



# MACRO OPS

T R A D E - L E A R N - E V O L V E

THE MARKET BRIEF | **JUNE 04 2023**



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TRADE - LEARN - EVOLVE

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# Market Note: Idaho Strategic Resources (IDR)

IDR is a profitable micro-cap gold producer with one of the US's most valuable rare earth metals deposits on its balance sheet.

The company spends all its profits from its gold mining business on developing its rare earth assets. This makes IDR invisible to quantitative, screen-based investors searching for cash-flowing gold miners.

IDR is a Bet The Jockey play. CEO John Swallow reminds me of Journey Energy's CEO, Alex Verge. Swallow is a gamer. He *lives* to mine and bought his first silver stock at 14 (needing his mother's permission).

Swallow owns 11% of the company and pays himself a reasonable salary (IDR's mining engineers are the highest-paid employees in the company, not the executives).

IDR is the opposite of almost every mining stock I've researched. They prefer to hide under the radar. They avoid mining conferences. They don't overpromise and promise five billion production ounces. Instead, they show up daily without fanfare and execute their business plan.

Oh, and they only have 12M shares outstanding.

**Here's why you should care.** We're bullish on gold's long-term price, with \$2,000 looking more like a floor than a ceiling. The company plans to grow production from ~5,000oz today to ~20,000oz over the next few years.

Swallow built IDR's gold mining operations for \$1,200/oz gold with All-In Sustaining Costs (or AISCs) of around \$1,300.

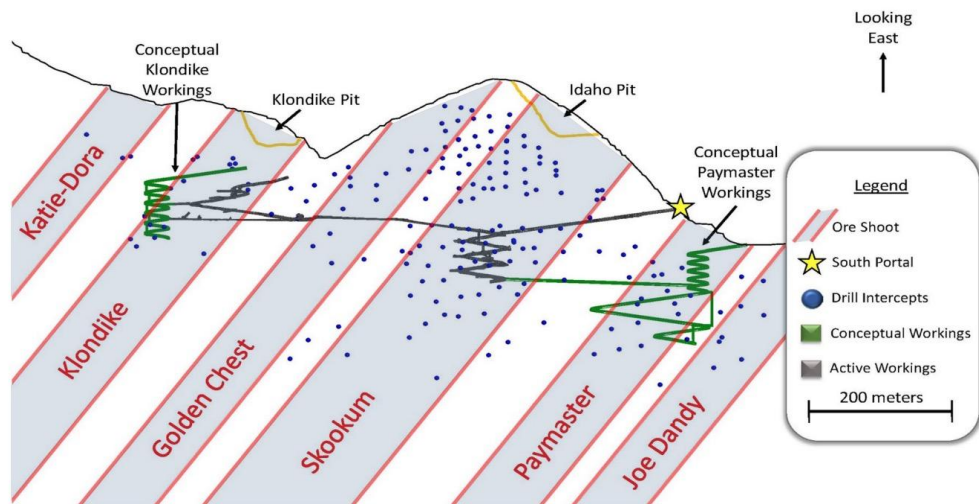
So, for <\$60M market cap, we get a profitable gold mining business in a mining-friendly jurisdiction (Idaho) with secular tailwinds, one of the US's most valuable rare earth deposits, and a die-hard CEO who owns 10% of the company and eat, sleeps, and breathes mining.

Let's dive into the opportunity.

## IDR's Gold Mining Operations

IDR has two gold assets. One is a producing mine called Golden Chest, located in the Murray Gold Belt in Idaho. The other is an exploration project in the Klondike and Paymaster regions of the Murray Gold Belt.

There are six total potential gold production “zones” in the Murray Gold Belt (see below) should IDR expand in the future.



Let's do some back-of-the-napkin math. IDR currently produces ~5,000oz annually at a ~\$1,300 AISC. At the current gold price (~\$1,990/oz), IDR generates around \$3.5M in cash flow for a 17.5x multiple on the current market cap.

Here's where it gets interesting. The company plans to expand production to 15,000-20,000oz by 2026-2027. Usually, I wouldn't believe management's forecast estimates. But, as I mentioned earlier, John Swallow is different. He's methodical about production growth and views production not as a promotional scheme but as a cash flow machine.

IDR can reach 12,000oz by the end of 2025, well within its target growth rate. Assuming a \$2,000 gold price and \$1,300 AISCs, IDR would generate \$8.4M in cash flow and trade at ~7x.

So you're paying ~7x 2025 gold production cash flow and getting a massive rare earth element deposit for free.

Let's explore those rare earths.

# Rare Earth Elements

The United States Geological Survey lists 50 “Critical Minerals,” and includes 17 Rare Earth Elements like Terbium, Neodymium, Dysprosium, and Niobium.

