



AGAINST ALL ODDS RESEARCH

“The financial markets generally are unpredictable. So that one has to have different scenarios... The idea that you can actually predict what’s going to happen contradicts my way of looking at the market.” George Soros

The Unsophisticated investor:

July 10 2021

Model futures portfolio

Long

RB Gasoline
HG Copper
ZC/ZS/RS Corn Soybeans Canola
BRL/CAD/MXN/NZD/CHF
LE/HE Hogs
Sectors Industrials/Energy/financials
Coffee/Sugar
IBOV Brazil
Spring Wheat
NG Natural Gas
PA Paladium
PL Platinum

Short

USD via commodity currencies
ZF 5 year bond

ZB waiting for signal (neutral)

Model retirement/long term portfolio weights

Sector weights	100%
Brazil (EWZ)	4%
Russia (RSX)	7%
Energy (XLE)	4%
Shipping stocks	4%
Metals and Mining (XME)	12%
Regional Banks (KRE)	4%
Uranium (URNM)	6%
Transports (IYT)	5%
Vietnam (VNM)	5%
Homebuilders (XHB)	4%
Timber and forestry (Wood)	4%
Real Estate (IYR)	5%
Silver (SLV/PSLV)	8%
Major/Junior Miners (GDX,GDXJ)	5%
Platinum (PPLT)	4%
Bitcoin/Ethereum(ETF proxy if needed)	5%
Cash	18%

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

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Revisiting the oil tanker trade

Sometimes, it pays to re-visit a trade that did not work out as expected. In last month's newsletter, I mentioned that it might be time to look at tankers again. I did, and I think it's time to take another whack at it.

I gave a presentation on the Oil Tanker industry at the TDV conference last July. I have uploaded my presentation here:

<https://drive.google.com/file/d/1J1QNhkE2x5B1QK3k0juGrDapsXGa0pyf/view?usp=sharing>

And the voice recording here:

<https://drive.google.com/file/d/1RuZeuArw8cX7lxHrkziXVFN9xUxbZ4RV/view?usp=sharing>

To sum up the trade thesis:

- Fleet size growth will soon turn negative as newbuilds aren't replacing older vessels being sent to the scrap heap.
- Oil demand is going to pick up as the covid hysteria passes and governments find it difficult to impose draconian lockdowns.
- Refinery utilization rates will rise; demand for transporting crude to refineries and end products to consumer markets increases.
- Demand for tankers increase => excess returns earned by the current fleet increases => tanker companies return capital to shareholders through buybacks and dividends.



- As a nice bonus, rising steel prices keeps supply down by making newbuilds more expensive and increasing the incentive to scrap older vessels. This means the next rally in [TCE rates](#) can last a lot longer than last year's spike.

The Fundamentals

I performed a simple valuation exercise. I valued the companies' fleet using the latest prices for vessels from [Fearnleys](#), adding working capital, newbuilds and other non-current assets, and netting out long term debt. The data is presented below.

	Euronav (EURN)	Frontline (FRO)	DHT Holdings (DHT)	Nordic American Tankers (NAT)
Fleet Value ('000s USD)	\$ 3,712,887	\$ 3,365,800	\$ 1,631,100	\$ 684,493
Newbuilds, other assets ex. vessels ('000s USD)	\$ 214,510	\$ 118,238	\$ 96,027	\$ 15,326
Working Capital ('000s USD)	\$ 145,004	\$ 101,339	\$ 72,035	\$ 47,285
LT Debt ('000s USD)	\$ (1,272,669)	\$ (2,014,033)	\$ (566,695)	\$ (329,064)
Company NAV ('000s USD)	\$ 2,799,732	\$ 1,571,344	\$ 1,232,467	\$ 418,040
NAV per share	\$ 13.88	\$ 7.95	\$ 7.19	\$ 2.75
Last traded price	\$ 9.15	\$ 8.68	\$ 6.30	\$ 3.07

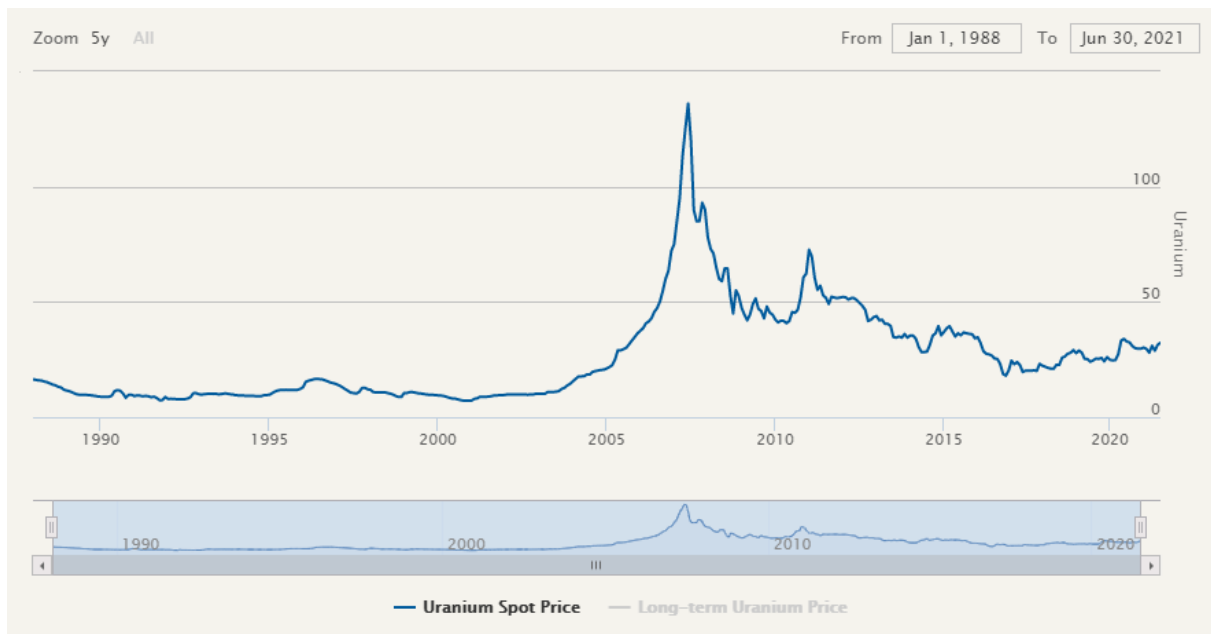
Euronav (EURN) is the market leader, with an owned fleet of 45 VLCCs and 24 Suezmax. Frontline (FRO) comes next, with a fleet of 17 VLCCs, 29 Suezmax and 22 Aframax. The company tends to trade at a premium, in both good times and bad, because investors accord a premium for its management group.

DHT Holdings (DHT) is exclusively into the VLCC segment, with a fleet of 27 owned VLCCs. Nordic American Tankers (NAT) is a retail favourite and is exclusively into the Suezmax segment, with a fleet of 23 Suezmax. The trouble with NAT is that its fleet is ageing. The average age of its vessels is 13.2 years.

My top picks would be Euronav and DHT Holdings since I see both value and growth in these names. If the market really heats up, I'd buy into all four and ride the uptrend.

Short Cameco (CCJ)/ North Shore Global Uranium Mining ETF (URNM)





The uranium spot price is on an uptrend but hasn't yet breached \$35/lb. While the long term bull thesis is still intact, the stocks have gotten way ahead of themselves. Assuming Cameco produces full bore from all its operations at an operating cost of \$32/lb, my valuation model shows that the stock is currently being priced for \$69/lb uranium. For comparison, under similar assumptions, Ur-Energy (URG) is priced for \$54/lb uranium. Note that these are ~~best-case~~ wildly optimistic scenarios. My valuation models show that the entire uranium space is overvalued given that spot uranium prices haven't moved much even as uranium stocks have really taken off.

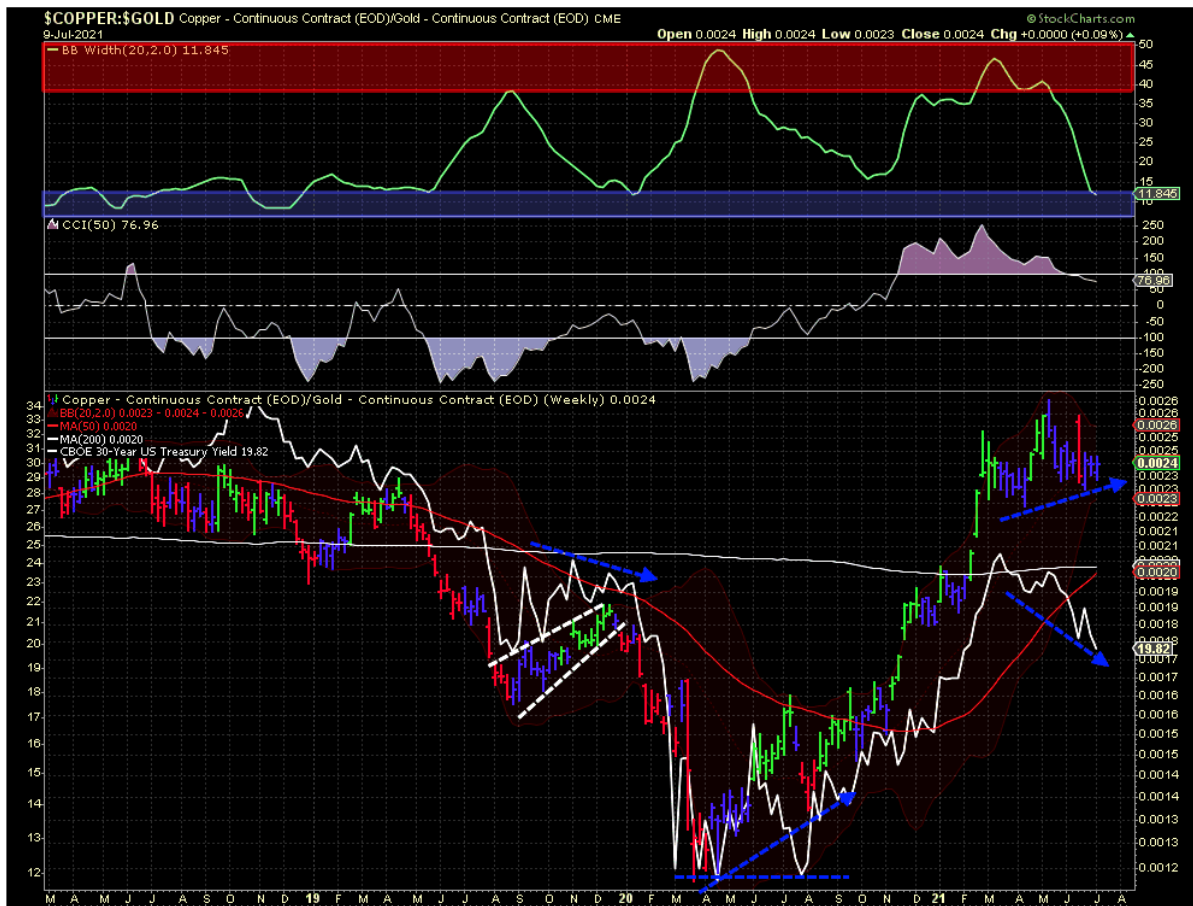
Price action wise, the URNM ETF and Cameco appear to have topped last month, making this a good entry point for a short trade.

