My 100X Game Plan for the Coming Silver and Uranium Bulls

A Nomad Finance Joint

Contents

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What I'm about to share with you is a high-risk strategy, to say the least. But my aim, for the first 2/3rds or so, is to give you the background, the deductions, and the practical implementations of it, so that, regardless if you pursue it for yourself or not, it's at the very least hard to dismiss. And any insights gleaned should transfer beyond into other, more conservative, approaches.

I've been through many ups and downs in the markets. I've lost everything before. And on many, many occasions, I've found very low risk, high reward trades that, in retrospect, seemed too good to be true. What I've learned over the years is that those trades, while infrequent, are both discoverable and tradable with the right strategy. And that comes down to a few key points:

- The right market
- Low cost stocks in that market
- Windows of low volatility that provide cheap entries
- Key inflection points that allow for high probability changes in volatility
- Mispriced derivatives in those stocks
- Consistent and savvy betting strategies that assume losses yet maximize gains

If you're well versed in the precious metals markets and trading derivatives, you can skim recklessly or skip to my conclusions - that is, the strategy I'll be implementing for 100X gains over the coming years.

For everyone else, I plan to walk you through a few things that will give you the references and context to be able to make sense of what's to come, and vet for yourself, my approach.

Regardless of your path ahead, I wish the very best for you, and I hope to find all of us on the other side of the coming commodities bull in precious metals healthy, happy, and filthy rich.

Let's start at the beginning…

Are You Set Up to Purchase / Trade? If Not, We Recommend:

Physical Gold / Silver (US Buyers & IRA Investment Options):

Augusta Precious Metals

Trading Platform / Account for Precious Metals Stocks / Options:

Etoro

Digital Gold: Bitcoin / Crypto:

BitIRA

A Brief History of Epic Runs (No, Not in Your Pants)

Do Not Go Gentle Into That Good Night

The most recent (and only) silver bull markets that led to prices reaching $50 were witnessed in 1980 and 2011:

- **The First: 1980 Silver Bull Market**
- Date: The 1980 silver bull market reached its peak on January 21, 1980.

During the late 1970s, there was a significant surge in silver prices primarily driven by inflationary concerns and geopolitical tensions. The 1980 silver bull market was heavily influenced by the events surrounding the Iranian Revolution and the ensuing Iran-Iraq War. These events led to oil price shocks and increased investor uncertainty, prompting them to seek safe-haven assets like gold and silver.

Investors, speculators, and institutional buyers flocked to silver, driving up demand and consequently raising prices. As a result, silver prices skyrocketed to an all-time high of $50 per ounce on January 21, 1980. That's $185 in today's, inflation adjusted price.

The bull market, however, was short-lived. The Federal Reserve implemented measures to combat inflation, and silver prices began to decline rapidly soon after, entering a multi-year bear market.

- **The Second: 2011 Silver Bull Market**
- Date: The 2011 silver bull market reached its peak on April 25, 2011.

The 2011 silver bull market was fueled by several factors, including economic uncertainty, the global financial crisis, and growing investment demand. In the aftermath of the 2008 financial crisis, central banks around the world embarked on aggressive monetary easing policies, leading to concerns about currency devaluation and inflation.

Investors sought tangible assets like silver as a hedge against inflation and as a store of value. Additionally, the rise of exchange-traded funds (ETFs) made it easier for investors to gain exposure to silver, further increasing demand. As a result, silver prices surged, reaching a peak of $50 per ounce on April 25, 2011.

However, similar to the 1980 bull market, the 2011 silver rally was relatively short-lived. Concerns about global economic growth, margin requirements for silver futures, and a general market correction led to a sharp price decline. Silver entered a bear market, and prices gradually retreated over the following years.

It's important to note that while silver reached $50 in both instances, the underlying factors driving the bull markets were distinct. The 1980 bull market was primarily driven by geopolitical tensions and inflationary concerns, while the 2011 bull market was influenced by economic uncertainty and increased investment demand.

And the Third…

Here, in 2023, we're looking at the perfect storm - dedollarization is putting the gold-standard for fiat currencies (The USD) at risk, as it loses it's status as a reserve currency, a medium of exchange, and a unit of account in the global economy. Inflation is heavily on the rise, and without a significant demand destroying event, should continue. Tensions with Russia and China, both of whom are creating back-door currency deals, are on the rise. Lumber is plummeting - a portent of coming home price declines. And investment demand is skyrocketing.

Add to that a Silver deficit in 2022 of 240 million ounces, the largest in history, tightening gold fundamentals, and central banks around the globe accumulating at record paces to support the value of their fiat currencies, and you not only have safe-haven assets that preserve wealth, but also investment vehicles with unprecedented demand.

This doesn't include the rapidly growing demand for silver's industrial applications, in particular, in solar panels. I'm not going to analyze supply / demand fundamentals here, but will add that silver's industrial demand, on top of expected investment demand, are what could lead to a longer term, sustained bull market that doesn't mirror the short-lived bull runs of the past.

So let's dive a little deeper into the first of these bull markets, and see if we can't learn anything of use for what's to come.

On the Hunts | Wall Street Raiders Corner the Silver Market

The Hunt brothers, Nelson Bunker Hunt and William Herbert Hunt, attempted to corner the silver market in the late 1970s and early 1980s. They began accumulating silver in the early 1970s, believing that the price of silver would rise significantly due to increasing inflation and global economic uncertainty.

Let's look at the steps they took to corner the silver market:

1. Silver Accumulation: The Hunt brothers started acquiring physical silver in various forms, including bullion, coins, and futures contracts. They used their substantial financial resources, including profits from their oil business, to accumulate a significant amount of silver.
2. Price Manipulation: As their holdings grew, the Hunt brothers sought to manipulate the price of silver upward. They utilized various strategies to achieve this, including buying massive quantities of silver futures contracts, which allowed them to control a large amount of silver without needing to physically possess it.
3. Leveraged Positions: The Hunts took advantage of the commodities futures market's leverage, which allows investors to control large quantities of

commodities with a relatively small amount of capital. By amassing a significant number of futures contracts, they were able to control a substantial portion of the silver market.

