July 2023 Mark(et) Rush Report

By

Mark Rush

http://traderwasteland.wordpress.com/

July 11thth, 2023

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!

This report is neither an offer nor a recommendation to buy or sell any security. I hold no investment licenses and am thus neither licensed nor qualified to provide investment advice. The content in this report is not provided to any individual with a view toward their individual circumstances.

Do NOT ever purchase any security or investment without doing your own and sufficient research. This document contains forward-looking statements. Because events and circumstances frequently do not occur as expected, there will likely be differences between predictions and actual results. Always consult a licensed investment professional before making any investment decision. Be extremely careful; investing in securities carries a high degree of risk; you may likely lose some or all of the investment.

The material presented herein is for informational purposes only, is not guaranteed to be correct, complete, or 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.

You can follow me on Facebook at "Theta Capital Partners."
https://www.facebook.com/Theta-Capital-Partners-203727433052941/timeline/

Introduction

Greetings!

Sorry for the delay; I had some technical issues.

All data for this report was gathered and compiled on the weekend of June 30th. Prices, ratios, indexes, and outlooks may have changed materially since that time. This report is a continuation of the previous two reports since we are just waiting to see if the economy has a soft landing or a hard one. For those wanting a shorter version of this report, please jump to Chapter 6 and the updated investment ideas in the Appendixes.

Mark

You can follow me on Facebook at "Theta Capital Partners."
https://www.facebook.com/Theta-Capital-Partners-203727433052941/timeline/

Chapter 1
Considerations

The Future Impact of AI on Corporate Profits and the Global Economy

Artificial Intelligence (AI) is poised to transform corporate profits and the global economy. With its ability to automate tasks, analyze vast amounts of data, and generate actionable insights, AI is revolutionizing industries across the board. As AI technologies advance, their influence on corporate profitability and economic growth is expected to be substantial, creating both opportunities and challenges.

Enhanced Operational Efficiency and Cost Reduction
AI-powered automation and optimization algorithms have the potential to enhance operational efficiency for businesses significantly. By automating routine tasks, AI frees up human resources to focus on more strategic and creative endeavors. This can lead to streamlined processes, reduced errors, and improved productivity, ultimately translating into higher corporate profits. Furthermore, AI can help identify cost-saving opportunities by analyzing large datasets, optimizing supply chains, and minimizing waste. The cumulative effect of these efficiencies can have a positive impact on corporate bottom lines and contribute to overall economic growth.

Data-Driven Decision Making and Market Insights
One of AI’s key strengths is its ability to analyze massive volumes of data and extract meaningful insights. By leveraging AI-powered analytics tools, businesses can gain a deeper understanding of customer behavior, market trends, and competitive landscapes. These insights enable companies to make data-driven decisions that are more aligned with market demands and consumer preferences. With accurate forecasting and targeted marketing strategies, companies can optimize their product offerings, improve customer satisfaction, and increase profitability. AI’s data-driven decision-making capabilities have the potential to reshape business models and drive significant economic impact on a global scale.

Workforce Transformation and Socioeconomic Implications
As AI technologies evolve and become more integrated into various industries, workforce transformation is inevitable. While AI-driven automation can improve efficiency and productivity, it also raises concerns about job displacement and socioeconomic implications. Certain job roles may become obsolete or undergo significant changes, requiring the workforce to adapt and acquire new skills. However, the potential positive outcomes of AI, such as increased productivity and economic growth, can create new employment opportunities and contribute to overall prosperity. Navigating this transformation requires proactive measures, including investment in reskilling programs and ensuring a smooth transition for affected workers.

Conclusion

The future impact of AI on corporate profits and the global economy is immense. AI's potential to enhance operational efficiency, enable data-driven decision-making, and drive economic growth cannot be overstated. While there are challenges and concerns surrounding job displacement and workforce transformation, the overall benefits of AI adoption outweigh the potential risks. Embracing AI technologies responsibly, investing in human capital, and implementing robust regulatory frameworks will be key to harnessing AI's potential for corporate profitability and sustainable economic development. The future holds exciting possibilities as AI continues to shape the corporate landscape and contribute to the global economy.

Until now, this write-up was entirely done by ChatGPT, and it only took seconds to produce. It took longer to type the question "What is the Future Impact of AI on Corporate Profits and the Global Economy" than it took ChatGPT to make the output… It took me much longer to read it than to produce it. I have learned that enabling the microphone and talking is faster than typing my questions.

I was talking to a friend recently who is an engineer at a large company, he and his colleagues use the free online version of ChatGPT to design products and write code, and they have increased their productivity by at least 400%. The ability of the AI to generate code and engage electrical designs is "astonishing," according to my friend, so much so that an entry-level engineer can now do the work of someone with a master's degree and years of experience. At this company, management is unaware this is occurring, and there is fear that only about 25% of the staff of dozens of engineers will be needed in this one tiny department of this one corporation.

