I	0			
CORN	Buy	Buy	Buy		I	1			
Sugar	Buy	Buy	Buy		I	1			
Lumber	Sell	Sell	Sell		I	0			
TLT:SPY	Sell	Sell	Sell		D	1			
ZF 5 year bond	Sell	Sell	Sell		D	1			
JPYUSD	Sell	Sell	Sell		D	1			
CADUSD	Buy	Buy	Buy		I	1			
GBPJPY	Buy	Buy	Buy		I	1			
					Regime score	23	0-8 deflation	9-18 Tradable deflation	19 and up Risk on
Yield Curve	Reflationary								
Regime	Reflation moving in to stagflation	Note: Reflationary assets are still outperforming. Deflationary assets are trying to catch up. We are still in between regimes.							
Fed	Printing with no end in sight.	Note: Talk of tightening from the hawks is creeping in at the moment. Most likely B.S.							
Growth	Watch for signals for a growth slow down on a rate of change basis. This could change things quickly.								
Inflation	Inflation should stay sustainable. Watch the rotation in to softs, industrial metals and obscure products.								
	The primary trend for inflationary assets and commodities are up.								
Note:	I am seeing more and more reasons to think that there is going to be another leg up in commodities, bitcoin and commodity currencies.								
	I am also seeing that bonds may turn over here. A close below 162 on the 30 year bond (ZB) would confirm this.								

“If there is one fatal flaw in this business, it is allowing isolated information to drive trading or investing decisions-committing money without understanding all the risks. And there is only one way to understand all the risks: through systematic knowledge.” Trader Vic



Model retirement/long term portfolio weights

Sector weights	100%	
Brazil (EWZ)	4%	
Russia (RSX)	10%	
Energy (XLE)	8%	
Shipping stocks	4%	
Metals and Mining (XME)	7%	
Regional Banks (KRE)	6%	
Mexico (EWW)	4%	
EWT (taiwan)	4%	
Transports (IYT)	5%	
Vietnam (VNM)	6%	
Homebuilders (XHB)	4%	
Timber and forestry (Wood)	4%	
Real Estate (IYR)	7%	
IGV/XLV (healthcare and software)	8%	
Silver (SLV/PSLV)	3%	
Major/Junior Miners (GDX,GDXJ)	3%	
Platinum (PPLT)	4%	
Bitcoin/Ethereum(ETF proxy if needed)	New entry in July	5%
Tips/fixed income/Carry currencies	8%	

Sectors: Portfolios are managed through ETF's or individual equities depending on a clients risk profile.

Model futures portfolio

Long
CL oil
HG Copper
ZC/ZL/RS Corn Soybean oil Canola
BRL/CAD/MXN/NZD/CHF
LE/HE Hogs
Sectors Industrials/Energy/financials
Coffee/Sugar/Cocoa/OJ
Cotton
Russia
Spring Wheat
NG Natural Gas
PA Paladium
Bitcoin/ETH
PL Platinum (new)
Short
USD via commodity currencies
ZF 5 year bond
ZB waiting for signal (neutral)


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Part 1

Kashyap Sriram (the fundamental view)

Part 2

Jason Perz (chart storm)

Part 1: Catching up on past trades

Corvus Gold - I closed the Corvus Gold trade last Friday at \$4/share for a ~20% gain. The trade worked out as expected. Time to move on.

Short New Found Gold - NFG shares peaked within a week of my short recommendation (see June issue). Using the 6/1 closing price of C\$12.38 as my entry, the trade is up 16.4%. Share prices should continue to decline as the float improves. Stay short.

Short Cameco/URNM - As I wrote in the July issue, spot uranium is flat while the uranium miners have rallied, creating a divergence. Valuation-wise, the uranium sector is grossly overvalued *for current spot uranium prices*. Several uranium juniors have raised financing to secure physical uranium, the so called #uraniumsqueeze, and yet the uranium price has stayed flat. While uranium remains in a long term supply deficit, the fact that the price has failed to go up amidst what ought to be wildly bullish news makes me cautious. So, I re-iterate the short trade. Note that this trade runs counter to the long term trend, which is still up. If I were to enter this trade now, I'd set a buy stop over \$60 for URNM and \$18 for CCJ (or perhaps a 14-week ATR of 1.5). Using the 7/9 closing price as my entry, the CCJ short is up 10.6% and URNM short is up 9.4%. These gains are indicative - if you used tight stops you would have been stopped out on the rally at the end of last month.

Link for monitoring uranium prices - <https://www.cameco.com/invest/markets/uranium-price>

Buy Euronav and DHT Holdings - The big winners in the shipping space this year are the containerships and dry bulk. Why bother buying the oil tankers?

The long term picture is one of supply destruction as vessels headed for the scrap heap are not replaced by newbuilds. Shipyards are swamped with orders for containers and LNG vessels, so any newbuild ordered now will likely not even be scheduled for delivery until late 2023 or 2024. Suffice to say, nobody wants to order a vessel now, not with the International Maritime Organization creating uncertainty over future regulations. Vessel owners are hurting since current charter rates aren't even high enough to cover opex.



Again, why bother with a sector in distress? The gap between the NAV of these companies and the share price is growing wider, and such gaps have a way of correcting themselves through corporate action. The NAV here isn't a nebulous figure - it is simply the actual values of the fleet as determined by trading activity in the sale & purchase market and broker reports.

While the market is valuing these companies based on the terrible numbers they are posting in their income statement, we are buying into them based on their strong balance sheet and attractive valuation. All that's needed to repair the income statement is a few ticks higher in oil demand - that's just a matter of time.

Two ways to play this - (1) catch the falling knives and hope for a corporate action or trend change to close the valuation gap, (2) set a buy stop.

I chose (1). I have a small position and I plan on adding aggressively when the sub-sector breaks out. Using the 7/9 closing price as my entry, the EURN trade is down 13.2% and DHT is down 14%.

Watch for an opportunity to short CACC

Website: <https://www.creditacceptance.com/>

Since 1972, Credit Acceptance has offered automobile dealers vehicle finance programs to help them sell vehicles to consumers, regardless if they have bad or no credit. These programs are offered through a nationwide network of automobile dealers who benefit from sales of vehicles to consumers who otherwise could not obtain financing; from repeat and referral sales; and from sales to customers who come into the dealership believing they have credit issues, but qualify for traditional financing. Further, we report to the three national credit reporting agencies, giving consumers an opportunity to improve their credit score and potentially qualify for more traditional financing.

Our company is unique. Enrolled dealers share in the cash flows from the contract, which creates an alignment of interests and is a critical element of our success. Dealers have an incentive to sell reliable vehicles that last the term of the contracts, as they benefit from those who successfully repay their contracts.

CACC is in the business of making subprime auto loans. Business is booming. The first two quarters of 2021 saw the company achieve net income of \$490.7 million (EPS of \$28.96) vs. net income of \$12.6 million (70 cents) for the same period last year. Shares made a 52-week high yesterday. Sounds good, right? Not when you take a look under the hood.

The comparison looks good only because provision for credit losses decreased by \$503.3 million, accounting for 101.9% of the H1 2021 net income. That's a phantom gain which will be non-recurring. The company's loan loss projections may even prove too optimistic when the moratorium on evictions ends and the company's customer base starts feeling the squeeze of



having to make both rent and car payments. The situation will be even worse when unemployment benefits expire.

The bottomline is, if you believe the Biden administration will institute universal basic income, CACC is probably an attractive buy. Under less optimistic scenarios, CACC's price to book of 3.73x and debt-to-equity ratio of 2.26x indicates a company priced to perfection with a lot of downside potential if things go south.

CACC reported earnings at the end of last month. What have insiders been doing since the blackout period ended? Yep, you guessed it! They are taking advantage of the post earnings rally.