4. Price Rally: The aggressive buying and limited supply of silver by the Hunt brothers drove up the price of the metal. As the price rose, other investors, speculators, and even some industrial users of silver became interested, leading to further increases in demand.
5. Squeeze on Shorts: The Hunts' buying spree and the rising price of silver put pressure on those who had taken short positions on silver futures contracts. Short sellers had borrowed silver contracts, expecting the price to fall, but as it rose, they faced significant losses and were forced to cover their positions by purchasing silver at higher prices.
6. Exchange Intervention: Concerned about the impact of the Hunt brothers' actions on the market, regulators and exchanges implemented measures to curb their influence. Exchange rules were modified, margin requirements were raised, and position limits were imposed to restrict their ability to continue cornering the market.
7. Market Collapse: Despite their efforts, the Hunt brothers were unable to sustain their position in the face of regulatory intervention and mounting losses for short sellers. The price of silver eventually collapsed in March 1980, falling from nearly $50 per ounce to around $11 per ounce within a few weeks.

Now, you and I are unlikely candidates to raid the silver market as the Hunts did… but others might. Silver stocks are incredibly tight and there simply isn't enough being produced to meet demand for years to come. When prices breach technical levels (shown below), accumulation (happening now) and manipulation (also happening now) will give way to explosive rallies and short squeezes that will prove too volatile to participate in if one isn't already positioned.

You and I aren't going to raid Wall Street. But we will ride the coattails of the powers that be, driven by frenzied fomo buying that has, and will again, blind investors to reason and motivate them to accumulate regardless of cost, until…

Until the market collapses. I have my doubts on this particular stage in the process, because macroeconomic circumstances and market fundamentals could lead to higher prices once and for all, but silver bulls have proven to be fickle. Each of the previous bull markets lasted less than one year once they got going, and collapsed with prejudice.

We're unlikely to see $20 silver again in our lifetimes, once it breaches $30 and holds, but that doesn't mean we can't see nauseating corrections of 50% in the blink of an eye from prices much higher than we have now. This is one of the reasons I plan, at least with part of my portfolio, to trade, rather than buy and hold purely. Those drops will challenge even the most well-researched and battle-tested convictions to second guess their thesis.

Betting a little at key identifiable inflection points provides the greatest risk-reward in markets that fly high and fall hard. If wrong, you're down a small sum. If right, you're right with leverage on significant moves. More on that later.

Uranium is Explosive

The most recent uranium bull market occurred between 2004 and 2007. Let's dissect it.

The uranium bull market began in 2004 and reached its peak in mid-2007, primarily driven by increasing global demand for nuclear power, supply constraints, and speculative interest in the commodity. Several factors contributed to the rise in uranium prices during this period:

1. Growing Global Demand: As concerns about climate change and carbon emissions intensified, nuclear power emerged as a cleaner alternative to fossil fuels. Many countries, particularly in Asia, expressed interest in expanding their nuclear energy capacity to meet growing electricity demands and reduce reliance on carbon-intensive sources. The anticipation of increased demand for uranium, a key fuel for nuclear reactors, fueled investor optimism.
2. Supply Constraints: The uranium market faced supply-side challenges during this period. The dismantling of the Soviet Union's nuclear arsenal resulted in a significant reduction in the supply of highly enriched uranium (HEU) from nuclear weapons. Additionally, production disruptions occurred in major uranium-producing countries like Canada and Australia, further tightening supply.
3. Speculative Interest: The combination of rising demand and supply constraints attracted speculative interest from investors, including hedge funds and commodity-focused funds. Speculators began accumulating uranium inventories and driving up prices as they bet on the long-term growth potential of nuclear energy.

The uranium bull market reached its peak in mid-2007, with uranium prices soaring to all-time highs of approximately $130 per pound, representing a more than six-fold increase in just a few years. However, the market dynamics began to shift towards the end of 2007. Concerns about the global financial crisis, coupled with the impact of the Fukushima nuclear disaster in 2011, led to a decline in investor sentiment and a subsequent decrease in uranium prices.

Following the peak, uranium entered a bear market, characterized by a prolonged period of declining prices. The Fukushima incident resulted in increased scrutiny of nuclear power and stricter regulations, which further dampened demand for uranium.

It's worth noting that there have been sporadic periods of optimism and price rallies in the uranium market since then, driven by factors such as supply cuts, production curtailments, and growing interest in nuclear power in certain regions. But a sustained bull market comparable to the mid-2000s has yet to materialize.

Enter 2023 and beyond…

With the yellow metal being the only truly green energy source on planet earth to date, and global energy demand rising, with ongoing price inflation of fossil fuels, coal, and solar, uranium prices must rise or the lights go out, to quote the great Rick Rule.

Unlike other commodities, uranium prices are inelastic of demand, meaning that demand remains constant (or rises) even with changes in economic factors. This means uranium, unlike silver, can appreciate markedly, without a necessary collapse in prices due to waning demand.

What Happened to the Juniors?

During the two silver bull markets in 1980 and 2011, the valuations of junior mining stocks were affected dramatically.

- 1980 Silver Bull Market:
- During the 1980 silver bull market, junior mining stock valuations experienced a significant increase. The skyrocketing silver prices and heightened investor interest in precious metals prompted a surge in demand for silver mining companies, including junior mining companies.

Investors recognized the potential for junior mining companies to benefit from the rising silver prices, as they have significant exposure to silver assets. As a result, the valuations of many junior mining stocks rose substantially during this period.

However, the rapid ascent of silver prices in 1980 was followed by a sharp decline, leading to a bear market for silver. The decline in silver prices negatively impacted the valuations of junior mining stocks as well. Many junior mining companies faced financial challenges, and their stock prices plummeted along with the falling silver prices. This period was challenging for junior mining stocks, and it took several years for the sector to recover.

- 2011 Silver Bull Market:
- In the 2011 silver bull market, junior mining stock valuations also experienced notable effects. The increased investor interest in silver and precious metals during this period contributed to a surge in demand for junior mining companies. At this time, First Majestic Silver appreciated 400%, while Fortuna Silver Mines appreciated 1500%.