"Learn to code" will probably be a vastly unrewarding career option very soon. The allegory, "Learn to mine," will likely be much more useful for the foreseeable future.

The War

The war seems somewhat of a stalemate despite the excitement that the Wagner Group provided for a few moments in June. The West keeps providing ever-increasingly sophisticated weapons and funding, and Russia has moved tactical nuclear weapons into Belarus. Russia has had several attacks on military targets within its home territory. Western aid now exceeds the entire budget for the Russian military. This is unsustainable for Russia… long term, an existential threat for Russia. We keep pushing Russia deeper and deeper into a corner; therefore, we are increasing the risk of nuclear annihilation each day…

Things keep escalating at a notable pace… the trajectory is alarming.

Inflation, The Fed, and Interest Rates

The Federal Reserve has paused raising rates for now. So, I must wait for the data before making my next prognostication. Rates are at 5.25%, and inflation is at 4.05%. If the reduced inflation can be maintained, then it is a win.

Inflation has moderated, and the Fed has paused

Energy

Energy prices are down, but at $70.64, oil is still on the high side of the pre-Covid range of $42.5-$75/bbl. In the chart below, we can see some indecision forming, and we should get some resolution in the next couple of months of the new direction of energy. If we get a soft-landing price or inflation, we will likely see prices go up. If we get a recession, we will see prices drop.

Despite much lower oil prices, we are inexplicably still draining the emergency Strategic Petroleum Reserve. For a country that has agitated two of its significant foes (Russia and China), the Strategic Petroleum Reserve is at its lowest level in 40 years. We may need it the most in the coming years if things go seriously sideways, and it was depleted to bolster the 2022 midterm election without regard for an emergency reserve. Doing poorly in the polls due to your own policies is not a national emergency.

Oil is on the higher side of the "normal" range, while the SPR is criminally low

Chapter 2
The Charts

A picture is worth a thousand words… In my case, it may be only a couple of dozen. Let us look at the charts to understand what has happened and what may happen.

S&P 500 (4450.38)

This chart has been trending up, but I suspect it will go sideways due to seasonality. I see solid support around 4200; there is a case to be made for the market to dip 20%. Also, I would be surprised if the market exceeded 4800.

The chart appears like the momentum is in a positive direction

U.S. 10-Year Bond Rates

Rates were on an upward trend. It looks like the upward trend has stalled??

TIPS

Since this instrument is tied to the inflation rate, lower inflation will make this yield drop. The longer-term trend line has been broken; I interpret that as moderate inflation expectations. Longer-term, Tips are worth watching.

The TIP is down 20% from the peak, but its 6% yield offsets some of that decline. For now, it looks like inflation is under control. It is hard to tell what the market thinks about future inflation.

This chart shows a drop in inflation expectations

Crude Oil

We are in a period of indecision, a wedge is forming, but we do not know how it will break.

Too early to tell, but it will likely foretell a boom or bust in the economy

Copper

The trend is erratically down…

They say Dr. Copper has a Ph.D. in economics… copper has been treading down

U.S. Dollar

I think the dollar has stabilized…

The dollar has weakened, but it looks like the deterioration has stopped

Conclusions:

S&P 500: Up
Rates: Still trending sideways
Tips: Sideways, inflation under control
Oil: Unknown currently.
Copper: Slight downtrend
U.S. Dollar: The Fed has stopped its rate rise, and inflation is under control

Overall, conditions are decent.

Chapter 3
The Fundamental Indicators

<u>Economic Projections</u>

The *<u>headline numbers were my predictions at the beginning of 2023;</u> these predictions may now be laughably wrong.*

US Gross National Product (GDP) > 1.0% by the end of 2023

US GDP forecasts are now for 1.6%, while Global GDP is expected to grow at 2.8%

The GDP projections are stable, but a recession is possible later this year

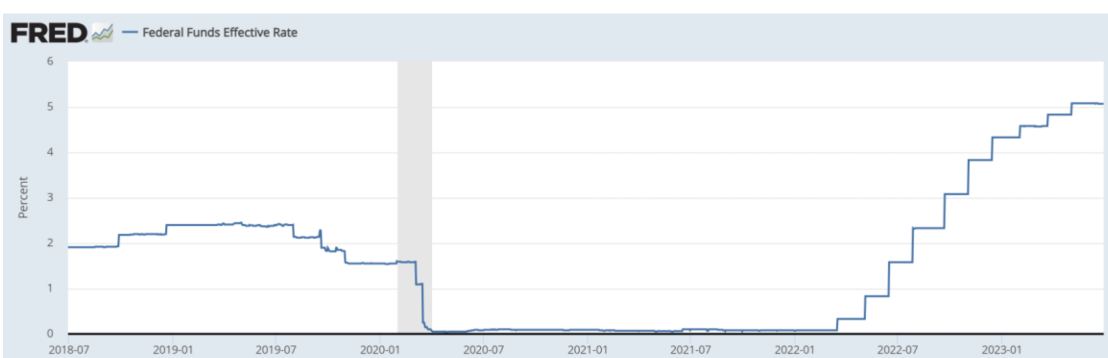
Unemployment will be > 4.0% by the end of 2023

