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(614) 734-WLTH

April 18, 2023

Dear Investor,

Q1 delivered us the same exact backdrop as Q4 2021.

In the latter, almost from the moment the Fed met in November 2021, market indices floated moderately upward … but on the back of very few larger company's stocks. The broader market was stealthily selling off all along the way. When 2022 arrived, we saw non-stop selling across almost all asset classes … all year long. Those big 'lifting' stocks dropped hard, along with most other stocks. Bonds dropped too … big. No Fed as bond-buyer … no up.

In Q1 2023, the S&P 500 finished the quarter up +7.4%. Investors are being cheered on by Wall Street mumbo jumbo that has vacillated from 'soft-landing' jabbering to 'no-landing' gibberish. Job losses are underway, home prices are rolling over, and the Fed is still hiking.

The term 'pivot' has been co-opted by yet another incidence of mainstream TV changing definitions. A 'pivot' is **NOT** a 'smaller than anticipated' rate ***hike***. A pivot is a rate ***decrease***! The all-omnipotent Fed (the one that has butchered the creation of inflation, ignored the extent to inflation is not 'transitory', self-traded their own accounts along the way, and caused bank blow-ups) has missed the mark, BIG, and ***non-stop*** … for years.[i]

The Fed has one trick: monetary manipulation. It manipulates money supply and it manipulates interest rates … the cost of money. Oh, and it blathers too. A LOT.

Ignoring our disdain for the arrogance and hyprocrisy we are regularly subjected to by the Fed, and brushing aside a question we repeatedly get from investors ("how can these people still have their jobs?") the Fed has boxed themselves, and U.S. stability, into a corner.

Harboring strong doubt there is any soft landing looming is not a reach by any measure.

The Fed's policies are directly related to the handful of banks blowing up in February. They plugged the leak in that dike with FDIC-to-Infinity. What is the next step from ***that***?

The toll on the US Dollar is real. The exponential bloating of the US balance sheet and the Fed's own balance sheet are quite concerning to those familiar with monetary history. In the past few weeks alone, China and Brazil have opted to trade directly, booting the US Dollar from the mix. Japan is buying Russian oil directly, no US Dollar in the mix. India and China have agreed to trade directly to a degree. The U.S.'s weaponization of the US dollar as Reserve Currency by kicking Russia off SWIFT, the global trade clearing system, kicked off 'de-dollarization' (the US started that process in 2014 during the first Ukraine fiasco). To those paying attention, Ukraine is a globalist money-laundering pit. Brazil, China, India, South Africa and many other BRICS-aligned countries all noticed, which is why none of them backed the US + Western Central Bank sanctions on Russia. What we see on the news is BS.

Obviously, we suggest the path ahead warrants caution. Call if we can discuss your strategy.

Best Regards,

Mike Sullivan
President, Certified Financial Planning Professional®

<u>Detail</u>

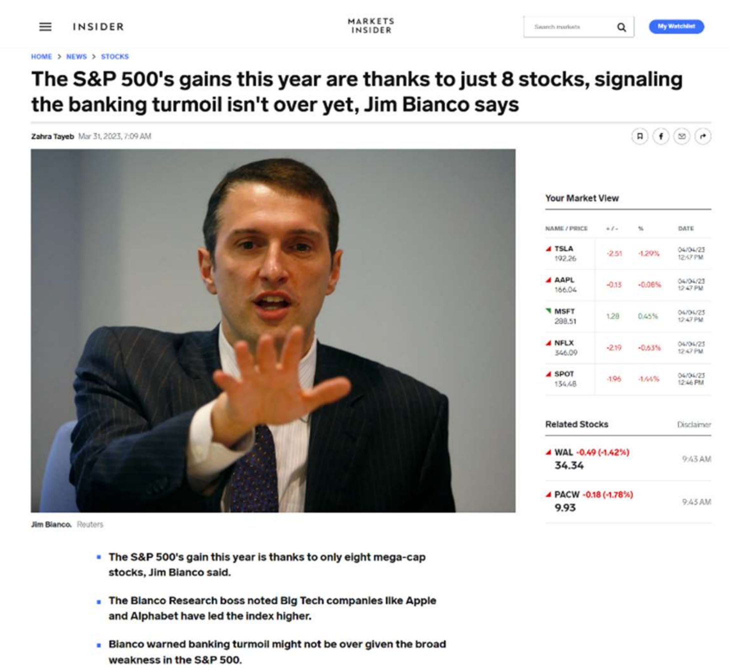
2023 Q1 results followed through on the Q4 2022 reprieve from the damage of 2022's first three quarters. Domestic markets did better than foreign markets in Q1. Here are the results:

