Struthers Report V26 #9.2   Great Bear Trap, Market phases, DHT, GRB, DOC   May 4   2020

Know when to hold-em!
Know when to fold-em!
Know where to set stops!
Know when to run!
Never count your portfolio
Until the sells are done..

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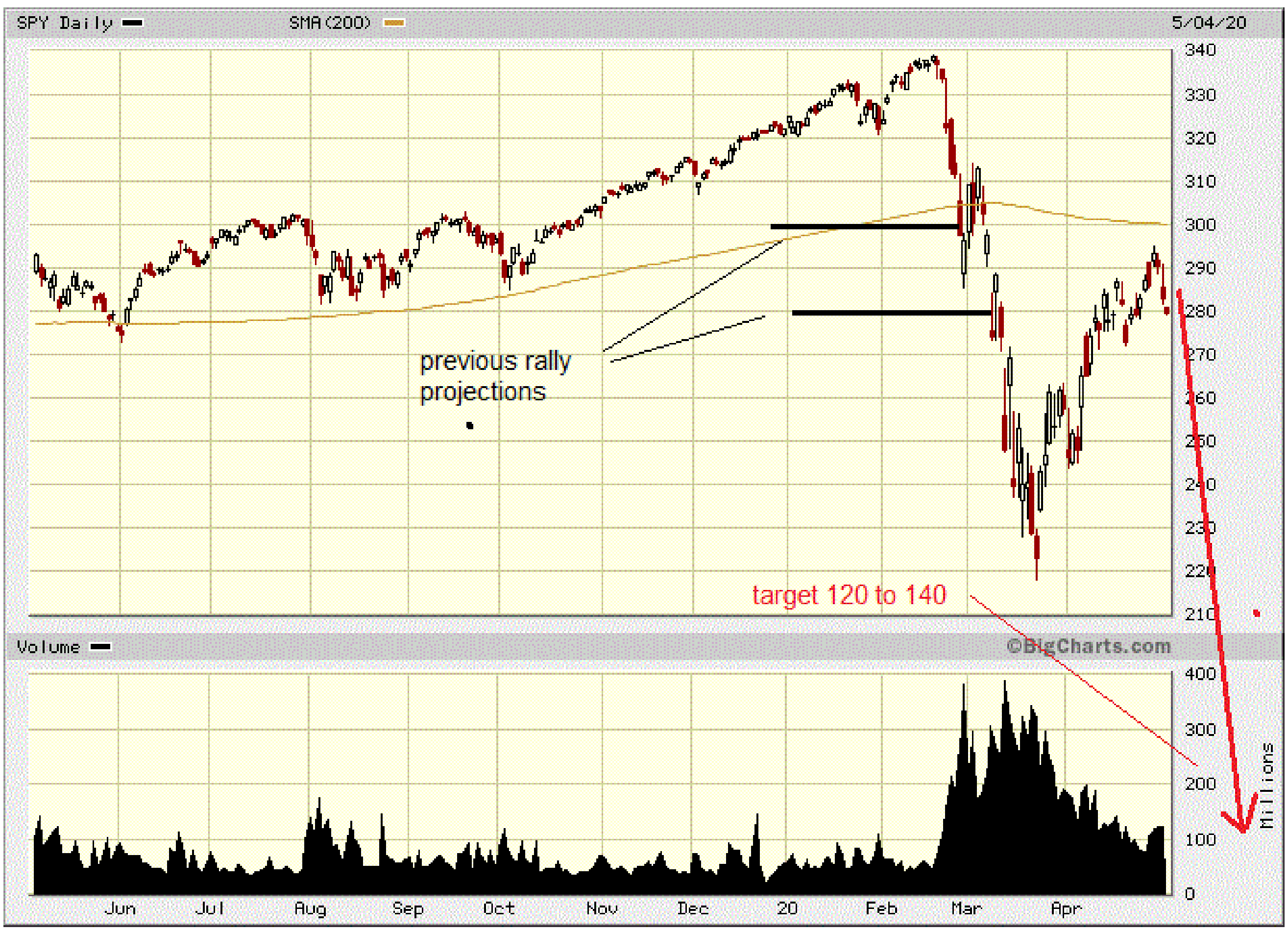
The Great Bear Trap (Bull Trap)

