July 2022 Mark(et) Rush Report
By
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http://traderwasteland.wordpress.com/

July 7th, 2022

Preface

Once again, it is time for my quarterly market review when I examine world events and attempt to understand their implications on the markets. This report is my time to reflect on current events, portfolio performance, event scenarios, and their subsequent consequences on world equity markets and investment strategies.

It is my goal in life to have my money working for me instead of me working for my money.

Please remember that I am an *amateur* investor, and this document is a *hobby*. Any thoughts and concepts should be treated as such. Please consult a professional financial advisor before making any investment decisions regarding your investment ideas, goals, and strategies. Continue reading this document at your own risk…

Please read this before continuing!

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The material presented herein is for informational purposes only, is not guaranteed to be correct, complete, up to date, and does not constitute legal, tax, or investment advice. While all information is believed to be reliable, it is not guaranteed by me to be accurate. Individuals should assume that all information contained in this document is not trustworthy unless verified by their own independent research. This report may contain numerous errors, and the opinions may change without notice. Past performance is not an indication of future results.

In plain English, I am NOT giving you investment, tax, or legal advice.

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https://www.facebook.com/Theta-Capital-Partners-203727433052941/timeline/

Introduction

Hold… Hold… Hold…

Your cash.

There are many moving parts to look at in this report, so any prediction or observation should be taken with a grain of salt. The market is down a lot and may look tempting to some, and maybe it is a good time to buy, but there are too many unknowns for me to get aggressive.

It could be a disastrous winter in Europe; already, natural gas is 6x the typical price. A mild winter is needed to get Europe through its decision to stop taking Russian energy. A frigid winter may partially shut Europe down due to a lack of fuel, with about 15% of the world economy in the balance. A severe energy crisis in Europe will make stocks fall.

https://youtu.be/ZatKF-seDX8

All data for this report was gathered and compiled on the July 1st weekend. Prices, ratios, indexes, and outlooks may have changed materially. For those who may want a shorter version of this report, please feel free to jump to Chapter 5 and review the investment ideas in the Appendixes.

Mark

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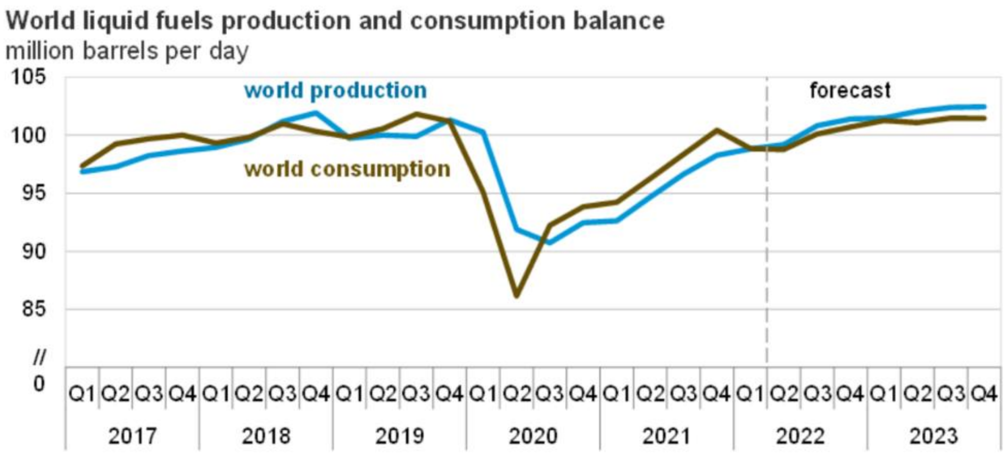
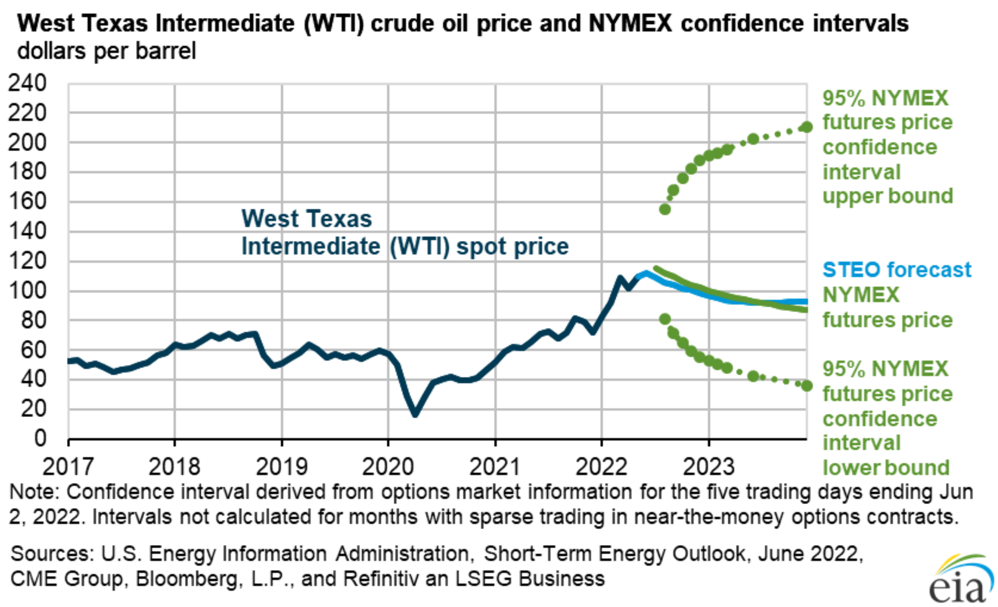
Chapter 1
Considerations

Global Energy Crisis

The Ukrainian war, or more accurately, the sanctions on Russia, complicates the current economic situation. Supply and demand seem to be coming in line but still below the pre-Covid levels. There are too many moving parts for me to make an accurate prediction of oil prices, so I will give you the official US Government estimate for oil prices for the end of the year, which is somewhere between $50 to $190, with the base case dropping to around $100 per barrel down from the current price of $110/bbl.





Oil prices will likely be elevated through 2023

Ukraine

The West is undoubtedly causing more economic harm to itself than to Russia. In its urgency to punish Russia, the West has been invoking sanctions indiscriminately. The total GDP of Russia is only $1.5 Trillion; this compares to $21 Trillion for the US, $15 Trillion for China, $17.1 Trillion for Europe, and $85 Trillion Globally. You cannot do more than $1.5 Trillion of economic damage to Russia since it's only a $1.5 Trillion economy; realistically, the maximum impact is likely more like $150 Billion.

The Russian share of harsh sanctions would reduce global GDP by less than 0.2%. Forecasts of global GDP have already fallen 2.5% for 2022 due to higher prices making 90% of the effects fall on the rest of the world, not Russia.

This is just one of many policies that have gone wrong; another consequence of the sanctions is Russia is now making more money on oil sales than before the war. It exports less oil but is being done at a much higher price. How is this punishing Russia? Another is forcing Russia to default on its debt by not allowing them to make payments on loans. Is this a punishment??? Let me borrow a few billion, then sign me up!!!

Russia's main exports are energy, raw materials, food, and fertilizers… Roughly 25% of all global wheat exports come from Russia and Ukraine. On top of that, about 20% of all global fertilizer comes from Russia, yet this is being sanctioned to punish… Russia? The black and brown people enduring famines in the Middle East, Africa, and Southern Asia appreciate the effort to punish the outbreak of white-on-white violence in Europe. We've seen the effect of gasoline prices; with Russia only being 10% of the world's oil supply and most of the oil flowing, what will the food situation look like with Russia being a significant exporter of calories and fertilizer.

We are looking at the potential for a self-inflicted global recession, inflation, energy shortages, and possible famine while minimally damaging the Russian economy. These consequences will shock all those who proposed, supported, lobbied, and implemented these ideas and thought they would somehow be not responsible for the outcomes. This is what happens when you don't understand money or economics and only crave "action."