INDEX	TYPE	Q1/YTD
Standard & Poor's 500	US Based Large Stocks (500)	**7.5%**
Dow Jones Industrials	US Based Large Stocks (30)	**0.9%**
Nasdaq Composite	US Based Large Stocks	**16.7%**
Standard & Poor's 400	US Based Mid-Cap Stocks (400)	**3.8%**
Russell 2000	US Based Small-Cap Stocks (2000	**2.7%**
Dow Jones Transports	US Based Transportation Stocks	**8.3%**
Dow Jones Utilities	US Based Utility Stocks	**-2.0%**
EAFE International Index	International Large Cap	**8.6%**
MSCI Emerging Markets	Diversified Emerging Markets	**3.9%**
Commodities	Bloomberg Commodity Index	**-5.6%**
7-10Y US Treasury Bonds	10 Y Us Treasury Bonds	**4.1%**
3 Month T-Bill YIELD	Cash Equivalent	**1.1%**

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

Here are your bullet point highlights for Q1:

- The biggest rebound was found in the Nasdaq, the big loser from 2022 when it lost ---- **-33.1%**. Nasdaq rose 16.7%.
- The same pattern that kicked off 2022's sell off was in place once again: the indices rose, yes, but it was carried by a handful of large stocks, in this case tech rebounders.
    - Eight stocks were responsible for the green headlines[ii]. Underneath the headline, many other stocks were declining. Was this another Wall Street trick? We will see as earnings season unfolds.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The S&P 500's gains this year are thanks to just 8 stocks, signaling the banking turmoil isn't over yet, Jim Bianco says

Zahra Tayeb Mar 31, 2023, 7:09 AM

Jim Bianco. Reuters

Your Market View

NAME / PRICE	+/-	%	DATE
TSLA 192.26	-2.51	-1.29%	04/04/23 12:47 PM
AAPL 166.04	-0.13	-0.08%	04/04/23 12:47 PM
MSFT 288.51	1.28	0.45%	04/04/23 12:47 PM
NFLX 346.09	-2.19	-0.63%	04/04/23 12:47 PM
SPOT 134.48	-1.96	-1.44%	04/04/23 12:46 PM

Related Stocks Disclaimer

WAL -0.49 (-1.42%) 34.34 9:43 AM

PACW -0.18 (-1.78%) 9.93 9:43 AM

- The S&P 500's gain this year is thanks to only eight mega-cap stocks, Jim Bianco said.
- The Bianco Research boss noted Big Tech companies like Apple and Alphabet have led the index higher.
- Bianco warned banking turmoil might not be over given the broad weakness in the S&P 500.

- Regarding earnings, since they are about to unfold, the most recent Earnings Scout analysis shares that the one-week bump based on the small handful of companies that had reported, has been erased. Early earnings suggest the decline has begun:

S&P 500 EPS growth expectations

Date	1Q23E EPS Growth	2Q23E EPS Growth	3Q23E EPS Growth	4Q23E EPS Growth
10/1/2022	2.50%	0.61%	-	-
11/1/2022	-1.31%	-2.26%	-	-
12/1/2022	-4.80%	-5.44%	2.21%	-
1/1/2023	-6.29%	-6.71%	0.70%	-
2/1/2023	-7.37%	-7.63%	-0.36%	6.20%
3/1/2023	-9.23%	-9.09%	-1.27%	2.80%
4/1/2023	-9.58%	-8.89%	-0.76%	2.99%
4/17/2023	**-10.24%**	**-9.14%**	**-1.16%**	**2.60%**

