NVDA	GM	KMB	NKE	BAYRY	F	ROKU	CDXC
147.49 ▲	34.69 ▲	136.81 ▼	121.21 ▲	13.08 ▼	12.01 ▲	42.35 ▲	1.75 ▲

JANUARY 2023

One Bar Ahead®

BY KEITH FITZ-GERALD

2023 Forecast
& Wildcard Matrix!

Strategy Alert:
The closest thing to “free” money you’ll ever find

4 ultrapopular stocks to avoid like the plague!

Plus, an in-depth portfolio review, the latest MMI® charts and critical updates

Annual Outlook 2023

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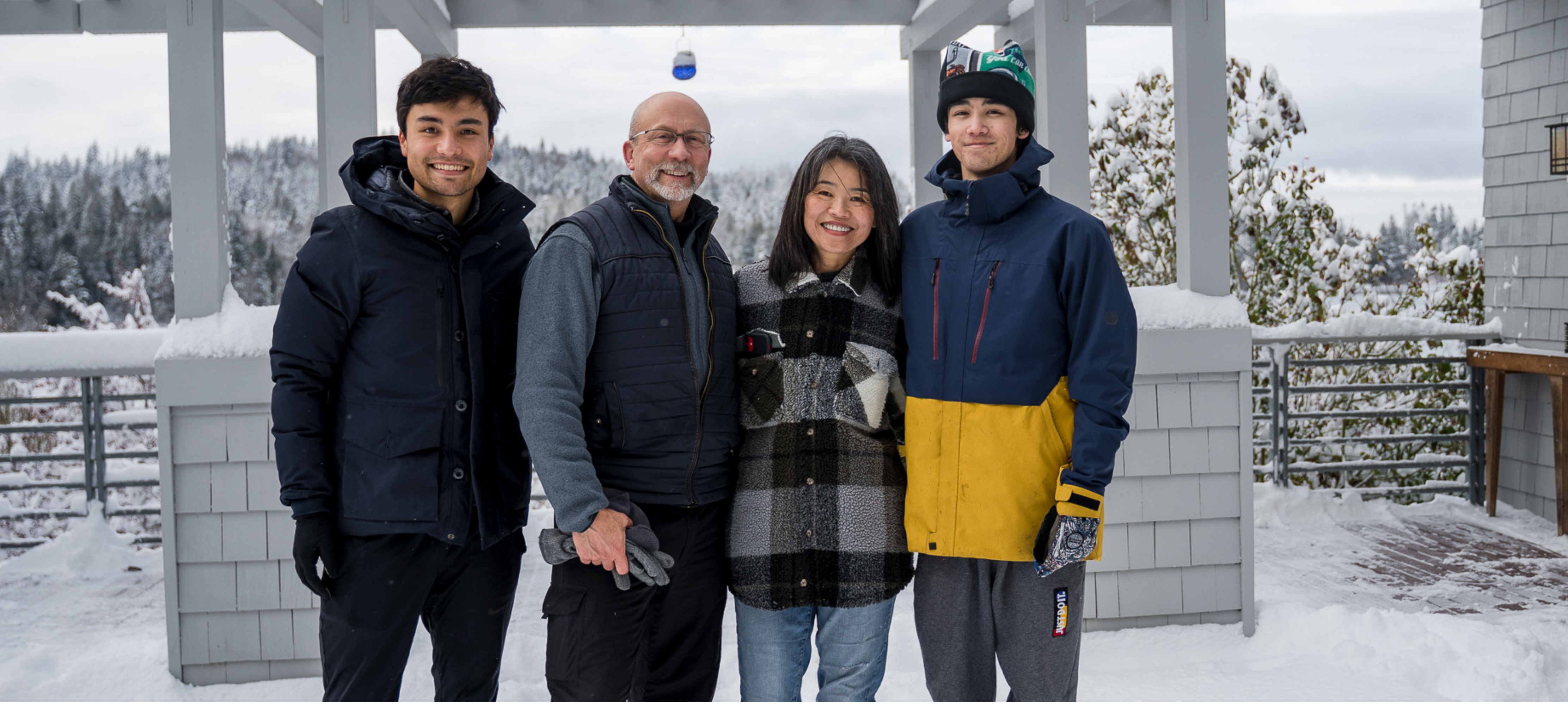
Keith Fitz-Gerald's ONE BAR AHEAD™



Letter from Keith

Dear Reader,

Happy New Year and welcome to 2023.

I am thrilled you're here!

This year's outlook is undeniably one of the most complicated, challenging, and intricate I've ever prepared during the 42 years I've been involved with global markets.

But it's not my first rodeo.

Chances are it isn't yours either.

The situation we face now reminds me very much of 1949, 1979, and even 2008—for reasons I'll share momentarily.

The single most important thing to understand above all else as we charge into 2023 is that ***we've seen this playbook before, and each time, the markets have come roaring back to life when people least expected it.***

These are the kinds of markets that long-term investors dream about!

You can buy great companies "on sale" and years from now, at the neighborhood BBQ, laugh about being smart enough to do it. If you're a dividend investor, you can use lower prices to boost profit potential, decrease risk, and magnify compounding without lifting a finger. If you're a trader, you can practically shoot fish in a barrel when it comes to harnessing the volatility most investors fear.

This is truly your Warren Buffett moment.

Here's why.

History suggests we stand on the cusp of a new golden age of investing... *one that could be bigger than the internet, tech, and pharma combined, even if there's more selling ahead.*

Hard to believe?

No doubt the headlines are downright scary. Times are tough and may get tougher. I can completely understand why many investors want to run for the hills right now.

The economic climate is shifting, and all indications are that it will continue to shift in the months ahead.

Here's the thing.

What hasn't shifted—and will never shift—is the role played by the world's best companies and the products and services they create.

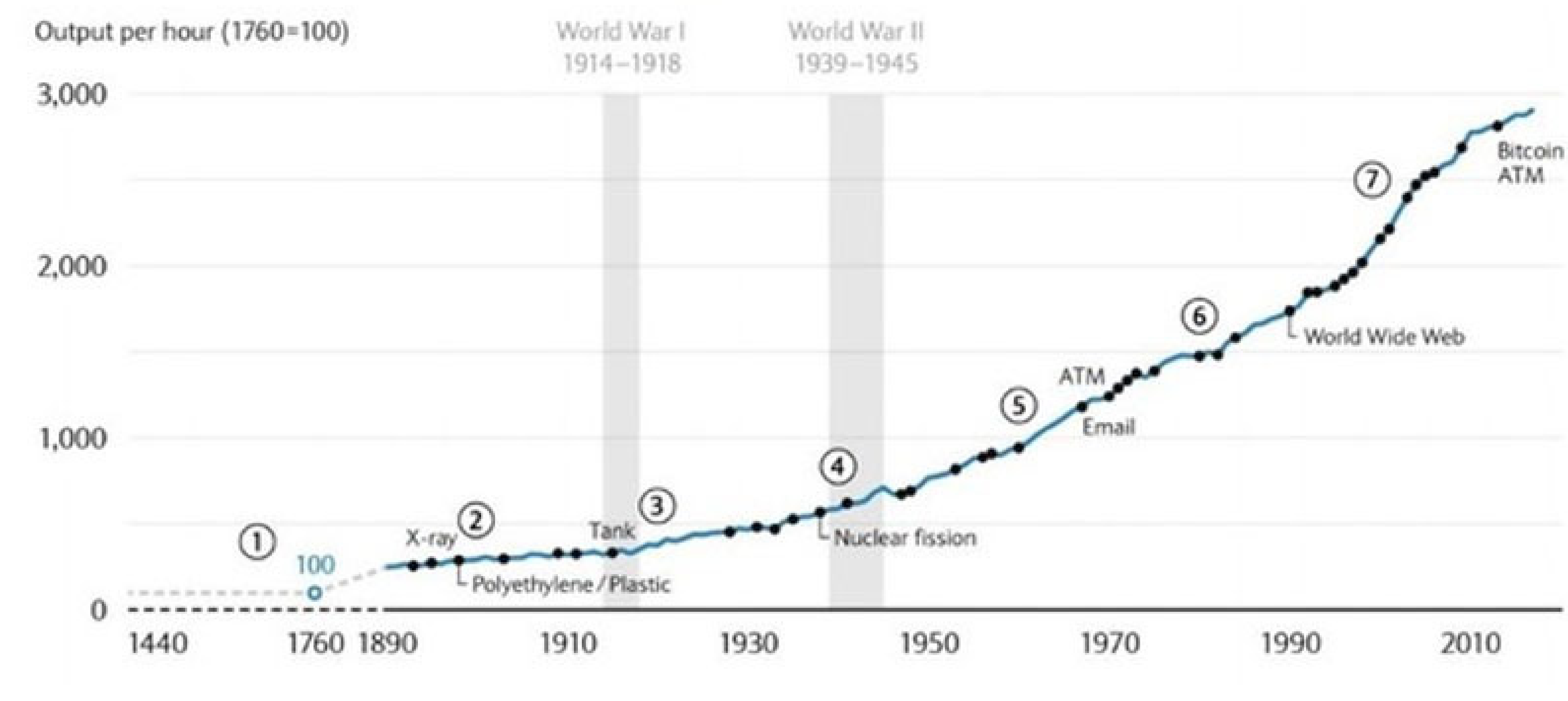
Innovation is agnostic when it comes to market trends.

That's why I spend an extraordinary amount of time researching where the world is going and which companies are capable of making the jump. It's also why I make it a priority to regularly talk with subject matter experts around the world.

History shows very clearly that major breakthroughs propel productivity, output, and economic growth. The last 150 years have been particularly graphic in terms of societal change and, of course, the profits that come with that.

Case in point: A few years ago, Barclays prepared an interesting report that showed baseline production jumped more than 2,900% between 1760 and 2018—following the introduction of technological milestones from the Gutenberg printing press (1440), to plastic (1898), penicillin (1928), and so on.

From the printing press to the global internet, technology has evolved, and human societies with it



How technology has changed the way we work. Image: Barclays

Now that's poised to *accelerate*.

Many people have a hard time wrapping their heads around this idea because the markets are in such a foul mood, but that's really a different issue.

What matters most—and the key thought for us as investors—is that the speed at which a country adopts technology and its per capita income are inextricably linked over time.

I'm not alone in that thinking.

Billionaire investor Peter Thiel defines this as the difference between "n+1" (an incremental change or iteration) and "zero to 1" (a true breakthrough).

Entrepreneur Peter Diamandis of XPrize fame believes that exponential technologies will usher in any number of trillion-dollar companies and industries, which is why he doesn't focus on the *status quo*.

The way I see it, there will be two kinds of companies at the end of this decade. Those that use technology in all its guises and those that don't. The former will be worth unprecedented amounts of money while those that fail to embrace change will struggle, if they survive at all.

That's simply the world we live in.

It's also the path forward.

Dartmouth Professor Dr. Diego Comin, an expert on the intersection of innovation, macroeconomics, and technology, has been working on this hypothesis since at least 2003 when he published research with Dr. Bart Hobijn on cross-country technology adoption that caught my attention.

Doctors Comin and Hobijn found that there were several key determinants when it comes to the speed at which a country adopts technologies… including human capital endowment, trade openness, the type of government, and even the adoption of predecessor technologies.

Then they built upon that research in 2010 in a published paper called "An Exploration of Technology Diffusion" and found that technology adoption plays a key role in determining per capita GDP output over extremely long time frames.

The impact of technology, they posit, is "persistent" even as newer technologies are adopted *faster* than old ones.

That's key.

My research suggests that we have now reached the point at which the world is accelerating as a function of narrowing and far more rapid technological dispersion. So, it makes sense to invest as early in the game as possible, in particular when you can reasonably identify the companies likely to lead the charge.

I asked Dr. Comin about this as part of my research for this issue and was very pleased to learn that he believes my thinking is on track. Although, to be fair, Dr. Comin cautioned, "It's a bit premature to make that statement."

I couldn't agree more strongly!

The world's most successful investors find opportunity where others can see only challenge. And they know that differentiated competition is how you win.

Speaking of which…

This month, we're going to start with the 5Ds as a means of reviewing the overall framework within which we're operating. Then, we'll discuss specific research findings that will help us set the course for the next 12 months. Stocks, bonds, real estate, gold, even alternative assets… it's all there.

Next, we'll move on to one of my favourite strategies... one that is so powerful and perfectly suited to current market conditions that I call it the "closest thing to free money you'll ever find." It's perfect if the selling accelerates.

And because knowing what stocks to own isn't enough, we're going to take a quick look at 4 ultra-popular stocks to avoid like the plague. There are some surprises on the list!

Of course, there's also the Portfolio Review and updated MMI charts. Don't let the headlines fool you—the OBA Model Portfolio is chock full of the very best stocks we can find by design—and as you'll see, the business case for owning them is getting stronger, not weaker.

In closing, it's tempting to run for the hills or at least put your head in the sand with a sign on your rumpus saying "Kick me when it's over."

I urge you to stay in the game if you can!

There is no shortage of profit potential. Merely a shortage of people thinking big enough.

It's time to change the narrative.

Thank you for being part of the One Bar Ahead® Family.

Let's make it a fabulous 2023!

Best regards for health and wealth,

KF

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How to access the OBA archives

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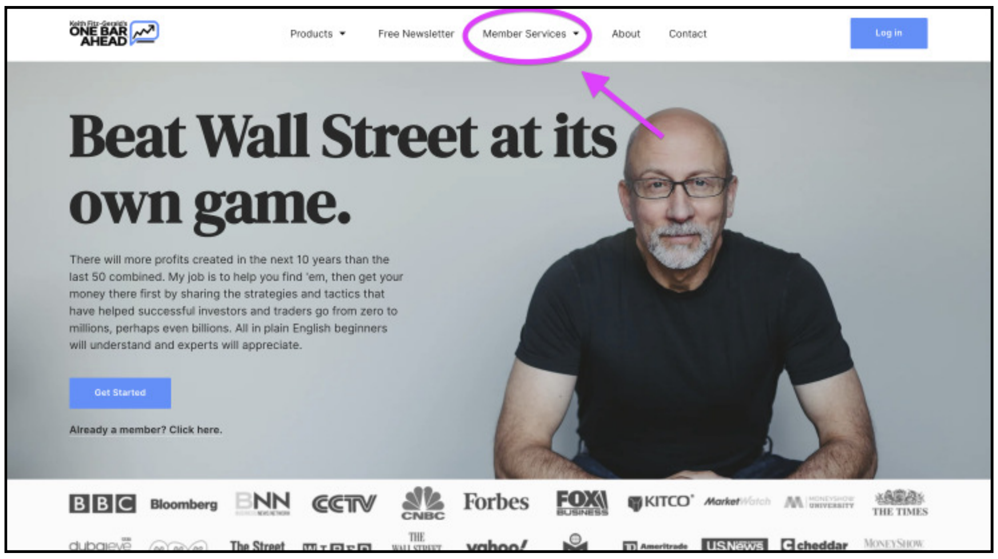
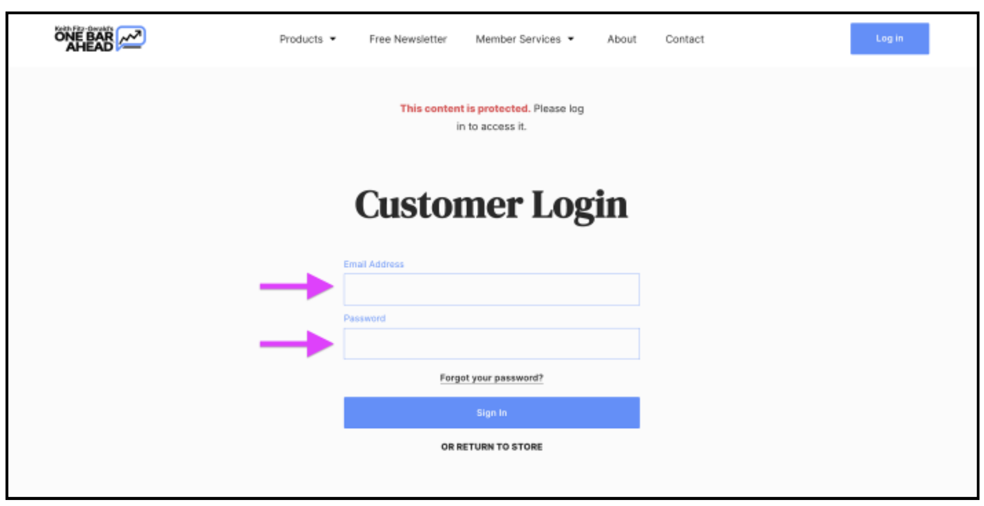
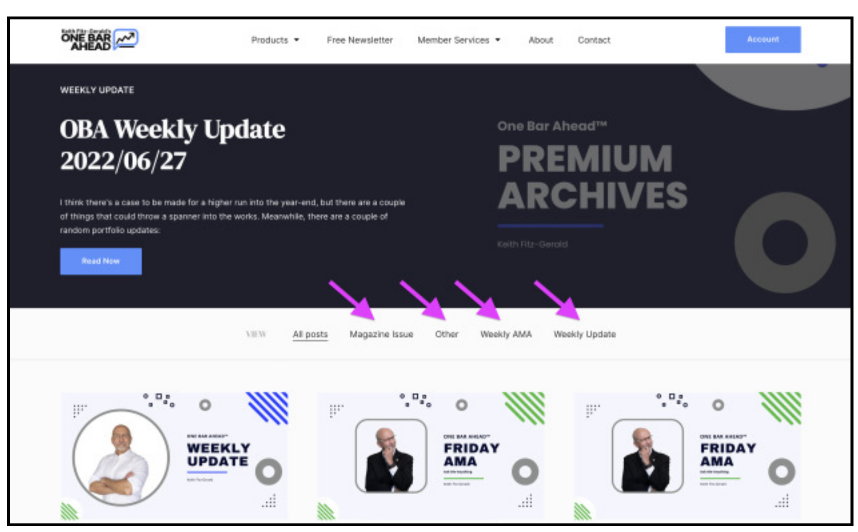


2. You will be asked to log in.
(If your password doesn’t work, try resetting it.)



3. Filter by what you’re looking for, and voila!



If you try the above steps and that doesn’t work, please contact us at **subscribers@keithfitz-gerald.com**

2023 ANNUAL OUTLOOK

"Last year's dramatic selloff has created the most attractive entry points in a generation"

Predicting the future is exceptionally difficult.