Why are these Harry Potter spell-sounding minerals so important? Rare Earth Elements (or REEs) are critical in our shift towards Great Electrification and are essential components of Green-Tech batteries, magnets, medicine, and electric vehicles.

IDR is the largest REE landholder and owns the largest Thorium resource in the US.

## Idaho’s REE – Thorium Belt

Runs parallel to the Idaho Cobalt Belt

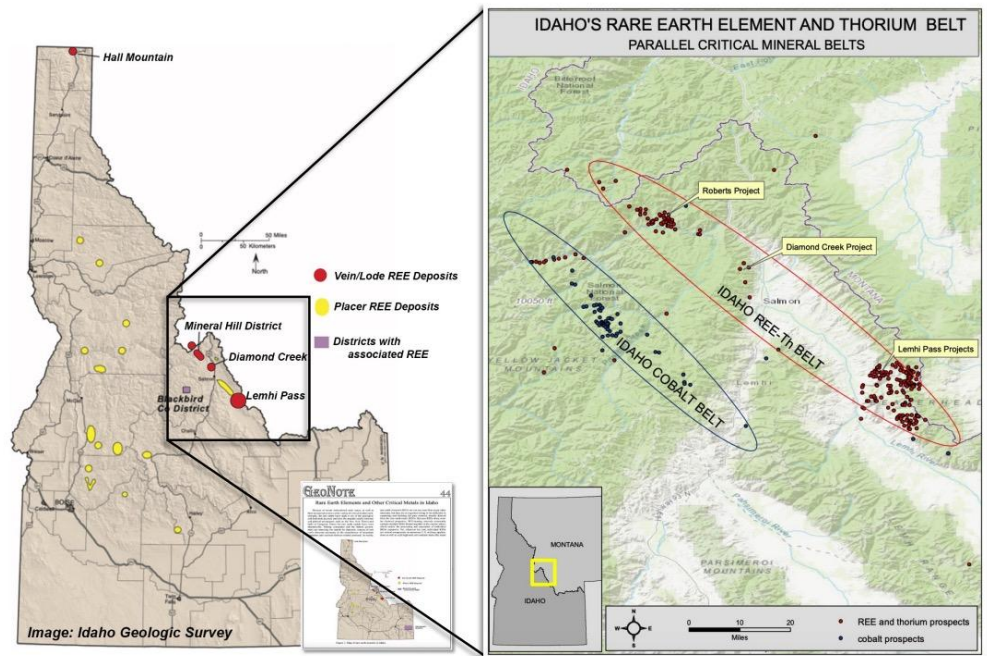
Abundance of Technology and Energy Metals

Nationally recognized REE Deposits

- Lemhi Pass
- Roberts
- Diamond Creek

Recognized as the #1 Thorium prospect in the U.S.

- Lemhi Pass



US-based REE assets become increasingly more valuable as we shift towards Metallic Nationalism. For example, China is currently the world’s largest REE producer, extracting 210,000MT annually versus the US’s 41,000MT.

The future of US REE production won’t come from global trade with China but from domestic output. This makes IDR’s REE asset extremely valuable.

How much? I have no idea. But remember, **you’re getting this asset for free.**

IDR is a great way to play our Great Electrification and Metallic Nationalism theme. The company generates cash flow from its gold mine operations, has zero debt outside equipment loans (which only cost \$125K annually), and owns the largest REE deposit in the US.

Despite all the positive quantitative points about the business, IDR is a bet on the jockey, John Swallow.

I had a two-hour phone call with Swallow. After I hung up, I bought a decent-sized starter position in my PA. That's what makes this thesis difficult. Sure, you've got exciting assets and a long-term secular tailwind.

But I believe Swallow is building something unique in Idaho. He's building a different type of mining company.

That said, IDR is still an illiquid micro-cap stock. It's not for everyone, nor can everyone buy it. However, I love the setup. The stock printed a bullish weekly close at the 200MA at the bottom of its rectangle.

This is a great spot to add a starter position.