As silver prices climbed to $50 per ounce, investors sought exposure to silver mining companies, including junior miners, which provide tremendous leverage against the price of the underlying commodity, in the hopes of capitalizing on the rising metal prices. The positive sentiment surrounding silver and precious metals, along with the broader rally in commodities, led to significant gains in the valuations of many junior mining stocks.

And for Uranium?

They had epic runs, some stocks increasing 100X in price. Do your research.

A Valuable Lesson From Degen Traders

The 2017 crypto bull market was the quintessence of unregulated capitalism, with new technology searching for valuation, and a ton of dog-shit scam projects that fleeced delirious speculators from hard earned cash. It was an old fashioned gold rush, or shall we say, coin rush, that was a significant event in the history of cryptocurrencies, characterized by a rapid and dramatic surge in prices across the market.

But what can we learn from this unbridled chaos that might inform a strategy on the coming silver and uranium bulls?:

A Rising Tide Lifts All Boats:

- The phrase "a rising tide lifts all boats" encapsulates the phenomenon observed during the 2017 crypto bull market. The surge in prices for Bitcoin, the largest and most well-known cryptocurrency at the time, sparked a widespread increase in investor interest and a surge of capital flowing into the broader crypto market. This influx of capital led to a generalized increase in the prices of various cryptocurrencies, regardless of their underlying fundamentals or viability.

Meme Coins and Projects with No Real Infrastructure:

- During the 2017 bull market, a significant number of cryptocurrencies emerged, including meme coins and projects with no real infrastructure. Meme coins, in particular, gained significant attention and saw astronomical price increases. Dogecoin, a coin with open source code and no other claim to fame than an ironic picture of a Shiba Inu on it, for example, appreciated %6000 in 2017 (and it appreciated %25000 in the 2021 bull run).

The speculative frenzy and the "fear of missing out" (FOMO) mentality prevalent during the bull market led to investors piling into these meme coins and other projects, irrespective of their underlying technology, utility, or value proposition. This resulted in a surge in their prices by hundreds or even thousands of percent.

Lack of Fundamental Value:

- One of the notable aspects of the 2017 bull market was the detachment between price appreciation and the underlying value or utility of many cryptocurrencies. Several projects lacked robust infrastructure, viable use cases, or real-world adoption. Despite the absence of tangible value, market speculation and hype drove prices upward, creating an environment where price momentum and investor sentiment dominated.

As the crypto market continues to evolve, the lessons learned from the 2017 bull market have influenced investor behavior and the broader industry landscape. Market participants have become more discerning, emphasizing the importance of evaluating the fundamentals, technological innovation, team competence, and real-world adoption potential of cryptocurrencies before making investment decisions.

I’m just kidding, the same thing happened in 2021, only worse. Speculators yet again rushed into projects promising life in the metaverse - one guy spending $450,000 to buy a digital house in the metaverse next to Snoop Dogg’s digital house in the metaverse.

Another paid $23.7 million for a pixilated Crypto Punk NFT that looks like a computer generated image from the 80’s. He said it commanded this high price because it was one of only a few Crypto Punks wearing a hat.

The moral of the story here is that people are idiots, human nature won’t change, and where there’s hysteria, like we’ve seen in each of the last two crypto bulls, and each of the last two silver bulls, the only thing latecomers care about is “Money Go Up.”

And when market leaders start to look a little pricy, like Bitcoin at $20K in 2017, or $65K in 2021, then money flows from leading brands to smaller projects in search of higher beta - usually to catch a wave of buying that hasn’t begun, but often because one missed the first boat, and sees the silver, the memecoins, and the uranium juniors as the boat that hasn’t left the dock yet.

I by no means am comparing silver to dogecoin in terms of value, but I am suggesting a large portion of investment enters the silver market because it plays the role of cheaper money relative to gold, literally donning the moniker ‘poor man’s gold.’ Those who can afford gold, buy gold. Those who can’t buy silver.

A Dancer Buys Momentum (Not Value)

The book "How to Make $2,000,000 in the Stock Market” by Nicolas Darvas details the experiences and trading method that allowed him to accumulate substantial wealth in the stock market. Published in 1960, his insights are no less relevant today, and may help us identify critical turning points in market momentum.

Darvas was a professional dancer and self-taught investor. He developed his trading approach while traveling the world for dance performances. Darvas used a combination of technical analysis, price and volume patterns, and momentum indicators to identify stocks with strong growth potential. His trading method focused on buying stocks that exhibited a combination of price and volume breakouts.

The reason I’m introducing this to you, if you’re unaware, or reminding you, if you are, is because his method was both exceedingly effective, and exceedingly simple. But it did something more. It identified inflection points that allowed him to determine exactly when a market was worth paying attention to, and which kept him out of the market when it wasn’t.

With the strategy I’m going to propose to you shortly, one where time decay (the value of your derivative deteriorating merely because time passes) is a risk, having parameters that help identify when a stock (or commodity) is initiating a meaningful move versus messing around for half a year, is invaluable.

Darvas' specific trading strategy, as outlined in his book, revolved around a few key principles:

1. Box Theory: Darvas identified specific price ranges or "boxes" within which a stock traded (in modern language these would be known as rectangle patters, or accumulation and distribution zones). He looked for stocks that broke out of these boxes with high volume and showed upward momentum. This breakout signaled a potential opportunity for him to enter a trade.
2. Buy High, Sell Higher: Darvas believed in buying stocks that were already exhibiting strong price momentum. He looked for stocks that were hitting new 52-week highs or all-time highs. He believed that stocks showing consistent upward momentum had a higher probability of continuing their ascent. This will come in handy mid-way through the coming silver and uranium bulls, but I’m aiming to get you in at rock bottom prices first!
3. Stop Loss Orders: Darvas placed great importance on risk management. He used stop loss orders to protect his capital in case a trade didn't work out as expected. If a stock fell below a specific predetermined price level, he would exit the trade to limit his losses. In the strategy I’ll propose shortly, we’ll manage this risk by other means, but the premise is the same.

