Your Exclusive Benzinga Insider Report

(DO NOT FORWARD)

By analyst Gianni Di Poce
Volume 3.48

Market Overview (Member Only)

- Stocks recovered last week. The Dow Jones Industrial Average leading the way, up 1.96% on the week, while the Nasdaq and S&P 500 rose 1.73% and 1.68%, respectively.
- The Bitcoin party continues and Alt-Coin season is right around the corner. Time to get ready.
- The Euro is imploding, and the Dollar is surging as geopolitical tensions escalate.
- Holiday trading officially starts this week as our offices are closed Thursday and early on Friday (1PM Eastern). Happy Thanksgiving!

Stocks I Like

Roblox (Ticker: RBLX) – (52% Return Potential)

What’s Happening

- Roblox Corporation (**RBLX**) is an American video game developer and platform provider, known for its metaverse platform where users can create, share, and play games.

- The company reported $2.8 billion in revenue in 2023, but still lost $924 million on the year.

- **RBLX** has a rather elevated valuation, especially considering it isn't profitable. Its Price-to-Sales is at 9.70 while its Book Value is just 0.29.

- From a technical standpoint, **RBLX** is catching its breath after staging a bullish breakaway gap from the saucer formation. This is a sign that higher prices are on their way.

Why It's Happening

- Roblox's strategic partnership expansion with Monarch for implementation and customer success services is set to improve operational efficiency. This move could lead to cost savings and improved customer satisfaction, ultimately contributing to better financial performance and stock appreciation.

- Roblox's global community of millions of developers continues to produce immersive multiplayer experiences, creating a diverse and constantly evolving content ecosystem. This user-generated content model keeps costs low while ensuring a steady stream of fresh experiences, which should help maintain user engagement and drive long-term growth.

- Roblox's expansion into international markets presents significant growth opportunities. With its platform already popular in many countries, further localization and targeted marketing efforts could drive user growth and bookings in untapped regions, potentially leading to substantial revenue increases and stock appreciation.

- Morgan Stanley recently upgraded Roblox from Equal-Weight to Overweight, signaling increased confidence in the company's prospects. This upgrade from a major financial institution could attract more institutional investors and drive up demand for the stock.
- The company's user base hit a record 89 million daily active users in Q3, up 27% from the previous year. This rapid expansion of Roblox's audience provides a larger base for monetization and increases the platform's network effects, potentially leading to even faster user growth in the future.

- Roblox reported impressive Q3 2024 results, with bookings jumping 34% year-over-year to $1.09 billion.

Analyst Ratings:

  - Citigroup: Buy

- Deutsche Bank: Buy
- Morgan Stanley: Overweight

My Action Plan (52% Return Potential)

- I am bullish on **RBLX** above $45.00-$46.00. My upside target is $75.00-$77.00.

Zillow (Ticker: Z) – (25% Return Potential)

What's Happening

- Zillow Group, Inc. **(Z)** operates as a leading online real estate marketplace in the U.S., facilitating the buying, selling, renting, and financing of homes.

- Despite recording $1.95 billion in revenue in 2023, the company lost $158 million on the year.

- Zillow's valuation is a bit skewed due to its losses. But the Price-to-Sales is at 6.10

- From a technical viewpoint, **Z** broke out of the descending price channel a couple weeks back, signaling that a continuation of the trend is underway.

Why It's Happening

- The company's focus on connecting high-intent movers with high-performing agents is driving increased adoption of Zillow's services. This strategy not only boosts current revenue but also builds a loyal user base for future transactions. As this flywheel effect gains momentum, it could lead to accelerated growth and stock appreciation.

- Analysts project an average annual revenue growth of 12% for Zillow over the next three years, outpacing the 11% growth expected for the U.S. Real Estate sector. This above-industry growth rate suggests Zillow is well-positioned to outperform its peers, which could translate into superior stock returns.

- Zillow's CEO, Jeremy Wacksman, emphasized the company's focus on tech solutions to build an integrated transaction experience. This strategic direction positions Zillow at the forefront of real estate technology innovation. As these investments bear fruit, they could give Zillow a significant competitive advantage and drive stock growth.