I said, war, huh (good God, y'all). What is it good for? Absolutely nothing, just say it again!

Global Economy

The war, residual supply chain issues, Zero Covid Policy in China, inflation, higher interest rates, and high oil prices have struck several blows to the Global Economy. I'm frankly astounded how well it's still doing. Global GDP Growth projections were at 5.0% for 2022 but are now at 2.9%.

The global economy is softening

Inflation

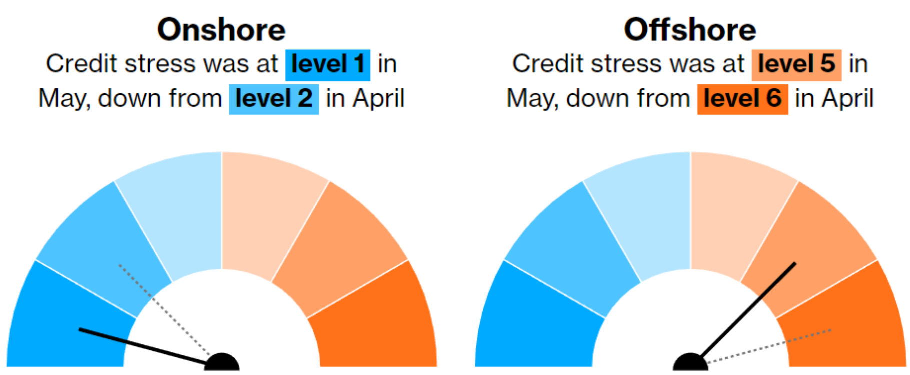
Once again, I'm afraid I must disagree with the Federal Reserve's path. We are staring down the barrel of a global recession, a Chinese credit crisis, and a Russian-induced credit crisis, and now we want to raise rates? I believe that we have two choices: inflation with economic growth or modest inflation with a global recession. In my opinion, the time to raise rates was when inflation was "transitory" I believe you have no choice but to let the inflation happen to some degree.

Below is a simple chart to explain current inflation. The currency in circulation has increased by 25% in the last two years. No emphatic hand-waving explanation, finger-pointing, or tweets are needed.

https://www.linkedin.com/pulse/reducing-inflation-come-great-cost-stagflation-ray-dalio

Higher inflation will cause higher volatility in the market

China Credit issues



Conditions have improved slightly since the last report; the ship may be turning?

Credit issues are always bad

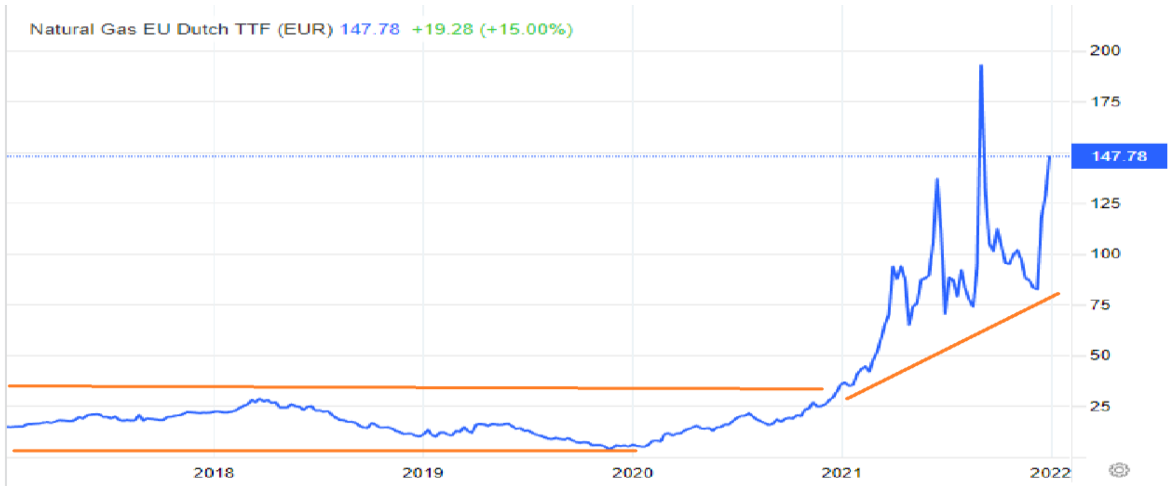
Crude Oil

I believe oil has, in the short run, found a level footing, possibly going down.

Copper

They say Dr. Copper has a Ph.D. in economics… I'm not liking what it is saying.

European Natural Gas



Natural gas in Europe is about six times normal; this is recessionary; globally.

US Dollar

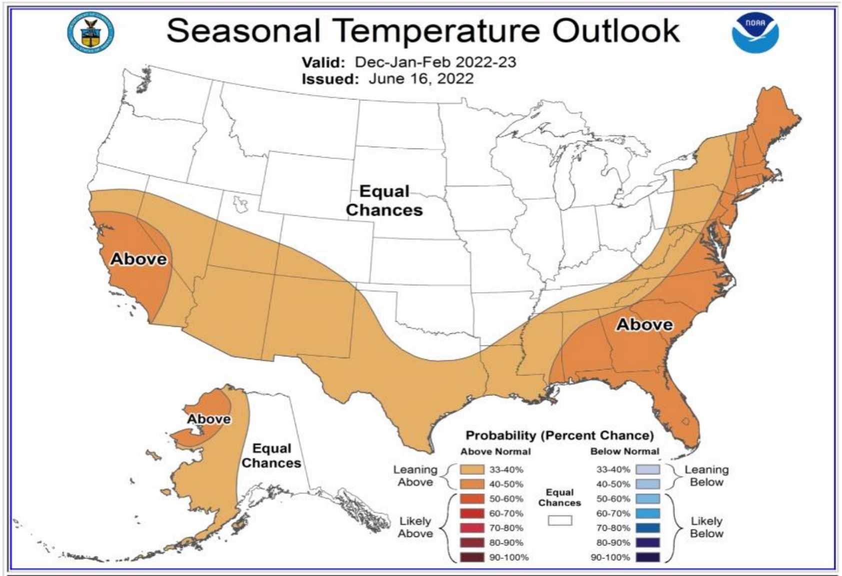
We have a strong dollar which hurts exports

Wheat

Wheat prices dropped a lot as I wrote this report. So much, I had to change it.

Euro

If you ever wanted to take a European vacation, this is the time to do it. If you decide to go this winter, pack a few extra sweaters.



Conclusions:

Oil: It’s high and may fall but not back to pre-2020 levels. If it drops a lot, it signifies a significant recession has begun. If it goes up a lot, it will cause a recession; if it stays where it’s at, it will cause a mild recession.

Copper, I was shocked when I pulled up this chart; it tells us that demand for this core metal has dropped precipitously; this is a significant recession warning.

European Natural gas, the 600% increase in European natural gas means that it may be difficult for people to afford to heat their homes this winter and for energy-intensive industries to compete. I am almost sure there will be a severe short-term recession in Europe if it is a harsh winter.

US Dollar strength: I see two factors for the strength of the US Dollar. Higher interest rates will cause more people to want to hold US Dollars, and if there is a recession, the items drop in value, and the inverse is also true so that the dollar will rise.

Wheat: It seems we are getting a break from mother nature with the hot and wet weather; it is raising wheat production estimates in the US and Europe. The department of agriculture has increased US wheat production estimates by 8 million bushels. Russia is expected to produce a record crop this year and is finding ways to avoid the sanctions. These factors may save millions from starvation this year.

Euro: The energy crisis is crimpling their economy; their currency has dropped almost 20% in the past year. I expect it to worsen this winter.

Weather: This winter pattern will likely flow into Europe, possibly saving the day by having a warm winter.