The official unemployment rate was stable at 3.7% for May; it finished at 3.7% last year.

Unemployment spiked due to COVID and is currently below normal

Federal Reserve rates will be < 5.00% by the end of 2023

We are now at 5.00%-5.25%. I believe we are at the end of rate hikes.

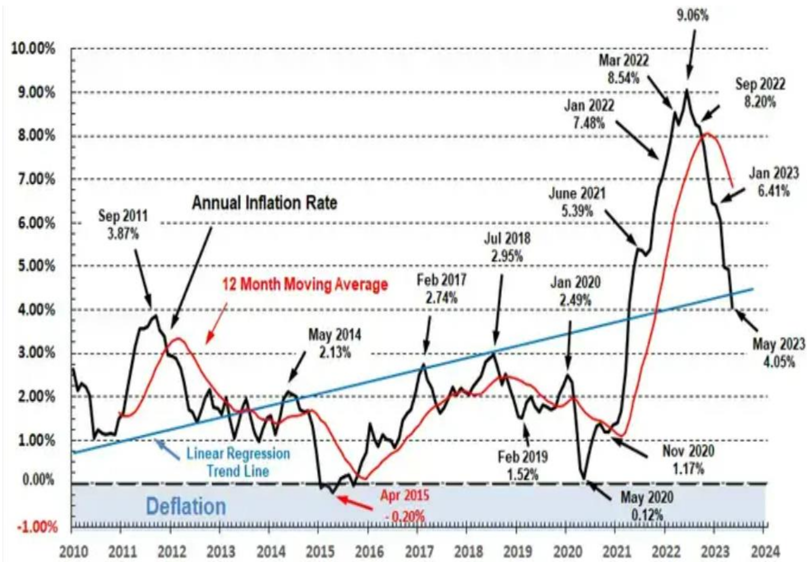


I believe the Federal Reserve is done raising rates

Inflation < 4.0% in 2023

The latest inflation was an annual rate of 4.05%. We have likely saturated the money supply; I expect inflation to stay under 5% this year, but something in the 3-5% range is the new normal due to excessive U.S. debt levels.

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



Current inflation is high; but trending down…

S&P 500 index > 4000 at the end of 2023

The S&P 500 index started 2023 at 3,839.50 and is now at 4450.38 for a 15.9% gain.

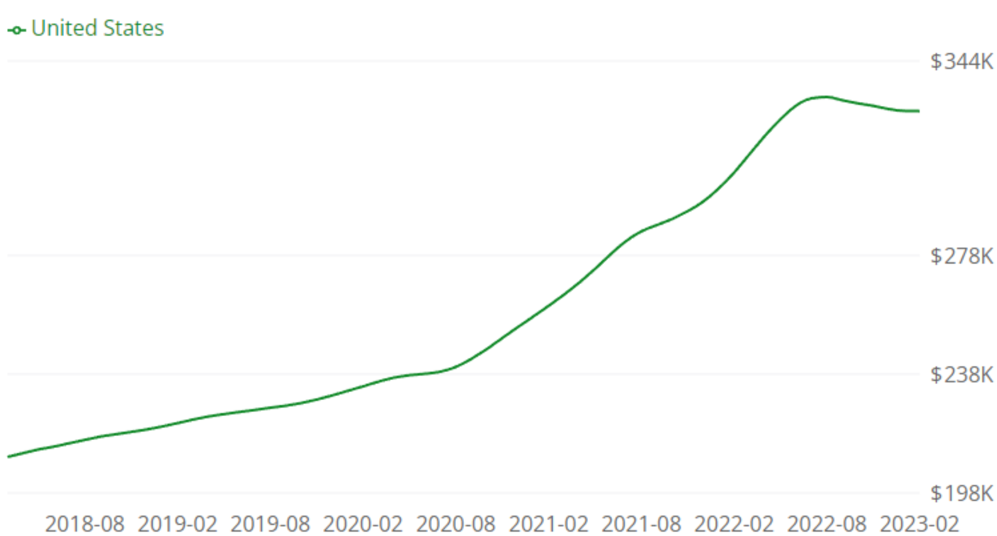
The markets are trending sideways and potentially have an up bias

Real Estate Average Home <$325k in 2023

The 2023 housing prices started at $$358k, and we are now down to $346.3k for a 3.4% drop in the last six months. The 30-year mortgage rate is up from 3.02% at the beginning of 2022 to around 6.49%. The lower prices have also changed the average mortgage, assuming a 20% down payment, from $1070 in 2022 to $1821 at the beginning of this year and now down to $1749.

