



**MACRO OPS**  
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## Premium Stock Alerts Weekly Report

**Week of: May, 01 2020**

Operators,

Happy May Day! Hope you had a great week. These markets are keeping us busy with breakout opportunities. I'm finding more than I can put in each report. In fact, I'm starting to put more ideas in the Classical Charting Slack channel. So on top of the breakouts you get in this report, you're getting a few more during the week in the channel.

There's no other service providing this many trading opportunities in classical charting.

Let's review our recent triggered trade signals.

### **Trade Signals Triggered:**

1. RCI Hospitality (RICK): STOP-LOSS HIT

RICK went AWOL against our short bias. The stock quickly hit our stop-loss and we exited with -1R loss.

2. Adidas (ADS): STOP-LOSS HIT

ADS failed to breakout from its cup-and-handle pattern. We were stopped out for a -1R loss.

3. Discover Financial (DFS): BUY TRIGGERED

DFS broke out of its symmetrical triangle and triggered a buy signal. Profit target is \$63.65.

4. Synchrony Financial (SYF): BUY TRIGGERED

SYF triggered a buy signal after breaking out of its symmetrical triangle to the upside. Profit target is \$25.51.

5. Stitch Fix (SFIX): BUY TRIGGERED

SFIX triggered a buy signal after breaking out from its rectangle chart pattern. The breakout was weak, so wouldn't be surprised to see a quick reversal.

6. Otis Worldwide (OTIS): BUY TRIGGERED

OTIS broke out of its symmetrical triangle and triggered a buy signal. Profit target remains \$55.63.

7. Yandex N.V. (YNDX): BUY TRIGGERED

YNDX completed its breakout from the inverse head and shoulders pattern. Price target is \$3,2891.

8. Maple Leaf Education (1317.HK): BUY TRIGGERED & STOP LOSS TRIGGERED

1317.HK was a wild trade. After a monster breakout the stock gave up ALL its gains and traded to our predetermined initial stop-loss. This happens. We'll take the -1R.

Onto this week's set-ups!

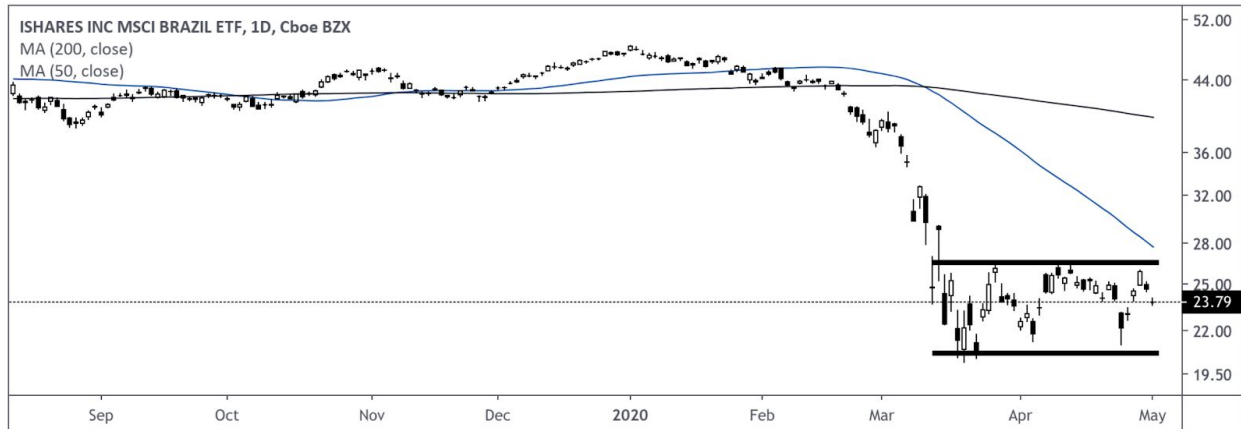
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**iShares Inc Brazil ETF (EWZ): Rectangle Chart Pattern**

It invests in public equity markets of Brazil. It invests in stocks of companies operating across diversified sectors. The fund invests in growth and value stocks of companies across diversified market capitalization. - *TIKR.com*

There's no "financials" for an ETF. But I've included it in the report because of its beautiful chart pattern. Sometimes these high-level, country-specific ETFs can point us in the way of a larger trend. In this case, Brazil looks poised for a bullish breakout.

Let's take a look at the chart ...



EWZ is forming a beautiful rectangle chart pattern. We're looking to play the long-side of this trade.

Here's the long trade parameters:

- 3% Breakout: \$27.34
- 1.50% Breakout: \$26.94
- Price Target: \$32.34
- Stop-Loss at Minor Low: \$24.53
- Reward/Risk: 2.24x

### **Zytronic PLC (ZYT.LN): Inverse Head & Shoulders Pattern**

Zytronic plc, together with its subsidiaries, develops and manufactures interactive touch sensor products. The company offers touchscreens in gaming; retail, leisure, and commercial applications; digital signage; vending; banking; and industrial applications, as well as touch controllers. - *TIKR.com*

Here's the quick-and-dirty financials:

- Market Cap: \$24.60M
- Enterprise Value: \$8.15M
- EV/EBITDA (NTM): 1.82x
- Gross Margins: 33%
- Free Cash Flow Yield: 11.45%
- EV/Sales (NTM): 0.33x

ZYT is an interesting situation. The company has a fortress balance sheet with \$13M in net cash and no debt. ZYT makes touch screen sensors for the gaming, retail, and banking

industries. You know the touch screen kiosks at airports and digital ATMs? That's what ZYT does. They're a British micro-cap with virtually no following.

