



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..

rhstruthers@gmail.com

Ron Struthers Substack

[Monthly subscription US\\$19.99](#)

If you remember back in January 2022, I talked about the January effect on markets and it helped me predict the bear market that year. As I have been commenting this 7 stock driven rally is really just a bear market rally. It looks like January this year may be setting up the same way as 2022. The effect in detail says as the first 5 days of January go, so does the month and year. If stocks are down the month of January, it sort of confirms the effect. So far the first two trading days are down, if today's action does not see a strong rally.

Ironically the Magnificent 7 may be causing the current correction as Bank of America suggests. "The Magnificent 7 - Apple, Amazon, Alphabet, Meta, Microsoft, Nvidia and Tesla - have seen exposure by long-only active funds reach "critical mass," BofA says.

"Crowding risk in the leaders of 2023 has been cited by many (including ourselves) as a key risk in 2024," strategist Savita Subramanian [wrote in a note](#). "In particular, year-end 'window dressing' may have pushed active funds into big Tech leaders, but these stocks could be used as a source of funds if a hard landing is avoided and leadership broadens beyond secular growth stocks."



In late December, I pointed out the S&P 500 made a double top, the fear/greed indicator was extreme greed, RSI hit an over bought 80 and the high buying volume into ETFs. I called it a fake bull market and expected a retreat from the double top, so where to now?

The market is most likely headed down to 4600 short term, and if support does not hold there and between 4500, the market is headed much lower and probably back to bear status. I am not saying this will happen short term but most likely in 2024. After being some what bullish in 2023, I am bearish on main equity markets for 2024. Stay tuned for my 2024 outlook for more details.

Meanwhile, we have had very strong returns with these US cash rich bio techs, recently Nkarta - NKTX and Tormaline -TML, both more than doubled in short order. It seems with such focus in the market on the Magnificent 7 there are many value plays that are over looked. I just became aware of another bio-tech trading way below cash value and looks like it is breaking out on the chart.

Adicet Bio Inc NASDAQ:ACET Recent Price \$1.82 - - - Buy under \$1.80

52 week trading range \$1.10 to \$9.52 - - - Shares outstanding – 43 million approx.

Adicet Bio, is a clinical stage biotechnology company discovering and developing allogeneic gamma delta T cell therapies for cancer. Adicet is advancing a pipeline of “off-the-shelf” gamma delta T cells, engineered with chimeric antigen receptors (CARs) to enhance selective tumor targeting and facilitate innate and adaptive anti-tumor immune response for durable activity in patients.

Their cash on hand at Sep 30 is \$183 million, about \$4.25 per share. There are no warrants so a clean capital structure. About 52% of the company is owed by the officers, plus two funds with board seats, plus two other funds (RTW a long-term holder, and Morgan Stanley who increased their position to 9% in Q3 2023.

In October 2023, ACET's largest shareholder, OrbiMed, [announced](#) they've raised \$4.3 billion and now have \$17 billion under management – all in healthcare. OrbiMed's Managing Director Carl Gordon was quoted and he sits on ACET's board of directors.

Dr. Carl Gordon was a Senior Biotechnology Analyst at OrbiMed's predecessor firm Mehta and Isaly. Dr. Gordon was a Fellow at The Rockefeller University from 1993 to 1995. Dr. Gordon received a Ph.D. in Molecular Biology from the Massachusetts Institute of Technology and a Bachelor of Arts Degree from Harvard College. He was included on the Forbes Midas List of top venture capital investors in recent years.

In June 2023 when the stock was beaten down, OrbiMed added 875k shares of ACET in the \$2.10 range to take their position up to 19.3% ownership of ACET.

This looks like another bio-tech set up nicely to do some reverse takeover to unlock the cash value or simply move up in price to at least cash value. The company also wrote off all the goodwill on the balance sheet during Q3, which is what you might see as some house cleaning before any deal. Previously in better markets they raised \$150m around \$13.00/share in Feb 2021, and \$100mat \$14.00/share in Dec 2021. Some good timing to raise funds, just before the biotech market crashed.

I am not so concerned on the companies technology, I see this as just a short term trade for a profit. I pasted in their update from their update on their technology from their December 10th news release about their ongoing Phase 1 study of ADI-001 for the potential treatment of relapsed or refractory aggressive B-cell NHL was made available as part of the 65th ASH Annual Meeting, being held December 9-12, 2023 in San Diego, California.