I have used this title twice in the past and is time to dust it off once again. It is actually a Bull Trap, but I sort of refer to it as a trap set by the Bear. The first time was early 2002 when the S&P rallied to about 1,200 in that bear market, the lows ended up around 800, giving up -30%. The 2nd time was in 2008 when the market rallied back to around 1,400 and it bottomed around 700 in 2009 for a further -50% drop. If you see a trend here, this trap will be worse. I am using a chart of the Spyder ETF (1/10 of S&P 500) to highlight volume. I predicted the bear rally on March 24th and in my March 29th update, predicted possible levels the rally could reach, shown below as around 280 and 300. This rally has been on low volume, not a good sign and since the market has reached my upside targets, it is all down from here. I am not predicting straight down like the arrow, but eventually 120 to 140 on (SPY).



One of the best comments I have heard recently was from Leon Cooperman, famous hedge fund manager and self-made billionaire. He commented on the current crisis and monetary policy in a CNBC interview, saying, "*Consistently low interest rates are indicative of a troubled economy and should not be viewed positively. You have negative interest rates in Japan, you have negative interest rates in Europe, yet their price/earnings ratios are lower than the US price/earnings ratio.*"

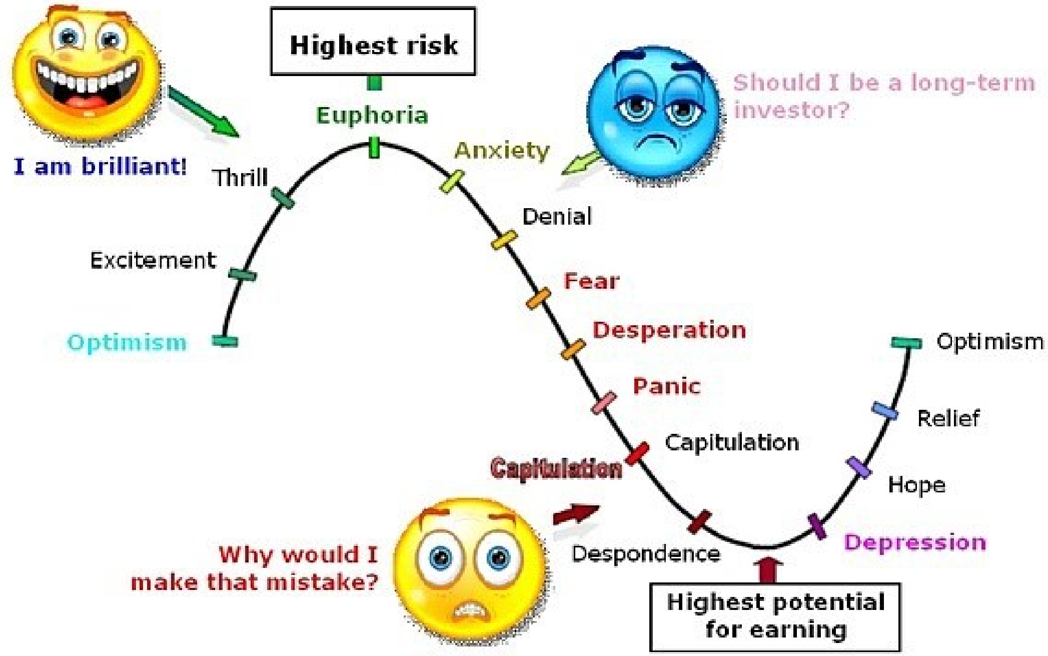
According to this article about research from the Center for Infectious Disease Research and Policy at the University of Minnesota, the coronavirus pandemic **is likely to last as long as two years** and **won't be controlled until about two-thirds of the world's population is immune.**

April is slated to be the worst month on record for U.S. auto sales.

