Point Lookout Quarterly

2022: Q1
Playbook



TG MACRO MORNING NAVIGATOR

CONCLUSIONS

Looking into 2022, I see a macrocosm of the microcosm we saw to start this year. It could be the most aggressive rotation out of technology and into natural resources we've ever seen. Central Banks will remain behind the curve. **Commodities will remain in** structural deficits. **U.S. energy and ESG policy** will exacerbate commodity inflation. Make sure you've pivoted your book.

2022 Q1 Playbook

3 - 12

- Two Post Its: Wake Up Bullish and The Fed is Inflating Assets.
- Let CPI, 5Y Breakevens, and US10Y Yields be your compass.
- Let U.S. 2Y Yields and the U.S. Dollar be your speedometer for the commodity trade.
- Let the TICK Index and VIX guide your timing on dip buying.
- The market has handled higher yields before.

Cryptocurrency Trading

14 - 16

• Prepare for volatility as yields rise, quite possibly a steeper selloff.

Commodities

17 - 26

- ESG and Carbon Neutral plans will keep commodities buoyant.
- Energy stocks are undervalued in the S&P and versus the oil price.
- Base metal fundamentals and technicals can continue to drive the bull market.
- A renewed bull market in grains begs the need for a food inflation hedge.

Stocks

27 - 36

• **Top Picks** and **Short Targets** for 2022

The Zeitgeist

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My '22 Playbook in Two Post-Its:

wake up bullish

THE FED IS INFLATING ASSETS.

IF YOU HAVE ASSETS, YOU WILL BE OK.

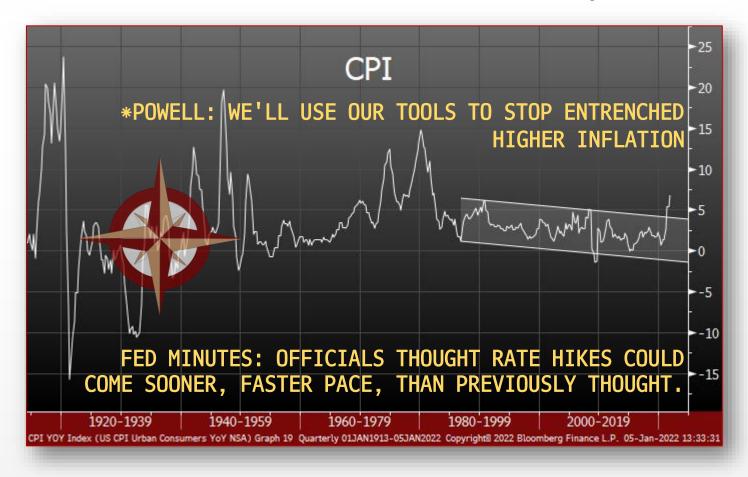
> IF YOU DON'T, YOU WON'T.

The 2022:Q1 Playbook

CPI = 6.8% +

The CPI genie has broken out of a 3-decade bottle and the Federal Reserve will have a difficult time putting it back.

Let CPI be a compass for the general direction inflation is heading.



The 2022:Q1 Playbook

US10Y Yields

With US10Y yields breaking this pennant flag and real commodity inflation taking hold, the US10Y Yield range will migrate to 1.50% - 2.00%.

Let U.S. 10Y yields be our compass to the direction yields are moving.



The 2022:Q1 Playbook

Breakeven 5Y

The breakeven 5Y has been the best beacon for the inflation trade across markets.

Let the Breakeven 5Y be your compass for the direction inflation expectations are heading.

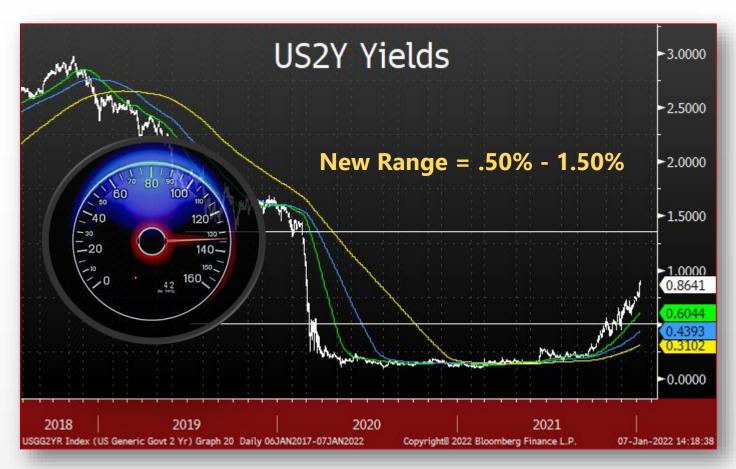


The 2022:Q1 Playbook

US2Y Yields

U.S. 2Y yields consolidated for 18-months as markets negotiated government lockdowns. The breakout with commodity inflation will be spectacular. Let U.S. 2Y Yields be the speedometer to your bullish commodity trades.

