

Disclaimer

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InvestorsObserver Workshop

InvestorsObserver Workshop

- Charts
- What Else is Happening?
- Hot Right Now
- Member-driven content: Questions, site demonstrations, etc.
 - Can prepare slides for questions submitted ahead of time: Mention “workshop”

S&P 500



S&P 500
One Year

NASDAQ



Nasdaq
One Year

Russell 2000



Russell 2000
One Year

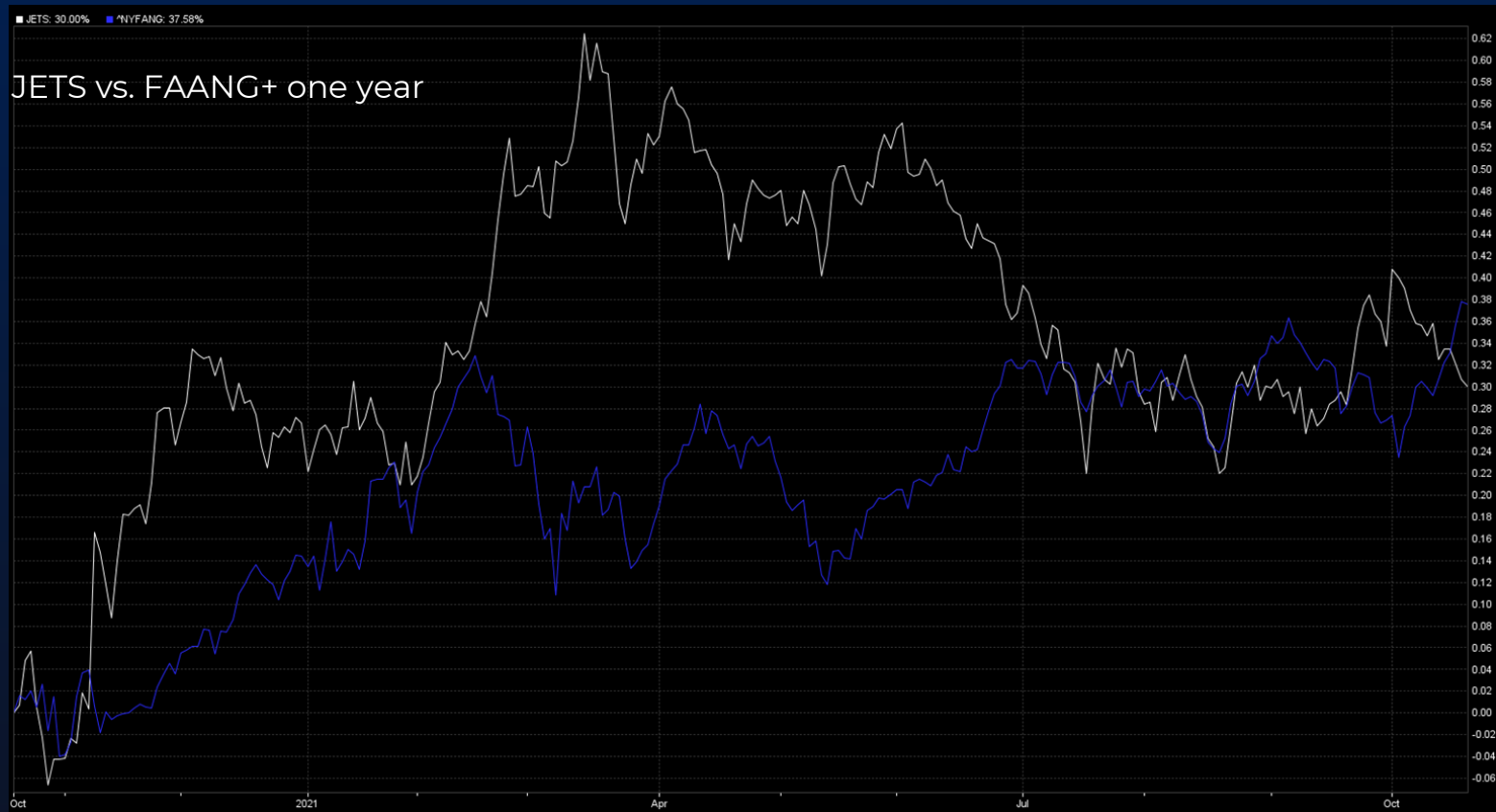
S&P 500 vs. S&P 500 EW



Growth vs. Value



JETS vs. FAANG+



Inflation and Stocks

- Basic Company
 - \$10 in revenue. \$8.50 in expenses, 15% margin. Profit of \$1.50
 - With 5% inflation... \$10.50 in revenue. \$8.925 in expenses (margin the same)... profit goes to \$1.575 (a 5% increase... in-line with inflation)
- More realistic company
 - Some costs are fixed
 - Long-term leases, fixed-cost contracts etc.
 - If half of costs are fixed, Expenses got to \$8.7125 and profit goes to \$1.7875... Margin expands even further
- Real companies are even more complicated... Definitely not always this simple
 - Generally, broad-based inflation shouldn't be bad for profits
- Anti-inflation efforts can be bad for stocks
 - Monetary policy levers slow the economy down
 - Lots of good arguments that low rates and QE don't help stimulate broad demand
 - Tighter policy WILL suppress demand.
 - That's what people with lots of stock exposure should worry about...
 - Not inflation
 - Anti-inflationary measures.

