

Market and Trade Update

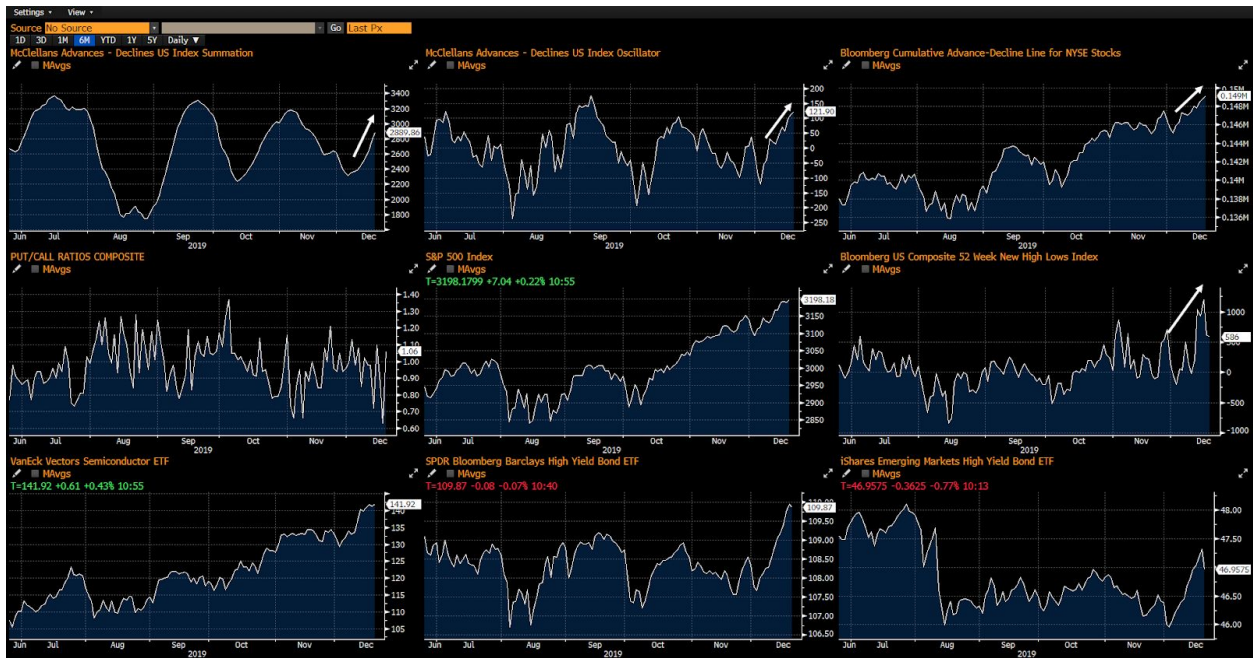
Operators,

Alex here.

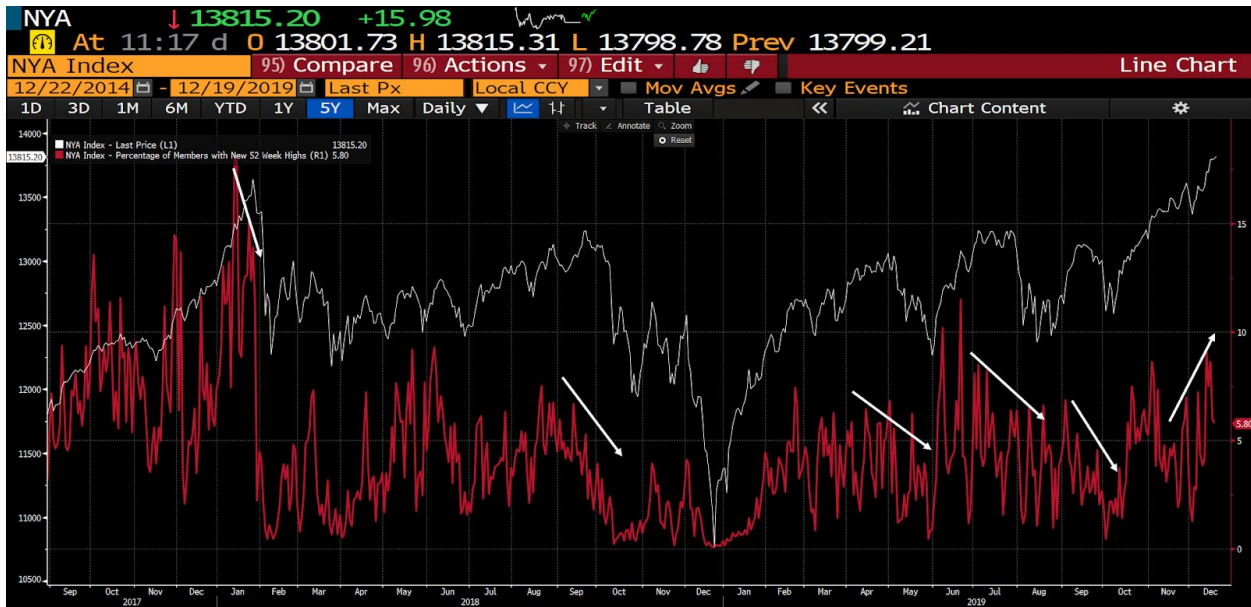
Overbought. Overloved. Impeachment news. And still the best the bears can do is sideways action in the SPX so far. That's pretty telling...