“We are pleased to share encouraging observations from the pharmacokinetic and pharmacodynamic analyses of ADI-001 at ASH, further characterizing its potential as a best-in-class allogeneic CAR T platform. The data presented today showed dose-dependent expansion and persistence that met or exceeded that in prescribing information of approved autologous CD19 CAR T therapies, supporting ADI-001’s potential as an effective therapeutic option for patients with advanced cancers,” said Francesco Galimi, M.D., Ph.D., Chief Medical Officer. *“Historically, expansion and persistence of cell therapy products and release of functional cytokines have correlated with patient outcomes. We remain on track to provide a clinical update from the Phase 1 study in NHL patients in the second half of 2024.”*

Data highlights included in the ASH presentation were as follows:

- Robust dose-dependent expansion and persistence of ADI-001 were observed using three different methodologies for measuring exposure.
- ADI-001 displayed a strong exposure profile and was positively associated with both PD correlates and clinical response, as supported by the following:
 - At DL3 and DL4, ADI-001 C_{max} and T_{max} that met or exceeded that in prescribing information of approved autologous CD19 CAR T therapies.
 - Increasing dose levels showed higher C_{max} and AUC and were associated with patient clinical responses.
 - ADI-001 stimulation and proliferation were associated with peak levels of CAR+ cells and higher production of polyfunctional cytokines, particularly in patients whose best overall response was complete response or partial response.
 - Elevating levels of endogenous cytokines, comprising stem cell factor and IL-15, may potentially contribute to increased ADI-001 expansion and clinical response.
 - ADI-001 exposure or clinical response showed no correlation with the degree of shared HLA alleles between patient and ADI-001.

Conclusion

The stock sold off and had a gap down after their June 26th announcement of results in their Phase 1 Trial in Patients with Relapsed or Refractory Aggressive B-Cell Non-Hodgkin ϕ ϵ ™s Lymphoma (NHL).

ADI-001 demonstrated 71% overall response rate (ORR) and 63% complete response (CR) rate across all dose levels in patients with median 4 prior lines of therapy; 50% of patients enrolled had previously progressed on anti-CD19 chimeric antigen receptor T cell (CAR T) therapy. I did not see the news as all that bad, but in a poor bio-tech market, any excuse is used to whack a stock down.

The stock started to break higher on December 29th, closing above \$1.75 and has hit a mild resistance level around \$2.00. Short term, many technical indicators show it over bought so I am hoping for a bit of a pull back to buy under \$1.80. Once a solid break above \$2.00, the stock should start to fill the previous gap and move up to around \$4.00, close to cash value. The short position in the stock has remained pretty stable, around 3 million shares.



OrbiMed's probably has some plans for ACET, the fact they have a board seat and 19.3% ownership. It's a New Year so fund adjustments are finished for now and OrbiMed probably still has some of that new \$4.3 billion to invest. I doubt ACET stays 50% below cash value for too long unless we really get into an ugly market. That said, the ugly is probably a little later in the year.

Dr Karl Gordon is on the Board and has bought up close or to their 19.9% maximum and is most likely promoting some sort of change. We have made good money on these recently and on that topic, we should take some profits in Nkarta.

Nkarta NASDAQ: NKTX

Recent Price \$5.80

Entry Price \$3.12

Opinion – take part profits

We had a good strong short term run in NKTX and I expect it could go higher still, as this correction is healthy market action. However, I want to be cautious in case this market sell off steepens and it is not known yet if much short covering occurred in this recent rally. It could test support around \$5.



All forecasts and recommendations are based on opinion. Markets change direction with consensus beliefs, which may change at any time and without notice. The author/publisher of this publication has taken every precaution to provide the most accurate information possible. The information & data were obtained from sources believed to be reliable, but because the information & data source are beyond the author's control, no representation or guarantee is made that it is complete or accurate. The reader accepts information on the condition that errors or omissions shall not be made the basis for any claim, demand or cause for action. Because of the ever-changing nature of information & statistics the author/publisher strongly encourages the reader to communicate directly with the company and/or with their personal investment adviser to obtain up to date information. Past results are not necessarily indicative of future results. Any statements non-factual in nature constitute only current opinions, which are subject to change. The author/publisher may or may not have a position in the securities and/or options relating thereto, & may make purchases and/or sales of these securities relating thereto from time to time in the open market or otherwise. Neither the information, nor opinions expressed, shall be construed as a solicitation to buy or sell any stock, futures or options contract mentioned herein. The author/publisher of this letter is not a qualified financial adviser & is not acting as such in this publication.