But it's *exactly* what you need to do if you want to be a successful long-term investor.

It doesn't matter if you're just starting out or if you're a grizzled greybeard like me with a few years in the game. Sooner or later, you're gonna need to think very seriously about the world ahead of us.

Believe it or not, the path to profits is very clear if you know what to look for.

History suggests that we are much closer to the end of this nonsense than people think. The situation reminds me very much of 1949, 1979, and 2008. In fact, the parallels between my research now and what happened back then are downright startling.

During the course of my research for this issue, I came across headline after headline that could just as easily have been written 14, 43, or even 73 years ago. Then, as now... inflation raged, recession loomed, rates rose, housing crumbled, government spending rampaged, and the financial markets got crushed.

People gave up—yet each time, the markets came roaring back to life when most people least expected 'em to.

I think we're there again.

My research leads to one inescapable conclusion: 2022's selloff—while vicious, unsettling, and no fun whatsoever—has crushed markets to the point where *we are on the cusp of what I believe may be the single best investing entry point in a generation*.

Contrary to what many investors believe, there's no shortage of profit potential. Just a shortage of people thinking BIG enough.

Welcome to 2023!

Keith's Key Takeaways

1. **The best entry points in a generation.** 2022's dramatic selloff—while painful, persistent, and decidedly no fun—has created the most attractive entry points in a generation.
2. **Tough sledding into mid-year, but then a stronger finish.** The Fed will stop hiking, or at least begin hiking more slowly, by mid-year when it realizes the inevitable—that it's been as wrong about labor and rates as it was about transitory. Markets tend to bottom 2–3 quarters before we see economic growth data. New market leaders start moving even earlier; many already are.
3. **A stock picker's market; bonds are back.** The world's best stocks have been beaten to smithereens as a function of global deleveraging driven by central banks, not because businesses are failing. Investors who recognize this distinction have the upper hand, particularly if they are using the opportunity to reinvest and/or accumulate shares. Preferreds, too!
4. **Alternative investments will take up the slack,** creating long-term value and bringing much-needed portfolio stability from unexpected sources. Many investors will be well served by making some surprising choices they've never considered before.
5. **Missing opportunity is always more** expensive than trying to avoid risk. You can diversify all you want, but if you fail to harness another Apple or uncover the next Amazon or Google, you will get left behind. There's just no two ways about it. Concentration and liquidity will play a more important role in achieving long-term success than ever before.

The 5Ds

Yes, every dollar you will make for the next 10 years is STILL on this list.

I frequently hear from investors who tell me two things in the same breath: a) that they think buying the indices or investing passively is great because they want to avoid risk; and b) that they want to become fabulously wealthy. Good luck with that—the ONLY way to beat the markets is to actually buy stocks that beat the market!

For most investors, this is all but impossible because deciding where to focus and why is overwhelming. Most investment research leaves you with more questions than answers.

Thankfully, we don't have that problem.

I created the 5Ds to ensure that we are constantly operating within an established framework providing the long-term vision and perspective needed to get through the short-term chaos that trips up most folks.

This is a far more important point than people realize.

When the markets are doing well, people tend to follow the 80/20 Rule and are content to do so because they "know" that the markets are going higher.

When the stuff hits the fan, the opposite happens. Many investors start to focus so intensely on the short term that they completely lose sight of the longer term. Worse, their emotions get the better of 'em, and they start making decisions that inadvertently destroy the very long-term wealth they want to create!

The 5Ds offer several distinct advantages in today's financial markets.

First, they are thematically driven, which means they're designed to capture long-term structural changes in our world that anybody using traditional broad-based indexing or broad-based passive investing strategies will miss.

They're intended to provide a consistent framework and the perspective needed to sidestep the short-term chaos that trips up most folks.

Second, each of the 5Ds is backed by at least $1 trillion in spending that will happen practically no matter what the Fed does next, no matter who's in the White House, and no matter how Wall Street tries to hijack markets in its own interest. In some cases, several trillion dollars. This makes the 5Ds "persistent" certainties—meaning they're Unstoppable, Inevitable, and Imminent ("UII").

And third, choosing stocks that line up with the 5Ds ensures long-term investors have a tailwind at all times by constantly positioning your portfolio for growth and income under a wider range of economic conditions than is otherwise possible. This allows you to harness volatility others fear while taking advantage of the market's natural and very pronounced upside bias over time.

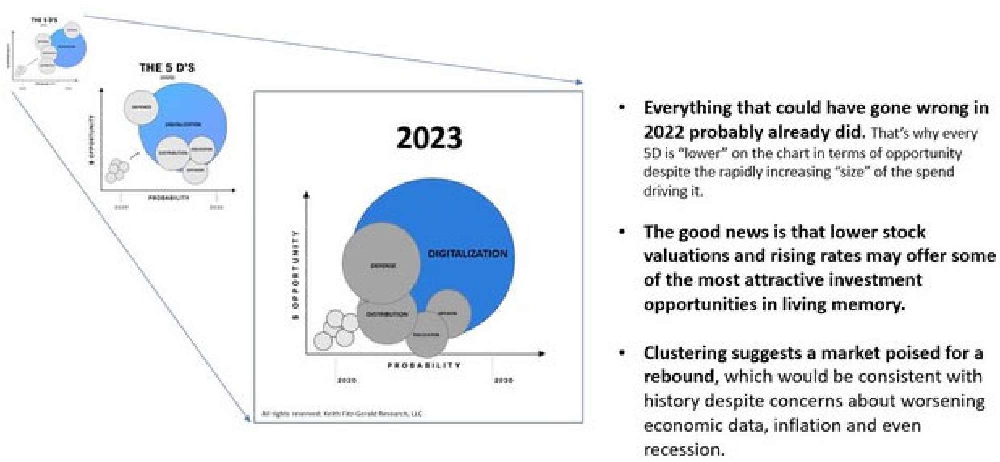
2022 will be a year of tremendous change that, unbelievably, most investors still don't see coming.

- The Fed has already caused the next three crises. Any moves they make [...] will cause a knee-jerk move to the downside. Several, actually. Computerization will make the selling worse.
- Rising rates will trigger a massive realignment of credit markets with the distinction finally being drawn between expensive credit and unsound risk.
- Volatility will increase. The headlines will remain a balance of greed and fear that isn't always distinguishable.
- Unprepared investors will increasingly find themselves shaken out at key turning points.
- We will continue to emphasize growth over value, but increasingly, we're going to be folding low-beta choices into the mix and reengaging defence stocks, for reasons that will become clear.
- Inverse funds [...] will suddenly be in vogue.

We got a lot right in last year's outlook!

What's changed this year...

The global revaluation that has caused such frustration over the past 12 months has produced a very pronounced clustering effect that you can see clearly in this year's 5Ds.



Counterintuitively, clustering is typically associated with key market turning points, which reinforces the notion that we may be a lot closer to the next turn higher than people think.

The good news: Clustering also suggests that *lower stock valuations and rising rates may offer some of the most attractive investment opportunities in living memory,* even if there's more selling ahead.

Bottoming is a process, not a light switch.

Missing opportunity is always more expensive than trying to avoid risks you cannot control.

Many investors will be tempted to carry on as usual because they fear more downside... but that could be one of the single most expensive and profound mistakes they'll ever make.

The world is resetting, and the rules of money are being rewritten.

Every investor who hopes to pull ahead *must* reorient their thinking and develop an entirely new playbook.

To be clear, this is not a matter of rethinking allocations or diversification (which is how many will try to deal with the problem at hand) but, rather, a profound shift in how they approach the markets.

The biggest risk for most investors is one they least understand and, ironically, are least prepared to deal with despite the best intentions: They don't have *enough* skin in the game.

Global growth will slow, but it will not stop. My research suggests that the US remains the best-looking horse in the proverbial glue factory, and will for some time. I see US growth of 1.5%–2.1% while European markets struggle to put anything positive on the board. Emerging markets may be slightly higher at 2.5%, but that will depend on finding a way around the US dollar, which remains uncomfortably strong at a time when global credit conditions are tightening.

China remains a wildcard but could come roaring back if recent COVID-19 policy reversals do not cause an additional financial shock to the system. I have my doubts, but I wouldn't be doing my job if I didn't mention the possibility.

Seemingly disparate data points are linked. Examples include the Fed's plans to raise rates despite more government spending, the wholesale collapse of cryptocurrency, ongoing supply chain problems and a global relocation/dislocation of resources.

The Fed still doesn't understand the asymmetric impact its policies are having on global markets—despite the fact that central bank policies have already destroyed an estimated $60 trillion in global market capitalization.

I maintain that Chairman Powell continues to misread labour/rates while not understanding or explicitly acknowledging the fiscal challenges to monetary supply/stability.

US policy rates will rise above 4% for the first time since 2006, with some Fed watchers expecting 5%+ by 2024.

People fear rising rates, but that's misplaced. Interest rates rose from just 1.7% in 1945 to a peak of 15.8% in 1981 when Fed Chairman Paul Volcker torpedoed inflation. And during all that time, capital increased, as did the markets. In fact, the S&P 500 rose 822% while the Dow Jones tacked on 473%. It's the unexpected changes in acceleration that introduce uncertainty and volatility that are of more concern.

Stock market outlook

I believe markets will remain under pressure until mid-2023 as global deleveraging continues. Earnings will continue to slow, which means there will be still more margin compression and lower IPO activity ahead as capital market conditions remain unsettled.

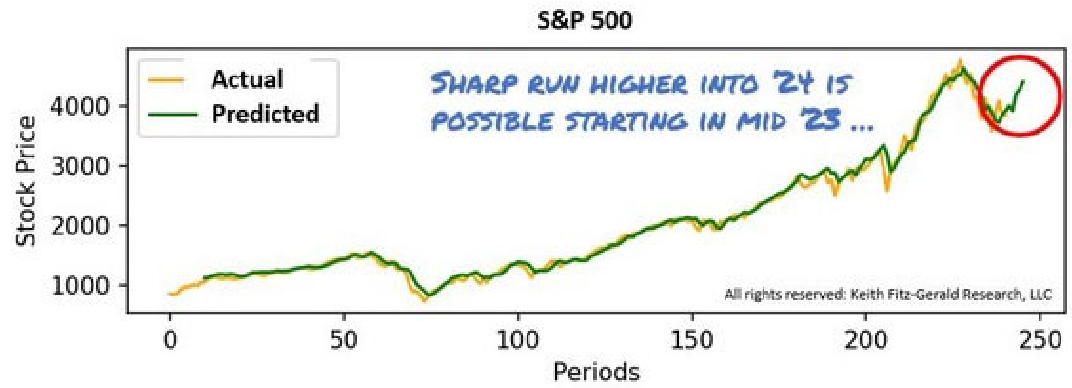
At some point—my thinking is June—the Fed will pivot or at least decelerate rate increases and, in doing so, drive a pronounced upside pivot capable of pushing the S&P 500 to 4,000–4,257.31 by year-end.

Companies with margin protection potential, solid execution, and world-class branding potential trading at compelling revaluations remain the most attractive opportunities, especially if they offer rock-solid dividend coverage and growth like many in the One Bar Ahead® Model Portfolio.

Big Tech will return to the head of the class. A pivot or at least a brake tap could also provide a welcome opportunity to reengage higher-beta choices that we've deliberately shunned for the past 12 months.

Price continues to remain divorced from value. This supports the notion that there's more upside potential than downside risk as we enter 2023.

Interestingly, my proprietary price prediction models have arrived in the same neighborhood at a time when the data accuracy is 90%+, trend alignment is 78.81% true, and 186 out of the last 236 trend predictions have been correct.



The MMI and Bull/Bear State Indicator also offer confirming readings.

There are obviously caveats. We live in a headline-driven, social media-addled world at a point in time when even the slightest headlines can fry already frazzled emotions. The rise of passive investing and indexing has contributed to unprecedented volatility, as have high-speed computers, which at times account for 70–90% of all trading volume.

Volatility will increase regardless of market direction as long as the ballet between liquidity and fiscal supply (government spending) continues.

2022 broke the VIX once and for all. Many investors are surprised to learn that the VIX was never intended to be the fear gauge it has become when it was created in 1992 as a means for traders to predict volatility, not direction. Contrary to what an entire cottage industry would have you believe, research suggests that the VIX has traded more in line with the S&P 500 than away from it, which means that any investor relying on the VIX to find market turning points has already likely missed corresponding reversals.

Bonds

Bonds are back! Lower valuations and a surprising amount of pessimism have already been priced in. Case in point, current bond yields are now in line with historic stock returns, which potentially offers savvy investors the possibility of achieving similar profit potential at far lower risk. That would accelerate if there's a pivot and the Fed begins to relax rates, but especially if it pivots to take 'em lower.

Rising rates and the possibility of a pause offer tremendous upside for savvy bond investors. I anticipate we'll be adding very selectively in the next few months to build upon CLOI and RCS. Shorter-term duration choices will continue to hedge the volatility of long-date risk while simultaneously ensuring a high-quality credit bias. Preferred stocks are also on the list because of the bond-like behaviour they exhibit.

US dollar

The Fed continues to tighten despite an overwhelming and growing body of evidence that its policies are causing more wealth destruction than at almost any other point in history. Hundreds of millions of Americans are being taken on a white-knuckle ride they don't deserve and didn't sign up for. The same is true for billions more people around the world.

I don't see the US dollar declining as much as I see other currencies gathering strength if the Fed pauses in mid-2023 as expected.

The Chinese yuan remains a problem. Xi Jinping and his cronies want the yuan to assume digital supremacy in global trade, a trend I first highlighted back in 2008 as a likely outcome from the Global Financial Crisis. And now that could be a reality—yet, surprisingly, Western leaders still do not appear to recognize the threat. I think the renminbi bears get sent packing.