The company's stalled top-line growth over the last five years as gross margins compressed 8%. ZYT's victim to longer sales cycles and more project-based work. In that light, the company revealed a near 83M euro project pipeline in their annual report (details below):

*"As at 30 September 2019, there were 494 opportunities in the system with a projected value of £83m, 58 classified as Projects, and are expected to generate £13.4m of sales over their production cycle. This compares with data as at 30 September 2018 of 414, £65m, 41 and £8.0m respectively."*

In the meantime, the company's strong cash position should keep them around until the next (potential) wave of orders comes in.

Let's take a look at the chart ...



ZYT is forming a potential inverse head and shoulders pattern. We're looking for a breakout above the horizontal resistance line to confirm the reversal of the bearish trend.

Here's the long trade parameters:

- 3% Breakout: \$146.26
- 1.50% Breakout: \$144.13
- Price Target: \$200
- Stop-Loss at Minor Low: \$124.5
- Reward/Risk: 2.85x

**Liberty Latin America (LILAK): Symmetrical Triangle**

Liberty Latin America Ltd., together with its subsidiaries, provides fixed, mobile, and subsea telecommunications services. It offers communications and entertainment services, including video, broadband Internet, fixed-line telephony, and mobile services to residential and business customers; and business products and services that include enterprise-grade connectivity, data center, hosting, and managed solutions, as well as information technology solutions for small and medium enterprises, international companies, and governmental agencies. - *TIKR.com*

Here's the quick-and-dirty financials:

- Market Cap: \$2.04B
- Enterprise Value: \$10.36B
- EV/EBITDA (NTM): 6.81x
- P/ Normalized E (NTM): 20x
- Gross Margin: 77%
- Operating Income Margin: 15.3%
- Net Debt/EBITDA: 4.90x

LILAK operates three business segments: fixed, mobile and B2B broadband services. Fixed broadband makes up most of their revenue. The company added a record 283K RGUs in 2019 and generated over \$200M in free cash flow.

On the mobile business, LILAK recorded a 256K net increase in subscribers and LTE penetration reached 90%. By the end of 2019, LILAK passed through 7.5M homes.

The company has a lot of debt on the balance sheet, but most of it isn't due until 2027. This gives LILAK a long runway to grow earnings and cash flow to pay-off that debt, reducing leverage and improving shareholder returns.

Let's take a look at the chart ...



There's a couple ways to think about this chart. On one hand we see a potential bearish continuation pattern. On the other, we see a potential bullish reversal breakout. I'm not sure which way it goes -- but we'll equip you to play both sides. The fundamentals suggest higher stock prices, but the charts aren't giving us an optimal reward/risk entry yet.

Here's the long trade parameters:

- 3% Breakout: \$11.56
- 1.50% Breakout: \$11.39
- Price Target: \$15
- Stop-Loss at Minor Low: \$10.54
- Reward/Risk: 4.24x

Here's the short trade parameters:

- 3% Breakdown: \$9.37
- 1.50% Breakdown: \$9.52
- Price Target: \$5.66
- Stop-Loss at Minor High: \$10.39
- Reward/Risk: 4.44x

### **Westlake Chemical Corporation (WLK): Potential Long on Ascending Right Triangle**

Westlake Chemical Corporation, together with its subsidiaries, manufactures and markets basic chemicals, vinyls, polymers, and building products worldwide. It operates through two segments, Olefins and Vinyls. - *TIKR.com*

Here's the quick-and-dirty financials:

- Market Cap: \$5.9B
- Enterprise Value: \$9.6B
- P/Normalized E (NTM): 28.3x
- EV/EBITDA (NTM): 8.10x
- Gross Margins: 15.7%
- Operating Income Margins: 8.7%

WLK is a cyclical chemicals company -- something Wall Street hates at the moment. The company looks cheap on a normalized earnings basis, but that's when cyclicals are actually at their cheapest.

High P/E's on cyclical stocks (usually) signal trough earnings. One should look through an entire cycle to get an idea of the earnings power. For example, WLK did roughly \$700M in operating income last year. But if you look at 2017-2018, you see a business doing nearly \$1.5B in

operating profits. If WLK can return to \$1.2B in operating profits, the current stock price looks damn cheap at 4x.

Take a look at some of their core products:

#### **Chlor Alkali**

2nd largest Chlor Alkali producer in the world, capitalizes on globally low cost natural gas in North America.

#### **PVC**

2nd largest producer of PVC in the world leveraging the high level of product integration and globally low cost feedstocks.

#### **Low Density Polyethylene**

• Largest specialty autoclave LDPE producer globally.  
• 2nd largest producer of Low Density Polyethylene in the Americas.