Buy Korvus Gold (KOR, KOR.TO) as a takeover speculation

As I mentioned in the last newsletter, the clock is ticking for Anglogold Ashanti (AU) to make an offer. On May 6, Anglo advanced Corvus \$20 million as a loan, and in return was granted an exclusivity period of 90 days in which Corvus would not engage in any other M&A or asset sale discussions. The deadline is August 4, which is fast approaching. I do see a high probability of an offer coming through.

KOR has fallen along with the rest of the gold stocks and remains a compelling value on a standalone basis, even without the added kicker from the potential takeover. If the offer materializes, buying here would mean a 30%+ return within a month.





Part 2-Jason Perz

1. Copper:Gold-We went from overheating to a very tight consolidation. Positive divergence.

“The obvious rarely happens, the unexpected constantly occurs.” – Jesse Livermore



2. Gold:SPX

OOO
 against
 all odds



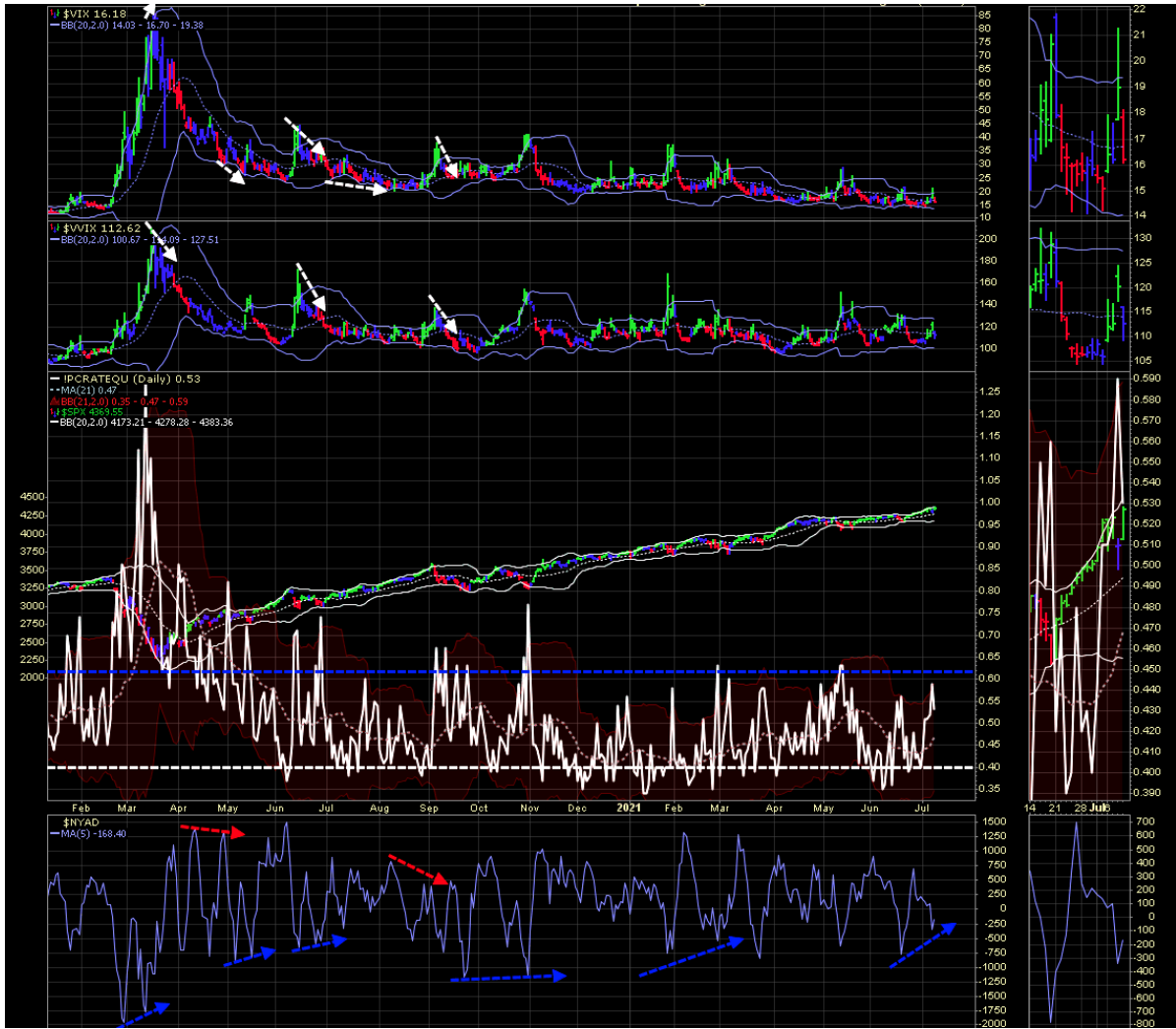
3. CRB:USB-Still trending up. Much stronger than the copper to gold ratio.

OOO
 against
 all odds



4. DBC(commodity ETF) against XLP (consumer staples)

OOO
 against
 all odds



5. Put/call ratio in white-Vix and VVIC on top-5 MA NYAD line with positive divergence. All of this looks like the market is at a temporary bottom.