# MO Portfolio Snapshot

## The Macro Ops Portfolio

PDF: <https://tinyurl.com/mo-portfolio>

2023 YTD Return **4.62%**  
 Total Notional Exposure **191.67%**  
 Current Cash Value (%) **75.59%**

2022 Final Return **10.21%**  
 2021 Final Return **6.39%**  
 2020 Final Return **66.40%**

### Futures, Bonds & FX

	Ticker	Contracts	Capital	Notional	At-Risk	Cost Basis	Current Price	Stop-Loss	P&L
Dollar/Chinese Yuan	USDCNH	365,650	\$2,599,845.92	151.95%	0.75%	\$6.95	\$7.11	\$6.92	2.29%
Nasdaq 100 Futures	NQM2023	1	\$291,500.00	17.04%	0.35%	\$13,498.75	\$14,575.00	\$13,200.00	7.97%

### Equities

#### Strategic

	Ticker	Shares	Capital	Notional	At-Risk	Cost Basis	Current Price	Stop-Loss	P&L
Sprott Uranium	U.UN	6,431	\$82,574.61	4.83%	0.48%	\$11.73	\$12.84	\$10.44	9.46%
Foran Mining	FOM.TSXV	27,333	\$68,605.77	4.01%	0.24%	\$2.11	\$2.51	\$1.96	18.96%
Foran Mining (Second Leg)	FOM.TSXV	16,994	\$42,654.78	2.49%	0.52%	\$2.48	\$2.51	\$1.96	1.21%
Vista Energy	VIST	6,727	\$145,638.43	8.51%	-0.27%	\$14.11	\$21.65	\$14.80	53.44%
Triple Flag Precious Metals	TFPM	2,013	\$28,578.31	1.67%	0.51%	\$16.65	\$14.20	\$12.35	-14.71%
Tidewater (Second Leg)	TDW	1,249	\$62,373.30	3.65%	0.49%	\$49.35	\$49.94	\$42.57	1.20%
Tidewater	TDW	1,174	\$58,611.42	3.43%	-0.13%	\$34.15	\$49.94	\$36.00	46.24%

#### Tactical

	Ticker	Shares	Capital	Notional	At-Risk	Cost Basis	Current Price	Stop-Loss	P&L
Tesla, Inc.	TSLA	-472	-\$100,889.88	-5.90%	1.02%	\$197.00	\$213.97	\$234.00	-8.61%

### Options

	Ticker	Contracts	Capital	Notional	At-Risk	Cost Basis	Current (Mid) Price	Stop-Loss	P&L
AG JAN 19 2024 \$20 CALLS	AG	237	\$4,259.70	0.25%	0.97%	\$70.00	\$18.00	\$0.00	-74.29%
PAAS JAN 19 2024 \$45 CALLS	PAAS	660	\$23,087.13	1.35%	0.96%	\$25.00	\$35.00	\$0.00	40.00%
HAL JAN 19 2024 \$60 CALLS	HAL	67	\$2,226.55	0.13%	0.52%	\$132.00	\$33.00	\$0.00	-75.00%

[\\*Learn how to interpret our portfolio here.](#)

[\\*Learn how we size positions and issue trade alerts here.](#)

[\\*Set up trade alerts here.](#)

## What I Learned This Week: Octavio's New Strat

Octavio is our quant expert at MO HQ. This week, he shared a new strategy that's simple and effective. This is good because I'm usually the Boomer in the room when understanding most quant strategies.

Here's the basic process:

- Buy a leveraged ETF (like TQQQ or a SPY or RTY equivalent) the day after it closes above the 200D moving average on a daily chart.
- Exit the position the day after it closes below the 200D moving average.

That's it.

Check out the returns from February 2010 until today.



Title	All
Sharpe Ratio	0.123
Sortino Ratio	1.384
Profit Factor <sup>?</sup>	2.2
Max Contracts Held	1 404 938
Open PL	6 100 800.93 USD 56.23%
Commission Paid	780 432.27 USD
Total Closed Trades	37
Total Open Trades	1
Number Winning Trades	8
Number Losing Trades	29
Percent Profitable	21.62%
Avg Trade	266 210.19 USD 16.29%
Avg Winning Trade	2 257 551.75 USD 97.92%
Avg Losing Trade	283 125.41 USD 6.23%
Ratio Avg Win / Avg Loss	7.974
Largest Winning Trade	11 107 585.35 USD 296.79%
Largest Losing Trade	1 418 110.29 USD 25.18%
Avg # Bars in Trades	69
Avg # Bars in Winning Trades	279
Avg # Bars in Losing Trades	11
Margin Calls	0

The strategy made 37 total trades. 29 losers and 8 winners. The average winning trade lasted 279 days, while the average losing trade lasted eleven.

Octavio also saw a max drawdown of ~37%.

We're still testing the strategy to determine which leveraged products work best. But we're excited to share it with you. The best part about this strategy is that its low maintenance, averaging <3 trades per year.

# Community Highlights

Three things you may have missed this week in the Comms Center!

- 1) [New member Hoang Phang joins the Collective!](#) (#general)

Hoang Phang joined the *Collective* this week. DM him and introduce yourself. Hoang loves net-nets. If you have any net-net ideas, send them his way. Who knows. Maybe we get a #net-nets channel.