Chapter 2
The Fundamental Indicators

<u>Economic Projections</u>

The *<u>headline numbers were my predictions at the beginning of 2021;</u> these predictions may now be laughably wrong.*

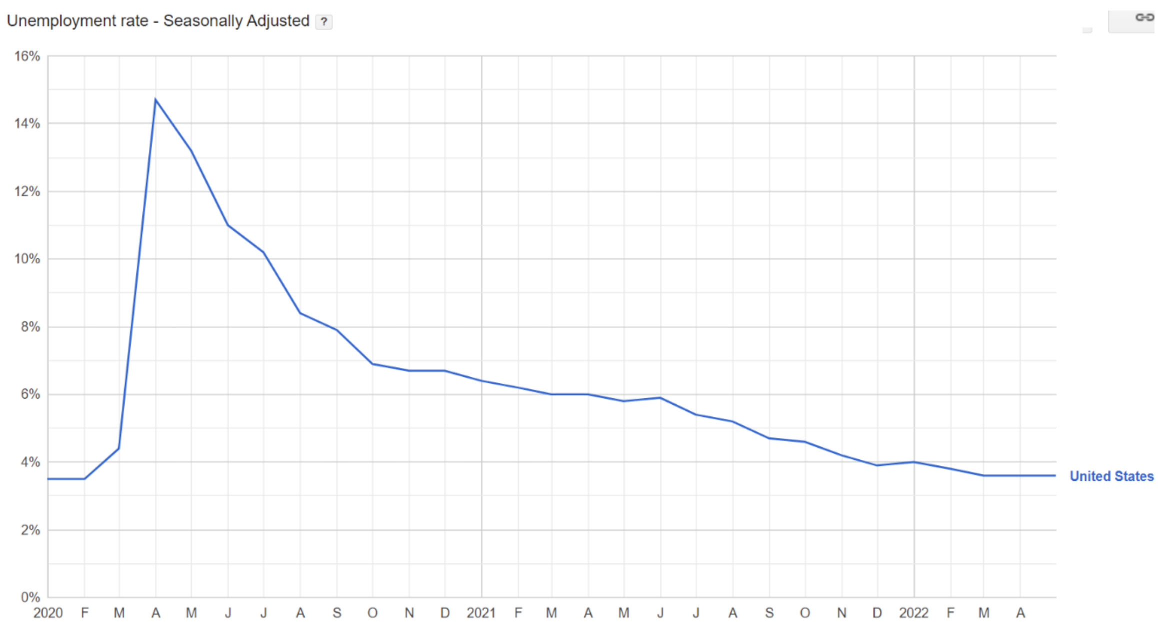
US Gross National Product (GDP) > 4.0% by the end of 2022

I can't even guess what the US economy will do this year, but it wouldn't surprise me if it goes negative. Current projections for GDP were 2.8% and now have been revised down to 1.9%, which still may be too optimistic. Global GDP Growth projections were at 5.0% for 2022 but are already down to 2.9%. Issues in Ukraine, credit issues in China, Fed policy, and other factors may weaken it further.

We still have projected growth, but the projections are falling rapidly

Unemployment will be < 4.0% by the end of 2022

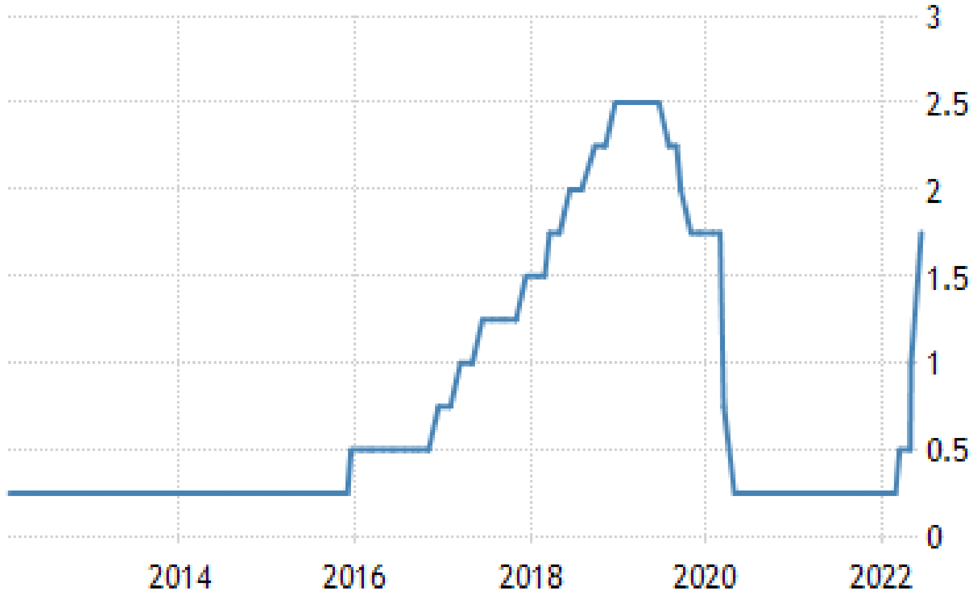
The official unemployment rate was stable at 3.6% for May, down from 4.2% last year. Peak unemployment in 2020 exceeded that of the 2008 financial crisis.



Unemployment spiked due to COVID; it is rapidly returning to normal

Federal Reserve rates will be 1.00 and 1.50% by the end of 2022

Short-term rates are now between 1.50 to 1.75%. Rates will be very likely to go up in the coming months. I was expecting 3-4 rate hikes this year, but we have seen the equivalent of 3 hikes in one meeting. More hikes are likely in the coming months. This is your last opportunity to refinance… wait… and it's gone.

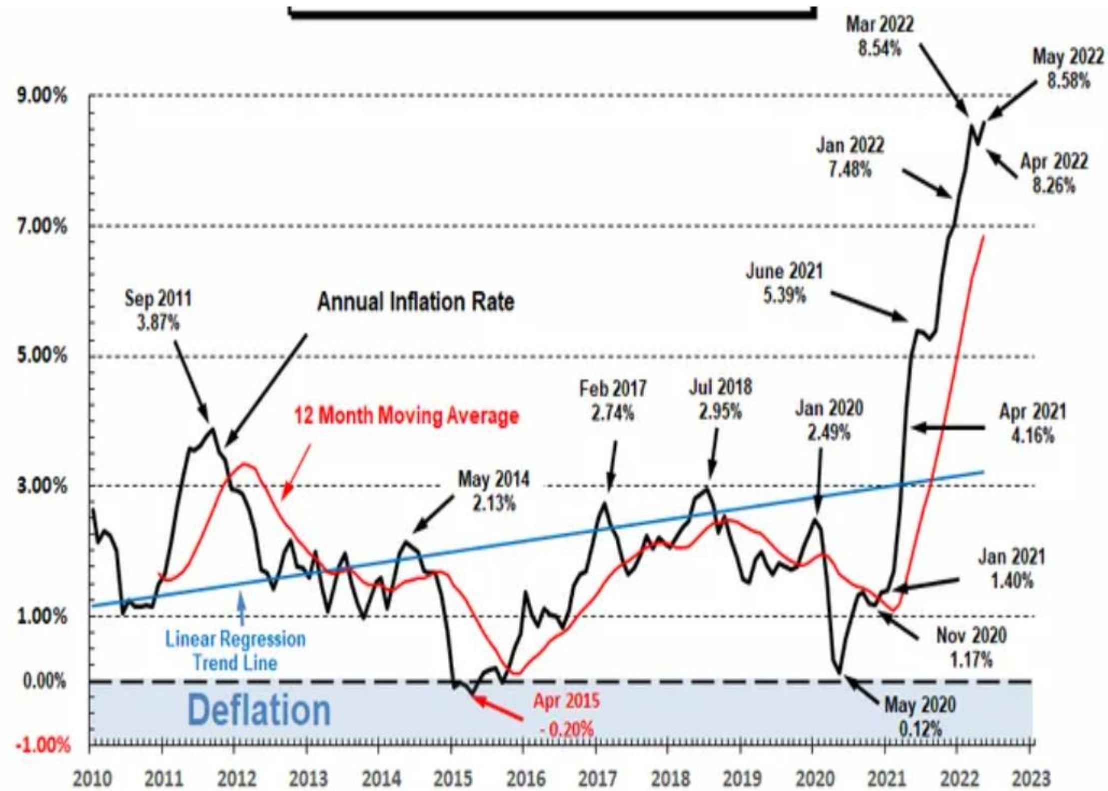


Rising rates are alarming for the market

Inflation < 4.0% in 2022

The latest inflation was an annual rate of 8.5%. We have likely saturated the money supply, and the economy has stabilized enough that inflation is more likely long-term.

