

A Market Note

Alex Barrow

alex@macro-ops.com

Trades Mentioned

- Buy Alphamin Resources (AFM:TSX)
- Buy Intrepid Potash (IPI)
- Add to Paladin Energy (PDN:ASX)
- Cut XP & GTII
- Convert ETHE to ETH spot
- Soybean short

Quote

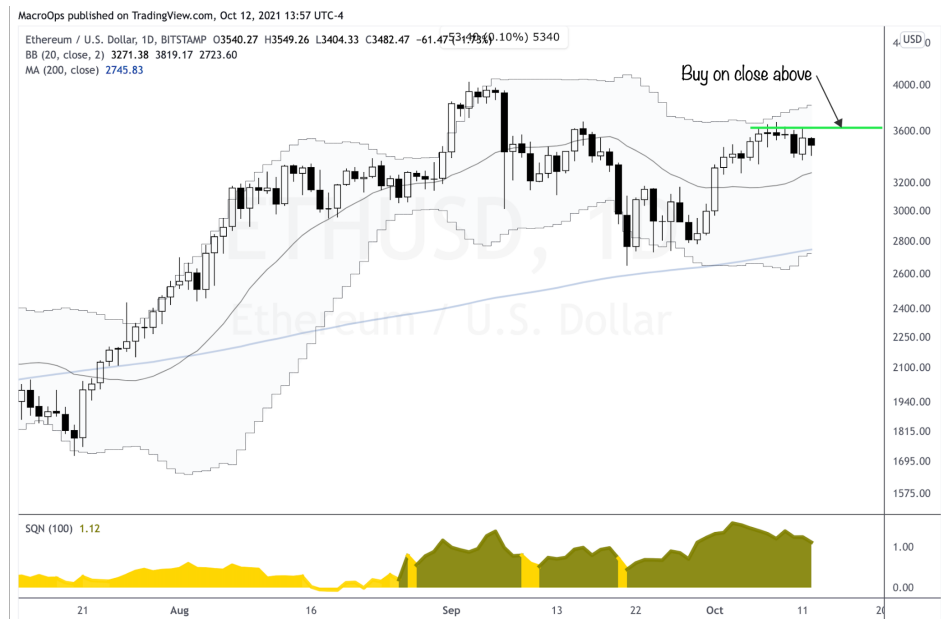
I am very open-minded. I am willing to take in information that is difficult to accept emotionally, but which I still recognize to be true. ~ Michael Marcus

Potash, Tin, Uranium

We're cutting **XP** and **GTII** today as both near our updated risk points.

We're also buying the tin miner **Alphamin Resources (AFM:ASX)** that we talked about yesterday ([link here](#)). And adding to our uranium miner **Paladin Energy (PDN:ASX)** on the market open. As well as putting on a starter position in the potash producer/stealth energy recovery play, **Intrepid Potash (IPI)**. Oh, and we're converting our **Ethereum Greyscale Trust (ETHE)** position into ETH spot since IBKR is finally allowing for that.

BTC and ETH are looking strong. Like they want to break out and run to the upside. BTC futures OI continues to trend up (which I talked about in yesterday's Dozen). This shows returning interest from the big players. We're going to double up our ETH position on a daily close above this level, say spot 3,610 (I'm on a flight to Copenhagen right now, hence the TV charts).



Palladin Energy has pulled back into the buying zone we talked about the other week. This gives us a good R/R point to add to this name.



The uranium bull thesis couldn't possibly be playing out any better. Rocketing energy costs around the world are making once nuclear skeptic countries, rethink their policies. This recent Foreign Policy article ([link here](#)) does a good job summing up the shifting winds in U.

After this add, our total direct uranium exposure will be roughly 17%, between PDN and LEU (our largest holding). CGN Mining Company (1164: HK) is another U play I'm digging into this week. They're the only asia listed U miner, plus they have a nice chart to boot. The name warrants more research but we'll probably add a starter position in this one soon.

Intrepid Potash (IPI) is breaking out from an 18-month textbook cup-n-handle pattern. This name sits at the intersection of two themes I like a lot right now, which are rising energy and food costs.

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Intrepid Potash, Inc, 1W, NYSE O36.50 H39.17 L35.55 C39.01 +3.97 (+11.33%)
 BB (20, close, 2) 31.42 36.84 25.99
 MA (200, close) 28.52



Potash is interesting right now because the Chinese government has effectively banned phosphate exports through June of next year (phosphate is a critical input into fertilizers). Chinese Phosphate production was forced to throttle back even before this announcement, due to the industry's effort to stay within the CCP's emission limits.

China accounts for about a third of global phosphate production, so this is big news. Because of this, there are growing fears that there won't be enough fertilizer to supply the roughly 90 million acres of corn that's currently planned for the 22' planting season.

Buyers are responding by placing orders earlier than usual and trying to lock in supply. This is driving up prices and there's a good chance the market challenges the all-time highs we last saw in 08'.

This along with the bull market in Ags is great for IPI's bottom line.

On the energy front, IPI benefits from very lucrative water rights that it acquired in 2004. These rights give them ownership of approximately 36,000-acre feet per year at their New

Mexico facility, which is situated at the NW corner of the Permian basin. You can read up more on their water [rights here](#).

Basically, IPI sales about 107mn barrels of water to the E&P sector a year. The prices for each barrel range from \$0.30 to \$2.00/barrel depending on location, volume sold, and demand. On this front, rising oil and gas prices translate to greater demand for water and greater pricing power for IPI.

This business segment has nearly 100% margins so all of this flows to the bottom line. For reference, water sales amounted to \$1.5mn in the month of July alone. That's nothing to sneeze at for small-cap company like IPI.

The company has \$25mn in net cash and has been paying down what little debt the have. The stock trades for 9x FCF and should grow its top line this year in the high double digits. Plus, with fewer than 9mn shares floated, it's not going to take much buying pressure to send this thing running. Mosaic Corp (MOS) is an alternative for those who need a bigger cap to play.

Our soybean short is having a nice run. We're up roughly 2.5R on the trade. We're going to bring up the stop to right above today's highs and start trailing it lower. The latest USDA report was about as bad as you can get, so I wouldn't be surprised to see the price puke some more over the next few days before finding a bottom.



Details for all the trades are below:

Cut XP and GTII (we still like these names long-term but only want to own stuff that is paying us right now. We'll revisit these names soon, I'm sure).

Buy Alphamin Resources (AFM:TSX)

- Entry: \$0.95 CAD
- Stop: \$0.78 CAD
- At-risk: 100bps

Buy Intrepid Potash (IPI)

- Entry: \$40.15
- Stop: \$31.85
- At-risk: 100bps

Add to Paladin Energy (PDN:ASX)

- Entry: Market on open
- Stop: \$0.58 AUD
- At-rsk: 50bps

Your Macro Operator,

Alex