National Average Mortgage Rates

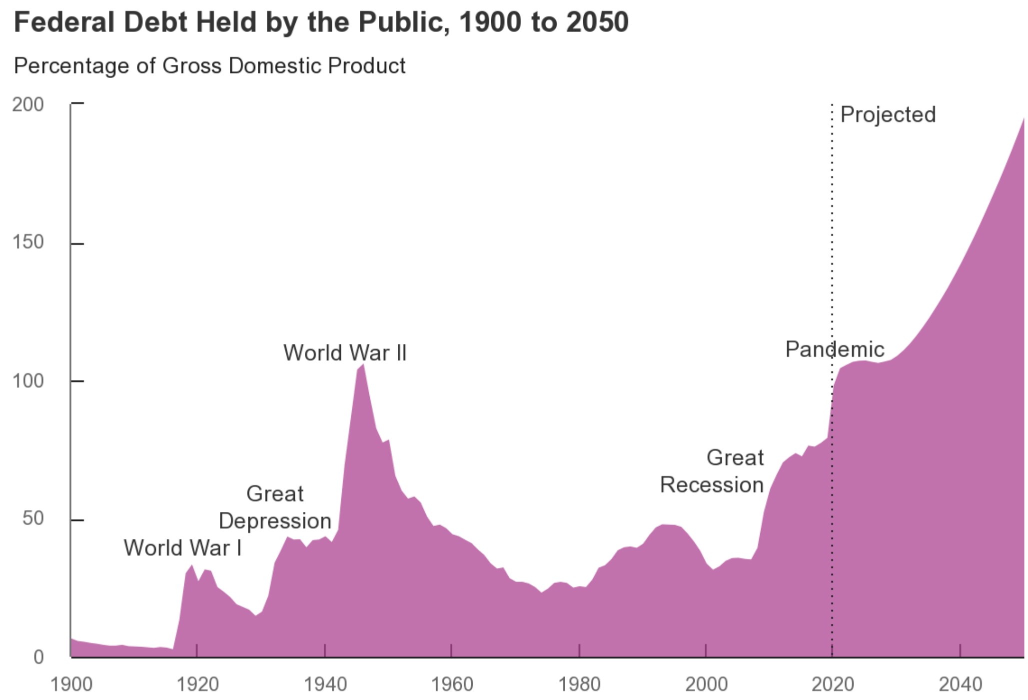
Housing price projections



The rise in rates and home prices may have paused, but it is still too high

>1.2 trillion Dollar Budget deficit for F.Y. 2023

The deficit has already risen to $1.4 Trillion this year and is expected to be >$2.0 trillion yearly from 2024-2033…



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

Chapter 4
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	1/1/23	4/1/23	7/1/23	Link
SPY	-72%	+64%	+100%	http://www.barchart.com/opinions/etf/SPY
QQQ	-100%	+88%	+100%	http://www.barchart.com/opinions/etf/QQQ
IWM	-88%	-24%	+56%	http://www.barchart.com/opinions/etf/IWM
International				
EFA	+56%	+88%	+56%	https://www.barchart.com/etfs-funds/quotes/EFA/opinion
EEM	-24%	+24%	+72%	http://www.barchart.com/opinions/etf/EEM

Bonds	1/1/23	4/1/23	7/1/23	Link
TLT	-72%	+40%	-72%	http://www.barchart.com/opinions/etf/TLT
SHY	-56%	+72%	-56%	http://www.barchart.com/opinions/etf/SHY
Gold/Oil/Dollar Index/Euro/Yen				
GLD	+56%	+100%	+8%	http://www.barchart.com/opinions/etf/GLD
USO	-72%	-88%	-88%	http://www.barchart.com/opinions/etf/USO
UUP	-56%	-88%	+56%	http://www.barchart.com/opinions/etf/UUP
FXE	+72%	+88%	+88%	http://www.barchart.com/opinions/etf/FXE
FXY	+56%	+72%	-88%	http://www.barchart.com/opinions/etf/FXY