It's a busy chart but worth looking at it and understanding.



Current inflation is high; longer-term, it is another known unknown

S&P 500 index < 5000 at the end of 2022

The S&P 500 index started 2022 at 4766.18. We are currently at 8825.33 for a 19.75% loss this year.

Federal Reserve policy will be an essential item to watch this year. Rates will go up, which will likely push the market down.

The markets are down a lot this year, and the next move is anyone's guess

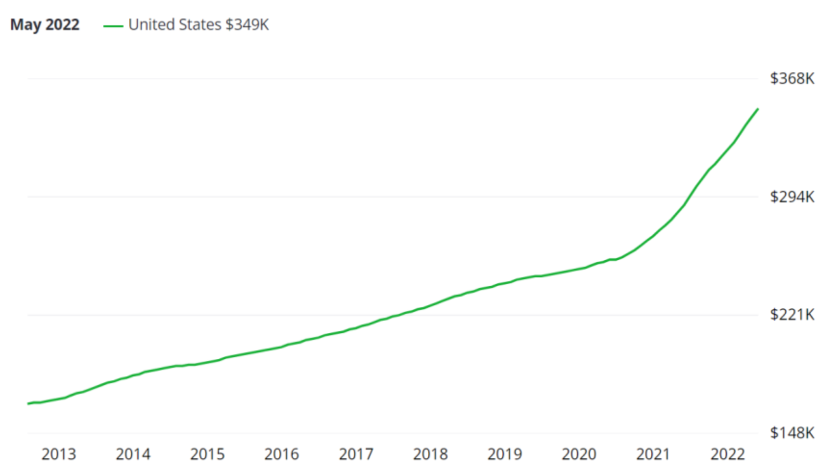
Real Estate Average Home <$350k in 2022

The 30-year mortgage rate is up from 3.02% at the beginning of 2022 to around 5.4%. The 2022 housing prices started at $316.4k and are now about $349k for a 10.3% rise in 6 months. The higher prices have also changed the average mortgage, assuming a 20% down payment, from $879 in 2020, $1070 at the beginning of this year, to $1568 now. These prices and rate increases have resulted in a *46.5% increase in a typical mortgage for a median house in the past six months*. This is very, very bad, if not frightening and unsustainable.

National Average Mortgage Rates

Housing price projections

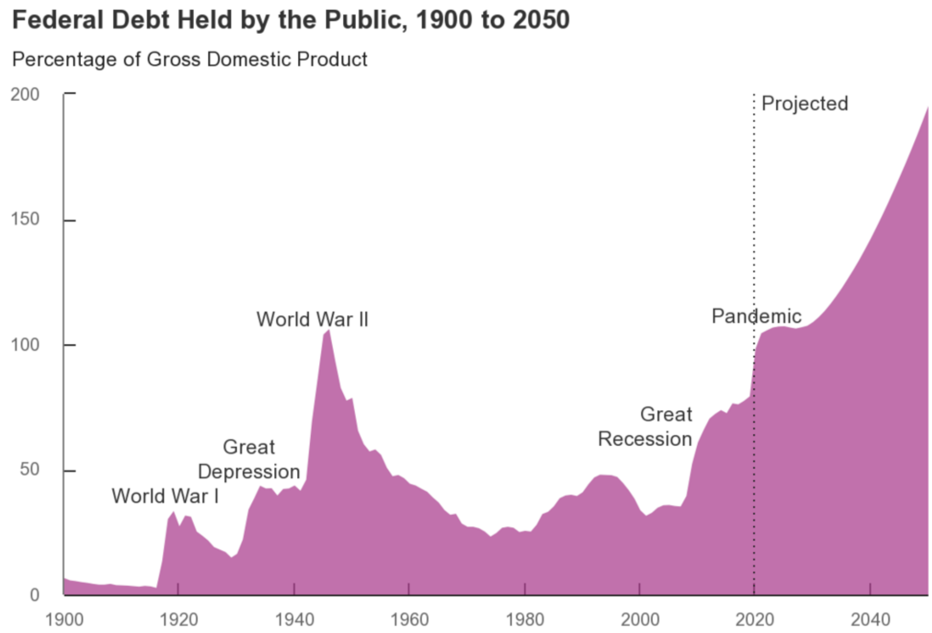
I expect housing prices to move down in the coming months so does Dr. Copper.



After many years of providing market projections, Zillow has stopped making projections. That is a projection within itself.

Rising rates will be a headwind for the housing market, therefore for the stock market

<1.8 Trillion Dollar Budget deficit for FY 2022



The debt spiral had already begun; the pandemic has only accelerated it.

Chapter 3
The Technical Indicators

Technical analysis attempts to forecast the future direction of prices by studying past market data. I use Barchart (http://www.barchart.com/) to develop an investment's final "objective" opinion. Its primary ability (flaw) is to predict the future by extrapolating past performance. One phrase does come to mind, "Past performance is not an indication of future results," although this is precisely what these calculations try to do.

Model Portfolio and other technical indicators (+100% = strong buy; -100% = strong sell)

U.S. ETFs	12/31/21	4/1/22	7/1/22	Link
SPY	+100%	-8%	-100%	http://www.barchart.com/opinions/etf/SPY
QQQ	+96%	-40%	-100%	http://www.barchart.com/opinions/etf/QQQ
IWM	-24%	-40%	-100%	http://www.barchart.com/opinions/etf/IWM
International				
EFA	-72%	-64%	-100%	https://www.barchart.com/etfs-funds/quotes/EFA/opinion
EEM	-88%	-88%	-100%	http://www.barchart.com/opinions/etf/EEM

Bonds	12/31/21	4/1/22	7/1/22	Link
TLT	+64%	-100%	-88%	http://www.barchart.com/opinions/etf/TLT
SHY	-100%	-100%	-72%	http://www.barchart.com/opinions/etf/SHY
Gold/Oil/Dollar Index/Euro/Yen				
GLD	+56%	+88%	-72%	http://www.barchart.com/opinions/etf/GLD
USO	+64%	+88%	+56%	http://www.barchart.com/opinions/etf/USO
UUP	+80%	+88%	+100%	http://www.barchart.com/opinions/etf/UUP
FXE	-88%	-88%	-100%	http://www.barchart.com/opinions/etf/FXE
FXY	-100%	-100%	-100%	http://www.barchart.com/opinions/etf/FXY

Volatility Index (a positive number is bad for the markets)

VIX Index	+16%	-8%	+32%	http://www.barchart.com/opinions/stocks/$VIX

Volatility

Volatility Chart (market fear index)

The Volatility Index (VIX) can be considered the level of "fear" in the S&P 500 stock index, but it is used as a proxy for the general U.S. stock market. A lower VIX indicates a lower level of fear in the market, and lower fear generally means more confidence, therefore, higher prices. A higher VIX shows more fear and declining prices.