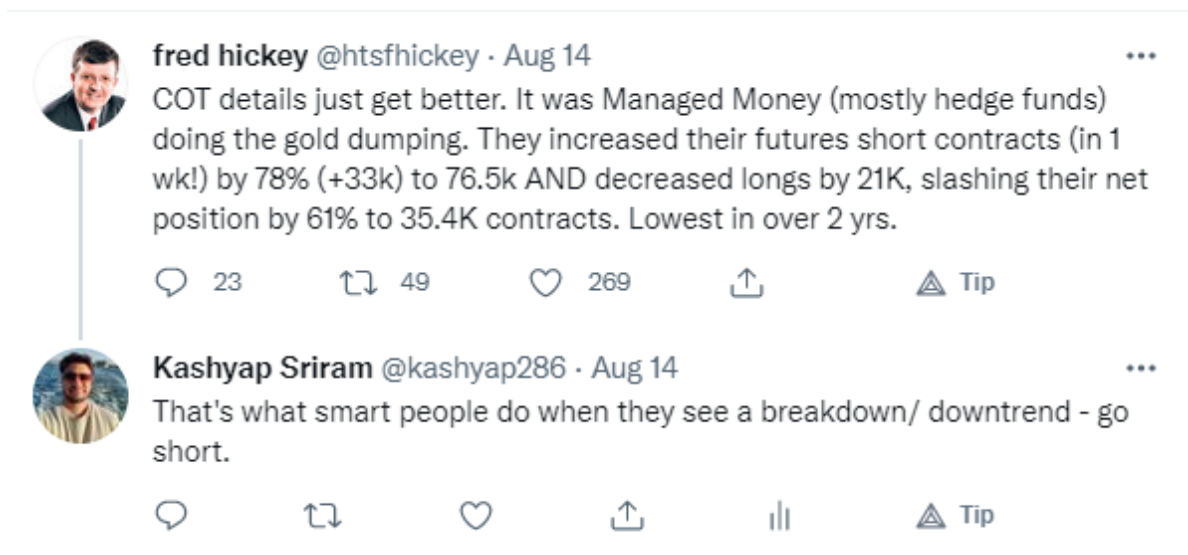
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08/13 03:10 INSI CACC: Credit Acceptance - Watson Jill Foss (BO) Sold (S) 15k shares @ $548.45
08/12 05:30 RTFL Refinitiv Edgar Filings: CREDIT ACCEPTANCE CORP 4 2021-08-12T21:42:16Z
08/11 23:44 INSI CACC: Credit Acceptance - Watson Jill Foss (BO) Sold (S) 1.5k shares @ $553.53
08/11 23:39 INSI CACC: Credit Acceptance - Watson Jill Foss (BO) Sold (S) 13.5k shares @ $552.81
08/11 06:53 INSI CACC: Credit Acceptance - Watson Jill Foss (BO) Sold (S) 5k shares @ $554.55
08/11 05:30 RTFL Refinitiv Edgar Filings: CREDIT ACCEPTANCE CORP 4 2021-08-11T18:10:58Z
08/11 05:30 RTFL Refinitiv Edgar Filings: CREDIT ACCEPTANCE CORP 4 2021-08-11T18:15:51Z
08/10 19:19 ZK FS KKR Capital (FSK) Q2 Earnings Top Estimates, Costs Rise Y/Y
08/10 05:30 RTFL Refinitiv Edgar Filings: CREDIT ACCEPTANCE CORP 4 2021-08-11T01:24:29Z
08/08 12:43 SWS Have Insiders Sold Credit Acceptance Corporation (NASDAQ:CACC) Shares Recently?
08/08 06:11 TGL CACC:NASD - Sentiment is weak for the US economy, in the past this led to a increase in Credit Acceptance price
08/07 04:25 SA Marathon Digital leads financials' biggest weekly gainers, Trupanion slides the most
08/06 05:30 RTFL Refinitiv Edgar Filings: CREDIT ACCEPTANCE CORP 4 2021-08-06T20:07:09Z
08/06 05:06 INSI CACC: Credit Acceptance - Watson Jill Foss (BO) Sold (S) 7.6k shares @ $539.89
08/05 05:30 RTFL Refinitiv Edgar Filings: CREDIT ACCEPTANCE CORP 4 2021-08-05T23:37:35Z
08/04 19:35 BZ Stocks That Hit 52-Week Highs On Wednesday
08/04 09:30 MSTL On 2021-08-04 Douglas W. Busk, Chief Treasury Officer, sold 250 Common Stock at a price 540.19. Post-transaction ownership is 8,319 shares (CACC).
08/04 09:30 MSTL On 2021-08-04 Daniel A. Ulatowski, Chief Sales Officer, sold 1,500 Common Stock at a price 550. Post-transaction ownership is 16,459 shares (CACC).
08/04 05:30 RTFL Refinitiv Edgar Filings: CREDIT ACCEPTANCE CORP 4 2021-08-04T21:09:25Z
08/04 05:30 RTFL Refinitiv Edgar Filings: CREDIT ACCEPTANCE CORP 4 2021-08-04T21:11:31Z
08/04 05:30 RTFL Refinitiv Edgar Filings: CREDIT ACCEPTANCE CORP 4 2021-08-04T21:13:35Z
08/03 09:30 NCS CACC: Forensic Stock Earnings & Valuation
08/02 09:30 MSTL On 2021-08-02 Arthur L. Smith, Chief Analytics Officer, sold 1,000 Common Stock at a price 525. Post-transaction ownership is 11,770 shares (CACC)....
08/02 09:30 MSTL On 2021-08-02 Douglas W. Busk, Chief Treasury Officer, sold 24 Common Stock at a price 514.51. Post-transaction ownership is 9,069 shares (CACC).
08/02 09:30 MSTL On 2021-08-02 Douglas W. Busk, Chief Treasury Officer, sold 226 Common Stock at a price 515.82. Post-transaction ownership is 9,093 shares (CACC).
08/02 09:30 MSTL On 2021-08-02 Douglas W. Busk, Chief Treasury Officer, sold 500 Common Stock at a price 510.26. Post-transaction ownership is 8,569 shares (CACC).
08/02 09:30 MSTL On 2021-08-02 Daniel A. Ulatowski, Chief Sales Officer, sold 1,500 Common Stock at a price 500. Post-transaction ownership is 17,959 shares (CACC).
08/02 09:30 MSTL On 2021-08-02 Arthur L. Smith, Chief Analytics Officer, sold 1,000 Common Stock at a price 500. Post-transaction ownership is 12,770 shares (CACC).
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The consensus forecast based on 6 analyst ratings (4 hold, 2 sell) is \$395.67, with the low case being \$295. If shares correct back to 1 times book, CACC could go as low as \$153.

My recommendation is to watch for a short opportunity. You could buy puts but there's no volume in the OTM puts expiring in Jan 2022 or beyond. This trade will need time to work out. Easier to just watch for a trend change and go short.

Beware of the market gurus





I've been a subscriber of Fred Hickey's The High-Tech Strategist for years and I have a lot of respect for the guy. But the above tweet is an epitome of the kind of folly value investors are wont to keep repeating. According to the tone of his tweet, the August 10 COT report implies gold is a buy because the money managers have increased their short positions and reduced their long positions. That implies gold will rally. The underlying basis for his tweet is that CTAs are idiots who always do the wrong thing (and lose money). If that were indeed true, don't you think asset allocators would have figured it out by now?

Fred Hickey is a perma gold bull and tech bear. He occasionally takes long positions in tech stocks and reduces his allocation to gold, but he is firmly locked in to that mindset. Like most market gurus, he needs to consistently repeat this message in order to grow his fan following and sell newsletters. Even better, he doesn't publish a track record. Has he outperformed the HFRX or any of the trend following CTAs? We will never know.

But Kashyap, wasn't his call right? After all, gold has rallied since August 10th.

The trick is to go back and look at his timeline.



fred hickey @htsfhickey · Jul 8

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Gold rallies 6 consecutive days & miners do nothing. Today, gold declines a minor \$5(-0.3%) & miners sink 3% (on a day US\$ drops & with negative real yields -3.7% - great conditions for gold). Investors holding miners can't take it any more and puke (capitulate). Deja vu Jan. 2016

46 76 491 Tip



fred hickey @htsfhickey · Jul 8

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In Dec. '15 gold double-bottomed near \$1050. Gold rallied in fits&starts in first few weeks of January '16 & miners ignored the rally. Even though gold had bottomed weeks earlier, miners didn't bottom until 3rd week of Jan. (final puke). Frustrating. Miners then doubled in 3 mos.

6 12 123 Tip



fred hickey @htsfhickey · Jul 8

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Not saying this a repeat (2016 was a deep bear market low). Just saying it feels similar with fundamentals so good (miner margins near \$800 an ounce, cash flows great) - yet investor negativity for miners is so high, ignoring the recent rally in gold - assuming it won't continue.

15 12 143 Tip



fred hickey @htsfhickey · Jul 5

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Gold buying strength from the east (China&India) typically helps establish the floor for gold prices. Western investor demand drives the price higher & currently there's lots of potential demand from there with speculative futures positioning relatively very low after June selloff

1 7 52 Tip

For a man with a hammer, everything looks like a nail.



fred hickey @htsfhickey · Jun 17

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I nibbled on some more gold mining stocks in the aftermath, (only buying back shares sold at higher prices) and will continue to do so if the gold pullback continues. Wouldn't expect the selloff to last much longer. As sentiment worsens, I'll get more aggressive with the buying.

4 4 109 Tip

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fred hickey @htsfhickey · May 23

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"Stores of value" over the past 7 days: Bitcoin -27.5%, Ethereum -44.2%, Dogecoin -39.3%, Cardano -46.4%, Binance Coin -56.3%, XRP -48.9%, Polkadot -57.6%, Internet Computer -43.1%, Bitcoin Cash -54.3%. These are the largest cryptos. Objects of speculation, not "stores of value"

70

86

560



Tip



fred hickey @htsfhickey · May 21

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Another catalyst for gold - tarnished outlook for crypto "alternatives" as central bankers turn the screws -China yesterday, India reportedly about to ban crypto ownership(fines, jail time), BoE warning crypto owners & US Treas. & Powell actions heating up

The gurus are ***always*** repeating the same message. Price action is inconsequential, what matters is their own view of the world. If cryptos correct, why, they were right all along on why one should avoid that sector. They've always told you so. If gold corrects, well, you should just buy or "nibble" on the miners. Any piece of news is a catalyst for gold to go higher. This market is like that other time when gold miners went up 100%.

Good market gurus like Fred Hickey are bound to get it right over time. Especially ones who derive a significant chunk of their income from successfully investing their own money, rather than from just selling newsletters. The question is - do they have good risk adjusted returns? I tend to think not.

When in doubt, refer to the price action rather than a market guru on Twitter.

That said, here's my view on the gold sector.

Thoughts on gold miners

I'm not a buyer. I tend to favour the explorers which move based on their fundamentals as well as the gold price, more so the former. Price action wise, most of the explorers I follow are in a downtrend. Sentiment is bearish. Gold is consolidating. Sure, I could recommend some great names now and just ignore the market for a year and I no doubt will have a positive return. But this is a trading newsletter geared towards traders with much shorter time horizons. Locking up capital in this space implies there's less capital available for the next attractive opportunity that comes along. It also increases the risk of drawdowns.

I don't want to speculate on takeover candidates when sentiment at corporate offices of the bigger miners is bound to be in favour of caution rather than growth. Barrick CEO Mark Bristow has been quite vocal about the need for consolidation in the industry and no doubt takeovers will happen. I just don't want to speculate on potential takeovers right now.

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That's my reasoning for not recommending any new trades in the gold space. I do have a buy list for investors. If you're interested in that, send me a message on Telegram @kash286.

Why do I have a buy on the oil tankers but not gold miners, even though they are both in a short-term downtrend? With gold, it's easy to monitor the market price everyday and figure out when the downtrend/consolidation is over. With the oil tankers, we will only get to know about fixtures and the trend in TCE rates after the fact. DHT is actively buying back shares. EURN also has a history of buybacks. This trade has little downside and a lot of upside from here based on economic fundamentals of supply and demand and potential corporate action. With gold stocks, the upside is *contingent* on gold sentiment and price action.

When it's apparent that the market has turned, I'll be aggressively adding to the miners and oil tankers.

Breakwave Dry Bulk Shipping (BDRY)

Website: <https://etfmg.com/funds/bdry/>

BDRY provides long exposure to the dry bulk shipping market through a portfolio of near-dated freight futures contracts on dry bulk indices. The Fund will hold freight futures with a weighted average of approximately three months to expiration, using a mix of one-to-six-month freight futures, based on the prevailing calendar schedule. The Fund intends to progressively increase its position to the next calendar quarter three month strip while existing positions are maintained and settle in cash. The initial freight futures allocation will be 50% Capesize contracts, 40% Panamax contracts and 10% Supramax contracts, rebalancing annually, as needed, during the first two weeks of the month of December.

BRDY is an ETF that provides exposure to dry bulk rates. I'm wary of ETFs which buy and hold futures but this instrument has a great track record. Plus, the chart looks beautiful.





The Baltic Dry Index hit a multi-year high last week. The same cannot be said of the dry bulk shipping stocks. This ETF can be viewed as an alternative to the stocks, which are quite volatile. Containerships and dry bulk shipping are in a long-term bull market, but I am unsure if current prices represent an attractive entry point. For those who want to take a closer look, check out these names.

Containerships: ZIM, TRTN, ATCO and MATX.

Dry bulk: SBLK, GOGL and EGLE.

Costamare (CMRE) is another interesting candidate to watch. The company has its foot in both containers and dry bulk. The stock is covered by 3 analysts with a buy rating and a consensus target of \$13.75. The stock has a TTM PE of 8.3x and a forward PE of 4.3x. I want to watch how the broader sector performs over the next two weeks and buy in just ahead of Labor Day.

