

KTS
CAPITAL
MANAGEMENT



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Fed margin debt requirements

- Following the general short squeeze episodes, policy makers and FED are definitely contemplate whether they should now regulate markets. Actually, we do not think that more regulations will be introduced; but we do agree with Mr. Yardeni on the issue of margin requirements, which allows speculators to take on excessive risk.
- In the past, the FED has raised margin requirements to stem speculative excesses. From 1974, the margin requirement stayed unchanged at 50% . Today we are at 62%, or USD 299 Bln, the highest level ever. So, there is a real risk of the FED taking steps in this directions, which could potentially impact markets negatively.

Fear & Greed Index

- We read everywhere, how retail investors are earning good money with short squeeze strategies and how they are also taking on too much risk.
- Funnily enough, the fear & greed index plunged strongly in the last 2 weeks, emphasizing that for “rational” investors there is actually no euphoria in the air to cause concern.



Previous Close Fear	35
1 Week Ago Greed	58
1 Month Ago Neutral	51
1 Year Ago Fear	44

Last updated Feb 1 at 1:52pm

Source: CNNMoney

Strong inflows in Silver's ETF

- Everyone is focusing on the price of silver and have overlooked the fact that cash flowing into all Silver ETFs smashed its old record (USD 920 mio) with USD 1.5 bln of new money. We have never before experienced such inflows.
- In addition, silver coins' premium increased to new highs and US Mint warns it can't meet "surging demand" for silver & gold. The last time this happened was in June 2010 and we all know what happened in August 2010!



Source James Bianco / Bloomberg

General news

- Apple just issued a new USD 14 bln bond at very low yield and plans to use part of the proceeds to pay fund a share-buyback program.
- An interesting observation of Mr Molano of BCP Securities: 2 Democratic Senators announced that they would not vote against the Filibuster Rule, that requires 60% of the Senate to agree on major legislation. Therefore, the opposition Leader, Mitch McConnell, agreed to a power sharing agreement. The stimulus bill will be passed using a budget reconciliation process, so not passing successfully should not be in danger. But, if Republicans start abusing the Filibuster Rule, then the Democrats will get rid of it! For this reason, the market is not really worrying about the major tax reforms being introduced by the Biden Administration.
- Mario Draghi, the former head of the ECB who is largely credited with helping to save the euro, accepted a mandate from Italy's president on wendesday to try to form a new unity government that would guide the country out of the pandemic and through economic recovery. We believe that Mr. Draghi left the ECB with the intention of entering Italian politics. Probably the recent orchestrated political turmoil in Italy had the ultimate goal of having Mr Draghi as a new Italian Prime Minister. If Mr Draghi succeeds, we think it will be an happy outcome for everyone, not only for Italy, but also for Europe.
- Cannabis stocks were mostly higher after 3 Democratic senators, led by majority Leader Chuck Schumer, said they would make reform legislation a key priority in the current Congress, bolstering hopes for an end to federal prohibition.

Metals Tesla needs to build 20 mio cars a year

- Interesting links explaining the quantity of commodities Tesla will need to build up 20 mio cars a year. Such analysis confirms our fundamental thesis, that commodities are going to experience a new tremendous long term bull market. On the ESG and environmental side, it is questionable if the world is following the right path. But, for the time being, at least, no one is actually questioning it.

Tesla Production @ 20m	Material Required (t)	Production 2019 (t)	% of Production
Graphite	1,028,775	1,100,000	94%
Nickel	750,410	2,460,000	31%
Lithium	127,302	77,000	165%
Copper (vehicle)	1,820,000	21,000,000	9%
Manganese	20,811	19,000,000	+0%
Cobalt	68,315	122,000	56%
Aluminum (battery)	16,544	64,000,000	+0%
Aluminum (vehicle)	3,380,000	64,000,000	5%
MagREO (NdPr, Dy, Tb)	18,000	46,000	39%

Battery graphite, nickel, cobalt, lithium, manganese, MagREO (NdPr, Dy, Tb): Adamas Intelligence
 Production: USGS, BMO, Morgan Stanley, BP. Fitch, Excl. synthetic graphite
 Copper, aluminum (vehicle): UBS estimates of Chevy Volt



Source Mining.com

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