4. Focus on Price and Volume: Darvas looked for stocks with increasing volume during price breakouts, as it indicated strong investor interest and potential for further price appreciation.
5. Trend Following: Darvas was a trend follower and believed in sticking with winning trades as long as the stock's upward trend continued. He would trail his stop loss orders higher to protect his profits as the stock price climbed. This is trickier to achieve with options trading, but the premise should be taken to heart.
6. Patience and Discipline: Darvas practiced patience and discipline in his trading approach. He waited for clear breakout signals and avoided impulsive trades. He also emphasized the importance of staying focused and not being swayed by outside opinions or market noise.

Darvas' strategy was that of a sniper versus someone hunting with buckshot. He was able to manage this while traveling the world, and using price updates from the newspaper. It's not a day trading strategy, but one that allows for few, but poignant selections with a higher probability of strong momentum to follow.

Of these principles, we're going to focus on box theory (or key inflection points) and stop loss orders (or tight risk management).

Identifying Key Inflection Points (On Market Timing)

Inflection points in trading refer to key turning points or reversals in the direction of a financial instrument's price movement. These points indicate a shift in market sentiment and can provide favorable risk-reward setups for traders. Understanding inflection points and their associated patterns can help traders identify potential entry and exit points in the market.

In Darvas' case, patterns with clearly established, horizontal support and resistance zones, are ideal. And these will hold true for us as well, though they're not the only patterns that demonstrate higher probability momentum trades.

Triangle formations can often precede significant price moves, and are characterized by converging trend lines, where the price consolidates within a narrowing range. This consolidation creates a coiling effect, as price volatility decreases. Traders consider triangles as periods of price contraction or low volatility, indicating a potential breakout or expansion in volatility in the future.

Triangle patterns provide traders with the opportunity to identify low volatility entries before high volatility episodes. Traders often look for specific characteristics within triangle patterns, such as decreasing volume as the pattern progresses. This decline in volume suggests a lack of interest or indecision among market participants. This also brings down options prices associated with that stock. More on that soon.

As the triangle reaches its apex, a breakout is likely, which can result in a sharp price move accompanied by a surge in volume.

The premise behind trading triangle formations and inflection points is to take advantage of the subsequent volatility expansion and potential trend continuation while also minimizing position size, and therefore risk. Darvas did this with stop losses, we'll be doing this with options contracts with tighter timelines.

While triangles (and all other patterns for that matter) don't predict which direction price will go next, they do provide a clear point of inflection where the trade can be easily invalidated if assumed direction turns out to be wrong.

This is particularly important for us, because we're not going to wait for the breakout, which is generally accompanied by volatility that spikes options premiums. We're going to anticipate breakouts, focusing on call options (long positions), and buy on the cheap during low vol windows where price is coiling into a tighter range.

This is the difference between buying with 6-12 weeks of time on the option at one price, versus having no clear timing indicator and paying 2-3 times that price for an additional six months of time. More on options shortly.

Now, let's look at a few relevant charts, both to get an idea of market potential, as well as to identify a few of these patterns.

The Mother of All Inflection Points - Where We Are Today

Gold Chart I Weekly

Silver Chart I Weekly

Silver Chart I Weekly

SILJ

Uranium Chart

Denison Mines

Junior Miners $SILJ Against Silver

Weekly:

Daily:

Miners Against Uranium:

Weekly:

Daily:

Small Boats Rise Fastest (Junior Miners as An Options Strategy)

Essential for our strategy is the premise that a rising tide lifts all boats. Inherent in that, is that small boats move farther (in both directions) than large boats, given the same wave. While large miners in gold, silver, or uranium could be priced in the tens to hundreds of dollars, many juniors could be priced in dollars, if not pennies.

One strategy, employed by many, is to buy a large basket of penny miners, and just wait. This has the advantage of greater upside than owning individual, large miners, while at the same time protecting against negative, extreme price action in one or more juniors.

Keep in mind, these are still companies that have to manage mining infrastructure, staff, differing resource deposits, expenditures, and on and on, not merely the transaction of selling the base metal. There's a lot that can go wrong in any business, and the younger / smaller the company, quite possibly, the greater the hurdles they need to overcome.

So owning many of them over a long period of time is a great hedge against ignorance. But it doesn't necessarily reduce exposure to whipsaw moves and sharp price declines - moves you wouldn't have exposure to in our strategy, beyond a predefined position size with acceptable risk.

That said, precious metals stocks are high leverage plays on the metals themselves, because miners have close to fixed costs, whereas their product has massive price variance. In a bull market, margins skyrocket, making miners extremely profitable.

The commodity, the miners, and juniors, are all riding the same wave. They'll all move in the same direction. But the miners will move farther, and possibly faster than the commodity. And the juniors will move farther, and possibly faster than their larger counterparts.

Why does this matter?

Because we're looking for leverage on leverage that can net us 100X returns. Junior miners are essentially a high beta options play on the underlying commodity, where company profitability doesn't grow in proportion to the increase in the price of the commodity, but grows by multiples of it.

But wait, there's more…

Options as an Options Strategy

While simply buying a basket of miners and waiting a few years can, and will, provide significant upside - if silver hits $100-$150 over the coming five years (a 4-6X increase), and it should, junior miners should provide 3-5X leverage on THOSE gains, totaling 12-30X returns. Pretty healthy.

But along the way that strategy will come with weeks to months of nauseating volatility and backtesting that will make it very hard to remain in the trade, and will tempt even the biggest balls to nut up or cash out.

Along that road there will be no shortage of inflection points that allow for targeted, 10X trades, risking a fraction of what one otherwise might, being heavily invested in volatile miners. But to do that, we need a high leverage vehicle that gives us exposure to that kind of upside, without the same degree of risk. Fortunately for you and me, those vehicles exist.

1. What Are Options?

Think of options as contracts that give you the right, but not the obligation, to buy or sell a specific amount of a stock or commodity at a predetermined price (known as the strike price) within a specified timeframe. You have two types of options: calls and puts.