Short overvalued Chinese stocks

Every so often, Western investors grow enamoured of Chinese stocks, only to learn time and time again that it just doesn't pay to invest in that country. Be it Sino Forest or Luckin Coffee, accounting frauds are numerous and investors get fooled into buying worthless stocks. Then there's Chinese tech. Chinese tech stocks were once treated on par with US tech stocks - until the CCP cancelled the Ant Group IPO and investors suddenly awoke to political risk in Chinese tech. Recently, the CCP has



started going after education companies and threatened to turn them into non-profits. They have also banned bitcoin mining.

Unlike Kyle Bass who has it in for everything Chinese, I bring this up to make a point - Chinese stocks are risky and need to trade at a discount to reflect that risk. Yet, there's one group of Chinese stocks which currently doesn't.

COMMODITIES NEWS DECEMBER 11, 2019 / 11:39 AM / UPDATED 2 YEARS AGO

Exclusive: U.S. Army will fund rare earths plant for weapons development

By Ernest Scheyder

5 MIN READ



(Reuters) - The U.S. Army plans to fund construction of rare earths processing facilities, part of an urgent push by Washington to secure domestic supply of the minerals used to make military weapons and electronics, according to a government document seen by Reuters.

From the [article](#):

"The move would mark the first financial investment by the U.S. military into commercial-scale rare earths production since World War Two's Manhattan Project built the first atomic bomb.

It comes after President Donald Trump earlier this year ordered the military to update its supply chain for the niche materials, warning that reliance on other nations for the strategic minerals could hamper U.S. defenses.

China, which refines most of the world's rare earths, has threatened to stop exporting the specialized minerals to the United States, using its monopoly as a cudgel in the ongoing trade spat between the world's two largest economies."

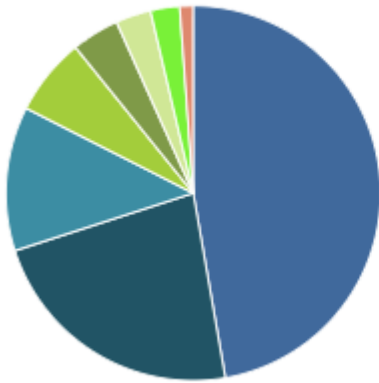
Since the covid crash, the **VanEck Vectors Rare Earth/Strategic Metals ETF (REMX)**, which tracks the overall performance of companies involved in producing, refining, and recycling of rare earth and strategic metals and minerals, moved from a low of \$23.91 to peak at \$115 earlier this month. The ETF has a wild 1 year return of 151%. No doubt, this outperformance has something to do with US government funding for US sourced rare earths.



Website: <https://www.vaneck.com/us/en/investments/rare-earth-strategic-metals-etf-remx/>

Only, the premise based on which investors have obtained rare earths exposure is false.

Country Weightings (%) as of 07/31/21



Country	% of Net Assets
China	47.28
Australia	22.78
United States	12.45
Canada	6.70
France	4.11
Netherlands	3.04
Japan	2.50
Other/Cash	1.16

REMX chiefly holds Chinese equities, with the top 4 holdings representing 37.5% of the ETF.

Holding Name	Ticker	Shares	Market Value (US\$)	% of Net Assets
CHINA NORTHERN RARE EARTH GROUP HIGH-TE	600111 C1	16,646,898	123,734,904	13.47
GANFENG LITHIUM CO LTD	1772 HK	3,590,200	77,273,218	8.41
ZHEJIANG HUAYOU COBALT CO LTD	603799 C1	3,703,906	75,442,371	8.21
SHENGHE RESOURCES HOLDING CO LTD	600392 C1	17,748,462	67,940,384	7.4
				<u>37.49</u>

This is a poorly constructed ETF, albeit one which has done quite well for the last 17 months. The stocks which constitute the ETF are priced to perfection with crazy high PE and PB ratios. The ETF itself has a PE ratio of 17.25x and PB ratio of 4.25x as of July 31st.

“Economic history is a never-ending series of episodes based on falsehoods and lies, not truths. It represents the path to big money. The object is to recognize the trend whose premise is false, ride that trend, and step off before it is discredited.” George Soros

Worth repeating the quote here, since this is indeed the case with REMX. I consider yesterday's gap down in REMX the start of the discrediting process. If I'm right, we have a long way to go.

Short REMX at ~\$103 with a stop above \$115 and a target of ~\$40.

Given the risk reward I see in this play, I would be comfortable giving it another try if my first attempt fails.

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Part 2



1. Gold created a major reversal candle and this week we could see a 3 bar reversal pattern build on a weekly chart. That is a powerful pattern.



2. I still say that I respect the Wall Street Bets guys for saying they are going to pump up the silver market but just like I said last year. It is impossible. What we need to watch for now is if silver is going to start moving and show some risk on signals flowing into this market.



3. Silver to gold ratio- No divergence yet. Patience.

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4. GDXJ:GDJ ratio-Still in risk off mode in the precious metals markets. All of these signals are still bearish with the metals holding up so far. Patience.

Intermarket Analysis

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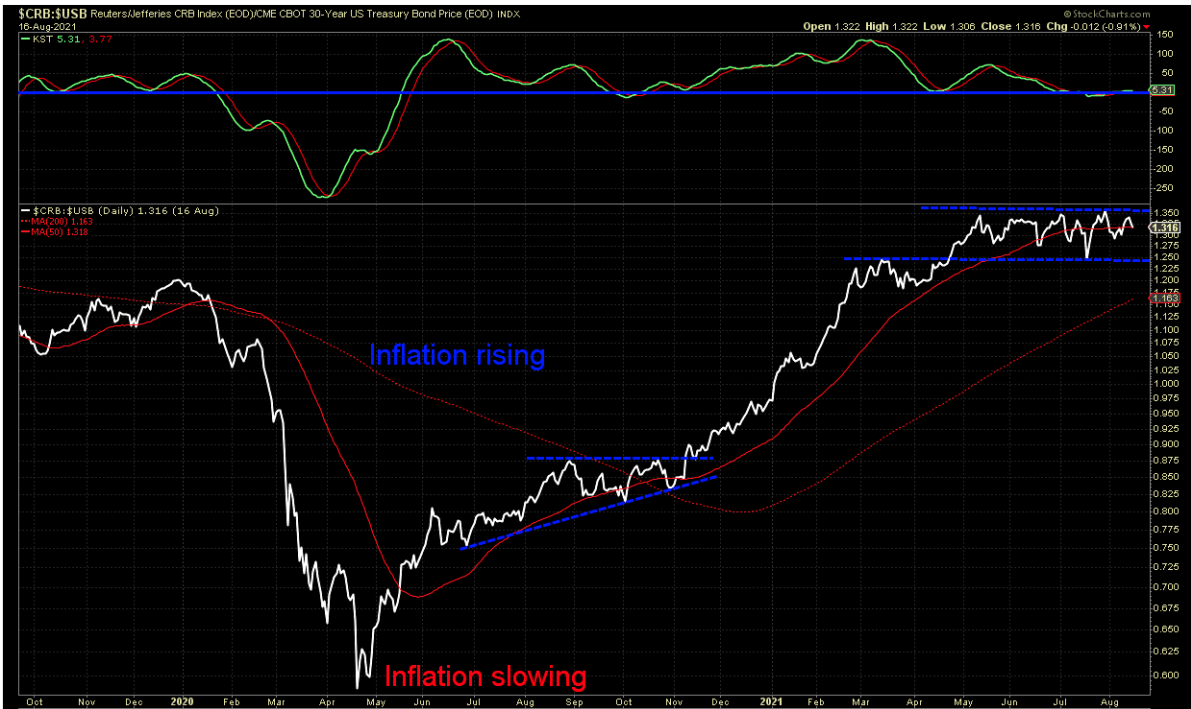


5. Gold/Commodities-Commodities leading.



6. Copper to Gold ratio-Still pointing to more upside in yields.

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7. CRB/USB ratio saying the same.



8. VVIX is very stressed going into this week's Fed meeting. This is a warning sign.



9. JNK:TLT-Still outperforming SPX but weak. It needs to turn up right here right now.

“The whole secret to winning big in the stock market is not to be right all the time, but to lose the least amount possible when you’re wrong.” William J O’Neil





10. The Baltic dry bulk shipping index continues to make new highs. Shrugging off all of the bearish news.

Breadth





11. The NYAD Advance decline line needs to turn up here to confirm this up trend.



12. Equal weight SPX (RSP) against the SPX (top)

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13. Stocks above 50 day moving averages are above 60% and stocks above the 200 day moving averages are above 80%. Not great but not bad.



14. All sectors are holding on to their bullish primary trends. Only two have lost their short term trends.

Crypto/Commodities/Currencies/Misc





14. Bitcoin (new system.) This new system is based on a 30 period Bband buy signal and a 21 period band sell signal. Both are set to 2 standard deviations. This system is incredibly profitable and robust when it comes to commodities. The added signal is a TTM squeeze trigger which I pointed to when I brought up the bitcoin buy signal the other week. Trailing stops are set at 30% if we don't hit a sell signal first which is tight for BTC which is the most volatile trading product in history.



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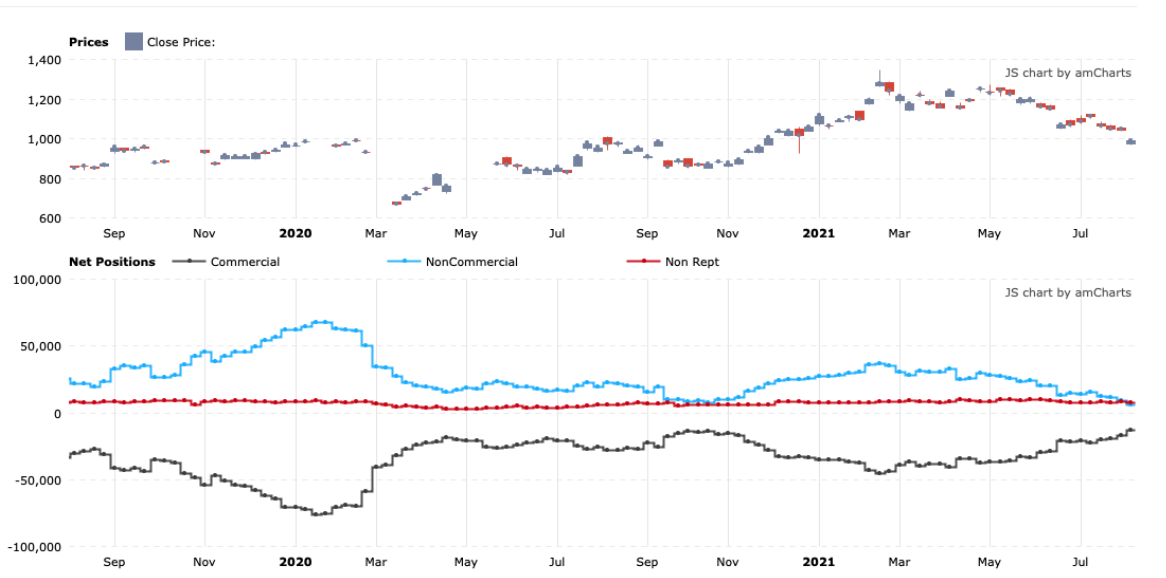
15. ETHUSD is leading the market higher. This shows a risk on appetite in the crypto space. Which is what we want to see.