Higher Yields = Bullish Commods



The 2022:Q1 Playbook

Dollar Index

In 2021 the Dollar Index rallied 5% and the Bloomberg Commodities Index still rallied 27%.

In 2022, let the dollar be the speedometer to your bullish commodity trade.

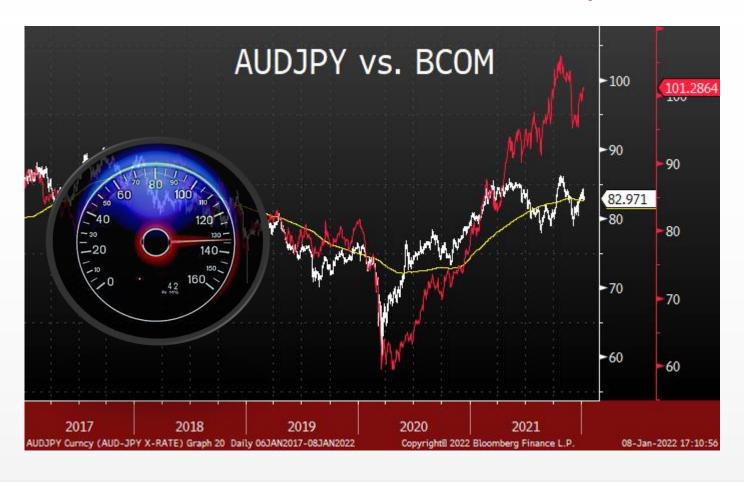
Falling Dollar = Bullish Commods



The 2022:Q1 Playbook

Aussie Yen

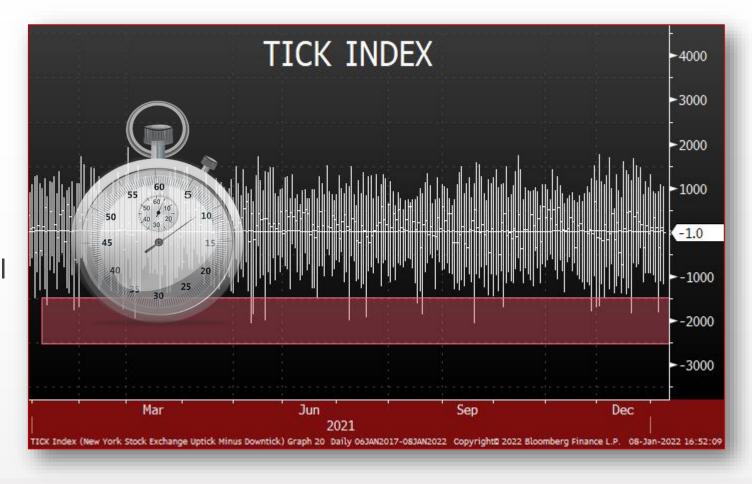
For years Aussie Yen was a great proxy to commodity strength. Recent dollar strength decoupled the relationship but its worth watching. From any level, Aussie strength seems to be a commodity tailwind.



The 2022:Q1 Playbook

The TICK Index

Continue to observe negative TICK INDEX extremes greater than [-1,500]. They are a confirmation positions are being liquidated. Clusters of extreme index prints are useful to have as a tailwind to reapplying longs.

