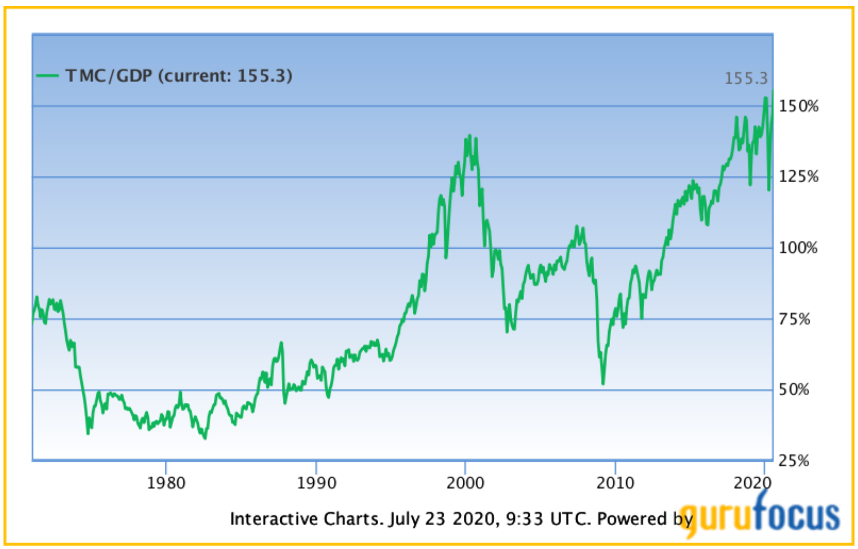
To: Investors!
From: Mike Sullivan
Date: July 27, 2020
Re: **'Nuts' Again …**

Yes indeed, the 'markets' are stretched again! The current narrative attributes market levels to 'hope' that we are re-opening, the virus is behind us, and the economy is on its way to surging. Investors are enjoying it, but many understand it is solely due to the $5 Trillion in new money (debt due in the future) that has been cranked out of thin air for yet another market rescue.

While we are very thankful small businesses have been helped by the Payroll Protection program, and that individuals have received $1,200 in stimulus checks, it is easy to see that the big companies that have been allowed to stay open (Walmart, Kroger, Target, etc.) are lifting while many small businesses struggle. Much of the $5 Trillion found its way to the big companies, with the Fed buying their bonds (loans) and Wall Street using much of that money to goose the stocks of those public companies. Consequently, markets have surged to levels unprecedented by many measures again. Here is a look at the valuation of the markets as measured by the S&P 500 index of companies, at all-time highs versus Gross Domestic Product:



Valuations like this can only stand when there is plenty of money to hold them at these levels and continued economic growth on the way. The Treasury holds $1.8T in new cash on its balance sheet now, so perhaps there is enough cash to support them for a while. But, the ratio at current levels reflects a clear disconnect between the market and the current real economy.

Can it stand? Yes … as long as the Treasury doles out that money. That can be expected with an election on the way, but even more debt-based money will need to be invented if you can fathom that. Europe and China are joining the U.S. central bank with more debt overseas.

Again, we walk the line of best serving investors by supporting hope that money printing can succeed, and sharing information on red-flag distortions it causes … which in turn gives pause to optimism.

We will likely be hosting market update webinars for anyone who wishes to know more about these disconnects and assess their allocations. Look for information on the webinars on our website.

We suggest continued caution in these far-from-normal conditions, in the markets and everywhere else. Call us at (614) 734–WLTH (9584) if you would like a one-on-one conversation.