Sunday, December 11, 2022

BENZINGA

YOUR EXCLUSIVE BENZINGA PRO INSIDER REPORT

By analyst **Gianni Di Poce**

Happy Sunday, Pro Member!

"Cut your losses. Cut your losses. Cut your losses. Then maybe you have a chance."

Ed Seykota

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Market Overview (Member Only)

- Stocks played defense last week and went out near the lows on Friday. The S&P 500 finished down 3.37%, the Nasdaq Composite dropped by 3.99%, and the Dow Jones Industrial Average closed 2.77% lower for the week.
- Wall Street digested a stronger-than-expected producer price index (PPI) report on Friday, putting a temporary damper on the notion that inflationary pressures are quelling.
- Analysts have lowered their earnings estimates for S&P 500 companies for the fourth quarter by 5.6% since the end of September, according to FactSet.
- Precious metal prices continue to impress, as gold was flat on the week, while silver finished 2% higher.
- All eyes will be on the Fed this week as the market anticipate a 50-basis point rate hike. But if CPI comes in hotter-than-expected on Tuesday, could the central bank surprise us with a 75-basis point hike?
- Stocks really need Santa Claus to come to town during the final three weeks of this year!

Stocks I Like

1. SSR Mining (SSRM) – 51% Return Potential

What's Happening

- SSR Mining (**SSRM**) is a precious and base metal mining company with operations in Turkey and the Americas. The company owns the largest silver mine in Argentina.
- The Vancouver, Canada-based company completed a record year in 2021, with annual revenue coming in at $1.47 billion and earnings at $368.08 million.
- **SSRM's** valuation is solid with P/E at 15.01, Price-to-Sales at 2.77, and EV to EBITDA at 6.10.
- On a technical level, **SSRM** is pressing up against the resistance zone of a rounding bottom formation. A close above the upper horizontal trendline acting as resistance would be a very bullish sign and could lead to further upside.

Why It's Happening

- The company's Copler gold mine in Turkey (one of the country's largest mines) just went back online after a cyanide leak led to a shutdown in June. This will help **SSRM** normalize its production levels, which fell notably compared to the previous year.
- SSR Mining also announced a consolidation of its Copler mine, with the acquisition of an incremental 30% interest in the Kartaltepe Mining joint venture for $150 million.
- **SSRM** just offloaded its Pitarrilla Project in Mexico, freeing up resources to dedicate towards other projects like expanding its Cakmaktepe mine in Turkey.
- The company is growing its production capacity as precious metal prices start to trend higher. If the U.S. Dollar continues its correction, it could turn into a real tailwind for metal prices, which would be a boon for miners.
- SSR Mining was added to the Russell 1000 earlier this year, which helps put it on the radar for institutional investors
- Free quarterly cash flow is a solid $75.36 million.
- Analyst Ratings:
    - BMO Capital: Overweight
    - UBS: Buy

My Action Plan (51% Return Potential)

- I am bullish on **SSRM** as long as the stock remains above $13.50-$14.00. My upside target is $23.00-$24.00.

2. Unitedhealth Group (UNH) – 16% Return Potential

What's Happening

- UnitedHealth Group (**UNH**) is a Minnesota-based healthcare conglomerate offering healthcare products and insurance services.

- The megacorp brought in $287.6 billion in revenue in 2021, along with $17.29 billion in earnings.

- **UNH** has a slightly elevated valuation with P/E at 26.84, Price-to-Sales at 1.66, and EV to EBITDA at 17.11.

- From a technical perspective, **UNH** is testing resistance of a cup and handle pattern. These are some of the most powerful formations in all of technical analysis, and if the stock price can clear resistance, we could see an explosive rally higher.

Why It's Happening

- The growth rate of this company seems to buck the economic principle of diminishing returns to scale. It certainly helps that the federal government subsidizes healthcare through Obamacare, which goes straight towards the bottom line of companies like **UNH**.

- **UNH** is poised to complete its merger with LHC Group, according to an 8-K Filing from the latter.

- The company has a whopping free quarterly cash flow of $31.32 billion.
- **UNH** just launched an initiative with Life Time Group Holdings (**LTH**), granting select insurance members access to **LTH**'s fitness facilities. In theory, this could save on healthcare costs in the long run if insured members increase physical activity and take their health more seriously. This could result in less claims being paid out by **UNH**.
- Benzinga's option screener picked up some unusual trading activity last week, which included a whale taking on a massive short position. However, based on volume and open interest on the contracts, over the last 30 days, whales seem to be looking for prices between $450-$600. I tend to like the higher end of this range.
- Analyst Ratings:
    - Credit Suisse: Overweight
    - Morgan Stanley: Overweight
    - Raymond James: Outperform

My Action Plan (16% Return Potential)

- I am bullish on **UNH** so long as the stock remains above $480.00-$490.00. My upside target is $625.00-$650.00.