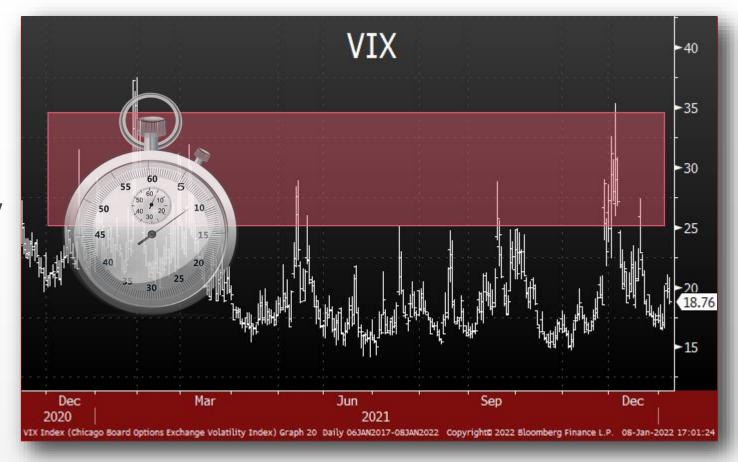


The 2022:Q1 Playbook

The VIX

The VIX saw 5 episodes of trading into the 25 – 35 range in 2021. With the idea that 2022 will offer more VIX spikes, we will try to be in a position to buy stocks when it happens.

In 2022, you will see a LOT of profit taking on steep rallies so longs can be re-applied.

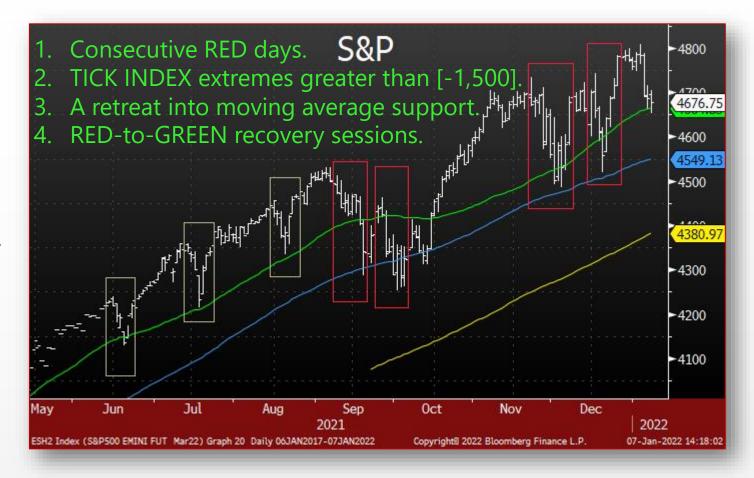


The 2022:Q1 Playbook

The S&P Pattern

Since I believe the year could be more volatile than last work even harder to be in a position to buy them by making sales into steep rallies.

I will continue to hunt the "RECURRING DIP" pattern, spelled out in green:



The 2022:Q1 Playbook

Taper Tantrum II?

Before everyone panics out of equities, remember there was a "TAPER TANTRUM" in 2013 that the market survived beautifully, given some volatility.

Why did the S&P survive higher yields? Because a stronger economy can bear it.







Cryptocurrency Trading

Struggling in a Higher Yield/Lower Liquidity Environment

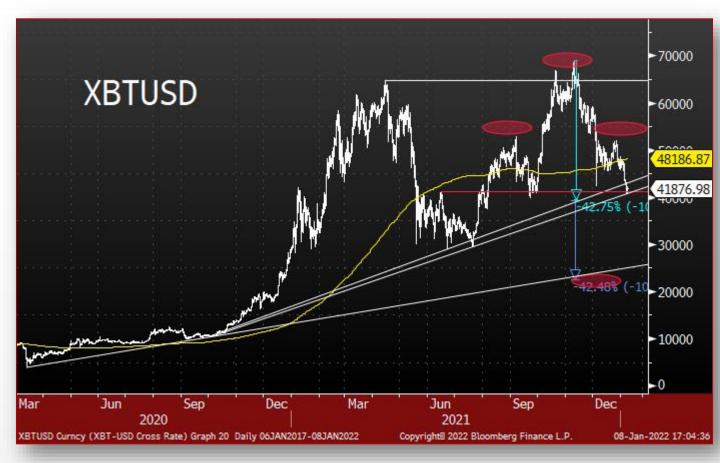
CRYPTOCURRENCY

Crypto Currency

Bitcoin

Was up 100% last year and ended the year with a 45% gain. Now it's in technical danger with a head and shoulders top, neckline at \$40K, and measured target if that breaks near \$20,000.

Bitcoin is NOT reacting well to the tightening cycle the Fed is forecasting.



CRYPTOCURRENCY

Crypto Currency

Ethereum

Ethereum put in consecutive 400% return years. A pullback seems reasonable. While I do believe NFT's will drive mainstream onboarding into crypto via Ethereum, it is still a highly speculative asset susceptible to technical pullbacks.







