January 16, 2020

Wealth COACH Financial Services Inc.

Dear Investor,

"This is nuts."

So began a recent article from one of the advisors we ourselves respect and read.[i] I fully agree.

Where does that leave us?

Philosophically, people prefer to hear good news rather than bad news.

They also prefer to believe that those good times will continue, the future will be better than the past, and that their leaders have their best interest in mind and at heart. The increases in net worth from stock markets, home prices, and other measures of wealth have brought good feelings to those who own them.

However, those who have yet to own those assets, view things very differently. Hence the backlash from today's youth, increasing societal division, and 'Okay Boomer' memes. Truly, Boomers dominate the political stage today as well as the central banks that are manipulating asset prices upward (with exploding debt). So, the Boomers do own most assets, and they're driving valuations upward … at the cost of their kids' future.

Regardless of which way you lean ideologically, I would wager you can clearly see (at least on the other side of your preferred aisle) wide-spread corruption and an abundance of people highly skilled at and comfortable lying and deceiving the public. But ***nothing*** is more deceiving than asset 'markets' today.

In 2016, candidate Trump tweeted that "the stock market is a big fat bubble"[ii]. In 2019, he tweeted that the Fed was harming us by *not* lowering interest rates and printing more money (preventing asset prices from climbing further upward). He was right both times. So … what exactly is he doing?

Trump absolutely knows that 0% interest rates allow one to sell buildings more quickly and for higher and higher prices. (The same applies to cars, houses and stocks.) If you're a Trump fan, you hope he's sincerely just trying to get re-elected so he can then deal with the big fat bubble and guide the country into a sound, more fair monetary system. If you're a Trump opponent, with your eye on that debt and wealth inequality, you likely believe Trump is just lying to get what he wants and could care less about the country.

We will find out the answer to that riddle as the days roll by, but as investors, we have to recognize that this rally is wholly manufactured by the Fed, and the Fed's best friends are benefiting the most by far from Trump policies: the top 0.1% of the population now owns as much wealth as the bottom 90%. Okay Boomer.

Shifting back to the good news: the S&P 500 rose 31% in 2019, the Nasdaq Composite rose 35% and the Dow Jones Industrial Average, Mid Cap S&P 400 and Small Cap Russell 2000 all lifted around 25%. All good.

The question now is what to do … bank the gains … or go for more? The S&P is now nearly 10% over its 200 day moving average, something which almost never happens. We suggest anyone fully in stocks but with a shorter term time horizon at least play with the idea of banking some gains. As Lance Roberts' team said: "This is nuts." As we have said many times since the Great Heist of 2008-09, "The math is broken". Just ask kids just out of college and starting to work. Call us if we can be of assistance!

Best Regards,

Mike Sullivan, President, Certified Financial Planner Professional ®

Perspective & Outlook:

Q4 delivered the Fed money-printing rally in full force. 2019 returns by index:

INDEX	TYPE	2019
Standard & Poor's 500	US Based Large Stocks (500)	**31.3%**
Dow Jones Industrials	US Based Large Stocks (30)	**25.3%**
Nasdaq Composite	US Based Large Stocks	**35.2%**
Standard & Poor's 400	US Based Mid-Cap Stocks (400)	**26.2%**
Russell 2000	US Based Small-Cap Stocks (2000)	**25.5%**
Dow Jones Transports	US Based Transportation Stocks	**20.8%**
Dow Jones Utilities	US Based Utility Stocks	**27.3%**
EAFE International Index	International Large Cap	**22.6%**
MSCI Emerging Markets	Diversified Emerging Markets	**18.4%**
Barclay Aggregate Bond	Intermediate Bond	**8.7%**
3 Month T-Bill	Cash Equivalent	**2.1%**

Sources: *Bloomberg, yahoo.com*

If you like those numbers, which most investors indeed do, you along with others are liking the money-printers right now. Or, at least you like the results they have achieved.

