

Sun City Summerlin Computer Club

\$ Internet Investing SIG \$

**Tom Burt
April 15, 2021**

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:
 - *June 17, 2021 – possibly live in the classroom*
 - *August 19, 2021*
 - *October 21, 2021*
 - *December 16, 2021*
 - *February 17, 2022*
 - *April 21, 2022*

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.*

Fundamentals Review – February 17, 2021

- **Dollar weakening against foreign currencies.**
 - *Oil still priced in dollars – still low at around **\$61.43** / barrel.*
 - *Stock indexes have been rising steadily; all close to time highs.*
 - *Dow 30: **31,613**, S&P 500: **3,931**, Nasdaq: **13,966**, Gold: **\$1,775**, Silver: **\$27.41**, Bitcoin: **\$52,477**, EUR/USD: **1.204***
 - *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 **1.30%**; 30-year Treasury note - about **2.06%**.*
 - *30-year fixed mortgage – **3.193% Apr**; 15-year fixed mortgage - **2.623% Apr**.*
- **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 January US Job Unemployment was **6.3%**.**
 - *Despite the Coronavirus closures, this number has been improving.*
- **Official CPI Inflation Rate for January 2020 was **1.4%** / year**
 - *LV Gasoline (**\$2.55** at Costco).*
 - *Federal Reserve has abandoned its 2% cap on inflation.*
- <https://www.zerohedge.com/markets/exposing-robinhood-scam-heres-how-much-citadel-paid-robinhood-buy-your-orders>

Fundamentals Review – April 14, 2021

- **Dollar weakening against foreign currencies.**
 - *Oil still priced in dollars – moderate at around **\$62.75** / barrel.*
 - *Stock indexes have been rising steadily; near all-time highs.*
 - *Dow 30: **33,731**, S&P 500: **4,125**, Nasdaq: **13,858**, Gold: **\$1,737**, Silver: **\$25.48**, Bitcoin: **\$62,911**, EUR/USD: **1.198***
 - *S&P PE ratio is **34.2** vs 15.8 long term historical average.*
- **Key interest Rates have been slowly rebounding:**
 - *10-year Treasury note - about **1.64%**; 30-year Treasury note - about **2.33%**.*
 - *30-year fixed mortgage – **3.07% Apr**; 15-year fixed mortgage - **2.37% Apr**.*
- **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 April 2 US Job Unemployment was **6.0%**.**
 - *Despite the Coronavirus closures, this number has been improving.*
- **Official CPI Inflation Rate for April 2020 was **2.6%** / year**
 - *LV Gasoline (**\$3.05** at Costco).*
 - *Federal Reserve has abandoned its 2% cap on inflation.*

Planning (Guessing?) Ahead

- **Corona Virus starting to succumb to vaccines**
 - *Vaccines rolling out. Long term effectiveness & side effects unknown.*
 - *Will still need masks, gloves, hand sanitizer and wipes for seniors, others at risk.*
 - *COVID-19 is mutating; could require a yearly vaccine booster.*
 - *Nevada and rest of country gradually opening up (June 1 100%).*
- **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 federal and state tax hikes effective in 2022.**
 - *\$3 Trillion or more (bills pending) deficit potential for FY 2021; more in 2022.*
 - *Federal Reserve can’t print money forever to pump the economy.*
 - *Watch out for higher Federal & State property (wealth) taxes.*
- **On track to see a recovery about Q3/2021**
 - *Housing demand & prices high, especially suburban & small-town.*
- **<https://www.zerohedge.com/political/inflation-back-protect-yourself>**

Crypto Currencies (1)