6. Bull bear indicator



7. AUDJPY (white) SPX (blue)

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against
all odds

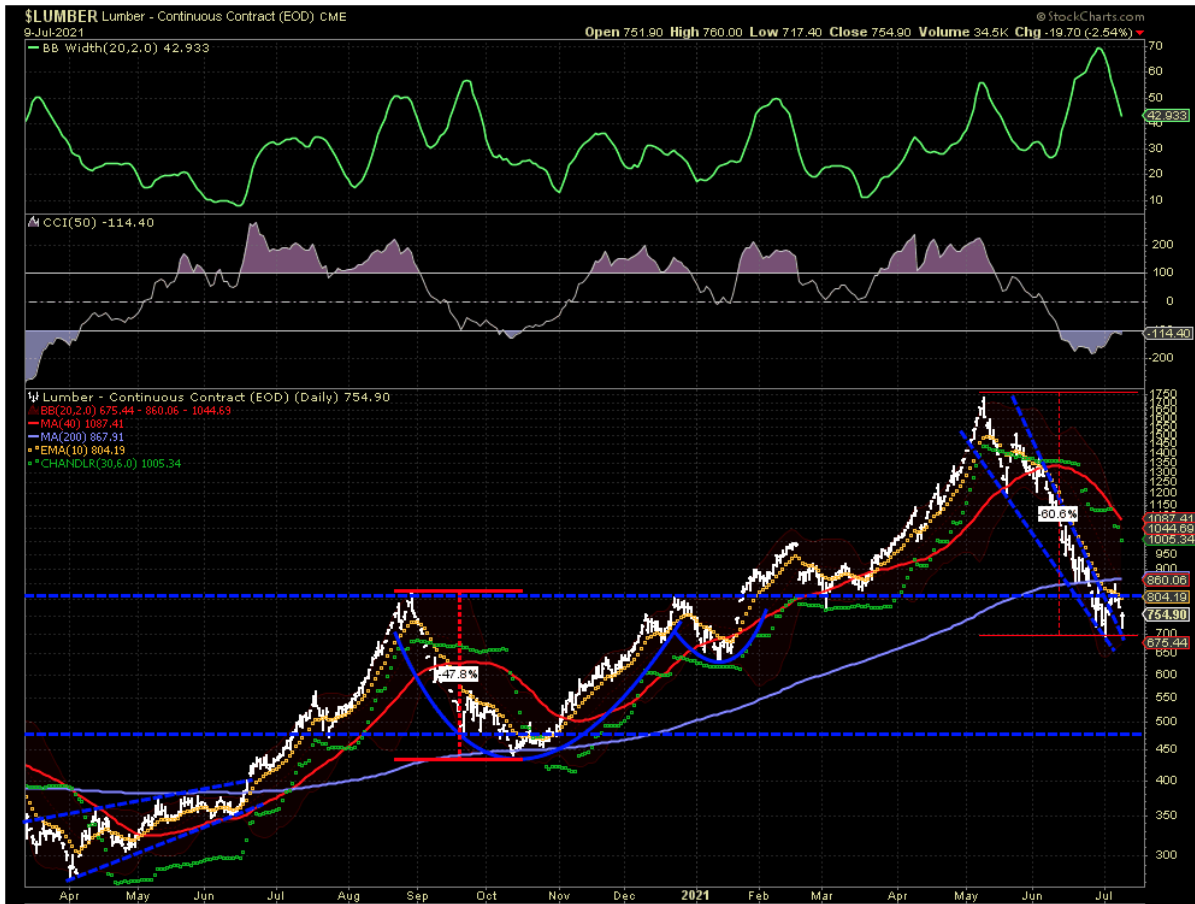


8. Utility ETF-Utility stocks are one of the most important sectors for understanding where you are in the cycle.

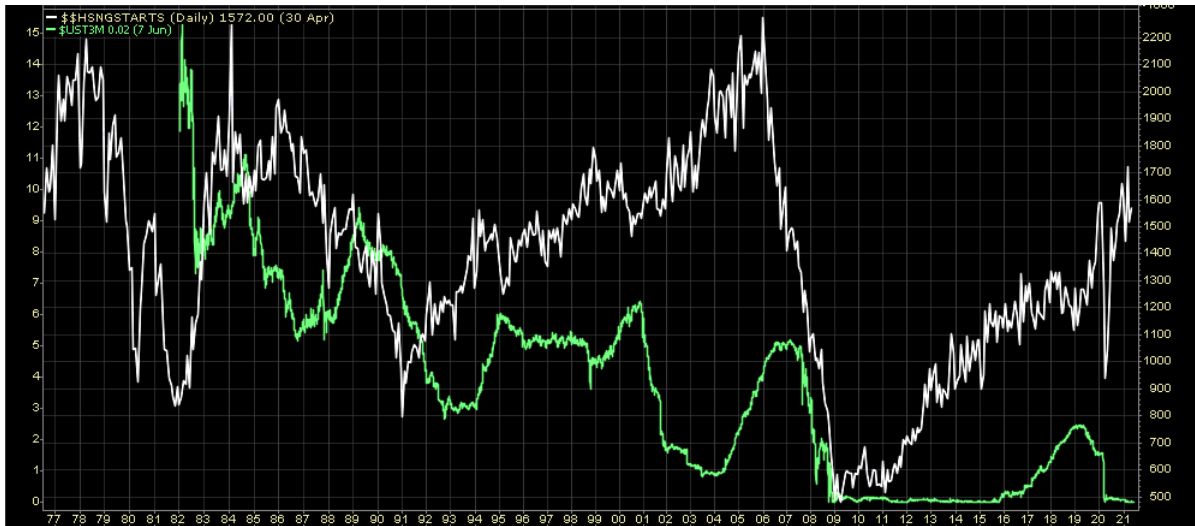


9. Copper

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 against
 all odds



10. Lumber



11. Housing starts (white) 3 month yield (green)-The fed and the housing cycle.

OOO
 against
 all odds



12. Platinum-we have not talked about this one for awhile but it looks like it will be buyable again soon.



13. Palladium-bounding right off of algo city.



14. Silver-Rule 4324324234 don't drive yourself crazy trying to trade something while it is consolidating.



15. Oil-If oil is going to take a break. Right here would be the logical place. However, this still looks like a runaway train. The futures curve looks like there could be more upside. I would still continue to bet on more upside similar to when we had the last consolidation and everyone thought that it was over.

1. "Dangers of watching every tick are twofold: overtrading and increased chances of prematurely liquidating good positions" – Jack Schwager



16. Sugar

OOO
 against
 all odds



17. Coffee-1, 2, 3 reversal pattern.

Soybean Oil Dec '21 (ZLZ21)

60.94s +1.76 (+2.97%) 07/09/21 [CBOT]

INTERACTIVE CHART for Fri, Jul 9th, 2021

charles SCHWAB TRADE NOW charles SCHWAB

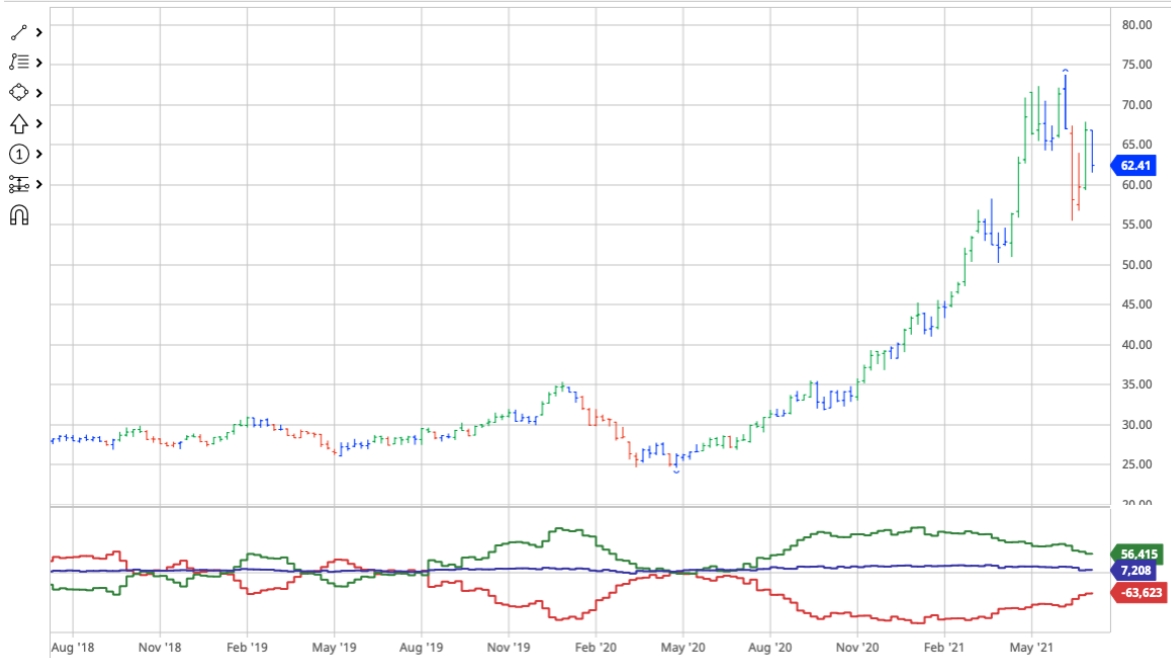
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ZLZ21 GO +Study Tools Settings Compare f(x) Grid View

Templates Print Clear

Range: 1D 5D 1M 3M 6M 9M 1Y 2Y 3Y 5Y 10Y 20Y MAX Frequency: Weekly Nearby 3Y Date:

tutorial



18. Soybean oil-Food oils are the best trade no one is talking about. (I guess I have used that line way too much lol)

“Everyday I assume every position I have is wrong.” – Paul Tudor Jones

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Canola Nov '21 (RSX21)

844.00s +30.00 (+3.69%) 07/09/21 [ICE/CA]
INTERACTIVE CHART for Fri, Jul 9th, 2021