3. Insulet Corporation (PODD) – 30% Return Potential

Insulet Corporation

What's Happening

- Insulet Corporation (**PODD**) is an insulin manufacturer and distributor.
- The company just cracked the $1 billion mark in terms of revenue, bringing in $1.1 billion in 2021. Additionally, **PODD** finished with $16.8 million in net earnings last year.
- **PODD**'s valuation is sky-high with a P/E at 1,264. Price-to-Sales is 17.11 and EV to EBITDA is 179.47. This may seem dramatic, although when you're dealing with biotech companies, this can be the case sometimes.
- From a technical standpoint, **PODD** is consolidating or "flagging" within a bull flag formation. These are extremely powerful momentum patterns, and a resolution higher from the flag could lead to another sharp upward surge.

Why It's Happening

- Insulet's bottom line has been boosted by the launch of its new insulin pump device, Omnipod 5. This is a tubeless insulin pump that is much more convenient for those suffering from diabetes.

- Omnipod's launch drove Q3 2022 sales 42% higher compared to the same quarter in the previous year.

- Despite the strong performance by Omnipod, there were some issues with the device's battery. The company has promptly corrected the problem, which should enable the stock to move past the negative news.

- Sources tell me that **PODD** is a buyout candidate due to its niche business. I'm being told that Medtronic (**MDT**) might be the buyer.

  - Analyst Ratings:

    - Baird: Outperform

    - Piper Sandler: Overweight

    - Raymond James: Outperform

My Action Plan (30% return potential)

- I am bullish on **PODD** so long as the stock remains above $260.00-$265.00. My upside target is $395.00-$405.00.

Trade Ideas I Like From BZ Pro Users:

Bullish Guess? (GES)

wade917291 PRO 12/1/22 10:19 PM

BULLISH on GES -3.71% (since posting Down -0.02%)

WHY: Just formed a cup. Wait for pullback which would be a handle. Then purchase for a bullish swing trade.

DURATION: Swing Trade, A week or two maybe more.

RISK: Not too risky. When you buy based on the handle formation is the most important.

Bearish Big Lots (BIG)

sunilkylechand PRO 12/2/22 6:00 AM

BEARISH on BIG -3.12% (since posting Down -18.0%)

WHY: loss 2.99 per share think can pick at bottom selling put at 20 jan 23 for 1.5

DURATION: Day Trade

RISK: i do not think shares of big can drop blow 9 and would be a good pick up for long holders

Have ideas to share?

Share your favorite stocks and trades in Benzinga Pro's Ideas widget and you may be featured in this newsletter!

Market-Moving Catalysts for the Week Ahead

Big Data Dump Coming

A highly consequential week of events and economic data is ahead. First and foremost, the Fed is set to raise interest rates by 50-basis points on Wednesday. However, could we be in for a surprise 75-basis point hike? This past Friday, the producer price index (PPI) came in above estimates. This is a solid leading indicator for the consumer price index (CPI).

If CPI comes in hotter than expected, we can't rule out a surprise 75-basis point hike on Wednesday.

This could trip up the markets, which have been rallying higher in anticipation of the Fed letting its foot off the brakes a bit.

Don't Forget the Payroll Report

Two weeks ago, we had a strong payroll report, which on the surface suggests the Fed hasn't tightened enough to destroy demand. This could create a double-whammy of the sorts for those looking for the Fed to reduce its level of hawkishness.

If the labor market continues to be strong, and inflation data starts coming in above estimates again, we should actually look for the Fed to resort back to 75-basis point hikes.

Earnings are a bit light this upcoming week, and so far, investors shouldn't have much to complain about as companies have been resilient overall.

If earnings start to deteriorate notably, it becomes more likely that layoffs will increase.

Until that happens, the labor market should be able to hold its ground.

U.S. Dollar Saving Fed for Now

The U.S. Dollar has been on the retreat for the past few weeks, which has been a major gift to the Federal Reserve. The correction has been especially generous since it's been accompanied by a sustained correction in commodities, and a rally in bonds. This is unusual intermarket activity, to say the least.