- 2) [Joel C.A.'s post on Systematic Chart Pattern Analysis](#) (#classical-charting)

Joel C.A. posted a YouTube video of someone analyzing Quallamaggie's short-term trading patterns. Quallamaggie is one of the best traders in the game. He live-streams trading and has a great [blog](#). Technical traders will love this video.

But I think the Comms Center comment section is even better.

- 3) [MOHO Webinar #7 w/ Mike Gyulai](#) (#general)

Mark your calendars for June 14th when Mike Gyulai and I host a live-only Q&A MOHO. We'll talk shop, recent trades, current struggles, and whatever else comes up. This is very informal. Think of it like meeting a friend at a bar to chat markets, except virtually.

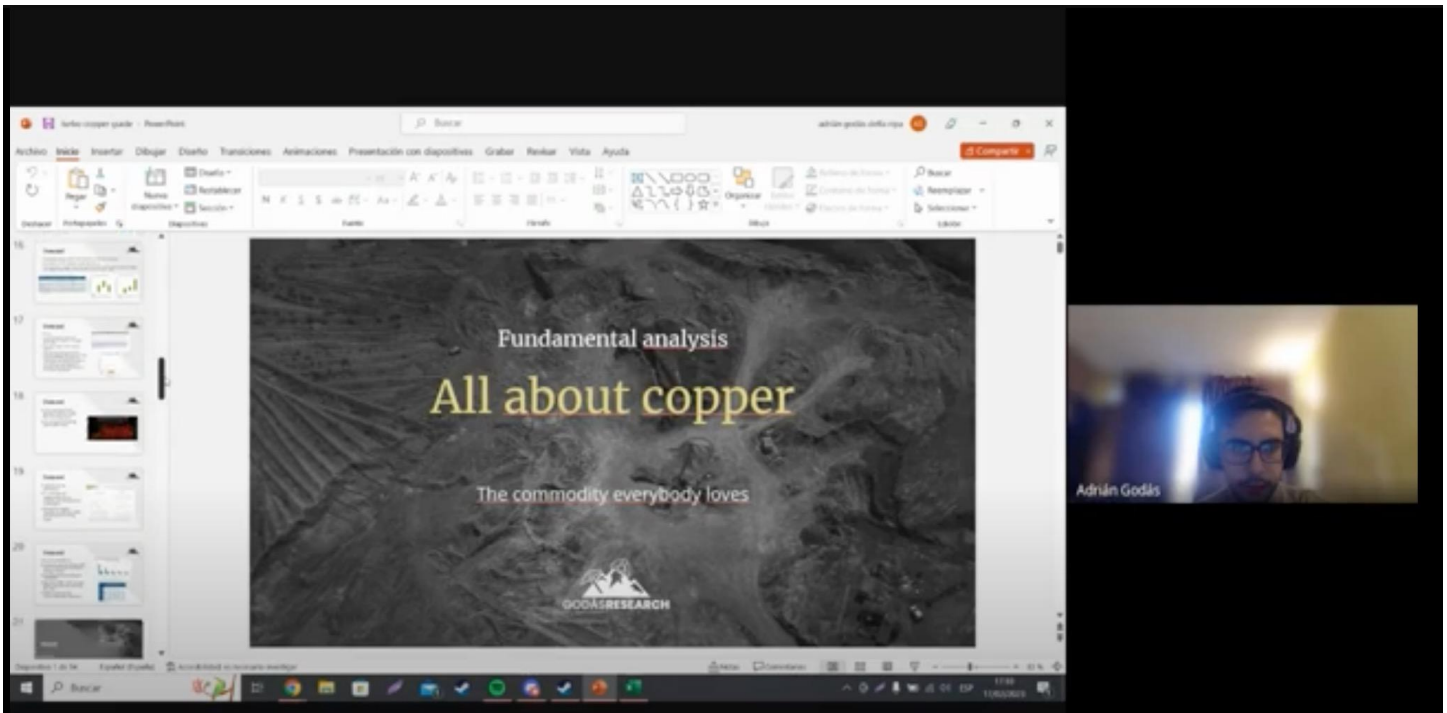
[\\*Join our Comm Center here.](#)

# The Vault: Copper Deep Dive w/ Adrian Godas

Adrian Godas is our resident metals and mining expert. We recorded a Copper Deep Dive webinar a few months ago where Adrian dissected copper's supply/demand outlook.

We're long-term bullish on the commodity complex, specifically copper. This video is a must-watch to get up to speed on the opportunity ahead.

Watch [here](#).