Commodities

The world is pricing crude in the low $80s based on recession-oriented expectations for falling demand. What they are not counting on is the impact China's charm offensive will have on oil supplies. The newly inked agreement between China and Saudi Arabia will be expanded to include billions of dollars in oil, which means the West will be left fighting over table scraps, potentially at far higher prices.

I see Brent crude rising above $100 by the end of Q2 while WTI crude rises into the low or mid $90s. A mid-year pivot and demand resurgence will drive Brent north of $110 and WTI above $100 by year-end.

Metals will be a non-starter, with gold set to retest 2022 lows of roughly $1,600 an ounce.

Some analysts, notably Ole Hansen, Saxo Bank's Head of Commodity Strategy, envision $3,000 an ounce as a result of what he calls a "war economy" mentality, national security concerns, and increasing global liquidity. If he's correct, the stock markets will be the least of our worries.

I encourage investors to own at least some gold because the implied stability it provides can help reduce overall portfolio volatility. I remain firmly agnostic.

Grains and other agricultural are super hard to price as we go to press. My research suggests that continued dryness, inflationary pressures, and diminished export demand result in softer prices regardless of crop. Uncertainty around Ukraine and concerns about South American weather conditions may provide a pricing floor, but I wouldn't count on it.

Rising rates have created a mismatch between buyer and seller—with the former seeking housing at prices they cannot afford and the latter simply sitting on inventory. Record numbers of contracts were cancelled this year, and I expect that to continue into late Q2.

Real estate

Rising rates have created a mismatch between buyer and seller—with the former seeking housing at prices they cannot afford and the latter simply sitting on inventory. Record numbers of contracts were cancelled this year, and I expect that to continue into late Q2.

The industry will adapt using new forms of credit scoring, risk assessment, AI, and more to push the envelope and stimulate transaction volume. That will appear good at first glance, but as is usually the case, harbors unseen risks in the form of rising foreclosure volume, delinquencies, and distressed assets.

The urban exodus from high-priced cities will continue, leaving a new generation of urban poor in place, particularly in high-priced West Coast cities like San Francisco, Los Angeles, Phoenix, and even Las Vegas. This speaks to infrastructure investments, data security, and law enforcement-related investing implications.

Home construction remains materially at risk as affordability declines, rates rise, and the multi-family home building scene cools.

REIT investors may get an unpleasant surprise as funds struggle to maintain rent rolls, particularly retail and residential. At the same time, specialized REIT choices like medical housing and elderly care will prove to be rock solid. Or at least more resistant to higher rates.

Cryptocurrencies

Bad actors will continue to roil markets and confound investigators tasked with bringing them to heel. The FTX situation will expose unprecedented manipulation and, as part of that, a laundry list of really big names involved. Like many, I believe the system has been rigged from the very beginning, but the extent will catch even the most jaded by surprise.

China's digital yuan is light years ahead of Western thinking, especially if China begins using it to settle trade associated with the newly minted strategic partnership it's established with Saudi Arabia.

There is no question that digital currency has an important role to play, just not this year.

Alternatives

Alternatives won't be "alternative" anymore. Many investors are aware of so-called alternative assets—coins, stamps, cars, art, wine, and whiskey—but very, very few have taken advantage of what's on offer.

There is very definitely a right way and a wrong way to approach alternative assets, which is why I will be interviewing the most knowledgeable experts in their respective fields in the upcoming issue of One Bar Ahead®.

Fine wine, for example, has beaten the S&P 500 by 4.2X to 1 since 1952, according to Forbes and Liv-ex. It's been one of the top-performing asset classes over the past five years and is up 147% over the past decade, as reported by the Liv-ex, the Knight Frank Luxury Index, and OenoFuture.

****Disclosure:** I am a paid consultant to one of the world's leading fine wine merchants, OenoFuture. I am also a customer. You can learn more here: OenoFuture

Art may be especially appealing for the right buyers. The fine art market becomes considerably tighter at the top, according to Artsy, an online resource serving collectors worldwide. Notably, more than half of the world's fine art collectors have yet to change their purchase habits—despite global economic pressure.

Artsy's report on 2023 market conditions shows that 76% of collectors have purchased online within the past 12 months, with 90% of all online purchases coming from new collectors.

Investing Tactics for 2023

Knowing what stocks to buy isn't enough. You've got to know *how* and *why* if you really want an edge.

I expect the OBA portfolio to remain in Accumulate Mode through June or until the Fed's pivot, whichever occurs first. That means tactics like Dollar Cost Averaging and Value Cost Averaging will be your best friend as a way to control risk *before* you buy.

Reinvesting will be equally critical, just not for the reasons people expect. Many people think about reinvesting as something akin to watching paint dry. They fail to realize that reinvesting boosts profit potential over time, lowers risk, and dramatically magnifies compounding. It also ensures discipline by helping you keep your emotions in check at a time when many investors can't do that.

Other specialized tactics I expect to favour this year include using LowBall Orders and Selling Cash-Secured Puts, both of which also help control risk before you buy. Sadly, a nuance not 1 in 100,000 investors understands.

Low-beta, high-income stocks of companies making "must have" products and services will remain the focus for at least the first six months while the markets sort out the Fed's follies.

I anticipate shifting to more opportunistically driven choices and tactics when the Bull/Bear State Indicator suggests there is enough risk/reward to do so.

Cryptocurrencies

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Alternatives won't be "alternative" anymore. Many investors are aware of so-called alternative assets—coins, stamps, cars, art, wine, and whiskey—but very, very few have taken advantage of what's on offer.

There is very definitely a right way and a wrong way to approach alternative assets, which is why I will be interviewing the most knowledgeable experts in their respective fields in the upcoming issue of One Bar Ahead®.

Fine wine, for example, has beaten the S&P 500 by 4.2X to 1 since 1952, according to Forbes and Liv-ex. It's been one of the top-performing asset classes over the past five years and is up 147% over the past decade, as reported by the Liv-ex, the Knight Frank Luxury Index, and OenoFuture.

****Disclosure:** I am a paid consultant to one of the world's leading fine wine merchants, OenoFuture. I am also a customer. You can learn more here: OenoFuture

Art may be especially appealing for the right buyers. The fine art market becomes considerably tighter at the top, according to Artsy, an online resource serving collectors worldwide. Notably, more than half of the world's fine art collectors have yet to change their purchase habits—despite global economic pressure.

Artsy's report on 2023 market conditions shows that 76% of collectors have purchased online within the past 12 months, with 90% of all online purchases coming from new collectors.

Bonus: The Wild Card Matrix →

2023 Wildcard Matrix

Planning for long-term investing success must, by its very definition, include the recognition that there are things out there that could knock you and your money off course.

But here's the thing.

You can't plan for every contingency, nor should you.

What you want to do instead is to plan for the three to four biggies that are likely to go wrong. Then figure out what actions you'll take and prepare accordingly *if* those things happen.

Many investors think they need to plan for everything, but in doing so, they wind up facing paralysis by analysis. And get burned anyway, despite having the best intentions.

I'll admit, this year's wildcard matrix was one of the most challenging I've put together in years.

To be honest, I don't like thinking about this stuff any more than you do. I too am a husband, a father, a son, a friend. Part of me simply doesn't want to believe that this is the world we live in.

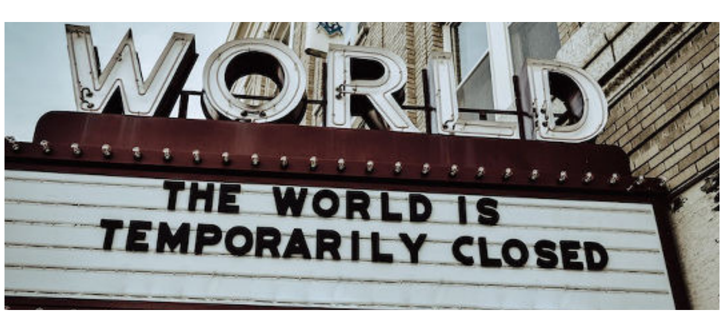
Thankfully, there is a blessing.

Every wildcard is an opportunity in disguise!

#1: Pandemic Mutation

I said early on in the pandemic that the real danger would not be the virus itself but rather the world's reaction to it. One or more "permablooms" would be the result of an asymmetric governmental response.

China has finally reversed course on its zero-COVID policies, which means this will be front and center in 2023.



The real race ahead is to develop a vaccine—or additional vaccine-related technology—that can mute what scientists call "extreme events at a non-negligible rate" or "probabilities" that can lead to large consequences with global repercussions.

A virus that jumps between species, for example, would be a potentially cataclysmic mutation, especially in areas like South Africa where COVID is mutating within spitting distance of Ebola. Equally cataclysmic would be a radically more lethal variant requiring rolling lockdowns and more supply chain interruption.

OBA Implications: Continue hedging while also maintaining investments in PFE and GILD. Big Data choices like Apple, Microsoft, and Palantir also intersect nicely because of their support of AI-driven medical development.

#2: Conflict Expansion

It's very hard to argue that peace will break out anytime soon, but that is exactly what we need to be thinking about. And hope happens.

Sadly, the possibility of another world war is higher than it's been in decades. The potential for another war begins with forgetting. Less than 1% of WWII veterans are alive today. By the end of the decade, there may be under 10,000 in the US, perhaps 100,000 worldwide—which means living memory can no longer admonish us to avoid unimaginable consequences.

I can see US/China/India setting up a conflict that may last for decades... a conflict being fought by proxy, using digital data, misinformation, and cyber-warfare.

Ukraine could result in a nuclear exchange, particularly if US or NATO forces enter the theatre or even if the Ukrainian military seems likely to retake Crimea.

At the same time, Xi Jinping has been aggressively expanding Chinese military interests, especially when it comes to Taiwan.

President Biden has stated that defending Taiwan would be "worth it," but I have a hard time buying that. China's military is set up for maximum violence, with rapidly refined long-range strike capability.

India, meanwhile, continues to interact with both parties but is taking steps that put it in another orbit. For instance, India has increasingly abstained from particularly contentious UN votes rather than voting with Russia or the United States, as has been the case in the past.

At the same time, South America and Africa, which not many people think of as involved in the conflicts, are already deeply mired in them.... and lost.

Rockstar historian Niall Ferguson, a senior fellow at Stanford's Hoover Institute and Harvard's Belfer Center for Science and International Affairs, wryly noted that "all history is the history of empires." I agree, especially when promulgated by a delusional few who think it isn't.

OBA Implications: Any escalation would create profound global financial and political instability —at a time when huge swathes of the world are concerned with the ravages of inflation and recession. Computers would accelerate the process so much that humans wouldn't be able to keep up.

Hedging instruments like SH, PSQ, and DOG will help offset potential losses, so it makes sense to maintain them at full strength for the next 12 months. People ask me about gold or even cash, but that's fanciful thinking because if the worst happens, the markets will be the least of our worries.

Ukraine could result in a nuclear exchange

#3: Fed Pauses or Lowers Rates

We've talked about this pretty much all year long, but I think the time is finally here where this becomes a wildcard all its own.

The Fed lost the plot a long time ago. They missed the current crisis in formation and now that it's here, they cannot acknowledge it. So, the very notion that we depend on the Fed to fix this mess right now is a significant problem.

The Fed doesn't have an inflation problem. It has a *fiscal* problem because the government continues to spend money. Powell and his deputies can raise rates till the cows come home, but that won't fix fiscal irresponsibility.

The real surprise will come when that storyline changes. There will be no warning bell, but history is pretty clear about what'll take place: a "rip your face off" rally. Equities will bottom a few quarters before earnings do, and rates will rise for still longer.

Pessimism has already been priced into financial markets—which means the markets could stabilize even as economic data continues to worsen.

OBA Implication: We'll continue to prioritize low-beta, high-stability choices for the foreseeable future while this narrative runs its course. At the same time, we'll keep relying on tactics like Dollar Cost Averaging and Value Cost Averaging to control risk even as we pursue profits.

Bonds and even preferred stocks (which offer stock-like growth but bond-like cash flow) may emerge as capable of overcoming recessionary risks. That's because we have seen a sharp spike in yields to levels last seen more than a decade ago. At the same time, the global percentage of negative-yielding debt is once again below 1%, versus nearly 3% during the worst of the pandemic. Ironically, capital expenditures (CapEx) will increase while money is being pulled out of the system.

2023 FORECAST (WILD CARDS)

#4: Political Depolarization

World governments find themselves in a particularly contentious spot at the moment. Distrusted by their citizens and suspicious of each other, world leaders face a cascading series of crises of their own making.

Nowhere is that more evident than in the United States where political parties on both sides regularly describe the opposition as immoral and unintelligent. President Trump is widely viewed as having caused "this" while Biden is widely viewed as being incapable of solving "this," but I think both are red herrings.

In fact, hyperpolarization has been on the rise since the early 1990s and directly parallels the emergence of social media. Longtime readers will recall I've railed on that for the better part of the past 15 years.

OBA Implications: The real risk isn't government, per se. No, the challenge most cannot envision is an accelerating shift away from the USD exacerbated by mounting global resistance to the USD, which remains predictably strong. This makes the cost of doing business more expensive for non-US companies and gives the nations where they're headquartered unprecedented incentive to find alternative arrangements.

China's charm offensive is particularly dangerous because it is tempting for Russia, India, and huge swathes of the world to participate. Not because they want to, but because they must. China's new buddy-buddy relationship with Saudi Arabia marks a profound shift in the global order the West doesn't yet recognize but will.

JPM intersects with digital clearing that may finally be ready for primetime as traditional clearing arrangements deteriorate. I am also carefully watching the Chinese digital yuan because I think it will be used as a payment mechanism.

#5: Food/Energy Shock

Energy and food security have very little to do with supply chain problems or inflation, though international media spreads that narrative far and wide.

According to the World Food Programme (WFP), more than 828 million people go to bed hungry every night. Nearly 50 million people are on the edge of famine in 49 countries as I type.

The war in Ukraine and Chinese COVID restrictions materially disrupted already fragile global supply chains by reducing access to or eliminating food and energy provision entirely.

Countries, rather than helping shore up the needy, are ramping up export restrictions. That's a substantial risk considering that more than 50% of all global food restrictions are from G20 economies.

At the same time, the oil markets are exiting a nearly decade-long period of oversupply and entering a newly found bull that becomes profoundly "demand-driven."

OBA Implications: OPEC will struggle to maintain the illusion of control while actual control shifts more and more to Beijing. We may see prices rise sharply into Q1, perhaps even crossing $100 a barrel as demand accelerates. Markets are pricing in a gradual decline/stabilization in the $80 range. That doesn't seem logical, though, if China begins to consume huge portions of previously slack demand, leaving scraps for the rest of the world. Schlumberger is the move here, and one that will cover our bases nicely.

#6: Digital Polarization

I have long maintained that digital media has played a vital role in the erosion of public trust, political mistrust, a breakdown of manners, and increasingly conflicting views driven by populism.

While the benefits can be positive in emerging economies, there's no question that digital media can have a negative impact on established economies.

New research from the Max Planck Institute for Human Development, the Hertie School in Germany, and the UK-based University of Bristol suggests that I have been correct all along.

Science found that social media introduces a causal relationship resulting in a significant degradation and/or change in 10 outcome variables: political participation, knowledge, trust, news exposure, political expression, hate, polarization, populism, network structure, and misinformation.

OBA Implication: Disruption will not happen in an echo chamber. That means volatility will be the byproduct for at least as long as social scientists and politicians argue about the interplay between digital media, democracy, and social good. It reinforces the narrative that Meta and Google may have severe challenges ahead while Musk's newly formed Twitter could in the end emerge victoriously.

#7: Broadening Negative Wealth Effect

The "split" I called for in 2022 developed as expected and will accelerate into mid-2023. Which means people will continue to suffer from a broadening negative wealth impact that hits them on all sides and in virtually every asset class at once—stocks, bonds, real estate, private investment, crypto, and more.

This is made worse because the average Joe has now largely burned through his pre-/post-COVID savings, as reflected by rising credit card debt, default rates, and other negative signs of spending-related stress.

The good news is that historically, most of these things have coincided with short-term downside risk that sets up a much broader climb into the next up-market cycle starting Q3 of this year.

