



# MACRO OPS

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

THE MARKET BRIEF | **JUNE 27 2023**



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TRADE - LEARN - EVOLVE

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# Market Note: *Alea Jacta Est*, This Was Not

Man plans and God laughs as the old Yiddish saying goes... And so it is with this week's report.

I was originally planning on revisiting our bullish uranium thematic and while I still plan to touch upon U, I've received too many DMs, emails, and texts over the weekend to not talk about the... I don't even know what to call it... temporary insurrection? Got cold feet attempted coup? "I'm going to overthrow the power structures within Russia, J/K, I'll see myself out now mokay, bye" Kabuki theater performed by Prioghzin?

But before we discuss the disintegration of a former "Superpower" that we're all bearing witness to. I'm going to first plainly and quickly lay out why I have been, and continue to be, an ardent supporter of Ukraine and their fight against Russia for national autonomy and why I think it's imperative that the West does even more in supporting their defense efforts.

I've had a number of sidebar conversations about this with members since the invasion. And I recognize that there are quite a few who disagree with my position. So I only think it fair to share where I stand with the whole group, so you understand where I'm coming from, and why I have the biases I do.

If you'd prefer to not read my philosophical babblings (I don't blame you), then just skip ahead to my explanation on the coup, our macro section, or Brandon's deep dive into a Uranium miner from south of the equator.

## Survival: Rising Systemic Risks Demands Expanding Democracy

*Our entire much-praised technological progress, and civilization generally, could be compared to an axe in the hand of a pathological criminal. ~ Albert Einstein*

After the advent of the nuclear bomb, a technology that Einstein's foundational work made possible, he wrote to a friend that "Our world faces a crisis as yet unperceived by those possessing power to make great decisions for good or evil. The unleashed power of the atom has changed everything save our modes of thinking and we thus drift toward unparalleled catastrophe."

We are a world of 8 billion people. This world is more crowded than ever. We're more connected than ever. And our technological ability to annihilate ourselves is greater than ever.

It's not just nukes. It's the AI-enabled creation of new bio and chemical weapons ([link here](#)).

It's the nearly impossible to intersect hypersonic delivery systems capable of carrying nuclear warheads ([link here](#)).

It's a single cyber attack that can cause damage on a national and even global scale ([link here](#)).

It's the AI-enabled costless and limitless flooding of our information/news spheres, making mincemeat of our collective abilities to understand truth, effectively communicate, and solve problems ([link here](#)).

The list goes on and on... To again quote Albert, it is “appallingly obvious that our technology has exceeded our humanity.”

It is a dangerous world we live in. It’s a MUCH more dangerous world we’re moving into.

And because our technology evolves exponentially faster than our consciousness expands, it is imperative that we globally trend towards systems of governance that promote collective rule, transparency, and checks and balances on those in positions of power.

Currently, the best system we have for this is democracy.

Even the flavor of democracy we currently practice here in the States, with all its hair and many shortcomings ... it’s still infinitely preferable from the point of ensuring human survival, than those which are now in place in countries like Russia, China, or North Korea... countries where a single man can direct the full destructive capacities of his nation onto the world completely at his whim.

Think about it, the risks of a mad King spilling his venom onto the globe have been localized for the entirety of mankind.

He was limited by the range in which his artillery could fire and by the speed at which his ground army could advance. The “Scourge of God” himself, Attila the Hun, could only rape and pillage as far and as fast as his hoofed horde could roam.

And this has been true for all of history, at least up until WW2, which is only 70 years and some change ago.

Our technological “advancement” means that the most threatening self-inflicted localized risks that humanity has routinely faced since time immemorial have today become systemic threats to our species' survival.

A quick example...

Ivan the Terrible, the 16th-century Tsar of Russia, was a man worthy of his name.

His paranoia and collapsing mental health later in life meant he and his nation’s resources, which he fully controlled, acted as a plague against his own people as well as the *entire* Eastern European Plain.

Vladimir Putin too completely controls his nation’s resources. Unlike Ivan, Vlad isn’t limited by geography or scope in the scourge he can inflict upon the world. We also know that he too is becoming increasingly isolated, paranoid, and demented (read this account from Karakulov, a Captain in Putin’s personal security detail who defected to the West last October).

For well over a decade now, Putin has been carrying out active and increasingly aggressive measures against Western countries for the sole purpose of sowing chaos and disruption.

Because his rotting kleptocracy cannot compete economically with free democratic societies, he seeks to bring them down to his level by infecting them like a cancer.

He accomplishes this through numerous means (cutting vital subsea internet cables, creating large orbital debris fields so as to deny the West easy access to space, jamming up Western online

communication with disinformation so as to [sow distrust and discontent](#), placing nuclear weapons in the center of Europe, attempting to [assassinate Western citizens](#) on Western soil, constant cyberattacks against both public and private interests such as NotPetya, [the most costly cyberattack in history...](#)).

The list goes on and on...

And honestly, I can tell you as someone who used to work the Russia desk within the USIC, Putin's most aggressive acts haven't seen the light of day, for reasons I've never been able to comprehend other than that if the public knew everything his regime had done and was doing, they'd want a much more aggressive US retaliatory response.

And if you've followed the US's handling of Russia over the past 15 years then you know it's been complete laissez-faire. Annoyance overwhelmed by disinterest like a giant occasionally swatting at a persistent fly.

We were under the impression the Cold War ended when the walls came down, but Putin had other plans and we're just now waking up to this truth.

This lack of strategic geopolitical cohesion from the West, and the US in particular, is largely why Putin became so emboldened over the years.

But I digress...

The truth is it's irrelevant which authoritarian leader we're talking about. Putin could be replaced by another, and the systemic risks of having a [single](#) person ruling with total control, in charge of the world's largest nuclear weapons stockpile, is too systemic a risk to be ignored or allowed in our age.

## Democratic Peace Theory

*Under a non-republican constitution, where subjects are not citizens, the easiest thing in the world to do is to declare war. Here the ruler is not a fellow citizen, but the nation's owner, and war does not affect his table, his hunt, his places of pleasure, his court festivals, and so on. Thus, he can decide to go to war for the most meaningless of reasons, as if it were a kind of pleasure party...*

~ Immanuel Kant, Perpetual Peace and Other Essays

The fact that democracies are much less likely to go to war with one another has been [widely researched and is well supported](#).

The democratic peace dividend can be quite easily seen in the data. Below is a chart showing the percentage of years in which 'Great Powers' fought one another, from 1500-2015.

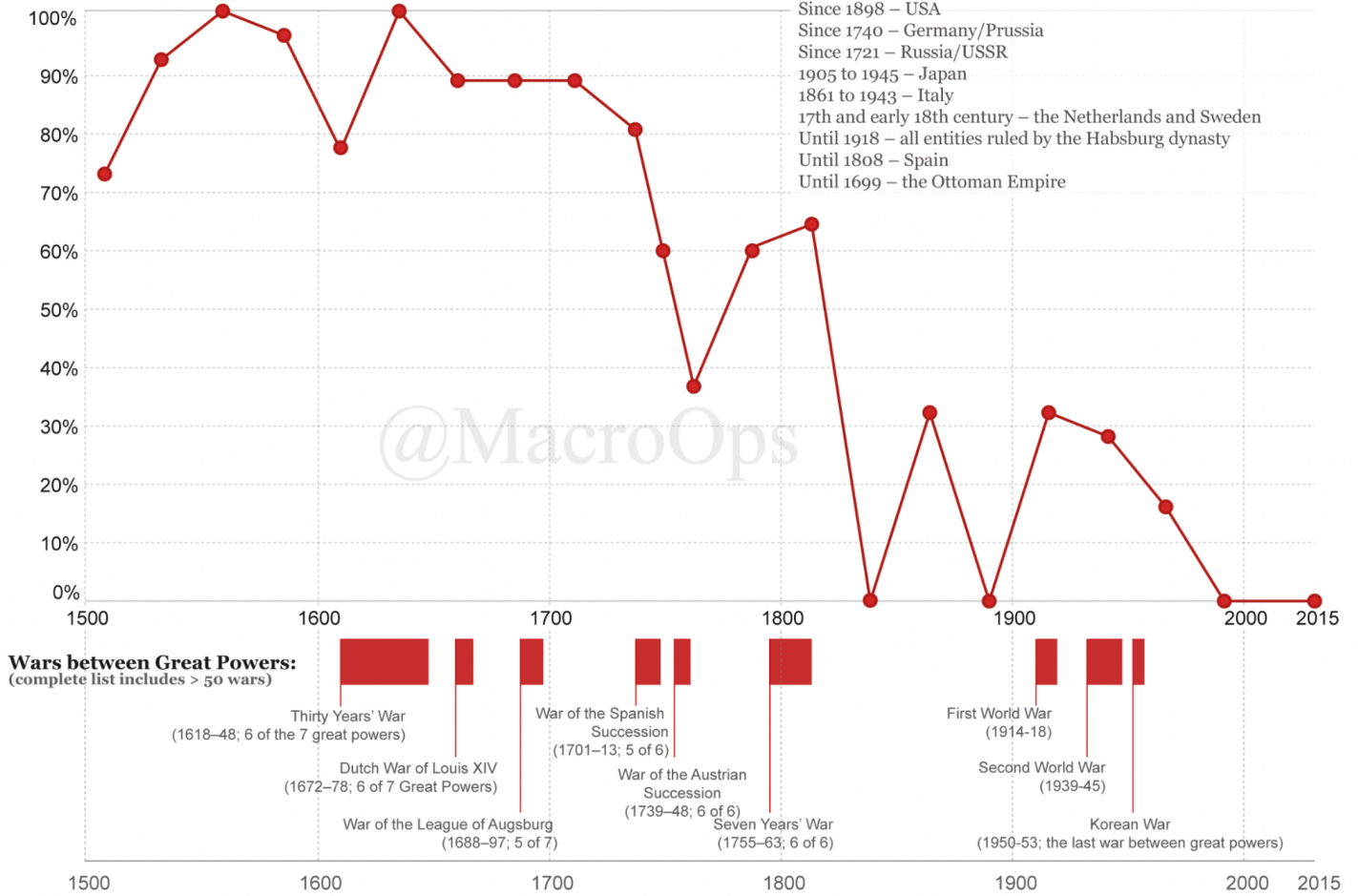
We can see that prior to the 18th-century reincarnation of democracy, wars between major powers were a near constant but have since become a rarity.

