

Sun City Summerlin Computer Club

\$ Internet Investing SIG \$

Tom Burt

October 15, 2020

SIG Meeting Schedule

- The Internet Investing SIG meets every other “even” month on the third Thursday morning at **9:30 AM**.
- Investing SIG Chat Line
 - *Subscribe:* SCSCCInvestingSIG+subscribe@groups.io
 - *Post:* SCSCCInvestingSIG@groups.io
- The next six session dates will be:
 - *December 17, 2020 – probably via webcast*
 - *February 18, 2021 – probably via webcast*
 - *April 15, 2021 – probably via webcast*
 - *June 17, 2021 – hopefully live in the classroom*
 - *August 19, 2021*
 - *October 21, 2021*

Fundamentals Review – June 18, 2020

- **Dollar strong against foreign currencies.**
 - *Oil still priced in dollars – still low at around **\$37.70** / barrel.*
 - *Stock indexes have bounced back from lows.*
 - *Dow 30: **26,120**, S&P 500: **3113**, Nasdaq: **9911**, Gold: **\$1735**, Bitcoin: **\$9426***
 - *S&P PE ratio is **22.32** vs 15.8 long term historical average*
- **Key interest Rates Plunged then have rebounded:**
 - *10-year Treasury note - about **0.73%**; 30-year Treasury note - about **1.52%**.*
 - *30-year fixed mortgage – **3.36%**; 15-year fixed mortgage - **2.86%***
- **Federal Reserve Fed Funds remains at 0.0 – 0.25%.**
 - *Fed is massively buying U.S. Treasury debt; may buy stocks*
 - *Investors having to sell gold and bonds to raise cash for margin calls.*
- **Gov't Claims May US Job Unemployment was **13.3%**.**
 - *With all the Coronavirus closures, this number will be way up for April.*
- **Official CPI Inflation Rate for May, 2020 was **0.3%** / year**
 - *LV Gasoline (**\$2.15** at Costco)*
 - *<http://www.in2013dollars.com>*

Fundamentals Review – August 20, 2020

- **Dollar strong against foreign currencies.**
 - *Oil still priced in dollars – still low at around **\$42.79** / barrel.*
 - *Stock indexes have been rising steadily; Nasdaq near/ at all time highs.*
 - *Dow 30: **27,693**, S&P 500: **3375**, Nasdaq: **1146**, Gold: **\$1934**, Silver: **26.74**, Bitcoin: **\$11762**.*
 - *S&P PE ratio is **29.0** vs 15.8 long term historical average.*
- **Key interest Rates Plunged then have rebounded:**
 - *10-year Treasury note - about **0.68%**; 30-year Treasury note - about **1.22%**.*
 - *30-year fixed mortgage – **2.91%**; 15-year fixed mortgage - **2.38%**.*
- **Federal Reserve Fed Funds remains at 0.0 – 0.25%.**
 - *Fed is massively buying U.S. Treasury debt; may be covertly buying stocks*
 - *Investors having to sell gold and bonds to raise cash for margin calls.*
- **Gov't Claims July US Job Unemployment was **10.2%**.**
 - *Despite the Coronavirus closures, this number has been improving.*
- **Official CPI Inflation Rate for July, 2020 was **1.0%** / year**
 - *LV Gasoline (**\$2.29** at Costco).*
 - *Federal Reserve has abandoned its 2% cap on inflation.*

Fundamentals Review – October 15, 2020

- **Dollar strong against foreign currencies.**
 - *Oil still priced in dollars – still low at around \$41.14 / barrel.*
 - *Stock indexes have been rising steadily; Nasdaq close to time highs.*
 - *Dow 30: 28,514, S&P 500: 3489, Nasdaq: 11387, Gold: \$1905, Silver: 24.34, Bitcoin: \$11073, EUR/USD: 1.175*
 - *S&P PE ratio is 35.7 vs 15.8 long term historical average.*
- **Key interest Rates Plunged then have rebounded:**
 - *10-year Treasury note - about 0.72%; 30-year Treasury note - about 1.50%.*
 - *30-year fixed mortgage – 2.94%; 15-year fixed mortgage - 2.37%.*
- **Federal Reserve Fed Funds remains at 0.0 – 0.25%.**
 - *Fed is massively buying U.S. Treasury debt; may be covertly buying stocks*
 - *Investors having to sell gold and bonds to raise cash for margin calls.*
- **Gov't Claims September US Job Unemployment was 7.9%.**
 - *Despite the Coronavirus closures, this number has been improving.*
- **Official CPI Inflation Rate for September 2020 was 1.4% / year**
 - <https://www.usinflationcalculator.com/inflation/current-inflation-rates/>
 - *LV Gasoline (\$2.25 at Costco).*
 - *Federal Reserve has abandoned its 2% cap on inflation.*

