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BENZINGA RESEARCH

Your Exclusive Benzinga Insider Report

(DO NOT FORWARD)

By analyst Gianni Di Poce
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Market Overview (Member Only)

- Stocks were up again after a stronger-than-expected jobs report. The S&P 500 led the way last week, finishing up 0.22%. The Nasdaq and Dow Jones Industrial Average followed, closing up 0.10% and 0.09%, respectively.
- Energy was the top-performing sector once again as we head into another round of inflation data this week.
- The Dollar is roaring back—the world wants a piece of the U.S. economy. Is this a warning sign or a bullish sign for stocks?
- Crypto continues to shape up in a positive manner. A new altcoin season could be right around the corner.

Stocks I Like

1. Shift4 Payments (FOUR) – 29% Return Potential

What's Happening

- Shift4 Payments (**FOUR**) offers software and payment processing solutions for companies around the world.
- The company brought in $2.56 billion in revenue in 2023, along with $86.2 million in earnings.
- **FOUR** has a steep valuation. Its P/E is at 53.70, its Price-to-Sales is at 1.97, and its EV to EBITDA is at 17.19.
- From a technical viewpoint, **FOUR** is pressing up against resistance of a saucer formation. If it successfully clears, look out above for another leg higher in prices.

Why It's Happening

- According to a filing with the SEC, CEO Isaacman acquired nearly 86,000 shares of Shift4 yesterday. This purchase is particularly bullish on the stock because Isaacman acquired his stake at market prices, highlighting his conviction that the stock is due for a massive surge from current market prices.
- Management highlighted some big recent wins, including the Nobu Hotel and the Chicago Bears American Football stadium. Its product offering caters to restaurants, hotels, and entertainment venues. These locations are unique and can process tons of payments in a short time, meaning they need specific products compared to a general-payments offering. Shift4 is proving it is the company to provide these services.
- Last quarter, the company processed $40.1 billion in payments, up from $26.8 billion in the same quarter a year ago and $4.2 billion in Q2 of 2020. This 10x growth over just a few years is a 75% compound annual growth rate (CAGR) for payment processing, making it one of the fastest-growing companies in the sector.
- Revenue grew 30% year over year last quarter to $827 million, with net income of $54.5 million. Even though it is investing heavily for growth, Shift4 Payments has been able to remain profitable.
- The stock currently trades at a forward price-to-earnings ratio of just 21.5, which is below the S&P 500 market average of 28. Also worth mentioning that the company is growing much faster than the market average, making it a great buy for both value and growth investors alike.
- **FOUR** has a free quarterly cash flow of $74.70 million.

- Analyst Ratings:
  - Wells Fargo: Overweight
  - Susquehanna: Positive
  - Benchmark: Buy

My Action Plan (29% Return Potential)

- I am bullish on **FOUR** above $75.00-$76.00. My upside target is $118.00-$120.00.

2. Nano Nuclear Energy (NNE) – 29% Return Potential

What's Happening

- NANO Nuclear Energy (**NNE**) is a microreactor technology company.
- The company had no earnings in 2023 and lost $6.25 million on the year.
- **NNE** is still a relatively new publicly-traded company, making its valuations hard to quantify. Its Book Value is just 0.43, so from that metric, it seems rather expensive at the moment.
- At a technical level, **NNE** is basing within a rounding bottom formation. If it clears resistance, it could start another powerful bull run.

Why It's Happening

- **NNE** is at the forefront of the small modular reactor (SMR) revolution, developing portable nuclear reactors that could transform energy access in remote areas. As governments worldwide push for clean energy solutions, NNE's innovative technology positions it to capture a significant share of this growing market.
- The company's expansion into space applications through NANO Nuclear Space opens up new market opportunities. As space exploration and commercialization accelerate, NNE's portable microreactors could become a critical power source, potentially driving significant revenue growth.
- The company's collaboration with Idaho National Laboratory lends credibility to its reactor designs. This partnership with a major U.S. government-affiliated nuclear research lab validates **NNE's** technology and could accelerate its path to commercialization.
- **NNE's** vertical integration strategy, including plans for a HALEU fuel fabrication facility, sets it apart from competitors. By controlling its supply chain, the company can