16. Natural Gas is in an incredible uptrend. Global supplies are tight. Global markets besides the US are at new ATH's. As Tom Basso said "Enjoy the ride"

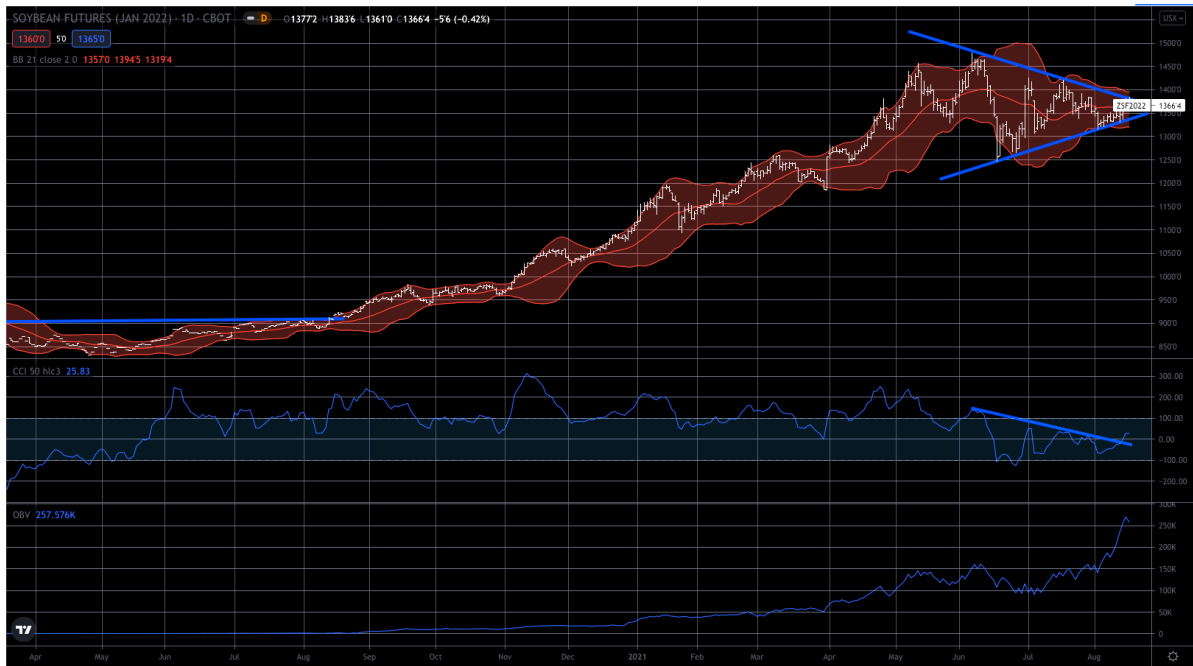


17. Platinum-I can't make a great case for Platinum at the moment. However I would really pay attention to it now and patiently wait for buy signals.



18. Commercial buying in platinum just hit a 3 year high.

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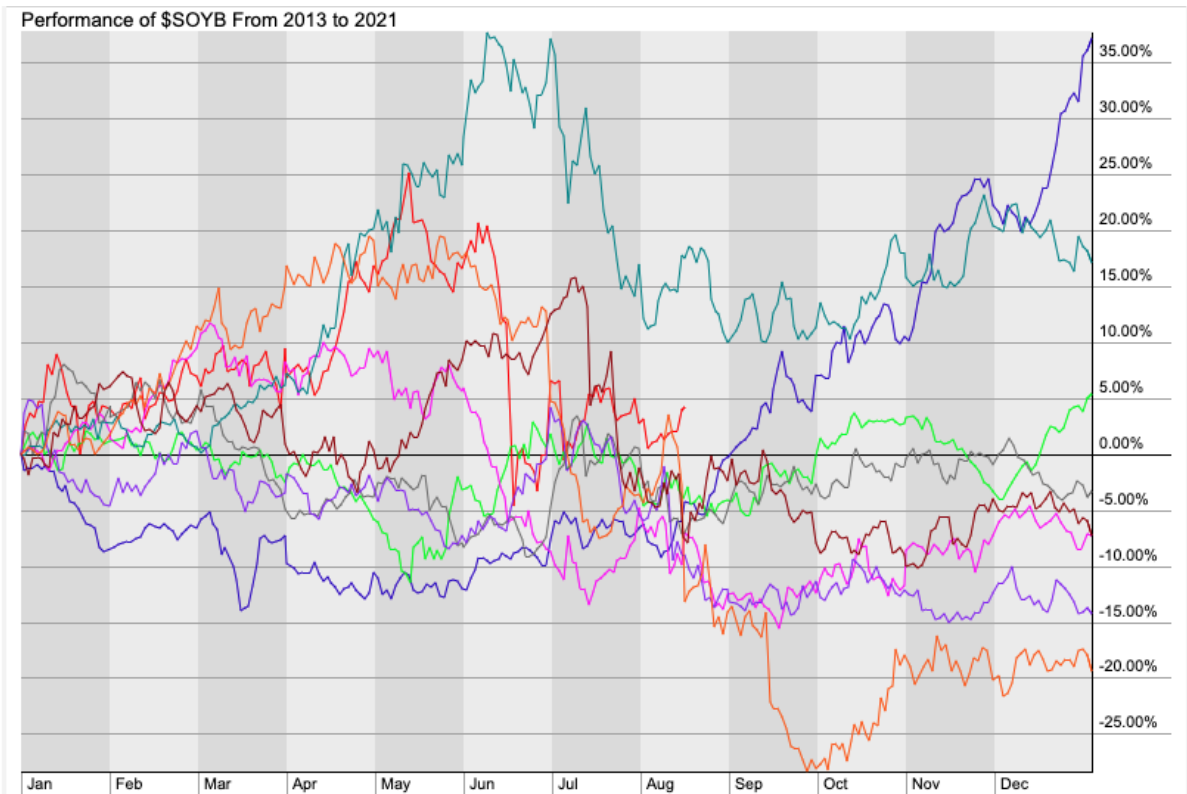


19. Soybeans-I mentioned buying Jan soybeans this weekend. It is in a buy signal but the safe bet would be when it hits the top of the Bband.

Contract	Last	Change	Open	High	Low	Previous	Volume	Open Int	Time	Links
+ ZSY00 (Cash)	1400-4s	+0-4	N/A	1400-4	1400-4	1400-0	N/A	N/A	08/16/21	⋮
+ ZSU21 (Sep '21)	1369-0s	-7-0	1379-4	1386-4	1365-0	1376-0	10,815	34,147	08/17/21	⋮
+ ZSX21 (Nov '21)	1361-4s	-6-6	1374-0	1379-6	1356-6	1368-2	82,823	371,774	08/17/21	⋮
+ ZSF22 (Jan '22)	1365-4s	-6-6	1377-2	1383-6	1361-0	1372-2	11,524	71,219	08/17/21	⋮
+ ZSH22 (Mar '22)	1359-6s	-5-0	1369-6	1376-2	1355-0	1364-6	10,566	97,147	08/17/21	⋮
+ ZSK22 (May '22)	1357-2s	-4-4	1367-0	1372-2	1352-2	1361-6	4,108	42,570	08/17/21	⋮
+ ZSN22 (Jul '22)	1354-2s	-3-6	1361-2	1368-0	1349-2	1358-0	3,317	23,771	08/17/21	⋮
+ ZSQ22 (Aug '22)	1336-0s	-2-4	1343-6	1347-6	1332-2	1338-4	282	1,499	08/17/21	⋮
+ ZSU22 (Sep '22)	1290-4s	-1-4	1302-0	1302-0	1286-2	1292-0	561	2,180	08/17/21	⋮
+ ZSX22 (Nov '22)	1261-0s	-1-4	1262-4	1270-0	1256-6	1262-4	1,268	17,146	08/17/21	⋮
+ ZSF23 (Jan '23)	1258-4s	-1-0	1261-6	1261-6	1254-2	1259-4	62	1,001	08/17/21	⋮
+ ZSH23 (Mar '23)	1236-6s	-0-2	1237-0	1242-2	1235-0	1237-0	208	1,071	08/17/21	⋮
+ ZSK23 (May '23)	1231-4s	-0-4	1237-0	1237-0	1231-4	1232-0	37	151	08/17/21	⋮
+ ZSN23 (Jul '23)	1233-0s	-0-4	1235-4	1235-4	1233-0	1233-4	9	119	08/17/21	⋮
+ ZSQ23 (Aug '23)	1227-4s	-0-4	N/A	1227-4	1227-4	1228-0	N/A	N/A	08/16/21	⋮
+ ZSU23 (Sep '23)	1178-6s	-0-4	N/A	1178-6	1178-6	1179-2	N/A	2	08/16/21	⋮
+ ZSX23 (Nov '23)	1182-0s	-3-0	1186-4	1188-4	1182-0	1185-0	7	470	08/17/21	⋮
+ ZSN24 (Jul '24)	1182-6s	-3-0	N/A	1182-6	1182-6	1185-6	N/A	N/A	08/16/21	⋮
+ ZSX24 (Nov '24)	1120-0s	-3-0	N/A	1120-0	1120-0	1123-0	N/A	31	08/16/21	⋮