Source: The Earnings Scout

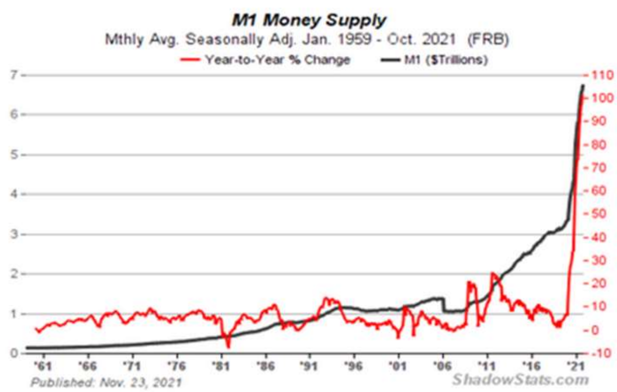
- Note: Earnings Scout believes the S&P 500 should take out the October 2022 lows if earnings reported for Q1 2023 drop more than **-6%**. To date, they're down **-6.8%**.
- Wall Street continues to mis-use, we say deliberately, the term 'pivot'. The Fed has not yet pivoted. And, they only 'pivot' (the actual reduction of rates … not the fictional 'slower rate ***hikes***' Wall Street is framing) ***after*** they have caused damage.
- Several major banks blew up in March, victims of the Fed's money-printing and rate-suppression tactics. The Fed does not view themselves as the problem, which is of course the problem itself. Banks were trapped into low interest rate safe holdings, treasury bonds included, all of which suffered unrealized losses as the Fed then turned around and aggressively hiked rates. The Ivory Tower is in denial.
- The Fed says it will keep hiking. The bond market says they're wrong. A standoff.
- The 10 Year Treasury yield (which drives home loans, car loans, etc.) was **1.51%** at 12/31/2021
  - Rates over 3.00% dramatically impact borrowing costs and asset prices.
  - The 10 year stands at 3.58% as we go do print (down from 4.29% in Oct '22).
  - In 2022, US Treasury Bond prices saw the worst YTD decline since 1788.
- Bond prices were pounded as rates rose, and the Fed is no longer conjuring up money to 'buy' them … the Fed, one of the largest buyers, was gone in '22. It is still gone.
- The response to the bank blow-ups was to re-impliment the one-trick: the Fed injected $642 Billion in liquidity at last measure, pumped into the banking system.
  - The liquidity injection reversed more than half of the 'Quantitative Tightening' (the reduction of money supply) the Fed had implemented to fight inflation.
- Some view bank blow-ups as 'isolated', some view them as systemic, a big difference.
- But the asset markets' group of trained monkeys the Fed has raised has piled right in to equities. They live off Fed money-printing and the liquidity back-stop allows some to attack others who were positioned for likely equities downside: a 'short-squeeze'.
- Former Fed Chairwoman Janet Yellen, now Treasury Secretary, answered questions about the bank turmoil via several panel discussions in Washington DC.
  - Yellen moved from stating that the affected banks would not be bailed out at 10am on Sunday morning shows on March 16th, to backing FDIC insurance without limits, IE infinity, by 6pm that night, eight short hours later.

- An exchange with Oklahoma Senator James Lankford revealed Yellen to be utterly clueless about her decision's causation of people pulling money out of smaller community and regional banks and stuffing them into big banks that would benefit from Yellen's 'FDIC-to-infinity' policy. Do watch the exchange:
  - https://rumble.com/v2dm976-here-is-an-exchange-with-senator-james-lankford-and-yellen-after-bailing-ou.html
- Big banks reported April 14th, doing great as small bank depositors pile in.

- Housing is holding up in several regions, other regions are rolling over rapidly:
- We provided a housing example in 2022's third quarter:
  - The $400k house, financed at 4% for 30 years cost $1,909 over 360 payments
  - The $400k house, financed at 7% for 30 years cost **$2,661** over 360 payments.
  - The added cost is nearly **$270,521** in interest over that 30 year term
- To keep the payment at $1,909, the house price would have to drop to **$287,000**
  - The price drop would be $113,000, a decline of **-28.3%**

Again, you are seeing that correctly. In nine months, the Federal Reserve, in an effort to unwind the inflation *they primarily caused*, moved to drive a simple mathematical equation that will severely punish anyone who has to borrow money from its banking empire.

