

**Sun City Summerlin Computer Club**

**\$ Internet Investing SIG \$**

**Tom Burt**

**September 15, 2022**

# SIG Meeting Schedule

- The Internet Investing SIG meets every month on the third Thursday morning at **9:30 AM**.
  - *2022 looks to be a very volatile year. Suggest we alternate a month of free form Q&A / discussion or a guest speaker with my current format with topical material.*
- Investing SIG Chat Line
  - *Subscribe: [SCSCCInvestingSIG+subscribe@groups.io](https://groups.io/join/SCSCCInvestingSIG)*
  - *Post: [SCSCCInvestingSIG@groups.io](https://groups.io/g/SCSCCInvestingSIG)*
- The upcoming session dates will be:

October 20, 2022  
November 17, 2022  
December 15, 2022  
January 19, 2023  
February 16, 2023  
March 16, 2023

April 20, 2023  
May 18, 2023  
June 15, 2023  
July 20, 2023  
August 17, 2023  
September 21, 2023

# Fundamentals Review – July 20, 2022

- Dollar very strong against foreign currencies.
  - Oil (WTI) – still priced in dollars – has faded to around **\$102.61** / barrel.
  - Stock indexes have been choppy; but are now far off recent all-time highs.
  - Dow 30: **31,875**, S&P 500: **3,960**, Nasdaq: **11,898**, Russell 2K: **1,828**, Gold: **\$1,694**, Silver: **\$18.59**, Bitcoin: **\$23,317**, EUR/USD: **1.018**
  - S&P PE ratio is **20.0** vs 15.97 long term historical average.
- Key interest Rates have been rising sharply:
  - 2-year Treasury – about **3.23%**; 10-year Treasury - about **3.04%**; 30-year Treasury - about **3.16%**.
  - 30-year fixed mortgage – **5.74% Apr**; 15-year fixed mortgage - **4.88% Apr**.
- Federal Reserve Fed Funds raised to 1.00% – 1.25%. Expect .75% more in late July.
- Gov't BLS Claims June US Job Unemployment was **3.6%**.
  - This number has been improving, but many workers staying on government payments.
- Official June 2022 Inflation Rates (YoY) were CPI **9.1%**, PPI **11.3%**
  - <https://www.usinflationcalculator.com/inflation/current-inflation-rates/>
  - LV Gasoline (**\$4.59** at Costco, **\$5.28** at Chevron).
  - Federal Reserve has totally abandoned its 2% cap on inflation.

# Fundamentals Review – August 17, 2022

- Dollar very strong against foreign currencies.
  - Oil (WTI) – priced in dollars – has faded to around **\$87.56** / barrel.
  - Stock indexes have been choppy; but have rallied from recent lows.
  - Dow 30: **33,980** S&P 500: **4,274**, Nasdaq: **12,938**, Russell 2K: **1,987**, Gold: **\$1,777**, Silver: **\$19.75**, Bitcoin: **\$23,404**, EUR/USD: **1.018**
  - S&P PE ratio is **21.6** vs 15.97 long term historical average.
- Key interest Rates have been rising sharply:
  - 2-year Treasury – about **3.29%**; 10-year Treasury - about **2.89%**; 30-year Treasury - about **3.16%**.
  - 30-year fixed mortgage – **5.57% Apr**; 15-year fixed mortgage - **4.84% Apr**.
- Federal Reserve Fed Funds raised to 1.75% – 2.00%. Expect .75% more in Sept.
- Gov't BLS Claims July US Job Unemployment was **3.5%**.
  - This number has been improving, but many workers staying on government payments.
- Official July 2022 Inflation Rates (YoY) were CPI **8.5%**, PPI **9.8%**
  - <https://www.usinflationcalculator.com/inflation/current-inflation-rates/>
  - LV Gasoline (**\$4.35** at Costco, **\$5.07** at Chevron).
  - Federal Reserve has totally abandoned its 2% cap on inflation.

# Fundamentals Review – September 14, 2022

- Dollar very strong against foreign currencies.
  - Oil (WTI) – still priced in dollars – has faded to around **\$88.77** / barrel.
  - Stock indexes have been choppy; but are now far off recent all-time highs.
  - Dow 30: **31,135** S&P 500: **3,946**, Nasdaq: **11,720**, Russell 2K: **1,838**, Gold: **\$1,706**, Silver: **\$19.47**, Bitcoin: **\$19,968**, EUR/USD: **.9979**
  - S&P PE ratio is **19.9** vs 15.97 long term historical average.
- Key interest Rates have been rising sharply:
  - 2-year Treasury – about **3.75%**; 10-year Treasury - about **3.41%**; 30-year Treasury - about **3.47%**.
  - 30-year fixed mortgage – **6.21% Apr**; 15-year fixed mortgage - **5.39% Apr**.
- Federal Reserve Fed Funds raised to 1.75% – 2.00%. Expect .75% more in late Sept.
- Gov't BLS Claims June US Job Unemployment was **3.7%**.
  - This number has been improving, but many workers staying on government payments.
- Official August 2022 Inflation Rates (YoY) were CPI **8.3%**, PPI **8.7%**
  - <https://www.usinflationcalculator.com/inflation/current-inflation-rates/>
  - LV Gasoline (**\$4.29** at Costco, **\$5.10** at Chevron).
  - Federal Reserve has totally abandoned its 2% cap on inflation.