OBA Implication: Weaker growth historically equals stronger markets, especially when it comes to lower equity prices and the potential for sharply higher bond yields. As a result, 2023 could be one of the most attractive entry points in years for investors.

Got questions about the tactics mentioned in this issue?

That's what the Friday AMA's are for.

Make sure you send your questions to **subscribers@keithfitz-gerald.com.**

I read every email I get and answer every question, so I'd love to hear from you.

Chapter 2

THE CLOSEST THING TO “FREE” MONEY YOU’LL EVER FIND

And more important than ever!

THE CLOSEST THING TO "FREE" MONEY

As recessionary fears mount, many investors are understandably afraid that there's a vicious bear market ahead. Some are selling out, using the latest headlines as justification for their actions.

Here's the problem.

The markets have a pronounced *upside* bias over time.

Counterintuitively, that means those folks are running for the hills at the precise moment they could be (and arguably *should* be) maximizing profit potential and making decisions that will benefit them years from now.

Let me explain.

The probability of correctly timing the markets just 50% of the time is a mere:

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In fact, the odds are probably higher that Jay Powell admits he's as wrong as I think he is when it comes to inflation, rates, and labour markets!

On the other hand, the odds that the S&P 500 will close higher 10 years from now are... wait for it... 92.36%.

Investing and reinvesting in down markets is the closest thing to "free" money you'll ever find.

If you're tempted to roll your eyes, you're not alone.

The truth makes a lot of folks decidedly uncomfortable when it interferes with what they think they know.

Thankfully, we don't have that problem.

Investing and reinvesting in down markets is the closest thing to "free" money you'll ever find.

That's why we do it.

Reinvesting ...

> *... boosts your profit potential because it averages out the price per share you pay over time versus decisions you make at moments in time.*
>
> *... minimizes the risks associated with bad decision making while keeping your emotions in check because it's automatic.*
>
> *... magnifies compounding because you're continually adding more shares that, in turn, create income and dividends all their own.*

Here's an example that'll help.

Imagine you own 100 shares of XYZ at $100 a share, for a total initial investment of $10,000. Now, also imagine that XYZ has an annual dividend equal to 3%, paid quarterly, that stays that way for the life of your investment. And finally, imagine you've decided, come hell or high water, that you'll stick to the plan and reinvest diligently, even though you know in advance that the price of the stock will go absolutely nowhere.

I know, 3% a year doesn't exactly get the ol' motor running, but hang with me a moment.

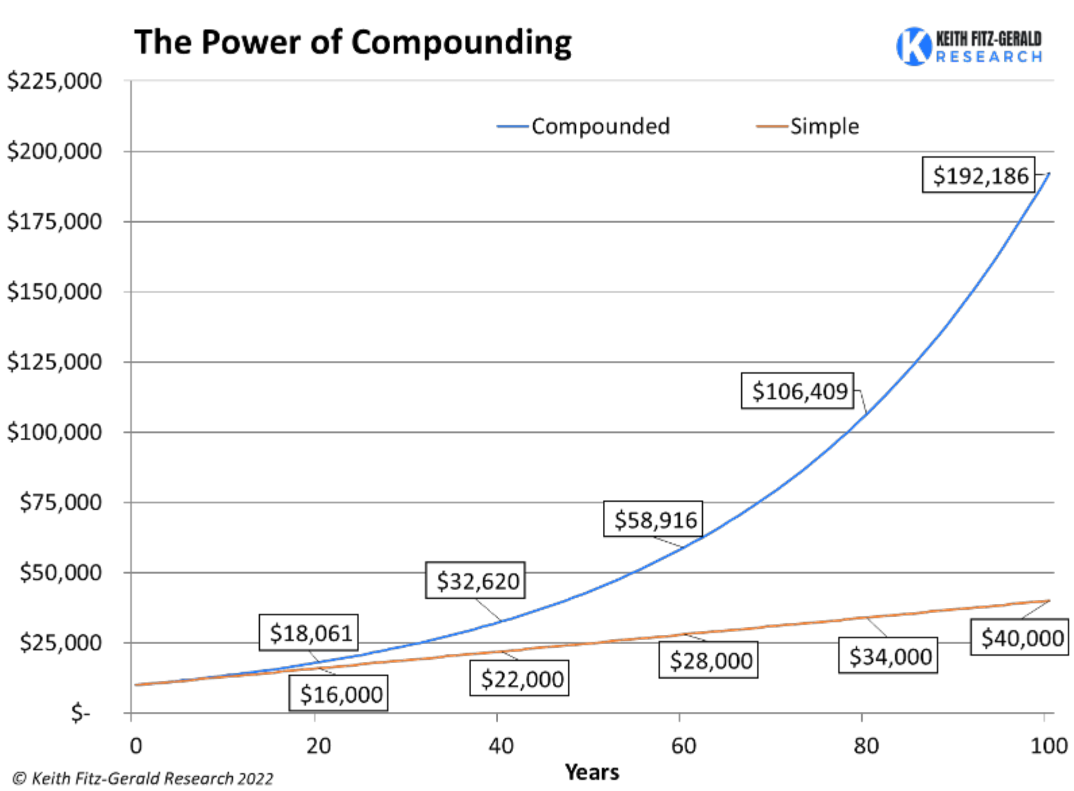
There is method to the madness

Coming into year two, you've got approximately $10,303.39 invested, and a 3.0% yield that translates to a 3.13% yield on cost. By year three, that's $10,615.99 and a yield on cost that's now jumped to 3.22%. By year four, that's $10,938.07 working for you and a yield on cost of 3.32%.

By year five, you're talking about $11,269.92 and a yield on cost of 3.42% that has allowed you to accumulate $11,611.84 worth of stock by the end of the year for having lined up $1,593.82 in cumulative dividends. That's a 15.9% return for doing nothing except making the decision to buy initially, then reinvest.

Fast forward 10 years from now: You'll have accumulated $13,086.49 and $3,444.54 in cumulative dividends. Your yield on cost will be 3.97%, or 31% higher than when you started, and climbing.

Now push 20 years out: You'll have accumulated $18,180.44 and $8,088.98 in cumulative dividends… or nearly 80.9% of your initial investment. Your yield on cost will have increased 78.3% to 5.35%.



"But, but, but…"

I know.

I get that a lot, especially lately.

The list of things that could go wrong is long and hardly distinguished. Inflation rages, recession looms, layoffs abound, Ukraine, China… the markets seem like they're coming unglued.

Here's the thing.

The language of profits is immutable.

Many companies grow their dividends so fast that you can eventually earn more in dividends than you paid for your initial investment.

That's why you want to do everything you can to put the odds in your court every chance you get. Through good times AND bad.

We've had every one of those things at work over the past 120 years, including boom, bust, two world wars, pandemics, and more. Yet the Dow rose 42,509% *through it all*.

There's simply no two ways about it.

You've got to make sure your money is working as consistently and efficiently as possible if you want to earn the big bucks. And that means harnessing down markets others fear.

You may as well be playing roulette if you're jumping from stock to stock, especially these days when Dark Pools, high-speed traders, and a rigged system make it harder than ever to turn a buck. The principle of Gambler's Ruin will ultimately bleed you dry.

Buying into down markets, then having the discipline to keep your money earning money, will keep you tapped into the profit potential you deserve. Practically for "free."

Corrections inevitably prove to be buying opportunities for those savvy enough to recognize the situation. Not part of the time, not some of the time… 100% of the time!

Where the rubber meets the road

Let's bring it home with a few examples from the OBA Model Portfolio:

- Apple (AAPL) is trading at $131.25 per share, has a 0.68% yield, and a 7.06% expected annual dividend increase, according to the latest filings. 10 years from now, you'll have an annual dividend of $3,072.19, a yield on cost of 1.24%, and a new balance of $344,344.80.
- Step up to Chevron (CVX), which trades for $171.56 and offers a 3.37% annual dividend yield that's increasing at 5.83% a year at the time I'm running the numbers. 10 years from now, you'll have an annual dividend of $21,344.28, a yield on cost of 6.65%, and a new balance of $546,739.15.
- Get on the gas with Pfizer (PFE), which trades for $51.26 and offers a 3.11% annual dividend yield that's increasing at 4.39% a year at the time of this writing. 10 years from now, you'll have an annual dividend of $5,050.95, a yield on cost of 5.25%, and a new balance of $157,746.52.

**Data: Bloomberg, MarketBeat 12/22/22

Are there wrinkles?

Sure.

The stock market could drop, which means prices will decrease and the value of your portfolio will go down. Yet, reinvesting in that situation boosts profit potential, magnifies compounding, and decreases risk over time.

I'm often asked if it's better to reinvest or take the cash.

There's no right or wrong answer; it depends on whether or not you need the cash. For example, if you're already retired, dividends can provide a valuable source of supplemental income. If you're still early in the investment process and don't need the income, reinvesting makes tremendous sense.

Tax consequences come up as a concern, too.

The government wants its piece of the action, no matter whether you're reinvesting or taking the cash. Generally speaking, the longer you can invest, the lower the capital gains rates get.

There are, of course, special situations like REITs, Master Limited Partnerships, one-time dividends, and dividends from foreign corporations that are taxed as ordinary income because they don't meet the IRS criteria for special treatment. This area of the law is changing rapidly—so check with your favourite financial professional to be sure.

And finally, people constantly tell me that they "don't have the time" whenever I start talking about this kind of stuff.

Respectfully, I disagree in most cases.

Longevity expert Aubrey de Grey provocatively proposes that the first people who will live to be 1,000 (!) have already been born.

At first blush, that sounds like pure poppycock, but the very real challenge we face is one that most investors don't yet recognize.

Modern medicine has changed the way we live and die. Every one of us would be wise to give serious consideration to the daunting reality that we'll live longer than traditional financial planning models anticipated—even the models run just a few years ago, before things arguably went haywire.

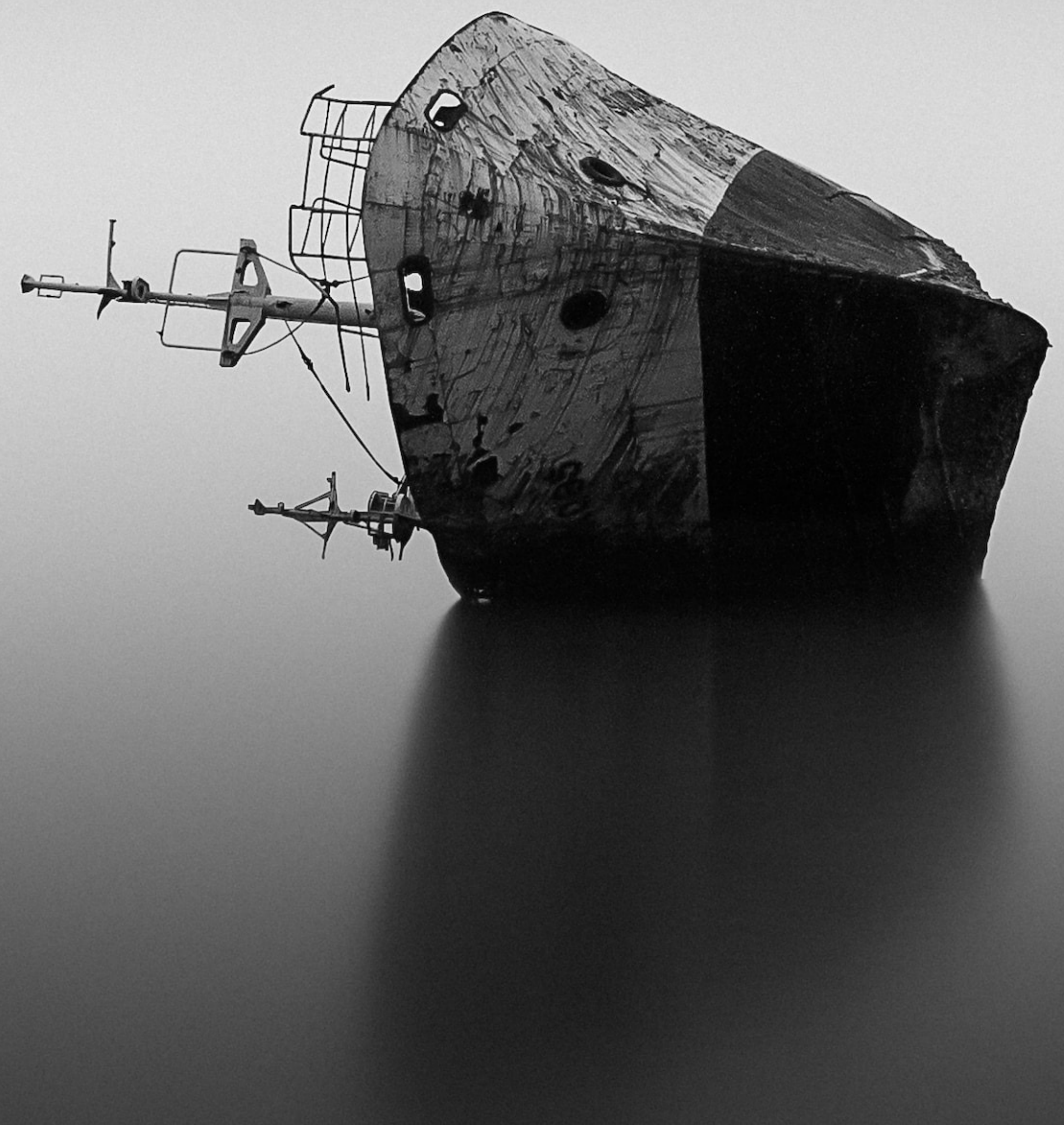
The bottom line is super simple.

Reinvesting can help ensure your money is there when you need it most.

Start now, because later won't cut it—even if you think you're old enough that later doesn't matter and even if there's more selling ahead!

Chapter 3

4 ULTRA-POPULAR STOCKS TO AVOID LIKE THE PLAGUE



STOCKS TO AVOID LIKE THE PLAGUE

There's no question that owning the right stocks is critical when it comes to building real, sustainable wealth.

Knowing what stocks to *avoid* is equally important.

Especially now.

Why?

The obvious reason is that recessionary fears continue to mount. Most investors get that.

The not-so-obvious reason is that broken business models don't hold up very well when the "Rules of Money" are changing.

Here are 4 ultra-popular stocks at risk of a meltdown.

#1: Meta Platforms (META)

I called the company a "bug in search of a windshield" when it crested $350 and was openly criticized for doing so. Then I said it would ultimately drop below $100 before the selling stopped. That didn't make me any friends either, as you might imagine.

Meta has recovered a bit, but I believe the company has flunked its first year as a "metaverse" leader. The FTC is keen on blocking potential acquisitions like Within and willing to sustain courtroom losses to "check tech's power," according to FTC Chair Lina Khan.

By changing privacy restrictions, Apple has almost singlehandedly obliterated Meta's ambitions. At the same time, competitors like Amazon, Walmart, and Roku are stealing share from Meta's once-formidable digital ad dominance.

MyTarget: $50.**

Avoid, or if you're in a speculative mood, the 15SEP23 $90 puts are trading at roughly $8 as we go to press. Take profits at 20% over entry. Hold on if you dare.

#2: FedEx (FDX)

Things are bad and getting worse. Both sales and profits fell last quarter versus a year ago. FedEx reported particular weakness in its Express unit, which is traditionally much stronger. At the same time, the company noted that it will make an additional $1 billion in cuts on top of what was already forecast last September.

What catches my attention is that FDX has reduced domestic flight hours by 6% and international hours by 7%—at a time when it's parking nearly a dozen more aircraft.

I suggested last August this was all coming, when I felt prices would break down from the $230s. Now that FDX is trading at $170 or so, I think it'll break $125 by June at the very latest.

December's winter storm could accelerate the situation.

MyTarget: $125

Avoid, or if you're keen to play this aggressively using speculative money only, the 21JUL23 $140 puts are trading around $6.30 as I type. Take profits at 20%, or hold on longer if you have the chutzpah.

#3: Blackstone (BX)

Blackstone recently made headlines when it paused withdrawals on the company's flagship $68 billion, non-listed real estate investment trust, BREIT... at a time when investors wanted out and economic conditions deteriorated.

