Larry Cheung, CFA: Patreon Investment Community Research Updates
November 1st Half Strategy Report (11.1.22-11.15.22)

Title & Thesis: We are approaching a seasonally strong period of the year for Bulls. I do believe that if Republicans win both the Senate and the House after midterm elections, it is possible that the size of this bear market rally on the S&P 500 could catch Bears by surprise. The S&P 500 is getting stronger with its composition changing (read research below). Fed Chief Jay Powell is likely to reiterate verbal hawkishness in November FOMC. However, if his message is that the Fed Funds Target 2023 remains at 4.5%-5%, I am extending my October opinion and believe that the rally has further to run. With FAAMG earnings finished, the market is greatly de-risked from tech disappointment. I expect new leadership to emerge within SPX. Upon any large epic euphoric rally, use this as an opportunity to de-risk.

For context, please make sure to read my previous updates leading up to this one so that you understand my thought process. I strongly recommend reading the past 2 Bi-Weeklys so that you can understand the context of this note.

Quick Recap on Markets in October:

In my Mid-October reports, I discussed the strong potential that we would see a significant tactical bounce with Buyside investors front-running any sign that Rates would remain stable/paused. Since then, we've leapt from the S&P 500 3600 region into the high 3800 region, crossing 3900 on Friday 10/28. I specifically discussed rallies in the 250-400 point range in a recovery scenario. This is now materializing. While I do believe a pullback is coming because the rally has been swift, I believe the markets are demonstrating incredible strength with FAAMG earnings largely disappointing yet the broad market advances. That said, I remain on the sidelines on Apple. Their post-earnings price action has been impressive but their organic business growth is slowing down and their share repurchases are artificially holding up the company. **Their share repurchases were just as large as their quarterly cash flows.**

On company specific notes, our defensive ideas from September continue to shine: Dollar tree has surpassed 155. Costco reclaimed 500. JNJ is near 175. Berkshire Hathaway is now near 300. Our offensive ideas (MSFT/GOOG/AMD) trailed the market, but their recent price action implies that investors still have faith in these names. After FAAMG earnings, I view MSFT/GOOG/AMZN to offer good intermediate/long-term value.

Long-time members & friends now hopefully see the value of intermediate-term investing (a type of investing strategy that is multi-week/multi-month in nature). This time horizon is my personal strength. The confidence (and accuracy) of my opinions is highest in this specific timeframe.

I believe there are many traders in the marketplace who are more experienced than I am when it comes to day-to-day price action/maneuvering.

But when it comes to intermediate-term investing, if you have been a long-time follower of my strategy, you'll notice that it requires LESS work, and produces BETTER outcomes.

You can see that I've gone for the bigger macro opinions based on where I see the environment is heading.

- Dollar Tree to be a big beneficiary given weak U.S. Consumer
- Berkshire Hathaway as the primary way to play Oil given Buffet is a master capital allocator
- JNJ as a top healthcare name and largely considered to be staples
- Defending Kroger even after its acquisition plans because it doesn't matter whether they go through with it or not - KR will still benefit from today's environment.

My ideas take time to play out (they are intermediate-term after all). If you are a new member, you will see what I mean within several weeks/a couple months. I will be very deliberate in what timeframes I use when I'm discussing my research opinions. If you're new to our Community, make sure to always read at least the last month's 2 reports before reading this one so that you get context.

Now, some of these Dow Jones stocks and defensive names that we've guided positively upon in our Bi-Weekly dashboards have RSIs that are approaching 70. Objectively speaking, we should expect gains to slow down even though the positive momentum is in the Bull's favor. Consolidation or a modest pullback here is very healthy, and should be welcome if we want the advance to be durable and sustainable.

I believe that the current recovery we are seeing in markets is a bear market rally (BMR). I do believe this BMR has further to run if the November FOMC reiterates the Fed Funds Target rate at 4.5%-5%.

With that said, let's discuss our November Strategy on the U.S. and China.

