

Sun City Summerlin Computer Club

**Internet Investing
SIG**

**Tom Burt
April 18, 2019**

SIG Meeting Schedule

- The Internet Investing SIG meets every other “even” month on the third Thursday morning at **9:30 AM**.
- The next six meeting dates will be:
 - *June 20, 2019*
 - *August 15, 2019*
 - *October 17, 2019*
 - *December 19, 2019*
 - *February 20, 2020*
 - *April 16, 2020*

Fundamentals Review – March 7, 2019

- **Dollar has strengthened a bit against foreign currencies.**
 - *Oil [mostly] priced in dollars – up at around \$56 / barrel.*
 - *Stock indexes have recovered after dropping well off record highs*
 - *Dow 30: 25,673, S&P 500: 2771, Nasdaq: 7506, Gold: 1287, Bitcoin: 3873*
 - *S&P PE ratio is 21.7 vs 15.7 long term historical average*
- **Key interest Rates Down Slightly:**
 - *10 year Treasury note - about 2.69%; 30 year Treasury note - about 3.06%.*
 - *30 year fixed mortgage - 4.4%; 15-year fixed mortgage - 3.8%*
- **Federal Reserve raised Fed Funds (Dec 19) by .25% to 2.25-2.5%.**
 - *Fed has softened on plans to raise Fed Funds rate by .25% twice in 2019.*
 - *Fed still selling off treasury debt (QT).*
 - *Foreign governments also unloading U.S. Debt.*
- **Gov't Claims January US Job Unemployment up a bit at 4.0%.**
 - *Claim the government shutdown caused the increase.*
 - *But BLS just makes up (estimates) numbers, so who really knows.*
- **Official 2019 CPI Inflation Rate as of January 31 was 1.6% / year**
 - *NV Gasoline (\$2.63 at Costco)*
 - *Medical care, medications & insurance are NOT cheap*

Fundamentals Review – April 17, 2019

- Dollar has strengthened a bit against foreign currencies.
 - Oil still priced in dollars – up to around **\$63.75** / barrel.
 - Stock indexes back to very topy levels from December lows
 - Dow 30: **26,450**, S&P 500: **2900**, Nasdaq: **7996**, Gold: **1276**, Bitcoin: **5239**
 - S&P PE ratio is **21.7** vs 15.7 long term historical average
 - Defense stocks (ITA) up. Healthcare (XLV) down, Big Tech (QQQ) up.
- Key interest Rates Down Slightly:
 - 10 year Treasury note - about **2.59%**; 30 year Treasury note - about **2.99%**.
 - 30 year fixed mortgage - **4.74%**; 15-year fixed mortgage - **4.02%**
- Federal Reserve raised Fed Funds (Dec 19) by .25% to 2.25-2.5%.
 - Fed says they have tabled plans to raise Fed Funds rate by .25% twice in 2019.
 - Fed selling off lots of treasury debt (Quantitative Tightening).
 - Foreign governments also unloading U.S. Debt.
- Gov't Claims March US Job Unemployment at a low **3.8%**.
 - But BLS just makes up (estimates) numbers, so can't really know.
- Official 2019 CPI Inflation Rate as of March was **1.9%** / year
 - LV Gasoline (**\$3.06** at Costco)
 - Medical care & insurance is **NOT** cheap
 - Restaurant meals up \$1 - \$3 per person

Excel Spreadsheet for Taxable Social Security

- If you have a stream of investment and pension income, you almost certainly have to file quarterly estimated tax payments.
- If you receive social security income, one of the challenges is determining how much of it is taxable.
 - *Depends on how much other household income you are receiving*
 - *Rules and calculations are complex*
- I finally downloaded Pub 505 (Estimated tax), which includes the calculation worksheet for taxable social security.
- I then implemented the worksheet line by line as an Excel worksheet.
- The worksheet is available as a free download to any interested club member in the SIGs area at:
 - www.scscclub/sigs
- Let's take a quick look ...

How Safe is That Big Dividend? (1)

- **My own favorite investing strategy is to focus on large corporations that pay a substantial and growing dividend.**
- **I try to buy these companies when their price has dipped and then generally hold for a long time.**
- **Over time, these companies grow earnings and increase the dividend. As a result, the stock's price rises.**
- **In market downturns, these companies usually drop less and continue to pay the dividend, offsetting some of the paper capital loss.**
- **The cash from the dividends can provide an income stream to supplement pension and social security income.**
- **So what could go wrong?**

How Safe is That Big Dividend? (2)

- Dividends are *not* guaranteed! A company in trouble can and will cut dividends to save cash.
- When a company cuts its dividend, the stock price usually drops as well, causing you a double loss.
- How can you tell if a company is getting into trouble, putting that dividend and its future stock price at risk?
- Here a few key indicators that are easy to check ...
 - *Payout Ratio: Percent of earnings paid out as dividends – lower is better, over 90% is a concern, over 100% is a problem.*
 - *Net Free Cash Flow: Should be enough to comfortably cover the dividend. A danger sign is when the company is borrowing money to pay the dividend.*
 - *Dividend Longevity: How long and how consistently has the company been paying its dividend? Does the dividend grow over time?*
 - *Company Debt Levels? How much debt is the company carrying and what's the cost of servicing that debt?*
- Let's look at a few examples ...

Open Discussion