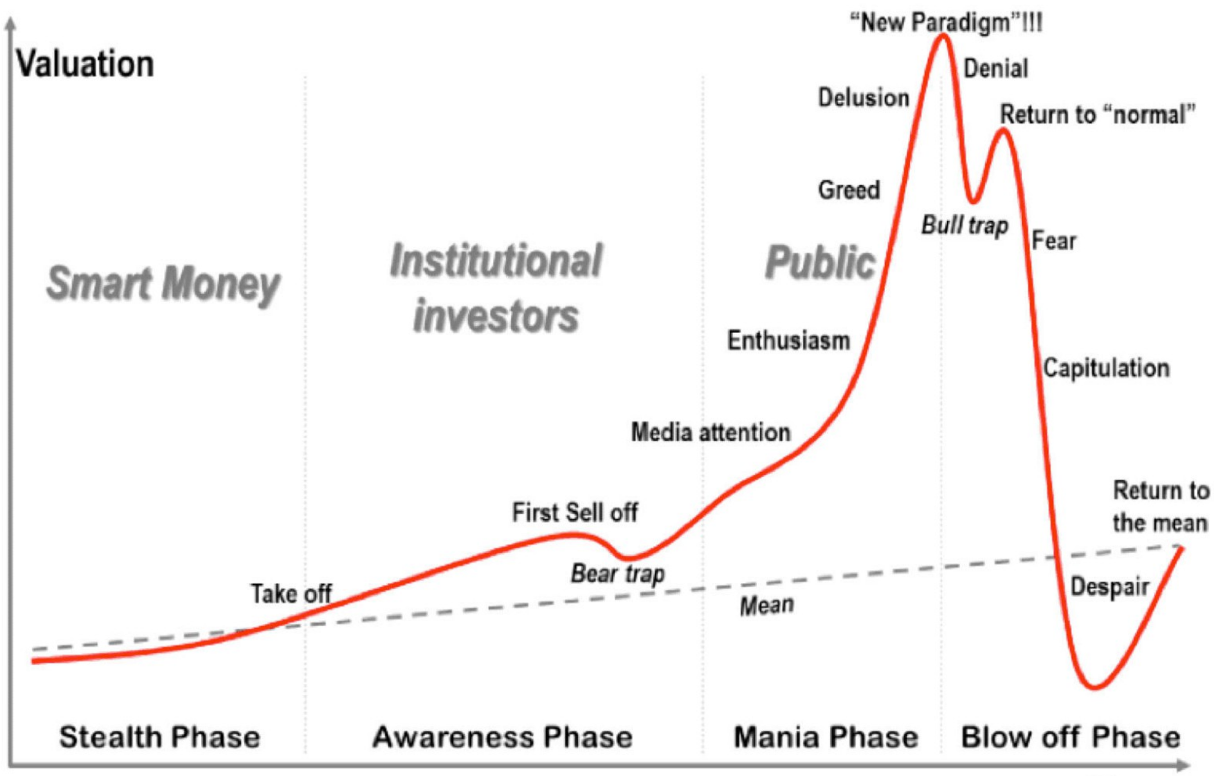
Edmunds forecasts that just 633,260 new cars and trucks will be sold in the U.S. for an estimated seasonally adjusted annual rate (SAAR) of 7.7 million. **This reflects a 52.5% decrease in sales from April 2019, and a 36.6% decrease from March 2020.**

You can pretty well look at any economic sector and they have all fallen off a cliff. However there is all this talk about a 'V' shape recovery. This 'V' shaped recovery consensus is among the sell side analysts that need you to buy stocks and bonds. They will tell you that the economy will be turned back on and everything will recover. They have already described the bear market as going through a panic phase, that the bottom is in and we are in recovery. The next bull market has begun.