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

VIX Index	-100%	-64%	-100%	http://www.barchart.com/opinions/stocks/$VIX

Volatility

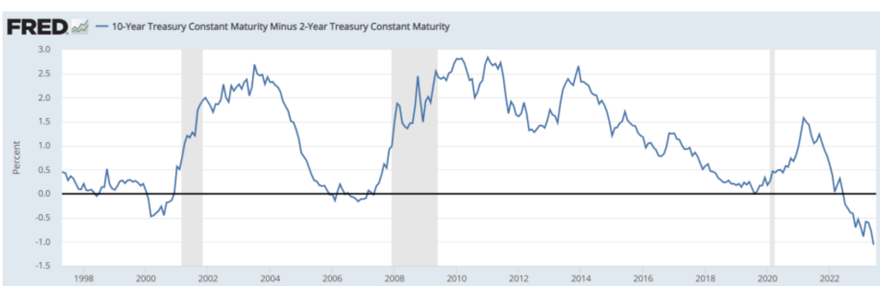
Volatility Chart (market fear index)

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. Therefore, a higher VIX shows benign fear, a bias for a higher market.

The VIX is subdued. The lower VIX is likely bullish for the market.

Ten’s minus Two’s

A good recession indicator is the difference between the U.S. 10-Year Treasury Yield and the 2-Year Treasury Yield. The first chart shows 20+ years of the index, and the grey areas are recessions. If you notice, the “10’s minus 2’s” spread usually goes negative (a vertical grey area) several months before a recession.



Historically that usually indicates an impending recession, not always, but usually. Notice that we are significantly below that line once again. We were at -.58 last time but have fallen to -1.06, giving us the most negative reading since the 1980s…

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

Technical Summary…

The technicals tell us to invest in anything except oil, yen, and bonds… So, get rid of your dollars and buy things…

The indicators are “Risk-On”

Chapter 5
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 fewer) 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 U.S. company fund	**IWM**
International company funds:	
Europe, Australasia, and Far East	**EFA**
Emerging Markets Fund	**EEM**
Fixed Income (Bond) funds:	
20+ Year U.S. Treasury Bonds	**TLT**
7-10 Year U.S. Treasury Bonds	**IEF**
US Aggregate Corporate Bonds	**AGG**
Investment Grade Corporate Bonds	**LQD**
Short bond term fund (cash):	
iShares 1-3 Year U.S. 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	12/31/22 Price	7/1/23 price	Yield Rate (Est.)	2023 Gain w/ Dividend
S&P 500 fund	SPY	$382.43	$443.28	1.42%	16.73%
Nasdaq 100 (Tech) fund	QQQ	$266.28	$369.42	0.53%	39.10%
Dow Jones Industrial Average fund	DIA	$331.33	$343.85	1.96%	4.80%
Vanguard Value fund	VTV	$140.37	$142.10	2.45%	2.47%
Russell 2000 Small-Cap fund	IWM	$174.36	$187.27	1.22%	8.06%
Europe, Australasia, and Far East fund	EFA	$65.64	$72.50	3.62%	12.45%
Emerging Markets fund	EEM	$37.90	$39.56	1.57%	5.20%
20+ Year U.S. Treasury Bond fund	TLT	$99.56	$102.94	2.59%	4.74%
7-10 Year U.S. Treasury Bond fund	IEF	$95.78	$96.60	2.23%	1.98%
U.S. Aggregate Corporate Bond fund	AGG	$96.99	$97.95	2.53%	2.27%
Investment Grade Corporate Bonds	LQD	$105.43	$108.14	3.28%	4.25%
1-3 Year U.S. Treasury Bond fund	SHY	$81.17	$81.08	2.18%	0.98%

RESULTS	Low Risk	Balanced	Growth	Aggressive
’23 Return	6.60%	8.51%	10.90%	10.68%
’22 Return	-16.80%	-16.95%	-17.23%	-17.59%
’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	**5.41%**	**6.44%**	**7.80%**	**7.64%**

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

Chapter 6
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
- AI will create massive economic efficiencies, drive costs down, and produce more
- Fed rate hikes are nearing their endgame