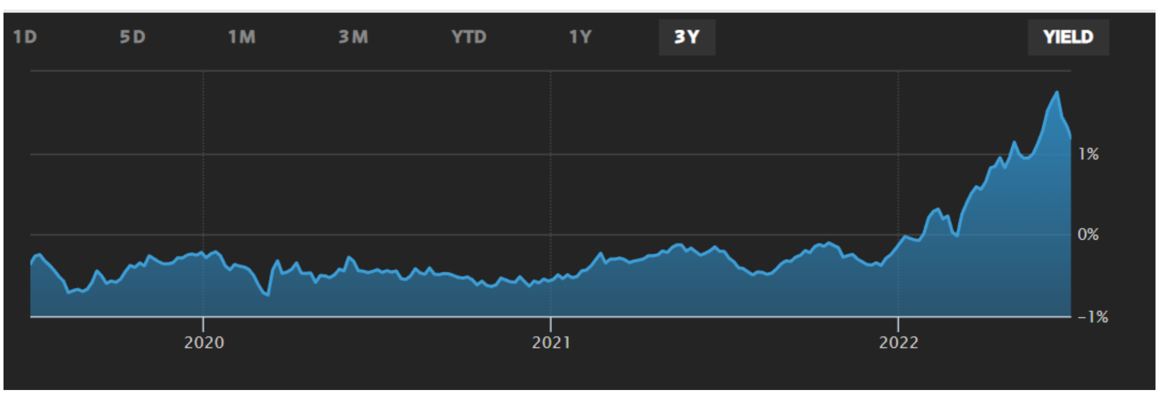
The VIX seems to be in a trading range, and it looks like it's about to get much higher or much lower. A higher VIX is terrible for investments.

The VIX is trying to decide on its next move.

German Bond Yields

The German 10-year bond was at -0.179% at the beginning of the year and now jumped +1.336%. Those crazy Germans are demanding a return for loaning money to the government.

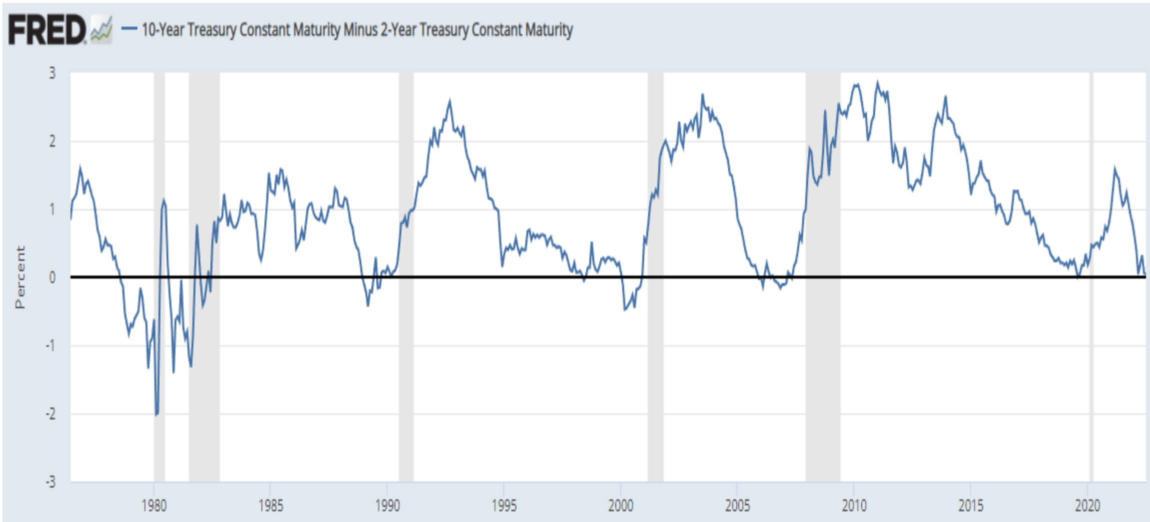
German 10-Year Bond Yield



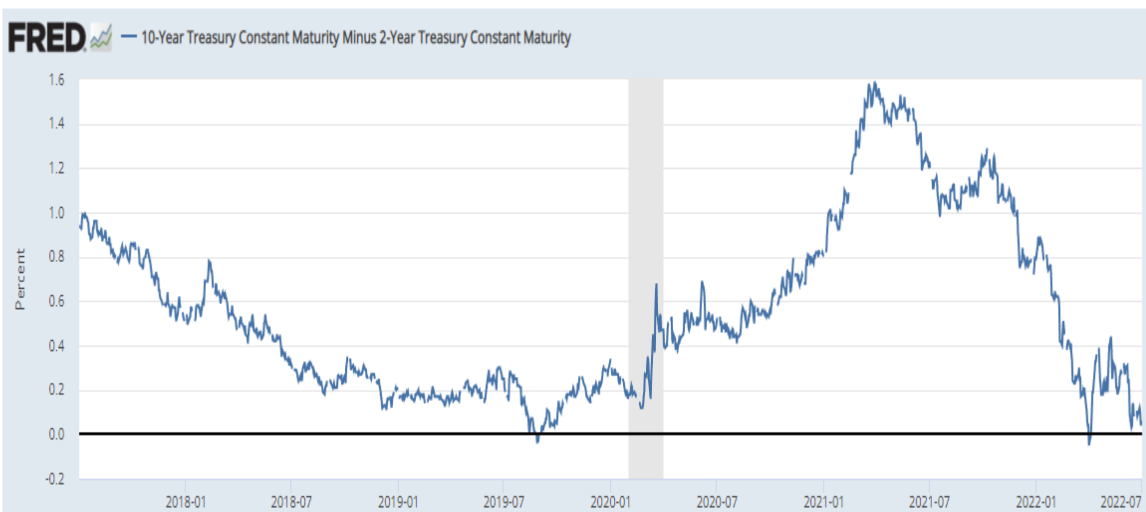
I'm not sure what to make of this…

TED Spread… Uhhh, Nope, Ten's minus Two's

They quit publishing the TED Spread earlier this year, so that I will revert to the 10-Year Treasury Yield minus the 2-Year Treasury Yield. The first chart shows 40+ years of the index, and the grey areas are recessions. If you notice, the 10's minus 2's spread usually goes negative (horizontal black line) several months before a recession.



A zoomed-in look at the above graph over the past 5ish year. Historically that usually indicates an impending recession, not always, but usually. Notice we touched that line once again.



The 10's minus 2's spread is flashing a recession warning

Technical Summary…

Bonds, stocks, foreign and domestic, metals, and other currencies. Everything has a sell signal except the US dollar. There is nowhere to hide except pure cash, which is getting eaten up at 8%/year by inflation and maybe oil. Even with oil, I see signs that it may be next to tumble. The indicators say take an 8% loss on your real wealth and be happy. The alternative is to have some losses on investments plus the 8% inflation hit.

The indicators are decidedly “Risk-off”

Chapter 4
Mark's Model ETF Portfolios

Asset Allocation

I have constructed four portfolios, each with varying levels of riskiness from lower to higher risk, just by using a combination of 12 (or less) Exchange Traded Funds. The results (next page) include fund fees but not broker transactions or money manager fees.

