Struthers Report V30 # 11.10 – Boeing, Intel, UPS, Rotation into Gold, Equinox Gold EQX a buy   Aug, 8 2024

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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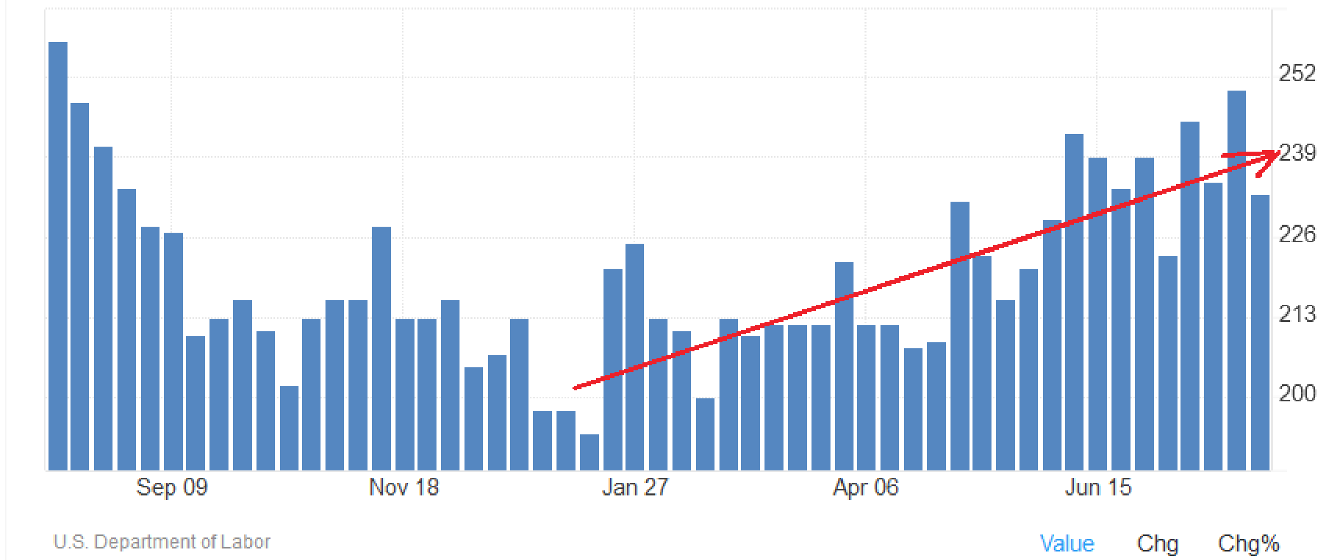
No Mid Day Report today as I will cover a few items in this newsletter.

Last week, fewer people filed for unemployment benefits than expected, showing some hope in the job market. The Labor Department reported 233,000 new claims, down 17,000 from the previous week and below the forecast of 240,000. The weaker numbers last week were blamed on the hurricane hitting Texas and annual auto plant shut downs, so not a great recovery in my books. Also the 240,000 was a one year high. Smoothing things out, it is obvious on the chart that jobless claims are on the rise.



The number of people already collecting unemployment benefits in the U.S., meanwhile, rose by 6,000 to 1.88 million.

JPMorgan Chase CEO Jamie Dimon believes the odds of a "soft landing" for the U.S. economy are about 35% to 40%, with recession being the most likely scenario. Dimon said the odds remain the same when asked if his view had changed since February.

I talked about the yen carry trade a couple days ago, see link below. Also from JPMorgan strategists wrote in a fresh research note. "*The spot component of the global carry basket would suggest that 75% of carry trades have been removed"*   Much of the market volatility over the past week is said to have emanated in Japan, where a carry trade based on the yen went sour as the BOJ raised rates during the same week the Fed signaled its intention to cut

Boeing (BA) US$167.40 (52 week lows)

Boeing faces significant challenges that could hinder its recovery and growth prospects. The company is still grappling with the financial and reputational damage from the 737 MAX crisis, which continues to weigh on its commercial operations. Additionally, supply chain disruptions and delays in the production and delivery of aircraft could further strain Boeing's financial performance. The defense segment, while stable, may not fully offset the cyclical nature of the commercial aviation business. Moreover, Boeing's heavy debt load, accumulated during the pandemic, limits its financial flexibility. These factors create uncertainties about Boeing's ability to fully regain its market leadership, making BA a risky investment. The stock just bounced off 52 week lows.