CEO and Co-Founder Steve Schwarzman says the initial withdrawals came from financially distressed Asian investors who led the charge based on volatility impacting home markets. Makes sense; Asian investors tend to use more leverage, generally speaking.

What I wonder about, though, is how Blackstone management perceives overall economic risk and what it may be telling clients—even as it tells the public that the company is "delivering on its mandate from both a performance and liquidity perspective." Reportedly, the SEC is interested in the same thing.

MyTarget: $60

Avoid, or consider buying the 16JUN23 $60 puts, which are trading around $4.35 as I type. Take profits at 20%, or hold if you dare.

#4: Netflix (NFLX)

Netflix has had a rough go of it lately, with the company's ad-supported option proving far less popular than expected. According to subscription analytics firm Antenna, only 9% of new signups chose the ad-supported option. 57% of subscribers to the ad-supported tier were new joiners or re-joiners, and roughly 43% were trading down from a more expensive plan, as reported by the Wall Street Journal.

Netflix poo-pooed the report as inaccurate and claimed that advertisers are eager to partner with the company. I'm not buying it.

The recent runup in Netflix stock largely came from the idea that the ad-supported tier was supposed to make up for declining revenue. Digiday, a trade mag for online media, reported that viewership is so abysmal that advertisers can claim a refund after missing viewership targets. I can't recall ever seeing that before!

There is a caveat, though. I can envision Microsoft making a run at Netflix in 2023 based on the Activision purchase, which tells me Microsoft is keen on building out its entertainment segment to compete with Apple and Amazon. Wall Street might defend the stock temporarily, despite the fact that it may not stand on its own merits, which could give a bit more wiggle room to the trade.

MyTarget: $225

Avoid, or consider the 21JUL23 $230 puts, which are trading at $18.70 as I type. Take profits at 20%, and don't let the door hit ya in the behind on the way out. These are very expensive options but could pay off handsomely with as little as a $20 drop in price.

Alternatively—if you'd prefer not to use options or do not have the skills needed to use options to follow along with any of the above trade ideas—consider buying the ProShares Short QQQ ETF (PSQ). Plan to exit at 5% above your purchase price. Or, simply choose a price target that fits your personal risk tolerance, objectives, and circumstances (which I don't know).

As is the case with this or any speculative situation, I recommend limiting any trade to 1% of your available capital. Doing so helps control risk while also ensuring discipline. Never, ever trade with money you cannot afford to lose entirely.

And finally, if recommendations and trade ideas like this are too speculative for you, simply skip them. Check with a financial professional if you have *any* questions whatsoever.

**All pricing data as of January 4, 2023.

PORTFOLIO REVIEW

Plus the Fund Folio™ and the December OBA 50™

Foundation Stones (50%)

This category contains companies intended to be the base around which all other choices are built and will account for roughly 50% of overall investable capital. The intent is to create stability that gives you the freedom to pursue more aggressive choices in the other two tiers over time.

There will be some turnover here but, odds are, not much over time because the emphasis is on fundamental underpinnings in line with the 5Ds.

Global Growth & Income (40%)

This category houses companies offering a unique twist on one or more of the "5 Ds" or which are technically of interest and will represent roughly 40% of overall investable capital. The goal with this segment is appreciation potential AND an income boost so expect to see dividend payers and players here.

Turnover here may be based on a combination of technical and fundamental data and may be slightly higher. Market action could also trigger entries and exits.

Zingers (10%)

This category is home to the most speculative choices and will account for roughly 10% of overall investable capital.

Zingers are fundamentally compelling but are going to be selected based on a higher relative technical analysis weighting using the OBA engine and the MMI specifically.

Expect turnover to be highest in this tier based on technical market action. The probability of losses is highest in this segment.

"Vegas Money"

Vegas Money is exactly like it sounds - it's where we put the stocks that can be heroes or zeros.

Not every stock will be a winner; in fact, quite a few probably won't to be blunt. We'll control risk by position sizing before we buy once we've identified an opportunity that interests us.

This means keeping positions small enough that you don't care if they flame out completely but big enough that you'll feel good if and when they do take off.

0.5% - 1.0% each or less at your discretion. Skip entirely if this much risk makes you uneasy.

Hedges

Studies show having between 1-3% in non-correlated investments can help take the sting out of otherwise painful down days by dampening overall portfolio volatility. The tradeoff, of course, is that you give up some upside but that's acceptable to me given current market conditions. 3-5% may be prudent if conditions continue to deteriorate.

SH, PSQ and **RYURX** are 1:1 inverse funds which make them perfect for the task. **UVXY**, though, is a 1.5X hedge designed only for short-term holds at best which is why I advocate using it very opportunistically when the risks of a downdraft are highest.

Position Sizing Guidelines	
Foundation Stones	50%
Global Growth and Income	40%
Zingers	10%
Hedges/Inverse	1-3%
Vegas Money	Investor's discretion

**Every OBA reader is encouraged to work with a financial advisor to adjust the suggested percentages as needed to reflect your specific financial situation, risk tolerance and circumstances.*

A special note for new subscribers

The One Bar Ahead® Model Portfolio remains in **Accumulate Mode** because prices have now dropped to such low levels that missing opportunities is the more expensive proposition than trying to avoid risks you cannot control.

If you've just joined us and that statement doesn't make sense, please see Master Class #1. It will, particularly when you understand that the markets have a very pronounced upside bias over time.

Profit targets and trailing stops are published as a convenience for those who need the money or who simply prefer to use 'em.

The portfolio will return to **Trending Mode** if and when there is an identifiable, sustainable push higher. You'll know because the Bull/Bear State Indicator will reflect that. And, of course, I'll remind you. 😊

New OBAers: I suggest establishing positions using Dollar Cost Averaging or its lesser-known cousin, Value Cost Averaging. This lowers risk "on the way" into stocks while boosting returns over time and keeping otherwise frayed emotions out of the equation. Reinvest as your share count increases to magnify compounding and profit potential.

Existing OBAers: I suggest "tinkering" with core holdings to rebalance risk and harvest profits. Reinvest dividends to boost income and magnify compounding. Doing so helps lower your tax basis while also boosting profit potential over time. It also keeps emotions at bay.

All data as of January 4th, 2023

Foundation Stones (50%)

AAPL

APPLE, INC

Beta
1.18

Yield
0.71%

30d
Δ vs SPX
-7.93

Total
α vs SPX
-11.82%

Notes

Apple announced that Self Service Repair is now available in eight European countries. The Apple Self Service Repair store provides replacement parts and tools to customers who want to fix their iPhone 12 and 13 models and Mac laptops themselves. In the current compressed-margin environment, handing customers the means to fix some minor problems is a pretty smart move. It allows the company to cut back on overhead costs, including staff at Apple stores.

In last month's update, I talked about the MLS Season Pass that is exclusively offered on the Apple TV app. Apple released the schedule plus pricing in December to whet people's appetite. Starting February 1, soccer fans can get an MLS Season Pass for $14.99 per month (or $99 per season), with special discounts for Apple TV+ subscribers, who pay $12.99 per month and $79 per season.

To put this into perspective, according to ESPN, over 25 million viewers watched the World Cup Final in the US alone. Clearly, there's a growing enthusiasm for soccer in America, and Apple hitting fans with exclusive deals seems like jackpot territory to me. I expect some raised eyebrows when second-quarter 2023 earnings are reported sometime in April or May.

Notes (contd)

Don't let current volatility throw you off course! Apple is arguably still one of the most significant companies in recorded history. Customers may take a break, but there is no question they will be back... and at higher prices and even more juicy margins!

CLOI

VanEck CLO ETF

Beta
0.06

Yield
3.36%

30d
Δ vs SPX
4.18%

Total
α vs SPX
0.89%

Notes

CLOI is a collateralized loan obligation fund, which means it's a single security backed by pooled debt. It's a great choice for investors who are willing to step out a little further on the risk spectrum but who still crave the comparative safety of an actively managed income stream. In this case, investment-grade CLO bonds.

JPM

JPMORGAN CHASE & CO.

Beta
1.04

Yield
2.98%

30d
Δ vs SPX
5.67%

Total
α vs SPX
2.40%

Notes

Visa proposed an automatic payment system using Ethereum in which self-custodial wallets would use a unique "account abstraction" method to set up recurring payments on StarkNet. Existing smart contracts don't support such steps (yet). This is a big deal, though Visa didn't reveal any plans to use StarkNet as part of its offering.

Enter JPMorgan with Onyx. Team Dimon has been building the same kind of system since 2020 and is well positioned in the market when this fully materializes.

JPMorgan will report fourth-quarter and fiscal-year 2022 earnings on January 12. (More details in next month's portfolio review.) They blew third-quarter earnings out of the park, beating analysts' estimates by 16%. There's no reason why earnings reported in January shouldn't be similarly great. Especially when looking at net interest income.

Notes (contd)

The fed funds target range started the quarter at 3.0–3.25% and ended the quarter at 4.25–4.5%. Historically, that has led to higher net interest income margins.

MSFT

Microsoft Corporation

Beta
1.07

Yield
1.13%

30d
Δ vs SPX
-5.43%

Total
α vs SPX
-8.70%

Notes

On December 8, the Federal Trade Commission (FTC) blocked Microsoft's takeover bid of Activision Blizzard. Their reasoning: The software giant might gain control of top video game franchises and harm its competitors by denying or degrading their access to Microsoft's popular content. The first hearing for Microsoft and FTC started on January 3. You'll hear more about it in next month's update.

Since the FTC announcement on December 8, Microsoft has outperformed the S&P 500, though at the time of this writing, MSFT shares are flat and the S&P 500 is down -1.37%.

Now, don't get me wrong: The blocked bid to take over Activision Blizzard is important news, but we shouldn't lose sight of the fact that Microsoft is a dominant and well-run company trading at a P/E of 26.3X and yielding 1.12%. Using analysts' future EPS estimates, MSFT is trading at 25.6X 2023 earnings, 21.9X 2024 earnings, and 18.5X 2025 earnings.

Microsoft, similar to Apple, is one of the world's most significant companies, and customers will not run away. In fact, they'll run back at far higher prices when they realize what they've been missing.

RCS

Pimco Strategic Income Fund

Beta
0.82

Yield
12.39%

30d
Δ vs SPX
-3.20%

α vs SPX
-6.38%

Notes

The Fed hasn't blinked yet, but we may be closer to that point than people believe. If I'm right—heck, even if I'm not—the dang thing is trading at an 15.84% premium as I write. This tells me we're not alone in our thinking because others are willing to "pay up" for the same stability we're after. Meanwhile, try not to smile too much at the 13.75% distribution rate/yield.

Continue to accumulate.

Global Growth & Income (40%)

AMD

Advanced Micro Devices Inc

Beta
1.62

Yield
0.00%

30d
Δ vs SPX
-6.35%

Total
α vs SPX
-9.62%

Notes

AMD and Viettel High Tech announced the successful completion of a 5G mobile network field trial conducted by Viettel and powered by AMD's Xilinx Zynq™ UltraScale+™ MPSoC devices. Viettel is the largest telecom operator in Vietnam and serves over 130 million people. It used AMD's technology when rolling out 4G and is now using it for 5G. There's no doubt tech will progress like crazy in the coming decade, so it's a good sign to see a heavyweight like Viettel do repeat business with AMD.

AMD has had a rough December and is down close to -13% while the S&P 500 is down a little over -2%. But to me, this is just a big, fat opportunity to get in on a company that has "must-have" written all over it. I think Vietnam's largest telecom provider choosing AMD again and again is plenty of proof.

COST

Costco Wholesale Corporation

Beta
0.65

Yield
0.79%

30d vs SPX
-2.65%

α vs SPX
-5.92%

Notes

Costco reported first-quarter 2023 earnings in December. Both revenue and EPS came in slightly below analysts' estimates, at $54.4 billion vs. $54.6 billion and $3.10 vs. $3.11, respectively. Just know that backward-looking earnings don't tell the whole story.

As I've said many times, Costco enjoys a strong revenue stream from its membership fees. The company is raising the fees in 2023, so I expect to see higher margins and excess cash flow being plowed into opening new stores. Which in turn will generate more high-margin memberships. Fee revenue for the quarter came in at $1 billion, a $54 million or 5.7% increase year over year.

If you still have doubts, consider that last quarter, 92.5% of American and Canadian members and 90.4% of global members renewed their memberships.

The old adage that you get what you pay for still holds true. Costco is considered by many to be superior to Sam's Club and BJ Wholesale, and the P/E ratio of 34.9X reflects that. And remember, the E part of the equation hasn't even factored in the higher membership fees starting in 2023. Accounting for that and using analyst estimates, Costco is trading at 31.9X 2023 earnings, 29.2X 2024 earnings, and 26.4X 2025 earnings.

There's still time to add to this position. Inflation changes consumer behavior, and Costco is one of the best options out there to stretch the dollars in your wallet.

CTRE

Caretrust REIT Inc

Beta
1.19

Yield
5.89%

30d
Δ vs SPX
-1.02%

Total
α vs SPX
-4.28%

Notes

Real estate is a rate-sensitive asset, so it's no surprise that the Fed's latest 0.50% rate hike has impacted CareTrust. But I think the market is missing some key points here. I'll tell you why CareTrust is still a very attractive investment.

First off, this REIT is in a unique position. It can take advantage of the higher rates by issuing senior loans and mezzanine financing... and that's exactly what it did in its last two deals. Both of them were secured loans—one for $22.2 million and the other for $24.9 million. The initial yield on those deals was 8.5% and 9%, respectively.

At the same time, CareTrust can still earn solid cash flow through its triple net leases to operators. Almost 85% of its book matures in 2031 or later. And eight of the top 10 tenants have an EBITARM coverage of at least 1.3X.

That means CareTrust can put new money to work at higher rates while still maintaining a rock-solid triple net lease book—with operators that look healthy enough to continue paying their leases. At the time of this writing, CareTrust yield is 5.68%.

CVX

Chevron Corporation

Beta
0.87

Yield
3.16%

30d
Δ vs SPX
4.36%

Total
α vs SPX
1.08%

Notes

In my book, Chevron is one of the top energy companies for the world of today AND tomorrow. The company is continually advancing its technology and doesn't rest on its laurels... so what's not to like?

Notes (contd.)

According to a recent press release, Chevron is teaming up with industry leaders Air Liquide, LyondellBasell, and Uniper to study the potential for a hydrogen and ammonia production facility in the Gulf Coast. Both hydrogen and ammonia are lower-carbon alternatives to traditional fossil fuels. They're very difficult to transport, so domestic production is the way to go here... and that's what Chevron is looking into.

At the same time, the US Strategic Petroleum Reserve continues to dwindle. As I write, it's down to 375 million barrels, the lowest since December 1983. That's over 200 million barrels less than a year ago. The Biden administration has acknowledged that this can't go on and is soliciting bids to buy up to 3 million barrels of oil for the SPR, to be delivered in February. It's a good first step, but heck, it's going to take a lot more than 3 million barrels to even make a dent in this shortfall. Get ready for some volatility... but whatever happens, Chevron will ultimately benefit.

Chevron is trading at a more than reasonable P/E of 9.8X and is yielding 3.3% as I write.

In the OBA update on 12/19, I recommended you sell TSN and put 50% of the proceeds into CVX. That recommendation is still in place, so just a friendly reminder.

GILD

Gilead Sciences, Inc

Beta
0.23

Yield
3.40%

30d
Δ vs SPX
1.12%

Total
α vs SPX
2.16%

Notes

Positive press releases continue to roll in for Gilead. I want to focus on two in particular for this month's update.

First, Gilead announced positive results from the fourth interim analysis of the ARC-7 study in patients with first-line, metastatic non-small-cell lung cancer (NSCLC). The potential market here is huge. 82% of all lung cancers are of the NSCLC kind. An estimated 236,000 Americans and about 2.2 million people worldwide are diagnosed every year. If Gilead's treatment works out, it could make a real difference for these patients.

Second, Gilead-owned Kite Pharma announced it's acquiring Tmunity Therapeutics to pursue next-generation CAR T-cell therapy advancements in cancer. I've touched on this many times, and it won't be the last time you've heard me say it. These breakthrough therapies will completely transform the face of modern medicine as we know it, changing not only how we live but also how long we live. Gilead is one of the pioneers making it happen.