20. Soybean curve in backwardation. Commercial buying is moving fast. This is a great set up.





21. Seasonals look great as well.

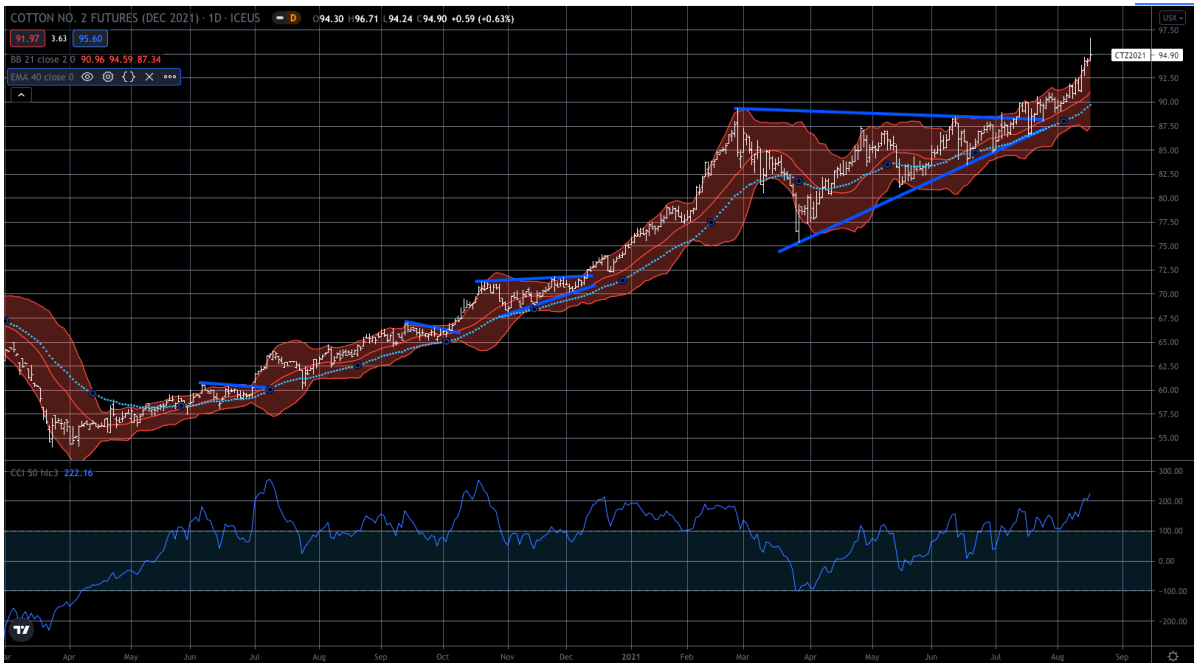


22. While everyone is saying that the commodity bull is over. Wheat has been moving. I won't go over everything else but yes seasonals, commercial buying and so on look good as well.

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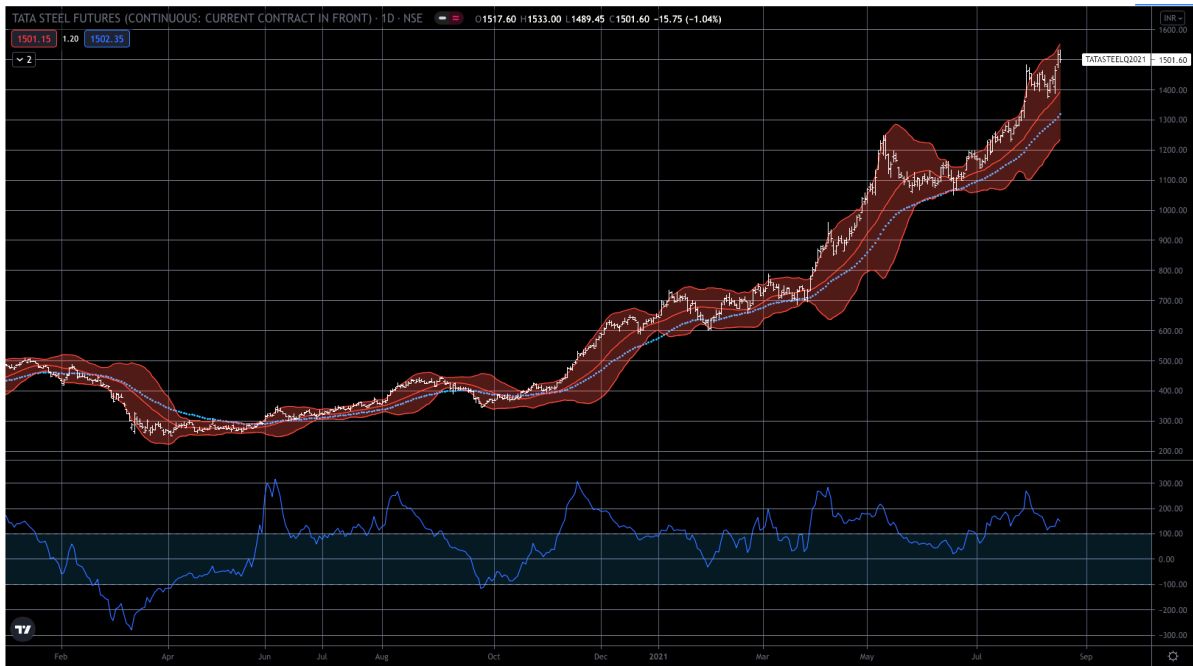


23. Cocoa has been a terrible chop fest for years now. We bought this fake out pattern in July. Maybe we can break the curse lol.

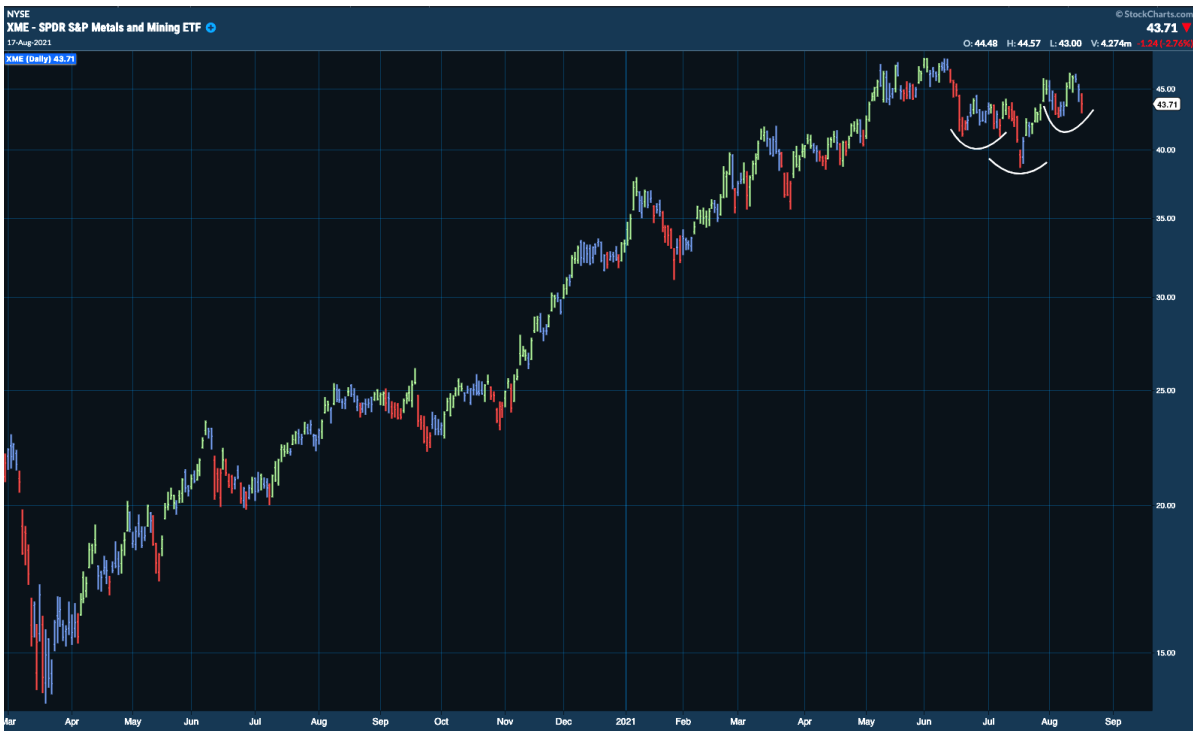


24. December Cotton

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25. Steel futures-The point of this is that I could go on and on showing you all of the commodities that are still making new highs. The point is to find your own way. Don't blindly follow anyone on anything. Commodities are all different and they all rotate.