There is a much more accurate description here. I call it the hope and denial phase of a bear market. These analysts and current investors are all denying the severity of the economic recession and hope that stocks have already witnessed the worse. You can find charts on the internet that will try to convince you that we have already had the panic sell off and the bear market is over. I believe these next charts will give you a better picture.



The sell off we had in February/March was anxiety about Covid19 and the economy and now the market is in denial. On the chart below, I believe we are in the denial and bull trap. Markets are hoping that as the economy is re-opened, there will be a return to normal. In fact we have not even reached the fear, capitulation and despair phase yet. That will start later this year and perhaps despair sometime in 2021.



Source: Dr. Jean-Paul Rodrigue Dept. of Global Studies & Geography Hofstra University

To look at market examples today, **Tesla (TSLA) and US Oil Fund (USO)** show the 'V' recovery mentality or more accurately the hope and denial bear market rally.

Tesla has always been a popular retail stock and in this chart, I compare it to Ford (F) and General Motors (GM). For some reason that I can only describe as hope and denial, investors think Tesla will be immune to this recession. Auto sales are plummeting but for some reason, those that buy Tesla cars will be immune to Covid19 and the economic recession. Again, hope or denial, or both. My downside targets on Tesla are marked on the chart and on a price chart, they would equate to $400 and then around $200.

Put Options are just too expensive to bother with. For example, the October $600 Put is going for around $80. The stock has to drop to $520 before it is in the money. Longs should sell the stock or to stay long, I would write covered Calls. You can write the October $750 Call and pocket about $140 per share. Of course you need to won 100 shares or about a $74,000 investment.

These insane option premiums simply reflect the high retail trading in this stock

This next chart is the US Oil Fund and I highlight this as an example of hope. Investors can see on a chart that oil prices are way down and USO has dropped from around $80 to $35 in March and volume picks up. The spike in volume occurred the days USO was around $30 and the fall the next day to about $22. Investors **hope** for a recovery and it goes back up. In reality it has drifted lower and it will be a long time for oil prices to recover. A lot of production will have to be shut in and a lot of oil company bankruptcies before the oil market comes close to getting in balance.

I believe the only oil type stock worth being long in - is tanker stocks. They are making all the money these days as floating storage and the high storage levels will be around for quite some time.

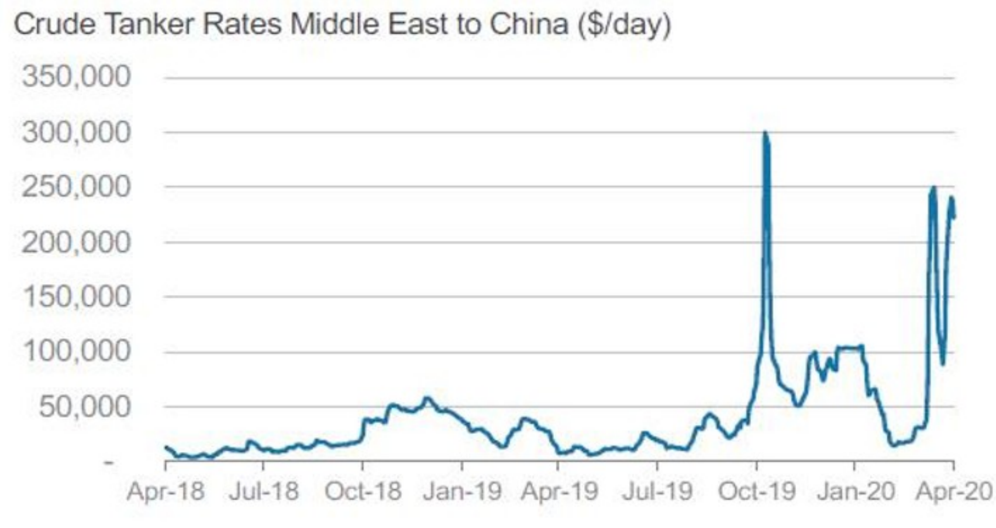
My favourite here is DHT Holdings (DHT) Recent Price US$7.36
52 week range $4.41 to $8.83 Shares outstanding 146.8 million