Can Boeing do anything right? Boeing (BA) Starliner, the spacecraft has faced helium leaks (for propulsion) and thruster issues (for deorbiting) since flying to the International Space Station in June, stranding astronauts Butch Wilmore and Sunita Williams. The mission to the ISS was supposed to only last eight days, but two months have already passed, and there's now talk of the situation lasting until early 2025.

Intel Corporation (INTC) US$19.70 (decimated)

Intel is facing significant competitive pressures that threaten its market position and growth prospects. The company has struggled with delays in its manufacturing processes, particularly in advancing to smaller node technologies, allowing competitors like AMD and TSMC to gain market share. Intel's slow transition to new growth areas such as AI and 5G raises concerns about its ability to innovate and stay ahead in a rapidly evolving industry. Additionally, the company's heavy reliance on the PC market, which is facing declining demand, could further impact its revenue. These challenges cast doubt on Intel's ability to sustain its historical dominance, making INTC a potentially risky investment.

The stock plunged on a poor outlook in the Q2 results announced August 1. "*Second-half trends are more challenging than we previously expected* " said Pat Gelsinger, Intel CEO.

Revenue was only down -1% from a year ago, but what goes up must come down. The stock was a high flyer based on PC demand from the pandemic and peaked around $69. **The stock is now at 14 year lows. Wow!!!!**

United Parcel Service Inc. (UPS) US$125.60

UPS faces potential headwinds that could pressure its growth and profitability. The company's heavy reliance on e-commerce makes it vulnerable to shifts in consumer behavior, particularly if e-commerce growth slows post-pandemic. Additionally, rising fuel costs and wage inflation could erode UPS's margins, particularly as the company continues to invest heavily in its network and technology infrastructure. Competition from both traditional players and new entrants in the logistics space could also intensify, leading to potential pricing pressures. For example Amazon is has been expanding their own delivery service. These factors, combined with economic uncertainties, may weigh on UPS's future performance, making it a less attractive investment in the near term.

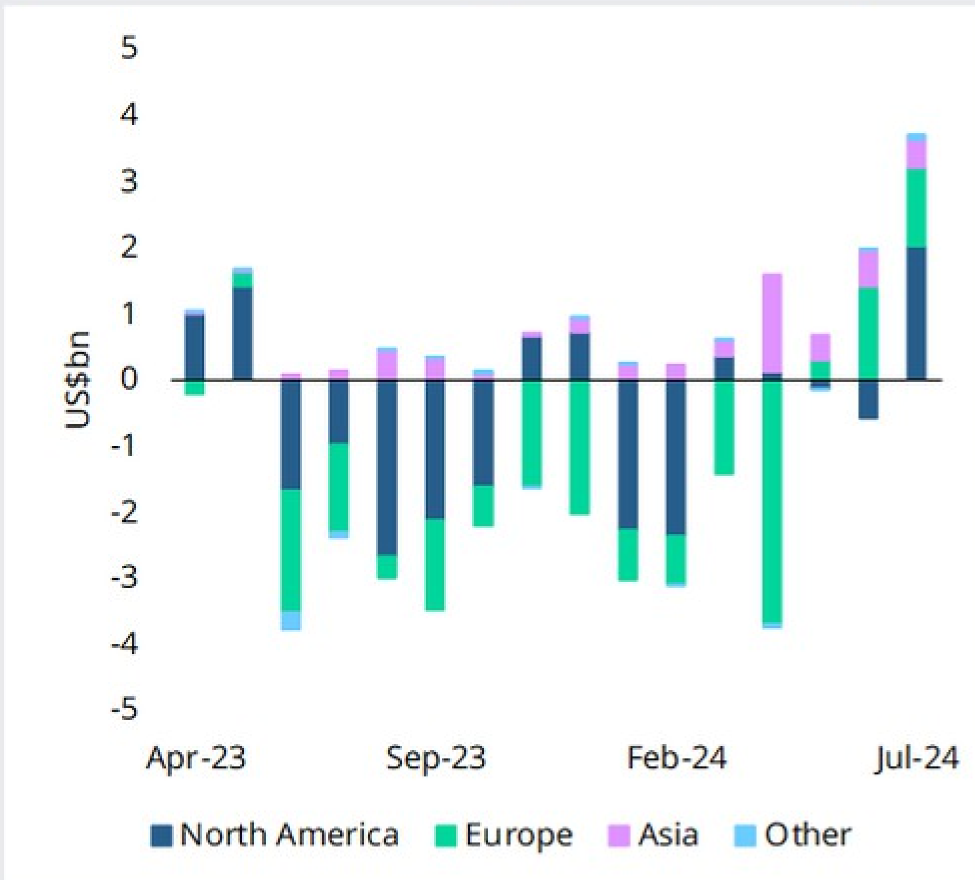
I follow UPS because it can give you a good read on economic activity. When the economy slows, so do deliveries. The stock plunged further in July on poor Q2 results. Consolidated operating profit was $1.9 billion, down 30.1% compared to the second quarter of 2023, and down 29.3% on an adjusted basis. As I pointed out some months ago on UPS, just another indicator the economy has not been as strong as the narrative. T**he last time the stock was this low was during the 2020 pandemic. Jamie Dimon recession, here we come!!!!!!!!**

