MACRO OPS
TRADE - LEARN - EVOLVE

April 10, 2024

THE LONG PULL: AFM.V & Precious Metals Positioning/Trade Management

I’m keeping this week’s Long Pull Report short for two reasons. One, there isn’t much to update in our portfolio except that:

a. We own what’s working and we’re cutting what’s not.
b. We’re moving stops on positions multiple standard deviations above their Bollinger band midlines for partial profits.
c. We’re up over 30% YTD, and I’m getting *a little* skittish because it feels “too easy” in this environment.

And two, my wife gave birth to our first child (a girl) on Sunday at 1:02 AM. Check out that happy dad below.

I know I sound like all first-time fathers, but holy shit is sleep deprivation no joke. I’m writing at 2:30 AM because my child can’t sleep for more than 10 minutes at a time. And when she does, I interrupt her 50 times to make sure she’s still breathing/hasn’t died yet.

Thank you to everyone who wished my wife and me good health, love, and happiness in this new life chapter. I was a single, twenty-two-year-old digital nomad when I joined Macro Ops. Today, I'm a father and married to my best friend.

This is what the Macro Ops Collective is all about. Growing, learning, failing, and fellowship in what is otherwise the lonely profession we call trading markets.

Alright, let's get after it.

Alphamin (AFM) Executing & Tin Moving

We've been bullish on tin for over a year now and had little to show for it. I [wrote in December 2023:]

> *"Tin has been in a year-long symmetrical triangle/coiling pattern. Of course, prices could break lower. But you want to buy commodities when the underlying price is below the marginal cost of production, which is where tin is now. Let's pair that chart with AFM's price action (see below).*
>
> *AFM has gone nowhere since May 2021.*
>
> *On the one hand, it's frustrating because the supply/demand narrative keeps improving.*
>
> *But on the other hand, it flushes out weak holders and leaves plenty of investor apathy, which is a great spot to buy.*
>
> *We're buying a starter position at the bottom of this range this week. It allows us to get decent size with little risk. We can then add on the breakout above CAD 1.00.*
>
> *AFM is the only liquid way to play the tin thesis. So when this thing goes, it will go fast. We don't want to miss it."*

That's all changing. So far, we've nailed our timing. AFM is up 36% to CAD 1.17, while tin increased by 29% to $32,000/ton.

I'm kicking myself for not buying Metals X Limited (MLX.ASX), up 55% this year (see below).

But as [I tweeted last week](), the underlying tin spot chart remains one of the most bullish commodity setups in markets, and we're still in the early innings of this run.

This brings me to Alphamin (AFM).

Our [thesis](#) was, *"These guys are good operators who know how to build profitable mines in challenging geographic/jurisdictions and are bringing on another one soon that will transform the company."*

It took some time, but that thesis is playing out.

Yesterday (Tuesday), [AFM announced](#) that it expects Q1 2024 EBITDA to *double* from last year. Here's an excerpt from the press release (emphasis added):

> *"EBITDA for Q1 2024 is estimated at US$52m (Q4 2023: US$20m). The EBITDA variance compared to the prior quarter is attributable to higher tin sales volumes due to the clearance of most of the Q4 2023 sales backlog and a 7% increase in the tin price.*
>
> *Tin prices are currently trading at ~US$30,000/t, 12% above prices achieved in Q1 2024. Guidance for AISC per tonne of tin sold is up 1% from the previous quarter at US$14,785 largely due to increased royalties, export duties, marketing commissions and net smelter returns, which are calculated with reference to the higher tin price."*

And here's the unaudited results snapshot.

Description	Units	Quarter ended March 2024	Quarter ended December 2023	Change
Ore Processed	Tonnes	109 424	105 510	4%
Tin Grade Processed	% Sn	3,83	3,98	-4%
Overall Plant Recovery	%	75	75	0%
Contained Tin Produced	Tonnes	3 142	3 126	1%
Contained Tin Sold	Tonnes	4 126	2 046	102%
EBITDA[3,4] (Q1 2024 guidance)	US$'000	52 000	20 317	156%
AISC[3, 4] (Q1 2024 guidance)	US$/t sold	14 785	14 638	1%
Average Tin Price Achieved	US$/t	26 863	25 157	7%

The company also reported $54M in cash on the balance sheet versus $7.3M in Q1 2023.

This is a preview of AFM with Mpama South fully operational. On a run-rate basis, the company would generate $266M+ in profits at $31k/ton tin and **over $400M at $40k/ton.**

We currently have a ~9% notional position in AFM, which is about our maximum size for any individual mining company. However, we're moving stops on both legs to CAD 0.85.