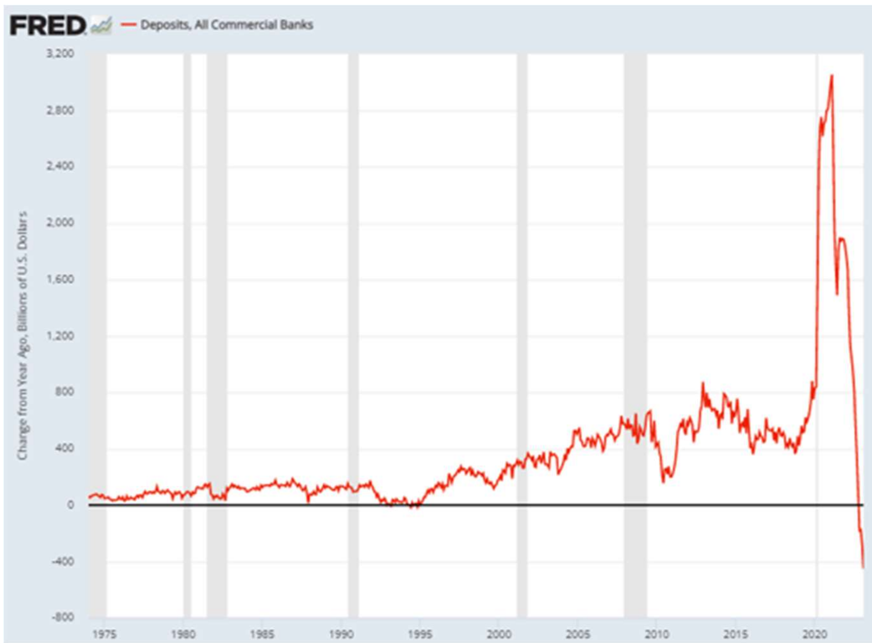
Let's see what else the Fed's policies have done. First, their cure for everything, money-printing during COVID, goosed liquid money supply (M1) heavily:



Note, since the 60's, M1 adjusted in a range (red numbers on the right) from zero to 10% with volatility jumping during Y2k's mess, again in 2008, then in 2012 during the wild QE era (Quantitative Easing). The black line shows the cumulative supply, measured in trillions on the left. In 2020, money printing went wild and the black line steadily climbed, reaching 3.5 Trillion in 2019. During Covid, supply doubled (red line 100%) and new stimulus money in circulation was used 1) to pay off credit card debt, and/or 2) into bank savings accounts.

The same 'central planners' that make decisions like this also require banks to invest much of that money into safe investments like US Treasury bonds. Since the Fed had jammed interest rates into the floor, the 10 year Treasury was yielding only 0.6% at that time. So many of the banks had to park their money into longer term bonds just to get a little higher yield. Banks bought long term bonds with yields averaging in the 1%+ range.

When the money-printing caused inflation (it always does), those bond prices got hammered. Yellen and her think-tank foresaw no problem coming. As usual. Except when the banks pinned your savings rates to 0.01% to 0.10% for years (so banks could earn the difference from those long term treasuries they had bought), they kept savings rates there as the Fed raised rates to fight their inflation. The banks really had no mathematical choice. ***But***, when investors got sick and tired of earning nothing at the banks, they decided to take the money out and put it in money market funds and other investments where they could then earn 3%, then 4% and so on. Thus, the banks had no choice but to sell the long term bonds they had been required to buy … so they could give their departing depositors cash to leave. BOOM. Big problem. Here is a look at depositors piling into banks with the printed stimulus money … and leaving the banks to go to better yields elsewhere when the Fed jacked rates up. The banks were trapped from paying higher ratesout to depositors:



OOPS.

Apparently Yellen figured that tidbit out between the 10am morning show and 6pm that night. Hence her move to go from 'no bail-out' to 'FDIC insurance to infinity'.

We are asked the question regularly: "How do these people still have jobs?". We do not have an answer for that question.

There is more to consider than the follies of our homegrown central planners … the same ones that have presided over all these messes so easily seen in monetary history books.

