

Sun City Summerlin Computer Club

\$ Internet Investing SIG \$

Tom Burt

May 18, 2023

SIG Meeting Schedule

- The Internet Investing SIG meets every month on the third Thursday morning at **10 AM**.
- Investing SIG Chat Line
 - *Subscribe:* [SCSCCInvestingSIG+subscribe@groups.io](https://groups.io/join/SCSCCInvestingSIG)
 - *Post:* SCSCCInvestingSIG@groups.io
- The upcoming session dates will be:

June 15, 2023
July 20, 2023
August 17, 2023
September 21, 2023
October 19, 2023
November 16, 2023

December 21, 2023
January 18, 2024
February 15, 2024
March 21, 2024
April 18, 2024
May 16, 2023

Fundamentals Review – March 15, 2023

- Dollar very strong against foreign currencies.
 - Oil (WTI) – still priced in dollars – has faded to around **\$68.28** / barrel.
 - Stock indexes have been choppy; but are now far off recent all-time highs.
 - Dow 30: **31,875** S&P 500: **3,892**, Nasdaq: **11,434**, Russell 2K: **1,746**, Gold: **\$1,923**, Silver: **\$21.92**, Bitcoin: **\$24,420**, EUR/USD: **1.058**
 - S&P PE ratio is **20.7** vs 16.0 long term historical average.
- Key interest Rates have been rising sharply:
 - 1-year Treasury – about **4.292%**; 10-year Treasury - about **3.492%**; 30-year Treasury - about **3.687%**.
 - 30-year fixed mortgage – **6.98% Apr**; 15-year fixed mortgage - **6.27% Apr**.
- Federal Reserve February Fed Funds rate raised .25% to 4.75% – 5.00%.
Expect more hikes in March, April and beyond.
- Gov't BLS Claims February US Job Unemployment was **3.6%**.
 - This number has been improving, but many workers staying on government payments.
- Official 2023 Inflation Rates (YoY) were February core CPI **6.0%**, February PPI **7.1%**
 - <https://www.usinflationcalculator.com/inflation/current-inflation-rates/>
 - LV Gasoline (**\$4.00** at Costco, **\$4.50** at Chevron).
 - Federal Reserve has totally abandoned its 2% cap on inflation.

Fundamentals Review – April 19, 2023

- Dollar weakening against foreign currencies.
 - Oil (WTI) – still priced in dollars – has resurged to around **\$82.68** / barrel.
 - Stock indexes have been choppy; but are now far off recent all-time highs.
 - Dow 30: **33,897** S&P 500: **4,155**, Nasdaq: **12,157**, Russell 2000: **1,799**, Gold: **\$2,006**, Silver: **\$25.33**, Bitcoin: **\$28,719**, EUR/USD: **1.095**
 - S&P PE ratio is **20.7** vs 16.0 long term historical average.
- Key interest Rates have moderated a bit:
 - 1-year Treasury – about **4.818%**; 10-year Treasury - about **3.602%**; 30-year Treasury - about **3.789%**.
 - 30-year fixed mortgage – **6.525% Apr**; 15-year fixed mortgage - **5.783% Apr**.
- Federal Reserve March Fed Funds rate raised .25% to 4.75% – 5.00%.
Expect a .25% hike in May. After that, uncertain.
- Gov't BLS Claims March US Job Unemployment was **3.5%**.
 - This number has been improving, but many workers staying on government payments.
- Official 2023 Inflation Rates (YoY) were March core CPI **6.0%**, March PPI **7.1%**
 - <https://www.usinflationcalculator.com/inflation/current-inflation-rates/>
 - LV Gasoline (**\$3.79** at Costco, **\$4.50** at Chevron).
 - Federal Reserve has totally abandoned its 2% cap on inflation.