Moving stops reduces our actual risk to only 48bps. In other words, we risk 48bps for 9% notional exposure to one of the world's largest tin producers.

Now I want to talk about our metals positions.

Metals Exposure: My Thoughts on Positioning & Risk Management

As of this writing, we're up ~32% YTD. Much of that is due to our gold, silver, PGMs, and copper bets.

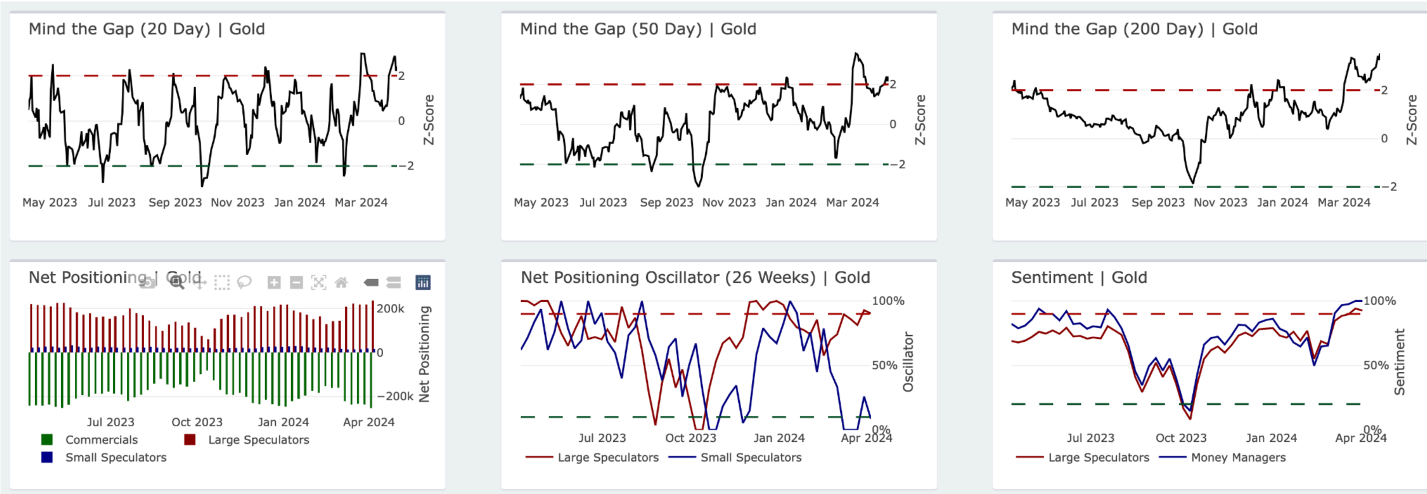
However, I also mentioned that I'm getting skittish about markets and the drivers of our outperformance because it's felt "too easy."

Which led to this tweet …

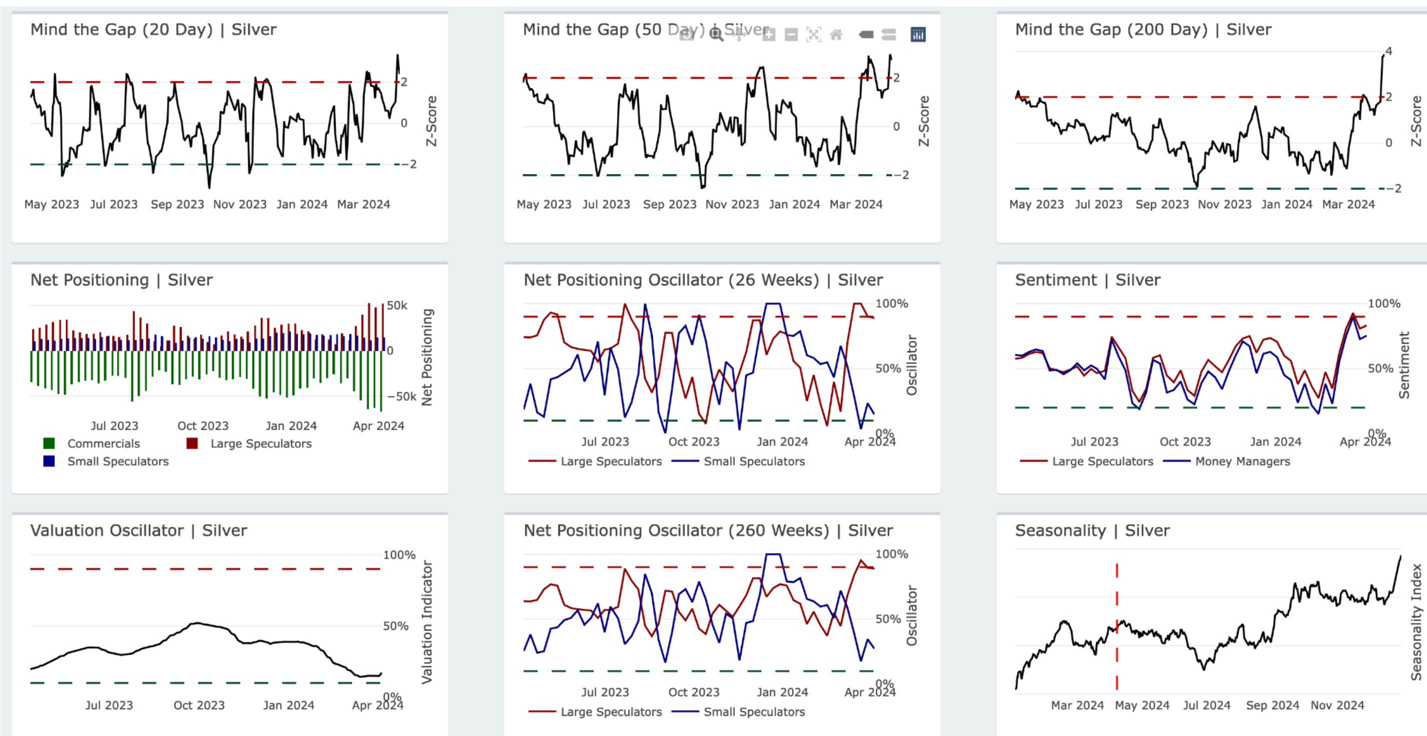
Maybe it's just my Twitter algo echo chamber. Or maybe the start of an intermediate cycle high will catch weak hands off guard.