potentially reduce costs and increase margins, leading to stronger financial performance. Not only that, its purchase of a 14,000-square foot. facility in Oak Ridge, Tennessee for $1.71 million also demonstrates its commitment to establishing a strong operational base.
- Nano is working on two microreactor designs, known as Zeus and Odin. Zeus is a solid core battery reactor that can produce direct heat for industrial and extractive processes or electric power for behind-the-meter or grid-connected applications. Odin is a low-pressure coolant reactor designed to operate at higher temperatures and with fewer moving parts than conventional water-cooled reactors. Zeus and Odin will both produce 1 to 2 MW of electricity, the company said.
- Earlier this week, the announcement that NANO Nuclear Energy would be included in the Russell 3000 "Total Market" Index sparked buying interest in the developmental company.

- Analyst Ratings:
  - Benchmark: Buy

My Action Plan (29% Return Potential)

- I am bullish on **NNE** above $12.00-$13.00. My upside target is $25.00-$26.00.

3. Gatos Silver (GATO) – 57% Return Potential

What's Happening

- Gatos Silver (**GATO**) is a silver mining company.
- The company had $12.86 million in earnings in 2023.

- **GATO** has a slightly elevated valuation. Its P/E is at 38.66 and its EV to EBITDA is at 34.48. Its Book Value is just 5.49, however.
- From a charting angle, **GATO** already broke out from a rectangle formation. These are continuation patterns, which means the trend could very well continue higher.

Why It's Happening

- Gatos Silver's CEO, Dale Andres, announced that the company expects full-year 2024 silver and silver equivalent production to be in the top half of previously announced guidance ranges. This optimistic outlook points to strong operational performance and could lead to better-than-expected financial results
- The Los Gatos Joint Venture (LGJV), in which Gatos Silver holds a 70% interest, has started ramping up exploration efforts on near-mine and other targets in the highly prospective Los Gatos district. This aggressive exploration strategy could lead to new discoveries and additional resource growth for the company, causing its stock price to appreciate massively in the near future.
- Gatos Silver reported impressive Q1 2024 results, with net income soaring 203% to $2.5 million compared to $0.8 million in Q1 2023. This substantial increase in profitability demonstrates the company's ability to efficiently capitalize on its assets and bodes well for future earnings growth
- The company's Q1 2024 revenue jumped 16% year-over-year to $62.9 million, driven by higher sales volumes.
- As of April 30, 2024, Gatos Silver had a strong cash balance of $85.4 million and remained debt-free. This robust financial position provides the company with ample liquidity to fund operations and pursue growth opportunities without the burden of interest expenses.

- Analyst Ratings:
  - CIBC: Outperformer
  - Canaccord: Buy
  - BMO Capital: Market Perform

My Action Plan (57% Return Potential)

- I am bullish on **GATO** above $12.80-$13.00. My upside target is $25.00-$26.00.

Market-Moving Catalysts for the Week Ahead

Last Week's Employment Recap

The September employment report blew expectations out of the water last week, with the U.S. economy having created 254,000 new jobs compared to estimates of 150,000. This shows the resilience of the economy, as well as its ability to continue handling higher rates near-term.

The unemployment rate fell 0.1%, down to 4.1%. This type of response from the labor market is very strong given the recent headline concerns, but it does vindicate Powell's comments from last Monday that there isn't a rush on the rate cuts going forward.

The market's expectation for a rate cut on November 7 is favoring 25-basis points now. From the beginning, I was adamant that I would prefer to see rate cuts happen slowly. If they happen too fast, it's a signal of economic vulnerability.

Back to Inflation Now

There's another round of inflation reports this week, and if you recall a couple weeks back, we had the PCE report come in below estimates. This week, we're dealing with the CPI (consumer price index) instead, which does not allow for substitution of goods and services like PCE does.

I don't expect any major surprises with this week's report either, despite the energy market reawakening from its latest slumber. It's still too early for the rise in crude oil to be reflected in the inflation data.

I maintain that the biggest risk the market faces is a return of inflationary pressures. This may be what the U.S. Dollar is sniffing out. We saw how the market responded to inflation in 2022, and it wasn't pretty. We'll see how much the Fed can cut before truly reigniting inflation again.