GILD is trading at a P/E of 32.1X, with a yield of 3.38% as I write.

Remember that in the OBA update on 12/19, I recommended you sell TSN and put half of the proceeds into GILD... so if you haven't, you might want to consider doing so now.

GIS

General Mills Inc

Beta
0.18

Yield
2.58%

30d
Δ vs SPX
1.43%

Total
α vs SPX
-1.85%

Notes

General Mills reported second-quarter 2023 results in December. Shares slid over 4% the day earnings were announced.

The markets seem to miss a few things. GIS EPS came in at $1.10, beating analysts' estimates of $1.07. Revenue was $5.22 billion vs. analysts' estimates of $5.19 billion.

During the call, management stated that inflation will make input prices rise even further, some of which will be passed on to consumers. They raised the 2023 guidance for net sales to 8–9% from the previous 6–7%.

I do think the market is missing the boat here, but it would still be a good idea to hedge your GIS position. I recommend buy to open 1 20JAN23 $85 puts for every 100 shares of GIS you own.

INTC

Intel Corporation

Beta
0.96

Yield
5.52%

30d
Δ vs SPX
-0.29%

Total
α vs SPX
3.57%

Notes

Intel shares are still down, which means a better entry point for you as an investor. Considering what Intel has been up to lately, I don't worry about the future of this company.

Recently, Intel and Penn Medicine announced results of a study that used AI and machine learning to help international healthcare and research institutions identify malignant brain tumors. It's the largest medical federated learning study to date—with an unprecedented global dataset from 71 institutions across six continents.

Notes (contd.)

Federated learning—which is a way to train AI models without anyone seeing or touching your data, offering a way to unlock information to feed new AI applications—was able to detect 33% more brain tumors. That's pretty darn great news.

You can either focus on the bad news, like supply chain issues or geopolitical quagmires—like everybody else—or you can focus on the positives like we do. If you believe, as I do, that Intel is powering the future with its semiconductors, then investing while the stock has a P/E of 8.2X and is yielding 5.45% seems like a no-brainer.

LMT

Lockheed Martin Corporation

Beta
0.59

Yield
2.47%

30d
Δ vs SPX
1.01%

Total
α vs SPX
-2.27%

Notes

Defense spending has been featured in multiple issues of *5 with Fitz* this past month, and Lockheed has had their fair share of the action. Here's four news items you should keep an eye on.

1. Lockheed Martin partnered with Rafael Advanced Defense Systems to collaborate on a high-energy laser defense system. The project, IRON BEAM, will be integrated into Israel's air defense array where it can efficiently counter emerging threats.

2. Lockheed delivered the first Mid-Range Capability (MRC) battery, also known as the Typhon Weapon System, to the United States Army Rapid Capabilities and Critical Technology Office (RCCTO). Modernization of new long-range precision fire capabilities is one of the Army's top priorities, and Typhon Weapon System is delivering.

Notes (contd.)

3. PZL Mielec, a Lockheed Martin company, finalized a contract with the Polish National Police for two S-70i Black Hawk helicopters, which will be used for counter-terrorism activities, search and rescue, and firefighting. With the addition of the two new helicopters, the fleet will be up to five by the end of 2024... and there's more growth potential ahead.

4. Lockheed landed a $67.9 million contract with the US Army involving AH-64 Apache helicopters.

There really is no doubt about Lockheed's technology and importance for the defense sector. It's unfortunate that there's so much turmoil in the world, but defense is one of the most reliable sectors to invest in.

LMT is trading at a reasonable P/E of 22.5X and yields 2.47% as I write.

PFE

Pfizer

Beta
0.60

Yield
3.20%

30d
Δ vs SPX
2.16%

Total
α vs SPX
-1.12%

Notes

We're on the cusp of customizable medicine. Moderna just announced a cancer vaccine that uses the same technology as COVID shots and reduces the risk of a relapse—that is, the return of tumors—in advanced melanoma patients. The results are even better when the vaccine is combined with an immunotherapy drug. The combo reduced the risk of relapse or death after surgery by 44%, compared to just the drug.

Pfizer too had multiple positive headlines over the past month. One was that the FDA and EMA announced that they had accepted the regulatory submissions for etrasimod, a treatment for ulcerative colitis. This is big news for the 600,000–900,000 Americans who suffer from it.

Notes (contd.)

Another was that the FDA accepted for review Pfizer's Biologics License Application (BLA) for its respiratory syncytial virus (RSV) vaccine for older adults. RSV leads to about 60,000–120,000 hospitalizations and 6,000–14,000 deaths per year. If the application is accepted by the FDA, this could be a game-changer for patients.

On the financial side of things, the board of directors hiked Pfizer's quarterly dividend by 2.5%, to $0.41 per share. It will be paid in March and marks the 337th consecutive quarterly dividend paid by Pfizer.

Pfizer is trading at a very reasonable P/E of 9.9X and yields 3.18% (using the new $0.41 per share quarterly dividend).

PLTR

Palantir Technologies Inc

Beta
1.55

Yield
0.00%

30d
Δ vs SPX
-5.24%

Total
α vs SPX
-8.51%

Notes

Palantir announced some major moves over the past month:

- A collaboration with Lockheed Martin on integrated combat system software
- A partnership with CDC on public health preparedness for $443 million
- A partnership with Tampa General to improve patient care
- Transforming security and risk management with Crisis23
- It also landed a £75 million ($91.39 million) deal with the British Military.

The £75 million contract with the UK's Ministry of Defense for Palantir's software will aid military operations and prompt possible real-time actions to provide how various choices might play out.

Notes (contd.)

Unbelievably, investors still have no idea how critical military tech and big data is to defense, which is why Palantir's stock continues to be priced like it's going out of business. That, and Wall Street continues to publicly poo-poo the stock while quietly buying more shares at bargain basement prices after they scare the weak money out.

Palantir is down 65% year to date, so it's not for the faint of heart. But I look at it this way: Shares are at a bargain price for a company and software that is clearly an integral part of so many facets of life. This could easily be one of the most-telegraphed moves in history when it happens. Keep accumulating!

RTX

Raytheon Technologies Corporation

Beta
1.01

Yield
2.18%

30d
Δ vs SPX
4.62%

Total
α vs SPX
1.35%

Notes

Just like its defense colleagues Palantir and Lockheed Martin, Raytheon has had a great December.

The company presented the power of FlexLink as an adaptive connectivity solution to support the US Army. FlexLink is an open-system radio technology that was installed on US Army UH-60M helicopters and can establish a joint command and control network at distances exceeding 200 nautical miles. The FlexLink solution is the first open-system radio prototype to be integrated into US Army platforms.

That's amazing!

On other good news, the board of directors authorized a $6 billion share repurchase program heading into 2023. This will give Raytheon plenty of dry powder should they choose to use it.

Raytheon is trading at a P/E of 33.1X and yields 2.24% as I write.

PORTFOLIO REVIEW (JANUARY 2023)

SLB

Schlumberger Limited

Beta
1.06

Yield
1.31%

30d
Δ vs SPX
6.48%

Total
α vs SPX
3.20%

Notes

In the Chevron update, I touched pretty heavily on the Strategic Petroleum Reserve. The same applies to Schlumberger. The reserve has to get filled, and SLB will be a huge benefactor.

Schlumberger also completed an extensive project with Oman's Ministry of Energy and Minerals and the Oman Investment Authority to evaluate data from more than 7,000 oil, gas, and water wells, with the objective of mapping out sweet spots for geothermal prospects in the country. They used AI to expedite assessment, sorting, and evaluation of the huge volume of data from the Oman Oil & Gas Data Repository (OGDR) for the first phase. Which brings up a point most forget: These "old-timey" energy companies are hard at work integrating new technology to make them more competitive.

Geothermal is one of the most promising clean energy resources. Most investors fail to recognize that it doesn't matter if the near future is dominated by clean energy or fossil fuels—like Chevron, Schlumberger is a major player in both.

TSLA

Tesla Inc

Beta
2.07

Yield
0.00%

30d
Δ vs SPX
-33.53%

Total
α vs SPX
-36.80%

Notes

Tesla shares are hitting two-year lows as I'm writing, and Elon Musk promised not to sell any more shares of Tesla in the next two years. These lows will be short lived, though. Tesla reported they delivered 1.31 million vehicles in 2022, a 40% increase from 2021.

Notes (contd.)

My original thesis still stands. Tesla has a massive supercharger network, in-house chipsets... they even leased a supercomputer in order to train AI to drive cars autonomously. Then there's power trading, batteries, roofing, and more!

Don't let this noise scare you off to the sidelines. If you'd bought shares 10 years ago and held on to them, you'd be up 5,403% vs. the S&P 500 at 222.5% (as of this writing). So, taking into account the fresh two-year lows, sacrificing 5,180% for noise is not a good trade.

TSN

Tyson Foods Inc

Notes

In the 12/19 OBA update, I recommended exiting TSN and redeploying the capital 50/50 into GILD and/or CVX at your discretion.

WM

Waste Management Inc.

Beta
0.60

Yield
1.66%

30d
Δ vs SPX
-3.17%

Total
α vs SPX
-6.45%

Notes

Waste Management is raising its annual dividend by 7.7%, from $2.60 per share to $2.80 per share. The board of directors also authorized the company to repurchase up to $1.5 billion of its own stock, replacing a 2022 authorization for the same amount that WM took full advantage of. This large repurchase amount signals that shares are still undervalued.

Waste Management is currently trading at a P/E of 29.3X and yields 1.77% (using the new $2.80 annual dividend).

PORTFOLIO REVIEW (JANUARY 2023)

Zingers (10%)

CRWD

CrowdStrike Holdings

Beta
1.58

Yield
0.00%

30d
Δ vs SPX
-5.04%

Total
α vs SPX
-8.32%

Notes

CrowdStrike expanded the CrowdStrike Falcon Platform adversary-driven External Attack Surface Management (EASM) technology for enhanced adversary intelligence and real-time discovery of internet exposures. Research from Enterprise Strategy Group (ESG) shows that only 9% of organizations are monitoring 100% of their attack surface. Enter CrowdStrike, which is reimagining External Attack Surface Management. This is a tremendous opportunity.

Shares are down close to 23% since CrowdStrike reported earnings on November 29, even though they knocked earnings out of the park. I rerecommended it in last month's OBA, and my thesis still hasn't changed. Here is a quick snapshot of it.

BILLIONAIRES ARE BUYING (AND SO ARE WE)

Let's talk CrowdStrike (CRWD)

Based in Texas, the company is a world-class digital security player offering the first cloud-native SaaS endpoint platform.

That's a big deal, the cloud-native part.

Unlike the competition, which operates on desktops and on localized networks, CrowdStrike products are powered by cloud-scale AI using a combination of local and cloud-based modules, intelligent agents, and distributed filtering data capable of interpreting trillions of high-fidelity signals a week.

CrowdStrike has several advantages over the competition—including constant data access and continuous learning that protect both the usage and movement of critical data.

What really catches my attention, though, is that CrowdStrike products are set up in such a way that the company captures data once but can reuse it many times. This enhances efficiency while reducing latency and expense. It also boosts margins and profits over time.

- CrowdStrike's total addressable market is projected to be $74.1 billion by 2024, up from $58.3 billion in 2022. I think that's conservative, given the speed at which cyber malfeasance is accelerating, BTW. The real number may be $100+ billion!
- Annual Recurring Revenue (ARR) increased 54% to $2.34 billion, of which $198.1 million was net new ARR.
- Net cash from operations came in at $242.9 million, a 52.7% jump from $159.1 million YoY.
- And finally, gross margin on subscription is 75% while non-GAAP subscription was 78%; both down -1% YoY.

Where the rubber meets the road

CrowdStrike just got shellacked, despite posting spectacular earnings earlier this week.

Share prices are down -45.85% YTD as I type, versus -16.79% from the S&P 500 over the same time frame. Perhaps more critically, they're down -54.20% from a 52-week high of $242 set

Click here to read the rest of the article in the December 2022 OBA issue.

"The total global bill for cybercrime and related malfeasance may top $10.25 trillion this year alone. That is a hard number to put your mind around, but it's important we try.

Notes (contd.)

One million seconds is 11.5 days, 1 billion seconds is 32 years, 1 trillion seconds is 32,000 years. If we lived one second for every dollar of digital damage this year alone, we'd still be here in 328,000 years!"

ETN

Eaton Corporation PLC

Beta
1.04

Yield
2.06%

30d
Δ vs SPX
2.48%

Total
α vs SPX
-0.79%

Notes

There's no new news for Eaton this month. Eaton is up 5.9% vs. the S&P 500, which is up 0.47% as I write since Eaton's earnings call on November 1.

NVDA

Nvidia Corp

Beta
1.85

Yield
0.11%

30d
Δ vs SPX
-8.34%

Total
α vs SPX
-10.58%

Notes

Deutsche Bank and NVIDIA announced a partnership for the use of NVIDIA AI Enterprise software to accelerate the use of AI and machine learning in the financial services sector. Current risk management tools for price discovery, risk valuation, and model back testing require computationally intensive calculations on massive traditional CPU-driven server grid farms. Many of these functions are run overnight. Using NVIDIA AI Enterprise software will allow Deutsche Bank to run more accurate scenarios more efficiently and on a more energy-efficient grid farm.

But NVIDIA doesn't just excel in the financial industry.

Notes (contd.)

The NVIDIA Drive OS, which is used in autonomous vehicles, received safety certification by TÜV SÜD, one of the most experienced and rigorous assessment bodies in the automotive industry. The financial and automotive industries are very different animals, yet NVIDIA is at the forefront of both, transforming them. With that in mind, it's a good time to add to your NVDA pile. Shares were beaten up last year and were down 50.27% at the time of this writing.

RKLB

Rocket Lab USA, Inc

Beta
1.53

Yield
0.00%

30d
Δ vs SPX
7.34%

Total
α vs SPX
4.13%

Notes

The "Virginia Is for Launch Lovers" mission was originally scheduled to happen in December but has been postponed to January. The mission will deploy three satellites for radio frequency geospatial analytics provider HawkEye 360. Rocket Lab will also send 15 satellites into low-earth orbit between now and the end of 2024.

Due to the rescheduling of the launch, Rocket Lab has adjusted fourth-quarter revenue guidance down from previous $51–$54 million to $46–$47 million. Some analysts will fail to take this into account when Q4 and fiscal-year 2022 earnings are reported in the first quarter of 2023.

Don't be fooled, though. The launch is still happening, and the revenue from it will be recognized in the first quarter of 2023. It's just an accounting illusion and has nothing to do with the underlying fundamentals of the business.

Rocket Lab is trading at a P/E of 22.9X as I type.

SHOP

Shopify, Inc.

Beta
2.21

Yield
0.00%

30d
Δ vs SPX
-3.73%

Total
α vs SPX
-6.95%

Notes

Shopify merchants set a new Black Friday and Cyber Monday record, with $7.5 billion in sales from 52 million global consumers. That is a 19% and 12% increase, respectively, year over year. Shares increased over 13% the two days following the Black Friday press release but have since fallen to -9.80% (at the time of writing).

That's just short-term noise. Growing sales by almost $1.5 billion from Black Friday and Cyber Monday in one year is substantial. Shopify is trading at a P/E of 263X at the time of writing. The E part of the equation will continue to grow, especially if these impressive sales increases continue. I believe they will.

Vegas Money (0.5-1%)

NIO

NIO Inc

Beta
N/A

Yield
N/A

Notes

NIO was the victim of a data breach where hackers stole information on vehicle sales and users. The hackers are demanding $2.25 million in Bitcoin to give the data back. NIO is working with government authorities to resolve the issue.

Since the news broke on December 20, shares of NIO are down -14.07% while the S&P is down -0.64% at the time of writing. We'll continue to monitor this situation. Remember, this is Vegas Money, so don't over-allocate to one position.

PORTFOLIO REVIEW (JANUARY 2023)

POWW
Ammo Inc.

Beta
N/A

Yield
N/A

Notes

There's no news to report here.

Shares of POWW had a tough time last year and were down 68.26%. Donald Trump saying he's going to run for president in 2024, conflicts like Ukraine, and general debates about gun control will all be drivers for this stock.