Let's head to the HUD.

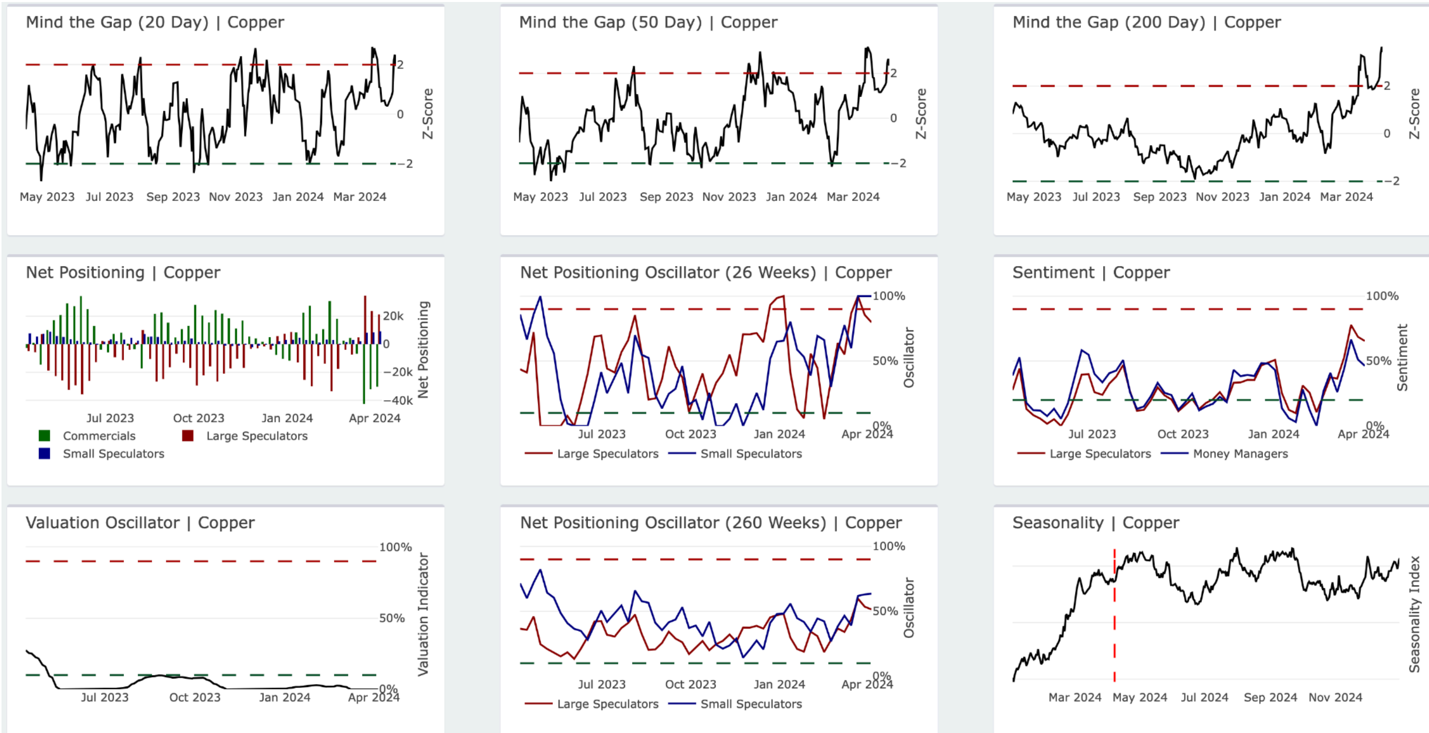
Gold is extended on nearly every metric we use.