I first bought around $6.50 and the stock is down some now for a good entry level. Earnings are climbing and the future looks bright. DHT reported the highest quarterly earnings in it's history with a 32 cent dividend in Q4 2019. The company reported shipping revenues for the fourth quarter of 2019 of $191.8 million compared to shipping revenues of $138.6 million in the fourth quarter of 2018. However, in the sell off, the stock declined from $8.50 to a recent bottom around $5.00, a -41% decline, farther than the S&P 500's -24% decline

As of December 31, 2019 DHT had a fleet of 27 VLCCs. DHT has a very modern fleet with the oldest built in 2004 and 10 just added since 2015. The company is headed up by management from Norway, notorious around the world for their shipping expertise.

The current P/E is about 14 which reflects trailing earnings that are far lower than what I expect for 2020. The company has a record of paying out significant cash flow as dividends, that were as high as $1.20 per quarter in 2010/11. I expect VLCC rates to come down, but even so, DHT will have higher earnings and dividends for the next few quarters at least. Assuming the 32 cent dividend is the same each quarter and it could easily go higher, that is $1.28 on the year for a 17% yield.

DHT took advantage of the high tanker rates and locked in six of their ships at an average of $67,300 per day. This is much higher than there other fixed rates around $31,500 per day. They also have a number of ships working on spot rates that are very high at this time, upwards of $200,000 per day noted in the chart below.



Source: Baltic Exchange, Morgan Stanley Research

The stock chart shows a triple bottom and a new up trend. The company will report earnings, tomorrow, May 5th and I expect that could spark a move higher in the stock. I would like to see a break above $8.60 as a clear signal the up trend will continue.

Conclusion

Markets are in a hope and denial phase which is a current bull trap. Stocks like Tesla are a prime example and this recent rally should be sold into. It is too early to bet on higher oil prices, but with over flowing storage, Tanker stocks like DHT Holdings are a good play for dividends and capital gains.

**************************** UPDATES ***********************************

Great Bear TSXV:GRB Recent Price $10.70
Entry Price $6.70 Opinion - hold

The stock has broke out to new highs with more good drill results today. The spin out of Great Bear Royalties also takes effect today.

The owners of common shares of Great Bear on May 4, 2020 will receive: (i) one new common share of Great Bear for each common share of Great Bear held on the day before the effective date of the Transaction; and (ii) one-fourth of a Royalties Corp share for each common share of Great Bear held on the day before the effective date of the Transaction. Existing common shares of Great Bear are expected to be delisted on the TSX Venture Exchange ("TSX-V") effective on the close of business on May 4, 2020. New common shares of Great Bear are expected to commence trading on the TSX-V at the market opening on May 5, 2020. Great Bear Royalties shares will not be listed on a public stock exchange but will operate as a reporting issuer. The stock symbol will remain the same.

Today Great Bear released results from its continuing fully financed $21-million exploration program at its 100-per-cent-owned flagship Dixie project in the Red Lake district of Ontario.

Chris Taylor, president and CEO, said: "As we approach the one-year anniversary of the discovery of the LP fault and our 100th drill hole into this target, our sense of enthusiasm continues to build as the LP fault continues to deliver robust gold results with more detailed drilling. New drill hole BR-118 returned one of the longest high-grade gold intervals to date and was completed in the middle of a 150-metre gap in drilling. Mineralization begins immediately at the bedrock surface, with consistent geology and mineralization styles observed in both neighbouring drill sections. Importantly, all other drill holes reported in this release also continue to successfully intersect gold mineralization at all points tested along the LP fault to date."

The company has completed 99 of approximately 300 planned drill holes into the LP fault target, as part of its five-kilometre-long-by-500-metre-deep grid drill program.