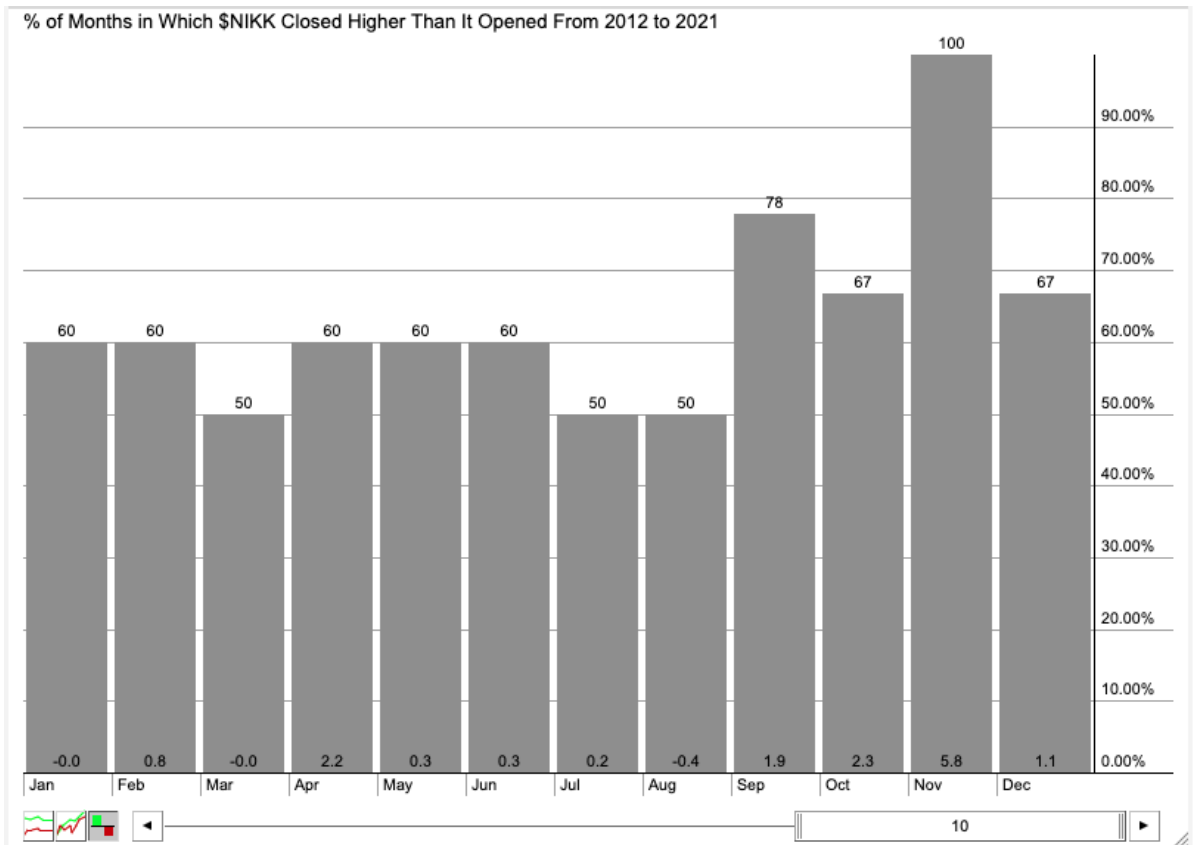


26. XME metals and mining could benefit from this.

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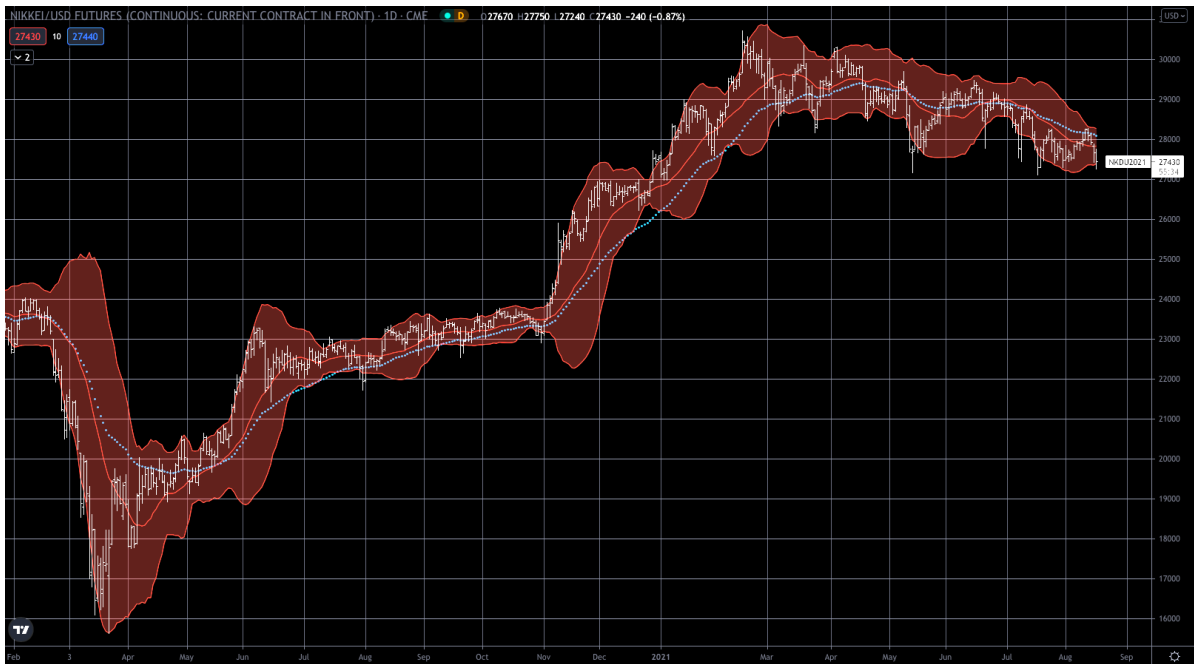


27. I want to see the Canadian dollar catch up soon. I still think oil has potential even all the way up here. The CAD usually gives us hints to where oil will end up.

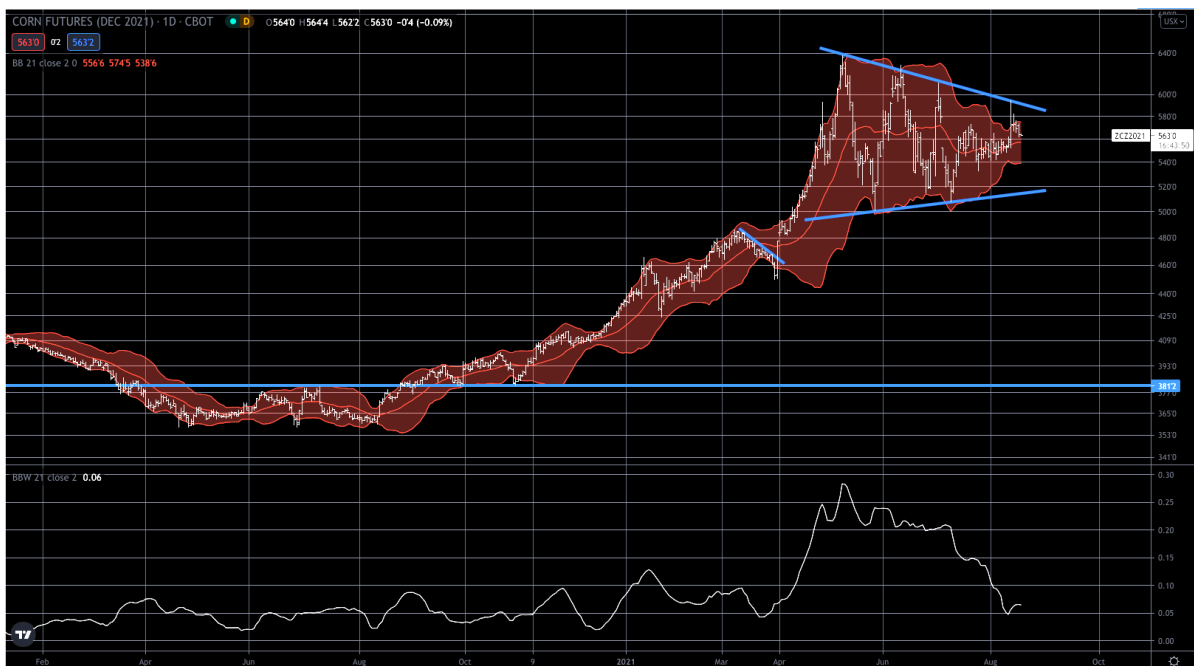


28. Nikkei-I have never backtested this but the Nikkei has always been my way of of seeing if the fall-winter rally will go as planned. If it is up or at least stronger than the SPX in September or October it will hint that the broad markets will follow.

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29. The buy signal for the Nikkei would trigger at 28300.



30. December Corn.” USDA’s August crop production report produced a few surprises, including a 5 bu. per acre cut to the national corn yield. The report sent corn futures up more than 20¢ after the report was published.

Based on conditions as of Aug. 1, USDA says the national corn yield is expected to average 174.6 bu. per acre with total production to reach 14.8 billion bushels. While the production number is 4% above 2020, it missed the average trade guess and come in lower than the 15.16 billion bushels USDA forecasted in July based on a



179.5 bu. per acre yield. The lowest trade guess for yield prior to the report was 175.7 bu. per acre.”

Before this I could have made a case for corn either way however the trend was still to the upside. We never see reports like this in August. The August report is actually known as a sure thing bearish report. Corn is still in an uptrend. We want to see the bollinger bands continue expanding but we still don't see a reversal to a bearish trend.



31. US Dollar-Still no real clear signal.

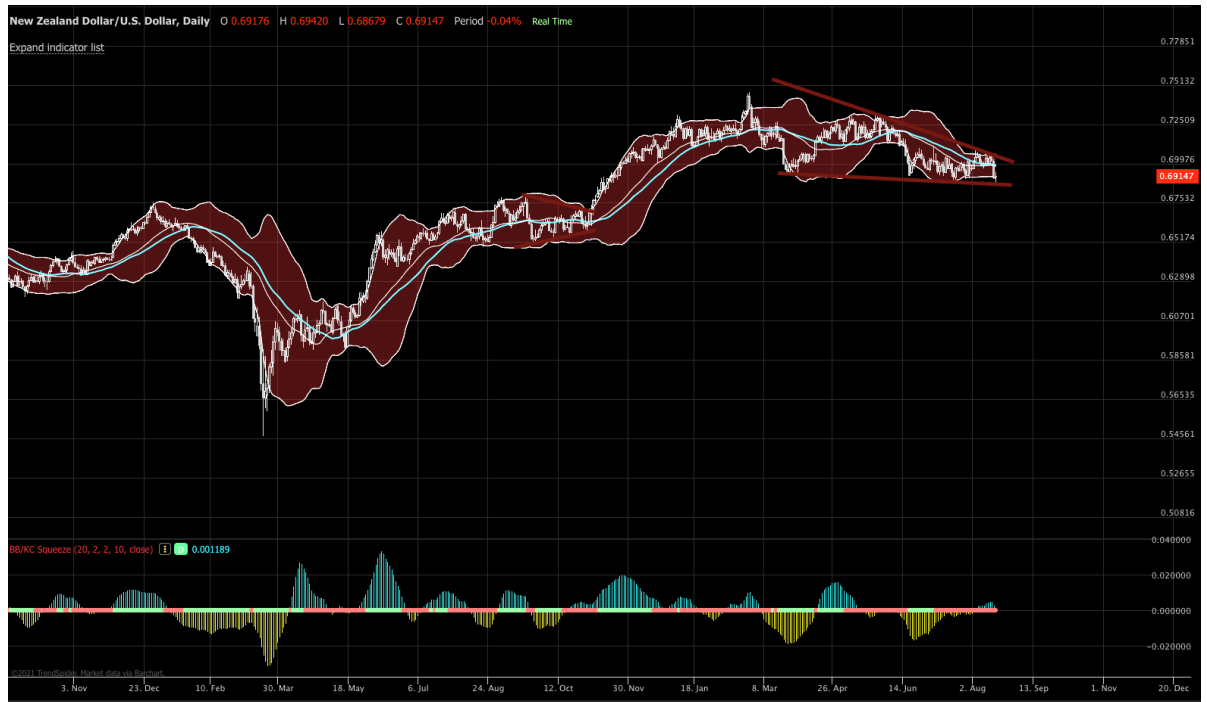


32. US bonds. This looks nasty. Is this the end of the possible corrective rally in US bonds. Sell in May and go away can usually be summed up by watching the movement in bonds. Most of the time they have one final gasp for air from may-august.

