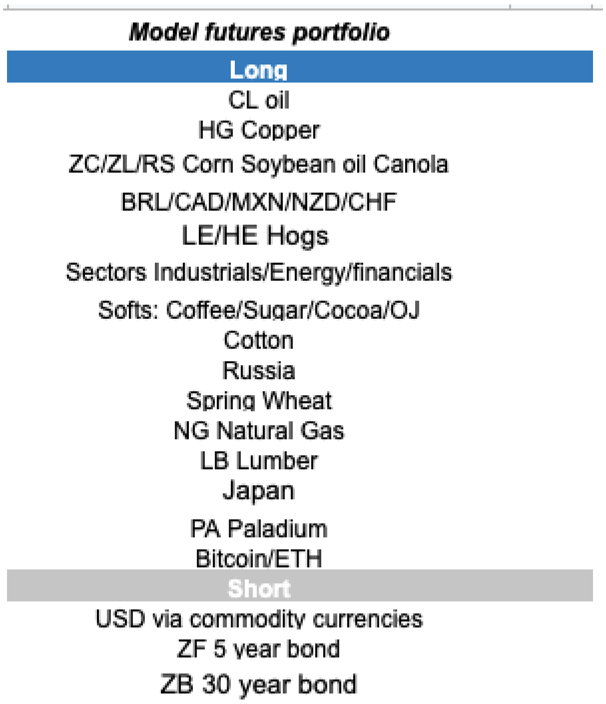
AGAINST ALL ODDS RESEARCH

Jason (Perz) Boyd/Kashyap Sriram

The Unsophisticated investor series: Spooky October 1 issue (That's not so spooky)

The key to building wealth is to preserve capital and wait patiently for the right opportunity to make the extraordinary gains.

Trader Vic (this quote sums up our strategy at the moment.)



Model futures portfolio

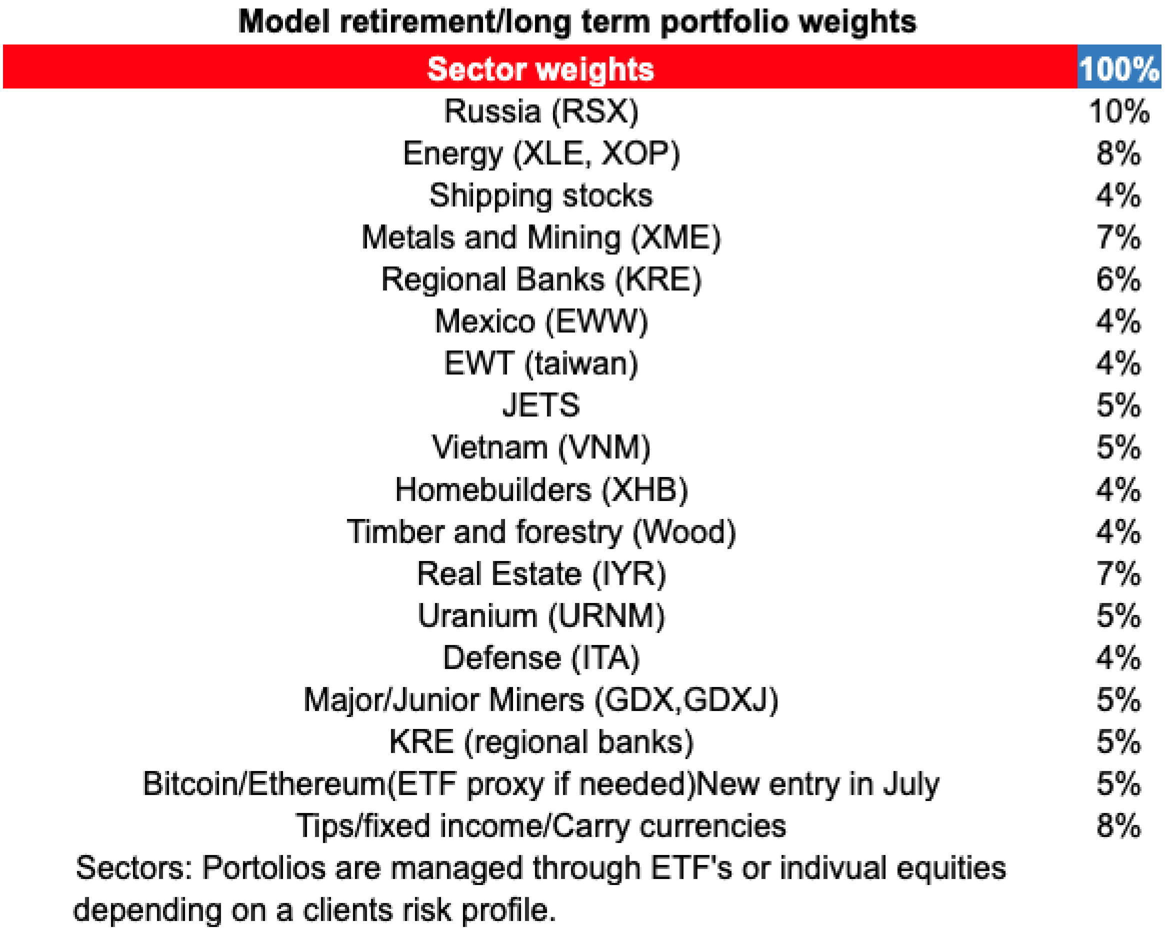
Long

CL oil
HG Copper
ZC/ZL/RS Corn Soybean oil Canola
BRL/CAD/MXN/NZD/CHF
LE/HE Hogs
Sectors Industrials/Energy/financials
Softs: Coffee/Sugar/Cocoa/OJ
Cotton
Russia
Spring Wheat
NG Natural Gas
LB Lumber
Japan
PA Paladium
Bitcoin/ETH

Short

USD via commodity currencies
ZF 5 year bond
ZB 30 year bond

against
all odds



Model retirement/long term portfolio weights

Sector weights	100%
Russia (RSX)	10%
Energy (XLE, XOP)	8%
Shipping stocks	4%
Metals and Mining (XME)	7%
Regional Banks (KRE)	6%
Mexico (EWW)	4%
EWT (taiwan)	4%
JETS	5%
Vietnam (VNM)	5%
Homebuilders (XHB)	4%
Timber and forestry (Wood)	4%
Real Estate (IYR)	7%
Uranium (URNM)	5%
Defense (ITA)	4%
Major/Junior Miners (GDX,GDXJ)	5%
KRE (regional banks)	5%
Bitcoin/Ethereum(ETF proxy if needed)New entry in July	5%
Tips/fixed income/Carry currencies	8%

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

Model weights

Futures/options	30%
Crypto currencies	8%
Stable coin/yields	10%
Long term portfolio	30%
Phsyical gold/silver	22%

"Several things go together for those who view the world as an uncertain place: healthy respect for risk; awareness that we don't know what the future holds; an understanding that the best we can do is view the future as a probability distribution and invest accordingly; insistence on defensive investing; and emphasis on avoiding pitfalls. To me that is what thoughtful investing is all about." Howard Marks

against
all odds

XLU	Buy	Sell	Sell		D	1			
XME	Buy	Buy	Sell	Consolidating	I	1			
IYR	Buy	Buy	Buy		Mix	1			
XLP	Buy	Buy	Sell		D	0			
XLE	Buy	Buy	Buy	Long Sept 23	I	1			
URNM	Buy	Buy	Buy		I	1			
SMH	Buy	Buy	Buy		I	1			
KRE	Buy	Buy	Sell	Pivot: buy 66.73	I	1		Growth up/Inflation down	Growth up/inflation up
XHB	Buy	Buy	Buy		I	1		Monetary policy response: neutra	Monetary policy response: Hawkish
IYT	Buy	Sell	Sell		I	0		Growth down/Inflation up	Growth down/inflation down
GDX	Sell	Sell	Sell		Mix	0		Monetary policy response: Stuck	Montary policy response: Dovish
Silver (Spot)	Sell	Sell	Sell		Mix	0			
Gold (Spot)	Sell	Sell	Sell		Mix	0			
ZB 30 bond	Buy	Sell	Sell	Sell: Sept 24	D	0			
NG	Buy	Buy	Buy		I	1			
Copper HG	Buy	Buy	Sell		I	1			
Oil CL	Buy	Buy	Buy		I	1			
EURUSD	Buy	Sell	Sell		I	0			
CORN	Buy	Buy	Sell		I	1			
Sugar	Buy	Buy	Buy		I	1			
Lumber	Sell	Buy	Buy	Buy: Sept 20	I	1			
TLT:SPY	Sell	Sell	Sell		D	1			
ZF 5 year bond	Sell	Sell	Sell		D	1			
JPYUSD	Sell	Sell	Sell		D	1			
CADUSD	Buy	Sell	Sell		I	0			
GBPJPY	Buy	Buy	Sell		I	1			
					Regime score	20	0-8 deflation	12-18 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 but it looks like we are moving in to reflation again.						
Fed	Printing with no end in sight.		Note:Talk of tightening from the hawks is creaping 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.								

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Part 2

Jason Perz (chart storm)

The Weakness in Fundamental Analysis

My wife and I stopped at a supermarket and stocked up on everything we wanted, had dinner at an Asian fine dining place where the food was flawless, and stopped by at a patisserie and got everything we wanted. That's when it hit me that my experience out here in the third world stands in stark contrast to the stories I'm hearing of shortages and price inflation in the US. What gives? Is India in fundamentally better shape than the US of today?

Of course not. The answer lies in thinking through the seen and the unseen. In my city, the population has thinned out as the marginal workers who could no longer afford the cost of living have moved back to their hometowns. Demand has absolutely collapsed. A city which previously housed 11.2 million people now houses say 8 million or lesser. Naturally, it feels as though there's an abundance of resources, when in reality, *people have actually become poorer and lowered their standard of living.* You just don't see them on the streets because they're no longer there.

It's the same case in the US. The after-effect of the government reaction to the plandemic is shortage of goods as containerships are backed up, and shortage of workers as universal basic income and immigration control has destroyed the supply of low-skilled labour.

In the US, government intervention is showing up directly in price inflation and shortages. In India, it's showing up as a surplus of goods and stable prices in the cities.

I bring this up because there's a lesson in this for fundamentals based trading. I could have stopped my narrative anywhere in the first few paragraphs and arrived at a different fundamentals-based view. I could go on with the narrative and perhaps form a different fundamentals-based view altogether.

And that's really the weakness of fundamental analysis. It cannot account for human action, which often ends up changing the fundamentals. A fundamentals based view must incorporate human action in order to correct for this weakness.