Drill results highlights:

- Drill hole BR-118 on drill Section 20650 was completed in the middle of a 150-metre gap in drilling. The drill hole contained two significant mineralized intervals:

- 10.17 grams per tonne gold over 6.80 metres, within a broader interval of 3.18 g/t gold over 56.95 metres, beginning at the bedrock surface at 30.20 metres;

- 18.57 g/t gold over 13.00 metres, including 132.00 g/t gold over 0.50 metre, within a broader interval of 2.67 g/t over 104.15 metres beginning at 127.15 metres. An image of gold mineralization from this highlight interval is also provided on the company's website.

- Continuity of gold mineralization is suggested by similar results on both adjacent drill sections:

- Drill Section 20750, located 75 to 100 metres to the northwest of BR-118, includes previously reported drill hole BR-068, which returned 10.58 g/t gold over 21.10 metres (Feb. 13, 2020).

- Drill Section 20600, located 50 to 75 metres to the southeast of BR-118, includes previously reported drill hole BR-037, which returned 16.60 g/t gold over 6.0 metres and 5.60 g/t gold over 25.25 metres (Oct. 30, 2019).

CloudMD (was Premier Health) CSE: DOC Recent Price $0.85
Entry Price - $0.85 Opinion – hold, buy

Doc, Doc, give me the news, I got a bad case of quarantine blues!!

It has been a number of months since I updated on the company, but the stock has been on the move. I last suggested to buy on a break out above $0.56 and that just happened about 2 weeks ago. They did the name change around the end of February.

On March 31st CloudMD expanded its direct-to-consumer telemedicine app, CloudMD, to service Ontarians. I was hoping that would happen sooner, but I have not tried to use it yet. The app, which is free to download and use, allows people to book same-day appointments with a licensed physician in their own province. A roster of Ontario physicians has been onboarded to address Ontarians' health concerns via secure, real-time videoconferencing on the app.

There has been growing demand for digital health care, as demonstrated by the positive reception CloudMD received from its launch in British Columbia earlier this year. Then came the COVID-19 pandemic. As Canadians settled into their self-isolation routines, they have shown more motivation to seek medical advice virtually, preferring to avoid emergency rooms and clinics. According to the team of physicians behind the British Columbia-based telehealth platform, CloudMD has been averaging more than 110 consultations a day since the start of the coronavirus self-isolation period. In fact, in the past two weeks, CloudMD has seen a 69-per-cent increase in patient consultations. Last week, patient consultations were up by 83 per cent compared with the first week of March.

Ontario announces an emergency telemedicine billing code

Earlier in March, the Province of Ontario announced an emergency telemedicine billing code, allowing patients to be billed through OHIP (Ontario Health Insurance Plan). Telemedicine provides a vital service because it increases capacity at hospitals that were already operating beyond capacity pre-COVID-19. It also provides convenient access to physicians for all Ontarians covered under OHIP.

At the end of April, DOC reported that they reached over 100,000 users as of April 7th. A mobile app starts to get a more serious valuation and appreciation once you get into that 200,000 to 500,000 user base.

CloudMD Software & Services Inc.'s stand-alone telehealth platform, Livecare, has seen significant growth since CloudMD acquired it in January, 2020. The platform has been added to approved vendor lists with some of the largest healthcare associations in Canada including: Doctors of BC, BC Optometry Association, BC Centre for Ability, British Columbia Chiropractic Association, OntarioMD, Ontario Association of Optometrists and Canadian Association of Occupational Therapists, to name a few, representing over 20,000 Canadian practitioners.

Since acquiring Livecare in January 2020, CloudMD has seen dramatic growth, with almost 600 practitioners now using the platform. Since March 1, 2020 CloudMD has onboarded over 200 new customers on the Livecare platform, averaging over 1300 telemedicine visits a week and increasing.

If I have one fault, it is I often buy into stocks too early. I first suggested DOC in December 2018, it would have been much better timing the later part of 2019. You can see on the chart that the stock is just getting back to the 2018 highs. If we see a close above $1.02, it could go much higher. Virtual care is a trend that will continue long term and has only sped up with Covid19. This platform could be expanded into more provinces, states and countries that would equate to a lot more users and higher stock valuations.