Trump has correctly tweeted that the Fed is the 'king-maker', and that they were conducting actions that were the opposite of those taken for eight years under Obama which makes things more difficult for him. That is absolutely factually correct. He also tweeted that the Fed was doing the opposite of *most other countries*: the Fed was removing money from the markets and raising interest rates, while other countries were engaged in money printing and lowering their interest rates. The different central bank strategies make it difficult for the leaders:


Donald J. Trump
@realDonaldTrump

What the Market wanted to hear from Jay Powell and the Federal Reserve was that this was the beginning of a lengthy and aggressive rate-cutting cycle which would keep pace with China, The European Union and other countries around the world....

4:41 PM - Jul 31, 2019 - Twitter for iPhone


Donald J. Trump
@realDonaldTrump

....As usual, Powell let us down, but at least he is ending quantitative tightening, which shouldn't have started in the first place - no inflation. We are winning anyway, but I am certainly not getting much help from the Federal Reserve!

4:41 PM - Jul 31, 2019 - Twitter for iPhone

Of course, while indeed those tweets were true, they are only part of the story.

The rest of the story is that neither the Fed nor any of the other central banks can stop creating more money out of more debt, or the entire 'growth' feature of this monetary model will likely fail. In essence, it *did* fail in Q4 of 2018 when it dropped 20% because the Fed had hiked rates back above 2% … that's *TWO PERCENT*!

So, not only can this economy not appear to 'grow' unless rates are near zero *and* new money is being printed hand over fist, there is apparently next to zero room for it to have a normal pull-back anymore.

On September 25th of 2019, the Fed began printing money, now up to the neighborhood of $500 BILLION, to stealthily bail out unknown banks and hedge-funds in order to 'not disrupt' the 'markets'[iii]. Those being bailed out are the Fed's primary constituents, some of whom are the actual owners of the Fed itself.

The Fed now 'provides liquidity' (meaning it invents new money and uses it to buy assets, most of which are bonds held by the unknown banks and hedge funds) to the tune of $83, $99, and even $253 Billion in a single day. It has published a schedule indicating it will continue to do this perhaps for several more months.

Instead of investors asking 1) Who got that money? 2) Why are they getting it?, and 3) Why is that okay? (and perhaps #4, Can I have some too?), they are relegated to simply looking at asset prices rise relentlessly with every dollar the Fed prints. Here's what that looks like … evidenced by the below chart of the S&P 500. When the Fed prints new money (liquidity) and hands it to its Wall Street constituents, many of them will take it and plow it into easy-to-buy-and-sell (liquid) assets like stocks to try to make a quick buck. This now happens almost every day:

Many long-time investors, a lot of whom would consider themselves 'wise', now accept this activity as proof that markets will always go up, and those in charge will ensure that happens, because they have our best interests in mind and at heart. (Please refer back to your observation about today's leaders.)