In the real world, that's not easy. Fortunately in the world of trading, it is really, really easy. What incorporates human action and tells us how people have actually reacted to what they believe to be the fundamentals? Price and volume. It's really that simple. If you consider yourself a fundamentals based investor but refuse to acknowledge price and volume (i.e. human action), you're really only constructing abstract hypotheses unconnected to reality.

Which is the problem I see with most gold bulls today.

I absolutely think gold should do great in the current environment. But it hasn't. Human action, as expressed by the price and volume action, has shown that the market actually doesn't agree with the gold bulls on the fundamentals. From 2012-18, the market disagreed with the gold bulls on where the price of gold should be. That's just how markets are.

GoldenToilet @joshmeyerrx · Sep 15

Let's play a game.

What's your most negative holding right now and how negative is it?

I'll start: Platinum Group Metals $PLG -45%

Not selling. Full conviction.

#gold #silver #platinum

GoldenToilet @joshmeyerrx · Sep 22

#platinum showing the way, as it often does by leading the PMs out of the trenches.

Added to $PLG last week hoping for this exact scenario.

Cmon baby

Some market gurus consider themselves geniuses because they have a fundamentals based view which flies in the face of the price action. They *know*, with absolute certainty, that their view is right and the market is wrong. They double down on bad calls. They make themselves miserable by piling on losses, seek solace in the losses of like-minded masochists, and become bitter because fellow human beings who view the world differently are making money while they aren't. How can that idiot Robinhooder make money while I, the know-all market wizard who predicted everything, am losing money?

Yes, the markets are manipulated all the time. By human action. It's evident in the price and volume action. If human action runs counter to one's pet fundamental theory, is the theory wrong or is human action? It doesn't matter. The right question to ask is - if my fundamental theory isn't helping me make money, do I stick with it or alter the theory to help me make money?

Fundamentals get a bad rap because the practitioners never alter their pet theory. Those pet theories aren't about fundamentals at all, and should be recognized as such. The market gurus who boast about their contrarian predictions making 1000% gains aren't actually making those kind of gains in their portfolio. If they were, they'd be billionaires. And they would definitely not be selling their predictions.

Fundamentals isn't about predictions or pet theories. It's about looking at the world and forming an opinion (or theory, since that sounds better). Trading is figuring out how best to use those theories as a basis for making money.

I have a fundamental view on every sector and security I look at. It's important to my style of trading to have that view. However, I do recognize the inherent weakness of using fundamentals. When the price action runs counter to my theory, I alter it. I'll be wrong often - but I'll make money. I won't be wedded to one side of the market on a single asset class until death (or bankruptcy) do us apart.

Below, I express my fundamental views on gold, uranium, crypto and shipping.

Gold

I have to admit I'm stumped. The GDXJ is the absolute worst performer ytd, down 28.2%. Even Chinese Tech (CQQQ) has fared better, at down 20%. The only positive factor is that gold has not yet taken out its March low of $1683.

I wouldn't buy the GDX or GDXJ at these levels. Bottom fishing is a luxury afterall. However, I do have an allocation to the gold explorers. In a sense, the explorers move with the price of gold, especially when sentiment gets extreme, but overall they march to their own fundamentals. And quite a few of them now present a compelling value proposition, just as Vancouver IR get back to their desks and gear up to clog the newswires with a flurry of press releases highlighting the positive developments at their companies. We're going to see a lot of assay results, announcements on progress in economic studies, news of financings and famous investors buying in, large cap miners taking stakes or acquiring juniors, etc. As long as sentiment doesn't remain extreme forever, the exploration sector should rebound with the end of the summer doldrums.

My favourites among the gold/silver explorers, in that order: Vizsla Silver (VZLA.V), Sabina Gold & Silver (SBB.TO), Skeena Resources (SKE.TO), Marathon Gold (MOZ.TO), Integra Gold (ITRG), Aurion Resources (AU.V) and Discovery Silver (DSV.V).

Fundamentals, in brief:

VZLA.V - The company is exploring the Panuco silver district in the state of Sinaloa in Mexico. The company has completed 75,000 meters of drilling, is cashed up to drill another 100,000 meters and deliver a maiden mineral resource estimate in Q1 2022. This is a very successful drill play which has already delivered tremendous growth and is poised to deliver more.

SBB.TO - Sabina owns the Back River project in the Nunavut, Canada. The project is in between feasibility and development. Short of putting up a For Sale sign in front of the company's HQ, Sabina's management has done everything necessary to attract a takeover bid. The only problem is nobody seems willing to buy this project, given the remote location and lack of infrastructure. The stock is most influenced by sentiment on whether or not the company will get a bid, rather than any other fundamentals. At C$1.45, I think it's good for a pop. Whether Back River becomes a mine remains in question, but buying at current prices should make money.

SKE.TO - The company has two properties in British Columbia, Snip and Eskay Creek. I have been following the story since the early days and I love the growth they have already shown. The story now is all about Eskay Creek, which has a 2021 PFS highlighting an after-tax NPV of C$1.4 billion and IRR of 56% using $1550 gold and $22 silver. The initial capex of C$488 million is quite manageable, considering the company's market cap of nearly C$800 million. This team has shown that it can deliver, and I expect them to continue to do so. Fundamentally, I see this as a low-risk trade.

MOZ.TO - Just buy, wait for a takeover offer. Any week now...

ITRG - This is among my riskier trades. The company owns a low-grade deposit in Idaho. I like it because the 2019 PEA on its flagship asset highlights an NPV of US$534 million and IRR of 60% using a gold price of $1600. Drilling completed since then has demonstrated the potential for higher-grade pockets that should improve the overall grades, and thus the project economics. The company is also proving up a couple of other projects. The company is currently in the penalty box because it committed the sin of announcing a financing at a discount to market prices. The dilution is over, and the downside from here should be limited. However, management can continue to surprise me by figuring out new ways to destroy shareholder value, so I'd consider it high risk, even on top of the risks involved in owning a small cap explorer.

AU.V - Every so often I ~~become roadkill~~ make a contrarian bet. Aurion is one such bet. The company has a lot of prospective land in Finland, and made waves in early 2017 when it announced eye-popping grades from grab samples. The company's neighbour Rupert Resources (RUP.V) went from nowhere to being worth over a billion dollars (Canadian) last year, on proving up its Ikkari property. Ikkari shares a property boundary with Aurion's Kutuvuoma. Aurion has already shown there may be some mineralization on its property. A smart promoter would have looked to ride Rupert's coattails. Even if nothing came of it eventually, at least the company could have drilled a few holes and promoted its closeness to Rupert. They did the opposite - reporting crappy results from properties nowhere close to Ikkari, and doing no drilling near Ikkari. 'Cos covid. 'Cos no helicopters available. The Chairman mentions all their excuses in a shareholder letter. Still, I'm hopeful that this company will one day get its act together and surprise the market. Alternatively, if Rupert thinks there's gold on their property, it buys them out or at least does an earn-in deal which revalues these shares. This is the kind of long shot I like to buy cheap. **If** fundamentals change, this is an easy 2-3x.

DSV.V - The company owns the Cordero silver deposit in Chihuahua, Mexico. This is a Tier I project with a 29 year mine life, according to the 2018 PEA. Shares move with silver prices. With silver hitting 52-week lows, I consider this a bottom fish. I like it because it's cheap and the fundamentals for their project are great (and improving). Bottom fishing is an expensive pastime, but I'm happy to indulge when it comes to having a single bottom-fish pick in my entire portfolio.

Uranium

I've said everything I wanted to say on uranium in my article Sidestepping the Uranium Bubble. Nothing that has happened since then changes my view. I wrote the article on 9/14, and the next day marked the top. I didn't "predict" that. I just closed my last remaining long position and sidestepped the rest of the rally. I wouldn't go short now, since I expect a lot of news-driven sideways chop. The long-term fundamentals will become clear in a month or two when the Sprott Physical Uranium Trust sputters and runs out of fresh capital. Or if there's a regulatory action like I expect. Until the picture becomes clearer, I'd simply stay out of this sector.

Crypto

China has 'banned bitcoin' several times in the last decade. It's part of the regular charade, creating panic and liquidity so the whales can scoop up more bitcoin without moving the price around. What this ban has done is create an opportunity for North American crypto miners. They get to buy discounted Chinese mining equipment and become a bigger % of the global hash rate. The drop in difficulty also means they are mining more bitcoin.

I like the bitcoin miners overall, and have an allocation to Marathon Digital Holdings (MARA) and Bitfarms (BITF).

MARA - The biggest US-listed bitcoin miner. I like buying the biggest name in a space simply because that's where the liquidity flows to first.

BITF - I like this company for its growth and valuation. The company's hash rate (computing power, which influences the number of bitcoin mined and hence the topline) is set to grow from 1.4 exahash/second currently, to 3 exahash/sec by Q1 2022 and 8 exahash/sec by year-end 2022. From January to August 2021, the company produced 2102 bitcoin. The company is currently mining approx. 10 bitcoin per day. At that run rate, without accounting for growth in hashpower, the company should end the year with production of 3302 bitcoin. Using an average annual bitcoin price of $45k, the company's 2021 revenue forecast is $148.6 million. Assuming 25% net margin, the company is trading at a PE multiple of 22.5. These numbers are just for illustration - the company isn't actually going to report that kind of net income or trade at a 22.5 PE. The growth in capex as they add miners and data centers will see a commensurate increase in depreciation, operating costs, and added G&A. Costs will also rise as they expand from their current operations in Quebec to a new data center in Paraguay. The price-to-sales ratio provides a better metric to value a growing company. At the $45k annual average bitcoin price, the company's P/S ratio is 5.6x. Changing the annual average price to $60k lowers the P/S ratio to 4.2x. Add in expected growth to the 2022 topline, and you can arrive at an even lower P/S multiple. Everything depends on the assumptions. If Quebec bans bitcoin mining, the company's probably not going to be worth more than the price they can get for their equipment, which in turn will depend on whether other Canadian provinces or the US ban mining as well. Intrinsic value is a misnomer, there's no such thing.

There's another stock I like in the crypto space - **Voyager Digital (VOYG.TO, VYGVF)**. Founded by E-trade veterans, the company is attempting to attract crypto investors to trade and hold crypto through its smartphone app. You can earn a yield simply by holding tokens on their platform. Check out their rewards program. I have no idea if they will be successful and what the right valuation is. I believe in the business model and in management and have taken a small position to reflect that. I believe the price decline is influenced by the news on the SEC's tiff with Coinbase. If so, I expect it to blow over as crypto regulations get hammered down and the industry gets back to business as usual. If not the stock, their rewards program is definitely worth checking out.

Shipping

I have covered **ZIM** and **CMRE** earlier (see five trades for AAO). If you buy them or hold them already, everything now boils down to risk management.

Something interesting happened in the shipping space last week - the oil tankers started to turn up.