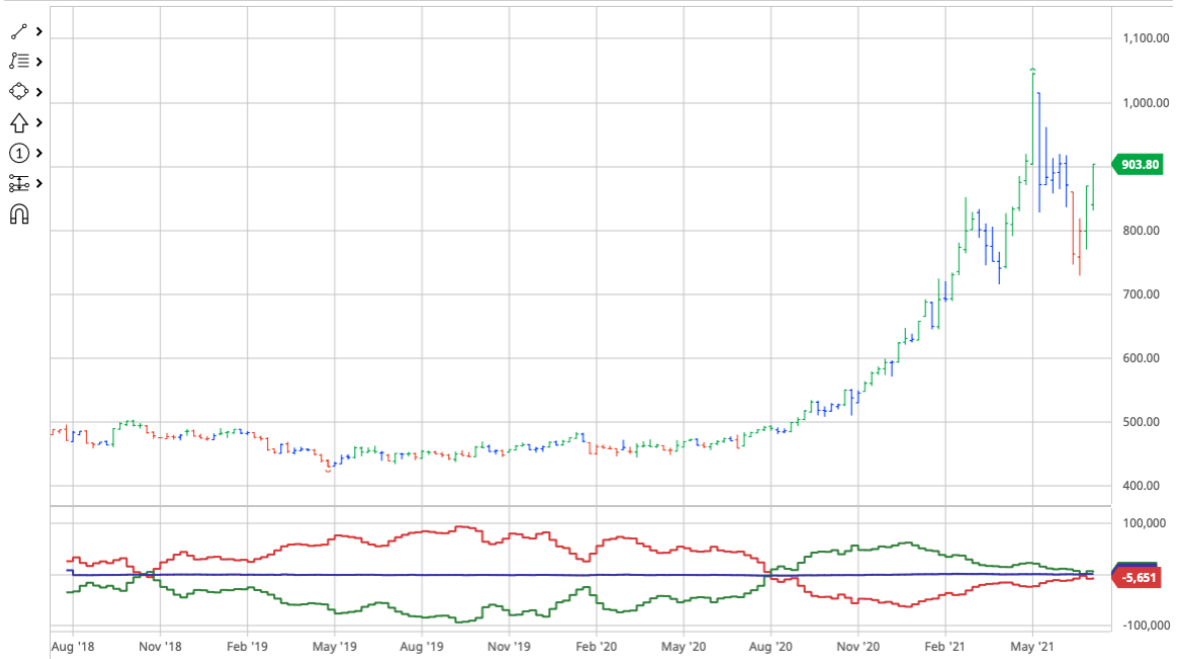
charles SCHWAB TRADE NOW charles SCHWAB

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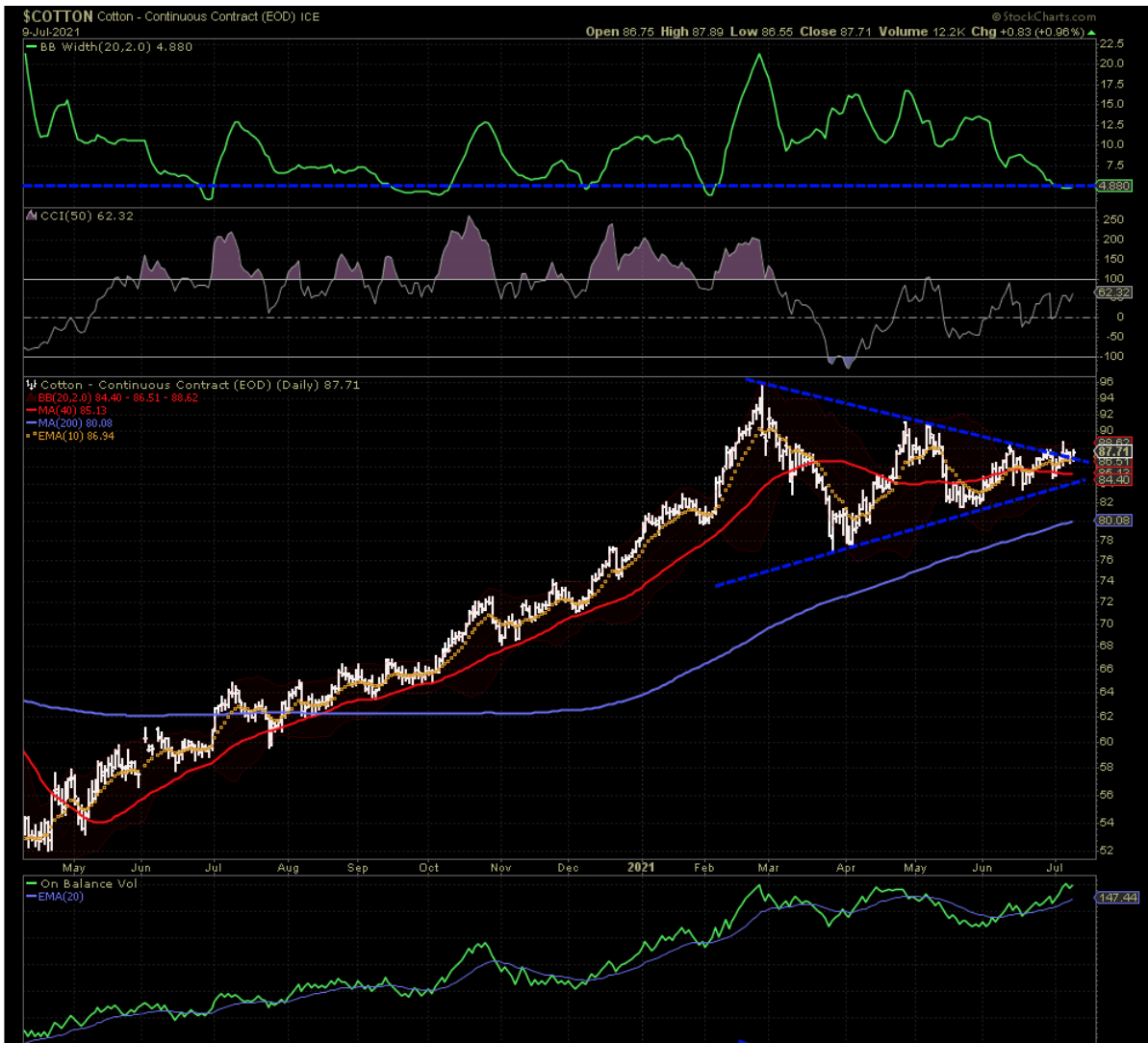


19. Canola oil

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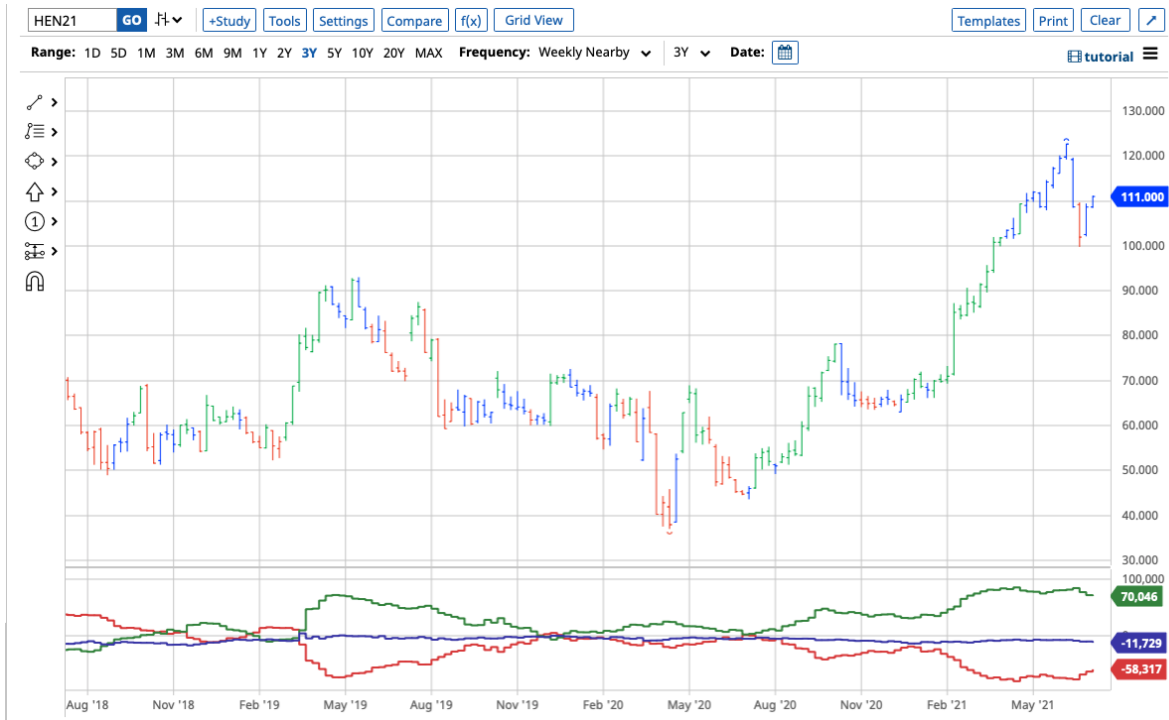


20. December corn



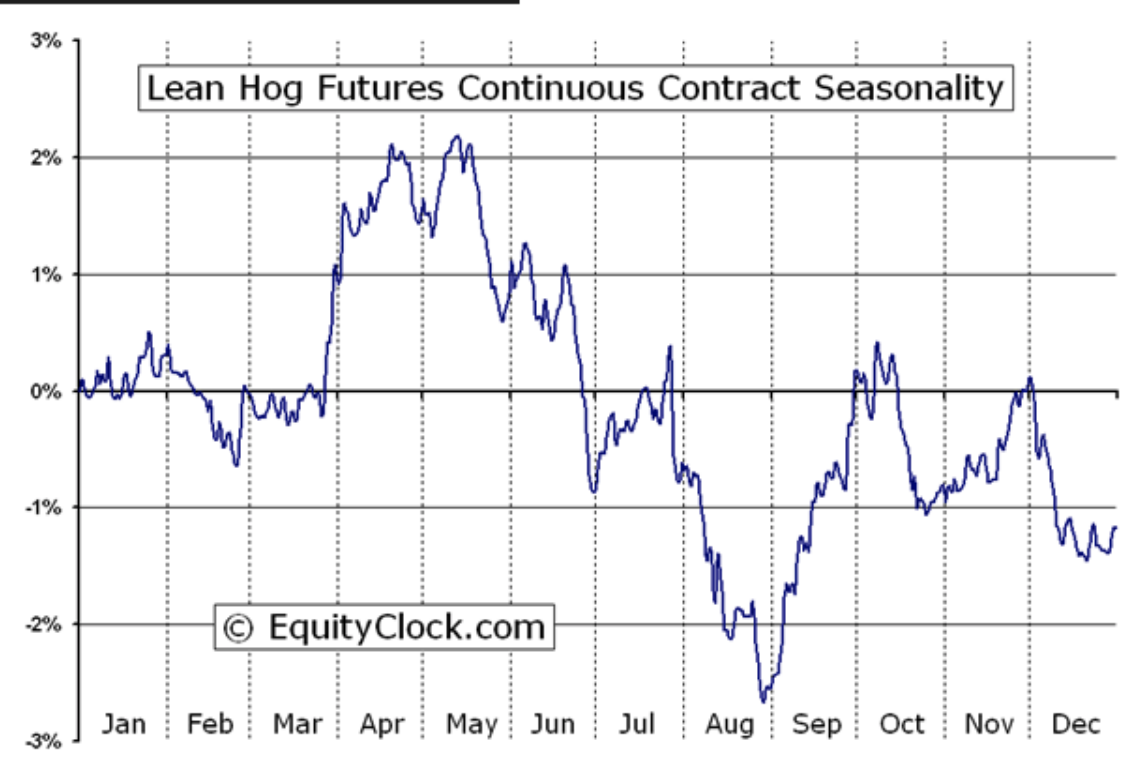
21. Cotton-it's a buy again.