Dear Friends, Members, and Patreon Investment Community,

As we start our November research note, we are observing a divergence that I want to bring your attention to. At the index level, the markets have rebounded since our last report. However, many different sectors and key individual companies have experienced meaningful softness.

Since the S&P 500 made a local bottom at 3580 in October, we've made the following observations:

- Healthcare (MRK, JNJ, AMGN), Financials (BAC, JPM, GS, V, MA), and Energy (XLE, XOM, CVX) are now the market's leaders. Healthcare in particular is actually close to yearly highs (an incredible feat during this period of uncertainty). Energy is a top leading sector.
- Previous leadership groups such as Semis, Internet, and China have lagged behind the more defensive groups. Most retail investors have much greater exposure to Semis/Internet/China compared to Healthcare/Energy.
- Yields are indeed pausing with the 2Y yield peaking at a local high of ~4.6%.
- The Dollar is starting to consolidate in the 110-113 region, which will be supportive of U.S. equities should it stay at those levels (or lower)
- Despite geopolitical worries, Oil is still range-bound between 85 and 95 per barrel.

We enter the month of November on a stronger footing than sentiment from September and October. We are also entering a seasonally stronger period for stocks, and I believe that certain sectors/industries have seen their lows for the Bear Market (will be discussed soon).

Before I dive into the nitty-gritty details of the report, I want to outright share my conclusions of the current market:

- Until the Fed pauses rates, I view the Value Theme (VTV ETF) to outperform the Growth Theme (VUG ETF) from a relative standpoint.
- At this moment in time, rather than make an opinion on whether we have bottomed or not (which I don't find to be a meaningful question), I'm going to make an opinion on whether we have more upside for the rest of 2022 even after a large climb in the S&P 500. My answer to this is "Yes I think we do". I will revisit my opinion if I see facts that hurt my bullish thesis, but for now, yes I see more upside from today's 3900 SPX level (meaning that 3900 is not a top).
- With the intensive pessimism and short/bearish positions in the market, and the S&P 500 having crossed its 50-day moving average, any interpretation of a less-hawkish stance from the Fed could send the index to its 200-day moving average of 4100 before longer-term sellers re-emerge in the picture. The November FOMC will be key to sustaining my opinion.

Here is a short list of macro events that will dictate the tone for the upcoming 15 or so days.

Event	Implication (my Opinion)
November 1-2: November FOMC	• The Fed is likely to raise by another 75BPs and start discussing that they are approaching the "mid-range" of restrictive territory. • The key in this meeting is to reaffirm the 2023 Fed Funds Target 4.5%-5% • What the Fed does in 2023 is FAR more important than what they do in just December. Remember, think ahead.
November 4th: October Jobs / Employment Report	• To our surprise, the reported U.S. unemployment rate actually fell to 3.5% last month. We believe this is unlikely to fall further given the environment that we are observing. We believe it ticks higher.
November 8th: U.S. Midterm Elections	• If Republicans can win both the House and the Senate, I would share a contrarian opinion that the Russia-Ukraine war may be coming to an end. And with that, Food inflation will be tamed. The Bear Market MAY end on this pivotal outcome. This is contrarian, but I believe in this opinion.
November 10th: October CPI	• As previously mentioned in October reports, I believed that if CPI is around 6-7%, the markets will have already priced in a powerful recovery. Currently, CPI is still 8%+.
November 16th: NVDA Earnings Date	• NVDA is approaching a 70 RSI, so it's earnings will be critical to sustain its recovery. I issued a Weak Buy on NVDA in last Bi-Weekly. I reiterate the Weak Buy rating on a pullback.

On FAAMG Earnings and the current state of the Bear Market

The U.S indices have held up during the month of October despite the gigantic sell-offs that we're seeing in the FAAMG companies, with the exception of Apple.

