Wealth
COACH
Financial Services Inc.

October 29, 2020

Dear Investor,

As Mark Twain quipped:

"If you do not read news, you are uninformed. If you do, you are mis-informed."

To say 2020 is **nuts** would be a massive understatement. Hopefully everything will work itself out and we will have a happy ending. The central bank intervention we write about almost every quarter now has once again pumped newly invented money into asset markets, buying up stocks, real estate, bonds and everything else that is securitized. Nonetheless, investors are generally happier about account values than they were at the end of Q1 2020.

Yet the reason for the rally is the same reason that asset prices have risen, really since 2001, but almost the sole reason for the rally since 2008/2009: massive debt is created and turned into newly printed money. In general, investors see asset prices rise but do not see the background debt.

There is a disconnect to history in this country, and a general unawareness of how such steps do not continue without end. While we try to provide that perspective, it is not exactly a pleasant concept and it largely matters little while the debt-creation and rising asset prices continue onward.

A large amount of the division found across U.S. society has this money printing as its foundation, even though that is hard to understand. Economic repression, and the segments of society affected by it, looms large. In turn, that economic repression is turned into political narratives and used by the political class on both sides (even though there really is only one side) to stir up unrest.

We have written in the past about the concept of the Fourth Turning. The concept tracks cycles of four generations of societies that rise from a stage of unrest to enjoy better qualities of life, then ultimately decline as monetary systems become fully exploited and unstable, then collapse. The Fourth stage erodes as the public at large comes to distrust the major institutions of the society.

Today in the U.S., it is quite visible that there are two classes of people, the ultra-wealthy and powerful who seem to not be subject to the rule of law, and everyone else who lives underneath experiencing a declining quality of life and agitation. Sound and look familiar? The media, as Mark Twain indicated many years ago, has tremendously mis-informed the American public. And Tech giants Google, Twitter & Facebook are complicit in censoring and steering information.

Another theory worthy of note is that of Triffin's Paradox, put forth by economist Robert Triffin. We will explain that briefly in the Detail section that follows. We hosted a webinar for the American Association of Individual Investors on Saturday October 24th. Rather than cover everything at length here, we invite you to watch the video. It can be accessed here: LINK .

Regardless of the outcome of next week's election, the winner will deal with the cycles of history based on the stage in which we reside. The President for the upcoming term will have a lot on the plate. Hopefully that individual will be able to understand it, and deal with it competently, with best interests of all of America in mind. It will be interesting, to say the least.

For investors, to remain aggressively positioned and enjoy further increases in asset prices, the money-printing phenomena will have to continue to succeed. If that runs into difficulty, asset price growth will be difficult. In the meantime, if you would like to reduce risk or review your allocations heading into the election period, do not hesitate to reach out at (614) 734-WLTH (9584). We will guide you as best we can.

Best Regards,

Mike Sullivan, President, Certified Financial Planner Professional ®

Perspective & Outlook:

Same theme: if money printing is in place, promised to continue, and constantly increased in amount without threat of reduction, markets rise. Q3 followed the script too:

INDEX	TYPE	2020 Q3	YTD
Standard & Poor's 500	US Based Large Stocks (500)	**8.9%**	**4.9%**
Dow Jones Industrials	US Based Large Stocks (30)	**8.2%**	**-2.7%**
Nasdaq Composite	US Based Large Stocks	**11.0%**	**24.5%**
Standard & Poor's 400	US Based Mid-Cap Stocks (400)	**4.7%**	**-8.6%**
Russell 2000	US Based Small-Cap Stocks (2000	**4.9%**	**-8.7%**
Dow Jones Transports	US Based Transportation Stocks	**22.8%**	**3.0%**
Dow Jones Utilities	US Based Utility Stocks	**7.1%**	**-7.3%**
EAFE International Index	International Large Cap	**4.9%**	**-7.1%**
MSCI Emerging Markets	Diversified Emerging Markets	**9.6%**	**-1.2%**
Barclay Aggregate Bond	Intermediate Bond	**0.6%**	**5.9%**
3 Month T-Bill	Cash Equivalent	**0.0%**	**0.2%**

Sources: *Bloomberg, vanguard.com, yahoo.com*

Nothing has changed regarding Central bank support: across the globe they continue to print in stride and asset prices move with them. If they signal they will continue (which they have) assets move in a relatively stable fashion, favoring upwards. If they signal they may cease (which they have not as of print date), asset prices tend to decline and stability wanes.

This will continue until it no longer works and perhaps the Fourth Turning arrives[ii]. Another theory worthy of note is that of Triffin's Paradox, put forth by economist Robert Triffin. We'll cover that briefly below. Additionally, we delivered a webinar to the American Association of Individual Investors on October 24th. Rather than cover everything at length here, we hope to receive the video which we will then forward to you. We strongly encourage that you watch it!

