

Sun City Summerlin Computer Club

\$ Internet Investing SIG \$

Tom Burt

August 15, 2024

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+subscribe)
 - *Post:* [SCSCCInvestingSIG@groups.io](https://groups.io/g/SCSCCInvestingSIG)
- The upcoming session dates will be:

September 19, 2024
October 17, 2024
November 21, 2024
December 19, 2024
January 16, 2025
February 20, 2025

March 20, 2025
April 17, 2025
May 15, 2025
June 19, 2025
July 17, 2025
August 21, 2025

Fundamentals Review – August 14, 2024

- Dollar slightly weaker against foreign currencies / commodities.
 - Oil (WTI) – still priced in dollars – is around **\$77.16** / barrel.
 - Stock indexes have rebounded from the recent swoon.
 - Dow 30: **40,008** S&P 500: **5,455**, Nasdaq: **17,193**, Russell 2000: **2,084**, Gold: **\$2,486**, Silver: **\$27.62**, Bitcoin: **\$59,084**, EUR/USD: **\$1.101**
 - S&P PE ratio is **29.6** vs 17.9 long term median
(https://www.gurufocus.com/economic_indicators/57/pe-ratio-ttm-for-the-sp-500).
- Key interest rates have risen; short-term inversion is still present
 - 1-year Treasury – about **4.47%**; 10-year Treasury - about **3.82%**; 30-year Treasury - about **4.17%**.
 - 30-year fixed mortgage – **6.61% Apr**; 15-year fixed mortgage – **5.64% Apr.** ; Prime – **8.5%**
- Federal Reserve held Fed Funds rate steady at about 5.33% (5.25% – 5.50% range).
Next meeting is 09-17-24; Fed *might* make rate cuts in September.
- Gov't BLS Claims July US Job Unemployment was **4.3%**.
 - <https://www.bls.gov/news.release/pdf/empsit.pdf>
 - *Many workers are still on government payments.*
- Official 2024 Inflation Rates (YoY) for July were: All Items CPI **2.9%**, PPI **2.65%**
 - <https://www.usinflationcalculator.com/inflation/current-inflation-rates/>
 - <https://www.zerohedge.com/personal-finance/core-consumer-prices-hit-new-record-high-50th-straight-month>
 - LV Regular Gasoline (**\$3.45(.9)** at Costco, **\$4.10(.9)** at Chevron).

Fundamentals Review – July 17, 2024

- Dollar slightly weaker against foreign currencies / commodities.
 - Oil (WTI) – still priced in dollars – is around **\$83.10** / barrel.
 - Stock indexes have rebounded from recent dips and are at or near all-time highs.
 - Dow 30: **41,198** S&P 500: **5,588**, Nasdaq: **17,9997**, Russell 2000: **2,240**, Gold: **\$2,463**, Silver: **\$30.52**, Bitcoin: **\$64,188**, EUR/USD: **\$1.094**
 - S&P PE ratio is **29.6** vs 17.9 long term median
(https://www.gurufocus.com/economic_indicators/57/pe-ratio-ttm-for-the-sp-500).
- Key interest rates have risen; short-term inversion is still present
 - 1-year Treasury – about **4.85%**; 10-year Treasury - about **4.17%**; 30-year Treasury - about **4.36%**.
 - 30-year fixed mortgage – **6.78% Apr**; 15-year fixed mortgage – **6.28% Apr.** ; Prime – **8.5%**
- Federal Reserve held Fed Funds rate steady at about 5.33% (5.25% – 5.50% range).
Next meeting is 07-30-24; Fed *might* make rate cuts in September.
- Gov't BLS Claims June US Job Unemployment was **4.1%**.
 - <https://www.bls.gov/news.release/pdf/empsit.pdf>
 - *This number has been improving, but many workers are still on government payments.*
- Official 2024 Inflation Rates (YoY) for June were: All Items CPI **3.0%**, PPI **2.65%**
 - <https://www.usinflationcalculator.com/inflation/current-inflation-rates/>
 - LV Regular Gasoline (**\$3.47(.9)** at Costco, **\$4.14(.9)** at Chevron).

Fundamentals Review – June 19, 2024

- Dollar slightly weaker against foreign currencies / commodities.
 - Oil (WTI) – still priced in dollars – is around **\$81.50** / barrel.
 - Stock indexes have rebounded from recent dips and are at or near all-time highs.
 - Dow 30: **38835** S&P 500: **5,487**, Nasdaq: **17,862**, Russell 2000: **2,025**, Gold: **\$2,345**, Silver: **\$29.79**, Bitcoin: **\$64,902**, EUR/USD: **\$1.075**
 - S&P PE ratio is **24.8** vs 16.1 long term average (<https://www.multpl.com/s-p-500-pe-ratio>).
- Key interest rates have risen; short-term inversion is still present
 - 1-year Treasury – about **5.07%**; 10-year Treasury - about **4.22%**; 30-year Treasury - about **4.34%**.
 - 30-year fixed mortgage – **7.17% Apr**; 15-year fixed mortgage – **6.71% Apr.** ; Prime – **8.5%**
- Federal Reserve held Fed Funds rate steady at about 5.33% (5.25% – 5.50% range).
Next meeting is 07-30-24; Fed unlikely to make rate cuts before 2024 election.
- Gov't BLS Claims May US Job Unemployment was **4.0%**.
 - <https://www.bls.gov/news.release/pdf/empsit.pdf>
 - This number has been improving, but many workers are still on government payments.
- Official 2024 Inflation Rates (YoY) for May were: Core CPI **3.4%**, PPI **-.2%**
 - <https://www.usinflationcalculator.com/inflation/current-inflation-rates/>
 - LV Regular Gasoline (**\$3.51(.9)** at Costco, **\$4.16(.9)** at Chevron).