# Percentage of years in which the 'Great Powers' fought one another, 1500-2015

Between 1500 and today there were more than 50 wars between 'Great Powers'. Data are aggregated over 25-year periods.

Who are the 'Great Powers'?

- During the entire period – France and England/Great Britain/U.K.
- Since 1949 – China
- Since 1898 – USA
- Since 1740 – Germany/Prussia
- Since 1721 – Russia/USSR
- 1905 to 1945 – Japan
- 1861 to 1943 – Italy
- 17th and early 18th century – the Netherlands and Sweden
- Until 1918 – all entities ruled by the Habsburg dynasty
- Until 1808 – Spain
- Until 1699 – the Ottoman Empire



Data source: Steven Pinker (2011) – The Better Angels of Our Nature: Why Violence Has Declined and Levy (1982) – Historical Trends in Great Power War, 1495-1975.

The interactive data visualisation is available at [OurWorldInData.org](http://OurWorldInData.org).

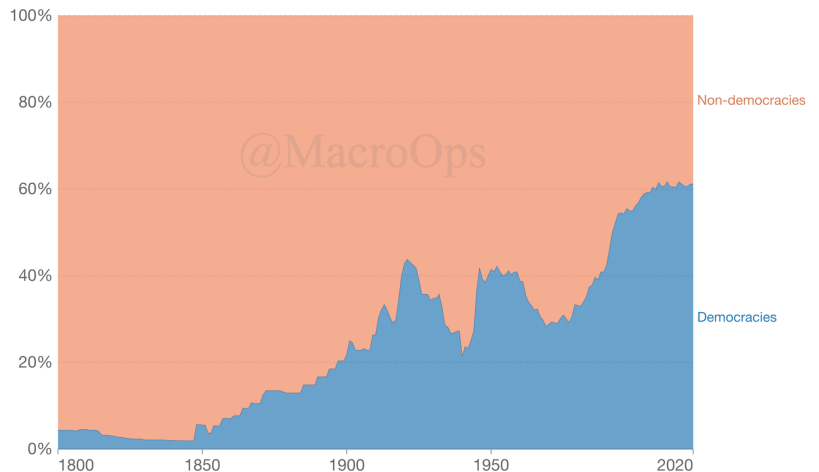
Licensed under CC-BY by the author Max Roser.

And while there are no doubt other factors at play (ie, role of deterrence due to scale and scope of weapons, increasing global economic linkages, improved cross-border communications, etc...), the rise of democracies as a form of government has certainly played a significant role in this decline.

But while democracies have helped limit large-scale conflict between major powers, the exponential rise in the sheer destructive power of our weapons, has raised the lethality of our conflicts.

## Countries that are democracies and non-democracies, World

Based on the classification and assessment by Boix et al. (2013). Democracies are understood here as political systems in which political leaders are elected under broad rights for men to vote in free and fair elections.



Source: OWID based on Boix et al. (2013)

OurWorldInData.org/democracy • CC BY

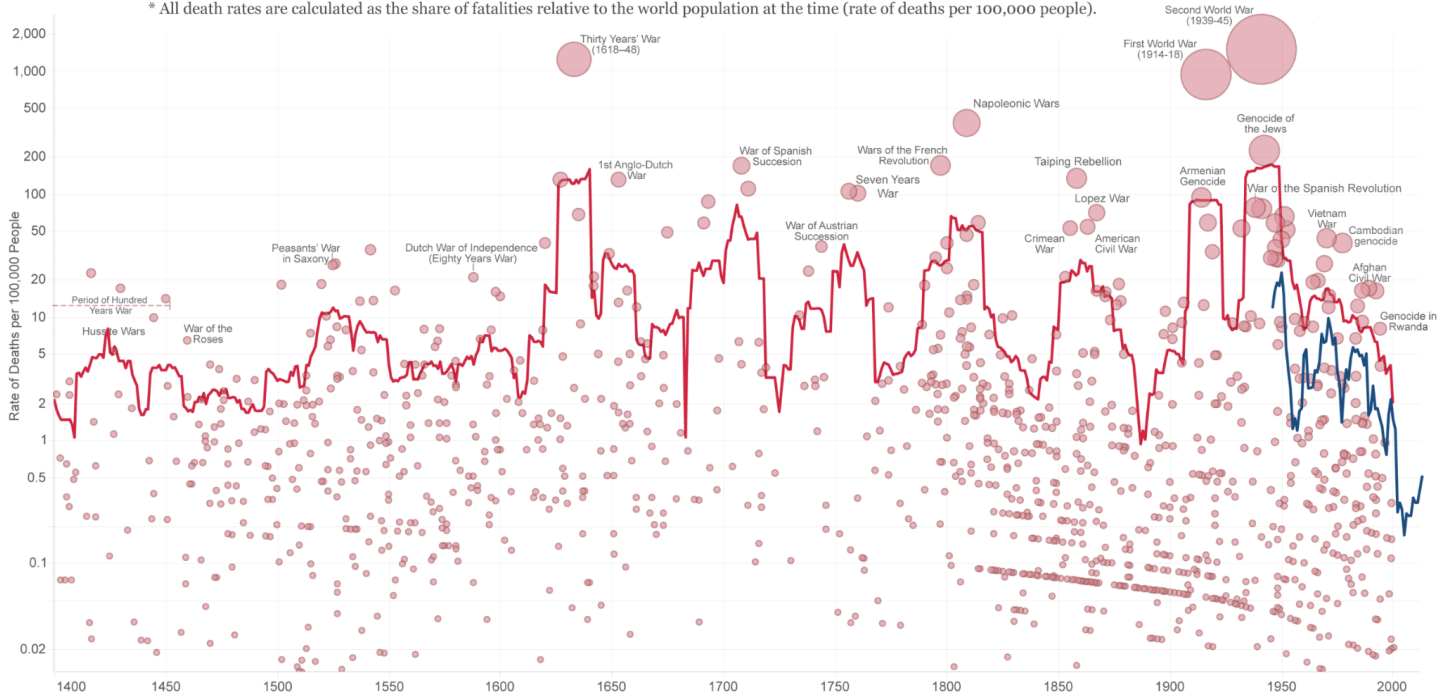
The graph below charts the deaths in conflicts since 1400. Each red circle represents one conflict. The size of the circle represents the number of fatalities (both military and civilian). The position on the y-axis represents the fatality rate per 100,000 people. And the red line illustrates the 15-year moving average of the total death rate.



## Global deaths in conflicts since the year 1400 – by Max Roser

- Each circle represents one conflict. [Data from the *Conflict Catalog* (1400-2000)]
- The **size** represents the absolute number of fatalities (military + civilian fatalities)
- The **position** on the y-axis represents the fatality rate\* (military + civilian fatalities)
- 📈 **Military + civilian death rate\* for 1400-2000** [Data from *Conflict Catalog*] – 15 year moving-average
- 📈 **Military death rate\* for 1946-2013** [Data from the PRIO Institute]

\* All death rates are calculated as the share of fatalities relative to the world population at the time (rate of deaths per 100,000 people).



Data sources: Battle Deaths Dataset v.3.0, published by the PRIO Institute and Conflict Catalog by Peter Brecke for data on battle deaths. And world population data from HYDE and UN.

This is a data visualisation from [OurWorldinData.org](https://ourworldindata.org). There you find more visualisations on this topic.

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A few things stand out about this chart.