The Bad

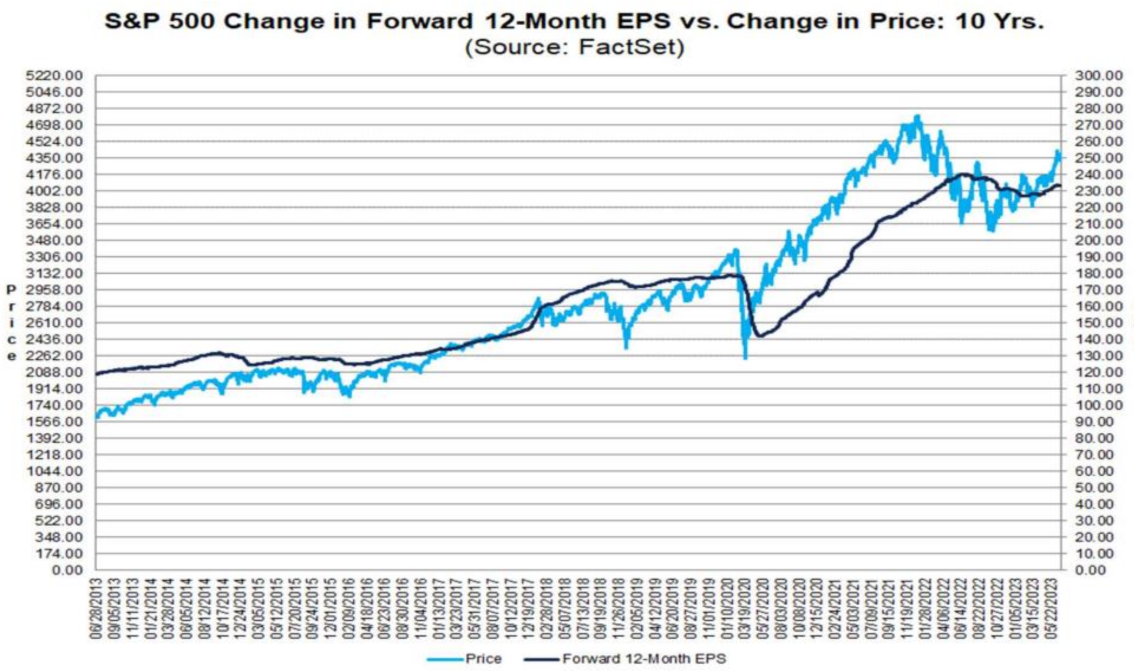
- Potential banking crisis due to high rates
- Tens minus twos signaling a recession
- Falling global and US GDP expectations
- Labor and input scarcity
- Excessive money printing
- Partisan politics
- The possibility of an underground nuclear "test" by the Russians in their territory
- Supply and demand equilibrium
- Known unknowns

The Ugly

- Unrelenting smacking of the bear that has thousands of thermonuclear weapons
- AI will displace massive numbers of formerly skilled labor very soon
- Potential for an above-ground nuclear "test" by the Russians outside their territory
- Potential for a Fed-induced global financial crisis
- Unsustainable Federal, State, and local debt
- A populous that does not understand how their basic needs are fulfilled
- Leadership unable to contemplate the consequences or outcomes of their actions
- Unknown unknowns, the kind that blindsides you at 4 p.m. on some idle Tuesday

S&P 500 Valuation

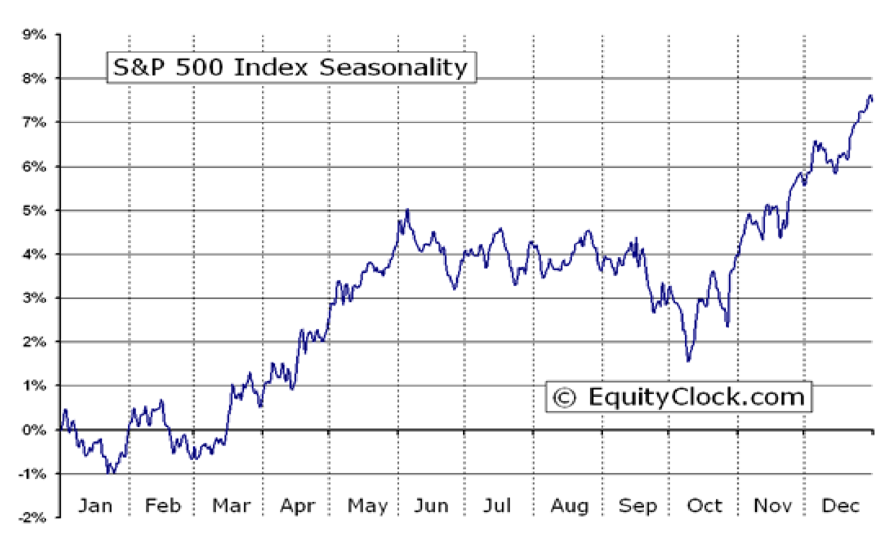
This chart shows that the S&P 500 reached "fair value" during the recent sell-off. The latest spike has moved it slightly above fair value.



Valuations are still high but better since the 2022 sell-off

Seasonality

We are now in a time when the market tends to drop and hit bottom over the next few months, then bounce. I expect a sideways market this quarter. The 4th quarter will fall if the market falls seasonality this year.



The markets have historically gone sideways until late September

The plan (subject to change without notification):

Let us review my assumptions before digging into the plan.