Although this may be an early opinion, the ferocity of such selling pressure on this leadership group while the indices are still holding up strongly **implies that the internals of the market are starting to redistribute leadership power through weights.** This has serious implications for long-term investors who try to pick individual companies.

For instance, 3 out of the top 10 stocks in the S&P 500 (SPX) are healthcare-related (UNH and JNJ) and one of them is energy (Exxon Mobil). This giant sized tectonic shift in the market now has UNH weighing more in the SPX than Google. And from companies ranked 10-15, 2 of them are financials (JPM and V), 1 of them is Energy (CVX) and another one is Consumer Defensives (PG)

Previously a top 7 company by weight inside SPX, Meta is now #25 with a .69% weighting.

Looking forward, this means that any significant disappointments in Meta are unlikely to move the market. The market has changed, while tech still influences the market, **it is now a much smaller part of the market compared to the beginning of 2022.**

From a big picture perspective, investors are re-calibrating the forward outlook of what should be rewarded in the S&P 500 based on a high energy prices, stagflationary, weak growth environment going forward.

With this new composition, it IS indeed possible that the S&P 500's recovery is more durable than most retail investors think. Most retail investors are well aware of the fact that the current bearish catalysts (Hawkish Fed, Weak Growth, High Rates) continue to exist.

However, I do not believe most retail investors have done enough homework (other than you of course) and have assessed the fact that these bearish catalysts actually do a lot less damage to the Healthcare and Energy sector compared to Consumer Discretionary and Tech sectors.

The S&P 500 at 3900 today is a very different S&P 500 earlier this year when it was also at 3900. Today the index is heavier in Energy, Healthcare, Financials, and Staples. Previously, I'd almost like to say the S&P 500 was just the FAAMG + Semiconductor stocks in disguise.

In other words, the S&P 500 has recalibrated to the high inflation environment and is a lot "stronger" now that the companies that are heavily impacted by high inflation are now loosening its grip on the index's move.

My key takeaways from this is the following:

- The S&P 500 <u>used to</u> move very similarly to the Nasdaq 100 when 25% of the index was FAAMG alone. With the SPX now changing its composition, for the first time in years, we could see the performance of these two indexes start to differ more greatly from here.
- With macro weak, Fed Funds rates likely to stay elevated (rather than go up much more from here), and inflation above 6% for at least 4-6 months (in my opinion), I view technology as a play that will require very sharp company-selection skills because it will have a harder time matching the S&P 500. Generally speaking, during periods of high inflation, profitless tech will greatly lag the SPX (in my opinion).
- Out of the FAAMG stocks, I have added AMZN to my preferred list of stocks along with MSFT/GOOG. I am not chasing the Apple rally. And I am not going to entertain the value-trap that I now believe Meta has become. That said I hope AAPL/META do very well, and I wish all their shareholders well.
    - I like GOOG because it's the most certain Ad business to recover when macro improves.
    - I like MSFT because they have a strong compounding business in Cloud
    - I like AMZN because it's only a matter of time until consumers feel stronger about their prospects in 2H 2023.
    - All 3 of these companies face very little competition.
- It is a good idea to have SPY on large dips as a part of your portfolio even if you are a tech/China focused investor. This is so that you have more healthcare/energy/financials exposure.

To be quite frank, I do not view Tik Tok or FB Ads from Meta to be serious competition for Google. There's also not very much competition to Amazon, or to Microsoft. I like the positioning these 3 companies have. For these reasons, these are the 3 FAAMG stocks that I think represent macro, and will recover when macroeconomic circumstances improve.

I do believe investors should no longer obsess over just the FAAMG stocks, and be open to other companies in the Healthcare, Energy, and Financials space. My future coverage universe will potentially adjust based on what I see to be good value.

In my October 1st Half Report, I discussed the following names I like based on the macro environment and market-participant positioning at the time.

Blurb from October 1st Half Strategy (Link to full report)

I now want to break out my best ideas based on a careful screening and analysis of the situation. I will break my opinions down based on timeframe and risk tolerance (offensive or defensive).