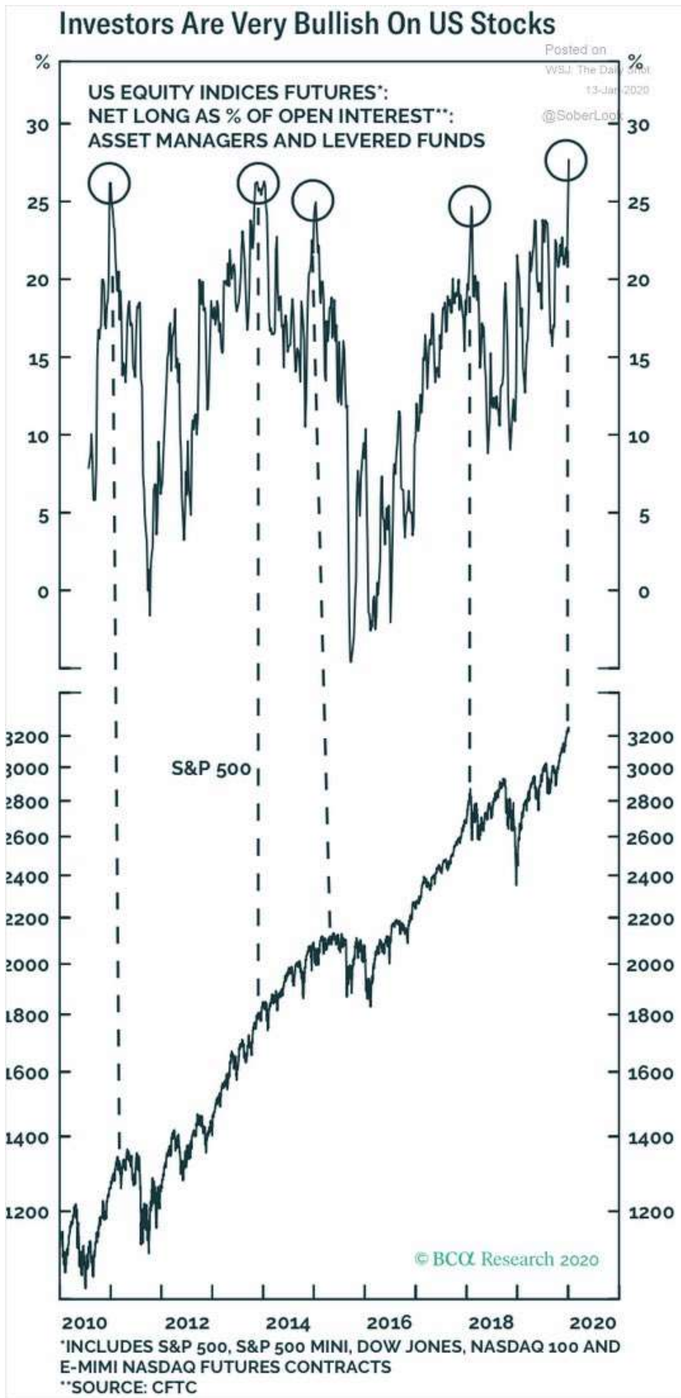
The math says otherwise. Loudly, and clearly.

When an individual believes they are headed for bankruptcy, it is not uncommon for the credit cards to be maxed out, used to acquire goods and services they know they will not be able to re-pay. There is a chance that Wall Street is engaged in this exact behavior, right now. If there is good news, aside from current market levels, it is likely that we see it and encourage investors to have a hand on the proverbial ejector lever. And most of our retirement plans have 'defensive investing' options built-in.

So, to all investors, we emphasize that 1) asset prices can continue to go up as long as this 'system' works, but 2) the math is broken, we see evidence visible all around us. See if you agree. If you like your account balance here, we suggest you bank some of it.

We'll close the letter with a few charts, leaving them to you to interpret. The theme 'if it looks too good to be true, it probably is' may be evident. There is certainly no guarantee of any reversal of direction in markets with so much intervention, so these are not advice on 'timing', but they seem to certainly be worth noting, particularly if you are nearing retirement age.

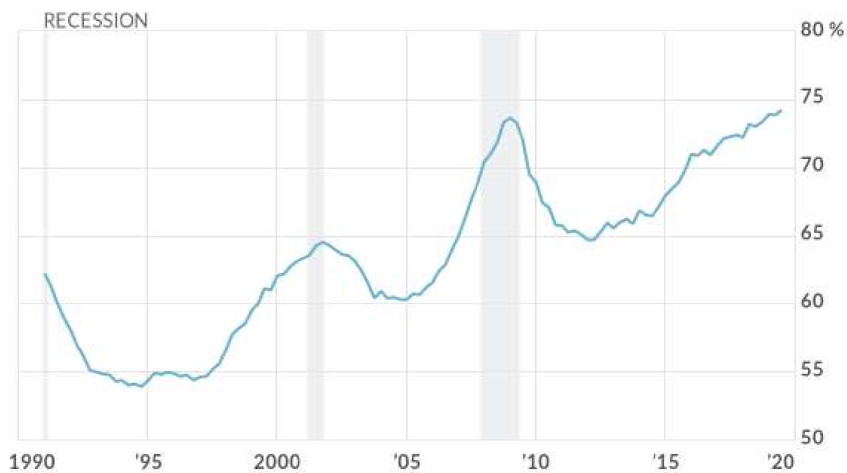
If you would like to discuss them with us, please reach out: 614-734-WLTH (9584).