From ShipBrief: "Since the start of September, four VLCCs, three Suezmaxes, and two Aframaxes have been sent to the beaches, removing over 1.5 million DWT of capacity - making it the busiest month in a long, long time."

The fundamentals for this sub-sector of shipping have been bullish since IMO 2020 regulations came into force last year. However, the price action hasn't been particularly bullish since April 2020, when shares peaked in response to the news on tankers being used for storing excess crude oil inventory. With vessel values rising, scrapping picking up, and the overall shipping sector getting some love, perhaps now is the time the oil tankers have their day in the sun. I currently own EURN, FRO, DHT, INSW, Hafnia (Oslo) and ASC and am looking to increase my allocation to the sub-sector.

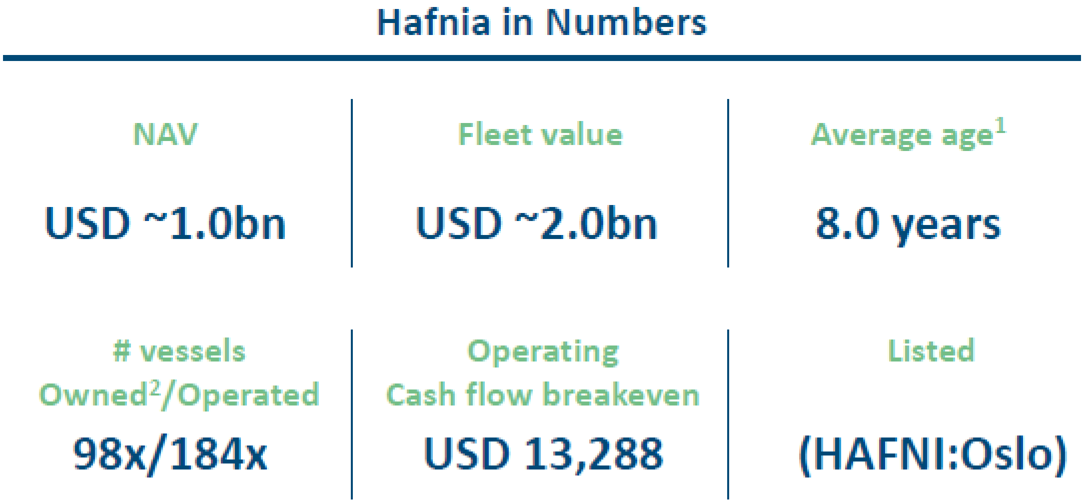
EURN - Biggest listed crude carrier, with a fleet of 2 V-Plus vessels, 48 VLCCs, 30 Suezmax and 2 FSO vessels (50% owned).

FRO - Second biggest listed crude carrier, with a fleet of 17 VLCCs, 29 Suezmax, and 22 LR2/Aframax. Management is considered to be the best in the industry. Hemen Holdings is a controlling shareholder, but that's seen as a good thing.

DHT - Fleet consists exclusively of VLCCs, which means this company is poised to really benefit from a recovery in demand for long-haul crude transport. The company owns 26 VLCCs with an average age of 6 years. Consistent history of profitability; profitable every year since 2014. That's a track record that really appeals to me, given that a lot of these stocks used to be value traps ever since shipping peaked early in the last decade.

INSW - The company used to be a dog until it acquired Diamond S Shipping earlier this year. Their fleet of 102 vessels is a mix of both crude and product tankers. I am not bullish on product tankers per se but the valuation of this stock is compelling (0.6x NAV according to a shipping analyst I follow) and the break above $17.19 triggered a technical buy signal. I would consider this among the riskier bets in this space.

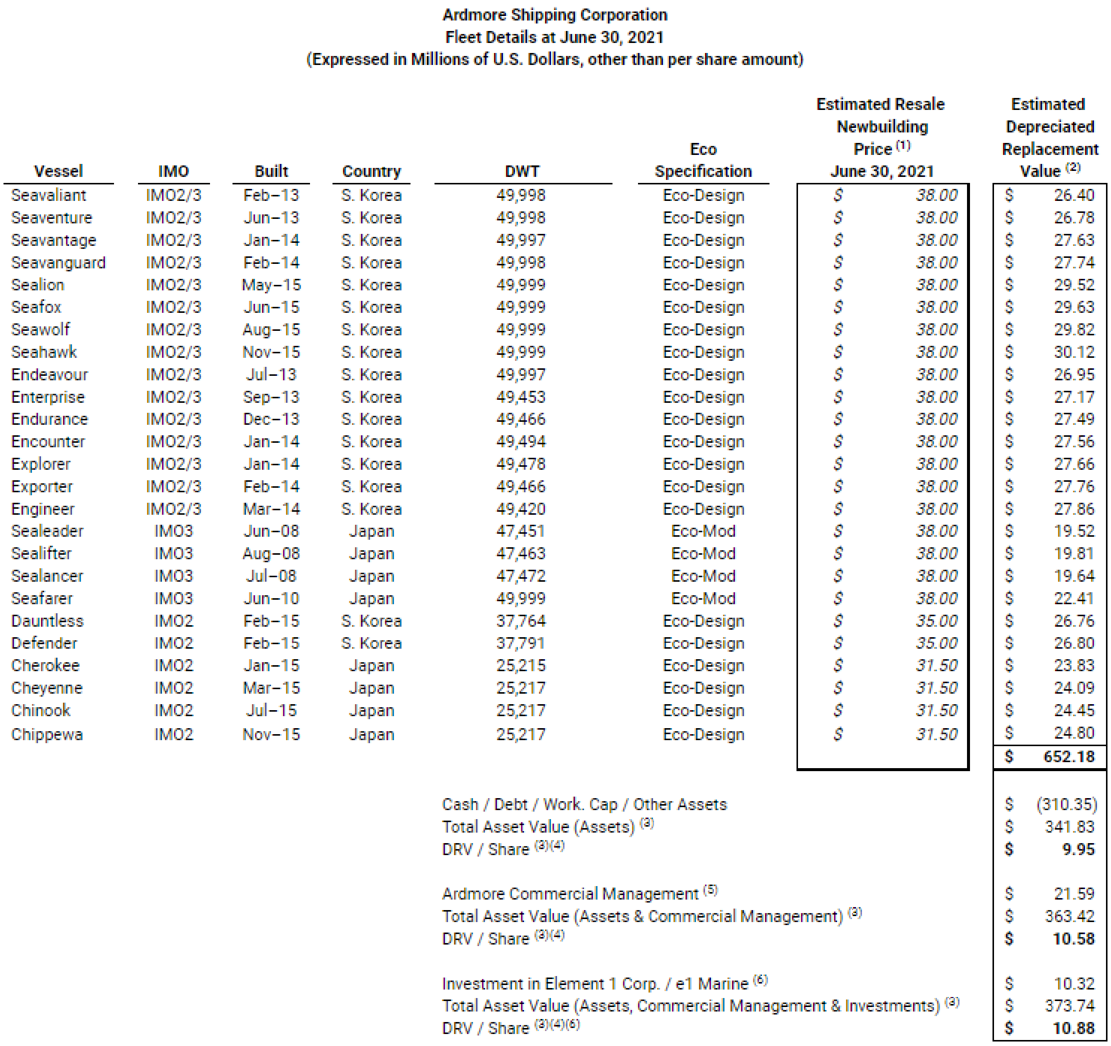
Hafnia (Oslo) - The company's primary business is owning and operating product tankers. The company owns 98 vessels and manages 184 vessels through its commercial pool. Fundamentally, I am not very bullish on the core business but the valuation is again quite compelling.



Hafnia in Numbers

NAV	Fleet value	Average age[1]
USD ~1.0bn	USD ~2.0bn	8.0 years
# vessels Owned[2]/Operated	Operating Cash flow breakeven	Listed
98x/184x	USD 13,288	(HAFNI:Oslo)

ASC - This is a small-cap with unique fundamentals. The company is in the tanker space, but it also transports chemicals and vegetable oils in addition to refined products. From 2017 to Q2 2021, the company reported a cumulative net loss of $3.05 per share. I don't expect a sudden turnaround to profitability. This is primarily an asset play.



Ardmore Shipping Corporation
Fleet Details at June 30, 2021
(Expressed in Millions of U.S. Dollars, other than per share amount)

Vessel	IMO	Built	Country	DWT	Eco Specification	Estimated Resale Newbuilding Price (1) June 30, 2021	Estimated Depreciated Replacement Value (2)
Seavaliant	IMO2/3	Feb–13	S. Korea	49,998	Eco-Design	$ 38.00	$ 26.40
Seaventure	IMO2/3	Jun–13	S. Korea	49,998	Eco-Design	$ 38.00	$ 26.78
Seavantage	IMO2/3	Jan–14	S. Korea	49,997	Eco-Design	$ 38.00	$ 27.63
Seavanguard	IMO2/3	Feb–14	S. Korea	49,998	Eco-Design	$ 38.00	$ 27.74
Sealion	IMO2/3	May–15	S. Korea	49,999	Eco-Design	$ 38.00	$ 29.52
Seafox	IMO2/3	Jun–15	S. Korea	49,999	Eco-Design	$ 38.00	$ 29.63
Seawolf	IMO2/3	Aug–15	S. Korea	49,999	Eco-Design	$ 38.00	$ 29.82
Seahawk	IMO2/3	Nov–15	S. Korea	49,999	Eco-Design	$ 38.00	$ 30.12
Endeavour	IMO2/3	Jul–13	S. Korea	49,997	Eco-Design	$ 38.00	$ 26.95
Enterprise	IMO2/3	Sep–13	S. Korea	49,453	Eco-Design	$ 38.00	$ 27.17
Endurance	IMO2/3	Dec–13	S. Korea	49,466	Eco-Design	$ 38.00	$ 27.49
Encounter	IMO2/3	Jan–14	S. Korea	49,494	Eco-Design	$ 38.00	$ 27.56
Explorer	IMO2/3	Jan–14	S. Korea	49,478	Eco-Design	$ 38.00	$ 27.66
Exporter	IMO2/3	Feb–14	S. Korea	49,466	Eco-Design	$ 38.00	$ 27.76
Engineer	IMO2/3	Mar–14	S. Korea	49,420	Eco-Design	$ 38.00	$ 27.86
Sealeader	IMO3	Jun–08	Japan	47,451	Eco-Mod	$ 38.00	$ 19.52
Sealifter	IMO3	Aug–08	Japan	47,463	Eco-Mod	$ 38.00	$ 19.81
Sealancer	IMO3	Jul–08	Japan	47,472	Eco-Mod	$ 38.00	$ 19.64
Seafarer	IMO3	Jun–10	Japan	49,999	Eco-Mod	$ 38.00	$ 22.41
Dauntless	IMO2	Feb–15	S. Korea	37,764	Eco-Design	$ 35.00	$ 26.76
Defender	IMO2	Feb–15	S. Korea	37,791	Eco-Design	$ 35.00	$ 26.80
Cherokee	IMO2	Jan–15	Japan	25,215	Eco-Design	$ 31.50	$ 23.83
Cheyenne	IMO2	Mar–15	Japan	25,217	Eco-Design	$ 31.50	$ 24.09
Chinook	IMO2	Jul–15	Japan	25,217	Eco-Design	$ 31.50	$ 24.45
Chippewa	IMO2	Nov–15	Japan	25,217	Eco-Design	$ 31.50	$ 24.80
							$ 652.18
Cash / Debt / Work. Cap / Other Assets							$ (310.35)
Total Asset Value (Assets) (3)							$ 341.83
DRV / Share (3)(4)							**$ 9.95**
Ardmore Commercial Management (5)							$ 21.59
Total Asset Value (Assets & Commercial Management) (3)							$ 363.42
DRV / Share (3)(4)							**$ 10.58**
Investment in Element 1 Corp. / e1 Marine (6)							$ 10.32
Total Asset Value (Assets, Commercial Management & Investments) (3)							$ 373.74
DRV / Share (3)(4)(6)							**$ 10.88**