Rotation into Gold

I have been commenting for months that the gold rally was pretty much driven by Central Bank buying. It has been a stealth rally as investors were not participating. About time as we finally see some evidence that investors are coming into gold. It is part of the market rotation that got started in July.

Global gold ETFs experienced their strongest month since April 2022, attracting US$3.7bn in July, the third consecutive monthly inflow; all regions saw inflows with Western funds leading the way.

Physically Backed Gold ETFs (and Similar) Flows by Month*



*As of 31 July 2024
Source: Bloomberg; Company filings; ICE Benchmark Administration; World Gold Council

You will remember I pointed out with my Magnificent 7 short barometer that some large and now proven smart investors/funds significantly increased short positions on these high flying stocks. Probably similar type large investors/funds are starting to buy gold. And here is one.

Equinox Gold TSX/NY: EQX Recent Price – C$6.32

Entry Price - $6.07 Opinion – strong buy

Pretty well all the gold stocks got hit in the recent market mayhem as many investors took profits out to meet margin calls and raise liquidity as the tech stocks and others saw large losses as pointed out above. Equinox stock has been knocked down to an over sold position and seems to be one of the worst performing gold stocks in August. There is no good reason, maybe just a victim of the recent market turmoil.

They made a correction to its news release issued yesterday "Equinox Gold Reports Second Quarter 2024 Financial and Operating Results".

The news release incorrectly stated that in connection with a new Term Loan, the Company had entered into gold collar contracts to deliver 279,996 ounces per month beginning July 2024 through to June 2026. The news release should have read that the gold contracts r**equire the delivery of a total of 279,996 ounces.** This error also occurred in the Company's management's discussion and analysis ("MD&A") for the three and six months ended June 30, 2024. **Perhaps that contributed to yesterday and todays down draft.**

And it is a good collar where EQX will get prices between $2,177 and $2,988 and where I see gold prices going, it will be at the higher end. In connection with the Term Loan, entered into gold collar contracts with an average put strike price of $2,177 per oz and an average call strike price of $2,988 per oz, for 279,996 ounces.

New Greenstone Mine a Game Changer

The stock is not getting credit for the increased production from their major asset Greenstone that just commenced production. Ore was introduced into the grinding circuit on April 6, 2024 and achieved first gold pour on schedule on May 22, 2024, with 16,247 oz of gold produced in Q2. Equinox just acquired the 40% interest from Orion to give them a full 100% interest in Greenstone. See this slide from their presentation.

Consolidating Greenstone Brings Significant Benefits

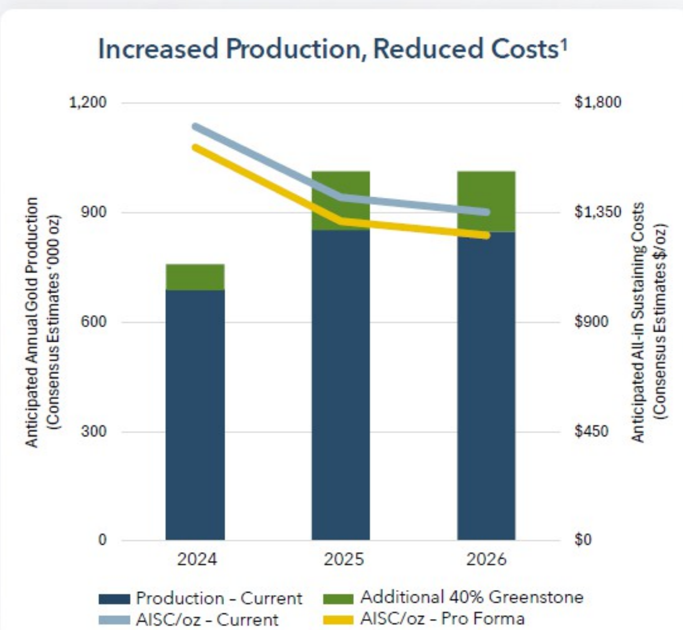
Acquiring the additional 40% interest in Greenstone gives EQX