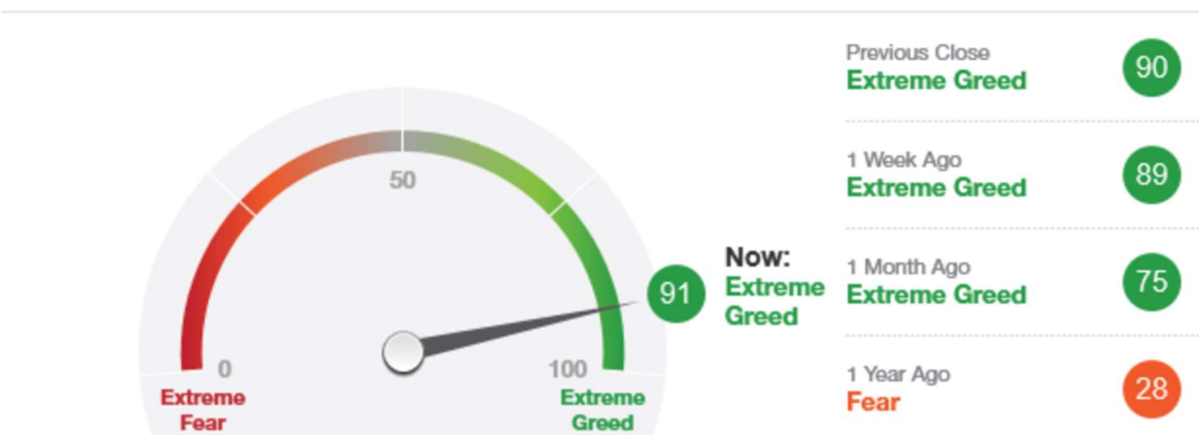
The Ratio of Total Market Cap to US GDP

Business debt soars

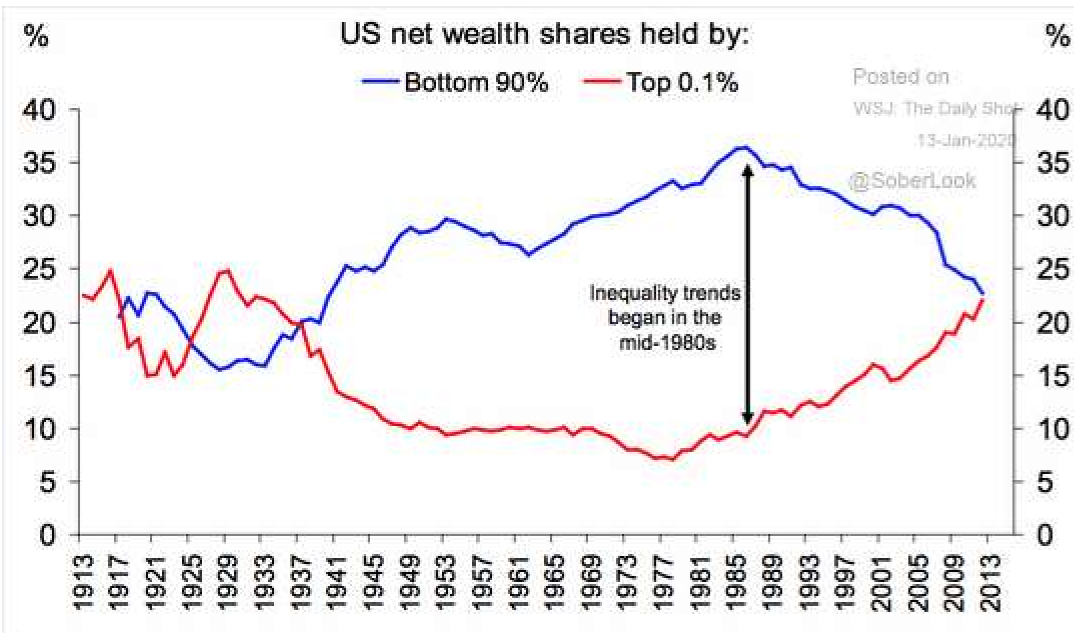
Nonfinancial business debt as share of GDP