U.S. large-company funds:	**Stock Market Symbol**
S&P 500 fund	**SPY**
Nasdaq 100 (Tech) fund	**QQQ**
Dow Jones Industrial Average fund	**DIA**
Vanguard value fund	**VTV**
U.S. small-company fund:	
Russell 2000 small US company fund	**IWM**
International company funds:	
Europe, Australasia, and Far East	**EFA**
Emerging Markets Fund	**EEM**
Fixed Income (Bond) funds:	
20+ Year US Treasury Bonds	**TLT**
7-10 Year US Treasury Bonds	**IEF**
US Aggregate Corporate Bonds	**AGG**
Investment Grade Corporate Bonds	**LQD**
Short bond term fund (cash):	
iShares 1-3 Year US Treasury Bonds	**SHY**

Allocation of Portfolio by Risk Level

	Low	Balanced	Growth	Aggressive
SPY	5%	7.5%	10%	7.5%
QQQQ	5%	7.5%	10%	7.5%
DIA	5%	7.5%	10%	7.5%
VTV	5%	7.5%	10%	7.5%
IWM	10%	10%	20%	30%
EFA	5%	10%	15%	20%
EEM:	5%	10%	15%	20%
TLT	12.5%	8.75%	2.5%	0%
IEF	12.5%	8.75%	2.5%	0%
AGG	12.5%	8.75%	2.5%	0%
LQD	12.5%	8.75%	2.5%	0%
SHY	10%	5%	0%	0%

Model Portfolio Results

Name	Symbol	12/31/21 Price	7/1/22 price	Yield Rate (Est.)	2022 Gain w/ Dividend
S&P 500 fund	SPY	$474.96	$381.24	1.54%	-19.11%
Nasdaq 100 (Tech) fund	QQQ	$397.85	$282.13	0.68%	-28.84%
Dow Jones Industrial Average fund	DIA	$363.32	$310.85	2.00%	-13.59%
Vanguard Value fund	VTV	$147.11	$133.21	2.44%	-8.34%
Russell 2000 Small-Cap fund	IWM	$222.45	$171.41	1.04%	-22.54%
Europe, Australasia, and Far East fund	EFA	$78.68	$62.64	4.78%	-18.48%
Emerging Markets fund	EEM	$48.85	$39.85	1.82%	-17.68%
20+ Year U.S. Treasury Bond fund	TLT	$148.19	$115.82	1.75%	-21.16%
7-10 Year U.S. Treasury Bond fund	IEF	$115.00	$103.24	1.16%	-9.70%
U.S. Aggregate Corporate Bond fund	AGG	$114.08	$102.34	1.66%	-9.55%
Investment Grade Corporate Bonds	LQD	$132.52	$111.12	2.31%	-15.18%
1-3 Year U.S. Treasury Bond fund	SHY	$85.54	$82.96	0.47%	-2.79%

RESULTS	Low Risk	Balanced	Growth	Aggressive
’22 Return	-14.78%	-16.12%	-18.31%	-19.24%
’21 Return	5.46%	8.89%	14.06%	13.63%
’20 Return	13.13%	14.37%	16.39%	16.47%
’19 Return	16.75%	19.79%	24.18%	24.53%
’18 Return	-3.6%	-5.29%	-7.97%	-10.06%
’17 Return	12.10%	16.88%	22.60%	24.16%
’16 Return	6.92%	8.34%	11.58%	12.73%
’15 Return	-0.91%	-1.48%	-2.47%	-3.96%
’14 Return	9.16%	8.31%	6.71%	4.25%
’13 Return	8.34%	13.31%	22.72%	24.75%
’12 Return	8.97%	11.56%	15.30%	16.86%
’11 Return	7.02%	3.30%	-2.52%	-6.51%
’10 Return	11.17%	12.45%	15.53%	16.91%
’09 Return	11.14%	19.65%	31.48%	36.54%
’08 Return	-8.18%	-18.66%	-33.90%	-39.60%
’07 Return	7.82%	9.40%	10.04%	10.45%
’06 Return	9.72%	13.63%	19.09%	21.83%
’05 Return	5.49%	7.55%	9.73%	11.77%
Average annual return	**5.97%**	**6.37%**	**7.56%**	**7.38%**

Many pension funds and endowments would have paid handsomely for this performance. Yet, here they are offered up to anyone…. for free.

Chapter 5
The Plan

Every trader reserves the right to make a more intelligent decision today than he made yesterday. - Sheldon Natenberg

The Good
- Innovations and efficiencies are creating new real wealth daily

The Bad
- Rising interest rates
- Falling global and US GDP expectations
- Labor and input scarcity
- Partisan politics
- Excessive money printing
- Supply and demand equilibrium
- Known unknowns

The Ugly
- Repeatedly poking the bear armed with thousands of thermonuclear weapons
- Reduced food production in Ukraine
- Reduced food and raw materials exported from the Soviet Union
- Potential Global Debt crisis triggered by a Russian credit default
- The potential Chinese credit crisis
- Unsustainable Federal, State, and local debt
- A populous that doesn't understand how their basic needs are produced
- Leadership unable to contemplate the outcomes or consequences of their actions
- Unknown unknowns, the kind that blindsides you at 4 p.m. on some idle Tuesday

US 10-Year Treasuries

The 10-year bond yield is at 2.9%. The 10's minus 2's is at 0.04%. As rates increase, some will want that guaranteed 2-3% yield, and some will sell stocks to own bonds again. If we believe that inflation is really at 7-8%, then the real return on 10 Year Treasuries is around -5%, and to think, I made fun of the Germans for their negative 1% bond yields.

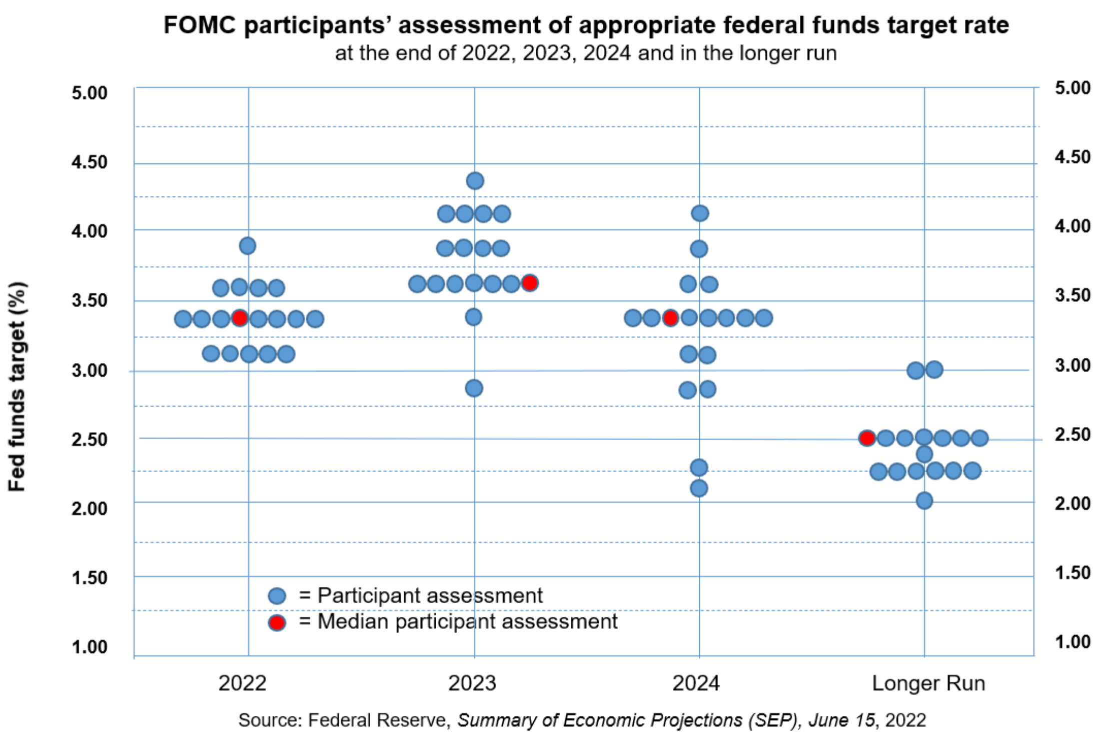
I believe we are on the cusp of seeing a pause in inflation in the next few months. The commodities market has already signaled falling prices, and the bond market has already signaled an economic slowdown. Don't be surprised if we see a low single-digit or slight negative headline inflation number in the coming months. It should not be celebrated, but it will be by those who are naïve about economics… Mostly from your government in a desperate attempt to show they know what's going on and are in control of the situation. They are not…

Stocks will probably bounce when this occurs because "the Fed beat inflation," but it has not. Smart money will sell into the bounce.

The Federal Reserve

The Federal Reserve "dot plot" shows they expect short-term rates to be around 3.5% by the end of this year and ease sometime in 2025. Current short-term rates are at 1.5-1.75%, so expect a lot more rate hikes soon, assuming the Fed stays the course (I don't).