Supply Shortages

- Lots of moving parts
 - Supply shortages due to a couple of factors
 - Rolling shutdowns due to Covid, weather, natural disasters
 - Demand for shipping is above pre-pandemic levels
 - People converted spending on services to spending on goods
 - ~20% more stuff is coming through Long Beach and L.A. than pre-pandemic.
- Supply shortages will have to work themselves out.
 - Some manufacturers are using alternative sourcing or changing how things are made
 - In some industries, things are getting built to a point and can be rapidly shipped with missing components arrive.
- Things cascade
 - Processor shortage is hurting other chip makers
 - Energy crisis started with coal in China
 - China imports gas
 - Gas gets expensive in Europe so they switch to oil
 - Oil gets too expensive for certain applications...

Shipping

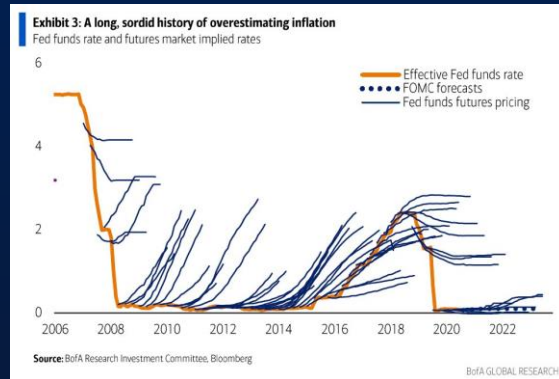
- Shipping/Logistics is incredibly complex
 - Some ships are either going to smaller West Coast ports, or even coming through the Panama Canal to unload in Savannah or other East Coast ports.
 - Still lots of on-shore issues
- Getting things off of ships is only piece of the puzzle
 - Containers come off ships and get stacked up the port waiting for someone to come get them
 - Announcement earlier this week include Walmart, other major retailers agreeing to pick up containers at night.
 - One takeaway here is that companies don't *need* the supply issues to go away that badly
 - Likely outcomes
 - Some things will remain hard to get, or available with a delay
 - Fewer discounts...
 - Already seeing this with new cars
 - Will probably see it show up in holiday shopping season as well.
 - Most big companies will be fine. May sell fewer units, but at higher prices
 - Smaller companies might have a harder time as suppliers generally prioritize bigger customers.

How is Earnings Season?

- Some hits and some misses, but generally going well
 - S&P 500 on pace for third-highest profit margin since 2008
- Lots of positives about the future
 - Airlines expecting more travel, including international travel in 2022
- Costs remain a concern
 - Lots of companies mentioning higher costs for labor, raw materials etc.
- Pricing Power
 - Companies are always hesitant to raise prices, but not many are reporting problems when doing so.
 - Most constraints on sales are related to supplies.

What Else is Going On?

- Federal Reserve, or really, guesses about what the Fed might do, driving markets
 - Taper announcement coming soon.
 - Interest-rate hike probably last next year, pending data
 - Signaling about policy is policy, so telling the market you plan to hike will make rates go higher
- Energy Crunch
 - Coal in China... Gas in Europe... Oil everywhere
 - Spreads to other commodities
 - China working to fix coal issues... Some slowing of their economy might be good for inflation and energy supplies
- Covid
 - Everything seems pointed in the right direction
 - No new variants
 - Hopefully can reach a “baseline” level of infection
 - New treatments and rising vaccination make future outbreaks less dangerous
 - Then we just have to figure out what “normal” looks like



Hot Right Now

- Energy
 - Thermal coal (mostly a China story)
 - Oil & Gas also high
- Real Estate
 - Residential still on top
 - Hotel & Motel... travel starting to pick up again
 - Diversified... Some developers and companies that do a collection of things
 - Industrial... Lots of this is warehousing and storage
- Financial Services
 - Regional Banks
 - Diversified Banks
- Industrials
 - Uranium
 - Staffing and Employment Services
 - Rental & Leasing Services
- Consumer Cyclical
 - Lodging
 - Travel Services

Questions?

Question about AT&T... Analysts seems to like it and the dividend high, but the stock keeps going down.

Also, report from Reuters that AT&T is the primary funding source for OAN.

I thought it was a telecom company with hardware? -- Marceen

- AT&T and Verizon both have made some big bets on non-phone things in the last few years.
 - T bought DirectTV and Warner Media (now getting rid of most of Warner)
 - Verizon also bought a bunch of content pieces... Yahoo... Huffington Post etc.
- Both of these companies have a lot of debt, although T has more, and seems to have made the bigger bad decisions (Warner was a giant acquisition, selling at a loss)
- T-Mobile/Sprint deal probably helps T as it takes one big competitor off the table.
- DirectTV is a business in decline, but won't go away completely any time soon.
 - Too many people live in places where high-speed internet isn't available for them to cut the cord.
- OAN thing seems strange. Adds to the Warner business in terms of having more content to sell to distributors, but It's unclear if it was profitable or why they felt that the best play.

Questions?

What do you think about BITO? -Anonymous

- Long article posted yesterday on our News page
- It's a way to track (sort of) the price of Bitcoin
 - If you somehow wanted to add Bitcoin exposure to your portfolio and didn't have it yet... this might be your answer
 - Will not track exactly... There's a management fee and some expenses related to rolling futures that mean the ETF will lose value relative to Bitcoin over time.
- As a trading vehicle, it might be worth a look.
 - So far, spreads have been about \$0.01 or about 0.2%
 - The bid/ask on at least on popular trading platform has been closer to 0.4%

Questions?

Outlook for ASML and LGND? -Randy

- ASML: Beat on earnings, missed on revenues earlier today.
 - Company makes equipment used to make semiconductors but... supply chains
 - Might be worth keeping an eye on if you're interested in holding for a long time, but the market seems pretty unimpressed today.
- LGND: Seems interesting but pretty volatile.
 - Actually seems to underperform a broader biotech ETF