One is the clear cyclicity of the total conflict death rate, which becomes most apparent from the start of the 17th century onward and appears to move in 50 to 75-year cycles giving credence to Dalio's idea of [Long-term Debt Cycles](#) driving geopolitical variance — **if history is a guide then we've entered the era in which we'd expect another significant spike in deaths attributed to conflict.**

The other is that conflicts have gotten significantly more lethal over the last hundred years, as clearly shown by the two largest dots representing the First and Second world wars. Two wars started by monarchs and authoritarians.

The red trend line would be significantly below the historical range if not for these wars.

It's for the above reasons that I find the data below so troublesome.

This graph shows the "Democracy Gap". The red bars represent the difference in the number of

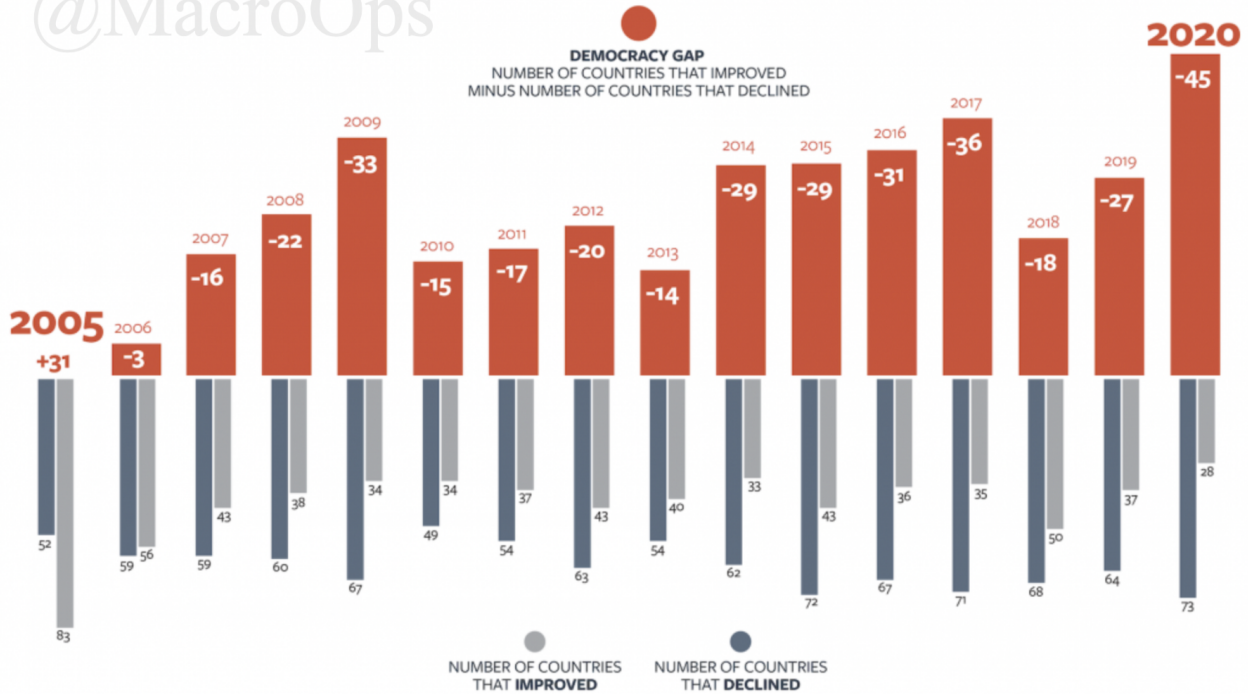
countries with improving democracy scores versus those with declining ones.

As we can see, there's an accelerating trend towards autocracy over the past 18 years now.

### A Growing Democracy Gap: 15 Years of Decline

Countries with aggregate score declines in *Freedom in the World* have outnumbered those with gains every year for the past 15 years.

@MacroOps



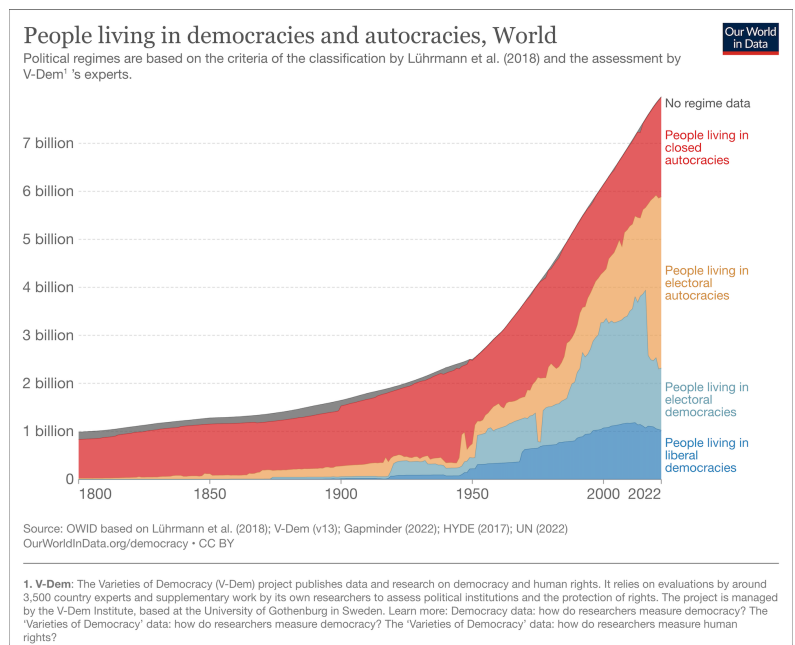
Freedom House

For past editions of *Freedom in the World* and more information on the report methodology, visit [freedomhouse.org](http://freedomhouse.org). This infographic is from the *Freedom in the World 2021* report by [freedomhouse.org](http://freedomhouse.org)

Here's another illustration of this trend.

If left unchecked then this trend combined with our increasingly lethal technologies nearly ensures the extinction of the human race at some point. That's not hyperbole, it's a logical probability.

If a growing number of countries with increasingly destructive weaponry are ruled by sociopathic narcissists who possess total control over said weapons and their use, then it's only logical to assume that those weapons will be increasingly used. And we don't need more nukes in the hands of pathological criminals, to paraphrase Einstein again.





This is the philosophical reason why I strongly support Ukraine's right to exist, free of Russian (Putin's) control.

It's why I strongly support their efforts of democratic establishment. It's why I think it's imperative that liberal democracies the world over work in greater cooperation to positively incentivize and *peacefully* coerce those nations which fall under authoritarian rule. And, also, to occasionally but powerfully act as bulwarks when their international transgressions risk disrupting a free and democratic state, as is now the case.

I believe this will be the pressing theme of our time. Currently, it's Russia and Ukraine. Next, it will be China and Taiwan. How we collectively act now in support of Ukraine will greatly influence Xi's future plans concerning Taiwan.

Thank you for attending my TedTalk.

## Whiskey Tango Foxtrot over?

Okay, let me step down from my soapbox and explain quickly what happened over the weekend. And unfortunately, it's not anything as exciting as many of the daft theories I've seen being tossed around.

My favorite one is that this was all a false flag planned by both Putin and Prigozhin for reasons that are completely unclear...

I spent the weekend talking with old intel buddies and here's the gist of what they said. And, of course, the usual caveat, this is all non-classified open-source stuff as my friends don't have loose lips.

Okay, so we knew Prigozhin was planning something as far back as Spring. This wasn't just a knee-jerk insurrection due to the June 10th order from Shoigu that Wagner soldiers would have to sign contracts with his ministry, as many believe.

This operation ran pretty damn smoothly. Wagner's forces were able to move men, APCs, and tanks from Ukraine to within 200km of Moscow in under 24hrs. This also included taking control of Russia's major southern military and logistics hub, Rostov-on-Don. No small feat.

So no way in hell was this some seat-of-the-pants operation. Prigozhin was gunning for something and by all measures that something appears to be a coup and unseating his old pal Putin.

Prigozhin and his Wagner Group had been running an increasingly rebellious propaganda machine over the past year.

This started with complaints against the MoD that his men weren't receiving proper supplies. It then escalated to outright attacks against the top military brass and finally culminated last week with a speech plainly calling BS to every excuse Putin had given to the public about why Russia had no choice but to invade Ukraine.

Not to mention, Prigozhin has been ever eager — and quite social media savvy — at highlighting his leadership and Wagner's superior combat record compared to that of the regular military. You don't

put in that kind of effort unless you have grander plans.

So why did he stop?

Why did he order his men to stand down and about-face, after committing unforgivable treason, especially considering they shot down six helicopters and an Il-18 command and control aircraft, killing as many as 13 of their very own countrymen in the process?

The true but unsatisfying non-galaxy brain answer is just that Prigozhin lost his nerve... and so did Putin.

The word is that Prigozhin was hoping for his rebellion to spark a more general uprising, both amongst the populace as well as parts of the military. And that he could then ride this support to Moscow and a quick, preferably bloodless, transition of power.

