

## Portfolio Roadmap Update (5/15/21)

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Hello Everybody!

Last week said if there was an Achilles Heel to the market it was inflation and the CPI & PPI numbers got the sellers out in droves. We recovered by weeks end but still lower on the week. Some say we are back to risk on with the usual suspects

(VIS VAW VDE VFH MGV VYM) and now maybe small caps too (IWM). Our short term RSI's got back above 50 and prices are back above our short term Moving Averages.. so far so good. .let's see if we close out the last 2 weeks in May before the holiday with a bang.. it is possible if we stay above the averages. There are a couple of things on our worry list that we will share with you coming from data and decades of experience. First some data suggests that when yields peak on Treasuries (March peaks 10 yr 1.75/30yr 2.54%) that the stock market peaks 2-4 afterwards. We failed to take out the yield highs from Q1 despite the inflationary fever so if we can't May-July would be as good as it gets. Second...we are discounting a perfect reopening as far as stock valuations and other metrics. Our 3 yr Moving Average on S&P 500 is 3140 so we are 1000 pts above (historic) and if we go even higher we will be even more extended. Reverting back toward the mean is reliable but we will try to let you know when in our opinion that eventuality appears to be materializing. The VIX went toward 30 but lost most of its juice by Friday and the market had the opportunity to collapse and failed...both positives..we'll see next week if this was a short covering rally where the shorts got squeezed by the CDC announcement of we can build on it. Bigger picture....when will jobless rates tank (fall?)...when will the Fed shrink purchases?....will stimulus wind down?...will the demand (Trillions in households banks ect) dwarf supplies and cause inflation spike?....will the Dollar fall out of bed sending Gold & Silver soaring?....Are Europeans Stocks ready to roll & is EM & China a no brainer at the discounted prices? Lots of questions we will track and provide our opinions & observations in the weeks ahead.

Please keep the Portfolio Roadmap available as we reference Income Growth International & Speculation (available after you subscribe)

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Looking at the Income Menu

Bond yields DECLINED this week as it looks like the record sell off in Q1 discounted what we heard this week. However TLT is still under 141 and above 133 so the jury is still out on the direction of rates. Our core position of VFSUX & VWLUX continue to be stable and reasonable yields and duration. Sweeteners like FFRHX PFF VWEAX were somewhat more volatile but ended firm and continue to add yield to ten portfolio and so far not too much risk. T was good this week & yields 6+%! Finally DIVIDEND payers (VYMI & VYM) were appreciating and pay dividends exactly what we hoped for with these two.

## Looking at the Growth Menu

Remember our theme for 6 to 9 months now has been that Value and Cyclical (MGV VIS VAW VFH VDE) are the new growth stocks although we did see a bit of a turn in VUG VGT which must sustain and get a bit stronger to catch up. DIS came out and disappointed on subscribers and how much revenue they produce (1/2 NFLX subs 1/6th rev). We stick with our view and watch to see if VDE OIH XOP take off in the weeks and months ahead...long way to to get back to 2020 #'s

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## Looking at International Menu

As we said...USA opens July 4...Europe Labor Day...Emerging Markets EOY...so far it looks like our timetable is on the money. So VGK & EUFN (banks) are going well with an acceleration potential dead ahead. Emerging Markets are slower to turn BUT China's stocks have returned back to much more reasonable PE's and prices (BABA drop from highs at 320 this week hit a Fib area 38%-(205-195) so we're interested. The likes of VWO FXI BABA KWEB VPL all on the radar for potential bargain.

## Looking at Speculation Menu

We have been waiting to get confirming moves off our March read that the Metals had bottomed and this week we got close..Gold above 1850 & Silver above 2750 are constructive but the GDX SILJ KGC GDXJ PAAS and others have swayed back & forth....high inflation & negative real yields normally a recipe for metal mania....either now or Q3 Q4. It's possible the squeeze on some commodities (supply chains covid weather) may be abating so be careful with FCX DBA CANR JO. Crpto such as ETHE needs to maintain 35-36 GBTC needs a rally above 45-50 and COIN needs RSI above 50 with prints above 280.

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