

The Sizemore Income Letter

May 21, 2021

Are We In Correction Mode?

By Charles Lewis Sizemore, CFA



It's getting nasty out there. While the S&P 500 and Nasdaq were both up slightly on Thursday, it's been a choppy six week grind. The S&P 500 has gone nowhere since April 9, and the Nasdaq is sitting at levels first seen in January.

So, are we in a correction?

Maybe. An "official" correction is a 10% decline from the highs. But as a practical matter, the market can sometimes just move sideways for a while, digesting the gains of the bull run.

Stock	Ticker	Entry Date	Buy Price	Recent Price	Stop Loss	Yield	Cumulative Dividends	Total Return	IRA Friendly?
Newmont Corporation	NEM	4/27/2021	\$65.72	\$ 73.85	\$53.74	3.35%	\$ -	12.37%	Yes
BHP Group	BHP	2/25/2021	\$78.04	\$ 74.10	\$60.94	4.10%	\$ -	-5.05%	Yes
Vale SA	VALE	2/25/2021	\$17.40	\$ 21.06	\$12.06	3.00%	\$ -	21.03%	Yes
Magellan Midstream Partners	MMP	1/29/2021	\$44.41	\$ 49.14	\$34.74	9.10%	\$ 1.03	12.97%	No
WisdomTree Emerging Markets High Dividend Fund	DEM	12/31/2020	\$41.22	\$ 45.63	\$37.02	4.70%	\$ -	10.70%	Yes
Healthcare Trust of America	HTA	11/20/2020	\$26.80	\$ 27.75	\$23.14	4.75%	\$ 0.32	4.74%	Yes
Physicians Realty Trust	DOC	11/20/2020	\$17.80	\$ 18.14	\$14.53	5.12%	\$ 0.23	3.20%	Yes
AllianceBernstein Holding, LP	AB	11/6/2020	\$30.85	\$ 43.40	\$28.16	9.12%	\$ 0.97	43.82%	No
Main Street Capital	MAIN	9/25/2020	\$29.74	\$ 40.92	\$24.36	8.46%	\$ 0.82	40.35%	Yes
Iron Mountain	IRM	8/25/2020	\$30.22	\$ 43.00	\$23.53	8.15%	\$ 1.24	46.39%	Yes
Starwood Property Trust	STWD	8/25/2020	\$15.70	\$ 24.90	\$15.87	12.05%	\$ 0.96	64.71%	Yes
Dow Inc.	DOW	6/24/2020	\$38.45	\$ 68.26	\$41.05	6.62%	\$ 0.70	79.35%	Yes
Tortoise Essential Assets Income Term Fund	TEAF	6/24/2020	\$10.73	\$ 14.72	\$11.07	8.19%	\$ 0.60	42.78%	Yes
LyondellBasell Industries	LYB	5/22/2020	\$60.39	\$ 109.80	\$73.29	6.17%	\$ 1.05	83.56%	Yes
Invesco Adv. Municipal Income Trust II	VKI	4/23/2020	\$10.12	\$ 12.14	\$10.87	4.76%	\$ 0.51	24.95%	No
Ares Capital Corporation	ARCC	4/23/2020	\$11.35	\$ 19.21	\$15.02	11.44%	\$ 1.20	79.82%	Yes

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I think that's the most likely scenario. We may get a proper correction of 10% or more, and it's not inconceivable that we get something more severe like a bear market. As inflated as the market is, we're certainly due for one.

But for now, until I see evidence to the contrary, I'm going to assume the market continues to grind mostly sideways. That's exactly what it did for most of 2015 and 2016 and again in 2018. That's exhausting, but it's hardly devastating. And it's an environment in which we can make money, particularly in an income-focused strategy.

But I always like to ask that all-important question: *What if I'm wrong?*

It's not at all inconceivable that inflation could get out of control, forcing the Fed to back off of its stimulus efforts. It's also not at all inconceivable that the economic recovery could fizzle out once the stepped-up unemployment benefits run out or once the rush of post-pandemic spending starts to die down. This is an economy that has been held together by government intervention, and at some point it has to prove it can stand on its own two feet. Any stumble here could be the matador sword that kills this bull.

If that happens, so be it. I don't plan to stick around and watch my portfolio tank. We protect ourselves with stop losses, ensuring that any losses we take are small ones.

I'll be revisiting our stops in the next monthly issue, scheduled to come out next week. And I strongly suggest that you take them seriously. Stop losses are only good if you actually honor them and sell when they say sell.

That's all I have for today. Until next week, keep cashing those dividend checks!



Charles Lewis Sizemore, CFA

P.S.: Apart from writing this newsletter, I run a full-service wealth management firm along with my colleagues. At **Sizemore Capital Management**, we build income portfolios like those I write about in the *Sizemore Income Letter*. But we also do a lot more than that. We manage a suite of low-volatility strategies offering low correlation to the S&P 500. If you'd like for me to take a look at your portfolio and offer some recommendations, contact me at info@sizemorecapital.com.