My market assumptions

- Moderate to bad recession in the second half of 2023
- Inflation to around the 3-5% range
- Ukrainian war escalation
- The Fed is done raising rates
- Bonds have topped out
- Housing declines slowly over the next few years in real terms
- Labor tightness eases, but unemployment remains relatively low
- The impact of AI will start to show in the economy later this year

I am more comfortable with current stock market valuations since the 2022 price decline. Still, we are looking at a fair chance of a global recession and a global financial crisis due to high rates. Things look interesting if we can get past this, the war and inflation.

With labor and commodities easing, inflation may be taming itself short term. In the long term, I suspect we will have ~5% inflation as the norm for the next decade. As AI works its way into the economy, I expect controlled inflation and higher unemployment in the coming months and years.

I expect a choppy market for the next few months.

The Fed has stopped raising rates
July to September sees a sideways market (4200-4500)
Followed by a Q3 sell-off back down below 4000
Followed by a last Q3 bounce back above 4000
Followed by one big question mark… depending on Fed action and economic conditions

Please do not put too much faith in this outline since my view changes almost daily. Information and conditions change frequently. Most certainly, it is wrong; it is what I expect today with the information I have.

The safe play…

With all the ups and downs and more downs predicted with many moving parts and unknown and known unknowns, how would a person deal with the market over the next several months?

The smart move would be to be in short-dated U.S. bonds for the next 3-6 months. Interest rates are close to peaking, so for the first time in 5-10 years, bonds may be a decent investment for their risks and rewards.

I expect inflation to be manageable in the short term. Bonds are additional protection if something goes wildly off track or the economy goes into systemic risk mode. The risks to a U.S. Government Bond portfolio are low, but the rewards are unexciting but decent.

To be safe, these investments should be U.S. government bond funds since the extra yield on foreign or corporate debt may not be worth the additional risk/reward. The only significant risk with bonds is if inflation keeps increasing despite recent Fed action.

Black Swan Event (BSE)

Planning for unlikely but cataclysmic events in the next nine months is wise.

- Test or use of nuclear weapons in or around Russia
- A drop in the housing market in the 20-40% range
- The collapse of a major US or European bank

One of these events could move the market down by 20-50% in days to weeks.

Outline

- Cash Substitutes (Short-term)
  - SHY
  - BSV

- Growth

  - Chip sector
  - Nasdaq (QQQ)

- Safety
  - Bonds
  - Healthcare (LLY)
  - MO
  - Buy put or put spreads on SPY for a Black Swan Event (BSE)
  - Buy call spreads on VXX corresponding to 50+ VIX for BSE

To-Do List

Be ready for a sell-off in Q3-Q4

Watch…

- Monetary policy and any other Fed action
- China's economy
- Foreign markets to invest in if the U.S. theme changes
- Ukraine
- Crude oil
- VIX
- 10's minus 2's
- Dr. Copper

How I can (will) be wrong

- Russian escalation
- Renewed inflation
- The Federal Reserve continues to raise rates
- China has an economic meltdown
- Known unknowns
- Unknown unknowns
- Anything and everything
- Odds are I will be…

Final Thoughts

I am concerned about a sell-off later this year. There are no easy answers, and everything is a guess… The market still looks to be stabilizing, but early signs of a global recession are in the making. There are also signs of light at the end of the tunnel.

There are some very low-chance high-impact events brewing out there… be careful. Short-term bonds for the safe play! Tech and high beta play for the adventurous.

I expect my next report to be sent out around October 2nd, 2023. 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

This is a short list of some cheap stocks I like. I also show the expected earnings yield for next year, what it is expected to earn in '24 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 ('24) P/E
Alliance Resources	ARLP	**15.7%**	**30.3%**	3.3
CONSOL Energy	CEIX	6.8%	29.0%	3.4
Precision Drilling	PDS	-	25.0%	4.0
Scorpio Tankers	STNG	2.3%	22.8%	4.4
The Carlyle Group	CG	4.6%	12.5%	8.0
Sunoco	SUN	**7.7%**	12.0%	8.3
Ares Capital	ARCC	**10.3%**	11.9%	8.4
Halliburton	HAL	2.0%	10.9%	9.1
Black Stone Minerals	BSM	**11.9%**	10.2%	9.8
Enterprise Products	EPD	**7.5%**	10.2%	9.8
Plains All American Pipeline	PAA	**7.9%**	9.6%	10.4

This list is short since my criteria are low P/E, favorable to neutral momentum, and year-over-year earnings growth.

ARLP is a high reward for moderate risk, but I would call it speculative, and EPD has a good yield for a modest-risk stock.

Appendix 2
High Yield

High yield is a precarious investment by nature. Here is a short list of a few of the high-yield investments I like, along with the current market yield.