This market will eventually see a sizable correction. My guess is after the new year once this rally has exhausted all those chasing higher into year's end.

Surprisingly, the underlying breadth and technicals are still strong, showing that the short-term path of least resistance remains up.



The trend in the percent of NYSE stocks making 52-week highs is up and we usually see this trend weaken before a major turn.



I'm not looking to chase any of the popular names here since it's good odds they revert to lower prices in a few weeks but there are a few idiosyncratic plays that are offering strong technical setups at the moment and have the potential to run much higher. We added three of these to our book today. The details are below.

We put on a starter position in shipper DHT Holdings (DHT) this morning. It's attempting to break out of a 3-month long bull flag (chart below is a weekly).



Symbol: DHT Holdings (DHT)

Size: 100 bps
 Entry: \$7.60
 Risk Point: \$6.90
 Target: \$12

This trade is an addition to our long [shipping thematic](#), joining our largest position Scorpio Tankers (STNG). Because of where we are in this current market rally (closer to the end than the beginning). We're going to be quick to cut this trade should this breakout fail, thus reducing our total risk to well below the 100bps.

The other trade we put on this morning is in specialty chemical company Albemarle (ALB). ALB is a major producer of lithium compounds used in batteries amongst many other things. It's been in a 2-year bear market but looks to have put in a potential bottom (chart below is a daily).



I'm interested in names that are centered around the "clean energy" movement since governments around the world, and particularly in the EU, are signaling that renewable energy will be a primary focus in their shift to increased fiscal involvement in the economy. Energy storage (ie, lithium battery technology) will be a critical component of this.

ALB trades for less than 12x earnings and has quite a lot of negative sentiment baked into its price. But, like DHT, if the current breakout fails to hold I'll be quick to cut the position before our risk point is hit.

Symbol: Albemarle (ALB)

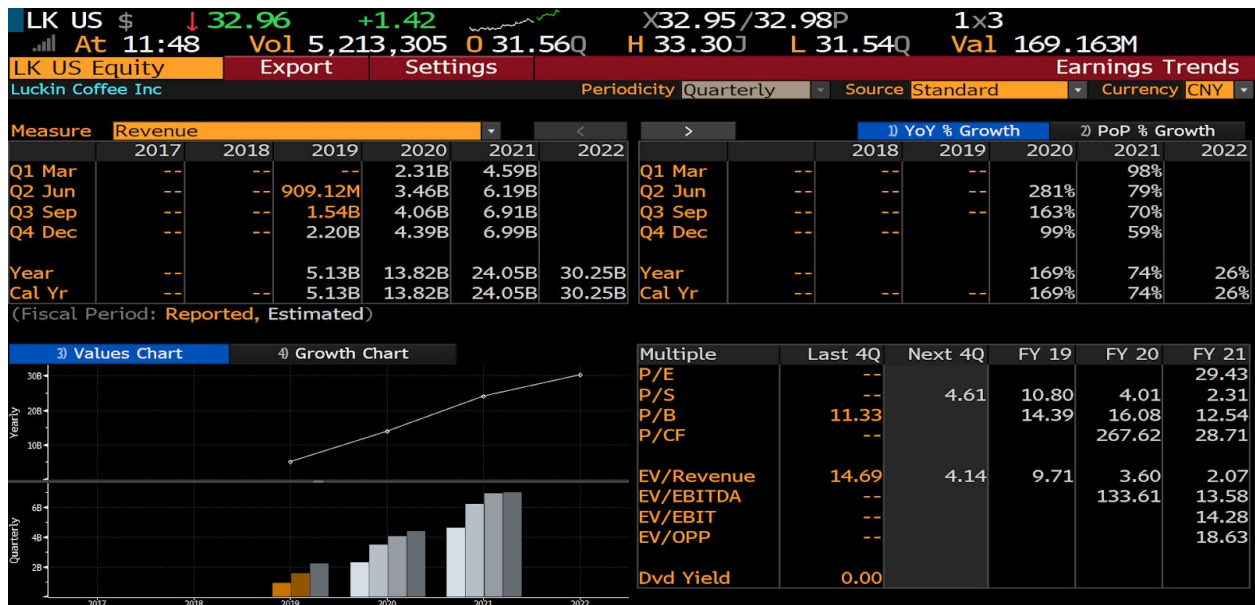
Size: 100 bps
 Entry: \$69.70
 Risk Point: \$63.70
 Target: \$110

And lastly, we put on a starter position in the Chinese coffee retailer Luckin Coffee (LK) that I talked about in this week's [Dirty Dozen](#).

LK now has more locations in China than Starbucks (3,950 by last count to SBUX's 3,800).



Its top-line growth is off the charts (growing nearly 300% this year) and is expected to reach profitability in 2020.



Like the other trades, we're playing this one tight. The stop is near the bottom of the bull flag. If the current breakout looks to be failing or the market rally weakens and turns, we'll cut well before our stop is hit.

Symbol: Luckin Coffee (LK)

Size: 100 bps

Entry: \$32.63

Risk Point: \$28.90

Target: \$55

Your Macro Operator,

Alex