Timeframe	**Companies inside my Coverage / Secondary Watchlist**
Short-Term (Get out of the position if you have a quick win)	Offensive: SHOP, EXPE, DIS, LRCX, AMAT Defensive: TLT ETF
Intermediate-Term (I'm comfortable holding these names tactically for 3-9 months or longer)	Offensive: BRK.B, XLE ETF, AMD, GOOG, MSFT, SOXX ETF Defensive: DLTR, JNJ, KR, TLT ETF, WMT, DG
Long-Term (I'm comfortable holding these names for 12 months or longer)	Offensive: Alibaba, Tencent, NIO, Meta, AMZN, MU, MSFT, GOOG, AMD, SPY, QQQ, DIA Defensive: BRK.B, COST, WMT, DLTR, DG
Buy & Hold Forever Candidates (The business model is highly likely to do well over a 3-5Y+ period. I expect the stock price to follow.)	Costco, MSFT, BRK.B

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Going forward, I now want to add on the following opinions (My opinion on these names above is unchanged):

- If the Russia-Ukraine war ends, we will see energy and food prices fall. This will lower inflation readings going forward and potentially cause a sharp rotation back into Tech and Consumer discretionary.
- Assuming the macro environment stays constant today, pullbacks in Energy, Consumer Defensives, the Dow Jones type stocks, the Value ETF are candidates for additional purchases to balance out Tech and China positions.
- China has roughly 30-50% upside from today's levels. I know this isn't even close to what many people purchased these stocks at, but I can say that Xi's new policies will disallow shareholders from getting rich (he is pushing Modern Socialism, after all)

Global Central Banks (like the ECB are starting to change their tone)

U.S. financial media headlines typically focus on domestic developments, and while they do discuss non-U.S. events, they do not place as great of an emphasis on global central banks compared to the U.S. Fed.

Here's my research observations that you need to know. This is important because this is the beginning of a potential tone change.

- **On Canada:** The Bank of Canada hiked interest rates by only 50BPs when economists were expecting 75BPs
- **On Australia:** Smaller hikes going forward
- **On ECB:** Christine Lagarde has discussed that the Governing Council has made substantial progress in withdrawing monetary policy accommodation. Specifically the Governing council said they say they will raise interest rates further but did not discuss the timeline.

You may be surprised to hear this given that the inflation rate in the Eurozone is even higher than that of the U.S. at 10%. Canada and Australia's inflation rate is also elevated.

Economic Data

Countries and Indicators

COUNTRY NAME	GDP (USD)	REAL GDP YOY	REAL GDP QOQ	INTEREST RATE	INFLATION RATE	UNEMPLOYMENT RATE	POPULATION
China	17.73T	3.90%	3.90%	3.65%	2.80%	5.50%	1.412B
Japan	4.937T	1.60%	0.90%	-0.10%	3.00%	2.60%	125.68M
France	2.937T	4.20%	0.50%	1.25%	6.20%	7.30%	67.50M
Canada	1.991T	4.56%	0.81%	3.25%	6.86%	5.20%	31.88M
United States	23.00T	1.80%	0.64%	3.25%	8.20%	3.50%	333.57M
Spain	1.425T	6.80%	1.50%	1.25%	9.00%	12.40%	47.33M
Italy	2.10T	5.00%	1.10%	1.25%	9.40%	7.80%	59.07M
Eurozone	14.49T	4.10%	0.80%	1.25%	9.90%	6.60%	342.57M
United Kingdom	3.187T	4.40%	0.20%	2.25%	10.10%	3.50%	67.33M
Germany	4.223T	1.70%	0.10%	1.25%	10.40%	3.00%	83.13M

However, across the globe, you have the private sector in Canada, Europe, and Australia being highly leveraged and their borrowing rates now are certainly in restrictive territory. The Global Central banks are in a difficult situation of needing to balance the confidence of the private sector while still being able to win the inflation fight.