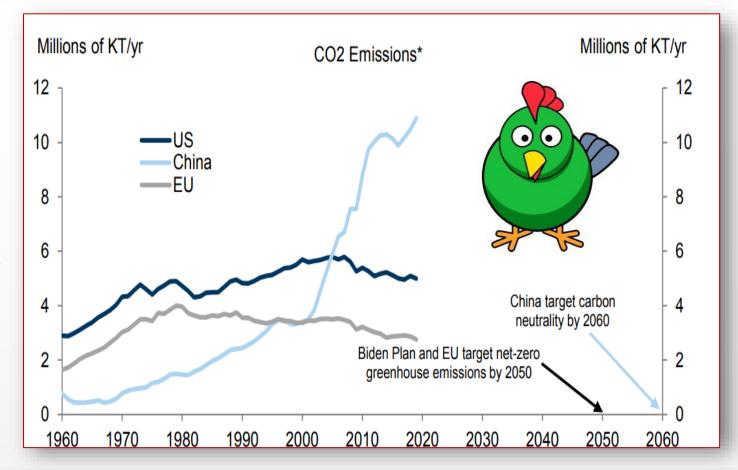
A Bull Market, Only More Ferocious

The "NET ZERO" Shell Game

"We have this attack on fossil fuel supplies in the Western world, which is not being replicated by Russia and China, and they're just stepping into the void and making lots of money as we shoot ourselves in the foot."

Doomberg on <u>George Gammon</u>

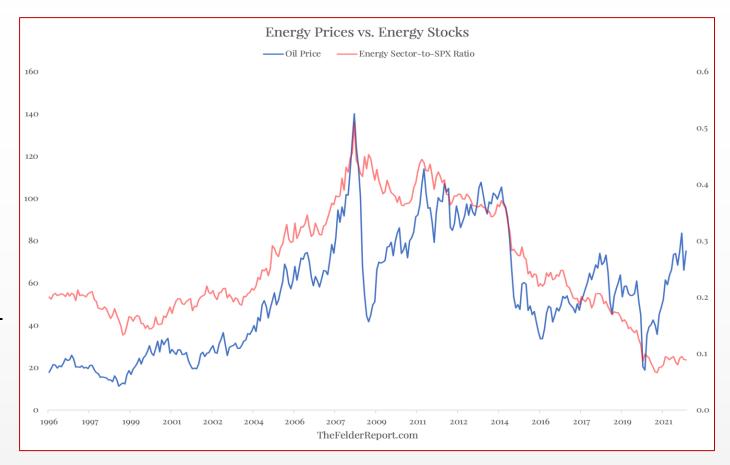
Net Zero



Energy

Energy vs. Energy Stocks

Energy stocks are as small a percentage of the S&P as they have been in decades. This chart by Jesse Felder, dating back to 1996, illustrates the oil price versus the energy sectorto-SPX ratio. With oil prices advancing by this magnitude, the idea is that oil stocks will have to catch up.

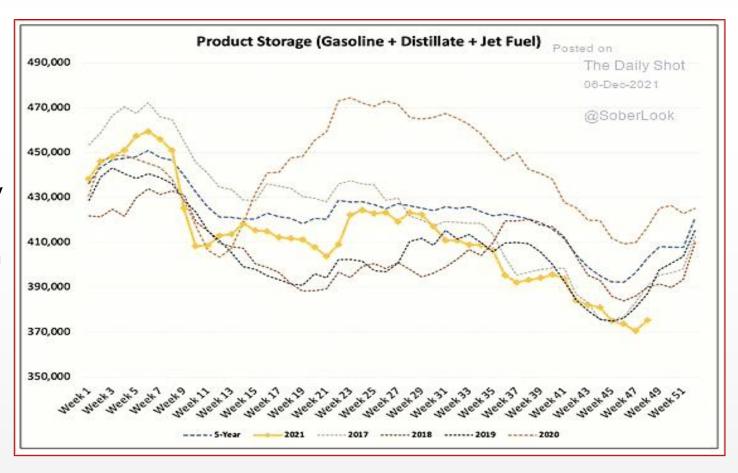


Energy

Product Storage All Liquids

The center of the bull case in oil revolves around U.S. Energy policy ceding pricing power to OPEC+ while inventories are in a steep decline.