News Bits & Bytes

- **PCE Inflation & Other Indicators**
 - <https://www.zerohedge.com/personal-finance/feds-favorite-inflation-indicator-unexpectedly-jumped-june-savings-rate-slumps>
- **Unsold New Homes Hit All-time High in South**
 - <https://finance.yahoo.com/news/unsold-new-homes-just-hit-an-all-time-high-in-the-us-south-heres-why-080014698.html>
- **\$1 Million Starter Homes Becoming Common - Zillow**
 - <https://finance.yahoo.com/news/1-million-starter-homes-are-common-in-more-than-100-towns-in-america-zillow-data-shows-123042215.html>
- **US July Budget Deficit – Second Biggest in History; 25% of Tax Revenues Going to Pay Interest**
 - <https://www.zerohedge.com/markets/july-budget-deficit-2nd-biggest-history-25-tax-revenue-go-pay-interest>
- **Alternatives to Intuit Mint (Mint shut down March 23, 2024)**
 - <https://finance.yahoo.com/personal-finance/mint-alternatives-185036797.html>
- **Prediction – Nvidia to Soar After August 28 Earnings Report**
 - <https://finance.yahoo.com/news/prediction-nvidia-stock-going-soar-090000126.html>

Explaining the Swoon (1)

- Major Market Drop Occurred August 1 – August 5 / Has Since Largely Recovered
 - *Let's look at the charts*
- Confluence of Events:
 - *Federal Reserve guidance on future rates (July 31)*
 - *Employment data suggesting economic downturn (August 2)*
 - *Earnings / Revenue / Guidance Misses by major companies (e.g. TSLA, F mid-July)*
 - *Treasury bond yields falling (i.e. prices rising) 10 yr below 4% (August 1)*
 - *Japan raising rates, Yen rising against US dollar & other currencies (<150 July 31)*
 - *Biden Out; Harris / Walz ticket announced (July 21, August 5, August 6)*
 - <https://www.finra.org/rules-guidance/key-topics/margin-accounts/margin-statistics>
- The Carry Trade
 - <https://www.cnn.com/2024/08/07/business/yen-carry-trade-stocks-nightcap/index.html>
 - https://www.investopedia.com/articles/forex/07/carry_trade.asp
 - <https://finance.yahoo.com/news/explainer-chinese-yuan-carry-trade-043313350.html>
 - *Basic idea: borrow where rates or currency are very low (Japan was essentially 0%) and invest where returns are very high (US dollar, bonds, stocks). Often heavily leveraged.*

Explaining the Swoon (2)

- Monday, August 5 – Japanese stock market was down about 13%
 - <https://tradingeconomics.com/japan/interest-rate> (raised to .25%)
 - *Rising Japanese rates triggered margin calls in the carry trade, began to force selling of assets to cover those calls.*
- Brokerage margin levels were very high: <https://fintel.io/chart/us/spy>
- This action moved across the globe to the US markets
 - *Some selling by nervous retail investors*
 - *Some short selling by hedge funds, market insiders*
 - *As prices dropped, retail investors on margin got margin calls (put up more cash)*
If margin call couldn't be met, brokerages sold some or all of the margined assets
 - *Stop loss orders got triggered – causing more selling at lower and lower prices*
 - *All this selling pushed stock prices down further*
 - *Other investors rotated out of stocks into US treasury and corporate bonds.*
Rising bond prices (lower yields) further aggravated the carry trade selling.
- Classic case of a positive feedback loop
- US markets recovered during the rest of the week
 - *Bargain hunters came in and short sellers covered positions*

Tom's Recent (and Future) Financial Moves

- ***Disclaimer: These are not recommendations! Your financial situation and market circumstances are likely different.***
- **Trades**
 - *Nothing in the last four weeks. Markets have been too topky & choppy*
- **Bond yields have been falling (i.e. bond prices rising)**
Yields on preferred stock ETFs, bank CDs, money market funds still good.
Fixed income assets prices likely steady until after 2024 election. May want to lock in yields.
- ***EV car makers' problems are apparent, but government mandates will continue.***
Hybrids are likely a better bet for consumers for next few years.
- **Still Looking at Utilities, Uranium miners, Copper, Robotics / Automation / AI**
 - *No way to meet demand with renewables (wind, solar); 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, rare earth metals, lithium.*
- **Let's look at Tom's "Hot List"**

Open Discussion