Regarding markets, we have the same view we have held since October 2022. We are likely at a point where the only way we get another rally above prior highs (for some time) will be IF the Fed is able to print money and jam rates through the floor again. Thus, three outcomes are possible:

1. Bear Market Rally: designed to entice investors back into 'buying' mode where they will then be sold shares of stock at higher levels before the market rolls back over and declines further.
2. Weimar Republic: That chapter in history where prices accelerate upward, in a blow-off top, where everyone fears getting ravaged by inflation so they panic-pile further into stocks.
3. Healthy Rally: arrival of decent earnings ***with decent forecasts***. Supply chain issues and cost inflation will shed light on forecasts which have cooled overall. We'll see how much.

We think the odds rather strongly favor we are in Scenario 1, since inflation has crimped #2.

Very importantly (but altogether unseen to the broad public), an economic World War 3 is underway. The US Dollar is being booted out of global trade. Competitor currencies (the US Dollar alternative BRIC countries, Brazil, Russia, India, China, South Africa (and other countries now aligning with them that include Iran, Venezuela and **Saudi Arabia**) are rising. **Why?** Very simply, the US weaponized the US Dollar Reserve Currency … a huge mistake.

- The SWIFT sanctions on Russia severed Russia from the 'US Petro Dollar', a big deal
- BRIC countries refused to join in on sanctioning Russia for the Ukraine conflict
- The Russia Ukraine conflict bears little resemblance to the 'news' narrative
- The US Dollar has strengthened to multi-decade highs (because the Fed is raising rates), but history books show that countries that raise rates as a result of spiking inflation see a rise in their currency … ***initially***. History shows the strength reverses thereafter. We'll see what the history books have in store for us.

There is a question now as to the real motives of the Treasury and the Fed. By keeping rates higher, the US attracts foreign investors … since the rate of interest is attractive. That can slow or partially offset any action by those countries to sell US Treasuries as they move to settling trade in their own currencies instead. If you were them, you would do the same.

Other actions recently taken ***do*** show collusion of the BRICS countries and their allies. A recent decision by OPEC+ to reduce their output of oil serves to raise the price of oil around the world as supply diminishes. Energy is a big component of inflation calculations since people and businesses use it daily. Keeping inflation high forces the Fed to keep rates '**higher for longer**', which is the recent slogan all the Fed-heads are parroting in lock-step. To us, that appears to be a very strategic decision by the Fed in conjunction with the US Treasury.

This currency stuff sounds obscure to most Americans. That fact does not change the reality that the advantage the U.S. has held for our lifetimes is being unwound. When dollars are not needed by other countries, they eventually will be returned to the U.S. That returning supply of dollars will almost surely cause additional inflationary pressures in the U.S. Add that pressure to the rising energy prices, and the Fed is boxed into a corner.

Of note, so as not to cause uncecessary panic, the US Dollar is still held as reserve by most countries around the world. USD is the dominant currency in foreign exchange (currency) markets. And it almost certainly will continue to be used in trade. None of the countries mentioned can 'dump' the US Dollar (largely held in the form of US Treasuries in which they are invested), without causing substantial problems to their own economies. The higher interest rates the Fed is pushing should serve to hold off any big Treasury dump. So … a global dump of Treasuries is unlikely, barring a collusionary effort to embark on a 'Great Reset'.

The Great Reset seems like a conspiracy theory, yes. However, the fact that paper fiat currencies are used all over the planet, and most of the countries that issue fiat (just like the US) have massive amounts of debt that is mathematically unpayable does indeed open the very logical thought that everything *will have to be reset* at some point.

The effort by central banks to ***push*** people into CBDCs is real. We recommend researching it.

YOU DO NOT WANT CENTRAL BANK DIGITAL CURRENCY. So, pay attention. Really.

Already in the US, numerous underhanded efforts have been made to insert verbiage in the state legislatures that,without naming CBDC, open the door for CBDC (a Federal play to control money), while shutting the door on competitors in the crypto-currency universe, in particular Bitcoin and Ethereum (also not named in the sneaky verbiage).