2021 is represented at the bottom by the yellow dotted line.



BCOM

The Bloomberg Commodity Index has recovered all major moving averages to start the year and is trying to resume its steepest up trend.

I can't think of what is stopping it.

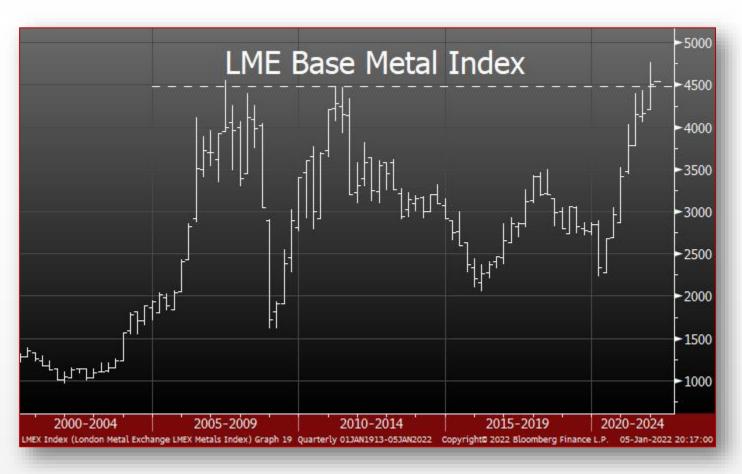
Bloomberg Commodity Index



LME Base Metal Index

The index is holding its breakout beyond the 2005/2010 highs. The trend higher is well intact. Carbon Capture & Storage and the pivot to EV's are both extremely bullish base metals.

Base Metals

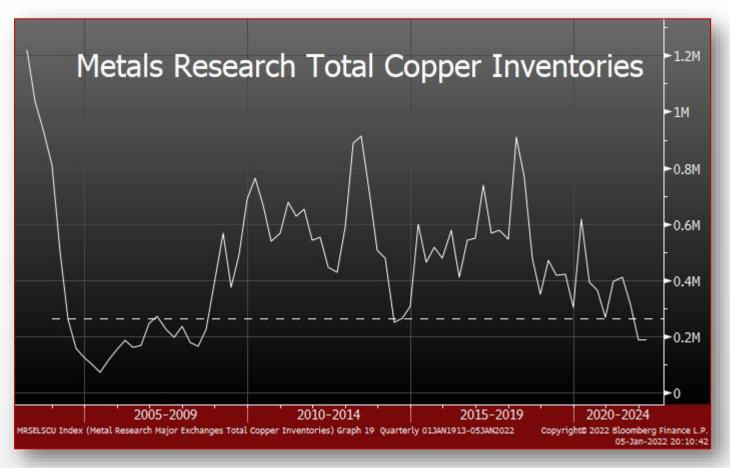


Total Copper Inventories

...at time when the combination of LME, Shanghai, and COMEX copper has fallen below 200,000 metric tons.

That's why the spot price refuses to back off.

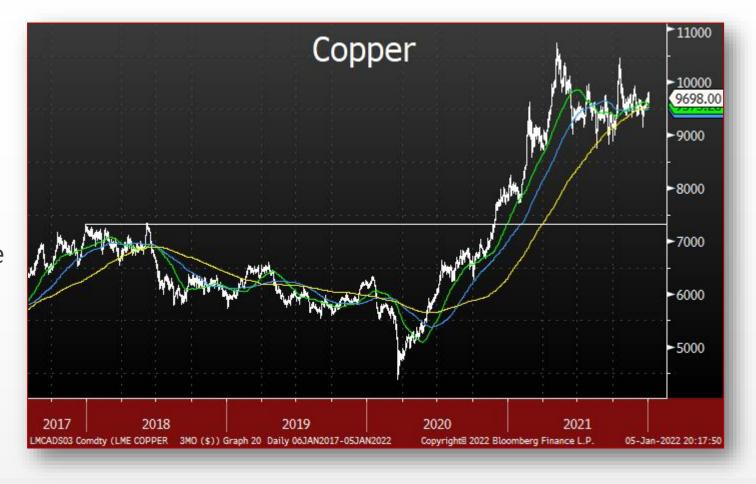
Base Metals



Base Metals

LME Copper

Technically speaking, LME copper refuses to break down below 200dma support. It failed to do so 8X in the last year. With inventories at cycle lows, it seems like a smart bet to look for continued upside.