- Calls: Buying a call option gives you the right to purchase the underlying stock at the strike price before the option expires. It's like having a golden ticket to buy the stock at a discount.
- Puts: Purchasing a put option grants you the right to sell the underlying stock at the strike price before the option expires. It's akin to having a superpower to sell the stock at a higher price than the market value.

2. Factors Affecting Options Pricing

The price of an option is influenced by several key factors that you must understand to navigate my trading strategy successfully. Let's dive into these important factors:

- Stock Price: The current price of the underlying stock plays a significant role in determining an option's value. If you hold a call option, you want the stock price to rise above the strike price for the option to be profitable. Conversely, if you hold a put option, you hope the stock price falls below the strike price. The larger the difference between the stock price and the strike price, the more valuable the option becomes.
- Time Decay (Theta): Time is a critical factor in options pricing. As each day passes, options lose value due to time decay. This means that even if the stock price remains unchanged, the option's price will decrease over time. The closer the

option gets to its expiration date, the faster it loses value. It's important to consider the time remaining until expiration and make timely moves to maximize profits.

- Volatility (Vega): Volatility measures the magnitude of price fluctuations in the underlying stock. Options prices tend to increase when the stock market experiences high volatility. This is because volatile markets offer greater profit potential. When volatility is low, options prices are generally lower as well. Monitoring the volatility levels is crucial as it can significantly impact option prices.
- Delta: Delta represents the sensitivity of an option's price to changes in the underlying stock price. It tells us how much the option's value is expected to change in response to a $1 movement in the stock price. For call options, Delta ranges from 0 to 1, while for put options, it ranges from 0 to -1. Delta helps us assess the risk and reward of different options strategies and understand how much an option's price will move in relation to changes in the stock price.

While I don't find these factors particularly useful in mathematical terms, knowing **that** AND **how** each factor affects price is very useful. This is why, for example, we want to buy during low volatility windows (during price consolidation (coiling) before a breakout) and sell during high volatility periods. Chasing price after a breakout might lead you to pay much more for an option, as it's volatility has increased. Then, if the market stalls or retraces, you very quickly wind up in a losing trade where time works against you.

3. The Dance of Profitability

Let's look at an example to see how options can work their magic. Imagine you're eyeing a call option on ABC Company. The stock is currently trading at $50, and you purchase a call option with a strike price of $55 and an expiration date one month away.

Here's the fascinating part: If the stock price climbs above $55 within that month, your call option becomes profitable. The further the stock price surpasses the strike price, the more profit you can make. For instance, if the stock jumps to $60, you can buy it at $55 and immediately sell it for $60, pocketing $5 per share profit (Note: you don't actually need to convert the option to the underlying stock - you can merely sell it and pocket the profit).

However, if the stock fails to rise above the strike price by the expiration date, the option may expire worthless, and you'll lose the initial investment. That's why timing and understanding the movements of the stock are crucial.

We've already discussed markets and position timing for the WHERE and the general HOW of a trade. We're going to put this system on steroids next by capitalizing on mispriced risk, and we're going to survive the long game by implementing betting strategies that minimize risk on any one trade.

Capitalizing on Mispriced Risk

Indulge me for a moment, as I try to explain something I happened upon, and haven't seen discussed elsewhere. In applying the deductions we've already covered - from identifying a potentially hot market, to finding a junior miner with good technical structure in low volatility, to scouting options contracts that offer incredible risk-reward on the trade - we might discover what I can only describe as a… mistake.

You see, if you purchase an option, someone is selling it to you. Their hope is for that option to expire worthless, and they collect and keep the premium you paid. And because most options writers are professionals, they're often right, somewhere on the order of 80% right. Which, if your math isn't terrible, ought to make clear you're playing a rigged game, with the edge in the other person's favor.

But…

But that leaves 20-30% of trades that resolve in favor of us, the dumb money. And when they do, they generate open ended upside for us, and open ended risk for the options writer. And if purchased with Darvas level risk and precision, these winners can far outweigh the losers in terms of profit and loss.

But one must identify options with mispriced risk. You can see from the Greek's above that options prices have a handful of variables which interact and impact one another. As such, they're not absolute parameters, but are relative. And in low cost stocks oscillating in low volatility, these parameters don't speak accurately to the real risk of impending volatility, which can be explosive. The Greeks change dramatically as both price and volatility of the stock increase.

I've been playing around with DNN (Denison Mines) options for the last year and a half. DNN is currently sitting just above $1 a share. You can, as of today, purchase call options with a strike price of $1.5 and 6-8 months of time to expiration for about $15 each. Since one options contract represents 100 shares, you're essentially purchasing the upside on 6.5 times the number of shares you could get if you purchased the stock outright, with the fixed risk of $15.

These options prices aren't going to last.

That alone isn't enough of a reason to purchase, because, as we discussed, most options expire worthless, and the guy selling em to you may be a proper alchemist. But let's say the price of uranium is on the move, and the price of DNN is coiling (both are true as of the end of May 2023).

Under similar circumstances over the last 15 years, the price of $DNN has jumped 300-400% in a matter of weeks to months. That's the stock price, NOT THE OPTIONS VALUE! If the price were to double over the next few months, each contract would be .5 ($50) in the money - for a 3X profit. In the last two years, DNN has made that very move 3 times in the matter of weeks to a couple months, meaning it's well within range for a reasonable move.

I'm expecting DNN to pass $10 over the course of the coming years, with several windows like this one, and several opportunities for entry. Implementing the trading strategy I dissect below, this is an example of a candidate for a 10-20X trade (our 2 out of 10 trade winners need to average about 7x returns).

To highlight just how awesome options with this risk profile are, to purchase a similar move on a $30 stock could cost 5-10 times that of a junior, with a lower probability of the stock moving to such a degree.

The sweet spot is inexpensive stocks during low vol windows at inflection points.

Hedging Ignorance (Betting Strategies that Assume Losses)

Betting strategies employed in gambling can have parallels to risk management in stock and commodities trading. While there are inherent differences between gambling and trading, certain principles and strategies can (and should) be adapted. I'm bringing this up here for one critical reason - gambling odds aren't good… but pros still make money.