Fundamentals Review – May 17, 2023

- Dollar weakening against foreign currencies.
 - Oil (WTI) – still priced in dollars – has resurged to around **\$72.67** / barrel.
 - Stock indexes have been choppy; but are now far off recent all-time highs.
 - Dow 30: **33,421** S&P 500: **4,159**, Nasdaq: **12,501**, Russell 2000: **1,775**, Gold: **\$1,986**, Silver: **\$23.93**, Bitcoin: **\$27,402**, EUR/USD: **1.084**
 - S&P PE ratio is **24.1** vs 16.0 long term historical average.
- Key interest Rates have moderated a bit; strong inversion is still present
 - 1-year Treasury – about **4.915%**; 10-year Treasury - about **3.581%**; 30-year Treasury - about **3.878%**.
 - 30-year fixed mortgage – **5.695% Apr**; 15-year fixed mortgage – **4.750% Apr**.
- Federal Reserve May Fed Funds rate raised .25% to 5.00% – 5.25%.
Future rate hikes are uncertain; Fed will likely pause for a few months.
- Gov't BLS Claims April US Job Unemployment was **3.4%**.
 - This number has been improving, but many workers staying on government payments.
- Official 2023 Inflation Rates (YoY) were April CPI **4.9%**, April PPI **2.3%**
 - <https://www.usinflationcalculator.com/inflation/current-inflation-rates/>
 - LV Gasoline (**\$3.79** at Costco, **\$4.36** at Chevron).
 - Federal Reserve has totally abandoned its 2% cap on inflation.

News Bits & Bytes

- **Ford Motor Company 35% Undervalued (based on DCF)**
 - <https://finance.yahoo.com/news/opportunity-ford-motor-companys-nyse-110050015.html>
- **Fake Household Net Worth Stats**
 - <https://www.zerohedge.com/markets/fooling-us-fake-stats-household-net-worth>
- **Caveats About AI Benefits for Business**
 - <https://www.zerohedge.com/technology/what-if-ai-only-cost-and-not-profit-bonanza>
- **Organized Retail Crime Hitting Profits**
 - <https://finance.yahoo.com/news/target-ceo-were-seeing-violent-incidents-in-our-stores-and-its-costing-us-millions-103002930.html>

Annuities

- **What Are Annuities?**

- <https://www.investopedia.com/terms/a/annuity.asp>
- <https://finance.yahoo.com/news/much-does-200-000-annuity-120000015.html>
- *Insurance Contract*
- *Usually, you pay a single, large premium up front*
- *Assets grow tax deferred until you decide to begin drawing down (annuitize)*
- *Can include a rider (for extra cost) that guarantees income for life.*
- *Most have a surrender period (2 to 10 years). If you draw out more than 10% in a year during the surrender period, they charge a penalty.*
- *Annuities may be funded with pre-tax or after-tax money. If pre-tax, ALL distributions are treated as taxable income.*
- *Annuities may be fixed or variable.*

Annuity Pros and Cons

- **Annuity Pros**

- *Can be set up so you can't outlive your money.*
- *The insurance company manages the investments, including hedging.*
- *You can set up the distribution schedule (monthly, quarterly, annually, ...)*
- *Some annuities guarantee no loss of principal or even a minimum annual appreciation.*

- **Annuity Cons**

- *Annualized returns may be poor compared to stock and bond markets.*
- *Interest rates and participation rates in indexed annuities can be low.*
- *Surrender periods can be up to 10 years; large penalties for early withdrawal.*
- *Contracts are often complex and difficult to understand and value.*
- *Fees can be high, reducing returns and growth in value.*

Tom's Recent (and Future) Financial Moves

- ***Disclaimer: These are not recommendations! Your financial situation and market circumstances are likely different.***
- ***No buys or sells in past month; need to put some more cash to work.***
- ***Still looking at selling holdings in SPIP & TIP (recurring missed dividends).***
- ***Longer term bond yields have suddenly fallen (i.e. prices have been rising)
Foreign flight to U.S. bonds is amplifying this trend.
Looking at Treasury and Corporate bond ETFs and short-term treasury bonds.***
- ***Preferred stock ETF yields have rebounded.***
- ***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

Internet Investing SIG