- Zillow's Mortgages revenue skyrocketed 63% year-over-year to $39 million, driven by an 80% increase in purchase loan origination volume. This explosive growth in the mortgage segment showcases Zillow's ability to cross-sell services and capture more value from each customer. As this high-margin business expands, it could significantly boost Zillow's profitability and investor appeal.

- Zillow's Q3 2024 revenue hit $581 million, up 17% year-over-year and exceeding analyst expectations by 4.7%

- **Z** has a huge short interest of nearly 10%, making it a candidate for a modest short squeeze.

Analyst Ratings:

  - Needham: Holding
  - Jeffries: Buy
  - B of A Securities: Neutral

My Action Plan (25% Return Potential)

- I am bullish on **Z** above $63.00-$64.00. My upside target is $105.00-$110.00.

Redwire Corporation (Ticker: RDW) – (52% Return Potential)

What's Happening

- Redwire Corporation (**RDW**) is a global leader in space infrastructure, providing solutions for government and commercial space missions.

- The company had $243.8 million in revenue in 2023, but still lost $47.3 million on the year.

- **RDW** has a fair valuation with Price-to-Sales at 2.0. Its Book Value is negative, so the company is operating on hopes of future success like many space stocks.

- From a charting perspective, **RDW** is surging higher after breaking out from an ascending triangle formation. This implies a continuation of the bull market is underway.

Why It's Happening

- Redwire recently announced a $100 million contract from NASA to develop solar arrays for the Lunar Gateway space station. This major win demonstrates Redwire's critical role in space infrastructure and positions the company for significant revenue growth as lunar missions ramp up in the coming years.

- The company's innovative Roll-Out Solar Array (ROSA) technology was successfully deployed on the International Space Station, showcasing Redwire's engineering prowess. As space agencies and commercial entities seek efficient power solutions, Redwire is poised to capture a larger market share with its proven ROSA technology.

- Redwire's strategic acquisition of QinetiQ Space NV enhances its European presence and expands its product portfolio. This move positions the company to tap into the growing European space market and diversify its revenue streams.

- The company's involvement in NASA's OSAM-2 mission, focused on in-space manufacturing, highlights Redwire's leadership in cutting-edge space technologies. As in-space manufacturing becomes increasingly crucial, Redwire stands to benefit from its early-mover advantage in this high-potential field.

- Redwire's involvement in the development of the Orbital Reef commercial space station positions it as a key player in the future of low Earth orbit commercialization. This long-term project could provide a steady stream of revenue and establish Redwire as a go-to partner for space habitat solutions.

- Redwire's recent revenue increased by 10% year-over-year to $62.5 million, beating analyst estimates. This growth trajectory indicates the company's ability to capitalize on the expanding space economy and deliver value to shareholders.

Analyst Ratings:

- Roth MKM: Buy
- B. Riley Securities: Neutral
- Cantor Fitzgerald: Overweight

My Action Plan (52% Return Potential)

- I am bullish on **RDW** above $9.50-$10.00. My upside target is $20.00-$22.00.

Market-Moving Catalysts for the Week Ahead

The War Drums Are Beating

The situation over in Eastern Europe may be at its most critical since the conflict began in early 2022. The Euro continues to crash after Russia launched an ICBM (intercontinental ballistic missile).

However, as I'll demonstrate below, I find the market's reaction to these developments to be peculiar. Don't you find it odd that crude oil isn't surging higher as the war drums are beating? And if you look at the Japanese Yen, it's paused in its drop against the Dollar too.

Whenever a headline is dominating the market, I always pay special attention to the sectors associated with it. Of course, this could all change quickly, but at the end of the day, if nuclear war is on the horizon, then nothing we do in our portfolios will matter much.

More Inflation Data Coming

This week, we have very key inflation data, and it's the Fed's favorite metric—the Personal Consumption Expenditure (PCE) index. The Fed likes this reading of inflation because it allows for the substitution of goods and services.

I'm not expecting much out of this report, mainly because commodity prices have been contained for most of this year. Remember that this type of economic data is laggard in nature – it only tells us about the past.

Expectations for the month of October are for an increase of 2.1% year-over-year and 0.2% month-over-month. There's also the first revision of Q3 GDP, and analysts are looking for a growth rate of about 2.8%.