Planning (Guessing?) Ahead

- **Corona Virus will be around for a Long Time**
 - *Vaccine likely 6 to 9 months away. Effectiveness & side effects unknown.*
 - *Will need masks, gloves, hand sanitizer and wipes for seniors, others at risk.*
 - *COVID-19 could mutate, require a new vaccine yearly.*
- **Paradigm Shift to Online Shopping & Telecommuting**
 - *Amazon, Walmart, UPS & Fedex will continue to benefit.*
 - *Many businesses will stay with “work at home” / web collaboration.*
 - *Microsoft, Google & Zoom will continue to benefit.*
 - *Demand for higher Internet performance will grow.*
- **Watch out for big tax hikes in 2021 no matter who wins the election.**
 - <https://www.zerohedge.com/political/great-california-exodus-accelerates>
 - *\$5 to \$7 Trillion deficit potential for FY 2020; more in 2021.*
 - *Federal Reserve can't print money forever to pump the economy.*
 - *Watch out for higher Federal & State property (wealth) taxes.*
- **Probably see a recovery about Q3/2021**
 - *Look for a modest baby boom in early 2021.*
 - *Will spike housing demand.*
 - *Suburban & small-town real estate will be in high demand.*

End-of-Year Tax Moves 2020

- Required Minimum Distributions *Waived* for 2020.
 - *But ... consider Qualified Charitable Donations (excluded from AGI).*
- CARES Act has changed estate planning re IRAs (no stretch).
- 2020 standard deduction for seniors married filing jointly: \$27,400.
- Most itemizers can't exceed the above because of ...
 - *10% of AGI exclusion for medical expenses*
 - *No state income tax*
 - *Mortgage interest deduction capped at interest on 1st million*
 - *Property taxes, vehicle registration, sales taxes capped at \$10,000*
- Look at moving income into one year, expenses into next and alternating itemized vs standard.
- Still good to offset capital gains with capital losses (sell losers).
 - *Only do this in taxable accounts.*
- If taxable income well below \$77,400, it may make sense to sell stock winners & then immediately buy them back.
 - *Cap gains taxed at 0%. Establishes a new, higher basis.*
- See 2020 tax rate tables on next slide ...

The 2020 Income Tax Rates

- **Current law (as of 2018) features 7 tax brackets for taxable income:**
- **Note the marriage penalty beginning at 37%**
- **(Rate tables copied from a Tax Foundation article)**

Table 1. 2020 Tax Brackets and Rates

Rate	For Single Individuals, Taxable Income Over	For Married Individuals Filing Joint Returns, Taxable Income Over	For Heads of Households, Taxable Income Over
10%	\$0	\$0	\$0
12%	\$9,875	\$19,750	\$14,100
22%	\$40,125	\$80,250	\$53,700
24%	\$85,525	\$171,050	\$85,500
32%	\$163,300	\$326,600	\$163,300
35%	\$207,350	\$414,700	\$207,350
37%	\$518,400	\$622,050	\$518,400

Source: Internal Revenue Service

Looking for Low Risk Income (1)

- **Current Situation:**
 - *Qualified dividends and long-term capital gains taxed at 0% if taxable income below \$77,400. Above that tax rate is prorated to max of 20%.*
 - *Stock indexes very topky – but most of gain is attributable to a few big-cap stocks.*
 - *Bank savings / CD rates and brokerage cash rates are much lower than inflation.*
 - *Common Stock dividend yields are higher but can be risky (not guaranteed).*
 - *Preferred Stock dividend yields are higher, less risky (not guaranteed).*
 - *Treasury bond yields are very low because of flight to quality.*
 - *Federal Reserve is unlikely to raise rates.*

Looking for Low Risk Income (2)

- **Investments to Consider:**
 - *Preferred stock ETFs (relatively stable, yields around 5.7%, low fees)*
 - *Corporate bond ETFs (relatively stable, yields around 3.3%, low fees)*
 - *Dividend stock ETFs (prices can move, yields vary, moderate fees)*
 - *Government bond ETFs (relatively stable, yields around 1%, low fees)*
 - *Corporate low-beta dividend stocks ((prices can move, yields vary, no fees)*

Looking for Low Risk Income (3)

- Let's look at a few examples:
 - *PFXF (VanEck Preferred securities ex Financials ETF)*
 - *SPBO (SPDR Corporate Bonds ETF)*
 - *SDY (SPDR S&P Dividend ETF)*
 - *SPTI (SPDR Intermediate Treasury ETF)*
 - *MMP (Magellan Midstream Partners – Oil & Gas pipelines)*

Tom's Recent Financial Moves

- ***Disclaimer: These are not recommendations! Your financial situation and market circumstances are likely different.***
- ***Bought 200 ABBV on 9-01 (Putting funds to work)***
- ***More IRA to Roth conversions in Sept (moved securities)***
 - ***Taking advantage of low current tax rates.***
- ***Sold 520 CODI on 9-14 (profit-taking, dump a loser)***
- ***Sold 530 SFL on 10-05 (harvest tax loss, dump a loser)***

Open Discussion