Even at purely random 50-50 odds, someone with good betting strategies can make great money.

So while we want to acquire an edge that improves our odds of picking winners as much as possible, position sizing and risk management is indispensable. And I want to focus on gambling strategy here because it removes the noise of people thinking they can predict the future in the market, and rather assumes that good 'lucky' feeling may not be a great benchmark for position sizing.

Let's look at how and why betting strategy relates to risk management in trading, along with examples of portfolio management that parallel these concepts:

Bankroll Management and Position Sizing:

- In gambling, bankroll management involves allocating a specific portion of one's total funds for each bet. This approach helps control risk and prevents excessive losses. Similarly, in trading, position sizing is crucial to manage risk. Traders allocate a specific portion of their portfolio to each trade based on factors such as risk tolerance, market conditions, and position correlations. By managing position sizes, traders can limit potential losses and diversify their portfolio.

Example: A gambler sets a rule to never bet more than 5% of their total bankroll on a single bet. Similarly, a trader may decide to never allocate more than 2% of their portfolio to a single trade. This way, both the gambler and trader limit their exposure to individual risks and protect their overall capital.

Risk-to-Reward Ratio:

- In gambling, understanding the risk-to-reward ratio is essential to make informed bets. A favorable risk-to-reward ratio means that the potential reward outweighs the risk taken. Similarly, in trading, assessing the risk-to-reward ratio helps traders determine whether a trade is worth pursuing. By targeting trades with a favorable risk-to-reward ratio - key inflection points in hot markets as discussed above - traders can aim for profits that exceed potential losses.

Example: A gambler places a bet with odds that offer a potential payout three times the amount they risk. In trading, a trader may enter a trade where the potential profit is three times the potential loss, providing a favorable risk-to-reward ratio in both scenarios. In the strategy I'll present below, we'll be aiming for an average payout of 7x the amount we risk, assuming that we'll target 2 winners out of 10 trades.

Stop Loss Orders:

- In gambling, some experienced bettors use stop loss strategies to limit losses. They establish predetermined thresholds where they will exit the game or reduce their bets if losses exceed a certain point. Similarly, in trading, stop loss orders are used to automatically exit a trade if prices move against the expected direction. This helps limit losses and protect capital.

Example: A gambler sets a rule to stop gambling for the day if their losses reach a certain percentage of their bankroll. Similarly, a trader sets a stop loss order at a predetermined price level, ensuring that if the trade goes against them, they exit the position to limit potential losses.

While there are similarities between gambling and trading risk management strategies, it's important to note that we won't be playing a game with purely random odds. We have an edge. However, it's not an edge that promises a high number of winners, but winners that far outweigh the losses of a majority of losing trades. This is a critical point worth rereading.

As such, our risk management strategy requires careful attention to discipline, position sizing, and risk control, that similarly protect us from losing too much on any one trade, yet allowing winners to overcompensate.

So far we've covered the inevitability of silver and uranium bull runs to come, how they tend to perform and act in such times, what kinds of stocks to focus on within these markets, how to identifying inflection points that put us in the right stocks at the right times, and how to orient around risk and positioning sizing, assuming we're highly fallible and nobody can predict the future.

It's time to put it all together, and share my roadmap.

Trade Analysis Platforms:

Stocks and Commodities Analysis:	TradingView
Options Analysis:	**Options Alpha**

My Roadmap: How I'll Do It

Just to reiterate, options trading carries risk. This may not be for everyone, AND it should not override an otherwise conservative allocation to gold and silver coins / bullion and positions in commodities ETF's that take advantage of the long term commodities bull run and broad inflation of natural resources over the coming years.

This is icing on the cake for renegade raiders.

This is an options trading strategy based on a starting portfolio of $20,000. Similar logic could be applied to highly profitable junior miner stock trades (without leverage / options) that are purchased in full with the allotted risk, and that return an average of 7.5X.

7.5X returns on an options trade isn't the moonshot it sounds like when one's timing isn't terrible, and they purchase mispriced risk, as we've discussed. If the previous pages / charts didn't make complete sense to you, give them a review, because the strategy below requires implementation of the timing and betting principles above.

Now, calculated returns on a high leverage, high vol trading strategy isn't easy, so I'm going to use numbers that I hope you'll find reasonable. I'm going to assume 7 out of 10 trades are losers, and lose 100% of the position size. Meaning if your position size is $5,000 on a trade, you lose that entire sum if you're wrong. That doesn't need to be the case, and in many cases, signs will be evident the trade isn't working, and you can liquidate and retain some of the principle.

But to keep things clean, we're going to assume all 7 of 10 trades go to zero.

I hope it's also clear that those are terrible odds, being right 20% less than a 50-50 random coin flip.

Now, let's assume on the remaining 3 trades you get an average of 7.5X. This may prove conservative, as many options in this category can be purchased for $10-$20 during low volatility (pre-breakout) periods, and wind up hundreds of dollars in profit, giving you 15-20X returns on a trade. That said, some winning trades may only net a 3-5X return. But the longer you implement this strategy, the better you become at identifying mispriced risk and timing significant moves.

Basically, we're looking at outsized returns on a few trades and many losers - a few unicorns and a bunch of dead dogs.

Now, let's say we're disciplined investors who can adhere to strict money management with predefined position sizes of 5% risk per trade. Admittedly, this is higher than most hedge fund managers and professional traders allow (generally 1-2% of account per trade), but they rarely trade on high leverage (which allows very high returns on winners), and they often use stop losses that can lead to multiple losses when attempting a single entry, if they get stopped out but price recovers and presents the same signal. So if a 1-2% position size trader needs three tries to catch a trade, then we're looking at a total risk for the trade of 3-5%, even though they're not accepting that risk at once.