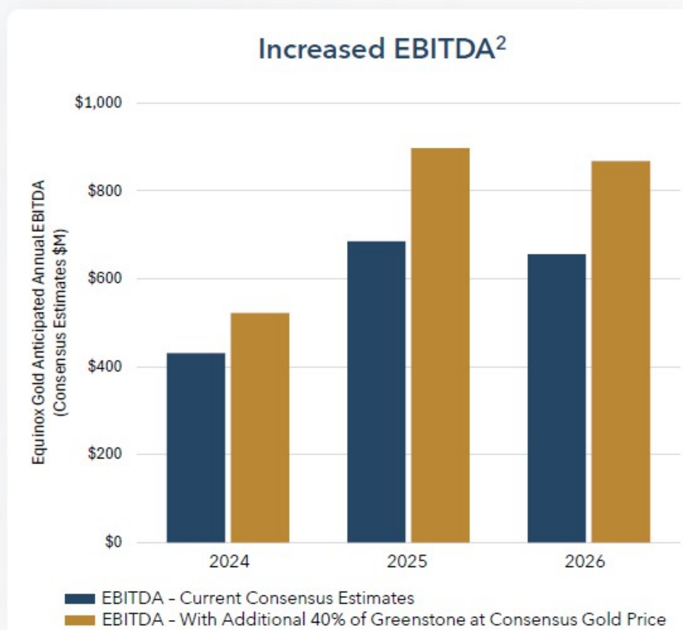
- **Increased gold production** – Additional 160,000 oz of gold per year for first five years (144,000 per year LOM)[1]
- **Improved cost structure** – Greenstone will contribute ~40% of EQX annual production at AISC less than $975/oz[2]
- **Increased cash flow** – More than $200 M in additional EBITDA per year to Equinox Gold when operating at capacity[3]
- **Enhanced diversification** – Rare opportunity to own 100% of a tier-one mine in a top mining jurisdiction
- **Increased gold endowment** – Adds 2.2 Moz of Mineral Reserves, 0.6 Moz of M&I Resources and 1.2 Moz of Inferred Resources[4]
- **Increased scale** – Positions Equinox Gold as one of Canada's largest gold producers
- **Enhanced long-term growth profile** – Consolidates expansion potential from Greenstone open pit and underground deposits as well as multiple gold deposits over a 100-km trend

1. Additional 40% of estimated average annual production as per Greenstone technical report. See *Technical Disclosure*. 2. Based on analyst consensus production and cost estimates for 2025 and 2026, as available at April 19, 2024. 3. Based on analyst consensus Greenstone production and cash cost estimates for 2025 and 2026, as available at April 19, 2024, and using analyst consensus gold prices. 4. Calculated using 40% of Greenstone Mineral Reserve and Mineral Resource estimates outlined in the Greenstone technical report. M&I = Measured & Indicated. Mineral Resources are exclusive of Mineral Reserves. See *Technical Disclosure*.

Greenstone will be a big factor financially, especially starting in 2025.

Additional Low-cost Gold Production Increases Cash Flow





EQX recent 2024 production and cost guidance is updated to reflect the consolidation of the Company's ownership of Greenstone, the suspension of mining at Castle Mountain until Phase 2 permitting is complete, slower-than-expected recoveries at Mesquite and the geotechnical event at Aurizona. Production estimated at 655,000 to 750,000 oz of gold with cash costs of $1,305 to $1,405 per oz and AISC of $1,635 to $1,735 per oz sold.

The stock was in a nice uptrend with two year highs around $8.80 made in April. The stock is now into a strong support zone so not much downside left now. In US$ it is at $4.59 way below where the raised US$299 million at US$5.30 per share in April.

I also like the Call Options now too

On the Canadian side the **December $6 Call around $0.85**

or the **December $7 Call around $0.45**

There is some open interest on these but much more on the US side.

I like the **December US$4 Call around $0.75**

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