Traders and investors need to keep a close eye on the world's reserve currency.

If inflation starts ticking up again, and the Fed has to resort back to a more hawkish stance, it will likely send the dollar soaring.

This could lead to a renewed bear market in stocks and more pain in bonds. Optimists may find solace in the fact that commodities are down big from their multi-year highs earlier this year, so Friday's PPI report may have just been a blip in the overall data.

Monday

- NY Fed 1-year & 5-year inflation expectations
- Federal budget
- Earnings: Coupa Software (**COUP**), Oracle (**ORCL**)

Tuesday

- NFIB small-business index
- Consumer price index (CPI) (month-over-month & year-over-year)
- Core CPI (month-over-month & year-over-year)
- No major earnings

Wednesday

- Import price index
- Fed funds rate announcement
- Fed Chair Jerome Powell press conference
- Earnings: Lennar (**LEN**), Trip.com (**TCOM**)

Thursday

- Initial jobless claims
- Continuing jobless claims
- Retail sales
- Empire state manufacturing index
- Philadelphia Fed manufacturing index
- Industrial production index
- Capacity utilization rate
- Business inventories
- Earnings: Jabil (**JBL**), Adobe (**ADBE**)

Friday

- S&P U.S. manufacturing PMI
- S&P U.S. services PMI
- Earnings: Winnebago Industries (**WGO**), Darden Restaurants (**DRI**), Accenture (**CAN**)

Is it Time for Metals to Shine?

Amid the broader commodity correction, we're observing some notable relative strength emerging from the precious metals sector. This says a lot about the macroeconomic environment as we wrap up 2022.

These commodities thrive in environments rife with uncertainty, whether it's geopolitical or monetary.

The geopolitical situation remains relatively unchanged and still on fragile footing, but now it looks like the market is anticipating some monetary confusion given the latest economic data. This could provide metals the exact environment they need to reclaim their luster.

When Will Crypto Rout End?

Much of the speculative fervor that encapsulated markets over the past couple years has evaporated. Between meme stocks and the crypto mania, the retail crowd was keen on finding their golden ticket to riches.

The truth is, manias of the crypto sort have happened before.

Whether it was the Tulip Bubble in the 17th century or the Mississippi Land Bubble of the 18th century, human emotions have remained the same. Many times when manias end, fraudulent activity is exposed.

Yes, the FTX debacle is not unusual in this regard.

It seems like there are a couple more dominoes to fall before this saga is over. In the meantime, traders need to watch sentiment closely – the low will likely accompany a complete and total demoralization of the public. That's usually around the time to start nibbling from the long side.

Santa's Keeping a List & Checking it Twice

Aside from the upcoming Santa Claus period, there are several best practices that traders and investors should employ to streamline their portfolio. First and foremost, have a plan to manage risk.

This includes position sizing (never bet the house on a single trade) and having a loss-cutting threshold.

Personally, I'll never put more than 10% of my total equity account into a given trade. Preferably, I like to use even less capital than that.

It's important to show some conviction, but not a sense of overconfidence.

Losses should usually be cut in the 8-10% range. This way, one +30% trade can easily offset 2-3 trades that lose 8-10%. If your batting average falls below that level, then it's probably a good idea to revisit your process, as well as the criteria you use for picking stocks.