These options contracts won't have the risk of being stopped out, and they'll allow for 3-9 months of time to prove right or wrong. So let's lay out these details clearly, and see what happens if we play this out over 100 total trades:

Given:
- Loss rate: 70%
- Win rate: 30%
- Total number of trades: 100
- Risk per trade: 5% of the account balance (updated after each block of ten trades)
- Return on winning trades: 7.5x the risk
- Loss on losing trades: 100% of position size

Breaking down 100 total trades into blocks of 10 allows us to update the position/risk sizing after each block. We'll assume this is the win-loss frequency for each block:
- Trade 1: Loss
- Trade 2: Loss
- Trade 3: Win
- Trade 4: Loss
- Trade 5: Loss
- Trade 6: Win
- Trade 7: Loss
- Trade 8: Loss
- Trade 9: Win
- Trade 10: Loss

Using this sequence for each block of ten trades, we'll calculate the total profit / sum after completing each block of ten trades. We'll then use that sum to calculate the risk / position size (5% of total) for the following block of ten trades.

1. Initial Account Balance: $20,000
2. The Position Size and Result for Each Trade within Each Block:
    - Position size for each trade = Account balance * Risk per trade (5%)
    - Result for winning trades = Position size for each trade * Return on winning trades (7.5x) * Number of winning trades (3)
    - Result for losing trades = Position size for each trade * Loss on losing trades (-100%) * Number of losing trades
3. Calculate the Account Balance after Each Block:
    - Adjusted account balance after each block = Previous account balance + Sum of (Result for each trade within the block)

4. Repeat the above steps for Blocks 2 to 10, using the adjusted account balance from the previous block.

After completing all ten blocks, the final account balance represents the total profit / sum after 100 trades.

Let's calculate that total profit/sum after 100 trades using the provided position sizes and returns for winning trades:

Block 1:
- Account balance: $20,000
- Position size for each trade: $20,000 * 0.05 = $1,000
- Result for winning trades: $1,000 * 7.5 = $7,500
- Result for losing trades: $1,000 * (-1) = -$1,000
- Adjusted account balance: $20,000 + ($7,500 * 3) - ($1,000 * 7) = $35,500

Another way to look at this:
- Trade 1: Loss $1000
- Trade 2: Loss $1000
- Trade 3: Win $7,500
- Trade 4: Loss $1000
- Trade 5: Loss $1000
- Trade 6: Win $7,500
- Trade 7: Loss $1000
- Trade 8: Loss $1000
- Trade 9: Win $7,500
- Trade 10: Loss $1000

Now, the order of these wins and losses over a large number of trades can dramatically affect the profit/loss equation. Having 6 wins back to back followed by 14 losses would have a very different impact on the starting sum calculation for each block, so allow me some grace just to make a point. I'm not delusional around the impact of relatively random risk-reward outcomes.

The above calculation equates to a 77.5% return over a block of ten trades. If we extrapolate this average to update our position size / risk after every block of ten trades, and then apply that to the following block of ten trades, then the total account size after each block looks like:

- Starting Capital: $20,000
- After Block 1: $35,500
- After Block 2: $63.013
- After Block 3: $111,847
- After Block 4: $198,529
- After Block 5: $352,389
- After Block 6: $625,490

- After Block 7: $1,110,244
- After Block 8: $1,970,683
- After Block 9: $3,497,963
- After Block 10: $6,208,884

This is a hair over my original target, coming in at 310x initial capital. But let's assume some slippage in execution, perhaps taking a bit of money off the table along the way, and a possible reduction of position size over time - a $300,000 position size per trade is a little more intimidating than the $1,000 per trade we started with.

One might reasonably accept much lower returns in order to risk less per trade over time, and protect their profits. Someone starting with $100,000 might be very happy getting a 12-15X return on that focusing on junior miners over 5-8 years on no leverage, whereas as someone starting with less with a high risk tolerance may want to follow this strategy fully and swing for the fences.

Further, 100 trades might sound like a lot, but each of the prior bull markets in these commodities lasted 1-3 years, and they didn't have the level of supply deficits and global inflationary pressures that are bound to present outsized impact on commodities prices across the board for years.

It's possible a hot market delivers you a higher ratio of wins to losses, and much faster account growth. It's also possible you're only comfortable taking half as many trades over 2-3 years. Needless to say, there is room in these numbers for personal adaptation and more conservative betting.

Further, for those with larger sums to risk, the potential here to play positions I've listed catapult you past the first 30 trades. You might also, if starting with $100K account, elect to start with a more common 1-2% risk per trade ($1,000 to start), and scale up using the same risk per trade as our simulation above (calculating 5% of profits for betting size, rather than 5% of total account size), so as to protect your principle.

It's Not What You Make, It's What You Keep (On When to Sell)

When it comes to options trading, selling is as important is entry timing, and perhaps more difficult. My priority with this book is to help you understand, identify, and enter rare risk/reward trades. And while all that helps you make the money, you don't get to keep the money without taking profits on winning trades. Meaning you need to actually let those 10 baggers run, and sell before the market corrects or your time expires.

So while I'm not going to do an exhaustive discussion on when to sell profitable options (remember, clearly unprofitable trades are write-offs, accounted for by position sizing and predetermined risk), I'll leave a few breadcrumbs here for you to further research. Because, while deep in the money options can go to full term and pay you out, its demoralizing to watch a killer trade later become a losing trade.

Here are a few things to look for:

- Darvas boxes can be big or small: While we use technical support and resistance (and coiling action) to determine low risk entries and high probability momentum trades, it's important to keep in mind that timeline and scale are relative. While you might be entering a trade based on a 4 hour or daily pattern, you might look to exit that trade on technical resistance on a longer time scale. If no clear points of resistance (or clear targets from measured moves of your chosen pattern) exist on your time frame, ZOOM OUT. These are not cardinal completion signals, but if an asset has hit resistance at a price two or three times before, as gold is doing RIGHT NOW, it implies there are likely people out there with memory of battles fought and won by selling at that price. It may not be a permanent barrier, but don't count it out as problematic when you're trading **time-based** derivatives.
- Negative Divergence (In Bull Trends): I generally look for confirmation from both RSI and MACD to confirm a reversal at the same time. I may consider listening to one of them alone, if accompanied by topping candles, head and shoulder patterns, or high volume blow-offs, but generally, I look for both to show negative divergence (lower highs on the indicators while price of the asset is making higher highs). This may not indicate a final top, but it generally indicates a last gasp breath before a rest is needed, in the same way a sprinter can push beyond comfort, but breath is constrained and energy is plummeting (they move farther in space, but with less force potential). I've ignored these indicators many times… at my own peril.
- Blowoff Tops: If you're not experienced in identifying these, they may not serve you initially. If you've got a bit of experience, you know that high volatility moves, where high percentage moves are made, often mark tops and bottoms. You've probably been caught on the wrong side of them before. They also often accompany reversal candles where price reaches for marked gains on the day, but reverses and closes lower. The shooting star candle is a portend of price reversal, and if accompanied by high volume, indicates smart money is selling their shares to the dumb money fomo-ing in.