But while he was met with lots of cheers and fanfare among both when he road into Rostov-on-Don. This enthusiasm coupled with the broadly shared dislike for Putin was ultimately overwhelmed by an even more powerful general apathy amongst the Russian people, who just don't care to be bothered.

This gave Prigozhin cold feet.

Meanwhile, Putin fled Moscow to one of his "safe places" by plane as soon as Wagner crossed the Russian border. Though his Praetorian Guard numbers roughly 10,000. It's unlikely this force possessed the firepower, let alone the willingness to take on Wagner (it should be noted that the Wagner Group is quite respected and glorified amongst Russians).

Putin knew this and so didn't dare risk directly confronting Prigozhin and his men. Instead, he tucked tail and pleaded to his Belarusian puppet Lukashenko to broker a deal between the two.

The entire affair was really a 21st-century idiots version of Julius Ceaser advancing his Thirteenth legion to Rimini and crossing the river Rubicon, officially sparking Rome's Second Civil War.

But, *alea jacta est* (the die has been cast), this was not.

Cause instead of brave men of history throwing down the gauntlet thus giving their lives over to Fate, we got two inept nutless scumbags who saw the slightest risk to their persons and turned and ran...

Anyways... what are the consequences and what does this mean going forward?

First, Prigozhin has a painted target on his head. The FSB will certainly be gunning to make another Litvinenko of him. He knows this so he either goes into hiding (good luck with that) or we see him again in the near future with another maybe more coordinated coup attempt.

Prigozhin also really bent his own guys over a barrel. Every Wagner soldier that participated in the coup now also has numbered days. Word is that more than a few of his own men want his head.

As for Putin, this whole event is devastating. The number one rule of strong-man dictatorships is that you must appear strong. There's no amount of shirtless horseback riding he can do at this point that's going to restore him to his former standing. That cheap veneer is completely off.

Putin is now more terrified for his life.

The fact that this well-planned sizable coup was allowed — and yes, it was allowed — by members and organizations under his “control”, has to scare the *Pechenye Yablokis* out of him.

Surely members of the FSB or at the very least the GRU knew of Prigozhin’s plan. Yet, not a single mention of it ever made its way to the man at the top. Who amongst his top brass knew? Better yet, who supported or colluded?

These questions will be plaguing Vlad’s little bald head for the foreseeable future. I’d say the odds favor a [Great Purge](#) but I don’t believe he has the power to order such a thing at this point.

Realistically, Putin’s days are likely numbered. His dominoes of complete and utter strategic and domestic failures over the past 14 months have put him in a hole that’s likely too deep to ever claw out of.

Russia is a country in the early stages of total collapse. The morale there is as bad or worse than it was in the 90s when Putin opportunistically wielded the prevailing chaos to weasel his way to power. Western countries are going to be even more emboldened in supporting Ukraine after this weekend’s events.

In order to further protect his own hide I imagine we’ll see him remove some units from Ukraine and station them domestically in order to prevent a part deux.

And lastly, imagine what this does to the Russian military’s morale, which was already in the pits. They just saw one of the war’s most visible and respected leaders call out the lies given for the war in which they’re being asked to risk their lives. And then turn on their own commander-in-chief, who feebly asked the insurrectionist to *please leave*.

That is devastating... Eisenhower said “morale is the single greatest factor in successful wars” for good reason. This is true even when your main strategy is throwing young men into the meat grinder. You still need some semblance of shared belief and purpose or else command falls apart, and soldiers push back.

The coming six months are going to be very interesting in how this grand play of misery pans out. There are lots of variables, lots of potential paths forward. To quote Homer “I know not what the future holds, but I know who holds the future” and it’s not Putin nor men like him...

## **Macro: Don’t swim against the current... (Long RTY, Long USDCNH)**

There’s not much to update on the US macro front. Growth is slowing but it’s slowing more slowly than most expected, including myself.

The reasons for this resilience were laid out in my last note [Recessionistas Suffering Premature Pontification...](#)

I’m waiting to see if China’s recent efforts at stimulus are enough to turn around what is increasingly looking like a broken economy. So far the action in copper and oil suggests not.

The country is facing incredible and likely insurmountable structural issues regarding the distribution

of the nation's income and Xi's efforts of retaining control. We'll discuss this in-depth in my next note.

What has been true since the start of the year, remains so. There are still too many bears on the wrong side of the year-to-date trend. And while this narrative pendulum is swinging, it still has a bit more to go before we need to start looking over our shoulders.

Our HUD Trend Fragility indicator currently sits at 62%. We want to see 80% plus before we start looking for the end of the line on this run.

Select Indicator

Trend Fragility	Put/Call	AAII	NAAIM	Fund Flows	Hedge Fund	Large Speculators
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MO Trend Fragility



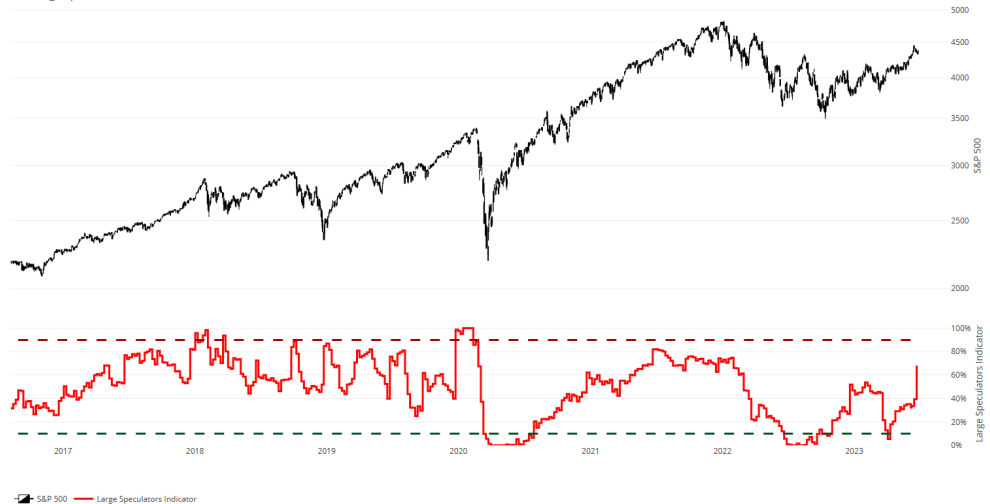
Aggregate US equity market speculative positioning is doing quick work though to try and get on the right side. It's shot up from 5% in April to 67% today, which much of the work coming in the past two weeks.

Yet hedge fund positioning remains mostly flatlined. And these guys are almost always wrong at turning points.