The Fed's aggressive stance makes me not want to hold stocks, but many of the expectations are factored into the market. I still believe we have triggered the debt spiral, but it is hard to judge when the ill effects will occur in a year, three, five, ten, or last quarter?

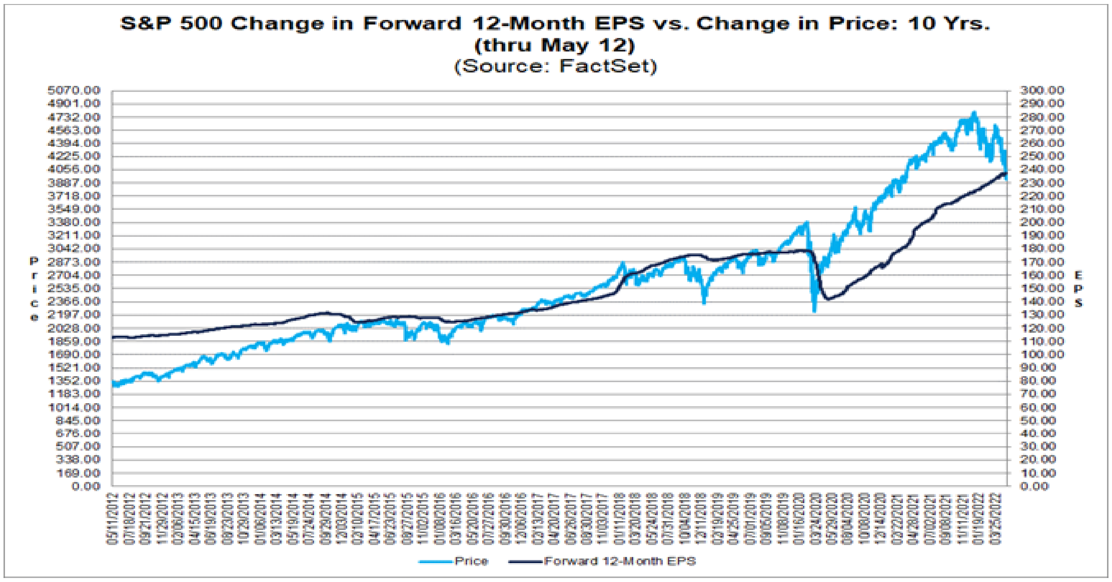


S&P 500 Valuation

This chart shows that the S&P 500 has more or less reached “fair value” during the recent selloff. Time to buy? Probably not… What is missing from this chart is earnings will likely decline, and interest will be higher. These items will lower the assumed fair value (black line). We are at an attractive valuation, but it is still not compelling unless you believe we will continue earnings growth over the past few years.

The current earnings estimates are falling slightly but more or less are sideways. If this holds and inflation eases, there may be a buying opportunity. Higher rates and/or higher inflation will add to the first half of the pain. The easy thing to do is to wait.

This data makes me a timid short-term buyer.

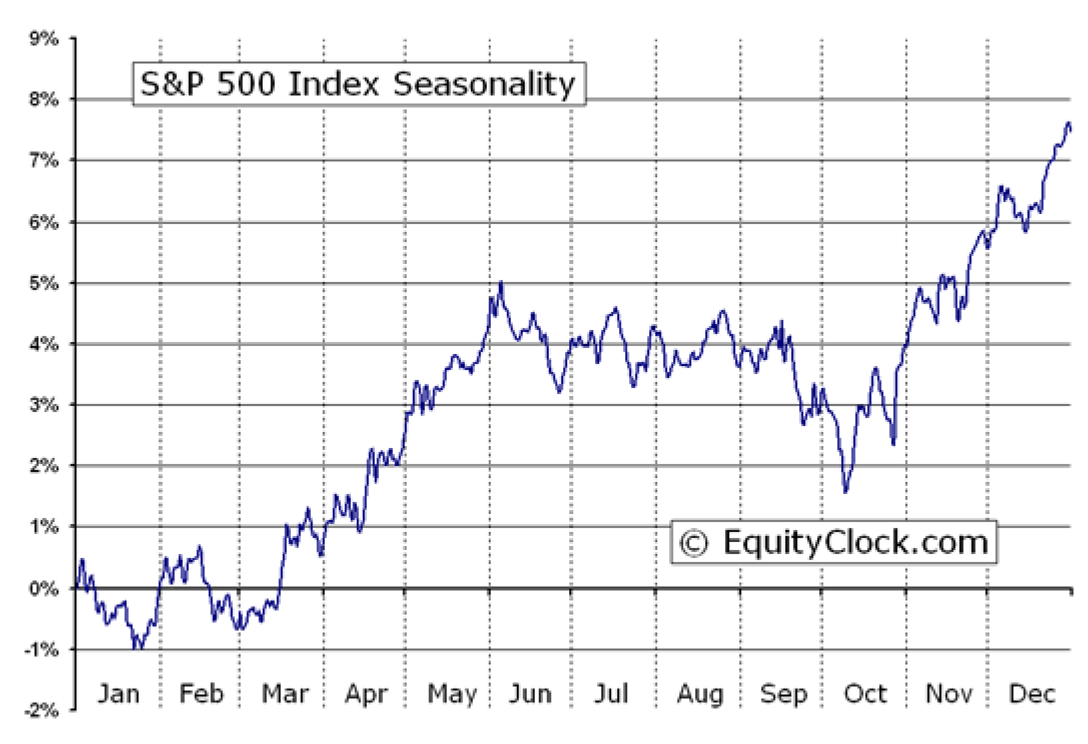


S&P 500 Chart

Seasonality

We are now in the timeframe when the market tends to go sideways. I think the September/October timeframe is when we get the washout assuming seasonality holds up this year. I expect a short-term bounce, maybe a month or two, along with the previous section.

Coupled with the previous analysis, a short-term market entry should be closed by mid-September.



<u>The plan (subject to change without notification):</u>

This year, we have many moving parts—inflation, war, interest rates, economic growth, recession, labor force participation, and supply chain issues.

Suppose you believe the growth that is still forecasted by Wall Street for the tech industry. In that case, there is some compelling valuation in the tech/growth categories (see appendix 3). Still, nearly all the price action prevented me from putting any of them on the list due to meteorically falling prices. If the market was stable, the growth was assured, interest rates were fixed, and inflation was tamed, these would be once-in-a-lifetime purchases, but they are not. I am more comfortable with current stock market valuations since the significant decline in prices. I will revisit in October after the next round of sell-offs.

I see signs that inflation may be taming itself and a recession is on the horizon. The taming of inflation is a much-needed break for the market, but recession fears will offset it. I fully expect a "positive" inflation reading soon.

I expect a choppy market for the next couple of months, with little progress up or down. I don't see any compelling reasons to invest right now; maybe 5% upside in the next few months but possibly 10-20% downside by year's end. Dips may be buying opportunities, and spikes are a time to sell.

I plan to play around with the market with no serious commitment until after my predicted October selloff. I am using short out of the money put on VXX and my recently invented Iron Fortress strategy. It is nothing more than an overly complicated Iron condor with embedded double iron butterflies and 1x2s as its basis. The "bet" is the market moves up or down between 2.5% and 12.5% between now and October 21st

I am buying Chinese stocks, they look like they may have bottomed, but I will keep these amusements on a tight leash. I prefer US growth, but those charts are still too ugly for me to play with; plus, my current bet is China's economy will outperform the US in the coming months. I think China's economy will likely grow while ours is expected to contract. Maybe long Chinese tech and short US Tech??

<u>Longer-Term plans (after another major selloff)</u>

It will mostly be growth and tech, I have no names now, but I have a very long watch list. The risks of investing in China are high, but so are the rewards. 50-200% returns in the next 2-5 years may be achievable.

