Wealth COACH Financial Services Inc.

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Dear Investor,

Works like a charm!

The rally on the back of our most recent update has been strong as Wall Street rolled us into a 'less-bad' print for Q1. The March 16th 'Market Update' was released the day before the Fed forecast it would likely raise rates as many as seven times over the course of the year.

We largely discontinued mid-quarter updates in this era of never-ending Federal Reserve money printing since they always print money which simply forces asset prices back up. That last Update referenced several major headwinds that threatened to change that this time. NONE of the many major headwinds have subsided … except one.

**Money-printing.**

It did ***not*** stop.

What many people want to know is that the number on their piece of paper went up from the recent lows. It did!

While markets still ended negative for the quarter, they ended substantially off of the lows of mid-March when we sent out the update. On that Tuesday before the Fed announced it would raise rates many times this year, the S&P 500 was down nearly **-13%** and the Nasdaq indices down **-20%**. By the close of the quarter, we got that counter-intuitive rally we suggested might arrive and we were down only **-5%** and **-9%** respectively. Impressive.

As far as many are concerned … I can typically stop right there, no need to go further (even though I do not)!

The second part of the Market Update challenged what to do should we get the rally, which we just did: Should it be used as an opportunity to lighten up? Or, to reinforce holding the line? Or, if you have a long-term time horizon, to ignore it altogether?!

For those who are concerned, we will expand a bit more in the next few pages as we include Q1 results, but the heavy lifting will be done in our supplemental segment which we have revived from past days: the 'Behind the Curtain' segment (BTC). It is available upon request. (If some hard truths are of interest, we recommend you request the BTC segment, but be forewarned, we will pull no punches!)

As always, have a read and call us at (614) 734-WLTH (9584) if we can help you think through your allocations. We wish you a great Spring!

Best Regards,

Mike Sullivan, President, Certified Financial Planner Professional ®

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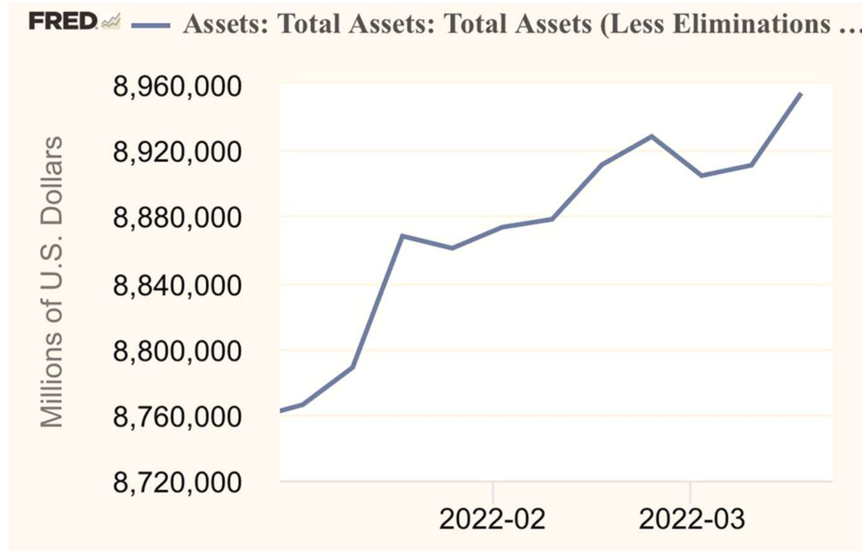
Here are the four key factors behind the rally into quarter-end:

1. Federal Reserve: They lied.
    a. They generally do, but they outright lied this time as they indicated they would stop printing money, but did not. The chart that follows illustrates it.
    b. This aligns with our premise that they *cannot,* at least not without affecting asset prices dramatically. Either way, they affect prices. You see this.
2. Wall Street profit-seeking tactics ... prices rebounded strongly almost surely due to short term trading tactics of large firms. It has little to do with fundamentals.
3. Stock BuyBacks were a major source of the surge. At market tops, corporate stock buybacks often surge. Are we there? Or are things groovy and on the way to better?
4. Earnings will be announced over the next few weeks. They are expected to be decent, but well off the pace of the quarter a year ago. Did corporate price hikes outpace the cost increases companies incurred? We will soon see. Forecasts will likely drive the market direction the balance of Q2. Those may be difficult.