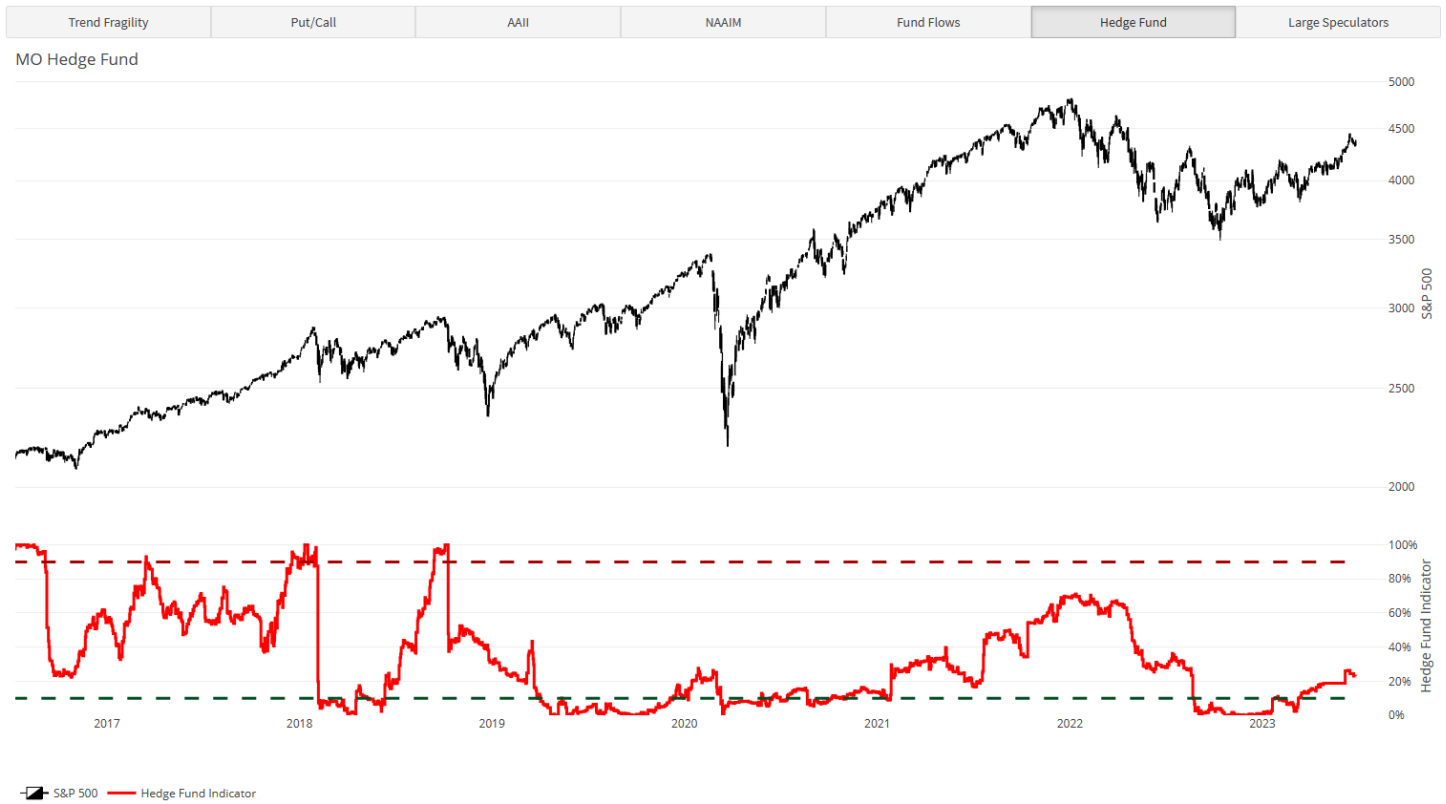
Select Indicator

Trend Fragility	Put/Call	AAII	NAAIM	Fund Flows	Hedge Fund	Large Speculators
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MO Large Speculators



Select Indicator



On a shorter-term basis we remain stretched and due for a continued pullback. Whether this one continues or not is TBD. Generally, my feeling at this point is that I want to stay long but not be too aggressive in adding/buying beta here.

If the retrace continues a bit further down and sentiment quickly downshifts from its recent pop. Then I'd consider adding more aggressively to our long book.

If this dip is shallow and the market keeps running higher then I'll look to stay long but start trailing my stops as that'd suggest we're likely getting closer to a larger turn.

We're still in our Russell trade. It's pulled back and has kissed its breakout point. If this reversal bar holds it offers another good entry point with a stop right below yesterday's low. Should RTY close below today's low then we'll cut the position.



Long USDCNH is on track to be a major breadwinner for us this year. We're currently up more than 8R on this one. And while we're due for large pullback/consolidation sometime soon. I believe this trend has plenty of gas in the tank. I'll explain why in my upcoming report on China.



## Feeding the Uranium Bull...

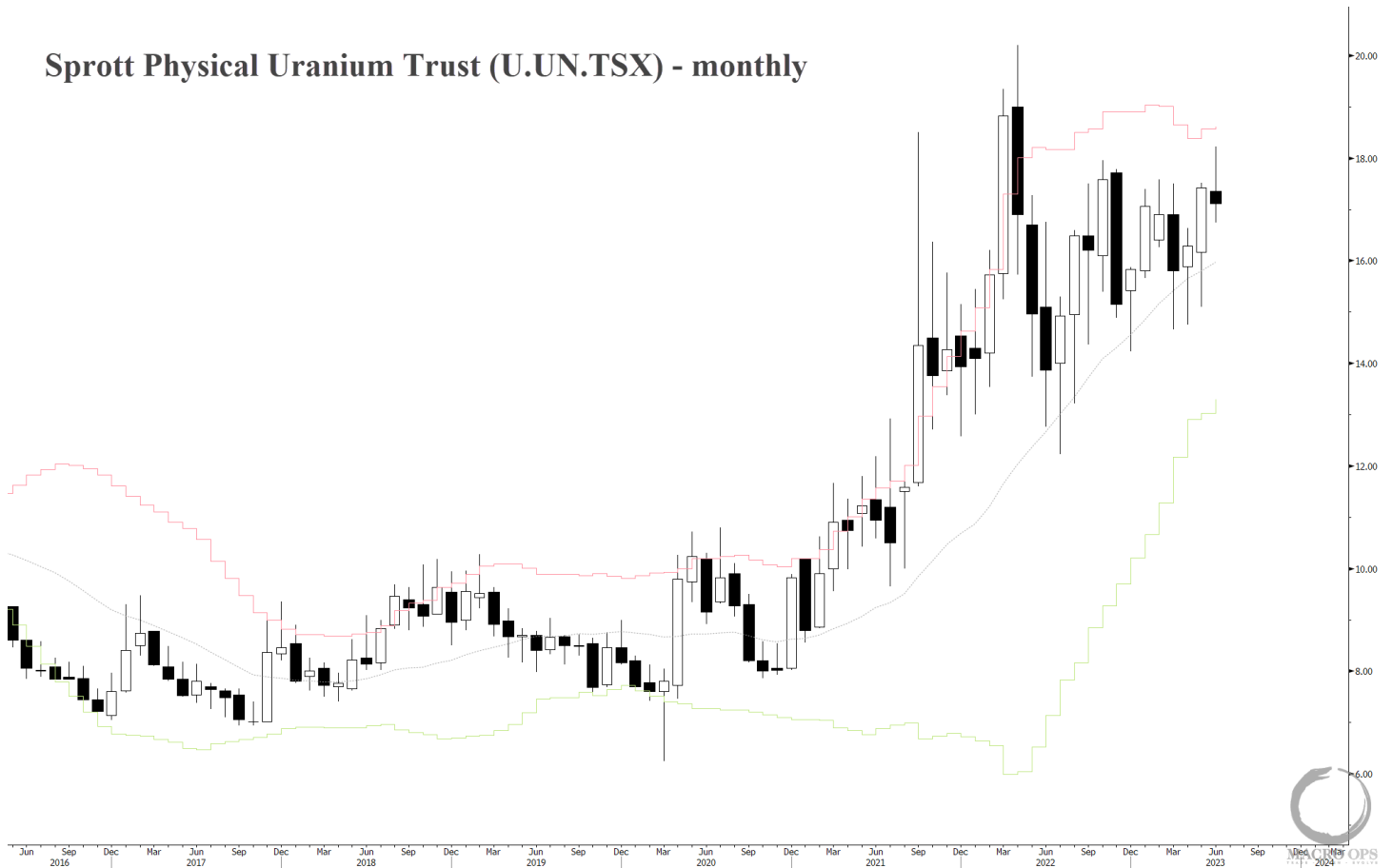
First, if you haven't already, go and give a listen to the podcast Brandon did with Mike Aiken last week ([link here](#)).

Mike runs Sachem Cove which is a private fund that's been on the uranium beat for a good while now. There are few in the industry that know the opaque workings of this unique market more than him. He does an exceptional job laying out the long-term bull thesis and why this trade has so much inbuilt asymmetry to it.

Below is a monthly chart of the Sprott Uranium Trust (U.UN:TSX). This is our vehicle for expressing this thesis.

After a number of false starts, the U bull finally got underway at the end of Dec 2020 with Sprott rising 70% since. But these are just the early innings of this game.

## Sprott Physical Uranium Trust (U.UN.TSX) - monthly



The market has now been consolidating for roughly 16 months. This is the technical coiling or [compression](#) that we like to see following a large run. It helps shake out the weak hands and build up the kinetic energy required for the next leg up.

We don't know when that next leg will be but developing fundamentals mixed with the strong tape, suggest it'll be sooner rather than later.

The budding catalyst here is overfeeding. If you're not familiar with the concept, here's an excerpt from the [World Nuclear Association](#) explaining both under and overfeeding.

*The utilities which buy uranium from the mines need a fixed quantity of enriched uranium in order to fabricate the fuel to be loaded into their reactors. The quantity of uranium they must supply to the enrichment company is determined by the enrichment level required (% U-235) and the tails assay (also % U-235).*

*This is the contracted or transactional tails assay, and determines how much natural uranium must be supplied to create a quantity of Enriched Uranium Product (EUP) – a lower tails assay means that more enrichment services (notably energy) are to be applied. The enricher, however, has some flexibility in respect to the operational tails assay at the plant. If the operational tails assay is lower than the contracted/transactional assay, the enricher can set aside some surplus natural uranium, which it is free to sell (either as natural uranium or as EUP)*

on its own account. This is known as underfeeding.