- **What Are They?**
 - <https://www.coinbase.com/learn/crypto-basics/what-is-cryptocurrency>
 - *HODL – “Hold on for Dear Life” (supposed best strategy: Buy and never Sell)*
- **Some Mainstream Crypto Currencies (there are hundreds)**
 - *Bitcoin*
 - *Ethereum*
 - *Bitcoin Cash*
 - *Litecoin*
 - *Ripple*
- **Where to Buy – Major Exchanges?**
 - <https://www.investopedia.com/best-crypto-exchanges-5071855>
 - <https://Coinbase.com>
 - *PayPal (via their App)*
- **You store your Bitcoin in a digital wallet (an encrypted data file)**
 - *A digital wallet is an app and file that allows you to manage your cryptocurrencies.*
 - *A wallet app runs on your computer, handheld device or the web.*

Crypto Currencies (2)

- **Can you use Crypto to make purchases?**
 - *Many online merchants now accept Bitcoin, Ether and other major cryptos*
 - *Some brick and mortar stores also accept*
 - *Watch out for transaction fees and triggering of capital gains (see next slide)*
- **Is Bitcoin “Safe”**
 - *Relatively safe if you deal with reputable Exchange and Wallet operators.*
 - *Governments don’t like cryptos and so there are attempts to regulate or make them “illegal”. (e.g. claim it’s used for drug dealing or tax evasion).*
- **Is Bitcoin a viable hedge against dollar inflation?**
 - *Crypto can’t just be fabricated by central banks; it has to be mined!*
 - *Crypto to dollar exchange rate of some cryptocurrencies is volatile.*
 - *In event of serious paper currency inflation, crypto currencies should hold value.*

Crypto Currencies (3)

- **Should you directly hold Crypto?**
 - *May be more trouble than it's worth.*
 - *Similar to buying gold – many don't pay any interest (but some exchanges do).*
 - *Be mindful of exchange fees (1% to 2% not uncommon).*
 - *Many cryptocurrencies not practical for use as a currency for routine buying / selling.*
 - *Volatility makes lengthy transactions (e.g. buy a house) difficult.*
- **Funds for Bitcoin and Other Crypto (apparently no ETFs yet)**
 - *Examples: BITW, ETHE*
 - *Watch out for high management fees*
 - <https://seekingalpha.com/article/4414070-grayscale-ethereum-trust-invest-in-ethereum-discount>
- **Tax Considerations**
 - <https://www.coindesk.com/crypto-tax-2021-guide>
 - *Most sales of crypto, including using it to make a purchase, trigger capital gains*

Crypto Currencies (4)

- **Security Risks**
 - *Your online account might get hacked*
 - *You might lose access to your wallet (drive failure, forget credentials, data corruption)*
 - *No easy way to recover lost cryptocurrencies.*
- **Market Risks**
 - *Cryptocurrency prices volatile - limited supply, large demand*
 - *Transaction fees can eat up gains and magnify losses*
- **Political Risks**
 - *Governments don't like independent cryptocurrencies – threat to their ability to freely deficit spend, impose sanctions and track criminal activity.*
 - <https://www.indiatoday.in/technology/news/story/india-is-set-to-ban-bitcoin-dogecoin-and-other-crypto-money-with-move-that-targets-miners-and-traders-1779378-2021-03-15>
 - *Governments instituting their own centrally controlled digital currencies: China close, others soon to follow. NOT cryptocurrencies – just digital fiat money, but may compete.*
- **Technology Risks**
 - *Block chain technology depends on secure public / private key encryption using very large prime numbers – difficult to crack with conventional digital computers.*
 - *Growing concern that quantum computers may be able to crack public / private keys*

Tom's Recent (and Future) Financial Moves

- ***Disclaimer: These are not recommendations! Your financial situation and market circumstances are likely different.***
- ***None since February – just watching the dividends roll in***
- ***Looking at Utilities, Uranium miners***
 - ***Move to electric vehicles will increase demand for electric power everywhere.***
 - ***No way to meet demand with renewables (wind, solar), so nuclear will see a resurgence.***
 - ***Flight from high-tax blue states to the south will increase demand for power there.***
- ***Considering adding to preferred ETF holdings for more cash flow***

Open Discussion