Vessel values are rising because of backlogs at shipyards and increase in steel prices. The company calculates that the depreciated replacement value of its vessels amounts to $10.88/share. Depreciated Replacement Value ("DRV") is based on estimated resale price for a newbuild vessel depreciated for the age of each vessel (assuming an estimated useful life of 25 years on a straight-line basis and assuming a residual scrap value of $300 per tonne which is in line with Ardmore's depreciation policy). The company's estimates of DRV assume that its vessels are all in good and seaworthy condition without the need for repair and, if inspected, that they would be certified in class without notations of any kind.

Vessel prices are currently higher than the numbers used in this illustration. The technical entry for this trade is a buy stop at $4. I think it'll get there very soon.

Other stocks worth a look in the tanker space: **NAT**, **TNK** and **STNG**. Each has its own set of problems, which makes them even more highly levered to a recovery. I would trade these names but not look to own them for any substantial duration.

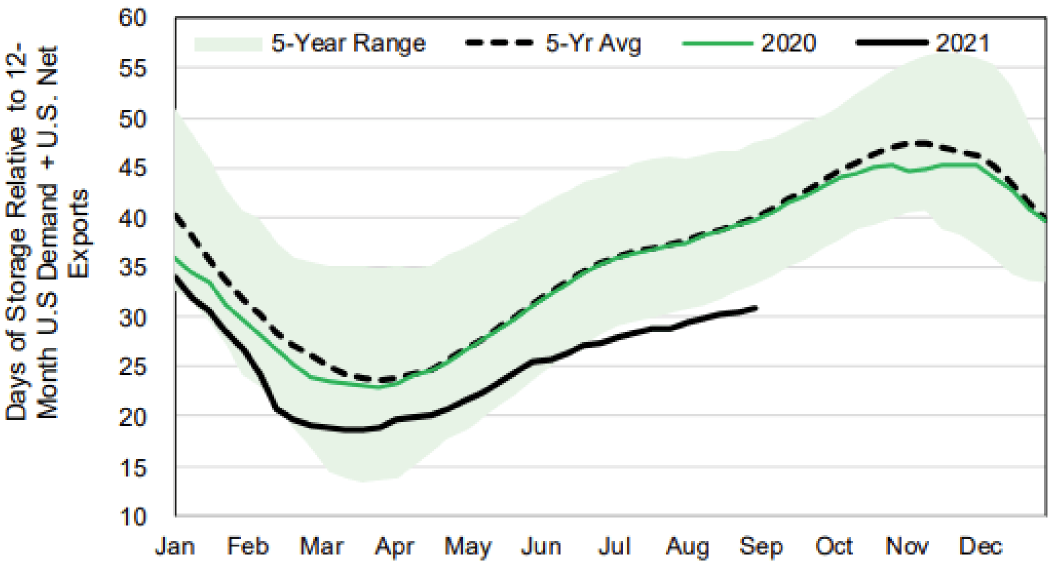
I'll update on any of the stocks I mentioned here in the live Telegram group if there's any significant change in fundamentals. I'll also maintain coverage in the monthly AAO newsletter.

Other Notes

The 'Five Trades for AAO' are all about risk management. I don't see the need to add anything further on them.

The unusually cold winter this year is great for nat gas and heating oil. We may even see demand for coal increase to make up for the nat gas shortfall. Refinery stocks like VLO, which I covered in the 'Five Trades for AAO' report, should benefit as well.

Exhibit 5. U.S. Gas Storage Levels Record Low Relative to Demand



Source: Bentek, EIA,TD Securities Inc.

I don't have any recommendation to play this trend, although it does make it more likely that **Tellurian (TELL)** will obtain project financing for the Driftwood LNG export terminal. Exporting LNG is 'greener' than flaring nat gas at the wellhead. TELL appears to be breaking out and may be worth a look, but I don't know enough about the fundamentals to comment.

Update on Open Trades

Short NFG.V - NFG went up 13.6% on Friday on news that the company is seeking a New York listing. That should make it easier to short. Shares will list on the NYSE as NFGC on the 29th of this month. I outlined my rationale for this trade in the June issue and continue to maintain the short recommendation. I'd watch for the pop on the first trading day in the NYSE to enter a new position.

Short CACC - I recommended entry on 9/15 in the live group. Shares closed at $601.75 on that day and will mark my official entry.

Short REMX (closed) - Stopped out at $115 on 8/30.

That's it for now. Happy trading!

Intermarket Analysis/Sentiment/Breadth

As JNK leads its a risk on signal

Elder bars-SPX

line-Junk bonds against 20-30 year government bonds

1. JNK:TLT-Closing over the cloud this week. Bullish sign for risk on assets.

Too many people are apt to redeem their profits too quickly. In a huge bull market they wind up with piddling profits, only to watch their former holdings soar. That usually prompts them into making mistakes later when, believing that the market owes them some money, they buy at the wrong time at much higher levels. *Martin Zweig*

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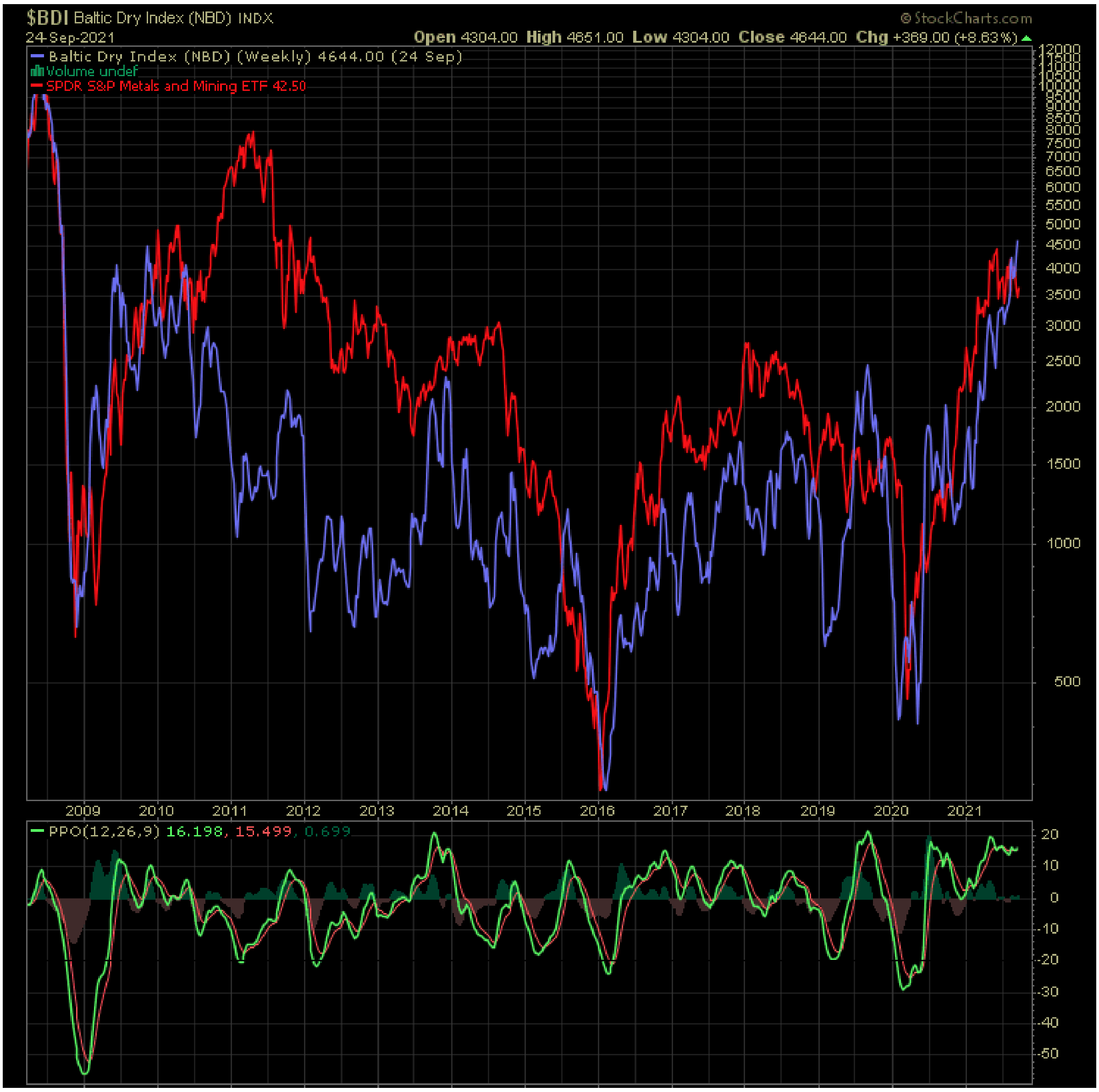
2. CRB:USB-That is a confirmed breakout in energy against bonds.