The opposite situation, **where the operational tails assay is higher, requires the enricher to supplement the natural uranium supplied by the utility with some of its own – this is called overfeeding.**

**In respect to underfeeding (or overfeeding), the enricher will base its decision on the plant economics together with uranium and energy prices.**

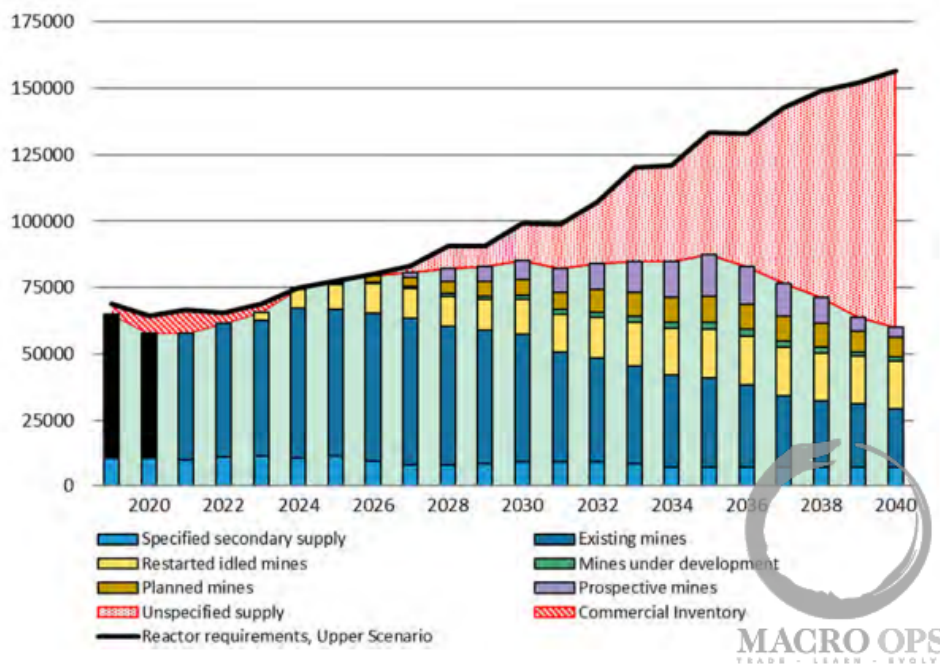
Enrichers begin overfeeding (extract fewer 235 isotopes and use more uranium) when the cost of enriching uranium (seperative work units or SWU) starts going up.

This process tends towards positive feedback loops where rising SWU leads to a switch from under to overfeeding, which then means enrichers not only don't have extra pounds of uranium to dump onto the market, but they require more of it to meet the same production targets.

This is what's happening now as the SWU price roughly doubled last year. This means that already low inventories are going to get drawn down at an even faster clip. And the dearth of [CAPEX](#) over the past decade means it's going to take much higher uranium prices to begin incentivizing miners to invest in order to close this growing future supply gap (chart from [WNA's annual report](#)).

Bloomberg Intelligence predicts this supply deficit to last until “2050 due to falling ore grades, the large capex required to explore new mines, and rising environmental concerns.”

Figure 8: Upper Scenario for uranium supply and demand, tU



As always, we'll follow the price and let the technicals lead the way. But this is a thematic play that we plan to play aggressively when given the technical opportunities to do so.

Now onto Brandon with a look at a uranium play from Down Under.



# Equity Note: Alligator Energy (AGE.ASX)

Brandon here.

Alex just explained the macro bull case for Uranium. The logical next question is, “how can I profit from this in my portfolio?”

There are three broad ways to express the uranium bull thesis in your portfolio:

- 1) **Physical uranium ETF like Sprott (U.UN)**
- 2) **Large major uranium producers like Cameco (CCJ) or Denison Mines (DNN)**
- 3) **Junior explorers**

This weekend, we examine one of those junior explorers, **Alligator Energy (AGE.ASX)**.

AGE is an under-followed \$77M micro-cap uranium junior explorer. It has 166 followers on Seeking Alpha and **zero** public sell-side reports.

This is crazy when you consider the company’s flagship Samphire Uranium Project has the potential to produce over 1M pounds of low-AISC uranium for more than a decade and generate its market cap in cash flow within three years.

Greg Hall runs the company and is a 35-year industry veteran who knows his shit and has no history of fraud.

Like any junior explorer, the company is a savings account that drills holes every few months, waiting to reach the production stage or a buyout. AGE has \$15M in cash on the balance sheet and no debt. It’s historically used its shares as currency, with over 3B shares outstanding to date (a red flag IMO).

Its current ~\$1M/quarter burn rate gives it nearly 4 years of runway before another capital raise.

So you’re paying \$62M for a ~4-year call option on the company’s Samphire Uranium Project/a positive inflection in uranium prices with decent odds of little dilution.

Let’s discuss the Samphire Project in greater detail, since its the most advanced of its three projects.

The project has two main sections: the Blackbush Deposit and the Plumbush Prospect. The Plumbush Prospect remains unexplored, so we’ll focus on Blackbush (diagram below).



Blackbush is the company’s “Holy Grail” of deposits (so far). The deposit has over 10Mlbs of uranium at a 250ppm cut-off (think of the ppm cut-off like a percentage grade cut-off for copper) for an expected 1Mlbs in annual production.

AGE also benefits from low AISCs (or All-In Sustaining Costs) due to the deposit’s proximity to existing infrastructure and local workforces, shallow deposit depths, and high leaching dynamics.

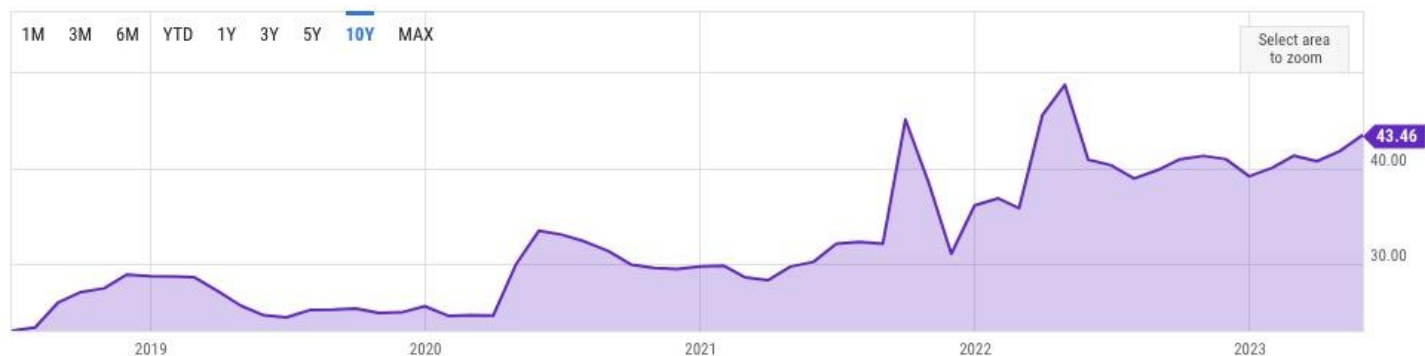
As of March 2023, the company estimates an AISC of ~\$30/lb.

**Here’s the important thing.** AGE’s AISC estimate assumes a 40% cost inflation rate. Why is that important? There are thousands of ways mining companies can screw you. One of which is by underreporting cost inflation in feasibility studies.

The fact that AGE assumed a 40% cost increase tells me that management knows its business and isn't misleading shareholders on costs.

Forecasting mining company cash flows is simple in theory. Take the underlying commodity price and subtract your per-pound AISCs and any remaining taxes, royalties, etc. Uranium is no different.

The Yellow Cake sits around \$43/lb as of today, according to YCharts.com.



Uranium is different from other commodities because there's no liquid futures market. Buyers and sellers swap pounds via phone calls, emails, and OTC deals. So the \$43/lb price you see today may not be accurate.

And if Alex's supply/demand picture is remotely accurate, prices should head significantly higher over the next 24 months.

We may see \$80 or \$100/lb as utility companies pass that cost inflation to end-users (read: us).

Suppose uranium trades at ~\$55/lb over the next year. In that scenario, AGE would generate ~\$25/lb in profit (assuming 40% cost inflation). That's ~\$30M in cash flow at a ~1.2Mlbs/year production rate.

Remember, AGE trades at ~\$60M market cap today with zero debt.

There are two end-games for AGE. One, they spend \$130M to get the deposit into production. Of course, they don't have the cash to build it themselves. So I'd expect a JV with a larger uranium miner like CCJ or DNN.

Or, someone like CCJ or DNN, or NexGen buys AGE pre-production for the Blackbush Deposit and scales it themselves.

AGE is an exciting opportunity. Nobody's talking about this \$70M micro-cap stock trading on the ASX with a 35-year veteran at the helm in an industry whose underlying commodity is about to inflect *much* higher.

