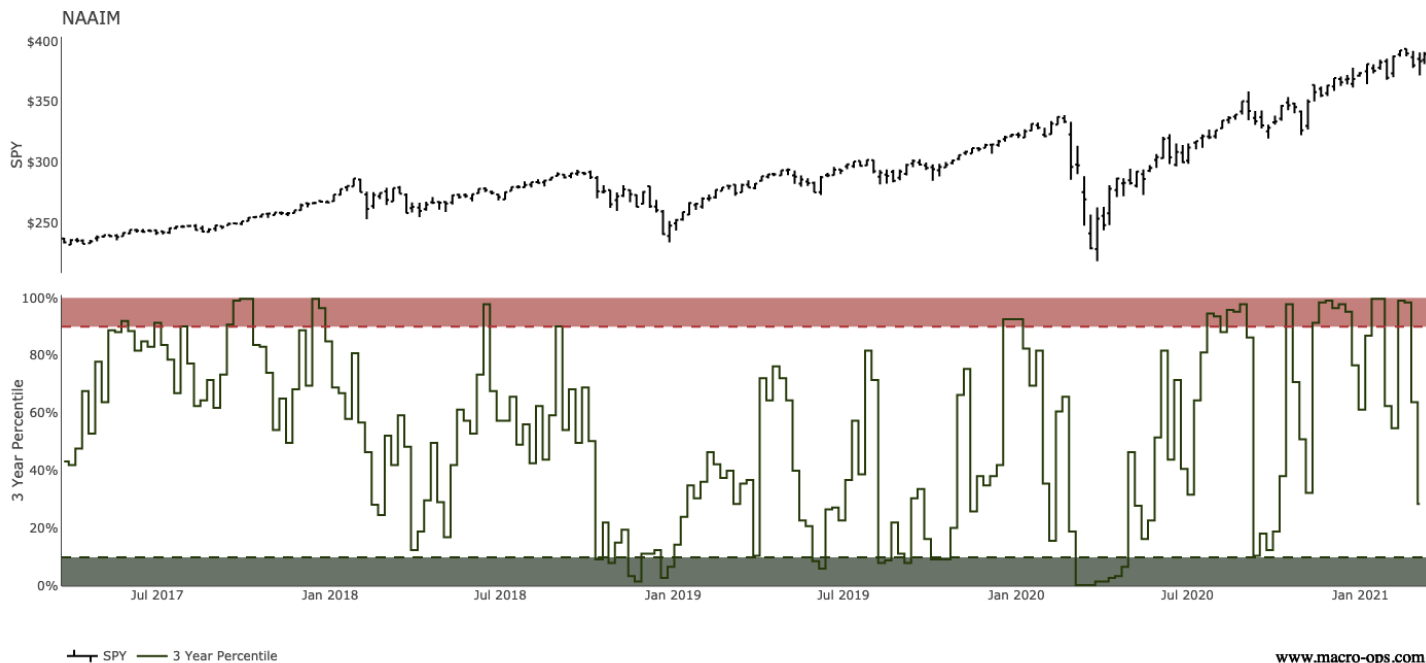




3/4/2021: Time to Roll One Up (Buy Altria Group)

Biden is set to sign the latest stimulus bill on Friday. \$1,400 checks are expected to go out within 1-2 weeks. The SPX is within a hairs-breadth of new highs, yields have steadied their decline (so far), and there are signs of a bit of a sentiment reset—NAAIM Average Equity Exposure fell to a 10-month low this past week.



Bullish technicals contrasting with declining sentiment/positioning is a good mix. We should see the market run to new highs in the coming weeks. As a result, we're going to start adding some risk back to our book.

In November of last year, I pitched the long case for the tobacco stalwart, Altria Group (MO). Here's the excerpt:

I love plays that have multiple positive drivers. Tobacco company, Altria Group (MO), fits this bill. We're in a macro environment that is slowly going to start favoring the value space (finally!). MO is a stalwart with an iron-clad balance sheet that trades at 9x FCF, has an 8.5% divvy, and is in an industry that has the best long-term track record. Also, the technicals are cherry with the stock bouncing off its 200-month moving average (blue line). A level that has acted as a support every time in the past. And it's put in a large double-bottom. It might be time to take a puff...



Altria Group, Inc. (MO) - monthly

- Trades at 9x FCF
- 8.5% Dividend yield
- Finding support at 200mma (blue line)



The 200mma has held and the stock has risen 20%+ since (chart below is a monthly).



Senate Majority Leader Chuck Schumer said last month that legalization is a priority for this Congress which two-thirds of Americans support, along with many Republicans in Congress.

MO is one of the best ways to play this secular trend of marijuana legalization and popularization. As [Forbes](#) recently pointed out, the company “is well on its way to also



being one of the world's biggest and most influential cannabis companies. After spending \$1.8 billion to buy a stake in a multi-national cannabis company in 2018, Altria is now applying pressure in the halls of Congress and at the state level to push cannabis-friendly laws..."

And here's an interesting bit of color a buddy of mine shot me earlier this week:

"Just got some info from a good level source advising CA gov on weed. According to this person, the corporations are preparing to over-supply the market and drive the price down to nothing so they can destroy the small/med growers and consolidate what they can into themselves. Also, it appears Oklahoma of all places will be the recipient of many of these large-scale corporate grow ops because of its central location and the fact Okla is fine with corporate weed (ie, high security of sites, etc...).

Supposedly this is happening now and the corporate weed cartel is actively pursuing this presently. I'll pass on any new news but I'd focus on the big guys like MO, not the small/mid. According to this person, this is tobacco level and not a corner dime bag level which is kinda obvious because these guys are working with the CA govt as advisors and are big corporate weed themselves.... I'll keep you posted"

I haven't been able to verify this, so make of it what you will. But I'd be surprised if the big players didn't do this at some point, so we'll see.

Anyways... we can buy the January 2023 DOTMs on the cheap, which is what we're going to do. Here are the details for the trade:

Buy Jan 2023 \$70 Calls

- **Entry: \$0.90-\$0.95 cents**
- **At-Risk: 150bps**

As always, hit us up in the CC or emails if you have any questions.

Your Macro Operator,

Alex