Unfortunately, I think it will be very difficult to do both at the same time. At this moment in time, I believe the ECB, the Bank of Canada, and the Royal Bank of Australia are hoping that inflation will naturally come down on its own.

If it does, due to the fact that the Central Banks are starting to moderate their tone - I DO believe that we could miraculously see a mild recession scenario if the Fed pauses rates soon.

However, if inflation somehow creeps higher from here, Central Banks **will be forced to take further action and market's are not pricing that at this moment in time.** The markets are pricing in an eventual pivot and mild recession scenario based on my assessment of inter-market data, evidenced by higher Gold prices, higher Oil prices, Dollar topping out, and Defensive stocks still holding up.

If the Fed hikes Fed Funds Rates materially above 5% (which I don't think they will, but anything can happen), the entire market is going to sell off from today's levels (SPX 3900).

Among all the Wall Street Strategists whom I follow, I am in most alignment with Morgan Stanley's Mike Wilson who has been bearish for much of this year but sees a potential end to the bear market in 1H 2023.

This is in alignment with my previous reports where I say I see rates peaking within 1H 2023, and therefore a fundamentally sounder backdrop will emerge.

Investors will most likely attempt to front-run this outlook. You can see from the 2nd Half of October how ferocious this front-running can be.

It all comes down to what the Fed Funds Target range will be in 2023. If it stays at 4.5%-5%, I see better days ahead. Much better days.

If the Fed moves their target higher (to say 6%), we are in store for a lot more pain.

On China: Investors heavily debate whether post-20th Party Congress is true capitulation or a sign of what is to come. I believe that Buyside investors continue to look at Fundamentals in order to drive long-term decisions. I personally believe the sector will recover, but we must not mistake large bullish price action recovery as a sign of structural change. Any significant recovery gains in China must be closely watched. I advocate a Hold here for most investors and a Weak Buy for the most enterprising investors who wish to trade a tactical bounce.

If you are new to my Community, I would encourage you to read the last 2 months of China coverage I have provided in the Bi-Weekly updates folder so that you understand my thought process and the context leading up to my most recent reports. The Chinese Internet sector is one of the most difficult sectors to evaluate given that the sector is so heavily influenced by geopolitics, so having context to understand my research conclusions is important.

China Post-20th Party Congress Update

I have a few opinions to share regarding China after the 20th Party Congress:

- General Secretary Xi Jinping is going to further emphasize the "socialism" aspect of modern Chinese society. This means that extreme wealth accumulation will probably be monitored. In other words, excessive share price appreciation will probably be frowned upon (not friendly to shareholders).
- It is now important to assess the political risks behind every single China-name that you own. As discussed previously, non-controversial names like Trip.com will respond more in-line with economic data. Names that have political association with them such as Alibaba/Tencent/Baidu will depend on the relationships between key company officers and government officials.
    - You will know that the association is political if the company leader has at one point called out the Chinese government in an adverse way OR if the company's product has the ability to change citizen perception related to the government's image.
        - On BABA: I know it's difficult to believe this, but Xi Jinping is most likely never going to forget how Jack Ma publicly shamed the China banking sector during the heady days of November 2021 when Ma tried to take ANT IPO public

    - On Tencent: As I discussed back this summer in one of my previous reports, Tecent's Pony Ma wrote a rare public email lamenting the government's efforts. This would later come back to haunt the firm.
    - On Baidu: Baidu's cloud segment is now going to be hampered by the U.S. and China geopolitical spat on semiconductor export curbs.
- While western media outlets will continue hammering the narrative that China is essentially going to privatize their tech industry, Xi Jinping and his Politburo Standing Committee do in fact need economic growth to continue to go in the right direction. That said, the way they go about economic growth will be in a fashion more akin to modern socialist characteristics rather than outright capitalism.