Here is your chart of the Fed discontinuing money-printing. Does not look 'stopped', does it?!




Not only did it not stop at the Fed, they handed the baton to Europe who is officially printing now. The above is the first part of what you need to know about the rally and prospects for Q2. The Fed lied, at least for now, anyway. They will *have to* decrease their 'assets' (debt), at least for a time to recover any semblance of credibility. That would pressure asset prices.

The second part is related to the Russia/Ukraine nonsense (which we will cover further in Behind the Curtain / BTC). In sanctioning Russia, the Biden administration weaponized the US Dollar fully. Russia was restricted from the SWIFT system (essentially VENMO for countries) which caused immediate and profound negative consequences for Russians as the value of their currency (the Ruble) collapsed and price inflation correspondingly surged.

Aside from the fact that the narrative about Russia/Ukraine is massively false (like most news these days), Russia began preparing for that as far back as 2014. More importantly, Russia shut down exports of natural gas and oil to the countries involved in sanctioning them unless those countries pay for the commodities in Rubles.

The entire 'strength' the US Dollar has enjoyed for the past many decades comes from the world's faith in it as a ***trustworthy*** currency, and in particular because it was backed by oil. We have written about this stuff ad nauseum, but here it comes again.

When the US essentially bankrupted itself after Vietnam, Nixon disconnected the US Dollar from Gold. In turn, Henry Kissenger brokered a deal with Saudi Arabia such that they (and OPEC) would only sell oil for US Dollars. In return the US would back them militarily.

Thus, everyone on the planet that wanted oil (everyone) would have to first buy dollars, then use the dollars to buy oil. Thus, the dollar essentially became paper-oil.

The US just killed that arrangement, slayed its own golden goose as the saying goes.

Russia, on the otherhand, in ceasing shipments of natural gas and oil to Europe except if they pay in Rubles, ***connected*** the Russian currency to oil, disconnecting the US Dollar. They also made moves to back the Ruble by gold (and gold too is priced in US dollars). So .. the US lost the US Dollar's backing by Russia's oil and Russia gained it. Interestingly, Saudi Arabia has begun discussing increasing its supply of oil with China in China's currency, the yuan, potentially another major source of trouble for our US Dollar.

Note that the countries that backed the sanctions are all members of the 'western' central banking system/cabal. (Yes, there is a banking cabal! And the Fed is the lead pack-dog.)

More importantly, note that the countries that ***did not*** join in on sanctioning Russia were those who watched in horrified fashion as the west committed a financial act of war. If it can be done to Russia, it can be done to them. Those countries represent a substantial portion of the global population: China, India, Brazil, Iran and many others. That's a problem too.

As Russia and China had already been maneuvering away from the western SWIFT system, the recent action in all likelihood just accelerated the world into dividing into two different financial systems.

Rule #1 for countries that hold the 'Reserve Currency' (the US) is ***do not use it as a weapon***. Yet that is precisely what just happened. (That is also Rules #2 – #3,563.)

In BTC, we will get into a fair amount of ugly truth about the matter, but for here, just consider it a major red flag for asset prices moving steadily upward going forward.

Rolling into Q2, here are the 3 most likely scenarios in our view:

1. Bear Market Rally: designed to dress up quarter-end balances (as well as to lull people back into complacency, and discourage those who do not chase the 'markets' from being defensive), markets roll over swiftly somewhere around here.
2. Weimar Republic: mimicking that chapter in history propelled by everyone fearing getting ravaged by inflation and panic-piling further into stocks, we see a furious rally which becomes a significant market top as American way of life gets very difficult from hyper-inflation.
3. Healthy Rally: we see the arrival of decent earnings ***with decent forecasts*** as it turns out supply chain issues and cost inflation did not substantially impact corporate earnings. Forecasts have been optimistic generally. We are about to find out if they are accurate or not.

Note 2 of the 3 scenarios involve potential further upside. #3 would be the preferable scenario, but even that almost surely runs into a wall when Fed hikes take hold. After all, the stated goal is to cap prices from rising. It does not preclude another bump to new highs.

#2 is a potential wild ride and it would be just that, ***a ride***. That involves riding risk assets higher, *then* shifting them to assets that will not get a significant ride down. Option #1 labels this a Bear Market rally being used by Wall Street to lift prices higher so they can sell them.