Their Vinyls business does over \$1B in EBITDA. You can buy WLK for 12x the vinyls business and get the rest for free.

Let's take a look at the chart ...



WLK is forming an ascending right triangle pattern on the daily charts. We could see a breakdown and a retest of the \$32 lows if the bearish trend continues. But for our purposes, we're looking for a long trade.

#### Long Trade Parameters:

- 3% Breakout: \$47.76
- 1.50% Breakout: \$47.07
- Price Target: \$63.01
- Stop-Loss at Minor Low: \$41.40
- Reward/Risk: 2.81x

## NVE Corporation (NVEC): Potential Long on Ascending Right Triangle

NVE Corporation develops and sells devices that use spintronics, a nanotechnology that utilizes electron spin to acquire, store, and transmit information. The company manufactures spintronic products, including sensors and couplers for use in acquiring and transmitting data. - *TIKR.com*

Here's the quick-and-dirty financials:

- Market Cap: \$289M
- Enterprise Value: \$267M
- EV/EBITDA (NTM): 17.93x
- P/E (LTM): 19.9x
- Gross Margins: 80%
- FCF Yield: 5%

NVEC makes and sells high-performance spintronics equipment. If that sounds like a foreign language to you, it did to me. In short their equipment allows for the transmission of information over electrons. It's a faster and more efficient way of gathering and sending information.

Here's a cool [video](#) of NVEC sensors working on a chessboard.

The company sports high gross margins and robust operating margins (60%). They have no debt and generate roughly \$14M in free cash flow/year.

Let's take a look ...



NVEC is forming an ascending right triangle pattern on the daily chart. A close below the 50MA would signal further selling pressure and a potential test of the lower boundary. We're looking to play the long-side of this trade.



Here's the long trade parameters:

- 3% Breakout: \$63.31
- 1.50% Breakout: \$62.40
- Price Target: \$79.39
- Stop-Loss at Minor Low: \$56.51
- Reward/Risk: 2.88x

### **Tandem ON NM (TEND3.BR): Potential Long on Ascending Right Triangle**

Construtora Tenda S.A., together with its subsidiaries, operates as a homebuilder and real estate developer in the low-income housing industry in Brazil. The company engages in the civil construction, real estate development, real estate purchase and sale, civil construction administration, and consortia shares sale intermediation activities. - *TIKR.com*

Here's the quick-and-dirty financials:

- Market Cap: \$442M
- Enterprise Value: \$452M
- EV/EBITDA (NTM): 9x
- P/FCF (NTM): 19x
- Gross Margins: 33%
- Operating Income Margin: 17%

The company develops low-income housing in Brazil. Low-income housing is a popular topic these days. In short, there's not enough of it. And in Brazil, there's [definitely not enough of it](#).

TEND3's grown gross margins 5% over the last five years while expanding operating income margins 13%. They've also bought back 6.25% of their stock over the last five years.

The balance sheet isn't bad. TEND3 has \$13M in net debt and \$335M in NAV.

Here's the chart ...



TEND3 is forming an ascending right triangle on the daily chart. We're looking for a breakout above the resistance line for a long trade.

Here's the long trade parameters (in Real):

- 3% Breakout: \$25.45
- 1.50% Breakout: \$25.08
- Price Target: \$32.39
- Stop-Loss at Minor Low: \$23.21
- Reward/Risk: 3.90x

### **Spotify Technologies (SPOT): Potential Long on Symmetrical Triangle**

Spotify Technology S.A., together with its subsidiaries, provides audio streaming services worldwide. It operates through two segments, Premium and Ad-Supported. The Premium segment offers unlimited online and offline high-quality streaming access to its catalog of music and podcasts without commercial breaks to its subscribers. - *TIKR.com*

Here's the quick-and-dirty financials:

- Market Cap: \$28.9B
- Enterprise Value: \$27.75B
- EV/Sales (NTM): 3.05x
- P/FCF: 256x
- Gross Margins: 25%

SPOT is a popular stock to say the least. They have around \$1.5B in net cash and trade at 3x sales. They've rapidly expanded gross margins, growing from 11% to 25% in five years. But the company's plowing money into SG&A to ramp up their user base. In turn, SPOT shows -\$54M in operating income for 2019.

We like SPOT's trend, though. A few years ago they were losing over \$300M in operating income on \$3B in revenue.

The company's run by an exceptional management team with aligned interests. I use the product religiously every day. At the current rate, we should see SPOT turn profitable next year, barring any one-off large expenses.

Here's the chart ...



SPOT tried to breakout of its long-term symmetrical triangle this week but ultimately failed. We're looking for that breakout to the upside to get long.

Here's the long trade breakdown:

- 3% Breakout: \$160.37
- 1.50% Breakout: \$158.03
- Price Target: \$212.95
- Stop-Loss at Minor Low: \$145.93
- Reward/Risk: 4.54x

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That wraps it up for this week's alerts. Remember, be on the lookout in the Comms Center for any potential breakouts intra-week that I cannot get to in these weekly alerts.

Also, we're tracking all triggered breakouts in Google Sheets. You can find that [here](#).

As always, if you have any questions, comments or concerns, email me:

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