<u>Outline</u>

- Cash Substitutes (Short-term)
    - Global X SuperDividend U.S. ETF (DIV)

- Inflation bets
    - Black Stone Minerals (BSM)

- Growth
    - Medifast (MED)?
    - Look at Chinese tech

- Avoid interest rate-sensitive sectors and stock
    - Avoid high yield
        - Pipelines, REITs, Preferred shares, Bonds
        - Avoid energy, metals, and commodities for now
    - Avoid companies with large debt
    - Avoid Europe like the plague

- Be ready for an October selloff

- Income-generating options
    - Out of the money puts on VXX (time/theta decay play)
    - VXX ATM Iron Butterflies (time/theta decay with delta)
    - SPY Iron fortresses (long put and call iron butterflies, delta play)

To-Do List

Buy the dips, sell the rips…

Nibble individual Chinese growth names

Be ready for a September or October selloff followed by an end-of-year bull market.

Watch

- Watch for expansion or contraction of monetary policy and any other Fed action
- Watch China
- Watch foreign markets to invest in if the US theme changes
- And clearly Ukraine
- Watch Crude oil
- Watch the VIX
- Watch 10's minus 2's
- Watch Dr. Copper

My sell Signals (subject to change without notification):

- Vix Above 30
- US 10-year above 3.5%

My reentry/buy points

- Vix Below 20 or above 35
- US 10-year below 2.5% or above 4%

How I can be wrong

- Russian escalation or de-escalation
- The Federal Reserve slows or increases the number of rate hike
- China credit meltdown or gets resolved
- Economic changes to GDP, inflations, USD valuations
- Known unknowns
- Unknown unknowns
- Anything and everything

Final Thoughts

A bounce may be likely, but a more significant selloff later this year is also expected. There are no easy answers, and everything is a guess… The market still looks weak, but there are some signs of stabilization.

Hold…

This is the conclusion of my report!!

I expect my succeeding report to be distributed on October 3rd, 2022. At that time, I will once again attempt to entertain you with my updates, opinions, reflections, lousy grammar, and exceptionally bad poofreading. 😜 – Mark

Appendix 1
Value Stocks

I think this is a shortlist of some cheap stocks I follow. I also show the expected earnings yield for this year, what it's expected to earn in '23 versus its current stock price (i.e., return on investment), and for those who prefer P/E ratios, I have included those also.

Stock	Symbol	Dividend Yield	Est. Earnings Yield (Earnings/Price)	Forward ('23) P/E
Alliance Resources	ARLP	7.7%	22.9%	4.4
PetroChina	PTR	7.4%	21.3%	4.7
Olin Corp	OLN	1.7%	20.4%	4.9
China Petroleum	SNP	**16.3%**	19.9%	5.0
Black Stone Minerals	BSM	8.2%	13.0%	7.7
Prudential Finacial	PRU	4.9%	13.0%	7.7
Plains All American	PAA	8.6%	12.3%	8.1
Bristol-Myers Squibb	BMY	2.8%	10.5%	9.5
Enterprise Products Partn	EPD	7.2%	10.4%	9.7
Medifast, Inc.	MED	3.6%	10.4%	9.6
Gilead Sciences	GILD	4.7%	10.1%	9.9
Cigna	CI	1.7%	9.4%	10.6

Appendix 2
High Yield

High yield is a precarious investment by nature. I have made significant changes to the methodology; I am now focused on more stable items. Here is a shortlist of a few of the high-yield investments I follow along with the current market yield.

Stock	Symbol	Yield	Structure
China Petroleum	SNP	16.3%	Corp
San Juan Basin Royalty Trust	SJT	11.8%	Trust
MPLX LP	MPLX	9.7%	L.P.
Plains All American	PAA	8.6%	LP.
Black Stone Minerals	BSM	8.2%	LP.
Enterprise Products Partners	EPD	7.2%	LP.
Global X SuperDividend U.S.	DIV	6.2%	ETF

* Are stocks that I own at the time of this publication.
^ Indicates a qualified dividend and may give you a lower tax rate on dividends

This list is small because high yield will do poorly as rates go up.

Most of these investments are not regular stocks and typically don't qualify for special tax treatment under US capital gains rules. Most of these investments are a Trust, Real Estate Investment Trust (REIT), Bond fund, Master Limited Liability Partnership (LLP), Master Limited Liability Partnership (MLP), or other tax landmines. I put these instruments in my IRA rollover to avoid most of these tax headaches, but even that potentially creates some tax burden. Be sure you and your investment (tax) advisor knows what you may be getting into before investing and getting a crazy high tax bill at the end of the year.

Appendix 3
Growth

This is my shortlist of high-growth investments that I follow along with the current projected year-on-year growth, forward Price to Earnings ratio, and analyst five-year annual growth projections.

The selloff was brutal to all growth stocks; these may have bottomed. If the market has bottomed, growth is very, very interesting.

Stock	Symbol	'23 Growth	Forward P/E	5 Yr. Growth
Alibaba	BABA	20.1%	**13.1**	
Baidu	BIDU	22.5%	16.1	
JD.com	JD	**49.2%**	24.3	
Tesla, Inc.	TSLA	32.5%	42.9	

* Are stocks that I own at the time of this publication.

Appendix 4
Country ETFs

<u>Economic Growth (GDP) Forecast by Country for 2021</u>

China	8.0%	United Kingdom	4.2%	U.S.	3.2%	Brazil	2.6%
India	7.9%	Indonesia	4.0%	South Africa	3.0%	Israel	2.3%
Vietnam	6.8%	Mexico	3.6%	Turkey	2.9%	Japan	2.3%
France	6.0%	European Union	3.6%	Germany	2.8%	Switzerland	2.2%
Spain	5.0%	Canada	3.5%	South Korea	2.8%	Greece	0.9%
Chile	4.2%	Australia	3.3%	Russia	2.8%	Venezuela	-1.9%

The yields shown below are '21 total returns, including dividends. I only update this section at the <u>beginning of each year</u>.

Country	ETF symbol	2021 Total Return
Australia	EWA	8.55%
Brazil	EWZ	-19.10%
Canada	EWC	**27.41%**
Chile	ECH	-6.01%
China	FXI	-20.10%
EU	VGK	13.57%
France	EWQ	18.35%
Germany	EWG	5.21%
Greece	GREK	3.58%
India	INDA	23.23%
Indonesia	EIDO	3.94%
Israel	ISRA	10.06%
Italy	EWI	11.67%
Japan	EWJ	3.73%
Mexico	EWW	9.97%
Russia	RSX	21.45%
South Africa	EZA	5.11%
South Korea	EWY	-7.49%
Spain	EWP	-0.54%
Sweden	EWD	18.59%
Switzerland	EWL	12.37%
Turkey	TUR	**-27.10%**
UK	EWU	14.52%
USA	SPY	26.67%

The big winner was Canada, with a respectable 27.41% gain last year. With its fairytale economic policies, it shouldn't surprise anyone that Turkey came in last with a loss of 27.1%.

Appendix 5
My Current Portfolio Holdings

Roughly 70% of my portfolio is currently in cash.

Trading Portfolio (Taxed) - Options, short positions, short-term trades

SPY* - Long Iron Fortress, a position that makes money if the market goes up or down.
VXX* – Short out of the money Puts

IRAs (Tax-deferred) - Income and high yield

VXX* – Short out of the money Puts

* Denotes options positions

My to-do-list for printing

I keep a hard copy of this on my desk to remind me of the plan and take notes.

Buy the dips, sell the rips…
Nibble individual Chinese growth names
Be ready for a September or October selloff followed by an end-of-year bull market.

Watch

- Watch for expansion or contraction of monetary policy and any other Fed action
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<u>These items should make you reevaluate your assumptions</u>

- Russian escalation or de-escalation
- The Federal Reserve slows or increases the number of rate hike
- China credit meltdown or gets resolved
- Economic changes to GDP, inflations, USD valuations
- Positive inflations news

Adjust all trailing stop losses

Hold…. Hold….hold!!!