# HUD Focus: Bullish Setup in Soybean Oil

Soybean oil looks very interesting here. Look at all those bullish indicators below.

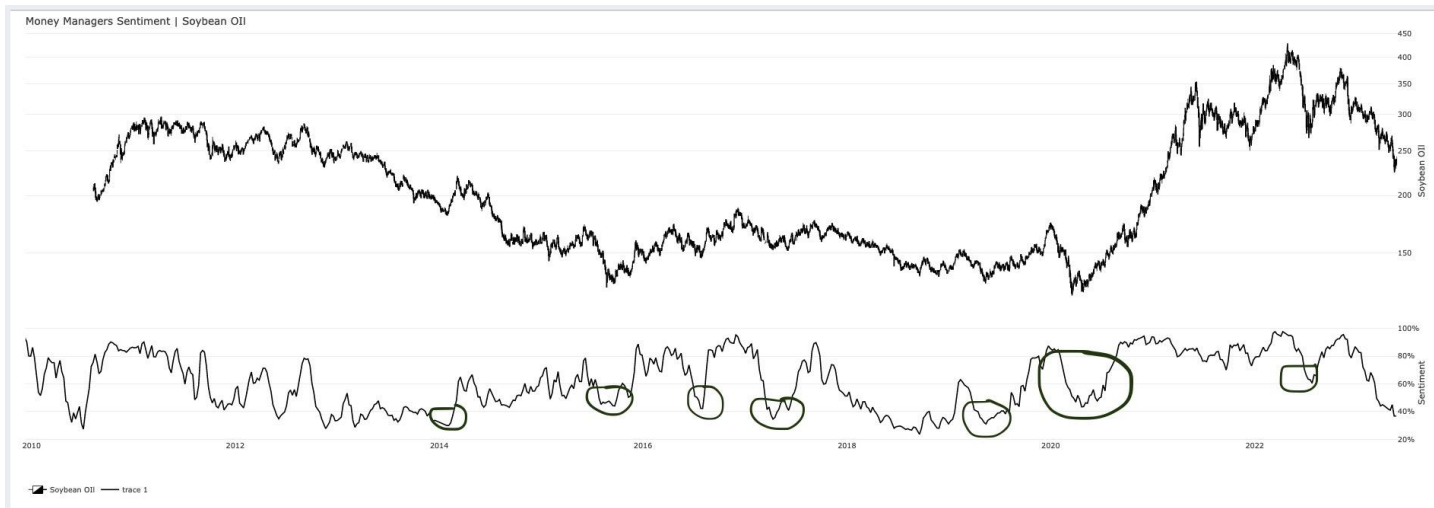


I want to highlight a few things.

First, price action is in deeply oversold territory, with our Mind The Gap (200 Day) indicator at its lowest level since July 2022.

Second, large and small speculators net positioning is at the 0% percentile. Meanwhile, Commercials Net Positioning is almost 100%.

Finally, Money Manager Sentiment is around 40%, which has historically market bottoms (see below).



Let's head to the charts. I love the technical setup. You have a failed continuation breakdown and a strong weekly hammer close.

I'd place a buy stop above the May 15 weekly high and a sell stop below last week's lows.



[\\*Access the HUD here.](#)

# The MO Trading Process Explained

## Macro Ops Trifecta

- [The MO Trifecta Strategy Explained](#)
- [Expected Value \(EV\) & Bayesian Analysis](#)
- [Trade Alerts + Position Sizing](#)
- [The MO Portfolio Guide](#)

## Sentiment

- [How To Be A Contrarian](#)
- [How To Play The Player](#)
- [The Hierarchy Of Markets](#)
- [Trend Fragility Indicator](#)

## Technicals

- [Multidimensional Forecasting](#)
- [How to Manage to Uncertainty](#)
- [How to Read Price Action](#)
- [How to Spot Market Trends](#)
- [Momentum, Mean Reversion And Volatility](#)
- [Classical Charting, Price Patterns & Entries](#)
- [Which Time Frame To Focus and Why](#)

- [How To Exit A Trade](#)
- [How To Size Your Positions](#)
- [Position Sizing Calculator](#)
- [Key Options Spreads](#)
- [Trading Volatility](#)
- [Delta Hedging](#)
- [Advanced Options Mechanics](#)
- [When To Avoid Options](#)
- [Tactical Options Strategies](#)
- [The DOTM Options Strategy](#)
- [How To Use The SQN To Identify Market Regimes](#)
- [How To Execute BVO & FBVO Trades](#)
- [The FOMC Trade](#)

## Fundamentals

- [Finding Compounders](#)
- [Investing In An Inflationary Environment](#)
- [Finding Inflation-Proof Companies](#)