

The Best Way to Make Money in Q4 2017

Sometimes, making money is easy.

On July 26, 2017, we mentioned taking a position in the DIA, QQQ, and SPY ETFs, as well as the DIA January 2018 220 calls.

Here's how they've done since then.

- DIA ran from \$216 to \$227
- QQQ ran from \$140 to \$147.50
- SPY ran from \$242 to \$254
- The DIA January 2018 220 calls ran from \$3.80 to \$9.75.

It's best to exit each of these now to secure wins, especially with the call options.

In early July 2017, we spoke about the HIMX stock at \$7.75. It's now up to \$10.82. Sell the stock here to secure the win. We also mentioned opportunity with the HIMX December 2017 9 calls at 80 cents. It now trades at \$2.50. We also spoke about the HIMX January 2018 10 calls, which ran from 67 cents to \$1.85.



Sell each of those trades as well.

We're even doing quite well with the cyber security trades we spoke of.

Are we perfect? Do we get it right all the time? Not at all... But we do our very best to help find rewarding opportunities, as those above. Better yet, we're looking to launch a daily version of this letter as well to bring you even more, bigger opportunities often.

As for new opportunities, sometimes we simply need to uncover supply-demand stories. Right now, one of the biggest stories in the world is the electric vehicle (EV) boom. Many of the cars run on lithium-ion batteries.

The EV Boom Potential

It's quite exciting.

OPEC just noted that it expects to see 266 million EVs on the road in just a few years. The International

Energy Agency increased its 2030 forecast from 23 million to 58 million. BHP Billiton thinks we'll see 140 million of them on the road by 2035.

But for that to happen, the industry needs key materials to make the batteries work, including lithium, cobalt and manganese. All three are in a bind with tight supply and a heavy amount of demand.

Lithium is a critical component in EV batteries and a source of great excitement for commodity investors, as well. The problem is there may not be enough supply to keep up with the pace of demand. The EV market also uses 42% of global cobalt production, which is crucial for lithium-ion batteries. The other 58% is used for military gear, as well as every consumer product that enters the market, including cell phones, tablets, laptops, and cameras. As you can imagine, demand is skyrocketing. Unfortunately, supply isn't.

In fact, according to the U.S. Geological Survey, production has fallen, and supply could be slower than growth demand thanks in part because most global production occurs in the dangerous Democratic Republic of Congo (DRC).

And then there's manganese.

In 2016, for example, the USGS noted the world produced 8.6% less of it than in 2015.

That's just one of the issues that has forced prices higher. The other issue is demand, which is estimated to reach 28.2 million metric tons by 2022, especially with its applications in clean energy. According to the USGS, the U.S. is dependent on manganese imports with no production facilities of its own. In fact, the U.S. alone needs 500,000 tons of the metal every year, most of which is consumed by the steel industry.

The question then becomes how can we trade this?

One option is to buy a stock like Vale S.A. (VALE), which has good exposure to manganese supply. Others are buying the VALE December 2017 10 calls at market prices.



Another opportunity can be found with shares of South32 Ltd. (SOUHY).

South32, which was spun off from BHP Billiton, operates as a diversified metals and mining company primarily in Australia, Southern Africa, and South America. The company has a portfolio of assets producing alumina, aluminum, bauxite, energy and metallurgical coal, manganese ore and alloy, ferronickel, silver, lead, and zinc.

For exposure to things such as lithium, while we could always buy a stock like Sociedad Química y Minera de Chile S.A. (SQM), a low cost lithium producer, it's expensive. Instead, investors seeking exposure are picking up the Global X Lithium ETF (LIT), which offers exposure to SQM, and also 27 other lithium names like FMC Corporation (FMC) and Albemarle (ALB).



In short, to make good money in this market, just invest in what's hot in the news.