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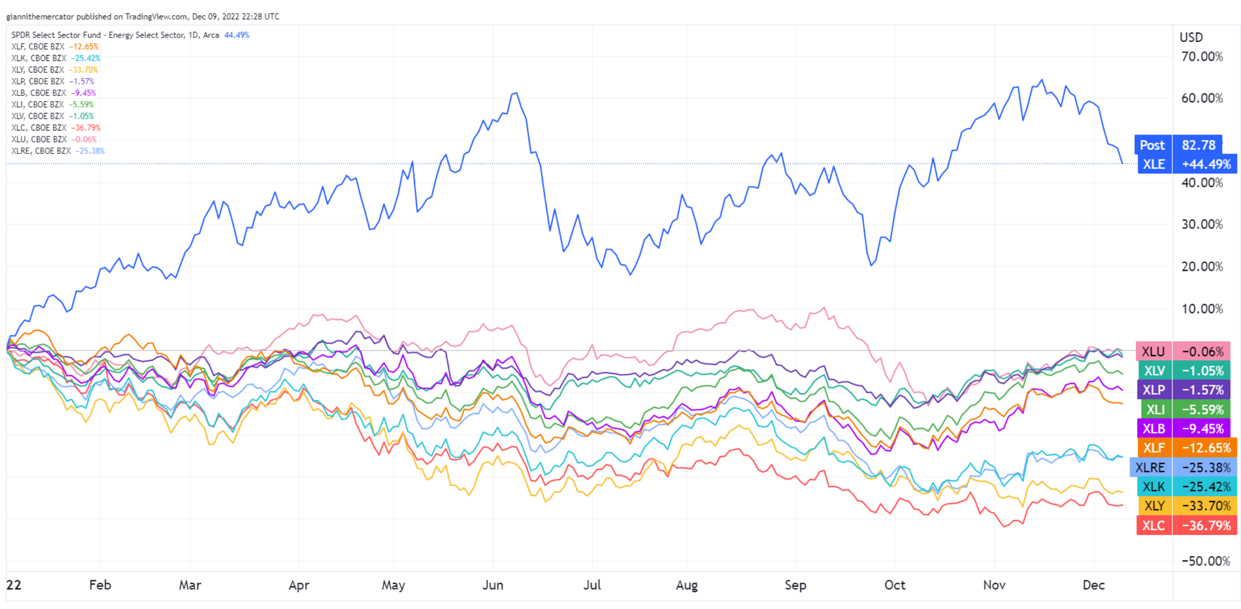
Sector & Industry Strength (Member Only)



Utilities (**XLU**) were the only sector to finish in positive territory last week, which is a concern in the short-term. Energy (**XLE**) seems to be losing its luster as Crude Oil has erased virtually all of its 2022 gains. Healthcare (**XLV**) slipped into negative territory year-to-date, but is still holding its ground.

The performance spread between consumer staples (**XLP**) and consumer discretionary (**XLY**) is another cautionary signal heading into next week. Tech (**XLK**) slipped behind real estate (**XLRE**) in terms of year-to-date performance as well. The laggard behavior from growth sectors like consumer discretionary (**XLY**), tech (**XLK**), and communications (**XLC**) continue to weigh on the S&P 500.

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Best Performing Sectors

1 week	*3 Weeks*	*13 Weeks*	*26 Weeks*
Utilities	*Utilities*	*Healthcare*	*Healthcare*

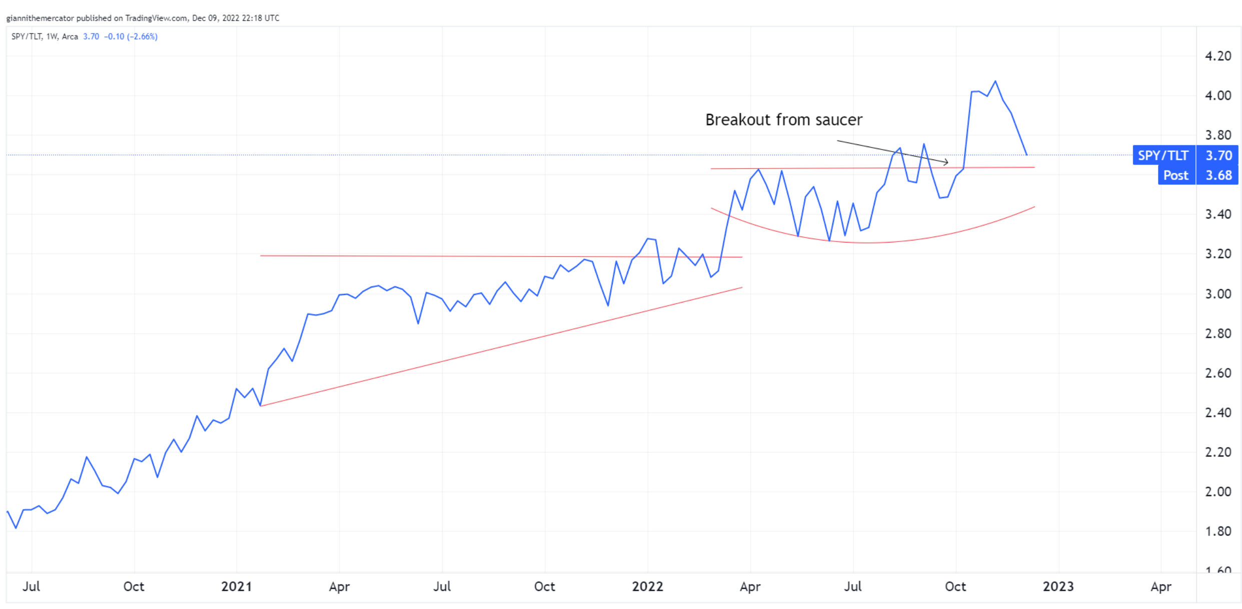
Editor's Note:

Utilities and consumer staples were the top sectors last week, suggesting caution for the week ahead. Energy has finally been dethroned from the 26-week leader – indicating a major shift.