Any of the above could happen, however due to the sanctions of Russia and the impact to the US Dollar (which few understand), we believe these markets are quite ***high risk***. Assets that cannot afford to be shrunk in a high-risk market might be moved to the sideline in cash (even though cash is being destroyed by the Fed-generated rate of inflation).

If participation in risk assets is desired in order to at least try to capture ***some*** upside that might keep pace with inflation (should upside even arrive), that might be achieved by some exposure to assets like large company equities, real estate, and or commodities. For example, a slide into cash of 70% with a 10% allocation to each of the aforementioned areas might make sense (an example, ***not a recommendation***). Historically, bonds rise when risk assets fall. At least they did before the Fed created a phony bond market where they became the most dominant 'buyer' of bonds using money invented out of thin air. In the 2008-09 (Wall Street) crisis, before the 14 years of this Fed nonsense, short-term government bonds rose over 30% in a 'flight to safety'.

That bond scenario is now in question, too, however. Parking money in US Treasuries has now too become a question mark unlike at any time prior during our lifetimes.

Exactly what Q2 might look like is difficult to forecast, but an understanding of history would be helpful to any investor who wants to give thoughtful consideration to current events. Here is the report card for Q1:

| INDEX | TYPE | YTD |
|---|---|---|
| Standard & Poor's 500 | US Based Large Stocks (500) | **-4.9%** |
| Dow Jones Industrials | US Based Large Stocks (30) | **-4.6%** |
| Nasdaq Composite | US Based Large Stocks | **-9.1%** |
| Standard & Poor's 400 | US Based Mid-Cap Stocks (400) | **-5.2%** |
| Russell 2000 | US Based Small-Cap Stocks (2000 | **-2.9%** |
| Dow Jones Transports | US Based Transportation Stocks | **-1.2%** |
| Dow Jones Utilities | US Based Utility Stocks | **6.2%** |
| EAFE International Index | International Large Cap | **-6.5%** |
| MSCI Emerging Markets | Diversified Emerging Markets | **-6.0%** |
| Commodities | Bloomberg Commodity Index | **26.9%** |
| 7-10Y US Treasury Bonds | 7-10 Y Us Treasury Bonds | **-6.7%** |
| 3 Month T-Bill | Cash Equivalent | **0.0%** |

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

Here are your bullet point highlights for Q1:

- Economic activity slowed, but remains solid. Most Americans know little about real headwinds covered here, so it is business as usual until adverse events change that.
- The 10 Year Treasury yield (which drives home loans, car loans, etc.) was **1.51%** at 12/31/2021
    - As of 3/31/22, it jumped to **2.33%**, down a bit from **2.51%** on 3/25.
    - 1.5% to 2.5% is a 60% jump in the cost of borrowing money

- A $400k house, financed at 4% for 30 years costs $1,909 per 360 payments
- A $400k house, financed at 5% for 30 years costs **$2,148** per 360 payments
  - The added cost is nearly **$86,000** in interest over that 30 year term
- To keep the payment at $1,909, the house price would have to drop to $355,500
  - The **price drop would be $44,500**, a decline of **-11.1%**
- Bond markets yield curves are 'inverting' meaning suggesting recession lurks not too far down the road and essentially announcing the Fed cannot really raise rates much.
  - The 5 yr Treasury yield is 2.43%, 0.10% *more* than the 10 year
  - That means bond investors believe the Fed will cause damage raising rates which will then have to be lowered again. THAT is what bond markets believe lies ahead. (The bond market is far bigger than the stock market)
- All of these items align to the fact we have stated for years:
  - The **Fed cannot stop printing money**, nor raise interest rates without causing major disruption in stocks and real estate, and hurting businesses.
- There are substantial amounts of borrowed money (margin) in the markets, and lots of new 'retail' traders chasing stocks for quick scores. Declining stock prices accelerate market declines as investors have to sell those assets to pay off the loans.
- The SWIFT sanctions on Russia which in turn hit the 'US Petro Dollar', is a big deal
- Corporate BuyBacks are **strong**, one of the major factors in the recent rally.
- Earnings estimates are cautiously optimistic, assuming price hikes offset rising costs

If you thought Q1 was interesting, Q2 could prove to be a wild one.

Call us if we can be of assistance!

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