Geopolitical Risks & More

This is a good week to share the classical market saying that, "A bull market climbs a wall of worry." Between the situation in Ukraine and the Middle East, there is no shortage of catalysts for shocks to the market.

All these evolving events have the potential to reignite inflation, which is all occurring simultaneously with money printing from the Fed.

Then of course, there are major natural disasters unfolding around the world. The southeastern part of the United States was devastated by a hurricane, leaving unfathomable amounts of damage, and there was also a major typhoon that hit Taiwan and southeast Asia. These could all disrupt supply chains as well.

The Big Dollar Rebound?

Another major macroeconomic shift could be on the horizon, and this time, it could be with the U.S. Dollar. The world reserve currency has been losing value since mid-April, but if you zoom out even further, it's been declining since September 2022.

But with geopolitical risks rising and interest rates falling, global capital may be sniffing out a "layup setup" in the Dollar. Think of it this way: There's a strong sense that rates will drop for the next year, so why wouldn't you buy a 1-year Treasury Bill that would start trading at a premium in the coming months?
In order to make these purchases of U.S. assets, conversions into Dollars must take place. This increases demand for the world reserve currency, and means that its value increases. Don't be surprised if we see the Dollar, stocks, and bonds all rise together.

Sector & Industry Strength (Member Only)

There have been interesting developments on the sector leadership front over the past week, and the good news is that most of them are bullish. Let's start with the fact that consumer discretionary (**XLY**) is almost back ahead of consumer staples (**XLP**) in the rankings. This bodes well for the overall market.

Energy (**XLE**) exploded higher in the past few sessions, which has left healthcare (**XLV**) and real estate (**XLRE**) back in the bottom spots. This signals a potential resurgence in the inflationary trade, which could cause problems down the line—but not yet.

Utilities (**XLU**) are still in first place year-to-date, but that may not last much longer. Technology (**XLK**) slipped back below financials (**XLF**), but it's still very important to see leadership from this market-moving sector. I think it can continue its rebound in the coming weeks.

1 week	*3 Weeks*	*13 Weeks*	*26 Weeks*

Energy	Energy	Utilities	Utilities

Editor's Note:

Third week in a row with an inflation related sector as the leader. Now energy has claimed the 3-week leader too.

Energy On-Sale Compared to Tech (Sector ETF: XLE/XLK)

I want to have a look at two equity market sectors on the opposite ends of the size spectrum. This chart looks at the ratio between energy (**XLE**) and technology (**XLK**). **XLE** is one of the S&P's smaller sectors, while **XLK** is the S&P's largest sectors.

The ramifications of outperformance between each of these sectors is profound. If **XLK** outperforms, it's generally a strong sign for the market, since it can move the whole index. But if **XLE** outperforms **XLK**, it's a bit of a cautionary signal, because it wouldn't be big enough to move the overall index.

This ratio is a good barometer of inflationary pressures too. **XLE** is one of the top inflation-related trades, so if it starts outperforming **XLK** again, it could be a sign that a return of rising prices is imminent. It would have to break back through former-support-turning-resistance of the inverted saucer formation for confirmation that the trend is shifting back upward.

Is the Time Now for Emerging Markets? (Sector ETF: EEM/SPY)

Last week, I shared the ratio chart between large-cap Chinese equities (FXI) against the S&P 500 (SPY). This week, I want to zoom out and look at a more encompassing ETF that tracks the emerging market sector. This chart looks at the ratio between emerging markets (EEM) and the S&P 500 (SPY).

Similar to the ratio between China and the U.S., the ratio between EEM/SPY displays a very clear downtrend in favor of SPY over the past several years. Once upon a time, emerging markets were a hot place to speculate, but that's not been the case for sometime now.