4. BDI still leading the way up. XME metals and mining should follow.

5. Energy commodities against gold.

7. Copper to gold ratio-Still pointing to higher bond yields and lower bond prices.

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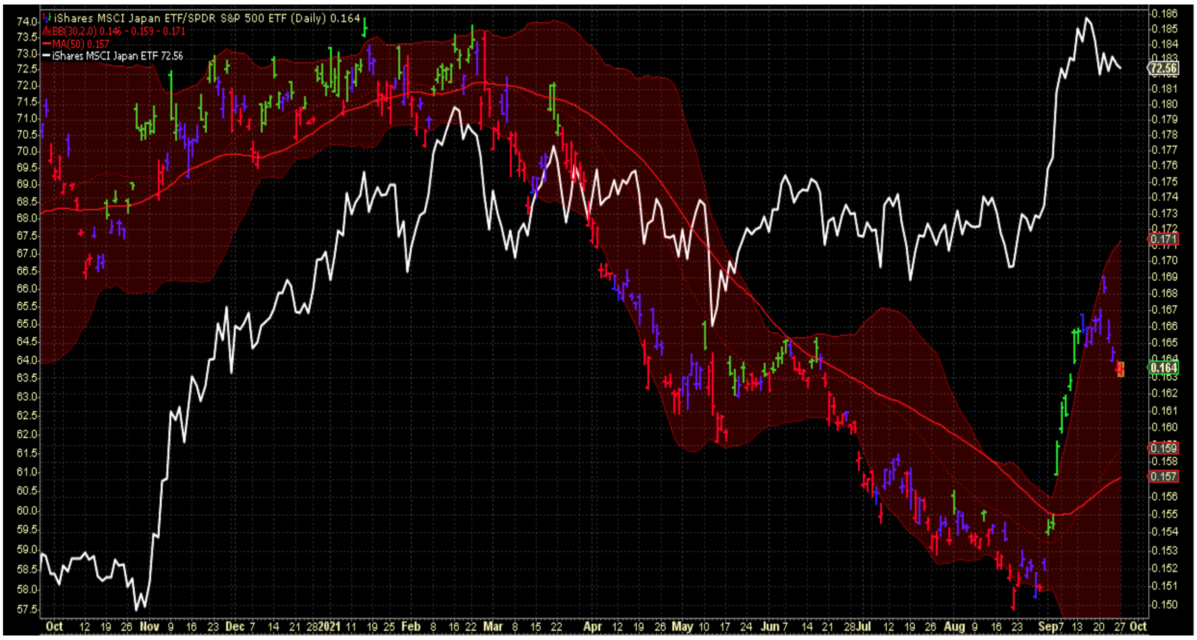
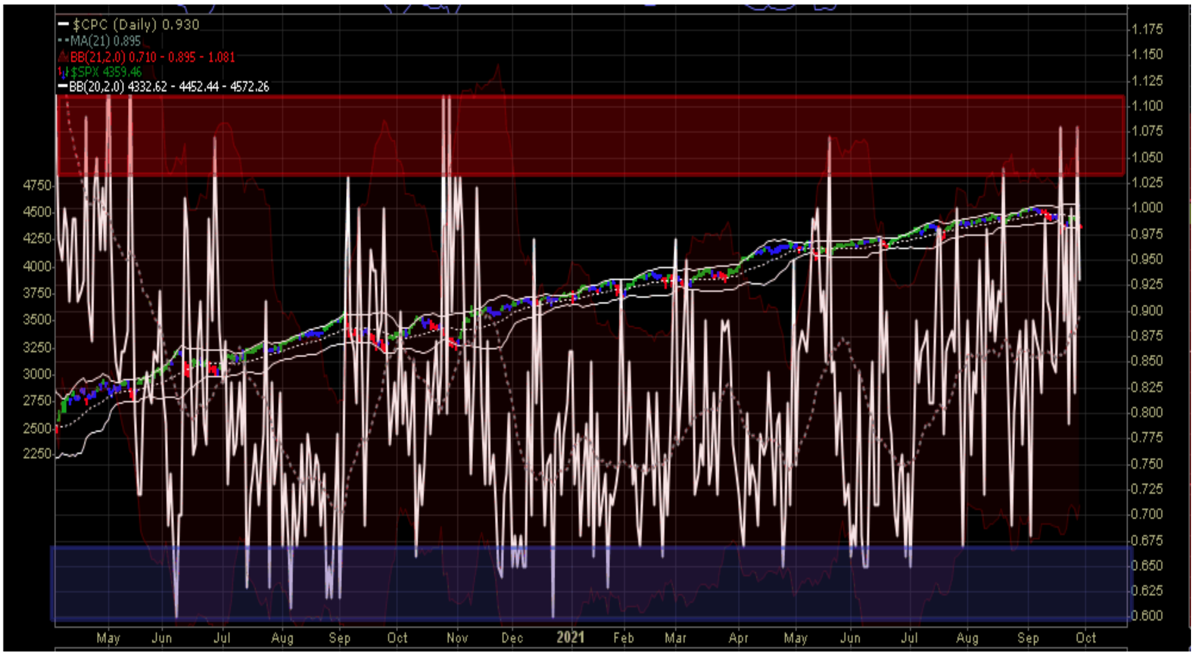


8. Japan is leading the way again. We have been long Japan since August through futures.

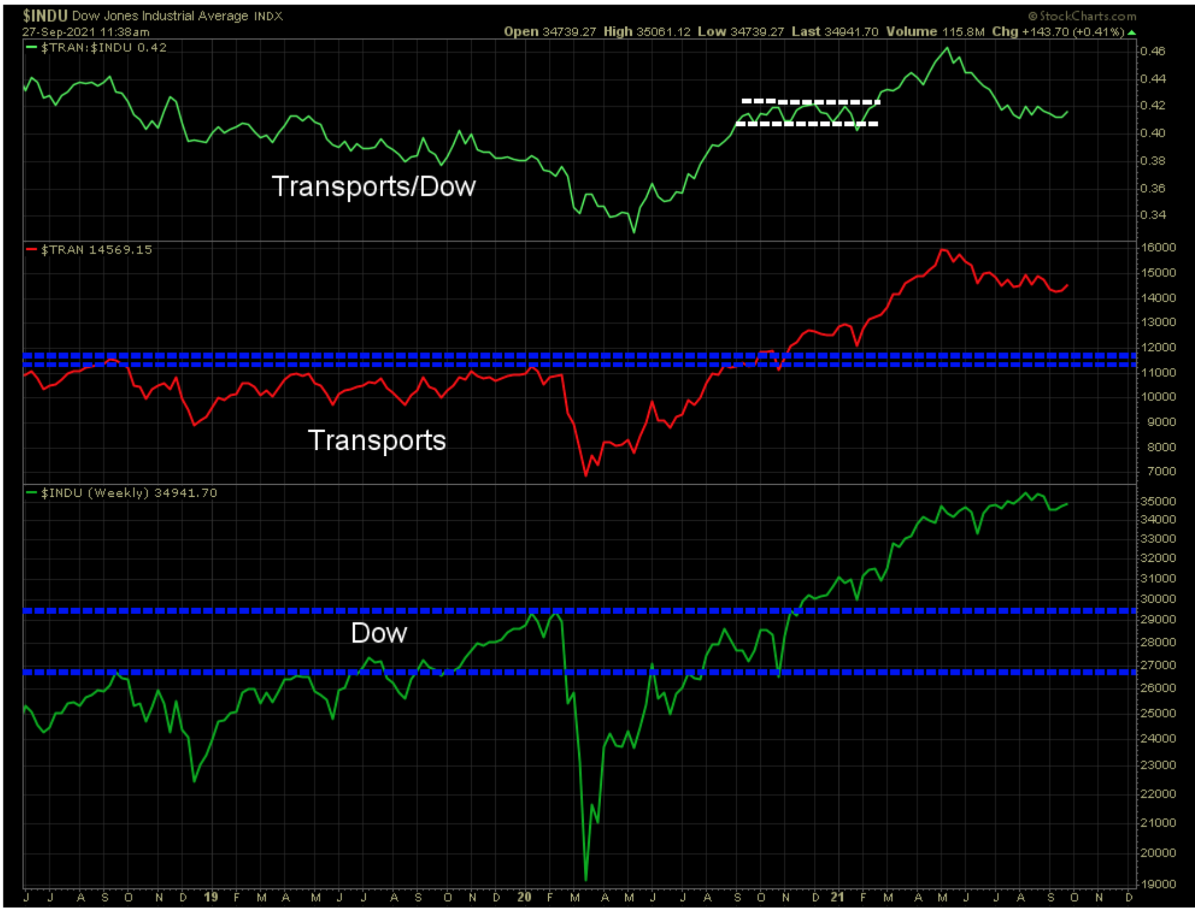
9. Advance decline line. Holding up. We need to work our way out of this flat period.



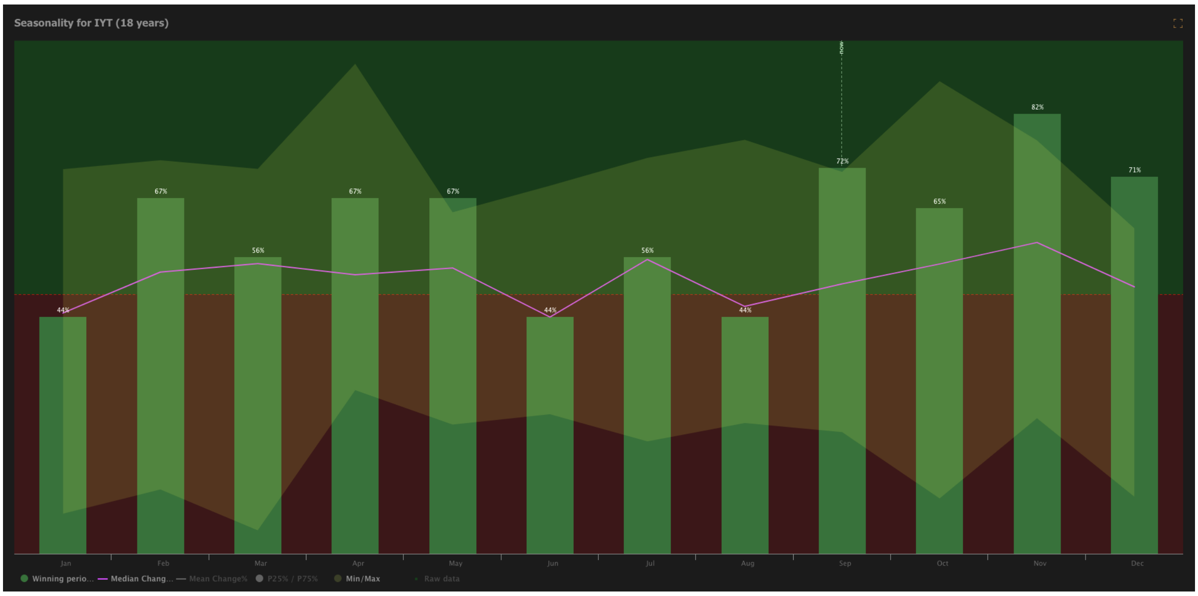
10. Puts are still being bought at an extreme rate.