The same goes for silver.



And we can't forget about copper.



There are two ways to interpret this data. One is that we should sell all our metals, take profits, and find something else. Something more hated.

But another way to interpret this is that it's the beginning of a much longer commodity bull market that requires an even greater weighting on price action versus traditional sentiment/positioning frameworks.

Take the silver chart (SLV) on a monthly timeframe.

These are **big** moves that took **years** to complete. Sure, positioning and sentiment are overextended and probably due for a correction. Morgan Stanley even flipped short-term bullish.

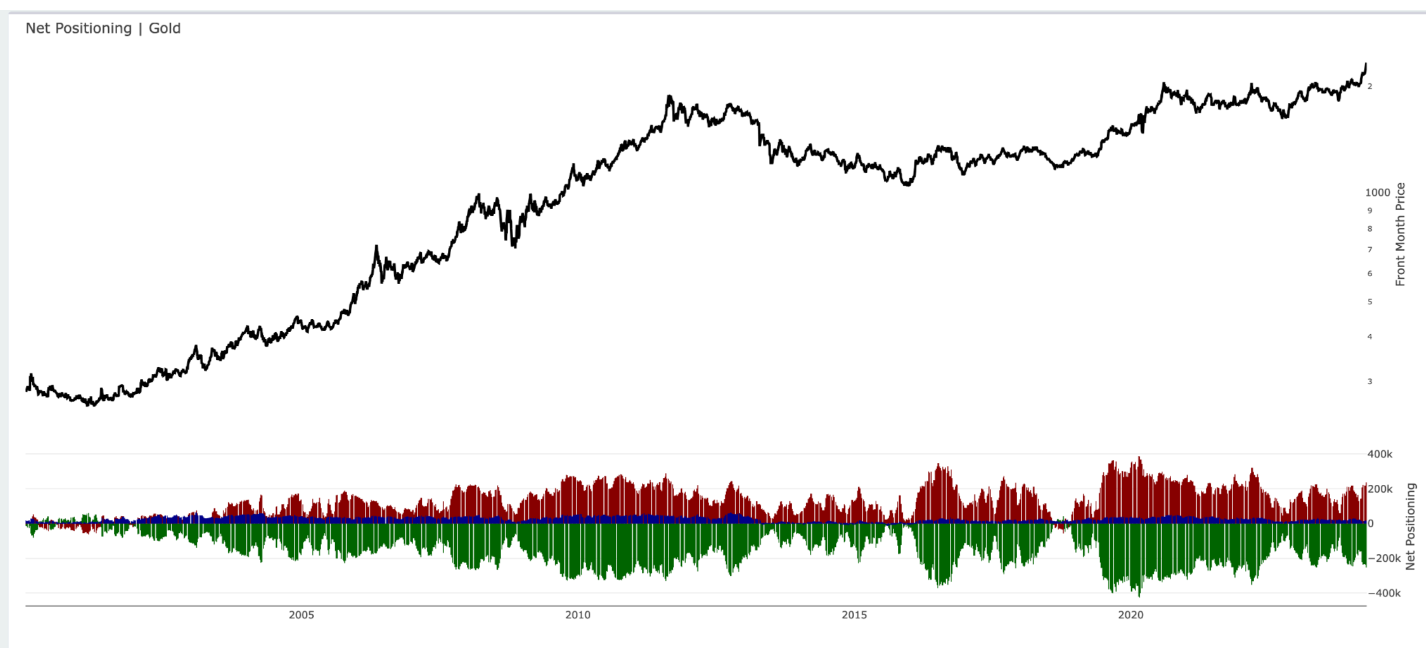
Exhibit 2: Our global commodity team's 3Q24e order of preference

commodity (3Q24 vs last 2wks)	12-mth profile	bearish (<-10%)		neutral (+/-10%)		bullish (>+10%)	
Copper							
Gold							
Silver							
Nickel							
Iron ore							
Platinum							
Aluminium							
Manganese ore							
Palladium							
Zinc							
Lead							
Lithium carbonate							
Cobalt							
Alumina							
Thermal coal							
Hard coking coal							
Uranium							