# MO Portfolio Snapshot

## The Macro Ops Portfolio

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

2023 YTD Return **6.12%**  
 Total Notional Exposure **232.09%**  
 Current Cash Value (%) **64.49%**

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	\$2,638,546.33	151.94%	-3.73%	\$6.95	\$7.22	\$7.13	3.81%
Dollar/Chinese Yuan (Second Leg)	USDCNH	85,893	\$619,809.41	35.69%	0.49%	\$7.20	\$7.22	\$7.10	0.18%
Gold	GCQ2023	-1	-\$192,960.00	-11.11%	0.30%	\$1,921.50	\$1,929.60	\$1,973.00	-0.42%
Russell 2000 Futures	RTYU2023	4	\$366,920.00	21.13%	0.72%	\$1,882.80	\$1,834.60	\$1,819.90	-2.56%

### Equities

#### Strategic

	Ticker	Shares	Capital	Notional	At-Risk	Cost Basis	Current Price	Stop-Loss	P&L
Sprott Uranium	U.UN	6,431	\$83,474.95	4.81%	0.48%	\$11.73	\$12.98	\$10.44	10.66%
Sprott Uranium (Second Leg)	U.UN	10,058	\$130,548.95	7.52%	0.50%	\$13.41	\$12.98	\$12.55	-3.21%
Foran Mining	FOM.TSXV	27,333	\$64,505.82	3.71%	0.24%	\$2.11	\$2.36	\$1.96	11.85%
Foran Mining (Second Leg)	FOM.TSXV	16,994	\$40,105.69	2.31%	0.51%	\$2.48	\$2.36	\$1.96	-4.84%
Vista Energy	VIST	6,727	\$157,881.47	9.09%	-0.27%	\$14.11	\$23.47	\$14.80	66.34%
Tidewater (Second Leg)	TDW	1,249	\$59,125.99	3.40%	0.49%	\$49.35	\$47.34	\$42.57	-4.07%
Tidewater	TDW	1,174	\$55,559.96	3.20%	-0.13%	\$34.15	\$47.34	\$36.00	38.62%

#### Tactical

	Ticker	Shares	Capital	Notional	At-Risk	Cost Basis	Current Price	Stop-Loss	P&L
Bitcoin	BTCUSD	4	\$120,274.73	6.93%	0.49%	\$28,820.00	\$30,721.00	\$26,635.00	6.60%

### 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%	0.95%	\$70.00	\$18.00	\$0.00	-74.29%
PAAS JAN 19 2024 \$45 CALLS	PAAS	660	\$23,087.13	1.33%	0.95%	\$25.00	\$35.00	\$0.00	40.00%
HAL JAN 19 2024 \$60 CALLS	HAL	67	\$2,226.55	0.13%	0.51%	\$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: Glencore & Car Makers Join Forces w/ Mining Investment

Glencore, Stellanis, and Volkswagen teamed up to [invest \\$1B to buy two Brazilian copper and nickel mines](#).

This is yet another example of car manufacturers securing critical metal supply in a world that's both shifting towards EV adoption and Metallic Nationalism.

The trio bought the mines through British SPAC, ACG Acquisition Company (ticker: ACG), which will legally own the mine post-close. Glencore, Stellanis, and Volkswagen will own 51% of the de-SPAC'd company, with the remaining 49% of the float up for grabs.

There are a few reasons why I like this opportunity:

- Backed by Glencore, one of the sharpest buyers/investors in the space.
- IPO'd on the London Stock Exchange (LSE) so nobody's talking about it.
- The mines are producing and generating cash flow.

So you've got two producing, cash-flowing mines inside an off-the-beaten-path SPAC vehicle with one of the most successful metals traders/investors in the world backstopping it for 51% of the company.

In other words, ACG quickly moved to Top Priority on my Metals and Mining Watchlist.

# Community Highlights

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

1) [US Drillers Cut Rig Counts](#) (#ideas-commodities)

Phil Deane posted an Investing.com article on the US's declining drill rig count. The TL;DR is that the US on-shore space has reduced its drill rig count for an **eight consecutive weeks**.

That means there are fewer rigs for US on-shore drillers to find and extract oil and gas. On the one hand, this sounds bearish for companies like NORAM Drilling (NORAM), one of our favorite drilling rig companies.

However, it's essential to consider this news through a Capital Returns framework. Incumbent/surviving companies can make tons of money in a supply-constrained/draining environment. We'll continue to monitor the situation. Keep an eye on day rates. That will be the tell.

2) [New Investment Idea: Drilling Tools International \(DTI\)](#) (#ideas-equities)

J Ed shared one of his newest investment ideas, Drilling Tools International (DTI). Here's his hypothesis (emphasis added):

*“Throwing an idea out there into the close - I've scooped up some \$DTI. I have been watching it for a while, I've worked in the space and I know it's a healthy company that's generating cash. Stock got pummeled over the last few months, and the deSPAC is behind them. @ \$4.30 the company is trading for nothing... they're over 80% cash conversion, with no remaining debt, means they're right around 40% CF yield”*

I put DTI on my watchlist. Check out the latest investor presentation [here](#).

3) [Private Deal Opportunity with Burford Capital](#) (#private-investments)

ChrisD posted an interesting credit idea in the #private-investments channel. Here are his comments:

*NYSE: BUR (LSE: BUR) is issuing \$400m of 2031 senior notes at 9.25% (via a subsidiary, issuance guaranteed by parent). Announced yesterday, expected to close on Monday. Burford is a litigation finance vehicle, their main award is related to a case against Argentina's YPF and itself worth \$6bn, expected to realise at least at \$3.5bn (possibly selling the claim to a fund).*

*NYSE: BUR market cap is \$2.8bn. They've received a favourable ruling late Q1 hence the late March 50% uptick.*

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

# The Vault: Grain Trading Cheat Sheet

The following cheat sheet was prepared for the community by Operator Jose. He's a professional grain trader formerly out of Venezuela. Anyone interested in attacking the grain markets will find this extremely useful. Read it [here](#).



## Grains Cheat Sheet

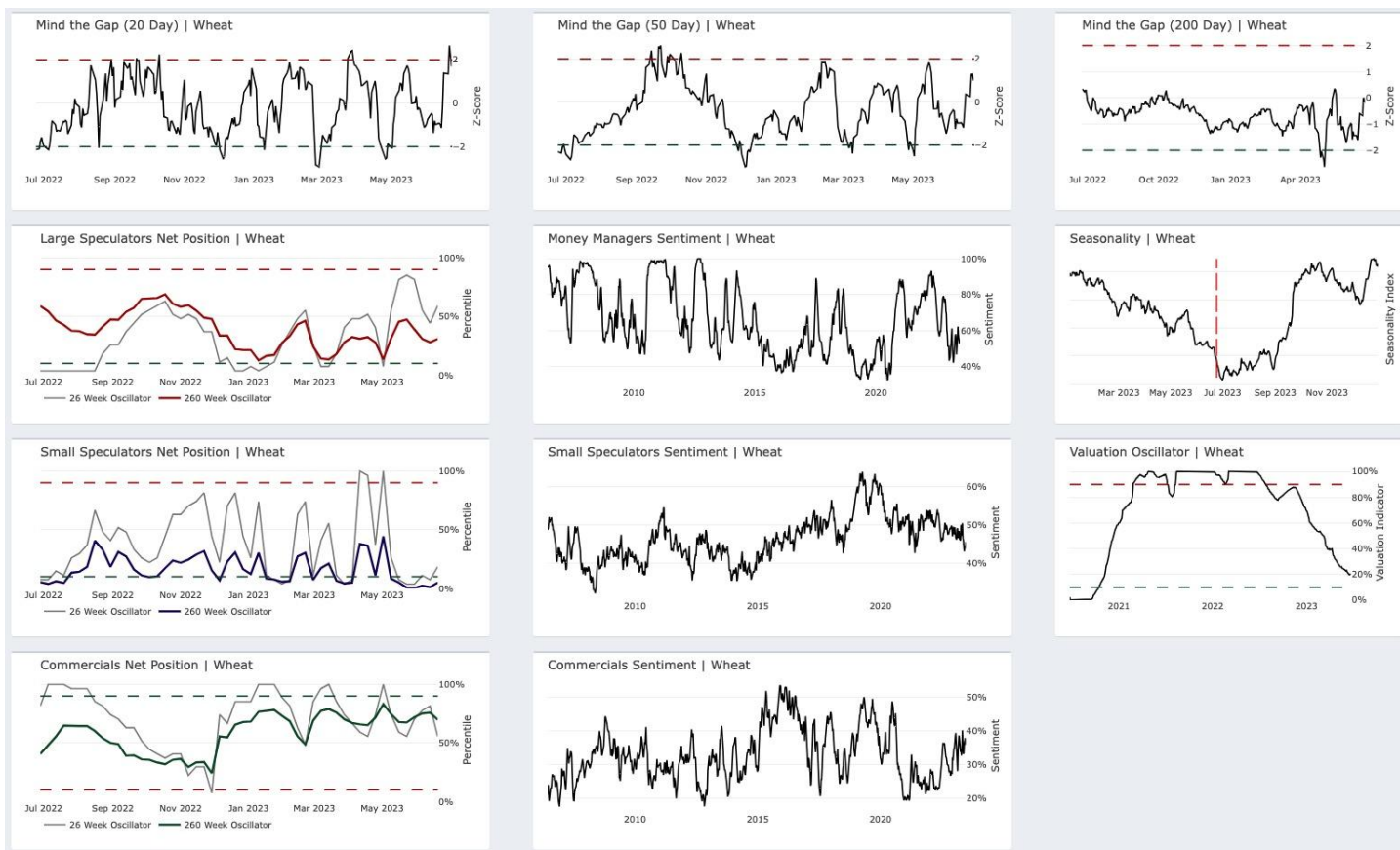
*The following cheat sheet was prepared for the community by Operator Jose. He's a professional grain trader out of Venezuela. Anyone interested in attacking the grain markets will find this extremely useful.*