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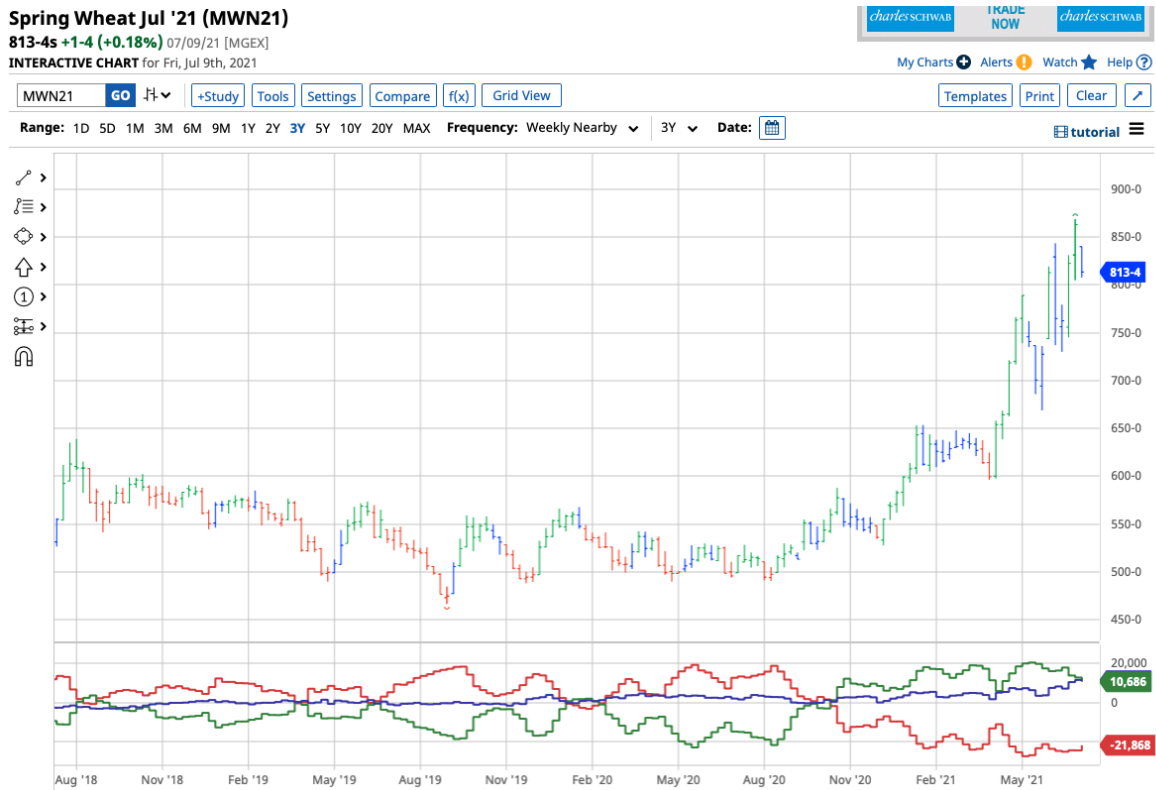
22. Lean hogs

LEAN HOG FUTURES (LH) SEASONAL CHART




 against
 all odds

23. The worst month for lean hogs is historically august. Usually it bottoms at the end of August. A good short term short would be shorting the hog market if this rally makes a double top.