Stock-Bond Ratio: Trend Change or Corrective Decline? (Sector ETF: SPY/TLT)

Every couple of weeks, we revisit the very important ratio between stocks (**SPY**) and bonds (**TLT**). In a normal market, stocks outperforming bonds is a risk-on signal. However, that hasn't been the case this year – stocks have outperformed bonds despite both suffering from bear markets.

The ratio remains in a clear uptrend in favor of equities, but we note that it's turned down in the past few weeks in favor of bonds. If the ratio can't hold on a retest of the former-resistance level that has turned into support of the saucer pattern, it could turn into a real risk-off scenario for equity markets.



Can a Pet Rock Beat a Bond? (Sector ETF: SLV/TLT)

Since 2018, there have been numerous periods of time when precious metals and bonds have displayed a positive correlation. That is, when rates dropped (and bonds rallied), precious metals followed higher.

This may be understood through the lens of income-generation. Since metals don’t generate any yield, it would make sense that their appeal is greater when income-generating assets don’t yield as much.

The ratio below shows how silver (**SLV**) could be on the cusp of a period of significant outperformance against long-term Treasuries (**TLT**). It’s starting to breakout from a massive saucer pattern, which suggests the outperformance could be very strong.

Housing Rebound into Spring? (Sector ETF: XHB/SPY)

It seems as though the majority of the investment community has written off real estate as a bad trade for the next year or so. The ratio below looks at the homebuilding sector (**XHB**) against the S&P (**SPY**). We note how **XHB** has actually outperformed the broader market since April.

Homebuilders (**XHB**) are known to be a good leading indicator for the real estate sector. Rates have dropped over the past few weeks, and it's widely agreed that rising rates were the cause of demand destruction in home buying in recent months.

The ratio below displays a mini saucer pattern, and if it can push above the resistance of the pattern, we could see a test of the downward sloping trendline. This could mean that the near-term outlook in real estate isn't as doomy-and-gloomy as most believe.

Editor's Take:

A drop in rates going into the home buying season would essentially buy time for the real estate market. There may not be a strong bid for housing with 30-year mortgages in the range of 7-8%, but there likely would be in the 4.5-5.5% zone.

When we look at real estate, we must consider liquidity and volatility factors. It's an asset class that typically exhibits lower volatility by virtue of its lower liquidity. Houses don't trade like stocks (mortgages are another story), which means that values are more stable.

It would likely take a prolonged recession to meaningfully bring down the price of housing. Even though a recession appears to be in the cards for 2023, it's really the ***duration*** of the downturn that will mean the most for real estate prices.

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Seriously, Don’t Sleep on Silver (Sector ETF: SLV/XHB)

We’ve already established the emerging opportunity in the precious metals sector, as well as explaining how the outlook in real estate isn’t as grim as many make it out to be. So, now we want to look at the ratio between silver (**SLV**) and homebuilders (**XHB**).

This ratio asks a key question – should you invest in precious metals or real estate? Between August 2020 and December 2021, the answer was real estate. But since then, precious metals have offered better returns.

The ratio is starting to clear above the downward sloping trendline after solidifying a higher-low. If it takes out the highs from earlier this year, a new bull trend would be established, meaning that metals will have quite the run against homebuilding stocks (**XHB**).

Cryptocurrency

Opportunities in crypto are few, far, and between these days. While there's always a bull market somewhere, the crypto sector exhibits similar characteristics to the stock market in the sense that 80% of the coins move in tandem.

This week, we're back to analyzing Bitcoin (**BTC**), and we note that prices are still consolidating within the flag portion of the bear flag pattern. Unless prices can close back above $18,000-$19,000, bears are still firmly in control of this coin's trend.

The bear flag still leaves the door open for a further drop to my long-awaited price objective of $10,000-$12,000. A close below $15,000 would be a strong signal that Bitcoin is on its way down to that target. If a breakdown occurs, I maintain that **BTC/USD** could present a great buying opportunity in that range.

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