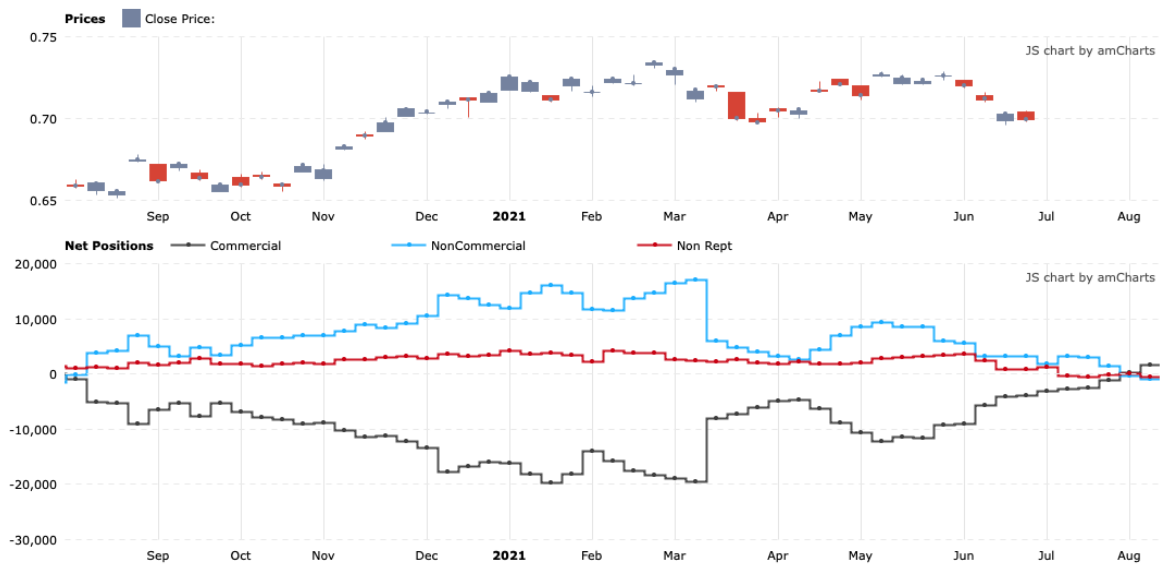
Non-Commercial			Commercial	
Long	Short	Spreads	Long	Short
(CONTRACTS OF \$100,000 FACE VALUE)				
137,142	232,779	19,294	856,937	770,857
Changes				
+4,380	+4,782	-5,429	-9,483	-11,286

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33. Bonds-Non commercials rising and commercials falling. This also supports more downside in 30 year bonds. No clear signal but it is coming.



34. Buy NZDUSD at .70573

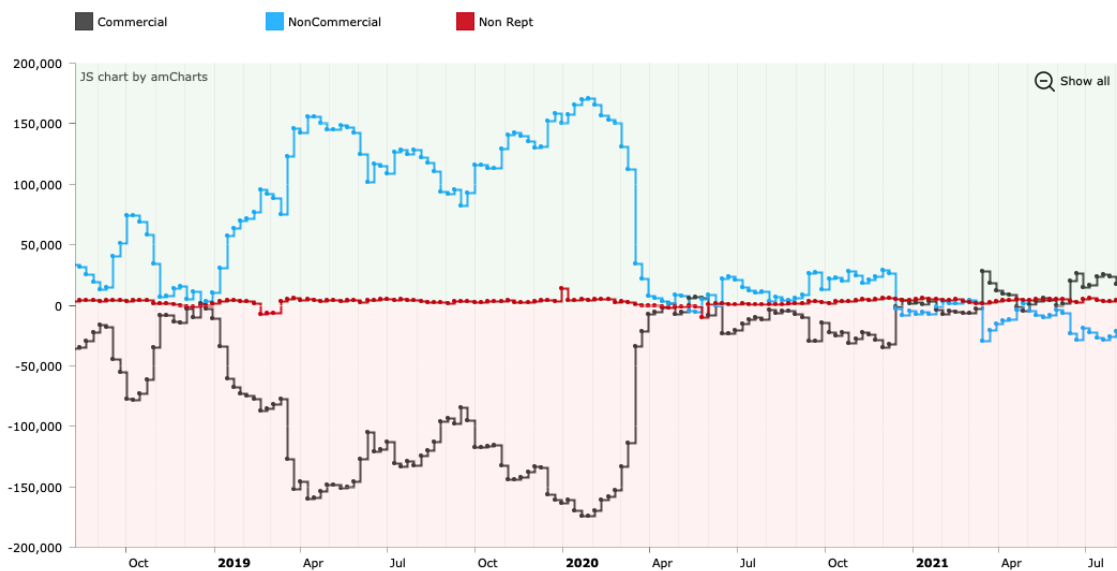


35. NZDUSD ready to buy.





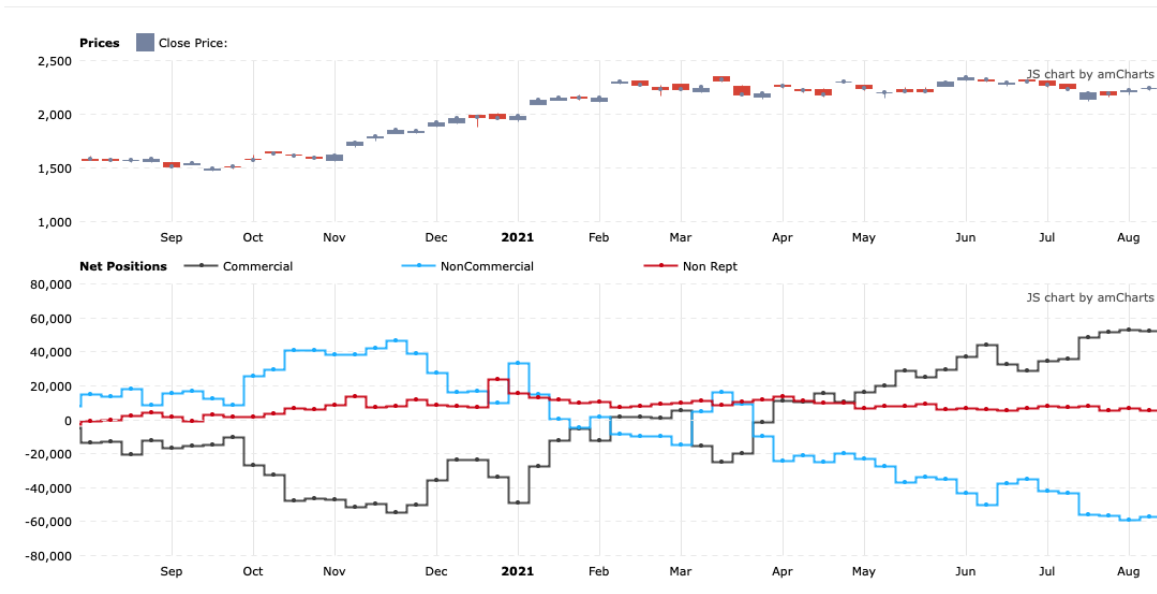
36. Buying the Mexican Peso on a breakout will probably turn out to be one of the most explosive currency trades in years. That is a major band squeeze that has continued to hold strong while the dollar has been moderately strong. This is the type of trades that we like a lot.



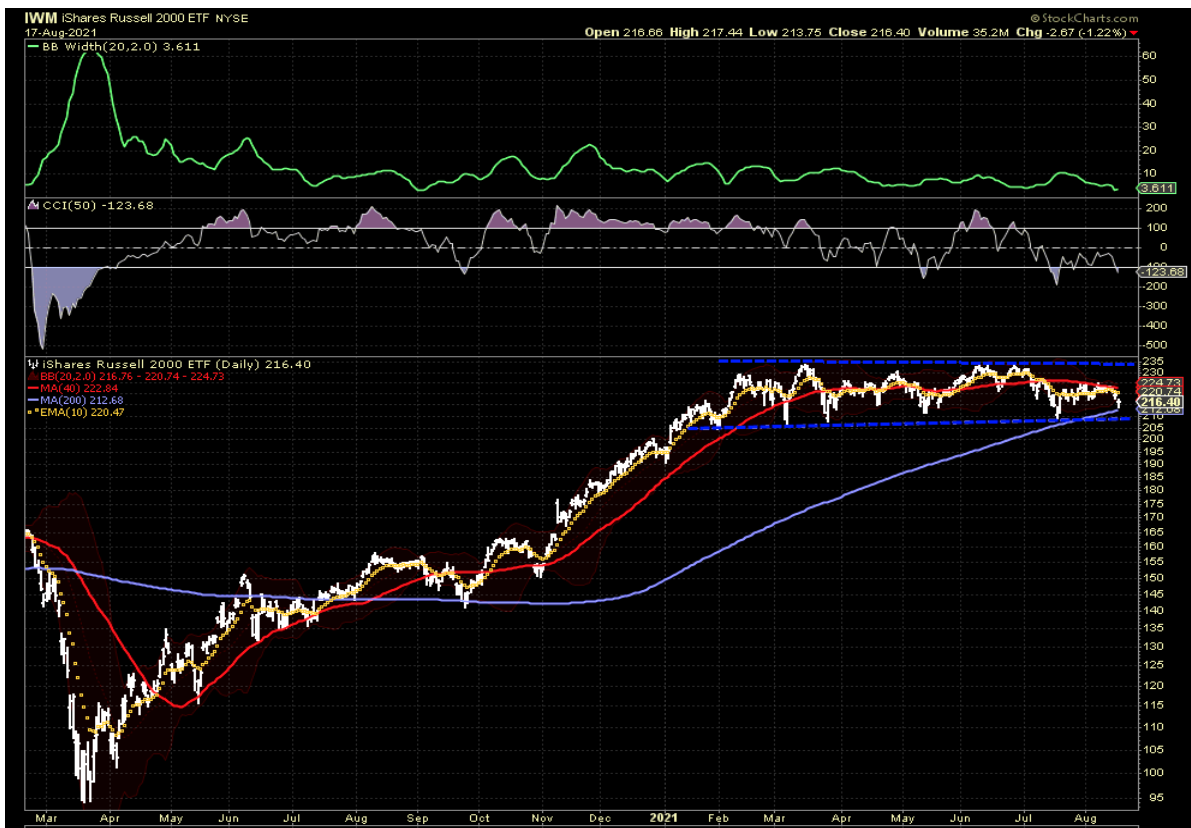
37. Net positions in the Peso. The reason that it has been so strong is because of the major move in commercial buying.

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Prices & Net Positions



38. Commercial Net positions for the Russell 2000 are fucking exploding. Literally. That's a 2 year high.



39. Russell 2000 small cap index. Don't drive yourself crazy while things are consolidating.

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40. RSX- Russia has grown to our largest long term holding. The fundamentals are great. The technicals are great. What's not to like?





41. XLF made a new high and pulled back. I doubt that is the end of it. First off we need to watch bonds. XLF has been incredibly strong despite bonds holding up well. This is also another hint that the 30 year bond could turn down here. To confirm that we want to see the banks catch new highs again.