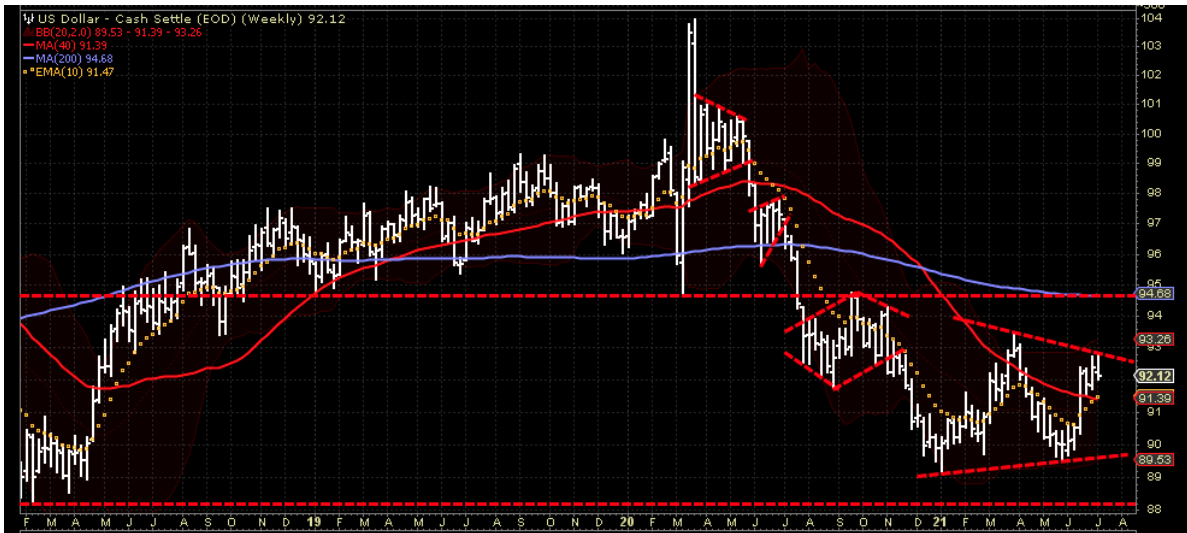


24. Minnesota spring wheat-There are 3 different wheat markets and they can act differently for different reasons.



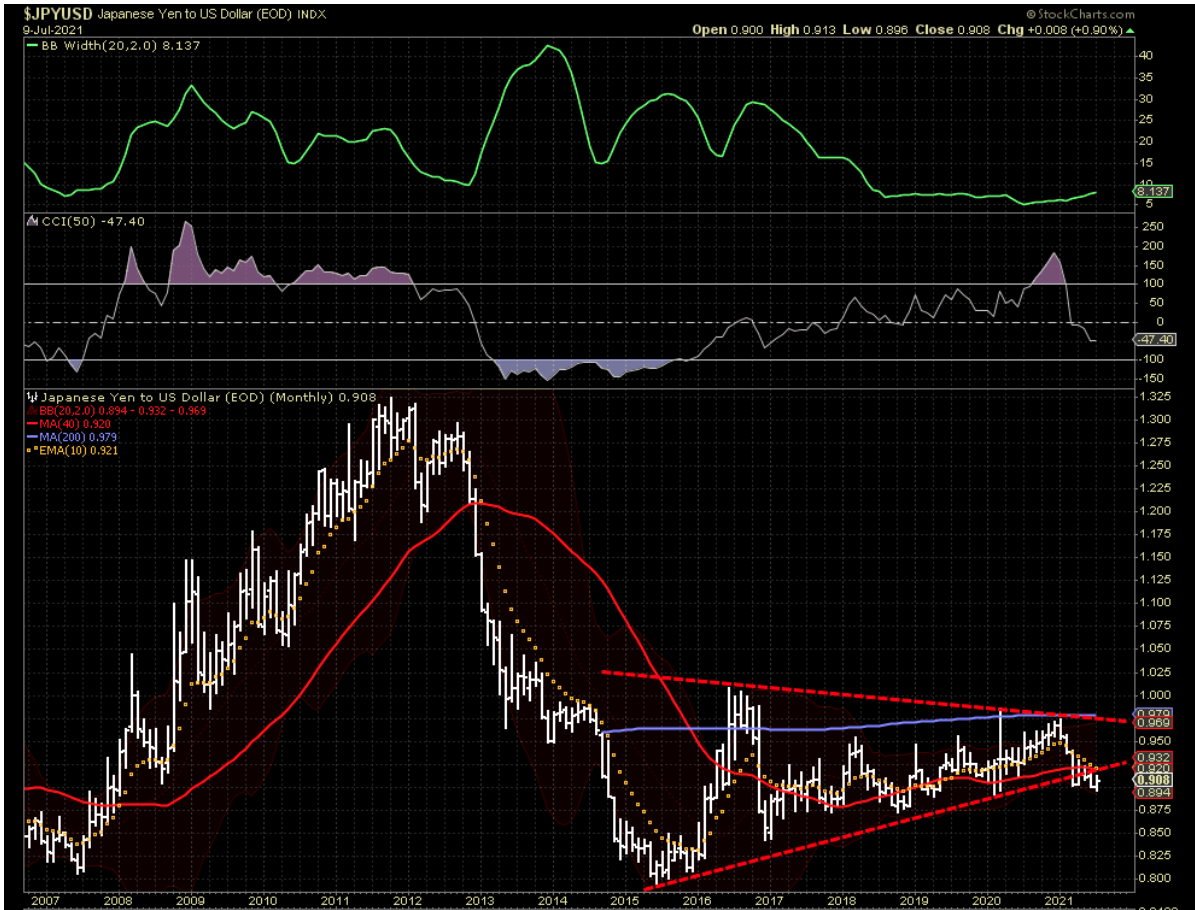


25. Chicago wheat

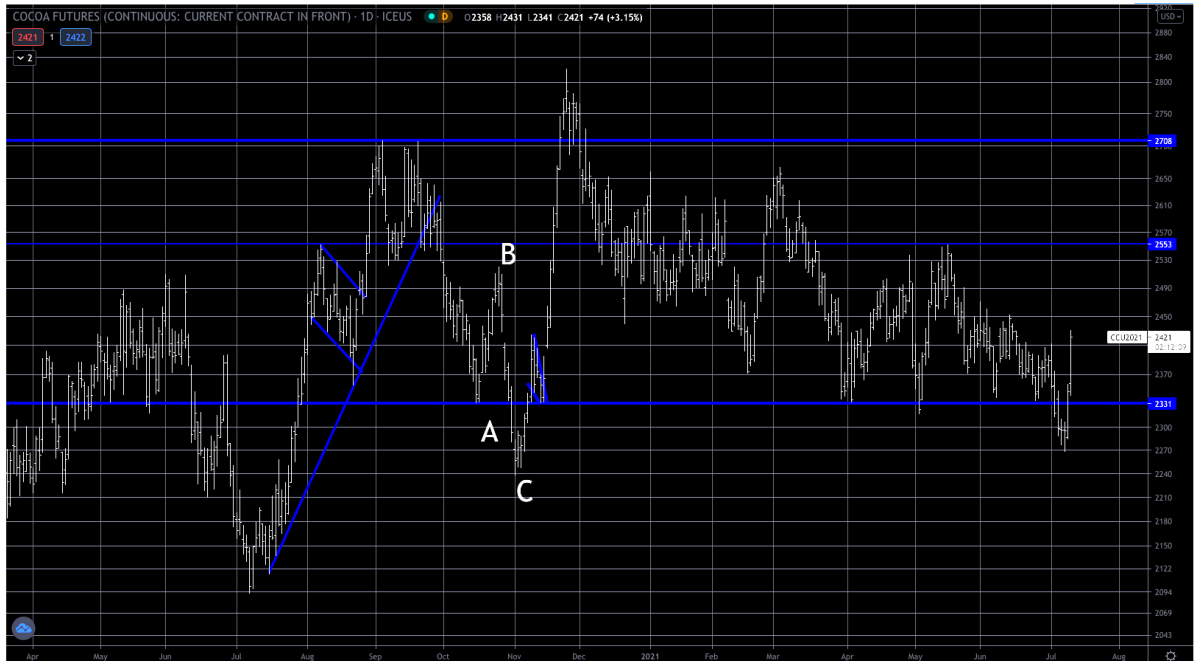


26. USD

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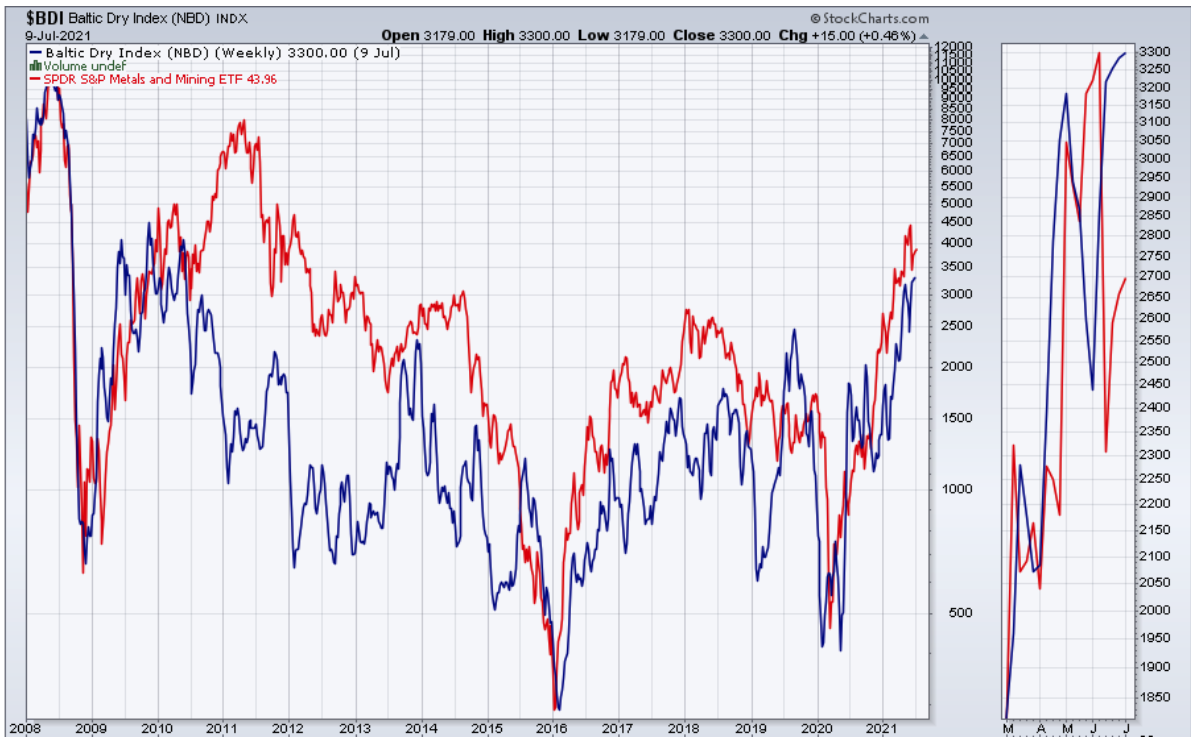


27. JPYUSD



28. Cocoa-What a nightmare.

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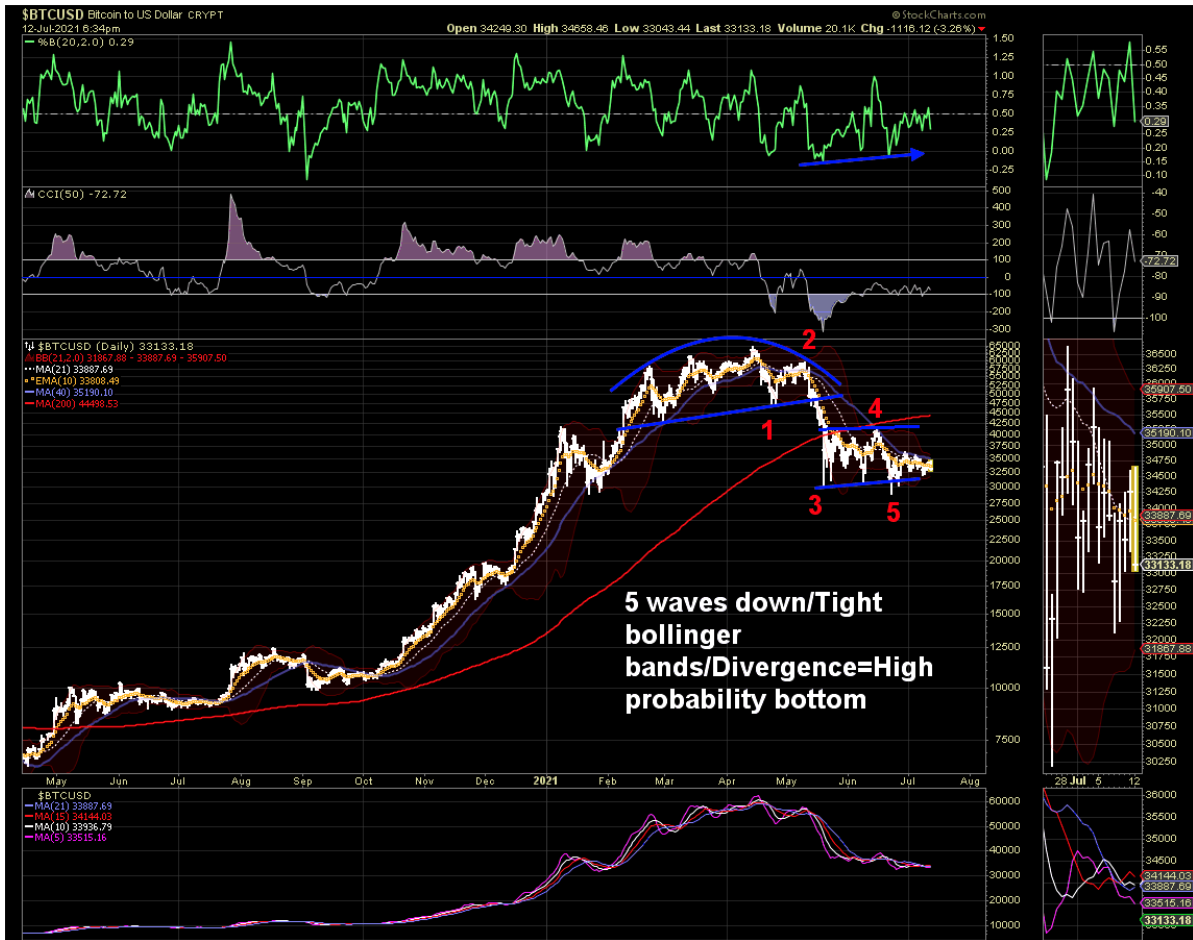
29. BDI and XME