Current Version Legislation

Jurisdiction	Year	Bill Number	Status	Sponsor
Arizona	2023	HB 2770	Introduced	Wilmeth
Arkansas	2023	HB 1588	Introduced	Dismang
California	2023	SB 95	Introduced	
Colorado	2023	SB 90	Introduced	Gardner
District of Columbia	2023	25-0005	Introduced	Mendelson
Hawaii	2023	HB 525	Introduced	Nakashima
Indiana	2023	SB 468	Introduced	Garten
Kentucky	2023	SB 64	Introduced	Westerfield
Maine	2023	LD 91	Introduced	Moriarty
Massachusetts	2023	HD 3379	Introduced	Peisch
Missouri	2023	HB 1165	Introduced	Hicks
Montana	2023	SB 370	Introduced	Fitzpatrick
Nebraska	2023	LB 94	Introduced	Slama
Nevada	2023	AB 231	Introduced	Backus
New Hampshire	2023	HB 584	Introduced	Ammon
New Mexico	2023	HB 90	Introduced	Nibert
North Dakota	2023	HB 1082	Introduced	Judiciary
Oklahoma	2023	HB 2776	Introduced	McCall
Rhode Island	2023	HB 5543	Introduced	Kennedy
South Dakota	2023	HB 1193	Introduced	Stevens
Tennessee	2023	SB 479/HB 640	Introduced	Stevens/Bricken
Texas	2023	SB 2075	Introduced	Paxton
Washington	2023	SB 5077	Introduced	Pedersen
West Virginia	2023	HB 3212/SB 549	Introduced	Storch/Woodrum

Source: Tom Renz

The United States is (or was) a Republic, ***not*** a democracy, despite the many efforts of the powers that be to constantly re-frame us that way. It is ***the States*** that run the show. South Dakota first identified this sneaky move by legislators to back-door currency language into their various legislative efforts. That is a deliberate, underhanded, and coordinated effort. **Why?**

Needless to say, we maintain a very cautious outlook. Earnings pressure should increase, the world has tired of US Dollar hegemony, US leaders have repeatedly proven inept and corrupt, and the Fed is boxed in and continuously untruthful about the mess they have created.

As former European Commission Chairman Jean Claude Junker stated back in the days of the last mess: "When it becomes serious, you have to lie".[iii] That the Fed cannot tell the truth without causing bigger problems than bank-runs is quite profitable to the ruling class, but it is devastating to the masses who understand very little about these topics discussed here.

There is a lot of misleading going on. And it will continue to go on until the public figures out some of this stuff. 'Those who do not understand history are condemned to repeat it.'

We fully understand people prefer messages of hope and are fully consumed with the activities of day to day life. These obscure matters, however unpleasant, are important to consider.

We would be remiss however if we did not continue to beat the drum that these activities by the-powers-that-be have mathematical constraints. Continuing to allow text-book money printing that hammers the quality of life for everyone will come with costs. We do not live in the world all by ourselves, and the Reserve Currency privilege gave us the lifestyle we have enjoyed for a century. It was a gift that has potentially been squandered by our resident statists. It is time to see that.

There will be times to become aggressive again as investors for fundamental reasons. The start to 2023 has presented a technical opportunity, in our view: a chance to ride some central bank induced Wall Street gamesmanship to higher stock prices. We just happen to think the time to get aggressive *with moderate risk* is not now. It is more likely in our view that we've entered a Secular Bear Market. The back end of a Bear Market Rally boosted by a handful of stocks is not low risk. It should take some time, and some big bumps, to work through these serious matters.

Call us if we can help you consider this perspective, fun or not, and to adjust allocations as you deem best to either seek appreciation in subsequent up cycles, or protect from any further imminent declines. We can be reached at (614) 734-WLTH (9584).

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[i] https://www.project-syndicate.org/commentary/fed-credibility-crisis-lost-confidence-around-the-world-by-mohamed-a-el-erian-2023-04?utm_post-type=link&utm_format=16:9&utm_creative=link-image&utm_post-date=2023-04-15

[ii] https://markets.businessinsider.com/news/stocks/stock-market-outlook-banking-crisis-jim-bianco-big-tech-svb-2023-3

[iii] https://www.express.co.uk/news/world/1088188/eu-news-jean-claude-juncker-theresa-may-no-deal-irish-backstop-european-commission-spt