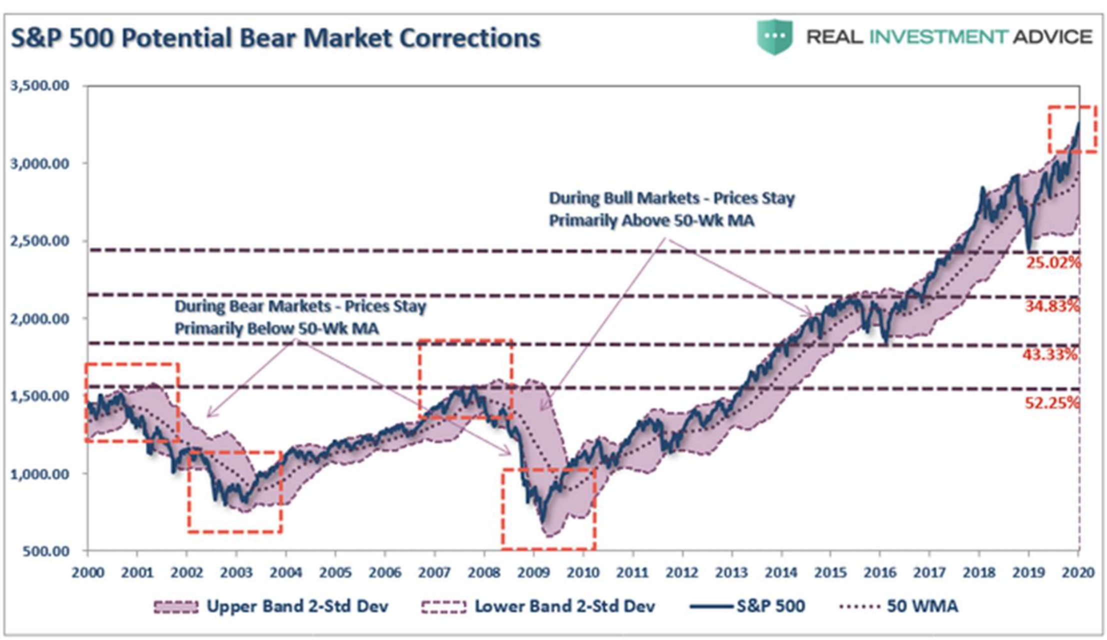


Source: Federal Reserve/BEA/Haver Analytics




$CPCE CBOE Options Equity Put/Call Ratio (EOD) INDX
13-Jan-2020
@StockCharts.com
Open 0.47 High 0.47 Low 0.47 Close 0.47 Chg -0.05 (-9.62%)
$CPCE (Daily) 0.47
MA(5) 0.48
MA(10) 0.52
Volume undef
Jan 2018 Peak
NOW
Aug Sep Oct Nov Dec 2018 Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec 2019 Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec 2020


US net wealth shares held by:
Bottom 90%
Top 0.1%
Posted on
WSJ: The Daily Shot
13-Jan-2020
@SoberLook
Inequality trends began in the mid-1980s
%
%


S&P 500 Potential Bear Market Corrections
REAL INVESTMENT ADVICE
During Bull Markets - Prices Stay Primarily Above 50-Wk MA
During Bear Markets - Prices Stay Primarily Below 50-Wk MA
25.02%
34.83%
43.33%
52.25%
Upper Band 2-Std Dev
Lower Band 2-Std Dev
S&P 500
50 WMA

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[i] https://realinvestmentadvice.com/this-is-nuts-why-we-reduced-risk-on-friday/

[ii] https://www.barrons.com/articles/the-trump-stock-rally-big-fat-ugly-bubble-1481214550

[iii] https://markets.businessinsider.com/news/stocks/why-fed-repos-capital-injections-might-not-calm-liquidity-fears-2019-10-1028643549