POWW is currently trading at 24X earnings.

SWBI
Smith & Wesson Brands

Beta
N/A

Yield
N/A

Notes

Smith & Wesson reported second-quarter 2023 results. Revenue increased to $121.04 million. That's +6% compared to 2020 numbers (the last time firearm sales were in a normal market and falls just shy of analysts' estimates of $145.41 million. EBITDA, which is a proxy for cash flow, is at $25.6 million for the quarter—that's up 90% from 2020 numbers.

The same catalyst I mentioned in the POWW section apply here. Smith & Wesson is trading at a very low P/E of 5X.

XPEV
XPeng Inc.

Beta
N/A

Yield
N/A

Notes

XPeng reported third-quarter earnings. EPS came in at -¥5.46 per share, beating analysts' estimates of -¥5.80 per share. Revenue was ¥20,988 million, beating analysts' estimates of ¥20.74 billion.

29,570 vehicles were delivered for the quarter, an increase of 15% year over year. Deliveries for the first three quarters combined were 98,533, a 75% increase year over year.

Notes (contd.)

All these numbers are rolling in the right direction. XPeng is up 44% since the reported earnings! Remember, though, that this is still Vegas Money, so allocate accordingly.

Hedges (as needed)

	YTD performance
SH ProShares Short S&P500 ETF	11.78%
RYURX Rydex Inverse S&P 500® Strategy Fund	14.58%
PSQ ProShares Short QQQ ETF	25.75%
DOG ProShares Short Dow30	1.88%

Notes

As much as I'd like to suggest otherwise, I think it's very prudent to keep all hedges in place. Doing so helps dampen overall portfolio volatility, enhances yield, and, importantly, allows us to focus on what's needed to stay "in to win!"

OBA Fund Folio™

No changes to the Fund Folio this month

Foundation Stones	PORTFOLIO WEIGHT
Vanguard U.S. Quality Factor ETF (VFQY)	32%
Pimco Strategic Income Fund (RCS)	18%

Global Growth and Income	
BlackRock Science and Technology Fund (BST)	32%
Pfizer Inc. (PFE)	4%
Altria Group Inc. (MO)	4%

Zingers	
BlackRock Science and Technology Fund (BSTZ)	10%

PORTFOLIO REVIEW (JANUARY 2023)

One Bar Ahead® Model Portfolio

PORTFOLIO DETAILS										
1/5/2023	STOCK	REC DATE	ENTRY $	CURRENT	BETA	YIELD	Profit/Loss	STOP	12-24mo Target	Last Instruction
FOUNDATION STONES	AAPL	1/8/2021	$ 132.05	$ 125.02	1.09	0.63%	-5.3%	$ 136.51	$ 200.00	Buy/Accumulate
	CLOI	10/7/2022	$ 50.05	$ 50.70	0.07	3.36%	1.3%	As Desired	$ 52.00	Buy/Accumulate
	JPM	3/7/2022	$ 129.21	$ 135.35	1.13	2.98%	4.8%	$ 106.97	$ 175.00	Buy/Accumulate
	MSFT	3/7/2022	$ 278.91	$ 222.31	0.96	1.06%	-20.3%	$ 236.56	$ 400.00	Buy/Accumulate
	RCS	10/1/2021	$ 6.84	$ 5.09	0.78	11.42%	-25.6%	None	$ 8.25	Buy/Accumulate
Global Growth	AMD	8/4/2022	$ 103.91	$ 60.28	1.43	0.00%	-42.0%	25% below entry	$ 132.65	Buy/Accumulate
	COST	8/6/2021	$ 439.63	$ 450.19	0.71	0.74%	2.4%	25% below entry	$ 634.38	Buy/Accumulate
	CTRE	6/6/2022	$ 18.01	$ 18.68	1.37	5.49%	3.7%	$ 16.56	$ 25.00	Buy/Accumulate
	CVX	9/3/2021	$ 97.49	$ 175.22	1.05	3.27%	79.7%	$ 141.04	$ 219.00	Take some profits + buy protective puts
	GILD	3/7/2022	$ 60.26	$ 85.85	0.29	3.29%	42.5%	$ 67.10	$ 107.90	Buy/Accumulate
	GIS	7/5/2022	$ 75.15	$ 84.42	0.21	2.48%	12.3%	$ 65.66	$ 74.00	Re-Enter/Accumulate
	INTC	4/4/2022	$ 49.20	$ 27.56	0.93	5.08%	-44.0%	$ 36.90	$ 75.00	Buy/Accumulate
	LMT	11/5/2021	$ 339.89	$ 476.93	0.81	2.50%	40.3%	$ 372.17	$ 502.02	Buy/Accumulate
	PFE	3/4/2022	$ 48.65	$ 49.66	0.59	3.09%	2.1%	$ 41.38	$ 70.00	Buy/Accumulate
	PLTR	1/8/2021	$ 25.20	$ 6.32	1.53	0.00%	-74.9%	None	$ 50.00	Buy/Accumulate
	RTX	6/13/2022	$ 91.95	$ 100.87	1.29	2.20%	9.7%	$ 82.80	$ 110.00	Buy/Accumulate
	SLB	11/4/2022	$ 53.10	$ 52.66	1.88	0.00%	-0.8%	25% below entry	$ 65.00	Buy/Accumulate
	TSLA	7/25/2022	$ 268.43	$ 110.34	0.67	2.97%	-58.9%	25% below entry	$ 336.86	Buy/Accumulate
	WM	10/31/2022	$ 158.37	$ 153.85	1.11	0.00%	-2.9%	25% below entry	$ 180.38	Buy/Accumulate
Zingers	CRWD	1/6/2022	$ 187.49	$ 94.89	0.92	0.00%	-49.4%	25% below entry	$ 295.00	Buy/Accumulate
	ETN	9/6/2022	$ 138.46	$ 157.15	1.15	1.98%	13.5%	25% below entry	TBD	Buy/Accumulate
	NVDA	3/7/2022	$ 213.52	$ 142.65	1.50	0.09%	-33.2%	25% below entry	$ 300.00	Buy/Accumulate
	RKLB	12/2/2021	$ 14.81	$ 4.17	1.54	0.00%	-71.8%	None	$ 17.00	Buy/Accumulate
	SHOP	10/7/2022	$ 27.21	$ 35.94	1.88	0.00%	32.1%	None	$ 41.00	Buy/Accumulate

	TICKER	NAME	YIELD	YTD Return	Last Instruction
Hedges	SH	ProShares:Short S&P500	0%	19.35%	Add as needed
	RYURX	dex Inverse S&P 500 Strategy Fund;Invest	0.0%	18.00%	Add as needed
	PSQ	ProShares:Sht QQQ	0%	39.79%	Add as needed
	DOG	ProShares:Short Dow30	0%	6.65%	Add as needed

OBA 50

As of January 5th, 2023

Ticker	Name	Ticker	Name	Ticker	Name
AAPL	Apple Inc	GD	General Dynamics Co	NVDA	Nvidia Corp
ABT	Abbott Laboratories	GILD	Gilead Sciences Inc	PFE	Pfizer Inc
ADBE	Adobe Inc	GIS	General Mills Inc	PG	Procter & Gamble Co.
AMAT	Applied Materials Inc	GOOGL	Alphabet Inc	PLTR	Palantir Technologies Inc
AMD	Advanced Micro Device	HCA	HCA Healthcare Inc	QCOM	Qualcomm Inc
AMZN	Amazon Com Inc	INTC	Intel Corp	REGN	Regeneron Pharma Inc
CAT	Caterpillar Inc	JNJ	Johnson & Johnson	RTX	Raytheon Technologies Inc
COST	Costco Wholesale Corp	JPM	JPMorgan Chase & Co	SLB	Schlumberger Limited
CRWD	CrowdStrike Holdings I	LMT	Lockheed Martin Corp	TGT	Target Corp
CTRE	Caretrust REIT	LNG	Cheniere Energy Inc	TMUS	T-Mobile US Inc
CVS	CVS Health Corp	LOW	Lowes Companies Inc	TSLA	Tesla Inc
CVX	Chevron Corporation	LRCX	Lam Research Corp	V	Visa Inc
DE	Deere & Co	MCD	McDonald's Corp	WM	Waste Management Inc
DVN	Devon Energy Corp	MRNA	Moderna Inc	WMT	Walmart Inc
F	Ford Motor Company	MSFT	Microsoft Corp	ZTS	Zoetis Inc
FANG	Diamondback Energy I	NET	Cloudflare Inc	ZTS	Zoetis Inc
FTNT	Fortinet Inc	NOW	ServiceNow Inc		

Chapter 5

MASTER MARKET INDICATOR®

Improve results, reduce risk, gain confidence!

Bull/Bear State Indicator

Understanding the "state" of the markets is key when it comes to investing.

Traditionally, investors have used the 200-day simple moving average (SMA) to gauge bullish or bearish conditions. But because today's markets move so quickly, the 200-day SMA has become too unwieldy and sluggish.

That's why I created the **Bull/Bear State Indicator®** (BBSI).

Reading the BBSI is very simple:

- The markets are **bullish** when the red line is above the blue line.
- The markets are **bearish** when the red line is below the blue line.

You'll notice that the BBSI tends to spike higher and lower very quickly, and that's by design. Institutional interest, liquidity, and volatility tend to cluster at or near key market turning points.

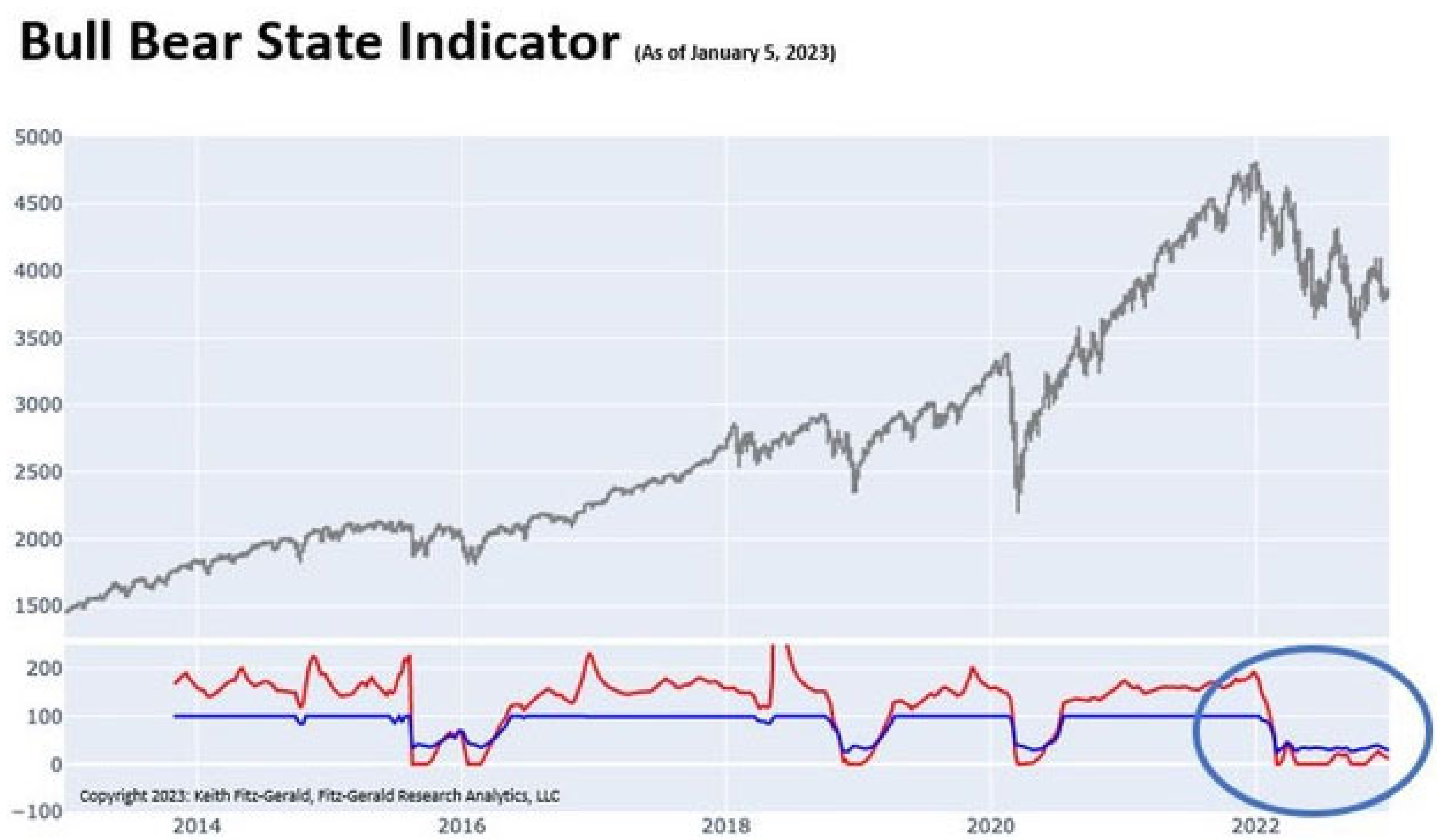
You cannot see those things using the 200-day SMA, but you can very clearly see 'em using the Bull/Bear State Indicator. And in doing so, invest accordingly.

When conditions shift, you will see that the red line crosses above the blue, and price action reflects the promise of more sustainable momentum and normal statistical range.

Current Reading = Bearish

The good news is that the elongation I've circled suggests that the market is trying hard to put in a bottom. That's key because bottoming is a process, not a light switch. Even prior bottoms—most notably in 2020, 2019, and in 2015/2016—took time.

That's why the OBA Model Portfolio remains in **Accumulation Mode**—and why I insist on maintaining hedges, even as we use high-probability tactics like Dollar Cost Averaging, Low-Ball Orders, and Selling Cash-Secured Puts to boost profit potential while also reducing risk *before* you buy!



SIMPLE, UNDERSTANDABLE, ACTIONABLE

I've spent 40 years in global markets and if there's one thing I've learned in all that time it's that simplicity counts when it comes to making money. Knowing how to find great stocks, manage risk and which strategies matter is important but knowing *when* conditions favour buying or selling is critical if you want to be in the winner's circle more often.

I created the Master Market Indicator® (MMI®) to help savvy investors and traders do just that. I include it in each issue so that you can have a visual reference for each recommendation in the One Bar Ahead® Model Portfolio. I've also included SPX and QQQ so you can better gauge broader market activity as part of the investment process.

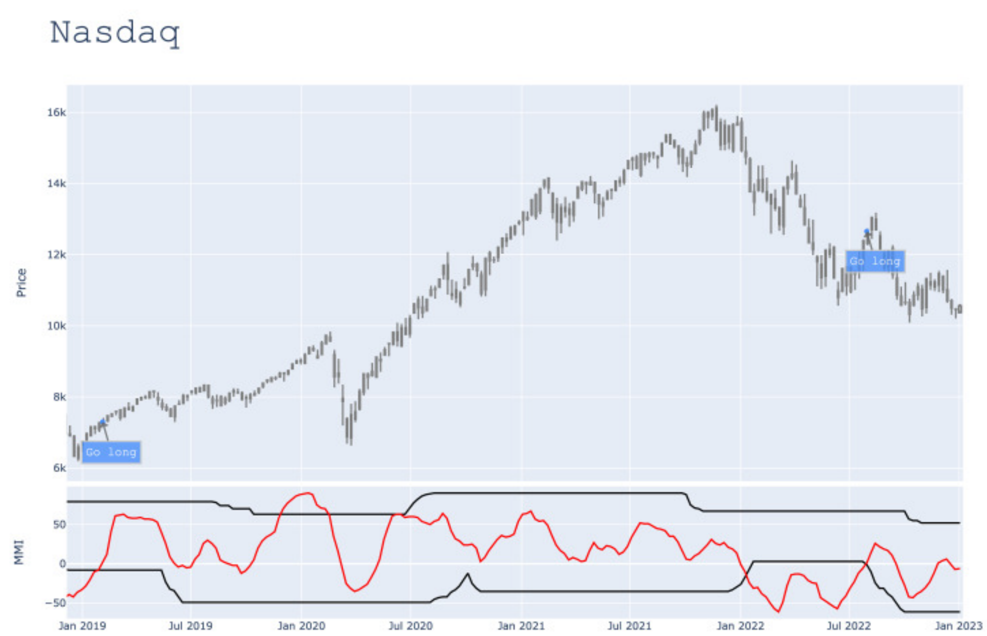
Reading the MMI® is easy and straight forward.

