

Radio Show #2022-5, Podcast #37, OUTLINE

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OLYMPICS:

I have to wonder if Mikaela Schiffrin rues her decision not to take me up on my advice to skip these olympic games. I have watched nearly every race Mikaela has skied since she was 16 yrs old. A tech race (GS & SL) have 4 components: The top of the first run, the bottom of the first run, the top of the second run & the bottom of the second run.

BEST SECTORS IN 2022:

First Trust estimates that the top performing stock market sectors this year should be industrials, energy and consumer discretionary stocks. They expect to see earnings up 29% amongst industrials, up 35% in energy and up 44% in consumer discretionary stocks.

Black Coaches In The NFL:

“Dolphins owner Stephen Ross ran the ‘blackest’ organization in the NFL,” sportswriter Jason Whitlock observed in a recent column. “At one time, his head coach, general manager, assistant general manager, defensive coordinator, and several members of his ownership group were all black.” At what point did Mr. Ross become a bigot? Apparently, when he decided to fire Brian Flores.

Structured Certificates of Deposit:

Certificates of Deposit sold by broker dealers are sold by PROSPECTUS only!

FDIC insured Structured CD's allow investors to own stock indexes, that if held to maturity, have no downside risk. So, if you own a structured CD that is invested in a major stock index (NASDAQ, S&P 500 DJIA, etc), that CD will pay you some of the upside in that index, assuming the index increases in value from the inception date to the maturity date. IF that index goes down, you get all of your money back, FDIC insured.

These CD's have maturities ranging from 1-7 yrs.

So, if the underlying index employed by one of these certificates of deposit increases by 30% over say, a 2-yr period, they might give you ½ of that upside, or 15% at maturity.

On the flip side, if the underlying index DROPS by 30%, you get all of your money back at maturity.

FT PORTFOLIOS/ SUPER BOWL ADS:

The price of a 30-second advertisement for this week's Super Bowl game reached the \$7 million mark, according to Fox Business. Multiple companies paid that amount for their spots. It represents a significant jump from the pre-pandemic high of \$5.6 million. The first time a Super Bowl ad topped \$1 million was 1995. A typical 30-second advertisement on national TV during primetime costs around \$115,000, according to Nielsen Media Research. FT Portfolios 2/8/22

Sell naked puts on ABC stock (hypothetical):

ABC trading at 166/sh; down from its high of 387. This stock is a favorite of your host, Mr David Bach. Said stock appears to have some support around \$140/sh. If you meet the broker/dealer margin requirement, you could sell a put

at a \$140/sh strike price that expires on June 17, 2022, and get paid \$1,000 to do so, as of 2/8/22.

If the stock goes up from here, ie. It never dips to \$140/sh, then you keep the \$1,000. If the stock doubles, then you would certainly have preferred to have purchased it, but you get to keep the thousand bucks anyway.

On the other hand if the stock dives to \$140/sh or below, then you are obligated to buy 100 sh of it, even if it goes to zero, at \$140/sh.

I have a client (hi mom) who watches a lot of Fox Business and CNBC, who likes to call me to buy the shares of some company somebody appearing on those networks is pushing. Often times, the stocks she has liked have tanked right after she bought them.

Years ago we decided that if she wanted to buy 1,000 sh of a company, that instead I would buy 500 sh, and sell 5 puts at a lower price. It worked like a charm.

In my above HYPOTHETICAL example above, If you get “put” the stock at \$140/sh, when you apply the \$1,000 premium, (or \$10/sh), your cost basis would be \$130/sh. The logic goes that if you like the stock \$166/sh, you must love it at \$130/sh, Right?

\$130/sh is 21.6% lower than the \$166/sh the stock is currently trading at.

In practice, I ONLY sell puts to acquire stocks that I REALLY, REALLY want...so-called “core positions.”

LITHIUM, Part 3:

Several weeks ago we looked at Lithium-ion batteries for electric vehicles. You might recall that here in the U.S.

There are about 289 million vehicles on the road in the US, with an average age of 12.1 years.

President Good Joe (always remember folks, Orange Man Bad, vote for President Good Joe). President Good Joe wants all American cars to be EV's.

The Tesla Model 3 uses 48 kg's (105 lbs) of Lithium hydroxide per car.

How many lithium mines do we have here in the U.S.? The lone U.S. lithium mine produces 3500 metric tonnes of lithium carbonate/yr. That's enough lithium to build 73,000 Tesla Model 3's/yr.

"In 2019, Australia and Chile led the world in lithium extraction at 52.9 and 21.5 percent, respectively. While China ranked third in lithium extraction at 9.7 percent."

DEFENSE SPENDING:

What percent of our GDP do we spend on defense spending? 2.98%.

What percent of GDP were we spending on defense in 1940? 1.7%

By 1944 that figure reached an astounding 37%.

Increasing defense spending to 4% of GDP would mean an increase of more than \$200 billion a year from the current budget, a number that defense analyst Mackenzie Eaglen says would meet the global challenges confronting the U.S.— though the shipbuilding, aerospace and technology industries would need assurances that this would be sustained to invest in the needed capacity

FT PORTFOLIOS:

CB Insights, a startup-tracking firm, reported that the number of unicorn startups surpassed the 1,000 mark on 2/2/22, according to Bloomberg. The term "unicorn" was introduced in 2013 to describe a rare breed of private company valued at \$1 billion or more. They are not so rare anymore. In January 2022, the number of unicorns minted totaled 42, with four of them attaining the status of "decacorn," which is assigned to startups worth \$10 billion or more. 2/9/22

INFLATION IS FED BY EXCESS BORROWING AND SPENDING:

“With inflation at 7%, the highest rate since 1982, and the Federal Reserve set to tighten monetary policy, you would think the president and Congress would be looking for ways to end the spending spree in Washington. Yet remarkably, bipartisan discussions abound to increase this year’s omnibus appropriations by 16%—almost a quarter of a trillion dollars—pass another round of Covid stimulus, and resurrect the \$1.7 trillion Build Back Better bill. It is hard to recall a greater disconnect between economic reality and public policy in American history.

This inflation has been driven by an explosion of federal spending, which was set to average 20% of gross domestic product in 2020 and 2021. Instead it doubled to 40% of GDP in a 12-month period as pandemic spending exploded. The multiple stimulus bills did more than fill the gap in aggregate demand. Spending surged as the pandemic shutdown reduced employment and production during that period by an average of 7%.

In this textbook case of inflation, \$1.29 of income began chasing \$1 of goods and services, a process greased by expansive monetary policy, and that mismatch sent inflation to a 40-year high.

BERNIE SANDERS PARODY:

Play Russian Nat’l Anthem

Bernie: Ah, that is music to my ears. You know David & Russell that I spent my honeymoon w/ my beautiful wife, in Moscow.

Russ: We knew that Senator Sanders. We haven’t seen you in a while; how have you been?

Bernie: I am out fund-raising right now

David: What’s your take on world events right now senator?

<https://www.ftportfolios.com/Commentary/MarketCommentary/2022/2/8/sp-500-index-earnings--revenue-growth-rate-projections>

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