Base Metals

LME Aluminum

Technically speaking, aluminum just held its 200dma and looks poised to resume trend.



Food Inflation

With energy, base metal, grain, and fertilizer prices on the rise, the UN World Food Price Index is suddenly spiking through its all-time high.

This is a warning flare of food inflation to come. Your hedge is DBA

Food Inflation







Bull Market Equity Trading

2021 Performance

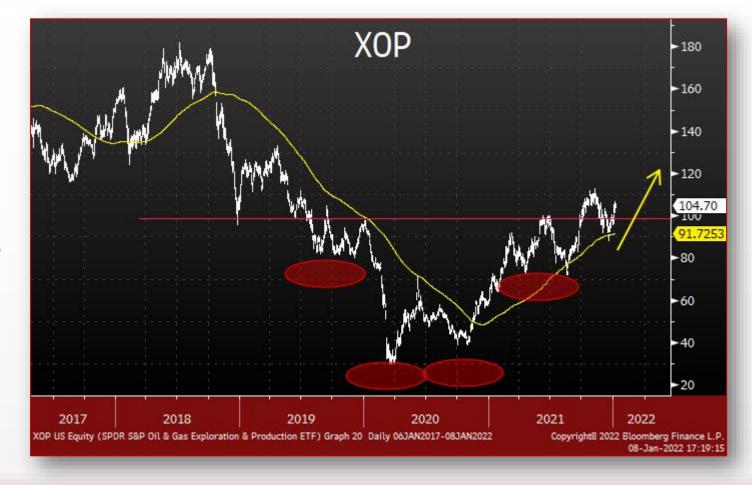
+64%

2022 Top Picks

Oil & Gas

XOP gained 64% last year which broke a 4-year losing streak. The move off all-time lows will be significant in magnitude and appears to be just starting.

I would conservatively target \$140 in XOP for 2022.





+35%

2022 Top Picks

Natural Resources

The Natural Resources ETF is most heavily weighted in U.S. and Canadian Big Oil & Gas. Miners, Freeport McMoRan and Newmont are in the top 15 holdings. Schlumberger represents oil services. Marathon Petroleum and Phillips 66 represent refiners. This ETF is built for performance in 2022.





+48%

2022 Top Picks

Homebuilders are currently grappling with higher yields, but they are still a perfect storm industry:

- Low rates in long end for refi/construction
- Secular trend out of large crowded cities and into home offices/gyms
- Low existing inventory
- Rising home prices
- Rising new home sales
- Booming homebuilder confidence.





+32%

2022 Top Picks

Financials

Financials are currently benefiting from higher yields in a more inflationary environment.

The breakout of 2021 will remain in motion in 2022 as yields rise.





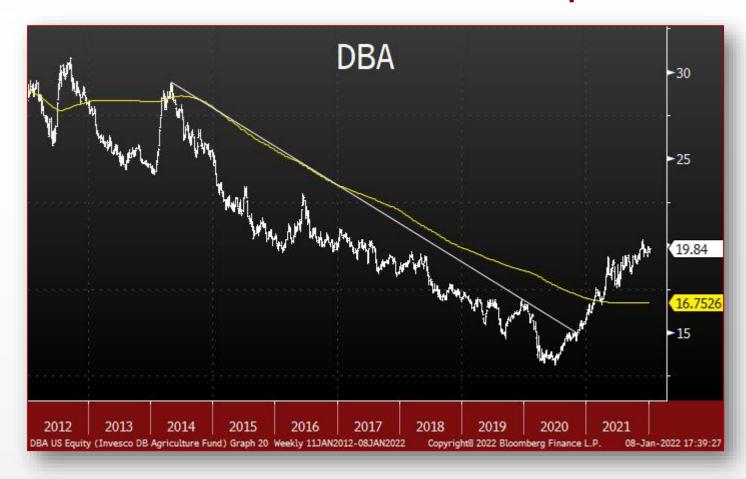
+22%

2022 Top Picks

Invesco Ag ETF

DBA is a grain ETF that just broke a 6-year losing streak within a secular downtrend with its gain of 22% last year. With higher energy prices, higher grain prices may have reversed that trend.

DBA is a great hedge against food inflation.



2021 Performance

(**-12%)**

Social Media

Social media companies are going to have to reform their practices of censoring qualified, truth speaking professionals before their stocks find a bottom.