Lower readings suggest stocks that are positioned for maximum upside when the risk/reward ratio is highest. This is the time to add to positions, sell cash-secured puts or even rebalance into core positions you don't yet own. If you're a new subscriber, it helps answer the question of which stocks to buy first. If you're adding new money, the MMI® can help you make that choice too.

Higher readings are typically associated with stocks that are at risk of flattening out, slowing or otherwise breaking down. This is the time to consider taking profits, raising trailing stops, selling covered calls to lock in an exit or even rebalancing into positions with lower MMI® readings.

Directional input is either up or down based on which way the MMI® is trending.

KF



All data as of January 3rd, 2023

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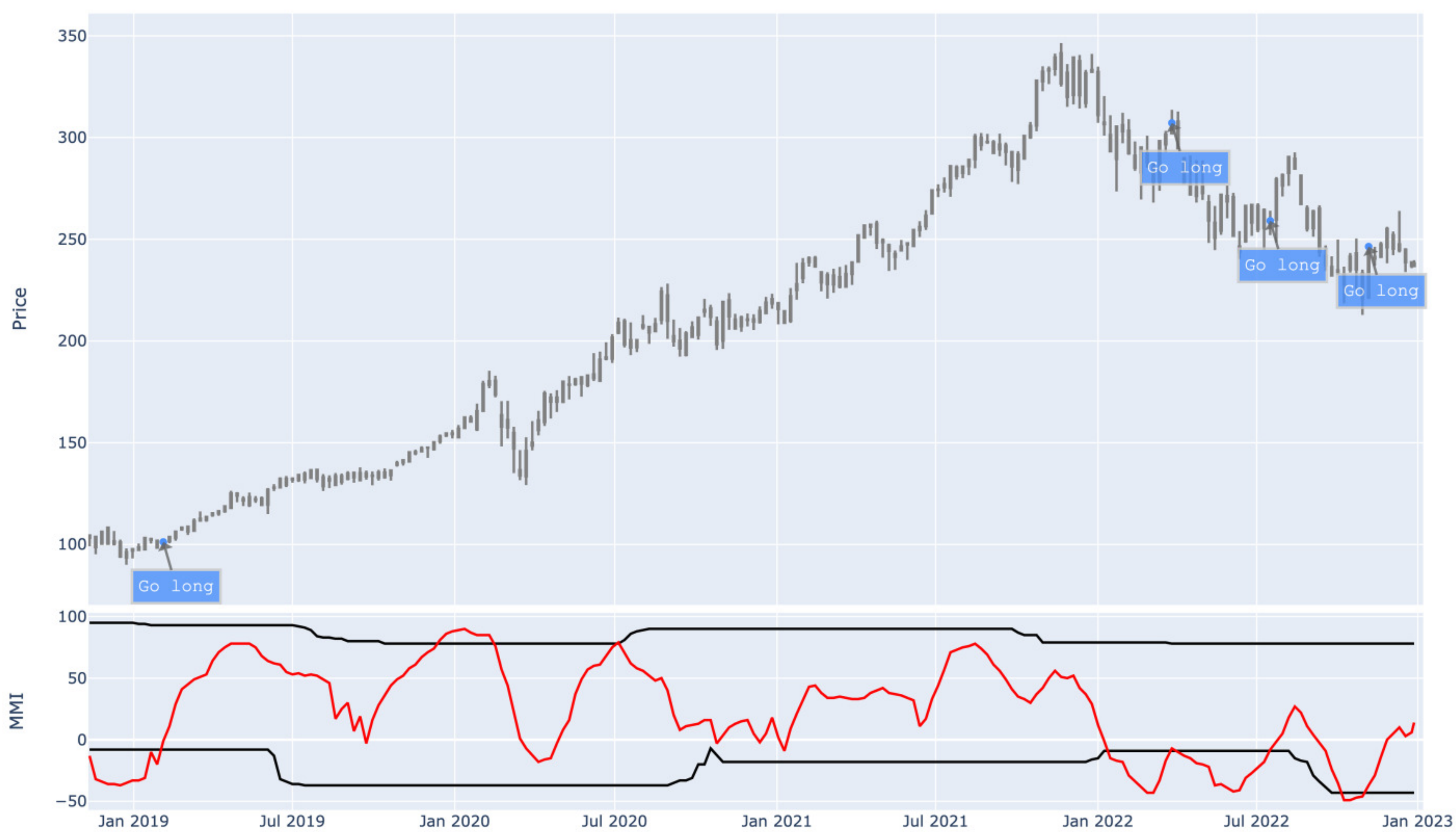
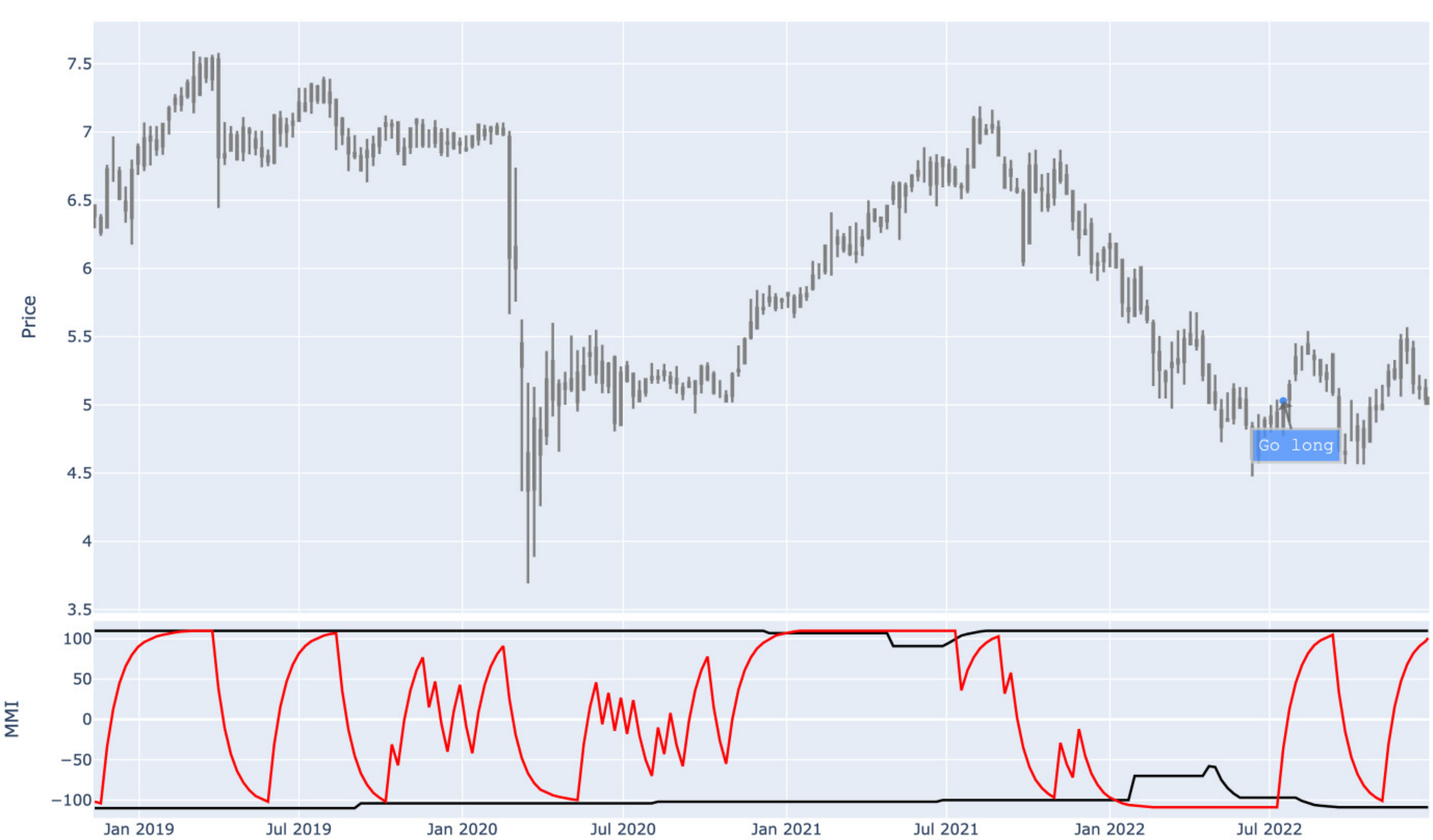
MSFT



RCS



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SIMPLE, UNDERSTANDABLE, ACTIONABLE

SIMPLE, UNDERSTANDABLE, ACTIONABLE

INTC

LMT

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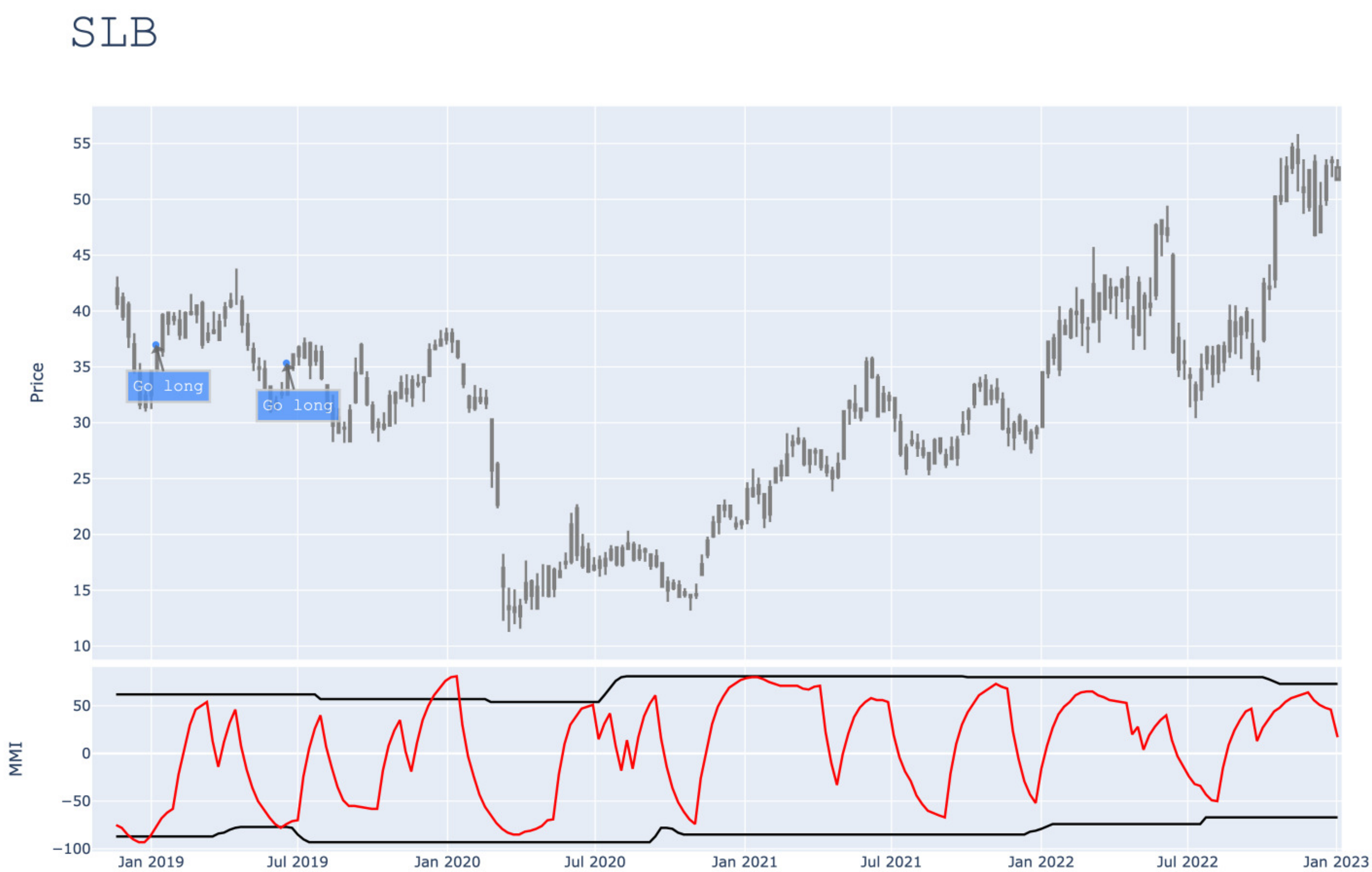

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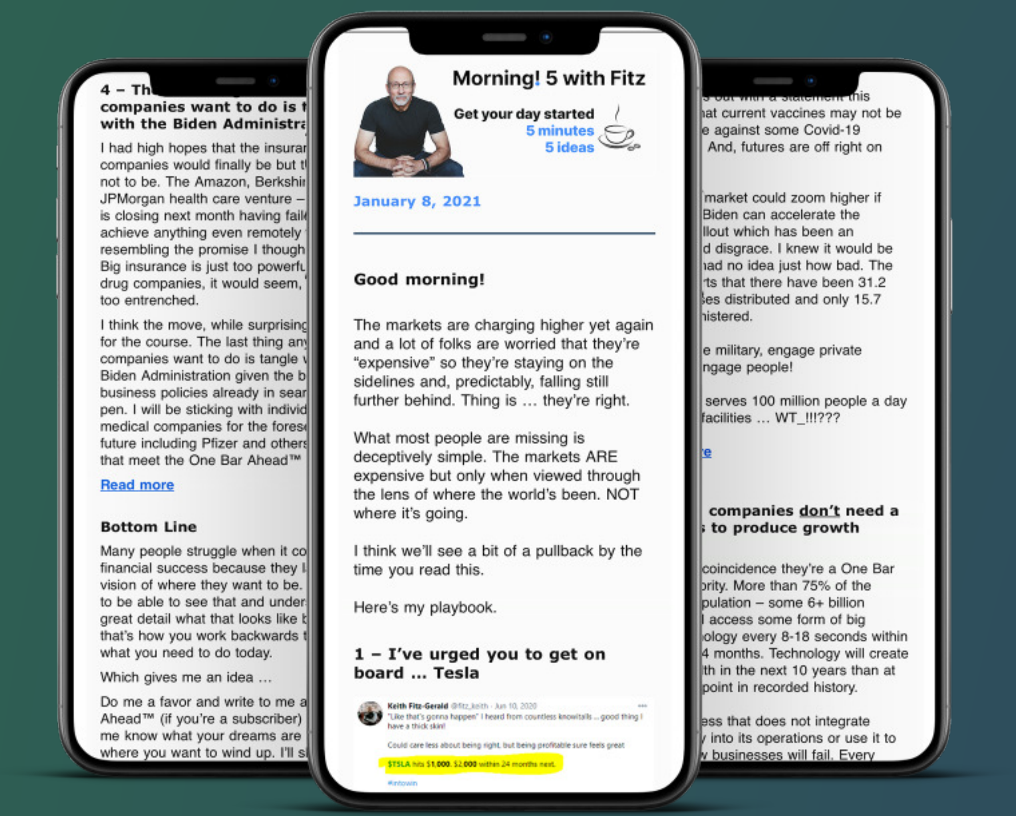
SHOP
Price
180
160
140
120
100
80
60
40
20
Go long
Go long
MMI
100
50
0
−50
Jan 2019
Jul 2019
Jan 2020
Jul 2020
Jan 2021
Jul 2021
Jan 2022
Jul 2022
Jan 2023

Thank You for Reading One Bar Ahead®

The quest for consistent safety-first, big-picture profits never stops. You simply need access to the right stocks, the right strategies, and the right education. No gotchas, no gimmicks. In plain English.



So good, pros read it!

For more of Keith's analysis and research, make sure you're signed up to get his daily trading notes for FREE!

Often described as the next best thing to sitting next to him when the opening bell rings, some readers even go as far as saying it's the best part of their morning!

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