As you explore these concepts, just consider that to remain aggressively positioned and enjoy further increases in asset prices, the money-printing phenomena will have to continue to succeed. If that runs into difficulty, asset price growth will be difficult.

Keep in mind that long-term investors, *particularly young investors with retirement accounts*, actually ***want*** prices to decline so they can collect shares of companies at ***cheaper*** prices during their investing years. They do not want to pay more and more for every share they buy only to have prices decline substantially as they near retirement. Like so many things in life, the quality of your life is simply a combination of your choices and your timing.

Young investors can also of course choose to ratchet down risk exposure here if they wish, and seek to increase it again at lower prices should they materialize. That type of 'timing' strategy has been rendered ineffective over the past few decades, but ***only because*** of the debt-based money printing. If the debt-based monetary system begins to undergo substantial change, it may be precisely the right strategy. Otherwise, by choosing to retain risk exposure, you know that if upside continues you will fully participate in it, *but if it does not* you will be acquiring new assets at lower prices, thereby lowering your average cost of participating. Your long-term time horizon encompasses the great change that will happen over the decades ahead, and we would hope the long term outcome would be favorable, as it has been in the past, lifting your asset values and quality of life in the end.

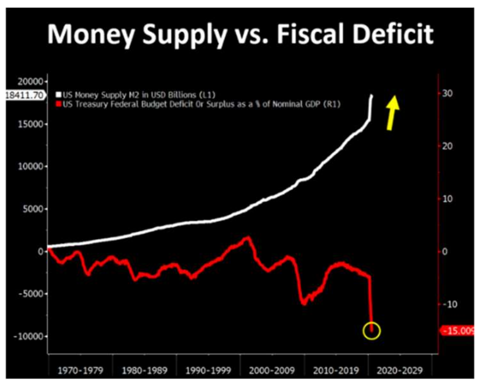
Older investors who have enjoyed rising asset prices (and have been acquiring them since 2008 at higher and higher prices), do not want to risk any substantial or prolonged down draft. So … if we do have a major downturn for any reason, Fourth Turning, Triffin's Paradox, or otherwise, the substantial ride down is undesirable because of the shorter time frame. To that crowd, we again suggest it may be better to err on the side of caution now.

So … let's take a look at Triffin's Paradox.[iii]

Triffin's Paradox is a 'loop'. The country that holds the Reserve Currency must engage in deficit spending necessarily. They must finance other countries that are their customers. Therefore, money must be printed relentlessly and asset prices rise as a result for a long period of time. Eventually, the host country hollows out, jobs move away to the customer countries, and the money printing causes the Reserve Currency to fall out of favor. Confidence is lost in the currency so asset prices no longer are able to rise. Instability arrives as a matter of course.

Of course, the Reserve Currency has been our U.S. dollar across the lifetime of every investor reading this letter. So … ***we know no different***.

In August, the U.S. Trade Deficit reached an all-time high, a Triffin's Paradox prediction.

