

**Sun City Summerlin Computer Club**

**\$ Internet Investing SIG \$**

**Tom Burt**

**December 17, 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](mailto:SCSCCInvestingSIG+subscribe@groups.io)
  - **Post:** [SCSCCInvestingSIG@groups.io](mailto:SCSCCInvestingSIG@groups.io)
- The next six session dates will be:
  - *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*
  - *December 16, 2021*

# 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.*

# Fundamentals Review – December 16, 2020

- **Dollar weakening against foreign currencies.**
  - *Oil still priced in dollars – still low at around **\$47.82** / barrel.*
  - *Stock indexes have been rising steadily; all close to time highs.*
  - *Dow 30: **30,155**, S&P 500: **3,701**, Nasdaq: **12,658**, Gold: **\$1,867**, Silver: **\$25.50**, Bitcoin: **\$20,769**, EUR/USD: **1.22***
  - *S&P PE ratio is **31.2** vs 15.8 long term historical average.*
- **Key interest Rates have been slowly rebounding:**
  - *10-year Treasury note - about **0.92%**; 30-year Treasury note - about **1.67%**.*
  - *30-year fixed mortgage – **2.82%**; 15-year fixed mortgage - **2.25%**.*
- **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 November US Job Unemployment was **6.7%**.**
  - *Despite the Coronavirus closures, this number has been improving.*
- **Official CPI Inflation Rate for November 2020 was **1.2%** / year**
  - *<https://www.usinflationcalculator.com/inflation/current-inflation-rates/>*
  - *LV Gasoline (**\$2.17** 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 2 to 4 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.*
  - *“Lockdowns” in Nevada likely to continue.*
- **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.**
  - <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, especially suburban & small-town.*

# Protecting Your Assets

- **Fed unlikely to raise interest rates.**
  - *Short & medium duration bonds may be safer than most stocks*
  - *Consider quality preferred stock ETFs*
  - *Utility stocks also worth a look: BCE, PPL, SO, DUK, T, VZ*
  - *Watch out for real-world inflation*
- **May want to take profits on positions with gains**
  - *2020 Cap gains rates are low*
  - *Markets setting up for a big correction*
  - *Corporate insiders are selling*
  - <https://www.zerohedge.com/markets/risk-exceeds-reward-why-we-took-profits>
- **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% or low % in 2020. Establishes a new, higher basis.*
  - *Future tax rates will be higher, cap gains rate may be much higher*
- **May want to buy PUT options on index ETFs**
  - *Hedge against a correction (but over time their value expires)*
  - *SPY, DIA, QQQ are PUT possibilities; also Sector ETFs – e.g. XAR, XLV*

# Biden / Harris Platform

- <https://joebiden.com/joes-vision/>
- <https://budgetmodel.wharton.upenn.edu/issues/2020/9/14/biden-2020-analysis>
- <https://www.investors.com/etfs-and-funds/personal-finance/biden-tax-plan-levies-rich-cut-others/>
- **Enactment depends on which party controls the U.S. Senate**
  - *Georgia runoff elections (two senators) will determine who controls senate.*
  - *Currently is 50 Republican, 48 Democrat.*
  - *Even with 51 Republicans, 49 Democrats there's a risk that one or more Republican senators (Romney, Murkowski, Collins) might switch parties.*

# The 2021 Income Tax Brackets

- **Current law features 7 tax brackets for taxable income:**
- **Note the marriage penalty beginning at 37%**
- **Standard Deduction Increases by \$150 (SF) / \$300 (MFJ)**

<b>Tax Rate</b>	<b>Single filers</b>	<b>Married filing jointly or qualifying widow(er)</b>	<b>Married filing separately</b>	<b>Head of household</b>
10%	\$0 to \$9,875	\$0 to \$19,750	\$0 to \$9,875	\$0 to \$14,100
12%	\$9,876 to \$40,125	\$19,751 to \$80,250	\$9,876 to \$40,125	\$14,101 to \$53,700
22%	\$40,126 to \$85,525	\$80,251 to \$171,050	\$40,126 to \$85,525	\$53,701 to \$85,500
24%	\$85,526 to \$163,300	\$171,051 to \$326,600	\$85,526 to \$163,300	\$85,501 to \$163,300
32%	\$163,301 to \$207,350	\$326,601 to \$414,700	\$163,301 to \$207,350	\$163,301 to \$207,350
35%	\$207,351 to \$518,400	\$414,701 to \$622,050	\$207,351 to \$311,025	\$207,351 to \$518,400
37%	\$518,401 or more	\$622,051 or more	\$311,026 or more	\$518,401 or more

# Tom's Recent Financial Moves

- ***Disclaimer: These are not recommendations! Your financial situation and market circumstances are likely different.***
- ***Bought 200 IBM on 10-20 @ \$117.68 (Buy the Dip)***
- ***Sold 970 CWB on 11-6 @ \$73.695 (Rebalancing)***
- ***Acquired 67 VTRS on 11-17 (spinoff from Pfizer)***
- ***Bought 500 PFXF on 11-20 @ \$20.05 (Rebalancing)***
- ***Bought 200 AAAU on 11-23 @ \$18.315 (Inflation Hedge)***

# **Open Discussion**