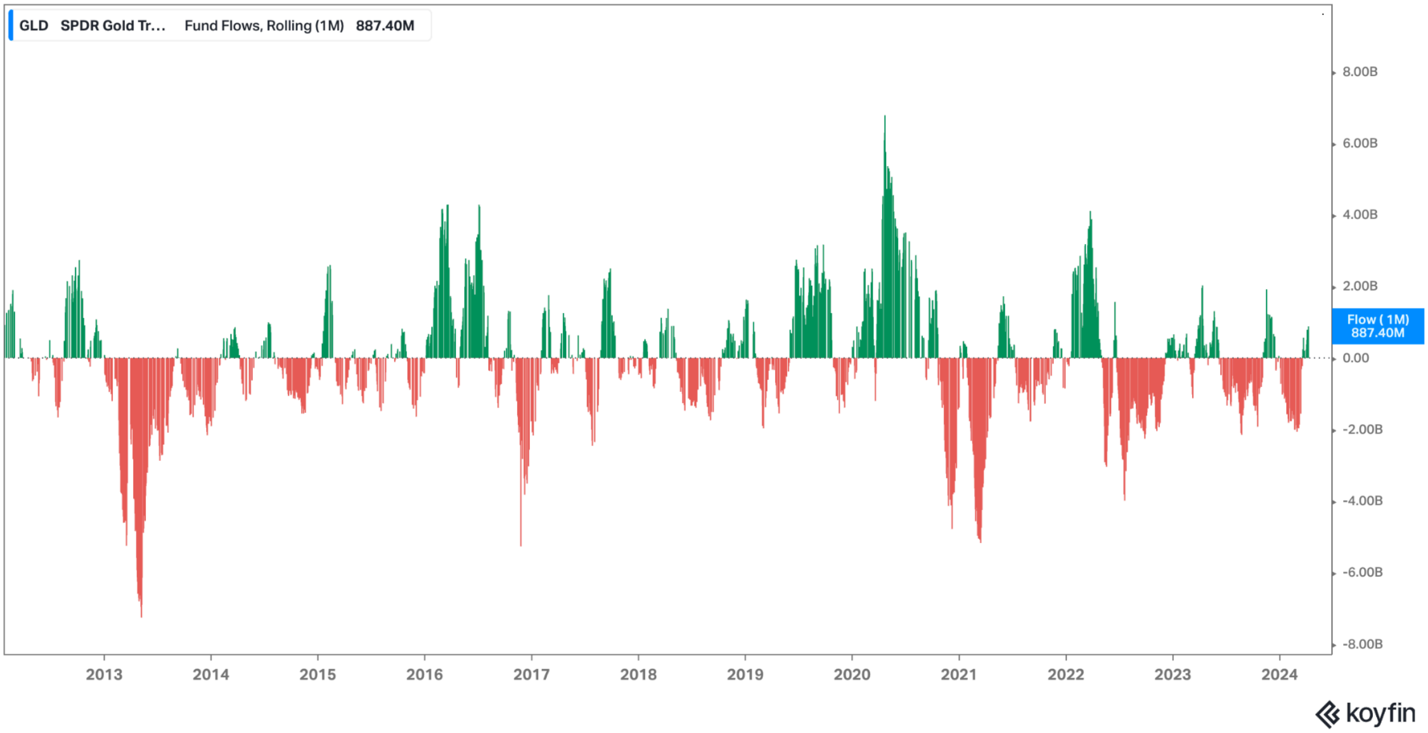
Source: Bloomberg, Morgan Stanley Research

But the problem is you miss the forest through the trees if that's *all* you focus on.

Major market moves/cycles have sustained periods of overextension and net positioning. Large Specs were "overcrowded" during the 2008 - 2011 gold bull run.



But CoT data doesn't tell the whole story. Check out the monthly fund flow data on Gold ETF (GLD) via Koyfin.



We're not even at the 2016 fund flow highs.

So what should we do? Simple. **Follow price**.

Too many investors overcomplicate this when trading commodity cycles.

Buy the inflection, ride the trend, and exit when the trend breaks.

The trend hasn't broken in precious metals or copper, and we're inflecting new trends in tin and PGMs.

We want to time our entry correctly, then sit, do nothing, and let the cycle play out.

I've got a few companies on deck for future Long Pull Reports; the first one will go out next week. One benefit of a newborn is that I have new research hours between 2 and 6 AM.

Your Value Operator,

Brandon