The market pricing of Chinese Internet stocks is dramatic, but rather than a decline in company-specific fundamentals, I rate this price action as a reset and repricing of future expectations. I do believe that investors are indeed correct to be wary of China's weak economic backdrop, but I also believe that declines of this magnitude are more due to emotions than fundamental analysis.

Among the bulls who still support the China market here are several key voices who I'm following:

- Chairwoman of HKEX, Laura Cha Shih May-Lung said recently that the selloff post 20th Party congress will prove to be an "aberration" at Saudi Arabia's Future Investment Initiative.
- Global CIO at Fidelity Andrew McCafferey believes that China will be forced to choose growth over time if they want to accomplish what they set out to do.
- JPM's China Team also upgraded the sector as well due to valuation

What has emboldened the bears and frightened the bulls is that individuals believed to have strong reformist or market-oriented tendencies like Vice Premier Liu He and Premier Li Keqiang no longer have spots on the central committee.

Here are the turnover changes among the decision makers in China

- The turnover on the Politburo Standing Committee was 57 percent (4 of 7)
- Turnover on the Politburo was 54 percent (13 of 24)
- Turnover on the Central Committee was 64 percent (132 of 205).
- The Party China Military Commission turnover was 43 percent (3 of 7).

These figures are not too radically different from those in past years in terms of turnover, but are elevated relative to the normal turnover averages. This explains the constant concern surrounding China's central leadership and their direction.

In order to find clarity, I set out to understand the other 6 key individuals who are now alongside Xi Jinping. To read more about their backgrounds, feel free to read this Wall Street Journal PDF.

My interpretation of this report is the following:

- Xi Jinping's Politburo Standing Committee has consolidated power to execute on his vision of China. If you agree with his vision of China (which is to promote healthy/stable (but slower) growth rather than previous years of high-growth), then I believe China is still investable.
- Xi and his Committee are not immune to the economic problems that are currently plaguing many of its citizens who have to contend with Zero Covid lockdowns. As previously discussed extensively in prior reports, China does not have the healthcare infrastructure that can support its citizens in an orderly way if Covid cases were to get out of control.
- Because Xi and his team have closely aligned views, this means that progress can be made stunningly fast. Given that power is centralized upon his beliefs, should he make a key decision for business regulation, the market is likely to make tremendous price changes to the market immediately (e.g. China stocks can soar 10% in a day or 30% in a month if Xi one day decides to get more dovish on some of his policies)
- Given that Xi has chosen his Committee members based on who he has a close relationship with, you can be assured that business leaders who do NOT have a good relationship with him or his Committee will be hampered in their growth prospects.

As a result of this, I am always assessing the key relationships between company leaders and the central government.

If you see any company officials get outspoken about China and make adverse public statements about the government, I can safely say that you need to sell that company if you own it in your portfolio.

Barron's recently published a cautionary note on China. This is a good note to read although much of this information is well known to you by now.

Xi Jinping and Biden are set to potentially have a meeting at the G20 November 15th-16th event in Indonesia, Bali. This is an opportunity for the two countries to potentially reset their relationship. I will watch this event closely, and keep you updated. If this meeting goes well, China could see stabilization and a possible tactical recovery.

Conclusions:

- You must choose companies that are aligned with the Party interests and their future vision for China.
- Pick the largest and most NON-controversial names inside the KWEB ETF. Do NOT go for smaller cap China names as they are extremely difficult to do fundamental analysis on.
- Trip.com is now my personal preferred way to get exposure to the China reopening trade (once it happens). I am now sizing Trip.com to be my largest China position. Alibaba is second. And KWEB is third. I also own JD/BIDU/Tencent/PDD. But those are in smaller allocations. I was watching BEKE on my watchlist, but I did not see any concrete statements to suggest the Party will come to Real Estate's rescue in a way that will restore confidence right away.
- I am now also exploring different China ETFs that have more A-Shares exposure as some of these ETFs have outperformed China Internet ETFs with only China ADRs. ETFs such as ASHR, KBA, CNYA are ETFs that I will discuss in future reports if/when appropriate.