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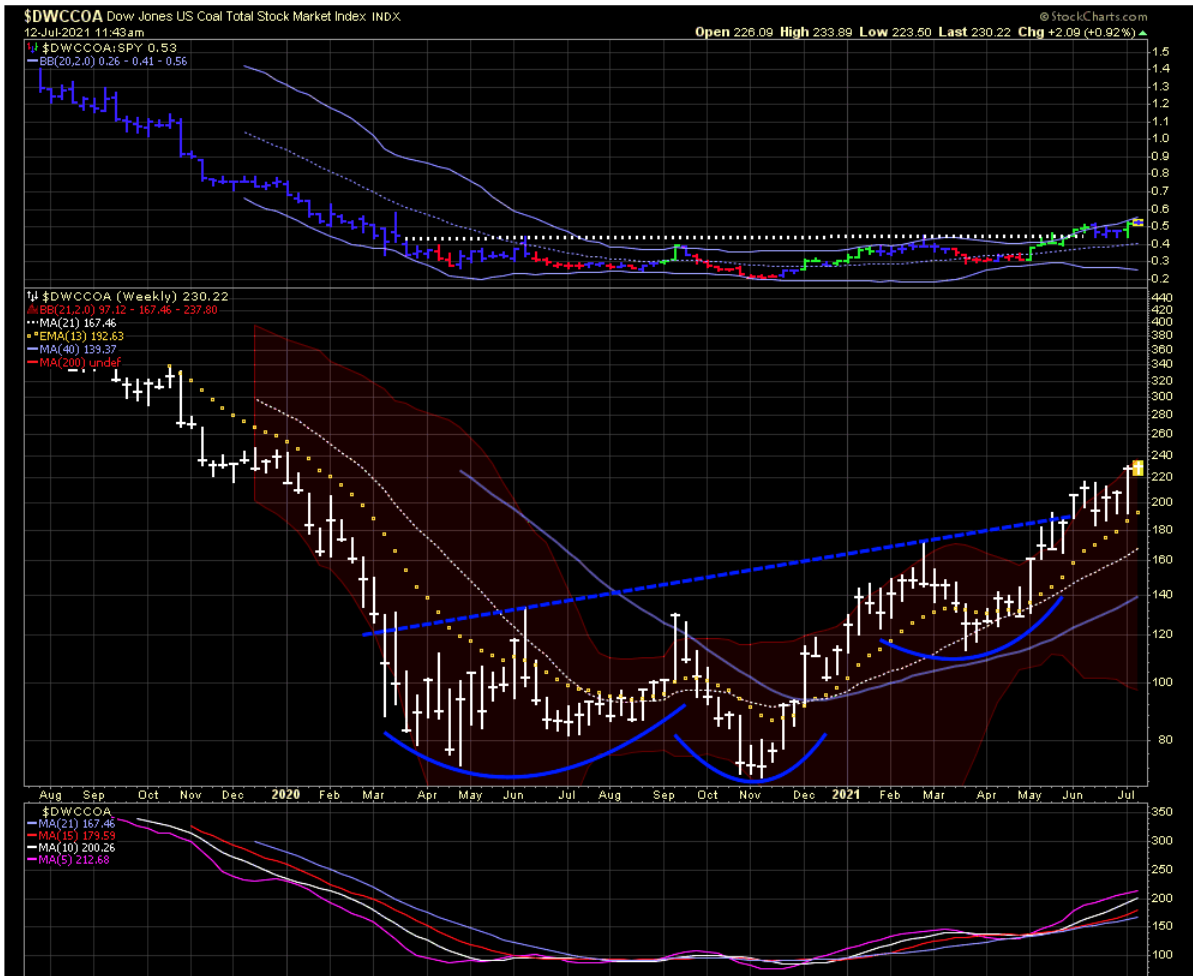
30. NYAD and Small cap AD





31. Bitcoin-Buy above 36100


 against
 all odds



32. Coal sector

oio
 against
 all odds



32. Healthcare... great break out.

oio
 against
 all odds



33. Software

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 against
 all odds



34. KRE

OOO
 against
 all odds

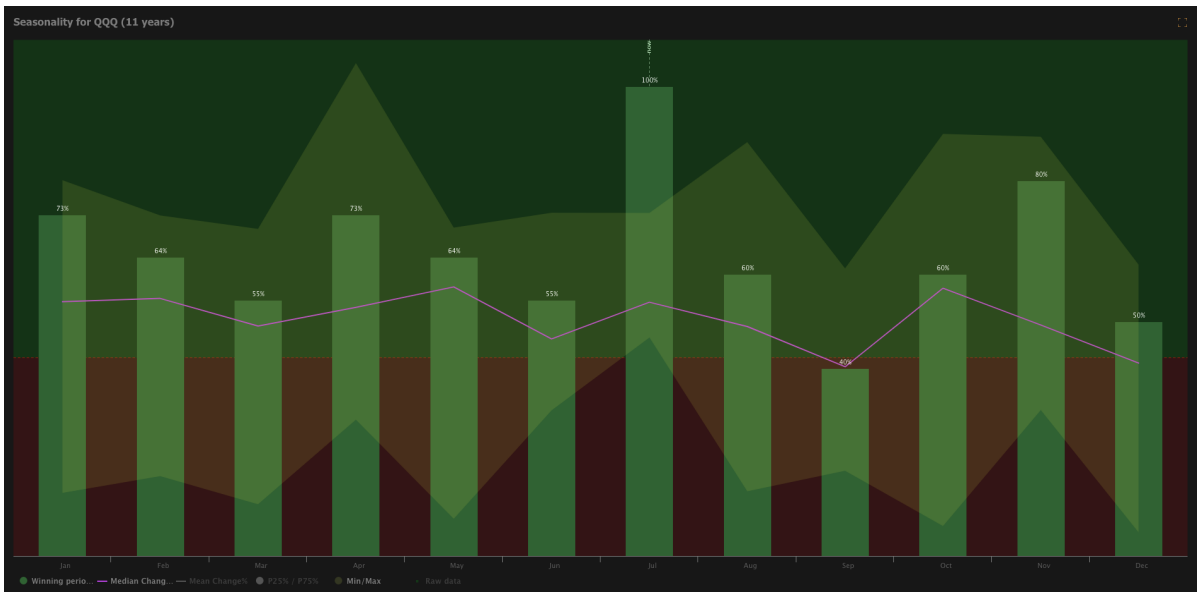


35. SMH

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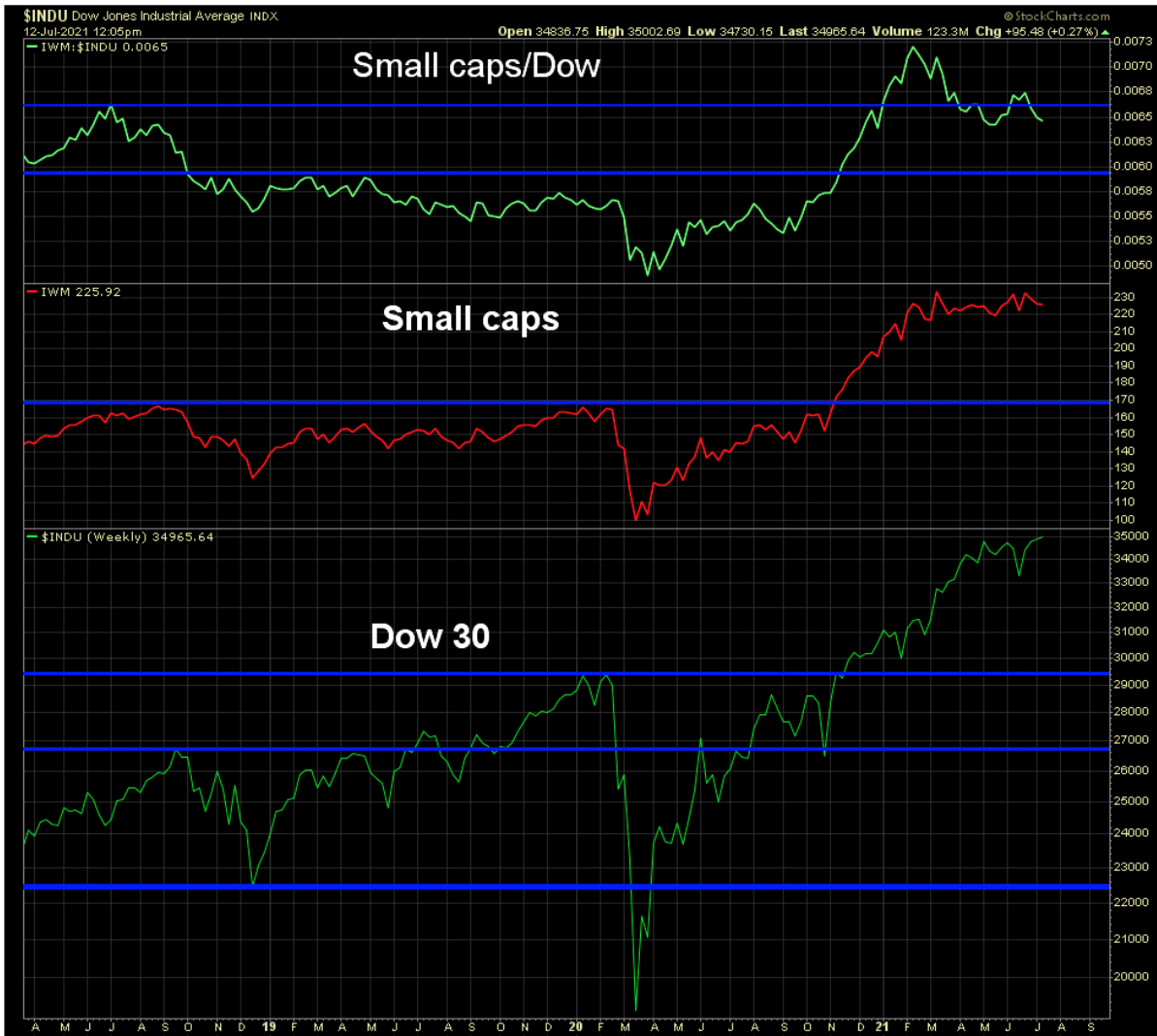