Stock	Symbol	Yield	Structure
Alliance Resources	^ARLP	15.7%	Corp
Black Stone Minerals	BSM	11.9%	L.P.
JPMorgan Premium Income	JEPI	11.4%	ETF
Ares Capital	^ARCC	10.3%	Corp
Energy Transfer	ET	9.7%	L.P.
MPLX LP	MPLX	9.1%	L.P.
Altria	^MO	8.4%	Corp
Alerian MLP ETF	AMLP	8.3%	ETF
Plains All American	PAA	7.9%	L.P.
Global X SuperDividend U.S.	DIV	7.8%	ETF
Sunoco	SUN	7.7%	L.P.
Hess Midstream LP	HESM	7.6%	L.P.
Enterprise Products Partners	**EPD**	7.5%	L.P.
Diamondback Energy	^FANG	7.1%	Corp
Magellan Midstream Partners	MMP	7.0%	L.P.
Vector Group	VGR	6.3%	L.P.

* These 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

Many high-yield investments held up despite rising interest rates. If rates were to go down, these instruments would see price appreciation.

In my subjective view, I highlighted the most interesting based on risk vs. reward. Altria (MO) for long-term stable high yield for those willing to own it. The lazy trade is buying the AMLP and paying the fees for a basket with several decent names.

Most of these investments are not regular stocks and typically do not qualify for special tax treatment under U.S. 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 know what you may be getting into before investing and getting a crazy high tax bill at the end of the year.

Appendix 3
Growth

Here is my short list of high-growth investments and the current projected year-on-year growth, forward price-to-earnings ratio, and analyst annual growth projections for the next five years.

Many more stocks had good growth, but their charts could have been better. Last year's sell-off was brutal to all growth stocks; these names may have bottomed.

Stock	Symbol	'24 growth	Forward P/E	5 Yr. Growth
Amazon	AMZN	63.3%	50.5	1%
Marvel	MRVL	**53.6%**	**25.4**	14%
AMD	AMD	**47.2%**	**27.1**	10%
Block (Square)	SQ	**42.0%**	**27.7**	**40%**
Eli Lilly	**LLY**	40.5%	38.3	25%
NVIDIA Corporation	NVDA	33.4%	40.8	21%
Netflix, Inc.	NFLX	29.0%	30.7	21%
Taiwan Semiconductor	TSM	24.7%	**15.7**	21%
Meta	META	24.7%	**19.7**	18%
ServiceNow, Inc.	NOW	24.5%	47.4	25%
Chipotle	CMG	20.8%	39.9	25%
Salesforce, Inc.	CRM	20.7%	**23.5**	23%
ASML Holding	ASML	18.1%	31.1	25%
Microsoft	MSFT	13.5%	31.1	12%

Amazon offers the best year-over-year growth. I believe Eli Lilly and Block offer the best combinations of Growth, P/E, and predictability for a long-term investment.

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

Appendix 4
Country ETFs

The yields shown below are ’22 total returns, including dividends. I only update this section at the beginning of each year.

Country	ETF symbol	2022 Total Return
Australia	EWA	-5.44%
Brazil	EWZ	**13.36%**
Canada	EWC	-12.25%
Chile	ECH	**22.63%**
China	FXI	-18.83%
EU	VGK	-15.22%
France	EWQ	-11.31%
Germany	EWG	-21.28%
Greece	GREK	2.95%
India	INDA	-8.41%
Indonesia	EIDO	-0.52%
Israel	ISRA	-25.80%
Italy	EWI	-13.13%
Japan	EWJ	-16.99%
Mexico	EWW	3.22%
Russia	RSX	Delisted
South Africa	EZA	-3.09%
South Korea	EWY	-26.39%
Spain	EWP	-4.6%
Sweden	EWD	-26.78%
Switzerland	EWL	-17.53%
Turkey	TUR	**105.1%**
UK	EWU	-4.35%
USA	SPY	-18.14%

The big winner was Turkey, with a respectable 105.1% gain last year.

My to-do-list for printing

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

Watch

- Watch for expansion or contraction of monetary policy and any other Fed action
- Watch China
- Ukraine
- Watch Crude oil
- Watch the VIX
- Watch 10's minus 2's
- Watch Dr. Copper

My buy Signals (subject to change without notification):

- Vix Above 50
- U.S. 10-year below 3.5%

<u>These items should make you reevaluate your assumptions</u>

- Russian escalation or de-escalation
- The Federal Reserve increases the number of rate hike

Buy on a significant dip

Buy BSM, ARLP, AMLP
Buy Healthcare (LLY)
Buy TQQQ and SOXL
Buy put or put spreads on SPY for a Black Swan Event (BSE)
Buy SQ on a dip for a long-term hold
Buy June 350 puts on the SPY in case, well, just in case, terrible things happen