Holiday Trading Begins

I talk a lot about the cyclical nature of markets in this report, but every once in a while, I like to bring up seasonality. To be clear, the cycles I'm referencing are a bit different than seasonality, but they are connected to an extent.

As it turns out, stocks tend to perform better in certain months compared to others. Aside from April, November and December have been the top-performing times for stocks over the past couple of decades.

Many people are familiar with the Santa Claus rally but that actually doesn't start until after Christmas. But even before then, the investment community tends to get into the holiday spirit by bidding stocks higher. Let's see if it pans out again this year.

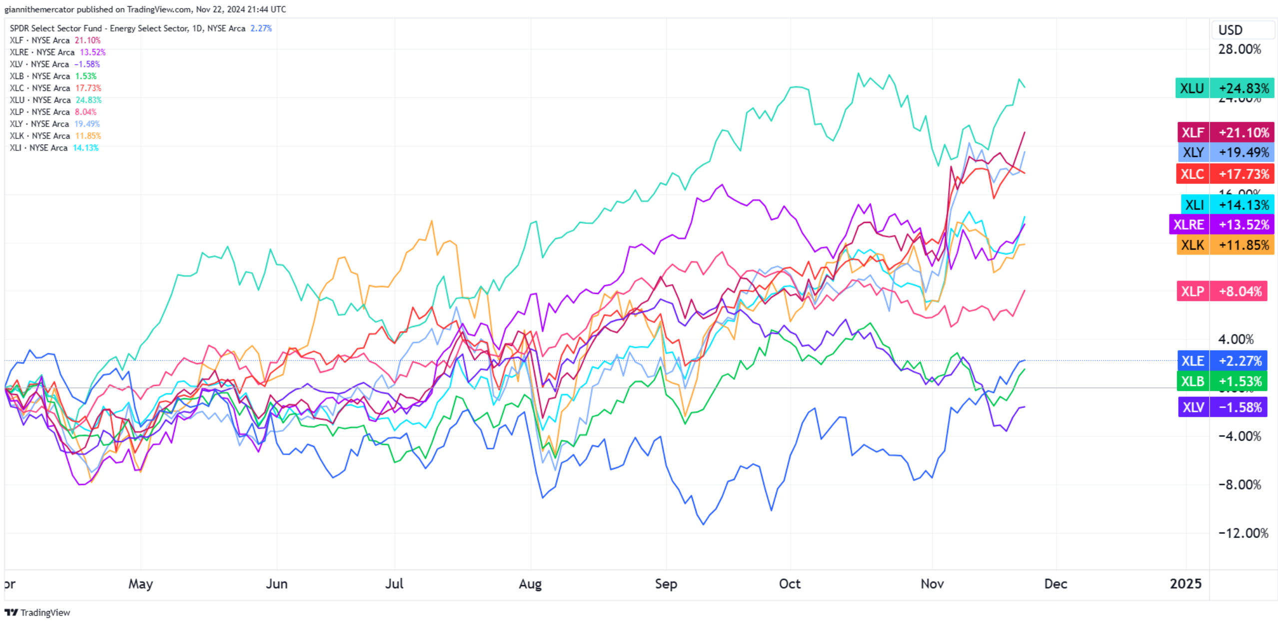
Is Full-Blown Mania Coming in 2025?

After the election, we saw a lot of traders and investors chase the stock market's breakout. It was only natural that we saw a few consecutive sessions of selling afterwards. The market loves to make a fool out of the largest number of people.

But going into 2025, I think the groundwork is there for a full-blown mania to unfold. We have the Fed lowering interest rates and adding liquidity to this market, and there is the potential for major reforms at the fiscal level.

In order for this market to fully top out, we need to enter an environment where the majority is completely ecstatic about the market environment. And we are simply not there yet. The closest comparison would be late-2021/early-2022. I think there's still a distance to go.

Sector & Industry Strength (Member Only)



As I mentioned last week, it's time to tighten up the time horizon to compare the sector performance rankings. So, going into year-end, we'll be looking at the various sectors and how they've performed since the start of the second quarter 2024.