36. IWM small caps



37. QQQ July seasonality 10%.

QIQO
 against
 all odds



38. Small caps/Dow

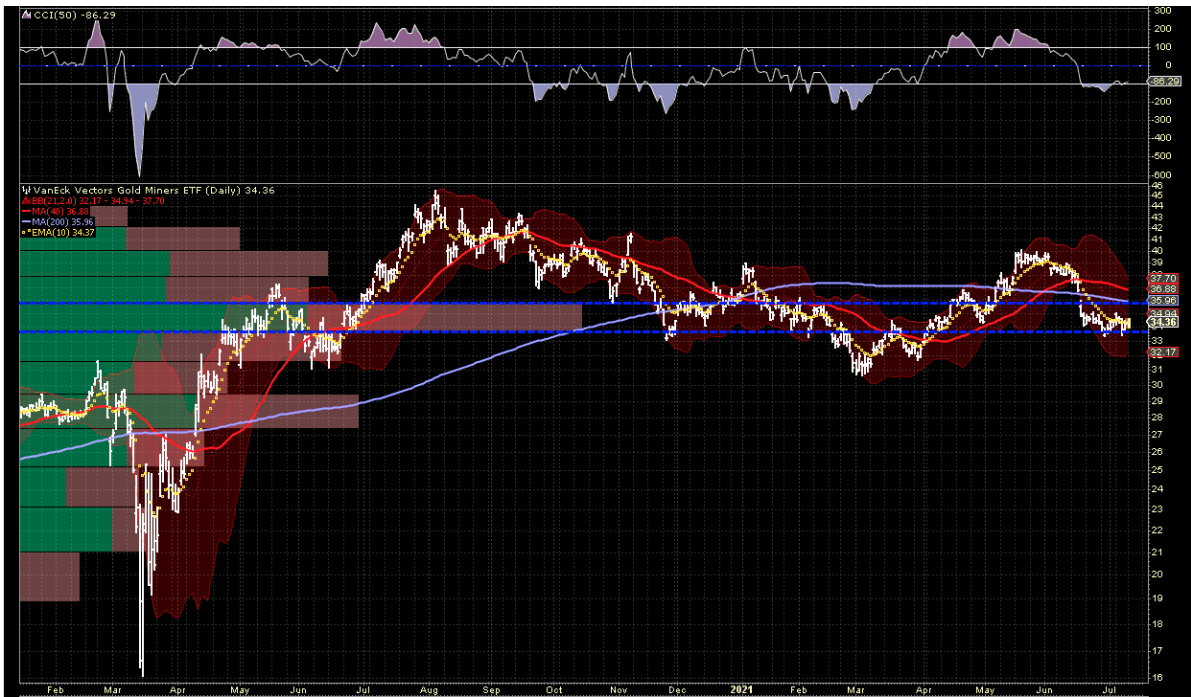




39. DAX



40. Nikkei



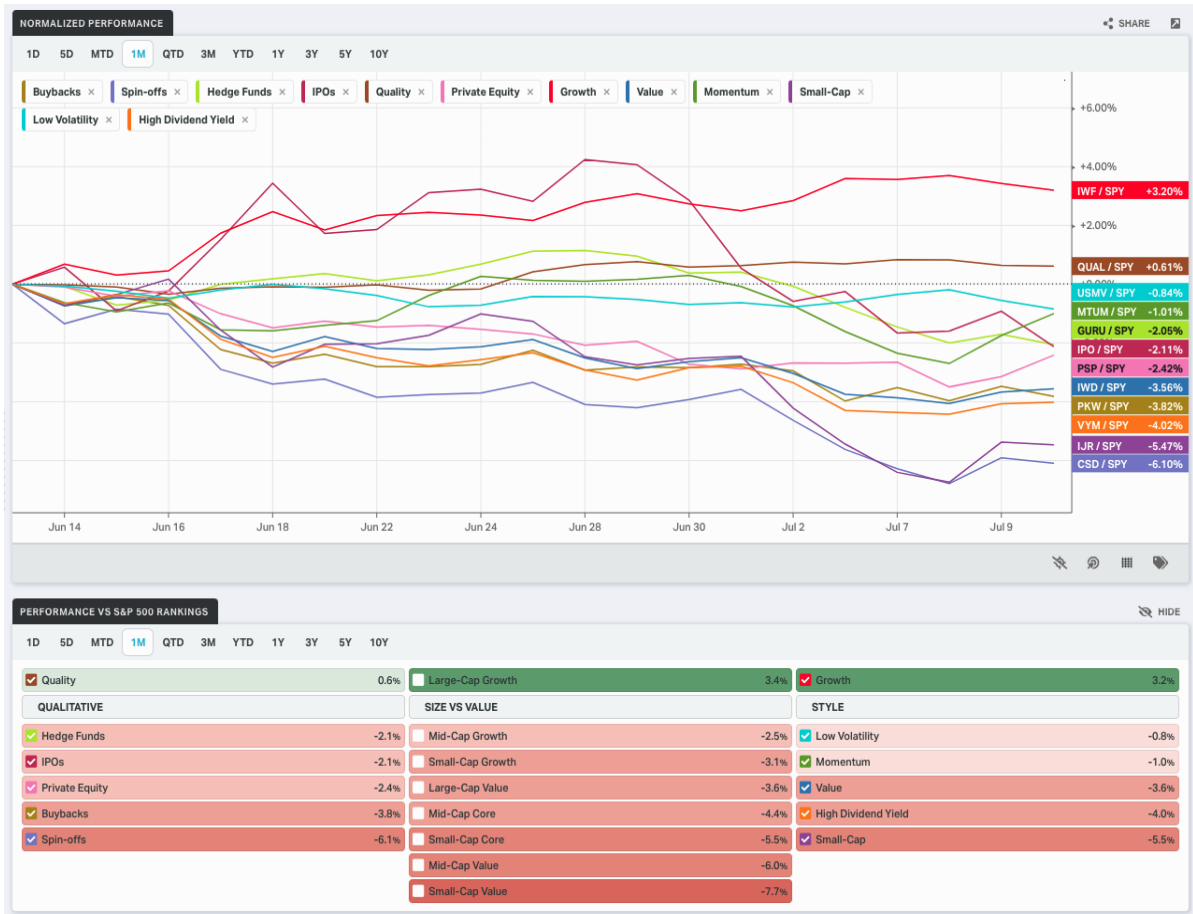
41. GDx



42. SPX and equal weight SPX (bottom)

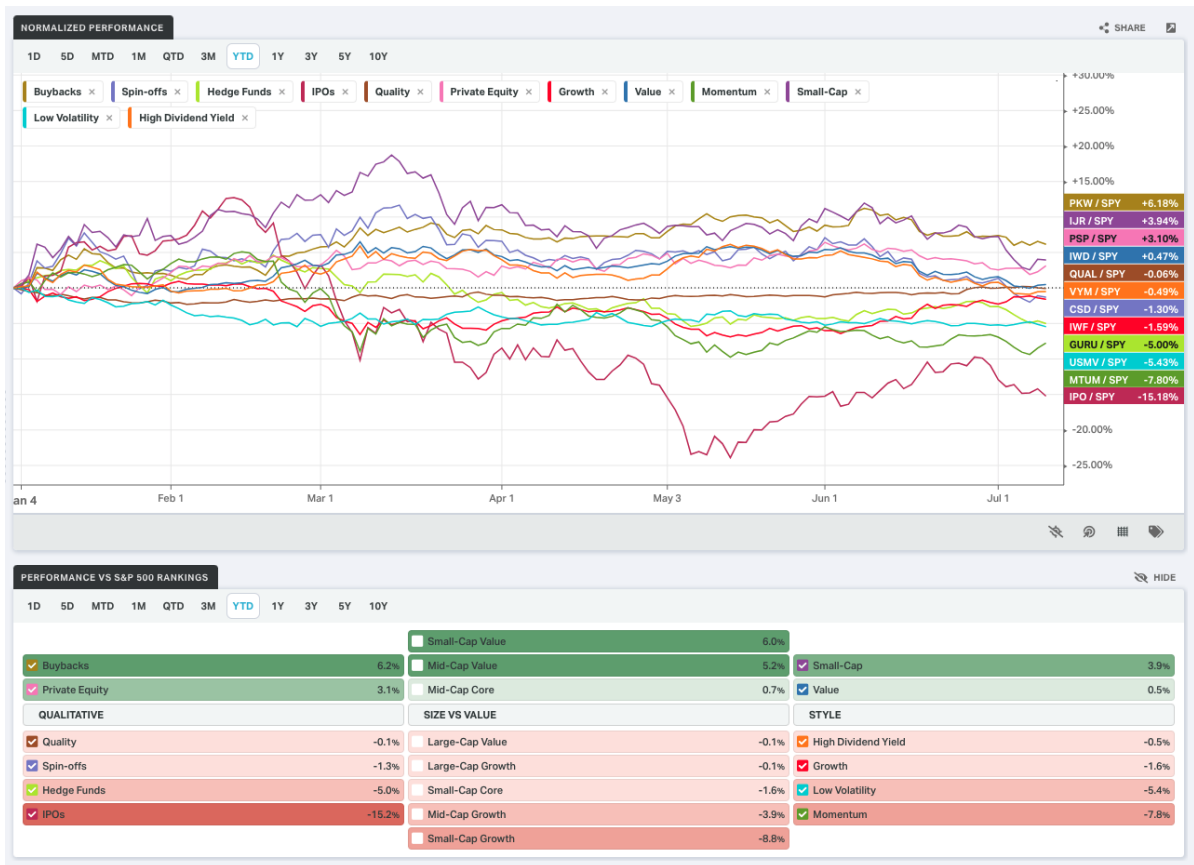
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43. “The market can stay irrational longer than you can stay solvent.” – John Maynard Keynes



44. Style factors 1 month trends





45. Style factors YTD trends