List of China Based ETFs: Link Here

Symbol	ETF Name	Region	Total Assets ($MM)	YTD	Avg Volume	Previous Closing Price	1-Day Change
MCHI	iShares MSCI China ETF	Emerging Asia Pacific	$5,515.95	-40.15%	5,100,203	$37.36	-2.53%
KWEB	KraneShares CSI China Internet ETF	Emerging Asia Pacific	$4,098.39	-45.66%	19,735,596	$19.83	-3.92%
FXI	iShares China Large-Cap ETF	Emerging Asia Pacific	$4,004.83	-39.16%	33,698,836	$22.16	-2.64%
ASHR	Xtrackers Harvest CSI 300 China A-Shares ETF	Emerging Asia Pacific	$1,520.39	-35.23%	4,181,720	$25.32	-2.39%
GXC	SPDR S&P China ETF	Emerging Asia Pacific	$950.71	-37.95%	138,300	$63.51	-2.43%
CQQQ	Invesco China Technology ETF	Emerging Asia Pacific	$727.56	-47.24%	295,967	$32.78	-3.02%
CXSE	WisdomTree China ex-State-Owned Enterprises Fund	Emerging Asia Pacific	$676.41	-42.99%	145,123	$28.06	-3.01%
KBA	KraneShares Bosera MSCI China A 50 Connect Index ETF	Emerging Asia Pacific	$546.32	-35.70%	173,897	$27.92	-3.02%
CNYA	iShares MSCI China A ETF	Emerging Asia Pacific	$447.21	-33.60%	100,152	$28.90	-2.56%

Q&A with General Themes

Q: Hi Larry, on execution, how should we think about additional tranches after the first purchase?

A: As a refresher, here is the strategy with my execution plan in my October report. Generally speaking, assuming I still hold a positive outlook, I size my 2nd as the same as the 1st. But my 3rd and 4th tranches will be slightly larger than the 1st & 2nd tranche so that I can significantly lower my cost basis. If my 4th tranche is not profitable, I know that for the time being, I am most likely incorrect on the name, and will stop accumulating.

Please note that this is a longer-term investment strategy. This strategy is not suitable for short-term trading where losses should be cut immediately based on pre-set levels.

Q: What do you think about the large savings rates that banks now offer? How about the Savings I Bond?

A: Personally, I think that the large savings rates that Citi, Goldman Marcus, or Ally offer of 2.3% are excellent ways to park current cash holdings. As proactively mentioned in my September reports, I believed that the Series I Bond was an excellent way to park excess capital. Demand for these Bonds nearly crashed the Treasury website ahead of its deadline.

Q: What are your thoughts on the TLT ETF or Bonds in general right now?

A: I've started investing in the TLT ETF as I believe the Fed will pause rates in 2023. The timing isn't going to be clear-cut, but I view longer term bonds to be attractive once the economy shows that it's decelerating in a manner where leaders declare we're in a recession.

Bond values will rise during a recession - this is not a matter of if but when. Investors must park their capital somewhere, and Bonds will be a part of that plan.

Investors who want to catch the a higher probability botto on the TLT ETF can potentially wait for the ETF to fall under 90 (though there is no guarantee it will)

Q: Do you believe the real estate market has further to fall from here?

A: Almost certainly. Real estate is much more black and white compared to the stock market because it is a function of mortgage rates and consumers' expectations about the future. Given that mortgage rates are going to rise further from here and stay elevated for a while, I believe Real Estate will struggle for at least the next 6-9 months.

When we can sense that the Fed is ready to cut rates, I will recommend the Vanguard Real Estate ETF (VNQ). Not until then.

Q: Should we start panicking about China?

A: China is going through incredible structural changes at the moment. I am personally holding. This sector is not for everyone, but objectively speaking, I do not believe panic selling has ever benefited investors over a longer period of time.

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Thank you for an amazing Community.
-Larry