It makes sense to sell all rallies until they do so.

2022 Short Targets



2021 Performance

(-20%)

Twitter

Twitter is at the center of the social media storm as the CEO bans anyone who questions America's USGOV/BIGPHARMA/SILICON VALLEY narrative.

It looks destined for the bottom of the \$25-\$50 range.

2022 Short Targets



2021 Performance

(-24%)

ARKK Innovation

With technology curling over due to higher yields and illiquid technology getting creamed, this feels like the quarter we see Cathie Wood's ARKK either blow up or get cut in half. Again.

2022 Short Targets



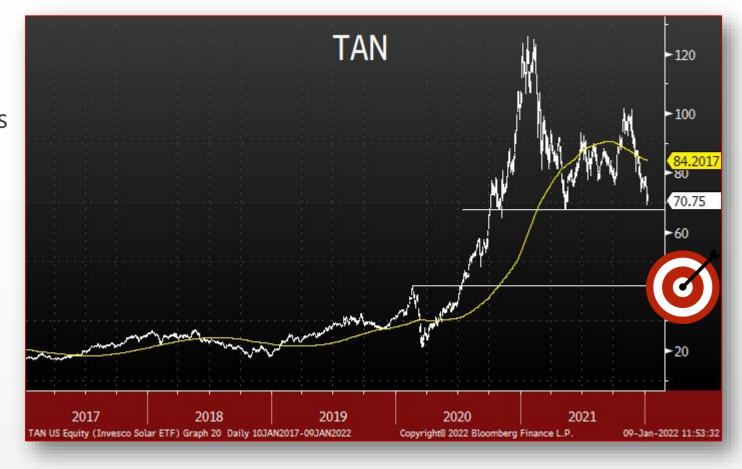
2021 Performance

(-24%)

2022 Short Targets

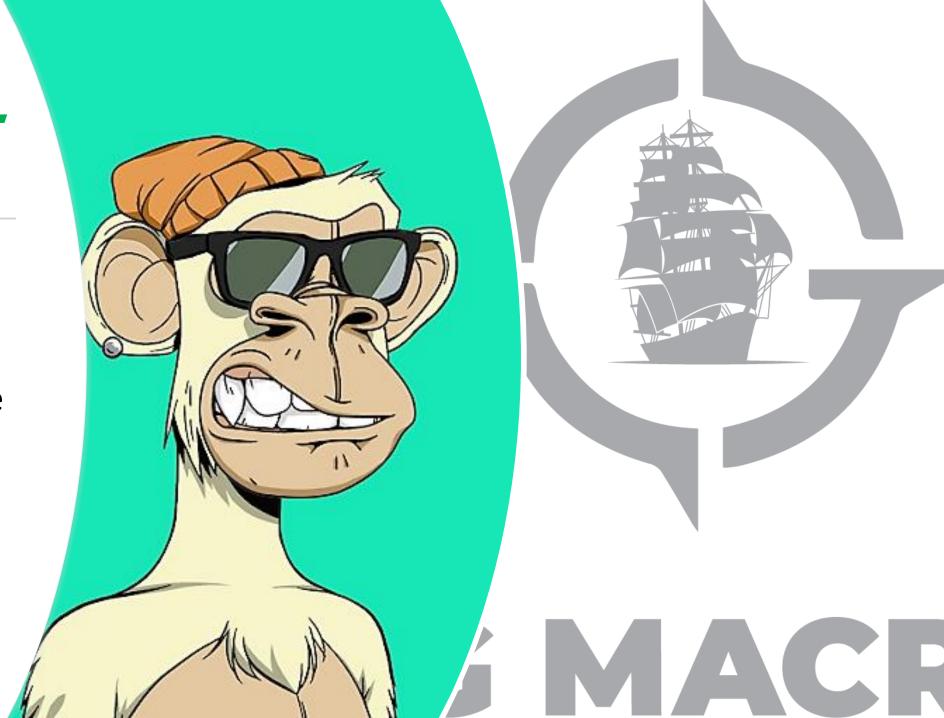
Solar

The solar chart looks as bad as ARKK. ON a close below \$70, the crossroads of ESG and technology may face a significant repricing.



ZEITGEIST

Non-fungible token collections like the **Bored** Ape Yacht Club will accelerate the mainstream uptake of Ethereum. At what Ethereum price, we do not know.



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