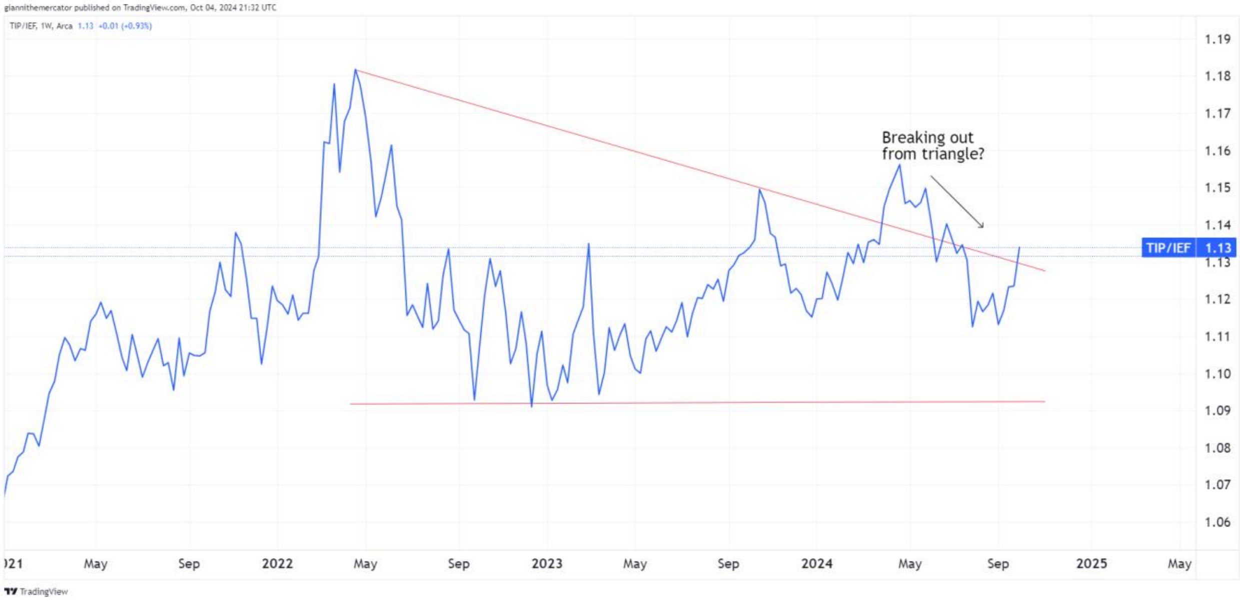
We just saw the downward-sloping trendline broken to the upside, which indicates that the rate-of-descent is no longer in effect. We still need to see a series of higher-highs and higher-lows to establish an uptrend. It may depend on the U.S. Dollar in terms of whether emerging markets are able to sustainably rebound.

Inflation Isn't Dead Yet (Sector ETF: TIP/IEF)

I don't think the threat of inflation is being taken seriously enough right now. And based on what I'm seeing in the ratio between Treasury Inflation Protected Securities (**TIP**) and 7-10 Year Treasuries (**IEF**), the bond market would seem to agree right now.

Despite the improvements on the inflationary front, it's worth noting that we are still running above the Fed's 2% annual inflation target. This is why I've been adamant that the central bank made a policy error, and are essentially reigniting the inflationary flames again.

The ratio below never topped out. On the contrary, it consolidated into a descending triangle formation, which can lead to a continuation of trend. We could be on the verge of breaking out from it again here soon.



Editor's Take:

It's going to take a few months before the Fed realizes they made a policy error. Even if inflation starts to creep higher again, they can still drop rates back down to match the inflation rate. I wouldn't be surprised to see rates drop as low as 3.00-3.50%.

But I also wouldn't be surprised to see the Fed pivot again next year. Inflation is the big risk the market faces right now, because it's the only thing that will meaningfully alter how the consumer behaves.

This period of lower rates is a golden opportunity for the federal government to refinance their debt over a long-term period at more favorable rates. I really hope this opportunity is seized, because there may not be another one down the line.

Cryptocurrency

Going forward, I want to start showcasing some altcoins in this report, because I think we're on the precipice of a new altcoin season. Let's start with Dogecoin (DOGE/USD), as it is once again capturing the attention of crypto traders as its price action reaches a critical juncture. Dogecoin has recently broken above a significant diagonal trendline, suggesting a potential shift in its long-term trajectory.

In the process of breaking the trendline, Doge also made a significant higher-high. If it makes a higher-low on this decline, it will reinforce the short-term bull trend. This is a classic sign of strengthening momentum and often precedes further upside.

If this breakout holds, we could see an explosive rally to the upside, potentially targeting the previous swing highs around the 0.13-0.14 level. The volume profile during this breakout will be crucial to watch, as increased buying volume would confirm the strength of this move.

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