11. NYSE bull bear study.

12. Small caps are finally turning back up. This is when breakouts happen.



13. Dow against transports. This is where I think we will see transports start outperforming again.



14. Transports seasonality. We are coming into a strong seasonal period for transports.

Crypto/Sectors

15. Bitcoin-more consolidation is possible.

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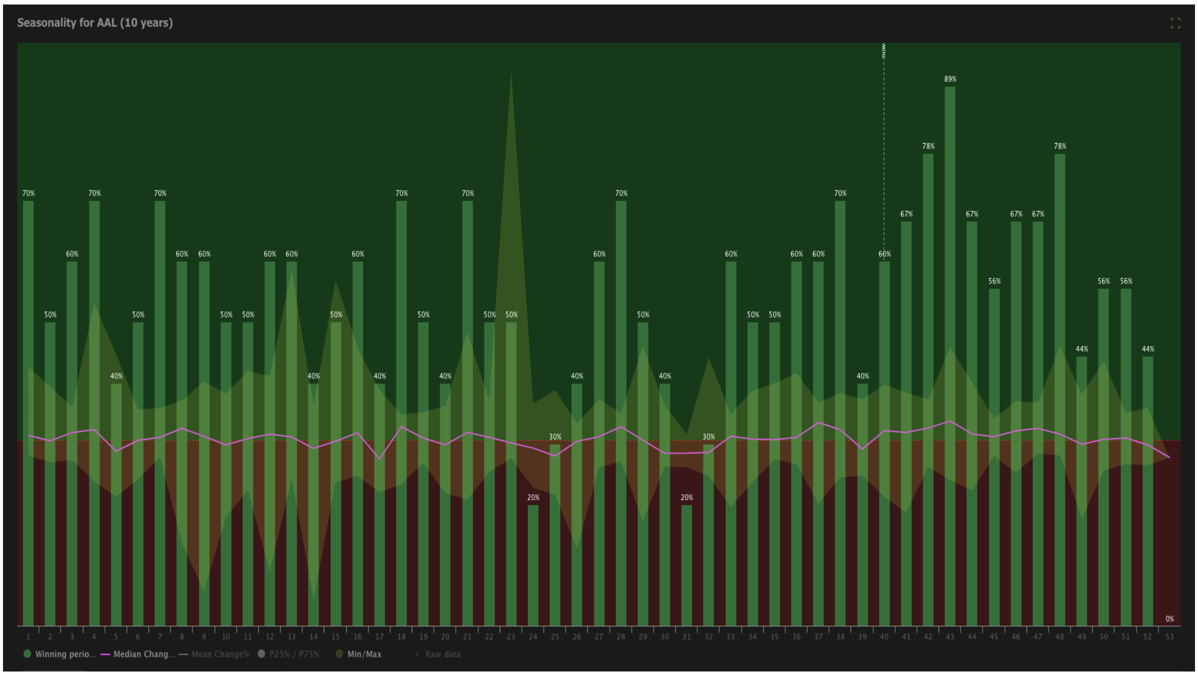
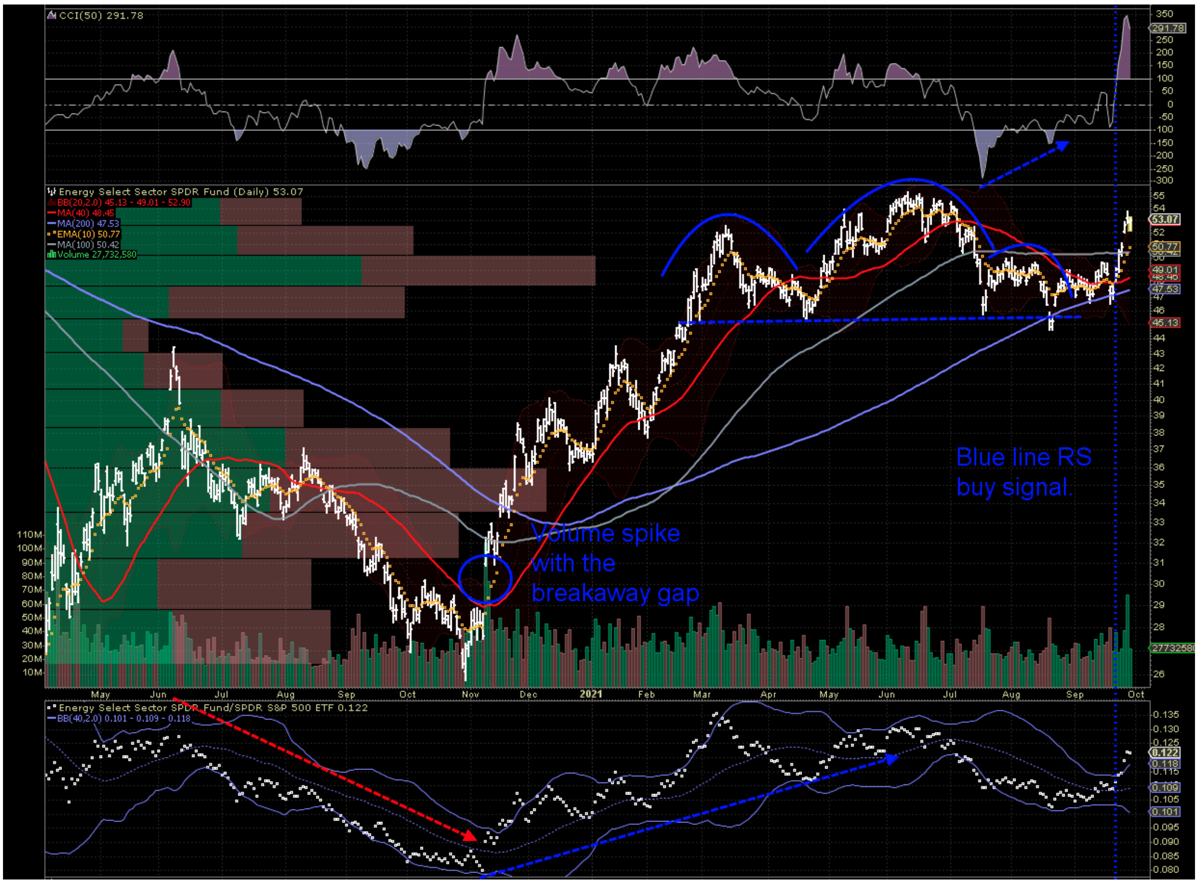
16. KRE-finally over resistance. Back to a full buy signal. This is important for yields and stock market direction.

17. XME metals and mining taking a pause at a logical zone. When this gets over

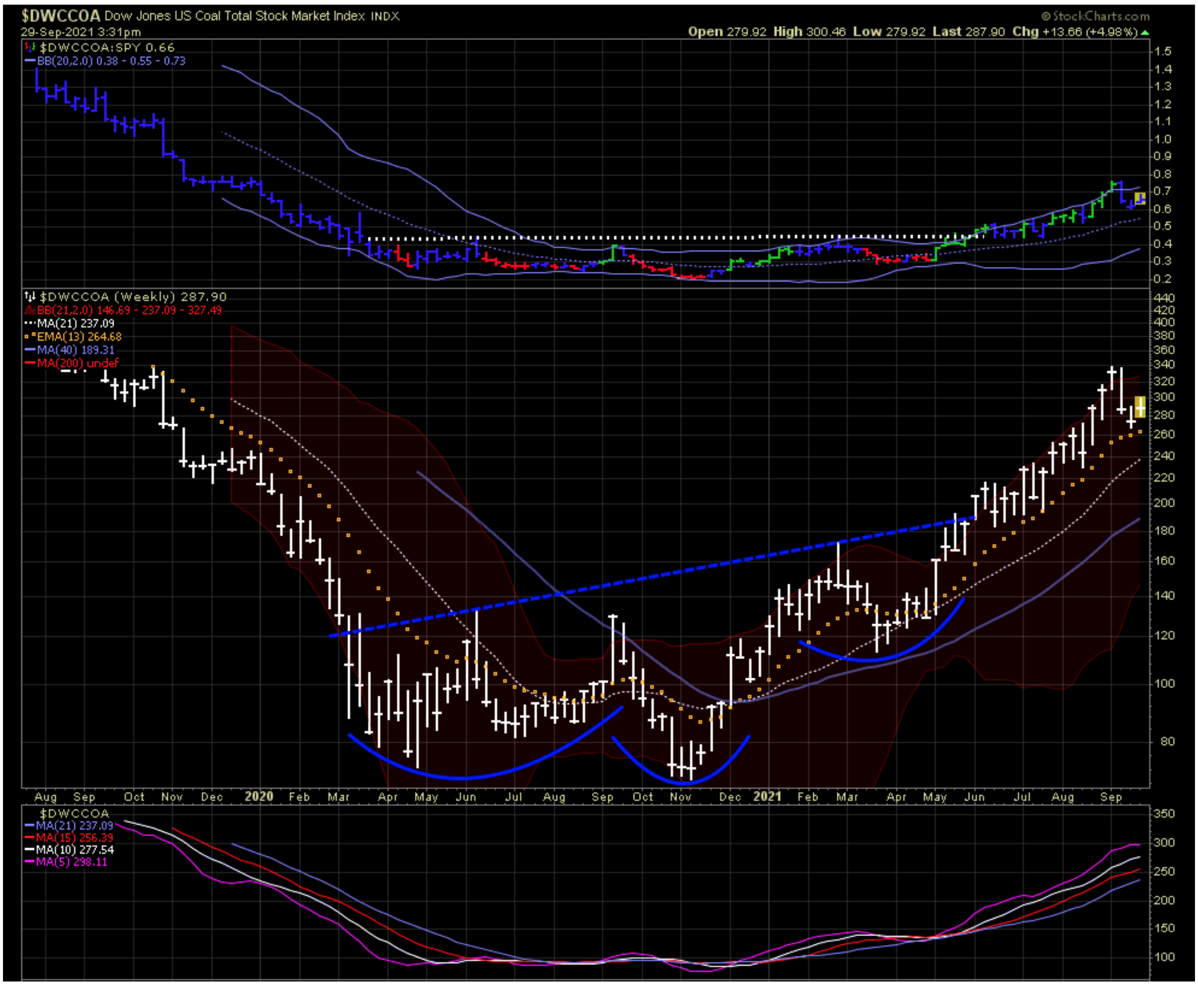
18. JETS-A sector that I like a lot right now going into this final quarter. AAL being one of our favorites from this sector.



19. AAL seasonality. The next few weeks are the most bullish weeks for the major airlines.



20. XLE we have been talking about this failed head and shoulders pattern for a bit in the energy sector. COP, CNQ, MRO and XOP are our main holdings.



21. Coal is still the best relative performing sector in the market at this point. We like lots of stocks in this sector. We are still holding TECK and others as well.