42. Bond yields. They are all starting to turn up... Nothing is written in stone yet.

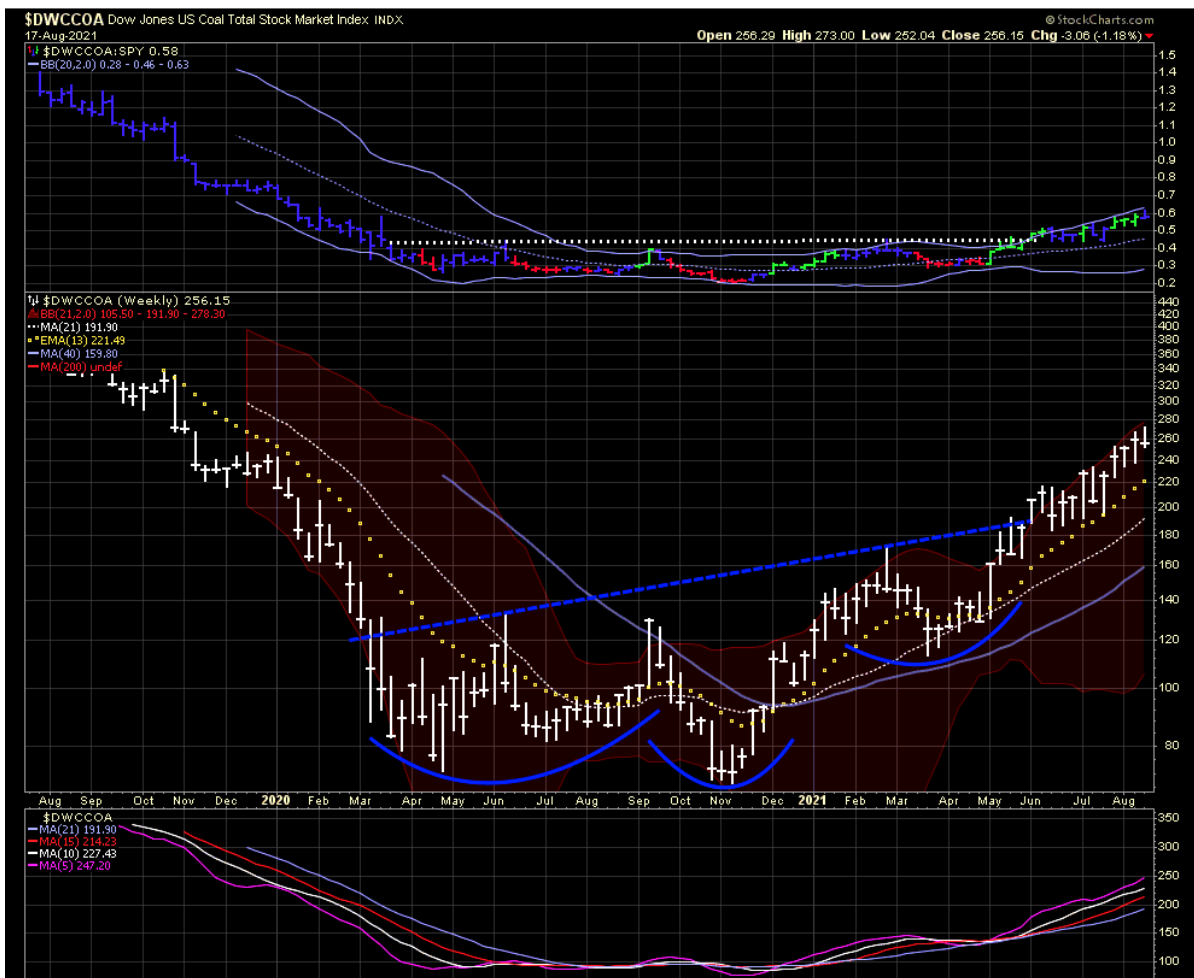


43. XLI industrials has some major upside in it's futures.

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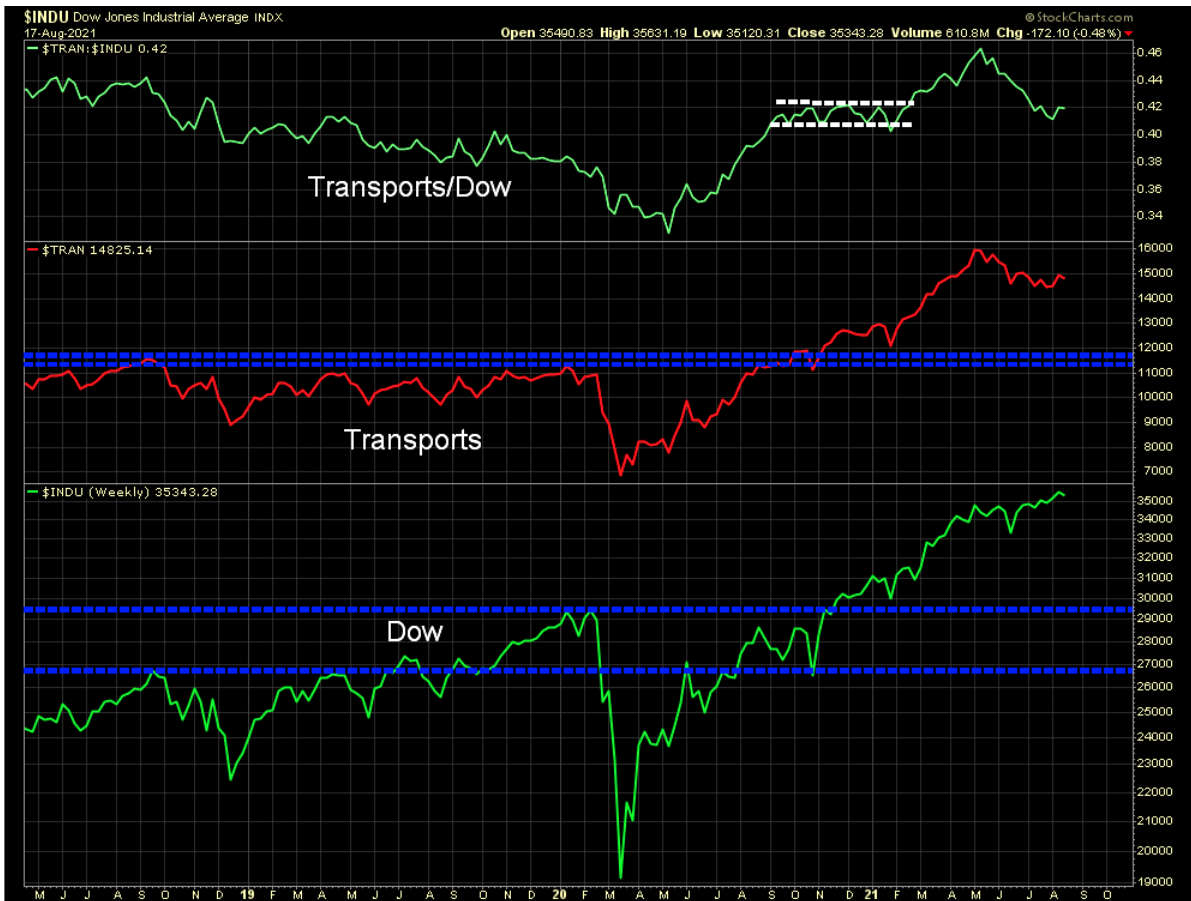
	SYMBOL	NAME	SCTR	U	CLOSE	CHG	% CHG		
	VTNR	Vertex Energy, Inc.	99.7	sml	7.71	-0.02	-0.26		
	AQUA	Evoqua Water Technologies Corp.	97.8	mid	37.73	-0.41	-1.07		
	QRHC	Quest Resource Holding Corp.	97.1	sml	5.80	-0.09	-1.53		
	CVA	Covanta Holding Corp.	94.3	mid	19.95	-0.02	-0.10		
	RSG	Republic Services, Inc.	86.9	lrg	121.41	-0.31	-0.25		
	WM	Waste Management, Inc.	86.2	lrg	151.70	-0.23	-0.15		
	ADES	Advanced Emissions Solutions, Inc.	86.0	sml	7.24	0.07	0.98		
	CLH	Clean Harbors, Inc.	81.9	mid	99.88	-1.76	-1.73		
	WCN	Waste Connections, Inc.	77.1	lrg	126.94	0.04	0.03		
	GFL	GFL Environmental Holdings Inc	73.5	lrg	34.39	-0.94	-2.66		

44. My favorite sector in this area based on value and technicals is waste and disposables.

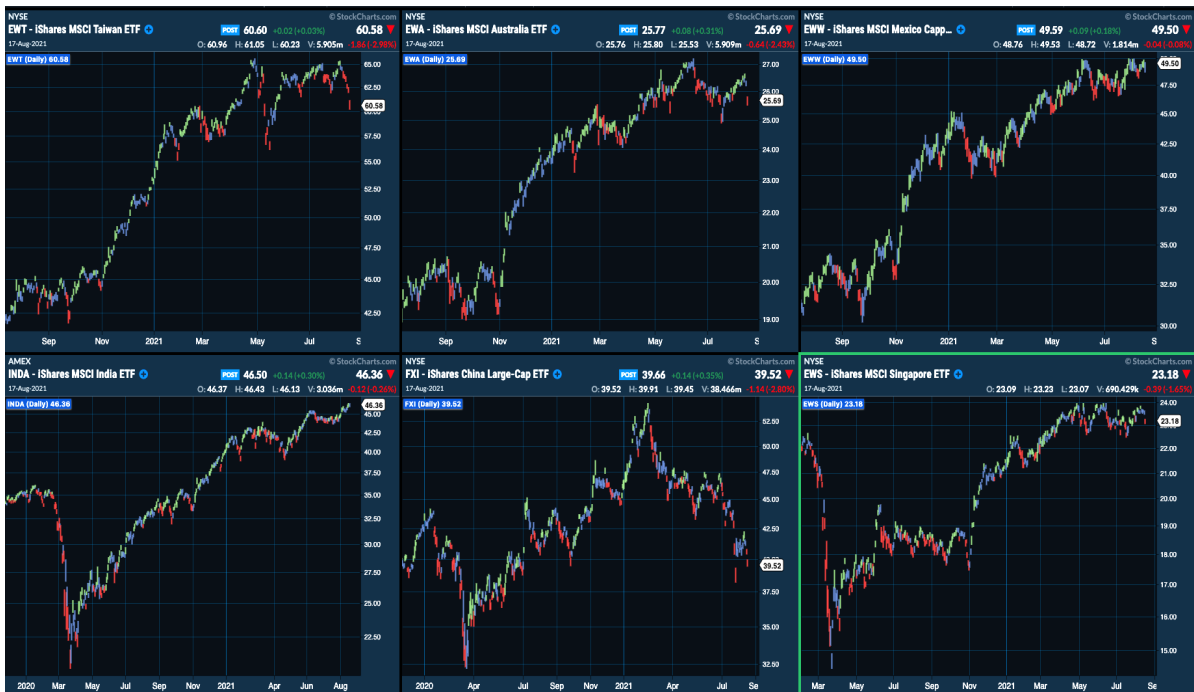


45. Coal stocks-still my favorite place to be in energy. As crazy as that sounds. TECK BTU and NRP being those names that we have in the space.





46. Transports/Dow finally starting to turn up.



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47. We decided last year that instead of putting money into China (middle row on the bottom) we were going to put money into the countries benefiting from the boom in China. I do think something special is going on in that country but I don't think that I want to put too much money into China directly because of the overarching situation. Taiwan, Australia, Mexico, India and Singapore are areas that we do like.