# Looking (Guessing?) Ahead

- **Corona Virus (Omicron) latest new strains – contagious, but not virulent.**
  - *Long term effectiveness of vaccines seems very weak. Concerns about side effects. Expect new boosters later in 2022.*
- **Paradigm Shift to Online Shopping, Telecommuting, Tele-meetings and Tele-medicine continues**
  - *Amazon, Walmart, UPS, Fedex, Microsoft, Google & Zoom & will continue to benefit.*
  - *Many businesses will stay with “work at home” / web collaboration. If not, workers will leave.*
  - *Demand for higher Internet performance will grow. T-Mobile, Verizon and AT&T rolling out 5G. AT&T, Cox, Lumen & Google rolling out more fiber.*
- **Watch out for big federal and state tax hikes effective in 2023 (Depends on Fall election)**
  - *\$5 Trillion or more (bills pending) deficit potential for 2022/2023 and beyond - Chips bill, Inflation Reduction bill, Student debt forgiveness, other giveaways.*
  - *Federal Reserve beginning to sell off Federal debt portfolio.*
  - *Watch out for higher Federal & State personal property (wealth) taxes.*
- **Economy Falling into Recession as Fed Rate Hikes Flow Through.**
  - *Housing demand & prices falling. Mortgage rates rising.*
- **Inflation Surging – Supply chains better, but still disrupted**
  - *<https://thehill.com/opinion/finance/589775-heres-why-inflation-numbers-are-about-to-get-worse>*
  - *Consumers now borrowing to pay for necessities (food, gasoline, utilities)*

# SECURE Act 2.0

- <https://www.forbes.com/advisor/retirement/secure-act-2/>
- House passed bill in March
- Senate has two bills under consideration
- Expect final bill to be a reconciliation of the three bills
- RMD Start Age raised from 72 to 73
  - *May affect RMD longevity tables*
- Larger “catch-up contributions to regular and Roth IRAs
- Many other complex provisions
- May require updating / rewriting living trusts

# Year-end Tax Moves (1)

- **Take Required Minimum Distributions From IRA Accounts**
  - *May want to take more than minimum while tax rates are low.*
  - *Can satisfy RMD total from any mix of IRA accounts*
- **Above-the-line Deduction (\$300/\$600) for Charitable Contributions has not been extended.**
- **Arrange Qualified Charitable Donations from IRA (Lowers your Adjusted Gross Income)**
  - *Have broker issue checks payable to the charities*
  - *Counts toward your RMD*
- **Convert All or Part of a Regular IRA to a Roth IRA**
  - *Conversions may be restricted or completely banned in new tax law*
  - *All RMDs must be satisfied before making conversion*
  - *“Back door” tax-free conversions (after-tax IRA contributions) may be banned in future*
- **Contribute to a Roth IRA**
  - *Funds must come from earned income (wages or self employment)*



# Year-end Tax Moves (2)

- **Harvest Capital Losses**
  - *Capital losses offset capital gains one for one*
  - *Watch for wash sale rule – can't buy back for 30 days in same account*
- **Consider Realizing Capital Gains While Rates are Low**
  - *Can sell an appreciated stock, pay the capital gains tax and buy back to reset the cost basis*
  - *Step up in basis rules may change*
- **Look at Opportunities for Shifting Income and Expenses**
  - *Try to realize income before tax rates rise*
  - *Try to push off deductible expenses to a year with lower income so you can itemize deductions*
- **May Want to Make Gifts to Children, Grandchildren**
  - *Estate tax exclusion for 2022 is \$12.06 / \$24.12 million*
  - *Can gift up to \$16,000 per donor per recipient tax free*

# News Bits & Bytes

- **Robotics**
  - *Robots have rushed in to fill jobs people don't want. What happens if recession hits?*
  - *No really, robots are about to take A LOT of jobs*
- **Hiring Freezes / Layoffs**
  - <https://www.zerohedge.com/personal-finance/63-small-businesses-have-put-hiring-hold>
- **Inflation Reduction Act...**
  - <https://www.forbes.com/advisor/personal-finance/inflation-reduction-act/>
  - *The new EV tax credit is complicated. Here's who qualifies*
- **California Ban on New Gas-Powered Cars by 2035**
  - <https://www.cnbc.com/2022/08/25/california-bans-the-sale-of-new-gas-powered-cars-by-2035.html>
- **Durable Goods Sales Decline**
  - <https://www.zerohedge.com/markets/alarm-bells-sound-worlds-second-largest-appliance-company-reports-demand-plunge>

# Tom's Recent (and Future) Financial Moves

- ***Disclaimer: These are not recommendations! Your financial situation and market circumstances are likely different.***
- ***Bought 200 shares of Devon Energy (DVN) at \$69.15 (8.98% forward yield).***
- ***Sold 60 shares of Kyndryl. Tax loss harvesting.***
- ***Considering adding to holdings in AAAU and SLV (Inflation protection?)***
- ***Bond yields have been rising (i.e. prices have been falling)  
Foreign flight to U.S. bonds is offsetting this trend. Looking at Treasury ETFs.***
- ***Still Looking at Utilities, Uranium miners, Copper, Robotics / Automation / AI***
  - ***Move to electric vehicles will increase demand for electric power everywhere.***
  - ***No way to meet demand with renewables (wind, solar), so nuclear should see a resurgence.***
  - ***Flight from high-tax northern blue states to the south will increase demand for power there.***
  - ***Electric vehicles and utility transmission lines require lots of copper.***

# **Open Discussion**