22. IGV software ETF got stopped out this week. As yields rise, tech will weaken. XLV healthcare should follow.

23. Small caps vs Large caps.

24. Equal weight SPX is finally starting to outperform the SPX. Breadth is improving.

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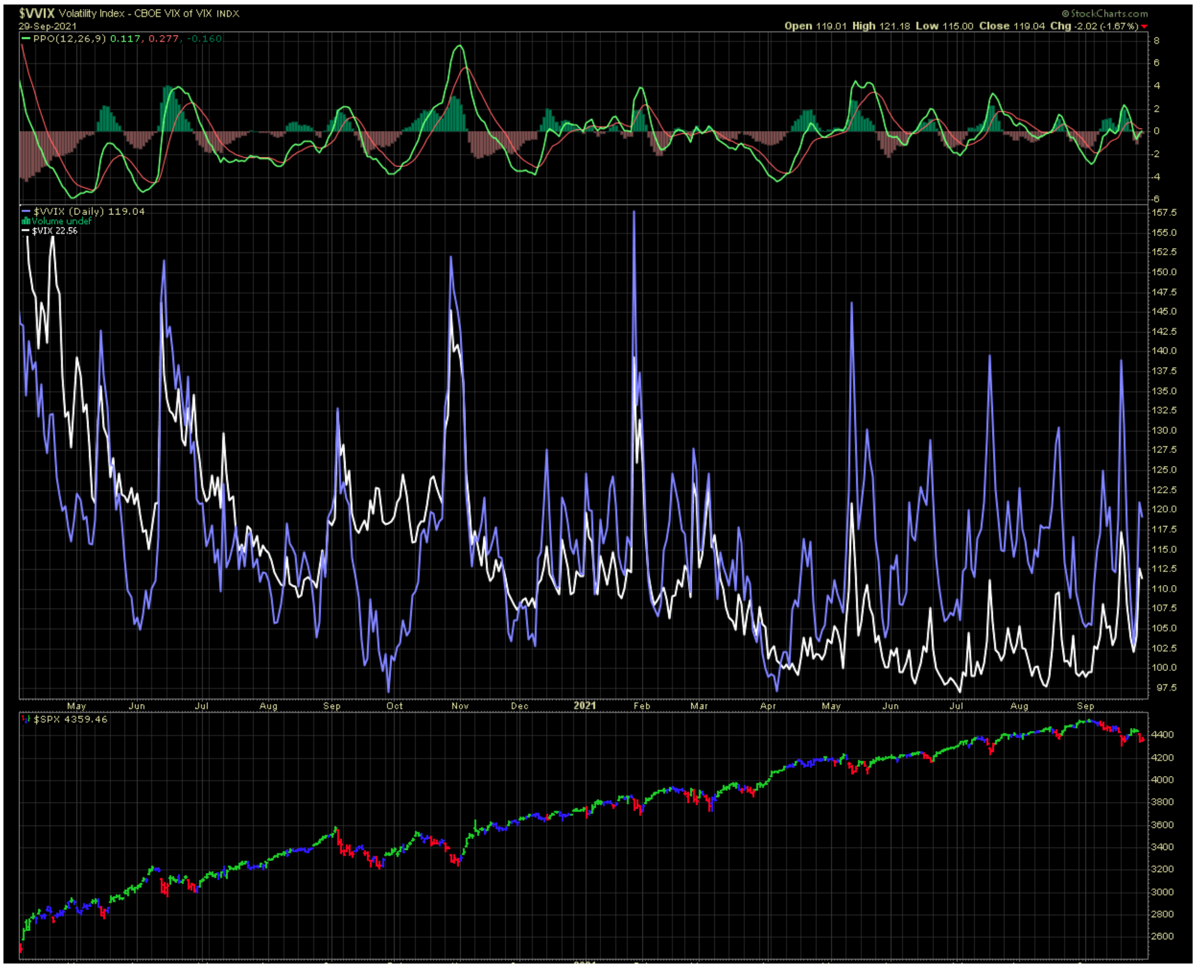
25.High beta stocks vs low volatility stocks. I see two things when I look at this chart.

1. People do not panic into high beta stocks if the market is going to crash (they are outperforming).
2. I say this all the time but rotations happen on the way down. So this looks like a move back into high beta cyclical stocks.

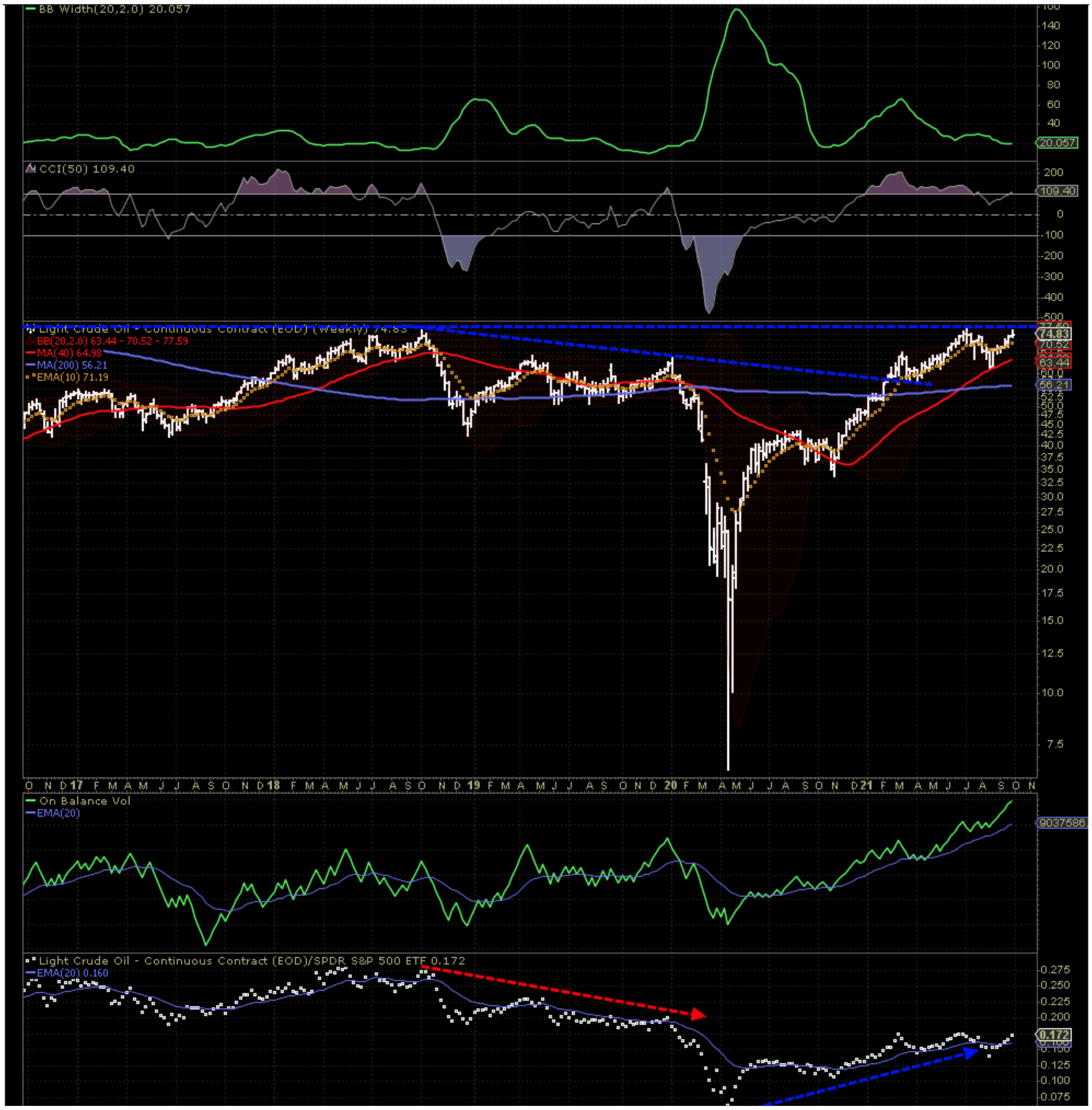
26. Regional banks vs large cap banks. The regionals are leading again. Very strong signal for yields moving up and cyclicals taking back over.

27. Emerging markets vs. developed markets.



28. VVIX/VIX ratio.

Commodities, currencies and more…



29. Crude oil-Stalling at a logical point but there is a lot building under the surface that could take this above resistance.

30. Natural gas-still blasting to the upside. Should we sell and run away… no but stops should be under each pull back low point. Catching this from 2.4 to hear is a pretty wild move in a leveraged futures product. Protect profits with a stop but I am still letting it run.

31. Platinum-No trade here. Keep waiting.

32. Coffee-staying long

33. December 2022 corn.

34. I still can't believe that no one is talking about cotton considering the areas affected after the storm that hit the southern US.

35. Yields. The spread from the 3 month to the long end is getting wider. Our short's 5 year bond and the 30 year bond are doing well now. Let's see where this goes. (Remember yields are inverse to bond prices)

35. Lumber-Creating its normal bottoming pattern, an inverted head and shoulders pattern. We posted when our signal went long again. I know very few people trade lumber contracts but this looks like a monster set up going into Q4. We are already long but if you are looking to get involved I would wait until we break over 650. With a stop under the 40 MA.

36. Silver-Silver or gold, there is still just nothing to do here. Patience, wait for the right signal to enter again.

37. Sugar-Still a relative outperformer. Sugar has not made an insane move yet, just a nice move.

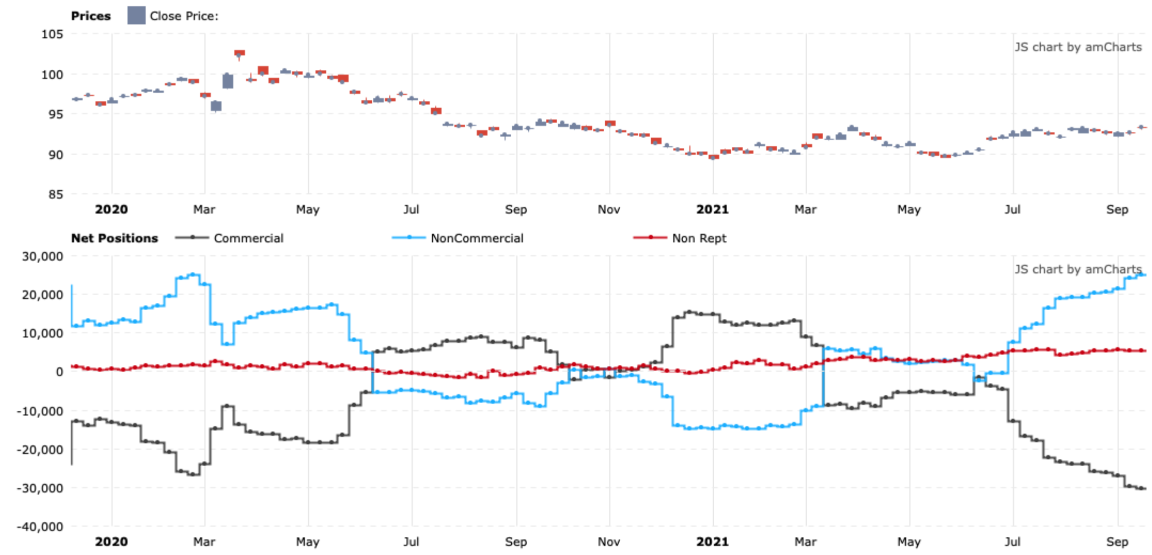
38. Cocoa, this one is still holding. Will this be the first good cocoa buy signal since 2019?