Compared to the year-to-date numbers, we see a much different tape from the start of Q2. Utilities (Ticker: XLU) is comfortably in first place. In 2nd through 4th place, it's a tight race between financials (Ticker: XLF), consumer discretionary (Ticker: XLY), and communications (Ticker: XLC). None of these are bearish.

I would prefer to not have utilities (Ticker: XLU) as the top-performer, but I think A.I. has a lot to do with it. Seeing defensive sectors like healthcare (Ticker: XLV), energy (Ticker: XLE), and consumer staples (Ticker: XLP) hanging out near the bottom, however, is a good sign for bulls too.

1 week	*3 Weeks*	*13 Weeks*	*26 Weeks*
Basic Materials	*Financials*	*Consumer Discretionary*	*Consumer Discretionary*

Editor's Note: *The comeback of the consumer may be adding some kindling to the inflationary flames.*

Update on Classical Risk Indicator Sector ETF: (Ticker: SPY) (Ticker: TLT)

It’s time to check in on one of the market’s most classic indicators when it comes to gauging appetite for risk the ratio between stocks (**SPY**) and long-term bonds (**TLT**). The logic here is simple… when stocks outperform bonds, it’s risk-on, when bonds outperform stocks, it’s risk-off.

This ratio has been in a clear uptrend within the ascending price channel for years. This is observed by the series of higher-highs and higher-lows. Basically, this means that you’ve been able to grow your money at a substantially higher rate owning stocks over bonds.

Note that the ratio is approaching the upper end of the channel here. Don’t be surprised if it starts to slow in its rise, or even if we see **TLT** outperform **SPY** for a bit. I still think rates are coming down next year, but as long as this ratio keeps rising, we’ll stay risk-on.

Markets and Geopolitics Sector ETF: (Ticker: ITA) (Ticker: SPY)

The war drums have been beating over the past week, as threats of a further escalation over the conflict in Ukraine seem to be reaching another tipping point. While stock markets have chopped around, we haven’t seen complete and total selling yet – what gives?

Whenever there’s a particular headline that is dominating the air waves, I always like to check on the sectors related to the news to see the full picture. So, this week, we’re looking at the ratio between defense stocks (**ITA**) and the S&P 500 (**SPY**).

For this ratio, I’d be looking for **ITA** to outperform **SPY** if the market was pricing in a serious escalation of geopolitical tensions. But we’re not seeing that at all right now – on the contrary, the ratio is in a downtrend. As always, cooler heads will prevail.

Flows into Junk Debt Continue Sector ETF: (Ticker: HYG) (Ticker: TLT)

It's generally known and accepted that the bond market is where the "smart money" plays. In fact, it's why I make a point each week to include at least one review of a bond market ratio. We have to know what that market is thinking at all times.

This week, we're looking at the ratio between junk bonds (**HYG**) and long-term Treasuries (**TLT**). The difference between these two types of bonds is stark—they're at the opposite ends of the risk spectrum.

As a result, this ratio gives us a great insight in terms of what the bond market is expecting in terms of risk in the market right now. When the ratio trends higher, or when **HYG** outperforms **TLT**, it's a very strong risk-on signal.

Editor's Take:
It's well-known that junk bonds tend to trade in a similar manner to stocks. Unlike other bonds, junk debt isn't back by anything—just a promise from a corporation that they'll pay you back. They offer higher yields in return.

In strong markets, junk debt offers investors a way to obtain higher yields, as well as some appreciation on their principle. Typically, before the stock market corrects, junk debt starts to sell off.

But this can be taken a step further—typically, **TLT** will react first and start outperforming **HYG** beforehand. This is why it's imperative to watch this ratio. It looks like we're about to breakout from a triangle formation too. This signals more liquidity in markets.

Cryptocurrency

We are looking at (Ticker: XRP) this week, which has gone parabolic over the past week, and even more so, in the past month. Ripple has tripled since mid-October and at this point, it would be best to see it go sideways for a bit.

However, when it comes to the longer-term trend. It's still very much higher. This looks to be the formation of an epic flag pole, which could eventually lead to a period of "flagging" or sideways consolidation.

This could eventually lead to XRP rallying as high as $2.50-$2.80. If it gets there too fast, it would actually be a bad sign. Markets that rise to fast fall just as fast. The path of least resistance remains higher in Ripple as long as it's above 1.05-1.10.

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