### Quick Summary

- Commercial year starts on September 1st and ends on August 31th.
- Grains are almost never a Buy and Hold (for a long term portfolio).
- Corn Dec, Soybean Nov are the New Crop futures.
- On a normal year October 1st, or the first Friday of October is the lowest point in price for the Soybeans and Corn market.
- Weather has an asymmetrical effect on crops. It doesn't have to materialize to influence prices.
- Weather Risk Premium is the rise of prices due to concerns on production.
- Grain prices have a seasonal pattern, but this doesn't mean that prices are easy to predict every year.
- Be aware of exports bans and laws like Ethanol quotas for Corn.
- During February, because of China's New Year, Soybeans prices go down during festivities, then go up as they come back to the market.
- Corn to Soybean Ratio: if it's over 3, it pays to grow soybeans.
- If the Contango is too steep there might be an opportunity for an old crop/new crop calendar spread
- Storage costs and arbitrage plays explain the shape of the contango forward curve.
- If the market is at backwardation there's a supply concern and people need the grain now.
- WASDE is out the second week of every month.
- USDA is benchmark but be aware of consensus.
- Don't focus on forecast numbers, focus on price reactions.
- Don't follow the record crop trap.
- When open interest is trending down it is time to roll over.

# HUD Focus: Waiting For a Pullback in Wheat

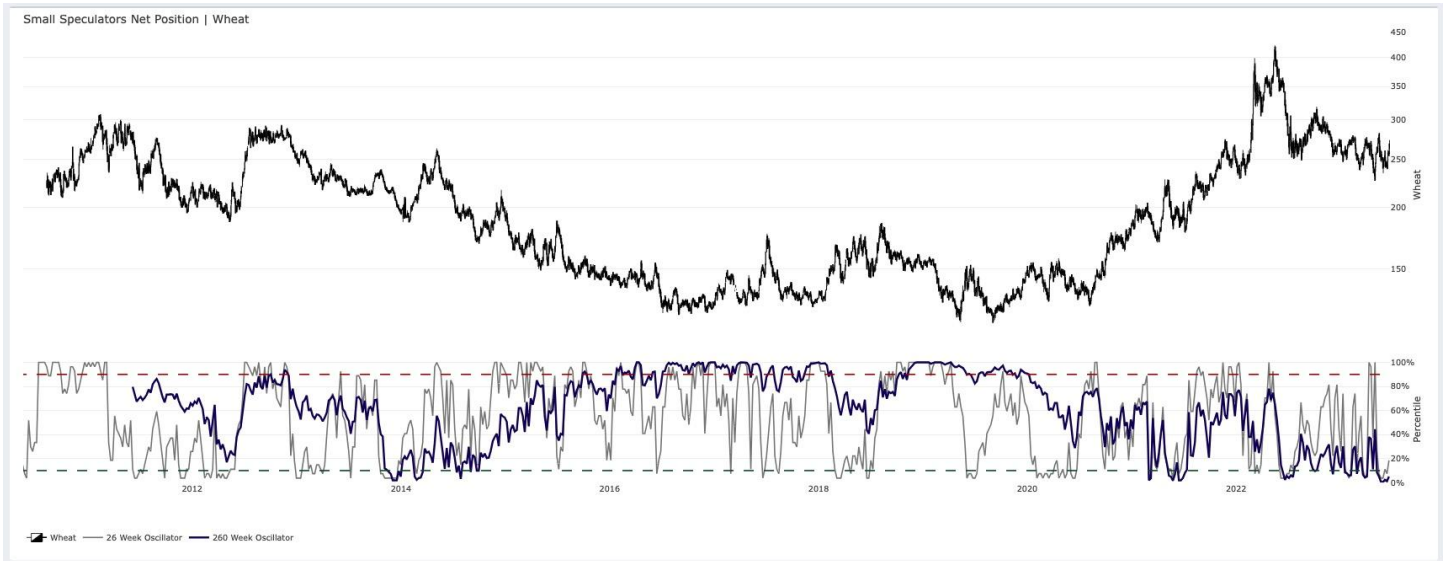
We missed the initial breakout in Wheat last week. But wheat's move may just be getting started. Check out the HUD data below.



Our Valuation Oscillator is approaching pre-2021 levels, right before wheat's massive Ukraine breakout (which we successfully traded).

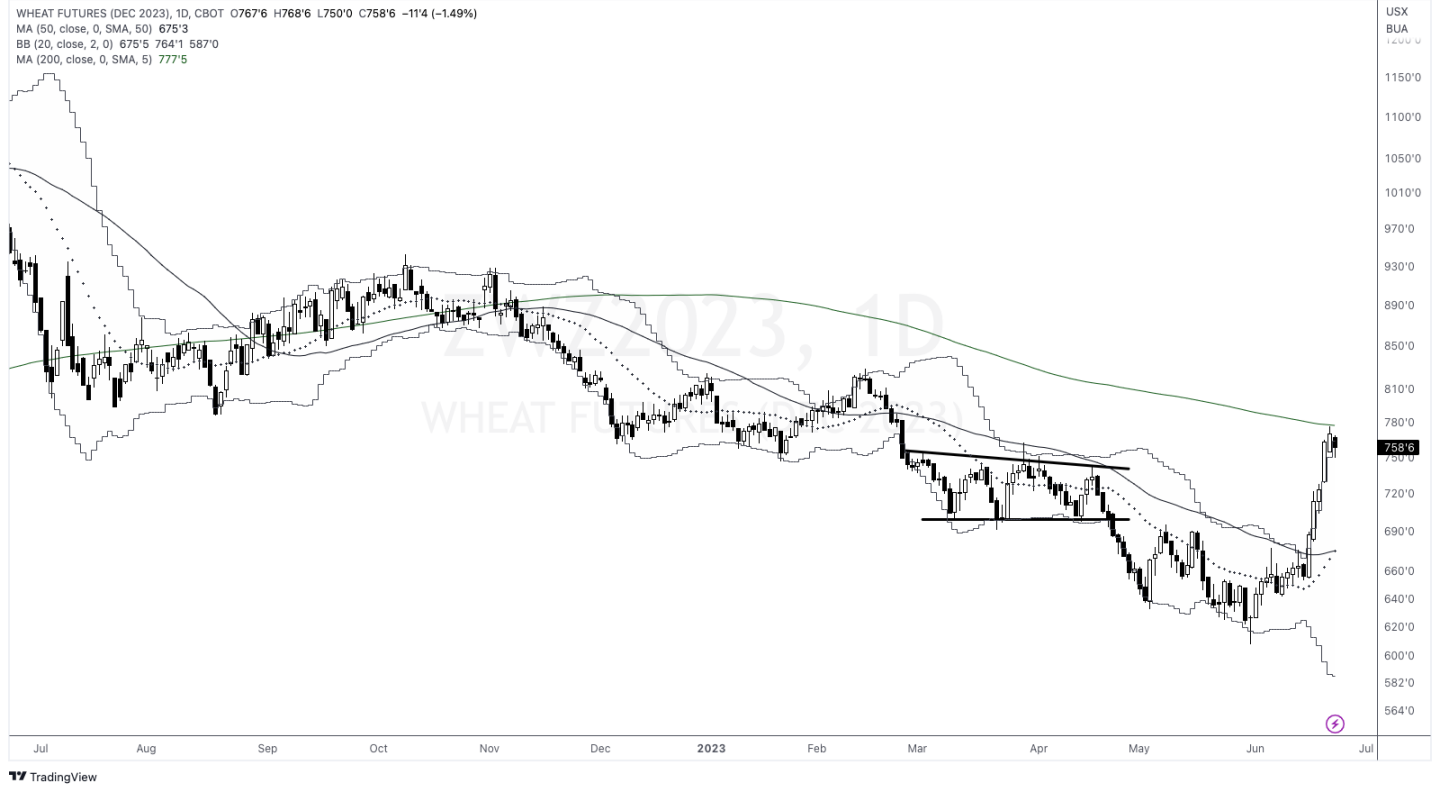
Small Speculator Positioning is also at levels that historically indicate local market bottoms. For example, most recently, in July 2022 when wheat rose from 265 to ~315.





Let's check out the December contract.

BrandonBeylo published on TradingView.com, Jun 24, 2023 17:34 UTC-4



We're waiting for a pullback to the midline, which we'll likely see as wheat fails to breakout above its 200MA.

[\\*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](#)