Now, with open skies and no technical resistance, like gold above 2080, or silver above 50, it's anyone's guess. There may be measured moves based on technical chart patterns that preceded the move, but open sky trades like this can have a habit of inviting hysteria. So you must give them room to run. In such cases, many technical indicators can fail or flash false signals, and one must either be content to take profits as a precautionary move, or to carefully look for those outsized moves on high volume that indicate burnout.

What Goes Up… Lessons From a Master

To come full circle, what goes up, must come down. And what goes up in dramatic fashion may come to a violent end.

The histories of both uranium and silver are those of fomo-filled hysteria - runaway bulls where investors scramble for a piece of the pie. But, like Icarus who flew too close to the sun, only to melt the wax holding his wings together, these markets are historically victims of their own success.

While both silver and uranium are destined for epic bull runs, there are sure to be blinding corrections, whipsaws, and eventually, crashes. But, if you've taken some of the principles above to heart, you're not only prepared for what goes up, but also what comes down.

Just because a commodity or a stock screams higher, doesn't mean it'll necessarily drop. But it often does. And in such cases we can learn a few lessons from the king of short selling, Jesse Livermore.

Jesse Livermore, the enigmatic trader of the roaring twenties, possessed an uncanny ability to read the market's pulse and time his moves to perfection. But it was his audacious play during the 1929 stock market crash that etched his name in the annals of financial history.

With an unwavering conviction in his analysis, Livermore positioned himself against the exuberant tide, seeing the impending doom that eluded most. As chaos unfolded and fortunes crumbled, he flawlessly executed short sales, effortlessly profiting from the market's downward spiral. Livermore's daring trade during the crash transformed him into a legend—a maverick who, with razor-sharp precision and nerves of steel, unraveled the secrets of the market and left an indelible mark on Wall Street folklore.

Livermore placed great emphasis on patience and timing - waiting for confirmation before making significant trades or positions in the market. This is not easy, because markets can stall or range for quite some time before signaling either continuation or collapse. Which is why a signal to take profits isn't the same as a signal to take a short position and / or buy puts.

Here are some key aspects to consider regarding his approach and what we can learn from it:

1. Confirming Market Trends: Livermore understood the importance of confirming market trends before committing to significant trades. Instead of acting on initial signals or speculative assumptions, he patiently waited for clear indications that the market was indeed moving in the anticipated direction. This confirmation could come in the form of breakouts, breakdowns of support levels, or other technical

indicators aligning with his analysis. In other words, when selling short, he'd be looking for clear breach of a Darvas box (or other inflection based breakout) to the downside.
2. Avoiding Premature Entries: Livermore recognized the risks of entering trades prematurely based on incomplete information or short-term fluctuations. He emphasized the need to wait for a higher level of certainty and a clear confirmation of the desired market trend. This helped him avoid false breakouts or premature short selling, which could lead to losses or missed opportunities.
3. Avoiding Overtrading: Livermore's patient approach helped him avoid overtrading, a common pitfall for many traders. By waiting for optimal trade setups and confirmed market trends, he focused on quality over quantity. This allowed him to conserve his capital and selectively capitalize on high-probability opportunities.
4. Disciplined Risk Management: Livermore's emphasis on patience and timing was closely linked to his risk management practices. By waiting for confirmation, he could better assess risk and adjust position sizes accordingly. This disciplined approach helped him manage risk effectively and protect his capital in case the market moved against his anticipated direction.
5. Developing Market Intuition: Through patient observation and experience, Livermore developed a keen intuition for market dynamics. This intuition allowed him to sense shifts in market sentiment, identify subtle patterns, and anticipate potential turning points. Traders can learn from this by actively engaging with the market, studying price action, and developing a deep understanding of the underlying factors that influence market movements.
6. Emotional Control: Livermore's patient approach required emotional control and discipline. Waiting for confirmation meant resisting the urge to chase trades or react impulsively to short-term market fluctuations. We can learn from Livermore's ability to maintain a calm and rational mindset, sticking to our trading plan and avoiding emotional decision-making.

At the end of the roaring 20's, where everyone and their grandma through everything at the stock market, Livermore waited patiently for a sign of post-peak hysteria, and he shorted. By waiting for confirmation of market correction / breakdown, we can not only spend the next few years capitalizing on mispriced risk within raging bulls, but can profit just as much on the way back down.

We need to become very comfortable with the tools above - right market selection, key inflection points, mispriced (cheap) derivatives, risk management and disciplined position sizing, and finally, taking profits out of the market. We're going to make mistakes and we're going to have a pile of losing trades. These must be accounted for ahead of time through a betting strategy that assumes losses.

And when the time is right, we can reverse course, and short these markets into the gutter.

As per the strategy I gave you, the critical caveat here is the level of risk you take on entry, and the price premiums that increase due to higher levels of volatility. This is why buying on the cheap can be far more advantageous than shorting on the expensive. As such, I've tried to get you in before the storm. Once the storm picks up, so too does risk.

So while you can play these markets on the downside, do so with restraint, and remind yourself of Livermore's cardinal rules - patience and timing.

In Conclusion

None of this is financial advice. It's an option, and one that'll I'll be implementing for myself.

It will require diamond hands, commitment, and discipline.

See you on the other side.