39. Copper

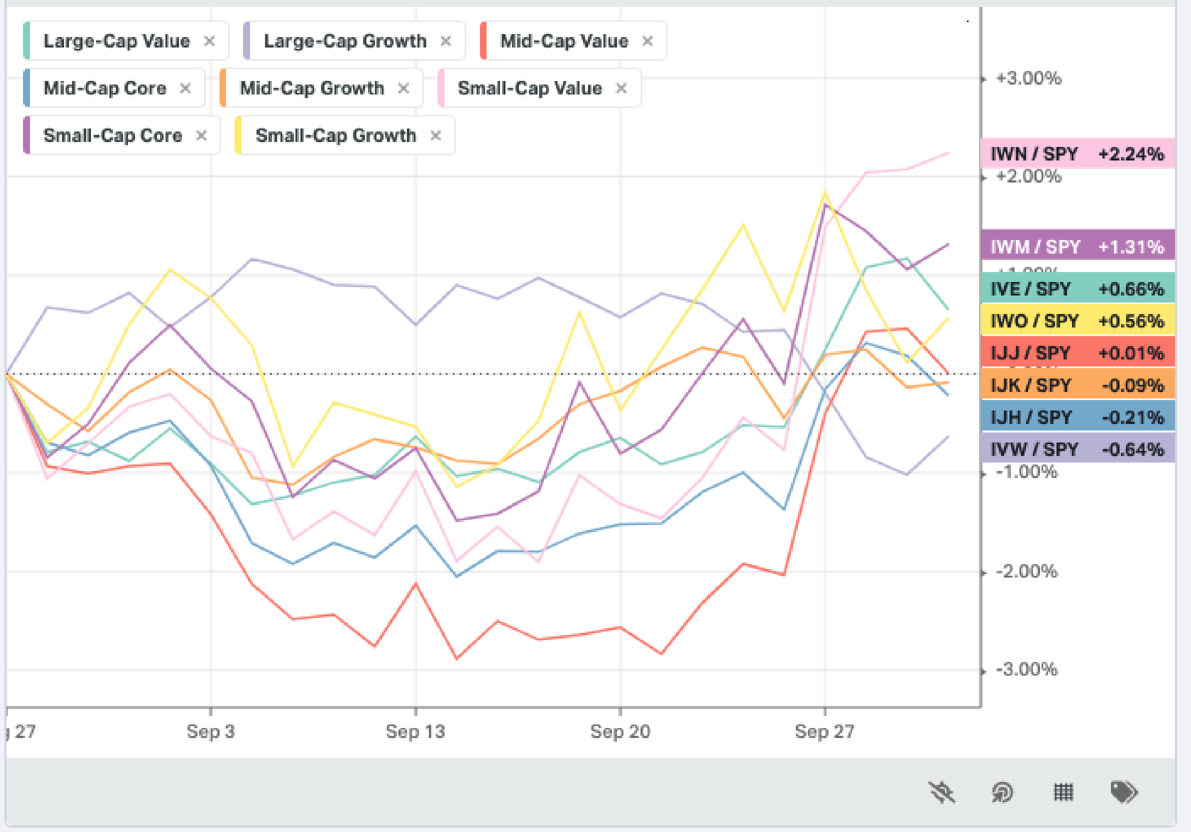
40. US dollar. However most of this move is due to the euro and eurozone inflation.

41. I am not that worried about the dollar when the weight of the dollar index is mainly the euro. Why I am not worried is that the rest of the major currencies are making higher lows here.

Prices & Net Positions



42. COT data is extreme. Past extreme. COT data is not a timing tool but this can tell us that something is coming or that a move is not sustainable. The only thing that we know is that this move is not sustainable. The dollar will and it will fall soon.



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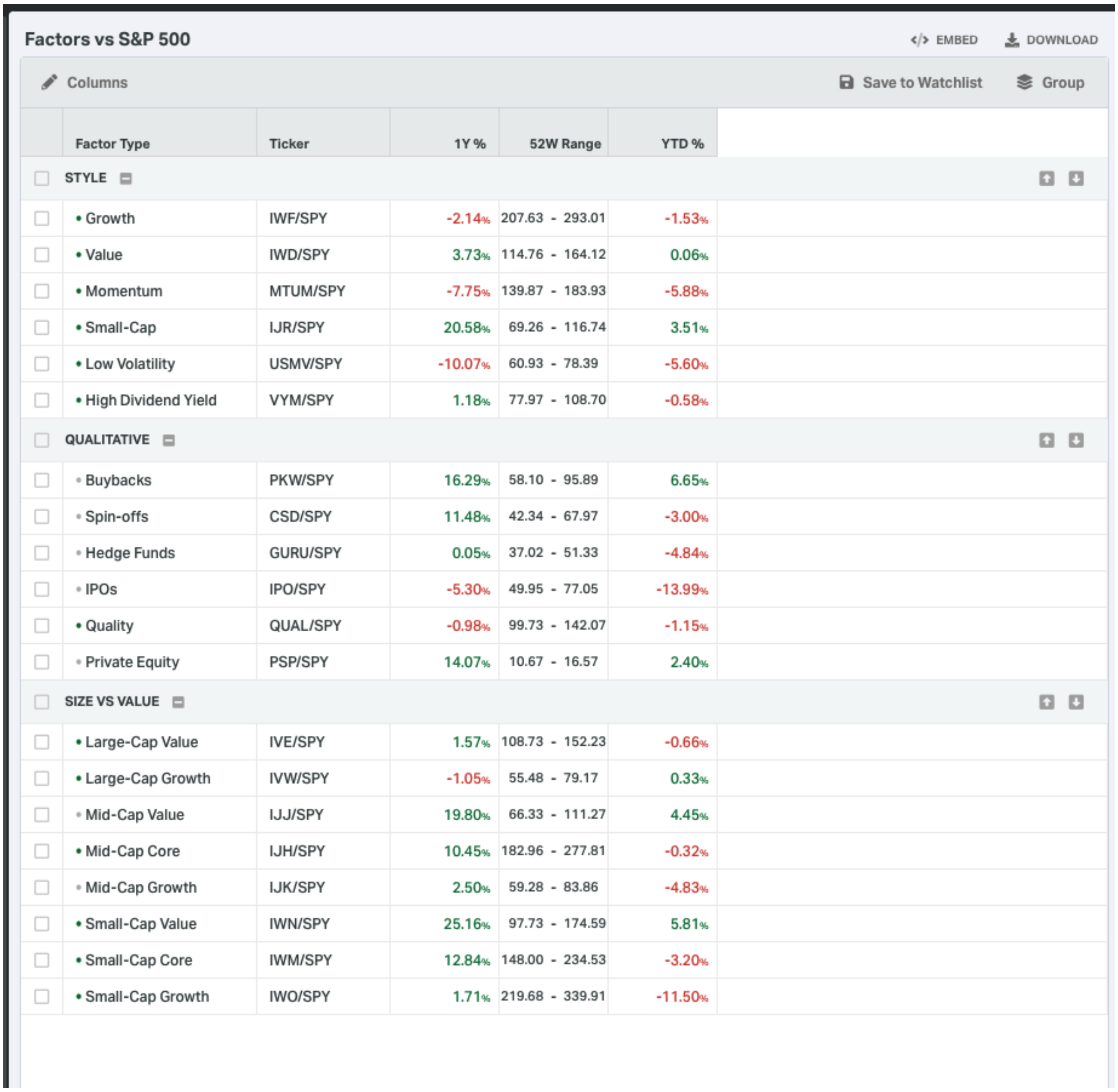

Factors vs S&P 500

☐	Factor Type	Ticker	1Y %	52W Range	YTD %
☐	**STYLE**				
☐	• Growth	IWF/SPY	-2.14%	207.63 - 293.01	-1.53%
☐	• Value	IWD/SPY	3.73%	114.76 - 164.12	0.06%
☐	• Momentum	MTUM/SPY	-7.75%	139.87 - 183.93	-5.88%
☐	• Small-Cap	IJR/SPY	20.58%	69.26 - 116.74	3.51%
☐	• Low Volatility	USMV/SPY	-10.07%	60.93 - 78.39	-5.60%
☐	• High Dividend Yield	VYM/SPY	1.18%	77.97 - 108.70	-0.58%
☐	**QUALITATIVE**				
☐	• Buybacks	PKW/SPY	16.29%	58.10 - 95.89	6.65%
☐	• Spin-offs	CSD/SPY	11.48%	42.34 - 67.97	-3.00%
☐	• Hedge Funds	GURU/SPY	0.05%	37.02 - 51.33	-4.84%
☐	• IPOs	IPO/SPY	-5.30%	49.95 - 77.05	-13.99%
☐	• Quality	QUAL/SPY	-0.98%	99.73 - 142.07	-1.15%
☐	• Private Equity	PSP/SPY	14.07%	10.67 - 16.57	2.40%
☐	**SIZE VS VALUE**				
☐	• Large-Cap Value	IVE/SPY	1.57%	108.73 - 152.23	-0.66%
☐	• Large-Cap Growth	IVW/SPY	-1.05%	55.48 - 79.17	0.33%
☐	• Mid-Cap Value	IJJ/SPY	19.80%	66.33 - 111.27	4.45%
☐	• Mid-Cap Core	IJH/SPY	10.45%	182.96 - 277.81	-0.32%
☐	• Mid-Cap Growth	IJK/SPY	2.50%	59.28 - 83.86	-4.83%
☐	• Small-Cap Value	IWN/SPY	25.16%	97.73 - 174.59	5.81%
☐	• Small-Cap Core	IWM/SPY	12.84%	148.00 - 234.53	-3.20%
☐	• Small-Cap Growth	IWO/SPY	1.71%	219.68 - 339.91	-11.50%

43. Where has the outperformance been in the past year? Small caps and small cap value has been the primary trend and it is just starting to turn up again.

“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

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