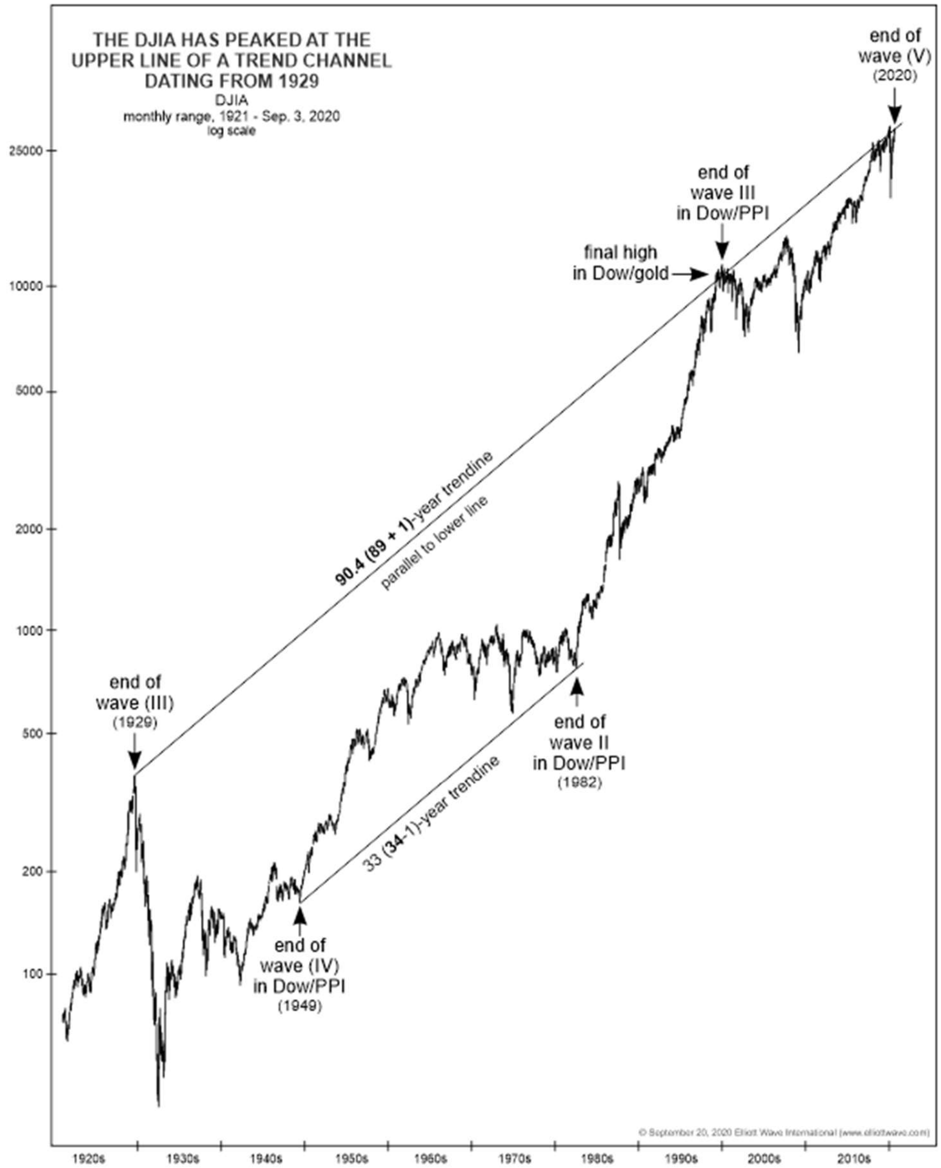


Importantly, for bullish investors retaining confidence in the current system, all of the major central banks of the world led by our Federal Reserve are also generating more money (backed by more debt) and that money has continued to propel asset prices upward worldwide. There has been no indication as of yet that central banks will discontinue doing so.

The Fed Balance Sheet surged in March as they created massive amounts of money and are now directly buying both municipal debt and junk bonds:

Source:
The Market Ear

From a wider angle, we should note where we are in the major stock indices. Here is the Dow Jones Industrial Average's long-term trend since 1900:



Source: ElliottWave

The provider of the chart above, Elliott Wave International, suggests a long-term trend is peaking.

Is it?

We do not know with certainty, nobody does.

But we do want to be aware of the pattern, particularly in light of the Fourth Turning and Triffin's Paradox. Upward prices can sustain as long as the system retains confidence.

The task at hand for you the investor is to be aware of these theories and to keep a watchful eye on your allocation, adjusting it as you believe most appropriate for you, your risk tolerance and your time horizon.

Please call us if we can help you think through what works best for you.

The opinions and forecasts expressed are those of Mike Sullivan and may not actually come to pass. This information is subject to change at any time, based on market and other conditions and should not be construed as a recommendation of any specific security or investment plan. Past performance does not guarantee future results. An investor cannot invest directly in an index. The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. The Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq. The NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. The Standard & Poor's 400 Mid Cap Index tracks the stocks of 400 mid-size U.S. companies. The Russell 2000 Index tracks the stocks of 2,000 small U.S. companies. The Dow Jones Transportation Average (DJTA) is a price-weighted average of 20 transportation stocks traded in the United States. The Dow Jones Utilities Average (DJUA) is a price-weighted average of 15 utility stocks traded in the U.S. The Morgan Stanley Capital International Europe, Australia and Far East Index (MSCI EAFE Index) is a widely recognized benchmark of non-U.S. stock markets. It is an unmanaged index composed of a sample of companies representative of the market structure of 20 European and Pacific Basin countries and includes reinvestment of all dividends. Individuals cannot invest directly in an index. The Nikkei 225 Index is the Japanese equivalent of the US Dow. Price-weighted average of 225 stocks of the first section of the Tokyo Stock Exchange. The Hang Seng Index is a free float-adjusted market capitalization-weighted stock market index in Hong Kong. Investments in precious metals such as gold involve risk. Investments in precious metals are not suitable to everyone and may involve loss of your entire investment. These investments are subject to sudden price fluctuation, possible insolvency of the trading exchange and potential losses of more than your original investment when using leverage. Securities America and its Representatives do not make a market in, conduct research on, or recommend purchase or sale of securities mentioned.

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[i] https://www.weforum.org/great-reset
[ii] https://en.wikipedia.org/wiki/Strauss%E2%80%93Howe_generational_theory
[iii] https://en.wikipedia.org/wiki/Triffin_dilemma